

Weekly Focus

Market concern grows as North Korea tension rises

Market movers ahead

- We expect the ECB minutes released on Thursday to shed more light on how the discussion within the Governing Council on extending QE evolved.
- FOMC minutes are due for release next week. We expect focus to be on the timing of quantitative tightening and the committee's view on the lack of inflation.
- We expect the decline in US consumer confidence to continue, in light of increasing tension between the US and North Korea.
- We expect UK CPI inflation to draw attention next week, as it will provide some guidance on the Bank of England's decision on whether or not to hike rates in 2018.
- We expect Chinese industrial production, released on Monday, to post solid growth, as pointed to by the recent month's strong PMI postings.
- The focus in Scandinavia will be on the release of Swedish inflation data. We expect Swedish inflation to pick up, reaching 2% cent in July – above the current Riksbank forecast. We expect the Danish GDP indicator to show healthy growth of 0.5% for the second quarter.

Global macro and market themes

- Tensions have risen between North Korea and the US. In our view, a military confrontation between the US and North Korea is a low-probability but high-impact event for markets.
- Yields of US and German government bonds declined this week but we believe current risk aversion is likely to be temporary, although it is set to be bumpy and headline driven.
- A pickup in US growth suggests that US yields and equities should head higher when North Korean tensions fade.

Contents

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

Financial views

Major indices			
	11-Aug	3M	12M
10yr EUR swap	0.83	0.85	1.15
EUR/USD	118	117	122
ICE Brent oil	52	53	61
	11-Aug	6M	12-24M
S&P500	2438	5-10%	10-15%

Source: Danske Bank

Follow us on [Twitter](#)

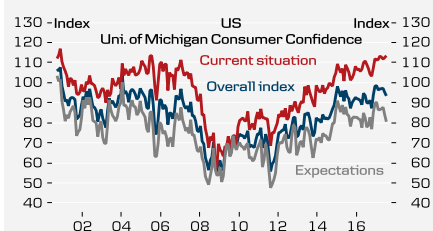


@Danske_Research

Editor

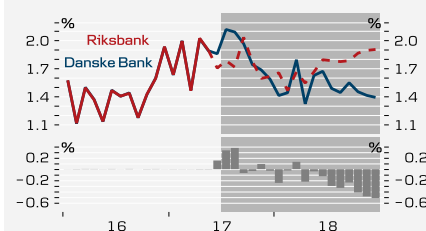
Senior Analyst
Louise Aggerstrøm Hansen
+45 45 12 85 31
louhan@danskebank.dk

US consumer confidence dragged down by expectations



Source: University of Michigan, Danske Bank Markets

Inflation expected to overshoot Riksbank forecast in the short term



Source: Macrobond Financial, Danske Bank Markets

Market movers

Global

- In the **US**, we start off with the retail sales figures for July on Tuesday. We do not expect retail sales to deviate significantly from its only moderately growing trend. Overall, we expect consumption growth to continue at a decent pace, which should be mirrored by positive retail sales growth.

On Wednesday, the FOMC meeting minutes are due for release. Focus will remain on the discussions on the timing of quantitative tightening. At the FOMC meeting in July, officials said QE tightening would begin “relatively soon”. Information deduced from the meeting minutes on what “relatively soon” means is therefore of special interest. It is our expectation that the tightening will commence in September. Additionally, observers will also examine how concerned the Fed is about (the lack of) inflation. In the statement in July, the Fed pointed to inflation “below 2%” instead of “somewhat below 2%” from the statement in June.

The University of Michigan Consumer Confidence for August is due for release on Friday. In January, consumer confidence reached 98.5, its highest level in over a decade. Since January, it has declined to 93.4 in July, mainly driven by less optimistic expectations while the current situation indicator has continued to rise. In the wake of increasing tension and harder rhetoric between the US and North Korea, the consumer confidence figure is likely to be lower in August.

- In the **euro area**, the calendar is rather thin next week in terms of data releases. We start off with the euro area industrial production figure for June, due for release on Monday. Against consensus, the German industrial production figure for June dropped 1.1% m/m on Monday. The drop was widespread, meaning both construction and all manufacturing sectors saw a decline in output. We expect the euro area to follow the German figure and report a monthly decline in June of 0.8%.

On Tuesday, we get the first estimate on German GDP growth for Q2. Throughout Q2, German activity indicators have reached historical highs signalling strong growth in Q2. As we observed last week, the euro area reported quarterly growth of 0.6%. Given activity indicators and euro area growth, we expect a German GDP figure of 0.6% quarterly growth in Q2.

