

Weekly Focus

Politics driving markets again

Market Movers ahead

- In the US, the most important release will be the jobs report for June on Friday 6 July, but the week also brings FOMC meetings minutes.
- In the euro area, German politics will again take centre stage after ongoing squabbles within the governing coalition over migration policy.
- US-China trade tension might escalate further after tariffs take effect on 6 July.
- In Scandinavia, the Riksbank meeting will be the key event.

Note that our Weekly Focus publication will take a summer break until 10 August.

Global macro and market themes

- Trump blinked but further escalation of the trade tensions is still our baseline scenario ahead of 6 July.
- Merkel and Europe are facing a pivotal weekend following the EU summit.
- Oil prices have surged to multi-year highs.
- Confidence indicators have moderated further recently.

Focus

ECB Research - euro area inflation - not out of the woods yet

Nordic Outlook - June 2018


Market Guide: Rising risk of a full-blown trade war

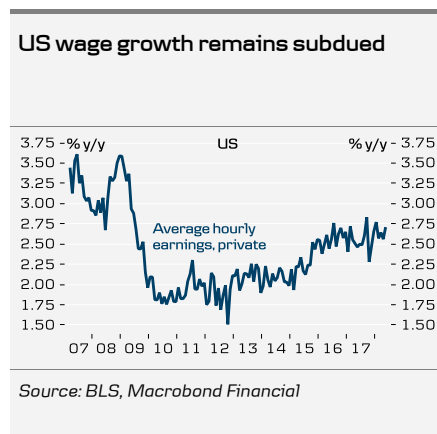
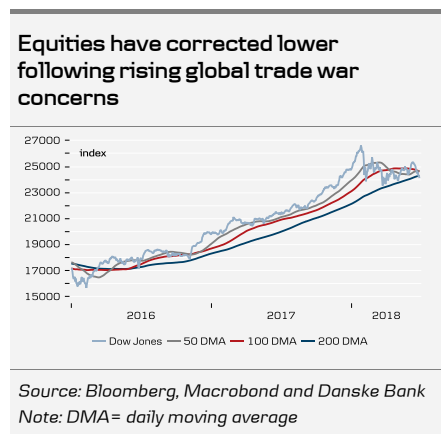
Contents	
Market movers.....	2
Global Macro and Market Themes	5
Scandi update	7
Latest research from Danske Bank	8
Macroeconomic forecast	9
Financial forecast	10
Calendar	11

Financial views			
Major indices			
	29-Jun	3M	12M
10yr EUR swap	0.89	0.95	1.45
EUR/USD	117	117	125
ICE Brent oil	74	72	72

Source: Danske Bank

Follow us on *Twitter*

 @Danske_Research



Editor

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

Market movers

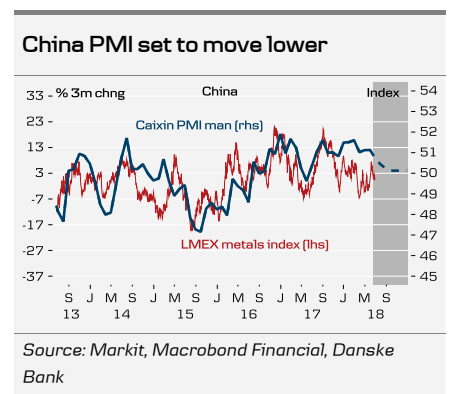
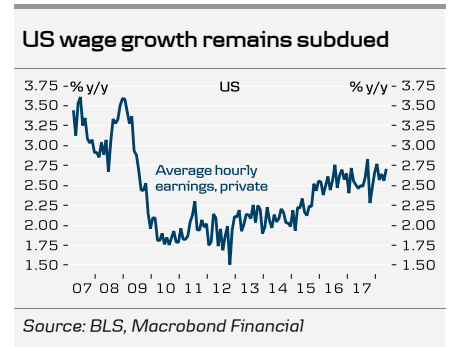
Global

- In the **US**, the most important release is the jobs report for June on Friday. We estimate wages rose 0.2% m/m in June, which leaves the annual growth rate unchanged at 2.7% y/y. Even if wage growth surprises on the upside, one should not expect the Fed to accelerate its hiking cycle, as it has said it tolerates inflation exceeding the 2% target temporarily. We estimate nonfarm payrolls rose around 190,000 and that the unemployment rate remains unchanged at 3.8%.

ISM manufacturing for June is due for release on Monday. Regional PMIs indicate continued expansion but indicators for general activity and new orders fell this month. This supports our overall view that the US manufacturing indices should move lower in 3-6M. Based on the regional PMIs and Markit PMI manufacturing, we expect ISM for June to remain unchanged.

