13 January 2017

Weekly Focus

Trump is taking over – buckle up

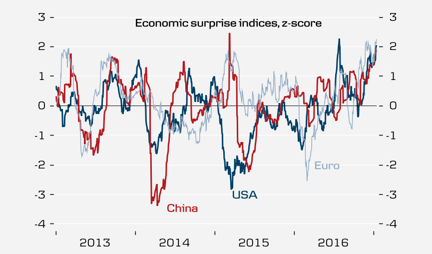
Market movers ahead

- The key event in the US in the coming week is the inauguration of Donald Trump as the next US president. We should soon see a plan for the first 100 days and more clarification on his exact policies.
- Other key events in the US include CPI inflation, business surveys from Philadelphia and New York (Empire) and a string of Fed speeches, not least by Fed Chairman Janet Yellen.
- At the ECB meeting on Thursday, we do not expect any big changes in rhetoric despite stronger data and higher inflation recently.
- China's GDP for Q4 is likely to show another quarter of 6.7% growth y/y – the same as in the previous three quarters.

Global macro and market themes

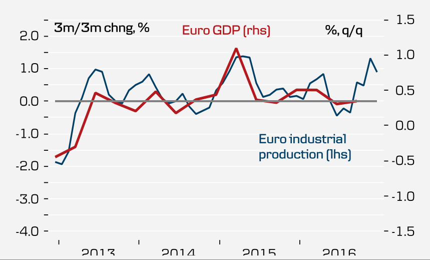
- Economic surprise indices are very high. This does not normally last for long. It is a short-term risk for yields.
- A strong clash between Trump and China is an increasing risk.
- EUR/USD is moving in tandem with the US-German rate differential.
- The oil rally is over for now.

Euro growth finished 2016 on a strong note, economic surprise indices are very high



Source: Macrobond Financial

Strong finish to 2016 in the euro area



Source: Macrobond Financial

Contents

Financial views

Major indices	13-Jan	3M	12M
10yr EUR swap	0.67	0.80	1.30
EUR/USD	106	104	112
ICE Brent oil	56	53	59
	13-Jan	6M	12-24M
S&P500	2270	2-5%	5-10%

Source: Danske Bank

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Market movers

Global

- In the **US** next week, the most important event is the inauguration of President-elect Donald Trump on Friday. We hope this means we will soon get more information on Trump's actual economic policy, as the press conference this week did not give us any major economic news (see *Flash Comment US: No major economic news from President-elect Trump – back to monitoring Twitter*, 11 January). It is not a given that the inauguration speech itself will be important but we may soon get an updated 100-day plan. Otherwise we are back to monitoring Twitter.

- In terms of data releases, we are due to get December CPI inflation figures on Wednesday. We estimate the CPI core index increased by 0.2% m/m in December, implying an increase in the core inflation rate to 2.2% y/y, up from 2.1% y/y in November. However, it is a close call between 2.1% y/y and 2.2% y/y. We still believe one of the triggers for the Fed this year will be higher actual core inflation. We estimate the CPI headline index increased 0.3% m/m in December due mainly to higher oil prices. This implies headline inflation increased significantly to 2.2% y/y in December, up from 1.7% y/y in November, which would be the highest headline inflation rate since 2012. The sharp increase is due to a combination of the base effects of declining oil prices in December 2015 and increasing oil prices in December 2016. Hence, we forecast the gap between CPI core and headline inflation closed in December after more than two years with headline running below core inflation caused by falls in food and energy prices.

  On Wednesday, we are also due to get manufacturing production for December. Global PMIs point to a synchronised recovery, but the pickup in PMIs has still not been visible in actual manufacturing production. We are optimistic about the December figures and think manufacturing production increased slightly. We also get the first indications on manufacturing activity in January from the Empire index on Tuesday and the Philly index on Thursday.

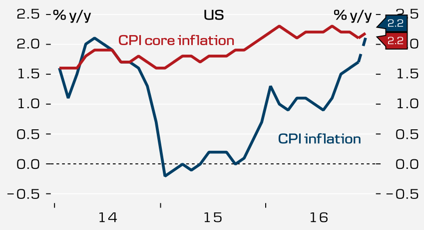
  The week also brings several important speeches by FOMC members. Most importantly, we have Janet Yellen speaking twice (Wednesday at 21:00 CET and Friday at 02:00 CET).

- In the **euro area**, German ZEW expectations figure is released on Tuesday. ZEW expectations in December remained unchanged from 13.8 in November. We expect it to increase in January. We see continuing optimism reflected in strong December PMIs for the euro area. Additionally, global PMIs are also strong and indicate that we are seeing a synchronised global recovery.

  The ECB is set to release the first bank lending survey of 2017 on Tuesday. The ECB maintains low interest rates and it succeeds in transmitting its low rates to lower lending costs for businesses and households. Therefore, we expect to continue seeing rising demand for loans. The survey also reveals whether banks have tightened or eased lending restrictions.

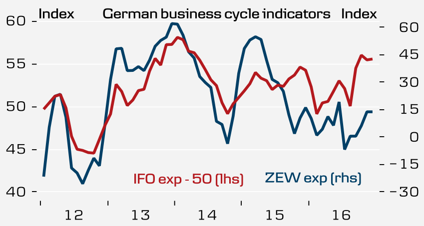
  The first ECB meeting of 2017 takes place on Thursday. However, we do not expect any significant announcements or changes to the ECB's policies. Even though inflation has increased above 1% for the first time since 2013, we emphasise that this is due mainly to energy price inflation consistent with the ECB's own forecasts. Therefore, we do not expect it to react with a hawkish stance or to conclude that inflation is on a sustainable path towards 2% yet.

