

# Yield Outlook

## Downside to yields remains despite better risk appetite

Ten-year Bund yields have been trading in a range of minus 0.60% to minus 0.45% for the past month, trending slightly up over the past week.

A much-discussed theme this year has been whether long European yields are low because of Brexit and the US-China trade war pushing investors towards safe havens, or whether other factors dominate.

Indeed, yield increases over the past week have been modest despite news from the US that president Donald Trump has struck a ‘phase 1’ deal with China and news that the British seem likely to secure another extension to the Brexit deadline, or even a Brexit agreement with the EU.

In our view, markets not sending yields up much despite the positive news about the trade war and Brexit looks like the right thing to do. The reasons are that (1) the underlying eurozone macro economy has remained quite weak, (2) ECB monetary stimulus should not be underestimated and (3) the market has lost faith in higher inflation.

### 1. Underlying economy still weak

The eurozone economy has been humming along at two speeds since the beginning of the year – a swift service sector and a sluggish manufacturing sector. Yet, September marked this year’s first month with a significant slacking of the previously fast-paced service sector activity, as services PMI fell to a year-low of 52.0 from 53.5 in August. The slackening comes on the back of deteriorating new business, which furthermore means that the services sector has now scaled back new hiring too. Hence, signs are growing that the transmission of the manufacturing malaise to the services sector has started.

Patient zero in the eurozone is still Germany and many economists (including Mario Draghi) encourage surplus countries such as Germany and the Netherlands to ease fiscal policies. Hope rested on the climate package totalling EUR54bn through to end-2023, announced by the German government last month.

However, the package will not do much to cure the current cyclical weakness, as most of the measures will become effective only from 2021 onwards and are not designed to conflict with the German government’s balanced-budget strategy. The package is set to be funded by higher taxes, including carbon taxes, rather than borrowing/fiscal easing. Furthermore, due to Germany’s self-imposed ‘debt brake’ and balanced-budget strategy (‘black zero’), fiscal space for a sizable stimulus programme is limited (see *Research Germany - Loosening the brake*, 5 September).

The market focus has also been on the Netherlands, which is discussing a EUR50bn investment package. The idea is to take advantage of negative yields to boost investment in, for example, infrastructure. However, the package is still in the making and final approval seems a long way off. In addition, even if the package were to be adopted in 2020, it would probably not vitally affect either fixed income markets or the economy next year – not least as the intention seems to be to build the package over the next 10-20 years.

### Quick links

Forecasts .....	4
Eurozone forecasts.....	5
US forecasts .....	6
UK forecasts .....	7
Denmark forecasts .....	8
Sweden forecasts .....	9
Norway forecasts .....	10

### Policy rates

Country	Spot	+3m	+6m	+12m
USD	2.00	1.50	1.00	1.00
EUR	-0.50	-0.50	-0.50	-0.50
GBP	0.75	0.75	0.75	0.75
DKK	-0.75	-0.75	-0.75	-0.75
SEK	0.25	0.25	0.50	0.50
NOK	1.50	1.50	1.75	1.75

Source: Danske Bank

### 10Y government bond yields

Country	Spot	+3m	+6m	+12m
USD	1.73	1.40	1.10	1.20
EUR	-0.45	-0.60	-0.60	-0.50
GBP	0.64	0.55	0.55	0.60
DKK	-0.44	-0.60	-0.60	-0.50
SEK	-0.18	-0.20	-0.20	-0.10
NOK	1.23	1.25	1.30	1.30

Note: EUR = Germany

Source: Danske Bank

### 10Y swap rates

Country	Spot	+3m	+6m	+12m
USD	1.62	1.30	1.00	1.10
EUR	-0.04	-0.20	-0.20	-0.10
GBP	0.82	0.70	0.70	0.75
DKK	0.04	-0.15	-0.15	-0.05
SEK	0.34	0.35	0.35	0.45
NOK	1.74	1.65	1.70	1.70

Source: Danske Bank

### Chief Analyst

Arne Lohmann Rasmussen  
+45 45 12 85 32  
arr@danskebank.com

## 2. Don't underestimate ECB's QE

In other words, there is no prospect of any sizeable increase in the supply of government bonds in 2020 driven by more expansionary eurozone fiscal policies.

Add to this that the ECB has relaunched its QE programme and is set to make monthly government bond purchases of EUR17bn starting in November. On top of this comes the ECB's reinvestment programme.

Given the current government budgets in the eurozone, we estimate that the volume of German government bonds available to investors in 2020 could fall by EUR50bn. For the eurozone as a whole, we estimate the supply of bonds could decline by EUR33bn once the ECB has taken its share. By comparison, European government bonds issued so far in 2019 amount to EUR166bn.

In addition, remember that the new ECB QE programme will continue until it raises short-term interest rates. This will not happen until inflation approaches 2% and we believe this could take several years. Hence, the market now knows with great certainty that there will be a major buyer in the bond market for the next many years.

**Overview of eurozone bond supply in 2019 and 2020**

Expected issuance	Deficit (% of GDP)*	Bond supply EUR bn**		Redemptions (EUR bn)		Net supply		ECB QE		Net supply incl. ECB QE and redemptions	
		2020	2020	2019	2020	2019	2020	2019	2020	2019	2020
Germany	0.5%	164	164	164	148	0	16	49	0	-50	16
France	-2.2%	190	200	127	129	63	71	38	0	25	71
Italy	-2.1%	255	250	202	195	53	55	32	0	20	55
Spain	-1.8%	105	114	84	92	21	22	23	0	-2	22
Belgium	-1.7%	28	28	21	22	7	6	7	0	0	6
Austria	0.3%	15	20	15	26	0	-6	6	0	-6	-6
Netherlands	0.4%	25	21	30	29	-5	-8	11	0	-16	-8
Finland	-0.8%	10	9	13	5	-3	4	4	0	-6	4
Ireland	0.2%	17	16	17	13	0	3	4	0	-4	3
Portugal	-0.3%	13.2	14.6	8	8	5	7	5	0	0	7
Greece	0.1%	5	5	1	9	4	-4	0	0	4	-4
Total		827	842	682	675	145	166	536	0	-33	166

\* Domestic central banks/Ministry of Finance/EU Commission/Danske Bank

\*\* Nominal and index-linked bonds

Sources: Domestic central banks, Ministry of Finance, EU Commission, Danske Bank

## 3. Market has lost confidence in higher inflation

We doubt very much whether the ECB's new package will succeed in jumpstarting the euro area economy and sending inflation higher. This would be the case only if we expected long-term interest rates to continue increasing. Investors would then place a higher risk premium on bonds and inflation expectations would rise.

