6 October 2023

Weekly Focus

Rise in US yields not going to last

A massive sell-off in bond markets have over the past weeks pushed long US government bond yields to new highs. The 10Y UST yield has risen 60bp over the past couple of weeks, and the current level is now trading at 4.72% - an increase of 100bp since June and close to the highest level since 2007. Market inflation expectations have only risen marginally, which has left real rates significantly higher. And apparently without a clear macro trigger as growth data has generally been in line with expectations, core CPI is still on the downward trajectory and the Fed communication has been very similar to the 'higher for longer' signals presented at the September meeting. So what is going on? A number of factors have likely worked to shift the supply-demand balance in the market. A record high issuance of long-end US bonds has increased the supply of bonds. At the same time demand has been weak due to investor positioning being overweight long bonds, the Fed is doing quantitative tightening (QT) and demand from China and Japan seems to have come down. However, we do not believe the increase is sustainable. It adds to financial tightening and puts downside risks to growth forecasts in 2024, which in turn could lead to earlier Fed cuts. The rise also comes on top of other new headwinds to US private consumption from US *student loan payments that resumed* on 1 October and the rise in gasoline prices eroding household purchasing power. There is also a risk that new skeletons fall out of the closet due to the sharp rise in yields, as was the case in March with the collapse of Silicon Valley Bank. We thus continue to look for lower yields with US 10Y yield falling to 3.70% on a 12M basis, see also *Research – US: Yields not bound to be high for long*, 5 October.

The Fed has not commented a lot on the latest run-up in yields, but Cleveland Fed President Loretta Mester did say Thursday that officials are watching the rise in yields, while adding that it's not clear the increase would be sustained.

On the economic front there are some signs that the global manufacturing may be at a turning point, at least temporarily**.** The US ISM index for September showed a rise in the new orders index to 49.2 from 46.8 in August and up from the low of 42.6 in May. Export data out of Asia have also improved lately, normally a sign of a manufacturing inflection point. However, it is likely mostly related to a turn in the inventory cycle, which will only give a temporary lift if underlying demand is not improving and we see downside risks to the latter. While manufacturing looks to improve, the service sector has been weakening. It was also confirmed by a decline in the US ISM service order index to 51.8 in September from 57.5 in August. US labour market data were mixed with the JOLTS job openings showing a renewed increase, while ADP employment disappointed (*US non-farm payrolls were released after the deadline of this publication*). We haven't had much economic news in the Euro area or China (where it has been Golden Week holiday), but

we released the *Euro area macro monitor: Data still supporting soft landing*, 2 October

,

which provides an overview of recent developments.

Next week focus will also be on the US with the release of CPI for September. We forecast both headline and core CPI below consensus expectations at +0.2% in m/m SA terms (consensus 0.3%) underpinning the picture of slowing underlying inflation and our forecast that the Fed will stay on hold, not least in light of the latest financial tightening.

Key global views

- Stagnation and periodic contraction in the US and in Europe in 2023
- US and euro area headline inflation set to decline further, but core inflation to remain sticky
- Fed and ECB policy rates have peaked

Key market movers

- Monday: Euro Sentix survey,
- Tuesday: US NFIB business optimism,
- Wednesday: ECB inflation expectations, US PPI
- Thursday: **US CPI**
- Friday: China CPI and trade, US consumer inflation expectations (Uni. of Mich)

Selected reading from Danske Bank

Research US – Yields not bound to remain high for long, 5 October

Research Global – Why India is a key swing state in the new cold war era, 3 October

Executive Briefing – Central banks likely done hiking rates, 2 October

Euro area macro monitor: Data still supporting soft landing, 2 October

Editor

Allan von Mehren
+45 4514 1488
alvo@danskebank.com

Scandi market movers

- **In Denmark**, foreign trade figures for August 2023 are due on Monday. Many of Denmark's European trading partners are experiencing an economic slowdown, which could reduce exports. However, Denmark exports a great many pharmaceutical products, which are less sensitive to the business cycle. Moreover, the US is also a major trading partner, and the US economy remains strong. We are eagerly waiting to see what news the figures bring.

