

Weekly Focus

Financial turmoil and central bank fatigue

Market Movers

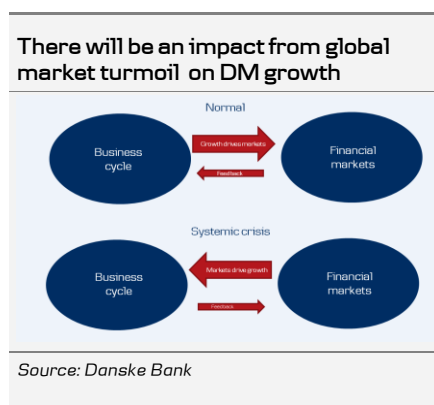
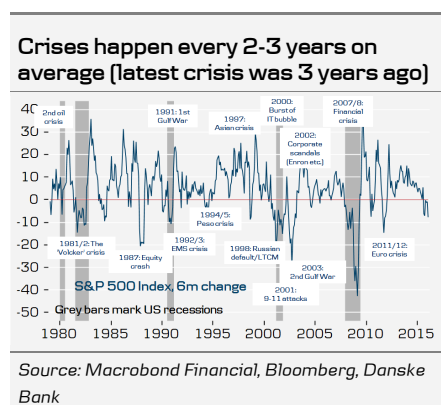
- Financial markets' turmoil continued to dominate price actions this week and investors are likely to look for policy responses to stabilise markets.
- In the **US**, minutes from the FOMC January meeting are due for release on Wednesday, which might bring a bit more shades on the different views within the FOMC. In addition, several FOMC members are scheduled to speak in the coming week.
- ECB President Draghi is set to speak to EU Parliament on Monday and his words will be scrutinised for any new comments on possible further easing. In addition, the minutes/accounts from the January ECB meeting are due for release on Thursday, which may provide indications of what instruments the ECB considers or prefers after the quite dovish January meeting.
- In the **UK**, focus is on the EU council meeting on 18-19 February when the draft deal between the EU and the UK is to be discussed. If an agreement is reached at the meeting, the UK is likely to hold a EU in/out referendum in June. However, the negotiations are likely to be very difficult and it is not certain a deal will be made at this meeting.

Global Macro and Market Themes

- The world is not yet facing a systemic crisis but risks are rising.
- There is an element of central bank fatigue and global growth is set to be hit by the current turmoil.
- We expect the ECB to launch a range of stimulus factors in March and the Fed to postpone rate hikes until September.
- However, risky assets could remain under pressure until there is a coordinated global policy response.

Focus

- Market Turmoil, Policy Responses and Market Implications*, 12 February.



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Financial views

Major indices			
	12-Feb	3M	12M
10yr EUR swap	0.61	0.95	1.35
EUR/USD	113	106	116
ICE Brent oil	31	40	48
	12-Feb	6M	12-24M
S&P500	1829	0-3%	5-8%

Source: Danske Bank

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@Danske_Research

Editors

Allan von Mehren
+45 4512 8055
alvo@danskebank.dk

Las Olsen
+45 45 12 85 36
laso@danskebank.dk

Market movers

Global

- In the US on Wednesday next week, we get the minutes from the FOMC meeting of 26-27 January. Here we will get a broader insight into the different views among the FOMC members. It could attract some attention as Yellen's testimony was more or less just a repetition of the January FOMC statement. However, since the meeting, uncertainty in financial markets and risk of a systemic crisis have both increased which, in our view, should keep Fed on hold until the September meeting, see also *Research US: Fed on hold - uncertainty set to keep Fed sidelined*, 12 February 2016. In addition, several FOMC members are scheduled to speak in the coming week and these occasions will also be watched closely.

CPI inflation figures for January are due on Friday. Though FOMC is targeting PCE core inflation, it is also monitoring the development in CPI core inflation. PCE core has been subdued in recent years, but the trend in CPI core has been upward sloping and thus more encouraging for the Fed. In line with consensus, we expect that CPI core rose 0.2% m/m in January leaving the annual growth rate unchanged at 2.1% y/y.

Several manufacturing figures are due next week which will be followed closely as the manufacturing sector is struggling with the strong USD, weak activity in manufacturing globally and low oil investments. Two regional indices (Empire and Philly due Tuesday and Thursday, respectively) will be watched for any signs of what to expect from ISM manufacturing. Our main scenario is that the ISM will stabilise and recover, but at a slow pace, see also: *Flash Comment US: ISM manufacturing has stabilised at a weak level*, 1 February 2016. Manufacturing production and capacity utilisation for January are due on Wednesday and will also attract attention.

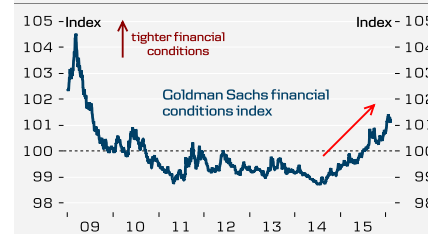
Although initial jobless claims (Thursday) are still at a low level, they have been trending up since the bottom in the beginning of October. The development will be followed closely as a further increase in initial claims could indicate a slowdown in the US economy.

- Next week the **euro area** is light in terms of data releases, but Draghi will speak in the EU Parliament on Monday. His words will be followed closely by investors as they look to see whether he provides any new comments on possible further easing. Last week he sounded very dovish and his comments have to some evoked memories of the remarkable 'whatever it takes' speech from 2012. On Thursday next week we also get minutes/accounts from the January ECB meeting, and we will search for any indications of what instruments it is considering or prefers after the quite dovish January meeting.

Regarding data releases, we get trade balance data for the euro area for December on Monday. Here, the focus will be on exports and any impact from the weakness in China and signs of slower growth in the US at the end of 2015.