We expect the opposite to happen over the next couple of quarters. The economic cycle is still pointing downward, the German economy being a particular case in point. The economy contracted by 0.1% in Q2 19 and we believe Germany is likely to see negative growth and go into technical recession in Q3. In our view, it is very likely the next step could be unemployment beginning to climb, as already seen in Sweden.

Indeed, the ECB has not succeeded in restoring market confidence in higher inflation. Many investors monitor 5Y5Y EUR inflation (average 5Y inflation rate in five years' time). It edged up a tiny bit after the ECB announced its package but has since fallen back again and, at 1.19%, has remained far below the ECB's target. In other words, the financial markets have very little confidence that what the ECB is doing will be enough to drive up inflation in the long term. The same picture seems to be developing if we look at analysts' long-term inflation expectations (Survey of Professional Forecasters).

Recent disagreements within the ECB Governing Council do not help either. Since the September meeting, a number of ECB hawks have dissociated themselves from using QE to boost economic activity. This weakens confidence in new ECB chief Christine Lagarde being able to ease policy further if need be. This, in turn, is likely to affect inflation expectations negatively – lower inflation expectations mean lower nominal interest rates.

### **Yields set to fall back again**

Overall, we expect German yields broadly to fall back to August levels and we maintain our call that the benchmark German bond yield is likely to fall to minus 0.60% within the next three months. The combination of a weakening economic cycle, ECB QE, the failure by Europe to apply fiscal policies and low inflation expectations among investors points in that direction.

The US Federal Reserve has already cut rates and while Governor Jerome Powell was very cautious about promising a string of rate cuts, we now believe we will see a series of US rate cuts and that the Fed funds rate will fall to 1% by March 2020. To read more, see *FOMC Research – New Fed Call: five more from Fed*, published on 15 August. Given our Fed call, we expect 10Y US Treasury yields to decline to 1.1% on a six-month horizon. This would help put downward pressure on long-term European yields.

European yields in particular have been under heavy pressure due to the weak economic cycle and while we expect it to improve slightly over the next 12 months, yields are not likely to increase significantly and we definitely do not expect a change to an upward sloping trend in yields.

**We expect to publish the next issue of *Yield Outlook* by mid-November.**

### **Market and forecasters losing faith that inflation will ever return to 2%**



Source: Macrobond Financial, Danske Bank

# Forecasts

## Forecasts\*

	Horizon	Policy rate	3m xlbor	2-yr swap	5-yr swap	10-yr swap	2-yr gov	5-yr gov	10-yr gov
USD	Spot	2.00	2.00	1.61	1.51	1.62	1.59	1.55	1.73
	+3m	1.50	1.14	1.30	1.25	1.30	1.30	1.30	1.40
	+6m	1.00	1.00	0.90	0.95	1.00	0.90	1.00	1.10
	+12m	1.00	1.00	1.00	1.10	1.10	1.00	1.15	1.20
EUR	Spot	-0.50	-0.42	-0.41	-0.33	-0.04	-0.69	-0.67	-0.45
	+3m	-0.50	-0.41	-0.50	-0.45	-0.20	-0.80	-0.80	-0.60
	+6m	-0.50	-0.41	-0.50	-0.45	-0.20	-0.80	-0.80	-0.60
	+12m	-0.50	-0.41	-0.40	-0.30	-0.10	-0.70	-0.65	-0.50
GBP	Spot	0.75	0.78	0.77	0.77	0.82	0.50	0.44	0.64
	+3m	0.75	0.79	0.70	0.65	0.70	0.40	0.35	0.55
	+6m	0.75	0.79	0.70	0.50	0.70	0.40	0.20	0.55
	+12m	0.75	0.79	0.80	0.60	0.75	0.50	0.30	0.60
DKK	Spot	-0.75	-0.44	-0.33	-0.24	0.04	-0.74	-0.64	-0.44
	+3m	-0.75	-0.45	-0.45	-0.40	-0.15	-0.85	-0.80	-0.60
	+6m	-0.75	-0.45	-0.45	-0.40	-0.15	-0.85	-0.80	-0.60
	+12m	-0.75	-0.45	-0.35	-0.25	-0.05	-0.75	-0.65	-0.50
SEK	Spot	-0.25	-0.08	-0.02	0.05	0.34	-0.54	-0.54	-0.18
	+3m	-0.25	-0.10	-0.10	0.00	0.35	-0.70	-0.60	-0.20
	+6m	-0.50	-0.30	-0.20	-0.05	0.35	-0.80	-0.65	-0.20
	+12m	-0.50	-0.30	-0.20	-0.05	0.45	-0.80	-0.65	-0.10
NOK	Spot	1.50	1.93	1.85	1.73	1.74	1.17	1.18	1.23
	+3m	1.50	2.10	1.90	1.60	1.65	1.30	1.20	1.25
	+6m	1.75	2.15	2.00	1.70	1.70	1.40	1.30	1.30
	+12m	1.75	2.13	2.05	2.00	1.70	1.45	1.60	1.30

