

# Weekly Focus

## Riksbank's time to ease

### Market movers ahead

- In last week's Weekly Focus, we wrote that rate cuts are back on the agenda (see *Weekly Focus: Rate cuts back on the agenda*, 29 January). Now it is the Riksbank's time to ease, as we expect a repo rate cut by at least 10bp to -0.45% or more.
- It is the first time we will hear from Fed chair Janet Yellen since the initial Fed lift-off in December. We intend to listen carefully to any comments on what to expect from the Fed this year.
- China is due to release FX reserves figures on Sunday and we look for another decline of more than USD100bn, reflecting substantial intervention. Pressure on the CNY picked up significantly in January.
- Inflation figures for January are due in Denmark and Norway. We estimate CPI inflation was 0.7% y/y in Denmark and CPI-ATE inflation was 3.2% y/y in Norway.

### Global macro and market themes

- This week has seen further decline inflation expectations and interest rates.
- Concerns about the US economy prompted a sharp fall in the US dollar.
- The fall in inflation expectations raises questions about the central bank's ability to fulfil its inflation mandate, especially with the policy vacuum until March.
- Yellen's testimony on Wednesday will be crucial in providing guidance to the market.

### Focus

- *Flash Comment China PMI: It's getting worse...no wait, it's getting better*, 1 February.
- *Flash Comment US: ISM manufacturing has stabilised at a weak level*, 1 February.
- *Flash Comment: China eases further – aimed at ailing construction sector*, 2 February.
- *Flash Comment Denmark: Pace of FX intervention slowed in January*, 2 February.

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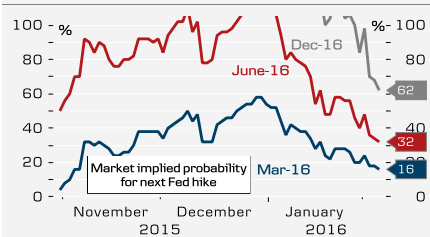
### Financial views

Major indices			
	05-Feb	3M	12M
10yr EUR swap	0.64	0.95	1.35
EUR/USD	112	106	116
ICE Brent oil	34	40	48
	05-Feb	6M	12-24M
S&P500	1915	0.5%	5.8%

Source: Danske Bank

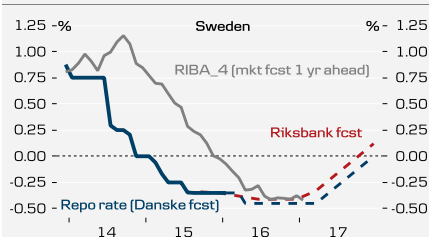
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#### Set to hear from Yellen next week



Source: Bloomberg, Danske Bank

#### Riksbank expected to ease next week



Source: Riksbank, Danske Bank

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# Market movers

## Global

- In the **US** next week, Fed speeches are set to attract a lot of attention. In particular, Fed Chair Janet Yellen's testimonies on the Fed's semi-annual Monetary Policy Report to congress (two days before two different committees) including Q&A sessions are most important, as this is the first time we get to hear from Yellen since the initial lift-off in December. The FOMC statement from the January meeting was relatively dovish without being very concrete (see *FOMC Review: Less 'confident' Fed likely to stay on hold in March as well*, 27 January). We intend to listen carefully to any comments on what to expect from the Fed this year. In our view, it will not risk tightening too much, too quickly. Market pricing is very soft and, at the time of writing, the market implied probability of a hike this year is roughly 60%. We also get to hear from the Fed's William C. Dudley (voter, dovish) and the Fed's John C. Williams (neutral, non-voter).

The most important release is data for retail sales in January. The December figures were weak even taking into account that they are in current prices. We look for clues about whether consumption growth has slowed and keep an eye on the preliminary University of Michigan consumer confidence survey for February. In January, consumers stayed optimistic despite the financial turmoil and weaker economic data. We expect US growth to be driven by private consumption, which requires consumers to stay confident.

- In the **euro area**, we start the week with the release of Sentix investor confidence for February on Monday. We expect the figure to follow the direction from January and decrease once again due to the continued global market uncertainty. If this uncertainty persists, it could end up being a drag on economic growth in 2016. In this case, we would have to revise our forecast of a reacceleration in growth.

On Monday, we are also due to get data on German industrial production for December, which we expect to increase slightly on the back of the pickup in new orders. Moreover, several key economic variables indicate a solid domestic demand, which would be supportive for industrial production. Data on euro area industrial production for December is also due to be released next week (on Friday) and here we expect to see a similar increase. Tuesday see the release of German trade balance data for December. Here, we expect focus to be on exports and any potential impact of the weakness in China and signs of slower growth in the US.

