

Weekly Focus

Attention turns to Nordic central banks

Market movers ahead

- We expect Riksbanken to raise its policy rate from by 25 basis points to 0% at its policy meeting on Thursday despite a weakening economy.
- We expect Norges Bank to signal an extended period on hold both verbally and via the new rate path.
- The US-China trade talks will remain in focus, especially the mood between the two sides and the likelihood of a phase two deal in 2020, which we continue to see a 50% chance of happening next year.
- Preliminary December PMIs in the US, Japan and Eurozone are likely to provide evidence of a slight pick-up in manufacturing activity.
- On Thursday, we expect the Bank of Japan (BoJ) to keep quantitative and qualitative easing with yield curve control in place, with a strong easing bias if the economic outlook deteriorates.

Weekly wrap-up

- The US and China look to have reached a phase-one deal, which, if confirmed, would support a gradual recovery in China and the global economy in 2020.
- UK Prime Minister Boris Johnson won a big victory at yesterday's elections, which sets up the UK to leave the EU by 31 January 2020.
- The Fed meeting brought no surprises, as the Fed clearly signalled that it is firmly on hold over the coming year
- The ECB meeting provided no policy changes, but launched a strategic review of the ECB's mandate over the next year.

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Financial views

Major indices

	13-Dec	3M	12M
10yr EUR swap	0.15	0.10	0.40
EUR/USD	112	109	113
ICE Brent oil	65	60	60

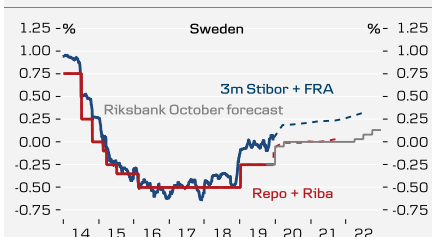
Source: Danske Bank

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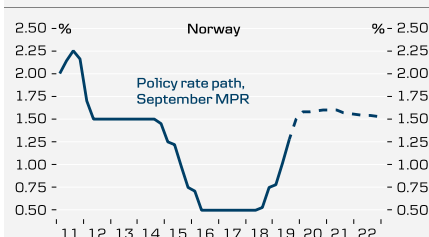
@Danske_Research

A Riksbank hike written in ... rubber?



Source: Macrobond Financial, Danske Bank calculations

Norges Bank to signal unchanged policy rate



Source: Macrobond Financial, Danske Bank

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Market movers

Global

- US-China trade talks are set to continue being in focus, as we expect the coming week to give a sense of the mood between the US and China and the likelihood of a phase two deal in 2020. We continue to see a 50% chance of a phase two deal next year.

- In the **US**, in terms of economic data releases, the most interesting releases are the preliminary PMIs for December, due on Monday. While US PMIs have moved slightly higher, the overall story is still that Q4 GDP growth has been slower than in Q3. Recent jobs growth has been strong but we plan to continue monitoring the employment sub-index to see whether it expects this to continue.

- In the **euro area**, we are due to get the December PMI figures on Monday. In November, the manufacturing PMIs in both Germany and the euro area edged up for a second month. Although it seems that the worst of the manufacturing malaise is over, activity continued to slow in the service sector, setting the scene for anaemic growth around 0.1% q/q in Q4. However, the December ZEW showed a notable increase in both the current situation and expectations component, which bodes well for a continued gradual uptrend in the manufacturing PMI into 2020. Hence, we expect a small uptick in manufacturing PMIs to 47.0 and a stabilisation in the service print around its current level.

Wednesday brings December Ifo figures for Germany. Over the recent month, the Ifo figures have indicated that Germany is slowly but steadily edging away from the downswing territory and we look out for whether this continues in December

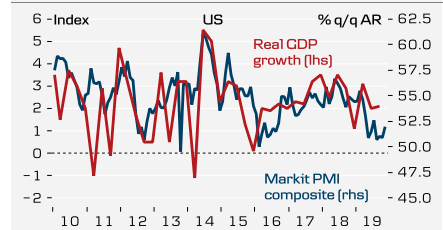
- In the **UK**, the Boris Johnson era has begun and the first thing to look out for is whether Parliament will vote on his Brexit deal on Friday 20 December, which is the first opportunity given that new members of parliament are sworn in on Tuesday 17 December and the parliamentary opening (Queen's Speech) is on Thursday 19 December. We believe the Brexit deal will pass smoothly given the large Conservative majority. For more details, see *UK Election Review – Big Conservative victory means the end of the beginning of Brexit*, 13 December.

There are a lot of interesting data releases in the light of the weakening economy. The flash PMIs for December are due out on Monday, which will be interesting given they are in recessionary territory below 50. The labour market report for October is due on Tuesday, which will be interesting, as many soft indicators suggest employment growth has slowed sharply, which is not yet visible in the hard data.

The Bank of England meets on Thursday. Despite the weaker economy and softer policy signal, we do not expect the Bank of England to change anything, as it is an interim meeting. We expect a cut at the following meeting in January.

