

Weekly Focus

German softness looming due to Chinese turmoil and VW fraud

Market Movers ahead

- In the US, focus is on retail sales and CPI inflation in September. In our view, there could be some downside risks to retail sales, which have been relatively strong in recent months.
- In China, focus is on foreign trade data for September, which should give us an indication of the current state of the Chinese economy.
- In the euro area, focus continues to be on how large a negative effect we might get from the recent weakness in the emerging markets. We believe both ZEW expectations and industrial production declined.
- In the UK, we believe that 'noflation' continued in September while wage growth continued higher in August.
- In Sweden, we continue to believe that the Riksbank is too optimistic on inflation going forward and that the bank will be forced to ease further in December. We estimate CPI and CPIF at -0.1% y/y and 0.9% y/y, respectively.
- We estimate Danish CPI inflation was unchanged at 0.5% y/y in September.

Global macro and market themes

- More German softness is looming due to the combination of Chinese turmoil and the Volkswagen fraud.
- We have postponed our call for a Fed hike to the beginning of 2016 – markets have pushed it to mid-2016.
- Fixed income market in 'erase and rewind' mode this week – we expect further US-euro spread widening.
- EUR/USD is set to continue range trading for the next couple of weeks.

Focus

- See *Bank of England review: Slightly dovish as inflation outlook is lowered*, 8 October 2015.

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Financial views

Major indices

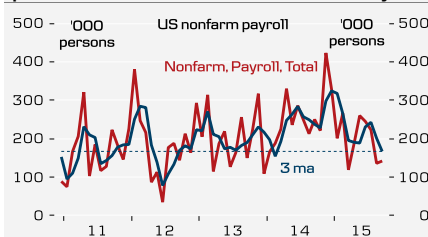
	09-Oct	3M	12M
10yr EUR swap	0.99	0.95	1.35
EUR/USD	113	110	115
ICE Brent oil	53	52	62
	09-Oct	6M	12-24M
S&P500	2013	0-5%	5-8%

Source: Danske Bank

German car exports to decline



Weak labour market report has pushed the first Fed hike to January



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Market movers

Global

- In the **US** focus turns to retail sales. Consumption has been very strong in recent months, growing stronger than the trend of the past few years. However, these strong periods are often followed by a softer period with growth reverting to trend. This would suggest some risk that retail sales could weaken a little in the short term. The weekly retail sales have also been downbeat lately (see chart). Consensus is for a further rise of 0.3% m/m in core sales but we see downside risk to this.

US CPI will also be watched closely, given the Fed's focus on this at the September meeting. In the short term inflation is likely to stay very subdued and is expected to move in September into deflation of 0.1% y/y. Core CPI is set to rise 0.1% m/m for the second month leading to unchanged annual rate of 1.8% y/y.

- Next week in the **euro area** the focus will continue to be on how large a negative effect we might get from the recent weakness in emerging markets with the release of the German ZEW expectations on Tuesday. We expect the number to continue its declining trend, but the rate of fall should be less than the sharp decline seen in September. This mainly reflects the small change in the Sentix investor confidence in the start of the past week, as the two indicators historically have been highly correlated. Moreover, the Volkswagen exhaust scandal could put downward pressure on the ZEW. On the other hand, we have seen a slight rebound in the DAX Index since the end of September, when the survey period for the ZEW starts. Note that the ZEW indicator historically has been good at predicting turning points in IFO expectations, which are more closely related to the economic development, but recently we have seen a divergence in the two sentiment indicators.

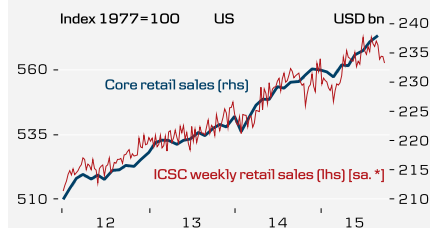
In the next week we will also get data for the industrial production as well as the trade balance figures for the eurozone in August. We expect the numbers to decline in line with the weak German data we have seen this week.

- In the **UK**, the main release next week is the CPI inflation print for September. We expect that the consumer price index was unchanged from August to September (i.e. 0.0% m/m) implying that UK was still in 'noflation' (i.e. 0.0% y/y). While gasoline and diesel prices declined by 3.3% m/m and 2.0% m/m, respectively, in September and thus pulled down CPI inflation by 0.75pp according to our estimations, we expect this to have been offset by higher inflation in the price of services. Neither non-energy industrial goods nor food prices are expected to have contributed to any changes in CPI inflation. Higher inflation in the price of services is also the reason why we estimate that core inflation increased slightly to 1.1% y/y in September from 1.0% y/y in August. Notice that some gas companies have announced price cuts from the end of September which may have affected the September inflation print.

The labour market report for August will also attract attention. We expect growth in average weekly earnings ex bonus (3M avg.) increased to 3.0% y/y in August from 2.9% y/y in July. Going forward, we believe wage growth will accelerate further as the labour market tightens with unemployment close to NAIRU. Our calculations suggest the unemployment rate (3M avg.) was unchanged at 5.5% in August.

