Market movers

Global

- In the **US**, service and manufacturing PMIs for February are due to be released on Tuesday. Both PMIs are at levels indicating a tailwind for the overall economy and have furthermore been rising steadily since late summer 2016. However, Chinese manufacturing PMI decreased slightly in January and a slowdown in China may potentially spill over to US manufacturing PMIs. On the other hand, the regional PMIs for manufacturing were strong and hence we expect manufacturing PMI to increase in February. Also, ISM non-manufacturing and the preliminary University of Michigan index came out strong, which speaks in favour of a rise in service PMI too. On Friday, we are due to get the final figures from the University of Michigan in February. Although the preliminary figure suggests that the index has fallen a bit in February, the index remains well above the historical average. Optimistic consumers tend to spend more and hence the high consumer confidence is a good sign for economic growth.

  On Wednesday, the FOMC minutes from the February meeting are due out. The statement did not contain much interesting news, but the minutes may enlighten us on the different stances within the FOMC. We do not expect much news from the minutes either as the Fed is waiting for more news on Trumponomics. We also have several speeches by FOMC members, including Harker (voter, hawkish), Mester (non-voter, hawkish), Lockhart (non-voter, neutral), and Kashkari (voter, dovish).

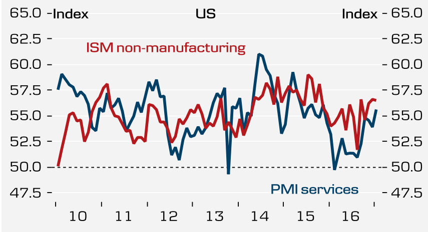
- In the **euro area**, the consumer confidence for February is due to be released on Monday. Consumer confidence proved very resilient to political turmoil stemming from Brexit and the election of Donal Trump last year. We expect slightly weaker consumer confidence in February in line with the turn in other sentiment indicators. That said, as the unemployment rate continues to decline, we expect consumer confidence to remain at a high level, thereby pointing to continued solid growth in private consumption.

  On Tuesday, PMI figures for the euro area are due out. Overall, we expect PMIs to see a downward correction in line with the fall across other survey indicators (IFO and ZEW expectations). In manufacturing, recent months have shown an increase in output, but the order-inventory balance indicator has weakened and points to a downward correction in manufacturing PMI. In service, we also expect a decline in line with the other survey indicators, although the strong business expectations reported in January could help withhold a decline. Still, even with the expected decline in February, PMIs remain at solid levels.

  The last release of interest is the German IFO expectations on Wednesday. IFO expectations fell from 105.5 in December to 103.2 in January and we expect it to decrease further in February to 102.5. Despite the high level in the survey in Q4 16 pointing towards very strong German GDP growth, actual economic activity was 'just' 0.4% q/q in the first release. Overall, optimism about growth prospects for the start of 2017 could be on the decline.

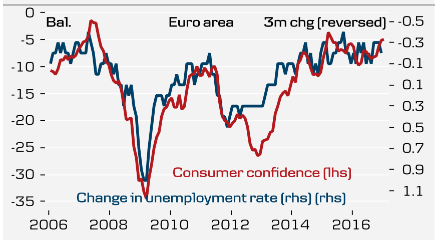
- In the **UK**, focus is on the debate on the Article 50 debate in House of Lords, which begins next week on Monday. The Lords are not expected to delay the bill and the UK remains on track to trigger Article 50 by the end of March, perhaps at the EU summit in Malta on 9-10 March.

Service sector remains supportive of job creation and growth



Source: Markit, ISM

Consumer confidence remains strong



Source: DGECFIN, Danske Bank Markets

PMIs to see a downward correction

Source: IFO, Markit PMI, ZEW, Danske Bank Markets

In terms of economic data releases, we have a quiet week. |The <u>second estimate for GDP growth in Q4 is due out</u>, which is somewhat interesting, as the expenditure components such as private consumption and investments in Q4 are included for the first time in this release. While growth continued at the same pace in H2 16 after the EU vote, we think GDP growth will slow down eventually this year, see also *Research UK: Brexit uncertainty set to prevail in coming years*, 4 January.

- The only release of interest in **China** next week will be <u>property prices</u> for January. After sharp price increases in 2016, recent tightening measures have worked to dampen house price inflation. We look for further signs that house price increases are moderating.

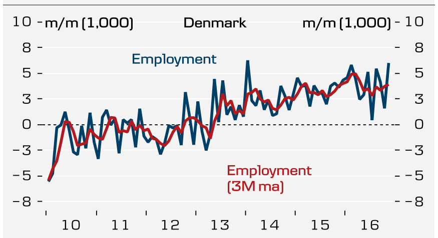
Scandi

- In **Denmark**, Monday brings <u>consumer confidence</u> data for February. The indicator climbed in January after trending downwards in 2016 and we expect it to be largely unchanged this month. Consumer finances are being favoured increasingly by higher employment, low interest rates, rising house prices and, not least, higher real wages. There should therefore be scope for Danish households to continue to loosen the purse strings. On Tuesday, Statistics Denmark is due to release its monthly <u>employment</u> figures for December 2016. Given the generally buoyant mood in the Danish economy and the healthy growth data for Q4, we would expect job creation in December. Finally, January <u>retail sales</u> are due to be published on Friday.

