24 March 2017

Weekly Focus Sweden

UK finally filing for divorce

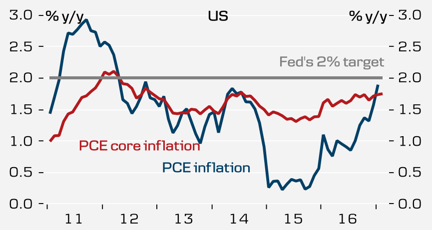
Market movers ahead

- Comments from the last FOMC meeting indicated that the Fed will be willing to let inflation slightly overshoot the 2% target. Thus, we expect the PCE core inflation figures on Friday to attract special interest. We expect an increase of 0.2% m/m, implying 1.7% y/y.
- In the euro area, we are due to get HICP inflation figures for March. We believe headline inflation will decline to 1.6%, partly as the energy price inflation support starts to wear off. We also look for a small increase in the German IFO expectations, as other surveys still indicate optimism in the business economy.
- In the UK, we look for the Article 50 trigger on Wednesday and the EU's Brexit guidelines, which should be published within 48 hours of Article 50 being triggered.

Global macro and market themes

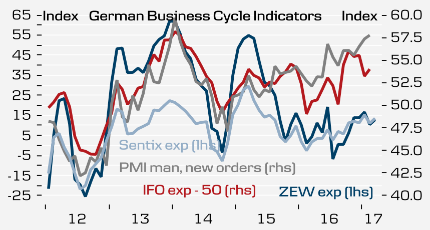
- We see an increasing risk of a market correction.
- We see less support for risk sentiment, as we are close to a peak in global PMIs and the risk of Donald Trump disappointing the markets is increasing.
- Monetary policy is set to stay accommodative in both the US and Europe.
- Changes to US economic policy are likely to come later and be smaller than previously expected.
- In our view, the risk of US military conflict with North Korea is rising.

PCE core inflation is likely to have stayed unchanged in February



Source: US Bureau of Economic Analysis

German business cycle indicators



Source: Eurostat, Danske Bank Markets

Contents

Financial views

Major indices	24-Mar	3M	12M
10yr EUR swap	0.86	0.85	1.30
EUR/USD	108	108	114
ICE Brent oil	51	53	61
	24-Mar	6M	12-24M
S&P500	2346	5-10%	10-15%

Source: Danske Bank

Follow us on *Twitter*

@Danske_Research

Editor

Analyst
Bjørn Tangaa Sillemann
+45 45 12 82 29
bjsi@danskebank.dk

Market movers

Global

- In the **US**, PCE core inflation for February is due on Friday. While headline inflation has been increasing rapidly and is almost at the Fed's 2% target, PCE core inflation has remained stuck around 1.7%. We expect the development of PCE core inflation to attract special interest in coming months given the comments at the last FOMC meeting that the Fed has a '*symmetric inflation target*', which could be interpreted as the Fed will be willing to let inflation slightly overshoot the 2% target. Hence, it implies a more dovish tone. However, we will have to see whether it actually means it. Last time PCE inflation was at 2% was at the beginning of 2012. We estimate the PCE core increased 0.2% m/m, implying 1.7% y/y. Thus, we expect core inflation to remain at the same level it has stayed at since August 2016.

  On Tuesday, we get Conference Board Consumer Confidence for March. The preliminary numbers from the University of Michigan for March indicate that consumer confidence remained at a very high level in March and we expect the Conference Board figures to confirm this impression. Hence, we estimate the March Conference Board figure is 114.0. On Friday, we get the final figures for University of Michigan, which we also do not expect to show anything new compared with the preliminary release.

  Friday also brings personal spending numbers for February. The January numbers came out on the weak side and retail sales showed almost no growth in February, which indicates that we may be in for yet another weak figure. However, the overall picture is still that there are tail winds for private consumption from a high level of consumer confidence and continued progress in the labour market.

  The coming week also brings a number of speeches by FOMC members.

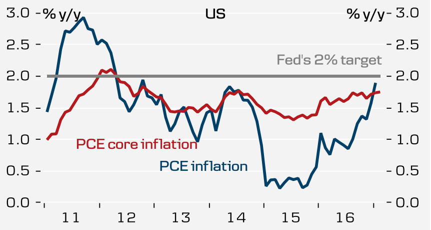
- In the **euro area**, we get the February figures for loan growth and M3 money supply growth on Monday. Loan growth increased for three consecutive months, from 1.8% yearly growth in October 2016 to 2.2% in January 2017. We estimate it increased further to 2.4% in February, reflecting higher demand for loans, as the ECB noted in the January Bank Lending Survey '*loan growth continued to be supported by increasing demand…, while credit standards for loans to enterprises are broadly stabilising'*.

  German IFO expectations are also due to be released on Monday. IFO expectations saw a fall in January to 103.2, from 105.5 in December 2016, but increased to 104.0 again in February. We believe IFO will increase a bit further to 104.3 in March. Other survey indicators still indicate optimism in the business economy but German consumer confidence has started to trend lower and in coming months we expect the same correction in the strong business sentiment seen recently.

  German retail sales for February are also due for release on Monday. In January, we saw a monthly decline of 1.0% but we estimate a bounce back in February to 0.6%, as consumer confidence remains at a high level and low unemployment supports consumption. Note also that German unemployment figures are scheduled for release on Friday.

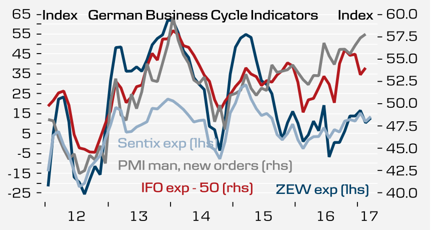
  We also have two speeches from ECB executive board members. Peter Praet is set to speak on Monday, with Benoit Coeuré due to speak on Friday. The speeches are of special interest to market participants, as speculation about whether the ECB could hike rates before termination of the QE programme has started to be priced.

