

Weekly Focus

Important data releases for Fed and ECB

Market movers ahead

- In the **US**, we have several important data releases including PCE inflation, which could be important for the Fed’s decision on whether to hike soon or not. The week will also be heavy in terms of Fed communication as nine FOMC members are scheduled to speak.
- Likewise in the **euro area**, there are some important data releases for the ECB to follow. Private sector lending should confirm Draghi’s view that the monetary transmission ‘has never worked better’, while inflation should rise but this is due to the higher oil price.
- In the **Scandies** there are a lot of data releases to follow, including Norwegian and Danish unemployment, Swedish and Norwegian retail sales, Danish confidence for industry and Swedish business confidence.

Global macro and market themes

- Political uncertainty, monetary/fiscal policies and the economic cycle will be the driving market forces in the autumn.
- Most US observers appear convinced that Clinton will win the election; we expect elevated political uncertainty will prevail on both sides of the Atlantic.
- Major central banks will maintain an ultra-loose policy stance while the cycle is heading lower led by the US.
- Global interest rates to stay low; the USD to weaken medium term.
- Equities are a sell on rallies led by the softer US cycle and weak earnings.

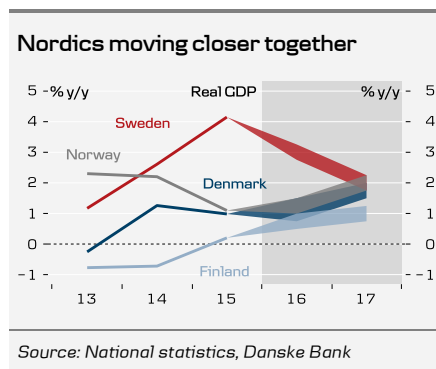
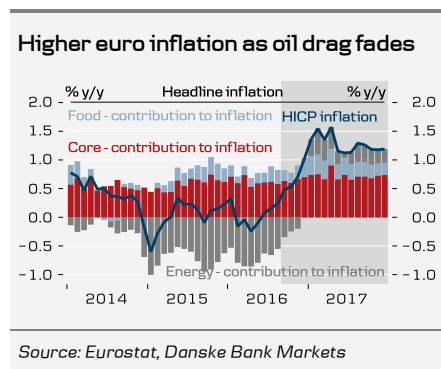
Focus

- Quarterly update on the Nordic economies: *Nordic Outlook – September 2016*

Contents	
Market movers	2
Global Macro and Market Themes	6
Scandi update.....	8
Latest research from Danske Bank	
Markets.....	9
Macroeconomic forecast	10
Financial forecast.....	11
Calendar	12

Financial views			
Major indices			
	23-Sep	3M	12M
10yr EUR swap	0.28	0.30	0.70
EUR/USD	112	112	118
ICE Brent oil	47	49	54
	23-Sep	6M	12-24M
S&P500	2177	-8 +3%	0-5%

Source: Danske Bank



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Market movers

Global

- In the **US** next week, we have several important data releases, which could be important for the Fed's decision whether to hike soon or not. On Tuesday we start with the preliminary Markit service PMI index for September, where it will be key to see if the weak signals from the service sector continue. The index has been right about the weak GDP growth rates in the past three quarters, so another weak print will be a strong sign that GDP growth in Q3 may have disappointed as well, as the service sector is supposed to be the main growth driver. While we think it is likely that the index rose in September, we do not expect a sharp increase, implying that the index still signals weak growth. We expect an increase from 51.0 to 51.5. If we are right, it questions the Fed's view that growth has gained momentum. An important detail in the release is the employment index, as it is a good predictor of employment growth.

On Wednesday, we get preliminary durable goods orders for August, where the weak development in core capital goods (investment goods) remains a concern. Non-residential investments have been a drag on US growth for quite some time. We have not seen shipments of core capital goods bottoming out, which indicates that actual investments are still weak, but it was encouraging that new orders rose in July (although new orders are more volatile than shipments and also no guarantee of a final sale). Our view is that business investments were weak in Q3 16 also.

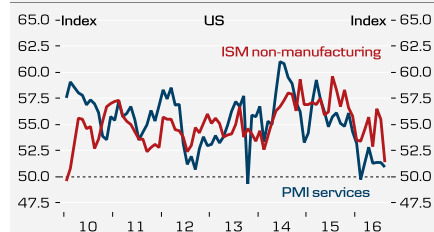
On Friday, the PCE inflation figures for August are due. We estimate the PCE core index rose 0.2% m/m in August implying a core inflation rate increase to 1.7% y/y from 1.6% y/y in July, although it is a close call between 1.6% y/y and 1.7% y/y. We estimate the headline index increased 0.1% m/m in August implying the PCE headline inflation rose to 0.9 % y/y in August. That core inflation continues to run below 2% is one of the main reasons why the Fed was on hold at the last meeting.

Next week will be heavy in terms of Fed communication as twelve different FOMC members are scheduled to speak at this moment including Fed Chair Yellen (although it is not a given she will talk about monetary policy). As the committee was very divided at this week's meeting, where FOMC kept the target range unchanged at 0.25-0.50, we will listen carefully to what the different members are saying to get a better understanding of Fed's thinking. For more see also *FOMC review: Bird fight - we still expect the Fed to stay on hold as we think it may be too optimistic about the economic situation*, September 21.

Also, note that the first presidential debate is taking place on Monday 26 September, meaning that we are going to talk a lot more about US politics in the coming weeks. Donald Trump has gained momentum in recent polls but Hillary Clinton is still ahead. We think markets will react to movements in polls, especially if the recent trend continues.

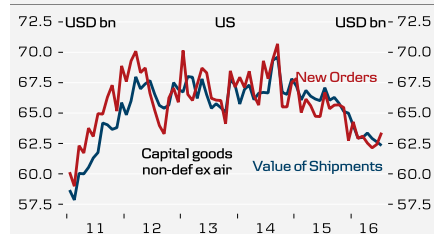
- In the **euro area**, the German ifo expectations for September are released on Monday. The ifo business expectations dropped in both July and August whereas the financial ZEW expectations rebounded in August and remained unchanged in September. Most importantly, the German manufacturing PMI was promising and is almost back at the pre-Brexit vote level of 54.5, but the service sector showed decreasing figures. Overall, this leads us to believe the ifo expectations will increase although the disappointing service PMIs will drag on the ifo expectations through the retail component.

