

FX Forecast Update

ECB rate guidance delays EUR bounce

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Forecast review part I

- **EUR/NOK.** We think that Norges Bank initiating its hiking cycle marks an important fundamental trigger for sending EUR/NOK the next leg lower. Meanwhile, we still emphasise that the headwinds that we have been highlighting over the past months – not least weaker global growth, a stronger USD and improved structural NOK liquidity – remain present, which limits the downside potential. We ‘roll’ our forecast profile, lowering our 1M forecast to 9.40 (from 9.60) and our 3M forecast to 9.30 (9.40). We leave our 6M and 12M forecasts unchanged at 9.30 and 9.20, respectively.
- **EUR/SEK.** Our 1M 10.20 has been breached on the back of inflation data that is ‘OK-ish’, the Riksbank staying on track for now and continued, broad-based EUR weakness. We are currently near-term neutral on EUR/SEK but we do look for a wider range over the summer. We still think the Riksbank will postpone the first hike beyond 2018 and that this will weigh on the SEK later in H2. On balance, we lower our 1M forecast to 10.10 (10.20), 3M to 10.20 (10.30), 6M to 10.40 (10.50) and leave the 12M forecast at 10.20 (unchanged).
- **EUR/DKK.** Over the coming year, EUR/DKK will be in the hands of government finances (as that will be the determining factor for DKK liquidity and thus EUR/DKK FX forwards) and the political situation in Italy. We forecast EUR/DKK to stay around 7.4450 on 1-6M and to fall to 7.4425 on 12M (all unchanged) as there is a clear possibility that relatively tight liquidity will continue to support DKK into next year.
- **EUR/USD.** Short term we think the USD positives (carry appeal of USD, ECB on hold for an extended period, Italian debt risks) will dominate the longer-term EUR positive impulses stemming from valuation and a turn in capital flows. Specifically, we expect EUR/USD to trade broadly within the 1.15-1.21 range over the next 6M period. But our medium-term story remains unchanged: the capital outflows of recent years will fade as we move closer to the first ECB hike. Alongside valuation, this is set to support EUR/USD in 6-12M. We continue to see EUR/USD at 1.17 in 1M, 1.17 in 3M, 1.20 in 6M, and 1.25 in 12M (all unchanged relative to *FX Strategy: EUR/USD lower for longer - but not forever*, 8 June 2018).
- **EUR/GBP.** Given that inflation is slightly lower and the unemployment rate slightly higher than projected in May, the probability of a rate hike in August has declined slightly. Hence, while we have kept our forecast unchanged we stress that risks are skewed to the upside relative to our 1M and 3M forecast at 0.88 and 0.8650, respectively. Longer term, we still expect EUR/GBP eventually to trade lower driven by Brexit clarifications and fundamental valuations. We target EUR/GBP at 0.84 in 6M and 0.83 in 12M.

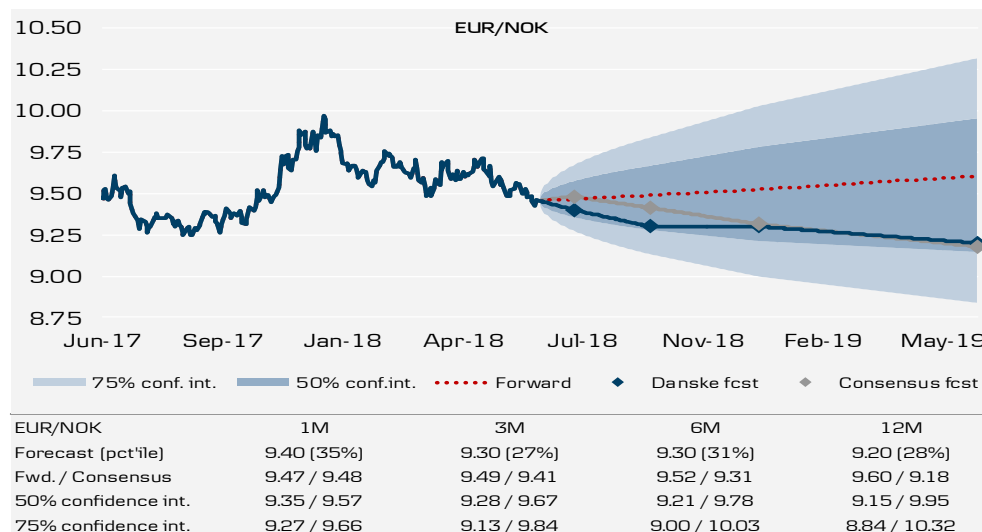
Forecast review part II

- **USD/JPY.** Over the medium term, we expect USD/JPY to remain underpinned by the continued global growth outlook and Fed-BoJ divergence, and we expect the cross eventually to settle in the 110-115 range. In the near term, we expect USD/JPY to trade within the 108-111.40 range. We target 110 in 1-3M, but stress that political uncertainty in Japan represents a downside risk factor for USD/JPY ahead of the Liberal Democratic Party's (LDP) leadership election in September.
- **EUR/CHF.** We think the SNB will remain reluctant to change its course with the first ECB hike still distant, which should allow EUR/CHF to edge gradually higher into 2019 as the era of negative rates slowly grinds to an end. We have lowered our near-term EUR/CHF profile due to the level shift seen on Italy in particular – and to some extent the ECB – lately, and now look for 1.16 in 1M, 1.16 (prev. 1.19) in 3M, 1.19 (1.21) in 6M and 1.22 (1.23) in 12M.
- **AUD, NZD, CAD.** Despite USD strength, looming trade wars and clear signs of weaker global growth, the commodity currencies, especially the NZD and AUD, have kept up well and we think that picture will remain as long as USD strength does not become more pronounced. In terms of the monetary policy outlook we raise our 12M calls to three 25bp rate hikes from Bank of Canada (from two) but leave unchanged our calls of one 25bp rate hike from both the Reserve Bank of Australia (RBA) and the Reserve Bank of New Zealand (RBNZ). Fundamentally, CAD seems slightly undervalued whereas AUD and NZD seem closer to fair value (versus USD). We forecast AUD/USD at 0.75 in 1M (unchanged), 0.76 in 3M (unchanged), 0.77 in 6M (unchanged) and 0.78 in 12M (unchanged); NZD/USD at 0.69 in 1M (unchanged), 0.70 in 3M (unchanged), 0.71 in 6M (unchanged) and 0.73 in 12M (unchanged). Finally, we forecast USD/CAD at 1.30 in 1M (from 1.28) 1.27 in 3M (unchanged), 1.25 in 6M (unchanged) and 1.23 in 12M (unchanged).
- **USD/CNY.** We expect the high correlation with EUR/USD to continue. As we have recently revised lower our 12M EUR/USD forecast to 1.25 (from 1.28), we also make a slight adjustment to the USD/CNY forecast. We now look for 6.25 in 12M (from 6.20). This implies a downward adjustment to our EUR/CNY forecast as we now look for 7.81 in 12M (from 7.94).
- **EMEA.** EM currencies generally continue to be challenged by higher US rates, tighter US liquidity and a stronger USD, but we stress that the sell-off remain fairly contained, i.e. the pressure is confined to the more vulnerable EMs with idiosyncratic problems. With the ECB effectively on hold and wage-price pressure mounting – notably in Poland, Hungary and the Czech Republic – the EMEA currencies in particular should stay supported vis-à-vis EUR near term.

EUR/NOK – prepare for next leg lower

- **Growth.** After a soft patch, the recent set of data releases have been encouraging in terms of confirming the improved growth outlook in Norway. The Regional Network Survey suggested an accelerating growth outlook with oil service companies in particular reporting higher growth as the oil west coast continues to recover. The housing market has also showed a quite substantial rebound over the past months with the seasonally adjusted series now back at the same level before house prices headed south in 2017. Inflation has continued to disappoint to the downside. However, our ‘core’ measure has continued to edge higher and this is important for the monetary policy outlook.
- **Monetary policy.** As expected, Norges Bank kept rates unchanged at the May interim meeting whilst giving very little news to markets. The central bank concluded that: *‘Overall, the outlook and the balance of risks do not appear to have changed substantially since the March Report.’* At the forthcoming June meeting we expect the central bank to lower its rate path but reiterate that rates most likely will be raised in September. Apart from a September hike we pencil in two additional hikes in 2019 (March and September).
- **Flows.** Foreign banks (proxy for speculative flows) have net sold NOK over the past few months. We now estimate that positioning has become much more balanced, again re-opening the potential for NOK-strength.
- **Valuation.** From a long-term perspective, the NOK seems fundamentally undervalued. Our PPP model has 8.52 as ‘fair’.
- **Risks.** The biggest risk factor to our forecast is broad-based USD strength and/or a global risk-off event, which would weigh on the NOK directly and indirectly via the oil price. Also, the risk that we underestimate the impact of a Chinese slowdown is relevant, as commodity FX in recent years has traded in a remarkably synchronised way, turning points coinciding with the Chinese cycle.

Forecast: 9.40 (1M), 9.30 (3M), 9.30 (6M), 9.20 (12M)



Source: Danske Bank

- **Conclusion.** We think that Norges Bank initiating its hiking cycle marks an important fundamental trigger for sending EUR/NOK the next leg lower.

Meanwhile, we still emphasise that the headwinds that we have been highlighting over the past months – not least weaker global growth, a stronger USD and improved structural NOK liquidity – remain present, which limits the downside potential.

We ‘roll’ our forecast profile, lowering our 1M forecast to 9.40 (from 9.60) and our 3M forecast to 9.30 (9.40). We leave our 6M and 12M forecasts unchanged at 9.30 and 9.20, respectively.

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EUR/NOK – important issues to watch

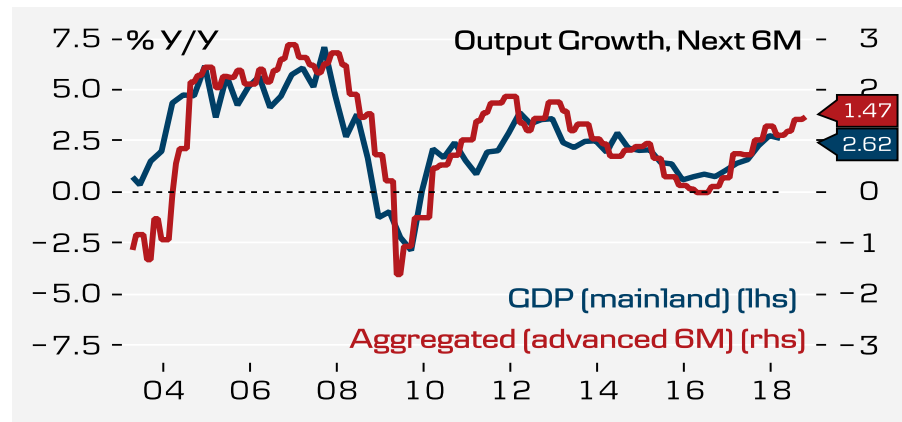
Regional Network Survey suggests accelerating growth outlook

- The Regional Network survey marked the last key release ahead of the 21 June Norges Bank meeting. The release showed that the aggregate output score for the next 6M rose to 1.47 (from 1.42), which translates into an average quarterly growth rate of roughly 0.74% in the coming quarters. This was slightly better than Norges Bank's expectations which alongside details showing rising pressures on capacity utilisation confirm our expectations of a Norges Bank September rate hike (see below).
- The details of the Regional Network Survey unsurprisingly showed that it was the oil service companies in particular (strongest since 2014), construction and commercial service industries that reported a stronger growth outlook. On the other hand, household services, export industries and retail reported somewhat weaker growth prospects.

