10 November 2017

Weekly Focus

Global activity indicators in focus

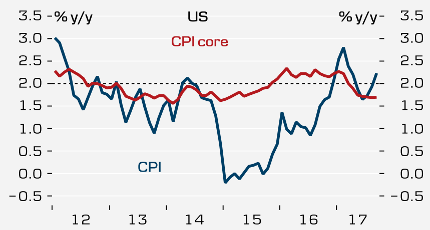
Market Movers ahead

- We are heading for another relatively quiet week, with no major movers in the US or Europe.
- In the US, we expect inflation pressure to have remained muted in October with the headline CPI inflation rate falling to 1.9% y/y from 2.2% in September, while the core inflation rate will remain at 1.7%.
- In the euro area, focus will be on the German GDP estimate for Q3, where we expect another solid GDP figure with 0.6% q/q growth, as PMI in August and September remained at a high level.
- In the UK, we expect the CPI figures for October to show a small uptick, driven mainly by lingering effects of the weak GBP.
- In Sweden, October inflation is in focus this week, where our CPIF forecast is spot on the Riksbank's, i.e. at 1.9 % y/y.
- In Denmark and Norway, the Q3 GDP releases are likely to show q/q growth rates of 0.5% and 0.7%, respectively.

Global macro and market themes

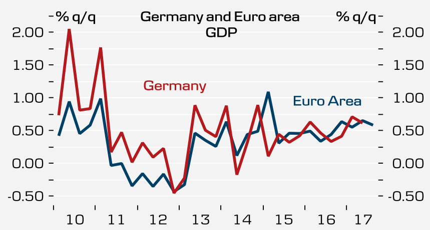
- Emerging markets have seen a strong run this year.
- Global and domestic factors should continue to be mildly supportive for EM near term.
- However, a slowdown in China in coming months is a risk as are large unfinanced tax cuts in the US, if pushing up US yields.
- The recent surge in oil prices is being driven mostly by geopolitical concerns due to tensions in the Middle East.
- The longer-term growth outlooks in EM differ widely. India and the rest of EMs in South East Asia boast strong growth potential but LATAM countries and Russia have a more muted longer-term outlook.

US CPI core stabilising around 1.7% y/y



Sources: BLS, Macrobond Financial

German GDP growth remains solid



Source: Eurostat, Danske Bank, Macrobond Financial

Contents

Financial views

Major indices	10-Nov	3M	12M
10yr EUR swap	0.85	0.95	1.20
EUR/USD	116	118	125
ICE Brent oil	61	53	61
	10-Nov	6M	12-24M
S&P500	2586	5-10%	10-15%

Source: Danske Bank

Follow us on *Twitter*

@Danske_Research

Video
Mikael Milhøj on Bank of England

Editor
Jakob Ekholdt Christensen
+45 45 12 85 30
jakc@danskebank.dk

Market movers

Global

- In the **US**, we are due to get CPI and retail sales control group figures on Wednesday (both for October). CPI inflation is likely to have been affected by the fall in energy prices in October, when the retail price of fuel declined approximately 5% from September. We do not expect any major changes in the other subcomponents compared with their growth in September. Hence, we estimate that CPI inflation was 0.0% m/m (1.9% y/y versus 2.2% y/y in September) and CPI core inflation was 0.2% m/m (1.7% versus 1.7% in September). On Thursday, industrial production data for October is due for release. Industrial production rebounded in September following the sharp fall in August. We believe that the current development in industrial production broadly reflects the strength of the economy and hence estimate industrial production increased 0.25% in October.

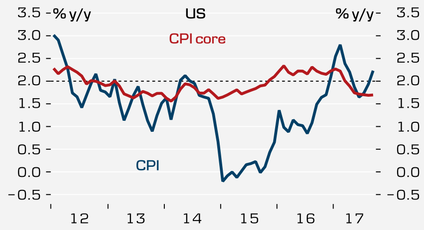
  The coming week also brings several speeches by FOMC members, including Janet Yellen, who is due to speak on Tuesday.

- In the **euro area,** the German GDP estimate for Q3 is due for release on Tuesday. German GDP growth has been strong in the first half of 2017, reporting 0.7% and 0.6% quarterly growth in Q1 and Q2, respectively. Activity indicators also remained strong in Q3, indicating a continuation in the solid growth figures. Although PMIs saw a large fall in July, dragging on the average PMIs for Q3, they recovered quickly in August and September and remain at high levels. Thus, we estimate another solid GDP figure, with 0.6% q/q growth in Q3. Note that the revised euro area GDP estimate for Q3 is also due for release Tuesday.

- In the **UK**, CPI figures for October are due to be released on Tuesday. Inflation remains at close to 3% on an annual basis, still driven mainly by the weak GBP. However, the positive contribution from the GBP is starting to fade gradually, although in our view it will take some time before it affects inflation significantly. We estimate CPI rose 0.3% m/m (3.2% y/y versus 3.0% in September). On Thursday, we get retail sales excluding fuels for October. Retail sales growth has slowed due to negative real wage growth and is one of the reasons GDP growth has slowed this year. That said, remember UK retail sales is not the best indicator of actual consumption growth.

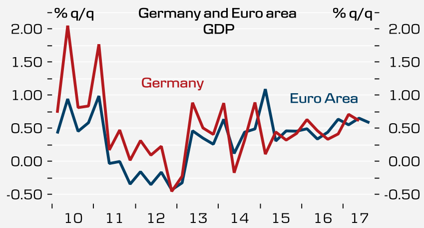
- Next week in **Japan**, we are scheduled to get the Q3 national accounts. Once again, it looks as though exports are back as the main driver of growth in Japan. Following a strong Q2, private consumption has looked weak recently, when it comes to both retail sales and consumer surveys on actual consumption. We estimate investment growth was on the weak side in Q3. On the back of strong fiscal support and a significant contribution from net exports, we estimate quarter-on-quarter GDP growth of 2.2% annualised in Q3, a slight deceleration from Q2.

