Danske Bank

09 February 2018

Weekly Focus

Stock sell-off is mostly technical but watch inflation

Market movers ahead

- Inflation expectations are moving higher in the US but we expect CPI data for January to show that core inflation remains subdued.
- UK inflation data will also be important, as the Bank of England may increase rates as early as May.
- We expect the Swedish Riksbank to maintain its confident stance on the economy and inflation at next week's monetary meeting, even though we see major risks to both.
- Norges Bank Governor Øystein Olsen delivers his annual address, where he is likely to touch on the strengthening economy and fading risks in Norway.

Global macro and market themes

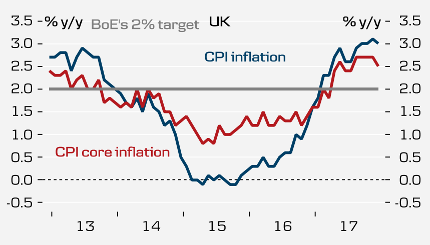
- We view the sell-off in stocks as a correction – the upward trend is supported by strong profit growth.
- Data this week adds to the picture of a robust global recovery underpinning profits.
- Bond yields are set to increase further.
- EUR/USD is in a range before the next move higher.

Focus

Bank of England review – Launching a hiking cycle, 8 February.

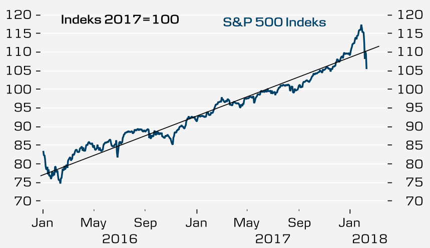
ECB Research – The road to becoming VP, 8 February.

British inflation above target



Source: ONS, Bank of England, Macrobond Financial

Very sharp sell-off from extreme level but we still expect a rising trend



Source: OECD, Macrobond Financial

Contents

Financial views

Major indices	09-Feb	3M	12M
10yr EUR swap	1.14	1.00	1.45
EUR/USD	123	120	128
ICE Brent oil	64	62	64

Source: Danske Bank

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Market movers

Global

- After a quiet week, there are some interesting data releases in the **US** next week. The most important one is CPI on Wednesday. The first release of CPI core for December showed an increase of 0.3% m/m, higher than expected, which added fuel to the reflation theme. In a recent revision, it was revised down to 0.2% m/m, in line with what was expected. We estimate CPI core rose 0.2% m/m in January, implying a fall in the CPI core inflation rate from 1.8% to 1.7%. Despite CPI core inflation being below 2%, we still believe the Fed will continue its hiking cycle this year by raising the Fed funds rate three times (see *Flash Comment US – Fed Chair Powell is 'Yellen in disguise' amid discussions about price level targeting*, 24 January).

  Also, on Wednesday, we get retail sales for January, which we think will show private consumption got off to a fine start to 2018. On Thursday, industrial production data for January is due. Both ISM and PMI manufacturing indicate the US manufacturing expansion continues but remember the actual production figures are quite volatile on a monthly basis.

- There are no market movers in the **euro area** next week.

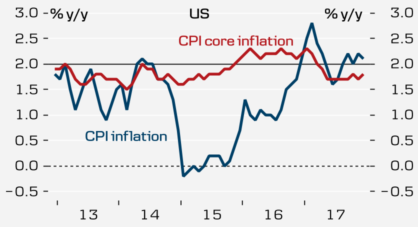
- In the **UK**, the most important release is the CPI inflation figure for January on Tuesday, not least now the Bank of England may hike in May, as it fears overheating in the economy (see *Bank of England Review – Launching a hiking cycle*, 8 February. We estimate CPI inflation fell from 3.0% in December to 2.9% in January, driven mainly by a smaller contribution from the energy component, as a big monthly increase in January 2017 falls out, and food. We estimate CPI core inflation rose from 2.5% to 2.6%. Further down the road, we think inflation may fall back towards 2% more quickly than the Bank of England projects. We are also due to get retail sales in January on Friday, which markets sometimes move on, but this is a poor indicator for actual private consumption growth.

  Otherwise, focus remains on Brexit, which remains a key driver for GBP. We are still monitoring the negotiations on transition and the future relationship, as this week's meeting of the UK's so-called 'Brexit war cabinet' did not reveal anything about the UK's negotiating position.

- Next week in **Japan**, we are set to get the Q4 national accounts. Once again, it looks as though exports is the main driver of GDP growth although we also expect a rebound in private consumption following a disappointing Q3. This said, private consumption is still the missing component in the economic recovery. We expect GDP growth to decelerate to 1.0% q/q annualised on the back of a rebound in imports after a very strong Q2 and Q3 by Japanese standards.

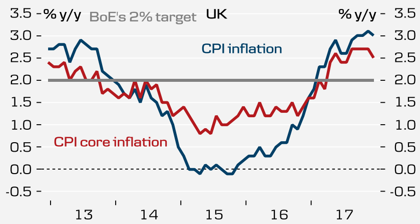
  There are no market movers in **China** next week.

