5 October 2018

Weekly Focus

Italian reprise

Market movers ahead

- The focus in the euro area next week will stay on Italy and the ongoing budget fight. Italian government bonds have come under renewed pressure, as the risk of a new debt crisis in the medium term looms.
- The next focal date for markets will be 15 October, which is the deadline for the Italian budget draft to be presented to Brussels.
- We expect to see US September CPI figures climb higher to 2.3% y/y. In addition there will be a number of interesting speeches from Fed members.
- In China, trade data will shed more light on the effects of the trade war
- In Sweden, we expect inflation figures to come out significantly lower than the Riksbank forecast. In Denmark, September inflation is expected to decline.

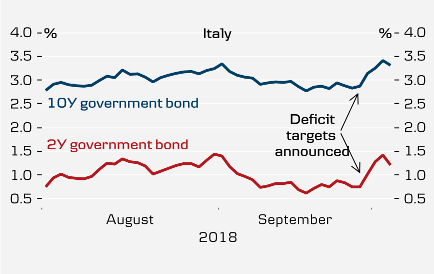
Global macro and market themes

- Global growth is slowing, but inflation pressure is rising.
- US bond yields hit a new high.
- Italy reignites debt crisis fears.
- Trump closes trade deal with Canada and Mexico, but is likely to escalate versus China.

Focus

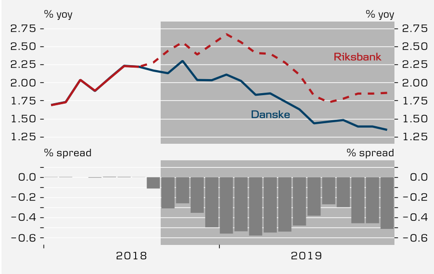
Brexit Monitor: Get ready for the end-game

Volatile Italian government bonds



Source: Macrobond Financial, Danske Bank

Swedish inflation to come out significantly below Riksbank estimates



Source: Riksbank, Danske Bank

Contents

Financial views

Major indices	05-Oct	3M	12M
10yr EUR swap	1.06	0.95	1.25
EUR/USD	115	115	125
ICE Brent oil	82	72	74

Source: Danske Bank

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Market movers

Global

- In the **US**, we have a quiet week coming up. On Thursday, CPI data for September is due for release which we expect to show that the core index continues to rise around 0.2% m/m (2.3% y/y – up from 2.2% in August).

  We will also listen to the upcoming speeches from Fed members next week. However, we do not expect any news, as the Fed has been very clear on continuing the gradual rate hikes without accelerating. As argued in *FOMC review: Gradual Fed hikes are set to continue*, we expect hikes in December, March and June, and when neutral is reached, it will be more stop and go for the Fed.

- Focus in the **euro area** next week will stay on Italy and the ongoing budget talks. Originally, the Italian government settled for a budget deficit of 2.4% for 2019-21 , but following concerns voiced by senior EU officials and Italian President Mattarella about Italy's new fiscal path, the government moderated some of its longer-term deficit targets. That said, the government's budget plan is based on optimistic growth and interest rate assumptions, while the revenue side remains vague. Italian government bonds have come under renewed pressure, not least because of lingering worries that Italy might be steering towards a new debt crisis in the medium term. The next focal point for markets will be 15 October, which is the deadline for the budget draft to be presented to Brussels, and our base case is now that the Commission will give a negative viewpoint on the budget. See *Italian Politics Monitor - The (budget) genie is out of the bottle*, 5 October.

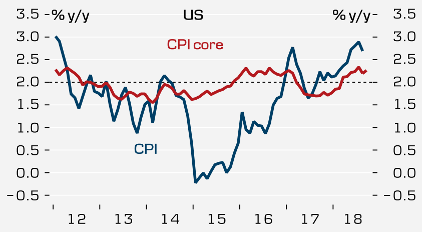
  On Thursday (13:30 CEST), we will get the ECB minutes from the September meeting. Since the meeting, central bank communication has been less dovish, so we will look at the assessment of the underlying inflation dynamics and in particular wage growth. Wage growth played a central part in the meeting in September (see *ECB Review - For the feinschmeckers - part II*, 13 September). We will also look out for any discussions in relation to trade war/protectionism. Finally, yet importantly, Draghi made it very clear that reinvestments have not been discussed, so chances of colour on that are slim. Some discussions on the forward guidance design/reaction function beyond the first hike may also have taken place.

- In the **UK**, Brexit continues to be the main theme, in particular now that the Conservative Party Conference is over and PM Theresa May probably has more room to manoeuvre. The next EU summit takes place on 18-19 October and the EU27 leaders are meeting the day before for a working dinner with (among other things) Brexit on the agenda. The UK and the EU will negotiate heavily next week ahead of the EU summit. The Irish backstop remains the biggest obstacle for the withdrawal agreement at this point. Our base case is still that the UK and the EU will reach an agreement eventually – the most difficult part is for PM Theresa May to get it through the House of Commons. See *Brexit Monitor: Get ready for the end-game*, 27 September.

