



Daily Macro Brief

Monday 14 May 2018

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Overview

Key events today

- **Norway:** Parliamentary hearing on the conduct of monetary policy
- **USA:** Speeches by Fed's Mester (voting) and Bullard (non-voting)

- **Highlights rest of the week**
- **Tuesday:** Norwegian GDP ([preview attached](#)), Revised National Budget 2018 (see [preview](#)) and EMU GDP with details
- **Wednesday:** Swedish housing prices and US housing starts
- **Thursday:** US Philly Fed and initial claims
- **Friday:** Japanese inflation

- See the attached [calendar](#) for details.

Overview

Key events since last report

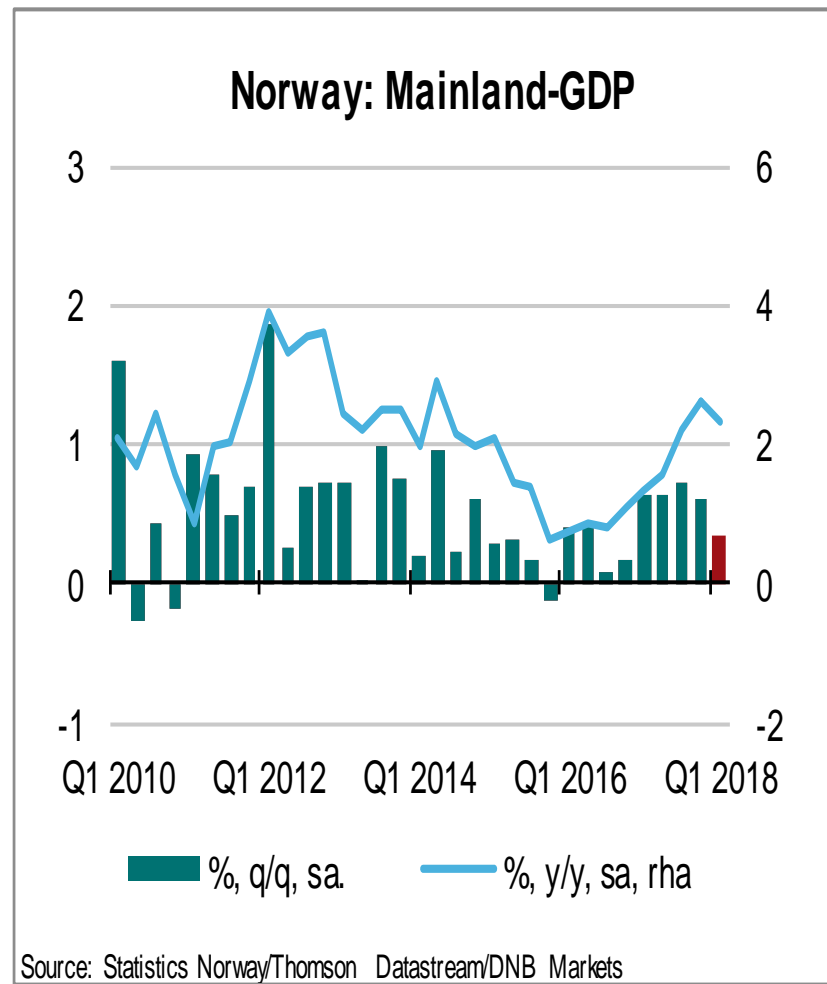
- **USA:** University of Michigan's [consumer confidence](#) indicator was stable at a high level in May. Confidence will likely help consumer demand to recover after a weak start to the year.
- For details on market trends, see [here](#).
- See the attached [calendar](#) for details.

Preview: Tuesday 15 May at 08:00 (GMT+2)

Norway: Q1 GDP Mainland(**)

- **Q4:** Mainland GDP growth at 0.6% q/q in Q4 (Q3 rev. up 0.1pp to 0.7%) and growth in 2017 ended at 1.8%. Private consumption boosted by a surge in car sales, while housing investments fell by 4.5%. Services incident to oil/gas fell back, but otherwise broad-based growth
- **Q1:** Goods consumption fell by 1.0% q/q and manufacturing production is down 1.1%. Housing investments likely fell slightly, while oil investments are expected to have picked up markedly
- **DNB:** Mainland GDP 0.4% q/q
- **Norges Bank:** 0.7% q/q in Mar MPR
- **Bloomberg poll:** 0.6%

- **Market reactions are normally small for GDP figures**



Preview: Tuesday 15 May at 08:00 (GMT+2)

Norway: Q1 GDP Mainland(**)

- Goods consumption index fell by 1.0% q/q in Q1 due to a sharp fall in car purchases, as expected. We expect solid growth for consumption of services, but still project total consumption growth at 0.0% for Q1 vs. an average of 0.7% through 2017.
- We expect housing investments to have fallen by 1.0% in Q1, in line with monthly construction data. Oil investments probably picked up markedly in Q1 after falling slightly in Q4. Growth in mainland companies is expected to be solid, while public investments are expected to correct down somewhat after a sharp rise in Q4.

Norway Quarterly National Accounts. Per cent change. Seasonally adjusted.