The coming week also brings FOMC meeting minutes on Friday. We do not expect much news as the Fed is continuing its gradual hiking cycle. However, it could be interesting if the Fed had discussions on when the balance sheet reduction should end as, at this point, it is still open-ended. Discussions on the US-China trade conflict will also be in focus.

- In the **euro area**, there are no market movers in terms of data releases next week. However, attention will be on German politics. On Sunday, the CDU/CSU party officials will meet to discuss the outcome of Angela Merkel's attempts to form an EU-wide immigration solution. The Interior Minister Horst Seehofer could move ahead with his plan to turn away migrants at the border, which he is likely to announce on Sunday if Merkel fails to come up with a satisfactory solution. This could eventually lead to a collapse of the government coalition. However, so far, we still believe de-escalation and a compromise solution is more likely.
- In the **UK**, it is time for the June PMI reports. In particular, the PMI services (due on 4 July) will attract attention in order to see whether it is going to rebound or not. In our view, the Bank of England needs to see a rebound in growth to be able to hike the Bank Rate in August. Finally, the UK government has said it will publish its white paper on how it sees the future relationship with the EU on trade and customs after the EU summit (28-29 June). Theresa May's cabinet is likely to meet to try to come to an agreement this week (probably around 4-5 July). The release of the government's white paper could be a catalyst for GBP exchange rate volatility.
- In **Japan**, the focus next week will be on the Q2 Tankan survey released on 2 July. Overall, we expect sentiment to deteriorate slightly with the current business conditions for large manufacturers declining from 24 in Q1 to 22 in Q2. Business optimism remains at a high level though and overall we expect the report to point to a continued constructive outlook in coming quarters. The escalation of the US-China trade war and rising concerns about global trade might have taken a toll on sentiment among exporters and broader business sentiment in Japan, suggesting risks probably lie on the downside in the Tankan report relative to consensus expectations of a modest deterioration.
- The **US-China** trade tensions are still the main driver in China. On 6 July, the first tariffs on products worth USD34bn will be implemented. Donald Trump has threatened to add tariffs on China on products worth USD200bn if China goes through with the tariffs. We expect this to be the case and could thus be heading for another escalation.



On the data front, we have PMI manufacturing for June. We look for a decline following the recent soft hard data as well as the rising uncertainty over a trade war. This is not least reflected in the sharp equity sell-off in China. Also, keep an eye on the CNY where we see a clear risk of further depreciation in the short term (see *FX Strategy - Downward revision to our CNY outlook*, 26 June).

Scandi

- In **Denmark**, we have a lot of news in the coming week. On Tuesday, Danmarks Nationalbank is due to publish new figures for currency reserves in June. EUR/DKK rose from a level close to the 2018 low to a level close to the 2018 high in June. However, the move happened well within the historical trading range for EUR/DKK spot, which means that Danmarks Nationalbank probably remained on the sidelines of the FX market for another month.

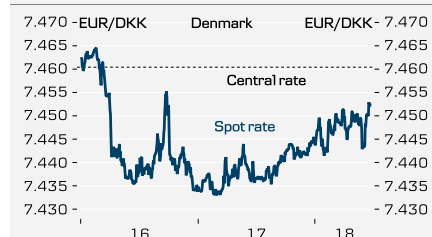
Wednesday brings numbers for housing prices in April, while on Thursday we are due to get updated forced sales and bankruptcy figures. Statistics Denmark is scheduled to publish the newest industrial production figures on Friday.

- In **Sweden**, the Riksbank decision will be in focus next week. We think it will leave the rate path intact on 3 July, indicating a Q4 rate hike. There are three considerations for the Board. (1) Growth is slowing on the back of declining residential construction activity and as the outlook for exporters deteriorates with German industry cooling. (2) The ECB has made it clear that it will not hike rates until the second half of 2019, which is also likely to delay the Riksbank's potential hikes. (3) The outlook for inflation is split, as core CPIF excluding energy inflation is likely to remain below the Riksbank's current forecast, while CPIF will remain above it, boosted by energy prices. We believe most board members will look through energy prices and focus on core prices in particular, as services inflation has fallen sharply from the peak at 4.9% in mid-2017 to 1.8% y/y in May.

After the ECB and deterioration of the growth outlook, we see an 85-90% chance that the Riksbank will hike the repo rate in **Q3 19 at the earliest**. There is currently still a small 10-15% probability that it makes a mistake later this year focusing on headline CPIF, raising the repo rate in Q4. In July, we expect no change to either the repo rate or the repo rate path but it might revert to soft verbal guidance as it did in February. The market prices some 10bp over the last two meetings of the year and another 10bp over the first two meetings in 2019. Even if the Riksbank decides to move in Q4 18, the size of the first move remains very much an open question. We expect no change to QE reinvestments.