  The most important release is the monthly GDP print for August. We estimate GDP grew 0.2% m/m in August (unchanged at 0.6% 3M/3M). UK growth remains above potential despite Brexit uncertainties.

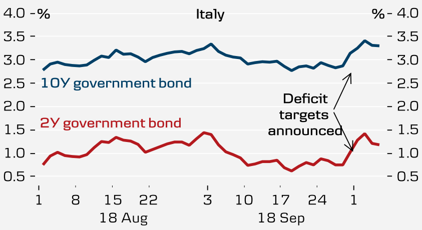
- There are no market movers in **Japan** next week.

CPI core inflation at 2.3% in September



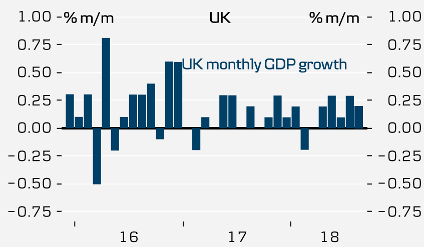
Source: BLS, Macrobond Financial

Volatile Italian government bonds



Source: Macrobond Financial, Danske Bank

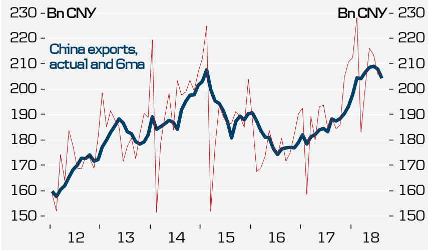
UK growth remains above potential



Source: ONS, Macrobond Financial

- In **China,** it is a quiet week, but the trade data may attract more attention than usual. The numbers will give further clues as to how much the exports are being hit by the trade war. Judging from PMI data, export orders have weakened quite a bit. It is partly due to slowing growth in other EM countries and Europe though. We expect the numbers to show weakness in both exports and imports. Speaking of trade, we are still awaiting whether Trump will enter what he has called 'phase three' and put tariffs on all of Chinese imports. We see a high risk he will do it but the timing is uncertain.

Chinese exports weakening on trade war and slower global growth



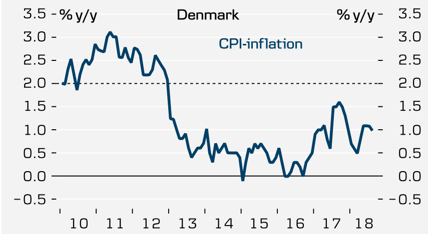
Source: Macrobond Financial

Scandi

- Few, but nevertheless important, items of news are on the agenda next week in **Denmark**. Current account and export figures for August are due on Tuesday. Last time we received export figures they showed that things were going the right way and that exports were growing after a long period of disappointing numbers. Did the positive trend continue in August and can exports help support the Danish upswing?

  Inflation data for September is due on Wednesday. After hovering just above 1% during the summer, we expect inflation fell to 0.7% in September from 1.0% in August. A hot summer pushed holiday accommodation prices higher in Denmark, but now that the holidays are over we can expect a downward pull on inflation in September. Petrol prices, too, should contribute to lowering inflation as last September's large price rises slip out of the statistics. Inflation could, in fact, fall even lower than 0.7%, though we expect the tough, dry summer for agriculture and rising food prices in Europe will also have lifted food prices in Denmark after a year when inflation was otherwise generally trending lower.

We estimate inflation fell in September



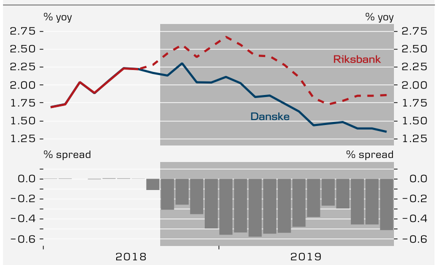
Source: Statistics Denmark

- September inflation is likely to be a real scare for the **Swedish** Riksbank's intentions to hike rates in December or February if our forecast is correct: we see both CPIF (+0.1% m/m and 2.1% y/y) and CPIF excl. Energy (+0.2% m/m and 1.3% y/y) 0.3pp below its forecasts and remaining there over the next couple of months. Such significant deviations are probably on the borderline of what it can tolerate.

  The main driver in September is seasonal price hikes on clothes. These are to a high degree balanced by further price cuts on international airline tickets and charter packages. This month, energy plays a minor role.

  The August consumption indicator is also of importance as it provides input to our GDP predictor. We would expect a rebound this month in line with the 2.0% y/y suggested by retail sales.

