

Weekly Focus

Fed is stepping up the pace

As the conflict in Ukraine remains frozen for now, markets have started shifting their attention also to other topics, especially monetary policy signals. Despite volatile oil prices rising again to USD/bbl 120 after Russia demanded Rouble payments for gas, positive risk sentiment sent yields higher and equities held up. Bund yields rose above 0.5% for the first time since 2018 and 10Y US Treasury yields are now trading around 2.4% after hawkish comments from Fed chair Powell, which seemed to prepare the ground for a more aggressive monetary policy tightening ahead. EU leaders agreed on more joint gas buying going forward, although an embargo on Russian energy imports remains off the table for now amid German opposition. G7 leaders agreed to crack down on Russia's ability to sell its gold reserves to support its currency and the US announced expanded sanctions against more than 400 Russian individuals and companies.

Norges Bank (NB) continued with its gradual policy tightening and hiked rates by another 25bp this week, but we think the NB rate path will prove too aggressive and pencil in fewer hikes and an earlier top in policy rates (read more in *Reading the Markets Norway - NB firms tightening signals but maintains 'gradual' pace*, 24 March).

In contrast, the Fed's new mantra seems to be "get to neutral as fast as possible", and a range of FOMC members this week talked about front-loading rate hikes, with none ruling out a 50bp at this point. With inflation still high and the Fed behind the curve, we see an increasing probability that the Fed will tighten more and faster than we have pencilled in (i.e. risks are skewed towards the Fed hiking by 50bp in both May and June or 75bp in one go). Tighter monetary policy (and financial conditions) and the commodity price shock increase the risk of a global recession 1-2 years down the road, which is also reflected in the ongoing flattening of the US yield curve.

In Research Russia - EU embargo on Russian energy could be a game-changer, 23 March, we took a closer look at the economic implications from the war in Ukraine on Russia. The 'Fortress Russia' policies have already significantly weighed on households' living standards and the war ensures that weakness will persist for years to come. On a positive note, PMI figures for March suggested that the hit to the euro area economy from the Ukraine war might have been less than feared, calming immediate recession fears. That said, growth momentum in both manufacturing and services slowed and future output expectations have become more clouded amid renewed supply disruptions, weakening export orders and sharp rises in input prices.

While Ukraine war developments will remain in focus amid signs of a stalling Russian advance, next week central banks will also get more data to assess the state of the labour market and inflation pressures. The US labour market report for March is due on Friday and we look for a decent report with jobs growth around 450k. In the euro area, flash HICP figures for March are released and we expect to see a further rise in headline and core inflation (to 6.5% and 3.0%, respectively) as higher input costs are still working their way up through the pricing chain, keeping pressure high on ECB to normalize policy. We see some downside risks for Chinese PMIs released on Thursday, following recent headwinds from COVID-19 outbreaks, property sector stress and the rise in commodity prices.

Key market movers

- Wed: German CPI
- Thu: China PMI, US consumer spending
- Fri: Euro area HICP, US jobs report, ISM manufacturing

Key global views

1. Rising stagflation risk from war in Ukraine – especially in Europe
2. Weaker growth in the coming quarters but not a global recession
3. Higher commodity prices to keep inflation elevated for longer
4. Fed to hike rates further by a total of 175bp in 2022, ECB to hike in December but risks tilted towards an earlier hike

Selected readings from Danske Bank

- *Global Inflation Watch - Inflation keeps pushing higher*, 21 March
- *Yield Outlook - Inflation dictating direction of central banks*, 18 March

Editor

Senior Analyst
Aila Mihr
+45 45 12 85 35
amih@danskebank.dk

Scandi market movers

- In **Denmark**, business confidence figures for March are due on Wednesday. Materials shortages have been significant and likely only exacerbated by the war in Ukraine. The war may also have shaved the top of demand in the service sector, especially given the high rate of inflation, which is eroding consumer purchasing power. This is also what the dive in consumer confidence indicates.

Thursday should bring registered unemployment for February. Ministry of Employment figures indicate the number of unemployed is set to decline by 3,000 between January and February, which is in line with our expectation that the labour market will become even tighter in 2022.

Revised national accounts figures for Q4 21 are due on Thursday. The likelihood of major revisions to demand components remains significant.

- Next week gives us the Economic Tendency Survey from National institute of Research (NIER), PMI for the manufacturing industry and February retail sales. All these three will be really interesting. If starting with the latter, inflation has been unexpectedly high during this year's first months, and despite that, retail sales figures came out strong in January but at the same time, December figures were weak so probably a bit of bounce back from that. We expect February numbers to be much more muted on the back of high energy prices.

