

Weekly Focus

Fed tapering delayed, not derailed

It's been a fairly quiet week in financial markets with equities slightly lower, bond yields flat on the week and the USD strengthening a bit. **The ECB meeting turned out to be a bit of a non-event with the ECB broadly meeting consensus expectations** of signalling a moderate reduction in asset purchases. The inflation projection was revised slightly higher, but with core inflation in 2023 seen at 1.5% (previously 1.4%) there is still some way up to 2% in the medium term.

The Fed's decision on tapering of asset purchases is still looming but the timing was thrown into renewed uncertainty after the weak US employment report last week. Views expressed by Fed members this week was a mixed bag but points to a delay. Bullard and Kaplan still favours a tapering announcement on the Fed meeting this month while Bostic and Williams prefer a delay due to the weaker data lately. They still look for tapering to begin this year, though. As Williams is vice Chairman and close to Fed Chairman Powell it indicates that we will not get a tapering announcement on the next Fed meeting. We still expect tapering to begin this year and to be done around the middle of 2022.

'Stagflation' fears have been on the rise lately as economic data has increasingly disappointed while inflation concerns persist as freight rates have continued higher, labour shortages are widespread in many countries and bottle necks in manufacturing and ports delay delivery of consumer goods. The delta variant continues to challenge many big Asian countries with a big share of manufacturing such as Malaysia and Vietnam. Whether this 'stagflationary' scenario is more persistent will depend a lot on whether more people that left the labour force during the past year returns to the labour market and whether inflation expectations remain anchored. This week we sent out Big Picture – Delta delayed recovery, in which we downgraded our global growth forecasts. The balance of risk to our growth outlook is to the downside, while supply side problems could lead to more persistent inflation problems stoking more stagflation concerns. **This week the German ZEW expectations index showed another drop** highlighting that economic sentiment is coming down from the recent high levels.

In China, the leadership tried to calm fears over the recent crackdown within certain sectors. An op-ed on the front page of People's Daily highlighted that recent regulation aims at supporting the private economy and was targeting a level playing field by cracking down on violations of laws such as abusive market power. The op-ed follows comments by China's economic tsar Liu He, who on Monday vowed that "policies for supporting the private economy have not changed... and will not change in the future".

In the coming week focus turns to the US again. Retail sales will give more information on how much goods consumption is slowing as the effect of the stimulus checks fade. Very strong US goods consumption is a key driver behind the global manufacturing overheating and pressure on global freight. US CPI inflation and regional business surveys will also be very interesting. In the euro area focus will be on ECB speakers, final inflation numbers for August (which provide more details) and German election polls. China releases data on industrial production and retail sales, which have disappointed lately.

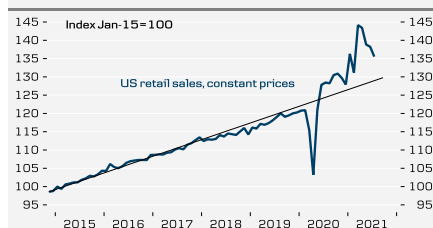
Key market movers

- During week: German election polls
- Tuesday: US CPI inflation, US NFIB small business optimism
- Wednesday: US Empire index
- Thursday: US retail sales, Philadelphia Fed business survey
- Friday: US consumer confidence (Uni. of Michigan), Eurofinal CPI

Selected reading from Danske Bank

- *Flash: ECB Research – Saving the battle for December*, 9 September 2021
- *German Politics Monitor – The tables have turned left*, 9 September 2021
- *Big Picture – Delta delayed recovery*, 6 September 2021
- *Climate Research: "Fit for 55" – The EU Commission gets specific*, 17 August 2021

