

Weekly Focus

Central bank optimism despite growth risks

Market movers ahead

- In the **US**, the most important release is the jobs report for October on Friday, where we look for further signs that wage growth is accelerating.
- The focus remains on the ongoing Italian budget fight, while markets will also keep an eye on the **euro area** October HICP figures after recent months' core inflation misses.
- In the **UK** the most important event is the budget release, while we do not expect any policy changes from the Bank of England on Thursday.
- In **China** the focus turns to October manufacturing PMI, while we expect the Bank of **Japan** to keep its 'QQE with yield curve control' policy unchanged on Wednesday.
- In **Scandinavia**, markets will be paying attention to Danish FX reserve figures for October, as DKK has hovered on the weak side.

Global macro and market themes

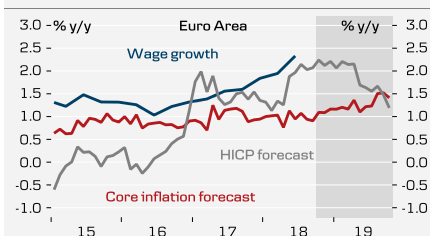
- PMIs in Europe and the US disappointed, adding to recent trend of weaker growth momentum, but central banks in Europe still seem keen to move on with policy tightening.
- The gloves are off in Italy's budget fight, which could eventually result in the Commission launching an excessive deficit procedure against Italy.
- Global risks sentiment remains under pressure, but we still think it is too early to adjust the portfolio for a downturn.

Focus

ECB Review - Steady Draghi amid disappointing data, 25 October 2018

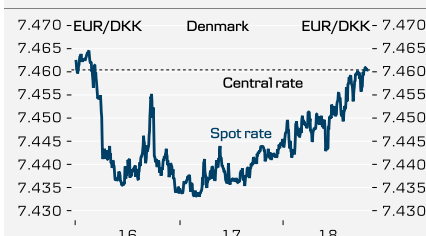
Italian Politics Monitor - The gloves are off, 23 October 2018

Will euro area core inflation finally pick up?



Source: Danske Bank, Macrobond Financial

Danish krone has been hovering on the weak side



Source: Danmarks Nationalbank

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Financial views

Major indices

	26-Oct	3M	12M
10yr EUR swap	1.06	0.95	1.25
EUR/USD	115	115	125
ICE Brent oil	76	72	74

Source: Danske Bank

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Editor

Analyst

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

Market movers

Global

- In the **US**, the most important release is the job reports for October, which is due out on Friday. We estimate non-farm payrolls rose by 190,000, which is in line with the current trend. It seems the tighter labour market is beginning to put upward pressure on wage growth, and we expect it to increase gradually in coming months. In October, we expect that average hourly earnings rose +0.25% m/m, which would take the annual growth rate to 3.2% rounded up.

The coming week also brings PCE core inflation numbers for September on Friday. It is not as important as usual, as we have the print indirectly from the first Q3 GDP release today (although there could be revisions to previous months, which we do not know for sure). We think it comes out at 1.9% y/y, assuming no revisions for July and August.

On Thursday, ISM Manufacturing data is due out. In our view, ISM manufacturing has been too high compared to reality for the past couple of years and, therefore, we think Markit PMI is a better indicator for manufacturing. We expect it to come down eventually, but it has been surprisingly stubborn.

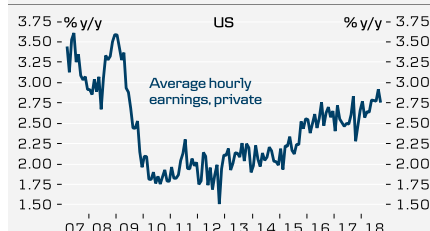
On Saturday, the Fed's blackout period starts, which means that we will not get any more signals from the Fed until the next FOMC meeting.

- On Tuesday, we will get **euro area** preliminary Q3 GDP numbers. Quarterly growth rates slowed down to 0.4% q/q in H1 18 and we expect to see a similar pace of expansion in Q3 18. We will not yet get a component breakdown, but we expect growth in Q3 to have been mainly driven by domestic demand. On Wednesday, both HICP and core inflation numbers are due. Since April, headline inflation has been close to the ECB's target (below but close to 2%). We expect the October numbers to increase slightly to 2.2% y/y driven by higher energy prices and much more importantly, higher core inflation. We expect a pickup in core inflation to from 0.91% to 1.09% on the back of higher service price inflation, as the negative drag from a reduction in Italian university fees and German transport insurance premiums fall out. That said, the core inflation print will remain within the range it has been over past years.

The Italian budget fight is still drawing headlines, especially after the European Commission (EC) formally voiced a negative opinion on Italy's 2019 draft budgetary plan and asked Italy to revise and resubmit its plans within the next three weeks (see *Italian Politics Monitor - The gloves are off*, 23 October 2018). We have a hard time seeing the Italian government giving in too easily, as public backing of the budget plans remains high and we therefore expect three weeks of fierce negotiations. One important number to look out for is the 10Y Italian-German government bond spread, which currently is at 315bp. Should this increase to 400bp, the government has previously signalled some willingness to adjust the budget.

