29 March 2021

Macro Weekly

Week 13/2021

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Highlights, corona update

The world around us

The Norwegian economy

Market charts & comments

Last week 1: It ain't over yet. However, a Norwegian R at 1.0?

The virus

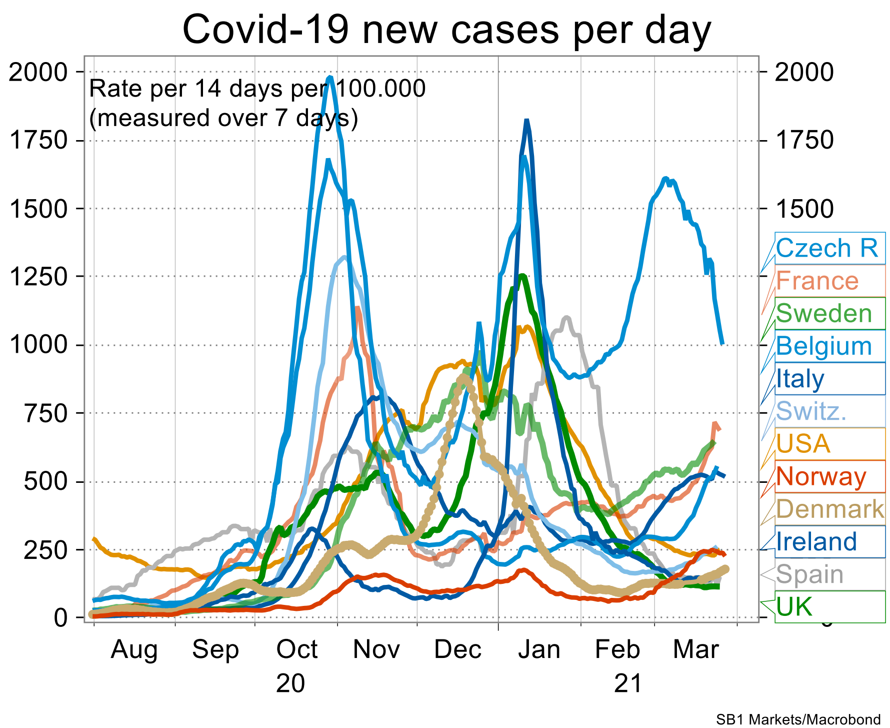
- **Most countries are still reporting more covid-19 cases:** However, growth is slowing, no doubt due to new restrictions & reduced mobility in several countries
- **In Norway**, the 'R', measured by new cases, fell to 1.0 last week or even lower at the end of the week (but start of the Easter holiday may then have influenced data), from 1.5 at the peak. Even an 'R' at 1.1 would be acceptable as there is not that long before vaccines are arriving in much larger quantities. During the Easter, hospital occupancy data will probably be most relevant, even if they are lagging some days vs. test results
- **In the US & UK** the pace of vaccination is impressive, and in the US the no. of cases is (almost...) not increasing, even if mobility is now picking up
- **Vaccinations in both the EU & Norway** will be slowed down in April as Johnson & Johnson will able to deliver just 1/6th of the promised no. of jabs
- **The main risk going forward**: The vaccines are not able to cope will with the **new variants of the virus** and that those previously infected with other strains of the virus will not be immune vs. the new variants

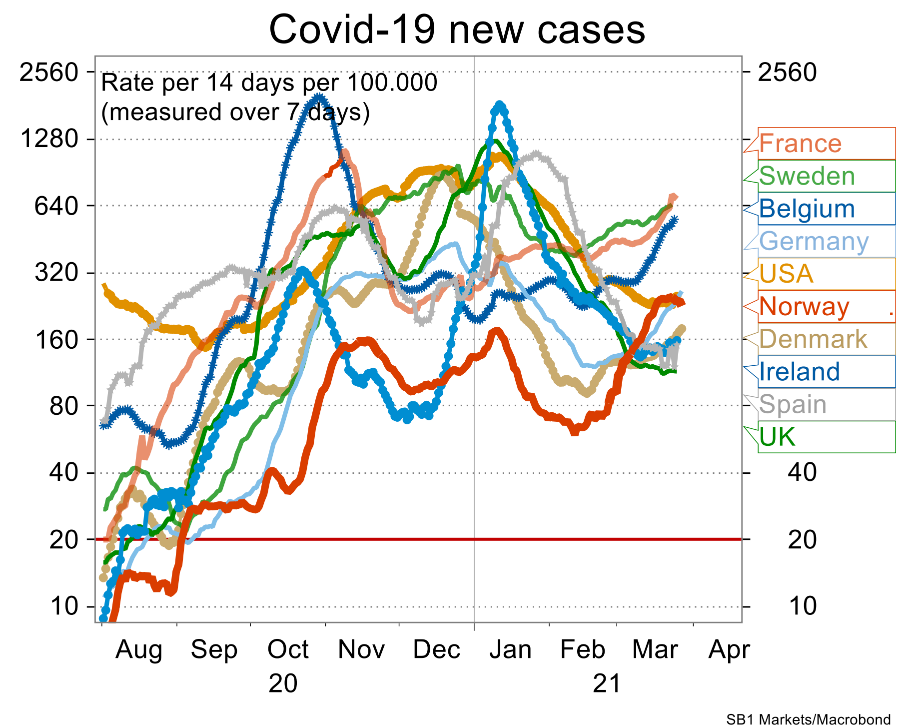
Last week: The economy

- **Global**
  - **The composite global PMI** very likely rose further in March, due highly unusual surge in the PMIs in EMU & UK, both in manufacturing and services. Many countries have not yet reported, but so far the global PMI seems to be well above average, signalling growth above trend. Services in the EMU is still contracting but far less in Feb and the manufacturing sector is reporting record high growth in most countries in the zone, which is confirmed by national surveys! Delivery times are surging most places, even before the Suez Canal was blocked, as are both input and output prices, in manufacturing as well as in services. Corona trouble may be partly responsible, but activity in the global goods sector is remarkably strong.
  - **Both global retail sales and manufacturing production** rose further in February, according to our preliminary estimates. Both are 3% above the pre-pandemic level. **Global foreign trade volumes** rose sharply in January, and are well above the pre-pandemic level too. **Person-related services** are still far below a normal level, but has turned upwards
  - Some 12% of global seaborn trade passes through the **Suez Canal**. Still it is unlikely that supply chains will break down to a large extent. It will cost somewhat more, and take somewhat more time to sail around Africa but the blockage should not be a blow to the global economy, even if should take time to clear the Canal
- **USA**
  - During Jan & Feb **households have spent** some 1/3rd of USD 600/person stimulus cheques transferred in January, and the savings rate remain extremely high, even before the USD 1,400 cheques were received in March. All extra savings since last spring are placed in bank deposits. In February consumption fell, after the January lift and partly also due to the harsh winter weather. We expect a substantial increase in spending on services the coming months
  - **Durable goods** orders fell slightly in February but the level is impressive, well above pre-pandemic order inflow. Business investments will continue upwards in Q1, following the rapid recovery in Q3 and Q4.
  - Both **existing and new home sales** fell in February, and more broadly than bad weather can explain. The inventory of unsold homes are record low, and existing home prices are up 3% over the past 2 months, according to realtors
- **EMU**
  - **Consumer confidence** rose sharply, up to an average level in March. **Credit** is still flowing, sort of
- **Norway**
  - **NAV unemployment** rose by 0.1 pp to 4.1% in March, 0.2 pp above NoBa's two-week old forecast. Including partially unemployed, the unemployment rate is 7%, 3.2 pp above the pre-pandemic level. Unemployment has been close to stable since last October, is spite of a extra inflow of new claimants equalling 1.4% of the labour force since that. The no. of new vacancies is increasing in most sectors, and the level is very high
  - **Credit growth** is accelerating but slowly, and now mainly driven by the Mainland corporate sector. Total credit growth up 0.1 pp to 5.0%

Mixed, most countries still on the way up – but not faster. Norway has flattened

As we expected, growth in Norway has slowed amid lower mobility



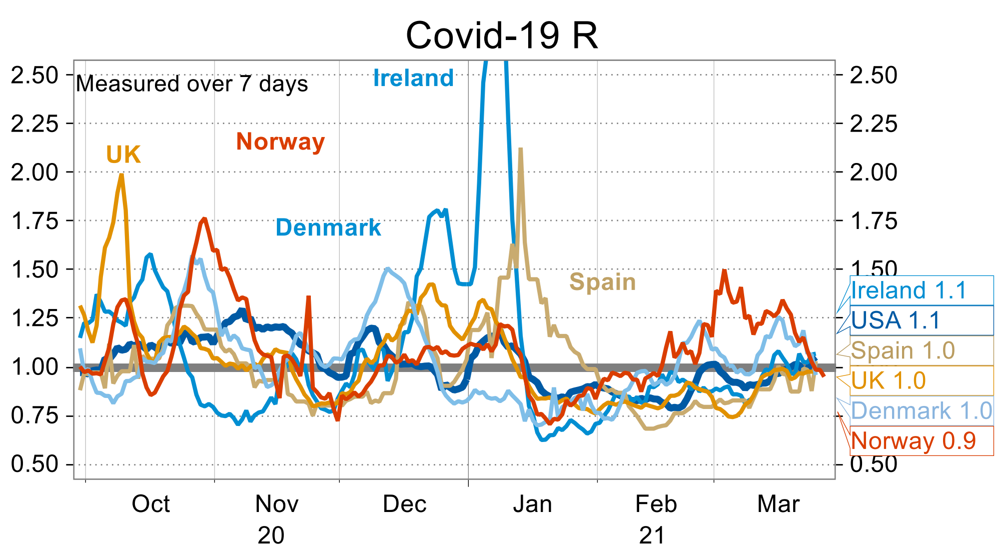


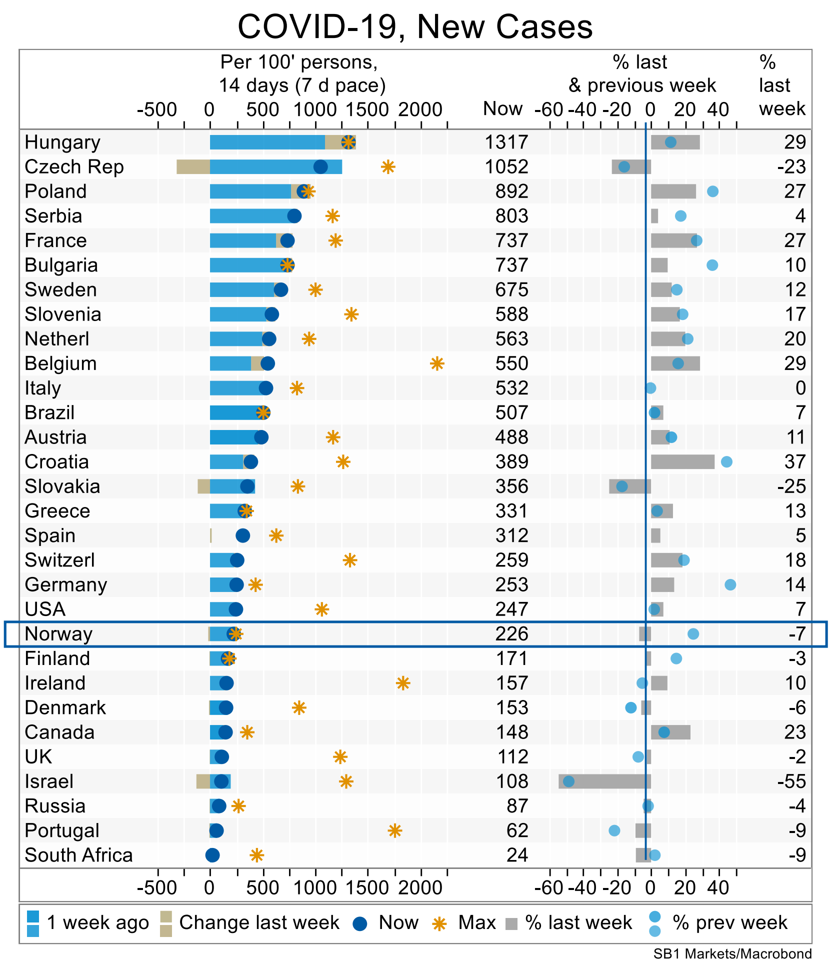
- Infections in **France and Belgium** are on the way up again, and these two countries will run into trouble again before vaccines arrive in sufficient quantities
- **Sweden** is a borderline case but growth is so slow that the country may opt to wait for more vaccines
- Vaccines are definitely keeping new cases down in the UK and the US. There are some few more cases in the US but given the rapid roll-out of vaccines, the situation will probably not run out of control
- In **Norway** growth has clearly slowed, and our weekly 'R' has fallen to 1, and even below if the last observation is included. However, testing activity has probably slowed due to the start of the long Norwegian Easter holiday

Still more countries on the way up than down but growth is slowing most places

Few countries are reporting very high infection numbers, except some Eastern European countries

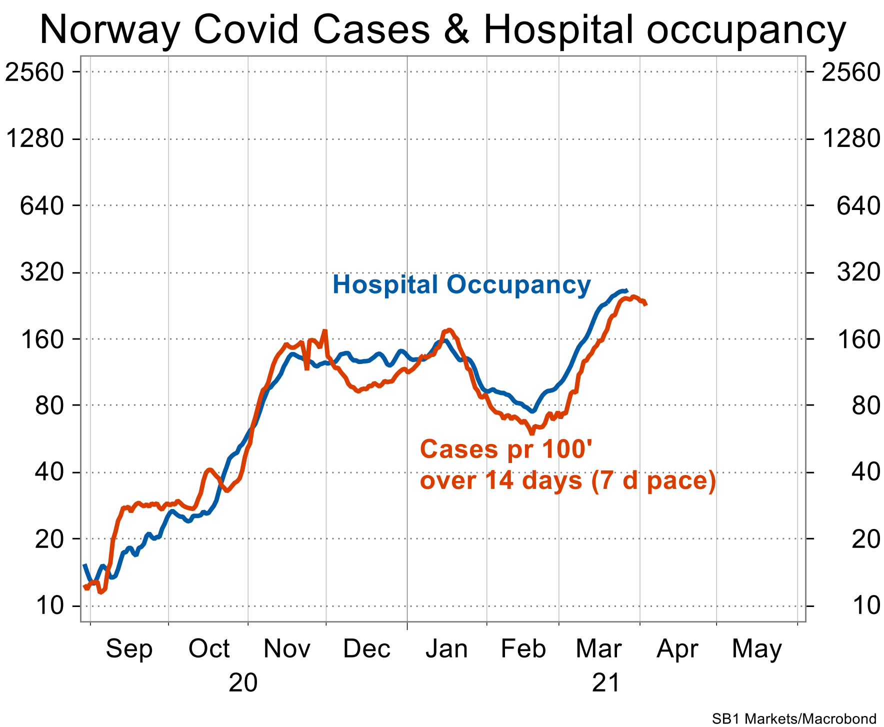
- **The Czech Rep.** has passed the baton over to Hungary, which took the pole position last week. Other **Eastern European** countries are high up on the list too
- **France and Belgium** are reporting almost 30% weekly growth, and no sign of slowing
- The US and UK are flattening, at rather low levels
- **Norway** reported a small decline in no. of new cases last week, for the first time since mid February. A low no. was reported for Saturday but a likely lower testing activity may explain that (no. of tests are published with a delay)
  - » Several local restrictions are announced, and mobility is on the way down
- **In Israel,** the virus is disappearing; The no. of new cases is dropping by 50 - 55% per week!

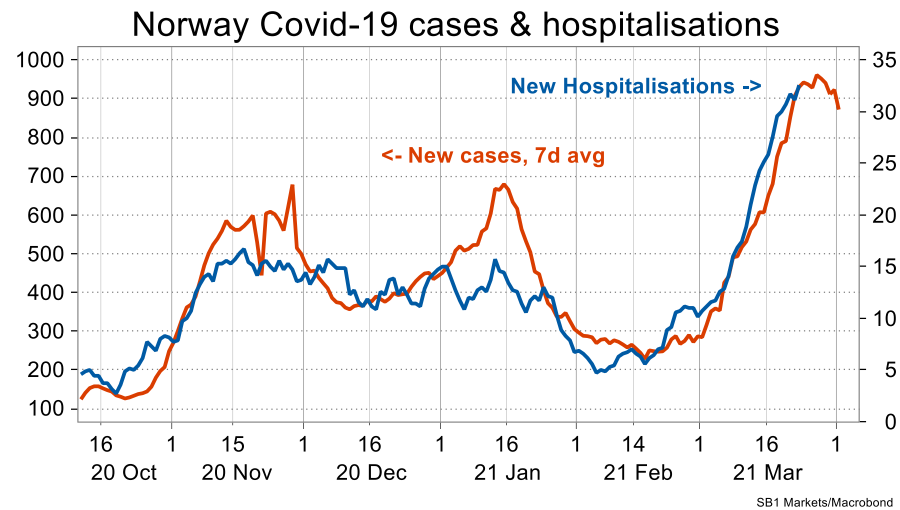


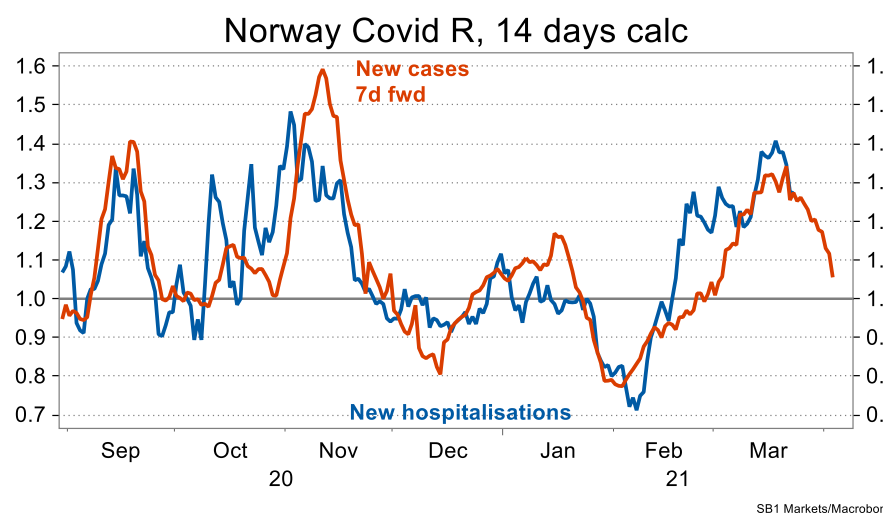


Norway: Hospitalisation data probably the most relevant during the Easter holid.

However, new cases flattened <u>before</u> the Palm weekend, and no. of new hospitalisations has slowed



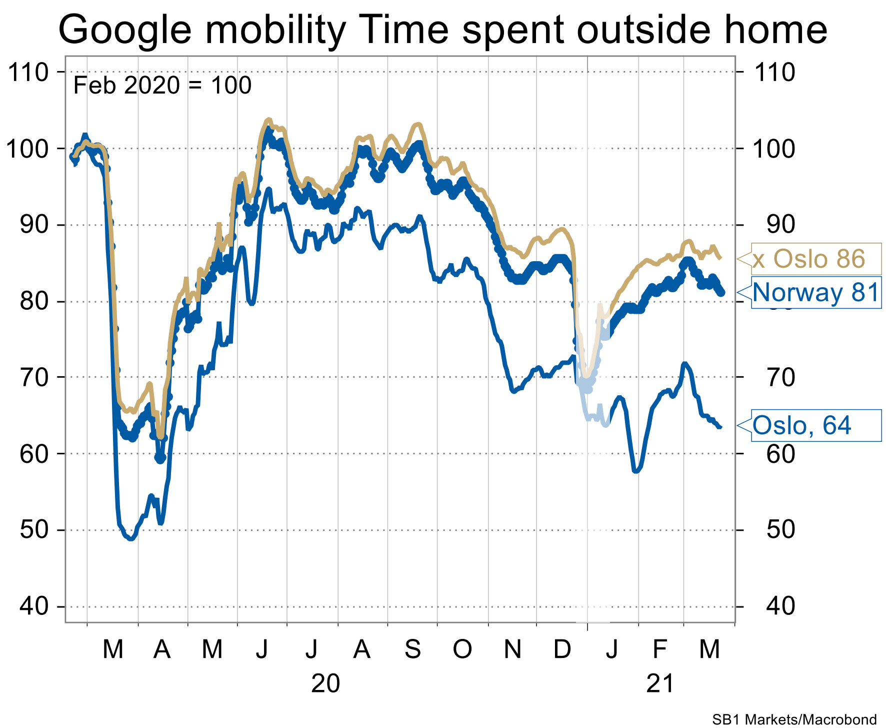




- Data for <u>new</u> hospitalisations are lagging a few days but growth has at least slowed somewhat
- The hospital occupancy no. has almost stabilised too
- During the Easter holiday, hospitalisation data will probably be more reliable than testing data

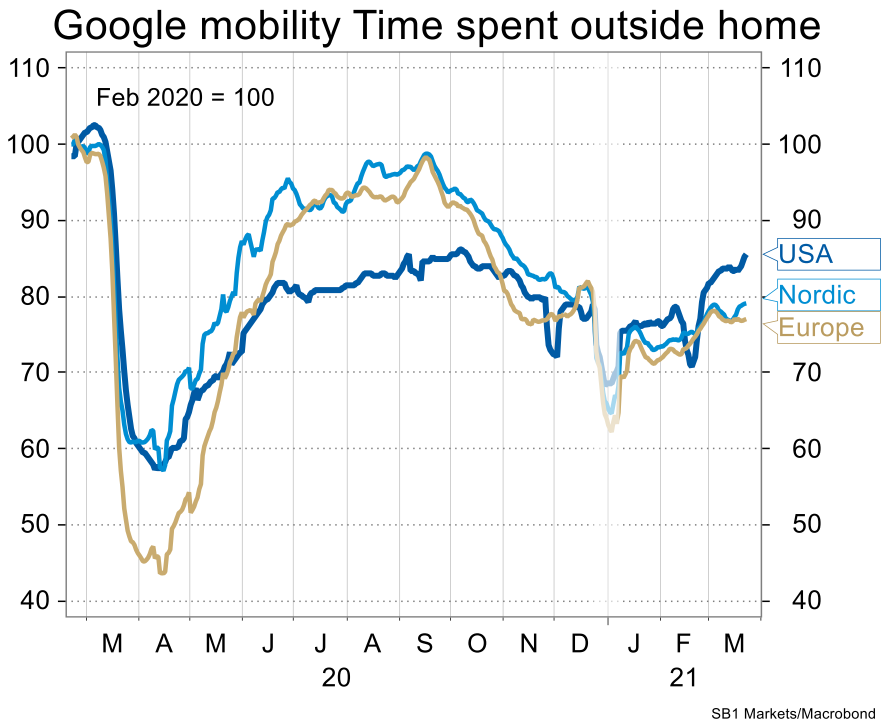
New restrictions lowers mobility in Norway, especially in Oslo

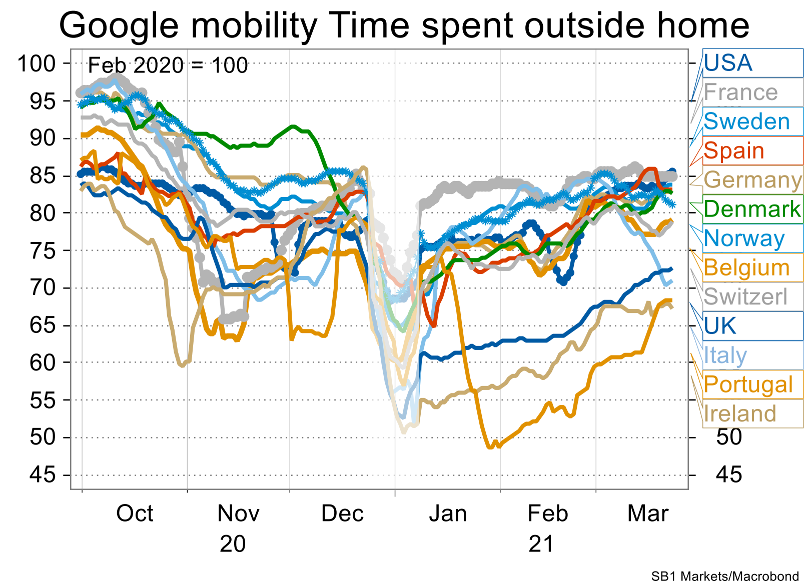
Most likely, mobility is now sufficiently reduced, the 'R' is coming down!

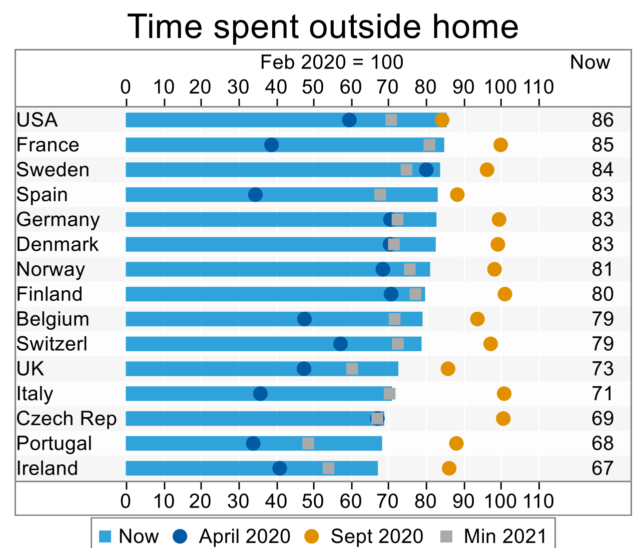


Curfew in Italy, while France, Belgium, Norway & others lowers mobility

On the other hand: the US is on the way up, as are Spain & the UK. The virus still dictates







- Several European countries are still reporting low mobility, including UK, the Czech Rep, Ireland and Portugal

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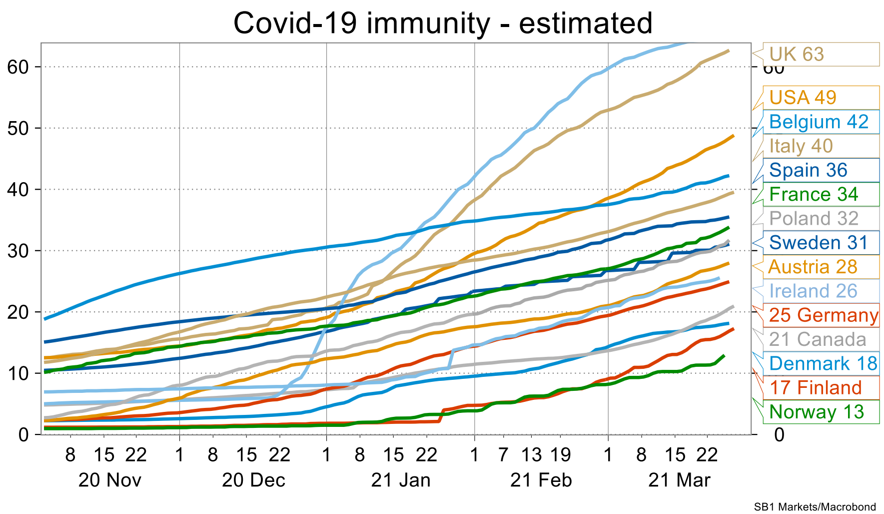
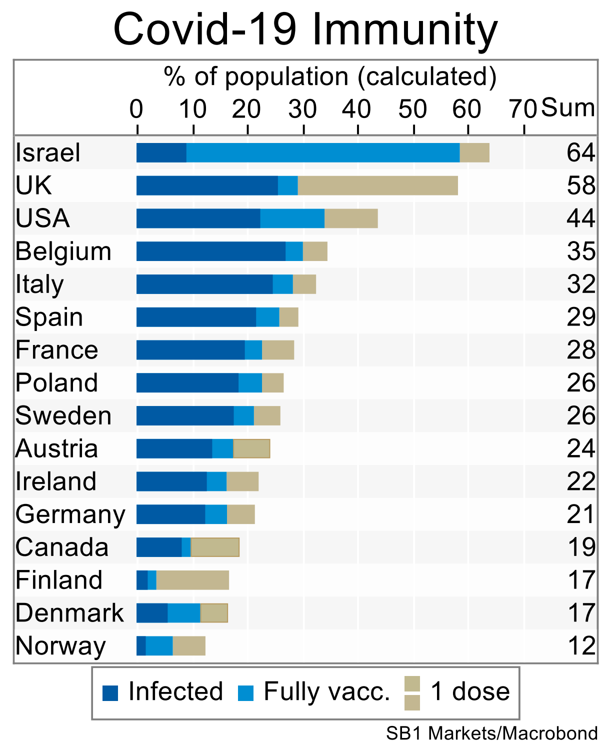
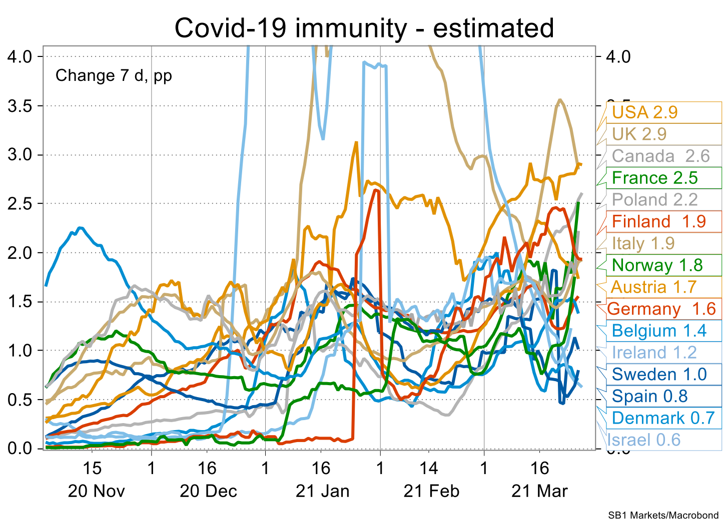
Vaccinations: EU is still lagging the UK & the US but is gaining some speed again

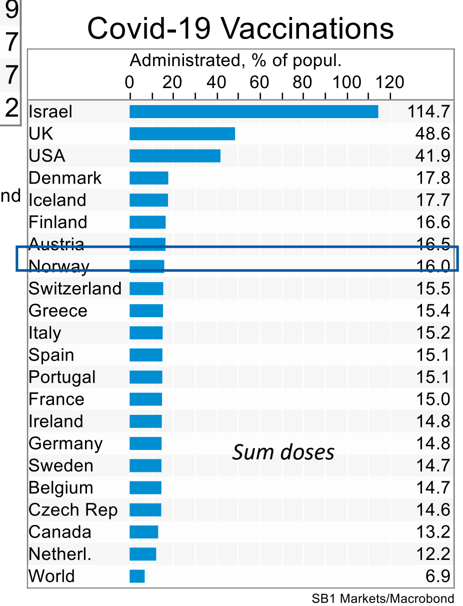
The US is now vaccinating at the fastest pace, almost 3% per week





And even more so in the UK

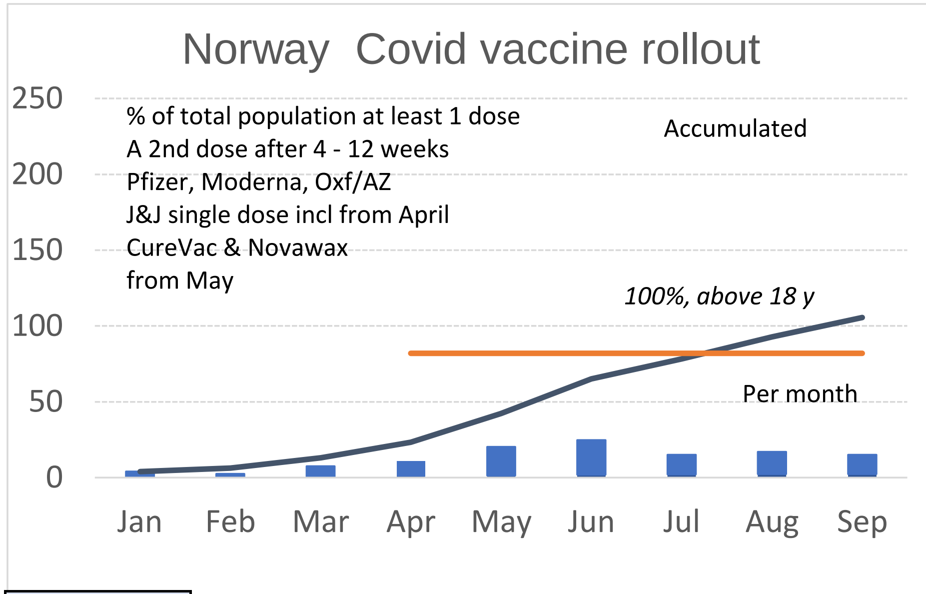




We calculate the infected rate by assuming a 0.66% infection fatality rate, and a 90% immunity from infection.
We assume those who have been infected are vaccinated in line with others

And now Johnson & Johnson had to cut their April deliveries to the EU

Luckily, Pfizer seems able to ramp up deliveries but the big jump is postponed to April



- We have said it for a while: There is still substantial uncertainty vs. the availability of vaccines, both concerning global production volumes and the share EU/Norway will receive

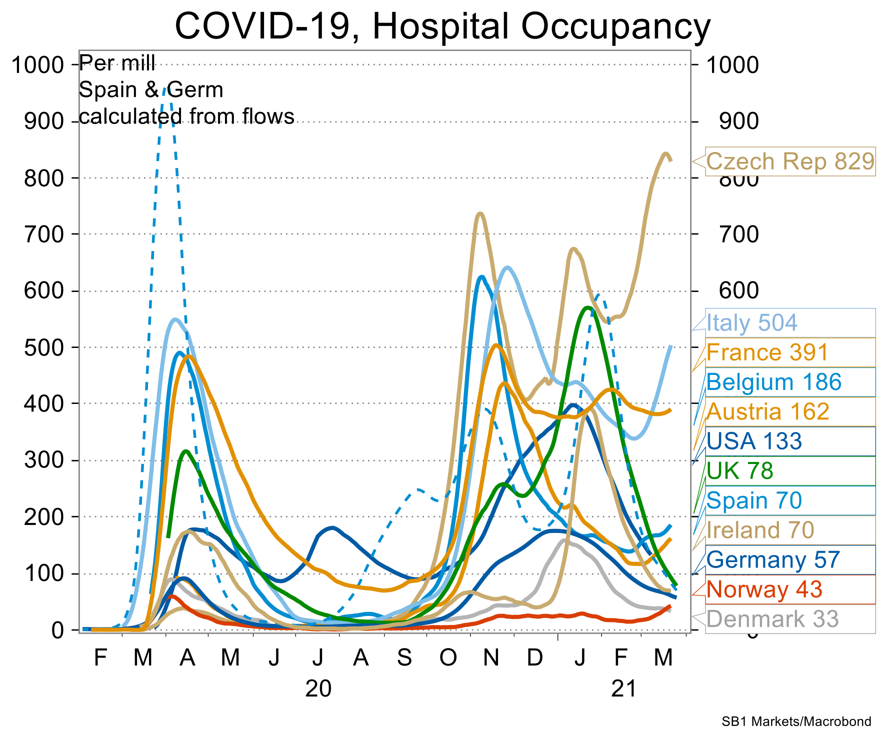
The first shot per week % of popul	
Jan	0.9
Feb	0.6
Mar	1.6
Apr	2.4
May	5
Jun	5
Jul	3
Aug	3
Sep	3

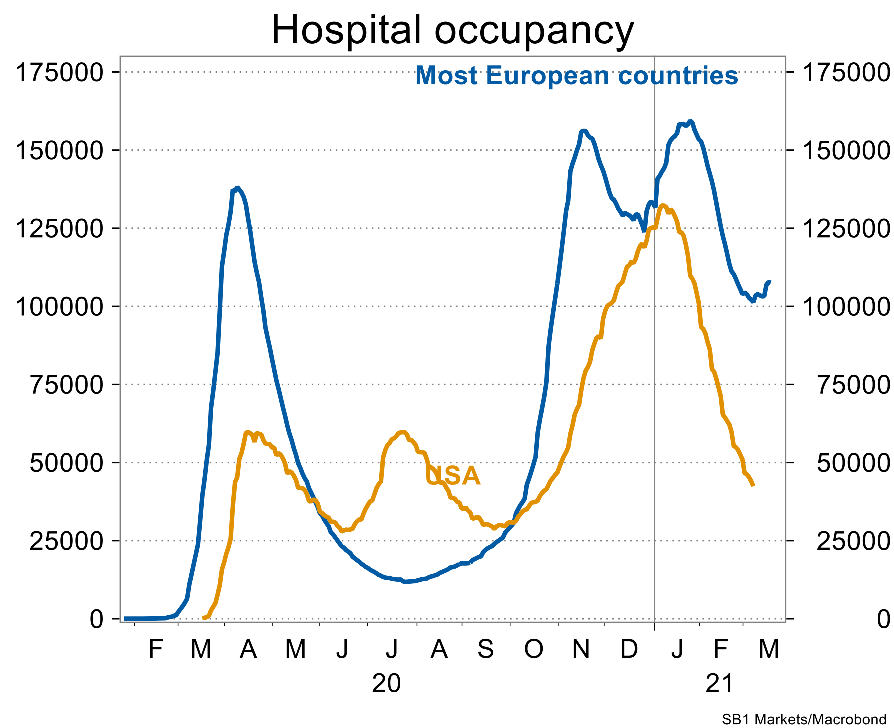
- Norway may reach a pace of vaccination at 4% of the population per week in April, which will reduce the 'R' (for a given social interaction) quickly

Data from FHI, VG, international media

Hospitalisations on the way up again in Europe, mostly due to Italy

In the US, the no of hospitalised persons is still declining rapidly

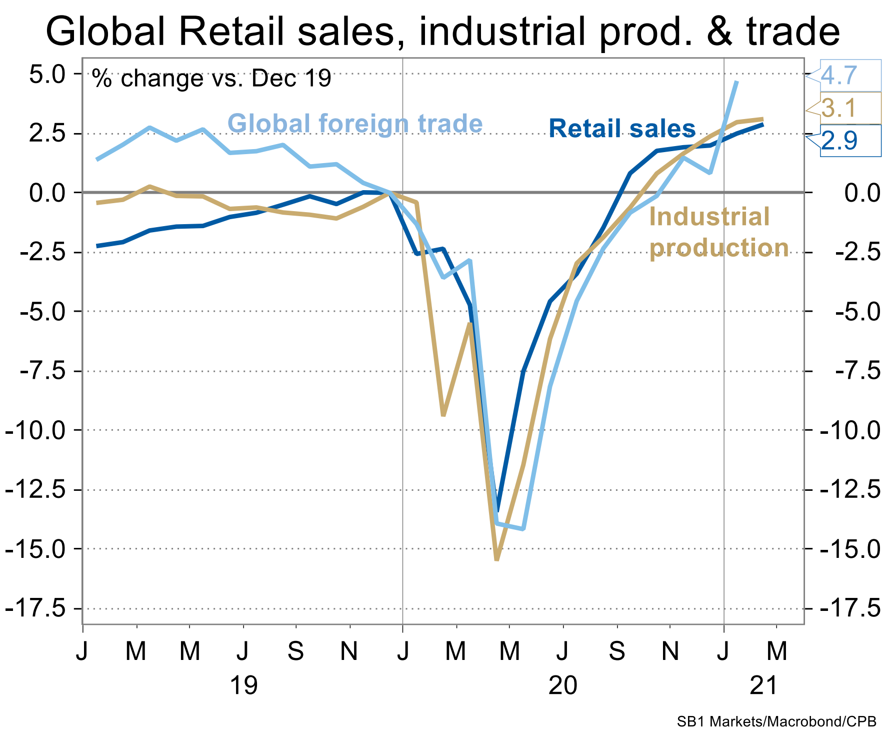


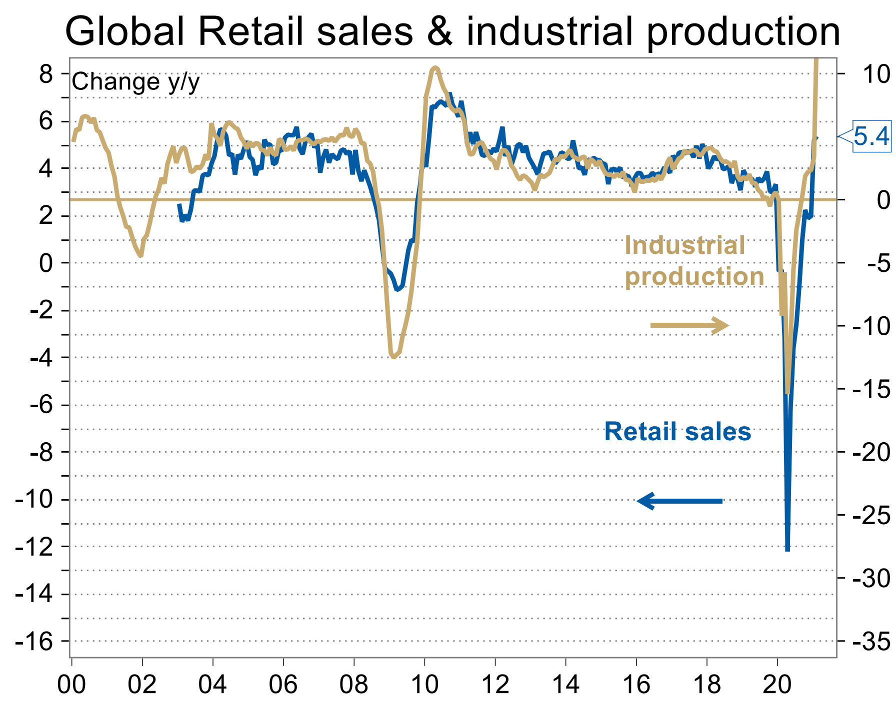


- Some increase in hospitalisations in Spain, Ireland too

Retail sales, manufacturing production probably further up in February

Both at ATH, as was global foreign trade in January



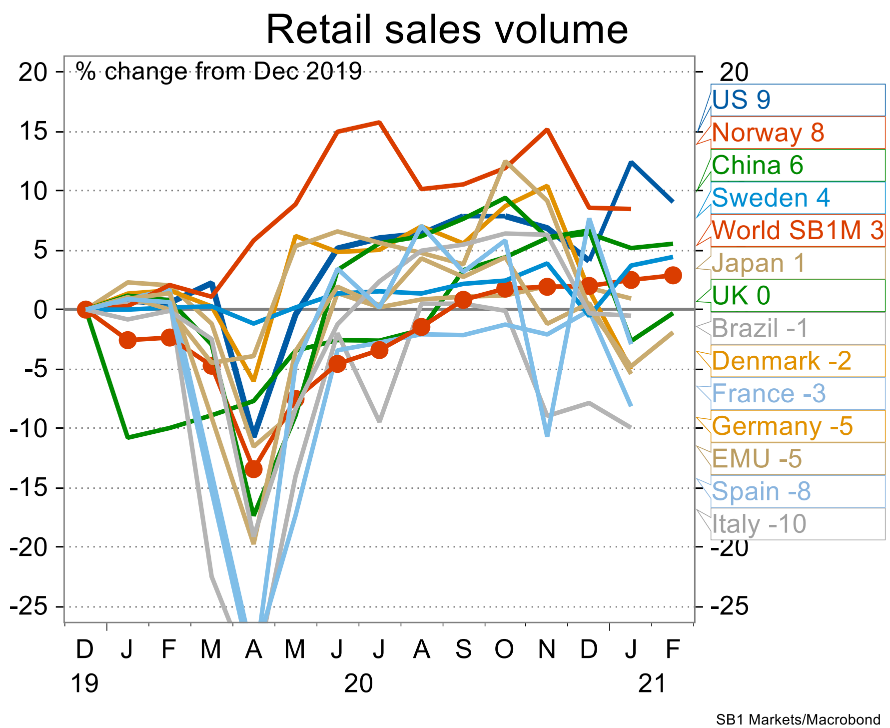


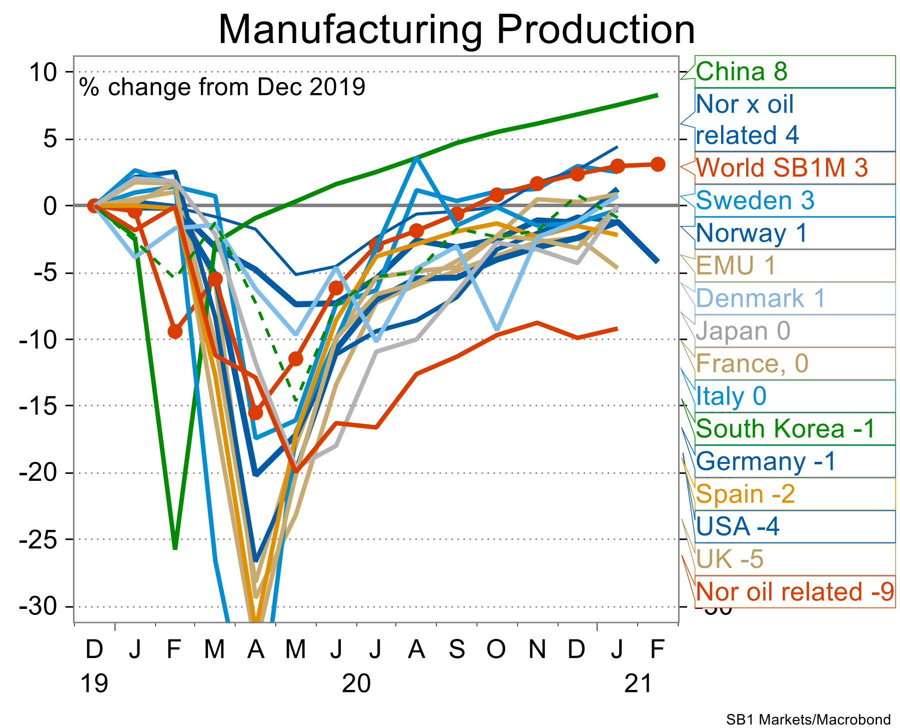
Memo: Keep in mind the different scales at the chart above

- **Retail sales** rose further in February, according to our preliminary estimate. Sales are 3% above the pre-pandemic level
- **Manufacturing production** probably rose further in February, and is 3% above the pre-corona level
- **Global foreign trade** rose sharply in January, to almost 5% above the pre-covid level, according to CBP in Netherlands

Volatile retail trade data, but trend is still up

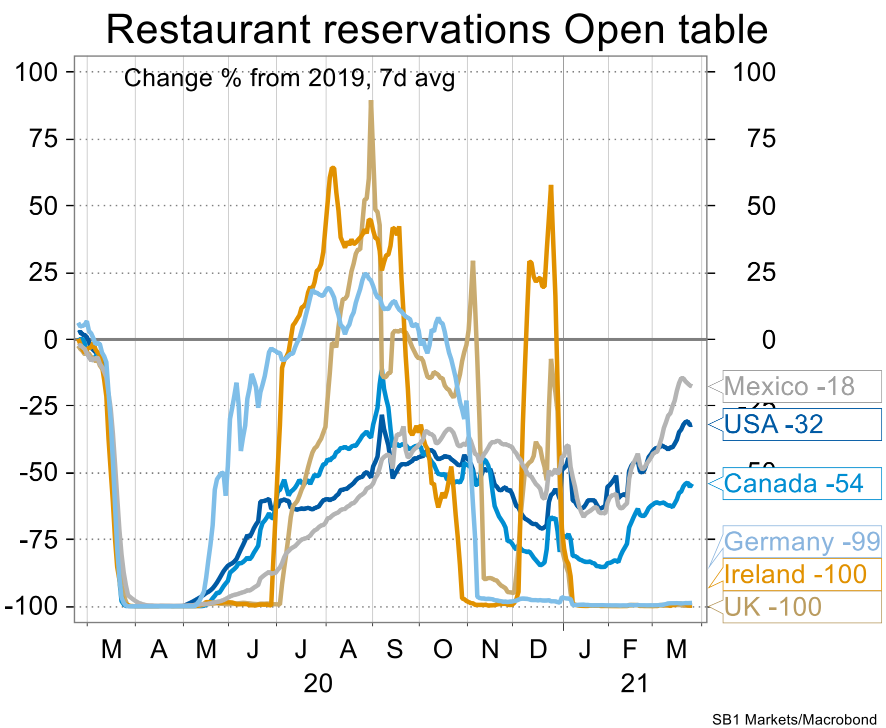
Manufacturing production is on the way up too, both up 3% vs. the pre-pandemic level

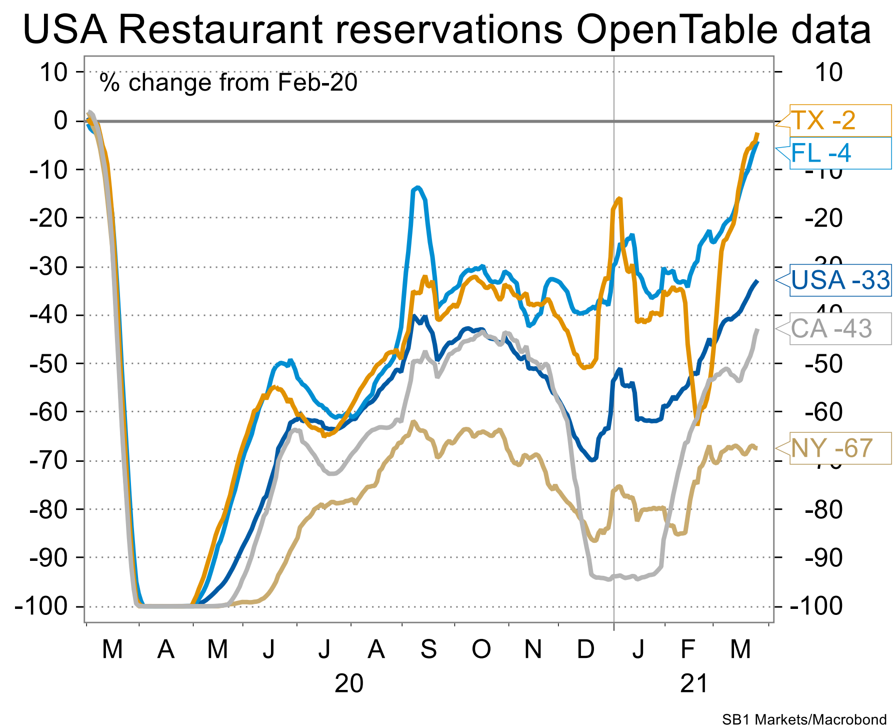




European restaurants still locked down, while the Americas is opening up

Some US states not far below a normal level, like Florida and Texas. (And new covid cases are up in Texas…)

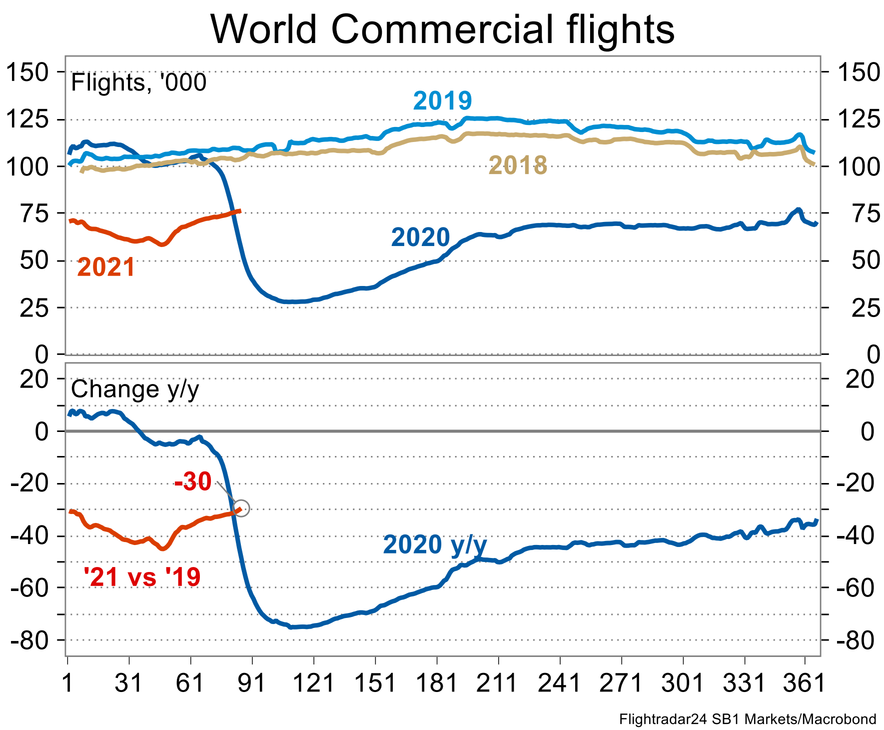


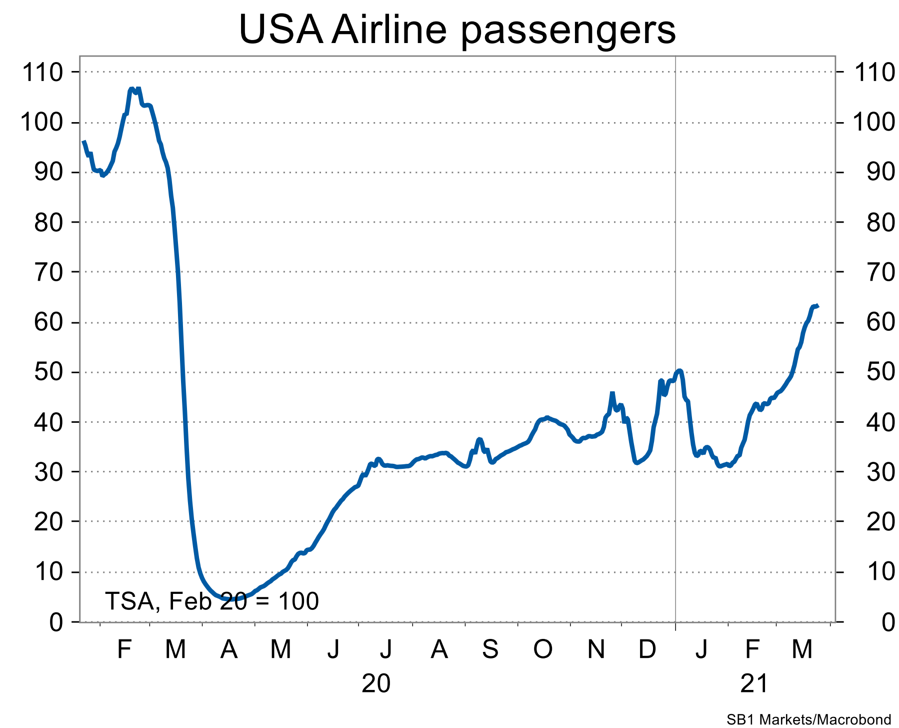


- Take-away and no-reservation US restaurants not included in Open-Table restaurant reservation data

Global airline traffic on the way up

Still 33% down vs. the pre-pandemic (2019) level. US passenger traffic down 40%, but up 100% vs Jan





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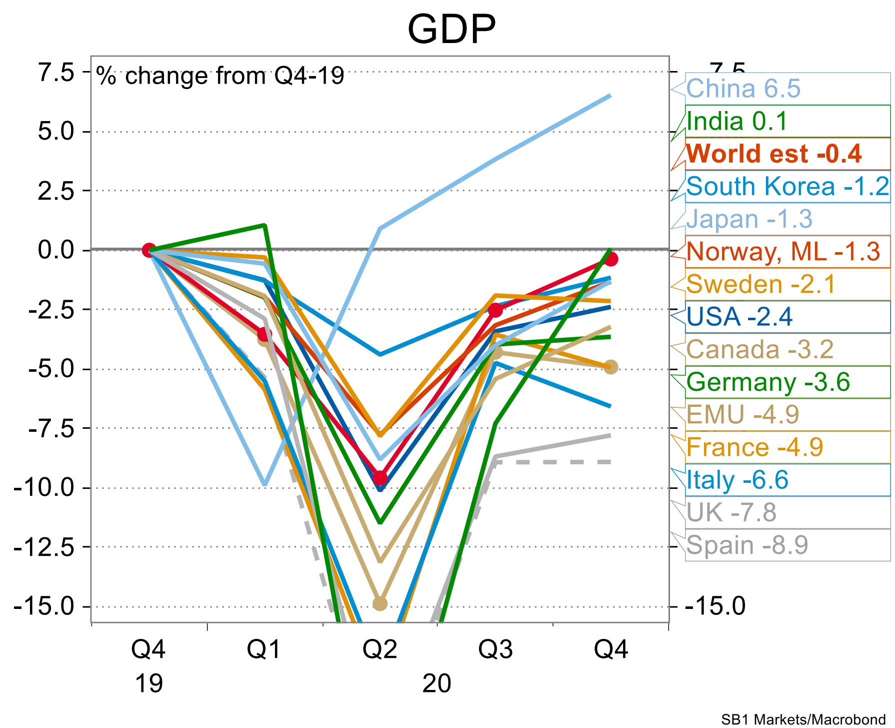
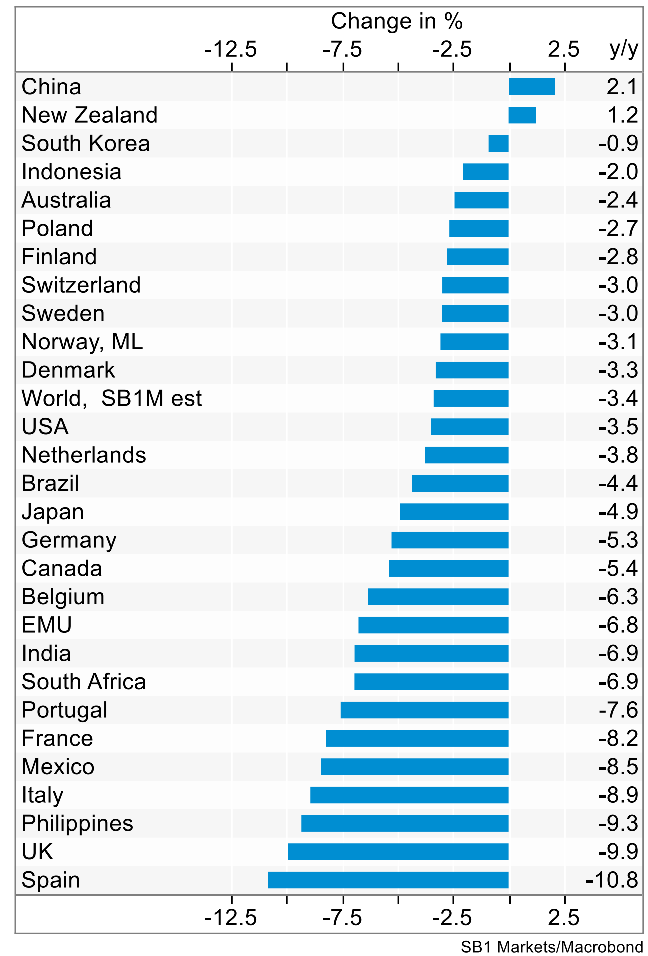
Q4 GDP growth even stronger than we assumed – India recovered sharply

GDP fell in EMU but most other countries/regions grew in Q4



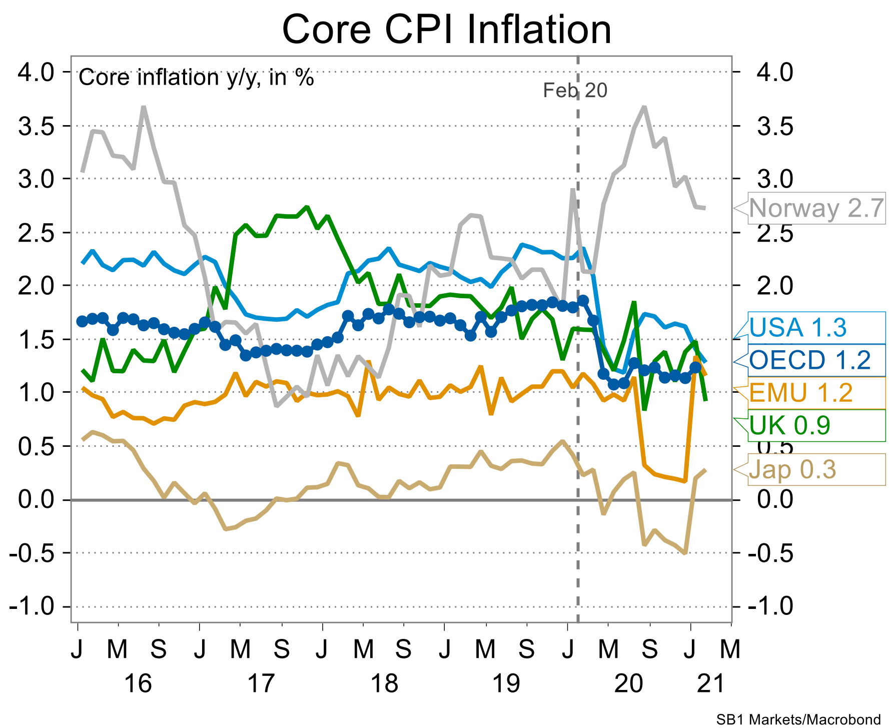
GDP 2020 vs. 2019

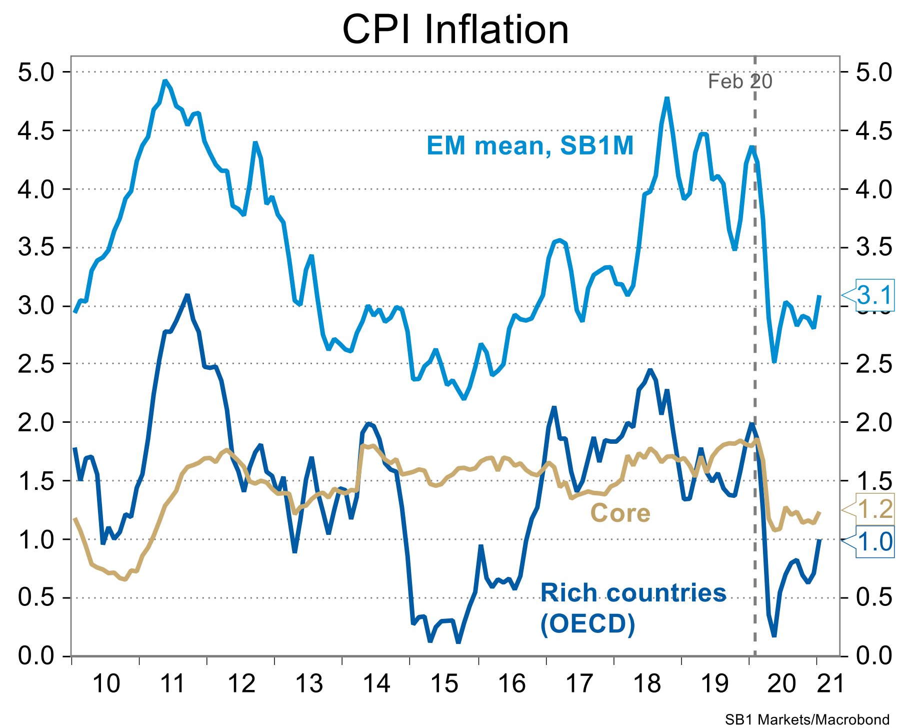


- We estimate that GDP grew by an 8% pace in Q4 – more than double of underlying trend growth, leaving global GDP down just 0.4% y/y. Last year GDP fell 3.4%
  - » China, India & the US have reported decent Q4 growth, alongside some Asian countries, UK & Norway – and most others. However, GDP fell in both France & Italy
- **In 2020,** China grew by 2.1%, New Zealand 0.2%, all others down
- Sweden -3%, Norway (Mainland) -3.1% and US -3.5%
- EMU contracted almost 7%, UK by 10% and Spain by 11%. What a year…

Inflation has bottomed

Inflation in the EMU shot up in January, and not solely due to VAT hikes



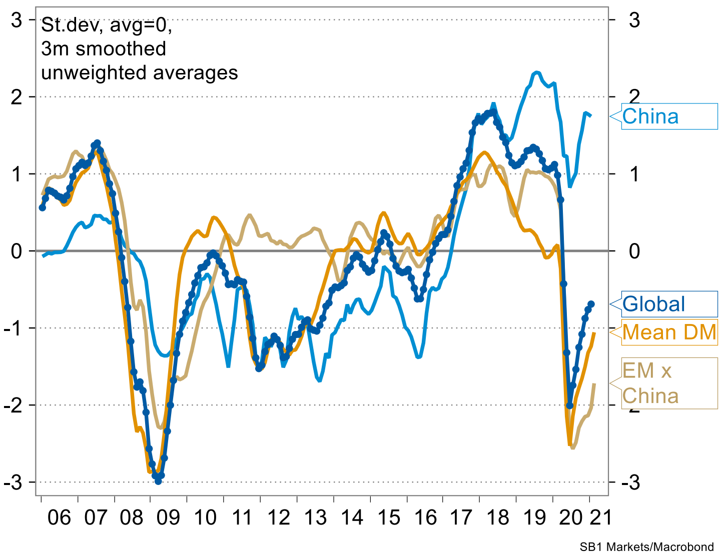


- **The PMI surveys** reports that the increase in raw material prices are pushing both total input and output prices upwards. The correlation to headline inflation is very close, and <u>a substantial lift in headline inflation is now inevitable</u>
- However, the **correlation to core (ex food, energy) inflation vs the PMIs** is far weaker, and central banks should not and will not panic even if headline exceeds the inflation target for a while (and the Fed is explicit on this, as it is now targeting the price target)
- Should core inflation increase, which will likely happen the coming months, at least in the US, central banks will not panic, as long as they have a reasonable story for a moderate inflation outlook
- The **inflation outlook** depends on the banks' assessment of output gaps, growth and especially vs their assessment of the balance in the labour market and the outlook for wages
- So far, banks can afford to wait and see until the post-Covid recovery is well established. <u>However, that won't necessarily take that many months</u>

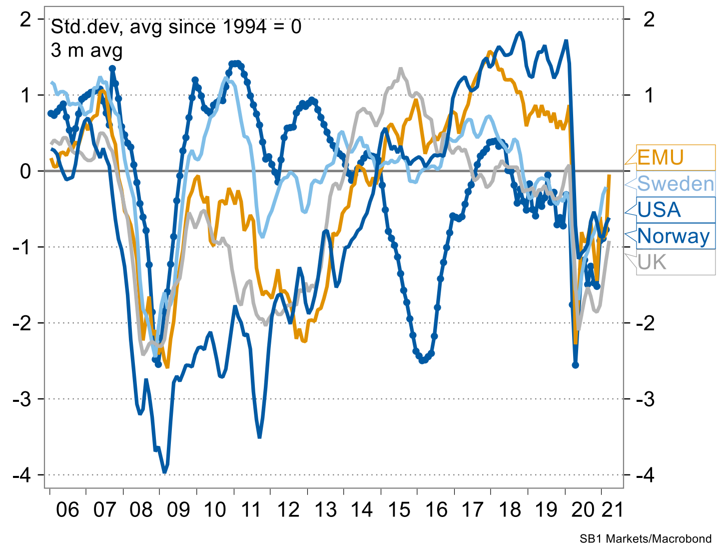
Consumer confidence is gradually recovering – but remains below par in EM x Ch

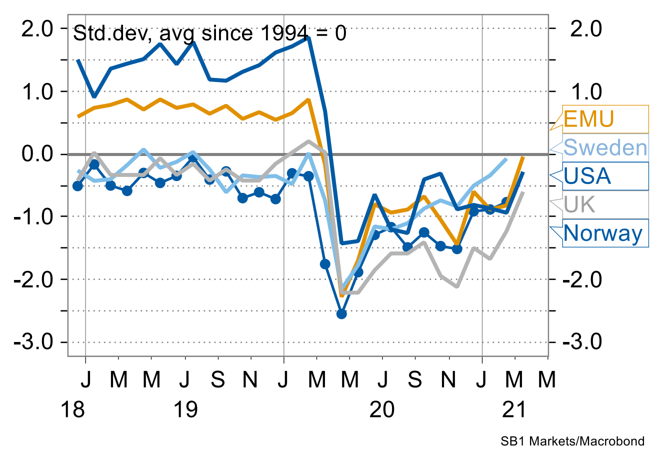
In Europe, as in the US, confidence is approaching average levels

Global consumer confidence



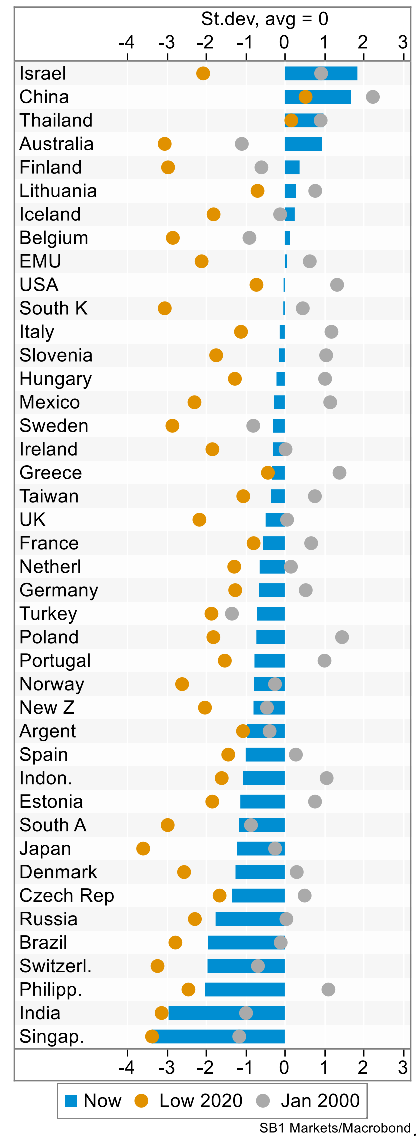
Consumer confidence





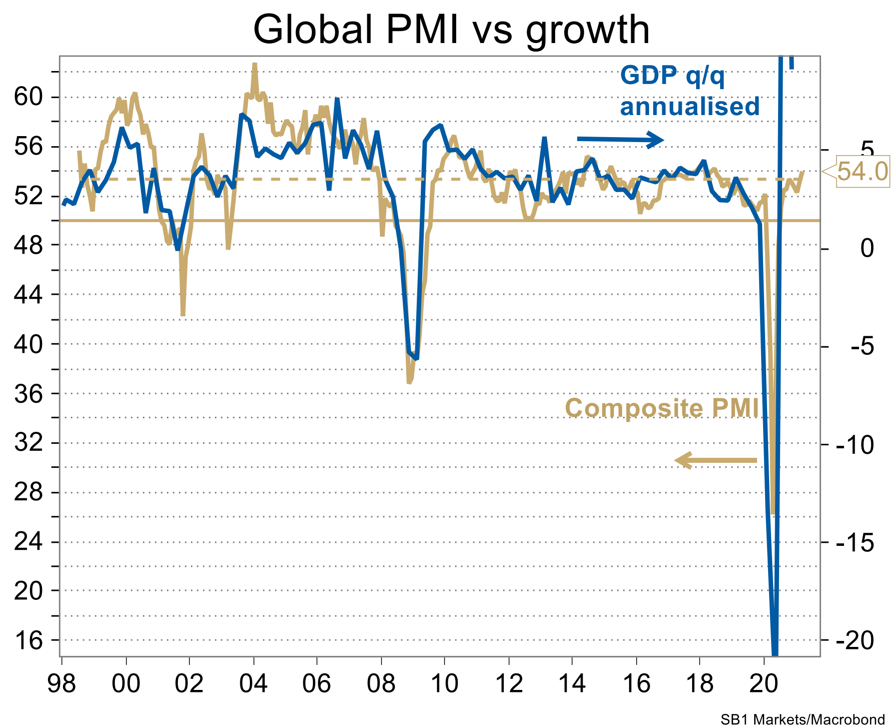
- In most EM x China, sentiment is below par
- Barring a few countries, sentiment is above last year's low (the Czech Rep is one of them, for good reasons)
- Israel is at the top, for goods reasons too

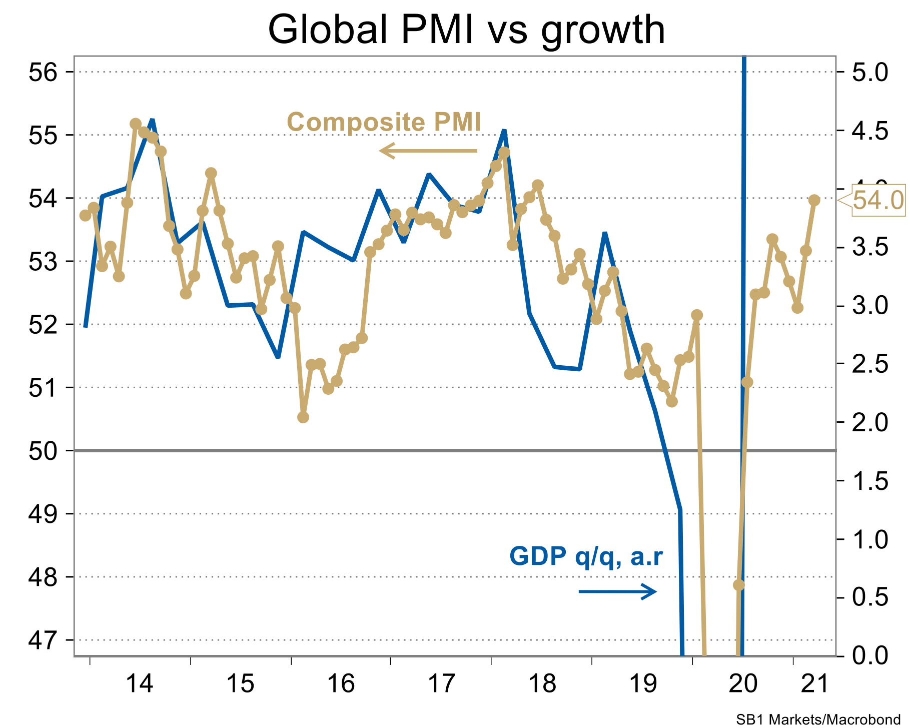
Consumer confidence



The global composite PMI likely further up in March, mostly thanks to Europe!!

