

# Weekly Focus

## Rejection of Brexit deal and ECB ends QE programme

### Market Movers ahead

- We expect the **ECB** to officially end the QE programme when it meets next week.
- **Flash PMIs** for the US, Japan and euro area are due for release next week. In particular, the euro area PMIs are interesting given the negative momentum in Europe right now.
- In the **US**, CPI inflation and retail sales data for November are due. Fed's blackout period starts ahead of the FOMC meeting in the week after next.
- In the **UK**, the vote in the House of Commons on Theresa May's Brexit deal takes place on Tuesday. More than 400 MPs have said they will vote against the deal.
- In **Denmark** and **Sweden**, inflation data for November are due out next week.
- In **Norway**, we expect Norges Bank to stay on hold on Thursday but we expect the bank to confirm its plans to tighten monetary policy further in March.

### Weekly wrap-up

- Global economic key figures were slightly stronger than expected this week.
- The US and China agreed on a 90-day ceasefire in the trade war.
- Italy negotiations with the EU are ongoing on the size of the budget deficit.
- Stock markets had a volatile week as the rally following the trade war ceasefire fizzled out on renewed uncertainty.
- US 10Y Treasury yields fell sharply on growth fears and uncertainty over the trade agreement. In euro periphery markets we saw spread tightening on softer signals from the Italian government.
- USD/CNY saw the biggest two-day decline since 2005.

### Contents

Market movers .....	2
Weekly Wrap-Up .....	6
Scandi update .....	7
Latest research from Danske Bank .....	8
Macroeconomic forecast .....	9
Financial forecast .....	10
Calendar .....	11

### Financial views

#### Major indices

	07-Dec	3M	12M
10yr EUR swap	0.89	1.10	1.40
EUR/USD	114	113	125
ICE Brent oil	60	87	80

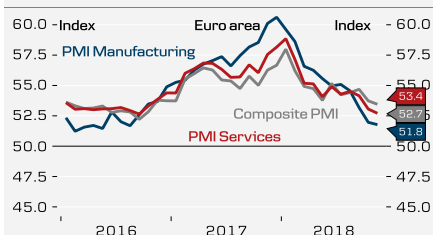
Source: Danske Bank

Follow us on [Twitter](#)



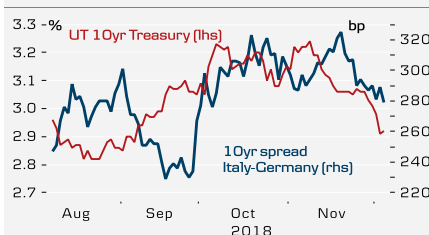
@Danske\_Research

### Will euro area PMIs show signs of stabilisation?



Source: IHS Markit, Macrobond Financial

### US yields lower, some short-term relief in Italy



Source: Macrobond Financial

### Editor

Senior Analyst  
Mikael Olai Milhøj  
+45 45 12 76 07  
[milh@danskebank.dk](mailto:milh@danskebank.dk)

# Market movers

## Global

In the **US**, CPI numbers for November are due for release on Wednesday which we expect to have risen 0.2% in November (unchanged at 2.2% y/y). On Friday, we get retail sales control group data also for November, which is a good indicator for private consumption. Since optimism remains high, we expect retail sales control group to have risen further in November.

Friday also brings Markit PMIs for December. We still expect Markit manufacturing PMI to stabilise around its current level of 55.4. The manufacturing sector still appears strong but data points to a softer expansion, which is in line with our expectation as global manufacturing momentum has turned.

On Saturday, the Fed's blackout period starts which means that we will not get any more signals from the Fed until the FOMC meeting on 19 December. We think markets have over-interpreted recent Fed speeches, in particular from Powell and Clarida, and do not think the overall story has changed for the Fed. As argued in *FOMC review – No change in the Fed's hiking plans*, 8 November, we expect the Fed to hike at the meetings in December, March and June. After the fed funds rate has hit neutral, we believe it will be more stop and go which will depend on how the economy is doing.

- In the **euro area**, we have an important week ahead of us. We expect Draghi to repeat his 'glass half full' message after the ECB meeting Thursday, repeating the message since summer and noting that economic developments are broadly on track. Therefore, despite an (on paper) hawkish policy move of ending the net asset purchases, we expect a dovish tightening as confirmation and reassurance of an accommodative monetary policy stance going forward. We expect no new guidance on the first rate hike.

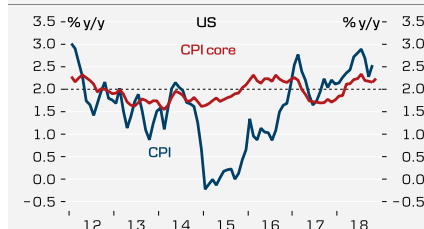
We also expect Draghi to voice concerns about the growth outlook, still keeping the broadly balanced risk assessment which in our view is needed to end the APP. We expect a cautiously optimistic tone from Draghi on (core) inflation, but a relatively upbeat and confident wording on wage growth developments. See also *ECB Preview: A new chapter of dovish tightening*, 7 December 2018.

