

Weekly Focus

US to cut rates despite high inflation

Over the last month, **market expectations have increasingly turned towards a 25bp rate cut when the Fed makes its decision on Wednesday** next week. This has been driven by lower inflation expectations and weaker forward-looking economic data, such as the balance between orders and inventories in the PMI and ISM surveys for November – private sector data that is still coming in a timely manner while the aftereffects of the government shutdown continue to hamper official data. Opinions clearly differ among members of the rate-setting committee, but we now see it as most likely that they will chose to do as the market expects and deliver the rate cut next week even though inflation is clearly above target. Arguably, even if rates are cut to 3.5% - 3.75%, they will still be high enough to dampen the economy and inflation pressures. However, with wider financial conditions still supportive and fiscal policy to be eased in 2026, we see a good case for the Fed to signal a cautions stance where future rate cuts will come at a slow pace. Ahead of the rate decision, we will get the much-delayed data on job openings in September.

President Trump has flagged that he has made a decision about **who will be the next Fed chairman**, and betting markets overwhelmingly expect it to be Trump loyalist Kevin Hassett, who will presumably push for more rate cuts. However, the usual rotation of regional Fed presidents as voting committee members could likely push in a more hawkish direction next year.

In the **euro area, wage growth was 4.0% y/y** in Q3 according to the compensation per employee measure which is the one the ECB prefers. In the ECB's staff projection, the number had been forecast at 3.2%, so this is a data point that speaks clearly against another rate cut in 2026. In the same direction, GDP growth for Q3 was revised up from 0.2% to 0.3% q/q and inflation for November came in slightly higher than expected at 2.2%. For both GDP and inflation though, the upside surprises were really due to rounding up from a slightly higher second decimal so in reality, they were very small surprises.

Chinese PMI data again came in weaker than expected, with the index for new orders declining from 50.5 to 50.1 in the private sector RatingDog version and staying below the 50-threshold in the official NBS version. This came despite a clear increase in the export orders index, which suggest that the weak export data we saw in October was a one-off caused by the short-lived escalation in the trade war with the US we saw in that month. This is likely to be confirmed by the foreign trade data for November that will be released on Monday. The NBS PMI for employment declined to 46.7. This index often correlates with consumer spending in China. Together with the weakness in domestic orders, **the clear picture is that domestic demand remains subdued despite the recovery in exports**.

A rate hike in Japan later this month is almost fully priced in. The last remaining piece of the puzzle is wage growth which remains too low to compensate for inflation, so focus could turn to the October wage data due on Monday.

Key global views

- Economic growth close to trend levels in the US and the euro area.
 - Risk to inflation is on the upside in the US and the downside in the euro area.
 - Gradual Fed rate cuts is the main scenario, no changes from ECB.
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Key market movers

- Monday: China trade data, Japan wage data
 - Tuesday: Australia rate decision, US JOLTS data
 - Wednesday: US rate decision, China CPI
 - Thursday: Swiss and Turkey rate decisions
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Selected reading from Danske Bank

- *Nordic Outlook - Cruising at modest speed*, 3 December
 - *Fed preview: Hawkish cut is the consensus choice*, 5 December
 - *Executive Briefing: stable euro area and US question marks*, 3 December
 - *China Flash - PMIs point to the need for new stimulus*, 1 December
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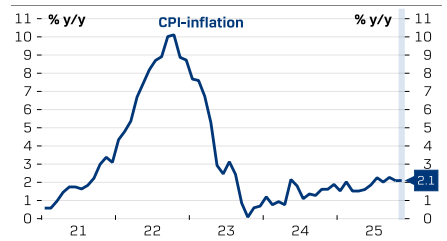
Editor

Chief Economist
Las Olsen
laso@danskebank.dk

Market Movers Scandinavia

- **In Denmark**, Monday will bring the release of industrial production for October. Tuesday will bring the release of foreign trade data and the current account for October. Total exports rose by 3.4% m/m in September, while imports declined by 1.1%, with especially goods exports to the US increasing notably. The current account surplus increased significantly to DKK 38.4bn, up DKK 9.2bn from August, supported by higher trade and investment income surpluses. On Wednesday, inflation data for November is released. We expect it to be unchanged at 2.1% y/y. Particularly interesting are food prices as recent years' price surge continues to weigh heavy on consumer sentiment. Current food price inflation is 4.5%.

