

Weekly Focus

Managing expectations

While the past week has been a quiet one on the macro data front, central bankers sent some hawkish signals ahead of the January rate decisions. The Fed's Waller remained confident that sustainable 2% inflation is within 'striking distance', but he also underscored that there is no reason to cut rates as quickly as in the past. Just ahead of the ECB's silent period, Lagarde noted that rates will likely be cut only by summer and Knot cautioned that markets have been 'getting ahead of themselves'.

As a result, yields edged higher throughout the week as market pulled back on expectations of rapid rate cuts. We expect the ECB to cut rates by a total of 75bp in 2024 and the Fed by 100bp, so with around 130-140bp of cumulative cuts still priced in for both central banks, we generally see further upside risks to pricing from here. **We expect few, if any new policy signals from next week's ECB meeting** but we will look out for signals on the most likely timing of the first cut, which we have pencilled in for June. Read more details from our full [ECB Preview – Stocktaking](#), 18 January.

Rising yields were also reflected in weaker equities and cyclical currencies while the broad USD regained strength. In the FX markets, we expect similar trends to continue also later in the year, as we see EUR/USD heading towards 1.05 and EUR/SEK rising to 11.60 on a 12M horizon in our latest [FX Forecast Update - 2024 to prove a good year for the USD](#), 15 January. One key argument for our bullish USD view has been the continuing US economic outperformance vis-à-vis peers and, this week, the December retail sales data confirmed that consumer demand has remained solid. Widely followed control group sales growth surprised clearly to the upside at +0.8% m/m SA.

US election year kicked off with Republican Iowa caucuses, where Donald Trump clinched a convincing victory with 51% support over Ron DeSantis (21%) and Nikki Haley (19%). While the result was well in line with polling averages, it marked a disappointment especially for DeSantis who had put significant campaigning effort into Iowa. Primaries will continue next Tuesday in New Hampshire, where the pressure is on Haley, who has been performing relatively well in recent local polls. Read more on the primary elections and the US fiscal and foreign policy outlook in [Primer for 2024 elections](#), 15 January.

Besides the ECB, also the **Bank of Japan** will have a monetary policy meeting where we expect an unchanged rate decision. Wage growth remains the missing piece of the puzzle before the BoJ can look towards rate hikes and letting go of the yield curve, but we will likely have to wait for the spring wage negotiations for hard evidence. **The People's Bank of China** will also likely make no changes to the Loan Prime Rate on Monday after the Medium-term Lending Facility rates were left unchanged this week. Finally, we also expect an unchanged rate decision from **Norges Bank** on Thursday.

On the data front, **January Flash PMIs** will provide the first hints on how major economies have fared at the beginning of 2024. Generally, leading data has suggested that global manufacturing activity might have reached a trough in late 2023, while services growth momentum remains muted. We will also keep an eye on the **US Q4 Flash GDP** and **December PCE data**.

Key global views

- Weak near-term growth outlook in the US and Europe, but recovery from summer 2024
- US and euro area headline inflation set to decline further, but core inflation to remain sticky
- The Fed set to start cutting rates in March, followed by ECB in June

Key market movers

- Monday: PBoC Loan Prime Rate
- Tuesday: **BoJ Meeting**
- Wednesday: EA & US January Flash PMIs
- Thursday: German Ifo, **Norges Bank Meeting, ECB Meeting, US Q4 Flash GDP**
- Friday: Tokyo January CPI, US December PCE

Selected reading from Danske Bank

[FX Forecast Update - 2024 to prove a good year for the USD](#), 15 January

[Research US - Primer for 2024 elections](#), 15 January

[ECB Preview – Stocktaking](#), 18 January.

[Reading the Markets USD - Inflation tail-risks have not yet faded](#), 16 January

Editor

Analyst
Antti Ilvonen
+358 445 180 297
antti.ilvonen@danskebank.com

Scandi market movers

- In **Denmark**, the week starts with wage earner employment for November 2023, on Monday. The figure was more or less unchanged from September to October, while unemployment has been slowly increasing. The labour market was very tight going into 2023, and employers have so far been keen to retain their staff despite a stagnant, and recently declining, economy. We do expect this to change so that employment will slowly begin to decline, so it will be interesting to see the November print.