	Per cent, q/q					Per cent, y/y				
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Private consumption	0.7	0.8	0.6	0.8	0.0	1.8	2.6	2.7	3.0	2.3
Public consumption	0.6	0.5	0.7	0.5	0.5	1.8	1.6	2.0	2.4	2.3
Gross fixed capital formation	1.9	1.4	-0.9	1.6	1.0	4.1	5.0	1.8	4.1	3.1
Petroleum investment	0.8	-0.1	-5.6	-1.0	5.1	-3.3	-0.3	-6.8	-5.9	-1.8
Mainland Norway	2.7	1.3	0.3	2.0	-0.6	7.5	6.5	4.3	6.4	3.0
Mainland companies	4.1	-2.7	4.9	0.9	2.0	6.5	0.4	5.6	7.3	5.1
Housing	2.6	0.8	1.2	-4.5	-1.0	12.7	10.2	9.0	0.0	-3.5
Public	0.4	8.6	-7.8	11.3	-1.8	4.0	11.6	-3.9	11.9	9.4
Exports	-0.9	2.0	-0.8	-2.6	0.5	-0.4	3.1	3.7	-2.3	-0.9
Traditional goods	6.8	1.7	0.9	0.7	1.0	-3.7	0.0	2.0	10.4	4.4
Oil and natural gas	-1.8	4.1	0.3	-8.3	0.0	0.3	6.1	9.5	-6.0	-4.3
Imports	2.8	0.7	-3.3	3.2	0.8	1.9	4.0	-0.2	3.2	1.2
Traditional goods	3.0	0.7	-1.7	2.6	0.9	1.9	4.2	2.1	4.6	2.5
GDP	-0.2	1.1	0.8	-0.3	0.3	0.7	2.0	3.6	1.4	1.9
GDP excl. oil and shipping	0.6	0.6	0.7	0.6	0.4	1.3	1.5	2.2	2.6	2.3
Net trad. exports, contr. GDP	0.2	0.1	0.5	-0.5	-0.1					
Stocks contribution to GDP	0.1	-0.2	-0.2	0.8	0.0					

Sources: Statistics Norway/Thomson Datastream/DNB Markets.

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Preview: Tuesday 15 May at 10:45 GMT+2

Norway: Revised Fiscal Budget 2018

Revised 2018-budget available Tuesday 15 May at 10:45

Some key figures will be released at 08.00

Press conference starts at 11:00

12 October the government presented 2018 budget:

- Growth rates in Mainland Norway in 2018 was projected to 2.5%
- The total budget surplus was estimated to NOK 141.3bn in 2018
- The structural non-oil budget deficit was projected to be NOK 231.1bn in 2018
- In % of trend in Mainland-GDP, the structural non-oil deficit amounts to 7.7% in 2018 – an increase of 0.1pp from 2017

This time:

- Growth forecast was confirmed in March and is thus probably unchanged, but a small downside risk.
- Higher oil price may lift petroleum revenues with more than NOK 50bn.
- 2017 final budget figures showed NOK 6bn lower structural non-oil deficit at 2.8% of Pension Fund. This will affect 2018 budget. In addition the Pension Fund ended at NOK 8,484bn by end of 2017, versus expected NOK 7,898bn.
- We expect the government to aim at a structural non-oil deficit at 2.7% of the Pension Fund corresponding to NOK 227bn. The fiscal stimulus will be unchanged at 0.1pp.

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Preview: Tuesday 15 May at 10:45 GMT+2

Norway: Revised Fiscal Budget 2018

Fiscal Budget balance. NOK billions

Forecasts:

	NB2018		RNB 2018		
	2017	2018	2016	2017	2018
Mainland revenues	1027	1045	1010	1031	1049
Mainland expenditure	1259	1300	1218	1254	1297
Oil-adjusted balance	-232	-255	-208	-223	-248
Net oil revenues	175	183	125	168	239
Oil Fund accr.interest	207	214	197	204	216
Total balance	150	141	113	149	206
Fiscal spending rule (3%)	-225	-237	-298	-225	-255
Structural, non-oil deficit	-220	-231	-197	-214	-227
- Over(+)/Under(-) spending	-6	-6	-102	-11	-27
- Per cent of Pension Fund Global	-2.9	-2.9	-2.6	-2.8	-2.7
- % of trend in Mainland GDP	-7.7	-7.7	-7.2	-7.5	-7.6
- Change in percentage points	-0.4	-0.1	-0.7	-0.3	-0.1
Pension Fund Global, primo year	7510	7898	7461	7510	8484

Source: Ministry of Finance, DNB Markets.

USA: Current consumer stable in May

Flash estimate below expectations

- The **headline** index was unchanged at 98.8 in May. Consensus was 98.3
- **Current conditions** down by 1.6p to 113.3
- **Expectations** up 1.1p to 89.5
- **Inflation expectations**, rose 0.1pp to 2.8% at 1y horizon, while unchanged at longer term at 2.5%.

Assessment:

- Headline reached a 14-year high in March but fell back in April and was stable in May. The current level is still high, underlining strong household sentiment which likely boost consumer demand after a weak start to the year.