- In **Sweden**, the week ahead contains mainly <u>business and consumer confidence</u> (Friday, at 09.30 CET) data from the National Institute for Economic Research (NIER), which is interesting but, alas, not as good an indicator for the Swedish economy as it once was. In addition, the Swedish National Debt Office (SNDO) is also due to publish a <u>new forecast</u> (Wednesday, at 09:30 CET) and though we expect rather small downward revisions of future net borrowing requirements, we worry that the changes to market functioning in conjunction with the Riksbank's QE purchases imply that T-bill auctions will now shrink considerably near term.

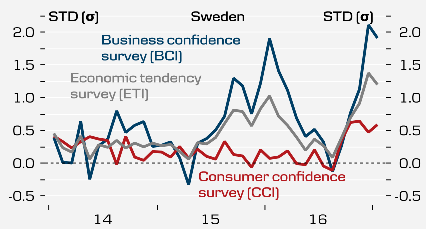
- In **Norway**, the week's most important release is the Q1 <u>oil investment survey</u>. Since oil prices began to fall in 2014, estimates of investment in the oil sector have been revised down continually. However, we now think we are approaching a sea change, and that the estimates for 2017 will be little changed from November. The reason for this is a combination of higher oil prices and lower break-even prices due to cost cutting. For example, Statoil was operating with a break-even price for its investment portfolio of USD41/bbl when oil prices were below USD 30/bbl. Now the company has a break-even price of USD27/bbl, and oil prices are back up to USD55-56/bbl. This will naturally make the oil companies' investment projects more robust and make further downward revisions less likely. Otherwise, the week brings <u>LFS data</u> for December (November-January). LFS unemployment has come down in recent months, but this is due mainly to a reduced supply of labour, as its employment measure has actually fallen. Last week, however, brought more credible employment data from the national accounts, which showed very clearly that there has been job creation. We do not therefore set much store by the LFS figures for either employment or unemployment, but would expect them to show an unchanged jobless rate of 4.7%.

Labour market pushes on



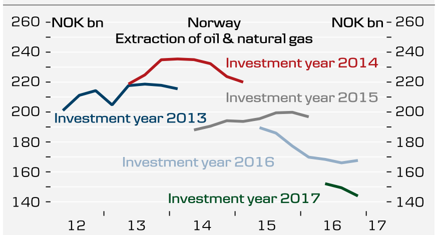
Source: Statistics Denmark

The business sector is doing well



Source: NIER, Macrobond Financial, Danske Bank calculations

Downward revisions coming to an end



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Mon	20-Feb	-	GBP	House of Lords debate Article 50 bill					
Tue	21-Feb	-	GBP	House of Lords debate Article 50 bill					
		10:00	EUR	PMI manufacturing, preliminary	Index	Feb	**54.3**	*55.0*	55.2
		10:00	EUR	PMI services, preliminary	Index	Feb	**53.4**	*53.8*	53.7
		15:45	USD	Markit PMI manufacturing, preliminary	Index	Feb	**56.2**	*54.7*	55.0
		15:45	USD	Markit PMI service, preliminary	Index	Feb	**56.0**	*55.7*	55.6
Wed	22-Feb	2:30	CNY	Property prices	y/y				
		10:00	DEM	IFO - expectations	Index	Feb	**102.5**	*103.2*	103.2
		20:00	USD	FOMC minutes from Feb. Meeting					
Scandi movers									
Wed	22-Feb	8:00	NOK	Unemployment (LFS)	%	Dec	**4.7%**	*4.7%*	4.7%
		10:00	SEK	Swedish Debt Office releases new funding forecast					
Thurs	23-Feb	10:00	NOK	Oil investment survey		1st quarter			
Fri	24-Feb	9:00	SEK	Manufacturing confidence	Index	Feb		*117.0*	119.1

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

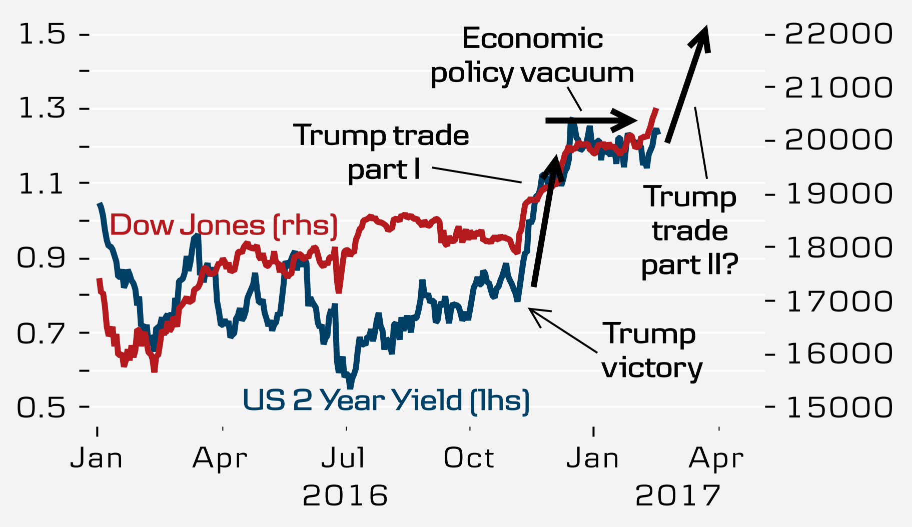
Trump Trade — Part II?

