9 March 2018

Weekly Focus

From symbolic to all-out trade war?

Market Movers ahead

- We do not expect recent developments on trade to evolve into an all-out trade war, but to remain largely verbal. However, the central theme will be if the US takes further steps against China and the potential for escalation.
- **US** core CPI will come down after a number of stronger-than-expected releases.
- In **China,** we expect data for industrial production, retail sales and fixed asset investments to confirm the picture of a moderate slowdown.
- **Euro area** wage growth is expected to remain around the current level.
- In **Sweden,** inflation will rebound somewhat but remain below the Riksbank's forecast. We expect house prices in Stockholm to have increased in February, as purchases moved forward prior to new amortisation rules taking effect in March.
- In **Norway**, the main event is, of course, the rate-setting meeting at Norges Bank, where we expect the rate path to be revised up a little.

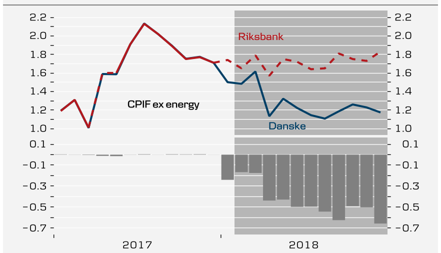
Global macro and market themes

- The ECB shrugs off political risks and moves on unabated.
- Eurosceptic win in Italy leaves political risk premium in EUR and Italian bonds under pressure.
- The ECB manages to deliver 'hawkish' shift in guidance in a soft tone.
- Trump's trade rhetoric is yet another USD negative to add to 'the list'.

Focus

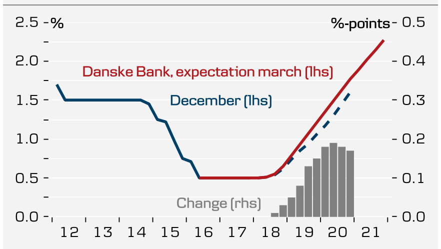
- *US Research: symbolic protectionism with limited impact on growth and inflation but risks remain,* 7 March 2018.
- *ECB Review - 'Hawkish' action - softish language*, 9 March 2018.

We expect Swedish inflation to remain below the Riksbank's forecast



Source: Riksbank, Danske Bank

Norwegian interest rate path is likely to be revised up



Source: Macrobond Financial, Danske Bank

Contents

Financial views

Major indices	09-Mar	3M	12M
10yr EUR swap	1.07	1.30	1.65
EUR/USD	123	123	128
ICE Brent oil	64	62	64

Source: Danske Bank

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Market movers

Global

- In the **US**, CPI core inflation numbers are due to be released on Tuesday. We expect the numbers from February to come in at 0.2% m/m (1.8% y/y, down from 1.9% y/y in January). We do not think one should read too much into a few releases that came out stronger than expected, as there usually is some noise in the data. As we argued in *Part 1: Global Inflation: US stimulus and closing output gaps pose upside risk*, 26 February 2018, we think there are upside risks for core inflation due to more expansionary fiscal policy but it takes time for this to materialise.

  On Wednesday, retail sales numbers for February are due for release. Retail sales fell unexpectedly in January which points to a slowdown in consumer spending. Yet, we think this was a fluke, as consumer confidence remains extremely high. Moreover, industrial production data for February are due out on Friday. PMIs for February indicate that US manufacturing expansion continues. Still, numbers concerning industrial production are usually quite volatile on a monthly basis.

  The Fed's black out period will begin on Saturday, which implies that there will not be any signals concerning monetary policy prior to the meeting on 21 March.

  Markets will focus on Trump's actions with regard to US trade policy as well as the reactions that they might provoke. Trump is expected to finalise the tariffs of 25% on steel imports and 10% on aluminium imports. However, it is not clear yet whether specific countries may be exempt which could be clarified in the coming week. (See *Research US: Symbolic protectionism with limited impact on growth and inflation but risks remain*, 7 March 2018.)

- In the **euro area**, the wage growth figure for Q4 17 is due for release on Friday. Since H2 16, we have seen gradually rising wage pressure as the unemployment rate has continued to decline. However, the wage pressure still remains significantly lower than its historical average despite the unemployment rate being close to the NAIRU, which is probably due to labour market slack observed in broader unemployment measures. Wage growth pressure is key to pushing core inflation upwards and thus key for the ECB's monetary policy decisions. In the short term, we expect wage growth to remain around its current level.