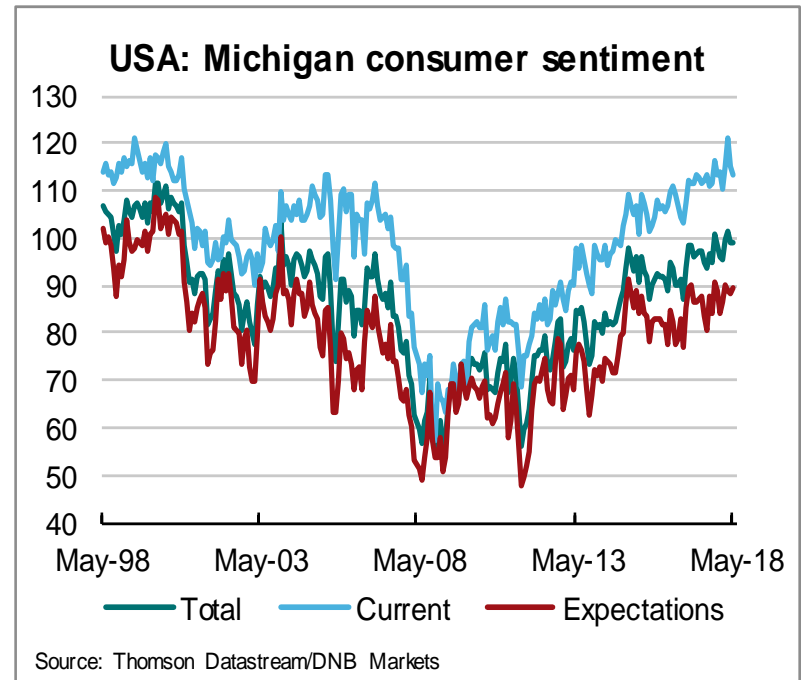
Technical

- The index is not adjusted for seasonality.

Michigan-sentiment

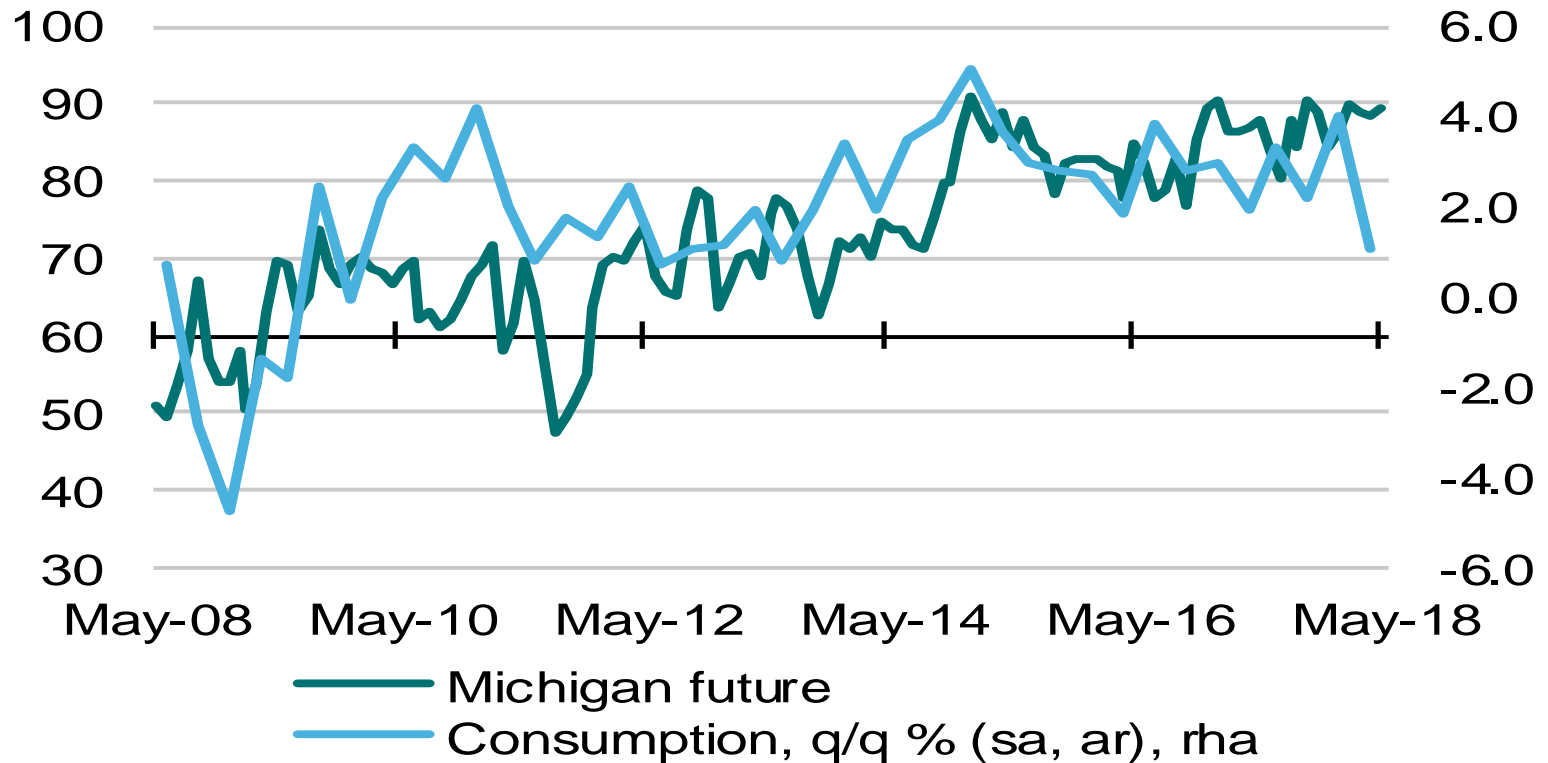
	Feb-18	Mar-18	Apr-18	May-18
Total	99.7	101.4	98.8	98.8
Current	114.9	121.2	114.9	113.3
Expectations	90.0	88.8	88.4	89.5
Infl.expect.	2.7	2.8	2.7	2.8