CPI core stabilising around 1.7% y/y



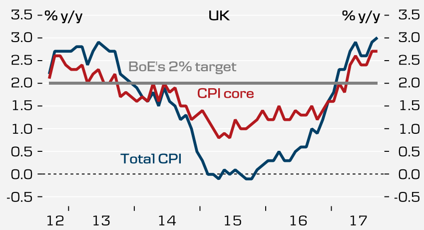
Sources: BLS, Macrobond Financial

German GDP growth remains solid



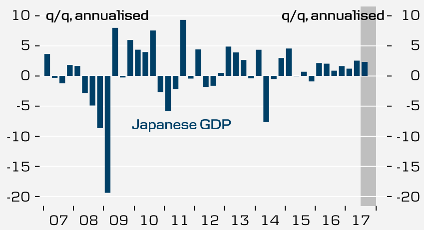
Source: Eurostat, Danske Bank, Macrobond Financial

Inflation significantly above target



Sources: ONS, Macrobond Financial

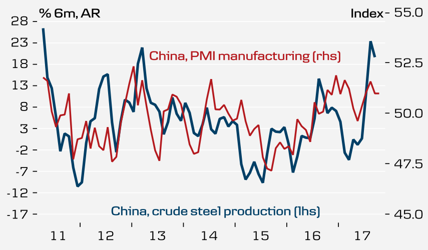
Japanese growth still going strong



Source: Japanese Cabinet Office, Macrobond Financial, Danske Bank

- In **China**, focus turns to the monthly batch of industrial production, retail sales and fixed-asset investments, which are released at the same time. In particular, we intend to keep an eye on steel production and electricity production in the industrial production data, as these tend to capture the swings better in the business cycle than the overall industrial production number. We expect steel production to move lower, as we get into the winter season when production curbs have been put on the big polluting industries – not least steel. Overall, we see downside risk for Chinese industrial data in coming quarters (such as PMI manufacturing), as the production curbs hit and a new reform push with focus on deleveraging of state-owned enterprises may cause growth to slow more than expected in the short term. However, this would be short-term pain for longer term gain, which has also been recommended by the IMF.

Steel production ramped up ahead of winter curbs setting in

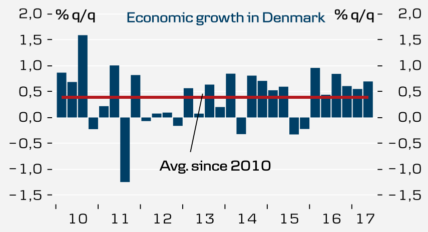


Source: Markit, Danske Bank, Macrobond Financial

Scandi

- In **Denmark**, the only significant release in the coming week is Statistics Denmark's GDP indicator for Q3 on Wednesday. This will give us the first insight into growth in Q3 but we will not learn more about the revision of quarterly growth in 2016 until the end of the month, when the final national accounts for Q3 are published. We have long predicted a slowdown in growth in Q3. We estimate private consumption was pulled down by falling car sales as a result of political negotiations on reducing the registration fee. However, this effect should be only temporary and will not reduce private consumption in the longer term. In contrast, exports seem to have had plenty of wind in their sales and there has been good growth in firms' purchases and sales, which should have helped to push growth in the right direction. On balance, we estimate GDP growth of 0.5% in Q3.

Solid growth since 2016

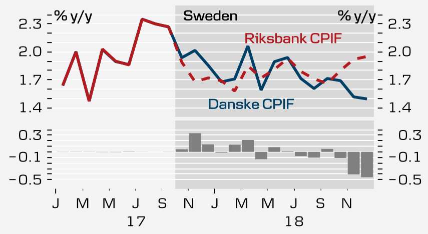


Source: Statistics Denmark

- Maklarstatistik (06:00 CET) and, even more importantly, KTH-Valueguard (09.00 CET) publish October property price data on Tuesday 14 November, ahead of the release of inflation data. Valueguard is the more important measure, as it adjusts Maklarstatistik data to show more correct price development. We believe it is likely the market expects to see another led down in price indices. Media 'indications' from property brokers suggest significant price declines should already be taking place. This said, it seems to us quite unlikely that data should show anything but modest declines on the month. There is a lag in data due to registration and so on.

  October inflation is set to be in focus this week. Our CPIF estimate for October is in line with the Riksbank's, i.e. 1.9 % y/y. However, this estimate rests on the assumption that charter (and international airline tickets) behave normally. This said, we see significant downside risk in charter packages. There are data indications to support this idea. First, German charter package prices have fallen below 2016's level in October. Second, Travelmarket's international airline ticket index also fell below 2016's level in October. We are waiting for confirmation in Danish inflation data next week. If so, then we might have to consider internalising this downside risk in our forecast. We estimate it at -0.2 percentage points, implying a print below Riksbank's forecast of the same size.

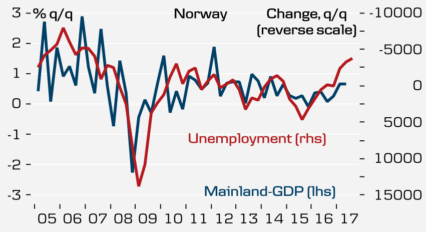
October CPIF forecast with a big downside risk



Source: Riksbank, Danske Bank

- Ongoing economic key figures have painted a more mixed picture of the **Norwegian** economy of late. Hence, the level of uncertainty surrounding this Tuesday's GDP figures for Q3 is slightly greater than usual. Retail sales have been weaker than expected, industrial activity has undoubtedly slowed a little and net exports will probably make a negative contribution to growth. On the other hand, consumption of goods, which in addition to retail sales includes car sales and energy consumption, actually demonstrated modest growth in Q3. Add to this the usually solid contribution from consumption of services and we estimate private consumption grew by around 0.5% q/q in Q3. Moreover, Norway is characterised by having a relatively large service sector, including the public sector, which is poorly covered by the ongoing data. Therefore, we crosscheck our GDP estimate against the unemployment data to gain an impression of the overall level of activity. As the chart on the right shows, gross unemployment fell more in Q3 than in Q2, which indicates somewhat higher GDP growth in Q3 than in Q2. This is not a perfect method but at least there is nothing in the labour market that points to any slowdown in growth. Therefore, we maintain our estimate of 0.7% q/q growth in mainland GDP in Q3, which is marginally higher than Norges Bank's estimate (0.6%) and should remove some of the downside risk associated with the growth outlook recently.

