

Weekly Focus

ECB hesitates

Market movers ahead

- Rising money market rates and a stronger euro are probably not enough to prompt a rate cut or other easing measures at this week's ECB meeting, although we cannot rule this out.
- Fed Chair Janet Yellen is scheduled to appear before Congress and is expected to signal a lengthy period between the end of the Fed's tapering and interest rates being hiked in the US.
- Inflation numbers out of China are likely to show a significant drop. While not sufficient to prompt further easing, it means this option will remain in play should the economy continue to weaken.
- Norges Bank may signal that a rate hike could come sooner than previously expected but we think this is unlikely.

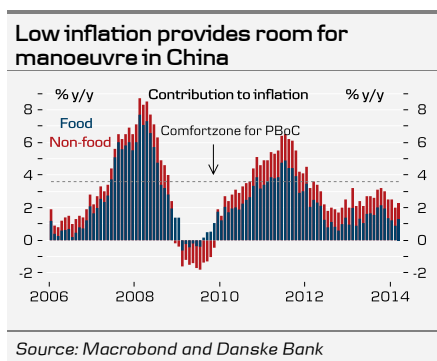
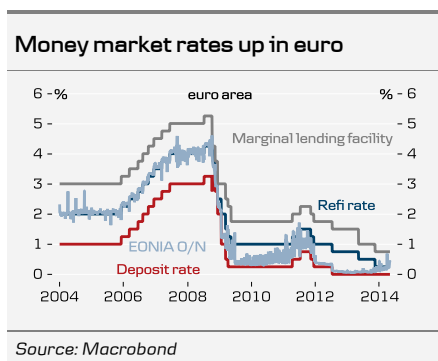
Global macro and market themes

- Gently falling unemployment and lower long rates in southern Europe will help lift the pressure on the ECB to act. However, it is a close call – we still see a 50% chance of a rate cut in June.
- Inflation is on the rise, but is still far below the ECB's target.
- The US economy was weak in Q1, but looks in much better shape in Q2.
- In contrast, Japan's economy appears to be slowing and we expect monetary policy to be eased further in June.
- Both the Swedish and Norwegian economies are showing signs of improvement, though not enough to change our expectation of a rate cut in Sweden.

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Financial views			
Major indices			
	02-May	3M	12M
10yr EUR swap	1.71	1.80	2.40
EUR/USD	139	140	130
ICE Brent oil	109	104	98
	02-May	6M	12-24M
S&P500	1884	-10/0%	0%-5%

Source: Danske Bank



Market movers

Global

- After a busy week we are heading towards a very quiet one, with only a few releases due. The ISM non-manufacturing composite figures rebounded to 53.1 in March following a large decline in February caused mainly by the bad weather. Comments in the March report reflected a neutral to slightly positive outlook, leaving room for further improvements as spring approaches and thus we expect an increase to 53.8 in April.

Moreover, there are several Fed speeches next week. The most important is Janet Yellen's (voter, dovish) testimony to the Congress's Joint Economic Committee on Wednesday, where she will provide us with further information on the economic outlook and recent monetary policy actions. She is likely to reiterate the message that while the economy is expected to recover following the weak Q1 there is plenty of slack in the labour market and inflation is far below the Fed's target. The Fed can thus remain patient before raising rates once the QE tapering is over later this year.

Lastly, we will get figures for unit labour cost and we estimate an increase of 2.5% q/q as data indicates a rise in compensation of employees.

- The major upcoming **euro area** event is the ECB meeting. We expect the ECB to refrain from further action at least until the release of updated forecasts in June. Last week, Mario Draghi repeated the two contingencies that would warrant a monetary policy response and included a third, implying the list is now: (1) an unwarranted tightening of the policy stance, (2) a worsening of the medium-term outlook for inflation and (3) further impairments in the transmission of the monetary stance, in particular via the bank lending channel. We do not think the first contingency will result in easing. The EONIA O/N fixing has been above the refi rate for around a week but we expect it to move below in the near term as excess liquidity got a boost this week. Another tightening of the monetary stance is the continued euro appreciation but to convert the upward trend we think Draghi will stick to his old strategy of verbal intervention. Regarding the second contingency, flash inflation was 0.7% in April, rising by 0.2pp from March. Despite the increase, it was below the ECB's projection, so we expect Draghi to sound very dovish but the ECB will wait for the next inflation print before it concludes on its medium-term outlook for inflation. Finally, bank lending to the private sector continued to decline in March. On the other hand, the Bank Lending Survey for Q1 showed a loosening of credit standards in the banking sector and expectations of rising loan demand. We think the ECB will continue to see through the decline in lending as long as it does not get worse, the recovery gains momentum and the ECB's comprehensive assessment is ongoing.

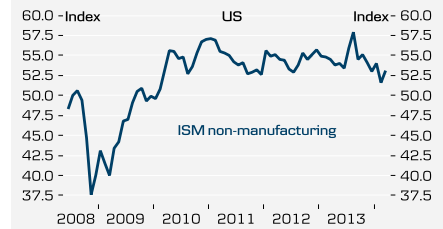
Given euro area flash service PMIs, we forecast a rise in the remaining euro area countries' service PMI. Italian service PMI is forecast to move up by 1.9 index points to 51.4 and Spanish service PMI to rise further to 55.5.

German factory orders and industrial production covering March are also due to be released. Industrial production rose in January and February and indicates higher German GDP growth in Q1. We expect the March print to confirm the signal as the new orders and new export orders components of German manufacturing PMI stay above 50.

Euro area retail sales are also due to be released. In February, retail sales increased by 0.4% m/m for the second month in a row. Currently, retail sales are growing in line with our expectation of higher growth in private consumption in 2014.

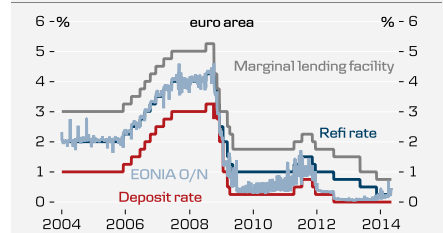
The euro group meets next week and the exchange rate and inflation developments are topics on the agenda. The European Commission releases its spring forecast.