CPI core inflation remains below 2%



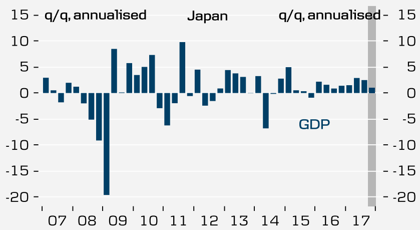
Source: BLS

British inflation above target



Source: ONS, Bank of England, Macrobond Financial

Decelerating but still strong momentum in Japan



Source: Japanese Cabinet Office, Danske Bank, Macrobond Financial

Scandi

- In **Denmark**, Wednesday brings a first estimate of economic growth in Q4 in the form of Statistics Denmark's GDP indicator. There was a surprise fall in output of 0.5% in Q3, due mainly to destocking and a temporary lull in car sales, so there is scope for a rebound at the end of the year. Consumer spending was strong in the period and foreign trade is likely to have made a positive contribution. We expect solid GDP growth of 1.0%, confirming that the upswing in Denmark is alive and kicking. Another important release is Monday's inflation numbers for January. Food surprised on the downside in December, with Christmas offers helping pull down prices. We expect this to reverse in January and, combined with rising power prices, push the CPI up again. In contrast, base effects from higher airfares in 2017 will fall out of the index. On balance, we forecast unchanged inflation of 1.0%.

- In **Sweden**, the Riksbank's monetary policy meeting is the event of the week. We maintain our long-standing view that the Riksbank will still overstate inflation.

  Last year was a year with an abundance of 'one-offs' such as tax hikes, charges, new statistical methodology and outright unusual price hikes, which are unlikely to be repeated to the same extent in 2018. Hence, there will be negative base effects pulling down inflation in the spring. In addition, there is no longer any additional inflationary pressure from currency movements. Rather, the opposite, as the USDSEK is trading around 10% lower on a year-on-year basis. Thus far, the Riksbank has not addressed these downside risks to its forecast and, in our view, it is very unlikely it will happen this week.

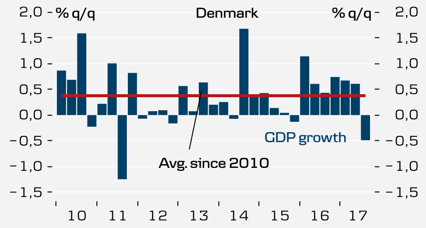
  The Riksbank does not appear to see the potential hazard from falling property prices. Hence, we do not expect it to sound worried about this either, for the moment.

  It seems fair to assume the Riksbank will keep its repo rate path, which implies the start of rate hikes by Q3 – unchanged this time. This might be interpreted as bearish on rates, as a potential tightening is approaching. This said, it will be very important how it balances the language risks from a stronger SEK. Probably, it will be quite cautious so as not to ignite a broad-based appreciation.

  Note that in an international comparison Riksbank pricing stands out as the most aggressive. In our view, there is plenty of downside to that pricing.

- In **Norway**, the central bank governor's annual address is the week's main event. Norges Bank made something of a U-turn in its monetary policy over the course of 2017, from signalling further rate cuts at the beginning of the year to indicating a rate increase within a year at the December meeting. The reason is that the Norwegian economy slowly but surely dragged itself out of the oil crisis and growth accelerated, making any further stimulus unnecessary. Since December, this trend has only strengthened. Growth looks set to be higher than expected, fuelled by growing manufacturing confidence. Unemployment is therefore falling faster than expected and capacity utilisation is rising further. Developments in the housing market have also not been as bad as feared. Although the danger is not yet over, the chances of a housing crash have undoubtedly receded. Last, but not least, global conditions have improved. Growth estimates have risen and interest rate expectations among Norway's trading partners have increased, in some cases quite considerably. Two years ago, Øystein Olsen warned that 'winter is coming' – a thinly veiled *Game of Thrones* reference. Now we are approaching normal capacity utilisation, the upside potential from the turnaround in manufacturing is growing and the downside risk from the housing market is subsiding. Trading partners' monetary policy is also normalising. Extraordinary stimuli are no longer necessary and the governor now needs to set a course for more normal interest rate levels in Norway. Summer is coming.

GDP fell in Q3



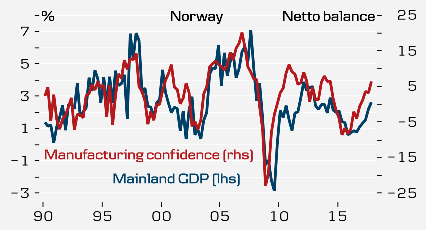
Source: Statistics Denmark

Riksbank expected to raise the most

Yearly rate hikes priced (OIS pricing)	2018	2019	2020	2021	2022	2023
Riksbank	31.0	41.7	53.7	44.3	31.4	21.6
ECB	4.6	36.4	42.3	35.2	23.1	17.3
FED	62.9	26.1	9.2	-0.2	2.6	3.2
BOE	30.8	27.0	16.5	10.7	4.5	2.7
Norges Bank	23.2	41.5	39.4	23.5	15.5	11.0