Unemployment falling faster



Source: Danske Bank, Macrobond Financial

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Tue	14-Nov	3:00	CNY	Industrial production	y/y	Oct		*6.2%*	6.6%
		8:00	DEM	GDP, preliminary	q/q|y/y	3rd quarter	**0.6%|...**	*0.6%|2.3%*	0.6%|2.1%
		10:30	GBP	CPI	m/m|y/y	Oct	**0.3%|3.2%**	*0.2%|3.1%*	0.3%|3.0%
		11:00	USD	Fed Chair Yellen (neutral) speaks					
		11:00	EUR	GDP, 2nd estimate	q/q|y/y	3rd quarter		*0.6%|2.5%*	0.6%|2.5%
Wed	15-Nov	0:50	JPY	GDP, preliminary	q/q|ann.	3rd quarter	**...|2.2%**	*0.4%|1.5%*	0.6%|2.5%
		14:30	USD	Retail sales control group	m/m	Oct		*0.3%*	0.4%
		14:30	USD	CPI headline	m/m|y/y	Oct	**0.0%|1.9%**	*0.1%|2.0%*	0.5%|2.2%
Thurs	16-Nov	10:30	GBP	Retail sales ex fuels	m/m|y/y	Oct		*0.1%|-0.3%*	-0.7%|1.6%
		15:15	USD	Industrial production	m/m	Oct	**0.25%**	*0.4%*	0.3%
Scandi movers									
Tue	14-Nov	8:00	NOK	GDP (mainland)	q/q	3rd quarter	**0.7%**	*0.5%*	0.7%
		9:30	SEK	Underlying inflation CPIF	m/m|y/y	Oct	**0.1%|1.9%**	*0.1%|2.0%*	0.2%|2.3%
Wed	15-Nov	8:00	DKK	GDP indicator	q/q	3rd quarter	**0.5%**		0.5%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

After a strong year, what is next for emerging markets?

A solid year for emerging markets

Emerging markets have seen a strong run this year. A combination of a strong search for yields, a generally low-volatility environment, fairly strong global growth and improving fundamentals in many emerging markets have spurred investor interest in emerging market assets. Emerging market fixed income products have outperformed peer products in advanced economies: top of the table has been USD emerging market corporate debt but sovereign USD and local currency instruments have also generated a decent return. In contrast, holders of German sovereign bonds have lost money, while the return on other advanced fixed income products has also been meagre. On the equity side, emerging markets have also seen a decent return.

However, over the past month, many emerging market currencies have come under pressure. However, this seems to be driven mostly by a strong USD, which has been aided by increased market pricing of a Fed December hike as well as adoption of US tax reform; against the EUR, the currencies have remained neutral or even strengthened. The exception being a few emerging market currencies hit by idiosyncratic shocks: Turkey (deterioration in relations with the US), South Africa (fiscal woes), Russia (renewed sanctions fears) and Hungary (ultra-dovish central bank stance).

After such a strong run, it is natural to ask whether the performance can continue? What are the key factors to watch near term? What about the longer term? What is the growth potential of the countries? Will emerging markets continue to enjoy a growth premium relative to developed markets?

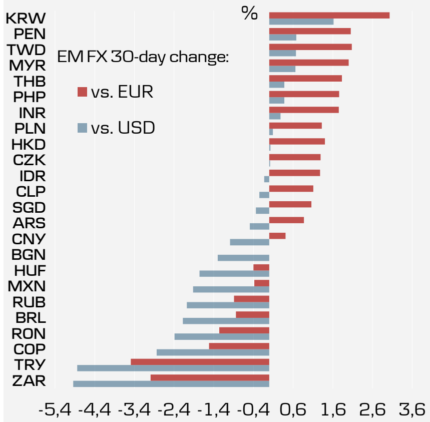
Emerging market related bonds have rallied in 2017

Source: Bloomberg, Danske Bank

Key points

- Emerging markets have seen a strong run this year.
- Global and domestic factors should continue to be mildly supportive for EM near-term.
- But a slowdown in China in the coming months is a risk, as are large unfinanced tax cuts in the US, if pushing up US yields.
- Recent surge in oil prices is mostly driven by geopolitical concerns due to tensions in the Middle East.
- The longer-term growth outlooks in EM differ widely. India and the rest of EMs in South East Asia boast strong growth potential but LATAM countries and Russia have more muted longer-term outlook.

Emerging market weakness more about strong USD and idiosyncratic shocks



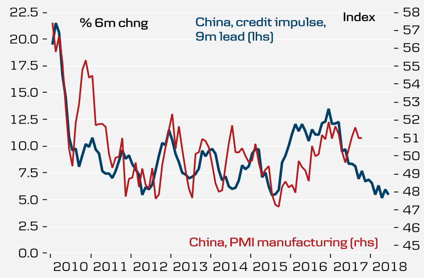
Source: Bloomberg, Danske Bank

What are the key factors to watch for emerging markets?

As we have seen over the past few years, emerging markets are affected by both global factors, such as the level of interest rates in developed markets and global growth conditions, and domestic policies and political events. The following list indicates what we think it is important to watch out for in coming months and how we think these items will affect emerging matters.

- **China outlook (slightly negative):** As the second-biggest economy and the number one global consumer of metals, economic developments in the Chinese economy have a large bearing on the global economy and, notably, those emerging markets supplying raw materials to China. The strength of the Chinese economy has surprised us a bit this year. However, we see several reasons to be cautious in coming months. (1) The financial tightening over the past year is starting to bite in the real estate and construction sectors. (2) Chinese policymakers seem more willing to address problems relating to high debt and weaknesses in the state-owned sector now that the party conference is behind them and the global economy is in relatively good shape. Last weekend, the Chinese central bank governor publicly signalled such a stance. In effect accepting some short-term pain, hoping for long-term gain. (3) Seasonal steel production ahead of the winter is set to come to halt now. As a result, our models point to a decline in Chinese PMIs over coming months, which typically have negative bearing on other emerging markets and metal prices more broadly.

