24 August 2018

Weekly Focus

Troubles in emerging markets

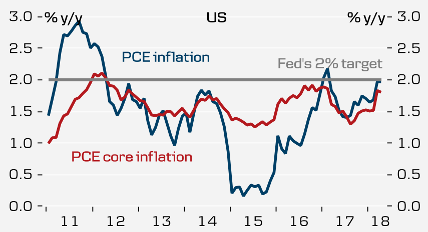
Market Movers ahead

- Inflation releases in the euro area and the US are in focus this week.
- In the US, PCE core inflation continued to tick upwards to 2.0% y/y in July.
- In the euro area, headline inflation is set to tick lower in August, while underlying inflation continues its move upward.
- Key emerging markets Turkey, Brazil, South Africa and Russia will be in focus together with the looming trade war between China and the US.
- There are several interesting releases in the Scandie markets, including Danish Q2 GDP, the Business Survey indicator in Sweden and unemployment data in Norway.

Global macro and market themes

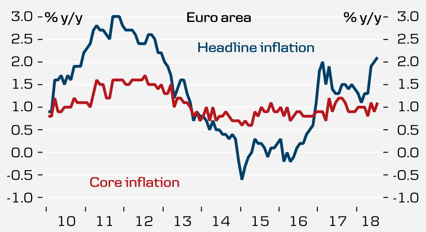
- Emerging Market (EM) sentiment has been hit not only by rising USD and rates and the trade war, but also increased sanction risk from the US.
- The most vulnerable economies in EM at the moment are Turkey, Argentina, Russia, Brazil and South Africa.
- Contagion to other EMs should be limited unless Brazil escalates into a crisis.
- After failed trade talks between China-US, we expect an escalation in the trade war in early September, which could weigh further on EM sentiment.

We expect US PCE core inflation to move up 2.0% y/y in July...



Source: Source: ISM, IHS Markit and Macrobond Financial

...while euro area inflation will stay at present levels in August



Source: Eurostat, Macrobond Financial

Contents

Financial views

Major indices	24-Aug	3M	12M
10yr EUR swap	0.86	0.90	1.25
EUR/USD	114	113	125
ICE Brent oil	75	72	74

Source: Danske Bank

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Market movers

Global

- In the **US**, the most important event next week will be PCE core inflation numbers for July. Based on CPI, we expect PCE to rise +0.2% m/m, which translates into 2.0% y/y, up from 1.9%. This means that inflation numbers will hit the Fed's 2% target. The steady increase in PCE data supports our expectations of a total of four US rate hikes in 2018, with the last two hikes likely to come in September and December.

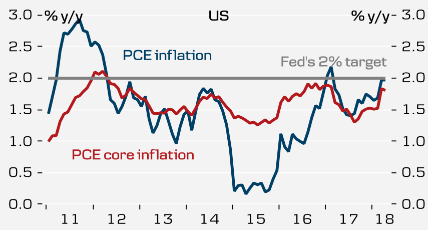
- In the **euro area,** the HICP figures for August are due for release on Friday. In July, headline inflation reached 2.14% y/y, the highest level since 2012 and just above the ECB's target. We expect the August print to decrease slightly to 2.08% y/y as the positive contribution from energy prices has peaked. While headline inflation developments are still primarily driven by the food and energy component, core inflation remains muted at 1.07% y/y in July – a level it has been fluctuating around since the beginning of 2017. We expect the August figure to edge up marginally to 1.12% y/y in line with the recent trend of gradually rising underlying inflation pressures, not least driven by accelerating negotiated wage growth (1.8% y/y in Q1 18). Note that German CPI figures are already released on Thursday.

  Ifo expectations for August are due out on Monday. In line with the recent signals from ZEW and PMI, we look for a stabilisation in the index, also as the immediate threat of tariff measures has receded somewhat.

- There are no market movers in the **UK** next week but, as usual, look out for any political news that might come during the week.

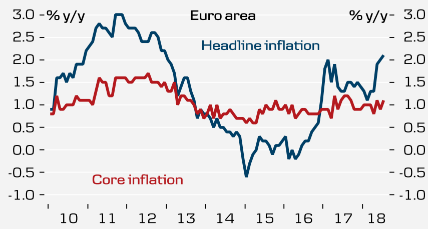
- There are no market movers in **Japan** next week.

We expect US PCE core inflation to move up +0.2% in July



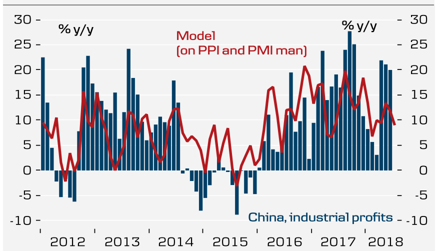
Source: ISM, IHS Markit and Macrobond Financial

