26 January 2018

# Weekly Focus

## The end of the Yellen era

**DANSKE BANK NEW RESEARCH WEBSITE:** We have launched a new research website with all our research across asset classes and countries. Check it out now at *https://research.danskebank.com*.

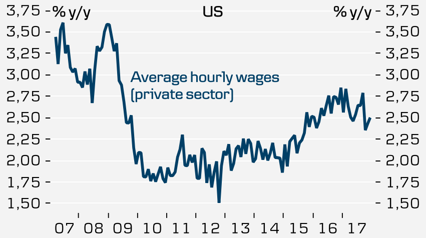
### Market Movers ahead

- We do not expect the **Fed** to change rates on Wednesday, nor any major change to its statement, as the market has priced in three hikes this year already in line with the Fed's rate expectations.
- We expect the US employment to continue to show gains in Friday's **non-farm payroll report**, but hourly earnings are the key focus, where upside could add fuel to the global reflation theme.
- We expect another strong **eurozone GDP** reading for Q4 17, due to be released on Tuesday.
- We think the **China PMI** release for January will show a small fall, although staying at robust levels.

### Global macro and market themes

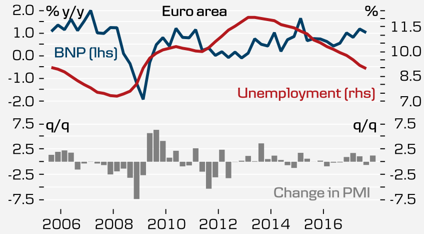
- Risk sentiment off to a strong start supported by strong fundamentals.
- Strong data out of the US and euro area.
- USD weakening has further to go.
- Bond yields set to move higher in the medium term.
- Trump has made his first move on protectionism – more will come.

**Muted wage pressure a key issue for the Fed**




Source: LSA, Macrobond Financial

**Euro area GDP growth expected to remain strong**




Source: Eurostat, Markit PMI, Danske Bank, Macrobond Financial

## Contents



**Financial views**

| Major indices | 26-Jan | 3M | 12M |
|---|---|---|---|
| 10yr EUR swap | 1.00 | 1.00 | 1.45 |
| EUR/USD | 125 | 120 | 128 |
| ICE Brent oil | 70 | 62 | 64 |

Source: Danske Bank

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# Market movers

## Global

- In the **US**, the most important event next week is the Fed meeting on Wednesday evening, when we do not expect the Fed to move. Also, we do not expect major changes to the statement (notice there will be no press conference and no projections), as markets are already beginning to price in the three hikes the Fed is signalling. As it is Janet Yellen's last meeting, we summarised our view on the Jerome Powell Fed in *Flash Comment US: Fed Chair Powell is 'Yellen in disguise' amid discussions about price level targeting*, 24 January.

  Besides this, we expect focus on ISM manufacturing on Thursday, with regional PMIs having fallen, so it is likely ISM will too. It is noteworthy that there is still a large gap between ISM manufacturing and PMI manufacturing.

  On Friday, we get the jobs report for January, which we expect to show that employment has continued to rise. Focus remains on average hourly earnings, as the missing wage pressure despite the tight labour market is still one of the big puzzles. If the growth in average hourly earnings surprises on the upside, it will, in our view, add fuel to the reflation theme in the financial markets.

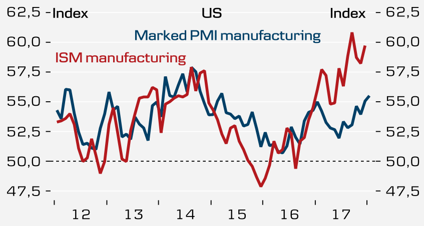
  We also plan to keep an eye on Donald Trump's State of the Union speech on Tuesday, especially with respect to infrastructure and protectionist trade policy following his tax reform.

- In the **euro area,** the GDP growth figures for Q4 17 are due for release on Tuesday. Growth was strong in the first three quarters of 2017, with the latest print for Q3 at 0.7% q/q. Both survey and activity indicators have pointed towards continued strong growth. Composite PMI averaged 57.2 in Q4 (up from 56.0 in Q3), unemployment has edged below 9% and industrial production has showed further expansion. Thus, we believe Q4 GDP growth will be reported as 0.6% q/q.

  On Wednesday, we expect HICP figures for January. Headline inflation has plateaued around 1.4-1.5% y/y in recent months but we expect it to fall temporarily to 1.1% in January due to energy price base effects but bounce back to the 1.4% level shortly after. However, we do not believe headline inflation will pick up significantly from 1.4% before 2019 despite higher expected energy price inflation. Wage growth remains subdued, so underlying inflation pressure is not strong enough to lift headline inflation towards the ECB's 2% target just yet. Still, growth momentum is high enough to sustain core inflation above 1%, which we believe will be key for ECB if it ends the QE programme. We expect core inflation to be 1.0% in January (see *Euro Area Research: ECB inflation gap persists in 2019*, 4 December 2017).

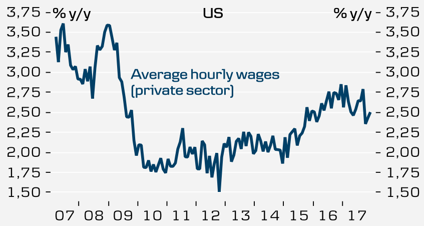
- In the **UK**, the most important release next week is the PMI manufacturing index for January, which is due on Thursday. The UK index usually follows the equivalent index for the euro area, which fell in January. However, the UK index fell in December despite the European index rising. Overall, we expect an increase from 56.3 to 57.3.

**Large gap between Markit PMI and ISM manufacturing**



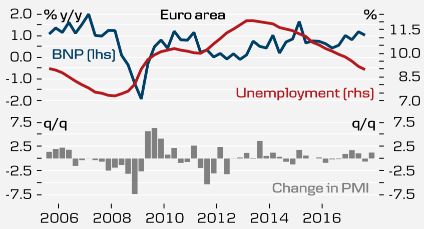

*Source: ISM, IHS Markit, Macrobond Financial*

**Where is the wage pressure?**



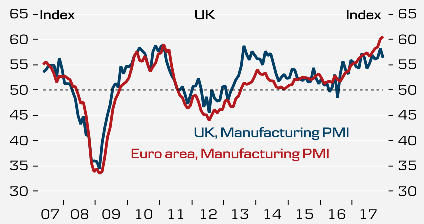

*Source: LSA, Macrobond Financial*

**GDP growth expected to remain strong**




*Source: Eurostat, Markit PMI, Danske Bank, Macrobond Financial*

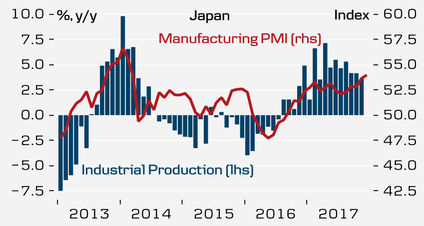
**UK PMI manufacturing index slightly below the equivalent index for the euro area**




*Source: IHS Markit, Macrobond Financial*

- In **Japan**, next week is heavy on key economic figures. On Wednesday, we get December industrial production figures. The manufacturing sector looked strong in 2017 and PMIs point to continued progress. We also get December figures for private consumption, as the household spending survey and retail sales tick in on Tuesday. Both have increased recently and consumer confidence indicates private consumption will strengthen. We get the January consumer confidence on Wednesday.

