

Weekly Focus

Sell the rumour, buy the fact?

It was a *sell the rumour, buy the fact* kind of week, apparently. The fears of Donald Trump imposing massive tariffs on his first day in office did not materialise, and markets cheered. With previous week's US inflation data also still providing solace, equity markets gained, S&P 500 made a new record-high, and the dollar retreated. Tech stocks got a fresh boost from Trump's announced Stargate AI venture, a USD 500 billion private-funded investment program aiming to ensure "*the future of technology*" in the US. A bit paradoxically, considering the massive number of components the projects will need, the program will further underpin US reliance on Taiwan for chips and other critical inputs.

With regards to Trump's economic policies – tariffs or taxes – we did not get much wiser this week. Thus far, Trump has announced a likely 10% increase to tariffs against China but added he would "rather not use it", and 25% tariffs for Canada and Mexico, in line with his campaign promises. We believe more tariff hikes are in the pipeline, but in the absence of tax cuts, we think the inflationary impact from tariffs alone in the US would be short-lived. Higher prices would dampen consumption, while structural growth is set to slow down in sync with lower immigration and decelerating labour force growth.

With this in mind and considering that lending data points to US interest rates being above neutral, we think the Fed can afford to resume cutting rates in March. However, next week we expect them to pause. As this is also what the market expects, and we expect no strong forward guidance from Powell, we think market reaction will be limited. All eyes remain on Trump, read more on *Research US: Fed preview – Not stealing the spotlight*, 23 January.

If December rate moves by the Fed and the ECB were essentially a coin-toss, this time around markets have a strong conviction on both. For the ECB meeting next week, we and the consensus expect a 25bp cut. But similar to our Fed call, our expected ECB rate path diverges from market expectations. Markets expect ECB policy rate to land at 2%, we expect two more cuts, and policy rate to reach 1.5% by September. Euro area PMIs provided some relief in December, and hard data from the labour market remains strong. However, soft indicators paint a weaker picture, and we expect wage growth to moderate further, leaving room for the ECB to adjust rates significantly lower. Read more on *Flash: ECB preview – No new signals*, 23 January.

This week's central bank meetings provided no surprises. Norges Bank kept rates unchanged at 4.5% and firmly guided towards a March cut. The Bank of Japan hiked its policy rate by 0.25% to 0.50% as expected. Recent USD depreciation has been a relief for Japanese authorities and enabled a long-anticipated cut.

Next week, central bank meetings aside, we get a flurry of interesting data releases from the euro area: German Ifo index on Monday, and GDP country data on Thursday. On Thursday, we get euro area Q4 flash GDP data and January flash inflation from Spain (ahead of German and French figures on Friday, and the EA release the week after). In the US, Tuesday brings January durable goods orders ahead of Q4 GDP release on Thursday and PCE inflation on Friday.

Key global views

- Outlook for slightly higher growth in Europe and China, slightly lower in the US
 - Political uncertainty has limited short-term effect
 - The Fed and the ECB to cut further but at different paces
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Key market movers

- Monday: German Ifo index
 - Tuesday: US durable goods and consumer confidence
 - Wednesday: Riksbank, BoC and FOMC meetings
 - Thursday: ECB meeting, EA and US GDP
 - Friday: Japan CPI, US PCE inflation
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Selected reading from Danske Bank

- *Research US: Fed preview – Not stealing the spotlight*, 23 January
 - *Flash: ECB Preview – No new signals*, 23 January
 - *Reading the Markets USD – Lukewarm inauguration*, 21 January
 - *FX forecast update – Room for a near-term USD setback*, 17 January
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Scandi market movers

- In **Denmark**, we will receive retail trade index for December on Monday. According to our own Spending Monitor, retail spending increased by 0.3% in real terms in December compared to the same month last year. This marks a continuation of the spending increase observed in October and November, following a weak six months. See Spending Monitor - *Spending Monitor - Pickup in spending continues, but lacklustre holiday spending in retail*, 10 January.