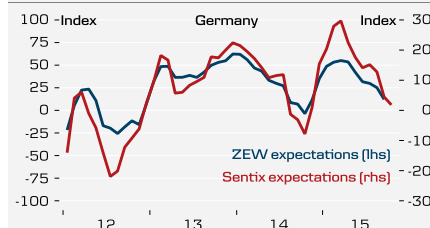
- The focus in **China** next week will be on trade data for September. Both exports and imports have been weak lately and we don't expect much respite in the September data. Exports to emerging markets are likely to have been weak while imports are weighed down by the downbeat investment growth. However, during Q4 we look for a slight recovery in imports as we expect investment growth to recover moderately and housing activity to increase.

US retail sales strong lately – risk of correction lower



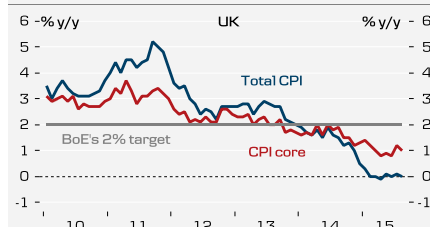
Source: Macrobond Financial

ZEW expectations to drop slightly



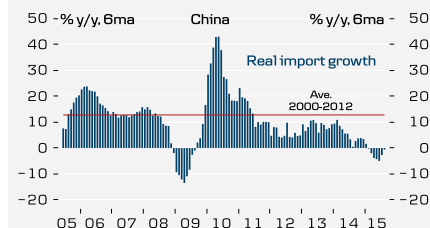
Source: ZEW, Sentix, Danske Bank Markets

'Noflation' theme continues in the UK



Source: ONS

Chinese import growth negative – despite 7% growth rate



Source: Macrobond Financial

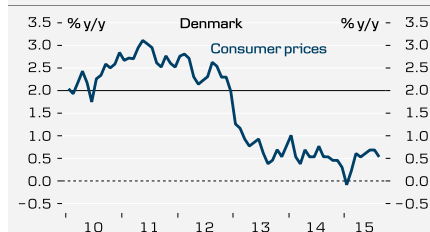
Scandi

In **Denmark** we expect the CPI data to show inflation of 0.3% m/m and 0.5% y/y in September, against -0.3% m/m and 0.5% y/y in August. The August numbers surprised to the downside, so we expect some of the lost ground to be made up in September. We are beginning to see positive base effects from last year's slide in fuel prices dropping out of the annual rate. On the other hand, petrol prices fell 5% in September, which was more than the dip in oil prices warranted.

- In **Sweden**, the week ahead contains two very important sets of data: (1) the labour force survey (Thursday, at 09.30 CEST), where we expect a slight deterioration of the unemployment rate due to seasonal reasons (note however, that this month *or* next month we expect a rather big jump up due to the technical difficulties in collecting labour market data during summer) and; (2) inflation (Tuesday, at 09.30 CEST). We underline the importance of the inflation outcomes going forward, especially since the external picture has clouded somewhat. In particular we will study the most recent effects of the previously weak SEK as the time has come for clothing retailers to push the autumn collections to customers. We have assumed another quite pronounced effect in September, but changes in the seasonal pattern have made this a very hard call. Although we don't have the details, it appears that the Riksbank forecast is based on an even stronger contribution and, if this is right, core inflation outcomes for at least the remainder of the year should be in line with the Riksbank's current forecast (2016 is an all together different question). Thus it would *not* necessitate further policy action. What the Riksbank makes of FED inaction and a heightened probability for ECB action is of course also very important in this context.

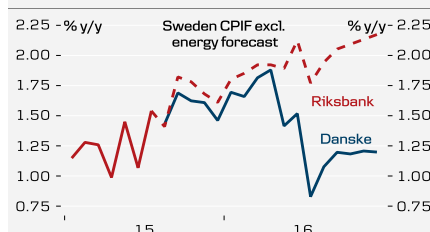
- In **Norway** there are no major releases in the coming week. That said, the foreign trade numbers for September will include the quarterly price and volume indices for exports and imports, which may tell us a little more about the outlook for growth and inflation. Prices for imported consumer goods (at the border) could give us a clearer picture of what we can expect from import prices (in the stores) in the coming months. The Norwegian krone's weakening over the summer points to a further rise in these prices. Meanwhile the volume indices for mainland exports could contain information on the growth contribution from the export sector given the combination of global slowdown and weaker krone. Norges Bank's bank lending survey for Q3 should reveal how weaker growth prospects, market turmoil and slightly higher funding costs have affected the credit policies of banks. Continued relaxed lending practices have played an important role in reducing the effect of lower oil prices on the Norwegian economy, and any tightening of these practices would be bad news for many firms and so increase the downside risk to the economy.

Inflation low but stable



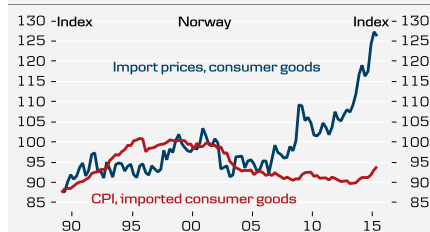
Source: Statistics Denmark

The inflation flavour of the day



Source: Riksbank. Danske Bank calculations

Import prices to climb further?



