

Weekly Focus

Will US consumers be daunted by higher inflation?

After the flurry of central bank meetings and strong US jobs report last week (see *US Labour Market Monitor - Stronger jobs report but participation remains subdued*), markets calmed down somewhat at the start of this week. However, **another strong upside surprise in US October CPI inflation** (printing at 6.2%, highest since 1990) turned the tables, highlighting the risk that inflation will be more persistent than expected by the Federal Reserve and thus raising the probability of a faster tightening of monetary policy (see *Global Inflation Watch - Highest US wage growth in more than 10 years*). The market response was clear with a jump in global bond yields and equities selling off. Markets have now priced in three 25bp Fed hikes in 2022, which pushed EUR/USD below the 1.15 level amid broad USD strengthening. Spill-overs were also seen in European fixed income markets, with higher yields and spread widening between EU-Core and periphery government bonds. US Brent oil moved back above USD85 per barrel after the US administration signalled it will refrain from releasing strategic reserves to the market.

A string of Chinese data released during the week, continued to paint a mixed picture. On the back of booming (US) goods demand, exports beat expectations in October. Producer price inflation jumped more than expected to a 26-year high, but CPI inflation at 1.5% also remained comfortably below the PBOC's 3% inflation target. The credit impulse has turned higher, but strains in Chinese property markets linger, with stress spreading to investment grade bonds and the Chinese off-shore USD high-yield index reaching a new record high. Media reported that the government is mulling steps to ease bond issuance rules for developers and preparing capital injections from banks and institutional investors. **German ZEW economic expectations surprised on the upside** in November, rising for the first time since May, while inflation expectations continued to ease. It will be interesting to see whether November PMI figures show a similar pattern, after clouds have darkened over to the euro area macro outlook of late (see *Euro Area Macro Monitor - Darkening clouds on the horizon*).

Next week's key release will be the US retail sales which have continued to surprise on the upside in recent months. Elevated US goods consumption remains an important driver behind the global supply chain pressures and Tuesday's figures will reveal whether goods spending has started to weaken in October on the back of high inflation. A range of Fed speakers will also be keenly watched by the market for monetary policy hints. In the euro area, final HICP figures will reveal more details about the trend in underlying inflation pressures, after core inflation surged to the highest level since 2002 in October. In China, we expect Monday's retail sales and industrial production figures for October to be on the soft side, given disruptions from power shortages and another Covid-19 wave. Given the Bank of England's renewed focus on labour market outcomes to determine the hiking cycle, the UK jobs report on Tuesday (as well as the CPI figures on Wednesday) will also be of interest. US President Joe Biden and Chinese President Xi Jinping are scheduled to hold a virtual summit next week. In Japan, new PM Kishida will reveal a new stimulus package to kick-start the recovery. In Australia the central bank will keep a close eye on Q3 wage inflation data, a key indicator for Reserve Bank of Australia's transitory inflation view, and a low print could push back on market's aggressive rate hike pricing.

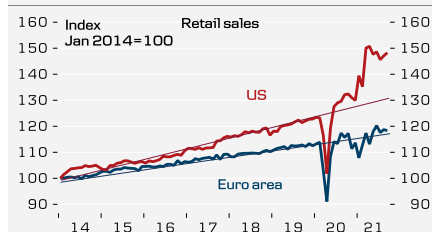
Key market movers

- **Mon:** China retail sales & industrial production
- **Tue:** UK jobs report, US retail sales
- **Wed:** UK CPI, Euro area HICP, Australia wage inflation

Selected reading from Danske Bank

- *Euro Area Macro Monitor - Darkening clouds on the horizon*, 5 November
- *US Labour Market Monitor - Stronger jobs report but participation remains subdued*, 8 November
- *Global Inflation Watch - Highest US wage growth in more than 10 years*, 11 November

Will high US goods demand start to ease up in light of high inflation?



Source: Macrobond Financial, Danske Bank

Editor

Senior Analyst
Aila Mihr
+45 45 12 85 35
amih@danskebank.dk

Scandi market movers

- In Denmark, we get the GDP indicator for Q3 on Monday. The Danish economy maintained its momentum in Q3 and we expect that the GDP indicator will show growth of 0.7%. Industry has looked strong, and the service economy has experienced a powerful tailwind in the wake of the reopening, which has also created a record number of jobs.