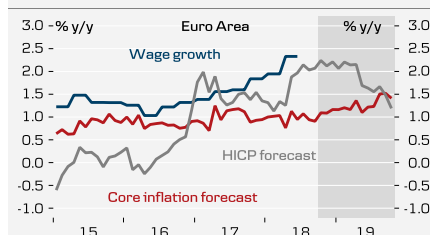
- In the **UK**, the most important event is probably the UK budget on Monday. PM Theresa May's supporting party the DUP has previously threatened to vote down the budget (which is against the vote and supply deal after the election) if the UK government is set to make any kind of border control deal between Northern Ireland and Great Britain as part of a future withdrawal agreement with the EU.

Wage growth has crawled higher and we expect another solid print in the upcoming jobs report



Source: BLS, Macrobond Financial

Will core inflation finally pick up?



Source: Macrobond Financial, Danske Bank

We do not expect any policy changes from the Bank of England (BoE) on Thursday. Attention is on the accompanying Inflation Report, the minutes and Governor Mark Carney's press conference. We do not expect the BoE will find it necessary to send a more hawkish signal to the markets at this point although it remains a possibility given wages are growing at the fastest pace in this cycle (3.1% y/y). Inflation and unemployment are in line with projections while GDP growth has been revised lower. Our base case is for the BoE to be on hold until May, depending on the outcome of the Brexit negotiations.

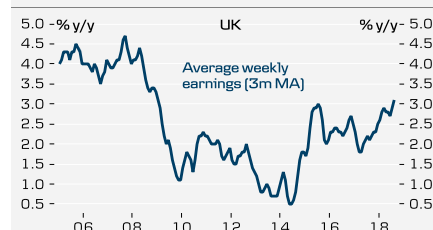
Euro area PMI manufacturing suggests the equivalent UK PMI index (due out on Thursday) has fallen substantially. We estimate it fell from 53.7 in September to 52.2 in October.

- In **China**, focus turns to industrial profits (Saturday) and manufacturing PMI (Wednesday/Thursday). To begin with the latter the PMI manufacturing from Caixin will be followed closely as it dropped to 50.0 in September and a further decline will take it below the 50-level. This would in theory indicate contraction and could grab some headlines. However, when PMI fell below the 50 line in 2017, industrial production was still growing around 6% y/y. We believe PMIs are likely to fall further in coming months before recovering again during 2019 as stimulus kicks in. However, much will depend on whether the trade war escalates further and how China responds. Industrial profit growth fell to 9.2% y/y in August and we expect it to stay within the 5-10% range in coming months. It is close to the average of the past six years.
- In **Japan**, the main event next week is the Bank of Japan's (BoJ) monetary policy meeting ending on Wednesday. We expect the BoJ to keep its 'QQE with yield curve control' policy unchanged. After the policy adjustment back in July, we believe there will be no rocking the boat in the near future. Inflation has been lifted by increasing oil prices recently but core inflation remains low and BoJ will likely have to revise down their forecast. So business as usual in other words. The BoJ growth forecast on the other hand seems on track following an impressive streak in consumer spending. The BoJ's current forecast of 1.5 % in fiscal year 2018 (18q2-19q1) might even be on the low side.

Risk taking in the financial sector is becoming an increasing focal point from the BoJ as regional banks struggle with returns on traditional lending business and consequently take on more risk. Currently, the BoJ does not express much concern on this matter, but it acknowledges risk could build up and thus pose downward pressure on the economy in a stress scenario down the line. If risk continues to build in the financial sector, further tweaks from the BoJ could become relevant at some point in order to prolong the sustainability of the policy framework. This was also discussed and preferred by some board members at the September meeting. We still expect BoJ to stay on hold at least until the end of 2019.

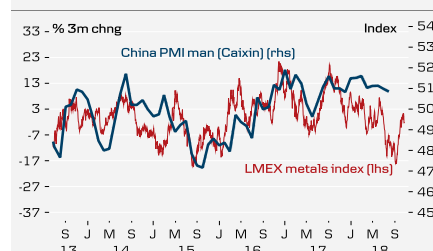
We also have some data ticking in next week. On Tuesday, the labour market will be in focus with both the unemployment rate and jobs/applicants ratio for September. We could see another record for the latter as the labour market has not been this tight since the beginning of the 1990s. In August, there were 163 job openings for every 100 applicants, which is actually the highest since the beginning of the 1970s. On Wednesday, we will get September industrial production data. Here, we have seen some weakness recently amid global trade tensions and several natural disasters.