We estimate a 0.7 – 0.9 p lift in the comp. PMI to 54.0, signalling growth above trend



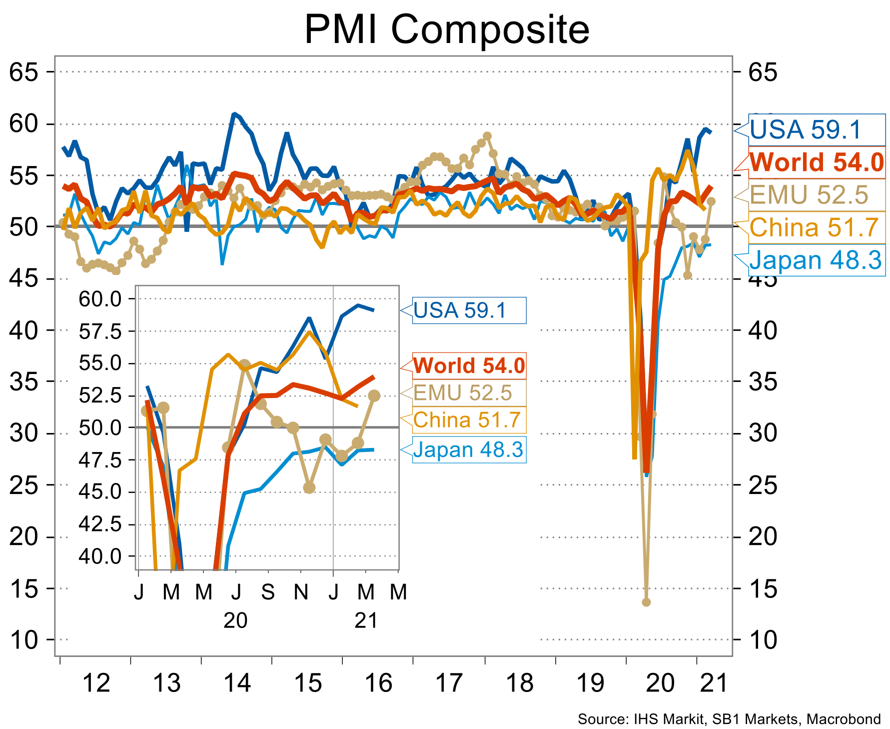


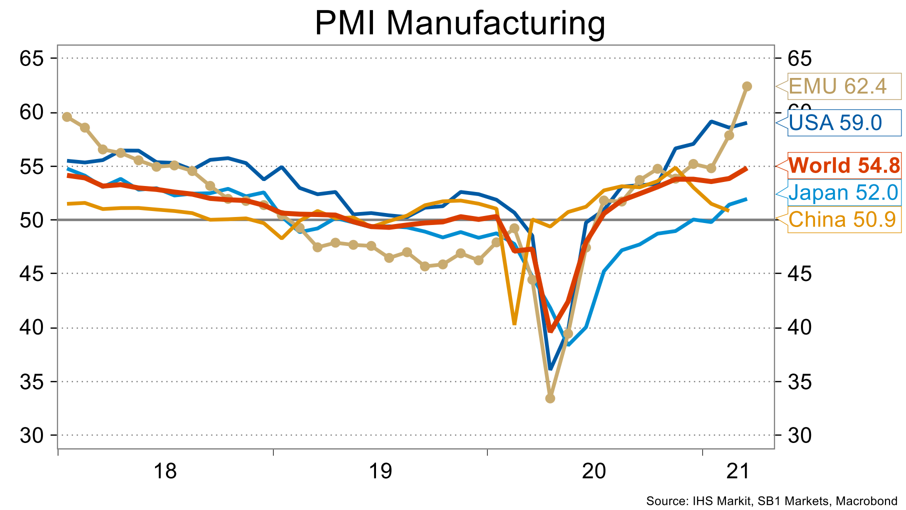
- **The global PMI** is trending upwards amid the 2nd /3rd covid wave, and is at the best level since mid 2018
- No f'cast for the global index, but based on country expectations, the whole March lift was unexpected
- **China** has not yet reported, may alter the picture

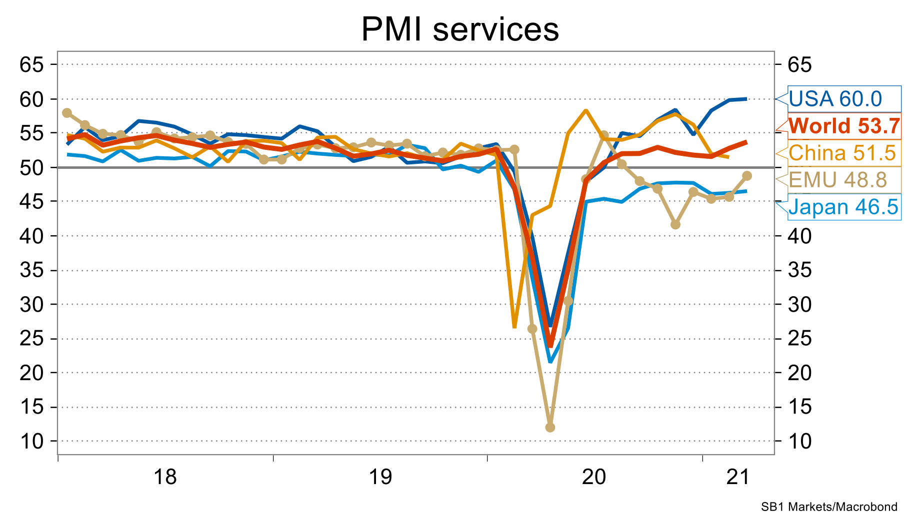
Our estimates are based on the preliminary PMIs from EMU, Japan UK, US. The estimates are uncertain, but usually by less than 0.5 p

EMU manufacturing straight up, to ATH (by far), and services are stabilising

The US is still in the lead, and at very high level, 59.1 (composite)



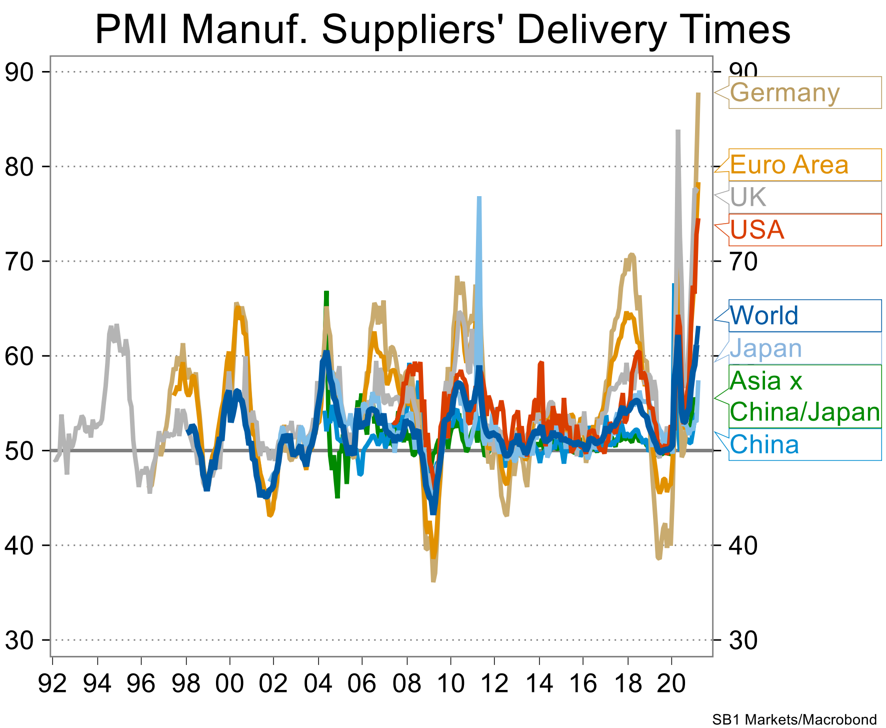


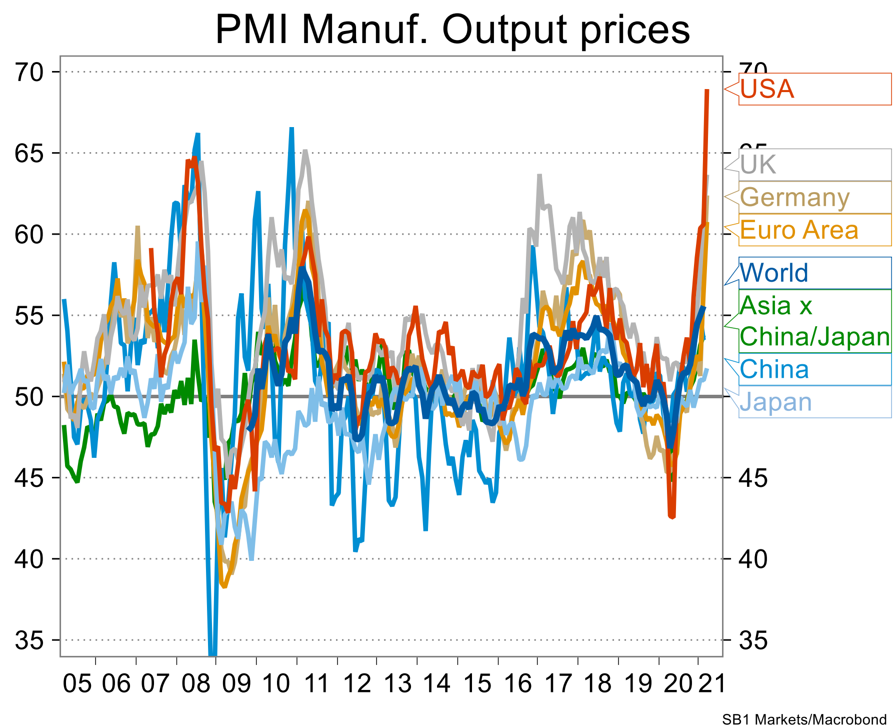


- In the EMU, the service sector PMI rose 3.1 p despite Covid restrictions, far better than expected. The manufacturing PMI super strong at or close to ATHs everywhere. The composite at 52.5 signals a 1% pace of growth in GDP (0.25 per quarter)
- The US service PMI was virtually flat from the previous month, but at a VERY high level
- Both of the UK indices were impressive in March too, way above expectations. The UK service PMI has gained over 17 points over the past two months!

Delivery times, prices are rising faster everywhere (and the fastest ever most places)

... and probably <u>not mostly</u> due to specific corona challenges – it's the booming activity, stupid!

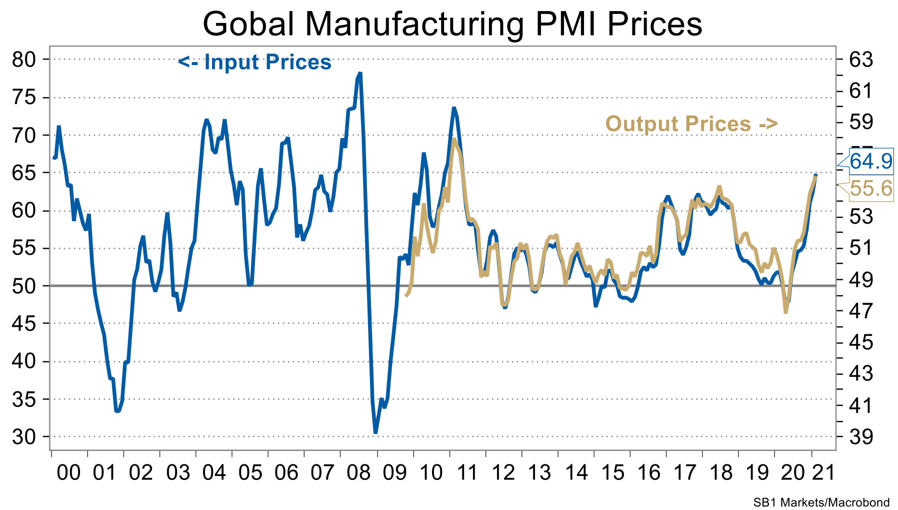


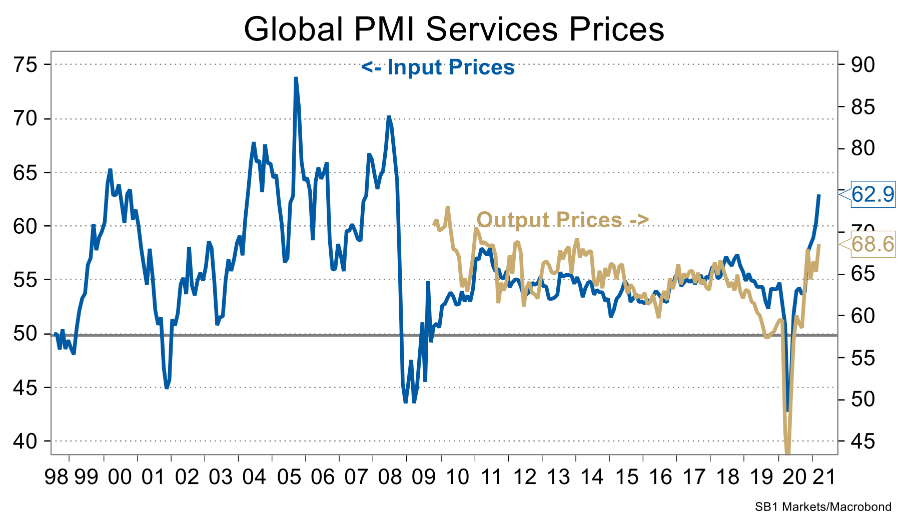


- **The global delivery times** PMI sub-index (changes in delivery times vs the previous month) may have reached global all-time high in March. Germany/Europe is in the lead but also the UK and the US are reporting the most rapid increases in delivery times ever (barring covid-19 related trouble last April in the UK)
  - » **Brexit and partly the covid-19 surge** may explain some of the delivery problems in the UK, perhaps even in Germany – but production is surging in many countries
- **The global manufacturing output price index** is at the highest level since 2011, and both the US, EMU, Germany, UK are reporting the fastest price rises ever
- **All together** – rapid growth, longer delivery times and higher prices look like something familiar – *check the next pages!*

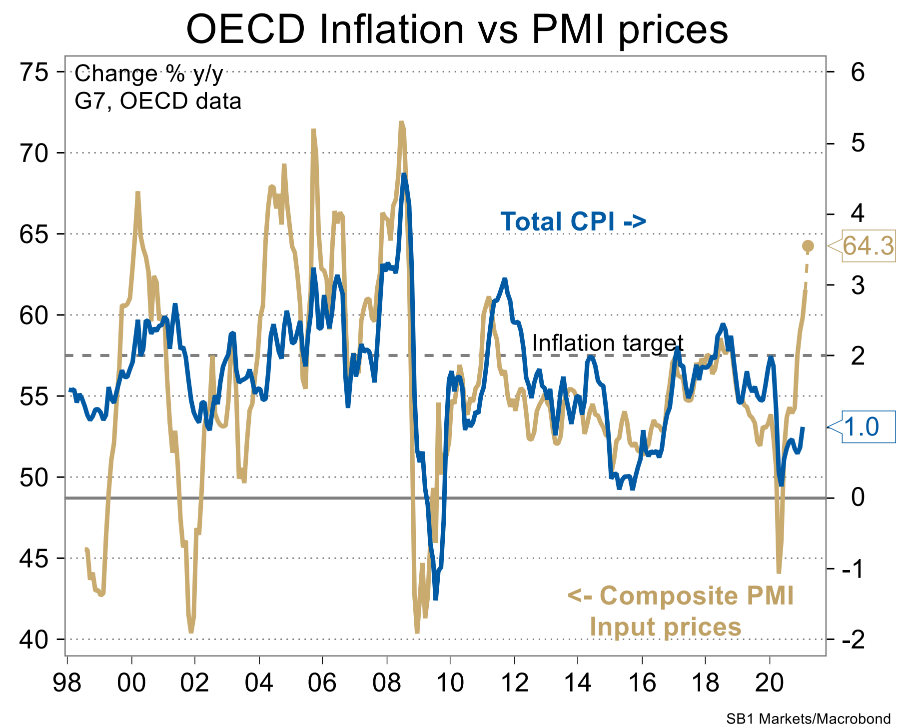
Businesses keep reporting even faster growth in input/output prices

CPI inflation seems to be the next stop





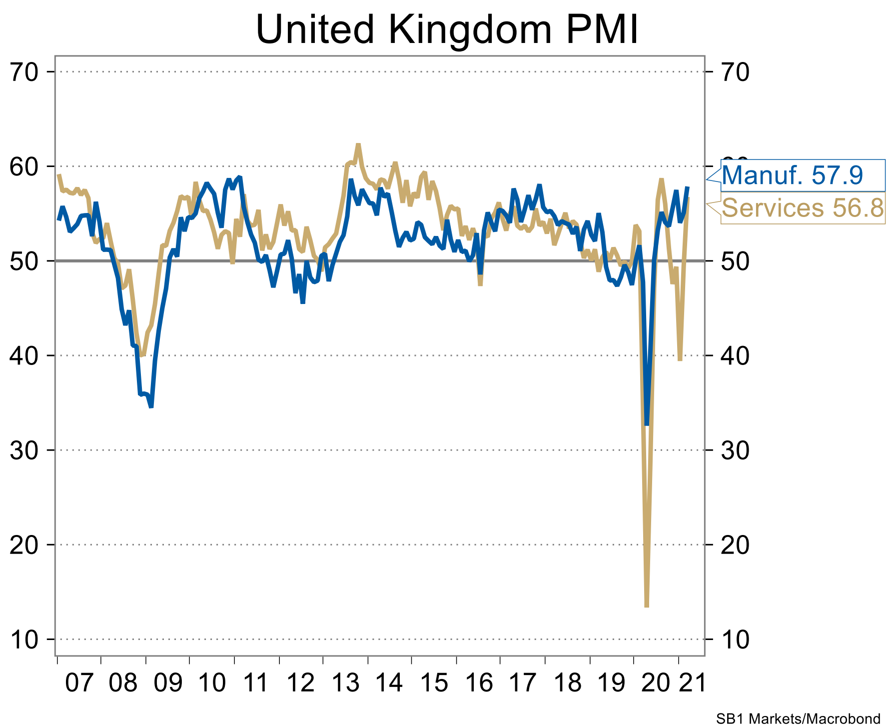
The last obs. Is based on preliminary PMIs from EMU. Japan, UK and US

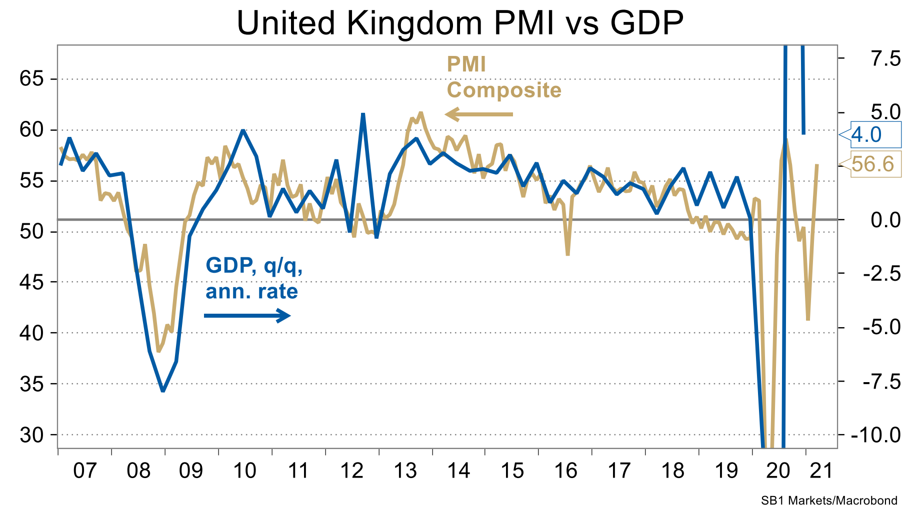


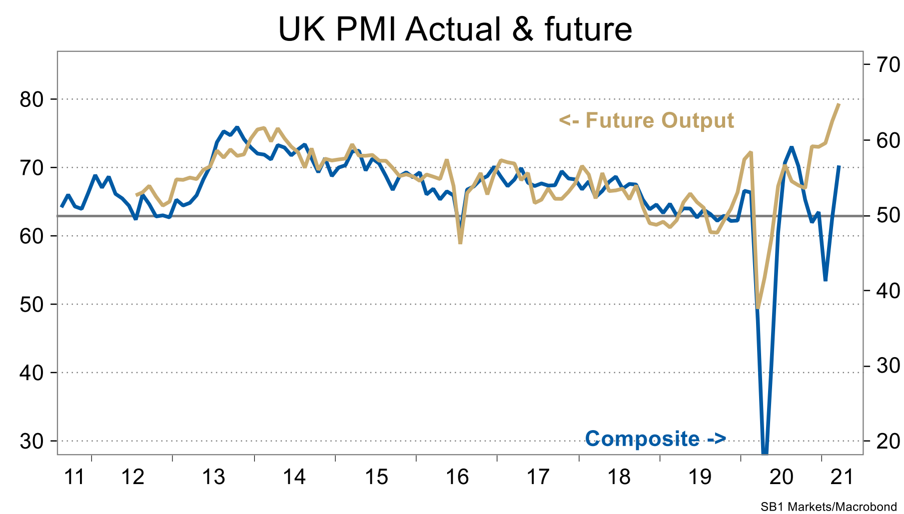
- **Both manufacturers and services** are reporting rapid increases in prices, both input & export prices
- The correlation to **actual CPI inflation** is not prefect, but the PMI price indices are signalling a lift in headline inflation, from 1% in rich countries now, up to something quite different the coming months

The UK is on the road to recovery, according to the PMIs, services sharply up

The composite index rose 7 p to 56.5 in March following the 8+ hike in Feb. Signals GDP >> trendgrwt.



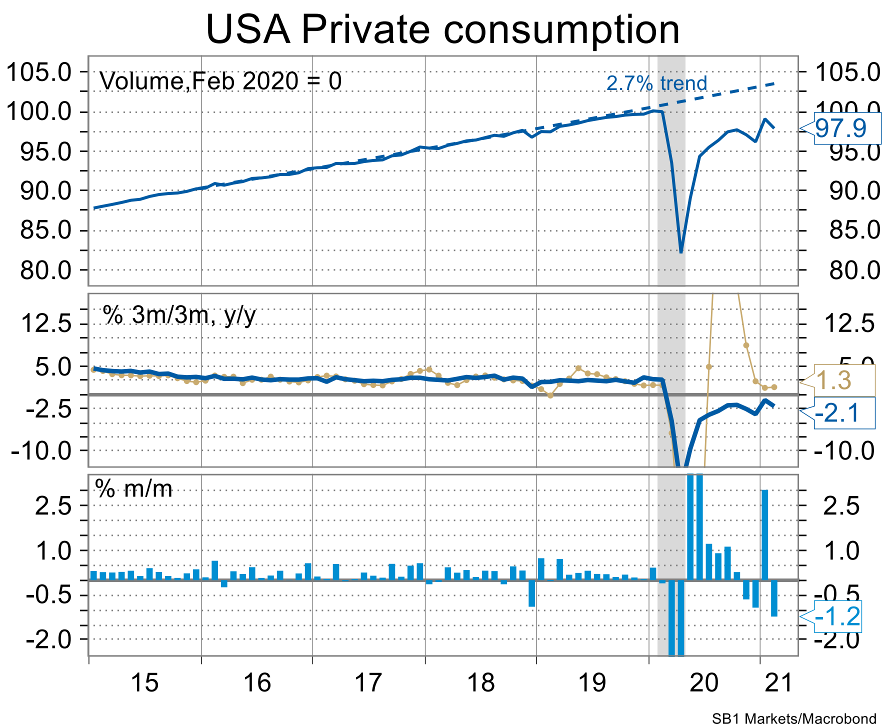


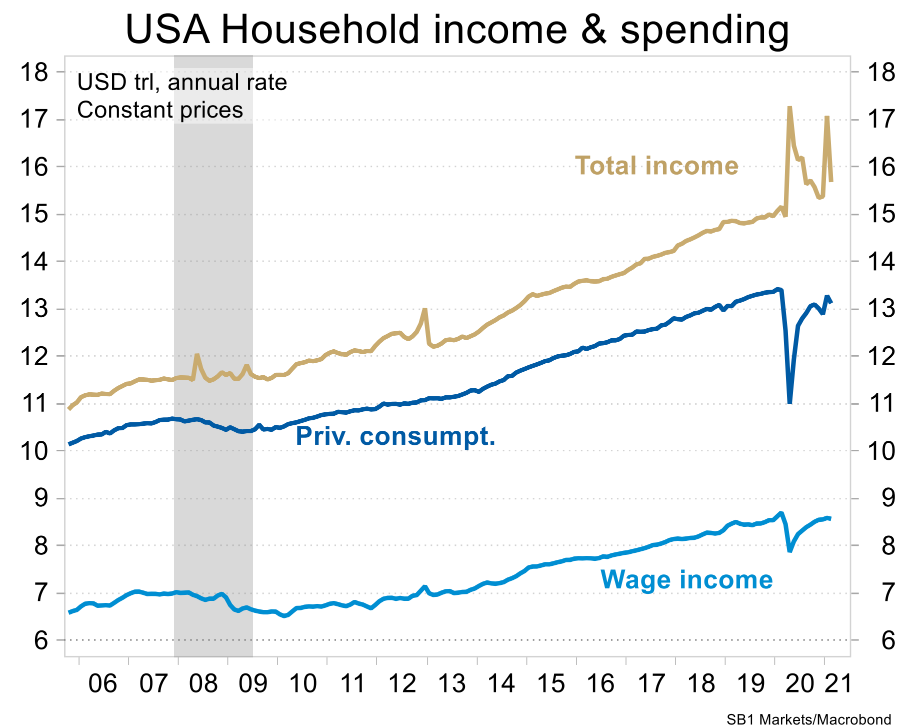


- **The composite PMI** was expected close to unch. in March, the +7 outcome was far above expectations. **The manuf. PMI** rose almost 2 p to 57.9, best since 2017, and the index has not been higher many times
- **Services PMI** increased by 7.3 p, following the 10 p lift in Feb – and suddenly the index was at 56.8! The contraction in services has come to an end, as some restrictions are eased. The UK vaccination strategy is paying off, according to Markit's respondents
- In addition: Companies has never been more positive vs. **the outlook** – may be due to both the low starting point; GDP is still down 7% – 8% vs Feb 20, and the very positive vaccination outlook

No stimulus cheques in February, income down 8%, consumption -1.2%

New, and much larger cheques have already arrived in March, just wait and see ☺

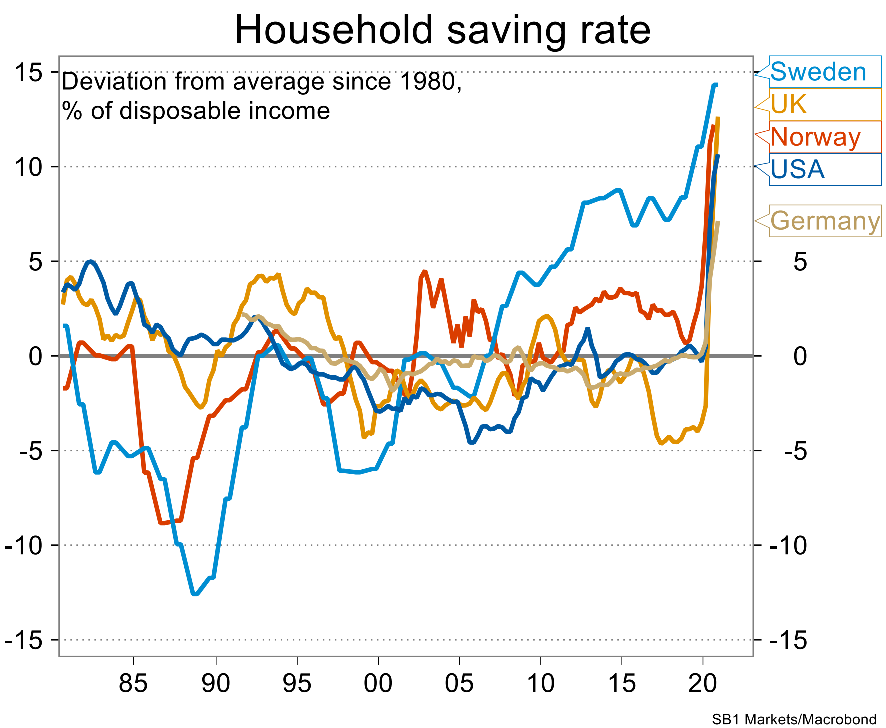


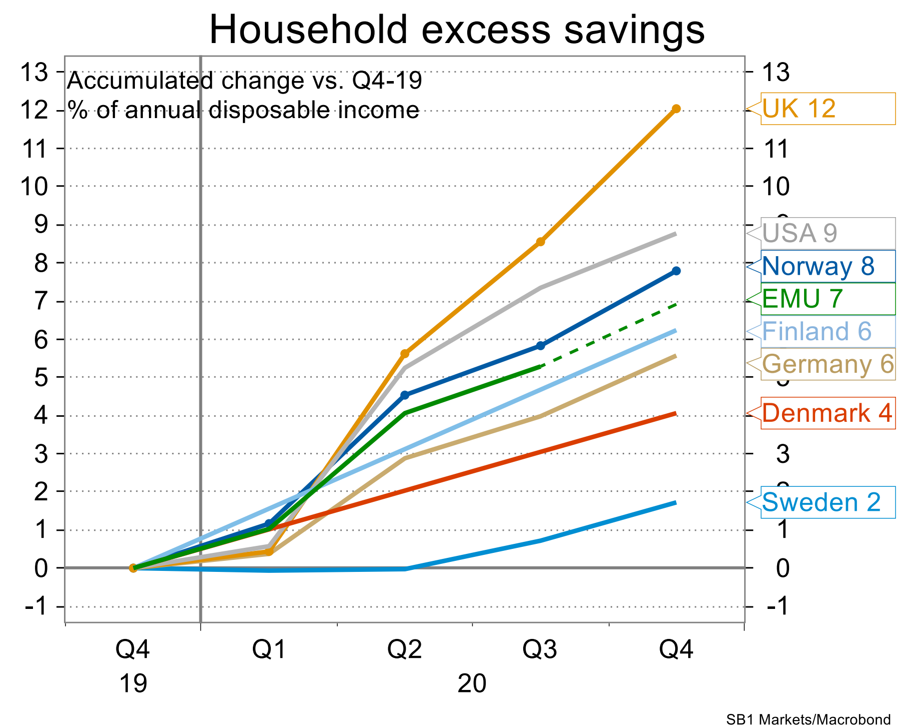


- **Private consumption fell 1.2%** in real terms in Feb, expected -1.0% (and -0.8% in nominal terms), following the 3% surge in Jan. The harsh winter weather may have had some impact. Consumption is still 2.1% below the level in Feb last year, goods are well above, services still below.
- **Personal disposable real income** fell 8.1%(in real terms), the difference is caused by the stimulus cheques that were paid out in Jan, lifting income by 11.1%, and not in Feb. In March the next round of cheques, a USD 1,400/person cash support, will show up in the numbers - lifting household income by an unprecedented amount
- **The savings rate** fell to 13.6% of disposable income from 20.5% in Jan. In Jan & Feb, households have saved some 1/3rd of the extra government transfers – and more will no doubt be spent over time. The savings rate will surge to above 30% in March, following the next stimulus payment, as households do not (and cannot nowadays) spend everything at once. If US households have an income problem due to the corona crisis, it is due to the distribution of change in income, definitively not the change in the average income.

It is not just in America, of course

Household savings have soared almost everywhere as consumption of services have fallen sharply

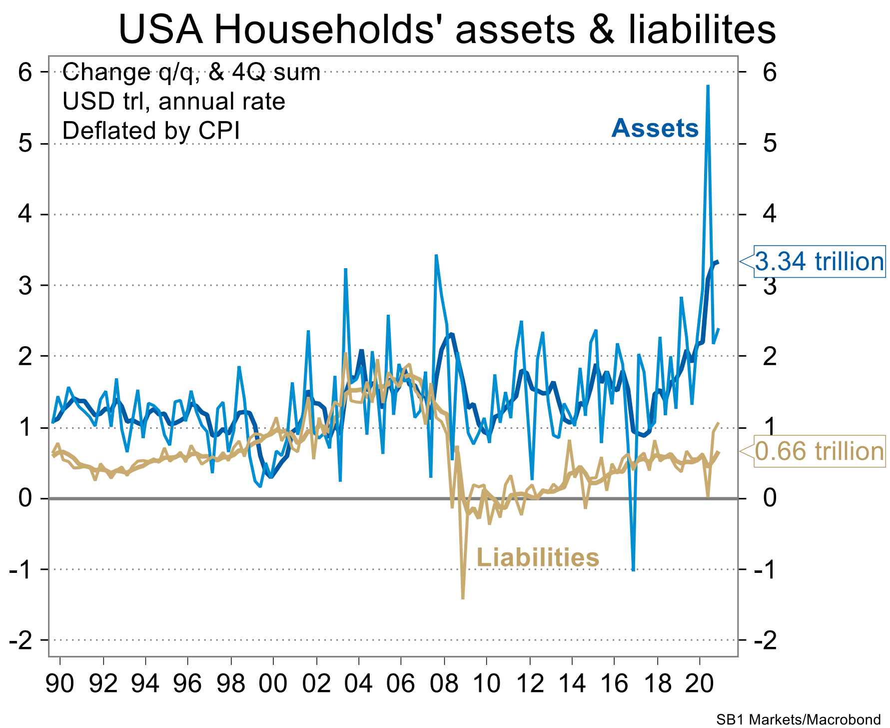


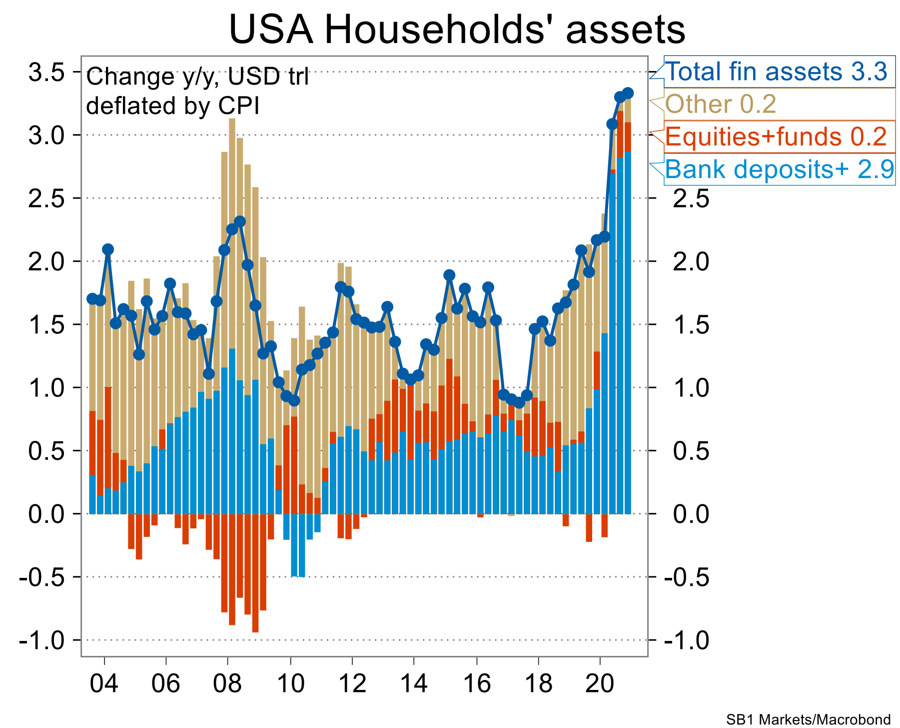


- We very much doubt these syncronised and unprecedented increases in savings are due to a monumental change in savings aspirations

The savings glut has not been used to pay down debt or to buy equities

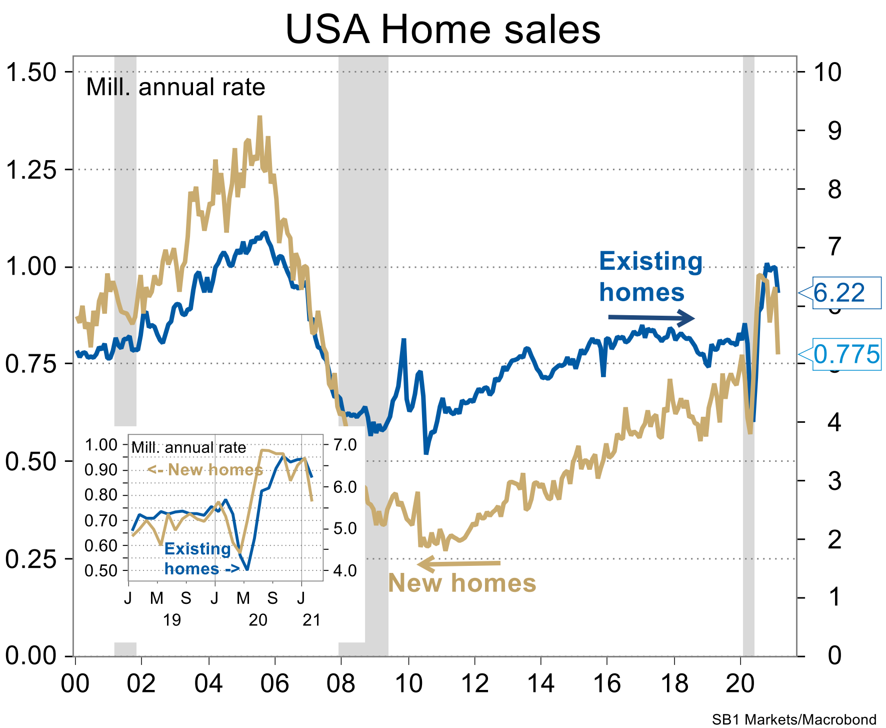
Household debt has increased faster than normal. 90% of the excess savings remains in the bank!

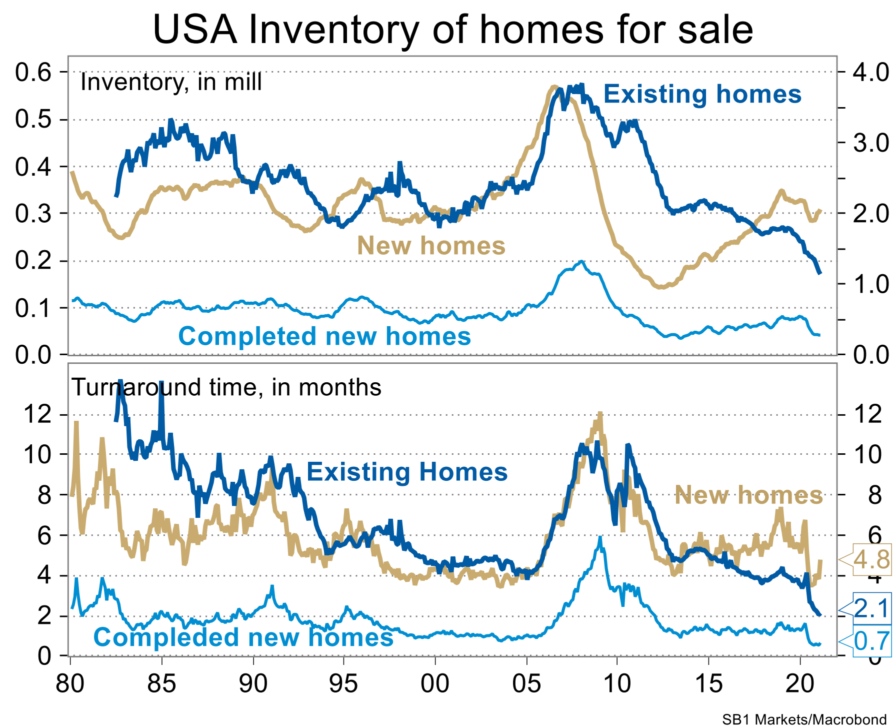




Both new & existing home sales down in February

The strong housing marked has very likely not turned south. Inventory levels are record low, prices ↑

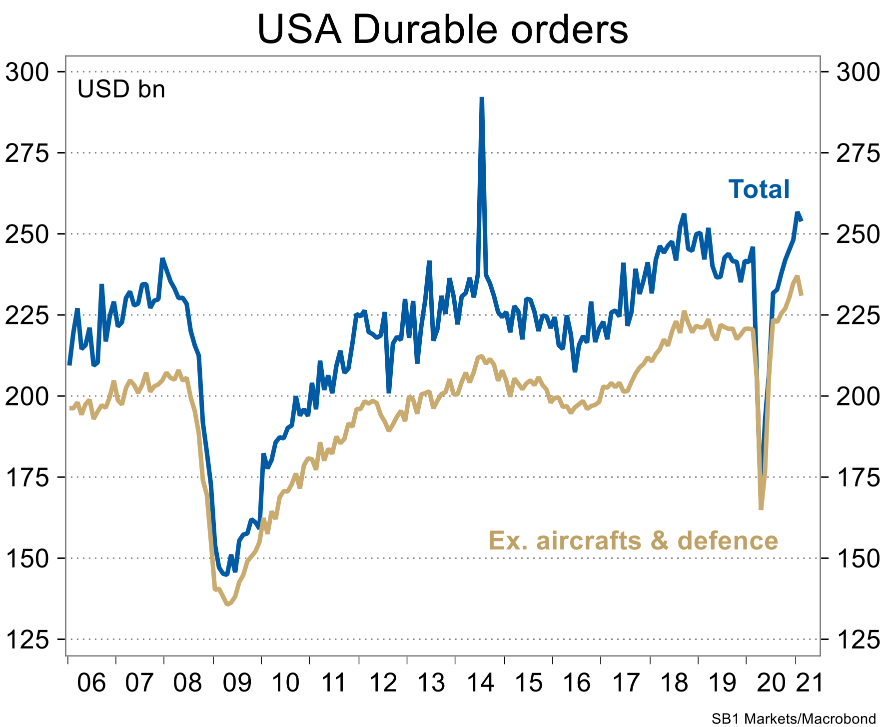


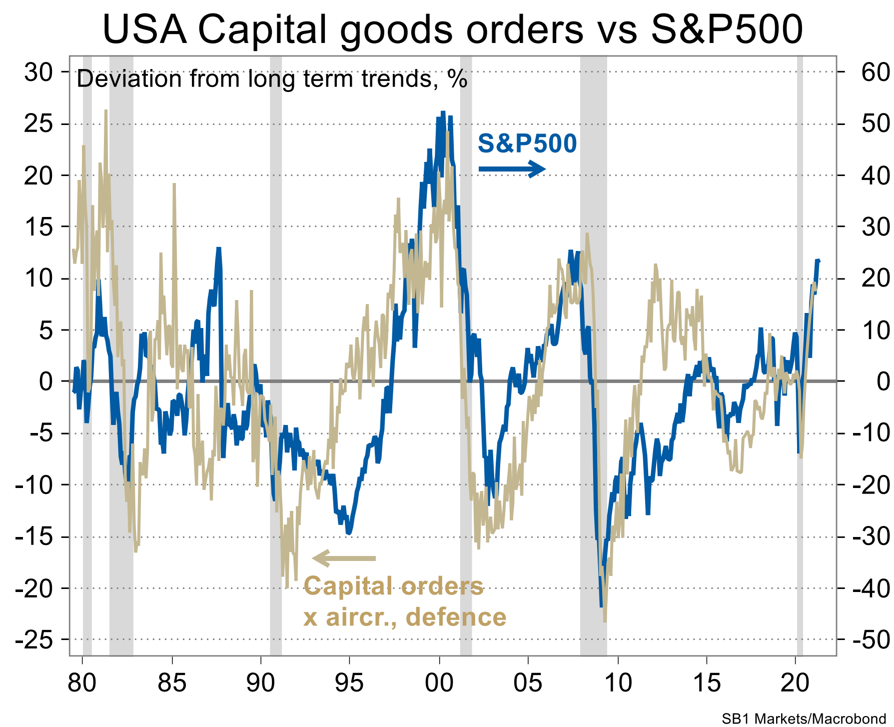


- **New home sales** fell to 775' (annualised rate) in Feb, from 948' exp. 890'. The setback was broad regionally, and more than the winter storms must be to blame. Higher mortgage yields? Possibly some impact (but it usually takes much longer time). Sales are still above the pre-pandemic level
  - » The **inventory of unsold new homes** rose somewhat as more projects were added to the sales list (buildings not yet started), while the no. of unsold completed homes was close to unch. at the lowest level ever, both the actual as well vs. sales of new homes
- Sales of **existing homes** fell to 6.22 mill (annualised rate) in Feb from 6.66', expected 6.53'. The sales level is still more than 10% above the pre-pandemic level. Sales are do doubt kept down due to lack of supply.
  - » **The inventory of unsold homes** fell further from a record low level, to just 2.1 months of sales. During the 2005 boom, the i/s ratio was 4 months, in bad times 10 months.
  - » **Prices** rose sharply, by 2% m/m, and 15.5% y/y, the 3rd highest print ever – which does not indicate that a 'high' mortgage rate is dampening the housing market

Durable orders marginally down in Feb, the level is still impressive!

The Feb decline a result of the freezing weather

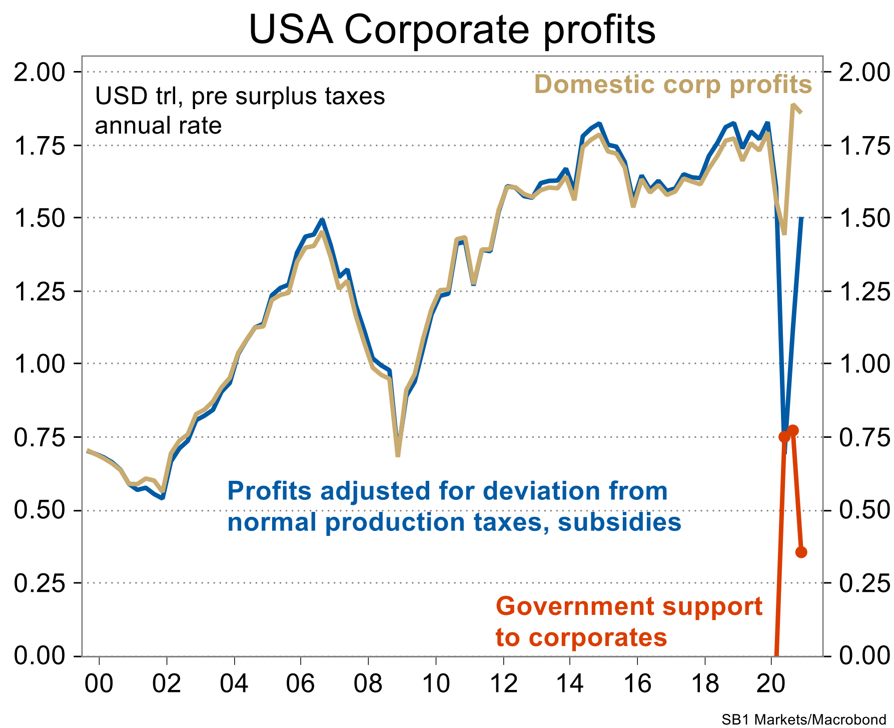


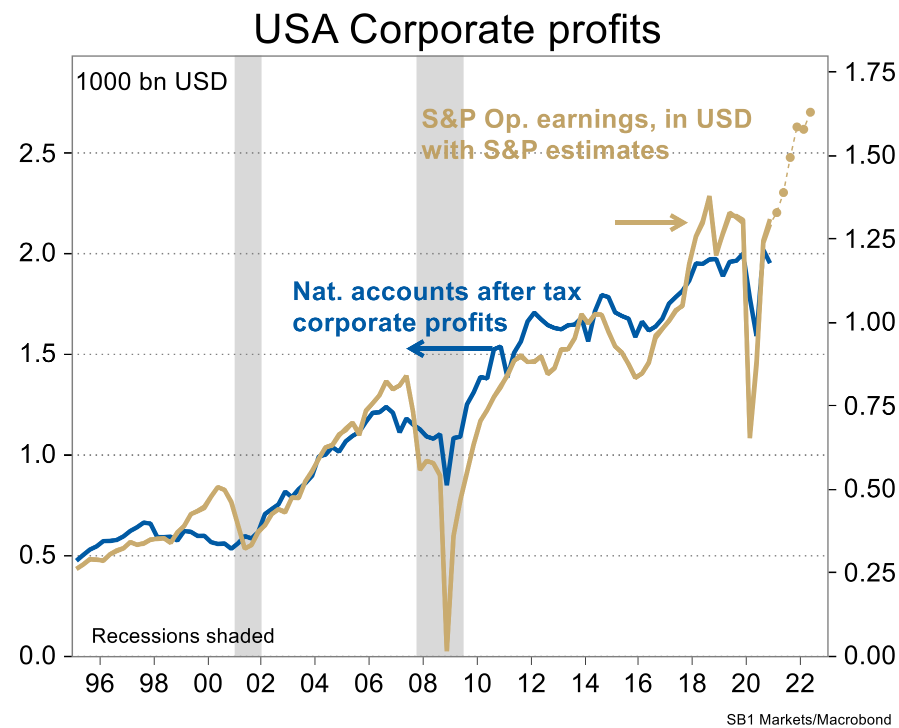


- **Total durable orders** down 1.1% in Feb, expected +0.8% - still at a high level, and following a 3.5% surge in Jan
- **Core orders** (ex aircrafts & defence) was down 2.6%, expected +0.5%.
- **Core investment goods orders** fell by 0.8%, expected up 0.6%
- **Order inflow** is far above pre-pandemic levels, especially for investment good orders

Record high domestic corporate profits in Q3 and Q4. Thank you Uncle Sam!

Ordinary profits still down 17% of GDP (-30% in 2020), but after public subsidies +4% (-3% in 2020)!

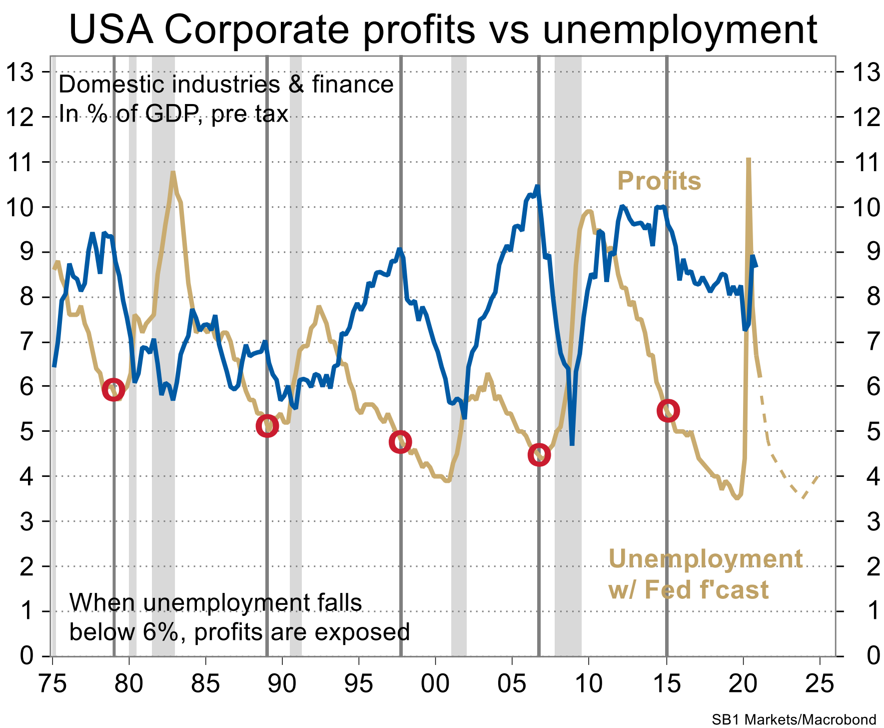




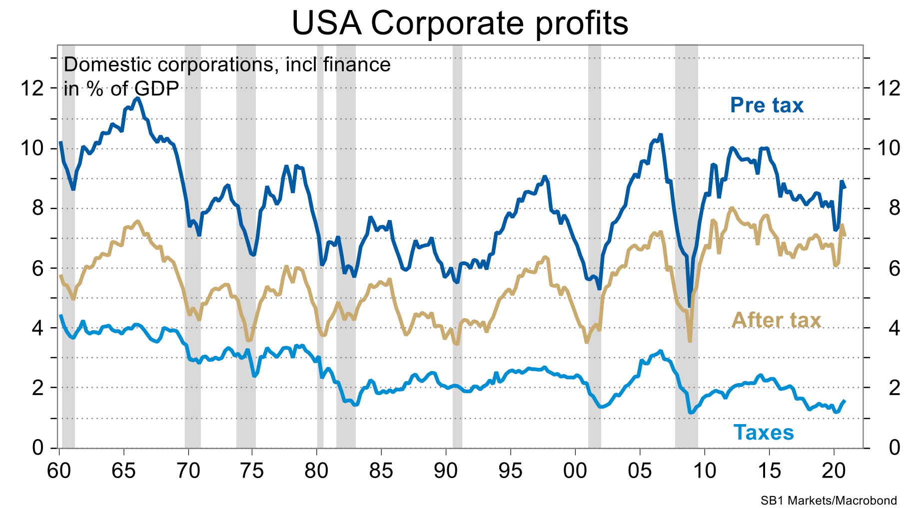
- **Government pandemic programs** have lifted **domestic corporate profits** at an unbelievable scale
  - » Profits have been kept up, even if the 'normal' profit generation collapsed in Q2 and Q3 as public support equalled >40% of a normal profit level!
  - » In Q4, 'ordinary' profits were 18% down vs Q4-19. Public support still equalled more than 20% (vs normal profits), and actual profits were up 4% y/y
  - » In 2020, domestic corporate profits fell by just 3% but by 30% ex the Government support, which equalled 2.2% of GDP (or 3% in Q2-Q3)
- We expect 'core' profits to strengthen the next quarters – but the longer term outlook is probably not that good, see also next page
  - » Going forward, the corporate tax rate will probably be lifted (Biden has pledged reverse half of the 2018 cuts, and really need some money…) – but it will most likely not happen anytime soon

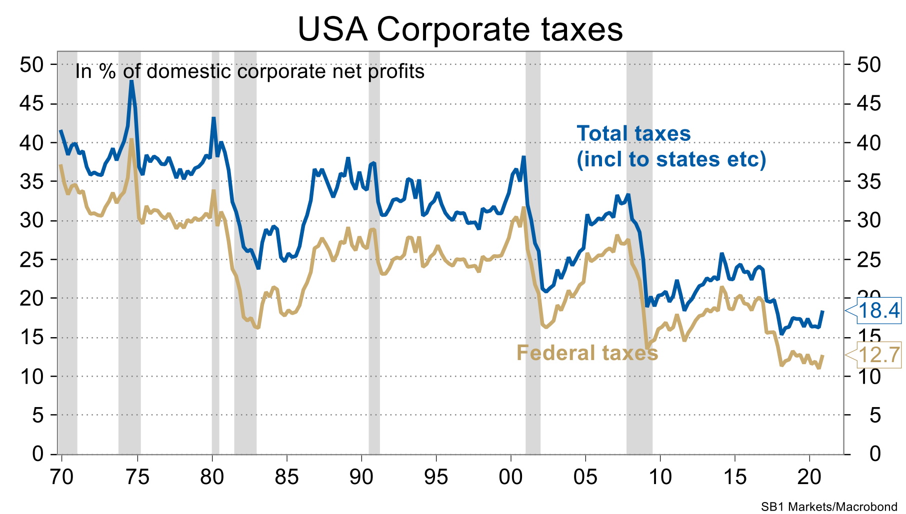
Profits were under pressure ahead of corona – as usual when unemploym. falls

… and for how long will unemployment remain high enough to 'protect' profits?