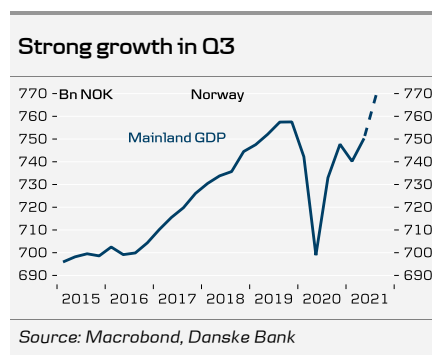
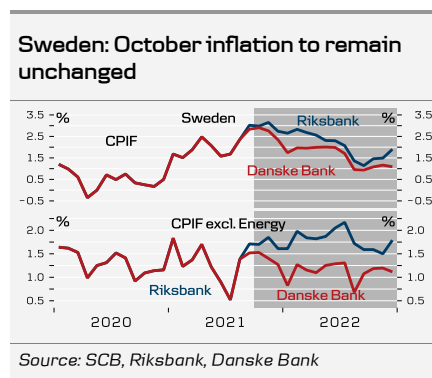
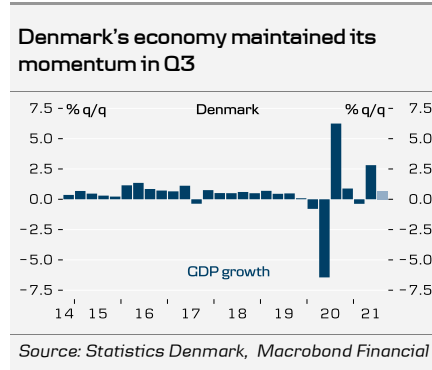
Danish employer organisation DA is set to publish private sector wage data for Q3 on the same day. It will be interesting to see whether the tight labour market has begun to have an impact on wage growth.

- We expect CPIF and CPIF excl. Energy to print spot on and 0.2 percentage points below Riksbank's respective forecast. We see the latter 0.2% higher on the month while a drop in electricity prices pulls down by the same magnitude, leaving CPIF flat mom. What stands out this month is of course energy, where we expect electricity to have dropped by 6% while car fuel moved in the other direction, rising by 5.5%. The net effect is a 0.2 p.p. negative contribution to CPIF (and CPI). We have penciled in a slight increase in food prices on the back of the Swedish Food Federation's warning about higher prices this autumn. We do NOT expect car rental prices to bounce back up in October after the sharp drop in September, since that in turn appears to have been a delayed drop as demand remained high in August. Risks: there are no signs of significantly higher foreign airline ticket prices in Travelmarket's Air Travel Price Index. However, we note that transportation services (which includes foreign airline tickets) rose more in Denmark and Norway. Be aware that schools have Autumn Leave late October to early November making it hard to pinpoint which month will be hit.

- In **Norway**, the economic recovery has continued more or less as expected since May, and we anticipate mainland GDP growth of 2.5% in Q3. It is mainly higher private consumption that is driving the recovery, but there has been solid growth in investment and exports from the mainland economy as well.

We will also be keeping an eye on Norges Bank's quarterly expectations survey. It does not normally attract much attention, but in the August edition there was a sharp rise in both wage and price expectations among the social partners, economists and business leaders alike. We are particularly interested to see how wage expectations move this time around.

Finally, the week brings the Q4 oil investment survey. We predict only minor changes to the estimate for this year, with it still showing a moderate decline from 2020. As usual with the November survey, we expect a solid upward revision of expectations for next year, since the oil companies now have a better picture of the projects for which they have filed applications. The revision will probably be much smaller than last year, though, such that the survey shows a drop in oil investment of 5-6% in 2022. This would, however, be in line with expectations.



Scandi update

Denmark – Energy prices push inflation to 10-year high

Total exports rose by 4.6% in September, and imports ditto. Goods exports were up slightly after declining in August, but the bigger picture is that the export of goods has essentially stalled since March. This underlines that global problems with sourcing labour and supplies are also being felt in Denmark. In contrast, service exports are surging, with shipping performing particularly well. Labour and supply chain issues look set to continue for some time yet, which will continue to hinder the growth of goods exports.

