5 October 2026

Executive Briefing

Global growth rising amid new European debt stress

Global growth indicators strengthened over the past month, not least underpinned by the ongoing AI investment boom. Global PMI data continued to increase in September with a synchronized lift across regions. Even though the data centre build-out is strongest in the US, trickle down effects lift growth across the world as much of the supply chain for data centres are outside of the US. Advanced microchips are mainly produced in Taiwan and South Korea, where export data continues to boom, but Europe is also a supplier, not least when it comes to machines for chip production and inputs for energy systems. European manufacturing PMI remained robust in September and service PMI improved again. Private consumption continues to rise at a decent clip, especially in the US, providing tailwind for global growth as well.

We look for the global economy to continue to cruise ahead with GDP growth around trend into 2027. There is a definite risk the AI investment boom will create overcapacity at some point and trigger a sharp downturn. However, the current challenge in the AI value chain is rather capacity constraints amid a sharp rise in the demand for compute to power AI. US hyperscalers plan to increase investments from around USD800 bn in 2026 to USD1.3 trn in 2027 (4% of US GDP). Hence, for the coming year AI investments look set to be a continuing global growth driver.

Over the past week, stress in the European bond markets reached the highest levels since 2011 amid new uncertainties around the budget and debt outlook in France**.** Contagion lifted bond spreads in Italy and Spain as well. Our baseline scenario is that France will ultimately take needed budget measures to cool down market stress, but the turmoil adds a new risk to the growth outlook. Rising global bond yields have also provided a headwind to global growth but it has happened in response to stronger growth, so it will act more as a balancing factor rather than derail growth, in our view.

Oil prices have fluctuated again over the past month rising to USD110 per barrel in mid-September followed by a decline back to around USD100 per barrel lately. Key drivers have been continued stalemate in US-Iran talks, uncertainty over a possible US diesel export ban ahead of mid-term elections, global inventory depletion but also more oil flowing through the Strait of Hormuz. Our baseline scenario is more muddling through in the oil market amid continued volatility.

Inflation developments have been mixed. Euro inflation surprised to the upside in September with headline inflation moving up to 3.8% from 3.2% while core rose to 2.5% from 2.4%. In the US core PCE inflation was revised lower but was still 3.0% y/y in September, clearly above the 2% target. **Robust growth amid upward inflation surprises keep central banks in hiking mode.** The Fed raised policy rates by 25p for the first time in three years on 16 September taking the Fed funds rate to 4.0% while the ECB delivered a second hike in three months on 10 September lifting rates to 2.5%. We look for another two hikes by both central banks over the next 3-6 months.

Today's key points

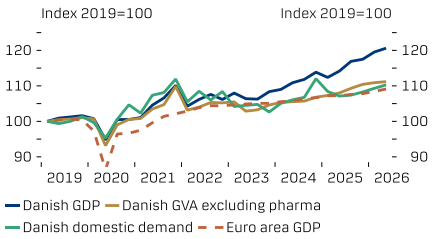
- Market focus has returned to the unsustainable position of French public finances as higher global bond yields worsen the problem
- Global growth indicators are improving, supported by AI-related investments
- Growth news is also mostly to the upside in the Nordic countries except in Norway where the growth outlook remains modest.
- Concerns over France have helped weaken the EUR, increase volatility in bond markets and widen some credit spreads, but equity markets still look relatively robust.

Editor-in chief
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(see page 4 for a list of all authors)

Denmark

Domestic demand growth in Q2 was revised up from 0.2% to 0.9% q/q, painting a more positive picture with little overall impact from higher energy prices. However, private consumption still stagnated during the quarter. Relatively strong domestic growth seems to have continued in Q3, judging from increasing business confidence. Employment growth was only 400 persons in July, but summer data is often misleading and other data such as hiring plans suggest that job growth is still running at about 2,000 per month. Apartment prices in Copenhagen have stagnated or even declined slightly, but prices are still rising in the overall housing market. The government has presented a technical budget for 2027 which includes a fiscal easing of 0.4% of GDP, the actual budget will likely not be less expansionary.