\* German government bond yields and EUR swap rates used

Source: Danske Bank

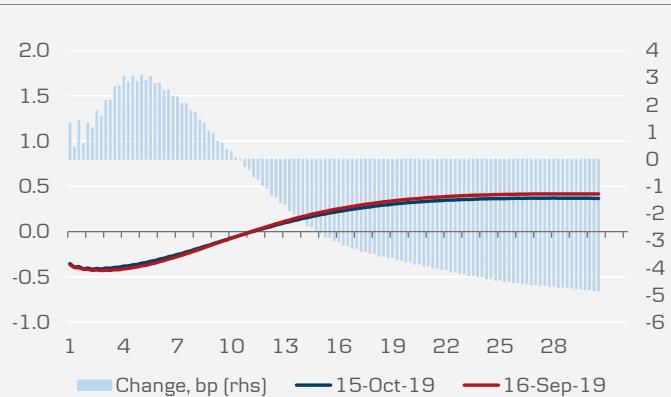
# Eurozone forecasts

## EUR forecast summary

15/10/2019		--- Forecast ---				--- Fcst vs Fwd in bp ---		
EUR	Spot	+3m	+6m	+12m	+3m	+6m	+12m	
<u>Money Market</u>								
Refi	0.00	0.00	0.00	0.00	-	-	-	
Deposit	-0.50	-0.50	-0.50	-0.50	-	-	-	
3M	-0.42	-0.41	-0.41	-0.41	3	7	11	
6M	-0.35	-0.36	-0.36	-0.36	2	6	8	
<u>Government Bonds</u>								
2-year	-0.69	-0.80	-0.80	-0.70	-	-	-	
5-year	-0.67	-0.80	-0.80	-0.65	-	-	-	
10-year	-0.45	-0.60	-0.60	-0.50	-	-	-	
<u>Swap rates</u>								
2-year	-0.41	-0.50	-0.50	-0.40	-9	-8	0	
5-year	-0.33	-0.45	-0.45	-0.30	-14	-15	-4	
10-year	-0.04	-0.20	-0.20	-0.10	-18	-20	-16	

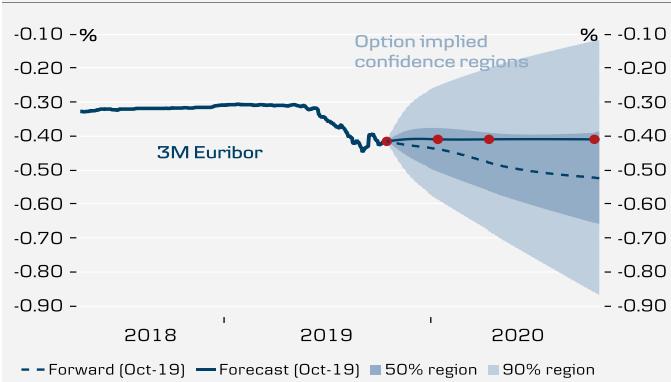
Source: Danske Bank

## 1M change in 6M Euribor



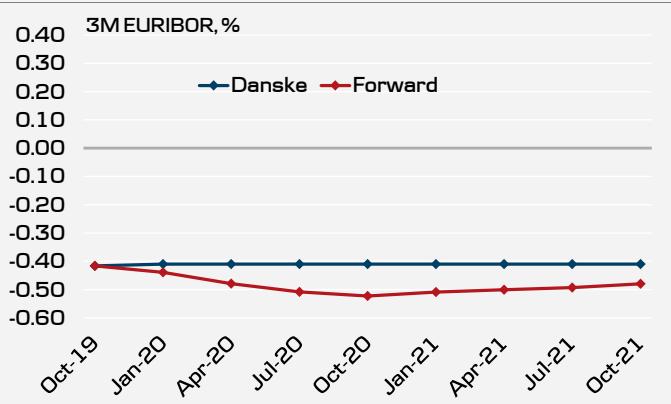
Source: Danske Bank

## 3M Euribor



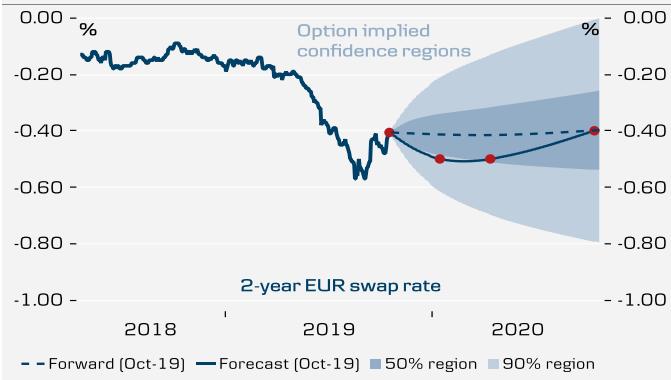
Source: Macrobond Financial, Danske Bank

## Danske Bank forecasts and forwards



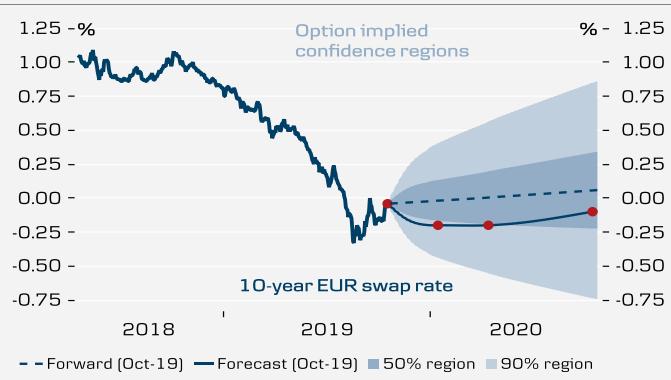
Source: Macrobond Financial, Danske Bank