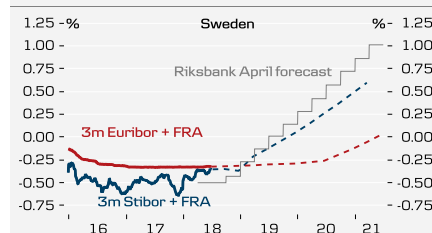
- In **Norway**, the PMI has softened this year after climbing strongly towards the end of 2017. Although the index is still up around 56, which points to above-trend growth in manufacturing, it also indicates that activity is no longer accelerating. We have long argued that manufacturing activity would pick up gradually as the sharp increase in orders in the oil supply sector fed through into actual production. This suggests there is a certain upside risk to the PMI in coming months. On the other hand, it may be that the PMI is underestimating manufacturing activity in the current phase, quite simply because oil-related companies are underrepresented on the panel. For example, domestic manufacturing orders have been much higher in Statistics Norway's tendency survey than in the PMI, as can be seen from the chart. Therefore, we predict a moderate increase in the PMI to 56.0 in July. Housing prices have gone from being a downside risk to an upside risk to the Norwegian economy and interest rates and hence the krone. Prices have increased for four successive months, fuelled by a better balance between

Danish central bank has probably not intervened in the FX market in June



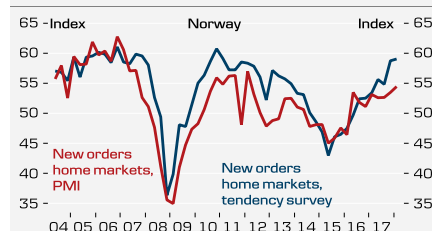
Source: Statistics Denmark

Riksbank likely delayed by ECB



Source: Macrobond Financial, Danske Bank calculation

Not enough oil in the PMI



Source: Macrobond Financial, Danske Bank

supply and demand in the market. We are now seeing the supply of homes beginning to grow again, so we expect housing price inflation to slow to 0.3% m/m in June. This would tie in nicely with Norges Bank's projections in the June monetary policy report.

Market movers ahead

Global movers		Event		Period	Danske	Consensus	Previous	
During the week		Sat 30	CNY	PMI manufacturing	Index	Jun	51.6	51.9
		Sat 30	CNY	PMI non-manufacturing	Index	Jun	54.8	54.9
Mon	02-Jul	1:50	JPY	Tankan large manufacturers index (outlook)	Index	2nd quarter	22.0	24.0 20.0
		1:50	JPY	Tankan large non-manufacturers index (outlook)	Index	2nd quarter	23.0	23.0 20.0
		16:00	USD	ISM manufacturing	Index	Jun	58.0	58.7
Wed	04-Jul	10:30	GBP	PMI services	Index	Jun	53.8	54.0
Thurs	05-Jul	20:00	USD	FOMC minutes				
Fri	06-Jul	14:30	USD	Unemployment	%	Jun	3.8%	3.8%
		14:30	USD	Average hourly earnings, non-farm	m/m y/y	Jun	0.2% 2.7%	0.3% 2.8%
		14:30	USD	Non farm payrolls	1000	Jun	198	198
							223	
Scandi movers								
During the week								
Mon	02-Jul							
Tue	03-Jul	9:30	SEK	Riksbank, rate decision	%		-0.5%	-0.5%
		16:00	DKK	Currency reserves	DKK bn	Jun		468.1
Wed	04-Jul	6:00	SEK	Maklarstatistik Swedish housing price data				
Thurs	05-Jul	9:30	SEK	Average house prices	SEK m	Jun		3.031

Source: Bloomberg, Danske Bank

Global Macro and Market Themes

Politics and not fundamentals driving the market

Did Trump just blink?

Over the past few weeks, fundamentals have not been as dominant a market driver as politics, the trade war, geopolitical concerns and migration/the EU summit. Over the past week, we have received further indication of what Donald Trump's reaction function might entail on the trade war/protectionism agenda: (1) a correction in equity markets and/or (2) a deterioration of his support in opinion polls. On Monday, we recorded another marked fall in the US equity Dow Jones Index, which has overall corrected around 5% over the past two weeks. On Monday, the Dow Jones Index moved below the important sentiment threshold of the 200-day moving average, which has not happened in the past two years. Indeed, the Dow Jones Index is below the 50-day, 100-day and 200-day moving average, which shows the momentum of the equity markets. Since Monday, we have seen Trump backtracking on some of his harsher stances, such as his decision to use existing laws to screen Chinese investments rather than employing the International Emergency Economic Powers Act of 1977, which would give him broad authority to curb Chinese investments. We still believe that the already-announced tariffs will be implemented next Friday (6 July) and, at the same time that Trump will announce tariffs on another USD200bn of Chinese imports.

