

Weekly Focus

Hawkish Powell opens for possibility of a 50bp hike

The biggest market mover this week was Fed Governor Jerome Powell's hawkish testimony in the Senate. Powell pointed to an "extremely tight labour market" and stated that the Fed was prepared to speed up rate rises if warranted by data, thus opening the door for a possible 50bp hike at the upcoming meeting on 22 March. No doubt next week's CPI report for February and the non-farm payrolls released today (after deadline) are key for the Fed's decision on the size of the hike. US job openings released this week were again stronger than expected, although declining slightly from the January level. When Powell described the labour market he referred specifically to the ratio of job openings to unemployed, which stood at 1.9 in January, a very high number historically. The market prices more than 100bp of further rate increases by the Fed over the next 2-3 quarters.

ECB members increasingly disagree on what to signal to the market, which led to an open spat when Bank of Italy governor Ignazio Visco took a swipe at colleagues saying that "Uncertainty is so high that the Governing Council of the ECB has agreed to decide 'meeting by meeting', without forward guidance...I therefore don't appreciate statements by my colleagues about future and prolonged interest rate hikes." It followed comments by Austrian central bank Governor Holzmann that he expected the ECB to hike 50bp at the next four meetings. Holzmann is probably the most hawkish member of the ECB. The market currently prices a further 160bp of hikes broadly in line with our own forecast.

Updated fiscal policy guidance from the European Commission urged EU countries to start phasing out government support programmes after the pandemic and energy crisis, as Brussels prepares to reinstate Stability and Growth Pact rules in 2024. However, the planned reinstatement coincides with ongoing discussions to overhaul the Stability and Growth Pact (SGP) rules, where consensus remains yet elusive.

In China the National People's Congress opened on Sunday and revealed a growth target for 2023 of 'around 5%', which was at the low end of expectations. It is a signal that China will hold back from major stimulus and prioritizes long-term stability goals. We expect China to beat the target and growth 5.5% this year as data so far points to a strong rebound of the economy after the 'reopening' and we see scope for pent-up demand in consumption and housing to be unleashed this year. This weekend China will present new people on key positions in the government and Li Qiang will officially become China's new number two as Premier, taking over from Li Keqiang.

In financial markets long bond yields have moved sideways despite higher short-end yields following the hawkish signals from Powell. The USD gained on more rate hikes being priced while equities and commodity prices are broadly flat on the week.

The key data release the coming week will be the US CPI for February. We broadly agree with consensus of another print on the high side of 0.4% m/m for core CPI. It is also time for the ECB meeting on Thursday which will be the highlight. A 50bp hike is a done deal, but markets will pay attention to the communication for the May meeting, given the continued strong underlying inflation pressure. See also our *ECB preview: Higher for longer – now seen at 4%*, 2 March.

Key global views

- Stagnation and periodic contraction in the US and in Europe during 2023.
- US and euro area headline inflation set to decline further, but core inflation likely to stay elevated.
- More rate hikes in store

Key market movers

- Tuesday: US CPI, US NFIB small business index,
- Wednesday: China retail sales and industrial production, US retail sales, US Empire, US NAHB housing index
- Thursday: ECB meeting, US Philly Fed survey
- Friday: Euro CPI (final), Euro labour cost, OECD economic outlook

Selected reading from Danske Bank

- *Euro Area Macro Monitor - Services comeback*, 7 March
- *Research China – NPC sets modest growth target at 'around 5%'*, 6 March
- *Executive Briefing – Recession risks ease, but inflation fears resurface*, 3 March