Gap between core and headline inflation likely to have closed in December



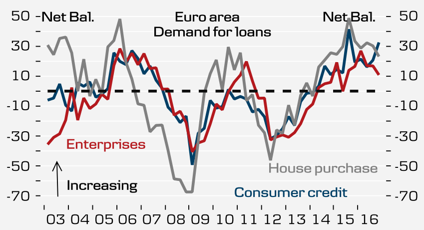
Source: BLS

ZEW and IFO



Source: IFO, ZEW, Danske Bank Markets

Rising demand for loans



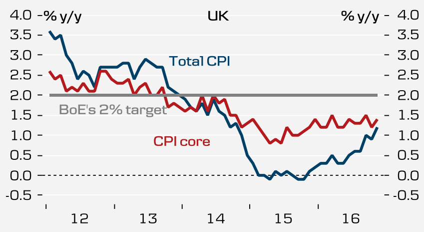
Source: ECB, Danske Bank Markets

On Friday, the survey of professional forecasters is released. To the ECB's delight, the latest releases have maintained a stable inflation outlook over the medium term. Earlier, the market had more doubt in its medium-term inflation outlook but market expectations on 5Y5Y have recently climbed to 1.75% from 1.30%, showing that to some extent markets have corrected the inconsistency between market expectations and survey-based expectations. From the ECB's perspective, we believe the higher market-based inflation expectations are still not close enough to the 2% target to conclude they are well anchored.

- In the **UK**, we are still waiting for two important events in January. PM Theresa May is giving her key Brexit speech on Tuesday, when we expect her to be more specific about what the UK wants to achieve in the upcoming exit negotiations. Brexit fears have returned as May repeated in a recent TV interview that control over immigration and national sovereignty are higher on the Government's priority list than access to the single market. Also, we are still waiting for the Supreme Court ruling on whether government or parliament has the power to invoke Article 50, which we also expect to come soon. According to a recent story in *The Guardian*, sources say ministers believe the Government will lose the Brexit Supreme Court case.

  In terms of data releases, we also have a busy calendar ahead of us. On Tuesday, we get CPI data for December. We estimate headline inflation rose to 1.4% y/y, from 1.2% in November, pushed up by non-energy industrial goods, energy and food prices. Service prices rose more than expected in December 2015, which would be a small drag on total inflation. We expect core inflation to stay unchanged at 1.4% (our model estimations say it is a very close call between 1.4% and 1.5%). In our view, UK inflation will move higher this year, due mainly to the weaker GBP, which pushes up import prices and hence consumer prices. On Wednesday, the labour market report for November is due. We have seen small signs that the labour market recovery is on pause (jobless claims have increased slightly in recent months) but overall the labour market has not so far been hit significantly by Brexit uncertainties. We estimate the unemployment rate (3M average) was unchanged at 4.8% but average weekly earnings (3M average) fell to 2.5% y/y, from 2.6% y/y. On Friday, we get retail sales data for December, which is the last major data release before we get the first estimate of GDP growth in Q4 the week after the next.

UK inflation set to move higher this year due to the weak GBP



Source: ONS

- **China** is scheduled to release Q4 GDP on Friday and we look for another quarter of 6.7% y/y growth. This would be the fourth consecutive quarter of 6.7% y/y. This is in line with China's growth target of 6.5-7.0%. However, the numbers are not good at measuring the real economic development and we do not put a lot of weight on them. Other data suggest that growth has clearly recovered this year, as, for example, PMI and electricity production have improved significantly. However, it is hard to tell the exact level of growth. We believe the true number is somewhere between 6.0% and 6.5% currently, up from 3-4% in early 2016.

  Numbers for industrial production, fixed investment and retail sales will also be released on Friday. Unfortunately, the industrial production and fixed investment data have been a bit out of line with other signs of recovery. Given the sharp rise in credit, metal prices and steel and electricity production, we put more weight on these as more reliable indicators for activity in China. When it comes to the retail sales data, these have generally trended lower but still point to consumption growth at a fairly decent rate.

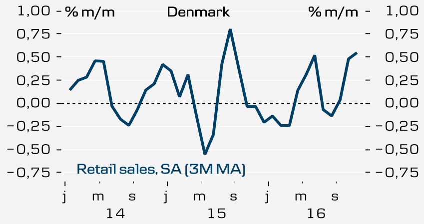
China GDP likely to show 6.7% for Q4 but don't put too much weight on it

Source: Macrobond Financial

Scandi

- In **Denmark**, there is little on the agenda in the coming week. Monday brings figures for firms' purchases and sales in November, which could give us an indication of economic activity in Q4. Statistics Denmark is due to release retail sales data for December on Friday. There is much to suggest that private consumption in general has been boosted by rising employment, real wages and housing prices and we expect retail sales too to benefit from higher consumer spending. Retail sales tend to be highly volatile, however, with considerable fluctuations from month to month, which we should not read too much into.
- In **Sweden**, there are no pre-announced events in the week ahead. We recommend readers take this time to contemplate.
- In **Norway**, there are no market movers in the next week.