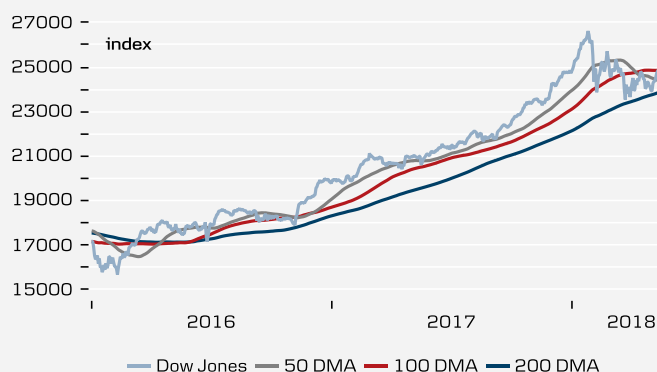
Decisive for Europe and Merkel

The EU summit yesterday and today is important for not only the migration debate and deepening of the EMU agenda. Angela Merkel's coalition partner CSU has given her an ultimatum, which runs until this weekend, to find a solution on the migration issues in southern Germany. We believe a de-escalation of the German government crisis is the base case but, looking ahead, we should not underestimate the risk of a breaking apart of the German government and toppling of Merkel over coming months. Should she be replaced by a more hard-line/conservative candidate, it could have grave repercussions for the stability and resilience of the EU and bring the European political risk premium back to markets. The migration issue is particularly important for CSU to draw a firm line ahead of the October Bavaria elections against its main rival AfD.

Today's key points

- Trump blinked but further escalation of trade tensions is still our base scenario ahead of 6 July.
- Angela Merkel and Europe face a pivotal weekend.
- Oil prices have surged to multi-year highs.
- Confidence indicators have moderated recently.

Equities have corrected lower over the past few weeks



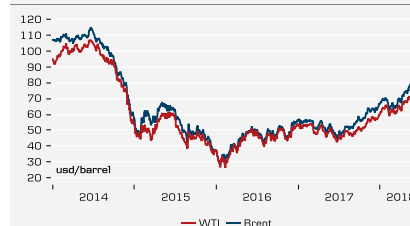
Note: DMA= daily moving average

Source: Bloomberg, Macrobond Financial, Danske Bank

Oil reaching new multi-year highs

Oil prices have risen this week to a multi-year high level around USD72/bl (WTI). The higher oil price has defied the negative impact of weak sentiment in equity markets and a higher USD. The move has followed a string of news pointing to a tighter oil market balance: (1) Libyan crude exports could be hit as militia have taken control of major oil ports, (2) crude inventories in the US have shown a large draw in recent weeks and (3) the US is apparently said to be pressing its allies to block all oil imports from Iran from November. Countering the effect of the factors above, Saudi Arabia said this week that it plans to boost oil output to a record high of 10.8m bpd in July. The OPEC deal from last week paved the way for the possibility of Saudi Arabia raising output (see *Flash Comment International: OPEC agrees to hike output*, 22 June). Overall, we stick to our forecast of Brent averaging USD72/bl in H2 this year but stress that risks are on the upside from potential supply disruptions leading to a tighter oil market.

Oil prices have reached multi-year highs

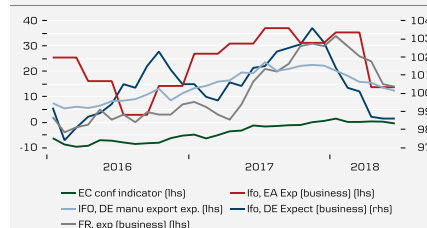


Source: Bloomberg, Macrobond Financial, Danske Bank

Euro area confidence has declined – supply constraints and trade war

Since the ECB meeting on 14 June, we have observed a number of comments from ECB governing council members, concerned in particular about the growth outlook and the impact of rising protectionism and a trade war. The ECB itself suggested earlier this month that this is one of the main risks to the growth outlook. Last week, we discussed the impact of the trade war in *Strategy – The implications of a global trade war*, 22 June, but here we point to a deterioration of confidence, indicating this, in turn, can affect the growth outlook, on the back of rising trade war concerns and supply constraints. The indicators have declined from a relatively high level, in particular driven by increasing labour shortages. The indicators are expected to hover around these levels in the very near future. For example, the EC’s confidence indicators are back to the levels of a year ago, while the German ifo expectations component is hovering around a low not observed in the past two years. Looking further ahead, *MacroScope – Small ray of light*, 21 June, pointed to continued further decline in PMIs on a six-month horizon.