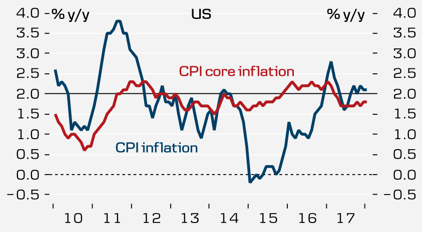
  Note that the revised HICP figures for February are also due for release on Friday. We do not expect any major revision.

- In the **UK**, there are no exciting data releases or scheduled events next week. The focus will be on Brexit ahead of the important EU summit on 22-23 March. We still think it is likely that the two sides can reach an agreement on transition relatively fast but uncertainties remain about the future relationship, where there are still significant disagreements between the EU and the UK.

- The key movers in **China** next week are industrial production, retail sales and fixed asset investments, all released on Wednesday. We expect the data to confirm the picture of moderate slowdown. Note, though, that the industrial production data has been generally weaker than most other data as it has shown no sign of rebound in the past two years. We look for the annual growth rate to be broadly flat in February.

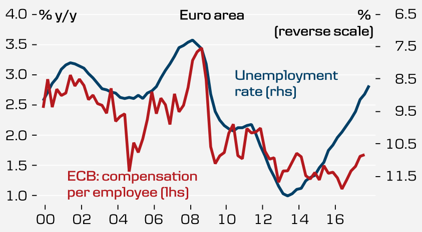
- There are no market movers in Japan next week.

CPI inflation expected to fall slightly in February



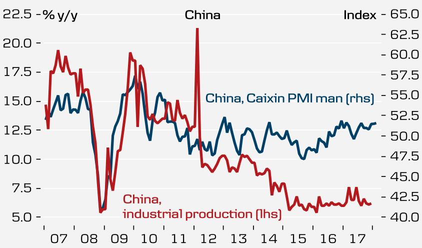
Source: ISM, IHS Markit, Macrobond Financial

Wage pressure is rising but low



Source: Macrobond Financial, ECB, Danske Bank

China: industrial production weaker than signalled by PMI

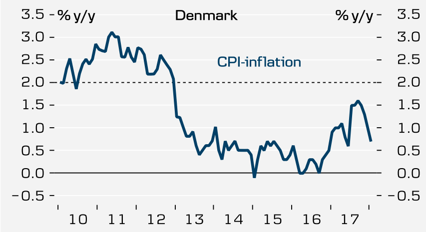


Source: Macrobond Financial, Danske Bank

Scandi

- In **Denmark**, we have a variety of interesting data coming up, starting with the February CPI on Monday. Inflation was lower than expected in January, due mainly to a drop in sewerage charges. February brings the annual rent adjustment, which will push up inflation, while falling fuel prices will presumably pull in the other direction. Fuel prices climbed at the beginning of the year as a result of a cold January in the US and geopolitical tensions in the Middle East, but these effects should drop out in February. We therefore expect the CPI to climb 0.8% m/m and 0.7% y/y. Monday also brings the balance of payments and exports for January. Given the upswing in the global economy, there should be scope for an increase in exports of goods. On Wednesday, the central bank holds a press conference to present its six-monthly *Outlook for the Danish Economy*. Finally, Finance Denmark releases housing market statistics for Q4 last year on Thursday. We already have Statistics Denmark's figures for how prices have moved on a nationwide basis, but it will be interesting to see what has been happening at a local level.

Inflation has fallen again in recent months



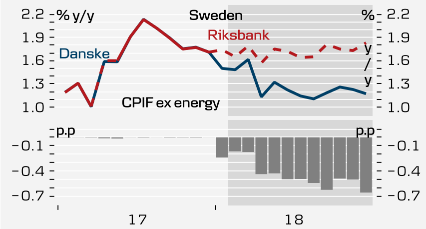
Source: Statistics Denmark

- February inflation in **Sweden** will be in the limelight next week. We expect the vast majority of price components to rebound after widespread sales in January – this is the normal seasonal pattern of course. CPIF and CPIF excluding energy will move closely in tandem as energy net moves just slightly more than the rest. Actually, the monthly change in these two measures will closely mirror last year's outcome, implying largely unchanged inflation rates compared to January. This means inflation rates are likely to continue printing below the Riksbank's forecast in February too. Obviously that will not be of any help to the Riksbank's rate call as we approach the April meeting.

