23 February 2018

Weekly Focus

Global growth set to remain strong but signs acceleration phase is over

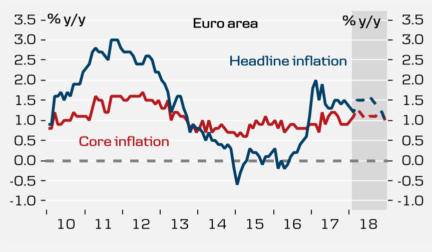
Market movers ahead

- In the US, January PCE inflation figures are due next week and we have several speeches by FOMC members in the calendar, along with the Fed Chair Jerome Powell hearing before the Financial Services Committee.
- In the euro area, February HICP inflation is due for release on Wednesday. We do not believe underlying wage pressure will be enough to lift core inflation much higher than the 1.0-1.2% level in 2018, despite the strong growth momentum.
- Other global data releases to watch are US ISM manufacturing and core capex figures, UK and Chinese PMIs and Japanese industrial production.
- In Sweden, we get the first estimate of Q4 GDP. Q4 is probably too soon to see the negative effects of the housing market and we estimate GDP rose by 0.7% q/q and 3.2% y/y.

Global macro and market themes

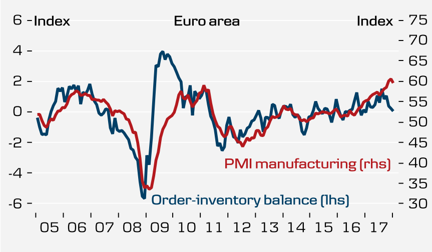
- European PMIs support our view that the acceleration phase is over. Global growth is set to remain strong, supporting equities.
- Donald Trump is slowly getting more protectionist, with a decision looming on steel and aluminium tariffs/quotas.
- The Fed is more confident on its economic outlook, not more hawkish – at least for now.
- Yields are set to move higher and we target EUR/USD at 1.28 in 12M.

Euro area headline inflation set to temporary dip



Source: Eurostat, Danske Bank, Macrobond Financial

Euro area PMI manufacturing seems to have peaked



Source: IHS Markit, Macrobond Financial

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Financial views

Major indices	23-Feb	3M	12M
10yr EUR swap	1.11	1.30	1.65
EUR/USD	123	123	128
ICE Brent oil	66	62	64

Source: Danske Bank

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Market movers

Global

- In the **US**, PCE inflation figures are due on Thursday. Based on the higher-than-expected CPI inflation numbers for January, we expect PCE core inflation to come in at 0.3% m/m (1.6% y/y, up from 1.5% y/y in December, which would be the highest since March but still below the Fed's 2% target). While core inflation seems to be moving higher, we do not think one should get carried away by a few releases coming out more strongly than expected. Usually, there is some noise in the data. Still, we believe the reflation theme is unlikely to go away anytime soon.

  The coming week also brings several speeches by FOMC members and on Monday, the Fed Chair Powell hearing before the Financial Services Committee. Prior to the meeting in March, this is an opening for Powell to signal whether the Fed aims to do four rate hikes instead of three as signalled back in December in the latest projections due to even more expansionary fiscal policy following the budget deal.

  On Thursday, ISM manufacturing figures are due for release. Markit Manufacturing PMI preliminary numbers for February came in at 55.9, which is the highest level since October 2014. We are still puzzled about the big gap between ISM and PMI manufacturing. We expect the ISM manufacturing index to be broadly unchanged at 59.1 in February based on the regional and nationwide PMIs but still think we are beyond the peak.

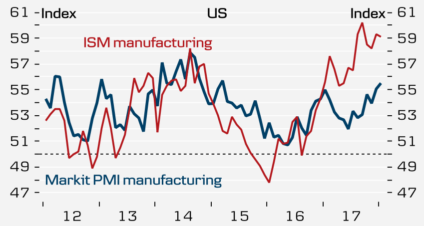
  Finally, core capex figures for January are scheduled to be released on Tuesday. Due to the tax reform and high business confidence pointing at sustained investment activity, we expect core capex to increase further in coming months but bear in mind that it is very volatile from month to month.

- In the **euro area,** the HICP figures for February are due for release on Wednesday. In January, headline inflation fell 0.1pp. to 1.3% and we expect a similar decline in February, to 1.2% due to base effects in energy and food price inflation. In our view, the dip to 1.2% should be temporary and we expect headline inflation to bounce back to the 1.4-1.5% level in March/April as the base effects wear off. We expect core inflation to be 1.1% in February, slightly higher than January's figure of 1.0%. Still, we do not believe underlying wage pressure to be enough to lift core inflation much higher than the 1.0-1.2% level in 2018 despite the strong growth momentum.

- In the **UK**, focus remains on Brexit, as we approach the important EU summit on 22-23 March, where the ambition is to reach an agreement on transition. Based on news stories, there remain a few hurdles but, in our view, these should be relatively easy to solve. More problematic are the upcoming discussions on the future relationship but here we expect the two sides to find a compromise before the deadline. However, we expect to hear a lot of noise until then. Reports suggest Prime Minister Theresa May is set to give another Brexit speech next week.

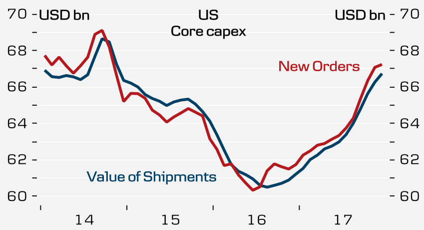
  With respect to data releases, we are due to get the PMI manufacturing index for February. Usually, the UK index follows the equivalent euro area index but, in recent months, the UK index has been running below the euro area index. As the euro area index has peaked, the upside potential for the UK index is limited, in our view. We estimate the index was broadly unchanged around 55.3.