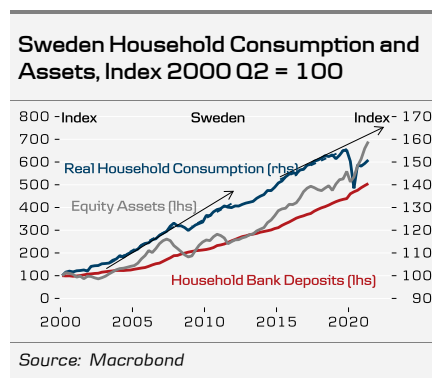
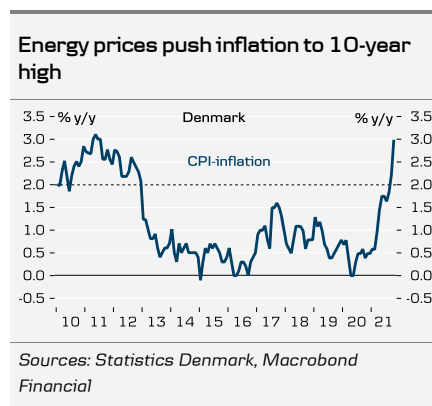
Consumer prices were up 3.0% year-on-year in October. Hence, inflation has risen since September, when it was 2.2%, and is now at its highest level since 2011. Energy prices have been the main driver, with early October in particular marked by high electricity and gas prices, plus petrol prices have also shot up. Rising electricity, gas, petrol and diesel prices helped boost inflation by 1.6 percentage points. Food prices rose just a modest 1.3% compared to a year ago, even though global food prices have risen by considerably more. Consumer prices ex. energy and non-processed foods rose 1.4% relative to the same month last year. We expect inflation to top out in Q4 21 and ease next year as energy prices soften.

Sweden – some colour to Q3 GDP

Since the GDP-indicator for the third quarter has already been released (strong +1.8% q/q), this week’s production value index (PVI) and consumption indicator only gave some colour to the GDP number which gave some mixed signals. A strong bounce back from the drop in August was seen in production but at the same time manufacturing new orders actually decreased on the month which poses questions about the production looking forward. No doubt that supply chain problems and lack of component stills weighs on the manufacturing industry. Regarding household consumption, the development has been sideways since May 2021 and still below the pre-pandemic level. Restrictions as work from home was lifted by the end of September meaning that the figures do not capture this, which makes the October figures much more interesting. However, if looking historically, data since 2000 shows that consumption almost reach the pre-crisis level but not the pre-crisis trend path and hence no “pent up demand” tend to be seen.

Norway – Wage and price inflation set to rise

Core inflation has slowed considerably since summer last year, driven by a stronger NOK and base effects, and dropped to 0.9% y/y in October. We believe, however, that core inflation will now bottom out as both of these drivers fade or reverse. We also think the strong growth in commodity and energy prices and freight costs will probably push up consumer prices in Norway before long. Moreover, the week brought data showing that wage growth is now clearly headed upwards, even when adjusted for distortions due to the pandemic. Wage growth could therefore turn out somewhat higher than we had anticipated, especially next year.



Activity tracker

Euro area	Last obs	Value	Last 4 months	1W chg.	1M chg.	Low
Bundesbank weekly activity index*	Week 45	0.06		0.29	0.35	-5.8
German truck toll mileage (1w m.a.), % y/y	03-Nov	-1.5%		-2.3 p.p.	-2.7 p.p.	-16.2%
OpenTable restaurant bookings, Germany (1w m.a.)**	10-Nov	5.8%		-17.1 p.p.	-20.3 p.p.	-100%
USA						
NY Fed weekly economic index*	Week 45	7.06		-0.19	-0.49	-11.3
Transaction card spending, (1w m.a.), % y/y	27-Oct	26.1%		5.5 p.p.	6.1 p.p.	-40.6%
OpenTable restaurant bookings (1w m.a.)**	10-Nov	-9.7%		0.4 p.p.	-1.1 p.p.	-100%
Google mobility trends retail & recreation (1w m.a.)**						
Germany	08-Nov	-5.6%		-3.3 p.p.	-3.9 p.p.	-67.3%
France		-6.4%		-0.3 p.p.	0.6 p.p.	-88.0%
Italy		-9.0%		-2.9 p.p.	-2.7 p.p.	-88.9%
Spain		-11.9%		-1.3 p.p.	-0.9 p.p.	-91.7%
UK		-10.1%		-3.1 p.p.	0.1 p.p.	-77.6%
Japan		-3.3%		0.4 p.p.	7.1 p.p.	-37.9%
United States		-6.1%		-0.3 p.p.	-0.4 p.p.	-46.1%
Electricity demand (1w m.a.)***						
Germany	11-Nov	-0.9%		-0.2 p.p.	1.4 p.p.	-8.1%
France		2.2%		5.6 p.p.	3.9 p.p.	-22.0%
Italy		1.7%		-1.3 p.p.	2.2 p.p.	-8.8%
Spain		-1.6%		1.7 p.p.	3.8 p.p.	-23.6%
UK		0.0%		0 p.p.	0 p.p.	-22.2%
Japan	11-Nov	-2.2%		3 p.p.	0.8 p.p.	-7.3%
United States		-0.9%		-2.2 p.p.	-4.3 p.p.	-12.5%