**Manufacturing sector still going strong**




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

- The focus next week in **China** is likely to be PMI data for January and industrial profits. We look for a small decline in PMI manufacturing from Caixin to 51.2 (consensus 51.5), down from 51.5 in December. However, this would still leave it at a robust level. Strong Chinese exports seem to be compensating for a slowdown in the housing market. Hence, the downside risks we saw earlier from the significant credit tightening have abated. Strong profit growth supported by higher producer prices is also underpinning activity.

**China: highest nominal growth since 2012**

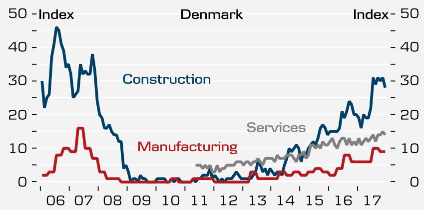

*Source: Macrobond Financial, Danske Bank*

## Scandi

- In **Denmark**, business confidence data are released on Tuesday. We intend to keep a particular eye on how many firms report problems sourcing labour. Despite continued improvements in the labour market, with employment rising by more than 6,000 people in November alone, there has not been any further increase in the number of firms encountering recruitment problems. If this indicator begins to climb rapidly again, it could raise uncertainty about the sustainability of the upturn in the labour market. Wednesday's unemployment numbers will also shed light on the state of the labour market.

  On Friday, we will finally get figures for construction activity in 2017, including housing starts and housing completions. Delays caused by problems with the data mean that the figures will cover Q2 and Q3 as well as Q4. In a period when the housing market is booming (especially the market for apartments in the big cities), it is crucial to have high-quality statistics for construction activity. Therefore, we look forward to once again having an official source of data that can tell us how strong homebuilding has actually been and thus give us an idea of what has been happening on the supply side.

**Labour shortage indicators have stabilised but at high levels**

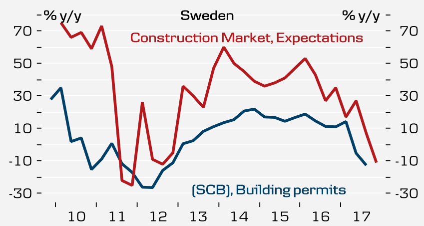



*Source: Statistics Denmark, Macrobond Financial*

- The agenda is very thin in **Sweden** this week. Manufacturing PMI is likely to stay at 60 as suggested by the recent convergence by the NIER manufacturing confidence indicator. However, services PMI appears set for a downward correction.

  Most interesting though will be December budget figures from ESV (Budget Management Office) with details about tax revenues, due on 29 January. The Debt Office's December figures were a significant surprise showing a much smaller borrowing requirement than expected, bringing the annual 2017 budget surplus to almost SEK62bn, more than twice the SEK28bn that was projected as late as October. A year before that, in October 2016, the Debt Office expected a budget **deficit** of SEK33bn for 2017. This is not to ridicule the Debt Office; it is just to illustrate that forecasting can be very tough, particularly as fundamentals are shifting. Today, we know that tax revenues were seriously underestimated in 2016, apparently in December too. Now, unless ESV figures suggest that tax flows may reverse in coming months, the stage is set for yet another big revision to the Debt Office's funding plans for 2018. This could make the supply outlook for Swedish bonds quite awkward, as there is nothing left to cut but nominals or linkers, of which the Riksbank already owns a big chunk.

**Services surveys**



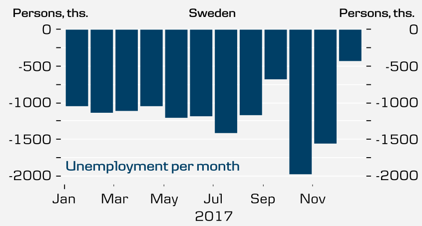

*Source: NIER, Swedbank*

- In **Norway**, we believe the week's most important release is NAV's unemployment figures for January. After falling by 1,000-1,500 people per month, gross unemployment fell by just 500 in December. This could be a sign that the labour market is tightening more slowly but it is also possible that the collection period in December – a week earlier than usual – affected the figures. Therefore, we expect gross unemployment to resume its previous path and fall by 1,200 people m/m in January, with the unemployment rate climbing to 2.8% for seasonal reasons.

  After falling for two months, retail sales corrected strongly in November, climbing 2.1% m/m. We think this was due in part to a large chunk of Christmas spending being brought forward to Black Friday in November, which is not yet fully captured in the seasonal adjustment. Therefore, we expect retail sales to fall 0.5% m/m in December, fuelling speculation that the housing market is taking consumer spending down with it. We still do not believe this to be the case, given that (a) consumption of services is performing much better than retail sales, (b) consumer confidence is still rising and (c) car sales in December were at their highest since May 1986.

  The unusual combination of high oil prices, a weak NOK and strong global growth makes the outlook for Norwegian manufacturing brighter than for a long time. Nevertheless, we expect the PMI to fall back to 56.5 in January, after hitting a 10-year high in December.