  Denmark's inflation figures for September are scheduled for Thursday. In August, Denmark had the lowest inflation rate in the EU. While the Netherlands has since overtaken Denmark in this race, we expect Danish inflation fell further, to 1.3% from 2.4% in August, mainly due to a very strong rise in electricity prices last September falling out of the inflation statistic. In terms of the month-on-month change, we expect the consumer price index rose by 0.2%. The data has been subject to a great deal of noise in recent months, so just how strong underlying inflationary pressures really are is unclear. Will the pressure have eased, just as the latest figures indicated for the eurozone?

  Thursday should also bring the unemployment indicator for September. Denmark's labour market has been rock solid so far, though most economic data now indicate the Danish economy is in recession. Meanwhile, wages are rising on the back of collective agreements, so we are expecting a modest increase in unemployment in September.

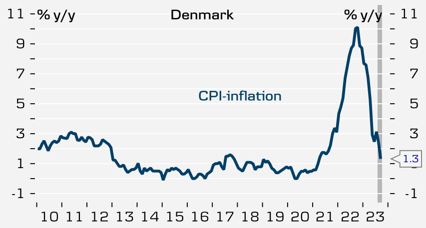
  The week ends with September's bankruptcy figures on Friday. August saw 215 active businesses go under, which was markedly lower than in July, though that figure was record high. The statistic tends to fluctuate considerably, but given that business costs – especially in relation to loans and interest rates – have risen substantially, and considering the economy is more or less in recession, we expect bankruptcy numbers to rise.

- In **Sweden**, the GDP indicator for August is due for release next week and we expect it to confirm the positive GDP momentum going into Q3 23. Two out of three of the already released sub-components of the indicator have been positive. August production, however, appear to decline as new orders plunge in July and as both the NIER confidence and PMI surveys showed weakness in the manufacturing sentiment. All in all, data seems to suggest a positive trend in demand indicators (net exports, consumption) while the supply ones (PVI, hours worked) are rather showing the opposite. Overall, however, we expect demand to have the upper hand.

  The monthly money market inflation expectations survey is released. CPIF inflation expectations have recently stopped falling and stabilized clearly above 2 %. Expectations should resume to decline as most factors suggest waning inflationary pressure. For example, mended supply chains have pushed container cost lower which eases goods inflation, global petrol prices are hitting a yearly low, electricity prices have plunged, Swedish wage growth currently being lower than the Eurozone's and the fading inflationary impact from the SEK.

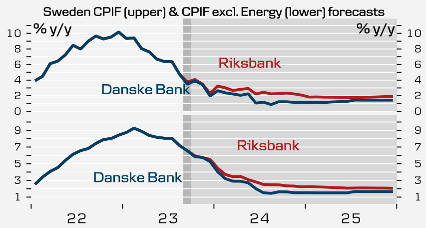
  The week ends with September's inflation numbers dropping. We expect a broad-based decline in September in basically all measures. CPI is expected to drop 1.5 p.p. from 7.4 % YoY to 5.9 % YoY, CPIF slows by 1.2 p.p. from 4.7 % YoY to 3.5 % YoY and core inflation, CPIF excl. Energy is forecasted to decrease by 0.6 p.p. from 7.2 % YoY to 6.6 % YoY. If correct, CPIF will be 0.3 p.p. below the Riksbank's forecast, while it will be spot on with core inflation. We expect fairly seasonally normal price changes in

We expect inflation fell to 1.3% in September



Source: Statistics Denmark, Danske Bank

On track with the Riksbank's forecast

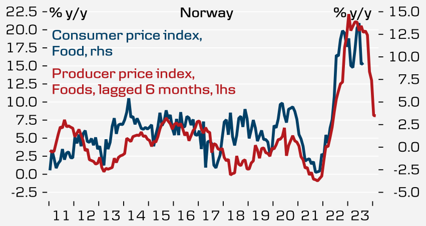


Source: SCB, Danske Bank, Riksbank

most core COICOP components, i.e., we see rising prices on alcohol, clothes, furniture, health, cars, communication, hotels/restaurants and other goods and services. That said, there are significant uncertainty regarding two distinct areas: food prices and recreation/transportation services. Food is expected to see a marginal decline, while the other, such as holiday travel prices are expected to drop further after its surge during the summer. Falling electricity prices will push the energy component lower as it outweighs the rise in petrol prices. Mortgage cost will increase again; however, we expect the smallest increase since April 2022, only 2.5% MoM, adding about 0.1 p.p. to monthly CPI.

