Weekly Update
20.10.2014

Norges Bank to stay put

- **Norway:** Expect rather neutral message at this in-between meeting
- **Sweden:** We expect repo rate cut in December after another negative inflation surprise
- **Fixed income:** High turmoil last week, with some relief on Friday

Headquarters	+47 915 04800
Dronning Eufemias gate 30	
0191 Oslo	
Offices Abroad	
New York	+ 1 212 681 2550
London	+44 207 283 0050
Singapore	+65 6220 6144
Stockholm	+46 84 73 48 50
Sales Oslo (+47)	
Equity	22 94 89 40
Fixed Income	24 16 90 30
Regional Sales (+47)	
Bergen	56 13 27 20
Bodø	75 52 99 10
Fredrikstad	69 39 41 50
Hamar	62 54 14 82
Lillehammer	61 24 79 56
Kristiansand	38 14 61 64
Oslo	24 16 90 80
Stavanger	51 84 04 30
Tromsø	77 62 96 80
Trondheim	73 87 49 73
Tønsberg	33 01 73 80
Ålesund	70 11 69 85
Private Clients	24 16 90 90
Research Regional Sales (+47)	
Eirik Larsen	24 16 90 77
Research FX/IR (+47)	
Øystein Dørum	24 16 90 08
Kjersti Haugland	24 16 90 03
Ole André Kjennerud	24 16 90 07
Knut A. Magnussen	24 16 90 04
Camilla Viland	24 16 90 01
Magne Østnor	24 16 90 06
Kyrre Aamdal	24 16 90 02
Risk advisory (+47)	
Børge Rogstad	24 16 90 65
Trygve Jean-Hansen	24 16 90 72
Bjørn Erik Johansen	24 16 90 64
Ståle Johansen	24 16 90 71
Arvid Larsen	24 16 90 62
Kenneth Lauritzen	24 16 90 66
Karl Magnus Maribu	24 16 91 57
Øystein Stephansen	24 16 90 69
Anders Øksendal	24 16 90 63

Norway

Norges Bank's (NB) decision on the key policy rate will be announced on Thursday 23 October. At the previous meeting on 18 September the rate was again left unchanged at 1.50 percent. To the surprise of analysts and markets the near-term interest rate path was lifted marginally, thus removing the downside risk contained in the June path. In the longer term, the path was lowered slightly. The first 25 percent hike is fully priced into the path between the October and December meeting in 2016.

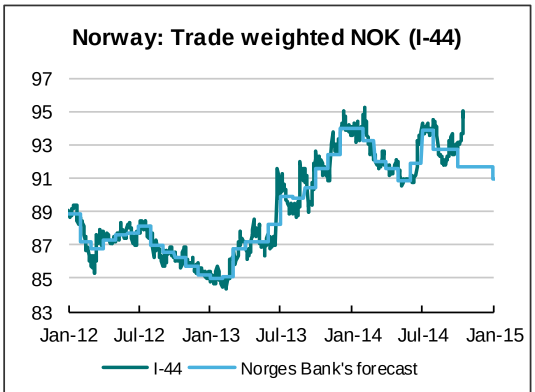
Norges Bank has probably not changed its basic view of the current situation in the Norwegian economy since September. Admittedly**,** August retail sales were below Norges Bank's expectations, showing a downward trend for the past three months. Moreover, core inflation was 0.2pp lower than NB had expected in September. On the other hand, industrial output is rising briskly. Labour market statistics have developed in line with NB's expectations, with solid employment growth and a stable unemployment rate, despite numerous media reports about cut-backs in oil-related industries. Finally, existing home price growth was solid in September, at 0.7 percent m/m.

The most pronounced change since the September meeting is the market turbulence, with plunges in the stock market and interest rates. The turbulence seems triggered by global growth worries. NB has probably not changed its view on the outlook for international growth in the month that has passed. However, lower interest rates among Norway's major trading partners (-8bps for 2015, -20 bps for 2016, -30 bps for 2017) do - in isolation - call for a more expansionary policy. Norwegian rates have actually fallen slightly more than this, so the interest rate differential has narrowed somewhat. At the moment the market seems to price in 15bps cut in December/March, and 5bps more in June. A full hike (to 1.75 percent) is not fully priced in before September 2017.

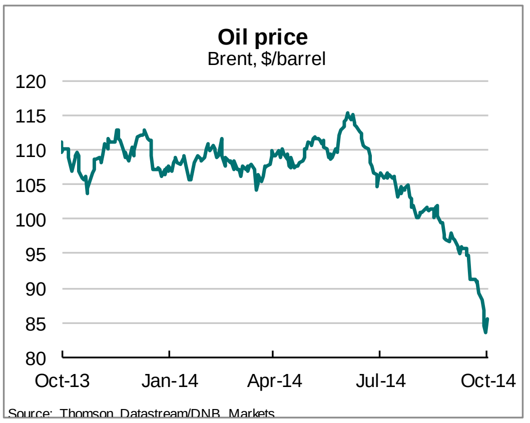
The oil price has fallen by 15 percent to around 85 dollars per barrel since the previous monetary policy meeting. Even though oil is a significant part of Norwegian GDP, exports and investments, short -term movements in the oil price should not affect the Norwegian economy. Oil revenues are transferred to the Oil Fund, which only invests in assets abroad. Only a percentage share, amounting to the expected real return of the fund, is spent over Government budgets. However, if the oil price remains low over a long period, and if the fall makes oil companies reassess their long-term estimate for the oil prices, it will have negative consequences for oil investments in two-three years. Oil investments currently amount to 10 percent of the mainland economy, and have additional ripple-effects into the mainland economy.

However, only one month has passed since the previous meeting. This is an in-between meeting without a Monetary Policy Report and new forecasts for the economy, inflation and for the interest rate. Although we suspect that the central bank is considering whether to adjust its medium-term forecasts for the oil price and the Norwegian economy, it will be too early for them to conclude on this now.

The NOK has been weaker than NB expected in September, due to lower interest rate spread and a falling oil price. Last week the import-weighted NOK (I-44) was close to its highest (i.e. weakest) levels in five years. The present level, 94.5, is 3 percent higher than the Q4 estimate in the Monetary Policy Report 3/14. A weaker NOK supports the profitability of exporters and lifts inflation prospects. Thus, it is – in isolation - an argument for a tighter monetary policy.