**Is the decline in unemployment losing momentum?**




*Source: Macrobond Financial, Danske Bank*

**Market movers ahead**

| Global movers | | | | Event | | Period | Danske | Consensus | Previous |
|---|---|---|---|---|---|---|---|---|---|
| Tue | 30-Jan | - | USD | Trump to give State of the Union speech | | | | | |
| | | - | JPY | Household Spending Survey | | Dec | | | |
| | | 0:50 | JPY | Retail trade | m/m\|y/y | Dec | | -0.2%\|2.1% | 1.9%\|2.2% |
| | | 11:00 | EUR | GDP, preliminary | q/q\|y/y | 4th quarter | 0.6%\|... | 0.6%\|2.7% | 0.6%\|2.6% |
| Wed | 31-Jan | 0:50 | JPY | Industrial production, preliminary | m/m\|y/y | Dec | | 1.5%\|3.2% | 0.5%\|3.6% |
| | | 6:00 | JPY | Consumer confidence | Index | Jan | | 44.9 | 44.7 |
| | | 11:00 | EUR | HICP - core inflation, preliminary | y/y | Jan | 1.0% | 1.0% | 0.9% |
| | | 11:00 | EUR | HICP inflation, preliminary | y/y | Jan | 1.1% | 1.2% | 1.4% |
| | | 20:00 | USD | FOMC meeting | % | | 1.5% | 1.5% | 1.5% |
| Thurs | 01-Feb | 2:45 | CNY | Caixin PMI manufacturing | Index | Jan | | 51.5 | 51.5 |
| | | 10:30 | GBP | PMI manufacturing | Index | Jan | 57.3 | 56.5 | 56.3 |
| | | 16:00 | USD | ISM manufacturing | Index | Jan | 59.3 | 59.0 | 59.7 |
| Fri | 02-Feb | 14:30 | USD | Average hourly earnings, non-farm | m/m\|y/y | Jan | 0.2%\|2.5% | 0.3%\|2.5% | 0.3%\|2.5% |
| | | 14:30 | USD | Non farm payrolls | 1000 | Jan | 200 | 188 | 148 |
| **Scandi movers** | | | | | | | | | |
| Tue | 30-Jan | 8:00 | NOK | Retail sales, s.a. | m/m | Dec | -0.5% | -0.5% | 2.1% |
| Thurs | 01-Feb | 8:30 | SEK | PMI services | Index | Jan | | | |
| | | 9:00 | NOK | PMI manufacturing | Index | Jan | 56.5 | 56.5 | 57.8 |
| Fri | 02-Feb | 10:00 | NOK | Unemployment | % | Jan | 2.8% | 2.6% | 2.4% |

*Source: Bloomberg, Danske Bank*

# Global Macro and Market Themes

## USD weakening and trade frictions here to stay

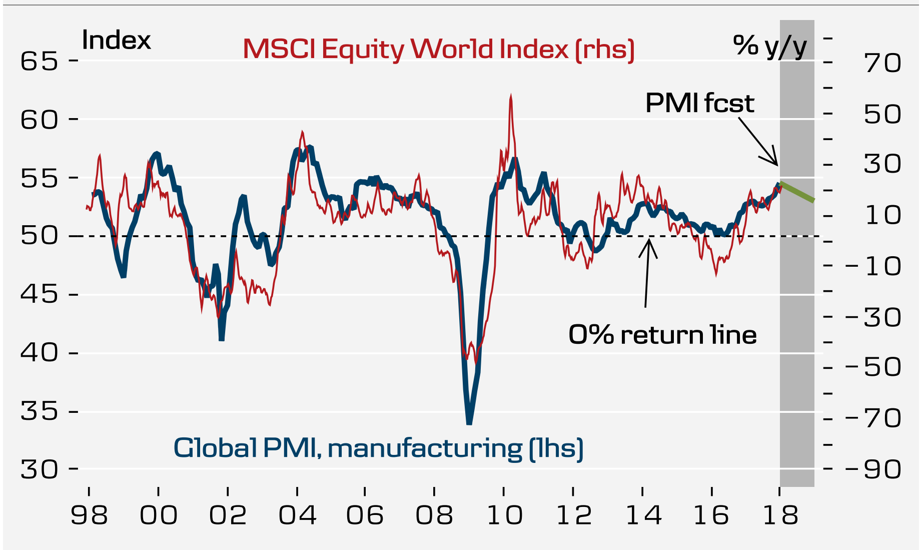
**Financial markets have shown lots of action since the beginning of 2018**. Global stock markets are rallying, bond yields have increased, oil prices continue moving higher and the USD has resumed the trend of weakening after treading water in H2 last year.

**As we highlighted last year, the conditions for risk sentiment are very favourable,** see for example *Strategy: Where to make money in 2018*, 8 December 2017. The global economy is probably the strongest in 10 years, inflation is still subdued, leaving no need for central banks to remove the punch bowl yet, and there are not yet any major macro imbalances crying for correction. In addition, the US tax reform benefits US corporates and the main tail risks to the global economy have not materialised: the crisis with North Korea has abated and downside risks from the financial tightening in China are not playing out.

**While equity markets look stretched in the short term, the medium- to long-term outlook is still well supported by the above factors**. Although we expect the global economy to come off the boil during 2018, robust investment and consumption growth is likely to remain in place and keep the global economy growing at a decent clip.

**This week, US Markit PMI manufacturing confirmed that the US economy is on a strong footing**. The index increased from 55.1 to 55.5. US consumption data has also pointed to brisk consumer spending and durable goods orders signal strong investment growth. Euro area data is also quite robust. PMIs for service and manufacturing for January thus painted a picture of continued decent recovery at the outset of 2018.

Equities perform well as long as global manufacturing expands




Source: Bloomberg, Macrobond Financial, Danske Bank

### Today's key points

- Risk sentiment off to a strong start supported by strong fundamentals.
- Strong data out of the US and euro area.
- USD weakening has further to go.
- Bond yields set to move higher in the medium term.
- Trump has made his first move on protectionism – more will come.

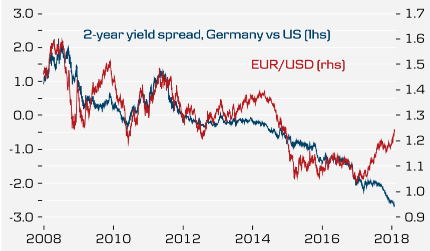
A very strong start to risk sentiment - US yields and S&P500 pushing higher


Source: Bloomberg, Macrobond Financial

## USD weakening has further to go

The USD has depreciated sharply going into 2018 and three factors gave the dollar a further push lower this week: The announcement of protectionist measures by Trump, comments by the Treasury Secretary Steven Mnuchin saying that a 'weaker dollar is good for us…' and a perceived hawkish ECB on Thursday painting a bullish view on euro area growth. While we disagree that a 'weak dollar policy' is something new, as this has been in place since Trump took over the Presidential seat, we do believe that USD has further downside versus EUR, see *Strategy: Push for a weaker USD supported by flows*, 25 January. Both portfolio flows as well as current account flows are supportive of the EUR/USD. While we are closing in on fundamentally justified levels of EUR/USD (our valuation models suggest 1.29 for the cross), we stress that strong forces are driving the pair from both rising demand for euro assets through portfolio flows as well as balance of payments flows due to a continued current account surplus. It continues to make EUR/USD a buy on dips, in our view.