## 2Y EUR swap rates



Source: Danske Bank

## 10Y EUR swap rates



Source: Danske Bank

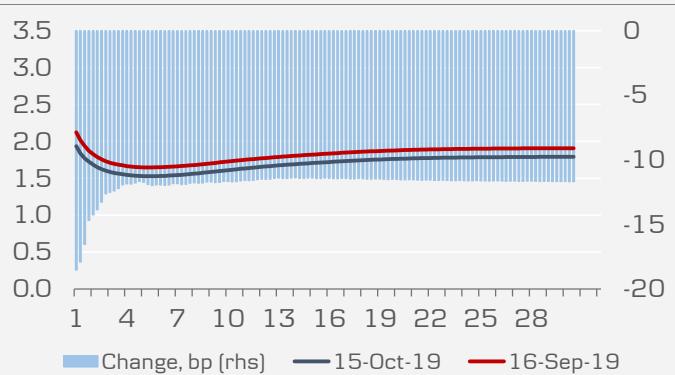
# US forecasts

## USD forecast summary

15/10/2019 USD	Spot	--- Forecast ---			--- Fcst vs Fwd in bp ---		
		+3m	+6m	+12m	+3m	+6m	+12m
<u>Money Market</u>							
Fed Funds	2.00	1.50	1.00	1.00	-	-	-
3M	2.00	1.14	1.00	1.00	-69	-63	-52
2-year	1.59	1.30	0.90	1.00	-	-	-
5-year	1.55	1.30	1.00	1.15	-	-	-
10-year	1.73	1.40	1.10	1.20	-	-	-
<u>Government Bonds</u>							
2-year	1.61	1.30	0.90	1.00	-24	-58	-44
5-year	1.51	1.25	0.95	1.10	-23	-52	-37
10-year	1.62	1.30	1.00	1.10	-31	-61	-53
<u>Swap rates</u>							

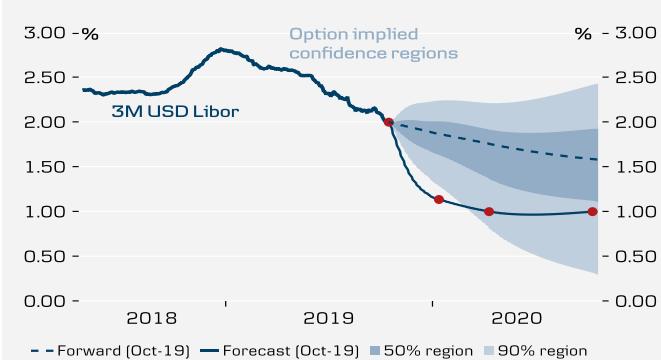
Source: Danske Bank

## 1M change in 3M USD Libor



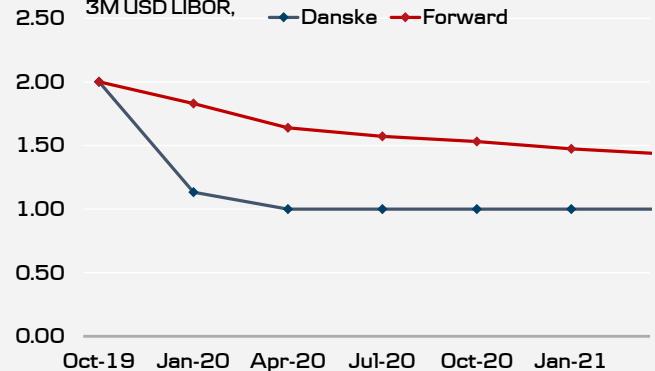
Source: Danske Bank

## 3M USD Libor rates



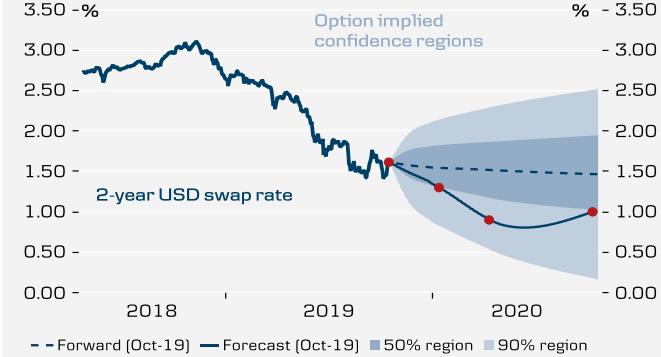
Source: Macrobond Financial, Danske Bank

## Danske Bank forecasts and forwards



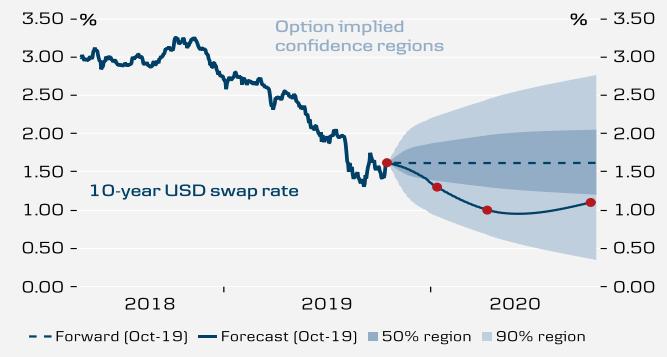
Source: Macrobond Financial, Danske Bank

## 2Y USD swap rates



Source: Danske Bank

## 10Y USD swap rates



Source: Danske Bank

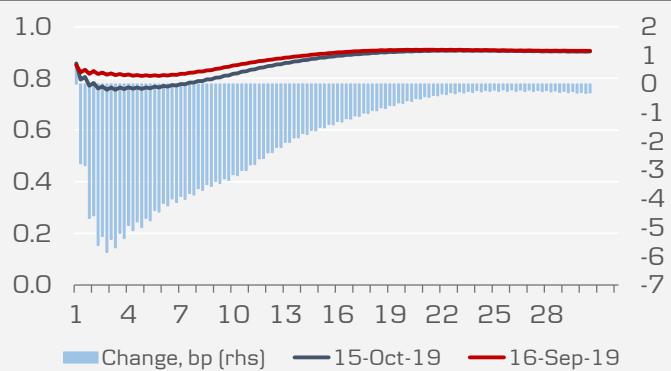
# UK forecasts

## UK forecast summary

15/10/2019		--- Forecast ---				--- Fcst vs Fwd in bp ---		
GBP	Spot	+3m	+6m	+12m	+3m	+6m	+12m	
<u>Money Market</u>								
Repo	0.75	0.75	0.75	0.75	-	-	-	
3M	0.78	0.79	0.79	0.79	3	9	12	
<u>Government Bonds</u>								
2-year	0.50	0.40	0.40	0.50	-3	2	16	
5-year	0.443	0.35	0.2	0.3	-4	-17	-4	
10-year	0.64	0.55	0.55	0.60	-10	-12	-11	
<u>Swap rates</u>								
2-year	0.77	0.70	0.70	0.80	-6	-5	5	
5-year	0.77	0.65	0.50	0.60	-11	-26	-23	
10-year	0.82	0.70	0.70	0.75	-12	-12	-8	