  But there is Prospera's quarterly inflation expectations survey on the agenda too. Now, expectations dipped in Q4 on all horizons after a three year run-up (driven by the Riksbank's policy weakening the krona) where wage expectations have remained essentially stable. As we see it, there is a high risk that expectations have declined somewhat again this quarter.

  Finally, there will be February HOX house prices. Our indicator suggests that Stockholm flat prices rebounded 1.5 % m/m, which is slightly more that the seasonal increase. Our interpretation is that this is largely the result of buyers trying to front-run the new amortisation requirement. Much more important is what happens in March and the forthcoming months. We continue to argue that prices are likely to start falling again on the back of a huge supply overhang of newly produced, expensive (and hence less in demand) flats hitting the market this year. That in turn will cause a marked decline in residential construction activity in 2018.

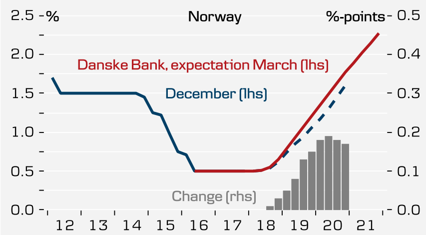
Danske inflation forecast vs Riksbank



Source: Riksbank, Danske Bank

- In **Norway**, the main event is, of course, the rate-setting meeting at Norges Bank, complete with monetary policy report and press conference. We do not expect any change to the key rate, so interest will centre on the interest rate projections presented in the report. In December, the bank's interest rate path showed a first hike between December this year and March next year, while governor Øystein Olsen has repeatedly indicated that December is the most likely timing. Economic developments since the December meeting have been a mixed bag. Domestic growth has been slightly higher than expected, the krone slightly weaker, and oil prices slightly higher. Interest rate expectations in neighbouring countries (especially 1-3 years ahead) are also higher. This all points towards a higher interest rate path. On the other hand, inflation was lower than expected in January, and wage expectations appear to be somewhat more subdued. Together with slightly higher money market rates, this will pull in the other direction. On balance, we expect the path to be revised up a little this year, and slightly more in 2019 and 2020. More specifically, we now expect to see a 50/50 chance of a rate

Interest rate path expected to be revised up



Source: Macrobond, Danske Bank

increase in September, and a slight rise in the probability of a June hike. Further ahead, we expect the bank's path to show a little over two rate increases per year in 2019-21. The risk, however, is clearly to the upside. If we view Norges Bank as a risk manager, the greatest threat is the combination of high household debt and variable mortgage rates. Raising interest rates a long way in a short period is therefore best avoided. Many argue that this limits how far rates can be raised. To our mind, however, it is more an argument for starting to normalise interest rates earlier than would otherwise be the case, so as not to end up on the back foot. If Norges Bank shares our view, we could get early warning of a rate hike as soon as June.

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Tue	13-Mar	13:30	USD	CPI core	m/m|y/y	Feb	**0.2%|1.8%**	*0.2%|1.8%*	0.3%|1.8%
Wed	14-Mar	3:00	CNY	Industrial production	y/y	Dec			
		3:00	CNY	Retail sales	y/y	Dec			
		3:00	CNY	Fixed assets investments	y/y	Feb		*7.0%*	7.2%
		13:30	USD	Retail sales control group	m/m	Feb		*0.4%*	0.0%
Fri	16-Mar	11:00	EUR	Labour costs	y/y	4th quarter			1.6%
		14:15	USD	Industrial production	m/m	Feb		*0.3%*	-0.1%
Scandi movers									
Mon	12-Mar	8:00	DKK	CPI	m/m|y/y	Feb	**0.8%|0.7%**	*0.7%|0.6%*	-0.3%|0.7%
Wed	14-Mar	9:00	SEK	Valueguard Swedish housing price data			**1.50%**		
		9:30	SEK	Underlying inflation CPIF	m/m|y/y	Feb	**0.75%|1.74%**	*0.7%|1.7%*	-0.9%|1.7%
		10:30	DKK	Danish Central Bank publishes Outlook for the Danish economy					
Thurs	15-Mar	8:00	SEK	Prospera inflation expectations					
		9:30	SEK	Unemployment (n.s.a.|s.a.)	%	Feb	**7.0%|6.5%**		7.0%|6.5%
		10:00	NOK	Norges Banks monetary policy meeting	%		**0.5%**	*0.5%*	0.5%

Source: Bloomberg, Danske Bank

Global Macro and Market Themes

ECB shrugs off political risks

A week that started with US President Donald Trump intensifying his trade-war rhetoric and a eurosceptic shift at the Italian general election also saw the ECB continue its gradual 'normalisation' of monetary policy by removing its easing bias. Following a sell-off in, notably, European equities early in the week, sentiment recovered as the ECB managed to sell a hawkish action on a dovish note. Moves in US Treasuries were overall muted this week and the 10Y yield remains in the 2.85% area and, thus, is still somewhat off the key 3.0% level reached during the US taper tantrum in 2013/14. While EUR/USD remains in the middle of the 1.21-1.26 range, in which we still see the cross near term, USD recovered against most majors.