Source: Macrobond Financial

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Tue	13-Oct	-	CNY	Imports	y/y	Sep		-15.9%	-13.8%
		-	CNY	Exports	y/y	Sep		-6.0%	-5.5%
		9:30	SEK	Underlying inflation CPIF	m/m y/y	Sep	0.3% 0.9%	...1.0%	-0.1% 0.8%
		10:30	GBP	CPI	m/m y/y	Sep	0.0% 0.0%	0.0% 0.0%	0.2% 0.0%
		11:00	DEM	ZEW expectations	Index	Oct	7.0	6.6	12.1
Wed	14-Oct	8:00	SEK	Prospera inflation expectations, 1y/y 2y/y 5y/y					1.0% 1.5% 1.8%
		10:30	GBP	Average weekly earnings ex bonus (3M)	y/y	Aug	3.0%	3.0%	2.9%
		14:30	USD	Retail sales control group	m/m	Sep		0.3%	0.4%
Thurs	15-Oct	9:30	SEK	Unemployment s.a.	%	Sep	7.0%		7.0%
		14:30	USD	CPI - core	m/m y/y	Sep		0.1% 1.8%	0.1% 1.8%
Fri	16-Oct	16:00	USD	University of Michigan Confidence, preliminary	Index	Oct		88.5	87.2

Scandi movers

Mon	12-Oct	9:00	DKK	CPI	m/m y/y	Sep	0.3% 0.5%		-0.3% 0.5%
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Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

German engine in headwind

German economic data have started to show weakness and, in our view, more softness is looming. This is because the German economy faces headwinds from two important channels: (1) the turmoil in emerging markets and China together with the weakness in the US manufacturing sector and (2) the Volkswagen emissions scandal. We expect the two channels to affect the significant German car industry simultaneously, as China is the world's largest market for new cars. The worse case would be that the Volkswagen fraud results in a hard hit to the quality trusted brand 'made in Germany'.

Regarding the first channel, the highly export-oriented German economy is more at risk than the rest of the euro area, which also follows due to the high German exposure to emerging markets. Hence, although we have argued for an impact on sentiment rather than a direct export impact for the euro area, the direct impact should be larger for Germany. Added to this, the weakness in the US manufacturing sector also adds downside risk, as German exports to the US are now higher than they are to France.

The foreign weakness is reflected in the data released this week, which has all been very weak. Exports declined 5.2% m/m in August, which is the weakest since 2009. Factory orders declined on average 2.0% m/m in July and August and the softness is driven mainly by foreign orders, which are down more than 7% since June. Industrial production also surprised on the weak side, with a decline of 1.2% m/m in August.

We look for more weakness as the data for August do not include the impact of the Volkswagen scandal, which emerged in September. The solid export growth in Q2, which had a growth contribution of more than 1 percentage point, was driven mainly by exports of cars and we expect a hit to the German car industry would have a quite high impact on activity as car exports account for around 20% of overall exports.

Solid export growth in Q2 driven by car exports, which are 20% of overall exports

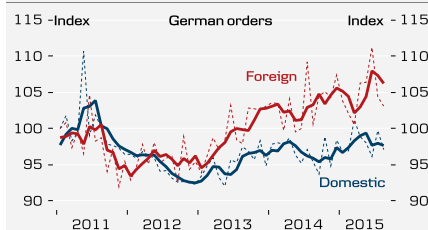


Source: German Statistical Office, Danske Bank Markets

Today's key points

- More German softness is looming due to the combination of Chinese turmoil and the Volkswagen fraud.
- We have postponed our call for a Fed hike to start-2016 - markets have pushed it to mid-2016.
- The fixed income market is in 'erase and rewind' mode this week - we look for further US-euro spread widening.
- EUR/USD to continue range trading the next couple of weeks

Tailwind from German exports fading



Source: German Statistical Office, Danske Bank Markets

The indirect impact of a hit to the German car industry would be even larger, as the car industry is the largest buyer of goods and services from other German sectors. More than 270,000 persons are employed in Volkswagen in Germany and around 775,000 people worked in the German automobile sector in 2014 but including the indirect impact Chancellor Angela Merkel said several years ago that one in seven jobs in Germany were linked to the car industry. Recently, she has attempted to limit the overall impact on the economy by saying, 'Please don't use this to condemn the entire auto industry. It puts thousands and thousands of European jobs at risk.'

The latest data together with the forward-looking downside risks imply we have lowered our forecast for German activity and now expect negative GDP growth in Q3. The economy is still supported by private consumption in particular, as wage growth increases and purchasing power have been lifted by the low gasoline prices. In general, a further rebalancing towards the service sector should support German GDP growth. Added to this, Germany has fiscal space to limit the downside risk to activity, although politicians so far have been reluctant to use this.

The German economic slowdown increases the likelihood of more ECB easing even though Bundesbank president Jens Weidmann is sticking to his hawkish view and rejecting calls for easier monetary policy as it would not strengthen growth sustainably. We expect the ECB to remain on hold at the next meeting on 22 October but believe it will announce an extension of the purchases beyond September 2016 in December this year or in Q1 16.

Postponed Fed hike – markets push first hike to mid-16

In the US, we have pushed our call for a first Fed rate hike into 2016 and now expect a 25bp rate hike in January. We changed our view after last week's job report, which added no positive news about the situation in the labour market (see [Flash Comment: Weak labour market pushes first Fed rate hike to next year](#), 2 October). This week the non-manufacturing ISM also weakened more than expected with a large fall in orders. However, non-manufacturing ISM has come from a very high level and it still points to growth above trend in the service sector. Thus, our concern for the US remains within the manufacturing sector and we could see manufacturing ISM go below 50 in coming months.