Norges Bank to lower rate path BUT remain firm on September hike

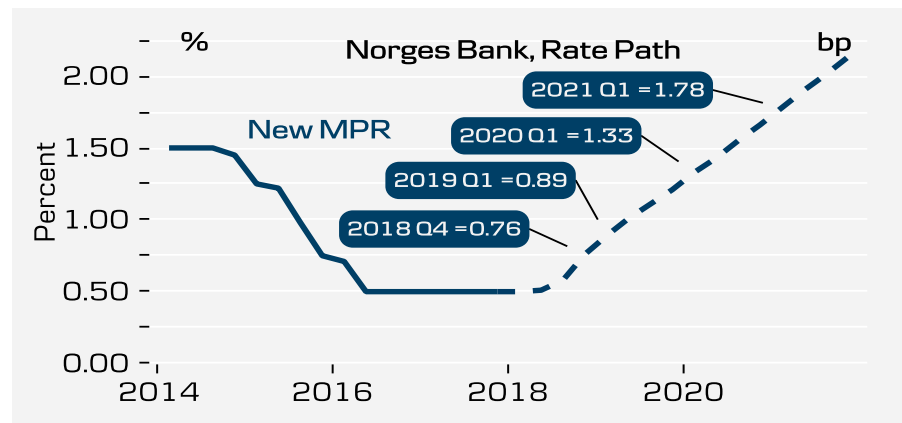
- In line with Bloomberg consensus, we expect no policy rate changes from Norges Bank at the 21 June monetary policy meeting. Lower global rates and lower-than-expected inflation will lead to a negative revision to the rate path as these factors more than counter the positive impact from higher oil prices and a weak NOK.
- Meanwhile, we think Norges Bank will stick to its signal of a September rate hike as its 'judgement factor' could be used as a positive contributive factor for the path amid high household debt levels and a stronger-than-expected rebound in house prices.
- We expect Norges Bank to hike rates in September this year as well as in March and September 2019.

Rising capacity utilisation is an argument for a Norges Bank September hike



Source: Macrobond Financial, Norges Bank, Danske Bank

Norges Bank to lower rate path but maintain September hike signal



Source: Macrobond Financial, Norges Bank, Danske Bank

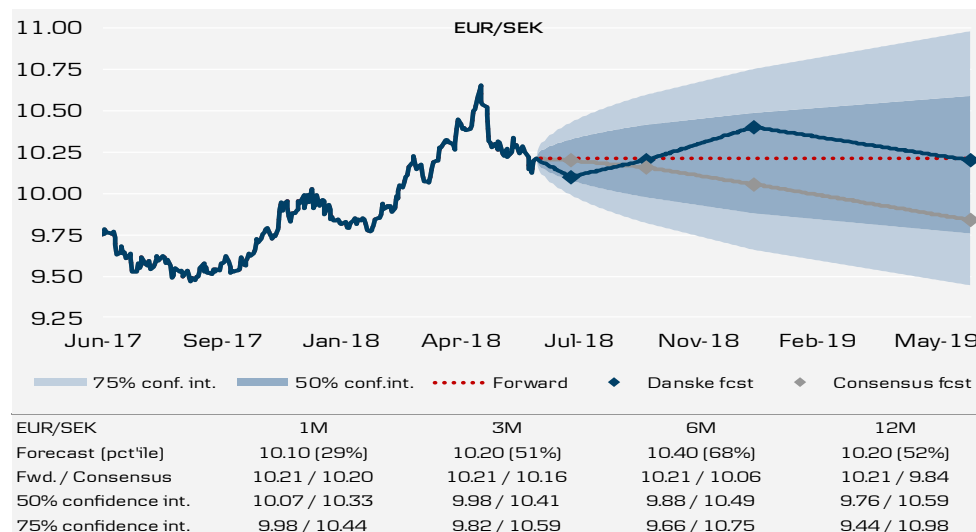
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EUR/SEK – the Riksbank and Italy in focus

- **Growth.** GDP growth in Sweden has peaked and is now set for a sharp slowdown in 2018. Our 1.6% y/y full-year estimate is on the low side of Bloomberg consensus 2.6%. The Riksbank revised its 2018 forecast to 2.6% (2.8), which is still too optimistic in our view. The drag on growth stems mainly from a sharp slowdown in housing investments and soft private consumption. The slight support that we see from net exports is far from enough to outweigh the negative dynamics from domestic demand. Slower growth normally means weaker SEK (higher EUR/SEK).
- **Monetary policy.** We expect CPIF inflation to be relatively close to the Riksbank's forecast in the coming months, which suggests that a first rate hike in line with the Riksbank's forecast cannot be ruled out. The Riksbank will probably stick to its April rhetoric at the July meeting, thus indicating a first hike in Q4. However, if the Riksbank puts more emphasis on the core measure, which runs at around 1.5%, it should decide to delay its first hike until next year (or later). Eventually we think that it will do that. The message from the ECB that it will stay on hold with rates until at least after next summer suggests a softer stance from the Riksbank too. If market expectations of a hike this year are kept alive, the SEK may get some near-term tailwind. However, our main scenario of no hike this year means that the Riksbank will be repriced and EUR/SEK go higher in H2.
- **Flows.** While natural SEK buyers may see high EUR/SEK levels as an excuse to raise hedge ratios, negative carry works the other way.
- **Valuation.** EUR/SEK is clearly expensive relative to medium- to long-term models, even after the recent correction. Notably, the SNDO's decision to take a long position in SEK is based on valuation, see our [FX Strategy](#) comment of 25 May.
- **Risks.** The main risk to our relatively bearish view on the SEK is if we are wrong on inflation. So far the Italian crisis has not had any significant impact on the cross except from intraday volatility. It is a potential risk, though. If things turns really ugly, one could see risk off SEK selling (most likely) or triple A SEK buying (less likely in our view, but not ruled out).

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Forecast: 10.10 (1M), 10.20 (3M), 10.40 (6M), 10.20 (12M)



Source: Danske Bank

- **Conclusion.** Our 1M 10.20 has been breached on the back of inflation data that is 'OK-ish', the Riksbank staying on track for now and continued, broad-based EUR weakness. We are currently near-term neutral on EUR/SEK but we do look for a wider range over the summer, which we expressed in a recommendation in [Reading the Markets Sweden](#), 25 May 2018: selling a 3M strangle where one sells a 10.10 put and sells a 10.40 call (spot ref 10.25). We still think that the Riksbank will postpone the first hike beyond 2018 and that this will weigh on the SEK later in H2. On balance, we lower our 1M forecast to 10.10 (10.20), 3M to 10.20 (10.30), 6M to 10.40 (10.50) and leave the 12M forecast at 10.20.

EUR/SEK – important issues to watch

Riksbank set to stick to its rate hike rhetoric in July

- In July, we expect the Riksbank to leave its repo rate path intact which means a first hike in Q4 (10bp in October is what the rate path implies), while inflation is sufficiently close to its forecast. This should lend near-term support to the SEK (reflected in our 1M forecast).
- The Riksbank is still too optimistic on medium-term inflation though as well as on GDP growth. Meanwhile, the 'European elephant' is in our view on hold until late next year. Therefore, we expect the Riksbank will eventually adopt a softer stance and postpone the first hike until next year. This should put upward pressure on EUR/SEK (cf. 6M forecast).

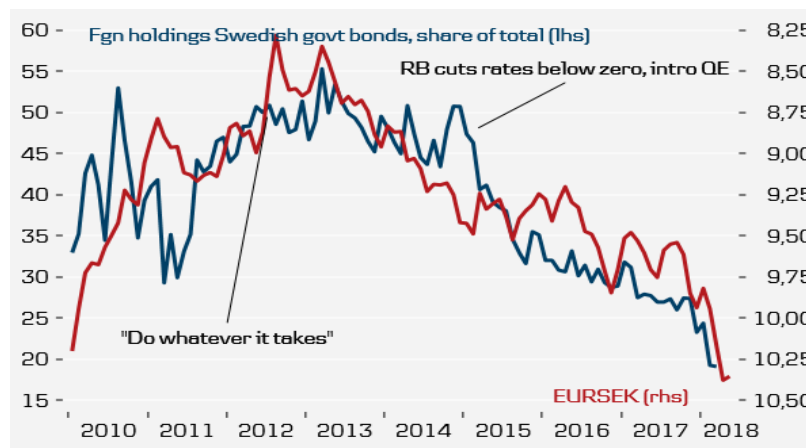
Italian turmoil and the SEK

- The ups and downs in Italy have not had a big effect on the SEK so far except for intraday volatility. That is not a guarantee it will not have bigger effects on the cross going forward should the situation deteriorate substantially (not our base case).
- But IF it happens the upside risk in EUR/SEK related to risk sentiment is, in our view, greater than the downside risk related to Swedish triple A buying. We have written about this in Reading the Markets Sweden [25 May](#) and [8 June](#). As for the second risk, the chart to the right illustrates the close relation between EUR/SEK and foreign holdings of SGB's, especially after 'do whatever it takes' and the Riksbank's ultra-easy policy.

Sell SEK over the summer from a seasonal point of view?

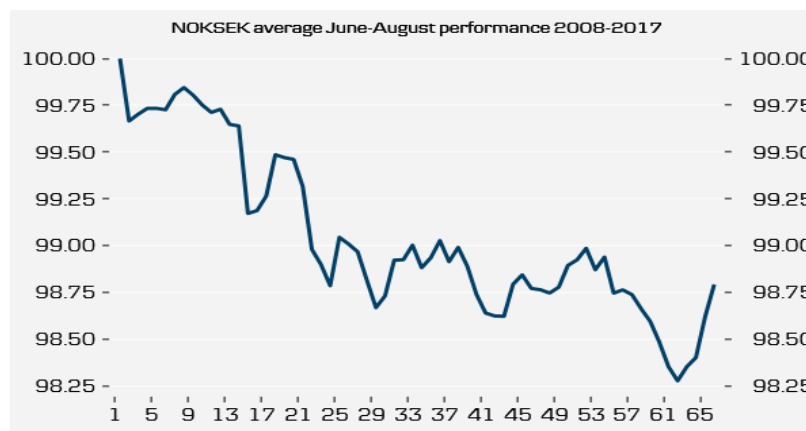
- One should not buy SEK but rather NOK over the summer according to seasonal patterns. We find no strong seasonality in EUR/SEK over the summer, where the cross is higher in six out of the last ten years in June, July and August. A somewhat more compelling pattern is found in NOK/SEK which is higher in seven out of the last ten years in June and then continued lower in July-August, see also [RtM Sweden](#), 25 May.

Foreign holdings of SGBs vs EUR/SEK



Source: Macrobond Financial, Danske Bank

NOK/SEK summer patterns 2008-17: it's a buy!



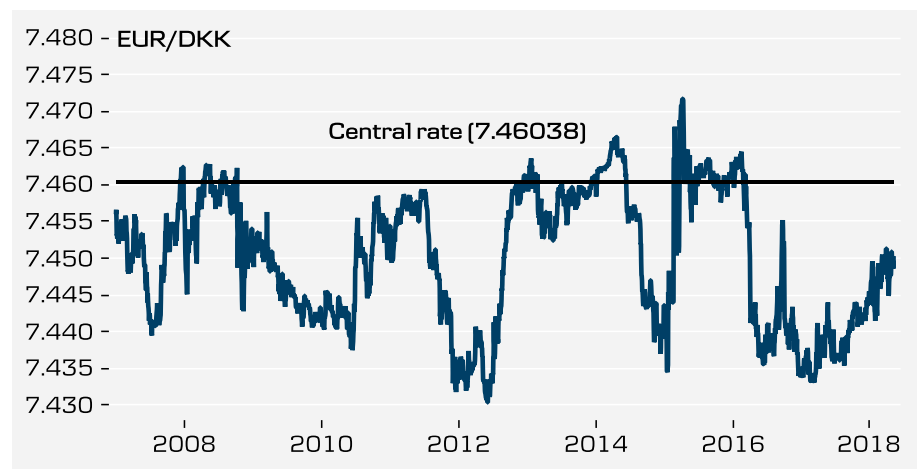
Source: Macrobond Financial, Danske Bank

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EUR/DKK – in the hands of government finances and Italian politics

- **FX.** Italian political concerns caused the market for EUR/DKK to awaken somewhat. EUR/DKK traded in the broad range of 7.44-45 during the weeks where Italian politics were in focus. It did not prompt a reaction from Danmarks Nationalbank (DN) though who stayed on the sidelines for another month. In our view, DN will stay here unless EUR/DKK falls towards the 7.4330-40 level where it sold DKK in FX intervention in February and March last year. We forecast EUR/DKK at 7.4450 on 1-6M falling to 7.4425 on 12M – unchanged from last month. If the political situation in Italy deteriorates and concerns about the ramifications for the EUR starts to flare then we could see EUR/DKK trade lower than what we forecast.
- **Rates & Forwards.** We expect DN to keep the rate of interest on certificates of deposit unchanged at minus 0.65% on 12M. Should ECB hike within the forecast horizon (not our base case), we expect DN to mirror the rate increase correspondingly. Shorter-dated EUR/DKK FX forwards have normalised somewhat after trading at relatively high levels as concerns about too tight DKK liquidity have eased somewhat. Longer-dated EUR/DKK FX forwards have moved significantly to the left mirroring the drop in DKK rates.
- **Flows.** The Danish current account surplus remains elevated which creates fundamental support for DKK. A high savings rate and low investment activity should maintain this situation in the coming years. Denmark has significant exposure to the US as around 1/3 of the surplus is earned in the US.
- **Regulation.** On 1 January 2018, the liquidity coverage ratio for non-SIFI banks was raised to 100%. From Q1, banks are required to report the net stable funding ratio.

