31 August 2018

Weekly Focus

Moment of truth approaching for the Riksbank

Market Movers ahead

- The hearing period for the planned US tariffs on USD200bn worth of Chinese imports is ending, and an announcement of the tariffs is likely to follow.
- The US job report is expected to show steady wage growth and rebounding employment.
- Brexit will return to centre stage as the House of Commons returns from summer holiday.
- Sweden's election is likely to result in a frail political situation, but before that, it is a close call as to whether the Riksbank will maintain its expectation of a rate hike this year at its upcoming policy meeting.

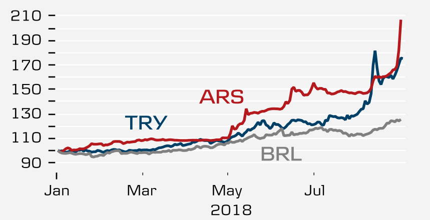
Global macro and market themes

- Italy trading out of line compared with peers according to rating.
- NAFTA revamp close to being concluded.
- EM continues to struggle.
- No frontrunner to replace Draghi.

Focus

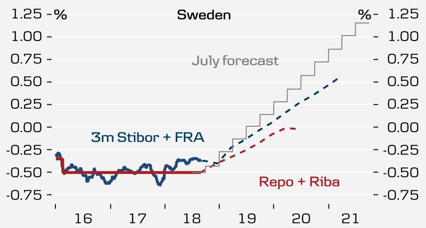
The Danish government budget could be a game changer for the DKK market next year

Emerging markets crisis worsening



Currency units per USD, 1-1-2018=100
Source: Bloomberg

Will the Riksbank maintain rate hike expectations?



Source: Macrobond Financial, Danske Bank

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Financial views

Major indices	31-Aug	3M	12M
10yr EUR swap	0.89	0.90	1.25
EUR/USD	117	113	125
ICE Brent oil	78	72	74

Source: Danske Bank

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Market movers

Global

- In the **US**, we have a busy week ahead of us. On Wednesday, the public hearing period for the second round of US tariffs on Chinese imports (USD200bn) is ending. It remains our base case that Trump will soon afterwards announce that he is in fact going to impose the tariffs. For comparison, Trump announced the first round of tariffs one week after the hearing period ended (implementation was two and half weeks after the announcement).

  In terms of data releases, we get the August jobs report on Friday. It is not as important as previously, as the Fed seems on track to deliver two more hikes this year. We estimate average hourly earnings rose 0.2% m/m, which would leave the annual growth rate unchanged at 2.7% y/y. We think nonfarm payroll rose 200,000, making up for some of the disappointment in July. The unemployment rate was likely unchanged at 3.9%.

  It is difficult to work out what is happening with ISM manufacturing. It has been very high for a long time compared to both hard data and the Markit PMI manufacturing index. It remains our base case that ISM will fall over in the coming months and we expect that the index was 57.3 in August versus 58.1 in July.

- There are no market movers in the **euro area** in the coming week.

- In the **UK**, the House of Commons returns on Monday 4 September after a long holiday. Brexit will probably start to dominate the media coverage again ahead of the end-game in Q4. We believe GBP will remain weak and volatile until we get more clarification on Brexit.

  On the data front, we get PMIs for August next week. We have seen early signs of a stabilisation in the euro-area manufacturing sector, which should be reflected in the UK sector as well. We estimate the PMI manufacturing sector rose to 54.5 from 54.0. The confidence indicator suggests PMI services should remain broadly unchanged around 53.5.

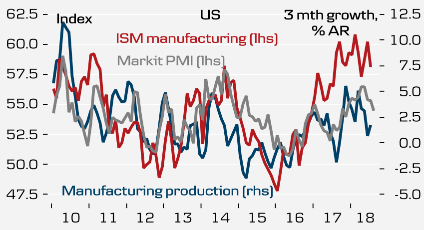
- In **Japan**, the labour cash earnings and household spending data for July will attract some attention. Labour cash earnings jumped significantly in June, pushed up by summer bonuses. Meanwhile, consumer spending has remained weak, and fell for the fifth consecutive month in June. Any signs of a further pick up in wages and improved outlook on the consumer spending side in July would be encouraging for the Japanese economy, and especially any signs that the tightest labour market in decades is having a more direct impact on wages would be welcomed by the Bank of Japan and eventually directional for the bank's monetary policy stance.

- There are no big movers in **China** next week. The focus continues to be on the trade war with the US and by the end of the week the US hearing on 25% tariffs on another USD200bn of Chinese imports will end. We are likely to see the tariffs implemented later in September or early October leading to a further escalation of the trade war.

