

Weekly Focus

No changes to ECB's forward guidance

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Market movers ahead

- We do not expect the **ECB** to change its forward guidance when it meets on Thursday next week but believe it will wait until the March meeting (see *ECB Preview – Too soon to revisit forward guidance*, 19 January).
- In **Norway**, we do not expect new signals from Norges Bank but we think the likelihood of a rate hike in December has increased since the last meeting.
- The Bank of Japan meeting ends Tuesday morning and we expect no changes to monetary policy (see *BoJ Preview – On hold as BoJ head awaits Abe's decision*, 17 January).
- Otherwise, we are due to get preliminary PMIs for January for the euro area and the US. Next week also sees the first estimate of GDP growth in the US and UK in Q4.

Global macro and market themes

- The 5Y point is the pivotal point on the EUR curve. This is right after the textbook and the normal pattern we see when monetary policy is about to change in either direction.
- While the 2Y5Y curve has steepened, the 5Y10Y curve has flattened. Also, the 10Y30Y curve has flattened, as long rates are already trading close to the 'neutral rate' in the eurozone – a curve dynamic close to the curve dynamics seen in the US since 2013.
- We expect to see an extension of the recent flattening of the EUR curve in 2018.

Focus

- Italian Election Factbook – The countdown has begun but ITEXit risk remains low*, 16 January.
- FX Forecast Update – EUR/USD now headed for high 1.20s – dips set to be shallow*, 15 January.
- Yield Outlook – Risks to yields skewed on the upside but mainly on a 12M horizon*, 17 January.

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Financial views

Major indices	19-Jan	3M	12M
10yr EUR swap	0.97	0.90	1.20
EUR/USD	123	120	128
ICE Brent oil	69	62	64

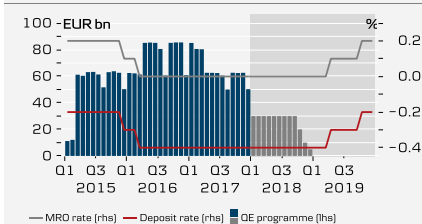
Source: Danske Bank

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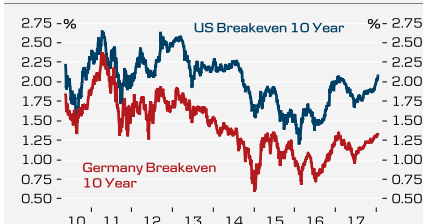
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Too early for the ECB to change its forward guidance next week



Source: ECB, Danske Bank, Macrobond Financial

Yields pushed higher partly by increasing inflation expectations



Source: Bloomberg, Macrobond Financial

Editor

Senior Analyst
Mikael Olai Milhøj
+45 45 12 76 07
milh@danskeank.dk

Market movers

Global

- In the **US**, the most important release is the preliminary PMIs for January on Wednesday. Although Markit PMI manufacturing has trended up in the last six months, it is still a puzzle that the index is below the equivalent ISM manufacturing index. Given the big discrepancy, we actually think Markit PMI could rise further although the bad weather may have pulled in the other direction. We forecast an increase to 55.7 from 55.1. Since August, Markit PMI services has fallen 2.3 index points to 53.7, which we think is too much and we expect a rebound to 54.5.

We also get the first release of GDP growth in Q4 on Friday. According to Atlanta Fed GDPNow indicator, growth was 3.2% q/q annualised while the NY Fed GDP Nowcast indicator suggests growth was 3.9%, so in European terms that quarterly growth was in the range 0.8-1.0% (not annualised), so quite strong! If the annualised growth rate exceeds 3.2% q/q AR, it is the strongest pace since 2014. Consensus is right now 3.0%.

Also on Friday, we get preliminary core capex in December, which we expect to show that business investments are still recovering.

- In the **euro area**, the preliminary PMI figures are due for release on Wednesday. Both manufacturing and service PMIs rose yet again in December, climbing to 60.6 and 56.6 respectively. Activity remains high in the euro area and we expect the PMIs to remain at high levels. However, in line with the decline observed in IFO expectations in December, we believe January's PMI will show a decline. We expect manufacturing PMI at 60.1 and service PMI at 56.2.

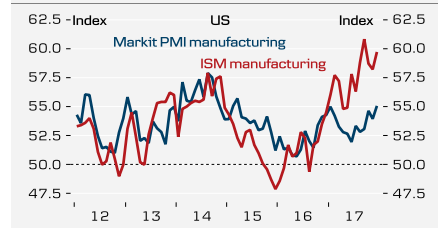
On Thursday, the German IFO expectations are released. As noted above, we saw a sharp decline in expectations from 111.0 in November to 109.5 in the December release, although the current situation indicator edged slightly upwards. In January, we expect the IFO expectations might take another step downwards to 108.9, while uncertainty remains around the CDU/SPD coalition in Germany.

The January ECB meeting will be held on Thursday. Attention from financial markets will be on the timing of when forward guidance will be revisited on the back of the ECB's December account which stated that the forward guidance 'could be revisited early in the coming year [2018]'. We believe these changes will relate to the QE and not the forward guidance on policy rate early in the year. We expect no change in forward guidance next week, but only at the March meeting, see [ECB preview](#), 19 January 2018.