ISM non-manufacturing set to recover further



Source: Macrobond Financial

ECB expected to keep main policy rates unchanged



Source: Macrobond Financial

German industrial and new orders trending upwards

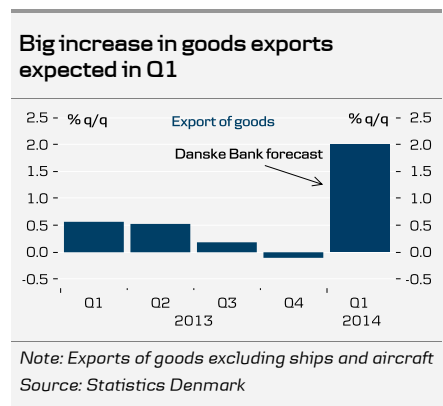
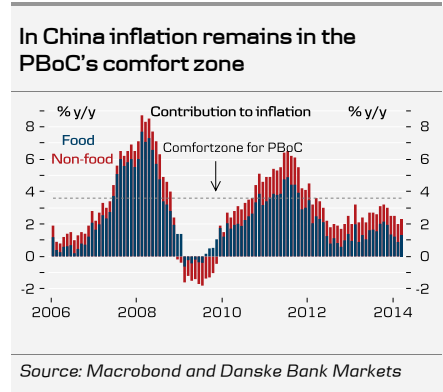


Source: Macrobond Financial

- There are a number of data releases in the **UK**, with the PMI survey, industrial production and the Bank of England meeting the most significant. One of the most important business surveys is the Service PMI, as the service sector has a weight of 77% of the total economy. We expect the April reading to stay around the current level suggesting a continuation of the above-trend growth at the start of Q2. Industrial production was very strong in February (+0.9% m/m) and the usual pattern would suggest a somewhat weaker reading for March. Furthermore, the Bank of England meeting should be a non-event with unchanged policy (both the bank rate and asset purchase facility) expected universally according to a recent Bloomberg survey. Finally, the Halifax House Price Index and the trade balance are released next week.
- In **China**, the main releases next week are consumer prices and foreign trade data for April. We estimate CPI inflation declined markedly in April to 2.0% y/y from 2.4% y/y driven primarily by lower food price inflation. However, non-food inflation also appears to have eased slightly in the wake of the recent slowdown in growth. The People's Bank of China's (PBoC) critical threshold for inflation is currently 3.5% y/y. Hence, the main message is that inflation is not currently a constraint on monetary policy in China. However, with the government's current focus on containing excessive credit growth and signs of stabilisation in growth, we are unlikely to see any easing moves on the back of subdued inflation. The main positive message is that there is ample room to ease monetary policy if growth disappoints in the coming months. Foreign trade data for April are also due to be released next week. Foreign trade data have recently been distorted significantly by over-invoicing of exports and this is currently weighing substantially on year-on-year growth rates in exports. However, this impact should gradually disappear in coming months, so we are likely to see a substantial recovery in year-on-year growth in exports in the coming months. Adjusted for the distortions, we estimate China's exports are currently growing around 6% y/y. In China, the Markit/HSBC service PMI and China's official non-manufacturing PMI will also be released next week but they still do not get a lot of attention in the market.
- In **Japan**, we have a quiet week ahead of us with no major data releases scheduled. On 7 May, the Bank of Japan (BoJ) is due to release minutes from its 7-8 April meeting, when it did not announce any easing measures. At its meeting on 30 April, the BoJ's statement appeared more confident that it would reach its inflation target at some stage in H2 15 but there appears to have been considerable disagreement on this subject within the BoJ board. Hence, the BoJ might not be as confident in its ability to reach its inflation target as it appears on the surface.

Scandi

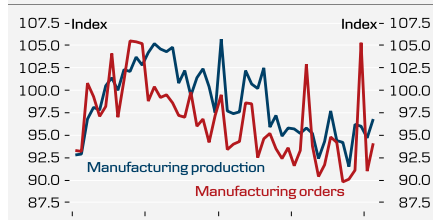
- In **Denmark**, the coming week brings March figures for exports of goods excluding ships and aircraft, completing the picture for Q1. With local export markets currently rebounding, we expect a seasonally adjusted increase of 2% q/q. This equates to a decrease m/m but this is due mainly to the big surge in February when goods exports climbed no less than 4.9%. However, the decrease does mean we expect a slight fall in the trade surplus excluding ships and aircraft from DKK8.7bn in February to DKK8.0bn in March. Also coming up are balance of payments data for March, which are likely to take the usual temporary seasonal dive due to it being the month when many Danish companies pay their dividends – dividends paid to foreign investors reduce net financial income and so have a negative impact on the current account. Therefore, we estimate a current account surplus of DKK3.0bn for March, down from DKK9.5bn in February.



Viewed over the past year, however, this seasonal effect is neutralised and the current account is likely to set another new record. We forecast a 12-month surplus of DKK139.7bn in March, up from DKK138.3bn in February. Also on the agenda are new figures for industrial production. We expect an increase of 2.0% m/m in March, up from 1.4% m/m in February, based on the high levels of manufacturing confidence so far this year. The general improvement in our export markets also has a major role to play, as a large part of industrial production is exported. Finally, the week offers April figures for repossessions and bankruptcies, as well as the Nationalbank's securities statistics and figures for foreign portfolio investments, which have been delayed by a week.

- In **Sweden**, the week ahead will see essential input to our Q1 GDP forecast, *exempli grati*, industrial and services production (Monday, at 09:30 CET). At the same time, however, we also receive industrial orders, which will give us pertinent information on the demand situation in the Swedish industry. We will be taking a longer look than normal at the export industries in particular. In addition, services PMI (Tuesday at 08:30 CET) and house prices (Thursday at 09:30 CET) will also be published.
- In **Norway**, we do not expect any new signals from Norges Bank at the week's rate-setting meeting. Since the last meeting and the March monetary policy report, the domestic economy, the global economy and the krone have all performed largely as expected, while inflation has been marginally higher than expected. At the same time, most banks have cut their lending rates for both household and business customers. In isolation, this would point to the central bank's policy rate being raised earlier than previously indicated. Should, against expectations, there be any new signals from Norges Bank, the risk is therefore on the upside. The day after the rate-setting meeting brings CPI data for April. We believe the surprisingly high year-on-year inflation in March was due partly to Easter coming later this year than last and that this effect will, to some extent, reverse in April. We estimate abnormally high inflation in April 2013 pulled the annual rate of core inflation in April this year down to 2.3%, which is more or less in line with Norges Bank's projections in its March monetary policy report. In contrast to what appears to be market consensus, leading industrial indicators have been on the up since the autumn and actual industrial production is on course for solid growth in Q1. Based on the rise in the PMI, we expect moderate growth of 0.2% m/m in March. With the housing market showing signs of stabilising, businesses more interested in investment and banks relaxing their lending standards, we believe credit growth is bottoming out. We think it a little too early to see an improvement in the March numbers but we do expect credit growth to stabilise at 5.9% y/y. Finally, unemployment figures for April are due. After rising towards the end of 2013, the number of jobless has stabilised or even fallen slightly so far in 2014. Despite slightly higher economic growth, it appears employment is growing slightly more slowly, so we expect unemployment to be unchanged at 2.9%.

