25 October 2019

Weekly Focus

Another Fed cut amid packed economic calendar

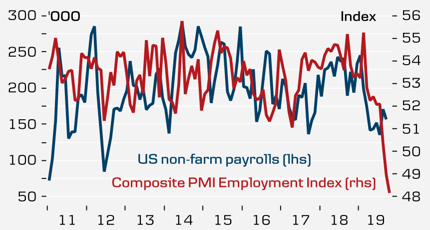
Market movers ahead

- We expect the Fed to deliver another 25bp cut next week despite the internal disagreement within the FOMC. Economists are divided evenly on whether the Fed will cut but markets have fully priced in a cut.
- We expect the Bank of Japan to remain on hold, although investors are pricing some 50% probability of a rate cut.
- In the US, we expect a weak jobs report on Friday, with an increase of just 50,000.
- Preliminary Q3 GDP data for both the euro area and US are due out.
- In China, we are looking forward to getting both Caixin and official PMI manufacturing for October, which diverged in September.
- The UK is supposed to leave the EU on 31 October but we expect another extension.

Weekly wrap-up

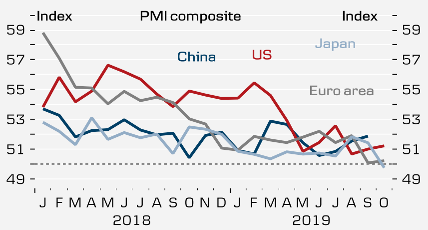
- On the Brexit deadlock, we see two ways forward: Either Prime Minister Boris Johnson's deal will pass eventually, or we are heading for a general election. We are leaning towards the latter (see *Brexit Monitor – Two ways forward: PM Johnson's deal or general election*, 23 October).
- October PMIs still painted a lacklustre picture of the global cycle at the start of Q4.
- Central bank action – or rather inaction – took centre stage later in the week. Mario Draghi's last ECB meeting brought little in terms of new policy signals (see *Flash ECB Research – Thank you, Draghi*, 24 October).
- Norges Bank did not send any new policy signals either and held on to a rate path that anticipates no moves in the coming period. We still expect a rate hike in March 2020 (see *Norges Bank Review – As expected unchanged rates and little news*, 24 October).
- The Riksbank reconfirmed its intention to hike policy rates back to zero in December, despite the weak cyclical position of the Swedish economy and a growing divergence from other global central banks (see *Reading the Markets Sweden*, 25 October, for more details).

Markit PMI suggests weak US jobs growth in October



Source: IHS Markit, Macrobond Financial

Global cycle still stuck in low gear in Q4 according to October PMIs



Source: Markit, Macrobond Financial

Contents

Financial views

Major indices	25-Oct	3M	12M
10yr EUR swap	0.01	-0.20	-0.10
EUR/USD	111	111	115
ICE Brent oil	61	65	60

Source: Danske Bank

Follow us on *Twitter*

@Danske_Research

Editor

Senior Analyst
Mikael Olai Milhøj
+45 45 12 76 07
milh@danskebank.dk

Market movers

Global

- In the **US**, we have a packed week ahead of us. The most important event is the Fed meeting on Wednesday (19:00 CET) where we expect another 25bp. While investors have fully priced in a cut, economists are evenly divided on whether the Fed will cut or stay on hold. Despite abating political risk, data remain fragile. For details see today's *FOMC preview: Divided Fed is likely to cut again without pre-commitment*.

  Also on Wednesday, the first estimate of GDP growth in Q3 is due out, which we expect to come out at 1.8% q/q AR. US growth has peaked, as investments are struggling in the current environment and private consumption is not growing as fast as previously.

  On Friday, we get both the jobs report and the ISM manufacturing index for October. Based on the Markit PMI employment subindex, we should expect a fairly weak jobs report in terms of jobs growth. We expect an increase of around 50,000 (which, however, is also pulled down by a strike in general motors, who are counted as unemployed in the jobs report). Both Markit PMI manufacturing and regional surveys suggest ISM manufacturing has risen in October. We expect a rise to 49.0.

- In the **euro area**, we have an interesting week ahead of us. On Thursday, we get the latest chapter of the euro area inflation tragedy when the October print is published. The protagonist, headline inflation, is still in free fall and we expect this fall to continue to 0.7% y/y in October due to base effects in the energy component. Headline inflation does not get much support from core inflation, since it has been hovering around 1.0% in past years despite a solid uptick in wage growth. Hence, we expect the core print to come in at 1.0% y/y. Wednesday brings the German inflation figures, which will give an early sign of where the euro area print is heading.

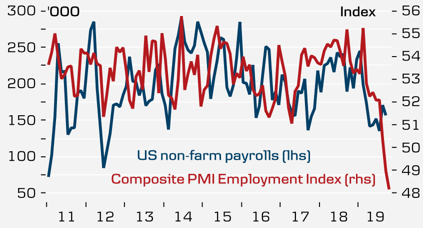
  Also on Thursday, we get the preliminary Q3 GDP print. In Q2 we already saw signs that domestic demand is slowing. PMIs took a further plunge in September pointing to almost stagnant Q3 growth. We still think though that the service sector can compensate for some of the weakness from the ongoing industrial recession and hence look for a quarterly growth rate of 0.2% q/q.

  German politics is also entering an interesting week with the result of the SPD members' vote on a new party leader to be announced on Saturday. A second run-off might be held in November, should no candidates secure an absolute majority. The outcome will have important implications for whether the SPD party will stay in the current governing coalition or whether Germany is heading towards new elections in 2020. An SPD decision is expected at the party conference in early December.

