2 September 2016

Weekly Focus

Attention turning to the ECB

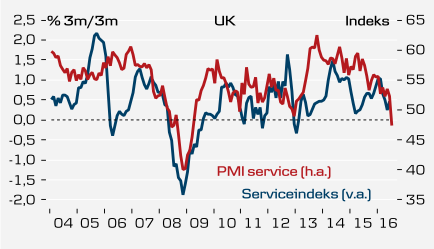
Market movers ahead

- Next week we are due to get a number of services sector PMI figures. In the US, we expect ISM non-manufacturing PMI to continue to indicate strong growth in the services sector. We estimate UK services PMI, covering the largest share of the economy, rebounded in August following the post-Brexit decline in July.
- We expect the ECB to remain on hold at next week's meeting. Initial figures suggest resilience in economic sentiment following the Brexit vote, so we expect the ECB to keep its current stance.
- In China, we are due to get both consumer and producer price inflation. We estimate CPI remained subdued at 1.8% y/y, while PPI is likely to have moved higher on the back of rising commodity prices.
- In Scandinavia, we do not expect the Riksbank to make any changes at Wednesday's monetary policy meeting. We expect the Norwegian inflation figure released next week to have come down to 3.4% y/y in August following a surprisingly large jump in prices in July.

Global macro and market themes

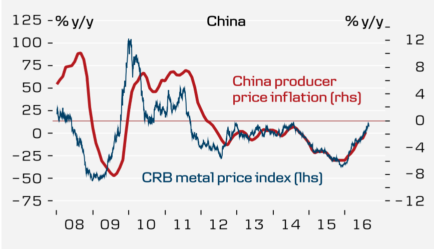
- With the relatively weak job report today and weak ISM number yesterday, we believe the Fed is unlikely to hike rates in September.
- Yet, the market is still assigning a relatively high probability of a hike in 2016.
- In our view, the prospects for emerging markets remain decent, especially with the Fed likely to remain on hold at least until end-2016.
- We believe China will continue to act as a positive impetus for the rest of the emerging markets space in 2016, although less so in 2017.
- We remain Overweight emerging markets versus developed market equities.

UK PMI services fell sharply in July – will it rebound in August?



Source: Macrobond Fianncial

Commodities are driving Chinese PPI inflation up



Source: Macrobond Financial

Contents

Financial views

Major indices			
	02-Sep	3M	12M
10yr EUR swap	0.29	0.35	0.70
EUR/USD	112	112	118
ICE Brent oil	46	49	54
	02-Sep	6M	12-24M
S&P500	2171	-3-+3%	0-5%

Source: Danske Bank

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Market movers

Global

- In the **US** next week, the calendar is thin in terms of data. The ISM non-manufacturing index for August is due on Tuesday. In recent months, the two different PMIs for the US services sector have sent mixed signals. The Markit PMI services index declined in August and continued at a relatively low level around 51, indicating only modest growth in the US services sector. The ISM non-manufacturing index has been significantly above the PMI services index in recent months, indicating much stronger growth in the US services sector. With consumers still optimistic and hard data confirming the positive signals on private consumption, we expect the US services sector to grow at a solid pace throughout 2016. Hence, we think the level of the PMI service index is 'too low' and believe that the ISM non-manufacturing index sends a fairer signal. We estimate the ISM non-manufacturing index declined to 55.0 in August.

  A few speeches by FOMC members are scheduled for next week. Focus continues to be on signals about the decision of the upcoming FOMC meeting 20-21 September. Also worth noting is the release of the Fed's Beige book on Wednesday.

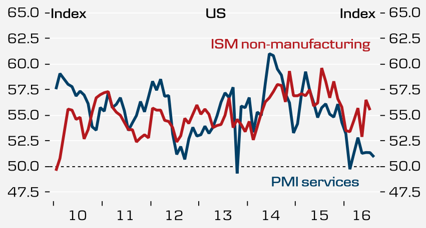
- In the **euro area**, the main event next week is the ECB meeting on Thursday. We expect the ECB to remain on hold at the meeting. The ECB has stressed that more data is needed before the growth and inflation outlook can be fully reevaluated. Initial figures suggest resilience in economic sentiment following the UK's decision to leave the EU, so we expect the ECB to maintain its current stance. In addition, we expect QE purchases to be maintained at the current pace, although we believe it will eventually extend the programme beyond March 2017. Regarding TLTRO II, the ECB has stated '*additional demand could be expected for the forthcoming TLTRO II operations'*, which supports our view that the ECB will maintain a patient stance until the allotment results of the second TLTRO II auctions (due to be published on 22 September).

  On Monday, we are due to get the retail sales figures for July. Retail sales increased 0.4% m/m in May, with a 0.0% m/m change in June. Post the Brexit vote, economic indicators have so far been fairly resilient. The German retail figures for July surprised on the upside with a 1.7% m/m increase in July from June. We expect an increase for the euro area in line with the German increase, confirming the economic resilience. Although consumer confidence declined in July, we expect the declining oil price throughout July and strong labor market conditions to facilitate stronger retail sales.

  Sentix Investor Confidence is also scheduled for release on Monday. Sentix rose from July to 4.2 in August and we expect the positive trend to continue with an increase to 4.7 in September, as positive risk sentiment is on the increase.

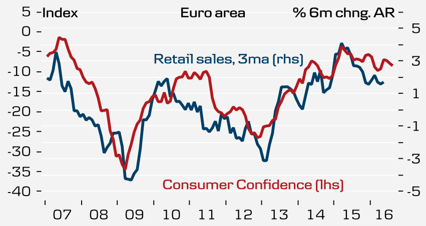
  On Wednesday, the German industrial production figures for July are due to be released. German industrial production is especially important following the Brexit vote due to the size of the German manufacturing sector. The industrial production figures for June showed strength and we expect July figures to follow a similar trend and confirm the economic resilience.