PMI service has been weak also in Q3 so far - will September be better?



Source: ISM, Markit Economics

No rebound in investments yet



Source: U.S. Census Bureau

Ifo set to increase after increasing ZEW and manufacturing PMIs



Source: Markit PMI, IFO, ZEW, Danske Bank Markets

On Tuesday, we get the German retail sales for August. The retail sales increased to 0.6% m/m in July. However, several factors point towards weakened retail sales in August. The oil price increased in August and has likely been a headwind to retail sales together with marginally declining (although still high) consumer confidence in July and August. In addition, the ifo expectations from August revealed a deteriorating business climate within both retailing and wholesaling together with scepticism in expectations. Thus, we expect weakened retail sales in August.

Tuesday also brings us the M3 money supply growth and loans to households and NFCs figures. Money supply growth has average 4.9% in three the month up to August and we expect the figure to persist. On the other hand, the more important loan growth figures have showed promising numbers. Particularly, the loans to NFCs have increased steadily since March and improved to 1.9% in July from 1.7% in June. We expect the positive tendencies to continue into August.

The HICP inflation figures for September are released on Friday and we expect inflation to pick up substantially to 0.5% y/y in September from 0.2% y/y for both July and August. Looking ahead we expect the sharp increase to continue in the last months of 2016 as the headwinds from the energy price continue to diminish. We expect only a modest increase in core inflation to 0.9% in September, up from 0.8% in August, meaning that we expect energy price inflation to be the main contributor to higher headline inflation. Thus, it should also be clear that we maintain our view that even if inflation approaches 2.0% during 2017 the ECB should not conclude that inflation is now on a sustainable path, as the sharp increase is caused by energy prices.

Lastly, Friday also bring us the euro area unemployment numbers for August. The unemployment rate has plateaued at 10.1% from April to July after declining steadily since H2 13. Still, unemployment remains slightly above the NAIUR of 9.7%. We expect the unemployment rate to remain at the 10.1% level in August.

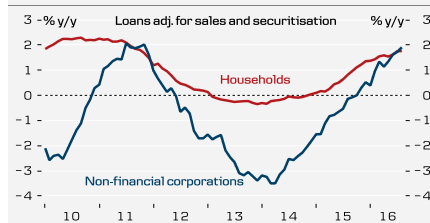
- In the **UK**, the focus remains on the economic impact of the UK's EU vote and UK politics. As we still await more 'hard' economic data for the time after the EU vote, the most important releases are the GfK consumer confidence and Lloyd's Business Barometer for September, due on Friday. As expected, business confidence has so far taken the biggest hit, as consumers remain quite optimistic, though the level is not as high as before the EU vote. Also the Nationwide house prices for September on Wednesday and credit figures for August on Thursday will be followed. On Friday, we also get the third estimate of GDP growth in Q2.

Tomorrow, the Labour leadership election result is announced and the labour party conference takes place in Liverpool over the following days.

- The key release in **China** next week is Caixin PMI manufacturing on Friday. It has trended higher since late 2015 but we expect it to move sideways in September before declining moderately going into 2017 as the boost from stimulus and housing construction fades a bit. Inventories have also been rebuilt which should dampen growth a bit during Q4. We look for a flat reading for PMI manufacturing at 50.0 in September (consensus 50.1).

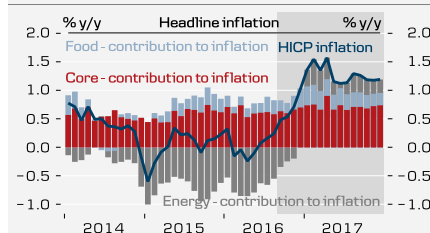
Data for industrial profits are released on Tuesday. We look for broadly flat growth around 10-11% in August. Profits have recovered this year on the back of stronger activity and higher producer prices following declining profits last year.

Loans to NFCs are increasing steadily



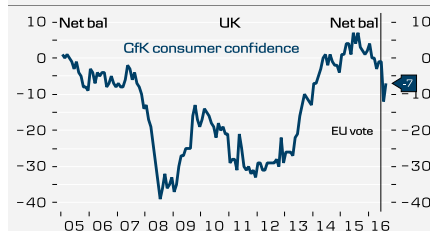
Source: ECB, Eurostat

HICP inflation is expected to rise sharply



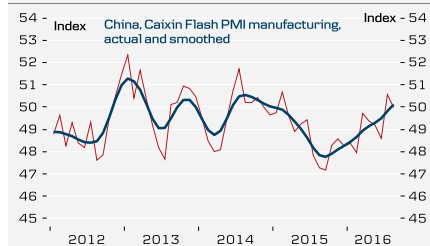
Source: ECB, Danske Bank Markets

Consumer confidence has declined after EU vote but still at relatively high level



Source: GfK

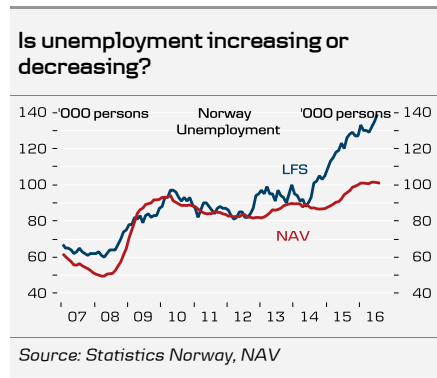
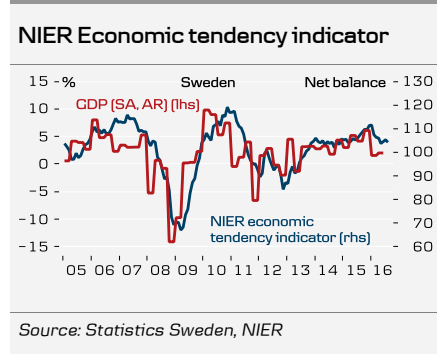
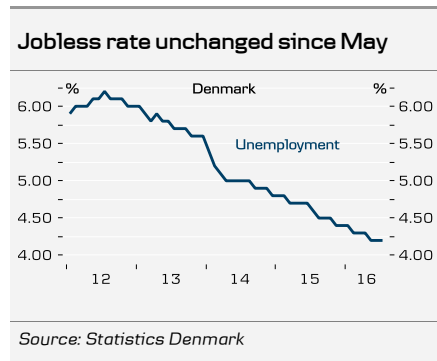
PMI at a robust level