Scandi

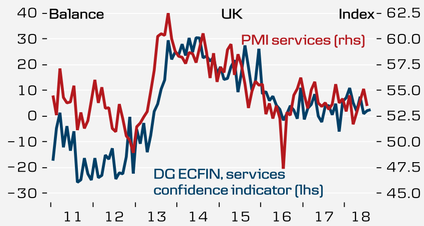
- In **Denmark**, we have another busy week in store. At the beginning of the week, we will receive the currency reserve data for August and Danmarks Nationalbank's balance sheet. In August, EUR/DKK rose to the highest level since the beginning of 2016 and it is now close to 7.4600. This means that we are not far from the levels at which Danmarks Nationalbank has previously intervened in support of the Danish krone – it

ISM manufacturing has been elevated for quite some time



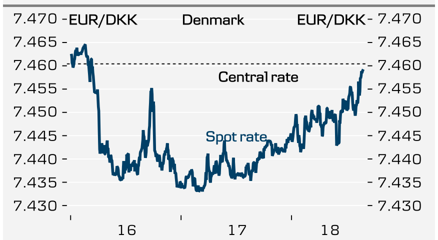
Source: ISM, IHS Markit, Macrobond Financial

UK service confidence suggests PMI service should remain broadly unchanged



Source: DG ECFIN, IHS Markit, Macrobond Financial

The Danish krone



Source: Statistics Denmark

did so at around 7.4610-30 in 2015 and 2016. As we did not reach that level in August, next week's release is likely to show that Danmarks Nationalbank was not active in the currency market in August. The weaker krone can be explained by factors such as a lower current account surplus and larger forward discounts in the currency market. We do not see signs of a sustained tendency for the krone to weaken, even if Danmarks Nationalbank may have to step in and purchase kroner, so we do not expect this situation to trigger a unilateral Danish interest rate increase. That is still a long way off.

Statistics Denmark will make several releases during the week. Wednesday will bring the housing price figures for June and it will be interesting to see whether the prices registered by Statistics Denmark also point to a more subdued development, as other sources do. On Thursday this will be followed by bankruptcies and forced sales in August, and on Friday we will have the data for industrial production in August.

- This week we include a **Swedish** election special with our take on the general election – there are a lot of uncertainties – see page 8.

The Swedish Riksbank's rate path says that they plan to start tightening in the fourth quarter, either at the 5 October policy meeting or 19 December. If the Riksbank next week sticks to the current rate forecast and keeps verbal forward guidance intact, we definitely believe there will be a response in the fixed income market, since it would be a signal that for the first time for many years that a rate hike is imminent. In fact, the last rate hike was announced in July 2011.

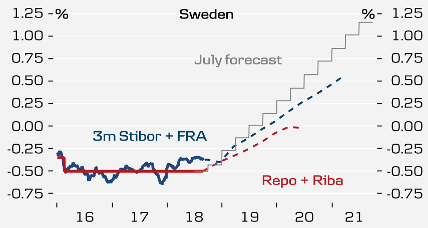
During the summer, the Swedish money market curve has flattened and compared with the Riksbank's current rate path market pricing 2-3 years out is clearly below the Riksbank. So that particular segment of the curve would probably be quite exposed to signals of an imminent start of a hiking cycle.

There are two clear camps on the Board. One points to the fact that growth is strong, the labour market is tightening, CPIF-inflation has been around 2% for about a year, inflation expectations are close to 2% and there is a weaker than expected krona. So, the logical thing is to deliver according to plan by starting to lift the repo rate.

The other camp will stress that current headline inflation simply reflects the recent surge in energy prices. Therefore, inflation could easily fall back again when energy prices eventually peak as suggested by CPIF excluding energy which, contrary to headline, has fallen and is once again lower than expected. They will also claim that the krona weakness is no problem considering that underlying measures of inflation remain too low. So, starting to hike rates now would be a serious policy mistake.

We suspect that it could boil down to what camp Ingves aligns with. So far he has aligned with the cautious/dovish camp. We guess he will not change his mind, which means a delay of policy tightening once again, but considering current pricing (see above) and that the alternative would be the first imminent rate hike in seven years – we are not willing to 'bet heavily on it'.

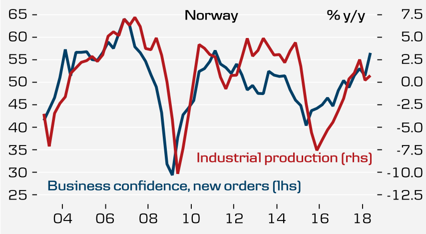
Riksbank pricing



Source: Macrobond Financial, Danske Bank calculations

- The coming week's calendar for **Norway** is relatively slim but, as always, there is likely to be some focus on housing prices, which will be published on Wednesday. Having flattened in June, prices rose again in July, driven mainly by higher housing prices in Oslo. In our opinion, the housing market is, for a change, relatively well-functioning, with a good balance between supply and demand. Basically, this means that housing prices should develop in line with fundamentals in future. We therefore expect prices to have risen moderately in July, which will neither weaken nor strengthen future interest rate expectations in the market. On a more interesting note, the industrial production data for July will be announced on Friday. We have long pointed out that the Norwegian economy is exposed to a considerable upside risk from the recovery in oil investments. This view was supported by the oil investment survey published last week, which points to an increase of 8-12% in oil investments in 2019. However, so far this is mainly visible in the order books, while actual production figures have been more or less unchanged for the last year. At some point industrial production data must begin to respond, so we also see a certain upside risk in connection with the July figures, and we expect growth of 1% m/m.