Editor

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

Scandi market movers

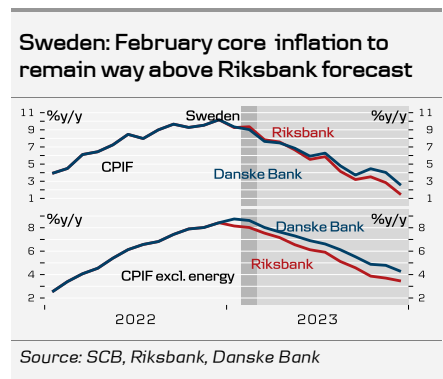
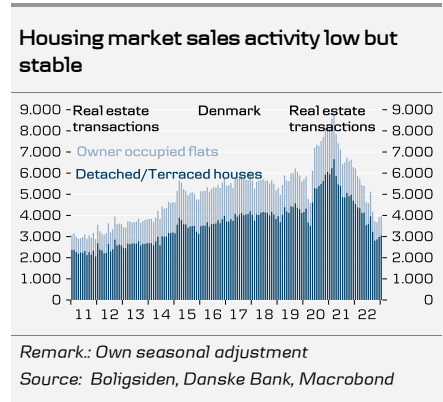
- In **Denmark**, the latest current account figures are due on Monday. Denmark’s current account surplus rose significantly from November to December after falling sharply in November following the inclusion of a patent import in the figures. If we momentarily disregard the extraordinary situation in November and instead compare with October, then December was a continuation of the downward trend that started in spring 2022. Denmark’s current account surplus rose enormously in 2022 due to very high prices for shipping, which is a major export service in Denmark. As shipping prices have normalised, so the current account surplus has shrunk. We expect the surplus to continue to decline in the time ahead, but to remain well clear of becoming a deficit.

Property website Boligsiden is set to release February’s home sales figures on Thursday. Since peaking in March 2021, housing market activity has slowed to around 2014 levels. In our view, there are two main drivers for the lower level of activity: first, rising interest rates throughout 2022 made financing a home purchase very much more expensive; second, the jump in sales activity during the Covid-19 pandemic means that many prospective buyers have already bought and so are no longer considering buying anytime soon. We see sales activity rising marginally but remaining low as the most realistic outcome for February. This year kicked off with a measurable decline in long-term interest rates and renewed vigour in the Danish economy according to a series of strong data prints. This prompted a slight improvement of sentiment among potential buyers, which has a knock-on effect on the housing market. That being said, interest rates have risen again lately as improved economic data in Denmark and not least globally caused investors to fret that interest rates will have to remain high for longer if inflation is to be tamed. We therefore do not expect sales activity to be trending up when looking a couple of months ahead.

- In **Sweden**, for obvious reasons, the February inflation outcome is not only in the limelight for markets the coming week, it is the star of economic indicators. We expect both CPIF and CPIF excl. energy to decline marginally compared to January: CPIF and CPIF excl. Energy are forecast to print 9.0% y/y and 8.6% y/y respectively. This is 0.4 percentage points below and 0.6 percentage points above Riksbank’s respective forecasts. We strongly believe that the Riksbank is currently focused on the latter of the two. Needless to say, risks remain tilted to the upside. That said, even a “black swan” print closer to Riksbank’s forecast would hardly shake money markets current pricing for a 50 bp hike in April. The main drivers this month in order of importance are food, clothing and rents (incl. tenant-owned flats fees).

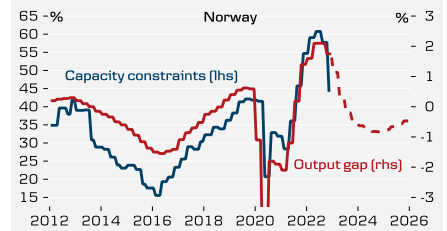
Prospera also releases the “big” quarterly inflation expectations survey. It seems reasonable to expect inflation expectations to come down at least on the 2y and 5y horizons as markets are pricing in more and more Riksbank rate hikes and 2023 GDP forecasts have gradually been reduced among most forecasters.

The Riksbank is in focus on several events: 1) Riksdag’s finance committee has an open hearing with the Riksbank’s entire Executive Board about the 2022 annual report and current monetary policy. We expect questions about how to handle the huge loss on the bond portfolio and the resulting negative equity, 2) Flodén speaks about monetary policy at an event in Stockholm, 3) the Riksbank releases its semi-annual business survey.