- The **UK** is supposed to leave the EU on 31 October but we expect another Brexit extension although the EU leaders have not agreed to one at the time of writing. British politics is as unpredictable as ever but we see two ways forward. Either PM Johnson's deal passes eventually or we are heading for a general election. We are leaning towards thinking the latter option is more likely. Regardless, it is difficult to see a path to a no deal outcome anymore, which also explains why a lot of negativity has been priced out of the GBP. For more details see *Brexit Monitor: Two ways forward: PM Johnson's deal or general election*, 23 October.

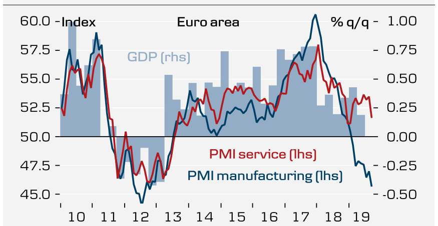
  In terms of economic data releases, it is a quiet week. Most important is the PMI manufacturing index due out on Friday. Despite the weakness in manufacturing in the rest of Europe, we could see another increase in the UK index, as companies may have

Markit PMI suggests weak jobs growth in October



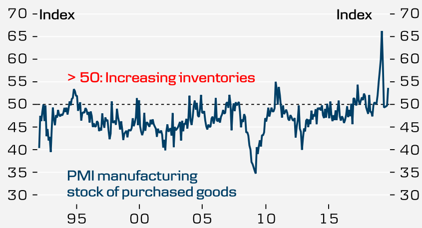
Source: IHS MARKIT, BLS, Macrobond Financial

Will growth follow the PMIs?



Source: Eurostat, Markit, Macrobond Financial

UK companies began stockpiling in September – did they continue in October?



Source: IHS Markit, Macrobond Financial stockpiled ahead of the 31 October Brexit deadline. We expect an increase to 49.0 from 48.3 due to stockpiling.

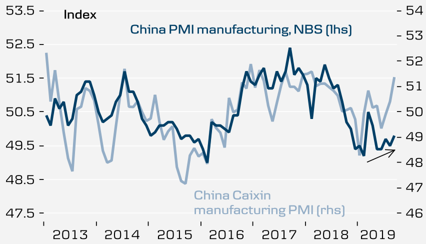
- In **China** the important PMI data are due for release. We expect it to be a bit mixed. We see some downside risk for Caixin PMI manufacturing simply because the increase in the past months seem too good to be true. We look for it to decline to 50.7 (consensus 51.0) from 51.4 in September. For the official PMI manufacturing from NBS we look for a flat reading at 49.8. The NBS PMI has been painting a softer picture but still shows some signs of improvement lately. We currently believe the NBS PMI paints a truer picture as it is better in line with other indicators like the development in metal price inflation. Industrial profits is also up for release. We look for profit growth to continue to fluctuate around zero.

  Also look out for comments on the US-China trade talks, which have been continuing over the phone by lower-level officials currently. We still believe the two sides will be able to reach a 'phase 1' deal to be signed in mid-November on the side-lines of the APEC meeting in Chile

- In **Japan**, the most important event is the Bank of Japan's policy meeting ending on Thursday. The market is pricing some 50% probability of a rate cut. The economy is still in good shape and USD/JPY remains at far from alarming levels, thus we expect the BoJ to remain cautious and stay on hold (see more in preview here: *Bank of Japan preview: No reason to deviate from cautious approach*, 25 October.

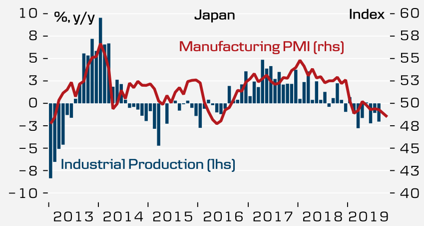
  We also get some interesting key figures. First on Wednesday, September retail sales tick in. We expect to see a surge in the run up to the October VAT hike. On Thursday, we get September industrial production. The manufacturing sector has been slowing recently and we are not likely to see a rebound in the hard figures anytime soon

NBS and Caixin PMI paint different pictures at the moment



Source: Macrobond Financial, Markit, NBS

Manufacturing sector slowing



Source: IHS Markit, Japanese Ministry of Economy, Macrobond Financial

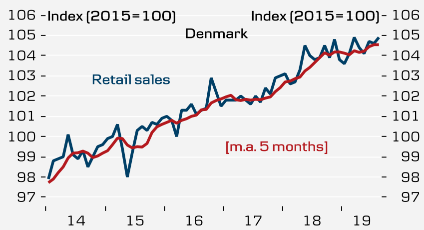
Scandi

- In **Denmark**, a busy week kicks off on Monday with September retail sales. These surprised to the upside in August with an increase of 0.3%, but we expect more subdued growth going forward: while households still have strong finances, they will probably remain fairly cautious.

  Wednesday sees October business confidence, which has been pulled down recently by weak sentiment globally. Things have looked particularly bad for manufacturing, whereas services have fared reasonably well as in other countries. On the one hand, we have a truce in the US-China trade war and reduced uncertainty around Brexit, but on the other, the US has introduced tariffs on a range of European goods. So, although trade uncertainty has eased, it will probably continue to make its mark on the manufacturing indicator in particular.

  Finally, Thursday brings jobless figures for September and housing prices for August. It will be especially interesting to see whether the early signs of a slowdown seen lately in the labour market have fed through into the unemployment data.

