



Macro Weekly

Week 38 2026

14/09/2026

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Markets: energy up, OSE & NOK up, rates up

- **Big picture:**

- **Rate expectations and long bond yields rose sharply** in most DM – barring Norway. Still high US inflation, an unsuccessful bond buyback auction in the US (Bessent's trick), a hawkish ECB.
- And just as important, rates rose due to the lift in **oil and gas prices** as ships were hit in the Gulf and Saudi Arabia's eastward pipeline was bombed (and closed), and the Houthis in Yemen were gaining territory and will be better positioned to harm traffic in the Red Sea. Any good news??
- Oil prices rose USD 3/b to USD 107 early Monday, without lifting rate further but equity markets head down but .

- **Commodities: energy up, metals down**

- The short end of the oil curve rose USD 10/b to 104/b (Friday) while North Sea contracts for immediate delivery touched 120/b last week. European natural gas prices (and Nordic electricity prices) were also up 10% or more. Oil product margins mostly narrowed and product futures head down. Food prices declined, as did precious metals.

- **Equity markets: all but Oslo were down**

- The global MSCI declined 1.2% and is down 1.6% last month. EM has kept up better than DM, + 1.4% last month. OSE was up 0.2% w/w and 2.4% m/m, and is the leader of the pack, of course supported by the lift in energy prices. Most markets are valued above average vs. standard meas

- **Short-term rates: a 15–35 bps 'vertical' shift in US, EMU & UK**

- **Late 2026 rate expectations** rose by 14–16 bps, and by more than 30 bps measured by late 2027 in the main DM markets.
- **SEK rates** rose less, and NOK rates even less. In Norway, the end of '26 rate was close to unch., while the end of '27 rate was up 15 bps.
- Two hikes are expected in US and UK before **end of 2026**, at least one more in EMU (if so, in sum 3 in 2026). A single hike is discounted in Sweden and in Norway, the latter at next week's meeting.
- **In 2027**, 2 hikes in US, EMU, and UK and **3 or even 4 hikes in Sweden**. **In Norway, no change**.
- The **2y swap rate** rose everywhere, and by 24 bps among our trading partners. The NOK rate was up 'just' 10 bps. The interest rate differential vs. our trading partners has 'collapsed' recent weeks but remains above an average level in the short end of the curve.

Signal rates, market exp.	USA	UK	EMU	Sweden	Norway
2024 Peak	5.33	5.25	4.00	4.00	4.50
... Change from peak	-1.70	-1.50	-1.50	-2.25	-0.25
Now	3.63	3.75	2.50	1.75	4.25
Change until end of 2026	0.50	0.45	0.33	0.27	0.27
End of 2026 (market)	4.13	4.20	2.83	2.02	4.52
... Change last week	0.14	0.16	0.16	0.04	-0.01
Change through 2027	0.42	0.60	0.48	0.88	0.05
End of 2027 (market)	4.54	4.80	3.30	2.89	4.57
... Change last week	0.32	0.36	0.33	0.23	0.15

- **Long-term rates: sharply up everywhere, barring NOK rates**

- The **10y US gov. bond yield** added 19 bps to 4.96%, almost entirely driven by a higher real (TIPS) rate which rose to 2.60%, a new cycle high. Neither inflation expectations, the term premium, asset swap spreads nor the CDS credit insurance premia rose, and the substantial lift in the nominal yield was not for the 'bad' reasons. Higher growth expectations may explain the lift in the expected long-term risk-free, neutral rate (if the rather 'mechanical' term premium models are to be believed). 10y government bond yields and swap rates rose by the same amount in most other DM, barring Norway (up 8–9 bps) and partly Sweden (up 14–16 bps).

- **FX: NOK stronger, SEK weaker. USD and EUR flat**

- NOK was supported by oil and gas prices, again. The USD flattened, as did the EUR. SEK continued downward, in spite of decent growth signals.

- **Credit spreads: close to unchanged**

- The **US BBB spread** (over 10y vs. US Treasuries) narrowed 1 bp to 120 bps but the trend is upwards. The Norwegian Bank 2 5y spread was flat at 52 bps, the lowest since 2022.

Last week: the economy

- **Norway**

- **The August CPI** was marginally lower than market expected but core inflation is still 0.3 lower than Norges Bank assumed in June, even if the annual rate rose 0.3 pp to 3.0%. The lift was entirely (net) due to the normalisation of growth in kindergarten prices as the impact of last year's lift in subsidies left the 12m growth rate. Ex. administrative prices, the core index was up 3.0%, as in July.
 - Core prices rose 0.4% m/m. The domestic core index was up 3.7%, in line with the bank's forecast. Imported inflation at 1.6% was 0.9 pp below NoBa's forecast.
 - While the core was lower than NoBa assumed, the headline index was 0.3 pp higher than NoBa expected, up 3.3% y/y.
 - Various measures of underlying annual inflation are clearly down from the May level, and Norges Bank will most likely revise its core CPI forecast down. However, barring the NOK strengthening, we doubt the bank will conclude that the other drivers of inflation have weakened.
- Households' **savings rate** rose far more than we expected in Q2 due to a surge in dividends, but even adjusted for dividends the rate rose more than we assumed, by 1.9 pp to 7.8%, one of the highest prints on record. The estimated cash flow was strong as well, confirming the very strong net financial investment reported in the financial accounts the previous week.
- **Manufacturing production** rose 0.7% in August, lifted by oil suppliers. August may have been the peak, if oil companies' investment plans are to be believed. The non-oil related has been trending flattish since late 2024, while production among oil suppliers has been surging.

- **Global auto sales**

- **Sales** declined marginally in August, due to a continued decline in China and drop in sales in India (which trends flat). Sales rose in both US and EMU (our est). Chinese sales are the main drag, the rest of the world is on the way up, even EMU.

- **US**

- **CPI inflation** was slightly higher than expected, as the core rose 0.3% m/m, 0.1 pp more than expected. The annual rate was as expected, the headline at 3.4% and the core at 2.4%. Underlying growth in the core index in recent months is below 2.5%, boosted by core surveys. Thus, the distance down to 2% is not that long, at least not if energy markets one day turn down. But energy is on the way up, and the core is too high as well. Producer prices were higher than expected as well. Given the labour market, Warsh & Co. probably has no choice but to hike the policy rate this week. The market put an 87% probability for a hike and discounts another hike in Q4.
- **Existing home sales** trend flat, the inventory of unsold homes is small but is slowly increasing again, and prices fell in August (but are up 1.5% y/y). **Mortgage rates** are on the way up, alongside the lift in long-term government bond yields. The ordinary 30y fixed rate rose to 6.85% last week, up from close to 6% before the war with Iran.
- **Flow of funds** report slow growth in **household debt**, up 3.9% y/y and corporate debt is up 5.4%, and slowly accelerating, if not in Q2. The **corporate sector** runs a positive cash flow, which is rather unusual, due to the surge in profits and positive net equity issuances (which has not been the norm recent years either). Growth in corporate debt is lower than normal, and its debt/GDP ratio is declining, while growth in **public sector debt** is much faster than normal, and far larger than corporate borrowing (usually it is lower). The public sector debt ratio is surging, of course.
- **Small business optimism** (NFIB) declined in August but remains above average. Sales are still not a normal challenge, but availability/cost and quality of labour is. Hiring and investment plans have recovered lately, the former to above average, the latter not far below.

Last week: the economy, II

- **Eurozone**

- As widely expected, **ECB** hiked the key rate from 2.25% to 2.5%. Inflation has risen while economic activity has held up better than feared. The bank revised both inflation and growth forecasts upwards and without promising anything (as usual) the bank's forecasts and communication strongly suggest that more hikes are in the pipeline. The market expects another hike in 2026 and two more hikes in 2027. Households and the public sector both contribute by 0.6 pp (smoothed), business investments 0.2 pp. Net trade is slightly positive.
- **GDP growth** was revised up to a 2.6% pace in Q2, from the initial 1.8% estimate, which at that time was above expectations. However, the upgrade was just due to useless Irish GDP data. Ex. Ireland, a 1.2% growth pace (0.3% not annualised), and 1.3% y/y. France and Italy grew slower, Spain faster, and Germany is finally on the way up. **Unit Labour Cost is up 2.6% y/y**, and is heading down, as wage inflation slows, and productivity is slowly accelerating. Thus, cost inflation is still on the high side.

- **Sweden**

- **Inflation** was 0.2 pp lower than expected in August, and the CPIF slowed 0.1 pp to 0.7%. The core was up 0.5% y/y, and prices were flat m/m. The cut in food VAT and other measures have been successful in lowering inflation. However, excluding these policy actions, inflation runs a 1.5–2% pace, and even higher if measured over the recent few months. Riksbank expects inflation to return to above 2% next April. And the bank is forward looking.
- **GDP** fell by 0.8% in July, following the 0.2% decline in June. However, the trend is strong, following the 6.4% growth pace in Q2.
- **Housing prices** fell in August, from an upward revised level in July, dragged down by a (suspicious) decline in Stockholm. Prices are up 2.7% y/y. In real terms, prices are still down 20% from the 2022 peak. The number of transactions is on the way up, to high levels.

- **China**

- **The trade surplus** rose further in August, to a new ATH. Export volumes are far stronger than import volumes and in real terms, net trade supports growth substantially. Oil imports remained way below a normal pre-Gulf-war level.

Week ahead: Fed, BoJ, BoE: Hike, Hike, Hold. The final check: NoBa's Regional Network

Time	Count	Indicator	Period	Forecast	Prior
Monday 14 Sep					
08:00	NO	Housing starts	Aug		
08:00	NO	Construction costs, YoY	Aug		4.4%
	CH	New Yuan Loans CNY MoM	Aug	400bn	-349bn
	CH	Aggregate Financing CNY YTD	Aug	2,040bn	1,401bn
Tuesday 15 Sep					
03:30	CN	Used Home Prices MoM	Aug		-0.3%
04:00	CN	Retail Sales YoY	Aug	0.8%	0.6%
04:00	CN	Industrial Production YoY	Aug	4.8%	4.5%
04:00	CN	Fixed Assets Ex Rural YTD YoY	Aug	-7.1%	-6.7%
08:00	UK	Average Weekly Earnings 3M/YoY	Jul	3.9%	4.1%
08:00	UK	ILO Unemployment Rate 3Mths	Jul	4.9%	4.9%
08:00	NO	Trade Balance	Aug		84.3b
08:00	NO	SSB Economic Trends (f'casts)			
11:00	GE	ZEW Survey Expectations	Sep	40	34.2
14:30	US	NY Empire Manufacturing survey	Sep	14.1	20.6
Wednesday 16 Sep					
08:00	UK	CPI YoY	Aug	3.1%	2.9%
08:00	UK	CPI Core YoY	Aug	2.6%	2.6%
08:00	SW	Unemployment Rate SA	Aug		8.6%
11:00	EMU	Industrial Production SA MoM	Jul	-0.2%	0.0%
14:30	US	Retail Sales Advance MoM	Aug	0.9%	-0.6%
14:30	US	Retail Sales Control Group	Aug	0.4%	-0.4%
14:30	US	Import Prices ex Petroleum MoM	Aug		0.3%
16:00	US	Business Inventories	Jul	0.2%	0.0%
16:00	US	NAHB Housing Market Index	Sep	34	35
20:00	US	FOMC Rate Decision (Mid)		3.88%	3.63%
20:00	US	FOMC Q4 median rate f'cast (Mid)			3.88%
Thursday 17 Sep					
06:00	SW	PES Open Unemployment Rate	Aug		3.8%
10:00	NO	NB Regional Netw. Current Quar	3Q	(0.3%)	0.2%
10:00	NO	NB Regional Netw. Next Quarter	3Q	(0.2%)	0.3%
11:00	EMU	CPI YoY, final	Aug F	3.3%	3.3%
13:00	UK	Bank of England Bank Rate		3.75%	3.75%
14:30	US	Philadelphia Fed Manuf. Survey	Sep	28.6	47.4
14:30	US	Initial Jobless Claims	12-Sep	209k	206k
14:30	US	Housing Starts	Aug	1315k	1239k
14:30	US	Building Permits	Aug P	1410k	1433k
16:00	US	Pending Home Sales MoM	Aug	2.0%	-2.3%
Friday 18 Sep					
08:00	UK	Retail Sales Inc Auto Fuel MoM	Aug	-0.2%	-0.5%
15:15	US	Manufacturing Production MoM	Aug	0.3%	0.2%
16:00	US	Leading Index	Aug	0.2%	0.2%

• Central Banks

- **Fed** will hike the Funds rate by 25bp in the range 3.75–4.00% as the disinflation process has stopped while the labour market is holding up fine, like Warsh observed in Jackson Hole – and which has been more than confirmed by August data on both fronts. We expect the new dot plot to show that an additional rate hike before year-end is very likely.
- **BoJ** is widely expected to hike the key rate from 1.0% to 1.25% on the back of higher wage growth and inflation, and in order to combat the weaker JPY – that has strengthened recently due to verbal and actual FX intervention coordinated between Japan and the US authorities.
- **BoE** will likely keep rates on hold in a split vote.

• Norway

- **The Q3 Regional Network** is the latest input for Norges Bank before the rate meeting next Thursday. Norges Bank expectations survey indicates modest growth, but not necessarily weaker than Norges Bank's June GDP growth forecasts, even if retail sales have been weak and new home sale may have stalled again. If the Network shows substantial weakness (a growth indicator at 0.1%), it will be difficult for Norges Bank to hike next week. However, if the Network is fairly unchanged from Q2, with a Q4 growth indicator at 0.2 – the path for a hike next week is open as underlying inflation is too high even if it is lower than NoBa assumed in June. Sure, the details in the Network, like wage expectations, may also have an impact on the bank's decision next week.

• US

- **Retail sales** were weaker than expected in July but a recovery is expected in August. The challenge for US households: Real wages are falling, and the savings rate is far lower than normal.
- **Other data: Housing starts** are sagging, and **homebuilders** have not reported any uptick. **Manufacturing production** has picked up some steam in recent months, as signalled by surveys, which are still on the strong side.

• Sweden

- **PES open unemployment** has flattened following a small increase last year. The rate sits at 3.8%, which is above average. **The LFS unemployment rate** may have flattened, at almost 9%, which is also above average.

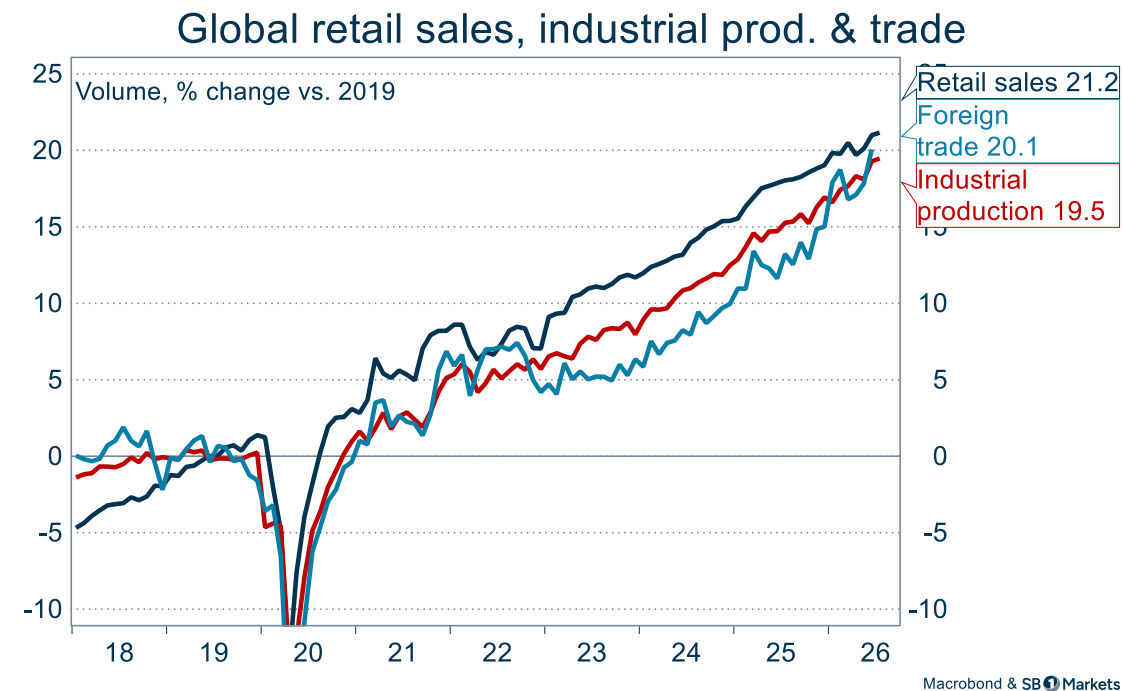
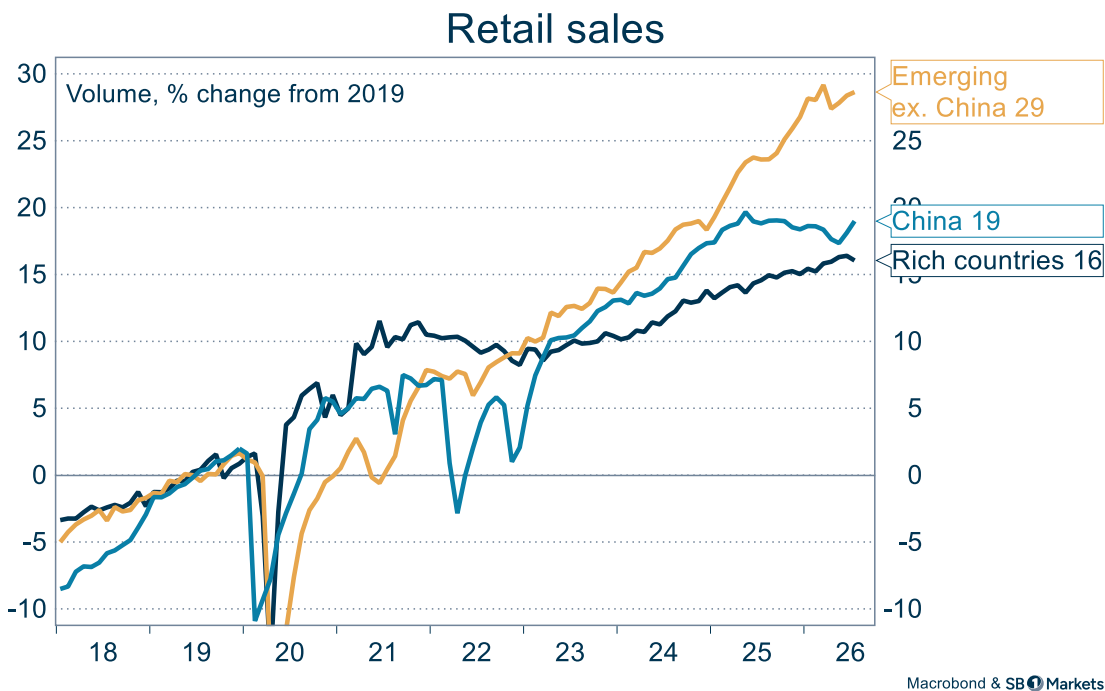
• China

- **Domestic demand** is weak. **Investments** are falling rapidly, even **construction starts** after an 80% decline; **Housing prices** have been falling for more than 4 years (the real price is back to the 2004-level); **Retail sales** have recovered slightly the past two months but the volume is still down y/y and **credit growth** is slowing. **Manufacturing production** is growth at a slower pace as well. A full check on August tomorrow morning.



Global Economy: Retail on the way up again, now even with China contributing

Retail sales in EM ex. China still trend upwards but slower, at least partly due to higher energy prices. Sales in China rose in both June and July (but are flat y/y). DM sales still drift upwards. Global industrial production is still going strong, and global trade is surging.



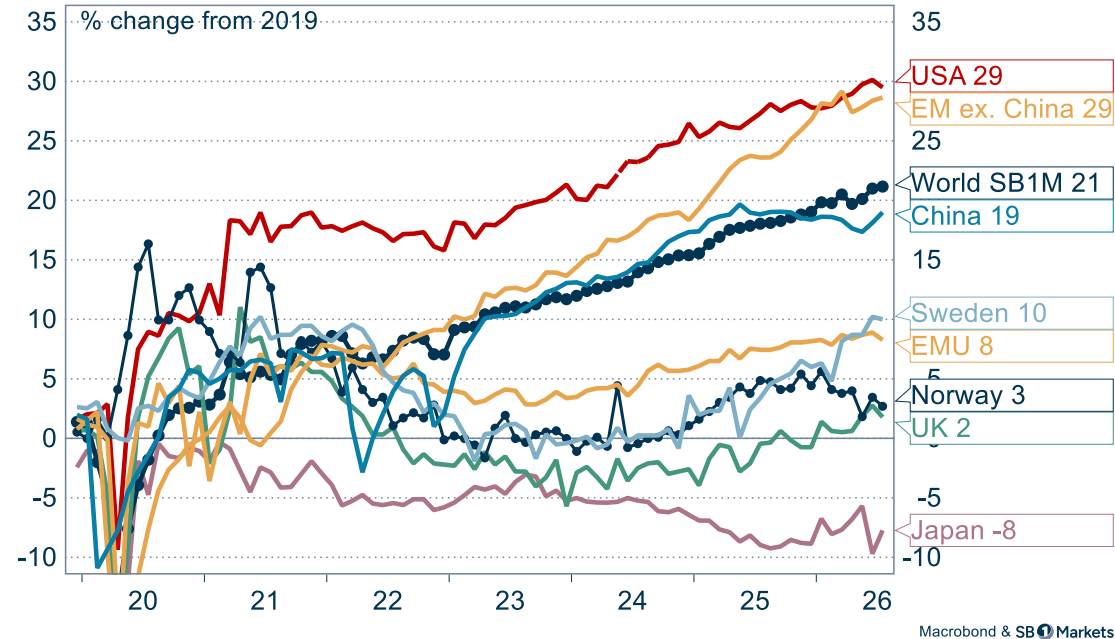
Extremely volatile retail sales data from Thailand have influenced the EM ex. China data series.



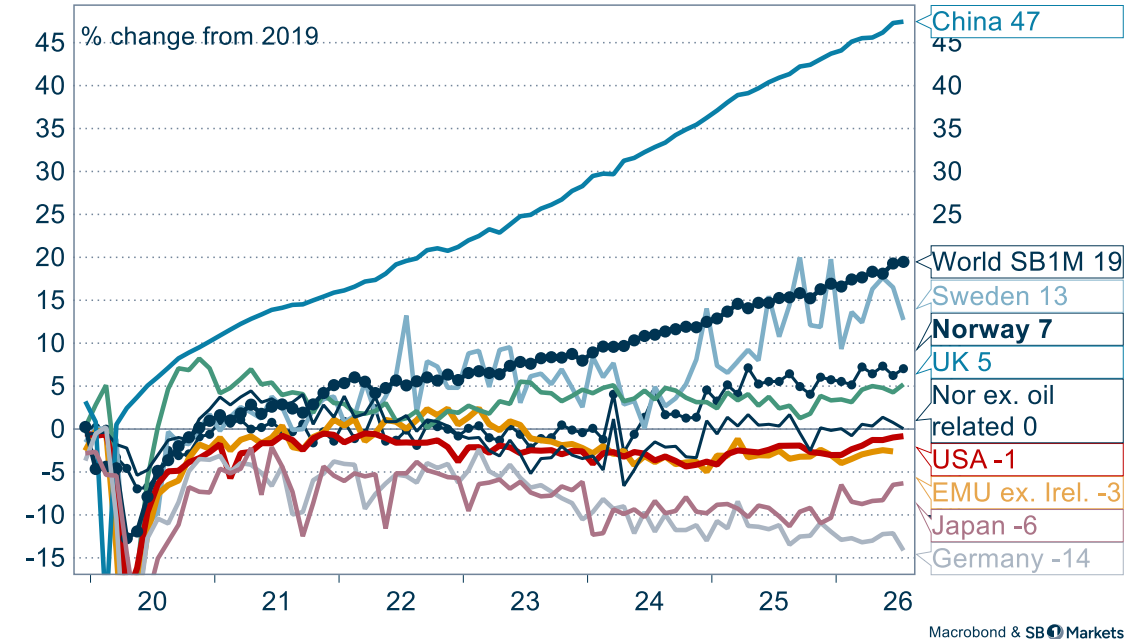
Huge gaps in retail sales and manufacturing production. China leads in manufacturing

... but not in retail sales. The US is among the best in retail sales but not in industrial production (the gap is remarkable). EMU is in line with the US on production, but its retail sales are far weaker. Norway has been the loser in 2026.

Retail sales volume

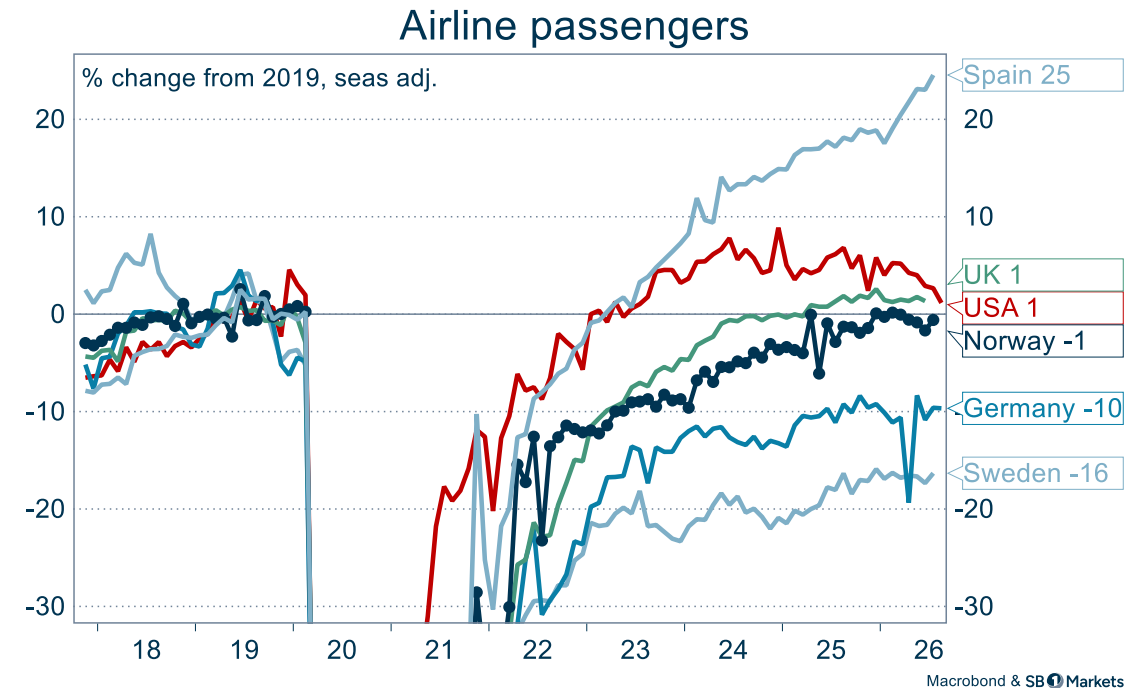
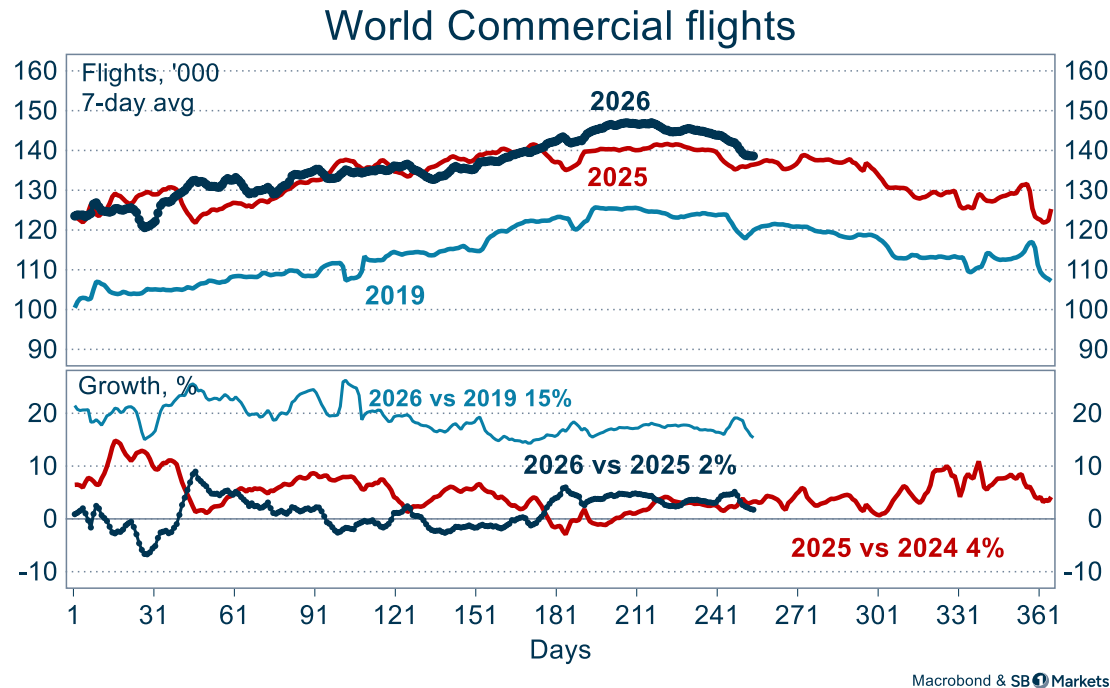


Manufacturing production





Global airline traffic up just 2% y/y

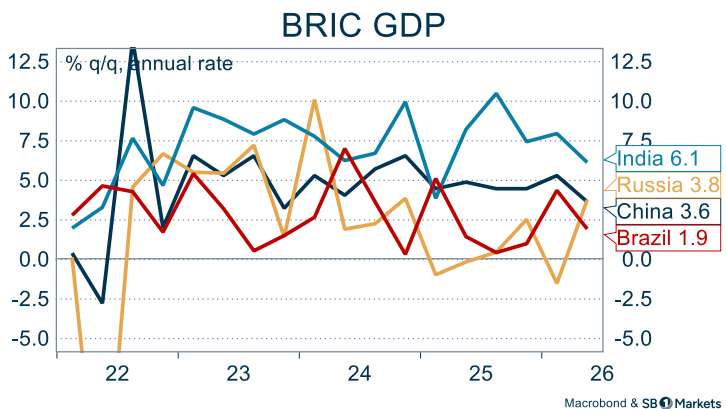
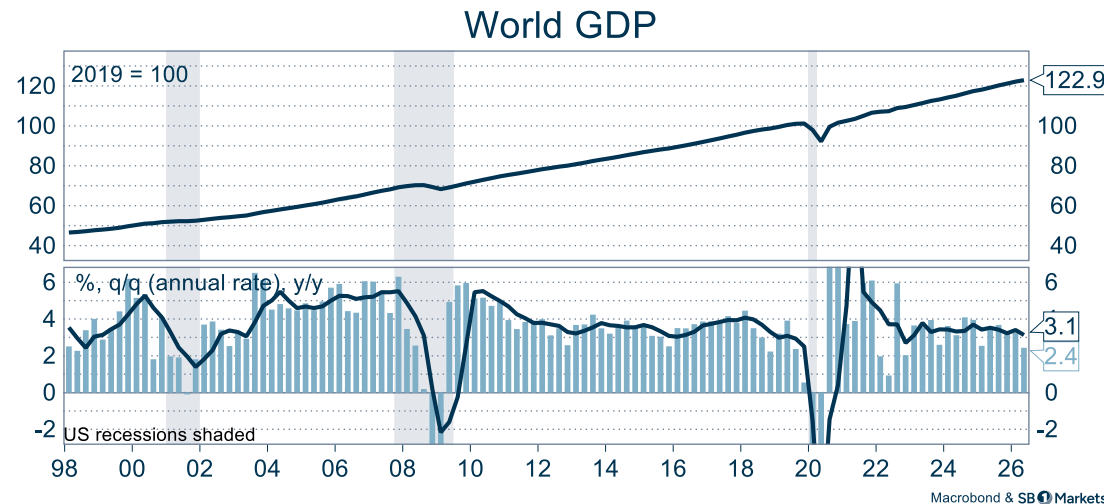
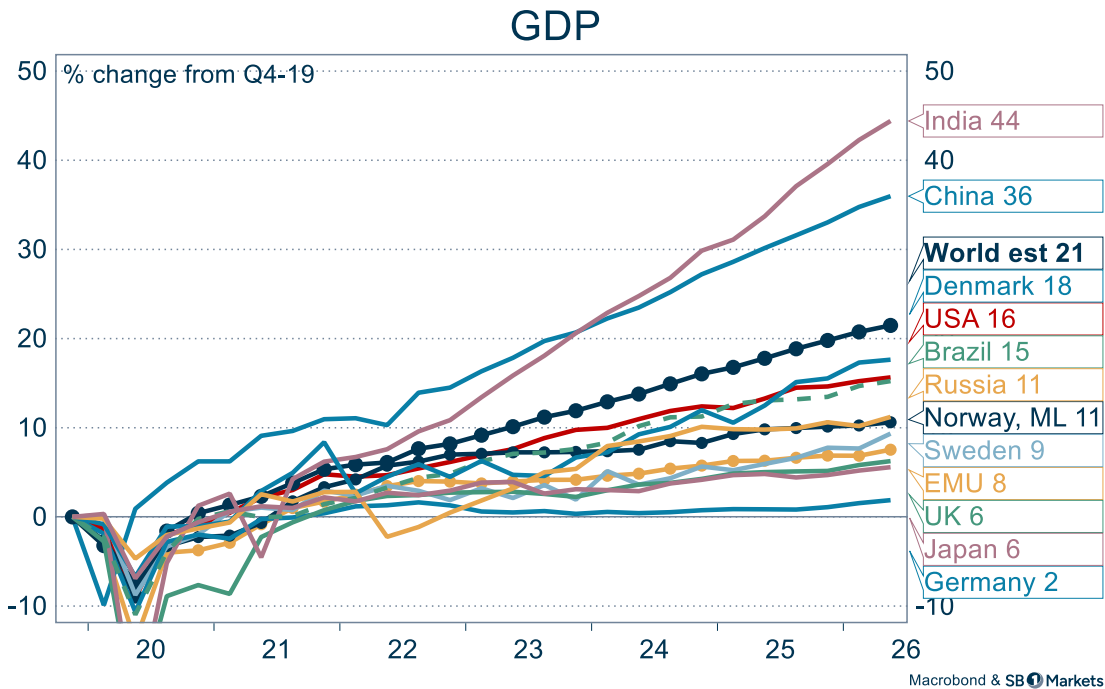


- Passenger numbers are recovering in most Western countries, except for the US, where traffic is declining from previously 'high' figures, almost back to the 2019 level. Sweden is well below the 2019 level, by 16%!
- Norway has climbed back up to its 2019 level, and Spain leads with a 25% increase.

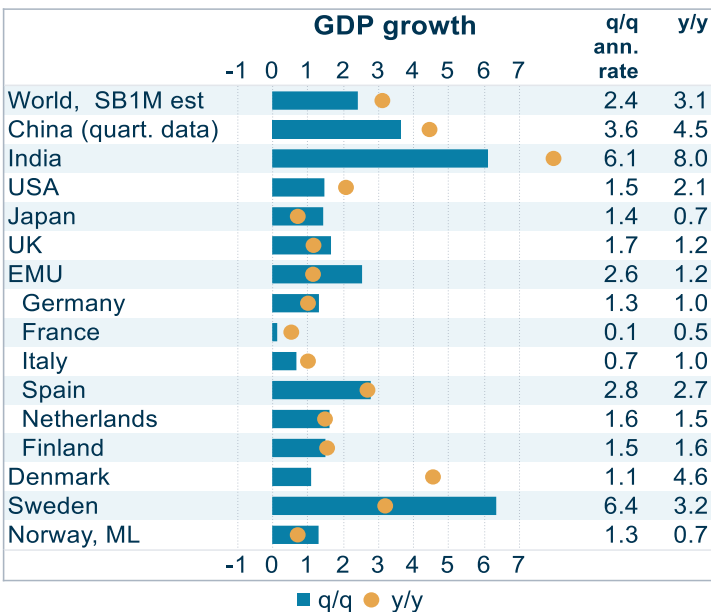


Our Q2 global GDP growth estimate: down to 2.4%, still up 3.1% y/y

No doubt, the Gulf war and the lift in energy prices lowered growth in Q2. Growth was higher in EMU than in the US (at least before adjusting for useless Irish GDP data). Norway has fallen towards the bottom of last year's growth ranking. Denmark and Sweden at the top.



- India reported a 'modest' 6.1% growth in Q2, annualised, which is not that bad compared with the other main countries.
- China and Brazil slowed, Russia accelerated

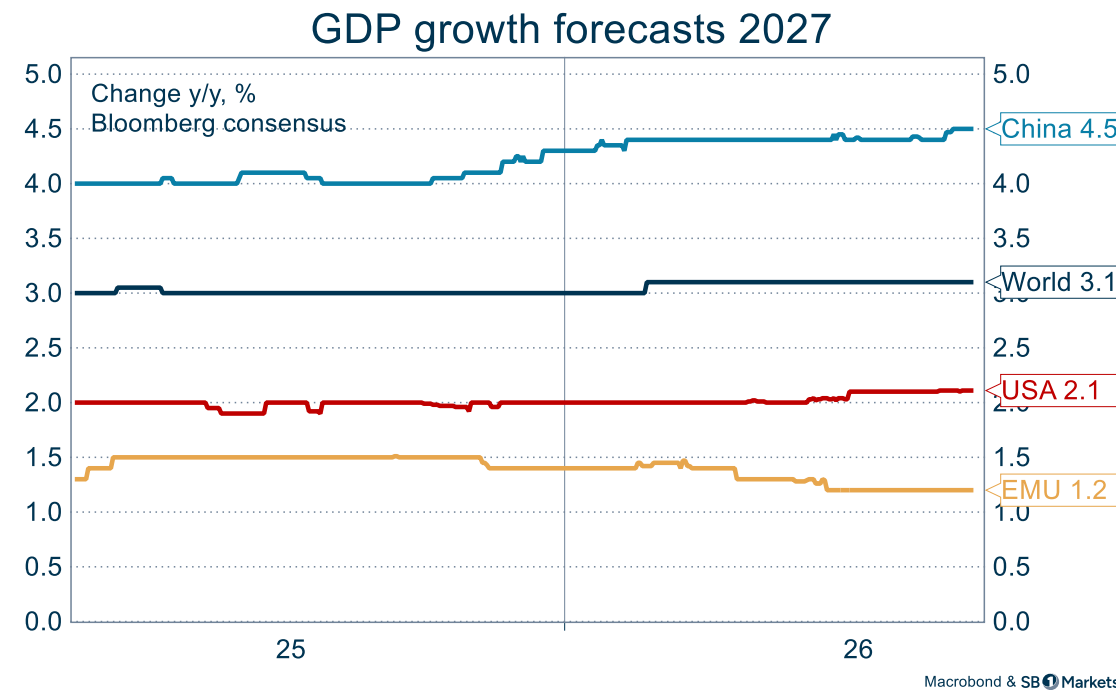
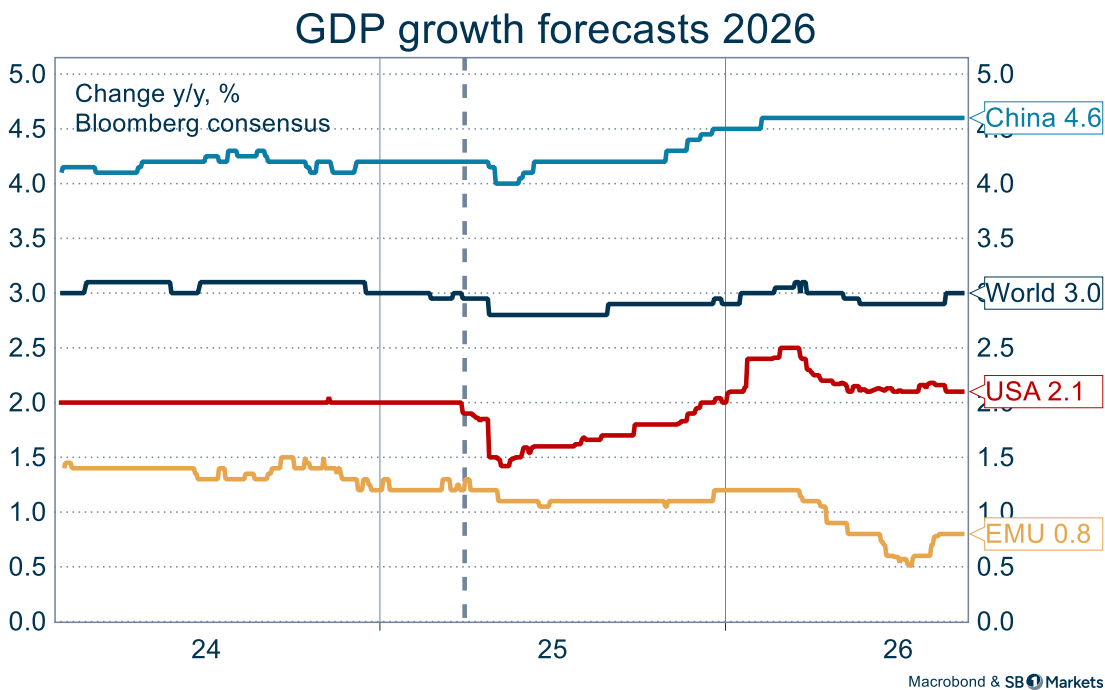


World GDP is estimated by SB1M



Stable 2027 growth expectations, and close to the 2026 growth forecasts

The US forecast is still down 0.4 pp to 2.1%. EMU is also down 0.4 pp to 0.8%. The US is less exposed to the lift in energy prices, and AI investments are incredibly strong. Boring (flattish) but decent 2027 forecasts. Chinese forecasts are not influenced by weak short-term data.

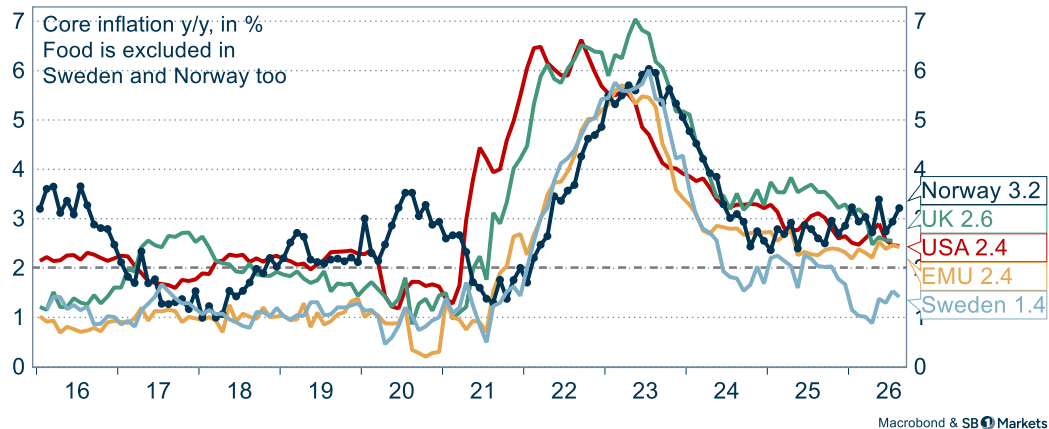




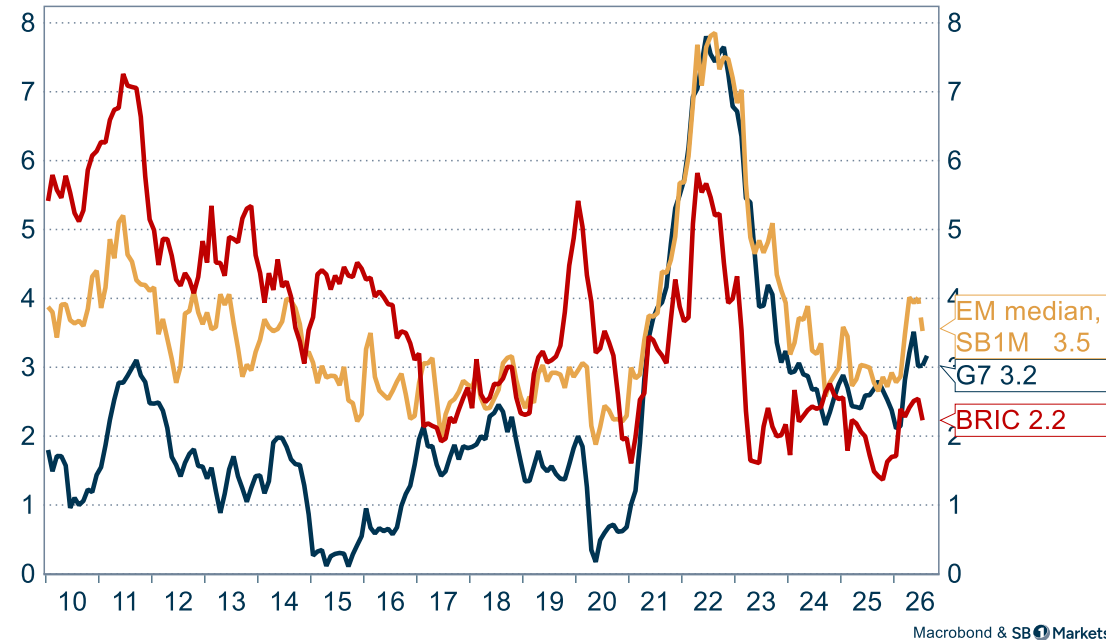
Inflation: underlying core in recent months: between 2 and 3%, and most trend flat

... and are a bit too high, especially in Norway. The US CPI is up 2.6% (in recent months, smoothed and annualised). The US PCE deflator (Fed's target index) is up more than 3%. The target is not met.