Inflation figures will remain broadly stable at current level



Source: Eurostat, Macrobond Financial

China profit growth to slow down



Source: Markit, Macrobond Financial, Danske Bank

Scandi

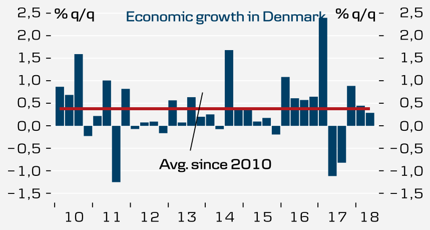
- The coming week is set to be busy in **Denmark** data-wise, with much happening on Friday, in particular. Most importantly, we will receive full national accounts figures for Q2 18. Statistics Denmark's GDP indicator, which was released last week, showed modest – and slightly disappointing – growth of 0.3%. Statistics Denmark announced that growth was affected to some extent by the dry summer, which has hit the agricultural sector hard. We should also receive unemployment figures for July, which will reveal whether the Danish labour market is continuing to steam ahead. The final figure on Friday is the wage index for Q2. Danish business confidence for August is due on Wednesday and will tell us how optimistic companies are about the future. Tuesday is scheduled to bring figures from Danmarks Nationalbank on foreign portfolio investments and securities statistics for July. Finally, we also expect the government's net financing requirement, the Economic Survey August 2018 and the government's draft budget is due to be published in the coming week.

- There will be a lot of 'hard' July data out in **Sweden** next week. Household lending will be particularly interesting as it should be further affected by slowing residential property transactions. As seen in the chart beside it has already shown a sharp slowdown after the new amortisation requirement introduced earlier this year. Retail sales showed a sharp decline in June, probably weather related. We do not see a rebound of a similar size in July as the weather remained the same, i.e. very hot, but rather only rather a partial recovery. The trade balance will probably remain close to zero in July. However, we note that monthly outcomes this year have been weaker than last year with only one exception.

  There is also NIER's monthly confidence survey. Manufacturing confidence is still holding up well at high levels (even though export orders have slowed considerably, these are usually a good leading indicator), but all other sectors have been trending down since late last year. Retail trade and consumer confidence were both below the 100 level 'watermark' in July for the first time in several years. Construction and private services confidence are still just above that level.

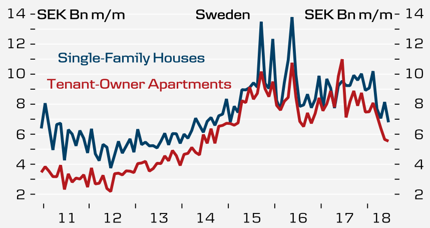
- In **Norway**, the week's main event is the publication of unemployment data from the Labour and Welfare Administration (NAV). After falling for 19 months in a row, gross unemployment jumped unexpectedly in July by 2,900 people. According to NAV, this was due partly to the collection date being a week later than usual and the introduction of a new SMS-based reporting procedure. It tentatively estimates that these factors inflated the total by around 2,700 people, which still leaves an underlying increase in the number of jobless. The August figures will therefore be more important than usual. If unemployment has indeed stopped falling, this would mean that growth has slowed to below trend. The arguments for two further interest rate hikes next year would then be much weaker. Based on leading employment indicators and data for vacancies, however, we believe that demand for labour is holding up. We therefore expect gross unemployment to fall by 500 people m/m in August. This would be slightly weaker than the trend over the past year, but would still indicate that resource utilisation is continuing to increase. Also coming up are July retail sales. Despite weak data in June, growth in the consumption of goods was solid in Q2 after healthy increases in April and May. We expect retail sales to climb 0.8% m/m in July, only a partial correction of the weak figures in June. Weaker data than expected would not affect expectations of a rate increase in September, but would sow doubts about Norges Bank hiking twice more next year.

GDP indicator shows just modest growth in Q2



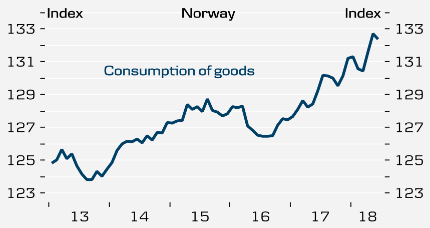
Source: Statistics Denmark

Sharp slowdown in mortgage credit growth past months



Source: Statistics Sweden

Consumption of goods still trending up



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Mon	27-Aug	10:00	DEM	IFO - business climate	Index	Aug		*101.8*	101.7
Thurs	30-Aug	14:30	USD	PCE core	m/m|y/y	Jul	**0.2%|2.0%**	*0.2%|2.0%*	0.1%|1.9%
		14:30	USD	PCE headline	m/m|y/y	Jul		*0.2%|2.3%*	0.1%|2.2%
Fri	31-Aug	-	EUR	Fitch may publish Italy's debt rating					
		11:00	EUR	HICP - core inflation	y/y	Aug	**1.1%**	*1.1%*	1.1%
		11:00	EUR	HICP inflation, preliminary	y/y	Aug	**2.1%**		
Scandi movers									
Tue	28-Aug	9:30	SEK	Retail sales s.a.	m/m|y/y	Jul	**0.5%|0.5%**		-1.8%|0.2%
Thurs	30-Aug	8:00	NOK	Retail sales, s.a.	m/m	Jul	**0.8%**	*1.0%*	-2.9%
		9:00	SEK	Consumer confidence	Index	Aug	**99**	*100*	99.8
		9:00	SEK	Economic Tendency Survey	Index	Aug			109.6
		9:30	SEK	Wages (blue collars/white collars)	y/y	Jun			2.1%
Fri	31-Aug	8:00	DKK	GDP, preliminary	q/q|y/y	2nd quarter	**0.3%|...**		0.4%|...
		8:00	NOK	Credit indicator (C2)	y/y	Jul		*5.8%*	5.8%
		10:00	NOK	Unemployment	%	Aug	**2.4%**	*2.4%*	2.5%