Still big gap between ISM and PMI



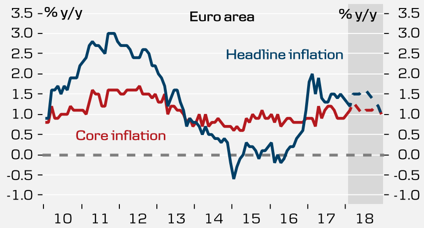
Source: Markit Economics, ISM, Macrobond Financial

We expect core capex to continue its uptrend



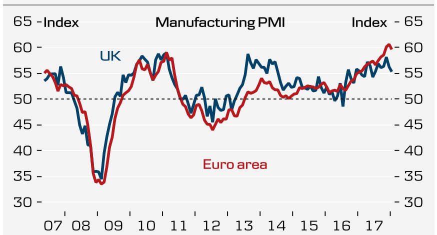
Source: US Census Bureau, Macrobond Financial

Headline inflation set to dip temporarily



Source: Macrobond Financial, Eurostat, Danske Bank

UK PMI manufacturing has peaked



Source: IHS Markit, Macrobond Financial

- In **Japan**, next week a series of economic figures is due to be published. On Wednesday, we are scheduled to get January industrial production. The manufacturing sector looked strong throughout 2017 and we believe this trend continued in January. PMIs weakened in February in the wake of the JPY strengthening and we expect this to pose a challenge for exporters in coming months. On the same day, we are also set to get January retail sales. Private consumption picked up in Q4 but overall it still looks weak. On Friday, we are due to get the jobs/applicants ratio and unemployment rate for January. The labour market is currently historically tight.

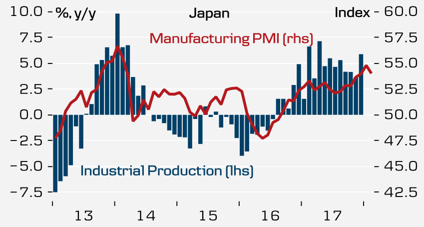
- We expect the main focus in **China** next week to be PMI manufacturing data. We look for a small decline in Caixin PMI manufacturing to 51.3 in February, down from 51.5 in January – in line with Consensus. While a sharp decline in credit growth points to a decline in PMI over the next year, our short-term indicators for PMI (steel production, metals prices) are still holding up fairly well. The official PMI manufacturing data are also due for release. They have declined somewhat in recent months but overall stayed at a decent level. The official non-manufacturing PMI increased a lot in December and January. However, we look for it to fall back in February, as the increase looks to us a bit overdone.

Scandi

- In **Denmark**, the coming week is a busy one. Wednesday brings the full national accounts for Q4. Statistics Denmark's GDP indicator last week showed strong growth of 0.9% q/q, in line with our forecast of 1.0%, which needs to be seen in the light of the surprise fall in GDP of 0.5% in Q3. We do not yet know which components of demand were behind the growth in Q4 but available data suggest that the Danish economy benefited, in particular, from burgeoning global demand and stronger private consumption. Currency reserves data for February are scheduled for release on Friday. The krone has been stable against the euro this month, which means the Nationalbank has probably not needed to intervene. The announcement that the central bank has finished hedging the government's purchase of fighter Aircrafts (paid in US dollars) has not affected currency reserves in February, as this hedging all took place in January. Published alongside the currency reserves data are figures for the government's account at the Nationalbank. We expect to see a strong positive balance, as Danish pension funds will presumably have paid in a fair amount of tax in the first two months of the year due to good returns on growing pension assets last year. Friday also brings unemployment for January, while business confidence is due for release on Tuesday and foreign portfolio investments and securities statistics for January are due on Wednesday.

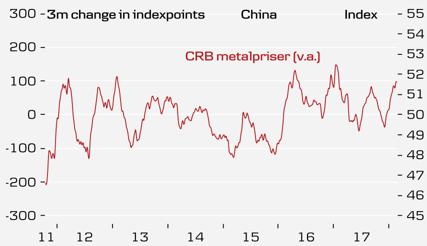
- We will have the opportunity to digest several **Swedish** macro data next week. To mention the ones we judge as the most relevant, the week starts with the NIER February business- and consumer confidence surveys on Tuesday. We do not find it particularly meaningful to try to 'forecast' survey results. However, in general terms, all parts of the survey have been at quite elevated levels for some time, illustrating positive growth momentum, and we see no particular reason for this to change now. The day after we expect the first estimate of Q4 GDP. In this case, we do have a forecast. There has been a lot of focus on the housing market of late and we have seen a rather significant decline in building permits in the latest few quarters. However, it takes time for this to feed through to GDP and Q4 is probably too soon. We estimate GDP rose by 0.7% q/q and 3.2% y/y. Finally, we should see retail sales data. Some reports suggest sales have not fully lived up to expectations recently and reports on sales of clothing and shoes were soft in January. However, retail sales dipped in December, so some correction is possible in January. We estimate figures of 0.5% m/m and 3.0% y/y.

