

Weekly Focus Sweden

Emerging markets the weak link in the global economy

Market movers ahead

- The main event next week is the US job report. We expect job growth slowed to 180,000 in September. Job growth will need to drop below 160,000 before the Fed will see it as an obstacle to starting the tightening cycle later this year.
- China still attracts much attention. We expect the official PMI to decline slightly to 49.5 in September from 49.7 in August. We expect Caixin service PMI dropped to 51.0 in September from 51.5 in August as the weakness in the industrial sector should have some spill-over to services as well.
- In the euro area, the focus is on inflation in September which the markets will follow closely as the pressure on Draghi for further easing intensifies. We expect inflation turned negative again.
- In the UK, we must see strong growth in the Index of Services through Q3 in order to have above-trend GDP growth, as production and construction Q3 figures released so far have been weaker than expected.
- In Denmark, the FX reserves data for September will show to what degree the Danish central bank has continued to intervene in the FX market.

Global macro and market themes

- The Emerging Markets have become the weak link in the global economy and represent the biggest risk factor currently.
- We look for Chinese growth to stay around 6½-7% in the coming years, while there is likely to be little relief for commodity-exporting EM economies.
- The US economy continues with a moderate recovery and the Fed is expected to start raising rates in December – although very slowly.
- The euro recovery faces some downside risk in the short term from the EM turmoil but we expect the recovery to continue in the medium term.

Focus

- *Nordic Outlook – September 2015*, 24 September 2015.
- *Norges Bank Review: A 25bp rate cut and an easing bias*, 24 September 2015

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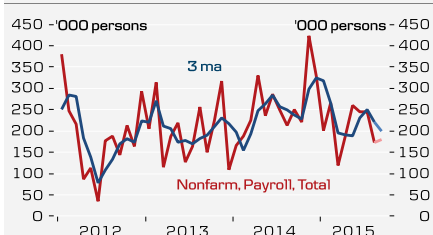
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Financial views

Major indices			
	25-Sep	3M	12M
10yr EUR swap	1.02	0.95	1.35
EUR/USD	111	110	115
ICE Brent oil	48	50	62
	25-Sep	6M	12-24M
S&P500	1932	0.5%	5.8%

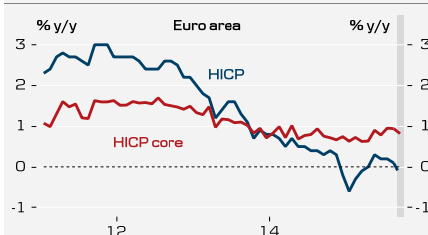
Source: Danske Bank

Slower job growth in the US



Source: US Bureau of Labor Statistics

Back to deflation in the euro area



Source: Eurostat

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Market Movers

Global

- The coming week is busy in the **US**. In terms of data the main events are the September employment report (Friday) and the manufacturing ISM (Thursday).

Job growth has been running at an impressive pace since early last year, pushing the unemployment rate to 5.1% - very close to the assumed level of NAIRU (around 5.0%). The rapid job growth has been helped along by a combination of solid GDP growth and slow labour productivity growth. Over the past three months, the US economy has added, on average, 221,000 jobs per month - a pace that cannot be sustained in an economy where potential labour force growth, under a positive assumption about a rebound in the labour participation rate, is only around 150,000 per month. Our models suggest a slowdown in job growth in September to 180,000 and even though this is slower than the recent trend, it is still solid job growth and enough, if sustained, to put additional downward pressure on the unemployment rate. In our view, job growth will need to drop below the 160,000 mark before the Fed will see it as an obstacle to starting the tightening cycle later this year. In terms of the unemployment rate, we expect the rate to stay unchanged at 5.1% in September but to head below 5% by year-end.

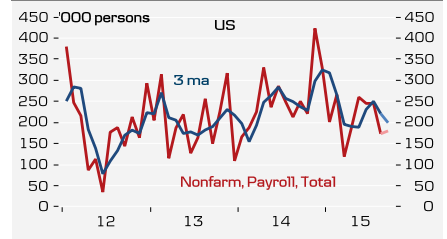
We have been surprised to see the resilience in DM industrial activity indicators in September despite the weakness in EM and in particular China. The German Ifo expectations index increased, the flash Euro area manufacturing PMI declined less than we had expected and the flash US manufacturing PMI was unchanged. This would all suggest that the downside to the ISM manufacturing survey is limited. However, the regional PMIs from the US have been more mixed and we expect the inventory build up in the first half of the year to be a headwind to manufacturing production in the short term. Further, the new orders-inventory differential in August strongly suggested a decline in the ISM this month. We estimate that the manufacturing ISM remained in expansionary territory (above 50) but look for a decline to 50.6 from 51.1.

The run of Fed speeches will continue next week. In addition to Williams and Bullard, who have already expressed their views on monetary policy after the September FOMC meeting, we will hear from Evans (dove, voter) and vice chair Fischer (neutral, voter). In addition, Yellen, Bullard and Brainard will all speak on “community banking” but the topic limits the chance that we will get any new information on monetary policy in their speeches.

We expect the Conference Board’s measure of consumer confidence to decline to 95.0 in September from an elevated 101.5, thereby mirroring the decline in the University of Michigan’s measure. We estimate that personal income rose 0.5% m/m in August and personal spending increased 0.4% m/m. The PCE core deflator likely increased 0.1% m/m leaving annual core inflation at 1.2%. We expect the headline PCE deflator was unchanged on the month in August and increased 0.3% y/y.

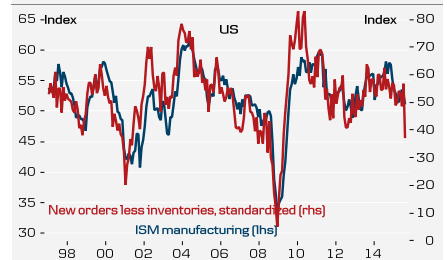
- In the **euro area** we get inflation data for September on Wednesday, which the markets will follow closely as the pressure on Draghi for further easing intensifies. We expect inflation to turn negative again and forecast a rate of -0.2% y/y in September, down from 0.1% y/y in August mainly due to the latest fall in gasoline prices. Looking ahead, we still expect a sharp rise in inflation to 1.1% in January 2016 but this is driven mainly by base effects from energy prices and should be temporary.