Political risks back in EUR and Italian bonds

While the SPD voted to join the CDU in forming a coalition government, securing Angela Merkel another term as German chancellor, the hung parliament outcome in Italy following last weekend's election with anti-establishment parties such as the Five-Star Movement and Northern League, seeing strong backing from voters, keeps political risks on the agenda in the eurozone for the time being (see *Italian Election Monitor: Eurosceptic shift*, 5 March). However, it is not likely to be until 23 March, when both houses of parliament come together for the first time, that we will get a clearer indication on where Italy is heading. In our view, it is unlikely we will have a new Italian government in place before May or June this year and a new election remain a possibility. **The uncertainty and notably risk (if small) of a eurosceptic government being formed should keep a political risk premium in EUR crosses and keep Italian bond yields under pressure near term.**

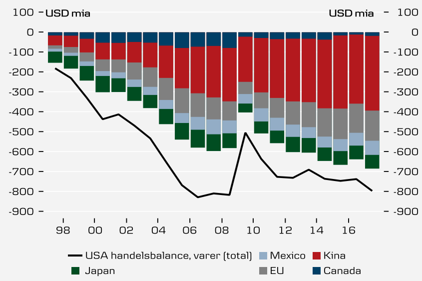
Trump trade war rhetoric adds to list of USD negatives

However, political risks are also intensifying on the other side of the Atlantic: US President Trump has intensified the pursuit of his protectionist agenda by suggesting tariffs on steel and aluminium (see *Research US: Symbolic protectionism with limited impact on growth and inflation but risks remain*, 7 March). The departure of Gary Cohn, a strong opposer of tariffs, as one of Trump's economic advisers further fuels speculation that the 'America first' policy could lead to a full-blown trade war with the risk of the US leaving, for example, the WTO. The EU has already been relatively vocal that retaliation measures could be in store, while China has yet to take an official stance. Our base case remains that Trump will stick to case-by-case measures and try to hit China specifically in order to satisfy his voter base. Hence, we expect the impact on US growth and inflation to be fairly limited. However, if a tit-for-tat trade war breaks out, it would be clearly negative for the global economy and global risk sentiment and it would lift inflation by even more than we currently expect. **In any case, a weaker USD would be likely to be the result due to the 'stagflation'-like impact it could have on the US and because the sense of US isolation in this case would dominate the traditional support for the greenback from souring risk sentiment.**

Key points

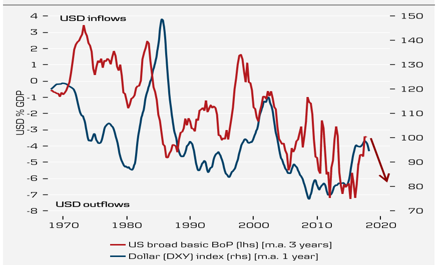
- Political risks resurfacing but ECB moves on unabatedly.
- Eurosceptic win in Italy leaves political risk premium in EUR and Italian bonds under pressure.
- Trump's trade rhetoric is yet another USD negative to 'the list'.
- ECB manages to deliver 'hawkish' shift in guidance in a soft tone.