- In the **UK**, the jobs report for November is released on Wednesday. There are some signs that employment is no longer increasing at the same pace as previously or possibly has even stagnated. So in this jobs report we will look for signs whether this was just transitory or not. We estimate the unemployment rate (three-month average) was unchanged at 4.3%. We expect the annual growth in average weekly earnings ex bonuses (three-month average) declined to 2.2% y/y from 2.3% y/y, underlining that there is no big wage pressure present in the UK yet.

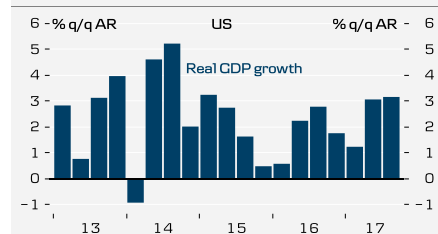
On Friday, the first estimate of GDP growth in Q4 is due out. PMIs suggest GDP growth was 0.4%-0.5% but the NIESR GDP estimate says it could have been as high as 0.6%! We estimate GDP growth was 0.4% but given the indicators there are upside risks to this forecast. If we are right about our quarterly forecast, the annual growth in GDP has slowed to 1.4% y/y, the slowest since Q2 12. Growth accelerated in H2 17 driven by higher manufacturing production growth, in line with the pick up in rest of Europe.

Unexplainable gap between Markit PMI and ISM manufacturing



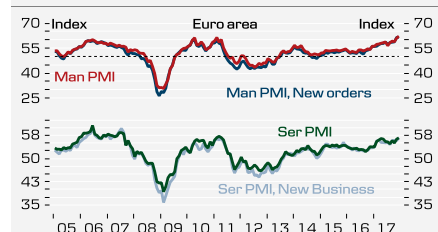
Source: BEA, BLS, Macrobond Financial

Indicators suggest real GDP growth in Q4 17 was the strongest since 2014



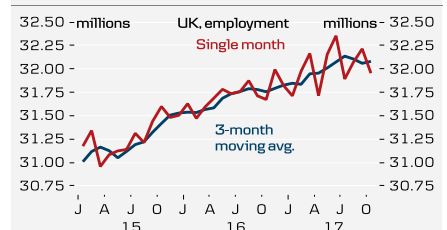
Source: BEA, Macrobond Financial

Euro PMIs could edge lower in January



Source: Markit PMI, Danske Bank, Macrobond Financial

Small signs that employment is no longer increasing at the same pace as previously



Source: ONS, Macrobond Financial

- In **Japan**, the main event next week is the Bank of Japan's (BoJ) monetary policy meeting ending on Tuesday. We expect the BoJ to keep its 'QQE with yield curve control' policy unchanged and we expect governor Kuroda to downplay the significance of daily market operations and repeat the BoJ's commitment to the current yield curve control. For more see *BoJ preview: On hold as BoJ head awaits Abe's decision*, 17 January 2018.

On Friday, we get December inflation figures. Inflation has been ticking upwards for a year now, but it has primarily been driven by energy prices. The underlying price pressure in Japan remains very low. We also get December export figures and Manufacturing PMIs on Wednesday. Foreign demand is currently the key growth driver in Japan as exporters enjoy tailwind from the strong global economic upturn. The manufacturing sector has been a key contributor here.

Scandi

- In **Denmark**, Monday brings employment statistics for November. Job creation continued on its well-trodden path in October, and we expect this to continue. December retail sales follow on Tuesday, and January consumer confidence on Wednesday. There was a slight dip in consumer optimism in December but this was on the back of an otherwise strong year, and we expect an unchanged indicator of 6.5 in January.
- Sweden**. A flood of data is on the agenda. Most interesting from a Riksbank perspective is perhaps the Prospera's monthly survey of money market players' inflation expectations for January. Expectations have been falling over the past two months. We reckon that another drop would confirm a trend break as at least 1- and 2-year expectations have not had a longer decline than two months in the upward trend seen since early 2015.

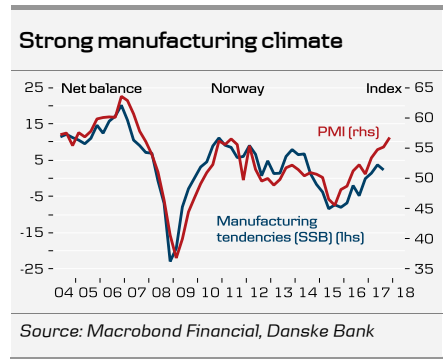
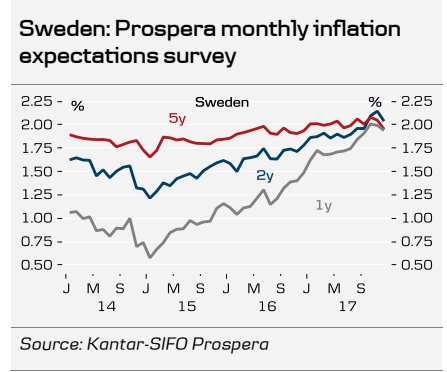
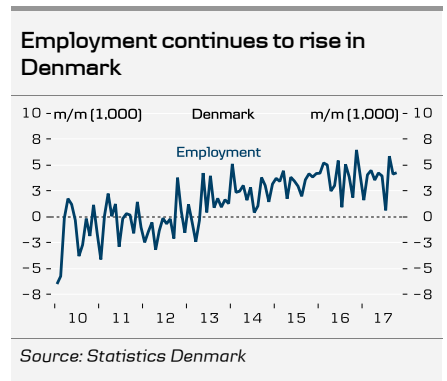
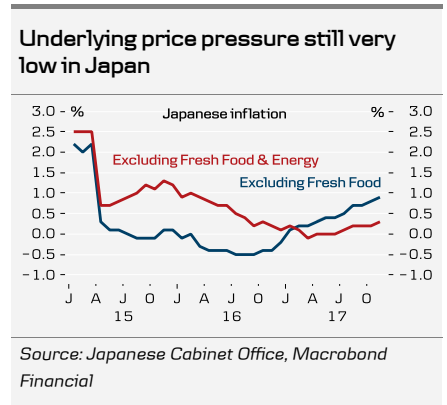
The NIER January confidence survey will reveal price plans in both the retail trade and private services sectors. Lately both have been suggesting weakening inflationary pressure. In addition, NIER should confirm that confidence is high and possibly rising in manufacturing and services, while declining in construction and retail trade.

