

Nordic Alert

Friday 16 August 2019

Omen of recession

Global key stories

Yesterday, S&P 500 barely managed to close in the green (+ 0.25%). However, OMXS30 did not quite make it, instead it ended up in the red at -0.29%. This morning, the Asian markets are on the plus side with Nikkei +0.01%, Hang Seng +0.80% and Shanghai Comp +0.68%. The inverted US yield curve (shorter-term rates are higher than longer-term bond yields) is still a hot topic. This phenomenon has not occurred since 2007 (just before the Great Recession) and is a known omen of recession (although, the omen is also being questioned).

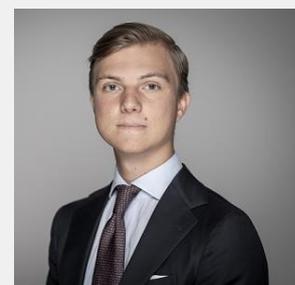
Brexit deadline closing in. Day by day, the Brexit deadline (31 October) draws nearer. British PM Boris Johnson has promised to deliver Brexit with or without a deal ("no ifs or buts"). There are still ongoing negotiations for a deal, but the option to suspend the parliament has not yet been ruled out. A majority of the Member of Parliament (MPs) are against a no-deal Brexit, and the question is whether the Prime Minister should be allowed to suspend parliament in order to deliver a no-deal Brexit. There have been several polls in the UK asking the British people if they think that a suspension of parliament should be used. The results from the different polls are mixed; some claim that a majority is for a suspension, whilst other claims the opposite. The only certain conclusion that can be drawn is that the tensions are increasing as the Brexit deadline is approaching, and that the people of the UK still are divided in the Brexit question.

Facebook's own digital currency "Libra". Libra is a new crypto currency that is currently being developed by Facebook and a few other tech companies. This new crypto currency is planned to be released during the first half of 2020. Several companies such as Visa, Mastercard, Uber, Paypal and Spotify have planned to join the so called "Libra Association", which will be responsible for handling the currency. Unlike other crypto currencies, which are being valued directly by supply and demand, Libra will be valued against a FX reserve (consisting of mostly USD, but also EUR, JPY and CHF). Libra could possibly be a means of sending money anywhere in the world in a relatively inexpensive and convenient way. The Libra bank could also, possibly, erode the power of the central bank's monetary policies, since the currency will be controlled by the private sector. There are many possibilities for digital currencies, but also many risks, since the currencies are part of an unexplored territory of monetary economics. Please read more [here](#) (in Swedish).

Nordic key stories

No more expected rate hikes from the Swedish Riksbank during next year. The economic data presented during the summer has been weak, which indicates that the Swedish economy is worsening. The GDP change in the second quarter (-0.1 and 1.4, qoq/yoy) was a disappointment in relation to both our forecasts and the Riksbanks forecasts. Keep in mind that these figures are very volatile, especially the flash estimates for Q2 GDP. In the current economic environment, with a weak domestic economy and very dovish central banks globally, we think that the Riksbank will have trouble delivering a rate hike in the end of this year, or early next year. This is a brief summary of a more extensive analysis presented in the report "Ögat", written in Swedish.

Increased uncertainty in the policy outlook for Norway. Norges Bank kept the policy rate unchanged at 1.25%, which was widely expected. The Board gave unclear signals by stating: "Overall, new information indicates that the outlook for the policy rate for the period ahead is little changed since the June Report. The global risk outlook entails greater uncertainty about policy rates going forward". The statement indicates that the rate path from the June monetary policy report is still valid. It also indicates that the uncertainty regarding the policy outlook has increased. We consider this to be a signal that Norges Bank wants to gain flexibility in order to evaluate important data and global developments before deciding on possible rate hikes. Please read more [here](#).



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Latest data

NZ

Business Manufacturing PMI
48.2 (prev. 51.3)

US

Industrial Production
-0.2% (prev. 0.0%)

NOR

Deposit Rate
1.25% (prev. 1.25%)

Market data

EUR/SEK: 10.70
EUR/NOK: 10.01
EUR/USD: 1.11
USD/SEK: 9.64
USD/NOK: 9.02

Govt yields

Swe 2y: -0.68
Swe 10y: -0.41
Nor 10y: 1.01

Brent Crude

USD 58.8

Today's key events- chart package for the most important events this week [here](#)

CET	Country	Event	Period	SEB forecast	Consensus	Last
11:00	EC	Trade balance SA trade balance nsa	Jun		EUR 18.5bn --	EUR 20.2bn 23.0bn
14:30	US	Housing starts housing starts mom	Jul		1260k 0.5%	1253k -0.9%
16:00	US	U. of Mich. Sentiment	Aug P		97.5	98.4

Other: Norges Bank's Matsen to speak on the oil fund and sustainable investments (13.45), OPEC publishes monthly oil market report. **Reports:** Catena Media, Humana, Nibe Industrier, Precise Biometrics, Ratos, Volati, Deere, Meegafon.