An industrial rebound in the offing?



Source: Statistics Sweden

Inflation more or less on target



Source: Macrobond Financial

Market movers ahead

Global movers			Event		Period	Danske	Consensus	Previous
During the week								
Mon	05-May	9:30	SEK	Industrial production	m/mly/y			2.2% 1.7%
		10:00	NOK	Credit indicator (C2)	y/y	5.9%		5.8%
		16:00	USD	ISM non-manufacturing	Index	53.8	54.1	53.1
Tue	06-May	9:15	ESP	PMI Services	Index	54.5		54.0
		9:45	ITL	PMI Services	Index	52.4		49.5
		10:30	GBP	PMI Services	Index		57.8	57.6
Wed	07-May	8:00	DEM	Factory Orders	m/mly/y	0.4% ...	0.40% 4.40%	0.60% 6.10%
		16:00	USD	Fed's Yellen (voter, dovish) testifies to Joint Economic Committee				
Thurs	08-May	-	CNY	Trade balance	USD bn		18.87	7.7
		8:00	DEM	Industrial production	m/mly/y	0.2% ...	0.20% 4.20%	0.40% 4.80%
		10:00	NOK	Norges Banks monetary policy meeting	%	1.5%	1.5%	1.5%
		13:00	GBP	BoE rate announcement	%	0.50%	0.50%	0.50%
		13:45	EUR	ECB announces refi rate	%	0.25%	0.25%	0.25%
		13:45	EUR	ECB announces deposit rate	%	0.00%	0.00%	0.00%
		14:30	EUR	ECB's Draghi holds press conference				
Fri	09-May	3:30	CNY	CPI	y/y	2.00%	2.10%	2.40%
		9:00	DKK	Current account	DKK bn	3		9.5
		10:00	NOK	Core inflation (CPI-ATE)	m/mly/y		0.3% 2.3%	0.5% 2.6%
		10:00	NOK	Consumer prices	m/mly/y			0.2% 2.0%
Scandi movers			Event		Period	Danske	Consensus	Previous
During the week								
Mon	05-May	9:30	SEK	Industrial production	m/mly/y			2.2% 1.7%
		10:00	NOK	Credit indicator (C2)	y/y	5.9%		5.8%
Thurs	08-May	10:00	NOK	Norges Banks monetary policy meeting	%	1.5%	1.5%	1.5%
Fri	09-May	9:00	DKK	Current account	DKK bn	3		9.5
		10:00	NOK	Core inflation (CPI-ATE)	m/mly/y		0.3% 2.3%	0.5% 2.6%
		10:00	NOK	Consumer prices	m/mly/y			0.2% 2.0%

Source: Bloomberg and Danske Bank Markets

Global Macro and Market Themes

Financial markets have been trading water over the past couple of months with no clear direction in key markets. Stocks are broadly flat and US 10-year yields and EUR/USD are trading in a tight range.

Stock markets have been caught between a soft patch in growth, stretched valuation and geopolitical risks on the one hand and a medium-term positive economic outlook and still dovish Fed on the other. So far this year global stocks have not been able to outperform bond markets, where falling yields in especially Germany have led to decent returns. A 10-year German bond has delivered around 5% return so far this year.

The risk of the punch bowl being taken away any time soon is low, as inflation pressures are low and the Fed keeps telling us that there is significant slack in the labour market. A global re-acceleration in growth starting in Q2 will likely continue to underpin stock markets. In H2 we expect 3-3.5% growth in the US, around 2% growth in the euro area and 8% growth in China, leaving global growth running at slightly above 4%. The question is if investors are willing to look through a slightly stretched valuation and still slow earnings growth on the expectations that earnings will pick up soon. **In the short term we still believe markets will be hesitant but the scope for a pick-up in earnings growth and the fact that bonds and credit have gotten expensive as well should lead to outperformance of stocks over bonds in the medium to long term.**

Following the strong rally in German bonds in the first part of the year, we see limited room for a much further decline in yields. Inflation has likely bottomed and activity continues to strengthen. However, as long as further ECB easing with the possibility of QE is still on the table, we are likely to be stuck with low yields. The same is the case in the US where 10-year yields will likely remain in a tight range in the short term. **However, going into H2 we believe upward pressure on bond yields will come from 1) a gradual rise in inflation in both the euro area and the US and 2) US job growth picking up steam with job gains of 250k per month over the summer and autumn.**

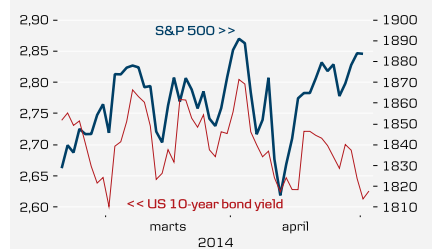
Euro inflation low in the short term but watch food prices

This week euro area inflation showed a rise to 0.7% in April from 0.5% in March driven by a rise in core inflation increasing to 1.0% from 0.7% in March, see [Higher euro inflation in April but below ECB's forecast](#), 30 April 2014. We believe euro inflation bottomed in March and although inflation is expected to remain broadly unchanged at low levels in the next couple of months, there are rising upward risks in the second half from the rise in global food prices. The CRB food stuff index (in EUR) has risen 22% since December with still no sign of changing course. The increase stems from a combination of extreme weather, geopolitics and supply disruptions, see [Global food prices surge](#), 11 March 2014.