Retail sales fluctuate widely from month to month



Source: Statistics Denmark

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Tue	17-Jan	-	GBP	PM Theresa May to speak on Brexit					
		10:30	GBP	CPI	m/m|y/y	Dec	**0.3%|1.4%**	*0.3%|1.4%*	0.2%|1.2%
		11:00	DEM	ZEW expectations	Index	Jan	**15.1**	*18.8*	13.8
Wed	18-Jan	-	CNY	Property prices	y/y				
		14:30	USD	CPI core	m/m|y/y	Dec	**0.2%|2.2%**	*0.2%|2.1%*	0.2%|2.1%
		16:00	CAD	Bank of Canada rate decision	%		**0.50%**	*0.50%*	0.50%
		21:00	USD	Fed Chair Yellen (dovish) speaks					
Thurs	19-Jan	13:45	EUR	ECB announces refi rate	%		**0.00%**	*0.00%*	0.00%
		13:45	EUR	ECB announces deposit rate	%		**-0.40%**	*-0.40%*	-0.40%
		13:45	EUR	ECB's monthly asset purchase target	EUR bn	Jan	**80**	*80*	80
		14:30	EUR	ECB's Draghi speaks at press conference					
		-	USD	Fed Chair Yellen (dovish) speaks in the night, 02:00 CET Friday					
Fri	20-Jan	-	USD	Inauguration of President-elect Donald Trump					
		2:00	USD	Fed Chair Yellen (dovish) speaks					
		3:00	CNY	Real GDP	q/q|y/y	4th quarter	**1.7%|6.7%**	*1.7%|6.7%*	1.8%|6.7%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

High economic surprise indices a short-term risk

As data has continued to beat expectations globally the so-called economic surprise indices have reached very high levels (chart 1). This reflects the good economic news supporting the case for strong synchronised growth momentum going into 2017 as we highlighted in *Five Macro Themes for 2017*, 1 December 2016. **However, the high level of surprise indices is also a slight warning for markets, as history suggests that it is hard to sustain these levels for long**. This is because expectations are typically moved higher after a period of good news and at the same time data moves in cycles and a string of strong data is often followed by some moderation. High expectations and softer data can quickly lead to disappointments.

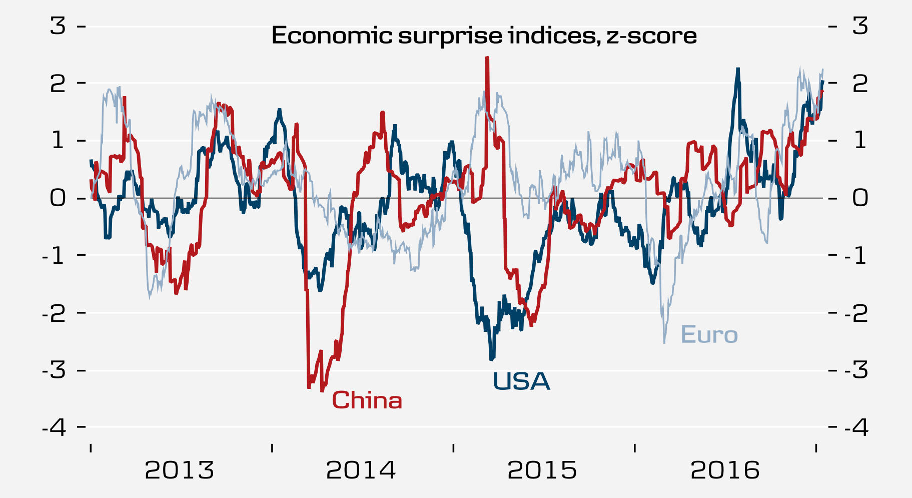
This is important because the reflation theme partly hinges on continued positive surprises and markets have already come some way in pricing in reflation. With steep yield curves in the bond market, investors may find more comfort in buying long-dated bonds again if the data starts to moderate, or take profit on short positions which also leads to higher demand for bonds. It is also interesting that US bond yields have actually fallen lately despite continued positive surprises. It may be another sign that the bond sell-off is stabilising for now**. Our medium- to long-term view is still one of higher bond yields by the end of 2017. But we could be in for a period of consolidation before the next leg up in yields**.

Stock markets have also lost some upward momentum lately. A lot of investors have moved to overweight of equities versus bonds on the back of a positive news flow. Hence the flow into equities may be ebbing a bit. If surprise indices peak soon it could provide some short term headwind. Be aware, though, that historically equities have outperformed when the

Key points

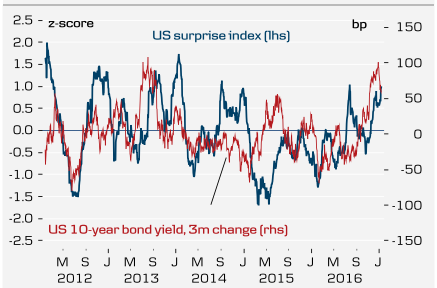
- Very high surprise indices normally do not last for long - a short-term risk for yields
- A strong clash between Trump and China is a rising risk
- EUR/USD moves in tandem with US-German rate differential
- Oil rally is over for now
- Euro growth finished 2016 on a strong note

High level for surprise indices rarely lasts for a long time



Source: Macrobond Financial

US change in yields and surprise index has some correlation



Source: Danske Bank Markets

business cycle is in expansion territory. Hence **our medium-term view is still positive on the stock market**. Donald Trump is also seen as a positive factor for stocks in the longer term as he begins to execute on his plans of reducing taxes and rebuilding US infrastructure.