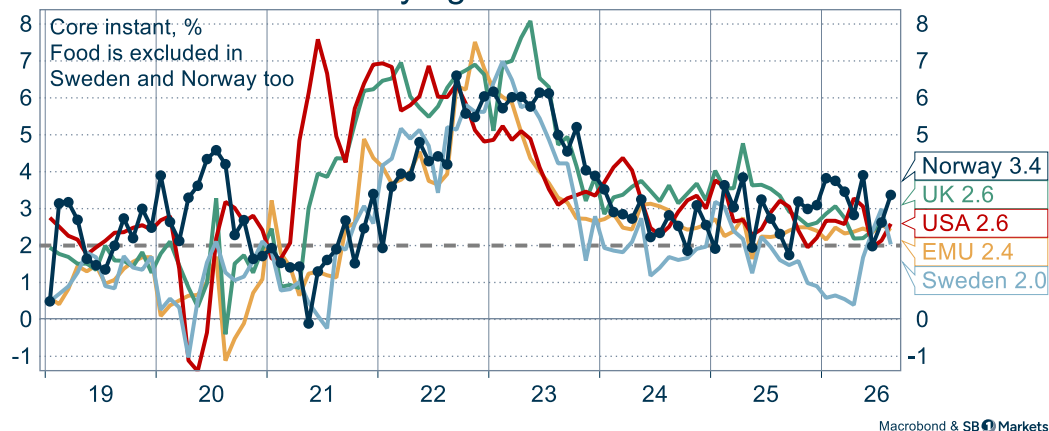
Core CPI Inflation



CPI Inflation



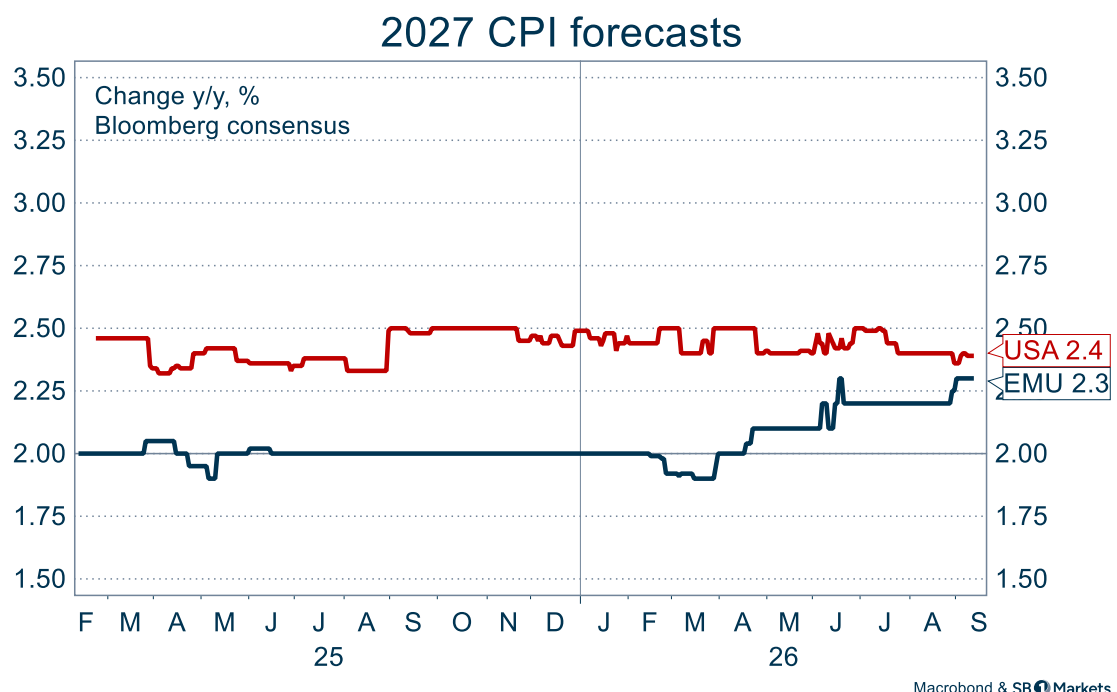
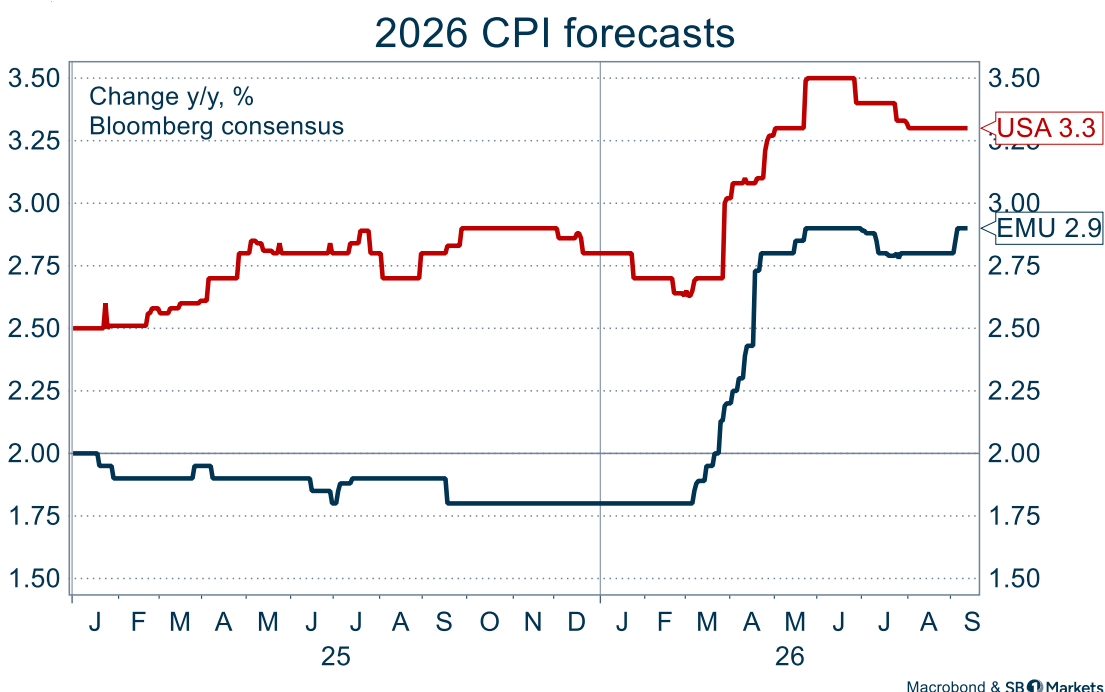
Underlying Core CPI Inflation





European 2027 inflation forecasts are inching upwards again, as nat. gas prices climb

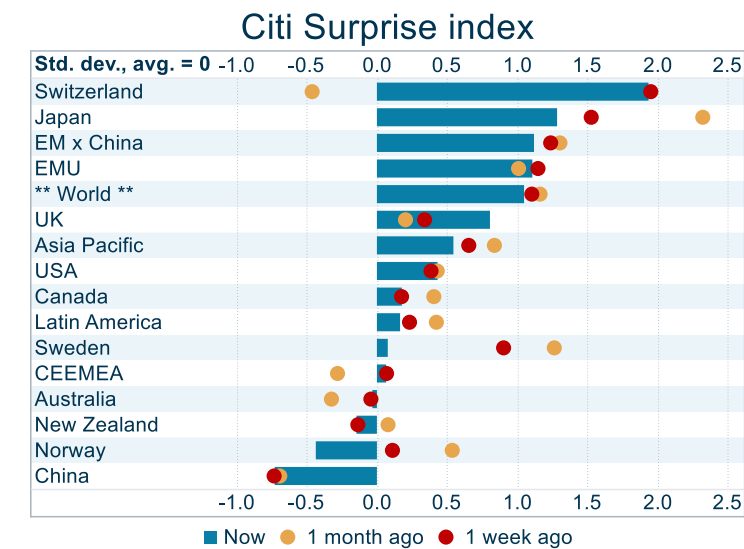
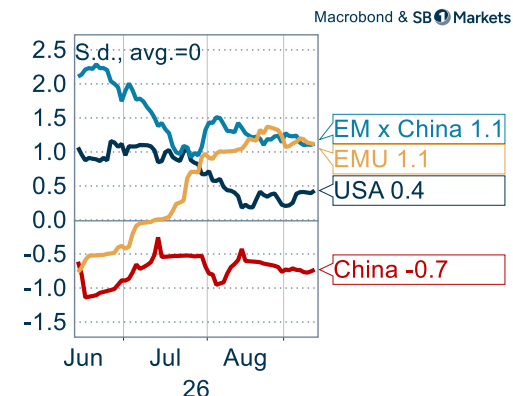
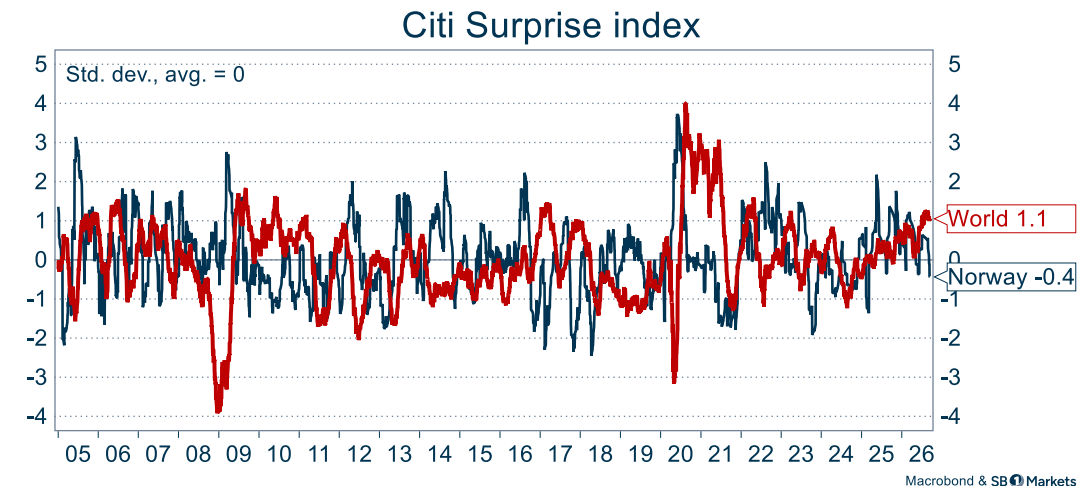
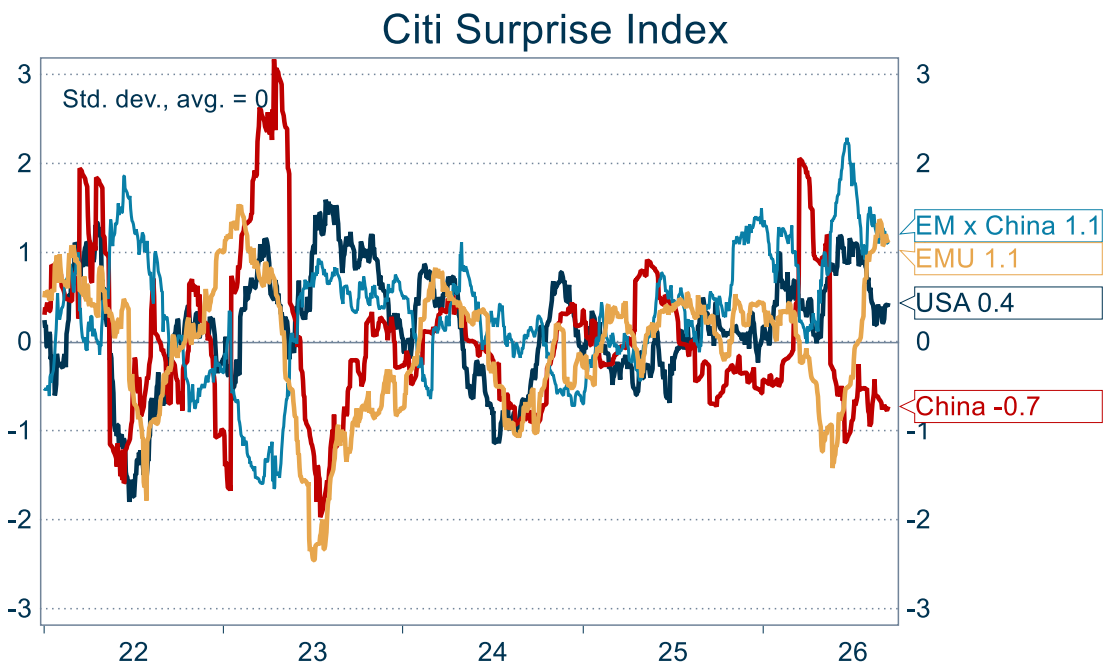
The 2027 EMU HICP (CPI) forecast of 2.3% is not far above the inflation target, but it is above. Before the war in the Gulf: 1.9%
The US CPI forecast at 2.4% remains somewhat above as well, but it trends down. Before the war in the Gulf: 2.5%!





Surprise indices: almost all are above average; Just China and Norway (!) materially below

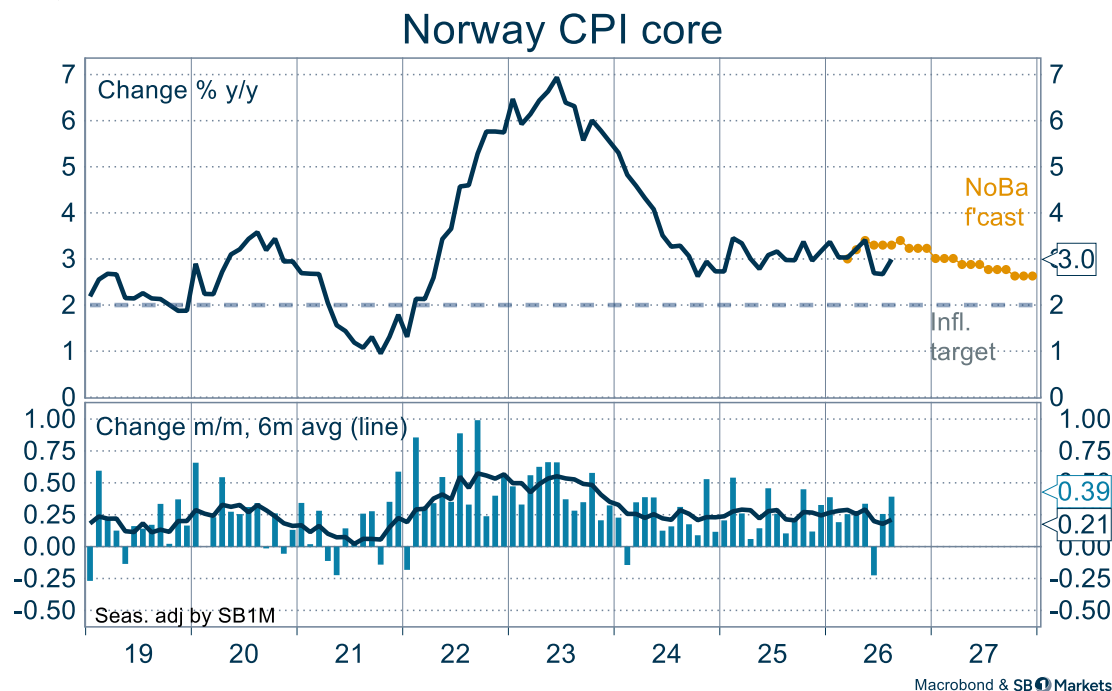
Japan and EM ex. China are in the lead together with Switzerland, followed by EMU and UK. US is also above average. The Norwegian surprise index is very volatile – and declined last week (at least partly due to positive surprise 3 months ago, which left the 3m ‘window’).



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

Core inflation up 0.3 pp to 3.0%, still 0.3 pp below Norges Bank's forecast

The core CPI rose 0.4% m/m. The normalisation of y/y growth in kindergarten prices, as the impact of the price cut last Aug. fell out of the 12m rate, explained the y/y lift. The headline CPI accelerated to 3.3%, 0.3 pp above NoBa's f'cast. In sum, slightly on the downside vs. NoBa's plan



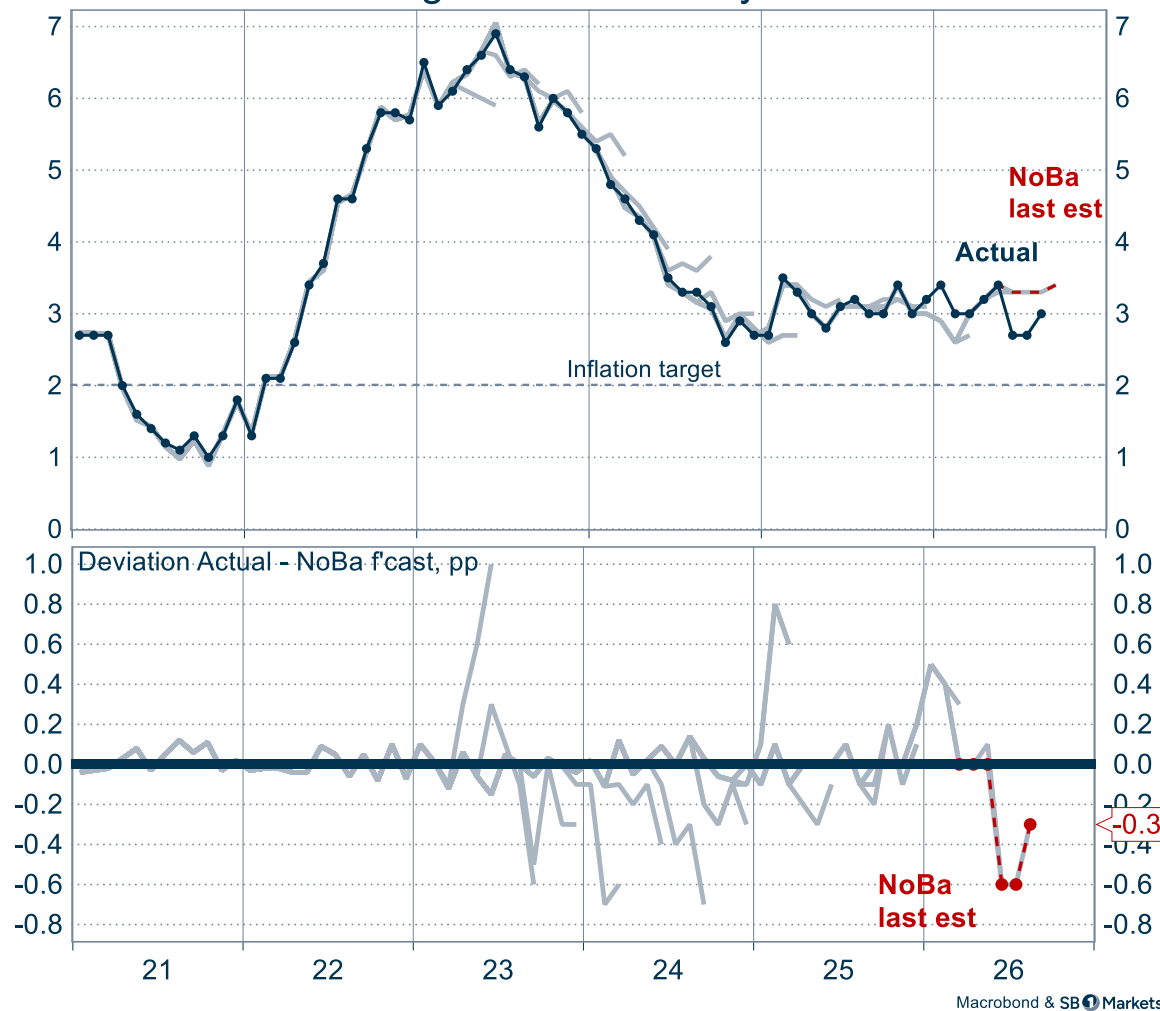
Change y/y	July 2026	August 2026
Total CPI	3.0	3.3
Norges Bank f'c	3.1	3.0
Core CPI	2.7	3.0
Norges Bank f'c	3.3	3.3

- **CPI-ATE** (ex. energy and taxes) narrowed the gap to NoBa's f'cast
 - **Core imported goods prices** rose 0.2% m/m in August. The annual rate rose 0.3 pp 1.6%, still well below NoBa's f'cast. Our model suggests a decline the coming months due to the NOK appreciation → *some downside potential*.
 - **Core domestically produced goods and services prices** rose 0.4% m/m, and are up 3.7% y/y, up 0.5 pp from July but still in line with NoBa's f'cast. Unit Labour Cost still runs at 3%, which will contribute to keep domestically generated inflation up.
 - **Food prices** are just marginally up so far in 2026, seasonally adjusted. The annual rate is at 1.6%. In spite of higher jet fuel prices, airfares fell sharply in August (seas. adjusted) and are down 8% y/y.
 - If **regulated prices** are removed (CPI-ATE XADM), prices are up 3.0% y/y, like in July.
 - Our measures of **underlying price growth in recent months** have fallen over the summer, mostly due to the negative price shock in June (-0.2 pp m/m). An average of various measures of core inflation **annual** growth (a la Norges Bank's palette) rose 0.1 pp to 3.1% but is down from 3.6% in May (published before the June MPR). The range is 2.9 – 3.4%, which is still far above 2.0%
- **Electricity and auto fuel prices** rose slightly in August, and electricity is up 6% y/y. In September, gasoline and diesel prices will shoot up some 30%, lifting the headline inflation by 0.4 pp, from the current 3.3%.
- **Core inflation** is below Norges Bank's forecast but the gap narrowed in August, as expected. While headline inflation is above NoBa's forecast, the overall picture is slightly lower inflation than NoBa assumed in June, yielding a marginal downward impact on the technical rate path in next week's MPR.

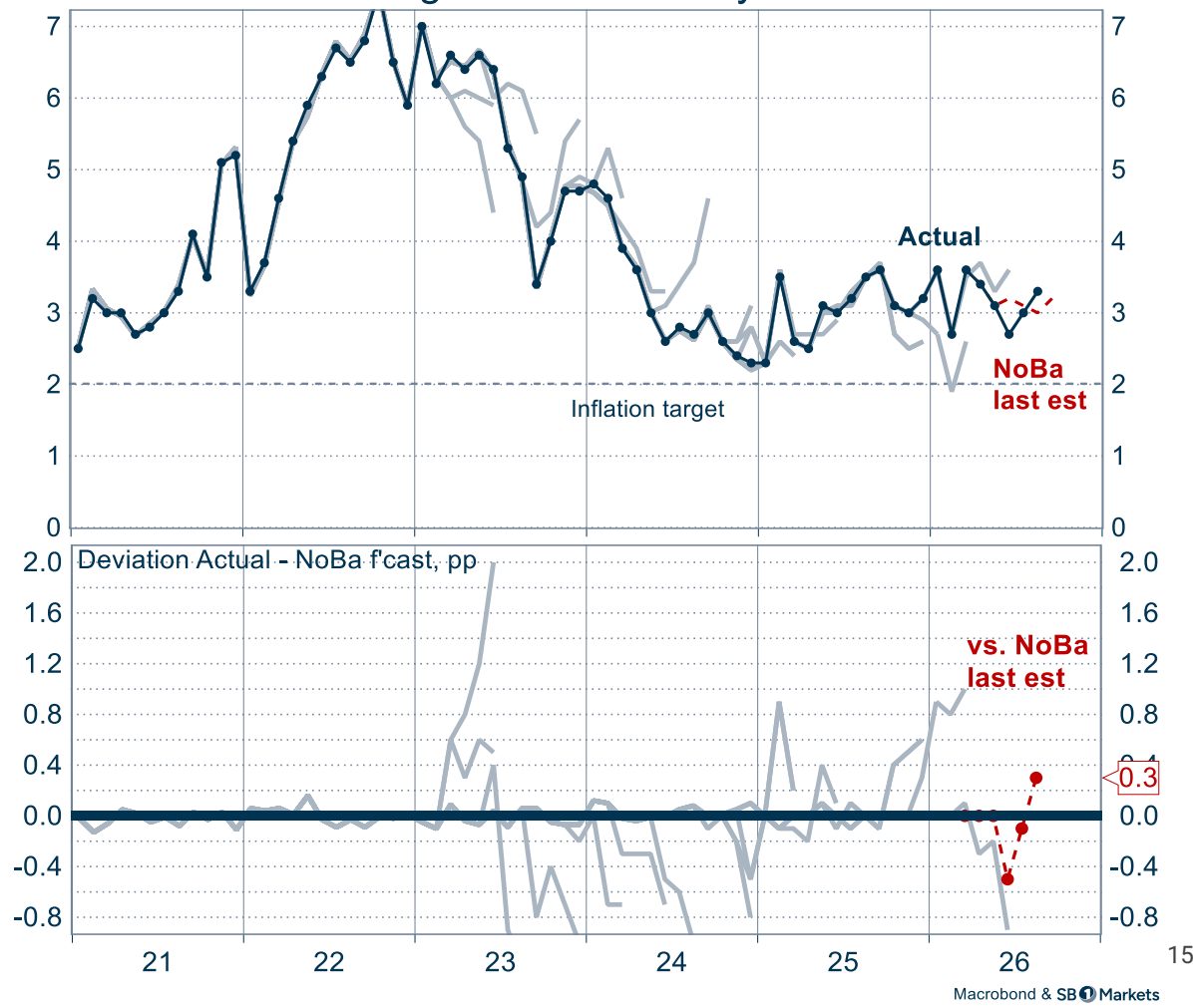


Core inflation is 0.3 pp lower than NoBa's f'cast. But headline is 0.3 pp above the forecast

Norway CPI core (ATE) inflation
vs. Norges Bank monthly f'casts

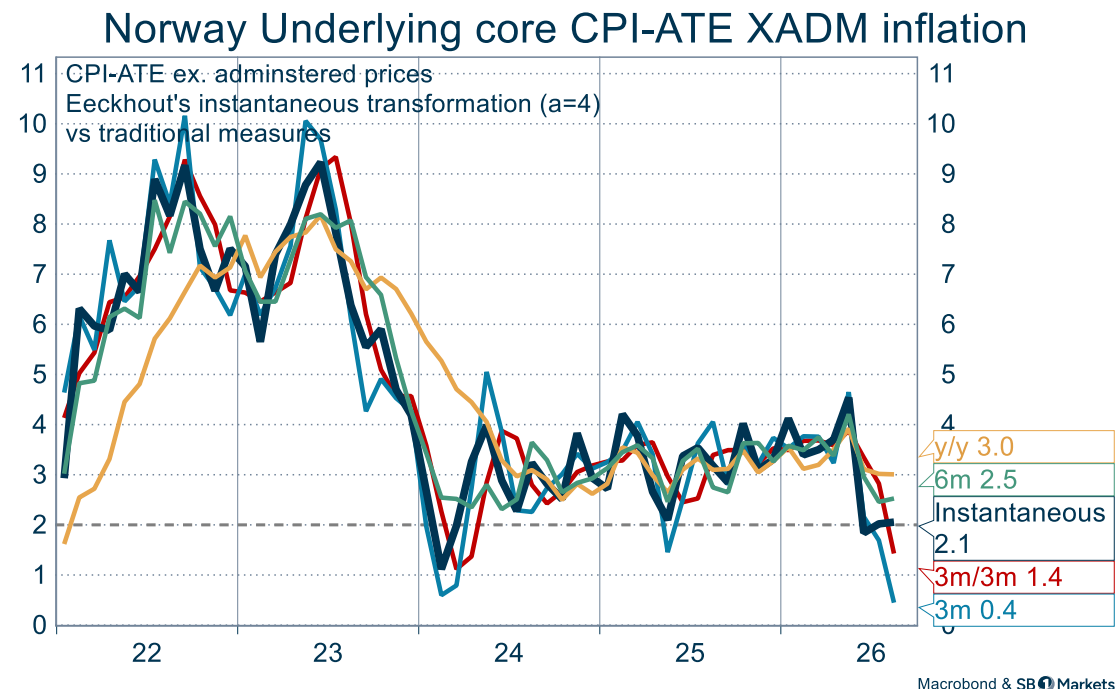


Norway CPI inflation
vs. Norges Bank monthly f'casts

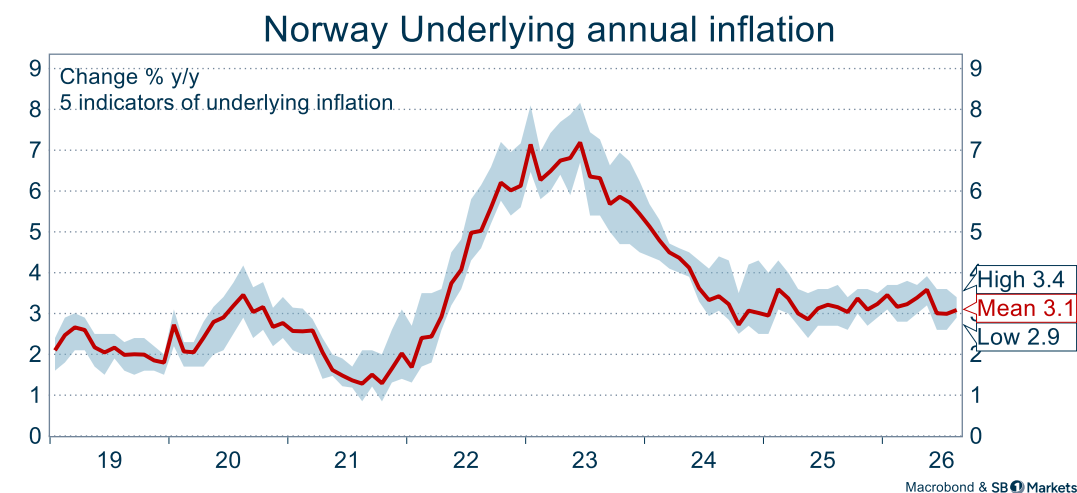
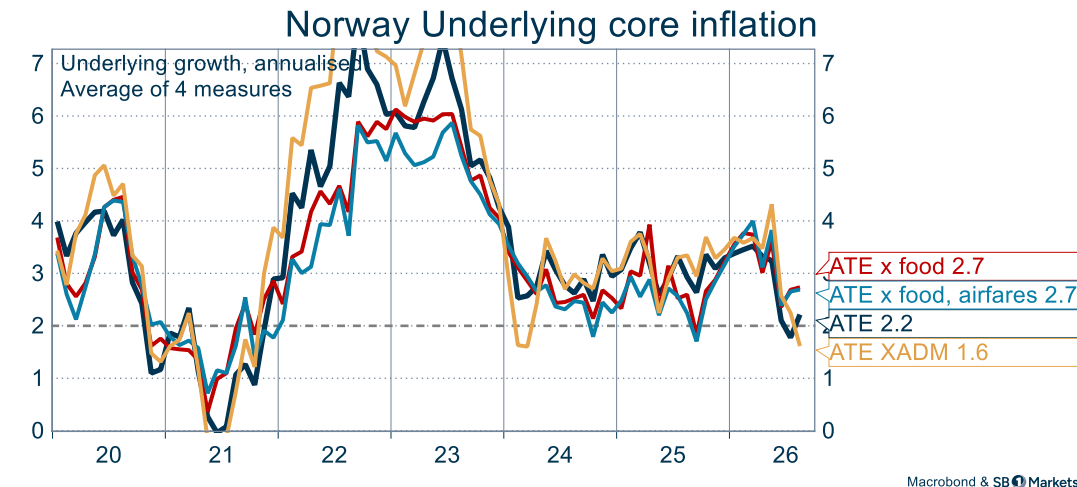


All measures of underlying core inflation recent months are trending down

Our favourite core measure, the core CPI ex. administered prices, has increased at a 1.4 – 2.5% pace recent months. Norges Bank's estimates of underlying annual inflation are in sum heading down as well – but these measures are still in the 2.9% – 3.4% range.



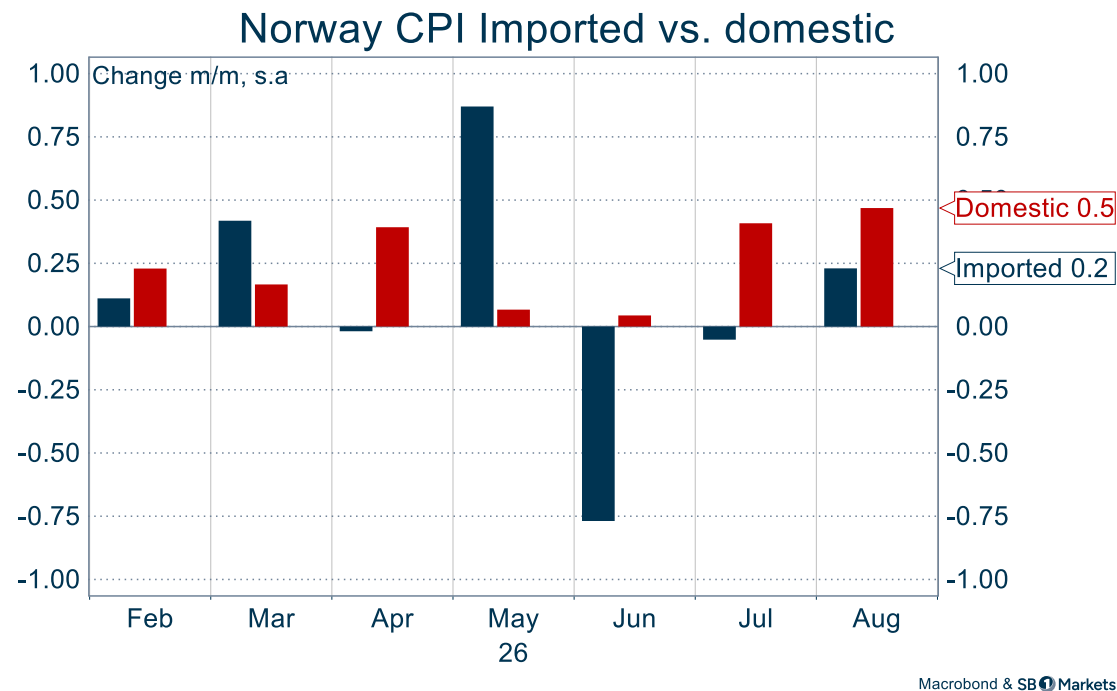
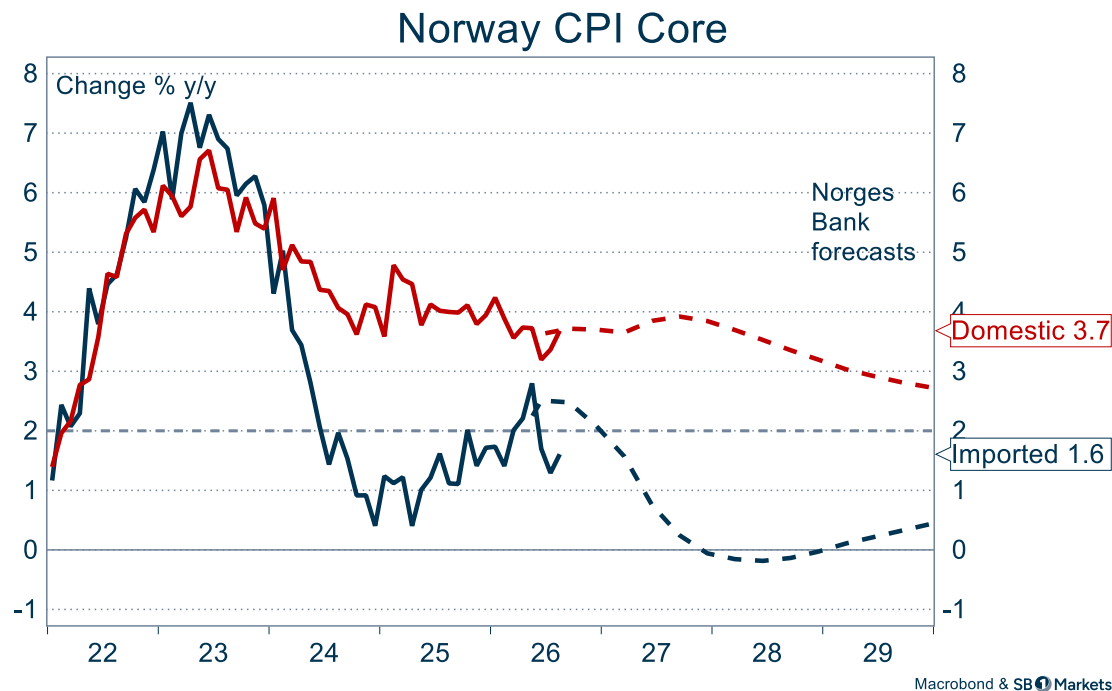
- 2 of Norges Bank's 3 estimates of **underlying annual inflation** were down in August. The trimmed mean was down 0.1 pp to 3.4%. The weighted median slowed 0.3 pp to 3.3%. On the other hand, the CPIXE (CPI with trend in energy prices included) accelerated 0.4 pp to 2.9%. CPI-ATE ex. rents is at 2.9% as well.
- So, the range is 2.9% – 3.4%. **The inflation target is still far from being met.**





Imported core inflation remains modest, at 1.6%. Core prices rose 0.5% m/m, is up 3.7% y/y

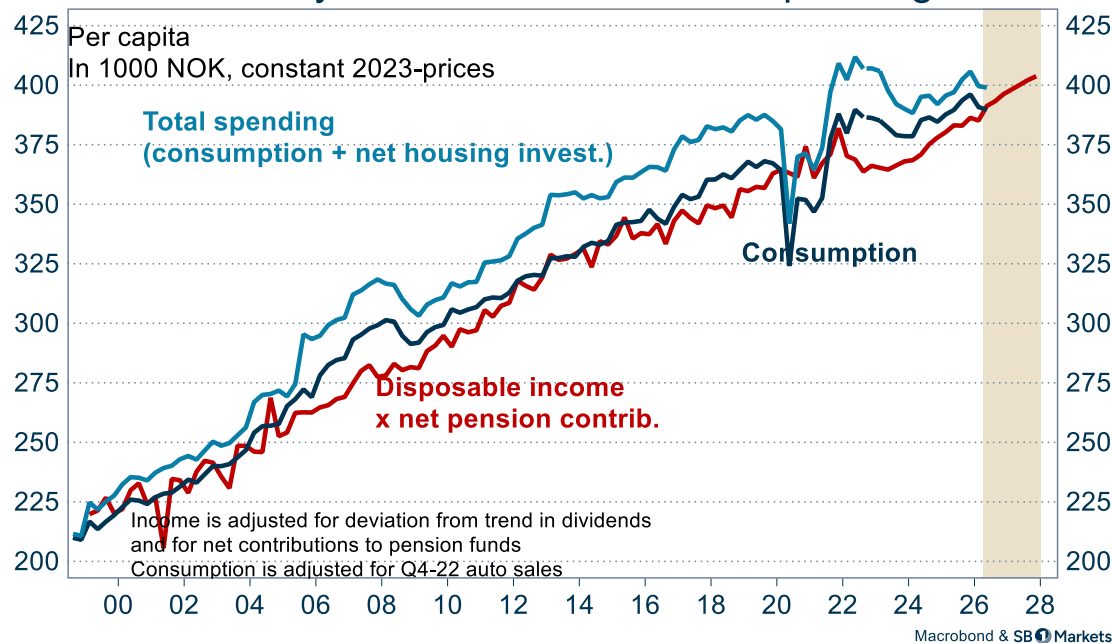
Domestic inflation is spot on Norges Bank's forecast while imported prices are 0.9 pp lower than the Bank assumed in June.



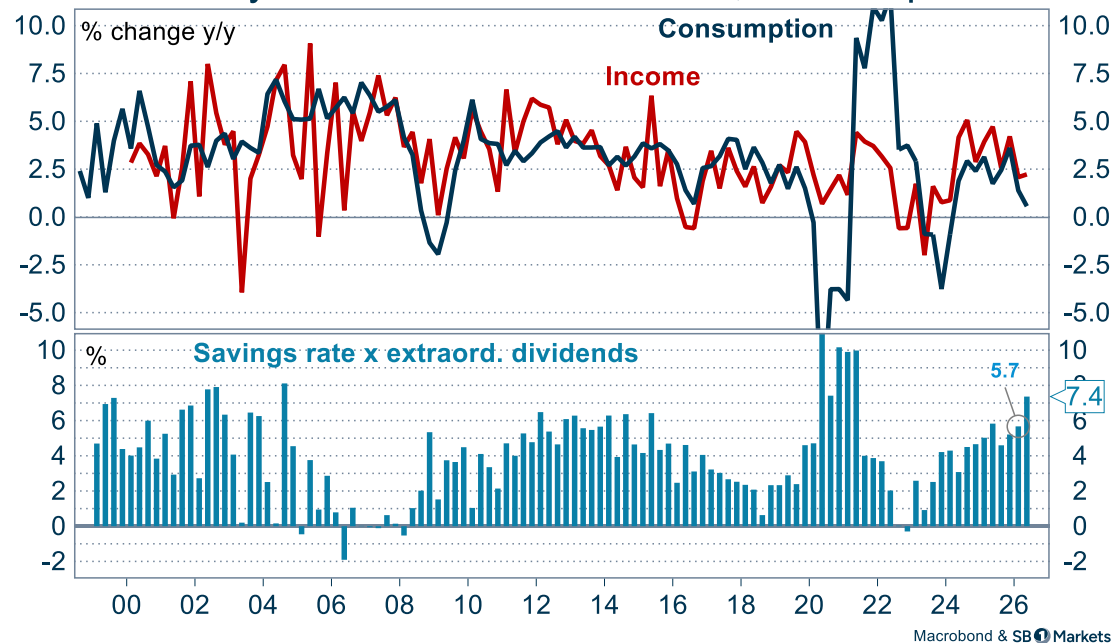
Households' real disposable income is back on track, spending is not → **savings record high**

In Q2, real consumption declined at a 1% pace, while disposable income grew at a 6.5% pace. The savings rate rose 1.7 pp to 7.4% (adjusted for extraordinary dividends, the actual rate was up 3.4 pp to 8.4%, due to a lift in dividends). **The risk for a large lift in savings is low**

Norway Household Income & Spending



Norway Real Household income, consumption

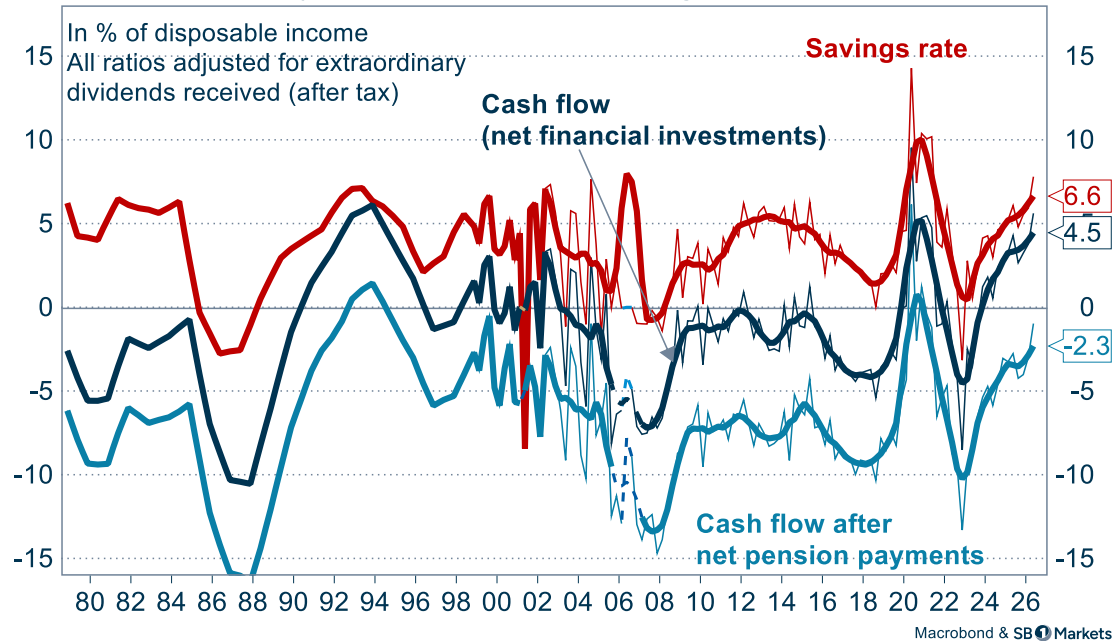


- **Real disposable income** is up 2% y/y, slightly down from the growth rate in 2024 and 2025. Growth in wage income has slowed recent quarters.
- **Consumption** fell in both Q1 and Q2, and is up just ½ % y/y.
- **The savings rate** has been surging since the local bottom in 2023. The 7½% savings rate in Q2 (adjusted for extraordinary dividends) among highest ever, barring the high rates due to 'forced' savings during the pandemic.

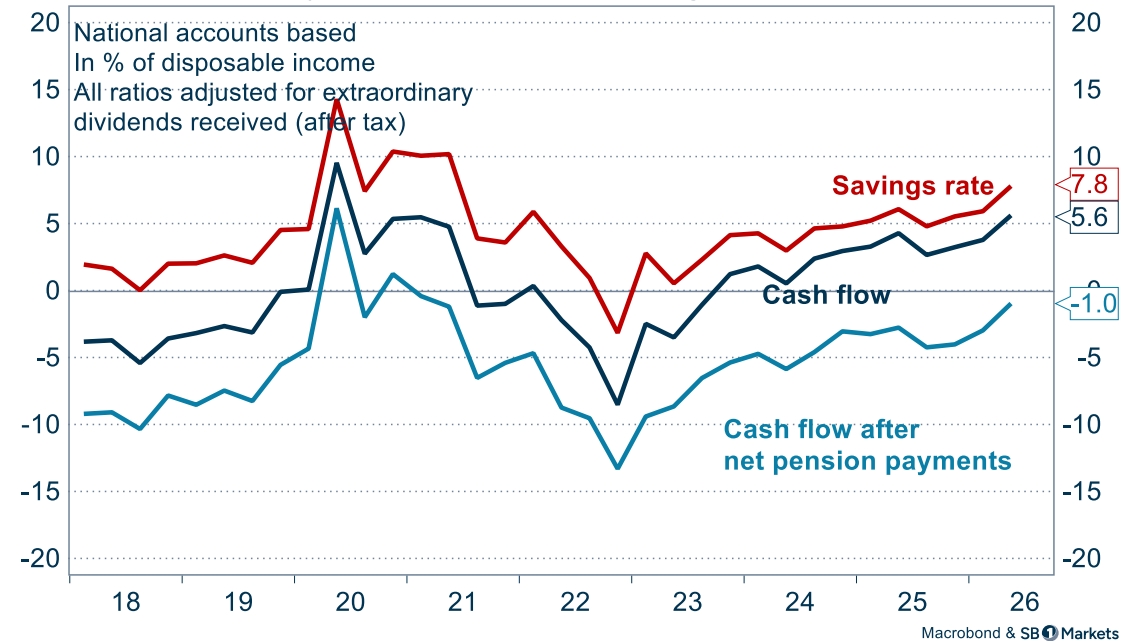
National accounts report a high savings rate, at least according to Norwegian standards

The free cash flow, after net pension contributions is still marginally negative. It was positive a short period in at the end of the banking crisis in the early 90'ies, and in one quarter during the pandemic. But that's all.

Norway Households' savings & cash flow



Norway Households' savings & cash flow

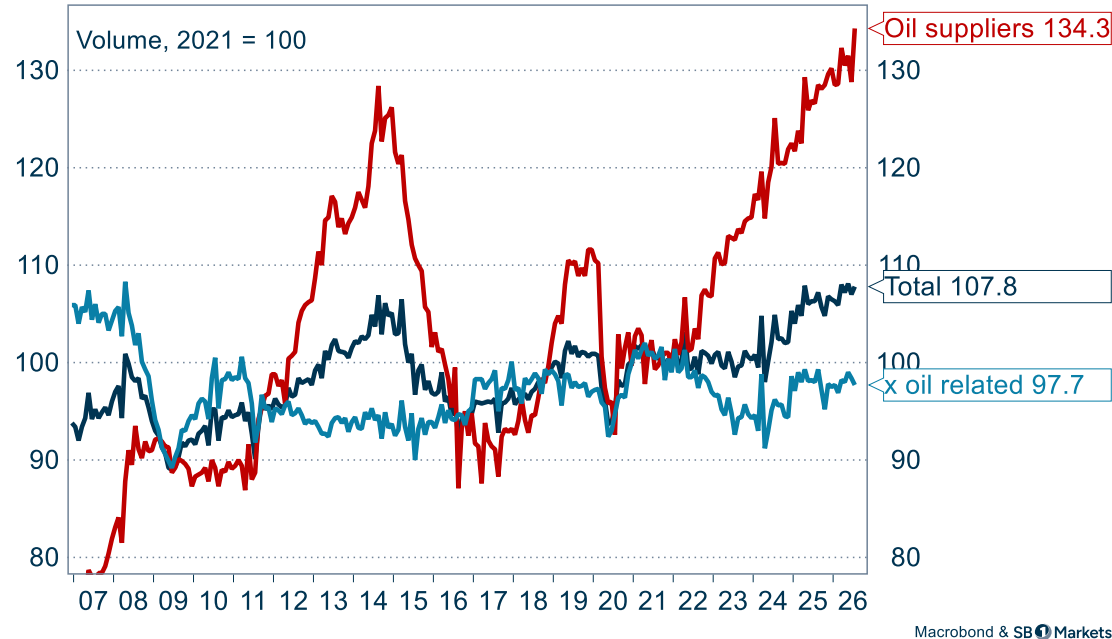


- Households' **net financial investments** ('cash flow' on the chart) equal savings (income – consumption) minus investments in real fixed assets (in practice new homes), net of depreciation (which is included in consumption)
 - Net investments in new homes** have varied between zero and +8% of disposable income. The average is 5.5%. Now it is 0.5% of disposable income.
- Net financial investments** equalled 8.9% of disposable income in Q2, or 7.8% adjusted for extraordinary dividends.
- Households (mostly 'invisible', through their employers) **contributions to their pension funds** (net of paid pensions), equal more almost 7% of disposable income
- The '**free**' cash flow (net financial investments – net pension contributions) – is (smoothed) at -1% of disp. income.
Barring the pandemic (and some few quarters in 1993), this is the best on record

Oil suppliers saved the manufacturing sector in July (as the past 4y). For how long??

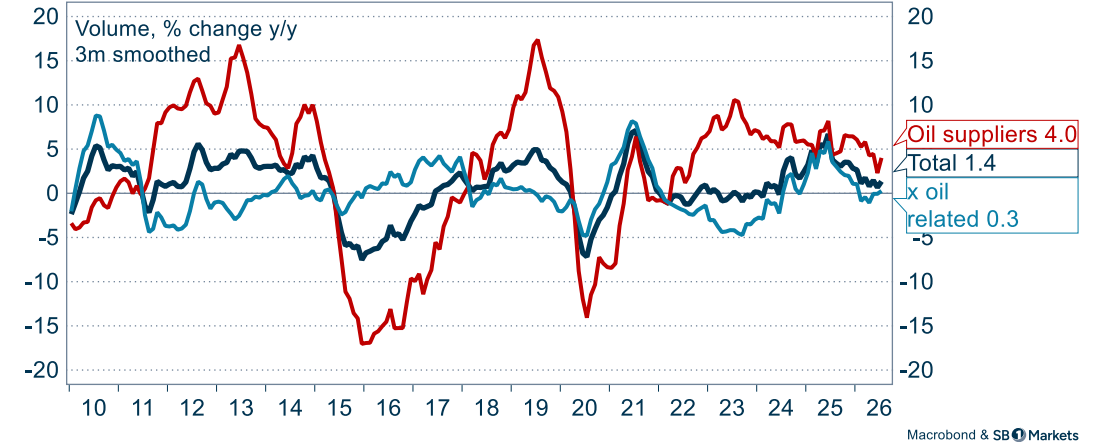
Manufacturing production rose 0.7% in July following the 1% drop in June. Production is still drifting upwards, but the annual growth is modest, at some 1.5%. Oil suppliers lifted production 4.4% in July, while other sectors reported a 0.7% decline.

Norway Manufacturing production

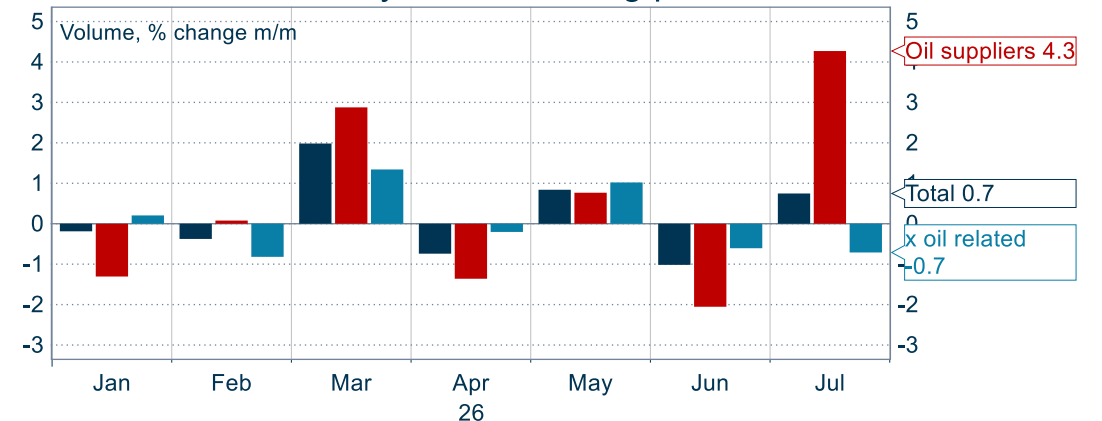


- **Total manufacturing production** still trends upwards.
- **Oil-related manufacturing production** (suppliers/yards etc. but not refined oil products) is still up 4% y/y.
- **Other sectors** are flat y/y, but trend upwards
- **Manufacturing surveys** on average signal a modest decline in production.