PCE core inflation likely stayed unchanged in February



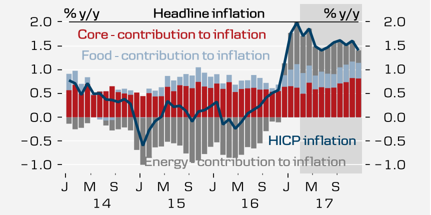
Source: US Bureau of Economic Analysis

German business cycle indicators



Source: Eurostat, Danske Bank Markets

Inflation set to decline



Source: Eurostat, Danske Bank Markets

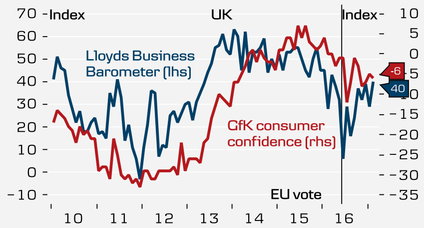
On Friday, euro area HICP inflation data for March are released. As expected, we saw a sharp increase in headline inflation from 0.6% y/y in November 2016 to the ECB's target of 2.0% in February 2017, due to higher energy price inflation. We believe headline inflation will decline to 1.6% in March, partly as energy price inflation support starts to wear off. Core inflation is also set to decline, to 0.7% in March, from 0.9% in February, but this reflects the early timing of Easter in 2016. It is therefore a technical decline and does not reflect a change in the underlying price pressure, where wage pressure remains subdued. Note that German inflation figures are due to be released on Thursday.

- In the **UK**, we have an important week ahead of us, as the UK government has announced in a letter to the EU that Prime Minister Theresa May will trigger Article 50 on Wednesday 29 March. Donald Tusk has tweeted that he will publish the draft Brexit guidelines 'within 48 hours of the UK triggering Article 50'. Commentators expect EU leaders to discuss the draft at an extraordinary EU council meeting four to six weeks after this, possibly after the second round of the French presidential election on 7 May. For more, see *Brexit Monitor #26: PM May to trigger Article 50 on Wednesday 29 March*, 20 March.

  In terms of economic data releases, look out for the GfK consumer confidence and Lloyds Business Barometer for March published on the night between Thursday and Friday. While business confidence has recovered, consumer confidence is still lower than before the EU vote (although significantly above the level prevailing throughout the European debt crisis).

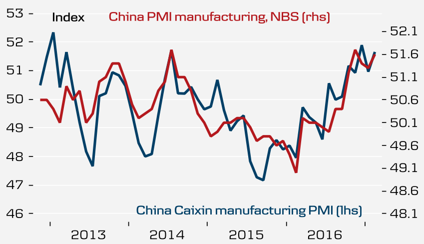
- In **China**, official NBS PMI data are due to be released early CET on Friday morning. We look for a small decline from 51.6 to 51.3. After a sharp increase in 2016, we believe China is set for a moderate slowdown in 2017, as we expect the housing market to cool and believe the significant infrastructure boost is set to fade. China has moved its foot from the gas to the brake and aims to rein in the brewing housing bubble and lean against inflationary pressure.

UK consumer confidence lower than before the EU vote



Source: Lloyds Banking Group, GfK

China PMI likely to be at a peak



Source: Macrobond Financial

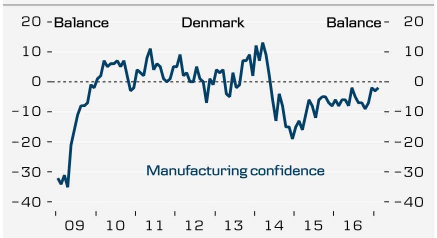
Scandi

- In **Denmark**, a raft of interesting releases is scheduled. Thursday brings business sentiment data. Manufacturing confidence has been on the up recently, so we are excited to see which way the indicator points in March. Foreign portfolio investments and securities statistics for February land on Tuesday, while unemployment numbers round off the week on Friday. We expect the jobless rate to be unchanged from January, at 4.2%.

- In **Sweden**, the week ahead has a few interesting sets of data to ponder. First out is household lending (in the Riksbank's financial market stats) on Monday (at 09:30 CEST), when we will be looking for signs that the reacceleration in house prices is also feeding through to credit growth. Then, on Tuesday (at 09:30 CEST), we are due to receive a host of data pertaining to February, including trade balance, retail sales and producer prices. In our view, this is all interesting data but none of it is capable of shifting the outlook on its own. That said, we look for a continued improvement in most aggregates, even though we believe that import prices on consumer goods might take a step back due, *inter alia*, to a stronger SEK. The week in data ends on Wednesday (at 09:00 CEST), with NIER due to publish its surveys on business and consumer confidence. We guess this will remain around current levels.

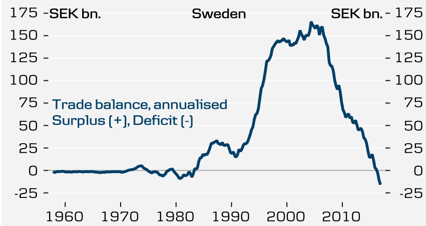
- In **Norway**, the week's main event is probably the NAV unemployment figures for March. Given all the uncertainty about the LFS at the moment (see *Scandi Update* later in this document), we are in no doubt that the NAV's numbers currently paint the best picture of the labour market – especially given how at its last rate-setting meeting Norges Bank attached considerable weight to lower wage growth and low growth in labour supply, indicating more slack in the economy than previously thought. We expect an unchanged jobless rate of 3.1% in March but with gross unemployment falling by 300-400 people m/m, signalling further tightening of the labour market. The week also brings February retail sales, which we would tentatively put at 0.4% m/m. This would point to more or less unchanged consumption of goods in Q1 and so moderate growth in private consumption as a whole. We saw a clear slowdown in private consumption towards the end of 2016, which we see mainly as a result of high inflation eroding real wage growth. This was partially offset by a lower savings rate but consumption growth was still weak. We expect inflation to slow substantially this year; together with slightly higher wage growth and higher jobs growth, this means that household real disposable income will grow at around 2% this year. Therefore, we expect retail sales to pick up in time but February may have been too soon.