Source: Thomson Datastream/Norges Bank/DNB Markets



Source: Thomson Datastream/DNB Markets

Lower risk premiums and lending margins: There are more argument against easing monetary policy further. The 3-month NIBOR has been lower than NB expected in the September report, due to lower money market premiums. Moreover, bank lending rates to households and enterprises has fallen in Q3, contrary to what NB had expected. The bank lending survey shows that bank expect margins to fall further in Q4. Credit standards have been, and are expected to remain, broadly unchanged. Household credit demand has abated, contrary to banks' expectations in Q2.

Conclusion: 15 out of 15 analysts asked by Reuters, including us, expect the policy rate to remain unchanged at 1.50 percent on Thursday. We expect lower growth, and thus higher unemployment, than Norges Bank next year. Still, we expect that a policy rate cut will be avoided, due to a weaker NOK and lower bank lending margins. We expect the key policy rate to be hiked in September 2016. The downside risks have increased lately, due to the plunging oil price. However, how Norges Bank judges the persistence of this fall will be a key to policy rate setting going forward.

Sweden

Negative inflation surprise – again: Core inflation (CPIF) edged down by 0.2pp to 0.3 percent y/y in September. The outcome was well below the Riksbank's (RB) expectation (0.7). Headline inflation fell by -0.4 percent y/y, also 0.4pp below RB's estimate.

The inflation weakness seems to be broadly based, not a 'blip'. Prices rose less than normal/fell more than normal for all components except communication in the month of September. For instance, prices for food and beverages fell by 0.6 percent m/m (normal for September: -0.1 percent), and prices for clothes and footwear rose 6.9 percent m/m (normal for September: 11.4 percent).

Coming up this week: The labour force study is released on Thursday. Unemployment has fluctuated around 8 percent since 2012, and in September we expect an outcome at 7.9 percent (seasonally adjusted)/7.4 percent (non-adjusted). This is in line with the sme.direkt consensus.

Assessment: The MPC majority has turned dovish in recent months, due to the uncomfortably low inflation level. Several members have voiced their concern that the inflation target might lose its status as an anchor for expectations. Expectations, as measured by Prospera, are continuing to drift down. IN the light of this, we have changed our expectations regarding the repo rate. As some of the members, including Governor Ingves, remain hesitant to the idea of further easing of the policy, we expect that a cut will be delayed until the December meeting. At that time we expect at 20 basis points cut to 0.05 percent. However, already at the meeting in October we will probably see a downward revision of the repo rate path.

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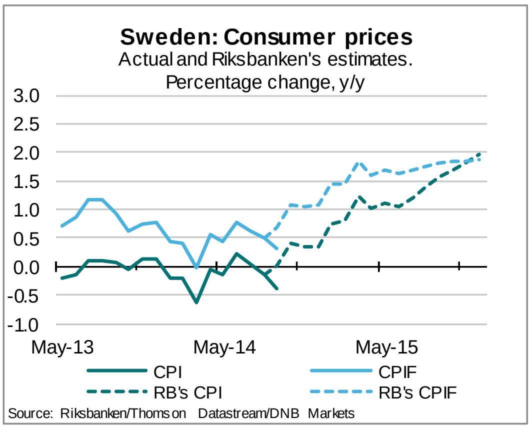

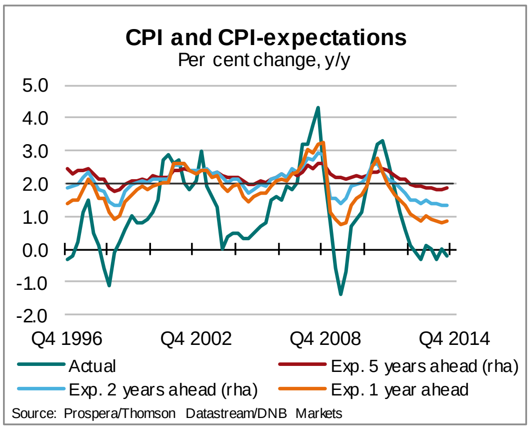

Fixed Income

Much market turmoil last week. Fear of reduced economic growth following the IMF revisions of global GDP, reduced GDP growth estimates from the German government, ebola, geopolitical risk, continued weak inflation figures in the Eurozone, an oil price in strong decline (affects Norway especially) and global slowdown in E&P spending growth are among factors often used to explain the unrest. **The S&P 500** lost 1.0 per cent for the week, and has closed down four weeks in a row. The index bottomed Thursday at the lowest level so far in the second half of the year and had only gained 0.8 per cent year to date. The index however climbed 1.3 per cent on Friday partly due to solid earnings reports. Also the European indices recovered on Friday. The Eurostoxx50 ended the week down 1 per cent after a 3 per cent rise on Friday. Then Norwegian OSEBX ended the week barely up after rising 3.9 per cent on Friday. On Thursday, the index was down 3.6 per cent for the week and had fallen 15.6 per cent from the peak 23 June. On Thursday the OSEBX was down 2.9 per cent YTD, but after the recovery Friday, the index was in positive territory. The Swedish OMX climbed 0.6 per cent for the week after a 3.1 per cent rise on Friday. Still the index is down 1.7 per cent YTD. Today the Nikkei 225 climbed 4 per cent after falling 5 per cent last week. European indices however are trading down so far today. **Long-term sovereign yields** have moved further down. 10y Treasury yield has fallen 9 bps for the week, but rose 5 bps on Friday. The weekly or even the daily figures mask the large intraday variations. On Thursday the 10y Trs yield was traded as low as 1.86 per cent, but closed at 2.19 per cent on Friday.10y German Bund yield rose 10 bps from Wednesday to Friday, but was still 3 bps down for the week. The Bund yield closed at 0.762 per cent on Wednesday. **In the currency markets** the EURUSD climbed 1.1 per cent for the week, while EURNOK and EURSEK climbed 1.9 per cent and 0.4 per cent respectively. EURNOK was quoted intraday above 8.50, but posted the highest daily close for the week at 8.41 on Thursday. Much of the volatility in the NOK is related to the drop in the **oil prices**. The first Brent future was quoted below 83 USD/barrel on Thursday, while trading just below 90 USD/brl on Friday the previous week. Oil prices have been on a falling trend since the last week of June, but the decline has intensified the last weeks. After a late day recovery on Thursday the price has been traded around 86 USD/brl. As a response to last week's turmoil the **gold price** increased, but not more than 1.3 per cent for the week. In the high-yield markets there have been substantial losses. The **DNB High-Yield Total Return index** lost 1.3 per cent for the week, after falling 1.0 per cent the week before.

