

# Weekly Focus

## And now back to economic indicators

### Market Movers ahead

- This week Weekly Focus covers the coming two weeks due to the Danish bank holiday next week.
- In the US, we estimate core CPI for April increased from 2.1 to 2.2% y/y.
- The BoE will meet next week. In lieu of dovish comments and disappointing economic indicators, we think the hike will be postponed to the August meeting.
- On Wednesday 16 May, we will get the final euro area April HICP figures. Core inflation surprised on the downside in April, falling back to 0.7%. We will be looking at the details to determine how much of the decrease was driven by one-offs.
- In Scandies, we have a number of inflation releases coming up. Notably in Sweden, we expect yet another undershooting of the Riksbank’s forecast, although we have raised our forecast for H2 on the back of the recent SEK weakening. In addition, we expect Swedish house prices to show weakness after a few months of stabilisation.
- In Denmark, we expect inflation to have come down even further in April.

### Global macro and market themes

- The trade war is still being slowly fought but the coming weeks will be important.
- More signs that growth has peaked but we are not heading for a downturn, in our view.
- The Fed is on autopilot and EUR/USD has moved below the 1.20 mark.

### Focus

- *Flash comment – Easter effects weighing on Eurozone on Eurozone inflation in April,*

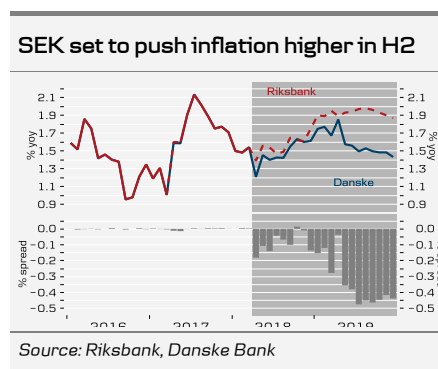
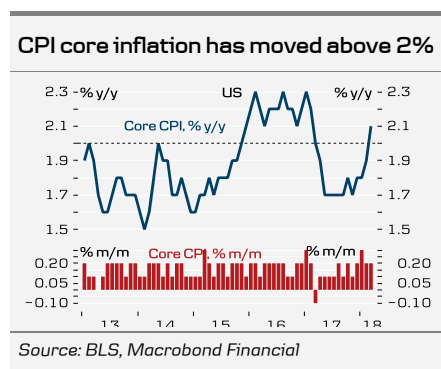
Contents	
Market movers.....	2
Global Macro and Market Themes .....	5
Scandi Update.....	7
Macroeconomic forecast .....	9
Financial forecast .....	10
Calendar .....	11

Financial views			
Major indices			
	04-May	3M	12M
10Yr EUR swap	0.97	1.15	1.50
EUR/USD	120	123	128
ICE Brent oil	74	70	72

Source: Danske Bank

Follow us on *Twitter*

 @Danske\_Research



**Senior Analyst**

Louise Aggerstrøm Hansen  
 +45 45 12 85 31  
 louhan@danskebank.dk

# Market movers

## Global

- In the **US**, the most important release is the CPI core numbers for April due out on Thursday. We estimate the monthly increase yet again was 0.2% m/m, which translates to 2.2% y/y up from 2.1% in March.

The week after next, retail sales are due out (Tuesday 15 May). Private consumption growth was weak in Q1 but looking at the monthly figures, March was strong after some disappointing months. The high level of consumer confidence suggests private consumption will remain a main growth driver this year.

The coming week also brings several speeches by FOMC members but we do not expect them to change much, as the Fed seems to be on autopilot right now and the June hike is fully priced in.

- On Wednesday 16 May, we will get the final **euro area** April HICP figures. Core inflation surprised on the downside in April, falling back to 0.7%. The decrease was partly driven by one-off factors related to the timing of Easter (see also *Flash Comment: Easter effects weighing on eurozone inflation in April*). The final release details will give insights into the exact drivers of the decline and whether to expect a rebound in core inflation in May.

The notoriously volatile industrial production figure in the euro area will be released on Tuesday 15 May. We expect slight moderation in March from its 2.9% in February, reflecting the softer data in the latter part of Q1.

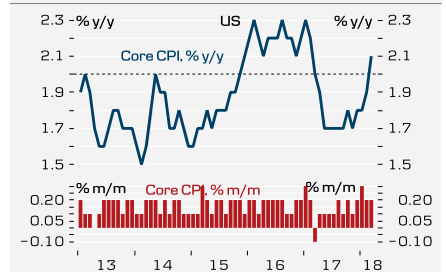
- In the **UK** next week, the most important event is the Bank of England meeting on Thursday. After BoE governor Mark Carney's dovish comments and weaker-than-expected economic indicators, we think the hike will be postponed to the August meeting, which would give the committee more time to see whether the weakness is temporary or not. See *Bank of England preview: Hawkish hold*, 4 May. Before the BoE meeting, we will get production and construction data for March, which will give more insight into whether the weaker-than-expected Q1 GDP growth print of 0.1% q/q may be revised up.

In the following week, the most important release is the labour market report for March. Month-on-month wage growth has been remarkably stable in recent months and we expect another increase of 0.2% m/m, taking the annual growth in average hourly earnings ex bonuses (3M average) to 2.9% y/y from 2.8%. The unemployment rate (3M average) is expected to remain at 4.2% but risk is skewed towards a fall to 4.1%.

- Focus in **China** continues to be on the US-China trade issues. Trump has hinted towards a meeting with Chinese President Xi Jinping soon on the back of the negotiations in Beijing this week between a US trade delegation and Chinese leaders. We believe the issue will linger for some time, but that ultimately a trade war will be avoided as the cost would be too significant for both countries.