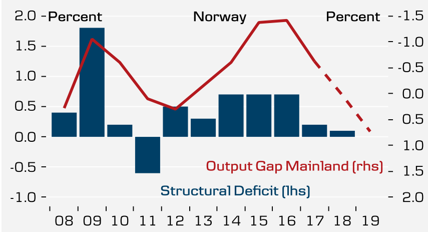
We estimate September CPIF to be 0.3pp below Riksbank



Source: Riksbank, Danske Bank

- In **Norway**, a more eventful week is in prospect. On Monday, the government presents its budget for 2019. After several years with a need for expansionary budgets, the economic climate now warrants somewhat tighter fiscal policy. At the same time, higher oil prices mean that government revenue is growing faster than expected, causing the oil fund to expand. Given the 'fiscal rule', which allows the government to spend up to 3% of the fund each year, this points to slightly increased fiscal leeway. We believe that the trade-off between these competing considerations, coupled with all three parties in the ruling coalition fighting for their own issues, will result in a more or less neutral budget, permitting an increase in spending of oil money of around NOK 4bn. That would be only marginally tighter than Norges Bank assumed in the September monetary policy report and so have little impact on the outlook for interest rates.

Fiscal policy: right direction but not enough



Source: Macrobond Financial, Danske Bank

Also coming up are inflation data for September. The core rate was 1.9% y/y in August, up from 1.4% in July. Ignoring pure base effects due to low inflation in August last year, it seems that the rise in inflation was relatively broad-based. Food, other domestic goods, imported goods and services all increased a fair bit in price over the summer. We expect this trend to continue, but we do anticipate that some of the more volatile components will correct, especially food and some import goods. We therefore expect core inflation to slow to 1.7% y/y in September. That would be only marginally higher than Norges Bank projected in the September monetary policy report, and again not enough to have much impact on the interest rate outlook.

Finally, we get a second batch of the new monthly GDP figures, this time for August. The publication of historical data has shown that the monthly estimates can be quite volatile, so we are loath to make any predictions. A monthly growth rate of 0.2% in August would roughly equate to the quarterly growth of 0.7% assumed by Norges Bank in its September report. The three-month rolling average would then edge down from 0.8% in July to 0.7%.

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
During the week		Sun 07	CNY	Foreign exchange reserves	USD bn	Sep		*3105.0*	3109.7
Wed	10-Oct	10:30	GBP	Monthly GDP estimate	m/m|q/q	Aug	**0.2%|0.6%**	*0.2%|0.6%*	0.3%|0.6%
Thurs	11-Oct	13:30	EUR	ECB Minutes					
		14:30	USD	CPI core	m/m|y/y	Sep	**0.2%|2.3%**	*0.2%|2.3%*	0.1%|2.2%
Fri	12-Oct	-	CNY	Trade balance	USD bn	Sep		*24.6*	27.9
		14:30	USD	Non farm payrolls	1000	Sep	**190**	*188*	201
Scandi movers									
During the week									
Mon	08-Oct	8:00	NOK	Manufacturing production	m/m|y/y	Aug			0.9%|1.5%
Tue	09-Oct	8:00	DKK	Current account (nsa|sa)	DKK bn	Aug		*01%|1.0%*	...|14.4
		8:00	NOK	GDP (mainland)	m/m|y/y	Aug	**0.2%|...**		
Wed	10-Oct	8:00	NOK	Core inflation (CPI-ATE)	m/m|y/y	Sep	**...|1.7%**	*0.3%|1.8%*	-0.5%|1.9%
		8:00	DKK	CPI	m/m|y/y	Sep	**...|0.7%**		-0.4%|1.0%
		9:30	SEK	Household consumption	m/m|y/y	Aug	**..|2.0%**		-2.1%|-0.1%
Thurs	11-Oct	9:30	SEK	CPIF excl. Energy	m/m|y/y	Oct	**0.2%|1.3%**		
		9:30	SEK	Underlying inflation CPIF	m/m|y/y	Sep	**0.1%|2.1%**	*0.4%|2.3%*	-0.2%|2.2%

Source: Bloomberg, Danske Bank

Global macro and market themes

Stagflation? Growth slows, while inflation pushes higher

Global growth continues to slow. Global PMI for September showed another drop, pointing to further slowing of the global economy (Chart 1). The weakness was most pronounced in the euro area and China. The US is still a pillar of growth but it is also pretty much the only region with robust activity. This most likely reflects the big fiscal boost this year that has lifted both investment and consumer spending. We expect global growth to stabilise soon and continue at cruising speed. The euro area is set to bottom out and despite the US-China trade war, we believe both monetary and fiscal easing in China will serve as a cushion to growth. We expect US growth rates to slow down from the 4+% in Q2 but to remain above trend over the next year.

Inflation pressures rising. Despite slower growth, we have witnessed rising inflation pressure over the past months. The oil price is pushed higher as Iran oil exports are hit by US sanctions. In addition, the labour markets in the US, the euro area and Japan are getting tighter, thereby pushing up wage growth. As unemployment falls further, this trend is set to continue.

US bond yields at new cycle high, the Fed on autopilot. The robust US economy and rising inflation pressure led to a new high in US bond yields this week. The 10-year treasury yield rose sharply on Wednesday and increased to 3.23%, the highest level in seven years (Chart 3). Fed chair Jerome Power this week continued to signal that policy rates are more or less on autopilot in the coming quarters until the long-term neutral rate around 3% is reached in mid-2019. In an interview, he said, 'interest rates are still accommodative, but we're gradually moving to a place where they will be neutral', see *CNBC*. The surge in bond yields put pressure on the stock markets on Thursday.