The declines in sovereign yields were reflected in **the swap rates**. 10y USD swap rate fell 11 bps for the week. The 2y swap fell 18 bps, and the 2y10y curve hence flattened 3 bps. For EUR swaps the decline was less visible. The 10y EUR swap was unchanged at 1.10 per cent. The 2y10y swap curve still flattened 2 bps. 10y NOK and SEK swaps fell respectively 7 bps and 4 bps, and the curve steepness' were little changed.

The **5y swaps with 5y forward starts** dropped further for all four currencies. For USD the 5y5y rate fell 3 bps for the week to the lowest level since early May 2013. The SEK also fell 3 bps, to the lowest level in our database except for two outliers (1 June 2012 - probably incorrect - and 29 August 2014). For EUR the 5y5y swap fell only 2 bps last week. The 5y5y NOK swap fell 4 bps to all-time low at 3.01 per cent last week, measured as weekly closes.

Short-term rates fell substantially for USD, SEK and NOK, while EUR short-term rates were little changed over last week. Red FRAs fell averagely 19 bps for USD, 5 bps for SEK and 7 bps for NOK. The green FRAs fell 23 bps, 8 bps and 8 bps respectively. The USD 3m forward curve has flattened substantially over the last two weeks. Currently the curve prices in 86 bps rise over a year, with the period starting in September 2015. This is far below what is indicated by FOMC's median dot chart.

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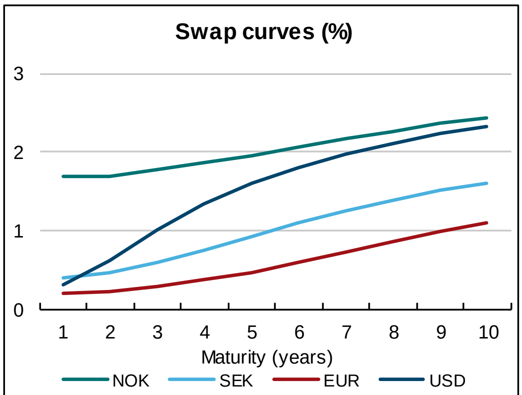
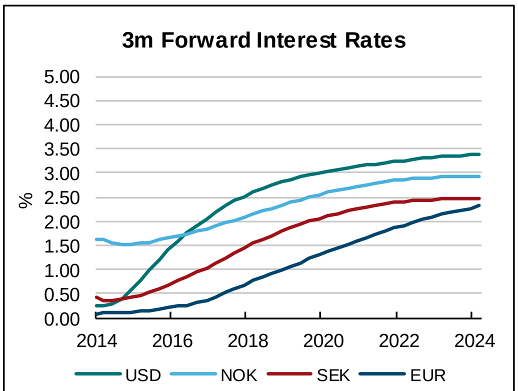
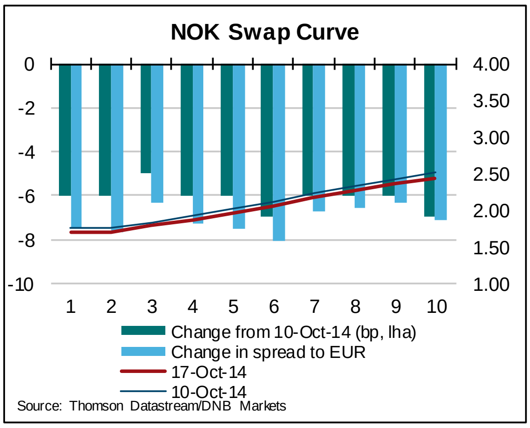
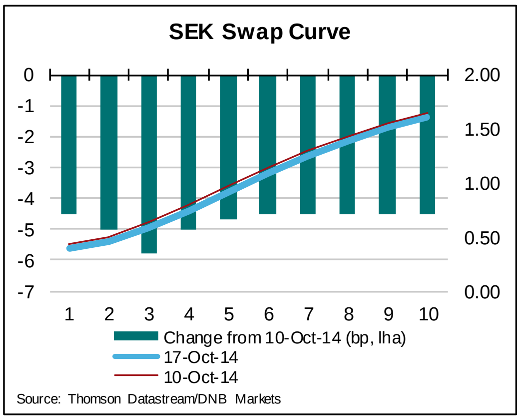