China-US relations heading for collision - a rising risk factor

However, how positive Trump will be for the stock market also depends on how his policies against China will evolve. We are increasingly concerned that the US and China are heading for a collision in 2017. It could involve trade war, and the risk of a military confrontation in the Taiwan Strait or the South China Sea has increased. The people Trump has selected in his team of advisors and in his government are all very critical of China and have painted a picture of a big military threat from China (just take a look at Peter Navarro's page *www.deathbychina.com* and watch some of the videos there. Peter Navarro is leading a new Trade Council in the White House). Trump has started out quite confrontationally by receiving a call from the Taiwanese President in November and signalling that the One-China Policy could be used as a bargaining chip in trade negotiations. China sees the US support for the One-China policy (in place for over 40 years) as a red line not to be crossed and use of Taiwan as a negotiating tool will likely backfire for Trump, see also *Flash Comment: A clash between the US and China a rising risk for market*, 12 December 2016.

Two days ago the nominee for Secretary of State Rex Tillorson added another front - The South China Sea - in the clash with China by saying: 'We're going to have to send China a clear signal that, first, the island-building stops and, second, your access to those islands also is not going to be allowed.' The South China Sea is another red line for China as control over the Sea is critical to secure the transportation way for Chinese exports. The bigger the military threat to China, the more important the control of this Sea will become. Hence **by rattling the sabre Trump is making China even more determined to keep control of this area**. China is not likely to bend on either the Taiwan issue or the South China Sea and could well be willing to go to war to prove this.

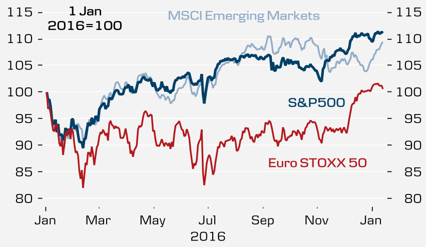
Add to this an increasing **threat from North Korea** (over which the US is very critical of China) and the South Korean deployment of the US anti-missile system Terminal High Altitude Area Defense (THAAD), which China sees as a threat to its own defence system, see the Reuters article *South Korea considering complaint to China over THAAD retaliation*, 12 January 2017. The mix of tense issues in this region means it reacts best to careful diplomacy – which does not seem to be Trump's preferred way.

It is hard to tell how this will develop and China so far has responded in a muted way to US comments on Taiwan and the South China Sea. However, this is because a) Trump is not yet President and b) so far it is only comments and policies have not changed. But if the US starts to make real changes to policies on these matters, China will no doubt respond strongly, not least in a year of political transition with the 19th National Congress of the Communist Party in the autumn**. If we get an escalation of the tensions involving trade war, or some sort of military confrontation between the US and China, this could give a hit to risk sentiment during 2017.**

Chinese credit growth in line with our slowdown scenario

On the economic front, China released money and credit data over the past week. **Credit numbers were a bit higher than expected but overall still point to some slowing of growth during 2017** (see chart). Credit saw a big boost at the beginning of 2016 but has come off since then. The latest numbers show a small rise in credit again towards the end of last year, but still in line with softer growth than what was the case at the end of 2016.

Stock markets have stalled a bit lately



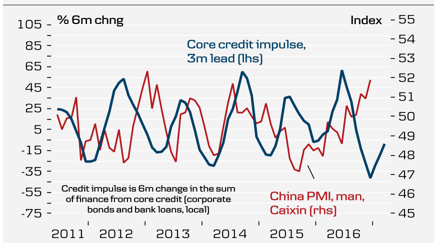
Source: Danske Bank Markets

Long list of potential issues of conflict between US and China

1. Trade
2. Taiwan - One-China policy
3. South China Sea
4. THAAD (see *link*)
5. North Korean threat

Source: Danske Bank Markets

Our Chinese credit impulse indicator still points to a slowdown ahead

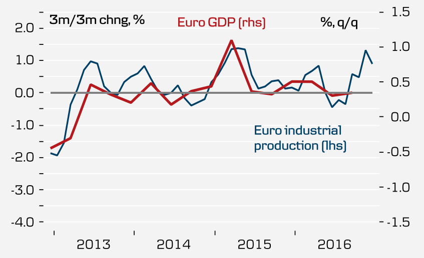


Source: Danske Bank Markets

Euro production numbers confirm strong finish to 2016

In the euro area this week's data on industrial production (IP) confirmed that 2016 finished on a strong note. Production rose 1.5% m/m which adds to a strong performance in Q4. IP is normally a good indicator for GDP and it points to euro GDP growth in the area of 0.75% q/q corresponding to 3% annualised. This would be the strongest rate since early 2015 when the euro area witnessed a strong recovery and if confirmed it would be a strong starting point for 2017. As Q4 16 provides the base for 2017 it does point to some upside risk to 2017 growth estimates. The euro sentix survey similarly showed a strong increase, mirroring the positive growth picture.