Russia's attack on Ukraine have resulted in a rush in commodity prices and both NIER and PMI will be interesting in the meaning too see how (and if) the sentiment among business have shifted. Already before the war, the sentiment had shifted against more normal levels expect from manufacturing which has been steady on a high level.

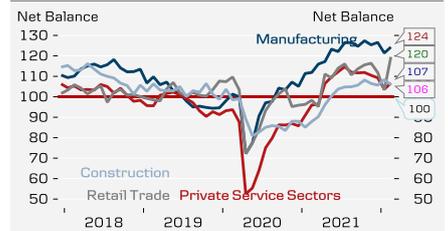
- In **Norway**, we expect registered unemployment to fall in March from 2.1% to 2.0%, which would be the lowest since October 2008. The number of vacancies remains high, which means that demand for labour is still very strong. If the jobless rate does not come down as much as we predict, it would probably be a result of growing matching problems in the labour market. We have seen global PMIs move more or less sideways in recent months and so expect Norway's to fall moderately to 54.0-55.0 in March. Once again, we will be keeping an eye on what delivery times and purchasing prices have to say about bottlenecks. Big power bills and a shift towards consumption of services following the reopening of the economy mean that retail sales probably fell in February. We tentatively predict a decrease in the region of 0.5% m/m.

Business confidence could also be a victim of the war



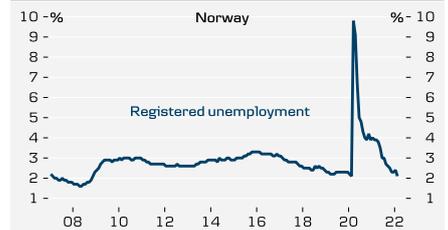
Source: Danske Bank, Macrobond Financial

Sentiment among businesses according to NIER



Source: NIER and Macrobond Financial

Lowest jobless rate for well over a decade in Norway?



Source: Macrobond Financial, Danske Bank

Scandi update

Denmark – Massive slump in consumer confidence

The number of people in work rose by 4,000 in January – and that despite many corona-related restrictions still affecting, for example, restaurants. The pace of job growth was lower than in the months prior to restrictions being imposed in December, but given that all trades and industries are fully included in the February figures, employment still seems to be rising at an unsustainable rate. The war in Ukraine is hitting demand among Danish companies, especially as consumers have to pay more for energy and so have less to spend on other items. Meanwhile, problems sourcing commodities and raw materials have only increased, and so the above factors may dampen demand for labour. That being said, demand has been very substantial, as have labour shortages – and therefore we do not expect more subdued demand to have any impact on the number of people in work.

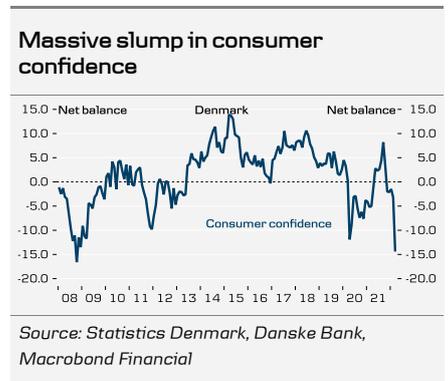
Consumer confidence declined from -3.3 to -14.4 in March, which is the lowest level since the worst month of the financial crisis. The fall was driven by a drastic decline in consumer assessments of both their own finances and the entire country’s economic situation now and in the future. The most obvious reasons for the massive fall are the war in Ukraine and high energy prices. Very substantial financial market volatility and the war have probably also triggered a general feeling of insecurity and disorder in the world, which is being reflected in consumer confidence. However, we would stress that we are in no sense in an economic crisis akin to the financial crisis, as the war is essentially a humanitarian and political problem.

Friday brought the first report on government finances for 2021, and it showed a very large surplus of DKK58.7bn in a year that to a great extent was marked by lockdowns, relief packages and expenses for test and trace. One explanation for the very substantial surplus is that the Danish economy bounced back faster than most expected. However, we have seen much greater surpluses than expected for a good many years now, which prompts the question of whether the Ministry of Finances is structurally too pessimistic and there is simply money available for more than assumed.