UK wage growth has accelerated



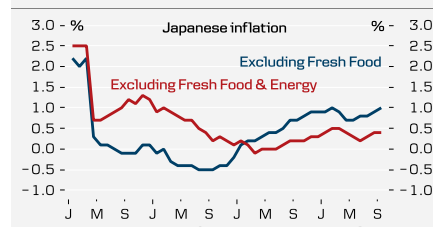
Source: ONS, Macrobond Financial

PMI could dip below 50 in October



Source: Macrobond Financial

Underlying price pressure remains low

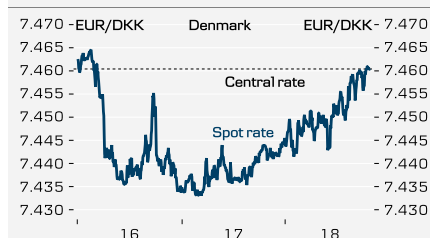


Source: Japanese Cabinet Office, Macrobond Financial

Scandi

- In **Denmark**, we will get currency reserve figures for October 2018 on Friday. The Danish krone (DKK) has been hovering on the weak side of the central parity rate of 7.46038 against the euro (EUR) throughout most of October. Hence, the market will be paying extra attention next week when Danmarks Nationalbank presents its currency reserve figures for October, as these will reveal whether or not the central bank intervened by buying DKK during the month. We continue to believe that the weakening forces will prove temporary and that Danmarks Nationalbank will maintain interest rates at current levels until the ECB hikes in December next year.
- Tuesday sees the release of Danish business confidence figures for October, which will shed some light on how companies view the future. Statistics Denmark will also publish unemployment figures for September on Wednesday. Unemployment has fallen as employment has risen and reached more than a nine-year low in August, both as a percentage of the labour force and with respect to the overall number of unemployed. It will be interesting to see if the trend – coming on top of the latest positive employment figures – continues and thus tightens the labour market even more.
- **Swedish Manufacturing PMI** should follow German and eurozone PMI lower. In particular, there is a strong correlation between export orders.
- In **Norway**, we still think the economy is headed for an oil-driven upswing. This has been supported by various leading manufacturing indicators recently, and we expect the October PMI to provide further confirmation. Although the PMI can fluctuate widely from month to month, we expect a small increase to 56.0 in October, which would point to a degree of acceleration in manufacturing activity. Monthly retail sales have also been very volatile, especially with the abnormal weather this summer and autumn. The new monthly GDP figures, on the other hand, suggest that growth in private consumption has held up far better than the retail data would have us believe. This probably has to do with the underlying trend in spending being stronger for services than for goods. We expect retail sales to climb 0.3% m/m in September. According to the Norwegian Labour and Welfare Administration (NAV), unemployment has actually risen slightly over the past two months. On the face of it, this could be a sign that growth is slowing. We do not believe this to be the reason, however, as all growth indicators are holding up well. What we are now seeing, however, is stronger growth in the labour supply than earlier this year, which might mean that part of the decline in labour force participation from 2009 to 2015 was cyclical. In this case, the economy's growth capacity will be higher than previously assumed. We expect the seasonally-adjusted unemployment rate to hold at 2.4% in October, and gross unemployment (the number of registered unemployed plus the number of people on job creation schemes) also to be more or less unchanged.

EUR/DKK



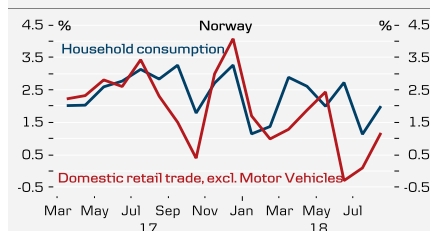
Source: Danmarks Nationalbank

Swedish orders set to fall below 50



Source: Markit, Swedbank

Spending on services propping up consumption



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
During the week		Sat 27	CNY	Industrial profits		y/y	Sep		9.2%
Mon	29-Oct	13:30	USD	PCE core		m/m y/y	Sep	0.1% 1.9%	0.1% 2.0%
Tue	30-Oct	0:30	JPY	Unemployment rate		%	Sep		2.4%
		0:30	JPY	Job-to-applicant ratio			Sep		1.63
Wed	31-Oct	11:00	EUR	GDP, preliminary		q/q y/y	3rd quarter	0.4% .	0.4% 1.8%
		-	JPY	BoJ policy rate		%		-0.10%	-0.10%
		11:00	EUR	HICP - core inflation, preliminary		y/y	Oct	1.1%	1.0%
		11:00	EUR	HICP inflation, preliminary		y/y	Oct	2.2%	2.1%
Thurs	01-Nov	2:45	CNY	Caixin PMI manufacturing		Index	Oct		50.0
		13:00	GBP	BoE Bank rate		%		0.75%	0.75%
		13:30	GBP	BoE Inflation Report					
		13:30	USD	Initial jobless claims		1000			
Fri	02-Nov	15:00	USD	ISM manufacturing		Index	Oct	58.5	59.4
		13:30	USD	Unemployment		%	Oct	3.6%	3.7%
		13:30	USD	Average hourly earnings, non-farm		m/m y/y	Oct	0.25% 3.2%	0.2% 3.1%
		13:30	USD	Non farm payrolls		1000	Oct	190	189
Scandimovers									
During the week									
Tue	30-Oct	8:00	NOK	Retail sales, s.a.		m/m	Sep	0.30%	0.6%
		8:00	NOK	Credit indicator (C2)		y/y	Sep		5.8%
Thurs	01-Nov	8:30	SEK	PMI manufacturing		Index	Oct		55.2
		9:00	NOK	PMI manufacturing		Index	Oct	56.0	55.7
Fri	02-Nov	16:00	DKK	Currency reserves		DKK bn	Oct		467.9