Forecast: 7.4450 (1M), 7.4450 (3M), 7.4450 (6M), 7.4425 (12M)



Source: Danske Bank

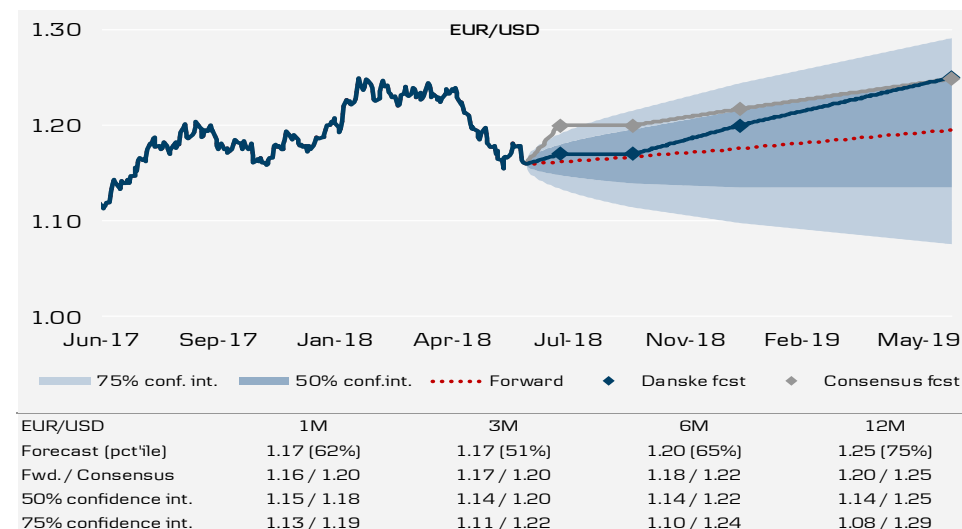
- **Liquidity.** The net position bottomed around Easter and is set to rise back up during Q2 and further rise in H2. The government has scaled down net issuance to relieve the strain on liquidity from the improvement in government finances seen this year. This reduces the risk of liquidity staying too tight on 6-12M.
- **Conclusion.** Over the coming year, EUR/DKK will be in the hands of government finances (as that will be the determining factor for DKK liquidity and thus EUR/DKK FX forwards) and the political situation in Italy. We forecast EUR/DKK to stay around 7.4450 on 1-6M and to fall to 7.4425 as there is a clear possibility that relatively tight liquidity will continue to support DKK into next year.

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EUR/USD – lower for longer...but not forever

- **Growth.** Eurozone growth momentum has continued to wear off but notably from high levels, and we expect GDP growth to stay at a healthy 1.6% q/q (ar) for the remainder of the year, i.e. a soft landing. US activity has held up relatively well, albeit some loss of momentum has been seen lately, US PMIs remain at elevated levels. We maintain that the US economy holds a favourable cyclical position, not least due to Trump's fiscal boost. Notably, eurozone confidence indicators could take another hit with trade tensions lingering over the open eurozone economy.
- **Monetary policy.** The ECB opted to put an end date to QE but effectively managed to keep rate-hike expectations at bay by its new time-dependent forward guidance, suggesting that the earliest meeting at which a hike can be delivered is September 2019; we still call for December 2019. The Fed delivered the widely expected 25bp hike in June and will most likely deliver two more hikes this year. The outlook for relative rates is thus still tilted in favour of a lower EUR/USD and notably there has been evidence of a recoupling of the spot with this factor lately.
- **Flows.** Positioning has become much less stretched on EUR/USD longs since peaking mid-April and is now much closer to neutral from a historical perspective. We still see a case for eurozone capital outflows to fade and support EUR as ECB 'normalises' policy; the first signs of this are now visible but do not expect an acceleration yet (see overleaf).
- **Valuation.** Our Medium-term Valuation (MEVA) model still suggests 1.28 is 'fair' for the cross, not far from our PPP estimate of 1.29.
- **Risks.** The risk of an Italian debt crisis will linger for some time and another rise in the EUR debt risk premium in place cannot be ruled out. US funding needs are fuelling more upward pressure on US rates relative to the euro-area than we expect as a result of the US fiscal boost. Tighter USD funding conditions have so far mainly fuelled upward pressure on EUR/USD forwards but hold the potential for spot downside.

Forecast: 1.17 (1M), 1.17 (3M), 1.20 (6M), 1.25 (12M)



Source: Danske Bank

- **Conclusion.** Short term we think the USD positives (carry appeal of USD, an ECB on hold for an extended period, Italian debt risks) will dominate the longer-term EUR positive impulses stemming from valuation and a turn in capital flows. Specifically, we expect EUR/USD to trade broadly within the 1.15-1.21 range over the next 6M period.
- But our medium-term story remains unchanged: the capital outflows of recent years will fade as we move closer to the first ECB hike. Alongside valuation, this is set to support EUR/USD in 6-12M.
- We revised our forecast profile down in *FX Strategy: EUR/USD lower for longer - but not forever* 15 June, and keep it intact, meaning we continue to see EUR/USD at 1.17 in 1M, 1.17 in 3M, 1.20 in 6M, and 1.25 in 12M.

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EUR/USD – important issues to watch

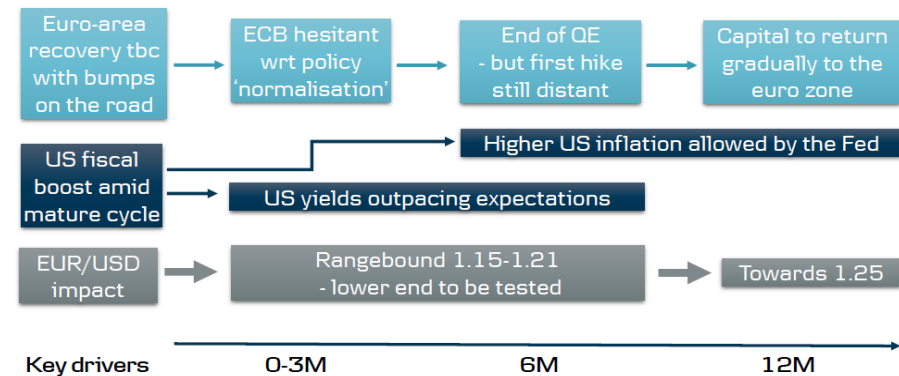
EUR/USD caught in 1.15-1.21 range for an extended period

- While valuation and ECB on a gradual exit track are lingering EUR supportive factors further out, these are currently countered by:
- ECB's time-dependent forward guidance** effectively deters the market from pricing in hikes before September 2018 and thus keeps EUR-positive capital inflows at bay.
- The carry on USD** continues to rise and has now seemingly reached a critical level with first evidence of USD recoupling with rates. With the short-end EA-US rate differential set to move lower near term, this factor could continue to weigh on EUR/USD.
- Italian government formation** has put the course for Italian debt to GDP back on the agenda, and an Italian debt risk premium is set to stick to EUR until a clearer verdict on fiscal sustainability can be made.

ECB 'on hold' – but first signs of eurozone capital outflows fading

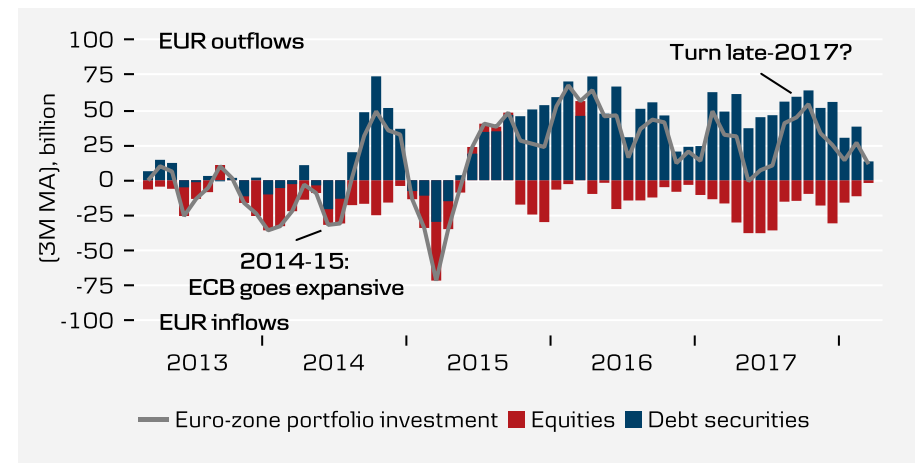
- We have long argued that the ECB's gradual 'normalisation' process holds the potential to lure capital back to the eurozone as more debt securities are dragged into positive-yielding territory. Some first signs of this happening on the debt side are in fact materialising: while eurozone equity inflows have faded during the recent soft patch activity-wise, the long-standing outflows in debt securities are wearing off. We do not expect an acceleration just yet though as the ECB remains hike hesitant.
- But keep an eye on reserve managers: as these tend to act on an unhedged basis and anecdotal evidence suggests that a good deal of these are currently 'locked out' of eurozone investment due to the large share of negative yielding assets, the eventual return of these holds the potential to support EUR on a wider scale.

The short guide to EUR/USD on the 0-12M horizon



Source: Danske Bank, Macrobond Financial

Eurozone capital flows turning: equity inflows fading, debt outflows abating



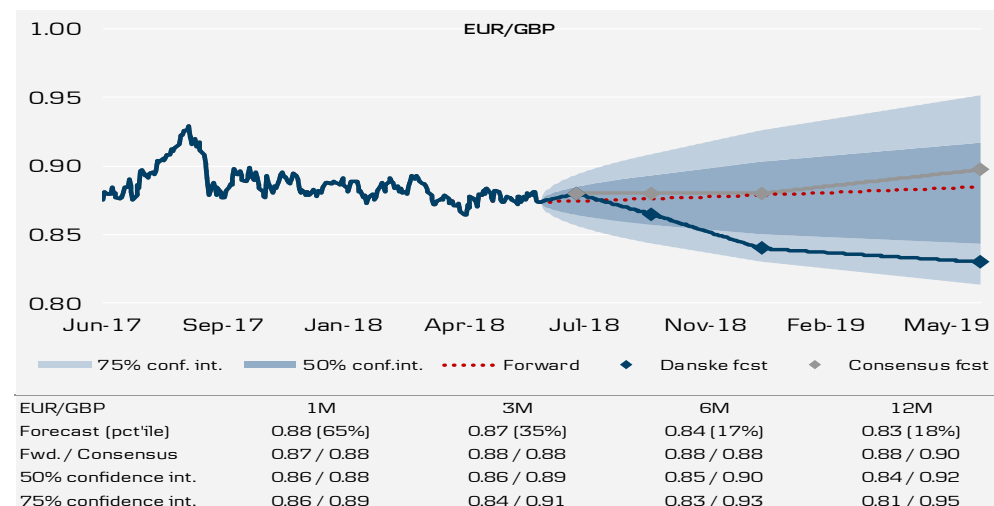
Source: Danske Bank, Macrobond Financial

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EUR/GBP – Brexit and dimmed hopes of growth rebound weigh on GBP

- Growth.** Following a weak Q1 GDP print which showed that the UK economy expanded 0.1% q/q, the key question is to what extent activity rebounds in Q2. The PMI figures for May indicate some rebound ahead, but hard data released in May and June so far cannot confirm this. CPI inflation was unchanged 2.4% y/y in May. We still expect the downward pressure on CPI inflation to continue this year due to the fading impact of the previous depreciation of sterling. We forecast CPI inflation at 2.4% y/y by the end of 2018.
- Monetary policy.** The Bank of England (BoE) kept the Bank Rate unchanged in May (vote count 7-2) as expected. In our view, the BoE signalled that the hiking cycle has been postponed, not cancelled, but there will be fewer rate hikes than previously thought. Given inflation is slightly lower and unemployment rate slightly higher than projected in May, the probability of a rate hike already in August has declined slightly. The market is pricing around 50% probability of a rate hike in August. See overleaf for more details on BoE.
- Flows.** Non-commercial long GBP positions have been reduced significantly and positioning is now neutral. The UK runs a current-account deficit, notably against EU countries, which is a fundamental supporting factor for EUR/GBP. However, the basic balance of the UK balance of payments recorded the first net inflows into the UK seen in four quarters, and continued recovery in foreign investors' appetite for UK assets supports the case for a stronger GBP over the medium term.
- Valuation.** GBP remains fundamentally undervalued: our G10 MEVA model puts EUR/GBP at 0.77 (our Brexit-corrected MEVA estimate for the cross is around 0.83), while our PPP estimate is 0.76.
- Risks.** In our view, uncertainty regarding Brexit negotiations should keep GBP undervalued and volatile for longer. Timing the market's repricing of a Brexit risk premium is nearly impossible.