Decent domestic growth

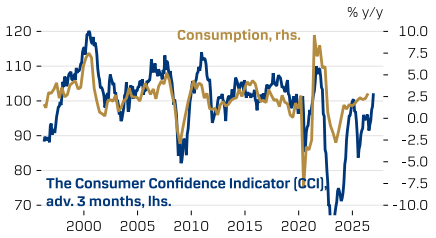


Source: Statistics Denmark, Macrobond

Sweden

Data continues to show strength for the Swedish economy. Consumer confidence rose to the highest level since inflation started to take off in 2022. Retail sales increased by 6.9% y/y in August, underscoring solid domestic demand. Manufacturing PMI rose to 58.1, driven by a significant rise in new orders and production. The Riksbank noted and signalled a high probability of a rate hike at its next meeting in November, while holding rates steady at 1.75% in September. Inflation risks have increased, and we anticipate higher inflation readings going forward. The opposition parties won the Swedish election, but no new government has formed. Given the division between the left (Vänsterpartiet) and the centre (Centerpartiet), government formation may take time. Any majority will be slim and Centerpartiet holds a strong bargaining position; significant shifts in fiscal policy are unlikely.

More optimistic consumers

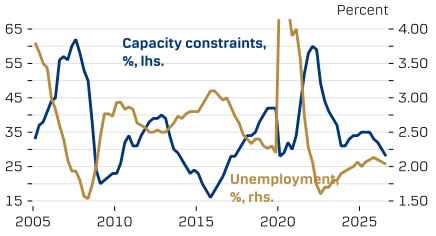


Source: Statistics Sweden, National Institute for Economic Research, Macrobond and Danske Bank

Norway

The respondents in Norges Bank's regional survey expected growth in the current quarter (Q3) of 0.3 % and next quarter (Q4) of 0.3 %. Companies reported that capacity utilization dropped to 28 % and the proportion reporting a labour shortage fell from 18 % to 17 %. All in all, growth is holding up but remains sub-trend so capacity utilization drops further. Wage expectations came in at 4.5 % for and 4.0 % for 2027, so wage expectations remain elevated. Despite lower capacity utilisation and lower inflation, Norges Bank decided to raise the key policy rate by 25bp. to 4.5%. In the short run, the decision was slightly dovish as the communication suggesting the peak most likely has been reached. As long as unemployment remains low and there are no signs of severe financial or credit stress, the central bank can focus on bringing inflation and inflation expectations down.

Capacity utilisation lower but unemployment remains low

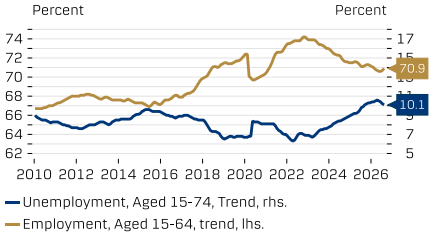


Source: Norges Bank, Macrobond

Finland

The Finnish economy is in a moderate growth phase driven mainly by private consumption and the export sector. The trend indicator for output (GDP Monthly) grew 0.3% m/m in August signalling that higher energy prices are not yet disturbing growth momentum. Business confidence was above the long-term average in all major sectors in September and consumer confidence was slightly below the long-term average. Orders for the export industry have remained strong and the global investment cycle continues to support the Finnish manufacturing sector. Labor market conditions remain historically weak with unemployment at 10.1%, but conditions are finally improving. Data revisions show that unemployment has been decreasing and employment has been increasing steadily since May. The housing market remains in a slump with prices moving sideways during the summer, but sales continue to decrease.