Source: Bloomberg, Danske Bank

Weekly Wrap-Up

EU – Italy clash escalates amid global equity sell-off

Main macro themes

- The gloves are off in Italy's budget fight (see *Italian Politics Monitor - The gloves are off*, 23 October) as the European Commission (EC) formally voiced a negative opinion on Italy's budget, including a request to revise its budget (as we predicted on 5 October – see *Italian Politics Monitor – The [budget] genie is out of the bottle*). The EC has not used this 'nuclear' option before and it could potentially result in it placing Italy under an excessive deficit procedure. The current 2.4% of deficit includes an unprecedented 1.5pp of GDP deviation on the underlying budget balance. The outcome of the discussions with the EU, due to take place until 13 November, will be key for the Italian economy and debt.
- PMIs in Europe and the US have been on the weak side this week, adding to the recent trend of weaker growth momentum. In the October figure for the euro area, we saw services (which account for around 70% of the economy) bowing off. The European growth engine, Germany also recorded weak PMI (and Ifo) this week.
- The central bank meetings this week (particularly those of the *Riksbank* and *ECB*) somewhat disregarded the weaker growth momentum. Both the ECB and Riksbank are on the path to their next step in tightening monetary policies, through ending APP and hiking rates in December, respectively. The ECB kept its risk assessment on growth as broadly balanced, without citing upside risks. We expect a downward revision of growth at the December meeting, while keeping the balanced risk assessment in order to end the APP.
- Equities continue to trade choppily. Global equities are down 8% this month and volatility has spiked despite other areas not recording similar trends. However, it is hard to pinpoint one single driver causing this but this cycle is long and maturing, making investors nervous. We still think it is too early to adjust the portfolio for a downturn, as we see a relatively low risk of recession over the next 12 months.

Fixed income developments

- The risk assessment has been choppy this week, amid the weaker growth momentum. This led to lower yields across the board with the exception of Italy. However, we still see a case for higher US yields (10Y to reach 3.50% in 3-6M). We expect 10Y Germany to stay range bound as the ECB's loose monetary policy is in place. We see very limited risk of a taper tantrum on the back of a formal decision to end QE.
- Italy** had a solid start to the week despite the Moody's rating downgrade last Friday. We remain on the sidelines with respect to BTP exposure but have seen little risk of contagion to other periphery countries this week. S&P is due to review its Italian rating tonight.

FX developments

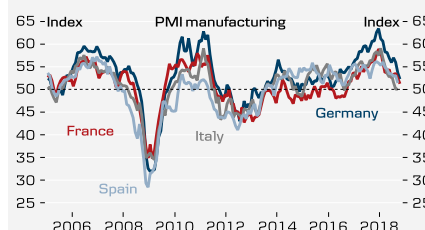
- The Scandies have been range trading this week amid few new signals from the *Riksbank* and in particular *Norges Bank*.
- EUR/USD** traded lower this week, approaching year lows. Growth divergence (and not central bank policies) is attributed as the driver.

Financial views

Major indices			
	26-Oct	3M	12M
10yr EUR swap	1.06	0.95	1.25
10yr US swap	3.25	3.10	3.30
ECB key rate	0.00	-0.40	-0.40
Fed funds rate	2.25	2.25	3.00
EUR/SEK	1044	1020	1010
EUR/NOK	951	940	910
EUR/USD	115	115	125
ICE Brent oil	76	72	74

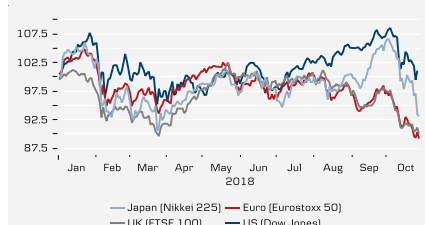
Source: Danske Bank

PMIs are losing momentum



Source: Macrobond Financial, Danske Bank

Equities have been choppy recently



Note: Rebased to 100 on 1 January 2018

Source: Bloomberg, Macrobond Financial, Danske Bank

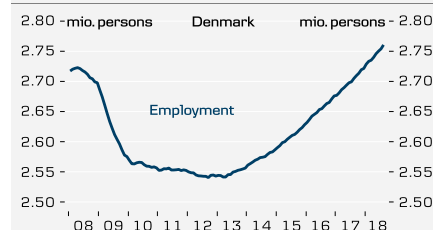
Scandi update

Denmark – employment continues to surge

We received data in the past week for wage earner employment in August, which surged by 6,500 compared to the previous month – the second-highest growth spurt in the history of the statistic. Private sector employment rose by some 5,300. Hence, the labour market is still running at full steam despite companies reporting labour shortages. So far, the labour market seems capable of keeping up the pace, but clearly employment cannot continue to grow at the same rate far into the future and will eventually have to drop down a gear or two.