Source: Bloomberg, Danske Bank

Strategy

New 'fragile five' in emerging markets

A challenging year for emerging markets…

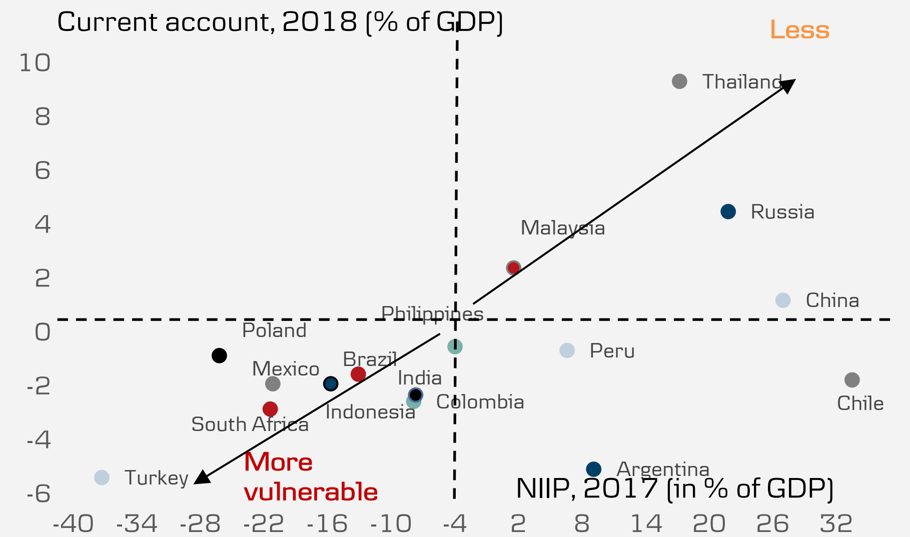
After a stellar run in 2017, it has been a difficult year for emerging markets so far in 2018. The nexus between a rising USD and US yields hit sentiment in the spring. The mood did not improve after the escalation of the trade dispute between the US and China in early summer. In addition, uncertainty about trade and geopolitical relations between the US and the rest of the world has been cast into doubt by the sanctions against Iran, Turkey and Russia. On Wednesday, South Africa felt the pressure when Trump tweeted his concerns regarding the land reforms being pursued in South Africa. This is introducing caution among EM investors about 'who is next'. As a result, EM stocks and bond prices have dropped.

…exposing a new set of fragile emerging markets

The rout in emerging markets began when former Fed Chair Ben Bernanke caused the so-called 'taper tantrum' in 2013, signalling tighter US monetary policy ahead. At that time, five countries stood out as particularly vulnerable: Brazil, India, Indonesia, South Africa and Turkey. These countries suffered from large current account deficits and internal political and economic challenges.

Given the bigger role of geopolitical risks (sanctions and trade disputes) apart from economic challenges, the countries hit this time share different characteristics.

Turkey is the most vulnerable major EM followed by South Africa…



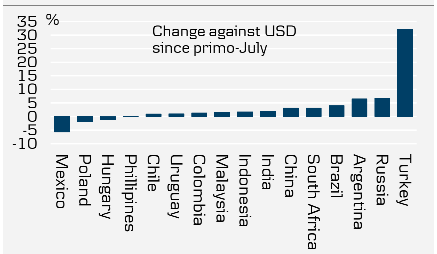
Note: NIIP is the net international investment position, which is gross external assets vs liabilities of the particular country. A negative number indicates a net foreign indebtedness, which makes a country more vulnerable to adverse global developments

Source: Danske Bank

Six global macro themes

- Emerging Market (EM) sentiment has been hit not only by rising USD and rates and the trade war, but also increased sanction risk from the US.
- The most vulnerable economies in EM at the moment are Turkey, Argentina, Russia, Brazil and South Africa.
- Contagion to other EMs should be limited unless Brazil escalates into a crisis.
- After failed trade talks between China-US, we expect an escalation in the trade war in early September, which could weigh further on EM sentiment

…and has been clearly hit hardest over the summer



Source: IFO, DG ECFIN, IHS Markit, Macrobond Financial

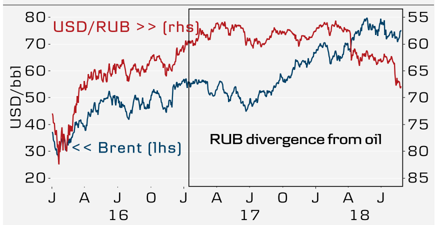
In our view, the five most vulnerable EM countries at the moment are Argentina, Turkey, South Africa, Brazil and Russia.