PMI and ISM tell different stories about state of US services sector



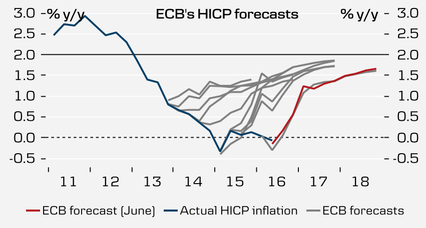
Source: ISM, Markit Economics

We expect higher retail sales despite falling consumer confidence in July



Source: European Commission, Eurostat

ECB set to adjust its forecast very little



Source: ECB, Eurostat

- In the **UK**, focus continues to be on the economic impact of the UK's EU vote. Post-Brexit data have so far been quite mixed but it seems that the economy rebounded in August after an initial slowing in July, perhaps because political uncertainty has declined since the appointment of Theresa May as the new Prime Minister and because the rest of Europe has been quite resilient to Brexit. Most notable was perhaps yesterday's release of the PMI manufacturing index, which rebounded sharply back to above 50 in August after an initial fall in July. The most important release next week is the PMI service index due on Monday, which is the most important of the three PMIs as the service sector accounts for a large share of the economy. In July, the PMI service index fell sharply to 47.4, the lowest since the financial crisis, suggesting a significant economic slowdown. In line with other indicators, we estimate the index rebounded in August. We estimate it increased to 49.1. We are also due to get the first set of hard post-Brexit data as industrial production and construction output figures for July are due on Wednesday and Friday, respectively. We would also look out for the NIESR GDP estimate for August on Wednesday, as it is usually a good predicator of actual GDP growth.

  On Wednesday, the Bank of England's Mark Carney, Jon Cunliffe, Kristin Forbes and Ian McCafferty are due to participate in a hearing of the Parliament's Treasury Committee.

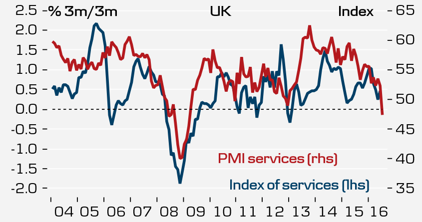
- **China** inflation is due next week. We expect the CPI inflation released on Friday to stay subdued around 1.8% y/y, still a long way from the target of 3%. Producer price inflation (PPI) is likely to continue higher as deflation eases further on the back of the increase in commodity prices. This should dampen the deflation scare further. Chinese trade data are due on Thursday. These data are notoriously volatile, though, and distorted. Hence, they do not give too much information on the trade situation. PMI data for export orders pointsto a moderate recovery this year supported by higher US activity and a weaker CNY

Scandi

- In **Denmark**, the statistical office publishes foreign trade and current account data for July on Thursday. Exports of goods performed well in H1, while exports of services in particular came under pressure from low freight rates putting a damper on exports of sea transportation services. Denmark is still running large current account surpluses but they were somewhat smaller than usual in H1, due mainly to a decline in the balance of trade in services, again largely a result of low freight rates. Tuesday brings figures for bankruptcies and repossessions in August and Thursdaysees industrial production data for July.

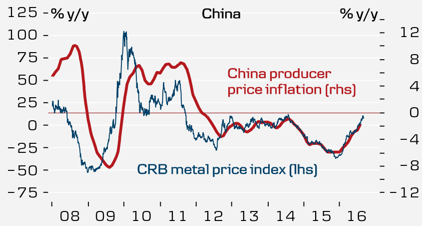
- In **Sweden**, the week ahead contains the Riksbank's monetary policy decision (Wednesday at 09:30 CEST), where our point estimate is no change. A day after the ECB publishes its decision and should the ECB, contrary to our expectations, expand monetary policy it will be extremely interesting to follow the SEK's gyrations given the Riksbank's aversion to rapid currency appreciation. Elsewhere, we also receive data on industrial orders and production from Statistics Sweden on Monday. Strong numbers would be a welcome change from the dismal economic outcomes over the past few weeks.

PMI services fell sharply in July – will it rebound in August?



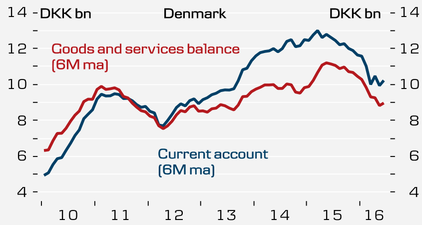
Source: Markit Economics, ONS

Chinese PPI inflation to continue up



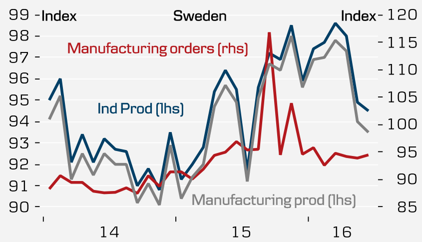
Source: Macrobond Financial

Smaller current account surpluses



Source: Statistics Denmark

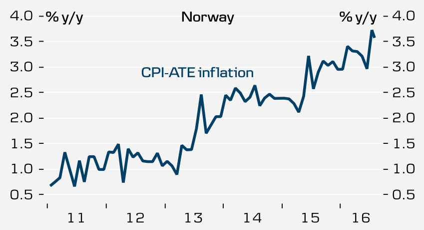
Time for an industrial rebound?



Source: Macrobond Financial. Danske Bank calculations.

- In **Norway**, the week's most important release is inflation for August on Friday. A surprisingly big jump in prices in July (core inflation of 3.7% y/y) has fuelled uncertainty about future inflation. Most, including Norges Bank, assume that inflation will slow as the impact on import prices of the krone's depreciation fades and eventually reverses but the July figures fed fears that we are looking at the start of a price-price spiral. However, we stress that two groups of goods – food and airfares – accounted for 70% of the surprise in July and this was not down to the second-round effects of the weaker krone. Consumer prices are always associated with considerable uncertainty in August but we expect them to fall further than usual, taking the annual rate of inflation down to 3.4% and returning inflation to a normal seasonal pattern. The surprise fall in industrial production in June has also fuelled uncertainty about the economic outlook. Based on leading indicators such as business confidence, the PMI and Norges Bank's regional network, there is much to suggest that the sharp fall of 2.9% m/m was a temporary phenomenon. Therefore, we expect something of a correction in July with industrial production (due on Wednesday) climbing 1.5% m/m.