Source: Danske Bank

Clear upside potential in manufacturing



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Tue	13-Feb	10:30	GBP	CPI	m/m|y/y	Jan	-0.6%|2.9%	-0.6%|2.9%	0.4%|3.0%
		10:30	GBP	CPI core	m/m|y/y	Jan	-0.9%|2.6%	...|2.6%	...|2.5%
Wed	14-Feb	0:50	JPY	GDP, preliminary	q/q|ann.	4th quarter	...|01.0%	0.2%|1.0%	0.6%|2.5%
		14:30	USD	CPI headline	m/m|y/y	Jan	0.4%|2.0%	0.4%|2.0%	0.2%|2.1%
		14:30	USD	CPI core	m/m|y/y	Jan	0.2%|1.7%	0.2%|1.7%	0.2%|1.8%
		14:30	USD	Retail sales control group	m/m	Jan		0.4%	0.3%
Thurs	15-Feb	-	CNY	Lunar New Year					
Fri	16-Feb	-	CNY	Lunar New Year					
		10:30	GBP	Retail sales ex fuels	m/m|y/y	Jan		0.5%|2.3%	-1.6%|1.3%
Scandi movers									
Mon	12-Feb	8:00	SEK	Prospera inflation expectations					
Wed	14-Feb	8:00	DKK	GDP indicator	q/q	4th quarter	1.0%		-0.5%
		9:30	SEK	Riksbank, rate decision	%		-0.5%	-0.5%	-0.5%
Thurs	15-Feb	9:30	SEK	Unemployment (n.s.a.|s.a.)	%	Jan	7.0%|6.5%	7.0%|...	6.0%|6.5%
		18:00	NOK	Norges Bank's Govenor Olsen Annual Address					

Source: Bloomberg, Danske Bank

Global Macro and Market Themes

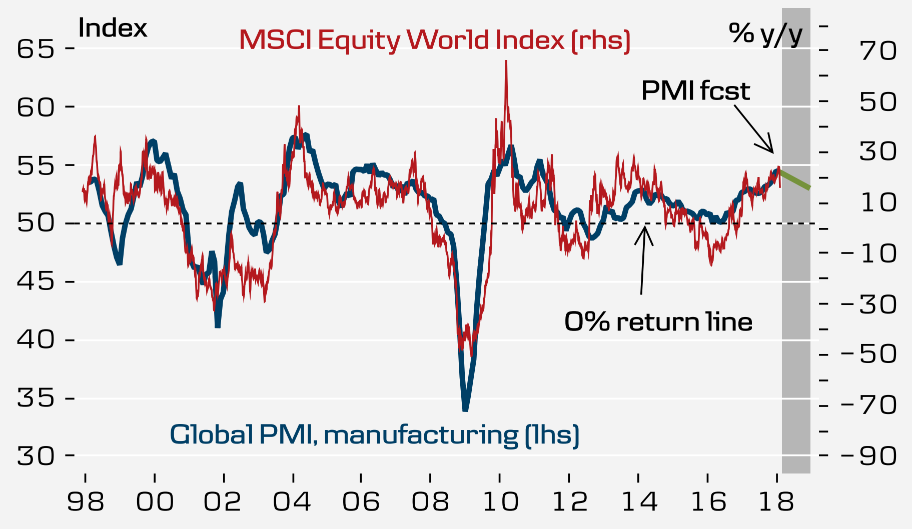
Volatility on the increase but equities still well supported

After a very strong start to the year in global equity markets, the long-awaited correction came very abruptly over the past week. The epicentre of the sell-off was the US stock market, where a flush out of short volatility positions added to the collapse in stocks.

So, how worried should we be? **We see it mainly as a technical correction and after a period of nervous trading, we look for the uptrend in equity markets to continue.** We see the following reasons to stay positive about the equity market.

- **Profit growth set to stay robust in 2018.** Global growth data continue to point to a strong and broad-based recovery – both geographically and across sectors (see next page). With producer prices also expected to show decent growth, it points to another year of strong profit growth. As the chart below shows, periods of high global economic activity typically lead to strong returns in equity markets and even though we expect some deceleration in the business cycle over the year, it should not be enough to spoil the equity performance.
- **Market sentiment had become extreme.** Our indicators measuring market sentiment, which are partly based on price momentum in the markets, indicated that the market was very technically 'overbought' and thus prone to a correction. Following the equity market correction this week, our sentiment indicators have now returned to neutral. This suggests the market is more in balance now.

Global cycle continues to underpin global equities

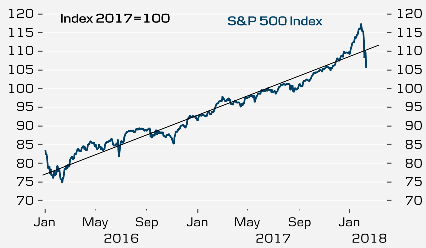


Source: Bloomberg, Macrobond Financial, Danske Bank

Today's key points

- We view the sell-off in stocks as a correction – the upward trend is supported by strong profit growth.
- Data this week adds to the picture of a robust global recovery underpinning profits.
- Bond yields are set to increase further.
- EUR/USD is in a range before the next move higher.

Very sharp sell-off from extreme level - but we still expect a rising trend

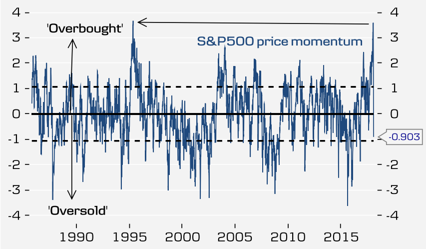


Source: OECD, Macrobond Financial

- **Technical factors exacerbated the move.** Funds betting on ‘short volatility’ had grown very big and made good money in the low volatility environment. However, when volatility moved above a certain threshold, many of these short volatility funds were stopped out. As a result, the VIX index measuring volatility in the US stock market rose to the highest level since 2015 and 2009. Investment funds that trade on the short-term trend in the equity market were probably also stopped out. Stories have been abound about ‘machine selling’ on mechanical stop-loss orders. That the sell-off was very ‘technical’ in nature was also indicated by the spillover to other risk markets being fairly muted compared with how big the move in equity markets was.