- In **Norway**, we expect the annual rate of core inflation to slow to 6.1%, due mainly to base effects. This would be in line with Norges Bank's projections in the September monetary policy report and so neutral in terms of the central bank's rate-setting plans. Besides base effects, there are some signs that inflationary pressures may now be easing. After tumbling in the first half of the year, the krone has now stabilised. Together with lower global price pressures, this will soon start to bring imported inflation down somewhat. We have also seen that producer prices for food have stopped rising, which could mean that food prices at consumer level have peaked. There may therefore be some downside risk to our prediction for inflation. We also think GDP could surprise slightly to the upside. Various leading indicators point to mainland growth in the region of 0.1-0.2% in August, which would be higher than Norges Bank's estimate of -0.1% in the September report and so also lend support to its rate-setting plans. The big uncertainty in the GDP numbers is activity in the service sector, where the July data were boosted by holiday effects. Weak growth in household income may have meant a sharper correction than usual in August.

Food price inflation may have peaked



Source: Macrobond, Danske Bank

Scandi update

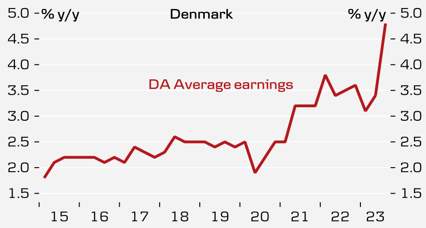
Denmark – Collective agreements now impacting wage costs

In Denmark, average wage costs rose by 4.8% in Q3 23 compared to the same period last year, according to the flash estimate from the Confederation of Danish Employers (DA). This is substantially higher than the 3.4% increase in Q2 and reflects the further implementation of this year's collective agreements. More businesses have introduced the agreed pay rises and the increase in the employer pension contribution has now also been included. Real wages have also risen as a result and are now 2.5% higher than at the same point last year, assuming inflation expectations pan out.

Danmarks Nationalbank did not intervene in FX markets in September, as the EUR/DKK cross was stable around the central parity rate. FX reserves nevertheless declined by DKK0.6bn in connection with the government repaying international loans.

Industrial production was basically unchanged overall between July and August. Pharmaceuticals account for a very large share of production, however – ignore this and industrial production fell by 1% from July to August and is now in fact 12.6% lower than at the same time last year. This is a clear reflection of the economic slowdown in Denmark's export markets.

Wage costs rose 4.8% in Q3 23



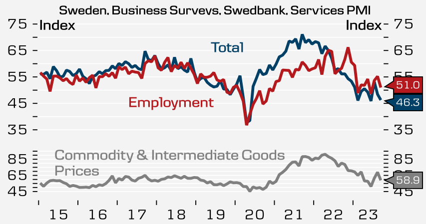
Source: Danske Bank, Statistics Denmark, Macrobond Financial

Sweden – Manufacturing again shows lower activity but seems to start to also spread to services.

The Riksbank's Minutes of the September Monetary Policy Meeting dropped was published and continues to have the SEK in focus (mentioned 43 times vs. 44 in the June minutes), and especially with respect to the impact on inflation. Note here however that the SEK currently is approximately 3.5% stronger than the KIX forecast for Q4, which alleviate some of the fears going forward. Service inflation remains worrisome and overall, as indicated in their recent rate path, the door is open for a possible hike in November as well. The Riksbank's Governor Erik Thedéen even flagged that further tightening can come at a later stage. No member voiced any strong objections to the rate path, so there was seemingly a broad consensus.