Source: Thomson Datastream



USA: Michigan and private consumption

Confidence and consumption

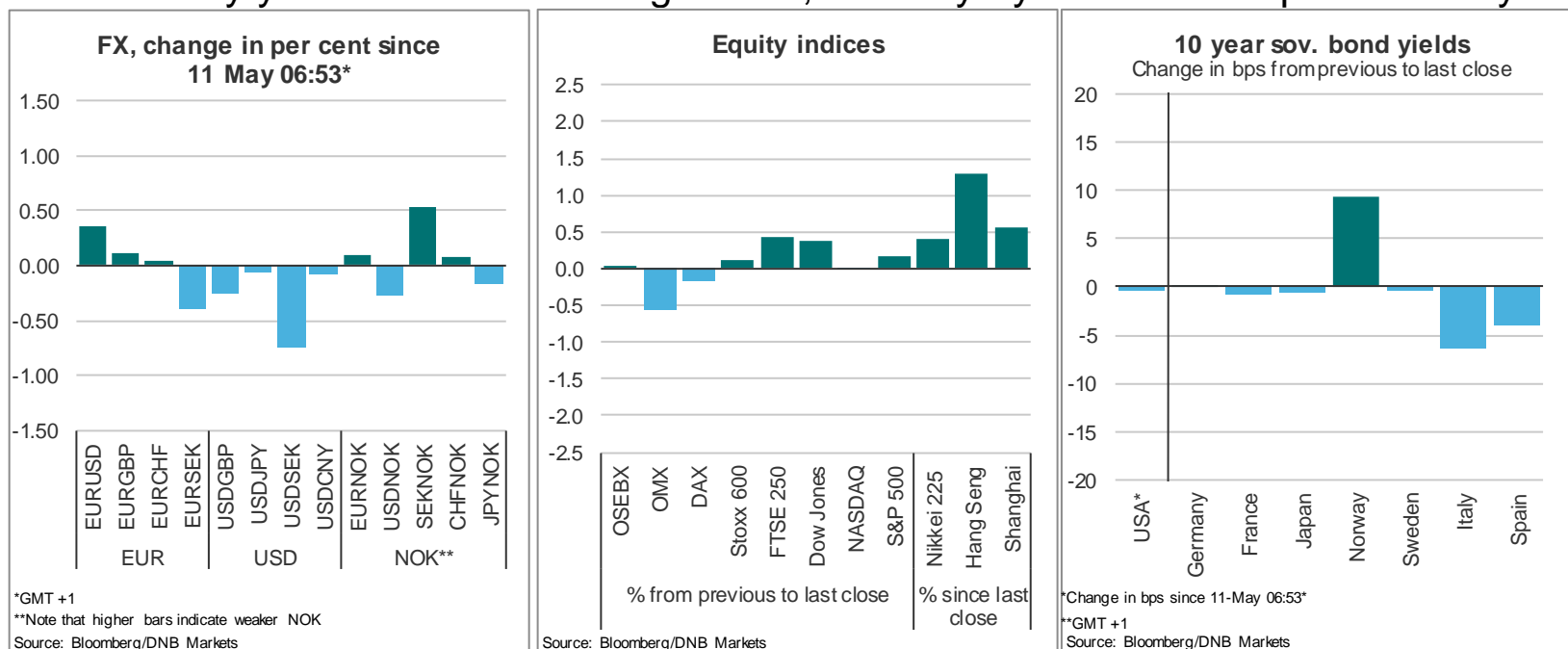


Source: Thomson Datastream/DNB Markets

Markets: Overview

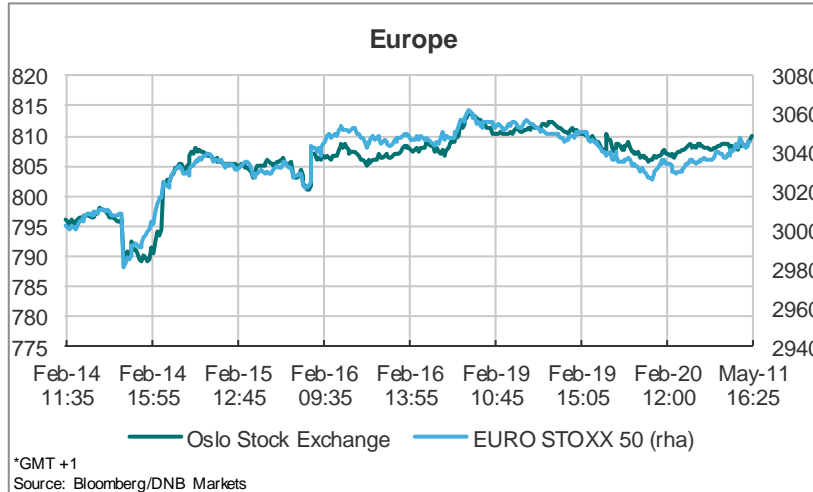
USD weakening somewhat

- The USD has recovered somewhat after the weakening trend last week. The trade weighted index reached a peak (93.42) last Wednesday, boosted by a higher interest rate spread vs other currencies. The EUR has likely been suffering from Italian political uncertainty. This weekend the 5-Star Movement now seems likely to form a government with the League, their former opponents. In the US the Treasury yield curve is flattening further, with 10y-2y down to 41 bps. on Friday