Not a new inflation trend



Source: Macrobond Financial, Danske Bank Markets

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
During the week		Sun 04	G20	G20 leaders meet in Hangzhou, China					
Mon	05-Sep	-	G20	G20 leaders meet in Hangzhou, China					
		3:45	CNY	Service PMI	Index	Aug			51.7
		10:30	GBP	PMI services	Index	Aug	49.1	*50.0*	47.4
Tue	06-Sep	6:30	AUD	Reserve Bank of Australia rate decision	%		1.50%	*1.50%*	1.50%
		8:00	DEM	Factory orders	m/m|y/y	Jul		*0.6%|-0.1%*	-0.4%|-3.1%
		16:00	USD	ISM non-manufacturing	Index	Aug	55.0	*55.4*	55.5
Wed	07-Sep	-	GBP	BoE's Carney in hearing in the Parliament's Treasury Committee					
		-	CNY	Foreign exchange reserves	bn. USD	Aug		*3191*	3201.1
		-	PLN	Polish central bank rate decision	%		1.50%	*1.50%*	1.50%
		16:00	GBP	NIESR GDP estimate	q/q	Aug			0.3%
		16:00	CAD	Bank of Canada rate decision	%		0.50%	*0.50%*	0.50%
Thurs	08-Sep	13:45	EUR	ECB's Draghi speaks at press conference					
		13:45	EUR	ECB announces refi rate	%		0.00%	*0.00%*	0.00%
		13:45	EUR	ECB announces deposit rate	%		-0.40%	*-0.40%*	-0.40%
Fri	09-Sep	13:45	USD	Fed's Rosengren (voter, dovish) speaks					
Scandi movers									
		10:00	NOK	Manufacturing production	m/m|y/y	Jul			-2.9%|-6.5%
Fri	09-Sep	10:00	NOK	Core inflation(CPI-ATE)	m/m|y/y	Aug	-0.4%|3.4%		0.7%|3.7%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

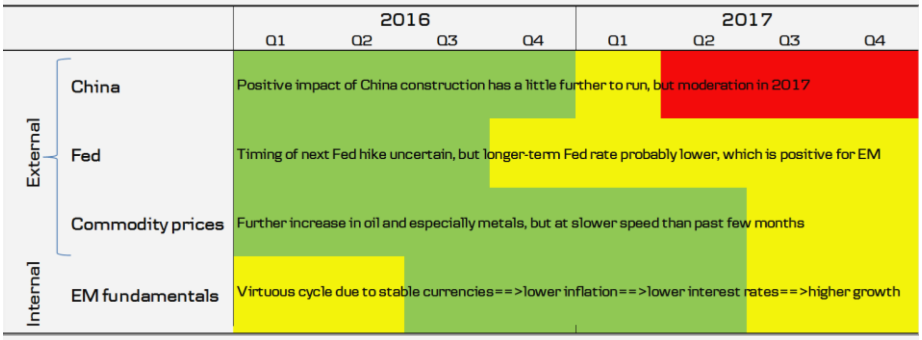
The Fed will not spoil the emerging market rally for now

Recent weeks have seen renewed speculation that the Fed is about to hike rates. Hawkish signals from Fed officials have suggested that an interest rate hike is drawing closer (see *Strategy: A checklist for the US economy*, 26 August) and the market consequently assigned a larger possibility of a rate hike, even in September. However, the relatively weak jobs report showing non-farm payrolls growing 151,000 in August combined with the relatively weak ISM manufacturing number yesterday, which fell from 52.6 in July to 49.4 in August, means it is unlikely the Fed will hike rates in September. Yet, the market is still assigning quite a high probability to possibility the Fed could hike rates before year-end (still little more than 50%).

The more hawkish line from the Fed has turned focus to emerging markets, which have staged a remarkable comeback this year. After years in the doldrums, both emerging market currencies and equities have rebounded this year (see Chart 1). The UK's vote to leave the EU in late June did not spoil the party – quite the contrary, as the market continued to head upwards throughout the summer. However, typically a more hawkish Fed spells trouble in emerging markets as we saw when the tapering discussion started back in 2013. The big question facing investors is whether the emerging market rally will come to a halt now that they have finally ventured into emerging markets.

We believe the prospects for emerging markets remain decent especially with the Fed likely to be on hold until at least end-2016 (see Chart 2) as outlined in *Emerging Markets: Still decent prospects even with a possible Fed rate hike in 2016*, 30 August. We might see some volatility and weakness in emerging markets in the run-up to a possible Fed hike later this year but we do not expect a sustained sell-off for a number of reasons. (1) The Fed has signalled recently that the long-term Fed neutral rate is probably lower than previously thought, which means the worst case for emerging markets is not so bad anymore as their borrowing costs will not rise as much as in the past. (2) The Fed's hiking cycle is likely to be gradual. (3) Most emerging markets have seen sharp improvements in external balances since 2013 and their currencies are in undervalued territory. Indeed, we think that any emerging market weakness in the run-up to a Fed hike could be a buying opportunity.

Chart 2: Decent prospects for emerging markets in 2016 but clouds gathering in 2017

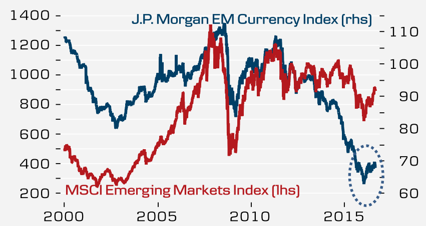


Source: Macrobond Financial

Key points

- With the relatively weak job report today and weak ISM number yesterday, we believe the Fed is unlikely to hike rates in September.
- Yet, the market is still assigning a relatively high probability of a hike in 2016.
- In our view, the prospects for emerging markets remain decent especially with the Fed likely to be on hold at least until end-2016.
- China will continue to act as a positive impetus for the rest of the emerging market space in 2016, although less so in 2017.
- We remain Overweight emerging markets versus developed market equities.