On Tuesday, the German ZEW expectations for January will be released. Due to increased global market uncertainty, we expect the figure to drop sharply. This is also in line with the decrease in the Sentix expectations, which also reflects investor confidence, and is usually a good leading indicator for the ZEW expectations (see chart). If this market uncertainty persists, it could end up being a drag on economic growth in 2016, and in that case we will have to revise our forecast of a reacceleration in growth.

Tighter financial conditions set to keep Fed on hold



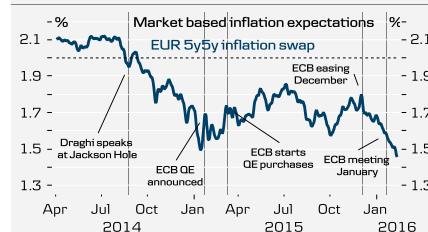
Source: Goldman Sachs, Bloomberg

CPI core inflation paints a different picture from PCE core



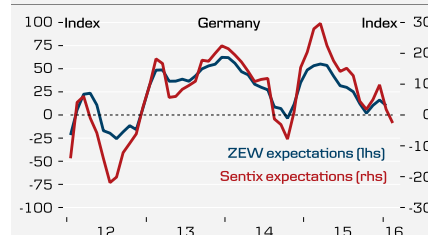
Source: BLS, BEA

Low inflation expectations are a big concern for the ECB



Source: Bloomberg, ECB, Danske Bank Markets

ZEW to go lower on market uncertainty



Source: ZEW, Sentix

On Friday, we get data for consumer confidence in the euro area for February. Despite the continued low oil price, we expect the figure to decrease on the back of market uncertainty. Having said that, consumer confidence is still high from a historical perspective.

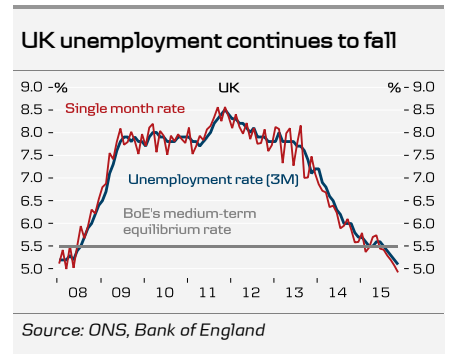
- In the **UK**, the focus is on the upcoming EU council meeting on Thursday and Friday when the draft deal between EU-UK is to be discussed. The negotiations will probably be very difficult as there are many different views which are mutually exclusive among the EU leaders. In particular, there will be much discussion on immigration, welfare benefits to other EU citizens and more powers to national parliaments. In line with other important EU issues it is very likely that the council will need an extraordinary council meeting, so do not expect any deal to be reached at this meeting.

Although we have postponed our expectations for the first BoE hike to Q1 17 (see also *BoE Review: BoE is not 'Fed light'*, 4 February), we still monitor the key economic figures closely. We expect that CPI inflation (due on Tuesday) increased to 0.4% y/y in January mainly due to base effects and that CPI core inflation was unchanged at 1.4% y/y.

The labour market report for December due on Wednesday is likely to show that the UK labour market continued to tighten. We expect that the unemployment rate (3M) fell to 5.0% from 5.1%. We estimate that the annual growth rate in average weekly earnings excluding bonuses (3M) (AWE) was unchanged at 1.9% y/y. Although AWE is quite volatile by nature, we think this was the bottom and expect the series to trend up again.

- The focus in **China** next week will be on trade figures for January due on Monday. However, be aware that the numbers will be distorted by the Chinese New Year. All data are very noisy in January and February and the two months normally have to be viewed together. Hence the trade data for January will not provide much new information. Both exports and imports have shown encouraging signs of improvement over the past months but the recovery has drowned in bad news around the turmoil in Chinese equities and pressure on the currency.

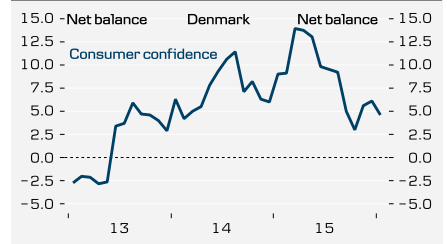
Chinese CPI inflation for January (due on Thursday) is also released next week. It is expected to rise to 1.9% from 1.6% which may dent some of the deflation worries.



Scandi

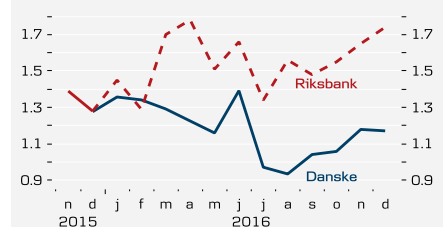
- In **Denmark** there is little on the agenda in the coming week, the only real point of interest being February consumer confidence due on Friday. The indicator has been trending down since spring 2015 and fell further to 4.6 in January. Although the outlook for consumers' personal finances remains bright, we expect this to be trumped by relatively low economic growth and continued global turmoil. It is worth remembering, though, that confidence is still at healthy levels, so the significance of a further drop should not be exaggerated, and we remain upbeat about private consumption.
- In **Sweden**, the week ahead will hopefully be calmer than the week past. However, there are a lot of potential market movers awaiting! First out are inventory data (Monday, at 09.30 CET) from both the industrial and services sectors. This will have a direct impact on GDP and will hopefully clarify how corporates are responding to the current turmoil. Next out is the all-important January inflation outcome (Thursday, at 09.30 CET), where we expect e.g. taxes and the annual re-weighting of the consumption basket to not have the usual depressing effects on inflation that we have seen over the past few years. Last but not least the January labour force survey is being published on Friday (at 09.30 CET). We will keep a keen eye on employment and hours worked growth for any signs of spill over from financial market woes into the real economy
- In **Norway** the coming week brings the central bank governor's annual address (Thursday). Unlike what the markets seem to think, this is generally taken as an opportunity to focus on structural challenges and rarely on concrete monetary policy issues. Given the current economic uncertainty both domestically and globally, however, we cannot rule out this year's speech being an exception. One possibility would then be a discussion of the pros and cons of a zero-rate policy, but we think this would be an overly risky topic. More likely would, of course, be an in-depth look at the long-term challenges of persistently low oil prices. We expect GDP growth (due on Tuesday) to slow further to 0.0% q/q in Q4. Private consumption grew slightly more quickly in Q4, and both public sector demand and housing investment are holding firm. On the other hand, business investment probably continued its decline, and we know that net exports will make a clear negative contribution to GDP in Q4. As usual, a shortage of data spells considerable uncertainty about developments in the country's relatively large service sector, but a cross-check with both employment and unemployment points to more or less flat growth. This would be somewhat weaker than Norges Bank's projections and so help cement a rate cut in March.