On Friday, we get the December euro area flash PMIs. Activity remained weak in November with composite PMI falling to a four-year low (see *Euro Area Macro Monitor*, 5 December). In December, we look for another small decline in manufacturing PMI to 51.3 in line with the still negative order-inventory balance, but see scope for a stabilisation in service PMI at 53.5. On Tuesday, we also get German ZEW figures.

We will also keep an eye on November EU car registration numbers due on Friday. Usually this is not a market mover, but production bottlenecks in the car sector due to new emission test standards led to a sharp contraction in German GDP growth in Q3. After a massive drop in September, registrations have recovered some ground but it will be interesting to see whether this continues in November. A weak print could well point to lingering growth headwinds from the car sector in Q4.

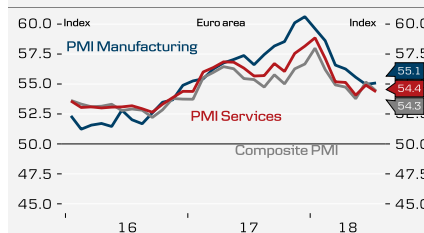
- In the **UK**, the most important event is the vote on the Brexit deal in the House of Commons taking place on Tuesday 20:00 CET (vote on amendments and the full deal). As it is widely expected the vote will fail (more than 400 MPs have said they reject the deal), we will look at 1) how close the vote is and 2) what happens afterwards over the next couple of days. Note that PM Theresa May is participating in the EU summit

### CPI core inflation likely unchanged at 2.2% this month



Source: BLS, Macrobond Financial

### Will manufacturing PMI's rebound in December?



Source: Markit, Macrobond Financial

beginning on Thursday, where she gets the opportunity to talk to her European peers again. Also note the European Court of Justice rules on whether the UK can revoke the Article 50 notification on Monday 09:00 CET.

We also get many key data releases next week but they will probably be overshadowed by Brexit. On Monday we get the monthly GDP print for October. Based on PMIs, growth has slowed again in Q4 after the strong Q3 and the GDP print will show whether this is really the case or not. The labour market report for October is due out on Tuesday.

- In **Japan**, we get the Bank of Japan's quarterly Tankan business survey of corporate activity and the manufacturing PMIs on Friday. Both have shown decelerating activity this year, and it will be interesting to see if we get a pickup or if US-China trade tensions still weigh too heavy.
- The key focus in **China** will continue to be any news in the trade talks with the US, not least whether the arrest of Huawei's CFO will impact China's stance in the negotiations. On the data front we'll have industrial production, retail sales, fixed asset investments, and money and credit numbers. We expect growth to stay subdued in the short term but to see a recovery from Q2 next year. We will focus especially on M1 growth, which is a fairly good leading indicator. It has recently hinted at a bottom in the Chinese cycle during H1 next year. The CNY saw its biggest 2-day gain versus the USD early last week but we expect it to range trade in the short term in a 6.80-6.95 range.

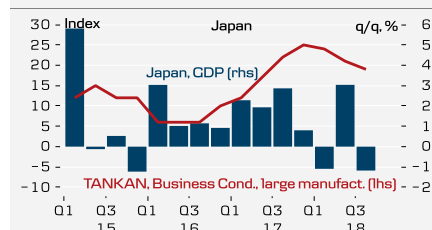
## Scandi

- In **Denmark** we embark on a new week with three interesting news items. Statistics Denmark plans to release figures for foreign trade, the current account and inflation, which are all due on Monday.

We expect inflation in November to be unchanged at 0.8%. Downside factors include lower energy price inflation driven in part by falling oil prices. In contrast, we expect the after-effects of food prices will begin to disappear and so push inflation higher. However, food prices have surprised throughout the year and remain a joker in the pack.

Exports have been moving in the right direction of late and are starting to grow again after disappointing for quite some time, so it will be interesting to see if the positive tone for exports continues in October – despite more modest growth among our closest trading partners. We expect there will be more positive stories on exports in the time ahead.

### Losing momentum



Note: Business conditions is calculated by subtracting the percentage share of enterprises responding "unfavourable" from that of "favourable".

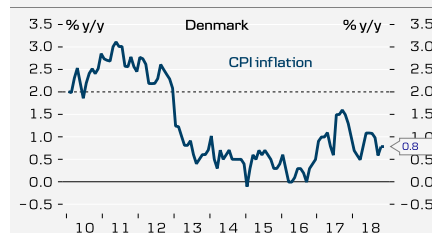
Source: Japanese Cabinet Office, Bank of Japan, Macrobond Financial