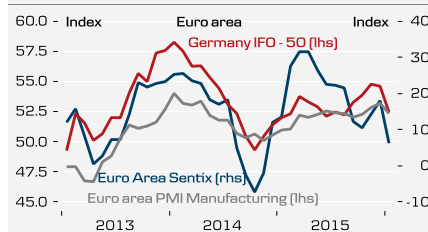
We end the week with Friday's preliminary GDP figures for the fourth quarter for the euro area, as well as Germany and Italy. We estimate growth increased marginally to 0.4% q/q in the euro area compared with 0.3% q/q for the third quarter. Regionally, we expect Germany to be the strongest with a growth rate of 0.5% q/q. In general, we expect growth in the euro area to accelerate throughout 2016, pulled by Germany and Italy. For instance, in Italy we have seen an improvement in loans growth as well as better borrowing conditions for SMEs. However, the recent financial uncertainty is a risk factor to our forecast, especially after the economic surveys fell in January.

### Markets are not sure that Fed will hike even once this year



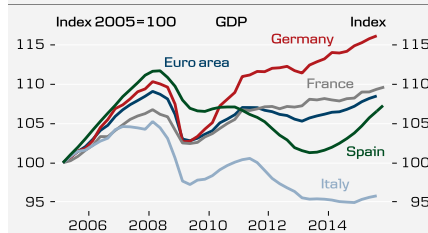
Source: Bloomberg, Danske Bank

### Sentix set to fall further



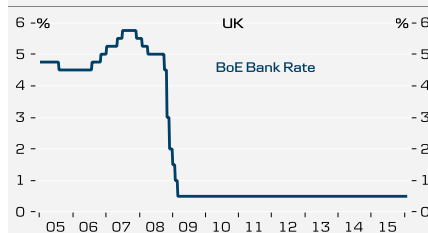
Source: Sentix, ifo, Markit, Danske Bank

### We look for stronger growth in 2016



Source: Eurostat

### We now expect BoE to stay on hold in 2016 as well



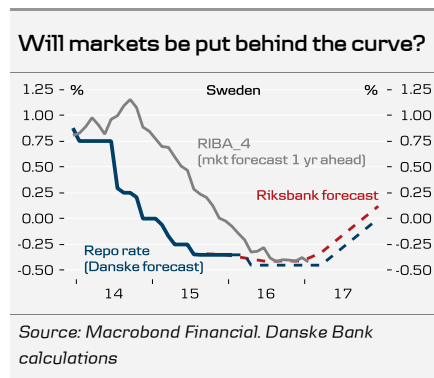
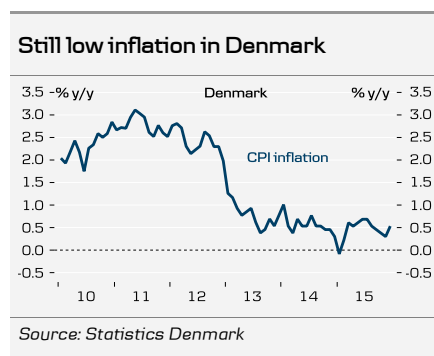
Source: Bank of England

- In the **UK**, the calendar is very thin after a hectic week with a draft deal for the future relationship between the UK and EU and a very dovish tone at the Bank of England (BoE) meeting (see also *Bank of England Review: Not much news in the minutes as we are awaiting the Inflation Report*, 14 January. The most important releases next week are industrial and manufacturing production (Wednesday) and construction output (Friday) in December. All three releases will give us more information how the economy performed in Q4. In the calculations of the first estimate of GDP growth for Q4 (which was 0.5% q/q), the Office for National Statistics assumed that industrial production declined 0.2% m/m, manufacturing production was flat and construction output increased 2.2% m/m in December.
- **China** is due to release FX reserves on Sunday, when we look for another decline of more than USD100bn, reflecting substantial intervention. Pressure on the CNY picked up significantly in January and it is likely this required a lot of selling of reserves to buy CNY and CNH. Intervention has probably calmed down in the second half of January as a drain of liquidity in the offshore market (CNH) pushed up money-market rates and led to a halt in the depreciation. The decline is likely to bring FX reserves down to USD3.2trn. It is still significant but down from close to USD4trn at its peak in 2014.