We have also received October consumer confidence figures, which fell for the fourth consecutive month to 5.1 – the same level as at the start of 2017. The fall was due to consumers currently being less optimistic about the state of their own finances than they were last year as well as a fall in expectations when looking ahead, which are now at their lowest level since the end of 2016. Danes are still relatively positive, though it may seem odd that optimism is declining at the same time as employment is surging. That being said, Danes have generally become more hesitant about spending money following the financial crisis, which is creating more balanced household finances.

Danish employment



Source: Statistics Denmark

Sweden – Riksbank set to hike but sees growth risks

The Riksbank's repo rate path remained unchanged as expected, still indicating a 25bp hike in December or February and two hikes per year from there on. This is based on an unchanged inflation forecast which sees CPIF inflation close to 2% for the next couple of years (we note it raised its core inflation forecast slightly). In our view, this is very unlikely as we expect temporary effects from energy, the weaker SEK and this summer's drought to dissipate. Note here that the Riksbank reduced its long-term forecast for wage growth, which in our view is the prime determinant for core inflation. Interestingly, the Riksbank made quite a significant downward revision to GDP growth in 2018 (see table to the right) and a smaller upward adjustment to unemployment. We get the sense that the Riksbank suggests the business cycle has passed its peak. This time around, the list of potential downside risks to growth and inflation is quite extensive.

We still expect Riksbank hikes in December and we stick to a 50%-plus probability for July. However, keep an eye on international and Swedish growth indicators as well as political tensions. More bad news or an extended turmoil in stock markets could flip probabilities for the July hike.

The Swedish debt office's new forecast did not really contain any news: it is sticking to very low issuance next year and slightly higher in 2020 due to expected outflows from the tax account.

The NIER October confidence survey showed a general decline in confidence, in particular in consumer confidence and retail trade. It is worth noting that labour shortages rose to new highs while actual employment indicators continued down in all sectors, suggesting capacity constraints and possible mismatches.

Riksbank reduced growth forecast

	2017	2018	2019
CPIF	2.0(2.0)	2.2(2.2)	2.1(2.1)
GDP	2.1(2.3)	2.3(2.9)	1.9(2.0)
Unemployment (%)	6.7(6.7)	6.3(6.2)	6.4(6.3)
Repo rate	-0.5(-0.5)	-0.5(-0.5)	-0.1(-0.1)

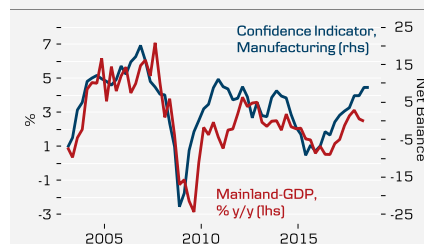
Source: Riksbank

Norway – no signs of a slowdown

As expected, Norges Bank left interest rates alone at its meeting and did not put out any new signals about future monetary policy, simply repeating the message from September that its key policy rate will probably go up in Q1. Growth in the Norwegian economy has been slightly weaker than expected, but the bank puts this down to low agricultural output due to the dry summer and notes that leading indicators still point to solid growth. We are a little surprised that the bank makes no reference to the weather when mentioning that core inflation has been slightly higher than expected, as we consider Norwegian agricultural produce to be a key factor. Both oil prices and the krone are said to have panned out as expected. Rather surprisingly, Norges Bank says the same about the labour market and the housing market, whereas we would have expected it to describe them as being slightly on the weak side. Global developments have also been as expected, although the correction in the stock market is mentioned, and the bank notes that interest rate expectations among Norway's trading partners are slightly higher than in September. Uncertainty about the trade war between China and the US is again mentioned, but is clearly deemed neither better nor worse than at the previous meeting. We largely share the bank's take and still expect the next hike in March.

LFS unemployment was unchanged at 4.0% in August, which is a fair bit higher than the 3.7% Norges Bank projected in the last monetary policy report. A closer look at the data shows that the slower fall in unemployment in recent months is not due to weaker demand for labour, which might indicate a slowdown in the economy. Instead, it is the labour supply that is growing more than expected. Over the past three months, the number of people in work has risen by 17,000, while the labour force has increased by 22,000. The annual rate of growth in employment is above 2%, which points to growth in mainland GDP of 2.5-3% y/y. With the annual rate of growth in the labour force also now above 2%, trend growth in the economy could be higher than previously assumed. Participation rates are thus increasing, suggesting that parts of the decline from 2009 to 2015 were cyclical. The jobless figures are not therefore a sign of a slowdown, but do remove some of the risk of Norges Bank having to act more quickly, as capacity utilisation may be lower than expected.

Lower growth believed to be temporary



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

25/10 ECB Review - Steady Draghi amid disappointing data

ECB didn't formally announce an end to the APP by the end of the year. No questions on first rate hike.