Chart 1: Rebound in emerging market assets but still at low levels historically



Source: Danske Bank Markets

Furthermore, we think China will continue to experience a fairly solid performance in 2016, acting as a positive impetus for the rest of the emerging markets space. Chart 3 shows that China is tremendously important to emerging market assets given its sheer size and that it consumes almost half the world's metals. We called for a rebound in the Chinese construction sector in the spring and the recovery has had a positive spillover effect on metal prices. We think the recovery has further to run at least this year, notably in the construction sector. Yesterday's relatively strong PMI number also points to a continued recovery in 2016. However, we expect a moderation in Chinese growth rates in 2017 as the impact of fiscal and monetary stimulus fades and debt concerns become more prevalent. We expect the China story to provide support to metals prices this year but a Fed hike may increase the downside risk to our fairly bullish commodity price call. Regarding domestic fundamentals, many emerging markets will also benefit from a virtuous cycle as the stable FX has lowered inflation pressures in the economies, providing room for policy cuts. However, political and budget challenges warrant caution in some countries (notably South Africa).

Equities: still overweight emerging markets vs developed markets

Since the spring, we have had a positive view on emerging market equities. Yesterday, we sent out *Equity Strategy: Hunting high and low*, 1 September, maintaining an Overweight in emerging markets relative to developed markets. The reason is the still-attractive valuations in many emerging markets (relative to historical averages) and relatively strong expected earnings growth. Despite the general perception, economic growth has held up fairly well in manufacturing emerging markets and we are starting to see relief in oil-producing countries on the back of higher oil prices and sizeable FX adjustments in many of the countries. More specifically, we keep Asia (including China) as an Overweight position, while EMEA and LatAm are still Neutral. Within developed markets, we moved the US to Underweight and Europe to Overweight, while keeping Japan on Underweight. From an overall asset allocation perspective, we remain Underweight equities versus cash.

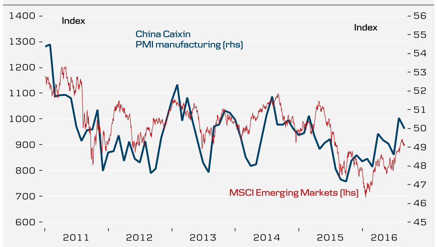
FX: EUR/USD range short term but higher medium term

In the FX market, we expect EUR/USD to stay in the 1.10-1.14 range in coming months before the cross moves higher, as structural flows are supportive of the EUR and it is fundamentally undervalued on our medium-term models. After a relatively strong performance in August on the back of heightened US rate hike expectations, the USD has come under a bit of pressure following the weak ISM manufacturing report yesterday and non-farm payrolls today. Typically, a weaker USD short term supports emerging market currencies and hence our bearish view on the US dollar in the medium to longer term should be positive for emerging markets. Today's relatively weak job report should also give near-term support to emerging market currencies and we remain notably positive view on the RUB.

Fixed income: flattening yield curve in the US

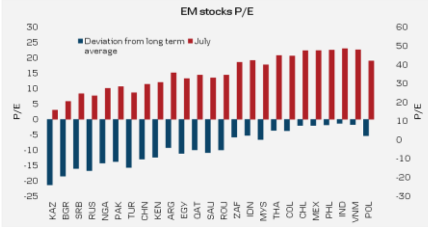
We expect a possible rate hike in the US to have an impact primarily on the short end of the curve. We expect the long-term rates (10-30 years) to be held down by two factors: (1) the perception by the Fed that the long-term neutral rate is lower, which should among other things mean lower nominal yields; and (2) that foreign demand for US Treasuries should remain high given the US Treasury market is the only market with 10-year yields above 1.5%. In both Germany and Japan, 10-year rates are negative. Nevertheless, we expect slightly higher US 10-year swap-rates in coming quarters but believe the yield curve will start to flatten as illustrated in Chart 6 to the right. In the eurozone, we expect the ECB to prolong QE with core yields remaining low for longer. In the emerging markets space, we expect the stronger emerging market currencies over the past half year to help bring down inflation and hence lead to lower rates, such as in Brazil and Russia. Going forward, we still see value in local currency debt given that we think emerging market currencies will see a relatively stable path and the high carry that these countries offer, especially relative to developed markets.

Chart 3: China is very important for emerging market assets



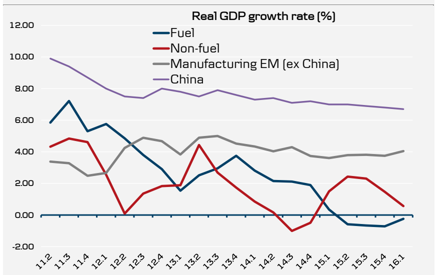
Source: Macrobond Financial

Chart 4: Equity pricing still cheap in most emerging markets



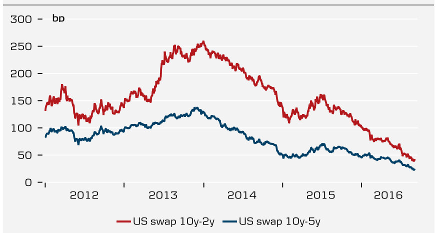
Source: Macrobond Financial, Danske Bank Markets

Chart 5: Real GDP growth is holding up in manufacturing emerging markets and has bottomed in oil producing emerging markets