There is also December data in the form of the Labour Force Survey, retail sales, household lending and trade balance, all of which will give clues about Q4 GDP.

Riksbank's Ingves speak at the Riksdag hearing on financial stability and macroprudential policies (Tuesday) and Flodén talks about monetary policy and the economic outlook (Wednesday).

- In **Norway**, we do not anticipate any new signals from Norges Bank at Thursday's rate-setting meeting. At its meeting last month, the central bank signalled that its key rate would be unchanged until late this year, with a first hike most likely coming in December. Since then, developments in the Norwegian economy have been more or less as assumed, while inflation has been marginally higher than projected. The housing market also appears to be performing as foreseen. On the other hand, the krone has been rather weaker than expected, and oil prices higher. Add in slightly higher interest rates abroad than assumed last month, and it looks like the chances of a hike in December have increased somewhat.

It is also a busy week for economic data. The unusual combination of high oil prices, a weak krone and strong global growth makes the outlook for Norwegian manufacturing brighter than for a long time. We expect manufacturing confidence to reflect this and confirm the signals from the PMI in recent months. We can see the main indicator climbing from 2.3 to 7.5 in Q4, which would be its highest level for four years. The



PMI itself will probably drop back to 56.5 in January after hitting a ten-year high in December. Finally, we expect LFS unemployment to be unchanged at 4.0% in November (October-December).

Market movers ahead

Global movers			Event	Period	Danske	Consensus	Previous
Tue	23-Jan	-	JPY BoJ policy rate	%	-0.1%		-0.1%
		-	JPY 10-year JGB rate target	%	0.0%		0.0%
Wed	24-Jan	0:50	JPY Exports	y/y (%)		0.1%	0.2%
		1:30	JPY Nikkei Manufacturing PMI, preliminary	Index			54.0
		10:00	EUR PMI manufacturing, preliminary	Index	60.1	60.3	60.6
		10:00	EUR PMI services, preliminary	Index	56.2	56.4	56.6
		10:30	GBP Unemployment rate (3M)	%	4.3%	4.3%	4.3%
		10:30	GBP Average weekly earnings ex bonuses (3M)	y/y	2.2%	2.3%	2.3%
		15:45	USD Markit PMI manufacturing, preliminary	Index	55.7	55.0	55.1
		15:45	USD Markit PMI service, preliminary	Index	54.5	54.5	53.7
Thurs	25-Jan	10:00	DEM IFO - expectations	Index	108.9	109.4	109.5
		13:45	EUR ECB announces deposit rate	%	-0.40%		-0.40%
		14:30	EUR ECB's Draghi speaks at press conference				
Fri	26-Jan	0:30	JPY CPI - national ex. fresh food	y/y		0.9%	0.9%
		10:30	GBP GDP, first estimate	q/q y/y	0.4% 1.4%	0.4% 1.4%	0.4% 1.7%
		14:30	USD GDP, 1st release	q/q AR	3.0%	3.0%	3.2%
		14:30	USD Core capital goods orders, preliminary	%		0.5%	-0.2%
Scandimovers							
Tue	23-Jan	-	SEK Riksbank's Ingves speaks at Riksdag				
Thurs	25-Jan	8:00	NOK Unemployment (LFS)	%	4.0%	4.0%	4.0%
Fri	26-Jan	9:30	SEK Retail sales s.a.	m m y/y	0.5% 5.5%		0.9% 3.8%