### China: M1 growth showing tentative signs of bottom in H1



Source: Macrobond Financial, NBS

### We expect inflation to be unchanged in November



Source: Statistics Denmark, Macrobond Financial

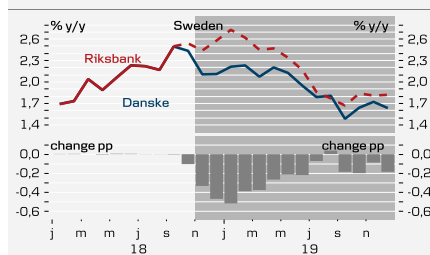
- We expect **Swedish November CPIF** to print -0.1% m/m / 2.1% y/y. That is 0.3 percentage points below the Riksbank's projection. CPIF excl. Energy is expected at -0.1% m/m / 1.5% y/y which is 0.2 below the Riksbank. Normally, a deviation like that would be problematic for the Riksbank. This time however, we believe the Riksbank can still point to CPIF being above the target. The main contributors to the decline this month are transportation services and recreation and it is the foreign airline tickets and charter package prices we assume will bring them down. Higher electricity prices are balanced by lower petrol prices. The risks to the forecast are probably skewed to the upside due to a possible lagged effect from the previous SEK weakening and this summer's drought. We have seen soaring price expectations (NIER's monthly tendency survey) in non-durable retail trade suggesting food prices may already be raised now, but we have assumed the impact will come in H1 19 instead.

On the agenda is also November **HOX residential property prices**. There are several signs that prices have turned down again in November.

November **unemployment** should rise again after the sharp drop in October. We were a bit puzzled by that. It will be important in the sense that it can be decisive for whether the trend is up or down.

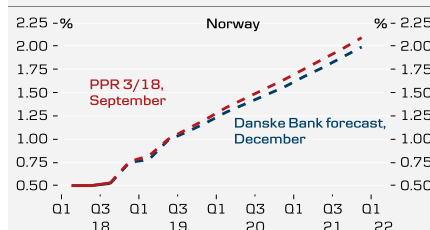
- In **Norway**, we do not expect Norges Bank to touch **interest rates** on Thursday. We do, however, expect the bank to confirm its plans to raise them again in March. Both the interest rate projections in the September monetary policy report and, not least, the rhetoric in the Executive Board's press release and governor Olsen's press conference sent clear signals that the next hike was expected no later than March. Since then, global financial markets have been volatile and oil prices have fallen a fair way. The signals about future rate movements in the interest rate path in the December monetary policy report can therefore be expected to be somewhat more cautious. Predictably, lower oil prices have come hand-in-hand with a weaker krone, and this, in isolation, will pull in the other direction. The net effect on the interest rate path is still expected to be negative, but probably only moderate. Remember too that forward prices for oil have fallen nowhere near as far as spot prices, which will reduce the impact on interest rates. While the global growth outlook has become more uncertain since September, that was anticipated by Norges Bank at the time. It can also be argued that the political risks have eased somewhat, with hopes of a trade deal between China and the US, movement in the budget talks between the EU and Italy, and a proposed Brexit agreement now on the table. Global interest rate expectations have nevertheless fallen slightly, directly pulling the rate path in Norway down 5-6bp from September. On the other hand, Norges Bank's regional network survey confirmed during the week that growth in the Norwegian economy is set to remain well above trend, and that capacity utilisation is rising. Wage expectations were a little lower than expected, but not to the point that Norges Bank will make any major changes to its wage projections. All in all, the interest rate path is likely to be revised down slightly from September, but primarily in 2020 and 2021, where we expect it to be around 10bp lower, as opposed to around 5bp lower at the end of 2019. As mentioned above, though, there is the clear prospect of further above-trend growth in the economy together with higher capacity utilisation. For as long as these underlying inflationary drivers remain positive, Norges Bank will expect gradual acceleration in wages and prices and so want to continue its gradual normalisation of monetary policy. We therefore expect the bank to signal clearly that it is still planning a March rate increase and anticipates further hikes during the forecast period.

