15 June 2018

Weekly Focus

The US is leaving the euro area behind

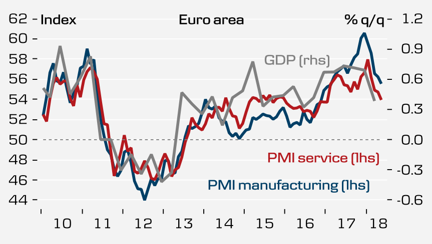
Market Movers ahead

- Trade frictions between the US and China will be in focus over the coming week. An escalation could be on the cards.
- We expect euro area PMI to fall further in June, adding to the past five months of decline.
- In the UK, it is time for Bank of England meeting. It is one of the 'small' meetings and we look for unchanged policy rates.
- OPEC is due to meet on Friday and we expect a signal of unchanged production until end-year followed by an increase in production caps.
- In the Scandies, we look for another drop in Swedish manufacturing confidence while Norges Bank is set to continue to signal a rate hike 'after summer 2018', which most likely means September.
- On Wednesday, we are due to publish our Nordic Outlook, with fresh forecasts for the Nordic economies.

Global macro and market themes

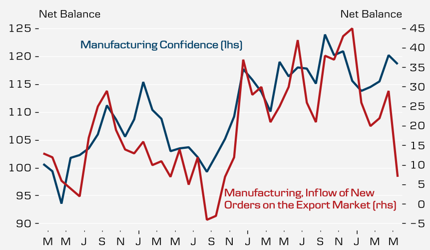
- The US is leaving the euro area behind in terms of growth.
- A dovish ECB ends tapering, sending EUR and bund yields lower.
- A more confident Federal Reserve signals four hikes instead of three this year. We have changed our forecast to reflect this.
- Risks to global growth are skewed to the downside due to trade friction, Italy and emerging markets.
- Volatility is higher but we expect equities to outperform on a 12-month horizon.
- More downside risk to EUR/USD short term but we still see it being higher in 12 months.

Euro PMIs set to fall further in June



Source: Macrobond Financial

Swedish manufacturing confidence to move lower on weak export orders



Source: Macrobond Financial

Contents

Financial views

Major indices	15-Jun	3M	12M
10yr EUR swap	0.92	1.05	1.55
EUR/USD	116	117	125
ICE Brent oil	76	72	72

Source: Danske Bank

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Market movers

Global

- In the **US**, we have a quieter week ahead of us. The most interesting release is the preliminary Markit PMIs for June due out on Friday. The service sector looks in good shape and it is likely PMI services remains above the 56 mark, with an unchanged print of 56.8 being our forecast. On manufacturing, our models suggest the indices should peak soon but so far it has been difficult to see in either Markit PMI or ISM. Still, we stick to our call that the indices should move lower in 3-6M. Our forecast is PMI manufacturing will decline slightly from 56.4 to 56.0.

  Following the Fed meeting this week, we plan to analyse the many Fed speeches to get an overview of what the different members think. Overall, it seems to us that the Fed is on autopilot and will continue to raise rates gradually, as the expansion continues.

  Today, the US government released the full list of goods imported from China (USD50bn) that are hit by the 25% tariff and we will look out for further escalation of the trade conflict next week, especially the US response to the expected retaliation from China.

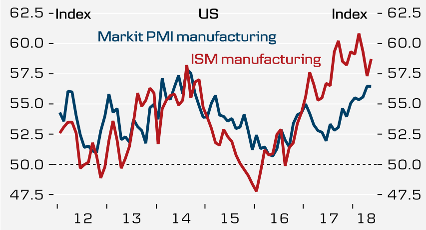
- In the **euro area**, PMI figures are due on Wednesday. Manufacturing PMI has fallen for five consecutive months. After peaking at 60.6 in December 2017, it fell to 55.5 in May 2018. We expect a further fall to 54.8 in June. Service PMI has seen a similar development, declining from 58.0 in January to 53.8 in May. We expect service PMI to fall to 53.7 in June. We expect a further decline in PMIs as a consequence of Donald Trump's imposition of steel/aluminium tariffs on the EU, with the lingering threat of more to come and the less optimistic economic sentiment as observed in IFO and ZEW figures, also on the back of the Italian turmoil. Also, the *ECB's annual conference* in Sintra, Portugal, from Monday to Wednesday is set to have several important speeches.

- In the **UK** next week, the most important event is the Bank of England meeting on Thursday, where we expect policy to remain unchanged (vote count unchanged at 7-2 on rates). As this is one of the smaller meetings without updated projections and a press conference, the focus is set to be on the accompanying minutes. At the May meeting, the Bank of England stayed on hold, as it wanted more time to see whether or not the weakness in data was temporary. We do not think the Bank of England has received enough data to change this view but, given inflation is slightly lower and the unemployment rate was slightly higher in May than projected, the probability of a rate hike as soon as August has declined slightly. The market pricing of a 50% probability of a hike in August seems fair at this point.

  On Brexit, which remains the key driver for GBP, watch out for any headlines ahead of the EU summit on 28-29 June, although it seems to us that both the EU and the UK have accepted that not much will happen at this summit. We hope to get more clarification ahead of the next EU summit in October.