Euro IP points to strong GDP in Q4

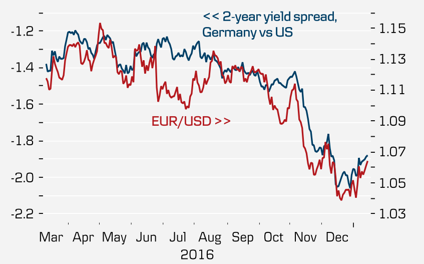


Source: Danske Bank Markets

EUR/USD higher on rate differential

EUR/USD has moved a bit higher in the past week to the highest level in a month. It went hand in hand with a higher yield German-US short end yield spread, as US 2-year yields moved a bit lower while German yields are higher. The rise in short German yields may be due to a correction to the sharp decline after the ECB meeting in December, when the short end of the German yield curve saw big declines in yields when the ECB announced it would buy below the deposit rate of -40bp. We still look for EUR/USD to move lower on a three-month horizon as the market prepares for the next Fed hike and uncertainty over European politics intensifies around the French elections in April/May. But we retain the view that EUR/USD will move higher later in the year on the back of strong current account flows in favour of the euro area and that the euro is fundamentally undervalued.

EUR/USD higher this week...



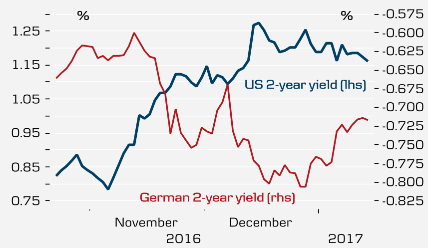
Source: Danske Bank Markets

The decline in the USD has not only been against the EUR but the Greenback has also weakened versus JPY and Asian currencies. USD/CNY has also moved lower lately - partly due to China's intervention in the offshore market that led to sharp increases in CNH money market rates. The sharp increase made it more expensive to short CNH and has likely deterred short sellers of the currency in the short term from putting bearish bets on the Chinese currency.

Oil prices stabilising around USD55 per barrel

Over the past week, we have seen some set-back in oil prices and it seems the market is stabilising around USD55 per barrel. The decline this week has happened on the back of: 1) doubts over output cuts from OPEC as well as non-OPEC countries and 2) a rise in US oil production and rig count, suggesting that the higher prices will attract more US oil onto the market. Current levels are in line with our forecast and we continue to see a small increase in oil prices towards USD60 by the end of the year, as the market is well supported by strengthening demand due to the global recovery this year.

...US yields lower, German higher in '17



Source: Danske Bank Markets

Global market views

Asset class	Main factors
Equities	
Overweight stocks short and medium term	Ahead of the inauguration of Donald J. Trump as the next US president equities are likely to fare well. The inauguration could very well be an inflection point leading to a period with more flat trading in equities as markets wait for policy signals. US fixed income markets seem to indicate that most of the reflation trade is priced in. However, we do not think this is the case with equities, so an expansionary fiscal policy signal could be the starting signal for a second leg in the reflation trade.
Underweight DM, overweight EM	
Overweight US, Japan, Nordics and Russia/Eastern Europe; underweight Europe and LatAm; neutral on China	
Bond market	
Higher yields, further steepening 2Y10Y curve	More expansive fiscal policy in the US and the Fed outlook add to steepening trend in Europe. Higher inflation prints, tapering fears later in 2017 and a global recovery also point to a steeper curve. However, the ECB QE mitigates some of the effects.
US-euro spread: slightly wider in 2017	The US FI market is now more or less priced according to our view for 2017 and after the recent spike in US yields the upside potential for the next three months should be limited. As we move further into 2017 we could in fact see a tightening of the USD-EUR spread in the 10Y segment as the strong USD caps the upside for longer US yields and as an end to ECB QE is coming closer.
Peripheral spreads: tightening	Economic recovery and QE mean further tightening but politics, tapering and a new move higher in eurozone yields remain clear risk factors.
Credit spreads: neutral	
FX	
EUR/USD – lower over coming months on momentum, relative rates	USD set to remain supported by Trump and the Fed in the near term. EUR/USD to head higher beyond 3M.
EUR/GBP – risk skewed on the upside in run-up to when the UK is likely to trigger Article 50	Longer term, we expect EUR/GBP to settle in the 0.83-0.88 range. Risk skewed on the upside over the short to medium term due to Brexit.
USD/JPY – short-term risks skewed to upside on higher US rates	USD/JPY set to remain supported near term by relative monetary policy and risk appetite.
EUR/SEK – range near term after recent decline, gradually lower medium term	Gradually lower on relative fundamentals and valuation in 2017.
EUR/NOK – gradually lower	Cross set to move lower on valuation and growth, real rate differentials normalising.
Commodities	
Oil price – OPEC, non-OPEC rally over; negative impact from hawkish Fed	Support from positive growth and inflation sentiment; near-term focus implementation of OPEC deal, US crude stocks.
Metal prices – focus turns to Trump's plans on infrastructure and defence spending	Underlying support from consolidation in mining industry, recovery in global manufacturing and US fiscal spending.
Gold price – hawkish Fed weighing on gold price	Rising yields and USD pushing gold price down.
Agriculturals – abundant supply keeping a lid on prices	Attention has turned to *La Niña* weather risks over the winter, consolidation seen in some part of the market

Source: Danske Bank Markets

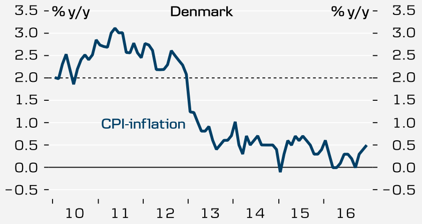
Scandi Update

Denmark – slightly higher inflation in December

Inflation climbed from 0.4% y/y in November to 0.5% y/y in December and has thus gained half a point since flatlining in September. As expected, it was mainly energy prices that pushed inflation up, while charter flights and furniture pulled in the other direction. Initial estimates for the euro area suggest that inflation there jumped a whole half a point in December. The reason for the less dramatic change in Denmark is partly that there was not the same surge in energy prices and as services inflation rose in the euro area but fell here.