Forecast: 0.88 (1M), 0.8650 (3M), 0.84 (6M), 0.83 (12M)



Source: Danske Bank

- Conclusion.** Given that inflation is slightly lower and the unemployment rate slightly higher than projected in May, the probability of a rate hike in August has declined slightly. Hence, while we have kept our forecast unchanged we stress that risks are skewed to the upside relative to our 1M and 3M forecast at 0.88 and 0.8650, respectively.
- Longer term, Brexit still remains a key driver for GBP, and while uncertainty remains high, we still expect EUR/GBP eventually to trade lower driven by Brexit clarifications and fundamental valuations. The turn in capital flows and FDI flows back into the UK, as indicated in the latest balance of payment data, suggest that a key headwind to GBP seen in Brexit is reversing, supporting the case for additional GBP appreciation over the medium term. We target EUR/GBP at 0.84 in 6M and 0.83 in 12M.

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EUR/GBP – important issues to watch

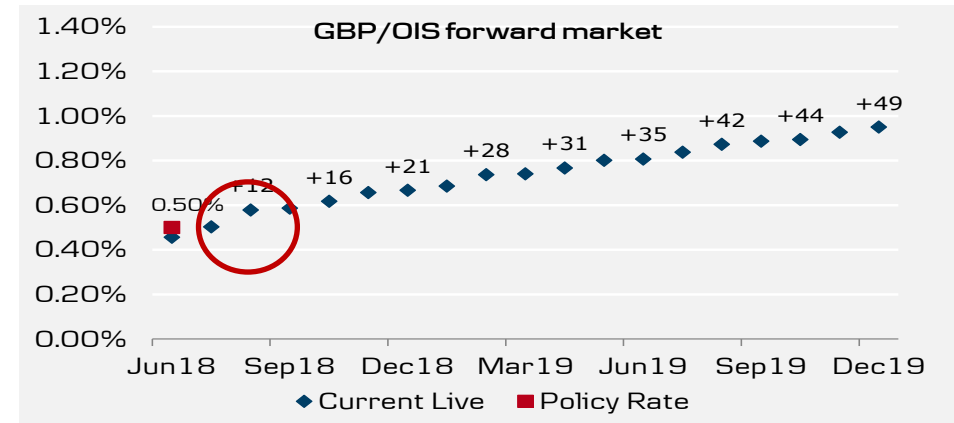
Probability of August rate hike has declined – timing data-dependent

- At the May meeting, the Bank of England stayed on hold, as it wanted more time to see whether the weakness in data was temporary or not, indicating that timing of the next BoE rate hike remains highly data dependent. Data released in May and June has been rather mixed as hard data so far cannot confirm the improvement indicated by the rebound in soft data, and given inflation is slightly lower and unemployment rate slightly higher than projected in May, the probability of a rate hike in August has declined slightly. The market is pricing around 50% probability of a rate hike in August, while the first full 25bp rate hike is priced to arrive in February 2019. We see the market's pricing as fair for now.

May under pressure as UK politicians are divided on Brexit

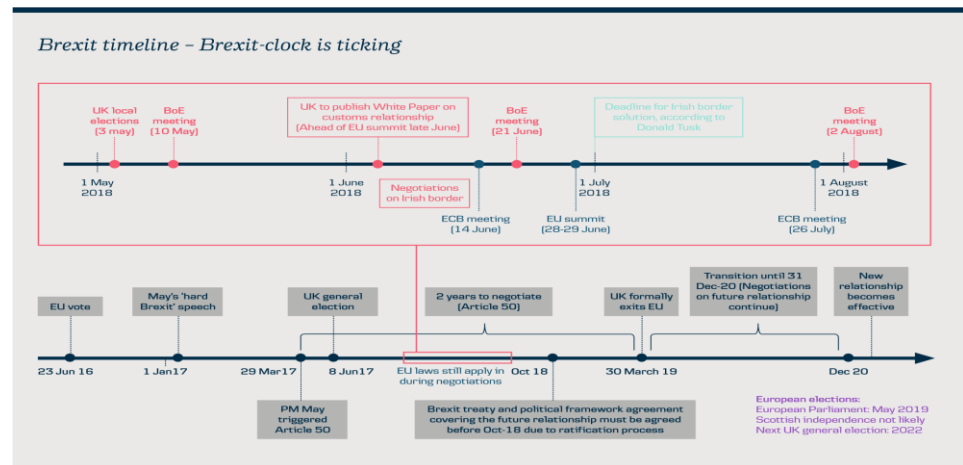
- The biggest obstacle in the Brexit negotiations remains the Irish border, as both the UK and EU want to avoid a hard border, which is difficult with the respective red lines. Moreover, the UK politicians are very divided on what the future customs relationship with the EU should look like and to what extent parliament should have a meaningful vote on the final deal. Hence, pressure on Prime Minister Theresa May and her government continues to increase in order to find a way to unite the opposing Brexit blocs within the conservative Party before they derail the government.
- At this point, we think the probability of a hard Brexit (defined as the UK leaving the single market and probably the customs union) is 80%. However, this is not the same as saying it is going to be a disorderly cliff-edge Brexit. Our base case for Brexit remains what we call a 'decent Brexit' in which the final deal for the future relationship looks something like the EU-Canada CETA deal.

Market is pricing close to 50/50 (12bp) for a rate hike in August



Source: Danske Bank

Brexit timeline: October deadline remains key



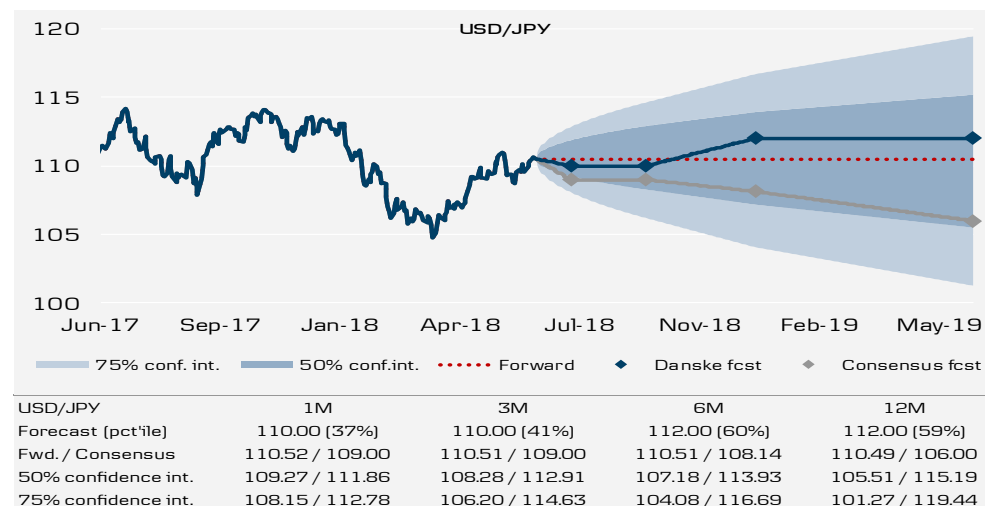
Source: Danske Bank

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USD/JPY – Japanese politics a downside risk factor

- Growth.** Economic activity has slowed down in Japan this year after a very strong 2017. Q1 GDP-growth was slightly negative for the first time since 2016. Despite the ‘dip’ in Q1, the growth outlook remains unchanged and we forecast it will slow to 1.0% in 2018. Although growth rates have been moderate in a historic context during the recent year, the economy has operated above long-term potential since end-2016, that is the output gap is positive, and the labour market has reached a tightness of historic proportions. CPI inflation remains sluggish with the nationwide CPI index rising just 0.6% y/y in April down from 1.1% y/y in March.
- Monetary policy.** The Bank of Japan (BoJ) kept its monetary policy unchanged with an 8-1 vote at its June meeting. The BoJ downgraded its assessment of inflation and now sees the CPI inflation in a range of 0.5-1% which indicates that the BoJ might revise down its inflation outlook when it releases its quarterly forecast update in July. We expect the Bank of Japan to stay on hold for the coming 12 months.
- Flows.** Japan runs a sizeable current-account surplus, while the opposite is the case for the US. Short JPY positions have been reduced significantly over the past couple of months, and speculative positioning is now neutral suggesting that USD/JPY risks have become more symmetrical from a positioning point of view.
- Valuation.** PPP is around 80, while our MEVA model suggests 104 is ‘fundamentally’ justified.
- Risks.** We expect political uncertainty in Japan to increase and likely weigh on USD/JPY over the summer ahead of the Liberal Democratic Party’s (LDP) leadership election, which has to be held no later than in September 2018. In addition, concerns about the Trump administration’s protectionist agenda and the case for higher inflation in the US also represent downside risks to USD/JPY.

Forecast: 110 (1M), 110 (3M), 112 (6M), 112 (12M)



Source: Danske Bank

- Conclusion.** USD/JPY remains highly correlated with the 10Y US treasury yield and the combination of a neutral speculative JPY positioning and higher US 10Y yields is likely to remain a supporting factor for USD/JPY. Political uncertainty in Japan is likely to weigh on USD/JPY over the summer ahead of the Liberal Democratic Party’s (LDP) leadership election in September, and we expect USD/JPY to trade within the 108-111.40 in the coming months targeting 110 in 1-3M.
- Over the medium term, we expect USD/JPY to remain underpinned by the continued global growth outlook and Fed-BoJ divergence, and we expect the cross eventually to settle in the 110-115 range in 6-12M targeting 112 in 6-12M.