### CPIF slows again in November



Source: Danske Bank, Riksbank

### Slight downward revision of interest rate path



Source: Macrobond Financial, Danske Bank

## Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
During the week									
Mon	10-Dec	-	CNY	Money supply M2	y/y	Nov		8.0%	8.0%
		0:50	JPY	GDP deflator, final	y/y	3rd quarter		-0.3%	-0.3%
		0:50	JPY	GDP, final	q/q ann.	3rd quarter		-0.5% -2.0%	-0.3% -1.2%
		7:45	CHF	Unemployment	%	Nov		2.5%	2.5%
		10:00	GBP	European Court of Justice rules on Brexit reversibility					
Tue	11-Dec	-	GBP	Debate in House of Commons on Brexit deal (final day)					
		11:00	DEM	ZEW expectations	Index	Dec		-25.0	-24.1
Wed	12-Dec	14:30	USD	CPI core	m/m y/y	Nov	0.2% 2.2%	0.2% 2.2%	0.2% 2.1%
Thurs	13-Dec	13:45	EUR	ECB announces deposit rate	%			-0.40%	-0.40%
		13:45	EUR	ECB's Draghi speaks in Frankfurt					
		14:30	EUR	ECB's Draghi speaks at press conference					
Fri	14-Dec	0:50	JPY	Tankan large manufacturers index [outlook]	Index	4th quarter		18.0	19.0 19.0
		1:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Dec			52.2
		3:00	CNY	Fixed assets investments	y/y	Nov		5.9%	5.7%
		3:00	CNY	Industrial production	y/y	Nov		5.9%	5.9%
		3:00	CNY	Retail sales	y/y	Nov		8.8%	8.6%
		9:30	EUR	PMI manufacturing, preliminary	Index	Dec	51.3	52.0	50.8
		14:30	USD	Retail sales control group	m/m	Nov		0.6%	0.3%
		15:45	USD	Markit PMI manufacturing, preliminary	Index	Dec	55.4		55.3
Scandimovers									
During the week									
Mon	10-Dec	8:00	NOK	Core inflation (CPI-ATE)	m/m y/y	Nov		0.0% 1.8%	0.0% 1.6%
		8:00	NOK	CPI	m/m y/y	Nov		0.1% 3.1%	-0.2% 3.1%
		8:00	DKK	CPI	m/m y/y	Nov	.. 0.8%	-0.3% 0.8%	0.3% 0.8%
Wed	12-Dec	9:30	SEK	Underlying inflation CPIF	m/m y/y	Nov	-0.1% 2.1%	0.0% 2.2%	-0.1% 2.4%
		9:30	SEK	CPIF excl. Energy	m/m y/y	Dec	0.1% 1.5%		0.5% 1.6%
Thurs	13-Dec	9:30	SEK	Unemployment (n.s.a. s.a.)	%	Nov		5.7%	5.5% 6.0%
		10:00	NOK	Norges Banks monetary policy meeting	%		0.75%		0.75%
Fri	14-Dec	10:00	NOK	HOW residential property prices					

Source: Bloomberg, Danske Bank

# Weekly Wrap-Up

## Trade war jitters and growth worries

### Main macro themes

- **Global economic key figures were slightly stronger than expected this week.** Chinese PMI manufacturing from Caixin was not as weak as expected and the US ISM manufacturing surprised on the upside, increasing to 59.3 from 57.7 in October. However, the strength may be due to US orders from China being moved forward, as companies have anticipated an increase in US tariffs from 10% to 25% on Chinese goods worth USD200bn. This week, we published *Big Picture - No recession yet*, 4 December 2018, our global economic outlook publication. We expect the global economy to slow but to remain above potential growth.
- **The US and China agreed on a 90-day ceasefire in the trade war** and will enter into intense negotiations over the next three months. We believe the trade talks are for real this time and look for a trade deal next year. However, we should also expect a bumpy ride to the finishing line, with ups and downs along the way. See *US-China Trade - Ceasefire to pave the way for the real deal in 2019*, 2 December. The trade talks hit a roadblock on Thursday already after the CFO of Huawei was arrested in Canada to be extradited to the US on accusations that Huawei has broken US sanctions on Iran. China has strongly protested against the arrest. See *Bloomberg* article, 5 December 2018.
- **On Brexit**, the five-day long debate in the House of Commons ahead of the vote on the deal on Tuesday began this week. It seems like a difficult task for Theresa May to get backing for her deal, as more than 400 MPs have said they will vote against it. See *Brexit Monitor - Decent Brexit still base case but uncertainty has risen*, 16 November.
- **In Italy**, negotiations are ongoing with the EU on the size of the budget deficit. This week, we saw a somewhat softer stance from the Italian government and Italy's Prime Minister Giuseppe Conte will present a revised budget plan to the EU next week. It led to a tighter Italian government bond yield spread versus Germany. However, PMI data this week suggests the Italian economy has slipped into recession, adding a further challenge to reduce the budget deficit target. We still see a relatively high likelihood of further confrontation and a formal Excessive Deficit Procedure launched possibly in January 2019. See *Italian Politics Monitor - The heat is on*, 5 December 2018.

### Financial market developments

- **Stock markets** had a volatile week, as the rally following the trade war ceasefire fizzled out on renewed uncertainty. A flattening of the US yield curve also kept recession fears at the forefront. The US 2-10 curve has flattened to 13bp.
- **US 10-year treasury yields** fell sharply this week on growth fears and uncertainty over the US-China agreement on trade. **In euro periphery markets**, we saw spread tightening on softer signals from the Italian government.
- **In FX markets**, both **EUR/USD** and **EUR/GBP** have moved sideways. **USD/CNY** saw the biggest two-day decline since 2005 early in the week following the US-China agreement on Sunday. The CNY gain reversed a bit, however, as it quickly became clear that trade talks will be bumpy, with the Huawei CFO arrest adding uncertainty.