Source: Macrobond Financial

Scandi

- In **Denmark** the statistical office has a busy week in store. Thursday's unemployment figures for August will be interesting after the monthly employment measure fell slightly in July for the first time since early 2013. Also out on Thursday is manufacturing confidence, which declined in both July and August, so it will be interesting to see whether this continued in September. Wednesday, meanwhile, brings housing prices for Q2. We already have the monthly data, which point to a slight fall in seasonally adjusted terms, but on the other hand the figures from the Association of Danish Mortgage Banks suggest a healthy increase in prices. Statistics Denmark's final offering of the week is revised national accounts data on Friday. We do not expect any major changes to the overall picture, but there can sometimes be big changes in the underlying components. Elsewhere, the Nationalbank releases its securities statistics and foreign portfolio investments data for August on Wednesday.
- In **Sweden**, the week ahead is thankfully somewhat more exciting than the past week. On Tuesday (at 09.30 CEST), Statistics Sweden publishes retail sales, trade balance and producer price data. The last outcomes were more depressed than seasonal patterns suggest, so some rebound in retail sales and trade balance should be expected. Then, on Wednesday (at 09.00 CEST), National Institute for Economic Research (NIER) releases business and consumer confidence surveys and we will be looking deep into pricing plans and the development of labour market indicators.
- In **Norway** it will be very interesting in light of this week's surprisingly weak LFS data to see whether NAV unemployment (due Friday) continues to come down. The gulf between the two jobless measures is rapidly widening and has never been bigger. While the LFS has shown the number of jobless rising by 10,000 over the past three months, the NAV's figures show unemployment falling over the same period. There are various possible explanations for this growing gap, but whatever they may be it presents a major headache for economic policymakers. Does the economy need further stimulation from lower interest rates and/or expansionary fiscal policy as suggested by the LFS, or is further stimulation unnecessary as indicated by the NAV data? Either way, we expect the NAV measure to fall to 2.9% in September for seasonal reasons, while the number of people registered as unemployed will rise by 200 m/m. The week also brings retail sales for August on Wednesday, where we expect an increase of 0.8% m/m. This is, however, mainly a correction after two weak months and does not mean that private consumption is set to surprise on the upside in Q3 – for that we would be need to be looking at 1.5% m/m. As usual, it is important to remember that consumption of services is growing much more strongly than consumption of goods, so overall growth in private consumption will be solid even with zero growth in consumption of goods.



Market movers ahead

Global movers		Event		Period	Danske	Consensus	Previous		
Mon	26-Sep	-	USD	First presidential debate					
		10:00	DEM	IFO - expectations	Index	Sep	101.2	100.1	
		16:00	USD	New home sales	1000 (m/m)	Aug	597	654.0 (12.4%)	
Tue	27-Sep	17:45	USD	Fed's Tarullo (voter, dove) speaks					
		10:00	EUR	Money supply (M3)	y/y	Aug	4.9%	4.8%	
Wed	28-Sep	16:00	USD	Conference Board consumer confidence	Index	Sep	98.5	101.1	
		14:30	USD	Durable goods orders, preliminary	m/m	Aug	-1.1%	4.4%	
Thurs	29-Sep	16:00	USD	Fed Chair Yellen speaks					
		16:10	USD	Fed's Bullard (voter, dove) speaks					
		9:55	DEM	Unemployment	%	Sep	6.1%	6.1%	
		11:00	EUR	Business climate indicator	Net bal.	Sep	0.1	0.0	
		14:30	USD	Initial jobless claims	1000			252	
Fri	30-Sep	16:00	USD	Fed's Powell (voter, neutral) speaks					
		22:00	USD	Fed Chair Yellen speaks					
		1:30	JPY	CPI - national ex. fresh food	y/y	Aug	-0.4%	-0.5%	
		3:45	CNY	Caixin Manufacturing PMI	Index	Sep	50.0	50.1	
		11:00	EUR	HICP - core inflation, preliminary	y/y	Sep	0.9%	0.8%	
		11:00	EUR	HICP inflation, preliminary	y/y	Sep	0.5%	0.4%	
		14:30	USD	Personal spending	m/m	Aug	0.1%	0.2%	
14:30	USD	PCE core	m/m y/y	Aug	0.2% 1.7%	0.2% 1.7%			
15:45	USD	Chicago PMI	Index	Sep	53.0	51.5			
Scandi movers									
Tue	27-Sep	9:30	SEK	Retail sales s.a.	m/m y/y	Aug	0.8% 4.0%	0.5% 3.9%	-0.9% 1.1%
Wed	28-Sep	8:00	NOK	Retail sales, s.a.	m/m	Aug	0.8%	0.7%	-0.6%
		9:00	SEK	Consumer confidence	Index	Sep	93.0	94.8	93.9
Fri	30-Sep	9:00	SEK	Economic Tendency Survey	Index	Sep			100.0
		8:00	NOK	Credit indicator (C2)	y/y	Aug		4.9%	5.0%
		10:00	NOK	Unemployment	%	Sep	2.9%	2.9%	3.1%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

US trip notes and our perspective on markets

FICC Research has spent the last few weeks travelling in the US meeting political experts, economists and clients. Below, we provide some colour on the impressions from the trip and how they fit with our own view on markets. However, first a quick recap on the BoJ and Fed decisions this week.