Our expectation is that at the beginning of next year things should have improved, implying the Fed will be comfortable about starting to hike. The ISM should have bottomed, Chinese data should have stabilised and the unemployment rate should decline below 5%, supporting wage inflation. However, the risk is that in the absence of any signs of rising wage inflation, the Fed will once again take the cautious approach and wait until the March FOMC meeting to increase rates. The FOMC minutes from September support our view, as they show greater concern about the inflation outlook.

Policy divergence set to widen US-euro spread but FX kept in range

The disappointing labour market report initially implied the first Fed hike was not fully priced before summer 2016 but this week it has been 'erase and rewind' in the core fixed income market and around a 50% probability of a hike in January is now priced in. In euro fixed income markets, Bunds are trading 15bp higher than the low in yields following the job report, driven by higher equities and the move higher in the oil price. We look for further US-euro spread widening as the first Fed hike moves closer and as market participants continue to focus on more easing from the ECB.

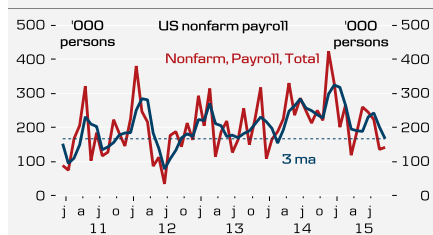
We expect EUR/USD to range trade in the near term but to move slightly lower on relative rates on a 3M horizon. The market is still not prepared for a January Fed rate

German private consumption support



Source: European Commission, German Statistical office, Danske Bank Markets

Nothing positive in US job report



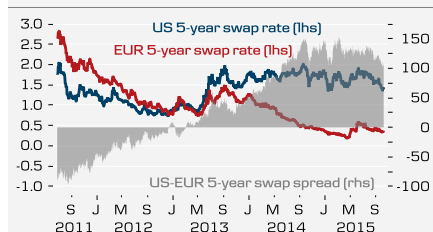
Source: BLS, Danske Bank Markets

US ISM man. could decline below 50



Source: ISM, Danske Bank Markets

Further US-euro spread widening



Source: Bloomberg, Danske Bank Markets

rise and the ECB QE programme will take place heading into 2016 and should weigh on the euro over the autumn. However, we emphasise that both the Fed and ECB support for a lower EUR/USD could prove short-lived.

Slightly dovish Bank of England due to lower inflation outlook

The Bank of England (BoE) kept its bank rate unchanged at 0.50% in another 8-1 split vote on whether to keep the bank rate unchanged or raise it immediately (see *Flash Comment: Bank of England review – slightly dovish as inflation outlook is lowered*, 8 October).

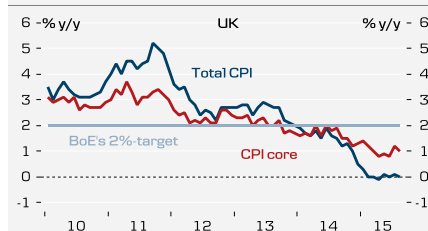
The BoE minutes support our view that the BoE's focus has shifted to inflation and that it will not hike rates until CPI inflation has moved higher. We expect CPI inflation to remain close to 0% in coming months and one cannot rule out that inflation may turn negative. This said, we still expect the BoE to hike in Q1 16, probably in February. We expect CPI inflation to pick up in January when the base effects of the oil price fall in H2 14 disappear. The unemployment rate is already more or less back to 'normal' and we think the labour market will tighten further, which would lead to even higher wage growth.

Chinese FX reserves data add to first signs of stabilisation

In China, data for FX reserves added to signs that the Chinese business cycle is bottoming. FX reserves fell by USD43.3bn, which was less than expected and a much smaller decline than in August, when reserves fell a record USD93.9bn. The valuation effects are limited as the currency movements have been small in September. Hence, intervention has been much smaller in September and the same goes for capital outflows.

Last week, the official Chinese manufacturing PMI showed signs of stabilisation and this, in combination with declining capital outflows, is underpinning risk appetite. We believe the positive sentiment in emerging markets can continue in the short run with positive spillover to Western markets too.

Very low inflation concerns UK MPC



Source: Office for National Statistics, Danske Bank Markets

Chinese FX reserves fell less in Sep.



Source: State Administration of Foreign Exchange, Danske Bank Markets

Global market views

Asset class	Main factors
Equities Positive on 3M horizon, positive on 12M horizon	The dovish minutes from the FOMC have fuelled another leg in the equity market. Drivers ahead are still the growth outlook in the US and Europe, which remains intact. Lower growth in Japan looms but China is rebounding. We expect monetary policy from the ECB, Fed, BoE, BoJ and PBoC to remain supportive for equities.
Bond market Bund yields range bound to lower short term, higher longer term US-Euro spread: Wider Peripheral spreads to tighten gradually from here Spreads to remain at current levels but with higher downside risk	The ECB has opened the door for more QE but Fed lift-off has been postponed until 2016. Policy divergence set to widen spread in 2016. QE, improving fundamentals and ratings, search for yield. Emerging market instability removes focus from ECB support.
FX EUR/USD – range short term, lower in 3-6M USD/JPY – higher on relative monetary policy EUR/SEK – higher short term, lower medium term EUR/NOK – range trade short term, then lower	Relative rates set to drag the cross lower in 3-6M, then rebound on higher EUR inflation and fundamentals. Raising BoJ easing expectations to support the cross in the short term. Fed hikes set to maintain support longer term. Battle between the Riksbank and ECB to keep the cross in range for now. Lower further out on relative growth. Relative rates and liquidity set to cap downside short term but eventually lower on positioning and rel. fundamentals.
Commodities Oil prices – range bound near-term, recovery in 2016 Metal prices – staying low Gold prices – flat near term Agricultural risks remain on the upside	Rebalancing set to support recovery next year. Geopolitical risk factor looming. Chinese manufacturing slowdown set to cap upside. Consolidation in mining industry puts a floor under prices. Low oil price and Fed getting ready to hike keeps a lid on gold price. Trending up again, El Niño weather this year is key upside risk.