Italy reigniting fears in the bond markets. Italy put itself in the limelight again as the initial budget proposal pointed to a 2.4% budget deficit over the next three years – much higher than expectations. It led to a big sell-off in the Italian bond market, which took the bond yield spread to Germany to a five-year high at 3 percentage points (Chart 4). The EUR also took a hit. During the week, the Italian government signalled that the deficit for 2020 and 2021 would be 2.1% and 1.8%, respectively, which led to some relief in the market, see *Bloomberg*. However, bond yields are still at elevated levels signalling a fear that Italy could get on an unsustainable debt path and face downgrades. Part of the concern is that the government is much too optimistic in its growth assumptions (rumoured to be 1.6% versus a rate currently around 1.0%). A failure to realise the assumed growth rates could push the deficit above the EU's 3% limit. On the positive side, there is so far limited contagion to other markets such as the Spanish bond market or the credit market.

Trump closes trade deal with Canada and Mexico but likely to escalate versus China. US President Donald Trump finally closed the deal with Canada leading to the new USMCA agreement, which replaces the old NAFTA deal. Trump called it 'the most important trade deal we've made so far'. While Trump is getting a win out of it in the short term, it may backfire in the end. President of the Canadian Chamber of Commerce, Perrin Beatty, thus said 'Canada must remember the lesson this turbulent period has provided: we must never again allow ourselves to be overly dependent on one trading partner'.

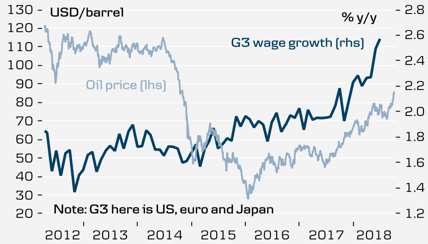
Key points

- Global growth is slowing…
- …but inflation pressure is rising
- US bond yields at new high
- Italy reignites debt crisis fears
- Trump closes deal with Canada and Mexico but likely to escalate versus China

Chart 1. Global PMI now below long term average

Source: Macrobond Financial, Markit

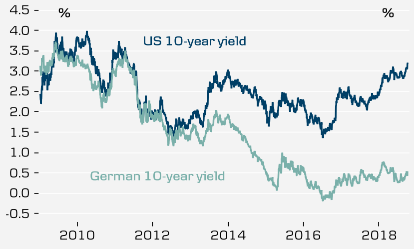
Chart 2. Inflation pressure up on higher wage growth and oil prices



Source: Macrobond Financial, OECD, Bloomberg

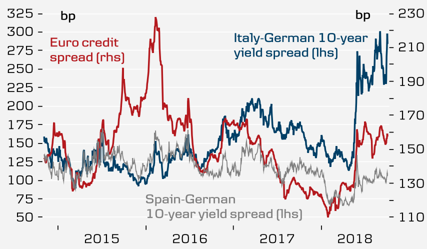
A similar lesson is learnt in China. Hence, countries may now start to diversify their trade away from the US. Similarly, many countries have signalled a wish to reduce the dependence on the USD, as it gives the US a powerful instrument to put pressure on other countries to follow its line. It is an instrument that no one expected would be used but now the fear about too much dependency on the US economically and financially has grown. China's President has also stated clearly that China will need to be more self-sufficient and maybe that is not a bad thing, see *SCMP*. Speaking of China, the remaining big battle on the trade front is between US and China. It is a much bigger challenge, though, and we see a high risk of more escalation with US tariffs on all Chinese imports next year. Eventually it will hurt both countries, though, and a deal should be reached during 2019.

Chart 3. US bond yields push higher - highest level in seven years



Source: Macrobond Financial

Chart 4. Italy reigniting debt crisis fears but limited contagion so far



Source: Macrobond Financial

Financial views

Asset class	Main factors
Equities	
Positive on 3-12 month horizon.	Fundamentals still supports equities on a 3-12M horizon. In the short run trade tension and the situation in Italy could lead to continue high volatility, but an expected strong earnings season should stabilise market
Bond market	
German/Scandi yields – stable for now, higher in 12M	Strong forward guidance from the ECB. Core inflation remains muted. Range trading for Bunds for the rest of 2018. Still higher in 2018.
EUR 2Y10Y steeper, USD 2Y10Y flatter	The ECB keeps a tight leash on the short end of the curve but 10Y higher as US has an impact. EUR 2Y10Y mainly steeper in 2019.
US-euro spread – short-end to widen further	The spread in the short-end is set to widen further as the Fed continues to hike.
Peripheral spreads – tightening (Italy special case)	ECB forward guidance, better fundamentals, an improved political picture (ex. Italy) and rating upgrades to lead to renewed tightening after recent widening. Italy remains a special case.
FX & commodities	
EUR/USD – lower for longer… but not forever	In a range around 1.15 in 0-3M as USD carry and political risks weigh but supported longer term by valuation and ECB 'normalisation'.
EUR/GBP – gradually lower over the medium term	Brexit uncertainty dominates now but GBP should strengthen on 6-12M on Brexit clarification and Bank of England rate hikes.
USD/JPY – higher eventually	US yields decisive near term with political uncertainty as a significant downside risk. Longer term higher on Fed-Bank of Japan divergence.
EUR/SEK – downside in warm-up to first hike	Lower as first hike from Riksbank looms by year end - but it could be one-and-done which should limit SEK strength thereafter.
EUR/NOK – set to move lower still	Positive on NOK on valuation, relative growth, positioning, terms of trade, global outlook and Norges Bank initiating a hiking cycle.
Oil price – range trading rest of year	On the rise as supply tightens and trade concerns ease