PMI likely to have peaked – credit tightening set to weigh on growth in coming quarters

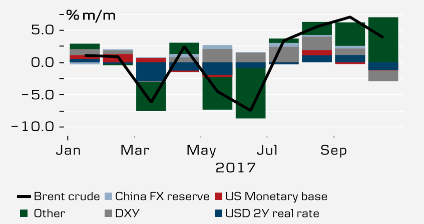


Source: Danske Bank, Macrobond Financials

- **The Fed, the USD and US tax reform (neutral):** The recent repricing of the Fed's likelihood of hiking rates in December and renewed expectations of US tax reform has aided the USD. Apart from the December hike, we continue to expect two additional rate hikes next year, while the Fed dots suggest three hikes. The market has priced almost 1.5 hikes next year. As long as our base case of two hikes in 2018 holds (or even three hikes), this should not rock the boat for emerging markets, especially as global liquidity is likely to remain ample, due to continued accommodation by the ECB and Bank of Japan aiding the search for yields. One risk factor is unfinanced US tax reform, which would push up the US yield curve and support the USD.

- **Commodity prices (neutral):** Oil prices have doubled since the trough in early 2016. The positive momentum has been strong since September and particularly over the past week. We think that the increase over the past two months has been driven by increasing concerns about supply disruption due to geopolitical events (see chart on the right). Most important has been the tension in the Middle East, notably concerns about renewed US oil sanctions against Iran following US president Donal Trump's hardened rhetoric and the increasingly strained relations between Iran and Saudi Arabia (the two countries together account for 15% of global oil production). These tensions are likely to remain and hence provide support to oil prices near term, which would be positive for oil-producing emerging markets such as Russia, Indonesia, Nigeria and the Middle East economies but would spell trouble for large oil-importing countries such as Turkey and South Africa. Metal prices could come under pressure if the Chinese construction sector experiences some weakness over the next few years.

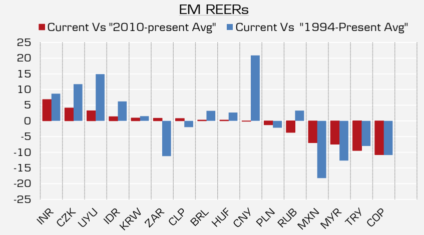
Increasing oil prices over the past few months driven by geopolitical concerns ('other' category)



Source: Danske Bank calculations

- **Domestic emerging market fundamentals (slightly positive):** When the taper tantrum hit emerging markets in 2014, many emerging markets, such as India, Brazil, Turkey and South Africa, ran large current account deficits. These have (maybe apart from Turkey) been reduced significantly, partly as emerging market currencies depreciated following capital outflows. Hence, these currencies are now more in line with their long-term value than in 2014. Furthermore, the central banks and ministries of finance in many emerging markets are following quite orthodox economic policies. Inflation in emerging markets has fallen to the lowest level on record. Compared with developed economies, the public debt burden is significantly lighter. While some emerging markets still have sizeable USD debt, making them vulnerable to a stronger USD, the size is relatively limited compared with GDP in these countries. So, overall, emerging market fundamentals provide a stronger foundation for these countries.

Emerging market currencies more or less fairly valued



Note: The currency can be considered to be undervalued if the real effective exchange rate (REER) is less than its long-term average
Source: Bloomberg, Danske Bank, Macrobond Financial

Macroeconomic fundamentals in emerging markets vs developed markets 2001 and 2017

	Emerging Markets		Advanced economies	
	2001	2017	2001	2017
Gross domestic product, constant prices (%)	3.6	4.6	1.6	2.2
Inflation, average consumer prices (%)	8.0	4.2	2.2	1.7
General government net lending/borrowing (% of GDP)	-3.0	-4.4	-1.7	-2.7
General government gross debt (% of GDP)	48.1	48.3	69.8	105.3
Current account balance (% of GDP)	0.8	-0.3	-0.8	0.8

Source: IMF World Economic Outlook October 2017, Macrobond Financial, Danske Bank

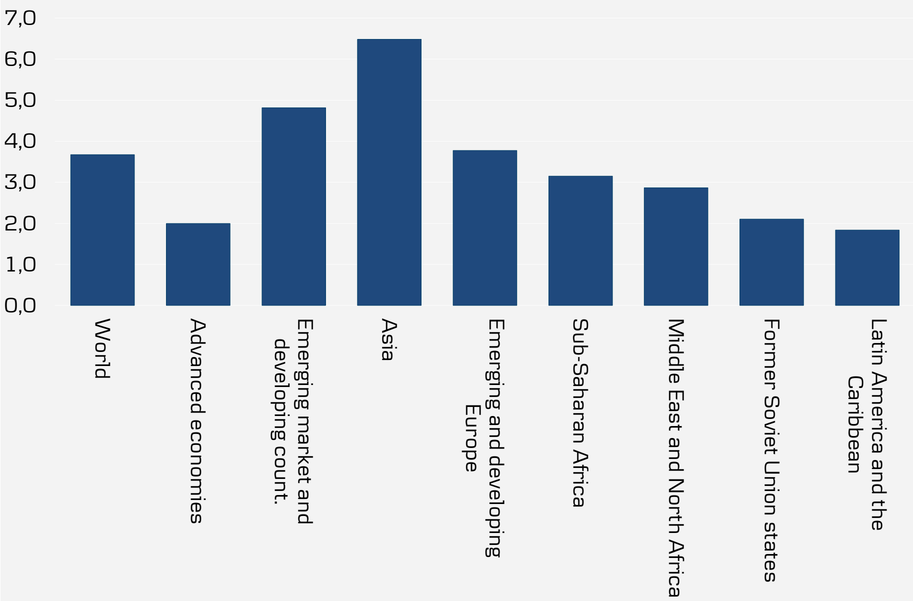
So, overall, we see a continuing mildly positive emerging market environment in coming months, although a slowdown in China and a significant rise in US interest rates (and the USD) if significant tax reform is approved are key downside risks.

Large differences in the growth outlooks of emerging markets

A key question is whether emerging markets can continue to enjoy a growth premium in coming years compared with advanced economies. Looking at IMF projections (which are broadly in line with ours), this is the case (see the table below). While advanced economies should be happy to record an average growth rate of 2% over the next two years, we expect emerging markets to witness almost 5% on average. The strongest growth outlook is in Asian countries but Eastern European and African countries are also expected to grow quickly. In contrast, Russia and the rest of the former Soviet Union are struggling with a relatively weak growth outlook, as are many Latin American countries.