Confidence indicators have deteriorated recently



Source: Bloomberg, Macrobond Financial, Danske Bank

Financial views

Asset class	Main factors
Equities Positive on 3-12 month horizon	Fundamentals still support equities on a 3-12M horizon. However, trade tensions and the effect on the corporate outlook and capex will be in focus over the next month, which could add to higher volatility.
Bond market German/Scandi yields – lower for now, higher in 12M EUR 2Y10Y steeper, USD 2Y10Y flatter US-euro spread – short-end set to widen further Peripheral spreads – tightening	Strong forward guidance from the ECB. Core inflation remains muted. Range trading for Bunds for the rest of 2018. Still higher in 2018 onward. The ECB keeps a tight leash on the short end of the curve but 10Y higher as US has an impact. Mainly steeper in 2019. The spread in the short end is set to widen further as the Fed continues to hike. ECB forward guidance, better fundamentals, an improved political picture (excluding Italy) and rating upgrades set to lead to further tightening despite the recent strong moves. Italian politics remain a clear risk factor.
FX & commodities EUR/USD – lower for longer...but not forever EUR/GBP – gradually lower over the medium term USD/JPY – higher eventually EUR/SEK – neutral for now but sticky above 10 EUR/NOK – to move lower but near-term headwinds Oil price – wide outcome space	Rangebound [1.15-1.21] on a 0-6M horizon but supported longer term by valuation and capital flow reversal due to ECB ‘normalisation’. Brexit uncertainty dominates now but GBP should strengthen in 6-12M on Brexit clarification and Bank of England rate hikes. US yields decisive near term, with political uncertainty a significant downside risk. Longer term higher on Fed-Bank of Japan divergence. Neutral near term but SEK negatives remain lower growth, subdued inflation and too aggressive Riksbank pricing. Positive on NOK on valuation, relative growth, positioning, terms of trade, the global outlook and Norges Bank initiating a hiking cycle. Tug of war between geopolitical risks and OPEC+ getting ready to normalise output.

Source: Danske Bank

Scandi update

Denmark – manufacturing confidence down in June

We learned during the week that the manufacturing confidence indicator fell slightly in June. This was due to lower production expectations, which could reflect fears of an escalating trade war that could hurt Danish suppliers to European carmakers. However, confidence is still at a healthy level and production expectations are still higher than they were in March. The survey also revealed that there are once again more firms reporting that production is being limited by shortages of labour, particularly in the service and construction sectors.

Meanwhile, gross unemployment fell by 900 people in May, continuing the downward trend of recent years and taking the jobless rate to 4.0%. This is a further sign that the Danish labour market is tightening but we are still some way off the levels seen before the financial crisis, when the jobless rate dipped right down to 2.4%.

Sweden – data suggests slowing growth

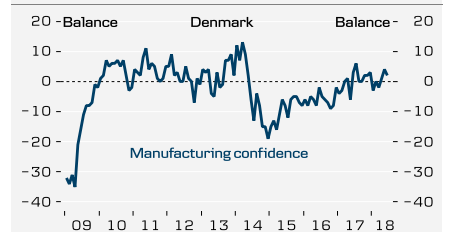
The trade balance again undershot expectations in May, showing a SEK2.6bn deficit. So far, this is mainly the result of very strong import growth, which pulls down the balance in negative territory despite exports growing at a healthy pace just below 10% y/y. Currently, Swedish exporters' order books are full but new orders are plummeting. We believe the answer to that tendency is a weakening demand from German industries, which will eventually slow Swedish foreign trade growth.

Domestically, consumers are keeping up spending more than we expected. Still, consumer confidence is now below normal and house prices are probably set for another decline after the summer, as we currently see very slow sales of newly produced flats and price reductions on these becoming more normal. This development should be detrimental for the spending mood ahead.

Norway – upswing continues

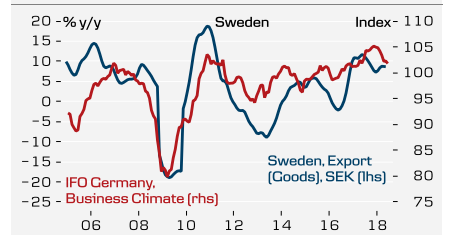
Norwegian data continue to surprise on the upside of expectations. Retail sales climbed 1.8% in May, a fourth successive month of growth. The figures were presumably boosted by the hot weather but, even with a substantial correction in June, private consumption will make a solid contribution to GDP growth in Q2. Either way, there is little uncertainty to be seen among Norwegian consumers. Unemployment is also continuing to come down. The NAV reported registered unemployment at 2.2% in June, with gross unemployment falling by 365 people month on month to a level that is 14,400 down on a year ago and the lowest since March 2009. The continued decrease in unemployment confirms that growth is still above trend and that the normalisation of interest rates will have to start soon.