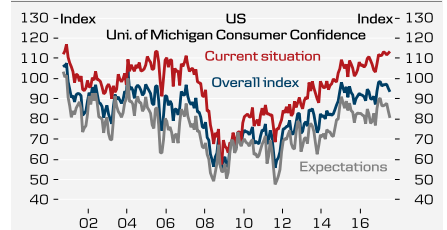
On Thursday, the ECB minutes from the July meeting are set to be released. Focus will remain on discussions related to extension of the QE programme. At the meeting, the Governing Council was unanimous in setting no precise date for when to discuss changes to the QE programme and additionally, Draghi said the ECB had not tasked its staff to look into QE options after December. In light of this, it will be interesting to see how the discussion within the Governing Council has evolved around extending QE (see *ECB review: QE path not defined yet but slower purchases are coming*, 20 July 2017).

- In the **UK**, the first data release that will get a lot of attention is the CPI inflation figures for July due for release on Tuesday. The inflation figure will be scrutinised, as it will be a key factor in the BoE’s decision of whether or not to hike rates before 2018.

On Wednesday, the labour market report for June is due for release. We expect the unemployment rate (3M average) to remain unchanged. However, should it fall further, it could pressure the BoE as the excess capacity becomes smaller. On the other hand, average weekly earnings growth (3M average) has decreased in recent months and remains low. The lack of wage growth highlights the lack of underlying pressure on inflation, diminishing the likelihood of a BoE hike for the remainder of 2017.

We are also looking forward to the retail sales figures for July on Thursday. Although the retail figure can be misleading of the overall condition of private consumption, markets tend to focus on the figure. However, we do believe that retail sales in July will

Consumer confidence dragged by expectations



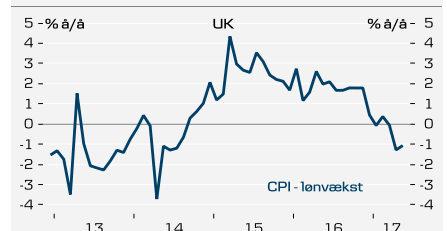
Source: University of Michigan, Danske Bank

Euro area IP follows German IP closely



Source: Eurostat, Danske Bank

UK real wage growth turns negative



Source: ONS, Danske Bank

reflect only modest growth in private consumption, due to declining consumer confidence and negative real wage growth.

- On Monday, **China** is due to release industrial production figures for July. In the last couple of months, manufacturing PMI has shown strength, which indicates growth in industrial production in July. Additional support comes from the positive signal from rising oil and metal prices in recent months. On this basis, we expect solid growth in industrial production.

The week will also bring the M2 money supply figures for July. In the first half of 2017, M2 growth has signalled lower output growth. It is our expectation that we will see a modest slowdown in output growth during the second half of 2017 and that the figure on M2 growth in July will reflect the slowdown.

Finally, we get data on retail sales for July on Monday. Here, we expect no significant deviation from the 10.7-11.0% y/y range observed since March.

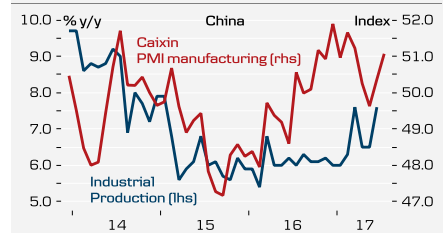
Scandi

- In **Denmark** the GDP indicator for Q2 is due to be published on Tuesday. After a couple of strong quarters, we expect more modest growth in private consumption, due partly to lower car sales and high energy consumption in the first few months of the year. On the other hand, exports seem to have fared better in Q2, while imports have looked weaker recently, which will make a positive contribution to growth. We expect GDP to have climbed by 0.5% in Q2. Also due are figures for foreign portfolio investments for June on Monday.

- The main event in **Sweden** for sure is the release of the July inflation data. Inflation has picked up of late, not least reflecting higher airfare prices and we expect another round of that to push up inflation some more. In fact, it looks like we will see CPIF inflation (the Riksbank's most preferred measure) breach 2% for the next couple of months and also overshoot the RB's latest projection. We see it as a temporary bump as airfares are likely to drop again after the summer and we don't really think that the Riksbank will change its tone to a more hawkish stance. The minutes from the Riksbank's July policy meeting clearly show that in order to consider a reduction of monetary stimulus, convincing evidence of *sustained* inflation close to 2% is required, in fact a lot like the rhetoric from the ECB.

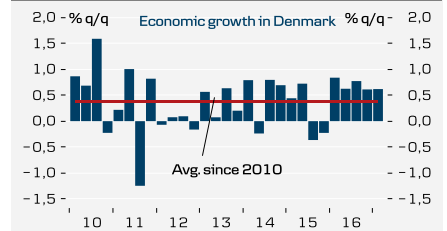
- There are no important data releases out of **Norway** next week.