Source: Bloomberg, Danske Bank

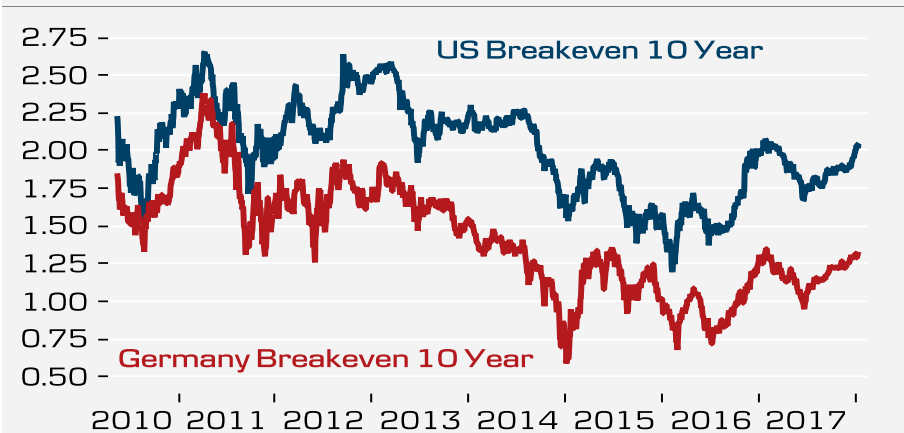
Global Macro and Market Themes

The big EUR curve flattening has started

It has been a rocky past month for both the US and the European fixed income market, as 10Y Bund yields have moved 25bp higher and are close to the highest level since the brief spike in yields in July last year. Also, 10Y US treasury yields have moved higher. We have to go back to 2014 to see a similar level, if we disregard the two spikes in yields a year ago.

In our *Yield outlook*, published last week, we looked at some of the factors behind the recent bond sell-off. We highlighted the global recovery that has recently gained momentum and pushed commodities such as oil and, importantly, inflation expectations higher. The move in break-evens over the past couple of months is quite remarkable.

Breakeven rates are moving higher reflecting a renewed focus on reflation



Source: Bloomberg, Macrobond Financial

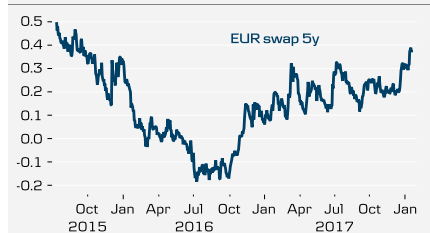
We also pointed to the re-pricing of ECB and Fed expectations that we have seen recently. The market is now priced for an ECB rate hike in Q1 19 and the March Fed hike is now priced by almost 90%. The repricing of ECB expectations has especially occurred after the recent ECB minutes mentioned that the ‘forward guidance’ could be revisited early in the coming year.

We revised higher both our EUR and USD yield and rates forecast, but mainly on a 12M horizon. We have now pencilled in somewhat higher 10Y EUR and USD rates and yields (Germany) on a 12M horizon. We now expect the 10Y EUR swap rate to rise to 1.45% from earlier 1.20% on a 12M horizon. The 10Y USD swap rate is forecast to rise to 2.90% from previously 2.70%. 10Y Bund yields (Germany) and 10Y US Treasury yields are forecast at 1.0% and 2.90% on a 12M horizon, respectively. Short term, the market might have run ahead a bit ahead of the curve and short term we could see some reversal of the recent moves. But we argue that we will have a bearish FI market in 2018.

Key points

- The 5Y point is the pivotal point on the EUR curve. This is right after the textbook and the normal pattern we see when monetary policy is about to change in either direction.
- It has resulted in a steepening of the 2y5y curve and a simultaneous flattening of the 5y10y curve. The ‘butterfly’ 2y5y10y has flattened.
- The curve has also flattened 10y30y, reflecting that long rates are already trading close to what is considered the ‘neutral rate’ in the eurozone. A curve dynamic close to the curve dynamics seen in the US since 2013.
- During 2018, we continue to see an extension of the recent flattening of the EUR curve. Both the 5y10y and 10y30y curve are expected to continue flattening.

5Y EUR rates are seeing an upward pressure

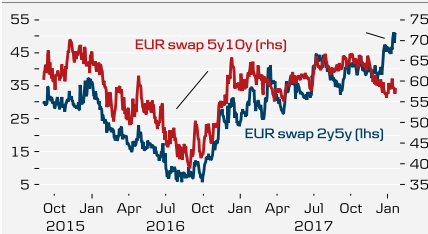


Source: DG ECFIN, Macrobond Financial

Curve dynamics – 5Y the focal point in 2018 and flatter 10y30y

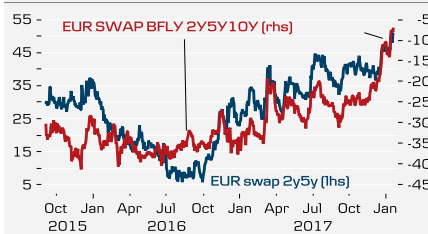
We have also seen moves in the European curves over the past couple of months that to a certain degree reflect what we have seen over the past couple of years in the US. First of all, the 5Y point has become the pivotal point on the curve. This is right after the textbook and the normal pattern we see when monetary policy is about to change. On the EUR swap curve, we have seen that the 2y5y curve has steepened and noteworthy that the 5y10y curve has flattened. It is rarely seen that the 2y5y and the 5y10y move in different directions. The result has been that the 2y5y10y ‘butterfly’ has moved higher over the past month.

2y5y and 5y10y in different directions



Source: Danske Bank

The 5y point push the 2y5y10y butterfly higher



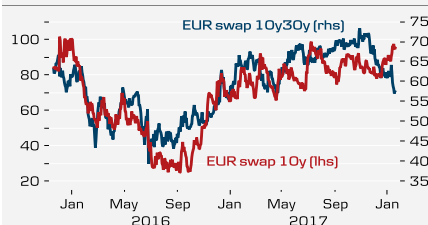
Source: Danske Bank

Secondly, we have seen a pronounced flattening of the curve 10y30 in EUR, despite the outright move higher in 10Y EUR rates and the higher inflation expectations reflected in break-even rates. Again, this is different from the pattern seen over the past couple of years.