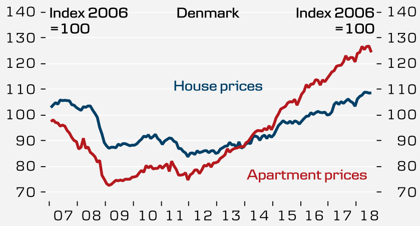
Source: Danske Bank

Scandi update

Denmark – apartment prices took a knock in July

There was housing market news in the past week. House prices appreciated 0.9% in July, while apartment prices fell 2%. We are pretty much used to house and apartment prices developing at two different paces. What is new is that apartment prices are now the laggard, while house prices are rising faster. The slowdown in the apartment market should be seen in light of the very high price rises of recent years and the implementation of new loan rules from the start of the year that contributed to shaving the top off demand. Moreover, the supply of apartments for sale has risen, which puts buyers in a better position to negotiate a discount. We still expect there is a foundation for further growth in the housing market. Low interest rates, rising employment and real wage growth will all help push house prices higher. Moreover, interest rates look set to remain low in the near future. Danmarks Nationalbank saw no need to intervene in the FX markets in September to defend the Danish krone (DKK) exchange rate, and a Danish rate hike still seems to be some way off – despite the DKK coming under pressure recently. In September the DKK slipped from the strong side of the central parity rate against the EUR to the weak side. Causes could include a somewhat lower current account surplus and reduced returns on Danish investments abroad. However, these are temporary factors and the DKK is generally viewed as a safe haven that investors head for in troubled times, such as when Italian fiscal policy is in turmoil.

Price growth on houses beginning to outpace price growth on apartments



Source: Statistics Denmark

Sweden – weak wages and core inflation suggest head(line)-wind

From time to time we hear questions about why the Riksbank is looking at various underlying measures of inflation when they actually do have a policy variable – CPIF. The Riksbank has addressed this question in a new study published on its home page. The report can be found *here*.

Not surprisingly the report states that a necessary pre-requisite for a core measure to be of interest is that it must be a better measure of sustained inflation than the headline version. In addition the measure must have some other features such as being non-biased (similar mean to headline), be forward looking and correlated with macro-economic drivers.

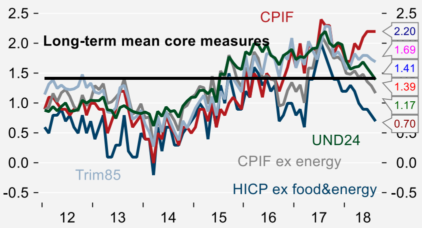
Apart from the usual core measures – CPIF excluding energy, Trim85 and UND24 – the report also discusses a few other measure which we at least have not seen before such as CPIFPV (first-order autoregressive estimation), CPIFPC (principal component capturing common trends) and a Stock & Watson model (splitting up CPIF inflation in trend and noise).

The conclusion from the study is that core inflation measures in most cases over time are better predictors of future CPIF-inflation.

Looking at recent developments of these core measures, all except CPIFPV are descending right now and well below 2%, suggesting headline CPIF will slow below that down the road.

Also note, the Swedish National Mediation Office released fresh wage data earlier this week. In July wages were up by 2.5% y/y both nationally and in private businesses. For the latest few calculated observations the Office makes an upward adjustment based on historical experience of the difference between preliminary and final wage increases.

Cores suggest headline to fall



Source: Riksbank, Measures of core inflation in Sweden (3 October 2018)

In a comment the Mediation Office noticed that the strong labour market, by and large, is still failing to generate any meaningful wage drift. Also they mentioned that considering that current wage agreements do not expire until 2020, in order for current standard wage forecasts to be met, wage drift in the meantime need to accelerate to levels not seen since the early 2000's. In our view there is no sign of that happening.

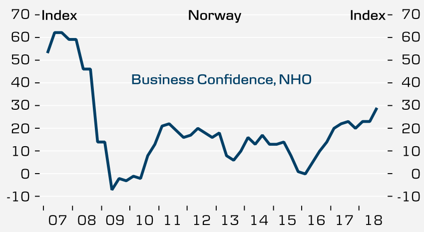
On the same theme, the RB chief economist in a separate comment mentioned that it is somewhat of a concern that social partners' wage expectations remain at such moderate levels, even now when (headline) inflation has picked up.

