20 January 2017

Weekly Focus

Looking for solid indicators to kick off 2017

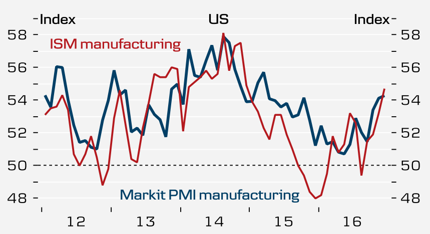
Market movers ahead

- We get the first indications on 2017 activity in the US with the release of the preliminary Markit PMIs for January. We also get the first estimate of Q4 16 GDP growth. We estimate Q4 GDP growth was 2.3% q/q AR mainly driven by private consumption.
- In the euro area, we get consumer confidence for January. It has improved since last summer and we expect to see a modest increase for January as the labour market still shows strength. We also get euro area PMIs for January. We expect both manufacturing and service PMIs to increase.
- In the UK, the main event is the Supreme Court ruling on Tuesday. It seems as if Theresa May has accepted that parliament needs to be involved in the Brexit negotiation process, as she has mentioned the final deal will be put to a vote in both Houses of Parliament.

Global macro and market themes

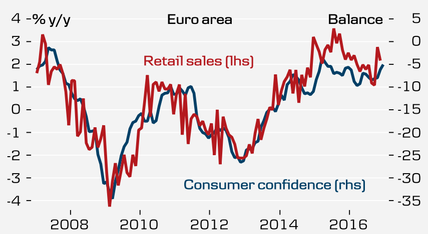
- Trump inauguration, May's Brexit speech and China's presence at Davos may well mark the end of the world as we know it.
- Markets taking a relatively relaxed view on risk with the VIX index trading close to decade lows...
- ...and awaiting a more concrete economic policy announcement from the Trump administration.
- The possible shift towards more protectionism may well hurt the global economic outlook.
- We are bullish on Russia, which is a likely winner from the new era.

Manufacturing business cycle has turned



Source: Markit Economics, ISM

Consumer confidence set to increase



Source: Eurostat, European Commission, Danske Bank Markets

Contents

Financial views

Major indices

	20-Jan	3M	12M
10yr EUR swap	0.73	0.80	1.30
EUR/USD	107	105	112
ICE Brent oil	54	53	59
	20-Jan	6M	12-24M
S&P500	2264	5-10%	10-15%

Source: Danske Bank

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Market movers

Global

- In the **US** next week, we get several important economic releases. The week bring us the first indications on 2017 activity with the release of the preliminary Markit PMIs for January. The manufacturing PMI index (due Tuesday) rose again in December reaching 54.3 up from 54.1 in November, the highest level in almost two years. It seems as if the manufacturing sector ended 2016 on a strong footing and we expect the current trend has continued into 2017, although we are still waiting for 'hard data' to confirm this. We expect the Markit manufacturing PMI index stayed more or less unchanged at around 54.3 in January. The service PMI index (due Thursday) has declined for the last two months and was 53.9 in December down from 54.8 in October. We think the current level is too low and see the index increasing slightly to 54.5 in January.

  Friday, we get the first estimate of Q4 16 GDP growth. We estimate Q4 GDP growth was 2.3% q/q AR mainly driven by private consumption. Business investments seem to have bottomed out when looking at core capex orders and we think they contributed positively to growth in Q4. Net exports probably dragged growth down in Q4. PCE core inflation in Q4 will give us the December inflation rate implicitly (although previous months are subject to revisions unlike CPI data). Based on the CPI data released this week, we think PCE core rose 0.2% m/m in December corresponding to a quarterly print of 1.4 q/q AR in Q4 down from 1.7% in Q3.

  On Friday we also get the preliminary capital goods (capex) orders for December, where we expect another increase in shipments in line with the small increase in November. Capex goods seems to have bottomed out for now. We expect them to move higher in 2017 on the back of higher oil prices, which supports oil investments, and the rebound in manufacturing.

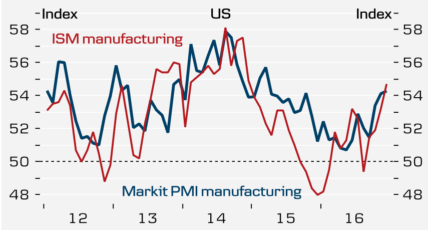
  No FOMC members are scheduled to speak next week, as we now enter the blackout period for all communication before the FOMC meeting 31 January – 1 February.

- In the **euro area,** the consumer confidence figure for January is released on Monday. Consumer confidence has improved since August 2016 despite political turmoil regarding Brexit and Donald Trump and remains at a high level. Consumer confidence may thus still prove resilient even as Theresa May signals a 'Hard Brexit' and Trump lingers on specifying the economic plans for his administration. We expect it to see a modest increase for January as the labour market still shows strength.

