# Market Movers

## Global

- After a quiet week, the **US** has some interesting data coming up. Retail sales has been strong recently but we expect to see some moderation in the data for September as weekly chain store sales have softened a bit and car sales fell back in September as well. We look for total retail sales to decline 0.2% m/m while core retail sales (control group) is expected to rise 0.2% m/m (consensus 0.3% m/m).

  A number of business surveys are also up for release. The NFIB Small Business Optimism index is expected to be broadly flat from the decent level of 96.1 in August. However, we look for declines in both Empire index and Philadelphia Fed business confidence but it will mostly be a matter of moderation from a high level.

  We also get more input on US housing as the NAHB housing index, housing starts/ permits and existing home sales are released. Housing has shown a mixed picture recently with the NAHB survey stronger while home sales and housing starts have been more moderate. Finally University of Michigan publishes the first estimate for consumer confidence in October. We look for a broadly flat number as lower gasoline prices point to higher confidence while the focus on Ebola and ISIS may give a dent to confidence.

- The second Q3 print (August) on **euro area** industrial production is up for release where we expect a decline of 0.7% m/m. Though German industrial production came out very weak with -4.0% m/m in August, this seems to be largely explained by changing summer holidays. Thus, we see some of the large decline as being caused by technical factors and not only reflecting a slowdown in the German economy. Driven by a strong US and the weakening of the euro we expect some stabilisation in the euro area figures towards the end of 2014. Concerning industrial production we expect a rebound in September, which should make Q3 somewhat better than suggested by the figure for August.

  The German ZEW expectations continued its decline in September. However, the speed at which it declined slowed significantly. This ‘trend’ can also be seen in the Sentix expectations in October and thus indicates a further drop in German ZEW expectations but at a slower pace. In October we forecast 2.8 from 6.9. Further, we forecast ZEW current situation to decline to 15.6 from 25.4.

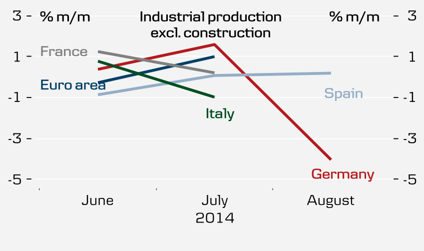
  On the schedule is also the Eurogroup meeting. Further, EU finance ministers meet to discuss the 2015 budget draft. France is set to run a budget deficit of 4.3%, exceeding the 3% deficit previously pledged. Moreover, the reduction of the structural deficit will amount to just 0.2%, falling short of cuts worth 0.8% previously agreed with Brussels. It is against this background that France’s budget will be discussed.

  There are quite a few speeches by ECB executive board members in the coming week. Draghi will speak on three different occasions in Washington and Frankfurt where Constancio will also be speaking and Praet will be speaking in Munich. There is still significant pressure on the ECB for QE and any comments about the current measures or the expected boost to the ECB balance sheet will get attention.

**We look for slight moderation in core retail sales**

*Source: Macrobond*

**Germany puts downside risk to August euro area IP but due to non-standard holidays**



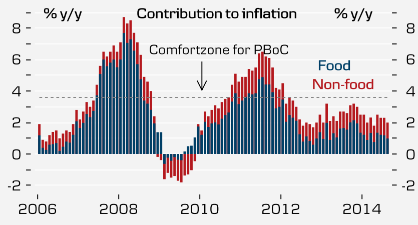

*Source: Macrobond*

- In **China** we expect the increase in consumer prices to have eased further to 1.8% y/y in September from 2.0% y/y driven by a decline in retail gasoline prices and a slight decline in core inflation. On the other hand, food prices are not expected to have added to the downward pressure on inflation in September. The government's 3.5% 'target' for inflation in 2014 should be regarded as the acceptable upper limit for inflation. However, the government has not indicated an acceptable lower limit. The possible drop in inflation below 2% y/y in September not only underscores that there is room to ease monetary policy if needed, but also that the low level of inflation by itself now increasingly is an argument for some easing of monetary policy. That said, the recent decline in inflation has to a large degree been driven by lower import prices and hence is not of the destructive kind in the sense that it boosts real incomes and demand in China.

  The terms of trade gains that China is currently benefiting from in the wake of the recent sharp drop in commodity and energy prices should also be evident in China's foreign trade data for September. We expect China's export growth to accelerate to 13.6% y/y in September from 9.4% y/y in August, underscoring that China's exports are currently quite strong and offsetting some of the current weakness in domestic investment demand. On the other hand, we expect import growth to remain subdued at -2.5% y/y in September driven by subdued domestic demand and not least a sharp decline in import prices. The trade balance surplus is expected to decline slightly to USD44.5bn from USD49.8bn in August. Nonetheless, the overall picture remains that China's trade balance surplus has surged in recent months. Finally, China is also expected to release money supply and credit data for September next week. We expect to see a slight rebound in new bank loans and the broader total social finance credit measure. This is not unusual for the last month of a quarter. The overall picture remains that credit growth is slowing.

- In **Japan** there are no important releases next week.

**In China inflation is poised to drop below 2% y/y in September**




*Source: Macrobond, Danske Bank Markets*

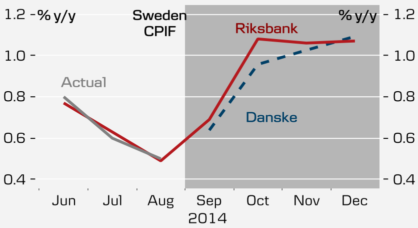
## Scandi

- There are no market movers in Denmark next week

- In **Sweden**, the week ahead contains a set of data that over the coming months will become more and more interesting, i.e. inflation. Our, and all other forecasters', view is that inflation will move up during the autumn and winter due mainly to statistical base effects. However, we (not to mention the Riksbank) have held that view on a number of occasions during the past years only to in the end be proven wrong. Will this time be any different? Anyway, in September we expect (CPI) inflation to have come close to 0.4% m/m (-0.1% y/y) and the Riksbank's operational target CPIF-inflation (CPI with fixed mortgage rates) to have reached 0.5% m/m (0.6% y/y). On both measures, we are 0.1pp below the Riksbank's forecast.