Job growth should slow but stay solid



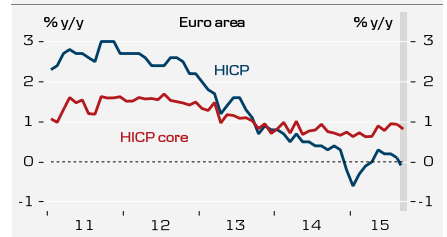
Source: Macrobond Financial and Danske Bank Markets

ISM to decline as inventories are slashed



Source: Macrobond Financial and Danske Bank Markets

Euro area to dip back into deflation



Source: Eurostat, Danske Bank Markets

The German HICP inflation, which is released ahead of the euro figure, should also be dragged down by the oil price decline and we expect it to reach -0.3% y/y in September. See *Euro area deflation monitor: A temporary dip back into deflation*

We expect a decline in German retail sales for August after a strong reading in July. This would be in line with the lower German consumer confidence, but gasoline prices give upside risk even if the scale of such potential support was larger in the beginning of the year.

We also get data on the euro area unemployment rate and we expect it to remain unchanged at 10.9% which is the lowest level since the beginning of 2012. The economic confidence from the European Commission could get some attention as there is focus on a spill-over to sentiment from the emerging markets turmoil.

The Italian and Spanish manufacturing PMIs are expected by us to have declined in September. In Italy, the PMI reached a high level and should continue to point to stronger economic activity despite a potential decline in September. For Spain a decline in the manufacturing PMI would be the fourth in a row, but the domestic driven service PMI remains at a high level in line with the strong GDP growth.

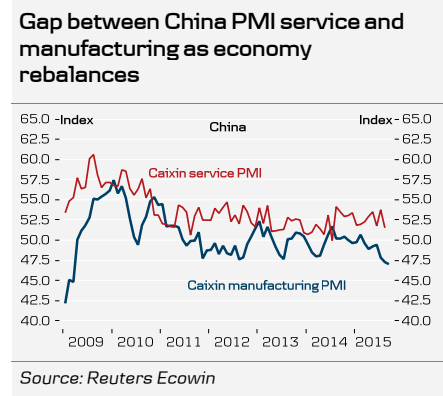
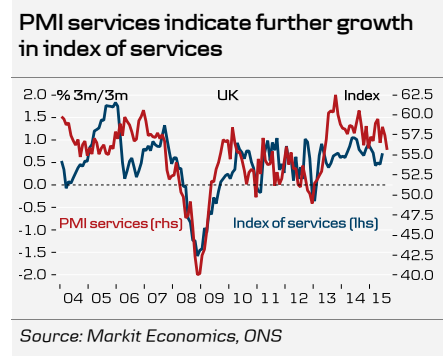
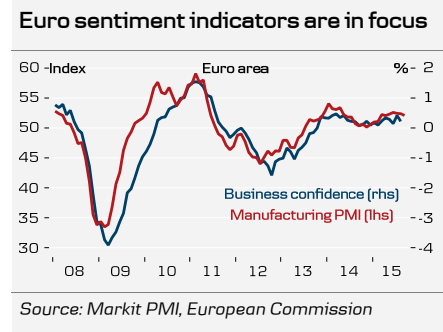
- In the **UK**, the main release next week is the index of services in July. As production and construction figures released so far in Q3 have been weaker than expected, we need to see strong growth in index of services through Q3 in order to have above-trend GDP growth. This is also our expectation as we expect growth to be driven mainly by domestic demand and in particular by private consumption which should be reflected in the index of services. PMI services have declined recently but is still at a high level indicating continued solid growth in the service sector. Due to the volatility in the monthly series we expect index of services increased 0.1% m/m in July down from 0.5% m/m in June. That is still 0.8% higher than three months ago. Private consumption is also supported by very high consumer confidence which is at the highest level post-crisis. We expect a decline in the consumer confidence to 3 in September from 7 in August reflecting the turbulence in the financial markets.

Manufacturing PMI in September is due. While the strong GBP and slowdown in China put pressure on the manufacturing sector in the UK, manufacturing PMI in the euro area only fell marginally in September. As manufacturing PMI in the UK tends to follow manufacturing PMI in the euro area, we do not expect any major changes and thus expect manufacturing PMI to stay unchanged at 51.5. Also construction PMI is due for release.

- In **China** focus next week will be on the official PMI manufacturing (from China Federation of Logistics and Purchasing) for September and also the release of the PMI for the service sector. The official PMI generally has smaller swings and is at a higher level than the Caixin PMI manufacturing. It currently stands at 49.7 for August compared with 47.0 for the Caixin version. We expect to see a slight decline in the official PMI from 49.7 to 49.5, which would be the lowest level since August 2012.

The Caixin service PMI dropped last month to 51.5 and we expect a further drop in September to 51.0 as the weakness in the industrial sector should have some spill-over to service as well. But overall the higher level for service PMI fits well with the apparent rapid rebalancing that is going on in the Chinese economy between industry and service.

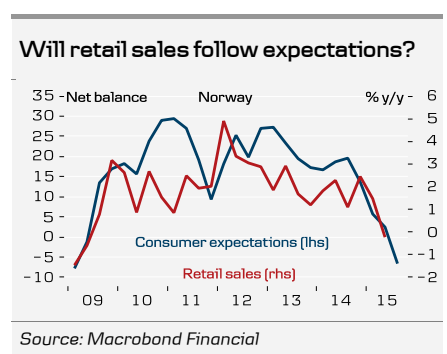
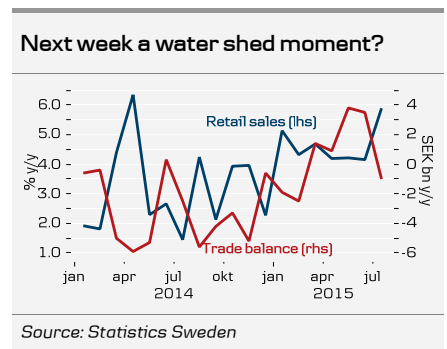
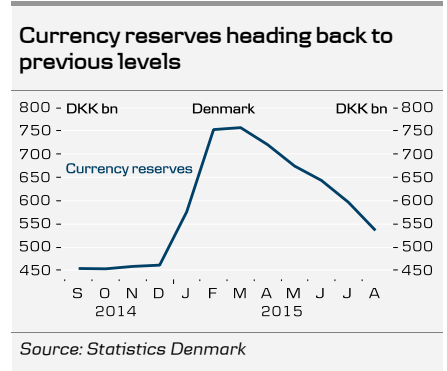
- In **Japan**, next week's key releases will be the September Tankan business survey and August industrial production figures. Following the larger than expected decline in the