Source: Macrobond Financial

Chart 6: Yield curve expected to flatten further in the US



Source: Macrobond Financial

Global market views

Asset class	Main factors
Equities	
Short term (0-1 month): buy on dips	The hunt for yield as a theme has led equity markets to bounce back after Brexit. Growth is above expectations but has still not broken out of the range. Risk of setbacks is high due to stretched valuations and still fairly weak earnings but central banks anchoring of bond yields provide a cushion for a setback; hence, our structurally underweight position in equities vs cash but still buy-on-dips stance on a shorter-term perspective.
Medium term (three-six months): underweight equities vs cash	
Bond market	
Core yields: low for even longer with increased uncertainty	We expect the ECB to prolong the QE programme by another six months.
US-euro spread: wider but not before we see Fed hikes	Fed on hold until 2017. Risk of earlier hike is evident. Market priced too soft.
Peripheral spreads: ECB support	QE buying and hunt for yield means further performance.
Credit spreads: neutral	ECB keeping spreads contained.
FX	
EUR/USD - 1.10-1.14 range near term, then higher	Valuations and CA differential support cross in the medium to long term; short-term downside risks from relative rates.
EUR/GBP - further GBP weakness in next few months	BoE monetary easing and financial account flows to send cross higher.
USD/JPY - risks skewed to the downside	BoJ easing limits downside potential stemming from fundamentals and relative current account flows.
EUR/SEK - to move gradually lower over coming months	To move lower on relative fundamentals and valuation.
EUR/NOK - risks skewed to the upside on Norges Bank easing	Global factors, oil price end Norges Bank to keep cross in range in coming months, then lower on valuation and fundamentals.
Commodities	
Oil price – consolidation in US oil sector leading to recovery	OPEC has lost leverage over oil price; However, possible Fed hike increase downside risks
Metal prices – positive outlook anticipating recovery in Chinese construction	Consolidation in mining industry puts a floor under prices, awaiting support from higher global economic growth.
Gold price – bouncing on repricing of Fed and other major central banks	Brexit risk leads to safe-haven flows and more dovish major central banks support demand for gold.
Agriculturals – support from disruptive weather, higher oil price	Attention has turned to La Niña weather risks in H2 16.

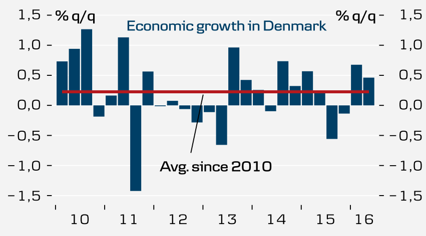
Source: Danske Bank Markets

Scandi update

Denmark – healthier growth data

The Danish economy expanded by 0.5% q/q in Q2, seasonally adjusted. With stocks making a negative contribution of 0.7pp, this means that aggregate demand grew by 1.2%. Thus, the Danish economy continued its healthy progress from Q1, which saw growth of 0.7% q/q. Growth was fuelled particularly by strong exports and a fall in imports, while private consumption grew only very modestly. Business investment, on the other hand, remains low, putting a damper on imports.

Healthy growth in H1



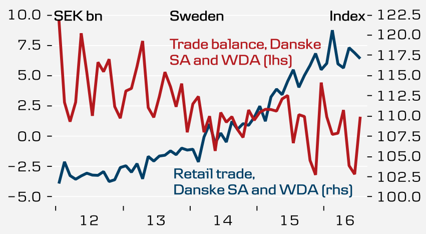
Source: Statistics Denmark

The government unveiled a new plan for the Danish economy through to 2025 in the week. Key elements include a reduction in the top rate of state income tax from 15% to 10% on income between the threshold and DKK1m, and a new earned-income tax allowance for those with incomes of DKK150,000-207,000 to get them off welfare and into the labour market. The plan also includes an overhaul of the student grant system so that students increasingly fund their studies with loans rather than having them paid by the state. On the other hand, they will be entitled to a double earned-income tax allowance for the first three years after graduating, which will help reduce the debt burden. The retirement age for the state pension will also be pushed back by a further six months from 1 January 2025.

Sweden – still soft

As has been the norm over the past few weeks, this week's data was, all in all, on the soft side. Both retail sales and the trade balance were weaker than expected. Performing our own adjustments, as we have begun to do due to perceived difficulties in official seasonal and working day adjustment procedures, we can nonetheless see that retail sales were indeed weak, whereas the trade balance was not as profoundly bad as the headline numbers suggest. That said, we come away with continued weak readings, which is in line or even weaker than our own forecasts indicate. However, us being among the glummest forecasters on the Swedish economy, this provides no solace. For the Riksbank, it may soon start to spell trouble if it fails to consider what effect a weaker demand will have on labour markets and, eventually, the inflation outlook.

Swedish data looking less bright



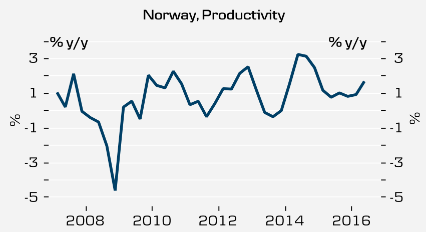
Source: Macrobond Financial, Danske Bank Markets calculations

Over the past week, the National Institute for Economic Research (NIER) published its latest forecast for the Swedish Economy. A slight downward revision was detectable but the most interesting change was the dramatic revision of the central government net borrowing requirements. This augers a similar change in the Swedish National Debt Office forecast in October. Given the shortage of material in government bond markets, a similar change could spell problems for both market functioning and the Riksbank's QE programme.

Norway – back on trend

The GDP figures for Q2 were much better than expected. Excluding power production, mainland GDP climbed 0.5% q/q, the highest rate since the end of 2014. The underlying data were also positive, with surprisingly strong growth in private investment and consumption of services. Indeed, growth was more or less back on trend in Q2, confirming the story told by the levelling off of unemployment data in recent months: the economy really does seem to have bottomed out. Another key detail was a fall in hours worked during the period. This means that productivity growth is on the way up again, after being very weak for the past 18 months. In the short term, this means that unemployment will not fall as much even if growth picks up but in the longer term, it means that trend growth in the Norwegian economy is higher than feared. We may, therefore, see stronger wage growth than feared but the normal level of interest rates may also prove to be higher than many seem to think.

Productivity growth on the way up



Source: Macrobond Financial, Danske Bank Markets

Latest research from Danske Bank Markets

31/8 Domestic and External Uncertainty Weigh on Poland's Economic Performance

We lower our real GDP forecast following recent weak signs from the Polish economy.

30/8 Emerging Markets – still decent prospects even with a possible Fed rate hike in 2016

Despite the recent rally, most EM asset classes still look relatively cheap compared with historical averages.