While we still look for equity outperformance in 2018, we also expect to see a year with more volatility – not least in the short term. Investors have been reminded that markets are not a one-way street. In addition, we are moving into the mature phase of the global business cycle, where we typically see higher volatility and lower returns on risk assets. However, historically, it is still a part of the business cycle where risk assets outperform government bonds and cash. The markets are likely to be nervous in the short term but six months from now, we expect equities to have reached new highs for this year.

S&P 500 was most ‘overbought’ since 1995 but back in neutral territory after market correction



Source: OECD, Macrobond Financial

Data continue to point to robust global growth

Over the past week, we have seen more evidence of a global economy enjoying high optimism among companies and encouraging data across regions. In Germany, factory orders leapt higher again in December. Chinese trade data surprised on the upside, showing that tailwinds in the export sector continue to counterbalance a slowing housing market. In the US, ISM non-manufacturing rose to the highest level since 2005, while initial jobless claims fell and pushed the four-week average to 225,000 – the lowest level since 1973.

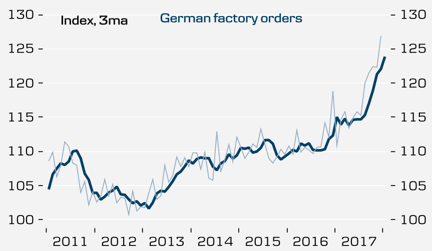
Chinese exporters gain from the global recovery

Source: OECD, Macrobond Financial

Inflation news slightly encouraging

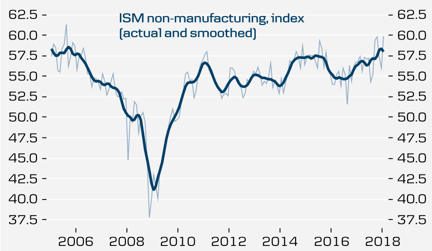
Financial markets have recently been fretting over concerns that a renewed pickup in inflation pressures could force central banks to step harder on the brakes. **However, on the margin, this week saw some encouraging news on the inflation front** – at least from an equity point of view. The oil price (Brent) fell back to USD65/bl from above USD70/bl. In Germany, we had a wage deal between IG Metall and its counterpart on the employer side, which will lead to around 3.0% wage growth per year for the next two years. While slightly higher than in previous years, it is unlikely to lead to significant upward pressure on inflation. A rapid increase in industrial activity normally drives higher labour productivity growth, which should partly compensate for the rise in wage cost inflation. **We continue to expect a gradual rise in euro core inflation this year but it is starting from a very low level (currently 1.0% y/y) far from the overall ECB inflation target of below but close to 2%. We look for the first ECB hike in Q2 next year, slightly later than what the market is pricing.**

Steep rise in German factory orders



Source: Eurostat, Markit, Macrobond Financial

Strongest US service sector activity in more than 10 years



Source: BEA, Macrobond Financial

In the US this week, we actually saw a downward revision to core CPI for December, from 0.3% m/m to 0.2% m/m. Hence, if anything, it should help ease the inflation scare.

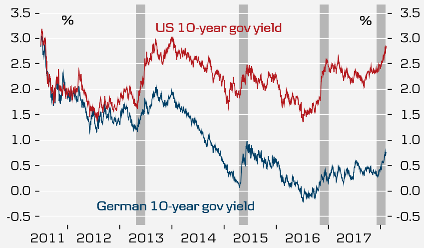
Bond yields on the increase

This year has started with a fixed income sell-off that has pushed 10-year German yields higher by approximately 30bp since the start of the year and close to 45bp since mid-December 2017. If we compare the sell-off with the US induced 2013 tapering sell-off or the 2015 German led bond sell-off, the market moves are still smaller. In 2013, the 10-year US Treasury yield rose close to 100bp in the first two months of the sell-off – and in 2015 the 10-year German yield rose 60bp in two months of the sell-off and peaked 2.5 months later more than 80bp higher in total.

The current bond sell-off is driven by higher inflation expectations and a move higher in real rates. It is noteworthy that the global turmoil has not been supportive. We have not seen the usual move into the global bond markets as risk sentiment has weakened. It might reflect that the market is now also pricing in a higher term premium (risk premium) in the yield curve. It pushes long yields higher as investors demand a higher 'term premium' to hold long bonds.

We see a risk that the sell-off in the bond market will continue in February. Global central banks do not seem to be ready to become more dovish, the global recovery is still firmly on track and the market is focusing on the fiscal easing in the US over coming years, which we expect to come as wage growth has finally picked up and unemployment remains low.

Another bond market sell-off – no big effect from equity market decline

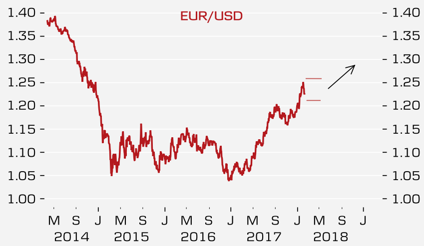


Source: OECD, Macrobond Financial

EUR/USD is in range before heading higher again

EUR/USD has been in the hands of USD forces lately: there were comments on the desirability (or not) of a strong US dollar from the US administration, reflation/ normalisation fears hit risk sentiment driven by a (seemingly) strong US job report and yesterday the cross extended the recent fall as the US Senate announced a spending bill. Is this the end of dollar weakness? We think not but, in our view, **EUR/USD is now establishing a new range (1.21-1.26) in which to trade over coming months** (see *FX Strategy – End of USD weakness? No – but new range for now*, 8 February). Fundamental EUR support remains in place, as euro assets look increasingly attractive as policy heads back towards 'normal'. **We still look for EUR/USD to head towards 1.30 during the course of 2018**, targeting 1.28 in 12M.