Interestingly, the BoJ decided to lift its inflation target above its previous 2% target. To our knowledge, the BoJ is the first central bank to raise its inflation target in the ‘new normal’ world of low growth and inflation. This makes a lot of sense for an economy which has been beset by deflation for the last 25 years. **However, the problem is that the BoJ has not spelled out how it is going to achieve a higher inflation rate** (see Chart 1). If anything, the announcement on Wednesday that it will ‘control’ the 10Y JGB yield around 0% and presumably allow the longer end of the JGB curve to rise could imply less QE. What Japan needs, in our view, is a commitment to a permanent increase in the money supply, i.e. monetisation of the government debt (alongside structural reforms to lift the potential growth rate). **Direct monetisation of government debt may very likely be the end game for Japan. For now, expect the BoJ to have to fight a lower USD/JPY – which is a battle it is likely to lose.**

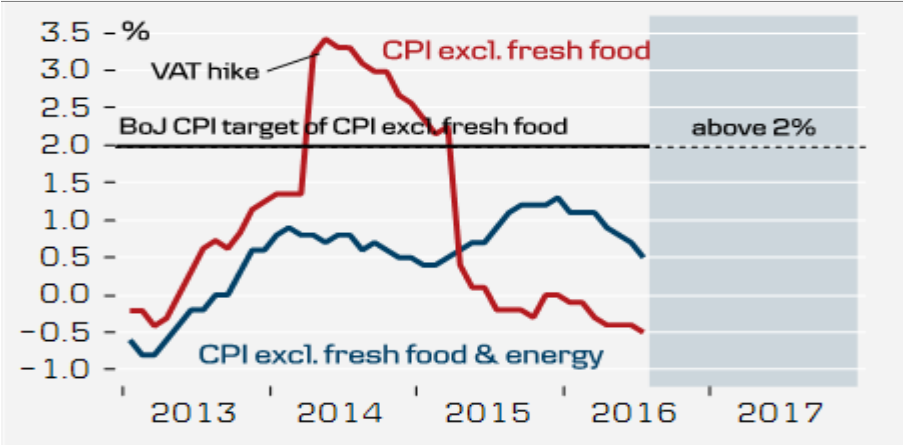
The FOMC decision was in line with what we had expected. Yes – the committee is split. However, at the press conference chair Yellen sounded as if she is willing to let the economy run a bit hot before she raises rates. Interestingly, she talked about the continuing slack in the labour market and said that it is important that the Fed does not raise interest rates too early at a time when they will have little room to revert it. We believe the US economy will not be strong enough for the Fed to raise rates this year (our call is June-2017 for the next hike). This is still a non-consensus call. Most people we met in the US expect the Fed to hike in December.

In our view, three factors will drive markets going forward: 1) political uncertainty; 2) the outlook for fiscal and monetary policy; and 3) the economic cycle. From our trip to the US,

Key points

- Political uncertainty, monetary/fiscal policies and the economic cycle will be the driving market forces in the autumn.
- Most US observers appear convinced that Clinton will win the election; we expect elevated political uncertainty will prevail on both sides of the Atlantic.
- Major central banks will maintain an ultra-loose policy stance while the cycle is heading lower led by the US.
- Global interest rates to stay low; the USD to weaken medium term.
- Equities are a sell on rallies led by the softer US cycle and weak earnings.

Chart 1: The BoJ has always been far away from reaching its 2% inflation target



Source: Macrobond Financial

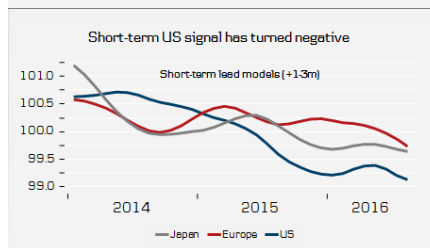
we learned that most observers think that Hillary Clinton will become the next US president but the confidence in that view declined during the time we spent there as Donald Trump gained in the polls. Europe will see substantial political risks over the coming 12 months, with the four largest economies in the region – Germany, UK, France and Italy – all facing political pressure points. **With issues such as rising inequality, immigration, security threats and low growth, pressure from the ‘non-establishment’ forces on both sides of the Atlantic make it difficult to predict the political outcomes.**

On economic policy, it is likely that we will over time see some fiscal easing in the US and Europe. However, we will caution about expecting too much. A Clinton win but a divided Congress will likely pursue a modestly expansionary fiscal policy adding 0.1-0.2% to GDP. If Trump wins, the Congress is likely to hold him back in terms of going through with his massive tax cut plans. Germany currently sees limited need for fiscal expansion and as the immigration inflow has eased, there will not be the ‘natural’ expansionary policy. In addition, large emerging markets (EM) such as China, Brazil and Russia will tighten fiscal policy next year counterweighing the effect from the West. On monetary policy, we expect the ECB to extend its QE programme beyond March 2017. In addition, the ECB could make the programme more flexible or consider buying other assets as the BoJ has done. However, we do not expect it to increase the size of its QE programme or cut rates further.

Finally, the cycle. **MacroScope, our quantitative global business model, is heading lower led by the US (see Chart 2).** This is confirmed by US data where the US ISM indicators are heading lower, not higher (Chart 3).

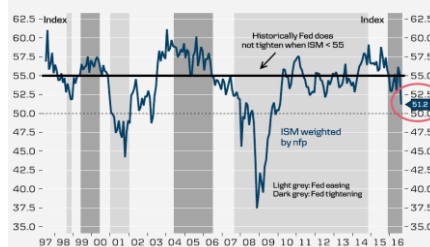
What do our views on political uncertainty, economic policymaking and the economic cycle imply for markets? Global interest rates may have bottomed but the absolute levels are likely to remain low. The BoJ policy changes and likely future adjustments to the technicalities in the ECB’s QE programme (as we discussed in the strategy piece two weeks ago) could lead to steeper rate curves in both Japan and Germany. **We believe the broad USD has peaked and the DXY Index is likely to trade lower, particularly next year.** A soft global economic cycle and the US election do not bode well for the USD particularly versus EM and commodity currencies whereas GBP should continue to underperform given the political risks. **Finally, we see equities as a sell on rallies both in the short and medium term.** The weak US economy and the softness in the earnings cycle will weigh on equities.