So, while the Riksbank is in 'hiking' mode, we think that there is a relatively high probability of a 'Norwegian-style dovish hike' meaning a December hike being accompanied by a flatter rate path going forward.

Norway – growing optimism in business sector

The past week has brought two different indicators of sentiment in the Norwegian business sector. First was the manufacturing PMI, which has been highly unstable in recent months. The underlying trend seems to be down, but it remains relatively high: a score of around 55 still points to a much stronger upswing in manufacturing than normal. Next up was the Confederation of Norwegian Enterprise (NHO) quarterly survey, where confidence was at its highest for more than a decade, i.e. this side of the financial crisis. It is the first leading indicator to rise higher than in the previous oil-driven upswing in the Norwegian economy in 2011-14. NHO's index is broader than the PMI in that it does not just cover manufacturing, but it was mainly in oil-related industries where optimism was strongest. It is especially worth noting that a much larger share of firms surveyed are now reporting problems sourcing skilled labour, supporting our fear that the expected expansion in oil-related industries will come at a time when the labour market is already relatively tight. This illustrates the need for policy tightening.

Upswing to continue



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

5/10 Italian Politics Monitor - The (budget) genie is out of the bottle

Italian budget plan is based on optimistic growth and interest rate assumptions, while the revenue side remains vague.

3/10 Emerging Markets Briefer: Switching slowly from red light to yellow

Emerging market risk measures hit a three-year high in August 2018. The previous high was when investors' confidence was dented by economic slowdown in China, sliding oil prices and an imminent hike by the Fed, the first since 2006

2/10 Flash Comment Denmark - Still no need for DKK intervention

The Danish FX reserve was unchanged at DKK468bn in September, as Danmarks Nationalbank did not need to intervene in FX markets.

2/10 Nordic Outlook - October 2018

The Nordic countries have been benefiting from a strengthening global recovery, but that is now changing.

1/10 Macro Strategy Views Podcast: The happy days are over for Italy

We focus on Italy and ECB forward guidance. Thomas Harr, Global Head of FI&C Research, chairs today's podcast and our eurozone economist, Piet P.H. Christiansen, joins him.

30/9 Harr's View: The happy days are over for Italy

Italy budget at 2.4% for each of the years 2019-2021 was at the upper end of our and markets' expectations. How will the EU respond to the rebel from the south: will they just express an opinion or will they go further, express a negative opinion, and require that Italy revise its budget?

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Wage growth[1]	Unem-ploym[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2017	2.3	1.6	0.6	4.5	4.4	4.3	1.1	1.7	4.2	1.0	36.4	7.5
	2018	1.6	2.5	0.6	7.7	2.2	4.4	0.8	1.9	4.0	0.4	34.7	5.4
	2019	2.0	2.3	0.5	2.6	3.7	3.0	1.4	2.3	3.7	-0.1	33.9	6.1
Sweden	2017	2.5	2.2	0.0	6.1	3.2	4.8	1.8	2.5	6.7	1.2	41.0	4.2
	2018	2.0	2.2	0.8	3.1	2.7	3.7	1.9	2.6	7.1	1.0	37.0	2.8
	2019	1.6	1.9	0.4	1.3	2.3	2.2	1.6	2.7	7.6	0.8	35.0	2.8
Norway	2017	1.8	2.3	2.0	3.5	0.8	2.2	1.8	2.3	2.7	-	-	-
	2018	2.4	2.3	1.9	-0.4	0.8	3.3	2.8	3.0	2.4	-	-	-
	2019	2.5	2.5	1.8	4.4	2.4	3.0	1.6	3.5	2.1	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Wage growth[1]	Unem-ploym[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euro area	2017	2.5	1.7	**1.2**	**2.8**	5.5	4.1	1.5	1.6	9.1	-0.9	86.7	3.5
	2018	2.0	1.5	**1.1**	**3.0**	2.9	2.8	1.8	2.2	8.3	-0.7	86.0	3.4
	2019	1.7	1.9	**2.1**	**1.9**	3.1	3.8	1.5	2.3	8.0	-0.6	85.5	3.4
Germany	2017	2.5	2.0	1.6	3.6	5.3	5.3	1.7	2.6	3.8	1.3	64.1	7.9
	2018	2.0	1.5	1.1	3.5	3.1	3.9	1.7	3.0	3.4	1.2	60.2	7.9
	2019	1.9	2.2	2.3	3.1	3.7	5.4	1.6	3.2	3.3	1.0	56.3	7.6
Finland	2017	2.7	1.7	1.6	5.8	7.5	3.7	0.7	0.2	8.6	-0.7	61.3	-0.7
	2018	2.7	2.1	2.0	4.0	3.2	3.0	1.2	2.0	7.6	-0.3	59.3	-0.6
	2019	2.0	1.6	0.5	3.5	4.0	3.5	1.5	2.3	7.3	0.1	57.7	-0.2