*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

Monday, November 15, 2021						Period	Danske Bank	Consensus	Previous
0:50	JPY	GDP deflator, preliminary	y/y	3rd quarter			-1.2%	-1.1%	
0:50	JPY	GDP, preliminary	q/q ann.	3rd quarter			-0.2% -0.7%	0.5% 1.9%	
3:00	CNY	Fixed assets investments	y/y	Oct			6.2%	7.3%	
3:00	CNY	Industrial production	y/y	Oct			3.0%	3.1%	
3:00	CNY	Retail sales	y/y	Oct			3.7%	4.4%	
5:30	JPY	Industrial production, final	m/m y/y	Sep				-5.4% -2.3%	
8:00	DKK	GDP indicator	q/q	3rd quarter	0.7%			2.2%	
8:00	NOK	Trade balance	NOK bn	Oct				53.7	
8:30	DKK	Wages in private employment	y/y	3rd quarter				3.1%	
9:30	SEK	Underlying inflation CPIF	m/m y/y	Oct	0.0% 2.9%	0.1% 3.0%		0.5% 2.8%	
9:30	SEK	CPI	m/m y/y	Oct		0.1% 2.7%		0.5% 2.5%	
11:00	EUR	Trade balance	EUR bn	Sep				11.1	
14:30	USD	Empire Manufacturing PMI	Index	Nov		20.1		19.8	
Tuesday, November 16, 2021						Period	Danske Bank	Consensus	Previous
6:30	NOK	Consumer confidence	Net. bal.	4th quarter				10.9	
8:00	SEK	Prospera inflation expectations							
8:00	GBP	Unemployment rate (3M)	%	Sep		4.5%		4.5%	
8:00	GBP	Average weekly earnings ex bonuses (3M)	y/y	Sep		5.0%		6.0%	
8:45	FRF	HICP, final	m/m y/y	Oct		0.5% 3.2%		0.5% 3.2%	
10:00	ITL	HICP, final	m/m y/y	Oct		- 3.1%		- 3.1%	
11:00	EUR	GDP, preliminary	q/q y/y	3rd quarter		2.2% 3.7%		2.2% 3.7%	
11:00	EUR	Employment, preliminary	q/q y/y	3rd quarter				0.7% 1.8%	
14:00	HUF	Central Bank of Hungary rate decision	%		1.95%	2.1%		1.8%	
14:30	USD	Retail sales control group	m/m	Oct		1.4%		0.8%	
14:30	USD	Import prices	m/m y/y	Oct		1.0%		0.4% 9.2%	
15:15	USD	Capacity utilization	%	Oct		75.8%		75.2%	
15:15	USD	Industrial production	m/m	Oct		0.8%		-1.3%	
15:15	USD	Manufacturing production	m/m	Oct		0.8%		-0.7%	
16:00	USD	NAHB Housing Market Index	Index	Nov		80.0		80.0	
18:00	USD	Fed's Barkin (non-voter, neutral) speaks							
18:00	USD	Fed's Bostic (non-voter, neutral) speaks							
21:30	USD	Fed's Daly (non-voter, neutral) speaks							
22:00	USD	TICS international capital flow, Net inflow	USD bn	Sep				91.0	
Wednesday, November 17, 2021						Period	Danske Bank	Consensus	Previous
0:50	JPY	Exports	y/y (%)	Oct		0.1		0.1	
0:50	JPY	Imports	y/y (%)	Oct		0.3		0.4	
0:50	JPY	Trade balance, s.a.	JPY bn	Oct		-609.2		-624.8	
8:00	GBP	CPI	m/m y/y	Oct		0.8% 3.8%		0.3% 3.1%	
8:00	GBP	CPI core	y/y	Oct		3.1		2.9%	
11:00	EUR	HICP inflation, final	m/m y/y	Oct		0.8% 4.1%		0.8% 3.4%	
11:00	EUR	HICP - core inflation, final	y/y	Oct		2.1		2.1%	
14:30	CAD	CPI	m/m y/y	Oct				- 4.4%	
14:30	USD	Building permits	1000 (m/m)	Oct		1630		1586.0 (-7.8%)	
14:30	USD	Housing starts	1000 (m/m)	Oct		1575		1555.0 (-1.6%)	
16:30	USD	DOE U.S. crude oil inventories	K					1002	
17:00	USD	Fed's Bowman (voter, neutral) speaks							
17:20	USD	Fed's Mester (voter, hawkish) speaks							
18:40	USD	Fed's Daly (non-voter, neutral) speaks							
22:05	USD	Fed's Evans (non-voter, neutral) speaks							
22:10	USD	Fed's Bostic (non-voter, neutral) speaks							
Thursday, November 18, 2021						Period	Danske Bank	Consensus	Previous
12:00	TRY	Central Bank of Turkey rate decision	%		16.0%	15.0%		16.0%	
14:00	USD	Fed's Bostic (non-voter, neutral) speaks							
14:30	USD	Philly Fed index	Index	Nov		22.0		23.8	
14:30	USD	Initial jobless claims	1000			260		267	
20:00	USD	Fed's Evans (non-voter, neutral) speaks							
21:30	USD	Fed's Daly (non-voter, neutral) speaks							
Friday, November 19, 2021						Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Greece's debt rating							
0:30	JPY	CPI - national ex. fresh food	y/y	Oct		0.1%		0.1%	
0:30	JPY	CPI - national	y/y	Oct		0.1%		0.2%	
1:01	GBP	GfK consumer confidence	Index	Nov		-18.0		-17.0	
7:30	FRF	ILO unemployment	%	3rd quarter		7.9%		8.0%	
8:00	NOK	GDP (total)	q/q	3rd quarter				1.1%	
8:00	GBP	Retail sales ex fuels	m/m y/y	Oct		0.4% 3.4%		-0.6% -2.6%	
8:00	NOK	GDP (mainland)	q/q	3rd quarter	2.5%	2.5%		1.4%	
8:00	NOK	GDP (mainland)	m/m	Sep		0.5%		1.1%	
9:30	SEK	Capacity utilization, industry	%	3rd quarter				91.3%	
10:00	EUR	Current account	EUR bn	Sep				13.4	
14:00	EUR	ECB's Weidmann speaks in Frankfurt							
14:30	CAD	Retail sales	m/m	Sep				2.1%	
18:15	USD	Fed vice chair Clarida (voter, neutral) speaks							