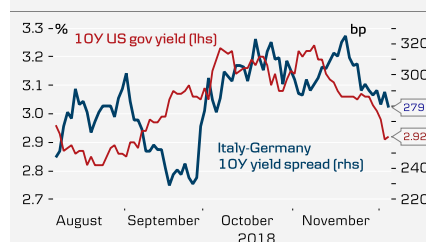
### Financial views

#### Major indices

	07-Dec	3M	12M
10yr EUR swap	0.89	1.10	1.40
10yr US swap	3.07	3.35	3.55
ECB key rate	-0.40	-0.40	-0.40
Fed funds rate	2.25	2.50	3.00
EUR/SEK	1034	1010	1000
EUR/NOK	974	940	910
EUR/USD	114	113	125
ICE Brent oil	60	87	80

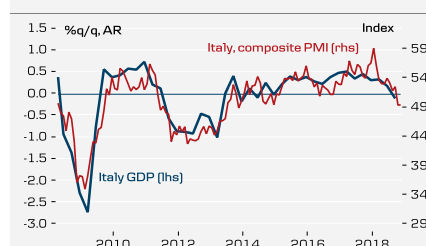
Source: Danske Bank

### US yields lower, some short-term relief in Italy



Source: Macrobond Financial, Danske Bank

### Italy has slipped into recession



Source: Istat, Macrobond Financial



# Scandi update

## Denmark – no rate hikes for now

Danmarks Nationalbank has revealed it did not need to intervene in the FX market in November. Hence, the central bank has not intervened since March 2017, which serves to underline that any potential interest rate hikes in Denmark are still some way away. A Danish hike will probably not materialise before the European Central Bank raises its rates, which we expect to happen around the end of next year.

New figures for housing prices were also released last week. House prices fell a quite substantial 0.5% in September, while apartment prices rose a modest 0.3% (seasonally adjusted) – so the housing market remains rather subdued. However, temporary technical issues affecting the price calculation in September mean it is still too early to draw any conclusions about a new trend in housing prices. For one thing, potential tailwinds for the housing market remain in place: mortgage expenses are still at record lows, while the economy is generally doing well with more people in work and decent real wage growth.

## Sweden – growth weakening further

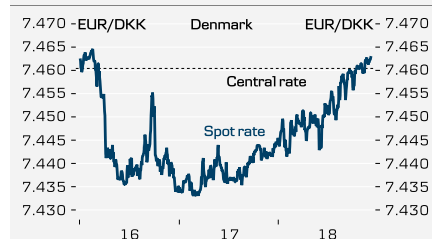
Data this week suggests the housing market continues to weaken. Our own Boprisindikator measuring Stockholm flats signals a 0.5% m/m decline and Mäklarstatistik showed even greater declines both in Stockholm and Sweden on average. Media in general report a problematic picture for residential property developers.

Incoming data for October in the form of industrial and services production suggest GDP growth is slowing further into Q4, even though production itself rebounded in October. Right now the GDP indicator points to just above 1% y/y growth.

## Norway – no signs of slowing down

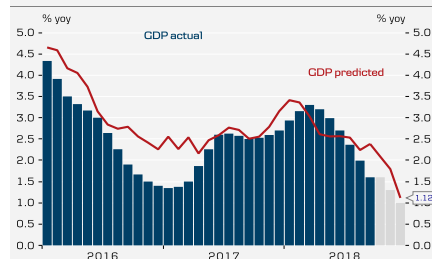
There were glad tidings from Norges Bank's regional network during the week. The aggregated output index climbed to 1.49, corresponding to growth in mainland GDP of around 0.75% q/q in H1 19. This is slightly higher than the 0.7% forecast by Norges Bank in the September monetary policy report. As expected, it was oil-related industries, services and construction that pushed the index up, while other manufacturing and retail made a slight negative contribution. Capacity utilisation rose to 36.27, the highest since January 2013, and indicates that the output gap has already closed. Labour shortages are increasingly becoming an issue, with 20.27% of firms now reporting problems sourcing labour as a constraint on production, the highest since August 2013. It is actually the construction sector that has seen the biggest change in terms of labour constraints, which confirms our suspicion that activity in the sector is high despite weaker residential construction, thanks to strong growth in public infrastructure investment (civil engineering) and to some extent commercial construction. Firms anticipate wage growth of 2.94% next year, which is slightly below Norges Bank's September forecast of 3.2%, but also around 0.3pp higher than the network predicted for 2018 this time last year, so wage growth could well turn out somewhat higher. The survey confirms that growth in the Norwegian economy will remain above trend and that Norges Bank will need to continue normalising monetary policy, and thus provides further support for a rate increase in March.

### DKK has gradually weakened this year – but still no intervention



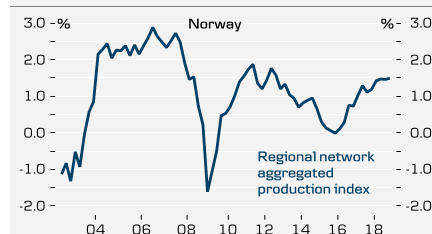
Source: Statistics Denmark, Macrobond Financial and own calculations

### Q4 growth appears to be slowing further



Source: SCB

### Regional network signals strong growth



Source: Macrobond Financial, Danske Bank

# Latest research from Danske Bank

## *7/12 ECB Preview: A new chapter of dovish tightening*

The new reinvestment strategy could be the most interesting part of next week's ECB meeting, when a formal announcement about the end of the net asset purchases is set to be made.