PMI points towards higher IP



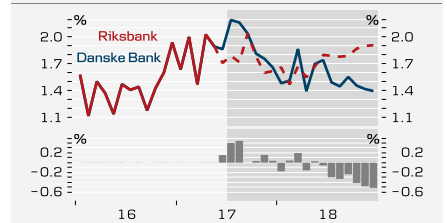
Source: Macrobond Financial, Danske Bank

Solid growth of 2016 seems to be continuing



Source: Statistics Denmark

Danske Bank and Riksbank inflation forecasts



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers			Event	Period	Danske	Consensus	Previous		
Mon	14-Aug	4:00	CNY	Fixed assets investments	y/y	Jul	8.6%	8.6%	
		4:00	CNY	Industrial production	y/y	Jul	7.1%	7.6%	
		4:00	CNY	Retail sales	y/y	Jul	10.8%	11.0%	
		11:00	EUR	Industrial production	m/m y/y	Jun	-0.8% ...	-0.4% 2.9%	1.3% 4.0%
Tue	15-Aug	8:00	DEM	GDP, preliminary	q/q y/y	2nd quarter	0.6% 1.8%	0.7% 1.9%	0.6% 1.7%
		14:30	USD	Retail sales control group	m/m	Jul	0.4%	-0.1%	
Wed	16-Aug	10:30	GBP	Unemployment rate (3M)	%	Jun	4.5%	4.5%	
		10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Jun	2.0%	2.0%	
		20:00	USD	FOMC minutes					
Thurs	17-Aug	10:30	GBP	Retail sales ex fuels	m/m y/y	Jul	0.1% 1.2%	0.9% 3.0%	
Fri	18-Aug	14:30	CAD	CPI	m/m y/y	Jul	... 1.3%	... 1.0%	
Scandi movers									
Tue	15-Aug	9:30	SEK	Underlying inflation CPIF	m/m y/y	Jul	0.4% 2.2%	0.2% 2.0%	0.1% 1.9%
		9:30	SEK	CPI	m/m y/y	Jul	0.4% 2.0%	0.2% 1.9%	0.1% 1.7%
Wed	16-Aug	8:00	SEK	Prospera inflation expectations					

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

Don't get carried away by North Korean market volatility

A low-probability but high-impact event for markets

This week, tensions have escalated between North Korea and the US. The recent chain of events started after the United Nations Security Council last weekend hit Pyongyang with new sanctions as punishment for North Korea's aggressive missile testing programme. This triggered aggressive comments from North Korea followed up by a statement by US President Donald Trump on Tuesday, in which he said that the country's threat would be 'met with fire and fury like the world has never seen'. The North Korean regime responded by threatening to attack the US's Pacific territory of Guam by launching four intermediate-range missiles which would land about 20 miles offshore and could be launched as soon as next week. On Thursday, President Trump said that his statement on Tuesday 'maybe wasn't tough enough'.

The driver behind the escalation is North Korea advancing fast in developing an Intercontinental Ballistic Missile (ICBM) that could reach the US with a nuclear warhead. North Korea conducted its first ICBM test on 4 July and followed up with a second ICBM test on 28 July which led to the recent UN sanctions. How close North Korea is to posing a nuclear threat to the US mainland is difficult to say, but the Pentagon's Defence Intelligence Agency announced on Tuesday that they believe North Korea will be able to field a reliable, nuclear-capable ICBM as early as next year. North Korean tensions have gradually risen since Kim Jong Un came to power in 2011 and the current situation is probably the most tense it has been for many years. (See Chart 1). **Still, the most likely scenario is that the current escalation of events does not lead to a military confrontation as both parties will have too much to lose from such an outcome. However, it is also difficult to foresee a sudden improvement in US-North Korean relations and recent events may increase long-term frictions in US-China relations.**

Markets have reacted as expected this week with yields of US and German government bonds declining, equities selling off and safe-haven currencies like the Swiss Franc (CHF) and the Japanese yen (JPY) strengthening. Although Japan is close to the epicentre of the crisis, the JPY typically strengthens during North Korean tensions as Japan is a creditor

Key points

- A military confrontation between US and North Korea is a low-probability but high-impact event for markets.
- Current risk aversion is likely to be temporary although it will be bumpy and headline-driven.
- If there is a military confrontation, we would expect an acceleration of this week's price action.
- Our quantitative business cycle model signals that the US is gaining speed.
- A pick-up in US growth suggests that US yields and equities should head higher when North Korean tensions fade.

Chart 1: North Korean missile tests have become a lot more frequent



Source: Macrobond Financial, Danske Bank

Table 1: Expected market reaction if there is a military confrontation between the US and North Korea

FX		FI		Credit		Equity		
USD/JPY	Lower short-term on repatriation flows and equity sell-off	EUR	- Core	Lower German yields	EUR	Underperform relative to govies and covered. IG to outperform high beta credit	US	Marginally lower
USD/CNY	Marginally lower short-term on China's creditor nation status		- Periphery	Marginally wider to core but will see support from dovish ECB				
USD/KRW	Substantially higher			Follow Germany, callable mortgage bonds to underperform	Denmark	Outperform relative to EUR	Europe	Lower
EUR/CHF	Lower with CHF the ultimate haven in this scenario			Outperform Germany due to steep curve	Sweden	Outperform relative to EUR	Asia	Significantly lower
EUR/SEK	Higher on haven demand			Follow Germany	Norway	Outperform relative to EUR		
EUR/NOK	Higher on haven demand							
EUR/USD	Marginally lower but downside limited by possible Fed repricing	USD		Outperform EUR FI on Fed repricing and haven demand				