The flattening of the 10y30y curve is very similar to the pattern we have seen in the US in the past couple of years. In the US, we have since the tapering announcement in 2013 seen a flattening of the USD swap curve 10y30y of 90bp and the curve is now very close to inverting. In our view, the same curve forces are now at play in Europe. It reflects that the 30Y rate of 1.50% in EUR and 2.75% in USD is close to the ‘neutral rate over the cycle’ so the long rates are ‘in place’. Hence, the main curve moves are primarily found in the policy sensitive 5y segment and the more inflation expectation sensitive 10Y point.

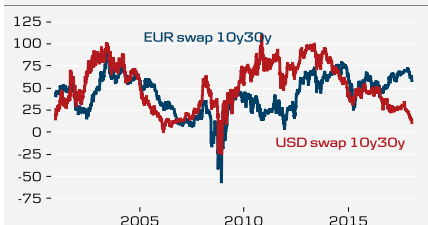
We believe that looking 6M to 12M ahead that both 5Y and 10Y EUR rates will be somewhat higher. But little is expected to happen in the 30Y segment. Hence, during 2018 we continue to see an extension of the recent flattening of the EUR curve. Both the 5y10y and especially the 10y30y curve are expected to continue the flattening tendency.

The EUR 10y30 curve has flattened despite the move higher in 10Y rates



Source: Danske Bank

The flattening of the curve is reminiscent of the USD curve since 2013



Source: Danske Bank

Financial views

Asset class	Main factors
<p>Equities Positive on 3-12 month horizon.</p>	Strong business cycle and near double digit earnings growth in most major regions. Low rates and bond yields drive demand for risk assets.
<p>Bond market German/Scandi yields - set to stay in recent range for now, higher on 12M horizon EU curve - 5Y10Y and 10y30 curve set to flatten in 2018. Flattening of US 2Y10Y curve to continue US-euro spread - set to widen marginally Peripheral spreads - tightening but still some factors to watch</p>	<p>Inflation set to stay subdued despite decent growth. Stronger euro keeps euro inflation outlook down. ECB to normalise gradually only, due to lack of wage pressure and stronger euro. ECB on hold for a long time.</p> <p>The ECB keeps a tight leash on the short end of the curve. But the 5y point has become the pivotal point now.</p> <p>The Fed's QT programme (balance sheet reduction) is set to happen at a very gradual pace and the effect on the Treasury market should be benign. Yet, market pricing for Fed hikes is still dovish for 2019 and yields should edge higher on a 12M horizon.</p> <p>We expect economic recovery, ECB stimuli, better fundamentals, particularly in Portugal and Spain, an improved political picture and rating upgrades to lead to further tightening despite the recent strong moves. Italy is the big risk factor but it is very expensive to be short Italian bonds.</p>
<p>FX EUR/USD - sensitive to ECB and upside risks dominating EUR/GBP - in range near term but GBP to strengthen eventually USD/JPY - gradually higher longer term but challenged near term EUR/SEK - risk to the upside on housing market, RB pricing EUR/NOK - set to move lower</p>	<p>Any dip in EUR/USD near term set to prove shallow and shortlived; cross supported longer term by valuation and debt-flow reversal. We still see EUR/GBP within 0.8650-0.90 in coming months as the Brexit risk premium is likely to persist near term. Longer term, GBP should strengthen.</p> <p>Focus on BoJ's quiet tapering and personnel changes to weigh on USD/JPY near term. Still supported by global recovery, suppressed risk premiums and Fed-BoJ divergence longer term.</p> <p>Housing market risk premium to keep SEK under pressure alongside too aggressive Riksbank market pricing. Eventually lower but not a H1 story.</p> <p>NOK headwinds towards year fading - we expect the NOK to rebound on valuation, growth and real-rate differentials.</p>
<p>Commodities Oil price - starting to correct lower again</p>	June review weakens impact of extension of OPEC+ output cuts. Geopolitical tensions around Saudi Arabia and Iran looming.

Source: Danske Bank views

Scandi Update

Denmark – nothing doing

There has not been any noteworthy economic news this week.

Sweden – downward pressure on residential property prices

Apartment prices in Stockholm dropped by 2.3% m/m, very close to the -2.6% m/m that our indicator suggested. Actually, quite in line with our assumption, there is now a regionally widespread and firm decline in residential property prices in Sweden over the past 3-6 months (see the table). The decline is most pronounced in Stockholm, but neither the Swedish average nor the other two major cities Gothenburg and Malmö, are far behind.

Prices may possibly stabilise in January and February as prospective buyers try to get in ahead of the new extra 1 percentage point amortisation requirement starting on 1 March. That said, this tightening from the FSA, a complacent Riksbank, a gradual tightening of lending standards by banks and not least, a huge pent-up supply of new, very expensive apartments appear likely to renew the downward pressure again.

The economic implications of these price declines are yet to be seen. As laid out in the most recent Nordic Outlook, we expect multi-dwelling construction to decline by more than 15% in 2018 as a result, slowing GDP growth below trend.