The balance of payments for November showed an increase in the current account surplus of DKK3.7bn m/m. This was due mainly to higher exports of goods, but things are also starting to look up for exports of services, which have been hit by dwindling freight rates squeezing earnings in Denmark's substantial shipping sector. As freight rates are generally set in dollars, they can expect a helping hand going forward due to the dollar's relatively strong appreciation in recent months.

Inflation has risen for three consecutive months



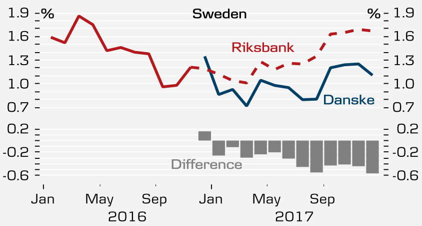
Source: Danmarks Nationalbank

Sweden – where to next?

Over the past week, we received both inflation data and the Riksbank minutes. Indeed, the overarching message is undoubtedly a hawkish one: inflation (no matter what your favourite measure) came in higher than the Riksbank's forecast and the minutes revealed an Executive Board showing clear signs of what has been dubbed 'monetary policy fatigue' (the lack of confidence in further monetary policy measures producing the desired results) in financial market jargon.

For once, we cannot object to this general perception. It should be clear to all that the Riksbank is currently closer to ending the monetary expansion cycle than continuing and further still from increasing stimuli further. That said, inflation is set to come back down below the Riksbank's forecasts in January again and continue sideways for most of 2017. How will the Riksbank respond? Our guess: not at all. At least as long as the economy is humming along current trends with stable inflation expectations, a gradually strengthening SEK, decent growth and rising employment. Indeed, the Riksbank seems to be suffering from a severe case of monetary policy fatigue. However, such a dramatic departure from orthodox inflation targeting regimes begs the question: can we ever hope to perform stabilisation policy successfully?

Core inflation set to drop below the Riksbank forecast again next month

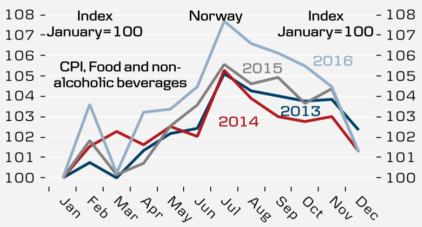


Source: Macrobond Financial. Danske Bank calculations

Norway – inflation set to fall further

Core inflation has now surprised on the downside for five consecutive months. This follows surprisingly high inflation in H1 16, however, so we do not think it is down to any changes in underlying inflationary pressures, rather a slightly surprising seasonal pattern in key product groups. As the chart shows, food prices climbed abnormally high in H1 16 but ended the year at around the same level of increase as in previous years. The drop in food prices in H2 was thus unusually large, and this was a key factor in the decline in core inflation. The same pattern was seen in import prices, which are to great extent driven by currency movements. Given the way the krone has moved over the past year, we still expect the rise in import prices to slow and eventually reverse during the course of 2017. This will help pull core inflation down towards 2% at the end of the year. This effect will be offset to some extent by slightly higher wage growth and an increase in global inflationary pressures.

Drop in food prices payback for last summer



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank Markets

12/1 Economic Comment Sweden: Inflation and Minutes bolster bearish sentiment

As we suspected, Sweden's December inflation figure showed a much higher than normal increase due to a surge in foreign airfares (+34% m/m) and to some extent air charter packages (+5% m/m).

11/1 US: No major economics news from President-elect Trump - back to monitoring Twitter

President-elect Donald Trump provided us with little new information on the future economic policy

10/1 China: PPI surges, CPI inflation subdued

PPI inflation surges to a new cycle high of 5.5% as higher commodity prices feed through. CPI inflation is still subdued at 2.1%.