## *5/12 Italian Politics Monitor: The heat is on*

Pressure is mounting on the Italian government to resolve its budget feud with the European Commission, with the economy already contracting in Q3 and shifting public sentiment.

## *5/12 Euro Area Macro Monitor - Activity remains in hibernation*

Recent growth weakness spills over to Q4 activity, while core inflation disappoints once again.

## *4/12 China Market Monitor - Biggest two-day drop in USD/CNY since 2005*

The US-China ceasefire in the trade war has led to the biggest two-day drop in USD/CNY since 2005, falling to 6.83 from 6.96 on Friday.

## *4/12 Flash Comment Denmark: Weaker DKK in November, but no FX intervention*

The Danish FX reserve was roughly unchanged at DKK467bn in November.

## *4/12 The Big Picture - No Recession Yet*

The global economy is slowing but will not enter a recession yet

## *3/12 Macro Strategy Views Podcast: The US-China trade deal - what, why and when*

This time we focus on the US-China trade agreement and the way forward.

## *2/12 Harr's View: The great reversal - why 2019 will be different*

Thomas Harr discusses the economic and financial market performance in 2018, and why this may change course in 2019.



# 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>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Wage growth <sup>1</sup>	Unem-pleym <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Denmark	2017	2.3	2.1	0.7	4.6	3.6	3.6	1.1	1.7	4.2	1.1	36.1	8.0
	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	1.2	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 <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Wage growth <sup>1</sup>	Unem-pleym <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	2.9	5.4	4.0	1.5	1.6	9.1	-1.0	86.8	4.0
	2018	1.9	1.4	1.1	3.1	3.1	3.0	1.8	2.3	8.2	-0.6	86.9	3.8
	2019	1.6	1.7	2.1	2.5	3.0	3.9	1.8	2.1	7.8	-0.8	84.9	3.6
Germany	2017	2.5	2.0	1.6	3.6	5.3	5.3	1.7	2.6	3.8	1.0	63.9	7.9
	2018	1.6	1.1	1.0	4.4	2.2	3.9	1.9	3.0	3.4	1.6	60.1	7.8
	2019	1.7	1.8	2.1	4.8	2.6	5.1	1.9	3.2	3.1	1.2	56.7	7.3
Finland	2017	2.8	1.3	-0.5	4.0	7.5	3.5	0.8	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 <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Wage growth <sup>1</sup>	Unem-pleym <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
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	3.0	2.7	1.7	5.2	4.3	4.7	2.4	2.8	3.9	-4.0	106.0	-3.2
	2019	2.7	2.7	1.8	3.6	2.9	3.7	1.8	3.2	3.6	-4.6	107.0	-3.6
China	2017	6.8	8.5	-	5.2	-	-	1.6	9.0	-	-3.9	47.0	1.5
	2018	6.6	8.2	-	5.0	-	-	2.2	8.5	-	-4.1	50.1	0.7
	2019	6.2	8.0	-	4.6	-	-	2.0	8.3	-	-4.5	53.9	0.7
UK	2017	1.7	1.9	-0.1	3.3	5.7	3.2	2.7	2.2	4.4	-1.8	87.4	-3.8
	2018	1.3	1.7	0.5	0.2	1.5	0.4	2.5	3.0	4.1	-1.3	85.0	-3.3
	2019	1.6	1.7	0.6	1.3	2.8	1.6	1.6	3.7	3.9	-1.5	84.1	-3.2
Japan	2017	1.7	0.9	0.4	2.5	6.8	3.5	0.5	-	2.8	-	-	-
	2018	0.9	0.3	0.5	1.8	3.1	2.7	0.9	-	2.8	-	-	-
	2019	0.9	1.0	0.8	1.5	2.0	2.1	1.4	-	2.4	-	-	-