Source: Danske Bank Markets

Scandi update

Scandi update Denmark – exports climbing again

Statistics Denmark published figures during the week for exports and the current account in August. The current account balance – essentially the nation's profit/loss after consumption and investment have been deducted – showed a seasonally adjusted surplus of DKK13.4bn. In addition, the surplus for 2014 was revised up by no less than DKK28bn, taking it to a high 7.9% of GDP. These persistent big current account surpluses suggest Danish interest rates will remain below European rates for a long time to come. Exports increased by 4.9% m/m in August but this needs to be seen in the light of a particularly poor performance in the spring and summer, so there is still not much to suggest that exports made a strong comeback in Q3 after the disappointing Q2.

Sweden – steps in the right direction but...

In **Sweden**, the past week was filled with bits and pieces of information suggesting that the Swedish economy is finally becoming more balanced, with the (industrial) exports sector strengthening and private consumption growth moderating. This is in line with our long-held views of the Swedish economy and should serve to fortify our case on the economy and – in the next step – on inflation and the Riksbank. However, Sweden is still a small open economy – with very limited room for monetary policy to manoeuvre renewed weakening. Of course, as many analysts underline, Sweden can respond with fiscal policy but this view is predicated on fiscal policy being long-term sustainable, i.e. GDP and government revenues are lower than fundamentals suggest. However, let us save this discussion for a rainier day than today.

Norway – expansionary budget

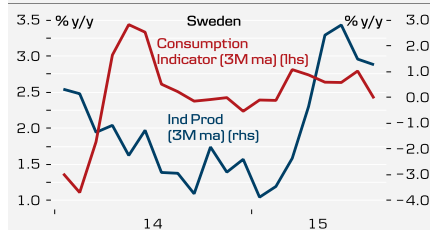
The government's budget bill for 2016 was somewhat more expansionary than expected and will boost mainland GDP next year by 0.7%. This corresponds to an increase in spending of oil revenue of almost NOK27bn on this year, which is almost NOK15bn more than Norges Bank assumed in its September monetary policy report. Therefore, in isolation, fiscal policy is pointing to a decreased probability of further rate cuts in Norway, as looser fiscal policy reduces the need for looser monetary policy. In our opinion, this is a fairly sensible fiscal stance, because it is uncertain whether the benefits of further rate cuts would outweigh the possible costs. This stance also confirms that the likelihood of negative interest rates and/or quantitative easing in Norway is lower than in many other countries.

Sharp rise in exports



Source: Statistics Denmark

Consumption and production



Source: Statistics Sweden. Danske calculations

Public finances still sound



Source: OECD

Latest research from Danske Bank Markets

8/10 Bank of England review: Slightly dovish as inflation outlook is lowered

The BoE kept its bank rate unchanged at 0.50% (another 8-1 split vote) as expected.

2/10 Flash Comment: Weak labour market pushes first Fed rate hike to next year

We have looked hard at the details of the September employment report, but find nothing positive to say.

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	2014	1.1	0.8	0.2	4.0	0.4	2.6	3.8	0.6	5.1	1.8	45.2	6.3
	2015	1.6	2.0	1.2	0.1	-0.5	0.4	-1.9	0.6	4.7	-1.9	38.4	6.6
	2016	1.9	2.1	0.2	2.6	0.3	3.0	2.9	1.6	4.4	-2.4	36.8	6.6
Sweden	2014	2.3	2.2	1.6	7.6	0.1	3.5	6.3	-0.2	7.9	-1.9	43.8	6.2
	2015	3.1	2.1	1.9	5.2	-0.3	4.3	2.8	0.0	7.8	-1.7	43.9	7.4
	2016	2.6	1.7	2.3	4.6	-0.1	4.9	4.7	1.2	7.4	-1.5	43.3	7.6
Norway	2014	2.2	2.0	2.7	0.6	0.2	2.7	1.9	2.0	3.5	-	-	-
	2015	1.3	2.3	2.3	-3.5	0.6	1.8	3.4	2.1	4.3	-	-	-
	2016	1.8	1.9	2.3	0.7	-0.2	1.8	2.6	2.5	4.2	-	-	-