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	1.0	1.8	1.3	3.9	-0.4	0.1	1.3	0.3	4.2	-1.7	38.0	7.4
	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	2.1	3.5	6.5	0.2	3.1	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	1.5	2.3	-0.3	0.2	-1.5	1.0	3.5	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	1.7	1.9	3.0	-	2.3	3.0	0.2	10.1	-1.8	91.6	3.7
	2017	1.5	1.1	1.2	2.7	-	3.0	3.1	1.3	9.5	-1.5	90.6	3.5
	2018	1.5	1.1	1.1	3.6	-	3.6	4.0	1.2	9.1	-1.5	89.6	3.3
Germany	2016	1.8	1.7	4.2	2.1	-	2.3	3.0	0.4	4.3	0.6	68.1	9.0
	2017	1.9	1.4	2.2	2.0	-	3.3	3.1	1.7	4.1	0.4	65.7	8.7
	2018	1.9	1.4	1.8	4.0	-	4.0	4.8	1.5	4.1	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	1.1	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	1.1	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	1.7	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	2.2	0.2	3.0	-	0.8	1.5	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	-	-	-	-	-	-	2.3	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	0.6	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 DKK
USD	13-Jan	0.75	1.02	1.46	2.23	106.4	-	698.9
	+3m	0.75	1.12	1.45	2.40	104.0	-	715.1
	+6m	1.00	1.25	1.75	2.50	108.0	-	689.1
	+12m	1.25	1.52	2.15	2.90	112.0	-	664.5
EUR	13-Jan	0.00	-0.33	-0.18	0.67	-	106.4	743.5
	+3m	0.00	-0.35	-0.10	0.80	-	104.0	743.8
	+6m	0.00	-0.35	-0.10	0.90	-	108.0	744.3
	+12m	0.00	-0.35	0.00	1.30	-	112.0	744.3
JPY	13-Jan	-0.10	-0.03	0.03	0.21	121.9	114.6	6.10
	+3m	-0.10	-	-	-	123.8	119.0	6.01
	+6m	-0.10	-	-	-	127.4	118.0	5.84
	+12m	-0.10	-	-	-	132.2	118.0	5.63
GBP	13-Jan	0.25	0.36	0.61	1.30	87.3	121.9	851.6
	+3m	0.25	0.40	0.65	1.40	87.0	119.5	854.9
	+6m	0.25	0.40	0.70	1.50	86.0	125.6	865.4
	+12m	0.25	0.40	0.60	1.75	86.0	130.2	865.4
CHF	13-Jan	-0.75	-0.73	-0.63	0.11	107.2	100.8	693.4
	+3m	-0.75	-	-	-	107.0	102.9	695.1
	+6m	-0.75	-	-	-	110.0	101.9	676.6
	+12m	-0.75	-	-	-	113.0	100.9	658.6
DKK	13-Jan	0.05	-0.23	0.01	0.94	743.5	698.9	-
	+3m	0.05	-0.20	0.10	1.10	743.8	715.1	-
	+6m	0.05	-0.20	0.10	1.15	744.3	689.1	-
	+12m	0.05	-0.20	0.20	1.55	744.3	664.5	-
SEK	13-Jan	-0.50	-0.56	-0.30	1.11	949.7	892.8	78.3
	+3m	-0.50	-0.60	-0.40	1.20	940.0	903.8	79.1
	+6m	-0.50	-0.60	-0.30	1.20	930.0	861.1	80.0
	+12m	-0.50	-0.60	-0.35	1.60	920.0	821.4	80.9
NOK	13-Jan	0.50	1.08	1.22	1.85	904.9	850.7	82.2
	+3m	0.50	1.00	1.25	1.90	910.0	875.0	81.7
	+6m	0.50	1.00	1.30	2.00	900.0	833.3	82.7
	+12m	0.50	1.00	1.40	2.40	880.0	785.7	84.6

Equity Markets

Regional		Risk profile 3 mth	Price trend 3 mth	Price trend 12 mth	Regional recommen-dations
USA (USD)	Fiscal boost, strong earnings growth	Medium	2-5%	5-10%	Overweight
Emerging markets (local ccy)	Underperformance during the last rally, cheap valuation	Medium	2-5%	5-10%	Overweight
Japan (JPY)	Support by BoJ (YCC), strong earnings growth, cheap valuation	Medium	2-5%	5-10%	Overweight
Euro area (EUR)	Strong earnings growth, political risk	Medium	0-3%	3-5%	Underweight
UK (GBP)	Strong earnings growth, political risk	Medium	2-3%	5-8%	Neutral
Nordics (local ccy)	Strong earnings growth, positive FX effects	Medium	2-5%	5-10%	Overweight

Commodities

		2017				2018				Average	
	13-Jan	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	53	53	55	57	59	60	60	61	61	56	61
ICE Brent	56	53	55	57	59	60	60	61	61	56	61
Copper	5,842	5,850	5,900	5,950	6,000	6,025	6,050	6,075	6,100	5,925	6,063
Zinc	2,727	2,400	2,300	2,200	2,200	2,225	2,250	2,275	2,300	2,275	2,263
Nickel	10,275	11,200	11,300	11,400	11,500	11,600	11,700	11,800	11,900	11,350	11,750
Aluminium	1,790	1,750	1,760	1,770	1,780	1,790	1,800	1,810	1,820	1,765	1,805
Gold	1,197	1,100	1,120	1,140	1,160	1,170	1,180	1,190	1,200	1,130	1,185
Matif Mill Wheat (€/t)	170	164	166	168	168	169	169	170	170	167	170
Rapeseed (€/t)	415	420	410	410	410	415	420	425	430	413	423
CBOT Wheat (USd/bushel)	426	450	475	500	510	520	530	540	550	484	535
CBOT Soybeans (USd/bushel)	1,027	1,150	1,100	1,100	1,100	1,125	1,125	1,150	1,150	1,113	1,138