This goes well with our impressions from the IMF annual meetings. Among the most uplifting meetings at the meetings was the one on India, where the IMF projects the economy's growth potential is around 7.5% thanks to a relatively young population, structural reforms (tax reform and bank recapitalisation), relatively low debt (in contrast with China) and macroeconomic stability. The same goes more or less for the Indonesian economy. In contrast, the IMF saw relatively subdued long-term growth potential for the Russian economy (due to weak productivity growth (due to state controls in the economy) and a declining population), Brazil (where the debt overhang from the boom years in the private sector is weighing on growth) and South Africa (given structural and fiscal obstacles).

Emerging markets still enjoy a growth premium to developed markets but some emerging market regions are struggling



Source: IMF WEO October 2017

General market themes

Asset class	Main factors
Equities	
Positive on equities	We are positive on equities, as we think the global business cycle is still strong, risks are low and central banks are tightening monetary policy only gradually.
Bond market	
German/Scandi yields – set to stay in recent range for now, higher on 12M horizon	Inflation set to stay subdued despite decent growth. Stronger euro keeps euro inflation outlook down. ECB to normalise gradually only, due to lack of wage pressure and stronger euro. ECB on hold for a long time.
EU curve – 2Y10Y set to steepen when long yields rise again	The ECB keeps a tight leash on the short end of the curve. With 10Y yields stable, the curve should change little on a 3-6M horizon. Risk is skewed towards a steeper curve but that is a 6M to 12M forecast.
US-euro spread set to widen marginally	The Fed's QT programme (balance sheet reduction) is set to happen at a very gradual pace and the affect on the Treasury market should be benign. Yet, market pricing for Fed hikes is relatively dovish and yields should edge higher on a 12M horizon.
Peripheral spreads – tightening but still some factors to watch	We expect economic recovery, ECB stimuli, better fundamentals, particularly in Portugal and Spain, an improved political picture and rating upgrades to lead to further tightening despite the recent strong moves. Italy is the big risk factor but very expensive to be short Italian bonds. The focus on Catalonia and its call for independence is a risk for Spanish government bonds.
FX	
EUR/USD – consolidating near term but upside risks in 2018	EUR/USD to remain within 1.1479-1.1880 range near term. We still see the cross moving firmly into mid-1.20s supported by valuation and debt-flow reversal in 2018.
EUR/GBP – upside risks remain but GBP to strengthen eventually	Deteriorating growth prospects and Brexit mess to keep EUR/GBP afloat near term. Downward move on Brexit clarification and valuation further out.
USD/JPY – gradually higher longer term but challenged near term	Policy normalisation at the Fed and eventually at the ECB, while the Bank of Japan is staying dovish, means support for EUR/JPY and USD/JPY alike on a 12M horizon.
EUR/SEK – range near term, gradually lower further out	Gradually lower in the longer term on fundamentals but near term SEK potential is limited by relative rates as SEK remains high-beta ECB derivative via the Riksbank.
EUR/NOK – upside risks in Q4 persist, then gradually lower	NOK headwinds near term due to positioning, oil price and rates potential but longer term we expect the NOK to rebound on valuation, growth and real-rate differentials.
Commodities	
Oil price – rising volatility	Geopolitical tensions around Saudi Arabia and Iran on the rise. Concerns about implications of unstable Venezuelan debt situation.
Metal prices – to fall back	Sentiment is turning negative again, as Chinese construction activity set to slow. Tigther supply to cap lower bound.
Gold price – range-bound	Tug of war between safe-haven demand from rising global geopolitical tensions and negative impact of hawkish Federal Reserve.
Agriculturals – trending higher	Weather-related supply concerns supporting prices.

Source: Danske Bank.

Scandi Update

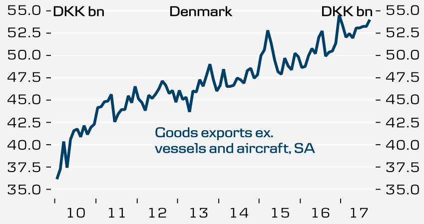
Denmark – exports finally picking up

After an otherwise slow year, exports of goods climbed 1.4% in September. This makes sense, as we are now seeing a simultaneous global upturn, which really ought to boost exports in a small open economy such as Denmark.

The week also brought data for industrial production, which fell 4.2% in September, and the figures for previous months were also revised down. The overall picture this year is therefore one of decline. This is slightly surprising given that the Danish economy has been growing healthily and the global upturn should be lending a helping hand to industrial production in particular. Therefore, we are a little sceptical about whether the data paints the true picture. The figures for industrial production in the national accounts are also much healthier.

Finally, the number of home repossessions fell by 20 to 211 in October, which is again well below the levels seen during the crisis, due mainly to healthy consumer finances.

Exports finally on the up again



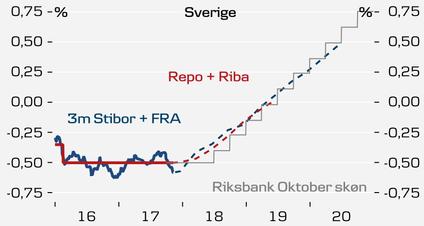
Source: Statistics Denmark

Sweden – better budget and soft minutes

The October budget figure turned out to be a repetition past months, i.e. the outcome was better than expected. October showed a SEK6.7bn surplus instead of a SEK5.8bn deficit as forecast by the Debt Office, i.e. SEK12.5bn better than expected. Higher-than-expected tax revenues are the main driver the improvement. This comes on the back of the Debt Office revising its forecast sharply in the new October publication, in which it slashed T-bill, bond and linker supply.