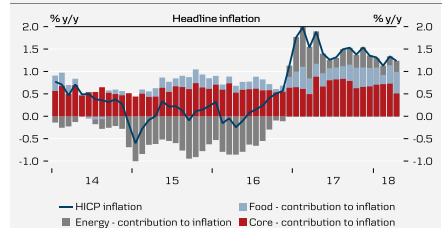
On the data front over the coming weeks, the most important data will be the trade balance, inflation and credit/money growth. We look for the numbers to confirm that export growth is levelling off and that credit and money growth is still quite soft. On inflation, CPI is set to decline slightly to 1.9% in April from 2.1% in March, while PPI inflation will be broadly unchanged just above 3%. In general, lower commodity price inflation has led to a decline in producer price inflation over the past six months and consumer price pressures are also subdued. The USD/CNY has rebounded a bit recently but it reflects mainly an overall strengthening of the USD rather than an intentional

### CPI core inflation has moved above 2%



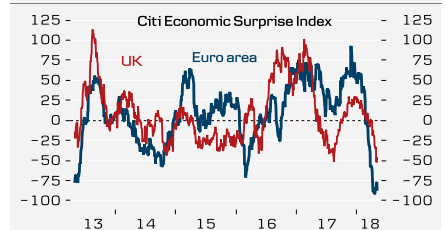
Source: BLS, Macrobond Financial

### Dip in eurozone core inflation likely to be temporary



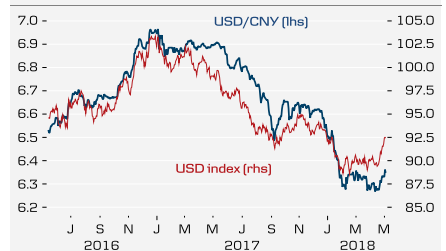
Source: Eurostat, Macrobond Financial, Danske Bank

### UK economic indicators have disappointed lately



Source: Citi, Bloomberg, Macrobond Financial

### USD/CNY has risen due to strengthening of effective USD



Source: Markit, Macrobond Financial, Danske Bank

weakening of the CNY as some have suggested. We expect USD/CNY to move lower in 12M to 6.20 from the current level of 6.35.

- In **Japan**, several important key figures are due to be published over the next two weeks. Next week, the March household consumption survey ticks in on Tuesday. Private consumption continued to look weak in previous months. It will be interesting to see if it begins to pick up this year, after the somewhat higher spring wage increases. March labour earnings are due on Wednesday. In the following week, the first GDP figures for Q1 are due out on Wednesday. Overall, Q1 has looked weak, as the key growth driver, exports, have lost momentum. We expect the economy to have decelerated markedly in Q1 with annualised q/q GDP growth of 0.3%, down from 1.6% in Q4. On Friday, the April CPI figures are due. Japan is still struggling hard with a general deflationary mindset. Recent oil price increases will cause higher inflation in the short run but also deprive consumers of purchasing power. Excluding fresh food and energy, inflation still stands at just 0.5%. We expect it to remain a long, tough battle for the Bank of Japan to change that.

### Scandi

- In **Denmark**, the most important release in the coming week will be the consumer price index for April on Friday. Inflation fell once again from February to March, and we expect the decline to continue in April, dropping to 0.4% y/y. Otherwise, industrial production numbers for March are due on Monday, and balance of payments data and exports for March on Wednesday.

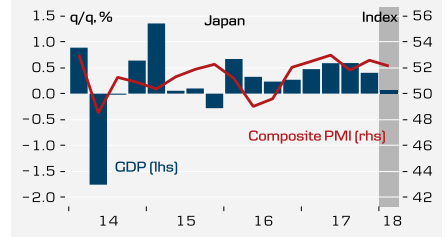
In the following week, Tuesday brings a first estimate of economic growth in Q1 in the form of Statistics Denmark's GDP indicator. Consumers remained subdued in Q1, and exports disappointed. We predict GDP growth of 0.4%.

- There is a lot of important data on the **Swedish** agenda over the next two weeks. April inflation is of course at the centre of attention as the Riksbank recently reduced both its inflation and repo rate forecasts. We expect yet another undershooting of the Riksbank's forecast when looking at core CPI ex. energy inflation and estimate 1.2% y/y which is 0.2pp below. CPIF is expected to show a similar undershooting. However, looking forward to the second half of 2018, we have raised our forecast on the back the recent SEK weakening. The core will now be closer to the Riksbank's forecast for some time and CPIF will even overshoot it for some time, before heading back below in 2019. We underline that the SEK weakening is having only a temporary effect on inflation, which will converge to the level implied by wage cost growth (which is too low to meet the target).

The second most important data is Valueguard's HOX indices (April). We stick to our view that despite the 'stabilisation' seen in prices over the past three-four months, prices on new tenant-owned flats for sale are generally unaffordable for most Swedes and at some point this will result in price cuts that are likely to spill over into the secondary market again. Our forecast for April is that prices on flats in Stockholm rose by 0.5% m/m, but this occurs as transactions volumes are still depressed compared to last year.