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 3

During the week				Period	Danske Bank	Consensus	Previous
-	EUR	World Economic Forum annual meeting for 2017 in Davos Tuesday to Friday					
Monday, January 16, 2017				Period	Danske Bank	Consensus	Previous
8:00	NOK	Trade balance	NOK bn	Dec			15.1
9:00	DKK	Purchases and sales by enterprises		Nov			
10:00	ITL	HICP, final	y/y	Dec	**0.5%**	*0.5%*	0.1%
11:00	EUR	Trade balance	EUR bn	Nov			19.7
13:30	EUR	ECB's Mersch speaks in Helsinki					
16:30	EUR	ECB's Praet speaks in Paris					
Tuesday, January 17, 2017				Period	Danske Bank	Consensus	Previous
-	GBP	PM Theresa May to speak on Brexit					
5:30	JPY	Industrial production, final	m/m|y/y	Nov			1.5%|4.6%
10:00	EUR	ECB's bank lending survey					
10:30	GBP	PPI - input	m/m|y/y	Dec		*2.2%|15.5%*	-1.1%|12.9%
10:30	GBP	CPI	m/m|y/y	Dec	**0.3%|1.4%**	*0.3%|1.4%*	0.2%|1.2%
10:30	GBP	CPI core	y/y	Dec	**1.4%**	*1.4%*	1.4%
11:00	DEM	ZEW current situation	Index	Jan	**70.8**	*65.0*	63.5
11:00	DEM	ZEW expectations	Index	Jan	**15.1**	*18.8*	13.8
14:30	USD	Empire Manufacturing PMI	Index	Jan		*8.0*	9.0
14:45	USD	Fed's Dudley (voter, dovish) speaks					
Wednesday, January 18, 2017				Period	Danske Bank	Consensus	Previous
-	USD	Fed's Williams (non-voter, neutral) speaks					
-	CNY	Property prices	y/y				
8:00	DEM	HICP, final	m/m|y/y	Dec	**1.7%**	*1.7%*	0.7%
10:30	GBP	Unemployment rate (3M)	%	Nov	**4.8%**	*4.8%*	4.8%
10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Nov	**2.5%**	*2.6%*	2.6%
11:00	EUR	HICP inflation, final	y/y	Dec	**1.1%**	*1.1%*	0.6%
11:00	EUR	HICP - core inflation, final	y/y	Dec	**0.9%**	*0.9%*	0.8%
14:30	USD	CPI headline	m/m|y/y	Dec	**0.3%|2.2%**	*0.3%|2.1%*	0.2%|1.7%
14:30	USD	CPI core	m/m|y/y	Dec	**0.2%|2.2%**	*0.2%|2.1%*	0.2%|2.1%
15:15	USD	Manufacturing production	m/m	Dec		*0.5%*	-0.1%
15:15	USD	Capacity utilization	%	Dec		*75.5%*	75.0%
15:15	USD	Industrial production	m/m	Dec		*0.7%*	-0.4%
16:00	CAD	Bank of Canada rate decision	%		**0.50%**	*0.50%*	0.50%
16:00	USD	NAHB Housing Market Index	Index	Jan		*69.0*	70.0
17:00	USD	Fed's Kashkari (voter, dovish) speaks					
21:00	USD	Fed Chair Yellen (dovish) speaks					
22:00	USD	TICS international capital flow, net inflow	USD bn	Nov			18.8

Source: Danske Bank Markets

Calendar — continued

Thursday, January 19, 2017				Period	Danske Bank	Consensus	Previous
1:01	GBP	RICS house price balance	Index	Dec		*0.3*	0.3
1:30	AUD	Employment change	1000	Dec		*10*	39.1
10:00	EUR	Current account	EUR bn	Nov			28.4
13:45	EUR	ECB announces refi rate	%		**0.00%**	*0.00%*	0.00%
13:45	EUR	ECB announces deposit rate	%		**-0.40%**	*-0.40%*	-0.40%
13:45	EUR	ECB's monthly asset purchase target	EUR bn	Jan	**80**	*80*	80
14:30	EUR	ECB's Draghi speaks at press conference					
14:30	USD	Initial jobless claims	1000			*252*	247
14:30	USD	Building permits	1000 (m/m)	Dec		*1220*	1212.0 (-3.8%)
14:30	USD	Housing starts	1000 (m/m)	Dec		*1200*	1090.0 (-18.7%)
14:30	USD	Philly Fed index	Index	Jan		*15.1*	19.7
17:00	USD	DOE U.S. crude oil inventories	K				4097
-	USD	Fed Chair Yellen (dovish) speaks in the night, 02:00 CET Friday					
Friday, January 20, 2017				**Period**	**Danske Bank**	**Consensus**	**Previous**
-	USD	Inauguration of President-elect Donald Trump					
-	EUR	Moody's may publish Ireland's debt rating					
-	EUR	S&P may publish Greece's debt rating					
2:00	USD	Fed Chair Yellen (dovish) speaks					
3:00	CNY	Industrial production	y/y	Dec		*6.1%*	6.2%
3:00	CNY	Retail sales	y/y	Dec		*10.7%*	10.8%
3:00	CNY	Real GDP	q/q|y/y	4th quarter	**1.7%|6.7%**	*1.7%|6.7%*	1.8%|6.7%
3:00	CNY	Fixed assets investments	y/y	Dec		*8.3%*	8.3%
9:00	DKK	Retail sales	m/m|y/y	Dec			0.2%|2.6%
10:00	EUR	ECB's survey of professional forecasters					
10:30	GBP	Retail sales ex fuels	m/m|y/y	Dec		*-0.4%|7.5%*	0.5%|6.6%
14:30	CAD	CPI	m/m|y/y	Dec			...|1.2%
14:30	CAD	Retail sales	m/m	Nov			1.1%
15:00	USD	Fed's Harker (voter, hawkish) speaks					
19:00	USD	Fed's Williams (non-voter, neutral) speaks					

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Source: Danske Bank Markets

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Date of first publication

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