Sweden – Breman says “interest rate may need to be hiked earlier”

Last week, Riksbank governor Ingves flagged for a coming change in the policy outlook and that it is reasonable to expect a rate hike sooner than 2024. This week the next deputy governor Anna Breman (hawk) in a speech stated similar. She argued that they cannot do anything about inflation being high now, but important to make sure it moves back to 2% over time, i.e. make sure expectations are well anchored. And that it is reasonable to hike earlier than previously projected, but could also adjust QE.

These changes in views comes from the unexpected high inflation prints, both in January and February. We agree that earlier hikes will be necessary and as stated in last week’s Weekly Focus, we have updated our RB call now looking for a larger revamp of policy guidance at the next policy meeting in April. It may not fully be reflected in the repo path in April, but in the end we expect the Riksbank to deliver two rate hikes this year (Sep and Nov) and a third in February 2023.



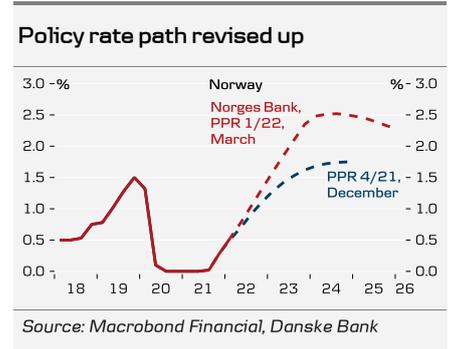
Markets pricing 178bp until end of 2024, i.e. very aggressive

| Incremental CB pricing - Annual (per calendar year) | | | | |
|---|------------|------------|------------|--|
| As of 24-03-2022 | 2022 | 2023 | 2024 | |
| Last date | 2022-12-29 | 2023-12-28 | 2024-12-27 | |
| ECB | 51.5 | 85.5 | 2.3 | |
| FED | 187.5 | 41.1 | -32.4 | |
| BoE | 130.4 | 29.3 | -46.1 | |
| BoJ | 0.9 | 9.6 | 2.3 | |
| SMB | 36.9 | 82.8 | 8.7 | |
| Riksbank | 74.6 | 82.8 | 20.2 | |

Source: Danske Bank

Norway – Norges Bank expects policy rate to hit 2.5%

As we expected, Norges Bank raised its policy rate by 25bp to 0.75% and signalled that it will most likely go up again in June. The projections in the accompanying monetary policy report then show two further hikes this year and another four in 2023, taking the policy rate to around 2.5% at the end of 2023. This is a marked upward revision from December and is a result of increased capacity utilisation, rising wage and price inflation, and higher interest rates among Norway’s trading partners. The bank presents the balance of risks fairly neutrally: while wages and prices could rise faster than it expects, the war in Ukraine could bring weaker global growth than it is assuming. We largely share Norges Bank’s view of the outlook for Norway, but we believe that the pressures in the economy will begin to ease earlier, during the first half of this year, as interest rates begin to hit demand. On the other hand, we anticipate a global slowdown as inflation undermines consumers’ purchasing power and pushes up firms’ costs. Energy prices will probably also remain relatively high, and central banks will not have the option of stimulating growth given the pace of inflation. We therefore expect the policy rate to be raised again in June, with Norges Bank then delivering two further hikes this year (September and December) but we expect only two more hikes next year (March and June). This would leave the policy rate at 2%, or slightly above the natural rate, from next summer.