US retail sales coming down from as stimulus effect fades



Source: Macrobond Financial

Editor

Chief Analyst

Louise Aggerstrøm Hansen

+45 45 12 85 31

louhan@danskebank.dk

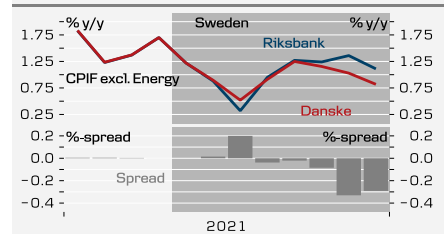
Scandi market movers

- In **Denmark**, we have a quiet week ahead data-wise. On Friday, we should get figures for purchases and sales by enterprises for June and July. How hotels and restaurants have fared over the summer following the reopening will be of interest here.
- In **Sweden**, it is again the time of the month when it's all about the inflation print. We expect August CPIF excl. Energy to rise to 0.9% yoy (same as Riksbank's forecast) while rising energy prices has pushed headline CPIF to 1.8% yoy (i.e. 0.4 p.p. above Riksbank's forecast). This suggests energy still accounts for a huge part of overall inflation. The forecast is, however, very uncertain and we can anticipate a higher as well as a lower print. Recent history suggest CPIF excl. Energy always drop a couple of tenths in August, usually as international airline tickets and charter packages get cheaper after summer holidays. This year airline tickets however have not risen as much as usual in the previous months implying less of a drop in August. That said, charter packages have shown very strong price gains in June and July (after an unusual decline in May) which suggests these prices may fall back in a normal fashion. We have assumed less of a normal decline for these two components taken together. There is also significant uncertainties what concerns the behaviour of food, clothing and restaurant prices, all of which have been affected by the pandemic over the past year.

Prospera releases the "big" quarterly inflation expectations survey. Money market 1- and 2-year CPIF expectations have levelled off at 1.7% in June-August while 5-year rose to 1.8% in August. Hence, it seems reasonable to expect the broader survey to show a similar development.

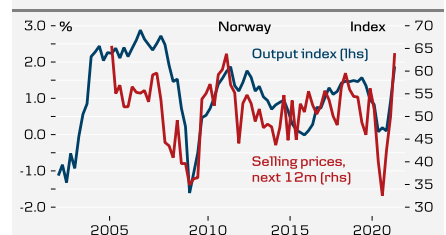
- In **Norway**, all indicators point to slightly stronger economic growth than expected over the summer, but we expect Norges Bank's regional network survey to signal a slowdown in Q3. The reason, quite simply, is that the greatest boost from the lifting of restrictions and increase in mobility has already materialised. This was reflected in the aggregated output index climbing in the previous survey from 0.92 to 1.88, equivalent to annualised growth of 3.75%. We therefore expect the output index to drop to somewhere between 1.25 and 1.50 this time around, indicating annualised growth of 2.5-3.0% over the next two quarters. It is important to stress that such a slowdown would be in line with the projections in Norges Bank's June monetary policy report and so have no impact on the interest rate decision on 23 September. We expect the underlying data to show a relatively broad-based upswing, but will be keeping a particular eye on capacity utilisation and expectations for wage growth and selling prices.

Sweden: August core CPIF likely to print spot on Riksbank's forecast



Source: SCB, Riksbank, Danske Bank

Regional network likely to signal slowdown



Source: Macrobond, Danske Bank

Scandi update

Denmark – Inflation hits nine-year high

Just 120 active companies went bankrupt in August, the lowest monthly figure since the statistic launched in its current form in 2009. The most obvious explanation for the low number is the option for companies to postpone tax and VAT payments or borrow funding for same from the government. Hence, the problem is being kicked down the road, as many companies still have an unpaid bill from the corona crisis. The number of forced home sales rose 17% in August, but remain low overall, even though the pace of growth in the housing market has slackened.

Industrial production rose 3.2% in July after falling 4.6% in June. Hence, what we are witnessing is more pronounced monthly fluctuations than actual growth. Industrial production has risen by 0.8% in the past three months, which is certainly decent, but not quite on a par with what we saw in the months around the turn of the year. Materials and labour shortages are probably contributing factors to the not so impressive underlying growth in industry. Furthermore, global demand is slowing, with consumption growth shifting from goods to services. Foreign trade figures show a decline in both imports and exports compared with the previous month of 2.6% and 0.6%, respectively. The transition in demand from goods to services has begun to affect exports, while transportation problems and shortages of materials and labour also play a role. The trend in exports is yet another sign that we are in the process of shifting towards a more normal economic situation.