Manufacturing PMI came in weaker than we hoped for, four out of five subindexes contributed to the decline in the September PMI total of 43.3 compared to August's 45.5. The price index for raw materials and intermediate goods rose in September for the second month in a row to 45.4 from 42.0 in Augusts showed that price pressure in industry continues to fall, although not to the same extent as before. Service PMI fell in September to 46.3 from 48.4 in August. Its index for raw materials and intermediate goods fell to 58.9 from the drastic increase in August of 69.0. As sticky service inflation remains one of the major concerns for the Riksbank, makes these news welcome after and a slight relief after the increased price plans indicated in last week's Business confidence survey. However, this decrease should not be trendsetting as it more could be seen as a rebound from last week irrational. The subindices for employment fell to 44.7 from 50.9 for manufacturing and 51.0 from 55.2 services and made a negative contribution to overall PMI by 1.3 index points for manufacturing and 0.8 for service. The index remains in the growth zone for services and even rose in the third quarter despite crumbling new orders. This continues to indicate that "Labour Hoarding" is still occurring in service companies. However, these decreases indicate that the robust labour market faces increased challenges with the risk of more reduced employment when the global economy weakens. The coming months will

The Swedish Service sector cools



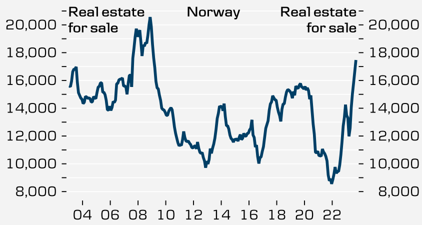
Source: Swedbank

likely be a big test to the resilience of the Swedish labour market. Also, the number of bankruptcies increased by 14% YoY, the mainly concerned sectors were construction, hotels, and restaurants. This increase made bankruptcies end up on the highest level for a decade.

Norway – Weak outlook for the housing market

Housing prices fell 0.2% m/m SA in September and have now fallen in four of the past five months, leaving them 1.3% lower than this time last year. With mortgage rates still climbing and ever more properties on the market, prices will probably remain under pressure in the coming months. However, real housing prices (deflated by wage growth) are set to fall around 10% in 2023 and 2024, which will make prices more attractive again once interest rates peak. We have also seen a substantial decline in construction, which means that the market will shift to excess demand towards the end of next year or in 2025.