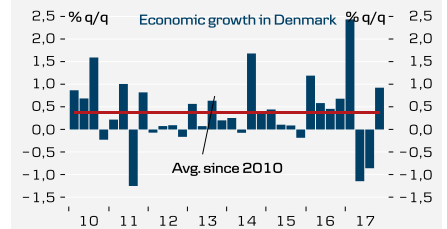
- Norway**. As illustrated by the press release issued by Norges Bank at the monetary policy meeting this week, the market's attention should be on inflation going forward. Statistic Norway releases Norwegian April CPI on Wednesday 9 May. Core inflation was at 1.2% y/y in March, well below consensus of 1.5%. The recent volatile components of core inflation – airfares and food prices – surprised on the downside in March. Our calculations of 'core-core' inflation (i.e. excluding these two components) actually rose from 1.4% to 1.5% y/y in March. A moderate reversion of food and airfares after Easter should suggest core inflation in April at 1.4% and should support a Norges Bank hike over the summer.

#### We believe growth has slowed markedly



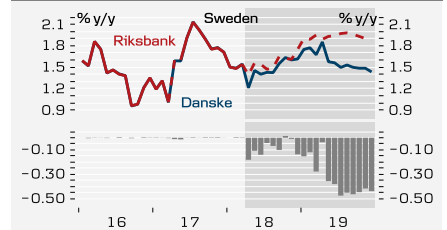
Source: Japanese Cabinet Office, IHS Markit, Danske Bank, Macrobond Financial

#### GDP grew in Q4



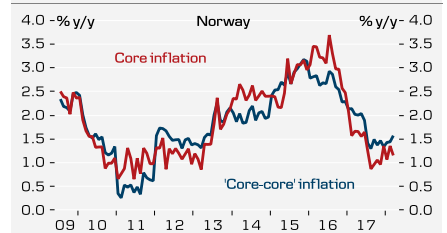
Source: Statistics Denmark

#### SEK will push inflation higher in H2



Source: Riksbank, Danske Bank

#### Norwegian 'core-core' inflation moving slowly upwards



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers			Event	Period	Danske	Consensus	Previous	
Tue	08-May	-	CNY	Trade balance	USD bn	Apr	27.5	-5.0
		-	JPY	Household Consumption Survey		Mar		
Wed	09-May	2:00	JPY	Labour cash earnings	y/y	Mar	1.0%	1.0%
Thurs	10-May	-	CNY	Money supply M2	y/y	Apr	8.5%	8.2%
		-	CNY	Total social finance credit	CNY bn	Apr	1325	1332.3
		3:30	CNY	CPI	y/y	Apr	1.9%	1.9%
		3:30	CNY	PPI	y/y	Apr	3.4%	3.1%
		10:30	GBP	Construction output	m/m y/y	Mar	-2.2% -5.8%	-1.6% -3.0%
		10:30	GBP	Industrial production	m/m y/y	Mar	0.1% 3.1%	0.1% 2.2%
		10:30	GBP	Manufacturing production	m/m y/y	Mar	0.1% 3.0%	-0.2% 2.5%
		13:00	GBP	BoE Bank rate	%		0.5%	0.5%
		14:30	USD	CPI headline	m/m y/y	Apr	0.3% 2.5%	-0.1% 2.4%
		14:30	USD	CPI core	m/m y/y	Apr	0.2% 2.2%	0.2% 2.1%
Fri	11-May							
Scandi movers								
Tue	08-May	8:00	SEK	Prospera inflation expectations				
Wed	09-May	8:00	NOK	CPI	m/m y/y	Apr	... 1.4%	0.4% 2.4%
		9:30	SEK	Underlying inflation CPIF	m/m y/y	Apr	0.3% 1.8%	0.5% 1.9%
Thurs	10-May	-	DKK	Ascension Day				
Fri	11-May	-	DKK	Danish Bank Holiday				
		8:00	DKK	CPI	m/m y/y	Apr	0.1% 0.4%	0.0% 0.5%
Global movers								
Tue	15-May	10:30	GBP	Unemployment rate (3M)	%	Mar	4.2%	4.2%
		10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Mar	2.9%	2.8%
		11:00	EUR	Industrial production	m/m y/y	Mar		-0.8% 2.9%
		14:30	USD	Retail sales control group	m/m	Apr		0.4%
Wed	16-May	1:50	JPY	GDP, preliminary	q/q ann.	1st quarter	... 0.3%	0.0% 0.0%
		11:00	EUR	HICP inflation	m/m y/y	Apr	1.2%	1.0% 1.4%
		11:00	EUR	HICP - core inflation, final	y/y	Apr	0.7%	
Fri	18-May	1:30	JPY	CPI - national	y/y	Apr		1.1%
		1:30	JPY	CPI - national ex. fresh food	y/y	Apr		0.9%
Scandi movers								
Tue	15-May	8:00	DKK	GDP indicator	q/q	1st quarter	0.4%	0.9%
Wed	16-May	6:00	SEK	Maklarstatistik Swedish housing price data				

Source: Bloomberg, Danske Bank

# Global Macro and Market Themes

## More signs growth has peaked as trade talks drag on

### Trade war is still being slowly fought

As we argued back in March, the trade war is being fought very slowly and is more verbal than economic at this stage, see *Strategy: Slowly fought trade war amid increasing Libor/OIS spread*, 23 March. The development over the past couple of weeks supports this but the coming weeks are going to be important. The Trump administration has decided to extend the exemption period of steel and aluminium tariffs on the European Union, Mexico and Canada until 1 June to allow for further negotiations. Also, a US delegation with prominent names such as US Trade Representative Robert Lighthizer, Commerce Secretary William Ross and Treasury Secretary Steven Mnuchin went to China in order to find a solution to the trade dispute at the negotiation table. Also, President Trump is going to meet President Xi Jinping in the 'not too distant future' to discuss trade. While we do not know the outcome of the talks yet at the time of writing, it seems this will be only the first meeting of a series of meetings, and the US has signalled that the negotiations may take a year or so. **A full-blown trade war between the US and China remains the biggest risk factor for markets and the economy.**