- In **Norway**, the previous round of Norges Bank's regional network survey pointed to a clear slowdown in the economy. Capacity utilisation was on the way down, expected profitability was clearly negative, and expectations for employment and investment were around neutral. This was an important factor in our belief that interest rates had peaked. Actual developments in the Norwegian economy, however, have been stronger than the survey predicted. Together with a still tight labour market, strong inflation, higher global interest rates and a weak krone, this has pushed up interest rate expectations. Just how aggressive Norges Bank will now need to be depends on signals from the regional network. The growth outlook will probably be somewhat brighter than in the previous round, but still point to deterioration. The most important information this time around, however, will be for capacity utilisation, because this is the most important driver of domestic inflation in the medium term in the central bank's models. If capacity utilisation falls further, the upside risk to inflation will be smaller, and it will be easier for Norges Bank to look through today's high inflation, especially with inflation expectations being well anchored and prevailing interest rates being considered contractionary. In this case, Norges Bank will be better able to stick to its strategy of gradual rate increases. If, on the other hand, capacity utilisation rises again, this would be a clear signal that current interest rates are not having a sufficiently restrictive effect. The risk to inflation would then be very much to the upside in both the short and the medium term, opening the door to more aggressive policy from the central bank in the form of a double hike in March and/or an extra hike at the interim meeting in May.

Capacity utilisation most important



Source: Macrobond, Danske Bank

Scandi update

Denmark – Inflation declines, but food prices rise

Inflation fell to 7.6% in February from 7.7% in January – the fourth monthly decline in a row after peaking at a multi-decade high of 10.1% in October. While inflation declining further is certainly good news, the fall was once again more modest than we had expected. Decreasing gas prices at the start of the year were a particular downward force on inflation, while electricity prices also fell. Pulling in the opposite direction was another increase in food prices. Seasonally adjusted, food prices increased by some 1.4% between January and February alone, and are now 14.8% higher than at the same point last year.

Industrial production in Denmark fell by 7.6% in January. The decline came largely on the back of a pronounced dip in pharmaceutical production, though that has to be seen against production in the pharmaceutical industry soaring some 45.1% in December. All in all, industrial production was 6.2% higher in January 2023 than in November 2022. Pharmaceutical production being maintained at current levels would be sufficient to lift Danish GDP for 2023. While the pharmaceutical industry may be responsible for much of the volatility in the figures, the rest of the industrial sector also took quite a marked step backwards in January, when production ex. pharmaceuticals fell 3.5%, so clearly pointing to an economic slowdown.

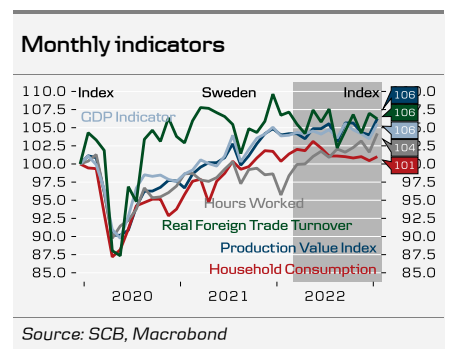
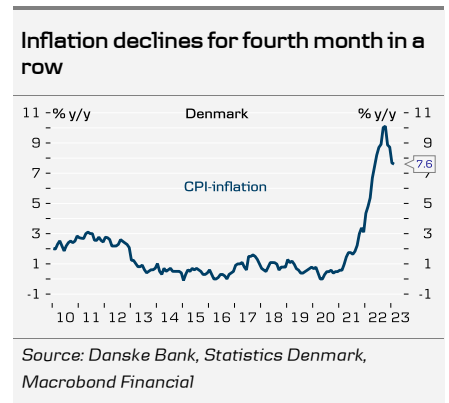
February saw 264 bankruptcies among active companies (seasonally adjusted), a somewhat modest decline compared to January. However, as the figures tend to fluctuate significantly from month to month, the overall picture is still of a relatively large number of companies having to shut up shop at the moment. Bankruptcies are running above the norm right now, driven by the expiration of Covid-19 relief schemes, which had effectively postponed a good many companies going under. We expect the number of bankruptcies to remain high, though this will very much depend on the depth of the slump this year.