Subdued growth in retail sales



Source: Statistics Denmark, Macrobond Financial

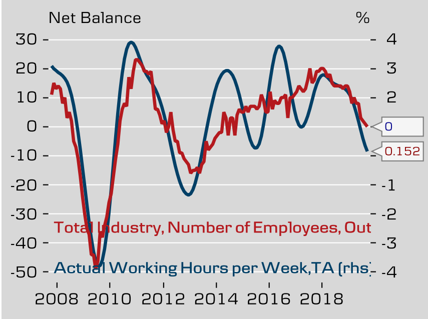
- There is a lot of important data coming out next week in **Sweden**: trade balance, Economic Tendency Survey and PMI manufacturing. Regarding ETS, in the past five months, the indicator has been below the 100th mark with a downward trend, which indicates weaker and weaker growth. It has mainly been driven by households but the business sector continues to indicate weak growth, especially manufacturing and private sector industry.

  Due to SCB's miscalculations last week, we do not know the exact unemployment rate; it is more important to look at other early indicators. The total employment outcome in ETS is equal to zero and actual hours worked per week are close to that. What will be extra interesting next week is to see if the employment outcome passes zero and strengthens the belief that the labour market is deteriorating.

  The downward trend that we have seen in PMI since 2017 has stabilised during the year. This is something that we have been a little pensive about as Germany's PMIs have continued to decline and the spread between Germany and Sweden has been at historically high levels. In September, however, we saw a drop that we were waiting for and the spread tighten. Yet, the drop was quite large – in fact the largest drop since September 2008 - and typically large moves (up or down) in the index are followed by some correction the month after.

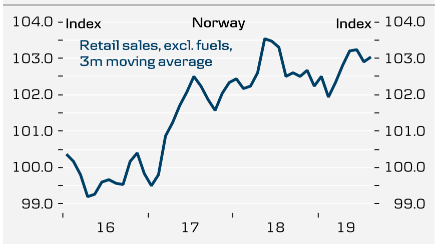
- After falling continuously for three years, unemployment in **Norway** has begun to flatten out. Gross unemployment has continued to fall somewhat, but unemployment rates have stabilised. Unchanged unemployment could indicate growth is approaching trend. However, the number of job vacancies is still growing relatively strongly, suggesting that the demand for labour remains buoyant and that unchanged unemployment is due to bottleneck problems. We therefore expect that unemployment was unchanged at 2.2% in October. The retail trade is fighting relatively strong structural headwinds at the moment and is growing much slower than services consumption. Nevertheless, we expect modest retail trade growth of 0.3% m/m in September. The PMI has vacillated considerably in the past three or four months, but the underlying trend is clearly down. Other indicators, too, are pointing to a slowdown in industrial activity, albeit not so pronounced as the PMI indicates. We therefore expect the PMI rose marginally to 52.0 in October and see only limited downside given that activity in the oil-related industry remains high. The risk here is that the oil-related industry appears to be under-represented in the PMI.

Economic Tendency Survey



Source: Macrobond Financial, NIER, SCB

Retailers fighting structural headwinds



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
During the week		Sun 27	CNY	Industrial profits	y/y	Sep			-2.0%
Wed	30-Oct	0:50	JPY	Retail trade	m/m|y/y	Sep		*3.6%|6.1%*	4.6%|1.8%
		13:30	USD	GDP, first release, preliminary	q/q AR	3rd quarter	**1.8**	*1.6*	2.00
		13:30	USD	PCE core, preliminary	q/q AR	3rd quarter			0.019
		19:00	USD	Fed's Powell (voter, neutral) speaks					
		19:00	USD	FOMC meeting	%		**1.75%**	*2.0%*	2.0%
Thurs	31-Oct	-	JPY	BoJ policy rate	%		**-0.1%**		-0.1%
		0:50	JPY	Industrial production, preliminary	m/m|y/y	Sep		*0.4%|-0.1%*	-1.2%|-4.7%
		2:00	CNY	PMI manufacturing	Index	Oct		*49.8*	49.8
		8:00	DKK	Gross unemployment s.a.	K (%)	Sep			0.038
		11:00	EUR	Unemployment	%	Sep		*7.4%*	7.4%
		11:00	EUR	HICP - core inflation, preliminary	y/y	Oct	**1.0%**	*1.0%*	1.0%
		11:00	EUR	HICP inflation, preliminary	y/y	Oct	**0.7%**	*0.7%*	0.9%
		13:30	USD	PCE core	m/m|y/y	Sep		*0.1%|1.7%*	0.1%|1.8%
		23:59	GBP	Brexit day if no extension is granted (unlikely)					
Fri	01-Nov	10:30	GBP	PMI manufacturing	Index	Oct	**49**	*48.1*	48.3
		13:30	USD	Unemployment	%	Oct	**3.5%**	*3.6%*	3.5%
		13:30	USD	Average hourly earnings, non-farm	m/m|y/y	Oct	*0.2%|3.0%*	*0.3%|3.0%*	0.0%|2.9%
		13:30	USD	Non farm payrolls	1000	Oct	**50**	*95*	136
		15:00	USD	ISM manufacturing	Index	Oct		*49.0*	47.8
Scandi movers									
During the week									
Fri	01-Nov	8:30	SEK	PMI manufacturing	Index	Oct		*46.6*	46.3
		9:00	NOK	PMI manufacturing	Index	Oct	**52.0**	*50.2*	50.4

Source: Bloomberg, Danske Bank

Weekly Wrap-Up

Market mood runs into roadblocks

Main macro themes

- While most were surprised about PM Johnson's Brexit deal with the EU27 last week, it does not come as a surprise that the deal is in limbo in Parliament due to the parliamentary arithmetic. What we know now is that Brexit is not going to happen on 31 October and we are awaiting the EU leaders' decision on whether to grant another extension and if so, for how long. We see two ways forward: either PM Johnson's deal passes eventually or the UK is heading for a general election. We are leaning towards the latter (see *Brexit Monitor*, 23 October).