Growing number of homes on the market



Source: Macrobond, Danske Bank

Calendar – 9-13 October 2023

During the week				Period	Danske Bank	*Consensus*	Previous
Sat 07	CNY	Foreign exchange reserves	USD bn	Sep		*3125.0*	3160.1
Mon 09	CNY	Money supply M2	y/y	Sep		*10.7%*	10.6%
Monday, October 9, 2023				Period	Danske Bank	*Consensus*	Previous
-	CNY	Money supply M2	y/y	Sep		*10.7%*	10.6%
8:00	DKK	Current account (nsa|sa)	DKK bn	Aug			...|22.8
8:00	DEM	Industrial production	m/m|y/y	Aug		*0.0%|-1.5%*	-0.8%|-2.1%
8:00	DKK	Trade balance ex ships	DKK bn	Aug			8.6
8:00	DKK	Exports	m/m	Aug			860.0%
8:00	NOK	GDP (mainland)	m/m	Aug	0.1%	*-0.1%*	0.2%
10:30	EUR	Sentix Investor Confidence	Index	Oct		*-24.0*	-21.5
Tuesday, October 10, 2023				Period	Danske Bank	*Consensus*	Previous
8:00	SEK	Industrial orders	m/m|y/y	Aug			-6.2%|-8.4%
8:00	SEK	Private Sector Production	m/m|y/y	Aug			0.3%|-2.0%
8:00	SEK	Household consumption	m/m|y/y	Aug			0.5%|0.4%
8:00	NOK	CPI	m/m|y/y	Sep			-0.8%|4.8%
8:00	NOK	PPI	m/m|y/y	Sep			4.8%|-37.4%
8:00	DKK	CPI	m/m|y/y	Sep	0.2%|1.3%		-0.7%|2.4%
8:00	NOK	Core inflation (CPI-ATE)	m/m|y/y	Sep	...|6.1%	*...|6.1%*	-0.6%|6.3%
12:00	USD	NFIB small business optimism	Index	Sep			91.3
15:30	USD	Fed's Bostic speaks					
19:00	USD	Fed's Waller speaks					
21:00	USD	Fed's Kashkari speaks					
Wednesday, October 11, 2023				Period	Danske Bank	*Consensus*	Previous
-	USD	Fed's Daly speaks					
8:00	DEM	HICP, final	m/m|y/y	Sep		*0.2%|4.3%*	0.2%|4.3%
10:15	USD	Fed's Bowman speaks					
14:30	USD	PPI	m/m|y/y	Sep		*0.3%|...*	0.7%|1.6%
14:30	USD	PPI core	m/m|y/y	Sep		*0.2%|...*	0.2%|2.2%
18:15	USD	Fed's Bostic speaks					
20:00	USD	FOMC minutes					
Thursday, October 12, 2023				Period	Danske Bank	*Consensus*	Previous
1:01	GBP	RICS house price balance	Index	Sep		*-0.6*	-0.7
8:00	SEK	Prospera inflation expectations					
8:00	GBP	Monthly GDP estimate	m/m|q/q	Aug		*0.2%|0.3%*	-0.5%|0.2%
8:00	GBP	Index of services	m/m|3m/3m	Aug		*0.3%|0.2%*	-0.5%|0.1%
14:30	USD	CPI headline	m/m|y/y	Sep	0.2%|3.5%	*0.3%|3.6%*	0.6%|3.7%
14:30	USD	CPI core	m/m|y/y	Sep	0.2%|4.0%	*0.3%|4.1%*	0.3%|4.3%
14:30	USD	Initial jobless claims	1000				207
17:00	USD	DOE U.S. crude oil inventories	K				-2224
19:00	USD	Fed's Bostic speaks					
20:00	USD	Budget statement	USD bn	Sep			89.3
Friday, October 13, 2023				Period	Danske Bank	*Consensus*	Previous
-	CNY	Trade balance	USD bn	Sep		*73.7*	68.2
3:30	CNY	CPI	y/y	Sep		*0.2%*	0.1%
3:30	CNY	PPI	y/y	Sep		*-2.4%*	-3.0%
8:00	SEK	CPI	m/m|y/y	Sep	-0.01%|5.93%	*0.4%|6.4%*	0.1%|7.5%
8:00	SEK	Underlying inflation CPIF	m/m|y/y	Sep	-0.08%|3.48%	*0.2%|3.8%*	-0.1%|4.7%
8:45	FRF	HICP, final	m/m|y/y	Sep		*-0.6%|5.6%*	-0.6%|5.6%
9:00	ESP	HICP, final	m/m|y/y	Sep		*0.6%|3.2%*	0.6%|3.2%
11:00	EUR	Industrial production	m/m|y/y	Aug		*0.2%|-3.5%*	-1.1%|-2.2%
14:30	USD	Import prices	m/m|y/y	Sep		*0.6%|...*	0.5%|-3.0%
15:00	EUR	ECB's Lagarde speaks					
15:00	USD	Fed's Harker speaks					
16:00	USD	University of Michigan Confidence, preliminary	Index	Oct		*67.5*	68.1

Source: Danske Bank

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[2]	Public budget[3]	Public debt[3]	Current acc.[3]
Denmark	2022	2.7	-1.6	-2.8	3.2	10.8	6.5	7.7	3.6	2.6	3.4	29.7	13.0
	2023	1.7	0.1	0.2	-5.2	6.7	0.8	4.0	4.3	2.9	2.1	27.7	12.5
	2024	1.2	1.6	1.5	0.7	1.7	1.7	3.2	5.6	3.2	1.0	26.0	12.5
Sweden	2022	2.9	1.9	0.0	6.2	7.0	9.3	8.4	2.5	7.5	0.7	31.0	3.7
	2023	0.0	-1.6	2.2	-0.9	2.5	0.7	8.4	4.0	7.5	-0.4	29.0	4.7
	2024	1.7	1.7	1.5	2.0	3.0	2.9	1.8	3.3	7.8	-0.8	29.0	4.7
Norway	2022	3.8	6.9	0.1	4.3	5.9	9.2	5.8	4.3	1.8	-	-	-
	2023	1.2	-1.7	1.4	0.5	4.0	3.0	5.8	5.4	1.9	-	-	-
	2024	1.4	1.2	1.0	4.0	2.0	1.6	2.5	4.4	2.3	-	-	-