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USD/JPY – important issues to watch

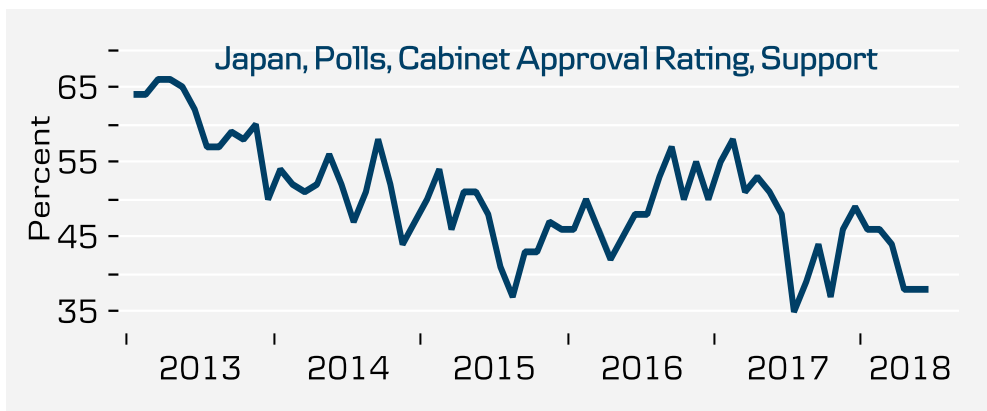
Politics is a JPY appreciation risk

- Abe's approval ratings have plummeted this Spring, as last year's scandal about a discounted sale of a plot of state-owned land in Osaka has regained attention. The Liberal Democratic Party (LDP) will hold internal leadership elections in September, which effectively chooses Japan's next prime minister, and politics could very well re-emerge as a risk if the government's approval rating deteriorates further over the Summer.
- In the coming month, the development in PM Abe's approval ratings and whether Finance Minister Aso has to resign are key factors to monitor.
- If Abe is replaced (or decides to step down), the political pressure on the BoJ to meet the inflation target as quickly as possible could ease as other candidates have expressed concern about Abe's accommodative fiscal stance and the ultra-loose monetary policy. Hence, in a scenario where Abe is replaced, markets are likely to price in a more moderate approach from the BoJ and lead to JPY appreciation pressure.

Weak wage figures in April reduce the case for wage-driven inflation in the near term

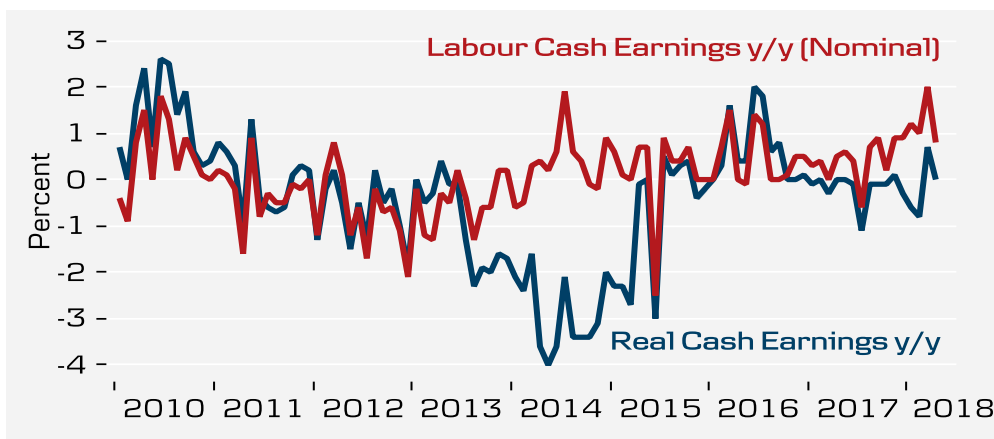
- Japanese wages rose strongly in March, but fell short of expectations in April. As such, the 'back to trend' wage growth in April has reduced hopes that the tight labour market finally was driving wages higher.
- We will monitor the development in the labour market and wages closely for any signs that the wages may accelerate further as this remains a key element for Bank of Japan which is still struggling to push inflation higher.

Abe's approval ratings have plummeted



Source: Macrobond Financial, Danske Bank

Japanese wages jumped in March but fell short of expectations in April



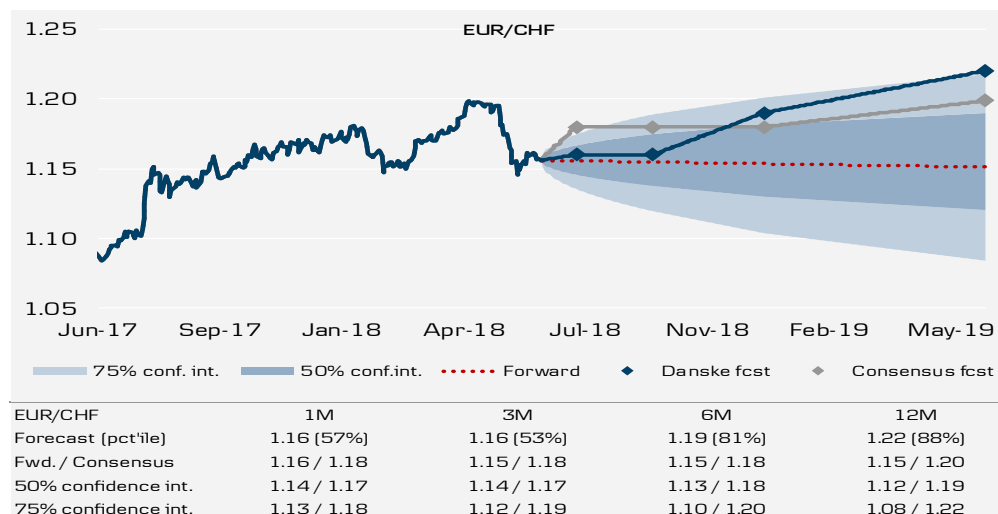
Source: Macrobond Financial, Danske Bank:

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EUR/CHF – SNB to shadow hiking-hesitant ECB

- **Growth.** The Swiss economy remains in decent shape with GDP growth at 0.6% q/q (swda) in Q1. That said, some weakening in leading indicators has been witnessed recently, if from rather elevated levels. Unemployment remains steadily low, and inflation continues to pick up, albeit from very low (deflationary) levels.
- **Monetary policy.** We expect the SNB to keep both the Libor midpoint and the sight deposit rate unchanged at -0.75% at the June meeting. Since the March meeting it has been down and back up again for the effective CHF, which we still think is crucial to the SNB. The question is whether this is enough for the SNB to drop its reference to the possibility of FX intervention in its policy statement. Following the ECB's QE exit, there is a risk that the SNB could drop its long-standing reference to the possibility of FX intervention in its policy statement. But in light of the latest bout of CHF strength, not least due to Italian debt risks, we deem that it is too early for the SNB to change its course and expect it to maintain the view that the CHF is 'highly valued' as well as keep open the intervention option.
- **Flows.** Speculators are now stretched on CHF shorts versus close to neutral on EUR (from a historical perspective); this makes EUR/CHF vulnerable on the downside still. Switzerland has likely seen some inflows as Italian debt risks surfaced and SNB will stay alert to this and is unlikely to set such flows free prematurely by shifting its course.
- **Valuation.** Both our G10 MEVA and PPP models suggest the cross should move higher over the medium to long term with both at 1.27.
- **Risks.** Further, the lingering tensions over Italian fiscal sustainability are a possible source of CHF strength looming ahead of the new government's September budget. With the ECB on hold, the SNB has little room to 'normalise' policy as it still needs to avoid a lower EUR/CHF.

Forecast: 1.16 (1M), 1.16 (3M), 1.19 (6M), 1.22 (12M)



Source: Danske Bank

- **Conclusion.** EUR/CHF has failed to make a firm break of the SNB's old 1.20 floor and is currently hovering at levels well below as an Italian debt risk premium has been factored in and the euro has come under pressure from a hiking-hesitant ECB. Both of the latter factors combined with an SNB that is eager to see EUR/CHF on a sustained course above 1.20 before changing its policy stance, will in our view keep the cross below 1.20 for now.
- We think the SNB will remain reluctant to change its course with the first ECB hike still distant which should allow EUR/CHF to edge gradually higher into 2019 as the era of negative rates slowly grinds to an end.
- We have lowered our near-term EUR/CHF profile due to the level shift seen on notably Italy lately, and now look for 1.16 in 1M, 1.16 (prev. 1.19) in 3M, 1.19 (1.21) in 6M and 1.22 (1.23) in 12M.

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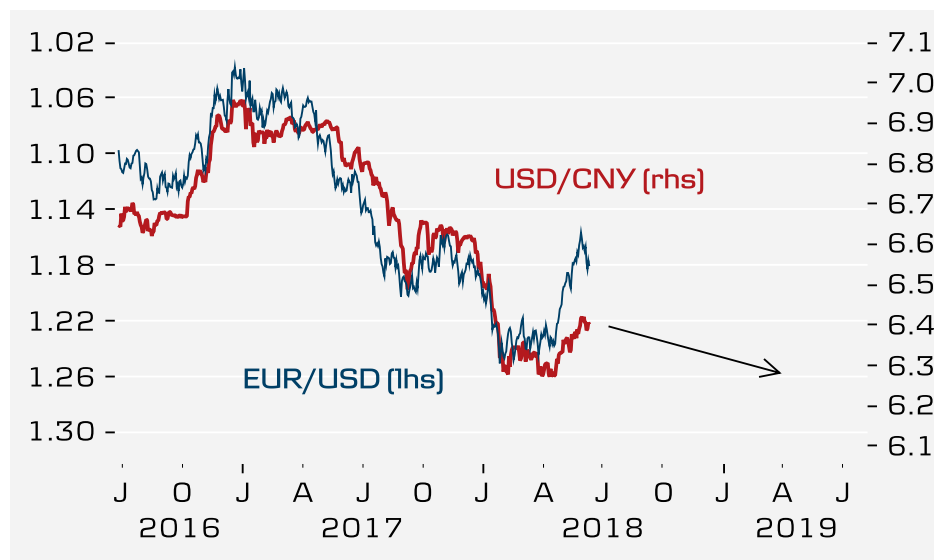
USD/CNY – moderate decline on USD weakness

- **Growth.** We continue to look for a moderate slowdown in China as the housing market is set to slow further and export growth has softened. We expect growth to decline to 6.6% from 6.9% in 2017.
- **Monetary policy.** We look for Chinese money market rates to ease further in 2018 following a big rise in 2017 as liquidity was tightened. M1 growth has fallen quite sharply due to the monetary policy and we expect the PBoC to take its foot a bit more off the brake. The PBoC has cut the Reserve Requirement Ratio to free up some liquidity recently. As US money market rates are set to rise, relative rates will move in favour of the USD.
- **FX policy.** The policy is still a managed peg against a basket of currencies. The basket has strengthened about 6% over the past year adding some headwind to exports.

Flows. While relative rates move in favour of the USD, flows have been dominating in driving USD weakness. USD/CNY has over the past two years traded with a high correlation to overall USD movements. Hence the relative slowdown of the Chinese economy versus the US will probably have less impact, than previously. The recent rise in USD/CNY has actually been smaller than the move in EUR/USD would suggest. It indicates underlying CNY strength. The high priority in Chinese policy to defuse the debt bomb has worked to reduce outflows as the likelihood of a financial crisis has come down.

- **Valuation.** The CNY is broadly seen as close to fair value.
- **Risks.** The main risk is that the USD continues to strengthen. This would leave some more upside in USD/CNY.

Forecast: 6.40 (1M), 6.40 (3M), 6.35 (6M), 6.25 (12M)



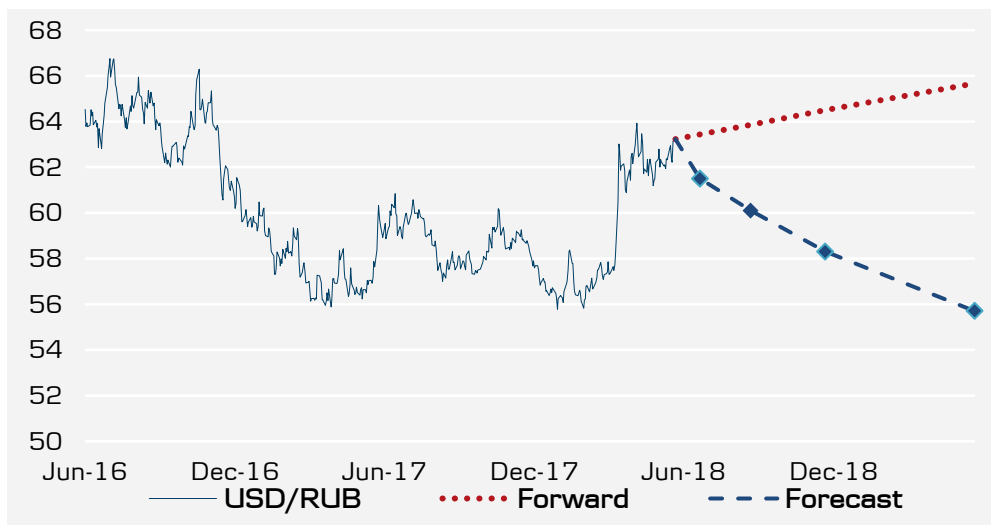
Source: Danske Bank

- **Conclusion.** We expect the high correlation with EUR/USD to continue. As we have revised lower our 12M EUR/USD forecast to 1.25 (from 1.28), we also make a slight adjustment to the USD/CNY forecast. We now look for 6.25 in 12M (from 6.20).
- This implies a downward adjustment to our EUR/CNY forecast as we now look for 7.81 in 12M (from 7.94), which is lower than the forward market of 7.93.