Trump hitting at US trade partners – again



Source: BEA, Macrobond Financial, Danske Bank

Trump (and Fed) policy set to weigh on USD still

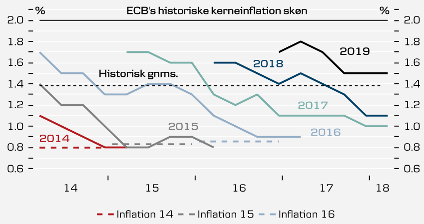


Source: Bloomberg, Macrobond Financial, Danske Bank

ECB takes 'hawkish' step wrapped in 'soft' comments

As expected, the ECB changed its forward guidance at this week's meeting, removing the flexibility it has kept open up to now of increasing QE purchases again should the economic outlook turn less favourable. Indeed, despite political risks arising from both Trump and Italian politics, the ECB's confidence in the euro expansion is growing (see *ECB Review - 'Hawkish' action - softish language*, 8 March). While the initial market reaction was to see the ECB more hawkishly, sending both short-end rates and the euro higher, the initial reaction faded as Mario Draghi – as always – managed to deliver 'hawkish' action in a soft tone, thus framing the change in the central bank's forward guidance as a natural step given the 'strong' outlook. Hence, the market concluded that the ECB remains in no hurry to 'exit', particularly as victory on inflation cannot be declared yet. While the ECB kept its core inflation forecast unchanged, we still think this remains too optimistic and our ECB view is little changed following this week's events. Hence, while US long-term yields may continue to grind higher and drag their euro counterparts along, we still see pricing of the front-end of the money-market curve as too aggressive.

ECB stays on 'exit' path but still looking at a soft inflation outlook



Source: ECB, Macrobond Financial, Danske Bank

Financial views

Asset class	Main factors
Equities Positive on 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 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 the ECB 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 2020 and Fiscal policy seems more expansionary than previously expected and yields should move 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 – rangebound near term but upside risks still dominate	In 1.21-1.26 range for now but supported longer term by valuation and capital-flow reversal as ERCB 'normalisation' continues and USD weakness persists.
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 – lower short term	Expect JPY to strenghten in coming months on the back of portfolio flows into Japan ahead of Fiscal Year end, stretched JPY positioning and fragile risk markets.
EUR/SEK – risk to the topside on housing market, inflation and RB	We remain negative on the SEK on the back of lower growth, weak inflation outlook and too aggressive RB pricing.. Eventually EUR/SEK lower but not a H1 story.
EUR/NOK – set to move lower	We remain positive on NOK on valuation, relative growth, positoning, terms-of-trade, relative rates and the global outlook.
Commodities Oil price – starting to correct lower again	June review weakens impact of extension of OPEC+ output cuts. Geopolitical tensions around Saudi Arabia and Iran looming. Support from falling USD.

Source: Danske Bank

Scandi Update

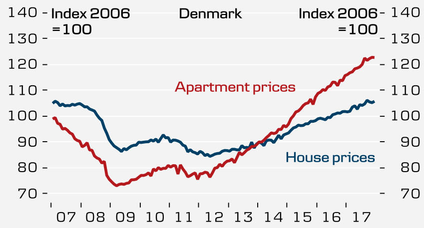
Denmark – another good year for the housing market

Allowing for normal seasonal variations, house prices climbed 0.5% m/m in December, while apartment prices were pretty much unchanged. 2017 was therefore another good year for the housing market, with house prices gaining 3.9% and apartment prices 6.0%. While these are sensible overall growth rates, prices in Copenhagen have risen particularly sharply in recent years and are now up at levels where a sudden increase in interest rates could very well hit prices. From this perspective, the more subdued increase in December is welcome.

Industrial production climbed 2.6% m/m in January after an unspectacular 2017, which gives us hope that 2018 will turn out somewhat better. It is important to remember, though, that the industrial production numbers do tend to fluctuate widely from month to month, so last January's figure should be taken with a pinch of salt.

The wage-bargaining process in the public sector has brought warnings of industrial action that could cause considerable disruption in April. It is far from certain whether things will get that far, as talks are still ongoing. If there is a major industrial dispute, experience shows that this could have a tangible effect on the likes of GDP in Q2, but this would be only temporary. As it is only in the public sector that wages are being discussed, the outcome will not have an impact on inflation other than very indirectly and marginally.

Housing prices have risen in recent years



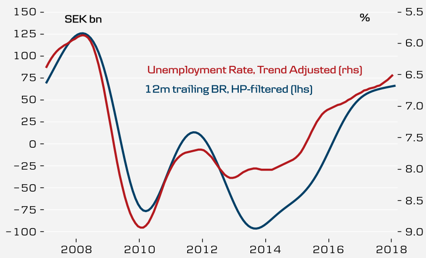
Source: Statistics Denmark

Sweden – GDP Q4 marked the peak in this cycle

Swedish data this week has been somewhat of a mixed bag. February manufacturing PMI moderated slightly again to 59.0 from multi-year highs in December, while January production and order growth accelerated slightly. This seems to be consistent with our view that GDP growth will moderate slightly to about 3% y/y in Q1, even though this is still a very premature indication.