Norway Manufacturing production



Norway Manufacturing production

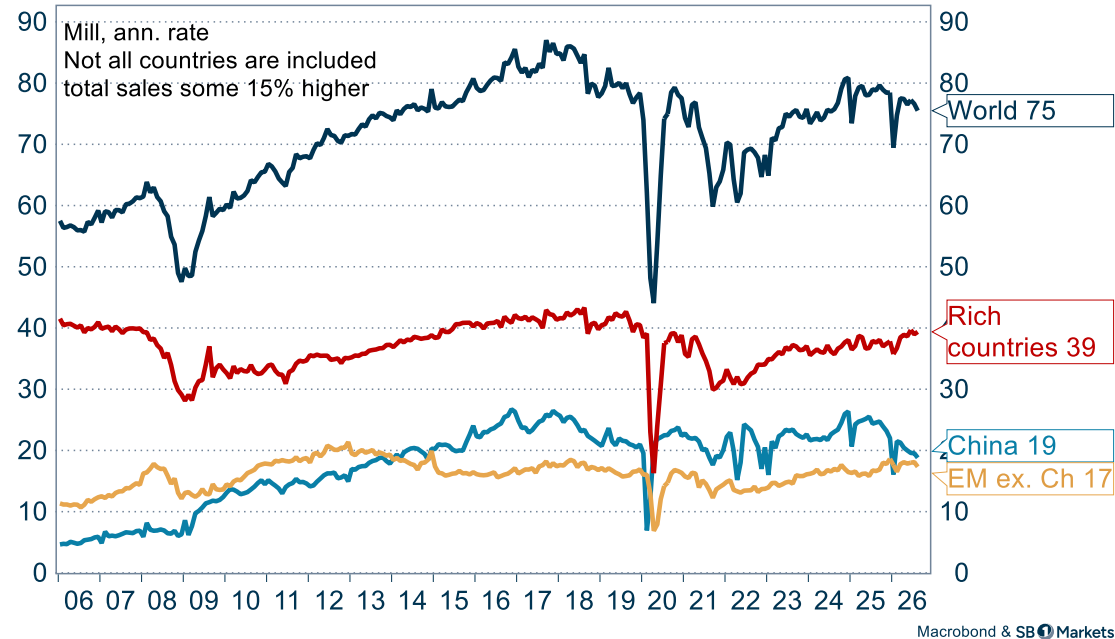




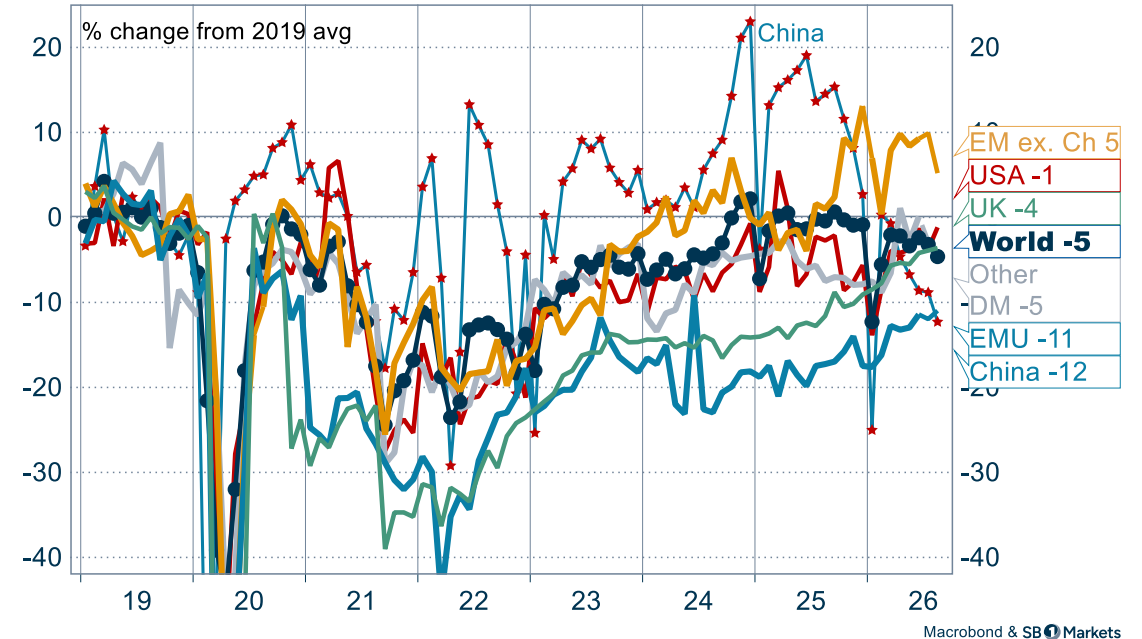
Auto sales are trending up in DM, EM ex. China – but still decline in China

Chinese sales declined further in August and are down 25% from the peak! Global sales fell 1.5% m/m, and trends slightly down. Sales rose in US and (most likely) in EMU but fell in India. From 2019: China -12%, EMU -11%, US-1%, EM ex. China +5%. Global sales -5%.

Global auto sales



Global auto sales

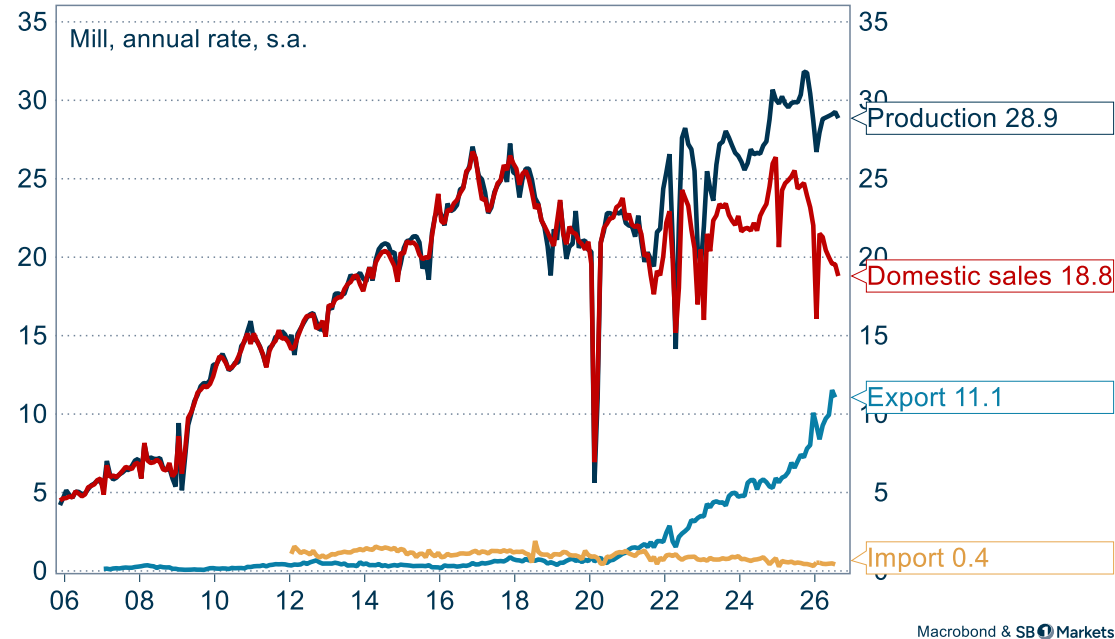




For how long will this model work?

Chinese auto exports have been soaring, as domestic sales have fallen substantially without a decline in production (until lately). Chinese exports suddenly equal more than 1/3 of Chinese production, and almost 1/7 of sales in the Rest of the World, from close to zero in 2020.

China Auto production, sales & exports

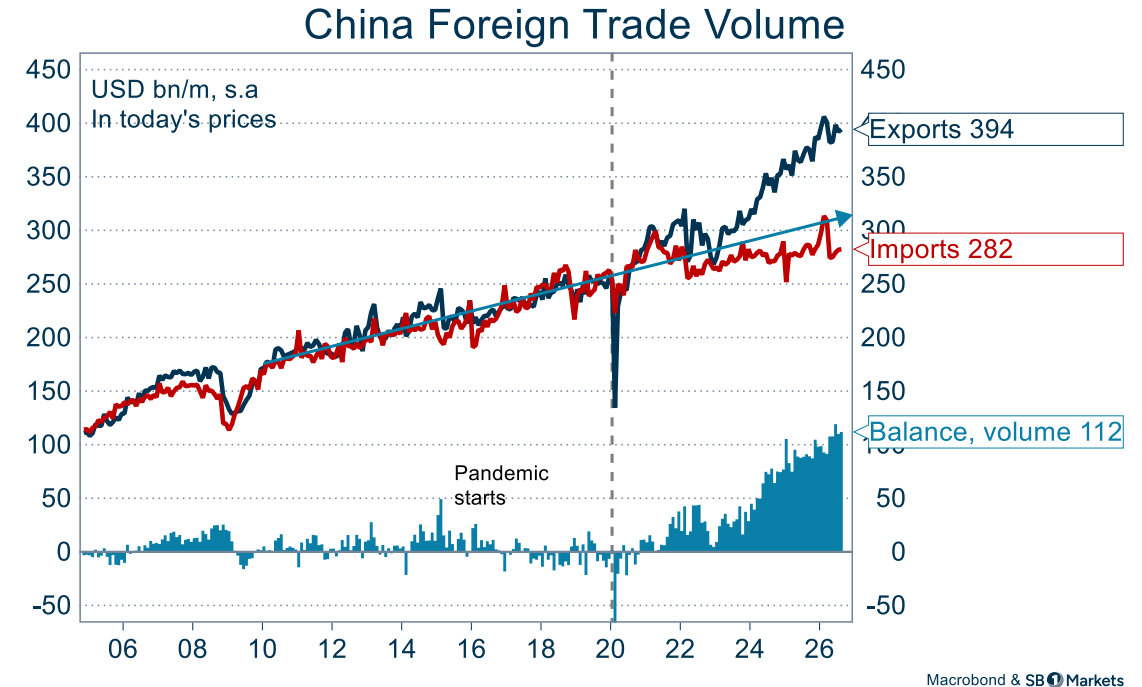
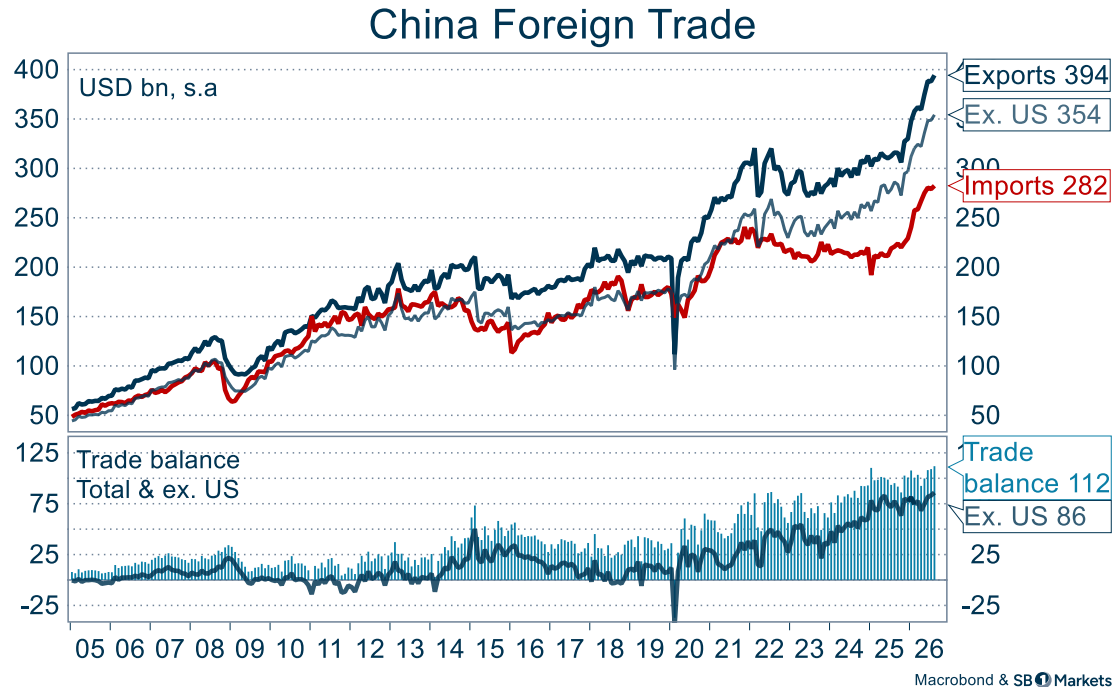


- Auto imports into China? Close to zero.



Both export and import values are surging; Import volumes are less impressive

Both exports and imports were close to expectations in August (up 25%, 28% y/y resp.). In volume terms, exports are up 5%, and imports are probably down, we assume 1%. Thus, trade supports GDP growth substantially. The trade surplus was record high, at USD 112 bn (s.a.)



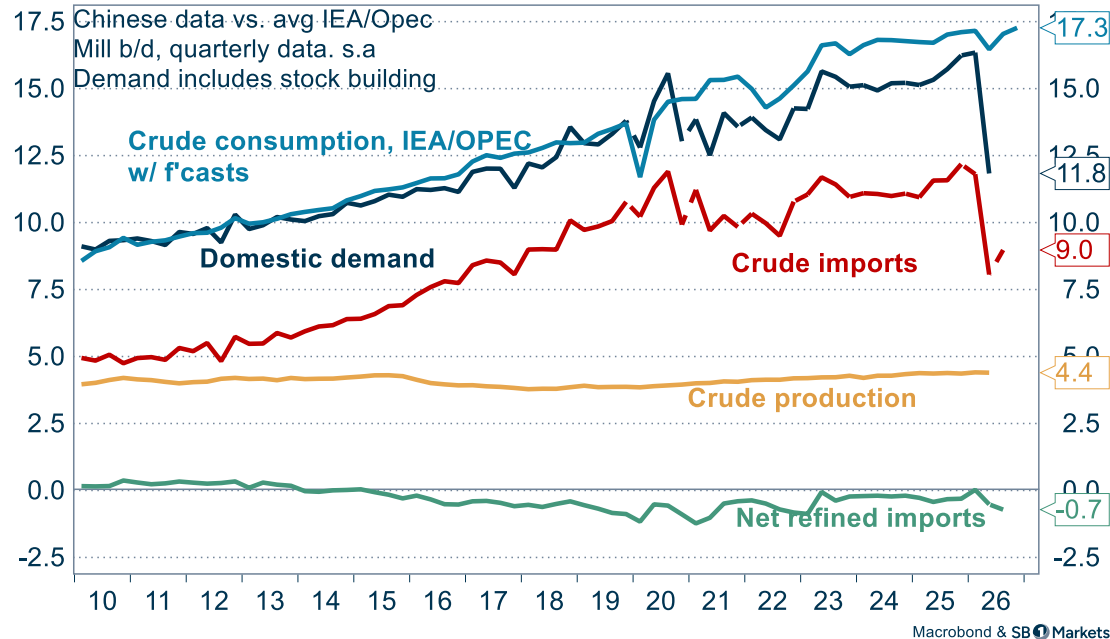
- **Exports** were up 2% m/m in August. Export volumes have not increased further recent months but are up 5% last year and are up almost 40% since 2021, and 60% from 2019.
- **Imports** rose 1% m/m. Import volumes have fallen sharply since early 2026 (oil), and the long-term trend is not much better than flat, even if exports, which require more imports, are sharply up. (And imports for domestic usage have fallen significantly).
- **The trade surplus** was slightly larger than expected, at USD 112 bn (s.a.), and the trend is slightly upwards, even if import prices have increased faster than export prices. In volume terms, the surplus has increased, supporting growth in production in China.
 - In value terms, the surplus equals above 6% of GDP, up from 2.5% before the pandemic. However, China runs a deficit in both services and foreign net income, and the **current account surplus** was 'just' 3.7% in Q1 (at the peak in 2007: 10%). This surplus measured in % of global GDP is also lower than 20 years ago. But still large.



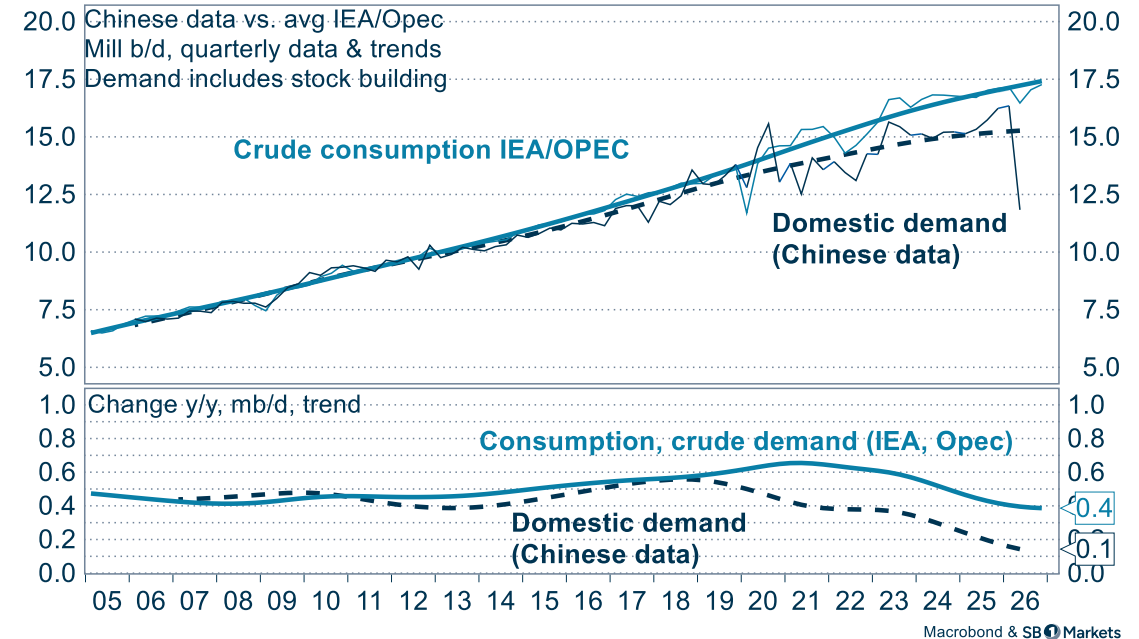
Oil imports remain way below a normal (and very likely sustainable) level

Imports rose marginally to 8.9 mb/d, still 3 mb/d below the early 2026 level. We very much doubt final oil demand has fallen by almost 20%, and inventories are now declining rapidly. These inventories are still large but will not last that long.

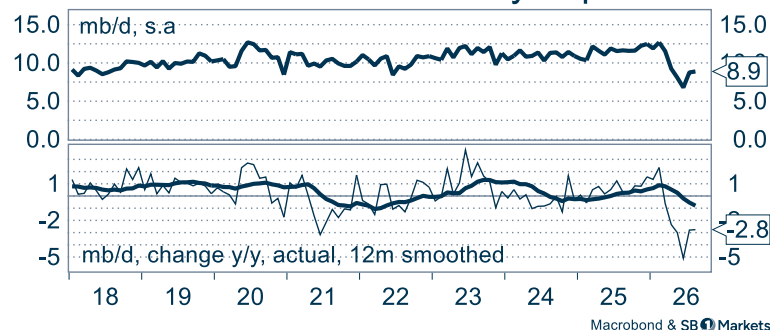
China Oil Production, Imports, Demand



China Oil Demand - Trends



China Crude oil monthly imports



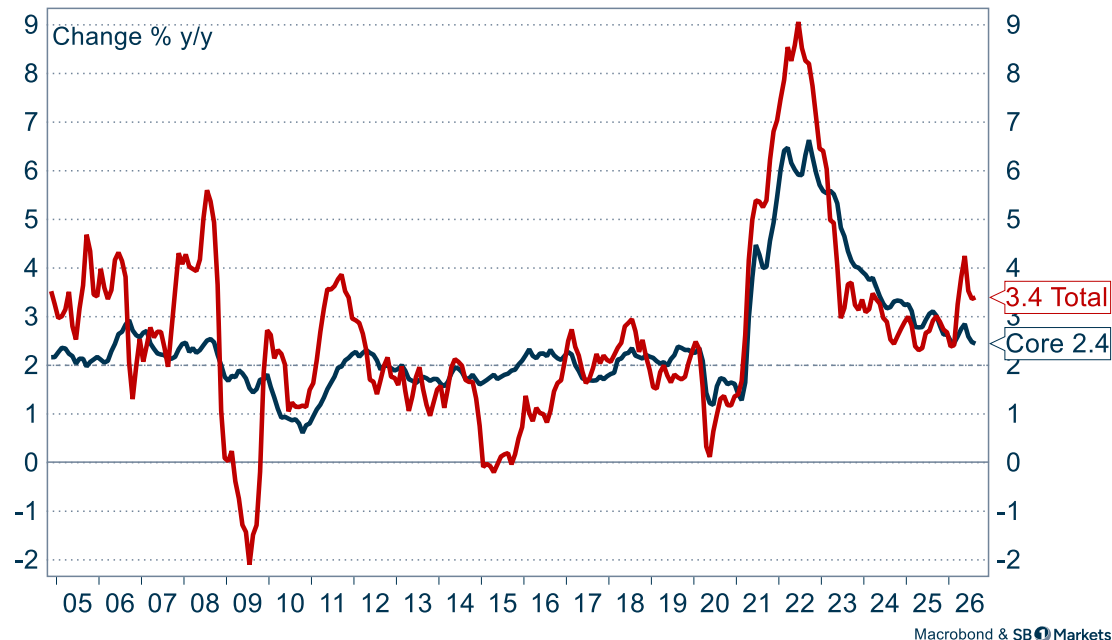
- Chinese **oil demand** has been trending up, at least until now, check the trend lines on the rhs. chart. Underlying long-term growth is still at 0.4–0.5 mb/d y/y
 - In both charts above, Chinese demand data (including changes in inventories) are compared with IEA's and OPEC's estimates of Chinese oil consumption/crude demand (averaged at the charts above, they are rather similar).
- China is tapping its **inventories**, probably both commercial and strategic. These inventories will very likely be replenished as soon as possible when the Gulf exports one day resume.
- Going forward, the rapid increase in **the share of EVs** will before too long reduce Chinese demand for oil, according to research conducted by our colleagues.



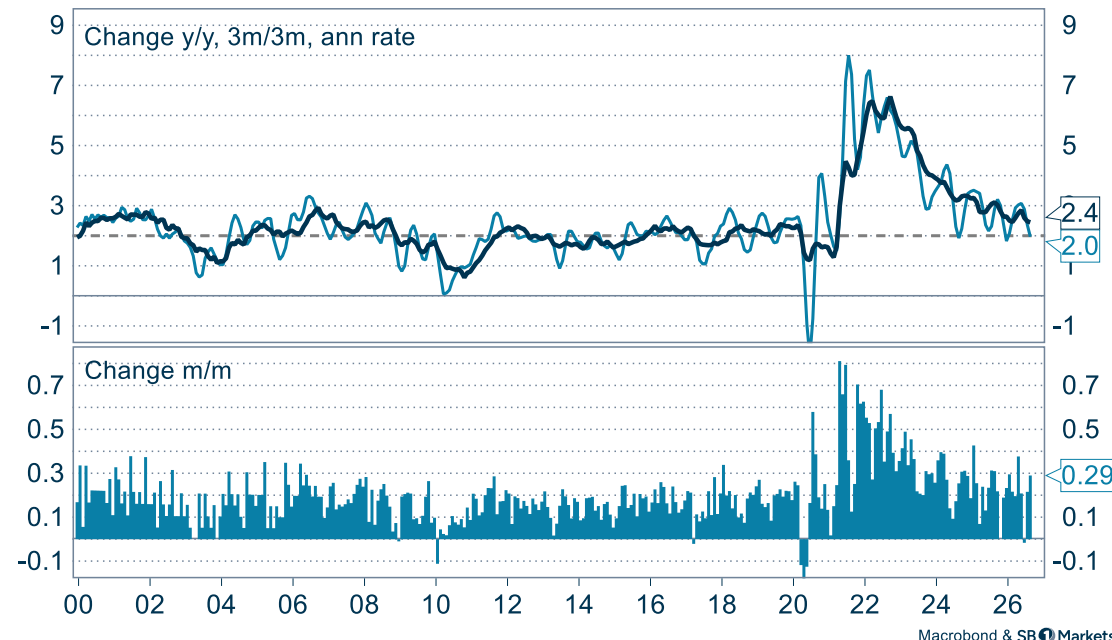
Core CPI up 0.3% in August, 0.1 pp higher than expected – still up 2.4% y/y, as expected

... and down from 2.5% due to happy rounding. The total CPI was up 0.4%, lifted by higher energy prices, as expected, and up 3.4% y/y. Price increases are slowing, and underlying growth in recent months is not far above 2%. However, the **3.4% headline suggests Fed will hike this week**

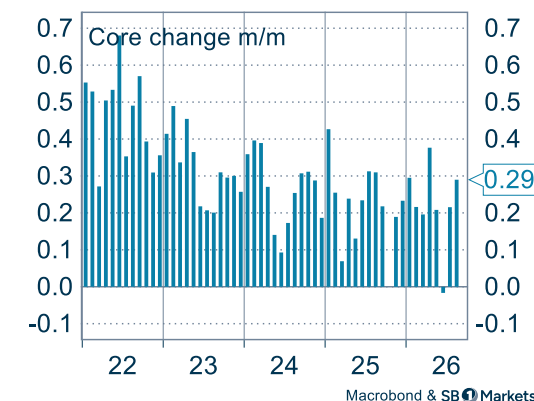
USA Consumer Price Index



USA Core CPI



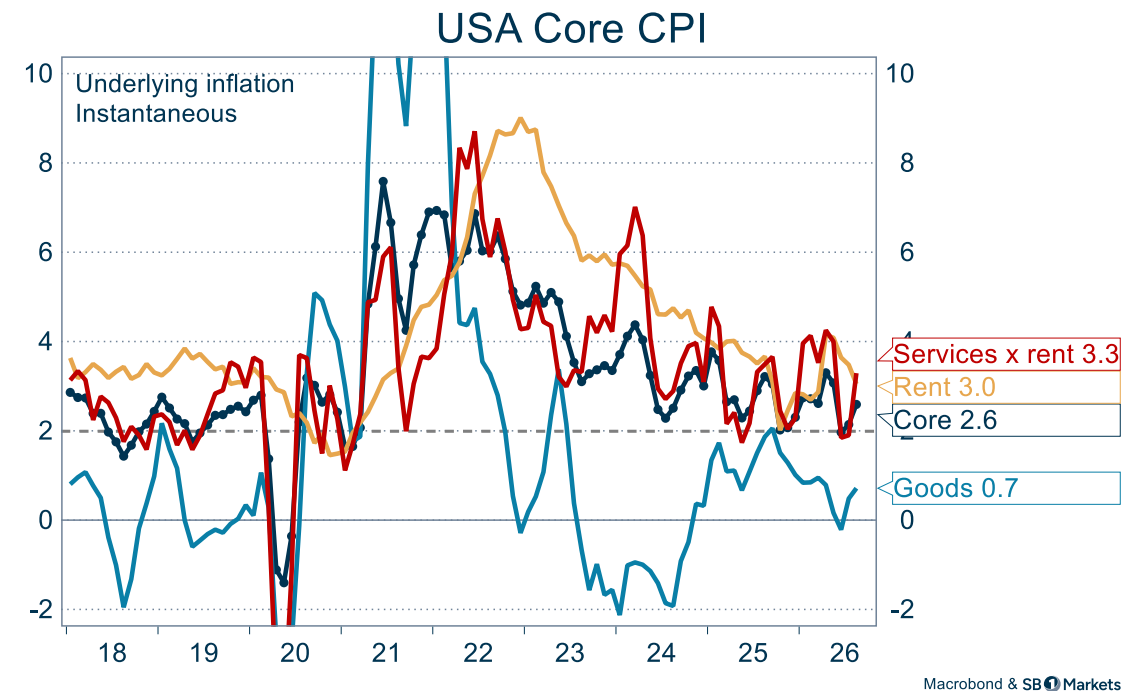
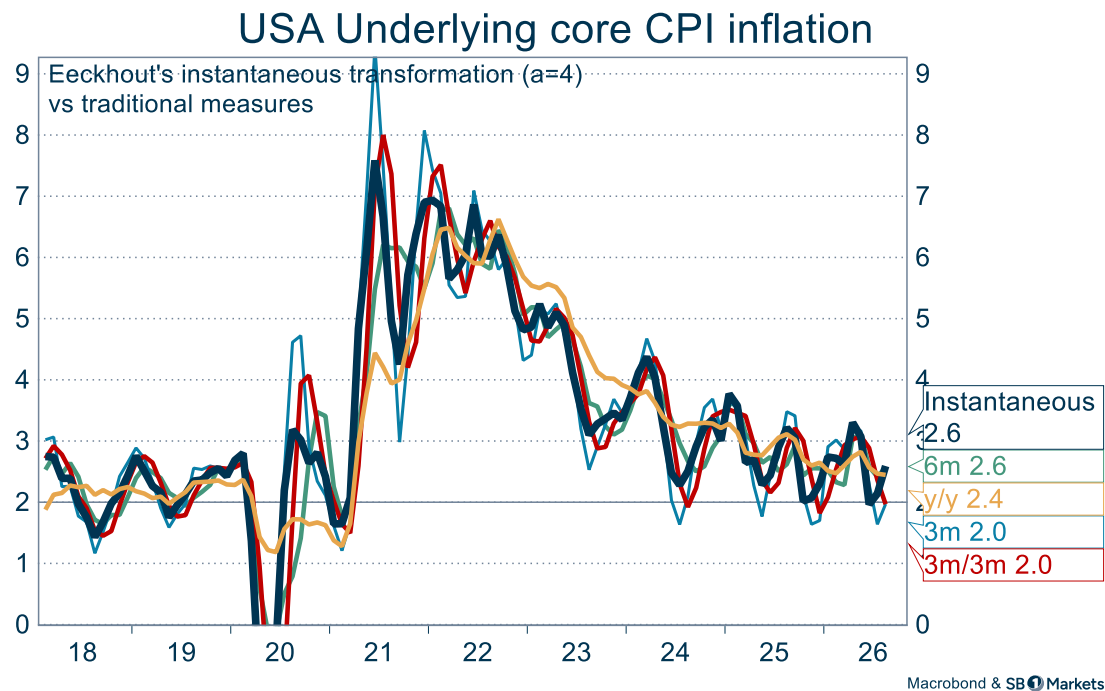
- **Energy prices** are up 16% y/y, and will probably accelerate further in September.
- Within the **core segment**, services ex. rents rose 0.5% and are up 3%. Rent inflation is has flattened at 3% y/y. Core goods are up 0.4%. The monthly growth rate was the highest since April. Underlying growth measured over the recent months are in the 2.0 – 2.6% range.
- **The outlook:** wage inflation is slowing, while productivity growth remains brisk (at least vs. recent history). Thus, **Unit Labour Costs growing slower**, in fact well below 2%, which over time will lower CPI inflation, barring further energy shocks or a forever increase in profit margins – which never has happened before. This is the best argument for patience, but actual inflation is well above target, and the labour market is balanced (or on the tight side). Given Warsh' inflation statements at Jackson Hole, and comments from most other FOMC members **a hike this week seems rather likely**.





The avg. of our underlying CPI core inflation measures remains close to 2%

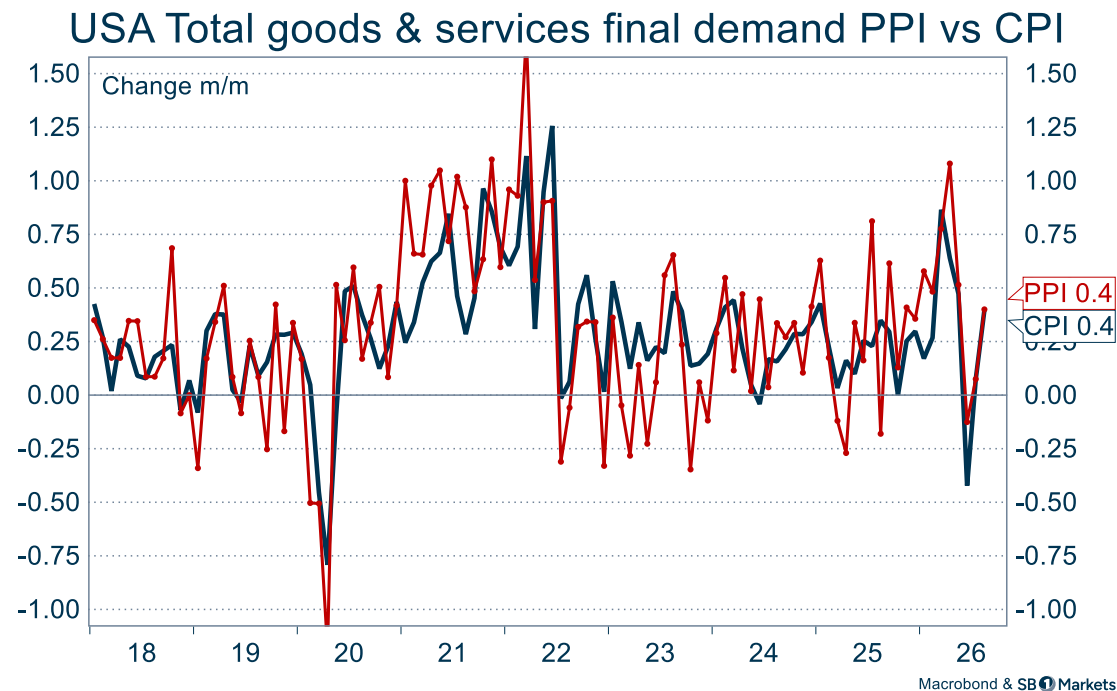
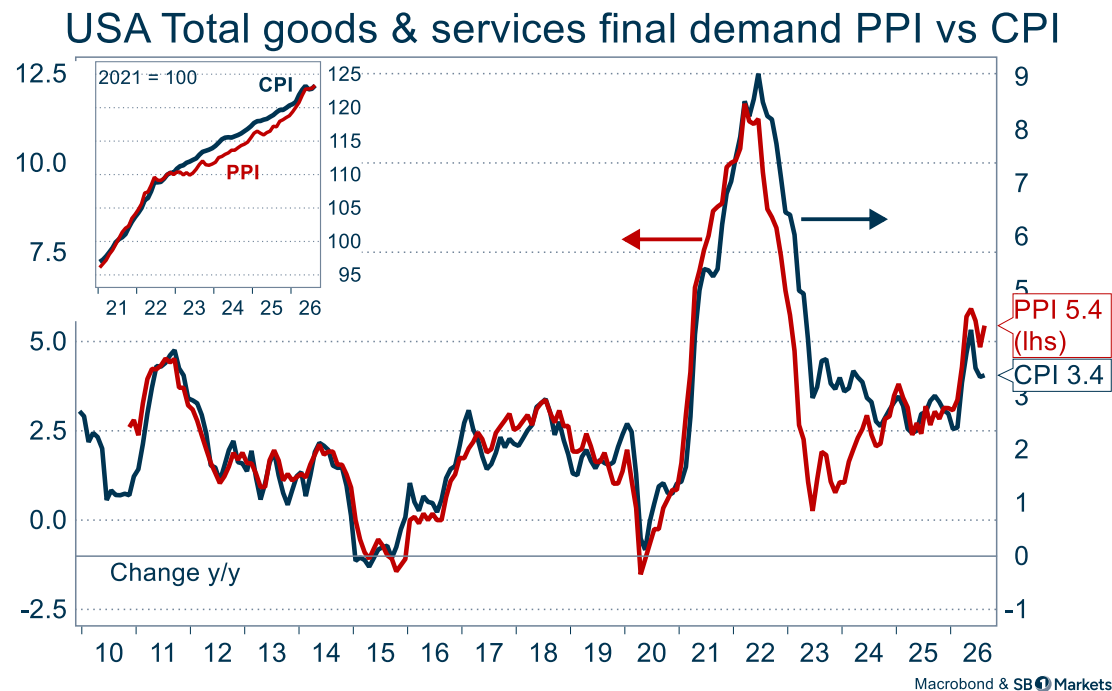
... but on the upside of 2. Services ex. rents accelerated in August. Rent inflation has slowed to 3.0% and core prices are up 0.7%, all measured by annualised price increases recent months.





Producer prices a tad higher than expected, up 0.6 pp to 5.4% y/y, 0.1 pp > expected

A 5.4% growth rate does not suggest a decline in CPI inflation. The monthly lift was 0.4 pp was as expected (but history was revised up). Energy prices rose 4.2% m/m. PPI for core goods and services for personal consumption rose by 0.2%, above expectations (*check next page*).

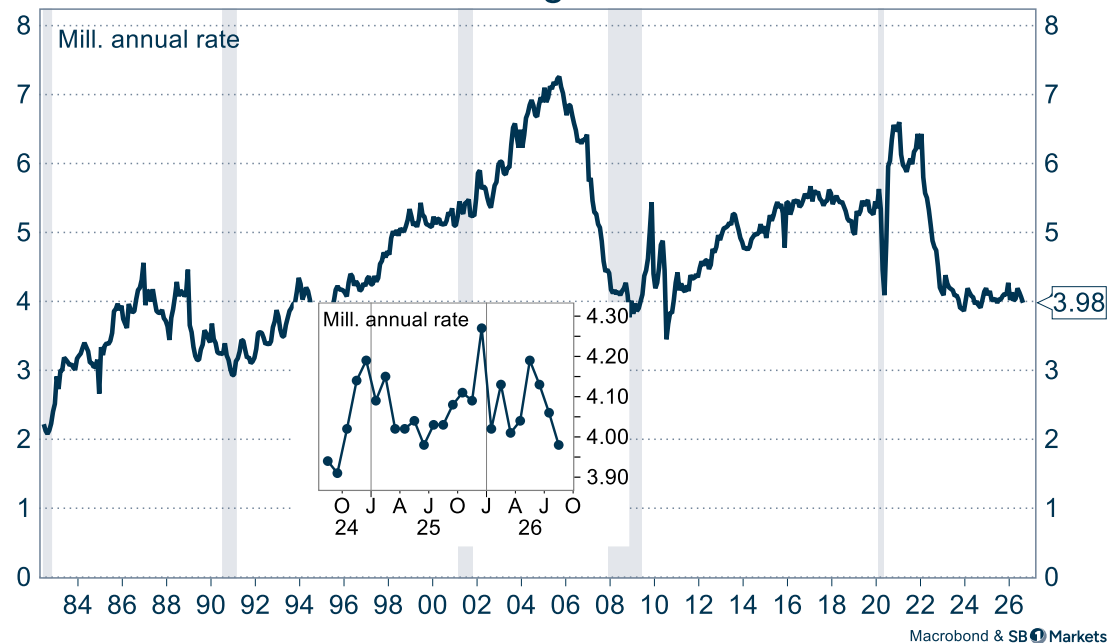




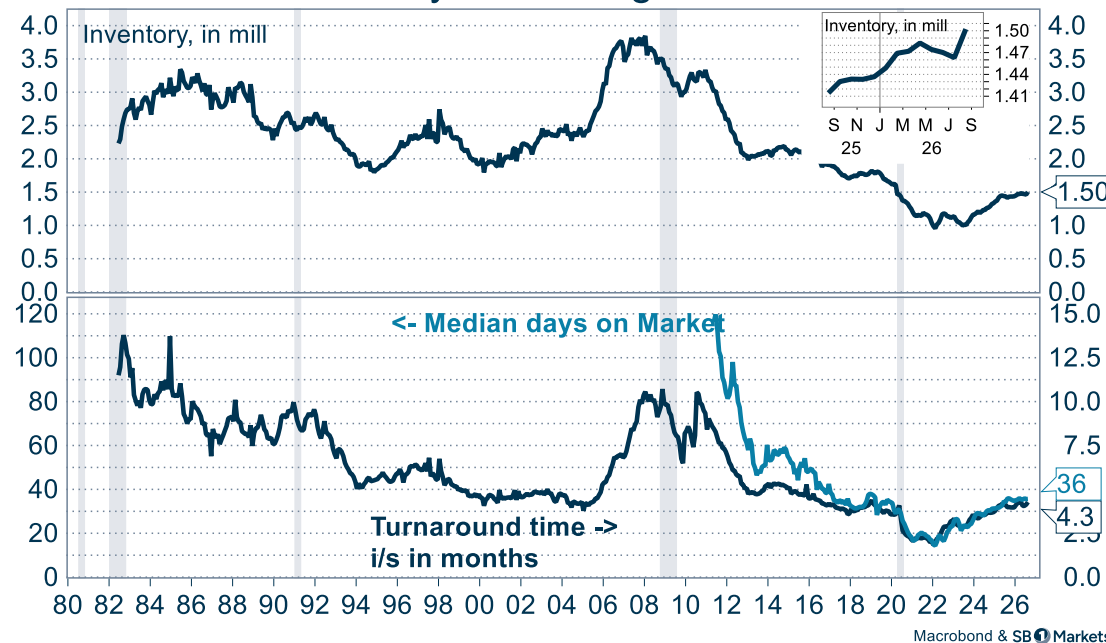
Existing home sales down in August too, and the level is low

Sales fell by 7,000 to 3.98 mill, as expected. The level is low and the trend over the past 3 years is flat. The inventory of unsold homes is below a normal level, also vs. sales, but is slowly trending upwards. Prices fell marginally, but are up 1.5% y/y.

USA Existing home sales



USA Inventory of existing homes for sale

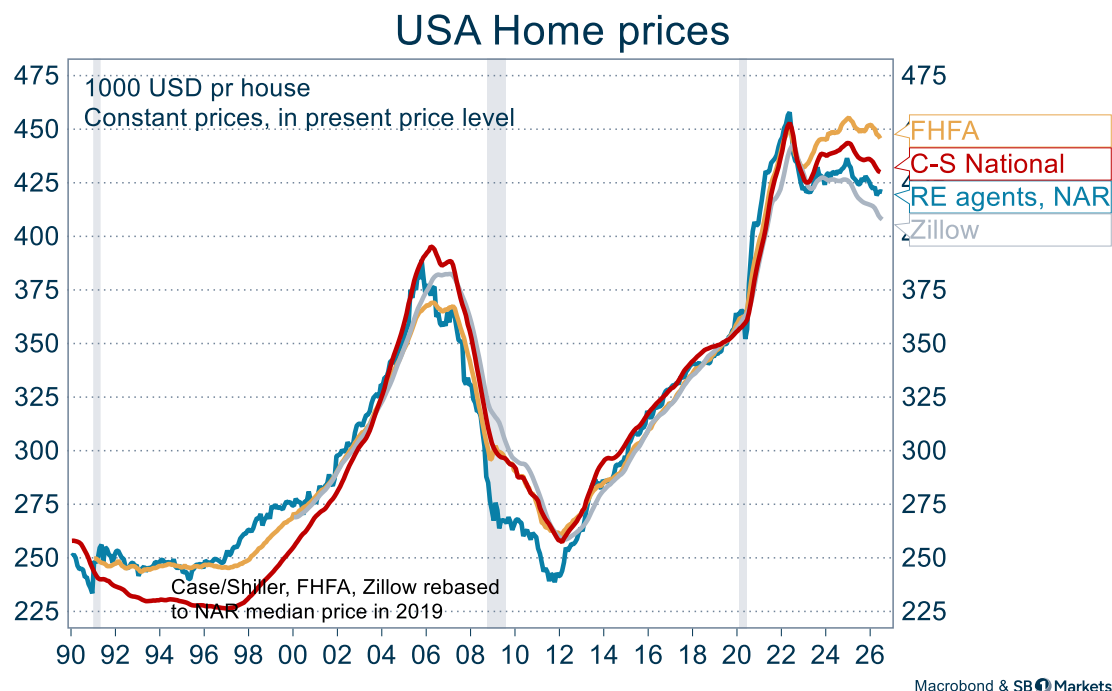


- The inventory is still at a low level, but well up from the bottom in 2022/23, also measured vs. sales.

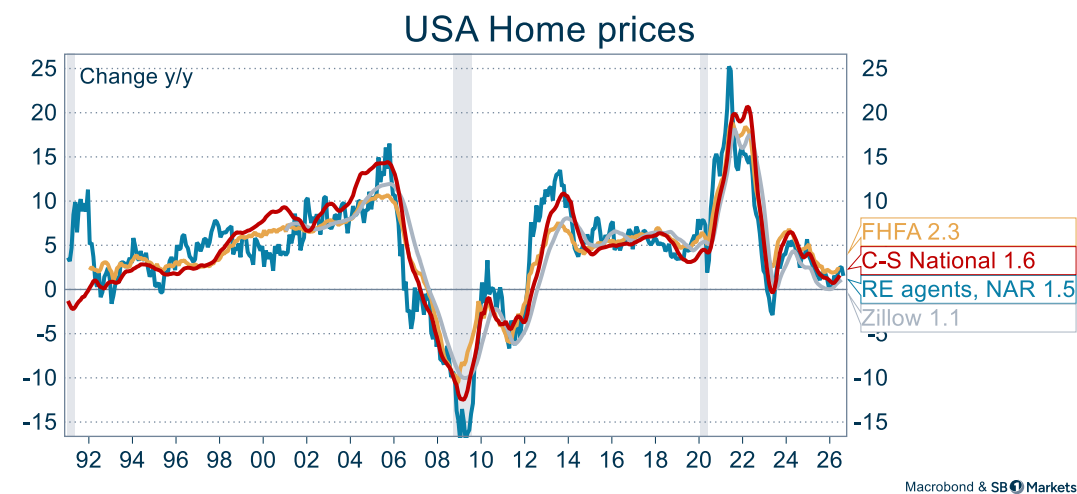
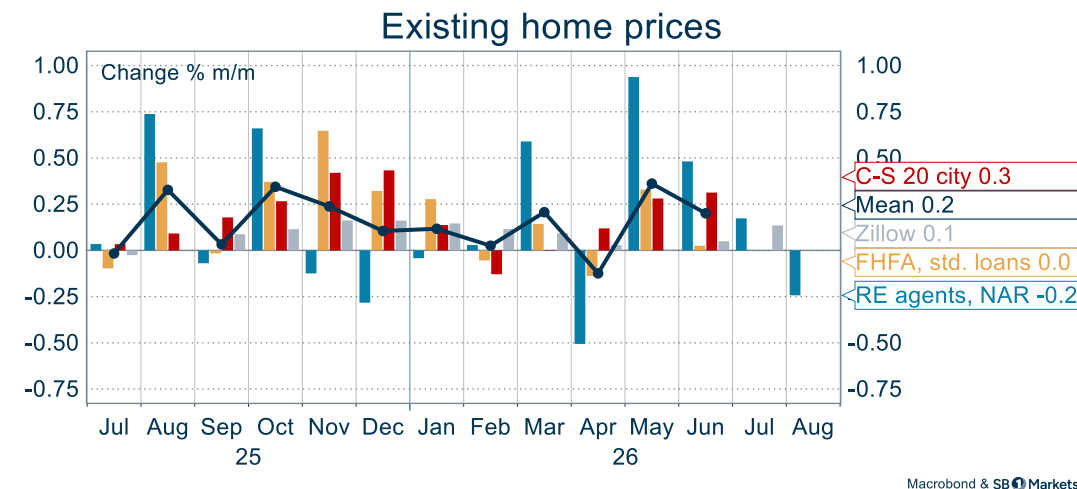


Housing prices are trending slowly upwards, but well below CPI and wage inflation

Realtors reported a 0.1% price increase in July, and are up 2.0% y/y. Other price indices are up 0.9–2.2% y/y.



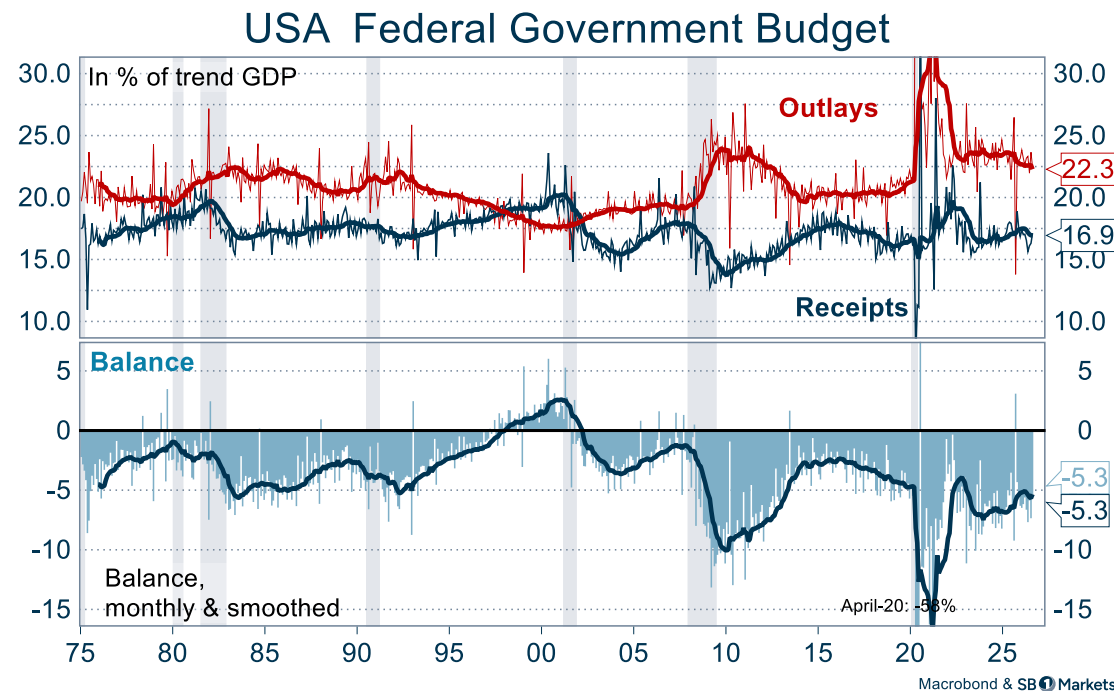
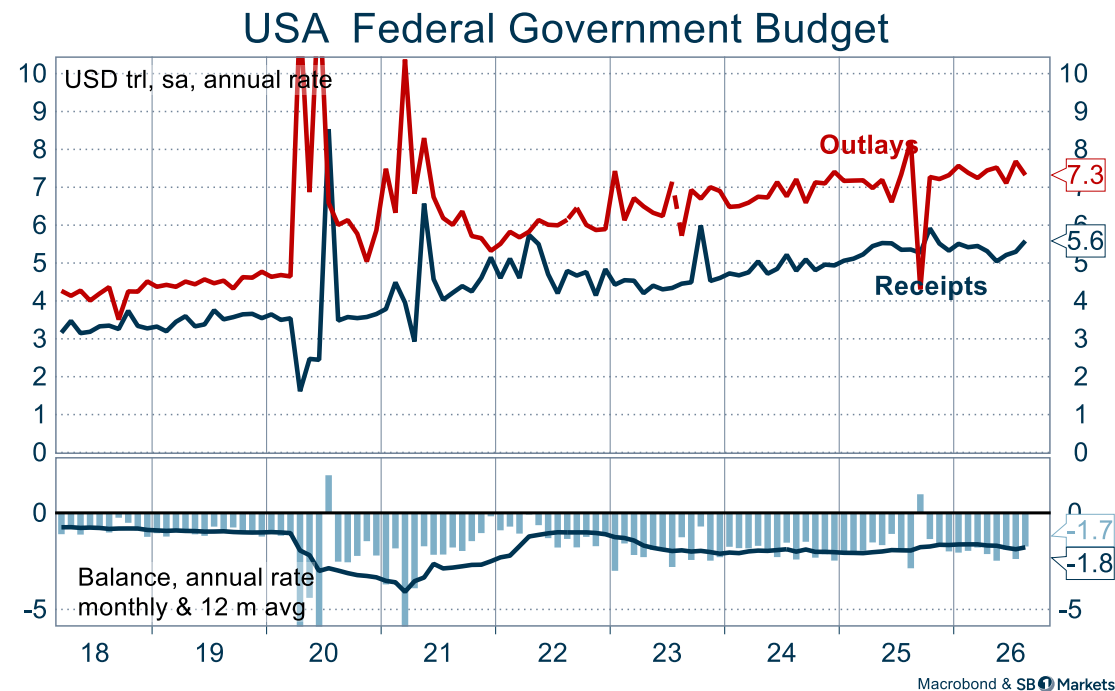
- **The NAR price stats** refers to transactions that were completed in July, which were mostly closed in May and June
- **Other price indices** confirmed slow growth nominally, and a decline in real terms.
- **Home prices** rose more than 40% during the pandemic. Real home prices are down from the 2021 ATHs, but they are far above the 2005 peak, before the Financial Crisis.