Consumer confidence still healthy



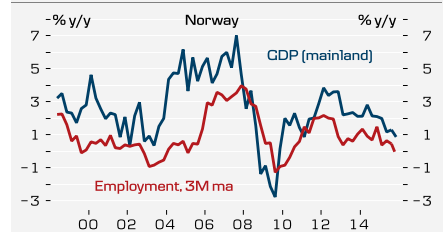
Source: Statistics Denmark

Riksbank's CPI ex energy forecast is still way too high!



Source: Riksbank, SCB. Danske calculations

Prospect of flat growth



Source: Macrobond Financial, Danske Bank Markets

Market movers ahead

Global movers			Event	Period	Danske	Consensus	Previous		
During the week	Fri 12 - 15	CNY	Money supply M2	y/y	Jan	13.5%	13.3%		
	Thu 18 - 19	EUR	EU summit in Brussels (UK negotiations)						
Mon	15-Feb	CNY	Imports	y/y	Jan	-3.6%	-7.6%		
		CNY	Exports	y/y	Jan	-1.8%	-1.4%		
	0:50	JPY	GDP, preliminary	q/q ann.	4th quarter	-0.2% -0.8%	0.3% 1.0%		
	15:00	EUR	ECB's Draghi speaks in Brussels						
Tue	16-Feb	GBP	CPI	m/m y/y	Jan	-0.6% 0.4%	0.1% 0.2%		
	10:30	GBP	CPI core	y/y	Jan	1.4%	1.3%		
	11:00	DEM	ZEW expectations	Index	Feb	-2.0	10.2		
	14:30	USD	Empire Manufacturing PMI	Index	Feb	-10.0	-19.4		
Wed	17-Feb	USD	Fed's Rosengren (voter, dovish) speaks						
	10:30	GBP	ILO Unemployment rate	%	Dec	5.0%	5.1%		
	10:30	GBP	Average weekly earnings ex bonus (3M)	y/y	Dec	1.9%	1.9%		
	15:15	USD	Capacity utilization	%	Jan	76.7%	76.5%		
	15:15	USD	Manufacturing production	m/m	Jan	0.2%	-0.1%		
	20:00	USD	FOMC minutes from January meeting						
Thurs	18-Feb	USD	Fed's Bullard (voter, hawkish) speaks						
	2:30	CNY	CPI	y/y	Jan	1.9%	1.6%		
	14:30	USD	Initial jobless claims	1000		275	269		
	17:00	EUR	EU summit in Brussels (UK negotiations)						
Fri	19-Feb	EUR	EU summit in Brussels (UK negotiations)						
	14:30	USD	CPI	m/m y/y	Jan	-0.1% 1.3%	-0.1% 1.3%		
	14:30	USD	CPI - core	m/m y/y	Jan	0.2% 2.1%	0.1% 2.1%		
Scandi movers									
Tue	16-Feb	10:00	NOK	GDP (mainland)	q/q y/y	4th quarter	0.0% 0.8%	0.1%	0.2%
Wed	17-Feb	8:00	SEK	Prospera inflation expectations					
Thurs	18-Feb	9:30	SEK	Underlying inflation CPIF	m/m y/y	Jan	-0.4% 1.6%	-0.6% 1.4%	0.2% 0.9%
		9:30	SEK	CPI	m/m y/y	Jan	-0.6% 0.5%	-0.6% 0.5%	0.1% 0.1%
		18:00	NOK	Norges Bank governor Olsen gives annual speech					

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

Central bank fatigue and the risk of a systemic crisis

Risky assets have sold off hard and inflation expectations have collapsed recently despite a promise of more easing from the ECB, a cautious Fed and the Bank of Japan cutting rates into negative terrain. In *Market Turmoil, Policy Responses and Market Implications*, 11 February 2016, we presented our views on the risks of a new systemic crisis, with a particular focus on the eurozone and market implications.

The outcome of a crisis depends on fundamentals, confidence and the policy response. Fundamentals in the US in particular are relatively solid. But there are substantial risks to the global economy from the slowdown in EM and developing economies, which have driven 80% of global growth since 2008. Also, tail risks related to the US high-yield sector, oil USD pegs, EM corporate debt and the European banking sector are hurting sentiment, which will weigh on the global business cycle. **Basically, the world is not yet facing a systemic crisis but risks are rising.** There are mitigating factors versus previous crises but also concerns about declining market liquidity and challenges in EM.

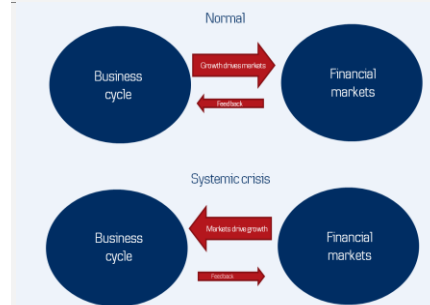
We believe there is an element of central bank fatigue. Central banks have been the only game in town to support the global economy and markets but there is only so much they can do. With interest rates at zero, central banks are primarily targeting the exchange rate, which is a zero-sum game and does not support the global economy. The ECB's promise of more easing has only led to more EUR strength. USD/JPY is currently six figures below when the BoJ cut rates into negative territory, and 24 hours after the Riksbank cut rates further into negative territory, EUR/SEK is below where it was before.