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	-0.2	42.1	8.1
	2021	4.0	3.4	3.8	8.9	3.5	3.3	1.8	3.1	3.9	-1.4	37.8	7.8
	2022	3.0	3.4	-0.8	2.9	6.1	5.1	1.8	2.8	3.2	0.4	36.9	7.6
Sweden	2020	-3.1	-4.7	-0.5	0.6	-5.2	-5.8	0.5	2.1	8.3	-2.8	37.7	1.4
	2021	3.9	3.8	2.9	6.5	6.0	7.3	2.0	2.7	8.8	-0.8	37.0	5.3
	2022	3.5	4.1	1.7	5.2	3.0	4.0	1.6	1.8	7.5	0.2	33.0	4.7
Norway	2020	-2.5	-6.9	1.7	-3.8	-0.5	-11.9	1.3	3.1	5.0	-	-	-
	2021	3.8	4.2	3.0	1.0	2.7	3.5	3.2	3.0	3.1	-	-	-
	2022	4.0	7.0	1.7	2.0	7.0	7.0	1.6	3.3	2.3	-	-	-

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	1.3	-7.3	-9.4	-9.3	0.3	-0.6	7.9	-7.2	97.3	2.6
	2021	5.3	3.6	3.3	3.8	9.5	6.7	2.3	3.1	7.8	-7.8	102.2	3.1
	2022	4.2	5.9	1.8	2.2	4.5	4.1	2.0	2.0	7.5	-3.5	100.4	3.2
Germany	2020	-4.9	-6.1	3.5	-3.0	-10.1	-9.2	0.4	0.0	3.9	-4.3	68.7	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	-2.9	-4.7	0.5	-0.7	-6.8	-6.5	0.3	1.8	7.8	-5.5	69.5	0.8
	2021	3.3	4.0	2.5	4.0	3.5	4.5	2.0	2.5	7.7	-4.4	70.5	0.6
	2022	3.0	3.5	1.0	4.0	6.5	6.5	1.8	2.7	7.1	-2.6	70.5	0.6