Oil upswing is still mainly visible in order books



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Mon	03-Sep	2:30	JPY	Nikkei Manufacturing PMI, final	Index	Aug			52.5
		10:00	EUR	PMI manufacturing, final	Index	Aug		*54.6*	54.6
Thurs	06-Sep	16:00	USD	ISM non-manufacturing	Index	Aug		*56.9*	55.7
Fri	07-Sep	1:30	JPY	Household Consumption	y/y	Jul		*-0.8%*	-1.2%
		2:00	JPY	Labour cash earnings	y/y	Jul		*2.4%*	3.3%
		8:00	DEM	Industrial production	m/m|y/y	Jul		*0.2%|2.7%*	-0.9%|2.5%
		14:30	USD	Average hourly earnings, non-farm	m/m|y/y	Aug	**0.2%|2.7%**	*0.3%|2.8%*	0.3%|2.7%
		14:30	USD	:)	1000	Aug		*191*	157
Scandi movers									
Tue	04-Sep	6:00	SEK	Maklarstatistik Swedish housing price data					
		16:00	DKK	Currency reserves	DKK bn	Aug			468.1
Wed	05-Sep	8:30	SEK	PMI services	Index	Aug			59.1
		9:30	SEK	Industrial orders	m/m|y/y	Jul			-5.8%|-3.5%
		11:00	NOK	House prices	m/m|y/y	Aug	**0.2%|...**		
Thurs	06-Sep	9:30	SEK	Riksbank, rate decision	%		-0.50%	*-0.50%*	-0.50%
Fri	07-Sep	8:00	NOK	Manufacturing production	m/m|y/y	Jul	**1.0%|...**		0.0%|0.6%

Source: Bloomberg, Danske Bank

Strategy

Markets moving faster on fundamentals than rating agencies

Italy trading out of line with rating

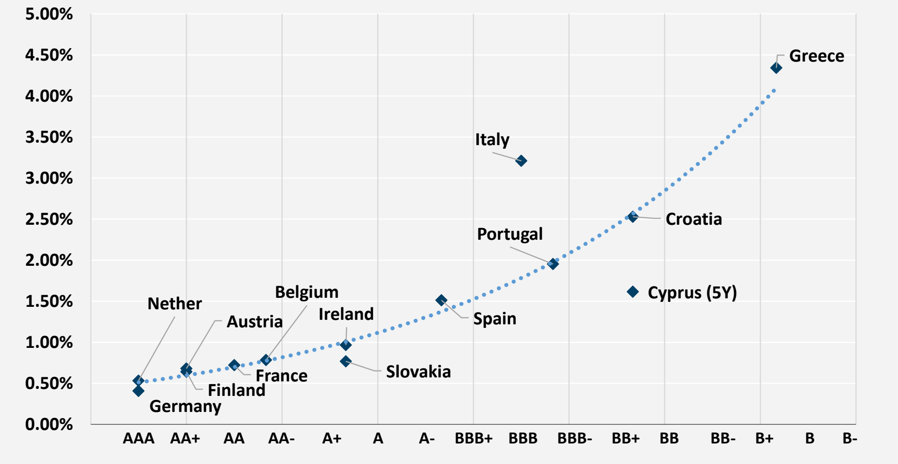
Italy continues to lurk in the background and make headlines in financial media. This week, Italian media *La Stampa* said that Italy had asked the ECB to extend the QE programme to support the Italian bond market. We doubt Italy will get this kind of support and even the Italian government denied the story later in the day. Any assistance from the ECB targeting Italy specifically would come with conditionality. Tonight, Fitch will give a verdict on the Italian economy and we believe it is likely to delay a decision on a potential rating change. Since the turmoil started, the Italian 10Y bond has been trading significantly out of line with other European countries. The crucial September month will give further indication whether the Italian-German spread will compress or if rating downgrades will put Italy back in line (see chart below).

NAFTA revamp before China-US trade deal

When it comes to negotiations with the EU, Donald Trump on Thursday rejected an offer by the EU to scrap auto tariffs. On his trade confrontation with China, he stated that the US is much stronger than China, signalling he intend to continue the trade war. This suggests he will continue with tariffs on China on another USD200bn shortly after the hearing period ends on 5 September. This is set to lead to a further escalation as China retaliates.

Therefore, given this week's events relating to NAFTA, we expect to see a revamp concluded by Prime Minister Justin Trudeau and US President Trump, given positive tones from Trudeau and Trump. Trudeau added it was possible by if it is good for Canada, although he also said, 'no NAFTA deal is better than a bad NAFTA deal'. Earlier this week, the US and Mexico agreed on changes to trade.

Italian-German 10Y bond spread trading out of line with European peers



Sources: Rating agencies, Danske Bank

Key themes

- Italy trading out of line compared with peers according to rating.
- NAFTA revamp close to being concluded.
- EM continues to struggle
- No frontrunner to replace Draghi

Emerging markets continues to struggle

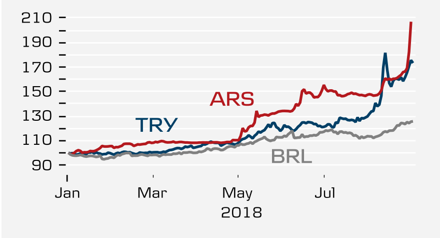
In *Strategy – New 'fragile five' in emerging markets*, 24 August, we examined the new 'fragile five'. This week was another turbulent week for, in particular, Turkey, Argentina and Brazil. The near future looks challenging and volatile for emerging markets.