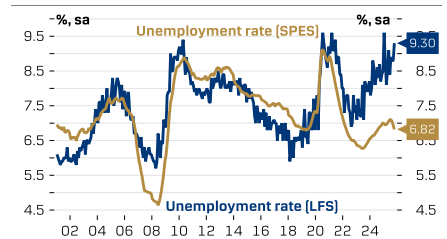
We expect CPI inflation at 2.1% y/y in November



Source: Macrobond Financial, Danske Bank

- In **Sweden**, economic indicators for October (specifically the GDP indicator, industrial orders, PVI, and household consumption), which will be released on Wednesday, along with labour market data to be released on Thursday and Friday, will reveal whether the recovery observed in recent data will continue. We anticipate a modest slowdown in growth in Q4 compared to Q3, reflecting a lagging effect of the summer's slowdown in indicators. Thus, a minor setback would not be unexpected. Regarding the labour market, we expect data from Sweden's Public Employment Service (SPES) to show continued improvement. As SPES typically serves as a leading indicator for the labour force survey (LFS), we might see some improvement there as well. However, it could still be too early for significant changes.

SPES is typically a leading indicator for the LFS

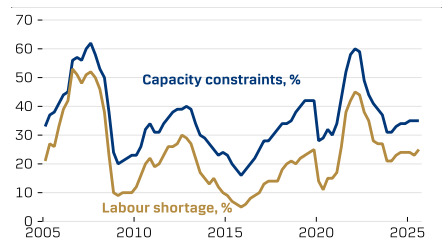


Source: Sweden's public employment service, statistics Sweden, Macrobond and Danske Bank

Preliminary inflation data for November showed a decline, surprising on the downside against both our forecast and consensus. The final inflation estimates, along with detailed data, will be released on Thursday and offer more clarity on the factors behind the surprise.

- **Norwegian inflation** has fluctuated widely in recent months, with core inflation falling to 3.0 % y/y in September before bouncing back to 3.4% in October. The upside surprise in October was driven by imported inflation, which rose from 1.1% to 2.0%. A closer look at the details reveals that most of this was driven by electronics and various household appliances. Hence, we suspect that this was driven by price adjustments ahead of the price reductions in connection with Black Week. Our suspicion is supported by the fact that the imported NOK has been relatively stable over the past year and that global commodity prices show no signs of rising. We therefore expect that core inflation will decline to 3.1% y/y in November. In that case, inflation will be exactly in line with Norges Bank's estimate from the September MPR. Following the Swedish flash CPI figures, the risks appear to be tilted to the downside for our estimate.

Capacity close to normal



Source: Macrobond, Danske Bank

We believe that the Regional Survey will confirm that growth continues to rise at a moderate pace. At the same time, we believe that capacity utilization will be more or less unchanged and indicate that the level of activity is somewhat below normal. Specifically, we expect that respondents in the RS will expect 0.4% growth next quarter, that capacity utilization will be unchanged at 35%, and that the number of companies experiencing labor shortages will fall from 25% to 24%.

Scandi Update

Denmark – Slight increase in Danish unemployment in November

In Denmark, Nationalbanken's press release on the November FX reserve revealed that they did not intervene in the foreign exchange market in November, in line with our expectations. November marks the 34th consecutive month without interventions.

The unemployment indicator from the Danish Agency for Labour Market suggests that unemployment increased by 400 people from October to November when adjusted for seasonal fluctuations.