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	2014	0.9	0.9	0.8	1.3	-0.1	3.9	4.1	0.4	11.6	-2.4	92.0	2.5
	2015	1.4	1.7	1.2	1.5	0.0	4.8	4.9	0.1	11.1	-2.1	91.8	2.6
	2016	1.7	1.1	0.7	3.7	0.0	4.2	4.1	1.2	10.6	-1.7	90.6	2.5
Germany	2014	1.6	1.0	1.7	3.5	-0.1	3.9	3.7	0.8	5.0	0.7	74.7	7.6
	2015	1.3	1.8	1.8	1.5	0.0	5.3	5.5	0.2	4.7	0.6	71.5	7.9
	2016	2.1	1.6	0.8	4.7	0.0	4.7	5.0	1.5	4.6	0.5	68.2	7.7
France	2014	0.2	0.7	1.5	-1.2	-0.1	2.4	3.9	0.6	10.3	-4.0	95.0	-1.7
	2015	0.9	1.7	1.5	-0.7	0.0	6.0	5.9	0.2	10.3	-3.8	96.4	-0.9
	2016	1.0	0.9	0.7	2.8	0.0	3.6	3.9	1.0	10.1	-3.7	97.1	-1.2
Italy	2014	-0.4	0.3	-1.0	-3.2	0.3	2.4	1.7	0.2	12.7	-3.0	132.1	2.0
	2015	0.7	0.6	0.1	0.4	0.0	4.2	5.3	0.1	12.2	-2.6	133.1	2.2
	2016	1.3	0.9	0.3	2.4	0.0	4.4	4.2	1.1	11.8	-2.0	130.6	2.2
Spain	2014	1.4	2.4	0.1	3.4	-0.1	4.2	7.6	-0.2	24.5	-5.8	97.7	0.6
	2015	3.0	3.2	1.2	6.0	0.0	4.6	5.6	-0.4	22.4	-4.5	100.4	1.2
	2016	2.6	2.0	0.5	6.5	0.0	4.6	5.2	0.8	20.5	-3.5	101.4	1.0
Finland	2014	-0.4	0.5	-0.2	-3.3	-	-0.7	0.0	1.0	8.7	-3.1	59.0	-0.9
	2015	0.0	0.4	-0.2	-2.0	-	1.0	-0.3	-0.1	9.6	-3.3	62.5	0.4
	2016	0.8	0.4	-0.5	2.5	-	3.0	2.5	1.0	10.0	-2.9	64.5	0.5

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	2014	2.4	2.7	-0.6	5.3	0.0	3.4	3.8	1.6	6.2	-4.1	101.0	-2.3
	2015	2.4	3.1	0.6	4.2	0.2	1.1	5.4	0.1	5.3	-2.9	104.0	-2.5
	2016	2.4	2.7	0.9	4.3	-0.2	3.6	4.4	1.9	5.0	-2.6	103.0	-2.6
Japan	2014	-0.1	-1.4	0.3	2.6	0.1	8.4	7.4	2.4	3.6	-7.0	245.0	0.5
	2015	1.0	0.0	0.9	0.8	0.2	7.6	5.0	1.0	3.3	-6.5	245.0	2.2
	2016	1.4	1.4	1.2	1.2	-0.1	6.0	7.4	1.6	3.1	-6.2	246.0	2.0
China	2014	7.4	-	-	-	-	-	-	2.0	4.3	-1.1	40.7	1.8
	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
UK	2014	3.0	2.6	1.6	8.6	0.3	0.5	2.4	1.5	6.2	-5.7	89.4	-5.4
	2015	2.6	3.2	1.9	5.1	-0.7	6.7	6.0	0.1	5.6	-4.0	87.6	-4.8
	2016	2.5	2.6	0.1	5.2	0.2	5.1	5.6	1.4	5.3	-2.3	86.8	-4.0

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	09-Oct	0.25	0.32	0.76	2.09	112.8	-	661.4
	+3m	0.50	0.62	1.25	2.35	110.0	-	677.7
	+6m	0.75	0.87	1.55	2.60	110.0	-	677.7
	+12m	1.25	1.44	1.95	2.95	115.0	-	648.3
EUR	09-Oct	0.05	-0.05	0.06	0.99	-	112.8	746.1
	+3m	0.05	-0.04	0.05	0.95	-	110.0	745.5
	+6m	0.05	-0.04	0.05	1.15	-	110.0	745.5
	+12m	0.05	-0.04	0.10	1.35	-	115.0	745.5
JPY	09-Oct	0.10	0.08	0.11	0.50	135.5	120.2	5.51
	+3m	0.10	0.15	-	-	136.4	124.0	5.47
	+6m	0.10	0.20	-	-	137.5	125.0	5.42
	+12m	0.10	0.20	-	-	146.1	127.0	5.10
GBP	09-Oct	0.50	0.58	0.96	1.88	73.4	153.7	1016.6
	+3m	0.50	0.65	1.30	2.05	72.0	153.0	1035.4
	+6m	0.75	0.83	1.50	2.20	70.0	157.0	1065.0
	+12m	1.00	1.26	1.90	2.50	72.0	160.0	1035.4
CHF	09-Oct	-0.75	-0.73	-0.68	0.21	108.9	96.6	684.9
	+3m	-0.75	-	-	-	107.0	97.3	696.7
	+6m	-0.75	-	-	-	110.0	100.0	677.7
	+12m	-0.75	-	-	-	112.0	97.4	665.6
DKK	09-Oct	0.05	-0.07	0.30	1.32	746.1	661.4	-
	+3m	0.05	0.02	0.20	1.20	745.5	677.7	-
	+6m	0.05	0.07	0.20	1.40	745.5	677.7	-
	+12m	0.05	0.07	0.25	1.60	745.5	648.3	-
SEK	09-Oct	-0.35	-0.30	-0.16	1.38	929.5	824.0	80.3
	+3m	-0.45	-0.40	-0.25	1.20	940.0	854.5	79.3
	+6m	-0.45	-0.40	-0.30	1.35	930.0	845.5	80.2
	+12m	-0.45	-0.35	-0.15	1.45	900.0	782.6	82.8
NOK	09-Oct	0.75	1.11	0.99	1.91	919.4	815.0	81.2
	+3m	0.75	1.00	1.05	1.95	940.0	854.5	79.3
	+6m	0.75	1.00	1.10	2.20	925.0	840.9	80.6
	+12m	0.75	1.00	1.20	2.40	880.0	765.2	84.7