USD/RUB – FX purchases and contained sentiment keep the pair higher

- Growth.** The Russian economy grew 1.3% y/y in Q1 18 versus 0.9% y/y a quarter earlier as gradual monetary easing helped private consumers see more relief and cold weather boosted gas and electricity production. However, early 2018 growth has been more muted than expected. Yet, a strong expansion in residential construction has been seen on a low base effect. We keep our GDP growth estimates at 2.0% for 2018 and 2.1% for 2019.
- Monetary policy.** Russia's central bank (CBR) kept the key rate unchanged at 7.25% in April 2018, as we expected together with Bloomberg's and Reuters' consensus. Inflation stayed unchanged at 2.4% y/y in May, despite sharp rise in gasoline prices. We expect the CBR to lower the key rate to 6.50% by end-2018 and to 6.00% by end-2019 (previously 5.75%). However, we expect the CBR's monetary easing path to be very gradual throughout 2018-19. An increase in RUB volatility and deterioration of market sentiment would limit CBR's dovishness, we expect.
- Flows.** Upcoming dividend payments are traditionally set to weigh on the RUB in July-August. Yet, inflows into the RUB during the World Cup 2018 would slightly counterweigh outflows on dividend payments. Russia's Ministry of Finance continues to absorb FX flows actively from increased oil revenues, while geopolitical tensions are limiting the RUB inflows.
- Valuation.** Crude and the RUB's correlation continues to be insignificant. While the Brent 30-day average went up 4.4% over the past 30 days, as of 11 June 2018, RUB/USD climbed only 0.3% over the same period. We see the RUB/USD as strongly undervalued at current oil prices and with stable macro.

Forecast: 61.50 (1M), 60.10 (3M), 58.30 (6M), 55.70 (12M)



Source: Danske Bank

- Conclusion.** Given the upcoming combination of FX flows, we keep our view on the USD/RUB unchanged, enhancing the importance of geopolitical risks. As we remain positive about the crude price and Russia's macro fundamentals in the long term, we see macro fundamentals supporting the RUB, keeping a geopolitical premium.
- Risks.** Macro fundamentals remain favourable for the RUB's outlook and oil-price risk points more to RUB upside as US withdrawal from the Iran deal supports crude. However, geopolitical risks are present: the RUB is closely following the emerging market mood and the anti-Russia sanctions could hit the RUB anytime. Escalation of the situation in Eastern Ukraine could hit the RUB in the near term.

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USD/RUB – important issues to watch

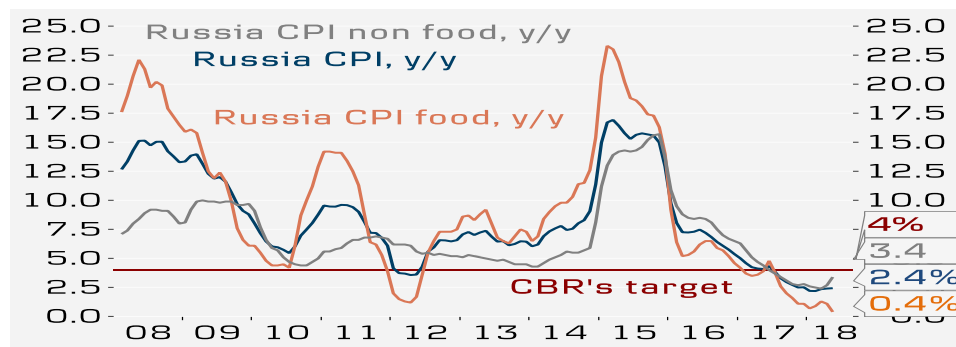
Possible Putin-Trump meeting and the situation in Eastern Ukraine

- There has been speculation that Russia's President Vladimir Putin and US President Donald Trump could meet soon in Vienna (Austria). A possible meeting creates both upside and downside risks for our USD/RUB view in the short-term. A successful meeting could bring some relief to market sentiment. We still exclude sanction removals by the US.
- Negative news from the conflict in Eastern Ukraine could cause sudden RUB outflows weakening the currency.

Ministry of Finance intensifies FX purchases despite RUB turbulence

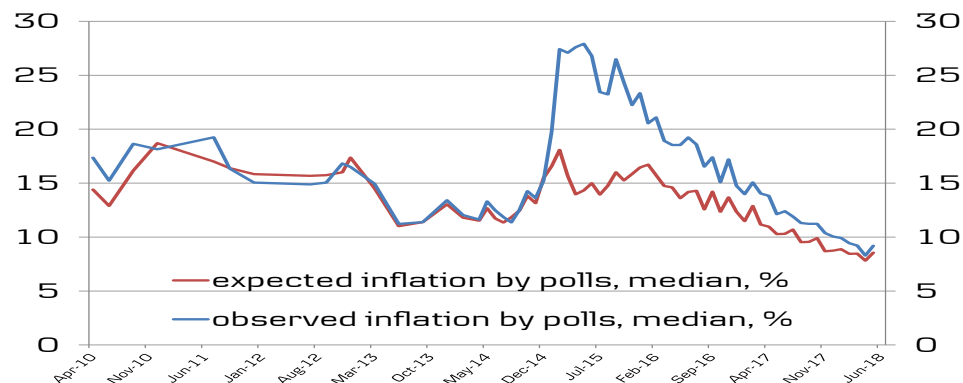
- Russia's Ministry of Finance (Minfin) continues to follow rigidly the budget rule, taming excessive FX liquidity through its purchases. As the crude price has climbed far from the rule's level of USD40/bbl, Minfin is buying RUB380bn of FX in June, which is a record high amount, as June's oil and gas revenues are expected to be RUB403bn. The level of FX purchases is RUB60bn higher than in May 2018.

The central bank has room for monetary easing as headline inflation stays below the target. Yet, geopolitics could make monetary easing even more gradual



Source: CBR, Bloomberg, Macrobond Financial, Danske Bank

Inflation expectations were on the rise in May 2018, which could keep CBR more cautious with further monetary easing



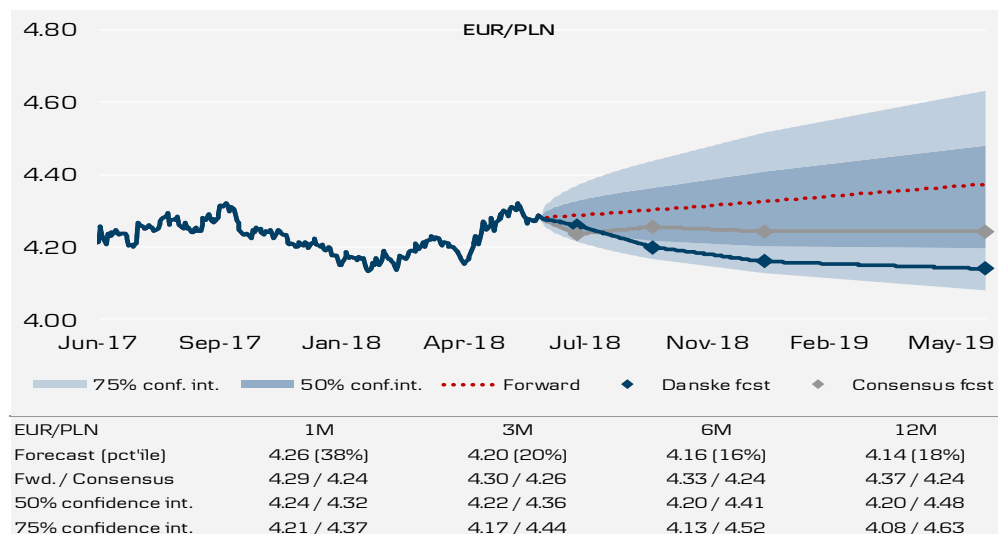
Source: CBR, Danske Bank

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EUR/PLN – rebound in PLN amid easing of euro/Italy fears

- Economic developments.** The Polish economy continues to grow fairly strongly. Economic growth is still supported by private consumption (retail sales expanded by a solid 8.8% in real terms in March) amid low unemployment and fast wage growth (average gross wages picked up speed 7.8% y/y in April) and construction output also grew a healthy 19.7% in April amid increasing absorption of EU funds. External demand also remains strong. We have lifted our real GDP growth projection for 2018 to 4.5% but keep our 2019 projection at 3.3%.
- Political developments.** Tensions between the EU and Poland are simmering under the surface ahead of the big EU budget discussions at end-June. At the same time, the Polish government has tried to appease EU concerns with changes to its rule of law. However, so far, the EU has written off these proposals as ‘cosmetic’ changes, being insufficient to close the ROL procedure with the EU.
- Monetary policy.** In light of the relatively subdued inflation pressures, the National Bank of Poland led by Governor Adam Glapiński has sounded relatively dovish, stating that rates could stay unchanged for the next two years. While headline CPI inflation picked up to 1.6% y/y in April from 1.3% in March (slightly higher than consensus of 1.5%), core inflation remains surprisingly weak (came in at 0.6% y/y in April) despite the fast wage growth. Financial markets have scaled back their rate-hike expectations and are now expecting the first 25bp hike by Q3 19.
- Risks.** The risk to our EUR/PLN forecast is skewed to the upside especially from continued strained relations between EU and Poland and wobbly EM risk sentiment. Downside risks include still strong Polish macroeconomic indicators and positive global risk sentiment.

Forecast: 4.26 (1M), 4.20 (3M), 4.16 (6M), 4.14 (12M)



Source: Danske Bank

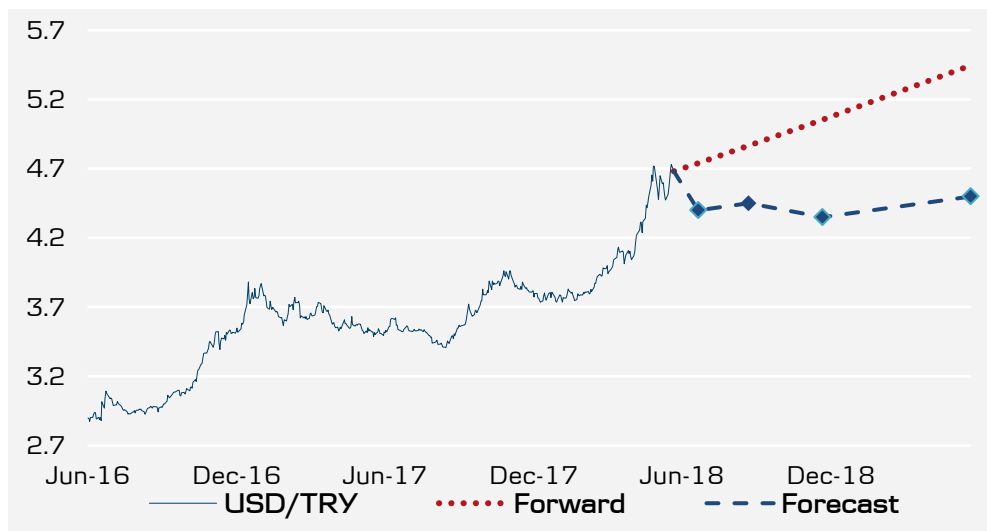
- Conclusion.** The zloty has seen a small comeback on improved global risk sentiment and dismissed fear of a euro area debt crisis in Italy. As a result the EUR/PLN has found a new range of 4.26-4.30. We think the cross will fall a bit further over the next month to 4.26 and further to 4.20 over 3M as some of the EM fears abate. We still expect the strong growth and rise in inflation will give support to the zloty and therefore target the EUR/PLN at 4.16 in 6M and 4.14 in 12M.