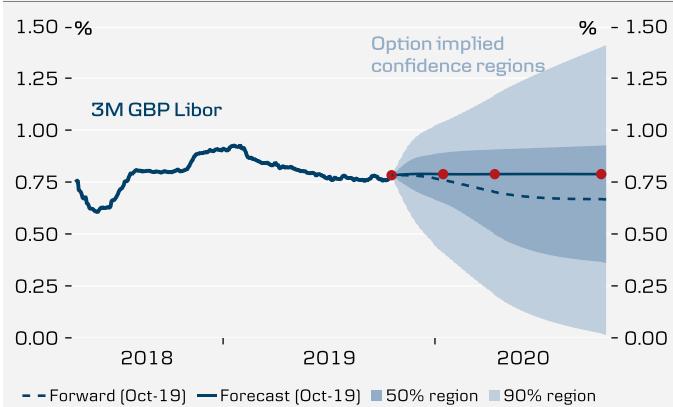
Source: Danske Bank

## 1M change in 6M GBP Libor



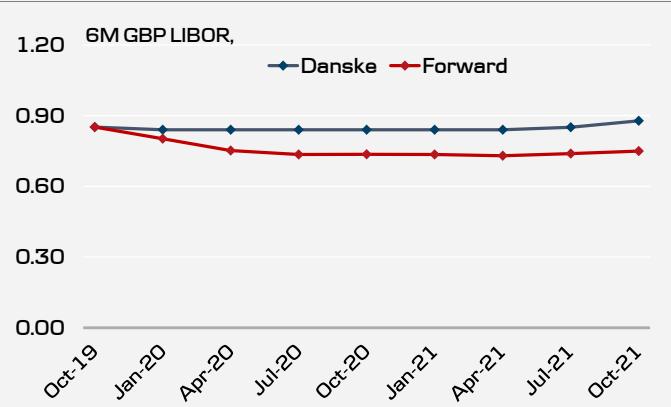
Source: Danske Bank

## 3M GBP Libor rates



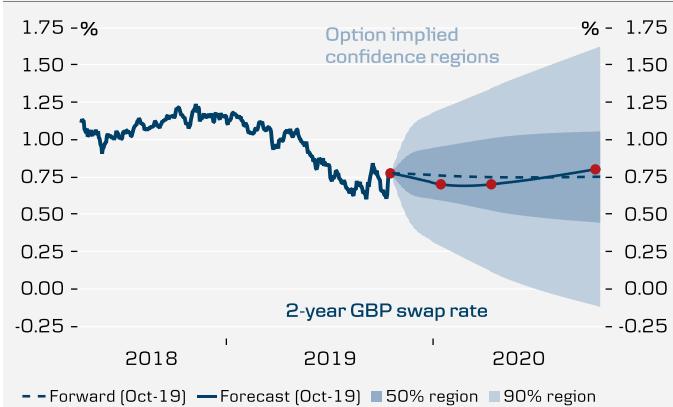
Source: Macrobond Financial, Danske Bank

## Danske Bank forecasts and forwards



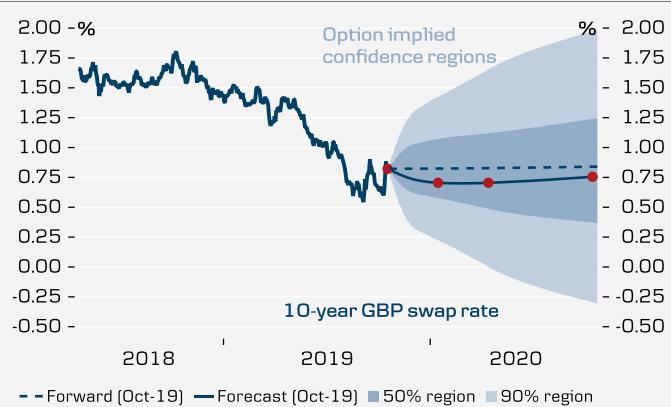
Source: Macrobond Financial, Danske Bank

## 2Y UK swap rates



Source: Danske Bank

## 10Y UK swap rates



Source: Danske Bank

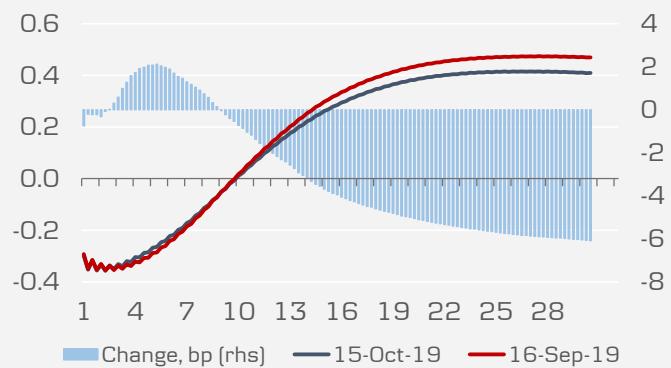
# Denmark forecasts

## DKK forecast summary

15/10/2019 DKK	--- Forecast ---				--- Fcst vs Fwd in bp ---		
	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money Market</u>							
CD	-0.75	-0.75	-0.75	-0.75	-	-	-
Repo	0.05	0.05	0.05	0.05	-	-	-
3M	-0.44	-0.45	-0.45	-0.45	1	3	6
6M	-0.30	-0.30	-0.30	-0.30	1	2	6
<u>Government bonds</u>							
2-year	-0.74	-0.85	-0.85	-0.75	-	-	-
5-year	-0.64	-0.80	-0.80	-0.65	-	-	-
10-year	-0.44	-0.60	-0.60	-0.50	-	-	-
<u>Swap rates</u>							
2-year	-0.33	-0.45	-0.45	-0.35	-11	-12	-3
5-year	-0.24	-0.40	-0.40	-0.25	-17	-19	-8
10-year	0.04	-0.15	-0.15	-0.05	-21	-24	-19