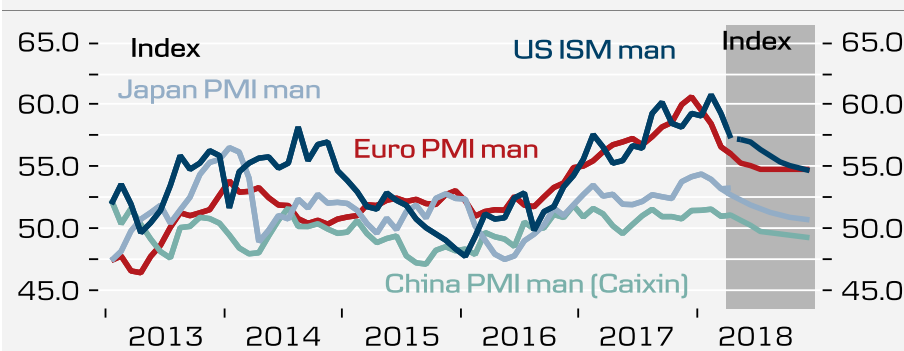
### More signs growth has peaked

During the week, we have gathered more data supporting our view that the business cycle (in terms of growth) has peaked, which we outlined recently in *Research: Global business cycle is moving lower*, 19 April. It is not because we believe we are heading for a downturn, just that economic growth is going to be slightly slower than it was in the second half of last year. In the US, the ISM manufacturing index declined from 59.3 to 57.3, which was more than expected. While it was not a big surprise the ISM dropped, as it has been too high compared to other indicators and hard data for quite some time, we still believe it will move further down in three-six months. Also, in Europe, where the manufacturing PMI came out stronger than expected, we believe we will see further declines over the same horizon. The first estimate of euro area Q1 GPP slowed growth slowed from 0.7% q/q in Q4 17 to 0.4% q/q in Q1. **While the ECB is likely to end the QE programme this year, we still think the first ECB rate hike is far away**, as inflation remains subdued.

### Today's key points

- The trade war is still being slowly fought but the coming weeks are important.
- More signs that growth has peaked but we are not heading for a downturn.
- Fed is on autopilot and EUR/USD has moved below the 1.20 mark.
- EUR/USD may move lower near-term; medium term still set to move higher

PMIs are set to decline further in coming months



Source: Markit, Danske Bank, Macrobond Financial

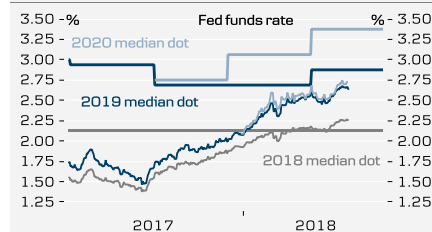
## Fed on autopilot while EUR/USD may move lower near term

As expected, the Fed maintained the target range at 1.50-1.75% at this week's meeting but made a couple of interesting changes to the statement, which otherwise does not change much from meeting to meeting. Firstly, the Fed now says that inflation is running near the 'symmetric' 2% inflation target, meaning that it will allow inflation to move slightly above 2% (as it also projected back in March). Secondly, it no longer says that it is monitoring inflation closely. In our view, despite the market reaction, **we think the Fed was slightly hawkish increasing the probability of three additional hikes this year.** Our base case is two-three more rate hikes this year, which is in line with market pricing and the Fed's own view, as the FOMC members were divided between two and three more hikes in the latest projection update in March. **As the hiking cycle is likely to continue next year, we are likely to see the US 2Y10Y curve continuing to flatten, although we do not expect it to invert.** Markets are becoming more aware of the spread, as it is seen as one of the best recession indicators. **In Europe, we expect a steeper yield curve,** as the ECB maintains a relatively tight grip on the short end of the curve, but the 10Y segment of the curve is set to be pushed up by higher US yields, the end of ECB QE and pricing of ECB rate hikes in 2020.

This week EUR/USD broke below the 1.20 mark. **In the near term, we may see EUR/USD moving lower** on relative rates, flows and positioning, also from a technical point of view with the recent break of the 200D moving average. While relative rates – notably not in the shorter end of the curve – have seemingly failed to move EUR/USD over the past few years, we have seen a clearer reconnect of the 10Y spread with the EUR/USD spot. As US yields are set to increase more than European ones, this should be USD supportive near term. Albeit investors have reduced EUR/USD longs, positioning remains an argument for limited upside in EUR/USD.

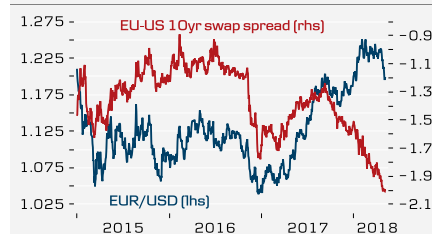
**However, our medium-term story remains unchanged.** A turn in the capital tide from USD to EUR is brewing as the relative attractiveness of EU versus US assets is on the rise. **We expect 1.28 in 12M.**

### Fed is set to hike 2-3 more times this year, depending on the economic development



Source: Bloomberg, Federal Reserve, Macrobond Financial

### EUR/USD reconnecting with relative 10Y yields recently



Source: Bloomberg, Macrobond, Danske Bank.