The federal budget deficit slightly reduced in August but remains large

Receipts grew while outlays were slightly cut in August, and the deficit was slightly reduced. The budget deficit equalled 5.3% of GDP in August, equal to the average the past 12 months, and is slightly reduced as outlays are trending marginally down vs. GDP

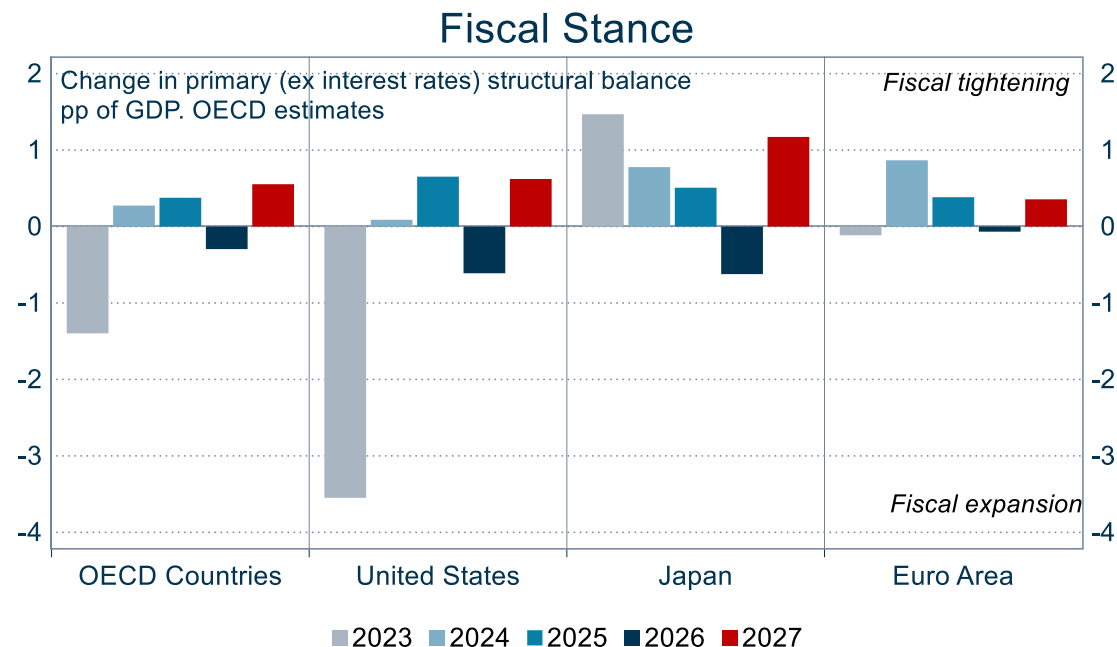
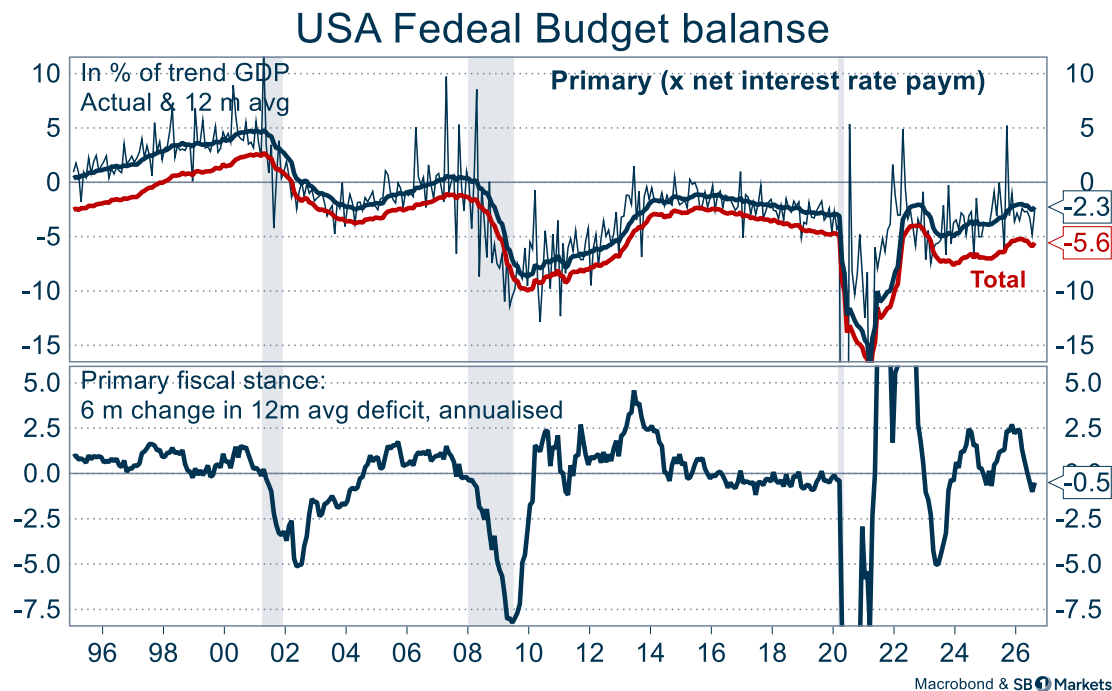


- **The deficit** remains *significant*, especially considering the *robust economy* and *low unemployment rates*. The primary deficit will probably widen in 2026 (OECD assumes 0.6 pp of GDP), followed by a similar tightening in 2027. Time will show.



OECD expects a widening of the US primary deficit in 2026 before a tightening in 2027

OECD does not expect any material fiscal expansion in the Euro Area in 2026, and a tightening in 2027 (that is, no signs of a fiscal stimulus due to defence or infrastructure investments).

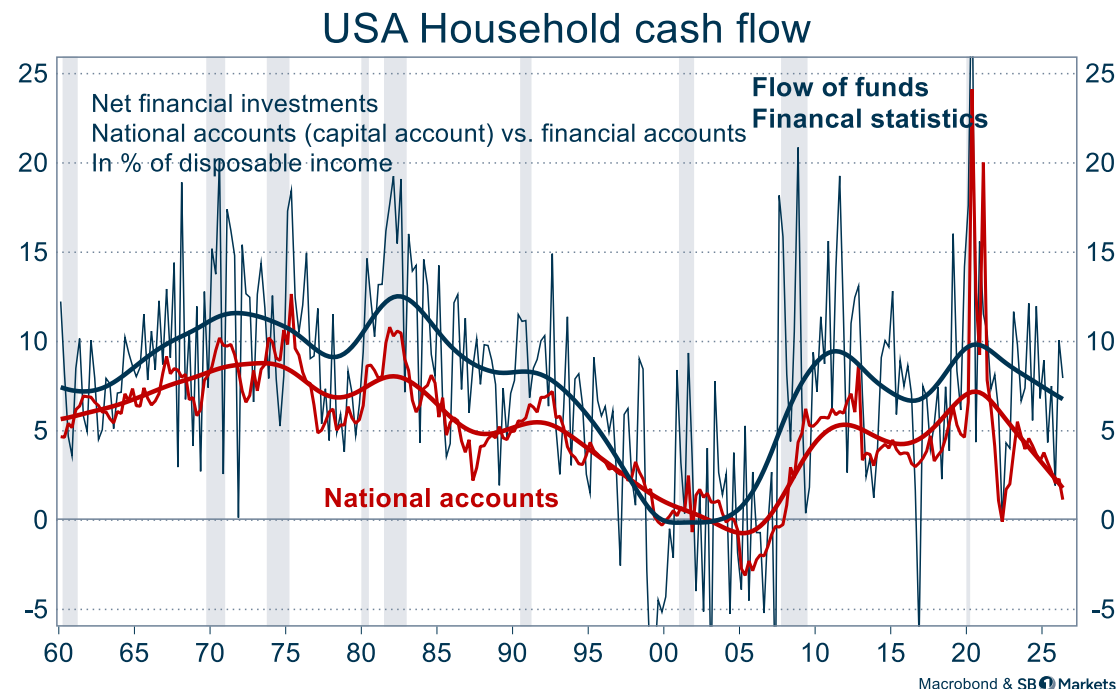
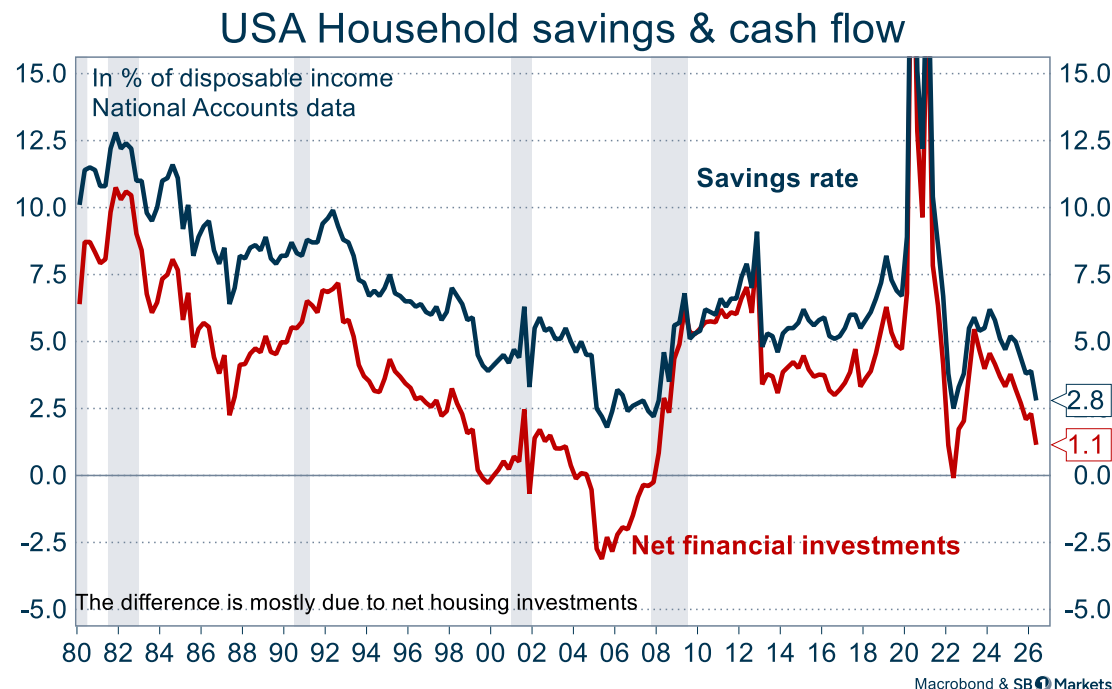


Macrobond & SB Markets



Households' saving and net financial surplus fell further in Q2.

The savings rate was 2.8% in Q2. Even if housing investments are on the low side, and requires less cash than normal, the net financial investment rate in national accounts is low as well, at 1.1%. Financial accounts report far more comfortable cash surplus, at 8% of disposable income



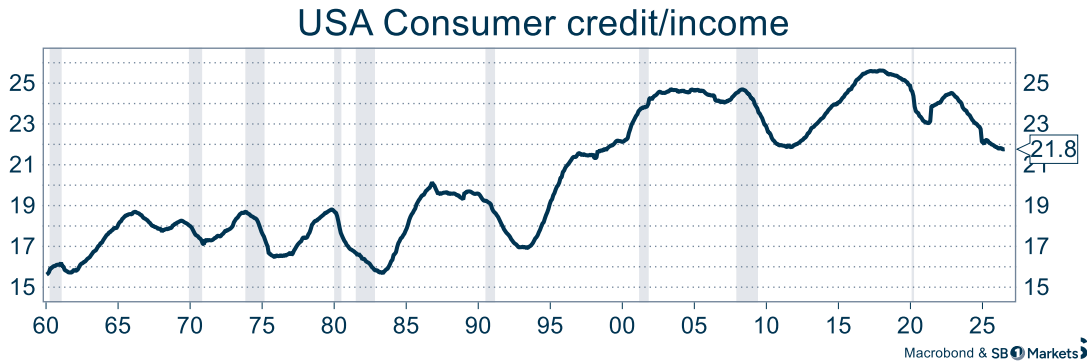
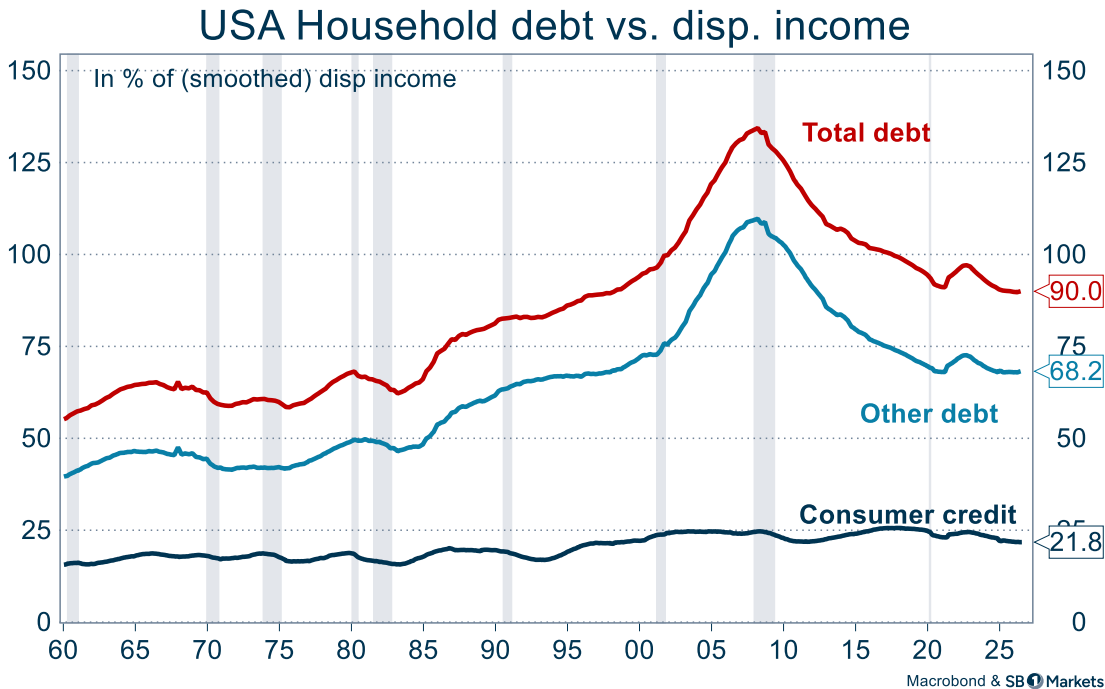
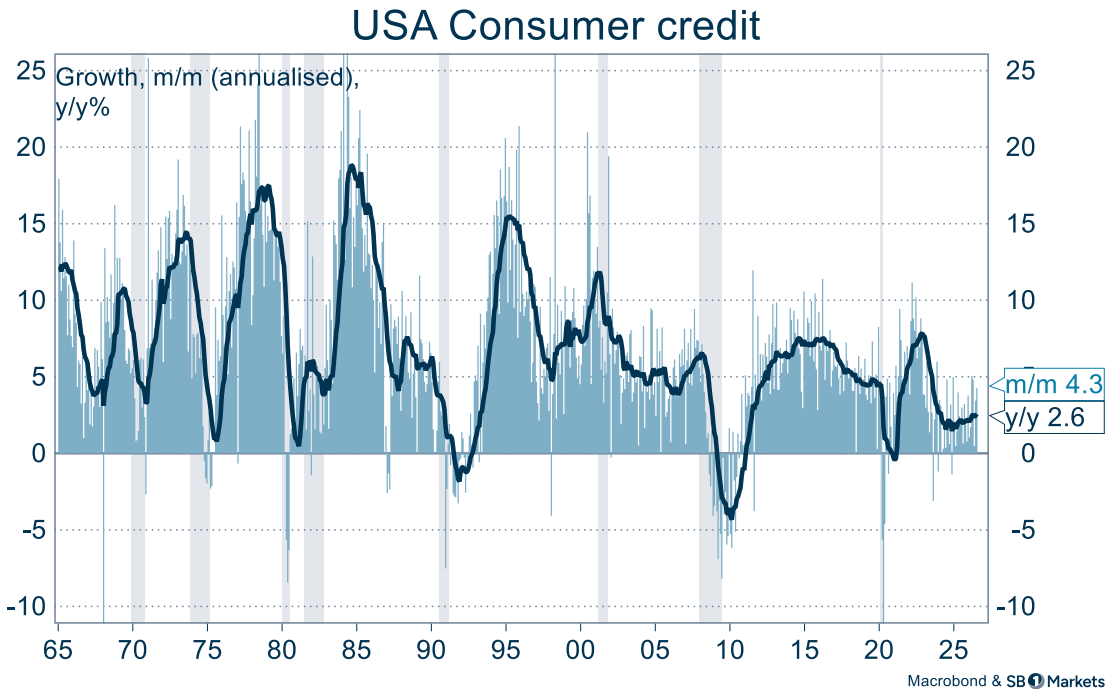
Households increase their net financial assets through transactions by running a cash surplus (spending less than their incomes)

- **Savings** = Income – Consumption
- **Net financial investments** (the 'cash flow' via income/spending in national accounts)
= Savings – Net investments in real capital (mostly housing) (**national accounts**, *check the chart to the left*)
- **Net financial investments can also be measured via households' transaction in financial assets**, financial accounts, aka Fed's 'Flow of funds' statistics.
= Change in financial assets due to transactions – Change in debt (*check the chart to the right above, and next page*).
- There is a disturbing, and lasting (at least in average), **discrepancy** between these two calculations of households' net financial investments. In average, the discrepancy equals more than 2% of their disposable income!



Slow growth in consumer credit and the LTI ratio declining – like the total LTI ratio

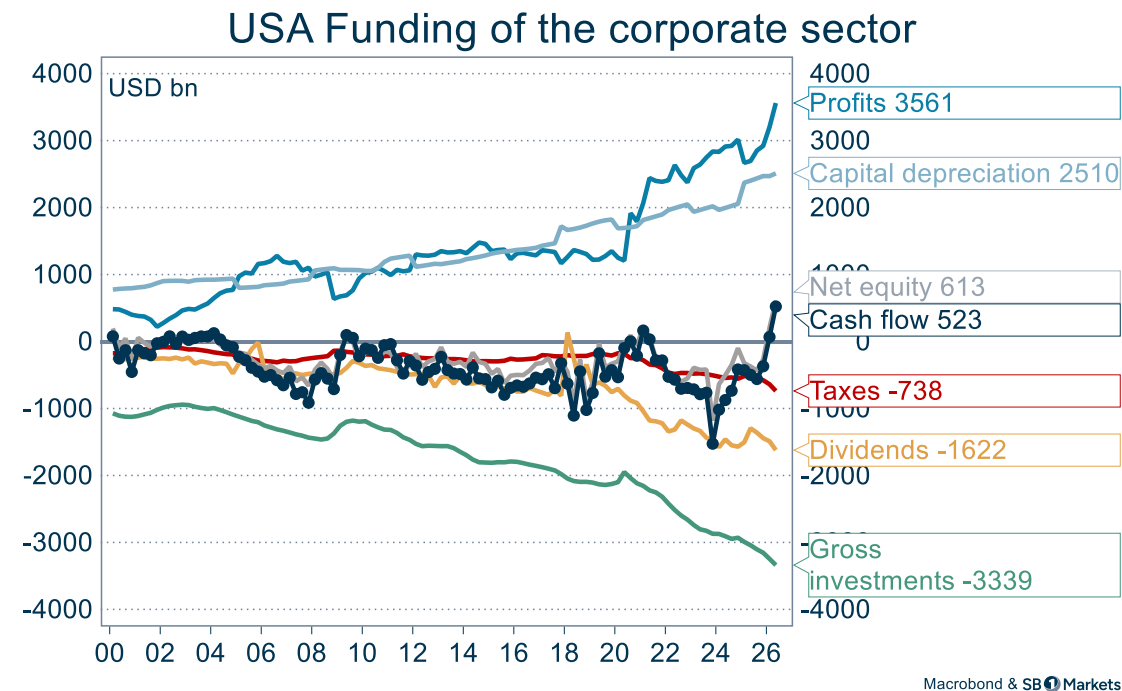
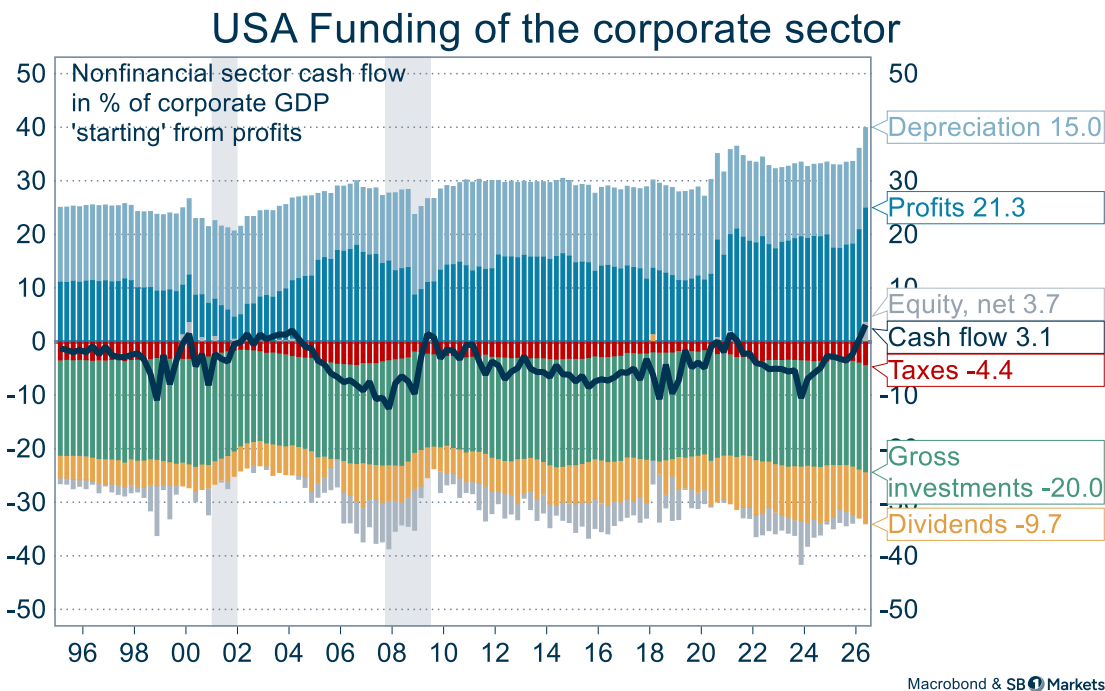
Outstanding consumer credit is up just 2.5% y/y





The corporate cash flow is positive, which is highly unusual

Investments are up but higher profits and net positive equity issuances have both come to the rescue.

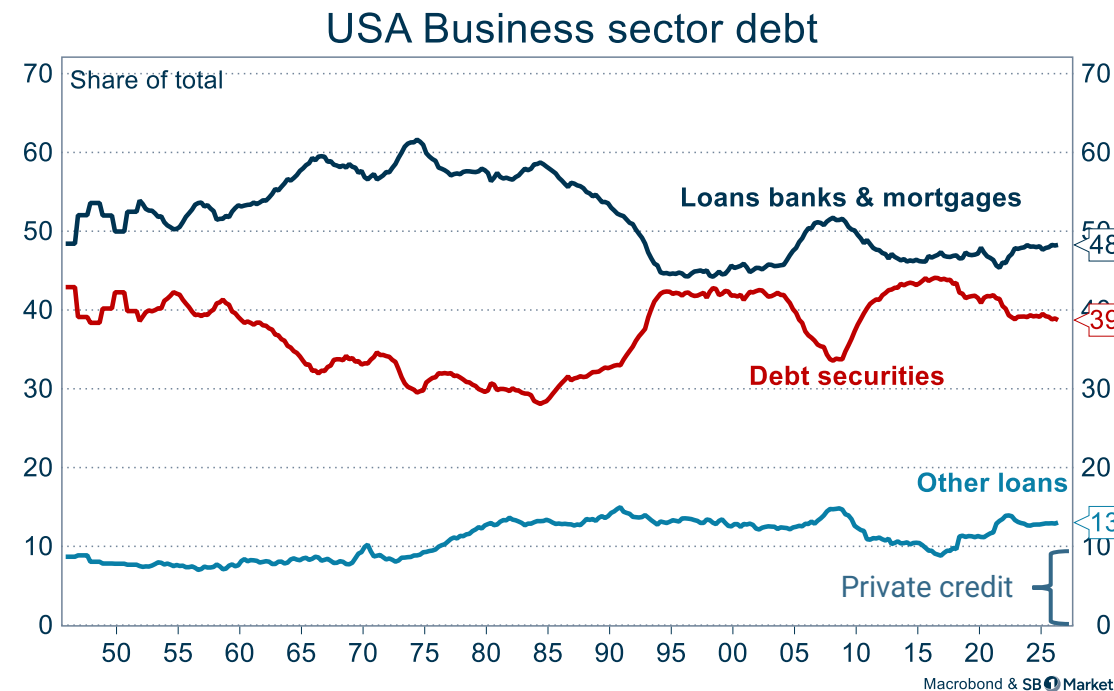
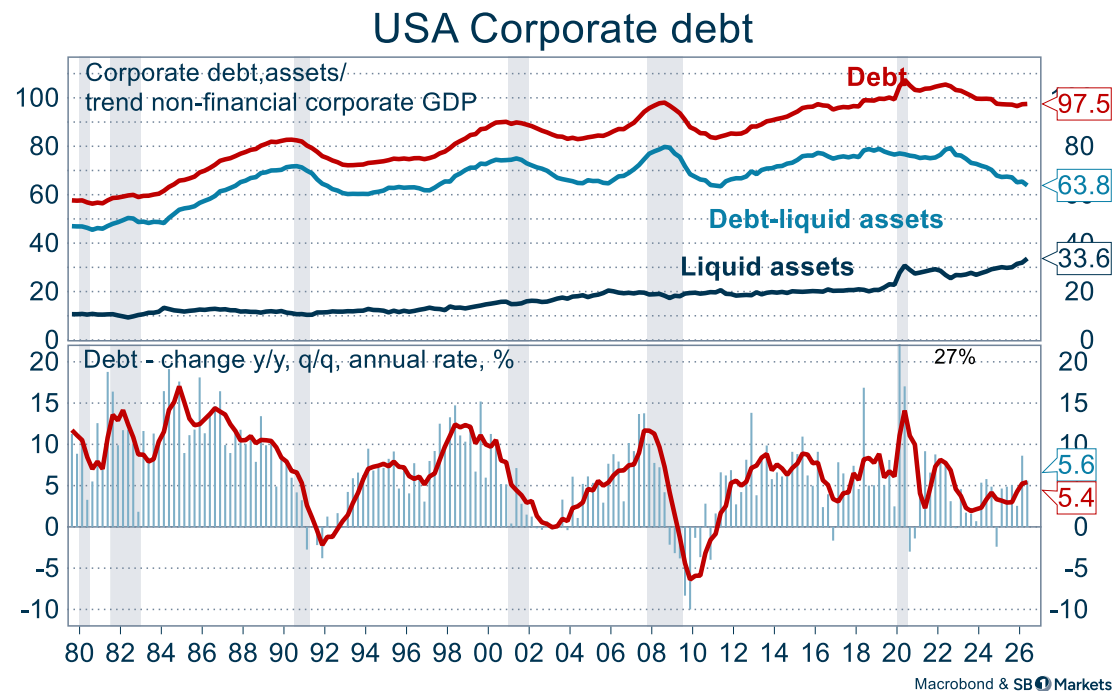


- The net cash flow has normally been negative, that is the companies have to increase net borrowing to fund the gap.



Corporate debt growth slowed in Q2 and is up a modest 5.4% y/y

The debt ratio vs (corp. GDP) has flattened followed a decline since the pandemic. The net debt ratio (debt-liquid assets), decline steadily, and is at **the same level as 30 – 40y ago!** Private credit equals less than 10% of corporate debt, by itself manageable.



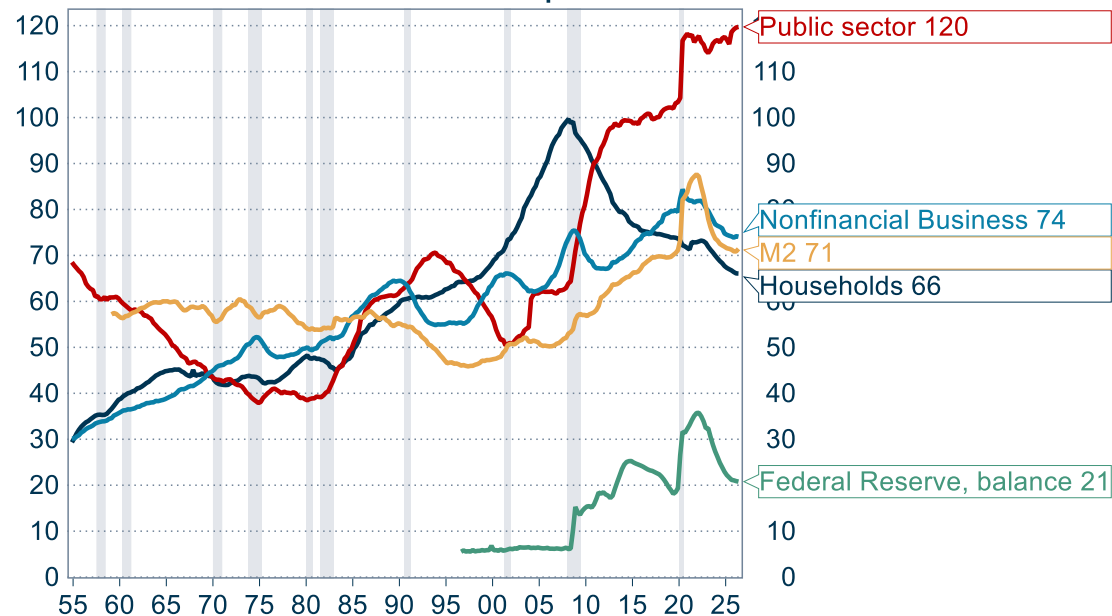
- **Non-financial corporate debt** rose at a 5.6% (annualised) pace in Q2, down from 9% in Q1, the highest since the pandemic. Measured y/y, debt is up by 5.4% and slowly accelerating. Corporate debt grew by USD 200bn in Q2, equalling 0.7% of GDP (BTW, the public sector borrows 10 x more).
 - **Total non-financial corporate debt** equals USD 15,700 bn. **Private credit** equals less than 10% of the total debt burden. Even if the credit quality is very likely sub-standard, credit losses in this segment will most likely not rock the whole credit system – but some activities will surely not be funded as the credit quality has come under scrutiny.
- During the pandemic, companies increased their **liquid assets** sharply, to the highest level ever (absolute, and vs. value added), and the level remains high. Thus, the **debt-liquid assets ratio** (vs corporate value added) in the non-financial sector is falling rapidly and is at the same level as in the late 80ies!
- **The investment cycle** is still live and kicking, due to AI investments. Other investments are on the way down vs. GDP. The moderate lift in credit growth in H1 may be a warning sign. However, as debt has been growing at a slow pace for a while, and overall debt ratio is flat, the risk for a sudden halt in the credit flow, forcing companies to cut investments, seems to be limited.



Public sector debt is the challenge, not private sector debt

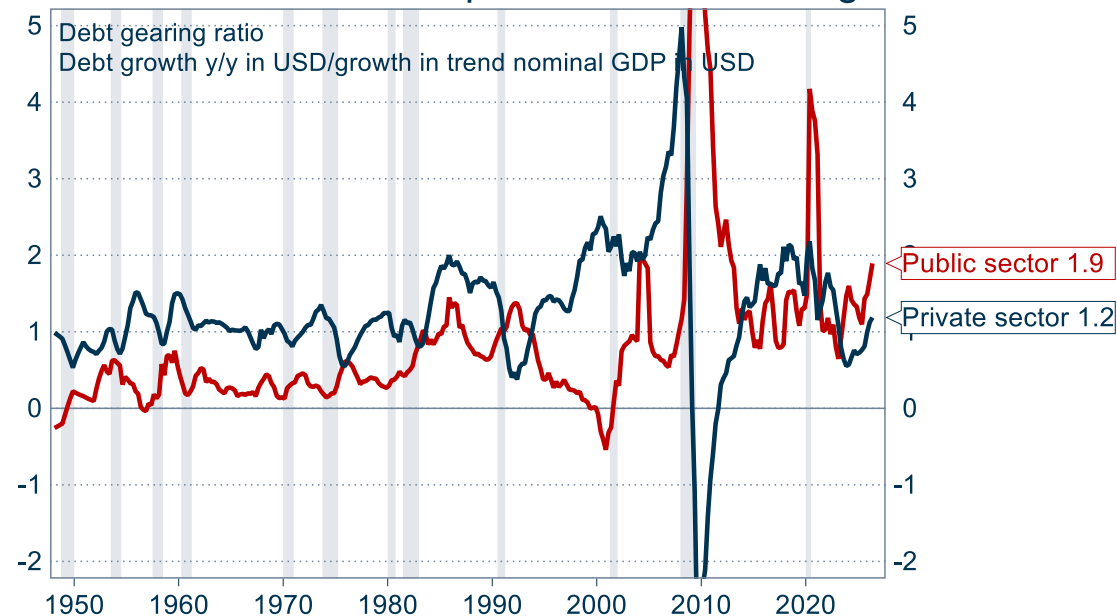
Households have reduced their debt ratio the past 18 years, businesses the past 6 years - which cannot be said about public debt. Public debt is also increasing far faster than private sector debt.

USA Private vs public sector debt



Macrobond & SB Markets

USA Private vs public sector debt - growth

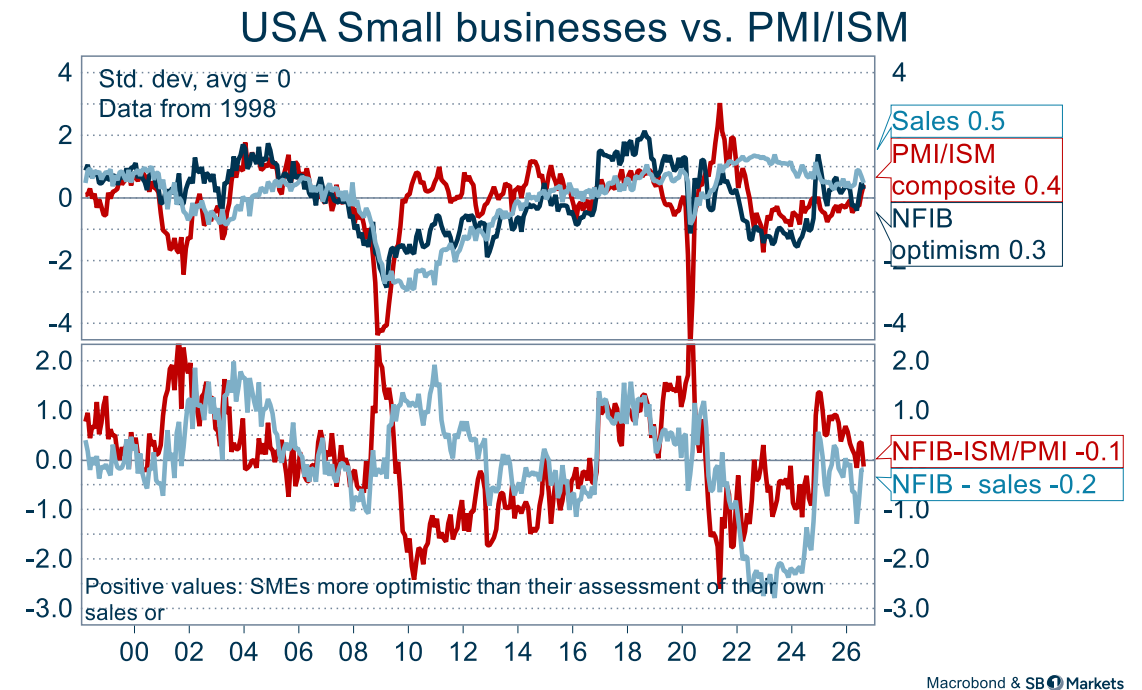
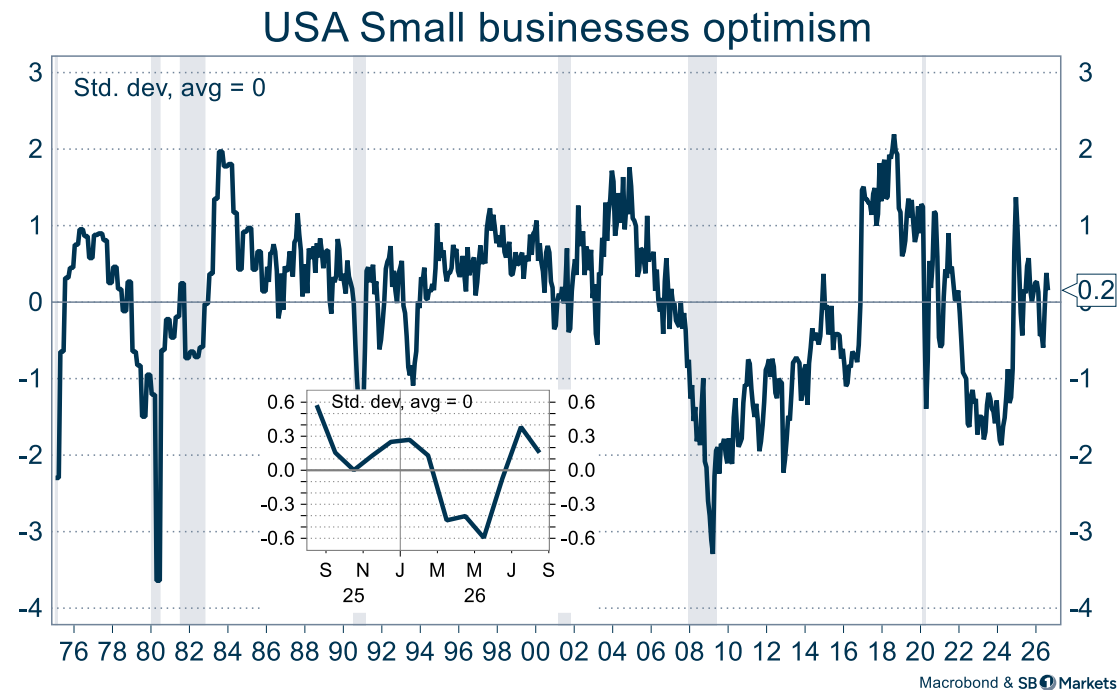


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SME optimism further declined slightly in August, still above average

Sales reports were less upbeat than in July, still above average.



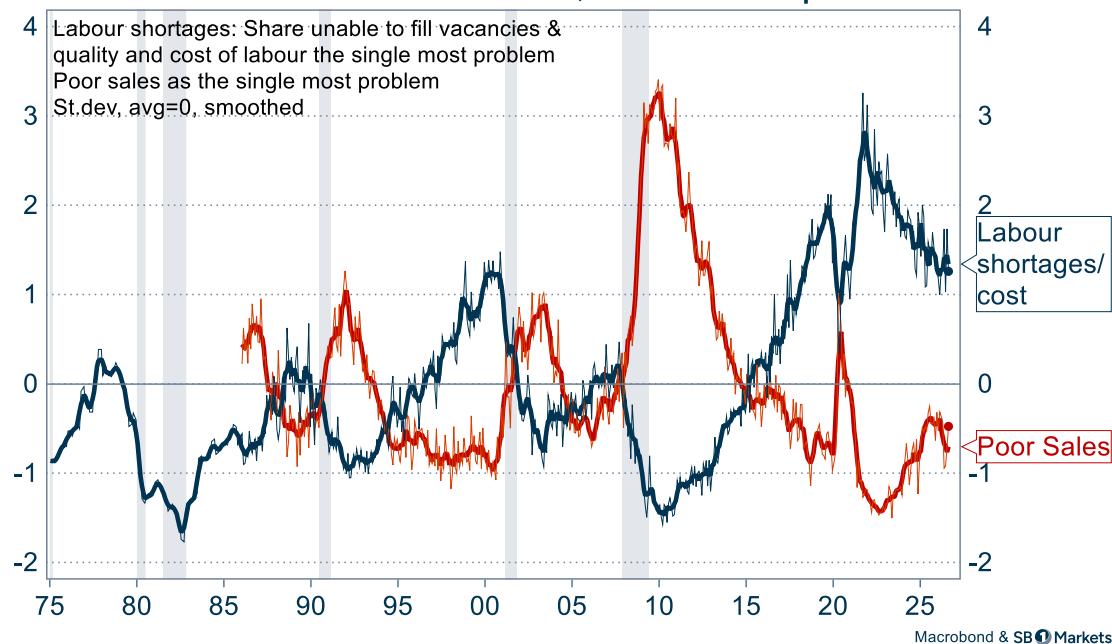
- The **NFIB optimism index** declined 0.2 std. dev. to 0.2 above average.
 - The ISM/PMIs average is 0.4 s. d. above par, signalling some 3% GDP growth.
- **Labour constraints/costs** have turned up again lately, and the level is far above average. The share of companies reporting **poor sales** has been trending slowly upwards but has fallen the past 3 months.
- **Hiring plans** shot up to far above average in August
- **Investment plans** were revised marginally down in August, following a lift earlier in the summer. The level is still below average, but not by much.
- **Price hike plans** were cut further somewhat back but still signals inflation above normal.



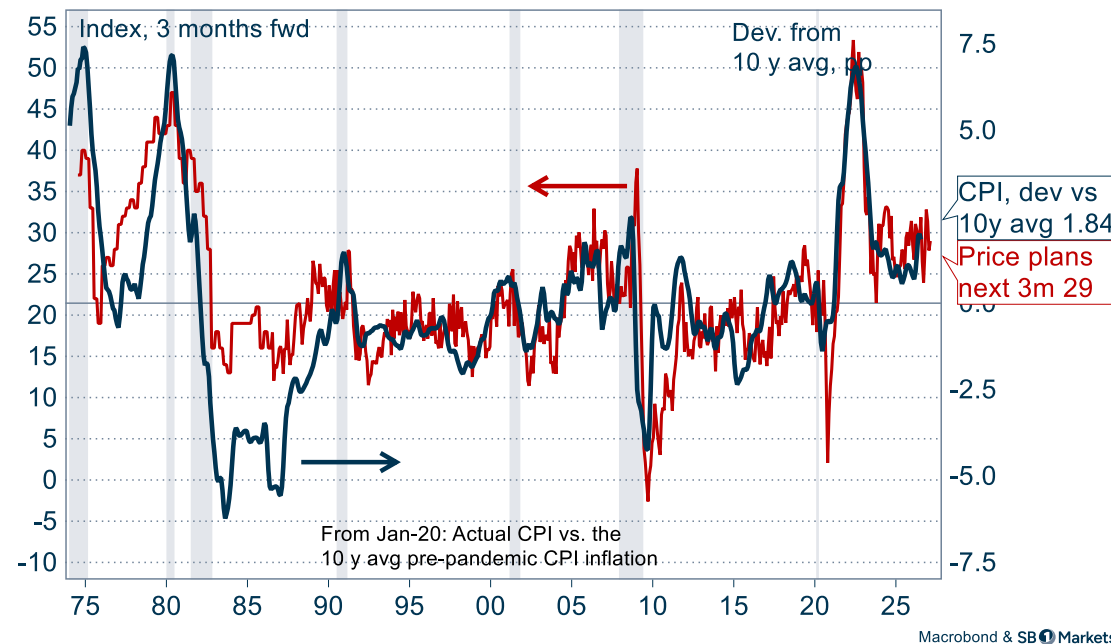
Big picture: labour shortages/costs still the problem, not poor sales

Price plans are well above average, which normally has been consistent with inflation well above average

USA Small businesses, what's the problem?



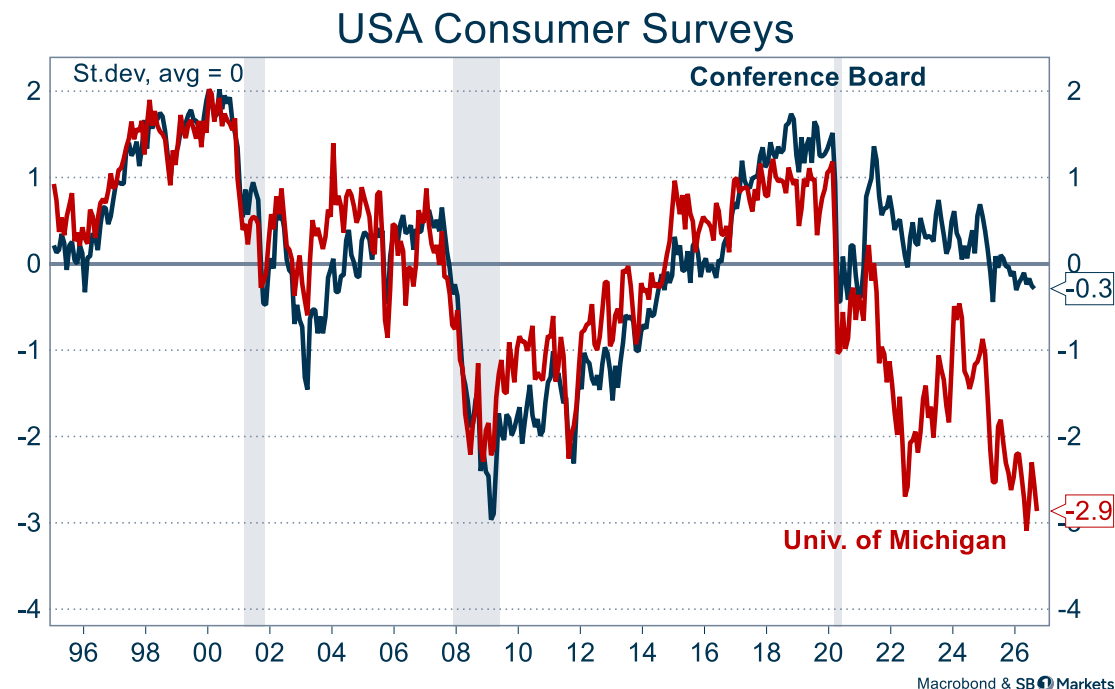
USA Small Businesses Price Plans



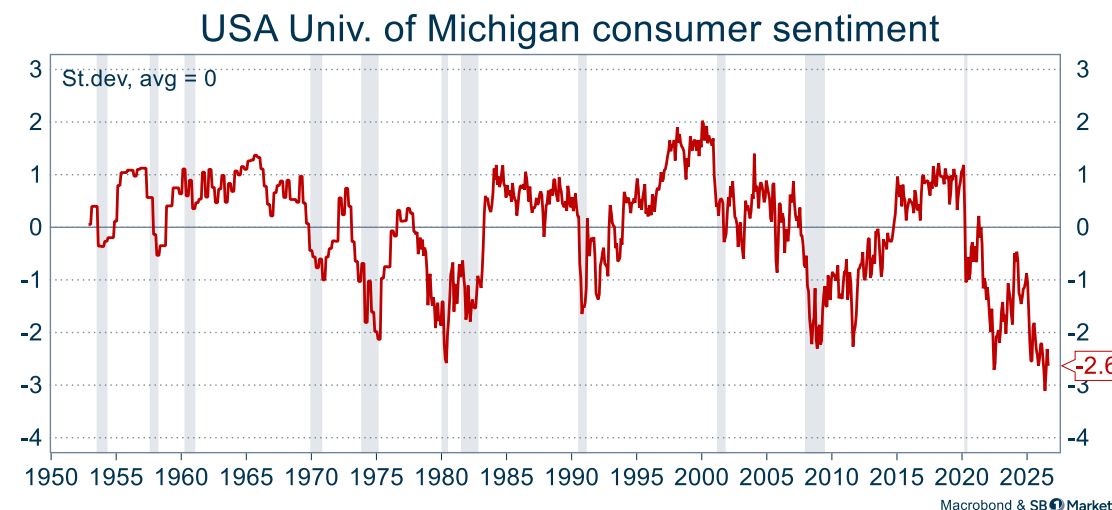


Univ. of M. consumer sentiment the 2nd worst ever; Just May even weaker (data from 1953)

UM sentiment fell 0.3 std. dev. to -2.9 s. d. below average. Both the assessment for the current situation and expectations declined. All confidence surveys are heading down, and all are below average, still not as weak as UM's survey.