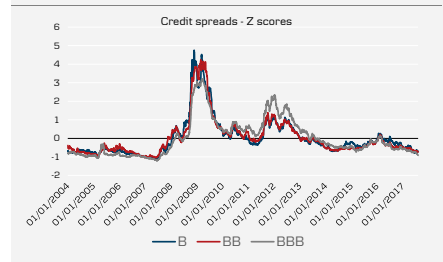
Source: Danske Bank

nation and local investors typically ‘bring money home’ when they face a crisis. Despite a slight pick-up in market volatility, risk premiums are very low across asset classes. For example, VIX volatility and European credit spreads have only edged modestly higher from August 2007 lows (See Chart 2).

Military confrontation between the US and North Korea is a low-probability but high-impact event for markets. That naturally makes it difficult for markets to price it. In recent years, geopolitical tensions have had a brief, albeit sharp, impact on markets as central banks have come to the rescue. **In our base case, in which the North Korean situation does not escalate into a military confrontation, we would expect the current risk aversion to be temporary although it is likely to be bumpy and very much headline-driven. In the risk scenario, where the current tensions escalate sharply, we would expect an acceleration of this week’s price action, i.e. a sharp rise in risk premiums across asset classes, substantial falls in US and German government bonds yields, significant JPY and CHF strength and a massive sell-off in equities, particularly in Europe which is more linked into the global cycle.** (See Table 1 at the bottom of p. 1 for more details).

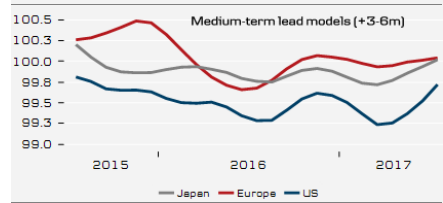
Looking beyond North Korea and assuming that the situation does not escalate, the world economy is looking strong. Our quantitative business cycle model, MacroScope, signals that the global recovery will remain intact in H2 and that the US economy is gaining speed (see Chart 3). This is positive for equities, especially for the US. **The positive cyclical outlook for the US also supports our view that US yields will head higher in coming months.** In terms of EUR/USD, we expect the recent sharp move higher to fade heading into the Jackson Hole conference 24-26 August and the ECB meeting on 7 September. We believe the ECB president Mario Draghi will be cautious in not sounding too confident given the recent sharp rise in the effective EUR which has risen to its highest level since Q4-2014. **We forecast EUR/USD at 1.17 in 1M and 3M before the next leg higher towards 1.22 in 12M.**

Chart 2: European credit spreads are close to August 2007 levels



Source: Macrobond Financial, Danske Bank

Chart 3: Medium-term lead models have picked up sharply for the US



Source: Macrobond Financial, Danske Bank

Global market views

Asset class	Main factors
Equities Our short-term trading opportunity stance (0-1month): Buy on dips Our strategy stance (3-6M): Neutral on equities vs cash	We keep our short-term buy-on dips stance, as we think the fundamental factors (the global cycle and earnings) are stills strong. So far, history shows that geo political shocks are not able to offset the equity markets as long as the cycle is strong. On a longer-term basis, we remain neutral on equities, as we have been since April this year.
Bond market German/Scandi yields – set to stay in recent range for now, higher on 12M horizon EU curve – 2Y 10Y set to steepen when long yields rise again US-euro spread set to widen marginally Peripheral spreads – tightening but still some factors to watch	Inflation 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. If the situation in North Korea escalates further it can add renewed downward pressure on global yields. 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 earlier than we forecast. The Fed’s QT programme (balance sheet reduction) is to happen at a very gradual pace and impact on the Treasury market should be benign. Yet market pricing for Fed hikes is very dovish and yields should edge higher on 12M horizon. Economic recovery, ECB stimuli, better fundamentals, particularly in Portugal and Spain and an improved political picture are expected to lead to further tightening despite the recent strong moves. Italy is the big risk factor.
FX EUR/USD – up momentum wearing off but set for 120 and beyond in 2018 EUR/GBP – downside risks postponed as BOE stays put USD/JPY – gradually higher longer term EUR/SEK – range-bound near term, then gradually lower EUR/NOK – range-bound near term, then gradually lower	EUR/USD has turned for good as ECB has reluctantly allowed ‘reverse gravity’ to kick in but upward momentum set to wear off near term. EUR/USD at 122 in 12M. Relative growth and monetary policy support a higher EUR/GBP near-term. Cross above 0.90 in 3M before a downward move further out on Brexit clarification, valuation. A BoJ set to sidelined in central-bank exit talk should cap JPY upside for an extended period. Fed and ECB eagerness to tighten is set to support EUR/JPY and USD/JPY near term. Gradually lower medium-term on fundamentals and valuation longer term but near-term SEK potential limited by the Riksbank. Headwinds near term due to low oil prices but longer term NOK should rebound on valuation, growth and real-rate differentials normalising.
Commodities Oil price – range-bound, downside risk Metal prices – range-bound, downside risk Gold price – range-bound Agriculturals – stabilisation	Rebound recently on better China data and robust global growth. Still range bound and now in middle of range. Underlying support from consolidation in mining industry, better China data lately. China to slow again after National Congress adding downside risks in the medium term. Tug of war between geopolitical uncertainty and stronger USD. Dry weather created supply concerns but prices have come down again lately.