- **Turkey**. Turkey is clearly an outlier when it comes to external vulnerability given its large negative net investment position and current account deficit. In addition, it has been hit by US sanctions over the detainment of the American pastor, along with weak central bank independence. We see continued pressure on the lira unless the central bank raises its interest rate by a significant margin and the US issue is resolved.

- **Argentina**. In complete contrast to Turkey, Argentina has sought helped from the IMF, which has agreed a comprehensive reform programme, including strengthening central bank independence, allowing exchange rate flexibility and fiscal adjustment. The authorities have shown significant commitment to the programme and the central bank has reacted vigilantly to external pressure, raising the central bank rate to 45%. We see upside for the ARS once EM sentiment improves.

- **Russia** does not have similar weak economic fundamentals as the other countries. However, two new sets of harsh US sanctions announced in early August have cast doubt on the future trajectory of the Russian economy and financial sector, weighing on the RUB, which could fall by more than 10% following the implementation of US sanctions (see our take here: *Flash Comment - Russian rouble: warning shots of US sanctions 'bill from hell'*).

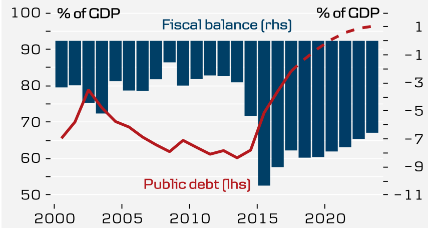
Due to worsening sanctions risk, the RUB has not gained with higher oil prices



Source: Bloomberg, Macrobond Financial and Danske Bank

- **Brazil**. BRL has come under pressure in recent days following election polls showing a sizeable lead for imprisoned former president Lula ahead of the presidential elections in early October. Even though Brazilian courts have so far ruled out the possibility of the former president running formally, investors fear that public opinion could override this decision. The key concern in Brazil involves the dire public debt dynamics with a gross public debt-to-GDP of 90% of GDP and a budget deficit of close to 8.5% of GDP. The likely absence of fiscal adjustment in the event of a Lula presidency could quickly lead to sizeable market pressures on Brazil. Our base case is that Lula will not be allowed to run for presidency and that a conservative candidate will win: however, BRL volatility in the run-up to the elections will be high.

Dire fiscal metrics in Brazil



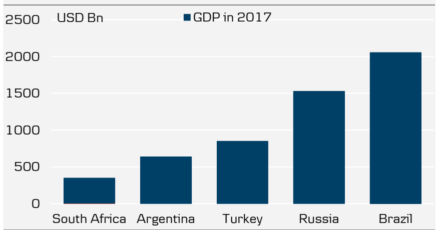
Source: IMF WEO April 2018, Danske Bank

- **South Africa**. The South African economy has been hit by a slight contagion from Turkey given it also has weak external indicators. Furthermore, the prospect of a controversial land reform has triggered criticism from US President Trump this week, raising the risk of future US sanctions similar to those seen against Turkey. In contrast to Turkey, SA has an independent central bank and ministry of finance. Nevertheless, ZAR could remain under pressure until relations with the US are clarified.

Contagion to other EMs limited unless Brazil derails into crisis

We think that the contagion from the crisis in Turkey should be fairly limited in the rest of the EM given the limited size of the economy. In the case of a fully-fledged loss of market confidence in Brazil in the (unlikely) event of former president Lula coming back to power, the contagion risk to other EMs (notably in Latin America) would be sizable, as well as global risk sentiment given the size of the Brazilian economy and the exposures of the global financial institutions.

A crisis in Brazil would have significant knock-on effects on other EM and global risk sentiment



Source: IMF WEO April 2018, Danske Bank

...but escalation of China-US trade dispute likely to weigh on EM sentiment near term

This week saw further deterioration in the trade dispute between the world's two biggest economies as they both imposed tariffs on USD16bn of imports from each other. This was widely expected. At the same time, low-level talks between the two countries failed to make progress to formally launch new trade negotiations. We are sceptical about the outlook for such a deal, as Trump feels he has the upper hand due to the strong performance of the US economy and China is unlikely to give in to US demands to shed key parts of its 2025 strategy. Hence, we see further escalation of the trade war as likely after 5 September, when the deadline for public hearing in the US of tariffs on another USD200bn of imports from China passes. This will particularly weigh on China and other Asian countries, aside from hitting global risk sentiment.