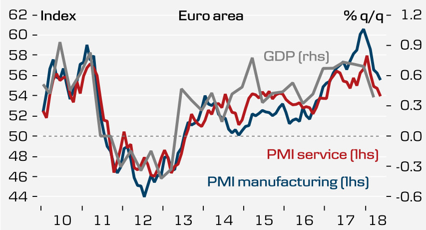
- We expect the SNB to keep both the Libor midpoint and the sight deposit rate unchanged at -0.75% at the June meeting and keep these levels in place for next 12M. Moves in the CHF remain crucial to the SNB and the effective CHF is little changed, since the March meeting, i.e. the fall seen early in the year has been halted over the past month. Following the ECB's QE exit, there is a risk that the SNB could drop its long-standing reference to the possibility of FX intervention from its policy statement. However, in light of the latest bout of CHF strength on, not least, Italian debt risks, we deem that it is too early for the SNB to change its course and expect it to maintain the statement that CHF is 'highly valued' and keep open the intervention option.

We expect manufacturing indices to move lower in 3-6M



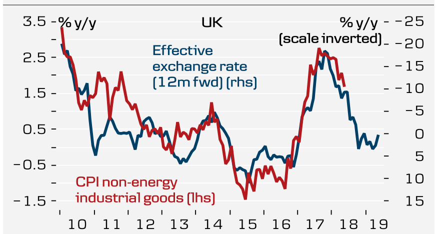
Source: ISM, IHS Markit, Macrobond Financial

PMIs set for another decline



Source Markit PMI, Macrobond Financial

Impact of GBP depreciation on UK inflation is fading



Source: Bank of England, ONS, Macrobond Financial

- On Friday, **OPEC** is set to meet to review its strategy to cut production. Current production cuts end at the end of the year and it is widely expected that OPEC+ will start to normalise output levels. A couple of weeks ago, Saudi Arabia and Russia triggered speculation that the normalisation process could start in H2. In our view, OPEC+ will do its best to avoid a 'taper tantrum' in the oil market by raising supply by too much and too fast causing the price to fall. This means that it is more likely, in our view, that OPEC will announce next week that current production will remain in place until the end of the year before it raises production caps.

Scandi

- **Denmark** can look forward to a rather exciting week in terms of news. Consumer confidence for June is due on Thursday. Optimism increased among Danish consumers in May to hit the highest level since July 2017. We estimate the Danes have generally had a more positive view on their personal finances in June and, given this, we expect consumer confidence to rise slightly to 9.6. We should also receive new employment figures for April. Will employment continue to climb from the already historically high levels?

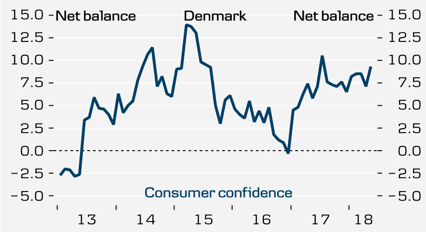
  We are due to publish our forecasts for the Nordic economies (*Nordic Outlook)* on Wednesday. The publication will present our views on the current state of play and the outlook for the economies of the Nordic countries.

  Finance Denmark is due to publish its housing market statistics for Q1 on Tuesday. We are already aware of price developments at the national level from Statistics Denmark but it will be interesting to see the trend at a municipal level.

- In **Sweden**, NIER publishes both a new forecast and its June confidence survey. The latter will be very interesting this time, as eurozone data (primarily German) industry data such as PMI, new orders and production has shown a dramatic decline over the past couple of months. Indeed, it was already visible in the NIER May survey that new orders in several sectors – motor vehicles, fabricated metals, wood products and intermediate goods – had either plunged or at least slowed considerably. These tendencies actually got strong confirmation from the Swedish Engineering Industries' quarterly barometer, which covers 520 manufacturing companies with a combined turnover of SEK648bn. In short, the survey result shows current business activity is very good and capacity utilisation is high **but** new orders have turned down for all subsectors and every size of company except for the metal industry. The US and China are doing fine but there is a significant decline in orders from Europe according to the survey and the report concludes that the Swedish manufacturing cycle has peaked.

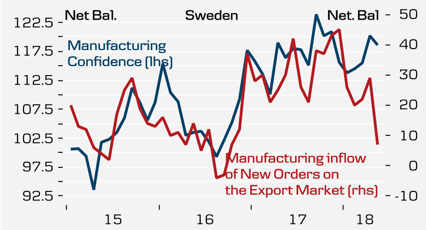
  On the agenda, there is also May unemployment and a new borrowing forecast from the Swedish debt office. Currently, deviations from the Debt Office's forecast are small and hence any major change seems unlikely.

Consumer confidence increased in May



Source: Statistics Denmark

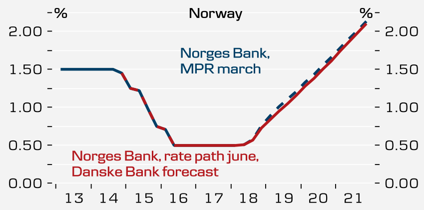
Manufacturing confidence set to fall



Source: NIER

- In **Norway**, we expect Norges Bank to leave interest rates unchanged at its meeting on Thursday and remain fairly certain that the bank will again indicate its intention to raise its policy rate ‘after summer 2018’. We believe that Norges Bank wants to start normalising monetary policy as soon as possible, as high household debt levels spell a significant risk of the bank being caught on the back foot and having to raise interest rates a long way in a short time. This shift in the central bank’s risk assessment has been clear from its communications since summer 2017. Our interpretation of this is relatively straightforward. For as long as growth remains above trend, with rising capacity utilisation and wage growth, there will be less of a focus on inflation, especially with housing prices and debt rising more rapidly than household incomes. Therefore, we believe the threshold for postponing the long-signalled rate increase in September is unusually high. As a result, we expect Norges Bank to be relatively specific in its mention of the probability of a hike in September. Overall, we expect the bank to revise down the interest rate path in the new monetary policy report by around 5-6bp to show interest rates rising by just over 40bp a year over 2019-21.