What could trigger a change in the current market sentiment? A global coordinated policy response, in our view. We have not yet reached a stage of market turmoil that would trigger a global coordinated policy response but watch out for the G20 Finance Ministers and Central Bank Governors meeting on 26/27 February in China. **Hence, risky assets are set to continue to suffer near term.**

Today's key points

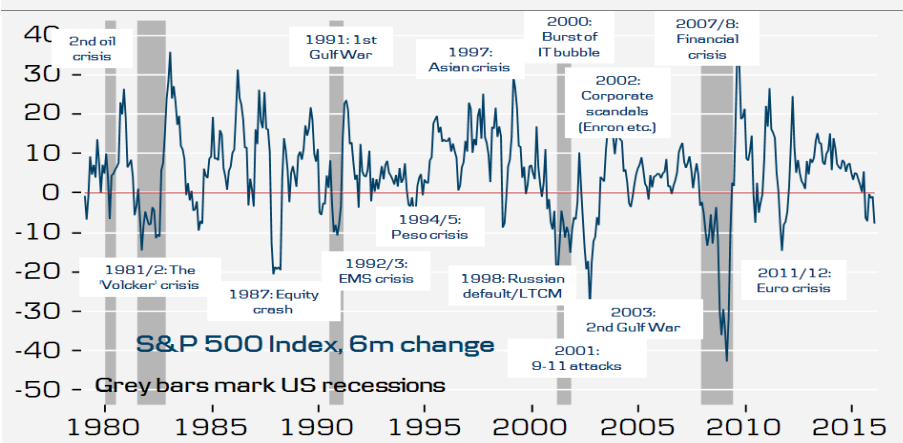
- The world is not yet facing a systemic crisis but risks are rising.
- There is an element of central bank fatigue and there could be a hit to global growth from the current turmoil.
- We expect the ECB to launch a range of stimulus factors in March and for the Fed to postpone rate hikes until September.
- But risky assets could remain under pressure until such time when there is a coordinated global policy response.

Chart 2. There will be an impact from global market turmoil on DM growth



Source: Macrobond Financial, Danske Bank Markets

Chart 1. Crisis happen every 2-3 years on average (latest crisis was 3 years ago)



Source: Macrobond Financial, Bloomberg, Danske Bank

We believe there will be individual central bank policy responses, and we now expect the **ECB to accompany a 10bp rate cut in March with the introduction of a two-tier deposit rate system and front-loaded QE**. Specifically, we believe the ECB will introduce a maximum reserve requirement, where liquidity is placed at a rate above the deposit rate. In addition, we believe it will increase monthly purchases to EUR80bn between March-May 2016 and potentially longer, but the total QE size should be unchanged. We expect the ECB to react to collapsing inflation expectations rather than market stress. The two-tier deposit rate system should open the door for more rate cuts while at the same time reducing costs in the banking sector.

We also expect the Fed to postpone the next Fed rate hike to September, as we believe the tighter financial conditions will result in a pause. As such, the Fed is likely to remain dovish in coming months but this is also already what markets are expecting with the first full 25bp Fed rate hike only being priced in by mid-2018.

Near term, we expect EUR/USD to range trade as high risk aversion counterweights relative interest rates. Medium term, we maintain our long-held view that EUR/USD will head substantially higher due to a range of fundamental factors (see *Why EUR/USD is set to rally in 2016: Now is the time to prepare*, 3 February 2016).

We expect that a front-loading of ECB QE could flatten the German yield curve. The rally in 10Y Bunds this year has been driven mainly by ECB rate expectations and a flight to quality. All in all, we expect the short- to medium-term effect of more ECB curve will flatten the 2Y10Y and 5Y10Y part of yield curves. Short-term, we see the risks for both European and US equity markets are skewed to the downside. It requires a global coordinated policy response to put an end to this self-fulfilling sell-off in equity markets.

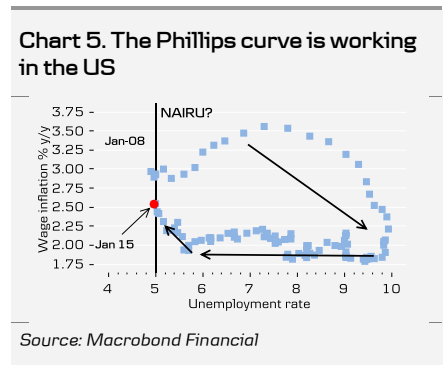
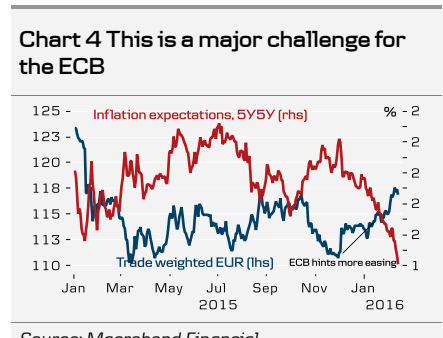
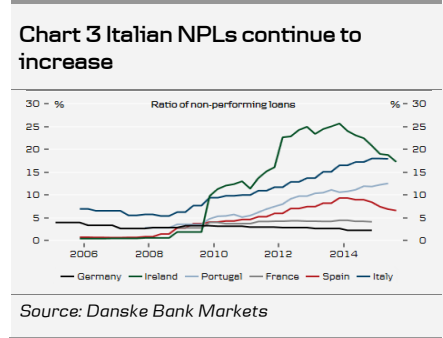