The initial market reaction to Donald Trump's victory in November was startling. As the market expected a major fiscal easing together with financial deregulation in the US, **e**quity markets rose sharply, while the USD and US yields soared (see chart below). This gave birth to new Trumpeconomics, Trumpflation, etc.

Markets left empty handed on concrete details on the new economic reform measures. Instead, the new Trump administration seemed busier, tweeting prolifically, implementing a controversial immigration ban and creating doubts about the US's relationships with important trading partners such as Europe, Mexico and China. With the market growing more impatient with Trump's economic policy agenda, the Trump trade rally fizzled out and equity markets and US yields have traded more or less flat while the USD lost momentum.

However, this may be about to change, as the Trump administration finally seems to be pushing forward with its economic reform agenda. First, he now has a Treasury Secretary following the US Congress's approval of Steve Mnuchin on 13 February after some foot-dragging by the Democrats. Concurrently, Trump has announced that he will provide details about his tax reform on 28 February. We can only guess about the size and nature of the reform but we believe it is likely to entail a combination of corporate and income tax cuts together with some elements of cross-border tax adjustment. In addition, the Trump administration has started dismantling the Dodd-Frank reform; last Friday, Trump signed an executive order asking the heads of the regulatory agencies together with Treasury Secretary Mnuchin to come up with measures in the next 120 days to deregulate the US financial sector to encourage more lending to the private sector.

After a pause, another leg of the 'Trump Trade' may reignite



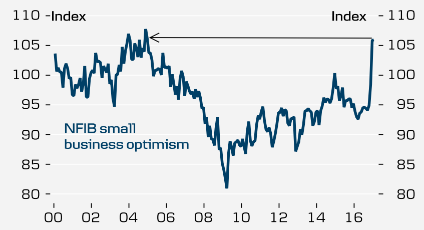
Source: Macrobond Financial

Key points

- After a lot of political noise, the Trump administration is finally starting to gear up the economic policy agenda.
- This may reignite the second leg of the 'Trump trade' following a brief pause.
- We recommend positioning for a stronger USD and a leap higher in US equity markets in coming months.
- US yields may also increase but the crux is the Fed reaction to Trump's fiscal plans.
- A stronger USD and higher US yields, together with a Chinese economic slowdown, are likely to weigh on emerging market currencies over the next few months.

While the size and impact of the tax reform is highly uncertain, it will come at the backdrop of strong US economic momentum. Data released this week points to a US economy continuing to grow at above-trend pace; Strong retail sales for January showed that private consumption started the year on a strong footing, while consumer confidence continues to be high. Both the Empire and Philly index (two regional manufacturing PMIs) surged in February, suggesting that growth in the US manufacturing sector continues to increase after a couple of very difficult years and we may soon begin to see a pickup in investments. Optimism among small businesses have risen significantly after President Trump's victory and is at the highest level since 2004.

Animal spirits? Optimism highest among small US businesses since December 2004



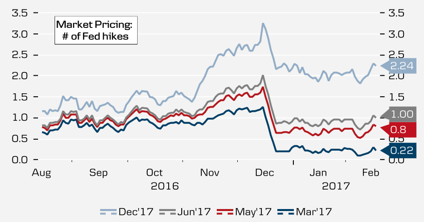
Source: Danske Bank Markets

Fixed income – the pressure is building for higher yields

A key question is what will happen to fixed income markets as the Trump economic reform agenda becomes clearer. So far, the 10Y US Treasury yields have traded in a relatively tight range around 2.40% since the big sell-off in November 2016 despite the continuing risk rally in equities and credit markets.

One reason why yields have not been able to join 'the party' is probably positioning, as many investors are already positioned for higher yields. However, foreign demand might also play a role. Monetary policy keeps yields in both Germany and Japan at a very low level and, with rising global inflation, the higher yields in the US are much more attractive for long-only investors, as they are met with negative real rates in their home markets.

Market pricing of Fed hikes starting to leap higher again



Source: Danske Bank Markets

However, if we get more clarity on Trump's economic plans it might be the trigger for higher yields in both the US and Germany/Scandinavia. In our view, the crux for the market will be the policy response from the Federal Reserve. We already know that a significant number of FOMC members have not taken a new more aggressive fiscal policy into account.