**Relative rates not driving EUR/USD currently – flows are**

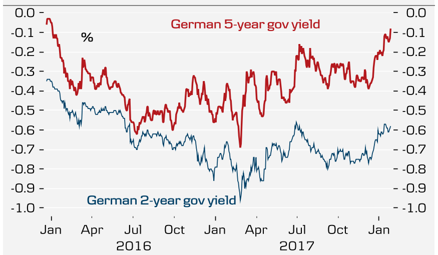



Source: OECD, Macrobond Financial

## Bond yields to rise further in the medium term

Last week, we revised higher our bond yield forecasts, looking for 10-year German yields to hit 1.0% one year from now – up another 40bp from todays' level, see *Yield Outlook: Risk to yields skewed on the upside but mainly on a 12M horizon*, 17 January 2018. The strong global economy, rising risk sentiment and an end to the ECB's QE programme later this year is set to put further upward pressure on bond yields. The ECB meeting yesterday added fuel to the bond sell-off recently. ECB President Mario Draghi expressed confidence that inflation would move up, pointing to a strong recovery and early signs of rising wage increases. The words were perceived as hawkish by the markets and sent bond yields and the EUR higher. While we do not expect euro core inflation to pick up significantly this year, the market may be becoming increasingly nervous that it could happen earlier than expected due to the strong economic data.

**Bond market now react to stronger data and eventual ECB normalisation**

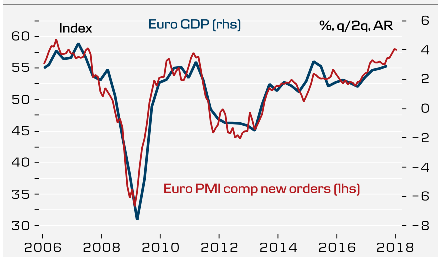



Source: OECD, Macrobond Financial

## Trump has made the first move on trade – more to come

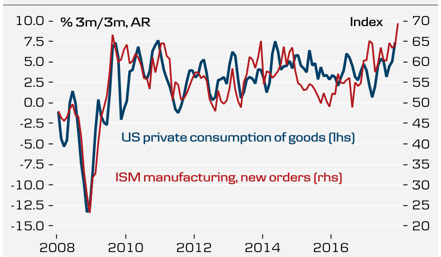
**US President Donald Trump moved from tough talk to action, as he announced tariffs on solar panels and washing machines**. On Monday, he ordered tariffs of up to 50% on imported washing machines for the next three years and of up to 30% on solar cells for the next four years, see *Flash Comment: Trump makes first move on trade - more to come*, 23 January 2018.

**Euro composite PMI points to strong growth**




Source: Eurostat, Markit, Macrobond Financial

**Brisk US consumer spending supports the manufacturing sector**




Source: BEA, Macrobond Financial

Another decision coming up is on the investigation into intellectual property rights and demand for transfer of technology to Chinese companies in exchange for market access. Some sources say that an announcement on the initial findings of the investigation could come ahead of Trump's first State of the Union address to Congress on 30 January. The investigation could lead to sanctions on Chinese high-tech sectors.

On Tuesday, China indicated that 'the US has once again abused its trade remedy measures' and that 'China expresses its strong dissatisfaction with this'. China reiterated criticism that the US is using domestic law rather than the global trade rules through the WTO. South Korea also objected strongly to the tariffs on washing machines and said it would reinstate levies on imported American products.

What to make of this? While the protectionist moves by Trump are so far in narrow areas, there is a risk we could see them expand into other areas, sparking retaliation from China and other countries. **We do not expect this to evolve into a full-blown trade war, as this would come at a cost for both sides.** However, it bares close watching, as a tit-for-tat escalation is sometimes the result of conflicts of any kind.

**Global market views**

| Asset class | Main factors |
|---|---|
| **Equities** | |
| Positive on 3-12 month horizon. | Strong business cycle and near double-digit earnings growth in most major regions. Low rates and bond yields drive demand for risk assets. |
| **Bond market** | |
| German/Scandi yields – set to stay in recent range for now, higher on 12M horizon | Inflation set to stay subdued despite decent growth. Stronger euro keeps euro inflation outlook down. ECB set to normalise gradually only, due to lack of wage pressure and stronger euro. ECB on hold for a long time. But risk has risen that the ECB will start to sound more confident/hawkish. |
| EU curve – 5Y10Y and 10y30 curve set to flatten in 2018. Flattening of US 2Y10Y curve to continue | The ECB is keeping a tight leash on the short end of the curve. But the 5Y point has become the pivotal point now. Further flattening of the curve for 10Y30Y. A mirror of the US curve dynamics. |
| US-euro spread - set to widen marginally | The Fed's QT programme (balance sheet reduction) is set to happen at a very gradual pace and the effect on the Treasury market should be benign. Yet, market pricing for Fed hikes is still dovish for 2019 and yields should edge higher on a 12M horizon. |
| Peripheral spreads – tightening but still some factors to watch | We expect economic recovery, ECB stimuli, better fundamentals, particularly in Portugal and Spain, an improved political picture and rating upgrades to lead to further tightening despite the recent strong moves. Italy is the big risk factor but it is very expensive to be short Italian bonds. |
| **FX** | |
| EUR/USD – sensitive to ECB and upside risks dominating | Any dip in EUR/USD near term set to prove shallow and shortlived; cross supported longer term by valuation and debt-flow reversal. |
| EUR/GBP – in range near term but GBP to strengthen eventuall | We still see EUR/GBP within 0.8650-0.90 in coming months as the Brexit risk premium is likely to persist near term. Longer term, GBP should strengthen. |
| USD/JPY – gradually higher longer term but challenged near te | Focus on BoJ's quiet tapering and personnel changes to weigh on USD/JPY near term. Still supported by global recovery, suppressed risk premiums and Fed-BoJ divergence longer term. |
| EUR/SEK – risk to the topside on housing market, RB pricing | Housing market risk premium to keep SEK under pressure alongside too aggressive Riksbank market pricing. Eventually lower but not a H1 story. |
| EUR/NOK – set to move lower | NOK headwinds towards year fading - we expect the NOK to rebound on valuation, growth and real-rate differentials. |
| **Commodities** | |
| Oil price – starting to correct lower again | June review weakens impact of extension of OPEC+ output cuts. Geopolitical tensions around Saudi Arabia and Iran looming. |

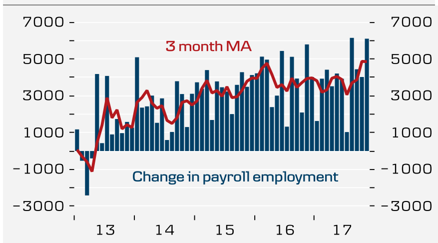
*Source: Danske Bank*

# Scandi Update

## Denmark – job growth accelerates

The number of people in work rose by 6,100 in November, the second-highest monthly increase in the current cycle. There were also healthy increases in the months before that, so it looks as though job creation accelerated in the latter part of 2017. We did not see any big fall in unemployment during the same period (except for technical reasons) or an increase in the proportion of firms reporting recruitment problems. It therefore appears that the growing demand for labour has so far been largely matched by an increase in the labour supply, but it is clear that the labour market is currently balanced on a knife edge. We anticipate a continued influx of labour from abroad, and an increase in the average retirement age, but the supply of foreign labour is particularly uncertain given strong wage growth and low unemployment in the likes of Poland.