Manufacturing confidence fell in June but remains high by recent years' standards



Source: Statistics Denmark

Slowing German industry should weigh on exports



Source: IFO, SCB

Gross unemployment at its lowest since March 2009



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

Emerging Markets Briefer: Trade war and shrinking liquidity add pressure on EM

The fear of a global trade war, which started worrying financial markets in Q1 18, has become an overwhelming risk factor for the global economy.

Riksbank Preview - Staying put, possibly soft verbal forward guidance

We think the Riksbank will leave the rate path intact on 3 July, indicating a Q4 rate hike. However, in our view, the Board will probably acknowledge some soft development.

Market Guide: Rising risk of a full-blown trade war

The European Central Bank (ECB) surprised the market at its June meeting. No real news was expected to emerge from the meeting but the ECB had a different view.

ECB Research - euro area inflation - not out of the woods yet

There are rays of hope for the outlook on euro area inflation and accelerating wage growth raises the prospect that the gradual rise in core inflation will continue.

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	1.5	1.2	3.7	4.4	4.1	1.1	1.7	4.2	1.0	36.4	7.8
	2018	1.8	2.3	1.1	5.0	0.5	3.6	0.9	1.9	4.0	-0.2	35.1	6.5
	2019	1.8	2.4	0.5	1.5	2.7	2.4	1.5	2.3	3.8	-0.2	34.4	7.2
Sweden	2017	2.5	2.2	0.4	5.9	3.6	4.8	1.8	2.5	6.7	1.2	41.0	4.2
	2018	2.0	2.0	0.6	3.0	3.8	4.2	1.7	2.6	7.1	1.0	37.0	2.8
	2019	1.9	1.8	0.8	0.4	4.7	3.8	1.4	2.7	7.6	0.8	35.0	3.2
Norway	2017	1.8	2.3	2.0	3.5	0.8	2.2	1.8	2.3	2.7	-	-	-
	2018	2.5	2.3	1.9	2.0	2.0	2.5	2.4	3.0	2.4	-	-	-
	2019	2.3	2.5	1.9	3.5	2.4	2.3	1.6	3.5	2.2	-	-	-

Macro forecast, Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euro area	2017	2.6	1.7	1.2	3.5	5.5	4.5	1.5	1.6	9.1	-0.9	86.7	3.5
	2018	2.1	2.1	1.8	3.4	4.1	3.3	1.6	1.9	8.4	-0.7	86.0	3.4
	2019	1.7	2.1	2.4	2.1	3.3	3.8	1.4	2.1	8.0	-0.6	85.5	3.4
Germany	2017	2.5	2.0	1.5	4.0	5.3	5.6	1.7	2.6	3.7	1.3	64.1	8.0
	2018	2.0	1.5	0.8	4.0	3.3	3.2	1.8	2.8	3.4	1.2	60.2	7.9
	2019	1.9	2.3	2.1	3.2	3.7	5.3	1.7	3.0	3.3	1.0	56.3	7.6
Finland	2017	2.7	1.7	1.6	5.8	7.8	3.7	0.7	0.2	8.6	-0.6	61.3	0.7
	2018	2.7	2.1	0.9	4.0	4.2	4.2	1.0	2.0	8.0	-0.3	59.1	0.5
	2019	2.0	1.6	0.5	3.5	4.5	4.0	1.4	2.3	7.7	-0.1	57.6	0.7

Macro forecast, Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2017	2.3	2.8	0.1	4.0	3.4	4.0	2.1	2.5	4.4	-3.5	105.0	-2.5
	2018	2.5	2.4	1.3	5.3	4.2	4.4	2.5	2.6	3.9	-4.0	106.0	-3.0
	2019	2.3	2.3	1.1	4.0	3.1	3.0	2.0	2.8	3.6	-4.6	107.0	-3.4
China	2017	6.9	-	-	-	-	-	2.0	9.0	4.1	-3.7	47.6	1.4
	2018	6.6	-	-	-	-	-	2.3	8.7	4.3	-3.4	50.8	1.1
	2019	6.4	-	-	-	-	-	2.3	8.5	4.3	-3.4	53.9	1.2
UK	2017	1.8	1.7	0.1	4.0	5.7	3.2	2.7	2.2	4.4	-1.9	87.7	-4.1
	2018	1.1	1.1	1.1	2.9	1.3	1.2	2.5	2.5	4.2	-1.8	85.4	-4.4
	2019	1.2	1.2	0.4	1.3	2.6	2.0	1.5	2.9	4.1	-1.7	85.3	-4.0