Markets

Equities



Markets

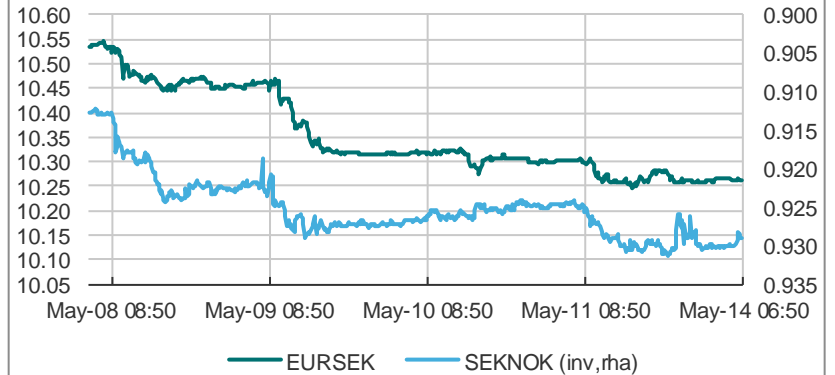
FX

EURNOK and USDNOK



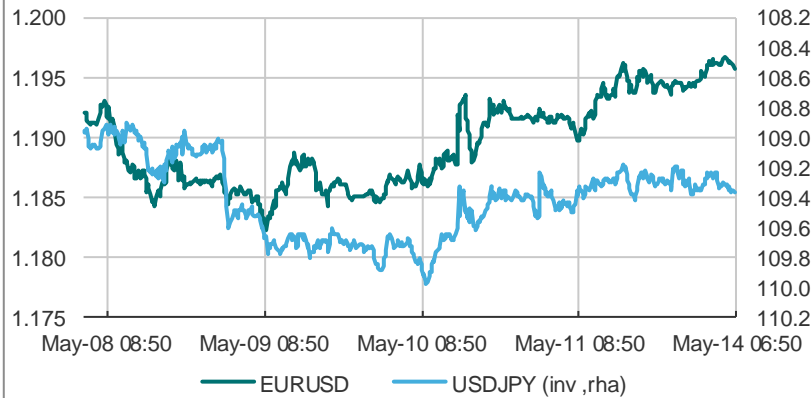
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Source: Bloomberg/DNB Markets

EURSEK and SEKNOK



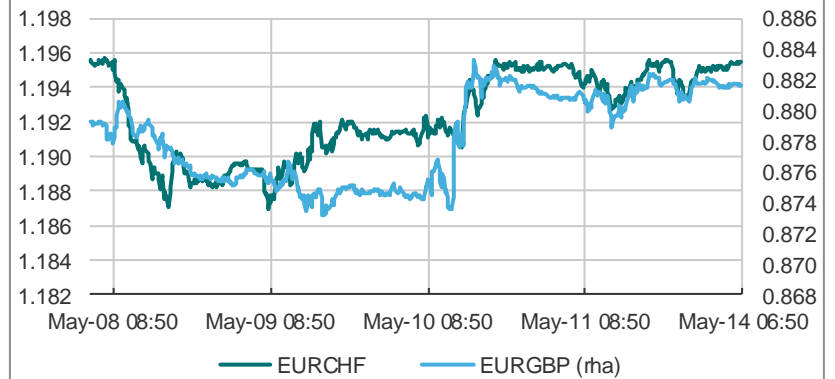
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Source: Bloomberg/DNB Markets

EURUSD and USDJPY



*GMT +1
Source: Bloomberg/DNB Markets

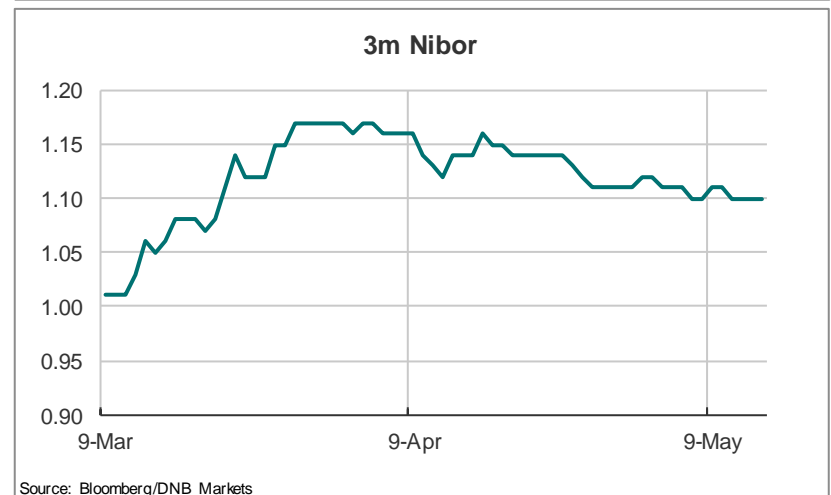
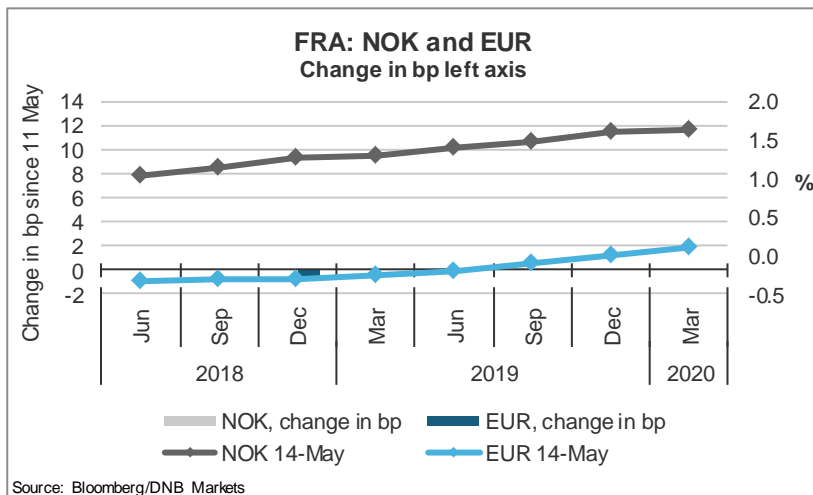
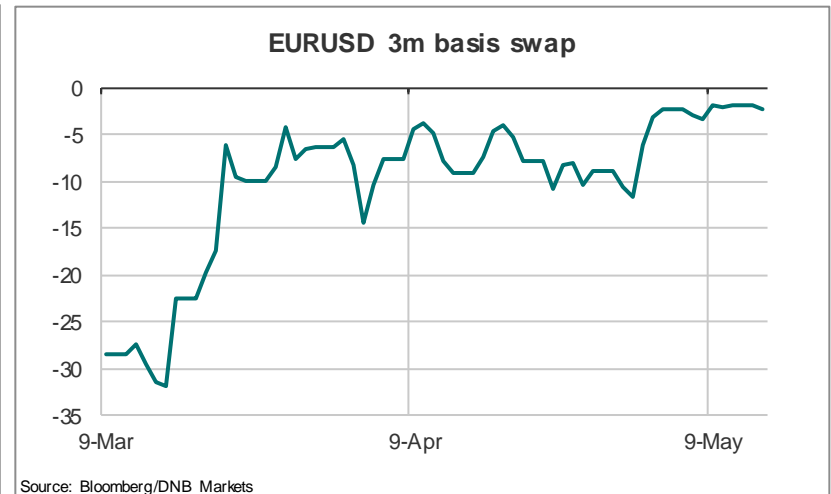
EURCHF and EURGBP