  On Tuesday, the PMI figures are released. The PMIs have improved significantly over the last few months in both manufacturing and services. However, the leading PMI indicators show more mixed signals. In line with other survey indicators we still expect manufacturing PMIs to increase, but less than previous months. Note also, that the input/output prices have increased significantly through 2016, and could start to flatten as commodity prices are stabilising. With regards to leading service PMIs, future business expectations increased significantly in December while the new business indicator remained stable. Thus, we expect service PMIs to see a further increase in January.

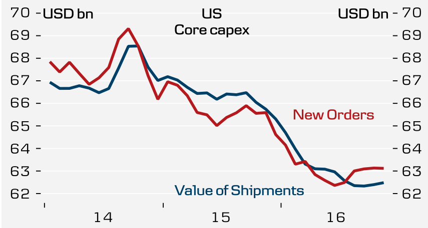
  The German IFO expectations are released on Wednesday. We have seen strong leading indicators in the December PMIs and other German survey indicators. The ZEW released this Tuesday also showed an increase in expectations although the current situation figure was the strongest. We thus expect the IFO figure to increase further in

Manufacturing business cycle has turned



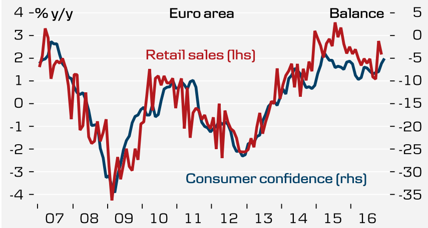
Source: Markit Economics, ISM

Increasing oil investments and strong manufacturing cycle to drive core capex higher in 2017



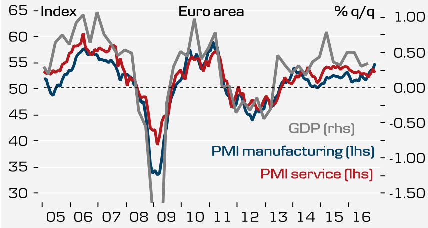
Source: U.S. Census Bureau

Consumer confidence set to increase



Source: Eurostat, European Commission, Danske Bank Markets

PMIs are expected to remain strong



Source: Markit PMI, Danske Bank Markets

January. Together with the strong PMIs these survey indicators imply quarterly growth in Q4 of around 1%, significantly above the 0.2% growth in Q3.

On Friday (or maybe first in the next week), we receive the German retail sales figures for December. We expect the figures to show a strong monthly increase in December following the decline observed in November as German consumer confidence has remained stable throughout Q4 16 and other survey indicators suggest strong growth in Q4. The retail sales figure is of special interest as it is a 'hard' indicator that can confirm whether actual growth satisfies the high growth expectation for Q4 in Germany.

Lastly, the M3 money supply and loan growth figures for December are due Friday. Here, we expect no significant deviations. We expect M3 growth to be around its 4.8% y/y level and loan growth to remain just shy of 2% y/y. The bank lending survey from the ECB released this week showed that demand for loans continue to support growth in lending to both households and enterprises, but credit standards for loans to enterprises tightened somewhat, driven by lower willingness to tolerate risk mainly in the Netherlands.

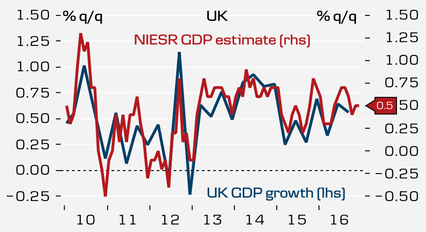
- In the **UK**, the main event is the Supreme Court ruling on Tuesday. According to a previous story in *The Guardian*, 11 January 2017, the UK government expects to lose the appeal. Based on Theresa May's speech, it seems as if she has accepted that parliament needs to be involved in the negotiation process, as she mentioned the final deal will be put to a vote in both Houses of Parliament. For more details on May's speech, see *Brexit Monitor #21*, 17 January.

  We get the first estimate of Q4 GDP growth on Thursday. Q4 economic indicators such as the PMI's have been solid in Q4 and the NIESR GDP estimate suggests GDP grew by 0.5% q/q in Q4, which is also our expectation (2.1% y/y). That said, a downward correction of the large increase in inventories in Q3 is a downside risk to our forecast. Although the economy was remarkably resilient to Brexit uncertainties in H2 16, we still think growth will slow this year due to slower growth in both private consumption and business investments, for more details see *Research UK: Brexit uncertainty set to prevail in coming years*, 4 January.

  Otherwise, BoE's Carney is speaking on Wednesday and Moody's publishes its UK sovereign debt rating on Friday.