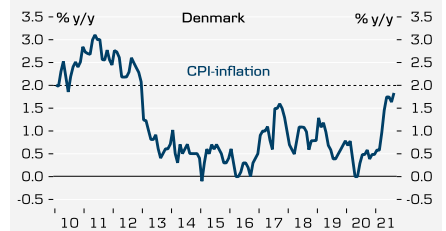
Danish CPI inflation came in at 1.8% in August, up from 1.6% in July. Energy prices continue to pull inflation higher, not least electricity. A fading negative contribution from traveling, caused by a significantly lighter CPI weight this year also contributes. Net core inflation increased but remains modest at 0.9%. We have revised our inflation forecast higher and now expect 1.5% inflation this year and 1.3% in 2022, see *Research Denmark - Underlying price pressure remains modest despite highest inflation in nine years*, 10 September 2021

Sweden – Strong start to Q3

This week gave us a glimpse of how Q3 started with July data for GDP-indicator, household consumption and production value index (PVI) all been published. All of these increased, GDP up 0.5% m/m s.a, household consumption 0.7% and PVI soared 2%. Meaning a strong start to Q3 and so far so good! Staycation did the name of the word since hotel and restaurants soared almost 30% y/y. Export orders in the manufacturing industry continues to be at a high level, giving few signs of the peak of the global manufacturing cycle.

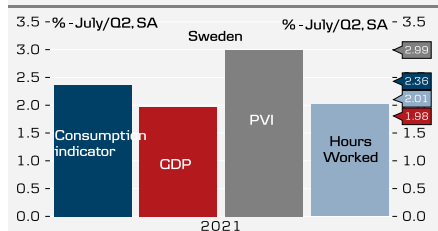
However, we note that the GDP indicator in connection with the July publication is revised backwards in time, which actually gives a completely different growth path. The new figures shows that the decline during Q2 2020 was smaller, giving a weaker bounce in Q3 20. At the same time, Q2 2021 has been significantly revised upwards and now indicates a growth of almost 2% q/q. However, we are uncertain about what would drive this strong growth but it remains to be seen what happens to the actual GDP figures. If this new GDP course is true, the question is if the government's budget package of 75 bn SEK is really necessary if the Swedish Economy is super strong?

Energy prices pulling Danish inflation higher



Sources: Statistics Denmark, Macrobond Financial

Strong July numbers - 2% above Q2 level

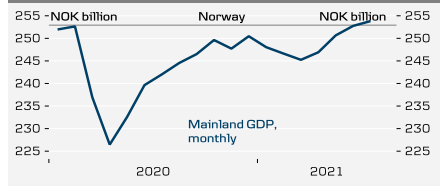


Source: SCB, Macrobond, Danske Bank

Norway – Recovery continues

The Norwegian economy is continuing to benefit from the lifting of restrictions, increase in mobility and general reduction in uncertainty. Mainland GDP grew 0.4% m/m in July, taking it above what it was in February 2020 before the pandemic struck. The underlying data show that private consumption is still the main driver, while investment and mainland exports have stalled. Following revisions of previous months' data, the level of mainland GDP is almost exactly what Norges Bank assumed in the June monetary policy report. This supports our expectation of a rate increase later this month.

Covid gap closed



Source: Macrobond, Danske Bank

Activity tracker

Euro area	Last obs	Value	Last 4 months	1W chg.	1M chg.	Low
Bundesbank weekly activity index*	Week 36	0.40		0.09	-0.23	-5.9
German truck toll mileage (1w m.a.), % y/y	01-Sep	0.1%		-0.7 p.p.	-2.3 p.p.	-16.2%
OpenTable restaurant bookings, Germany (1w m.a.)**	08-Sep	29.7%		-11.4 p.p.	-21.5 p.p.	-100%
USA						
NY Fed weekly economic index*	Week 36	7.66		-0.94	-0.44	-11.3
Transaction card spending, (1w m.a.), % y/y	27-Aug	19.0%		-2.6 p.p.	-10.6 p.p.	-40.6%
OpenTable restaurant bookings (1w m.a.)**	08-Sep	-1.2%		7.5 p.p.	8.2 p.p.	-100%
Google mobility trends retail & recreation (1w m.a.)**						
Germany	05-Sep	7.1%		9.1 p.p.	4 p.p.	-67.3%
France		1.0%		2.9 p.p.	-0.3 p.p.	-88.0%
Italy		4.0%		1 p.p.	-1.4 p.p.	-88.9%
Spain		-6.3%		2.3 p.p.	0.1 p.p.	-91.7%
UK		-5.3%		-1.7 p.p.	2 p.p.	-77.6%
Japan		-18.9%		-1.6 p.p.	-5.9 p.p.	-37.9%
United States		-5.0%		1.3 p.p.	-2.3 p.p.	-46.1%
Electricity demand (1w m.a.)***						
Germany	09-Sep	-2.2%		-1.3 p.p.	1.1 p.p.	-10.9%
France		-0.4%		2.5 p.p.	4.6 p.p.	-22.0%
Italy		0.4%		4.6 p.p.	-1.8 p.p.	-15.0%
Spain		-1.7%		1.8 p.p.	4.7 p.p.	-23.6%
UK		0.0%		0 p.p.	0 p.p.	-22.2%
Japan		-5.1%		-5.7 p.p.	-4.1 p.p.	-7.3%
United States		08-Sep	-2.3%		-9.7 p.p.	-0.3 p.p.