Chart 2: The global business cycle is turning lower



Source: Danske Bank Markets

Chart 3: ISM weakest since 2010 and in easing, not hiking, territory



Source: ISM, BLS, Danske Bank Markets

Global market views

Key market views - three-six months

Asset class	Main factors
Equities Short term (0-1 month): sell on rallies Medium term (three-six months): underweight equities vs cash	The hunt for yield as a theme has led equity markets to bounce back after Brexit. Growth is above expectations but has still not broken out of the range. Risk of setbacks is high due to stretched valuations and still fairly weak earnings but central banks’ bond yields provides a cushion for a setback, hence, our structurally underweight position in equities vs. cash. We have moved our short-term stance to sell on rallies.
Bond market Core yields: low for even longer with risk of steeper curve 2y10y US-euro spread: wider but not before we see Fed hikes Peripheral spreads: ECB support Credit spreads: neutral	We expect the ECB to announce in Q4 that it will prolong the QE programme by another six months. Fed on hold until 2017. Risk of earlier hike is evident. Market priced too soft. Long end sell-off to impact long EUR rates. QE buying, bond scarcity and hunt for yield means further tightening. Politics remains an unknown. ECB keeping spreads contained.
FX EUR/USD - 1.10-114 range near term, then higher EUR/GBP - further GBP weakness in next few months USD/JPY - neutral with short-term risks skewed slightly to the downside EUR/SEK - to move gradually lower over coming months EUR/NOK - short-term risks skewed to the upside	Valuations and CA differential support cross in the medium to long term; short-term downside risks from relative rates. BoE monetary easing and financial account flows to send cross higher. Near-term risks are for a modest move lower towards 100 on BoJ disappointment, then stabilisation in the 102-105 range. To move lower on relative fundamentals and valuation. Global outlook and oil are short-term positives for cross, then lower on valuation and fundamentals.
Commodities Oil price – unease about outlook for demand Metal prices – recovery in Chinese construction fading in 2017 Gold price – bouncing on repricing of Fed and other major central banks Agriculturals – support from disruptive weather, higher oil price	OPEC has lost leverage over oil price; temporary supply disruptions adding short-term support. Consolidation in mining industry puts a floor under prices, awaiting support from higher global economic growth. Dovish major central banks support demand for gold. Attention has turned to La Niña weather risks in H2 16.

Source: Danske Bank Markets

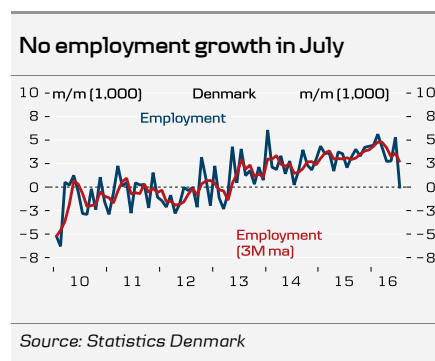
Scandi update

Denmark – employment down for first time in three years

Statistics Denmark’s monthly employment statistics showed a drop in the number of people in work from June to July, the first fall for more than three years. In seasonally-adjusted terms, it was only a fall of 100 people and this also needs to be seen in the light of public sector employment decreasing by 1,500 people. But these are still weak figures and could be a sign of the Danish economy easing down a gear.

Nor did the consumer survey give any real cause for optimism about the Danish economy, with the confidence indicator falling from 4.8 in August to 1.8 in September. This does not suggest that private consumption will have any real fire in its belly in the coming months. Households were less positive about both their personal finances and the economy.

We published a new forecast for Denmark during the week. We expect the economic upturn to continue, and that we will be hit less hard by Brexit than assumed in our previous forecast. We now predict GDP growth of 1.1% this year and 1.7% next year.



Sweden – mountain out of a molehill

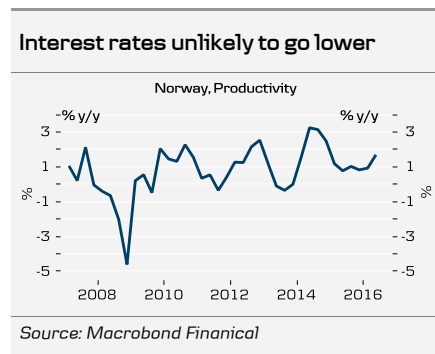
The past week in Sweden was painstakingly slow. The less boring event was the Riksbank minutes, where Per Jansson and to some extent Martin Flodén seemed to echo Kerstin af Jochnick’s comments of the QE programme running smoothly. In our view, this is bending the truth. In a couple of weeks, we expect the Swedish National Debt Office to revise its issuances down, making it even harder for the Riksbank to fulfill its current QE programme, and virtually impossible to prolong it without considering other options.

Norway – Norges Bank headed for neutral stance

As expected, Norges Bank left its key rate unchanged at 0.5% at this week’s rate-setting meeting. Clear signs of economic growth picking up mean that there is less need to cut rates further. Soaring housing prices over the summer have also underlined the growing cost of extremely expansionary monetary policy.

This makes further rate reductions less desirable. The new monetary policy report presents an interest rate path, which still contains a roughly 40% chance of a further rate cut by summer 2017 but the executive board’s tone is now much tougher. The report states that ‘the Executive Board’s current assessment of the outlook suggests that the key policy rate will most likely remain at today’s level in the period ahead’. In the press release, the board added, ‘at the same time, the key policy rate forecast implies a slightly higher probability of a decrease than an increase in the key policy rate in the year ahead’. In our view, this is very clearly a move towards a neutral stance for the first time in more than two years.

Based on our latest forecast, we nevertheless expect Norges Bank to leave the policy rate unchanged at 0.5% through to the end of next year. As we see it, only a major strengthening of the krone could trigger a further rate cut and this is probably also the main reason why the bank’s interest rate path still includes the possibility of a further reduction.



Latest research from Danske Bank Markets

Flash Comment - Euro area: manufacturing PMI strengthens

The euro area manufacturing PMI figure for September rebounded towards the pre-Brexit vote level and there are signs that it will strengthen even further in the coming months.

23/9 Nordic Outlook - September 2016

Quarterly update on the Nordic economies.

22/9 NorgesBank Review: 'Unchanged' with move towards a 'neutral' bias

As expected, NorgesBank (NB) this morning left the sight deposit rate unchanged at 0.50%.

21/9 Flash Comment: Bank of Japan review - new framework but no easing

In line with our expectations, the Bank of Japan (BoJ) did not add new monetary easing today.

21/9 FOMC review: Bird fight - we still expect the Fed to stay on hold as we think it may be too optimistic about the economic situation

The FOMC maintained the Fed funds target rate at 0.25%-0.50%, in line with consensus and market pricing, although a few analysts called for a rate hike.

19/9 Flash Comment: Russia's central bank - a hawkish cut

Russia's central bank cut its key rate by 50bp to 10.0% on 16 September.