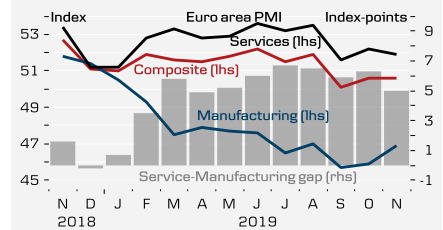
- In **Japan**, we have a busy week ahead of us. December PMIs are due for release on Monday. Both manufacturing and service PMI ticked up in November, after dreadful October readings in the wake of a typhoon and a VAT hike. Recent signs of bottoming out in the global manufacturing cycle should have a positive impact on Japan as well. On Wednesday, November export figures are due. We are not likely to see a big rebound any time soon but a weaker JPY helped exporters in November.

US Markit PMIs have increased slightly but still point to slower growth in Q4 than in Q3



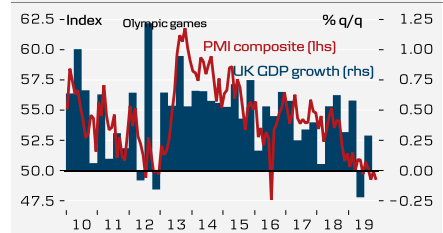
Source: IHS Markit, BEA, Macrobond Financial

Will the gap in the 2-speed economy close further in December?



Source: Markit, Danske Bank, Macrobond Financial

UK PMI composite is in recessionary territory



Source: IHS Markit, ONS, Macrobond Financial

On Thursday, the Bank of Japan (BoJ) finishes a two-day policy meeting, which is likely to be quite uneventful. At the October meeting, the BoJ made a comprehensive assessment of the risk of losing momentum towards achieving the inflation target. It concluded that the risk of losing momentum has not risen but it is necessary to continue paying close attention to the possibility. At the same meeting, it changed its forward guidance and now pledges to keep rates at *'...present or lower levels as long as it is necessary to pay close attention to the possibility that the momentum toward achieving the price stability target will be lost'*. Since then, positive signs from the global manufacturing sector and a weaker JPY have relieved the pressure on the BoJ. We expect the BoJ to keep the current QQE with yield-curve control framework in place and Governor Haruhiko Kuroda to iterate his commitment to ease without hesitation if inflation momentum is lost at the following press conference.

Then on Friday, the BoJ gets sight of the matter when November CPI inflation ticks in. Following the limited impact of the VAT hike in October, Tokyo inflation (excluding fresh food) increased to 0.7% in November. October countrywide CPI inflation (excluding fresh food) was only 0.4% in October, far from the 2% target.

Apart from the possible trade deal between China and the US, on the data front in **China** it is time for industrial production, retail sales and fixed asset investments. We look for growth in these measures to move broadly sideways and thus signal GDP growth around 6.0% in Q4. New home prices are also up for release. We look for continued moderate house price inflation with a monthly run-rate around 6%, as has been the case lately.

Scandi

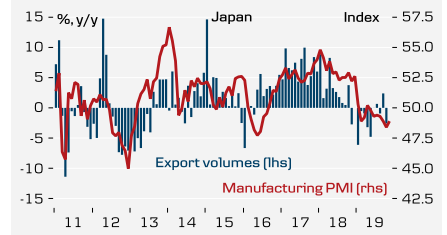
- **Denmark's** final economic data for the year will arrive next week. Monday will see Finance Denmark's housing prices for Q3. Statistics Denmark's monthly figures have shown that the trend from earlier in the year of decent increases in house prices and more modest growth in apartment prices has remained intact in recent months and, while the calculation methods are different, this points to more or less the same trend in the new figures from Finance Denmark.

Wage earner employment in October, retail sales in November and consumer confidence for December are all due on Friday. Employment figures in recent months have indicated a labour market that has shifted down a gear relative to the buoyant growth levels of recent years. Only 1,340 have found jobs per month, on average, over the past five months, which is some way below the 3,500 who have found work every month on average since 2017. We do not expect this picture to change much but nor do we expect a definitive downturn, as the Danish economy still appears to be in a healthy state.

Retail sales probably grew decently in November following the decline in October. Black Friday may have prompted many to postpone their October purchases and bring forward their December shopping to capitalise on the day's special offers. As Black Friday is a relatively new phenomenon in Denmark, the seasonal correction is probably not capturing the full seasonal impact, so the month's figures may temporarily be pumped up. Looking at the broader picture, there is not much to suggest that the upswing's relatively modest level of consumption growth will shift noticeably in either direction.

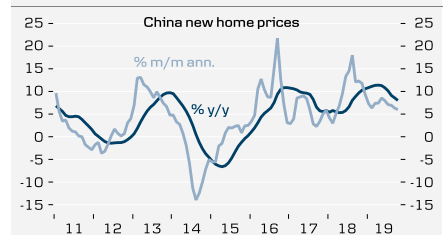
We expect consumer confidence to rise to 2.5 in November from 1.4. Danes have generally had a negative view of the Danish economy of late but given that it is certainly no laggard and that the international economy appears to be picking up slightly, expectations will probably be revised higher in coming months.

Foreign demand stabilising?



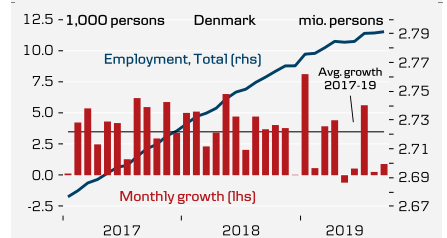
Source: Japanese Cabinet Office, Macrobond Financial

China house price inflation at decent level



Source: Macrobond Financial, NBS

Will the labour market continue to slow?