#### Financial market views

Asset class	Main factors
<b>Equities</b>	
Positive on 3-12 month horizon.	Near double digit earnings growth in most major regions. Low rates drive demand for risk assets.
<b>Bond market</b>	
German/Scandi yields - in range for now, higher in 12M	ECB to normalise gradually only due to lack of wage pressure and stronger euro. ECB on hold for a long time.
EUR 2y10y steeper, USD 2y10y flatter	The ECB keeps a tight leash on the short end of the curve. But 10Y higher as US impact.
US-euro spread - short-end to widen further	The spread in the short-end to widen further as Fed continues to hike
Peripheral spreads - tightening	Economic recovery, ECB stimuli, better fundamentals, an improved political picture and rating upgrades to lead to further tightening despite the recent strong moves. Italy still a risk
<b>FX &amp; Commodities</b>	
EUR/USD - rangebound near term	USD strength near-term but supported longer term by valuation and capital-flow reversal due to ECB 'normalisation'
EUR/GBP - gradually lower over the medium term	Brexit uncertainty dominates but GBP should strengthen in 6-12M on Brexit clarification and BoE rate hikes.
USD/JPY - lower short term	Risk appetite decisive near term; downside risks reduced on positioning correct.
EUR/SEK - risk to the upside	Negative on the SEK due to lower growth, subdued inflation and too aggressive RB pricing; eventually EUR/SEK lower but not in H1 18
EUR/NOK - to move lower, but near-term topside risk	Positive on NOK on valuation, relative growth, positioning, terms-of-trade, the global outlook, and Norges Bank initiating a hiking cycle.
Oil price - upside risks near term	Supply concerns are putting upside risks in the near term; risk of new sanctions on Iran

Source: Danske Bank

# Scandi Update

## Denmark – big increase in apartment prices

The week’s housing market data for February showed house prices climbing 0.6% m/m and apartment prices up no less than 1.8% m/m. However, prices normally rise in February and once we allow for seasonal variations, house prices actually edged down. Apartment prices, on the other hand, still gained more than 1% in seasonally adjusted terms.

The Nationalbank’s currency reserves data for April confirmed that the central bank did not intervene in the foreign exchange market, making it 13 months in a row without the krone coming under pressure. Therefore, higher interest rates still seem to us to be some way off, namely when the ECB begins to hike, which we do not expect to happen before December 2019.

The number of unemployed rose by 1,500 from February to March, giving a jobless rate of 4.1%. The labour market is tightening and the greatest challenge is therefore to ensure a sufficient pool of labour from which firms can recruit. In this context, a slight increase in the number of unemployed is actually good news if it is a result of more and more people entering the labour market.

Finally, the week saw the pay talks in the public sector reach a conclusion. An initial deal in the regions was followed by agreements in the municipal sector and finally central government. This means the risk of strikes or lockouts is over for now. The settlements still need to be approved by union members, however. If this does not happen, there is still a risk of industrial action.

## Sweden – PMI fell despite SEK weakness

Swedish manufacturing PMI surprisingly continued lower in April following the strong rebound in NIER manufacturing confidence and despite the weak level of the SEK. This said, perhaps it is the continued weakness in the European markets, as evidenced by both German and eurozone PMI, that shows up in Swedish data too. What was particularly interesting in April was the coincident decline in order backlog and inventories below the 50 level. It may be interpreted as a worrying sign in the sense that it suggests the order stock is actually declining and firms are responding by drawing down inventories to balance lower demand. This may just be temporary and the current levels are not low enough to suggest that we are entering a recession. Nevertheless, it warrants some attention and needs to be monitored.

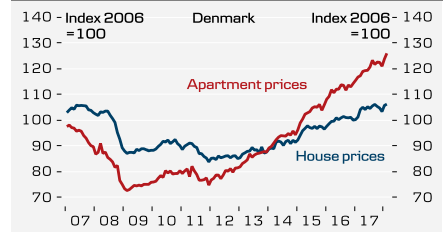
## Norway – Norges Bank reiterated message of a September hike

As expected, Norges Bank left the sight deposit rate unchanged at 0.50% at the Thursday 3 May monetary policy meeting. This was a ‘small’ meeting, i.e. there was no monetary policy report, rate path or press conference but just a press release. The board concluded the following.

‘The Executive Board’s assessment is that the upturn in the Norwegian economy appears to be continuing broadly in line with the picture presented in the March Report. Underlying inflation is below the inflation target but the driving forces indicate that it will rise. Overall, the outlook and the balance of risks do not appear to have changed substantially since the March Report.’

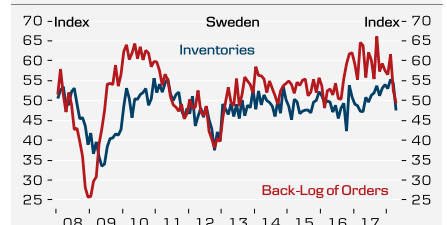
The signal from Norges Bank is still another rate hike of 25bp sometime in the summer, i.e. at the September meeting.

### Danish apartment market still on the up



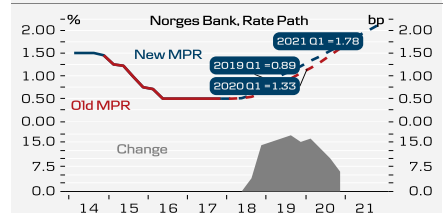
Source: Statistics Denmark

### Worrying signs in PMI?



Source: Swedbank

### Norges Bank reiterated message of a September hike (which we expect)



Source: Macrobond Financial, Danske Bank

## Latest research from Danske Bank

### *4/5 Bank of England preview: Hawkish hold*

We think the next Bank of England hike is postponed to August due to weaker-than-expected economic releases.