*NOWcast, Actual index value, **Relative to same day/week in 2019, *** Relative to same day/week in 15-19 avg.

Source: Google mobility data, ENTSO-E, EIA, Open Table, Statistisches Bundesamt, TextilWirtschaft, Bundesbank, NY Fed, Macrobond Financial

Calendar

During the week				Period	Danske Bank	Consensus	Previous
Monday, September 13, 2021				Period	Danske Bank	Consensus	Previous
20:00	USD	Budget statement	USD bn	Aug			-200.0
Tuesday, September 14, 2021				Period	Danske Bank	Consensus	Previous
6:30	JPY	Industrial production, final	m/mly/y	Jul			-1.5% 11.6%
8:00	GBP	Unemployment rate (3M)	%	Jul	4.6%		4.7%
8:00	GBP	Average weekly earnings ex bonuses (3M)	y/y	Jul	6.8%		7.4%
9:00	ESP	HICP, final	m/mly/y	Aug	0.4% 3.3%		0.4% 3.3%
9:30	SEK	Underlying inflation CPIF	m/mly/y	Aug	0.2% 2.0%		0.3% 1.7%
9:30	SEK	CPI	m/mly/y	Aug	0.2% 1.7%		0.3% 1.4%
10:00	NOK	Norges Bank Regional Network Report: Output next 6M	Index	Aug			1.9
12:00	USD	NFIB small business optimism	Index	Aug	99.0		99.7
14:30	USD	CPI headline	m/mly/y	Aug	0.4% 5.3%		0.5% 5.4%
14:30	USD	CPI core	m/mly/y	Aug	0.3% 4.3%		0.3% 4.3%
Wednesday, September 15, 2021				Period	Danske Bank	Consensus	Previous
4:00	CNY	Industrial production	y/y	Aug	5.8%		6.4%
4:00	CNY	Retail sales	y/y	Aug	7.0%		8.5%
4:00	CNY	Fixed assets investments	y/y	Aug	9.0%		10.3%
8:00	GBP	CPI	m/mly/y	Aug	0.5% 2.9%		0.0% 2.0%
8:00	GBP	CPI core	y/y	Aug	2.9%		1.8%
8:00	SEK	Prospera inflation expectations					
8:00	NOK	Trade balance	NOK bn	Aug			42.2
8:45	FRF	HICP, final	m/mly/y	Aug	0.7% 2.4%		0.7% 2.4%
10:00	ITL	HICP, final	m/mly/y	Aug	... 2.6%		... 2.6%
11:00	EUR	Industrial production	m/mly/y	Jul	0.5% 5.7%		-0.3% 9.7%
11:00	EUR	Labour costs	y/y	2nd quarter			1.5%
14:30	USD	Import prices	m/mly/y	Aug	0.3% ...		0.3% 10.2%
14:30	USD	Empire Manufacturing PMI	Index	Sep	17.1		18.3
14:30	CAD	CPI	m/mly/y	Aug			... 3.7%
15:15	USD	Capacity utilization	%	Aug	76.3%		76.1%
15:15	USD	Industrial production	m/m	Aug	0.3%		0.9%
15:15	USD	Manufacturing production	m/m	Aug	0.4%		1.4%
16:30	USD	DOE U.S. crude oil inventories	K				-1528
Thursday, September 16, 2021				Period	Danske Bank	Consensus	Previous
0:45	NZD	GDP	q/qly/y	2nd quarter	1.2% 16.1%		1.6% 2.4%
1:50	JPY	Exports	y/y (%)	Aug	0.3		0.4
1:50	JPY	Import	y/y (%)	Aug	0.4		0.3
1:50	JPY	Trade balance, s.a.	JPY bn	Aug	75.7		52.7
3:30	AUD	Employment change	1000	Aug	-80		2.2
11:00	EUR	Trade balance	EUR bn	Jul			12.4
14:30	USD	Initial jobless claims	1000				310
14:30	USD	Philly Fed index	Index	Sep	19.2		19.4
14:30	USD	Retail sales control group	m/m	Aug	-0.2%		-1.0%
22:00	USD	TICS international capital flow, Net inflow	USD bn	Jul			31.5
Friday, September 17, 2021				Period	Danske Bank	Consensus	Previous
-	EUR	S&P may publish Spain's debt rating					
-	EUR	S&P may publish Belgium's debt rating					
-	EUR	Moody's may publish Portugal's debt rating					
8:00	GBP	Retail sales ex fuels	m/mly/y	Aug	0.8% 2.4%		-2.4% 1.8%
10:00	EUR	Current account	EUR bn	Jul			21.8
11:00	EUR	HICP inflation, final	m/mly/y	Aug	0.4% 3.0%		0.4% 2.2%
11:00	EUR	HICP - core inflation, final	y/y	Aug	1.6%		1.6%
16:00	USD	University of Michigan Confidence, preliminary	Index	Sep	72.0		70.3