The February budget balance showed a slightly smaller surplus than forecast by RGK, SEK49.9bn versus SEK54.8bn. It was a combination of higher-than-expected spending by authorities and less-than-expected tax revenues. Whether this implies a change to previous years' trend of significantly higher surpluses than expected remains to be seen. As long as the strong labour market remains intact, there is a solid basis to expect a significant surplus in 2018.

Strong labour market helps budget

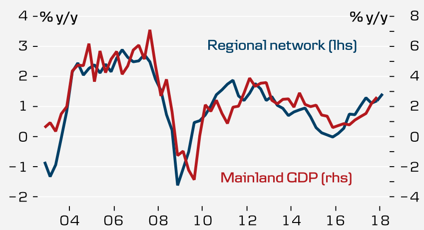


Source: Statistics Sweden, Debt Office

Norway – stronger growth

As expected, Norges Bank's regional network survey indicated that the economy is gaining momentum. The aggregated output index climbed to 1.42, equivalent to an annual growth rate of around 2.8%. The improvement was also broad-based, with increases in all the sector indices bar retail. We were particularly interested to see the recovery in oil-related industries really gaining a foothold. The rise in the construction index was also a pleasant surprise given the downturn in homebuilding. Otherwise, we noted that expected investment growth among Norwegian firms as a whole is now at its highest since March 2007. Employment expectations are also improving, but more in line with what we would anticipate. The network's wage expectations, on the other hand, point to slightly more moderate growth than we envisage, thus presenting a slight downside risk to our forecast for 2018 of 3.0%. All in all, it was a very solid report that supports our view that growth will hold well above trend, and that we will also see a process of growth rotation, with oil investment, mainland business investment and private consumption largely taking over from government demand and housing investment as the main growth drivers. The results also indicate that Norges Bank will need to revise up its growth projections for the Norwegian economy, which, in isolation, would point to an earlier increase in interest rates.

Growth is accelerating



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

8/3 ECB Review – 'Hawkish' action - softish language

As expected, the ECB's changed its forward guidance so it no longer entails the QE flexibility. President Mario Draghi struck a softish tone in the press conference, in particular as victory on inflation cannot be declared yet.

7/3 Research US: Symbolic protectionism with limited impact on growth and inflation but risks remain

In this piece, we try to dive into US trade policy from different angles, what it means for the economy and what to expect from here.

6/3 Norway Regional Network Survey - Strong report 'confirms' Norges Bank rate hike in H2

Norges Bank has published the Regional Network Survey, its preferred gauge of economic activity, for November. The aggregated output index rose from 1.19 to 1.42.

5/3 QE Details: More of the same in volume terms - yet, increasingly distorted WAM

As expected, the QE figures for February showed PSPP share remained around 70% of the new purchase rate of EUR30bn . This is in line with expectations of the new purchase rate as of January this year. We continue to expect around 70% of the total APP will be allocated to the PSPP.

5/3 Italian Election Monitor: Eurosceptic shift

The result of the Italian parliamentary election appears to be a hung parliament, as earlier polls pointed to already. Anti-establishment parties such as the Five Star Movement and Northern League nevertheless registered strong gains, but none of the three major political blocs seem to be able to secure an outright majority