The Riksbank Minutes revealed that property market developments are higher up the agenda. This was mentioned by several Executive Board members this time. It is not the case that property market developments at this time are affecting monetary policy considerations but rather a risk factor that could shift inflation in a negative direction. Martin Flodén clearly expressed the risk that a significant slowdown in residential construction due to misguided perceptions of demand and the prices of apartments could have serious implications for the Riksbank's forecasts for GDP, inflation and the repo rate, making them obsolete, a view that most members apparently shared. On QE, three members are clearly against an extension, while one clearly advocates one. We believe this suggests QE will be ended in December. At the same time, we find both the Riksbank's forecast and, even more so, market pricing to be very aggressive. It is too steep compared with other economies. We expect the repo rate to be unchanged throughout 2018 on the back of our lower than Riksbank CPIF forecast and with possibly more pronounced property market risks surfacing as we go forward.

Pricing on Riksbank is too aggressive

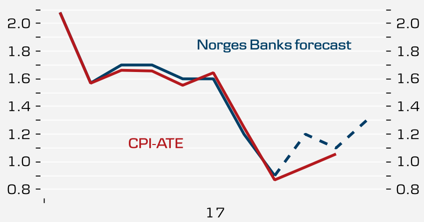


Source: Riksbank, Macrobond Financial, Danske Bank

Norway – inflation as expected

Core inflation climbed to 1.1% y/y in October, up from 1.0% in September. As we predicted, the increase was driven mainly by a rebound in food prices and airfares. While these components are prone to fluctuate considerably from month to month, we have been expecting a correction at some point given the substantial pressure on margins in those sectors. The inflation rate in October was exactly in line with Norges Bank's projection in the September monetary policy report, which alleviates some of the downward pressure on interest and exchange rates that we have seen in the past month. We also think the downside risk to inflation is relatively limited. The depreciation of the Norwegian krone last winter has now begun to feed through to import prices and is set to have an impact on imported inflation in the CPI before long. There are still no signs of mounting inflationary pressure in Norway but the risk of further disinflation is also limited.

Inflation on the up again



Source: Danske Bank, Macrobond Financial

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2016	2.0	2.3	0.3	6.0	0.0	2.8	3.8	0.3	4.2	-0.6	37.7	7.3
	2017	2.4	1.9	1.0	2.6	0.1	5.0	4.7	1.1	4.4	-0.9	35.6	8.3
	2018	2.0	2.3	0.5	4.3	0.0	2.8	3.6	1.1	4.3	-0.7	34.4	7.8
Sweden	2016	3.1	2.1	3.0	5.2	0.0	2.9	2.9	1.0	6.9	1.1	42.2	4.5
	2017	3.1	2.3	0.6	8.0	0.0	3.4	5.0	1.9	6.7	0.3	39.5	4.8
	2018	2.0	1.4	1.6	3.1	0.0	3.3	3.3	1.7	6.6	0.0	39.3	5.2
Norway	2016	1.0	1.5	2.1	-0.2	1.4	-1.8	2.3	3.6	3.0	-	-	-
	2017	2.0	2.5	1.8	3.6	0.2	1.0	4.5	2.0	2.7	-	-	-
	2018	2.3	2.4	2.1	2.0	-0.1	1.5	0.7	1.6	2.5	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euroland	2016	1.8	2.0	1.8	4.5	-	3.3	4.7	0.2	10.0	-1.5	88.9	3.3
	2017	2.2	1.7	1.2	3.8	-	4.5	4.4	1.5	9.1	-1.4	88.8	3.0
	2018	1.6	1.4	1.2	4.2	-	3.3	4.2	1.2	8.4	-1.3	88.5	2.9
Germany	2016	1.9	1.9	3.7	2.9	-	2.4	3.8	0.4	4.2	0.8	68.1	8.3
	2017	2.2	2.2	1.6	4.2	-	4.0	4.8	1.7	3.8	0.5	65.8	8.0
	2018	1.8	1.8	1.9	4.4	-	3.3	5.1	1.3	3.8	0.3	63.3	7.6
France	2016	1.1	2.1	1.2	2.7	-	1.9	4.2	0.3	10.0	-3.4	96.5	-0.9
	2017	1.7	1.2	1.4	3.4	-	2.9	4.6	1.2	9.6	-3.0	96.4	-1.0
	2018	1.3	1.2	1.3	3.1	-	3.3	4.3	1.2	9.4	-3.2	96.7	-1.1
Italy	2016	1.1	1.5	0.5	3.0	-	2.6	3.3	-0.1	11.7	-2.5	132.0	2.7
	2017	1.4	1.4	0.8	2.1	-	4.6	5.6	1.3	11.2	-2.1	133.1	1.9
	2018	1.3	1.1	0.6	3.7	-	2.7	3.7	1.0	10.8	-2.2	132.5	1.7
Spain	2016	3.3	3.0	0.8	3.3	-	4.8	2.7	-0.3	19.6	-4.5	99.0	1.9
	2017	2.8	2.4	1.0	4.0	-	5.5	4.6	2.0	17.3	-3.1	99.2	1.6
	2018	1.7	2.0	1.1	3.1	-	3.0	4.4	1.2	16.0	-2.5	98.5	1.6
Finland	2016	1.9	1.8	1.2	7.2	-	1.3	4.4	0.4	8.8	-1.9	63.1	-1.4
	2017	2.8	2.0	-0.2	8.5	-	8.0	5.0	0.7	8.5	-2.1	63.0	-0.4
	2018	1.8	1.5	0.2	3.0	-	4.0	3.0	1.1	8.0	-1.1	62.4	-0.4

Macro forecast, Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2016	1.5	2.7	0.8	0.7	-0.4	-0.3	1.3	1.3	4.9	-3.2	105	-2.4
	2017	2.1	2.6	0.0	4.1	-0.1	3.1	3.8	1.9	4.5	-2.9	106	-2.7
	2018	2.3	2.1	1.0	4.9	0.0	2.5	2.9	1.7	4.3	-2.7	107	-3.3
China	2016	6.7	-	-	-	-	-	-	2.0	4.1	-3.0	46.3	2.4
	2017	6.8	-	-	-	-	-	-	2.0	4.3	-3.3	49.9	2.1
	2018	6.3	-	-	-	-	-	-	2.0	4.3	-3.0	53.3	1.5
UK	2016	1.8	2.9	1.1	1.3	0.2	1.1	4.3	0.7	4.9	-2.9	89.3	-4.4
	2017	1.6	1.9	0.8	1.9	-0.1	3.0	2.9	2.5	4.6	-2.8	87.7	-4.9
	2018	1.2	1.2	0.4	1.2	0.0	2.8	2.0	2.4	4.8	-1.9	87.7	-3.3