September Nikkei manufacturing PMI survey released this week, the Tankan business survey will in particular be scrutinized for signs of negative spill-over from the recent slowdown in Chinese economy. Given the concerns about the Chinese economy, the increase in volatility on global financial markets and not least an appreciation of the yen during Q3, the Tankan business survey is expected to show further deterioration in Q3. Industrial production is expected to expand 0.9% m/m in August which translates into a growth of 1.7% y/y.

Scandi

- In **Denmark** the Nationalbank is set to publish its currency reserves data for September. The reserves have been falling since April following a massive influx of foreign exchange in January and February. Although they have decreased by an average of DKK40bn a month during this period, they were still high in August at close to DKK540bn, which is around DKK75bn more than in December last year. Statistics Denmark meanwhile will release revised GDP data for Q2. Although there can sometimes be major revisions to the subcomponents, the overall GDP figure does not generally move much, and on this occasion we expect it to be unchanged from the initial release. The Nationalbank will also be releasing figures for foreign portfolio investments and its securities statistics, both for August, while Statistics Denmark should be publishing data for unemployment in August, housing prices in July and manufacturing confidence in September.
- In **Sweden**, the week ahead will provide more information on both how the exports industry and the retail service sector (both released Monday, 09:30 CEST) are performing. Despite a nominally more optimistic tone in most/all exports indicators, the trade balance has been remarkably weak the past months. Instead, it has been services exports – in particular an obscure type of services called “merchanting” that has saved the day for exporters. Retail sales have, on the other hand, been remarkably strong, especially since a loss of momentum has been widely anticipated for some time.
- In **Norway** private consumption has held up quite well to date despite lower oil prices and rising unemployment, presumably thanks to lower interest rates. Consumer confidence, however, has now fallen to its lowest level since the financial crisis, and retail sales have been moving sideways for a couple of months, so the August data for the latter will be important in gauging whether the tide has actually turned. A drop in private consumption and housing demand would result in a deeper and longer-lasting downturn in the Norwegian economy. We expect retail sales to show moderate growth of 0.3% m/m. The reason for the downturn in Norway is, of course, the drop in oil investment hitting mainland manufacturing. The PMI has been pointing to a further decline in Q3, and this is probably where we need to look for signs of activity stabilising again. Based on the latest fall in oil prices and the slowdown in global industrial production, however, we reckon September is just too early for this. Unemployment has been rising steadily as the economy has deteriorated. Our preferred jobless measure is the monthly change in gross unemployment, which includes job creation schemes, and we expect a further increase of 700 people in September. The downsizing in oil-related industries is not yet over, although the worst is probably behind us. Notice periods and so on mean that it will still be a couple of months before unemployment peaks. We expect the registered unemployment rate to fall to 2.9% for seasonal reasons. Household credit growth has also been boosted by lower interest rates. Given the high debt levels in the household sector, this presents a



risk and limits Norges Bank's scope to cut interest rates. We expect household credit growth to hold around 6.5% y/y in August and overall credit growth to slow to 5.6%.

Market movers ahead

Global movers			Event	Period	Danske	Consensus	Previous	
During the week								
Mon	28-Sep	14:30	USD	PCE core	m/m y/y	Aug	0.1% 1.3%	0.1% 1.2%
Tue	29-Sep	14:00	DEM	HICP, preliminary	m/m y/y	Sep	.. -0.3%	-0.2% 0.1%
		16:00	USD	Conference Board consumer confidence	Index	Sep	95.0	96.0
								101.5
Wed	30-Sep	11:00	EUR	HICP inflation, preliminary	y/y	Sep	-0.2%	0.0%
Thurs	01-Oct	3:00	CNY	Manf. PMI	Index	Sep	49.5	49.7
		3:45	CNY	Service PMI	Index	Sep	51.0	51.5
		16:00	USD	ISM manufacturing	Index	Sep	50.6	50.6
Fri	02-Oct	14:30	USD	Unemployment	%	Sep	5.1%	5.1%
		14:30	USD	Non farm payrolls	1000	Sep	180K	200K
		14:30	USD	Average hourly earnings, non-farm	m/m y/y	Sep		0.2% 2.4%
								0.3% 2.2%
Scandi movers								
During the week								
Mon	28-Sep	9:30	SEK	Retail sales s.a.	m/m y/y	Aug	-0.5% 3.0%	0.5% 5.9%
Tue	29-Sep	10:00	NOK	Retail sales, s.a.	m/m	Aug	0.3%	0.3%
Wed	30-Sep	10:00	NOK	Credit indicator (C2)	y/y	Aug	5.6%	5.6%
Thurs	01-Oct	8:30	SEK	PMI manufacturing	Index	Sep	54.5	53.2
		9:00	NOK	PMI	Index	Sep		43.3
Fri	02-Oct	10:00	NOK	Unemployment	%	Sep	2.9%	2.9%
		16:00	DKK	Currency reserves	DKK bn	Sep		536.2

Source: Bloomberg, Danske Bank Markets

Global macro and market themes

Soft landing for China feels like hard landing for the world

- The Emerging Markets have become the weak link in the global economy and represent the biggest risk factor currently.
- We look for Chinese growth to stay around 6½-7% in the coming years, while there is likely to be little relief for commodity exporting EM economies like Brazil and Russia – both in recession.
- The US economy continues with a moderate recovery and the Fed is expected to start raising rates in December – although very slowly.
- The Euro recovery faces some downside risk in the short term from the EM turmoil but we expect the recovery to continue in the medium term, with growth rising to 1.7% in 2016 from 1.4% this year. ECB to extend QE program.