Norway – import prices to push inflation up further

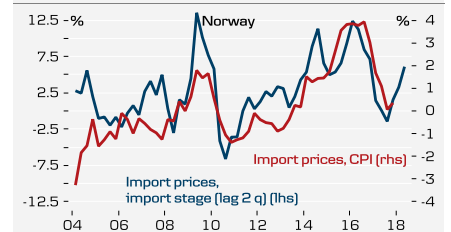
Inflation surprised to the downside during the autumn but bounced back slightly in December. The almost 7% decline in the import-weighted krone since September indicates that import prices will climb further through to the summer. Price data for consumer goods at importer level – import prices – were released during the week and, as can be seen from the chart, the weaker krone is indeed now resulting in higher import prices. This will push the increase in import prices in the CPI up towards 2% y/y over the next couple of quarters, and this in isolation will bring core inflation up towards 1.7-1.8% in the same period.

HOX December release

HOX December	Index	Change since		
		1m	3m	12m
Sweden (all)	221	-2.0%	-7.8%	-2.5%
Tenant-owned flats				
Sweden	277	-2.7%	-8.7%	-6.5%
Stockholm	262	-2.3%	-9.6%	-9.0%
Gothenburg	321	-3.2%	-7.6%	-1.2%
Malmö	236	-2.1%	-6.7%	0.0%
Villas				
Sweden	204	-1.6%	-7.1%	0.2%
Stockholm	212	-0.9%	-8.6%	-3.3%
Gothenburg	214	0.6%	-4.8%	-1.0%
Malmö	179	-1.8%	-6.6%	2.9%

Source: KTH-Valueguard

Weaker krone spells higher import prices



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

19/1 Flash Comment US - Real risk of a government shutdown, but we expect Congress to pass funding for a few more days

Tonight at midnight US time, there is a real risk of a government shutdown unless the US Congress passes a funding bill.

19/1 ECB Preview - Too soon to revisit forward guidance

ECB meeting on 25 January 2018. Rate decision at 13:45 CET with press conference following at 14:30 CET.

17/1 Yield Outlook - Risk to yields skewed on the upside but mainly on a 12M horizon

Monthly yield outlook

17/1 Bank of Japan Preview - On hold as BoJ head awaits Abe's decision

We expect the Bank of Japan (BoJ) to maintain its 'QQE with yield curve control' policy unchanged at the next monetary policy meeting ending on Tuesday 23 January.

16/1 Flash Comment US - Fed is set to hike in March and three times this year

Based on the higher-than-expected inflation print on Friday and the hawkish comments from influential NY Fed president William C. Dudley, we change our call and now expect the Fed to deliver the next hike at the March meeting.

16/1 Italian Election Factbook: The countdown has begun but ITEXit risk remains low

In this Italian Election Factbook, we look at the latest developments on the political front, banking sector problems and debt outlook.

15/1 Flash Comment Emerging Markets - EM Weekly: Emerging markets unscathed by new reflation hype

Emerging markets (EM) have continued their strong run since the start of 2018.

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	2.0	1.7	0.8	1.9	-0.2	3.6	2.8	1.1	4.3	0.0	36.0	8.0
	2018	2.0	2.0	0.7	5.5	-0.2	2.7	3.4	1.2	4.1	-0.3	35.1	7.7
	2019	1.9	2.5	0.5	4.3	0.0	2.6	3.6	1.4	4.0	-0.1	33.9	7.3
Sweden	2017	2.7	2.4	0.4	7.5	-0.1	3.4	5.1	1.8	6.7	0.9	39.0	4.8
	2018	1.7	1.6	1.3	1.1	0.0	5.1	5.0	1.6	7.1	0.6	36.0	4.8
	2019	2.0	1.9	0.8	0.4	0.2	4.7	3.8	1.4	7.6	0.4	34.0	5.4
Norway	2017	1.9	2.4	1.9	3.9	-0.2	2.4	1.1	1.8	2.7	-	-	-
	2018	2.3	2.6	1.7	2.7	-0.1	2.7	1.4	2.0	2.4	-	-	-
	2019	2.2	2.3	1.9	2.5	0.0	2.2	3.0	2.0	2.3	-	-	-

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	2.4	1.8	1.1	4.1	-	4.8	4.7	1.5	9.1	-1.1	88.1	3.0
	2018	2.0	1.9	1.3	4.9	-	3.7	4.9	1.3	8.4	-0.9	87.2	3.0
	2019	1.8	1.9	1.3	4.2	-	3.4	4.4	1.3	8.0	-0.8	85.2	3.0
Germany	2017	2.6	2.4	1.2	4.4	-	4.8	5.2	1.7	3.8	0.9	64.8	7.8
	2018	2.4	2.4	2.0	4.2	-	3.6	5.2	1.4	3.5	1.0	61.2	7.5
	2019	2.1	2.3	2.2	4.5	-	3.1	4.8	1.6	3.3	1.1	57.9	7.2
Finland	2017	3.1	1.8	0.3	8.9	-	8.1	3.5	0.8	8.5	-1.6	62.0	0.0
	2018	2.3	2.0	0.4	4.5	-	4.0	4.5	1.2	8.0	-1.0	61.0	-0.2
	2019	1.9	1.5	0.2	3.5	-	4.0	3.5	1.4	7.7	-0.8	60.0	0.2