- **Turkey:** The TRY continued its recent decline despite the Turkish central bank (TCMB) applying more tools this week. The TCMB doubled its overnight transaction limits this week, thereby implicitly tightening, although it did not convince the markets. In our view, the only credible step would be a sharp interest rate hike by the TCMB. Even a 300bp rate hike does not seem to be enough in the current environment. The TRY is down around 44% year to date.
- **Argentina:** Argentinian President Mauricio Macri asked the IMF to speed up its payment from the USD50bn credit line in its most recent measure, as the government wants to ensure markets that it has sufficient funds until end-2019. This week, the central bank also raised the interest rate to 60% amid a looming recession (the second in three years). At the same time, the central bank promised no rate cut before December. Despite this, the Argentinian peso (ARS) declined a further 10% on the interest rate hike and is now trading at an all-time low. The ARS is down around 50% year to date. We expect further assistance from the IMF. See more in *Argentina – Peso collapse, emergency central bank hike - what now IMF?*, 30 August.
- **Brazil:** The weakening of the Brazilian real continued this week, albeit to a lesser extent than in previous weeks. This week, the central bank has put in place an FX credit line auction to provide liquidity to the market. Market anxiety has increased following polls showing a strong lead for imprisoned former president Luiz Inácio Lula da Silva. We expect volatility in the BRL, which is down around 20% year to date.

No frontrunner to replace Draghi

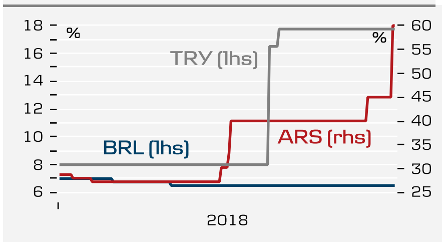
As ECB President Mario Draghi's term ends in October 2019, the potential candidates were brought to the market's attention this week. A *Bloomberg* survey showed that the until-then frontrunner Germany's Jens Weidmann had fallen to fourth place, influenced highly by last week's reporting by *Handelsblatt* that German Chancellor Angela Merkel would rather use the political capital to have a German replacing EC President Jean-Claude Juncker, rather than proposing Weidmann to replace Draghi. The survey showed that the race is still very open with no clear frontrunner. Finland's Erkki Liikanen, France's Francois Villeroy and Ireland's Philip Lane are all back-to-back at the front. Until now, market implications are rather limited, although we note that none of the three at the front is particularly hawkish. We perceive them to be neutral on a dove/hawk meter, so we would not expect to see a marked shift in the monetary policy because of a change of President.

Year-to-date (YTD) performance of TRY, ARS and BRL



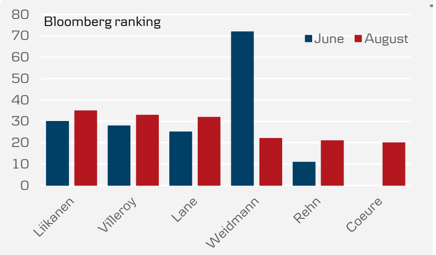
Note: 1 Jan 2018=100
Sources: Bloomberg, Danske Bank

Policy rates in TRY, ARS and BRL



Sources: Bloomberg, Danske Bank

ECB presidency survey poll



Source: Bloomberg

Financial views

Asset class	Main factors
Equities	
Positive on 3-12 month horizon.	Fundamentals still support equities on a 3-12M horizon. However, despite strong earnings, higher risk premium is expected in the short run, among other things due to trade tensions
Bond market	
German/Scandi yields – stable for now, higher in 12M	Strong forward guidance from the ECB. Core inflation remains muted. Range trading for Bunds for the rest of 2018. Still higher in 2018.
EUR 2Y10Y steeper, USD 2Y10Y flatter	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.
US-euro spread – short-end to widen further	The spread in the short-end is set to widen further as the Fed continues to hike.
Peripheral spreads – tightening (Italy special case)	ECB forward guidance, better fundamentals, an improved political picture (ex. Italy) and rating upgrades to lead to renewed tightening after recent widening. Italy remains a special case.
FX & commodities	
EUR/USD – lower for longer... but not forever	In a range around 1.15 in 0-3M as USD carry and political risks weigh but supported longer term by valuation and ECB 'normalisation'.
EUR/GBP – gradually lower over the medium term	Brexit uncertainty dominates now but GBP should strengthen on 6-12M on Brexit clarification and Bank of England rate hikes.
USD/JPY – higher eventually	US yields decisive near term with political uncertainty as a significant downside risk. Longer term higher on Fed-Bank of Japan divergence.
EUR/SEK – volatile near term and sticky above 10 for long	Volatile near term and SEK-negatives remain due to election uncertainty, lower growth, subdued inflation and hesistant Riksbank.
EUR/NOK – set to move lower but near-term headwinds	Positive on NOK on valuation, relative growth, positioning, terms of trade, global outlook and Norges Bank initiating a hiking cycle.
Oil price – downside risk rest of year	OPEC increasing output and escalation of trade war has increased near-term downside risks.