Stronger yen poses future challenge for export-heavy manufacturing sector



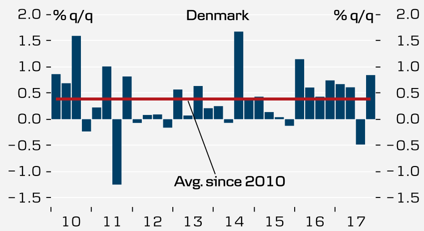
Source: Japan Ministry of Economy, Trade and Industry, HIS Markit, Macrobond Financial

China: PMI manufacturing set to stay at decent level short term



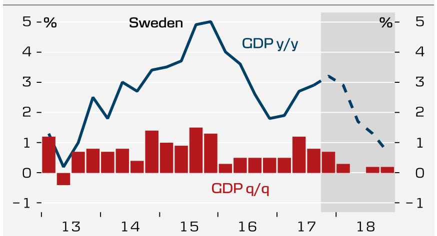
Source: Macrobond Financial, Danske Bank

GDP indicator showed strong growth in Q4



Source: Statistics Denmark

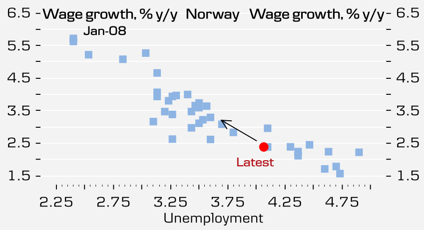
Strong finish to 2017, then slower growth



Source: Danske Bank, Macrobond Financial

- In **Norway**, too, a busy week is in store, with the main event in our minds the wage report from the Norwegian Technical Calculation Committee for Wage Settlements (TBU). This report forms the basis for wage settlements each year by providing an agreed estimate of the previous year's wage growth and thus the overhang into the current year. If we are right in thinking that the tightening of the labour market began to have an impact on wage growth towards the end of 2017, wage drift – and thus annual wage growth in 2017 – will be higher than the social partners assumed in 2017's pay settlements. Besides the direct consequences this has for forecasts of wages and inflation, it also means the structural relationship between unemployment and wage growth, known as the Phillips curve, has not changed as much as many thought. The week also brings jobless data from the Norwegian Labour and Welfare Administration (NAV) for February. There was a surprisingly steep fall in unemployment in January, suggesting the labour market tightened a little more quickly than expected at the beginning of the year. We expect this to continue in February, albeit not to quite the same extent. We predict the jobless rate will fall to 2.5% and gross unemployment will fall by 1,000 people m/m. After a very strong start to 2017, retail sales continued to swing widely from month to month for the rest of the year. Thus, an increase of 2.3% m/m in November was followed by a decrease of 1.0% in December. We estimate a rise of 0.2% m/m in January, due partly to a rebound but also to reports of very strong sales of winter sports gear. Also coming up is the February PMI. After hitting its highest level for more than a decade in January, we think the index is due for a slight correction and will fall from 59.0 to 57.5. This expectation is based on a slight softening of global industrial indicators of late, which will probably rub off on manufacturers in Norway.

Phillips curve alive and kicking



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
During the week			GBP	PM Theresa May expected to deliver Brexit Speech					
Tue	27-Feb	14:30	USD	Core capital goods orders, preliminary	%	Jan		*0,5%*	-0.6%
Wed	28-Feb	0:50	JPY	Industrial production, preliminary	m/m|y/y	Jan		*-4.2%|5.2%*	2.9%|4.4%
		0:50	JPY	Retail trade	m/m|y/y	Jan		*-0.6%|2.5%*	0.9%|3.6%
		2:00	CNY	PMI manufacturing	Index	Feb		*51.2*	51.3
		2:00	CNY	PMI non-manufacturing	Index	Feb		*55.0*	55.3
		11:00	EUR	HICP - core inflation, preliminary	y/y	Feb	**1.1%**		
		11:00	EUR	HICP inflation, preliminary	y/y	Feb	**1.2%**	*1.2%*	1.3%
		14:30	USD	Fed Powell's Congressional Testimony					
Thurs	01-Mar	10:30	GBP	PMI manufacturing	Index	Feb	**55.3**	*55.0*	55.3
		14:30	USD	PCE headline	m/m|y/y	Jan		*0.4%|...*	0.1%|1.7%
		14:30	USD	PCE core	m/m|y/y	Jan	**0.3%|1.6%**	*0.3%|1.5%*	0.2%|1.5%
		16:00	USD	ISM manufacturing	Index	Feb	**59.1**	*58.7*	59.1
Fri	02-Mar								
Scandi movers									
Mon	26-Feb	10:00	NOK	Report from the Technical Committee for Wage Settlements					
Wed	28-Feb	8:00	DKK	GDP, preliminary	q/q|y/y	4th quarter	**0.9%**		-0.5%|...
		8:00	NOK	Retail sales, s.a.	m/m	Jan	**0.2%**	*0.3%*	-1.0%
		8:00	NOK	Wage index manufacturing	q/q	4th quarter			0.9%
		9:30	SEK	Retail sales s.a.	m/m|y/y	Jan	**0.5%|3.0%**	*0.3%|2.3%*	-1.4%|3.3%
		9:30	SEK	GDP	q/q|y/y	4th quarter	**0.7%|3.2%**	*0.9%|3.2%*	0.8%|2.9%
Thurs	01-Mar	9:00	NOK	PMI manufacturing	Index	Feb	**57.5**	*57.8*	59.0
Fri	02-Mar	16:00	DKK	Currency reserves	DKK bn	Feb			463.9

Source: Bloomberg, Danske Bank

Global Macro and Market Themes

Reluctant Fed supports higher EUR/USD

Signs acceleration phase in Europe is over

Euro area PMIs declined in February, indicating that the acceleration phase in Europe is over. It is not a big surprise that we have seen a peak, as it is in line with what the PMI order-inventory balance and some leading indicators have been showing for a few months and we think European PMIs are set to move slightly lower in coming months. However, as we argued last week, this is not a sign that we are heading for a recession, just that growth may not be as high as in previous quarters. We expect quarterly GDP growth to stabilise at around 0.5% q/q this year.