Source: Danske Bank

Scandi update

Denmark – Surge in inflation in July

The latest inflation figures reveal that prices climbed 1.5% y/y in July. This is a big increase since June, due mainly to rising food prices and a base effect from a steep fall in telephone service prices in July last year dropping out of the data.

Elsewhere, the current account surplus climbed DKK2.1bn m/m to DKK18.9bn in June (seasonally-adjusted), due mainly to lower imports. The latest foreign trade data shows that exports rose 0.2% in June. Thus exports are continuing to struggle to drive domestic growth this year after finishing 2016 strongly. The week's industrial production data revealed a decrease of 3.7%, but this is a volatile measure so we should not read too much into a single month's numbers. That said, the general trend this year has been down.

Sweden – Industrial production continues to rise

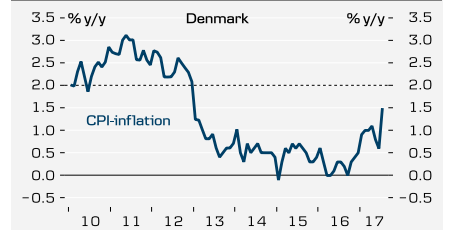
Last week we received another round of pretty strong production data (June) out of Sweden. Industrial production picked up by 0.8% mom after a 2.9% (!) increase in April. Monthly data is notoriously volatile but the trend is clear. After a soft patch in early 2016, production picked up around last summer and has remained strong since (in fact this was confirmed by recent earnings reports). Services output is well behaved too so the recent data basically confirms the upbeat second quarter GDP flash estimate released recently.

Norway – inflation drops, but less than projected by Norges Bank

As expected the yearly core inflation rate fell significantly last month: from 1.6% in June to 1.2% in July. The drop was not least driven by base effects from the strong rise in July food prices last year but also by a record drop in clothes prices which acted as a drag. Meanwhile, air fares did not fall as expected in July which alongside rising food prices resulted in a smaller drop in the yearly core rate than pencilled in by Norges Bank.

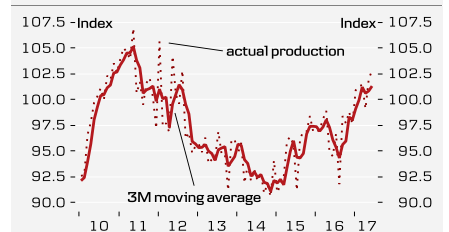
There is still some time until the next Norges Bank meeting on 21 September but over the last few months inflation has been higher than projected by the central bank. On the other hand, the NOK is stronger than expected, inflation is still below target and with the housing market cooling we do not expect any interest rate hikes before 2018.

Inflation up sharply in July



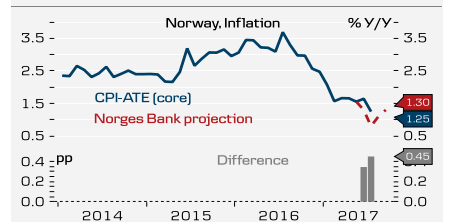
Source: Statistics Denmark

Swedish industrial production (index)



Source: Macrobond Financial, Danske Bank

Inflation is higher than projected by Norges Bank



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank Markets

10/8 Flash Comment Denmark: Inflation hit by perfect storm - set to decline again

Danish inflation took a huge jump in July, from 0.6 to 1.5% y/y.

8/8 Brexit Monitor #29: What to watch in coming months

The third round of Brexit negotiations is set to take place in Brussels between 28 August and 4 September. The finalisation of the first phase of the negotiations may be postponed till the EU summit in December.

7/8 Flash Comment: Brazil: political relief prompts BRL rally

Investors look more positively on the country as political uncertainty vanishes, improving BRL's prospects.