Table 1. Global market views

Asset class	Main factors
Equities Short term: sell on rallies Medium term: moderately positive	Short term, our stance is sell on rallies. It will require coordinated policy action and/or surprisingly strong datapoints to end the sell-off. Look at G20 meeting in Shanghai on 26-27 February as the first potential event. We expect the BoJ and ECB to ease further in March, but for the Fed only to tilt its view towards a dovish stance. This should mark the bottom in the current sell-off.
Bond market Core yields: Bund yields close to bottoming out, higher medium term US-euro spread: wider Peripheral spreads to tighten further from here Credit spreads to continue widening somewhat	The ECB is set to cut the deposit rate again and upward pressure on the long end from the US is now much smaller. Policy divergence is now much less evident as the market has priced out hikes from the Fed. QE, improving fundamentals and search for yield. But vulnerable to risk sentiment and political uncertainties. ECB supportive but outweighed by the oil rout and associated turbulence.
FX EUR/USD - range bound short-term, rebound further out USD/JPY - range bound with risks skewed to the downside EUR/SEK - stuck between 9.10-9.50 near term, lower medium term EUR/NOK - higher short term, then lower as cycle turns	Fundamental factors support cross medium to long term, driven short term by risk sentiment and US rates. Undervalued JPY vulnerable to global risk sentiment, BoJ likely to be less tolerant of further JPY appreciation. Battle between Riksbank and the market for now, further out EUR/SEK to fall on strong Swedish fundamentals. Oil and risk sentiment connection leaves cross vulnerable to upside, fundamentals point to lower EUR/NOK in H2 '16.
Commodities Oil prices - range-bound near term, subdued recovery in 2016 Metal prices - staying low Gold prices - flat near term Agricultural - risks remain on the upside	Price support from OPEC is gone; now awaiting non-OPEC supply cuts and weaker US dollar. Chinese manufacturing slowdown to cap upside; consolidation in mining industry puts a floor under prices. Short-term support from repricing of Fed rate hikes. Attention has turned to La Niña weather risks in H2 '16.

Source: Danske Bank Markets

Scandi Update

Denmark – weak spending in January

Danish consumers were reluctant to splash out on their debit cards in January, with Dankort transactions falling 0.5% m/m once adjusted for person-to-person payments and normal seasonal variations. We are not overly worried about this, though, and expect consumers to help keep the Danish recovery on track in 2016, buoyed by a number of factors. Wages, for example, are growing faster than prices, which generally spells increased spending. Consumers are also upbeat about the future. Together, this should pave the way for healthy growth in private consumption in 2016.

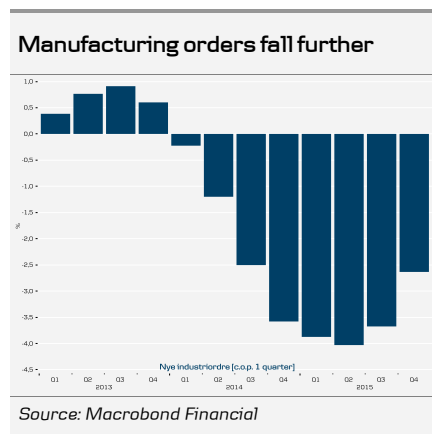
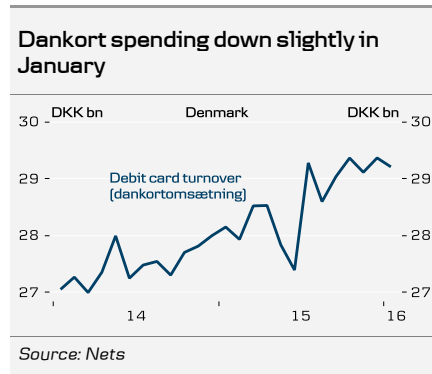
January’s inflation data confirmed that prices are still rising very slowly, with the CPI climbing 0.6% y/y. This was a shade below our forecast of 0.7% but also a shade above the December rate of 0.5%. Thus, the year began with more low inflation, and we expect a similar picture all year.

Sweden – what is all the fuss about?

Sweden’s centralbank, the Riksbank, cut the repo rate to -0.5% at their latest policy meeting. Over the past month(s), financial markets and most analysts have swayed from not expecting more stimuli, to expecting interest rate cuts and/or further QE. Though the Riksbank cut by 0.15 p.p. and not the ‘at least 0.1 percentage points’ we have had as a long-standing call, we feel the difference is about semantics. Why then was the reaction so fierce? Well, looking at relative interest rates provides part of the answer – Swedish yields relative to euro land did not move at all as much, which is why it is probably more a function of current, international, financial market woes rather than being due to the Riksbank. As for the SEK, we are still a bit baffled, as much of the move higher in EUR/SEK over the past few weeks can be explained by a growing awareness of risks for further Riksbank action. It might be that depositors are now moving money abroad, considering the risks of even lower deposit rates. Either way, the Riksbank has a single task: to raise inflation to the 2pp target. As we still expect inflation to undershoot the Riksbank’s forecasts, the past week’s action will not be enough, in our view. Expect more to come.

Norway – manufacturing orders still falling, but more slowly

We have been saying for a while now that the bulk of the downturn in oil-related industries is behind us and that activity will gradually stabilise during the course of this year. This is because we believe that investment levels in the Norwegian sector are close to bottoming out. One important reason for this, of course, is the start of work on the Johan Sverdrup field, which is set to bring investment of almost NOK200bn over a four-year period. We argued that the first sign of such stabilisation would be when manufacturing orders as a whole begin to climb again. The figures for Q4 15 showed no signs of improvement, however, except that the q/q decrease was the smallest since Q3 2014. This suggests that H1 16 will bring further tough times for Norwegian manufacturers.



Latest research from Danske Bank Markets

12/2 Market Turmoil, Policy Responses and Market Implications

The world is not yet facing a systemic crisis but risks are rising.

12/2 Research US: Fed on hold - uncertainty set to keep Fed sidelined

In our view, the uncertainty in financial markets and rising risk of a systemic crisis is likely to keep the Fed from hiking before markets have settled down.