This week, we have published our Nordic Outlook, with new economic forecasts globally and for the Nordic countries. There is still a positive outlook for the Danish economy, even if the production growth effect from Novo Nordisk is excluded. This is highlighted in our latest forecast for the Danish economy, *Nordic Outlook - Cruising at modest speed*, 3 December. The big question for next year's growth will be to what extent households will translate solid real income growth – also supported by markedly lower electricity prices and income tax cuts, into higher spending. Consumers continue to be cautious, but if they gradually start to put the pessimism behind them, there is significant potential for even higher growth than we project.

Sweden – Downside surprise in core inflation

Inflation (preliminary) declined in November with CPIF ex energy at 2.4% y/y (-0.6% m/m), CPIF 2.3% y/y (-0.2% m/m) and CPI 0.3% y/y (-0.4% m/m). It was a downside surprise where lower core inflation led to declines in both CPIF and CPI figures, compared to our forecast and consensus. It was relatively in line with the Riksbank on the y/y estimate. The surprise in underlying inflation compared to our forecast is likely driven by greater price reductions during Black Friday than anticipated. The monthly decline from October to November was unusually large compared to the past 10 years (see graph). The details, specifically which components of inflation have decreased, will be crucial for shaping the outlook and will be published on Thursday next week. If the decline is driven by seasonal factors such as Black Friday or travel prices, it is more likely to be relatively temporary.

Services PMI rose strongly to 59.1 in November (prior: 55.9), the highest level since 2022 signalling robust growth in the sector. The increase was primarily driven by increased business volume, which saw a significant jump to 65.2 (prior: 55.3). However, the manufacturing sector showed weaker development, with the PMI declining to 54.6. The composite PMI index rose to a yearly high of 57.8, an improvement compared to 55.6 in October. Overall, the data adds to the recent positive signals from the Swedish economy.

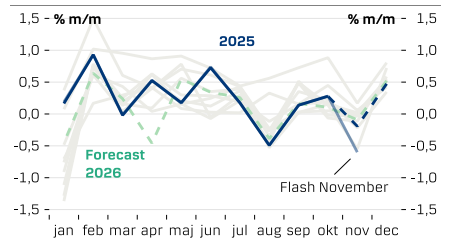
Outlook for higher growth and lower inflation

	2024	Forecast 2025	2026	2027
GDP Growth	3.5%	2.6% (1.8%)	2.7% (2.3%)	2.1%
Inflation	1.4%	1.9% (1.9%)	1.1% (1.2%)	1.8%
Unemployment	2.9%	2.9% (2.9%)	3.0% (3.0%)	3.0%
Deposit rate*	2.60%	1.60% (1.60%)	1.60% (1.60%)	1.60%

Note: Parentheses indicate forecasts from September 2025.

Source: Danske Bank, Statistics Denmark, Danmarks Nationalbank

CPIF ex energy, m/m last 10 years

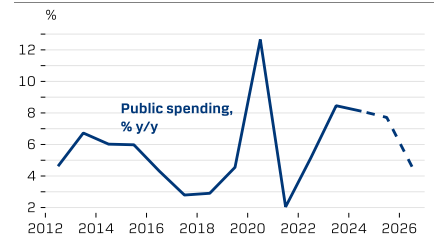


Source: Statistics Sweden, Macrobond and Danske Bank.

Norway – fiscal policy tighter than feared

This week, the government reached an agreement with the other four parties on the left on the budget plan for 2026. In advance, there was no shortage of predictions that the negotiations would lead to a sharp increase in the (oil-adjusted) deficit, and thus a significantly more expansionary fiscal policy that could prevent further rate cuts from Norges Bank. The bottom line is that the oil-adjusted deficit increases by NOK 4.6bn from the original budget proposal in October, so that the budget indicator increases from 0.5% to 0.6% of GDP, while the withdrawal from the Petroleum Fund remains unchanged at 2.8%. Without having all the details, we also guess that the budget's effect on the economy increases from 0.1% to around 0.3% of GDP, as some of the cut proposals bear the hallmarks of creative accounting. Nevertheless, this will be one of the least expansionary budgets in several years and is unlikely to influence Norges Bank's rate setting in any way.