That said, we do not think the clarity will be high enough for the FOMC to hike rates as a direct response at the next FOMC meeting on 15 March. However, the risk is skewed towards more rate hikes than previously expected by the market. Following the latest comment from Fed Chair Janet Yellen that the central bank is nearing its dual goals, we believe three rate hikes in the US is a likely outcome. The market is pricing in a March rate hike with approximately a 40% probability.

Hence, we continue to hold the view that both 10Y US treasury and 10Y German Bund yields will end the year well above the current level. We have a year-end target of 0.90% for Bund yields and 3.0% for US 10Y Treasury yields. For more, see *Yield Forecast Update: Higher yields an H2 17 theme*, 13 February.

Equities – bullish US equities

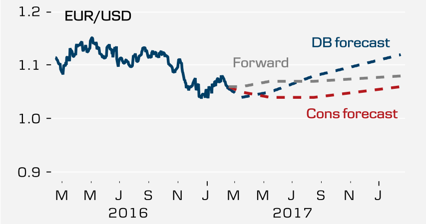
The impact on economic growth from fiscal easing and corporate tax cuts for US companies will, in our view, be a strong positive catalyst for US earning growth. In a scenario where the corporate income tax is lowered to 20% from the current level of 39%, we think the price/earnings ratio would fall from the current 18x to around 15x. This would translate into potential upside of around 10% from current prices. We continue to see cyclicals outperforming defensives given the underlying EPS and GDP growth trends. At the same time, we remain underweight Europe amid political risks and a still-subdued earnings outlook.

FX – US dollar strength near term

We think that the combination of Trump's economic policy agenda (corporate tax reforms, border tax adjustments and a possible home investment act 2) will support the USD near term. We published an FX strategy discussing the impact of each of these measures on the USD in detail (see *Why EUR/USD will fall near term; rally medium term*, 13 February). In our view, relative rates between the US and the eurozone and political uncertainty in Europe in the run-up to, notably, the French election in April/May will send the EUR/USD lower to 1.04 in 1M and 1.05 in 3M. However, we maintain our long-held view that the cross will move higher in H2 as we are EUR/USD bullish on valuation and the record-high EU-US current account differential. In addition, we believe that a substantially larger US budget deficit would be negative over time for the USD, as US real interest rates would fall.

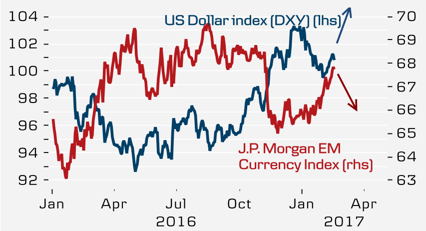
In line with our call in *Emerging Market Briefer: A murky outlook for emerging markets in 2017*, 19 December, emerging market currencies have performed relatively well in the first quarter so far. Not only has the pause in USD strength and stabilising US yields aided emerging market currencies but China's economic growth and commodity prices have also held up quite well. We think that a stronger USD and possibly higher US yields as part of a reigniting Trump trade could exert pressure on emerging market currencies in coming months. At the same time, we think that Chinese economic growth may lose steam, which we think will be negative for notably emerging market commodity-producing currencies. Hence, after a strong run, we look for weakness in the BRL, TRY and ZAR.

US dollar strength set to resume in coming months but weaken against EUR in H2 17



Source: Danske Bank Markets

Emerging market currencies likely to come under pressure from stronger USD



Source: Danske Bank Markets

Global market views

Asset class	Main factors
Equities	
Overweight stocks short and medium term	The reflation trade with cyclicals outperforming defensives is still in play as the underlying EPS and GDP growth trends are still intact.
Underweight developed markets, overweight emerging markets Overweight US, Japan, Nordics and Russia/Eastern Europe; underweight Europe and LatAm; neutral on China	The very communicative new president in the US is not able to offset this. In our view, his policy agenda is still about growth.
Bond market	
Higher yields after period of consolidation, further steepening 2Y10Y curve	The US FI market is now more or less priced according to our view for 2017 and, after the recent spike in US yields, the upside potential for the next three months should be limited.
US-euro spread: slightly wider in 2017	As we move further into 2017, we could see a tightening of the USD-EUR spread in the 10Y segment as the strong USD caps the upside potential for longer US yields and an end to ECB QE is coming closer.
Peripheral spreads: tightening but clear risk factors to watch	Economic recovery and QE should mean further tightening but politics (French Presidential election), banking recapitalisation plans and a potential new move higher in eurozone yields remain clear risk factors. Periphery spreads often widen when core yields move higher.
Credit spreads: neutral	
FX	
EUR/USD – lower over coming months on momentum, relative rates, politics	USD set to remain supported by Trump and the Fed in the near term. EUR/USD to head higher beyond 3M.
EUR/GBP – risk skewed on the upside in run-up to when the UK is likely to trigger Article 50	Longer term, we expect EUR/GBP to settle in the 0.83-0.88 range. Short-term risk skewed on the upside on 'hard' Brexit risks.
USD/JPY – short-term risks skewed on the upside on higher US rates	USD/JPY set to remain supported near term by relative monetary policy and risk appetite.
EUR/SEK – range near term after recent decline, gradually lower medium term	Gradually lower on relative fundamentals and valuation in 2017 but near-term potential limited.
EUR/NOK – gradually lower but technicals are near-term support factors	Cross set to move lower on valuation and growth, real rate differentials normalising.
Commodities	
Oil price – OPEC cuts almost fully implemented, US crude stocks are still growing	Support from positive growth and inflation sentiment; OPEC hesistant about extending deal in H2
Metal prices – awaiting clarity on Trump's plans on infrastructure and defence spending	Underlying support from consolidation in mining industry, recovery in global manufacturing and US fiscal spending.
Gold price – support from political uncertainty	Rising yields and USD keeping a lid on the gold price
Agriculturals – abundant supply keeping a lid on prices	Attention has turned to *La Niña* weather risks over the winter, consolidation seen in some parts of the market.