- There are no market movers in Norway next week.

**Inflation to move higher in coming months**




*Source: SCB, Riksbank. Danske Bank calculations*

## Market movers ahead

| Global movers | | | | Event | | Period | Danske | Consensus | Previous |
|---|---|---|---|---|---|---|---|---|---|
| During the week | | Fri 10 - 12 | USD | World Bank and IMF annual meeting | | | | | |
| Mon | 13-Oct | 14:00 | EUR | ECB's Praet Speaks in Munich | | | | | |
| Tue | 14-Oct | 11:00 | DEM | ZEW exspectations | Index | Oct | **5.0** | *0.0* | 6.9 |
| Wed | 15-Oct | 10:30 | GBP | ILO Unemployment rate | % | Aug | | *6.10%* | 6.20% |
| | | 20:00 | EUR | ECB's Draghi speaks in Frankfurt | | | | | |
| Thurs | 16-Oct | 11:00 | EUR | CPI, final | m/m\|y/y | Sep | **...\|0.3%** | *... \|0.30%* | ... \|0.30% |
| | | 15:15 | USD | Industrial production | m/m | Sep | | *0.40%* | -0.10% |
| | | 16:00 | USD | NAHB Housing Market Index | Index | Oct | | *59.0* | 59.0 |
| Fri | 17-Oct | 15:55 | USD | University of Michigan Confidence, preliminary | Index | Oct | **84.6** | *84.2* | 84.6 |
| **Scandi movers** | | | | **Event** | | **Period** | **Danske** | **Consensus** | **Previous** |
| Tue | 14-Oct | 9:30 | SEK | Underlying inflation CPIF | m/m\|y/y | Sep | **0.6%\|0.6%** | *0.50%\|0.60%* | 0.00%\|0.50% |
| Thurs | 16-Oct | 9:30 | SEK | Unemployment s.a. | % | Sep | | | 8.00% |

*Source: Bloomberg and Danske Bank Markets*

# Global Macro and Market Themes

## Global growth losing momentum amid new risks

Stock markets and bond yields fell further during the week, as growth worries are on the rise and focus turned to the risk from Ebola spreading more in the developed world. European stocks took the biggest hit as recession fears resurfaced after German orders and industrial production for August weakened significantly. Euro Stoxx 50 is now trading back at the lows in early August when the fear over the Ukraine crisis was at its highest.

OECD leading indicators also confirmed the picture of softer growth in developed markets as the release for August showed the fifth consecutive decline for the G3 countries, normally a sign to keep low equity exposure as the bigger corrections tend to happen during phases when leading indicators decline. **While we are positive on stocks in the medium to long term, the recent macro developments as well as risk factors suggest to stay cautious in the short term.**

**In terms of the global growth picture things could very well turn worse before it gets better**. The only pillar of strength currently is the US but it will be increasingly difficult for the US to maintain the strong momentum going into H2. As we highlighted last week, the surprise index has been high but is coming down and it is likely to go lower before we see any stabilisation in the euro area or Japan. Next week's US retail sales will be important to gauge how much growth momentum may ease in the US. Car sales were quite soft in August. While we expect some softening in US data over the coming months, we still believe growth will stay quite robust supported by a strong job market and decent real wage growth, among other things. Initial jobless claims this week supported this picture as the 4-week moving average fell to the lowest level since 2006.

**In the euro area there are still no signs of bottoming and this could very well last the rest of the year**. Looking into next year we expect growth to be underpinned by a weaker euro, strong real wage growth (due to low inflation) and further easing of lending standards following the Asset Quality Review this year.

## Lower oil prices is a good thing, isn't it? Depends on who you ask

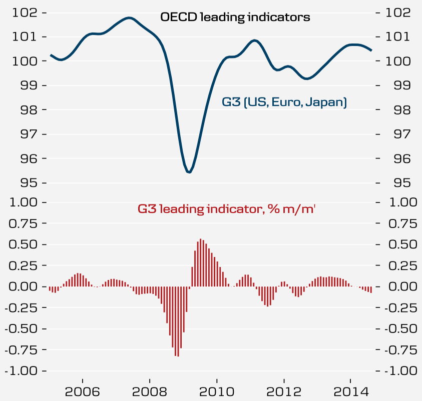
The decline in global risk appetite has also added to the decline in oil prices. Brent oil dropped below USD89per barrel extending the cumulative drop to USD26 from the recent peak in mid-June at USD115. Normally a lower oil price would be welcomed. It reduces energy costs and boosts consumer purchasing power, which is good for growth. In fact, the decline in oil prices does give support to consumers in both the US and the euro area and is as such a supportive factor for the recovery.

However, if you are a central bank fighting deflation fears and a de-anchoring of inflation expectations, lower oil prices may cause headaches. The drop in oil has contributed to a further dive in 5y 5y inflation expectations in the euro area to a new low at 1.82% (see chart).

### Key points

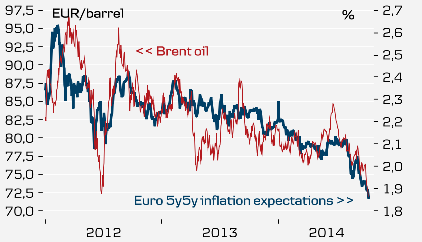
- Risk appetite under pressure as global growth falls and risks rise
- Lower oil prices push inflation lower but support growth
- Downward pressure on bond yields while the USD consolidates

### Developed markets losing momentum




*Source: Macrobond Financial*

### Lower oil prices should be good – but may add to the ECB's many headaches




*Source: Macrobond Financial*

It may seem a bit odd that lower oil prices today should affect inflation expectations five years from now but the inflation market tends to correlate with commodity prices, partly due to technical reasons related to the short-term carry earned on inflation-adjusted bonds. Something that the ECB may highlight. The decline in oil prices also puts further downside pressure on actual inflation in the short term and thus increases the risk of 'second-round effects', where wage increases follow inflation lower and thus reducs the inflation pressure further. The decline in oil prices therefore increases the likelihood of real QE in sovereign bonds from the ECB sometime in 2015.