Chinese rebalancing feels like a hard landing for the world

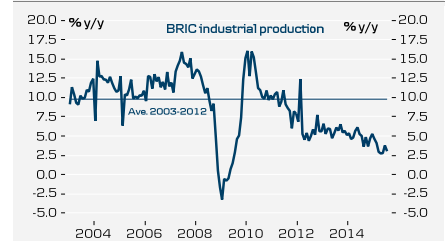
There is a lot of focus on the risk of a Chinese hard landing at the moment and whether China can avoid such a scenario. **While China may not experience a hard landing in terms of the overall growth rate collapsing, China’s manufacturing sector is very close to what could be characterised as a hard landing.** The average growth rate in Chinese industrial production over the period 2000-2012 was 13.5% y/y but has fallen to around 6% y/y over the past quarter – a very sharp move lower. In addition, import growth in volumes is in negative territory, falling by 1% y/y in the past few months. This compares with an average growth in imports over the period 2005-2012 of 8.9%. An economy like Brazil has a very high exposure to China and Brazil GDP is highly correlated with Chinese import growth, as shown in the chart below.

GDP outlook

% y/y	2015		2016	
	Danske Bank	Consensus	Danske Bank	Consensus
USA	2.4	2.5	2.5	2.7
Euro area	1.4	1.4	1.7	1.7
Japan	1.0	0.7	1.4	1.2
China	6.8	7.0	6.7	6.7
Global	3.3	3.5	3.7	3.8

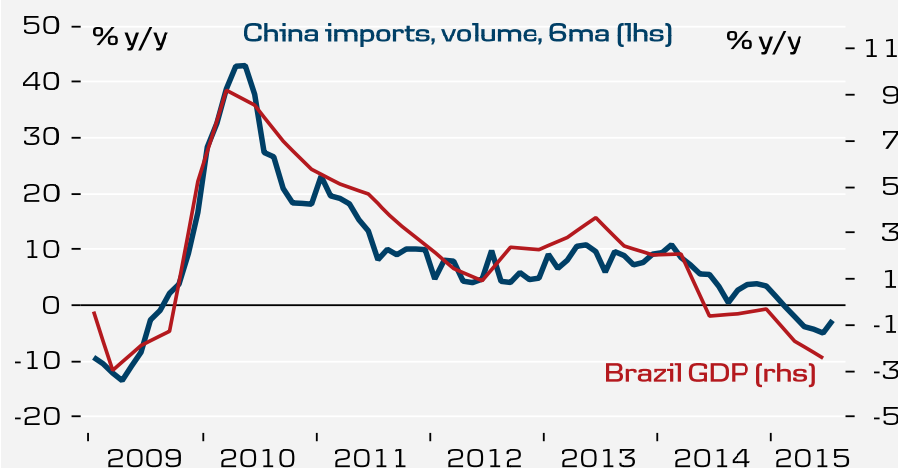
Source: Danske Bank

BRIC industrial production in sharp downturn



Source: Macrobond Financial, Danske Bank

Hard landing in Chinese imports is hurting



Source: Bloomberg, Danske Bank Markets

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If China is growing close to 7%, it seems clear that it is growth increasingly driven by the service sector with much less import content. It also explains why there is no sense of urgency from the Chinese government. The National Development and Reform Commission has announced that China created 9.5 million new jobs in the first eight months of the year despite the lower growth rate, which was 95% of the target for the whole year. Hence, what seems to be a very hard Chinese landing for the rest of the world is still a fairly soft landing for China itself.

The rapid rebalancing in recent years is also evident from the industry and service sectors' share of the overall economy. The industrial and construction sector is now 42% of the overall economy, whereas the service sector is 49%. This development is welcomed by the Chinese leadership. Premier Li Keqiang said in a speech on 10 September that "What is more encouraging is that China's economic structure is rapidly improving". Hence, we should not expect industrial production to rise much from current growth rates but activity will instead be generated more in the service sector. This is positive for China – but has big implications for countries with export exposure to the manufacturing and construction led growth in the past, which created a huge demand for commodities. Hence, **commodity exporters are unlikely to see much relief in coming years and a country like Brazil needs to recalibrate its whole economy, which will likely be a long and painful process.**

We expect Chinese growth to be weak in the short term, as also signalled by a further decline in Flash PMI manufacturing for September but during the next two-three months we look for stimulus and a housing recovery to kick in and lead to a moderate rise in growth from 6% q/q annualised to 6.5% q/q annualised in Q4 and a similar pace next year. However, the composition of growth will continue to be increasingly service sector driven and as such not give a big boost to the rest of the world through higher import growth.

Emerging Markets crisis due to three main factors

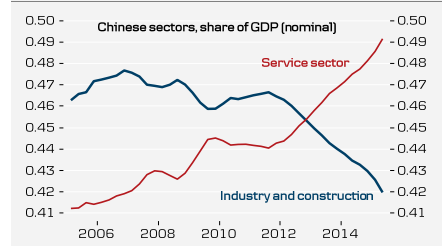
As we wrote in *Strategy: EM turmoil a cause for concern*, 21 August 2015, **there are reasons to be more worried by the current EM crisis than what we saw in 2013 and 2014**, when emerging markets were also causing market jitters. Emerging markets are currently hit by a cocktail of mainly three factors:

1. A hard landing in the Chinese manufacturing and construction sector
2. A sharp drop in commodity prices
3. Looming rate hikes from the Fed

Commodity exporters like Brazil and Russia are feeling a big hit and, in addition, many countries struggle with political unrest – not least Brazil having a major corruption scandal running, adding a political crisis to the economic challenges. Brazil's GDP is expected to fall 2% this year, the worst performance in decades.

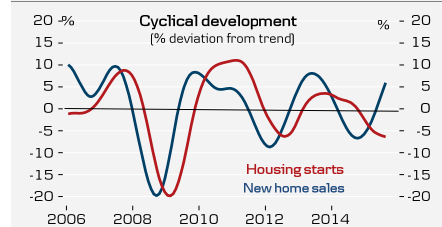
In the short term, a risk factor for these markets is a further decline in commodity prices, which would add pressure. While we expect oil prices to bottom and rise gradually from here, the near-term picture is highly uncertain and a further decline cannot be ruled out

Rapid rebalancing between service and industry in recent years



Source: Macrobond Financial, Danske Bank

Chinese construction recovery to kick in soon as home sales have picked up



Source: Macrobond Financial, Danske Bank

Brazil and Russia both in recession



Source: Macrobond Financial, Danske Bank

due to a temporary supply glut in the market. Eventually, prices will adapt to the marginal costs, which are seen around US\$60-65 per barrel. But when that happens is uncertain.