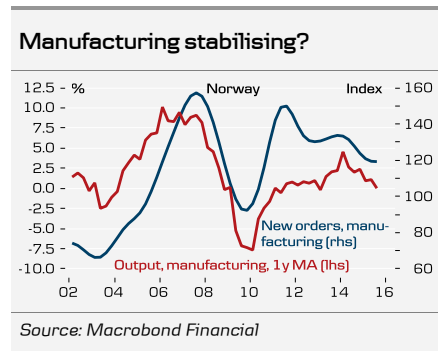
Total Social Finance numbers and money growth may also be released next week. Credit from bank loans and corporate bonds has picked up significantly over the past six months likely reflecting policy easing and a rise in Chinese infrastructure investment. Interestingly, raw material prices have increased recently despite the risk-off sentiment, which could reflect rising demand from China, as China's share of global demand for a range of commodities is around 50%.

**Scandi**

- In **Denmark**, the statistical office releases figures for inflation, which we expect to climb to 0.7% y/y, from 0.5% y/y in December. The outcome is always highly uncertain in January, as it includes many prices updated only once a year. In addition, Statistics Denmark is switching to a new method for collecting food prices, which will affect seasonal adjustments and preliminary findings suggest this will pull upwards in January. There has been a significant fall in fuel prices since the start of the new year but the decline in January 2015 was even larger, so fuel should have a positive effect on the y/y rate. There will also be a positive base effect from the cut in heating taxes in January last year. Coming up too are foreign trade and balance of payments data for December. November brought a current account surplus of DKK12bn, and we expect something similar in December. The figures for exports and imports in December will give us a good idea of what contribution foreign trade made to growth in Q4.
- In **Sweden**, the week ahead will be all about the Riksbank, so we expect a very small reaction to the December Household Consumption Indicator (Wednesday 09:30 CET), which will be one of the very last pieces of the Q4 GDP puzzle. This said, having received retail sales and so on, the data will probably not add all that much information despite being a more reliable input to our consumption forecasts than retail sales. As for the main event, the Riksbank monetary policy decision (Thursday at 09:30 CET), we expect a repo rate cut of at least 10bp (0.1 percentage points) to -0.45% or lower. With regard to the Riksbank's forecasts, we believe the main change will be in the inflation outlook, which could be revised downward by up to 0.5pp. Should the Riksbank make such a large revision, there is a chance of an even bigger cut or other policy measures.



- In **Norway**, the past year's rise in core inflation has been due almost entirely to higher import prices in the wake of the weaker Norwegian krone. On the face of it, there is every reason to expect this effect to subside – and eventually reverse – once the Norwegian krone bottoms out. Norges Bank shares this view, which has made the market tolerant of relatively high core inflation. Nevertheless, we expect to see a slightly stronger pass through to consumer prices from higher import prices in the first few months of this year. The decline in the Norwegian krone has now been so strong and so protracted that there is a need to reprice many imported consumer goods in order to maintain profitability. Therefore, we expect core inflation of 3.2% y/y in January, which is higher than Norges Bank's projection of 2.97% y/y. The week also brings figures for manufacturing orders, a release that never attracts much attention but which we believe will send a very important signal about developments in manufacturing – and so the Norwegian economy – over the rest of 2016. The decline in new orders starting in 2013 presaged the gradual decline in industrial production and employment seen in 2014 and 2015, so manufacturing orders would be the first place to look for signs of stabilisation. New orders fell by just 0.6% q/q in Q3, probably due to the award of contracts for the Johan Sverdrup project, and we expect a small increase in Q4, which would be very good news for the manufacturing outlook.



Market movers ahead

Global movers		Event		Period	Danske	Consensus	Previous		
Sun	07-Feb	CNY	Foreign exchange reserves	bn.USD	Jan	3200	3210	3330	
Mon	08-Feb	10:30	EUR	Sentix Investor Confidence	Index	Feb	6.0	8.8	9.6
Wed	10-Feb	16:00	USD	Fed's Chair Yellen speaks	m/m				
Thurs	11-Feb	14:30	USD	Initial jobless claims	1000			285	
		15:00	EUR	Eurogroup meeting in Brussels					
		16:00	USD	Fed's Chair Yellen speaks					
Fri	12-Feb	8:00	DEM	GDP, preliminary	q/q y/y	4th quarter	0.5% ...	0.3% 1.4%	0.3% 1.7%
		11:00	EUR	GDP, preliminary	q/q y/y	4th quarter	0.4% ...	0.3% 1.5%	0.3% 1.6%
		14:30	USD	Retail sales control group	m/m	Jan	0.5%	-0.3%	
		16:00	USD	University of Michigan Confidence, preliminary	Index	Feb	92.5	92.0	
		16:00	USD	Fed's Dudley (voter, dovish) speaks					
Scandimovers									
Wed	10-Feb	9:00	DKK	CPI	m/m y/y	Jan	-0.4% 0.7%	-0.4% 0.6%	0.0% 0.5%
		10:00	NOK	CPI	m/m y/y	Jan		0.1% 2.5%	-0.4% 2.3%
		10:00	NOK	Core inflation(CPI-ATE)	m/m y/y	Jan	0.1% 3.2%	-0.1% 3.0%	-0.2% 3.0%
Thurs	11-Feb	9:30	SEK	Riksbank, rate decision	%		-0.45%	-0.45%	-0.35%