## The Fed taking notice of stronger USD and weaker global growth

The struggling stock market got some unexpected help in the minutes from the latest Fed meeting. However, it only lasted one day and stocks went down again. Not a good sign for the short term.

The Fed tends to be quite responsive to market turmoil and rising risk factors, though, and if there is a further sell-off while data soften a bit, it may very well turn to a more dovish tone. The decline in oil prices and low wage growth is giving the Fed flexibility to do that, even though the US economy is generally on a stronger footing and lower oil prices are going to support consumers. The Fed has historically focused on a risk management approach in which it rather keeps policy too easy to insure against a negative scenario, because if necessary it can always hike rates faster later. This point of view was also expressed in the FOMC minutes this week.

It means that our call for an April hike is on thin ice for now and the consensus of a June hike is getting more probability. The forecast of a hike in April was based on the view that unemployment is falling much faster than the Fed expects and that it will hit the long run estimate of 5.4% already in Q2 next year (it is currently 5.9%). If we are right in our call that the global economy turns better in the early part of 2015, an April hike could easily come back on the agenda but for now sentiment may continue to change in favour of a later hike. This will give support to risk assets at some point but it may be too early.

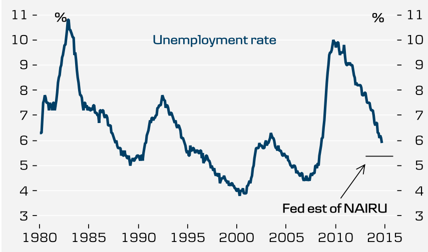
Given the current turmoil it is likely that the Fed will keep the 'considerable time' language in its statement at the 29 October meeting and even though the unemployment rate is quite low now, it may choose to keep the 'significant underutilisation' description of labour resources in order not to rock the boat.

## Generally takes time before policymakers act

When market rumbles set in the market turns to policymakers for relief but it may take a while before we see a real step up on the policy side. The ECB is likely to drag its feet into QE of sovereign bonds. The message from the ECB at the latest meeting was clear: we have done a lot and we are still waiting to see the results of the measures. Mario Draghi was clearly annoyed that there was already a call to do more. This will likely continue in the short term – not least because QE is very unpopular in Germany. Nevertheless, eventually the ECB will have to defend its mandate and to get inflation higher it will need to do more.

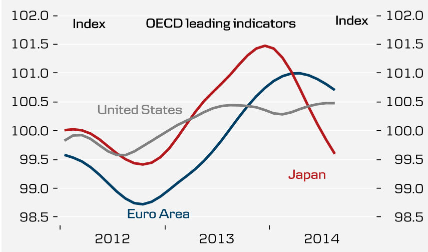
In China premier Li Keqiang this week repeated that the government prefers reform to stimulus, which does not hint at immediate measures coming up. The approach actually seems wise. Reform is the main key to continuing to climb the development ladder of which China has only gone a third of the way. However, the Chinese government will eventually react if the growth target is under threat. Li Keqiang thus also said that China should ensure that it meets the 2014 economic goals and that it has sufficient policy tools

**Are US labour resources still 'significantly underutilised'?**



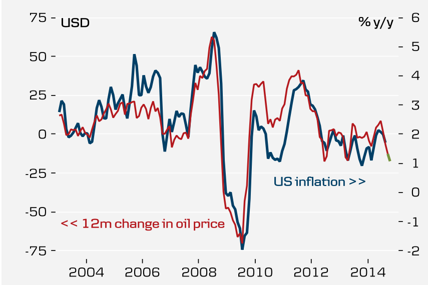

*Source: Macrobond Financial*

**US leading indicator may very well follow euro area and Japan lower soon**



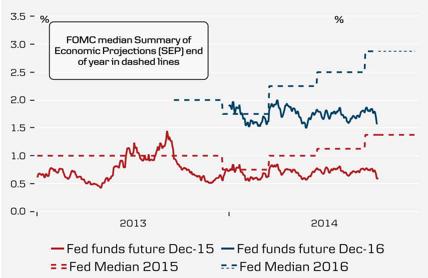

*Source: Macrobond Financial*

**Lower oil price to push US inflation back down towards 1%**




*Source: Macrobond Financial*

**Market pricing of Fed policy moving further away from Fed projections**




*Source: Macrobond Financial*

for the economy. Judging from the past years, China tends to react when the PMI hits the 48-49 level. It will take a few more months but we are likely to see another mini-stimulus package. Emerging market stocks tend to be correlated with Chinese PMI but to bottom when the economy turns weak enough that stimulus is expected. It suggests some more downside risk, though, before stabilisation sets in.

Bank of Japan has also been very reluctant to signal more easing. However, as the global economy softens and Japanese data continue to be weak, the pressure will rise for Bank of Japan to do more. It takes time, however.

## Yields lower on weaker growth and lower inflation expectation

Bond yields turned lower again in the past weeks following a short rebound in early September. Euro recession fears, lower US surprise index and declining inflation expectations have been behind these moves. The market reacts to impulses, not valuation. Hence, even though 2-year yields in the US reflect a much lower path of rate hikes than the Fed projects, it has not stopped yields from going even lower. Momentum beats valuation, at least in the short term.

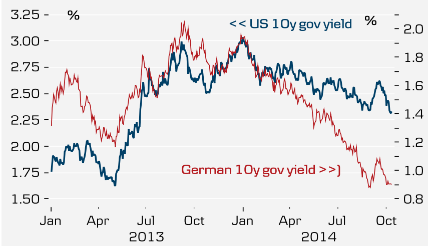
We believe the impulses will continue to be negative for yields in the short term, as US growth softens and there is a risk of a further decline in risk appetite. Expectations for QE in the euro area will continue to build and a somewhat softer rhetoric from the Fed is also likely.

The USD may see some consolidation in the short term, as US surprises diminish and the market postpones the expectations for Fed hikes further. However, in the medium term the story remains the same: we are going to see a divergence in monetary policy, as the US starts raising rates while the ECB and possibly Bank of Japan ease further. This implies that the rising USD trend will resume at some point.