We expect only minor tweaks to interest rate path



Source: Macrobond, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Tue	19-Jun	10:00	EUR	ECB's Draghi speaks in Sintra					
Thurs	21-Jun	9:30	CHF	SNB 3-month Libor target rate	%		**-0.75%**	*-0.75%*	-0.75%
		13:00	GBP	BoE Bank rate	%		**0.5%**	*0.5%*	0.5%
		13:00	GBP	BoE minutes					
Fri	22-Jun	10:00	EUR	PMI manufacturing, preliminary	Index	Jun	**54.8**	*55.0*	55.5
		10:00	EUR	PMI services, preliminary	Index	Jun	**53.7**	*53.7*	53.8
		15:45	USD	Markit PMI manufacturing, preliminary	Index	Jun	**56.0**	*56.3*	56.4
		15:45	USD	Markit PMI service, preliminary	Index	Jun	**56.8**	*56.8*	56.8
Scandi movers									
Wed	20-Jun	6:00	DKK	Danske Bank publishes Nordic Outlook					
		9:00	SEK	Consumer confidence	Index	Jun		*100.0*	98.5
		9:00	SEK	Manufacturing confidence	Index	Jun		*116.0*	118.6
		9:15	SEK	NIER economic forecasts					
Thurs	21-Jun	10:00	NOK	Norges Banks monetary policy meeting	%		**0.5%**	*0.5%*	0.5%

Source: Bloomberg, Danske Bank

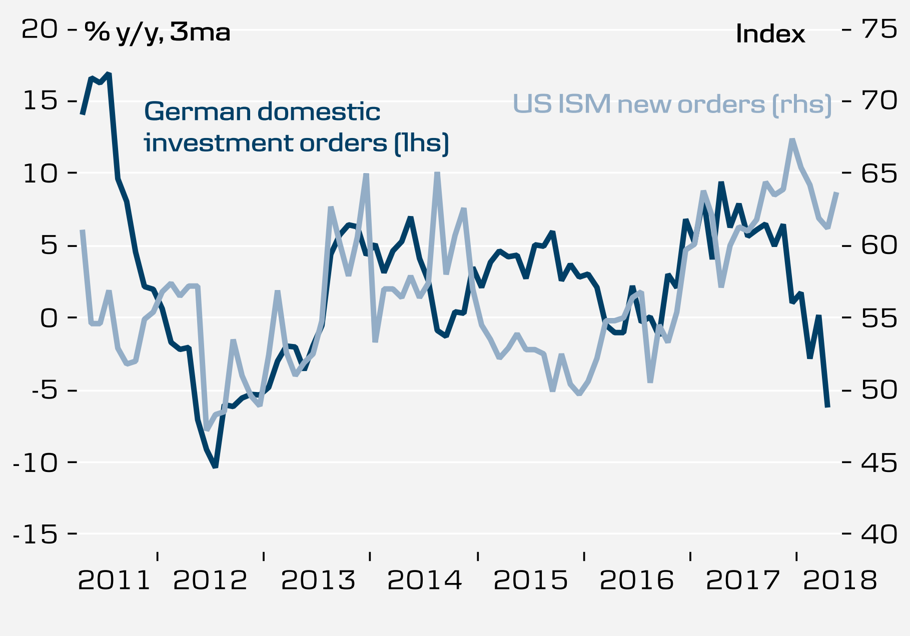
Global Macro and Market Themes

The US is leaving the euro area behind

As it turned out, it was the ECB that managed to deliver the surprises in a very eventful week. At the meeting on Thursday, the ECB announced an end to asset purchases by the end of 2018 and a tapering of purchases from EUR30bn per month to EUR15bn per month in the period October to December. In addition, the ECB announced that policy rates will stay unchanged at least until summer 2019. The overall message was dovish, with the ECB downgrading its growth forecast and pointing to increased uncertainty. The market reaction was also quite clear: EUR weakened sharply and German bond yields fell. Based on the dovish message, we feel confident in our forecast of the first hike not coming until December 2019, so still 1.5 years away.

While the tone of the ECB was cautious, its counterpart on the other side of the Atlantic, the Federal Reserve, sent a clear signal of confidence at its meeting on Wednesday. The median expectation among FOMC members increased from three to four hikes this year and they see GDP growth at 2.8% in 2018 and 2.4% in 2019. However, at the same time, the Fed highlighted again that the 2% target is symmetrical, which sends a signal that even if inflation should move to somewhat above 2%, it would not cause a big concern. We have changed our forecast and in line with the Fed projections now look for four rate hikes from the Fed instead of three (see *FOMC Review – Four hikes more likely after removal of soft wording*, 13 June).