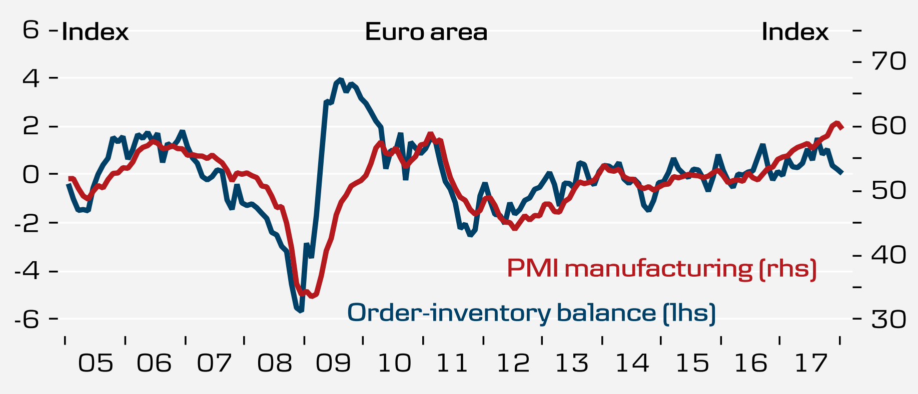
In the US, PMIs surprised on the upside but we advise caution here: the PMI service index rebounded from some months of surprisingly low prints and the manufacturing PMI is still catching up with the big increases in the corresponding ISM manufacturing index (it is still a bit puzzling why there is a gap between the two indices). As we argued last week, regional PMIs suggest the acceleration phase is also over in the US.

While the business cycle may have peaked, we are still convinced that the recent risk sell-off was technical and not fundamental, as growth remains strong and optimism is high. We remain positive on equities but think volatility will stay higher than we got used to last year, which in many ways was an exceptional year.

Trump is slowly getting more protectionist

While all attention is on the 'reflation' theme, it is noteworthy that President Trump is slowly turning his focus to trade policy, which remains one of the risk factors to look out for, in our view. In late January, he made his first move from tough talk to action, as he announced tariffs on solar panels and washing machines. A week ago, US Secretary of Commerce Wilbur Ross published his review on steel and aluminium imports, recommending that Trump implement either tariffs or quotas.

Euro area PMI manufacturing seems to have peaked



Source: IHS Markit, Macrobond Financial

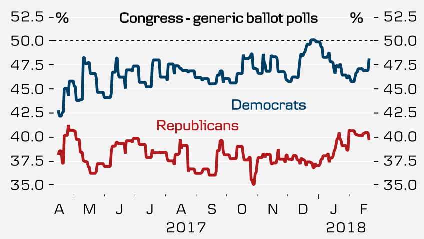
Today's key points

- European PMIs support our view that the acceleration phase is over. Global growth is set to remain strong, supporting equities.
- Trump is slowly getting more protectionist with a looming decision on steel and aluminium tariffs/quotas.
- The Fed is more confident in its economic outlook, not more hawkish, at least for now.
- Yields are set to move higher and we target EUR/USD at 1.28 in 12M.

Trump has to make up his mind before mid-April. After he succeeded in passing tax cuts and increasing government spending, it is not a big surprise that he has turned his focus on trade policy. Protectionism was a big part of his election campaign and very popular among his voters and the hope is that the Republicans can continue their uptrend in the polls before the mid-term election in November, as they are still way behind the Democrats.

As we wrote in January, the risk is other countries, not least China, will retaliate against any protectionist measures leading to a global trade war, which, however, is not our base case, as this would come at a cost for both sides (see *Flash Comment: Trump makes first move on trade – more to come*, 23 January).

Republicans have rebounded slightly in opinion polls in recent months



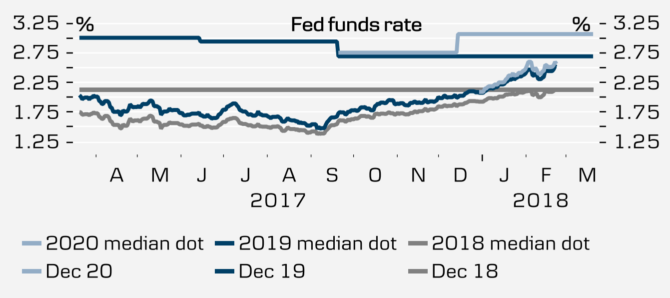
Source: FiveThirtyEight, Macrobond Financial

Fed more confident, not more hawkish

The minutes from the last Fed meeting supported our interpretation that the change to the FOMC minutes that *'further'* tightening of monetary policy is needed was made because the Fed has become more confident in its economic outlook (including its signal of three hikes this year), not more hawkish. The Fed has already pencilled in higher inflation, so it should necessarily become more hawkish for that reason. The Fed is likely to welcome inflation moving higher, as it has missed its 2% inflation target for almost a decade. However, the minutes were already a bit outdated in the sense that the meeting took place before Congress lifted the spending caps, making fiscal policy even more expansionary, and before the higher-than-expected prints for average hourly earnings and CPI core. Ahead of the Fed meeting on 21 March, new Fed Chair Jerome Powell has an opportunity to send a more hawkish signal at next week's hearing before the Senate panel.