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	2020	-2.1	-1.4	-1.7	5.1	-7.0	-4.1	0.4	2.3	4.6	-0.6	42.2	8.2
	2021	3.0	3.0	0.9	3.0	9.7	8.1	1.5	2.7	4.4	-2.1	38.7	8.4
	2022	3.5	4.0	0.2	3.5	7.0	6.4	1.3	2.5	3.8	-0.4	37.3	8.5
Sweden	2020	-3.1	-4.7	-0.5	0.6	-5.2	-5.8	0.5	2.0	8.3	-3.1	37.7	1.4
	2021	3.7	3.4	1.7	2.5	8.8	7.0	1.3	1.9	8.5	-0.6	38.0	6.6
	2022	3.4	4.1	1.4	3.7	4.0	4.1	0.7	1.9	7.3	0.1	35.0	6.4
Norway	2020	-2.5	-6.9	1.7	-3.8	-0.5	-11.9	1.3	3.1	5.0	-	-	-
	2021	3.7	5.0	2.5	1.0	2.7	3.5	3.1	2.7	3.3	-	-	-
	2022	3.7	7.4	1.8	2.0	6.5	7.0	1.7	3.1	2.5	-	-	-

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	2020	-6.5	-8.0	1.4	-7.5	-9.3	-9.2	0.3	-0.6	7.9	-7.2	98.0	3.0
	2021	5.3	3.6	3.3	3.8	9.5	6.7	2.0	3.1	7.8	-7.8	102.2	3.1
	2022	4.2	5.9	1.8	2.1	4.5	4.3	1.6	2.0	7.5	-4.4	102.3	3.1
Germany	2020	-4.9	-6.1	3.5	-3.0	-10.1	-9.2	0.4	0.0	3.9	-4.2	69.8	6.9
	2021	3.4	0.0	2.7	2.2	9.1	8.4	2.7	1.2	3.7	-7.5	73.0	7.5
	2022	4.4	5.4	2.1	2.0	4.7	3.8	1.7	1.8	3.4	-2.5	72.1	6.9
Finland	2020	-2.7	-4.8	0.5	-0.7	-6.7	-6.4	0.3	1.8	7.8	-5.4	69.5	0.8
	2021	2.6	4.0	1.5	4.0	3.5	5.0	1.7	2.5	7.7	-4.7	70.8	-0.2
	2022	2.9	3.0	1.0	3.0	6.0	5.0	1.6	2.7	7.1	-2.3	70.5	-0.2

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	2020	-3.4	-3.8	2.5	-2.7	-13.6	-8.9	1.2	4.6	8.1	-16.0	126.4	-2.1
	2021	7.5	8.4	1.6	8.9	5.6	11.2	4.4	2.0	4.7	-12.2	132.3	-2.1
	2022	5.3	6.7	3.1	3.7	2.0	4.4	3.2	2.3	3.5	-7.2	131.9	-2.1
China	2020	2.4	1.5	-	3.0	-	-	3.0	7.5	-	-11.9	-	0.6
	2021	8.3	9.0	-	10.0	-	-	2.0	7.0	-	-11.8	-	0.4
	2022	5.2	7.0	-	4.0	-	-	2.5	7.0	-	10.9	-	0.4
UK	2020	-9.8	-10.6	-6.5	-8.8	-15.8	-17.8	0.9	2.0	4.5	-12.2	104.5	-2.0
	2021	5.2	4.2	4.0	6.2	6.4	6.1	2.4	1.2	4.9	-7.7	109.3	-3.8
	2022	6.9	8.3	2.1	11.9	5.9	8.2	2.7	1.6	4.6	-4.5	108.3	-3.6
Japan	2020	-4.7	-6.5	2.8	-4.3	-11.8	-7.3	-0.2	-	2.8	-	-	-
	2021	2.4	2.0	1.9	0.5	13.2	7.6	-0.2	-	2.8	-	-	-
	2022	2.6	3.8	1.4	0.7	4.7	3.8	0.4	-	2.6	-	-	-