US economy in good shape

While emerging markets are clearly under severe pressure at the moment, developments have generally been positive in advanced economies over the past year. US growth continues to hover around an average of 2½% driven by solid private consumption underpinned by renewed strength in the housing market, decent gains in employment and a continued decline in unemployment, which is now very close to the so-called NAIRU rate under which inflation pressures start to arise. Lower oil prices are also supporting consumers but it is at the expense of a sharp decline in investments in the energy sector.

The US economy does not have any major imbalances that could trigger a severe slowdown. There is no over-investment in either housing or the corporate sector and households generally have solid balances. While the stock market is on the expensive side it is not in bubble territory and has not led to excesses in the real economy. The budget balance is now below 3% and inflation is low, securing an only gradual normalisation process of monetary policy once it is expected to start in December.

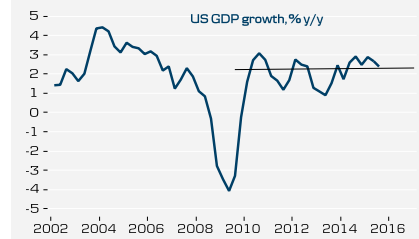
The US economy also has a quite limited exposure to Emerging Markets and is driven primarily by consumption demand. In the short term, we do see a clear risk that risk that US manufacturing could take a dive due to a) rising uncertainty and a slowing global demand and 2) an inventory run down following the build up in the first half of the year. But the manufacturing sector is only a small part of the economy and robust consumption growth should keep the service sector on a positive track. **We look for growth to continue at cruising speed into next year around 2½%.**

Euro area: weaker growth outlook due to China and EM

As the euro area economy has a higher exposure to exports and investments, we are a bit more worried that the EM turmoil could have a short-term negative impact, see *Euro area: Weaker growth outlook due to China and EM*, 21 September 2015. Germany has a quite big exposure to EM in its exports, which has been a clear advantage for many years. But currently it comes as a disadvantage due to the big drag seen in EM activity. We also see signs that sentiment is deteriorating when it comes to German activity and the experience from last year when the Ukraine crisis hit was that we generally underestimated the sentiment effect. In 2014, companies were quick to step on the brakes and halt investment spending when uncertainty arose. A similar pattern cannot be ruled out again and we now look for quarterly growth in H2 to decelerate to 1.1% annualised from 1.8% in H1. **It has led to a downward revision of overall growth in 2015 to 1.4%. In 2016, we look for a resumption of the recovery to 1.7% growth** on average, as we look for a moderate increase in Chinese growth and a recovery in investment growth again. Private consumption growth is expected to moderate slightly from a robust level as the boost from the decline in oil prices will gradually fade.

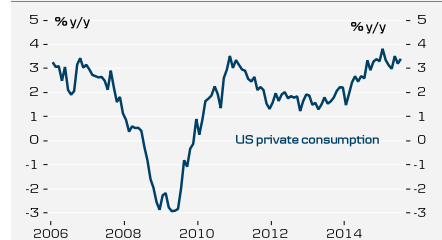
Inflation pressures in the euro area has dampened further recently due to the decline in commodity prices, a strengthening of the euro and declining inflation expectations. In combination with softer growth in the short term, we believe this will lead the ECB to announce an extension of their QE program in this year or in Q1 2016 (is currently scheduled to expire in September 2016) and an increase in QE from the current EUR60 bn per month can also not be ruled out.

US growth to continue at cruising speed



Source: Macrobond Financial, Danske Bank

US consumption growth solid



Source: Macrobond Financial, Danske Bank

Euro area recovery continuing following hiccup



Source: Macrobond Financial, Danske Bank

German business confidence could take a hit in coming months



Source: Macrobond Financial, Danske Bank

Global market views

Asset class	Main factors
<p>Equities Moderately positive on 3m horizon, positive on 12m horizon</p>	<p>Fed's expressed concern over the Chinese and EM growth outlook has caused a sell-off in equities despite it should have been supportive. Drivers ahead is still the growth outlook and in US and Europe and this is intact. In Japan lower growth looms, but monetary policy both from ECB, BoJ and PBoC will stay accommodative long time ahead as inflation is still stunningly low</p>
<p>Bond market Core yields: Bund yields range bound short term, higher medium term US-Euro spread: Wider Peripheral spreads to tighten gradually from here Credit spreads to remain stable, but with bouts of volatility</p>	<p>ECB has opened the door for more QE but Fed still on track for lift-off this year Policy divergence to widen spread QE, improving fundamentals, search for yield Added liquidity from ECB to support spreads. Emerging Markets and China could cause instability</p>
<p>FX EUR/USD - lower in 3-6M USD/JPY - range near-term, then higher on relative monetary policy EUR/SEK - stuck between 9.30-9.60 near term, lower medium term EUR/NOK - range trade short-term, then lower</p>	<p>Rel. rates to drag cross lower in next 3-6M, then rebounding on higher EUR inflation and balanced fundamentals Relative monetary policy will continue to support the cross Battle between Riksbank and ECB for now, further out EUR/SEK to fall on Swedish growth outperformance Relative rates and liquidity to cap downside short-term. Eventually lower on positioning and rel. fundamentals</p>
<p>Commodities Oil prices - range bound near-term, recovery in 2016 Metal prices - trending higher next year Gold prices to correct lower still Agricultural risks remain on the upside</p>	<p>Higher global growth, supply consolidation to support recovery next year. Chinese growth concerns a near-term negative factor, supply side risks. Trending down as first Fed hike draws closer. Geopolitical concerns a supportive factor. Trending up again, El Niño weather this year is key upside risk.</p>
<p>Source: Danske Bank Markets</p>	

Scandi update

Denmark – consumer confidence normalising

Consumer confidence fell from 9.2 in August to 5 in September. While that is quite a big fall in just one month, the indicator has been historically high throughout 2015, so it is more a matter of normalisation than outright disaster for the Danish economy, and the indicator is still at a high level. Although consumer confidence has been very strong for a very long time now, households have not been sufficiently upbeat to step up their spending significantly. As a result, we do not think that the past month’s drop in the indicator should be taken as a sign that consumer spending is about to plummet. It is probably more a reflection of general uncertainty about the global economy prompted by doubts about the strength of China and emerging markets. Doubts of this kind can very well make their mark on consumer confidence in the form of temporary uncertainty without necessarily giving cause for concern about private consumption in the coming quarters.