Key points

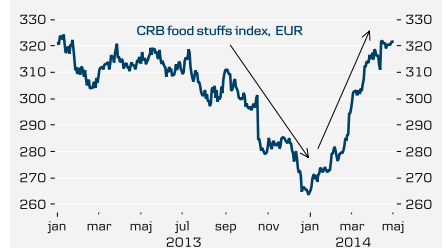
- Many markets trading water for now.
- We look for the global economy to grow 4+% in coming quarters.
- Bond yields to rise in H2 on bottom in inflation and stronger growth.
- Good time to hedge inflation in euro area at very low levels.

Little direction in stocks and bond yields lately



Source: Macrobond Financial

Global food prices – from drag to boost to inflation



Source: Macrobond Financial

The five-year break-even inflation has fallen strongly this year and is currently around 1.2% but it tends to follow actual inflation trends and **with inflation bottoming and upside risks from food prices rising, we believe the market now gives a favourable risk-reward in hedging inflation.**

EUR/USD trades in a tight range and this is likely to continue in the short term. On the one hand we believe it is hard to push the cross much higher given that the ECB has mentioned 1.40 as a pain threshold that could tip it into easing. On the other hand, it probably has to get into H2 before US job data are strong enough to get a re-pricing of Fed expectations, even though the money market is still pricing a too low path for the policy rate in our view. In the medium term we continue to look for a stronger USD as Fed hikes draw closer and lift money market rates relative to euro rates.

Potential ECB stimulus still on the table

The lower-than-expected inflation in March was not the only thing pressuring ECB. Credit and M3 data also continued to be very weak, see *Euro money supply showed further weakness*, 29 April 2014. It continues to be a very close call whether there will be more easing or not. When the ECB cut rates in November, it seemed very proactive and reacting to lower inflation. However, since then it has postponed further stimulus, awaiting more data. Even an inflation forecast for 2016 at 1.5% - clearly below its 2% target - has not been enough. However, last month the ECB left the impression that it would not take much to push it into easing and hence it is still a very close call. We do not expect easing at next week's meeting but it cannot be ruled out. However, we believe that June is a better candidate for stimulus as the ECB will then have new inflation projections at hand to guide policy. **As things stand we see a 50-50 chance of a rate cut in June.** QE is of course also a possibility but we believe the bar is higher for ECB to undertake QE and some sources have indicated that QE is not something that ECB would use in the very short term.

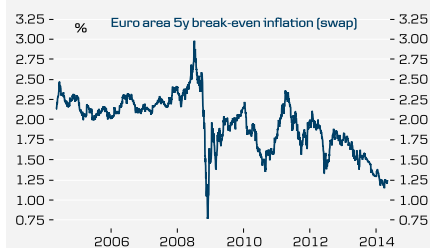
What is helping the ECB a bit is that economic activity data continue to improve. This week unemployment was revised lower to 11.8% and now seems to be on a slowly declining path as it peaked at 12.0% back in September last year. Financial conditions from bond yields also keep improving as peripheral yields keep declining. The Spanish 10-year yield this week fell below 3% for the first time since 2005 when it very briefly hit 2.98%. Finally the ECB's lending survey shows that banks expect to ease credit standards in Q2.

US growth hit a low point in Q1, only way is up

US GDP growth disappointed sharply in Q1 as investments, exports and government consumption were all weak. Private consumption rose 3.0% but it was driven by robust service consumption due to higher healthcare costs related to Obamacare. Goods consumption was very weak in Q1. However, monthly data this week showed a very strong pick-up in goods consumption during the quarter and especially March spending was very healthy. ISM manufacturing for April beat expectations and confirmed that the economy is picking up speed, see *ISM manufacturing rises more than expected on gain in employment*, 1 May 2014. It suggests that we could easily see 4% growth in Q2. We thus still expect 2% growth on average for the first half.

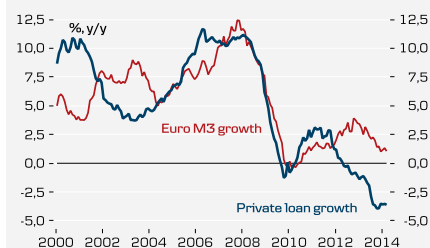
The Fed's preferred measure of inflation, the core PCE deflator, rose to 1.2% in March from 1.1%. While still far from the 2% target the three-month momentum has picked up and suggests core inflation could continue to rise gradually in coming quarters.

Euro break-even inflation offers good opportunity to hedge inflation



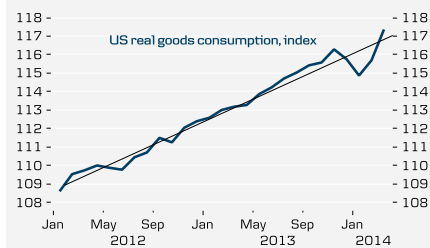
Source: Macrobond Financial

Euro money and credit growth still lacklustre



Source: Macrobond Financial

Strong US consumer rebound in February and March



Source: Macrobond Financial

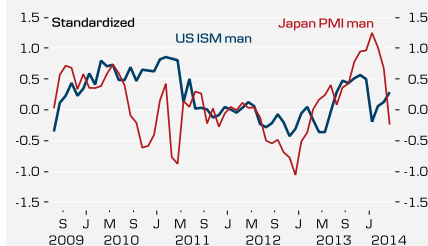
Japan slows down but Bank of Japan stays cool

Japanese activity data pointed to a sharper-than-expected slowing in Q2 as PMI manufacturing fell sharply to 49.4 in April from 53.9 in March. Industrial production plans for April also pointed to a big drop. At the same time, though, it is clear that the upturn over the past year has led to a clear tightening of the labour market. The unemployment rate in March was 3.6% which apart from one month in 2007 is the lowest level since 1998. The job-to-applicant ratio is close to the lowest level since the early 1990s, also pointing to a very tight labour market.

The message from the Bank of Japan meeting this week was one of confidence that it will be able to reach its 2% inflation target by the second half of 2015. Inflation has flattened out, though, recently at 1.3% and we believe it will decline slightly in coming months as the effect from the yen weakening falls out. It should also be noted that three out of eight members of Bank of Japan dissented from the statement having a more dovish view. We still look for Bank of Japan to ease more in July on the back of negative growth in Q2 and a decline in inflation.