Manufacturers more upbeat



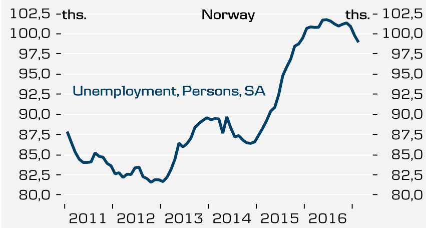
Source: Statistics Denmark

What's wrong with this picture..?



Source: Statistics Sweden. Danske Bank calculations

Unemployment falling



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
During the week		Sat 25	EUR	EU summit in Rome					
		Thu 30 - 31	EUR	Donald Tusk publishes Brexit guidelines within 48 hours of triggering of Article 50					
Mon	27-Mar	10:00	DEM	IFO - expectations	Index	Mar	**104.3**	*104.3*	104.0
Tue	28-Mar	15:45	USD	Markit PMI service, preliminary	Index	Mar		*54.0*	53.8
Wed	29-Mar	-	GBP	PM Theresa May set to trigger Article 50					
Fri	31-Mar	3:00	CNY	PMI manufacturing	Index	Mar	**51.3**	*51.7*	51.6
		11:00	EUR	HICP - core inflation, preliminary	y/y	Mar	**0.7%**	*0.8%*	0.9%
		11:00	EUR	HICP inflation, preliminary	y/y	Mar	**1.6%**	*1.8%*	2.0%
		14:30	USD	PCE core inflation	m/m|y/y	Feb	**0.2%|1.7%**	*0.2%|1.7%*	0.3%|1.7%
Scandi movers									
Tue	28-Mar	9:00	DKK	Danske Bank publishes Nordic Outlook					
Wed	29-Mar	9:00	SEK	Manufacturing confidence	Index	Mar	**116.0**	*116.0*	117.7
Thurs	30-Mar	8:00	NOK	Retail sales, s.a.	m/m	Feb	**0.4%**	*0.2%*	1.4%
Fri	31-Mar	10:00	NOK	Unemployment	%	Mar	**3.1%**	*3.1%*	3.1%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

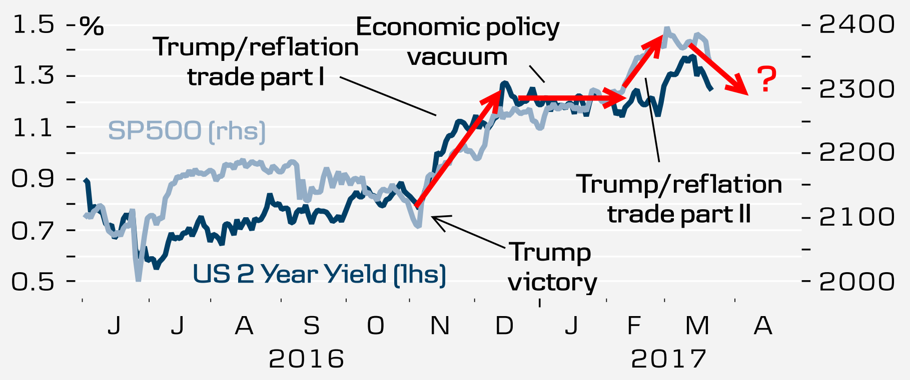
Trumponomics postponed further

In *Strategy: Three reasons why bond bears should be careful*, 17 March, we warned there was a rising risk of a market correction. This week we saw the biggest one-day fall in S&P 500 since October 2016. Two main ingredients have driven stocks higher since the trough at the beginning of November. The first and, in our view, most important factor has been the turn in the global business cycle, as we are in the strongest synchronised economic recovery since 2009. The second factor has been expectations of more growth-friendly economic policy under President Donald Trump. **While accelerating growth and expectations of more growth-friendly economic policy have supported risk sentiment over the past six months, we are now close to a peak in PMIs and we believe the risk of Trump disappointing the markets is increasing.**

While our MacroScope short-term models remain strong across regions, our medium- and long-term models have weakened. This suggests we are close to the peak in global PMIs, after they increased sharply across regions over the past six months. This does not mean the economic recovery is set to pause but that growth is no longer accelerating. As we argued last week, whether or not growth is accelerating is the key driver for a bond bear market, not the level of growth. This week, the rally in US fixed income following the Fed meeting continued and US 10-year Treasury yields are now trading at 2.4%. While a peak in PMIs means less support for equities, we are still positive on stock markets in the medium to long term, as we expect global growth to pick up in 2018. A correction in the market would just lead to a pause in the longer term bull trend and we still like to buy on dips.

In recent months, headline CPI inflation has moved higher in both the US and Europe supported by the base effects of energy prices adding fuel to the reflation trade. The Brent oil price hit the bottom in January/February 2016 but recovered afterwards. **This means the positive contribution to inflation from a higher oil price is fading** (especially after the recent oil price fall from around USD55/bl to USD51/bl) unless the oil price moves higher again.

Rising risk of a market correction

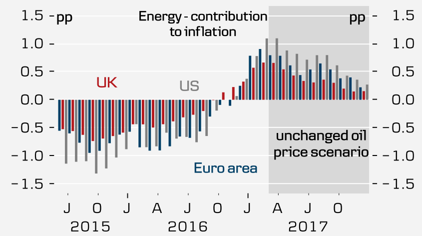


Source: Bloomberg

Today's key points

- Rising risk of a market correction.
- Less support to risk sentiment as we are close to a peak in global PMIs and the risk of Trump disappointing the markets is increasing.
- Monetary policy set to stay accommodative in both the US and Europe.
- Changes to US economic policy are likely to come later and be smaller than previously expected.
- The risk of a US military conflict with North Korea is rising.