On Tuesday, we get consumer confidence for January 2024. Sentiment improved a lot in the first half of 2023 after historical lows in late 2022, but was still overall negative. Since July it has hovered between -10 and -13. Inflation has declined, wages are going up and employment is at record highs. This should support confidence. On the other hand, if the labour market should weaken, this could be reflected in January's figure. Overall, we expect an improvement to -10 from -13.

Wednesday brings business confidence for January 2024. December data painted a mixed picture. Manufacturing confidence showed an overall improvement, but was still in negative territory, and with some heterogeneity as pharmaceuticals continued to be very positive, while others, such as machinery, were very negative. Recent data suggests that the global industrial cycle has bottomed out, so it will be interesting to see whether sentiment improves. Sentiment in construction continued its downward trend, with the line of business being hit particularly hard by the high interest rates, while sentiment was still positive in services. Many people are employed in services, and its robustness has supported the labour market. It will be interesting to see if they can continue to muddle through.

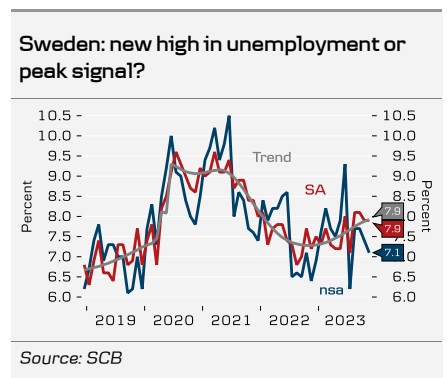
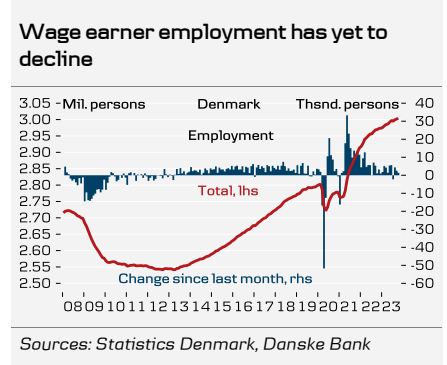
The week ends with retail sales for December 2023 on Friday. Retail sales have been going up throughout the second half of the year, and increased 5.9% y/y in November, once you adjust for inflation and regular seasonal patterns. We are still below the 2022 level, however. Many consumers still have a large stock of savings, accumulated during the pandemic, and real wages were up 4.3% y/y in the fourth quarter of 2023. We expect this to have boosted consumption in December, and thus we should see another real increase.

- In **Sweden**, there is a lot of data to keep track of next week. The Prospera January inflation survey is unlikely to deliver any big surprises, as inflation is gradually easing towards the target.

Given the sharp strengthening of the SEK in December, export and import prices (in the PPI report) are likely to have dropped significantly. That should have a positive impact on real exports and imports, which goes into our forecast for Q4 GDP. The trade balance surplus has widened over the past couple of months and it remains to be seen whether this was also the case in December.

The LFS seasonally-adjusted unemployment rate appears to have levelled off in recent months after the significant upward trend that has been in place since late 2022. Even though the non-adjusted unemployment rate is likely to bounce sharply higher in December, it is unclear whether that means there will be a new cycle high for the seasonally-adjusted ditto. Anyway, it is also worth keeping an eye on employment, which has levelled off recently but does not yet show any outright trend decline.

Household lending showed miniscule growth of 0.5% yoy in November and we ask ourselves whether it is possible that this aggregate could actually show a negative print?

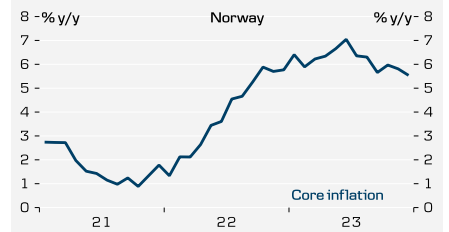


Recall that this is nominal data and with low housing turnover and a recent fall-back in housing prices, there is surely a risk.