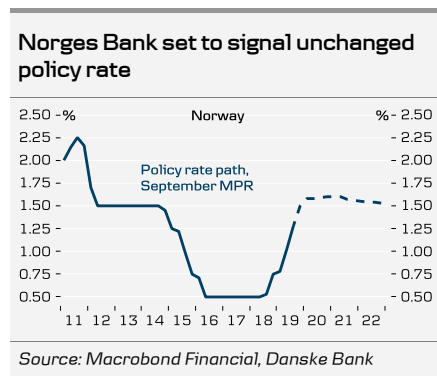
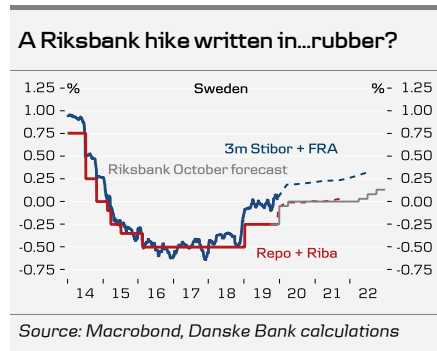


Source: Statistics Denmark, Macrobond Financial

- The highlight in **Sweden** this week is the Riksbank's monetary policy meeting. As November inflation was close to its forecasts, a hike is probably a done deal. That said, at least two members have some doubts about whether this is the right thing to do in the current circumstances. The crux of the matter is that most data suggests that GDP growth is slowing towards zero, that the labour market is deteriorating significantly despite the revisions to the LFS survey and that broad-based long-term inflation expectation is turning below the 2% target. There is actually very little for the Riksbank to point to in justifying the rate hike. Listening to the board members and scrutinising the Minutes, we have not found any convincing arguments. Moreover, major central banks have moved in the opposite direction.

We are also set to receive the NIER business confidence survey, where hiring plans are particularly important considering the current low quality of SCB's labour market data. Hiring plans for the total business sector indicate reduced hiring in general. Manufacturing and the private service sector are the driving sub-indices of the decline. Retail trade and construction still imply increased employment. Last month, we also saw a large decline in export orders, indicating that the global slowdown could soon hit Swedish foreign trade. This makes it interesting to see how this has developed in December.

In **Norway**, we do not expect Norges Bank to touch interest rates on Thursday. At its September meeting, the central bank signalled clearly that interest rates would be unchanged for a long period, despite the projections presented in the monetary policy report showing around a 40% chance of a hike in 2020. Since September, the NOK has been weaker than expected, oil prices have been slightly higher, global interest rates have been stronger and global growth prospects brighter – all of which would point to an upward revision of the policy rate path and a greater probability of a rate increase next year. On the other hand, growth in the Norwegian economy seems to have been weaker than expected and is set to slow further. This means the drivers of inflation in the medium term, which are generally muted in the Norwegian economy, are moving into reverse. Given that Norges Bank has also come a long way in normalising interest rates, there is reason to believe that it will now consider the job done and expect inflationary pressures to ease. Therefore, we expect the policy rate path in the new monetary policy report to signal clearly that the central bank expects a long period on hold.



Market movers ahead

Global movers		Event		Period	Danske	Consensus	Previous
Mon	16-Dec	1:30	JPY Nikkei Manufacturing PMI, preliminary	Index			48.9
		1:30	JPY Markit PMI services, preliminary	Index			50.3
		3:00	CNY Fixed assets investments	y/y		5.2%	5.2%
		3:00	CNY Industrial production	y/y		5.0%	4.7%
		3:00	CNY Retail sales	y/y		7.6%	7.2%
		10:00	EUR PMI manufacturing, preliminary	Index	47.0	47.4	46.9
		10:00	EUR PMI composite, preliminary	Index		50.6	50.6
		10:00	EUR PMI services, preliminary	Index		52.0	51.9
		10:30	GBP PMI manufacturing, preliminary	Index		49.2	48.9
		10:30	GBP PMI services, preliminary	Index		49.6	49.3
		14:30	USD Empire Manufacturing PMI	Index		5.0	2.9
		15:45	USD Markit PMI manufacturing, preliminary	Index		52.6	52.6
		15:45	USD Markit PMI service, preliminary	Index		52.0	51.6
Tue	17-Dec	10:30	GBP Unemployment rate (3M)	%		3.9%	3.8%
Wed	18-Dec	0:50	JPY Exports	y/y (%)		-0.1	-0.1
		10:00	DEM IFO - business climate	Index		95.5	95.0
		10:00	DEM IFO - current assessment	Index		98.1	97.9
		10:00	DEM IFO - expectations	Index		92.9	92.1
Thurs	19-Dec	-	JPY BoJ policy rate	%	-0.10%	-0.10%	-0.10%
		13:00	GBP BoE Bank rate	%	0.75%	0.75%	0.75%
Fri	20-Dec	-	GBP Potential vote on PM Johnson's Brexit deal				
		0:30	JPY CPI - national	y/y		0.5%	0.2%
		14:30	USD Retail sales control group	m/m		0.3%	0.3%
Scandi movers							
Mon	16-Dec	10:30	DKK The government publishes its economic statement				
Wed	18-Dec	9:00	SEK Consumer confidence	Index			91.9
		9:00	SEK Economic Tendency Survey	Index			94.7
		9:00	SEK Manufacturing confidence	Index			96.1
Thurs	19-Dec	9:30	SEK Riksbank, rate decision	%	0.00%	0.00%	-0.25%
		10:00	NOK Norges Banks monetary policy meeting	%	1.50%	1.50%	1.50%
Fri	20-Dec	8:00	DKK Consumer confidence	Net. bal.	2.5	2.5	1.4
		8:00	DKK Employment				
		9:30	SEK PPI	m/m y/y			0.4% 0.9%
		9:30	SEK Wages (blue collars/white collars)	y/y			2.6%
		10:00	NOK Unemployment	%		2.2%	2.1%
Thurs	12-Dec	9:30	SEK Unemployment (n.s.a./s.a.)	%		6.3%	6.0% 6.6%