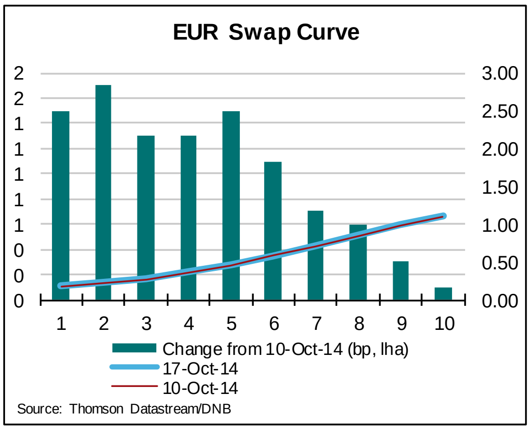
Source: Thomson Datastream/DNB Markets

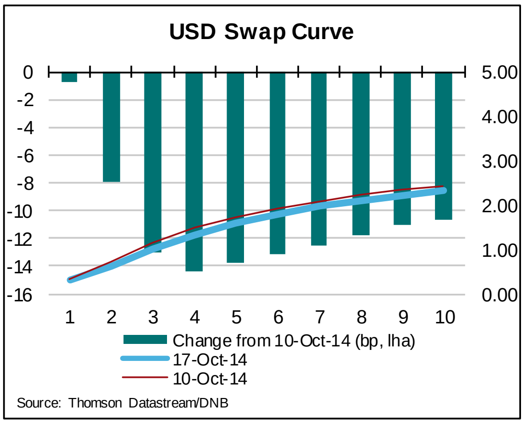


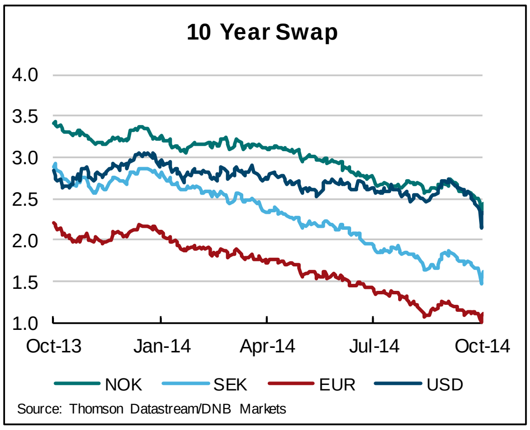
Source: DNB Markets

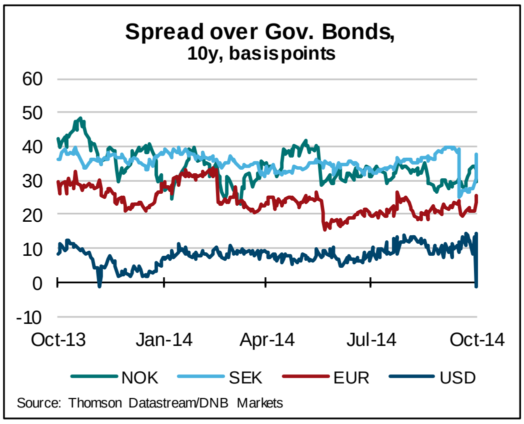

NOK Swap Curve
Change from 10-Oct-14 (bp, lha)
Change in spread to EUR
17-Oct-14
10-Oct-14
Source: Thomson Datastream/DNB Markets

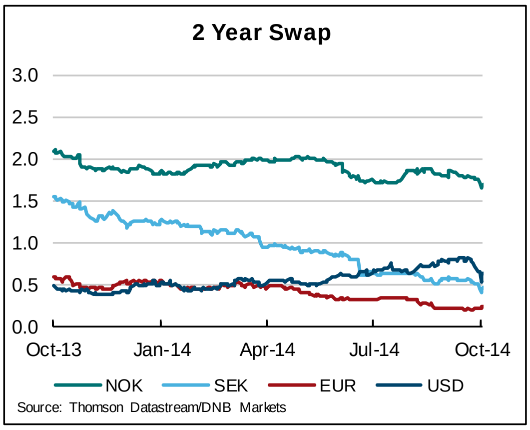

SEK Swap Curve
Change from 10-Oct-14 (bp, lha)
17-Oct-14
10-Oct-14
Source: Thomson Datastream/DNB Markets

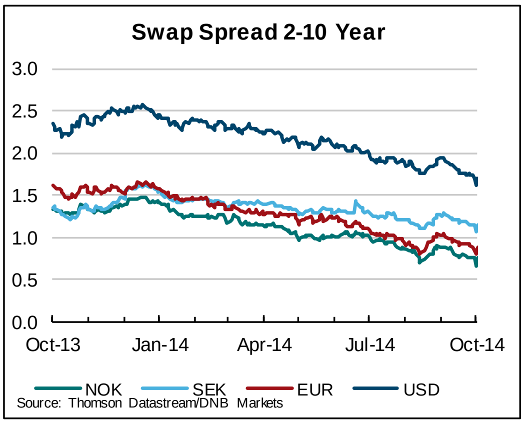

EUR Swap Curve
Change from 10-Oct-14 (bp, lha)
17-Oct-14
10-Oct-14
Source: Thomson Datastream/DNB

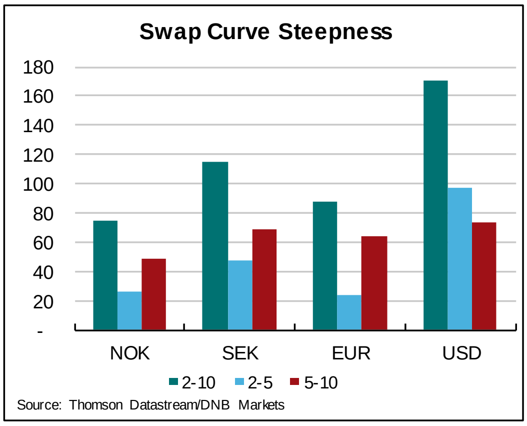

USD Swap Curve
Change from 10-Oct-14 (bp, lha)
17-Oct-14
10-Oct-14
Source: Thomson Datastream/DNB

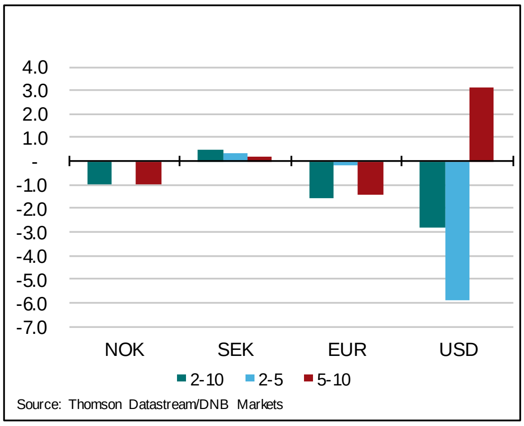

10 Year Swap
Oct-13
Jan-14
Apr-14
Jul-14
Oct-14
NOK
SEK
EUR
USD
Source: Thomson Datastream/DNB Markets

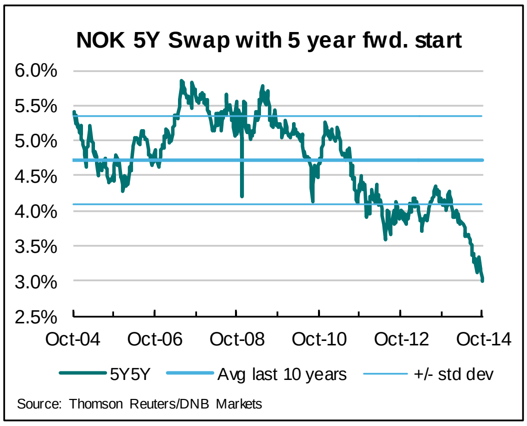

Spread over Gov. Bonds,
10y, basispoints
Oct-13
Jan-14
Apr-14
Jul-14
Oct-14
NOK
SEK
EUR
USD
Source: Thomson Datastream/DNB Markets