The number of jobless rose by 1,000 in February (seasonally adjusted), according to the unemployment indicator from Statistics Denmark, thus lifting the unemployment rate to 2.8% from 2.7% in January.

Labour market players in the construction sector this week signed a new two-year collective agreement, meaning agreements have now been reached for the three largest private sector areas, which span industry and transport in addition to construction. Agreements being settled in the three largest areas reduces the risk of a major labour dispute in the private sector. However, deals have yet to be struck in other areas, including the cleaning services and food industries, so a majority of members still have to vote yes to an agreement before everything is settled.

Sweden – Strong monthly economic data

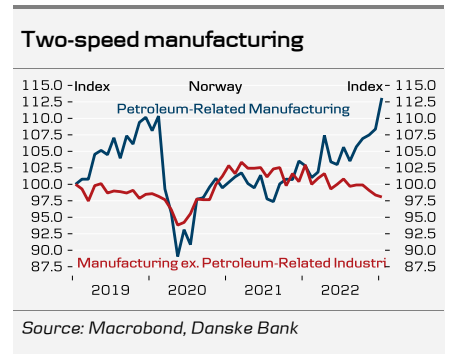
We got a set of very positive reading for January economic indicators: GDP +2.0% m/m, but should be interpreted with some caution. That said, manufacturing, services and construction production all rose printing +2.2% m/m for the total private production sector. This was already seen in the +25% m/m in orders last month however, which now is plunging with 20% m/m (so expect a set back next month). Consumption is holding up well rising 0.5% mm. It is being bolstered by recreation on mom basis, but components except transport and housing was higher on the month. I think this composition mainly sends the



message that the business side of the economy is doing alright while consumers still suffer from a bunch of negative factors.

Norway – Manufacturing moving sideways

Industrial production climbed 0.9% m/m in January but the underlying trend is still sideways to falling gently (-0.3% 3m/3m). This is in line with signals from the PMI at the beginning of the year and may mean that the tailwinds for oil-related industries are still being cancelled out by headwinds for exporters and manufacturers for the domestic market, not least construction.