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	2.1	1.5	1.1	2.5	0.1	4.6	4.1	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	0.9	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	2.4	2.4	0.4	6.0	0.2	3.7	5.0	1.8	6.7	0.9	39.0	0.8
	2018	1.7	1.6	1.3	1.1	0.0	5.1	5.0	1.5	7.1	0.6	36.0	4.8
	2019	2.0	1.9	0.8	0.4	0.2	4.7	3.8	1.3	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	1.9	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	1.7	**1.2**	**3.1**	-	5.3	4.3	1.5	9.1	-1.1	89.3	3.5
	2018	2.1	1.7	**1.5**	**3.8**	-	4.6	4.6	1.4	8.4	-0.9	87.2	3.0
	2019	1.9	1.9	**1.3**	**4.2**	-	3.4	4.4	1.3	8.0	-0.8	85.2	2.9
Germany	2017	2.5	2.1	1.6	3.9	-	5.3	5.6	1.7	3.8	0.9	64.8	7.8
	2018	2.2	1.8	2.3	3.4	-	5.0	6.0	1.5	3.5	1.0	61.2	7.5
	2019	2.0	2.3	2.2	4.5	-	3.1	4.8	1.5	3.3	1.0	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	1.7	1.8	0.6	3.9	-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-Mar	1.50	2.06	2.55	2.90	123.0	-	605.4
	+3m	1.75	2.10	2.50	3.00	123.0	-	605.3
	+6m	2.00	2.17	2.65	3.10	125.0	-	595.6
	+12m	2.25	2.42	2.90	3.30	128.0	-	581.8
EUR	09-Mar	0.00	-0.33	-0.13	1.07	-	123.0	744.8
	+3m	0.00	-0.33	-0.05	1.30	-	123.0	744.5
	+6m	0.00	-0.33	0.00	1.45	-	125.0	744.5
	+12m	0.00	-0.33	0.20	1.65	-	128.0	744.8
JPY	09-Mar	-0.10	-0.05	0.05	0.27	131.3	106.7	5.67
	+3m	-0.10	-	-	-	127.9	104.0	5.82
	+6m	-0.10	-	-	-	135.0	108.0	5.51
	+12m	-0.10	-	-	-	140.8	110.0	5.29
GBP	09-Mar	0.50	0.60	1.04	1.60	89.1	138.1	836.2
	+3m	0.75	0.78	1.20	1.80	87.0	141.4	855.7
	+6m	0.75	0.79	1.30	1.90	86.0	145.3	865.7
	+12m	1.00	1.04	1.60	2.15	84.0	152.4	886.6
CHF	09-Mar	-0.75	-0.74	-0.48	0.50	117.1	95.2	635.9
	+3m	-0.75	-	-	-	117.0	95.1	636.3
	+6m	-0.75	-	-	-	120.0	96.0	620.4
	+12m	-0.75	-	-	-	123.0	96.1	605.5
DKK	09-Mar	0.05	-0.30	0.00	1.25	744.8	605.4	-
	+3m	0.05	-0.30	0.10	1.45	744.5	605.3	-
	+6m	0.05	-0.30	0.15	1.60	744.5	595.6	-
	+12m	0.05	-0.30	0.35	1.80	744.8	581.8	-
SEK	09-Mar	-0.50	-0.44	-0.15	1.33	1015.9	825.6	73.3
	+3m	-0.50	-0.45	0.00	1.60	1020.0	829.3	73.0
	+6m	-0.50	-0.40	0.00	1.70	1020.0	816.0	73.0
	+12m	-0.50	-0.40	0.05	1.70	1000.0	781.3	74.5
NOK	09-Mar	0.50	1.01	1.49	2.35	960.0	780.3	77.6
	+3m	0.50	0.80	1.30	2.45	940.0	764.2	79.2
	+6m	0.50	0.80	1.45	2.60	920.0	736.0	80.9
	+12m	0.75	1.10	1.75	2.85	910.0	710.9	81.8

Commodities

		2018				2019				Average	
	09-Mar	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