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	10-Nov	1.25	1.38	1.83	2.35	116.1	-	640.9
	+3m	1.50	1.60	1.85	2.35	118.0	-	630.7
	+6m	1.50	1.73	1.95	2.45	122.0	-	610.0
	+12m	1.75	1.96	2.25	2.70	125.0	-	595.6
EUR	10-Nov	0.00	-0.33	-0.20	0.85	-	116.1	744.2
	+3m	0.00	-0.33	-0.10	0.95	-	118.0	744.3
	+6m	0.00	-0.33	-0.05	1.05	-	122.0	744.3
	+12m	0.00	-0.33	0.00	1.20	-	125.0	744.5
JPY	10-Nov	-0.10	-0.04	0.04	0.26	132.7	114.3	5.61
	+3m	-0.10	-	-	-	134.5	114.0	5.53
	+6m	-0.10	-	-	-	140.3	115.0	5.30
	+12m	-0.10	-	-	-	145.0	116.0	5.13
GBP	10-Nov	0.25	0.43	0.88	1.41	87.4	132.9	851.5
	+3m	0.50	0.52	0.90	1.45	88.0	134.1	845.7
	+6m	0.50	0.53	0.95	1.55	87.0	140.2	855.5
	+12m	0.50	0.53	1.10	1.80	86.0	145.3	865.7
CHF	10-Nov	-0.75	-0.73	-0.54	0.27	116.3	100.2	639.7
	+3m	-0.75	-	-	-	115.0	97.5	647.2
	+6m	-0.75	-	-	-	118.0	96.7	630.7
	+12m	-0.75	-	-	-	123.0	98.4	605.3
DKK	10-Nov	0.05	-0.31	-0.07	1.04	744.2	640.9	-
	+3m	0.05	-0.30	0.05	1.15	744.3	630.7	-
	+6m	0.05	-0.30	0.10	1.25	744.3	610.0	-
	+12m	0.05	-0.30	0.20	1.45	744.5	595.6	-
SEK	10-Nov	-0.50	-0.54	-0.24	1.18	974.5	839.3	76.4
	+3m	-0.50	-0.45	-0.25	1.30	950.0	805.1	78.3
	+6m	-0.50	-0.45	-0.20	1.50	940.0	770.5	79.2
	+12m	-0.50	-0.45	-0.05	1.75	930.0	744.0	80.1
NOK	10-Nov	0.50	0.80	1.07	1.93	945.7	814.5	78.7
	+3m	0.50	0.80	1.10	1.95	950.0	805.1	78.3
	+6m	0.50	0.80	1.15	2.05	920.0	754.1	80.9
	+12m	0.50	0.90	1.35	2.40	910.0	728.0	81.8

Commodities

		2017				2018				Average	
	10-Nov	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	57	52	48	48	52	55	57	58	59	50	57
ICE Brent	64	55	51	52	54	56	57	58	59	53	58
Copper	6,808	5,855	5,670	6,383	6,250	6,250	6,250	6,100	6,100	6,040	6,175
Zinc	3,176	2,789	2,580	2,961	2,900	2,800	2,700	2,600	2,500	2,808	2,650
Nickel	12,300	10,321	9,230	10,594	10,000	10,500	10,750	11,000	11,000	10,036	10,813
Aluminium	2,093	1,858	1,910	2,027	1,950	1,900	1,875	1,850	1,825	1,936	1,863
Gold	1,284	1,219	1,260	1,279	1,250	1,250	1,250	1,250	1,250	1,252	1,250
Matif Mill Wheat (€/t)	160	170	168	164	170	167	165	163	163	168	165
Rapeseed (€/t)	384	415	375	368	380	380	380	380	375	384	379
CBOT Wheat (USd/bushel)	427	429	435	455	475	500	510	520	530	449	515
CBOT Soybeans (USd/bushel)	977	1,021	944	965	975	1,000	1,025	1,050	1,050	976	1,031

Source: Danske Bank

Calendar

Key Data and Events in Week 46

During the week				Period	Danske Bank	Consensus	Previous
Sat 11	EUR	ECB's Draghi speaks in Milan					
Monday, November 13, 2017				Period	Danske Bank	Consensus	Previous
1:10	USD	Fed's Harker (voter, hawkish) speaks					
10:00	EUR	ECB's Constancio speaks in Frankfurt					
18:45	JPY	BoJ Kuroda speaks					
20:00	USD	Budget statement	USD bn	Oct		*-50.0*	-45.8
Tuesday, November 14, 2017				Period	Danske Bank	Consensus	Previous
3:00	CNY	Industrial production	y/y	Oct		*6.2%*	6.6%
3:00	CNY	Retail sales	y/y	Oct		*10.5%*	10.3%
3:00	CNY	Fixed assets investments	y/y	Oct		*7.3%*	7.5%
6:00	SEK	Maklarstatistik Swedish housing price data					
8:00	NOK	GDP (total)	q/q	3rd quarter			1.1%
8:00	NOK	GDP (mainland)	q/q	3rd quarter	**0.7%**	*0.5%*	0.7%
8:00	DEM	HICP, final	m/m|y/y	Oct		*-0.1%|1.5%*	-0.1%|1.5%
8:00	DEM	GDP, preliminary	q/q|y/y	3rd quarter	**0.6%|...**	*0.6%|2.3%*	0.6%|2.1%
9:00	ESP	HICP, final	m/m|y/y	Oct			0.6%|1.7%
9:00	SEK	KTH-Valueguard					
9:05	USD	Fed's Evans (voter, dovish) speaks					
9:30	SEK	Underlying inflation CPIF	m/m|y/y	Oct	**0.1%|1.9%**	*0.1%|2.0%*	0.2%|2.3%
9:30	SEK	CPI	m/m|y/y	Oct	**0.0%|1.8%**	*0.1%|1.8%*	0.1%|2.1%
10:00	ITL	GDP, preliminary	q/q|y/y	3rd quarter		*0.4%|1.7%*	0.3%|1.5%
10:00	EUR	ECB's Lautenschlaeger speaks in Frankfurt					
10:30	EUR	Portugal, GDP, preliminary	q/q|y/y	3rd quarter			0.3%|2.9%
10:30	GBP	PPI - input	m/m|y/y	Oct		*0.7%|4.6%*	0.4%|8.4%
10:30	GBP	CPI	m/m|y/y	Oct	**0.3%|3.2%**	*0.2%|3.1%*	0.3%|3.0%
10:30	GBP	CPI core	y/y	Oct		*2.8%*	2.7%
11:00	USD	Fed Chair Yellen (neutral) speaks					
11:00	EUR	Industrial production	m/m|y/y	Sep		*-0.6%|3.3%*	1.4%|3.8%
11:00	EUR	GDP, 2nd estimate	q/q|y/y	3rd quarter		*0.6%|2.5%*	0.6%|2.5%
11:00	EUR	ECB's Draghi speaks in Frankfurt					
11:00	ITL	HICP, final	m/m|y/y	Oct		*...|1.1%*	...|1.1%
11:00	DEM	ZEW current situation	Index	Nov		*88.0*	87.0
11:00	DEM	ZEW expectations	Index	Nov		*18.1*	17.6
12:00	USD	NFIB small business optimism	Index	Oct		*104.5*	103.0
14:15	USD	Fed's Bullard (non-voter, dovish) speaks					
14:30	EUR	ECB's Coeure speaks in Brussels					
14:30	USD	PPI	m/m|y/y	Oct		*0.1%|2.5%*	0.4%|2.6%
14:30	USD	PPI core	m/m|y/y	Oct		*0.2%|2.3%*	0.4%|2.2%