- In **Norway**, the increasing focus on the inflation risk means Norges Bank will not alter monetary policy until it is sure that inflation is seriously on the way down. This risk management means that it will take longer before NB delivers its first rate cut. Hence, in December, NB signalled that rates would be kept on hold for a while, and we see the risk of a move on Thursday as negligible. We are still expecting the first rate cut in June.

Retail sales picked up in November due partly to ‘Black week’ effects. Still, it seems that Christmas shopping held up in December as well, so we expect retail sales to have risen 0.2% m/m. Keep in mind that, as service consumption is currently slowing, overall consumption will probably still move sideways at best.

Inflation remains too high for policy rates to be cut



Source: Macrobond Financial, Danske Bank

Scandi update

Denmark – No key releases

There were no key data releases this week in **Denmark**.

Sweden – No easily interpreted inflation print

In **Sweden**, CPIF dropped sharply in December due to the ‘base effects’ from increased electricity prices in 2022. However, an even greater fall had been expected, as CPIF increased 0.6% m/m. CPIF was 2.3% y/y, which is the lowest reading since July 2021, while still being 0.2 p.p. above the Riksbank’s forecast. Excluding the volatile electricity prices, core inflation was at 5.3%, which was 0.3 p.p. lower than the Riksbank’s forecast. We believe the Riksbank is currently putting more emphasis on the development in core inflation than the headline number. The journey ahead will not be a straight one. We forecast CPIF to jump to 2.8% again in January when the ‘base effects’ from last year fade out. In January, the weighting of the price categories in CPIF is set to change, which may act as a joker, as it may cause the outcome to surprise in either direction. What mainly stood out in the December figure was that electricity prices had actually fallen less than expected, which can be assumed to be due to the recent cold weather. In addition, it seems that the price recovery after the Black-Friday sales has been stronger than expected, as clothes, among other things, surprisingly pulled up the m/m figure.

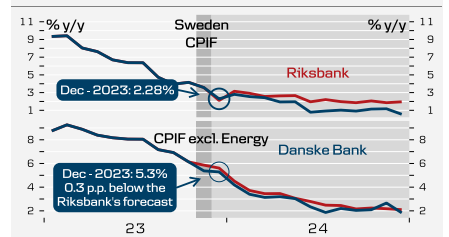
The SEK strengthening in recent months has led to the parts of CPIF consisting of imported goods and services contributing negatively to inflation in the past two months. Service inflation, long emphasized as a major concern by the Riksbank, was significantly lower than expected in December and is now running only 0.2 p.p. above the Riksbank's forecast on a seasonally-adjusted annual basis. Food prices also fell in December after the strong rebound upwards in November and are now 0.3 p.p. below the Riksbank's forecast on a seasonally-adjusted annual basis.

Swedish unemployment increased from 6.5% in November to 6.7% in December, according to new data released by the Swedish Public Employment Service. This compares to an unemployment rate of 6.6% back in December 2022 and shows that unemployment has remained at stable and relatively low levels.

Norway – GDP dropped in November

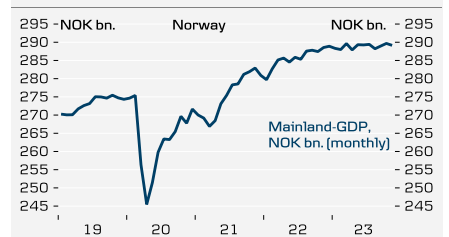
In **Norway**, as expected, mainland GDP fell 0.2% m/m in November. The figures confirm that the cooling we have seen since last spring continued towards the end of 2023. Consumption was unchanged and business investment fell, while both residential investment and mainland exports rose. With the revision of the October figures, the development is completely in line with Norges Bank’s forecasts from the MPR in December and should thus be neutral for rate expectations.