Source: Danske Bank

Sweden: Our take on the general election – a lot of uncertainties

The Swedish election is only a week away, on 9 September. Recent polls suggest a close race between the Left Block, consisting of the Red-Green coalition (S, MP), which is supported by the Left Party (V), and the former communists and Right-wing Block, the Alliance (M, L, C, KD), opposition, i.e. the former government coalition. Both of these and have been stable just below 40% each.

On the surface, nothing much seems to have happened. However, underneath there are important changes. The Social Democratic Party (S) has shrunk to c.24-25% in the polls (31% last election) and is likely to see its worst election performance in over 100 years. The government – S + Greens (MP) – campaigns as two different parties, with no common platform and a lot of disagreement. However, the main opposition party – Conservatives/Moderaterna (M) – has also seen support decrease significantly (to c.18-20%, 23% in the previous election). The party to gain from this has been the Sweden Democrats (SD), which has almost doubled its share since 2014 and is likely to be the kingmaker. The Alliance in its 'initial form' is but a memory. There is no full platform at hand and it is divided on central issues, especially immigration. Three parties are living dangerously close to the 4% dropout threshold, although the extreme weather this summer has lent a helping hand the Greens. The situation for the Christian Democrats (KD) has improved in recent weeks, with less of a risk of falling below the 4% threshold.

The principal 'biggest party/block forms government' no longer applies. Based on the polls, S looks set to be the biggest party. However, the step from there to forming a government is a big one – a very big one.

First, it is worth noting that the government formation follows the rule of so-called 'negative parliamentarianism', i.e. you should not have a majority against yourself. SD is more of a right-wing party. In our view, the idea that the Left block would seek support from the SD is out of question. In essence, the Left Block faces 60% opposition, SD included. However, it will be tricky to form an Alliance coalition too, as C and L have both clearly (at least ahead of the election result) declared they will not be part of an Alliance coalition that is in need of SD support, whether it is active (SD voting for Alliance proposals – a need if Alliance is smaller than Left) or passive (if Alliance is bigger than Left, it would still need passive support from SD not voting against it). Following the election, reality might push these parties to accept passive support from SD or leave power to the Left Block. In our view, a Moderate-led government is the most likely outcome.

Hence, everything suggests there will be a minority government, which must rely on jumping majorities. Such a government would be weak – it may work for some time but eventually we would expect an increased risk of politically and economically costly concessions, chaos and another election. One of the first challenges will be to get a budget through the Riksdag, which is on 9 October if the incumbent (S) wins or no later than 15 November if there is a shift in government. Even if this budget were to pass, seven more budgets remain next term. Recall the budget turmoil following the previous election in 2014, when SD voted for the Alliance budget instead of the R/G government's budget, which caused a political crisis, with Prime Minister Stefan Löfven threatened to announce an extra election. This was later withdrawn as the Alliance and the government struck the so-called December Deal.

In our view, there are three processes after the election to keep in mind.

- Directly after the election it will be about government formation. The current Riksdag speaker (S) may begin to investigate different opportunities. However, it is the new speaker elected on 25 September who has the responsibility of asking one of the parties – probably S or M in our view.
- Once a government has been formed, the first task will be to deliver a budget. This did not go well in 2014.
- The risk of an extra election is probably bigger this time. The speaker has four trials before an extra election becomes necessary. On a separate note, we do not believe in SD's threat of a referendum on EU membership. In our view, it will not happen, as it has only 18-20 % of votes.

We expect lots of hullabaloo and turmoil and believe that a minority government will be formed, under the leadership of either the Social Democrats and Stefan Löfven or (more likely in our view) Ulf Kristersson and the Moderates. We would not rule out Sweden Democrats becoming the biggest party but it will not be part of any government. However, we expect it to get a lot of power in the Riksdag (Parliament) and it could, as in 2014, prompt a government crisis this autumn when it votes on the budget.

The risk of failure and an extra election is probably bigger under a minority government led by Stefan Löfven than under an M-led government. However, in our view, neither of these is safe given that Sweden Democrats have veto power. We think that an S-led government would cause relatively more uncertainty and be more negative for the SEK than an M-led government. An M-led government could even remove some uncertainty with respect to the budget if the Sweden Democrats make a credible promise that they will support the government's budget. Then, we could see a sharp appreciation of the SEK.

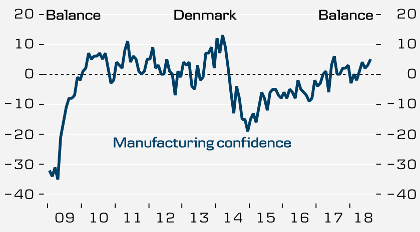
Scandi update

Denmark – manufacturing confidence rose in August

The business confidence indicators for August came this week. They show an increase in manufacturing confidence, which is at its highest level this year. So despite the talk about trade wars and a slowdown in the global economy, companies do not seem to be worried about the future. That is positive as it suggests that the export figures – which have been somewhat disappointing recently – will recover in the second part of 2018. Fewer companies reported shortages of qualified labour in August, but this follows a hike in July. Signs point to an economy that is still steaming ahead, and the number of companies reporting labour shortages almost matches the 2006 and 2007 figures.