25/10 Norges Bank Review - Little news, Q1 hike still in store

As expected, Norges Bank this morning left the sight deposit rate unchanged at 0.75%.

23/10 Italian Politics Monitor - The gloves are off

The gloves are off in Italy's budget fight, as the European Commission today formally voiced a negative opinion on Italy's 2019 draft budgetary plan, including a request to the Italian authorities to revise its budget.

23/10 Poland, Czech Republic and Hungary: Short-term economic differences and common long-term challenges

This note reviews the economic performance and political and structural outlook for Hungary, Poland and the Czech Republic.

22/10 Macro Strategy Views podcast: The shocks and the risks - Italy could dwarf Brexit

We expect the EU will give a negative opinion and ask for a revision of the budget, possibly as early as this week.

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2017	2.3	1.6	0.6	4.5	4.4	4.3	1.1	1.7	4.2	1.1	36.1	8.1
	2018	1.6	2.5	0.6	7.7	2.2	4.4	0.8	1.9	4.0	0.4	34.7	5.4
	2019	2.0	2.3	0.5	2.6	3.7	3.0	1.4	2.3	3.7	-0.1	33.9	6.1
Sweden	2017	2.5	2.2	0.0	6.1	3.2	4.8	1.8	2.5	6.7	1.2	41.0	4.2
	2018	2.0	2.2	0.8	3.1	2.7	3.7	1.9	2.6	7.1	1.0	37.0	2.8
	2019	1.6	1.9	0.4	1.3	2.3	2.2	1.6	2.7	7.6	0.8	35.0	2.8
Norway	2017	1.8	2.3	2.0	3.5	0.8	2.2	1.8	2.3	2.7	-	-	-
	2018	2.4	2.3	1.9	-0.4	0.8	3.3	2.8	3.0	2.4	-	-	-
	2019	2.5	2.5	1.8	4.4	2.4	3.0	1.6	3.5	2.1	-	-	-

Macro forecast, Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euro area	2017	2.5	1.7	1.2	2.9	5.4	4.0	1.5	1.6	9.1	-1.0	86.8	3.5
	2018	2.0	1.5	1.1	3.0	2.9	2.8	1.8	2.2	8.2	-0.7	86.0	3.4
	2019	1.7	1.9	2.1	1.9	3.1	3.8	1.7	2.3	7.9	-0.6	85.5	3.4
Germany	2017	2.5	2.0	1.6	3.6	5.3	5.3	1.7	2.6	3.8	1.0	63.9	7.9
	2018	1.9	1.5	1.1	3.4	3.0	3.9	1.7	3.0	3.4	1.2	60.2	7.9
	2019	1.8	2.2	2.3	3.1	3.6	5.4	1.6	3.2	3.3	1.1	56.3	7.6
Finland	2017	2.8	1.3	-0.5	4.0	7.5	3.5	0.8	0.2	8.6	-0.7	61.3	-0.7
	2018	2.7	2.1	2.0	4.0	3.2	3.0	1.2	2.0	7.6	-0.3	59.3	-0.6
	2019	2.0	1.6	0.5	3.5	4.0	3.5	1.5	2.3	7.3	0.1	57.7	-0.2

Macro forecast, Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2017	2.2	2.5	-0.1	4.8	3.0	4.6	2.1	2.5	4.4	-3.5	105.0	-2.5
	2018	2.8	2.5	1.4	5.7	5.1	3.8	2.5	2.8	3.9	-4.0	106.0	-3.0
	2019	2.5	2.4	1.2	4.1	3.4	2.8	2.0	3.1	3.6	-4.6	107.0	-3.4
China	2017	6.9	-	-	-	-	-	2.0	9.0	4.1	-3.7	47.6	1.4
	2018	6.6	-	-	-	-	-	2.3	8.7	4.3	-3.4	50.8	1.1
	2019	6.4	-	-	-	-	-	2.3	8.5	4.3	-3.4	53.9	1.2
UK	2017	1.7	1.9	-0.1	3.3	5.7	3.2	2.7	2.2	4.4	-1.8	87.5	-4.1
	2018	1.3	1.2	1.2	0.7	-0.9	-0.2	2.5	2.5	4.1	-1.8	85.4	-4.4
	2019	1.5	1.6	0.6	1.4	1.5	1.7	1.5	2.9	3.9	-1.7	85.3	-4.0