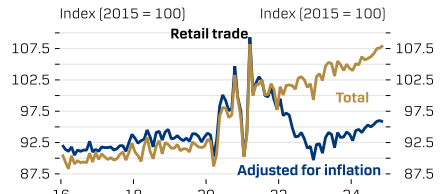
- In **Sweden**, Riksbank is expected to cut the repo rate by 25bp to 2.25% on 29 January as most board members have expressed a willingness to “go early” rather than wait until the next meeting in March. The current Riksbank repo rate forecast suggests that this will be the final step to what it perceives as “neutral”. Note that this is a small meeting without new forecasts but including a press conference. In our view, Riksbank is a tad too hawkish. We see a slight downside to the repo rate as we expect core inflation to undershoot Riksbank’s forecast. Moreover, we believe the “neutral” repo rate is quite a bit lower than envisaged by the Riksbank. Hence, at this instance we expect Riksbank to cut by 25bp again in May. There should be no change to the current QT program.

There is a lot of data out this week, the most prominent being the Q3 GDP indicator. Note that this is often referred to as a “preliminary” estimate, however, it is an indicator based on a much smaller set of indicators than the National Accounts (NA) data. Throughout 2024 the quarterly GDP indicator showed a much weaker development than the actual GDP did (see chart), so we take it with a pinch of salt. We forecast the GDP indicator to print +0.3% q/q |1.2% y/y (however, in reality this is our forecast for NA GDP which is due by the end of February).

- As real wage growth is improving and the headwind from higher rates is fading, private consumption in **Norway** was expected to recover towards the end of last year. To be sure, the start to Q4 was solid but that came after a significant drop in June, so the level of retail sales in November was roughly in line with January. There have been mixed signals from the Christmas shopping, but our best guess is that retail sales dropped marginally, around -0.2% m/m. The labour market seems to have remained tight into 2025, and we expect the unemployment rate to be unchanged at 2.1%, seasonally adjusted. We will also keep an eye on the number of new vacancies as a signal of labour demand. For the last year, the Beveridge-curve seems to have shifted back inwards, which could signal that the worst mismatch problems are behind us.

Real retail trade has caught up to pre-Covid levels, but still lacks behind 2020 and 2021 levels

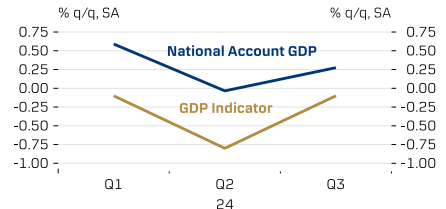
Denmark



Source: Statistics Denmark, Macrobond, Danske Bank

The indicator has underestimated actual growth

Sweden



Source: Statistics Sweden, Macrobond, Danske Bank

Retail sales basically flat for more than a year

Norway



Source: Statistics Norway, Macrobond, Danske Bank

Scandi Update

Denmark – Small increase in consumer confidence in line with expectations

Danish consumer confidence increased from -13.3 in December to -11.7 in January, in line with our expectations. The increase was largely driven by an improvement in Danish consumers’ assessment of their current economic situation, while the view of the Danish economy was largely unchanged. Despite the increase from December to January, weak consumer confidence still reflects that Danes consider both their own and Denmark’s economic situation to be worse than a year ago and that they expect their situation to worsen a year from now. We do not share consumers’ very bleak outlook for the Danish economy, as we see solid growth and a labour market where more and more people are getting jobs, and real wages continue to rise. However, there is uncertainty, particularly internationally, which is likely what Danes are reacting to.

Payrolls increased by 2,700 (+0.1%) in November after adjustment for seasonal effects. The increase was mainly driven by hirings in private businesses and organisations and was broadly based across sectors. Though the release also brings a downward revision of 800 employees in October, the indicator overall still tells the story of a robust labour market. With the release, the total number of wage earners increased by 29,600 (+1.0%) from November 2023 to November 2024. We expect the growth in payrolls to flatten in 2025.

The business sentiment indicator for January fell to its the lowest level since August 2024 but remains significantly higher compared to the same month last year. The decrease was driven primarily by a substantial decline in sentiment within retail businesses. Keep in mind that these figures are not seasonally adjusted, which could affect their interpretation. While overall sentiment dropped, sentiment within manufacturing increased, making it unlikely that the decrease stems from a reaction to recent comments made by President Donald Trump.