In China the official PMI from NBS confirmed the picture of a moderate recovery in Q2 following the slowdown in recent quarters. Comments in the US ISM report confirmed that US companies saw rising demand from China.

US ISM recovers while Japanese PMI takes a dive



Source: Macrobond Financial

Global market views – 3-6 month horizon

Asset class	Main factors
Equities Neutral on 3m view, moderately positive on 12m view	Valuation expensive in key markets A recovery in global GDP and earnings in 2014 is generally discounted Medium term outlook positive on stronger growth, accommodative monetary policy
Bond market Core yields upward pressure medium term Neutral US vs Germany in 10yr bonds Peripheral spreads to continue gradual tightening Credit spread to tighten gradually still - but to stabilise soon	Re-acceleration in US growth, US employment picks up, bottoming in inflation in US and euro ECB easing bias intact, Fed tapering continuing Possible ECB QE, search for yield, improving fundamentals, good carry vs other credit Possible ECB QE, search for yield, improving fundamentals, good carry vs other credit
FX EUR/USD - peak likely behind us, range bound short term USD/JPY - higher long term EUR/SEK - short term upside risk EUR/NOK - cross to edge lower	Easing bias from ECB, Fed to become more hawkish as growth strengthens and inflation bottoms Japanese growth slowing and inflation peaking, BoJ to ease further over the summer Low inflation; Riksbank to cut in July Norwegian inflation is higher, growth outlook has improved and investor flows are less negative.
Commodities Oil prices - lower price in 2014, short term upside risk Metal prices sideways in 2014 Gold prices to correct lower still Agricultural risks remain on the upside	Supply shock to weigh in 2014, short term upside risks due to crisis in Ukraine Chinese growth to remain moderate around 7½% this year. Lower energy costs to weigh on aluminium. Part of the bubble eliminated but more declines in store as Fed tapers. Near term stabilization, extreme weather and Ukraine crisis are key upside risks.

Source: Danske Bank Markets

Scandi Update

Denmark – housing market continuing to improve, but not uniformly

Statistics Denmark published new figures for the housing market during the week, showing that apartment prices climbed 1.1% from January to February, while house prices edged down by 0.2% on average. The national data shed no direct light on regional variations, but the relative performance of house and apartment prices alone tells us that the improvement is unevenly distributed. Apartment prices have climbed 7.7% over the past year and house prices just 3.4%. Apartments are mainly located in the cities, where demand is being fuelled by extremely low interest rates and demographic factors. Although the picture is therefore far from uniform, the figures do at least show that the housing market is recovering. The improvement is not enough to trigger a consumer boom, but it is great news that there are no longer the same headwinds from the housing market as there were a couple of years ago.

The week also brought new figures from the labour market. The number of people registered as (gross) unemployed fell by 4,000 in March to 135,800, giving a jobless rate of 5.1%, the lowest for nearly five years. This needs to be interpreted with care, however, as the fall was due partly to technical factors following labour market reforms. Happily, though, the survey-based unemployment measure in the LFS, which is unaffected by these technical factors, has also been falling – by 16,000 so far this year. The labour market is still not back to its pre-crisis levels, but the latest data suggests that we are now catching up.

Finally, the April manufacturing survey revealed a drop in the confidence indicator to 9 from 12 in March. While confidence is still high, this goes to show how fragile the economic recovery still is.

Sweden – Steady as she goes

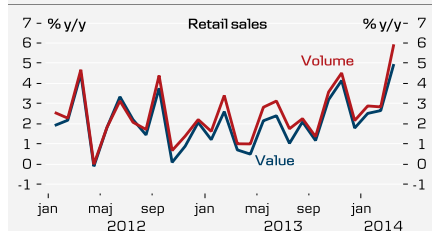
In Sweden, the past week saw a bout of decent economic reports, in line with our call for a gradually recovering Swedish economy. Retail sales surprised positively, mainly driven by low prices, the trade balance was a tad weaker than expected, but exports continue to improve and – finally – sentiment (in the form of NIER surveys and PMI) took a step up, but with weaker forward looking components. In all, the cyclical rebound is continuing, but slowly and under the duress of waning inflationary pressures. We continue to expect an additional Riksbank repo rate cut (or more) in the coming months.

Gross unemployment down in March, but partly for technical reasons



Source: Statistics Denmark

Lower consumer prices, higher retail sales



Source: Statistics Sweden.

Norway – risk of downturn eases

Norway’s economy slowed throughout 2013, prompting fears of a more serious downturn. However, 2014 has brought ever clearer signs that the Norwegian economy is picking up, so the risk of a serious slide has eased. While the pronounced rise in retail sales in March (+1.0% relative to the previous month) is probably attributable to the impact of Easter, there is no doubt that consumption is growing. Hence, fears that falling house prices would negatively affect consumption appear to be unfounded and furthermore, the housing market has now stabilised. The second risk factor was reduced activity in the oil-related business due to lower investment growth. However, there are no signs of this having harmed industrial activity overall. On the contrary, both the leading indicators and actual production have improved this year – in part due to the traditional export industry benefiting from higher global growth rates and a weaker Norwegian krone (NOK). Meanwhile, the oil-related industry is now reporting a more positive outlook, probably due to fears on cost levels having proved exaggerated.

Brighter prospects for Norwegian industry



Source: Macrobond

Latest research from Danske Bank Markets

1/5 Flash Comment - ISM manufacturing rises more than expected on gain in employment

US ISM manufacturing beat expectations, rising to 54.9 in April from 53.7 in March. The increase was driven by stronger employment (rising from 51.1 to 54.7), while new orders were flat at 55.1.

1/5 Flash Comment - China: PMIs suggest growth has bottomed out, but only modest improvement ahead

China's official manufacturing PMI published by China's National Bureau of Statistics (NBS) in April increased slightly to 50.4 (Consensus: 50.5) from 50.3 in March, broadly in line with expectations.

30/4 Flash Comment: No surprises in FOMC statement - nods to improvement in data as expected

The FOMC statement had very few changes as expected compared to the March statement.

30/4 Flash Comment: ECB's Bank Lending Survey confirms stabilisation in bank's credit conditions

The ECB's Bank Lending Survey for Q1 14 confirmed the stabilisation in banks' credit conditions.