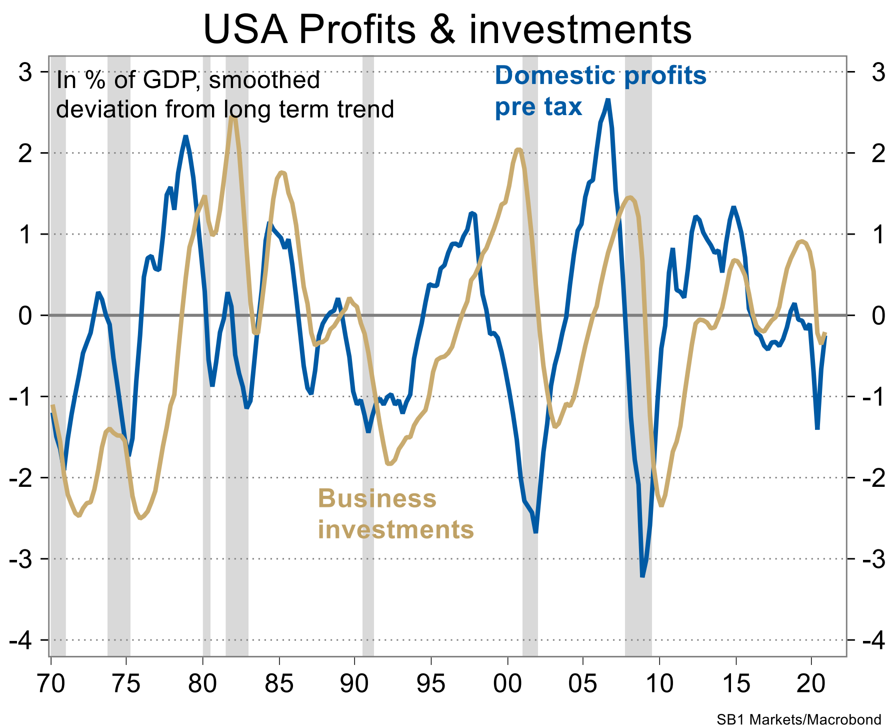
- When **unemployment falls below 6%,** corporate profits are exposed; at one stage the profit share will start to decline because wage earners will get the upper hand vs. employers. At least it has always happened until now
  - » Before the corona crisis, the pre-tax profit share had fallen substantially since the 2015 peak, because unemployment was 'too low'
- Taxes were cut substantially in 2018, equalling some 8% of corporate profits. Biden has pledged to reverse half of these cuts, say some 4% of profits, equalling 0.3% of GDP. A drop in the ocean vs. the huge structural budget deficit, at at least 8% of GDP





Where profits go, investments will follow

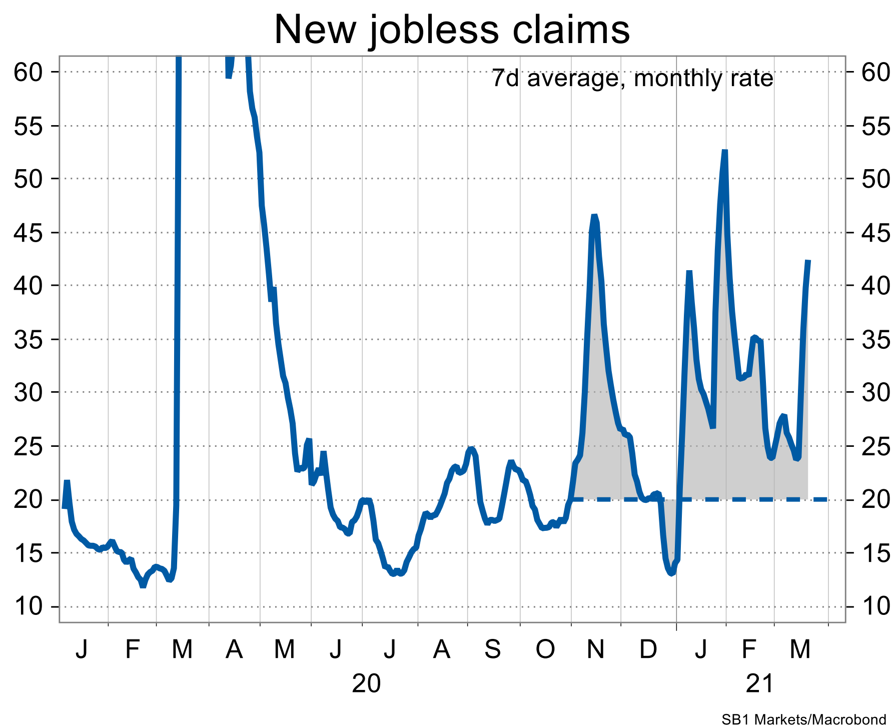
Usually, the profit cycle turns before the investment cycle

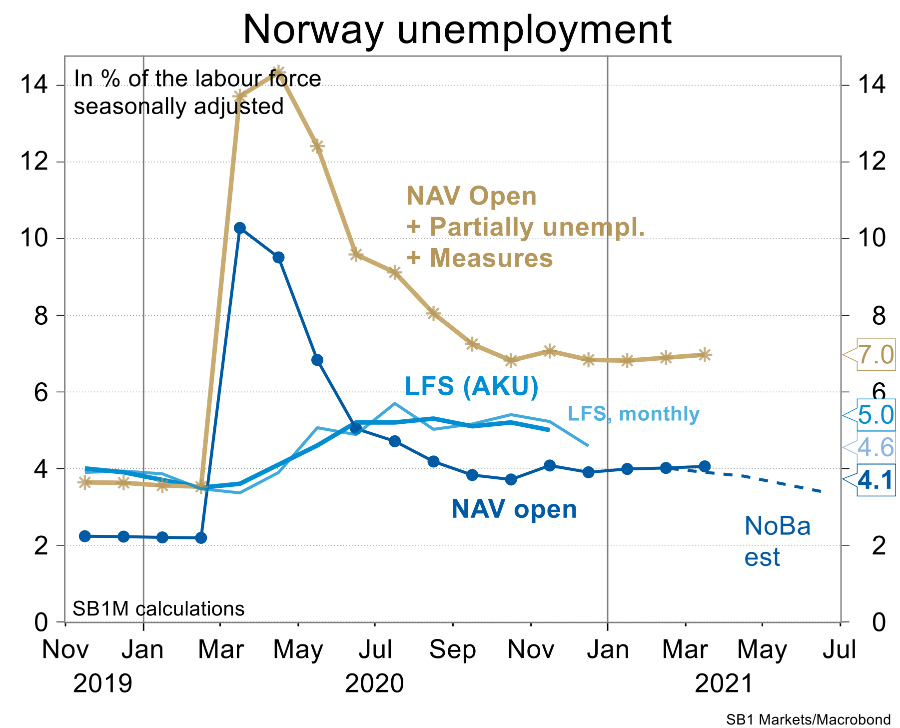


- … and we doubt that the profit outlook is that strong, given the sharp decline in investments (and reports on lack of labour)

NAV unemployment marginally up in March – and since October

… even if 1.4% more than 'normal' of the labour force has turned up at NAV past 5 months



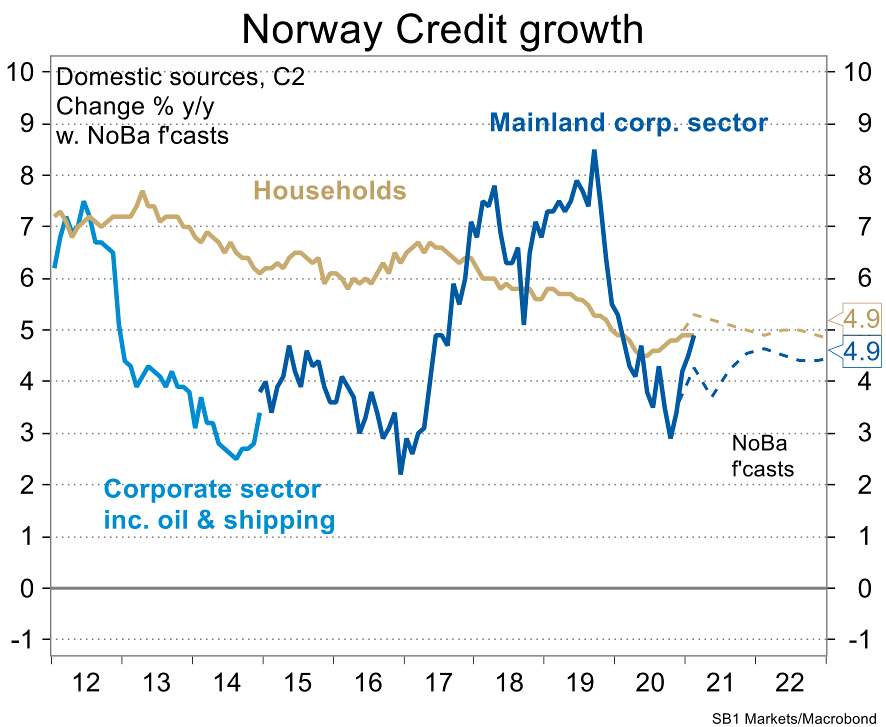


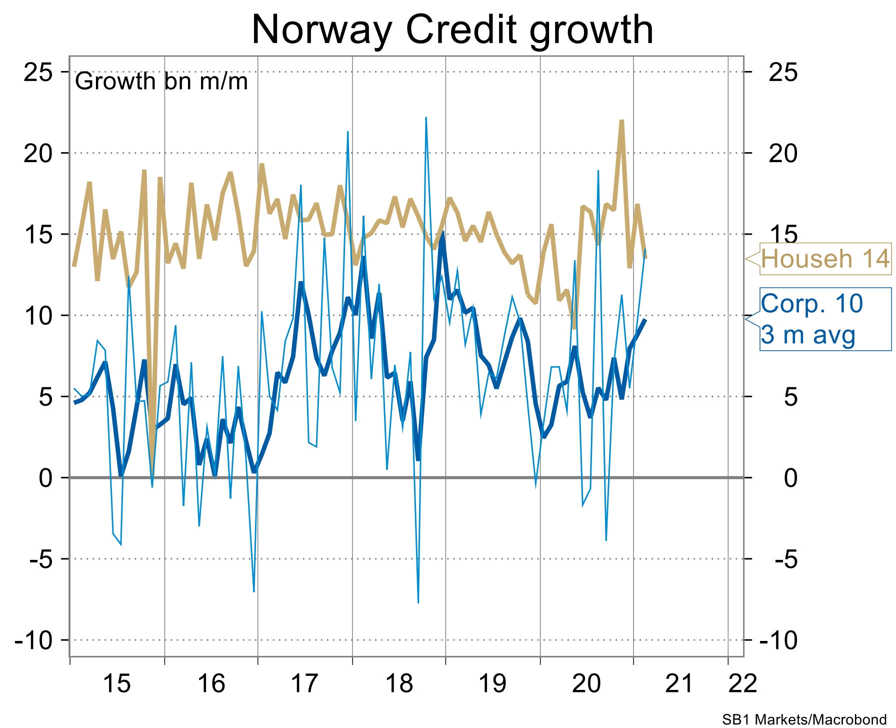
- **The open NAV unemployment**, which includes furloughed workers rose by 1' persons to 115' in March (seas adj), we expected -1'. The rate rose by 0.05 pp, rounded up to 4.1%, 0.2 pp above NoB's one-week old estimate. The unadjusted rate was at 4.3% was 0.1% above our estimate & consensus
- The number of **partially unemployed** rose by 1' to 67, leaving the grand total at 198', equalling 7.0% of the labour force. Before the corona crisis, this unemployment rate was at 3.8%.
- **Since October**, the number of ordinary unemployed has increased by 10', while the no. of partially unemployed has fallen by 7' persons. Thus the increase in total unemployment since October is just 3' persons (including labour market measures). The total unemployment rate is at 7.0%, up from 3.8% pre covid
- Since November, 40' persons more than normal have **applied for claims** (above a 20' per month normal inflow these 5 months, data not seas. adj). This increase is no doubt due to the stricter corona restrictions imposed in 4-5 rounds in early Nov, and then further in early & late Jan. However, this substantial extra inflow has not materialised in more than a marginal increase in the no. of unemployed (3')

SpareBank 1 MARKETS

Corporates have been tapping the bond market - credit growth up for 4th month

Moderate growth in household debt



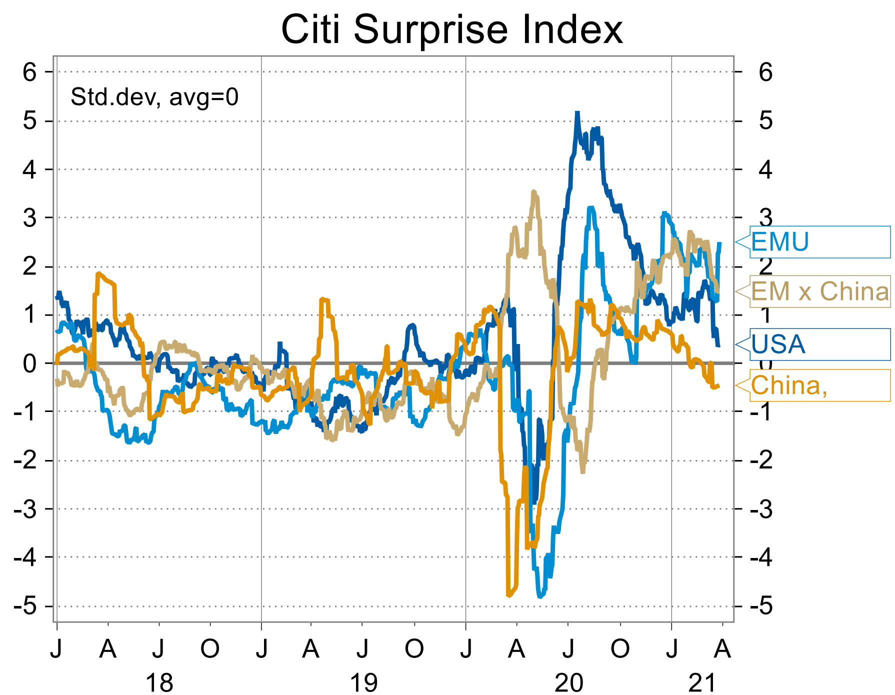


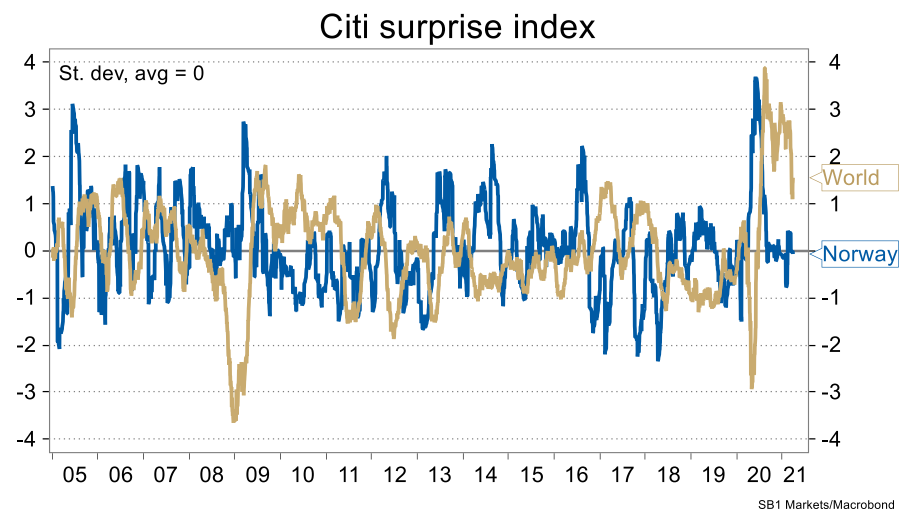
- Following a mild slowdown during the corona spring, **household credit** growth has recovered somewhat. The annual rate is now 4.9%, up from 4.5% last summer. Underlying growth recent months is above 5% - but there is no "take off". Norges Bank expects at 5.3% annual growth rate in Q1 in average. That seems unreasonably high, as it would have required a NOK 34 bn lift in both February and March, twice as much as the current run rate. We guess it is just a slip of the pen
  - » Consumer credit has been declining at some NOK 1 -1.5 bn/month over the past year, which has reduced the annual total credit growth by some 0.5 pp
- Monthly growth in **corporate credit** slowed through 2019 but accelerated during last year, and further in Jan & Feb. The annual rate for Mainland corporates tilted up to 4.9% in Feb, from 2.9% last Oct. Underlying growth has increased to well above 5%. Norges Bank revised up its growth forecast in the March MPR but the Q1 estimated average at 4.3% is far too low

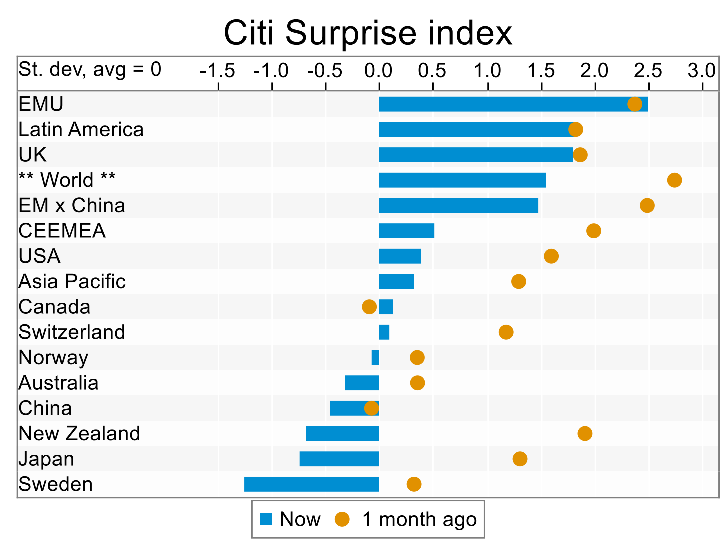
SpareBank 1 MARKETS

The EMU surprises most of all, on the upside

More mixed surprises past two weeks, both the US and EM not that strong







- **EMU** at the top of the list, followed by Lat-Am and UK
- The **US** surprise index fell further last week, but the 3m average is still in positive territory
- **China, Japan and Sweden** at the bottom of the list
- Norway in a neutral position

Surprise-indices measure the difference between economists' expectations and the actual outcome over a 3 month rolling window

The Easter Calendar

More PMIs, ISM. US payrolls, auto sales. EMU CPI. Norwegian retail sales

Time	Count.	Indicator	Period	Forecast	Prior
Tuesday Mar 30					
01:50	JN	Retail Sales MoM	Feb	0.8%	-0.5%
08:00	**NO**	**Retail Sales W/Auto Fuel MoM**	**Feb**	**0.7%(-3)**	**-0.1%**
09:00	SW	Economic Tendency Survey	Mar		103.6
09:00	SW	Consumer Confidence	Mar		97.5
11:00	EC	Economic Confidence	Mar	96	93.4
14:00	GE	CPI YoY	Mar P	1.7%	1.3%
15:00	US	S&P Case/Shiller house prices	Jan	1.2%	1.3%
16:00	US	Conf. Board Consumer	Mar	96.1	91.3
Wednesday Mar 31					
01:50	JN	Industrial Production MoM	Feb P	-1.3%	4.3%
03:00	CH	Non-manufacturing PMI	Mar	52.3	51.4
03:00	**CH**	**Manufacturing PMI**	**Mar**	**51.2**	**50.6**
11:00	**EC**	**CPI Core YoY**	**Mar P**	**1.1%**	**1.1%**
14:15	US	ADP Employment Change	Mar	485k	117k
15:45	US	Chicago PMI	Mar	60	59.5
16:00	US	Pending Home Sales MoM	Feb	-2.5%	-2.8%
Thursday April 1					
01:50	JN	Tankan Large Mfg Outlook	1Q	4	-8
03:45	**CH**	**Caixin Manufacturing PMI**	**Mar**	**51.2**	**50.9**
08:00	GE	Retail Sales MoM	Feb	2.0%	-4.5%
08:30	SW	Manufacturing PMI	Mar	--	61.6
10:00	EC	Manufacturing PMI	Mar F	62.4	62.4
13:30	US	Challenger Job Cuts YoY	Mar		-39.1%
14:30	US	Initial Jobless Claims	Mar-27	680k	684k
15:45	US	Manufacturing PMI	Mar F	59.0	59.0
16:00	US	Construction Spending MoM	Feb	-0.7%	1.7%
16:00	**US**	**ISM Manufacturing**	**Mar**	**60.5**	**60.8**
	US	Auto sales	Mar	16.15m	15.67m
Friday April 2					
14:30	**US**	**Nonfarm Payrolls**	**Mar**	**630k**	**379k**
14:30	**US**	**Unemployment Rate**	**Mar**	**6.0%**	**6.2%**
14:30	US	Average Hourly Earnings MoM	Mar	0.2%	0.2%
Monday April 5					
15:45	US	Services PMI, Markit	Mar F		60
16:00	**US**	**ISM Services**	**Mar**	**57.3**	**55.3**
Tuesday April6					
03:45	CH	Services PMI, Markit	Mar	52.1	51.5

- **PMI**
  - » The preliminary March PMIs were far better than expected thanks to **Europe** (both EMU & UK), especially on the manufacturing side in the EMU. The US PMI, and regional Fed surveys signal a strong manufacturing **ISM in the US. The services ISM** is expected up, following the Feb decline. We will also have the full data set from the two PMI vendors in **China**, and they are expected to recover some of the Jan/Feb losses, that probably partly were due to low mobility in during New Lunar Year holiday
- **USA**
  - » Now it's time for hiring again in the US. Restrictions are eased in several states, mobility is on the way up. Restaurants receive more guests and airline traffic is up more than 100%. Money is not a problem, thanks to record high savings & unprecedented cash support from the government. **Nonfarm payrolls** are expected up almost 700', and a 0.2 decline in the unemployment rate to 6%
  - » **Auto sales** are expected moderately up but to remain at a rather low level. Some other countries may report auto sales too
- **Norway**
  - » We expect a setback in **retail sales** in February due to a partial lockdown in and around Oslo in parts of the month. Sales will be hurt in March and April as well – following a fantastic year for most retailers, at least ex clothing

Highlights

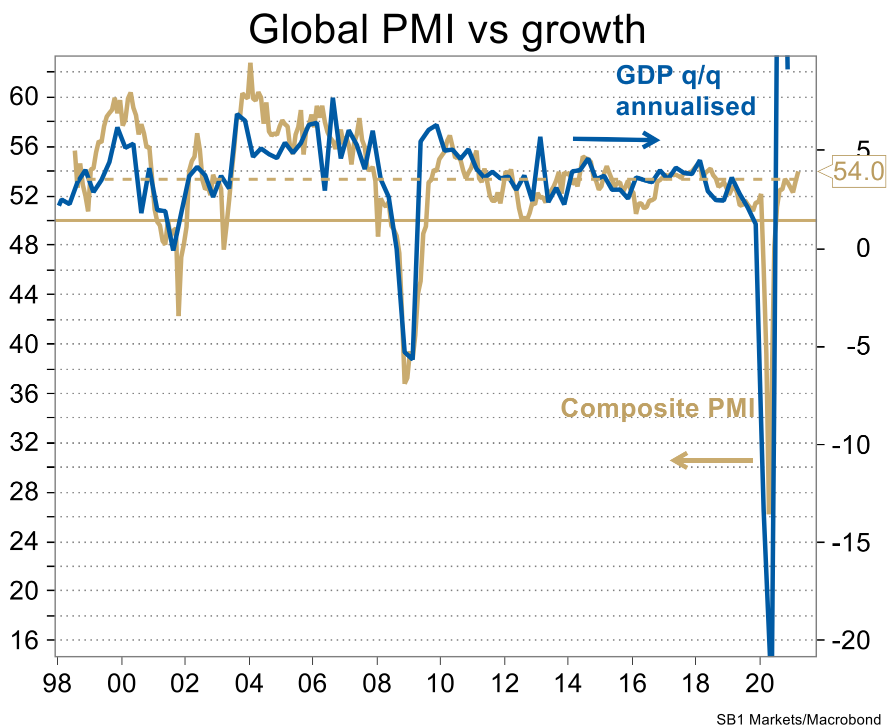
The world around us

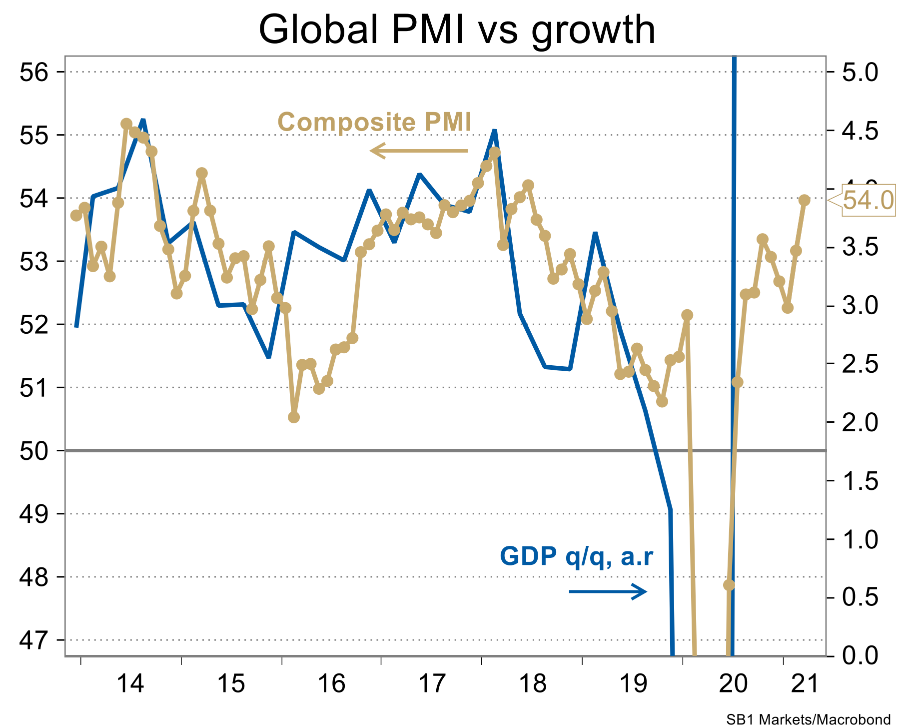
The Norwegian economy

Market charts & comments

The global composite PMI likely further up in March, mostly thanks to Europe!!

We estimate a 0.7 – 0.9 p lift in the comp. PMI to 54.0, signalling growth above trend



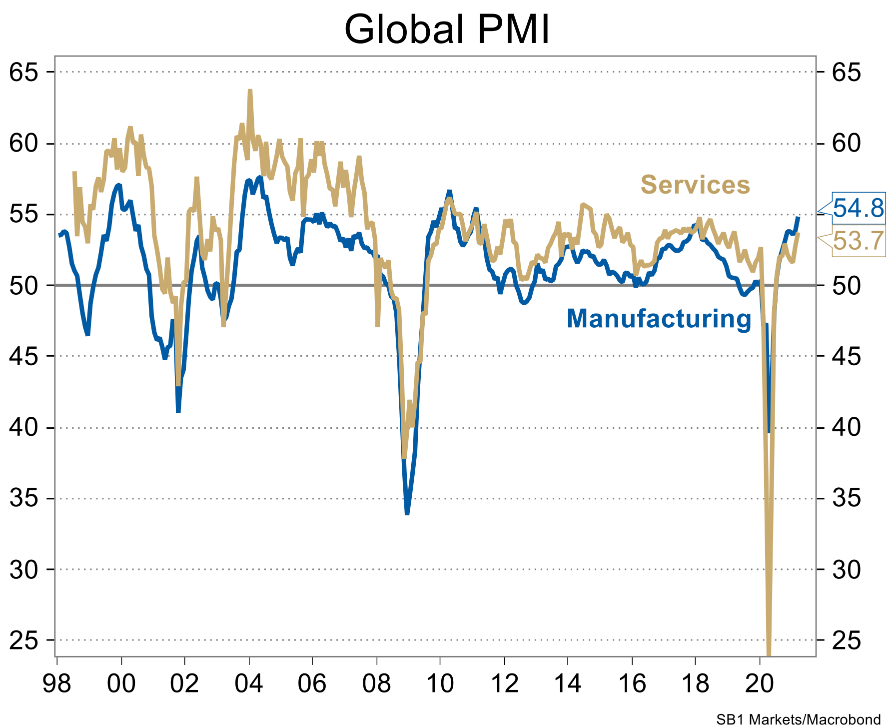


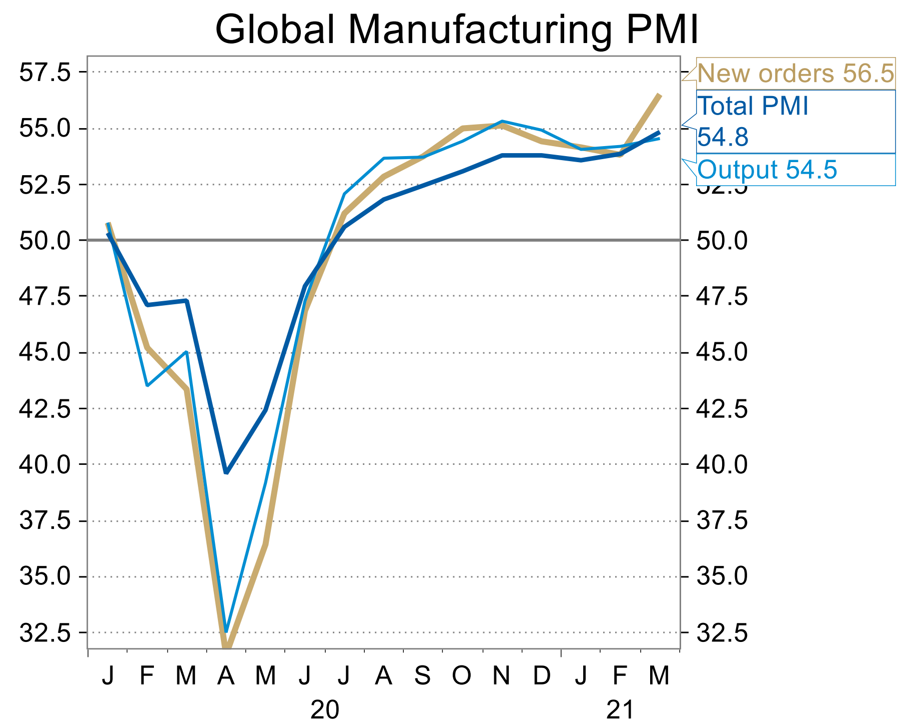
- **The global PMI** is trending upwards amid the 2nd /3rd covid wave, and is at the best level since mid 2018
- No f'cast for the global index, but based on country expectations, the whole March lift was unexpected
- **China** has not yet reported, may alter the picture

Our estimates are based on the preliminary PMIs from EMU, Japan UK, US. The estimates are uncertain, but usually by less than 0.5 p

New orders are driving the manufacturing PMI up in March

Services PMI also sharply up, and to an OK level



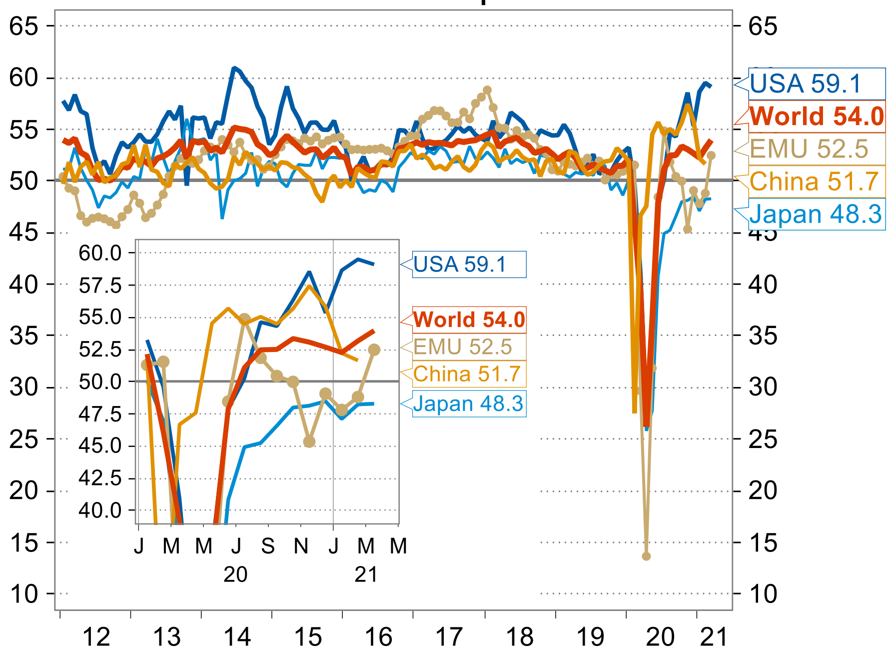


Our estimates are based on the preliminary PMIs from EMU, Japan UK, US. The estimates are uncertain, but usually by less than 0.5 p

EMU manufacturing straight up, to ATH (by far), and services are stabilising

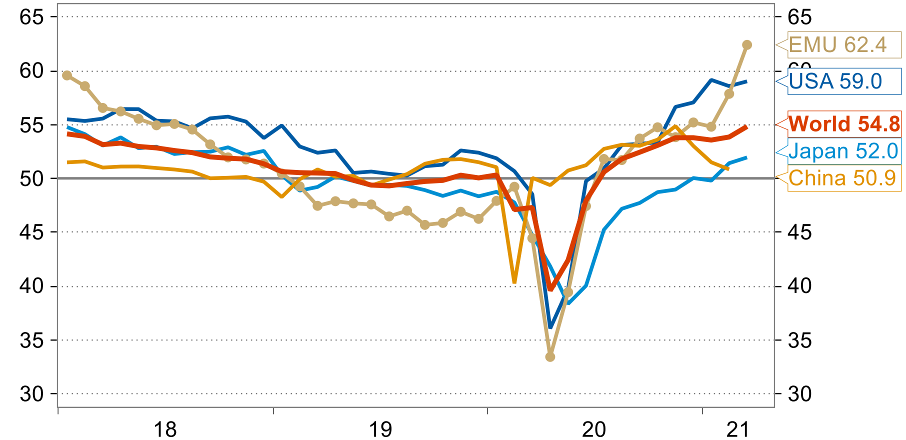
The US is still in the lead, and at very high level, 59.1 (composite)

PMI Composite



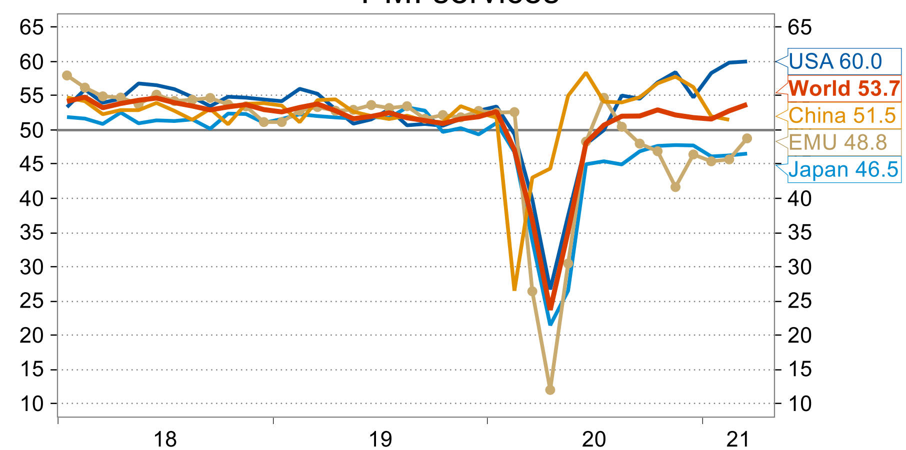
Source: IHS Markit, SB1 Markets, Macrobond

PMI Manufacturing



Source: IHS Markit, SB1 Markets, Macrobond

PMI services

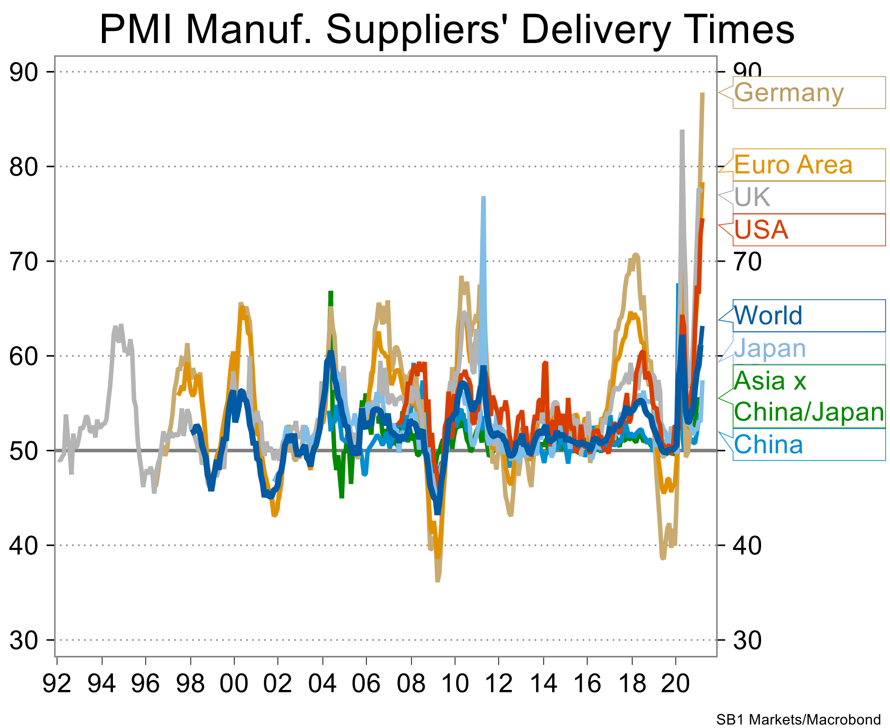


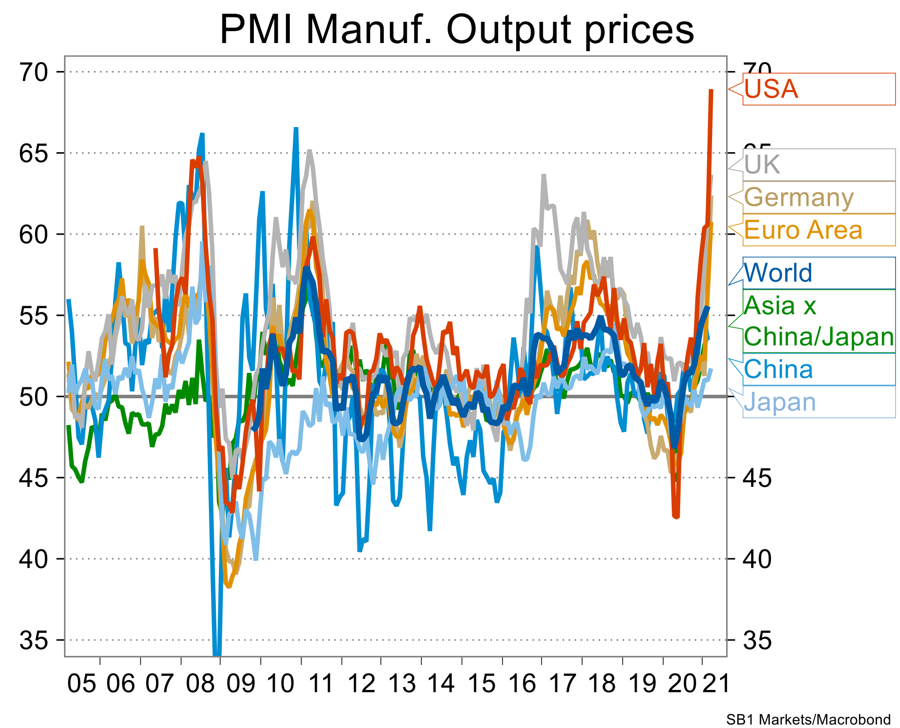
SB1 Markets/Macrobond

- In the EMU, the service sector PMI rose 3.1 p despite Covid restrictions, far better than expected. The manufacturing PMI super strong at or close to ATHs everywhere. The composite at 52.5 signals a 1% pace of growth in GDP (0.25 per quarter)
- The US service PMI was virtually flat from the previous month, but at a VERY high level
- Both of the UK indices were impressive in March too, way above expectations. The UK service PMI has gained over 17 points over the past two months!

Delivery times, prices are rising faster everywhere (and the fastest ever most places)

… and probably <u>not mostly</u> due to specific corona challenges – it's the booming activity, stupid!





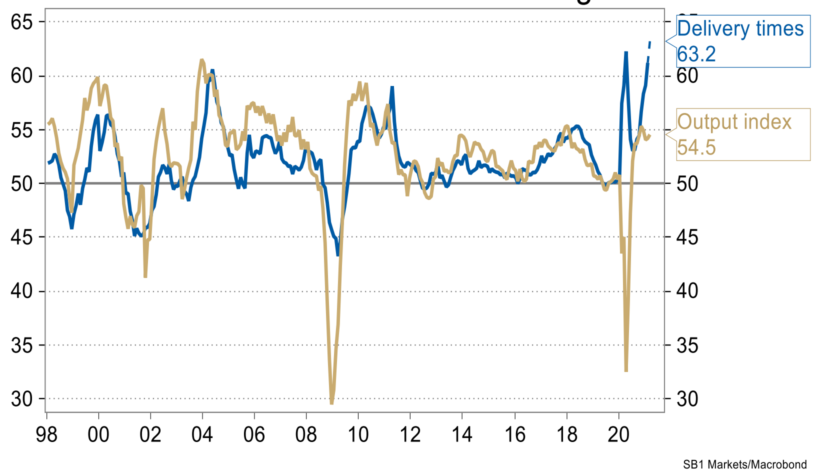
- **The global delivery times** PMI sub-index (changes in delivery times vs the previous month) may have reached global all-time high in March. Germany/Europe is in the lead but also the UK and the US are reporting the most rapid increases in delivery times ever (barring covid-19 related trouble last April in the UK)
  - **Brexit and partly the covid-19 surge** may explain some of the delivery problems in the UK, perhaps even in Germany – but production is surging in many countries
- **The global manufacturing output price index** is at the highest level since 2011, and both the US, EMU, Germany, UK are reporting the fastest price rises ever
- **All together** – rapid growth, longer delivery times and higher prices look like something familiar – *check the next pages!*

SpareBank 1 MARKETS

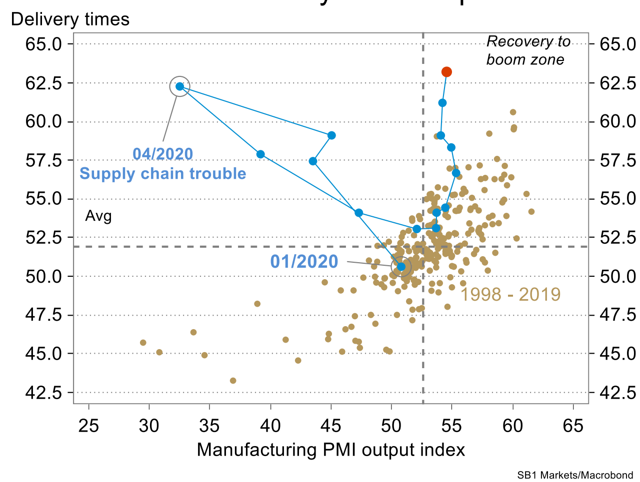
Prices & delivery times are soaring! Supply or demand?

Prices and delivery times are increasing faster than production growth usually explains

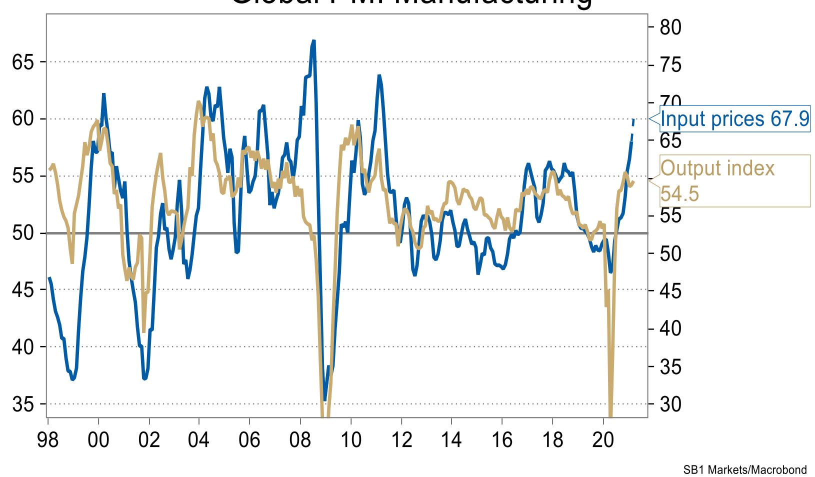
Global PMI Manufacturing



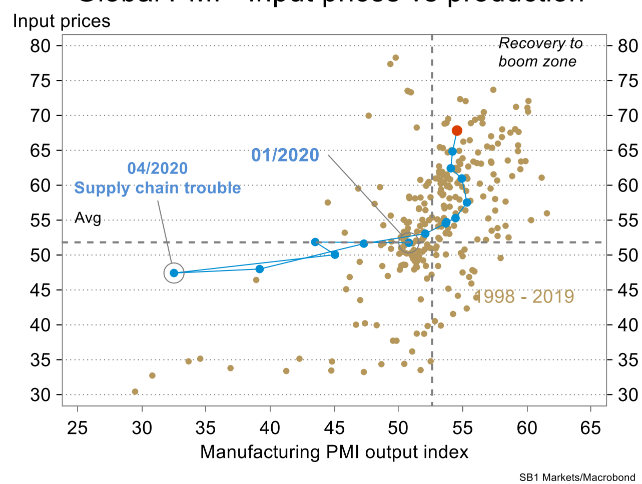
Global PMI - delivery times vs production



Global PMI Manufacturing



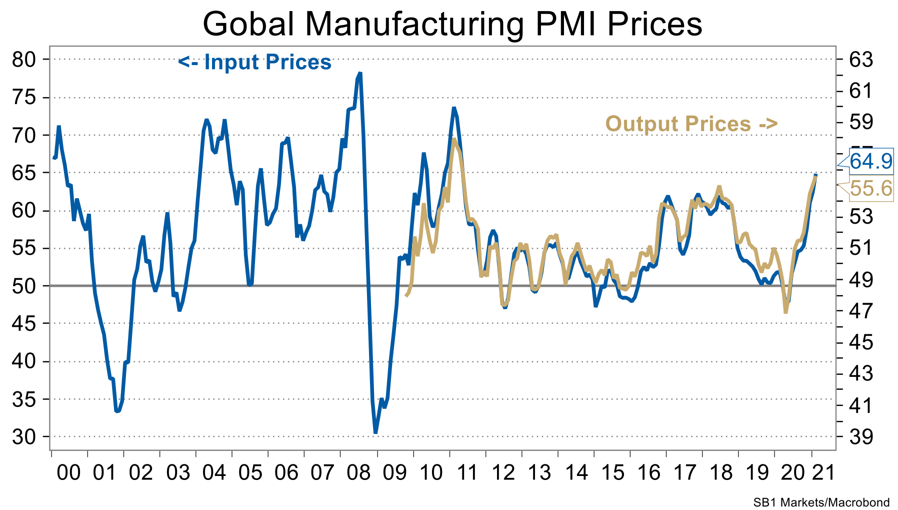
Global PMI - Input prices vs production

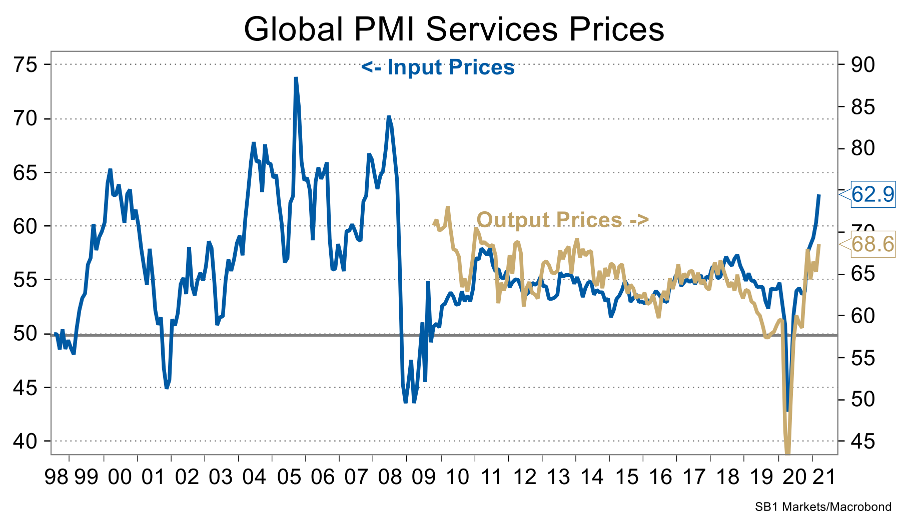


- Barring the Feb-Jun 20 months, activity, delivery times & prices have been moving in tandem. Demand has been pulling prices up
- Last spring, supply chains struggled to cope with the corona outbreak, and delivery times soared, but prices as not pulled up, demand was weak.
- Until 4 months ago, a 'normal recovery', higher activity (demand) was followed by normal increase in delivery times & prices
- Now, delivery times & prices are rising faster without faster growth (the PMI output component has stabilised), suggesting some specific (albeit broad) supply chain challenges (like in semi conductors, container freight) or that many costs pushed up by higher oil prices
- Such bottleneck challenges/cost push factors are normally not long lasting, and do not signal permanent higher inflation
- Still, demand has strengthened too, explaining a substantial part of the price increases

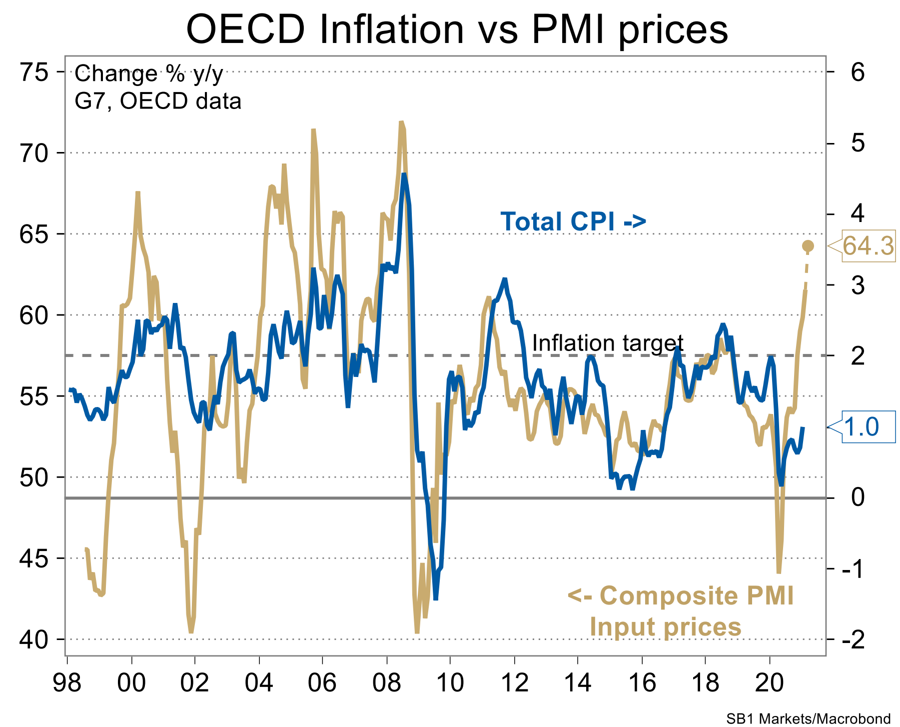
Businesses keep reporting even faster growth in input/output prices

CPI inflation seems to be the next stop





The last obs. Is based on preliminary PMIs from EMU. Japan, UK and US



- **Both manufacturers and services** are reporting rapid increases in prices, both input & export prices
- The correlation to **actual CPI inflation** is not prefect, but the PMI price indices are signalling a lift in headline inflation, from 1% in rich countries now, up to something quite different the coming months

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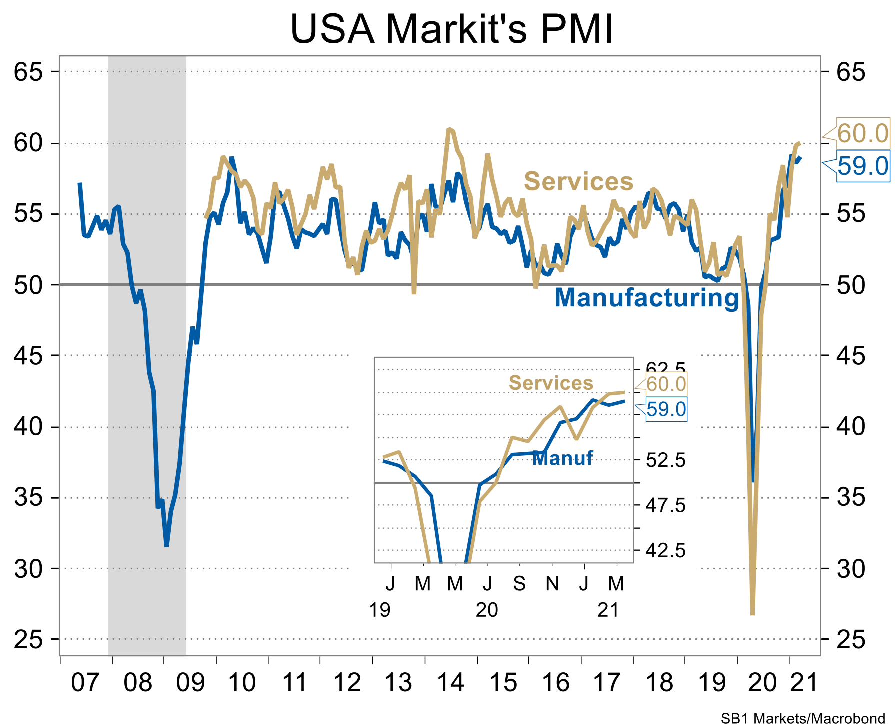
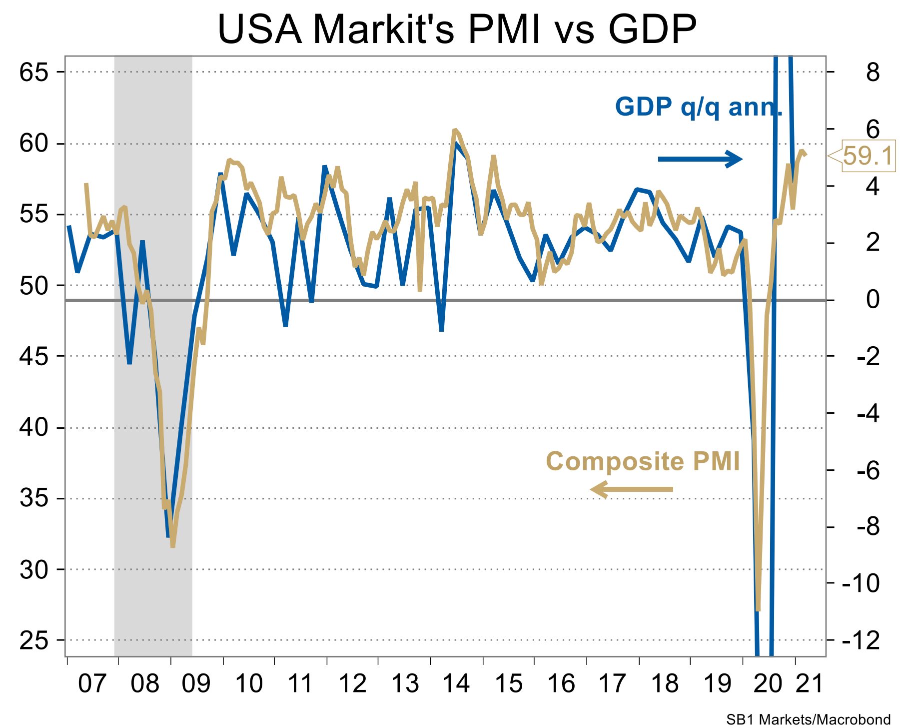
The PMIs signals 5%+ growth, both manuf. & services PMIs are very strong

Both manufacturing & services PMIs rose in March, both close to record high

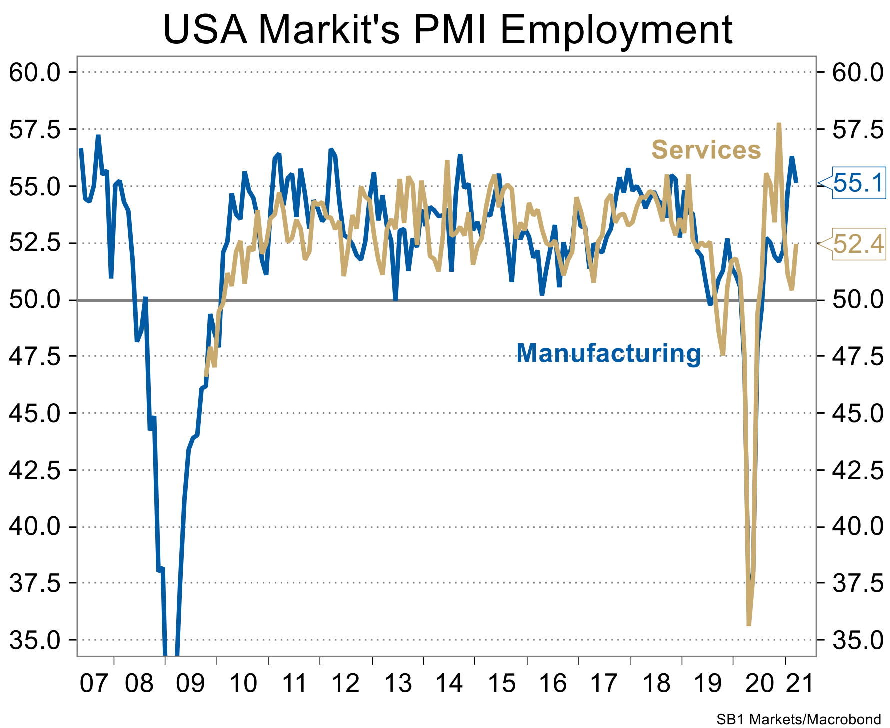


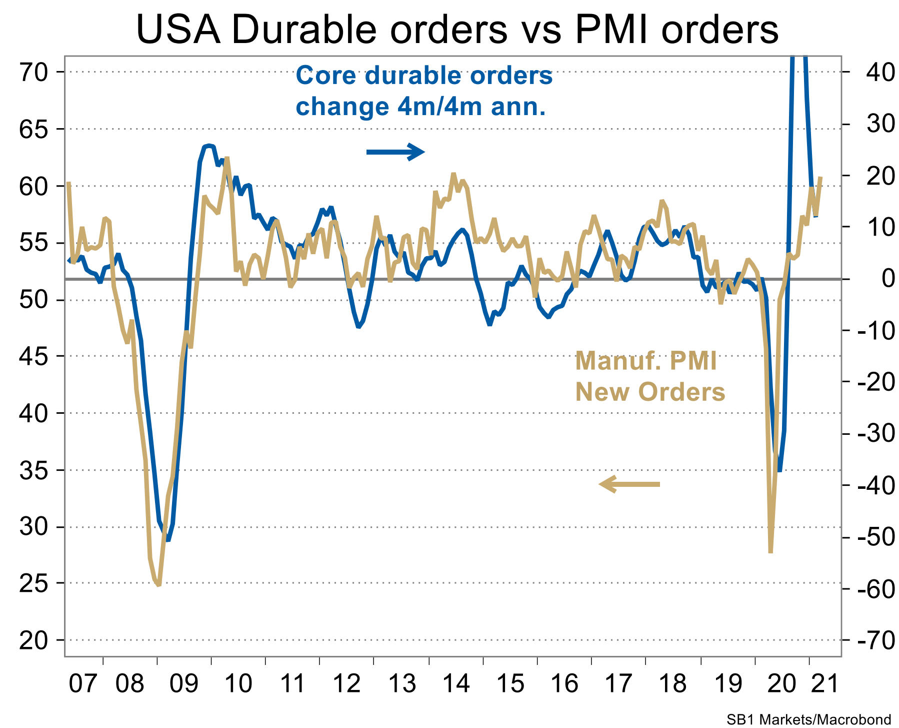


- Still, the outcome was slightly below expectations. The composite index fell marginally due to a minor decline in output component of the manufacturing PMI
- What the US needs now, is probably a USD 900 + 1,900 (4% +9% of GDP) fiscal stimulus package? Just kidding…

Faster but not yet fast growth in employment in services

Manuf. orders are increasing very rapidly, the 3rd best month ever (data just from 2007 though)

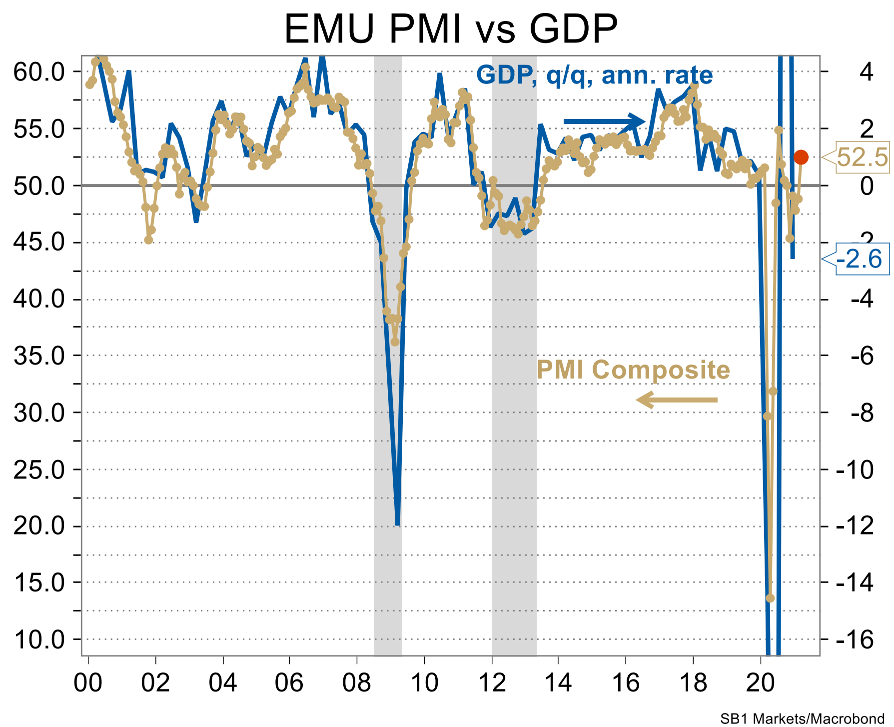


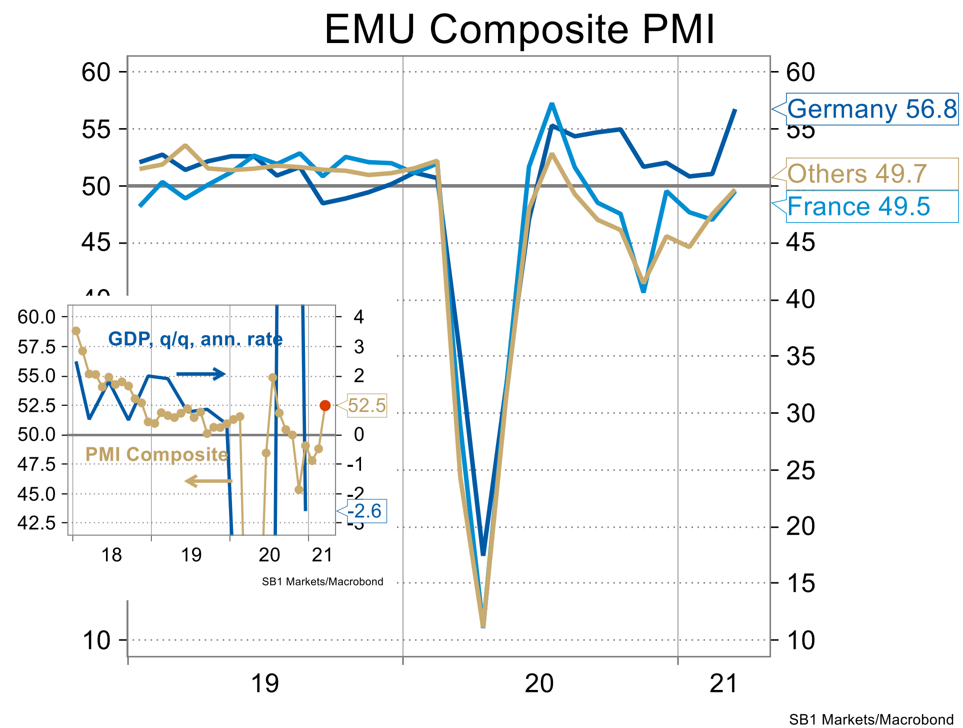


- We expect a surge in employment through Q2, as most services will re-open

A spectacular surprise: The composite PMI straight up in March, signals growth

The manufacturing is at ATH, services up too but are still in contraction mode

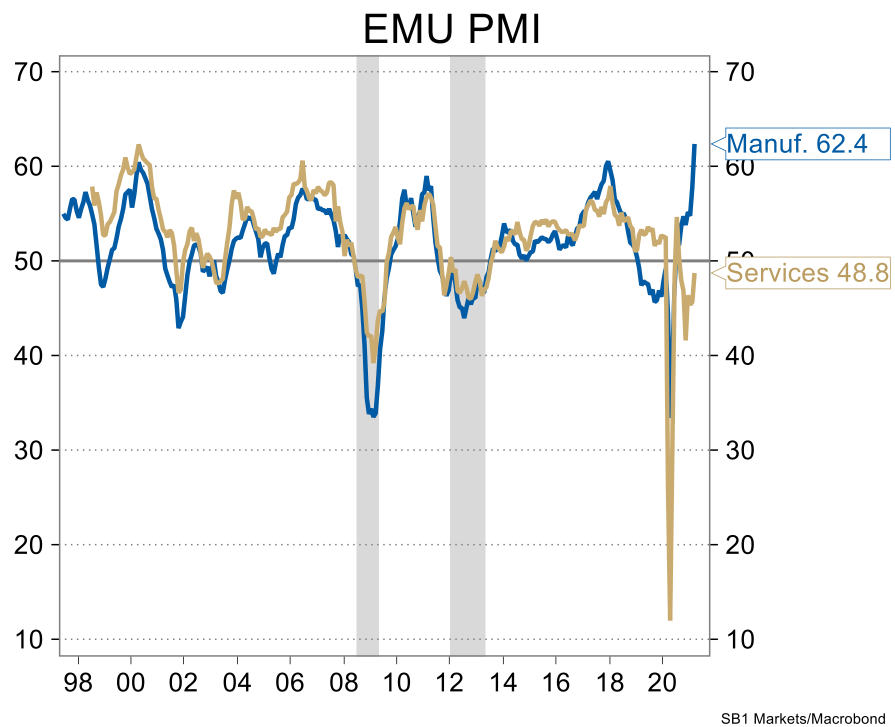


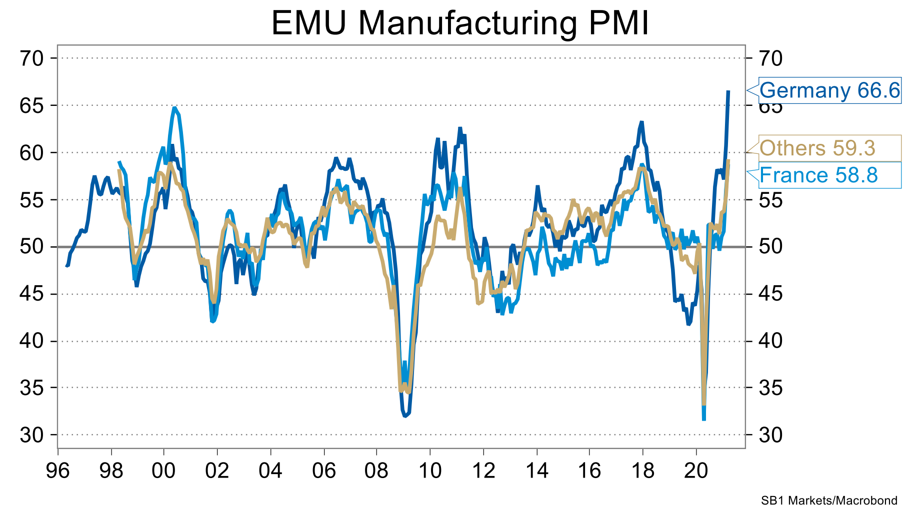


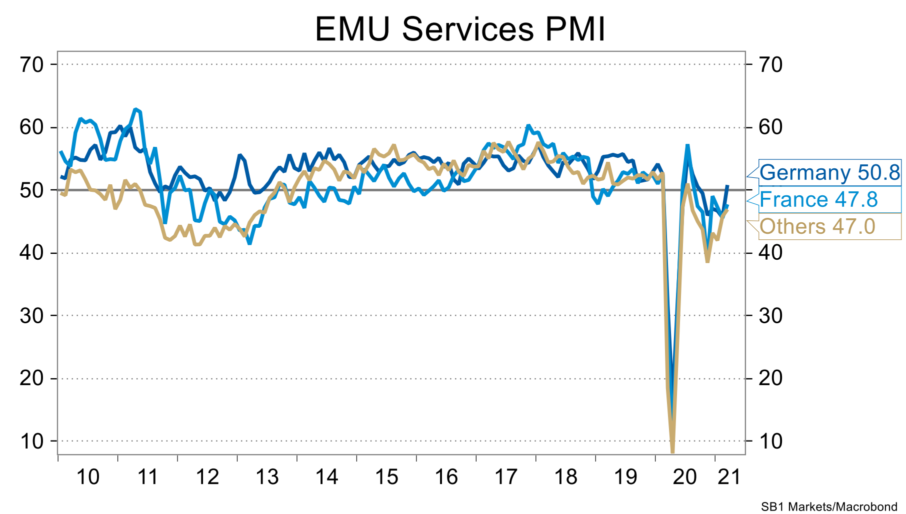
- The **service sector PMI** gained 3.1 p, to 48.8 (consensus just up to 46). Services are below the 50 line in all countries except Germany
- The **manufacturing index** rose 4.5 p to 62.4, <u>expected unch.</u>! <u>The index is at the highest level ever, by far</u>
  - » Manufacturing is strong everywhere, with Germany in the lead at ATH, but Italy & Spain are also at ATH, and France is not far below
- **The composite PMI** at 52.5 (+3.7p) was 3.5p better than expected, and signals a 1% pace of growth in GDP (or ¼ % per quarter), as the corona restrictions do not bite as before
  - » The composite index rose everywhere but is above 50 only in Germany. France still below par, as are implicitly other countries (read Italy and Spain), but just marginally

Manufacturing PMI highest ever, by far! And just not just thanks to Germany

The manufacturing PMI confirms that the downturn is nothing but corona trouble in <u>some</u> services



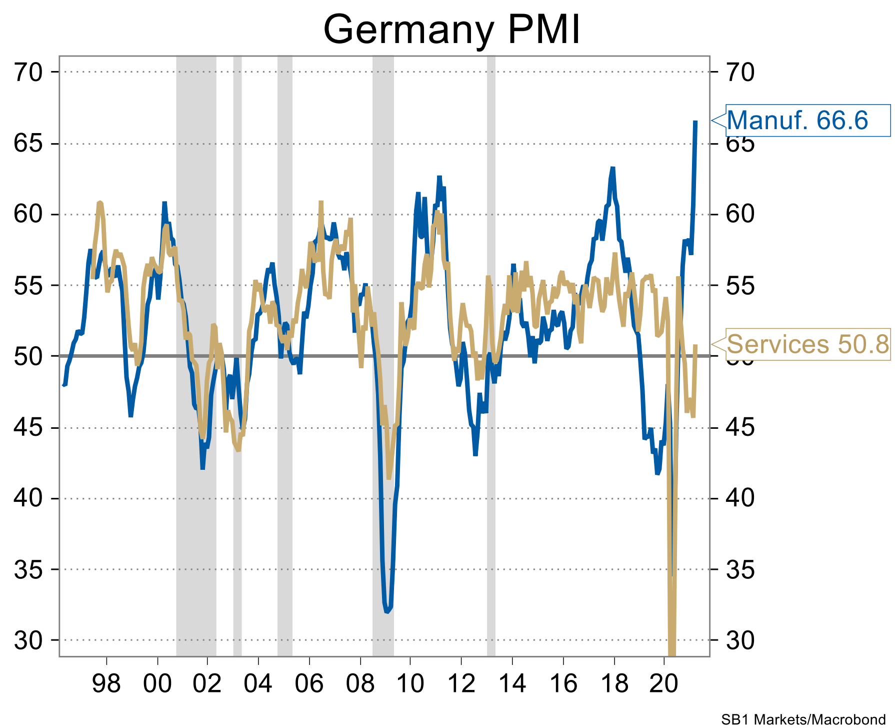


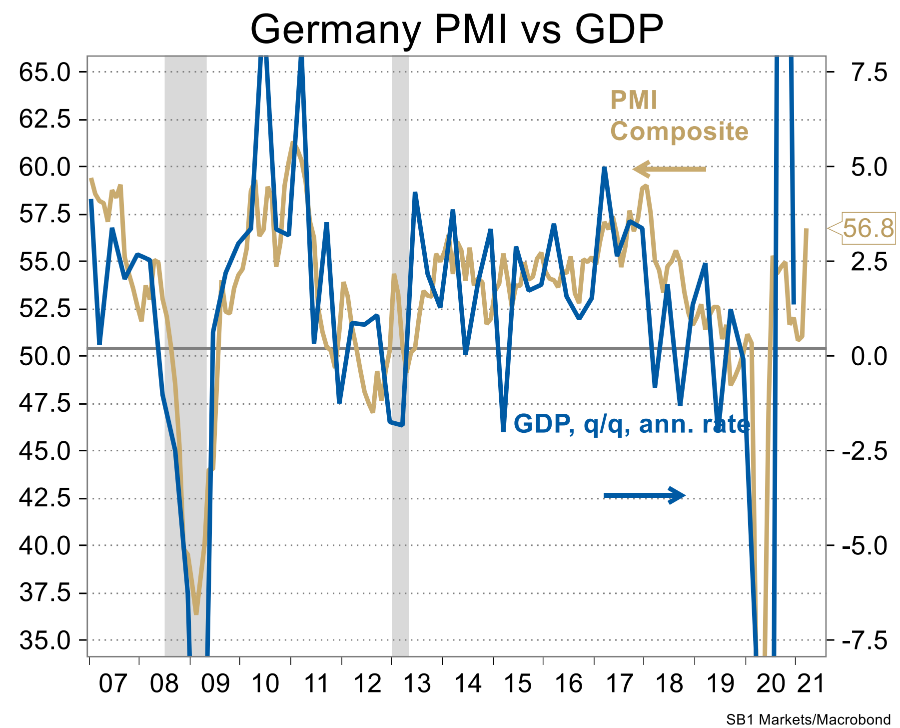


- The **German manufacturing PMI** is at <u>ATH</u>, by a wide margin, at 66.6!
- However, that's <u>also</u> the **average of the Italian & Spanish** PMI!, at 59.3!
- **France** has been above the present 58.8 level <u>just once</u>, during some months in 2000
- **Services** are not that fit of course but at least services reported a slower pace of contraction in March vs. Feb

Germany: Composite PMI up and a ATH growth in manufacturing

Service sector PMI up as restrictions were eased in March

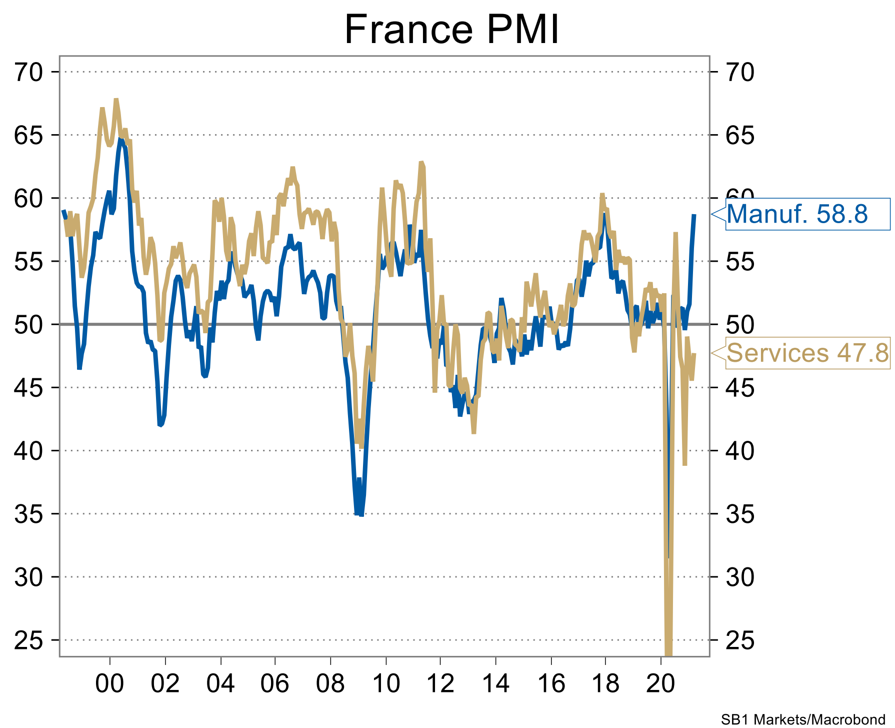


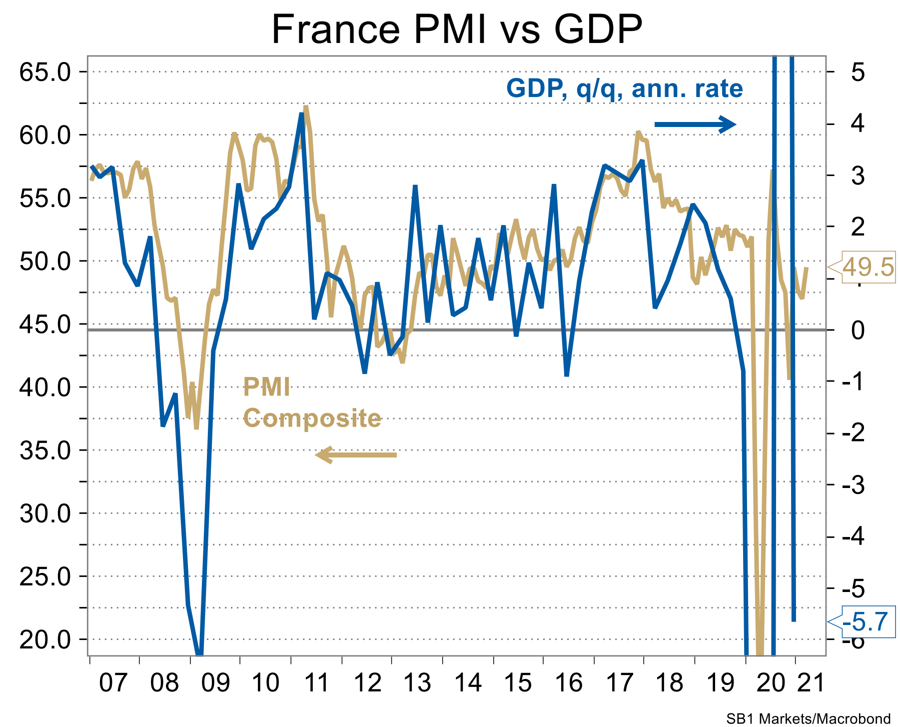


- **The prelim. manufacturing PMI** gained 5.9 p, the 2nd largest jump ever (after June last year) and came in at 66.6 in March, far above anything we have seen anytime before (data from 1996), and miles above expectations (-0.1 p)
- **The service sector PMI** rose is signalling growth for the first time since Sept last year, up by 5 p, (expected 0.8), most likely due to some easing of restrictions in March
- **The composite index** was not close to ATH, but far above average, signalling a 3% – 4% growth pace
- Germany has been in a **partial lockdown** since the beginning of Nov, and some easing of restrictions were done in March, but remaining restrictions are still in place until April 18th. So far however, the composite PMI has been reporting growth in this period!!