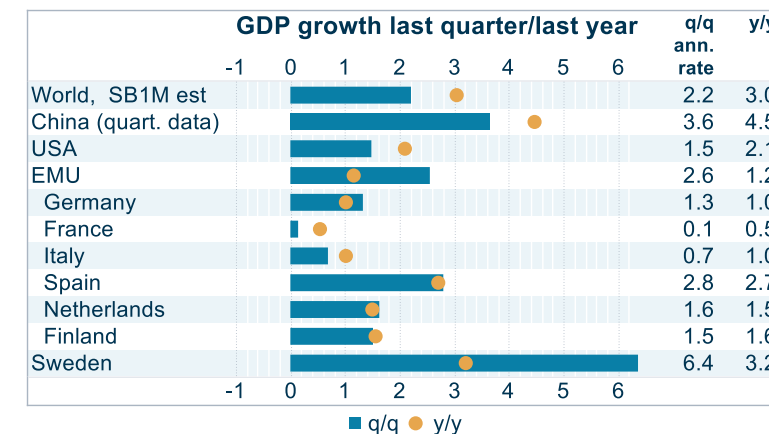
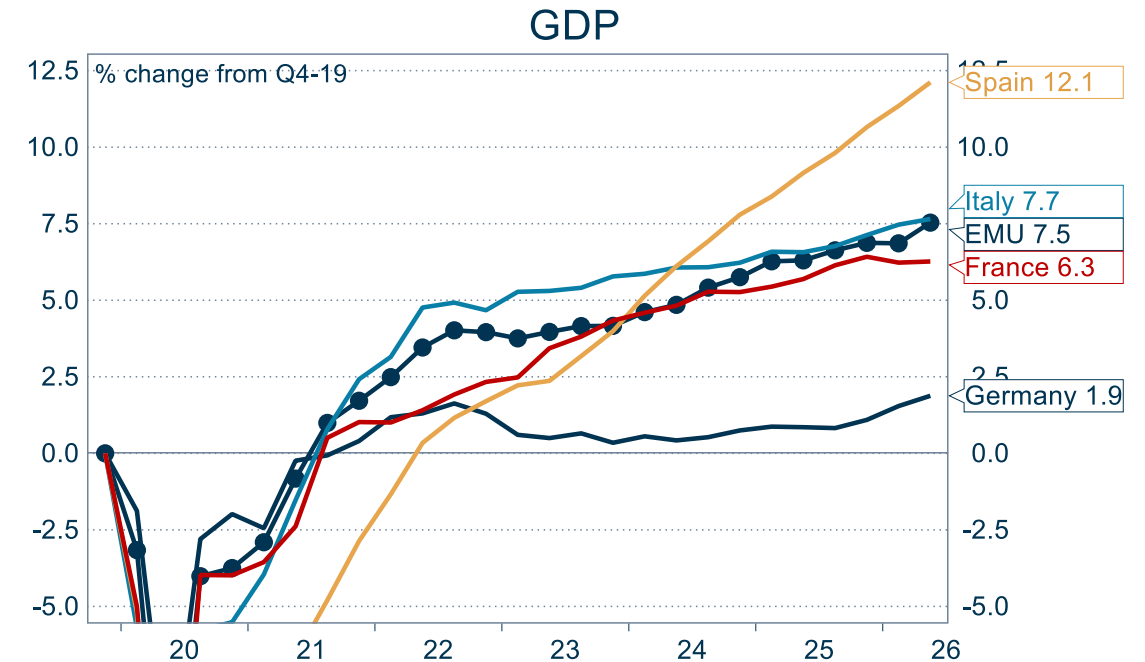
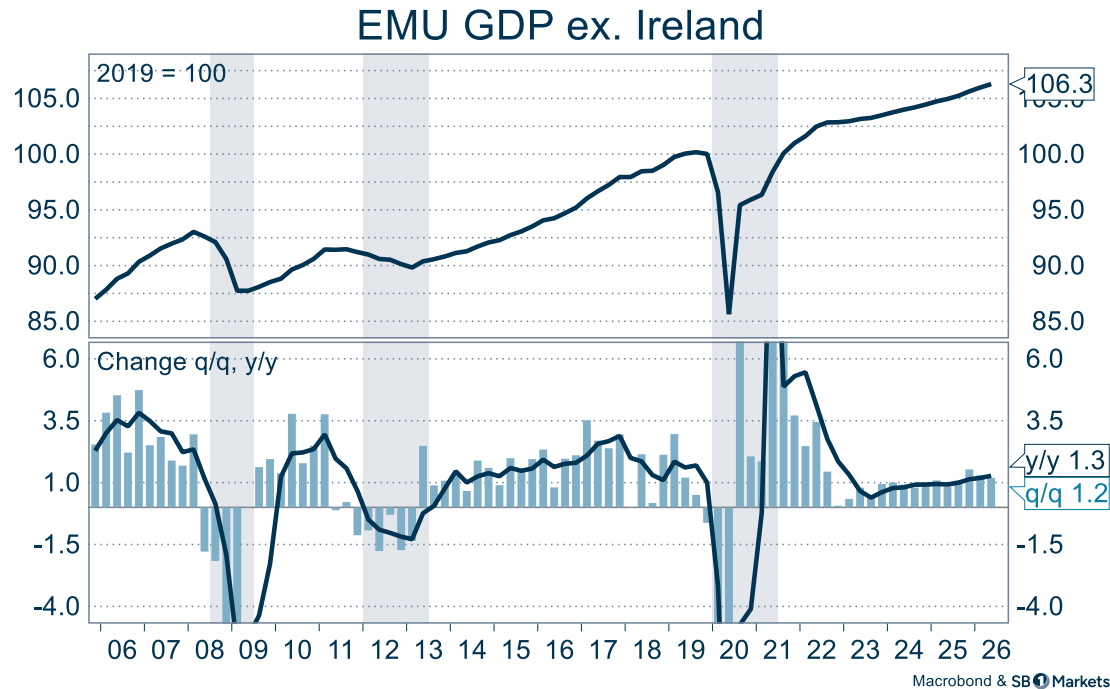


- The UM consumer sentiment index fell almost 4 p to 47.8, well below expectations (51.0)
- **The problem:** Households are asked about their own economic situation, which of course may be disconnected from the overall status in the US economy. However, the 'spread' between the 'micro' assessment and the 'macro' situation in the US makes no sense at all and it has become totally dominated by party preferences the past 10 years.
- In the UM survey, households remain **extremely negative** about the **business outlook, unemployment, and the government's economic policy**. **Personal finances** are well below par as well, and spending plans are still downbeat.
- Will households cut spending? Time will show.





GDP (ex. Ireland) confirmed up at 1.2% pace in Q2, and is up 1.3% y/y

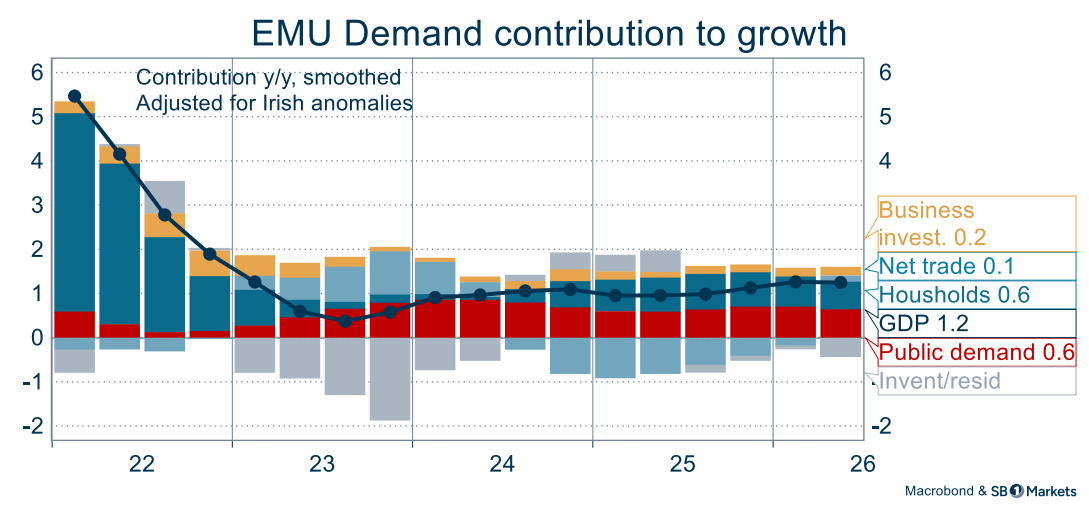
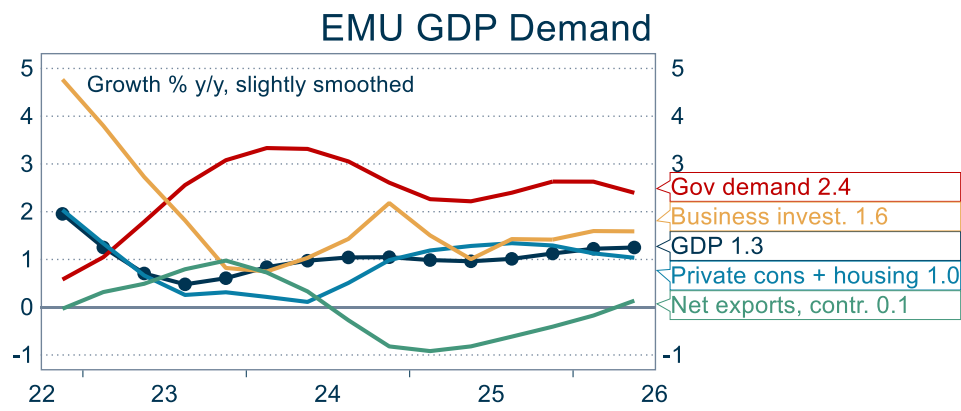
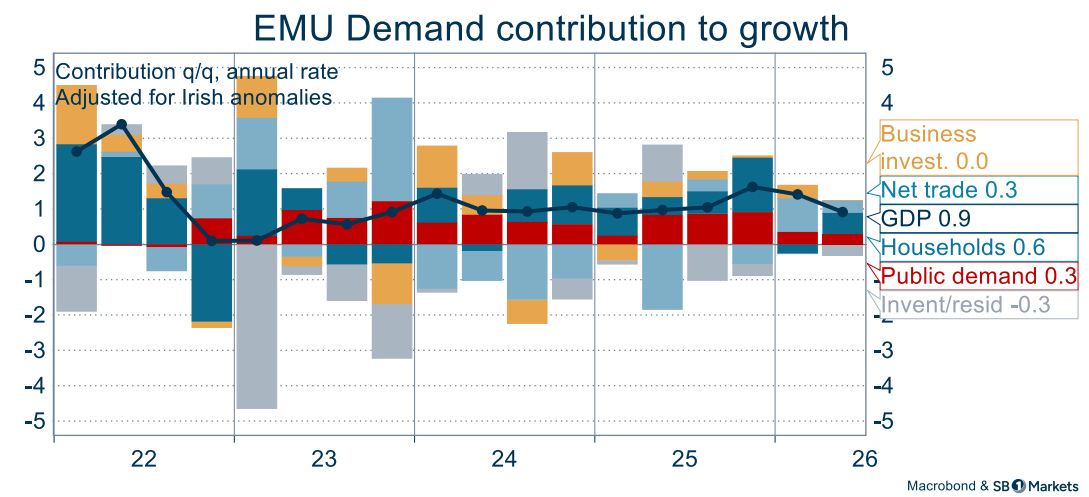
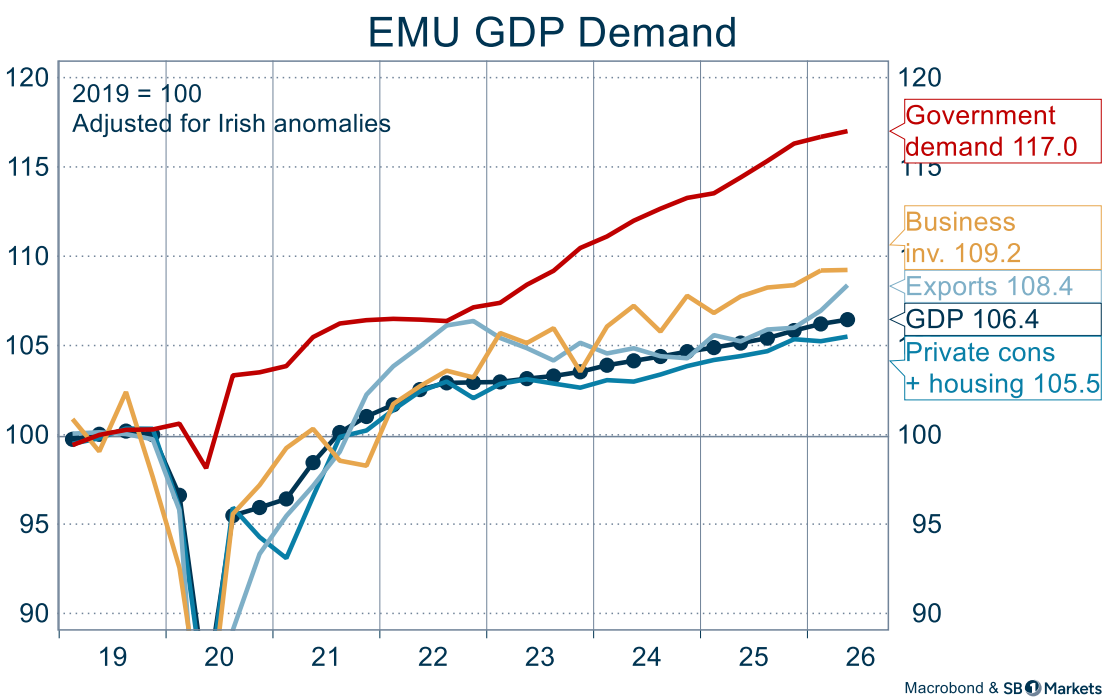


The **extremely volatile and mostly irrelevant Irish data** are playing games with the whole EMU region, (check next page).



Both public and private demand on the way up but business investments flattened in Q2

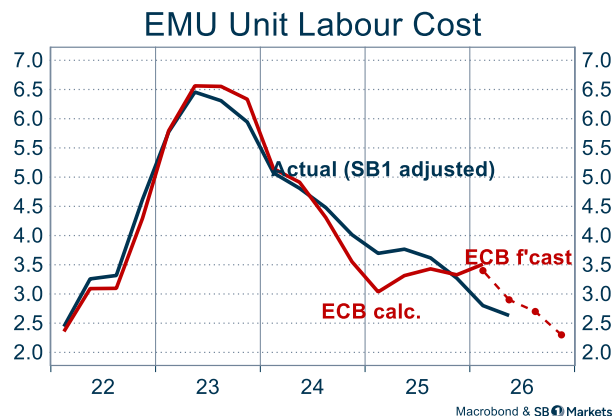
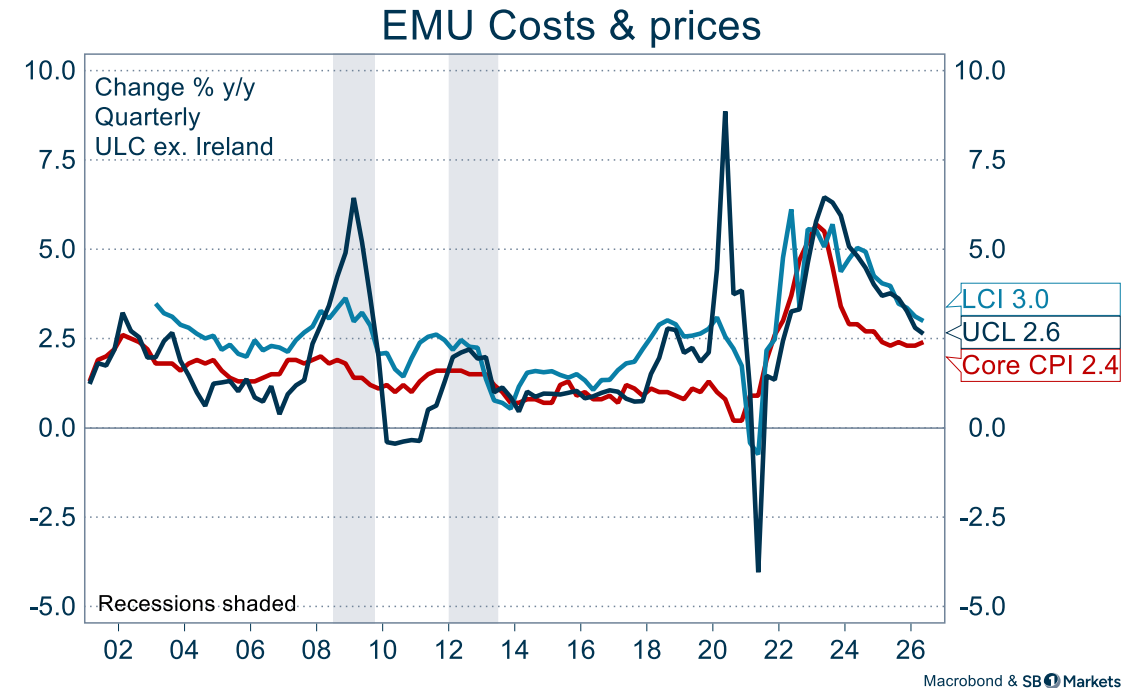
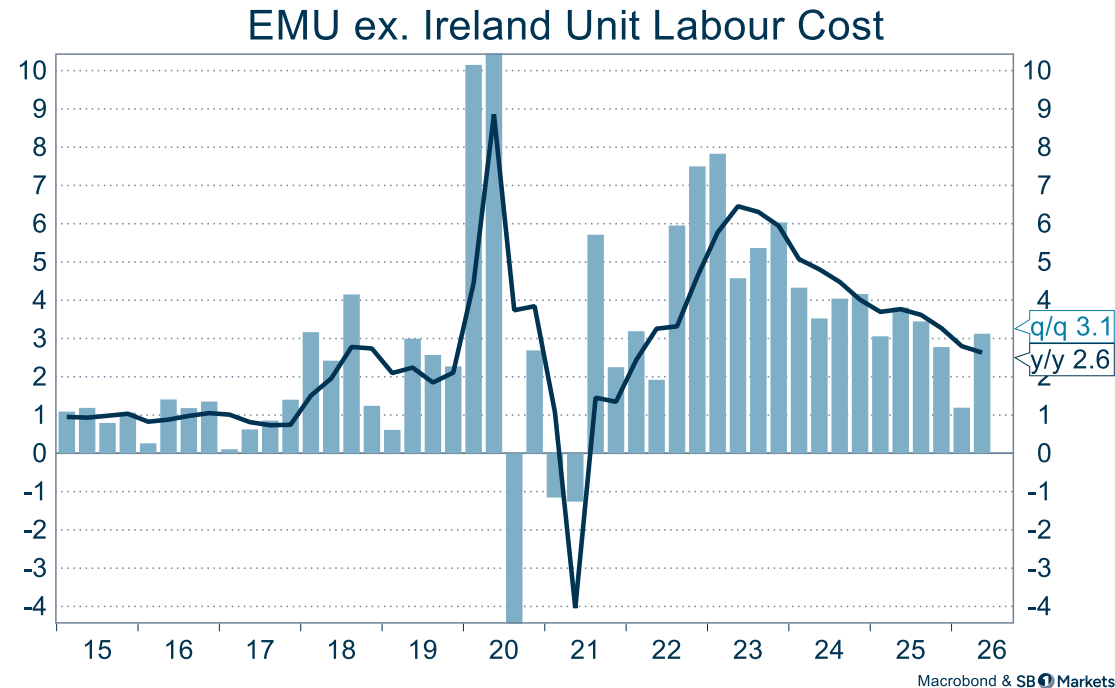
Public demand (consumption + investments) contributes just as much as households (both 0.6 pp to GDP growth).



Data are adjusted for Irish investments and foreign trade.
We have added an estimate for Government investment demand

Unit Labour Cost inflation heads down, the (adjusted) rate to 2.6% y/y

ULC annual inflation has fallen to 2.6% (our est, ex. Ireland), well below ECB's forecast. Barring the impact of the lift in energy prices, the inflation pressure is not fully contained – but almost.

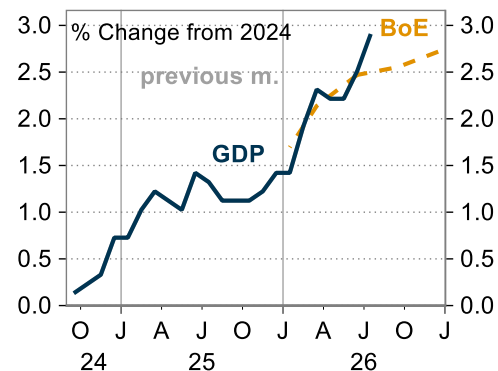
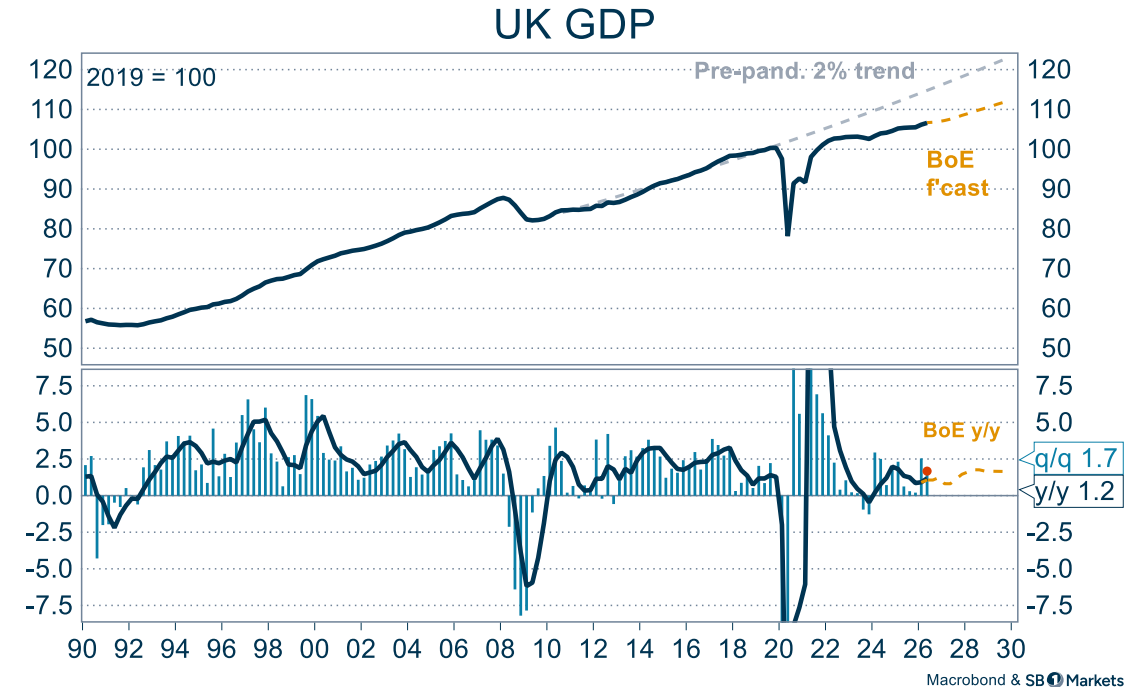
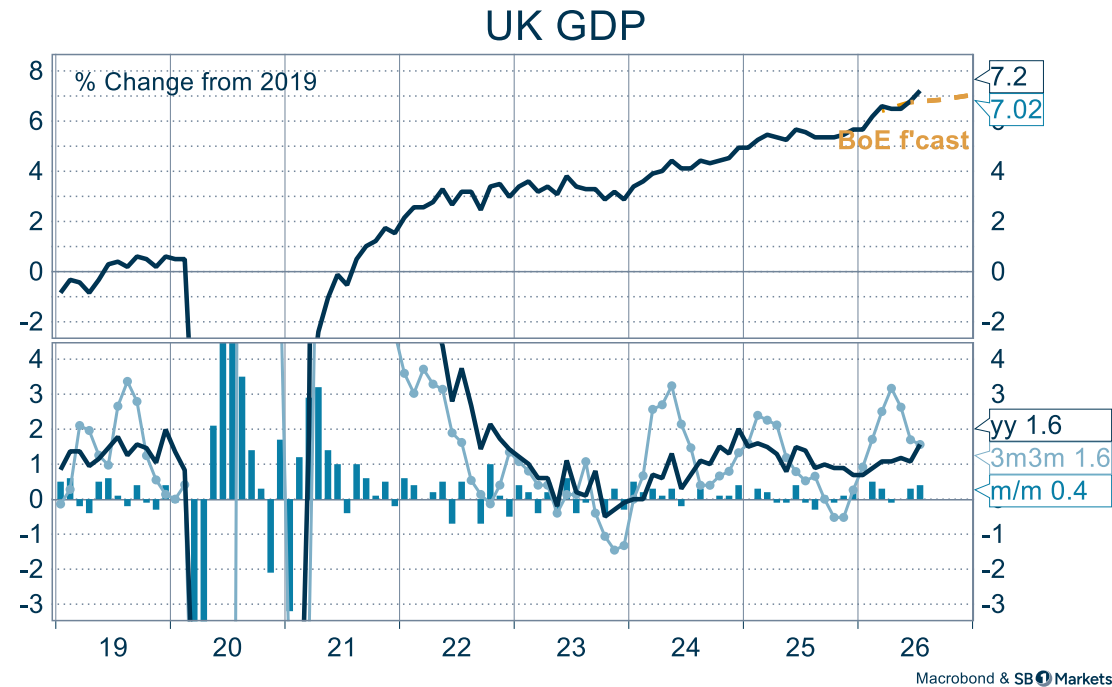


- **Unit Labour Costs** (labour cost per unit produced)
= wage cost/production volume
Growth in ULC = hourly wage growth – productivity growth.



GDP added 0.4% in July, grows at a 1.6% pace, equal to the annual growth rate

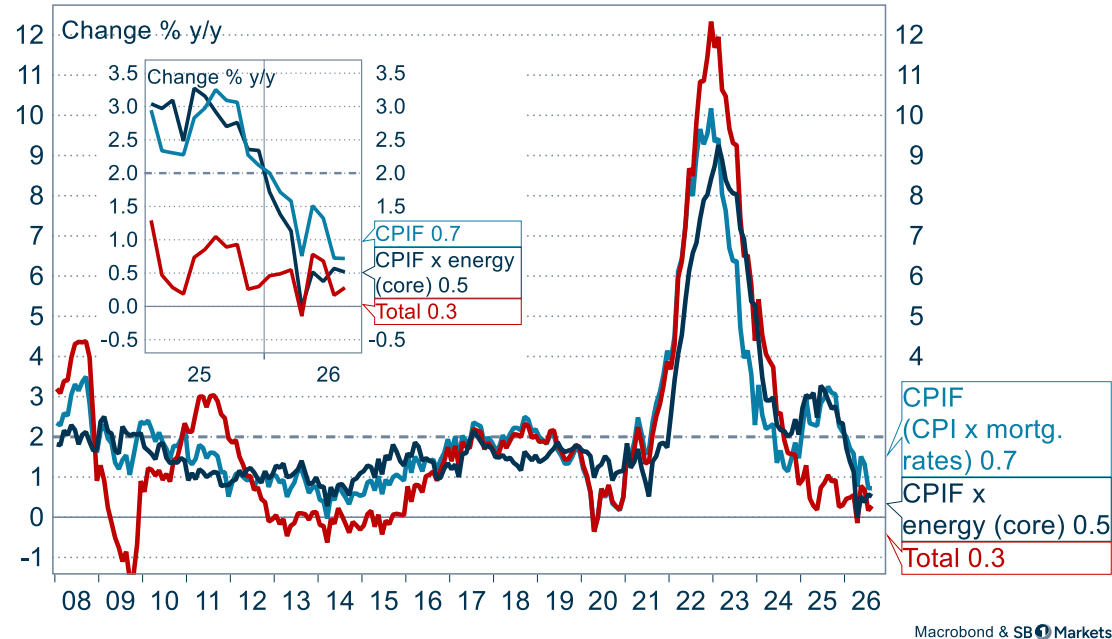
No growth was expected following the 0.3% lift in June.



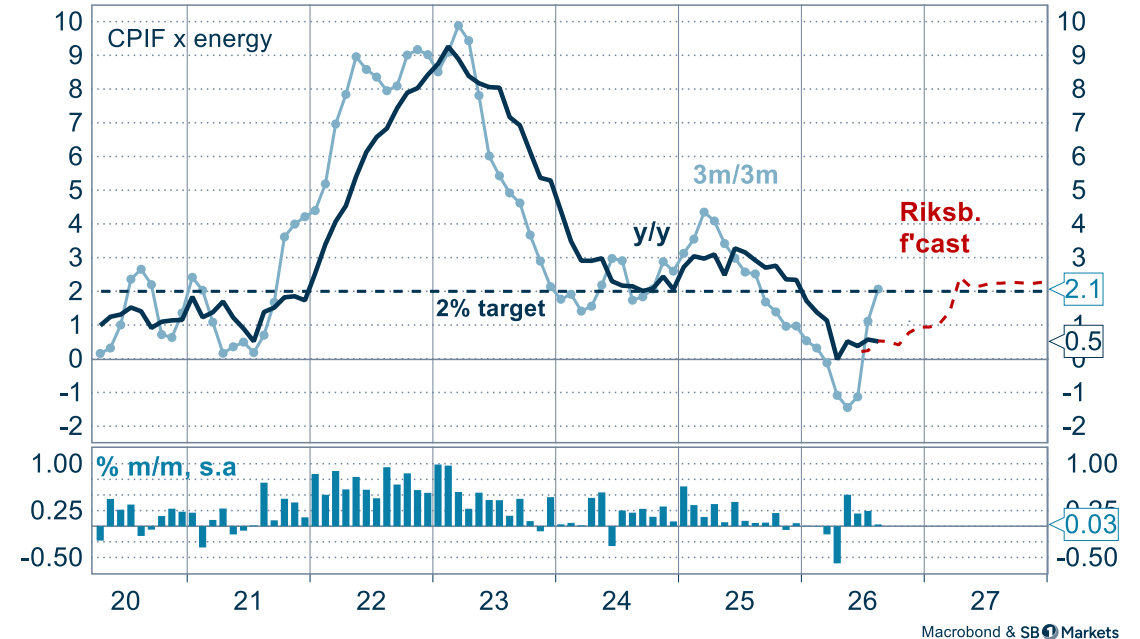
Sweden: CPIF core inflation 0.2 pp lower than expected in August, down to 0.5% y/y

The CPIF was also 0.2 pp below expectations, and unchanged at 0.7%. Core price were flat m/m but underlying growth in recent months has increased to 2% or above.

Sweden CPI



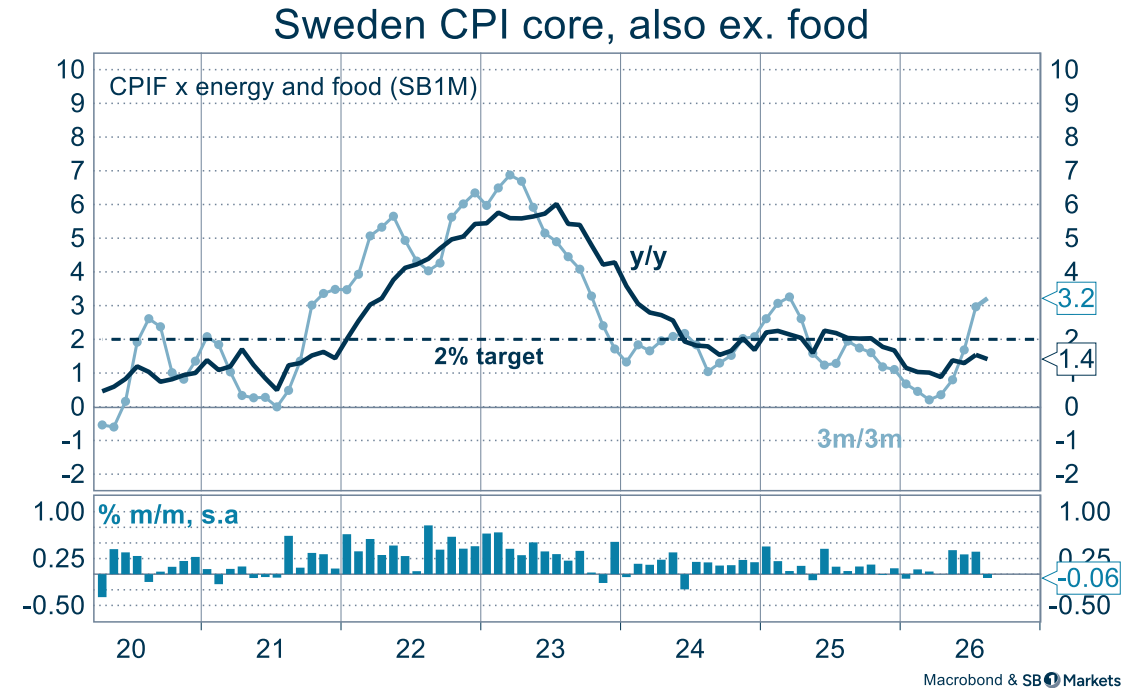
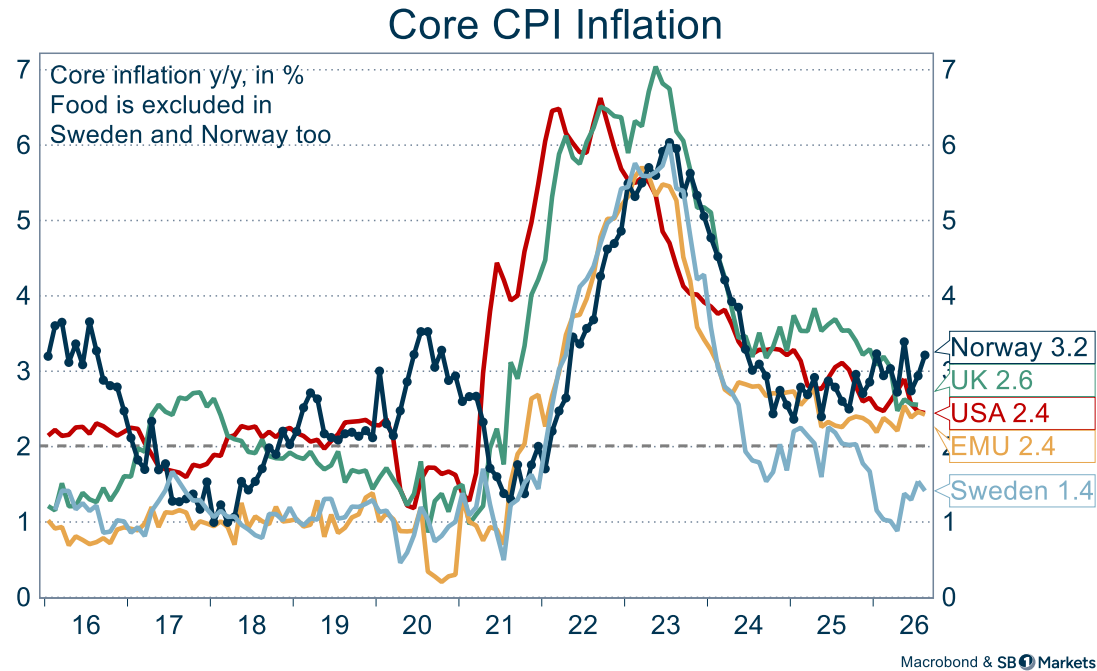
Sweden CPI core



- **The traditional headline CPI inflation** accelerated 0.1 pp to 0.3%. Energy prices rose 2.2% but are up just 5% y/y.
- **Mortgage rates** are included in the 'official' CPI and Riksbank's cuts have lowered mortgage rates, and thus the CPI. The negative drag now equals 0.4 pp. Thus, the **CPIF** (CPI x mortgage rates, which is usually referred to as the CPI in Sweden) was up 0.7% y/y (0.2 pp lower than expected).
- The **official core, also excluding energy** (CPIF XE) prices were flat m/m, and the annual rate slowed 0.1 pp to 0.5%, expected up to 0.7%. The outcome was in line with Riksbank's forecast.
- If food is removed as well, to compare with core prices in most other countries, prices down 0.06%, and up 1.4% y/y (check chart next page). **The underlying growth rate in recent months has increased to 2 – 3%**
- **The Riksbank expect annual inflation to accelerate to marginally above 2% next April – and to stay there. The bank is no hurry to lift the signal rate?**

Core inflation: Sweden (ex food) still an outlier measured y/y, on the downside

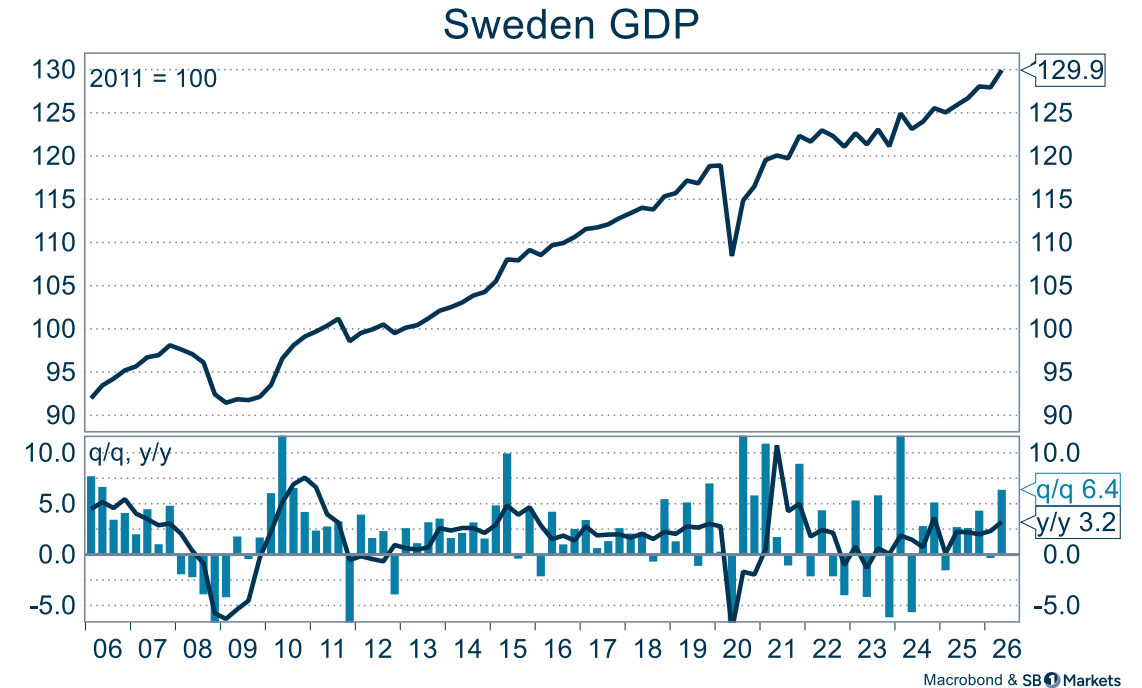
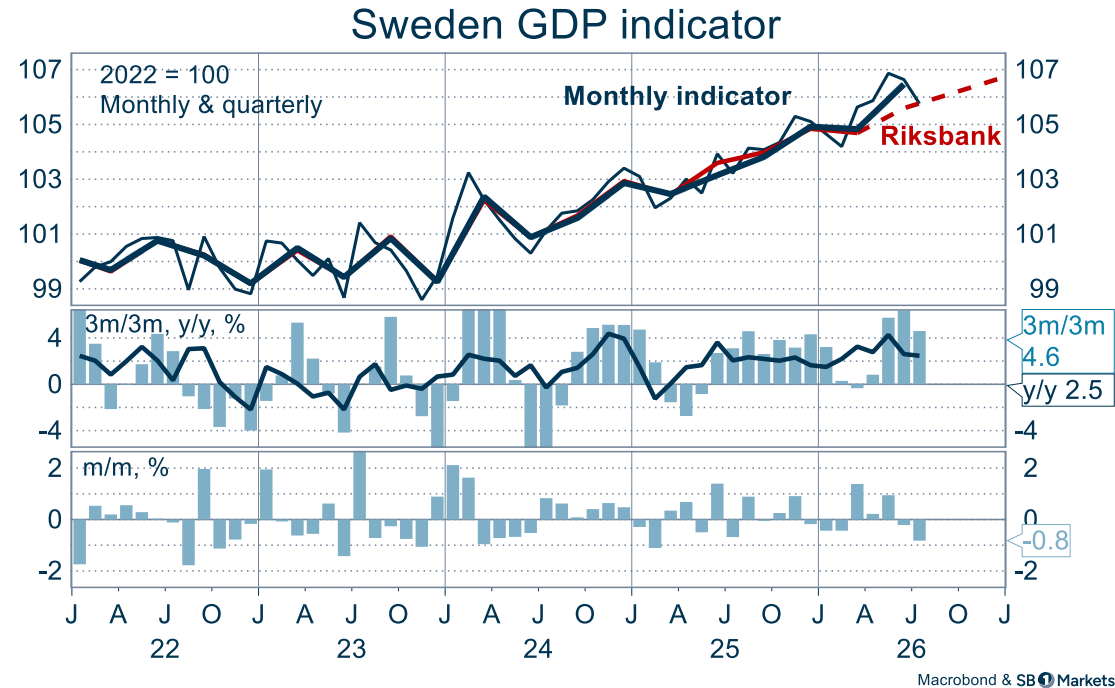
A Norwegian ex. food and energy core index (CPI-ATE ex. food) sits at the top, up 3.2% y/y





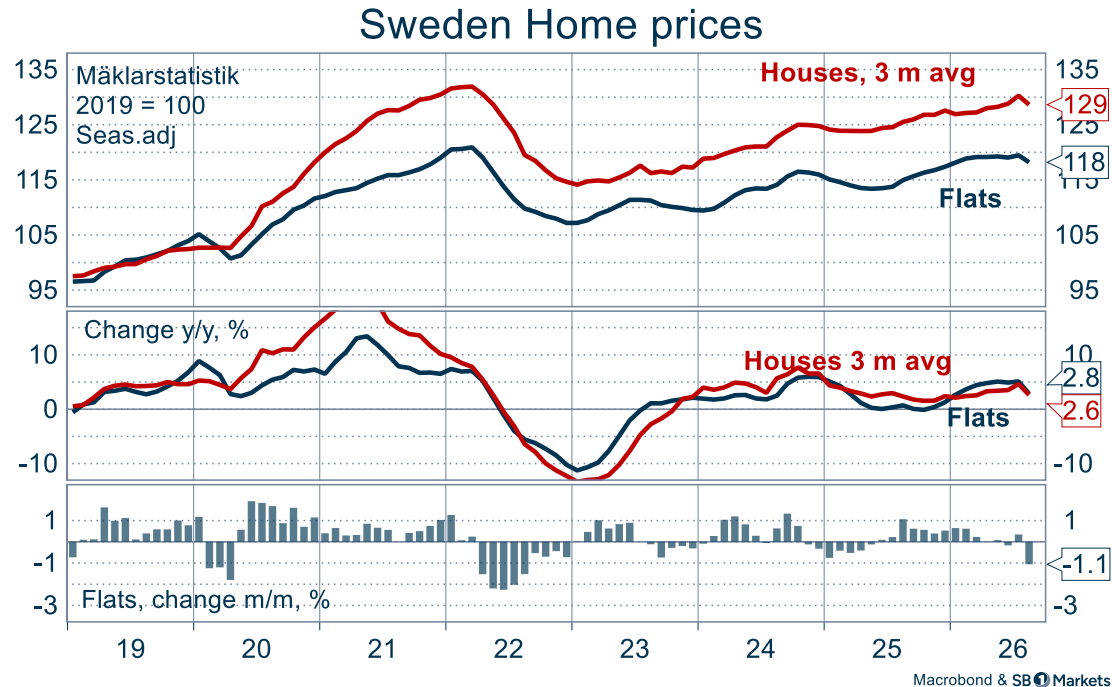
GDP fell 0.8% in July but grew at a 6.4% pace in Q2, and is up 2.8% y/y

Q2 GDP was well above Riksbank's forecast.

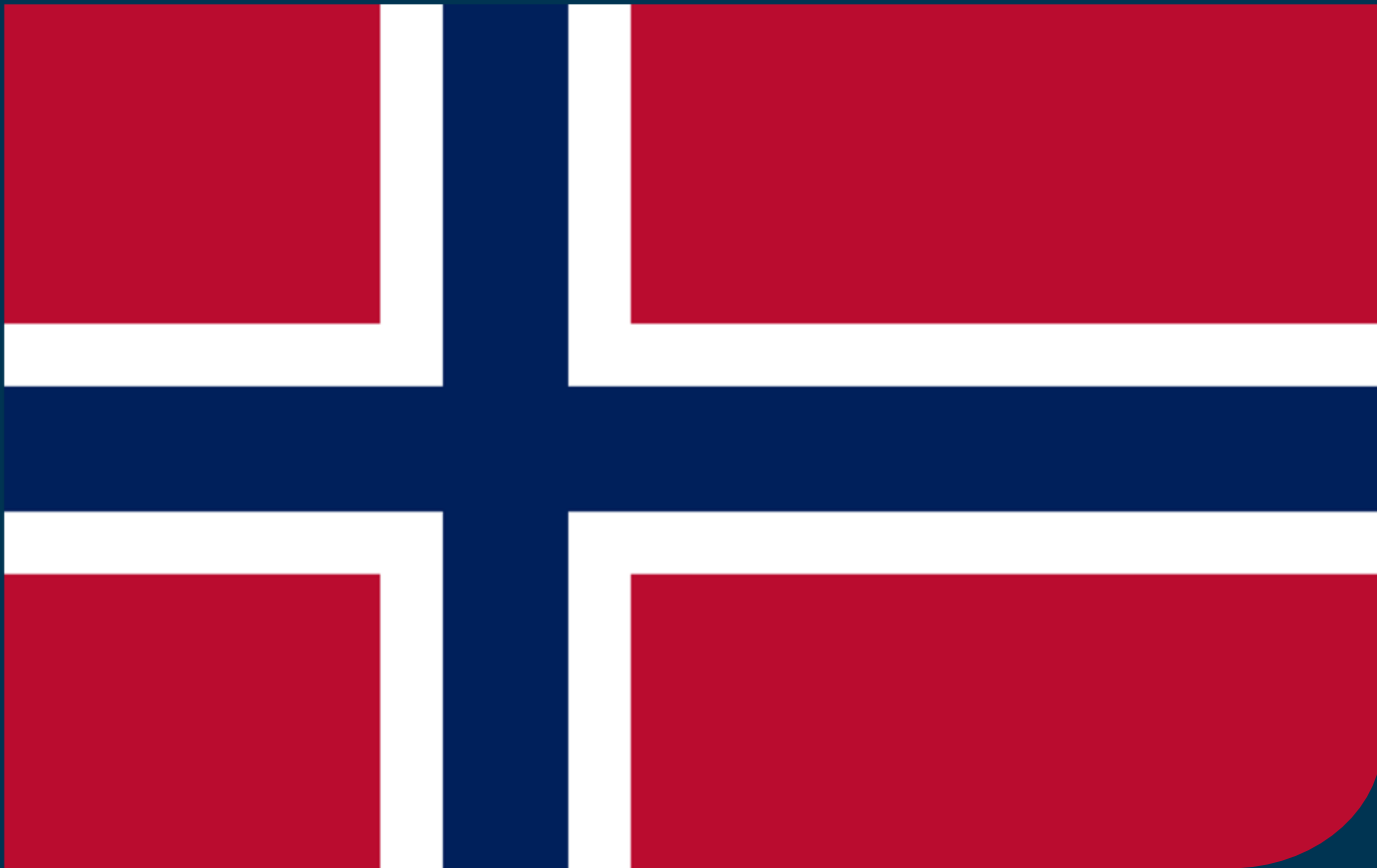


Housing prices fell in August, but July was revised upwards

Flat prices fell 1.1% in August, but July was revised up to +0.3% from -0.5%. In sum, still on the weak side, and the annual growth rate fell to 2.8%, while single house prices also fell, and are up 2.6%. Regrettably, the last month is extremely uncertain, *check next page*



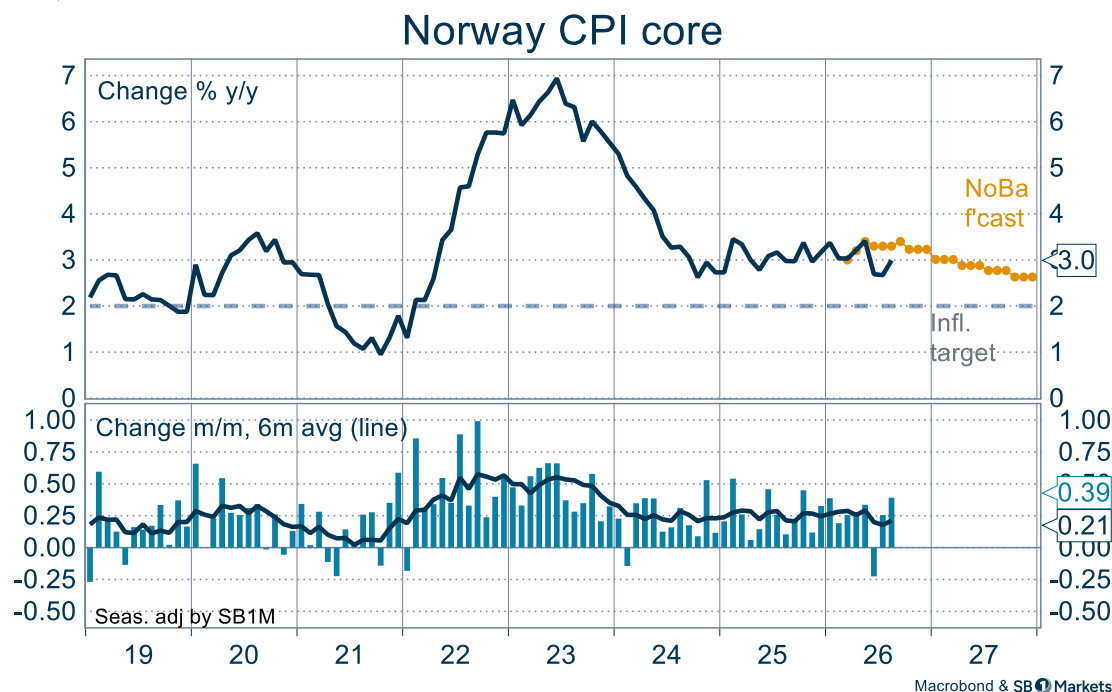
- **Flat prices** have at least flattened in recent months- Since the local bottom in 2022, we have been witnessing 3 smaller up- and downturns.
 - Just Stockholm prices falls sharply in August, which seems strange. An upward revision next month?
- **Single house prices** are still trending up, but fell in August, even measured as a 3 m average.
- Taken together, **housing prices** were fell 0.6% in August, measured as a 3 m average, and are up 2.7% y/y.
 - **Nominal prices** are down 1% from the early 2022 peak. **In real terms**, deflated by CPI, **prices are down 18%** – and they are back to the 2016 level – even if mortgage rates have fallen substantially from the 2023 peak
 - **Norwegian** real housing prices are down 5% from the peak.
- **Transaction volumes** have recovered to a normal level.
- **The inflow of existing homes for sale** has been trending down and is at a record low level.
- **The inventory of unsold homes** heads down but remains **above normal levels**.