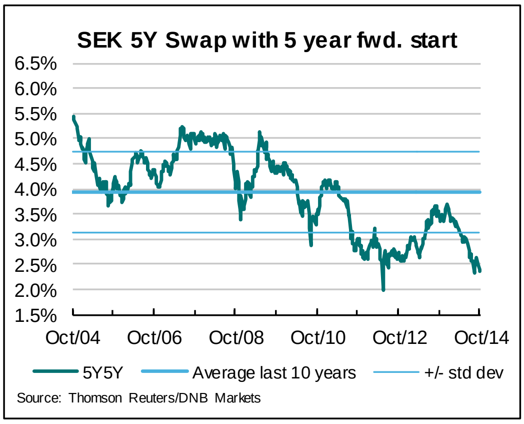

2 Year Swap
Oct-13
Jan-14
Apr-14
Jul-14
Oct-14
NOK
SEK
EUR
USD
Source: Thomson Datastream/DNB Markets

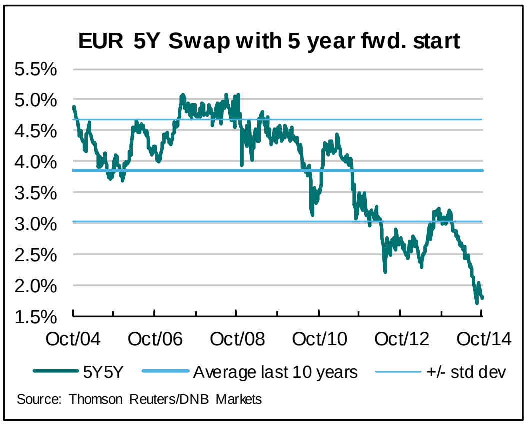

Swap Spread 2-10 Year
Oct-13
Jan-14
Apr-14
Jul-14
Oct-14
NOK
SEK
EUR
USD
Source: Thomson Datastream/DNB Markets

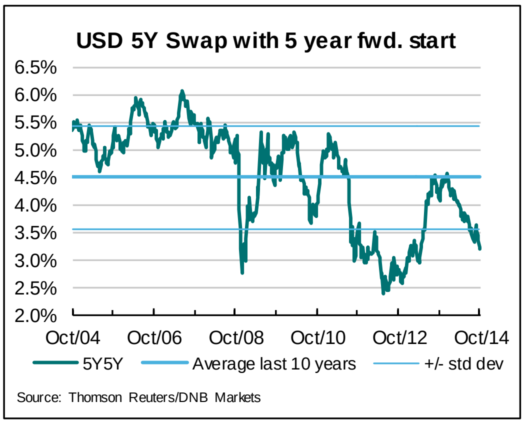

Swap Curve Steepness
180
160
140
120
100
80
60
40
20
-
NOK
SEK
EUR
USD
2-10
2-5
5-10
Source: Thomson Datastream/DNB Markets

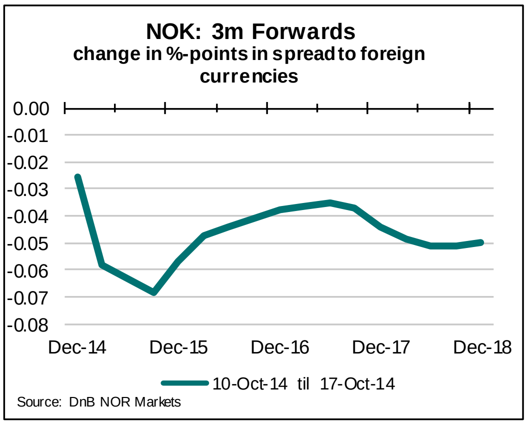

4.0
3.0
2.0
1.0
-
-1.0
-2.0
-3.0
-4.0
-5.0
-6.0
-7.0
NOK
SEK
EUR
USD
2-10
2-5
5-10
Source: Thomson Datastream/DNB Markets

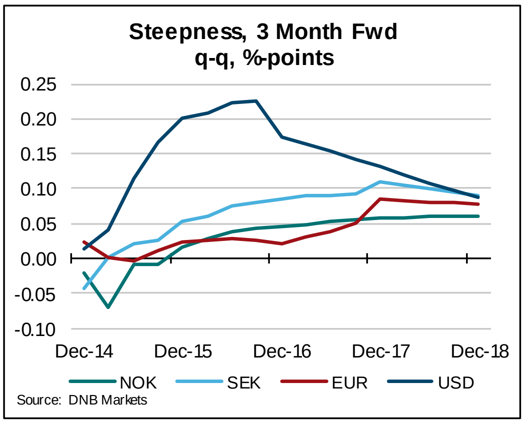

NOK 5Y Swap with 5 year fwd. start
6.0%
5.5%
5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
Oct-04
Oct-06
Oct-08
Oct-10
Oct-12
Oct-14
5Y5Y
Avg last 10 years
+/- std dev
Source: Thomson Reuters/DNB Markets

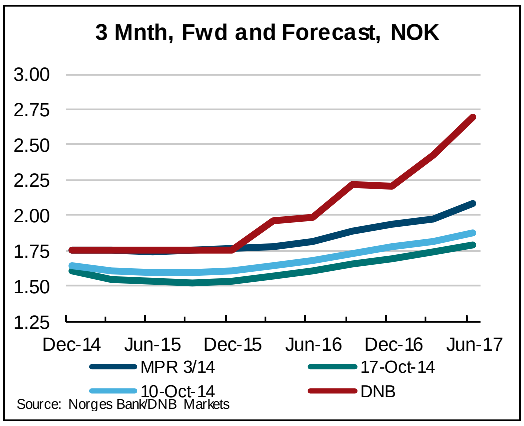

SEK 5Y Swap with 5 year fwd. start
6.5%
6.0%
5.5%
5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
Oct/04
Oct/06
Oct/08
Oct/10
Oct/12
Oct/14
5Y5Y
Average last 10 years
+/- std dev
Source: Thomson Reuters/DNB Markets

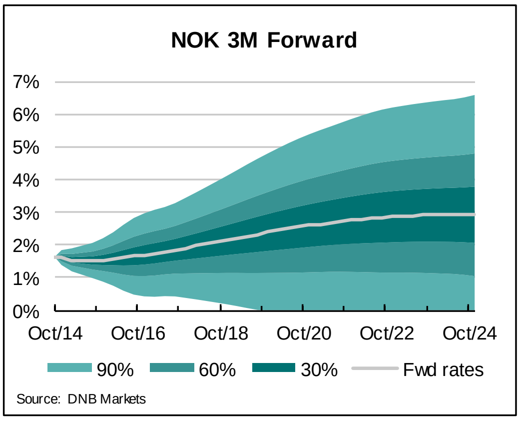

EUR 5Y Swap with 5 year fwd. start
5.5%
5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
Oct/04
Oct/06
Oct/08
Oct/10
Oct/12
Oct/14
5Y5Y
Average last 10 years
+/- std dev
Source: Thomson Reuters/DNB Markets