France: both PMIs up in March, manuf. best since '02 but services still contracting

Composite PMI at 49.5 signals 1.2% growth in GDP but precision lost during the pandemic

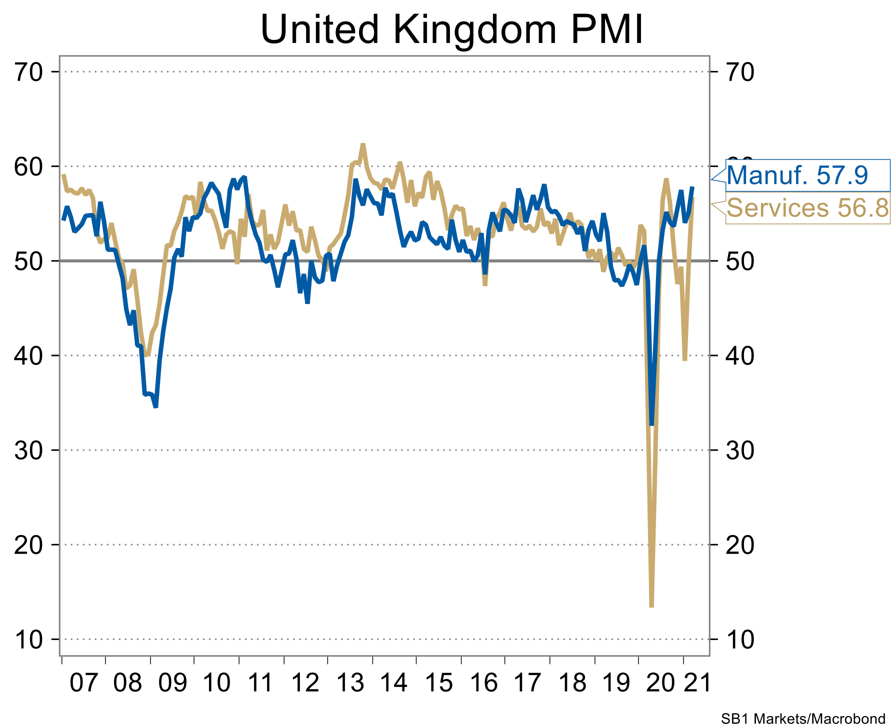


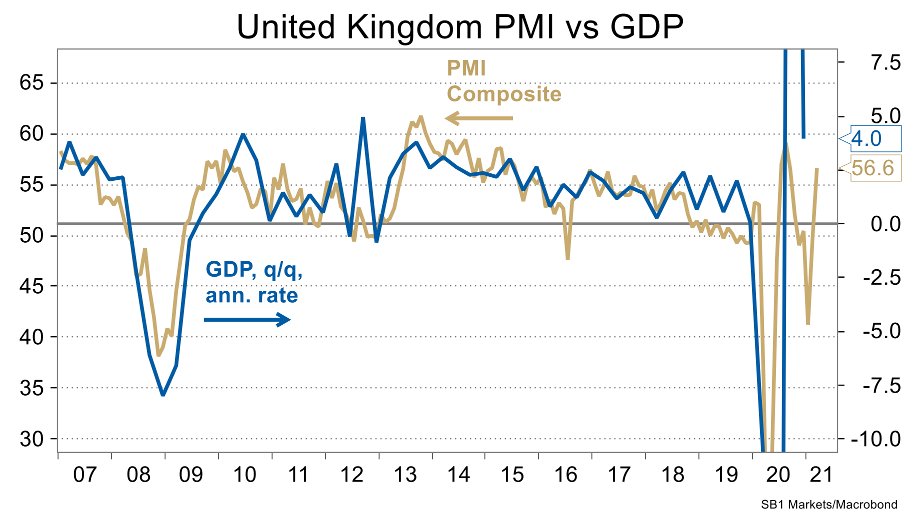


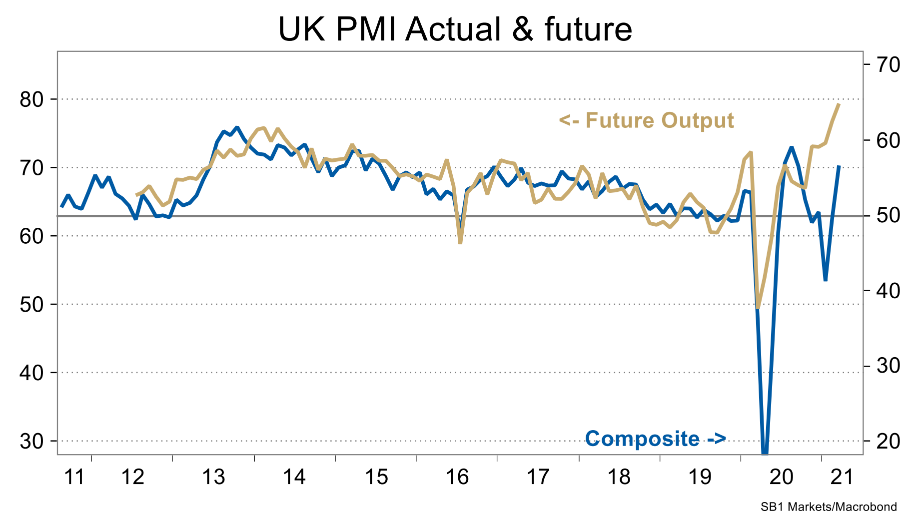
- **The composite** PMI rose 2.5 p to 49.5. The index was expected down 0.2 p to 47.2
- The **service sector** index was up by 2.2 p to 47.8. Most likely, activity in April will probably not be much worse than in March, will therefore be up to 50 in April – and sharply up later in Q2, if vaccinations do not totally fail
- **Manufacturing PMI** climbed further, by 2.7 p to 58.8, the best print since 2002
- According to Markit, overall **input cost inflation,** accelerated at the fastest pace since May '19, while the prices of input in the manufacturing sector have not risen faster since 2011

The UK is on the road to recovery, according to the PMIs, services sharply up

The composite index rose 7 p to 56.5 in March following the 8+ hike in Feb. Signals GDP >> trendgrwt.







- **The composite PMI** was expected close to unch. in March, the +7 outcome was far above expectations. **The manuf. PMI** rose almost 2 p to 57.9, best since 2017, and the index has not been higher many times
- **Services PMI** increased by 7.3 p, following the 10 p lift in Feb – and suddenly the index was at 56.8! The contraction in services has come to an end, as some restrictions are eased. The UK vaccination strategy is paying off, according to Markit's respondents
- In addition: Companies has never been more positive vs. **the outlook** – may be due to both the low starting point; GDP is still down 7% – 8% vs Feb 20, and the very positive vaccination outlook

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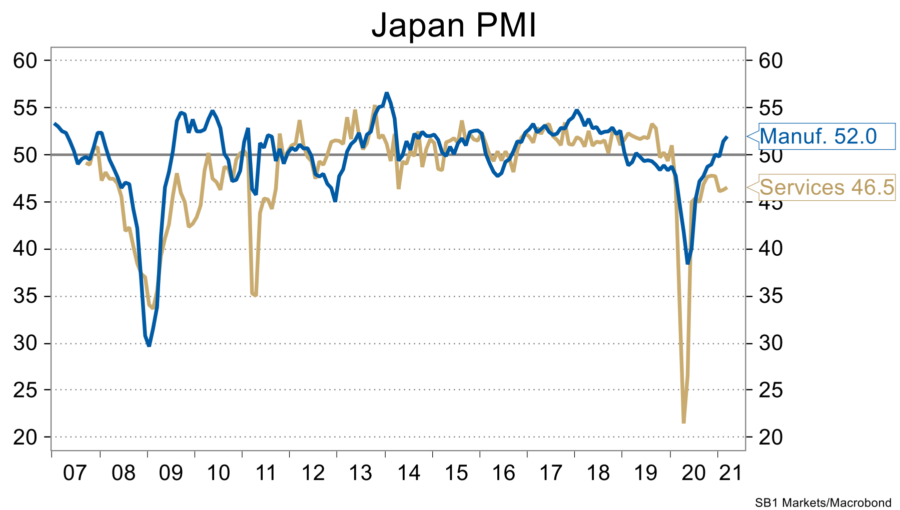
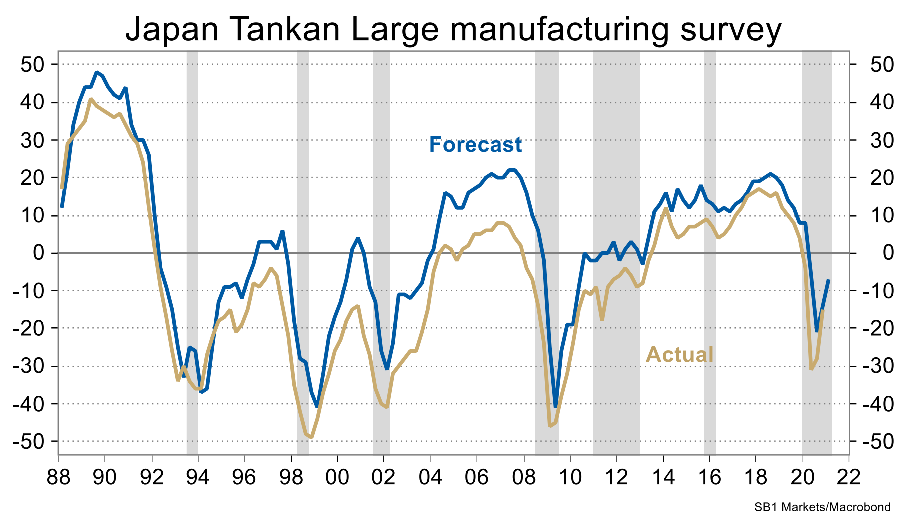
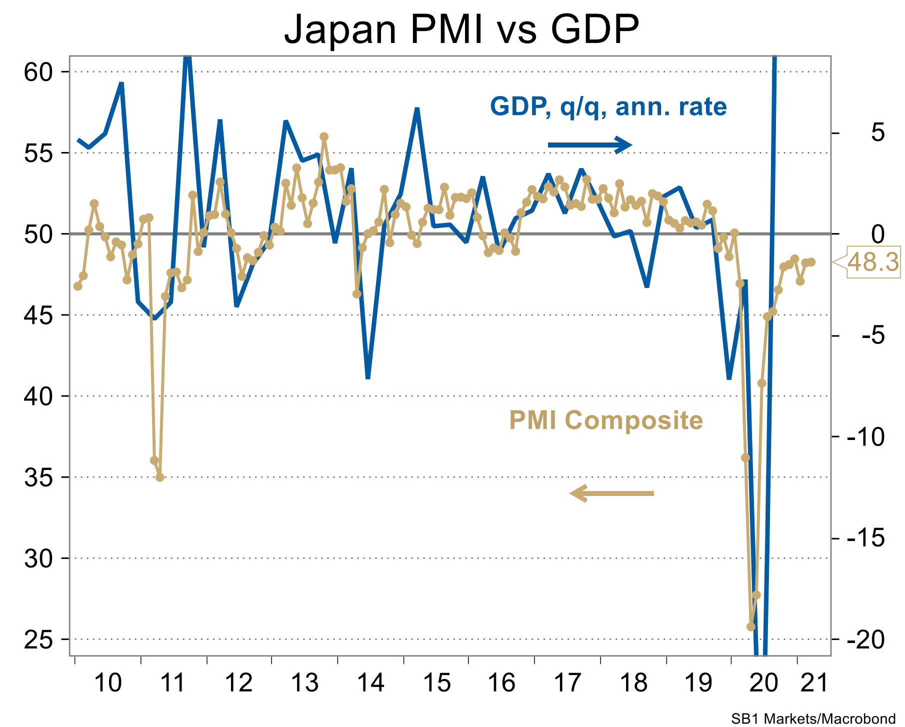
Japanese services PMI slightly up, but sector is still contracting in March

Manuf. PMI up 0.6 p to 52, services PMI up 0.2 p to 46.5, the composite remains under water



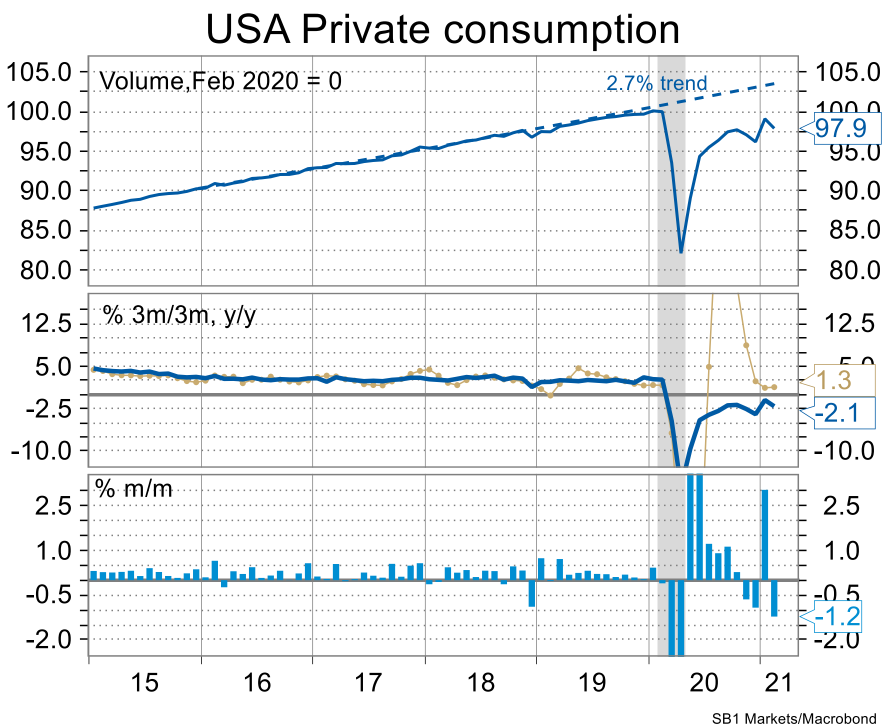


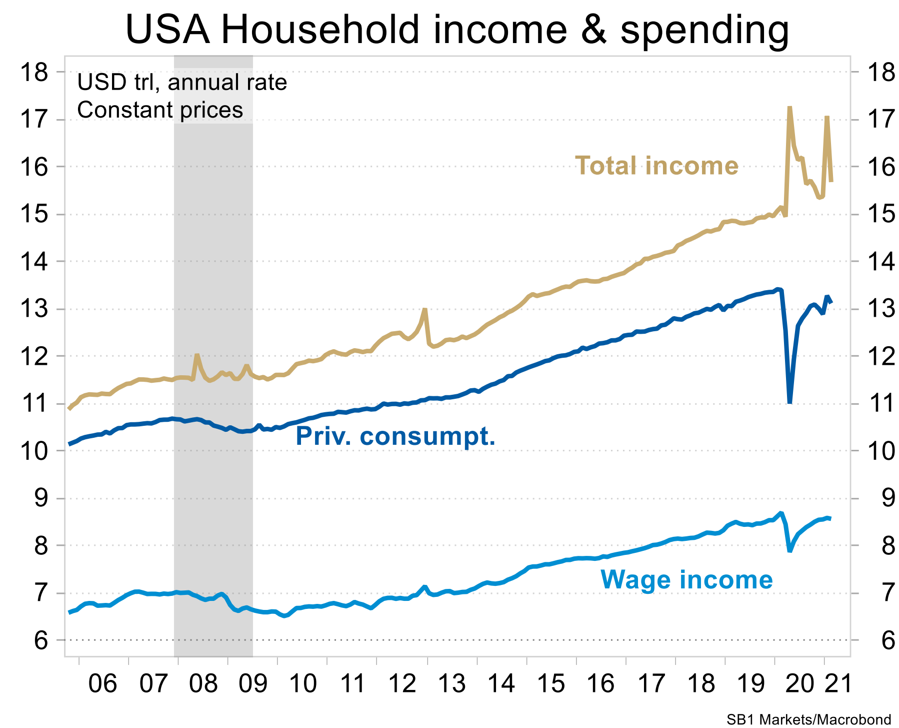


- The composite PMI at 48.3 signals 1.4% decline in GDP (annualised) – but the correlation is not impressive
- Service and manufacturing PMIs as well as outlook subdued by ongoing Covid wave

No stimulus cheques in February, income down 8%, consumption -1.2%

New, and much larger cheques have already arrived in March, just wait and see ☺

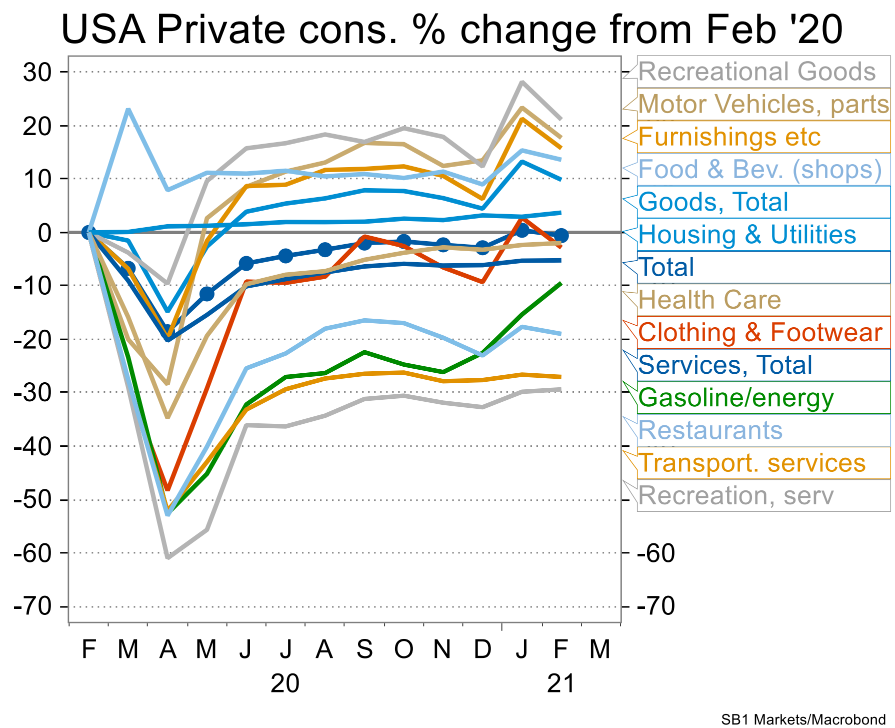


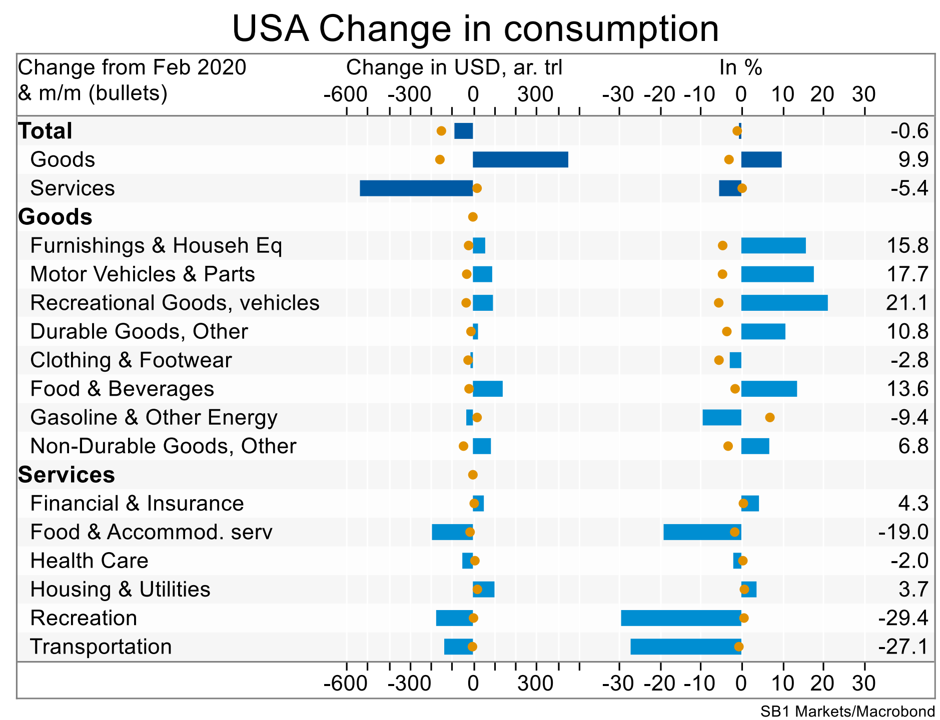


- **Private consumption fell 1.2%** in real terms in Feb, expected -1.0% (and -0.8% in nominal terms), following the 3% surge in Jan. The harsh winter weather may have had some impact. Consumption is still 2.1% below the level in Feb last year, goods are well above, services still below.
- **Personal disposable real income** fell 8.1%(in real terms), the difference is caused by the stimulus cheques that were paid out in Jan, lifting income by 11.1%, and not in Feb. In March the next round of cheques, a USD 1,400/person cash support, will show up in the numbers - lifting household income by an unprecedented amount
- **The savings rate** fell to 13.6% of disposable income from 20.5% in Jan. In Jan & Feb, households have saved some 1/3rd of the extra government transfers – and more will no doubt be spent over time. The savings rate will surge to above 30% in March, following the next stimulus payment, as households do not (and cannot nowadays) spend everything at once. <u>If US households have an income problem due to the corona crisis, it is due to the distribution of change in income, definitively not the change in the average income.</u>

Spending on most segments down in February. March will be better?

In value terms, consumption of goods is 10% higher than pre corona, services are down 5%



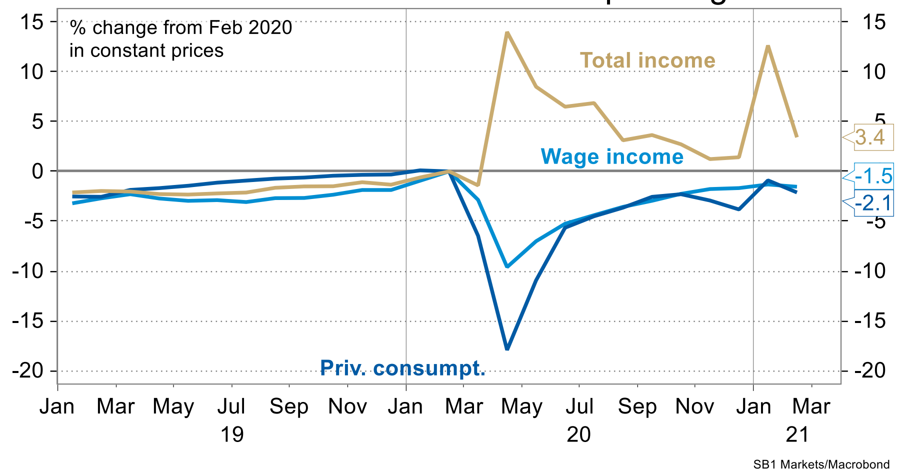


- Growth in **consumption of goods** has been driven by food & beverages (at home), autos (2nd hand), recreational vehicles (!), while gasoline is still down – all in value terms
- **Consumption of services** is down 5% vs Feb 2020, due to a 19% – 29% shortfall in restaurants/hotels, recreational services, transport – of course dramatic for companies in these industries (and their employees!)
  - » Consumption fell in all the corona exposed sectors in February
- Will consumers return to more **normal spending habits**, i.e. go to restaurants, theatres, parks, go travelling, attend schools etc. when it is safe, and allowed? We are still very confident that's the case, and that it will not take that long time to see the first impacts. In March, both restaurant visits and air travel surged

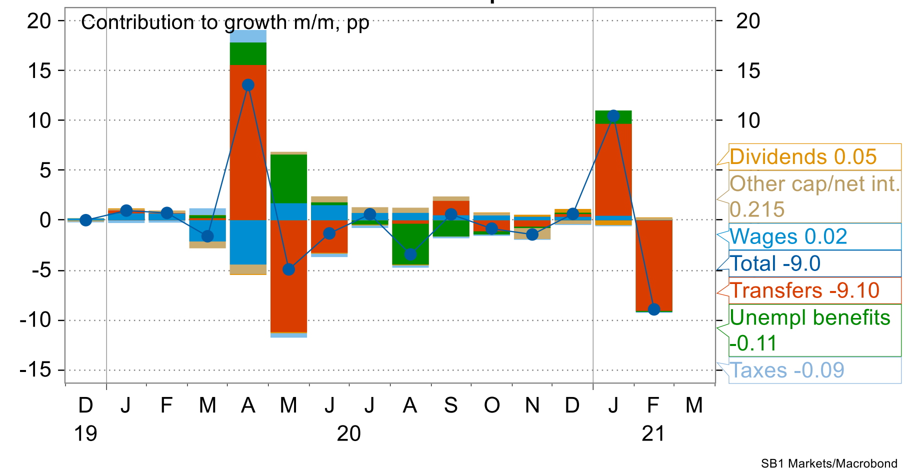
Household income retreated in the month after stimulus cheques

But no worries, income will be back up in March due to new cheques

USA Household income & spending

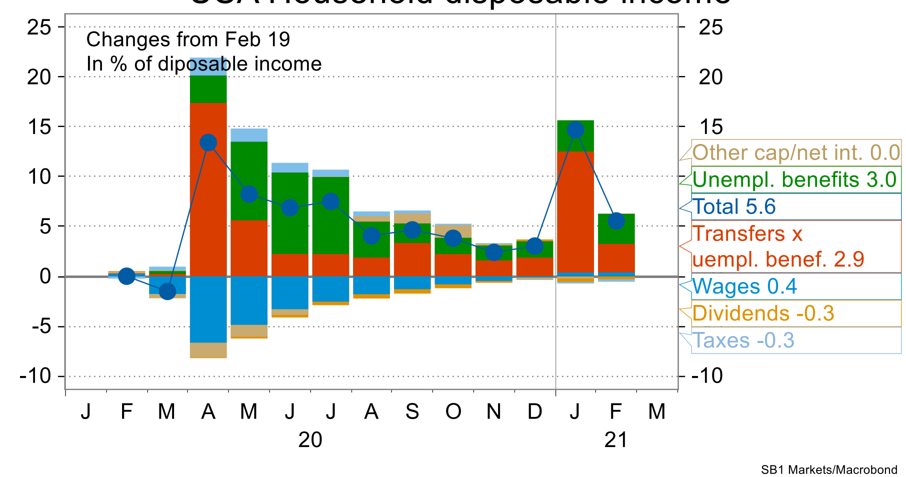


USA Household disposable income



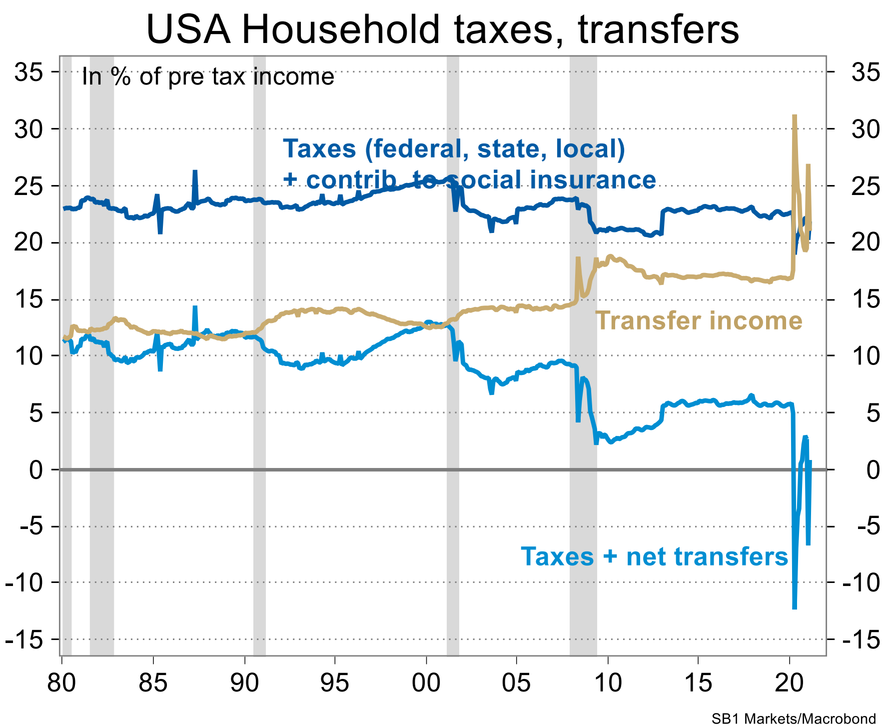
- **Household disposable income** declined by 8.1% nominally in Feb. Stimulus payments were transferred in Jan and not in Feb, which explains the fall
- Since before corona: Households have – in aggregate – been overcompensated big time by government support
- Household disp. real income is up 3.4% from Feb 2020, and by 5.6% in nominal terms
  - » Nominal wage income is slightly above the Feb-20 level, even if hours worked still is far below – it's the lower paid that have lost their jobs. The others have increased their wage income substantially
  - » Unemployment benefits are up equalling 3.0% of disp. income
  - » Other transfers are up equalling 2.9% of disp. income
  - » Government transfers have in sum been much larger than the decline in wages and other market-based incomes
- All these extra incomes (and more) have been saved, as it has not been possible to spend them where consumers wanted

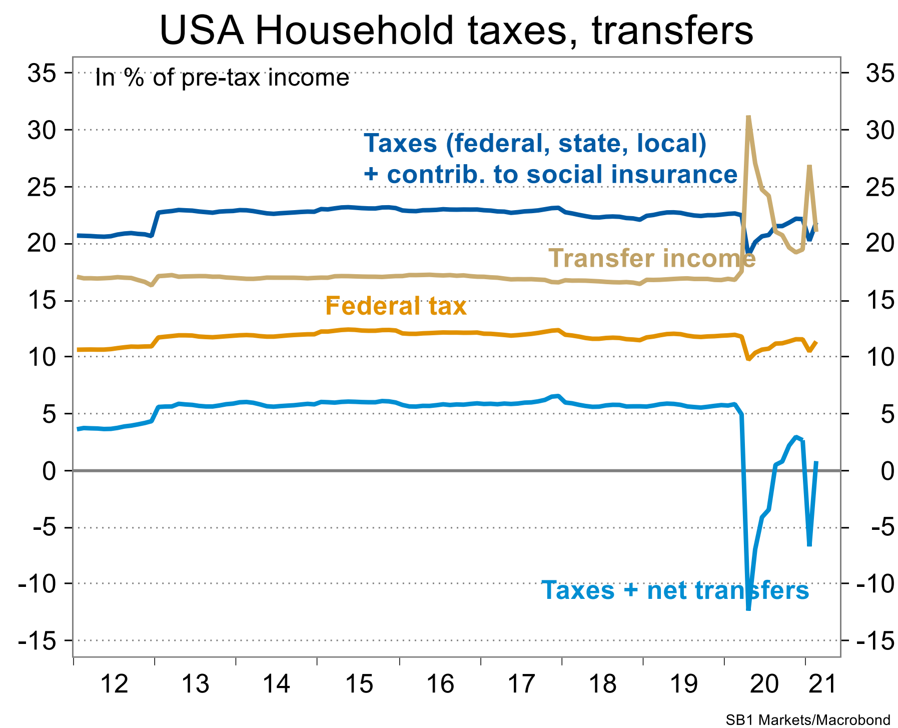
USA Household disposable income



Transfers from the government are down in February, but will return in March

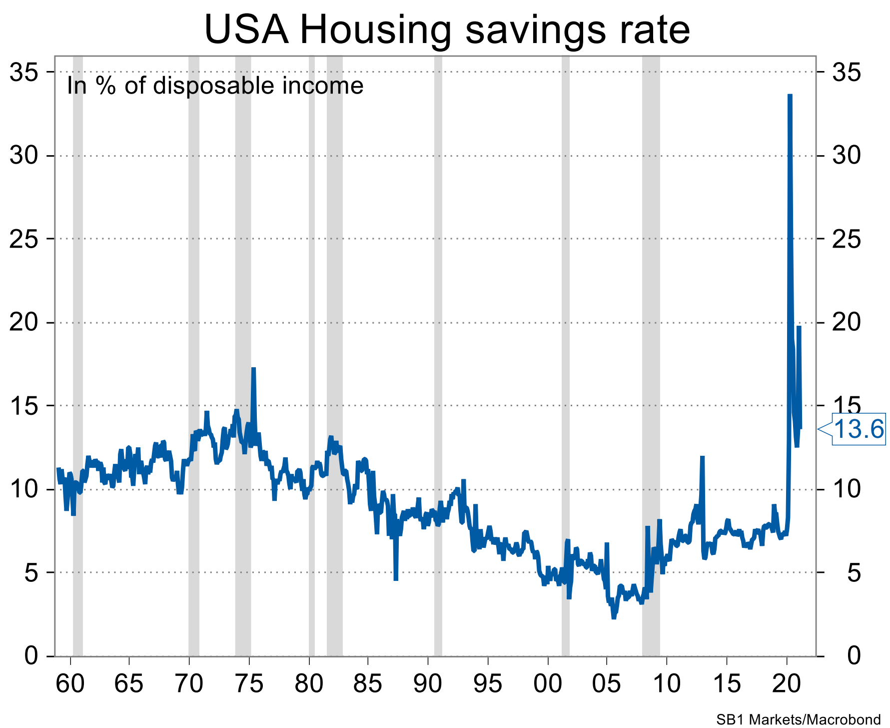
…and perhaps Biden will make the federal tax income creep up again?

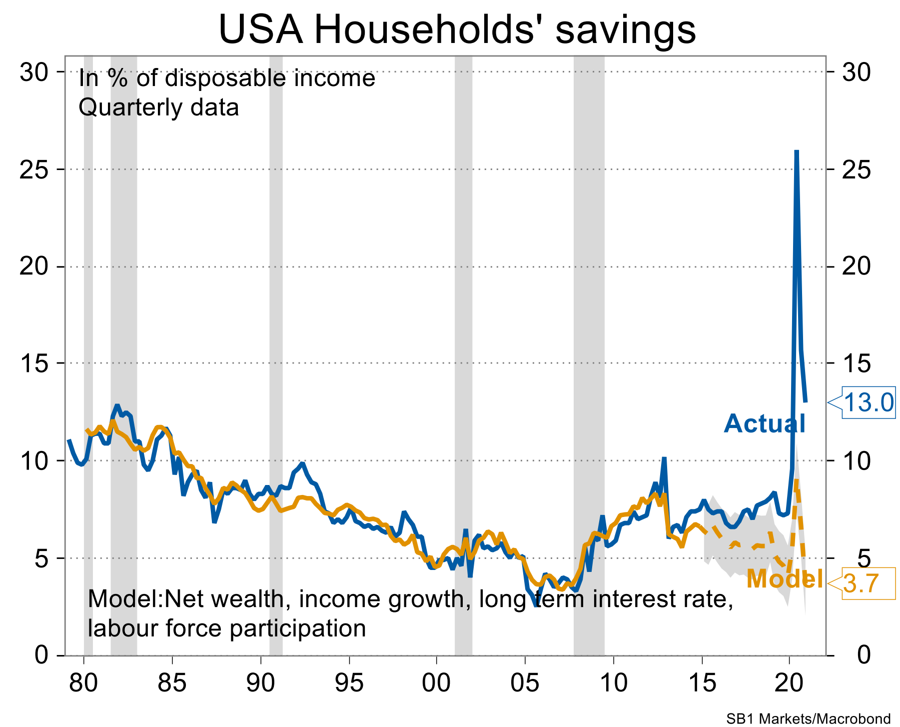




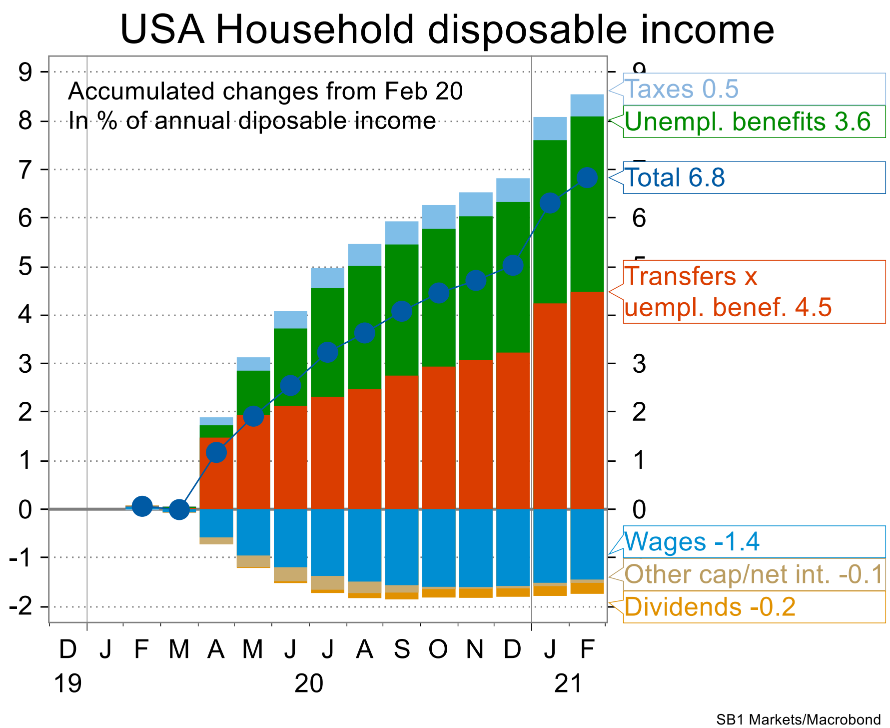
The wall of money: Saving lower but still at 13+% of disposable income

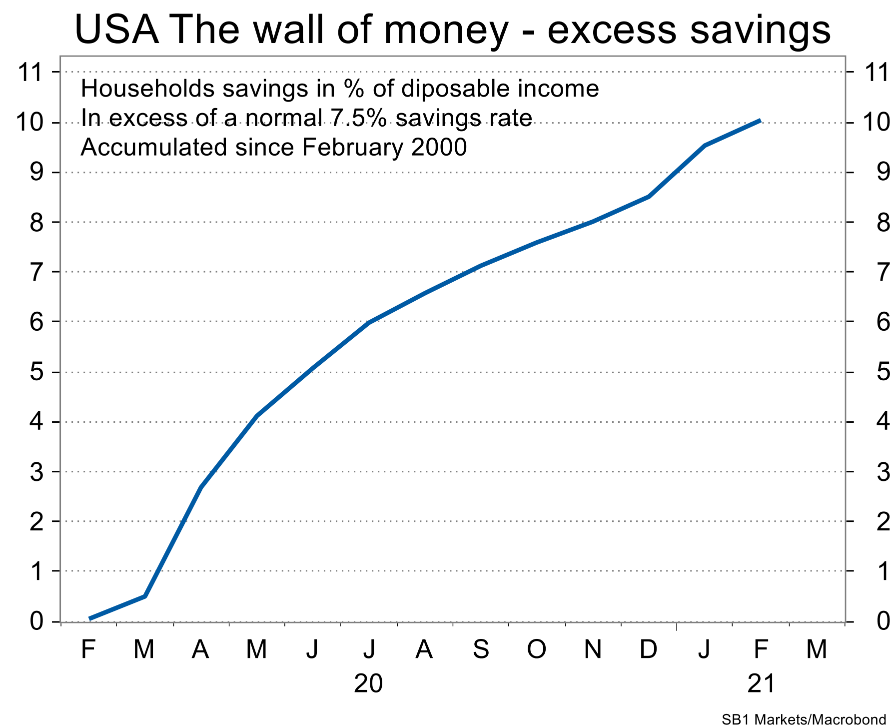
No normal model can of course explain the extreme lift in household savings. Just the virus





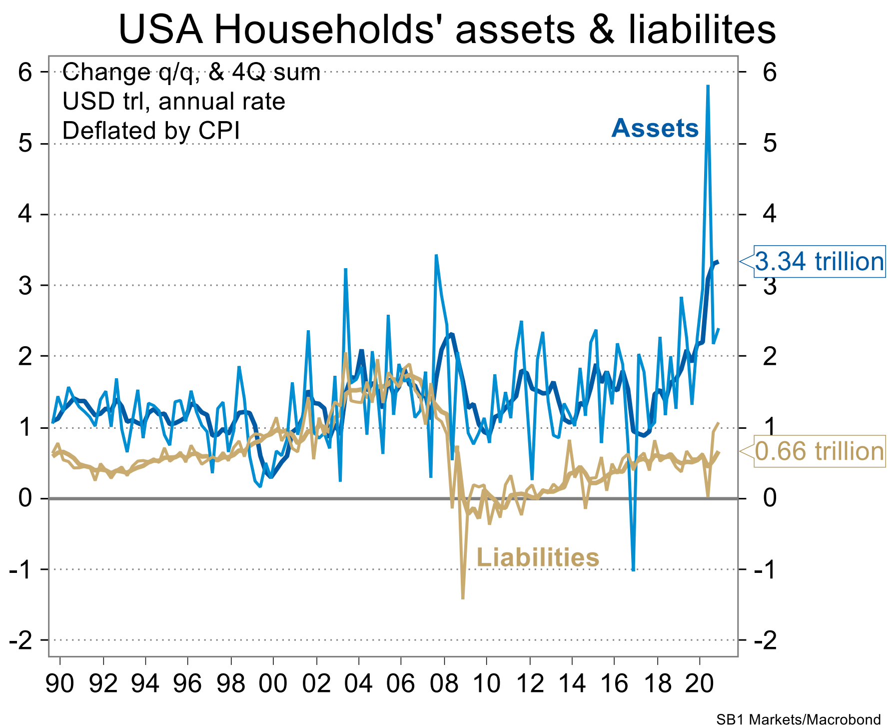
The wall of money: How it is built – and the height

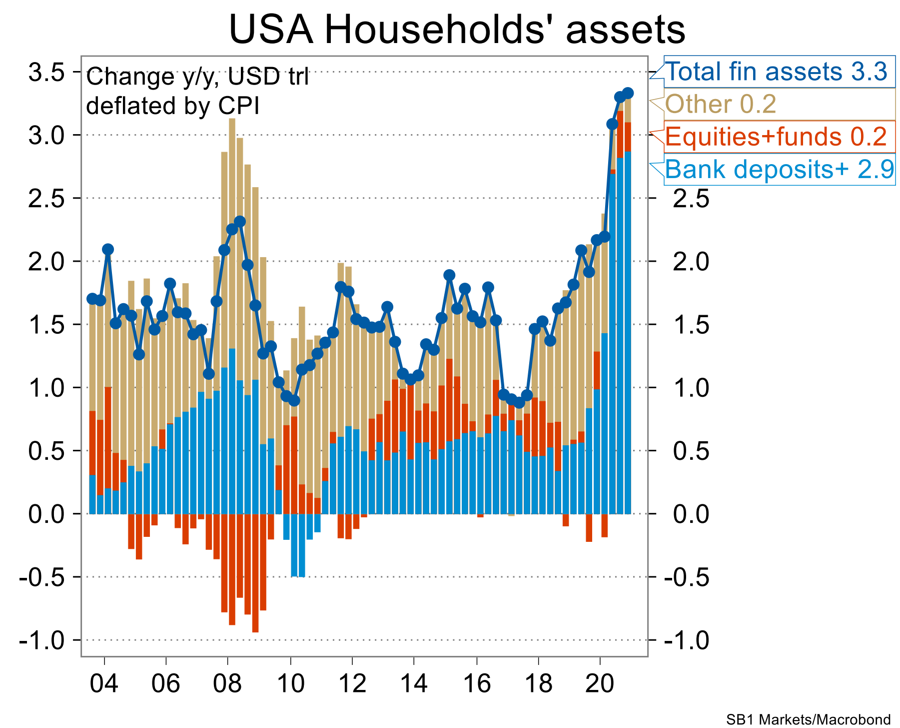




The savings glut has not been used to pay down debt or to buy equities

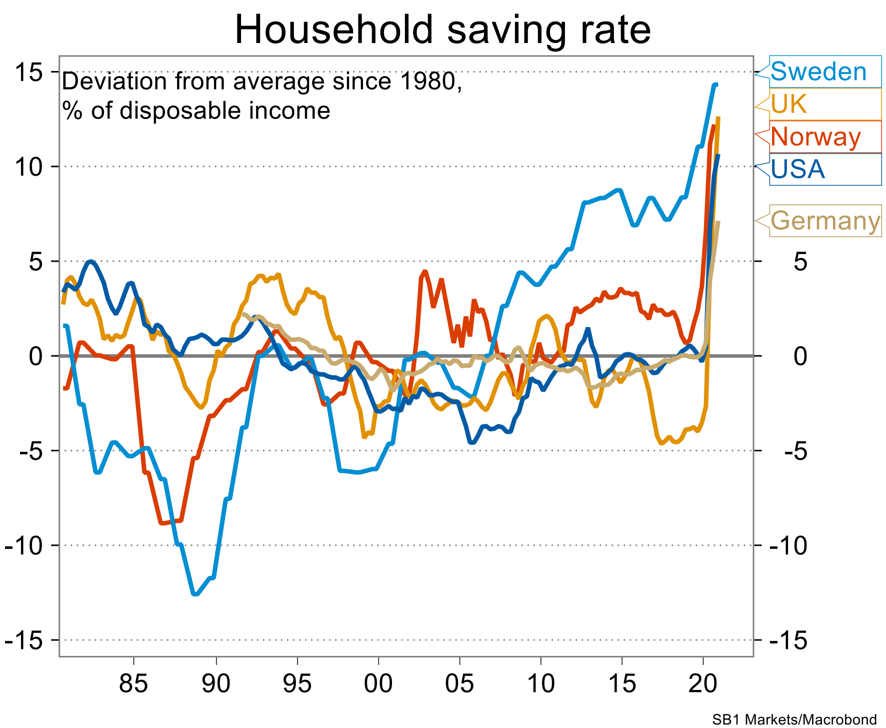
Household debt has increased faster than normal. 90% of the excess savings remains in the bank!

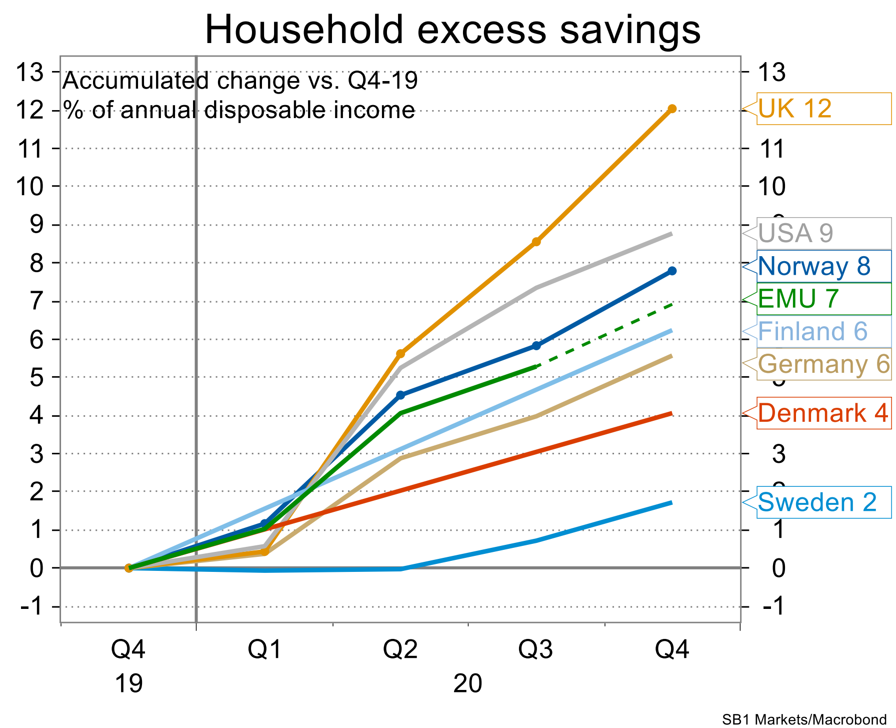




It is not just in America, of course

Household savings have soared almost everywhere as consumption of services have fallen sharply

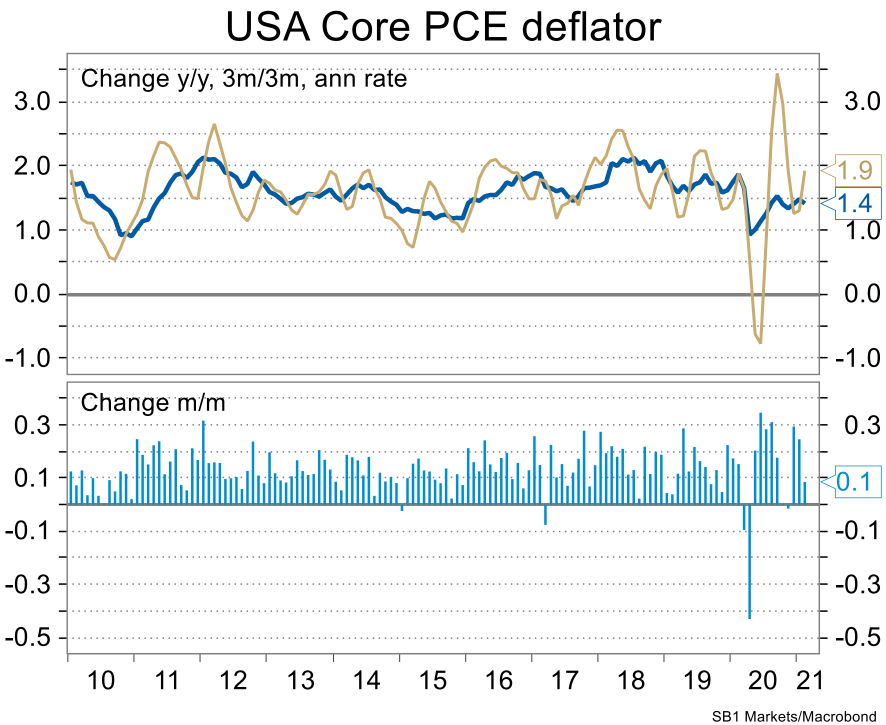


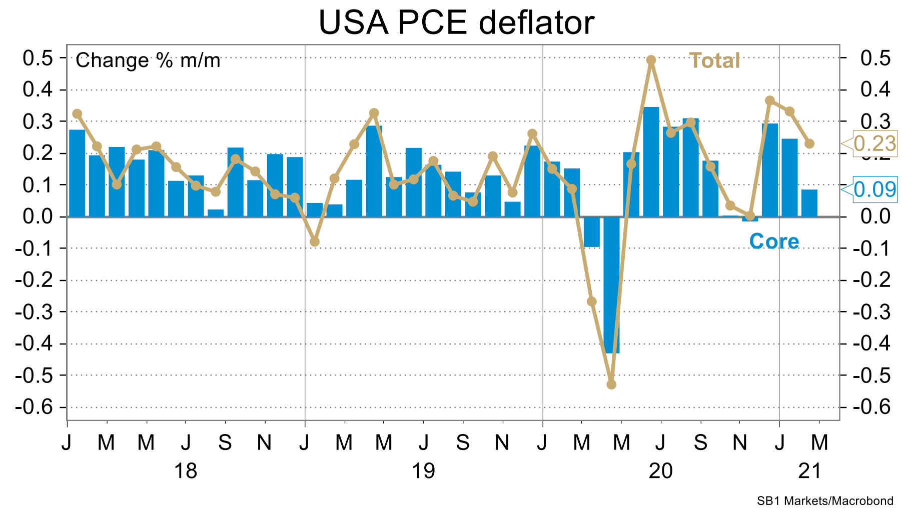


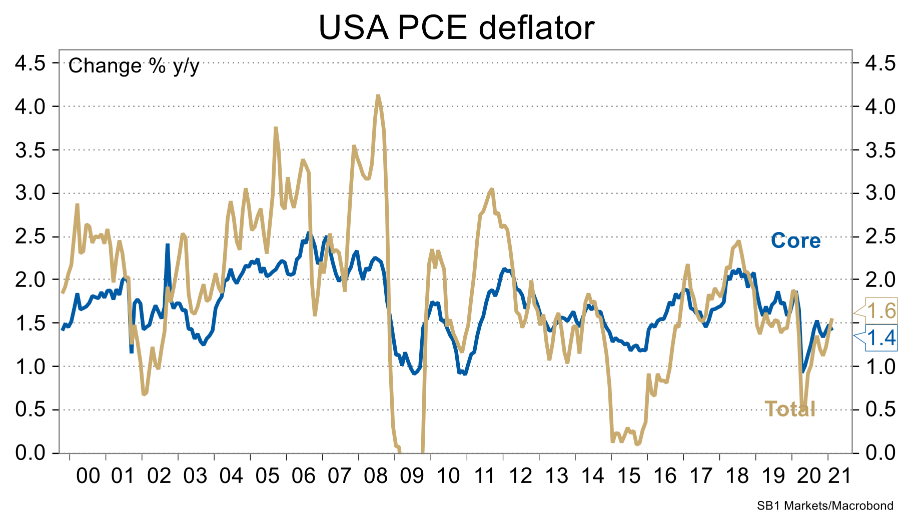
- We very much doubt these syncronised and unprecedented increases in savings are due to a monumental change in savings aspirations

Consumer prices (PCE) still in check, up just 0.1% m/m in Feb, 1.4% y/y

Prices rose more than expected, but core still at just 1.4% y/y

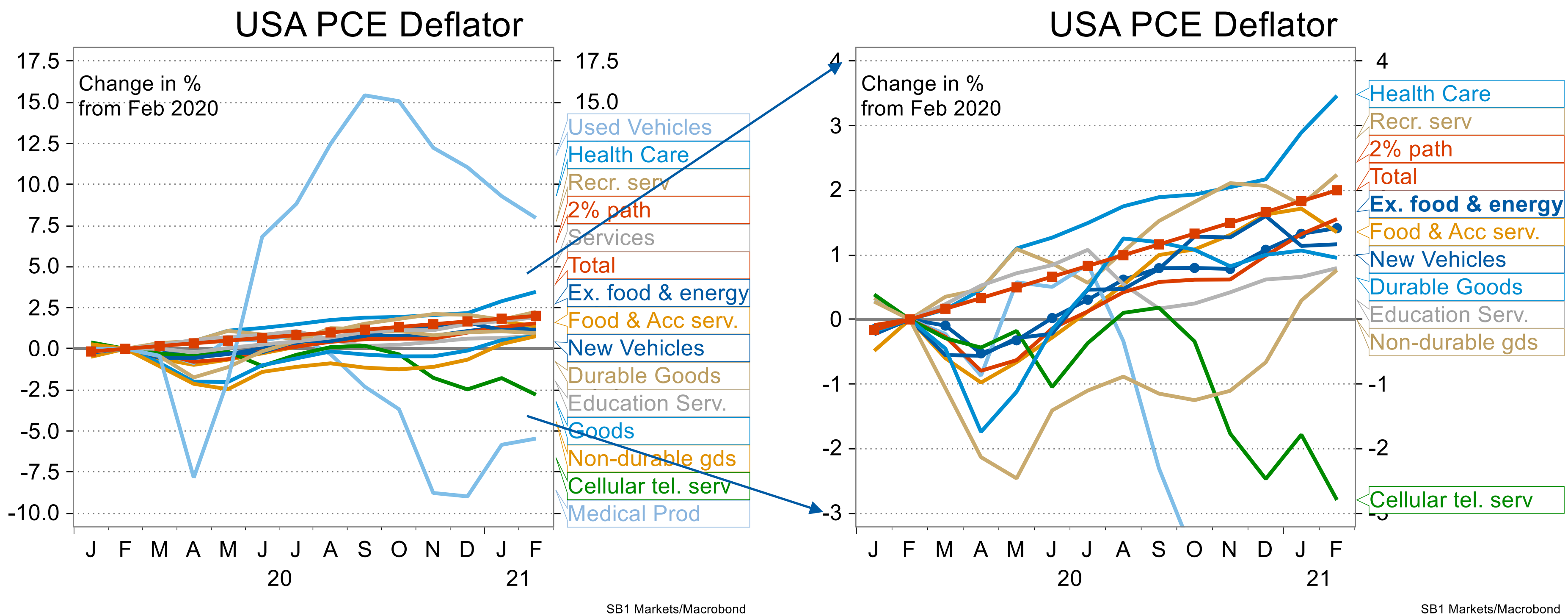






- **The core price deflator** rose 0.1%, as expected, and the increase in Jan was revised down to 0.2% from 0.3%. The annual inflation rate retreated 0.1 pp to 1.4%, well below Fed's 2% ambition
  - » In March/April-20 the core PCE fell by 0.5%. Now a 0.3 pp increase is more likely. If so, the annual rate will increase to 2.2%. However, prices recovered the following months last year, and if underlying price inflation does not pick up now, annual inflation will slow down again
- **Total PCE deflator** rose 0.3% too, and the annual rate rose 0.1 pp to 1.6%. Total PCE fell 0.8% last March/April, and the annual rate will surge the coming two months

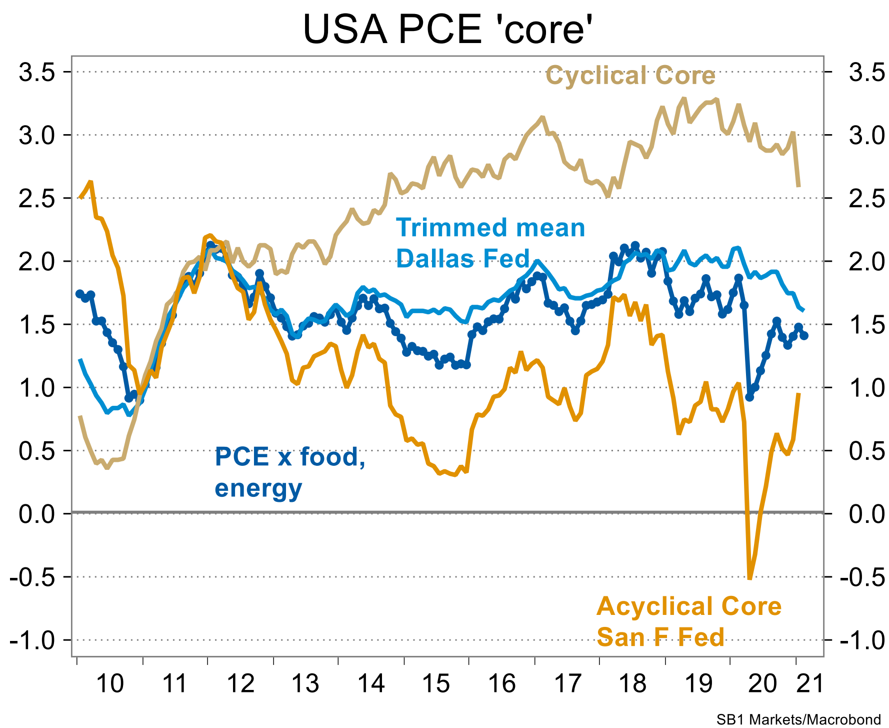
Health care costs up, as are non-durable goods prices



- The unusual hike in health costs are due to higher payments to physicians
- Medical products have fallen sharply – and cell services are becoming cheaper again

The PCE deflator is below par – but not due to cyclical factors

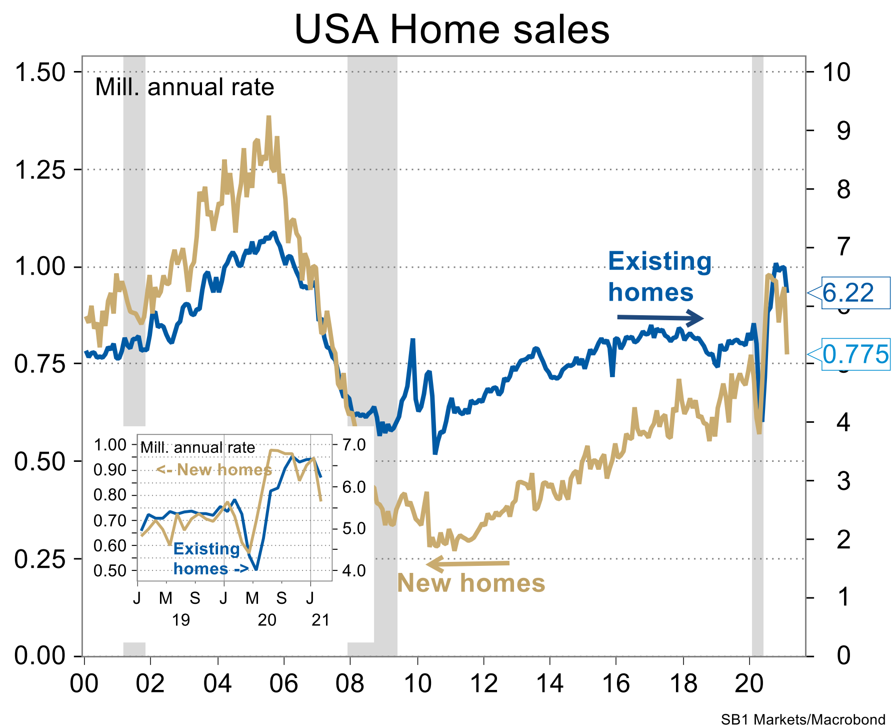
Cyclical core PCE inflation at 3.1% - the acyclical index at 0.6%

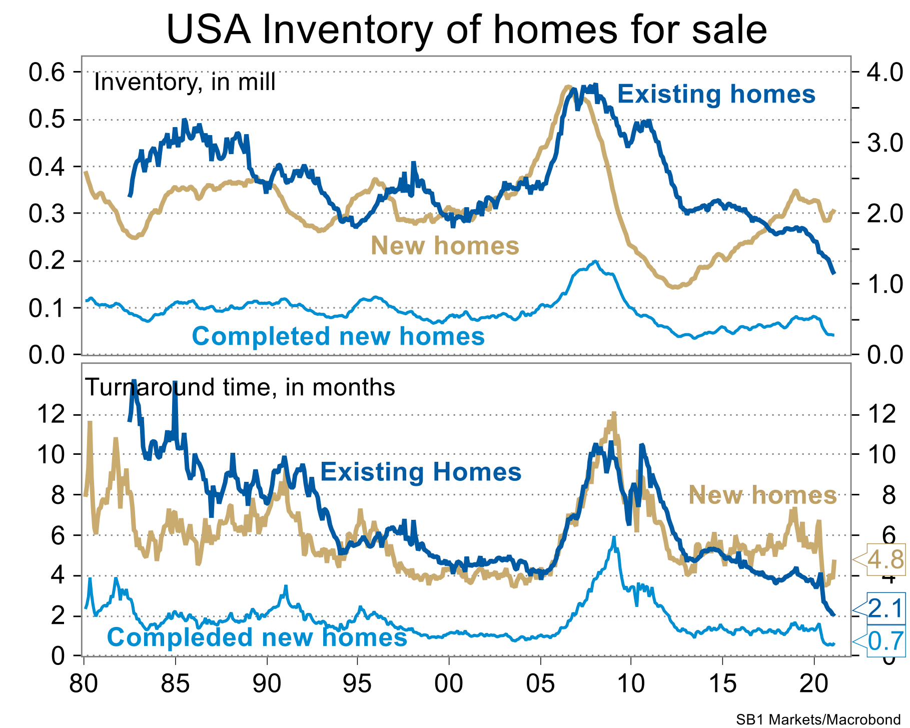


- It's hard to move the acyclical (non-cyclical) components of the PCE deflator
- The trimmed mean has fallen to 1.6%

Both new & existing home sales down in February

The strong housing marked has very likely not turned south. Inventory levels are record low, prices ↑

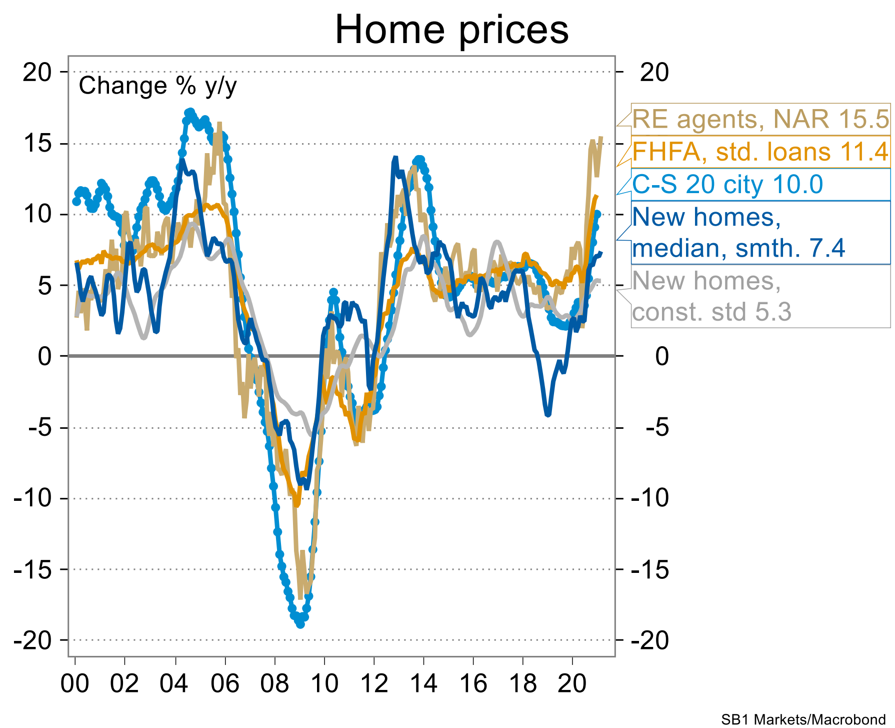


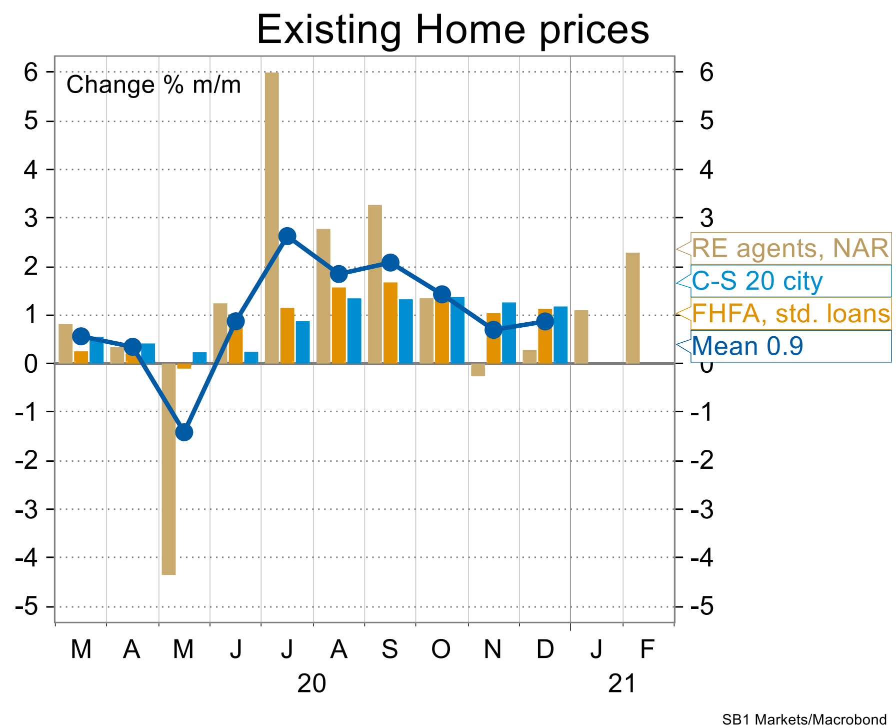


- **New home sales** fell to 775’ (annualised rate) in Feb, from 948’ exp. 890’. The setback was broad regionally, and more than the winter storms must be to blame. Higher mortgage yields? Possibly some impact (but it usually takes much longer time). Sales are still above the pre-pandemic level
  - » The **inventory of unsold new homes** rose somewhat as more projects were added to the sales list (buildings not yet started), while the no. of unsold completed homes was close to unch. at the lowest level ever, both the actual as well vs. sales of new homes
- Sales of **existing homes** fell to 6.22 mill (annualised rate) in Feb from 6.66’, expected 6.53’. The sales level is still more than 10% above the pre-pandemic level. Sales are do doubt kept down due to lack of supply.
  - » **The inventory of unsold homes** fell further from a record low level, to just 2.1 months of sales. During the 2005 boom, the i/s ratio was 4 months, in bad times 10 months.
  - » **Prices** rose sharply, by 2% m/m, and 15.5% y/y, the 3rd highest print ever – which does not indicate that a ‘high’ mortgage rate is dampening the housing market

Realtors report a >3% rise the two first months of 2021, up 15.5% y/y

The annual rate is the 3rd highest level, just Aug & Oct 2005 above

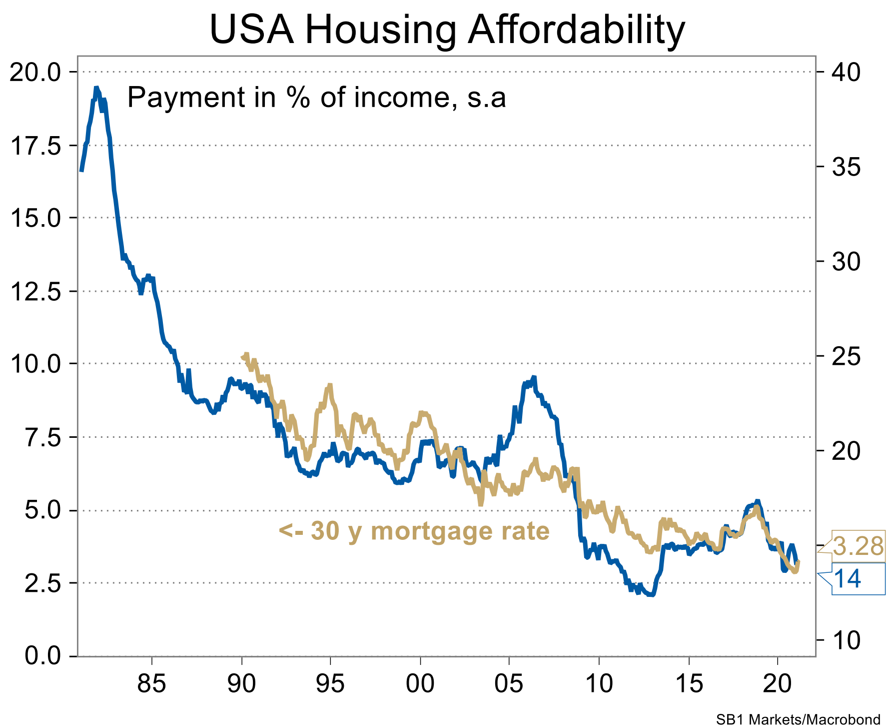




- Other, and better, price indices are reporting lower growth rates but all are reporting rapid price increases since last spring

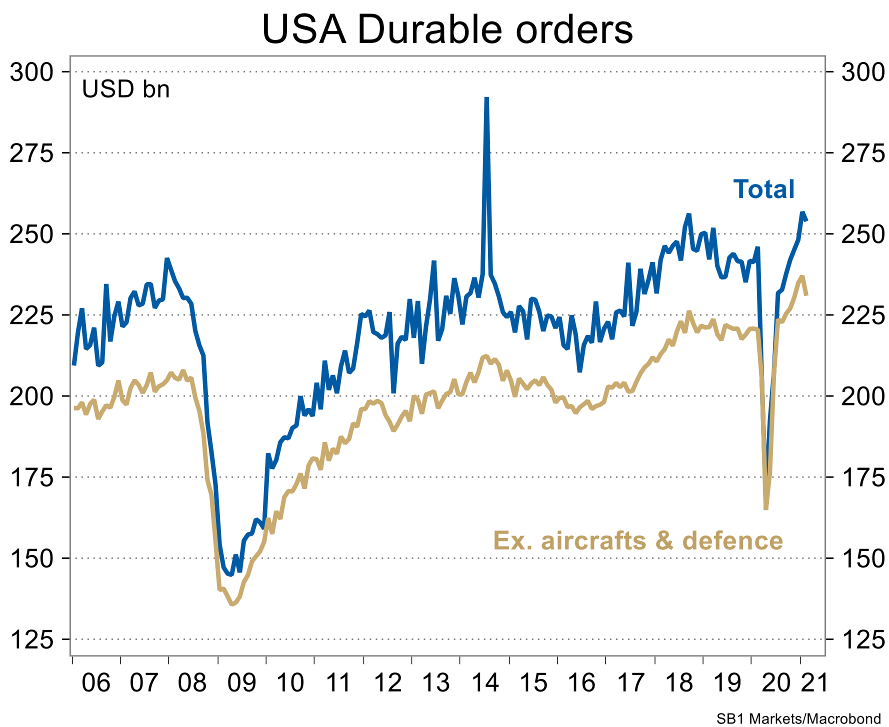
Homes are still very affordable, because the mortgage rate is so low!