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

Financial forecast

Bond and money markets

		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	26-Oct	2.25	2.41	3.06	3.25	115.1	-	648.2
	+3m	2.50	2.86	3.20	3.35	115.0	-	648.0
	+6m	2.75	3.07	3.40	3.55	118.0	-	631.8
	+12m	3.00	3.37	3.50	3.55	125.0	-	596.4
EUR	26-Oct	0.00	-0.32	-0.09	1.06	-	115.1	745.8
	+3m	-0.40	-0.33	-0.05	1.10	-	115.0	745.3
	+6m	-0.40	-0.33	0.05	1.30	-	118.0	745.5
	+12m	-0.40	-0.26	0.15	1.40	-	125.0	745.5
JPY	26-Oct	-0.10	-0.07	0.06	0.36	131.0	113.9	5.69
	+3m	-0.10	-	-	-	130.0	113.0	5.73
	+6m	-0.10	-	-	-	134.5	114.0	5.54
	+12m	-0.10	-	-	-	143.8	115.0	5.19
GBP	26-Oct	0.75	0.80	1.20	1.75	88.2	130.5	845.5
	+3m	0.75	0.82	1.30	1.85	84.0	136.9	887.2
	+6m	0.75	1.02	1.40	2.00	83.0	142.2	898.2
	+12m	1.00	1.07	1.60	2.20	83.0	150.6	898.2
CHF	26-Oct	-0.75	-0.74	-0.49	0.59	114.3	99.4	652.3
	+3m	-0.75	-	-	-	113.0	98.3	659.5
	+6m	-0.75	-	-	-	116.0	98.3	642.7
	+12m	-0.75	-	-	-	120.0	96.0	621.3
DKK	26-Oct	0.05	-0.30	0.04	1.19	745.8	648.2	-
	+3m	-0.65	-0.30	0.05	1.25	745.3	648.0	-
	+6m	-0.65	-0.30	0.15	1.45	745.5	631.8	-
	+12m	-0.65	-0.23	0.25	1.55	745.5	596.4	-
SEK	26-Oct	-0.50	-0.46	0.01	1.33	1043.9	907.3	71.4
	+3m	-0.25	-0.25	0.25	1.40	1020.0	887.0	73.1
	+6m	-0.25	-0.15	0.40	1.40	1010.0	855.9	73.8
	+12m	0.00	0.00	0.65	1.50	1010.0	808.0	73.8
NOK	26-Oct	0.75	1.06	1.58	2.40	950.8	826.4	78.4
	+3m	0.75	1.30	1.65	2.55	940.0	817.4	79.3
	+6m	1.00	1.40	1.95	2.70	920.0	779.7	81.0
	+12m	1.25	1.65	2.20	2.80	910.0	728.0	81.9

Commodities

		2018				2019				Average	
	26-Oct	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019
NYMEX WTI	67	63	68	68	68	69	69	70	70	67	70
ICE Brent	76	67	75	72	72	72	72	74	74	72	73

Source: Danske Bank

Calendar

Key Data and Events in Week 44

During the week

				Period	Danske Bank	Consensus	Previous
Sat 27	CNY	Industrial profits	y/y	Sep			9.2%

Monday, October 29, 2018

				Period	Danske Bank	Consensus	Previous
0:50	JPY	Retail trade	m/m y/y	Sep		-0.2% 2.1%	0.9% 2.7%
10:30	GBP	Broad money M4	m/m y/y	Sep			0.2% 1.2%
10:30	GBP	Mortgage approvals	1000	Sep			66.4
13:30	USD	PCE core	m/m y/y	Sep	0.1% 1.9%	0.1% 2.0%	0.0% 2.0%
13:30	USD	Personal spending	m/m	Sep	0.4%	0.4%	0.3%
13:30	USD	PCE headline	m/m y/y	Sep	0.1% 2.0%	0.1% 2.0%	0.1% 2.2%
14:45	USD	Fed's Evans (non-voter, dovish) speaks					

Tuesday, October 30, 2018

				Period	Danske Bank	Consensus	Previous
0:30	JPY	Unemployment rate	%	Sep		2.4%	2.4%
0:30	JPY	Job-to-applicant ratio		Sep		1.63	1.63
7:30	FRF	GDP, preliminary	q/q y/y	3rd quarter		0.4% 1.5%	0.2% 1.7%
8:00	NOK	Retail sales, s.a.	m/m	Sep	0.3%		0.6%
8:00	NOK	Credit indicator (C2)	y/y	Sep			5.8%
8:00	DKK	Business Confidence		Oct			
8:45	FRF	Household consumption	m/m y/y	Sep			0.8% 1.3%
9:00	CHF	KOF leading indicator	Index	Oct		100.7	102.2
9:00	ESP	HICP, preliminary	m/m y/y	Oct			0.6% 2.3%
9:30	SEK	Wages (blue collars/white collars)	y/y	Aug			2.5%
9:55	DEM	Unemployment	%	Oct		5.1%	5.1%
10:00	ITL	GDP, preliminary	q/q y/y	3rd quarter		0.2% 1.0%	0.2% 1.2%
11:00	EUR	Business climate indicator	Net bal.	Oct		1.2	1.2
11:00	EUR	Industrial confidence	Net bal.	Oct		4.0	4.7
11:00	EUR	Economic confidence	Index	Oct		110.1	110.9
11:00	EUR	Consumer confidence, final	Net bal.	Oct		-2.7	-2.7
11:00	EUR	Service confidence	Net bal.	Oct		13.9	14.6
11:00	EUR	GDP, preliminary	q/q y/y	3rd quarter	0.4% ..	0.4% 1.8%	0.4% 2.1%
14:00	DEM	HICP, preliminary	m/m y/y	Oct		0.0% 2.3%	0.4% 2.2%
15:00	USD	Conference Board consumer confidence	Index	Oct	136.2	136.8	138.4