**No slowing the labour market**



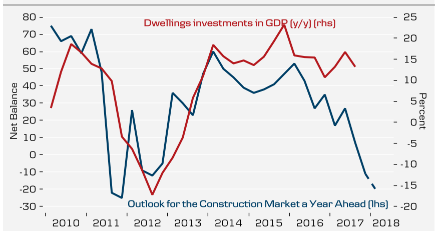

*Source: Macrobond Financial, Statistics Denmark*

## Sweden – industry sees slump in construction activity

For easily understood reasons we have considerable focus on the construction sector. Our case is not really related to housing prices but rather to construction activity and hence overall growth. The question we are asking ourselves is whether the combination of the drop in prices to date and the huge amount of new housing construction started in 2016-2017 which will come into the market this year will be enough to make the construction boom come to a halt. We think it will.

The latest business confidence survey from NIER shows that activity in the construction industry remains elevated. You do not need to read the report to see that – it is enough to look through the window. What is interesting though is that there has been a significant shift down in the industry's expectations of activity one year ahead (see chart). The indicator was at +14 in July and +11 in October, both well above the average level of -7. In the current report, expectations dropped to -20. That is the lowest reading since 2011. Then investments in dwellings (in GDP) decelerated from a peak of 18.6% y/y (Q3 10) to eventually -17.2% y/y (Q3 12). So if history repeats itself, the only gradual moderation in residential investments incorporated in most macro forecasts appears to be at some risk.

**Expected construction activity one year ahead slumps**



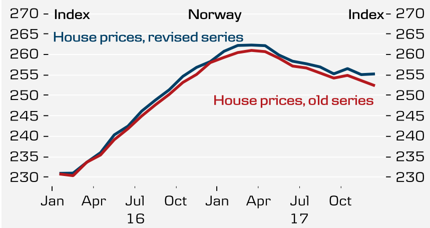

*Source: NIER, SCB*

We actually get some more information about these in only a few weeks as Q4 data for building permits and housing starts are released. In fact in the third quarter, permits registered their first y/y-decline (-12.6%) since 2012, so it will be pretty interesting to see how the numbers evolve going forward.

## Norway – housing prices levelled off at the end of last year

Real Estate Norway has revised its method for calculating historical housing prices in order to provide more accurate data on the different regions, and this has also affected the national figures. The revised statistics show that housing prices have been largely flat since September and have thus already stabilised. This contrasts with the persistent decline in prices indicated by the old series (see chart). The impression of a housing market that has been moving sideways for three months will probably reduce the downside risk from a more serious fall in housing prices and could provide support for Norwegian yields and the krone going forward.

**Housing prices have already levelled off**




*Source: Macrobond Financial, Real Estate Norway, Danske Bank*

As expected, Norges Bank left interest rates alone at its meeting during the week. Last month, the bank indicated that its key rate would probably rise in December this year. Developments since then have been largely as expected, so Norges Bank saw no reason to depart from this. That said, the bank did acknowledge that global growth appears to be somewhat stronger than projected, and that interest rates among Norway's trading partners are higher than anticipated. Oil prices have also been higher than the bank expected. To our mind, this all indicates that the chances of a rate increase in December are higher than at last month's meeting. Norges Bank also noted that the revised housing price statistics show a more favourable trend than before, so reducing the downside risk to the economy.

Statistics Norway's manufacturing confidence indicator climbed from 3.2 to 6.4 in Q4. The combination of relatively high oil prices and a relatively weak krone is providing strong support for Norwegian manufacturing, so increasing the upside risk to the economy.

# Latest research from Danske Bank

*26/1 Travel notes from China trip: cautious optimism*

We just came back from a week in Beijing and Shanghai last week meeting a wide range of people from research companies, academia, banks and Nordic companies.

*26/1 Flash Comment: Thoughts post the ECB meeting*

A few thoughts on the back of the ECB meeting (further to the *review*), which we believe raised more questions than it answered. Overall, the press conference shows it will be a slow and gradual normalisation.

*25/1 ECB review - Language to be revisited in March*

Overall, President Draghi struck a dismissive tone on changes to language indicating that monetary policy normalisation is only in the very early stage with changes to forward guidance yet to be discussed. Sequencing is set in stone.

*25/1 Strategy: Push for a weaker USD supported by flows*

The US has had a weak USD policy ever since Trump came to power.

*24/1 Is the Polish economy on the brink of overheating?*

This note summarises the key findings of my trip to Warsaw last Thursday and Friday, where I met corporates, private banks and policy makers.

*24/1 Flash Comment US - Fed Chair Powell is 'Yellen in disguise' amid discussions about price level targeting*

Yesterday, the US Senate officially confirmed Jerome Powell as the next Fed Chair when Yellen's term expires on 3 February.

*23/1 Flash Comment - Trump makes first move on trade - more to come*

The introduction of US tariffs on solar cells and washing machines is adding to tensions between the US and China.

*22/1 Flash Comment US: Government reopens but might shut down again early February*

Today the Republicans and the Democrats agreed on a short-term funding bill expiring on 8 February in an attempt to get more time to negotiate the immigration reform.

*22/1 Emerging Markets Weekly - Light calendar ahead, focus on USD developments*

China's GDP for January-December 2017 was published last week. The country's economy expanded by 6.9% y/y, which was much stronger than economists expected in early in 2017.