**PMI not yet weak enough for stimulus – but it may be in a few months**


*Source: Macrobond Financial*

**Downward pressure on yields continues in the short term**




*Source: Macrobond Financial*

**Global market views**

| Asset class | Main factors |
|---|---|
| **Equities** | |
| Moderately positive on 3m view, positive on 12m view | Continued global recovery in the medium term combined with stimulus from especially BoJ and ECB will support equities. On company level data starts to look promising as well; Earnings growth in Q2 showed strong momentum across the board, capex in the US is picking up and earnings revisions are positive for 2014 and 2015 for most regions. |
| **Bond market** | |
| Downward pressure on yields short term, longer term moderate rise | Lower long-term growth and inflation expectations and hedging flows weigh on long bond yields in short term |
| US-Euro spread: Wider 2-5y, stable longer maturities | Policy divergence drive short end spread wider, longer end spread stable as close to historical highs |
| Peripheral spreads to continue gradual tightening | Added liquidity, search for yield, improving fundamentals. Volatility to pick up some-what |
| Credit spread to tighten gradually still, but risk of higher vol | Added liquidity, search for yield, good fundamentals. Geopolitical and idiosyncratic risk creates jitters |
| **FX** | |
| EUR/USD - consolidation short term, medium term lower again | EUR/USD to fall further on diverging monetary policy, growth and portfolio flows |
| USD/JPY - higher | USD/JPY to break higher on pension reforms, portfolio outflows and diverging monetary policy |
| EUR/SEK - lower | EUR/SEK to decline on growth and valuation |
| EUR/NOK - more downside especially in the short term | EUR/NOK to decline on growth and carry in a world of low global growth and zero interest rates |
| **Commodities** | |
| Oil prices - stable prices rest of the year | Substantial supply shock to weigh in 2014. Limited risk of supply disruptions |
| Metal prices sideways before trending up in 2015 | Support from global recovery, supply side risks. |
| Gold prices to correct lower still | Trending down as first Fed hike draws closer. Geopolitical concerns a supportive factor. |
| Agricultural risks remain on the upside | Near term stabilization, extreme weather is key upside risk. |

*Source: Danske Bank Markets*

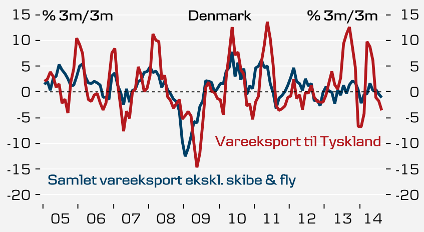
# Scandi Update

## Denmark – European stagnation weighing on Danish economy

A variety of data during the week showed that the stagnation in Europe is weighing on the Danish economy. Exports in current prices fell 1.7% from July to August, or -1.1% when measured as a three-month rolling average. It is primarily exports to Germany that have struggled, the three-month rolling average dipping 3.3% in August. Industrial production also had a bad month, with the three-month rolling average down 0.8%. These figures indicate that GDP growth could be weak and perhaps even negative in Q3, given that private consumption also looks to have performed poorly. The current account showed a surplus of DKK14.7bn in August, or DKK127.3bn over the past year. This is still a high level, but the surplus is coming down relative to last year.

Inflation was unchanged at 0.5% y/y in September, with clothing prices pushing upwards but soft drinks and district heating prices pulling the other way. There was nothing in the data to suggest that inflation is about to pick up. We could very well see even lower levels in the coming months and a rate above 1% is still a good six months off. Although consumers will benefit from this low inflation via stronger growth in real wages, it is still first and foremost a sign of crisis.

**Exports down in August**




*Source: Statistics Denmark, Danske Bank*

## Sweden – Politics take centre-stage

In Sweden, the most interesting events in the past week were, arguably, related to politics. Some information regarding the budget negotiations between the Social Democrats and the Green Party has leaked out and, from the look of it, Sweden will reclaim the top spot (or something close to it) as the country with the highest margin tax rate. Yes. Elsewhere, the Swedish Bankers' Association made the day when it announced new recommendations with a target 50% loan-to-value for *new* mortgages. Details remain to be discussed with interested parties (MoF, FSA, Riksbank, commercial banks *et al*). So, from a strictly economic perspective, the past week does little to make us more optimistic on the cyclical outlook for the Swedish economy.

## Norway – Slightly expansionary budget

The Solberg government unveiled its first 'independent' budget during the week. Given some of the signals from parts of the ruling coalition, it was reassuring to find that the proposals generally seem prudent and responsible. The rise in the value of the oil fund means that the government is in a position to step up spending significantly next year, which will push the structural non-oil deficit up to NOK164bn. According to the Ministry of Finance's calculations, this corresponds to a fiscal stimulus of 0.56% of GDP. As mentioned above, this is well within the bounds of what can be deemed responsible fiscal policy in the current situation. That said, Norges Bank assumed a stimulus of just under 0.4% in its last monetary policy report. Although the difference is relatively small, it does equate to an additional stimulus of around NOK5bn, or 0.2% of mainland GDP. In isolation, this translates into an upward revision of Norges Bank's interest rate path of about 5bp. Add in lower bank interest margins (+15bp), a weaker krone (+15bp) and lower forward rates abroad (-5bp), and the central bank's interest rate path would have been some 20-25bp higher if published today than it was in the September report. It is interesting to note here that market interest rate expectations are currently lower than they were immediately after the September meeting.

# Latest research from Danske Bank Markets

*8/10 Flash Comment - Poland: NBP cuts more than expected but more is needed*

At its Monetary Policy Council meeting (RPP) today, the Polish central bank (NBP) in a fairly surprising move decided to cut interest rates more than expected. It cut the key policy rate by 50bp bringing it down to 2.00%.

*8/10 Flash Comment - We expect NB to buy NOK160m per day in 2015*

An expansionary budget and 2015 NOK buying

*7/10 Flash Comment: Why the Fed does not publish the level of the LMCI index but only the change*

Digging further into the new LMCI index, it becomes obvious why the Fed is not publishing the actual level of the index but only the change.

*7/10 Flash Comment US: A few observations on the Fed's new LMCI*

Yesterday the Fed published its summary index of the change in labour market conditions, the Labor Market Conditions Index (LMCI). There are a few interesting observations to note with regard to the index.