Source: Bloomberg, Danske Bank Markets

# Global Macro and Market Themes

## Crumbling faith in central banks' inflation mandates

This week saw a sharp fall in inflation expectations and a sudden and abrupt weakening of the US dollar. These developments point to further weakness in the world economy and commodity markets, and raise question marks over whether the G3 central banks can steer the world economy through murky waters.

### Inflation expectations and interest rates have fallen sharply...

The combination of falling oil prices and renewed concern about the strength of the world economy prompted a sharp decline in both inflation expectations and benchmark interest rates. Both short and long-term inflation expectations are now at all-time lows. Thirty-year inflation expectations in Europe and the US are now 1.6% and 1.8%, respectively. Basically the markets are saying that neither the Fed nor the ECB will be able to fulfil their mandates for the next 30 years! On the back of the decline in inflation expectations, we also saw a sharp fall in interest rates. Ten-year US treasury yields have now declined from 2.3% at the beginning of the year to 1.85%, while German yields have declined from 0.6% to 0.3% since the beginning of the year.

### ...as has USD on fresh concerns about health of US economy

**The decline in service sector expectations raised fresh doubts about the health of the US economy.** On Wednesday, the ISM non-manufacturing index dropped to 53.5 in January from 55.8 in December. This punctured the belief that the US service sector would be immune to weaknesses in the US manufacturing sector, the oil sector and more generally the global economy. US policymakers are now clinging to the labour market as one of the last areas of strength.

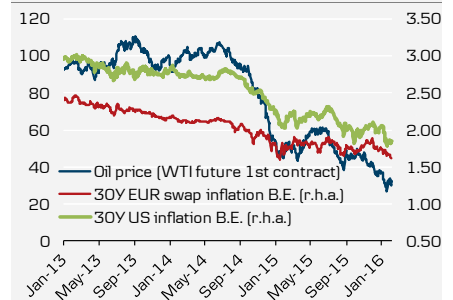
**The fresh signs of weakness in the US economy have led to a sharp reassessment of US monetary policy.** In addition, the speech by FOMC member Dudley on Wednesday gave the market further reason to expect a delay to the next rate hike. In his speech, Dudley expressed concerns about the tightening of financial conditions since the Federal Reserve raised interest rates in December and that the US economy was not immune to a strong dollar and weaknesses in the global economy. The market pushed its expectations about the next rate hike further out from March to August 2017.

**The reassessment of US monetary policy led to a significant weakening of the US dollar.** Since Wednesday the dollar has fallen by 2.7% against the euro while the broader dollar index, DXY, is down by 3%. This fall does not come as a surprise to us. As flagged in our piece on Wednesday (*Why EUR/USD is set to rally in 2016—now is the time to prepare*), we argued that *the only* factors supporting the USD vs the euro were relative rates. As the market pushed out its expectation about the next rate hike, it lost faith in the dollar. We argue that there are fundamental factors supporting EUR/USD such as (1) it being undervalued, (2) the large euro area current account surplus, (3) the stronger business cycle outlook in Europe vs the US, (4) stretched short EUR/USD positions, (5) bigger terms of trade benefits from the low oil prices and (6) falling commercial FX hedging of EUR. While the EUR/USD move this week was in line with our view of a stronger euro, we think the cross may have increased too far and rapidly and we may see a short-term rebound in the dollar against the euro.

### Key points

- This week has seen further declines in inflation expectations and interest rates.
- Concerns about the US economy prompted a sharp fall in the dollar.
- The fall in inflation expectations raises questions about the central banks' ability to fulfil their inflation mandates, especially with the policy vacuum until March.
- Yellen's testimony on Wednesday will be crucial in providing guidance to market.

### Long-term inflation expectations have reacted strongly to fall in oil price



Source; FOMC, Danske Bank Markets.

### US services sector is not immune to global developments



Source; Danske Bank Markets.

However, this should give way to renewed EUR strength in the latter half of the year as fundamental factors become increasingly important.