Calendar – 13-17 March 2023

Monday, March 13, 2023				Period	Danske Bank	Consensus	Previous
8:00	DKK	Current account (nsa)sa	DKK bn	Jan			-132.8
8:00	DKK	Trade balance ex ships	DKK bn	Jan			10.2
8:00	DKK	Exports	m/m	Jan			1020.0%
Tuesday, March 14, 2023				Period	Danske Bank	Consensus	Previous
8:00	GBP	Unemployment rate (3M)	%	Jan		3.8%	3.7%
8:00	GBP	Average weekly earnings ex bonuses (3M)	y/y	Jan		6.6%	6.7%
9:00	ESP	HICP	m/mly/y	Feb		1.0% 6.1%	1.0% 6.1%
11:00	USD	NFIB small business optimism	Index	Feb			90.3
13:30	USD	CPI headline	m/mly/y	Feb	0.4%	0.4% 6.0%	0.5% 6.4%
13:30	USD	CPI core	m/mly/y	Feb	0.4%	0.4% 5.5%	0.4% 5.6%
22:20	USD	Fed's Bowman speaks					
Wednesday, March 15, 2023				Period	Danske Bank	Consensus	Previous
3:00	CNY	Fixed assets investments	y/y	Feb		4.5%	5.1%
8:00	SEK	Underlying inflation CPIF	m/mly/y	Feb	0.6% 9.0%	0.7% 9.2%	-1.3% 9.3%
8:00	NOK	Trade balance	NOK bn	Feb			102.8
8:00	SEK	CPI	m/mly/y	Feb		0.9% 11.7%	-1.1% 11.7%
8:45	FRF	HICP	m/mly/y	Feb		1.0% 7.2%	1.0% 7.2%
11:00	EUR	Industrial production	m/mly/y	Jan		0.5% 0.4%	-1.1% -1.7%
13:30	USD	Empire Manufacturing PMI	Index	Mar		-7.7	-5.8
13:30	USD	PPI	m/mly/y	Feb		0.3% 5.4%	0.7% 6.0%
13:30	USD	PPI core	m/mly/y	Feb		0.4% 5.2%	0.5% 5.4%
13:30	USD	Retail sales control group	m/m	Feb		-0.3%	1.7%
15:00	USD	NAHB Housing Market Index	Index	Mar		41.0	42.0
15:30	USD	DOE U.S. crude oil inventories	K				-1694
21:00	USD	TICS international capital flow, Net inflow	USD bn	Jan			28.6
22:45	NZD	GDP	q/qly/y	4th quarter		-0.2% 3.3%	2.0% 6.4%
Thursday, March 16, 2023				Period	Danske Bank	Consensus	Previous
0:50	JPY	Exports	y/y (%)	Feb		0.1	0.0
0:50	JPY	Import	y/y (%)	Feb		0.1	0.2
0:50	JPY	Trade balance, s.a.	JPY bn	Feb		-1459.2	-1821.3
1:30	AUD	Employment change	1000	Feb		50	-11.5
5:30	JPY	Industrial production, final	m/mly/y	Jan			-4.6% -2.3%
8:00	NOK	GDP (mainland)	m/m	Jan	-0.2%	-0.1%	0.4%
8:00	SEK	Prospera inflation expectations					
10:00	NOK	Norges Bank Regional Network Report: Output next 6M	Index	Feb			-0.6
10:00	ITL	HICP	m/mly/y	Feb		-19.9%	-19.9%
13:30	USD	Philly Fed index	Index	Mar		-14.8	-24.3
13:30	USD	Building permits	1000 (m/m)	Feb		1350	1339.0 (0.1%)
13:30	USD	Housing starts	1000 (m/m)	Feb		1310	1309.0 (-4.5%)
13:30	USD	Import prices	m/mly/y	Feb		-0.2%	-0.2% 0.8%
13:30	USD	Initial jobless claims	1000				211
14:15	EUR	ECB's Lagarde speaks at press conference				0.035	0.03
14:15	EUR	ECB announces refi rate	%		3.50%	3.50%	3.00%
14:15	EUR	ECB announces deposit rate	%		3.00%	3.00%	2.50%
Friday, March 17, 2023				Period	Danske Bank	Consensus	Previous
-	EUR	Spain's debt rating (S&P)					
-	EUR	Belgium's debt rating (S&P)					
-	EUR	tiff					
11:00	EUR	HICP inflation	m/mly/y	Feb	0.8% 8.6%	0.8% 8.5%	0.8% 8.6%
11:00	EUR	HICP - core inflation	y/y	Feb	5.6%	5.6%	5.6%
11:00	EUR	Labour costs	y/y	4th quarter			2.9%
11:30	RUB	Central Bank of Russia rate decision	%			7.5%	7.5%
14:15	USD	Capacity utilization	%	Feb		78.5%	78.3%
14:15	USD	Industrial production	m/m	Feb		0.5%	0.0%
14:15	USD	Manufacturing production	m/m	Feb			1.0%
15:00	USD	University of Michigan Confidence, preliminary	Index	Mar		67.0	67.0