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-pleym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2016	1.7	2.1	0.4	5.6	-0.2	2.5	3.5	0.2	4.2	-0.9	37.8	7.9
	2017	1.9	2.2	0.9	0.2	0.3	3.7	2.4	1.1	4.3	-1.1	36.4	8.3
	2018	1.7	2.1	0.8	4.1	-0.2	2.4	3.0	1.2	4.3	-0.3	35.0	8.1
Sweden	2016	3.2	2.4	2.9	5.3	0.0	3.5	3.8	1.0	6.9	0.9	41.3	5.1
	2017	1.8	1.5	0.3	4.6	-0.4	3.2	2.8	1.8	6.7	0.3	39.5	5.3
	2018	1.9	1.4	1.6	3.1	0.0	3.3	3.3	1.4	6.6	0.0	39.3	5.2
Norway	2016	0.9	1.6	2.3	0.3	0.3	-0.5	0.8	3.6	3.0	-	-	-
	2017	2.0	2.0	2.0	2.6	-0.2	1.4	2.6	2.2	2.7	-	-	-
	2018	2.3	2.3	2.0	2.8	-0.1	1.2	2.0	2.0	2.6	-	-	-

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-pleym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euroland	2016	1.8	2.0	1.8	4.1	-	3.3	4.6	0.2	10.0	-1.5	89.2	3.5
	2017	2.0	1.5	1.1	2.4	-	4.3	3.9	1.5	9.1	-1.4	90.4	3.0
	2018	1.5	1.3	1.1	3.8	-	3.3	4.0	1.1	8.5	-1.4	89.2	2.9
Germany	2016	1.8	1.9	4.0	2.0	-	2.5	3.7	0.4	4.2	0.8	68.3	8.5
	2017	2.0	1.3	1.6	3.2	-	4.3	4.3	1.6	3.8	0.5	65.8	8.0
	2018	1.7	1.4	1.9	4.3	-	3.7	4.9	1.4	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	96.0	-2.3
	2017	1.6	1.1	1.2	2.9	-	3.4	3.7	1.1	9.9	-3.0	96.4	-2.4
	2018	1.2	1.0	1.1	2.9	-	3.5	3.5	1.2	9.7	-3.2	96.7	-2.5
Italy	2016	1.0	1.3	0.6	3.1	-	2.6	3.1	-0.1	11.7	-2.4	132.6	2.6
	2017	1.4	1.2	1.0	2.1	-	4.1	5.8	1.3	11.2	-2.1	133.1	1.9
	2018	1.3	1.0	0.7	3.7	-	3.4	3.6	1.0	10.8	-2.2	132.5	1.7
Spain	2016	3.2	3.2	0.8	3.1	-	4.4	3.3	-0.3	19.6	-4.5	99.4	1.9
	2017	3.0	2.2	0.8	4.2	-	8.1	6.6	2.0	17.3	-3.1	99.2	1.6
	2018	2.0	2.0	1.2	4.1	-	3.7	4.9	1.0	16.0	-2.6	98.5	1.6
Finland	2016	1.4	2.0	0.5	5.2	-	0.5	2.5	0.4	8.8	-1.9	63.6	-1.1
	2017	2.8	2.0	-0.2	6.0	-	7.0	5.0	0.9	8.4	-2.1	64.0	-1.1
	2018	1.5	1.0	0.2	2.5	-	3.0	2.5	1.0	7.9	-1.8	64.2	-0.9

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-pleym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2016	1.6	2.7	0.8	0.7	-0.4	0.4	1.1	1.3	4.9	-3.2	106	-2.6
	2017	2.0	2.2	0.1	5.0	-0.1	2.8	4.0	2.2	4.5	-2.9	106	-2.7
	2018	1.9	1.7	1.0	4.5	0.0	2.4	3.0	1.9	4.3	-2.7	107	-3.3
China	2016	6.7	-	-	-	-	-	-	2.0	4.1	-3.0	46.3	2.4
	2017	6.3	-	-	-	-	-	-	2.0	4.3	-3.3	49.9	2.1
	2018	6.0	-	-	-	-	-	-	2.0	4.3	-3.0	53.3	1.5
UK	2016	1.8	2.8	0.8	0.5	0.2	1.8	2.8	0.7	4.9	-3.0	89.3	-5.0
	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	11-Aug	1.25	1.31	1.58	2.17	117.7	-	632.2
	+3m	1.25	1.38	1.70	2.25	117.0	-	635.9
	+6m	1.50	1.60	1.85	2.35	118.0	-	630.5
	+12m	1.75	1.90	2.25	2.70	122.0	-	609.8
EUR	11-Aug	0.00	-0.33	-0.17	0.83	-	117.7	743.8
	+3m	0.00	-0.35	-0.10	0.85	-	117.0	744.0
	+6m	0.00	-0.35	-0.05	0.90	-	118.0	744.0
	+12m	0.00	-0.35	0.00	1.15	-	122.0	744.0
JPY	11-Aug	-0.10	-0.02	0.04	0.24	128.5	109.2	5.79
	+3m	-0.10	-	-	-	133.4	114.0	5.58
	+6m	-0.10	-	-	-	136.9	116.0	5.44
	+12m	-0.10	-	-	-	141.5	116.0	5.26
GBP	11-Aug	0.25	0.28	0.54	1.15	90.6	129.8	820.6
	+3m	0.25	0.31	0.55	1.25	91.0	128.6	817.6
	+6m	0.25	0.31	0.55	1.35	90.0	131.1	826.7
	+12m	0.25	0.31	0.55	1.75	88.0	138.6	845.5
CHF	11-Aug	-0.75	-0.73	-0.58	0.19	113.2	96.2	657.0
	+3m	-0.75	-	-	-	114.0	97.4	652.6
	+6m	-0.75	-	-	-	116.0	98.3	641.4
	+12m	-0.75	-	-	-	120.0	98.4	620.0
DKK	11-Aug	0.05	-0.25	0.01	1.04	743.8	632.2	-
	+3m	0.05	-0.20	0.10	1.10	744.0	635.9	-
	+6m	0.05	-0.20	0.15	1.15	744.0	630.5	-
	+12m	0.05	-0.20	0.20	1.40	744.0	609.8	-
SEK	11-Aug	-0.50	-0.42	-0.23	1.17	957.7	814.1	77.7
	+3m	-0.50	-0.48	-0.35	1.10	950.0	812.0	78.3
	+6m	-0.50	-0.48	-0.35	1.30	940.0	796.6	79.1
	+12m	-0.50	-0.48	-0.25	1.50	930.0	762.3	80.0
NOK	11-Aug	0.50	0.80	1.07	1.86	936.7	796.2	79.4
	+3m	0.50	0.90	1.20	1.95	930.0	794.9	80.0
	+6m	0.50	0.90	1.25	2.00	910.0	771.2	81.8
	+12m	0.50	0.90	1.35	2.30	900.0	737.7	82.7