At the moment, the Fed is signalling three hikes this year and just two hikes next year, which would take the Fed funds target range to the longer-run dot of 2.75%, which is the Fed's estimate of the natural rate of interest indicating when monetary policy is neither expansionary nor contractionary. While the Fed has so far just released the accelerator, there is an increasing chance that Powell & co will step on the brake by raising the Fed funds rate *above* the natural rate of interest by raising rates more than twice next year.

Markets do not think the Fed will raise the target range above 2.75% yet



Source: Federal Reserve, Bloomberg, Macrobond Financial

Trump aims at reducing the US trade deficit with China.... but his expansionary fiscal policy does not help

Source: US Census Bureau, BEA, Macrobond Financial

Yields to move higher in 6-12M

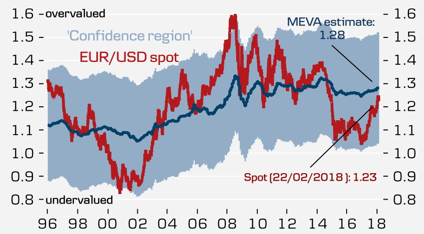
The year has started with a fixed-income sell-off and US 10-year Treasury yields are approaching 3.0%. While we still expect yields to move higher this year, it is not impossible that we could see some stabilisation before the next leg higher, as investors 'take profit'. There are several reasons why we believe yields will continue moving higher: the US needs to issue more Treasuries to finance higher government deficits (at the same time as the Fed is shrinking its balance sheet), inflation expectations are moving higher as the Fed does not offset expansionary fiscal policy one-to-one and the term premium has increased due to higher volatility. We forecast that 10Y US Treasury yields will rise to 3.30% (previously 2.90%) on a 12-month horizon. We forecast that German 10Y Bund yields will rise to 1.20% (previously 1.0%) on a 12-month horizon. For more see *Yield Outlook: More upside for 5Y and 10Y yields*, 13 February.

More USD weakness in store in medium term

In the short term, we believe the uptick in EUR/USD is set to take a short break and see the pair staying broadly within the 1.21-1.26 range. We could see EUR/USD dip into the lower end of the range in the very short term as USD funding costs are rising due to the expectations of tighter USD liquidity and repatriation of overseas earnings in relation to the US tax reform.

On a 6-12M horizon we still expect EUR/USD to move higher, and target 1.25 in 6M and 1.28 in 12M, and we see the risks as skewed towards EUR/USD moving higher than we currently project. While relative rates would normally indicate EUR/USD should move lower, other factors are dominating at the moment. We think flows into Europe, as the ECB heads for "normalisation", will support the euro, as European assets begin to look more attractive. The Fed needs to become significantly more hawkish for this to change, in our view, but as mentioned previously, it has not turned more hawkish yet and we do not think a fourth hike this year would be enough to alter the dynamics in EUR/USD. For more see our *FX Forecast Update: More USD weakness in store in the medium-term*, 19 February.

'Reverse gravity' still supporting EUR/USD (Albeit fading)



Source: Eviews, Macrobond Financial, Danske Bank model

Financial views

Asset class	Main factors
Equities	
Positive on 3-12 month horizon.	Strong business cycle and near double digit earnings growth in most major regions. Low rates and bond yields drive demand for risk assets.
Bond market	
German/Scandi yields – in recent range for now, higher in 12M	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. But risk has risen that the ECB will start to sound more confident/hawkish.
EU curve – 2Y10Y modestly steeper; 5Y10Y and 10y30 flatter. US curve - 2Y10Y steepening set to be to continued.	The ECB keeps a tight leash on the short end of the curve. But the 5y point has become the pivotal point now. Further flattening of the curve 10y30y. A mirror of the US curve dynamics.
US-euro spread - set to widen marginally	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 2020 and Fiscal policy seems more expansionary than previously expected and yields should move higher on a 12M horizon.
Peripheral spreads – tightening but still some factors to watch	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.
FX	
EUR/USD – consolidation for now but upside risks still dominate	Any dip in EUR/USD near term set to prove shallow and shortlived; cross supported longer term by valuation and capital-flow reversal.
EUR/GBP – gradually lower over the medium term on BoE and Brexit	High expectations of BoE rate hike in May and Brexit to underpin EUR/GBP near term, Longer term, GBP should strengthen on Brexit clarifications and BoE rate hikes.
USD/JPY – lower short term	Expect JPY to strenghten in coming months on the back of portfolio flows into Japan ahead of Fiscal Year end, stretched JPY positioning and fragile risk markets.
EUR/SEK – risk to the topside on housing market, inflation and RB	We remain negative on the SEK on the back of lower growth, weak inflation outlook and too aggressive RB pricing.. Eventually EUR/SEK lower but not a H1 story.
EUR/NOK – set to move lower	We remain positive on NOK on valuation, relative growth, positoning, terms-of-trade, relative rates and the global outlook.
Commodities	
Oil price – starting to correct lower again	June review weakens impact of extension of OPEC+ output cuts. Geopolitical tensions around Saudi Arabia and Iran looming. Support from falling USD.