Source: Bloomberg, Danske Bank

Weekly Wrap-Up

Main macro themes

- **It looks like the US and China have reached a phase-one deal**, in which the US will reduce tariffs on USD360bn of goods by 50% in return for China buying more agricultural and other goods worth USD50bn, tightening the rules on intellectual property rights and opening up financial services further. At the time of writing, the deal was not officially confirmed, but if confirmed, this is good news as it cements that we are in de-escalation mode after one-and-a-half years of an escalating trade war. In our view, this will support a gradual recovery in China and the global economy in 2020.
- **UK Prime Minister Boris Johnson won a big victory** at yesterday's general election with an estimated 364 seats versus the 326 needed for a majority. He can now get his Brexit deal through without too many problems, as (1) he is more powerful after his big victory, as winning elections is what politics is all about, (2) he is no longer relying on the votes from the DUP to have a majority and (3) most moderate Conservatives who voted against him have not run for re-election (many were expelled). In other words, the UK is leaving the EU by 31 January 2020 and nothing can stop it. However, it is only the end of the beginning of Brexit. PM Johnson's deal is only about securing an orderly withdrawal and negotiations on the future relationship are only about to start. Hence, we expect more obstacles ahead, see *UK election review - Big Conservative victory means the end of the beginning of Brexit*, 13 December 2019.
- **The Fed meeting brought no surprises**, as the Fed gave a clear signal that it is firmly on hold for the coming year as the 'dot' projection showed no hikes in 2020. A rate hike also seems far away as chairman Jerome Powell said that the Fed would not raise rates until it was clear inflation was heading higher and reaching the Fed's 2% goal, see *FOMC review - Fed signals it is on hold throughout 2020*, 12 December 2019.
- **The ECB also met this week with Christine Lagarde at the head of the table** for the first time. The ECB's unchanged monetary policy was widely anticipated. The press conference was uneventful and did not move markets, with no new hints on forward guidance or its stance. The economic assessment was slightly less downbeat than previously. A strategic review of the ECB's policy and inflation objectives will start in January and the goal is to complete this by the end of the year, see *Flash: ECB Research - Not a dove, not a hawk - but an owl*, 12 December 2019.

Financial market developments

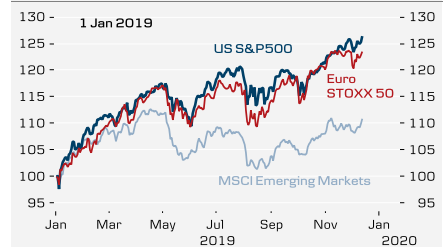
- **Stock markets cheered the news of a phase one deal** and US stocks reached a new all-time high. Emerging Markets also rallied strongly on the news. The big victory for Boris Johnson added to the more positive risk sentiment, as it clears the way for a Brexit deal.
- **Bond yields saw a push higher** as the lift in risk sentiment moved money into equities and the US-China trade deal increases the prospect of a moderate recovery in 2020.
- **In FX markets, the risk-on environment pushed up USD/JPY** while EUR/GBP dived on the outlook for a Brexit deal. EUR/USD pushed higher.

Financial views

Major indices			
	13-Dec	3M	12M
10yr EUR swap	0.15	0.10	0.40
10yr US swap	1.85	1.75	2.00
ECB key rate	-0.50	-0.50	-0.50
Fed funds rate	1.75	1.75	1.50
EUR/SEK	1045	1080	1100
EUR/NOK	1010	990	970
EUR/USD	112	109	113
ICE Brent oil	65	60	60

Source: Danske Bank

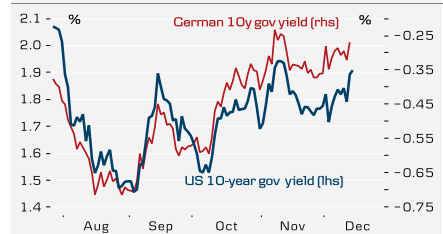
Stock markets finishing an already strong year with further rally



Source: Macrobond Financial

Note: Past performance is not a reliable indicator of current or future results

Bond yields higher on trade deal optimism



Source: Macrobond Financial

Note: Past performance is not a reliable indicator of current or future results

Scandi update

Denmark – strong foreign trade figures in October

The week kicked off with foreign trade figures for October, which showed growth in goods exports of 1.6% and the largest current account surplus ever. As has been the case so far in this upswing, it was goods traded outside Denmark that were the main driving force. These strong figures also indicate that GDP growth should be quite decent in the last quarter of the year. Goods exports were once again sent higher by pharmaceutical and wind turbine exports, in particular, while service exports were elevated by a one-off patent case, meaning a large part of the very sizeable current account surplus was due to just a few industries and temporary effects, which presumably will not be enough to maintain the surplus over time.