Financial views

Asset class	Main factors
Equities	
Positive on 3-12 month horizon.	Fundamentals still support equities on a 3-12M horizon. However, despite strong earnings, higher risk premium is expected in the short run, among other things due to trade tensions
Bond market	
German/Scandi yields – stbale for now, higher in 12M	Strong forward guidance from the ECB. Core inflation remains muted. Range trading for Bunds for the rest of 2018. Still higher in 2018.
EUR 2Y10Y steeper, USD 2Y10Y flatter	The ECB keeps a tight leash on the short end of the curve but 10Y higher as US has an impact. Mainly steeper in 2019.
US-euro spread – short-end to widen further	The spread in the short-end is set to widen further as the Fed continues to hike.
Peripheral spreads – tightening (Italy special case)	ECB forward guidance, better fundamentals, an improved political picture (ex. latly) and rating upgrades to lead to renewed tightening after reccent wideing. Italy remains a special case.
FX & commodities	
EUR/USD – lower for longer... but not forever	In a range around 1.15 in 0-3M as USD carry and political risks weigh but supported longer term by valuation and ECB 'normalisation'.
EUR/GBP – gradually lower over the medium term	Brexit uncertainty dominates now but GBP should strengthen on 6-12M on Brexit clarification and Bank of England rate hikes.
USD/JPY – higher eventually	US yields decisive near term with political uncertainty as a significant downside risk. Longer term higher on Fed-Bank of Japan divergence.
EUR/SEK – volatile near term and sticky above 10 for long	Volatile near term and SEK-negatives remain due to lower growth, subdued inflation and too aggressive Riksbank pricing.
EUR/NOK – set to move lower but near-term headwinds	Positive on NOK on valuation, relative growth, positoning, terms of trade, the global outlook and Norges Bank initiating a hiking cycle.
Oil price – range bound rest of the year	OPEC increasing output and escalation of trade war has increased near-term downside risks.

Source: Danske Bank

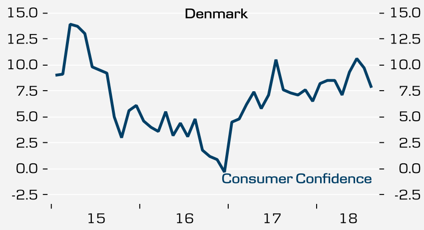
Scandi update

Denmark – employment continues to steam ahead

Wage earner employment figures for June arrived this week. The number of people in work rose by 3,700 m/m, which is yet another handsome increase. Private sector employment rose by a very substantial 4,500. Looking at the full Q2 figures, employment rose by 11,500, which is actually a little down on Q1, when employment increased by 14,100. Nevertheless, it is still full steam ahead for the labour market despite disappointing GDP figures from some other European countries and a disappointing GDP indicator last week for Denmark.

Consumer confidence data for August was also released this week and showed a fall to 7.8 – slightly below the estimate of 8.5. The decline was due to a downturn across almost all the indicator's subcomponents, with households' views on their own finances falling after being relatively high at the start of the summer. That said, consumer confidence remains at a decent level despite the fall and is still hovering above the 2014-17 level.

Consumer confidence declines but remains high



Source: Statistics Danmark

Sweden – opinion poll update

For the past three years, Swedish polls have indicated that both the Alliance (consisting of conservative Moderates, right-wing Christian Democrats, agri middle/right-wing Centre Party and Liberals) and the Red/Green (Social Democrats and Greens) with support from the Left Party (not in government coalition) have been stable at around 40% while the anti-immigration Sweden Democrats have been close to 20%. However, things have changed recently. The Social Demmocrats have lost support to 24% while Moderates are close to 20% and Sweden Democrats still at some 20%. The current government is going to the election as two separate parties and are at odds on many issues. This is hardly a new alternative to rule Sweden after the 9 September elections. The Alliance has no common platform and is split mainly on immigration. Sweden Democrats have almost doubled its support. Meanwhile, three parties are close to the 4% threshold: Greens, Christians and Liberals. Moderates have been sliding somewhat, hence there might be fewer supporting votes from here to the Christians. Government formation will be extremely difficult.

August opinion polls

	Average*	Lowest	Highest
Social Democrats	24.3	23.6	25.2
Left Party	9.3	8.7	10.6
Greens	5.9	4.7	6.5
Moderates	19.4	17.7	20.9
Liberals	5.0	4.3	5.9
Centre Party	9.5	7.6	11.1
Christian Democrats	4.1	3.5	5.2
Sweden Democrtas	19.5	18.7	21.8

Sources: Novus, Sifo, Demoskop, Ipsos, Inizio, Sentio

Against this backdrop the principle of the 'biggest party/block forms government' does not appear to hold any longer. Social Democrats may still be the biggest party, but still not sufficient to form a government. Any government coalition will be a minority and will need outside support. Now, Sweden Democrats is more of a right-wing party. Hence, unless the Social Democrats can offer Sweden Democrats a better migration deal (very unlikely) than the Moderates, the latter might be leading the next government, either with active or passive (most likely) support from Sweden Democrats. The question is then whether the Moderates will be joined by the Centre Party and the Liberals and whether the Christians will pass the threshold. The former two are clashing with Sweden Democrats on immigration. That said, anything could happen after the election and today's strong stance may be reconsidered.

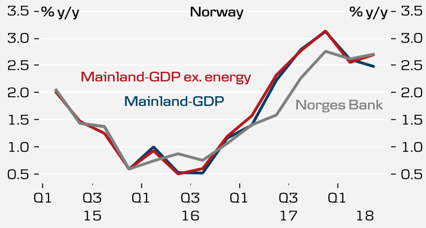
All in all, a minorty government will have to rely on 'jumping majorities', seeking support for policies in specific areas. The budget will be the first obstacle, due to take place on 9 October, if the current government is still in place and on 15 November at the latest if a new government is formed. There is of course a high risk of a re-election.