US economy supported by fiscal boost while the euro area is taking a hit from heightened uncertainty



Source: Macrobond Financial, Markit, Danske Bank

Key points

- A dovish ECB ends tapering and sends EUR and bund yields lower.
- We now look for four Fed hikes in 2018 following a confident Fed statement and projections.
- The US is leaving the euro area behind in terms of growth.
- Risks to global growth are skewed on the downside because of trade friction, Italy and emerging markets.
- Volatility higher but we expect equities to outperform on a 12-month horizon.
- There is more downside risk to EUR/USD short term but we still see it being higher in 12 months.

In 2019, the Fed projections point to another three hikes of 25bp, taking the Fed funds rate to 3.000-3.250%. This is actually above what the Fed sees as the long-term Fed funds rate of 2.875%, indicating the Fed sees a need to step on the brake a little to avoid overheating. The market is pricing in close to four hikes this year and just below two hikes in 2019, which seems fair, in our view, given the risks to the economic outlook, which we see as skewed to the downside.

The US is leaving the euro area behind

Taking stock of the economic developments, it is increasingly visible that the US is leaving the euro area behind. Over the past few weeks, we have seen very weak German industrial orders and industrial production and this week the ZEW investor survey fell to -16.1, which is the lowest level since 2012. This indicates that, on top of the headwind from EUR strength, the current trade frictions with the US have created uncertainty and may be holding back some investments. We expect euro area PMIs and growth to stabilise soon around current levels but we see some downside risks related to Italy and the trade war (more on this below).

We do not see the same weak picture in the US, where confidence data continues to be robust and consumers keep spending. The NFIB small business optimism index for May rose to its highest level in 35 years and regional business surveys generally stayed strong in May. Retail sales for May also surprised on the upside following a soft patch in Q1. We see three main reasons for the better US performance: First, growth is underpinned by the big fiscal boost by the US administration. Second, the US is a more closed economy than the euro area countries and the fear of a trade war is thus smaller there. Third, US industry is still benefiting from the past two years of US dollar depreciation.

When it comes to China, the data are a bit mixed. On the one hand, PMIs for May were quite robust signalling still decent growth. On the other, data for industrial production, exports and retail sales have all been on the soft side in recent months, which is more in line with our scenario of a moderate slowdown of the Chinese economy this year.

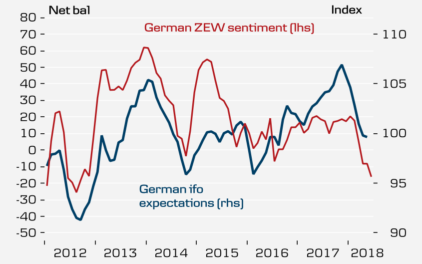
As we outlined in *The Big Picture – From boom to cruising speed*, 7 June, we look for the global recovery to continue in coming years, albeit at a somewhat slower speed than we saw in late 2017 and early 2018. At the same time, we also see the risks increasingly skewed to the downside.

Trade war, Italy and emerging markets key risk factors to keep an eye on

We see three main risks to the outlook that bear close watching. The most important one in the short term is a trade war. We see a rising risk that new tariffs on China from Donald Trump could lead to a re-escalation of the trade conflict and trigger a tit-for-tat trade war. We should know more on this over the weekend as it becomes clear whether Trump will implement tariffs on China as he has signalled and we see how China responds to this.

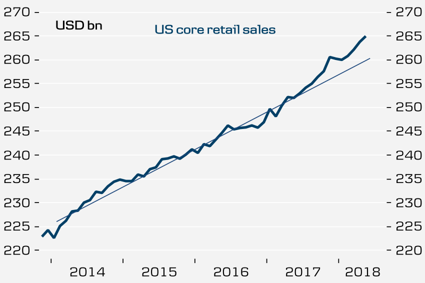
Another risk factor that has resurfaced this year, is a return of the euro crisis with a new epicentre in Italy. Following the turmoil in late May, markets have calmed down again as the new Italian finance minister Giovanni Tria has struck a constructive tone towards the EU. However, it is too early to call off the risk and we see a high probability that it will come to a clash between the EU and Italy in the autumn, when Italy is set to submit a fiscal budget to the EU (see also *Italian Election Monitor – Five Star-League government steering towards a clash with the EU*, 28 May).

German ZEW index dropped again in June, hitting a six-year low



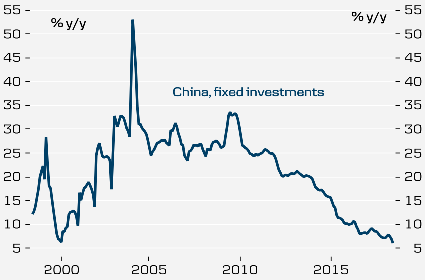
Source: Macrobond Financial, Danske Bank

US retail sales strengthening into Q2 - fiscal boost supports consumers



Source: Macrobond Financial, Danske Bank

Chinese investment growth moving gradually lower



Source: Macrobond Financial, Danske Bank

Italy's growth heading for some softness – uncertainty poses downside risk

Source: Markit, Macrobond Financial, Danske Bank

Finally, emerging markets have seen more volatility this year and fairly sharp sell-offs in selected markets, not least Argentina and Turkey. While we do not expect it to escalate into a big new emerging markets crisis, the developments here bear watching.