Source: Danske Bank Markets

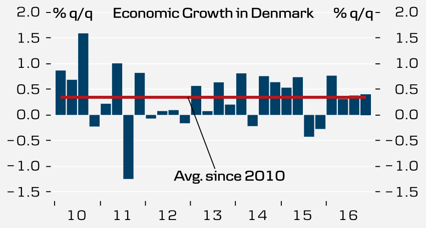
Scandi Update

Denmark – solid GDP growth in Q4

GDP climbed 0.4% in Q4 last year according to Statistics Denmark's GDP indicator. With this being only an indicator, we do not yet know which components of demand were behind the growth. We do know, though, that rising activity in the retail and transport sectors in particular made a positive contribution to growth, and that manufacturing also performed well. Based on recent data, this would suggest that the end of 2016 saw increases in both consumption and exports.

Q4 also brought real wage growth. Wages increased 2.2% y/y, while consumer prices rose just 0.4%, which means that real wages climbed almost 2%. This ties in well with the positive signs we have seen in consumer spending.

Healthy growth in 2016



Source: Statistics Denmark

Sweden – Riksbank makes fundamental changes

The February monetary policy meeting proved much more interesting than we expected. Thankfully, the Riksbank did not even give a nod to the discussion on 'monetary policy fatigue' that has been popular among Swedish financial market participants over the past few months. Thus, the SEK weakened somewhat and rates came down a few basis points in conjunction with the decisions. However, beneath the surface, the Riksbank chiselled out a new view on the long-run outlook for interest rates, which gives plenty of food for thought. In short, the Riksbank lowered the long-run range for the repo rate from 3½% - 4½% (i.e. with a midpoint of 4%) to 2½% - 4% (i.e. with a midpoint of 3¼%). This is a dramatic change and underlines our post-crisis view of the Riksbank preferring to err on the high side (since the risks of becoming stuck below the nominal interest-rate floor are now even greater).

Norway – fiscal rule revised

As we predicted, Norges Bank governor Øystein Olsen's annual address did not contain any monetary policy signals. The focus, as usual, was on long-term challenges. This time around, the governor looked at productivity growth, income distribution, oil spending and climate change, bursting a fair few political bubbles along the way. Immediately beforehand, the government announced two changes in the management and spending of oil revenue. The first was an increase in the allocation to equities in the oil fund from 60% to 70%. Based on the GPFG's current value, this is equivalent to selling bonds and buying shares in global markets for around NOK740bn, or USD90bn. The second was a reduction in the expected real return on the fund from 4% to 3%. In principle, this has implications for the government's annual spending of oil revenue, because the fiscal rule limits this spending to the expected real return on the fund. In reality, though, it does not mean much, because oil spending is only around 3% as it is.

Latest research from Danske Bank Markets

16/2 ECB is not about to introduce new QE buying distribution

In the ECB Minutes from the meeting in mid-January, the ECB concluded that on capital key purchases distribution ‘limited and temporary deviations were possible and inevitable’

16/2 FX Forecast Update: Broken clouds for the Scandies

The latest move lower in EUR/NOK seems slightly overdone according to the coinciding moves in near-term FX drivers. As a result, we find it likely that the cross will take a ‘breather’ and settle in the 8.80-9.00 range.

14/2 China: Rise in inflation set to trigger monetary tightening

Today’s CPI inflation numbers surprised on the upside to 2.5% y/y from 2.1% y/y, driven by a rise in core inflation.

13/2 Yield Forecast Update: Higher yields an H2 17 theme

Monthly yield forecast update

13/2 Research US: Trump to nominate three Fed governors as Tarullo resigns

President Donald Trump now has to nominate three Fed governors, as Daniel Tarullo has announced he will step down on 5 April.

13/2 Research Denmark: Danish households are resilient

Danish households' debt and the asset situation attract attention from time to time, as Danish households have chosen to set up their household economy differently from other countries.