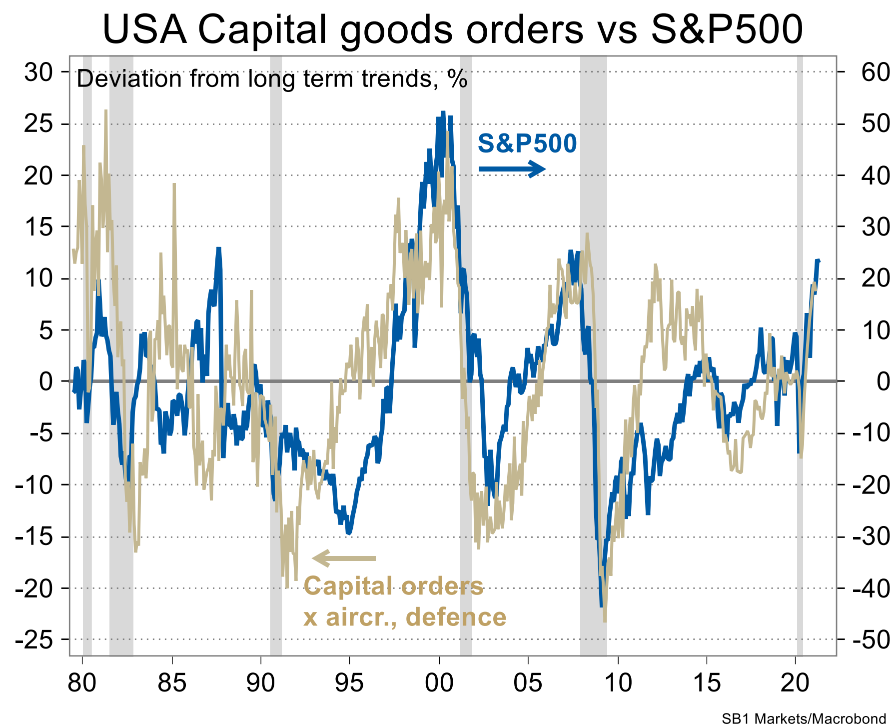
The recent rise in interest rate is so far minimal



Durable orders marginally down in Feb, the level is still impressive!

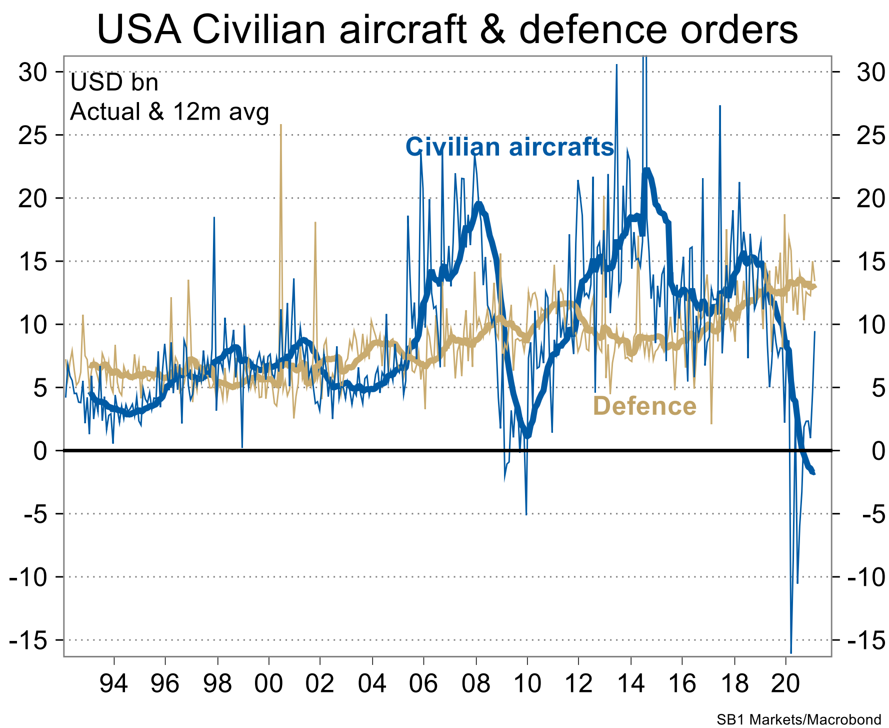
The Feb decline a result of the freezing weather





- **Total durable orders** down 1.1% in Feb, expected +0.8% - still at a high level, and following a 3.5% surge in Jan
- **Core orders** (ex aircrafts & defence) was down 2.6%, expected +0.5%.
- **Core investment goods orders** fell by 0.8%, expected up 0.6%
- **Order inflow** is far above pre-pandemic levels, especially for investment good orders

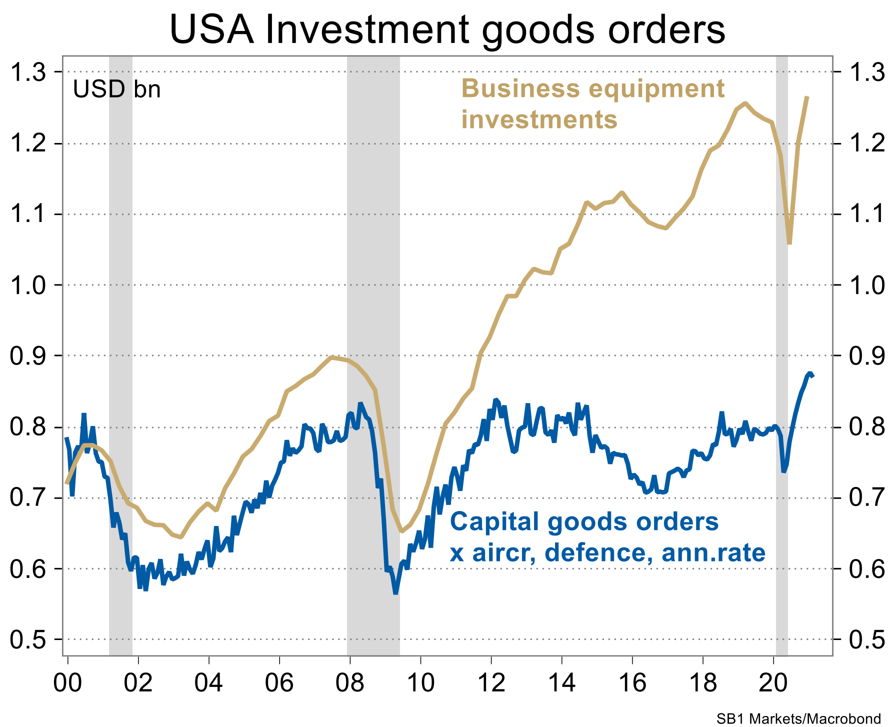
Boeing orders almost back to an average level in February

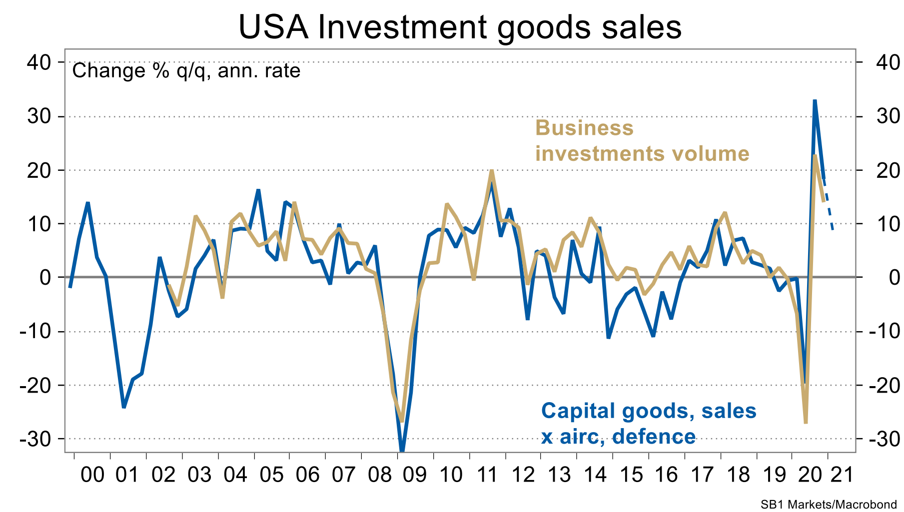


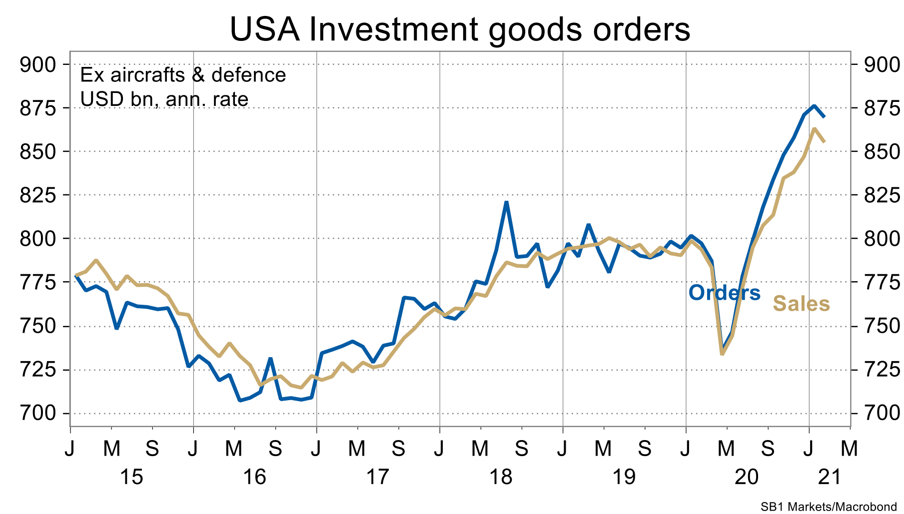
- Compared to 'normal' turbulence in this industry, the weakness over the past 3 quarters is not surprising at all – even if the USD 40 bn net cancellations to August from March were unprecedented

Core capital goods orders & sales down in Feb but Q1 is very likely very strong

In 2020, orders rose by 3% from 2019. The gap in the 'V' is invisible, with a relevant x-axis



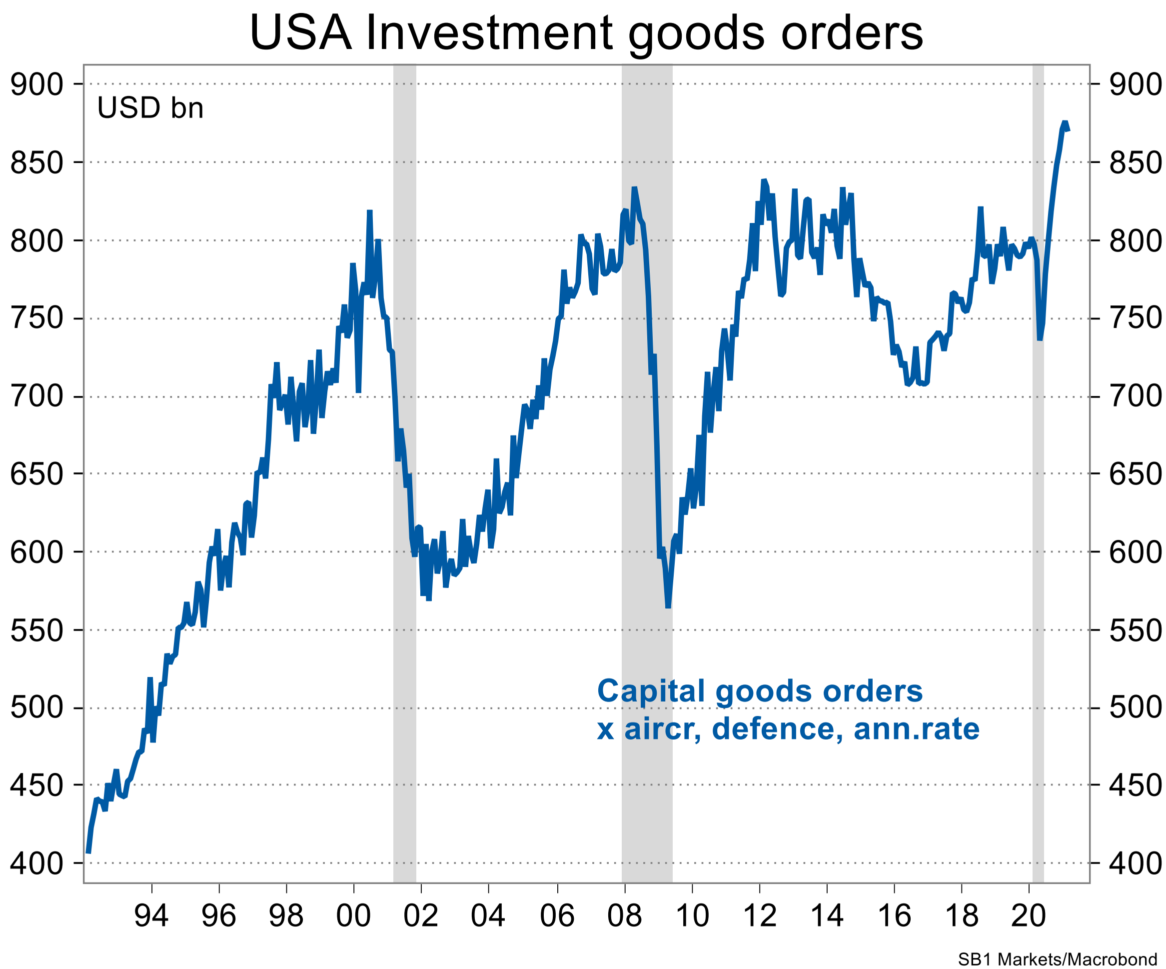




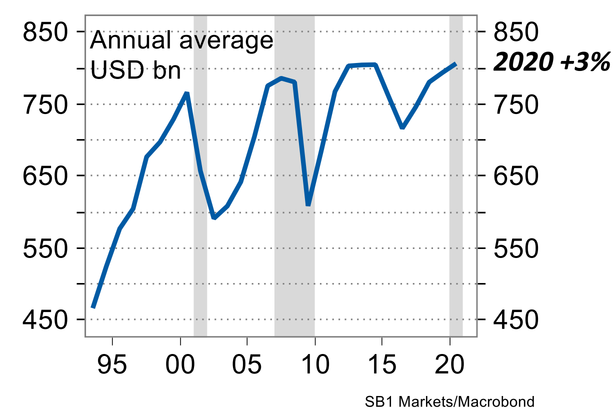
- Business inventories rose by 13.8% in Q4, new orders and business surveys signals a further increase in Q1 – and we assume in Q2 too

Investment orders: The most shallow & shortest downturn ever

Can you spot if anything happened around 2020? Investment goods orders rose 3% from 2019

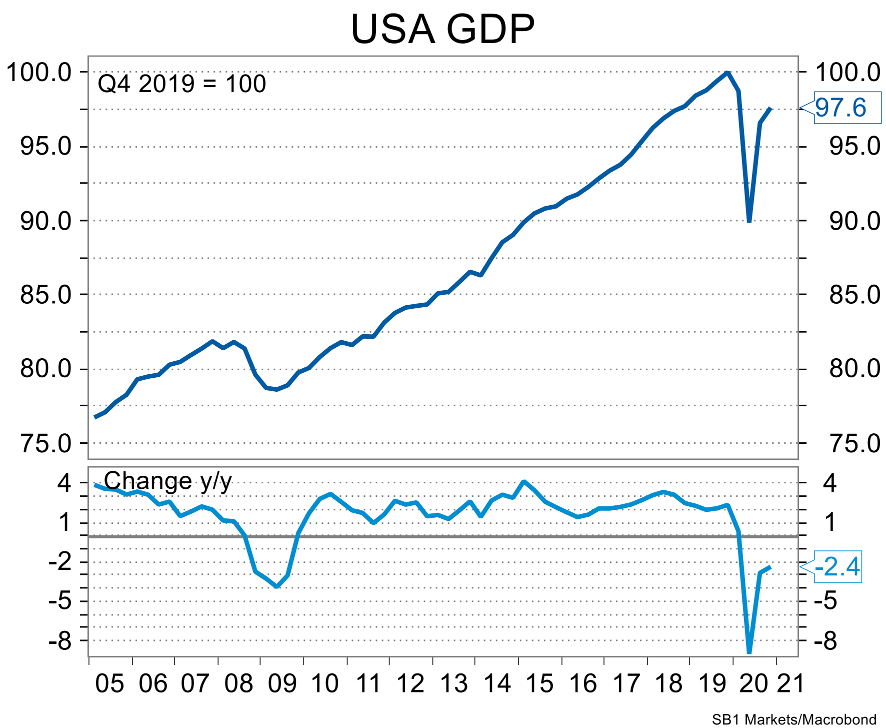


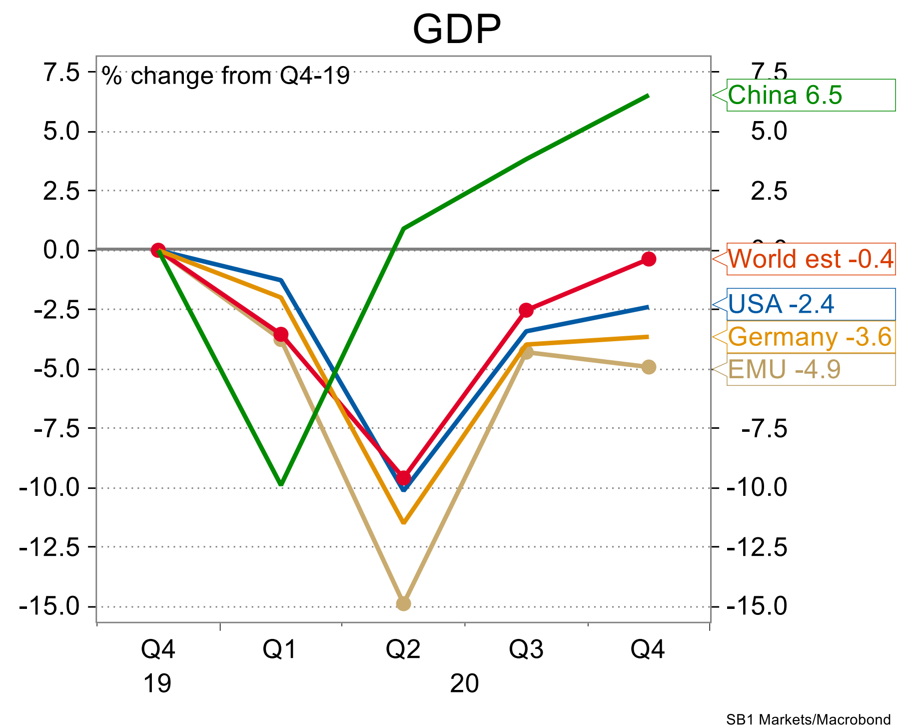
- The areas in the 'Vs' or 'Us' describe the aggregated losses during downturns
- Was the 'V' in the overall economy so sharp, that companies did not have time to react??
  - » Usually, the decline in investment goods orders, as well as in actual business investments, are stretched out over time, typically one year or even more. Then it takes 1- 2 years to recover back up to the pre-recession level. Now, the decline lasted 2 months, and the recovery up to the pre-crisis level lasted just 3 months ☺



Q4 GDP revised marginally up to 4.3% annualised, down 2.4% y/y

Small changes in the 2nd revision: Larger growth in inventories lifted GDP-growth by 0.2pp

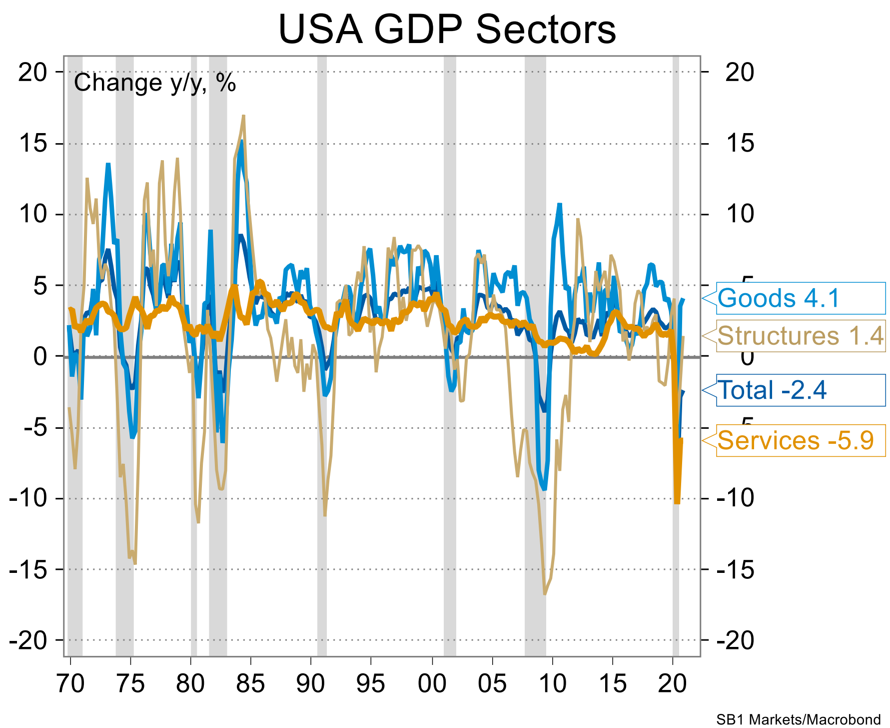


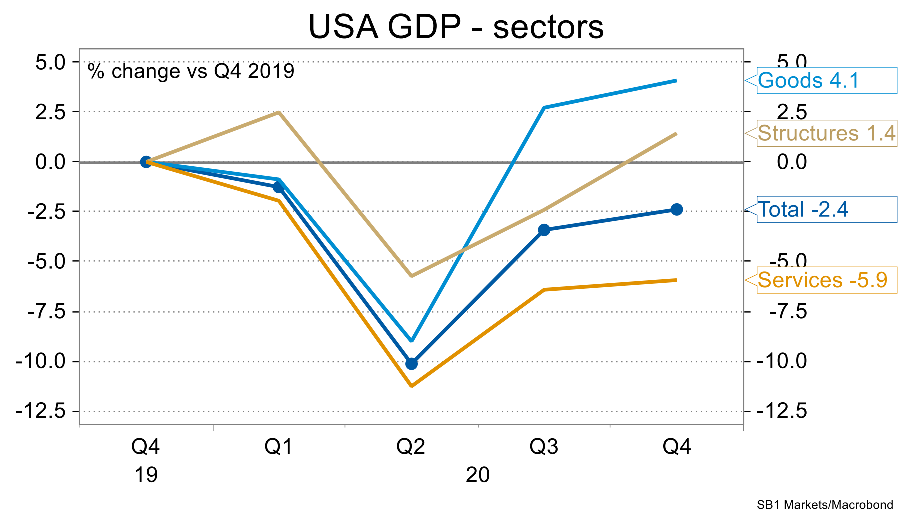


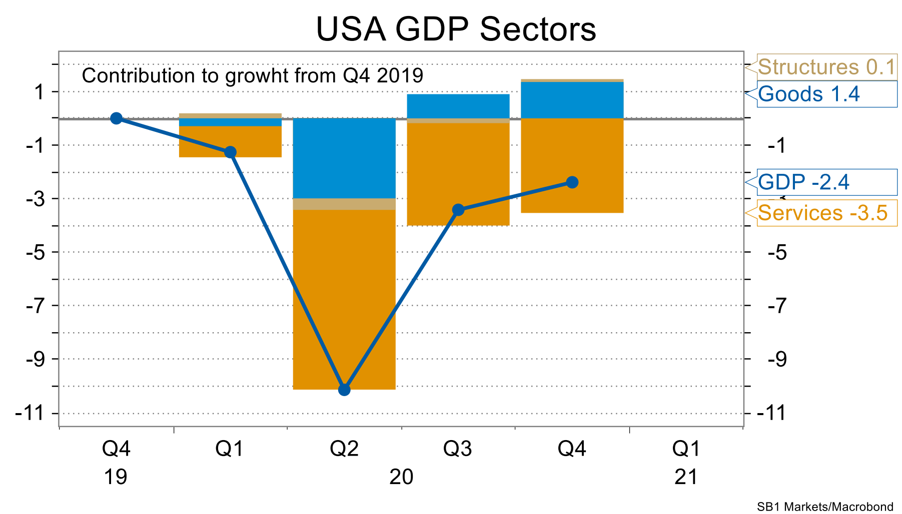
- **The revision** yielded a slightly higher growth, 4.3% annualised vs. 4.1%
  - » Inventories rose faster, contributing by 0.3 pp higher growth. Business investments (structures) was a tad weaker than earlier reported
- **The Q4 GDP level** was down 2.4% y/y, and some 4.5% below the pre-pandemic growth path. However, since activity clearly was above trend one year ago, with the unemployment at the lowest level in 50 years, and profits under pressure, the **output gap** is lower, we assume some 3% in Q4
- **Last year** GDP fell by 3.5%, the most since 1946 following the demobilisation after WWII. But that's all history
- **A further recovery is of course very likely** – with both timing and strength mostly decided by the virus (incl. mutations) & pace of vaccinations. We assume growth will accelerate from sometime in Q2 due to a reopening of most of the closed down parts of the service sector (hotels/restaurants/transport/education). If so, growth will slow again through H2

A quite unusual recession, not an ‘economic’ recession but the virus version

The downturn in services, and not the usual suspects, explains the downturn in the economy,



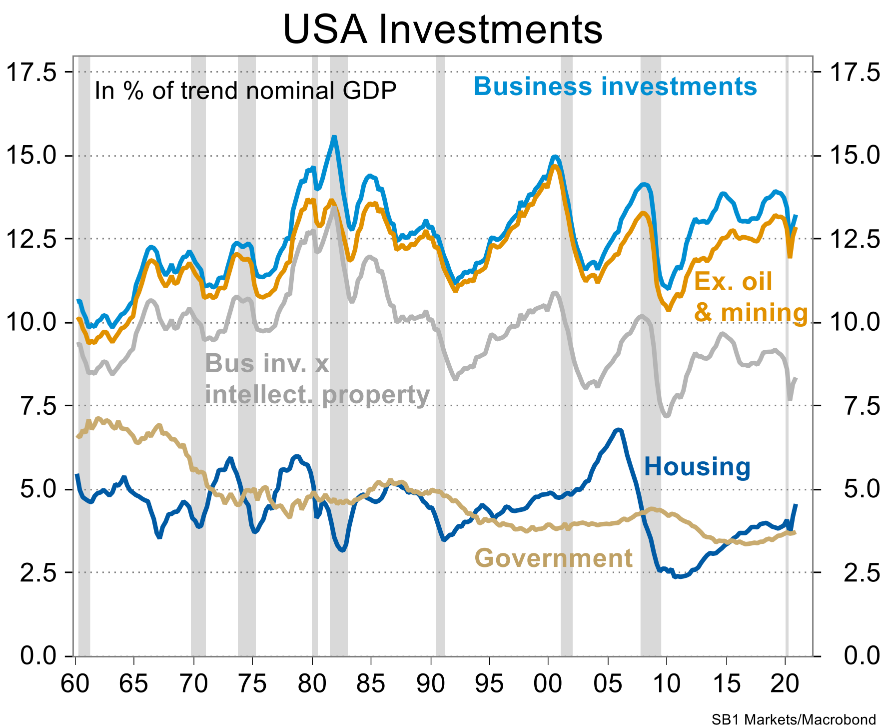


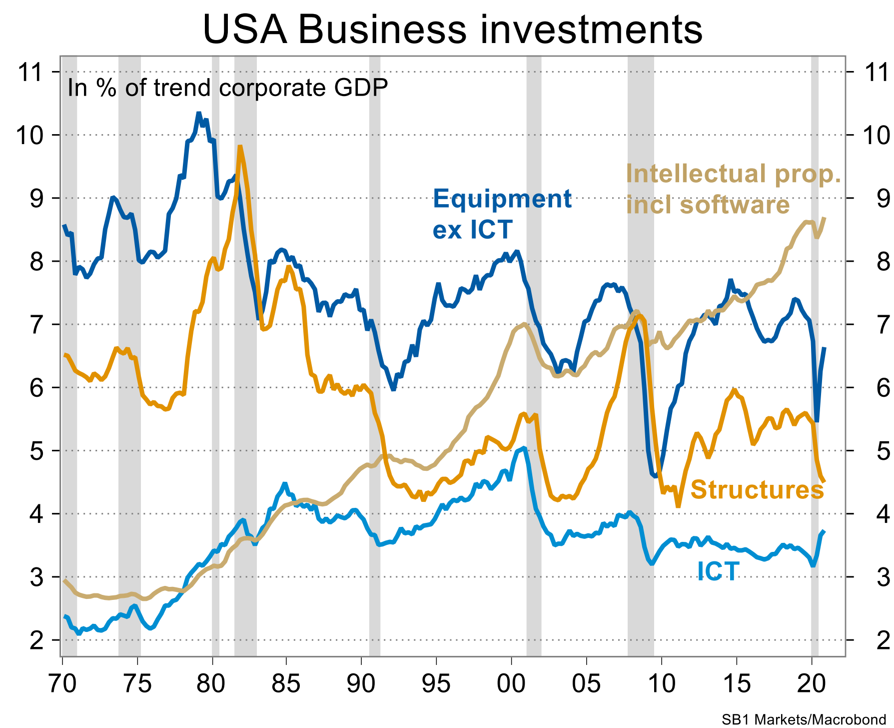


- Normally goods, including structures, are the main culprit, the volatile element in the economy. Now it is services – and services only
- And the recovery will of course be driven by services in the coming quarters, as soon as the virus is brought under control

Investments: Back on trend in Q4. A mini ICT investment boom due to corona?

All sorts of investments rose in Q4, even structures

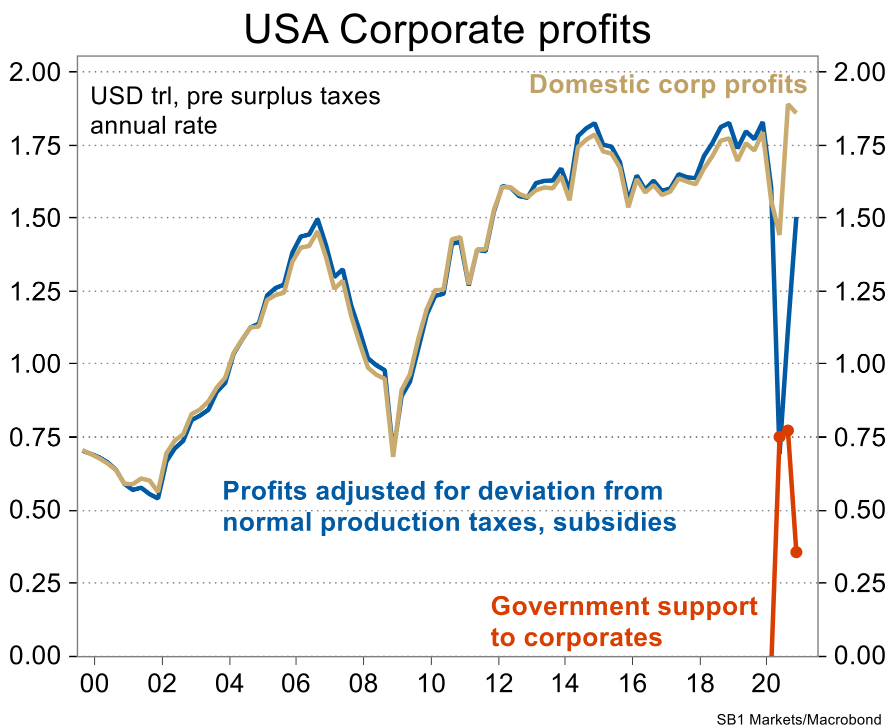


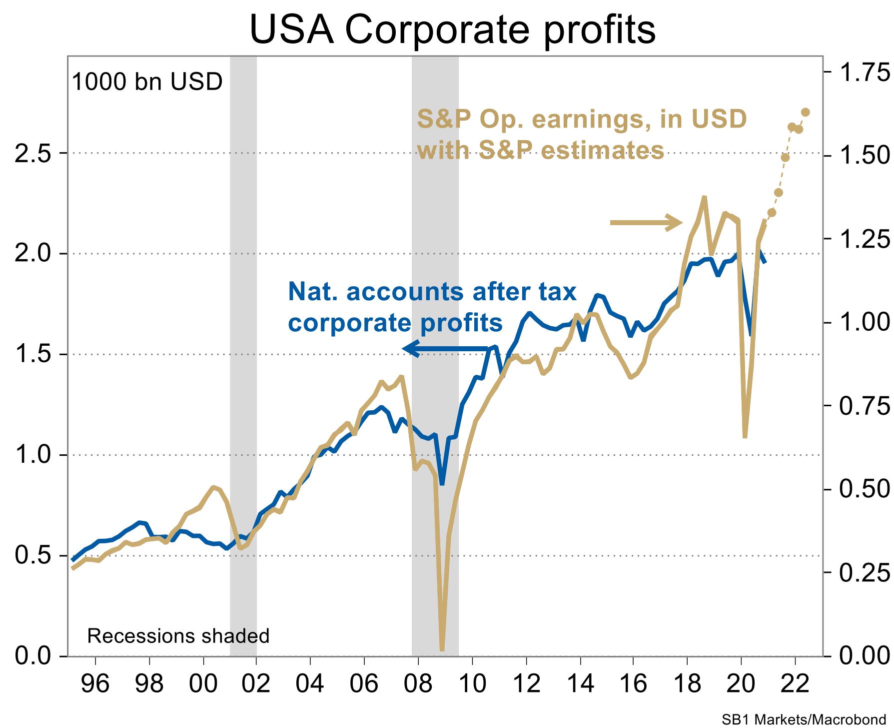


- Business investments are down just 1.3% y/y (in volume terms, 0.6% in nominal terms)
  - » ICT investments are up 18% in nominal terms, the highest growth rate since early 1980 – and ICT investments vs corporate GDP is highest since 2007 but still far below the 2000 level. There were good reasons to accelerate ICT investments in 2020, we assume. However, the accumulated increase in ICT capital is not that impressive, as the upturn has been short (so far), and the level is not that far above normal – investments were low during the quarters preceding the pandemic
  - » Investments in structures are below a normal level, while IP/software seems to be a one way bet – upwards. However, some day…
- Housing investments rose sharply in Q4 too – housing investments are well above the long term trend (our assessment)
- Government investment as share of GDP is on the way up – but probably still too low

Record high domestic corporate profits in Q3 and Q4. Thank you Uncle Sam!

Ordinary profits still down 17% of GDP (-30% in 2020), but after public subsidies +4% (-3% in 2020)!



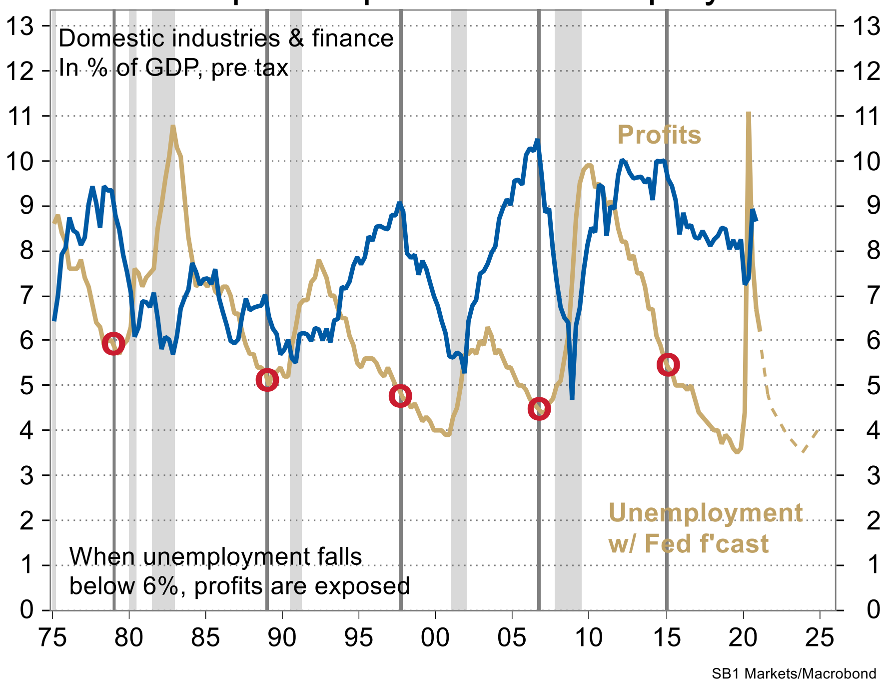


- **Government pandemic programs** have lifted **domestic corporate profits** at an unbelievable scale
  - » Profits have been kept up, even if the 'normal' profit generation collapsed in Q2 and Q3 as public support equalled >40% of a normal profit level!
  - » In Q4, 'ordinary' profits were 18% down vs Q4-19. Public support still equalled more than 20% (vs normal profits), and actual profits were up 4% y/y
  - » In 2020, domestic corporate profits fell by just 3% but by 30% ex the Government support, which equalled 2.2% of GDP (or 3% in Q2-Q3)
- We expect 'core' profits to strengthen the next quarters – but the longer term outlook is probably not that good, see also next page
  - » Going forward, the corporate tax rate will probably be lifted (Biden has pledged reverse half of the 2018 cuts, and really need some money…) – but it will most likely not happen anytime soon

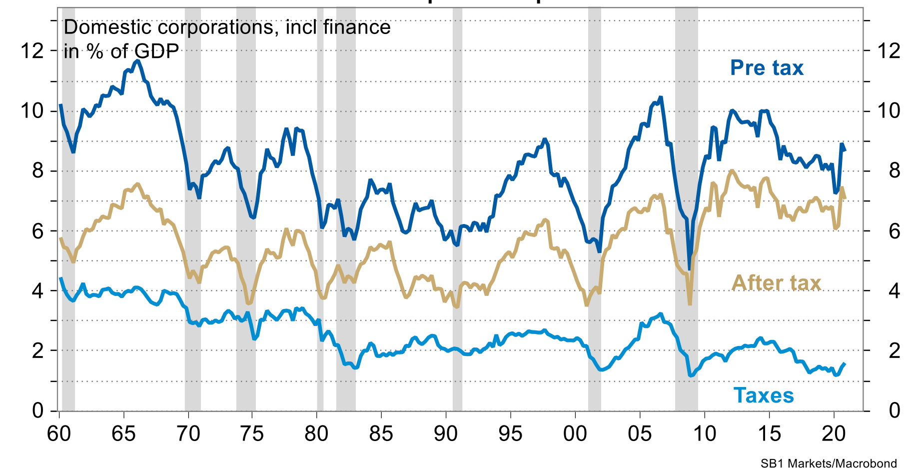
Profits were under pressure ahead of corona – as usual when unemploym. falls

… and for how long will unemployment remain high enough to 'protect' profits?

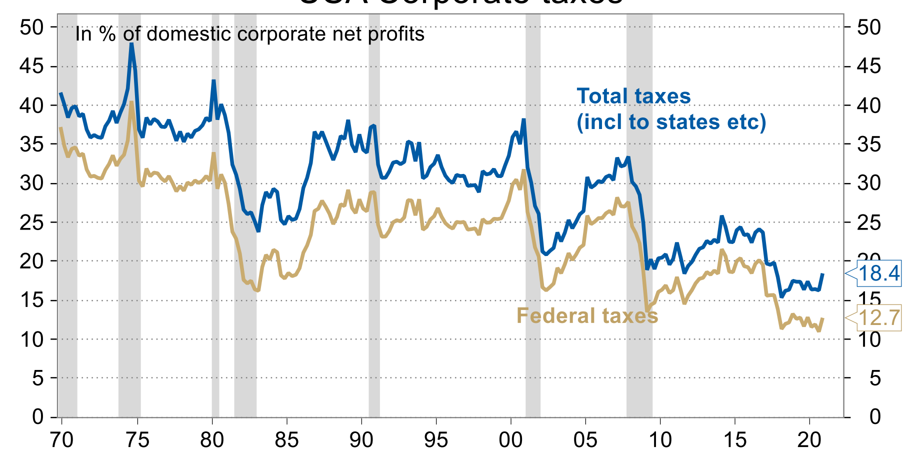
USA Corporate profits vs unemployment



USA Corporate profits



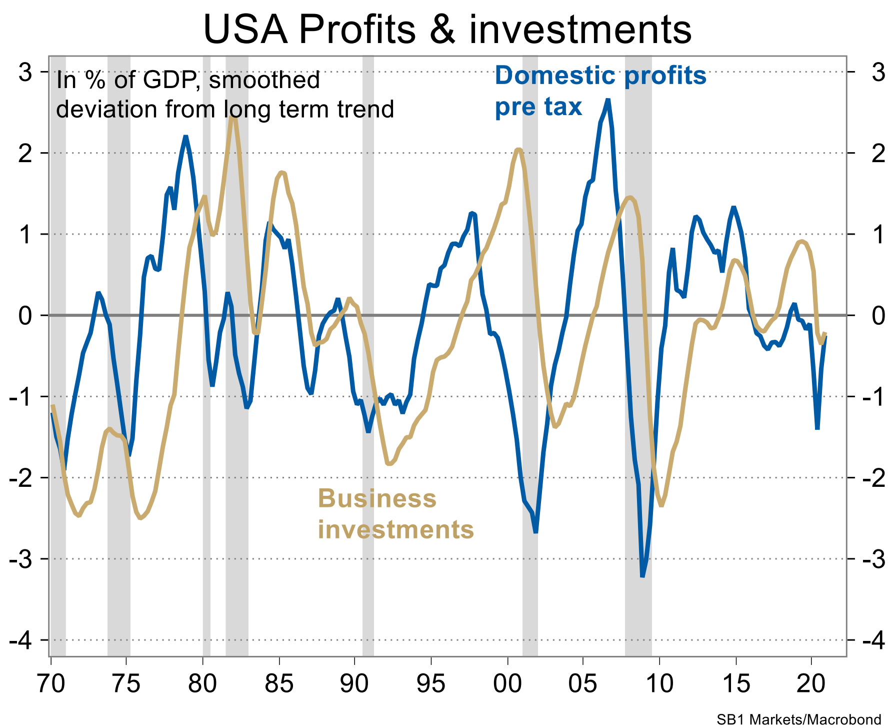
USA Corporate taxes



- When **unemployment falls below 6%,** corporate profits are exposed; at one stage the profit share will start to decline because wage earners will get the upper hand vs. employers. At least it has always happened until now
  - » Before the corona crisis, the pre-tax profit share had fallen substantially since the 2015 peak, because unemployment was 'too low'
- Taxes were cut substantially in 2018, equalling some 8% of corporate profits. Biden has pledged to reverse half of these cuts, say some 4% of profits, equalling 0.3% of GDP. A drop in the ocean vs. the huge structural budget deficit, at least 8% of GDP

Where profits go, investments will follow

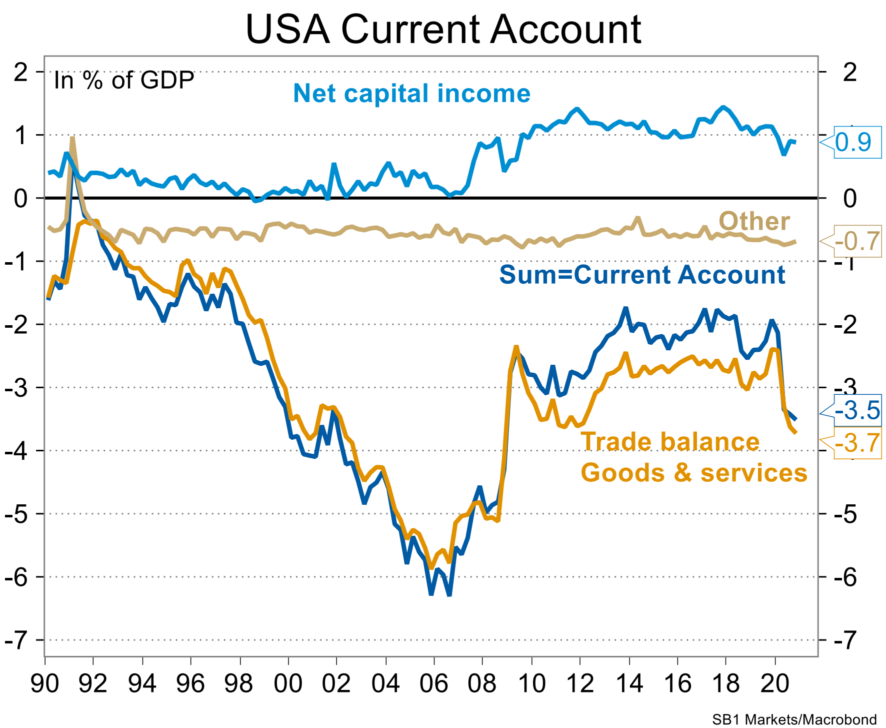
Usually, the profit cycle turns before the investment cycle

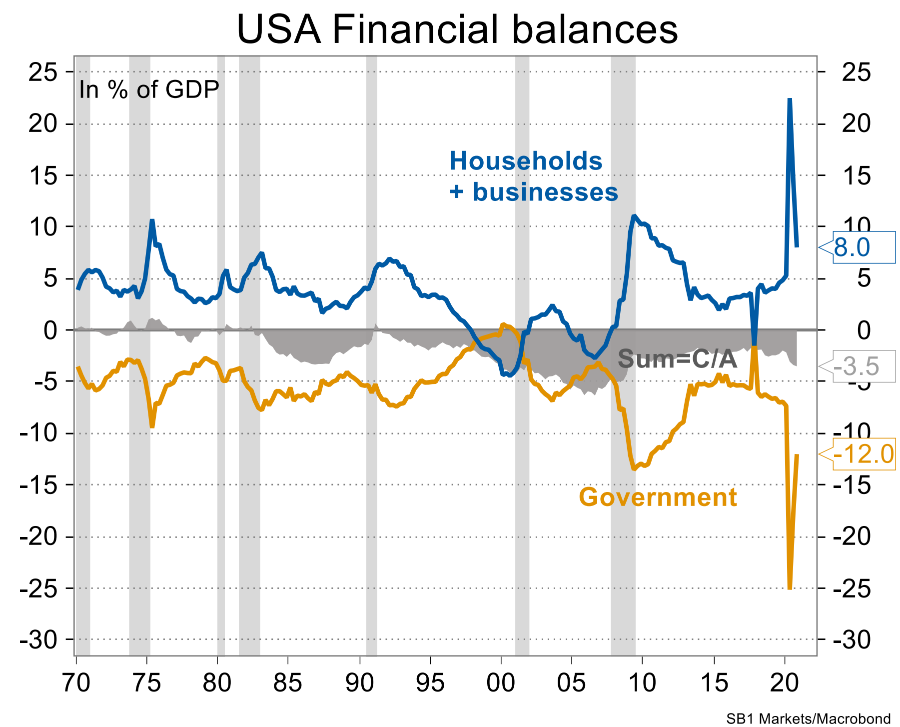


- … and we doubt that the profit outlook is that strong, given the sharp decline in investments (and reports on lack of labour)

The current account deficit widened to 3.5% of GDP in Q4

Deficit in goods & services rose further. Net capital income is trending down

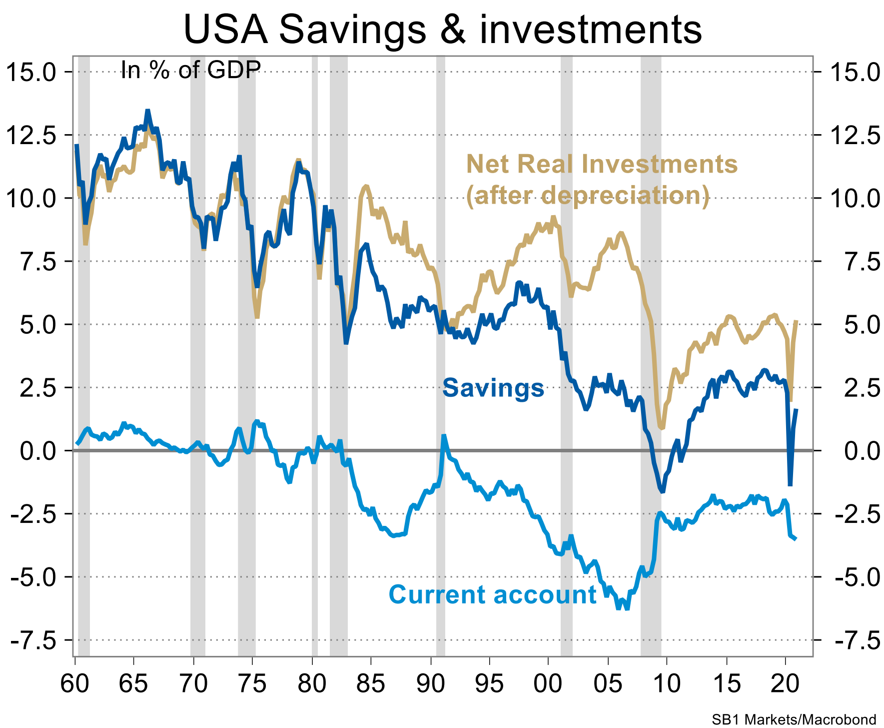




- The CA deficit increased to 3.5% of GDP from 3.4% in the previous quarter. The move was driven by an increased deficit in the trade balance of goods and services
- Last year, the private sector cash surplus reached 12.6% of GDP, all time high, by far, up from 4.4% in 2019. The flip side was not a surplus vs. rest of the world but an even larger deficit in the public sector, equalling 15.6% of GDP, from 6.8% in 2019. Corona measures emptied the government's coffers, while filling up the private sector's pockets as households & corporates cut spending, and were over-compensated by the government for losses in their market based revenues

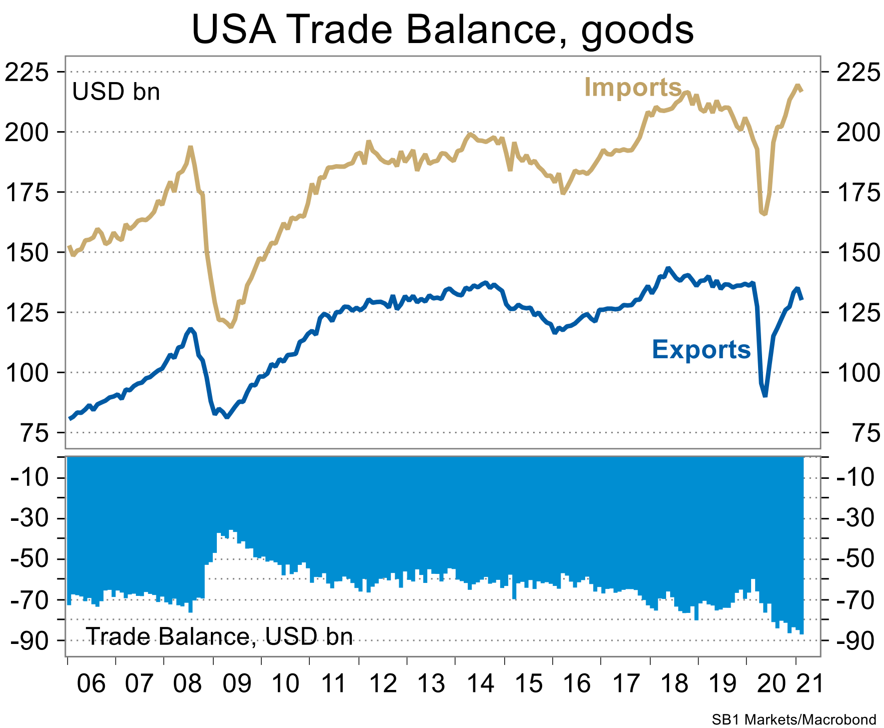
The current account deficit = Savings - investments

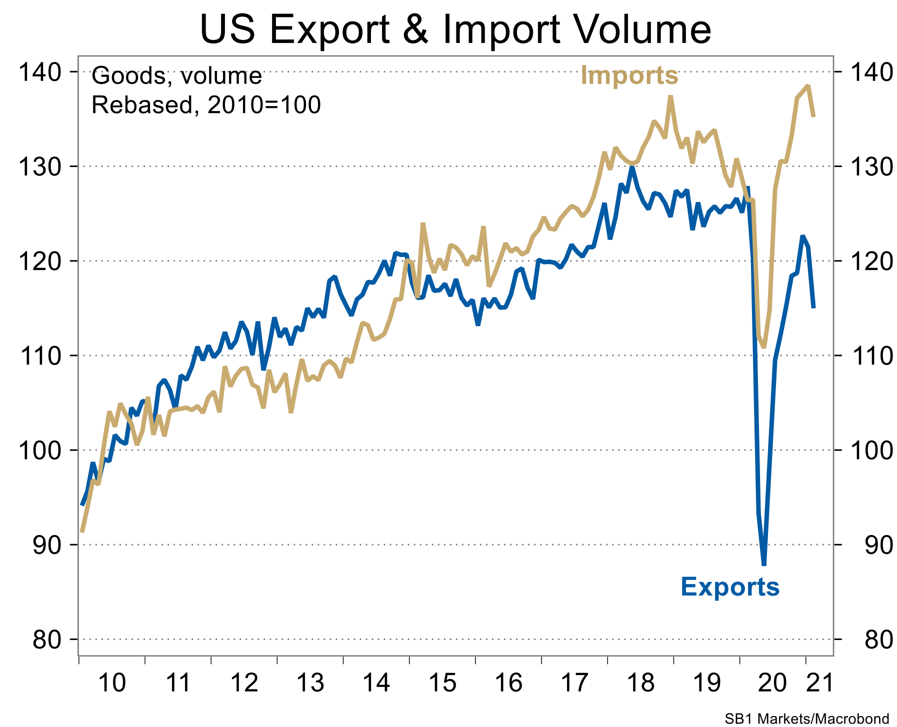
The US is saving less than it invests – and investments are not that high



- However, investments are above the long term declining trend in the investment/GDP ratio

Foreign trade down in February but at least imports have a bright future

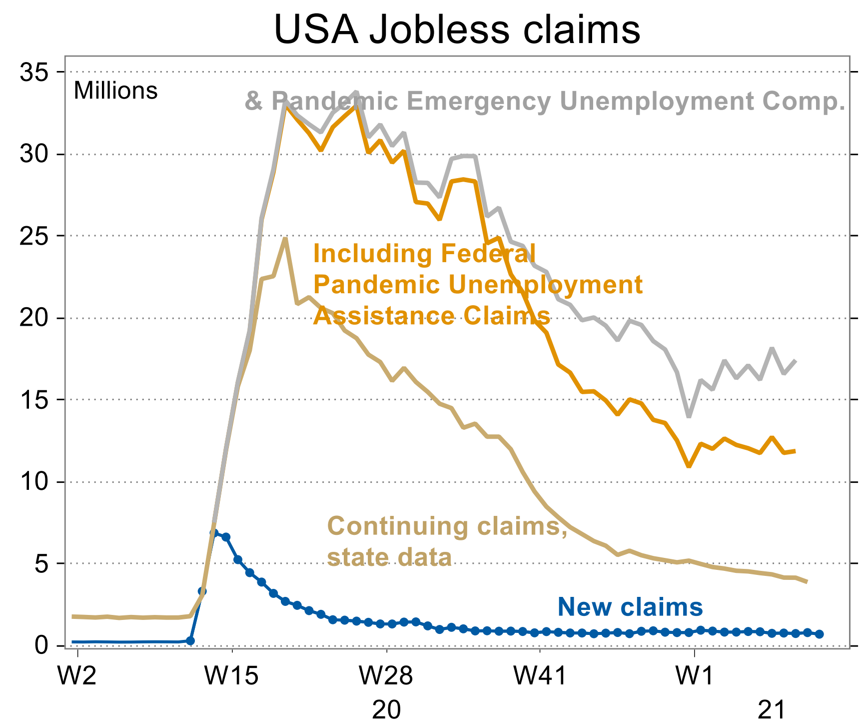




- **A new ATH:** The overall trade deficit in goods widened by USD 2 bn to 8 bn in Feb, up to the highest level ever, in USD. The deficit was expected up to 68 bn
- Goods exports volumes fell by 5%, and are down 9% vs the pre-covid level
- Imports volumes fell by 2% but are still up 5% vs pre covid
- We assume exports will recover the coming months, and are very sure that imports will remain strong, given strong demand in the US (which requires imports from abroad)

Jobless claims down almost 100’ to 684’ - lowest level since March last year

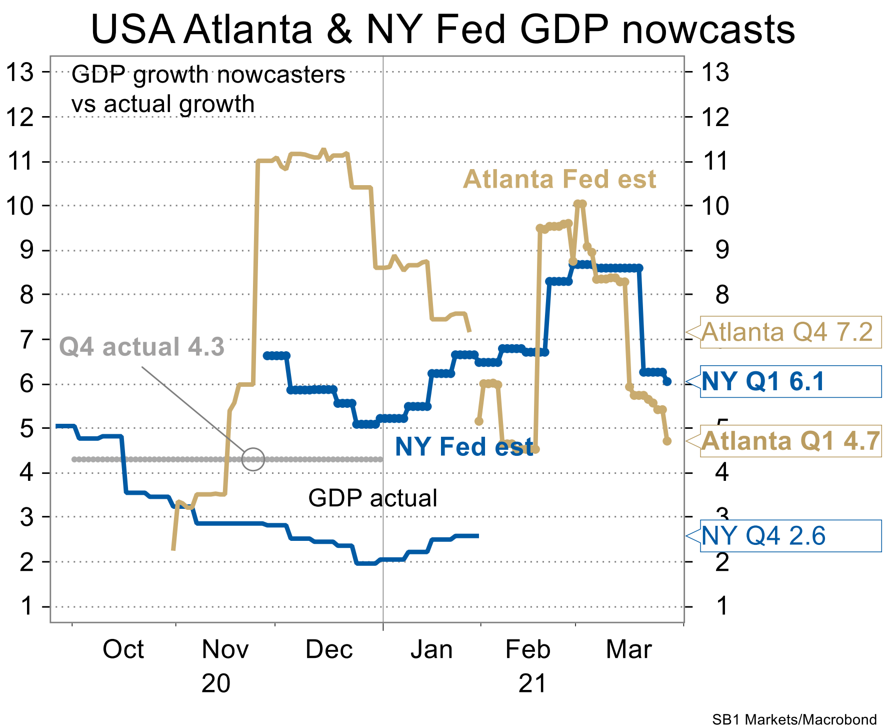
The trend is clearly down – but the level is ‘strangely’ low

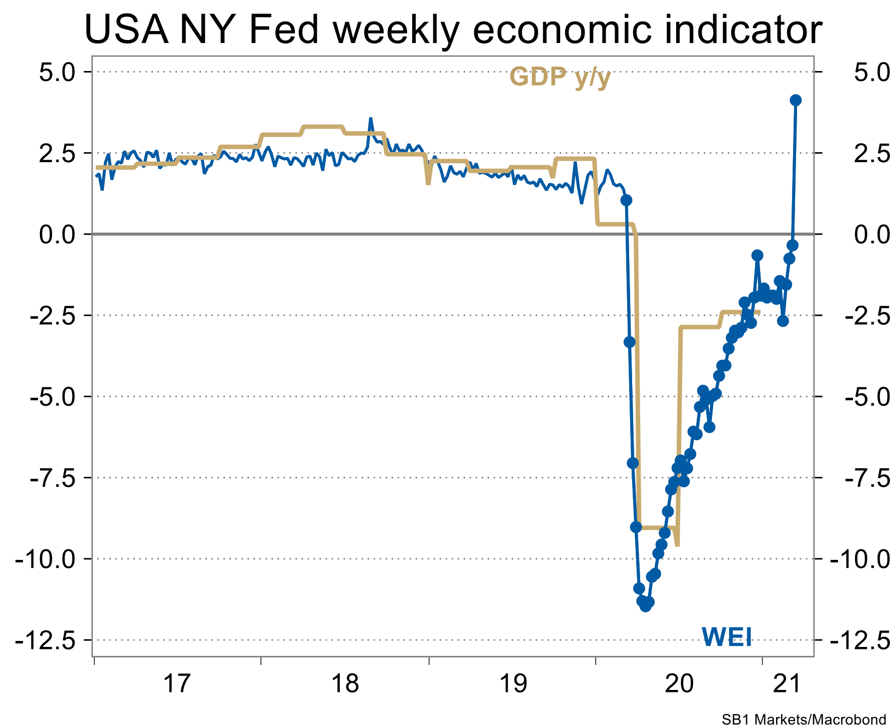


- New claims down to 684’ last week from 781’ the previous week (expected 730’)
- On another positive note, continuing claims are trending downward, and we expect both measures to improve over the next weeks as the American society opens up
- We still find it somewhat strange that the flow of new jobless claims are far higher than ever before (except last spring). Are jobless benefits too attractive? A sign: More small businesses than ever are reporting that they are not able to fill vacant positions – and there many more vacant positions than normal too

Nowcasters down last week too, 5% – 7% growth signalled

The NY Fed's weekly model has recovered somewhat, still on the weak side, down 1.5% y/y (-0.9 q/q)

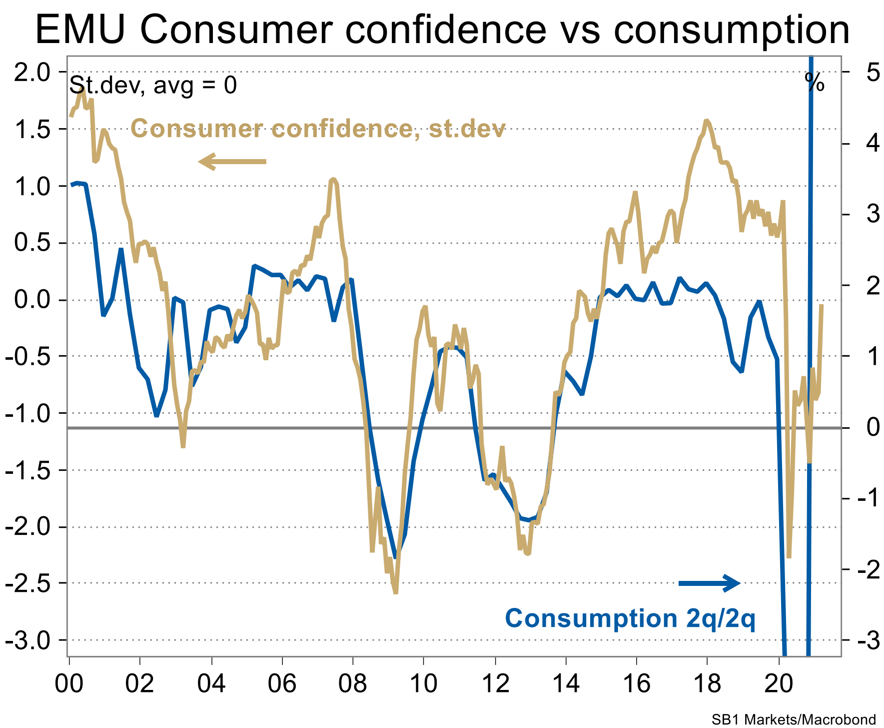


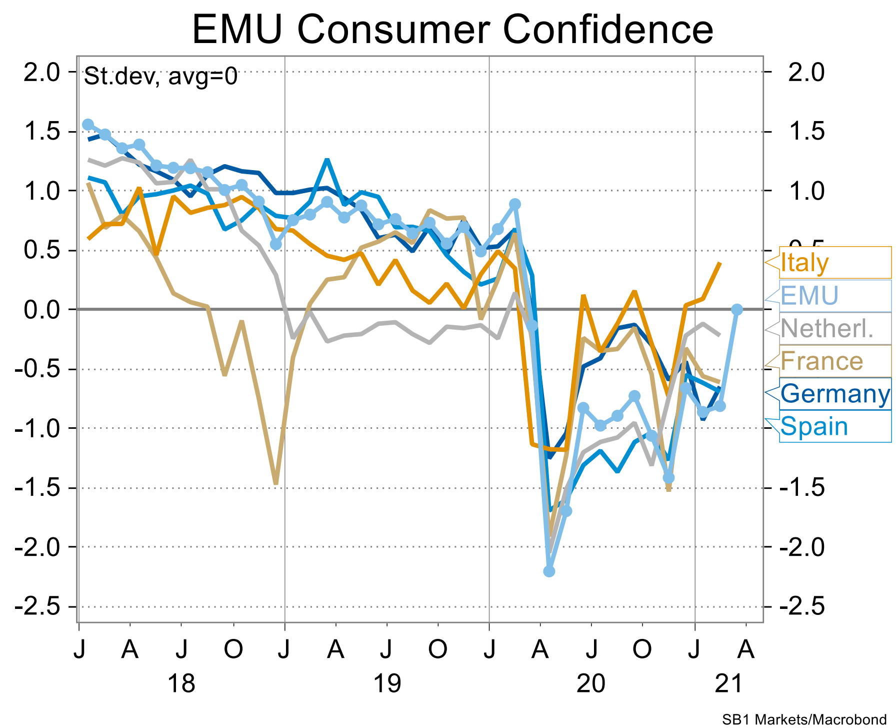


- Atlanta Fed overestimated growth in Q4, NY Fed underestimated the real outcome
- Alas, no model is perfect ☺

Wow, consumer confidence straight up in March! Signals decent growth in cons.