Calendar

| During the week | | | Period | Danske Bank | Consensus | Previous |
|----------------------------------|-----|--------------------------------------|-----------|-------------|------------|-------------|
| Sat 26 | USD | Fed's George speaks | | | | |
| Monday, March 28, 2022 | | | | | | |
| 6:00 | USD | Fed's George speaks | | | | |
| 8:00 | SEK | Trade balance | SEK bn | Feb | | 0.4 |
| 8:00 | NOK | Retail sales, s.a. | m/m | Feb | | 0.4% |
| 8:00 | NOK | Credit indicator (C2) | y/y | Feb | | 5.0% |
| 14:30 | USD | Advance goods trade balance | USD bn | Feb | -106.0 | -107.6 |
| Tuesday, March 29, 2022 | | | | | | |
| 1:30 | JPY | Unemployment rate | % | Feb | 2.8% | 2.8% |
| 1:30 | JPY | Job-to-applicant ratio | | Feb | 1.2 | 1.2 |
| 6:00 | USD | Fed's George speaks | | | | |
| 8:00 | SEK | Retail sales s.a. | m/mly/y | Feb | | 4.5% 5.1% |
| 8:00 | DEM | GfK consumer confidence | Net. Bal. | Apr | -12 | -8.1 |
| 8:45 | FRF | Consumer confidence | Index | Mar | 95.0 | 98.0 |
| 15:00 | USD | FHFA house price index | m/m | Jan | 1.3% | 1.2% |
| 16:00 | USD | Conference Board consumer confidence | Index | Mar | 107.8 | 110.5 |
| 16:45 | USD | Fed's Harker speaks | | | | |
| Wednesday, March 30, 2022 | | | | | | |
| 0:30 | USD | Fed's George speaks | | | | |
| 1:50 | JPY | Retail trade | m/mly/y | Feb | -0.3% 0.3% | -0.9% 1.1% |
| 3:30 | USD | Fed's Bostic speaks | | | | |
| 9:00 | ESP | HICP, preliminary | m/mly/y | Mar | 2.2% 7.9% | 0.8% 7.6% |
| 9:00 | SEK | Consumer confidence | Index | Mar | | 88.9 |
| 9:00 | SEK | Economic Tendency Survey | Index | Mar | | 113.0 |
| 9:00 | SEK | Manufacturing confidence | Index | Mar | | 124.3 |
| 9:00 | CHF | KOF leading indicator | Index | Mar | 102.0 | 105.0 |
| 9:15 | SEK | NIER economic forecasts | | | | |
| 11:00 | EUR | Industrial confidence | Net bal. | Mar | 11.0 | 14.0 |
| 11:00 | EUR | Economic confidence | Index | Mar | 109.7 | 114.0 |
| 11:00 | EUR | Consumer confidence, final | Net bal. | Mar | | -18.7 |
| 11:00 | EUR | Service confidence | Net bal. | Mar | 11.5 | 13.0 |
| 14:00 | DEM | HICP, preliminary | m/mly/y | Mar | 1.7% 6.6% | 0.9% 5.5% |
| 14:15 | USD | ADP employment | 1000 | Mar | 413 | 475 |
| 14:30 | USD | GDP, ___ release | q/q AR | 4th quarter | 0.071 | 0.07 |
| 14:30 | USD | PCE core | q/q AR | 4th quarter | | 0.05 |
| 15:15 | USD | Fed's Barkin speaks | | | | |
| 16:00 | USD | Fed's George speaks | | | | |
| 16:30 | USD | DOE U.S. crude oil inventories | K | | | -2508 |
| Thursday, March 31, 2022 | | | | | | |
| 1:50 | JPY | Industrial production, preliminary | m/mly/y | Feb | 0.5% 0.8% | -0.8% -0.5% |
| 3:30 | CNY | PMI manufacturing | Index | Mar | 50.0 | 50.2 |
| 3:30 | CNY | PMI non-manufacturing | Index | Mar | 50.6 | 51.6 |
| 8:00 | DKK | GDP, final | q/qly/y | 4th quarter | | 1.1% .. |
| 8:00 | GBP | GDP, final | q/qly/y | 4th quarter | 1.0% 6.5% | 1.0% 6.5% |
| 8:00 | DKK | Gross unemployment s.a. | K (%) | Feb | | 0.027 |
| 8:00 | DEM | Retail sales | m/mly/y | Feb | 0.7% 6.1% | 1.4% 10.4% |
| 8:45 | FRF | Household consumption | m/mly/y | Feb | | -1.5% -2.1% |
| 8:45 | FRF | HICP, preliminary | m/mly/y | Mar | 1.2% 4.8% | 0.9% 4.2% |
| 9:55 | DEM | Unemployment | % | Mar | 5.0% | 5.0% |
| 10:00 | NOK | Norges Bank's daily FX purchases | m | Apr | | 0 |
| 11:00 | ITL | HICP, preliminary | m/mly/y | Mar | 2.6% 7.1% | 0.8% 6.2% |
| 11:00 | EUR | Unemployment | % | Feb | 6.7% | 6.8% |
| 14:30 | USD | Initial jobless claims | 1000 | | | 187 |
| 14:30 | CAD | GDP | m/mly/y | Jan | | 0.0% 3.9% |
| 14:30 | USD | PCE core | m/mly/y | Feb | 0.4% 5.5% | 0.5% 5.2% |
| 14:30 | USD | Personal spending | m/m | Feb | 0.5% | 2.1% |
| 14:30 | USD | PCE headline | m/mly/y | Feb | 0.6% 6.4% | 0.6% 6.1% |
| 15:00 | USD | Fed's Williams speaks | | | | |
| 15:45 | USD | Chicago PMI | Index | Mar | 57.1 | 56.3 |
| 21:00 | USD | Fed's George speaks | | | | |