Macro forecast, Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Wage growth[1]	Unem-ploym[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2017	2.2	2.5	-0.1	4.8	3.0	4.6	2.1	2.5	4.4	-3.5	105.0	-2.5
	2018	2.8	2.5	1.4	5.7	5.1	3.8	2.5	2.8	3.9	-4.0	106.0	-3.0
	2019	2.5	2.4	1.2	4.1	3.4	2.8	2.0	3.1	3.6	-4.6	107.0	-3.4
China	2017	6.9	-	-	-	-	-	2.0	9.0	4.1	-3.7	47.6	1.4
	2018	6.6	-	-	-	-	-	2.3	8.7	4.3	-3.4	50.8	1.1
	2019	6.4	-	-	-	-	-	2.3	8.5	4.3	-3.4	53.9	1.2
UK	2017	1.7	1.9	-0.1	3.3	5.7	3.2	2.7	2.2	4.4	-1.8	87.5	-4.1
	2018	1.3	1.2	1.2	0.7	-0.9	-0.2	2.5	2.5	4.1	-1.8	85.4	-4.4
	2019	1.5	1.6	0.6	1.4	1.5	1.7	1.5	2.9	3.9	-1.7	85.3	-4.0

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	05-Oct	2.25	2.41	3.06	3.25	115.1	-	648.2
	+3m	2.50	2.80	3.10	3.10	115.0	-	648.0
	+6m	2.75	3.00	3.30	3.25	118.0	-	631.8
	+12m	3.00	3.30	3.35	3.30	125.0	-	596.4
EUR	05-Oct	0.00	-0.32	-0.09	1.06	-	115.1	745.8
	+3m	0.00	-0.33	-0.10	0.95	-	115.0	745.3
	+6m	0.00	-0.33	0.00	1.05	-	118.0	745.5
	+12m	0.00	-0.33	0.15	1.25	-	125.0	745.5
JPY	05-Oct	-0.10	-0.07	0.06	0.36	131.0	113.9	5.69
	+3m	-0.10	-	-	-	128.8	112.0	5.79
	+6m	-0.10	-	-	-	134.5	114.0	5.54
	+12m	-0.10	-	-	-	142.5	114.0	5.23
GBP	05-Oct	0.75	0.80	1.20	1.75	88.2	130.5	845.5
	+3m	0.75	0.82	1.30	1.70	89.0	129.2	837.4
	+6m	0.75	0.93	1.40	1.80	84.0	140.5	887.5
	+12m	1.00	1.07	1.60	1.95	83.0	150.6	898.2
CHF	05-Oct	-0.75	-0.74	-0.49	0.59	114.3	99.4	652.3
	+3m	-0.75	-	-	-	113.0	98.3	659.5
	+6m	-0.75	-	-	-	116.0	98.3	642.7
	+12m	-0.75	-	-	-	120.0	96.0	621.3
DKK	05-Oct	0.05	-0.30	0.04	1.19	745.8	648.2	-
	+3m	0.05	-0.30	0.00	1.10	745.3	648.0	-
	+6m	0.05	-0.30	0.10	1.20	745.5	631.8	-
	+12m	0.05	-0.29	0.25	1.40	745.5	596.4	-
SEK	05-Oct	-0.50	-0.46	0.01	1.33	1043.9	907.3	71.4
	+3m	-0.50	-0.25	0.20	1.20	1020.0	887.0	73.1
	+6m	-0.25	-0.10	0.10	1.15	1020.0	864.4	73.1
	+12m	-0.25	-0.10	0.15	1.10	1030.0	824.0	72.4
NOK	05-Oct	0.75	1.06	1.58	2.40	950.8	826.4	78.4
	+3m	0.75	1.24	1.65	2.40	920.0	800.0	81.0
	+6m	1.00	1.39	1.95	2.50	920.0	779.7	81.0
	+12m	1.25	1.64	2.20	2.65	910.0	728.0	81.9

Commodities

		2018				2019				Average	
	05-Oct	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019
NYMEX WTI	75	63	68	68	68	69	69	70	70	67	70
ICE Brent	85	67	75	72	72	72	72	74	74	72	73