On Thursday the government presented its Economic Survey, which includes GDP forecasts for 2018 and 2019. Growth is expected to be 1.8% in 2018 and 1.9% in 2019. This will close the output gap this year and widen it to 0.9% in 2019. The forecasts are in line with our expectations that the gentle upswing will continue.

Manufacturing confidence rose in August



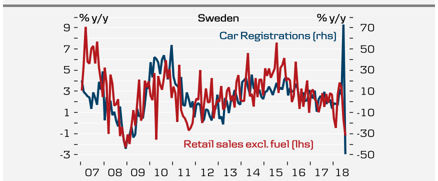
Source: Statistics Denmark

Sweden – hard versus soft data divergence

Looking at hard data releases it appears that these still suggest slowing economic growth. As expected, household lending showed a further slowdown in July. Now the monthly pace of mortgage credit extension is about 30% lower compared to before the introduction of the new amortisation requirement in March. Hence, we take it as a sign of the ongoing slowdown in the housing market. July retail sales again surprised on the negative side, durable goods sales being a drag. The y/y rate turned negative, printing -1.2 % y/y. In the background there is also the volatility caused by the new car tax bonus-malus system. Car registrations plunged 50% y/y in July after it was introduced. The July trade balance turned out at zero, as expected.

The NIER confidence survey was stronger in general than what we had anticipated, rising for the third month in a row. Indeed, both retail and consumer confidence rose above the 100 level again. Looking at some retail details, however, suggests that the sales situation deteriorated and that price expectations moderated slightly from high levels.

July consumption should be weak as car and retail sales plunged

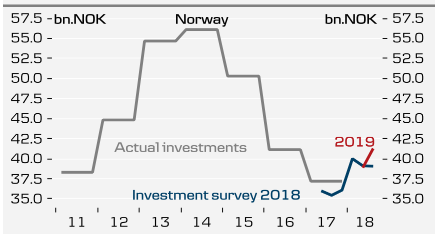


Source: Bil Sweden, SCB

Norway – brighter outlook for oil-related industries

Last week we mentioned that the oil investment survey points to an increase in oil investments of 8-12% in 2019, adjusted for the fact that Johan Sverdrup was included in the 2018 figures towards the end of last year. This means that the figures entail a slight upside risk to both our estimate and Norges Bank's estimate of 8% investment growth next year. Thus the demand stimulus may be in the range of 0.4-0.6pp of mainland GDP. It is worth noting that oil companies now expect 25% growth in exploration investments next year. At the start of this week, Equinor announced to the market that its investment portfolio costs have been reduced further and that it expects to drill up to 3,000 wells during the coming decades.

Oil companies expect higher investments



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

Flash Comment Argentina: Peso collapse, emergency central bank hike - what now IMF?

The collapse of the Argentinian Peso has accelerated after President Macri called yesterday for the IMF to accelerate disbursement under its standby programme amid rapidly deteriorating market sentiment.