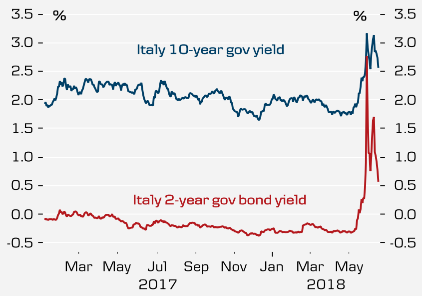
Financial outlook: short-term equity volatility set to stay but we still see upside in the long term

Where does this murky picture leave the financial outlook? **As long as we do not tip into an outright downturn or recession, we still see equities as the most attractive asset class on a 12-month horizon.** We expect volatility to stay quite high though, as trade frictions and a possible clash between the EU and Italy over the next six months will keep the market jittery.

When it comes to the bond market, we look for core bond yields to rise only moderately over the next year. A decelerating global business cycle has historically tended to give a tailwind to fixed income. At the same time though, Fed hikes and the ECB eyeing the exit next year in combination with higher US and euro core inflation should keep some upward pressure on bond yields intact.

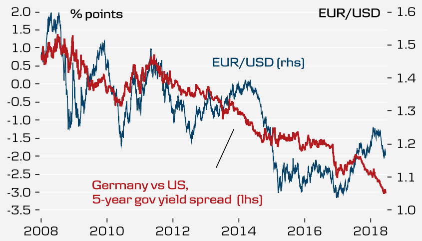
On EUR/USD, we recently adjusted the path lower and see more downside risk in the short term. However, we still look for the cross to move higher again in 12 months, when our target is 1.25. The main drivers for EUR/USD to move higher in the medium to long term are a reversal of bond flows (as we move closer to the first ECB rate hike) and a continued robust current account surplus.

Yields lower in Italy again but still far from the lows



Source: Bloomberg, Macrobond Financial, Danske Bank

We see more downside risk in EUR/USD in the short term



Source: Markit, Macrobond Financial, Danske Bank

Financial views

Asset class	Main factors
Equities	
Positive on 3-12 month horizon	Short-term volatility, but fundaments still support equities on a 3-12 month horizon
Bond market	
German/Scandi yields – lower for now, higher in 12M	Strong forward guidance from the ECB. Core inflation remains muted. Range trading for Bunds for the rest of 2018. Still higher in 2018.
EUR 2Y10Y steeper, USD 2Y10Y flatter	The ECB keeps a tight leash on the short end of the curve but 10Y higher as US has an impact. Mainly steeper in 2019.
US-euro spread – short-end to widen further	The spread at the short-end is set to widen further as the Fed continues to hike.
Peripheral spreads – tightening	ECB forward guidance, better fundamentals, an improved political picture (ex. Italy) and rating upgrades to lead to further tightening despite the recent strong moves. Italian politics remains a clear risk factor.
FX & commodities	
EUR/USD – lower for longer...but not forever	Rangebound (1.15-1.21) on a 0-6M horizon but supported longer term by valuation and capital-flow reversal due to ECB 'normalisation'.
EUR/GBP – gradually lower over the medium term	Brexit uncertainty dominates now but GBP should strengthen on 6-12M on Brexit clarification and Bank of England rate hikes.
USD/JPY – higher eventually	US yields decisive near term with political uncertainty as a significant downside risk. Longer term higher on Fed-Bank of Japan divergence.
EUR/SEK – downside now, but sticky above 10	Downside risks near term but SEK-negatives remain lower growth, subdued inflation and too aggressive Riksbank pricing.
EUR/NOK – to move lower but near-term topside risk	Positive on NOK on valuation, relative growth, positioning, terms of trade, the global outlook and Norges Bank initiating a hiking cycle.
Oil price – wide outcome space	Tug of war between geopolitical risks and OPEC+ getting ready to normalise output.

Source: Danske Bank

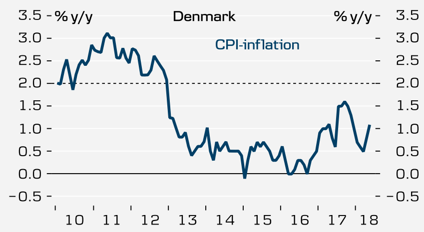
Scandi update

Denmark – inflation rose in May

The past week saw the release of the Danish consumer price index for May, which was 1.1% higher than the same month last year – and slightly above our forecast of 0.9%. Inflation has thus accelerated from the 0.8% readout in April. Rising petrol and diesel prices together with more expensive hotel rooms and holiday home rentals were the main drivers of inflation in May. Pulling in the other direction was a relatively significant fall in food prices.

We also received figures for goods exports in April, which were down 2.0%. Hence, the decline in exports seen over recent months continued in April, and exports are now lower than at any time in 2017. The prime headwind for exports recently has been the strong krone (DKK). Nevertheless, the global economy is generally continuing to grow, including Denmark's key export markets, which should increase the appetite for Danish-produced goods. Hence, we are slightly disappointed that exports have fallen in recent months, even allowing for the strong DKK exchange rate.