# Macroeconomic forecast

## Macro forecast, Scandinavia

| | Year | GDP[1] | Private cons.[1] | Public cons.[1] | Fixed inv.[1] | Stock build.[2] | Ex-ports[1] | Im-ports[1] | Infla-tion[1] | Unem-ploym.[3] | Public budget[4] | Public debt[4] | Current acc.[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Denmark | 2017 | 2.0 | 1.7 | 0.8 | 1.9 | -0.2 | 3.6 | 2.8 | 1.1 | 4.3 | 0.0 | 36.0 | 8.0 |
| | 2018 | 2.0 | 2.0 | 0.7 | 5.5 | -0.2 | 2.7 | 3.4 | 1.1 | 4.1 | -0.3 | 35.1 | 7.7 |
| | 2019 | 1.9 | 2.5 | 0.5 | 4.3 | 0.0 | 2.6 | 3.6 | 1.4 | 4.0 | -0.1 | 33.9 | 7.3 |
| Sweden | 2017 | 2.7 | 2.4 | 0.4 | 7.5 | -0.1 | 3.4 | 5.1 | 1.8 | 6.7 | 0.9 | 39.0 | 4.8 |
| | 2018 | 1.7 | 1.6 | 1.3 | 1.1 | 0.0 | 5.1 | 5.0 | 1.6 | 7.1 | 0.6 | 36.0 | 4.8 |
| | 2019 | 2.0 | 1.9 | 0.8 | 0.4 | 0.2 | 4.7 | 3.8 | 1.4 | 7.6 | 0.4 | 34.0 | 5.4 |
| Norway | 2017 | 1.9 | 2.4 | 1.9 | 3.9 | -0.2 | 2.4 | 1.1 | 1.8 | 2.7 | - | - | - |
| | 2018 | 2.3 | 2.6 | 1.7 | 2.7 | -0.1 | 2.7 | 1.4 | 2.0 | 2.4 | - | - | - |
| | 2019 | 2.2 | 2.3 | 1.9 | 2.5 | 0.0 | 2.2 | 3.0 | 2.0 | 2.3 | - | - | - |

## Macro forecast, Euroland

| | Year | GDP[1] | Private cons.[1] | Public cons.[1] | Fixed inv.[1] | Stock build.[2] | Ex-ports[1] | Im-ports[1] | Infla-tion[1] | Unem-ploym.[3] | Public budget[4] | Public debt[4] | Current acc.[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Euro area | 2017 | 2.5 | 1.8 | **1.1** | **3.2** | - | 5.0 | 4.2 | 1.5 | 9.1 | -1.1 | 88.1 | 3.0 |
| | 2018 | 2.0 | 1.9 | **1.3** | **4.1** | - | 3.9 | 4.5 | 1.3 | 8.4 | -0.9 | 87.2 | 3.0 |
| | 2019 | 1.8 | 1.9 | **1.3** | **4.2** | - | 3.4 | 4.4 | 1.3 | 8.0 | -0.8 | 85.2 | 3.0 |
| Germany | 2017 | 2.6 | 2.4 | 1.2 | 4.4 | - | 4.8 | 5.2 | 1.7 | 3.8 | 0.9 | 64.8 | 7.8 |
| | 2018 | 2.4 | 2.4 | 2.0 | 4.2 | - | 3.6 | 5.2 | 1.5 | 3.5 | 1.0 | 61.2 | 7.5 |
| | 2019 | 2.1 | 2.3 | 2.2 | 4.5 | - | 3.1 | 4.8 | 1.6 | 3.3 | 1.1 | 57.9 | 7.2 |
| Finland | 2017 | 3.1 | 1.8 | 0.3 | 8.9 | - | 8.1 | 3.5 | 0.8 | 8.6 | -1.6 | 62.0 | 0.0 |
| | 2018 | 2.3 | 2.0 | 0.4 | 4.5 | - | 4.0 | 4.5 | 1.2 | 8.0 | -1.0 | 61.0 | -0.2 |
| | 2019 | 1.9 | 1.5 | 0.2 | 3.5 | - | 4.0 | 3.5 | 1.4 | 7.7 | -0.8 | 60.0 | 0.2 |

## Macro forecast, Global

| | Year | GDP[1] | Private cons.[1] | Public cons.[1] | Fixed inv.[1] | Stock build.[2] | Ex-ports[1] | Im-ports[1] | Infla-tion[1] | Unem-ploym.[3] | Public budget[4] | Public debt[4] | Current acc.[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USA | 2017 | 2.2 | 2.7 | -0.2 | 3.8 | -0.1 | 3.2 | 3.3 | 2.1 | 4.4 | -3.6 | 106.0 | -2.4 |
| | 2018 | 2.4 | 2.2 | 0.0 | 5.1 | 0.0 | 3.6 | 2.6 | 2.5 | 4.0 | -3.5 | 107.0 | -3.0 |
| | 2019 | 2.1 | 1.9 | 0.4 | 4.9 | 0.0 | 3.1 | 3.0 | 2.1 | 3.8 | -4.0 | 109.0 | -3.1 |
| China | 2017 | 6.8 | - | - | - | - | - | - | 2.0 | 4.1 | -3.7 | 47.6 | 1.4 |
| | 2018 | 6.3 | - | - | - | - | - | - | 2.3 | 4.3 | -3.4 | 50.8 | 1.1 |
| | 2019 | 6.0 | - | - | - | - | - | - | 2.3 | 4.3 | -3.4 | 53.9 | 1.2 |
| UK | 2017 | 1.5 | 1.8 | 0.6 | 2.4 | -0.4 | 4.5 | 3.0 | 2.7 | 4.4 | -2.4 | 87.0 | -4.6 |
| | 2018 | 1.3 | 1.3 | 0.5 | 1.9 | 0.1 | 2.4 | 2.2 | 2.2 | 4.1 | -2.0 | 87.3 | -4.7 |
| | 2019 | 1.2 | 1.0 | 0.4 | 2.0 | 0.0 | 2.6 | 1.8 | 1.8 | 4.1 | -1.8 | 87.4 | -4.6 |