Consumer prices were 0.7% higher in November compared to the same month last year. As expected, petrol prices pulled inflation higher on the back of lower oil prices last November. More surprising perhaps, book prices are now 38% up y/y. That is a powerful upward force, but it is also temporary.

Sweden – data likely supportive for Riksbank December hike

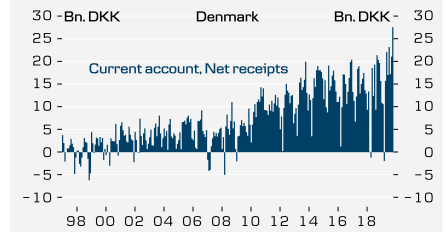
Swedish data was quite mixed last week. Prospera’s ‘big’ quarterly survey, however, covering all sectors, showed another drop on all horizons. It is most worrying for the Riksbank to note that 5y CPI expectations have had gradually lower highs over the past three inflation cycles since the 2008-09 crisis. Hence, there appears to be a long-standing trend of lower expectations. The question is to what extent this mitigates the fact that November inflation turned out only marginally below the Riksbank’s inflation forecasts. Most observers, including ourselves, have drawn the conclusion that the November outcome probably means that the Riksbank will hike as suggested. Still, we find this to be a very odd situation given that most data suggests Sweden may have been close to zero GDP growth in Q4 and that inflation is set to slow down again well below target after year-end.

Both PES and SCB’s (new) labour force survey showed a sharply increased unemployment rate – meaning a continued deteriorating labour market. The unemployment rate rose from s.a. 6.6% to 7.3% but, as mentioned before, the data is still uncertain and highly volatile. Total actual working hours are declining and at the same time, the number of people employed continues to rise, indicating employees are keeping staff although average working hours are decreasing. However, our model did suggest roughly the same increase in the unemployment rate and we believe that we have not reached the top yet.

Norway – clear slowdown

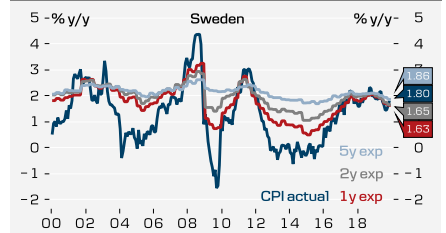
The aggregated output index in Norges Bank’s regional network survey fell from 1.35 in Q3 to 0.96 in Q4, indicating annual growth in mainland GDP of around 1.9% over the next six months. In other words, economic growth is now expected to slow to trend in H1 next year, which is far earlier than we had thought. Drilling down, we find that 70% of the drop in the index from the previous survey stems from retail and construction. We knew there was a certain slowdown under way in these sectors but have to admit the complete standstill signalled in construction took us completely by surprise, with firms in that sector now anticipating zero growth as opposed to 3% only three months ago. Respondents refer to a number of transport projects having been postponed, partly due to a shortage of project management expertise. This could mean that the problem is capacity rather than demand, but the question is when these projects will actually get going. The slowdown in oil-related industries and services, on the other hand, was more as expected, given that oil growth has probably now peaked.

Record current account surplus in October



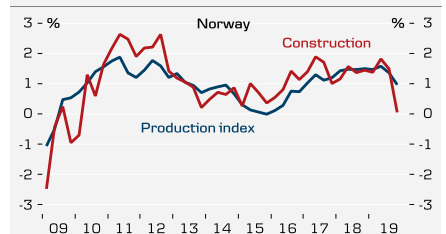
Source: Statistics Denmark, Macrobond Financial

Can Riksbank disregard the fact that inflation momentum is waning?



Source: SCB, Prospera

Construction headed for standstill



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

13/12 UK election result - what now? Recording of this morning's conference call (in English)

A recording of our conference call on the UK election result and implications for Brexit, the economy and EUR/GBP (mp3 file).

13/12 UK election review - Big Conservative victory means the end of the beginning of Brexit

Prime Minister Boris Johnson won a big victory at yesterday's general elections with an estimated 360 seats versus the 326 needed for a majority.

12/12 Flash: ECB Research - Not a dove, not a hawk - but an owl

The ECB's decision of unchanged monetary policy and consequently rates remaining unchanged was widely anticipated and did not move markets.

12/12 ECB Research - TLTRO - low take-up, but the ECB should not be concerned

In the ECB's TLTRO3.2 operation (December 2019), banks took only EUR97.7, much below our expectations - 122 banks participated in the operation.

12/12 FOMC review - Fed signals it is on hold throughout 2020

Fed still thinks "Current monetary policy stance is appropriate".

12/12 Japan macro outlook: Sheltered for now - bumpy road ahead

In this piece, we present our updated Japan macro outlook

11/12 US macro outlook: Two pace economy

In this piece, we present our updated US macro outlook.

11/12 UK macro outlook: Brexit taking its toll on the economy

In this piece, we present our updated UK macro outlook.

9/12 Macro Strategy Views: The world in 2020 - higher growth, lower performance

In our weekly podcast, Macro Strategy Views, we discuss the economic and financial performance in 2019 and the outlook for 2020.