Inflation rose in May

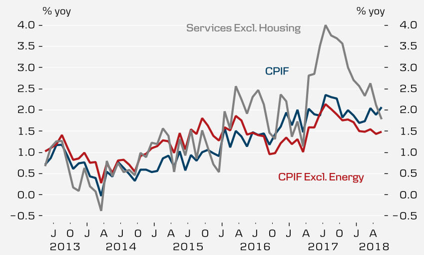


Source: Statistics Denmark

Sweden – split vision on inflation

Swedish May inflation had something for both the bearish and the bullish camps. We belong in the former, but are cautious not to disregard the risk for the latter. In essence, the bearish intrepretation is that CPIF excl. Energy – at 1.5 % y/y – was almost a tenth below the Riksbank's forecast and that this signals that underlying, sustainable inflationary pressures remain too low compared to the target. This is further underlined by the fact that services inflation dropped to 1.8% y/y, more than halved from the 4.0% y/y peak seen in July 2017. The bullish interpretation is that CPIF has been at the target for an extended period of time and is currently a tenth above both the Riksbank's forecast and the 2% target. This just illustrates that energy (which carries a weight of just 6% in CPIF) contributes 0.6% p.p. to the current target rate. In our view, this is not sustainable. Furthermore, SEK weakness over the past nine months has added to imported inflationary pressures in both headline and core inflation. Once the SEK stabilises that effect will dissipate and eventually reverse. Our long-term view on inflation remains unchanged, meaning that we expect both headline and core CPIF to drop towards or even below 1.5%, as long as there is no material change in services or retail trade wage pressures.

Slowing inflation



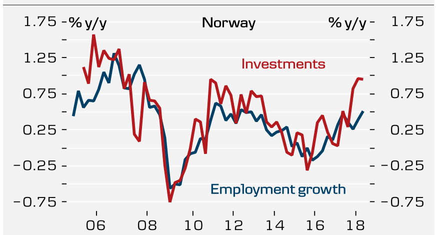
Source: Statistics Sweden, Riksbank

Norway – growth accelerating, oil-related industries on the up

The results of Norges Bank's regional network survey for May indicates that growth will remain above trend for the next six months, with the aggregated output index climbing from 1.42 in February to 1.47, its highest since September 2012. This corresponds to mainland GDP growth of 0.7% q/q for the next two quarters. The survey shows significant improvements in oil-related industries, construction and parts of the service sector. On the other hand, there was slightly weaker growth elsewhere in the manufacturing sector and in retail and consumer-oriented services.

At the same time, the share of firms reporting capacity constraints climbed to 34.36%, the highest since March 2013, which could mean that capacity utilisation is somewhat higher than Norges Bank has been assuming. Add into the mix the fact that employment expectations are at their highest since May 2012 with investment expectations at their highest since 2007. It is clear that this round of the survey shows an economy where idle resources are disappearing rapidly, and that growth is set to accelerate further.

Expectations on the rise



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

Research US: Decent growth ahead of midterm elections

GDP growth is expected to slow gradually but remain above trend both this year and next.

Research UK: It is still all about Brexit

The domestic leg is struggling due to a combination of weak real wage growth limiting the scope for private consumption growth and Brexit uncertainties weighing on business investments. Economic growth is set to remain weak in coming years.

ECB Review: End of APP - but stronger on rate guidance

The ECB announced its formal end to QE in June and not in July as we expected. This said, the announcement was as we expected, with the APP Q4 purchase rate of EUR15bn per month; hence, the bond being bought by the end of the year.

FOMC review: Four hikes more likely after removal of soft wordings

The Fed raised the target range by 25bp to 1.75%-2.00% as expected (the interest rate on excess reserves was only lifted by 20bp to 1.95% in order to keep the effective Fed funds rate closer to the mid of the range) as the Fed is still bullish on the economy.

Finland Research - Investment demand surprised on the upside

The Finnish economy performed well in 2017. GDP rose 2.7% y/y and growth was broad based. In H2 17, employment finally started to rise and public finances improved above expectations.

Norway Regional Network Survey - Strong enough for Norges Bank to signal September hike next week

Norges Bank just published the May Regional Network Survey, which is its preferred gauge of economic activity.

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2017	2.2	1.5	1.2	3.7	0.1	4.4	4.1	1.1	4.2	1.0	36.4	7.7
	2018	1.8	1.9	1.0	5.8	0.3	1.2	4.2	0.9	4.0	-0.2	35.7	7.5
	2019	1.9	2.6	0.5	4.2	-0.2	2.9	3.6	1.5	3.8	-0.1	34.5	7.5
Sweden	2017	2.7	2.2	0.4	5.9	0.1	3.6	4.8	1.8	6.7	1.2	41.0	4.1
	2018	1.7	1.6	1.3	-1.1	0.2	5.6	4.8	1.6	7.1	1.0	37.0	3.5
	2019	2.0	1.8	0.8	0.4	0.2	4.7	3.8	1.3	7.6	0.8	35.0	3.9
Norway	2017	1.9	2.5	2.2	4.9	-1.6	1.1	2.8	1.8	2.7	-	-	-
	2018	2.5	2.5	1.8	3.0	-0.2	2.0	2.0	2.0	2.3	-	-	-
	2019	2.3	2.3	1.8	2.0	0.0	2.0	2.0	1.9	2.2	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euro area	2017	2.6	1.7	**1.2**	**3.5**	-	5.5	4.5	1.5	9.1	-0.9	86.7	3.5
	2018	2.1	2.1	**1.8**	**3.4**	-	4.1	3.3	1.6	8.4	-0.7	86.0	3.4
	2019	1.7	2.1	**2.4**	**2.1**	-	3.3	3.8	1.4	8.0	-0.6	85.5	3.4
Germany	2017	2.5	2.0	1.5	4.0	-	5.3	5.6	1.7	3.7	1.3	64.1	8.0
	2018	2.1	1.5	0.8	4.3	-	3.6	3.4	1.8	3.4	1.2	60.2	7.9
	2019	1.9	2.3	2.1	3.3	-	3.8	5.3	1.7	3.3	1.0	56.3	7.6
Finland	2017	2.6	1.6	1.3	6.3	-	7.8	3.5	0.7	8.6	-0.6	61.4	0.7
	2018	2.4	2.1	0.5	3.5	-	4.5	4.5	1.0	8.0	-0.2	59.6	0.6
	2019	2.0	1.6	0.5	3.5	-	4.5	4.0	1.4	7.7	-0.2	58.0	0.8