Equity Markets

Regional		Risk profile 3mth.	Price trend 3mth.	Price trend 12mth.	Regional recommendations
USA (USD)	Strong USD, muted earnings growth, expensive valuation	Medium	0-5%	5-8%	Underweight
Emerging markets (local curr)	EM under pressure from change in China's FX policy	High	0-3%	0-5%	Underweight
Japan (JPY)	Reflation, corporate governance, earnings growth, fair value	Medium	0-8%	10-15%	Overweight
Europe (ex. Nordics)	Reflation, earnings growth, cheap EUR, fair value	Medium	0-8%	10-15%	Overweight
Nordics	Earnings growth, expensive valuation	Medium	0-0%	5-10%	Overweight

Commodities

	09-Oct	2015				2016				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2015	2016
NYMEX WTI	50	49	58	47	48	53	58	60	62	50	58
ICE Brent	53	55	63	52	52	57	62	64	65	56	62
Copper	5,228	5,808	6,043	5,380	5,300	5,500	5,700	5,800	5,900	5,633	5,725
Zinc	1,668	2,091	2,188	1,860	1,950	2,000	2,050	2,075	2,100	2,022	2,056
Nickel	10,075	14,410	13,065	10,650	11,000	11,500	12,000	12,500	13,000	12,281	12,250
Aluminium	1,566	1,813	1,787	1,625	1,700	1,775	1,850	1,900	1,950	1,731	1,869
Gold	1,152	1,219	1,193	1,125	1,110	1,115	1,120	1,125	1,130	1,162	1,123
Matif Mill Wheat (€/t)	179	190	182	176	180	185	190	195	195	182	191
Rapeseed (€/t)	376	360	370	374	360	370	380	385	380	366	379
CBOT Wheat (USD/bushel)	526	523	505	512	525	540	560	580	600	516	570
CBOT Corn (USD/bushel)	398	385	367	383	400	420	430	435	440	384	431
CBOT Soybeans (USD/bushel)	888	990	966	950	900	920	940	960	980	952	950

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 42

During the week			Period	Danske Bank	Consensus	Previous
Fri 09 - 11	USD	World Bank and International Monetary Fund Annual Meeting				
Sat 10	CNY	Money supply M2	y/y	Sep	13.1%	13.3%
Sat 10	CNY	New Yuan loans	CNY bn.	Sep	900.0b	809.6b
Sat 10	CNY	Aggregate financing	bn CNY	Sep	1200.0b	1082.3b
Sun 11	EUR	ECB's Lautenschlaeger speaks in Lima				

Monday, October 12, 2015

				Period	Danske Bank	Consensus	Previous
-	OPC	OPEC publishes monthly oil market report		Oct			
8:00	SEK	PES unemployment	%	Sep			4.3%
9:00	DKK	CPI	m/mly/y	Sep	0.3% 0.5%		-0.3% 0.5%
14:10	USD	Fed's Lockhart (voter, dovish) speaks					
16:30	USD	Fed's Evans (voter, dovish) speaks					
22:30	USD	Fed's Brainard (voter, dovish) speaks					

Tuesday, October 13, 2015

				Period	Danske Bank	Consensus	Previous
-	USD	Budget statement	USD bn	Sep		91.0b	
-	CNY	Trade balance	USD bn	Sep		47.90b	60.24b
-	WTO	IEA publishes monthly oil market report					
-	CNY	Imports	y/y	Sep		-15.9%	-13.8%
-	CNY	Exports	y/y	Sep		-6.0%	-5.5%
1:50	JPY	Minutes from BoJ meeting Sept. 14-15					
1:50	JPY	Bank lending	y/y	Sep			2.7%
2:30	AUD	NAB Business Conditions	Index	Sep			11.0
7:00	JPY	Consumer confidence	Index	Sep		41.6	41.7
8:00	DEM	HICP, final	m/mly/y	Sep		-0.3% -0.2%	-0.3% -0.2%
8:30	EUR	ECB's Mersch speaks in Singapore					
8:30	SEK	Riksbank's Flodén speech on inflation target					
9:30	SEK	CPI	m/mly/y	Sep	0.2% -0.1%	... 0.0%	-0.2% -0.2%
9:30	SEK	Underlying inflation CPIF	m/mly/y	Sep	0.3% 0.9%	...1.0%	-0.1% 0.8%
10:30	GBP	PPI - input	m/mly/y	Sep		0.2% -13.0%	-2.4% -13.8%
10:30	GBP	PPI - output	m/mly/y	Sep		-0.1% -1.8%	-0.4% -1.8%
10:30	GBP	CPI	m/mly/y	Sep	0.0% 0.0%	0.0% 0.0%	0.2% 0.0%
10:30	GBP	CPI core	y/y	Sep	1.1%	1.1%	1.0%
11:00	DEM	ZEW current situation	Index	Oct	63.5	64.0	67.5
11:00	DEM	ZEW expectations	Index	Oct	7.0	6.6	12.1
12:00	USD	NFIB small business optimism	Index	Sep		95.5	95.9
14:00	USD	Fed's Bullard (non-voter, hawkish) speaks					