We do not see any big implications for the stability of government finances, which are very strong in an international context. Hardly any impact on rates markets. But the SEK may be more exposed.

Norway – growth holding up

Growth in mainland GDP slowed to 0.5% q/q in Q2 but was pulled down by lower power production, which is a supply-side phenomenon driven by unusually hot, dry weather. Adjusted for this, mainland GDP grew 0.7% q/q, exactly in line with Norges Bank's projections in the June monetary policy report. The underlying data confirms our predictions of a growth rotation process. The demand stimulus from housing investment is fading, while private consumption and investment are making stronger contributions to growth. Net exports did fall a fair way in Q2, but we believe this was only temporary even though there may be signs of a global slowdown. The figures confirm our expectation that growth is still above trend, with the result that unemployment will continue to fall and pressure on wages and prices will gradually build. They therefore also support our expectation that Norges Bank will deliver a rate hike in September and a further two next year. Interestingly, the oil investment survey showed that oil investment will make a significant contribution to growth in the Norwegian economy in H2 and into 2019.

Growth is holding up if adjusted for power production



Source: Macrobond Financial, Norges Bank

Latest research from Danske Bank

China Market Monitor - signs of CNY stabilisation

CNY weakening has stalled a bit since China pushed up offshore money market rates.

Norwegian GDP - correction - Fall in power production set to hit mainland GDP

As we wrote in *Weekly Focus: Political uncertainty here to stay* , 17 August, we estimate underlying growth in mainland GDP stayed above trend in Q2.

IMM Positioning Update - Speculators add USD longs amid emerging market turmoil

The latest IMM data covers the week from 7 August to 14 August 2018

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[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2017	2.3	1.6	0.6	4.5	4.4	4.3	1.1	1.7	4.2	1.0	36.4	7.8
	2018	1.8	2.3	1.1	5.0	0.5	3.6	0.8	1.9	4.0	-0.2	35.1	6.5
	2019	1.8	2.4	0.5	1.5	2.7	2.4	1.4	2.3	3.8	-0.2	34.4	7.2
Sweden	2017	2.5	2.2	0.4	5.9	3.6	4.8	1.8	2.5	6.7	1.2	41.0	4.2
	2018	2.0	2.0	0.6	3.0	3.8	4.2	1.7	2.6	7.1	1.0	37.0	2.8
	2019	1.9	1.8	0.8	0.4	4.7	3.8	1.4	2.7	7.6	0.8	35.0	3.2
Norway	2017	1.8	2.3	2.0	3.5	0.8	2.2	1.8	2.3	2.7	-	-	-
	2018	2.5	2.3	1.9	2.0	2.0	2.5	2.4	3.0	2.4	-	-	-
	2019	2.3	2.5	1.9	3.5	2.4	2.3	1.6	3.5	2.2	-	-	-

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[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euro area	2017	2.5	1.7	**1.2**	**2.9**	5.5	4.2	1.5	1.6	9.1	-0.9	86.7	3.5
	2018	2.0	1.6	**1.2**	**2.6**	3.3	2.9	1.7	2.1	8.4	-0.7	86.0	3.4
	2019	1.7	1.9	**2.1**	**1.8**	3.1	3.8	1.5	2.3	8.0	-0.6	85.5	3.4
Germany	2017	2.5	2.0	1.5	4.0	5.3	5.6	1.7	2.6	3.8	1.3	64.1	7.9
	2018	2.0	1.4	0.9	4.0	3.3	3.2	1.7	3.0	3.4	1.2	60.2	7.9
	2019	1.9	2.3	2.2	3.2	3.7	5.3	1.5	3.2	3.3	1.0	56.3	7.6
Finland	2017	2.7	1.7	1.6	5.8	7.5	3.7	0.7	0.2	8.6	-0.6	61.3	0.7
	2018	2.7	2.1	0.9	4.0	4.2	4.2	1.0	2.0	8.0	-0.3	59.1	0.5
	2019	2.0	1.6	0.5	3.5	4.5	4.0	1.4	2.3	7.7	-0.1	57.6	0.7

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[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2017	2.2	2.5	-0.1	4.8	3.0	4.6	2.1	2.5	4.4	-3.5	105.0	-2.5
	2018	2.7	2.5	1.3	5.5	5.1	4.0	2.5	2.6	3.9	-4.0	106.0	-3.0
	2019	2.5	2.4	1.2	4.1	3.4	2.9	2.0	2.8	3.6	-4.6	107.0	-3.4
China	2017	6.9	-	-	-	-	-	2.0	9.0	4.1	-3.7	47.6	1.4
	2018	6.6	-	-	-	-	-	2.3	8.7	4.3	-3.4	50.8	1.1
	2019	6.4	-	-	-	-	-	2.3	8.5	4.3	-3.4	53.9	1.2
UK	2017	1.7	1.9	-0.1	3.4	5.4	3.2	2.7	2.2	4.4	-1.8	87.5	-4.1
	2018	1.1	1.1	1.1	2.9	1.3	1.2	2.5	2.5	4.2	-1.8	85.4	-4.4
	2019	1.2	1.2	0.4	1.3	2.6	2.0	1.5	2.9	4.1	-1.7	85.3	-4.0