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USD/TRY – eyeing the snap election

- Growth.** Turkey's economic growth remained solid in Q1 18: GDP expanded 7.4% y/y versus 7.3% y/y a quarter earlier. Industrial production growth continues to slow down, with the manufacturing PMI index anticipating that, staying below 50.0. Turkey's central bank's sharp monetary tightening is set to put an additional brake on economic expansion in the long-term. We expect 2018 GDP to grow 3.5% y/y and 2019 GDP growth to slow down to 3.0% y/y.
- Monetary policy.** Turkey's central bank (TCMB) provided a nice surprise at its June monetary policy meeting by exceeding the market's expectations on the rate decision. The TCMB delivered a super bold 125bp hike in the benchmark rate, causing a massive rally in the TRY. The TCMB showed its great desire to restore credibility ahead of the snap election. The USD/TRY is returning to our forecast levels released in May, which we model to be fair value for the pair. Such a bold hike is a big shift in Turkey's central bank monetary policy approach. If continued, the TRY positiveness is guaranteed for the rest of 2018. Combined with hopes of improving fiscal policy after Erdogan's victory in June, our current USD/TRY forecast could look too pessimistic for the TRY: 4.40 in 1M, 4.45 in 3M, 4.35 in 6M and 4.50 in 12M.
- Valuation.** Net flows into Turkish bonds and stocks were negative as of mid-May on TRY's turmoil and fears of worsening fiscal position. According to technical analysis (Relative Strength Index), the USD/TRY is signalling a return to the fair value in the USD/TRY.
- Risks.** Major downside risks to our TRY forecasts would be a shaky victory at the snap election for the current President Erdoğan and his party, a more hawkish Fed later in 2018, a worsening situation in the banking sector and (geo)political turmoil. However, a convincing victory for President Erdoğan's during the snap election on 24 June would be TRY positive as the fiscal side could see a stronger grip and more cautious approach.

Forecast: 4.40 (1M), 4.45 (3M), 4.35 (6M) and 4.50 (12M)



Source: Danske Bank

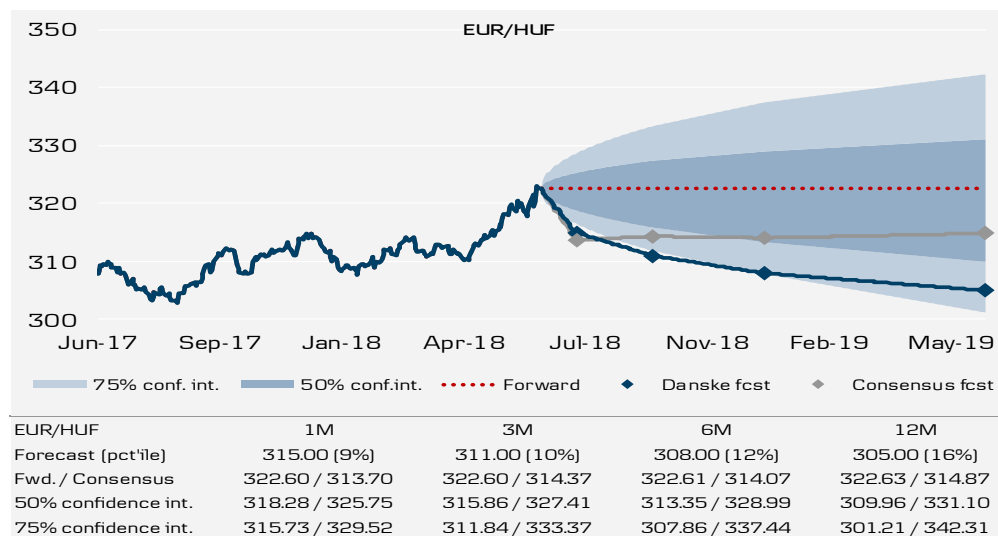
- Conclusion.** We see falling volatility in the TRY in the medium term as the TCMB is returning to a conventional monetary policy framework. We remain cautious in the medium to long term on pressure from a high oil price and widening current account deficit, which has hit its deepest level since late 2013. We keep our USD/TRY forecasts unchanged, enhancing numerous downside risks to our current TRY view in the short-term.

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EUR/HUF – EUR weakness weighs on the HUF

- Growth.** Economic growth continues strong, posting 4.4% y/y in Q1 18 versus 4.4% y/y in Q4 17. That was stronger than in Q3 17. Industrial production growth is slightly slowing down on weaker manufacturing expansion. However, the growth remains sustainable, supported by growing food output. We continue to be less concerned about potential overheating of the economy as the output gap is still in the process of closing. Accelerating economic growth, in our view, would increase concern about overheating, should the Hungarian central bank maintain its dovish stance through 2018.
- Monetary policy.** The Hungarian central bank kept rates unchanged at its April meeting and seems to be on hold for now. In April, CPI inflation rose marginally to 2.3% y/y staying far below the central bank target. With headline inflation still remaining below the central bank's 3.0% target, we do not see any imminent changes in its dovish stance but we believe the strong economic growth will eventually drive up inflation, leading to a change in policy by the central bank at some point in late 2018. However, if inflation continues to struggle to reach 3.0%, this change in policy could well be a long way off. A strong HUF could also see the central bank remaining dovish for a prolonged period. We expect the first key rate increase in mid-2019.
- Risks.** An upside risk to our EUR/HUF forecast comes now from prolonged EUR weakness. The current economic and political situation back the HUF, as the very investor friendly Fidesz party continues to govern. There are also downside risks from stronger-than-expected economic and inflation developments in Hungary.

Forecast: 315 (1M), 311 (3M), 308 (6M) and 305 (12M)



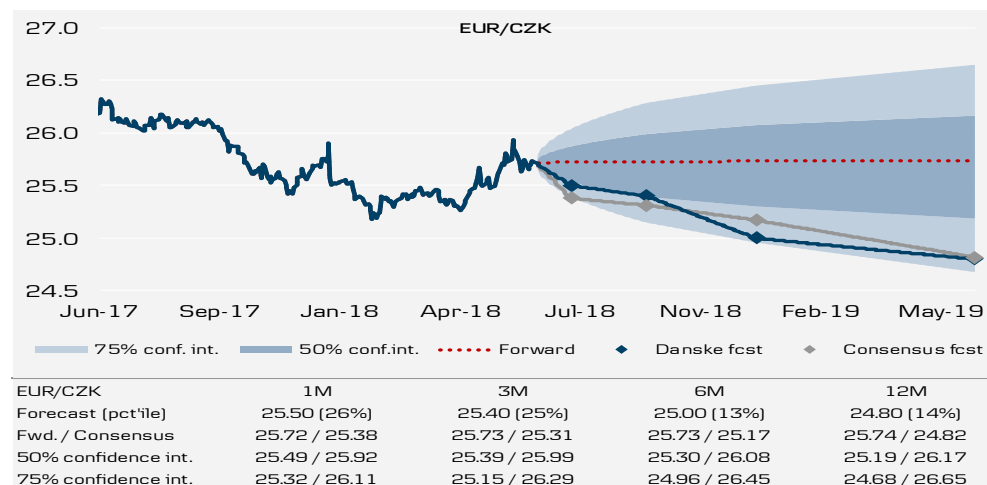
Source: Danske Bank

- Conclusion.** Given the strong support by macroeconomic indicators in Hungary and the remaining chance for a more hawkish central bank in the long run, we see the HUF stronger in the medium and long term, while adjusting the pair forecast according to current EUR weakness seeing EUR/HUF at 315 in 1M (previously 309), at 311 in 3M (previously 308), 308 in 6M (previously 305) and 305 in 12M (previously 300).

EUR/CZK – further depreciation ahead as CNB restarts hiking cycle

- Growth.** The strong growth story of the Czech economy continued in Q1 18 with growth of 4.4% y/y. Household consumption (4.1% y/y) and investment expenditures (12.2% y/y) were again the most important growth drivers and will continue to be in the coming quarters in light of upbeat consumer sentiment, rising wages, low borrowing rates and growing capacity constraints. That said, we still expect GDP growth to moderate on the back of tighter monetary conditions from 4.6% to 3.3% in 2018, closer to potential. The Czech labour market remains very tight with the unemployment rate (3.0% in May) significantly below NAIRU and nominal wages growing by 8.4% y/y in the first quarter.
- Monetary policy.** Czech inflation rebounded to 2.1% in May on the back of solid domestic demand and higher food and oil prices. With pro-inflationary pressures building, we think inflation will continue to hover above the Czech National Bank (CNB) 2% target in the coming months. The central bank currently projects another policy rate hike only towards the turn of the year. However, some MPC members have already hinted on an earlier hike also in light of the weaker than projected koruna exchange rate in recent months which will further spur imported inflation. We still view the CNB FX projections which foresee EUR/CZK depreciation to 24.80 in Q3 18 as too optimistic. The timing of the Czech hiking cycle remains dependent on FX movements, but in light of recent CZK weakness, we see increasing arguments for why CNB might favour another 25bp hike in the 2W Repo Rate to 1.0% at the August/September meeting. For 2019 we currently foresee two additional interest rate rises which means that the policy rate will still remain below its long-run neutral level (estimated at c.3.0% by CNB).
- Risks.** Given the sizable amount of long CZK positions accumulated in the market prior to the floor exit, EUR/CZK is still vulnerable to spikes higher. The risk to our short-term EUR/CZK forecast is skewed to the upside due to still wobbly EM risk sentiment.

Forecast: 25.50 (1M), 25.40 (3M), 25.00 (6M), 24.80 (12M)



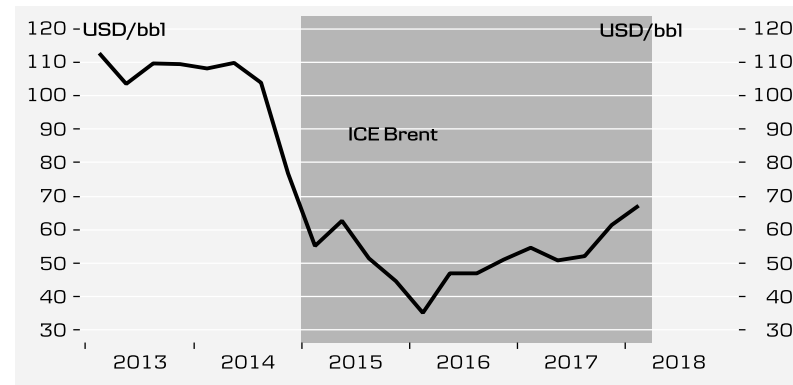
Source: Danske Bank

- Conclusion.** CZK has weakened over the past month on the back of capital outflows due to market expectations of near-term CNB interest rate stability and the Fed continuing with its hiking cycle in the US, which has general weighed on EM risk sentiment. We project EUR/CZK to continue to hover around current levels in the short term, but expect CZK to return to its moderate strengthening path soon, as the Czech macroeconomic backdrop remains very favourable compared to the euro area and the CNB is likely to deliver its next interest rate increase within the next two to three months. That said, the depreciation pace is expected to abate compared to 2017, as the Czech economy shifts into a lower gear and the ECB is also gradually moving towards policy normalisation. We lift our 1M forecast to 25.50 (25.40 previously) in light of recent trading ranges, but otherwise leave our EUR/CZK forecast profile unchanged at 25.40 in 3M, 25.00 in 6M 24.80 in 12M.