# Macroeconomic forecast

## Macro forecast, Scandinavia

| | Year | GDP[1] | Private cons.[1] | Public cons.[1] | Fixed inv.[1] | Stock build.[2] | Exports[1] | Imports[1] | Inflation[1] | Unemploym.[3] | Public budget[4] | Public debt[4] | Current acc.[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Denmark | 2013 | -0.1 | 0.1 | 0.1 | 0.6 | 0.1 | 1.2 | 2.2 | 0.8 | 5.8 | -0.9 | 44.5 | 7.3 |
| | 2014 | 0.8 | 0.8 | 0.8 | 2.7 | 0.0 | 2.7 | 4.3 | 0.6 | 5.1 | -0.4 | 43.9 | 6.6 |
| | 2015 | 1.8 | 1.8 | 0.8 | 2.3 | -0.1 | 3.2 | 2.9 | 1.0 | 4.8 | -3.0 | 43.3 | 5.9 |
| Sweden | 2013 | 1.5 | 2.1 | 1.6 | -0.1 | 0.0 | -0.5 | -0.8 | 0.0 | 8.0 | -1.2 | 38.7 | 3.7 |
| | 2014 | 2.2 | 2.7 | 1.3 | 4.9 | 0.0 | 2.1 | 4.5 | -0.1 | 8.0 | -2.0 | 39.2 | 2.9 |
| | 2015 | 2.6 | 1.7 | 1.6 | 7.3 | 0.0 | 3.0 | 4.0 | 1.0 | 7.7 | -1.2 | 38.8 | 2.6 |
| Norway | 2013 | 2.0 | 2.1 | 1.8 | 8.4 | -0.2 | -3.3 | 2.9 | 2.1 | 3.5 | - | - | - |
| | 2014 | 2.4 | 2.1 | 2.1 | 0.2 | 0.0 | 1.2 | 1.5 | 2.2 | 3.4 | - | - | - |
| | 2015 | 2.2 | 2.1 | 2.1 | -1.0 | -0.1 | 1.0 | 3.5 | 2.0 | 3.5 | - | - | - |

## Macro forecast, Euroland

| | Year | GDP[1] | Private cons.[1] | Public cons.[1] | Fixed inv.[1] | Stock build.[2] | Exports[1] | Imports[1] | Inflation[1] | Unemploym.[3] | Public budget[4] | Public debt[4] | Current acc.[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Euroland | 2013 | -0.4 | -0.6 | 0.1 | -2.8 | -0.1 | 1.5 | 0.4 | 1.4 | 11.9 | -3.0 | 95.4 | 2.6 |
| | 2014 | 1.0 | 1.0 | 0.8 | 1.5 | 0.1 | 3.2 | 3.5 | 0.5 | 11.6 | -2.5 | 95.9 | 2.9 |
| | 2015 | 1.8 | 1.5 | 0.1 | 3.3 | 0.0 | 4.6 | 4.3 | 0.9 | 11.2 | -2.2 | 95.2 | 2.9 |
| Germany | 2013 | 0.5 | 1.0 | 0.4 | -0.7 | 0.2 | 1.1 | 1.6 | 1.6 | 5.3 | 0.0 | 78.4 | 7.4 |
| | 2014 | 1.9 | 1.4 | 0.6 | 5.0 | -0.1 | 4.1 | 5.5 | 1.0 | 5.1 | 0.0 | 76.0 | 7.3 |
| | 2015 | 2.8 | 1.8 | 0.6 | 6.2 | 0.0 | 5.2 | 4.8 | 1.3 | 5.1 | -0.1 | 73.6 | 7.0 |
| France | 2013 | 0.4 | 0.4 | 1.9 | -0.8 | 0.0 | 2.4 | 1.9 | 1.0 | 10.3 | -4.3 | 93.5 | -1.9 |
| | 2014 | 0.6 | 0.4 | 1.4 | -1.4 | 0.0 | 2.9 | 3.5 | 0.7 | 10.4 | -3.9 | 95.6 | -1.8 |
| | 2015 | 1.5 | 1.4 | 0.0 | 3.5 | 0.0 | 4.5 | 4.3 | 1.0 | 10.2 | -3.4 | 96.6 | -2.0 |
| Italy | 2013 | -1.8 | -2.6 | -0.8 | -4.6 | -0.6 | 0.0 | -2.9 | 1.3 | 12.2 | -3.0 | 132.6 | 0.9 |
| | 2014 | 0.0 | 0.1 | 0.6 | -1.1 | 0.3 | 3.3 | 1.9 | 0.2 | 12.6 | -2.6 | 135.2 | 1.5 |
| | 2015 | 1.6 | 1.1 | 0.3 | 3.0 | 0.0 | 4.4 | 3.7 | 0.8 | 12.1 | -2.2 | 133.9 | 1.5 |
| Spain | 2013 | -1.2 | -2.1 | -2.3 | -5.1 | 0.0 | 4.9 | 0.4 | 1.5 | 26.1 | -7.1 | 93.9 | 0.8 |
| | 2014 | 1.2 | 1.6 | 1.9 | 1.0 | 0.0 | 3.8 | 5.0 | 0.0 | 25.2 | -5.6 | 100.2 | 1.4 |
| | 2015 | 2.0 | 1.6 | -0.1 | 3.8 | 0.0 | 4.8 | 4.2 | 0.6 | 24.0 | -6.1 | 103.3 | 1.5 |
| Finland | 2013 | -1.2 | -0.7 | 1.5 | -4.9 | - | -1.7 | -2.5 | 1.5 | 8.2 | -2.0 | 55.8 | -1.4 |
| | 2014 | -0.4 | -0.2 | 0.3 | -3.5 | - | 0.5 | -0.5 | 1.0 | 8.6 | -2.0 | 59.0 | -1.2 |
| | 2015 | 0.8 | 0.0 | 0.0 | 1.0 | - | 3.0 | 1.5 | 1.0 | 8.6 | -1.8 | 61.0 | -1.0 |