8/12 Harr's View: The world in 2020 - higher growth, lower performance

Today, I reflect on the economic and financial market performance in 2019 and discuss the outlook for 2020.

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	2018	2.4	2.8	0.4	5.4	2.4	3.6	0.8	2.2	3.8	0.8	34.2	7.0
	2019	2.0	1.5	0.3	-1.8	4.5	0.3	0.8	2.0	3.8	2.0	32.4	7.6
	2020	1.3	2.4	0.9	0.9	1.6	1.9	1.3	2.1	4.0	0.5	31.5	7.3
Sweden	2018	2.4	1.6	0.4	4.6	3.1	3.6	2.0	2.6	6.3	0.8	38.5	0.5
	2019	1.0	0.7	0.7	-1.8	4.2	1.7	1.7	2.6	6.8	0.1	35.0	3.7
	2020	0.7	1.9	1.5	-2.2	2.7	2.1	1.1	2.4	7.8	-0.5	34.0	3.7
Norway	2018	2.2	1.9	1.4	2.8	-0.2	1.9	2.7	2.8	2.5	-	-	-
	2019	2.6	2.0	2.0	4.8	3.0	3.5	2.2	3.4	2.3	-	-	-
	2020	2.2	2.4	1.7	3.0	4.0	2.5	2.2	3.6	2.2	-	-	-

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	2018	1.9	1.4	1.1	2.4	3.3	2.7	1.8	2.2	8.2	-0.5	85.9	3.8
	2019	1.2	1.3	1.6	6.9	2.4	4.6	1.2	2.1	7.6	-0.8	86.4	3.3
	2020	0.9	1.5	1.8	2.6	1.5	3.2	1.2	2.3	7.5	-0.9	85.1	3.2
Germany	2018	1.5	1.2	1.4	3.5	2.3	3.7	1.9	2.9	3.4	1.9	61.9	7.3
	2019	0.5	1.6	2.1	2.8	1.1	2.4	1.3	3.0	3.1	1.0	59.2	6.0
	2020	0.6	1.2	2.5	1.2	1.2	2.4	1.5	2.8	3.0	0.8	56.8	5.9
Finland	2018	1.7	1.8	1.5	3.3	2.2	5.0	1.1	1.7	7.4	-0.8	59.1	-1.4
	2019	1.2	0.8	1.5	0.5	3.5	2.0	1.1	2.5	6.6	-0.4	58.4	-0.8
	2020	0.8	1.0	1.5	0.6	1.5	2.0	1.4	2.7	6.6	-0.4	57.7	-0.8

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	2018	2.9	3.0	1.7	4.6	3.0	4.4	2.4	3.0	3.9	-3.9	105.0	-2.4
	2019	2.3	2.6	2.2	1.3	-0.3	1.6	1.8	3.1	3.7	-4.5	105.0	-2.5
	2020	1.7	2.4	0.8	0.9	0.1	1.7	2.1	3.0	3.5	-4.5	106.0	-2.6
China	2018	6.6	8.2	-	5.0	-	-	2.2	8.5	-	-4.1	50.1	0.7
	2019	6.2	7.5	-	5.0	-	-	2.5	8.0	-	-6.1	53.9	0.0
	2020	6.0	7.8	-	4.6	-	-	2.2	7.5	-	-5.5	57.1	-0.1
UK	2018	1.4	1.6	0.6	-0.1	-0.9	0.7	2.5	3.0	4.1	-2.3	85.9	-4.5
	2019	1.4	1.3	3.3	-0.1	0.5	3.3	1.8	3.5	3.8	-1.4	83.8	-3.5
	2020	1.0	1.4	1.3	-1.5	1.7	-2.4	1.4	3.4	3.8	-1.1	82.9	-3.7
Japan	2018	0.8	0.3	0.8	1.1	3.4	3.3	0.9	-	2.4	-	-	-
	2019	1.0	0.4	2.2	1.7	-1.8	-0.5	0.7	-	2.4	-	-	-
	2020	0.5	-0.3	1.9	0.4	1.7	0.8	0.7	-	2.4	-	-	-