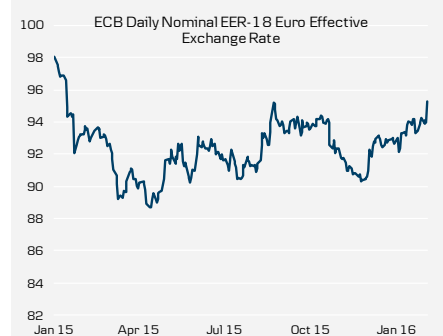
### Sharp fall in inflation expectations raises questions about G3 central banks' ability to fulfil their inflation mandates

**The sharp fall in inflation expectations is a huge challenge facing the major central bank in fulfilling their inflation mandates.** Certainly the market does not seem convinced the central banks have the ability to do so given 30-year inflation expectations in the US and Germany are below 2%. The ECB and BOJ have already acted almost in conjunction. Following its surprise move to adopt negative interest rates for the first time ever, the BOJ governor this week signalled that rates could be lowered further. The ECB has also flagged that monetary easing will come in March. In the Bundesbank (of all places), Draghi gave an ultra-clear hint to markets that the ECB will move forcefully in March, stating in a speech that comes close to his famous "do whatever it takes" speech in 2012, that fighting deflation today is by no means different from the inflation fight in the 1970s and that premature tightening, such as in the US in 1936-37, may run the risk of a reversal at a later stage. However, so far the market seems to be saying that central bank talk is cheap and action is warranted as risk rallies have faded fairly quickly.

**The big question is whether will the Fed will change course.** Here Fed chair Yellen's testimony at the Fed's semi-annual Monetary Policy Report to Congress on Wednesday will be extremely important in providing some guidance on how the Fed sees the situation. We will listen carefully to any comments on what to expect from the Fed this year. In our view, it will not risk tightening too much, too quickly. If that happens, we think risk sentiment may remain depressed. We think it will require clear indications from Yellen that the Fed is prepared to delay raising rates before we can get a risk rally benefiting equities, oil and the US dollar.

**The main problem is that markets are caught in a policy vacuum until March.** During this period, there is a risk that we get further hints from China, the US and elsewhere that the global business cycle is taking a turn for the worse. In that case, central banks will only be able to *signal* further easing, but will not be able to act. Certainly the ECB will be very worried about the strength of the euro. Hence, the wait until March may be a very long one, in which we may well see further abrupt swings in market sentiment.

**Euro strength is back to January 2015 levels**



Source: Bloomberg

Global market views

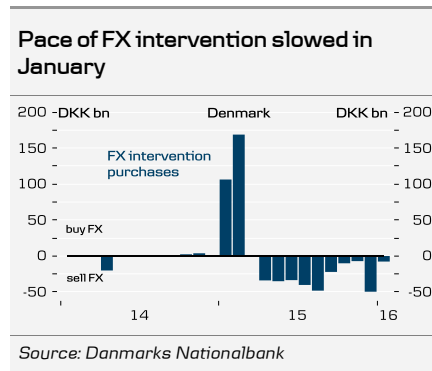
Asset class	Main factors
<p><b>Equities</b> Moderately positive on 3M and 12M horizon</p>	<p>We assume that the ECB, PBoC and BoJ will continue to ease and there will be a dovish tilt to the Fed's hikes. Given that, we expect further downward pressure on margins in industrials and we could see weaker US macro data. Our base case is that the US consumer will stay healthy. However, if the downward margin pressure in industrials leads to layoffs then we are facing a different scenario in terms of equity market development.</p>
<p><b>Bond market</b> 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</p>	<p>ECB is to cut the deposit rate again, but still upward pressure to long end from the US medium term Policy divergence to widen spread further especially in short and mid segment of curve QE, improving fundamentals and search for yield ECB supportive, but outweighed by the oil rout and associated turbulence</p>
<p><b>FX</b> EUR/USD - near-term lower, rebound further out USD/JPY - rangebound on a medium-term horizon EUR/SEK - stuck between 9.10-9.50 near term, lower medium term EUR/NOK - higher short term, then lower as cycle turns</p>	<p>Temporary support from too dovish re-pricing of Fed rate hikes, medium-term to rise on strong EUR fundamentals Upside risk from further BoJ easing Battle between Riksbank and the market for now, further out EUR/SEK to fall on strong Swedish fundamentals Relative rates, oil and liquidity to cap downside short term, eventually lower on positioning and fundamentals</p>
<p><b>Commodities</b> Oil prices - range-bound near term, subdued recovery in 2016 Metal prices - staying low Gold prices - flat near term Agriculturals - risks remain on the upside</p>	<p>Price support from OPEC is gone; now awaiting non-OPEC supply cuts and weaker dollar Chinese manufacturing slowdown to cap upside; consolidation in mining industry puts a floor under prices Short-term support from re-pricing of Fed rate hikes Attention has turned to La Niña weather risks in H2 2016</p>