Source: Danske Bank Markets

Calendar - continued

Wednesday, October 14, 2015				Period	Danske Bank	Consensus	Previous
1:30	AUD	Westpac Consumer Confidence	Index [% m/m]	Oct			93.9 -5.6%
1:50	JPY	PPI	m/m/y/y	Sep		-0.4% -3.9%	-0.6% -3.6%
1:50	JPY	Money supply M2	y/y	Sep		4.3%	4.2%
3:00	EUR	ECB's Mersch speaks in Singapore					
3:30	CNY	PPI	y/y	Sep		-5.9%	-5.9%
3:30	CNY	CPI	y/y	Sep		1.8%	2.0%
8:00	SEK	House prices, Mäklarstatistik					
8:00	SEK	Prospera inflation expectations, 1y/y 2y/y 5y/y					1.0% 1.5% 1.8%
8:45	FRF	HICP	m/m/y/y	Sep		-0.4% 0.1%	0.4% 0.1%
9:00	ESP	HICP, final	m/m/y/y	Sep		0.4% -1.2%	0.4% -1.2%
10:00	ITL	HICP, final	m/m/y/y	Sep			... 0.2%
10:30	GBP	Average weekly earnings (3M)	y/y	Aug		3.1%	2.9%
10:30	GBP	Average weekly earnings ex bonus (3M)	y/y	Aug	3.0%	3.0%	2.9%
10:30	GBP	Unemployment rate	%	Aug	5.5%	5.5%	5.5%
11:00	EUR	Industrial production	m/m/y/y	Aug	-0.6% ...	-0.7% 1.8%	0.6% 1.9%
13:00	USD	MBA Mortgage Applications	%				25.5%
14:30	USD	Retail sales control group	m/m	Sep		0.3%	0.4%
14:30	USD	Retail sales	m/m	Sep		0.2%	0.2%
14:30	USD	Retail sales less autos	m/m	Sep		-0.1%	0.1%
14:30	USD	Retail sales less autos and gas	m/m	Sep		0.3%	0.3%
14:30	USD	PPI	m/m/y/y	Sep		-0.2% -0.8%	0.0% -0.8%
14:30	USD	PPI core	m/m/y/y	Sep		0.1% 1.2%	0.3% 0.9%
Thursday, October 15, 2015				Period	Danske Bank	Consensus	Previous
2:30	AUD	Employment change	1000	Sep		7.1k	17.4k
3:15	EUR	ECB's Constancio speaks in Hong Kong					
6:30	JPY	Industrial production, final	m/m/y/y	Aug			-0.5% 0.2%
6:30	JPY	Tertiary industry index	m/m	Aug		0.0%	0.2%
9:30	SEK	Unemployment s.a.	%	Sep	7.0%		7.0%
9:30	SEK	Unemployment trend	%	Sep	7.1%		7.2%
9:30	SEK	Unemployment	%	Sep	6.5%		6.4%
10:00	NOK	Trade balance	NOK bn	Sep			20.8b
10:00	NOK	Norges Bank's bank lending survey		3rd quarter			
14:30	USD	CPI	m/m/y/y	Sep		-0.2% -0.2%	-0.1% 0.2%
14:30	USD	CPI - core	m/m/y/y	Sep		0.1% 1.8%	0.1% 1.8%
14:30	USD	Initial jobless claims	1000				263k
14:30	USD	Empire Manufacturing PMI	Index	Oct		-7.5	-14.7
16:00	EUR	EU summit in Brussels					
16:30	USD	Fed's Bullard (non-voter, hawkish) speaks					
16:30	USD	Fed's Dudley (voter, dovish) speaks					
17:00	USD	DOE U.S. crude oil inventories	K				3073k
22:30	USD	Fed's Mester (non-voter, hawkish) speaks					
23:45	NZD	CPI	q/q/y/y	3rd quarter		0.2% 0.3%	0.4% 0.4%
Friday, October 16, 2015				Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Spain's debt rating					
10:00	EUR	EU summit in Brussels					
11:00	EUR	CPI, final	m/m/y/y	Sep	... -0.1%	0.2% -0.1%	0.0% 0.1%
11:00	EUR	CPI - core, final	%	Sep	0.9%	0.9%	0.9%
11:00	EUR	Trade balance	EUR bn	Aug		21.8	22.4
15:15	USD	Capacity utilization	%	Sep		77.3%	77.6%
15:15	USD	Industrial production	m/m	Sep		-0.2%	-0.4%
15:15	USD	Manufacturing production	m/m	Sep		-0.2%	-0.5%
16:00	USD	University of Michigan Confidence, preliminary	Index	Oct		88.5	87.2
22:00	USD	TICS international capital flow, Net inflow	USD bn	Aug			141.9

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Source: Danske Bank Markets

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