## Macro forecast, Global

| | Year | GDP[1] | Private cons.[1] | Public cons.[1] | Fixed inv.[1] | Stock build.[2] | Exports[1] | Imports[1] | Inflation[1] | Unemploym.[3] | Public budget[4] | Public debt[4] | Current acc.[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USA | 2013 | 1.9 | 2.0 | -0.6 | 4.5 | -0.4 | 2.7 | 1.4 | 1.1 | 7.4 | -4.1 | 72.0 | -2.3 |
| | 2014 | 2.2 | 3.0 | 0.0 | 3.7 | -0.3 | 3.8 | 4.2 | 1.5 | 6.3 | -2.9 | 74.0 | -2.2 |
| | 2015 | 3.4 | 3.5 | 1.0 | 7.3 | 0.0 | 7.8 | 8.6 | 1.9 | 5.9 | -2.6 | 73.0 | -2.9 |
| Japan | 2013 | 1.5 | 2.0 | 2.0 | 0.2 | -0.3 | 1.6 | 3.4 | 0.2 | 4.0 | -8.4 | 243.0 | 0.7 |
| | 2014 | 1.1 | -0.3 | 0.7 | 5.6 | -0.4 | 7.3 | 6.8 | 2.7 | 3.6 | -7.2 | 244.0 | 1.2 |
| | 2015 | 0.6 | -1.1 | 0.8 | 2.0 | 0.4 | 5.5 | 2.2 | 2.1 | 3.4 | -6.4 | 245.0 | 1.3 |
| China | 2013 | 7.7 | - | - | - | - | - | - | 2.6 | 4.3 | -1.9 | 22.8 | 2.0 |
| | 2014 | 7.5 | - | - | - | - | - | - | 2.6 | 4.3 | -2.2 | 21.3 | 2.2 |
| | 2015 | 7.3 | - | - | - | - | - | - | 3.1 | 4.2 | -2.0 | 30.0 | 2.6 |
| UK | 2013 | 1.7 | 2.2 | 0.7 | -0.8 | 0.3 | 0.5 | 0.2 | 2.6 | 7.6 | -4.5 | 89.7 | -3.3 |
| | 2014 | 3.1 | 2.5 | 0.6 | 8.9 | -0.2 | 0.5 | -0.5 | 1.7 | 6.5 | -3.5 | 94.9 | -2.7 |
| | 2015 | 2.7 | 2.4 | -0.5 | 8.7 | 0.0 | 4.7 | 4.4 | 1.8 | 6.0 | -1.9 | 96.6 | -2.2 |

*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-Oct | 0.25 | 0.23 | 0.72 | 2.45 | 127.0 | - | 585.9 |
| | +3m | 0.25 | 0.30 | 0.95 | 2.85 | 122.0 | - | 610.5 |
| | +6m | 0.25 | 0.58 | 1.45 | 3.15 | 120.0 | - | 620.4 |
| | +12m | 0.75 | 1.07 | 2.10 | 3.40 | 123.0 | - | 605.3 |
| EUR | 10-Oct | 0.05 | 0.08 | 0.20 | 1.12 | - | 127.0 | 744.3 |
| | +3m | 0.05 | 0.05 | 0.15 | 1.15 | - | 122.0 | 744.8 |
| | +6m | 0.05 | 0.05 | 0.15 | 1.20 | - | 120.0 | 744.5 |
| | +12m | 0.05 | 0.05 | 0.15 | 1.30 | - | 123.0 | 744.5 |
| JPY | 10-Oct | 0.10 | 0.11 | 0.16 | 0.63 | 136.9 | 107.7 | 5.44 |
| | +3m | 0.10 | 0.15 | 0.20 | 0.75 | 134.0 | 110.0 | 5.56 |
| | +6m | 0.10 | 0.20 | 0.20 | 0.80 | 134.0 | 112.0 | 5.56 |
| | +12m | 0.10 | 0.20 | 0.25 | 0.85 | 140.0 | 114.0 | 5.32 |
| GBP | 10-Oct | 0.50 | 0.56 | 1.14 | 2.35 | 78.8 | 161.3 | 944.8 |
| | +3m | 0.50 | 0.75 | 1.50 | 2.75 | 78.0 | 156.0 | 954.8 |
| | +6m | 0.75 | 0.91 | 1.70 | 2.95 | 77.0 | 156.0 | 966.9 |
| | +12m | 1.25 | 1.42 | 2.20 | 3.30 | 76.0 | 162.0 | 979.6 |
| CHF | 10-Oct | 0.00 | 0.01 | 0.04 | 0.79 | 121.1 | 95.3 | 614.7 |
| | +3m | 0.00 | 0.05 | 0.05 | 0.95 | 121.0 | 99.2 | 615.5 |
| | +6m | 0.00 | 0.05 | 0.05 | 1.05 | 122.0 | 101.7 | 610.2 |
| | +12m | 0.00 | 0.05 | 0.05 | 1.25 | 124.0 | 100.8 | 600.4 |
| DKK | 10-Oct | 0.20 | 0.29 | 0.46 | 1.44 | 744.3 | 585.9 | - |
| | +3m | 0.20 | 0.21 | 0.35 | 1.42 | 744.8 | 610.5 | - |
| | +6m | 0.20 | 0.20 | 0.35 | 1.47 | 744.5 | 620.4 | - |
| | +12m | 0.20 | 0.20 | 0.35 | 1.57 | 744.5 | 605.3 | - |
| SEK | 10-Oct | 0.25 | 0.47 | 0.50 | 1.65 | 916.6 | 721.5 | 81.2 |
| | +3m | 0.25 | 0.45 | 0.50 | 1.65 | 910.0 | 745.9 | 81.8 |
| | +6m | 0.25 | 0.45 | 0.55 | 1.80 | 900.0 | 750.0 | 82.7 |
| | +12m | 0.25 | 0.50 | 0.70 | 1.95 | 880.0 | 715.4 | 84.6 |
| NOK | 10-Oct | 1.50 | 1.64 | 1.77 | 2.53 | 821.8 | 646.9 | 90.6 |
| | +3m | 1.50 | 1.75 | 1.95 | 3.00 | 795.0 | 651.6 | 93.7 |
| | +6m | 1.50 | 1.75 | 2.05 | 3.05 | 785.0 | 654.2 | 94.8 |
| | +12m | 1.50 | 1.75 | 2.20 | 3.35 | 775.0 | 630.1 | 96.1 |