- October PMIs still painted a lacklustre picture of the global cycle at the start of Q4. *Japanese PMIs* saw a significant weakening, but idiosyncratic factors from a VAT hike and a typhoon hitting the country might be to blame. In the euro area the industrial recession seems to drag out (albeit not intensify), while adverse spill over effects on the service sector and the domestic side of the economy are becoming more visible, especially in *Germany*. Across the Atlantic, PMIs edged up slightly but still signal subdued US growth in Q4, with *job growth* slowing further.

- Central bank action - or rather inaction - took centre stage later in the week. Mario Draghi's last ECB meeting brought little in terms of new policy signals, apart from a hint that ISIN limits could be changed down the road (see *ECB Research*, 24 October). Norges Bank did not send any new policy signals either and held on to a rate path that foresees no moves in the coming period. We still expect a rate hike in March 2020 (see *Norges Bank Review*, 24 October). The Riksbank reconfirmed its intention to hike policy rates back to zero in December, despite the weak cyclical position of the Swedish economy and a growing divergence to other global central banks (see *Reading the Markets Sweden*, 25 October).

Financial market developments

- In *FI Research: Seven reasons why yields are higher*, 23 October, we took a closer look at the factors that drove the recent fixed income sell-off. However, during the course of the week, investors underwent a change of heart and global yields edged lower again as risk appetite came under pressure following renewed Brexit uncertainty and lacklustre PMI data. 10Y German Bund yields dropped back below -0.40%, while Italian bonds came under pressure amid concerns how the EU Commission would receive Italy's budget clarifications. We still think that a confrontation like last year can be avoided.

- While the market reaction to the ECB's and Norges Bank's inaction was relatively limited, this was not the case for Swedish assets. EUR/SEK broke below 10.70 and Swedish rates markets are now pricing in a 21bp hike for December, up from 9bp before the meeting.

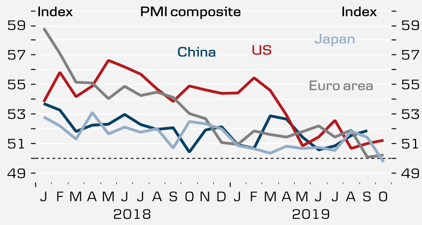
- The Q3 reporting season is in full swing and equity markets have been on a volatile ride this week. Trade talk optimism and higher yields underpinned cyclicals and bank stocks but mid-week sentiment shifted towards risk-off, as a smooth Brexit ran into headwinds and the fixed income rally resumed. Still, the Eurostoxx 50 index is up some 1% since last week, while the S&P 500 index remains above the 3000 level.

Financial views

Major indices	25-Oct	3M	12M
10yr EUR swap	0.01	-0.20	-0.10
10yr US swap	1.68	1.30	1.10
ECB key rate	-0.50	-0.50	-0.50
Fed funds rate	2.00	1.50	1.00
EUR/SEK	1073	1100	1120
EUR/NOK	1016	1010	970
EUR/USD	111	111	115
ICE Brent oil	61	65	60

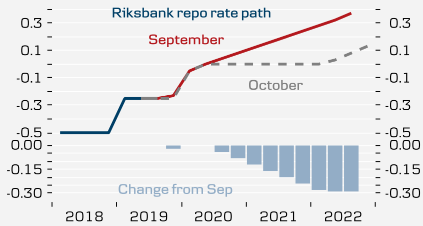
Source: Danske Bank

Global cycle still stuck in low gear in Q4 according to October PMIs



Source: Markit, Macrobond Financial

Riksbank indicates 25bp December rate hike is still on track



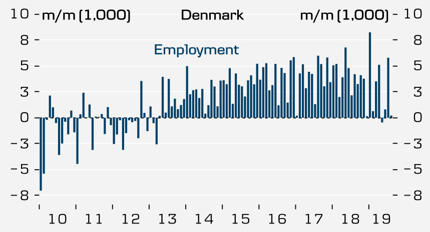
Source: Riksbank, Macrobond Financial, Danske Bank

Scandi update

Denmark – Weak data and postponed homeowner tax reform

Employment was more or less flat in August with a rise of just 200 people, while the July numbers were revised up to show an increase of almost 6,000. The August figures nevertheless underline how the past six years' solid job creation slowed markedly over the spring and summer despite further relatively healthy growth in the economy. This growth was, however, fuelled to a great extent by the pharmaceutical industry, which does not account for that much of the labour market. Other, more labour-intensive industries have been hit harder by the global slowdown.

Job growth has slowed



Source: Statistics Denmark, Macrobond Financial

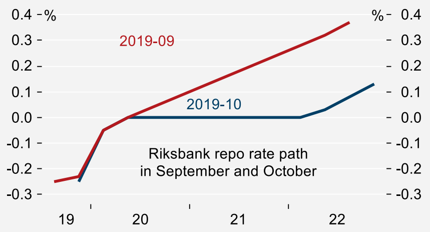
Wednesday's consumer confidence data showed a drop in the indicator from 4.3 in September to 1.7 in October. This was the result of a more negative view of the current situation in terms of both personal finances and the economy as a whole. Consumers' take on the outlook for the coming year improved slightly but is still at a very low level – the lowest in eight years if we exclude September.