Public spending slowing down



Source: Boligprodusentenes forening, Danske Bank

Calendar - 8-12 December 2025

During the week				Period	Danske Bank	Consensus	Previous
Sun 07	CH	Foreign exchange reserves	USD bn	Nov		3355	3343.3
Monday, December 8, 2025				Period	Danske Bank	Consensus	Previous
-	CH	Trade balance	USD bn	Nov		103.4	90.1
-	US	Import prices	m/m y/y	Oct			0.0% 0.3%
-	US	New home sales	1000 (m/m)	Sep		718	800.0 (20.5%)
-	US	Personal spending	m/m	Oct			
-	US	PCE headline	m/m y/y	Oct		
-	US	PCE core	m/m y/y	Oct		
-	US	Construction spending	m/m	Sep		0.10%	0.20%
-	US	Housing starts	1000 (m/m)	Sep		1329	1307.0 (...)
-	US	Building permits, preliminary	1000 (m/m)	Sep		1350	1330.0 (...)
-	US	PPI	m/m y/y	Oct		0.2% ...	0.3% 2.7%
-	US	PPI core	m/m y/y	Oct		0.2% ...	0.1% 2.6%
00:30	JN	Labour cash earnings	y/y	Oct		2.20%	2.10%
00:50	JN	GDP deflator, final	y/y	3rd quarter		2.80%	2.80%
00:50	JN	GDP, final	q/q ann.	3rd quarter		-0.5% -2.0%	-0.4% -1.8%
00:50	JN	Bank lending	y/y	Nov			4.10%
08:00	DE	Industrial production	m/m	Oct			8.00%
08:00	GE	Industrial production	m/m y/y	Oct		-0.5% ...	1.3% -1.0%
10:30	EC	Sentix Investor Confidence	Index	Dec		-6	-7.4
Tuesday, December 9, 2025				Period	Danske Bank	Consensus	Previous
-	CH	Money supply M2	y/y	Nov		8.20%	8.20%
00:50	JN	Money supply M2	y/y	Nov			1.60%
04:30	AU	Reserve Bank of Australia rate decision	%		3.60%	3.60%	3.60%
08:00	DE	Current account (nsa sa)	DKK bn	Oct			... 38.4
08:00	NO	PPI	m/m y/y	Nov			0.1% -6.9%
12:00	US	NFIB small business optimism	Index	Nov		98.2	98.2
16:00	US	JOLTS Job openings	K	Oct		
Wednesday, December 10, 2025				Period	Danske Bank	Consensus	Previous
00:50	JN	PPI	m/m y/y	Nov		0.3% 2.7%	0.4% 2.7%
02:30	CH	CPI	y/y	Nov		0.70%	0.20%
02:30	CH	PPI	y/y	Nov		-2.00%	-2.10%
08:00	DE	CPI	m/m y/y	Nov	-0.3% 2.1%		0.4% 2.1%
08:00	NO	CPI	m/m y/y	Nov			0.1% 3.1%
08:00	NO	Core inflation (CPI-ATE)	m/m y/y	Nov	0.2% 3.1%	... 3.1%	0.6% 3.4%
08:00	SW	Industrial orders	m/m y/y	Oct			-2.6% 7.2%
08:00	SW	Private Sector Production	m/m y/y	Oct			0.9% 4.7%
08:00	SW	Household consumption	m/m y/y	Oct			0.3% 3.3%
11:55	EC	ECB's Lagarde speaks					
14:30	US	Employment cost index	m/m	3rd quarter		0.90%	0.90%
15:45	CA	Bank of Canada rate decision	%		2.25%	2.25%	2.25%
16:30	US	DOE U.S. crude oil inventories	K				574
20:00	US	FOMC meeting	%		3.75%	3.75%	4.00%
20:00	US	Budget statement	USD bn	Nov			-284.4
20:00	US	Fed chair Powell speaks					
Thursday, December 11, 2025				Period	Danske Bank	Consensus	Previous
00:50	JN	BSI Large all industry	q/q	4th quarter			470.00%
01:01	UK	RICS house price balance	Index	Nov			-0.2
01:30	AU	Employment change	1000	Nov		20	42.2
08:00	SW	CPI, final	m/m y/y	Nov	-0.4% 0.3%		-0.4% 0.3%
08:00	SW	Underlying inflation CPIF, final	m/m y/y	Nov	-0.2% 2.3%		-0.2% 2.3%
08:00	SW	Underlying inflation CPIF excl energy, final	m/m y/y	Nov	-0.6% 2.4%		-0.6% 2.4%
09:30	SZ	SNB policy rate	%		0.00%	0.00%	0.00%
12:00	TU	Central Bank of Turkey rate decision	%		38.50%	38.50%	39.50%
14:30	US	Initial jobless claims	1000				191
14:30	US	Trade balance	USD bn	Sep		-66.6	-59.6
Friday, December 12, 2025				Period	Danske Bank	Consensus	Previous
05:30	JN	Industrial production, final	m/m y/y	Oct			1.4% 1.5%
08:00	GE	HICP, final	m/m y/y	Nov		-0.5% 2.6%	-0.5% 2.6%
08:00	SW	Unemployment	%	Nov	7.90%	8.90%	8.90%
08:00	SW	Unemployment, s.a.	%	Nov	8.80%		9.30%
08:00	UK	Index of services	m/m 3m/3m	Oct		0 ...	0.002 0.002
08:00	UK	Monthly GDP estimate	m/m q/q	Oct		0.001 0	-0.001 0.003
08:45	FR	HICP, final	m/m y/y	Nov		... 0.8%	-0.2% 0.8%
09:00	SP	HICP, final	m/m y/y	Nov			0.0% 3.1%