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

# Financial forecast

## Bond and money markets

| | | Key int. rate | 3m interest rate | 2-yr swap yield | 10-yr swap yield | Currency vs EUR | Currency vs USD | Currency vs DKK |
|---|---|---|---|---|---|---|---|---|
| USD | 26-Jan | 1.50 | 1.75 | 2.27 | 2.65 | 124.9 | - | 596.1 |
| | +3m | 1.75 | 2.00 | 2.30 | 2.55 | 120.0 | - | 620.4 |
| | +6m | 2.00 | 2.10 | 2.45 | 2.70 | 123.0 | - | 605.3 |
| | +12m | 2.25 | 2.35 | 2.75 | 2.90 | 128.0 | - | 581.8 |
| EUR | 26-Jan | 0.00 | -0.33 | -0.13 | 1.00 | - | 124.9 | 744.5 |
| | +3m | 0.00 | -0.33 | -0.15 | 1.00 | - | 120.0 | 744.5 |
| | +6m | 0.00 | -0.33 | -0.10 | 1.15 | - | 123.0 | 744.5 |
| | +12m | 0.00 | -0.33 | 0.10 | 1.45 | - | 128.0 | 744.8 |
| JPY | 26-Jan | -0.10 | -0.04 | 0.06 | 0.29 | 136.0 | 108.9 | 5.47 |
| | +3m | -0.10 | - | - | - | 135.6 | 113.0 | 5.49 |
| | +6m | -0.10 | - | - | - | 140.2 | 114.0 | 5.31 |
| | +12m | -0.10 | - | - | - | 145.9 | 114.0 | 5.10 |
| GBP | 26-Jan | 0.50 | 0.53 | 0.90 | 1.49 | 87.6 | 142.6 | 850.2 |
| | +3m | 0.50 | 0.52 | 0.85 | 1.40 | 88.0 | 136.4 | 846.0 |
| | +6m | 0.50 | 0.53 | 0.90 | 1.55 | 87.0 | 141.4 | 855.7 |
| | +12m | 0.50 | 0.64 | 1.05 | 1.85 | 86.0 | 148.8 | 866.0 |
| CHF | 26-Jan | -0.75 | -0.74 | -0.45 | 0.44 | 116.6 | 93.4 | 638.2 |
| | +3m | -0.75 | - | - | - | 117.0 | 97.5 | 636.3 |
| | +6m | -0.75 | - | - | - | 120.0 | 97.6 | 620.4 |
| | +12m | -0.75 | - | - | - | 123.0 | 96.1 | 605.5 |
| DKK | 26-Jan | 0.05 | -0.31 | -0.01 | 1.16 | 744.5 | 596.1 | - |
| | +3m | 0.05 | -0.30 | 0.00 | 1.15 | 744.5 | 620.4 | - |
| | +6m | 0.05 | -0.30 | 0.05 | 1.30 | 744.5 | 605.3 | - |
| | +12m | 0.05 | -0.30 | 0.30 | 1.60 | 744.8 | 581.8 | - |
| SEK | 26-Jan | -0.50 | -0.44 | -0.09 | 1.35 | 980.8 | 785.4 | 75.9 |
| | +3m | -0.50 | -0.45 | 0.10 | 1.35 | 1000.0 | 833.3 | 74.5 |
| | +6m | -0.50 | -0.45 | 0.00 | 1.35 | 990.0 | 804.9 | 75.2 |
| | +12m | -0.50 | -0.45 | -0.10 | 1.45 | 980.0 | 765.6 | 76.0 |
| NOK | 26-Jan | 0.50 | 0.87 | 1.23 | 2.15 | 957.5 | 766.8 | 77.7 |
| | +3m | 0.50 | 0.80 | 1.15 | 2.10 | 940.0 | 783.3 | 79.2 |
| | +6m | 0.50 | 0.80 | 1.30 | 2.20 | 920.0 | 748.0 | 80.9 |
| | +12m | 0.75 | 1.10 | 1.50 | 2.55 | 910.0 | 710.9 | 81.8 |

## Commodities

| | | 2018 | | | | 2019 | | | | Average | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 26-Jan | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 2018 | 2019 |
| NYMEX WTI | 58 | 58 | 58 | 60 | 60 | 60 | 60 | 61 | 61 | 58 | 61 |
| ICE Brent | 70 | 62 | 62 | 64 | 64 | 64 | 64 | 65 | 65 | 63 | 65 |

*Source: Danske Bank*

# Calendar

## Key Data and Events in Week 5

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **During the week** | | | | Period | Danske Bank | Consensus | Previous |
| **Monday, January 29, 2018** | | | | Period | Danske Bank | Consensus | Previous |
| 8:00 | SEK | Budget figures from ESV | | | | | |
| 14:30 | USD | PCE headline | m/m\|y/y | Dec | | *0.1%\|1.7%* | 0.2%\|1.8% |
| 14:30 | USD | PCE core | m/m\|y/y | Dec | | *0.2%\|1.6%* | 0.1%\|1.5% |
| 14:30 | USD | Personal spending | m/m | Dec | | *0.5%* | 0.6% |
| **Tuesday, January 30, 2018** | | | | Period | Danske Bank | Consensus | Previous |
| - | USD | Trump to give State of the Union speech | | | | | |
| - | DKK | Business Confidence | Net balance | | | | |
| - | JPY | Household Spending Survey | | Dec | | | |
| 0:30 | JPY | Unemployment rate | % | Dec | | *2.7%* | 2.7% |
| 0:30 | JPY | Job-to-applicant ratio | | Dec | | *1.57* | 1.56 |
| 0:50 | JPY | Retail trade | m/m\|y/y | Dec | | *-0.2%\|2.1%* | 1.9%\|2.2% |
| 7:30 | FRF | GDP, preliminary | q/q\|y/y | 4th quarter | | *0.5%\|2.3%* | 0.6%\|2.3% |
| 8:00 | NOK | Retail sales, s.a. | m/m | Dec | -0.5% | *-0.5%* | 2.1% |
| 8:45 | FRF | Household consumption | m/m\|y/y | Dec | | *0.3%\|1.8%* | 2.2%\|1.2% |
| 9:00 | ESP | GDP, preliminary | q/q\|y/y | 4th quarter | | *0.7%\|3.1%* | 0.8%\|3.1% |
| 9:00 | CHF | KOF leading indicator | Index | Jan | | | 111.3 |
| 9:30 | SEK | Wages (blue collars/white collars) | y/y | Nov | | | 2.1% |
| 10:30 | GBP | Broad money M4 | m/m\|y/y | Dec | | | 0.1%\|3.7% |
| 10:30 | GBP | Mortgage approvals | 1000 | Dec | | *64* | 65.1 |
| 11:00 | EUR | Business climate indicator | Net bal. | Jan | | *1.7* | 1.7 |
| 11:00 | EUR | Industrial confidence | Net bal. | Jan | | *8.8* | 9.1 |
| 11:00 | EUR | Economic confidence | Index | Jan | | *116.1* | 116.0 |
| 11:00 | EUR | Consumer confidence, final | Net bal. | Jan | | *1.3* | 1.3 |
| 11:00 | EUR | Service confidence | Net bal. | Jan | | *18.4* | 18.4 |
| 11:00 | EUR | GDP, preliminary | q/q\|y/y | 4th quarter | 0.6%\|... | *0.6%\|2.7%* | 0.6%\|2.6% |
| 14:00 | HUF | Central Bank of Hungary rate decision | % | | 0.9% | *0.9%* | 0.9% |
| 14:00 | DEM | HICP, preliminary | m/m\|y/y | Jan | | *-0.8%\|1.6%* | 0.8%\|1.6% |
| 16:00 | USD | Conference Board consumer confidence | Index | Jan | | *123.1* | 122.1 |
| 17:30 | EUR | ECB's Mersch speaks in Frankfurt | | | | | |
| 17:30 | EUR | ECB's Mersch speaks in Frankfurt | | | | | |
| **Wednesday, January 31, 2018** | | | | Period | Danske Bank | Consensus | Previous |
| 0:50 | JPY | Industrial production, preliminary | m/m\|y/y | Dec | | *1.5%\|3.2%* | 0.5%\|3.6% |
| 1:01 | GBP | GfK consumer confidence | Index | Jan | -11 | *-13.0* | -13.0 |
| 1:30 | AUD | CPI | q/q\|y/y | 4th quarter | | *0.7%\|2.0%* | 0.6%\|1.8% |
| 2:00 | CNY | PMI manufacturing | Index | Jan | | *51.5* | 51.6 |
| 2:00 | CNY | PMI non-manufacturing | Index | Jan | | *55.0* | 55.0 |
| 6:00 | JPY | Consumer confidence | Index | Jan | | *44.9* | 44.7 |
| 8:00 | DEM | Retail sales | m/m\|y/y | Dec | | *-0.5%\|2.3%* | 1.8%\|4.4% |
| 8:00 | NOK | Credit indicator (C2) | y/y | Dec | | *5.9%* | 5.8% |
| 8:00 | DKK | Gross unemployment s.a. | K (%) | Dec | | | 0.043 |
| 8:45 | FRF | HICP, preliminary | m/m\|y/y | Jan | | *-0.4%\|1.2%* | 0.4%\|1.2% |
| 9:00 | ESP | HICP, preliminary | m/m\|y/y | Jan | | | 0.0%\|1.2% |
| 9:55 | DEM | Unemployment | % | Jan | | *5.4%* | 5.5% |
| 10:00 | NOK | Norges Bank's daily FX purchases | m | Feb | | | -900 |
| 11:00 | EUR | Unemployment | % | Dec | | *8.7%* | 8.7% |
| 11:00 | EUR | HICP - core inflation, preliminary | y/y | Jan | 1.0% | *1.0%* | 0.9% |
| 11:00 | EUR | HICP inflation, preliminary | y/y | Jan | 1.1% | *1.2%* | 1.4% |
| 14:15 | USD | ADP employment | 1000 | Jan | | *190* | 250 |
| 14:30 | CAD | GDP | m/m\|y/y | Nov | | | 0.0%\|3.4% |
| 14:30 | USD | Employment cost index | m/m | 4th quarter | | *0.5%* | 0.7% |
| 15:45 | USD | Chicago PMI | Index | Jan | | *64.0* | 67.8 |
| 16:00 | USD | Pending home sales | m/m\|y/y | Dec | | *0.5%\|...* | 0.2%\|0.6% |
| 16:30 | USD | DOE U.S. crude oil inventories | K | | | | -1071 |
| 20:00 | USD | FOMC meeting | % | | 1.5% | *1.5%* | 1.5% |