Wednesday, October 31, 2018

				Period	Danske Bank	Consensus	Previous
-	JPY	BoJ policy rate	%		-0.10%		-0.10%
0:50	JPY	Industrial production, preliminary	m/m y/y	Sep		-0.3% 2.1%	0.2% 0.2%
1:01	GBP	GfK consumer confidence	Index	Oct	-10.0	-10.0	-9.0
1:30	AUD	CPI	q/q y/y	3rd quarter		0.5% 1.9%	0.4% 2.1%
2:00	CNY	PMI manufacturing	Index	Oct		50.6	50.8
2:00	CNY	PMI non-manufacturing	Index	Oct		54.9	54.9
6:00	JPY	Consumer confidence	Index	Oct		43.5	43.4
8:00	DEM	Retail sales	m/m y/y	Sep		0.5% 0.9%	-0.3% 1.6%
8:00	DKK	Gross unemployment s.a.		Sep			107
8:45	FRF	HICP, preliminary	m/m y/y	Oct		0.2% 2.6%	-0.2% 2.5%
9:00	ESP	GDP, preliminary	q/q y/y	3rd quarter		0.6% ..	0.6% 2.5%
10:00	NOK	Norges Bank's daily FX purchases	m	Nov			-450
11:00	ITL	HICP, preliminary	m/m y/y	Oct			1.7% 1.5%
11:00	EUR	Unemployment	%	Sep		8.1%	8.1%
11:00	EUR	HICP - core inflation, preliminary	y/y	Oct	1.1%	1.0%	0.9%
11:00	EUR	HICP inflation, preliminary	y/y	Oct	2.2%	2.1%	2.1%
13:15	USD	ADP employment	1000	Oct		190	230
13:30	CAD	GDP	m/m y/y	Aug			0.2% 2.4%
13:30	USD	Employment cost index	m/m	3rd quarter	0.7%	0.7%	0.6%
14:45	USD	Chicago PMI	Index	Oct		60.3	60.4
15:30	USD	DOE U.S. crude oil inventories	K				6346

Source: Danske Bank

Calendar (continued)

Thursday, November 1, 2018					Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Oct			16.95	17.4
1:30	JPY	Nikkei Manufacturing PMI, final	Index	Oct				53.1
2:45	CNY	Caixin PMI manufacturing	Index	Oct			50.0	50.0
8:30	SEK	PMI manufacturing	Index	Oct				55.2
9:00	NOK	PMI manufacturing	Index	Oct		56.0		55.7
9:15	CHF	CPI	m/m y/y	Oct			0.2% 1.1%	0.1% 1.0%
10:30	GBP	PMI manufacturing	Index	Oct			53.0	53.8
13:00	GBP	BoE minutes						
13:00	GBP	BoE government bond purchases (APF)	GBP bn	Nov		435	435	435
13:00	GBP	BoE corporate bond purchases (CBPP)	GBP bn	Nov		10	10	10
13:00	GBP	BoE Bank rate	%			0.75%	0.75%	0.75%
13:30	GBP	BoE Inflation Report						
13:30	USD	Unit labour cost, preliminary	q/q	3rd quarter			1.4%	-1.0%
13:30	GBP	BoE Governor Carney press conference						
13:30	USD	Initial jobless claims	1000					
14:30	CAD	RBC manufacturing PMI	Index	Oct				54.8
14:45	USD	Markit PMI manufacturing, final	Index	Oct				55.9
15:00	USD	Construction spending	m/m	Sep			0.1%	0.1%
15:00	USD	ISM manufacturing	Index	Oct		58.5	59.4	59.8
Friday, November 2, 2018					Period	Danske Bank	Consensus	Previous
9:15	ESP	PMI manufacturing	Index	Oct			50.9	51.4
9:45	ITL	PMI manufacturing	Index	Oct			50.0	50.0
9:50	FRF	PMI manufacturing, final	Index	Oct				51.2
9:55	DEM	PMI manufacturing, final	Index	Oct				52.3
10:00	EUR	PMI manufacturing, final	Index	Oct				52.1
10:00	NOK	Unemployment	%	Oct		2.3%		2.3%
10:30	GBP	PMI construction	Index	Oct			52.2	52.1
13:30	CAD	Net change in full time employment	1000	Oct				-16.9
13:30	USD	Unemployment	%	Oct		3.6%	3.7%	3.7%
13:30	USD	Average hourly earnings, non-farm	m/m y/y	Oct		0.25% 3.2%	0.2% 3.1%	0.3% 2.8%
13:30	USD	Non farm payrolls	1000	Oct		190	189	134
13:30	USD	Trade balance	USD bn	Sep			-52.8	-53.2
15:00	USD	Core capital goods orders, final	%	Sep				
16:00	DKK	Currency reserves	DKK bn	Oct				467.9

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

Source: Danske Bank

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