*GMT +1
Source: Bloomberg/DNB Markets

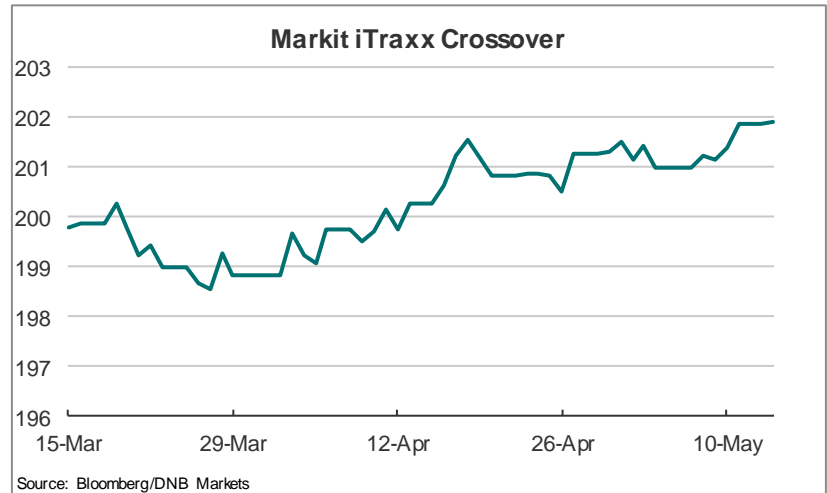
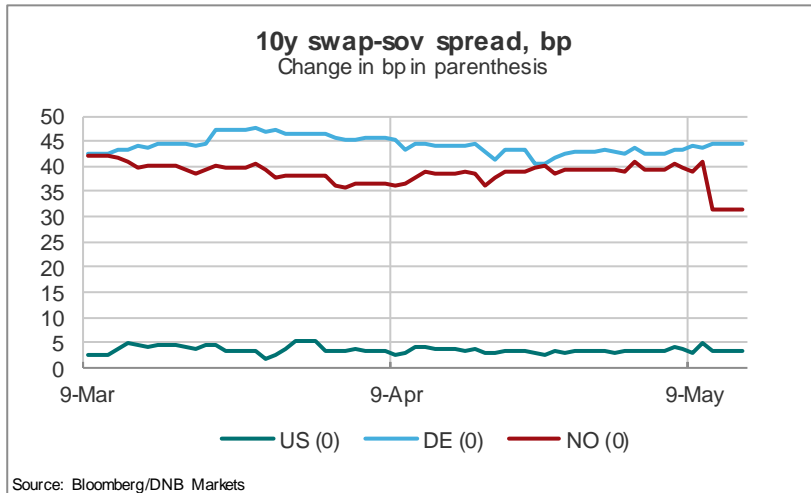
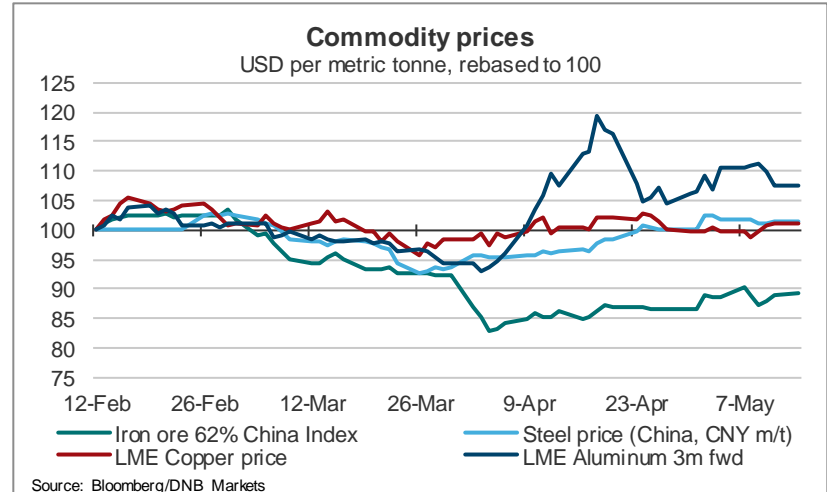
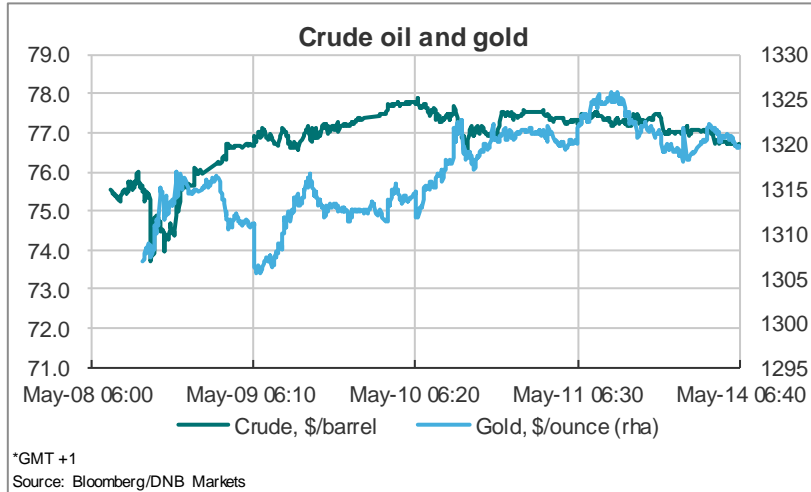
Markets