11/2 Riksbank goes NIRP for longer

The Riksbank cut 15bp to -0.50% and flattened the repo rate path out to Q2 17 but there is more to come in our view.

10/2 Norway: We expect a rate cut in March

We now expect Norges Bank to cut rates on 17 March.

8/2 Chinese FX reserves down again in January but calm has been restored

Chinese currency reserve data for January showed another big decline of USD107.9bn, to USD3.230tn (released over the weekend).

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2015	1.2	2.2	1.0	0.2	-0.4	-0.7	-1.2	0.5	4.7	-2.0	40.0	7.2
	2016	1.5	2.3	0.6	2.1	0.3	1.7	2.8	0.9	4.4	-2.2	37.6	7.2
	2017	1.8	2.2	0.1	2.7	0.0	4.2	4.2	1.7	4.1	-1.4	38.1	7.2
Sweden	2015	3.7	2.4	2.1	7.3	0.0	5.0	4.6	0.0	7.4	-1.1	44.5	7.0
	2016	3.3	2.1	3.6	4.3	0.0	5.5	5.2	0.8	7.2	-1.3	44.8	7.3
	2017	2.5	1.6	2.5	3.1	0.0	4.6	4.0	0.9	7.1	-1.1	45.0	6.9
Norway	2015	1.4	2.3	2.5	-3.2	0.1	4.1	1.1	2.2	3.0	-	-	-
	2016	1.5	1.6	3.1	-1.4	-0.3	2.5	1.6	2.7	3.3	-	-	-
	2017	2.0	2.0	2.6	1.0	0.0	1.0	2.2	2.4	3.3	-	-	-

Macro forecast, Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euroland	2015	1.5	1.7	1.5	2.1	-	4.9	5.2	0.1	10.9	-2.1	91.8	3.7
	2016	1.8	1.3	1.5	2.3	-	4.2	4.2	0.4	10.0	-1.7	90.6	3.6
	2017	1.9	1.2	1.1	4.3	-	4.3	4.5	0.0	9.2	-1.5	89.5	3.4
Germany	2015	1.5	1.9	2.5	1.7	-	5.2	5.6	0.1	4.6	0.9	71.5	8.7
	2016	2.3	1.6	2.1	4.3	-	4.6	5.0	0.5	4.5	0.5	68.2	8.6
	2017	2.3	1.6	1.0	6.1	-	4.5	5.3	1.7	4.5	0.4	65.0	8.4
France	2015	1.1	1.5	1.5	-0.2	-	5.6	5.7	0.1	10.6	-3.8	96.4	-1.3
	2016	1.1	1.0	0.9	2.2	-	3.4	4.3	0.4	10.6	-3.4	97.1	-1.6
	2017	1.4	1.0	0.8	4.0	-	3.5	4.1	1.3	10.3	-3.0	97.3	-2.2
Italy	2015	0.7	0.9	0.3	0.6	-	4.0	5.4	0.1	11.9	-2.6	133.1	2.2
	2016	1.3	1.0	0.4	2.7	-	3.5	3.9	0.8	10.6	-2.2	132.0	1.9
	2017	1.4	0.8	0.4	4.1	-	4.2	4.1	1.5	10.0	-1.5	129.5	1.9
Spain	2015	3.2	3.0	2.4	6.3	-	6.0	7.8	-0.6	22.2	-4.5	100.4	1.4
	2016	2.8	2.5	0.9	6.2	-	5.4	6.4	0.0	20.5	-3.5	101.4	1.3
	2017	2.4	1.8	0.4	6.1	-	4.2	4.9	1.3	19.0	-2.5	100.4	1.4
Finland	2015	0.0	1.1	0.0	-2.5	-	-1.0	-1.5	-0.2	9.4	-3.4	62.7	0.2
	2016	0.6	0.4	-0.2	2.0	-	2.0	2.0	1.0	9.8	-3.1	65.0	0.2
	2017	1.1	0.5	-0.5	3.5	-	4.0	3.5	1.2	9.5	-2.8	67.0	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	2015	2.5	3.1	0.8	4.3	0.2	1.4	5.2	0.2	5.3	-4.1	101.0	-2.3
	2016	2.5	2.8	1.0	4.5	-0.2	3.9	4.2	1.6	4.8	-2.9	104.0	-2.5
	2017	2.4	2.2	0.8	5.0	0.0	4.9	5.0	2.4	4.5	-2.6	103.0	-2.6
China	2015	6.8	-	-	-	-	-	-	1.7	4.2	-0.8	41.8	2.4
	2016	6.7	-	-	-	-	-	-	2.3	4.2	-0.8	42.8	2.3
	2017	6.6	-	-	-	-	-	-	2.0	4.3	-1.0	43.5	2.5
UK	2015	2.2	2.9	1.6	4.5	-0.4	5.3	5.7	0.0	5.4	-3.9	87.1	-4.5
	2016	2.4	3.1	0.8	4.4	-0.2	3.1	3.6	0.7	5.1	-2.5	86.5	-4.0
	2017	2.3	2.6	0.1	4.3	0.0	4.1	4.2	1.9	4.8	-1.3	84.8	-3.5