2. Norway

Core inflation up 0.3 pp to 3.0%, still 0.3 pp below Norges Bank's forecast

The core CPI rose 0.4% m/m. The normalisation of y/y growth in kindergarten prices, as the impact of the price cut last Aug. fell out of the 12m rate, explained the y/y lift. The headline CPI accelerated to 3.3%, 0.3 pp above NoBa's f'cast. In sum, slightly on the downside vs. NoBa's plan



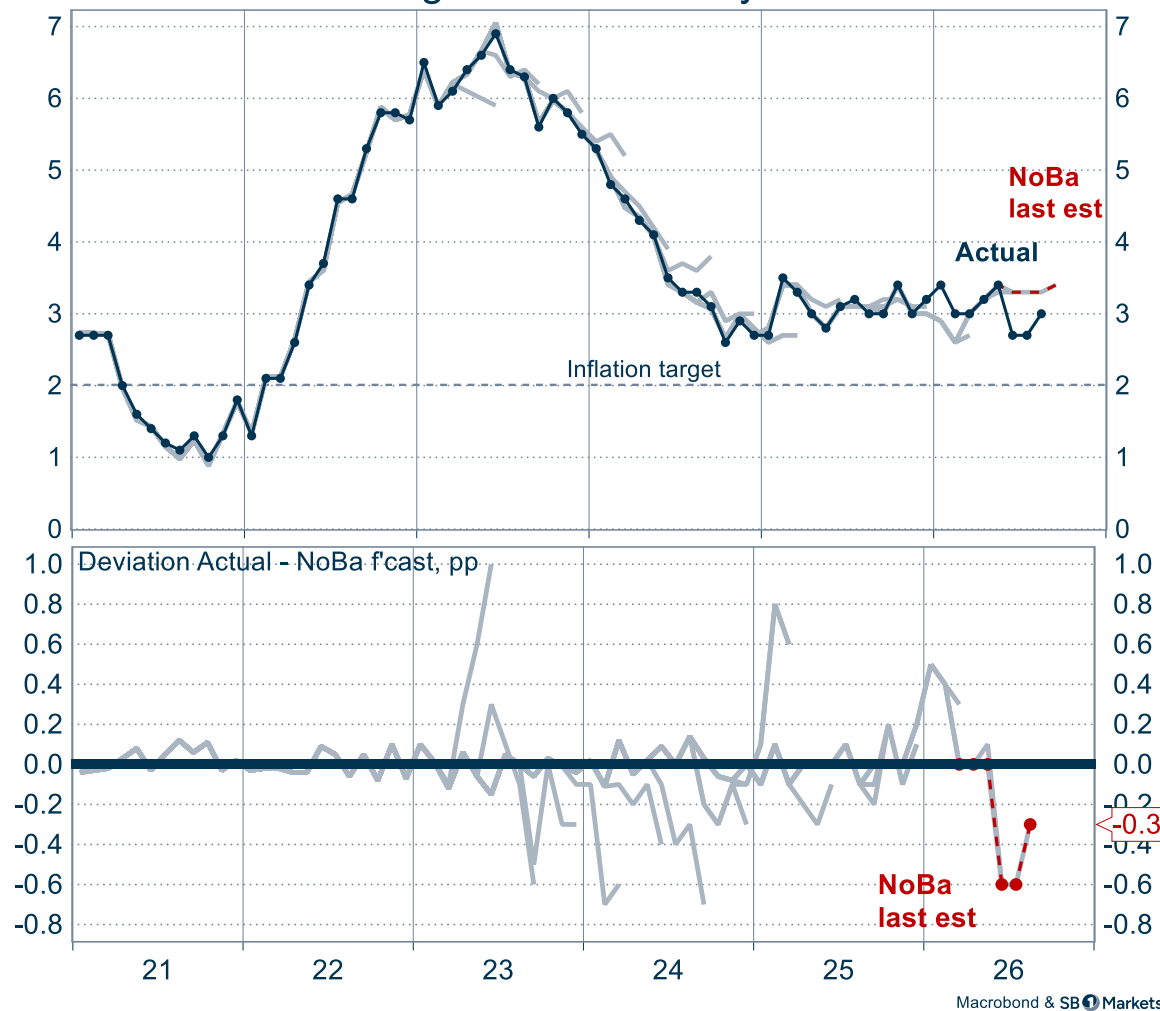
- **CPI-ATE** (ex. energy and taxes) narrowed the gap to NoBa's f'cast
 - **Core imported goods prices** rose 0.2% m/m in August. The annual rate rose 0.3 pp 1.6%, still well below NoBa's f'cast. Our model suggests a decline the coming months due to the NOK appreciation → *some downside potential*.
 - **Core domestically produced goods and services prices** rose 0.4% m/m, and are up 3.7% y/y, up 0.5 pp from July but still in line with NoBa's f'cast. Unit Labour Cost still runs at 3%, which will contribute to keep domestically generated inflation up.
 - **Food prices** are just marginally up so far in 2026, seasonally adjusted. The annual rate is at 1.6%. In spite of higher jet fuel prices, airfares fell sharply in August (seas. adjusted) and are down 8% y/y.
 - If **regulated prices** are removed (CPI-ATE XADM), prices are up 3.0% y/y, like in July.
 - Our measures of **underlying price growth in recent months** have fallen over the summer, mostly due to the negative price shock in June (-0.2 pp m/m). An average of various measures of core inflation **annual** growth (a la Norges Bank's palette) rose 0.1 pp to 3.1% but is down from 3.6% in May (published before the June MPR). The range is 2.9 – 3.4%, which is still far above 2.0%
- **Electricity and auto fuel prices** rose slightly in August, and electricity is up 6% y/y. In September, gasoline and diesel prices will shoot up some 30%, lifting the headline inflation by 0.4 pp, from the current 3.3%.
- **Core inflation** is below Norges Bank's forecast but the gap narrowed in August, as expected. While headline inflation is above NoBa's forecast, the overall picture is slightly lower inflation than NoBa assumed in June, yielding a marginal downward impact on the technical rate path in next week's MPR.

Change y/y	July 2026	August 2026
Total CPI	3.0	3.3
Norges Bank f'c	3.1	3.0
Core CPI	2.7	3.0
Norges Bank f'c	3.3	3.3

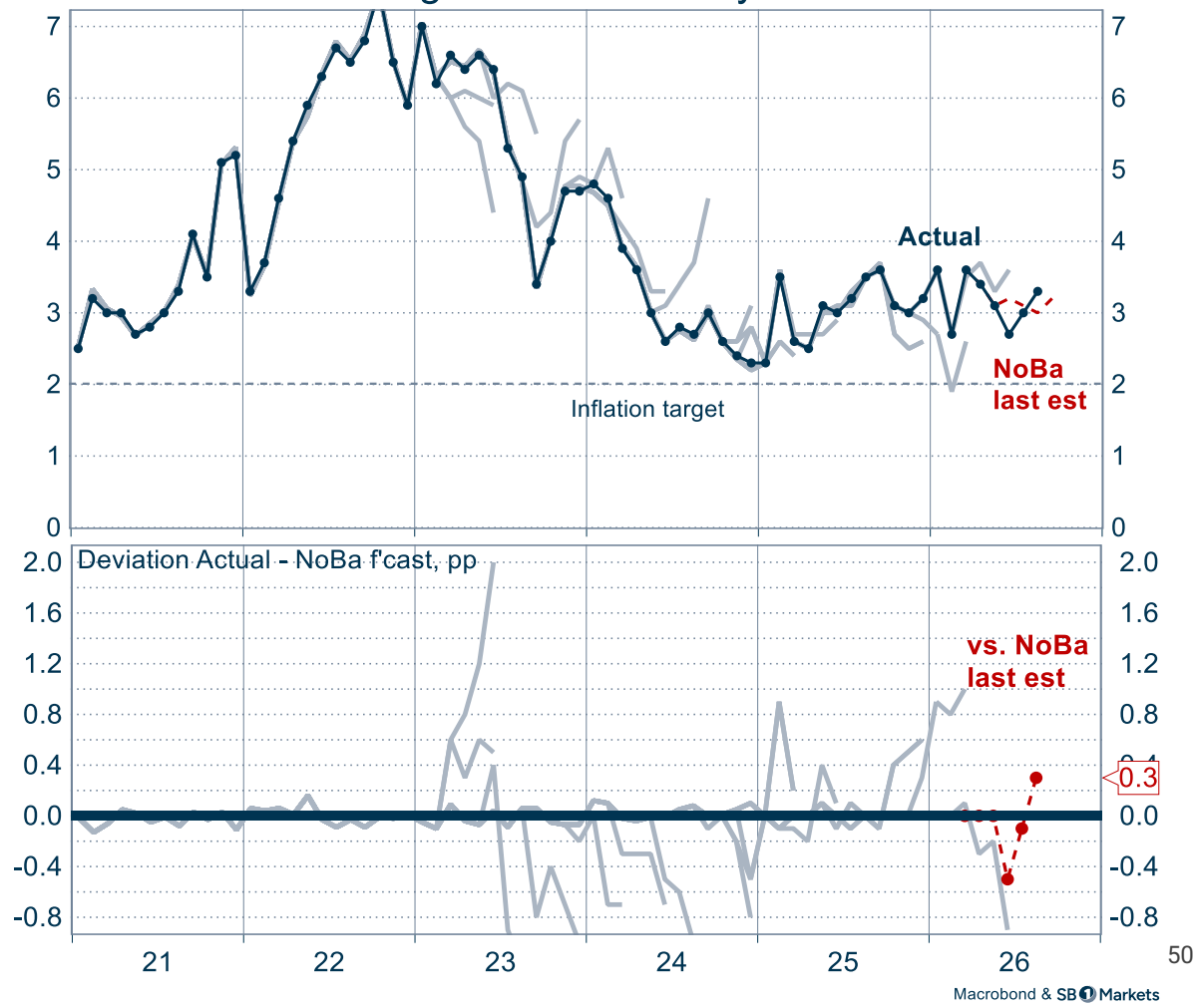


Core inflation is 0.3 pp lower than NoBa's f'cast. But headline is 0.3 pp above the forecast

Norway CPI core (ATE) inflation
vs. Norges Bank monthly f'casts

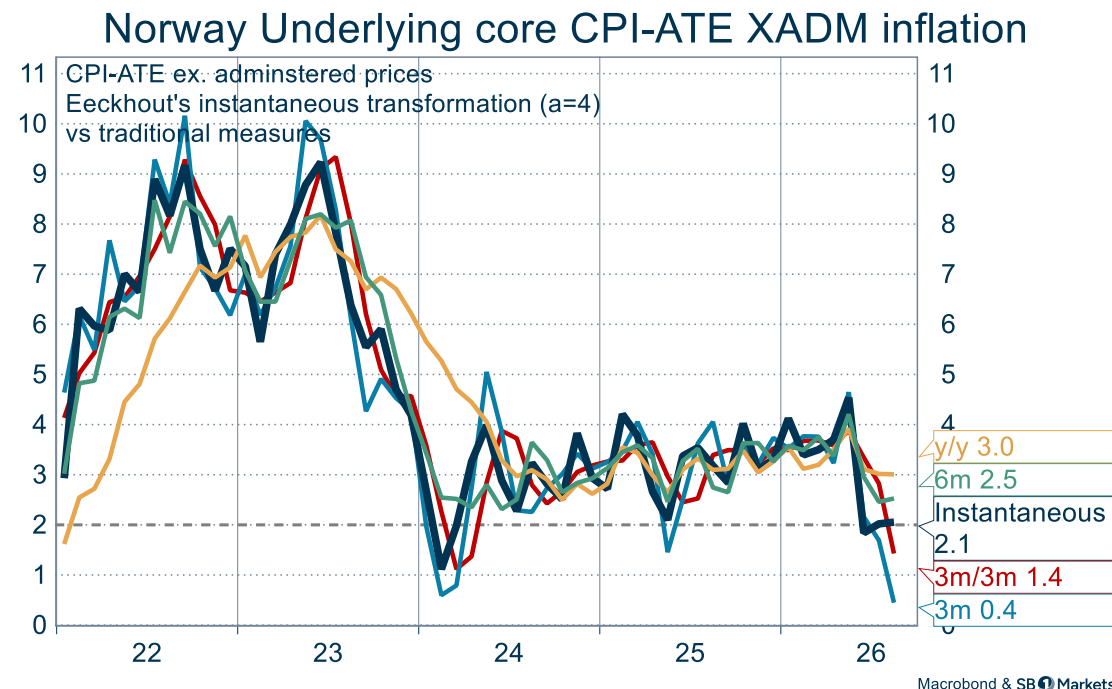


Norway CPI inflation
vs. Norges Bank monthly f'casts

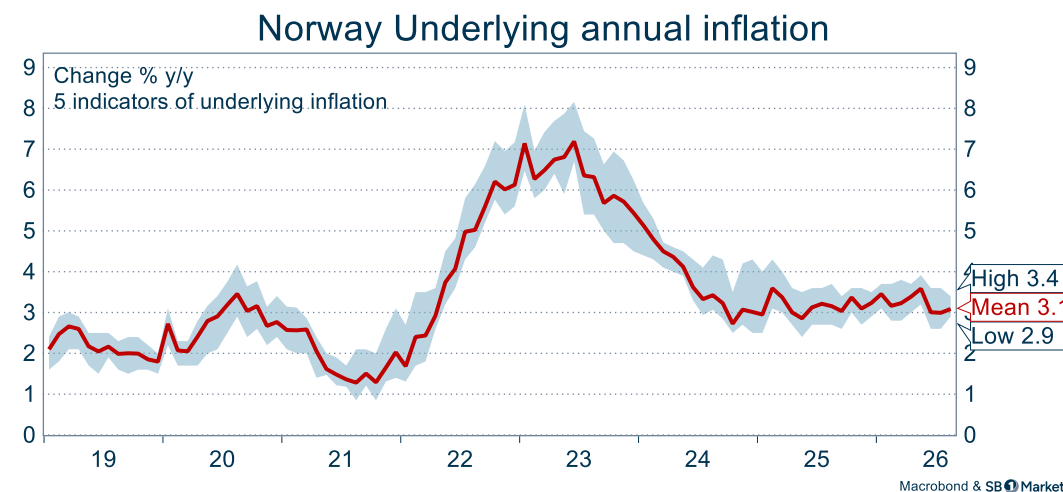
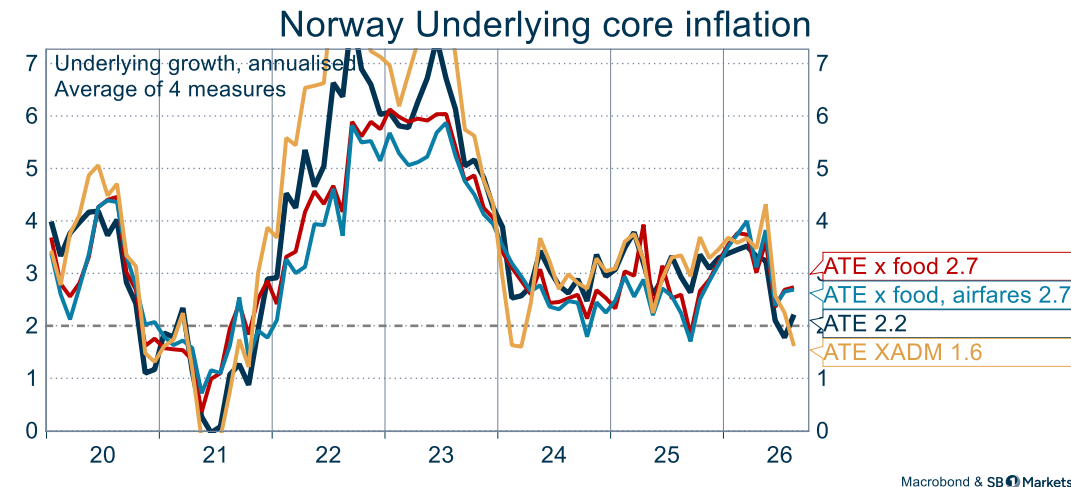


All measures of underlying core inflation recent months are trending down

Our favourite core measure, the core CPI ex. administered prices, has increased at a 1.4 – 2.5% pace recent months. Norges Bank's estimates of underlying annual inflation are in sum heading down as well – but these measures are still in the 2.9% – 3.4% range.



- 2 of Norges Bank's 3 estimates of **underlying annual inflation** were down in August. The trimmed mean was down 0.1 pp to 3.4%. The weighted median slowed 0.3 pp to 3.3%. On the other hand, the CPIXE (CPI with trend in energy prices included) accelerated 0.4 pp to 2.9%. CPI-ATE ex. rents is at 2.9% as well.
- So, the range is 2.9% – 3.4%. **The inflation target is still far from being met.**



Core prices rose 0.4% m/m in August, housing contributed the most.

Food inflation remains modest even if prices rose 0.3% in August. Airfares fell in August, and are down 8% y/y.

Aug-26 CPI ATE, seas adj.	Actual	Change m/m, seas. adj			Change y/y			Contribution, pp			
	Weight %	Out-come	SB1M f'cast	Dev. pp	Prev. month	Out-come	SB1M f'cast	m/m	y/y	change	vs. y/y f'cast
Food, non alc bev	10.5	0.3	0.4	-0.0	1.2	1.6	1.6	0.04	0.18	0.03	-0.01
Alcohol, tobacco	3.4	0.3	0.2	0.1	3.1	3.0	2.9	0.01	0.11	-0.00	0.00
Clothing, footwear	4.3	-0.3	0.2	-0.5	2.9	2.2	3.0	-0.02	0.10	-0.03	-0.04
Housing x. energy	27.5	0.2	0.3	-0.0	3.6	3.3	3.3	0.07	0.89	-0.09	-0.02
Furnishings	5.9	0.7	0.3	0.4	0.5	1.5	1.0	0.04	0.09	0.06	0.03
Health	3.2	0.1	0.4	-0.2	4.4	4.4	4.8	0.00	0.15	0.00	-0.01
Transp. ex. gas, airfares	11.4	-0.0	0.3	-0.3	2.4	2.5	2.7	-0.00	0.33	0.00	-0.03
Airfare	1.1	-4.4	-1.0	-3.4	2.9	-7.6	-1.9	-0.05	-0.09	-0.11	-0.07
Info & communication	5.3	0.5	0.2	0.3	1.4	3.2	2.7	0.03	0.17	0.10	0.03
Recreation, culture	8.5	0.2	0.3	-0.2	4.3	3.8	4.0	0.01	0.36	-0.04	-0.02
Education (not s.a)	0.6	0.0	0.0	0.0	2.4	2.4	2.4	0.00	0.01	0.00	0.00
Restaurants, hotels	5.9	0.2	0.3	-0.1	5.7	5.5	5.7	0.01	0.36	-0.01	-0.01
Financial services	2.7	0.5	0.3	0.2	7.9	7.9	7.5	0.01	0.22	0.00	0.01
Other goods, services	4.8	0.5	0.3	0.2	-2.1	4.3	4.0	0.02	0.23	0.31	0.02
CPI-ATE, s.a	94.9	0.4	0.3	0.1	2.7	3.0	3.0				
<i>Norges Bank est.</i>			-0.1		3.3		3.3				
Imported	35	0.2	0.2	0.0	1.3	1.6	1.6	0.08	0.55	0.09	
Domestic	60	0.5	0.3	0.2	3.3	3.7	3.8	0.28	2.21	0.21	
Energy, housing (x s.a)	3.2	0.6	3.1	-2.5	8.7	6.1	8.8	0.02	0.20	-0.08	-0.09
Energy, transport (x s.a)	1.4	1.9	1.0	0.9	-4.4	-0.2	-1.1	0.03	-0.00	0.06	0.01
CPI Total (not sa)	100	-0.0	-0.0	0.0	3.0	3.3	3.3				
<i>Norges Bank est.</i>		-0.4		0.4	3.1	3.0					

- Electricity prices rose less than we assumed. On the other hand, gasoline prices rose more than we assumed.

Change m/m, seasonally adjusted (calc by SB1M)

Sum of parts does not necessarily add up to totals

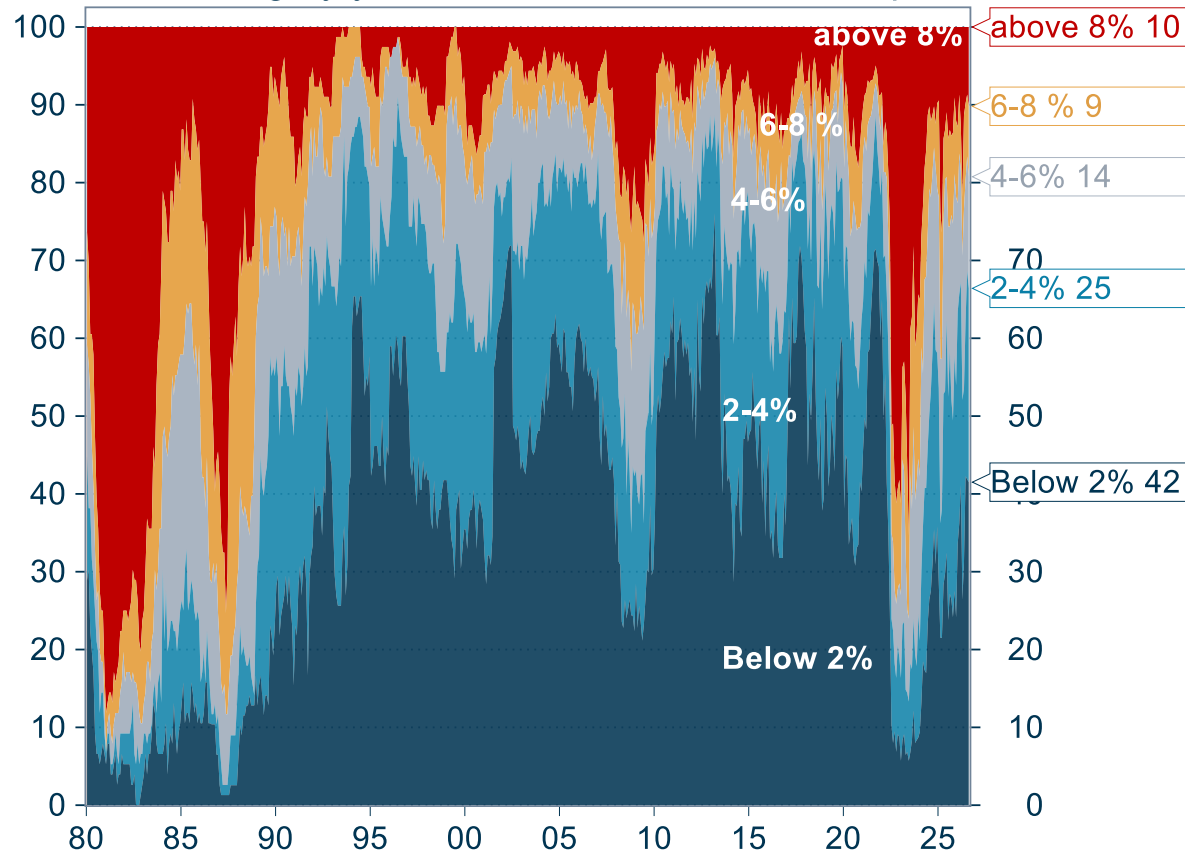
Norges Bank m/m s.a. estimate is implied, calc by SB1M

Monthly changes are seasonally adjusted by SB1 Markets. The weighted sum of the components does not necessarily sum exactly up to the total, and deviations m/m and y/y do not necessarily add up (when the seasonal pattern is unstable/changing). Norges Bank m/m s.a. estimate is implied, calculated by us. Sources: SSB, Norges Bank, SB1 Markets calculations.

42% of the CPI components are up 2% or less y/y, 'just' 33% are up more than 4%

Norway CPI

Change y/y, share of number of sub-components



Macrobond & SB Markets

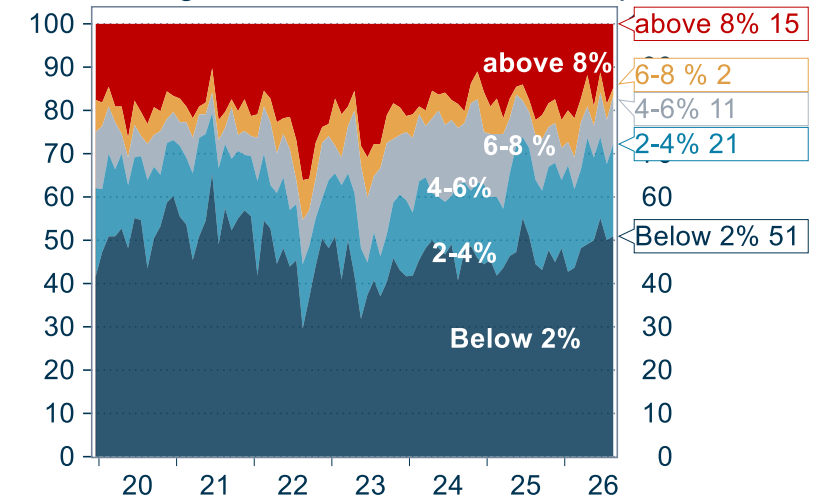
On the margin:

Measured 3m/3m (110 components)

- 51% of components are up 2% or less, the the share is trending upwards
- 28% of the components are climbing faster than a 4% pace, and the share is rapidly shrinking

Norway CPI

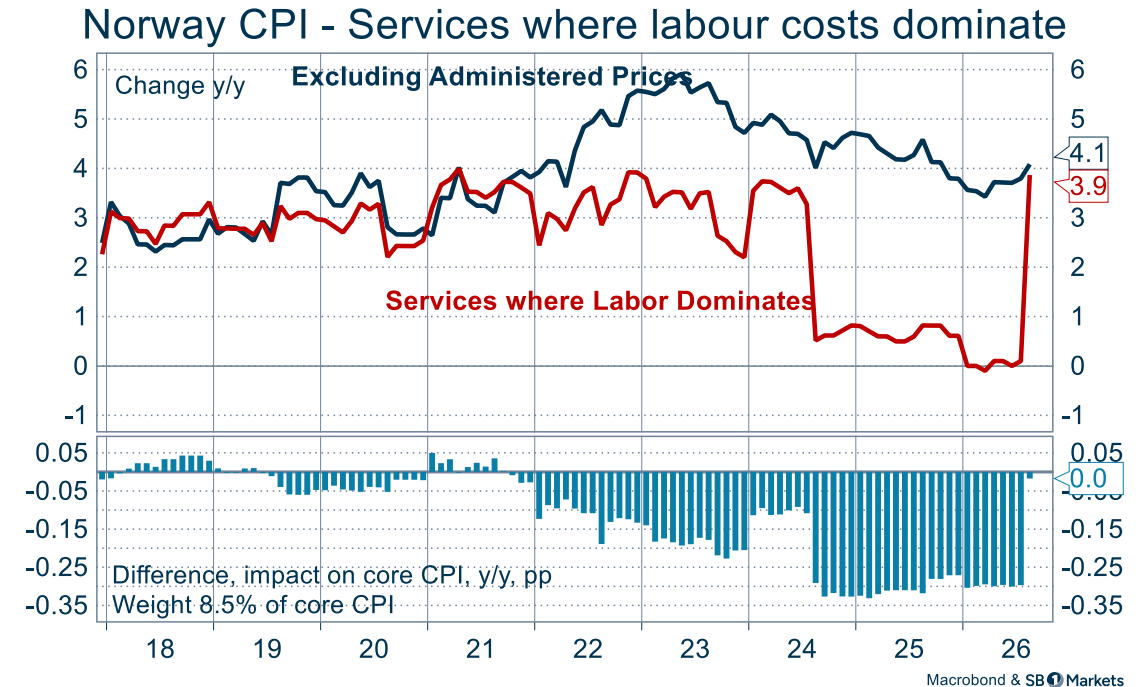
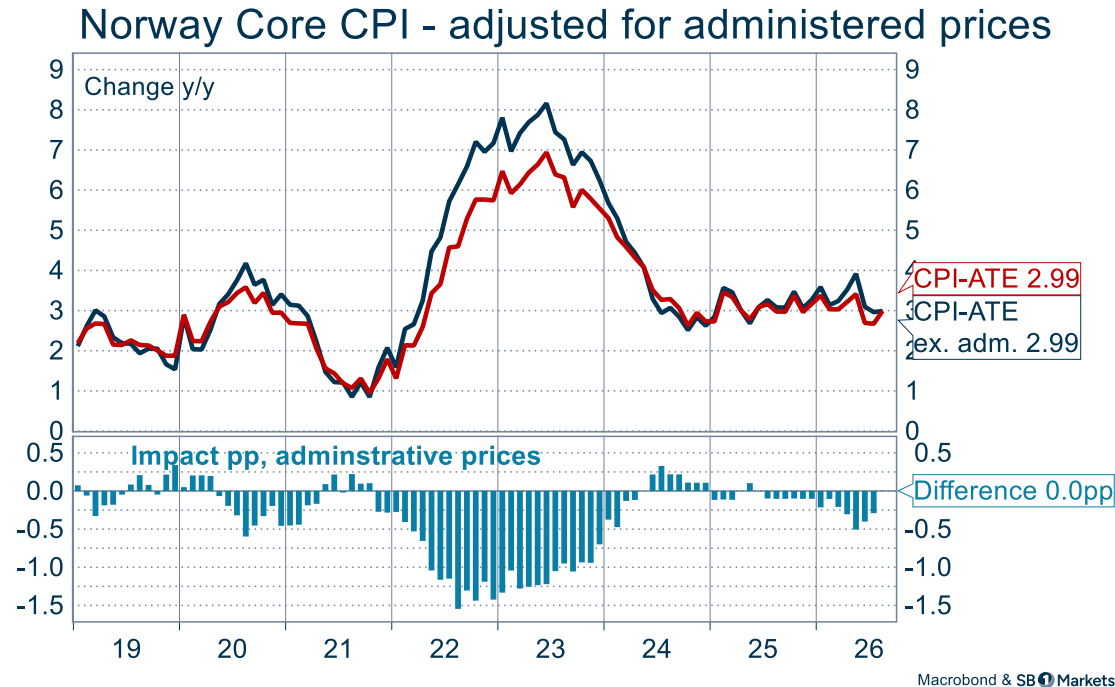
Change 3m/3m, share of sub-components



Macrobond & SB Markets

Adjusted for administrative prices, the core CPI was unchanged at 3.0%

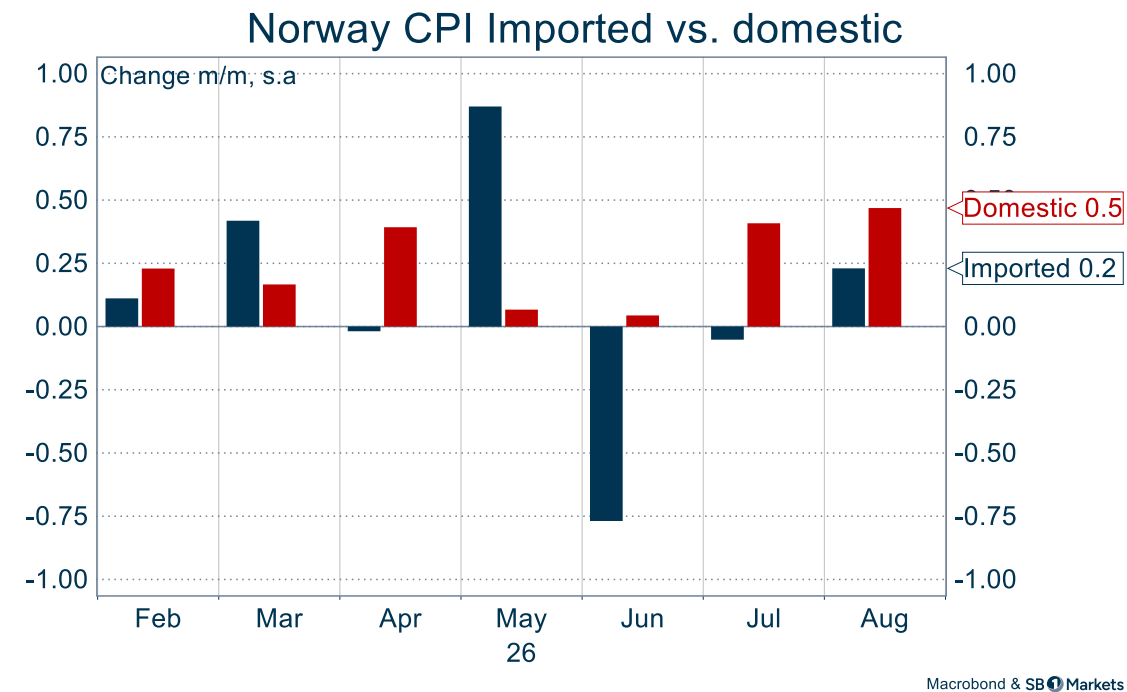
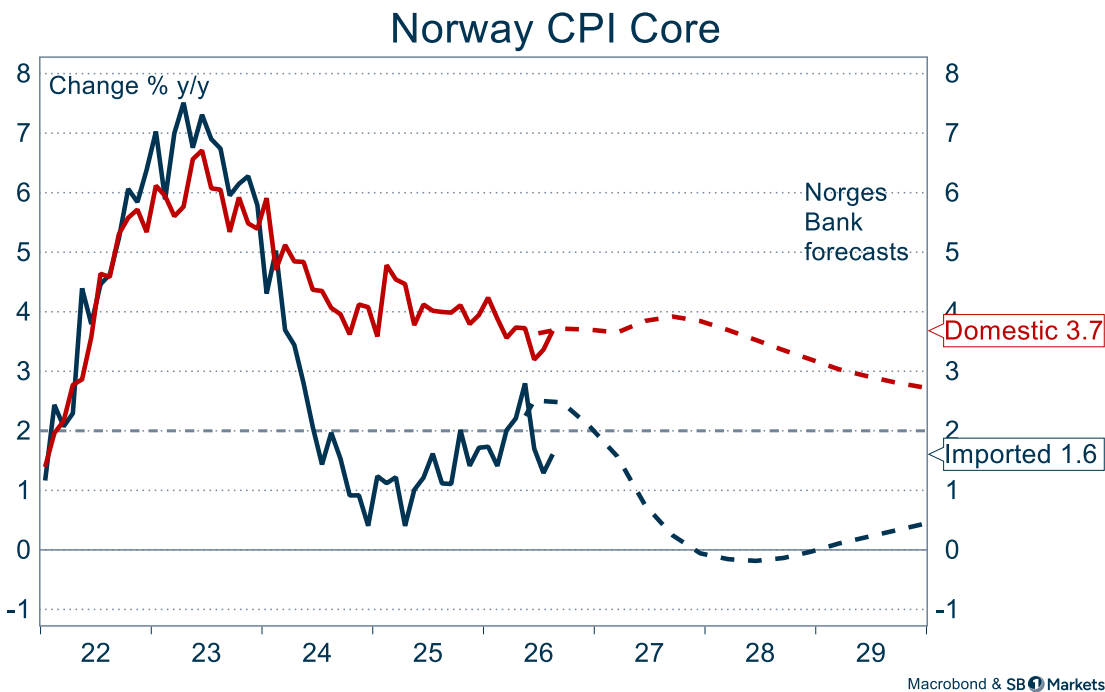
No impact from “admin” prices anymore, as the impact of the cut in kindergartens prices in August last year fell out of the 12m growth rate, lifting the core ATE index by 0.3 pp y/y.





Imported core inflation remains modest, at 1.6%. Core prices rose 0.5% m/m, is up 3.7% y/y

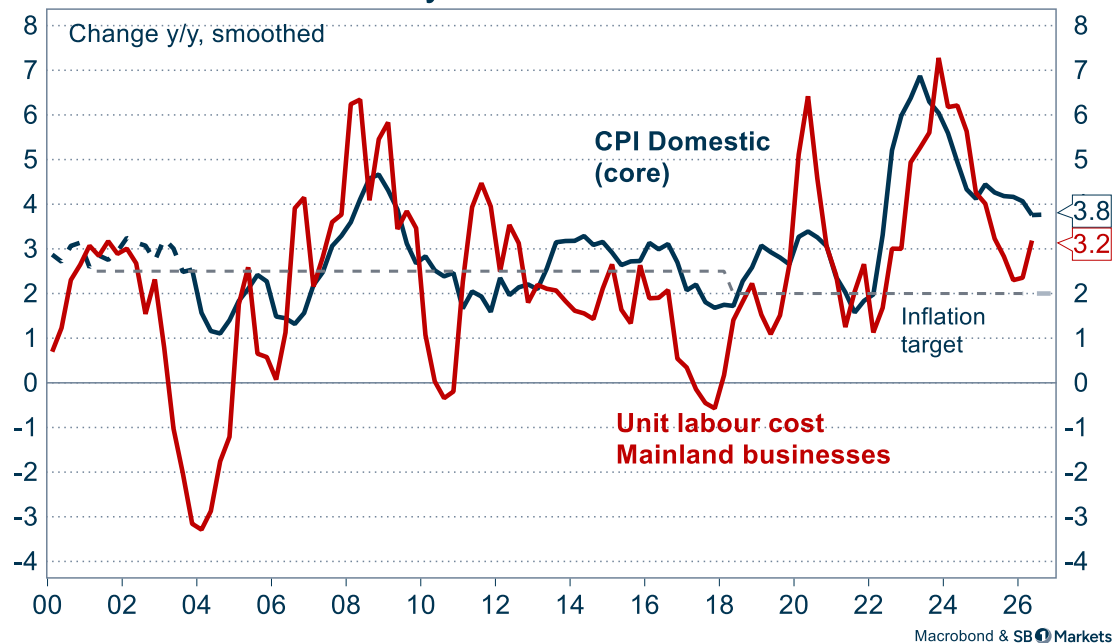
Domestic inflation is spot on Norges Bank's forecast while imported prices are 0.9 pp lower than the Bank assumed in June.



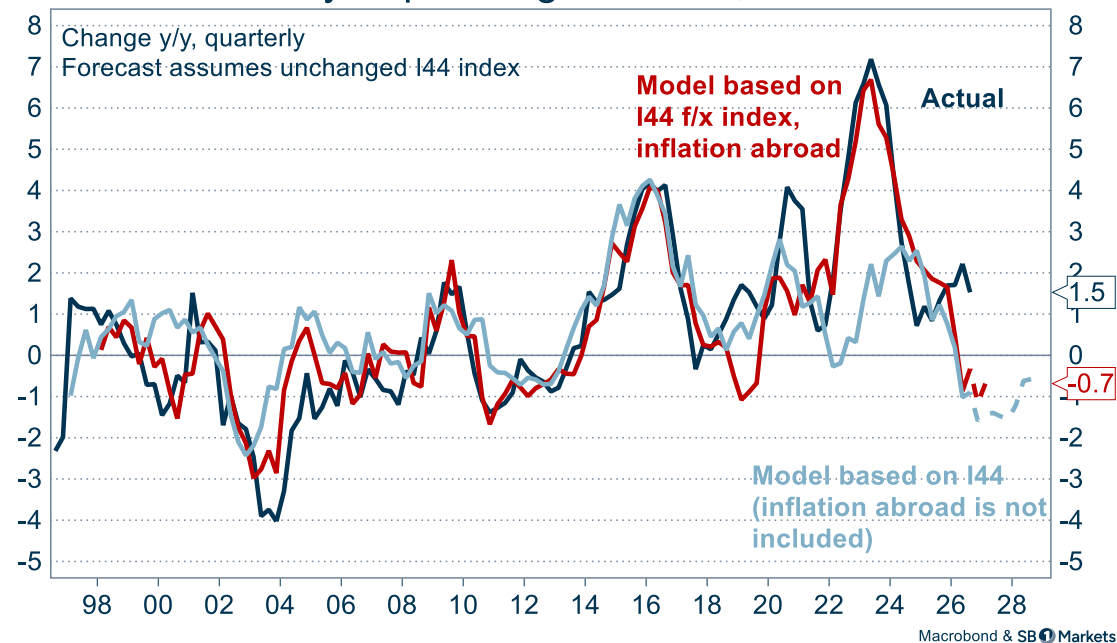
Domestic costs and imported goods: Arguments for expecting **lower inflation!**

Underlying growth in Unit Labour Costs as fallen to some 3%, or slightly above. Our model for *imported goods* prices suggests a steep decline over the coming months, to **below zero, due to the NOK appreciation.**

Norway CPI vs labour costs



Norway Imported goods CPI, f/x-model

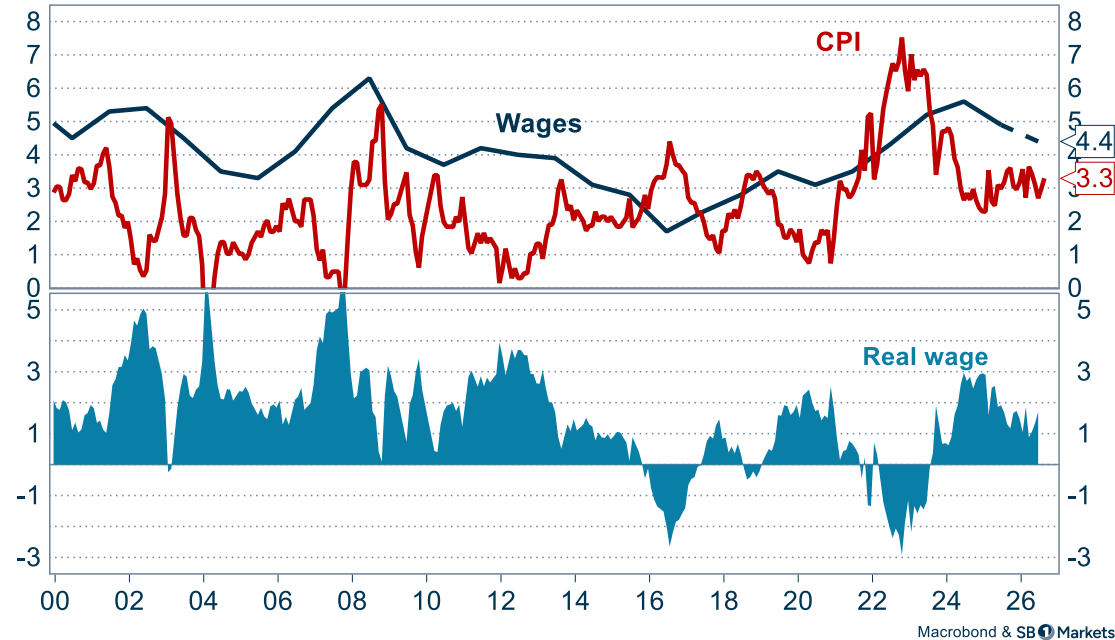


- **Core domestic CPI inflation** rose slightly in both July and August. ULC inflation is slowing and does not signal any reversal.
- **Imported goods:** Our model signals a decline in prices, from the current 1.5% level (Q3 est).
A drop to zero will lower total inflation by 0.8 pp!

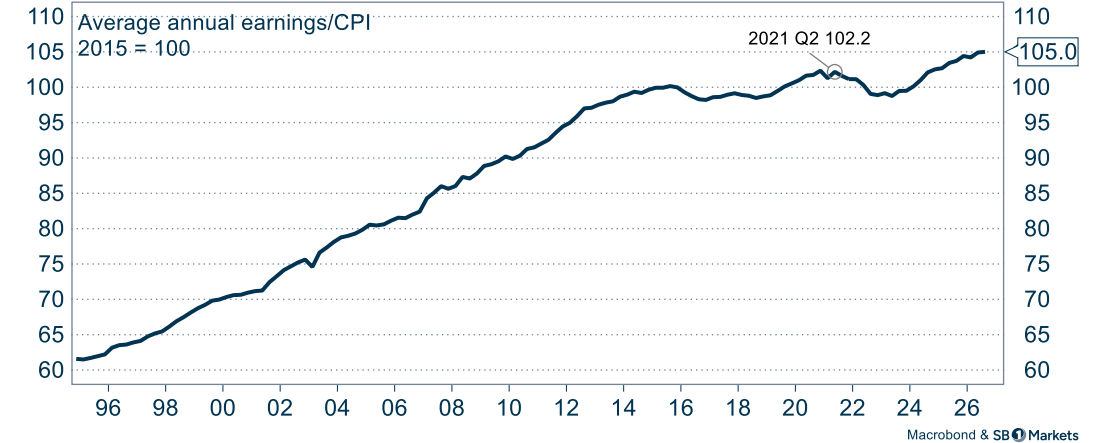
Real wages are still on the way up (but slower) – and they are at an all-time high

We assume a wage growth well north of 4.0% in 2026, and very likely a further lift in the real wage.

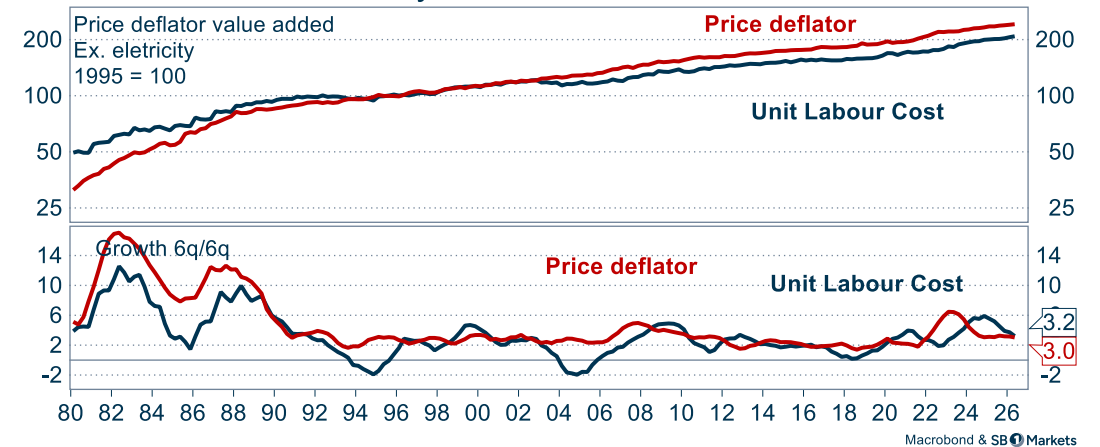
Norway Prices & Wages



Norway Real wage

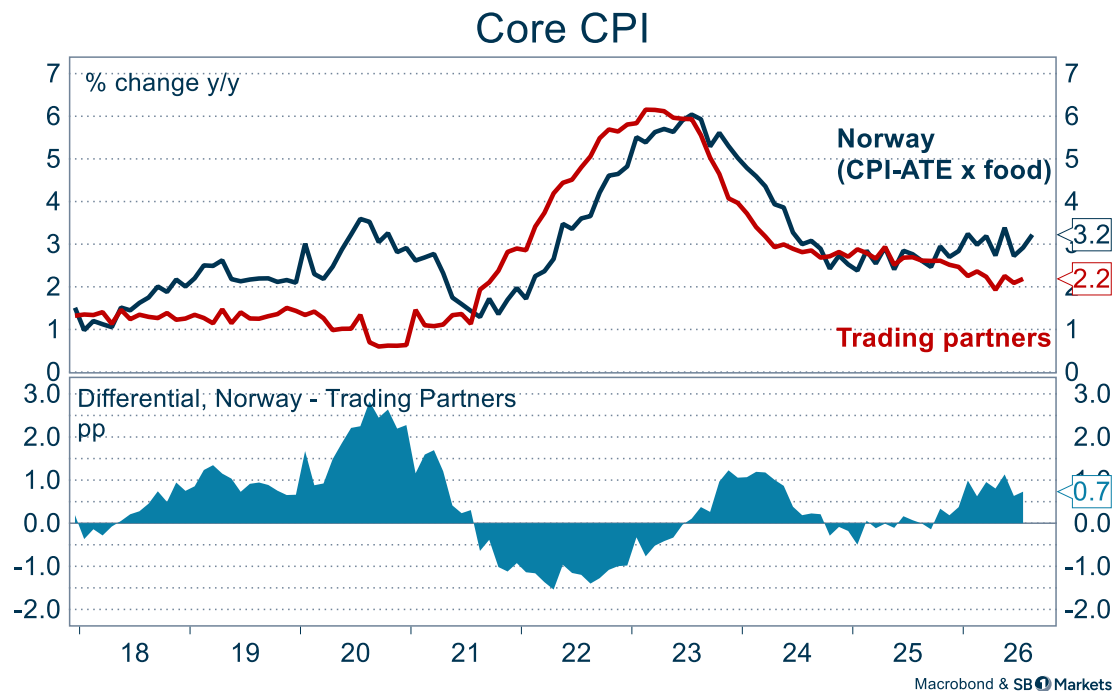


Norway Mainland businesses

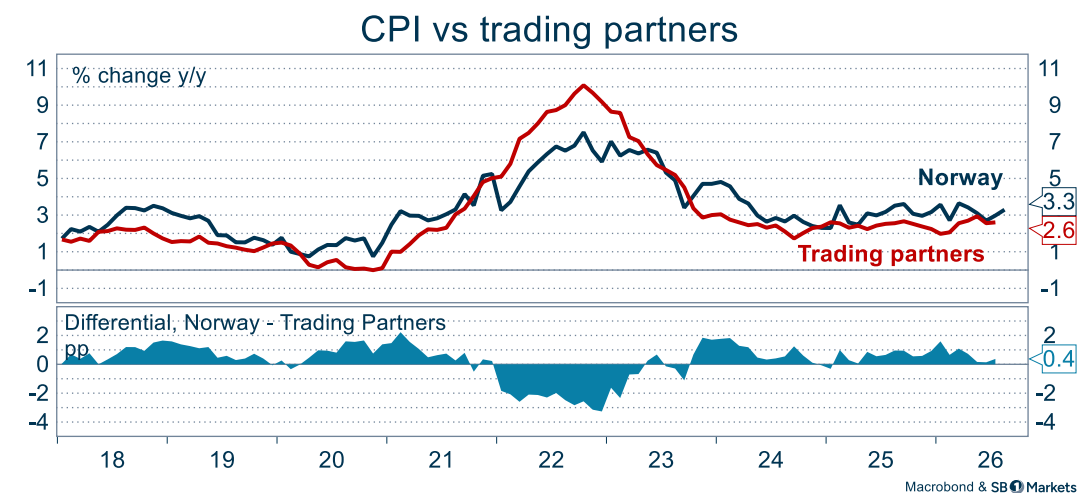
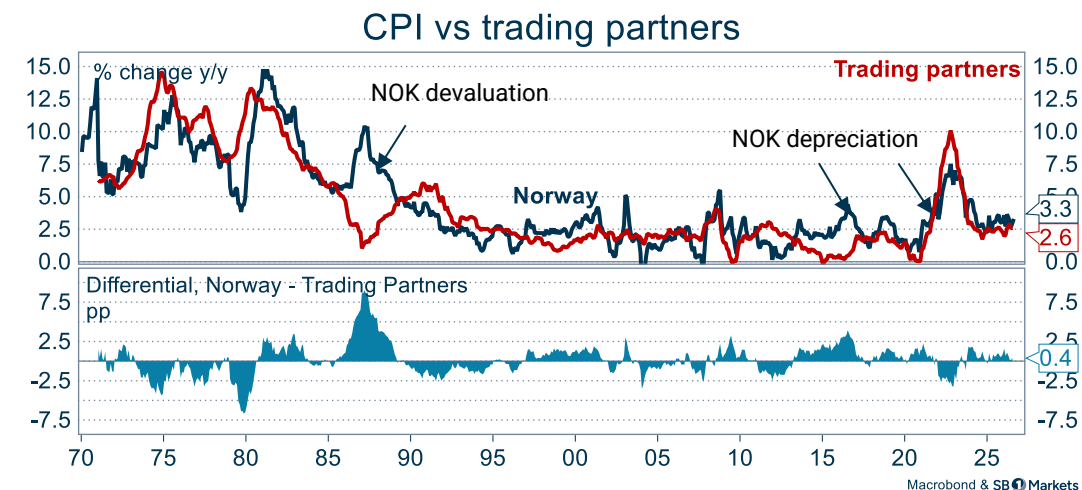


Norwegian ('real') core inflation is 1pp higher than among our trading partners

The headline CPI is 0.7 pp higher than abroad. Heavy VAT & tax cuts have lowered Swedish prices substantially, explaining 0.2-0.3 pp of the core gap.