We look for EUR/USD in range before new move higher



Source: OECD, Macrobond Financial

Global market views

Asset class	Main factors
Equities	
Positive on a 3-12 month horizon.	Strong business cycle and near double digit earnings growth in most major regions. Low rates and bond yields drive demand for risk assets.
Bond market	
German/Scandi yields – in recent range for now, higher in 12M.	Inflation set to stay subdued despite decent growth. Stronger euro keeps euro inflation outlook down. ECB set to normalise gradually only, due to lack of wage pressure and stronger euro. ECB on hold for a long time but risk has risen that it will start to sound more confident/hawkish.
EU curve – 2Y10Y modestly steeper; 5Y10Y and 10y30 flatter. US curve - 2Y10Y steepening set to be to continued.	The ECB keeps a tight leash on the short end of the curve but the 5Y point has become the pivotal point now. Further flattening of the curve 10Y30Y. A mirror of the US curve dynamics.
US-euro spread – set to widen marginally.	The Fed's QT programme (balance sheet reduction) is set to happen at a very gradual pace and the effect on the Treasury market should be benign. Yet, market pricing for Fed hikes is still dovish for 2019 and yields should edge higher on a 12M horizon.
Peripheral spreads – tightening but still some factors to watch.	We expect economic recovery, ECB stimuli, better fundamentals, particularly in Portugal and Spain, an improved political picture and rating upgrades to lead to further tightening despite the recent strong moves. Italy is the big risk factor but it is very expensive to be short Italian bonds.
FX	
EUR/USD – consolidation for now but upside risks still dominate.	Any dip in EUR/USD near term set to prove shallow and short lived; cross supported longer term by valuation and capital-flow reversal.
EUR/GBP – gradually lower over the medium term on BoE and Brexit.	High expectations of BoE rate hike in May and Brexit to underpin EUR/GBP near term, Longer term, GBP should strengthen on Brexit clarifications and BoE rate hikes.
USD/JPY – gradually higher longer term but challenged near term.	Risk sentiment and focus on BoJ's personnel changes to weigh on USD/JPY near term. Still supported by global recovery and Fed-BoJ divergence longer term.
EUR/SEK – risk on the topside on housing market, Riksbank pricing.	Housing market risk premium to keep SEK under pressure alongside too aggressive Riksbank market pricing. Eventually lower but not an H1 story.
EUR/NOK – set to move lower.	NOK headwinds towards year fading – we expect the NOK to rebound on valuation, growth and real-rate differentials.
Commodities	
Oil price – starting to correct lower again.	June review weakens impact of extension of OPEC + output cuts. Geopolitical tension on Saudi Arabia and Iran looming. Support from falling USD.

Source: Danske Bank

Scandi Update

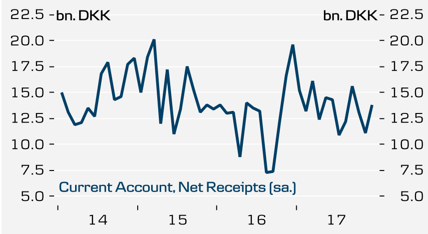
Denmark – current account surplus still very strong

We learned during the week that the current account surplus increased by DKK2.7bn in seasonally adjusted terms in December. This was due mainly to a larger trade surplus, with Danish drug makers in particular having made inroads into their export markets. This completes the picture for 2017 and it looks like another sky-high current account surplus, probably close to 8% of GDP. Despite the rapid recovery in Europe, the increase in the surplus is not the result of especially strong exports. Much of the reason for this can be found in dwindling imports, which is a sign that Danish firms are holding back on investment.

The week also brought housing market data for November showing that, allowing for normal seasonal variations, prices for both houses and apartments fell by 0.6% m/m. Despite this fall, the risk is still that the housing market will overheat. This is particularly the case in Copenhagen, where low interest rates have sent prices up. From this perspective, a more subdued market is welcome.

Finally, industrial production increased for a third successive month, climbing 0.7% m/m in December. It can only be a good thing if manufacturing picked up momentum at the end of the year, as the general trend in 2017 was far from spectacular.

Current account surplus increased in December



Source: Statistics Denmark

Sweden – Debt Office needs to rethink funding

The January borrowing requirement turned out to be close to the Debt Office's forecast. However, this implied an aggregated 'surprise surplus' over the past four months in comparison with the Debt Office's October forecast of no less than SEK31bn.

This suggests that the Debt Office will have to revise its forecast for 2018 funding. Currently, the Debt Office expects a surplus of some SEK47bn. It appears as though the Debt Office consistently underestimated tax revenues in 2017, due either to the strength of the economy or to higher tax rates or both. Either way, we believe it will have to make significant reductions in funding, meaning it will have to cut down on T-bill, bond or linker supply in 2018. We continue to argue that the T-bill stock is already very limited, so the chances are that issuance of bond and linkers needs to be reduced.