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[2]	Public budget[3]	Public debt[3]	Current acc.[3]
Euro area	2022	3.4	4.3	1.4	2.9	7.2	8.1	8.4	3.1	6.7	-3.6	91.5	-0.9
	2023	0.5	0.1	-0.7	0.5	1.7	1.0	5.5	5.3	6.5	-3.2	90.0	1.3
	2024	0.8	1.1	1.0	0.5	2.0	2.0	2.6	4.5	6.8	-2.6	89.1	1.7
Finland	2022	1.6	1.7	0.8	3.2	3.7	8.5	7.1	2.4	6.8	-0.9	73.3	-2.5
	2023	-0.2	-0.2	3.0	-5.0	-0.5	-3.0	6.5	4.0	7.2	-2.8	72.3	-4.0
	2024	0.8	1.0	0.5	1.0	1.5	1.5	2.3	3.4	7.0	-2.7	73.4	-3.0

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[2]	Public budget[3]	Public debt[3]	Current acc.[3]
USA	2022	1.9	2.5	-0.9	1.3	7.0	8.6	8.0	5.3	3.6	-5.5	123.3	-3.9
	2023	1.9	1.9	3.5	-0.7	-0.3	-4.2	4.0	4.1	3.6	-5.4	123.6	-3.1
	2024	0.6	-0.2	2.7	3.2	-4.0	-1.3	2.0	3.2	4.1	-5.8	125.4	-2.8
China	2022	3.0	2.8	-	4.0	-	-	2.0	-	5.5	-7.5	77.1	2.3
	2023	4.8	6.5	-	4.5	-	-	0.8	-	5.2	-7.5	82.8	1.4
	2024	4.2	5.0	-	3.8	-	-	1.2	-	5.1	-7.5	87.4	1.0
UK	2022	4.2	-	-	-	-	-	9.0	-	3.7	-	-	-
	2023	0.4	-	-	-	-	-	7.6	-	4.3	-	-	-
	2024	0.4	-	-	-	-	-	2.9	-	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 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*	05-Oct	5.50	-	4.94	4.43	0.95	-	7.09	11.00	11.03
	+3m	5.50	-	4.69	3.91	0.93	-	6.96	11.03	10.84
	+6m	5.25	-	4.30	3.61	0.94	-	7.02	11.04	11.04
	+12m	4.75	-	3.95	3.45	0.97	-	7.23	11.07	11.46
EUR	05-Oct	4.00	3.93	3.79	3.48	-	1.05	7.4575	11.58	11.61
	+3m	4.00	3.94	3.51	3.07	-	1.07	7.4450	11.80	11.60
	+6m	4.00	3.80	3.32	2.93	-	1.06	7.4450	11.70	11.70
	+12m	3.50	3.34	3.00	2.80	-	1.03	7.4500	11.40	11.80
JPY	05-Oct	-0.10	-	-	-	0.006	0.007	4.77	7.40	7.42
	+3m	-0.10	-	-	-	0.007	0.007	4.90	7.77	7.63
	+6m	0.00	-	-	-	0.007	0.008	5.32	8.36	8.36
	+12m	0.00	-	-	-	0.007	0.008	5.56	8.51	8.81
GBP*	05-Oct	5.25	-	5.16	4.47	1.16	1.10	8.61	13.37	13.41
	+3m	5.25	-	4.96	4.03	1.15	1.23	8.56	13.56	13.33
	+6m	5.25	-	4.66	3.93	1.14	1.20	8.46	13.30	13.30
	+12m	4.75	-	4.30	3.75	1.14	1.17	8.47	12.95	13.41
CHF	05-Oct	1.75	-	-	-	1.04	1.09	7.75	12.03	12.06
	+3m	1.75	-	-	-	1.05	1.13	7.84	12.42	12.21
	+6m	1.75	-	-	-	1.06	1.13	7.92	12.45	12.45
	+12m	1.25	-	-	-	1.06	1.10	7.93	12.13	12.55
DKK	05-Oct	3.60	3.97	3.90	3.63	0.134	0.141	-	1.55	1.56
	+3m	3.60	3.99	3.66	3.22	0.134	0.144	-	1.58	1.56
	+6m	3.60	3.85	3.47	3.08	0.134	0.142	-	1.57	1.57
	+12m	3.10	3.39	3.15	2.95	0.134	0.138	-	1.53	1.58
SEK	05-Oct	4.00	4.07	3.97	3.52	0.086	0.091	0.64	1.00	-
	+3m	4.00	4.13	3.85	3.21	0.086	0.092	0.64	1.02	-
	+6m	4.00	4.08	3.45	2.97	0.085	0.091	0.64	1.00	-
	+12m	3.75	3.60	3.10	2.85	0.085	0.087	0.63	0.97	-
NOK	05-Oct	4.25	4.86	4.91	4.35	0.086	0.091	0.64	-	1.00
	+3m	4.25	4.74	4.34	3.81	0.085	0.091	0.63	-	0.98
	+6m	4.25	4.61	4.07	3.63	0.085	0.091	0.64	-	1.00
	+12m	3.75	3.99	3.80	3.45	0.088	0.090	0.65	-	1.04