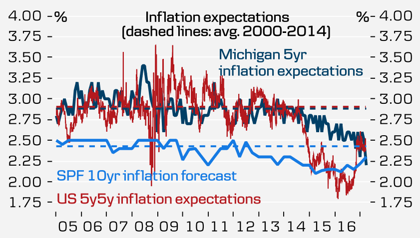
Contribution of energy component to headline inflation has peaked



Source: ONS, BLS, Eurostat, Danske Bank

In our checklist for reflation, we mentioned four key factors for reflation, one of them being easy monetary policy (see also *Strategy: The case for reflation – what it means and what to watch*, 18 November). As we expect CPI inflation in the euro area to fall again to just above 1% in early 2018 and the ECB's core inflation forecast is too optimistic (see also *ECB's core inflation forecast is still too optimistic*, 14 March), **we stick to our long-held view that the ECB will extend its QE purchases beyond December 2017**. Although the Fed, as expected, moved on with its hiking cycle by increase the target range by 25bp to 0.75-1.00% last week, Fed Chair Janet Yellen indicated that it would be too early to remove accommodation completely. While the Fed still projects a total of three hikes this year, four hikes would be one too many, as it would make monetary policy neutral instead of accommodative, see *FOMC Review: Fed says it is on track, not more hawkish*, 15 March. **With very low inflation expectations and core inflation still below the 2% target, the Fed has room to stay patient removing accommodation completely**, especially as there are still indications of slack in the US labour market. If necessary, the Fed will postpone the next hike to avoid a repetition of what happened from 2014-16, when too-tight US monetary policy contributed to the fall in real GDP growth, commodity prices and inflation expectations.

US inflation expectations still low



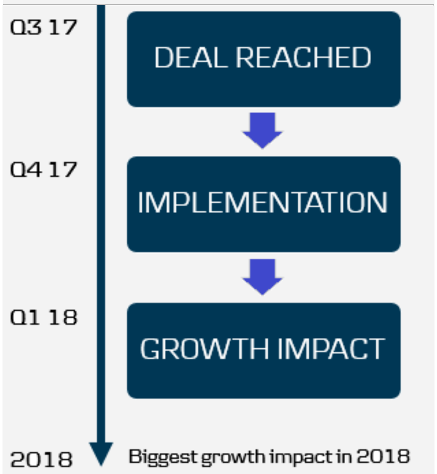
Source: Federal Reserve

Trumponomics postponed further

We have become more pessimistic on the outlook for Trumponomics in recent weeks, as we view the 'repealing and replacing' of Obamacare as a proxy for what to expect of Trumponomics. **Changes to US economic policy are likely to come later and be smaller than previously expected due to the chaos within the Republican Party.** Although replacing Obamacare has been very high on the agenda for both President Trump and the House Speaker Paul Ryan, the process has dragged on and it has begun to look like a crucial blow for the Republicans, as the moderate and more conservative Republicans are fighting each other about how to proceed. The vote in House of Representatives, which was supposed to be held yesterday, has been postponed to later today but may be postponed further if President Trump and House Speaker Paul Ryan do not have enough Republicans on board to win the vote. Even if the healthcare bill passes the House of Representatives, it may be dead on arrival in the Senate where the Republicans have a slimmer majority, see the article *'House Obamacare repeal DOA in the Senate'*, from *POLITICO*, 22 March 2017. Due to the political process of passing a new healthcare plan in order to avoid being filibustered by the Democrats in the Senate, the Republicans cannot get going with tax reform before an agreement on healthcare has been reached. The technical explanation is that the healthcare plan is attached to the 2017 budget resolution, while the tax reform will be attached to the 2018 budget resolution and there cannot be two outstanding budget resolutions at the same time. Although we still think the debt limit will be raised or re-suspended eventually (see *Research US: Debt limit suspension expires tomorrow*, 14 March), the chaotic situation within the Republican Party also questions how quickly they can reach a deal here.

This weekend White House budget director Mick Mulvaney said that Trump's full budget will be released in mid-May, which, in our view, raises questions about whether the Treasury Secretary has enough time to reach a deal on a tax reform before Congress's August recess. We have argued for a long time that it will take time to pass changes to economic policy, meaning that the biggest real growth impact would be in 2018 due to policy lags. **With this new information, we think a deal on a tax reform is more likely to be reached in late Q3 17 or even Q4 17**, meaning the real growth impact would be in Q2 18 at the earliest, in our view. That said, the Fed has clearly indicated that it wants to

Growth impact of Trumponomics in an optimistic scenario



Source: Danske Bank

offset more expansionary fiscal policy, although it welcomes reforms that increase productivity growth.

North Korea raises US-China tensions

While markets seem less worried about European politics following the Dutch election and the (so far) strong performance by Emmanuel Macron in France, **we are about to face the first test between President Trump and China, as the risk of a US military conflict with North Korea is rising.** This week North Korea made its third missile launch test this year and, although it failed, North Korea is determined to develop an intercontinental ballistic missile, which would be able to reach the US. Although it is not there yet, it is getting closer. The North Korea issue is just one of many possible confrontations between the US and China and is likely to be a key issue at the meeting between President Trump and Chinese president Xi Jinping scheduled for 8-9 April. With China's softer stance of going to the negotiation table with North Korea and President Trump's increasing impatience, North Korea is another area of conflict bears are following closely (see also *Research: North Korea raises US-China tensions*, 10 March). The rising tension between the US and China also means we see a risk of a trade war between the two countries (see also *Research: Don't rule out a US-China trade war just yet*, 21 February).