Source: Danske Bank

Calendar (continued)

Wednesday, November 15, 2017				Period	Danske Bank	Consensus	Previous
0:50	JPY	GDP deflator, preliminary	y/y	3rd quarter		*0.1%*	-0.4%
0:50	JPY	GDP, preliminary	q/q|ann.	3rd quarter	**...|2.2%**	*0.4%|1.5%*	0.6%|2.5%
5:30	JPY	Industrial production, final	m/m|y/y	Sep			-1.1%|2.5%
8:00	NOK	Trade balance	NOK bn	Oct			9.2
8:00	DKK	GDP indicator	q/q	3rd quarter	**0.5%**		0.5%
8:45	FRF	HICP, final	m/m|y/y	Oct			0.1%|1.2%
9:00	USD	Fed's Evans (voter, dovish) speaks					
9:30	SEK	Capacity utilization, industry	%	3rd quarter			90.7%
10:30	GBP	Unemployment rate (3M)	%	Sep		*4.3%*	4.3%
10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Sep		*2.2%*	2.1%
11:00	EUR	Trade balance	EUR bn	Sep			21.6
11:00	EUR	ECB's Praet speaks in Frankfurt					
14:30	USD	Empire Manufacturing PMI	Index	Nov		*24.9*	30.2
14:30	USD	Retail sales control group	m/m	Oct		*0.3%*	0.4%
14:30	USD	CPI headline	m/m|y/y	Oct	**0.0%|1.9%**	*0.1%|2.0%*	0.5%|2.2%
14:30	USD	CPI core	m/m|y/y	Oct	**0.2%|1.7%**	*0.2%|1.7%*	0.1%|1.7%
16:30	USD	DOE U.S. crude oil inventories	K				2237
22:00	USD	TICS international capital flow, Net inflow	USD bn	Sep			125.0
Thursday, November 16, 2017				Period	Danske Bank	Consensus	Previous
1:30	AUD	Employment change	1000	Oct		*18.8*	19.8
7:30	FRF	ILO unemployment	%	3rd quarter			9.5%
9:30	SEK	Unemployment (n.s.a.|s.a.)	%	Oct	**6.1%|6.6%**	*6.4%*	6.2%|6.8%
10:30	GBP	Retail sales ex fuels	m/m|y/y	Oct		*0.1%|-0.3%*	-0.7%|1.6%
11:00	EUR	HICP inflation	m/m|y/y	Oct		*0.1%|1.4%*	0.4%|1.5%
11:00	EUR	HICP - core inflation, final	y/y	Oct		*0.9%*	0.9%
14:30	USD	Initial jobless claims	1000				
14:30	USD	Import prices	m/m|y/y	Oct		*0.4%|...*	0.7%|2.7%
14:30	USD	Philly Fed index	Index	Nov		*24.0*	27.9
15:10	USD	Fed's Mester (non-voter, hawkish) speaks					
15:15	USD	Capacity utilization	%	Oct		*76.2%*	76.0%
15:15	USD	Industrial production	m/m	Oct	**0.25%**	*0.4%*	0.3%
15:15	USD	Manufacturing production	m/m	Oct		*0.4%*	0.1%
16:00	USD	NAHB Housing Market Index	Index	Nov		*67.0*	68.0
19:10	USD	Fed's Kaplan (voter, dovish) speaks					
21:00	EUR	ECB's Constancio speaks in Frankfurt					
22:45	USD	Fed's Williams (non-voter, neutral) speaks					
Friday, November 17, 2017				Period	Danske Bank	Consensus	Previous
-	EUR	EU summit in Gothenburg					
-	EUR	S&P may publish Netherlands's debt rating					
-	EUR	Moody's may publish Cyprus's debt rating					
9:30	EUR	ECB's Draghi speaks in Frankfurt					
10:00	EUR	Current account	EUR bn	Sep			33.3
14:00	EUR	ECB's Weidmann speaks in Frankfurt					
14:30	USD	Building permits	1000 (m/m)	Oct		*1242*	1225.0 (-3.7%)
14:30	USD	Housing starts	1000 (m/m)	Oct		*1188*	1127.0 (-4.7%)
14:30	CAD	CPI	m/m|y/y	Oct			...|1.6%
23:30	USD	Fed's Williams (non-voter, neutral) speaks					

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

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

Source: Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Jakob Ekholdt Christensen, Chief 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

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: 10 November 2017, 14:25 GMT

Report first disseminated: 10 November 2017, 14:40 GMT