Source: Danske Bank

Calendar

Key Data and Events in Week 41

During the week				Period	Danske Bank	Consensus	Previous
Sun 07	CNY	Foreign exchange reserves	USD bn	Sep		*3105.0*	3109.7
Monday, October 8, 2018				Period	Danske Bank	Consensus	Previous
-	JPY	Health-Sports Day					
-	USD	Columbus Day (Exchange open)					
3:45	CNY	Caixin PMI service	Index	Sep		*51.4*	51.5
7:45	CHF	Unemployment	%	Sep		*2.5%*	2.6%
8:00	DEM	Industrial production	m/m|y/y	Aug		*0.1%|-0.3%*	-1.1%|1.1%
8:00	NOK	Manufacturing production	m/m|y/y	Aug			0.9%|1.5%
8:00	NOK	Industrial production	m/m|y/y	Aug			-2.4%|-0.8%
10:30	EUR	Sentix Investor Confidence	Index	Oct		*11.6*	12.0
11:30	USD	Fed's Bullard (non-voter, dovish) speaks					
Tuesday, October 9, 2018				Period	Danske Bank	Consensus	Previous
8:00	DKK	Current account (nsa|sa)	DKK bn	Aug		*01%|1.0%*	...|14.4
8:00	DEM	Trade balance	EUR bn	Aug		*16.3*	16.5
8:00	DKK	Trade balance ex ships	DKK bn	Aug		*8.5*	7.4
8:00	NOK	GDP (mainland)	m/m|y/y	Aug	0.2%|...		
12:00	USD	NFIB small business optimism	Index	Sep		*109.0*	108.8
16:35	USD	Fed's Williams (voter, neutral) speaks					
19:00	USD	Fed's Harker (non-voter, hawkish) speaks					
Wednesday, October 10, 2018				Period	Danske Bank	Consensus	Previous
-	CNY	Money supply M2	y/y	Sep		*8.5%*	8.2%
3:15	USD	Fed's Williams (voter, neutral) speaks					
8:00	SEK	Prospera inflation expectations					
8:00	NOK	Core inflation (CPI-ATE)	m/m|y/y	Sep	...|1.7%	*0.3%|1.8%*	-0.5%|1.9%
8:00	NOK	CPI	m/m|y/y	Sep		*0.4%|3.2%*	-0.4%|3.4%
8:00	NOK	PPI	m/m|y/y	Sep			0.6%|22.8%
8:00	DKK	CPI	m/m|y/y	Sep	...|0.7%		-0.4%|1.0%
8:45	FRF	Industrial production	m/m|y/y	Aug		*0.4%|1.5%*	0.7%|1.8%
9:15	SEK	NIER economic forecasts					
9:30	SEK	Household consumption	m/m|y/y	Aug	..|2.0%		-2.1%|-0.1%
10:30	GBP	Construction output	m/m|y/y	Aug		*-0.2%|1.4%*	0.5%|3.5%
10:30	GBP	Monthly GDP estimate	m/m|q/q	Aug	0.2%|0.6%	*0.2%|0.6%*	0.3%|0.6%
10:30	GBP	Industrial production	m/m|y/y	Aug		*0.1%|1.0%*	0.1%|0.9%
10:30	GBP	Index of services	m/m|3m/3m	Aug		*0.1%|0.5%*	0.3%|0.6%
10:30	GBP	Manufacturing production	m/m|y/y	Aug		*0.1%|1.1%*	-0.2%|1.1%
10:30	GBP	Trade balance	GBP mio.	Aug		*-1000*	-111
14:30	USD	PPI	m/m|y/y	Sep		*0.2%|2.7%*	-0.1%|2.8%
14:30	USD	PPI core	m/m|y/y	Sep		*0.2%|2.6%*	-0.1%|2.3%
18:15	USD	Fed's Evans (non-voter, dovish) speaks					

Source: Danske Bank

Calendar (continued)

Thursday, October 11, 2018				Period	Danske Bank	Consensus	Previous
1:01	GBP	RICS house price balance	Index	Sep			0.0
8:45	FRF	HICP, final	m/m|y/y	Sep		*-0.2%|2.5%*	-0.2%|2.5%
9:00	ESP	HICP, final	m/m|y/y	Sep		*0.6%|2.2%*	0.6%|2.2%
9:30	SEK	CPI	m/m|y/y	Sep	**0.1%|2.0%**	*0.3%|2.2%*	-0.2%|2.0%
9:30	SEK	CPIF excl. Energy	m/m|y/y	Oct	**0.2%|1.3%**		
9:30	SEK	Underlying inflation CPIF	m/m|y/y	Sep	**0.1%|2.1%**	*0.4%|2.3%*	-0.2%|2.2%
9:30	SEK	Average house prices	SEK m	Sep			2.93
13:30	EUR	ECB Minutes					
14:30	USD	CPI headline	m/m|y/y	Sep		*0.2%|2.4%*	0.2%|2.7%
14:30	USD	CPI core	m/m|y/y	Sep	**0.2%|2.3%**	*0.2%|2.3%*	0.1%|2.2%
14:30	USD	Initial jobless claims	1000				
17:00	USD	DOE U.S. crude oil inventories	K				7975
20:00	USD	Budget statement	USD bn	Sep			-214.1
Friday, October 12, 2018				**Period**	**Danske Bank**	**Consensus**	**Previous**
-	EUR	Moody's may publish Portugal's debt rating					
-	CNY	Trade balance	USD bn	Sep		*24.6*	27.9
8:00	DEM	HICP, final	m/m|y/y	Sep		*0.4%|2.2%*	0.4%|2.2%
11:00	EUR	Industrial production	m/m|y/y	Aug		*0.3%|-0.3%*	-0.8%|-0.1%
14:30	USD	Import prices	m/m|y/y	Sep		*0.3%|...*	-0.6%|3.7%
15:30	USD	Fed's Evans (non-voter, dovish) speaks					
16:00	USD	University of Michigan Confidence, preliminary	Index	Oct		*100.8*	100.1

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Source: Danske Bank

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