### *4/5 Flash Comment: Easter effects weighing on eurozone inflation in April*

Euro area headline inflation fell back to 1.23% y/y in April, driven by a dip in core inflation to 0.72% (compared to 1.03% in March), while energy and food price inflation both accelerated to 2.55% and 2.45%, respectively.

### *Norges Bank Review: Little news - September hike still in store*

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

### *2/5 Flash Comment - China PMI supports picture of moderate slowdown*

The Chinese PMI manufacturing for April was broadly in line with expectations. The details point to some softening ahead, though, which is in line with other indicators.



## Macroeconomic forecast

### Macro forecast, Scandinavia

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Denmark	2017	2.2	1.5	1.2	3.7	0.1	4.4	4.1	1.1	4.2	1.0	36.4	7.7
	2018	1.8	1.9	1.0	5.8	0.3	1.2	4.2	0.6	4.0	-0.2	35.7	7.5
	2019	1.9	2.6	0.5	4.2	-0.2	2.9	3.6	1.3	3.8	-0.1	34.5	7.5
Sweden	2017	2.7	2.4	0.4	6.0	0.1	3.7	5.0	1.8	6.7	1.2	41.0	4.1
	2018	1.7	1.6	1.3	-1.1	0.2	5.6	4.8	1.6	7.1	1.0	37.0	3.5
	2019	2.0	1.8	0.8	0.4	0.2	4.7	3.8	1.3	7.6	0.8	35.0	3.9
Norway	2017	1.8	2.3	2.0	3.5	-1.6	0.8	2.2	1.8	2.7	-	-	-
	2018	2.5	2.5	1.8	3.0	-0.2	2.0	2.0	2.0	2.3	-	-	-
	2019	2.3	2.3	1.8	2.0	0.0	2.0	2.0	1.9	2.2	-	-	-

### Macro forecast, Euroland

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Euro area	2017	2.5	1.7	1.2	3.2	-	5.4	4.5	1.5	9.1	-0.9	86.7	3.5
	2018	2.1	1.7	1.4	4.0	-	4.9	5.0	1.5	8.4	-0.7	86.0	3.4
	2019	1.9	1.9	1.3	4.2	-	3.4	4.4	1.4	8.0	-0.6	85.5	3.4
Germany	2017	2.5	2.1	1.6	3.9	-	5.3	5.6	1.7	3.7	1.3	64.1	8.0
	2018	2.2	1.8	2.3	3.4	-	5.0	6.0	1.5	3.4	1.2	60.2	7.9
	2019	2.0	2.3	2.2	4.5	-	3.1	4.8	1.7	3.3	1.0	56.3	7.6
Finland	2017	2.6	1.6	1.3	6.3	-	7.8	3.5	0.7	8.6	-0.6	61.4	0.7
	2018	2.4	2.1	0.5	3.5	-	4.5	4.5	1.0	8.0	-0.2	59.6	0.6
	2019	2.0	1.6	0.5	3.5	-	4.5	4.0	1.4	7.7	-0.2	58.0	0.8

### Macro forecast, Global

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
USA	2017	2.3	2.8	0.1	4.0	-0.1	3.4	4.0	2.1	4.4	-3.6	106.0	-2.4
	2018	2.4	2.2	0.0	5.1	0.0	3.6	2.6	2.5	4.0	-4.1	109.0	-3.0
	2019	2.1	1.9	0.4	4.9	0.0	3.1	3.0	2.1	3.8	-5.2	113.0	-3.1
China	2017	6.9	-	-	-	-	-	-	2.0	4.1	-3.7	47.6	1.4
	2018	6.5	-	-	-	-	-	-	2.3	4.3	-3.4	50.8	1.1
	2019	6.3	-	-	-	-	-	-	2.3	4.3	-3.4	53.9	1.2
UK	2017	1.8	1.7	0.1	4.0	-0.4	5.7	3.2	2.7	4.4	-2.4	87.0	-4.6
	2018	1.3	1.3	0.5	1.9	0.1	2.4	2.2	2.3	4.1	-2.0	87.3	-4.7
	2019	1.2	1.0	0.4	2.0	0.0	2.6	1.8	1.6	4.1	-1.8	87.4	-4.6

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	04-May	1.75	2.36	2.75	2.98	119.7	-	622.2
	+3m	2.00	2.37	2.80	3.05	123.0	-	605.3
	+6m	2.00	2.51	3.00	3.15	125.0	-	595.6
	+12m	2.50	2.94	3.30	3.35	128.0	-	581.4
EUR	04-May	0.00	-0.33	-0.15	0.97	-	119.7	745.0
	+3m	0.00	-0.33	-0.15	1.15	-	123.0	744.5
	+6m	0.00	-0.33	-0.10	1.20	-	125.0	744.5
	+12m	0.00	-0.33	0.10	1.50	-	128.0	744.3
JPY	04-May	-0.10	-0.03	0.05	0.26	130.7	109.2	5.70
	+3m	-0.10	-	-	-	132.8	108.0	5.60
	+6m	-0.10	-	-	-	137.5	110.0	5.41
	+12m	-0.10	-	-	-	143.4	112.0	5.19
GBP	04-May	0.50	0.70	1.02	1.55	88.3	135.6	843.7
	+3m	0.50	0.79	1.25	1.75	86.0	143.0	865.7
	+6m	0.75	1.05	1.45	1.90	84.0	148.8	886.3
	+12m	1.00	1.30	1.70	2.10	83.0	154.2	896.7
CHF	04-May	-0.75	-0.73	-0.48	0.46	119.6	99.9	622.9
	+3m	-0.75	-	-	-	119.0	96.7	625.6
	+6m	-0.75	-	-	-	121.0	96.8	615.3
	+12m	-0.75	-	-	-	123.0	96.1	605.1
DKK	04-May	0.05	-0.29	-0.01	1.13	745.0	622.2	-
	+3m	0.05	-0.30	0.00	1.30	744.5	605.3	-
	+6m	0.05	-0.30	0.05	1.35	744.5	595.6	-
	+12m	0.05	-0.30	0.25	1.65	744.3	581.4	-
SEK	04-May	-0.50	-0.37	-0.17	1.22	1055.0	881.2	70.6
	+3m	-0.50	-0.45	-0.15	1.25	1050.0	853.7	70.9
	+6m	-0.50	-0.45	-0.15	1.30	1050.0	840.0	70.9
	+12m	-0.50	-0.45	-0.05	1.50	1020.0	796.9	73.0
NOK	04-May	0.50	1.12	1.47	2.25	964.0	805.1	77.3
	+3m	0.50	1.15	1.55	2.45	940.0	764.2	79.2
	+6m	0.75	1.30	1.65	2.55	920.0	736.0	80.9
	+12m	1.00	1.50	2.05	2.90	910.0	710.9	81.8