Short term, this means the lack of accessible material in the Swedish bond market will be further limited. The negative implications for market liquidity should be clear. This situation is aggravated further by covered bond supply also being on the decline, as mortgage lenders have for years increased funding via the 'mother banks' (rising deposits). All in all, Swedish bond investors are facing an increasingly narrower investment space as the bond markets are shrinking.

Debt Office's October forecast set to be revised

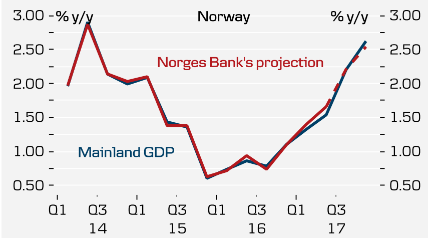
SEK bn	2018	2019
Net BR	**-47**	**-55**
Adjustments	-12	-8
Money Market	**-80**	**46**
Redemptions	155	75
Funding	75	121
T-bills	20	20
LM Instruments	55	101
Capital Markets	**45**	**-93**
Redemptions	106	205
Funding	151	112
Bonds	40	40
Linkers	9	9
Foreign	102	63

Source: Debt Office

Norway – growth remains above trend

Mainland GDP climbed 0.6% q/q in Q4. Growth was broad-based, with big increases in private consumption, business investment and government demand. Housing investment fell relatively sharply, however, and net exports disappointed due to higher imports. The figures confirm that growth is holding moderately above the trend rate, causing capacity utilisation to rise and unemployment to fall. They also support our view on growth rotation, with private demand taking over from housing investment and government demand as the key growth driver. The figures are exactly in line with Norges Bank's forecast in the December monetary policy report, so they will, in isolation, be neutral for rate setting. We still expect a rate increase in December.

Growth exactly as expected



Source: Macrobond, Danske Bank

Core inflation surprised on the downside in January, coming out at 1.1% y/y, rather than the expected 1.4-1.5%. Once again, it was an unexpectedly big swing in airfares that held prices back. Our measure of 'core-core' inflation, which excludes airfares and food, was unchanged at 1.3% y/y, where it has been more or less since August. As the surprise was once again down to these volatile components, we cannot see the figures mattering much to Norges Bank but at the margin they will make it easier for the bank to retain a neutral bias in the short term.

Latest research from Danske Bank Markets

8/2 Flash Comment - CBR rate decision preview: enough room for a 25bp cut

We expect Russia's central bank, the CBR, to cut the key rate by 25bp to 7.50% on 9 February, as headline inflation continues to deliver post-Soviet history's lowest prints, while the external environment remains supportive for Russia on a friendly assessment by the US Treasury Department.

8/2 Bank of England review - Launching a hiking cycle

Based on the hawkish signal from the BoE, we now expect the bank to hike the Bank Rate to 0.75% as early as May (previously February 2019). As this seems like the beginning of a hiking cycle, the BoE is likely to hike again in November.

8/2 ECB Research - The road to becoming VP

Yesterday, the deadline expired for nominating candidates to succeed Vítor Constâncio as Vice President (VP) of the ECB. We review the election process, candidates and their stances on monetary policy.

5/2 QE Details - Capital key deviations levelling off in major countries but focus moves to share and not volume, 'high' QE in Ireland

As expected, the QE figures for January showed a decline in the PSPP s share of total purchases, while the CSPP s share has increased alongside the new lower purchase rate of EUR30bn.

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2017	2.0	1.7	0.8	1.9	-0.2	3.6	2.8	1.1	4.3	0.0	36.0	8.0
	2018	2.0	2.0	0.7	5.5	-0.2	2.7	3.4	1.1	4.1	-0.3	35.1	7.7
	2019	1.9	2.5	0.5	4.3	0.0	2.6	3.6	1.4	4.0	-0.1	33.9	7.3
Sweden	2017	2.7	2.4	0.4	7.5	-0.1	3.4	5.1	1.8	6.7	0.9	39.0	4.8
	2018	1.7	1.6	1.3	1.1	0.0	5.1	5.0	1.6	7.1	0.6	36.0	4.8
	2019	2.0	1.9	0.8	0.4	0.2	4.7	3.8	1.4	7.6	0.4	34.0	5.4
Norway	2017	1.8	2.3	2.0	3.5	-0.2	0.8	2.2	1.8	2.7	-	-	-
	2018	2.3	2.6	1.7	2.7	-0.1	2.7	1.4	2.0	2.4	-	-	-
	2019	2.2	2.3	1.9	2.5	0.0	2.2	3.0	2.0	2.3	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euro area	2017	2.5	1.8	**1.1**	**3.2**	-	5.0	4.2	1.5	9.1	-1.1	88.1	3.0
	2018	2.0	1.9	**1.3**	**4.1**	-	3.9	4.5	1.4	8.4	-0.9	87.2	3.0
	2019	1.8	1.9	**1.3**	**4.2**	-	3.4	4.4	1.3	8.0	-0.8	85.2	3.0
Germany	2017	2.6	2.4	1.2	4.4	-	4.8	5.2	1.7	3.8	0.9	64.8	7.8
	2018	2.4	2.4	2.0	4.2	-	3.6	5.2	1.5	3.5	1.0	61.2	7.5
	2019	2.1	2.3	2.2	4.5	-	3.1	4.8	1.6	3.3	1.1	57.9	7.2
Finland	2017	3.1	1.8	0.3	8.9	-	8.1	3.5	0.8	8.6	-1.6	62.0	0.0
	2018	2.3	2.0	0.4	4.5	-	4.0	4.5	1.2	8.0	-1.0	61.0	-0.2
	2019	1.9	1.5	0.2	3.5	-	4.0	3.5	1.4	7.7	-0.8	60.0	0.2