Improvement in the labour market



Source: Statistics Finland, Macrobond

Currency markets

In the FX markets, broad USD has rebounded strongly. The three main drivers behind the move have been 1) strong US macro data lifting expectations of the Fed's policy tightening, 2) elevated energy prices boosting US terms-of-trade and 3) rising debt concerns in Europe fuelling safe-haven demand. The latter has also supported the likes of CHF and JPY, while risk-sensitive SEK has been under pressure. We continue to expect further USD strength and weaker SEK and NOK over the coming year. EUR/USD reached our 12M target of 1.12 faster than expected, but if the recent pressure on European government bond markets persists, the cross could well continue trading even lower in the near-term. EUR has also weakened against DKK, and the risk of an independent Danish rate hike has hence declined further.

Bond Markets

European bond markets have come under pressure amid growing concerns surrounding the public finance outlook in France. The French-German 10Y government yield spread has widened to 150bp, the highest level since the European debt crisis. While the move remains largely contained to France, the peripheral countries such as Greece and Italy have also widened against Germany. In the EUR swap market, yields have dropped significantly with the 2Y EUR swap rate dropping 25bp and 10Y 15bp as markets scale back on ECB hikes. We continue to expect both short and long-end EUR rates to move lower in the next 12 months. In the US, we expect the rate curve to steepen modestly. In the Danish market, the price of 30Y callable bonds has increased, with the 4.00% coupon remaining the benchmark. We expect this will continue to be the case.

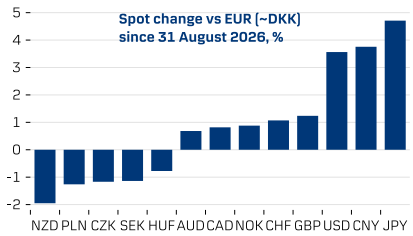
Credit markets

Primary market supply remained at a high level despite ongoing market tremors relating to AI debt sustainability, rising interest rates and French budget concerns, just to name a few. Secondary spreads started widening towards the last week of the month in the HY segment, and in recent days we have seen signs that it is also spreading to IG. Widening in HY has been rather forceful, with HY spreads around 60bp wider than where they ended in August in EUR. This is consistent with the moves observed in equities and thus indicative of a broad-based risk-off tone rather than a specific credit sell-off. Meanwhile, in the US, credit has widened more than the equity index move would have suggested, highlighting the difference in composition, with the AI/hyperscaler exposure in equities and more diversified exposure in credit, leading to different rates dynamics.

Equities

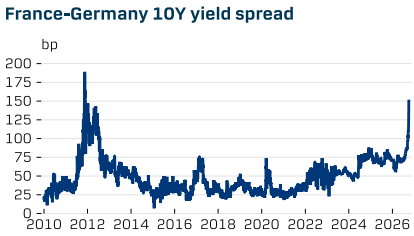
September saw a striking divergence between the two largest asset classes. Bond volatility surged while equity volatility remained remarkably contained. This is not necessarily inconsistent. Bond markets are being challenged mainly by supply-side forces, whereas equities continue to benefit from a positive demand and earnings story. Macro momentum remains supportive and earnings expectations continue to rise, providing a strong fundamental anchor despite considerable headline noise. Higher yields may temporarily constrain equity returns, but history suggests that when yields rise alongside resilient growth and contained risk spreads, equities typically regain momentum once rates stabilise. Sector leadership remains exceptionally concentrated: technology has significantly outperformed other sectors, supported by powerful earnings revisions and the unprecedented AI infrastructure buildout.