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	2015	1.0	2.3	-0.7	1.1	-0.3	0.3	0.0	0.5	4.6	-1.7	40.4	7.0
	2016	1.1	1.6	1.0	1.0	-0.2	0.6	0.7	0.3	4.2	-0.6	38.3	6.4
	2017	1.7	1.7	0.7	2.9	0.3	2.8	3.5	1.3	4.0	-1.2	36.8	6.6
Sweden	2015	4.1	2.7	2.5	7.2	0.2	5.6	5.5	0.0	7.4	-0.1	43.4	4.8
	2016	3.2	2.2	4.0	7.3	0.2	2.9	5.0	0.9	6.9	-0.6	41.8	4.8
	2017	1.7	1.1	2.1	2.3	0.1	3.0	3.4	0.8	6.8	-0.5	40.5	5.0
Norway	2015	1.0	2.0	1.9	-4.2	0.3	3.4	1.1	2.1	3.0	-	-	-
	2016	1.0	1.8	2.5	-1.3	0.0	-1.0	0.5	3.2	3.3	-	-	-
	2017	2.3	2.2	3.0	-1.4	-0.2	1.3	1.9	2.2	3.3	-	-	-

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	2015	1.9	1.7	1.4	2.9	-	6.1	6.1	0.0	10.9	-2.1	90.7	3.6
	2016	1.5	1.5	1.7	1.8	-	2.4	2.5	0.3	10.1	-2.0	90.2	3.7
	2017	1.1	0.9	1.1	0.9	-	3.3	3.1	1.3	9.8	-1.8	89.8	3.6
Germany	2015	1.5	1.9	2.8	1.1	-	4.6	5.0	0.1	4.6	0.7	71.2	8.8
	2016	1.7	1.3	3.6	1.8	-	3.0	2.9	0.3	4.3	0.2	68.6	8.5
	2017	1.4	1.2	1.4	0.9	-	3.4	3.3	1.5	4.2	0.0	66.5	8.3
France	2015	1.2	1.5	1.4	0.9	-	6.0	6.4	0.1	10.4	-3.5	95.8	-1.5
	2016	1.2	1.6	1.4	2.3	-	0.9	2.2	0.4	10.0	-3.5	96.5	-1.1
	2017	0.7	0.7	1.1	0.9	-	2.8	2.5	1.4	9.8	-3.4	97.5	-1.0
Italy	2015	0.6	0.9	-0.7	0.6	-	4.1	5.8	0.1	11.9	-2.6	132.7	2.2
	2016	0.8	1.1	0.6	1.6	-	1.5	2.5	-0.1	11.5	-2.6	132.9	2.4
	2017	0.7	0.6	0.5	0.9	-	3.5	3.4	1.3	11.3	-2.3	132.5	2.3
Spain	2015	3.2	3.1	2.7	6.4	-	5.4	7.5	-0.6	22.1	-5.1	99.2	1.4
	2016	2.8	3.0	0.5	3.3	-	5.4	5.2	-0.3	20.1	-4.0	100.5	1.5
	2017	1.5	1.4	0.8	1.6	-	3.8	3.5	1.7	19.6	-3.5	100.0	1.3
Finland	2015	0.2	1.5	0.4	0.7	-	-0.2	1.9	-0.2	9.4	-2.7	62.6	-0.4
	2016	0.8	1.5	0.0	3.5	-	0.5	1.0	0.4	8.9	-2.4	65.0	-0.5
	2017	1.0	0.7	-0.5	3.0	-	2.5	2.0	1.0	8.6	-2.4	67.0	0.0

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	2015	2.4	3.1	0.7	4.0	0.2	1.1	4.9	0.1	5.3	-2.6	105	-2.7
	2016	1.7	2.7	0.9	0.6	-0.2	0.3	0.9	1.4	4.8	-2.9	105	-2.9
	2017	1.9	2.3	0.8	2.3	0.0	2.4	2.8	2.5	4.6	-2.8	103	-3.3
China	2015	6.8	-	-	-	-	-	-	1.7	4.2	-0.8	41.8	2.4
	2016	6.7	-	-	-	-	-	-	2.3	4.2	-0.8	42.8	2.3
	2017	6.6	-	-	-	-	-	-	2.0	4.3	-1.0	43.5	2.5
UK	2015	2.2	2.6	1.4	3.3	0.3	4.8	5.8	0.1	5.4	-5.0	87.4	-5.2
	2016	1.8	2.6	0.9	0.2	0.3	2.4	3.3	0.8	5.0	-3.9	88.9	-5.5
	2017	0.7	1.4	0.0	-0.7	0.0	2.7	2.5	2.3	5.2	-2.9	88.3	-5.2

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	23-Sep	0.50	0.86	1.03	1.46	112.0	-	665.4
	+3m	0.50	0.80	0.95	1.40	112.0	-	664.5
	+6m	0.50	0.95	1.05	1.60	114.0	-	652.9
	+12m	0.75	1.05	1.45	1.85	118.0	-	630.7
EUR	23-Sep	0.00	-0.30	-0.23	0.28	-	112.0	745.5
	+3m	0.00	-0.30	-0.22	0.30	-	112.0	744.3
	+6m	0.00	-0.30	-0.20	0.40	-	114.0	744.3
	+12m	0.00	-0.30	-0.15	0.70	-	118.0	744.3
JPY	23-Sep	-0.10	-0.02	-0.06	0.06	113.1	101.0	6.59
	+3m	-0.10	-	-	-	114.2	102.0	6.51
	+6m	-0.10	-	-	-	118.6	104.0	6.28
	+12m	-0.10	-	-	-	122.7	104.0	6.06
GBP	23-Sep	0.25	0.38	0.42	0.76	86.1	130.2	866.3
	+3m	0.10	0.19	0.40	0.80	88.0	127.3	845.7
	+6m	0.10	0.19	0.40	0.95	92.0	123.9	809.0
	+12m	0.10	0.20	0.45	1.20	90.0	131.1	826.9
CHF	23-Sep	-0.75	-0.75	-0.67	-0.23	108.8	97.1	685.2
	+3m	-0.75	-	-	-	109.0	97.3	682.8
	+6m	-0.75	-	-	-	112.0	98.2	664.5
	+12m	-0.75	-	-	-	115.0	97.5	647.2
DKK	23-Sep	0.05	-0.19	-0.03	0.57	745.5	665.4	-
	+3m	0.05	-0.20	-0.02	0.55	744.3	664.5	-
	+6m	0.05	-0.20	0.00	0.70	744.3	652.9	-
	+12m	0.05	-0.20	0.05	1.00	744.3	630.7	-
SEK	23-Sep	-0.50	-0.51	-0.44	0.69	957.3	854.5	77.9
	+3m	-0.50	-0.55	-0.50	0.60	930.0	830.4	80.0
	+6m	-0.50	-0.50	-0.50	0.65	930.0	815.8	80.0
	+12m	-0.50	-0.50	-0.50	0.85	910.0	771.2	81.8
NOK	23-Sep	0.50	1.07	1.20	1.48	910.5	812.7	81.9
	+3m	0.50	1.00	1.20	1.40	930.0	830.4	80.0
	+6m	0.50	0.90	1.20	1.50	910.0	798.2	81.8
	+12m	0.50	0.90	1.30	1.70	890.0	754.2	83.6