Macro forecast, Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2017	2.3	2.7	0.1	4.0	-0.1	3.4	3.9	2.1	4.4	-3.6	106.0	-2.4
	2018	2.4	2.2	0.0	5.1	0.0	3.6	2.6	2.5	4.0	-3.5	107.0	-3.0
	2019	2.1	1.9	0.4	4.9	0.0	3.1	3.0	2.1	3.8	-4.0	109.0	-3.1
China	2017	6.8	-	-	-	-	-	-	2.0	4.1	-3.7	47.6	1.4
	2018	6.3	-	-	-	-	-	-	2.3	4.3	-3.4	50.8	1.1
	2019	6.0	-	-	-	-	-	-	2.3	4.3	-3.4	53.9	1.2
UK	2017	1.8	1.8	0.6	2.4	-0.4	4.5	3.0	2.7	4.4	-2.4	87.0	-4.6
	2018	1.3	1.3	0.5	1.9	0.1	2.4	2.2	2.2	4.1	-2.0	87.3	-4.7
	2019	1.2	1.0	0.4	2.0	0.0	2.6	1.8	1.8	4.1	-1.8	87.4	-4.6

Source: OECD and Danske Bank. 1) % y/y. 2) % contribution to GDP growth. 3) % of labour force. 4) % of GDP.

Financial forecast

Bond and money markets

		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	09-Feb	1.50	1.80	2.37	2.87	122.6	-	607.3
	+3m	1.75	2.00	2.30	2.55	120.0	-	620.4
	+6m	2.00	2.10	2.45	2.70	123.0	-	605.3
	+12m	2.25	2.35	2.75	2.90	128.0	-	581.8
EUR	09-Feb	0.00	-0.33	-0.13	1.14	-	122.6	744.3
	+3m	0.00	-0.33	-0.15	1.00	-	120.0	744.5
	+6m	0.00	-0.33	-0.10	1.15	-	123.0	744.5
	+12m	0.00	-0.33	0.10	1.45	-	128.0	744.8
JPY	09-Feb	-0.10	-0.06	0.05	0.30	133.8	109.2	5.56
	+3m	-0.10	-	-	-	135.6	113.0	5.49
	+6m	-0.10	-	-	-	140.2	114.0	5.31
	+12m	-0.10	-	-	-	145.9	114.0	5.10
GBP	09-Feb	0.50	0.53	0.98	1.66	88.2	138.9	843.5
	+3m	0.50	0.52	0.85	1.40	87.0	137.9	855.7
	+6m	0.50	0.53	0.90	1.55	86.0	143.0	865.7
	+12m	0.50	0.64	1.05	1.85	84.0	152.4	886.6
CHF	09-Feb	-0.75	-0.75	-0.48	0.56	114.9	93.8	647.6
	+3m	-0.75	-	-	-	117.0	97.5	636.3
	+6m	-0.75	-	-	-	120.0	97.6	620.4
	+12m	-0.75	-	-	-	123.0	96.1	605.5
DKK	09-Feb	0.05	-0.30	0.01	1.33	744.3	607.3	-
	+3m	0.05	-0.30	0.00	1.15	744.5	620.4	-
	+6m	0.05	-0.30	0.05	1.30	744.5	605.3	-
	+12m	0.05	-0.30	0.30	1.60	744.8	581.8	-
SEK	09-Feb	-0.50	-0.45	-0.08	1.47	995.6	812.4	74.8
	+3m	-0.50	-0.45	0.10	1.35	1000.0	833.3	74.5
	+6m	-0.50	-0.45	0.00	1.35	990.0	804.9	75.2
	+12m	-0.50	-0.45	-0.10	1.45	980.0	765.6	76.0
NOK	09-Feb	0.50	0.86	1.24	2.24	981.9	801.2	75.8
	+3m	0.50	0.80	1.15	2.10	940.0	783.3	79.2
	+6m	0.50	0.80	1.30	2.20	920.0	748.0	80.9
	+12m	0.75	1.10	1.50	2.55	910.0	710.9	81.8

Commodities

		2018				2019				Average	
	09-Feb	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019
NYMEX WTI	58	58	58	60	60	60	60	61	61	58	61
ICE Brent	64	62	62	64	64	64	64	65	65	63	65