SEK weakened in August



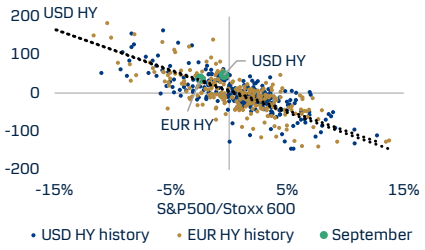
Past performance is not a reliable indicator of current or future results. Source: Macrobond

Sharp rise in French bond yields



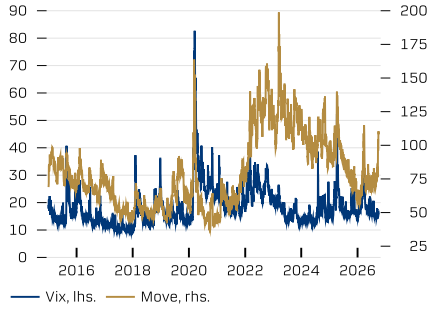
Past performance is not a reliable indicator of current or future results. Source: Danske Bank, Macrobond

USD credit underperforming vs equities in September



Past performance is not a reliable indicator of current or future results. Source: Bloomberg, Macrobond, Danske Bank

Bond volatility up, not equity volatility



Past performance is not a reliable indicator of current or future results. Source: Macrobond

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Macroeconomic forecast

Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Exports[1]	Imports[1]	Inflation[1]	Wage growth[1]	Unem-ploym.[2]	Public budget[3]	Public debt[3]	Current acc.[3]
Denmark	2025	3.5	2.2	2.1	-3.8	3.5	-1.2	1.9	3.8	2.9	2.8	27.2	12.5
	2026	4.0	1.9	1.0	-1.1	6.5	1.8	1.5	3.5	3.1	1.3	26.0	11.4
	2027	3.0	2.1	4.0	2.9	4.2	3.4	2.2	3.3	3.5	0.3	25.9	10.9
Sweden	2025	1.6	2.1	1.6	2.1	4.1	5.0	2.6	3.6	8.8	-	34.6	-
	2026	2.8	2.7	1.3	4.0	4.3	3.7	1.5	3.5	8.6	-	36.2	-
	2027	2.5	2.9	1.4	2.6	3.3	3.2	3.0	3.5	7.9	-	37.5	-
Norway	2025	1.7	2.6	2.4	0.8	2.7	2.6	3.0	4.7	2.1	-	-	-
	2026	1.0	1.0	2.3	1.5	1.5	1.4	3.0	4.4	2.3	-	-	-
	2027	1.7	3.0	1.8	1.5	2.0	1.8	2.3	3.7	2.4	-	-	-

Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Exports[1]	Imports[1]	Inflation[1]	Wage growth[1]	Unem-ploym.[2]	Public budget[3]	Public debt[3]	Current acc.[3]
Euro area	2025	1.3	1.4	1.5	2.9	2.0	3.5	2.1	3.9	6.3	-2.9	88.7	2.5
	2026	0.8	0.9	2.1	0.7	0.6	1.4	3.0	3.2	6.4	-3.5	90.6	1.7
	2027	1.4	1.1	1.3	1.0	1.5	1.0	2.5	2.9	6.4	-3.5	91.4	1.7
Finland	2025	0.8	-1.1	0.3	1.4	5.2	2.9	0.3	2.8	9.7	-3.9	88.4	-
	2026	1.8	1.7	0.1	2.1	7.2	6.5	2.0	3.6	10.5	-4.4	89.6	-
	2027	2.1	1.0	-0.5	5.9	3.1	2.6	2.1	3.3	9.9	-4.6	91.0	-

Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Exports[1]	Imports[1]	Inflation[1]	Wage growth[1]	Unem-ploym.[2]	Public budget[3]	Public debt[3]	Current acc.[3]
USA	2025	2.3	2.6	1.6	3.6	2.1	3.6	2.7	3.5	4.3	-5.8	99.9	-3.8
	2026	2.1	1.9	0.6	4.6	4.7	3.4	3.2	3.5	4.3	-6.0	101.8	-3.3
	2027	1.8	1.4	1.7	5.4	3.3	6.0	2.5	4.0	4.2	-5.9	102.9	-3.2
China	2025	5.1	4.6	-	1.0	-	-	0.0	-	5.1	-8.4	99.7	3.7
	2026	4.6	4.2	-	1.5	-	-	0.8	-	5.2	-8.7	107.4	3.5
	2027	4.7	4.7	-	4.0	-	-	1.0	-	5.2	-8.9	113.0	3.3

Note: Forecasts are from the latest Nordic Outlook, 3 September

Source: Macrobond and Danske Bank. 1) % y/y. 2) % of labour force. 3) % of GDP.