Source: Danske Bank

Calendar

Friday, April 1, 2022

| | | | | Period | Danske Bank | Consensus | Previous |
|-------|-----|--|---------|-------------|-------------|-----------|-----------|
| - | USD | Total vehicle sales | m | Mar | | 14.05 | 14.07 |
| 1:50 | JPY | Tankan large manufacturers index (outlook) | Index | 1st quarter | | 12.0 | 18.0 13.0 |
| 1:50 | JPY | Tankan large non-manufacturers index (outlook) | Index | 1st quarter | | 5.0 | 9.0 8.0 |
| 2:30 | JPY | Nikkei Manufacturing PMI, final | Index | Mar | | | 53.2 |
| 3:45 | CNY | Caixin PMI manufacturing | Index | Mar | | 50.0 | 50.4 |
| 8:30 | SEK | PMI manufacturing | Index | Mar | | | 58.6 |
| 8:30 | CHF | CPI | m/m y/y | Mar | | 0.5% 2.4% | 0.7% 2.2% |
| 9:00 | EUR | S&P may publish Netherlands's debt rating | | Mar | | 59.3 | 60.6 |
| 9:15 | ESP | PMI manufacturing | Index | Mar | | 55.7 | 56.9 |
| 9:15 | EUR | S&P may publish Spain's debt rating | | Mar | | 55.7 | 56.9 |
| 9:45 | EUR | S&P may publish Italy's debt rating | | Mar | | 57 | 58.3 |
| 9:45 | ITL | PMI manufacturing | Index | Mar | | 57.0 | 58.3 |
| 9:50 | EUR | S&P may publish France's debt rating, final | | Mar | | 54.8 | 54.8 |
| 9:50 | FRF | PMI manufacturing, final | Index | Mar | | 54.8 | 54.8 |
| 9:55 | EUR | S&P may publish Germany's debt rating, final | | Mar | | 57.6 | 57.6 |
| 9:55 | DEM | PMI manufacturing, final | Index | Mar | | 57.6 | 57.6 |
| 10:00 | NOK | Unemployment | % | Mar | 2.0% | | 2.3% |
| 10:00 | EUR | S&P may publish <PLACE>'s debt rating, final | | Mar | | 57 | 57 |
| 10:00 | EUR | PMI manufacturing, final | Index | Mar | | 57.0 | 57.0 |
| 10:00 | EUR | S&P may publish Greece's debt rating | | Mar | | | 57.8 |
| 10:00 | NOK | PMI manufacturing | Index | Mar | 54.5 | | 55.9 |
| 10:30 | GBP | PMI manufacturing, final | Index | Mar | | 55.5 | 55.5 |
| 11:00 | EUR | HICP inflation, preliminary | m/m y/y | Mar | | 1.5% | 0.9% |
| 11:00 | EUR | HICP - core inflation, preliminary | y/y | Mar | 3.0% | 3.1% | 2.7% |
| 11:00 | EUR | HICP inflation, preliminary | y/y | Mar | 6.5% | 6.4% | 5.8% |
| 14:30 | USD | Unemployment | % | Mar | | 3.7% | 3.8% |
| 14:30 | USD | Average hourly earnings, non-farm | m/m y/y | Mar | | 0.4% 5.5% | 0.0% 5.1% |
| 14:30 | USD | Non farm payrolls | 1000 | Mar | 450 | 450 | 678 |
| 15:30 | CAD | RBC manufacturing PMI | Index | Mar | | | 56.6 |
| 15:45 | USD | Markit PMI manufacturing, final | Index | Mar | | | 58.5 |
| 16:00 | USD | Construction spending | m/m | Feb | | 1.0% | 1.3% |
| 16:00 | USD | ISM manufacturing | Index | Mar | | 58.3 | 58.6 |