Nor did August retail sales give any real cause for concern about private consumption. Although retail sales fell, it was only by 0.1%. Given the uncertainty associated with the data, it would probably be fairest to view retail sales as unchanged from July. It should be noted, however, that generally there is not a strong correlation between retail sales and private consumption, so we should not attach too much importance to this either when assessing the prospects for the Danish economy. We therefore remain optimistic about the economic outlook and are now forecasting GDP growth of 1.6% in 2015 and 1.9% in 2016. Read more in the September edition of *Nordic Outlook*, 24 September 2015.

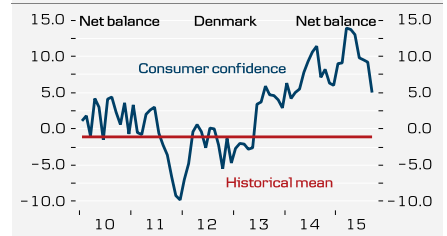
Sweden – yawn...

Swedish financial markets were briefly disrupted by a really strong outcome of the – in our opinion – disinformative Business Confidence Index survey from the National Institute of Economic Research (NIER). What happened? – well, production plans were firmly lowered, while orders were more or less unchanged. The main impetus was instead a strong improvement in the inventory situation. The fact is that inventories are at their best – ever! When this dawned on investors, they resumed a total focus on international developments. Yawn. Good thing that next week has some more interesting and constructive input.

Norway – have interest rates hit bottom?

Norges Bank decided to lower its policy rate by 25bp to 0.75% at the meeting on Thursday and signalled unchanged interest rates for the rest of this year with a growing chance of another cut in H1 next year. The markets naturally reacted with lower yields and a weaker krone. The cut was not unexpected given the deterioration in the outlook for the Norwegian economy, especially with the latest drop in oil prices. However, it is important to stress that Norges Bank does not by any means anticipate a dramatic downturn in the Norwegian economy – for example, it expects registered unemployment to stabilise at just above 3%. Based on our own relatively optimistic expectations for oil prices and the Norwegian economy in 2016, we nevertheless believe that this is actually as low as interest rates will go in the current cycle.

Consumer confidence still strong



Source: Statistics Denmark

Current inventory situation the best – ever!



Source: NIER

Norges Bank expects another cut next year



Source: Macrobond Financial

Latest research from Danske Bank Markets

24/9 Research Global: Soft landing for China feels like hard landing for the world

The Emerging Markets have become the weak link in the global economy and represent the biggest risk factor currently.

24/9 Norges Bank Review: A 25bp rate cut and an easing bias

As we expected, Norges Bank this morning decided to cut the sight deposit rate by 25bp. The revised rate path, however, was even more dovish than what we had anticipated suggesting a high likelihood of another cut.

24/9 Nordic Outlook - September 2015

Quarterly update on the Nordic economies.

23/9 Flash Comment: Euro area PMIs decline - more is likely to come

Euro manufacturing PMI declined to 52.0 from 52.3 in line with consensus

23/9 Flash Comment: China - decline in PMI manufacturing fuels growth fears

Chinese Flash Caixin PMI manufacturing disappointed again in September, falling to the lowest level since March 2009. The index fell to 47.0 (consensus and Danske Bank estimate 47.5) from 47.3 in August.

21/9 Euro area Research: Weaker growth outlook due to China and EM

The weakness in China and emerging markets means we are looking for the weakest euro area GDP growth in five quarters in Q3 15.

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	1.1	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	1.5	1.8	1.8	1.8	0.0	5.8	5.7	0.2	4.7	0.6	71.5	7.9
	2016	2.3	1.5	0.8	5.0	0.0	5.1	5.2	1.4	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	3.0	0.6	4.4	0.2	1.5	4.9	0.1	5.3	-2.9	104.0	-2.5
	2016	2.5	2.6	0.9	5.3	-0.2	3.9	4.0	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 SEK
USD	25-Sep	0.25	0.33	0.82	2.15	111.4	-	841.5
	+3m	0.50	0.62	1.25	2.35	110.0	-	854.5
	+6m	0.75	0.87	1.55	2.60	110.0	-	845.5
	+12m	1.25	1.44	1.95	2.95	115.0	-	782.6
EUR	25-Sep	0.05	-0.04	0.07	1.02	-	111.4	937.3
	+3m	0.05	-0.04	0.05	0.95	-	110.0	940.0
	+6m	0.05	-0.04	0.05	1.15	-	110.0	930.0
	+12m	0.05	-0.04	0.10	1.35	-	115.0	900.0
JPY	25-Sep	0.10	0.08	0.10	0.48	134.4	120.6	7.0
	+3m	0.10	0.15	-	-	136.4	124.0	6.9
	+6m	0.10	0.20	-	-	137.5	125.0	6.8
	+12m	0.10	0.20	-	-	146.1	127.0	6.2
GBP	25-Sep	0.50	0.59	0.98	1.88	73.1	152.4	1281.9
	+3m	0.50	0.65	1.30	2.05	72.0	153.0	1305.6
	+6m	0.75	0.83	1.50	2.20	70.0	157.0	1328.6
	+12m	1.00	1.26	1.90	2.50	72.0	160.0	1250.0
CHF	25-Sep	-0.75	-0.73	-0.67	0.26	109.3	98.1	857.7
	+3m	-0.75	-	-	-	107.0	97.3	878.5
	+6m	-0.75	-	-	-	110.0	100.0	845.5
	+12m	-0.75	-	-	-	112.0	97.4	803.6
DKK	25-Sep	0.05	0.02	0.35	1.36	746.1	669.7	125.6
	+3m	0.05	0.02	0.20	1.20	745.5	677.7	126.1
	+6m	0.05	0.07	0.20	1.40	745.5	677.7	124.7
	+12m	0.05	0.07	0.25	1.60	745.5	648.3	120.7
SEK	25-Sep	-0.35	-0.28	-0.16	1.38	937.3	841.5	-
	+3m	-0.45	-0.40	-0.25	1.20	940.0	854.5	-
	+6m	-0.45	-0.40	-0.30	1.35	930.0	845.5	-
	+12m	-0.45	-0.35	-0.15	1.45	900.0	782.6	-
NOK	25-Sep	0.75	1.05	0.96	1.98	945.8	849.1	99.1
	+3m	0.75	1.00	1.05	1.95	940.0	854.5	100.0
	+6m	0.75	1.00	1.10	2.20	925.0	840.9	100.5
	+12m	0.75	1.00	1.20	2.40	880.0	765.2	102.3