Financial forecast

FX and interest rates

		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD*	01-Oct	4.00	-	4.73	4.92	0.89	-	6.64	9.62	10.06
	+3m	4.25	-	4.50	4.60	0.88	-	6.55	9.65	9.91
	+6m	4.50	-	4.45	4.65	0.88	-	6.61	10.00	10.09
	+12m	4.50	-	4.45	4.70	0.89	-	6.67	10.27	10.27
EUR	01-Oct	2.50	2.59	3.50	3.66	-	1.13	7.4756	10.84	11.32
	+3m	3.00	3.05	3.30	3.45	-	1.14	7.4725	11.00	11.30
	+6m	3.00	3.11	3.20	3.35	-	1.13	7.4700	11.30	11.40
	+12m	3.00	3.05	3.00	3.25	-	1.12	7.4700	11.50	11.50
JPY	01-Oct	1.25	-	-	-	0.006	0.006	4.21	6.10	6.37
	+3m	1.50	-	-	-	0.006	0.007	4.31	6.35	6.52
	+6m	1.50	-	-	-	0.006	0.007	4.50	6.80	6.86
	+12m	1.75	-	-	-	0.006	0.007	4.70	7.23	7.23
GBP*	01-Oct	3.75	-	4.67	4.98	1.17	1.32	8.77	12.71	13.28
	+3m	3.75	-	4.00	4.70	1.15	1.31	8.59	12.64	12.99
	+6m	3.75	-	4.00	4.60	1.14	1.28	8.49	12.84	12.95
	+12m	3.50	-	4.00	4.40	1.14	1.27	8.49	13.07	13.07
CHF	01-Oct	0.00	-	-	-	1.07	1.20	7.98	11.57	12.09
	+3m	0.00	-	-	-	1.04	1.19	7.78	11.46	11.77
	+6m	0.00	-	-	-	1.05	1.19	7.86	11.89	12.00
	+12m	0.50	-	-	-	1.08	1.20	8.03	12.37	12.37
DKK	01-Oct	2.10	2.58	3.57	3.82	0.134	0.151	-	1.45	1.51
	+3m	2.60	3.03	3.40	3.60	0.134	0.153	-	1.47	1.51
	+6m	2.60	3.03	3.30	3.50	0.134	0.151	-	1.51	1.53
	+12m	2.60	2.98	3.10	3.40	0.134	0.150	-	1.54	1.54
SEK	01-Oct	1.75	2.03	2.97	3.43	0.088	0.099	0.66	0.96	-
	+3m	2.00	2.40	2.85	3.25	0.088	0.101	0.66	0.97	-
	+6m	2.50	2.71	2.75	3.20	0.088	0.099	0.66	0.99	-
	+12m	2.50	2.70	2.65	3.15	0.087	0.097	0.65	1.00	-
NOK	01-Oct	4.50	4.92	5.24	4.68	0.092	0.104	0.69	-	1.04
	+3m	4.50	4.75	5.10	4.70	0.091	0.104	0.68	-	1.03
	+6m	4.50	4.75	5.00	4.70	0.088	0.100	0.66	-	1.01
	+12m	4.50	4.75	4.90	4.70	0.087	0.097	0.65	-	1.00

*Notes: GBP swaps are SONIA, USD swaps are SOFR

Commodities

		2025				2026				2027	Average		
	01-Oct	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		2025	2026	2027
ICE Brent	108	75	67	68	65	75	99	90	100	90	69	91	90

Source: Danske Bank

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