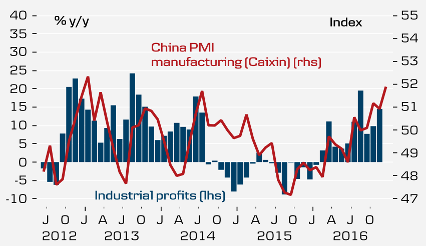
- The only release of interest next week in **China** will be industrial profits on Thursday. We look for another robust reading of around 15-20% y/y. Profits are currently being lifted by higher activity as well as higher prices. During 2017 we expect to see some moderation in profit growth as housing and infrastructure growth slows. But for now the profit picture is looking good.

UK GDP grew by 0.5% q/q according to the NIESR GDP estimate



Source: ONS

Industrial profits to show strong growth for December



Source: Macrobond Financial

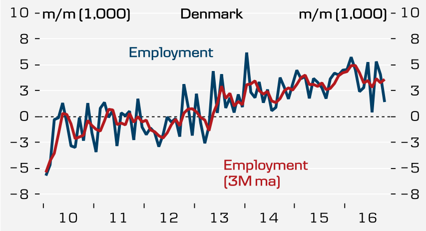
Scandi

In **Denmark**, there is little on the agenda in the coming week. Monday brings Statistics Denmark's monthly employment data for November. Employment has been upward bound for the past three-and-a-half years, and it will be exciting to see whether the marked increase seen so far in 2016 continued. Monday also brings January figures for consumer confidence, which has been in decline since August and moved into negative territory in December for the first time since May 2013. We do not think we should worry too much about this, however. With household finances continuing to benefit from rising employment, low interest rates, ever higher housing prices and, not least, growth in real wages, there should still be scope for Danish consumers to keep stepping up their spending. Finally, Friday brings figures for foreign portfolio investments and securities statistics for December.

- In **Sweden**, all the action in the week ahead is concentrated to Thursday and Friday. On Thursday (at 09.30 CET) we receive producer prices, trade balance data and the labour force survey (including unemployment rate, employment etc) After a couple of months with strong export order data in PMI and BCI and some indications of an upswing in 'actual' exports order data, an improving trade balance in general and strong exports growth in particular would be very welcome indeed. As for the labour force survey, we refrain from having a strong view on the unemployment rate, which is distorted by the strong influx of immigrants into the labour force. That said, employment has been growing steadily, if with somewhat lower momentum, over the past few quarters and we have no reason not to expect a continued rise in employment also in the final month of last year. On Friday, the NIER publishes the business (BCI) and consumer (CCI) confidence surveys (at 09.00 CET) and after very strong readings in the past month, a slight recoil should come as no surprise. As for retail sales (at 09.30 CET), we believe a weakish number is to be expected as the shoe and clothing industry's flash indicator was on the weak side, which chimes well with other anecdotal evidence.

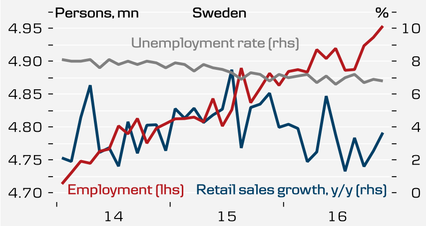
- In **Norway**, the coming week will give us a clearer idea of the state of the labour market. The NAV and LFS unemployment (November figures due Thursday) measures have long painted very different pictures of jobless levels, but have gradually begun to converge again over the past couple of months. Given that NAV gross unemployment was flat in November, we expect LFS unemployment to be unchanged at 4.8%. We will also keep an eye on the LFS employment measure, which fell in October after rising for four successive months. The employment indicator in Norges Bank's regional network survey suggests that we may be entering a period of job growth, which would reduce the risk of much higher unemployment.

Labour market continues to improve



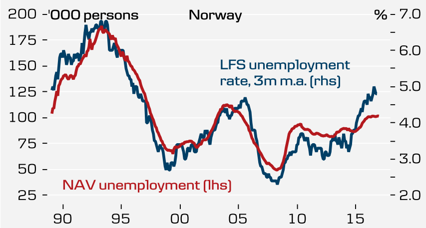
Source: Danmarks Statistik

Will domestic developments remain strong?