Equity markets

Regional		Risiko profil 3 mdr.	Pris trend 3 mdr.	Pris trend 12 mdr.	Regionale rekommendationer
USA (USD)	Stark dollar, måttlig vinsttillväxt, hög värdering.	Medium	0-5%	5-8%	Undervikt
Emerging markets (lokal valuta)	EM under press efter ändringar i Kina's valutapolitik	Hög	0-3%	0-5%	Undervikt
Japan	Reflatering, corporate governance, vinsttillväxt, rimlig värdering	Medium	0-8%	10-15%	Övervikt
Europa (ex. Norden)	Reflatering, vinsttillväxt, billig EUR, rimlig värdering	Medium	0-8%	10-15%	Övervikt
Norden	Vinsttillväxt, dyr värdering	Medium	0%	5-10%	Övervikt

Commodities

	25-Sep	2015				2016				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2015	2016
NYMEX WTI	45	49	58	44	48	53	58	60	62	50	58
ICE Brent	48	55	63	50	52	57	62	64	65	55	62
Copper	5,083	5,808	6,043	5,200	5,400	5,600	5,700	5,800	5,900	5,613	5,750
Zinc	1,664	2,091	2,188	1,875	2,000	2,025	2,050	2,075	2,100	2,039	2,063
Nickel	9,875	14,410	13,065	10,500	12,000	12,500	13,000	13,500	14,000	12,494	13,250
Aluminium	1,581	1,813	1,787	1,600	1,750	1,800	1,850	1,900	1,950	1,738	1,875
Gold	1,146	1,219	1,193	1,125	1,110	1,115	1,120	1,125	1,130	1,162	1,123
Matif Mill Wheat	173	190	182	195	205	210	210	210	205	193	209
Rapeseed	364	360	370	395	390	405	420	435	435	379	424
CBOT Wheat	497	523	505	520	550	570	580	590	600	525	585
CBOT Corn	382	385	367	385	400	420	420	420	420	384	420
CBOT Soybeans	873	990	966	960	925	950	975	1,000	1,025	960	988

Source: Danske Bank Markets

Calendar

During the week				Period	Danske Bank	Consensus	Previous
Sun 27 - 03	DEM	Retail sales	m/m y/y	Aug	-0.7% ..	0.3% 3.4%	1.6% 3.3%
Monday, September 28, 2015				Period	Danske Bank	Consensus	Previous
-	GBP	Nationwide house prices	m/m y/y	Sep		0.4% 3.8%	0.3% 3.2%
7:00	JPY	Leading economic index, final	Index	Jul			104.9
9:00	DKK	CB's securities statistics		Aug			
9:00	DKK	Foreign portfolio investments		Aug			
9:30	SEK	Retail sales s.a.	m/m y/y	Aug	-0.5% 3.0%		0.5% 5.9%
9:30	SEK	Trade balance	SEK bn	Aug	-2.5b		0.3b
10:00	ITL	Business confidence	Index	Sep			102.5
14:30	USD	PCE deflator	m/m y/y	Aug	0.0% 0.3%	0.0% 0.3%	0.1% 0.3%
14:30	USD	PCE core	m/m y/y	Aug	0.1% 1.3%	0.1% 1.3%	0.1% 1.2%
14:30	USD	Fed's Dudley (voter, dovish) speaks					
14:30	USD	Personal income	m/m	Aug	0.5%	0.4%	0.4%
14:30	USD	Personal spending	m/m	Aug	0.4%	0.3%	0.3%
16:00	USD	Pending home sales	m/m y/y	Aug		0.4% 7.8%	0.5% 7.2%
19:30	USD	Fed's Evans (voter, dovish) speaks					
23:00	USD	Fed's Williams (voter, dovish) speaks					
Tuesday, September 29, 2015				Period	Danske Bank	Consensus	Previous
7:00	JPY	Small business confidence	Index	Sep		48.5	48.8
9:00	DKK	Industrial confidence	Index	Sep	-5		-7
9:00	ESP	HICP, preliminary	m/m y/y	Sep	-,0.8%	0.9% 0.7%	-0.4% 0.5%
9:00	ESP	Retail Sales	y/y	Aug			4.1%
10:00	NOK	Retail sales, s.a.	m/m	Aug	0.3%	0.3%	0.5%
10:00	DKK	Government presents Budget proposal for 2016					
10:30	GBP	Mortgage approvals	1000	Sep		70K	68.8K
10:30	GBP	Broad money M4	m/m y/y	Aug			1.0% 0.6%
11:00	EUR	Business climate indicator	Net bal.	Sep		0.2	0.2
11:00	EUR	Industrial confidence	Net bal.	Sep		-3.8	-3.7
11:00	EUR	Economic confidence	Index	Sep		104.0	104.2
11:00	EUR	Consumer confidence, final	Net bal.	Sep		-7.1	-7.1
11:00	EUR	Service confidence	Net bal.	Sep		10.0	10.2
14:00	DEM	HICP, preliminary	m/m y/y	Sep	-,0.3%	-0.2% 0.1%	0.0% 0.1%
15:00	USD	S&P Case Shiller House prices	Index	Jul		182.2	180.9
16:00	USD	Conference Board consumer confidence	Index	Sep	95.0	96.0	101.5
Wednesday, September 30, 2015				Period	Danske Bank	Consensus	Previous
1:05	GBP	GfK consumer confidence	Index	Sep	3.0	5.0	7.0
1:50	JPY	Industrial production, preliminary	m/m y/y	Aug		1.0% 1.8%	-0.8% 0.0%
1:50	JPY	Large retailers' sales	y/y	Aug		1.3%	2.1%
1:50	JPY	Retail trade	m/m y/y	Aug		0.4% 1.2%	1.4% 1.8%
7:00	JPY	Housing starts	y/y	Aug		7.6%	7.4%
8:45	FRF	Household consumption	m/m y/y	Aug		
9:00	DKK	GDP, revised	q/q y/y	2nd quarter	0.2% 1.8%		0.2% 1.8%
9:00	DKK	Gross unemployment s.a.	K (%)	Aug	123K 4.6%		124K 4.6%
9:00	DKK	House and apartment prices		Jul			
9:30	SEK	Wages (blue collars/white collars)	y/y	Jul			2.1%
9:55	DEM	Unemployment	%	Sep	6.4%	6.4%	6.4%
10:00	NOK	Credit indicator (C2)	y/y	Aug	5.6%	5.6%	5.7%
10:00	NOK	Norges Bank's daily FX purchases	M	Oct	-700m		-700m
10:30	GBP	GDP, third estimate	q/q y/y	2nd quarter	0.7% 2.6%	0.7% 2.6%	0.7% 2.6%
10:30	GBP	Index of services	m/m 3m/3m	Jul	0.1% 0.8%	0.2% 0.8%	0.5% 0.7%
11:00	ITL	HICP, preliminary	m/m y/y	Sep	-,0.2%		-0.1% 0.4%
11:00	EUR	Unemployment	%	Aug	10.9%	10.9%	10.9%
11:00	EUR	Core inflation, preliminary	%	Sep	-0.2%	0.9%	0.9%
11:00	EUR	HICP inflation, preliminary	y/y	Sep	-0.2%	0.0%	
13:00	USD	MBA Mortgage Applications	%				13.9%
14:00	USD	Fed's Dudley (voter, dovish) speaks					
14:15	USD	ADP employment	1000	Sep		188K	190K
14:30	CAD	GDP	m/m y/y	Jul		0.2% ..	0.5% 0.6%
15:45	USD	Chicago PMI	Index	Sep		53.1	54.4
16:30	USD	DOE U.S. crude oil Inventories	K				-1925K
21:00	USD	Fed's Bullard (non-voter, hawkish) speaks					