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

Commodities

		2023				2024				Average	
	05-Oct	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2023	2024
ICE Brent	84	82	78	80	85	80	80	80	80	81	80

Source Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Allan von Mehren, Director.

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 regulated by the Danish Financial Services Authority (Finanstilsynet). Danske Bank is authorised by the Prudential Regulation Authority in the UK and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

Danske Bank's research reports are prepared in accordance with the recommendations of Capital Market Denmark.

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.

Danske Bank is a market maker and liquidity provider and may hold positions in the financial instruments mentioned in this research report.

Danske Bank, its affiliates and subsidiaries are engaged in commercial banking, securities underwriting, dealing, trading, brokerage, investment management, investment banking, custody and other financial services activities, may be a lender to the companies mentioned in this publication and have whatever rights are available to a creditor under applicable law and the applicable loan and credit agreements. At any time, Danske Bank, its affiliates and subsidiaries may have credit or other information regarding the companies mentioned in this publication that is not available to or may not be used by the personnel responsible for the preparation of this report, which might affect the analysis and opinions expressed in this research report.

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 fixed income asset.

We base our conclusion on an estimation of the financial risk profile of the financial asset. By combining these risk profiles with market technical and financial asset-specific issues such as rating, supply and demand factors, macro factors, regulation, curve structure, etc., we arrive at an overall view and risk profile for the specific financial asset. We compare the financial asset to those of peers with similar risk profiles and on this background, we estimate whether the specific financial asset is attractively priced in the specific market. We express these views through buy and sell recommendations. These signal our opinion about the financial asset's performance potential in the coming three to six months.

More information about the valuation and/or methodology and the underlying assumptions is accessible via *https://danskeci.com/ci/research/research-disclaimer*. Select *Fixed Income Research Methodology*.

Risk warning

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

Completion and first dissemination

The completion date and time in this research report mean the date and time when the author hands over the final version of the research report to Danske Bank's editing function for legal review and editing.

The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

See the final page of this research report for the date and time of completion and first dissemination.

Validity time period

This communication as well as the communications in the list referred to below are valid until the earlier of (a) dissemination of a superseding communication by the author, or (b) significant changes in circumstances following its dissemination, including events relating to the market or the issuer, which can influence the price of the issuer or financial instrument.

Investment recommendations disseminated in the preceding 12-month period

A list of previous investment recommendations disseminated by the lead analyst(s) of this research report in the preceding 12-month period can be found at *https://danskeci.com/ci/research/research-disclaimer*. Select Fixed Income Trade Recommendation History

Other previous investment recommendations disseminated by Danske Bank are also available in the database.

See *https://danskeci.com/ci/research/research-disclaimer* for further disclosures and information.

This research has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. 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').

This research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, 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 and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S 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 in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom (see separate disclaimer below) and retail customers in the European Economic Area as defined by Directive 2014/65/EU.

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/S, 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 A/S 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 A/S who have prepared this research report are not registered or qualified as research analysts with the New York Stock Exchange or Financial Industry Regulatory Authority 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.

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Report completed: 6 October 2023, 13:30 CET

Report first disseminated: 6 October 2023, 13:45 CET