Equity Markets		Risk profile 3 mth	Price trend 3 mth	Price trend 12 mth	Regional recommendations
Regional					
USA (USD)	Growth boost: fisc. expansion, tax cuts, infl./growth-impulse	Medium	5-10%	10-15%	Underweight
Emerging markets (local ccy)	Hurt by stronger USD and increased protectionism	Medium	-5-0%	-5-+5%	Overweight
Japan (JPY)	Valuation and currency support	Medium	5-10%	10-15%	Neutral
Euro area (EUR)	Stronger EPS and GDP momentum	Medium	0-5%	0-5%	Overweight
UK (GBP)	Currency support, stronger infl. exp. off-set Brexit negativity	Medium	3-8%	5-10%	Neutral
Nordics (local ccy)	Currency support on earnings, continued domestic demand	Medium	3-8%	5-10%	Overweight

Commodities												
	11-Aug	2017				2018				Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018	
NYMEX WTI	48	52	48	48	52	55	57	58	59	50	57	
ICE Brent	52	55	51	50	54	56	57	58	59	52	58	
Copper	6,423	5,855	5,670	5,700	5,800	5,900	6,000	6,050	6,100	5,756	6,013	
Zinc	2,938	2,789	2,580	2,500	2,400	2,300	2,300	2,300	2,300	2,567	2,300	
Nickel	10,985	10,321	9,230	9,500	10,000	10,500	10,750	11,000	11,000	9,763	10,813	
Aluminium	2,037	1,858	1,910	1,800	1,800	1,800	1,800	1,810	1,820	1,842	1,808	
Gold	1,285	1,219	1,260	1,200	1,210	1,220	1,230	1,240	1,250	1,222	1,235	
Matif Mill Wheat (€/t)	162	170	168	168	170	169	167	168	168	169	168	
Rapeseed (€/t)	369	415	375	390	410	410	400	400	390	397	400	
CBOT Wheat (US\$/bushel)	443	429	435	475	500	510	520	530	540	460	525	
CBOT Soybeans (US\$/bushel)	931	1,021	944	1,000	1,000	1,025	1,025	1,050	1,050	991	1,038	