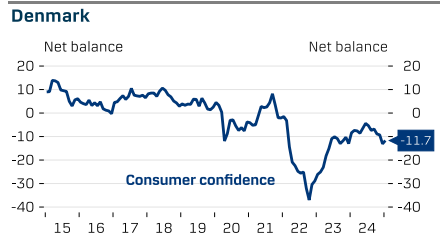
Sweden – Unemployment and PPI

Swedish unemployment for December was 8.5% (SA), which was expected (prior 8.3%). Swedish PPI increased to 2.0% y/y from 0.3% in November and declined monthly from 3.1% to 0.1%. This is the last data the Riksbank will receive before the decision next week.

Norway – Norges Bank on hold, signals a cut in March

As expected, Norges Bank kept the policy rate unchanged at 4.5% and signaled that the rate will ‘most likely’ be reduced in March. From the press statement and the press conference we would highlight four points: (i) there is a need for lower interest rates in Norway (ii) housing price growth is not a factor for monetary policy right now (iii) it is uncertain how higher tariffs will affect price developments in Norway (iv) there have been both upside and downside contributions to the interest rate path since December. So, the message was clearly more balanced than most analysts seemed to expect.

Danish consumer confidence still weak



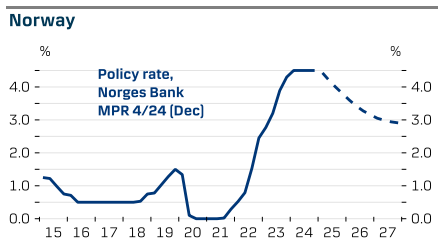
Source: Statistics Denmark, Macrobond, Danske Bank