## Equity Markets

| Regional | | Risk profile 3 mth. | Price trend 3 mth. | Price trend 12 mth. | Regional recommen-dations |
|---|---|---|---|---|---|
| USA (USD) | Strong growth & earnings, expensive | Medium | 0-3% | 5-8% | Neutral |
| Emerging markets (local curr) | Commodity-related equities are pressured | High | 0-3% | 0-5% | Underweight |
| Europe (ex. Nordics) | Recovering economy, fair valuation | Medium | 0-3% | 5-10% | Overweight |
| Nordics | Strong cyclical profile | Medium | 0-3% | 5-10% | Overweight |

## Commodities

| | | 2014 | | | | 2015 | | | | Average | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 10-Oct | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 2014 | 2015 |
| NYMEX WTI | 84 | 99 | 103 | 96 | 93 | 93 | 94 | 94 | 95 | 98 | 94 |
| ICE Brent | 88 | 108 | 110 | 102 | 98 | 97 | 98 | 98 | 99 | 104 | 98 |
| Copper | 6,720 | 6,996 | 6,768 | 6,850 | 6,850 | 7,000 | 7,150 | 7,300 | 7,450 | 6,866 | 7,225 |
| Zinc | 2,336 | 2,024 | 2,080 | 2,300 | 2,350 | 2,400 | 2,450 | 2,500 | 2,550 | 2,189 | 2,475 |
| Nickel | 16,675 | 14,723 | 18,529 | 18,500 | 18,500 | 18,750 | 19,000 | 19,250 | 19,500 | 17,563 | 19,125 |
| Aluminium | 1,950 | 1,754 | 1,839 | 2,000 | 2,000 | 2,050 | 2,100 | 2,150 | 2,200 | 1,898 | 2,125 |
| Gold | 1,222 | 1,292 | 1,291 | 1,275 | 1,250 | 1,240 | 1,230 | 1,220 | 1,210 | 1,277 | 1,225 |
| Matif Mill Wheat (€/t) | 157 | 201 | 200 | 170 | 167 | 173 | 177 | 178 | 180 | 185 | 177 |
| Rapeseed (€/t) | 326 | 383 | 372 | 325 | 304 | 315 | 321 | 324 | 326 | 346 | 321 |
| CBOT Wheat (USd/bushel) | 494 | 618 | 651 | 530 | 520 | 530 | 540 | 545 | 550 | 580 | 541 |
| CBOT Corn (USd/bushel) | 342 | 453 | 478 | 360 | 360 | 370 | 380 | 385 | 390 | 413 | 381 |
| CBOT Soybeans (USd/bushel) | 937 | 1,358 | 1,470 | 1,140 | 1,050 | 1,070 | 1,090 | 1,100 | 1,110 | 1,254 | 1,093 |

*Source: Danske Bank Markets*

# Calendar

## Key Data and Events in Week 42

| During the week | | | | Period | Danske Bank | Consensus | Previous |
|---|---|---|---|---|---|---|---|
| Mon 03 - 09 | JPY | Bank lending | y/y | Mar | | | 2,20% |
| Sat 04 - 04 | JPY | Official reserves assets | USD bn | Mar | | | 1288.2 |
| Fri 10 - 12 | USD | World Bank and IMF annual meeting | | | | | |
| Fri 10 - 15 | CNY | Foreign exchange reserves | bn. USD | Sep | | *4009.5* | 3993.2 |
| Fri 10 - 15 | CNY | Money supply M2 | y/y | Sep | | *13.00%* | 12.80% |
| Fri 10 - 15 | CNY | New Yuan loans | CNY bn. | Sep | | *750* | 702.5 |
| Fri 10 - 15 | CNY | Aggregate Financing | bn CNY | Sep | | *1150* | 957.4 |
| Fri 10 - 17 | USD | Budget statement | USD bn | Sep | | *82.0* | 75.1 |
| Sat 11 | USD | Fed's Tarullo (voter., neutral) speaks | | | | | |
| Sat 11 | USD | Fed's Williams (non-voter, dovish) speaks | | | | | |
| Sat 11 | EUR | ECB's Draghi speaks in Washington | | | | | |
| Sat 11 | USD | Fed's Evans (non-voter, dovish) speaks | | | | | |
| Sun 12 | EUR | ECB's Constancio speaks in Washington | | | | | |
| Tue 14 - 18 | CNY | FDI | y/y | Sep | | *-14.00%* | -14.00% |
| Thu 16 - 17 | EUR | ECB's Weidmann speaks in Frankfurt | | | | | |
| **Monday, October 13, 2014** | | | | Period | Danske Bank | Consensus | Previous |
| 14:00 | EUR | ECB's Praet Speaks in Munich | | | | | |
| 14:30 | EUR | Eurogroup meeting in Luxembourg | | | | | |
| 18:30 | USD | Fed's Evans (non-voter, dovish) speaks | | | | | |
| - | CNY | Trade balance | USD bn | Sep | **44.5** | *41.1* | 49.8 |
| - | CNY | Import | y/y | Sep | **-2.5%** | *-2.00%* | -2.40% |
| - | CNY | Export | y/y | Sep | **13.6%** | *12.00%* | 9.40% |
| **Tuesday, October 14, 2014** | | | | Period | Danske Bank | Consensus | Previous |
| - | EUR | EU Top Court hears case on legality of ECB's OMT | | | | | |
| 1:50 | JPY | Domestic CGPI | m/m\|y/y | Sep | | *-0.10%\|3.60%* | -0.20%\|3.90% |
| 1:50 | JPY | Money supply M2 | y/y | Sep | | *2.90%* | 3.00% |
| 2:30 | AUD | NAB Business Conditions | Index | Sep | | | 4.0 |
| 8:45 | FRF | HICP | m/m\|y/y | Sep | **...\|0.4%** | | 0.50%\|0.50% |
| 9:00 | EUR | EU finance ministers discuss the 2015 budget draft | | | | | |
| 9:00 | ESP | HICP, final | m/m\|y/y | Sep | | | 0.10%\|-0.30% |
| 9:30 | SEK | Underlying inflation CPIF | m/m\|y/y | Sep | **0.6%\|0.6%** | *0.50%\|0.60%* | 0.00%\|0.50% |
| 9:30 | SEK | CPI | m/m\|y/y | Sep | **0.4%\|-0.1%** | *0.50%\|-0.10%* | -0.10%\|-0.20% |
| 10:00 | ITL | HICP, final | m/m\|y/y | Sep | | | ...\|-0.20% |
| 10:30 | ITL | Bank of Italy Releases Revised Public Debt Series | | | | | |
| 10:30 | GBP | PPI - input | m/m\|y/y | Sep | | | -0.60%\|-7.20% |
| 10:30 | GBP | PPI - output | m/m\|y/y | Sep | | *-0.10%\|-0.30%* | -0.10%\|-0.30% |
| 10:30 | GBP | CPI | m/m\|y/y | Sep | | | 0.40%\|1.50% |
| 11:00 | DEM | ZEW current situation | Index | Oct | **18.4** | *16.0* | 25.4 |
| 11:00 | DEM | ZEW exspectations | Index | Oct | **5.0** | *0.0* | 6.9 |
| 11:00 | EUR | Industrial production | m/m\|y/y | Aug | **-0.7%\|...** | *-1.70%\|-0.90%* | 1.00%\|2.20% |
| 13:30 | USD | NFIB small business optimism | Index | Sep | | | 96.1 |