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

Financial forecast

Bond and money markets								
		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	29-Jun	2.00	2.33	2.82	2.98	116.6	-	639.0
	+3m	2.00	2.45	2.80	3.05	117.0	-	636.3
	+6m	2.25	2.67	3.00	3.15	120.0	-	620.4
	+12m	2.75	2.97	3.30	3.35	125.0	-	595.4
EUR	29-Jun	0.00	-0.32	-0.17	0.89	-	116.6	745.3
	+3m	0.00	-0.33	-0.15	0.95	-	117.0	744.5
	+6m	0.00	-0.33	0.00	1.05	-	120.0	744.5
	+12m	0.00	-0.33	0.10	1.45	-	125.0	744.3
JPY	29-Jun	-0.10	-0.04	0.05	0.26	128.5	110.2	5.80
	+3m	-0.10	-	-	-	128.7	110.0	5.78
	+6m	-0.10	-	-	-	134.4	112.0	5.54
	+12m	-0.10	-	-	-	140.0	112.0	5.32
GBP	29-Jun	0.50	0.63	1.04	1.53	87.7	133.0	849.6
	+3m	0.75	0.82	1.15	1.70	86.5	135.3	860.7
	+6m	0.75	0.82	1.45	1.90	84.0	142.9	886.3
	+12m	1.00	1.07	1.70	2.15	83.0	150.6	896.7
CHF	29-Jun	-0.75	-0.73	-0.54	0.41	115.4	98.9	646.0
	+3m	-0.75	-	-	-	116.0	99.1	641.8
	+6m	-0.75	-	-	-	119.0	99.2	625.6
	+12m	-0.75	-	-	-	122.0	97.6	610.0
DKK	29-Jun	0.05	-0.31	-0.05	1.04	745.3	639.0	-
	+3m	0.05	-0.30	-0.05	1.10	744.5	636.3	-
	+6m	0.05	-0.30	0.10	1.20	744.5	620.4	-
	+12m	0.05	-0.30	0.20	1.60	744.3	595.4	-
SEK	29-Jun	-0.50	-0.35	-0.18	1.12	1032.4	885.2	72.2
	+3m	-0.50	-0.45	-0.20	1.05	1020.0	871.8	73.0
	+6m	-0.50	-0.40	-0.15	1.25	1040.0	866.7	71.6
	+12m	-0.50	-0.40	-0.10	1.55	1020.0	816.0	73.0
NOK	29-Jun	0.50	1.01	1.44	2.19	942.1	807.8	79.1
	+3m	0.50	1.15	1.55	2.40	930.0	794.9	80.1
	+6m	0.75	1.30	1.70	2.55	930.0	775.0	80.1
	+12m	1.00	1.50	1.90	2.75	920.0	736.0	80.9

Commodities												
	22-Jun	2018				2019				Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019	
NYMEX WTI	66	63	68	68	68	69	69	70	70	67	70	
ICE Brent	74	67	75	72	72	72	72	74	74	72	73	