The confidence up 0.8 st.dev to an average level, after being well below since last spring

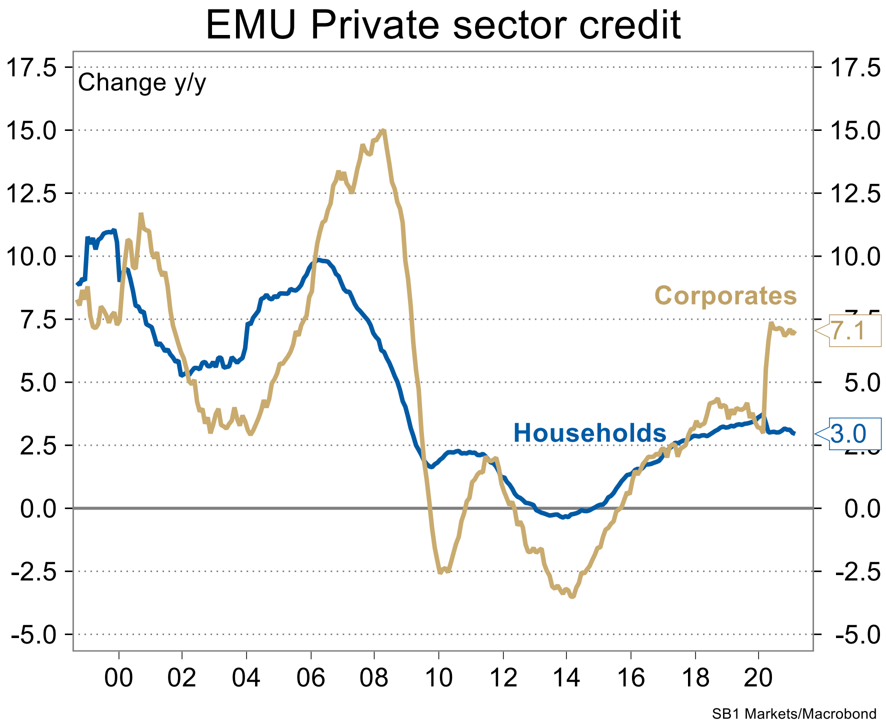


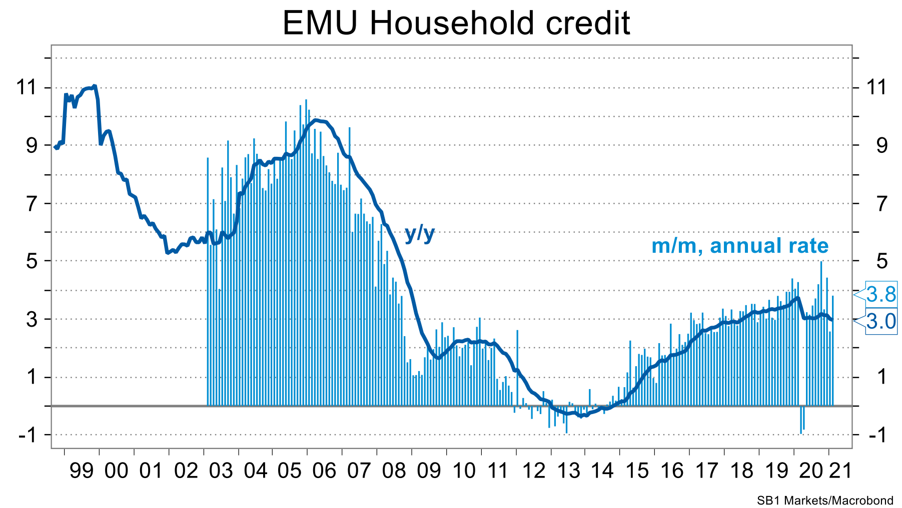


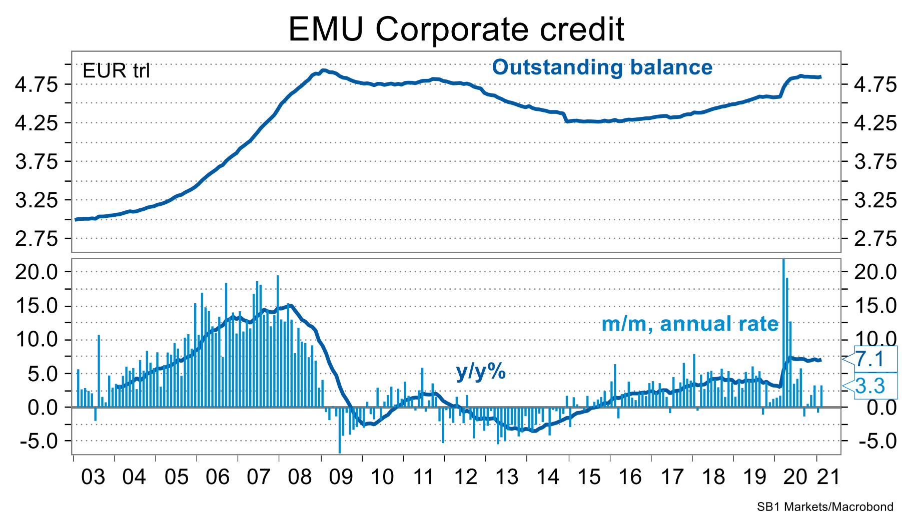
- The index rose to -10.8 from -14.8, to an average level, expected just marginally up to -14.5
- A confidence at the present level has on average corresponded to a 1.5% – 2% growth
  - » However, consumption has been far 'weaker' than signalled by this confidence indicator since 2015. Thus, consumption growth is not granted even if the confidence levels is at an average level
- Italy has reported confidence above average from December through February, while the other large EMU countries remained below. In March (no country data yet) more countries will pass the zero (average) line

Some lending to businesses in Feb but no boom. Household credit stable, <4%

The annual corporate debt growth at 7% is due to heavy credit supply last spring





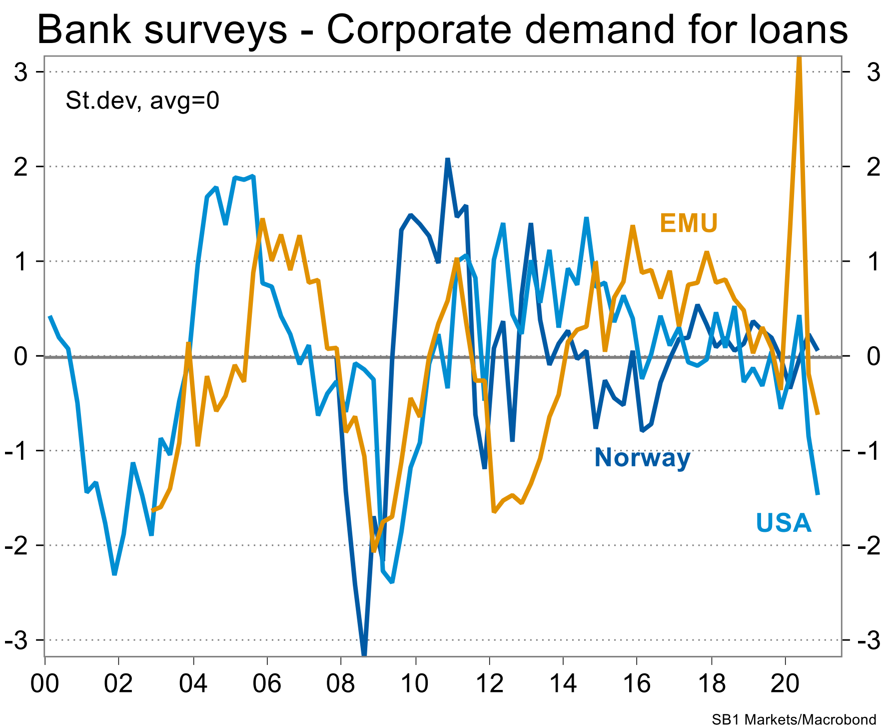


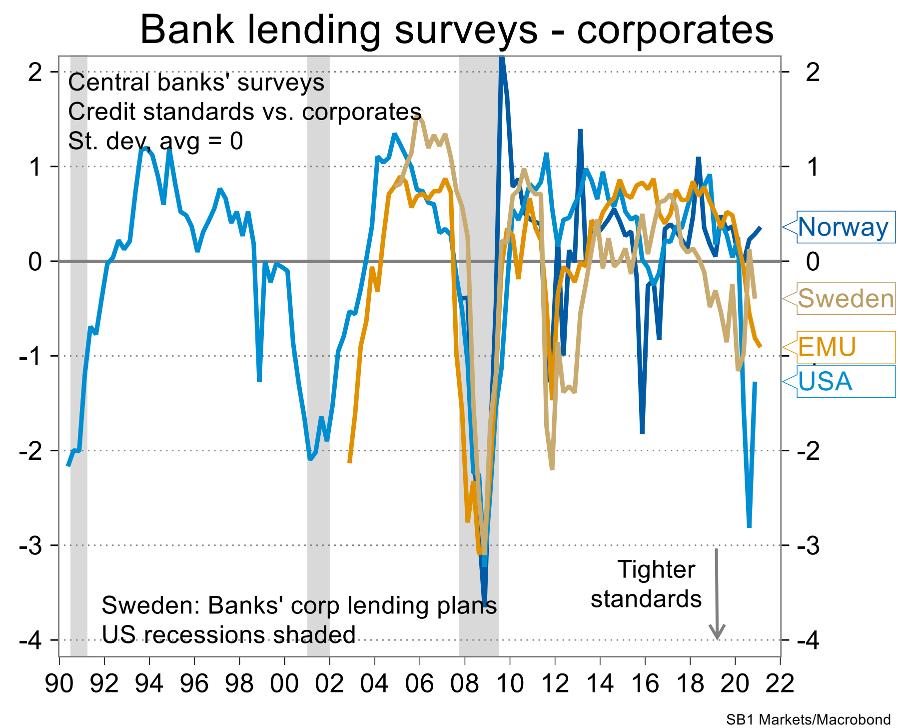
- During the spring the corporate sector increased its debts by 3% – 4%, as a part of Covid support programs
  - » Banks reported low demand from the corporate sector in the last lending survey, and credit standards were tightened (even if spreads in the credit market narrowed last year)
- Deposits increased sharply during the spring – as always when credit accelerates

SpareBank 1 MARKETS

EMU banks are reporting weaker corporate demand, and are tightening

However, credit grew rapidly in Q2 last year, balances were strengthened

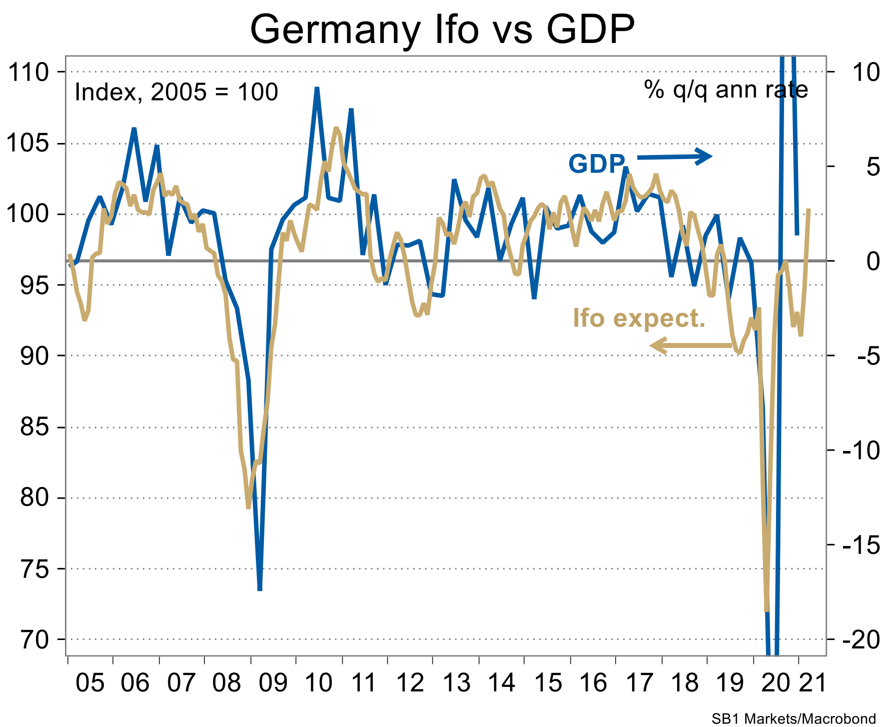




- Less need for credit for a while among Euro Zone businesses, following last spring's hike?
- Banks in the US are reporting weaker demand, and are tightening more

Ifo expectations index surged in March, despite Covid restrictions

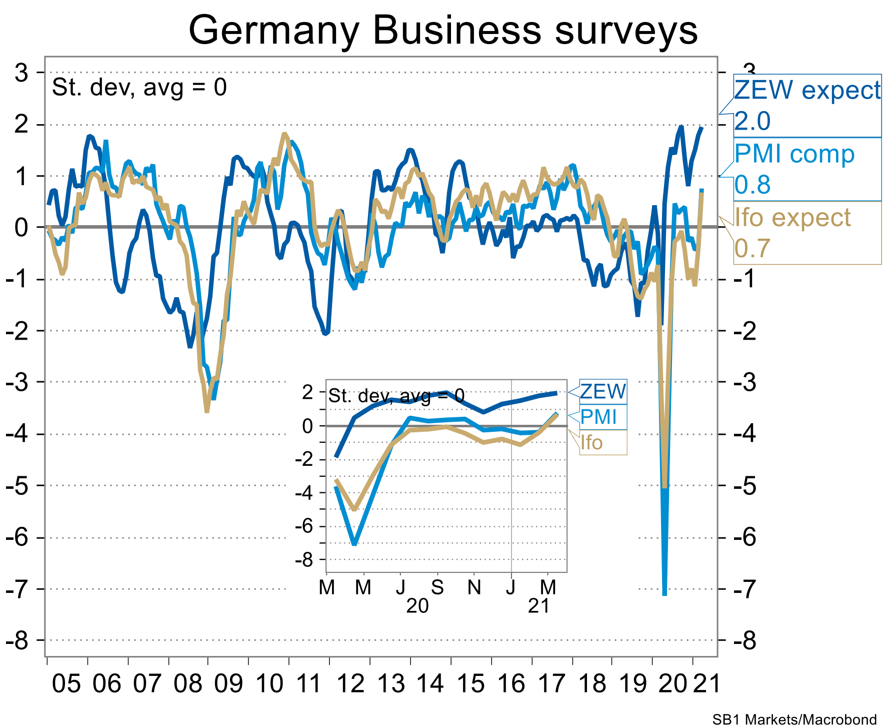
The expectation index rose 5.4p to 100.4, expected at 95, confirming the strong PMI survey

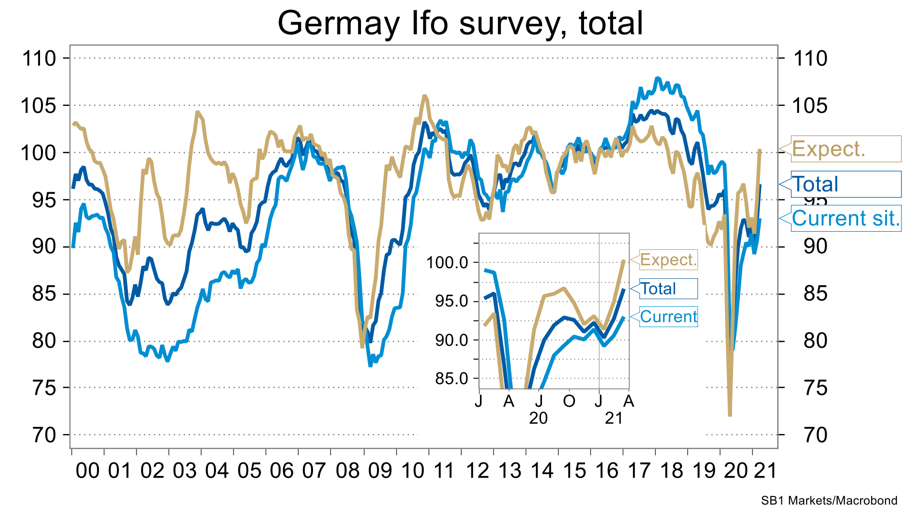


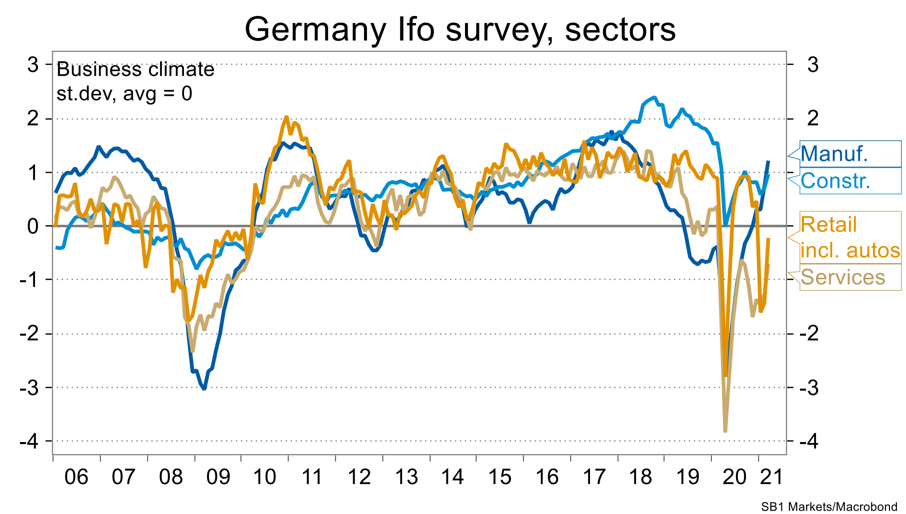
- In March, the **expectations index** is 0.7 st.dev above average level, as the March lift equalled 1.1 st.dev
- The assessment of the **current situation** rose too, to 93, up from 90.6 the previous month, still below average. Not that strange in a still partially locked down economy
- **All sectors** improved in March, but the retail trade sector as well as other services are still in negative territory
- **All other German surveys** are pointing sharply up – and all are above average. They signal a 2.5% GDP growth rate

ZEW (analysts, investors) in the lead but businesses are following suit

Retail & other services are far less gloomy than in Jan/Feb but still no sunshine. Manuf. /constr. OK



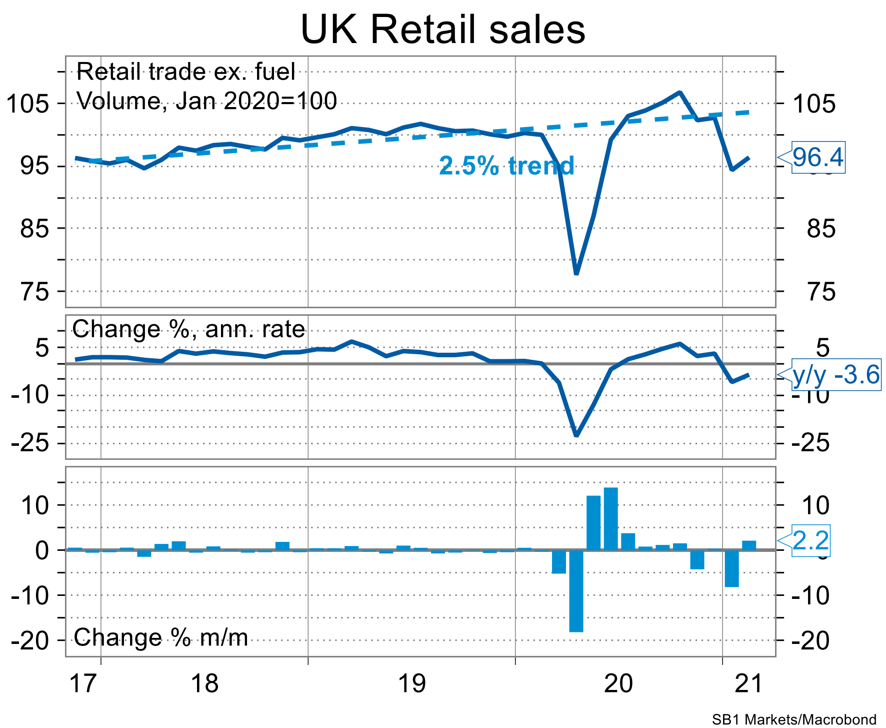


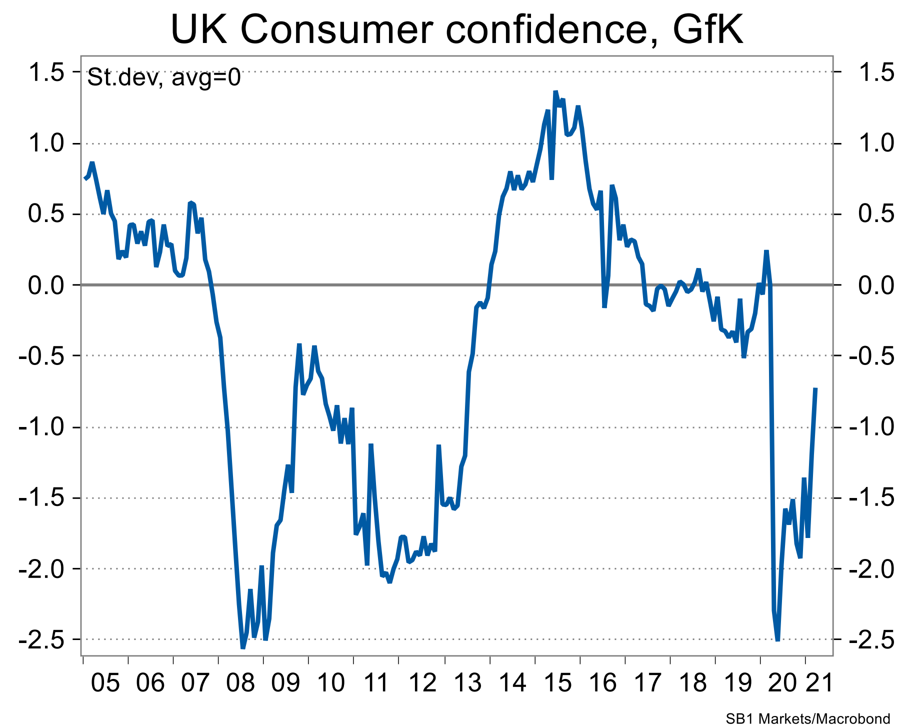


- The ZEW expectation survey (which is a survey among economists and investors, not a business survey) is the most upbeat
- The Ifo & PMI are 0.7 – 0.8 st.dev above an average level
- **The average of the 3 surveys still indicates growth in the German economy**

Retail sales up 2.2% in February, in line with expectations

Sales still down 3.6% y/y due to lockdowns – and online sales are increasing

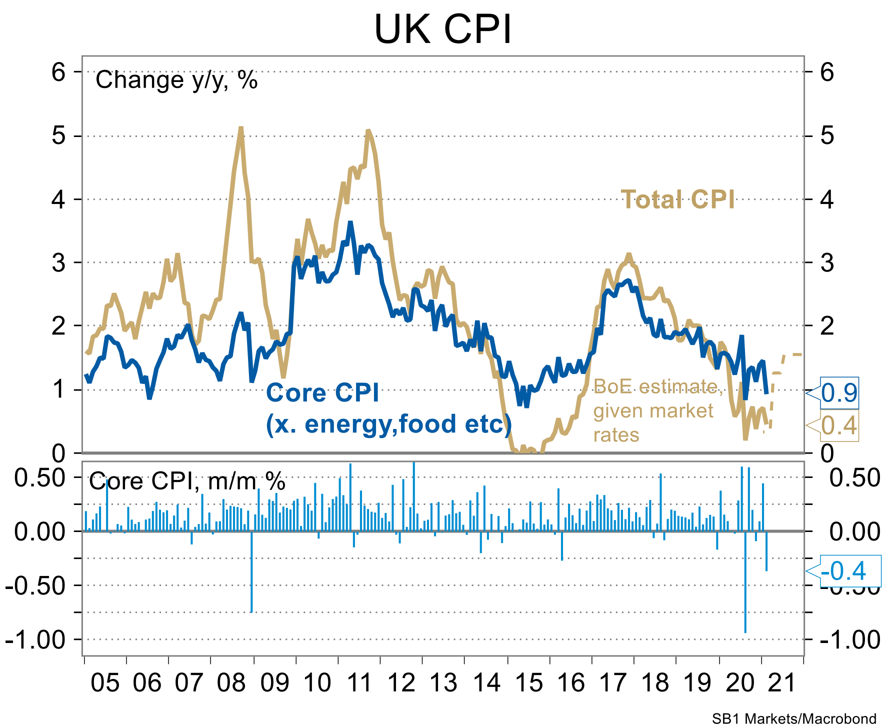


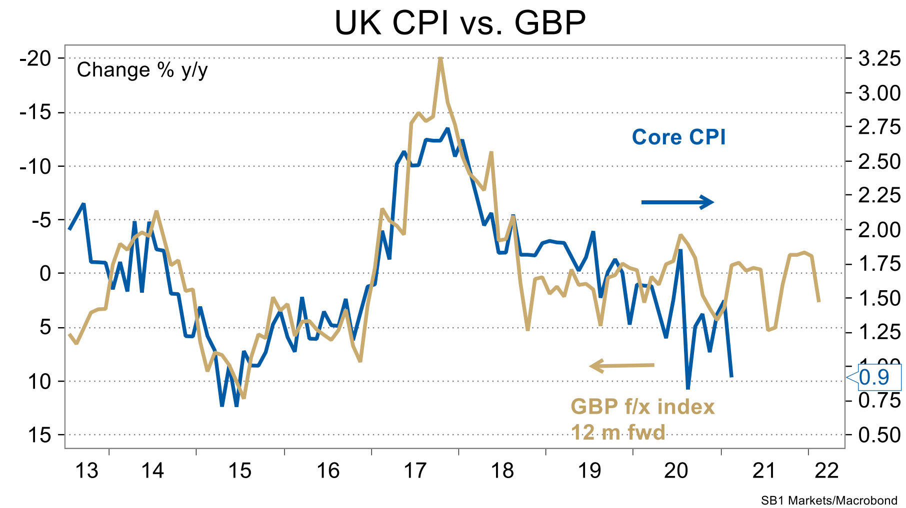


- **The lockdown**, keeps the struggle going for in-store retailers. Online sales, on the other hand, is now 36.1% of sales
- **Retail sales** were 3.6% below the pre-pandemic level, after being well above since July, at the peak 7% above
- The roll-out of vaccines is very successful and restrictions will be eased, also vs. retail trade
- **Consumer confidence** continued sharply up in March. The level is still below normal – but the direction is set. Sales will no doubt recover as shops are gradually re-opened in March & April

CPI inflation down to 0.4% y/y – well below expectations at 0.8%

Core CPI down 0.4% pp m/m, and the annual rate down 0.6 pp to 0.9%

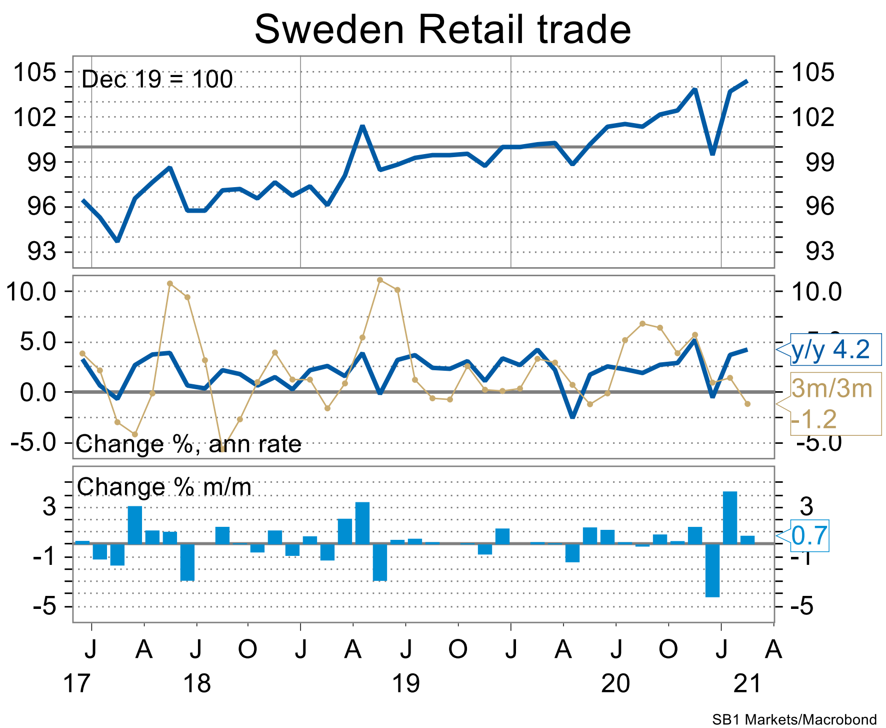


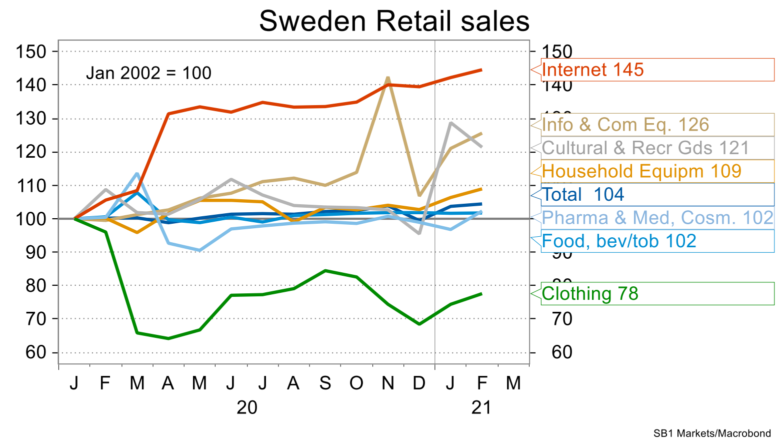


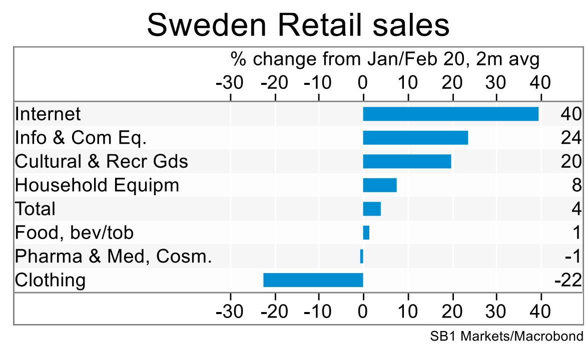
- Total inflation slowed by 0.3 pp to 0.4% in February. A decline in the prices of clothing was the biggest contributor
- Our simple f/x based model indicates that the impact from the GBP depreciation in 2018 is fully recognised; the slowdown in the UK economy is more important now

Retail sales further up in February, 4% above the pre-pandemic level

Sales rose by 0.7% (no consensus) and Jan was revised up by 0.9 pp to +4.2%. Voila, sales up to ATH







- Huge sectoral differences. Clothing down 22 % vs Jan/Feb last year. Internet sales up 40%, info/communication +24%. Food sales are flat, which is strange, given far less activity at restaurants (and Norwegians do not normally buy that much in Sweden, are we??)

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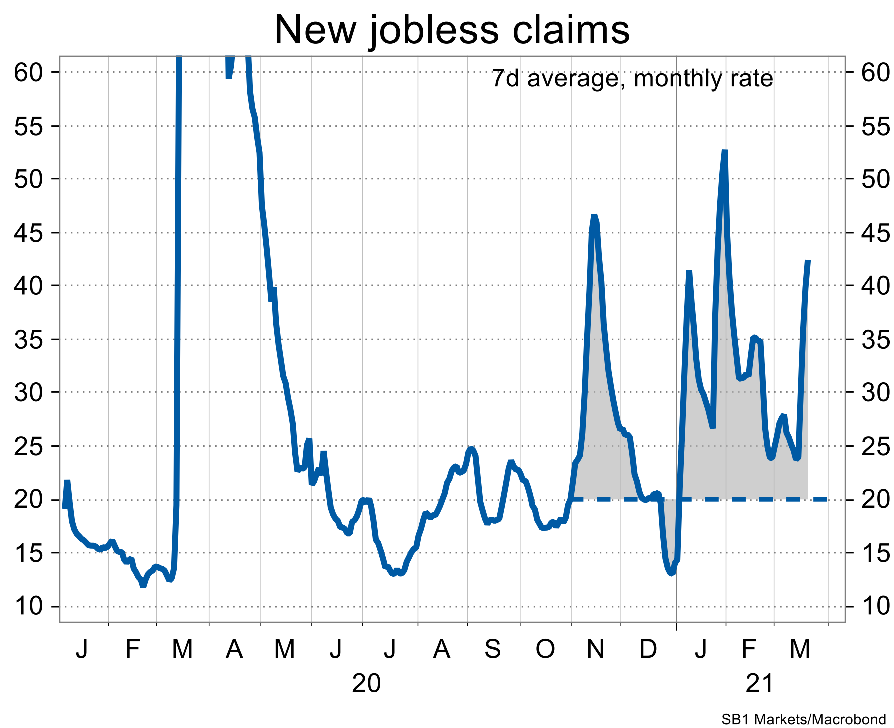
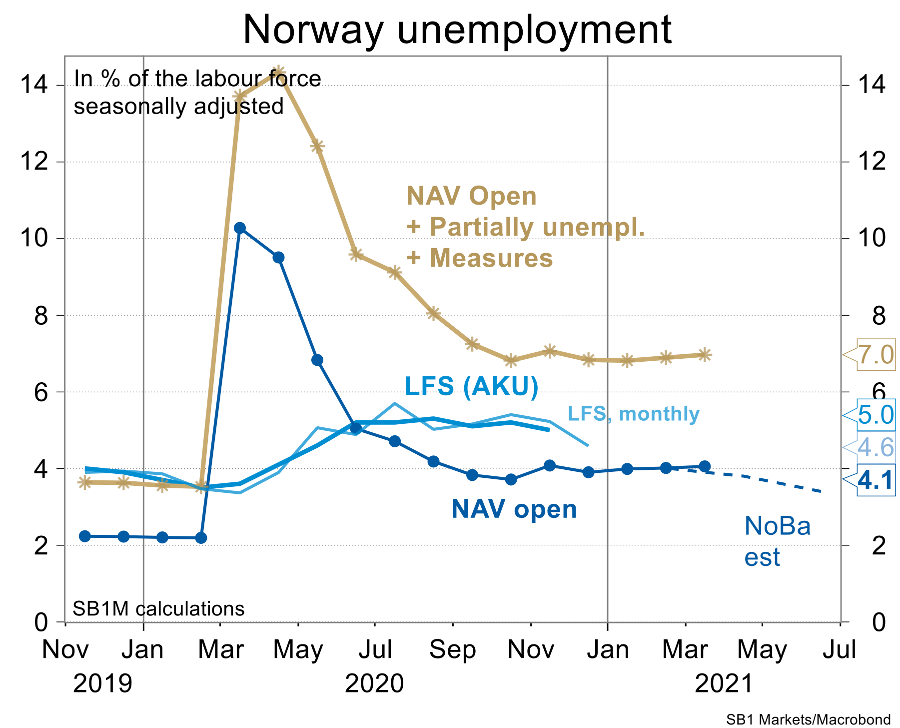
NAV unemployment marginally up in March – and since October

… even if 1.4% more than 'normal' of the labour force has turned up at NAV past 5 months

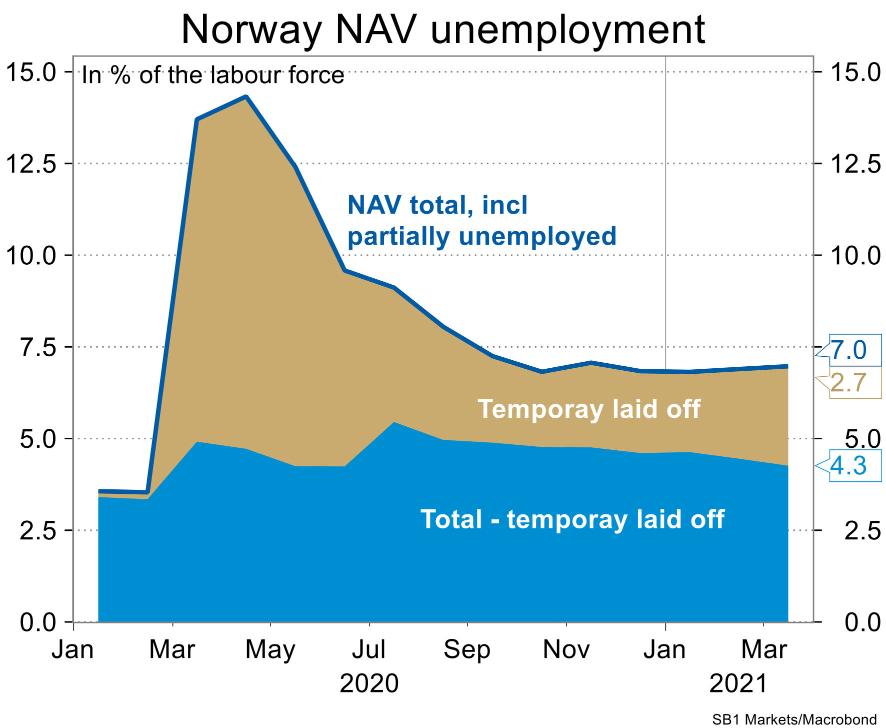


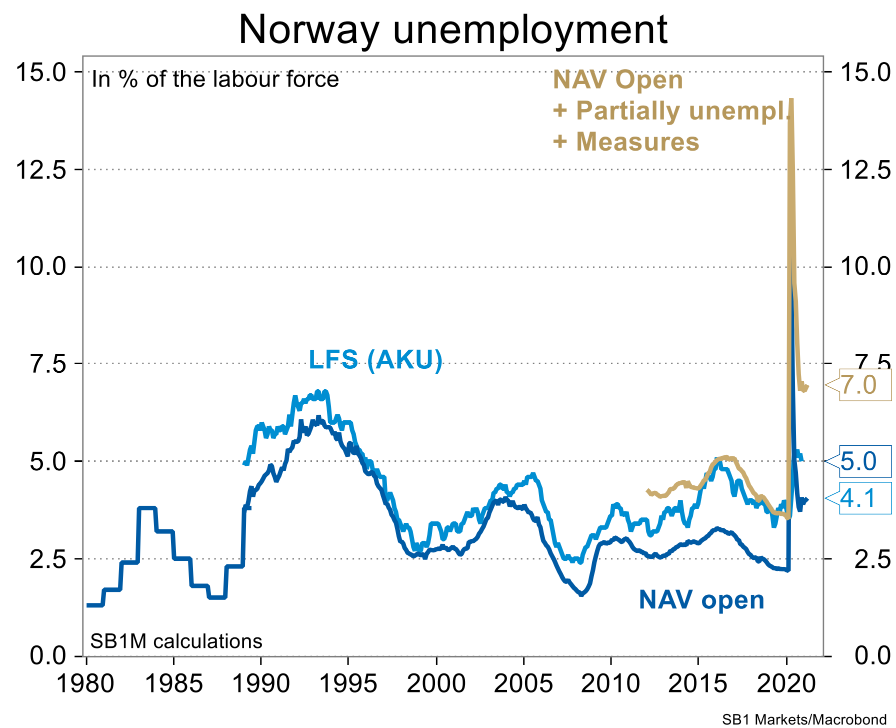


- **The open NAV unemployment**, which includes furloughed workers rose by 1' persons to 115' in March (seas adj), we expected -1'. The rate rose by 0.05 pp, rounded up to 4.1%, 0.2 pp above NoB's one-week old estimate. The unadjusted rate was at 4.3% was 0.1% above our estimate & consensus
- The number of **partially unemployed** rose by 1' to 67, leaving the grand total at 198', equalling 7.0% of the labour force. Before the corona crisis, this unemployment rate was at 3.8%.
- **Since October**, the number of ordinary unemployed has increased by 10', while the no. of partially unemployed has fallen by 7' persons. Thus the increase in total unemployment since October is just 3' persons (including labour market measures). The total unemployment rate is at 7.0%, up from 3.8% pre covid
- Since November, 40' persons more than normal have **applied for claims** (above a 20' per month normal inflow these 5 months, data not seas. adj). This increase is no doubt due to the stricter corona restrictions imposed in 4-5 rounds in early Nov, and then further in early & late Jan. However, this substantial extra inflow has not materialised in more than a marginal increase in the no. of unemployed (3')

More furloughed workers since October, to 2.7% from 2.0%

While ‘ordinary’ unemployment (partially or fully unemployed) is trending down

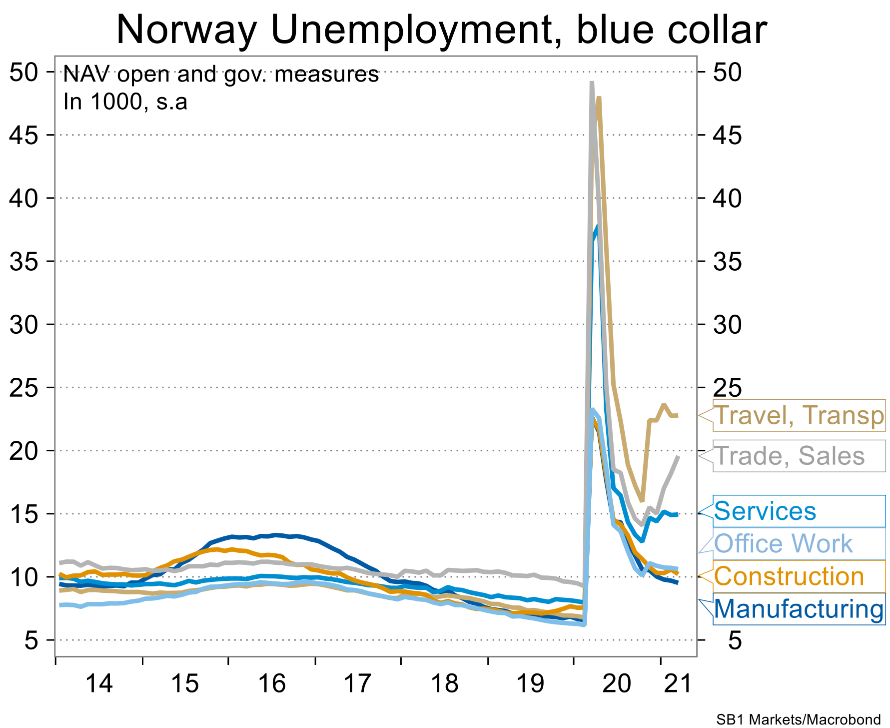


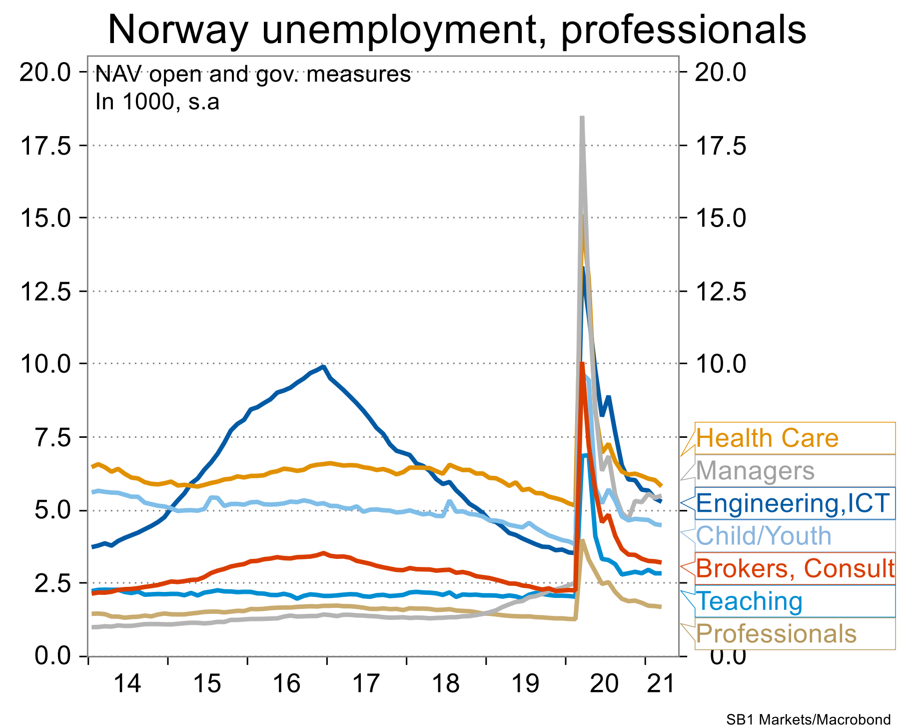


- … which is good news, and it is likely that most of the temporary laid off will be able to return to work as the society re-opens the coming months

In March, more unemployed only among trade/sales workers

As some shops were closed in and outside Oslo. Most other sectors down

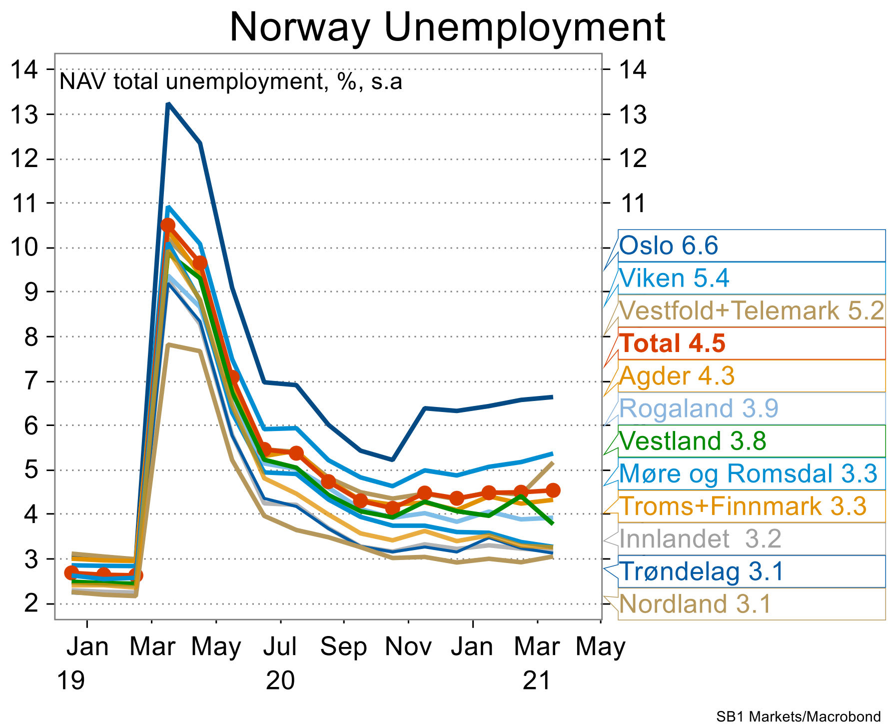


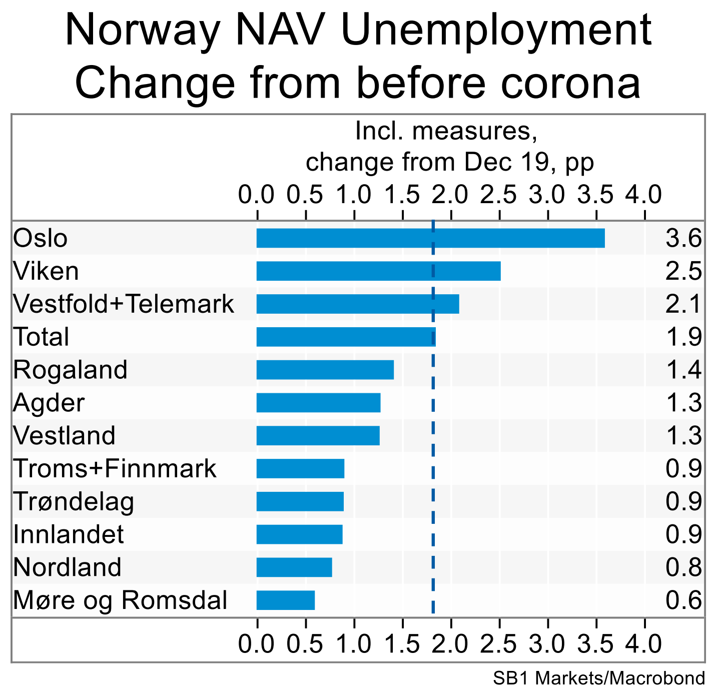


- The contrast to what happened last year is striking. During the 2nd/3rd wave just retail trade, and travel/transport are hit

Unemployment up in Oslo, Viken and Vestfold & Telemark

Due to closure of some shops in these areas. Elsewhere, unemployment flat or down in March

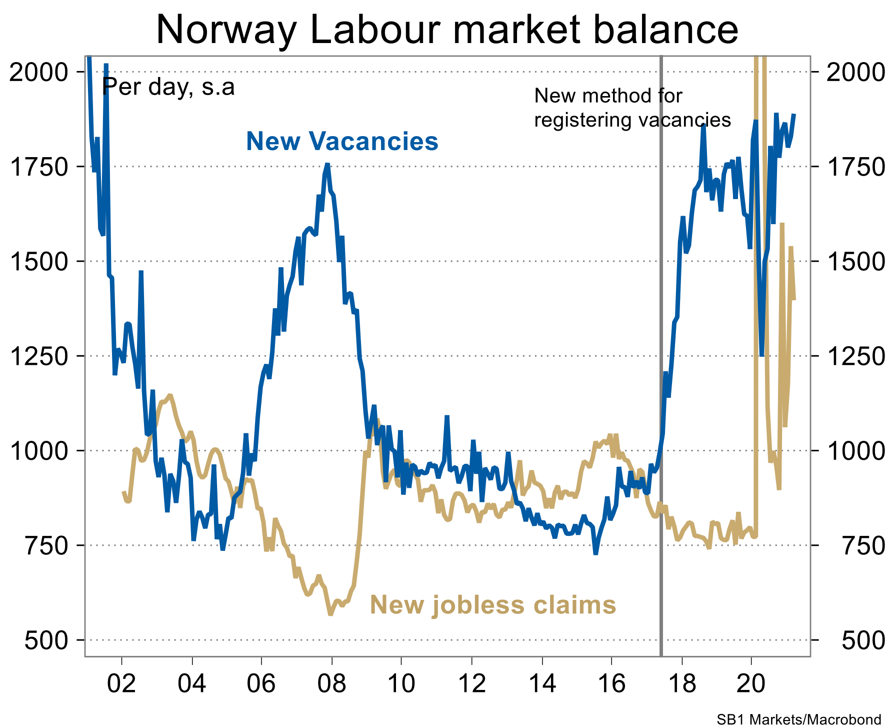


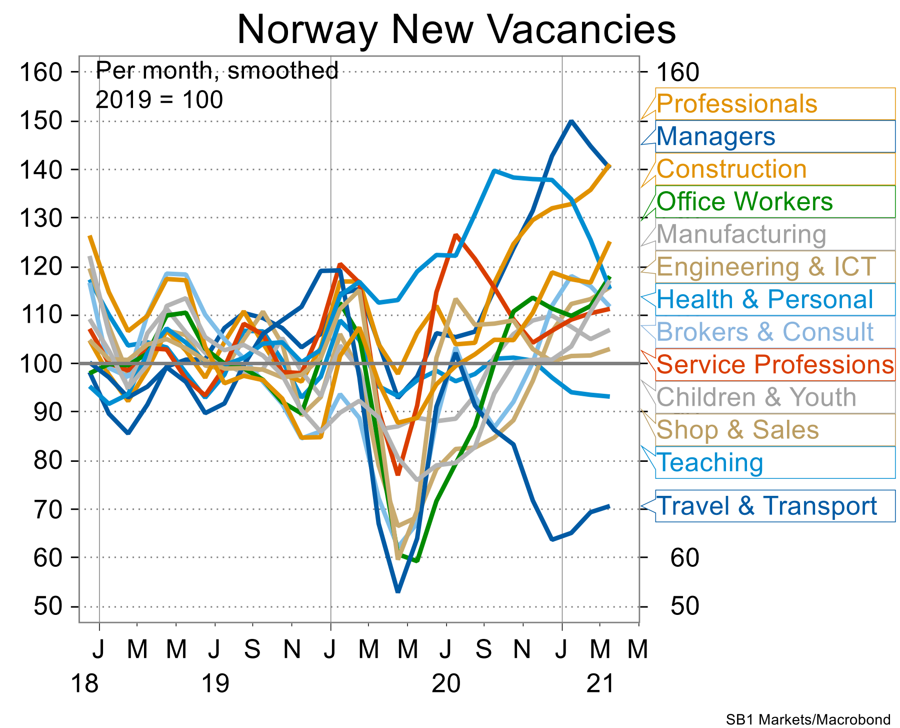


- **Oslo** is by far the hardest hit, unemployment is up by 3.6 pp since before corona, and the level is at 6.6% (not included partially unemployed)
  - » And that of course explains why house prices in Oslo have climbed faster than any other place in Oslo last year ☺
  - » Well, it probably better explains why the rental market in Oslo has weakened substantially
- Unemployment in Viken and Vestfold & Telemark is on the way up too, no doubt due to the recent corona restrictions
- In other parts of the country, flat or declining

More new claims since November but also many new vacant positions

The '3rd wave' has not reduced demand for labour in other sectors than travel/transp & services

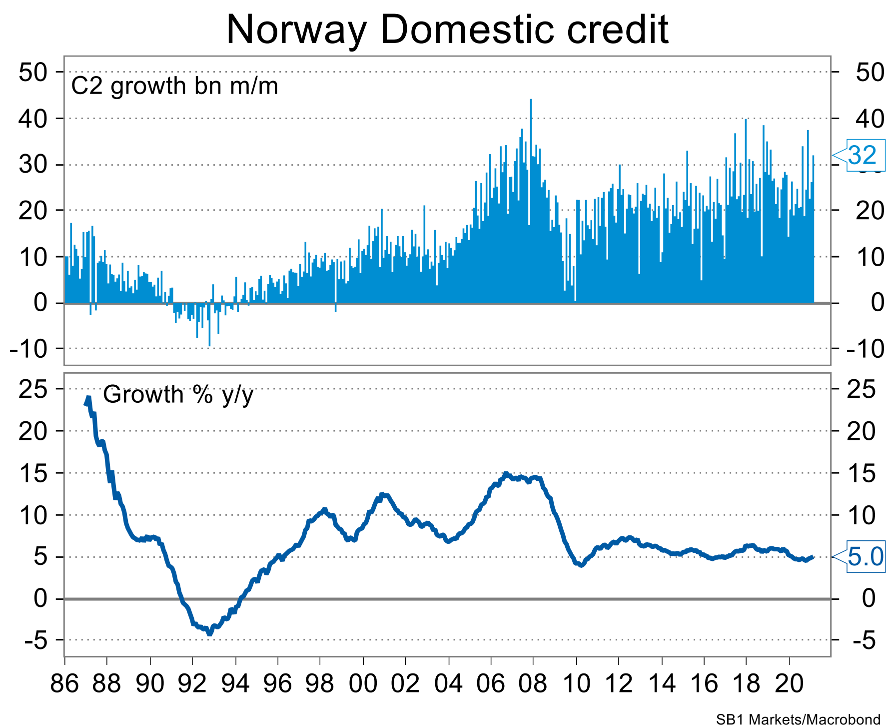


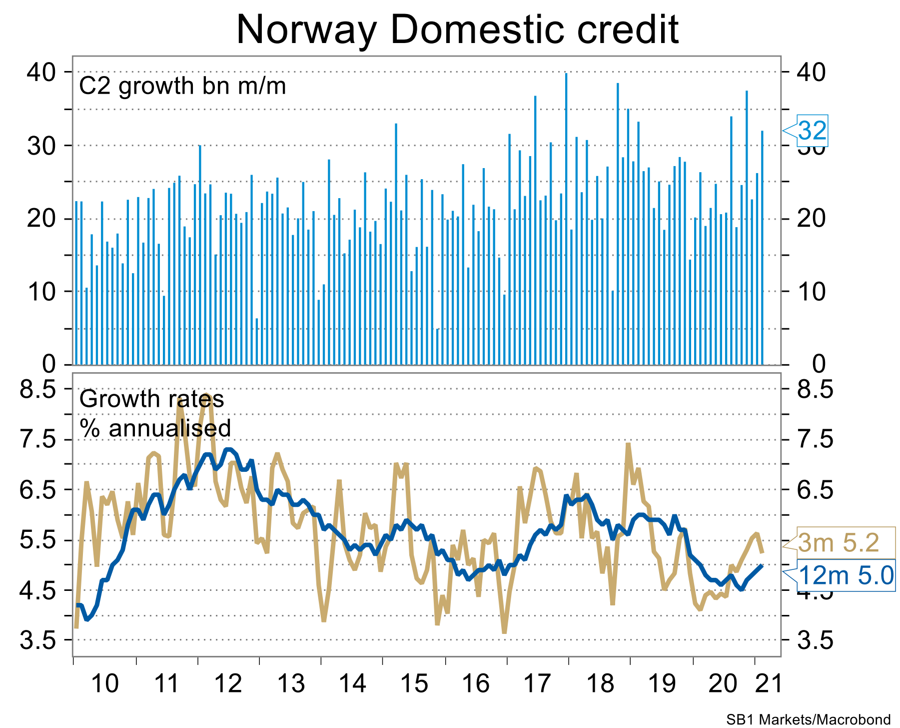


We have made a preliminary adjustment of the 2020 vacancy data due to a NAV reporting error which have led to under reporting of new positions through the year. NAV reports that the no. of new vacancies is at the same level in January 2021 as one year ago

Corporate borrowing accelerates, but no boom, not among households either

Total domestic credit growth (C2) accelerated by 0.1 pp to 5.0%, due to corporate borrowing

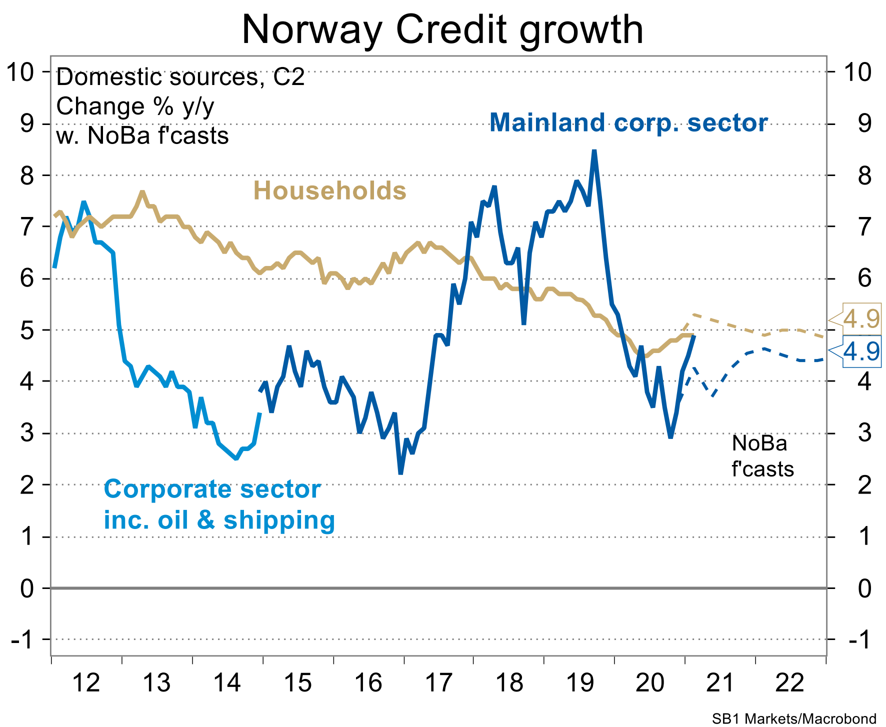


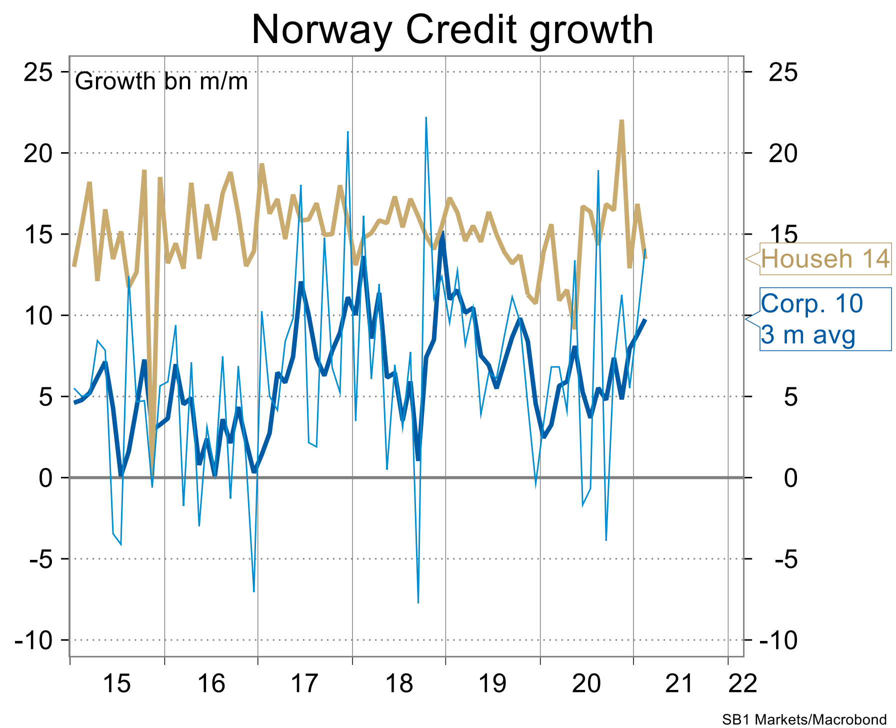


- **Total domestic debt** (C2) rose by NOK 32 bn in Feb, up from 27 bn in Jan, we expected NOK 26 bn. The annual growth rate climbed another 0.1 pp to 5.0%. We are not witnessing a any credit boom, even if growth is accelerating slowly
- **Household credit** rose by NOK 13.5 bn in Feb, 3 bn less than in Jan, we expected 17 bn. The annual rate was still unch. at 4.9%, as we assumed. The underlying rate is slightly above 5%, somewhat higher than a reasonable estimate of long term nominal income growth
- **Corporate C2 credit**, rose by NOK 14 bn (up from 10 bn), we expected 6 bn, supported by bonds issuances. The annual growth rate accelerated to 4.5% from 4.2%. **Mainland corporations** increased their debt by 4.9% y/y (from 4.5%) vs Norges Bank's 4.3% Q1 (too low Q1 average)

Corporates have been tapping the bond market - credit growth up for 4th month

Moderate growth in household debt

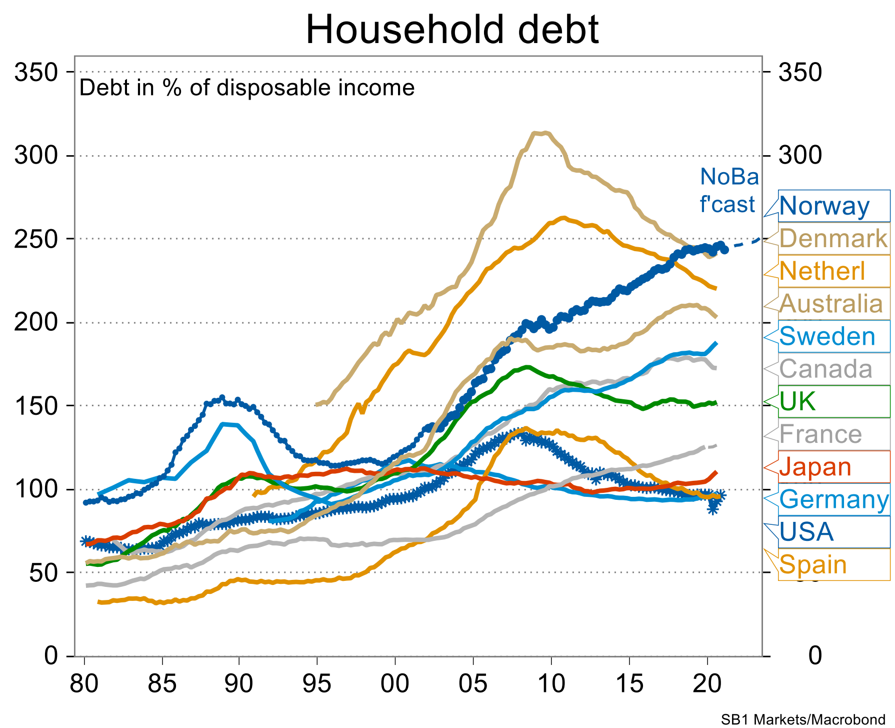


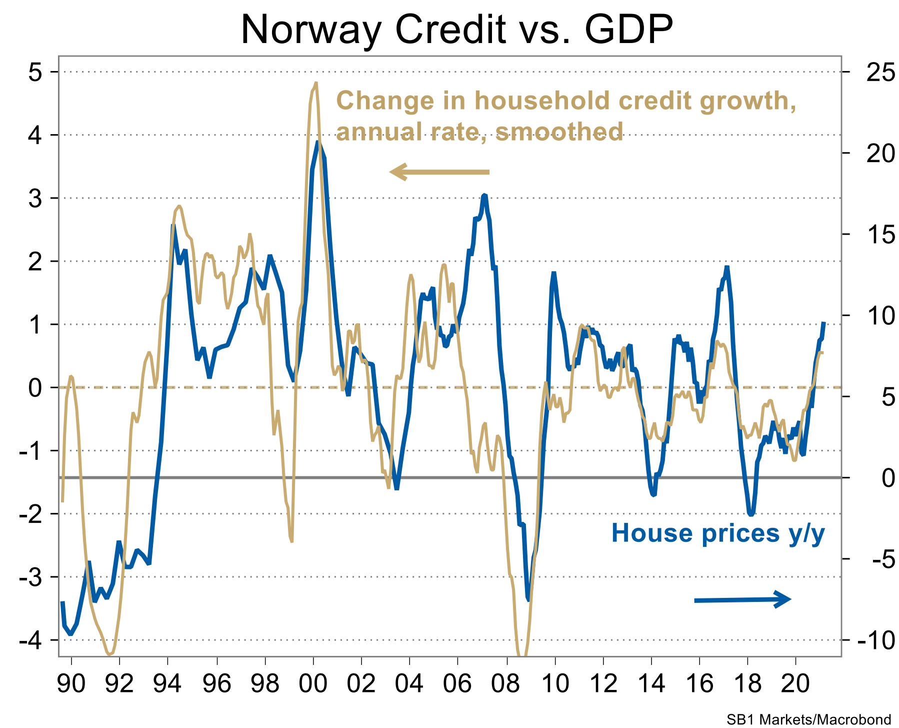


- Following a mild slowdown during the corona spring, **household credit** growth has recovered somewhat. The annual rate is now 4.9%, up from 4.5% last summer. Underlying growth recent months is above 5% - but there is no “take off”. Norges Bank expects at 5.3% annual growth rate in Q1 in average. That seems unreasonably high, as it would have required a NOK 34 bn lift in both February and March, twice as much as the current run rate. We guess it is just a slip of the pen
  - Consumer credit has been declining at some NOK 1 -1.5 bn/month over the past year, which has reduced the annual total credit growth by some 0.5 pp
- Monthly growth in **corporate credit** slowed through 2019 but accelerated during last year, and further in Jan & Feb. The annual rate for Mainland corporates tilted up to 4.9% in Feb, from 2.9% last Oct. Underlying growth has increased to well above 5%. Norges Bank revised up its growth forecast in the March MPR but the Q1 estimated average at 4.3% is far too low

The household debt/income at ATH, and now highest in the world!