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 33

During the week				Period	Danske Bank	Consensus	Previous
-	CNY	Money supply M2	y/y	Jul		9.5%	9.4%
Monday, August 14, 2017				Period	Danske Bank	Consensus	Previous
1:50	JPY	GDP deflator, preliminary	y/y	2nd quarter		-0.5%	-0.8%
1:50	JPY	GDP, preliminary	q/q ann.	2nd quarter		0.6% 2.5%	0.3% 1.0%
4:00	CNY	Fixed assets investments	y/y	Jul		8.6%	8.6%
4:00	CNY	Industrial production	y/y	Jul		7.1%	7.6%
4:00	CNY	Retail sales	y/y	Jul		10.8%	11.0%
9:00	DKK	Foreign portfolio investments		Jun			
9:30	SEK	Household consumption	m/m y/y	Jun			0.3% 2.8%
11:00	EUR	Industrial production	m/m y/y	Jun	-0.8% ...	-0.4% 2.9%	1.3% 4.0%
Tuesday, August 15, 2017				Period	Danske Bank	Consensus	Previous
3:30	AUD	RBA August Meeting Minutes					
6:30	JPY	Industrial production, final	m/m y/y	Jun			1.6% 4.9%
8:00	NOK	Trade balance	NOK bn	Jul			-0.8
8:00	DEM	GDP, preliminary	q/q y/y	2nd quarter	0.6% 1.8%	0.7% 1.9%	0.6% 1.7%
9:00	DKK	GDP indicator	q/q	2nd quarter	0.5%		0.3%
9:30	SEK	Underlying inflation CPIF	m/m y/y	Jul	0.4% 2.2%	0.2% 2.0%	0.1% 1.9%
9:30	SEK	CPI	m/m y/y	Jul	0.4% 2.0%	0.2% 1.9%	0.1% 1.7%
10:30	GBP	PPI - input	m/m y/y	Jul		0.4% 6.9%	-0.4% 9.9%
10:30	GBP	CPI	m/m y/y	Jul		0.0% 2.7%	0.0% 2.6%
10:30	GBP	CPI core	y/y	Jul		2.5%	2.4%
14:30	USD	Retail sales control group	m/m	Jul		0.4%	-0.1%
14:30	USD	Import prices	m/m y/y	Jul		-0.1% ...	-0.2% 1.5%
14:30	USD	Empire Manufacturing PMI	Index	Aug		10.0%	9.8%
16:00	USD	NAHB Housing Market Index	Index	Aug		65	64.0
22:00	USD	TICS international capital flow, Net inflow	USD bn	Jun			57.3
Wednesday, August 16, 2017				Period	Danske Bank	Consensus	Previous
8:00	SEK	Prospera inflation expectations					
10:00	ITL	GDP, preliminary	q/q y/y	2nd quarter		0.4% 1.5%	0.4% 1.2%
10:30	GBP	Unemployment rate (3M)	%	Jun		4.5%	4.5%
10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Jun		2.0%	2.0%
11:00	EUR	GDP, 2nd release	q/q y/y	2nd quarter	0.6% 2.1%	0.6% 2.1%	0.6% 2.1%
14:30	USD	Building permits	1000 (m/m)	Jul		1240	1275.0 (9.2%)
14:30	USD	Housing starts	1000 (m/m)	Jul		1225	1215.0 (8.3%)
16:30	USD	DOE U.S. crude oil inventories	K				-6451
20:00	USD	FOMC minutes					

Source: Danske Bank Markets

Calendar (continued)

Thursday, August 17, 2017				Period	Danske Bank	Consensus	Previous
1:50	JPY	Exports	y/y (%)	Jul		0.1	0.1
1:50	JPY	Import	y/y (%)	Jul		0.2	0.2
1:50	JPY	Trade balance, s.a.	JPY bn	Jul		195.3	81.4
3:30	AUD	Employment change	1000	Jul			14
7:30	FRF	ILO unemployment	%	2nd quarter			9.6%
10:30	GBP	Retail sales ex fuels	m/m y/y	Jul			0.9% 3.0%
11:00	EUR	HICP inflation	m/m y/y	Jul	.. 1.3%		0.0% 1.3%
11:00	EUR	HICP - core inflation, final	y/y	Jul	.. 1.2%		1.2%
11:00	EUR	Trade balance	EUR bn	Jun			19.7
13:30	EUR	ECB account of the monetary policy meeting					
14:30	USD	Initial jobless claims	1000				
14:30	USD	Philly Fed index	Index	Aug		18.5%	19.5%
15:15	USD	Capacity utilization	%	Jul		76.7%	76.6%
15:15	USD	Industrial production	m/m	Jul		0.2%	0.4%
15:15	USD	Manufacturing production	m/m	Jul		0.2%	0.2%
19:00	USD	Fed's Kaplan (voter, dovish) speaks					
Friday, August 18, 2017				Period	Danske Bank	Consensus	Previous
-	EUR	Fitch may publish Greece's debt rating					
3:30	CNY	Property prices	y/y				
9:30	SEK	Capacity utilization, industry	%	2nd quarter			90.0%
10:00	EUR	Current account	EUR bn	Jun			30.1
14:30	CAD	CPI	m/m y/y	Jul			.. 1.0%
16:00	USD	University of Michigan Confidence, preliminary	Index	Aug		94.0	93.4
16:15	USD	Fed's Kaplan (voter, dovish) speaks					

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 Markets

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank').

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 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 is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank, 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.

While this message and any attachments are believed to be free of viruses, malware or other defects, the recipient is responsible for ensuring that it is free of such defects, and Danske Markets Inc. and its affiliates disclaim responsibility for loss or damage related to its use. This message is meant only for the addressee(s) and may contain information that is confidential, privileged and/or exempt from disclosure. If you are not the intended addressee, you are notified that disclosure, reproduction, re-transmission, reliance upon or other use of the information or materials included herein is strictly prohibited. If you received this message in error, please immediately contact the sender and destroy all electronic or hard copies and any attachments in their entirety.

Report completed: 11 August 2017, 13:05 GMT

Report first disseminated: 11 August 2017, 13:15 GMT