Source: Danske Bank

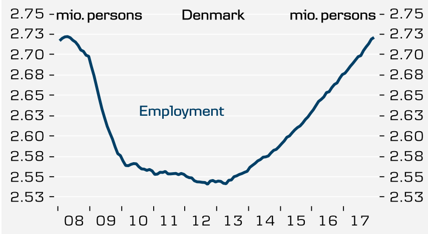
Scandi Update

Denmark – employment approaching record high

Statistics Denmark's monthly employment data showed an increase of 2,000 people in work from November to December, which is a solid improvement, albeit somewhat down on the preceding months. This completes the picture for 2017, which saw an overall increase of 45,500 people in employment. This is on a par with 2016 and suggests that the labour market is still in a position to supply the manpower needed to feed the upswing, although we cannot expect employment to keep on rising in perpetuity. Job growth will probably remain strong this year, however, with the number of people in work looking set to surpass pre-crisis levels in January.

The consumer confidence indicator edged up to 8.5 in February, exactly in line with our forecast. The improvement was due to Danish households generally being more positive about their personal finances. Confidence has thus made a good start to 2018, pointing to greater consumer optimism than last year.

Employment close to pre-crisis levels



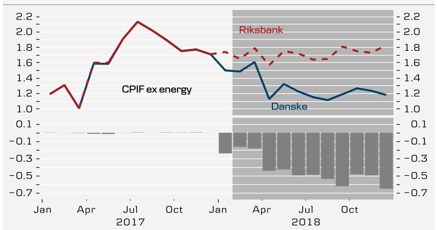
Source: Statistics Denmark

Sweden – strong finish to 2017 then growth slows

This year started with lower than projected inflation – once again one might add. When excluding volatile energy prices, CPIF came out (at 1.5% y/y) two tenths below the Riksbank's (just recently downward revised) forecast. The numbers were lower than our projection too. In fact, the reason was not any large forecast error for a single or a few items but rather quite a few small outcomes on the low side – i.e broadly based. Services inflation (much in the Riksbank's focus) eased a little further too. So to us it looks as if the Riksbank is still hoping too much for inflation to stay up and on the back of that we think they will find reasons to postpone currently planned rate hikes starting in the second half of this year.

In the meantime the Debt Office's new borrowing forecast shows stronger state finances than previously thought and consequently the plan's supply of government bonds has been scaled down for the sixth time in two years, reaching just SEK62bn in 2018-2019, in line with the previous record low in 2007. In fact the DO says that it believes that supply cannot be reduced further without risking market functionality. One reason is that the Riksbank owns half of the outstanding stock of bonds, which is why the free-float is very low indeed.

Riksbank's inflation forecast remains too high as we see it

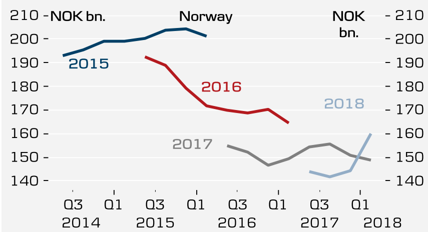


Source: Danske Bank, Riksbank

Norway – oil investment upward bound this year

The February oil investment survey brought an upward revision of expected investment in the Norwegian sector this year to NOK160bn from NOK144bn in November. Since we knew that investment plans had been submitted for a number of major projects since the previous survey, this did not come as any great surprise. That said, the new figures are at the upper end of our expectations and point to nominal growth of more than 7% in 2018. Heavy cost-cutting in the Norwegian sector has resulted in a period of deflation in investment costs – last year, for example, prices fell around 5%. We expect prices to be more or less unchanged this year, so 7% nominal growth will also mean 7% real growth. This would be marginally higher than Norges Bank's projection of 6% in the December monetary policy report, but not enough to alter the picture dramatically. Either way, the survey confirmed what we have long believed: the oil downturn is over and will flip into a not insignificant upturn this year.

Oil investment set to rise again



Source: Macrobond Financial, Danske Bank

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	0.9	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	1.8	2.3	2.0	3.5	-0.2	0.8	2.2	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	2.5	1.8	**1.1**	**3.2**	-	5.0	4.2	1.5	9.1	-1.1	89.3	3.0
	2018	2.0	1.9	**1.3**	**4.1**	-	3.9	4.5	1.4	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	2.9
Germany	2017	2.5	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	1.5	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	1.0	57.9	7.2
Finland	2017	3.1	1.8	0.3	8.9	-	8.1	3.5	0.8	8.6	-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	2.3	2.7	0.1	4.0	-0.1	3.4	3.9	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	1.8	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	23-Feb	1.50	1.92	2.51	2.93	123.1	-	605.1
	+3m	1.75	2.10	2.50	3.00	123.0	-	605.3
	+6m	2.00	2.17	2.65	3.10	125.0	-	595.6
	+12m	2.25	2.42	2.90	3.30	128.0	-	581.8
EUR	23-Feb	0.00	-0.33	-0.11	1.11	-	123.1	744.7
	+3m	0.00	-0.33	-0.05	1.30	-	123.0	744.5
	+6m	0.00	-0.33	0.00	1.45	-	125.0	744.5
	+12m	0.00	-0.33	0.20	1.65	-	128.0	744.8
JPY	23-Feb	-0.10	-0.07	0.05	0.27	131.5	106.9	5.66
	+3m	-0.10	-	-	-	127.9	104.0	5.82
	+6m	-0.10	-	-	-	135.0	108.0	5.51
	+12m	-0.10	-	-	-	140.8	110.0	5.29
GBP	23-Feb	0.50	0.56	1.02	1.61	88.2	139.5	844.3
	+3m	0.75	0.78	1.20	1.80	87.0	141.4	855.7
	+6m	0.75	0.79	1.30	1.90	86.0	145.3	865.7
	+12m	1.00	1.04	1.60	2.15	84.0	152.4	886.6
CHF	23-Feb	-0.75	-0.75	-0.47	0.53	115.0	93.5	647.2
	+3m	-0.75	-	-	-	117.0	95.1	636.3
	+6m	-0.75	-	-	-	120.0	96.0	620.4
	+12m	-0.75	-	-	-	123.0	96.1	605.5
DKK	23-Feb	0.05	-0.30	0.02	1.30	744.7	605.1	-
	+3m	0.05	-0.30	0.10	1.45	744.5	605.3	-
	+6m	0.05	-0.30	0.15	1.60	744.5	595.6	-
	+12m	0.05	-0.30	0.35	1.80	744.8	581.8	-
SEK	23-Feb	-0.50	-0.47	-0.16	1.37	1000.4	812.9	74.4
	+3m	-0.50	-0.45	0.00	1.60	1000.0	813.0	74.5
	+6m	-0.50	-0.40	0.00	1.70	990.0	792.0	75.2
	+12m	-0.50	-0.40	0.05	1.70	980.0	765.6	76.0
NOK	23-Feb	0.50	1.03	1.35	2.26	968.4	786.9	76.9
	+3m	0.50	0.80	1.30	2.45	940.0	764.2	79.2
	+6m	0.50	0.80	1.45	2.60	920.0	736.0	80.9
	+12m	0.75	1.10	1.75	2.85	910.0	710.9	81.8