Source: Macrobond Financial, Statistics Sweden

Unemployment levelling off



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Tue	24-Jan	10:00	EUR	PMI composite, preliminary	Index	Jan	**54.6**	*54.5*	54.4
		10:30	GBP	Supreme Court ruling on Brexit					
		12:00	TRY	Central Bank of Turkey rate decision	%		**8.00%**	*8.50%*	8.00%
		14:00	HUF	Central Bank of Hungary rate decision	%		**0.90%**	*0.90%*	0.90%
		15:45	USD	Markit PMI manufacturing, preliminary	Index	Jan	**54.3**	*54.5*	54.3
Wed	25-Jan	10:00	DEM	IFO - expectations	Index	Jan	**105.9**	*105.9*	105.6
		17:00	GBP	BoE's Carney to speak in Germany					
Thurs	26-Jan	15:45	USD	Markit PMI service, preliminary	Index	Jan	**54.5**	*54.2*	53.9
Fri	27-Jan	14:30	USD	PCE core, preliminary	q/q AR	4th quarter	**1.4%**	*1.4%*	1.7%
Scandi movers									
Thurs	26-Jan	8:00	NOK	Unemployment (LFS)	%	Nov	**4.8%**	*4.8%*	4.8%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

The end of the world as we know it?

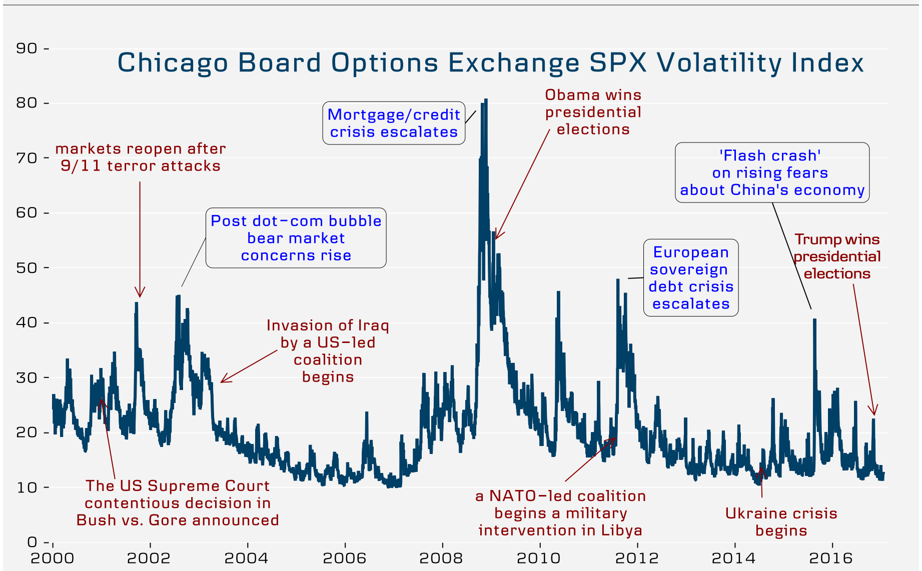
This week could easily mark the end of the world as we know it. Its events are likely to set apart traditional economic and political global alliances that we have grown used to since the World War II. So far, the market is taking a relatively complacent view of the risk in the upcoming changes, with the VIX index (also known as the global fear index) trading close to a decade low. However, we think that the resetting and formation of new trade and economic alliances are typically complicated and could in our view entail significant risks to the global economic recovery, both in the short term and down the road.

- **The inauguration of Donald Trump as US president is likely to mark a new era for US economic and foreign policies.** We are already used to a new communication style through Twitter. More fundamentally, the new US administration points to a shift in US foreign and trade relations, with Trump reaching out to Russia, while taking a rather confrontational approach to China on both Taiwan and trade. Even US and European relations may become cooler, at least Trump's comments that the UK will not be the only country to leave the EU are unlikely to have gone down well with EU member states.
- **Theresa May's Brexit speech on Tuesday served as a reminder of an intrinsically difficult period ahead for the UK and Europe.** While the speech did not contain much news, it reminded us that the UK divorce from what can be described as a 33-year marriage of convenience with the EU is likely to be contentious and complicated. While risks are clearly on the UK side, the unity in the EU will also be tested, for example on how to deal with the lack of UK contribution to the EU budget, which accounts for 15% of all contributions. The EU budget is one of the most contentious issues in the EU. While the British pound rebounded after May's speech, we think it will come under pressure as triggering Article 50 comes closer, seeing the EUR/GBP moving to 0.88 in 3M.

Key points

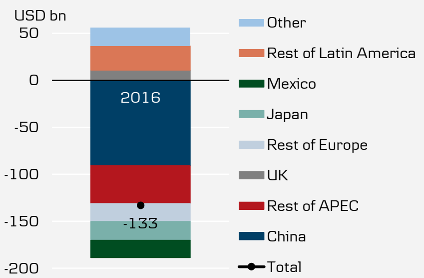
- Trump inauguration, May's Brexit speech and China's presence at Davos may well mark the end of the world as we know it.
- Markets taking a relatively relaxed view on risk with the VIX index trading close to decade lows...
- ...and awaiting a more concrete economic policy announcement from the Trump administration.
- The possible shift towards more protectionism may well hurt the global economic outlook.
- We are bullish on Russia, which is a likely winner from the new era.