The Norwegian debt/income ratio have overtaken Denmark's. *WE ARE FINALLY AT THE TOP!*

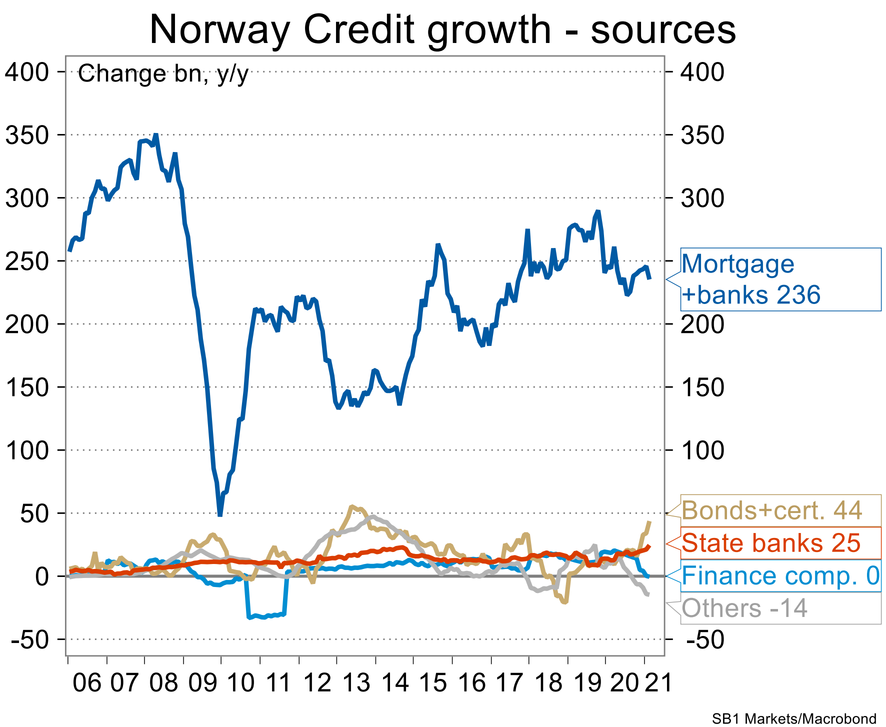


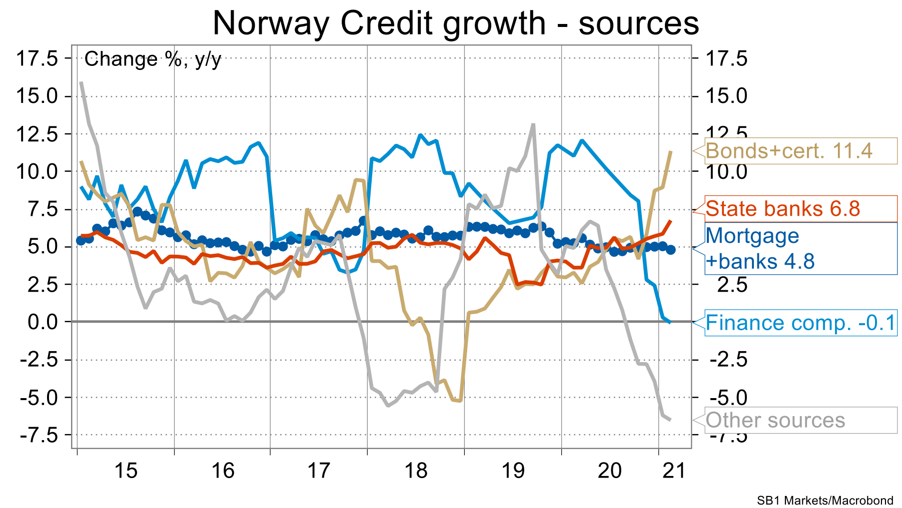


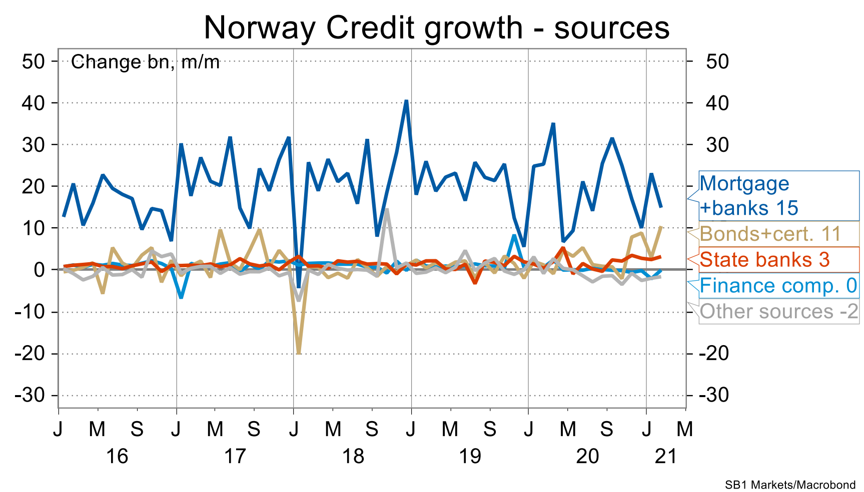
- Norwegians households' debt has been growing slower than household disposable income since late 2018, for the first time in 30 years (barring some minor turbulence in 2008/09). A small decline in household income lifted the debt ratio in Q3
- A slow retreat will be healthy in the long run, and if it is gradual it will not be too painful - even not for the housing market
  - *Changes* in credit growth is usually correlated to economic growth and asset markets – including the housing market. Now, however, the interest rate cuts may have boosted credit appetite more than the economic setback has restrained it
  - Now, credit growth is not declining anymore – and the correlation to house prices is still to be seen, check the chart on the right

More bonds for gentlemen; An unusual rapid growth, up 11% y/y

But banks and their mortgage institutions are totally dominating the domestic credit market



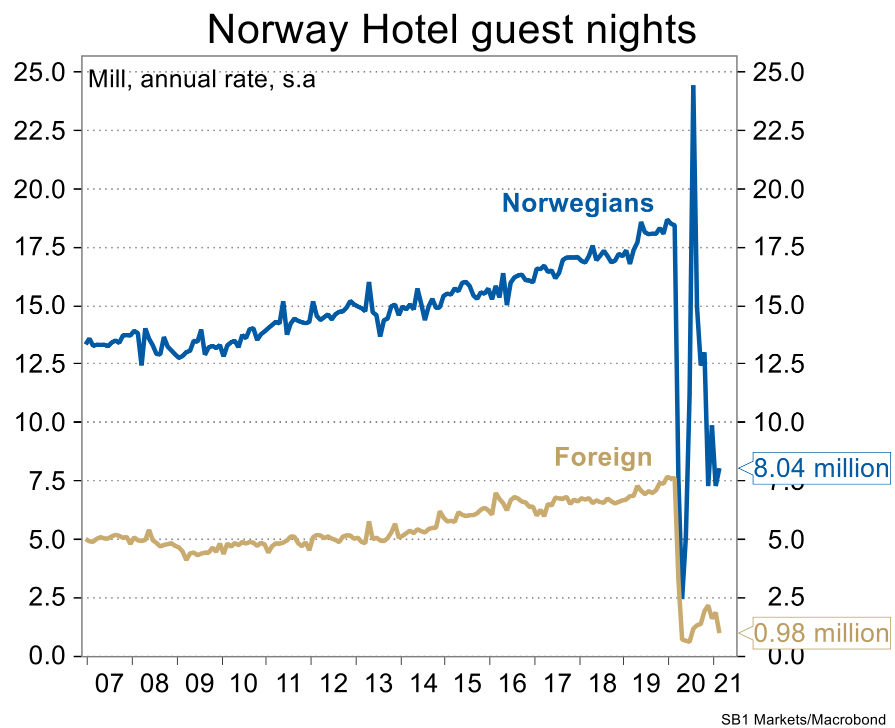


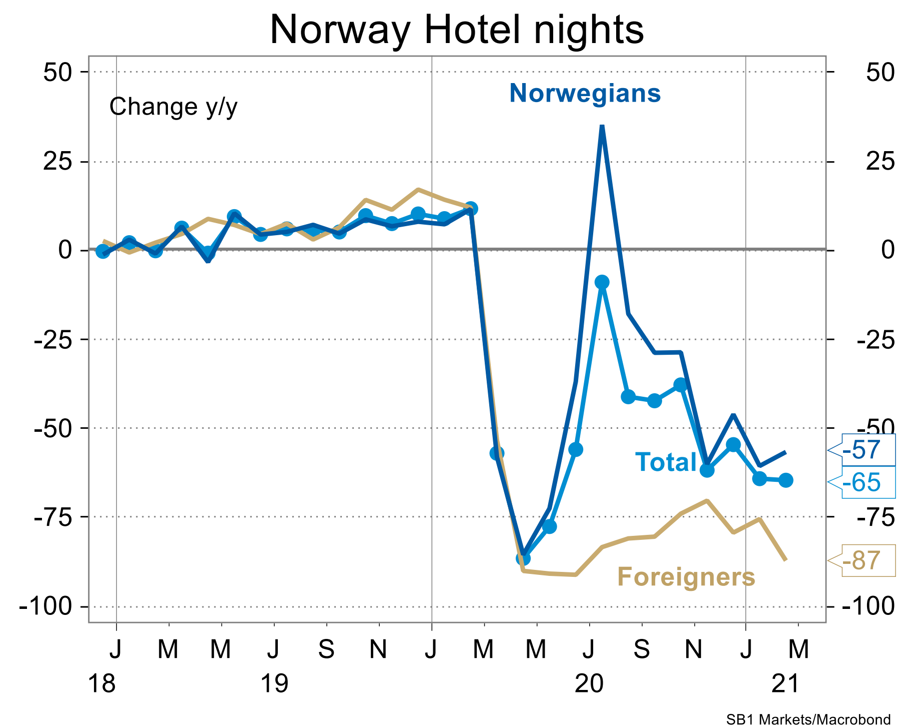


- Net issuance of bonds have increased recently too – the stock is up over 11% y/y
- Consumer credit banks are counted as banks in these statistics
- The seasonally adjusted 'sum of the parts' seasonally adjusted credit supply do not exactly equal changes in the total C2 seasonally adjusted.

Hotels down 65% in February. Probably even worse in March/April

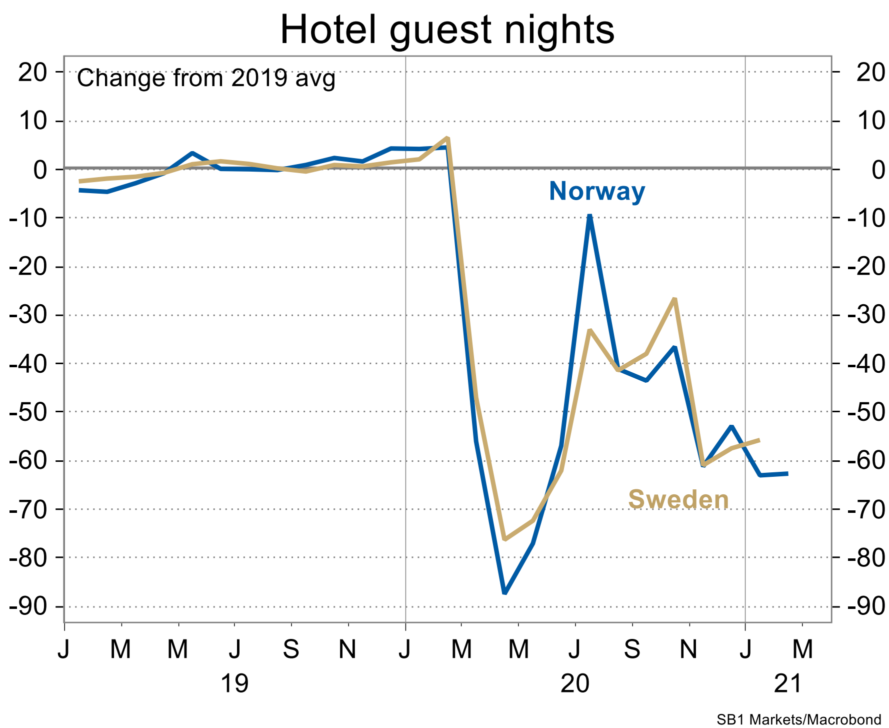
But then…





Don’t blame the ‘lockdowns’, rather the virus

Spot the difference between Norway & Sweden (and we could added other European countries)



- Of course, both Sweden and Norway are approx. equally hit by loss of foreign guests but domestic traffic is equally down both places as well, even if the official Covid-19 policy response has diverged sharply

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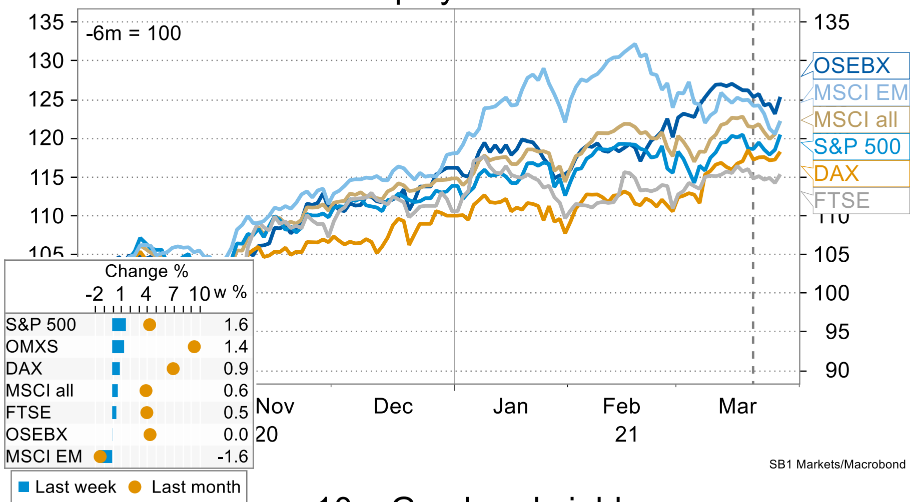
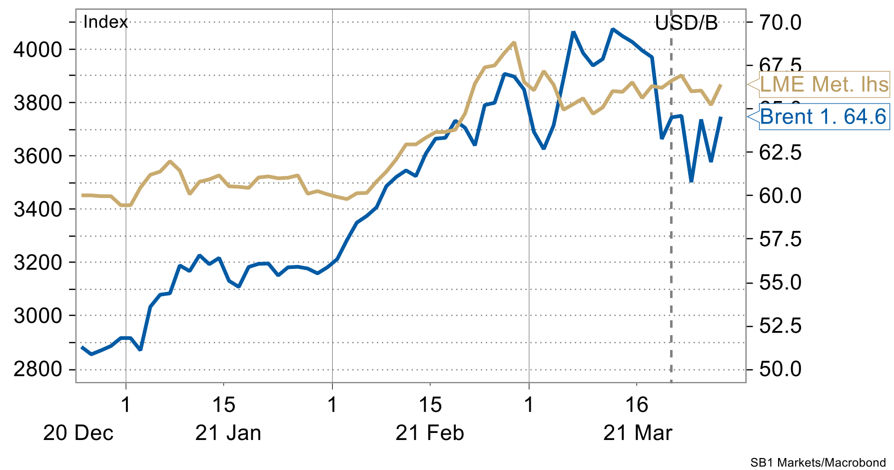
Bonds took a pause, stock markets recovered (on Friday)

Metals still stable, oil flattened. NOK volatile but ended flat. The USD up

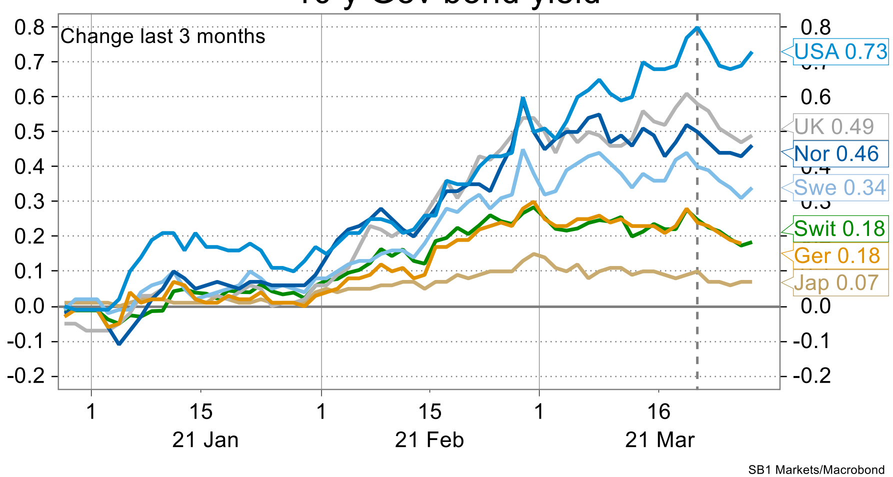
Equity Indices



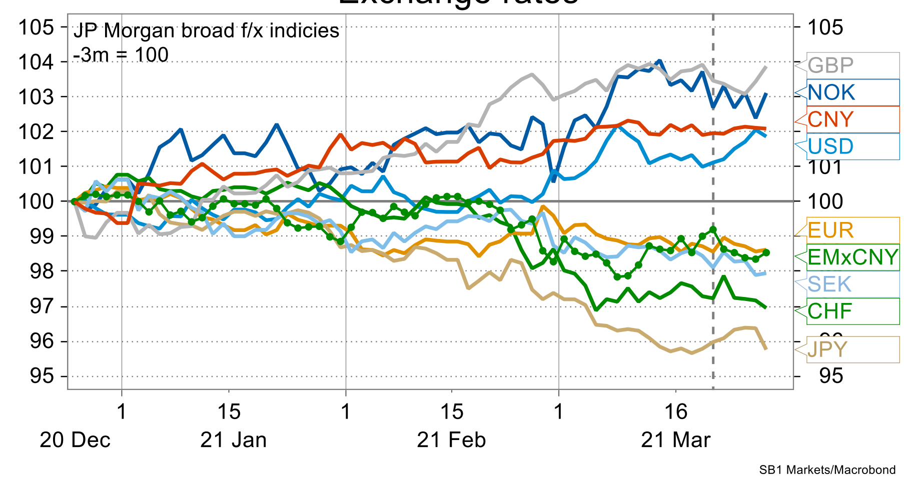
Oil vs. metals



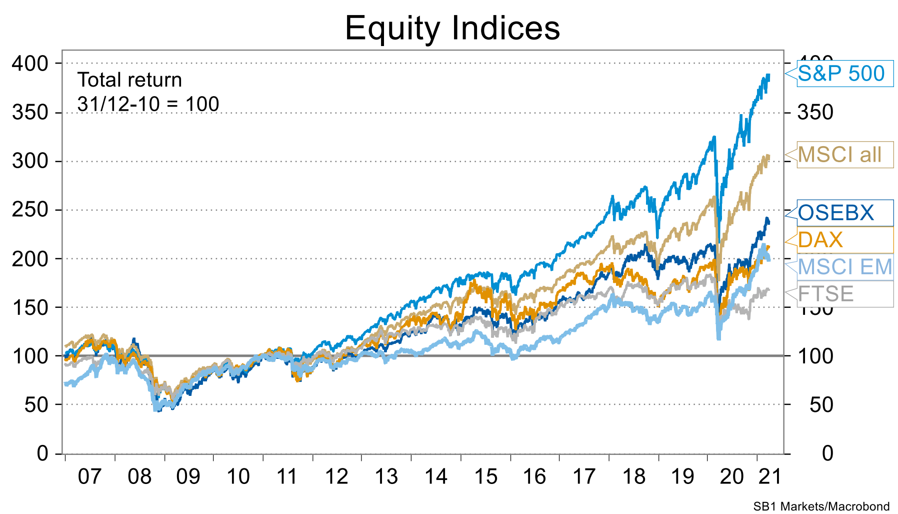
10 y Gov bond yield

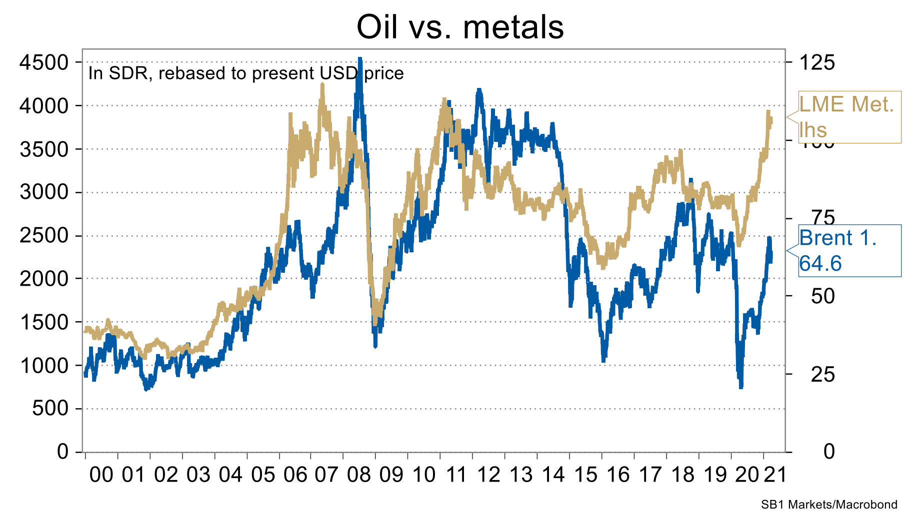


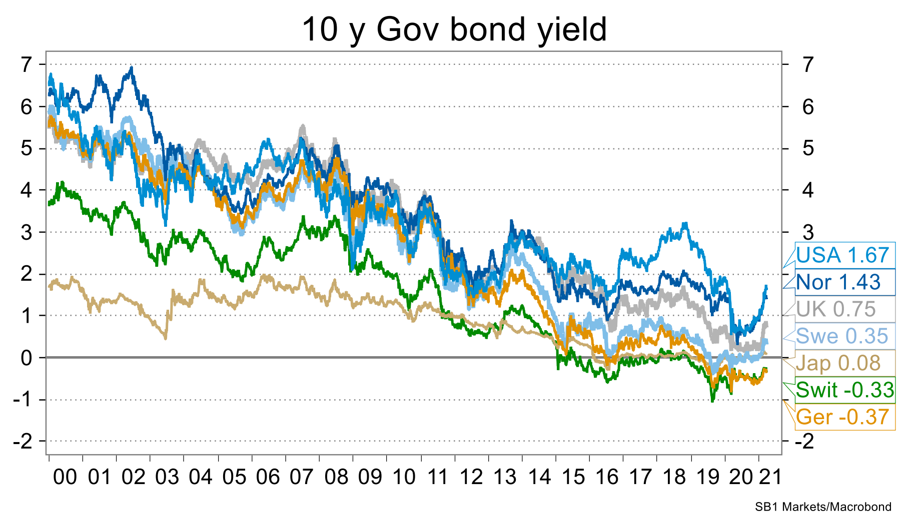
Exchange rates

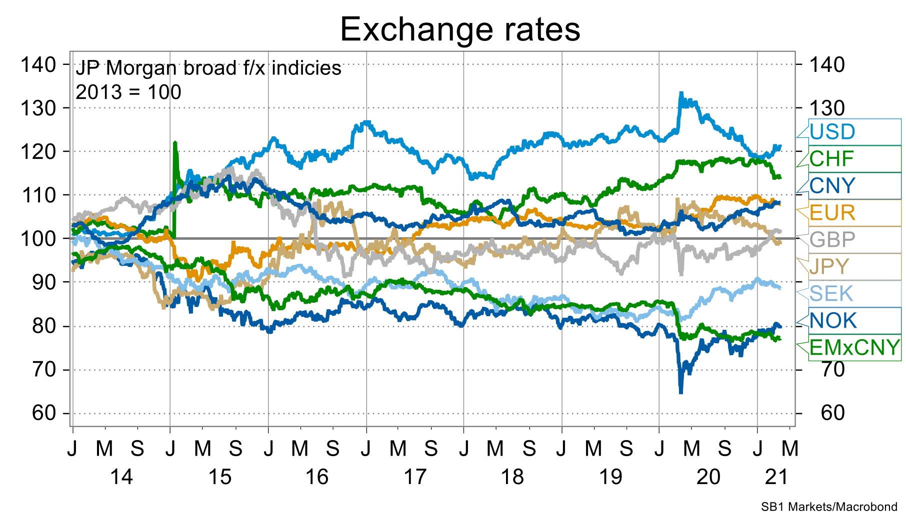


Positive growth expectations: the trend for longer yields and commodities is up









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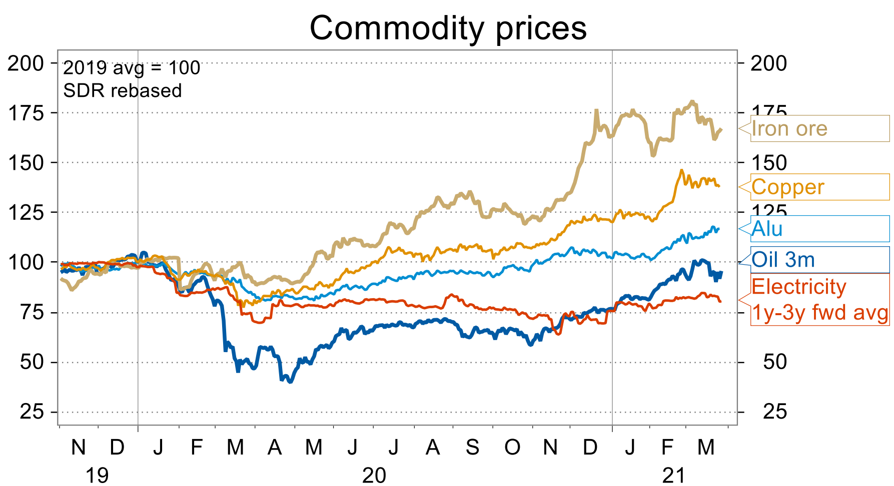
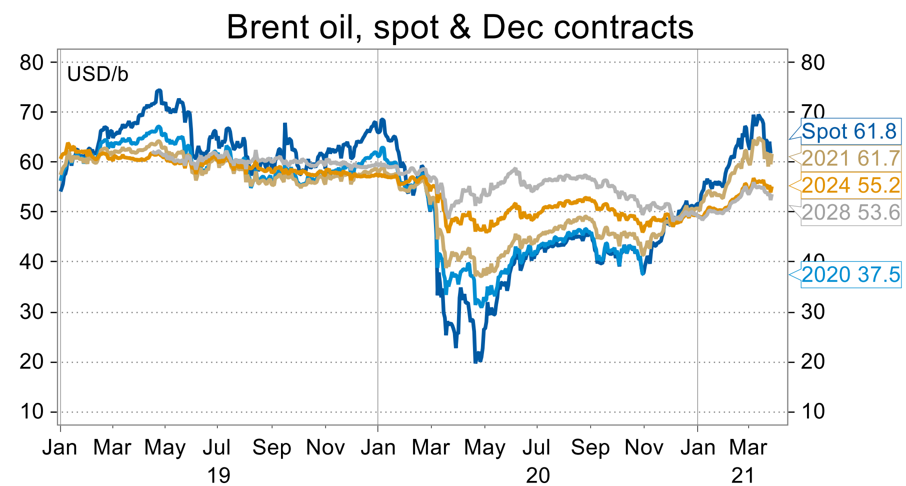
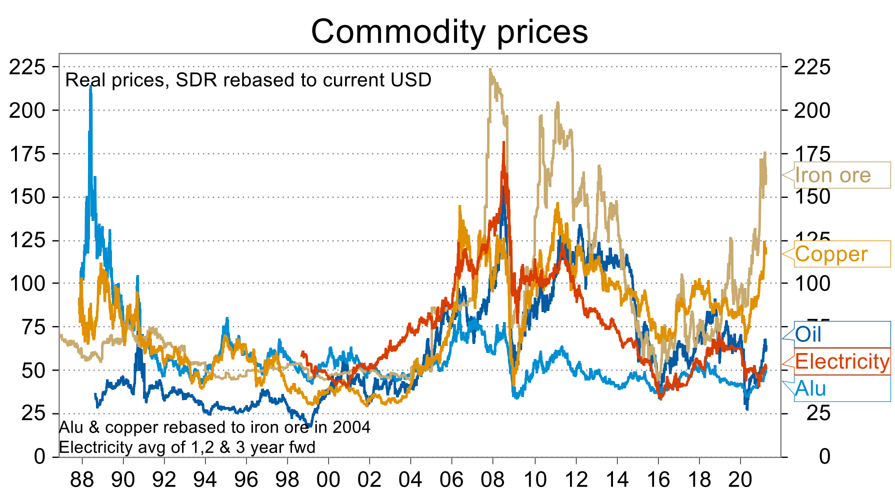
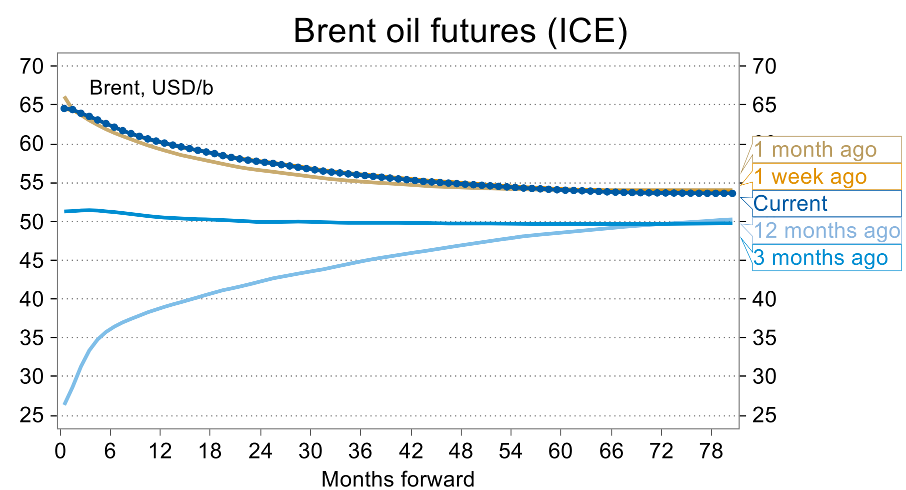
Commodities have (at least) flattened









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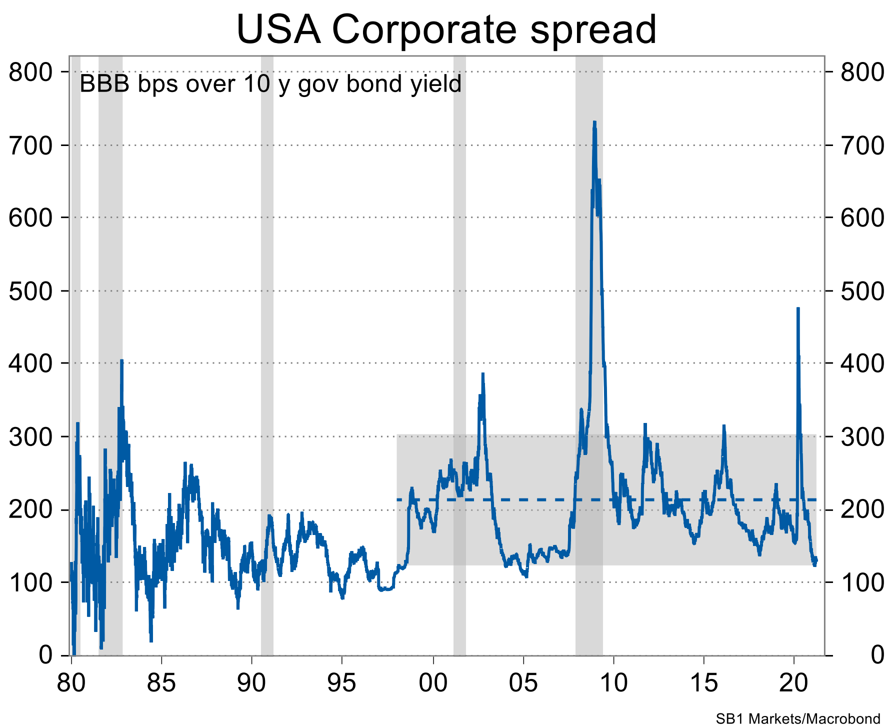
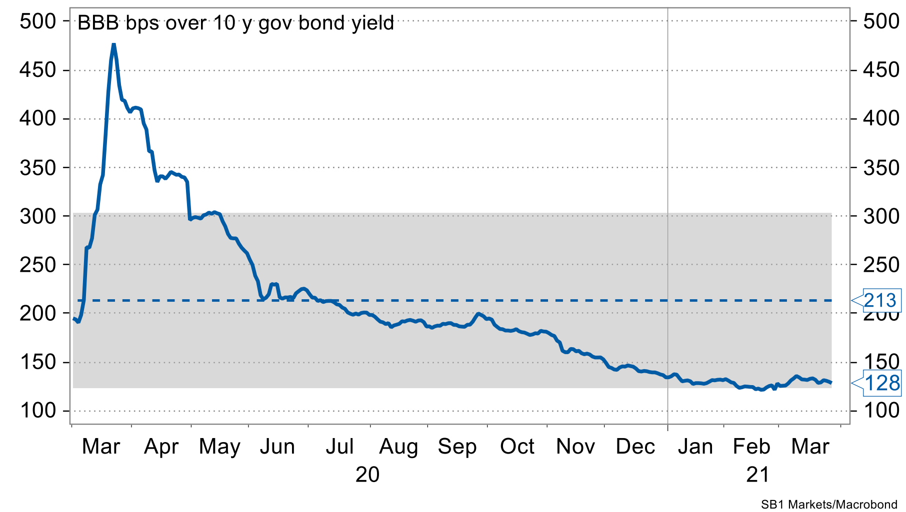
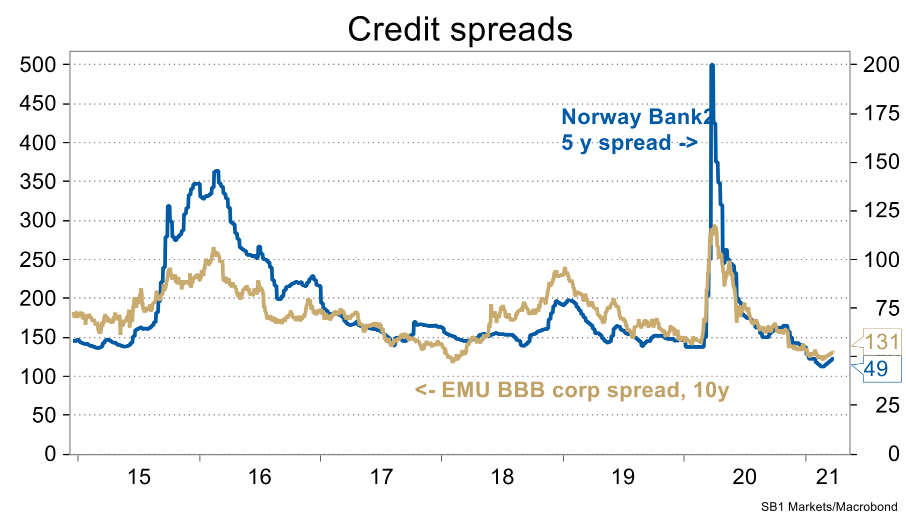
U.S. credit spreads (BBB) slightly down, European's slightly up

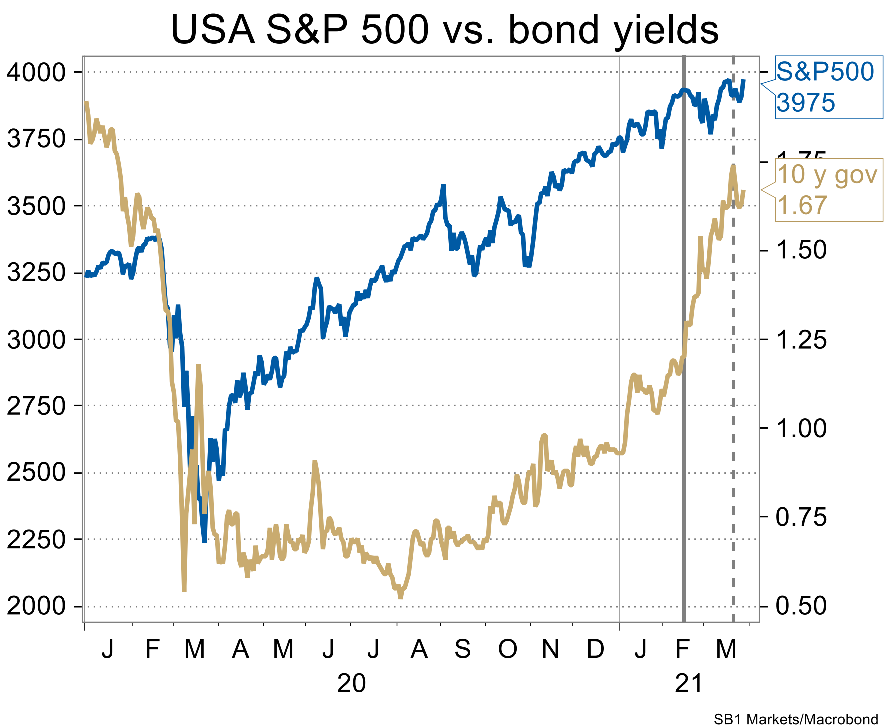


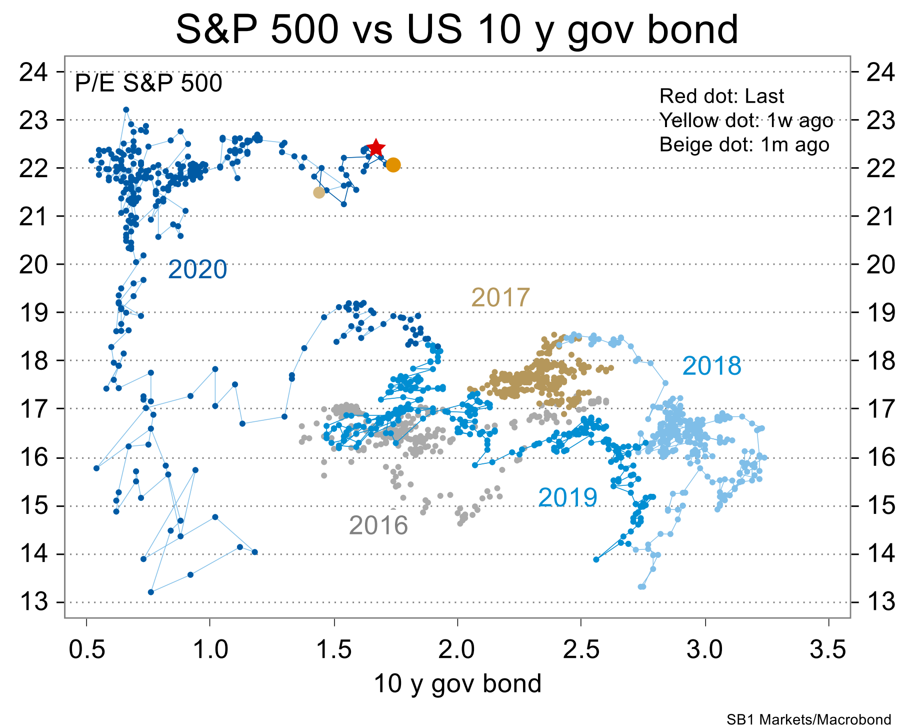




10 y yields down 7 bps, S&P up 1.6%

But yields fell alongside stocks during first part of the week, but rose less than stocks on Friday

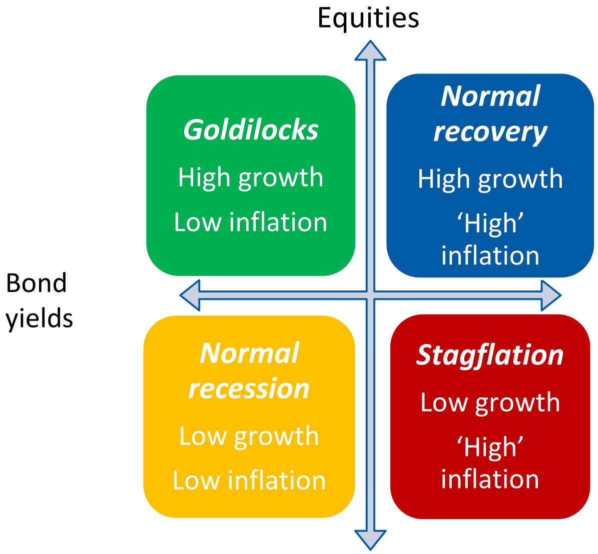


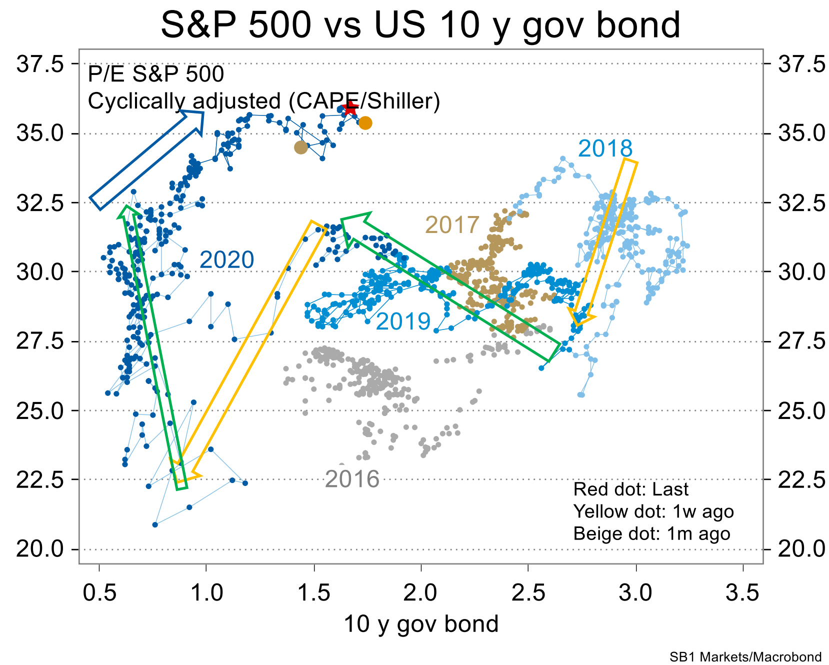


- Since the **through in yields** in early August, 125 bps ago (10 y gov), the stock market has climbed 18%. Higher bond yields are normally not a disaster for stocks. In fact, over the past 20+ year the correlation between bond and equity return have been quite consistent, <u>the stock market has gained when yields rose and vice versa, because changes in growth expectations were dominant for both markets, not fears of too high inflation</u>
- Why could this time be different? Perhaps because the starting point is so special, equities were strong even if yields were low because central banks were so eager to support growth an to get inflation back on track. **The main risk now: inflation turns upwards.** ***More on the next page***

A long term view: From the 'Goldilocks corner', where to go?

The stock market is still tolerating a steady increase in bond yields



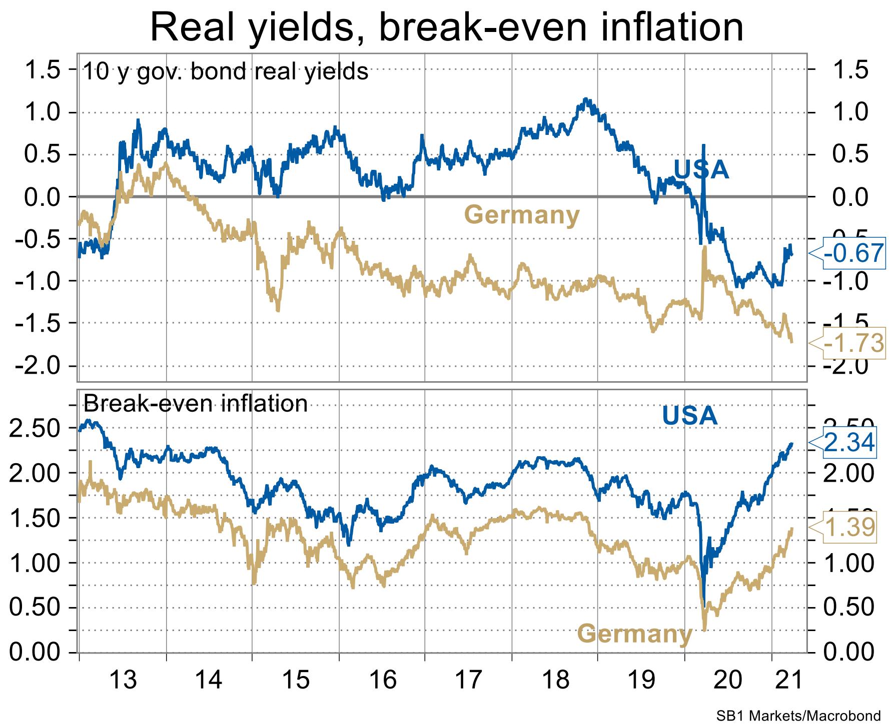


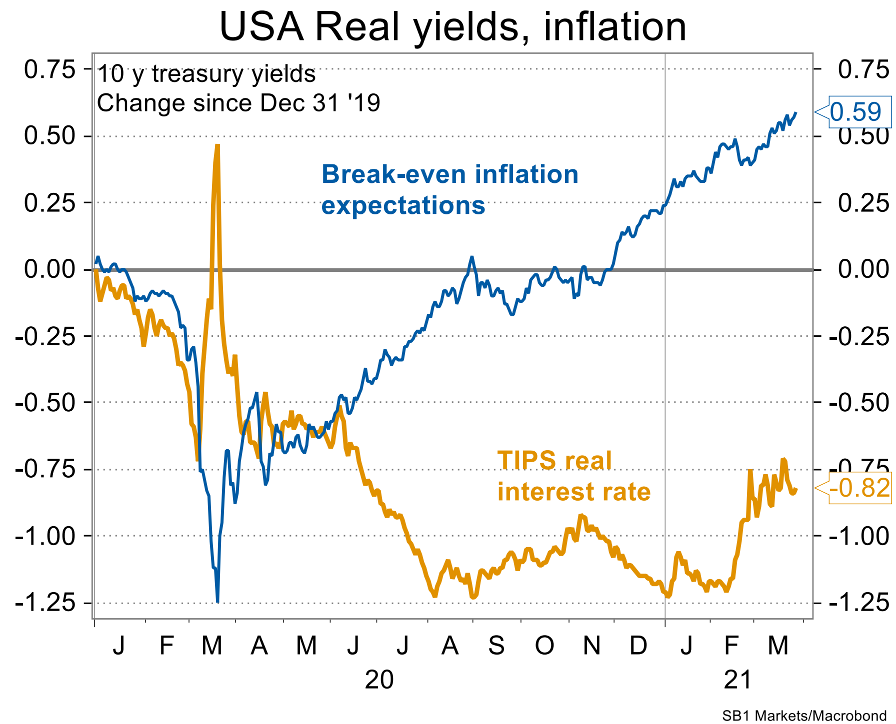
- Usually, we have associated drifts towards the 'green corner' - low inflation and solid growth at the same time - as a temporary sweet spot for markets

- **The FOMC/Powell** reiterated that the bank will not hike its signal rate before the economy has recovered, unemployment is brought down, and inflation has increased to above 2% and is expected to remain above 2% for a while – and that the bank plans to keep the Fed funds rate at zero at least until 2024. A modest increase in bond yields in a such positive growth environment without the Fed hiking could be associated with a move towards the recovery corner, which is positive for stock markets too… if the starting point were in the normal recession (yellow) corned, low yields & cheap equities
- However, since H2 2018 bond yields have fallen, and the equity market has climbed – and markets moved well into the 'green corner', as growth expectations have not fallen together with lower yields, as has been the norm, at least since 1998 (in the US), at least partly due to aggressive central bank actions
- Now, vaccines are underway, and fiscal policy is 'running crazy' (4%+9% of GDP in budget stimulus). The Fed had to revise its growth forecast sharply. The equity market has for a long time discounted a rapid recovery – without having to take into account the normalisation of bond yields, which is now taking place
- Suddenly, there are alternatives (sorry, TINA) for investors, even if yields still are way below reasonable growth expectations. Probably the best to hope for, is unchanged equity market pricing (P/E-wise), but growing earnings will yield moderate returns even as yields increase. The 2nd best alternative is 'normal multiples' and 'normal' rates. Which is not a 22x 12m fwd P/E, or a 35x Shiller P/E – and not a 10 y bond rate at 1.74% - or even less a -0.55% 10 real TIPS bond yield
- The 3rd alternative, which is not good at all: The stagflation scenario, the red corner. At the least, the probability has increased recent months. And the Fed did not calm these fears last week, by giving some nods to the market. Thus, markets may start to fear central banks are running crazy too. It has happened before

Real yields more down than inflation expectations up, 10 y 2.34% in US

Record low German 10 y real yield, -1.73%. In real terms, in '31 you receive 16% less than you pay now

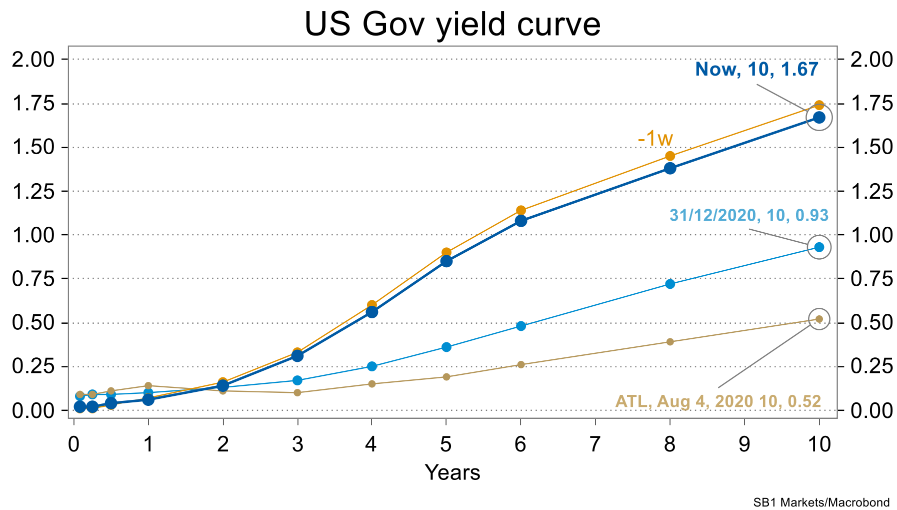


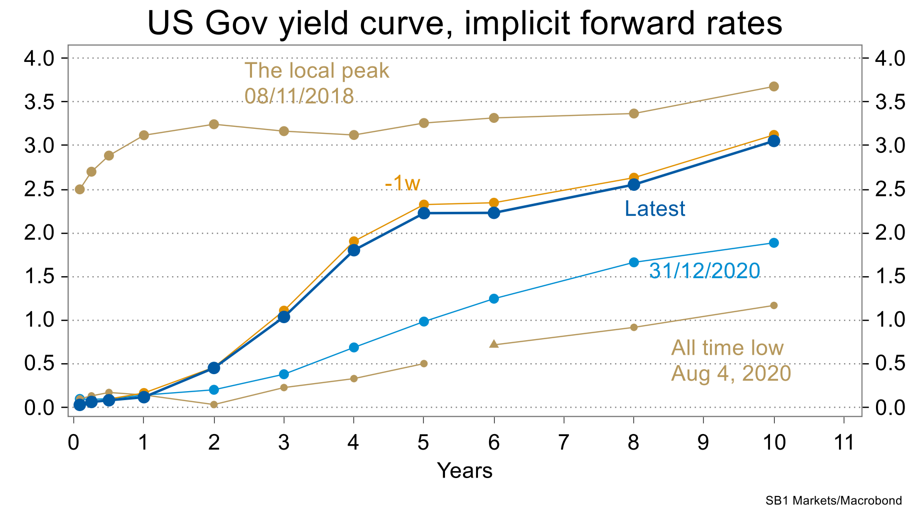


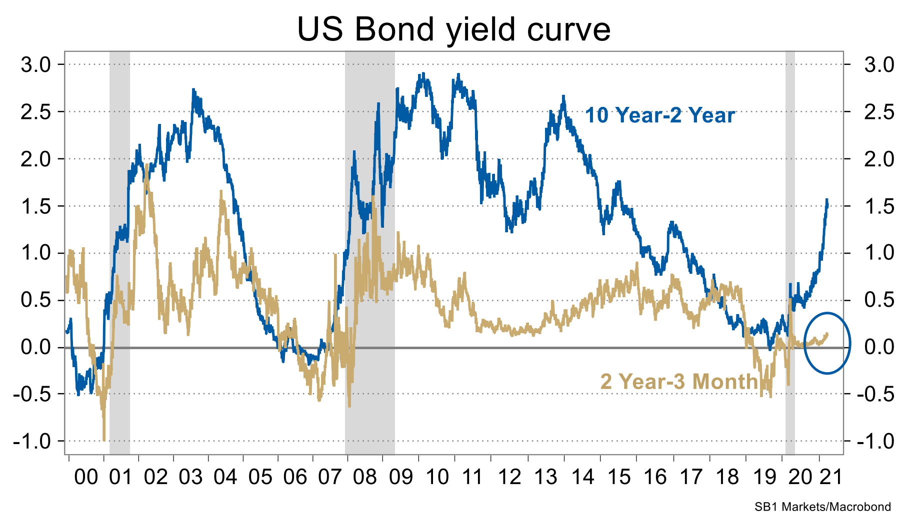
- **US 10 y <u>-7 bps to 1.67%</u>**
  - Inflation expectations +3 bp to 2.34%, **new high since 2013**
  - The TIPS real rate -10 bps to -0.67 – **<u>still up by 40 bps since mid Feb</u>**
- **Germany <u>10y -3 bps -0.34%</u>**
  - Inflation expectations +8 bp to 1.39%, highest since 2018
  - ***<u>Real rate -11 bps -1.73%, at ATL</u>***

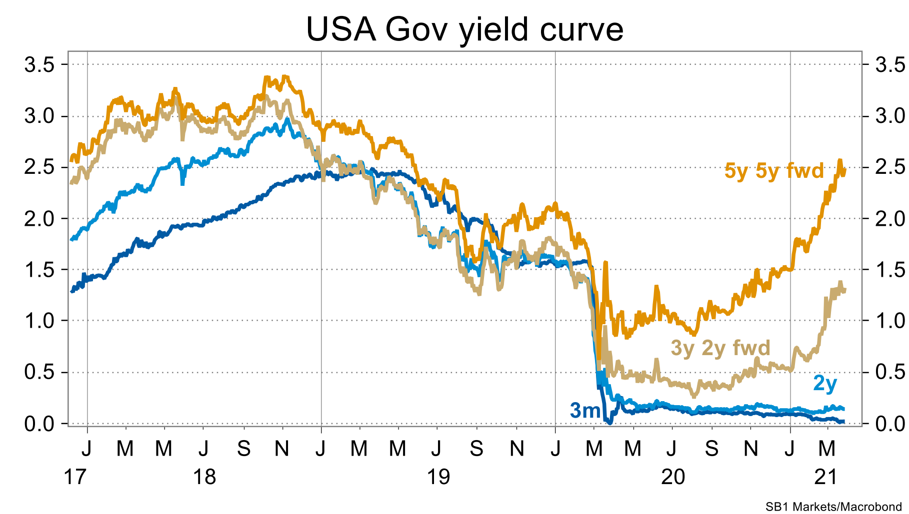
Powell still ‘controls’ the curve in the short end. But then…

From 2 years onward, the curve is steepening rapidly. The 5y 5y fwd down last week, still ‘high’



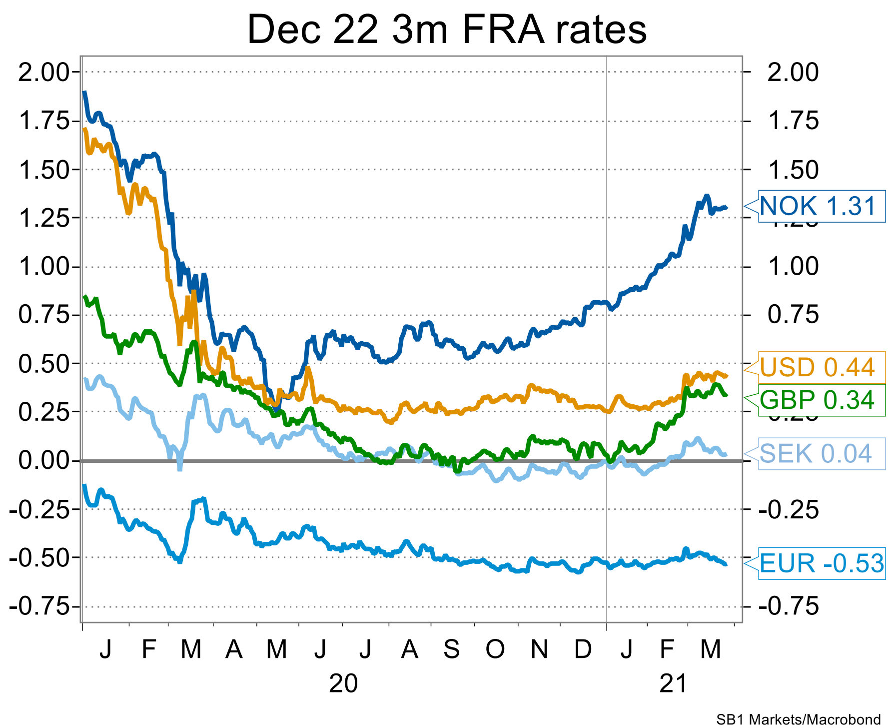


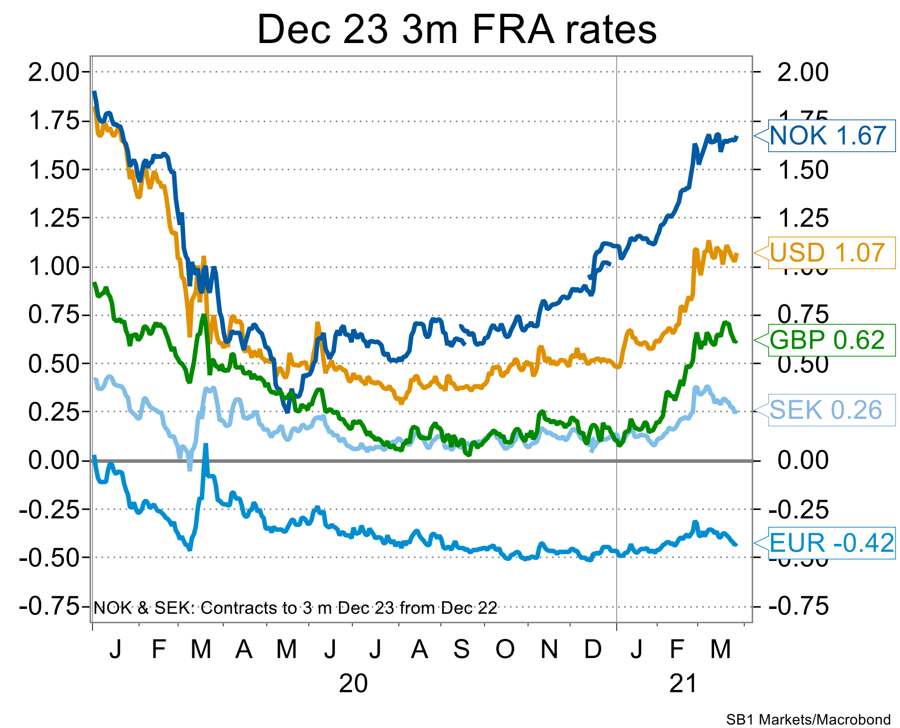




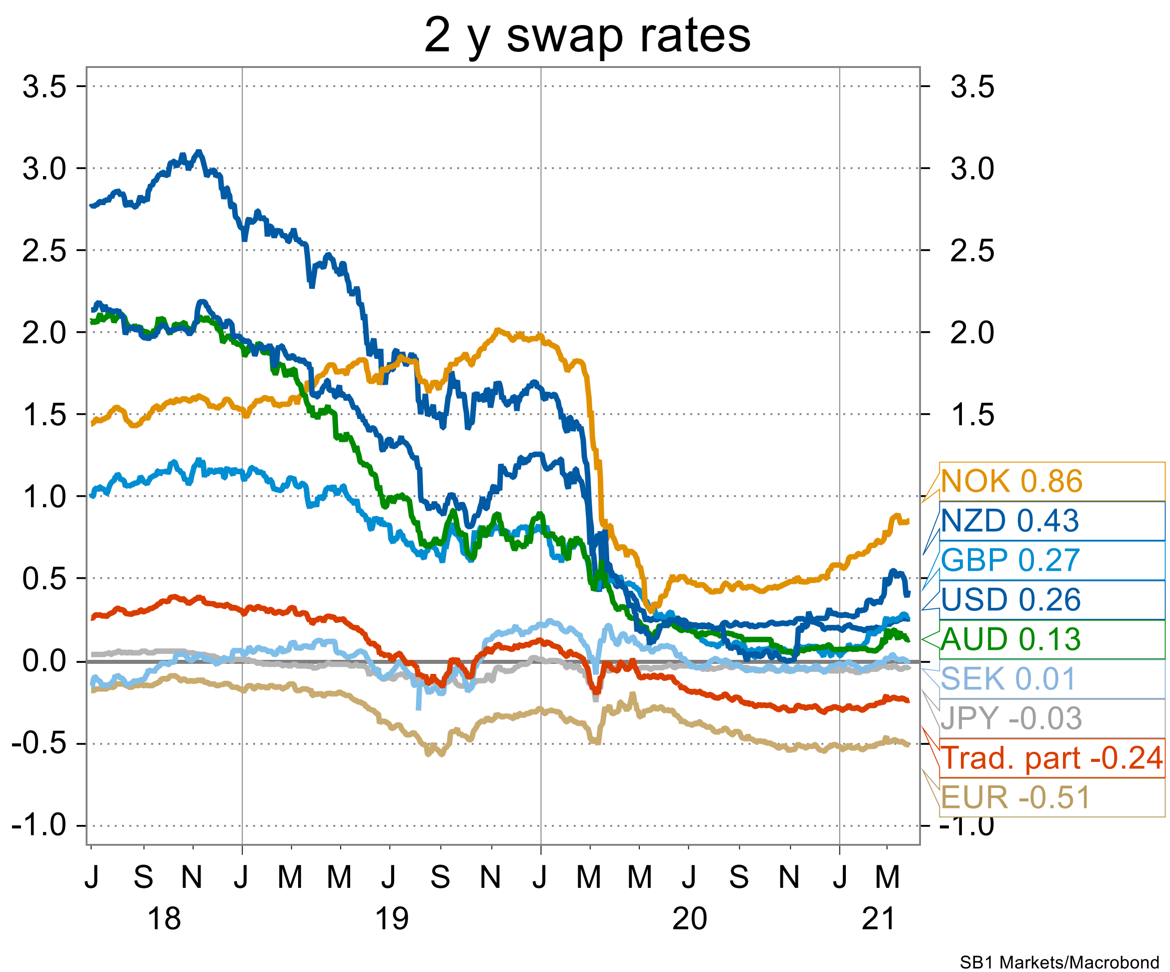
Interest rate expectations: Norway in the lead – but others are following suit