Commodities

		2018				2019				Average	
	23-Feb	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	66	62	62	64	64	64	64	65	65	63	65

Source: Danske Bank

Calendar

Key Data and Events in Week 9

During the week				Period	Danske Bank	Consensus	Previous
Sat 24	CNY	Property prices	y/y			*51.3*	51.5
	GBP	PM Theresa May expected to deliver Brexit Speech					
Monday, February 26, 2018				**Period**	**Danske Bank**	***Consensus***	**Previous**
6:00	JPY	Leading economic index, final	Index	Dec			107.9
10:00	NOK	Report from the Technical Committee for Wage Settlements					
14:00	USD	Fed's Bullard (non-voter, dovish) speaks					
15:00	EUR	ECB's Draghi speaks at European Parliament					
16:00	USD	New home sales	1000 (m/m)	Jan		*650*	625.0 (-9.3%)
Tuesday, February 27, 2018				**Period**	**Danske Bank**	***Consensus***	**Previous**
-	DEM	Retail sales	m/m|y/y	Jan		*0.9%|3.5%*	-1.3%|-1.9%
8:00	DKK	Business Confidence	Net balance	Feb			
8:45	FRF	Consumer confidence	Index	Feb		*103.0*	104.0
9:00	ESP	HICP, preliminary	m/m|y/y	Feb		*-0.1%|0.9%*	-1.5%|0.7%
9:00	SEK	Consumer confidence	Index	Feb		*106.1*	107.2
9:00	SEK	Economic Tendency Survey	Index	Feb			110.2
9:00	SEK	Manufacturing confidence	Index	Feb			113.8
9:30	SEK	Household lending	y/y	Jan			7.0%
9:30	SEK	Trade balance	SEK bn	Jan	**1.5**		-1.7
10:00	EUR	Money supply (M3)	y/y	Jan		*4.6%*	4.6%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Jan		*4.6%*	
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Jan		*4.6%*	
11:00	EUR	ECB's Weidmann speaks in Frankfurt					
11:00	EUR	Service confidence	Net bal.	Feb		*16.4*	16.7
11:00	EUR	Business climate indicator	Net bal.	Feb		*1.5*	1.5
11:00	EUR	Industrial confidence	Net bal.	Feb		*8.0*	8.8
11:00	EUR	Economic confidence	Index	Feb		*114*	114.7
11:00	EUR	Consumer confidence	Net bal.	Feb		*0.1*	0.1
14:00	DEM	HICP, preliminary	m/m|y/y	Feb		*0.6%|1.3%*	-1.0%|1.4%
14:00	HUF	Central Bank of Hungary rate decision	%		**0.9%**	*0.9%*	0.9%
14:30	USD	Advance goods trade balance	USD bn	Jan		*-72.6*	-72.3
14:30	USD	Core capital goods orders, preliminary	%	Jan		*0,5%*	-0.6%
15:00	USD	FHFA house price index	m/m	Dec		*0.4%*	0.4%
16:00	USD	Conference Board consumer confidence	Index	Feb		*126*	125.4