Markets taking a very relaxed view on global risk—VIX index close to decade low



Source: Macrobond Financial

China and rest of Asia 'guilty' for most of US current account deficit



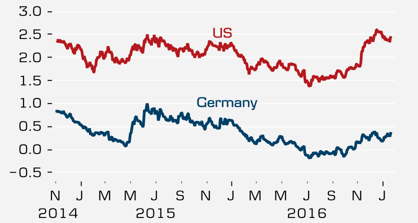
Source: Macrobond financials and Danske Bank Markets

- **Chinese President gave an unprecedented speech at the World Economic Forum (WEF) in Davos**. For the first time ever, a Chinese President gave a speech at the WEF. In stark contrast to the signals from the new US administration, President Xi Jinping emphasised that co-operation is the only way to solve the challenges facing the world economy and that China would keep its doors open to the rest of the world, hoping other nations would follow suit. Admittedly China is not the best example when it comes to free trade, with incoming US commerce secretary Wilbur Ross stressing afterwards that China is the 'most protectionist' major economy in the world and said China 'talks much more about free trade than it actually practices'. However, there is probably no doubt that China wants to assert a bigger and more active role in the governance of the global economy, such as in the IMF, where China has now sought a bigger say and its currency has been included in the SDR basket. We also think that China will seek closer alliances with the rest of the emerging markets in view of more restrictive US trade and foreign policy regime.

What have been the market implications so far of these possible shifts in world order? So far, markets have taken a relatively sanguine view on the impact. Equity markets have generally rallied, apart from a few badly hit emerging markets such as Mexico and Turkey, probably because the underlying global economic recovery is fairly strong and there are prospects of a more expansionary fiscal policy in the US. As a result, we are overweight equities. However, markets are now clearly waiting for concrete economic policies from the Trump administration, with both the upward move in US yields and the US dollar losing some momentum. Furthermore, we think there is an increasing chance that global risk sentiment could be affected by a possible stand-off between China and the US. More long-term there may be risks to a global recovery from more protectionism in the world economy. The IMF this week flagged these risks in its global economic update.

Who looks to be the winner so far from the emerging new global order? One candidate is Russia, which looks to benefit from (1) warmer feelings from the new US administration, (2) China seeking closer ties, (3) a rebound in oil prices and (4) strong economic institutions, with a large degree of central bank independence and prudent ministry of finance. This also underpins our long-held moderately bullish call on the rouble, which is among our FX top trades for 2017. Russian stocks are among the most undervalued globally when comparing price-earnings to their long-term value and many major Russian banks are doing very well at the moment from high interest margins given relatively low financing costs and still high lending rates (though we think that the Russian central bank will embark on significant lowering of its policy rates as inflation expectations are brought further under control). While ending the Western sanctions against Russia is not our base case this year, we believe it is clearly a likely upside for Russia with Trump in the White House. We also think that if the US were to lift its Russian sanctions, Europe would follow suit even if it came from the Trump administration. In such an event, we think that Russian equity markets would be lifted by 10% and the USD/RUB would fall under 49.00 by the end-2017.

Increase in global yields taking a breather



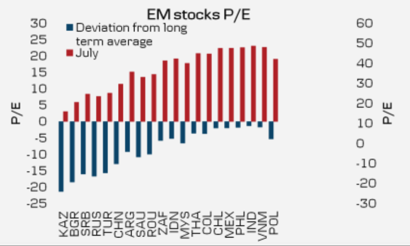
Source: Danske Markets

We are overweight equities, favouring US and Russia and rest of Eastern Europe

ASSET ALLOCATION Asset Class	Weight %	Recommendation u	n	o
EQUITIES	**45,0**			
Developed markets				
Nordic	15,0			
- Cyclicals	15,0			
- Defensives	20,0			
- Financials	10,0			
US	10,0			
Europe (excl. UK)	15,0			
UK	20,0			
Japan	10,0			
Emerging markets	**5,0**			
China, Asia	15,0			
Latin America	15,0			
Central Europe and Russia	15,0			
FIXED INCOME	**45,0**			
CASH	**10,0**			

Source: Danske Markets

Russia is among the most undervalued equity markets in the emerging markets space