Equity Markets

Regional		Risk profile 3 mth	Price trend 3 mth	Price trend 12 mth	Regional recommendations
USA (USD)	Expensive valuation, weak earnings	Medium	-8 +3%	0-5%	Underweight
Emerging markets (local ccy)	Relative stronger GDP and EPS momentum to DM	Medium	-5 +5%	0-10%	Overweight
Japan (JPY)	JPY appreciation, negative EPS revisions	Medium	-8 +3%	0-5%	Underweight
Euro area (EUR)	Strong fundamentals, but unloved and underowned	Medium	-5 +5%	0-10%	Overweight
UK (GBP)	Supported by weak GBP, hit by Brexit	Medium	-8 +3%	0-5%	Underweight
Nordics (local ccy)	Fairly strong earnings	Medium	-5 +5%	0-10%	Overweight

Commodities

	23-Sep	2016				2017				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017
NYMEX WTI	46	34	46	49	50	52	54	56	58	45	55
ICE Brent	47	35	47	49	50	52	54	56	58	45	55
Copper	4,853	4,672	4,731	5,000	5,100	5,200	5,300	5,400	5,500	4,876	5,350
Zinc	2,294	1,687	1,930	2,150	2,150	2,150	2,150	2,100	2,100	1,979	2,125
Nickel	10,660	8,537	8,885	10,500	10,700	10,900	11,100	11,300	11,500	9,655	11,200
Aluminium	1,633	1,516	1,584	1,650	1,750	1,800	1,850	1,900	1,950	1,625	1,875
Gold	1,336	1,183	1,260	1,325	1,325	1,300	1,275	1,250	1,225	1,273	1,263
Matif Mill Wheat (€/t)	162	157	159	154	158	161	159	159	159	157	160
Rapeseed (€/t)	380	359	370	380	390	400	400	400	400	375	400
CBOT Wheat (USD/bushel)	402	466	470	450	475	500	510	520	530	465	515
CBOT Corn (USD/bushel)	334	363	391	380	390	400	410	415	420	381	411
CBOT Soybeans (USD/bushel)	968	881	1,059	1,175	1,175	1,175	1,150	1,125	1,100	1,072	1,138

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 39

During the week			Period	Danske Bank	Consensus	Previous
Sat 24	GBP	Labour leadership election result				
Sun 25 - 28	GBP	Labour's annual conference				
Sun 25	NZD	Trade balance	NZD M Aug		-735	-433
Mon 26	USD	First presidential debate				

Monday, September 26, 2016			Period	Danske Bank	Consensus	Previous
-	USD	First presidential debate				
7:00	JPY	Leading economic index, final	Index Jul			100.0
10:00	DEM	IFO - business climate	Index Sep	107.1	106.3	106.2
10:00	DEM	IFO - current assessment	Index Sep	113.6	112.9	112.8
10:00	DEM	IFO - expectations	Index Sep	101.2	100.1	100.1
10:05	EUR	ECB's Mersch speaks in Geneva				
15:15	EUR	ECB's Coeure speaks in Rome				
16:00	USD	New home sales	1000 (m/m) Aug		597	654.0 (12.4%)
16:00	EUR	ECB's Draghi speaks in Brussels				
17:45	USD	Fed's Tarullo (voter, dove) speaks				
19:30	USD	Fed's Kaplan (non-voter, dovish) speaks				

Tuesday, September 27, 2016			Period	Danske Bank	Consensus	Previous
-	DEM	Retail sales	m/m y/y Aug	-0.4% ...	-0.2% 1.7%	0.6% -1.5%
3:30	CNY	Industrial profits	y/y Aug	11.0%		11.0%
9:30	SEK	Retail sales s.a.	m/m y/y Aug	0.8% 4.0%	0.5% 3.9%	-0.9% 1.1%
9:30	SEK	PPI	m/m y/y Aug			-0.3% -1.1%
9:30	SEK	Household lending	y/y Aug			7.6%
9:30	SEK	Trade balance	SEK bn Aug	-3.5		0.5
10:00	EUR	Money supply (M3)	y/y Aug	4.9%	4.9%	4.8%
10:00	EUR	Loans to households (adj. for sales and sec.)	Aug			
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	Aug			
15:00	USD	S&P Case Shiller House prices	Index Jul			189.9
15:45	USD	Markit service PMI, preliminary	Index Sep	51.5	51.0	51.0
15:45	USD	Markit composite PMI, preliminary	Index Sep			51.5
16:00	USD	Conference Board consumer confidence	Index Sep		98.5	101.1
17:15	USD	Fed's S.Fischer (voter, neutral) speaks				

Wednesday, September 28, 2016			Period	Danske Bank	Consensus	Previous
-	GBP	Nationwide house prices	m/m y/y Sep		0.3% 5.0%	0.6% 5.6%
7:00	JPY	Small business confidence	Index Sep		47.0	46.3
8:00	NOK	Retail sales, s.a.	m/m Aug	0.8%	0.7%	-0.6%
8:00	DEM	GfK consumer confidence	Net. Bal. Oct		10.1	10.2
8:45	FRF	Consumer confidence	Index Sep		97.0	97.0
9:00	DKK	House prices	m/m y/y 2nd quarter			
9:00	DKK	CB's securities statistics	Aug			
9:00	DKK	Foreign portfolio investments	Aug			
9:00	SEK	Consumer confidence	Index Sep	93.0	94.8	93.9
9:00	SEK	Economic Tendency Survey	Index Sep			100.0
9:00	SEK	Manufacturing confidence	Index Sep	98.0	98.0	97.7
10:00	ITL	Business confidence	Index Sep		100.9	101.1
13:00	USD	MBA Mortgage Applications	%			-7.3%
14:30	USD	Durable goods orders, preliminary	m/m Aug		-1.1%	4.4%
15:30	EUR	ECB's Draghi speaks in Germany				
16:00	USD	Fed Chair Yellen speaks				
16:10	USD	Fed's Bullard (voter, dove) speaks				
16:30	USD	DOE U.S. crude oil inventories	K			-6200
19:30	USD	Fed's Evans (non-voter, dovish) speaks				
22:35	USD	Fed's Mester (voter, hawkish) speaks				