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

Financial forecast

Bond and money markets

		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	24-Aug	2.00	2.31	2.82	2.93	113.9	-	654.8
	+3m	2.25	2.72	3.10	3.05	113.0	-	659.5
	+6m	2.50	2.94	3.20	3.20	118.0	-	631.6
	+12m	3.00	3.24	3.30	3.30	125.0	-	595.8
EUR	24-Aug	0.00	-0.32	-0.16	0.86	-	113.9	745.7
	+3m	0.00	-0.33	-0.15	0.90	-	113.0	745.3
	+6m	0.00	-0.33	0.00	1.05	-	118.0	745.3
	+12m	0.00	-0.33	0.15	1.25	-	125.0	744.8
JPY	24-Aug	-0.10	-0.03	0.05	0.32	126.1	110.7	5.91
	+3m	-0.10	-	-	-	126.6	112.0	5.89
	+6m	-0.10	-	-	-	134.5	114.0	5.54
	+12m	-0.10	-	-	-	142.5	114.0	5.23
GBP	24-Aug	0.75	0.80	1.07	1.50	89.5	127.2	833.0
	+3m	0.75	0.82	1.25	1.60	89.0	127.0	837.4
	+6m	0.75	0.84	1.35	1.75	84.0	140.5	887.2
	+12m	1.00	1.07	1.50	1.95	83.0	150.6	897.3
CHF	24-Aug	-0.75	-0.73	-0.54	0.40	113.4	99.6	657.3
	+3m	-0.75	-	-	-	113.0	100.0	659.5
	+6m	-0.75	-	-	-	116.0	98.3	642.5
	+12m	-0.75	-	-	-	120.0	96.0	620.6
DKK	24-Aug	0.05	-0.30	-0.03	0.99	745.7	654.8	-
	+3m	0.05	-0.30	-0.05	1.05	745.3	659.5	-
	+6m	0.05	-0.30	0.10	1.20	745.3	631.6	-
	+12m	0.05	-0.30	0.25	1.40	744.8	595.8	-
SEK	24-Aug	-0.50	-0.37	-0.14	1.12	1046.5	918.9	71.3
	+3m	-0.50	-0.50	-0.20	1.05	1060.0	938.1	70.3
	+6m	-0.50	-0.45	-0.05	1.25	1040.0	881.4	71.7
	+12m	-0.40	-0.30	0.15	1.30	1020.0	816.0	73.0
NOK	24-Aug	0.50	1.02	1.44	2.14	964.8	847.2	77.3
	+3m	0.75	1.15	1.55	2.40	920.0	814.2	81.0
	+6m	0.75	1.30	1.85	2.55	920.0	779.7	81.0
	+12m	1.00	1.40	2.00	2.65	910.0	728.0	81.8

Commodities

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

Source: Danske Bank

Calendar

Key Data and Events in Week 35

During the week				Period	Danske Bank	Consensus	Previous
-	DKK	Publication of government net financing requirement and Economic Survey					
Monday, August 27, 2018				Period	Danske Bank	Consensus	Previous
-	GBP	Summer Bank Holiday					
3:30	CNY	Industrial profits	y/y	Jul	**10.0%**		20.0%
9:30	SEK	Service production	y/y	Jul			6.3%
9:30	SEK	Household lending	y/y	Jul	**6.0%**		6.3%
10:00	DEM	IFO - business climate	Index	Aug		*101.8*	101.7
10:00	DEM	IFO - current assessment	Index	Aug		*105.3*	105.3
10:00	DEM	IFO - expectations	Index	Aug		*98.5*	98.2
Tuesday, August 28, 2018				Period	Danske Bank	Consensus	Previous
6:30	NOK	Consumer confidence	Net. bal.	3rd quarter			19.6
8:00	DKK	CB's securities statistics		Jul			
8:00	DKK	Foriegn portfolio investments		Jul			
8:45	FRF	Consumer confidence	Index	Aug		*97.0*	97.0
9:30	SEK	Retail sales s.a.	m/m|y/y	Jul	**0.5%|0.5%**		-1.8%|0.2%
9:30	SEK	Trade balance	SEK bn	Jul	**0**		-0.5
10:00	EUR	Money supply (M3)	y/y	Jul		*4.3%*	4.4%
10:00	EUR	Loans to households (adj. for sales and sec.)		Jul			
10:00	EUR	Loans to NFCs (adj. for sales and sec.)		Jul			
13:00	EUR	ECB's Praet speaks in Germany					
14:30	USD	Advance goods trade balance	USD bn	Jul		*-68.6*	-67.9
16:00	USD	Conference Board consumer confidence	Index	Aug		*126.5*	127.4
Wednesday, August 29, 2018				Period	Danske Bank	Consensus	Previous
7:00	JPY	Consumer confidence	Index	Aug		*43.3*	43.5
8:00	DEM	GfK consumer confidence	Net. Bal.	Sep		*10.6*	10.6
8:00	DKK	Business Confidence		Aug			
8:45	FRF	Household consumption	m/m|y/y	Jul		*0.3%|...*	0.1%|0.3%
8:45	FRF	GDP, preliminary	q/q|y/y	2nd quarter		*0.2%|1.7%*	0.2%|1.7%
14:30	USD	PCE core	q/q AR	2nd quarter			0.02
14:30	USD	GDP, second release	q/q AR	2nd quarter		*0.04*	0.041
16:00	USD	Pending home sales	m/m|y/y	Jul		*0.5%|...*	0.9%|-4.0%
16:30	USD	DOE U.S. crude oil inventories	K				-5836