Also on Wednesday, the government announced the postponement of planned new tax rules for homeowners from 1 January 2021 to 1 January 2024 and pushed back the deadline for property revaluations to 2022. Uncertainty about the housing market, especially in the big cities, will thus persist, and the 800,000 or so homeowners who had looked forward to some money back in tax as a result of the reform will need to be patient. We are looking at an average repayment of around DKK 19,000 per dwelling being postponed, which will presumably mean slower growth in private consumption next year than previously anticipated.

From inflation- to rate-targeting

The Riksbank has always stubbornly denied that 'zero' is no target in itself. That now appears to be false. It indirectly admitted that now by saying that in case negative rates become embedded in expectations as a more permanent condition it could affect economic agents' behaviour in a negative way. So the policy conclusion is that the policy rate is most likely to be raised to zero in December. We obviously made the mistake to believe what the Riksbank said (earlier).

Strange Riksbank rate forecast



Source: SCB

As expected the Riksbank marked down the growth assumptions somewhat but stressed that as far as Sweden is concerned it is a matter of normalisation and there is no recession is sight neither in Sweden nor internationally.

The new rate path looks like nothing we have seen before and in a way it looks crazy. A 25bp rate hike followed by policy on hold until mid-2022 (!) followed by a shallow upward slope in H2 22. This is quite an unlikely scenario and should be viewed as the Riksbank saying:

- We want to leave negative rates behind us.
- After that we have no clue.

Is there anything in the near term that could affect the probability of a December hike? One thing to look out for is labour market data revisions. Job data over the past year or so have been distorted. SCB says that unemployment was underestimated in 2018 and the first half of 2019, while the sharp rise in more recent months is exaggerated. This means that the Riksbank does not have a clear view of the exact status of the labour market right now. In the meantime it has decided to stick to a fairly optimistic view with a quite insignificant increase in unemployment and a small increase in employment.

The market is pricing in a 21bp rate hike in December and given yesterday's message it is hard to go against that. The question is what then? The Riksbank explicitly said that in case the economic outlook improves, more hikes would be appropriate (sooner than late 2022 we assume) and in the opposite case, with the economy slowing further, it could increase monetary stimulus by a rate cut or by some (unspecified) other measures.

Our view is that economic conditions will deteriorate further from here reaching a trough with around zero y/y-growth by mid-2020. At the same time, given the fact that the Riksbank obviously really wanted to leave negative territory, it appears that the policy response is asymmetric. In practice, since a rate hike in December primarily seems to be motivated by the desire to reach zero than by economic factors, the Riksbank is not likely to move again (after December) for quite some time but at the same time it probably requires more in terms of bad data to trigger a rate cut back to negative than it would take to make it tilt the rate path upwards at some point.

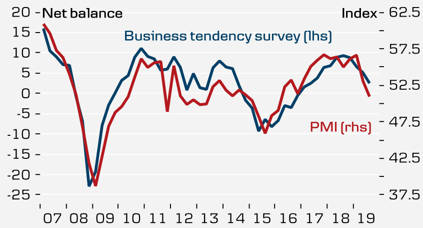
In the meantime we would guess that the front-end of the curve will be pretty much locked in.

Norway – industry slows, but no recession

The business tendency survey for Norwegian industry fell to 2.5 in Q3 19 from 5.1 in Q2. Hence, the figures confirm a slowdown in the industrial sector, though one not nearly as forceful as the PMI figures have indicated. Sifting through the details also provides a significantly brighter picture than the main index, with expected production and new orders in the next quarter, for example, considerably better than equivalent indexes in the PMI. As we have stated many times before, the PMI may, as well as having monthly volatility issues, contain too little in the way of oil-related operations. For example, the PMI was much weaker than the business tendency survey during the oil upswing and the euro downturn in 2012.

As expected, Norges Bank kept rates on hold at 1.5% and signalled unchanged rates for 'the immediate future'. We interpret this as Norges Bank seeing rates most likely remaining unchanged at least until after the December policy meeting.

Roughly normal growth in industry



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

25/10 China Weekly Letter - China climbs further in World Bank 'Doing Business' index

US and China are still on track for a 'phase one' trade deal in mid-November.

25/10 FOMC preview - Divided Fed is likely to cut again without pre-commitment

We expect the Federal Reserve will cut rates again by 25bp when it meets next week (announcement Wednesday 19:00 CEST).

25/10 Bank of Japan preview: No reason to deviate from cautious approach

We expect the Bank of Japan (BoJ) to keep the policy rate and yield curve control unchanged at the next monetary policy meeting ending on Thursday 31 October.

24/10 ECB Research: Thank you, Draghi

The ECB meeting today will mostly remembered for Draghi's last press conference and not its monetary policy messages.

24/10 Norges Bank Review: As expected unchanged rates and little news

Norges Bank (NB) left the sight deposit rate unchanged at 1.50 % in a decision widely expected by both markets and analysts.

23/10 Brexit Monitor - Two ways forward: PM Johnson's deal or general election

EU27 set to grant the extension but disagreement on length

22/10 FX Forecast Update - Scandies - handle with care

Danske Bank’s FX forecasts.

21/10 Macro Strategy Views Podcast: Why Riksbank will postpone rate hike

In our weekly podcast, Macro Strategy Views, we discuss the Riksbank and the ECB meetings this week.