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	2015	1.0	2.3	-0.7	1.1	-0.3	0.3	0.0	0.5	4.6	-2.1	40.2	7.0
	2016	0.7	1.9	0.5	1.1	0.1	0.7	1.7	0.4	4.3	-1.7	39.3	6.8
	2017	1.0	1.9	0.5	0.9	0.1	2.6	3.5	1.2	4.3	-1.4	39.2	6.9
Sweden	2015	4.2	2.7	2.6	7.0	0.1	5.9	5.5	0.0	7.4	-0.3	43.4	4.9
	2016	2.6	3.0	3.2	4.6	0.0	1.4	4.1	0.8	7.1	-0.4	41.5	5.0
	2017	1.4	1.6	2.0	-0.3	-0.1	2.0	2.3	0.6	7.2	-1.5	41.7	5.2
Norway	2015	1.0	2.0	1.9	-4.2	0.3	3.4	1.1	2.1	3.0	-	-	-
	2016	0.9	1.5	3.0	-1.6	0.0	0.8	0.9	3.1	3.4	-	-	-
	2017	1.9	2.2	3.1	0.9	-0.2	0.9	2.2	2.8	3.5	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euroland	2015	1.6	1.7	1.3	2.7	-	5.1	5.9	0.0	10.9	-2.1	90.7	3.6
	2016	1.5	1.5	1.5	2.4	-	2.7	3.9	0.2	10.2	-2.0	90.2	3.7
	2017	1.0	0.9	1.2	0.9	-	3.2	3.2	1.3	10.0	-1.8	89.8	3.6
Germany	2015	1.4	2.0	2.5	1.6	-	4.8	5.4	0.1	4.6	0.7	71.2	8.8
	2016	1.2	1.6	2.2	2.0	-	2.2	4.0	0.4	4.4	0.2	68.6	8.5
	2017	1.0	1.2	1.4	-0.3	-	3.3	3.6	1.6	4.5	0.0	66.5	8.3
France	2015	1.2	1.5	1.4	0.9	-	6.0	6.4	0.1	10.4	-3.5	95.8	-1.5
	2016	1.2	1.6	1.3	1.8	-	1.9	4.6	0.5	10.2	-3.5	96.5	-1.1
	2017	0.3	0.7	1.0	-0.8	-	3.0	3.3	1.4	10.3	-3.4	97.5	-1.0
Italy	2015	0.6	0.9	-0.7	0.6	-	4.1	5.8	0.1	11.9	-2.6	132.7	2.2
	2016	0.6	1.1	0.9	0.8	-	0.1	1.3	0.1	11.8	-2.6	132.9	2.4
	2017	0.4	0.6	0.7	-0.6	-	3.2	3.3	1.4	11.5	-2.3	132.5	2.3
Spain	2015	3.2	3.1	2.7	6.4	-	5.4	7.5	-0.6	22.1	-5.1	99.2	1.4
	2016	2.4	2.8	2.1	2.8	-	2.4	4.0	-0.2	20.3	-4.0	100.5	1.5
	2017	1.1	1.4	1.3	0.3	-	2.9	3.2	1.7	19.0	-3.5	100.0	1.3
Finland	2015	0.7	1.4	-0.9	-1.4	-	0.6	-0.4	-0.2	9.4	-2.8	63.0	0.1
	2016	0.8	1.1	0.0	2.5	-	-1.0	0.0	0.4	9.2	-2.9	65.9	0.2
	2017	0.5	0.5	-0.5	1.5	-	2.0	1.5	0.5	9.0	-2.8	68.6	0.2

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	2015	2.4	3.1	0.7	4.0	0.2	1.1	4.9	0.1	5.3	-2.6	105	-2.7
	2016	1.7	2.7	0.9	0.6	-0.2	0.3	0.9	1.4	4.8	-2.9	105	-2.9
	2017	1.9	2.3	0.8	2.3	0.0	2.4	2.8	2.5	4.6	-2.8	103	-3.3
China	2015	6.8	-	-	-	-	-	-	1.7	4.2	-0.8	41.8	2.4
	2016	6.7	-	-	-	-	-	-	2.3	4.2	-0.8	42.8	2.3
	2017	6.6	-	-	-	-	-	-	2.0	4.3	-1.0	43.5	2.5
UK	2015	2.2	2.6	1.4	3.3	0.3	4.8	5.8	0.1	5.4	-5.0	87.4	-5.2
	2016	1.1	2.3	1.2	-2.9	0.2	2.6	3.0	0.8	5.2	-3.9	88.9	-5.5
	2017	-0.4	0.5	0.2	-3.4	0.0	2.0	2.4	2.4	5.6	-2.9	88.3	-5.2