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	13-Dec	1.75	1.89	1.70	1.85	111.7	-	669.3	904.9	936.3
	+3m	1.75	1.71	1.50	1.75	109.0	-	685.3	908.3	990.8
	+6m	1.50	1.65	1.50	1.75	111.0	-	673.2	882.9	991.0
	+12m	1.50	1.65	1.60	2.00	113.0	-	661.3	858.4	973.5
EUR	13-Dec	-0.50	-0.40	-0.32	0.15	-	111.7	747.3	1010.3	1045.5
	+3m	-0.50	-0.41	-0.30	0.10	-	109.0	747.0	990.0	1080.0
	+6m	-0.50	-0.41	-0.30	0.20	-	111.0	747.3	980.0	1100.0
	+12m	-0.50	-0.41	-0.20	0.40	-	113.0	747.3	970.0	1100.0
JPY	13-Dec	-0.10	-0.07	-0.02	0.10	120.5	109.6	6.20	8.38	8.68
	+3m	-0.10	-	-	-	118.3	108.5	6.32	8.37	9.13
	+6m	-0.10	-	-	-	120.4	108.5	6.20	8.14	9.13
	+12m	-0.10	-	-	-	124.3	110.0	6.01	7.80	8.85
GBP	13-Dec	0.75	0.78	0.87	1.01	83.2	134.2	898.0	1214.1	1256.3
	+3m	0.50	0.60	0.80	0.95	87.5	124.6	853.7	1131.4	1234.3
	+6m	0.50	0.54	0.70	0.95	87.5	126.9	854.0	1120.0	1257.1
	+12m	0.50	0.54	0.80	1.15	87.5	129.1	854.0	1108.6	1257.1
CHF	13-Dec	-0.75	-0.72	-0.65	-0.15	110.1	98.6	679.0	918.0	949.9
	+3m	-0.75	-	-	-	109.0	100.0	685.3	908.3	990.8
	+6m	-0.75	-	-	-	110.0	99.1	679.3	890.9	1000.0
	+12m	-0.75	-	-	-	112.0	99.1	667.2	866.1	982.1
DKK	13-Dec	-0.75	-0.41	-0.21	0.26	747.3	669.3	-	135.2	139.9
	+3m	-0.75	-0.45	-0.20	0.20	747.0	685.3	-	132.5	144.6
	+6m	-0.75	-0.45	-0.20	0.30	747.3	673.2	-	131.1	147.2
	+12m	-0.75	-0.45	-0.10	0.50	747.3	661.3	-	129.8	147.2
SEK	13-Dec	-0.25	0.02	0.19	0.63	1045.5	936.3	71.5	96.6	100.0
	+3m	0.00	0.15	0.15	0.65	1080.0	990.8	69.2	91.7	-
	+6m	0.00	0.15	0.15	0.70	1100.0	991.0	67.9	89.1	-
	+12m	0.00	0.15	0.15	0.80	1100.0	973.5	67.9	88.2	-
NOK	13-Dec	1.50	1.82	1.97	2.01	1010.3	904.9	74.0	100.0	103.5
	+3m	1.50	1.85	2.10	2.00	990.0	908.3	75.5	-	109.1
	+6m	1.50	1.85	2.10	2.10	980.0	882.9	76.3	-	112.2
	+12m	1.75	2.17	2.15	2.20	970.0	858.4	77.0	-	113.4

Commodities

	13-Dec	2019				2020				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2019	2020
ICE Brent	65	64	68	62	65	60	60	60	60	72	60

Source: Danske Bank

Calendar

Monday, December 16, 2019				Period	Danske Bank	Consensus	Previous
1:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Dec			48.9
1:30	JPY	Markit PMI services, preliminary	Index	Dec			50.3
3:00	CNY	Fixed assets investments	y/y	Nov		5.2%	5.2%
3:00	CNY	Industrial production	y/y	Nov		5.0%	4.7%
3:00	CNY	Retail sales	y/y	Nov		7.6%	7.2%
7:00	DKK	House prices (Finance Denmark)	q/q y/y	3rd quarter			
8:00	NOK	Trade balance	NOK bn	Nov			5.9
9:15	FRF	PMI manufacturing, preliminary	Index	Dec		51.5	51.7
9:15	FRF	PMI services, preliminary	Index	Dec		52.0	52.2
9:30	DEM	PMI manufacturing, preliminary	Index	Dec		45.0	44.1
9:30	DEM	PMI services, preliminary	Index	Dec		52.0	51.7
10:00	ITL	HICP, final	m m y/y	Nov		.. 0.4%	.. 0.4%
10:00	EUR	PMI manufacturing, preliminary	Index	Dec	47.0	47.4	46.9
10:00	EUR	PMI composite, preliminary	Index	Dec		50.6	50.6
10:00	EUR	PMI services, preliminary	Index	Dec		52.0	51.9
10:30	GBP	PMI manufacturing, preliminary	Index	Dec		49.2	48.9
10:30	GBP	PMI services, preliminary	Index	Dec		49.6	49.3
10:30	DKK	The government publishes its economic statement					
11:00	EUR	Labour costs	y/y	3rd quarter			2.7%
14:30	USD	Empire Manufacturing PMI	Index	Dec		5.0	2.9
15:45	USD	Markit PMI manufacturing, preliminary	Index	Dec		52.6	52.6
15:45	USD	Markit PMI service, preliminary	Index	Dec		52.0	51.6
16:00	USD	NAHB Housing Market Index	Index	Dec		71.0	70.0
17:00	GBP	BoE Financial Stability Report					
22:00	USD	TICS international capital flow, Net inflow	USD bn	Oct			-37.6
Tuesday, December 17, 2019				Period	Danske Bank	Consensus	Previous
-	GBP	New Parliament will be summoned					
10:30	GBP	Unemployment rate (3M)	%	Oct		3.9%	3.8%
10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Oct		3.4%	3.6%
11:00	EUR	Trade balance	EUR bn	Oct			18.3
14:00	USD	Fed's Kaplan (non-voter, neutral) speaks					
14:00	HUF	Central Bank of Hungary rate decision	%			0.90%	0.90%
14:30	USD	Housing starts	1000 (m/m)	Nov		1340	1314.0 (3.8%)
14:30	USD	Building permits	1000 (m/m)	Nov		1405	1461.0 (5.0%)
15:15	USD	Capacity utilization	%	Nov		77.4%	76.7%
15:15	USD	Industrial production	m/m	Nov		0.8%	-0.8%
15:15	USD	Manufacturing production	m/m	Nov		0.7%	-0.6%
18:30	USD	Fed's Williams (voter, neutral) speaks					
18:30	USD	Fed's Rosengren (voter, hawkish) speaks					
Wednesday, December 18, 2019				Period	Danske Bank	Consensus	Previous
0:50	JPY	Exports	y/y (%)	Nov		-0.1	-0.1
0:50	JPY	Import	y/y (%)	Nov		-0.1	-0.1
0:50	JPY	Trade balance, s.a.	JPY bn	Nov		-57	-34.7
9:00	SEK	Consumer confidence	Index	Dec			91.9
9:00	SEK	Economic Tendency Survey	Index	Dec			94.7
9:00	SEK	Manufacturing confidence	Index	Dec			96.1
9:15	SEK	NIER economic forecasts					
10:00	DEM	IFO - business climate	Index	Dec		95.5	95.0
10:00	DEM	IFO - current assessment	Index	Dec		98.1	97.9
10:00	DEM	IFO - expectations	Index	Dec		92.9	92.1
10:30	GBP	PPI - input	m m y/y	Nov		0.5% -1.9%	-1.3% -5.1%
10:30	GBP	CPI	m m y/y	Nov		0.2% 1.5%	-0.2% 1.5%
10:30	GBP	CPI core	y/y	Nov		1.6%	1.7%