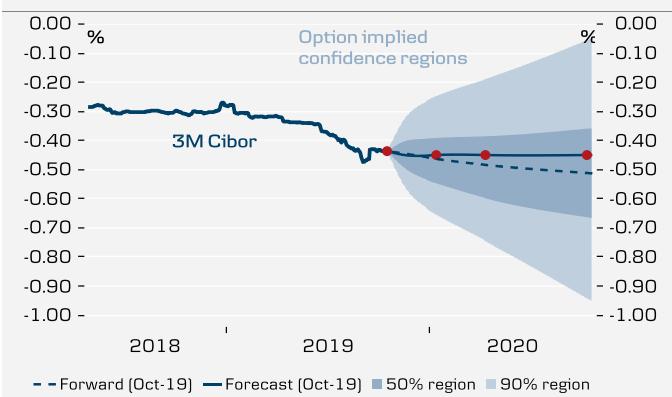
Source: Danske Bank

## 1M change in 6M Cibor



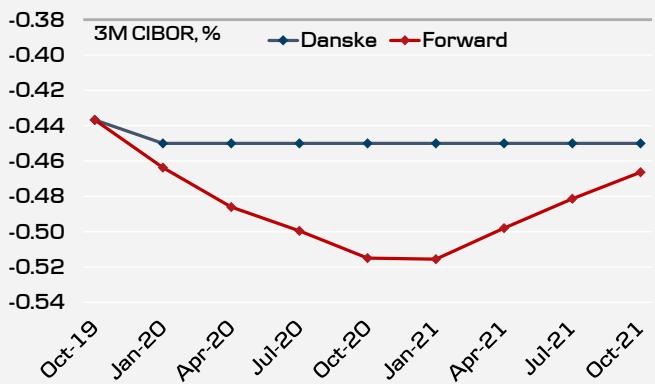
Source: Danske Bank

## 3M Cibor



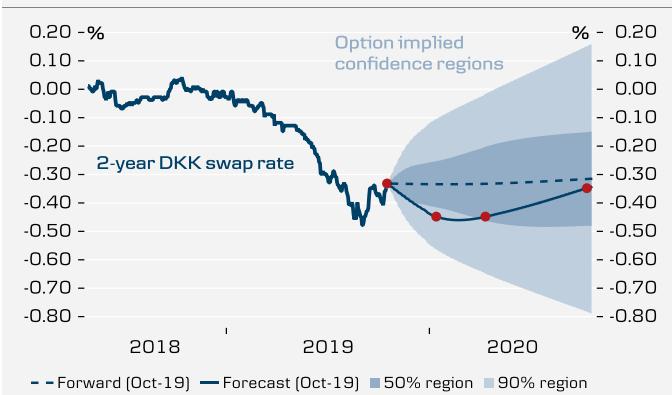
Source: Macrobond Financial, Danske Bank

## Danske Bank forecasts and forwards



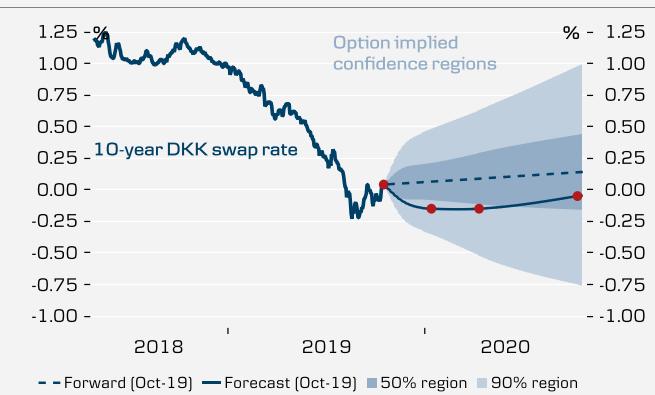
Source: Macrobond Financial, Danske Bank

## 2Y DKK swap rates



Source: Danske Bank

## 10Y DKK swap rates



Source: Danske Bank

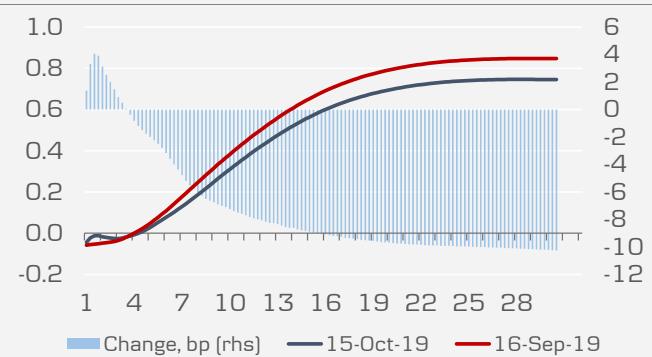
# Sweden forecasts

## SEK forecast summary

SEK	15/10/2019		---Forecast---			---Fcst vs Fwd in bp---		
	Spot	+3m	+6m	+12m	+3m	+6m	+12m	
<u>Money market</u>								
Repo	-0.25	-0.25	-0.50	-0.50	-	-	-	-
3M	-0.08	-0.10	-0.30	-0.30	-10	-33	-30	
<u>Government bonds</u>								
2-year	-0.54	-0.70	-0.80	-0.80	-	-	-	-
5-year	-0.54	-0.60	-0.65	-0.65	-	-	-	-
10-year	-0.18	-0.20	-0.20	-0.10	-	-	-	-
<u>Swap rates</u>								
2-year	-0.02	-0.10	-0.20	-0.20	-9	-18	-18	
5-year	0.05	0.00	-0.05	-0.05	-7	-14	-17	
10-year	0.34	0.35	0.35	0.45	-2	-4	1	