Sweden's unemployment rate



Source: Statistics Sweden, Macrobond, Danske Bank

NB expects lower rates going forward



Source: Norges Bank, Macrobond, Danske Bank

Calendar – 27-31 January 2025

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Monday, January 27, 2025				Period	Danske Bank	Consensus	Previous
-	USD	Building permits, final	1000 (m/m)	Dec			1483.0 (-0.7%)
2:30	CNY	Industrial profits	y/y	Dec			-7.3%
2:30	CNY	Industrial profits	y/y	Dec			-7.3%
2:30	CNY	PMI manufacturing	Index	Jan		50.1	50.1
2:30	CNY	PMI non-manufacturing	Index	Jan		52.0	52.2
2:30	CNY	PMI manufacturing	Index	Jan		50.1	50.1
2:30	CNY	PMI non-manufacturing	Index	Jan		52.2	52.2
6:00	JPY	Leading economic index, final	Index	Nov			107.0
8:00	SEK	Trade balance	SEK bn	Dec			7.2
8:00	DKK	Retail sales	m/m/y/y	Dec			-0.2%(3.4%)
10:00	DEM	IFO - business climate	Index	Jan		84.6	84.7
10:00	DEM	IFO - current assessment	Index	Jan		85.2	85.1
10:00	DEM	IFO - expectations	Index	Jan		84.2	84.4
16:00	USD	New home sales	1000 (m/m)	Dec		670	664.0 (5.9%)
Tuesday, January 28, 2025				Period	Danske Bank	Consensus	Previous
8:00	NOK	Retail sales, s.a.	m/m	Dec	-0.2%		0.3%
8:45	FRF	Consumer confidence	Index	Jan		90.0	89.0
12:00	EUR	Ireland, GDP, preliminary	q/q/y/y	4th quarter			3.5%(2.9%)
14:00	HUF	Central Bank of Hungary rate decision	%		6.5%	6.5%	6.5%
14:30	USD	Core capital goods orders, preliminary	%	Dec			0.4%
15:00	USD	FHFA house price index	m/m	Nov			0.4%
16:00	USD	Conference Board consumer confidence	Index	Jan		105.6	104.7
Wednesday, January 29, 2025				Period	Danske Bank	Consensus	Previous
1:30	AUD	CPI	q/q/y/y	4th quarter		0.3%(2.5%)	0.2%(2.8%)
6:00	JPY	Consumer confidence	Index	Jan		36.5	36.2
8:00	SEK	Household lending	y/y	Dec			1.6%
9:00	ESP	GDP, preliminary	q/q/y/y	4th quarter		0.6%(3.2%)	0.8%(3.3%)
9:30	SEK	Riksbank, rate decision	%		2.25%	2.25%	2.5%
10:00	EUR	Money supply (M3)	y/y	Dec		4.0%	3.8%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Dec		4.0%	3.8%
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Dec		4.0%	3.8%
14:30	USD	Advance goods trade balance	USD bn	Dec		-105.5	-102.9
15:45	CAD	Bank of Canada rate decision	%		3.0%	3.0%	3.25%
16:30	USD	DOE U.S. crude oil inventories	K				-1017
20:00	USD	FOMC meeting	%		4.5%	4.5%	4.5%
Thursday, January 30, 2025				Period	Danske Bank	Consensus	Previous
7:30	FRF	Household consumption	m/m/y/y	Dec		0.1%(0.2%)	0.3%(0.3%)
7:30	FRF	GDP, preliminary	q/q/y/y	4th quarter		0.0%(0.7%)	0.4%(1.2%)
8:00	SEK	Retail sales s.a.	m/m/y/y	Dec			-0.2%(1.6%)
8:00	SEK	Wages (blue collars/white collars)	y/y	Nov			4.3%
8:00	NOK	Credit indicator (C2)	y/y	Dec			3.6%
8:00	DKK	Gross unemployment s.a.	K (%)	Dec			2.9%
9:00	SEK	Consumer confidence	Index	Jan			96.7
9:00	SEK	Economic Tendency Survey	Index	Jan			97.5
9:00	SEK	Manufacturing confidence	Index	Jan			96.5
9:00	ESP	HICP, preliminary	m/m/y/y	Jan		-0.5%(2.7%)	0.4%(2.8%)
9:00	CHF	KOF leading indicator	Index	Jan		100.4	99.5
10:00	DEM	GDP, preliminary	q/q/y/y	4th quarter		-0.1% -0.1%	0.1% -0.3%
10:00	ITL	GDP, preliminary	q/q/y/y	4th quarter		0.2%(0.6%)	0.0%(0.4%)
10:30	EUR	Portugal, GDP, preliminary	q/q/y/y	4th quarter			0.2%(1.9%)
11:00	EUR	Unemployment	%	Dec	6.3%	6.3%	6.3%
11:00	EUR	Industrial confidence	Net bal.	Jan		-13.5	-14.1
11:00	EUR	Economic confidence	Index	Jan		94.0	93.7
11:00	EUR	Consumer confidence, final	Net bal.	Jan			-14.2
11:00	EUR	Service confidence	Net bal.	Jan		6.0	5.9
11:00	EUR	GDP, preliminary	q/q/y/y	4th quarter	0.1% 1.0%	0.1% 1.0%	0.4%(0.9%)
14:15	EUR	ECB's Lagarde speaks at press conference					
14:15	EUR	ECB announces deposit rate	%		2.75%	2.75%	3.00%
14:30	USD	GDP, 1st release, preliminary	q/q AR	4th quarter	2.4%	2.6%	3.1%
14:30	USD	Initial jobless claims	1000				223
14:30	USD	PCE core, preliminary	q/q AR	4th quarter			2.2%
14:45	EUR	ECB's Lagarde speaks					
16:00	USD	Pending home sales	m/m/y/y	Dec		-1.0% ...	2.2%(5.6%)