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	1.0	1.8	1.3	3.9	-0.4	0.1	1.3	0.3	4.2	-1.7	38.0	7.4
	2017	1.5	1.6	1.0	3.2	0.2	2.2	3.4	1.3	4.1	-1.3	37.2	7.3
	2018	1.8	2.0	0.5	3.7	0.1	2.7	3.4	1.5	3.9	-0.7	36.2	7.3
Sweden	2016	3.3	2.1	3.5	6.5	0.2	3.1	4.3	1.0	7.0	-0.6	42.0	4.6
	2017	1.7	1.5	2.0	1.9	-0.1	3.5	3.4	1.3	7.2	-0.7	41.8	4.5
	2018	1.9	2.0	1.3	2.1	0.1	4.1	4.4	1.4	7.1	-0.5	40.7	4.5
Norway	2016	0.8	1.5	2.3	-0.3	0.2	-1.5	1.0	3.6	3.0	-	-	-
	2017	1.8	2.0	2.0	1.0	0.0	1.3	1.9	2.2	3.0	-	-	-
	2018	2.2	2.2	2.3	2.5	0.0	1.3	2.3	2.1	3.0	-	-	-

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	1.7	1.8	1.9	2.6	-	2.3	2.8	0.2	10.0	-1.8	91.6	3.7
	2017	1.5	1.1	1.2	2.4	-	3.0	2.9	1.6	9.4	-1.5	90.6	3.5
	2018	1.5	1.0	1.1	3.6	-	3.6	4.0	1.2	8.9	-1.5	89.6	3.3
Germany	2016	1.8	1.7	4.3	2.0	-	2.2	3.1	0.4	4.2	0.6	68.1	9.0
	2017	1.8	1.3	2.2	2.1	-	3.2	3.5	1.8	3.9	0.4	65.7	8.7
	2018	1.9	1.4	1.9	4.1	-	4.0	4.8	1.5	3.8	0.3	63.1	8.5
France	2016	1.1	1.7	1.5	2.8	-	0.8	3.5	0.3	10.1	-3.3	96.4	-2.1
	2017	1.0	0.8	1.2	2.1	-	2.8	3.6	1.2	10.0	-2.9	96.8	-2.3
	2018	1.2	1.0	1.1	3.0	-	3.0	3.5	1.3	9.8	-3.1	97.4	-2.6
Italy	2016	0.9	1.4	0.6	2.0	-	1.3	1.7	-0.1	11.6	-2.4	133.0	2.8
	2017	1.0	0.7	0.6	2.1	-	3.3	3.3	1.2	11.5	-2.4	133.1	2.5
	2018	1.3	0.8	0.7	3.6	-	3.5	3.5	1.2	11.4	-2.5	133.1	2.1
Spain	2016	3.2	3.0	1.3	3.6	-	4.0	3.0	-0.3	19.7	-4.6	99.5	1.7
	2017	2.3	2.1	1.4	2.9	-	2.6	2.1	1.8	18.3	-3.8	99.9	1.5
	2018	2.3	2.0	1.3	4.7	-	3.6	4.6	1.1	17.1	-3.2	100.0	1.5
Finland	2016	1.6	2.2	0.2	3.0	-	0.8	1.5	0.4	8.8	-2.5	65.0	-0.7
	2017	1.3	0.8	0.0	3.5	-	3.0	2.5	1.3	8.3	-2.4	66.5	-0.7
	2018	1.3	1.0	0.2	2.5	-	3.5	3.0	1.5	8.0	-2.2	67.0	-0.7