Key Data and Events in Week 11

During the week				Period	Danske Bank	Consensus	Previous
Monday, March 12, 2018				**Period**	**Danske Bank**	**Consensus**	**Previous**
8:00	SEK	Industrial production s.a.	y/y	Feb			4.0%
8:00	SEK	Service production	y/y	Feb			4.0%
8:00	DKK	Current account (nsa|sa)	DKK bn	Jan			...|13.8
8:00	DKK	CPI	m/m|y/y	Feb	**0.8%|0.7%**	*0.7%|0.6%*	-0.3%|0.7%
8:00	DKK	Trade balance ex ships	DKK bn	Jan			53.3
8:00	DKK	Exports	m/m	Jan			
19:00	USD	Budget statement	USD bn	Feb		*-223.0*	-192.0
Tuesday, March 13, 2018				**Period**	**Danske Bank**	**Consensus**	**Previous**
-	USD	Special election for Pennsylvania's 18th Congressional District					
9:00	ESP	HICP	m/m|y/y	Feb		*0.1%|1.2%*	0.1%|1.2%
11:00	USD	NFIB small business optimism	Index	Feb		*107.1*	106.9
13:30	USD	CPI headline	m/m|y/y	Feb		*0.2%|2.2%*	0.5%|2.1%
13:30	USD	CPI core	m/m|y/y	Feb	**0.2%|1.8%**	*0.2%|1.8%*	0.3%|1.8%
Wednesday, March 14, 2018				**Period**	**Danske Bank**	**Consensus**	**Previous**
3:00	CNY	Industrial production	y/y	Dec			
3:00	CNY	Retail sales	y/y	Dec			
3:00	CNY	Fixed assets investments	y/y	Feb		*7.0%*	7.2%
8:00	DEM	HICP	m/m|y/y	Feb		*0.5%|1.2%*	0.5%|1.2%
9:00	SEK	Valueguard Swedish housing price data			**1.50%**		
9:00	EUR	ECB's Draghi speaks in Frankfurt					
9:30	SEK	CPI	m/m|y/y	Feb	**0.73%|1.60%**	*0.7%|1.6%*	-0.8%|1.6%
9:30	SEK	Underlying inflation CPIF	m/m|y/y	Feb	**0.75%|1.74%**	*0.7%|1.7%*	-0.9%|1.7%
9:45	EUR	ECB's Praet speaks in Frankfurt					
10:30	DKK	Danish Central Bank publishes Outlook for the Danish economy					
11:00	EUR	Industrial production	m/m|y/y	Jan		*-0.2%|4.7%*	0.4%|5.2%
11:00	EUR	Employment	q/q|y/y	4th quarter			0.4%|1.7%
11:45	EUR	ECB's Constancio speaks in Frankfurt					
13:30	USD	PPI	m/m|y/y	Feb		*0.1%|2.8%*	0.4%|2.7%
13:30	USD	PPI core	m/m|y/y	Feb		*0.2%|2.6%*	0.4%|2.2%
13:30	USD	Retail sales control group	m/m	Feb		*0.4%*	0.0%
15:30	USD	DOE U.S. crude oil inventories	K				2408
17:15	EUR	ECB's Coeure speaks in Berlin					
22:45	NZD	GDP	q/q|y/y	4th quarter		*0.8%|3.1%*	0.6%|2.7%
Thursday, March 15, 2018				**Period**	**Danske Bank**	**Consensus**	**Previous**
7:00	DKK	House prices (Finance Denmark)	q/q|y/y	4th quarter			
8:00	SEK	Prospera inflation expectations					
8:45	FRF	HICP	m/m|y/y	Feb		*0.0%|1.3%*	0.0%|1.3%
9:30	CHF	SNB 3-month Libor target rate	%			*-0.8%*	-0.8%
9:30	SEK	Unemployment (n.s.a.|s.a.)	%	Feb	**7.0%|6.5%**		7.0%|6.5%
10:00	NOK	Norges Banks monetary policy meeting	%		**0.5%**	*0.5%*	0.5%
12:00	EUR	Ireland, GDP	q/q|y/y	4th quarter			4.2%|10.5%
13:30	USD	Initial jobless claims	1000				
13:30	USD	Philly Fed index	Index	Mar		*23.0*	25.8
13:30	USD	Empire Manufacturing PMI	Index	Mar		*15.0*	13.1
13:30	USD	Import prices	m/m|y/y	Feb		*0.3%|...*	1.0%|3.6%
15:00	USD	NAHB Housing Market Index	Index	Mar		*72.0*	72.0
21:00	USD	TICS international capital flow, Net inflow	USD bn	Jan			-119.3

Source: Danske Bank

Calendar (continued)

Friday, March 16, 2018				Period	Danske Bank	*Consensus*	Previous
-	ITL	Moody's may publish Italy's debt rating					
-	EUR	Fitch may publish Italy's debt rating					
-	EUR	Moody's may publish Italy's debt rating					
-	EUR	S&P may publish Portugal's debt rating					
-	EUR	S&P may publish Finland's debt rating					
-	EUR	S&P may publish Austria's debt rating					
-	EUR	S&P may publish Cyprus's debt rating					
5:30	JPY	Industrial production, final	m/m|y/y	Jan			-6.6%|2.7%
8:00	NOK	Trade balance	NOK bn	Feb			28.8
10:00	ITL	HICP	m/m|y/y	Feb		*...|0.7%*	...|0.7%
11:00	EUR	HICP inflation	m/m|y/y	Feb		*0.2%|1.2%*	-0.9%|1.3%
11:00	EUR	HICP - core inflation	y/y	Feb		*1.0%*	1.0%
11:00	EUR	Labour costs	y/y	4th quarter			1.6%
13:30	USD	Building permits	1000 (m/m)	Feb		*1328*	1377.0 (5.9%)
13:30	USD	Housing starts	1000 (m/m)	Feb		*1286*	1326.0 (9.7%)
14:15	USD	Capacity utilization	%	Feb		*77.7%*	77.5%
14:15	USD	Industrial production	m/m	Feb		*0.3%*	-0.1%
14:15	USD	Manufacturing production	m/m	Feb		*0.3%*	0.0%
15:00	USD	University of Michigan Confidence, preliminary	Index	Mar		*99.5*	99.7

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Source: Danske Bank

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