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	2.2	2.7	-0.2	3.8	-0.1	3.2	3.3	2.1	4.4	-3.6	106.0	-2.4
	2018	2.4	2.2	0.0	5.1	0.0	3.6	2.6	2.5	4.0	-3.5	107.0	-3.0
	2019	2.1	1.9	0.4	4.9	0.0	3.1	3.0	2.1	3.8	-4.0	109.0	-3.1
China	2017	6.8	-	-	-	-	-	-	2.0	4.1	-3.7	47.6	1.4
	2018	6.3	-	-	-	-	-	-	2.3	4.3	-3.4	50.8	1.1
	2019	6.0	-	-	-	-	-	-	2.3	4.3	-3.4	53.9	1.2
UK	2017	1.5	1.8	0.6	2.4	-0.4	4.5	3.0	2.7	4.4	-2.4	87.0	-4.6
	2018	1.3	1.3	0.5	1.9	0.1	2.4	2.2	2.2	4.1	-2.0	87.3	-4.7
	2019	1.2	1.0	0.4	2.0	0.0	2.6	1.8	1.8	4.1	-1.8	87.4	-4.6

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 DKK
USD	19-Jan	1.50	1.74	2.25	2.65	122.8	-	606.5
	+3m	1.75	2.00	2.30	2.55	120.0	-	620.4
	+6m	2.00	2.10	2.45	2.70	123.0	-	605.3
	+12m	2.25	2.35	2.75	2.90	128.0	-	581.8
EUR	19-Jan	0.00	-0.33	-0.13	0.97	-	122.8	744.7
	+3m	0.00	-0.33	-0.15	1.00	-	120.0	744.5
	+6m	0.00	-0.33	-0.10	1.15	-	123.0	744.5
	+12m	0.00	-0.33	0.10	1.45	-	128.0	744.8
JPY	19-Jan	-0.10	-0.03	0.05	0.29	135.7	110.5	5.49
	+3m	-0.10	-	-	-	135.6	113.0	5.49
	+6m	-0.10	-	-	-	140.2	114.0	5.31
	+12m	-0.10	-	-	-	145.9	114.0	5.10
GBP	19-Jan	0.50	0.52	0.87	1.41	88.1	139.4	845.2
	+3m	0.50	0.52	0.85	1.40	88.0	136.4	846.0
	+6m	0.50	0.53	0.90	1.55	87.0	141.4	855.7
	+12m	0.50	0.64	1.05	1.85	86.0	148.8	866.0
CHF	19-Jan	-0.75	-0.74	-0.46	0.39	117.2	95.4	635.5
	+3m	-0.75	-	-	-	117.0	97.5	636.3
	+6m	-0.75	-	-	-	120.0	97.6	620.4
	+12m	-0.75	-	-	-	123.0	96.1	605.5
DKK	19-Jan	0.05	-0.31	-0.01	1.13	744.7	606.5	-
	+3m	0.05	-0.30	0.00	1.15	744.5	620.4	-
	+6m	0.05	-0.30	0.05	1.30	744.5	605.3	-
	+12m	0.05	-0.30	0.30	1.60	744.8	581.8	-
SEK	19-Jan	-0.50	-0.42	-0.09	1.32	982.9	800.5	75.8
	+3m	-0.50	-0.45	0.10	1.35	1000.0	833.3	74.5
	+6m	-0.50	-0.45	0.00	1.35	990.0	804.9	75.2
	+12m	-0.50	-0.45	-0.10	1.45	980.0	765.6	76.0
NOK	19-Jan	0.50	0.86	1.18	2.06	960.7	782.4	77.5
	+3m	0.50	0.80	1.15	2.10	940.0	783.3	79.2
	+6m	0.50	0.80	1.30	2.20	920.0	748.0	80.9
	+12m	0.75	1.10	1.50	2.55	910.0	710.9	81.8

Commodities												
	19-Jan	2018				2019				Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019	
NYMEX WTI	58	58	58	60	60	60	60	61	61	58	61	
ICE Brent	69	62	62	64	64	64	64	65	65	63	65	