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 ³ | Public budget ⁴ | Public debt ⁴ | Current acc. ⁴ |
|---------|------|------------------|----------------------------|---------------------------|-------------------------|-----------------------|-----------------------|-------------------------|--------------------------|-------------------------|----------------------------|--------------------------|---------------------------|
| Denmark | 2021 | 4.1 | 3.5 | 4.3 | 4.1 | 7.5 | 7.9 | 1.9 | 2.8 | 3.7 | 0.0 | 37.6 | 7.6 |
| | 2022 | 2.5 | 3.1 | -1.2 | 2.1 | 5.4 | 4.9 | 4.4 | 3.2 | 2.5 | 1.3 | 33.9 | 7.6 |
| | 2023 | 1.7 | 2.6 | -0.6 | 3.1 | 3.3 | 3.8 | 1.1 | 3.4 | 2.5 | 0.9 | 32.5 | 6.8 |
| Sweden | 2021 | 4.5 | 5.5 | 3.2 | 6.9 | 6.6 | 8.8 | 2.2 | 2.7 | 8.8 | -0.8 | 37.0 | 1.4 |
| | 2022 | 3.0 | 4.1 | 1.4 | 5.4 | 3.4 | 5.6 | 4.0 | 1.8 | 7.3 | 0.2 | 33.0 | 3.9 |
| | 2023 | 2.2 | 2.4 | 1.2 | 2.2 | 4.0 | 3.4 | 1.2 | 2.1 | 6.5 | 0.7 | 30.0 | 4.1 |
| Norway | 2021 | 4.2 | 5.0 | 3.9 | -0.3 | 4.8 | 2.0 | 3.5 | 3.2 | 3.2 | - | - | - |
| | 2022 | 3.8 | 6.5 | 1.3 | 3.1 | 6.0 | 7.5 | 3.3 | 3.4 | 2.3 | - | - | - |
| | 2023 | 2.0 | 2.0 | 1.3 | 2.0 | 4.0 | 4.0 | 1.8 | 3.6 | 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 | 2021 | 5.3 | 3.5 | 3.8 | 4.3 | 10.9 | 8.6 | 2.6 | 4.1 | 7.7 | -6.9 | 99.8 | 3.1 |
| | 2022 | 2.5 | 2.8 | 3.9 | 3.7 | 7.3 | 9.4 | 7.0 | 2.5 | 6.7 | -3.6 | 97.6 | 3.2 |
| | 2023 | 2.8 | 1.2 | 3.7 | 4.5 | 5.3 | 4.9 | 2.0 | 3.4 | 6.5 | -2.1 | 96.7 | 3.4 |
| Germany | 2021 | 2.9 | 0.1 | 3.1 | 1.3 | 9.8 | 9.1 | 3.2 | 3.4 | 3.5 | -4.9 | 71.4 | 6.6 |
| | 2022 | 1.0 | 2.8 | 2.6 | 0.2 | 6.2 | 8.8 | 7.4 | 3.2 | 3.1 | -2.1 | 69.2 | 6.6 |
| | 2023 | 3.6 | 1.6 | 4.1 | 4.0 | 6.4 | 4.9 | 2.7 | 3.8 | 2.9 | -0.5 | 68.1 | 6.8 |
| Finland | 2021 | 3.5 | 3.1 | 3.2 | 1.2 | 4.7 | 5.3 | 2.2 | 2.4 | 7.7 | -2.7 | 65.8 | 0.9 |
| | 2022 | 2.8 | 3.5 | 1.0 | 4.0 | 6.0 | 6.5 | 2.6 | 2.8 | 6.9 | -2.3 | 67.0 | 0.8 |
| | 2023 | 1.6 | 1.5 | 0.5 | 3.0 | 3.0 | 3.0 | 1.8 | 2.6 | 6.6 | -1.3 | 66.7 | 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 | 2021 | 5.7 | 7.9 | 0.5 | 7.8 | 4.6 | 14.0 | 4.7 | 4.0 | 5.4 | -13.4 | 129.7 | -3.5 |
| | 2022 | 2.8 | 2.5 | 0.1 | 2.9 | 4.9 | 5.5 | 7.2 | 5.0 | 4.0 | -4.7 | 125.6 | -3.5 |
| | 2023 | 2.0 | 1.9 | 1.0 | 3.5 | 1.5 | 1.8 | 3.0 | 4.6 | 3.8 | -3.1 | 124.0 | -3.3 |
| China | 2021 | 8.0 | 10.2 | - | 5.2 | - | - | 0.7 | 5.0 | - | -5.6 | 68.9 | 3.0 |
| | 2022 | 4.7 | 6.0 | - | 3.0 | - | - | 3.0 | 5.5 | - | -7.0 | 72.0 | 1.0 |
| | 2023 | 5.3 | 6.0 | - | 4.5 | - | - | 2.5 | 5.5 | - | -6.8 | 74.5 | 0.7 |
| UK | 2021 | 7.5 | 3.8 | 15.8 | 5.3 | -3.0 | 1.0 | 2.6 | 4.9 | 4.5 | -5.3 | 96.9 | -3.4 |
| | 2022 | 5.1 | 6.1 | 3.3 | 6.5 | 3.3 | 4.8 | 5.2 | 3.2 | 4.0 | -0.6 | 96.7 | -5.3 |
| | 2023 | 2.4 | 2.5 | 0.8 | 4.8 | 3.4 | 3.7 | 2.9 | 3.9 | 3.7 | 0.5 | 96.7 | -4.7 |
| Japan | 2021 | 1.8 | 1.4 | 2.7 | -1.1 | 10.9 | 5.9 | -0.2 | - | 2.8 | - | - | - |
| | 2022 | 2.4 | 3.3 | 2.2 | -0.5 | 3.0 | 2.0 | 0.4 | - | 2.6 | - | - | - |
| | 2023 | 1.2 | 1.4 | 0.7 | 0.4 | 3.2 | 2.0 | 0.5 | - | 2.5 | - | - | - |