Source: Danske Bank

Macroeconomic forecast

Scandinavia													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem-ploym. ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2025	2.6	1.8	0.0	-2.8	2.8	-0.4	1.9	3.8	2.9	2.4	28.9	12.3
	2026	2.7	2.1	3.5	2.6	4.7	4.1	1.1	3.4	3.0	0.8	27.9	12.9
	2027	2.1	2.8	2.4	2.3	2.7	3.4	1.8	3.3	3.0	0.9	26.7	12.9
Sweden	2025	1.9	1.6	0.9	1.3	5.6	4.9	2.8	3.6	8.7	-	33.8	-
	2026	2.6	2.5	1.7	4.1	3.2	3.2	1.6	3.5	8.3	-	34.2	-
	2027	2.4	2.8	1.7	3.2	2.8	3.2	2.0	3.5	7.5	-	35.9	-
Norway	2025	1.7	2.7	3.0	1.4	2.0	1.5	3.1	4.7	2.2	-	-	-
	2026	1.6	2.5	1.5	1.5	1.0	1.8	2.2	3.7	2.3	-	-	-
	2027	1.6	2.2	1.8	1.5	1.0	2.0	2.4	3.5	2.3	-	-	-
Euroland													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem-ploym. ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2025	1.4	1.3	1.4	2.0	1.8	3.0	2.1	3.4	6.4	-3.2	88.8	2.7
	2026	1.2	1.3	1.4	1.7	0.9	1.6	1.8	2.8	6.4	-3.3	89.8	2.5
	2027	1.4	1.3	1.4	1.7	1.2	1.2	1.9	2.8	6.2	-3.4	90.4	2.4
Finland	2025	0.3	0.0	-2.1	0.1	4.3	2.1	0.5	3.1	9.5	-4.4	89.5	-
	2026	1.5	1.7	-1.7	2.5	3.2	2.2	1.4	3.7	9.3	-3.6	90.6	-
	2027	1.8	2.2	-0.3	2.9	2.1	1.8	1.8	3.0	8.7	-3.5	90.9	-
Global													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem-ploym. ²	Public budget ³	Public debt ³	Current acc. ³
USA	2025	1.8	2.4	1.3	3.4	0.1	2.6	2.8	3.5	4.3	-5.6	99.9	-3.6
	2026	1.9	1.3	1.6	5.3	0.9	0.9	2.6	3.5	4.5	-6.2	101.7	-3.3
	2027	1.7	1.3	1.6	4.8	2.8	4.6	2.6	4.0	4.3	-6.3	103.4	-3.3
China	2025	4.9	4.5	-	4.5	-	-	0.0	-	5.2	-9.1	96.8	1.7
	2026	4.8	4.8	-	5.0	-	-	0.7	-	5.2	-9.0	102.8	1.5
	2027	4.7	4.7	-	4.8	-	-	1.0	-	5.2	-9.1	106.4	1.5

Source: OECD and Danske Bank. 1) % y/y. 2) % of labour force. 3) % of GDP.