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	1.6	2.6	0.8	0.4	-0.4	0.7	0.7	1.3	4.9	-2.6	105	-2.7
	2017	2.2	2.2	0.6	2.8	0.1	3.2	2.3	2.4	4.7	-2.9	105	-2.9
	2018	2.8	2.0	2.9	6.1	0.0	3.0	3.0	2.5	4.4	-2.8	103	-3.3
China	2016	6.7	-	-	-	-	-	-	2.0	4.1	-3.0	46.3	2.4
	2017	6.6	-	-	-	-	-	-	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	2.0	2.8	0.8	0.9	0.5	1.0	2.7	0.7	4.9	-3.6	88.7	-5.0
	2017	1.2	1.7	0.2	0.3	0.3	1.7	2.4	2.3	5.0	-2.9	89.2	-4.9
	2018	1.0	1.0	0.4	0.7	0.0	2.8	2.0	2.6	5.3	-2.2	88.7	-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	17-Feb	0.75	1.04	1.56	2.39	106.5	-	698.2
	+3m	0.75	1.19	1.50	2.40	105.0	-	708.1
	+6m	1.00	1.28	1.75	2.50	108.0	-	688.9
	+12m	1.25	1.54	2.15	2.90	112.0	-	664.3
EUR	17-Feb	0.00	-0.33	-0.14	0.76	-	106.5	743.4
	+3m	0.00	-0.35	-0.10	0.80	-	105.0	743.5
	+6m	0.00	-0.35	-0.10	1.00	-	108.0	744.0
	+12m	0.00	-0.35	0.00	1.30	-	112.0	744.0
JPY	17-Feb	-0.10	-0.01	0.05	0.29	120.5	113.2	6.17
	+3m	-0.10	-	-	-	123.9	118.0	6.00
	+6m	-0.10	-	-	-	127.4	118.0	5.84
	+12m	-0.10	-	-	-	132.2	118.0	5.63
GBP	17-Feb	0.25	0.36	0.63	1.31	85.3	124.9	872.0
	+3m	0.25	0.35	0.60	1.30	87.0	120.7	854.6
	+6m	0.25	0.35	0.60	1.55	86.0	125.6	865.1
	+12m	0.25	0.36	0.60	1.85	86.0	130.2	865.1
CHF	17-Feb	-0.75	-0.72	-0.66	0.15	106.4	100.0	698.6
	+3m	-0.75	-	-	-	107.0	101.9	694.9
	+6m	-0.75	-	-	-	110.0	101.9	676.4
	+12m	-0.75	-	-	-	113.0	100.9	658.4
DKK	17-Feb	0.05	-0.23	0.03	1.02	743.4	698.2	-
	+3m	0.05	-0.20	0.10	1.05	743.5	708.1	-
	+6m	0.05	-0.20	0.10	1.25	744.0	688.9	-
	+12m	0.05	-0.20	0.20	1.55	744.0	664.3	-
SEK	17-Feb	-0.50	-0.50	-0.30	1.16	946.3	888.9	78.6
	+3m	-0.50	-0.50	-0.40	1.25	940.0	895.2	79.1
	+6m	-0.50	-0.50	-0.40	1.30	930.0	861.1	80.0
	+12m	-0.50	-0.50	-0.20	1.60	920.0	821.4	80.9
NOK	17-Feb	0.50	1.02	1.27	2.00	884.5	830.7	84.0
	+3m	0.50	1.00	1.30	2.05	880.0	838.1	84.5
	+6m	0.50	1.00	1.35	2.25	870.0	805.6	85.5
	+12m	0.50	1.00	1.60	2.55	870.0	776.8	85.5

Equity Markets

Regional		Risk profile 3 mth	Price trend 3 mth	Price trend 12 mth	Regional recommen-dations
USA (USD)	Growth boost: fisc. expansion, tax cuts, infl./growth-impulse	Medium	5-10%	10-15%	Overweight
Emerging markets (local ccy)	Hurt by stronger USD and increased protectionism	Medium	-5-0%	-5-+5%	Underweight
Japan (JPY)	Valuation and currency support	Medium	5-10%	10-15%	Overweight
Euro area (EUR)	Weaker growth and EPS momentum than USA	Medium	0-5%	0-5%	Underweight
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 domestis demand	Medium	3-8%	5-10%	Neutral

Commodities

		2017				2018				Average	
	17-Feb	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	53	51	53	57	59	60	60	61	61	55	61
ICE Brent	56	53	55	57	59	60	60	61	61	56	61
Copper	6,000	5,850	5,900	5,950	6,000	6,025	6,050	6,075	6,100	5,925	6,063
Zinc	2,858	2,700	2,400	2,200	2,200	2,225	2,250	2,275	2,300	2,375	2,263
Nickel	11,070	10,500	11,000	11,400	11,500	11,600	11,700	11,800	11,900	11,100	11,750
Aluminium	1,897	1,770	1,760	1,770	1,780	1,790	1,800	1,810	1,820	1,770	1,805
Gold	1,238	1,150	1,100	1,140	1,160	1,170	1,180	1,190	1,200	1,138	1,185
Matif Mill Wheat (€/t)	173	170	164	168	170	170	169	168	168	168	169
Rapeseed (€/t)	426	430	440	440	430	425	425	425	425	435	425
CBOT Wheat (USd/bushel)	444	435	465	500	510	520	530	540	550	478	535
CBOT Soybeans (USd/bushel)	1,036	1,050	1,100	1,100	1,100	1,125	1,125	1,150	1,150	1,088	1,138