30/4 Flash Comment - Higher euro inflation in April but below the ECB's forecast

The flash estimate for euro inflation showed an increase to 0.7% y/y in April, from 0.5% y/y in March. This was in line with our estimate, which we revised down following the weaker-than-expected German HICP released yesterday.

29/4 Flash Comment - German inflation lower than expected, we revise euro inflation forecast down

German inflation increased less than expected in April – it was 1.3% y/y up from 1.0% y/y in March (consensus 1.4% y/y).

29/4 Flash Comment - Euro money supply showed further weakness in March

The euro money supply showed further weakness in March and the annual growth rate in broad money M3 declined to 1.1% from 1.3% in February.

29/4 Commodities Forecast Update: Battling extreme weather and geopolitics

Commodity markets have enjoyed a bittersweet cocktail of extreme weather, geopolitical concerns and positive signs from the global economy over the past month, which has resulted in an overall decent performance of commodity prices

29/4 Commodities Update - Oil flows from Zuetina again

News out of Libya that oil exports from the Zuetina oil port will resume has sent the oil price down to USD108.5/bbl - the lowest level since mid-April.

28/4 Flash Comment: Euro inflation outlook and implications for the ECB

Euro inflation fell to 0.5% in March, which is the lowest rate of inflation in more than four years.

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	2013	0.4	0.0	0.8	0.7	0.2	1.2	1.7	0.8	5.8	-0.8	44.5	7.3
	2014	1.5	1.1	1.7	2.2	0.0	2.8	2.3	1.0	5.5	-1.0	43.3	6.8
	2015	2.0	1.5	0.5	2.8	0.0	3.4	2.6	1.5	5.3	-2.3	44.1	6.1
Sweden	2013	1.5	2.0	2.0	-1.3	0.2	-0.9	-1.2	0.0	8.0	-1.2	41.0	6.6
	2014	2.8	2.5	1.6	5.0	0.2	3.3	3.7	0.2	7.8	-1.5	41.5	6.4
	2015	2.8	2.5	0.7	6.3	-0.1	5.1	5.1	1.5	7.5	-1.2	41.9	6.6
Norway	2013	2.0	2.1	1.6	8.7	0.0	-3.9	2.5	2.1	3.5	-	-	-
	2014	2.4	2.5	2.0	0.7	0.0	1.7	2.7	2.4	3.5	-	-	-
	2015	2.7	2.9	2.2	4.6	-0.1	2.0	3.5	2.0	3.5	-	-	-

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	2013	-0.4	-0.7	0.1	-2.9	-0.1	1.4	0.0	1.4	12.0	-3.1	95.5	2.7
	2014	1.3	0.9	0.0	3.1	0.2	3.9	3.6	0.7	11.8	-2.5	95.9	2.9
	2015	1.7	1.2	-0.1	4.1	0.0	4.4	4.4	1.1	11.6	-2.4	95.4	3.0
Germany	2013	0.5	1.0	0.7	-0.5	0.2	1.0	1.0	1.6	5.3	0.0	79.6	7.0
	2014	2.5	1.4	0.9	6.3	-0.1	5.9	4.4	1.1	5.3	0.1	77.1	6.6
	2015	3.0	1.8	0.4	7.8	0.0	4.9	4.8	1.5	5.1	0.2	74.1	6.4
France	2013	0.3	0.4	1.7	-2.1	0.0	0.6	0.8	1.0	10.8	-4.1	93.5	-1.8
	2014	1.0	1.1	0.7	1.7	0.0	3.7	3.9	0.8	11.2	-3.8	95.3	-1.5
	2015	1.4	1.3	0.0	3.9	0.0	4.5	4.5	1.0	11.3	-3.7	96.0	-1.5
Italy	2013	-1.9	-2.4	-0.1	-5.1	-0.6	0.1	-2.5	1.3	12.2	-3.0	133.0	1.0
	2014	0.5	0.3	0.0	1.2	0.3	3.6	3.5	0.6	12.4	-2.7	134.0	1.2
	2015	1.3	1.3	-0.2	2.1	0.0	4.1	4.1	1.2	12.1	-2.5	133.1	1.1
Spain	2013	-1.2	-2.1	-2.3	-5.1	0.0	4.9	0.4	1.5	26.4	-7.1	93.9	1.4
	2014	0.9	1.5	-2.8	1.0	0.0	5.2	4.4	0.2	26.4	-5.9	99.9	2.6
	2015	1.5	1.2	-0.2	2.2	0.0	4.8	4.1	0.8	25.3	-6.6	104.3	3.1
Finland	2013	-1.4	-0.8	0.8	-4.6	-	0.3	-1.8	1.5	8.2	-2.0	56.9	-0.8
	2014	0.5	0.2	0.3	-1.0	-	2.0	1.0	1.3	8.4	-1.7	58.5	-0.5
	2015	1.8	0.9	0.3	2.5	-	4.0	3.0	1.4	8.3	-1.4	60.5	-0.2

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	2013	1.9	2.0	-0.6	4.4	0.0	2.8	1.4	1.1	7.4	-4.0	73.0	-2.7
	2014	3.0	2.7	-0.4	6.2	0.0	9.0	4.5	1.2	6.7	-3.4	74.0	-2.8
	2015	3.4	3.0	0.7	7.5	0.0	8.0	6.5	1.7	6.3	-2.5	72.0	-2.9
Japan	2013	1.7	2.0	1.6	2.0	-0.2	1.8	2.7	0.2	4.0	-9.5	243.0	0.8
	2014	2.0	1.0	1.0	3.0	0.1	7.0	4.2	2.8	3.8	-6.8	242.0	1.5
	2015	1.6	0.2	0.9	1.8	0.3	7.3	2.6	2.2	3.6	-5.7	242.0	1.8
China	2013	7.7	-	-	-	-	-	-	2.7	4.3	-1.5	22.8	1.9
	2014	7.4	-	-	-	-	-	-	2.8	4.3	-1.8	20.9	2.5
	2015	7.4	-	-	-	-	-	-	3.0	4.2	-1.8	19.3	2.7
UK	2013	1.7	2.2	0.7	-0.6	0.1	1.0	0.5	2.6	7.6	-4.7	88.9	-2.8
	2014	2.8	2.0	0.9	8.1	0.0	2.7	2.0	1.9	6.8	-3.7	94.9	-2.3
	2015	2.3	1.9	-0.3	8.2	0.0	4.7	4.4	1.8	6.5	-2.7	96.6	-1.9