Macro forecast, Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2017	2.3	2.8	0.1	4.0	-0.1	3.4	4.0	2.1	4.4	-3.5	105.0	-2.5
	2018	2.6	2.4	1.3	5.2	0.0	4.2	4.4	2.5	3.9	-4.0	106.0	-3.0
	2019	2.4	2.3	1.1	4.0	0.0	3.1	3.0	2.0	3.6	-4.6	107.0	-3.4
China	2017	6.9	-	-	-	-	-	-	2.0	4.1	-3.7	47.6	1.4
	2018	6.5	-	-	-	-	-	-	2.3	4.3	-3.4	50.8	1.1
	2019	6.3	-	-	-	-	-	-	2.3	4.3	-3.4	53.9	1.2
UK	2017	1.8	1.7	0.1	4.0	-0.6	5.7	3.2	2.7	4.4	-1.9	87.7	-4.1
	2018	1.1	1.1	1.1	2.9	-0.2	1.3	1.2	2.5	4.2	-1.8	85.4	-4.4
	2019	1.2	1.2	0.4	1.3	0.0	2.6	2.0	1.5	4.1	-1.7	85.3	-4.0

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

Financial forecast

Bond and money markets

		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	15-Jun	2.00	2.34	2.83	2.98	115.9	-	642.7
	+3m	2.00	2.42	2.80	3.05	117.0	-	636.3
	+6m	2.00	2.62	3.00	3.15	120.0	-	620.4
	+12m	2.50	2.95	3.30	3.35	125.0	-	595.4
EUR	15-Jun	0.00	-0.32	-0.17	0.92	-	115.9	745.0
	+3m	0.00	-0.33	-0.15	1.05	-	117.0	744.5
	+6m	0.00	-0.33	-0.10	1.25	-	120.0	744.5
	+12m	0.00	-0.33	0.10	1.55	-	125.0	744.3
JPY	15-Jun	-0.10	-0.04	0.05	0.26	128.0	110.5	5.82
	+3m	-0.10	-	-	-	128.7	110.0	5.78
	+6m	-0.10	-	-	-	134.4	112.0	5.54
	+12m	-0.10	-	-	-	140.0	112.0	5.32
GBP	15-Jun	0.50	0.63	1.00	1.52	87.4	132.6	852.3
	+3m	0.75	0.82	1.15	1.70	86.5	135.3	860.7
	+6m	0.75	0.82	1.45	1.90	84.0	142.9	886.3
	+12m	1.00	1.07	1.70	2.15	83.0	150.6	896.7
CHF	15-Jun	-0.75	-0.73	-0.54	0.42	115.5	99.6	645.1
	+3m	-0.75	-	-	-	119.0	101.7	625.6
	+6m	-0.75	-	-	-	121.0	100.8	615.3
	+12m	-0.75	-	-	-	123.0	98.4	605.1
DKK	15-Jun	0.05	-0.30	-0.05	1.06	745.0	642.7	-
	+3m	0.05	-0.30	0.00	1.20	744.5	636.3	-
	+6m	0.05	-0.30	0.05	1.40	744.5	620.4	-
	+12m	0.05	-0.30	0.25	1.70	744.3	595.4	-
SEK	15-Jun	-0.50	-0.38	-0.18	1.14	1015.8	876.3	73.3
	+3m	-0.50	-0.45	-0.15	0.95	1030.0	880.3	72.3
	+6m	-0.50	-0.40	-0.15	1.15	1050.0	875.0	70.9
	+12m	-0.50	-0.40	-0.05	1.40	1020.0	816.0	73.0
NOK	15-Jun	0.50	1.02	1.38	2.17	942.8	813.3	79.0
	+3m	0.50	1.15	1.55	2.40	940.0	803.4	79.2
	+6m	0.75	1.30	1.65	2.55	930.0	775.0	80.1
	+12m	1.00	1.50	2.00	2.75	920.0	736.0	80.9

Commodities

		2018				2019				Average	
	15-Jun	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019
NYMEX WTI	67	63	68	68	68	69	69	70	70	67	70
ICE Brent	76	67	75	72	72	72	72	74	74	72	73