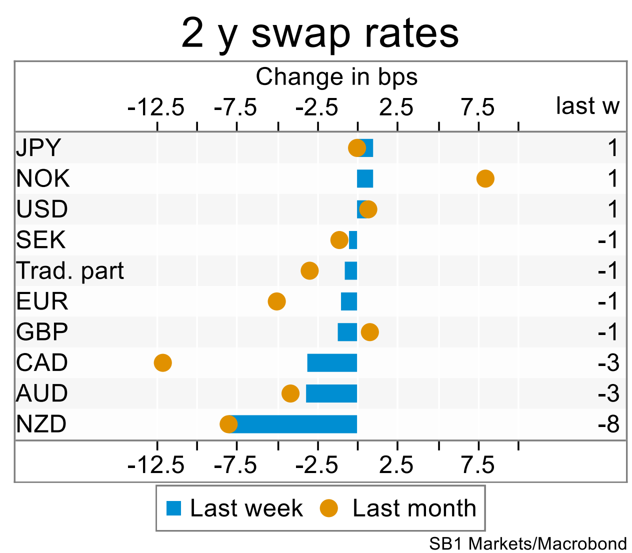
.. but all has taken a pause the past two weeks



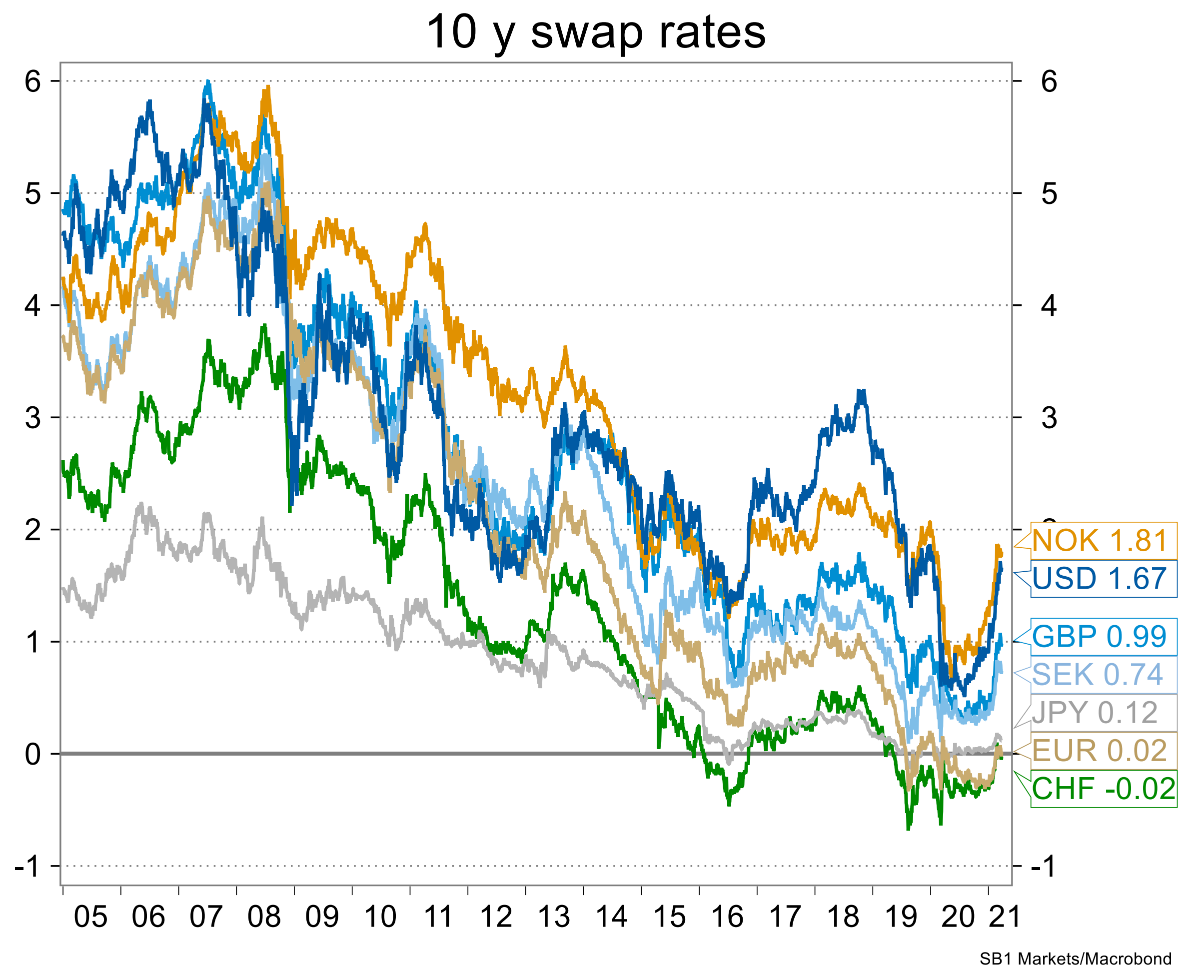


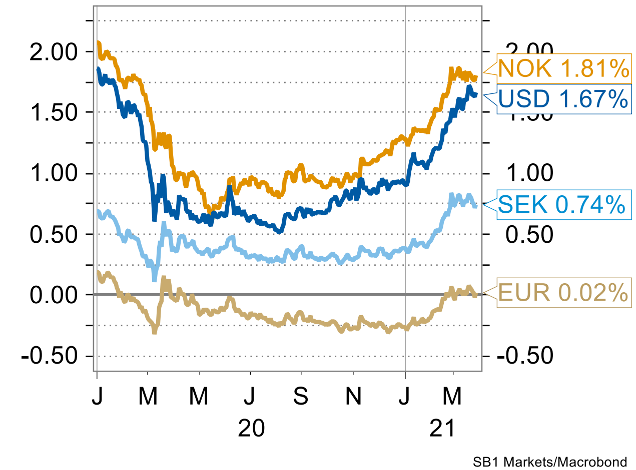
Mostly down last week, even last months (Norway is an outlier)

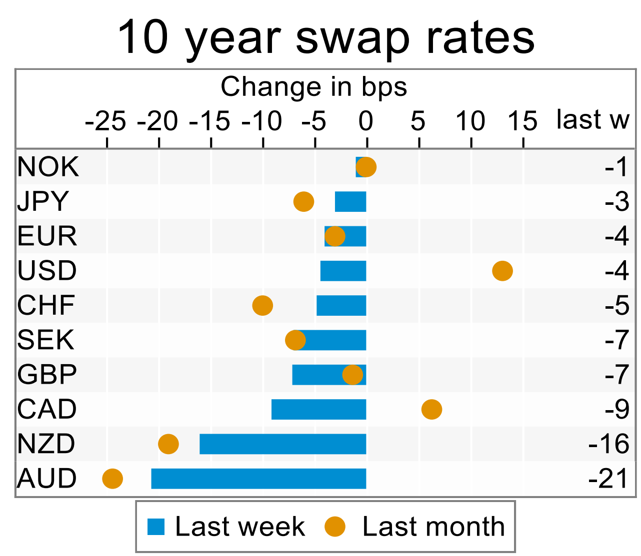




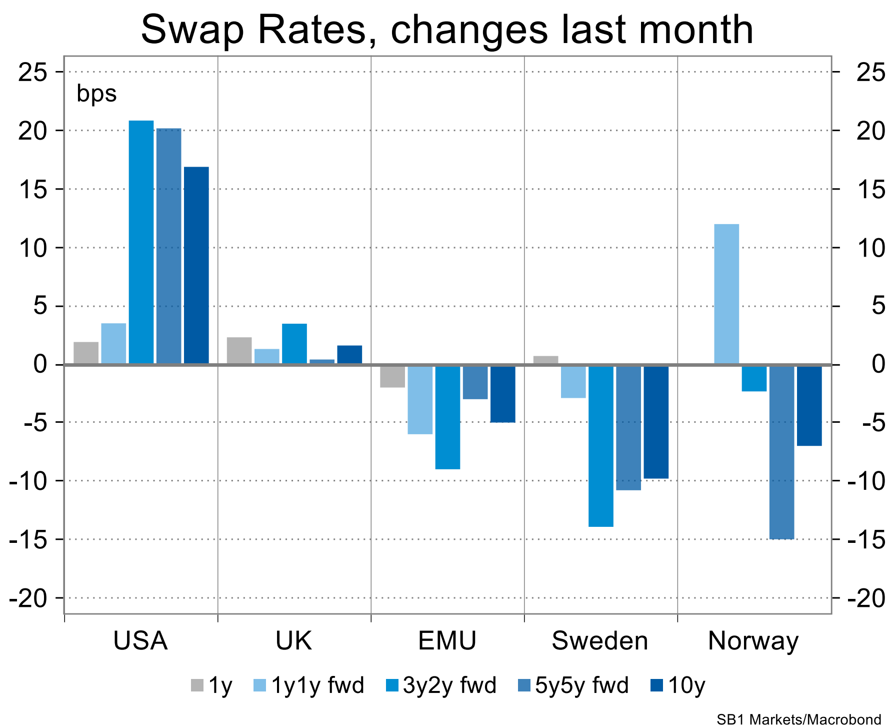
The long end of the swap curve have taken a breather

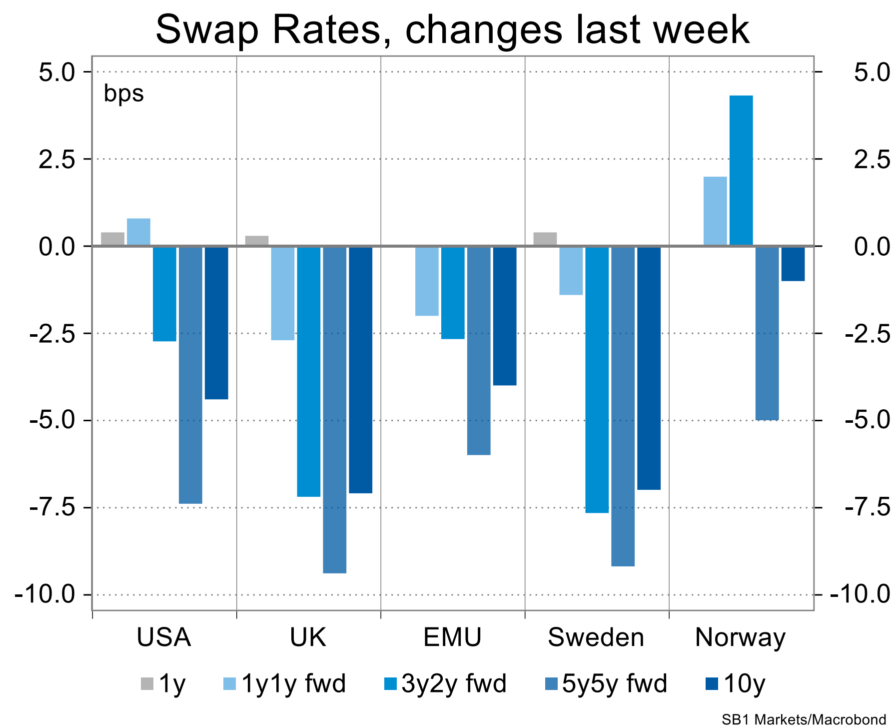






Swap rates: USD in the lead last month; NOK rates in the last week





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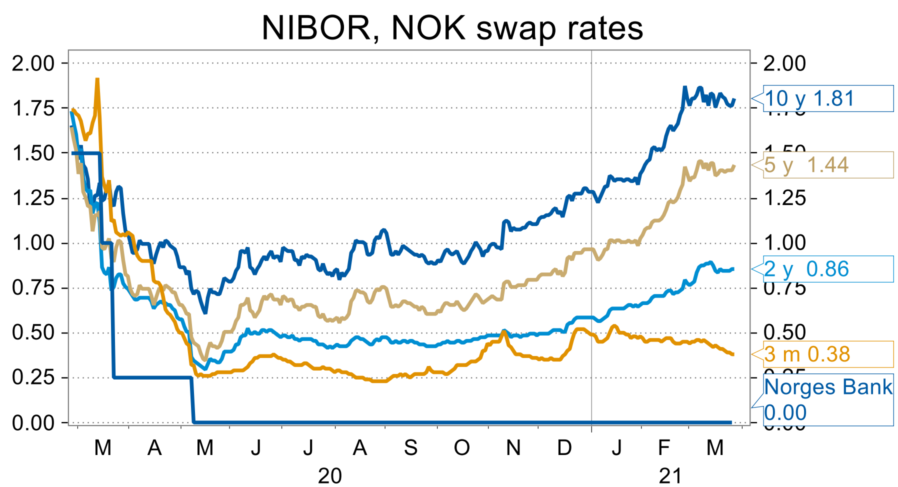
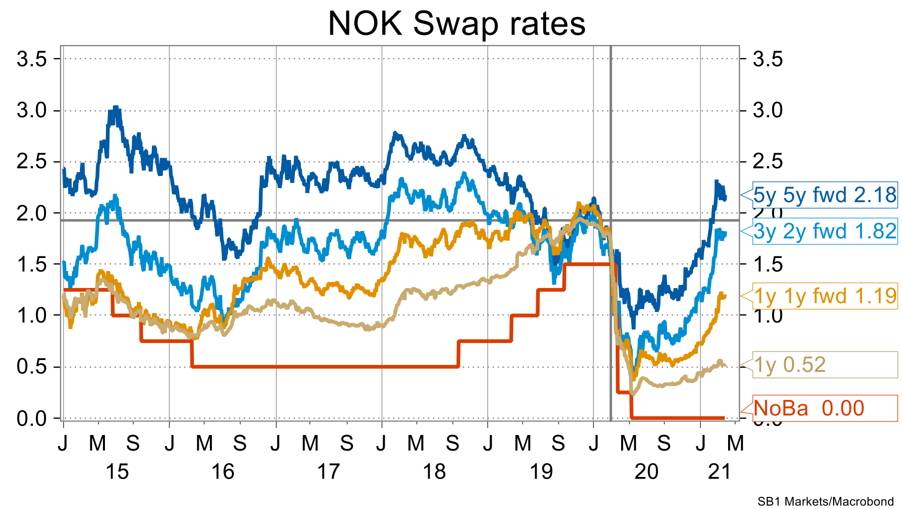
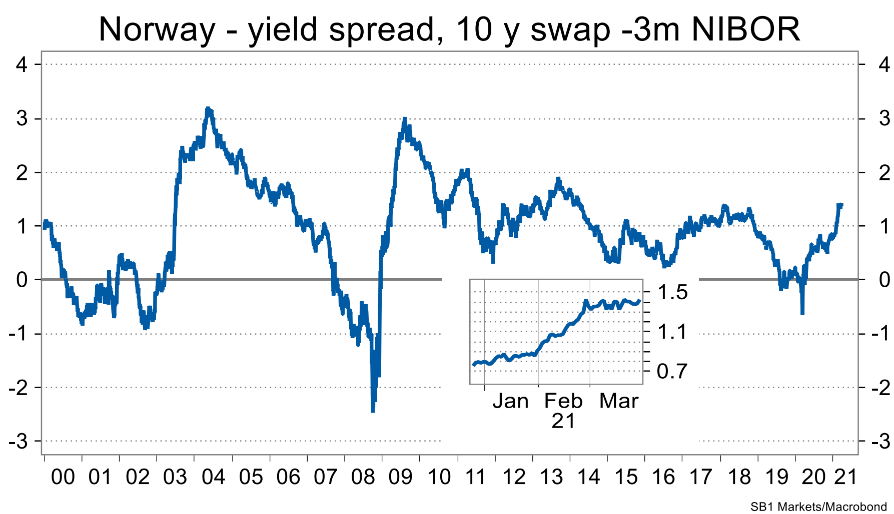
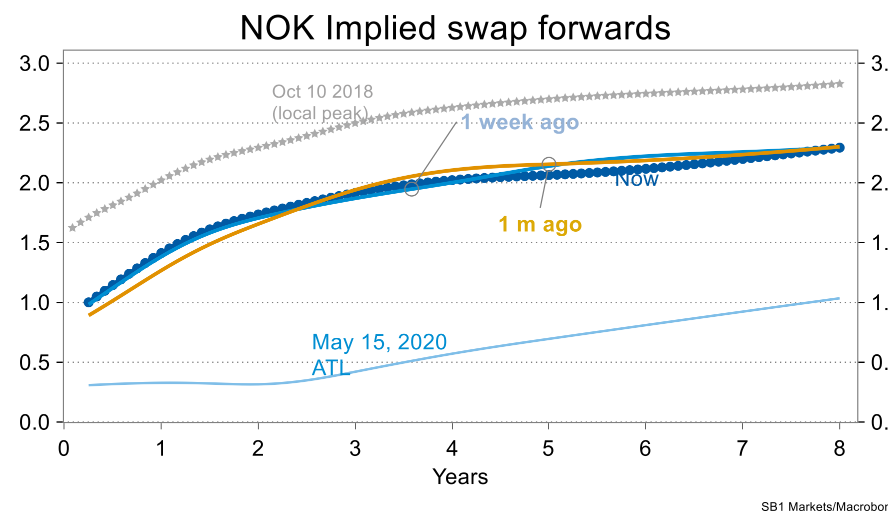
NOK rates down last week – the long end has flattened?

Still, a NOK 10 y at 1.81%; up 131 bps vs May all time low



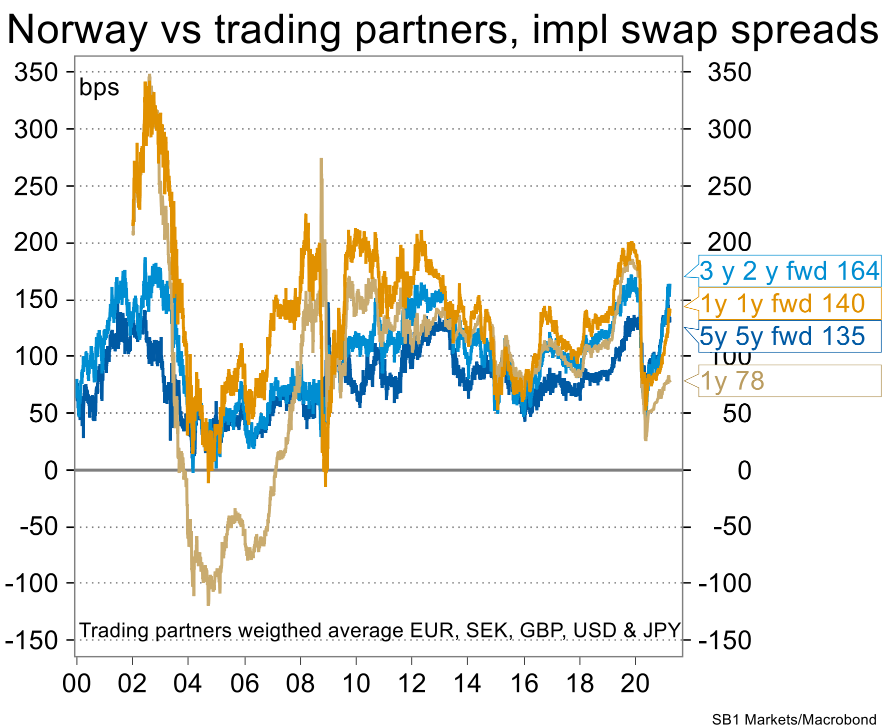


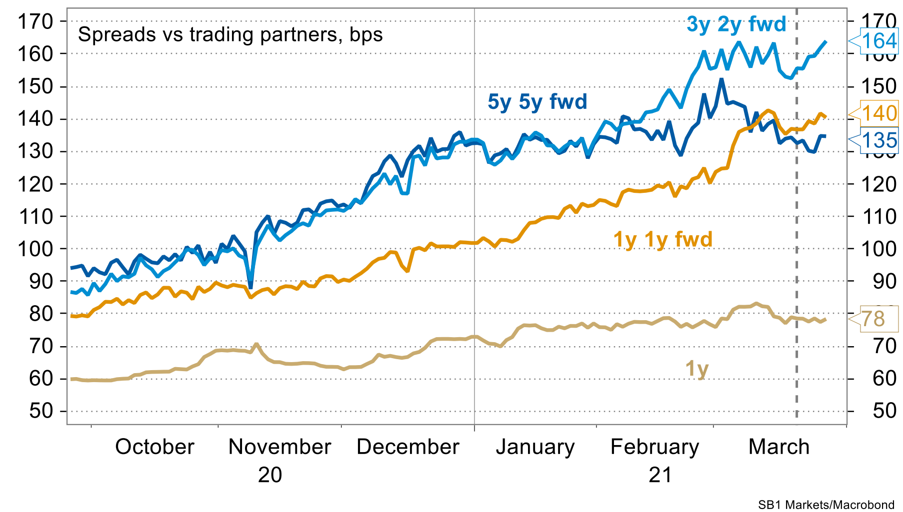


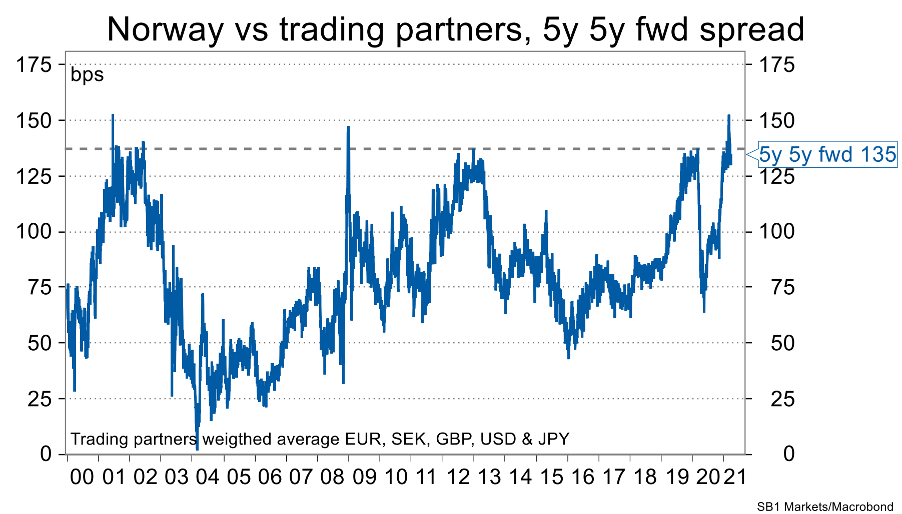


Forward spreads are still on the way up on the short end of the curve

Th 5 y 5y fwd spread at the same level as in late 2020, the 'cap' was hit, at the normal peak level







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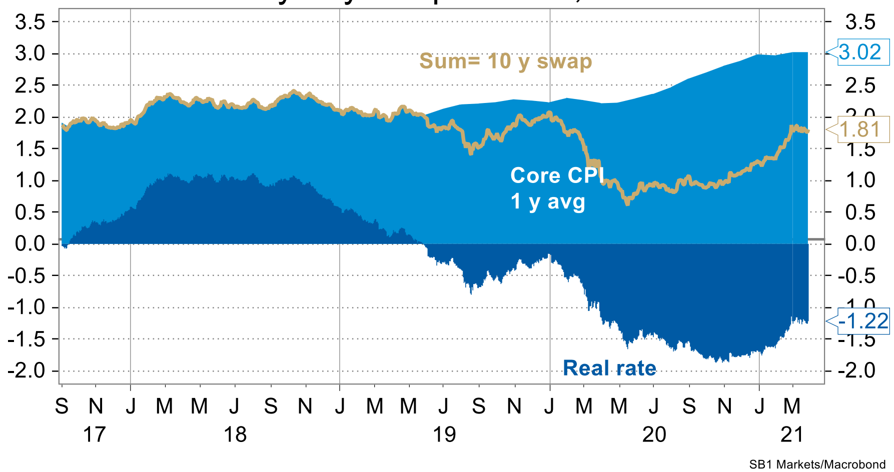
Negative (actual) real interest rates most places – NOK at the bottom

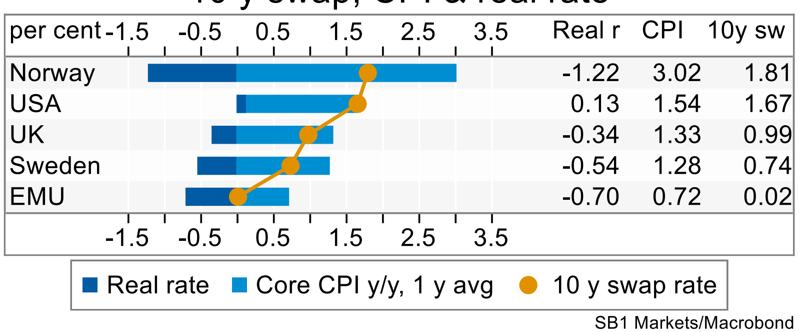
Norway 10y swap vs. CPI, real rate



NOK 10 y swaps are drifting upwards

- The **10y NOK swap rate** has climbed by 130 bps since the bottom in May, to 1.81%, after a 1 bps decline last week
- **The real rate**, after deducting 3% average core CPI inflation over the 2 past years equals -1.22%
  - » However, if we use a longer CPI inflation average, the real rate is higher, as the average rate of inflation has been lower than the current 3%
  - » On the other hand, barring economists' in academia & finance, nobody else believe in the 2% inflation target. Other economists say 2.5%, business leaders 3.5% and households 3.8% (in 2 to 3 years' time)
  - » In seems unreasonable to assume an expected inflation below 2.5% - and in may in fact be that it is even higher than 3% among many decision makers

10 y swap, CPI & real rate



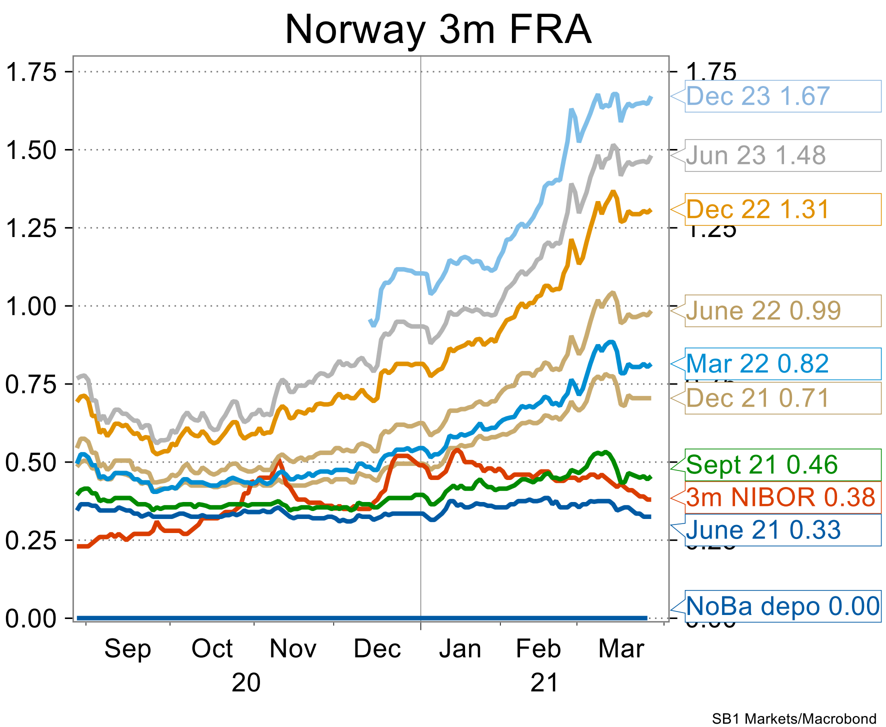
per cent	Real r	CPI	10y sw
Norway	-1.22	3.02	1.81
USA	0.13	1.54	1.67
UK	-0.34	1.33	0.99
Sweden	-0.54	1.28	0.74
EMU	-0.70	0.72	0.02

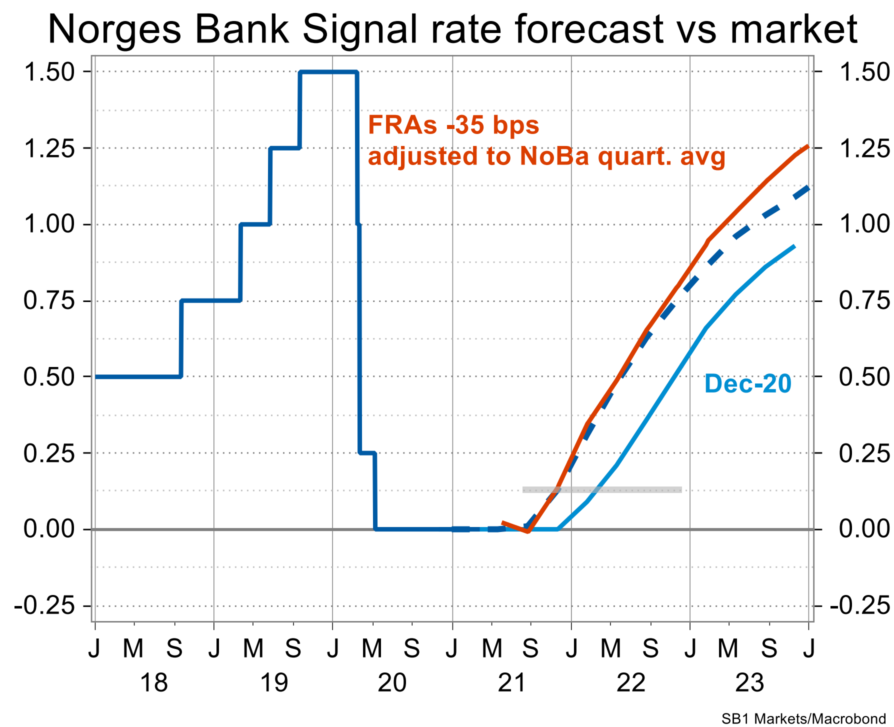
NOK real rates among the lowest, as inflation is at the top

- **Inflation** among Norway and our main trading partners varies between 0.72% to 3.02% (here again measured by actual annual core inflation, smoothed over 12 months). EMU at the bottom, Norway at the top, by far
  - » Other measures of inflation trends, looking backward or including forward expectations yields the same ranking
- **Real rates** are quite similar among our trading partners, at 0.13% to -0.70% measured vs. the 10 y swap rate and core inflation over the past two years
- **Thus, the Norwegian real rate at -1.22% is an outlier at the downside, even if the nominal rate is the highest**

FRA rates down ahead of NoBa, slightly up afterwards, down 5-8 bps w/w

The curve is identical to NoBa's new path. 50/50 for a Sept hike, +25% probability for a Dec hike



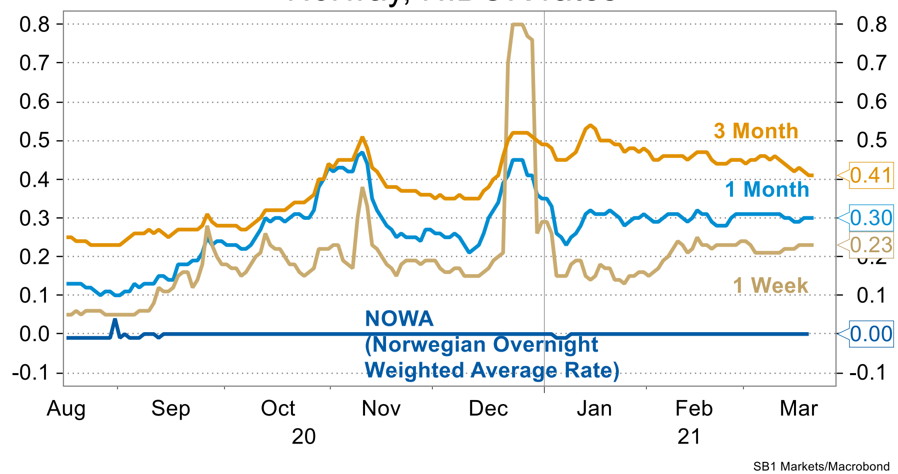


- The NoBa 23 Sept meeting is one weak after the Sept 3 m FRA IMM fixing date. If NoBa hikes to 0.25% on Sept 23, the average NoBa rate during the Sept 21 FRA contract period will be 0.23%. Assuming a 33 bps NIBOR spread, the actual 0.46% Sep FRA-rate equals a 0.13% NoBa deposit rate. If so, a 50% probability for a Sept hike is discounted, just what NoBa signalled in its new interest rate path
- The Dec 21 FRA at 0,71%, and a 33 bps NIBOR spread, yields a 0,38% NoBa rate. However, the Dec FRA is normally some 5 – 8 bps 'too high' due to year liquidity adjustments at banks. We deduct this extra liquidity premium, and assumes market's 'real' NoBa expectation at 0.32%. That implies a 30% probability for a 2nd hike in H2, marginally above to NoBa's path. A second hike in March-22 (if not in Dec) is almost fully discounted

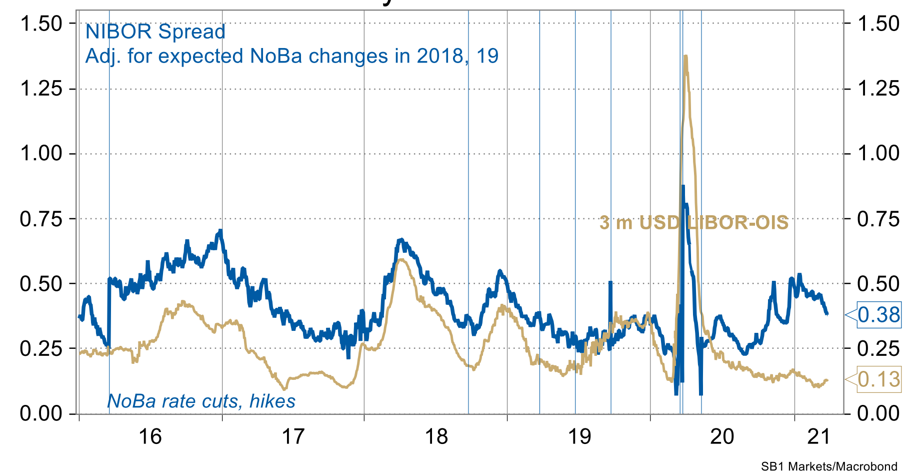
The 3 m NIBOR rate continued downwards, -3 bps to 0.38%

The June FRA signals a further decline to 0.33% (-2 bps last week)

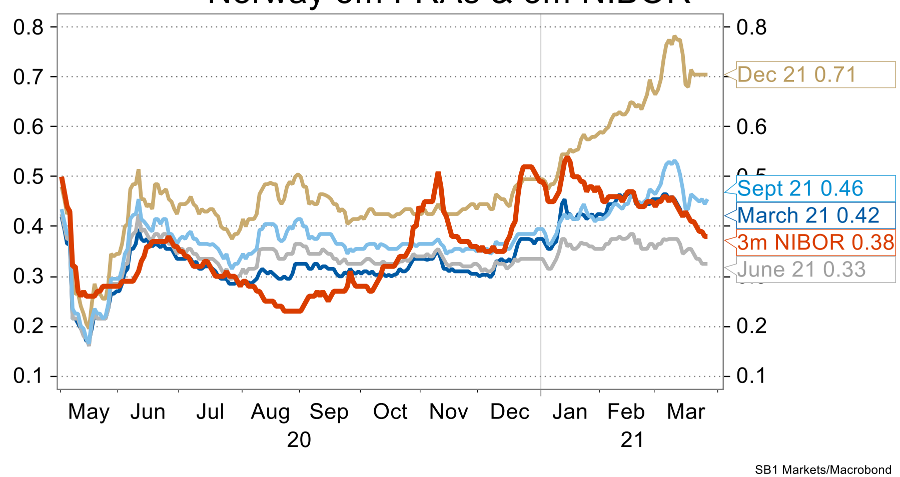
Norway, NIBOR rates



Money market friction

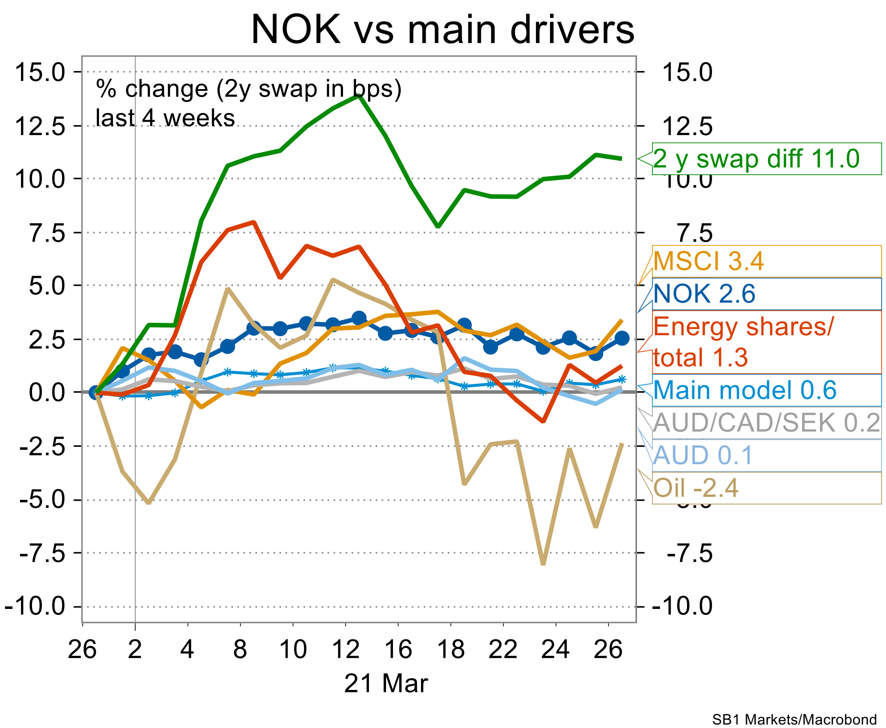


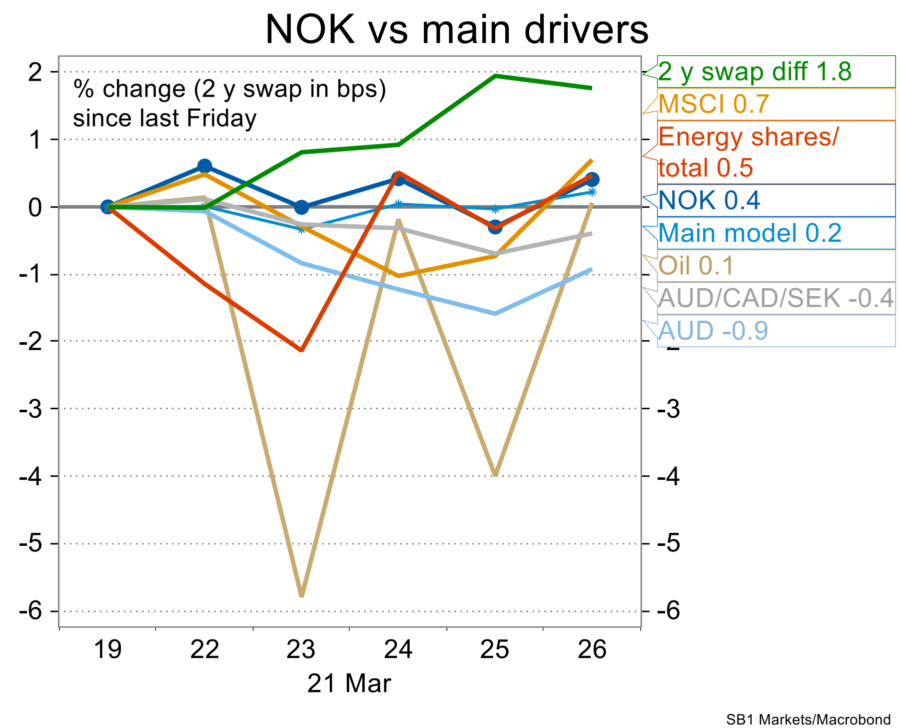
Norway 3m FRAs & 3m NIBOR



NOK zig-zagged together with the oil price last week, ended up 0.4%

Global equities and a wider interest rate spread contributed on the upside too





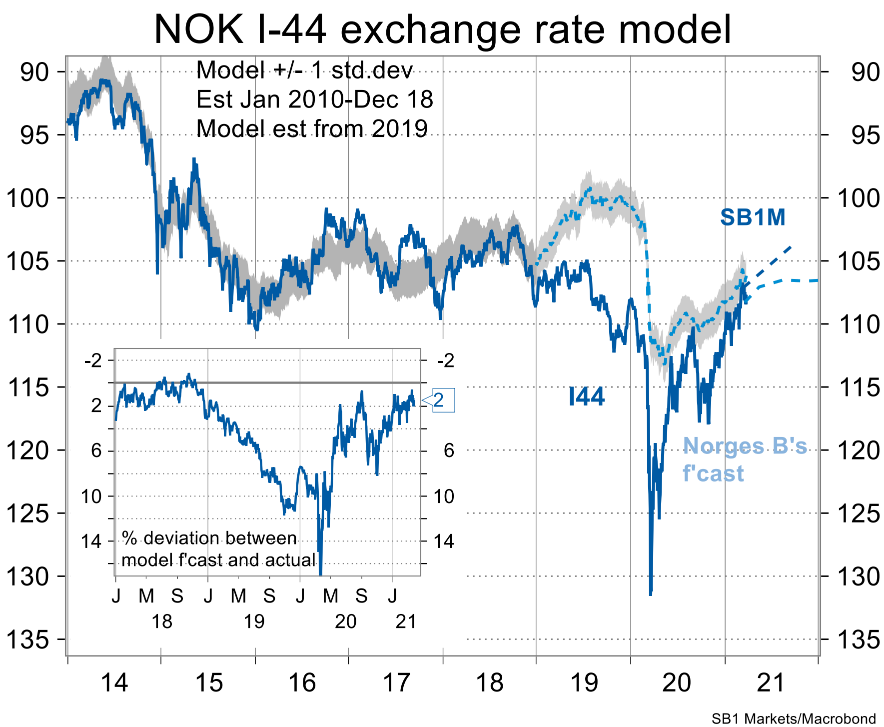
In sum, the NOK is still a buy:

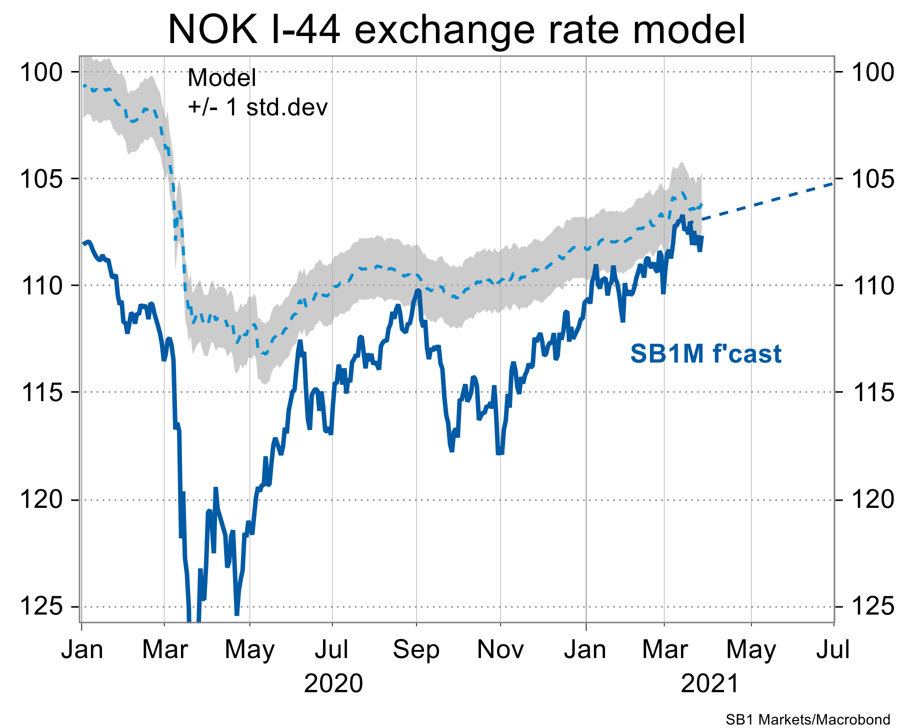
- The NOK is 2% weaker than suggested by our standard model (from 4% last week!)
- The NOK is 3% 'weaker' than the global stock market vs the correlation between the two in 2020
- The NOK is 7% weaker than our AUD/CAD/SEK-model, our 'super-cycle peers', predicts
- On the other hand, the NOK is far (10%) stronger than a model which includes global energy companies equity prices (vs the global stock market)

At this and the following pages we have swapped Norges Bank's I44 index for JP Morgan's broad NOK index for the last 25 observations. The I44 has an earlier closing time than the 'official' closing time for fx crosses, which is the same as for JP Morgan's indices. Thus, JP Morgan's index correlates closer to the 'official' main NOK fx crosses. There are no substantial difference between these two indices over time. JPM ind. is used for other f/x too

NOK I44 up 0.4%, our model said +0.2%

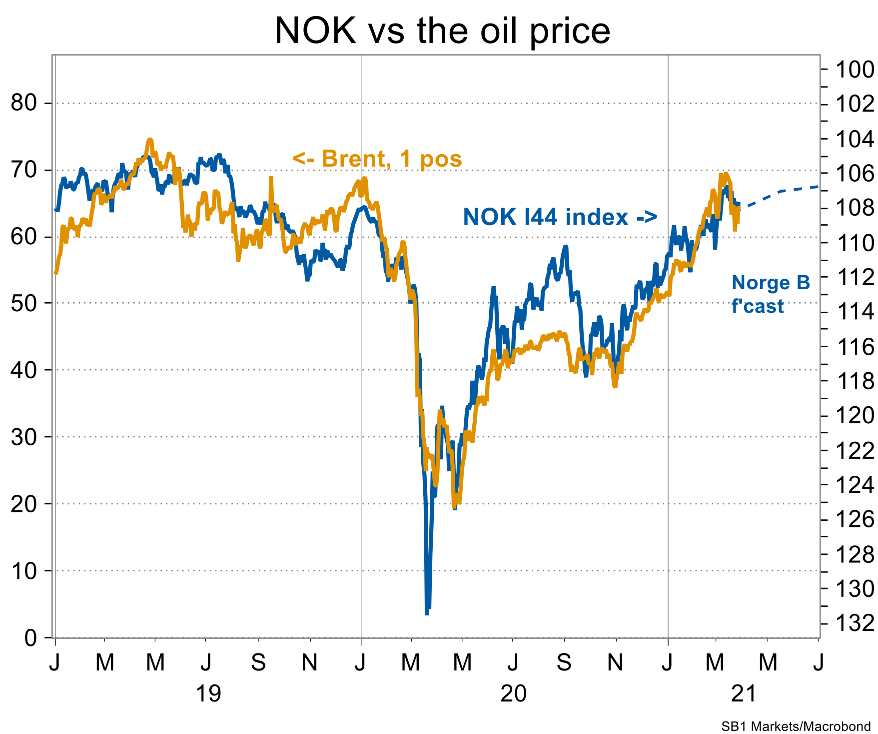
The NOK is 2% below our traditional NOK model forecast

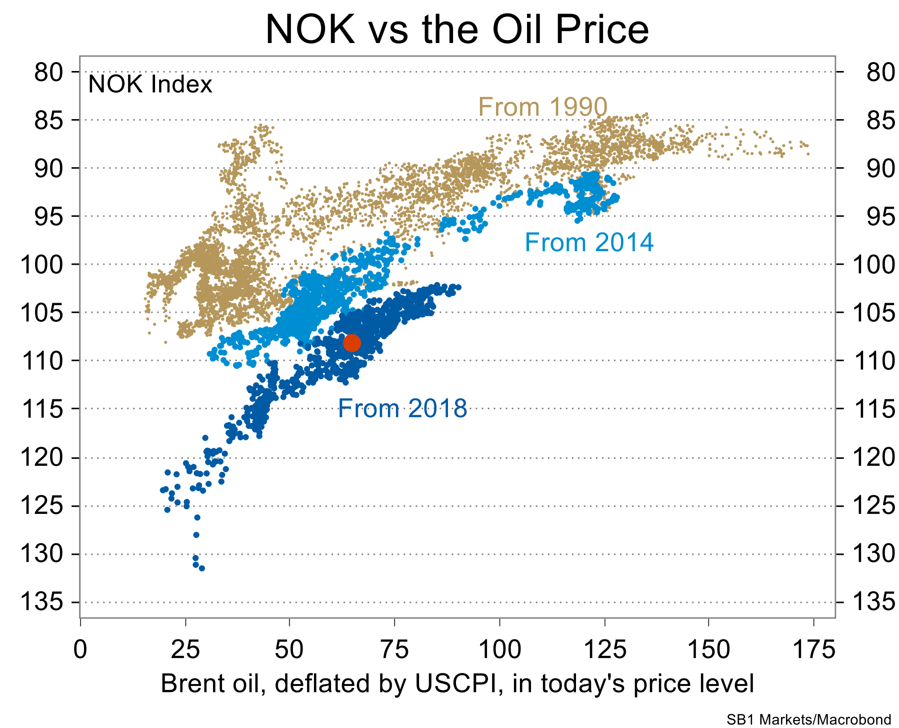




Oil in the end flat, NOK marginally up

NOK is correlating quite closely to the oil price but at a lower level than before 2018

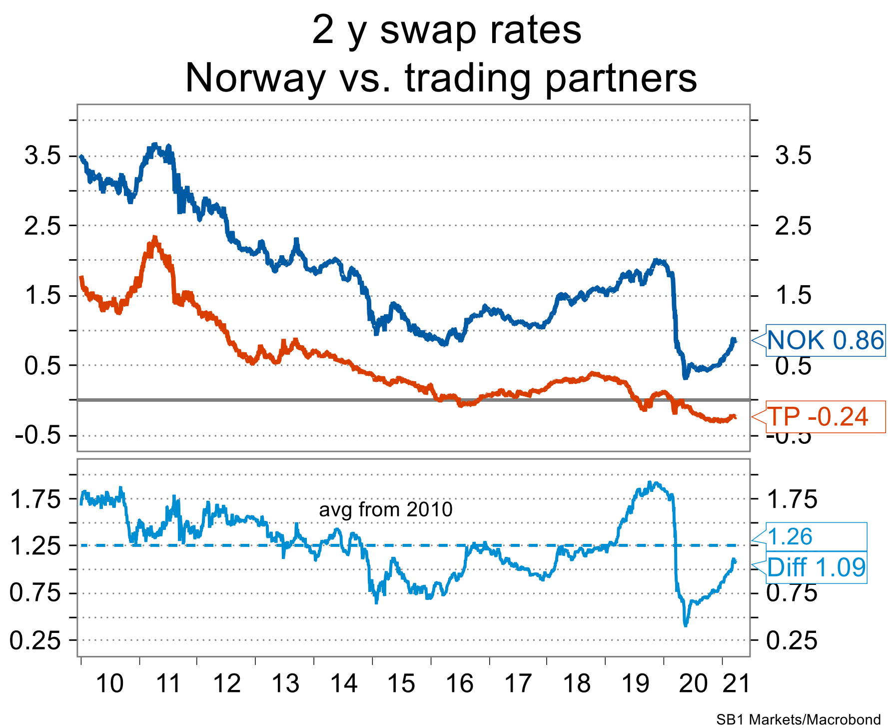


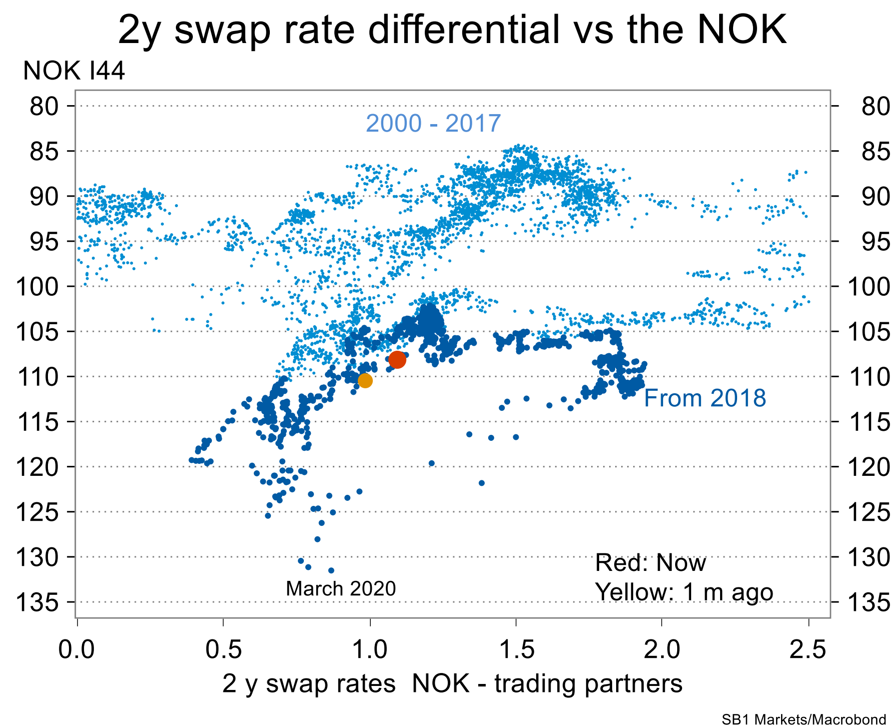


- A USD 10 drop in the oil price weakens the NOK by some 2.5%, as a partial effect.
  Within a broader model, the impact is somewhat smaller

Can Norges Bank walk the walk alone? Will the NOK become too strong?

In our models, a 2y swap 1 pp spread widening yields a 7% stronger NOK

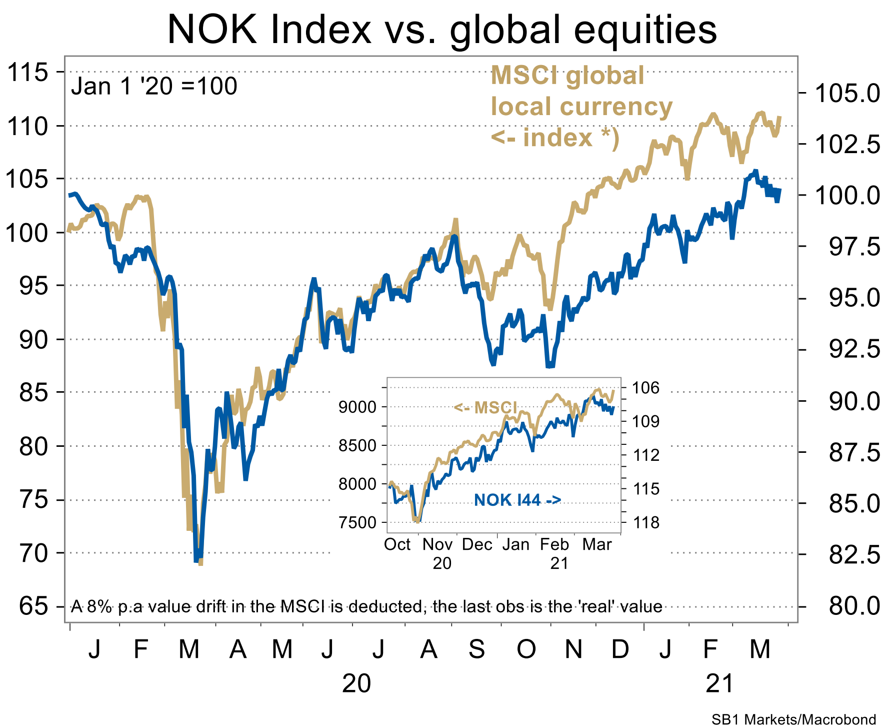


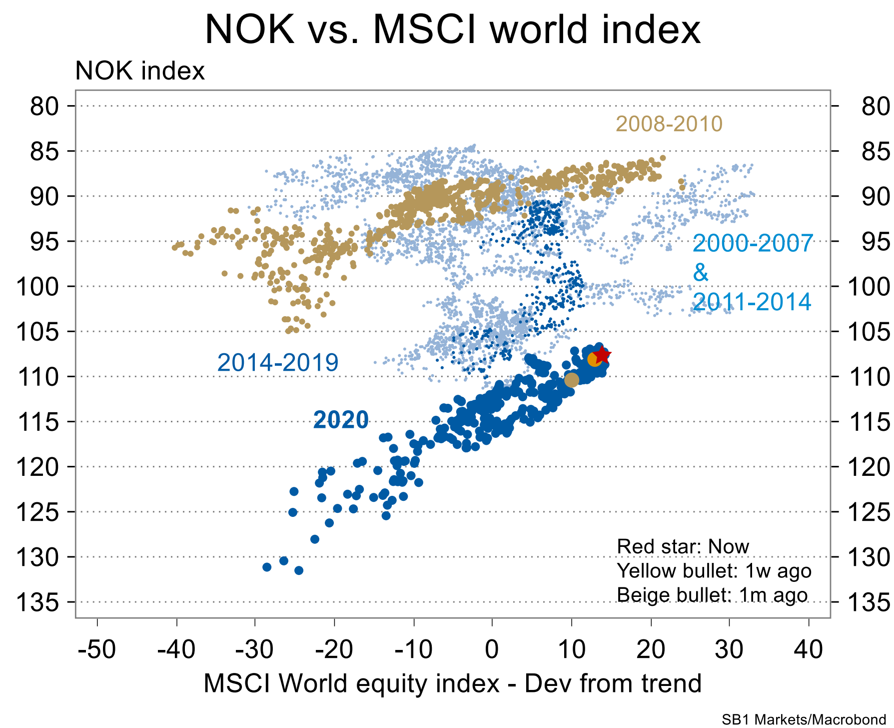


- However, the relationship is far from stable – and the oil price is usually much more important – and other factors are more important too, at least from time to time
  - » Norges Bank assumes a far smaller impact from a 1 pp lift in the signal rate, no more than 1% at the I44
- In addition, a 1 pp lift in the 2 y swap spread from the present level – where several NoBa hikes is discounted, is very unlikely. The market has already discounted several Norges Bank hikes

NOK down at tad 'more' than the stock market correlation still quite close

Except for Sept. NOK and global equities have walked in tandem last year. The 'gap' is now 3%

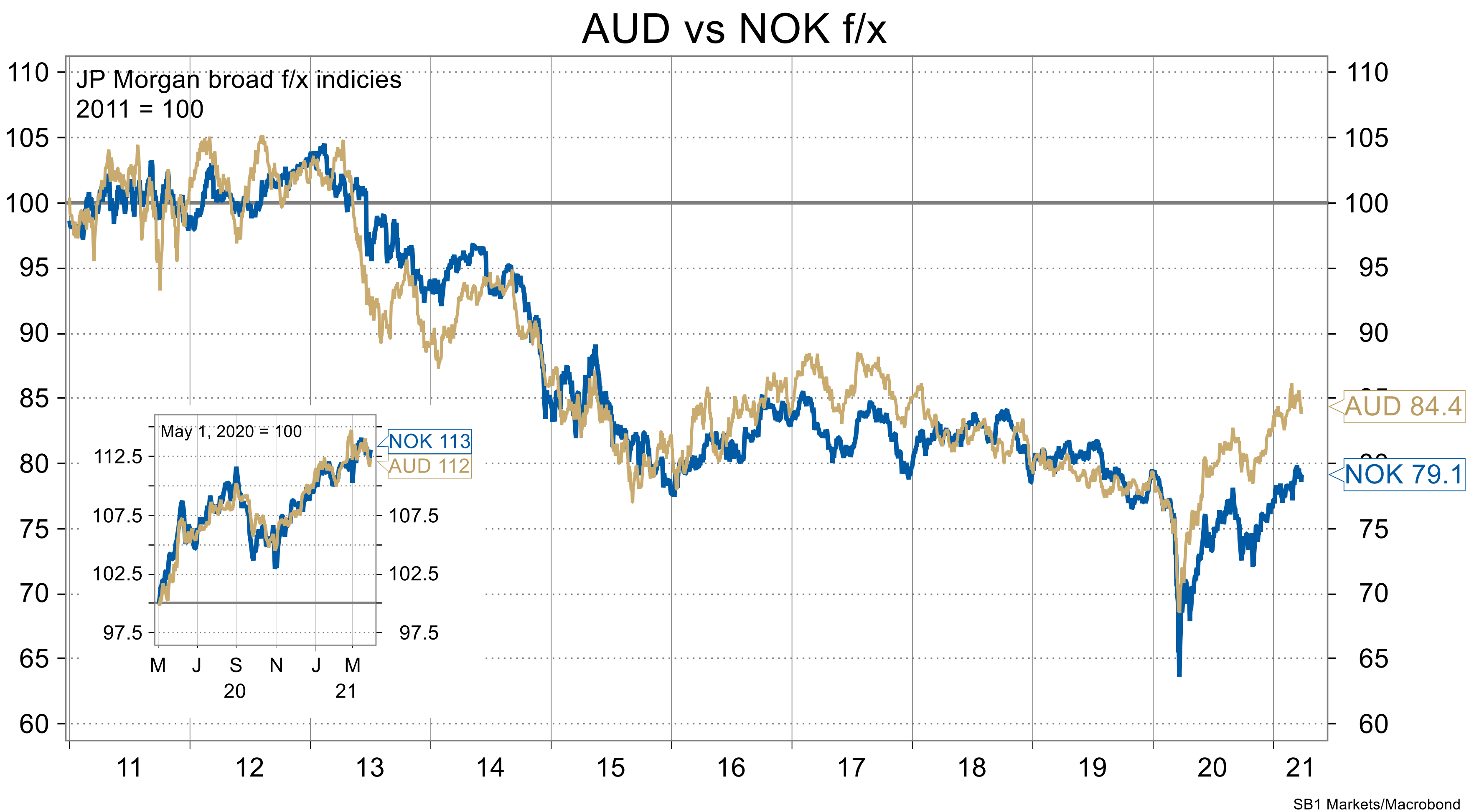




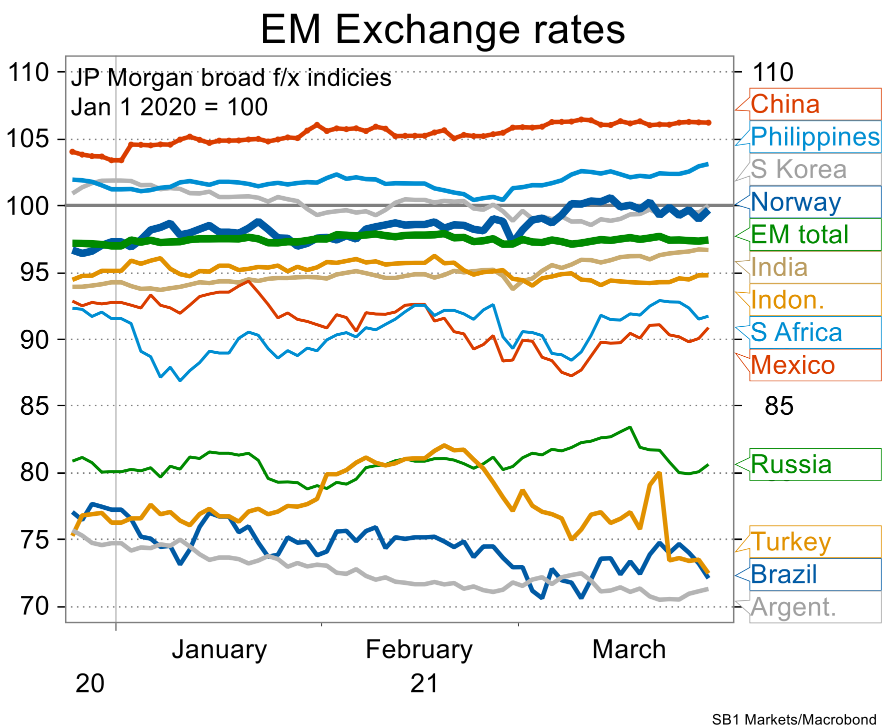
- Over time, there has not been a stable correlation between NOK and stock markets (the Oslo Stock Exchange, S&P 500 or the MSCI, the global equity index. (At the chart to the right, we have detrended the stock market as equities are drifting upwards, while NOK (hopefully) is stationary. However, the two has been pretty closely correlated from time to time
  - Now, the NOK is more than 4% weaker than 'normal' vs the stock market as the NOK lost ground in mid Sept, based on the link between the NOK and MSCI since Jan 2020). However, at one stage we will have to recalibrate the scales, as equities are trending upwards 6 – 8% per year
- We have long argued that global equity prices should be more important for the NOK than the oil price, as our global equity assets in the Oil fund are larger than the value of the remaining oil & gas reserves. Has the market 'finally' (and rather sudden) come to the same conclusion? We doubt. It's probably a "risk on, risk off" world, where many risky asses move in tandem, more than usually

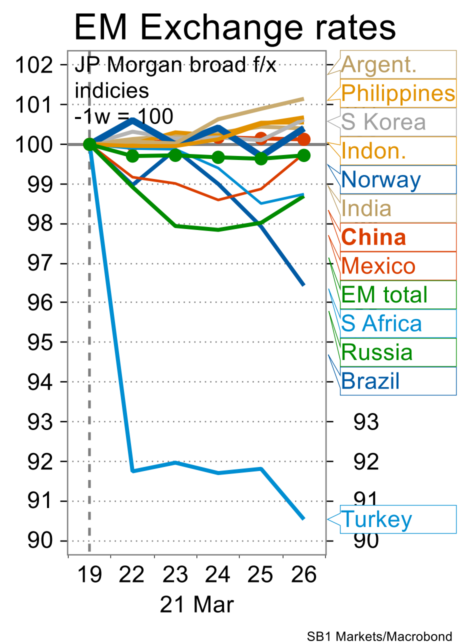
AUD & NOK still hand in hand

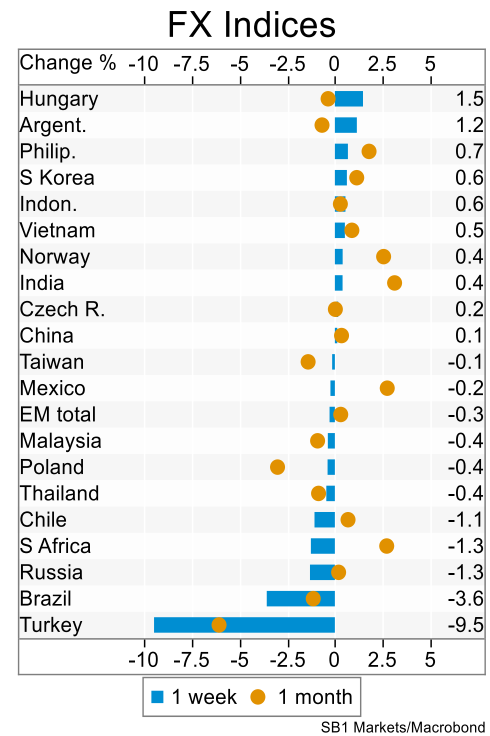
Both are up 12-13% since May 1 – but NOK has not recovered the 6% loss vs AUD from last spring



The Turkish lira still a dog, and more other EM f/x down than up







- The CNY is slowly trending up

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