*Source: Danske Bank*

# Calendar

| Thursday, February 1, 2018 | | | | Period | Danske Bank | Consensus | Previous |
|---|---|---|---|---|---|---|---|
| - | USD | Total vechicle sales | m | Jan | | *17.3* | 17.76 |
| 1:30 | JPY | Nikkei Manufacturing PMI, final | Index | Jan | | | 54.4 |
| 2:45 | CNY | Caixin PMI manufacturing | Index | Jan | | *51.5* | 51.5 |
| 8:30 | SEK | PMI services | Index | Jan | | | |
| 8:30 | SEK | PMI manufacturing | Index | Jan | | | 60.4 |
| 9:00 | NOK | PMI manufacturing | Index | Jan | **56.5** | *56.5* | 57.8 |
| 9:15 | ESP | PMI manufacturing | Index | Jan | | *55.6* | 55.8 |
| 9:45 | ITL | PMI manufacturing | Index | Jan | | | 57.4 |
| 9:50 | FRF | PMI manufacturing, final | Index | Jan | | *58.1* | 58.1 |
| 9:55 | DEM | PMI manufacturing, final | Index | Jan | | *61.2* | 61.2 |
| 10:00 | EUR | PMI manufacturing, final | Index | Jan | | *59.6* | 59.6 |
| 10:30 | GBP | PMI manufacturing | Index | Jan | **57.3** | *56.5* | 56.3 |
| 14:30 | USD | Initial jobless claims | 1000 | | | | |
| 14:30 | USD | Unit labour cost, preliminary | q/q | 4th quarter | | *1.0%* | -0.2% |
| 15:30 | CAD | RBC manufacturing PMI | Index | Jan | | | 54.7 |
| 15:45 | USD | Markit PMI manufacturing, final | Index | Jan | | | 55.5 |
| 16:00 | USD | Construction spending | m/m | Dec | | *0.4%* | 0.8% |
| 16:00 | USD | ISM manufacturing | Index | Jan | **59.3** | *59.0* | 59.7 |

| Friday, February 2, 2018 | | | | Period | Danske Bank | Consensus | Previous |
|---|---|---|---|---|---|---|---|
| - | JPY | National Foundation Day | | | | | |
| - | EUR | Moody's may publish Netherlands's debt rating | | | | | |
| - | EUR | Moody's may publish Cyprus's debt rating | | | | | |
| - | DKK | Construction activity | | | | | |
| 10:00 | NOK | Unemployment | % | Jan | **2.8%** | *2.6%* | 2.4% |
| 10:30 | GBP | PMI construction | Index | Jan | | *52.1* | 52.2 |
| 11:00 | ITL | HICP, preliminary | m/m\|y/y | Jan | | *-1.9%\|0.8%* | 0.3%\|1.0% |
| 11:00 | EUR | PPI | m/m\|y/y | Dec | | | 2.8%\|0.6% |
| 14:30 | USD | Unemployment | % | Jan | **4.1%** | *4.1%* | 4.1% |
| 14:30 | USD | Average hourly earnings, non-farm | m/m\|y/y | Jan | **0.2%\|2.5%** | *0.3%\|2.5%* | 0.3%\|2.5% |
| 14:30 | USD | Non farm payrolls | 1000 | Jan | **200** | *188* | 148 |
| 16:00 | DKK | Currency reserves | DKK bn | Jan | | | 468.4 |
| 16:00 | USD | Core capital goods orders, final | % | Dec | | | |
| 16:00 | USD | University of Michigan Confidence, final | Index | Jan | | *95.0* | 94.4 |
| 21:30 | USD | Fed's Williams (voter, neutral) speaks | | | | | |

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*Source: Danske Bank*

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**Report completed:** 26 January 2018, 13:22 GMT

**Report first disseminated:** 26 January, 2018, 13.30 GMT