Global market views

Asset class	Main factors
Equities	
Overweight stocks short and medium term	The reflation trade with cyclicals outperforming defensives is still in play as the underlying EPS and GDP growth trends are still intact.
Underweight developed markets, overweight emerging markets Overweight US, Japan, Nordics and Russia/Eastern Europe; underweight Europe and LatAm; neutral on China	The very communicative new president in the US is not able to offset this. In our view, his policy agenda is still about growth.
Bond market	
German/Scandi yields – set to stay low for now, higher on a 12M horizon	For now German yields are kept low by political uncertainty and a very tight repo situation. Later in the year, the political risk picture should improve and the ECB tapering discussion is set to push up yields again later in the year.
EU curve – set to steepen 2Y10Y when long yields rise again	ECB to keep a tight leash at the short end of the curve. Hence, the curve 2Y10Y is set to steepen when 10-year yields rise later in the year.
US-euro spread – stable Peripheral spreads – tightening but clear risk factors to watch	Economic recovery and QE should mean further tightening, but politics (French presidential election), banking recapitalisation plans and a potential new move higher in core eurozone yields (ECB tapering fears) remain clear risk factors. Periphery spreads often widen when core yields move higher.
FX	
EUR/USD – lower over coming months, then higher	We think that we are getting close to the bottom in EUR/USD and expect the cross to head higher beyond 3M.
EUR/GBP – higher in coming months	Short-term risk skewed on the upside on 'hard' Brexit risks. Longer term, we expect EUR/GBP to settle in the 0.83-0.88 range.
USD/JPY – short-term risks skewed on the upside	USD/JPY set to remain supported near term by relative monetary policy and risk appetite.
EUR/SEK – range near term, gradually lower medium term	Gradually lower on relative fundamentals and valuation in 2017 but near-term potential limited by the Riksbank.
EUR/NOK – gradually lower	Cross set to move lower on valuation and growth, real rate differentials normalising. Vulnerable to global risk appetite.
Commodities	
Oil price – range bound	OPEC cuts almost fully implemented, US crude stocks are still growing.
Metal prices – slight near-term upside potential	Underlying support from consolidation in mining industry, recovery in global manufacturing and US fiscal spending.
Gold price – headed lower on stronger USD	Rising yields and USD keeping a lid on the gold price; support from political uncertainty.
Agriculturals – rising again	Attention has turned to La Niña weather risks over the winter, consolidation seen in some parts of the market.

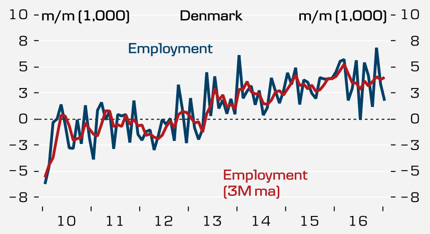
Source: Danske Bank

Scandi Update

Denmark – slower job growth in January

Statistics Denmark's monthly employment figures for January showed an increase of 1,800 people m/m, mainly in the construction, retail and transport sectors. Retail sales, meanwhile, were more or less unchanged m/m in February, which could point to subdued growth in consumption in Q1 on the back of a very strong Q4. The week also brought figures for consumer confidence, which improved slightly m/m in March – the third successive month on the up. Danish households are generally more upbeat about both their personal finances and the economy as a whole than at the end of 2016

Employment continues to climb



Source: Statistics Denmark

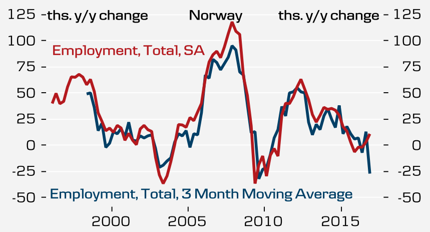
Sweden – nothing to report

As indicated in last week’s edition of Scandi Update, we have seen very little domestically driven action in financial markets. Thus, markets have taken their cue from international developments.

Norway – labour market tightening

The unemployment rate in the LFS fell to a two-year low of 4.2% in January (December-February). This ought to be very good news for an economy gradually clawing its way out of the oil crisis. Many are suggesting, however, that the fall in unemployment is down to a drop in the labour supply, because employment is actually decreasing. We are far from convinced by this interpretation of the data. Employment as measured in the national accounts is clearly rising, with an increase of almost 11,000 people y/y in Q4 16. In the same period, the LFS showed a decrease in employment of 27,000 people. Measured from the employer side, the national accounts job data is more reliable than the LFS, which is a survey of a panel of households. Furthermore, other labour market indicators – including the employment index in Norges Bank's regional network survey and the PMI – all point to higher employment, as would be expected when growth picks up. This is supported by the number of vacancies registered with the Norwegian Labour and Welfare Administration (NAV), which has been rising fast throughout the past year. We are therefore convinced that unemployment is actually falling because employment is rising, which means that the labour market is gradually growing tighter.

Employment on the up



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank Markets

21/3 Research Finland: Growth continues, reforms are vital for future

We have kept our growth forecasts for Finland largely intact and expect GDP to grow by 1.5% in 2017 and 2018, mainly on the back of exports and corporate investment, while consumption is running out of steam.

20/3 Brexit Monitor #26: PM May to trigger Article 50 on Wednesday 29 March

The UK government announced today that the PM Theresa May intends to trigger Article 50 on Wednesday 29 March, which starts the formal Brexit process.