Source: Danske Bank

Macroeconomic forecast

Macro forecast. Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2022	3.6	-2.6	-2.8	8.4	7.9	3.8	7.7	3.5	2.6	1.2	29.7	11.8
	2023	-1.0	-2.3	0.0	-3.3	1.3	-0.7	4.3	4.1	3.1	1.0	28.1	9.5
	2024	1.0	1.8	0.9	-2.1	1.2	0.4	2.0	4.2	3.4	0.8	27.0	9.5
Sweden	2022	2.6	2.6	-0.2	5.6	4.6	7.9	8.4	2.5	7.5	0.7	31.0	3.9
	2023	-1.2	-1.3	1.1	-3.0	1.3	0.2	8.5	3.2	8.2	-0.9	29.0	4.4
	2024	1.2	2.0	1.2	1.8	2.8	2.6	1.3	2.7	8.1	-0.4	29.0	4.5
Norway	2022	3.8	6.8	0.1	4.4	5.9	9.3	5.8	3.9	1.8	-	-	-
	2023	0.6	-0.5	1.3	0.5	3.5	2.5	4.8	4.3	2.2	-	-	-
	2024	1.5	0.9	1.5	4.0	2.0	2.0	2.1	3.8	2.4	-	-	-

Macro forecast. Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euro area	2022	3.5	4.3	1.1	3.8	7.2	8.0	8.4	4.2	6.7	-3.9	93.7	1.5
	2023	0.1	-0.3	0.8	1.7	3.5	5.2	6.1	4.9	6.9	-4.0	92.5	1.9
	2024	0.3	0.9	1.0	0.0	3.6	4.6	2.6	3.6	7.0	-3.5	91.6	2.4
Germany	2022	1.9	4.4	1.2	0.6	3.0	6.1	8.7	4.1	3.1	-2.3	67.4	3.7
	2023	-0.4	-0.6	0.9	-0.7	3.3	4.4	6.6	5.4	3.3	-2.7	65.5	4.6
	2024	0.1	0.8	1.2	0.0	3.2	4.6	2.6	4.3	3.5	-1.9	66.2	4.9
Finland	2022	1.8	2.3	2.5	4.5	1.5	7.0	7.1	2.6	6.8	-1.8	70.7	-3.3
	2023	-0.7	-0.3	1.5	-1.0	-1.5	-2.0	4.8	4.0	7.3	-2.5	71.0	-2.7
	2024	0.5	0.4	1.0	0.5	1.5	1.0	2.2	3.5	7.2	-2.0	71.7	-2.1

Macro forecast. Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2022	2.1	2.8	-0.6	-0.2	7.2	8.2	8.0	5.2	3.6	-4.2	124.0	-3.9
	2023	0.3	0.3	1.5	-5.2	1.0	-5.7	3.8	4.0	4.0	-3.8	121.0	-3.1
	2024	0.9	0.8	1.3	1.5	1.2	1.7	1.6	2.1	5.6	-3.9	120.5	-2.8
China	2022	3	2.8	-	4.5	-	-	2.0	3.0	-	-8.9	76.9	1.6
	2023	5.5	5.1	-	5.2	-	-	2.2	5.0	-	-7.2	84.1	1.0
	2024	5.2	5.5	-	5.5	-	-	2.5	5.5	-	-7.5	89.8	0.8
UK	2022	4.2	-	-	-	-	-	8.9	-	3.8	-	-	-
	2023	-0.7	-	-	-	-	-	6.2	-	4.4	-	-	-
	2024	0.8	-	-	-	-	-	2.6	-	5.0	-	-	-
Japan	2022	1.4	3.0	1.6	-0.8	4.7	8.0	2.2	-	2.6	-	-	-
	2023	0.7	0.9	0.6	1.3	2.5	3.2	2.4	-	2.8	-	-	-
	2024	0.9	0.8	0.5	0.6	1.5	0.5	1.4	-	2.8	-	-	-