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 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 | 25-Mar | 0.50 | 0.97 | 2.42 | 2.45 | 110.1 | - | 675.7 | 865.1 | 940.0 |
| | +3m | 1.25 | 1.40 | 2.40 | 2.50 | 108.0 | - | 689.1 | 925.9 | 944.4 |
| | +6m | 1.75 | 1.88 | 2.60 | 2.60 | 106.0 | - | 702.4 | 943.4 | 952.8 |
| | +12m | 2.75 | 2.77 | 2.90 | 2.70 | 105.0 | - | 709.5 | 952.4 | 971.4 |
| EUR | 25-Mar | -0.50 | -0.48 | 0.41 | 1.12 | - | 110.1 | 744.0 | 952.6 | 1035.1 |
| | +3m | -0.50 | -0.53 | 0.40 | 1.10 | - | 108.0 | 744.3 | 1000.0 | 1020.0 |
| | +6m | -0.50 | -0.53 | 0.80 | 1.20 | - | 106.0 | 744.5 | 1000.0 | 1010.0 |
| | +12m | 0.00 | -0.03 | 1.10 | 1.45 | - | 105.0 | 745.0 | 1000.0 | 1020.0 |
| JPY | 25-Mar | -0.10 | -0.01 | 0.10 | 0.39 | 120.5 | 121.7 | 6.17 | 7.90 | 8.59 |
| | +3m | -0.10 | - | - | - | 125.3 | 116.0 | 5.94 | 7.98 | 8.14 |
| | +6m | -0.10 | - | - | - | 121.9 | 115.0 | 6.11 | 8.20 | 8.29 |
| | +12m | -0.10 | - | - | - | 115.5 | 110.0 | 6.45 | 8.66 | 8.83 |
| GBP* | 25-Mar | 0.75 | - | 1.93 | 1.66 | 83.4 | 132.0 | 892.2 | 1142.2 | 1241.2 |
| | +3m | 1.00 | - | 2.25 | 1.80 | 84.0 | 128.6 | 886.0 | 1190.5 | 1214.3 |
| | +6m | 1.25 | - | 2.35 | 1.90 | 84.0 | 126.2 | 886.3 | 1190.5 | 1202.4 |
| | +12m | 1.50 | - | 2.40 | 1.90 | 84.0 | 125.0 | 886.9 | 1190.5 | 1214.3 |
| CHF* | 25-Mar | -0.75 | - | -0.09 | 0.78 | 102.1 | 92.7 | 728.9 | 933.2 | 1014.1 |
| | +3m | -0.75 | - | - | - | 102.0 | 94.4 | 729.7 | 980.4 | 1000.0 |
| | +6m | -0.75 | - | - | - | 101.0 | 95.3 | 737.1 | 990.1 | 1000.0 |
| | +12m | -0.75 | - | - | - | 100.0 | 95.2 | 745.0 | 1000.0 | 1020.0 |
| DKK | 25-Mar | -0.60 | -0.23 | 0.67 | 1.36 | 744.04 | 675.69 | - | 128.03 | 139.12 |
| | +3m | -0.60 | -0.24 | 0.65 | 1.35 | 744.25 | 689.12 | - | 134.36 | 137.05 |
| | +6m | -0.60 | -0.23 | 1.05 | 1.45 | 744.50 | 702.36 | - | 134.32 | 135.66 |
| | +12m | -0.10 | 0.26 | 1.35 | 1.70 | 745.00 | 709.52 | - | 134.23 | 136.91 |
| SEK | 25-Mar | 0.00 | 0.07 | 1.21 | 1.86 | 1035.1 | 940.0 | 71.9 | 92.0 | 100.0 |
| | +3m | 0.00 | 0.03 | 1.00 | 1.70 | 1020.0 | 944.4 | 73.0 | 98.0 | - |
| | +6m | 0.25 | 0.30 | 1.10 | 1.70 | 1010.0 | 952.8 | 73.7 | 99.0 | - |
| | +12m | 0.75 | 0.80 | 1.25 | 1.70 | 1020.0 | 971.4 | 73.0 | 98.0 | - |
| NOK | 25-Mar | 0.75 | 1.41 | 2.56 | 2.79 | 952.6 | 865.1 | 78.1 | 100.0 | 108.7 |
| | +3m | 1.00 | 1.43 | 2.55 | 2.75 | 1000.0 | 925.9 | 74.4 | - | 102.0 |
| | +6m | 1.25 | 1.69 | 2.75 | 2.80 | 1000.0 | 943.4 | 74.5 | - | 101.0 |
| | +12m | 1.75 | 2.19 | 2.95 | 2.85 | 1000.0 | 952.4 | 74.5 | - | 102.0 |