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2016	1.1	2.1	-0.2	4.7	-0.3	1.4	2.4	0.3	4.2	-1.3	38.8	8.0
	2017	1.5	1.6	1.0	3.2	0.2	2.2	3.4	1.3	4.1	-1.3	37.2	7.3
	2018	1.8	2.0	0.5	3.7	0.1	2.7	3.4	1.5	3.9	-0.7	36.2	7.3
Sweden	2016	3.3	2.2	3.1	5.9	0.1	3.4	4.3	1.0	7.0	-0.6	42.0	4.6
	2017	1.7	1.5	2.0	1.9	-0.1	3.5	3.4	1.3	7.2	-0.7	41.8	4.5
	2018	1.9	2.0	1.3	2.1	0.1	4.1	4.4	1.4	7.1	-0.5	40.7	4.5
Norway	2016	0.8	1.6	2.3	0.5	0.2	-1.2	0.3	3.6	3.0	-	-	-
	2017	1.8	2.0	2.0	1.0	0.0	1.3	1.9	2.2	3.0	-	-	-
	2018	2.2	2.2	2.3	2.5	0.0	1.3	2.3	2.1	3.0	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euroland	2016	1.7	1.8	1.9	2.6	-	2.3	2.8	0.2	10.0	-1.8	91.6	3.7
	2017	1.5	1.1	1.2	2.4	-	3.0	2.9	1.6	9.4	-1.5	90.6	3.5
	2018	1.5	1.0	1.1	3.6	-	3.6	4.0	1.2	8.9	-1.5	89.6	3.3
Germany	2016	1.8	1.7	4.3	2.0	-	2.2	3.1	0.4	4.2	0.6	68.1	9.0
	2017	1.8	1.3	2.2	2.1	-	3.2	3.5	1.8	3.9	0.4	65.7	8.7
	2018	1.9	1.4	1.9	4.1	-	4.0	4.8	1.5	3.8	0.3	63.1	8.5
France	2016	1.1	1.7	1.5	2.8	-	0.8	3.5	0.3	10.1	-3.3	96.4	-2.1
	2017	1.0	0.8	1.2	2.1	-	2.8	3.6	1.2	10.0	-2.9	96.8	-2.3
	2018	1.2	1.0	1.1	3.0	-	3.0	3.5	1.3	9.8	-3.1	97.4	-2.6
Italy	2016	0.9	1.4	0.6	2.0	-	1.3	1.7	-0.1	11.6	-2.4	133.0	2.8
	2017	1.0	0.7	0.6	2.1	-	3.3	3.3	1.2	11.5	-2.4	133.1	2.5
	2018	1.3	0.8	0.7	3.6	-	3.5	3.5	1.2	11.4	-2.5	133.1	2.1
Spain	2016	3.2	3.0	1.3	3.6	-	4.0	3.0	-0.3	19.7	-4.6	99.5	1.7
	2017	2.3	2.1	1.4	2.9	-	2.6	2.1	1.8	18.3	-3.8	99.9	1.5
	2018	2.3	2.0	1.3	4.7	-	3.6	4.6	1.1	17.1	-3.2	100.0	1.5
Finland	2016	1.6	2.0	0.0	5.2	-	0.7	2.0	0.4	8.8	-2.5	65.0	-0.7
	2017	1.3	0.8	0.0	3.5	-	3.0	2.5	1.3	8.3	-2.4	66.5	-0.7
	2018	1.3	1.0	0.2	2.5	-	3.5	3.0	1.5	8.0	-2.2	67.0	-0.7

Macro forecast, Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2016	1.6	2.6	0.8	0.4	-0.4	0.7	0.7	1.3	4.9	-2.6	105	-2.7
	2017	2.2	2.2	0.6	2.8	0.1	3.2	2.3	2.4	4.7	-2.9	105	-2.9
	2018	2.8	2.0	2.9	6.1	0.0	3.0	3.0	2.5	4.4	-2.8	103	-3.3
China	2016	6.7	-	-	-	-	-	-	2.0	4.1	-3.0	46.3	2.4
	2017	6.6	-	-	-	-	-	-	2.0	4.3	-3.3	49.9	2.1
	2018	6.3	-	-	-	-	-	-	2.0	4.3	-3.0	53.3	1.5
UK	2016	2.0	2.8	0.8	0.9	0.5	1.0	2.7	0.7	4.9	-3.6	88.7	-5.0
	2017	1.2	1.7	0.2	0.3	0.3	1.7	2.4	2.3	5.0	-2.9	89.2	-4.9
	2018	1.0	1.0	0.4	0.7	0.0	2.8	2.0	2.6	5.3	-2.2	88.7	-3.3

Source: OECD and Danske Bank. 1) % y/y. 2) % contribution to GDP growth. 3) % of labour force. 4) % of GDP.

Financial forecast

Bond and money markets

		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs SEK
USD	24-Mar	1.00	1.16	1.63	2.41	107.7	-	884.2
	+3m	1.00	1.47	1.70	2.45	108.0	-	870.4
	+6m	1.25	1.58	1.75	2.65	110.0	-	845.5
	+12m	1.75	1.95	2.25	3.00	114.0	-	807.0
EUR	24-Mar	0.00	-0.33	-0.09	0.86	-	107.7	952.3
	+3m	0.00	-0.35	-0.10	0.85	-	108.0	940.0
	+6m	0.00	-0.35	-0.10	1.00	-	110.0	930.0
	+12m	0.00	-0.35	0.00	1.30	-	114.0	920.0
JPY	24-Mar	-0.10	0.01	0.06	0.26	119.9	111.3	7.94
	+3m	-0.10	-	-	-	124.2	115.0	7.57
	+6m	-0.10	-	-	-	129.8	118.0	7.16
	+12m	-0.10	-	-	-	134.5	118.0	6.84
GBP	24-Mar	0.25	0.34	0.67	1.28	86.3	124.9	1104.1
	+3m	0.25	0.35	0.60	1.25	87.0	124.1	1080.5
	+6m	0.25	0.35	0.60	1.55	86.0	127.9	1081.4
	+12m	0.25	0.36	0.60	1.85	86.0	132.6	1069.8
CHF	24-Mar	-0.75	-0.73	-0.60	0.21	107.1	99.4	889.1
	+3m	-0.75	-	-	-	108.0	100.0	870.4
	+6m	-0.75	-	-	-	111.0	100.9	837.8
	+12m	-0.75	-	-	-	114.0	100.0	807.0
DKK	24-Mar	0.05	-0.25	0.07	1.11	743.7	690.5	128.1
	+3m	0.05	-0.25	0.05	1.10	744.0	688.9	126.3
	+6m	0.05	-0.25	0.05	1.25	744.0	676.4	125.0
	+12m	0.05	-0.25	0.15	1.55	744.0	652.6	123.7
SEK	24-Mar	-0.50	-0.50	-0.23	1.21	952.3	884.2	100.0
	+3m	-0.50	-0.50	-0.40	1.35	940.0	870.4	-
	+6m	-0.50	-0.50	-0.40	1.45	930.0	845.5	-
	+12m	-0.50	-0.50	-0.30	1.60	920.0	807.0	-
NOK	24-Mar	0.50	0.96	1.23	2.01	916.3	850.8	103.9
	+3m	0.50	0.90	1.25	2.10	890.0	824.1	105.6
	+6m	0.50	0.90	1.35	2.30	870.0	790.9	106.9
	+12m	0.50	0.90	1.60	2.60	870.0	763.2	105.7