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	02-Sep	0.50	0.84	1.03	1.45	111.8	-	665.6
	+3m	0.50	0.76	0.95	1.50	112.0	-	664.3
	+6m	0.50	0.75	0.95	1.60	114.0	-	652.4
	+12m	0.75	0.99	1.35	1.85	118.0	-	630.3
EUR	02-Sep	0.00	-0.30	-0.21	0.29	-	111.8	744.1
	+3m	0.00	-0.30	-0.22	0.35	-	112.0	
	+6m	0.00	-0.30	-0.15	0.50	-	114.0	743.8
	+12m	0.00	-0.30	-0.15	0.70	-	118.0	743.8
JPY	02-Sep	-0.10	-0.03	-0.08	0.12	115.8	103.6	6.43
	+3m	-0.10	-	-	-	114.2	102.0	6.51
	+6m	-0.10	-	-	-	118.6	104.0	6.27
	+12m	-0.10	-	-	-	122.7	104.0	6.06
GBP	02-Sep	0.25	0.39	0.44	0.76	84.3	132.7	882.9
	+3m	0.10	0.19	0.35	0.65	90.0	124.4	826.7
	+6m	0.10	0.19	0.35	0.80	95.0	120.0	782.9
	+12m	0.10	0.20	0.45	1.00	90.0	131.1	826.4
CHF	02-Sep	-0.75	-0.74	-0.67	-0.28	109.6	98.0	678.9
	+3m	-0.75	-	-	-	109.0	97.3	682.6
	+6m	-0.75	-	-	-	110.0	96.5	676.1
	+12m	-0.75	-	-	-	113.0	95.8	658.2
DKK	02-Sep	0.05	-0.20	-0.01	0.58	744.1	665.6	-
	+3m	0.05	-0.20	-0.02	0.71	744.0	664.3	-
	+6m	0.05	-0.20	0.00	0.74	743.8	652.4	-
	+12m	0.05	-0.20	0.00	0.84	743.8	630.3	-
SEK	02-Sep	-0.50	-0.54	-0.45	0.61	961.6	860.1	77.4
	+3m	-0.50	-0.55	-0.50	0.50	930.0	830.4	80.0
	+6m	-0.50	-0.50	-0.50	0.60	930.0	815.8	80.0
	+12m	-0.50	-0.50	-0.50	0.70	910.0	771.2	81.7
NOK	02-Sep	0.50	1.07	1.14	1.38	932.2	833.8	79.8
	+3m	0.25	0.75	1.00	1.45	930.0	830.4	80.0
	+6m	0.25	0.75	1.00	1.55	910.0	798.2	81.7
	+12m	0.25	0.65	1.00	1.75	890.0	754.2	83.6

Equity Markets

Regional		Risk profile 3 mth	Price trend 3 mth	Price trend 12 mth	Regional recommendations
USA (USD)	Strong domestic demand, USD weakening	Medium	-3 -+3%	0-5%	Overweight
Emerging markets (local ccy)	Commodities and China stabilising	High	-3 -+3%	0-5%	Overweight
Japan (JPY)	Stronger JPY, weak earnings outlook	High	-5 -+5%	0-3%	Underweight
Europe (excl. Nordics)	ECB monetary easing, weaker GDP growth	High	-5 -+5%	0-3%	Underweight
Nordics	Earnings growth, expensive valutaion	Medium	-3 -+3%	0-5%	Overweight

Commodities

		2016				2017				Average	
	02-Sep	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017
NYMEX WTI	44	34	46	49	50	52	54	56	58	45	55
ICE Brent	46	35	47	49	50	52	54	56	58	45	55
Copper	4,630	4,672	4,731	5,000	5,100	5,200	5,300	5,400	5,500	4,876	5,350
Zinc	2,338	1,687	1,930	2,150	2,150	2,150	2,150	2,100	2,100	1,979	2,125
Nickel	9,910	8,537	8,885	10,500	10,700	10,900	11,100	11,300	11,500	9,655	11,200
Aluminium	1,615	1,516	1,584	1,650	1,750	1,800	1,850	1,900	1,950	1,625	1,875
Gold	1,312	1,183	1,260	1,325	1,325	1,300	1,275	1,250	1,225	1,273	1,263
Matif Mill Wheat (€/t)	158	157	159	154	158	161	159	159	159	157	160
Rapeseed (€/t)	375	359	370	380	390	400	400	400	400	375	400
CBOT Wheat (USd/bushel)	367	466	470	450	475	500	510	520	530	465	515
CBOT Corn (USd/bushel)	314	363	391	380	390	400	410	415	420	381	411
CBOT Soybeans (USd/bushel)	964	881	1,059	1,175	1,175	1,175	1,150	1,125	1,100	1,072	1,138

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 36

During the week

				Period	Danske Bank	*Consensus*	Previous
Sat 03	EUR	ECB's Mersch speaks in Italy					
Sun 04	G20	G20 leaders meet in Hangzhou, China					

Monday, September 5, 2016

				Period	Danske Bank	*Consensus*	Previous
-	G20	G20 leaders meet in Hangzhou, China					
2:00	JPY	Labor cash earnings	y/y	Jul		*0.4%*	1.4%
2:30	JPY	Markit PMI services	Index	Aug			50.4
3:45	CNY	Service PMI	Index	Aug			51.7
8:30	SEK	PMI services	Index	Aug	54.0	*55.0*	57.8
9:15	ESP	PMI services	Index	Aug		*54.3*	54.1
9:30	SEK	Industrial production s.a.	m/m|y/y	Jul		*0.4%|...*	-0.4%|-1.4%
9:30	SEK	Service production	m/m|y/y	Jul			0.2%|3.8%
9:30	SEK	Industrial orders	m/m|y/y	Jul			0.7%|-1.6%
9:45	ITL	PMI services	Index	Aug		*51.8*	52.0
9:50	FRF	PMI services, final	Index	Aug		*52.0*	52.0
9:55	DEM	PMI services, final	Index	Aug		*53.3*	53.3
10:00	EUR	PMI composite, final	Index	Aug		*53.3*	53.3
10:00	EUR	PMI services, final	Index	Aug		*53.1*	53.1
10:30	GBP	PMI services	Index	Aug	49.1	*50.0*	47.4
10:30	GBP	PMI composite	Index	Aug		*49.5*	47.5
10:30	EUR	Sentix Investor Confidence	Index	Sep	4.7	*5.5*	4.2
11:00	EUR	Retail sales	m/m|y/y	Jul	0.7%|...	*0.5%|1.8%*	0.0%|1.6%

Tuesday, September 6, 2016

				Period	Danske Bank	*Consensus*	Previous
6:30	AUD	Reserve Bank of Australia rate decision	%		1.50%	*1.50%*	1.50%
7:45	CHF	GDP	q/q|y/y	2nd quarter		*0.4%|0.8%*	0.1%|0.7%
8:00	DEM	Factory orders	m/m|y/y	Jul		*0.6%|-0.1%*	-0.4%|-3.1%
9:00	DKK	Forced sales (s.a.)	Number	Aug			
9:00	DKK	Bankruptcies (s.a.)	Number	Aug			
9:15	CHF	CPI	m/m|y/y	Aug		*-0.1%|-0.1%*	-0.4%|-0.2%
11:00	EUR	GDP, final	q/q|y/y	2nd quarter		*0.3%|1.6%*	0.3%|1.6%
11:00	EUR	Gross fixed investments	q/q	2nd quarter		*0.0%*	0.8%
11:00	EUR	Government consumption	q/q	2nd quarter		*0.2%*	0.4%
11:00	EUR	Private consumption	q/q	2nd quarter		*0.3%*	0.6%
15:45	USD	Markit service PMI, final	Index	Aug		*51.1*	50.9
15:45	USD	Markit composite PMI, final	Index	Aug			51.5
16:00	USD	Fed's LMCI, change	m/m	Aug			1
16:00	USD	ISM non-manufacturing	Index	Aug	55.0	*55.4*	55.5
18:15	CHF	SNB's Jordan Speaks in Lucerne					