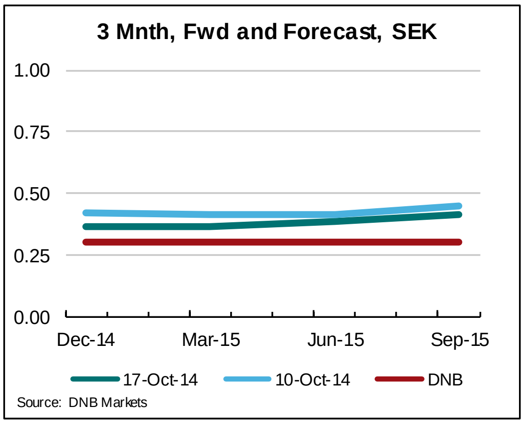

USD 5Y Swap with 5 year fwd. start
6.5%
6.0%
5.5%
5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
Oct/04
Oct/06
Oct/08
Oct/10
Oct/12
Oct/14
5Y5Y
Average last 10 years
+/- std dev
Source: Thomson Reuters/DNB Markets

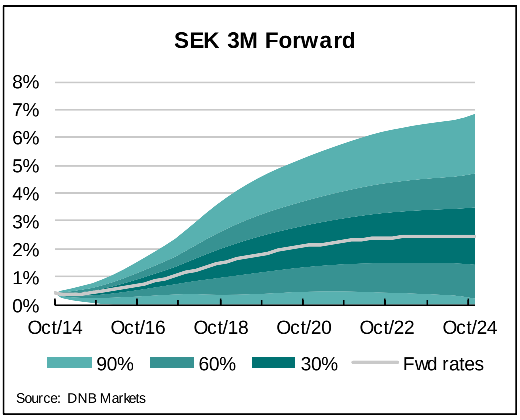

NOK: 3m Forwards
change in %-points in spread to foreign currencies
0.00
-0.01
-0.02
-0.03
-0.04
-0.05
-0.06
-0.07
-0.08
Dec-14
Dec-15
Dec-16
Dec-17
Dec-18
10-Oct-14 til 17-Oct-14
Source: DnB NOR Markets

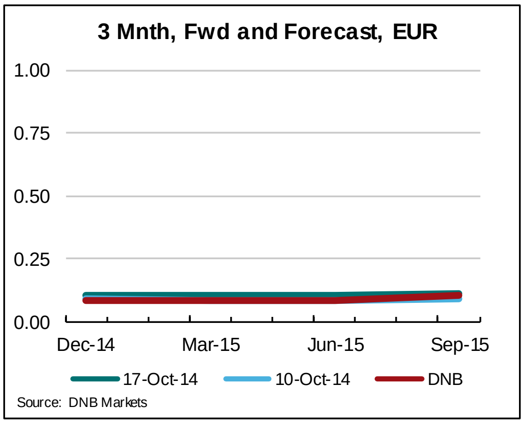

Steepness, 3 Month Fwd
q-q, %-points
0.25
0.20
0.15
0.10
0.05
0.00
-0.05
-0.10
Dec-14
Dec-15
Dec-16
Dec-17
Dec-18
NOK
SEK
EUR
USD
Source: DNB Markets

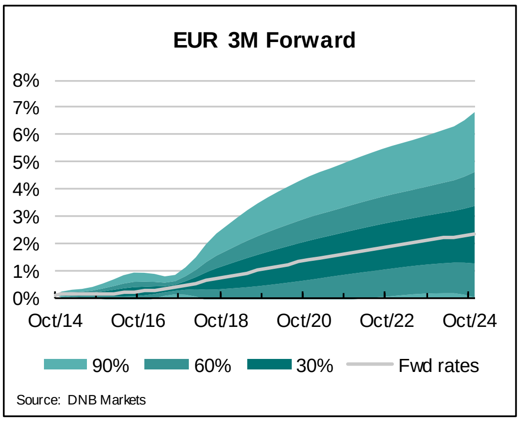

3 Mnth, Fwd and Forecast, NOK
3.00
2.75
2.50
2.25
2.00
1.75
1.50
1.25
Dec-14
Jun-15
Dec-15
Jun-16
Dec-16
Jun-17
MPR 3/14
17-Oct-14
10-Oct-14
DNB
Source: Norges Bank/DNB Markets

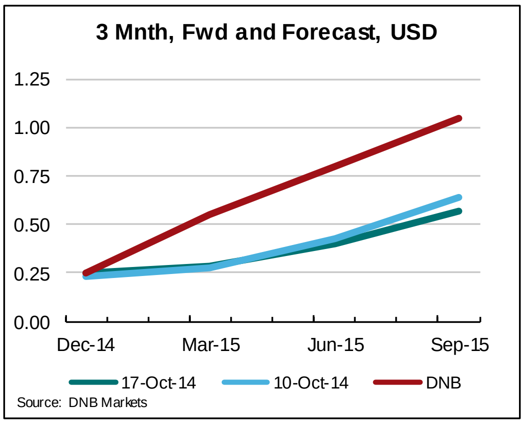

NOK 3M Forward
7%
6%
5%
4%
3%
2%
1%
0%
Oct/14
Oct/16
Oct/18
Oct/20
Oct/22
Oct/24
90%
60%
30%
Fwd rates
Source: DNB Markets


3 Mnth, Fwd and Forecast, SEK
1.00
0.75
0.50
0.25
0.00
Dec-14
Mar-15
Jun-15
Sep-15
17-Oct-14
10-Oct-14
DNB
Source: DNB Markets


SEK 3M Forward
8%
7%
6%
5%
4%
3%
2%
1%
0%
Oct/14
Oct/16
Oct/18
Oct/20
Oct/22
Oct/24
90%
60%
30%
Fwd rates
Source: DNB Markets


3 Mnth, Fwd and Forecast, EUR
1.00
0.75
0.50
0.25
0.00
Dec-14
Mar-15
Jun-15
Sep-15
17-Oct-14
10-Oct-14
DNB
Source: DNB Markets


EUR 3M Forward
8%
7%
6%
5%
4%
3%
2%
1%
0%
Oct/14
Oct/16
Oct/18
Oct/20
Oct/22
Oct/24
90%
60%
30%
Fwd rates
Source: DNB Markets