Commodities												
	04-May	2018				2019				Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019	
NYMEX WTI	68	63	66	68	68	69	69	70	70	66	70	
ICE Brent	74	67	70	72	72	72	72	74	74	70	73	

Source: Danske Bank

# Calendar

## Key Data and Events in Week 19

During the week				Period	Danske Bank	Consensus	Previous
<b>Monday, May 7, 2018</b>							
-	GBP	Early May Bank Holiday					
-	CNY	Foreign exchange reserves	USD bn	Apr		3131.0	3142.8
8:00	DKK	Industrial production	m/m	Mar			-0.6%
8:00	DEM	Factory orders	m/m y/y	Mar		0.5% 5.0%	0.3% 3.5%
10:30	EUR	Sentix Investor Confidence	Index	May		22.4	19.6
21:00	USD	Consumer credit	USD bn	Mar		16.0	10.6
<b>Tuesday, May 8, 2018</b>							
-	CNY	Trade balance	USD bn	Apr		27.5	-5.0
-	JPY	Household Consumption Survey		Mar			
8:00	SEK	Prospera inflation expectations					
8:00	NOK	Manufacturing production	m/m y/y	Mar			0.2% 0.2%
8:00	NOK	Industrial production	m/m y/y	Mar			-0.3% 1.8%
8:00	DEM	Industrial production	m/m y/y	Mar		0.9% 3.0%	-1.6% 2.6%
8:00	DEM	Trade balance	EUR bn	Mar		23.1	18.5
9:30	SEK	Budget balance	SEK bn	Apr			6.4
12:00	USD	NFIB small business optimism	Index	Apr		105.0	104.7
<b>Wednesday, May 9, 2018</b>							
2:00	JPY	Labour cash earnings	y/y	Mar		1.0%	1.0%
7:00	JPY	Leading economic index, preliminary	Index	Mar		105.1	106.0
8:00	NOK	CPI	m/m y/y	Apr	.. 1.4%	0.4% 2.4%	0.3% 2.2%
8:00	NOK	PPI	m/m y/y	Apr			0.5% 6.4%
8:00	NOK	Core inflation (CPI-ATE)	m/m y/y	Apr		0.5% 1.3%	0.2% 1.2%
8:45	FRF	Industrial production	m/m y/y	Mar		0.3% 2.6%	1.2% 4.0%
9:30	SEK	Underlying inflation CPIF	m/m y/y	Apr	0.3% 1.8%	0.5% 1.9%	0.3% 2.0%
9:30	SEK	Household consumption	m/m y/y	Mar			0.5% 1.7%
9:30	SEK	CPI	m/m y/y	Apr	0.3% 1.6%	0.4% 1.8%	0.3% 1.9%
14:30	USD	PPI	m/m y/y	Apr		0.2% 2.8%	0.3% 3.0%
14:30	USD	PPI core	m/m y/y	Apr		0.2% 2.4%	0.3% 2.7%

Source: Danske Bank

## Calendar (continued)

Thursday, May 10, 2018				Period	Danske Bank	Consensus	Previous
-	DKK	Ascension Day					
-	NOK	Consumer confidence	Net. bal.	2nd quarter			20.3
-	CNY	Money supply M2	y/y	Apr		8.5%	8.2%
-	CNY	Total social finance credit	CNY bn	Apr		1325	1332.3
1:01	GBP	RICS house price balance	Index	Apr			0.0
3:30	CNY	CPI	y/y	Apr	1.9%	1.9%	2.1%
3:30	CNY	PPI	y/y	Apr		3.4%	3.1%
10:00	EUR	ECB Publishes Economic Bulletin					
10:30	GBP	Trade balance	GBP mio.	Mar		-2100	-965
10:30	GBP	Construction output	m/m y/y	Mar		-2.2% -5.8%	-1.6% -3.0%
10:30	GBP	Industrial production	m/m y/y	Mar		0.1% 3.1%	0.1% 2.2%
10:30	GBP	Manufacturing production	m/m y/y	Mar		0.1% 3.0%	-0.2% 2.5%
13:00	GBP	BoE minutes					
13:00	GBP	BoE government bond purchases (APF)	GBP bn	May	435	435	435
13:00	GBP	BoE corporate bond purchases (CBPP)	GBP bn	May	10	10	10
13:00	GBP	BoE Bank rate	%		0.5%	0.5%	0.5%
13:00	GBP	NIESR GDP estimate	q/q	Apr			0.2%
13:30	GBP	BoE Inflation Report					
13:30	GBP	Carney press conference					
14:30	USD	CPI headline	m/m y/y	Apr		0.3% 2.5%	-0.1% 2.4%
14:30	USD	CPI core	m/m y/y	Apr	0.2% 2.2%	0.2% 2.2%	0.2% 2.1%
14:30	USD	Initial jobless claims	1000				
20:00	USD	Budget statement	USD bn	Apr			-208.7
Friday, May 11, 2018				Period	Danske Bank	Consensus	Previous
-	DKK	Danish Bank Holiday					
8:00	DKK	Current account (nsa sa)	DKK bn	Mar			... 13.5
8:00	DKK	CPI	m/m y/y	Apr	0.1% 0.4%		0.0% 0.5%
8:00	DKK	Trade balance ex ships	DKK bn	Mar			7
8:00	DKK	Exports	m/m	Mar			
9:00	ESP	HICP, final	m/m y/y	Apr		0.8% 1.1%	0.8% 1.1%
14:30	USD	Import prices	m/m y/y	Apr		0.5% 3.9%	0.0% 3.6%
16:00	USD	University of Michigan Confidence, preliminary	Index	May		98.0	98.8