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

Financial forecast

Bond and money markets										
		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD	10-Mar	4.75	5.12	5.17	3.86	105.9	-	702.9	1068.5	1074.4
	+3m	5.25	5.40	5.10	3.85	104.0	-	715.6	1019.2	1057.7
	+6m	5.25	5.40	4.90	3.65	102.0	-	729.9	1019.6	1098.0
	+12m	5.25	5.06	4.70	3.45	102.0	-	730.4	1000.0	1098.0
EUR	10-Mar	2.50	2.98	3.81	3.13	-	105.9	744.3	1131.4	1137.6
	+3m	3.50	4.04	3.35	3.00	-	104.0	744.3	1060.0	1100.0
	+6m	4.00	4.16	3.20	2.85	-	102.0	744.5	1040.0	1120.0
	+12m	4.00	4.14	2.90	2.55	-	102.0	745.0	1020.0	1120.0
JPY	10-Mar	-0.10	-0.03	-	-	120.5	137.0	6.18	9.39	9.44
	+3m	-0.10	-	-	-	130.0	125.0	5.73	8.15	8.46
	+6m	-0.10	-	-	-	127.5	125.0	5.84	8.16	8.78
	+12m	-0.10	-	-	-	127.5	125.0	5.84	8.00	8.78
GBP*	10-Mar	4.00	-	4.57	3.68	88.4	119.8	841.7	1279.5	1286.6
	+3m	4.25	-	4.10	3.40	87.0	119.5	855.5	1218.4	1264.4
	+6m	4.25	-	4.10	3.40	85.0	120.0	875.9	1223.5	1317.6
	+12m	4.00	-	3.90	3.30	85.0	120.0	876.5	1200.0	1317.6
CHF*	10-Mar	1.00	-	2.09	1.93	98.4	92.9	756.4	1149.8	1156.1
	+3m	1.25	-	-	-	98.0	94.2	759.4	1081.6	1122.4
	+6m	1.25	-	-	-	97.0	95.1	767.5	1072.2	1154.6
	+12m	1.25	-	-	-	97.0	95.1	768.0	1051.5	1154.6
DKK	10-Mar	2.10	3.09	3.94	3.25	744.31	702.92	-	152.01	152.84
	+3m	3.10	3.73	3.50	3.15	744.25	715.63	-	142.43	147.80
	+6m	3.60	3.85	3.35	3.00	744.50	729.90	-	139.69	150.44
	+12m	3.60	3.85	3.05	2.70	745.00	730.39	-	136.91	150.34
SEK	10-Mar	3.00	3.34	3.86	3.09	1137.6	1074.4	65.4	99.5	100.0
	+3m	3.50	3.70	3.35	2.85	1100.0	1057.7	67.7	96.4	-
	+6m	3.75	3.85	3.15	2.80	1120.0	1098.0	66.5	92.9	-
	+12m	3.50	3.60	2.80	2.75	1120.0	1098.0	66.5	91.1	-
NOK	10-Mar	2.75	3.46	3.86	3.33	1131.4	1068.5	65.8	100.0	100.5
	+3m	3.00	3.40	3.35	3.15	1060.0	1019.2	70.2	-	103.8
	+6m	3.25	3.42	3.20	2.85	1040.0	1019.6	71.6	-	107.7
	+12m	3.00	3.20	3.05	2.70	1020.0	1000.0	73.0	-	109.8

*Notes: GBP swaps are SONIA and CHF swaps are SHARON.

We have updated our Norges Bank forecasts after yesterday's Norges Bank meeting but not yet our Norwegian yield outlook

Commodities												
		2023				2024				Average		
	10-Mar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2023	2024	
ICE Brent	81	90	90	85	80	80	80	80	80	86	80	

Source Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Allan von Mehren, Chief 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 regulated by the Danish Financial Services Authority (Finanstilsynet). Danske Bank is authorised by the Prudential Regulation Authority in the UK and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

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

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

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

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

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual fixed income asset.

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

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

Risk warning

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

Completion and first dissemination

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

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

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

Validity time period

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

Investment recommendations disseminated in the preceding 12-month period

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

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

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

This research has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

This research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

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

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 A/S'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/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank A/S is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank A/S who have prepared this research report are not registered or qualified as research analysts with the New York Stock Exchange or Financial Industry Regulatory Authority but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

Disclaimer related to distribution in the United Kingdom

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

Disclaimer related to distribution in the European Economic Area

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

Report completed: 10 March 2023, 13:00 CET

Report first disseminated: 10 March 2023, 13:25 CET