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	12-Feb	0.50	0.62	0.71	1.54	113.2	-	659.5
	+3m	0.50	0.80	1.25	2.25	106.0	-	703.3
	+6m	0.50	0.97	1.45	2.60	110.0	-	677.7
	+12m	1.00	1.52	1.85	2.85	116.0	-	642.7
EUR	12-Feb	0.05	-0.18	-0.17	0.61	-	113.2	746.4
	+3m	0.05	-0.15	-0.05	0.95	-	106.0	745.5
	+6m	0.05	-0.15	0.00	1.05	-	110.0	745.5
	+12m	0.05	-0.15	0.00	1.35	-	116.0	745.5
JPY	12-Feb	0.10	0.03	-0.11	0.22	126.8	112.0	5.89
	+3m	0.10	0.15	-	-	127.2	120.0	5.86
	+6m	0.10	0.20	-	-	132.0	120.0	5.65
	+12m	0.10	0.20	-	-	139.2	120.0	5.36
GBP	12-Feb	0.50	0.59	0.70	1.29	78.1	144.9	955.4
	+3m	0.50	0.75	1.10	2.00	73.0	145.2	1021.2
	+6m	0.75	0.93	1.40	2.15	71.0	154.9	1050.0
	+12m	1.25	1.32	1.90	2.40	75.0	154.7	994.0
CHF	12-Feb	-0.75	-0.76	-0.82	-0.07	110.1	97.3	677.7
	+3m	-0.75	-	-	-	108.0	101.9	690.3
	+6m	-0.75	-	-	-	111.0	100.9	671.6
	+12m	-0.75	-	-	-	115.0	99.1	648.3
DKK	12-Feb	0.05	-0.07	0.13	0.98	746.4	659.5	-
	+3m	0.05	-0.01	0.15	1.30	745.5	703.3	-
	+6m	0.05	-0.01	0.20	1.35	745.5	677.7	-
	+12m	0.05	-0.01	0.20	1.60	745.5	642.7	-
SEK	12-Feb	-0.50	-0.43	-0.38	1.13	949.2	838.7	78.6
	+3m	-0.50	-0.40	-0.40	1.35	930.0	877.4	80.2
	+6m	-0.50	-0.40	-0.40	1.45	920.0	836.4	81.0
	+12m	-0.50	-0.35	-0.40	1.65	900.0	775.9	82.8
NOK	12-Feb	0.75	1.10	0.87	1.53	969.0	856.2	77.0
	+3m	0.50	1.05	1.05	1.90	960.0	905.7	77.7
	+6m	0.50	1.00	1.10	2.00	930.0	845.5	80.2
	+12m	0.50	1.00	1.10	2.30	900.0	775.9	82.8

Equity Markets

Regional		Risk profile 3 mth.	Price trend 3 mth.	Price trend 12 mth.	Regional recommendations
USA (USD)	Weak USD, but profit recession looming	Medium	0-3%	5-8%	Underweight
Emerging markets (local curr)	EM under pressure from change in China's FX policy	High	-3 - +3%	0-3%	Underweight
Japan (JPY)	Reflation, strong earn. growth, BoJ easing, weakening JPY	High	0-3%	8-10%	Overweight
Europe (ex. Nordics)	Reflation, earnings growth, ECB easing, weakening EUR	High	0-3%	8-10%	Overweight
Nordics	Earnings growth, expensive valuation	Medium	0-3%	5-8%	Overweight

Commodities

	12-Feb	2016				2017				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017
NYMEX WTI	27	30	30	40	44	46	48	50	52	36	49
ICE Brent	31	30	30	40	44	46	48	50	52	36	49
Copper	4,445	4,400	4,400	4,800	5,000	5,100	5,200	5,300	5,400	4,650	5,250
Zinc	1,706	1,500	1,500	1,700	1,800	1,850	1,900	1,950	2,000	1,625	1,925
Nickel	7,595	8,500	8,500	10,000	###	11,200	11,400	11,600	11,800	9,500	11,500
Aluminium	1,485	1,450	1,450	1,600	1,700	1,750	1,800	1,850	1,900	1,550	1,825
Gold	1,243	1,075	1,075	1,115	1,130	1,140	1,145	1,150	1,155	1,099	1,148
Matif Mill Wheat (€/t)	153	165	180	175	175	175	170	170	170	174	171
Rapeseed (€/t)	354	360	395	390	390	395	385	385	390	384	389
CBOT Wheat (USd/bushel)	460	480	480	500	520	525	530	535	540	495	533
CBOT Corn (USd/bushel)	360	365	365	390	400	405	410	415	420	380	413
CBOT Soybeans (USd/bushel)	875	870	870	900	910	915	920	925	930	888	923

Note: We have recently published new estimates for a number of central banks. Our long-term yield estimates will be updated in connection with our February yield forecast update, which is due to be published in the coming week. Consequently, there could be inconsistencies between the central bank and long-term yield estimates in the above table.

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 7

During the week				Period	Danske Bank	Consensus	Previous
Fri 12 - 15	CNY	Money supply M2	y/y	Jan		13.5%	13.3%
Fri 12 - 15	CNY	New Yuan loans	CNY bn.	Jan		1900	597.8
Fri 12 - 15	CNY	Aggregate financing	bn CNY	Jan		2300	1820
Thu 18 - 19	EUR	EU summit in Brussels (UK negotiations)					

Monday, February 15, 2016

				Period	Danske Bank	Consensus	Previous
-	CNY	Trade balance	USD bn	Jan		60.6	60.1
-	CNY	Imports	y/y	Jan		-3.6%	-7.6%
-	CNY	Exports	y/y	Jan		-1.8%	-1.4%
0:50	JPY	GDP deflator, preliminary	y/y	4th quarter		1.6%	1.8%
0:50	JPY	GDP, preliminary	q/qlann.	4th quarter		-0.2% -0.8%	0.3% 1.0%
1:01	GBP	Rightmove House Prices	m/m y/y	Feb			0.5% 6.5%
5:30	JPY	Industrial production, final	m/m y/y	Dec			-1.4% -1.6%
5:30	JPY	Tertiary industry index	m/m	Dec		-0.1%	-0.8%
9:30	SEK	Capacity utilization, industry	%	4th quarter			87.1%
10:00	NOK	Trade balance	NOK bn	Jan			18.1
11:00	EUR	Trade balance	EUR bn	Dec		22.2	22.7
15:00	EUR	ECB's Draghi speaks in Brussels					
22:45	NZD	Retail sales	q/q	4th quarter		1.5%	1.6%