Source: Danske Bank Markets

# Scandi Update

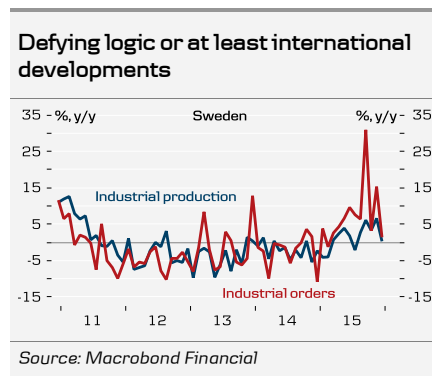
## Denmark – no immediate prospect of further rate increases

It has been a quiet week in Denmark. The most important release was the currency reserves data showing that the central bank snapped up DKK7.7bn to stabilise the krone in January. Thus, there was once again a small outflow of foreign currency, but we knew that in advance, as this was why the Nationalbank raised its CD rate from -0.75% to -0.65% at the beginning of the month. The fact that the outflow of currency in January was not bigger than it was suggests that this hike was sufficient and that there is no immediate prospect of further rate increases. It is more likely that the Nationalbank will go back down to -0.75% if, as expected, the ECB cuts its deposit rate by a tenth of a point in March. For more information, see *Flash Comment Denmark: Pace of FX intervention slowed in January*, 2 February.



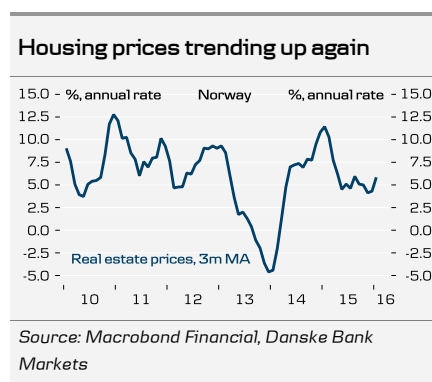
## Sweden – industrial bonanza

The GDP Q4 15 vessel is filling up with data and while industrial data struck a negative tone, it is hard to discern any trend at all. However, given we, among others, expect a stronger economy, the outcome serves to underline current uncertainties and the negative skew to our forecast. Looking ahead, this is undoubtedly among the data sets we will attach most attention to as it is (a) the only sector which has failed to return to pre-crisis levels, (b) the sector where we expect to see the strongest contribution to Swedish growth going forward and (c) the sector most at risk due to current international turmoil.



## Norway – major variations in housing market

Housing prices were highly volatile from month to month in 2015, making interpretation very difficult, especially given the uncertainty in the macro picture. But if we try to penetrate the noise by looking at the three-month rolling average, it appears that last year's downward trend has now reversed. The annual rate of increase in housing prices has risen to 5.2%, and the annualised three-month rate in January is the highest since August 2015. Looking at other indicators, both the time-to-sell and the stock-to-sales ratios have fallen, which confirms the impression of a tighter housing market. There are still major regional variations, though, with an increase of 9% y/y in Oslo but a decrease of 6% in Stavanger. This shows that the oil downturn is not yet making its mark in Oslo, but also that it is difficult right now to set an interest rate that suits the whole of the Norwegian economy.





# Latest research from Danske Bank Markets

## *4/2 BoE Review: BoE is not 'Fed light' - we now expect first hike in Q1 17*

The Bank of England has made it clear that it is definitely not 'Fed light'.

## *2/2 Denmark: Pace of FX intervention slowed in January*

Denmark's FX reserve fell to DKK430bn in January, following DKK7.7bn of FX intervention by Danmarks Nationalbank (DN).

## *2/2 China eases further - aimed at ailing construction sector*

China has today eased policy further aiming its ammunition at the ailing construction sector.

## *2/2 US Labour Market Monitor: Labour market one of the few bright spots left in Fed's chart book*

The labour market tightened significantly in 2015, which was the main reason why the Fed raised the target rate in December, as PCE core inflation is still subdued.

## *1/2 US: ISM manufacturing has stabilised at a weak level*

ISM manufacturing has stabilised although at a weak level. This was still positive as some of the regional indices (Empire and Dallas) pointed towards a sharp decline.

## *1/2 China PMI: it's getting worse...no wait, it's getting better*

Chinese PMI data has sent conflicting signals as the private Caixin manufacturing PMI points to a moderate recovery (in line with our expectations) whereas the official NBS manufacturing PMI has hit the lowest level in 2½ years.