Source: Danske Bank Markets

Global market views

Asset class	Main factors
Equities	
Overweight stocks short and medium term Underweight DM, overweight EM Overweight US, Japan, Nordics, and Russia/Eastern Europe,, underweight Europe and LatAm, Neutral on China	Ahead of the Trump inauguration of Donald J. Trump as the next US president equities will like fare well. The inauguration could very well be an inflection point leading to a period with more flat trading in equities as markets waits for policy signals. US fixed income markets does seem to indicate that most of the reflation trade is priced in. However, we do not think this is the case with equities. So, a expansionary fiscal policy signal is the starting signal for a second leg in the reflation trade.
Bond market	
Higher yields, further steepening 2Y10Y curve	More expansive fiscal policy in the US and Fed outlook adds 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 mitigate 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 is coming closer.
Peripheral spreads: tightening	Economic recovery and QE mean further tightening but politics, tapering and a new move higher in Euro zone 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 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 but near-term potential limited.
EUR/NOK – gradually lower	Cross set to move lower on valuation and growth, real rate differentials normalising.
Commodities	
Oil price – OPEC hesitant about extending deal through H2, crude stocks remain high	Support from positive growth and inflation sentiment; near-term focus implementation of OPEC deal, US crude stocks.
Metal prices – focus turns to Trumps 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 over 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 – nothing doing

No data of any real importance for the Danish economy were released during the week.

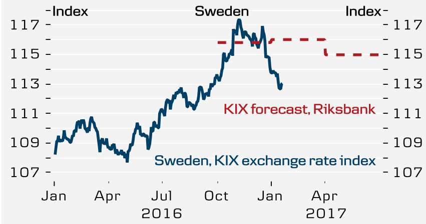
Sweden – nothing to report

The most notable thing about the past week is probably the continued strengthening of the SEK, some way below the Riksbank's latest forecast. Other than this, there is nothing to report from the Swedish economy.

Norway – surprise collapse in exports

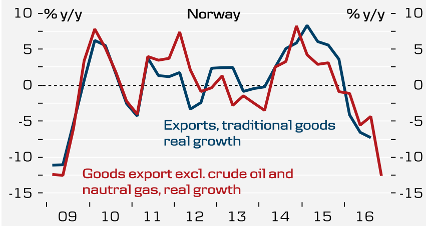
Considering how far the krone has fallen since 2014, we had expected to see a gradual increase in mainland export volumes driven by increased market share. Instead, we saw a significant decline in mainland exports over the course of 2016. The underlying data suggest that the most likely reason is that oil-related exports account for a relatively large share of mainland exports and the global slowdown in the newbuild market for rigs, supply vessels and so on has hit engineering firms very hard. Although Norges Bank's regional network has been suggesting since the summer that the headwinds in this sector have been easing, trade data released during the week revealed a very sharp decrease in mainland exports in Q4. Indeed, it was the largest quarterly decrease since the time series began in 1990. As well as being bad news for the export industry, it has significant implications for our GDP estimate for Q4. We believe a fall in exports of 6% q/q pulled down mainland GDP by 0.8pp in the same quarter, which means there is now a risk of negative GDP growth in Q4.

The SEK is strengthening



Source: Macrobond Financial, Riksbank

Mainland exports have collapsed



Source: Statistics Norway

Latest research from Danske Bank Markets

19/1 ECB Review: Draghi remains dovish until core inflation rises

The ECB did not deliver any surprises at today’s meeting.

17/1 Brexit Monitor No. 21: May wants a 'clean' Brexit - we expect GBP to remain under pressure in coming months despite today's rally

Brexit means leaving the single market

17/1 FX Forecast Update: The Trump moment

The Trump moment

16/1 Brexit Monitor No. 20 - Hard Brexit fears have returned

Theresa May gives key speech on Brexit tomorrow

16/1 Macroeconomic Update on GCC Countries and Egypt

GCC countries and Egypt face significant fiscal adjustments in coming years, as the oil price decline is taking its toll on macroeconomic balances.

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Exports[1]	Imports[1]	Inflation[1]	Unemploym.[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	3.6	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]	Exports[1]	Imports[1]	Inflation[1]	Unemploym.[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	1.2	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	2.2	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]	Exports[1]	Imports[1]	Inflation[1]	Unemploym.[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 DKK
USD	20-Jan	0.75	1.03	1.52	2.35	106.9	-	695.7
	+3m	0.75	1.12	1.45	2.40	105.0	-	708.1
	+6m	1.00	1.25	1.75	2.50	108.0	-	688.9
	+12m	1.25	1.52	2.15	2.90	112.0	-	664.3
EUR	20-Jan	0.00	-0.33	-0.17	0.73	-	106.9	743.7
	+3m	0.00	-0.35	-0.10	0.80	-	105.0	743.5
	+6m	0.00	-0.35	-0.10	0.90	-	108.0	744.0
	+12m	0.00	-0.35	0.00	1.30	-	112.0	744.0
JPY	20-Jan	-0.10	-0.02	0.04	0.22	122.5	114.6	6.07
	+3m	-0.10	-	-	-	123.9	118.0	6.00
	+6m	-0.10	-	-	-	127.4	118.0	5.84
	+12m	-0.10	-	-	-	132.2	118.0	5.63
GBP	20-Jan	0.25	0.36	0.67	1.39	86.5	123.6	860.1
	+3m	0.25	0.40	0.65	1.40	88.0	119.3	844.9
	+6m	0.25	0.40	0.70	1.50	86.0	125.6	865.1
	+12m	0.25	0.40	0.60	1.75	86.0	130.2	865.1
CHF	20-Jan	-0.75	-0.73	-0.62	0.18	107.3	100.4	693.1
	+3m	-0.75	-	-	-	107.0	101.9	694.9
	+6m	-0.75	-	-	-	110.0	101.9	676.4
	+12m	-0.75	-	-	-	113.0	100.9	658.4
DKK	20-Jan	0.05	-0.23	0.01	0.99	743.7	695.7	-
	+3m	0.05	-0.20	0.10	1.10	743.5	708.1	-
	+6m	0.05	-0.20	0.10	1.15	744.0	688.9	-
	+12m	0.05	-0.20	0.20	1.55	744.0	664.3	-
SEK	20-Jan	-0.50	-0.56	-0.30	1.16	954.1	892.6	77.9
	+3m	-0.50	-0.60	-0.40	1.20	940.0	895.2	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	20-Jan	0.50	1.04	1.25	1.94	901.3	843.2	82.5
	+3m	0.50	1.00	1.25	1.90	890.0	847.6	83.5
	+6m	0.50	1.00	1.30	2.00	880.0	814.8	84.5
	+12m	0.50	1.00	1.40	2.40	870.0	776.8	85.5