*Note: GBP swaps are SONIA and CHF swaps are SHARON

Commodities

| | 25-Mar | 2022 | | | | 2023 | | | | Average | |
|-----------|--------|------|-----|-----|-----|------|----|----|----|---------|------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 2022 | 2023 |
| ICE Brent | 115 | 98 | 125 | 115 | 100 | 95 | 95 | 95 | 95 | 110 | 95 |

Source Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Aila Mihr, Senior Analyst.

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

Danske Bank's research reports are prepared in accordance with the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Danske Bank is a market maker and liquidity provider and may hold positions in the financial instruments mentioned in this research report.

Danske Bank, its affiliates and subsidiaries are engaged in commercial banking, securities underwriting, dealing, trading, brokerage, investment management, investment banking, custody and other financial services activities, may be a lender to the companies mentioned in this publication and have whatever rights are available to a creditor under applicable law and the applicable loan and credit agreements. At any time, Danske Bank, its affiliates and subsidiaries may have credit or other information regarding the companies mentioned in this publication that is not available to or may not be used by the personnel responsible for the preparation of this report, which might affect the analysis and opinions expressed in this research report.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual fixed income asset.

We base our conclusion on an estimation of the financial risk profile of the financial asset. By combining these risk profiles with market technical and financial asset-specific issues such as rating, supply and demand factors, macro factors, regulation, curve structure, etc., we arrive at an overall view and risk profile for the specific financial asset. We compare the financial asset to those of peers with similar risk profiles and on this background, we estimate whether the specific financial asset is attractively priced in the specific market. We express these views through buy and sell recommendations. These signal our opinion about the financial asset's performance potential in the coming three to six months.

More information about the valuation and/or methodology and the underlying assumptions is accessible via <https://danskeci.com/ci/research/research-disclaimer>. Select *Fixed Income Research Methodology*.

Risk warning

Major risks connected with recommendations or opinions in this research report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

Completion and first dissemination

The completion date and time in this research report mean the date and time when the author hands over the final version of the research report to Danske Bank's editing function for legal review and editing.

The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

See the final page of this research report for the date and time of completion and first dissemination.

Validity time period

This communication as well as the communications in the list referred to below are valid until the earlier of (a) dissemination of a superseding communication by the author, or (b) significant changes in circumstances following its dissemination, including events relating to the market or the issuer, which can influence the price of the issuer or financial instrument.

Investment recommendations disseminated in the preceding 12-month period

A list of previous investment recommendations disseminated by the lead analyst(s) of this research report in the preceding 12-month period can be found at <https://danskeci.com/ci/research/research-disclaimer>. Select *Fixed Income Trade Recommendation History*

Other previous investment recommendations disseminated by Danske Bank are also available in the database.

See <https://danskeci.com/ci/research/research-disclaimer> for further disclosures and information.

This research has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

This research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom (see separate disclaimer below) and retail customers in the European Economic Area as defined by Directive 2014/65/EU.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank A/S's prior written consent.

Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank A/S is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank A/S who have prepared this research report are not registered or qualified as research analysts with the New York Stock Exchange or Financial Industry Regulatory Authority but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(c) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Report completed: 25 March 2022, 14:00 CET

Report first disseminated: 25 March 2022, 14:15 CET