Oil – OPEC to avoid oil market ‘taper tantrum’

- **Macro.** On the one hand, the oil market balance could be tightening due to the ramifications of the US leaving the Iran nuclear deal and Venezuelan output suffering under the country’s fragile debt situation. Regarding the former, stories have already started to surface about the impact it is having on Iran’s crude exports to Asia. However, it is not yet visible in actual data. In addition, global demand for oil is gradually rising. On the other hand, concerns about a tighter oil market may find some relief from OPEC getting ready to scale back production cuts and the rising oilrig count in the US. The latter seems unaffected by apparent bottlenecks on the US market in particular owing to limited pipeline capacity.
- **Forward curve.** The Brent crude oil market forward curve remains in a steep backwardation as the front-end of the curve remains supported by a geopolitical risk premium and the market pricing more supply over the medium-term is keeping the back-end in check.
- **Positioning.** Speculative positioning in the oil market remains in stretched long territory.
- **Risks.** On 22 June, OPEC is set to meet to review production cuts. Recent comments from Saudi Arabia and Russia hinting that they could see a prospect for OPEC to start scaling back production cuts in H2 has brought downside risk to pricing back into focus in the market. It remains our view, that OPEC will do its best avoid an oil market ‘taper tantrum’, i.e. bring too much oil back to the market too fast. That said there will likely be a transition period of higher volatility where the market adjusts to a new OPEC strategy.

Forecast: USD67/bbl (Q1), USD75/bbl (Q2), USD72/bbl (Q3), USD72/bbl (Q4)



Source: Danske Bank

- **Conclusion.** We maintain our forecast of the price on Brent at USD72/bbl in Q4 this year. We have revised up our price forecast for the whole year to USD72/bbl following higher prices in Q2 than what we had previously forecast. For 2019 we stick to our forecast of USD73/bbl. We will await further clarification on the ramifications of the Iran nuclear deal before taking that into account in our forecasts.

Danske Bank FX forecasts vs EUR and USD

	Forecast					Forecast vs forward outright, %			
	Spot	+1m	+3m	+6m	+12m	+1m	+3m	+6m	+12m
Exchange rates vs EUR									
USD	1.159	1.17	1.17	1.20	1.25	0.7	0.3	2.1	4.6
JPY	128.1	129	129	134	140	0.5	0.4	4.8	9.1
GBP	0.876	0.88	0.87	0.84	0.83	0.4	-1.5	-4.6	-6.4
CHF	1.155	1.16	1.16	1.19	1.22	0.4	0.5	3.2	6.0
DKK	7.4498	7.4450	7.4450	7.4450	7.4425	-0.1	0.0	0.0	0.0
NOK	9.45	9.40	9.30	9.30	9.20	-0.6	-1.9	-2.2	-4.1
SEK	10.25	10.10	10.20	10.40	10.20	-1.5	-0.5	1.5	-0.5
Exchange rates vs USD									
JPY	110.5	110	110	112	112	-0.3	0.1	2.7	4.3
GBP	1.32	1.33	1.35	1.43	1.51	0.3	1.8	7.0	11.7
CHF	1.00	0.99	0.99	0.99	0.98	-0.3	0.2	1.1	1.4
DKK	6.43	6.36	6.36	6.20	5.95	-0.8	-0.3	-2.0	-4.4
NOK	8.15	8.03	7.95	7.75	7.36	-1.3	-2.1	-4.2	-8.3
SEK	8.85	8.63	8.72	8.67	8.16	-2.2	-0.8	-0.6	-4.9
CAD	1.32	1.30	1.27	1.25	1.23	-1.2	-3.4	-4.7	-5.9
AUD	0.75	0.75	0.76	0.77	0.78	0.6	1.9	3.2	4.2
NZD	0.69	0.69	0.70	0.71	0.73	-0.7	0.8	2.2	4.8
RUB	63.36	61.50	60.10	58.30	55.70	-3.3	-6.1	-9.8	-15.4
CNY	6.44	6.40	6.40	6.35	6.25	-0.7	-0.9	-2.0	-4.0

Note: GBP, AUD and NZD are denominated in local currency rather than USD

Source: Danske Bank

Danske Bank FX forecasts vs DKK

	Forecast					Forecast vs forward outright, %			
	Spot	+1m	+3m	+6m	+12m	+1m	+3m	+6m	+12m
Exchange rates vs DKK									
EUR	7.4498	7.4450	7.4450	7.4450	7.4425	-0.1	0.0	0.0	0.0
USD	6.43	6.36	6.36	6.20	5.95	-0.8	-0.3	-2.0	-4.4
JPY	5.82	5.78	5.78	5.54	5.32	-0.5	-0.4	-4.6	-8.3
GBP	8.51	8.46	8.61	8.86	8.97	-0.5	1.5	4.8	6.9
CHF	6.45	6.42	6.42	6.26	6.10	-0.5	-0.5	-3.1	-5.6
NOK	0.79	0.79	0.80	0.80	0.81	0.5	1.9	2.3	4.3
SEK	0.73	0.74	0.73	0.72	0.73	1.5	0.5	-1.4	0.6
CAD	4.88	4.89	5.01	4.96	4.84	0.4	3.2	2.8	1.6
AUD	4.79	4.77	4.84	4.78	4.64	-0.2	1.6	1.1	-0.3
NZD	4.47	4.39	4.45	4.40	4.35	-1.4	0.5	0.1	0.2
PLN	1.74	1.75	1.77	1.79	1.80	0.7	2.6	4.2	5.9
CZK	0.29	0.29	0.29	0.30	0.30	0.9	1.5	3.5	4.6
HUF	2.31	2.36	2.39	2.42	2.44	2.4	3.9	5.1	6.8
RUB	0.10	0.10	0.11	0.11	0.11	2.6	6.1	8.6	13.0
CNY	1.00	0.99	0.99	0.98	0.95	-0.1	0.6	-0.1	-0.4

Source: Danske Bank

Danske Bank FX forecasts vs SEK

	Forecast					Forecast vs forward outright, %			
	Spot	+1m	+3m	+6m	+12m	+1m	+3m	+6m	+12m
Exchange rates vs SEK									
EUR	10.25	10.10	10.20	10.40	10.20	-1.5	-0.5	1.5	-0.5
USD	8.85	8.63	8.72	8.67	8.16	-2.2	-0.8	-0.6	-4.9
JPY	8.00	7.85	7.93	7.74	7.29	-1.9	-0.9	-3.2	-8.8
GBP	11.71	11.48	11.79	12.38	12.29	-1.9	1.0	6.4	6.2
CHF	8.87	8.71	8.79	8.74	8.36	-1.9	-1.0	-1.7	-6.2
NOK	1.09	1.07	1.10	1.12	1.11	-0.9	1.4	3.8	3.7
DKK	1.38	1.36	1.37	1.40	1.37	-1.4	-0.5	1.5	-0.6
CAD	6.72	6.64	6.86	6.93	6.63	-1.0	2.7	4.3	1.1
AUD	6.59	6.47	6.63	6.67	6.36	-1.6	1.2	2.6	-0.9
NZD	6.15	5.96	6.10	6.15	5.96	-2.8	0.0	1.5	-0.3
PLN	2.39	2.37	2.43	2.50	2.46	-0.7	2.1	5.7	5.3
CZK	0.40	0.40	0.40	0.42	0.41	-0.5	1.0	5.0	4.0
HUF	3.18	3.21	3.28	3.38	3.34	0.9	3.4	6.6	6.2
RUB	0.14	0.14	0.15	0.15	0.15	1.1	5.6	10.2	12.4
CNY	1.37	1.35	1.36	1.36	1.31	-1.5	0.2	1.4	-1.0

Source: Danske Bank

Danske Bank FX forecasts vs NOK

	Forecast					Forecast vs forward outright, %			
	Spot	+1m	+3m	+6m	+12m	+1m	+3m	+6m	+12m
Exchange rates vs NOK									
EUR	9.45	9.40	9.30	9.30	9.20	-0.6	-1.9	-2.2	-4.1
USD	8.15	8.03	7.95	7.75	7.36	-1.3	-2.1	-4.2	-8.3
JPY	7.37	7.30	7.23	6.92	6.57	-1.0	-2.3	-6.7	-12.1
GBP	10.79	10.68	10.75	11.07	11.08	-1.0	-0.4	2.5	2.4
CHF	8.18	8.10	8.02	7.82	7.54	-1.0	-2.4	-5.3	-9.6
SEK	0.92	0.93	0.91	0.89	0.90	0.9	-1.4	-3.7	-3.6
DKK	1.27	1.26	1.25	1.25	1.24	-0.5	-1.8	-2.2	-4.2
CAD	6.19	6.18	6.26	6.20	5.98	-0.1	1.3	0.5	-2.6
AUD	6.07	6.03	6.04	5.97	5.74	-0.7	-0.2	-1.2	-4.5
NZD	5.66	5.54	5.56	5.50	5.37	-2.0	-1.4	-2.2	-3.9
PLN	2.20	2.21	2.21	2.24	2.22	0.2	0.7	1.8	1.5
CZK	0.37	0.37	0.37	0.37	0.37	0.4	-0.4	1.2	0.3
HUF	2.93	2.98	2.99	3.02	3.02	1.9	1.9	2.7	2.4
RUB	0.13	0.13	0.13	0.13	0.13	2.0	4.2	6.2	8.3
CNY	1.27	1.26	1.24	1.22	1.18	-0.6	-1.2	-2.3	-4.5

Source: Danske Bank

Danske Bank EMEA FX forecasts

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
PLN	18-Jun-18	4.29		3.70		174		239		220	
	+1M	4.26	4.29	3.64	3.70	175	174	237	239	221	220
	+3M	4.20	4.31	3.59	3.69	177	173	243	238	221	220
	+6M	4.16	4.33	3.47	3.69	179	172	250	237	224	220
	+12M	4.14	4.38	3.31	3.67	180	170	246	234	222	219
HUF	18-Jun-18	323		278		2.31		3.18		2.93	
	+1M	315	323	269	278	2.36	2.31	3.21	3.18	2.98	2.93
	+3M	311	323	266	277	2.39	2.30	3.28	3.17	2.99	2.93
	+6M	308	324	257	275	2.42	2.30	3.38	3.17	3.02	2.94
	+12M	305	326	244	273	2.44	2.28	3.34	3.15	3.02	2.95
CZK	18-Jun-18	25.7		22.2		29.0		39.8		36.7	
	+1M	25.5	25.8	21.8	22.2	29.2	28.9	39.6	39.8	36.9	36.7
	+3M	25.4	25.8	21.7	22.1	29.3	28.9	40.2	39.7	36.6	36.7
	+6M	25.0	25.9	20.8	22.0	29.8	28.8	41.6	39.6	37.2	36.8
	+12M	24.8	25.9	19.8	21.7	30.0	28.7	41.1	39.5	37.1	37.0
RUB	18-Jun-18	73.4		63.4		10.2		14.0		12.9	
	+1M	72.0	73.8	61.5	63.6	10.3	10.1	14.0	13.9	13.1	12.8
	+3M	70.3	74.7	60.1	64.0	10.6	10.0	14.5	13.7	13.2	12.7
	+6M	70.0	76.0	58.3	64.6	10.6	9.8	14.9	13.5	13.3	12.5
	+12M	69.6	78.7	55.7	65.8	10.7	9.5	14.6	13.0	13.2	12.2
TRY	18-Jun-18	5.47		4.72		136		188		173	
	+1M	5.15	5.55	4.40	4.78	145	134	196	185	183	170
	+3M	5.21	5.72	4.45	4.90	143	130	196	179	179	166
	+6M	5.22	5.99	4.35	5.10	143	124	199	171	178	159
	+12M	5.63	6.57	4.50	5.49	132	113	181	156	164	146
CNY	18-Jun-18	7.46		6.44		100		137		127	
	+1M	7.49	7.49	6.40	6.45	99	99	135	137	126	126
	+3M	7.49	7.54	6.40	6.46	99	99	136	136	124	126
	+6M	7.62	7.61	6.35	6.48	98	98	136	135	122	125
	+12M	7.81	7.78	6.25	6.51	95	96	131	132	118	123
ZAR	18-Jun-18	15.6		13.5		47.7		65.6		60.5	
	+1M	13.7	15.7	11.75	13.5	54.2	47.4	73.5	65.2	68.4	60.1
	+3M	13.5	15.9	11.50	13.6	55.3	46.8	75.8	64.4	69.1	59.5
	+6M	13.5	16.2	11.25	13.8	55.1	45.9	77.0	63.2	68.9	58.6
	+12M	14.1	16.9	11.25	14.1	52.9	44.1	72.5	60.8	65.4	56.8

Source: Danske Bank

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