Source: Danske Bank

Calendar

Key Data and Events in Week 25

During the week				Period	Danske Bank	Consensus	Previous
Mon 18	CNY	Dragon Boat Day					
Monday, June 18, 2018				Period	Danske Bank	*Consensus*	Previous
-	CNY	Dragon Boat Day					
1:50	JPY	Exports	y/y (%)	May		*0.1*	0.1
1:50	JPY	Import	y/y (%)	May		*0.1*	0.1
1:50	JPY	Trade balance, s.a.	JPY bn	May		*144.1*	550
14:45	USD	Fed's Dudley (voter, neutral) speaks					
16:00	USD	NAHB Housing Market Index	Index	Jun		*70.0*	70.0
19:30	EUR	ECB's Draghi speaks in Sintra					
21:45	USD	Fed's Williams (voter, neutral) speaks					
Tuesday, June 19, 2018				Period	Danske Bank	*Consensus*	Previous
3:30	AUD	RBA June Meeting Minutes					
7:00	DKK	House prices (Finance Denmark)	q/q|y/y	1st quarter			
9:30	SEK	Unemployment (n.s.a.|s.a.)	%	May	**6.5%|6.1%**	*6.7%*	6.8%|6.3%
10:00	EUR	Current account	EUR bn	Apr			32
10:00	EUR	ECB's Draghi speaks in Sintra					
10:30	EUR	ECB's Praet speaks in Sintra					
14:00	HUF	Central Bank of Hungary rate decision	%		**0.90%**	*0.90%*	0.90%
14:30	USD	Building permits	1000 (m/m)	May		*1350*	1364.0 (-0.9%)
14:30	USD	Housing starts	1000 (m/m)	May		*1311*	1287.0 (-3.7%)
Wednesday, June 20, 2018				Period	Danske Bank	*Consensus*	Previous
6:00	DKK	Danske Bank publishes Nordic Outlook					
9:00	SEK	Consumer confidence	Index	Jun		*100.0*	98.5
9:00	SEK	Economic Tendency Survey	Index	Jun			108.8
9:00	SEK	Manufacturing confidence	Index	Jun		*116.0*	118.6
9:15	SEK	NIER economic forecasts					
12:30	EUR	ECB's Coeure speaks in Sintra					
14:30	USD	Current account	USD bn	1st quarter		*-129.0*	-128.2
15:30	EUR	ECB's Draghi speaks in Sintra					
16:00	USD	Existing home sales	m (m/m)	May		*5.55*	5.46|-0.025
16:30	USD	DOE U.S. crude oil inventories	K				-4143

Source: Danske Bank

Calendar (continued)

Thursday, June 21, 2018				Period	Danske Bank	Consensus	Previous
0:45	NZD	GDP	q/q|y/y	1st quarter		*0.5%|2.7%*	0.6%|2.9%
8:00	DKK	Consumer confidence	Net. bal.	Jun	**9.6**		9.3
8:45	FRF	Business confidence	Index	Jun		*107.0*	106.0
9:30	CHF	SNB 3-month Libor target rate	%		**-0.75%**	*-0.75%*	-0.75%
10:00	NOK	Norges Banks monetary policy meeting	%		**0.5%**	*0.5%*	0.5%
11:45	EUR	ECB's Weidmann speaks in Paris					
13:00	GBP	BoE Bank rate	%		**0.5%**	*0.5%*	0.5%
13:00	GBP	BoE minutes					
13:00	GBP	BoE government bond purchases (APF)	GBP bn	Jun	**435**	*435*	435
13:00	GBP	BoE coporate bond purchases (CBPP)	GBP bn	Jun	**10**	*10*	10
14:30	USD	Philly Fed index	Index	Jun		*27.8*	34.4
14:30	USD	Initial jobless claims	1000				
15:00	USD	FHFA house price index	m/m	Apr			0.1%
16:00	EUR	Consumer confidence, preliminary	Net bal.	Jun		*0.0*	0.2
Friday, June 22, 2018				Period	Danske Bank	Consensus	Previous
-	SEK	Midsummer Eve					
1:30	JPY	CPI - national	y/y	May		*0.6%*	0.6%
1:30	JPY	CPI - national ex. fresh food	y/y	May		*0.7%*	0.7%
2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Jun			52.8
8:45	FRF	GDP, final	q/q|y/y	1st quarter		*0.2%|2.2%*	0.2%|2.2%
9:00	FRF	PMI manufacturing, preliminary	Index	Jun		*53.8*	54.4
9:00	FRF	PMI services, preliminary	Index	Jun		*54.3*	54.3
9:30	DEM	PMI manufacturing, preliminary	Index	Jun		*56.0*	56.9
9:30	DEM	PMI services, preliminary	Index	Jun		*52.4*	52.1
10:00	EUR	PMI manufacturing, preliminary	Index	Jun	**54.8**	*55.0*	55.5
10:00	EUR	PMI services, preliminary	Index	Jun	**53.7**	*53.7*	53.8
10:00	EUR	PMI composite, preliminary	Index	Jun		*53.8*	54.1
14:30	CAD	CPI	m/m|y/y	May			...|2.2%
14:30	CAD	Retail sales	m/m	Apr			0.6%
15:45	USD	Markit PMI manufacturing, preliminary	Index	Jun	**56.0**	*56.3*	56.4
15:45	USD	Markit PMI service, preliminary	Index	Jun	**56.8**	*56.8*	56.8

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