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

Financial forecast

Bond and money markets

		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD	10-Sep	0.25	0.12	0.32	1.35	118.4	-	628.3	863.6	861.5
	+3m	0.25	0.11	0.30	1.45	116.0	-	641.4	896.6	879.3
	+6m	0.25	0.11	0.40	1.75	115.0	-	647.4	921.7	895.7
	+12m	0.25	0.26	0.85	2.00	115.0	-	647.4	913.0	904.3
EUR	10-Sep	-0.50	-0.54	-0.46	0.02	-	118.4	743.6	1022.2	1019.7
	+3m	-0.50	-0.54	-0.50	-0.03	-	116.0	744.0	1040.0	1020.0
	+6m	-0.50	-0.54	-0.45	0.15	-	115.0	744.5	1060.0	1030.0
	+12m	-0.50	-0.54	-0.40	0.45	-	115.0	744.5	1050.0	1040.0
JPY	10-Sep	-0.10	-0.09	-0.01	0.09	120.5	110.0	6.17	8.48	8.46
	+3m	-0.10	-	-	-	128.8	111.0	5.78	8.08	7.92
	+6m	-0.10	-	-	-	127.7	111.0	5.83	8.30	8.07
	+12m	-0.10	-	-	-	128.8	112.0	5.78	8.15	8.07
GBP	10-Sep	0.10	0.06	0.51	0.93	85.3	138.7	871.5	1198.0	1195.1
	+3m	0.10	0.07	0.50	1.05	84.0	138.1	885.7	1238.1	1214.3
	+6m	0.10	0.07	0.55	1.15	84.0	136.9	886.3	1261.9	1226.2
	+12m	0.10	0.07	0.70	1.55	83.0	138.6	897.0	1265.1	1253.0
CHF	10-Sep	-0.75	-0.76	-0.65	-0.06	108.5	91.7	685.1	941.7	939.5
	+3m	-0.75	-	-	-	110.0	94.8	676.4	945.5	927.3
	+6m	-0.75	-	-	-	111.0	96.5	670.7	955.0	927.9
	+12m	-0.75	-	-	-	111.0	96.5	670.7	945.9	936.9
DKK	10-Sep	-0.50	-0.21	-0.13	0.30	743.62	628.27	-	137.46	137.13
	+3m	-0.60	-0.28	-0.20	0.24	744.00	641.38	-	139.78	137.10
	+6m	-0.60	-0.28	-0.17	0.40	744.50	647.39	-	142.38	138.35
	+12m	-0.60	-0.28	-0.12	0.70	744.50	647.39	-	141.03	139.69
SEK	10-Sep	0.00	-0.01	0.07	0.67	1019.7	861.5	72.9	100.2	100.0
	+3m	0.00	-0.04	0.07	0.70	1020.0	879.3	72.9	102.0	-
	+6m	0.00	-0.04	0.05	0.80	1030.0	895.7	72.3	102.9	-
	+12m	0.00	-0.04	0.05	0.85	1040.0	904.3	71.6	101.0	-
NOK	10-Sep	0.00	0.52	1.15	1.63	1022.2	863.6	72.8	100.0	99.8
	+3m	0.25	0.40	1.25	1.80	1040.0	896.6	71.5	-	98.1
	+6m	0.25	1.10	1.55	2.00	1060.0	921.7	70.2	-	97.2
	+12m	0.50	0.90	1.85	2.20	1050.0	913.0	70.9	-	99.0

Commodities

	10-Sep	2021				2022				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2021	2022
ICE Brent	72	55	65	70	70	73	73	73	73	65	73

Source Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Louise Aggerstrøm Hansen, 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 subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

Danske Bank's research reports are prepared in accordance with the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

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

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

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

Report completed: 10 September 2021, 15:10 CET

Report first disseminated: 10 September 2021, 15:20 CET