3 Mnth, Fwd and Forecast, USD
1.25
1.00
0.75
0.50
0.25
0.00
Dec-14
Mar-15
Jun-15
Sep-15
17-Oct-14
10-Oct-14
DNB
Source: DNB Markets

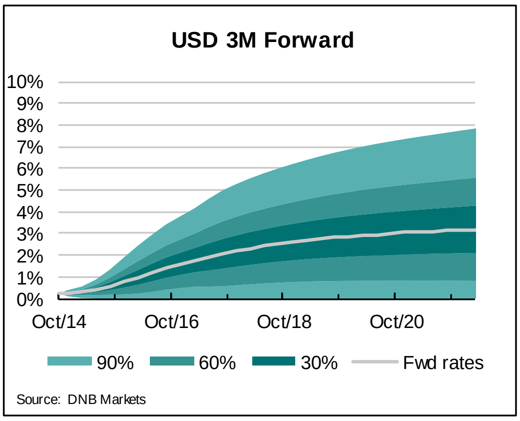

USD 3M Forward
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
Oct/14
Oct/16
Oct/18
Oct/20
90%
60%
30%
Fwd rates
Source: DNB Markets

Table 1 Swap Curves

1.1 Forward starting swaps (Annual 30/360) NOK

Swap		Forward start								
Tenor	Spot	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y
1Y	1.78	1.60	1.97	2.11	2.33	2.59	2.88	3.04	3.26	3.27
2Y	1.69	1.78	2.04	2.22	2.46	2.73	2.96	3.15	3.27	
3Y	1.78	1.89	2.13	2.34	2.59	2.83	3.06	3.19		
4Y	1.86	1.99	2.24	2.47	2.70	2.93	3.11			
5Y	1.95	2.11	2.36	2.57	2.81	3.00				
6Y	2.05	2.23	2.47	2.68	2.88					
7Y	2.16	2.33	2.57	2.76						
8Y	2.26	2.44	2.65							
9Y	2.36	2.52								
10Y	2.44									

Rate above 4%

Source: Thomson Reuters/DNB Markets

1.2 Forward starting swaps (Annual 30/360) SEK

Swap		Forward start								
Tenor	Spot	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y
1Y	0.39	0.52	0.84	1.25	1.63	1.98	2.25	2.43	2.56	2.61
2Y	0.45	0.68	1.05	1.44	1.80	2.11	2.34	2.49	2.58	
3Y	0.58	0.87	1.24	1.62	1.95	2.21	2.41	2.53		
4Y	0.75	1.06	1.42	1.77	2.06	2.30	2.46			
5Y	0.92	1.23	1.58	1.90	2.16	2.36				
6Y	1.09	1.40	1.71	2.00	2.23					
7Y	1.25	1.53	1.83	2.08						
8Y	1.39	1.65	1.92							
9Y	1.51	1.75								
10Y	1.61									

Rate above 3%

Source: Thomson Reuters/DNB Markets

1.3 Forward starting swaps (Annual 30/360) EUR

Swap		Forward start								
Tenor	Spot	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y
1Y	0.20	0.26	0.40	0.61	0.89	1.20	1.55	1.85	2.09	2.26
2Y	0.23	0.33	0.51	0.75	1.04	1.37	1.70	1.97	2.17	
3Y	0.29	0.42	0.63	0.90	1.21	1.53	1.82	2.06		
4Y	0.37	0.54	0.77	1.06	1.36	1.66	1.93			
5Y	0.47	0.67	0.92	1.21	1.50	1.78				
6Y	0.59	0.81	1.07	1.35	1.62					
7Y	0.72	0.95	1.21	1.47						
8Y	0.86	1.09	1.33							
9Y	0.99	1.21								
10Y	1.10									

Rate above 3%

Source: Thomson Reuters/DNB Markets

1.4 Forward starting swaps (Annual ACT/360) USD

Swap		Forward start								
Tenor	Spot	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y
1Y	0.31	0.94	1.78	2.36	2.69	2.90	3.08	3.20	3.31	3.39
2Y	0.62	1.36	2.06	2.52	2.79	2.99	3.14	3.26	3.35	
3Y	1.00	1.68	2.27	2.64	2.89	3.06	3.20	3.30		
4Y	1.33	1.92	2.42	2.75	2.96	3.12	3.24			
5Y	1.59	2.11	2.54	2.83	3.03	3.17				
6Y	1.80	2.26	2.64	2.91	3.08					
7Y	1.96	2.38	2.73	2.97						
8Y	2.10	2.49	2.80							
9Y	2.22	2.58								
10Y	2.33									

Rate above 3%

Source: Thomson Reuters/DNB Markets

1.5 Spread between NOK and EUR (basis points)

Swap		Forward start								
Tenor	Spot	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y
1Y	159	134	156	150	144	139	133	119	118	101
2Y	146	145	153	147	141	136	126	118	109	
3Y	149	146	150	144	138	130	123	113		
4Y	149	146	147	141	133	127	118			
5Y	148	144	144	137	130	122				
6Y	146	142	140	133	125					
7Y	144	138	136	129						
8Y	140	135	132							
9Y	138	131								
10Y	134									

Source: Thomson Reuters/DNB Markets

1.6 Spread between SEK and EUR (basis points)

Swap		Forward start								
Tenor	Spot	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y
1Y	19	26	44	64	75	78	70	58	47	34
2Y	22	35	54	69	76	74	64	53	41	
3Y	30	45	61	72	74	69	58	47		
4Y	38	52	65	71	70	63	53			
5Y	45	57	66	69	65	58				
6Y	50	59	64	65	60					
7Y	53	58	62	61						
8Y	53	57	58							
9Y	52	54								
10Y	50									