Source: Danske Bank

Calendar

Thursday, August 30, 2018				Period	Danske Bank	Consensus	Previous
1:50	JPY	Retail trade	m/m|y/y	Jul		*-0.3%|1.2%*	1.5%|1.7%
8:00	NOK	Retail sales, s.a.	m/m	Jul	**0.8%**	*1.0%*	-2.9%
9:00	SEK	Consumer confidence	Index	Aug	**99**	*100*	99.8
9:00	SEK	Economic Tendency Survey	Index	Aug			109.6
9:00	SEK	Manufacturing confidence	Index	Aug	**115**		118.1
9:00	ESP	HICP, preliminary	m/m|y/y	Aug		*0.2%|2.3%*	-1.2%|2.3%
9:00	CHF	KOF leading indicator	Index	Aug		*101.1*	101.1
9:30	SEK	Wages (blue collars/white collars)	y/y	Jun			2.1%
9:55	DEM	Unemployment	%	Aug		*5.2%*	5.2%
10:30	GBP	Broad money M4	m/m|y/y	Jul			-0.3%|1.7%
10:30	GBP	Mortgage approvals	1000	Jul		*65*	65.6
11:00	EUR	Business climate indicator	Net bal.	Aug		*1.3*	1.3
11:00	EUR	Industrial confidence	Net bal.	Aug		*5.5*	5.8
11:00	EUR	Economic confidence	Index	Aug		*112.0*	112.1
11:00	EUR	Consumer confidence, final	Net bal.	Aug		*-1.9*	-1.9
11:00	EUR	Service confidence	Net bal.	Aug		*15.1*	15.3
14:00	DEM	HICP, preliminary	m/m|y/y	Aug		*0.2%|2.1%*	0.4%|2.1%
14:30	USD	Personal spending	m/m	Jul		*0.4%*	0.4%
14:30	USD	Initial jobless claims	1000				
14:30	CAD	GDP	m/m|y/y	Jun			0.5%|2.6%
14:30	USD	PCE core	m/m|y/y	Jul	**0.2%|2.0%**	*0.2%|2.0%*	0.1%|1.9%
14:30	USD	PCE headline	m/m|y/y	Jul		*0.2%|2.3%*	0.1%|2.2%
Friday, August 31, 2018				**Period**	**Danske Bank**	***Consensus***	**Previous**
-	EUR	Fitch may publish Italy's debt rating					
1:01	GBP	GfK consumer confidence	Index	Aug		*-11.0*	-10.0
1:30	JPY	Unemployment rate	%	Jul		*2.4%*	2.4%
1:30	JPY	Job-to-applicant ratio		Jul		*1.63*	1.62
1:50	JPY	Industrial production, preliminary	m/m|y/y	Jul		*0.2%|2.6%*	-1.8%|-0.9%
3:00	CNY	PMI manufacturing	Index	Aug		*51.0*	51.2
3:00	CNY	PMI non-manufacturing	Index	Aug			54.0
8:00	DEM	Retail sales	m/m|y/y	Jul		*-0.2%|1.6%*	0.9%|3.0%
8:00	DKK	GDP, preliminary	q/q|y/y	2nd quarter	**0.3%|...**		0.4%|...
8:00	NOK	Credit indicator (C2)	y/y	Jul		*5.8%*	5.8%
8:00	DKK	Statistics Denmark's Wage Index		2nd quarter			
8:00	DKK	Gross unemployment s.a.	K (%)	Jul			107 (3.9%)
8:45	FRF	HICP, preliminary	m/m|y/y	Aug		*0.5%|2.5%*	-0.1%|2.6%
10:00	NOK	Norges Bank's daily FX purchases	m	Sep			-600
10:00	NOK	Unemployment	%	Aug	**2.4%**	*2.4%*	2.5%
11:00	ITL	HICP, preliminary	m/m|y/y	Aug		*-0.2%|1.6%*	-1.4%|1.9%
11:00	EUR	Unemployment	%	Jul		*8.2%*	8.3%
11:00	EUR	HICP - core inflation	y/y	Aug	**1.1%**	*1.1%*	1.1%
11:00	EUR	HICP inflation, preliminary	y/y	Aug	**2.1%**		
12:00	ITL	GDP, final	q/q|y/y	2nd quarter		*0.2%|1.1%*	0.2%|1.1%
12:00	EUR	Portugal, GDP, final	q/q|y/y	2nd quarter			0.5%|2.3%
15:45	USD	Chicago PMI	Index	Aug		*63.0*	65.5
16:00	USD	University of Michigan Confidence, final	Index	Aug		*95.7*	95.3

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Source: Danske Bank

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