Tuesday, February 16, 2016

				Period	Danske Bank	Consensus	Previous
6:30	NOK	Consumer confidence	Net. bal.	1st quarter		-10.0	-11.3
10:00	NOK	GDP (mainland)	q/q y/y	4th quarter	0.0% 0.8%	0.1%	0.2%
10:00	NOK	GDP (total)	q/q	4th quarter		-0.6%	1.8%
10:30	GBP	PPI - input	m/m y/y	Jan		-1.3% -8.7%	-0.8% -10.8%
10:30	GBP	PPI - output	m/m y/y	Jan		-0.2% -0.9%	-0.2% -1.2%
10:30	GBP	CPI	m/m y/y	Jan	-0.6% 0.4%	-0.7% 0.3%	0.1% 0.2%
10:30	GBP	CPI core	y/y	Jan	1.4%	1.3%	1.4%
11:00	DEM	ZEW current situation	Index	Feb		55.0	59.7
11:00	DEM	ZEW expectations	Index	Feb	-2.0	0.0	10.2
14:30	USD	Fed's Harker (non-voter, hawkish) speaks					
14:30	USD	Empire Manufacturing PMI	Index	Feb		-10.0	-19.4
16:00	USD	NAHB Housing Market Index	Index	Feb		60.0	60.0
16:30	USD	Fed's Kashkari (non-voter, unknown) speaks					
22:00	USD	TICS international capital flow, Net inflow	USD bn	Dec			-3.2

Wednesday, February 17, 2016

				Period	Danske Bank	Consensus	Previous
0:50	JPY	Machine orders	m/m y/y	Dec		4.7% -2.8%	-14.4% 1.2%
1:00	USD	Fed's Rosengren (voter, dovish) speaks					
8:00	SEK	Prospera inflation expectations					
10:30	GBP	ILO Unemployment rate	%	Dec	5.0%	5.0%	5.1%
10:30	GBP	Average weekly earnings ex bonus (3M)	y/y	Dec	1.9%	1.8%	1.9%
10:30	GBP	Average weekly earnings (3M)	y/y	Dec		1.9%	2.0%
13:00	USD	MBA Mortgage Applications	%				9.3%
14:30	USD	Housing starts	1000 (m/m)	Jan		1170	1149.0 (-2.5%)
14:30	USD	Building permits	1000 (m/m)	Jan		1200	1204.0 (-6.1%)
14:30	USD	PPI	m/m y/y	Jan		-0.2% -0.6%	-0.2% -1.0%
14:30	USD	PPI core	m/m y/y	Jan		0.1% 0.4%	0.1% 0.3%
15:15	USD	Capacity utilization	%	Jan		76.7%	76.5%
15:15	USD	Industrial production	m/m	Jan		0.3%	-0.4%
15:15	USD	Manufacturing production	m/m	Jan		0.2%	-0.1%
20:00	USD	FOMC minutes from January meeting					

Source: Danske Bank Markets

Calendar – continued

Thursday, February 18, 2016					Period	Danske Bank	Consensus	Previous
0:50	JPY	Exports	y/y (%)	Jan		-11.0	-8.0	
0:50	JPY	Import	y/y (%)	Jan		-15.9	-18.0	
0:50	JPY	Trade balance, s.a.	JPY bn	Jan		62.1	36.6	
1:30	AUD	Employment change	1000	Jan		13	-1	
2:00	USD	Fed's Bullard (voter, hawkish) speaks						
2:30	CNY	PPI	y/y	Jan		-5.4%	-5.9%	
2:30	CNY	CPI	y/y	Jan		1.9%	1.6%	
8:00	CHF	Trade balance	CHF bn	Jan			2.54	
8:45	FRF	HICP, final	m/m y/y	Jan		-1.0% 0.4%	-1.0% 0.4%	
9:30	SEK	Underlying inflation CPIF	m/m y/y	Jan	-0.4% 1.6%	-0.6% 1.4%	0.2% 0.9%	
9:30	SEK	CPI	m/m y/y	Jan	-0.6% 0.5%	-0.6% 0.5%	0.1% 0.1%	
10:00	EUR	Current account	EUR bn	Dec			26.4	
13:30	EUR	ECB account of the monetary policy meeting						
14:30	USD	Philadelphia manufacturing index	Index	Feb		-3.0	-3.5	
14:30	USD	Initial jobless claims	1000			275	269	
17:00	EUR	EU summit in Brussels (UK negotiations)						
17:00	USD	DOE U.S. crude oil inventories	K				-754	
18:00	NOK	Norges Bank governor Olsen gives annual speech						
21:30	USD	Fed's Williams (non-voter, neutral) speaks						

Friday, February 19, 2016					Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Spain's debt rating						
5:30	JPY	All industry activity index	m/m	Dec		-0.3%	-1.0%	
9:00	DKK	Consumer confidence	Net. bal.	Feb	4.0		4.6	
9:30	SEK	Unemployment (n.s.a. s.a.)	%	Jan		7.6%	6.7% 7.2%	
10:00	EUR	EU summit in Brussels (UK negotiations)						
10:30	GBP	Retail sales	m/m y/y	Jan		0.8% 3.6%	-1.0% 2.6%	
10:30	GBP	Retail sales ex fuels	m/m y/y	Jan		0.7% 3.4%	-0.9% 2.1%	
14:00	USD	Fed's Mester (voter, hawkish) speaks						
14:30	USD	CPI	m/m y/y	Jan	-0.1% 1.3%	-0.1% 1.3%	-0.1% 0.7%	
14:30	USD	CPI - core	m/m y/y	Jan	0.2% 2.1%	0.2% 2.1%	0.1% 2.1%	
14:30	CAD	CPI	m/m y/y	Jan		-0.1% 1.7%	0.1% 1.6%	
14:30	CAD	Retail sales	m/m	Dec		-0.8%	1.7%	
16:00	EUR	Consumer confidence, preliminary	Net bal.	Feb	-7.5	-6.6	-6.3	

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For further information, call (+45) 45 12 85 22.

Source: Danske Bank Markets

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