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	02-May	0.25	0.22	0.54	2.75	138.6	-	538.5
	+3m	0.25	0.25	0.55	2.80	140	-	534
	+6m	0.25	0.25	0.80	3.05	136	-	549
	+12m	0.25	0.45	1.40	3.35	130	-	574
EUR	02-May	0.25	0.34	0.45	1.71	-	138.6	746.4
	+3m	0.15	0.30	0.50	1.80	-	140	747.0
	+6m	0.15	0.30	0.55	2.00	-	136	746.0
	+12m	0.15	0.30	0.60	2.40	-	130	746.0
JPY	02-May	0.10	0.14	0.20	0.78	142.0	102.4	5.26
	+3m	0.10	0.15	0.20	0.85	149	106	5.01
	+6m	0.10	0.20	0.25	0.90	150	110	4.97
	+12m	0.10	0.20	0.25	0.95	148	114	5.04
GBP	02-May	0.50	0.52	1.10	2.73	82.1	168.8	909.2
	+3m	0.50	0.54	1.10	2.85	81.0	173	922
	+6m	0.50	0.55	1.30	3.00	80.0	170	933
	+12m	0.75	0.89	1.85	3.40	77.0	169	969
CHF	02-May	0.00	0.02	0.08	1.17	121.9	88.0	612.3
	+3m	0.00	0.00	0.05	1.25	124	89	602
	+6m	0.00	0.00	0.10	1.25	125	92	597
	+12m	0.00	0.00	0.15	1.35	126	97	592
DKK	02-May	0.20	0.35	0.63	1.98	746.4	538.5	-
	+3m	0.20	0.35	0.70	2.05	747	534	-
	+6m	0.20	0.35	0.75	2.25	746	549	-
	+12m	0.20	0.45	0.80	2.65	746	574	-
SEK	02-May	0.75	0.91	0.93	2.29	902.2	650.8	82.7
	+3m	0.50	0.70	0.95	2.35	910	650	82.1
	+6m	0.50	0.70	1.00	2.50	895	658	83.4
	+12m	0.50	0.70	1.00	2.85	875	673	85.3
NOK	02-May	1.50	1.79	1.98	3.09	824.9	595.1	90.5
	+3m	1.50	1.75	2.00	3.20	815	582	91.7
	+6m	1.50	1.75	2.05	3.35	810	596	92.1
	+12m	1.50	1.85	2.15	3.60	795	612	93.8

Equity Markets

Regional		Risk profile 3 mth.	Price trend 3 mth.	Price trend 12 mth.	Regional recommendations
USA	Corporate earnings surprise	Medium	-10/0%	0%-5%	Mild overweight
Emerging markets (USD)	Uncertainty has hit Asia	Medium	-10/0%	0%-5%	Underweight
Europe (ex. Nordics) [EUR]	Recovering economy, attractive valuation	Medium	-10/0%	5%-10%	Mild overweight
Nordics	Strong cyclical profile	Medium	-10/0%	0%-5%	Mild overweight

Commodities

	02-May	2014				2015				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2014	2015
NYMEX WTI	100	99	102	99	96	95	94	93	93	99	94
ICE Brent	109	108	108	104	100	99	98	97	97	105	98
Copper	6,674	6,996	7,000	7,075	7,150	7,225	7,300	7,400	7,500	7,055	7,356
Zinc	2,017	2,024	2,100	2,120	2,140	2,150	2,160	2,170	2,180	2,096	2,165
Nickel	18,153	14,723	19,500	20,000	20,400	20,600	20,800	21,000	21,200	18,656	20,900
Aluminium	1,782	1,754	1,900	1,920	1,940	1,950	1,960	1,970	1,980	1,879	1,965
Gold	1,284	1,292	1,280	1,265	1,240	1,230	1,220	1,210	1,200	1,269	1,215
Matif Mill Wheat (€/t)	215	201	231	239	250	259	266	272	274	230	268
Rapeseed (€/t)	361	383	428	446	462	479	492	503	506	430	495
CBOT Wheat (USd/bushel)	704	618	715	720	735	745	755	760	765	697	756
CBOT Corn (USd/bushel)	502	453	525	530	545	555	565	570	575	513	566
CBOT Soybeans (USd/bushel)	1,474	1,358	1,530	1,550	1,570	1,590	1,610	1,620	1,630	1,502	1,613

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 19

During the week				Period	Danske Bank	Consensus	Previous
Mon 03 - 09	JPY	Bank lending	y/y	Mar			2,20%
Sat 04 - 04	JPY	Official reserves assets	USD bn	Mar			1288.2
Thu 01 - 09	JPY	Official reserves assets	USD bn	Apr			1279.3
Sat 03	CNY	Non-manf. PMI	Index	Apr			54.5
Mon 05 - 05	GBP	Halifax house prices	3Ms/YoY	Apr		8.9%	8.7%
Mon 05 - 09	GLO	Negotiations over Iran's nuclear programme in New York					

Monday, May 5, 2014				Period	Danske Bank	Consensus	Previous
3:45	CNY	HSBC manf. PMI, final	Index	Apr		48.4	48.3
9:00	DKK	CB's securities statistics		Mar			
9:00	DKK	Foreign portfolio investments		Mar			
9:30	SEK	Service production	m/mly/y	Mar			0.7% 1.9%
9:30	SEK	Industrial production	m/mly/y	Mar			2.2% 1.7%
9:30	SEK	Industrial orders	m/mly/y	Mar			3.1% -1.2%
10:00	NOK	Credit indicator (C2)	y/y	Mar	5.9%		5.8%
10:30	EUR	Sentix Investor Confidence	Index	May	14.4		14.1
11:00	EUR	PPI	m/mly/y	Mar		-0.30% -1.80%	-1.70% -0.20%
11:00	EUR	European commission economic forecast					
14:00	EUR	Eurogroup meeting in Brussels					
16:00	USD	ISM non-manufacturing	Index	Apr	53.8	54.1	53.1
18:00	EUR	ECB's Mersch speaks in Luxembourg					