21/10 Brexit Monitor: Johnson has the numbers but has not won the battle yet

Watch out for amendments to Johnson's deal

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	2018	1.5	2.2	0.9	6.5	0.4	3.3	0.8	2.2	3.9	0.8	34.2	7.1
	2019	2.0	1.5	0.3	-1.8	4.5	0.3	0.8	2.0	3.8	2.0	32.4	7.6
	2020	1.3	2.4	0.9	0.9	1.6	1.9	1.2	2.1	4.0	0.5	31.5	7.3
Sweden	2018	2.4	1.6	0.4	4.6	3.1	3.6	2.0	2.6	6.3	0.8	38.5	0.4
	2019	1.0	0.7	0.7	-1.8	4.2	1.7	1.7	2.6	6.8	0.1	35.0	3.7
	2020	0.7	1.9	1.5	-2.2	2.7	2.1	1.1	2.4	7.8	-0.5	34.0	3.7
Norway	2018	2.2	1.9	1.4	2.8	-0.2	1.9	2.7	2.8	2.5	-	-	-
	2019	2.6	2.0	2.0	4.8	3.0	3.5	2.2	3.4	2.3	-	-	-
	2020	2.2	2.4	1.7	3.0	4.0	2.5	2.2	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	2018	1.9	1.4	1.1	2.4	3.3	2.7	1.8	2.3	8.2	-0.5	85.9	3.6
	2019	1.1	1.1	1.6	6.8	2.5	4.6	1.2	2.1	7.7	-0.9	85.8	3.3
	2020	0.9	1.4	1.8	2.7	1.4	3.2	0.9	2.3	7.5	-0.9	84.3	3.2
Germany	2018	1.5	1.2	1.4	3.5	2.3	3.7	1.9	0.0	3.4	1.9	61.9	7.3
	2019	0.5	1.5	2.1	2.9	0.8	2.8	1.4	3.0	3.1	1.0	58.4	6.0
	2020	0.7	1.4	2.3	1.3	0.7	2.7	1.5	2.8	3.0	0.8	55.6	5.9
Finland	2018	1.7	1.8	1.5	3.3	2.2	5.0	1.1	1.7	7.4	-0.8	59.1	-1.4
	2019	1.2	0.8	1.5	0.5	3.5	2.0	1.1	2.5	6.6	-0.4	58.4	-0.8
	2020	0.8	1.0	1.5	0.6	1.5	2.0	1.4	2.7	6.6	-0.4	57.7	-0.8

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	2018	2.9	3.0	1.7	4.6	3.0	4.4	2.4	3.0	3.9	-3.9	106.0	-2.3
	2019	2.3	2.5	2.3	1.6	-0.5	2.0	2.0	3.3	3.6	-4.2	106.0	-2.6
	2020	1.7	2.4	0.9	1.1	0.7	2.2	2.3	3.6	3.4	-4.2	106.0	-2.7
China	2018	6.6	8.2	-	5.0	-	-	2.2	8.5	-	-4.1	50.1	0.7
	2019	6.2	7.5	-	5.0	-	-	2.5	8.0	-	-6.1	53.9	0.0
	2020	6.0	7.8	-	4.6	-	-	2.2	7.5	-	-5.5	57.1	-0.1
UK	2018	1.4	1.6	0.6	-0.1	-0.9	0.7	2.5	3.0	4.1	-2.3	86.8	-4.0
	2019	1.2	1.9	2.5	-0.6	0.7	4.2	1.9	3.5	3.8	-1.4	83.8	-3.8
	2020	1.3	1.6	1.3	-2.0	0.8	-2.4	1.4	3.5	3.6	-1.1	82.9	-3.5
Japan	2018	0.8	0.3	0.8	1.1	3.4	3.3	0.9	-	2.4	-	-	-
	2019	1.4	1.0	2.2	2.4	-1.7	-0.6	1.0	-	2.4	-	-	-
	2020	0.5	-0.3	1.7	0.6	1.7	1.2	1.6	-	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-Oct	2.00	1.94	1.61	1.68	111.1	-	672.7	914.8	966.4
	+3m	1.50	1.14	1.30	1.30	111.0	-	673.0	909.9	991.0
	+6m	1.00	1.00	0.90	1.00	113.0	-	660.5	867.3	991.2
	+12m	1.00	1.00	1.00	1.10	115.0	-	648.7	843.5	973.9
EUR	25-Oct	-0.50	-0.40	-0.36	0.01	-	111.1	747.0	1015.9	1073.2
	+3m	-0.50	-0.41	-0.50	-0.20	-	111.0	747.0	1010.0	1100.0
	+6m	-0.50	-0.41	-0.50	-0.20	-	113.0	746.4	980.0	1120.0
	+12m	-0.50	-0.41	-0.40	-0.10	-	115.0	746.0	970.0	1120.0
JPY	25-Oct	-0.10	-0.11	-0.11	0.01	120.5	108.7	6.20	8.43	8.91
	+3m	-0.10	-	-	-	118.8	107.0	6.29	8.50	9.26
	+6m	-0.10	-	-	-	120.9	107.0	6.17	8.11	9.26
	+12m	-0.10	-	-	-	126.5	110.0	5.90	7.67	8.85
GBP	25-Oct	0.75	0.80	0.77	0.84	86.5	128.4	863.8	1174.7	1241.0
	+3m	0.75	0.79	0.70	0.70	87.5	126.9	853.7	1154.3	1257.1
	+6m	0.75	0.79	0.70	0.70	87.5	129.1	853.0	1120.0	1280.0
	+12m	0.75	0.79	0.80	0.75	87.5	131.4	852.6	1108.6	1280.0
CHF	25-Oct	-0.75	-0.77	-0.70	-0.24	110.2	99.2	677.9	921.9	973.8
	+3m	-0.75	-	-	-	110.0	99.1	679.1	918.2	1000.0
	+6m	-0.75	-	-	-	112.0	99.1	666.4	875.0	1000.0
	+12m	-0.75	-	-	-	114.0	99.1	654.4	850.9	982.5
DKK	25-Oct	-0.75	-0.42	-0.28	0.11	747.0	672.7	-	136.0	143.7
	+3m	-0.75	-0.45	-0.45	-0.15	747.0	673.0	-	135.2	147.3
	+6m	-0.75	-0.45	-0.45	-0.15	746.4	660.5	-	131.3	150.1
	+12m	-0.75	-0.45	-0.35	-0.05	746.0	648.7	-	130.0	150.1
SEK	25-Oct	-0.25	-0.05	0.13	0.45	1073.2	966.4	69.6	94.7	100.0
	+3m	0.00	0.10	0.15	0.35	1100.0	991.0	67.9	91.8	-
	+6m	0.00	0.10	0.15	0.35	1120.0	991.2	66.6	87.5	-
	+12m	0.00	0.10	0.15	0.45	1120.0	973.9	66.6	86.6	-
NOK	25-Oct	1.50	1.83	1.93	1.83	1015.9	914.8	73.5	100.0	105.6
	+3m	1.50	2.00	1.90	1.65	1010.0	909.9	74.0	-	108.9
	+6m	1.75	2.15	2.00	1.70	980.0	867.3	76.2	-	114.3
	+12m	1.75	2.15	2.05	1.70	970.0	843.5	76.9	-	115.5