Source: Thomson Reuters/DNB Markets

Table 2 Market Update

	20-Oct-14	10-Oct-14	Diff.	19-Sep-14	30-Jun-14	31-Dec-13
NOK						
DEC 3 F	1.61	1.64	-3	1.70	1.62	1.71
MAR 3 I	1.54	1.60	-5	1.68	1.59	1.81
JUN 3 F	1.53	1.59	-7	1.68	1.57	1.93
SEP 3 F	1.52	1.59	-8	1.69	1.58	..
3 month	1.63	1.64	-1	1.71	1.75	1.69
2 year s	1.67	1.75	-8	1.86	1.78	1.90
10 year	2.43	2.51	-8	2.73	2.79	3.36
10 year	2.13	2.18	-5	2.43	2.48	2.97
SEK						
3 month	0.41	0.47	-6	0.47	0.75	0.94
2 year s	0.44	0.50	-7	0.57	0.79	1.26
10 year	1.57	1.65	-8	1.84	2.07	2.86
10 year	1.22	1.37	-15	1.44	1.72	2.52
USD						
3 month	0.23	0.23	0	0.23	0.23	0.25
2 year s	0.64	0.70	-6	0.80	0.57	0.49
10 year	2.34	2.43	-9	2.70	2.60	3.06
10 year	2.19	2.31	-12	2.59	2.53	3.04
EUR						
3 month	0.08	0.06	3	0.05	0.18	0.27
2 year s	0.23	0.21	2	0.21	0.31	0.54
10 year	1.09	1.10	-2	1.22	1.44	2.16
10 year	0.84	0.89	-5	1.00	1.25	1.94
Spreads i basis points						
NOK-EU	144	154	-10	165	147	135
NOK-EU	134	141	-6	151	135	120
NOK-Ge	129	128	1	144	123	103
SEK-EU	20	29	-9	37	48	71
SEK-EU	48	55	-6	62	63	70
SEK-Ge	38	48	-10	45	47	58
USD-EU	-41	-49	8	-60	-26	6
USD-EU	-125	-133	8	-149	-116	-90
USD-Ge	-135	-142	7	-160	-128	-110

Source: Thomson Datastream/Reuters/DNB Markets

Table 3 Interest Rates Forecasts

Policy rates	20-Oct-14	Jan-15	Apr-15	16-Oct-14 Oct-15
USA: Fed Funds	0.25	0.25	0.50	1.00
Japan: Day-to-day	0.10	0.10	0.10	0.10
Euro: Repo	0.05	0.05	0.05	0.05
UK: Base rate	0.50	0.50	0.50	0.75
Sweden: Repo	0.25	0.05	0.05	0.05
Norway: Folio	1.50	1.50	1.50	1.50
Switzerland: 3M Libor CHF	0.13	0.13	0.13	0.13

3-month money market rates Country	20-Oct-14	Jan-15	Apr-15	16-Oct-14 Oct-15
USA	0.23	0.35	0.65	1.15
Japan	0.11	0.20	0.20	0.20
Euro	0.08	0.10	0.10	0.10
U.K.	0.56	0.80	0.85	1.10
Sweden	0.41	0.50	0.50	0.50
Norway	1.62	1.75	1.75	1.75
Switzerland	0.01	0.13	0.13	0.13

10-year swap rates Country	20-Oct-14	Jan-15	Apr-15	16-Oct-14 Oct-15
USA	2.31	2.50	3.00	3.50
Japan	0.63	0.75	0.75	0.75
Euro area	1.09	1.25	1.50	2.00
U.K.	2.26	2.50	2.75	3.50
Sweden	1.60	1.75	2.00	2.50
Norway	2.46	2.50	2.75	3.25
Switzerland	0.79	1.00	1.25	1.50

Source: DNB Markets

Table 4 Calendar

Importance	GMT+2	Country/reg	Key figure/ Event	As of	Unit	Prior	Consensus	DNB
Monday 20 October								
	08:00	Germany	Producer prices	Aug	m/m %	-0.1		
Tuesday 21 October								
♦♦	**04:00**	**China**	**GDP**	**Q3**	**q/q %**	**2.0**	**1.7**	
♦♦♦	**04:00**	**China**	**GDP**	**Q3**	**y/y %**	**7.5**	**7.3**	
♦	**04:00**	**China**	**Industrial output**	**Sep**	**y/y %**	**6.9**	**7.5**	
	04:00	China	Urban investments	Sep	y/y %	16.5	16.3	
	04:00	China	Retail sales	Sep	y/y %	11.9	11.8	
♦	**16:00**	**USA**	**Existing home sales**	**Sep**	**m**	**5.050**	**5.090**	
Wednesday 22 October								
	01:50	Japan	Exports	Sep	y/y %	-1.3	6.8	
♦♦	**10:30**	**UK**	**BoE Minutes**	**Oct**	**Index**	**7-2**	**7-2**	**7-2**
♦♦	**14:30**	**USA**	**CPI x food/energy**	**Sep**	**m/m %**	**0.0**	**0.2**	
♦♦	**14:30**	**USA**	**CPI**	**Sep**	**m/m %**	**-0.2**	**0.1**	
♦♦	**14:30**	**USA**	**CPI**	**Sep**	**y/y %**	**1.7**	**1.7**	
Thursday 23 October								
♦♦	**03:45**	**China**	**HSBC PMI Flash**	**Oct**	**Index**	**50.2**		
♦	**08:45**	**France**	**Business climate**	**Oct**	**Index**	**96.0**	**95.0**	
	09:30	Sweden	Unemployment	Sep	% sa	8.0	7.9	7.9
♦	**10:00**	**EMU**	**PMI, Composite Flash**	**Oct**	**Index**	**52.0**	**51.7**	
	10:00	EMU	PMI, Manufacturing Flash	Oct	Index	50.3	50.4	
	10:00	EMU	PMI, Services Flash	Oct	Index	52.4	52.0	
♦♦♦	**10:00**	**Norway**	**Norges Bank Policy Rate**		**%**	**1.5**	**1.5**	**1.5**
♦	**10:30**	**UK**	**Retail Sales**	**Sep**	**m/m %**	**0.4**	**-0.1**	
	12:00	UK	CBI Trends orders	Oct	Index	-4.0	-4.0	
♦	**14:30**	**USA**	**Initial Claims**	**W 42**	**1000**	**264**	**280.0**	
	14:30	USA	Chicago Fed Activity	Sep	Index	-0.21		
	15:00	USA	Home Prices, FHFA	Aug	m/m %	0.1		
	15:45	USA	PMI Manufacturing	Oct	Index	57.5	57.0	
	16:00	EMU	Consumer Confidence	Oct	Index	-11.4	-12.0	
Friday 24 October								
	03:30	China	China house prices	Sep	y/y %	0.5		
	10:00	Italy	Retail Sales	Aug	m/m %	-0.1		
♦	**10:30**	**UK**	**GDP, Preliminary**	**Q3**	**q/q %**	**0.9**	**0.7**	
♦	**16:00**	**USA**	**New Home Sales**	**Sep**	**m/m %**	**0.504**	**0.470**	

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