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	1.0	36.4	7.8
	2018	1.8	2.3	1.1	5.0	0.5	3.6	0.8	1.9	4.0	-0.2	35.1	6.5
	2019	1.8	2.4	0.5	1.5	2.7	2.4	1.4	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**	2.5	1.7	**1.2**	**2.9**	5.5	4.2	1.5	1.6	9.1	-0.9	86.7	3.5
	2018	2.0	1.6	**1.2**	**2.6**	3.3	2.9	1.7	2.1	8.4	-0.7	86.0	3.4
	2019	1.7	1.9	**2.1**	**1.8**	3.1	3.8	1.5	2.3	8.0	-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	1.3	64.1	7.9
	2018	2.0	1.4	0.9	4.0	3.3	3.2	1.7	3.0	3.4	1.2	60.2	7.9
	2019	1.9	2.3	2.2	3.2	3.7	5.3	1.5	3.2	3.3	1.0	56.3	7.6
Finland	**2017**	2.7	1.7	1.6	5.8	7.5	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**	2.2	2.5	-0.1	4.8	3.0	4.6	2.1	2.5	4.4	-3.5	105.0	-2.5
	2018	2.7	2.5	1.3	5.5	5.1	4.0	2.5	2.6	3.9	-4.0	106.0	-3.0
	2019	2.5	2.4	1.2	4.1	3.4	2.9	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**	1.7	1.9	-0.1	3.4	5.4	3.2	2.7	2.2	4.4	-1.8	87.5	-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
USD	31-Aug	2.00	2.31	2.84	2.93	116.8	-
	+3m	2.25	2.72	3.10	3.05	113.0	-
	+6m	2.50	2.94	3.20	3.20	118.0	-
	+12m	3.00	3.24	3.30	3.30	125.0	-
EUR	31-Aug	0.00	-0.32	-0.15	0.89	-	116.8
	+3m	0.00	-0.33	-0.15	0.90	-	113.0
	+6m	0.00	-0.33	0.00	1.05	-	118.0
	+12m	0.00	-0.33	0.15	1.25	-	125.0
JPY	31-Aug	-0.10	-0.03	0.05	0.32	129.7	111.0
	+3m	-0.10	-	-	-	126.6	112.0
	+6m	-0.10	-	-	-	134.5	114.0
	+12m	-0.10	-	-	-	142.5	114.0
GBP	31-Aug	0.75	0.80	1.12	1.56	89.8	130.2
	+3m	0.75	0.82	1.25	1.60	89.0	127.0
	+6m	0.75	0.84	1.35	1.75	84.0	140.5
	+12m	1.00	1.07	1.50	1.95	83.0	150.6
CHF	31-Aug	-0.75	-0.73	-0.53	0.42	112.9	96.6
	+3m	-0.75	-	-	-	113.0	100.0
	+6m	-0.75	-	-	-	116.0	98.3
	+12m	-0.75	-	-	-	120.0	96.0
DKK	31-Aug	0.05	-0.30	-0.02	1.02	745.6	638.1
	+3m	0.05	-0.30	-0.05	1.05	745.3	659.5
	+6m	0.05	-0.30	0.10	1.20	745.3	631.6
	+12m	0.05	-0.30	0.25	1.40	744.8	595.8
SEK	31-Aug	-0.50	-0.38	-0.11	1.15	1062.6	909.5
	+3m	-0.50	-0.50	-0.20	1.05	1060.0	938.1
	+6m	-0.50	-0.45	-0.05	1.25	1040.0	881.4
	+12m	-0.40	-0.30	0.15	1.30	1020.0	816.0
NOK	31-Aug	0.50	1.03	1.47	2.17	972.9	832.7
	+3m	0.75	1.15	1.55	2.40	920.0	814.2
	+6m	0.75	1.30	1.85	2.55	920.0	779.7
	+12m	1.00	1.40	2.00	2.65	910.0	728.0

Commodities

		2018				2019				Average	
	31-Aug	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019
NYMEX WTI	70	63	68	68	68	69	69	70	70	67	70
ICE Brent	78	67	75	72	72	72	72	74	74	72	73

Source: Danske Bank

Calendar

Key Data and Events in Week 36

During the week				Period	Danske Bank	*Consensus*	Previous
Monday, September 3, 2018				Period	Danske Bank	*Consensus*	Previous
-	USD	Labour Day					
2:30	JPY	Nikkei Manufacturing PMI, final	Index	Aug			52.5
3:45	CNY	Caixin PMI manufacturing	Index	Aug		*50.7*	50.8
8:30	SEK	PMI manufacturing	Index	Aug			57.4
9:00	NOK	PMI manufacturing	Index	Aug			49.3
9:15	ESP	PMI manufacturing	Index	Aug		*52.6*	52.9
9:45	ITL	PMI manufacturing	Index	Aug		*51.2*	51.5
9:50	FRF	PMI manufacturing, final	Index	Aug		*53.7*	53.7
9:55	DEM	PMI manufacturing, final	Index	Aug		*56.1*	56.1
10:00	EUR	PMI manufacturing, final	Index	Aug		*54.6*	54.6
10:30	GBP	PMI manufacturing	Index	Aug	**54.5**	*54.0*	54.0
20:30	USD	Fed's Evans (non-voter, dovish) speaks					
Tuesday, September 4, 2018				Period	Danske Bank	*Consensus*	Previous
-	USD	Total vechicle sales	m	Aug			16.68
6:00	SEK	Maklarstatistik Swedish housing price data					
6:30	AUD	Reserve Bank of Australia rate decision	%			*1.50%*	1.50%
9:15	CHF	CPI	m/m|y/y	Aug		*0.0%|1.2%*	-0.2%|1.2%
9:30	SEK	Current account	SEK bn	2nd quarter			21.9
10:30	GBP	PMI construction	Index	Aug		*55.0*	55.8
11:00	EUR	PPI	m/m|y/y	Jul		*3.9%|0.3%*	3.6%|0.4%
15:30	CAD	RBC manufacturing PMI	Index	Aug			56.9
15:45	USD	Markit PMI manufacturing, final	Index	Aug			54.5
16:00	DKK	Currency reserves	DKK bn	Aug			468.1
16:00	USD	Construction spending	m/m	Jul		*0.5%*	-1.1%
16:00	USD	ISM manufacturing	Index	Aug	**57.3**	*57.6*	58.1
16:30	USD	Fed's Evans (non-voter, dovish) speaks					
Wednesday, September 5, 2018				Period	Danske Bank	*Consensus*	Previous
-	PLN	Polish central bank rate decision	%		**1.50%**	*1.50%*	1.50%
2:30	JPY	Markit PMI services	Index	Aug			51.3
3:30	AUD	GDP	q/q|y/y	2nd quarter		*0.7%|2.8%*	1.0%|3.1%
3:45	CNY	Caixin PMI service	Index	Aug		*52.6*	52.8
8:00	DKK	House and apartment prices	m/m|y/y	Jun			
8:30	SEK	PMI services	Index	Aug			59.1
9:15	ESP	PMI services	Index	Aug		*52.5*	52.6
9:30	SEK	Industrial orders	m/m|y/y	Jul			-5.8%|-3.5%
9:45	ITL	PMI services	Index	Aug		*53.5*	54.0
9:50	FRF	PMI services, final	Index	Aug		*55.7*	55.7
9:55	DEM	PMI services, final	Index	Aug		*55.2*	55.2
10:00	EUR	PMI composite, final	Index	Aug		*54.4*	54.4
10:00	EUR	PMI services, final	Index	Aug		*54.4*	54.4
10:30	GBP	PMI services	Index	Aug	**53.5**	*53.9*	53.5
11:00	EUR	Retail sales	m/m|y/y	Jul		*0.0%|1.3%*	0.3%|1.2%
11:00	NOK	House prices	m/m|y/y	Aug	**0.2%|...**		
14:30	USD	Trade balance	USD bn	Jul		*-47.5*	-46.3
16:00	CAD	Bank of Canada rate decision	%			*1.50%*	1.50%
22:00	USD	Fed's Kashkari (non-voter, dovish) speaks					