Fixed income



Markets

Miscellaneous



Markets

Spot rates and forecasts

Spot rates and forecasts

FX 0700	Last	Today	%	In ... 1m	Aug-18	Nov-18	May-19	FX 0700	USD	NOK
USD/JPY	109.41	109.40	0.0	108	107	107	104	AUD	0.756	6.028
USD/CNY	6.3333	6.3405	0.1	6.30	6.30	6.30	6.40	CAD	1.279	6.240
EUR/USD	1.1921	1.1959	0.3	1.21	1.23	1.25	1.30	CHF	1.000	7.979
EUR/GBP	0.8810	0.8817	0.1	0.87	0.88	0.88	0.92	CNY	6.341	125.840
EUR/DKK	7.4510	7.4497	0.0	7.45	7.45	7.46	7.46	CZK	21.322	0.374
EUR/SEK	10.3070	10.2628	-0.4	10.30	10.30	9.90	9.80	GBP	1.356	10.818
EUR/CHF	1.1956	1.1958	0.0	1.18	1.18	1.19	1.20	ZAR	12.274	0.6506
EUR/NOK	9.5306	9.5357	0.1	9.55	9.40	9.20	9.10	HKD	7.850	1.016
USD/NOK	7.9977	7.9764	-0.3	7.89	7.64	7.36	7.00	KRW	1067.2	0.075
JPY/NOK	7.31	7.29	-0.2	7.31	7.14	6.88	6.73	BRL	3.600	2.217
SEK/NOK	92.53	92.95	0.5	92.7	91.3	92.9	92.9	NZD	0.697	0.087
DKK/NOK	127.97	128.03	0.0	128.2	126.2	123.3	122.0	RUB	61.931	12.880
GBP/NOK	10.824	10.818	-0.1	10.98	10.68	10.45	9.89	SEK	8.585	92.950
CHF/NOK	7.975	7.979	0.1	8.09	7.97	7.73	7.58	SGD	1.333	5.985

Sources to all tables and graphics: Thomson Reuters, Thomson Datastream and DNB Markets

Markets

Interest rates

Interest rates

NOK	Prior	Last	SEK	Prior	Last	USD	Prior	Last	EUR	Prior	Last
1m	0.92	0.91	1m	-0.47	-0.47	1m	1.92	1.92	1m	-0.40	-0.40
3m	1.11	1.10	3m	-0.37	-0.37	3m	2.36	2.34	3m	-0.35	-0.35
6m	1.22	1.20	6m	-0.29	-0.29	6m	2.52	2.52	6m	-0.32	-0.32
			2y	-0.13	-0.12	12m	2.77	2.77	12m	-0.24	-0.24
3y	1.64	1.63	3y	0.12	0.12	3y	2.85	2.83	3y	0.04	0.02
5y	1.91	1.90	5y	0.56	0.57	5y	2.92	2.90	5y	0.38	0.39
7y	2.10	2.09	7y	0.91	0.92	7y	2.92	2.92	7y	0.67	0.68
10y	2.27	2.27	10y	1.28	1.28	10y	2.97	2.96	10y	0.99	1.00

Government bonds

Norway	Prior	Last	SEK	Prior	Last	US	Prior	Last	Germany	Prior	Last
NST479/d	99.08	99.04	10y	100.20	100.20	10y	99.20	99.25	10y	99.45	99.45
10y yld	1.86	1.86	10y yld	0.73	0.73	10y yld	2.97	2.96	10y yld	0.56	0.56
US sprea	-1.10	-1.10	US sprea	-2.24	-2.23	30y yld	3.11	3.10	US sprea	-2.41	-2.40

Interest rate forecasts

Norway	3m nibor	10y sw ap	Sweden	3m libor	10y sw ap	USA	3m libor	10y sw ap	Germany	3m euribor	10y sw ap
Aug-18	1.15	2.25	Aug-18	-0.40	1.50	Aug-18	2.55	3.00	Aug-18	-0.30	1.25
Nov-18	1.20	2.50	Nov-18	-0.25	1.75	Nov-18	2.70	3.25	Nov-18	-0.30	1.50
May-19	1.45	2.75	May-19	-0.05	2.00	May-19	3.20	3.75	May-19	-0.20	1.75

Sources to all tables and graphics: Thomson Reuters, Thomson Datastream and DNB Markets