Source: Danske Bank

Calendar

Wednesday, December 18, 2019 (cont'd)				Period	Danske Bank	Consensus	Previous
11:00	EUR	HICP inflation, final	m/m y/y	Nov		-0.3% 1.0%	-0.3% 0.7%
11:00	EUR	HICP - core inflation, final	y/y	Nov		1.3%	1.3%
12:15	EUR	ECB's Coeure speaks in Frankfurt					
14:30	CAD	CPI	m/m y/y	Nov			... 1.9%
16:30	USD	DOE U.S. crude oil inventories	K				822
18:40	USD	Fed's Evans (voter, hawkish) speaks					
22:45	NZD	GDP	q/q y/y	3rd quarter		0.5% 2.3%	0.5% 2.1%
Thursday, December 19, 2019				Period	Danske Bank	Consensus	Previous
-	JPY	BoJ policy rate	%		-0.10%		-0.10%
1:30	AUD	Employment change	1000	Nov		15	-19
8:45	FRF	Business confidence	Index	Dec		104.0	105.0
9:30	SEK	Riksbank, rate decision	%		0.00%	0.00%	-0.25%
10:00	NOK	Norges Banks monetary policy meeting	%		1.50%	1.50%	1.50%
10:30	GBP	Retail sales ex fuels	m/m y/y	Nov		0.4% 2.0%	-0.3% 2.7%
13:00	GBP	BoE minutes					
13:00	GBP	BoE government bond purchases (APF)	GBP bn	Dec		435	435
13:00	GBP	BoE corporate bond purchases (CBPP)	GBP bn	Dec		10	10
13:00	GBP	BoE Bank rate	%		0.75%	0.75%	0.75%
14:30	USD	Current account	USD bn	3rd quarter		-121.0	-128.2
14:30	USD	Philly Fed index	Index	Dec		9.0	10.4
14:30	USD	Initial jobless claims	1000				252
16:00	USD	Existing home sales	m(m/m)	Nov		5.45	5.46 0.019
Friday, December 20, 2019				Period	Danske Bank	Consensus	Previous
-	GBP	Potential vote on PM Johnson's Brexit deal					
0:30	JPY	CPI - national	y/y	Nov		0.5%	0.2%
0:30	JPY	CPI - national ex. fresh food	y/y	Nov		0.5%	0.4%
1:01	GBP	GfK consumer confidence	Index	Dec		-14.0	-14.0
8:00	DKK	Consumer confidence	Net. bal.	Dec	2.5	2.5	1.4
8:00	DKK	Employment		Oct			
8:00	DKK	Retail sales	m/m y/y	Nov			-0.2% 1.2%
8:00	DEM	GfK consumer confidence	Net. Bal.	Jan		9.8	9.7
8:00	DKK	GDP, final	q/q y/y	3rd quarter			0.3% ...
8:45	FRF	Household consumption	m/m y/y	Nov		0.3% 0.1%	0.2% -0.2%
9:30	SEK	Retail sales s.a.	m/m y/y	Nov			0.2% 3.3%
9:30	SEK	PPI	m/m y/y	Nov			0.4% 0.9%
9:30	SEK	Wages (blue collars/white collars)	y/y	Oct			2.6%
10:00	NOK	Unemployment	%	Dec		2.2%	2.1%
10:00	EUR	Current account	EUR bn	Oct			28.2
10:30	GBP	GDP, final	q/q y/y	3rd quarter		0.3% 1.0%	0.3% 1.0%
14:30	USD	GDP, third release	q/q AR	3rd quarter		0.021	0.021
14:30	CAD	Retail sales	m/m	Oct			-0.1%
16:00	USD	PCE core	m/m y/y	Nov		0.1% 1.5%	0.1% 1.6%
16:00	USD	PCE headline	m/m y/y	Nov		0.2% ...	0.2% 1.3%
16:00	USD	University of Michigan Confidence, final	Index	Dec		99.2	99.2
16:00	USD	Personal spending	m/m	Nov		0.4%	0.3%
16:00	EUR	Consumer confidence, preliminary	Net bal.	Dec		-7.1	-7.2

Source: Danske Bank

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