Commodities

		2019				2020				Average	
	25-Oct	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2019	2020
ICE Brent	61	64	68	62	65	60	60	60	60	65	60

Source: Dansk Bank

Calendar

Key Data and Events in Week 44

During the week				Period	Danske Bank	Consensus	Previous
Sun 27	CNY	Industrial profits	y/y	Sep			-2.0%
Monday, October 28, 2019				Period	Danske Bank	Consensus	Previous
8:00	DKK	CB's securities statistics		Sep			
8:00	DKK	Foriegn portfolio investments		Sep			
8:00	DKK	Retail sales	m/m|y/y	Sep			0.3%|0.8%
9:30	SEK	Trade balance	SEK bn	Sep	**5.0**		-5.4
10:00	EUR	Money supply (M3)	y/y	Sep		*5.7%*	5.7%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Sep		*5.7%*	5.7%
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Sep		*5.7%*	5.7%
13:30	USD	Advance goods trade balance	USD bn	Sep		*-73.5*	-72.8
Tuesday, October 29, 2019				Period	Danske Bank	Consensus	Previous
8:45	FRF	Consumer confidence	Index	Oct		*104.0*	104.0
15:00	USD	Pending home sales	m/m|y/y	Sep		*1.0%|...*	1.6%|1.1%
15:00	USD	Conference Board consumer confidence	Index	Oct		*127.8*	125.1
Wednesday, October 30, 2019				Period	Danske Bank	Consensus	Previous
0:50	JPY	Retail trade	m/m|y/y	Sep		*3.6%|6.1%*	4.6%|1.8%
1:30	AUD	CPI	q/q|y/y	3rd quarter		*0.5%|1.7%*	0.6%|1.6%
7:30	FRF	GDP, preliminary	q/q|y/y	3rd quarter		*0.2%|1.3%*	0.3%|1.4%
8:00	DKK	Business Confidence		Oct			
8:00	NOK	Retail sales, s.a.	m/m	Sep	**0.3%**	*0.3%*	0.0%
8:45	FRF	Household consumption	m/m|y/y	Sep			0.0%|-0.4%
9:00	CHF	KOF leading indicator	Index	Oct		*93.5*	93.2
9:00	ESP	HICP, preliminary	m/m|y/y	Oct		*0.5%|0.1%*	0.4%|0.2%
9:30	SEK	Wages (blue collars/white collars)	y/y	Aug			2.8%
9:55	DEM	Unemployment	%	Oct		*5.0%*	5.0%
11:00	EUR	Business climate indicator	Net bal.	Oct		*-0.2*	-0.2
11:00	EUR	Industrial confidence	Net bal.	Oct		*-8.9*	-8.8
11:00	EUR	Economic confidence	Index	Oct		*101.1*	101.7
11:00	EUR	Consumer confidence, final	Net bal.	Oct		*-7.6*	-7.6
11:00	EUR	Service confidence	Net bal.	Oct		*9.2*	9.5
13:15	USD	ADP employment	1000	Oct		*132*	135
13:30	USD	GDP, first release, preliminary	q/q AR	3rd quarter	**1.8**	*1.6*	2.00
13:30	USD	PCE core, preliminary	q/q AR	3rd quarter			0.019
14:00	DEM	HICP, preliminary	m/m|y/y	Oct		*0.0%|0.8%*	-0.1%|0.9%
15:00	CAD	Bank of Canada rate decision	%		*1.75%*	*1.75%*	*1.75%*
15:30	USD	DOE U.S. crude oil inventories	K				-1699
19:00	USD	Fed's Powell (voter, neutral) speaks					
19:00	USD	FOMC meeting	%		**1.75%**	*2.0%*	2.0%