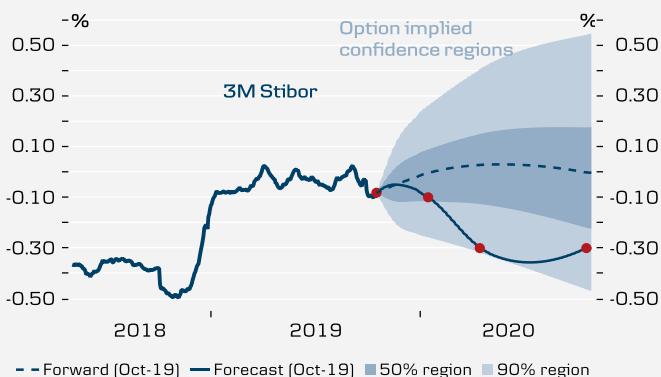
Source: Danske Bank

## 1M change in 3M Stibor



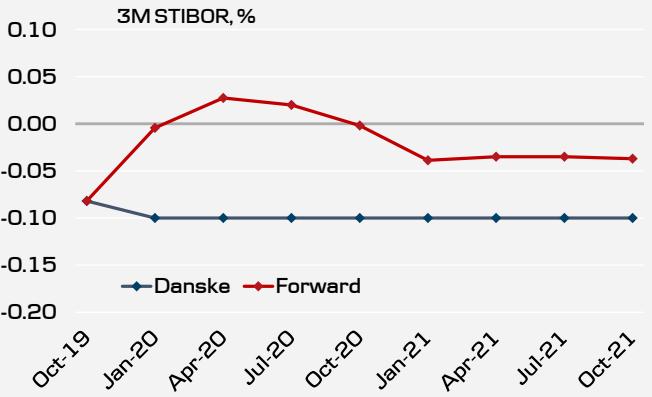
Source: Danske Bank

## 3M Stibor rate



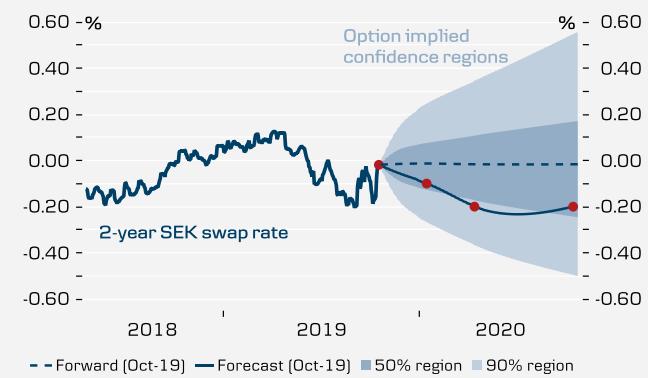
Source: Macrobond Financial, Danske Bank

## Danske Bank forecasts and forwards



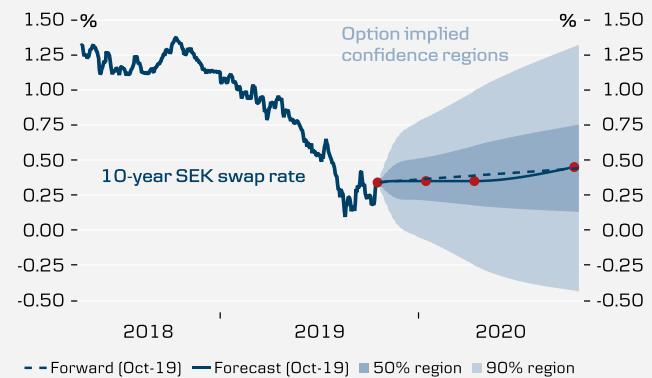
Source: Macrobond Financial, Danske Bank

## 2Y SEK swap rates



Source: Danske Bank

## 10Y SEK swap rates



Source: Danske Bank

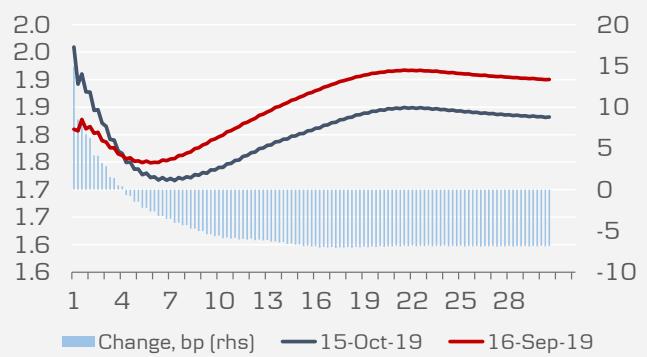
# Norway forecasts

## NOK forecast summary

15/10/2019		...Forecast...				...Fcst vs Fwd in bp...		
NOK	Spot	+3m	+6m	+12m	+3m	+6m	+12m	
<u>Money market</u>								
Deposit	1.50	1.50	1.75	1.75	-	-	-	
3M	1.81	2.00	2.10	2.25	14	31	45	
6M	1.93	2.10	2.21	2.33	19	37	52	
<u>Government bonds</u>								
2-year	1.16	1.30	1.40	1.45	-	-	-	
5-year	1.18	1.20	1.30	1.60	-	-	-	
10-year	1.23	1.25	1.30	1.30	-	-	-	
<u>Swap rates</u>								
2-year	1.85	1.90	2.00	2.05	8	22	32	
5-year	1.73	1.60	1.70	2.00	-11	0	32	
10-year	1.75	1.65	1.70	1.70	-9	-4	-4	