# Macroeconomic forecast

## Macro forecast, Scandinavia

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
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 <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
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	1.5	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 <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
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	05-Feb	0.50	0.62	0.79	1.74	111.9	-	666.8
	+3m	0.50	0.80	1.25	2.25	106.0	-	703.3
	+6m	0.75	0.97	1.45	2.60	110.0	-	677.7
	+12m	1.25	1.52	1.85	2.85	116.0	-	642.7
EUR	05-Feb	0.05	-0.17	-0.18	0.64	-	111.9	746.3
	+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	05-Feb	0.10	0.04	-0.14	0.19	130.8	116.8	5.71
	+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	05-Feb	0.50	0.59	0.78	1.56	77.1	145.2	968.3
	+3m	0.50	0.59	0.90	1.70	73.0	145.2	1021.2
	+6m	0.50	0.59	1.10	1.85	71.0	154.9	1050.0
	+12m	0.75	0.85	1.50	2.10	75.0	154.7	994.0
CHF	05-Feb	-0.75	-0.75	-0.74	0.00	111.3	99.4	670.8
	+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	05-Feb	0.05	-0.07	0.11	1.00	746.3	666.8	-
	+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	05-Feb	-0.35	-0.35	-0.30	1.21	939.5	839.4	79.4
	+3m	-0.45	-0.40	-0.40	1.35	930.0	877.4	80.2
	+6m	-0.45	-0.40	-0.40	1.45	920.0	836.4	81.0
	+12m	-0.45	-0.35	-0.40	1.65	900.0	775.9	82.8
NOK	05-Feb	0.75	1.13	0.88	1.61	952.7	851.2	78.3
	+3m	0.75	1.05	1.05	1.90	960.0	905.7	77.7
	+6m	0.75	1.00	1.10	2.00	930.0	845.5	80.2
	+12m	0.75	1.00	1.10	2.30	900.0	775.9	82.8

## 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%	5-10%	Overweight

## Commodities

	05-Feb	2016				2017				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017
NYMEX WTI	32	30	30	40	44	46	48	50	52	36	49
ICE Brent	34	30	30	40	44	46	48	50	52	36	49
Copper	4,687	4,400	4,400	4,800	5,000	5,100	5,200	5,300	5,400	4,650	5,250
Zinc	1,715	1,500	1,500	1,700	1,800	1,850	1,900	1,950	2,000	1,625	1,925
Nickel	8,545	8,500	8,500	10,000	11,000	11,200	11,400	11,600	11,800	9,500	11,500
Aluminium	1,535	1,450	1,450	1,600	1,700	1,750	1,800	1,850	1,900	1,550	1,825
Gold	1,155	1,075	1,075	1,115	1,130	1,140	1,145	1,150	1,155	1,099	1,148
Matif Mill Wheat (€/t)	159	165	180	175	175	175	170	170	170	174	171
Rapeseed (€/t)	363	360	395	390	390	395	385	385	390	384	389
CBOT Wheat (USD/bushel)	472	480	480	500	520	525	530	535	540	495	533
CBOT Corn (USD/bushel)	369	365	365	390	400	405	410	415	420	380	413
CBOT Soybeans (USD/bushel)	878	870	870	900	910	915	920	925	930	888	923

Source: Danske Bank Markets

# Calendar

## Key Data and Events in Week 6

### During the week

				Period	Danske Bank	Consensus	Previous
Sun 07	CNY	Foreign exchange reserves	bn. USD	Jan	3200	3210	3330

### Monday, February 8, 2016

				Period	Danske Bank	Consensus	Previous
0:50	JPY	Bank lending	y/y	Jan			2.2%
2:30	JPY	Labor cash earnings	y/y	Dec		0.7%	0.0%
6:00	JPY	Eco Watchers Survey Outlook (Current)	Index	Jan		48.4 48.4	48.2 48.7
8:00	DEM	Industrial production	m/m y/y	Dec	0.3% ...	0.5% -0.5%	-0.3% 0.1%
9:00	DKK	Current account (nsa sa)	DKK bn	Dec	12.0 12.4	12.0 ...	12.2 11.9
9:00	DKK	Trade balance ex ships	DKK bn	Dec	6.0	6.0	5.7
9:00	DKK	Exports	m/m	Dec			
10:30	EUR	Sentix Investor Confidence	Index	Feb	6.0	8.8	9.6
16:00	USD	Fed's LMCI	m/m	Jan			2.9%