Source: Danske Bank

Calendar (continued)

Thursday, September 6, 2018				Period	Danske Bank	Consensus	Previous
7:45	CHF	GDP	q/q|y/y	2nd quarter		*0.6%|2.4%*	0.6%|2.2%
8:00	DKK	Forced sales (s.a.)	Number	Aug			
8:00	DKK	Bankruptcies (s.a.)	Number	Aug			
8:00	DEM	Factory orders	m/m|y/y	Jul		*1.4%|1.9%*	-4.0%|-0.8%
9:30	SEK	Riksbank, rate decision	%		-0.50%	*-0.50%*	-0.50%
9:30	SEK	Average house prices	SEK m	Aug			2.754
14:15	USD	ADP employment	1000	Aug		*188*	219
14:30	USD	Unit labour cost, final	q/q	2nd quarter		*-0.9%*	-0.9%
14:30	USD	Initial jobless claims	1000				
15:45	USD	Markit PMI service, final	Index	Aug			55.2
16:00	USD	Fed's Williams (voter, neutral) speaks					
16:00	USD	Core capital goods orders, final	%	Jul			1.4%
16:00	USD	ISM non-manufacturing	Index	Aug		*56.9*	55.7
17:00	USD	DOE U.S. crude oil inventories	K				-2566
Friday, September 7, 2018				**Period**	**Danske Bank**	***Consensus***	**Previous**
-	EUR	Moody's may publish Italy's debt rating					
-	CNY	Foreign exchange reserves	USD bn	Aug		*3115*	3118.0
1:30	JPY	Household Consumption	y/y	Jul		*-0.8%*	-1.2%
2:00	JPY	Labour cash earnings	y/y	Jul		*2.4%*	3.3%
7:00	JPY	Leading economic index, preliminary	Index	Jul		*103.5*	104.7
7:45	CHF	Unemployment	%	Aug			2.6%
8:00	DKK	Industrial production	m/m	Jul			0.3%
8:00	NOK	Manufacturing production	m/m|y/y	Jul	**1.0%|...**		0.0%|0.6%
8:00	NOK	Industrial production	m/m|y/y	Jul			4.7%|2.9%
8:00	DEM	Industrial production	m/m|y/y	Jul		*0.2%|2.7%*	-0.9%|2.5%
8:00	DEM	Trade balance	EUR bn	Jul		*19.8*	21.8
8:00	DEM	Labour costs	q/q|y/y	2nd quarter			1.0%|2.3%
8:45	FRF	Industrial production	m/m|y/y	Jul		*0.2%|0.9%*	0.6%|1.7%
9:00	CHF	SNB balance sheet, intervention	CHF bn	Aug			749.7
9:30	SEK	Budget balance	SEK bn	Aug			15.7
11:00	EUR	GDP, final	q/q|y/y	2nd quarter		*0.4%|2.2%*	0.4%|2.2%
11:00	EUR	Gross fixed investments	q/q	2nd quarter		*1.0%*	0.3%
11:00	EUR	Government consumption	q/q	2nd quarter		*0.4%*	0.1%
11:00	EUR	Private consumption	q/q	2nd quarter		*0.2%*	0.5%
14:30	USD	Fed's Rosengren (non-voter, hawk) speaks					
14:30	USD	Unemployment	%	Aug	**3.9%**	*3.9%*	3.9%
14:30	USD	Average hourly earnings, non-farm	m/m|y/y	Aug	**0.2%|2.7%**	*0.3%|2.8%*	0.3%|2.7%
14:30	USD	Non farm payrolls	1000	Aug		*191*	157
14:30	CAD	Net change in full time employment	1000	Aug		*35*	-28
15:00	USD	Fed's Mester (voter, hawkish) speaks					
18:45	USD	Fed's Kaplan (non-voter, neutral) speaks					

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