Source: Danske Bank Markets

Calendar — continued

Time	Currency	Wednesday, September 7, 2016	Unit	Period	Danske Bank	Consensus	Previous
-	GBP	BoE's Carney in hearing in the Parliament's Treasury Committee					
-	CNY	Foreign exchange reserves	bn. USD	Aug		3191	3201.1
-	PLN	Polish central bank rate decision	%		1.50%	1.50%	1.50%
1:50	JPY	Official reserves assets	USD bn	Aug			1264.8
3:15	USD	Fed's Williams (non-voter, neutral) speaks					
3:30	AUD	GDP	q/q|y/y	2nd quarter		0.4%|3.2%	1.1%|3.1%
7:00	JPY	Leading economic index, preliminary	Index	Jul		98.6	99.2
8:00	DEM	Industrial production	m/m|y/y	Jul	-0.1%|...	0.1%|0.1%	0.8%|0.5%
9:30	SEK	Riksbank, rate decision	%		-0.50%	-0.50%	-0.50%
9:30	SEK	Budget balance	SEK bn	Aug			3.7
9:30	GBP	Halifax house prices	m/m|3Ms/YoY	Aug		-0.3%|7.0%	1.0%|8.4%
10:00	NOK	Manufacturing production	m/m|y/y	Jul			-2.9%|-6.5%
10:00	NOK	Industrial production	m/m|y/y	Jul	1.5%|...		-5.1%|-8.7%
10:30	GBP	Industrial production	m/m|y/y	Jul		-0.3%|1.9%	0.1%|1.6%
10:30	GBP	Manufacturing production	m/m|y/y	Jul		-0.4%|1.6%	-0.3%|0.9%
13:00	USD	MBA Mortgage Applications	%				2.8%
16:00	GBP	NIESR GDP estimate	q/q	Aug			0.3%
16:00	CAD	Bank of Canada rate decision	%		0.50%	0.50%	0.50%
20:00	USD	Fed releases their 'Beige Book'					
		Thursday, September 8, 2016		Period	Danske Bank	Consensus	Previous
-	CNY	Trade balance	USD bn	Aug		58.4	52.3
-	CNY	Imports	y/y	Aug		-5.0%	-12.5%
-	CNY	Exports	y/y	Aug		-3.9%	-4.4%
1:01	GBP	RICS house price balance	Index	Aug		0.0	0.1
1:50	JPY	Bank lending	y/y	Aug			2.1%
1:50	JPY	GDP deflator, final	y/y	2nd quarter		0.8%	0.8%
1:50	JPY	GDP, final	q/q|ann.	2nd quarter		0.0%|0.2%	0.0%|0.2%
3:30	AUD	Trade balance	AUD m	Jul		-2700	-3195
7:00	JPY	Eco Watchers Survey Outlook (Current)	Index	Aug		46.8	47.1|45.1
8:00	DEM	Labour costs	q/q|y/y	2nd quarter			1.7%|3.1%
9:00	ESP	House price index	q/q|y/y	2nd quarter			0.4%|2.8%
9:00	DKK	Industrial production	m/m	Jul			-1.6%
9:00	DKK	Trade balance ex ships	DKK bn	Jul			7.7
9:00	DKK	Exports	m/m	Jul			
9:00	DKK	Current account (nsa|sa)	DKK bn	Jul			...|12.4
9:30	SEK	Average house prices	SEK m	Aug			2.775
9:30	SEK	Household consumption	m/m|y/y	Jul	n.a.|0.8%		-0.1%|2.9%
13:45	EUR	ECB's Draghi speaks at press conference					
13:45	EUR	ECB announces refi rate	%		0.00%	0.00%	0.00%
13:45	EUR	ECB announces deposit rate	%		-0.40%	-0.40%	-0.40%
14:30	USD	Initial jobless claims	1000				263
17:00	USD	DOE U.S. crude oil inventories	K				2276
21:00	USD	Consumer credit	USD bn	Jul		15.1	12.3
		Friday, September 9, 2016		Period	Danske Bank	Consensus	Previous
1:50	JPY	Money supply M2	y/y	Aug		3.3%	3.3%
3:30	CNY	PPI	y/y	Aug		-1.0%	-1.7%
3:30	CNY	CPI	y/y	Aug		1.7%	1.8%
6:30	JPY	Tertiary industry index	m/m	Jul		0.4%	0.8%
7:45	CHF	Unemployment	%	Aug		3.3%	3.3%
8:00	DEM	Trade balance	EUR bn	Jul		23.7	24.7
8:45	FRF	Industrial production	m/m|y/y	Jul		0.2%|0.7%	-0.8%|-1.3%
10:00	NOK	Core inflation(CPI-ATE)	m/m|y/y	Aug	-0.4%|3.4%		0.7%|3.7%
10:00	NOK	CPI	m/m|y/y	Aug			0.6%|4.4%
10:00	NOK	PPI	m/m|y/y	Aug			0.4%|-7.2%
10:30	GBP	Construction output	m/m|y/y	Jul		-1.0%|-3.7%	-0.9%|-2.2%
10:30	GBP	Trade balance	GBP mio.	Jul		-4238	-5084
13:45	USD	Fed's Rosengren (voter, dovish) speaks					
14:30	CAD	Net change in full time employment	1000	Aug			-71.4

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None.

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