Markets

Miscellaneous

Miscellaneous

NOK sov.	Prior	Last	Change	Maturity	year rem.	NOK-index TWI	Prior
NST 40	0.74	0.74	0	19.09.2018	0.35	Last	112.85 112.89
NST 41	0.76	0.75	-1	19.12.2018	0.60	Oil price: (Ldn,c)	1m
NST 42	0.76	0.76	0	20.03.2019	0.85	SPOT	76.84 76.71
NST474	1.17	1.16	0	25.05.2021	3.03	Gold price	11.05.2018 PM
NST475	1.48	1.47	-1	24.05.2023	5.03	AM:	1318.8 1324.4
NST479	1.86	1.86	0	17.02.2027	8.77	Equities	Today 0700 % last
						S&P 500	2727.72 0.4%
						Dow Jones	24831.17 0.2%
						FTSE250	7724.55 0.3%
						Stoxx600	392.40 0.1%
						DAX	13001.24 -0.2%
						Nikkei 225	22860.29 0.4%
						OSEBX	878.81 0.0%

NOK FRA	3 mnd	6 mnd	NOK	NIBOR
Jun	1.05	1.19	1m	0.91
Sep	1.16	1.31	3m	1.10
Dec	1.29	1.39	6m	1.20
Mar	1.32	1.45		

Sources to all tables and graphics: Thomson Reuters, Thomson Datastream and DNB Markets

Calendar

Friday – Tuesday

Importance	GMT+2	Country	Event	Period	Unit	Last	Cons.	DNB	Actual
<u>Friday 11 May</u>									
	15:15	EMU	ECB's Governor Draghi will speak in Frankfurt						
	16:00	USA	Michigan consumer confidence	May	Index	98.8	98.3		98.8
<u>Monday 14 May</u>									
	08:45	USA	Speech by Fed's Mester (voting)						
	09:30	Sweden	SCB housing prices	Apr	SEK m	3.033			
	12:15	Norway	Parliamentary hearing on the conduct of monetary policy						
	15:40	USA	Speech by Fed's Bullard (non-voting)						
<u>Tuesday 15 May</u>									
♦	04:00	China	Industrial production	Apr	y/y %	6.0	6.4		
	04:00	China	Retail sales	Apr	y/y %	10.1	10.0		
	04:00	China	Fixed assets investment	Apr	y/y %	7.5	7.4		
♦	08:00	Germany	GDP	Q1	q/q %	0.6	0.4		
♦	08:00	Norway	GDP Total	Q1	q/q %	-0.3		0.3	
♦♦♦	08:00	Norway	GDP Mainland	Q1	q/q %	0.6	0.6	0.4	
	09:25	Sweden	Speech by Riksbanken Vice Governor af Jochnick						
	10:00	Norway	Revised National Budget for 2018						
	10:30	UK	Claimant count unemployment	Apr	%	2.4			
♦	10:30	UK	Average weekly earnings	Mar	y/y %	2.8	2.6		
♦	10:30	UK	Unemployment rate	Mar	%	4.2	4.2		
♦♦	11:00	EMU	GDP (second estimate)	Q1	q/q %	0.4	0.4		
♦	11:00	EMU	Industrial production	Mar	m/m %	-0.8	0.7		
♦	11:00	Germany	ZEW sentiment	May	Index	87.9	85.2		
♦	14:30	USA	Retail sales	Apr	m/m %	0.6	0.3		
♦	14:30	USA	Empire state manufacturing	May	Index	15.8	15.0		
	16:00	USA	Fed Nominees Clarida and Bowman Testify Before Senate Panel						
	16:00	USA	NAHB housing market sentiment	May	Index	69.0	70.0		
	17:30	Norway	Speech by Norges Bank Vice Governor Nicolaisen						
	19:00	USA	Speech by Fed's Williams (voting)						

Calendar

Wednesday – Friday

Importance	GMT+2	Country	Event	Period	Unit	Last	Cons.	DNB	Actual
<u>Wednesday 16 May</u>									
♦	01:50	Japan	GDP	Q1	q/q %	0.4	0.0		
	06:30	Japan	Industrial pproduction	Mar	m/m %	1.2			
♦	08:00	Germany	Inflation (CPI)	Apr	m/m %	0.0	0.0		
	09:00	Sweden	HOX housing prices	Apr	m/m %	0.0			
♦	11:00	EMU	Core inflation (CPI), final	Apr	y/y %	0.7	0.7		
	14:30	USA	Speech by Fed's Bostic (voting)						
♦	14:30	USA	Housing starts	Apr	m/m %	1.9	-0.4		
♦	14:30	USA	Building permits	Apr	m/m %	2.5	-2.1		
♦	15:15	USA	Industrial production	Apr	m/m %	0.5	0.6		
	15:15	USA	Capacity utilization	Apr	%	78.0	78.4		
	23:00	USA	Speech by Fed's Bullard (non-voting)						
<u>Thursday 17 May</u>									
♦	01:50	Japan	Machinery orders	Mar	m/m %	2.1	-3.0		
♦	14:30	USA	Initial jobless claims	12-May	1000	211	215		
♦	14:30	USA	Philadelphia Fed business outlook	May	Index	23.2	21.2		
	16:00	USA	Leading index	Apr	m/m %	0.3	0.4		
	16:45	USA	Speech by Fed's Kashkari (non-voting)						
	19:30	USA	Speech by Fed's Kaplan (non-voting)						
		Norway	National holiday - markets closed						
<u>Friday 18 May</u>									
♦	01:30	Japan	Core inflation (ex fresh food&energy)	Apr	y/y %	0.5	0.4		
♦	01:30	Japan	Inflation (CPI)	Apr	y/y %	1.1	0.9		
	09:00	USA	Speech by Fed's Mester (voting)						
	15:15		Speeches by Fed's Kaplan (non-voting) and Brainard (voting)						

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