Equity markets

Regional		Risiko profil 3 mdr.	Pris trend 3 mdr.	Pris trend 12 mdr.	Regionale rekommen-dationer
USA (USD)	Growth boost: fisc. expansion, tax cuts, infl./growth-impulse	Medium	5-10%	10-15%	Overweight
Emerging markets (local ccy)	Hurt by stronger USD and increased protectionism	Medium	-5-0%	-5-+5%	Underweight
Japan (JPY)	Valuation and currency support	Medium	5-10%	10-15%	Overweight
Euro area (EUR)	Political uncertainty ahead due to French election	Medium	0-5%	0-5%	Underweight
UK (GBP)	Currency support, stronger infl. exp. off-set Brexit negativity	Medium	3-8%	5-10%	Neutral
Nordics (local ccy)	Currency support on earnings, continued domestis demand	Medium	3-8%	5-10%	Neutral

Commodities

		2017				2018				Average	
	24-Mar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	48	53	53	57	59	60	60	61	61	56	61
ICE Brent	51	55	55	57	59	60	60	61	61	57	61
Copper	5,825	5,850	5,900	5,950	6,000	6,025	6,050	6,075	6,100	5,925	6,063
Zinc	2,814	2,725	2,600	2,500	2,400	2,300	2,300	2,300	2,300	2,556	2,300
Nickel	10,030	10,500	11,000	11,400	11,500	11,600	11,700	11,800	11,900	11,100	11,750
Aluminium	1,934	1,825	1,800	1,800	1,800	1,800	1,800	1,810	1,820	1,806	1,808
Gold	1,244	1,200	1,150	1,150	1,160	1,170	1,180	1,190	1,200	1,165	1,185
Matif Mill Wheat	167	170	164	168	170	170	169	168	168	168	169
Rapeseed	406	420	440	440	430	425	425	425	425	433	425
CBOT Wheat	423	435	465	500	510	520	530	540	550	478	535
CBOT Soybeans	986	1,050	1,100	1,100	1,100	1,125	1,125	1,150	1,150	1,088	1,138

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 13

During the week				Period	Danske Bank	Consensus	Previous
Sat 25	EUR	EU summit in Rome					
Thu 30 - 31	EUR	Donald Tusk publishes Brexit guidelines within 48 hours of triggering of Article 50					
Monday, March 27, 2017				Period	Danske Bank	Consensus	Previous
-	DEM	Retail sales	m/m|y/y	Feb	**0.6%|...**	*0.5%|-1.2%*	-1.0%|2.3%
9:30	SEK	Household lending	y/y	Feb	**7.2%**		7.2%
10:00	DEM	IFO - business climate	Index	Mar	**111.4**	*110.8*	111.0
10:00	DEM	IFO - current assessment	Index	Mar	**118.8**	*117.9*	118.4
10:00	DEM	IFO - expectations	Index	Mar	**104.3**	*104.3*	104.0
10:00	EUR	Money supply (M3)	y/y	Feb	**4.9%**	*4.9%*	4.9%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Feb			
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Feb			
18:45	EUR	ECB's Praet Speaks in Madrid					
19:15	USD	Fed's Evans (voter, dovish) speaks					
Tuesday, March 28, 2017				Period	Danske Bank	Consensus	Previous
0:30	USD	Fed's Kaplan (voter, dovish) speaks					
9:00	DKK	CB's securities statistics		Feb			
9:00	DKK	Foriegn portfolio investments		Feb			
9:00	DKK	Danske Bank publishes Nordic Outlook					
9:30	SEK	Retail sales s.a.	m/m|y/y	Feb	**...|2.4%**	*0.5%|2.9%*	1.3%|2.2%
9:30	SEK	PPI	m/m|y/y	Feb			0.6%|8.2%
9:30	SEK	Trade balance	SEK bn	Feb	**3.0**		1.5
14:00	HUF	Central Bank of Hungary rate decision	%		**0.90%**	*0.90%*	0.90%
14:30	USD	Advance goods trade balance	USD bn	Feb		*-66.9*	-68.8
15:45	USD	Markit PMI service, preliminary	Index	Mar		*54.0*	53.8
16:00	USD	Conference Board consumer confidence	Index	Mar	**114.0**	*113.4*	114.8
18:45	USD	Fed's George (non-voter, hawkish) speaks					
18:50	USD	Fed Chair Yellen (dovish) speaks					
19:00	USD	Fed's Kaplan (voter, dovish) speaks					
22:30	USD	Fed's Powell (non-voter, neutral) speaks					
Wednesday, March 29, 2017				Period	Danske Bank	Consensus	Previous
-	GBP	PM Theresa May set to trigger Article 50					
1:50	JPY	Retail trade	m/m|y/y	Feb		*0.3%|0.7%*	0.2%|1.0%
8:45	FRF	Consumer confidence	Index	Mar			100.0
9:00	SEK	Consumer confidence	Index	Mar	**104.0**	*104.0*	104.5
9:00	SEK	Economic Tendency Survey	Index	Mar			111.6
9:00	SEK	Manufacturing confidence	Index	Mar	**116.0**	*116.0*	117.7
9:15	SEK	NIER economic forecasts					
10:30	GBP	Mortgage approvals	1000	Feb		*70.0*	69.9
10:30	GBP	Broad money M4	m/m|y/y	Feb			0.9%|7.0%
15:20	USD	Fed's Evans (voter, dovish) speaks					
16:00	USD	Pending home sales	m/m|y/y	Feb		*2.5%|...*	-2.8%|2.7%
16:30	USD	DOE U.S. crude oil inventories	K				4954
17:30	USD	Fed's Rosengren (non-voter, hawk) speaks					
19:15	USD	Fed's Williams (non-voter, neutral) speaks					