Source: Danske Bank

Calendar – 27-31 January 2025

Friday, January 31, 2025				Period	Danske Bank	Consensus	Previous
0:30	JPY	Tokyo CPI Ex-Fresh Food YoY	y/y	Jan		2.5%	2.4%
0:30	JPY	Tokyo CPI Ex-Fresh Food, Energy YoY	y/y	Jan		1.9%	1.8%
0:30	JPY	Unemployment rate	%	Dec		2.5%	2.5%
0:30	JPY	Job-to-applicant ratio		Dec		1.25	1.25
0:30	JPY	Tokyo CPI Ex-Fresh Food YoY	y/y	Jan		2.5%	2.4%
0:30	JPY	Tokyo CPI Ex-Fresh Food, Energy YoY	y/y	Jan		1.9%	1.8%
0:50	JPY	Retail trade	m/mly/y	Dec		-0.1% 3.5%	1.9% 2.8%
0:50	JPY	Industrial production, preliminary	m/mly/y	Dec		-0.1% -3.0%	-2.2% -2.7%
8:00	NOK	Unemployment	%	Jan	2.1%		2.0%
8:00	DEM	Retail sales	m/mly/y	Dec		-0.2% 2.8%	-0.1% 2.9%
8:45	FRF	HICP, preliminary	m/mly/y	Jan		0.0% 1.9%	0.2% 1.8%
9:55	DEM	Unemployment	%	Jan		6.2%	6.1%
10:00	EUR	ECB's survey of professional forecasters					
10:00	NOK	Norges Bank's daily FX purchases	m	Feb			250
14:00	DEM	HICP, preliminary	m/mly/y	Jan		-0.3% 2.7%	0.7% 2.8%
14:30	USD	Personal spending	m/m	Dec		0.5%	0.4%
14:30	CAD	GDP	m/mly/y	Nov			0.3% 1.9%
14:30	USD	PCE core	m/mly/y	Dec		0.2% 2.8%	0.1% 2.8%
14:30	USD	PCE headline	m/mly/y	Dec		0.3% 2.5%	0.1% 2.4%
14:30	USD	Employment cost index	m/m	4th quarter		1.0%	0.8%
15:45	USD	Chicago PMI	Index	Jan		39.7	36.9

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	2024	3.0	0.2	1.4	-1.2	6.3	1.2	1.4	5.2	2.9	2.7	31.8	12.5
	2025	2.5	1.9	2.6	3.0	2.7	2.4	1.8	3.6	3.1	1.5	29.7	12.8
	2026	2.3	2.3	2.0	3.6	3.1	3.7	1.7	3.2	3.1	0.9	28.0	12.8
Sweden	2024	0.7	0.3	1.1	-1.4	2.3	2.2	3.0	3.5	8.4	-1.2	33.0	4.9
	2025	2.5	2.5	2.1	2.1	3.8	3.8	1.7	3.5	8.2	-0.8	33.0	4.9
	2026	2.2	2.8	1.1	2.8	3.2	3.6	1.2	3.2	7.7	-0.2	32.0	4.7
Norway	2024	0.9	1.3	2.2	4.0	5.0	1.8	3.1	5.1	2.0	-	-	-
	2025	1.9	3.0	2.0	1.4	2.0	2.0	2.3	3.8	2.4	-	-	-
	2026	1.7	2.5	2.0	1.5	1.0	1.8	2.0	3.3	2.4	-	-	-

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	2024	0.7	0.7	1.9	-2.2	1.8	-0.2	2.4	4.5	6.4	-3.0	89.1	3.0
	2025	0.9	1.1	1.0	0.7	1.8	2.1	2.0	3.4	6.7	-3.1	89.9	3.0
	2026	1.4	1.5	0.8	1.8	2.5	2.6	2.0	3.1	6.6	-2.8	90.0	2.8
Finland	2024	-0.3	-0.2	1.0	-5.5	1.0	-0.8	1.6	2.9	8.4	-3.9	80.5	0.2
	2025	1.8	1.5	0.2	4.5	3.5	4.0	1.2	3.1	8.1	-3.6	82.2	-0.2
	2026	1.6	1.5	0.5	5.5	3.0	4.5	1.8	3.0	7.3	-2.6	82.6	-0.2