### Tuesday, February 9, 2016

				Period	Danske Bank	Consensus	Previous
0:50	JPY	Money supply M2	y/y	Jan		3.1%	3.0%
1:30	AUD	NAB Business Conditions	Index	Jan			7.0
7:45	CHF	Unemployment	%	Jan		3.5%	3.4%
8:00	DEM	Trade balance	EUR bn	Dec		20	20.5
10:30	GBP	Trade balance	GBP mio.	Dec		-2800	-3170
12:00	USD	NFIB small business optimism	Index	Jan		94.5	95.2

### Wednesday, February 10, 2016

				Period	Danske Bank	Consensus	Previous
0:30	AUD	Westpac Consumer Confidence	Index (% m/m)	Feb			97.3 -3.5%
0:50	JPY	PPI	m/m y/y	Jan		-0.7% -2.8%	-0.3% -3.4%
8:45	FRF	Industrial production	m/m y/y	Dec		0.4% ...	-0.9% 2.8%
9:00	DKK	CPI	m/m y/y	Jan	-0.4% 0.7%	-0.4% 0.6%	0.0% 0.5%
9:30	SEK	Household consumption	m/m y/y	Dec			0.1% 3.2%
10:00	NOK	CPI	m/m y/y	Jan		0.1% 2.5%	-0.4% 2.3%
10:00	NOK	Core inflation(CPI-ATE)	m/m y/y	Jan	0.1% 3.2%	-0.1% 3.0%	-0.2% 3.0%
10:00	NOK	PPI	m/m y/y	Jan			-4.5% -10.8%
10:00	ITL	Industrial production	m/m y/y	Dec		0.2% ...	-0.5% 0.9%
10:30	GBP	Industrial production	m/m y/y	Dec	-0.2% 0.9%	-0.1% 1.0%	-0.7% 0.9%
10:30	GBP	Manufacturing production	m/m y/y	Dec	0.0% -1.5%	0.1% -1.4%	-0.4% -1.2%
13:00	USD	MBA Mortgage Applications	%				-2.6%
16:00	USD	Fed's Chair Yellen speaks	m/m				
16:30	USD	DOE U.S. crude oil inventories	K				7792
19:30	USD	Fed's Williams (non-voter, neutral) speaks					
20:00	USD	Budget statement	USD bn	Jan		10.1	

Source: Danske Bank Markets

Calendar – continued

Thursday, February 11, 2016				Period	Danske Bank	Consensus	Previous
1:01	GBP	RICS house price balance	Index	Jan		0.5	0.5
8:00	SEK	PES unemployment	%	Jan			4.2%
9:15	CHF	CPI	m/m/y/y	Jan		-0.4% -1.3%	-0.4% -1.3%
9:30	SEK	Average house prices	SEK m	Jan			2.677
9:30	SEK	Riksbank, rate decision	%		-0.45%	-0.45%	-0.35%
14:30	USD	Initial jobless claims	1000				285
15:00	EUR	Eurogroup meeting in Brussels					
16:00	USD	Fed's Chair Yellen speaks					
Friday, February 12, 2016				Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Italy's debt rating					
8:00	DEM	GDP, preliminary	q/q/y/y	4th quarter	0.5% ...	0.3% 1.4%	0.3% 1.7%
9:00	ESP	HICP, final	m/m/y/y	Jan			-2.5% -0.4%
9:00	EUR	ECOFIN meeting in Brussels					
10:00	ITL	GDP, preliminary	q/q/y/y	4th quarter	0.3% ...	0.3% 1.2%	0.2% 0.8%
10:30	GBP	Construction output	m/m/y/y	Dec	2.2% 1.0%	1.9% 0.8%	-0.5% -1.1%
10:30	EUR	Portugal, GDP, preliminary	q/q/y/y	4th quarter			0.0% 1.4%
11:00	EUR	Industrial production	m/m/y/y	Dec	0.5% ...	0.3% 0.7%	-0.7% 1.1%
11:00	EUR	GDP, preliminary	q/q/y/y	4th quarter	0.4% ...	0.3% 1.5%	0.3% 1.6%
14:30	USD	Retail sales	m/m	Jan		0.1%	-0.1%
14:30	USD	Retail sales less autos	m/m	Jan		0.1%	-0.1%
14:30	USD	Retail sales less autos and gas	m/m	Jan		0.3%	0.0%
14:30	USD	Retail sales control group	m/m	Jan		0.5%	-0.3%
14:30	USD	Import prices	m/m/y/y	Jan		-1.2% -6.8%	-1.2% -8.2%
16:00	USD	University of Michigan Confidence, preliminary	Index	Feb		92.5	92.0
16:00	USD	Fed's Dudley (voter, dovish) speaks					

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Source: Danske Bank Markets

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