Source: Danske Bank

Calendar – continued

				Period	Danske Bank	Consensus	Previous
Wednesday, February 28, 2018				Period	Danske Bank	*Consensus*	Previous
0:50	JPY	Industrial production, preliminary	m/m|y/y	Jan		*-4.2%|5.2%*	2.9%|4.4%
0:50	JPY	Retail trade	m/m|y/y	Jan		*-0.6%|2.5%*	0.9%|3.6%
1:01	GBP	GfK consumer confidence	Index	Feb		*-10.0*	-9.0
2:00	CNY	PMI manufacturing	Index	Feb		*51.2*	51.3
2:00	CNY	PMI non-manufacturing	Index	Feb		*55.0*	55.3
8:00	DKK	CB's securities statistics		Dec			
8:00	DKK	Foriegn portfolio investments		Dec			
8:00	DKK	GDP, preliminary	q/q|y/y	4th quarter	**0.9%**		-0.5%|...
8:00	NOK	Retail sales, s.a.	m/m	Jan	**0.2%**	*0.3%*	-1.0%
8:00	DEM	GfK consumer confidence	Net. Bal.	Mar		*10.8*	11
8:00	NOK	Wage index manufacturing	q/q	4th quarter			0.9%
8:45	FRF	Household consumption	m/m|y/y	Jan		*0.5%|1.2%*	-1.2%|1.0%
8:45	FRF	HICP, preliminary	m/m|y/y	Feb		*0.6%|1.3%*	-0.1%|1.5%
8:45	FRF	GDP, preliminary	q/q|y/y	4th quarter		*0.6%|2.4%*	0.6%|2.4%
9:00	CHF	KOF leading indicator	Index	Feb			106.9
9:30	SEK	Retail sales s.a.	m/m|y/y	Jan	**0.5%|3.0%**	*0.3%|2.3%*	-1.4%|3.3%
9:30	SEK	GDP	q/q|y/y	4th quarter	**0.7%|3.2%**	*0.9%|3.2%*	0.8%|2.9%
9:30	SEK	PPI	m/m|y/y	Jan			1.6%|2.3%
9:30	SEK	Wages (blue collars/white collars)	y/y	Dec			2.2%
9:55	DEM	Unemployment	%	Feb		*5.4%*	5.4%
10:00	NOK	Norges Bank's daily FX purchases	m	Mar		*-900*	-900
11:00	EUR	HICP - core inflation, preliminary	y/y	Feb	**1.1%**		
11:00	EUR	HICP inflation, preliminary	y/y	Feb	**1.2%**	*1.2%*	1.3%
11:00	ITL	HICP, preliminary	m/m|y/y	Feb		*-0.1%|0.9%*	-1.6%|1.1%
12:00	EUR	Portugal, GDP, final	q/q|y/y	4th quarter			0.7%|2.4%
14:30	USD	GDP, 2nd release	q/q AR	4th quarter		*0.025*	0.026
14:30	USD	Fed Powell's Congressional Testimony					
15:45	USD	Chicago PMI	Index	Feb		*64.0*	65.7
16:00	USD	Pending home sales	m/m|y/y	Jan		*0.5%|...*	0.5%|-1.8%
16:00	USD	Fed's Powell (voter, neutral) speaks					
16:30	USD	DOE U.S. crude oil inventories	K				
Thursday, March 1, 2018				Period	Danske Bank	*Consensus*	Previous
-	USD	Total vechicle sales	m	Feb		*17.2*	17.07
2:30	JPY	Nikkei Manufacturing PMI	Index	Feb			54.0
2:45	CNY	Caixin PMI manufacturing	Index	Feb		*51.3*	51.5
6:00	JPY	Consumer confidence	Index	Feb		*44.8*	44.7
7:45	CHF	GDP	q/q|y/y	4th quarter		*0.5%|0.7%*	0.6%|1.2%
8:30	SEK	PMI manufacturing	Index	Feb			57.0
9:00	ESP	GDP, final	q/q|y/y	4th quarter			0.7%|3.1%
9:00	NOK	PMI manufacturing	Index	Feb	**57.5**	*57.8*	59.0
9:15	ESP	PMI manufacturing	Index	Feb		*54.8*	55.2
9:45	ITL	PMI manufacturing	Index	Feb		*57.9*	59.0
9:50	FRF	PMI manufacturing	Index	Feb			56.1
9:55	DEM	PMI manufacturing	Index	Feb		*60.3*	60.3
10:00	EUR	PMI manufacturing	Index	Feb		*58.5*	58.5
10:30	GBP	Mortgage approvals	1000	Jan		*62*	61
10:30	GBP	Broad money M4	m/m|y/y	Jan			-0.6%|3.7%
10:30	GBP	PMI manufacturing	Index	Feb	**55.3**	*55.0*	55.3
11:00	ITL	GDP	y/y			*1.6%*	0.9%
11:00	EUR	Unemployment	%	Jan		*8.6%*	8.7%
14:30	USD	Initial jobless claims	1000				
14:30	USD	PCE headline	m/m|y/y	Jan		*0.4%|...*	0.1%|1.7%
14:30	USD	PCE core	m/m|y/y	Jan	**0.3%|1.6%**	*0.3%|1.5%*	0.2%|1.5%
14:30	USD	Personal spending	m/m	Jan		*0.2%*	0.4%
15:30	CAD	RBC manufacturing PMI	Index	Feb			55.9
15:45	USD	Markit PMI manufacturing	Index	Feb			55.9
16:00	USD	Construction spending	m/m	Jan		*0.2%*	0.7%
16:00	USD	ISM manufacturing	Index	Feb	**59.1**	*58.7*	59.1
Friday, March 2, 2018				Period	Danske Bank	*Consensus*	Previous
0:30	JPY	Unemployment rate	%	Jan		*2.8%*	2.8%
0:30	JPY	Job-to-applicant ratio		Jan		*1.6*	1.59
8:00	DKK	Gross unemployment s.a.	K (%)	Jan			113 (4,2%)
10:00	NOK	Unemployment	%	Feb	**2.5%**	*2.5%*	2.6%
10:00	ITL	GDP, final	q/q|y/y	4th quarter		*0.3%|1.6%*	0.3%|1.6%
10:30	GBP	PMI construction	Index	Feb		*50.5*	50.2
11:00	EUR	PPI	m/m|y/y	Jan		*1.6%|0.4%*	2.2%|0.2%
14:30	CAD	GDP	m/m|y/y	Dec			0.4%|3.5%
16:00	USD	University of Michigan Confidence	Index	Feb		*98.5*	99.9
16:00	DKK	Currency reserves	DKK bn	Feb			463.9

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Source: Danske Bank

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