Source: Danske Bank

Calendar

Thursday, October 31, 2019				Period	Danske Bank	*Consensus*	Previous
-	JPY	BoJ policy rate	%		**-0.1%**		-0.1%
0:50	JPY	Industrial production, preliminary	m/m|y/y	Sep		*0.4%|-0.1%*	-1.2%|-4.7%
1:01	GBP	GfK consumer confidence	Index	Oct		*-13.0*	-12.0
2:00	CNY	PMI manufacturing	Index	Oct		*49.8*	49.8
2:00	CNY	PMI non-manufacturing	Index	Oct		*53.7*	53.7
6:00	JPY	Consumer confidence	Index	Oct		*35.2*	35.6
8:00	DEM	Retail sales	m/m|y/y	Sep		*0.3%|3.4%*	-0.1%|3.2%
8:00	NOK	Credit indicator (C2)	y/y	Sep		*5.5%*	5.5%
8:00	DKK	Gross unemployment s.a.	K (%)	Sep			0.038
8:00	DKK	House and apartment prices	m/m|y/y	Aug			
8:45	FRF	HICP, preliminary	m/m|y/y	Oct		*0.0%|1.0%*	-0.4%|1.1%
9:00	ESP	GDP, preliminary	q/q|y/y	3rd quarter		*0.4%|1.9%*	0.4%|2.0%
10:00	NOK	Norges Bank's daily FX purchases	m	Nov			-700
11:00	ITL	HICP, preliminary	m/m|y/y	Oct		*0.1%|0.2%*	1.4%|0.2%
11:00	EUR	Unemployment	%	Sep		*7.4%*	7.4%
11:00	EUR	HICP - core inflation, preliminary	y/y	Oct	**1.0%**	*1.0%*	1.0%
11:00	EUR	HICP inflation, preliminary	y/y	Oct	**0.7%**	*0.7%*	0.9%
11:00	EUR	GDP, preliminary	q/q|y/y	3rd quarter	**0.2%|1.1%**	*0.1%|1.1%*	0.2%|1.2%
12:00	ITL	GDP, preliminary	q/q|y/y	3rd quarter		*0.0%|0.2%*	0.1%|0.1%
13:30	USD	Personal spending	m/m	Sep		*0.3%*	0.1%
13:30	USD	Initial jobless claims	1000				212
13:30	USD	Employment cost index	m/m	3rd quarter		*0.7%*	0.6%
13:30	USD	PCE headline	m/m|y/y	Sep		*0.0%|1.4%*	0.0%|1.4%
13:30	CAD	GDP	m/m|y/y	Aug		*0.3%|...*	0.0%|1.3%
13:30	USD	PCE core	m/m|y/y	Sep		*0.1%|1.7%*	0.1%|1.8%
14:45	USD	Chicago PMI	Index	Oct		*49.0*	47.1
23:59	GBP	Brexit day if no extension is granted (unlikely)					

Friday, November 1, 2019				Period	Danske Bank	*Consensus*	Previous
-	EUR	Moody's may publish Norway's debt rating					
-	USD	Total vechicle sales	m	Oct		*17.05*	17.19
0:30	JPY	Unemployment rate	%	Sep		*2.2%*	2.2%
0:30	JPY	Job-to-applicant ratio		Sep		*1.59*	1.59
1:30	JPY	Nikkei Manufacturing PMI, final	Index	Oct			48.5
2:45	CNY	Caixin PMI manufacturing	Index	Oct		*51.0*	51.4
8:30	CHF	CPI	m/m|y/y	Oct		*0.0%|0.0%*	-0.1%|0.1%
8:30	SEK	PMI manufacturing	Index	Oct		*46.6*	46.3
9:00	NOK	PMI manufacturing	Index	Oct	**52.0**	*50.2*	50.4
10:00	NOK	Unemployment	%	Oct	**2.2%**	*2.1%*	2.2%
10:30	GBP	PMI manufacturing	Index	Oct	**49**	*48.1*	48.3
13:30	USD	Unemployment	%	Oct	**3.5%**	*3.6%*	3.5%
13:30	USD	Average hourly earnings, non-farm	m/m|y/y	Oct	*0.2%|3.0%*	*0.3%|3.0%*	0.0%|2.9%
13:30	USD	Non farm payrolls	1000	Oct	**50**	*95*	136
14:30	CAD	RBC manufacturing PMI	Index	Oct			51.0
14:45	USD	Markit PMI manufacturing, final	Index	Oct			51.5
15:00	USD	Construction spending	m/m	Sep		*0.2%*	0.1%
15:00	USD	ISM manufacturing	Index	Oct		*49.0*	47.8
18:00	USD	Fed's Quarles (voter, neutral) speaks					
18:00	USD	Fed's Clarida (voter, neutral) speaks					
19:30	USD	Fed's Williams (voter, neutral) speaks					

The editors do not guarantee the accurateness of figures, hours or dates stated above

For furher information, call (+45) 45 12 85 22.

Source: Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Mikael Olai Milhøj, 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.

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 security, issuer and/or country. Documentation can be obtained from the authors on request.

Risk warning

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

Date of first publication

See the front page of this research report for the date of first publication.

General disclaimer

This research report has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment 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').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, 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 responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change and Danske Bank 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 herein.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom or the United States.

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'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/A, 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 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 who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA 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.

Report completed: 25 October 2019, 13:05 CEST

Report first disseminated: 25 October 2019, 13:30 CEST