Source: Danske Bank Markets

Calendar - continued

Thursday, October 1, 2015					Period	Danske Bank	Consensus	Previous
-	USD	Total Vehicle Sales	m	Sep			17.50M	17.72M
-	JPY	Official reserves assets	USD bn	Sep				1244.2b
1:50	JPY	Tankan large manufacturers index (outlook)	Index	3rd quarter			13.0	15.0 16.0
1:50	JPY	Tankan large non-manufacturers index (outlook)	Index	3rd quarter			21.0	23.0 21.0
2:00	USD	Fed's Brainard (voter, dovish) speaks						
3:00	CNY	Manf. PMI	Index	Sep	49.5	49.7		49.7
3:00	CNY	Non-manf. PMI	Index	Sep				53.4
3:35	JPY	Nikkei Manufacturing PMI, final	Index	Sep				50.9
3:45	CNY	Service PMI	Index	Sep	51.0			51.5
3:45	CNY	Caixin Manufacturing PMI, final	Index	Sep	47.0	47.0		47.0
8:30	SEK	PMI manufacturing	Index	Sep	54.5			53.2
9:00	NOK	PMI	Index	Sep				43.3
9:15	CHF	Retail sales	y/y	Aug				-0.1%
9:15	ESP	PMI manufacturing	Index	Sep	52.5	53.0		53.2
9:30	CHF	PMI manufacturing	Index	Sep		51.8		52.2
9:45	ITL	PMI manufacturing	Index	Sep	53.2			53.8
9:50	FRF	PMI manufacturing, final	Index	Sep	50.4			50.4
9:55	DEM	PMI manufacturing, final	Index	Sep	52.5	52.5		52.5
10:00	EUR	PMI manufacturing, final	Index	Sep	52.0	52.0		52.0
10:30	GBP	PMI manufacturing	Index	Sep	51.5	51.3		51.5
14:30	USD	Initial jobless claims	1000					267K
15:45	USD	Markit manufacturing PMI, final	Index	Sep		53.0		53.0
16:00	USD	Construction spending	m/m	Aug		0.6%		0.7%
16:00	USD	ISM manufacturing	Index	Sep	50.6	50.6		51.1
16:00	USD	ISM prices paid	Index	Sep		40.0		39.0
18:00	CHF	SNB Vice President Zurbruegg Holds Speech at KOF						
20:30	USD	Fed's Williams (voter, dovish) speaks						

Friday, October 2, 2015					Period	Danske Bank	Consensus	Previous
-	EUR	S&P may publish Spain's debt rating						
-	EUR	Moody's may publish Finland's debt rating						
1:30	JPY	Household spending	y/y	Aug		0.3%		-0.2%
1:30	JPY	Unemployment rate	%	Aug		3.3%		3.3%
1:30	JPY	Job-to-applicant ratio		Aug		1.21		1.21
3:30	AUD	Retail sales	m/m	Aug		0.4%		-0.1%
10:00	NOK	Unemployment	%	Sep	2.9%	2.9%		3.1%
10:30	GBP	PMI construction	Index	Sep		57.5		57.3
11:00	EUR	PPI	m/m y/y	Aug		-2.4% -0.6%		-2.1% -0.1%
14:30	USD	Unemployment	%	Sep	5.1%	5.1%		5.1%
14:30	USD	Non farm payrolls	1000	Sep	180K	200K		173K
14:30	USD	Private payrolls	1000	Sep	175K	196K		140K
14:30	USD	Manufacturing payrolls	1000	Sep		0K		-17K
14:30	USD	Average hourly earnings, non-farm	m/m y/y	Sep		0.2% 2.4%		0.3% 2.2%
14:30	USD	Average weekly hours	Hours	Sep		34.6		34.6
16:00	DKK	Currency reserves	DKK bn	Sep				536.2
16:00	USD	Factory orders	m/m	Aug		-1.0%		0.4%
19:00	USD	Fed's S.Fischer (voter, neutral) speaks						

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Source: Danske Bank Markets

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