More or less following the Riksbank's inflation forecast



Source: Statistics Sweden, Danske Bank forecasts

The economy is moving sideways



Source: Macrobond Financial, Danske Bank

Calendar – 22-26 January 2024

Monday, January 22, 2024				Period	Danske Bank	Consensus	Previous
Tuesday, January 23, 2024				Period	Danske Bank	Consensus	Previous
-	JPY	BoJ policy rate	%			-0.10%	-0.10%
8:00	DKK	Consumer confidence	Net. bal.	Jan	-10		-13
16:00	EUR	Consumer confidence, preliminary	Net. bal.	Jan		-14.4	-15.0
22:45	NZD	CPI	q/q/y/y	4th quarter		0.5% 4.7%	1.8% 5.6%
Wednesday, January 24, 2024				Period	Danske Bank	Consensus	Previous
0:50	JPY	Exports	y/y (%)	Dec		0.1	0.0
0:50	JPY	Import	y/y (%)	Dec		-0.1	-0.1
0:50	JPY	Trade balance, s.a.	JPY bn	Dec		-435.9	-408.9
1:30	JPY	Markit PMI services, preliminary	Index	Jan			51.5
1:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Jan			47.9
8:00	SEK	Prospera inflation expectations					
9:15	FRF	PMI manufacturing, preliminary	Index	Jan		42.5	42.1
9:15	FRF	PMI services, preliminary	Index	Jan		46.0	45.7
9:30	DEM	PMI manufacturing, preliminary	Index	Jan		43.5	43.3
9:30	DEM	PMI services, preliminary	Index	Jan		49.0	49.3
10:00	EUR	PMI manufacturing, preliminary	Index	Jan	45.0	44.8	44.4
10:00	EUR	PMI composite, preliminary	Index	Jan		48.0	47.6
10:00	EUR	PMI services, preliminary	Index	Jan	48.8	49.0	48.8
10:30	GBP	PMI manufacturing, preliminary	Index	Jan		46.7	46.2
10:30	GBP	PMI services, preliminary	Index	Jan		53.4	53.4
15:45	CAD	Bank of Canada rate decision	%		5.00%	5.00%	5.00%
15:45	USD	Markit PMI manufacturing, preliminary	Index	Jan		48.0	47.9
15:45	USD	Markit PMI service, preliminary	Index	Jan		51.0	51.4
16:30	USD	DOE U.S. crude oil inventories	K				-2492
Thursday, January 25, 2024				Period	Danske Bank	Consensus	Previous
8:00	SEK	PPI	m/m/y/y	Dec			1.4% -4.2%
8:45	FRF	Business confidence	Index	Jan		99.0	98.0
10:00	NOK	Norges Banks monetary policy meeting	%		4.50%	4.50%	4.50%
10:00	DEM	IFO - business climate	Index	Jan		86.6	86.4
10:00	DEM	IFO - current assessment	Index	Jan		88.5	88.5
10:00	DEM	IFO - expectations	Index	Jan		84.8	84.3
12:00	TRY	Central Bank of Turkey rate decision	%		45.00%	45.00%	42.50%
14:15	EUR	ECB announces deposit rate	%		4.00%	4.00%	4.00%
14:30	USD	GDP, first release, preliminary	q/q AR	4th quarter	1.8%	1.9%	4.9%
14:30	USD	Core capital goods orders, preliminary	%	Dec			0.8%
14:30	USD	Advance goods trade balance	USD bn	Dec		-88.4	-89.3
14:30	USD	Initial jobless claims	1000				187
14:30	USD	PCE core, preliminary	q/q AR	4th quarter			0.02
14:45	EUR	ECB's Lagarde speaks at press conference					
16:00	USD	New home sales	1000 (m/m)	Dec		650	590.0 (-12.2%)
Friday, January 26, 2024				Period	Danske Bank	Consensus	Previous
0:30	JPY	Tokyo CPI Ex-Fresh Food YoY	y/y	Jan		1.9%	2.1%
0:30	JPY	Tokyo CPI Ex-Fresh Food, Energy YoY	y/y	Jan		3.4%	3.5%
1:01	GBP	GfK consumer confidence	Index	Jan		-21.0	-22.0
6:00	JPY	Leading economic index, final	Index	Nov			107.7
8:00	DEM	GfK consumer confidence	Net. Bal.	Feb		-24.7	-25.1
8:00	DKK	Retail sales	m/m/y/y	Dec			1.0% 6.3%
8:00	SEK	Household lending	y/y	Dec			0.5%
8:00	SEK	Trade balance	SEK bn	Dec			12.7
8:00	NOK	Retail sales, s.a.	m/m	Dec	0.2%		0.4%
8:45	FRF	Consumer confidence	Index	Jan		90.0	89.0
10:00	EUR	Money supply (M3)	y/y	Dec		-0.7%	-0.9%
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					
12:00	EUR	Ireland, GDP	q/q/y/y	4th quarter			-1.9% -5.8%
14:30	USD	PCE headline	m/m/y/y	Dec		0.2% 2.6%	-0.1% 2.6%
14:30	USD	Personal spending	m/m	Dec		0.4%	0.2%
14:30	USD	PCE core	m/m/y/y	Dec		0.2% 3.0%	0.1% 3.2%
16:00	USD	Pending home sales	m/m/y/y	Dec		1.5%	0.0% -5.1%