Equity Markets

Regional		Risk profile 3 mth	Price trend 3 mth	Price trend 12 mth	Regional recommen-dations
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)	Weaker growth and EPS momentum than USA	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	
	20-Jan	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	51	53	55	57	59	60	60	61	61	56	61
ICE Brent	54	53	55	57	59	60	60	61	61	56	61
Copper	5,740	5,850	5,900	5,950	6,000	6,025	6,050	6,075	6,100	5,925	6,063
Zinc	2,769	2,400	2,300	2,200	2,200	2,225	2,250	2,275	2,300	2,275	2,263
Nickel	9,925	11,200	11,300	11,400	11,500	11,600	11,700	11,800	11,900	11,350	11,750
Aluminium	1,826	1,750	1,760	1,770	1,780	1,790	1,800	1,810	1,820	1,765	1,805
Gold	1,208	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)	421	420	410	410	410	415	420	425	430	413	423
CBOT Wheat (USd/bushel)	423	450	475	500	510	520	530	540	550	484	535
CBOT Soybeans (USd/bushel)	1,064	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 4

During the week				Period	Danske Bank	*Consensus*	Previous
Monday, January 23, 2017				Period	Danske Bank	*Consensus*	Previous
-	EUR	ECB's Draghi speaks in Italy					
6:00	JPY	Leading economic index, final	Index	Nov			102.7
9:00	DKK	Consumer confidence	Net. bal.	Jan		*0.5*	-0.3
9:00	DKK	Employment (monthly)	1.000|m/m	Oct			2664|1400
14:15	EUR	ECB's Praet speaks in Brussels					
16:00	EUR	Consumer confidence, preliminary	Net bal.	Jan	**-4.8**	*-4.8*	-5.1
Tuesday, January 24, 2017				Period	Danske Bank	*Consensus*	Previous
1:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Jan			52.4
9:00	FRF	PMI manufacturing, preliminary	Index	Jan	**53.7**	*53.3*	53.5
9:00	FRF	PMI services, preliminary	Index	Jan	**53.3**	*53.1*	52.9
9:30	DEM	PMI manufacturing, preliminary	Index	Jan	**55.9**	*55.4*	55.6
9:30	DEM	PMI services, preliminary	Index	Jan	**54.5**	*54.5*	54.3
10:00	EUR	PMI manufacturing, preliminary	Index	Jan	**55.4**	*54.8*	54.9
10:00	EUR	PMI services, preliminary	Index	Jan	**54.0**	*53.9*	53.7
10:00	EUR	PMI composite, preliminary	Index	Jan	**54.6**	*54.5*	54.4
10:30	GBP	Supreme Court ruling on Brexit					
12:00	TRY	Central Bank of Turkey rate decision	%		**8.00%**	*8.50%*	8.00%
14:00	HUF	Central Bank of Hungary rate decision	%		**0.90%**	*0.90%*	0.90%
15:45	USD	Markit PMI manufacturing, preliminary	Index	Jan	**54.3**	*54.5*	54.3
16:00	USD	Existing home sales	m (m/m)	Dec		*5.53*	5.61|0.7%
17:00	EUR	ECB's Praet speaks in Italy					
19:00	EUR	ECB's Lautenschlaeger speaks in Germany					
Wednesday, January 25, 2017				Period	Danske Bank	*Consensus*	Previous
0:50	JPY	Exports	y/y (%)	Dec		*0.0*	0.0
0:50	JPY	Import	y/y (%)	Dec		*0.0*	-0.1
0:50	JPY	Trade balance, s.a.	JPY bn	Dec		*222.5*	536.1
1:30	AUD	CPI	q/q|y/y	4th quarter		*0.7%|1.6%*	0.7%|1.3%
8:45	FRF	Business confidence	Index	Jan		*105.0*	105.0