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 8

During the week				Period	Danske Bank	*Consensus*	Previous
Monday, February 20, 2017				Period	Danske Bank	*Consensus*	Previous
-	GBP	House of Lords debate Article 50 bill					
0:50	JPY	Exports	y/y (%)	Jan		*0.1*	0.1
0:50	JPY	Import	y/y (%)	Jan		*0.0*	0.0
0:50	JPY	Trade balance, s.a.	JPY bn	Jan		*275.5*	356.7
2:15	USD	Fed's Mester (non-voter, hawkish) speaks					
9:00	DKK	Consumer confidence	Net. bal.	Feb			4.5
16:00	EUR	Consumer confidence, preliminary	Net bal.	Feb	**-5.5**	*-4.8*	-4.9
Tuesday, February 21, 2017				Period	Danske Bank	*Consensus*	Previous
-	GBP	House of Lords debate Article 50 bill					
1:30	AUD	RBA February Meeting Minutes					
1:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Feb			52.7
8:45	FRF	HICP, final	m/m|y/y	Jan	**...|1.6%**		-0.2%|1.6%
9:00	FRF	PMI manufacturing, preliminary	Index	Feb	**53.1**	*53.7*	53.6
9:00	FRF	PMI services, preliminary	Index	Feb	**53.6**	*54.2*	54.1
9:00	DKK	Employment (monthly)	1.000|m/m	Dec			2671|6000
9:30	DEM	PMI manufacturing, preliminary	Index	Feb	**55.5**	*56.2*	56.4
9:30	DEM	PMI services, preliminary	Index	Feb	**53.0**	*53.7*	53.4
10:00	EUR	PMI manufacturing, preliminary	Index	Feb	**54.3**	*55.0*	55.2
10:00	EUR	PMI composite, preliminary	Index	Feb	**54.0**	*54.4*	54.4
10:00	EUR	PMI services, preliminary	Index	Feb	**53.4**	*53.8*	53.7
14:50	USD	Fed's Kashkari (voter, dovish) speaks					
15:45	USD	Markit PMI manufacturing, preliminary	Index	Feb	**56.2**	*54.7*	55.0
15:45	USD	Markit PMI service, preliminary	Index	Feb	**56.0**	*55.7*	55.6
18:00	USD	Fed's Harker (voter, hawkish) speaks					
21:30	USD	Fed's Williams (non-voter, neutral) speaks					
Wednesday, February 22, 2017				Period	Danske Bank	*Consensus*	Previous
2:30	CNY	Property prices	y/y				
8:00	NOK	Unemployment (LFS)	%	Dec	**4.7%**	*4.7%*	4.7%
10:00	DEM	IFO - business climate	Index	Feb	**109.2**	*109.7*	109.8
10:00	DEM	IFO - current assessment	Index	Feb	**115.8**	*116.7*	116.9
10:00	DEM	IFO - expectations	Index	Feb	**102.5**	*103.2*	103.2
10:00	ITL	HICP, final	m/m|y/y	Jan	**...|0.7%**	*...|0.7%*	...|0.7%
10:00	SEK	Swedish Debt Office releases new funding forecast					
10:30	GBP	GDP, second estimate	q/q|y/y	4th quarter	**0.6%|2.2%**	*0.6%|2.2%*	0.6%|2.2%
10:30	GBP	Index of services	m/m|3m/3m	Dec		*0.2%|0.9%*	0.3%|1.0%
11:00	EUR	HICP inflation	m/m|y/y	Jan	**...|1.8%**	*-0.8%|1.8%*	0.5%|1.8%
11:00	EUR	HICP - core inflation, final	y/y	Jan	**0.9%**	*0.9%*	0.9%
14:30	CAD	Retail sales	m/m	Dec		*0.2%*	0.2%
16:00	USD	Existing home sales	m (m/m)	Jan		*5.55*	5.49|-2.8%
19:00	USD	Fed's Powell (voter, neutral) speaks					
20:00	USD	FOMC minutes from Feb. Meeting					

Source: Danske Bank Markets

Calendar — continued

Thursday, February 23, 2017				Period	Danske Bank	*Consensus*	Previous
6:00	JPY	Leading economic index, final	Index	Dec			105.2
8:00	DEM	GfK consumer confidence	Net. Bal.	Mar		*10.2*	10.2
8:00	DEM	GDP, final	q/q|y/y	4th quarter	**0.4%|...**		0.4%|1.7%
8:00	DEM	Private consumption	q/q	4th quarter		*0.2%*	0.4%
8:00	DEM	Government consumption	q/q	4th quarter		*0.8%*	1.0%
8:00	DEM	Gross fixed investments	q/q	4th quarter		*1.2%*	0.0%
8:45	FRF	Business confidence	Index	Feb			104.0
10:00	NOK	Oil investment survey		1st quarter			
14:30	USD	Initial jobless claims	1000				239
14:35	USD	Fed's Lockhart (non-voter, neutral) speaks					
15:00	USD	FHFA house price index	m/m	Dec			0.5%
17:00	USD	DOE U.S. crude oil inventories	K				9527
Friday, February 24, 2017				**Period**	**Danske Bank**	***Consensus***	**Previous**
-	EUR	Moody's may publish Germany's debt rating					
-	EUR	Fitch may publish Greece's debt rating					
-	EUR	Moody's may publish Greece's debt rating					
-	EUR	Moody's may publish Austria's debt rating					
8:45	FRF	Consumer confidence	Index	Feb		*100.0*	100.0
9:00	SEK	Consumer confidence	Index	Feb		*104.1*	104.6
9:00	SEK	Economic Tendency Survey	Index	Feb			112.0
9:00	SEK	Manufacturing confidence	Index	Feb		*117.0*	119.1
9:00	DKK	Retail sales	m/m|y/y	Jan			-1.1%|0.0%
14:30	CAD	CPI	m/m|y/y	Jan		*...|1.6%*	...|1.5%
16:00	USD	New home sales	1000 (m/m)	Jan		*575*	536.0 (-10.4%)
16:00	USD	University of Michigan Confidence	Index	Feb	**95.7**	*96.0*	95.7

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Source: Danske Bank Markets

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