Source: Danske Bank

Macroeconomic forecast

Macro forecast. Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2023	1.1	1.0	1.2	-4.6	10.3	8.7	3.3	4.1	2.8	2.0	29.7	10.5
	2024	1.0	1.8	2.0	-0.4	3.6	5.4	2.0	5.7	3.1	1.0	27.9	11.5
	2025	1.6	1.7	1.6	2.2	1.6	1.8	1.9	3.6	3.3	0.7	26.5	11.5
Sweden	2023	-0.2	-1.7	2.3	-1.0	2.6	0.7	8.5	4.0	7.6	-0.4	29.0	4.7
	2024	1.3	1.1	0.9	1.3	2.9	2.9	2.3	3.3	8.2	-0.8	29.0	4.8
	2025	1.8	2.0	1.5	2.3	3.2	3.6	1.0	2.5	8.0	-0.8	29.0	4.6
Norway	2023	1.1	-1.0	2.0	0.5	4.0	3.0	5.5	5.4	1.8	-	-	-
	2024	1.1	1.2	1.3	4.0	2.0	1.8	3.0	4.4	2.3	-	-	-
	2025	2.1	2.5	1.6	4.0	2.0	1.8	2.0	3.5	2.5	-	-	-

Macro forecast. Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2023	0.5	0.4	0.0	0.9	0.2	-0.3	5.4	5.6	6.5	-3.2	90.6	2.5
	2024	0.5	0.6	0.7	0.6	1.7	2.0	2.4	4.6	6.8	-3.0	89.9	2.0
	2025	1.2	1.1	0.8	1.5	2.7	2.6	2.1	3.7	7.1	-2.8	88.8	2.4
Finland	2023	-0.5	-0.5	3.0	-5.5	-0.5	-4.5	6.3	4.0	7.3	-2.8	73.8	-0.7
	2024	0.3	0.5	0.2	0.0	1.0	1.5	1.9	3.4	7.8	-3.0	75.3	-0.3
	2025	1.9	1.2	0.2	4.0	3.0	2.0	1.5	2.5	7.2	-2.7	75.4	0.0

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 ²	Public budget ³	Public debt ³	Current acc. ³
USA	2023	2.4	2.1	3.9	0.4	1.7	-2.1	4.1	4.3	3.6	-5.8	124.6	-3.0
	2024	1.1	0.2	3.3	3.1	-1.7	0.4	2.5	3.2	4.4	-5.8	126.8	-2.8
	2025	1.6	0.7	2.0	5.4	3.8	4.2	2.5	2.5	4.4	-5.8	128.6	-2.6
China	2023	5.4	6.6	-	4.6	-	-	0.5	-	5.3	-7.5	83.0	1.5
	2024	4.5	5.5	-	3.8	-	-	1.0	-	5.2	-7.2	87.4	1.4
	2025	4.5	5.5	-	3.8	-	-	1.5	-	5.2	-7.0	91.8	1.1
UK	2023	0.5	-	-	-	-	-	7.4	-	4.2	-	-	-
	2024	0.0	-	-	-	-	-	2.8	-	4.6	-	-	-
	2025	1.0	-	-	-	-	-	1.9	-	4.9	-	-	-