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	5.6	7.8	0.8	8.9	4.3	13.7	4.6	2.0	4.7	-12.2	132.3	-2.1
	2022	3.3	2.6	0.8	4.1	2.4	3.6	4.1	2.3	3.5	-7.2	131.9	-2.1
China	2020	2.3	-0.8	-	4.6	-	-	2.4	4.0	-	-11.2	66.3	1.8
	2021	8.0	11.1	-	5.2	-	-	0.5	5.5	-	-7.5	68.9	1.6
	2022	4.5	5.0	-	3.5	-	-	1.8	5.5	-	-6.8	72.0	1.5
UK	2020	-9.7	-10.5	-6.3	-9.1	-14.7	-16.8	0.9	2.0	4.5	-12.9	104.5	-2.0
	2021	7.5	5.1	10.2	10.2	-0.5	0.2	2.4	1.2	4.7	-13.9	97.6	-3.8
	2022	6.4	7.9	2.1	9.7	5.5	8.0	2.7	1.6	4.1	-3.2	99.4	-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 int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs SEK
USD	12-Nov	0.25	0.15	0.78	1.61	114.5	-	874.8
	+3m	0.25	0.11	0.65	1.75	114.0	-	886.0
	+6m	0.25	0.11	0.80	1.85	112.0	-	919.6
	+12m	0.50	0.51	1.20	2.05	110.0	-	954.5
EUR	12-Nov	-0.50	-0.56	-0.29	0.20	-	114.5	1001.7
	+3m	-0.50	-0.54	-0.35	0.40	-	114.0	1010.0
	+6m	-0.50	-0.54	-0.30	0.50	-	112.0	1030.0
	+12m	-0.50	-0.54	-0.20	0.65	-	110.0	1050.0
JPY	12-Nov	-0.10	-0.09	0.01	0.12	120.5	114.1	8.31
	+3m	-0.10	-	-	-	131.1	115.0	7.70
	+6m	-0.10	-	-	-	129.9	116.0	7.93
	+12m	-0.10	-	-	-	127.6	116.0	8.23
GBP	12-Nov	0.10	0.11	1.10	1.19	85.5	134.0	1171.8
	+3m	0.10	0.37	1.00	1.45	85.0	134.1	1188.2
	+6m	0.25	0.44	1.10	1.50	84.0	133.3	1226.2
	+12m	0.50	0.67	1.15	1.60	83.0	132.5	1265.1
CHF	12-Nov	-0.75	-0.78	-0.52	0.19	105.7	92.3	948.0
	+3m	-0.75	-	-	-	107.0	93.9	943.9
	+6m	-0.75	-	-	-	108.0	96.4	953.7
	+12m	-0.75	-	-	-	109.0	99.1	963.3
DKK	12-Nov	-0.60	-0.27	0.01	0.45	743.70	649.50	134.68
	+3m	-0.60	-0.28	-0.05	0.65	744.00	652.63	135.75
	+6m	-0.60	-0.28	-0.02	0.75	744.50	664.73	138.35
	+12m	-0.60	-0.28	0.08	0.90	744.50	676.82	141.03
SEK	12-Nov	0.00	-0.10	0.33	0.96	1001.7	874.8	100.0
	+3m	0.00	-0.03	0.15	0.95	1010.0	886.0	-
	+6m	0.00	-0.03	0.15	0.95	1030.0	919.6	-
	+12m	0.00	-0.03	0.15	1.05	1050.0	954.5	-
NOK	12-Nov	0.25	0.78	1.65	1.90	994.2	868.2	100.8
	+3m	0.50	0.96	1.45	2.10	1020.0	894.7	99.0
	+6m	0.75	1.24	1.55	2.15	1040.0	928.6	99.0
	+12m	1.00	1.49	2.20	2.20	1040.0	945.5	101.0

Commodities

	12-Nov	2021				2022				Average	
		K1	K2	K3	K4	K1	K2	K3	K4	2021	2022
ICE Brent	81	55	65	70	75	75	75	75	75	66	75

Source Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Aila Mihr, Senior Analyst.

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

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

Conflicts of interest

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

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

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: 12 November 2021, 14:00 CET

Report first disseminated: 12 November 2021, 14:15 CET