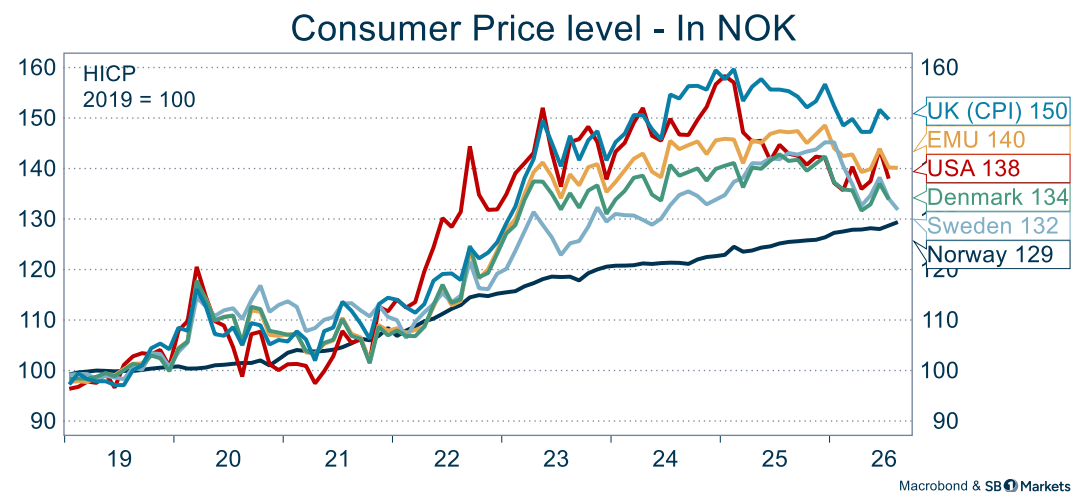
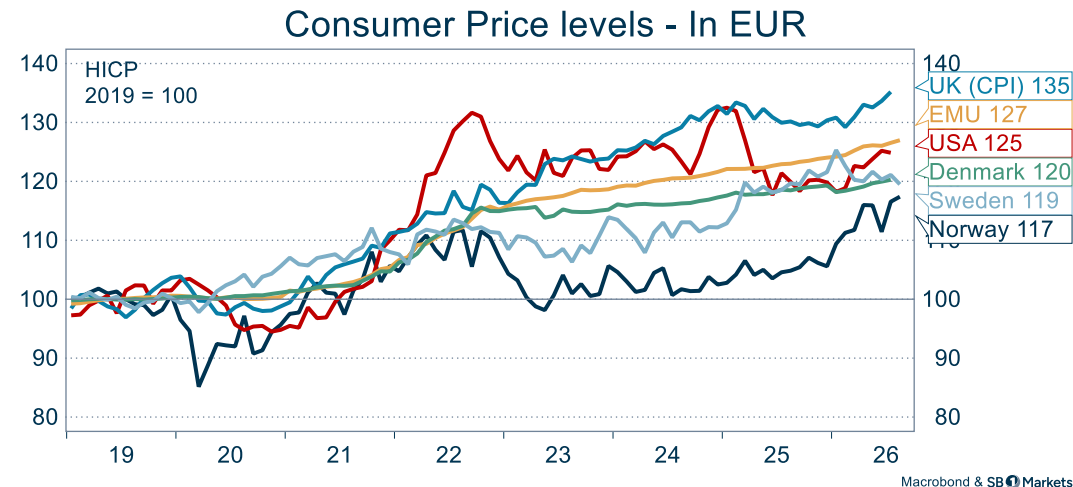
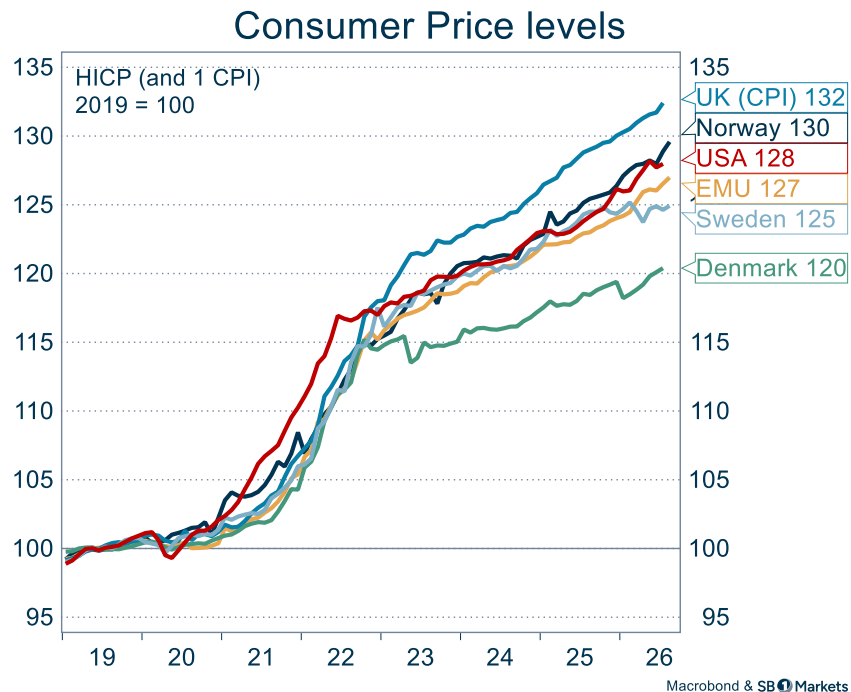
- During the last large inflation cycle '70s and early '80s Norwegian headline inflation was quite closely correlated to the global (G7) CPI cycle (and mostly lagging).
- Norwegian core CPI has (on average) been close to **uncorrelated** vs. core CPI among our trading partners over the past 20 years. The headline CPIs have been somewhat better correlated, due to co-movements in energy prices.
- Norwegian core inflation (here a CPI-ATE x food) was lower than among our trading partners on the way up, even if the NOK depreciated.





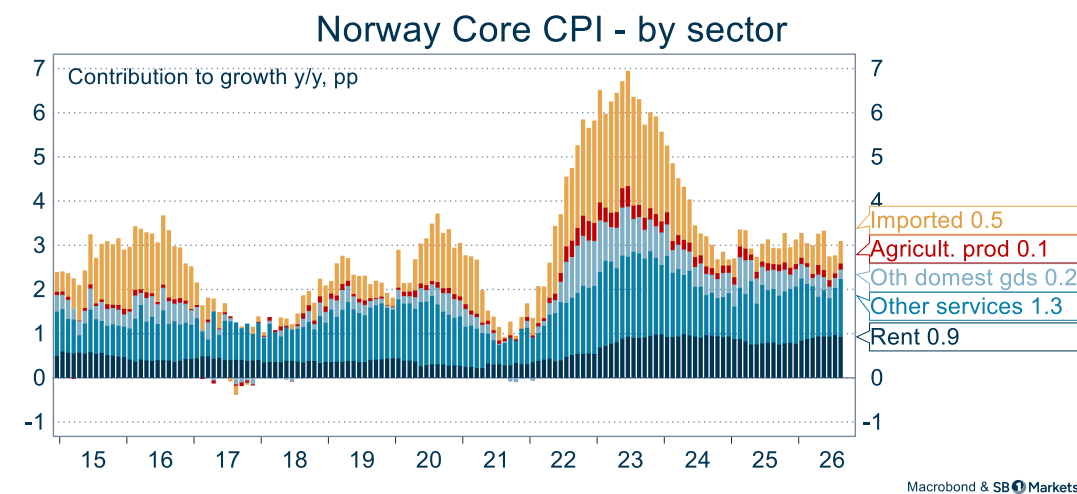
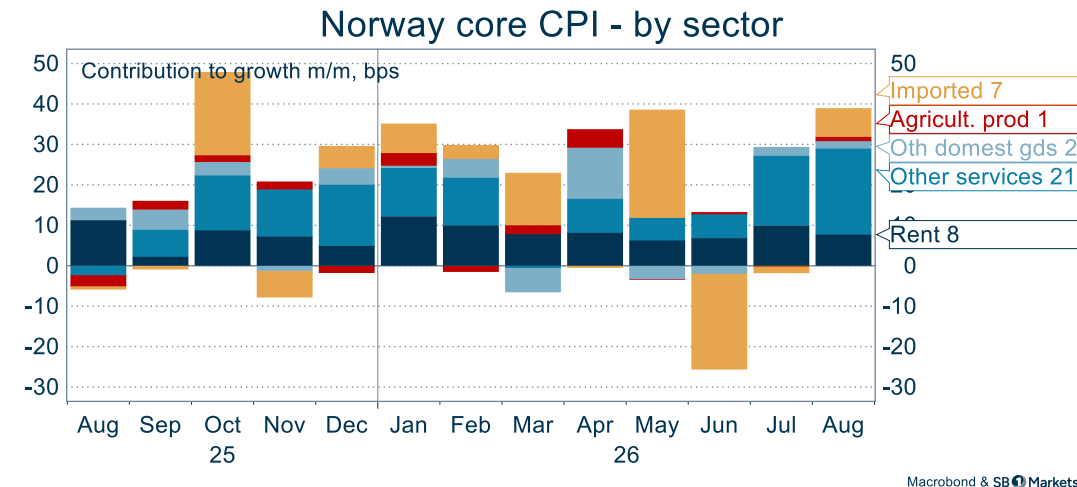
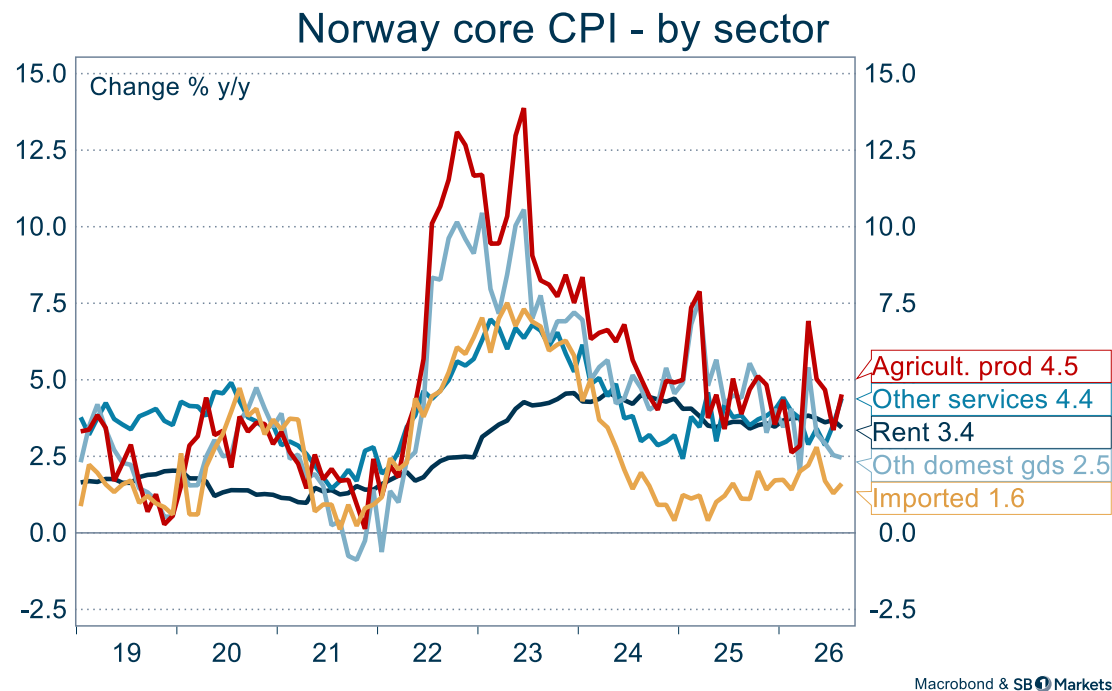
In *national* currencies, prices are up 25 - 28% from 2019 in EMU, Sweden, US. 30% in Norw.

UK prices have climbed more, Danish prices less. The 'low' Norwegian inflation was surprising, given the NOK depreciation. Due to the recent NOK appreciation, the Norwegian price level has narrowed the gap measured in a common currency vs. the 2019/21 level



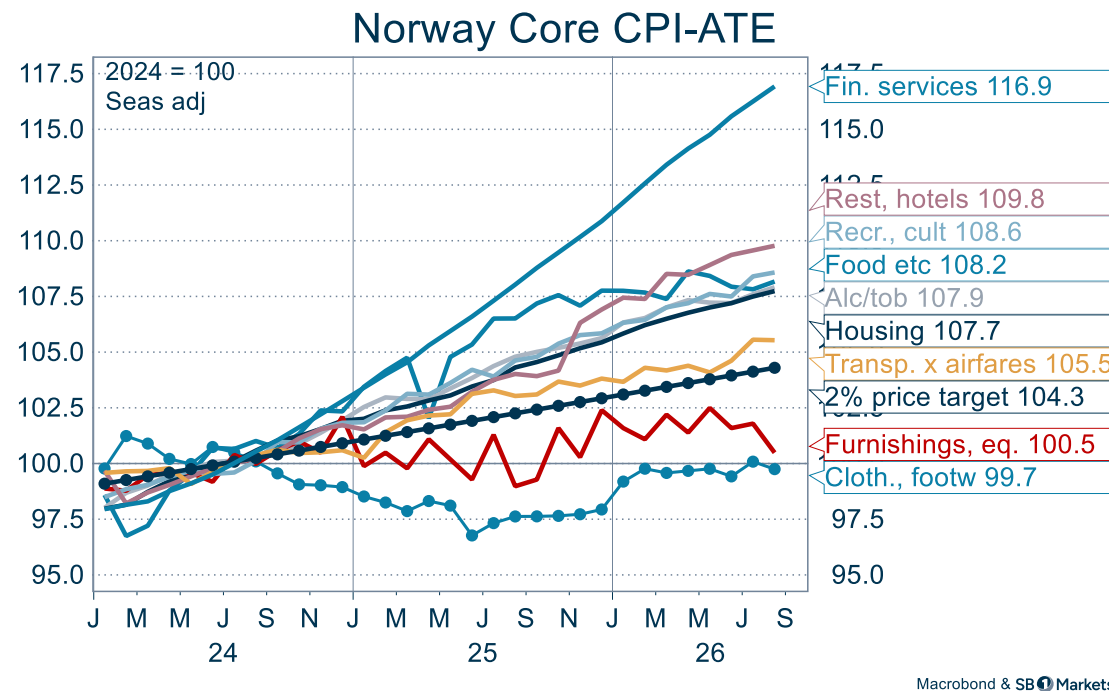
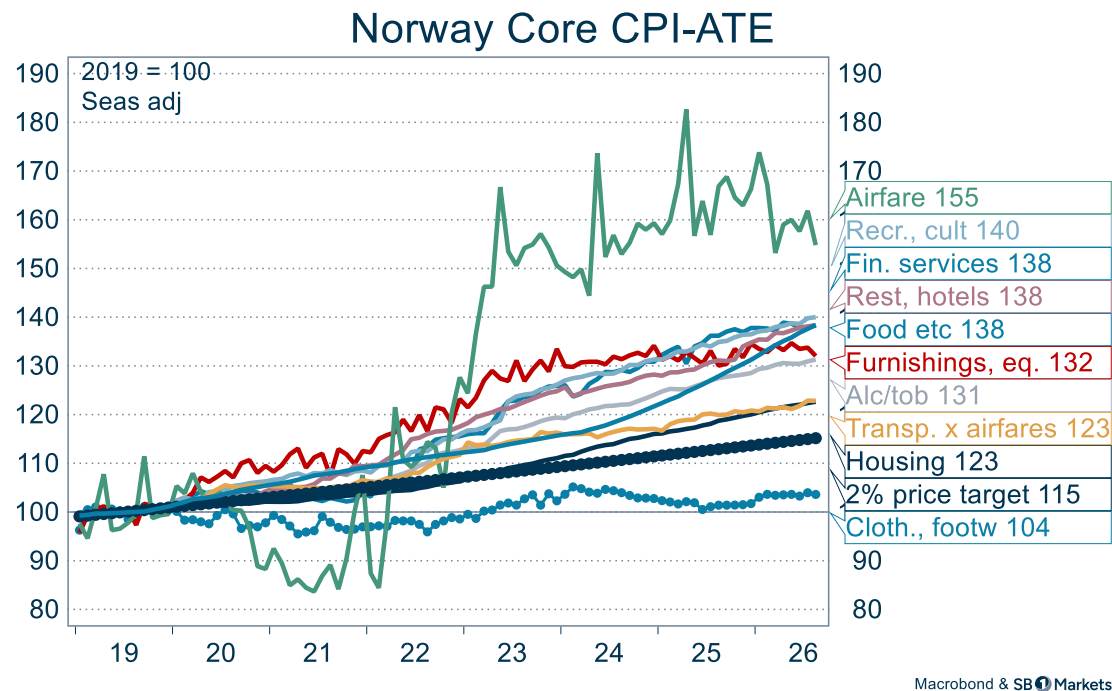
Sectors: Services contributed the most on the upside in Aug., followed by imported goods

Imported goods are up 1.6% y/y, lifting the core CPI by 0.5 pp. Rents are up 3.4%, lifting the index 0.9 pp. Other services are up 4.4 (!)%, which contributes by 1.3 pp.



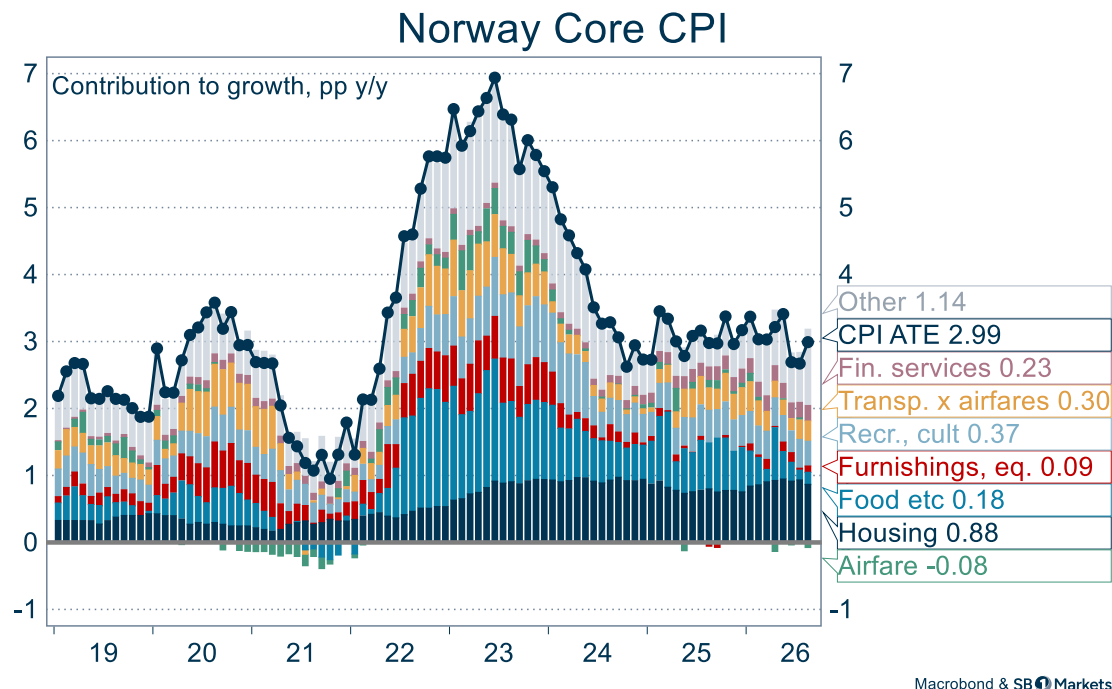
Core CPI details: airfares head down; clothing and furnishings have flattened

Recreation prices are up the 2nd most since 2019, followed by hotel and restaurants. Clothing prices remain very low, almost no change (4%) since 2019 (even if the NOK has fallen sharply). Furnishings prices falls sharply in August.

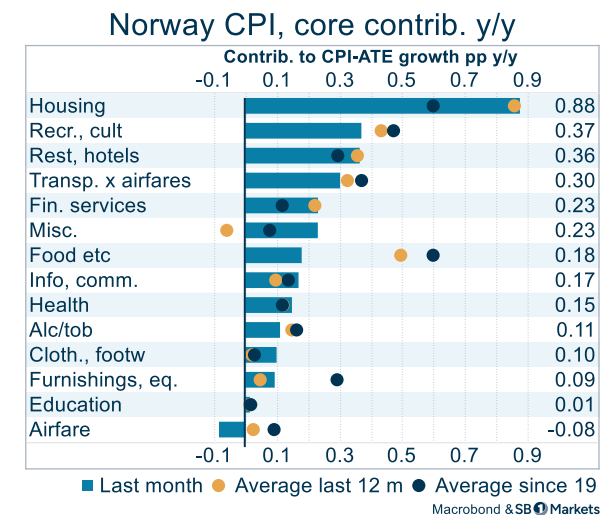
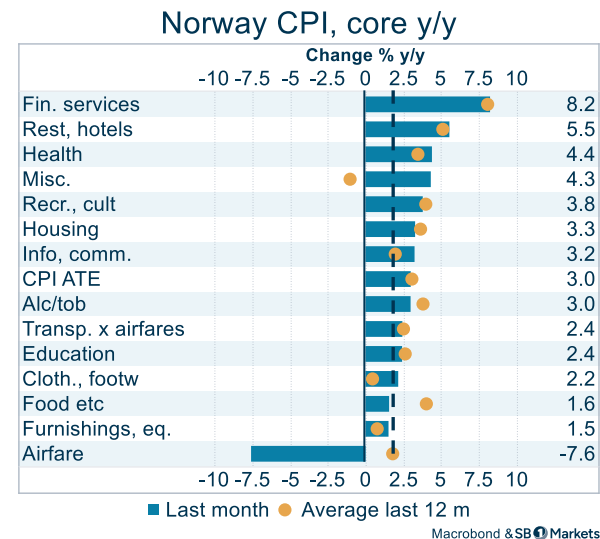


Core CPI y/y details: Financial serv. (insurance +13%), hotel/rest. (5.5%) at the top

Housing (mainly rents) contributes the most, 0.9 pp., followed by recreation/culture and hotels/restaurant. 11 main sectors are up more than 2% y/y, and just 3 less than 2%, of which 1 is down (airfares).



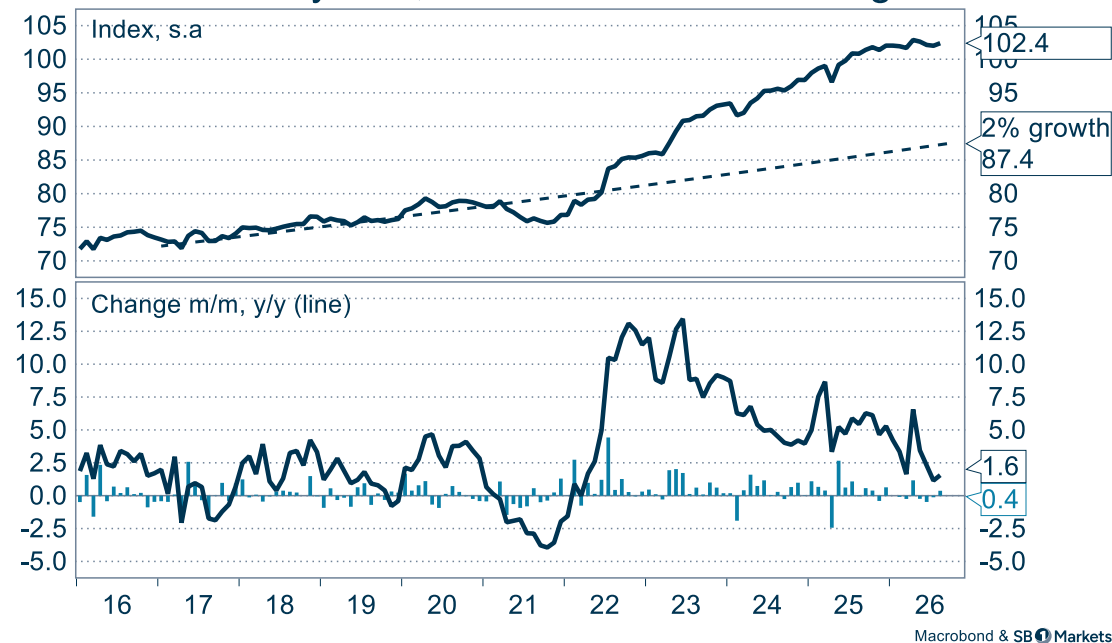
- 7 sectors report **higher inflation** than the average over the past 12 months, and 7 **lower**.



CPI: Food prices just marginally up in August and are up 1.6%.

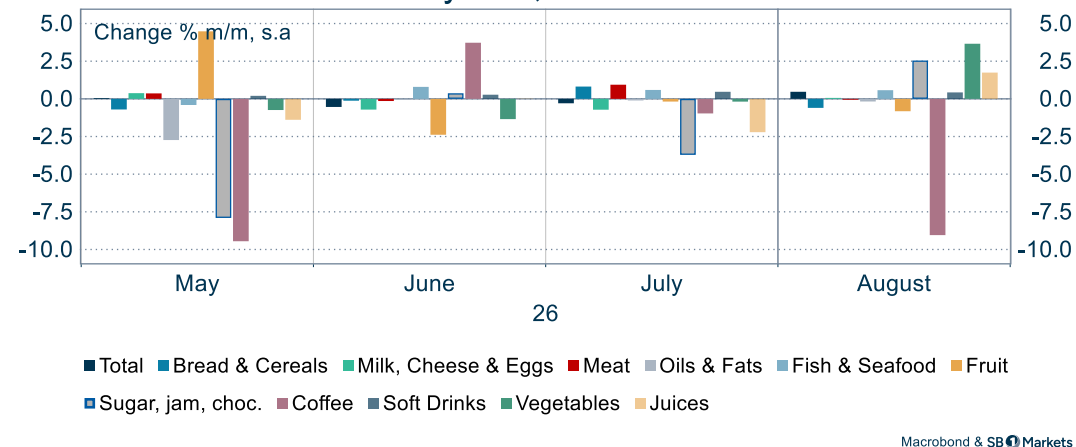
In August, coffee prices declined, while vegetable prices rose.

Norway CPI, Food & non-alc beverages

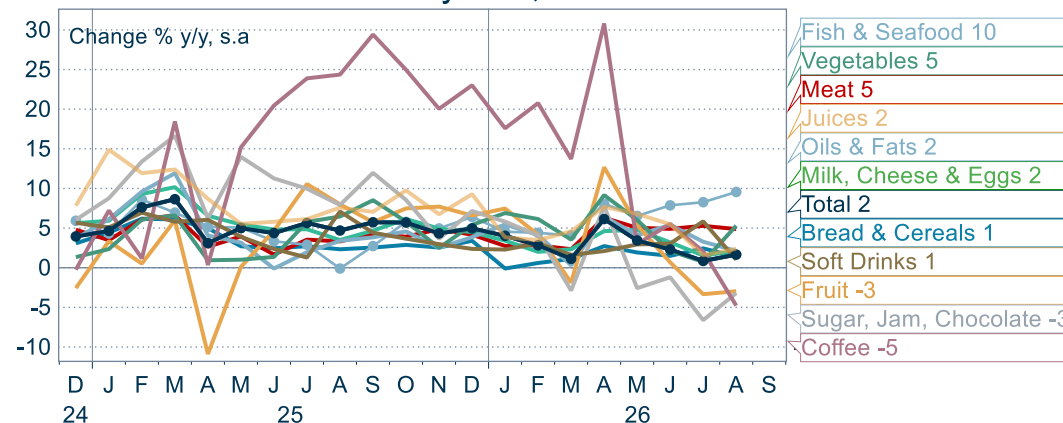


- **Food prices are 17% above** the long-term trend before the pandemic (like in most other countries).

Norway CPI, Food details

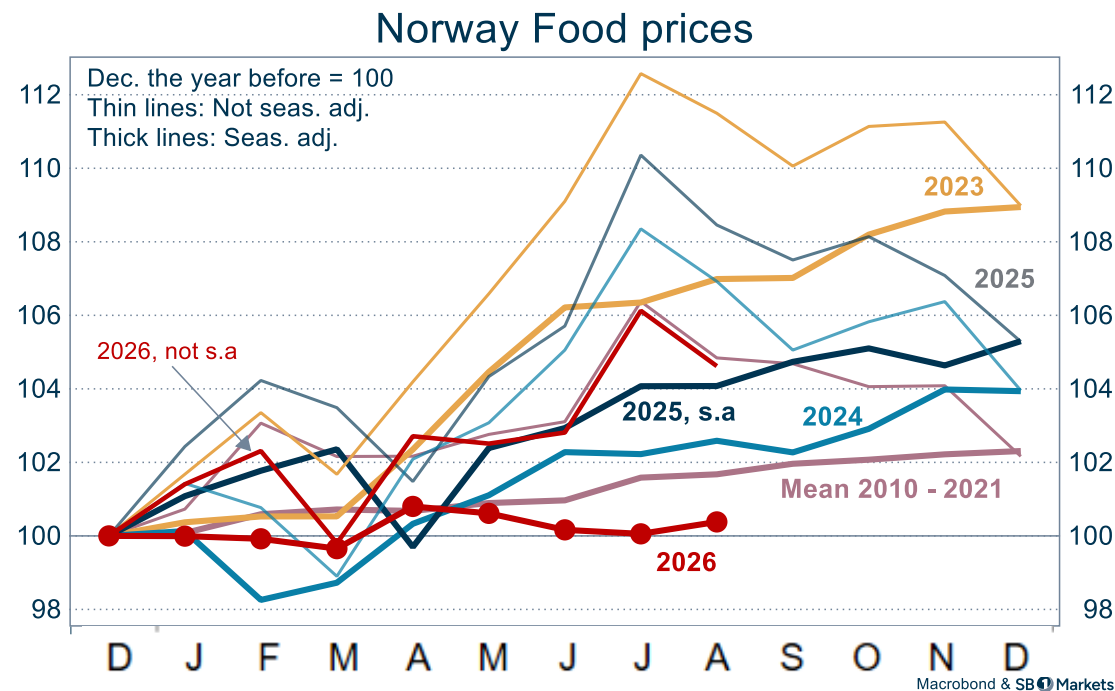
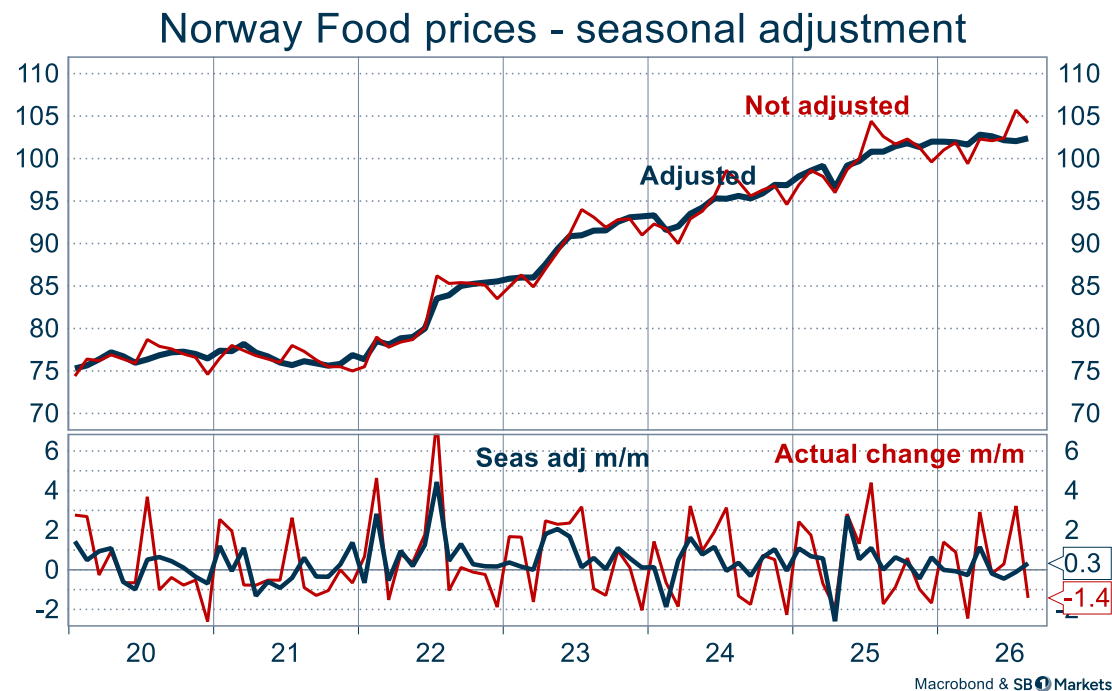


Norway CPI, Food details



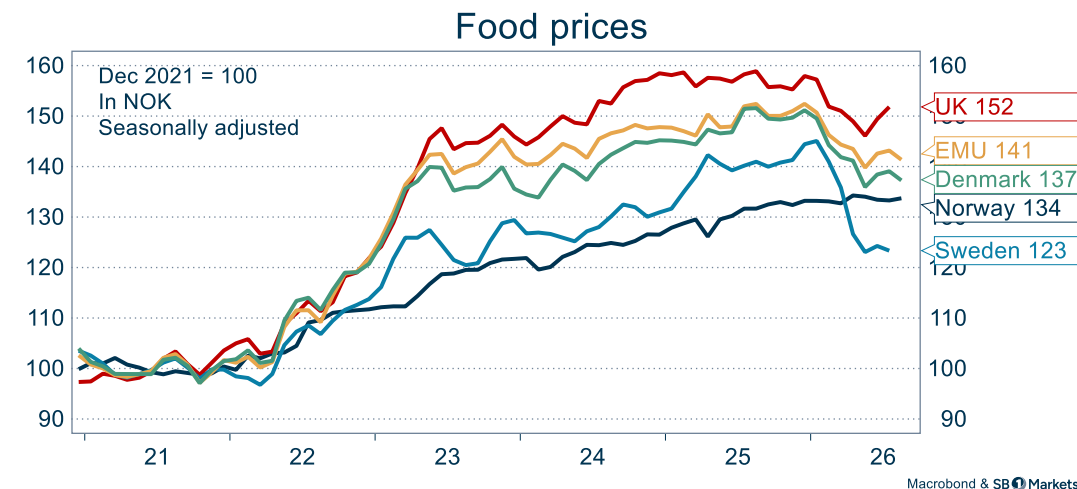
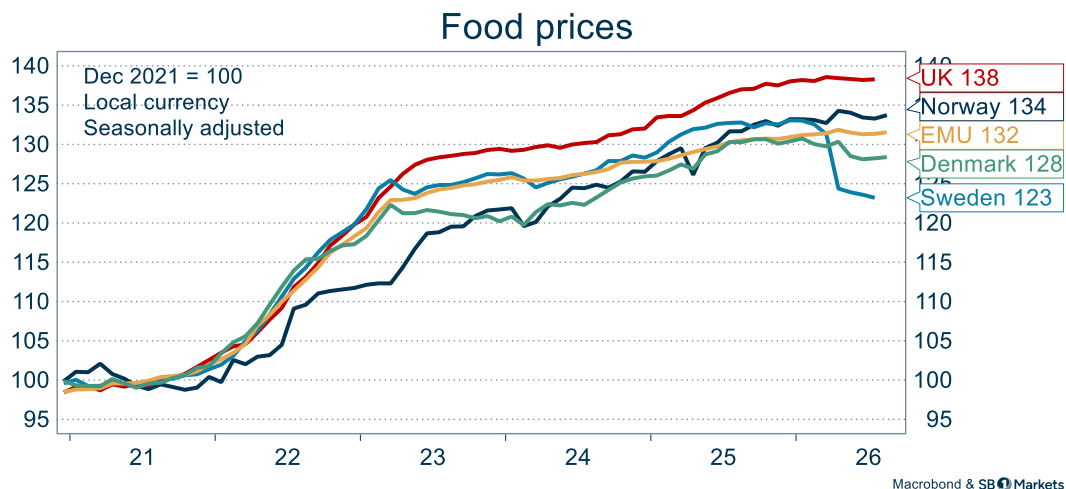
CPI: So far in 2026, close to unchanged food prices!

Prices fell rose marginally in August, following the declined in May, June and July.

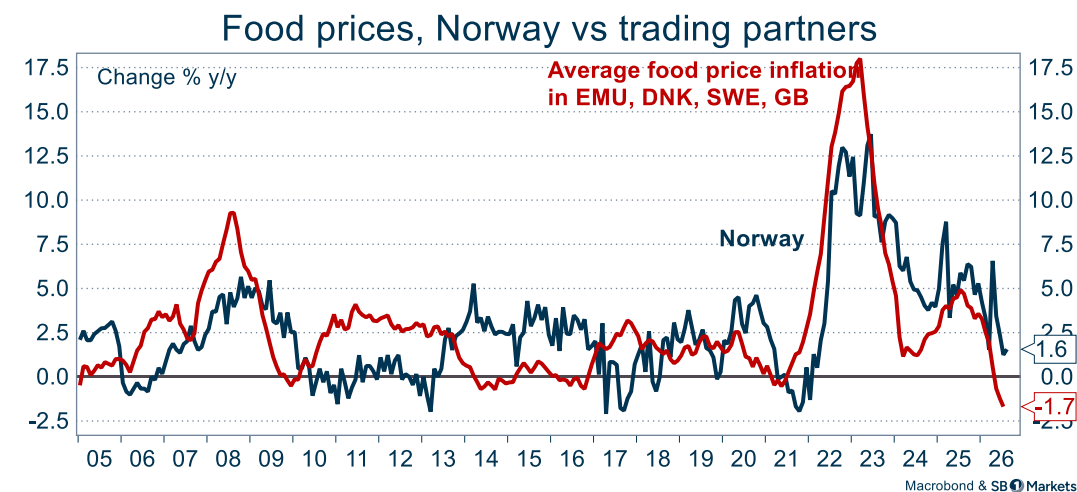


Food prices are flattening/falling all over the place (in local currencies)

... at least in northern Europe. Due to the NOK appreciation in 2026, prices abroad have fallen, measured in NOK. Thus, there is nothing remarkable with the flattening of Norwegian food prices so far in 2026.

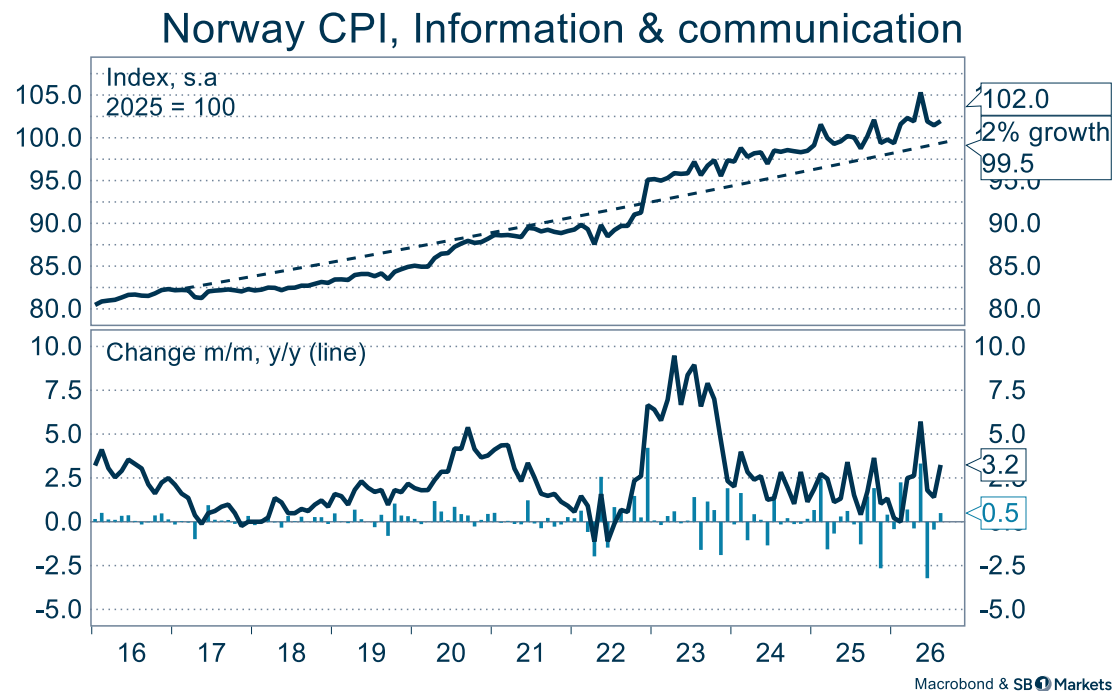


- Since 2021, Norwegian food prices have increased almost at the same pace as food prices abroad, in spite of the heavy NOK depreciation.
 - Measured in a common currency, and due to the NOK depreciation until 2026, Norwegian food prices have been 'cheap', compared to prices in countries around us, vs. the relative price level some few years ago, that is. Now, the gap is closing, as the NOK has appreciated sharply in 2026.
- The VAT cut in Sweden has lowered food prices significantly (and has taken our 'foreign average') down to below zero.
- Normally, the correlation between Norwegian and foreign food prices is low – or non-existent – due to the heavily regulated and sheltered Norwegian agricultural sector.



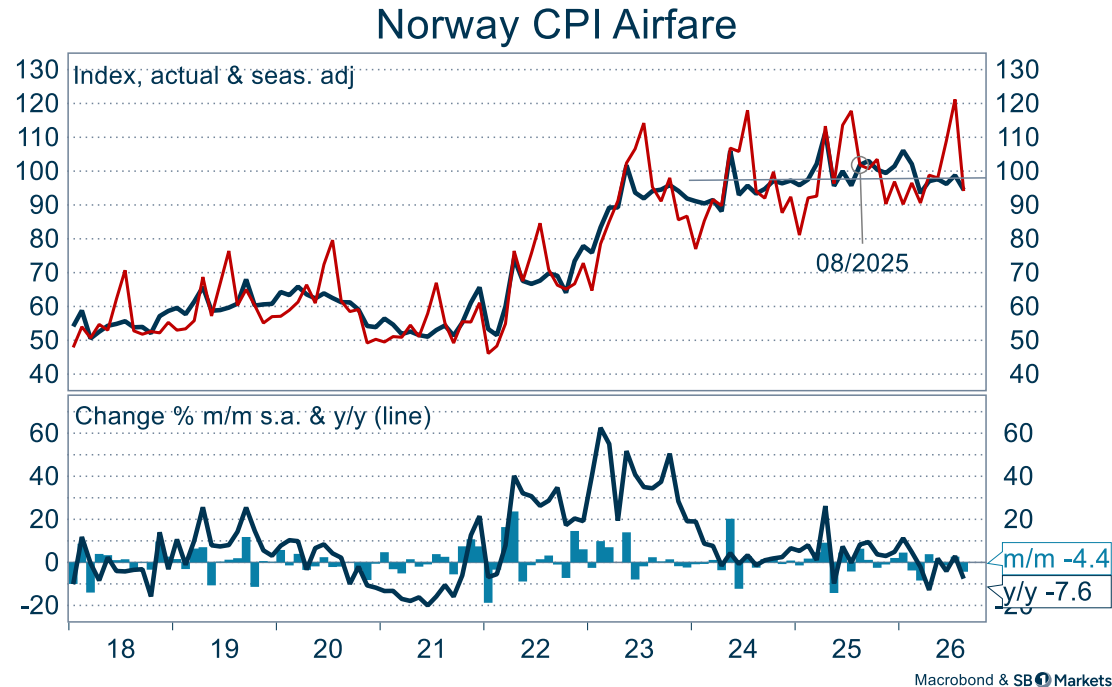
Information & communication (mobile phones, PCs, subscriptions) up at 2% pace

Prices rose 0.5% in August, and the annual rate rose to 3.2%. The underlying growth rate is lower, at some 2%.

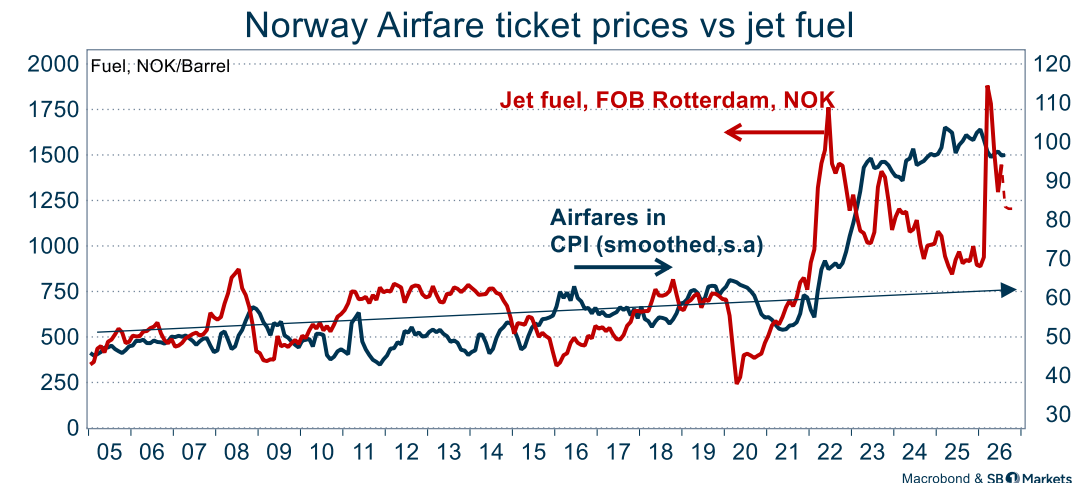


CPI: Airfares up 3% last year, no jet fuel shock to be seen

Airfares rose 3% m/m (seasonally adjusted), we expected somewhat less. Fares are up 3% y/y. Fuel prices are down from the peak, but still high. The correlation to airfares is not impressive, but the sign is positive. Thus, some risk!

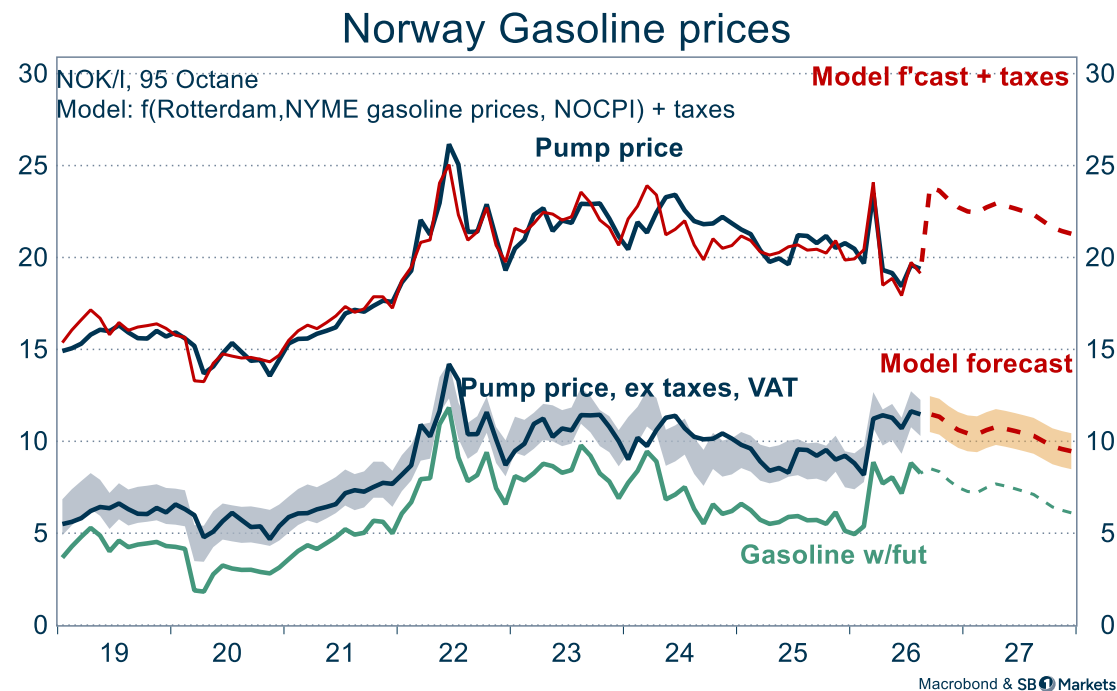
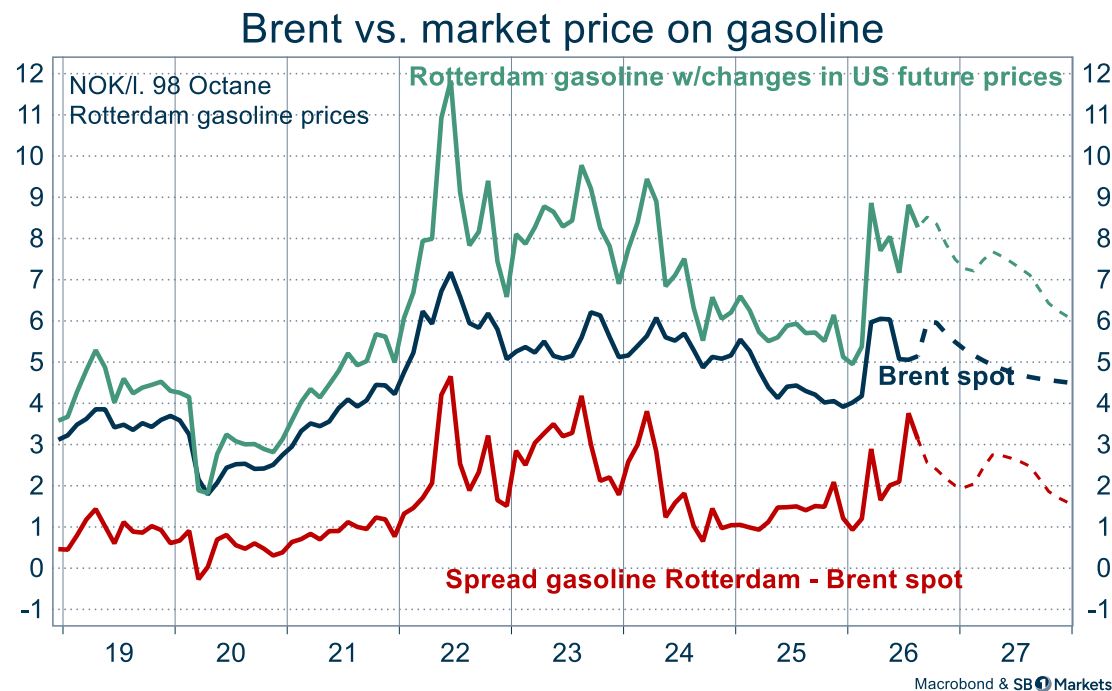


- **The fuel cost** has fallen substantially from the 2022 spike – until the current shock, which is illustrated below. Normally, fuel equals 20% of the total cost.
 - **The correlation to airfares** is limited but large changes in fuel costs will have an impact, of course.
- **Labour costs** per hour are up some 30% since 2019 (on average).
- In addition, the costs of **capital and leasing** have also increased.