Source: OECD and Danske Bank. 1) % y/y. 2) % of labour force. 3) % 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*	18-Jan	5.50	-	4.20	3.74	0.92	-	6.87	10.54	10.49
	+3m	5.25	-	4.15	3.75	0.92	-	6.84	10.55	10.46
	+6m	5.00	-	4.05	3.85	0.93	-	6.96	11.03	10.84
	+12m	4.50	-	3.95	3.85	0.95	-	7.10	11.24	11.05
EUR	18-Jan	4.00	3.89	3.02	2.71	-	1.09	7.4558	11.44	11.39
	+3m	4.00	3.82	2.85	2.55	-	1.09	7.4550	11.50	11.40
	+6m	3.75	3.62	2.70	2.70	-	1.07	7.4500	11.80	11.60
	+12m	3.25	3.14	2.55	2.75	-	1.05	7.4500	11.80	11.60
JPY	18-Jan	-0.10	-	-	-	0.006	0.007	4.64	7.11	7.08
	+3m	0.00	-	-	-	0.007	0.007	4.85	7.48	7.42
	+6m	0.00	-	-	-	0.007	0.007	5.05	7.99	7.86
	+12m	0.00	-	-	-	0.007	0.007	5.26	8.32	8.18
GBP*	18-Jan	5.25	-	4.32	3.71	1.17	1.08	8.71	13.36	13.30
	+3m	5.25	-	4.25	3.50	1.14	1.24	8.47	13.07	12.95
	+6m	5.00	-	4.09	3.55	1.12	1.20	8.37	13.26	13.03
	+12m	4.50	-	3.95	3.60	1.12	1.18	8.37	13.26	13.03
CHF	18-Jan	1.75	-	-	-	1.06	1.15	7.91	12.14	12.08
	+3m	1.75	-	-	-	1.06	1.16	7.93	12.23	12.13
	+6m	1.50	-	-	-	1.08	1.15	8.01	12.69	12.47
	+12m	1.00	-	-	-	1.08	1.13	8.01	12.69	12.47
DKK	18-Jan	3.60	3.89	3.14	2.88	0.134	0.146	-	1.53	1.53
	+3m	3.60	3.77	2.95	2.67	0.134	0.146	-	1.54	1.53
	+6m	3.35	3.53	2.80	2.81	0.134	0.144	-	1.58	1.56
	+12m	2.85	3.02	2.65	2.85	0.134	0.141	-	1.58	1.56
SEK	18-Jan	4.00	4.08	3.10	2.63	0.088	0.095	0.65	1.00	-
	+3m	4.00	4.12	2.69	2.50	0.088	0.096	0.65	1.01	-
	+6m	3.75	3.90	2.50	2.60	0.086	0.092	0.64	1.02	-
	+12m	3.25	3.41	2.50	2.75	0.086	0.091	0.64	1.02	-
NOK	18-Jan	4.50	4.75	4.15	3.62	0.087	0.095	0.65	-	1.00
	+3m	4.50	4.63	3.79	3.35	0.087	0.095	0.65	-	0.99
	+6m	4.25	4.19	3.60	3.30	0.085	0.091	0.63	-	0.98
	+12m	3.25	3.43	3.40	3.30	0.085	0.089	0.63	-	0.98

*Notes: GBP swaps are SONIA, USD swaps are SOFR

Commodities

	18-Jan	2023				2024				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2023	2024
ICE Brent	79	82	78	86	83	80	80	80	80	82	80

Source Danske Bank

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