Source: Danske Bank

Calendar

During the week				Period	Danske Bank	Consensus	Previous
Sat 10	CNY	Money supply M2	y/y	Jan		*8.2%*	8.2%
Sat 10	CNY	Total social finance credit	CNY bn	Jan		*3150*	1139.8
Monday, February 12, 2018				Period	Danske Bank	Consensus	Previous
8:00	SEK	Prospera inflation expectations					
8:00	DKK	CPI	m/m|y/y	Jan	**0.0%|1.0%**	*0.0%|1.0%*	-0.3%|1.0%
9:15	CHF	CPI	m/m|y/y	Jan		*-0.2%|0.7%*	0.0%|0.8%
20:00	USD	Budget statement	USD bn	Jan		*50.0*	51.3
Tuesday, February 13, 2018				Period	Danske Bank	Consensus	Previous
6:30	NOK	Consumer confidence	Net. bal.	1st quarter			17.3
10:30	GBP	PPI - input	m/m|y/y	Jan		*0.6%|4.0%*	0.1%|4.9%
10:30	GBP	CPI	m/m|y/y	Jan	**-0.6%|2.9%**	*-0.6%|2.9%*	0.4%|3.0%
10:30	GBP	CPI core	m/m|y/y	Jan	**-0.9%|2.6%**	*...|2.6%*	...|2.5%
12:00	USD	NFIB small business optimism	Index	Jan		*106.0*	104.9
14:00	USD	Fed's Mester (voter, hawkish) speaks					
Wednesday, February 14, 2018				Period	Danske Bank	Consensus	Previous
0:50	JPY	GDP deflator, preliminary	y/y	4th quarter		*0.0%*	0.1%
0:50	JPY	GDP, preliminary	q/q|ann.	4th quarter	**...|01.0%**	*0.2%|1.0%*	0.6%|2.5%
6:00	SEK	Maklarstatistik Swedish housing price data					
8:00	DEM	HICP, final	m/m|y/y	Jan		*-1.0%|1.4%*	-1.0%|1.4%
8:00	DEM	GDP, preliminary	q/q|y/y	4th quarter		*0.6%|3.0%*	0.8%|2.8%
8:00	DKK	GDP indicator	q/q	4th quarter	**1.0%**		-0.5%
9:00	EUR	ECB's Weidmann speaks in Frankfurt					
9:30	SEK	Capacity utilization, industry	%	4th quarter			90.9%
9:30	SEK	Riksbank, rate decision	%		**-0.5%**	*-0.5%*	-0.5%
10:00	ITL	GDP, preliminary	q/q|y/y	4th quarter		*0.5%|1.6%*	0.4%|1.7%
10:30	EUR	Portugal, GDP, preliminary	q/q|y/y	4th quarter			0.5%|2.5%
11:00	EUR	Industrial production	m/m|y/y	Dec		*-0.2%|4.0%*	1.0%|3.2%
11:00	EUR	GDP, 2nd estimate	q/q|y/y	4th quarter		*0.6%|2.7%*	0.6%|2.7%
11:20	EUR	ECB's Mersch speaks in Frankfurt					
14:30	USD	CPI headline	m/m|y/y	Jan	**0.4%|2.0%**	*0.4%|2.0%*	0.2%|2.1%
14:30	USD	CPI core	m/m|y/y	Jan	**0.2%|1.7%**	*0.2%|1.7%*	0.2%|1.8%
14:30	USD	Retail sales control group	m/m	Jan		*0.4%*	0.3%
16:30	USD	DOE U.S. crude oil inventories	K				1895

Source: Danske Bank

Calendar — continued

Thursday, February 15, 2018				Period	Danske Bank	Consensus	Previous
-	CNY	Lunar New Year					
1:30	AUD	Employment change	1000	Jan		*15*	34.7
5:30	JPY	Industrial production, final	m/m|y/y	Dec			2.7%|4.2%
7:30	FRF	ILO unemployment	%	4th quarter			9.7%
8:00	NOK	Trade balance	NOK bn	Jan			24.7
9:00	ESP	HICP, final	m/m|y/y	Jan			-1.5%|0.7%
9:15	EUR	ECB's Mersch speaks in Paris					
9:30	SEK	Unemployment (n.s.a.|s.a.)	%	Jan	**7.0%|6.5%**	*7.0%|...*	6.0%|6.5%
11:00	EUR	Trade balance	EUR bn	Dec			22.5
11:45	EUR	ECB's Praet speaks in Paris					
14:30	USD	Initial jobless claims	1000				
14:30	USD	Empire Manufacturing PMI	Index	Feb		*17.9%*	17.7%
14:30	USD	Philly Fed index	Index	Feb		*21.0*	22.2
14:30	USD	PPI	m/m|y/y	Jan		*0.4%|2.5%*	-0.1%|2.6%
14:30	USD	PPI core	m/m|y/y	Jan		*0.2%|2.1%*	-0.1%|2.3%
15:15	USD	Capacity utilization	%	Jan		*78.0%*	77.9%
15:15	USD	Industrial production	m/m	Jan		*0.2%*	0.9%
15:15	USD	Manufacturing production	m/m	Jan		*0.3%*	0.1%
16:00	USD	NAHB Housing Market Index	Index	Feb		*72.0*	72.0
18:00	NOK	Norges Bank's Govenor Olsen Annual Address					
22:00	USD	TICS international capital flow, Net inflow	USD bn	Dec			33.8
Friday, February 16, 2018				**Period**	**Danske Bank**	***Consensus***	**Previous**
-	EUR	Fitch may publish Greece's debt rating					
-	CNY	Lunar New Year					
9:20	EUR	ECB's Coeure speaks in Skopje					
10:30	GBP	Retail sales ex fuels	m/m|y/y	Jan		*0.5%|2.3%*	-1.6%|1.3%
14:30	USD	Building permits	1000 (m/m)	Jan		*1300*	1300.0 (-0.2%)
14:30	USD	Housing starts	1000 (m/m)	Jan		*1225*	1192.0 (-8.2%)
14:30	USD	Import prices	m/m|y/y	Jan		*0.6%|...*	0.1%|3.0%
16:00	USD	University of Michigan Confidence, preliminary	Index	Feb		*95.5*	95.7

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Source: Danske Bank

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