Source: Danske Bank Markets

Calendar — continued

Thursday, March 30, 2017				Period	Danske Bank	Consensus	Previous
8:00	NOK	Retail sales, s.a.	m/m	Feb	**0.4%**	*0.2%*	1.4%
9:00	ESP	HICP, preliminary	m/m|y/y	Mar			-0.3%|3.0%
9:00	DKK	Confidence indicator, industry, s.a.	Net balance	Mar			-4
9:00	CHF	KOF leading indicator	Index	Mar		*106.0*	107.2
11:00	EUR	Business climate indicator	Net bal.	Mar		*0.9*	0.8
11:00	EUR	Industrial confidence	Net bal.	Mar		*1.3*	1.3
11:00	EUR	Economic confidence	Index	Mar		*108.1*	108.0
11:00	EUR	Consumer confidence, final	Net bal.	Mar		*-5.0*	-5.0
11:00	EUR	Service confidence	Net bal.	Mar		*13.8*	13.8
14:00	DEM	HICP, preliminary	m/m|y/y	Mar		*0.5%|1.9%*	0.7%|2.2%
14:30	USD	Initial jobless claims	1000				258
14:30	USD	GDP, third release	q/q AR	4th quarter		*0.02*	0.019
15:45	USD	Fed's Mester (non-voter, hawkish) speaks					
17:00	USD	Fed's Kaplan (voter, dovish) speaks					
17:15	USD	Fed's Williams (non-voter, neutral) speaks					
Friday, March 31, 2017				Period	Danske Bank	Consensus	Previous
-	ESP	S&P may publish Spain's debt rating					
-	EUR	S&P may publish Spain's debt rating					
-	EUR	Moody's may publish Netherlands's debt rating					
1:01	GBP	GfK consumer confidence	Index	Mar		*-7.0*	-6.0
1:30	JPY	CPI - national ex. fresh food	y/y	Feb		*0.2%*	0.1%
1:30	JPY	Unemployment rate	%	Feb		*3.0%*	3.0%
1:30	JPY	Job-to-applicant ratio		Feb		*1.44*	1.43
1:30	JPY	CPI - national	y/y	Feb		*0.3%*	0.4%
1:50	JPY	Industrial production, preliminary	m/m|y/y	Feb		*1.2%|3.9%*	-0.4%|3.7%
3:00	CNY	PMI manufacturing	Index	Mar	**51.3**	*51.7*	51.6
3:00	CNY	PMI non-manufacturing	Index	Mar			54.2
8:00	NOK	Credit indicator (C2)	y/y	Feb		*5.1%*	5.1%
8:45	FRF	Household consumption	m/m|y/y	Feb		*0.2%|...*	0.6%|1.4%
8:45	FRF	HICP, preliminary	m/m|y/y	Mar		*0.6%|1.4%*	0.2%|1.4%
9:00	DKK	GDP, final	q/q|y/y	4th quarter			0.2%|...
9:00	DKK	Gross unemployment s.a.	K (%)	Feb	**4.2%**	*4.2%*	4.2%
9:55	DEM	Unemployment	%	Mar	**5.9%**	*5.9%*	5.9%
10:00	NOK	Unemployment	%	Mar	**3.1%**	*3.1%*	3.1%
10:00	NOK	Norges Bank's daily FX purchases	m	Apr		*-850*	-850
10:30	EUR	ECB's Coeure speaks in Brussel					
10:30	GBP	GDP, final	q/q|y/y	4th quarter		*0.7%|2.0%*	0.7%|2.0%
10:30	GBP	Index of services	m/m|3m/3m	Jan		*0.3%|0.7%*	0.2%|0.8%
11:00	ITL	HICP, preliminary	m/m|y/y	Mar		*2.1%|1.6%*	0.2%|1.6%
11:00	EUR	HICP - core inflation, preliminary	y/y	Mar	**0.7%**	*0.8%*	0.9%
11:00	EUR	HICP inflation, preliminary	y/y	Mar	**1.6%**	*1.8%*	2.0%
14:30	USD	Personal spending	m/m	Feb		*0.2%*	0.2%
14:30	USD	PCE headline inflation	m/m|y/y	Feb		*0.1%|2.1%*	0.4%|1.9%
14:30	USD	PCE core inflation	m/m|y/y	Feb	**0.2%|1.7%**	*0.2%|1.7%*	0.3%|1.7%
14:30	CAD	GDP	m/m|y/y	Jan		*0.3%|...*	0.3%|2.0%
15:45	USD	Chicago PMI	Index	Mar		*56.8*	57.4
16:00	USD	University of Michigan Confidence, final	Index	Mar		*97.8*	97.6
16:00	USD	Fed's Kashkari (voter, dovish) speaks					

The editors do not guarantee the accurateness of figures, hours or dates stated above
For furher information, call (+45) 45 12 85 22.

Source: Danske Bank Markets

Disclosures

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank'). The author of the research report is Bjørn Tangaa Sillemann, 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.

The research reports of Danske Bank 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 a sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

None.

Date of first publication

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

General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. 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 in this research report.

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

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/S, 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.