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
USD	07-Dec	2.25	2.71	2.98	3.07	113.8	-	655.9
	+3m	2.50	2.99	3.30	3.35	113.0	-	659.5
	+6m	2.75	3.15	3.40	3.55	118.0	-	631.8
	+12m	3.25	3.46	3.60	3.55	125.0	-	596.4
EUR	07-Dec	-0.40	-0.32	-0.15	0.89	-	113.8	746.2
	+3m	-0.40	-0.33	-0.05	1.00	-	113.0	745.3
	+6m	-0.40	-0.33	0.05	1.20	-	118.0	745.5
	+12m	-0.20	-0.12	0.15	1.40	-	125.0	745.5
JPY	07-Dec	-0.10	-0.11	0.02	0.25	129.1	113.5	5.78
	+3m	-0.10	-	-	-	127.7	113.0	5.84
	+6m	-0.10	-	-	-	134.5	114.0	5.54
	+12m	-0.10	-	-	-	143.8	115.0	5.19
GBP	07-Dec	0.75	0.89	1.15	1.55	89.1	127.8	837.9
	+3m	0.75	0.82	1.30	1.70	83.0	136.1	897.9
	+6m	1.00	1.07	1.40	2.00	83.0	142.2	898.2
	+12m	1.00	1.08	1.60	2.20	83.0	150.6	898.2
CHF	07-Dec	-0.75	-0.74	-0.55	0.41	113.4	99.6	658.2
	+3m	-0.75	-	-	-	113.0	100.0	659.5
	+6m	-0.75	-	-	-	116.0	98.3	642.7
	+12m	-0.75	-	-	-	120.0	96.0	621.3
DKK	07-Dec	-0.65	-0.30	-0.03	1.03	746.2	655.9	-
	+3m	-0.65	-0.30	0.05	1.15	745.3	659.5	-
	+6m	-0.65	-0.30	0.15	1.35	745.5	631.8	-
	+12m	-0.65	-0.17	0.25	1.55	745.5	596.4	-
SEK	07-Dec	-0.50	-0.38	-0.02	1.15	1034.2	908.9	72.2
	+3m	-0.25	-0.25	0.25	1.35	1010.0	893.8	73.8
	+6m	-0.25	-0.15	0.35	1.30	1000.0	847.5	74.6
	+12m	0.00	0.00	0.55	1.45	1000.0	800.0	74.6
NOK	07-Dec	0.75	1.20	1.54	2.21	973.6	855.7	76.6
	+3m	0.75	1.35	1.65	2.45	940.0	831.9	79.3
	+6m	1.00	1.41	1.95	2.70	920.0	779.7	81.0
	+12m	1.25	1.66	2.20	2.85	910.0	728.0	81.9

## Commodities

		2018				2019				Average	
	07-Dec	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019
ICE Brent	60	67	75	76	69	87	87	85	80	76	85

Source: Danske Bank

# Calendar

## Key Data and Events in Week 50

During the week				Period	Danske Bank	Consensus	Previous
Sat 08	CNY	Trade balance	USD bn	Nov		34.4	34.0
Sun 09	CNY	CPI	y/y	Nov		2.4%	2.5%
Sun 09	CNY	PPI	y/y	Nov		2.7%	3.3%
Mon 10	GBP	Debate in House of Commons on Brexit deal day 4 out of 5					
Mon 10	CNY	Money supply M2	y/y	Nov		8.0%	8.0%

## Monday, December 10, 2018

				Period	Danske Bank	Consensus	Previous
-	GBP	Debate in House of Commons on Brexit deal day 4 out of 5					
-	CNY	Money supply M2	y/y	Nov		8.0%	8.0%
0:50	JPY	GDP deflator, final	y/y	3rd quarter		-0.3%	-0.3%
0:50	JPY	GDP, final	q/q ann.	3rd quarter		-0.5% -2.0%	-0.3% -1.2%
7:45	CHF	Unemployment	%	Nov		2.5%	2.5%
8:00	NOK	Core inflation (CPI-ATE)	m/m y/y	Nov		0.0% 1.8%	0.0% 1.6%
8:00	DKK	Trade balance ex ships	DKK bn	Oct			5.3
8:00	DKK	Exports	m/m	Oct			
8:00	NOK	CPI	m/m y/y	Nov		0.1% 3.1%	-0.2% 3.1%
8:00	NOK	PPI	m/m y/y	Nov			3.6% 22.5%
8:00	DKK	Current account (nsa sa)	DKK bn	Oct			... 12.3
8:00	DKK	CPI	m/m y/y	Nov	... 0.8%	-0.3% 0.8%	0.3% 0.8%
8:00	DEM	Trade balance	EUR bn	Oct		17	18.3
9:30	SEK	Household consumption	m/m y/y	Oct			0.1% 0.0%
10:00	GBP	European Court of Justice rules on Brexit reversibility					
10:30	GBP	Index of services	m/m 3m/3m	Oct		0.1% 0.3%	-0.1% 0.4%
10:30	GBP	Trade balance	GBP mio.	Oct	-1000		-27
10:30	GBP	Monthly GDP estimate	m/m q/q	Oct		0.1% 0.4%	0.0% 0.6%
10:30	EUR	Sentix Investor Confidence	Index	Dec		8.3	8.8

## Tuesday, December 11, 2018

				Period	Danske Bank	Consensus	Previous
-	GBP	Debate in House of Commons on Brexit deal (final day)					
10:30	GBP	Unemployment rate (3M)	%	Oct		4.1%	4.1%
10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Oct		3.2%	3.2%
11:00	DEM	ZEW current situation	Index	Dec		55.0	58.2
11:00	DEM	ZEW expectations	Index	Dec		-25.0	-24.1
12:00	USD	NFIB small business optimism	Index	Nov			107.4
14:30	USD	PPI	m/m y/y	Nov		0.0% 2.5%	0.6% 2.9%
14:30	USD	PPI core	m/m y/y	Nov		0.1% 2.6%	0.5% 2.6%
20:00	GBP	GBP House of Commons vote on Brexit deal including amendments					