10:00	DEM	IFO - business climate	Index	Jan	**111.3**	*111.2*	111.0
10:00	DEM	IFO - current assessment	Index	Jan	**116.9**	*117.0*	116.6
10:00	DEM	IFO - expectations	Index	Jan	**105.9**	*105.9*	105.6
14:15	EUR	ECB's Weidmann speaks in Germany					
15:00	USD	FHFA house price index	m/m	Nov		*0.4%*	0.4%
16:30	USD	DOE U.S. crude oil inventories	K				2347
17:00	GBP	BoE's Carney to speak in Germany					
22:45	NZD	CPI	q/q|y/y	4th quarter		*0.3%|1.2%*	0.3%|0.4%
Thursday, January 26, 2017				Period	Danske Bank	*Consensus*	Previous
2:30	CNY	Industrial profits	y/y	Dec	**18.0%**		14.5%
8:00	NOK	Unemployment (LFS)	%	Nov	**4.8%**	*4.8%*	4.8%
8:00	DEM	GfK consumer confidence	Net. Bal.	Feb		*10.0*	9.9
9:30	SEK	Unemployment (n.s.a.|s.a.)	%	Dec	**6.3%|6.8%**	*6.3%|...*	6.2%|6.8%
9:30	SEK	PPI	m/m|y/y	Dec			1.3%|3.6%
9:30	SEK	Trade balance	SEK bn	Dec	**4.0**	*3.0*	-1.1
10:30	GBP	GDP, first estimate	q/q|y/y	4th quarter	**0.5%|2.1%**	*0.5%|2.1%*	0.6%|2.2%
10:30	GBP	Index of services	m/m|3m/3m	Nov		*0.3%|0.9%*	0.3%|1.0%
12:00	EUR	ECB's Mersch speaks in Luxembourg					
14:30	USD	Initial jobless claims	1000			*246*	234
14:30	USD	Advance goods trade balance	USD bn	Dec		*-64.5*	-66.6
15:45	USD	Markit PMI service, preliminary	Index	Jan	**54.5**	*54.2*	53.9
16:00	USD	New home sales	1000 (m/m)	Dec		*585*	592.0 (5.2%)

Source: Danske Bank Markets

Calendar — continued

Friday, January 27, 2017				Period	Danske Bank	*Consensus*	Previous
-	DEM	Retail sales	m/m|y/y	Dec	**1.9%|...**	*0.6%|0.4%*	-1.7%|3.2%
-	EUR	Fitch may publish Spain's debt rating					
-	EUR	Moody's may publish Finland's debt rating					
-	GBP	Moody's publishs UK's debt rating					
0:30	JPY	CPI - national ex. fresh food	y/y	Dec		*-0.3%*	-0.4%
0:30	JPY	CPI - national ex. fresh food and energy	y/y	Dec		*-0.1%*	0.1%
0:30	JPY	CPI - national	y/y	Dec		*0.2%*	0.5%
8:45	FRF	Consumer confidence	Index	Jan		*100.0*	99.0
9:00	SEK	Consumer confidence	Index	Jan		*103.5*	103.2
9:00	SEK	Economic Tendency Survey	Index	Jan		*111.4*	113.8
9:00	SEK	Manufacturing confidence	Index	Jan		*115.0*	121.1
9:00	DKK	CB's securities statistics		Dec			
9:00	DKK	Foriegn portfolio investments		Dec			
9:30	SEK	Household lending	y/y	Dec			7.2%
9:30	SEK	Retail sales s.a.	m/m|y/y	Dec	**-0.5%|3.5%**	*-0.3%|3.5%*	0.9%|3.6%
10:00	EUR	Money supply (M3)	y/y	Dec	**4.9%**	*4.9%*	4.8%
10:00	EUR	Loans to households (adj. for sales and sec.)		Dec			
10:00	EUR	Loans to NFCs (adj. for sales and sec.)		Dec			
14:30	USD	GDP, first estimate	q/q AR	4th quarter	**2.3%**	*2.1%*	3.5%
14:30	USD	PCE core, preliminary	q/q AR	4th quarter	**1.4%**	*1.4%*	1.7%
14:30	USD	Core capital goods orders, preliminary	%	Dec		*0.3%*	0.9%
16:00	USD	University of Michigan Confidence, final	Index	Jan		*98.1*	98.1

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Source: Danske Bank Markets

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