Source: Danske Bank

Calendar

Key Data and Events in Week 27

During the week				Period	Danske Bank	Consensus	Previous
Sat 30	USD	US investment restrictions and export controls on China announced					
Sat 30	CNY	PMI manufacturing	Index	Jun		51.6	51.9
Sat 30	CNY	PMI non-manufacturing	Index	Jun		54.8	54.9
Monday, July 2, 2018				Period	Danske Bank	Consensus	Previous
1:50	JPY	Tankan large manufacturers index (outlook)	Index	2nd quarter	22.0	22.0	24.0 20.0
1:50	JPY	Tankan large non-manufacturers index (outlook)	Index	2nd quarter		23.0	23.0 20.0
2:30	JPY	Nikkei Manufacturing PMI, final	Index	Jun			53.1
3:45	CNY	Caixin PMI manufacturing	Index	Jun		51.1	51.1
8:30	SEK	PMI manufacturing	Index	Jun			55.8
9:00	NOK	PMI manufacturing	Index	Jun	56.0	55.0	55.8
9:15	ESP	PMI manufacturing	Index	Jun		53.6	53.4
9:45	ITL	PMI manufacturing	Index	Jun		52.7	52.7
9:50	FRF	PMI manufacturing, final	Index	Jun		53.1	53.1
9:55	DEM	PMI manufacturing, final	Index	Jun		55.9	55.9
10:00	EUR	PMI manufacturing, final	Index	Jun		55.0	55.0
10:30	GBP	PMI manufacturing	Index	Jun		54.0	54.4
11:00	EUR	PPI	m/m y/y	May		2.8% 0.6%	2.0% 0.0%
11:00	EUR	Unemployment	%	May		8.5%	8.5%
15:45	USD	Markit PMI manufacturing, final	Index	Jun			54.6
16:00	USD	Construction spending	m/m	May		0.4%	1.8%
16:00	USD	ISM manufacturing	Index	Jun		58.0	58.7
Tuesday, July 3, 2018				Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Jun		17	16.81
6:30	AUD	Reserve Bank of Australia rate decision	%		1.5%	1.5%	1.5%
9:30	SEK	Riksbank, rate decision	%		-0.5%	-0.5%	-0.5%
10:30	GBP	PMI construction	Index	Jun		52.4	52.5
11:00	EUR	Retail sales	m/m y/y	May		0.2% 1.7%	0.1% 1.7%
15:30	CAD	RBC manufacturing PMI	Index	Jun			56.2
16:00	DKK	Currency reserves	DKK bn	Jun			468.1
16:00	USD	Core capital goods orders, final	%	May			-0.2%
Wednesday, July 4, 2018				Period	Danske Bank	Consensus	Previous
-	USD	Independence Day					
2:30	JPY	Markit PMI services	Index	Jun			51.0
3:45	CNY	Caixin PMI service	Index	Jun		52.7	52.9
6:00	SEK	Maklarstatistik Swedish housing price data					
8:00	DKK	House and apartment prices	m/m y/y	Apr			
8:30	SEK	PMI services	Index	Jun			57.0
9:15	ESP	PMI services	Index	Jun		56.1	56.4
9:45	ITL	PMI services	Index	Jun		53.3	53.1
9:50	FRF	PMI services, final	Index	Jun		56.4	56.4
9:55	DEM	PMI services, final	Index	Jun		53.9	53.9
10:00	EUR	PMI composite, final	Index	Jun		54.8	54.8
10:00	EUR	PMI services, final	Index	Jun		55.0	55.0
10:30	GBP	PMI services	Index	Jun		53.8	54.0

Source: Danske Bank

Calendar (continued)

Thursday, July 5, 2018				Period	Danske Bank	Consensus	Previous
8:00	DEM	Factory orders	m/m y/y	May		1.0% 1.9%	-2.5% -0.1%
8:00	DKK	Forced sales (s.a.)	Number	Jun			
8:00	DKK	Bankruptcies (s.a.)	Number	Jun			
9:15	CHF	CPI	m/m y/y	Jun		0.0% 1.2%	0.4% 1.0%
9:30	SEK	Average house prices	SEK m	Jun			3.031
9:30	SEK	Industrial orders	m/m y/y	May			2.6% 3.2%
14:15	USD	ADP employment	1000	Jun	190	190	178
14:30	USD	Initial jobless claims	1000	Jun			
15:45	USD	Markit PMI service, final	Index	Jun			56.5
16:00	USD	ISM non-manufacturing	Index	Jun	58.0	58.0	58.6
17:00	USD	DOE U.S. crude oil inventories	K	Jun			-9891
20:00	USD	FOMC minutes		Jun			
Friday, July 6, 2018				Period	Danske Bank	Consensus	Previous
2:00	JPY	Labour cash earnings	y/y	May		0.9%	0.6%
7:00	JPY	Leading economic index, preliminary	Index	May		106.5	106.2
8:00	NOK	Manufacturing production	m/m y/y	May			1.1% 1.3%
8:00	NOK	Industrial production	m/m y/y	May			-1.4% -1.9%
8:00	DEM	Industrial production	m/m y/y	May		0.3% 1.3%	-1.0% 2.0%
8:00	DKK	Industrial production	m/m	May			1.2%
9:00	CHF	SNB balance sheet, intervention	CHF bn	Jun			740.9
9:30	SEK	Budget balance	SEK bn	Jun			50.6
14:30	CAD	Net change in full time employment	1000	Jun			-31
14:30	USD	Unemployment	%	Jun	3.8%	3.8%	3.8%
14:30	USD	Average hourly earnings, non-farm	m/m y/y	Jun	0.2% 2.7%	0.3% 2.8%	0.3% 2.7%
14:30	USD	Non farm payrolls	1000	Jun	198	198	223
14:30	USD	Trade balance	USD bn	May		-45.4	-46.2

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

For further 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 Aila Mihr, 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 division of Danske Bank A/S). It is provided for informational purposes only. 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: 29 June 2018, 12:12 GMT

Report first disseminated: 29 June 2018, 12:25 GMT