Tuesday, May 6, 2014				Period	Danske Bank	Consensus	Previous
-	USD	Fed's Stein (voter, hawkish) speaks					
3:30	AUD	Trade balance	AUD m	Mar		1000M	1200M
6:30	AUD	Reserve Bank of Australia (cash rate target decision)	%	May		2.5%	2.5%
8:30	SEK	PMI services	Index	Apr			
9:00	EUR	ECOFIN meeting in Brussels					
9:00	DKK	Bankruptcies (s.a.)	Number	Apr			331
9:00	DKK	Enforced sales (s.a.)	Number	Apr			254
9:15	ESP	PMI Services	Index	Apr	54.5		54.0
9:45	ITL	PMI Services	Index	May	52.4		49.5
9:45	ITL	PMI Services	Index	Apr	49.5		49.5
9:50	FRF	PMI Services, final	Index	Apr	50.3		50.3
9:55	DEM	PMI service, final	Index	Apr	55.0	55.0	55.0
10:00	EUR	PMI composite, final	Index	Apr	54.0	54.0	54.0
10:00	EUR	PMI services, final	Index	Apr	53.1	53.1	53.1
10:00	NOK	Unemployment	%	Apr	2.9%		2.9%
10:30	GBP	PMI Services	Index	Apr		57.8	57.6
11:00	GLO	OECD global economic outlook					
11:00	EUR	Retail sales	m/mly/y	Mar	-0.4% ...	-0.30% ...	0.40% 0.80%
11:15	EUR	ECB announces allotment in 7-day (MRO)					
14:30	USD	Trade balance	USD bn	Mar		-40.4	-42.3

Source: Danske Bank Markets

Calendar - continued

Wednesday, May 7, 2014

				Period	Danske Bank	Consensus	Previous
1:15	JPY	Markit service PMI	Index	Apr			52.2
1:50	JPY	BoJ board minutes (April 7-8 meeting)					
3:30	AUD	Retail sales	m/m	Mar		0.4%	0.2%
3:45	CNY	HSBC service PMI	Index	Apr			51.9
7:45	CHF	Unemployment	%	Apr			3.3%
8:00	DEM	Factory Orders	m/m y/y	Mar	0.4% ...	0.40% 4.40%	0.60% 6.10%
8:45	FRF	Industrial production	m/m y/y	Mar	0.1% ...		0.10% -0.80%
9:00	DKK	Industrial production	m/m	Mar	2.0%		1.4%
13:00	USD	MBA Mortgage Applications	%				
14:30	USD	Unit Labour cost, preliminary	q/q	1st quarter	2.50%	2.00%	-0.10%
16:00	USD	Fed's Yellen (voter, dovish) testifies to Joint Economic Committee					
21:00	USD	Consumer credit	USD bn	Mar		15.0	16.5

Thursday, May 8, 2014

				Period	Danske Bank	Consensus	Previous
-	CHF	SNB's Danthine speaks in Lausanne		May			
-	CNY	Trade balance	USD bn	Apr		18.87	7.7
-	CNY	Import	y/y	Apr	-3.00%	-2.30%	-11.30%
-	CNY	Export	y/y	Apr		-3.50%	-6.60%
1:01	GBP	RICS House Price Balance	Index	Apr		55	57
3:30	AUD	Employment change	1000	Apr		9.5	18.1
8:00	DEM	Industrial production	m/m y/y	Mar	0.2% ...	0.20% 4.20%	0.40% 4.80%
9:15	CHF	CPI	m/m y/y	Apr			0.4% 0.0%
9:30	SEK	Budget balance	SEK bn	Apr			-2.9
10:00	NOK	Industrial production	y/y	Mar			0.7% 5.2%
10:00	NOK	Manufacturing Production	m/m y/y	Mar		0.2% ...	0.2% 2.1%
10:00	NOK	Norges Banks monetary policy meeting	%	May	1.5%	1.5%	1.5%
13:00	GBP	BoE rate announcement	%	Apr	0.50%	0.50%	0.50%
13:00	GBP	BoE announces asset purchase target	GBP bn	May	375	375	375
13:25	USD	Evans (voter, dovish) speaks					
13:30	USD	Fed's Tarullo (voter, neutral) speaks					
13:45	EUR	ECB announces refi rate	%		0.25%	0.25%	0.25%
13:45	EUR	ECB announces deposit rate	%		0.00%	0.00%	0.00%
14:30	EUR	ECB's Draghi holds press conference					
14:30	USD	Initial jobless claims	1000				344

Friday, May 9, 2014

				Period	Danske Bank	Consensus	Previous
1:50	JPY	Official reserves assets	USD bn	Apr			1279.3
3:30	CNY	PPI	y/y	Apr		-1.80%	-2.30%
3:30	CNY	CPI	y/y	Apr	2.00%	2.10%	2.40%
7:00	JPY	Leading economic index, preliminary	Index	Mar			108.9
8:00	DEM	Current account	EUR bn	Mar		15	13.9
8:00	DEM	Trade balance	EUR bn	Mar		17.5	16.3
9:00	DKK	Current account	DKK bn	Mar	3		9.5
9:00	DKK	Export of goods (s.a.)	q/q m/m	Mar	2.0% -1.9%		1.49%
9:00	DKK	Trade Balance	DKK bn	Mar	8		8.7
10:00	NOK	Core inflation (CPI-ATE)	m/m y/y	Apr		0.3% 2.3%	0.5% 2.6%
10:00	SEK	Nat. labour market board, Unemployment	%	Apr			4.3%
10:00	ITL	Industrial production	m/m y/y	Mar	0.2% ...		-0.50% 0.40%
10:00	NOK	Consumer prices	m/m y/y	Apr			0.2% 2.0%
10:00	NOK	Producer prices	m/m y/y	Apr			-2.9% 0.1%
10:30	GBP	Industrial Production	m/m y/y	Mar		-0.1% 2.4%	0.9% 2.7%
10:30	GBP	Manufacturing production	m/m y/y	Mar		0.3% 2.9%	1.0% 3.8%
10:30	GBP	Trade balance	GBP bln.	Mar		-2000	-2058
12:00	EUR	ECB announces 3-year LTRO repayment					
14:30	CAD	Net change in full time employment	1000	Apr		21.3	12.8

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Source: Danske Bank Markets