Financial forecast

Bond and money markets										
		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD*	04-Dec	4.00	-	3.30	3.67	0.86	-	6.40	10.09	9.40
	+3m	3.75	-	3.30	3.80	0.85	-	6.32	10.08	9.49
	+6m	3.50	-	3.25	3.85	0.83	-	6.21	10.08	9.42
	+12m	3.25	-	3.25	3.95	0.82	-	6.11	10.08	9.34
EUR	04-Dec	2.00	2.06	2.20	2.79	-	1.17	7.4691	11.77	10.96
	+3m	2.00	2.05	2.20	2.70	-	1.18	7.4600	11.90	11.20
	+6m	2.00	2.05	2.20	2.70	-	1.20	7.4575	12.10	11.30
	+12m	2.00	2.05	2.25	2.70	-	1.22	7.4550	12.30	11.40
JPY	04-Dec	0.50	-	-	-	0.006	0.006	4.14	6.52	6.07
	+3m	0.75	-	-	-	0.006	0.007	4.16	6.63	6.24
	+6m	1.00	-	-	-	0.006	0.007	4.17	6.77	6.32
	+12m	1.00	-	-	-	0.006	0.007	4.21	6.95	6.44
GBP*	04-Dec	4.00	-	3.49	3.95	1.15	1.34	8.55	13.48	12.56
	+3m	3.50	-	3.55	4.00	1.12	1.33	8.38	13.37	12.58
	+6m	3.50	-	3.50	4.05	1.11	1.33	8.29	13.44	12.56
	+12m	3.50	-	3.40	4.10	1.11	1.36	8.28	13.67	12.67
CHF	04-Dec	0.00	-	-	-	1.07	1.25	7.99	12.59	11.73
	+3m	0.00	-	-	-	1.09	1.28	8.11	12.93	12.17
	+6m	0.00	-	-	-	1.10	1.32	8.20	13.30	12.42
	+12m	0.00	-	-	-	1.10	1.34	8.19	13.52	12.53
DKK	04-Dec	1.60	1.99	2.31	2.96	0.134	0.156	-	1.58	1.47
	+3m	1.60	2.03	2.30	2.85	0.134	0.158	-	1.60	1.50
	+6m	1.60	2.04	2.30	2.85	0.134	0.161	-	1.62	1.52
	+12m	1.60	2.04	2.35	2.85	0.134	0.164	-	1.65	1.53
SEK	04-Dec	1.75	1.92	2.22	2.94	0.091	0.106	0.68	1.07	-
	+3m	1.75	1.92	2.30	2.95	0.089	0.105	0.67	1.06	-
	+6m	1.75	1.93	2.45	2.95	0.088	0.106	0.66	1.07	-
	+12m	1.75	2.14	2.50	3.05	0.088	0.107	0.65	1.08	-
NOK	04-Dec	4.00	4.20	4.13	4.12	0.085	0.099	0.63	-	0.93
	+3m	4.00	4.00	3.95	3.95	0.084	0.099	0.63	-	0.94
	+6m	3.75	3.80	3.75	3.85	0.083	0.099	0.62	-	0.93
	+12m	3.25	3.30	3.55	3.85	0.081	0.099	0.61	-	0.93

*Notes: GBP swaps are SONIA, USD swaps are SOFR

Commodities												
	04-Dec	2025				2026				Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	2026
ICE Brent	63	75	67	68	65	70	75	80	85	80	69	78

Source: Danske Bank

Disclosures

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