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	2024	2.8	2.7	3.4	3.9	3.4	5.8	3.0	3.9	4.0	-6.7	123.1	-3.3
	2025	1.9	2.2	3.0	1.8	2.5	5.3	2.8	3.5	4.4	-6.5	125.1	-3.1
	2026	2.1	1.8	1.8	4.3	3.5	4.4	2.4	3.5	4.3	7.0	128.0	-3.0
China	2024	4.7	4.5	-	5.0	-	-	0.2	-	5.1	-7.4	90.1	1.4
	2025	4.7	5.6	-	5.5	-	-	1.5	-	5.2	-8.1	94.3	1.4
	2026	4.8	5.8	-	5.5	-	-	1.5	-	5.2	-8.2	98.2	1.3
UK	2024	0.9	-	-	-	-	-	2.5	-	4.3	-	-	-
	2025	1.3	-	-	-	-	-	2.5	-	4.7	-	-	-
	2026	1.5	-	-	-	-	-	2.0	-	4.5	-	-	-

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*	23-Jan	4.50	-	4.13	4.16	0.96	-	7.18	11.28	11.03
	+3m	4.25	-	3.95	4.10	0.96	-	7.17	11.54	10.96
	+6m	4.00	-	3.75	3.95	0.98	-	7.31	11.96	11.37
	+12m	3.50	-	3.50	3.70	1.00	-	7.46	12.40	11.70
EUR	23-Jan	3.00	2.67	2.36	2.49	-	1.04	7.4608	11.73	11.46
	+3m	2.50	2.05	2.25	2.45	-	1.04	7.4575	12.00	11.40
	+6m	2.00	1.64	1.94	2.30	-	1.02	7.4550	12.20	11.60
	+12m	1.50	1.55	1.65	2.15	-	1.00	7.4550	12.40	11.70
JPY	23-Jan	0.25	-	-	-	0.006	0.006	4.59	7.22	7.06
	+3m	0.50	-	-	-	0.006	0.007	4.85	7.80	7.41
	+6m	0.75	-	-	-	0.007	0.007	5.11	8.36	7.95
	+12m	1.00	-	-	-	0.007	0.007	5.33	8.86	8.36
GBP*	23-Jan	4.75	-	4.20	4.10	1.19	1.14	8.84	13.91	13.59
	+3m	4.50	-	4.25	4.20	1.20	1.25	8.98	14.46	13.73
	+6m	4.25	-	4.04	3.99	1.22	1.24	9.09	14.88	14.15
	+12m	3.75	-	3.65	3.80	1.22	1.22	9.09	15.12	14.27
CHF	23-Jan	0.50	-	-	-	1.06	1.10	7.89	12.41	12.13
	+3m	0.25	-	-	-	1.09	1.13	8.11	13.04	12.39
	+6m	0.00	-	-	-	1.10	1.12	8.19	13.41	12.75
	+12m	0.00	-	-	-	1.11	1.11	8.28	13.78	13.00
DKK	23-Jan	2.60	2.59	2.43	2.63	0.134	0.139	-	1.57	1.54
	+3m	2.10	1.95	2.30	2.55	0.134	0.139	-	1.61	1.53
	+6m	1.60	1.54	1.99	2.40	0.134	0.137	-	1.64	1.56
	+12m	1.10	1.45	1.70	2.25	0.134	0.134	-	1.66	1.57
SEK	23-Jan	2.50	2.41	2.30	2.63	0.087	0.091	0.65	1.02	-
	+3m	2.25	2.28	2.20	2.65	0.088	0.091	0.65	1.05	-
	+6m	2.00	2.08	2.15	2.65	0.086	0.088	0.64	1.05	-
	+12m	2.00	2.10	2.15	2.75	0.085	0.085	0.64	1.06	-
NOK	23-Jan	4.50	4.60	4.28	3.99	0.085	0.089	0.64	-	0.98
	+3m	4.25	4.45	4.20	3.95	0.083	0.087	0.62	-	0.95
	+6m	4.00	4.14	3.94	3.85	0.082	0.084	0.61	-	0.95
	+12m	3.50	3.70	3.55	3.65	0.081	0.081	0.60	-	0.94

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

Commodities												
		2024				2025				Average		
	23-Jan	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	
ICE Brent	77	82	85	79	80	80	80	85	85	80	81	

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