## Wednesday, December 12, 2018

				Period	Danske Bank	Consensus	Previous
9:30	SEK	Underlying inflation CPIF	m/m y/y	Nov	-0.1% 2.1%	0.0% 2.2%	-0.1% 2.4%
9:30	SEK	CPIF excl. Energy	m/m y/y	Dec	0.1% 1.5%		0.5% 1.6%
9:30	SEK	CPI	m/m y/y	Nov		0.0% 2.0%	-0.1% 2.3%
11:00	EUR	Industrial production	m/m y/y	Oct		-0.3% 1.0%	-0.3% 0.9%
11:00	EUR	Employment, final	q/q y/y	3rd quarter			0.2% 1.3%
14:30	USD	CPI headline	m/m y/y	Nov		0.0% 2.2%	0.3% 2.5%
14:30	USD	CPI core	m/m y/y	Nov	0.2% 2.2%	0.2% 2.2%	0.2% 2.1%
16:30	USD	DOE U.S. crude oil inventories	K				
20:00	USD	Budget statement	USD bn	Nov			-100.5

Source: Danske Bank

## Calendar (continued)

Thursday, December 13, 2018				Period	Danske Bank	Consensus	Previous
1:01	GBP	RICS house price balance	Index	Nov		-0.1	-0.1
8:00	SEK	Prospera inflation expectations					
8:00	DEM	HICP, final	m/m y/y	Nov		0.1% 2.2%	0.1% 2.2%
8:45	FRF	HICP, final	m/m y/y	Nov		-0.2% 2.2%	-0.2% 2.2%
9:30	CHF	SNB 3-month Libor target rate	%			-0.8%	-0.8%
9:30	SEK	Unemployment (n.s.a. s.a.)	%	Nov		5.7%	5.5% 6.0%
10:00	NOK	Norges Banks monetary policy meeting	%		0.75%		0.75%
12:00	TRY	Central Bank of Turkey rate decision	%			24.0%	24.0%
12:00	EUR	Ireland, GDP	q/q y/y	3rd quarter			2.5% 9.0%
13:45	EUR	ECB announces refi rate	%			0.00%	0.00%
13:45	EUR	ECB announces deposit rate	%			-0.40%	-0.40%
13:45	EUR	ECB's Draghi speaks in Frankfurt					
14:30	EUR	ECB's Draghi speaks at press conference					
14:30	USD	Initial jobless claims	1000				
14:30	USD	Import prices	m/m y/y	Nov		-0.7% ...	0.5% 3.5%
Friday, December 14, 2018				Period	Danske Bank	Consensus	Previous
-	EUR	Fitch may publish Ireland's debt rating					
0:50	JPY	Tankan large manufacturers index (outlook)	Index	4th quarter		18.0	19.0 19.0
0:50	JPY	Tankan large non-manufacturers index (outlook)	Index	4th quarter		21.0	22.0 22.0
1:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Dec			52.2
3:00	CNY	Fixed assets investments	y/y	Nov		5.9%	5.7%
3:00	CNY	Industrial production	y/y	Nov		5.9%	5.9%
3:00	CNY	Retail sales	y/y	Nov		8.8%	8.6%
5:30	JPY	Industrial production, final	m/m y/y	Oct			2.9% 4.2%
6:00	SEK	HOW residential property prices					
9:00	ESP	HICP, final	m/m y/y	Nov			-0.2% 1.7%
9:15	FRF	PMI manufacturing, preliminary	Index	Dec		51.0	50.8
9:15	FRF	PMI services, preliminary	Index	Dec		54.5	55.1
9:30	EUR	PMI manufacturing, preliminary	Index	Dec	51.3	52.0	50.8
9:30	EUR	PMI composite, preliminary	Index	Dec		52.8	52.7
9:30	EUR	PMI services, preliminary	Index	Dec	53.5	53.4	53.4
9:30	DEM	PMI manufacturing, preliminary	Index	Dec		51.8	51.8
9:30	DEM	PMI services, preliminary	Index	Dec		53.5	53.3
10:30	EUR	ECB's Lautenschlaeger speaks in Frankfurt					
11:00	ITL	HICP, final	m/m y/y	Nov		-0.2% 1.7%	-0.2% 1.7%
11:00	EUR	Labour costs	y/y	3rd quarter			2.2%
11:30	RUB	Central Bank of Russia rate decision	%			7.5%	7.5%
14:30	USD	Retail sales control group	m/m	Nov		0.6%	0.3%
15:15	USD	Capacity utilization	%	Nov		78.6%	78.4%
15:15	USD	Industrial production	m/m	Nov		0.3%	0.1%
15:15	USD	Manufacturing production	m/m	Nov			0.3%
15:45	USD	Markit PMI manufacturing, preliminary	Index	Dec	55.4		55.3
15:45	USD	Markit PMI service, preliminary	Index	Dec			

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 Mikael Olai Milhøj, 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:** 7 December 2018, 13:40 CEST

**Report first disseminated:** 7 December 2018, 13:50 CEST