Source: Danske Bank

Calendar

Key Data and Events in Week 4

During the week				Period	Danske Bank	Consensus	Previous
Monday, January 22, 2018							
8:00	NOK	Industrial confidence (SSB)	Net. bal.	4th quarter	7.5		2.3
8:00	DKK	Employment (monthly)	1.000 m/m	Nov			2,712 4,200
Tuesday, January 23, 2018							
-	JPY	BoJ policy rate	%		-0.1%		-0.1%
-	JPY	10-year JGB rate target	%		0.0%		0.0%
-	SEK	Riksbank's Ingves speaks at Riksdag					
8:00	DKK	Retail sales	m m y/y	Dec			1.3% 2.5%
11:00	DEM	ZEW current situation	Index	Jan		89.9	89.3
11:00	DEM	ZEW expectations	Index	Jan		17.7	17.4
16:00	EUR	Consumer confidence, preliminary	Net bal.	Jan		0.6	0.5
Wednesday, January 24, 2018							
-	SEK	Riksbank's Flodén speaks					
0:30	USD	Fed's Evans (non-voter, dovish) speaks					
0:50	JPY	Exports	y/y (%)	Dec		0.1%	0.2%
0:50	JPY	Import	y/y (%)	Dec		0.1%	0.2%
0:50	JPY	Trade balance, s.a.	JPY bn	Dec		264.3	364.1
1:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Jan			54.0
6:00	JPY	Leading economic index, final	Index	Nov			108.6
8:00	SEK	Prospera inflation expectations					
9:00	FRF	PMI manufacturing, preliminary	Index	Jan		58.7	58.8
9:00	FRF	PMI services, preliminary	Index	Jan		58.9	59.1
9:30	DEM	PMI manufacturing, preliminary	Index	Jan		63.0	63.3
9:30	DEM	PMI services, preliminary	Index	Jan		55.6	55.8
10:00	EUR	PMI manufacturing, preliminary	Index	Jan	60.1	60.3	60.6
10:00	EUR	PMI services, preliminary	Index	Jan	56.2	56.4	56.6
10:00	EUR	PMI composite, preliminary	Index	Jan		57.9	58.1
10:30	GBP	Unemployment rate (3M)	%	Nov	4.3%	4.3%	4.3%
10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Nov	2.2%	2.3%	2.3%
15:00	USD	FHFA house price index	m/m	Nov		0.4%	0.5%
15:45	USD	Markit PMI manufacturing, preliminary	Index	Jan	55.7	55.0	55.1
15:45	USD	Markit PMI service, preliminary	Index	Jan	54.5	54.5	53.7
16:00	USD	Existing home sales	m (m/m)	Dec		5.69	5.81 5.6%
16:30	USD	DOE U.S. crude oil inventories	K				
22:45	NZD	CPI	q/q y/y	4th quarter		0.4% 1.9%	0.5% 1.9%

Source: Danske Bank

Calendar

Thursday, January 25, 2018				Period	Danske Bank	Consensus	Previous
8:00	NOK	Unemployment (LFS)	%	Nov	4.0%	4.0%	4.0%
8:00	DEM	GfK consumer confidence	Net. Bal.	Feb			10.8
8:00	DKK	Consumer confidence	Net. bal.	Jan	6.5		6.5
9:00	SEK	Consumer confidence	Index	Jan	107.0		108.2
9:00	SEK	Economic Tendency Survey	Index	Jan	111		112.5
9:00	SEK	Manufacturing confidence	Index	Jan	118		116.8
9:30	SEK	Unemployment (n.s.a. s.a.)	%	Dec	6.0% 6.5%		5.8% 6.4%
9:30	SEK	Industrial production s.a.	y/y	Dec			6.6%
9:30	SEK	PPI	m/m y/y	Dec			1.5% 2.7%
10:00	NOK	Norges Banks monetary policy meeting	%		0.50%		0.50%
10:00	DEM	IFO - business climate	Index	Jan		117.0	117.2
10:00	DEM	IFO - current assessment	Index	Jan		125.4	125.4
10:00	DEM	IFO - expectations	Index	Jan	108.9	109.4	109.5
13:45	EUR	ECB's monthly asset purchase target	EUR bn	Jan	30	30	30
13:45	EUR	ECB announces refi rate	%		0.00%		0.00%
13:45	EUR	ECB announces deposit rate	%		-0.40%		-0.40%
14:30	EUR	ECB's Draghi speaks at press conference					
14:30	USD	Advance goods trade balance	USD bn	Dec		-68.5	-70.0
14:30	USD	Initial jobless claims	1000				200
14:30	CAD	Retail sales	m/m	Nov			1.5%
16:00	USD	New home sales	1000 (m/m)	Dec		675	733.0 (17.5%)
Friday, January 26, 2018				Period	Danske Bank	Consensus	Previous
-	EUR	Fitch may publish France's debt rating					
-	EUR	Fitch may publish Austria's debt rating					
-	EUR	Moody's may publish France's debt rating					
0:30	JPY	CPI - national ex. fresh food	y/y	Dec		0.9%	0.9%
0:30	JPY	CPI - national	y/y	Dec		1.1%	0.6%
2:30	CNY	Industrial profits	y/y	Dec			14.9%
8:45	FRF	Business confidence	Index	Jan		112.0	112.0
8:45	FRF	Consumer confidence	Index	Jan		106.0	105.0
9:30	SEK	Retail sales s.a.	m/m y/y	Dec	0.5% 5.5%		0.9% 3.8%
9:30	SEK	Service production	y/y	Dec			7.1%
9:30	SEK	Household lending	y/y	Dec	7.0%		7.1%
9:30	SEK	Trade balance	SEK bn	Dec	-1		-3
10:00	EUR	Money supply (M3)	y/y	Dec		5.0%	4.9%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Dec			
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Dec			
10:00	EUR	ECB's survey of professional forecasters					
10:30	GBP	GDP, first estimate	q/q y/y	4th quarter	0.4% 1.4%	0.4% 1.4%	0.4% 1.7%
10:30	GBP	Index of services	m/m 3m/3m	Nov		0.2% 0.4%	0.2% 0.3%
11:00	EUR	ECB's Coeure speaks in Frankfurt					
14:30	CAD	CPI	m/m y/y	Dec			... 2.1%
14:30	USD	GDP, 1st release	q/q AR	4th quarter	3.0%	3.0%	3.2%
14:30	USD	PCE core, preliminary	q/q AR	4th quarter			1.30%
14:30	USD	Core capital goods orders, preliminary	%	Dec		0.5%	-0.2%

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For further information, call (+45) 45 12 85 22.

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