*Source: Danske Bank Markets*

## Calendar - continued

| Wednesday, October 15, 2014 | | | | Period | Danske Bank | Consensus | Previous |
|---|---|---|---|---|---|---|---|
| 1:30 | AUD | Westpac Consumer Confidence | Index (% m/m) | Oct | | | 94\|-0.046 |
| 3:30 | CNY | PPI | y/y | Sep | | -1.50% | -1.20% |
| 3:30 | CNY | CPI | y/y | Sep | **1.8%** | 1.70% | 2.00% |
| 6:30 | JPY | Industrial production, final | m/m\|y/y | Aug | | | -1.50%\|-2.90% |
| 8:00 | DEM | HICP, final | m/m\|y/y | Sep | **0.00%\|0.80%** | | 0.00%\|0.80% |
| 9:00 | EUR | ECB's Draghi speaks in Frankfurt | | | | | |
| 10:00 | NOK | Trade balance | NOK bn | Sep | | | 22.4 |
| 10:30 | ITL | Istat Releases New ESA2010 GDP Quarterly Series | | | | | |
| 10:30 | GBP | Average Earnings | 3Ms/YoY | Aug | | 0.8% | 0.6% |
| 10:30 | GBP | ILO Unemployment rate | % | Aug | | 6.10% | 6.20% |
| 13:00 | USD | MBA Mortgage Applications | % | | | | |
| 14:30 | USD | Retail Sales | m/m | Sep | **-0.20%** | -0.20% | 0.60% |
| 14:30 | USD | Retail sales less autos | m/m | Sep | | 0.20% | 0.30% |
| 14:30 | USD | core retail sales (control group) | m/m | Sep | **0.2%** | 0.3% | |
| 14:30 | USD | Empire Manufacturing PMI | m/m | Oct | | 2000.00% | 2754.00% |
| 14:30 | USD | PPI | m/m\|y/y | Sep | | 0.10%\|1.80% | 0.00%\|1.80% |
| 14:30 | USD | PPI core | m/m\|y/y | Sep | | 0.10%\|1.80% | 0.10%\|1.80% |
| 20:00 | EUR | ECB's Draghi speaks in Frankfurt | | | | | |
| **Thursday, October 16, 2014** | | | | Period | Danske Bank | Consensus | Previous |
| 9:30 | SEK | Unemployment | % | Sep | | | 7.40% |
| 9:30 | SEK | Unemployment s.a. | % | Sep | | | 8.00% |
| 11:00 | EUR | CPI, final | m/m\|y/y | Sep | **...\|0.3%** | ... \|0.30% | ... \|0.30% |
| 11:00 | EUR | CPI - core, final | % | Sep | **0.7%** | | 0.7% |
| 11:00 | EUR | Trade balance | EUR bn | Aug | | | 12.2 |
| 14:00 | USD | Fed's Plosser (voter, hawkish) speaks | | | | | |
| 14:30 | USD | Initial jobless claims | 1000 | | | | |
| 15:00 | USD | Fed's Lockhart (non-voter, neutral) speaks | | | | | |
| 15:15 | USD | Capacity utilization | % | Sep | | 79.00% | 78.80% |
| 15:15 | USD | Industrial production | m/m | Sep | | 0.40% | -0.10% |
| 16:00 | USD | Fed's Kocherlakota (voter, dovish) speaks | | | | | |
| 16:00 | USD | NAHB Housing Market Index | Index | Oct | | 59.0 | 59.0 |
| 19:00 | USD | Fed's Bullard (non-voter, hawkish) speaks | | | | | |
| 22:00 | USD | TICS international capital flow, Net inflow | USD bn | Aug | | | 57.7 |
| **Friday, October 17, 2014** | | | | Period | Danske Bank | Consensus | Previous |
| - | EUR | Spain's debt rating may be published by Moody's | | | | | |
| 9:45 | EUR | ECB's Constancio speaks in Frankfurt | | | | | |
| 12:00 | EUR | ECB announces 3-year LTRO repayment | | | | | |
| 12:00 | EUR | Eurostat Release First GDP Estimates After ESA2010 | | | | | |
| 14:30 | CAD | CPI | m/m\|y/y | Sep | | ...\|2.00% | 0.10%\|2.10% |
| 14:30 | USD | Building permits | 1000 (m/m) | Sep | | 1035K | 1003K (-5.10%) |
| 14:30 | USD | Housing starts | 1000 (m/m) | Sep | | 1002K | 956K (-14.40%) |
| 15:55 | USD | University of Michigan Confidence, preliminary | Index | Oct | **84.6** | 84.2 | 84.6 |

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*Source: Danske Bank Markets*

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