Source: Danske Bank Markets

Calendar – continued

Thursday, September 29, 2016

			Period	Danske Bank	Consensus	Previous
1:15	USD	Fed's George (voter, hawkish) speaks				
1:50	JPY	Large retailers' sales	y/y	Aug	-2.9%	0.6%
1:50	JPY	Retail trade	m/mly/y	Aug	-0.8% -1.7%	1.5% -0.2%
9:00	DKK	Confidence indicator, industry, s.a.	Net balance	Aug		-7
9:00	ESP	HICP, preliminary	m/mly/y	Sep	... 0.2%	0.9% 0.2%
9:00	DKK	Gross unemployment s.a.	K [%]	Aug	4.2%	112.4 (4.2%)
9:55	DEM	Unemployment	%	Sep	6.1%	6.1%
10:30	GBP	Mortgage approvals	1000	Aug	60.2	60.9
10:30	GBP	Broad money M4	m/mly/y	Aug		1.2% 3.9%
11:00	USD	Fed's Harker (non-voter, hawkish) speaks				
11:00	EUR	Business climate indicator	Net bal.	Sep	0.1	0.0
11:00	EUR	Industrial confidence	Net bal.	Sep	-4.1	-4.4
11:00	EUR	Economic confidence	Index	Sep	103.5	103.5
11:00	EUR	Consumer confidence, final	Net bal.	Sep	-8.2	-8.2
11:00	EUR	Service confidence	Net bal.	Sep	10.0	10.0
11:00	EUR	ECB's Praet Speaks in Germany				
14:00	DEM	HICP, preliminary	m/mly/y	Sep	... 0.5%	0.0% 0.5%
14:30	USD	GDP, third release	q/q ann.	2nd quarter	1.3%	1.1%
14:30	USD	GDP price deflator, third release	q/q	2nd quarter	2.3%	2.3%
14:30	USD	Initial jobless claims	1000			252
14:30	USD	Advance goods trade balance	USD bn	Aug	-62.7	-58.8
14:50	USD	Fed's Lockhart (non-voter, neutral) speaks				
16:00	EUR	ECB's Constancio speaks in Frankfurt				
16:00	USD	Fed's Powell (voter, neutral) speaks				
16:00	USD	Pending home sales	m/mly/y	Aug	-0.1% ...	1.3% -2.2%
20:00	USD	Fed's Kashkari (non-voter, dovish) speaks				
22:00	USD	Fed Chair Yellen speaks				

Friday, September 30, 2016

			Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish EFSF's debt rating				
-	EUR	S&P may publish Spain's debt rating				
1:01	GBP	GfK consumer confidence	Index	Sep	-5.0	-7.0
1:01	GBP	Lloyds business barometer		Sep		
1:30	JPY	CPI - national	y/y	Aug	-0.5%	-0.4%
1:30	JPY	CPI - national ex. fresh food	y/y	Aug	-0.4%	-0.5%
1:30	JPY	CPI - national ex. fresh food and energy	y/y	Aug	0.2%	0.3%
1:30	JPY	CPI - Tokyo	y/y	Sep	-0.5%	-0.5%
1:30	JPY	CPI - Tokyo ex fresh food	y/y	Sep	-0.4%	-0.4%
1:30	JPY	Household spending	y/y	Aug	-2.2%	-0.5%
1:30	JPY	Unemployment rate	%	Aug	3.0%	3.0%
1:30	JPY	Job-to-applicant ratio		Aug	1.37	1.37
1:50	JPY	Industrial production, preliminary	m/mly/y	Aug	0.5% 3.4%	-0.4% -4.2%
3:45	CNY	Caixin Manufacturing PMI	Index	Sep	50.0	50.0
7:00	JPY	Housing starts	y/y	Aug	7.2%	8.9%
8:00	NOK	Credit indicator (C2)	y/y	Aug	4.9%	5.0%
8:45	FRF	Household consumption	m/mly/y	Aug	0.3% 0.9%	-0.2% 0.5%
8:45	FRF	HICP, preliminary	m/mly/y	Sep	-0.3% 0.5%	0.3% 0.4%
9:00	DKK	GDP, second release	q/qly/y	2nd quarter	0.5% ...	0.5% ...
9:30	SEK	Wages (blue collars/white collars)	y/y	Jul		1.4%
10:00	NOK	Norges Bank's daily FX purchases	m	Oct	-900	-900
10:00	NOK	Unemployment	%	Sep	2.9%	3.1%
10:30	GBP	GDP, third estimate	q/qly/y	2nd quarter	0.6% 2.2%	0.6% 2.2%
10:30	GBP	Index of services	m/m 3m/3m	Jul	0.1% 0.3%	0.2% 0.5%
11:00	ITL	HICP, preliminary	m/mly/y	Sep	... -0.1%	1.8% 0.1%
11:00	EUR	Unemployment	%	Aug	10.1%	10.1%
11:00	EUR	HICP - core inflation, preliminary	y/y	Sep	0.9%	0.9%
11:00	EUR	HICP inflation, preliminary	y/y	Sep	0.5%	0.4%
14:30	USD	Personal income	m/m	Aug	0.1%	0.4%
14:30	USD	Personal spending	m/m	Aug	0.1%	0.3%
14:30	USD	PCE core	m/mly/y	Aug	0.2% 1.7%	0.2% 1.7%
14:30	USD	PCE deflator	m/mly/y	Aug	0.1% 0.9%	0.0% 0.8%
15:45	USD	Chicago PMI	Index	Sep	53.0	51.5
14:30	CAD	GDP	m/mly/y	Jul		0.6% 1.1%
16:00	USD	University of Michigan Confidence, final	Index	Sep	90.1	89.8

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Source: Danske Bank Markets

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