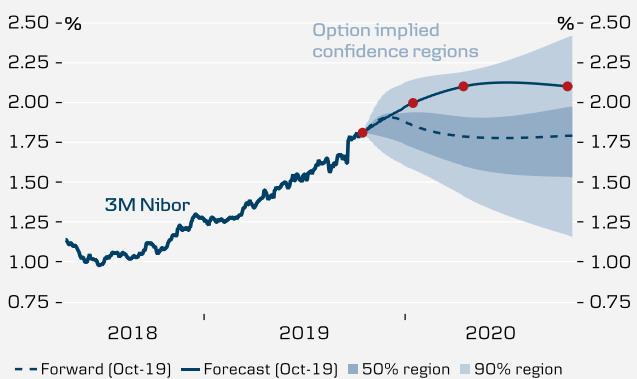
Source: Danske Bank

## 1M change in 6M Nibor



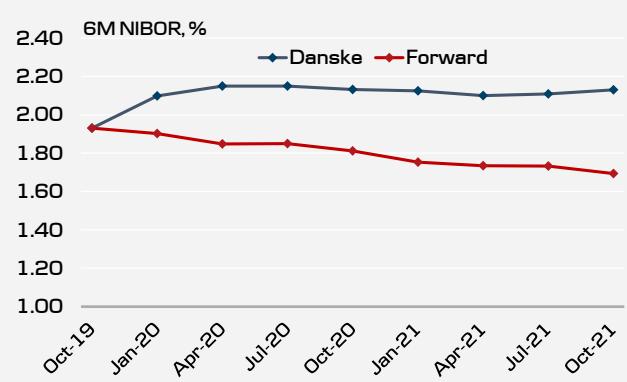
Source: Danske Bank

## 3M Nibor



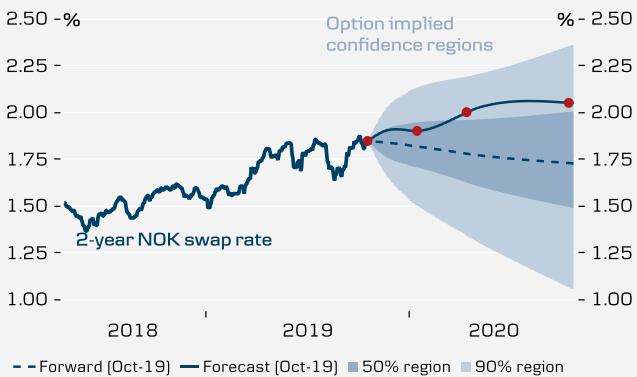
Source: Danske Bank

## Danske Bank forecasts and forwards



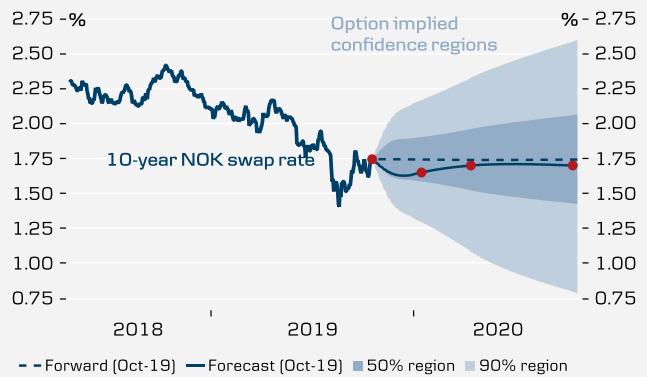
Source: Danske Bank

## 2Y NOK swap rate



Source: Danske Bank

## 10Y NOK swap rate



Source: Danske Bank

## Contents and contributors

<b>Forecasts table .....</b>	<b>4</b>				
<b>Eurozone .....</b>					<b>5</b>
Macro/ECB	Senior Analyst	Aila Mihr	+45 45 12 85 35	amih@danskebank.com	
Interest rates	Chief Analyst	Arne Lohmann Rasmussen	+45 45 12 85 32	arr@danskebank.com	
<b>US .....</b>					<b>6</b>
Macro & interest rates	Senior Analyst	Mikael Olai Milhøj	+45 45 12 76 07	milh@danskebank.com	
Interest rates	Chief Analyst	Arne Lohmann Rasmussen	+45 45 12 85 32	arr@danskebank.com	
<b>UK .....</b>					<b>7</b>
Macro & interest rates	Senior Analyst	Mikael Olai Milhøj	+45 45 12 85 18	mohel@danskebank.com	
<b>Denmark .....</b>					<b>8</b>
Macro	Chief Economist	Las Olsen	+45 45 12 85 36	laso@danskebank.com	
Interest rates	Chief Analyst	Arne Lohmann Rasmussen	+45 45 12 85 32	arr@danskebank.com	
<b>Sweden .....</b>					<b>9</b>
Macro & interest rates	Chief Analyst	Michael Boström	+46 8 568 80587	mbos@danskebank.com	
Senior Analyst	Michael Grahn	+46 8 568 80700		mika@danskebank.com	
Senior Analyst	Carl Milton	+46 8 568 80598		carmi@danskebank.com	
<b>Norway .....</b>					<b>10</b>
Macro & interest rates	Chief Analyst	Jostein Tvedt	+47 23 13 91 84	jtv@danskebank.com	

## Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Arne Lohmann Rasmussen, Chief Analyst.

### **Analyst certification**

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

### **Regulation**

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

Danske Bank's research reports are prepared in accordance with the recommendations of the Danish Securities Dealers Association.

### **Conflicts of interest**

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from, and do not report to, other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

### **Financial models and/or methodology used in this research report**

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

### **Risk warning**

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

### **Expected updates**

Monthly.

### **Date of first publication**

See the front page of this research report for the date of first publication.

## General disclaimer

This research report has been prepared by Danske Bank (a division of Danske Bank A/S). It is provided for informational purposes only and should not be considered investment advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided herein.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

## Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/A, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

**Report completed:** 16 October 2019, 16:16 CEST

**Report first disseminated:** 16 October 2019, 17:40 CEST