The editors do not guarantee the accurateness of figures, hours or dates stated above

For further information, call (+45) 45 12 85 22.

Source: Danske Bank

# Calendar

## Key Data and Events in Week 20

During the week				Period	Danske Bank	Consensus	Previous
<b>Monday, May 14, 2018</b>							
9:30	SEK	Average house prices	SEK m	Apr			3.033
<b>Tuesday, May 15, 2018</b>							
4:00	CNY	Industrial production	y/y	Apr		6.4%	6.0%
4:00	CNY	Retail sales	y/y	Apr		10.1%	10.1%
4:00	CNY	Fixed assets investments	y/y	Apr		7.4%	7.5%
8:00	DKK	GDP indicator	q/q	1st quarter	0.4%		0.9%
8:00	NOK	GDP (mainland)	q/q	1st quarter			0.6%
8:00	NOK	Trade balance	NOK bn	Apr			15
8:00	NOK	GDP (total)	q/q	1st quarter			-0.3%
8:00	DEM	GDP, preliminary	q/q y/y	1st quarter			0.6% 2.9%
8:45	FRF	HICP, final	m/m y/y	Apr			0.1% 1.8%
10:30	GBP	Unemployment rate (3M)	%	Mar	4.2%		4.2%
10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Mar	2.9%		2.8%
11:00	EUR	Industrial production	m/m y/y	Mar			-0.8% 2.9%
11:00	EUR	GDP, preliminary	q/q y/y	1st quarter	0.4% 2.5%		... ...
11:00	DEM	ZEW current situation	Index	May			87.9
11:00	DEM	ZEW expectations	Index	May			-8.2
14:30	USD	Retail sales control group	m/m	Apr			0.4%
14:30	USD	Empire Manufacturing PMI	Index	May			15.8%
16:00	USD	NAHB Housing Market Index	Index	May			69.0
22:00	USD	TICS international capital flow, Net inflow	USD bn	Mar			44.7
<b>Wednesday, May 16, 2018</b>							
1:50	JPY	GDP deflator, preliminary	y/y	1st quarter		0.2%	0.1%
1:50	JPY	GDP, preliminary	q/q ann.	1st quarter	... 0.3%	0.0% 0.0%	0.4% 1.6%
6:00	SEK	Maklarstatistik Swedish housing price data					
6:30	JPY	Industrial production, final	m/m y/y	Mar			1.2% 2.2%
8:00	DEM	HICP, final	m/m y/y	Apr			-0.1% 1.4%
9:30	SEK	Capacity utilization, industry	%	1st quarter			90.6%
11:00	ITL	HICP, final	m/m y/y	Apr			... 0.6%
11:00	EUR	HICP inflation	m/m y/y	Apr	1.2%		1.0% 1.4%
11:00	EUR	HICP - core inflation, final	y/y	Apr	0.7%		
14:30	USD	Building permits	1000 (m/m)	Apr			1379.0 (4.4%)
14:30	USD	Housing starts	1000 (m/m)	Apr			1319.0 (1.9%)
15:15	USD	Capacity utilization	%	Apr			78.0%
15:15	USD	Industrial production	m/m	Apr			0.5%
15:15	USD	Manufacturing production	m/m	Apr			0.1%
<b>Thursday, May 17, 2018</b>							
-	NOK	Constitution Day					
11:00	EUR	Trade balance	EUR bn	Mar			21
14:30	USD	Initial jobless claims	1000				
14:30	USD	Philly Fed index	Index	May			23.2%
<b>Friday, May 18, 2018</b>							
1:30	JPY	CPI - national	y/y	Apr			1.1%
1:30	JPY	CPI - national ex. fresh food	y/y	Apr			0.9%
10:00	EUR	Current account	EUR bn	Mar			35.1

The editors do not guarantee the accurateness of figures, hours or dates stated above

For further information, call [+45] 45 12 85 22.

Source: Danske Bank

## Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Louise Aggerstrøm Hansen, Senior Analyst.

### Analyst certification

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

### Regulation

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

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

### Conflicts of interest

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

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

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

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

### Risk warning

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

### Date of first publication

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

## General disclaimer

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

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

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

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

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

## Disclaimer related to distribution in the United States

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

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

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

**Report completed:** 4 May 2018, 12:53 GMT

**Report first disseminated:** 4 May 2018, 13:15 GMT