The end of the temporary gasoline tax cut will lift prices in September

Our model, based on European/US gasoline market prices, suggest a lift to NOK 24/l in September (95 octane). Actual pump prices are somewhat higher

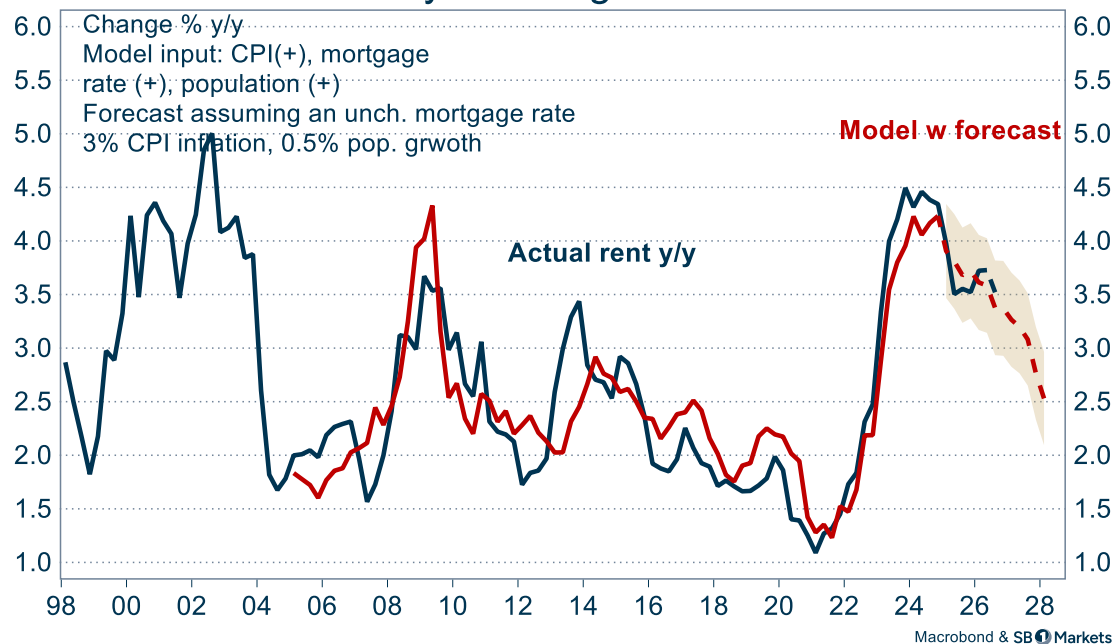


- We apply SSB's monthly average pump prices, which are very closely correlated to the gasoline component in their CPI. These average prices have often been somewhat lower than estimated by GlobalPetrolPrices.com or other international price comparisons. During the summer, the gap has been some NOK 2/l. GPP now report 28.70/l (95 Octane), while national sources are closer to NOK 25/l. Our model suggests NOK 24/l (so far) in September.

CPI: SSB rent inflation down in August, and more to go?

Our rent inflation model suggests a further decline in rent inflation from the current 3.7% growth rate.

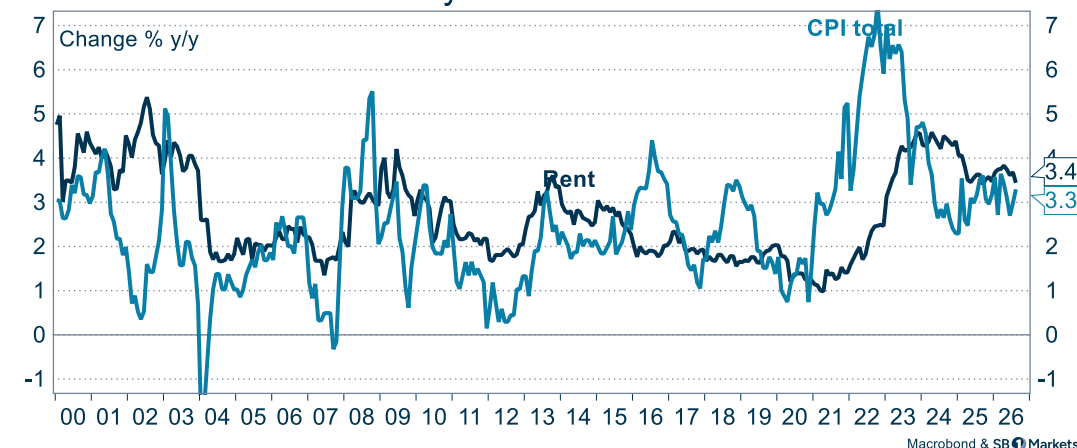
Norway Housing rent in CPI



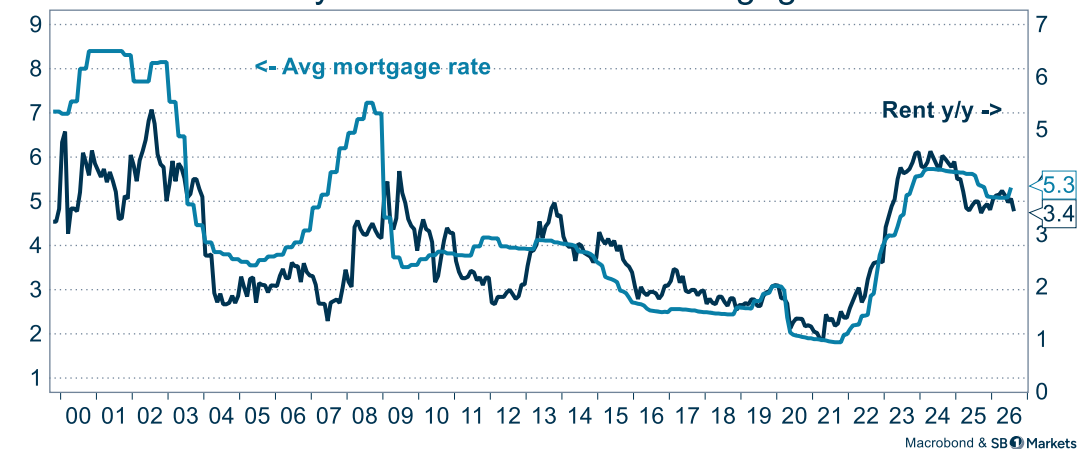
- Since 2005 a 1 pp increase in the after-tax mortgage rate has increased rent inflation by some 0.5 pp. Now, the after-tax mortgage rate is up approx. 3½ pp from the bottom in 2020/21, which may have explained some 1.5 pp of the 3½ pp **increase in rent inflation** (at the peak). Even if rents constitute 26% of CPI (revised up from 21%), a mortgage rate-rent-CPI-mortgage **rate spiral is totally unlikely, as the impact on rents is smaller than other and negative impacts on inflation from a lift in the policy rate**

- On the other hand, the need to bring **rental yields** up to a more reasonable level vs. the cost of capital **may push the average rent up over the coming quarters and years.**

Norway Rents vs total CPI



Norway Rent in CPI vs. the mortgage rate

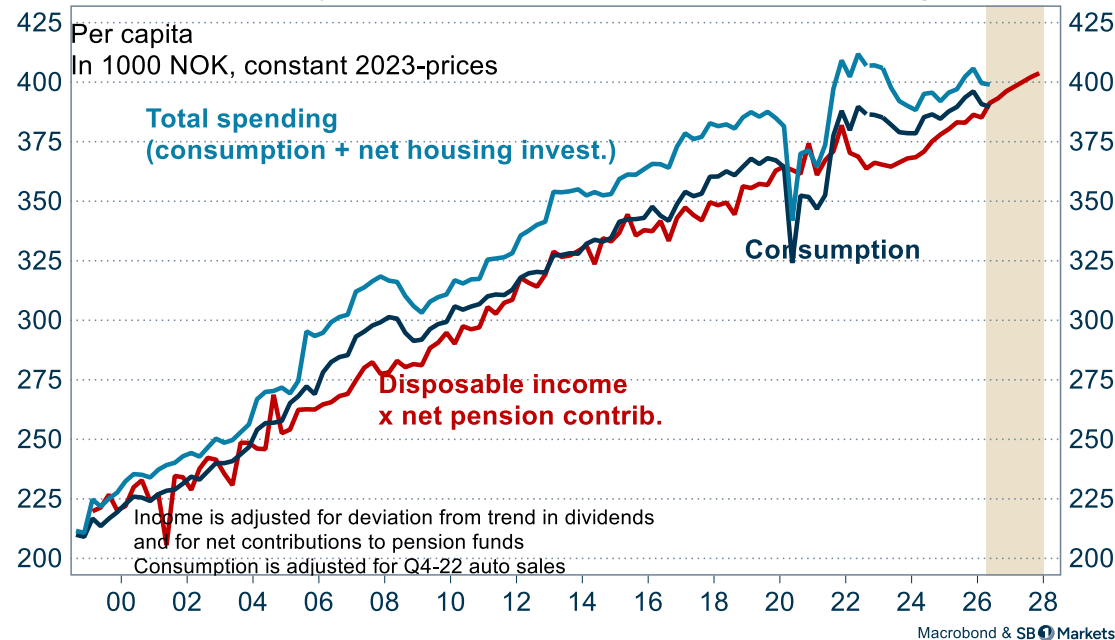


In the Norwegian CPI, the rent component is an average of actual, observed rents, and a calculated owner's equivalent rate. The two are very closely correlated.

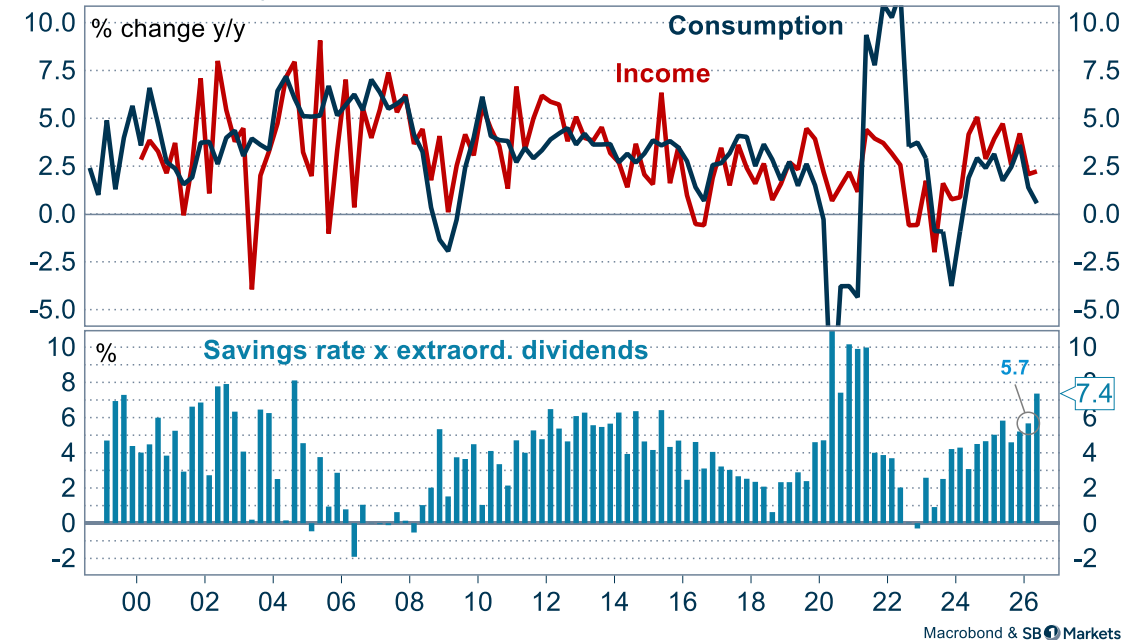
Households' real disposable income is back on track, spending is not → **savings record high**

In Q2, real consumption declined at a 1% pace, while disposable income grew at a 6.5% pace. The savings rate rose 1.7 pp to 7.4% (adjusted for extraordinary dividends, the actual rate was up 3.4 pp to 8.4%, due to a lift in dividends). **The risk for a large lift in savings is low**

Norway Household Income & Spending



Norway Real Household income, consumption

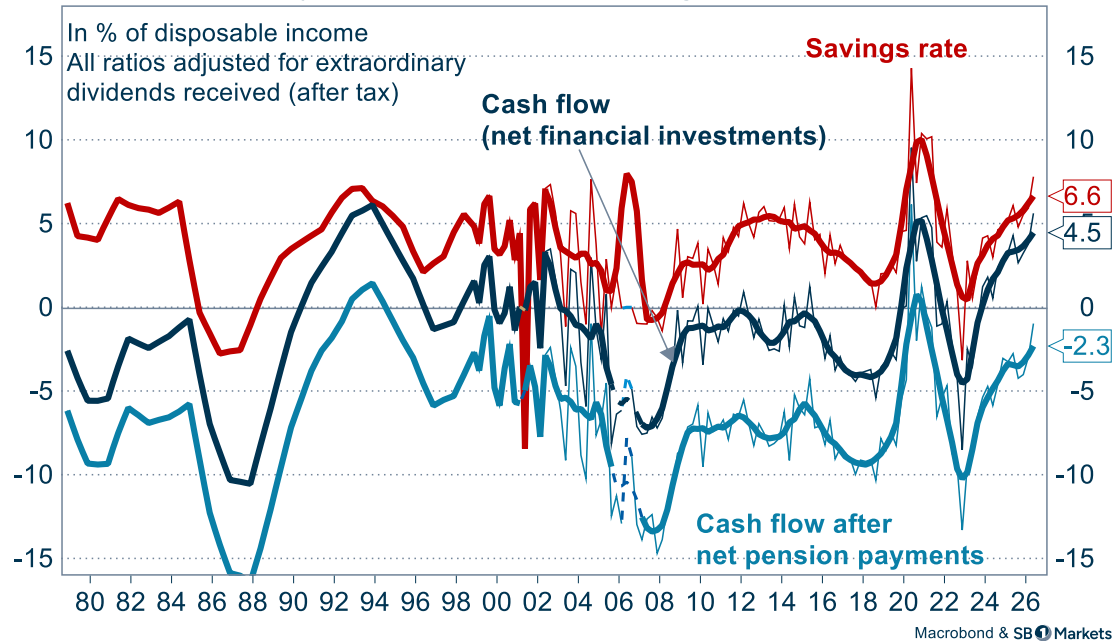


- **Real disposable income** is up 2% y/y, slightly down from the growth rate in 2024 and 2025. Growth in wage income has slowed recent quarters.
- **Consumption** fell in both Q1 and Q2, and is up just ½ % y/y.
- **The savings rate** has been surging since the local bottom in 2023. The 7½% savings rate in Q2 (adjusted for extraordinary dividends) among highest ever, barring the high rates due to 'forced' savings during the pandemic.

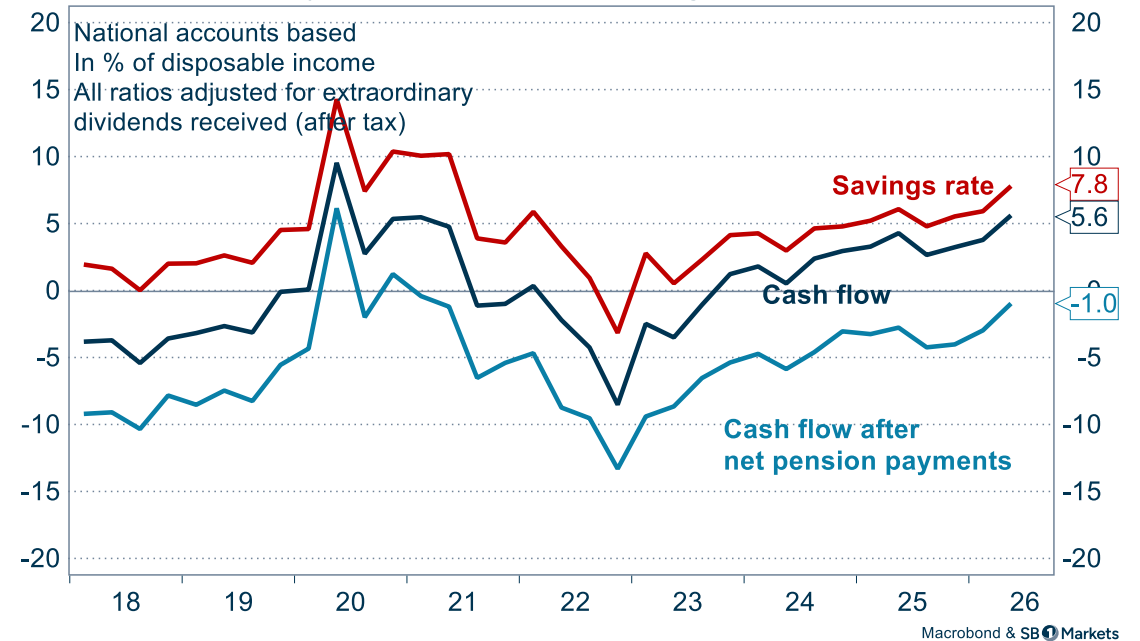
National accounts report a high savings rate, at least according to Norwegian standards

The free cash flow, after net pension contributions is still marginally negative. It was positive a short period in at the end of the banking crisis in the early 90'ies, and in one quarter during the pandemic. But that's all.

Norway Households' savings & cash flow



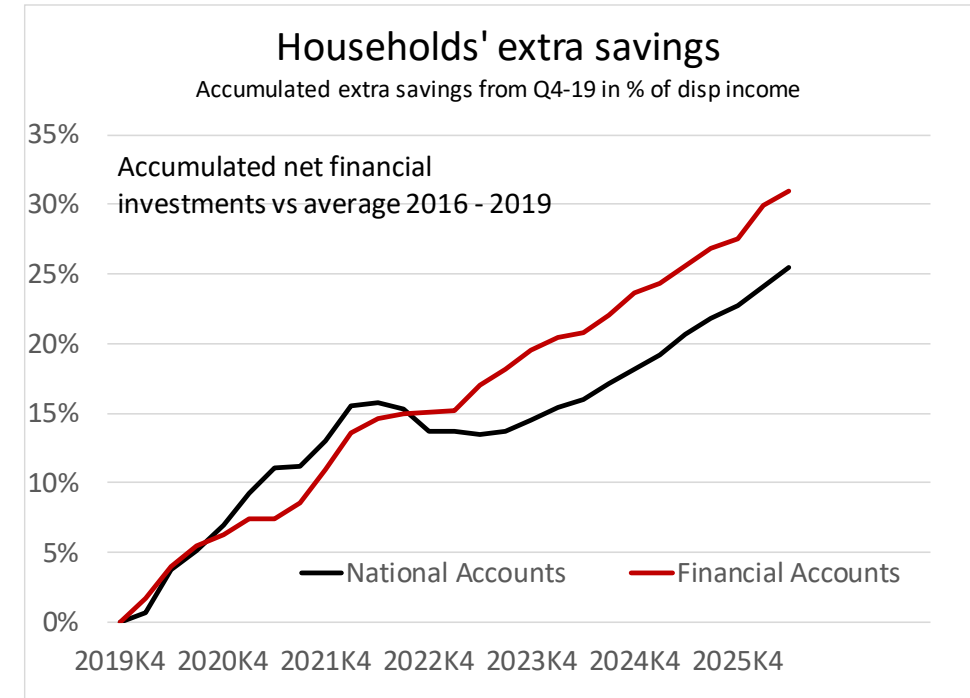
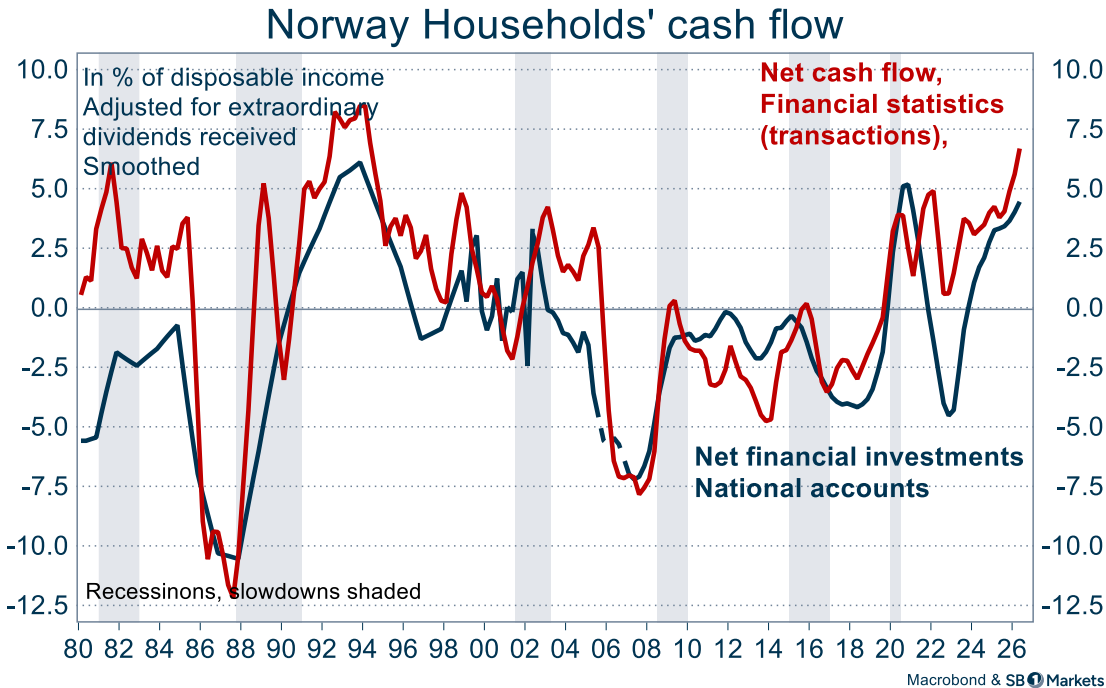
Norway Households' savings & cash flow



- Households' **net financial investments** ('cash flow' on the chart) equal savings (income – consumption) minus investments in real fixed assets (in practice new homes), net of depreciation (which is included in consumption)
 - Net investments in new homes** have varied between zero and +8% of disposable income. The average is 5.5%. Now it is 0.5% of disposable income.
- Net financial investments** equalled 8.9% of disposable income in Q2, or 7.8% adjusted for extraordinary dividends.
- Households (mostly 'invisible', through their employers) **contributions to their pension funds** (net of paid pensions), equal almost 7% of disposable income
- The '**free**' cash flow (net financial investments – net pension contributions) – is (smoothed) at -1% of disp. income.
Barring the pandemic (and some few quarters in 1993), this is the best on record

We are saving, we are saving ...

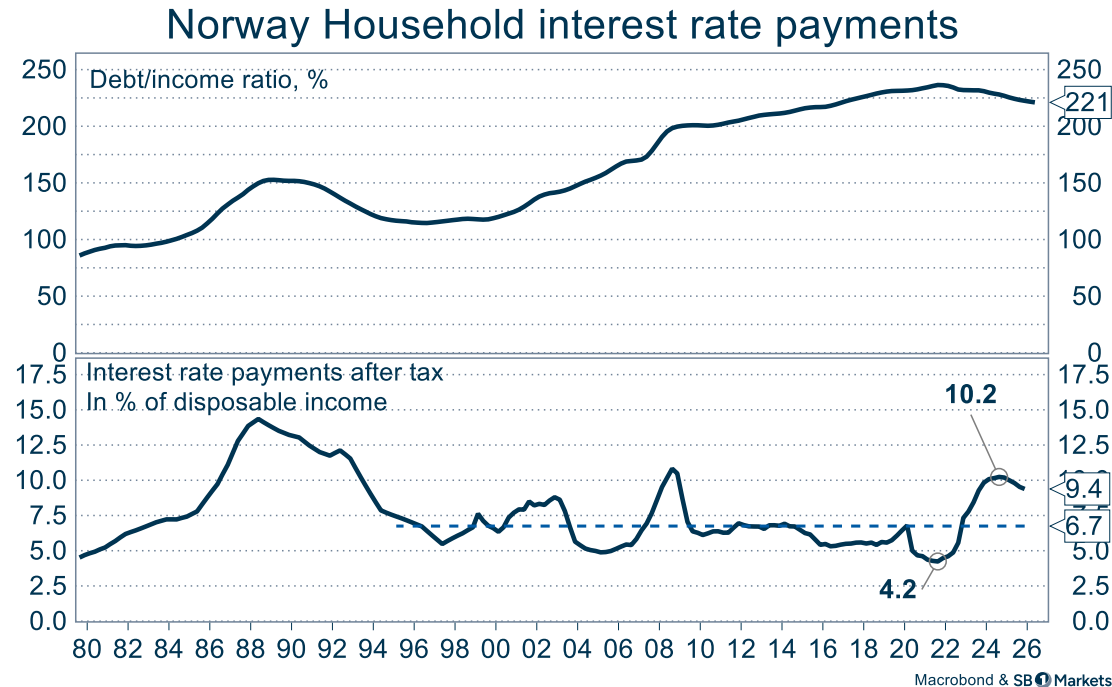
Like almost never before! Financial accounts confirm national accounts data: households run a positive cash flow equalling 4 - 7% of their disposable income = growth in net financial assets (assets – debt) due to transactions



- **Financial accounts** ('flow of funds'), calculated by SSB, estimate households' net financial investments, measured by transactions in financial assets (bank deposits/debt, funds, equities, pension funds, etc.) alongside the calculation of the value of these assets. Net transactions (net financial investments) in % of disposable income were at almost 8% in H1 (smoothed somewhat lower on the chart to the left), some 4 pp higher than measured by national accounts. The surplus is the highest since in the aftermath of the banking crisis in the early 90ies.
 - In principle, these financial accounts data should be equal to net financial investments calculated in the national accounts – but there are some discrepancies, though the gap has been reduced after the revision of national accounts earlier in 2026.
- The **extra, accumulated financial savings vs. the 'normal' savings before the pandemic** equals 25% to 30% of disposable income!

Interest rate payments vs income have peaked, but is still at a rather high level

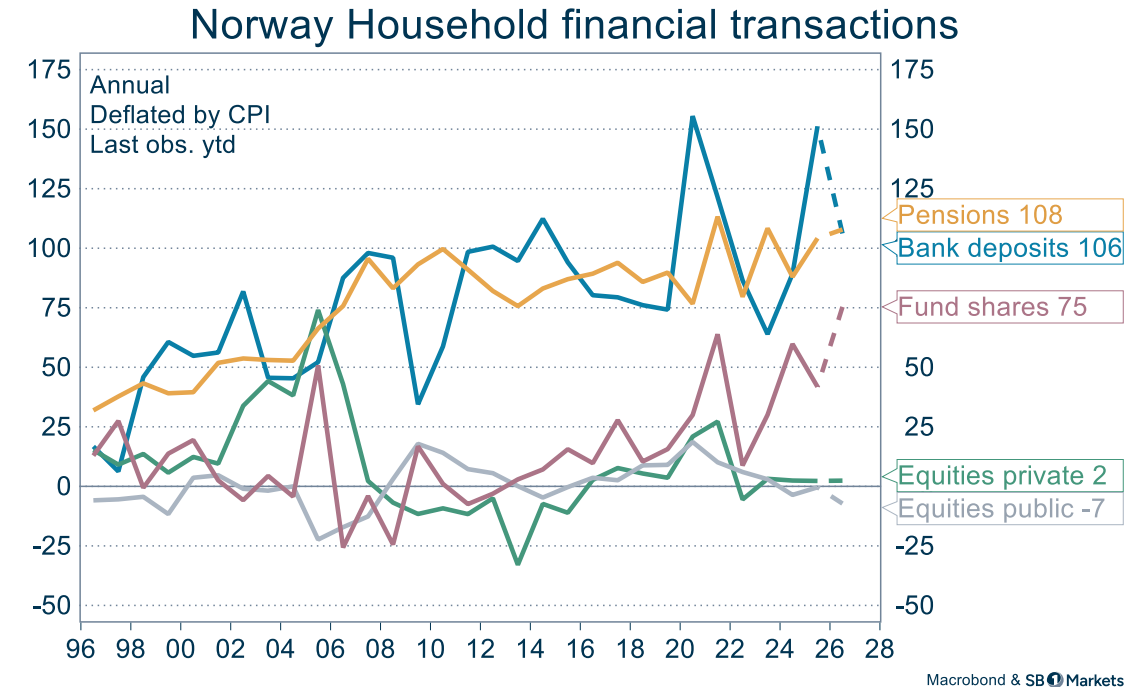
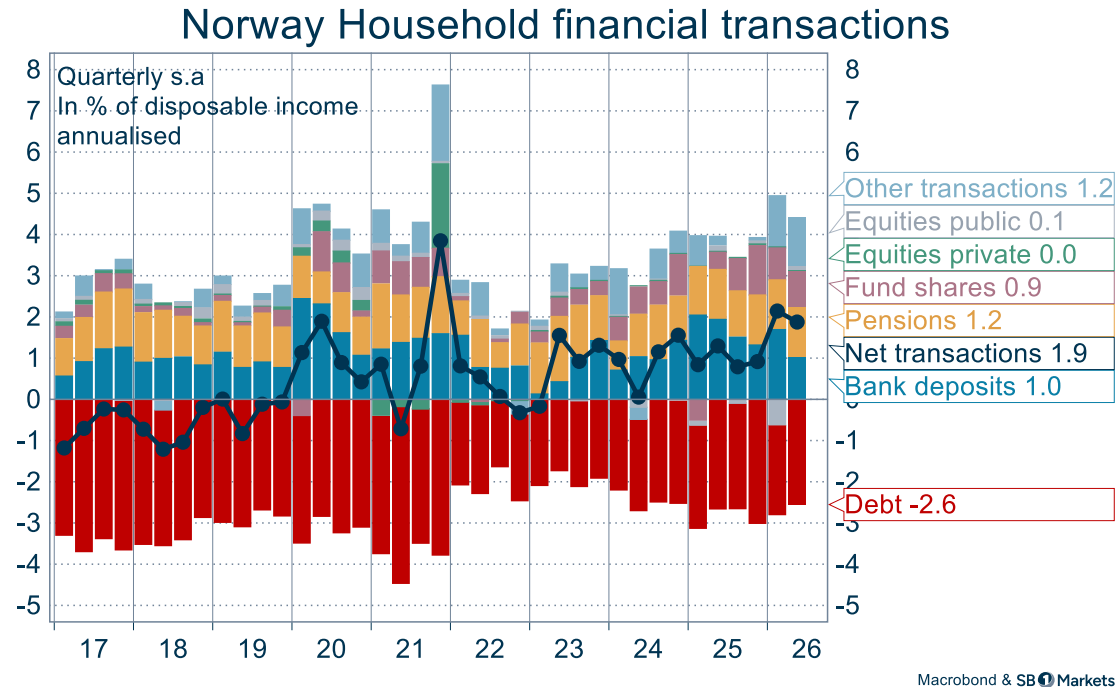
After-tax interest payments have fallen 0.8 pp of disposable income from the peak in Q3 in 2024 to 9.4%. The rate hike in May did not have any impact on rate payments in Q2, but the impact will be visible in Q3. A lower the debt ratio will dampen the impact.



- Due to the large share of annuity loans, the cash impact of higher or lower rates is less, as amortisations are 'automatically' adjusted.

Fund share investments are surging, as growth in bank deposits slows slightly

Net buying of fund shares has increased sharply since 2023 and rose further in H1, in fact to the highest ever (also in real terms). Growth in bank deposits slows but remains higher than normal. Growth in households' debt is still modest.

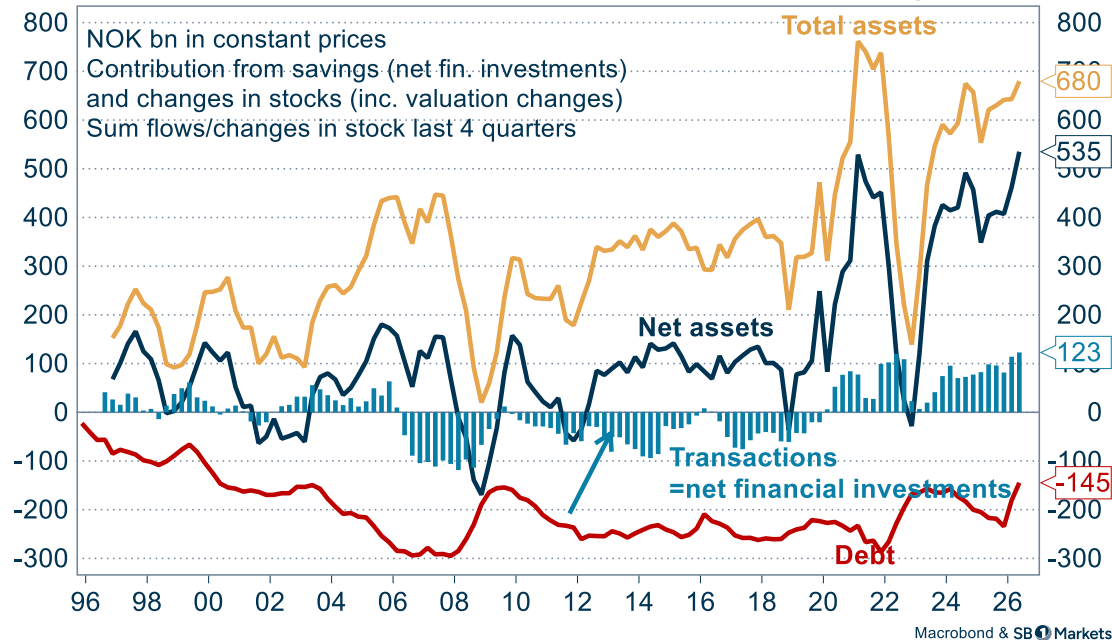


- The last annual observation in the chart to the right is the average so far in 2026, that is, the H1 annualised.

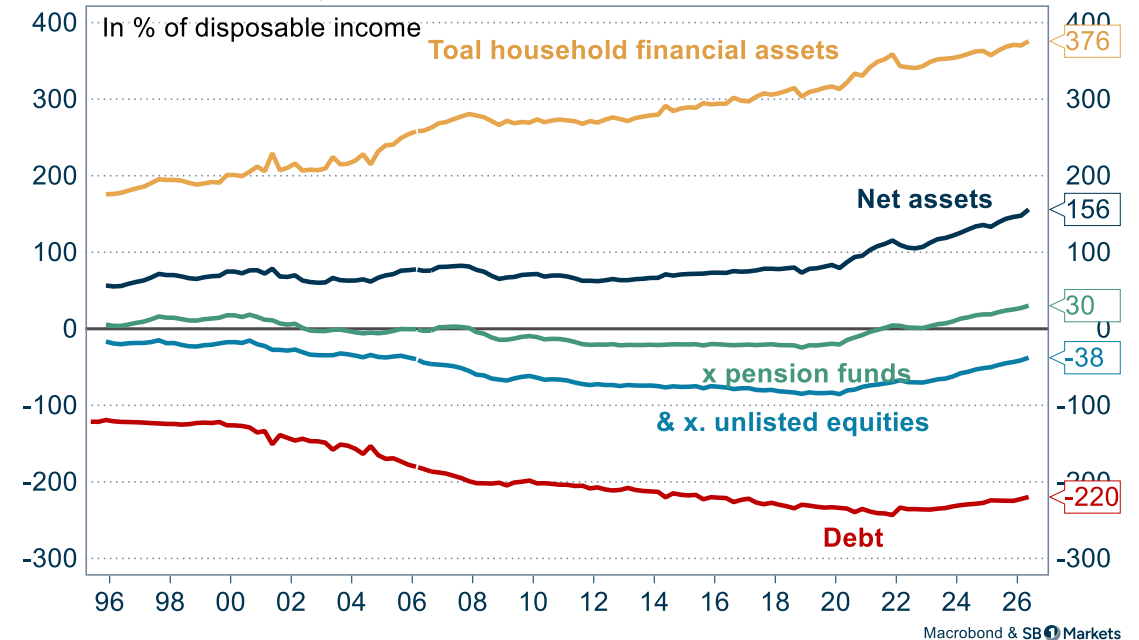
From flows to stocks: The cash surplus NOK 123bn, net financial assets rose by 460bn

... as a lift in asset prices lifted assets by more than NOK 300bn. Debt grew by NOK 220bn, and total assets grew by 680bn, one of the largest increases on record (CPI adj.). Total financial assets equal 3.8x disposable income, **net financial assets 1.56x, up from 0.8x in 2019**.

Households real financial assets, 'savings'



Norway Household financial assets/debt

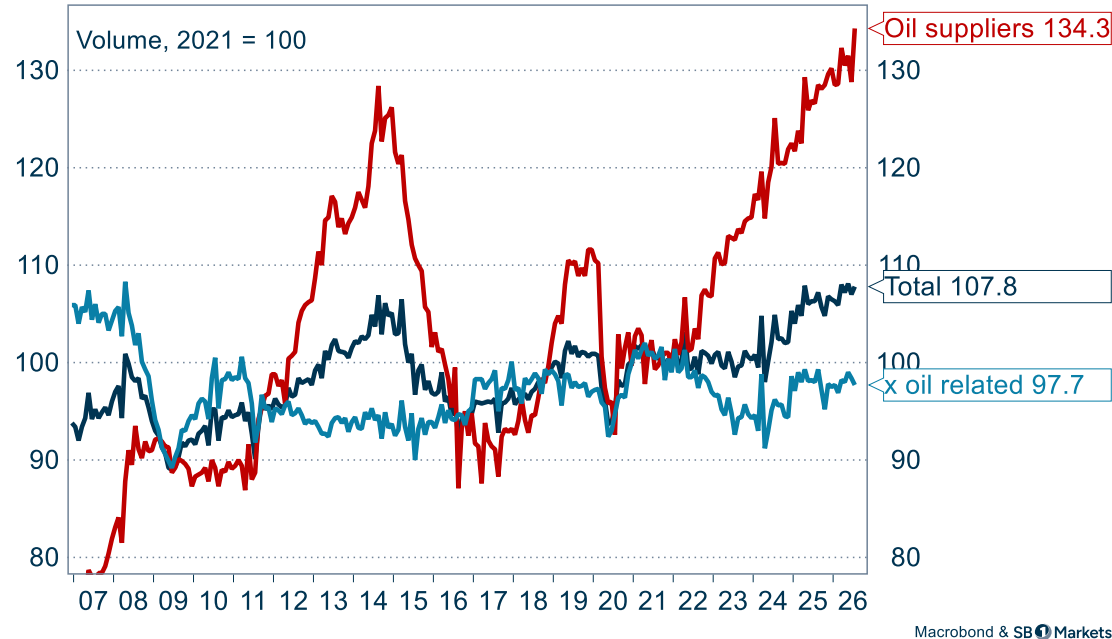


- **Gross financial assets equal 376%** of disposable income. The rate has been trending steadily upwards over the past 15 years.
- **Net financial assets** equal 156% of disposable income and have trended faster than the gross rate since the pandemic (as the debt ratio has declined).
- **Excluding pension funds**, the net asset rate is not that impressive, but still positive: +30%.
 - If unlisted (and less liquid) equities are also deducted, there is a 38% negative net 'liquid' asset position. Before the pandemic, this rate was -84%.
- **The total debt/income** ratio is slowly declining, now at 221%.

Oil suppliers saved the manufacturing sector in July (as the past 4y). For how long??

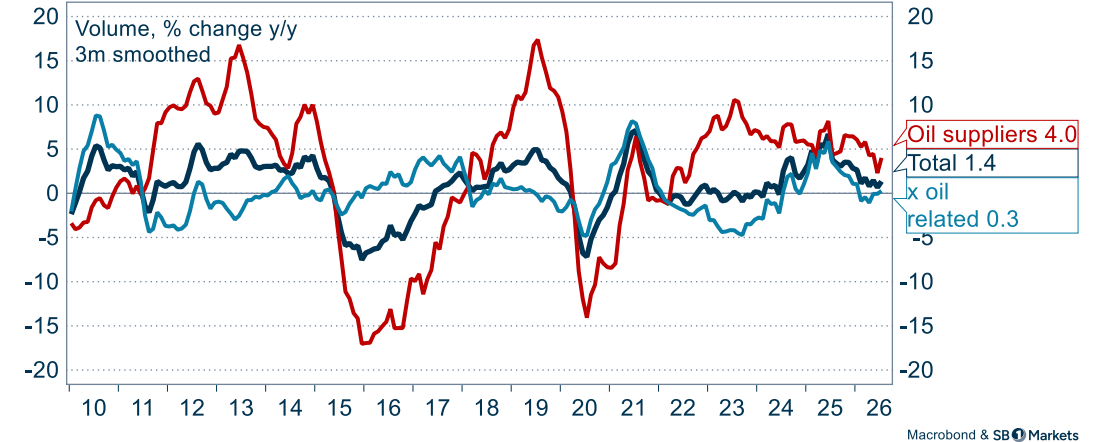
Manufacturing production rose 0.7% in July following the 1% drop in June. Production is still drifting upwards, but the annual growth is modest, at some 1.5%. Oil suppliers lifted production 4.4% in July, while other sectors reported a 0.7% decline.

Norway Manufacturing production

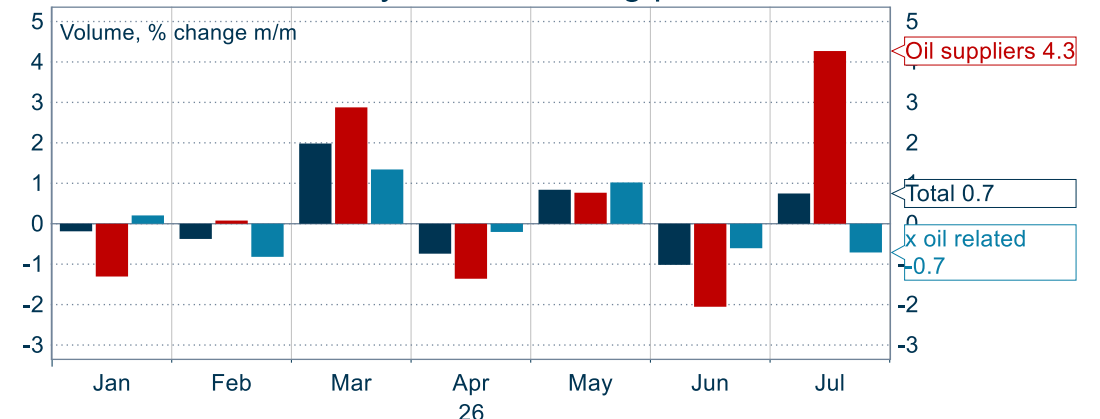


- **Total manufacturing production** still trends upwards.
- **Oil-related manufacturing production** (suppliers/yards etc. but not refined oil products) is still up 4% y/y.
- **Other sectors** are flat y/y, but trend upwards
- **Manufacturing surveys** on average signal a modest decline in production.

Norway Manufacturing production



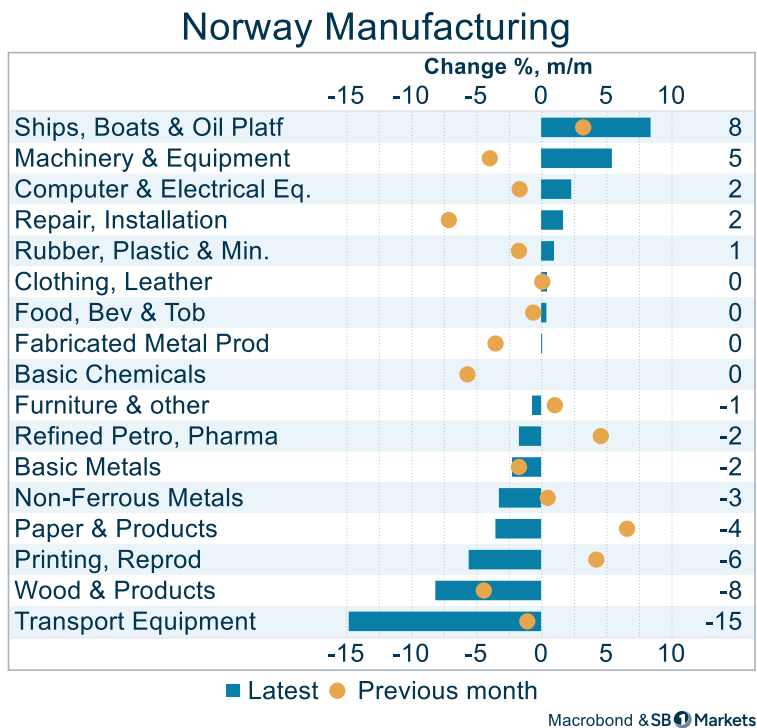
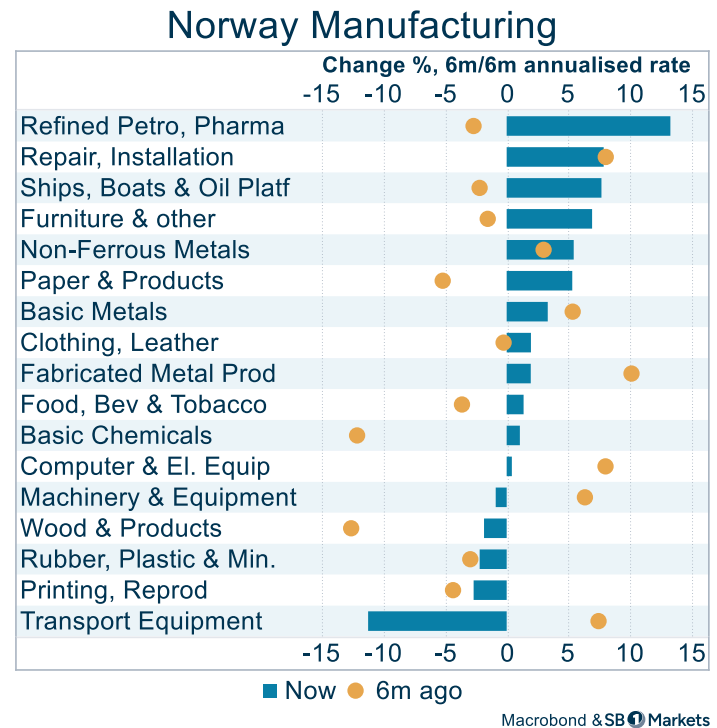
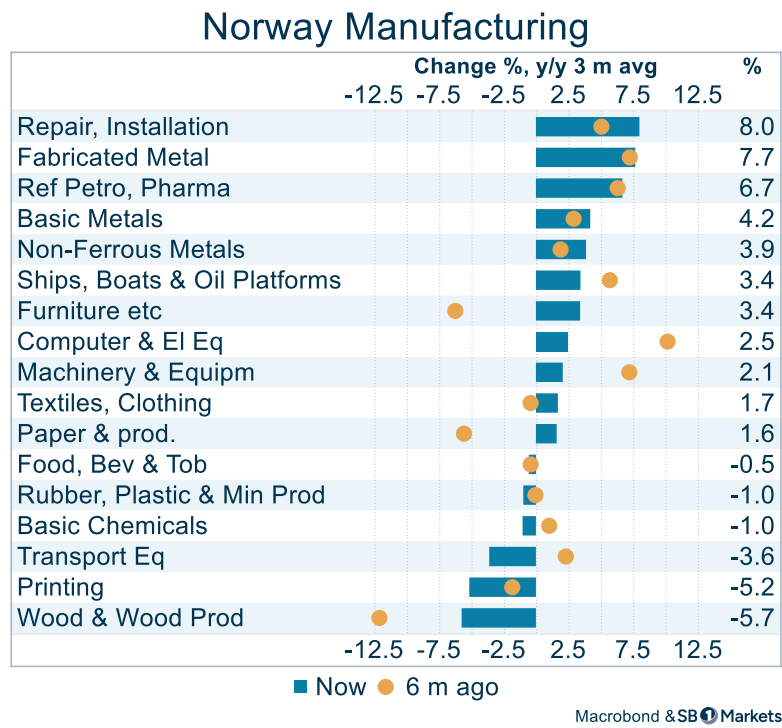
Norway Manufacturing production





Manufacturing: 1/3 of sectors are down y/y; 1/3 trend down (6m/6m); ½ down in July

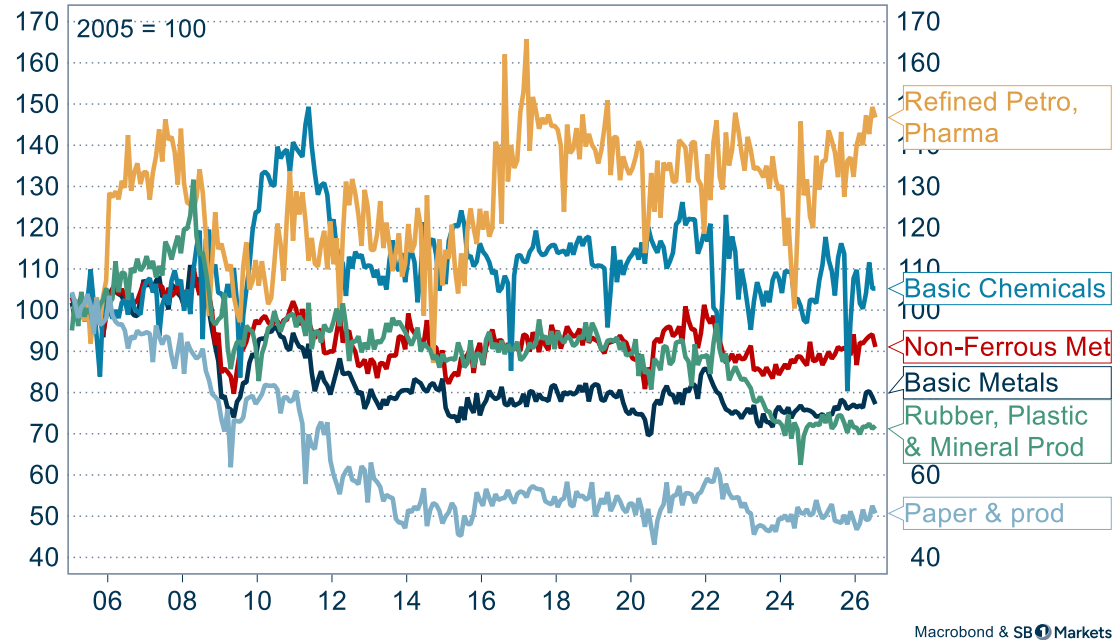
Repair/installation (mostly oil related) is up 8% y/y (9% of total manuf. prod.), metals 4%. Computers/electrical equipment has slowed to close 2% (from 10%). Chemicals, transport equipment are down. Monthly data are too volatile to make much sense of, check the 6m/6m chart.



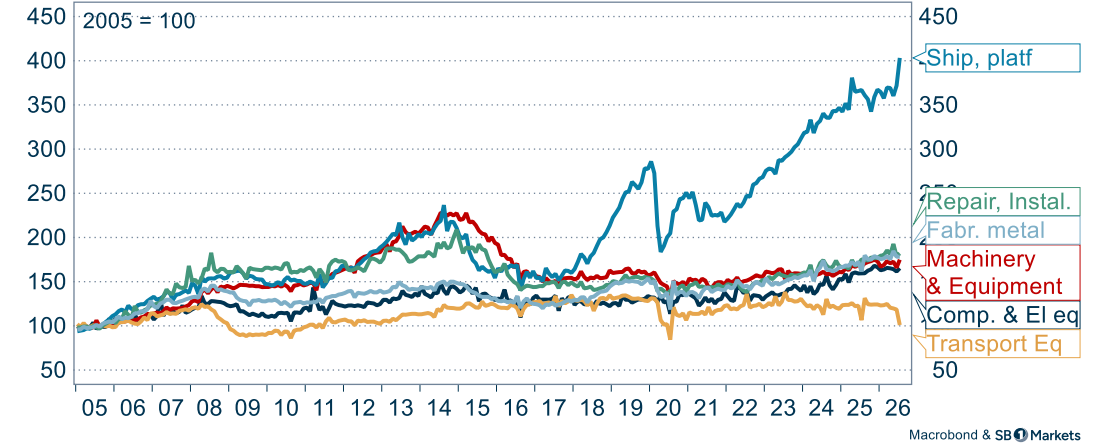
Production of shipbuilding & platforms suddenly rose, but will turn down?

... as oil investments most likely will decline, especially in new fields. Machinery (much is oil related) has flattened. Computers/electrical equipment has been a winner but not lately. Metals and refined oil products are on the way up, while chemicals trend flattish.

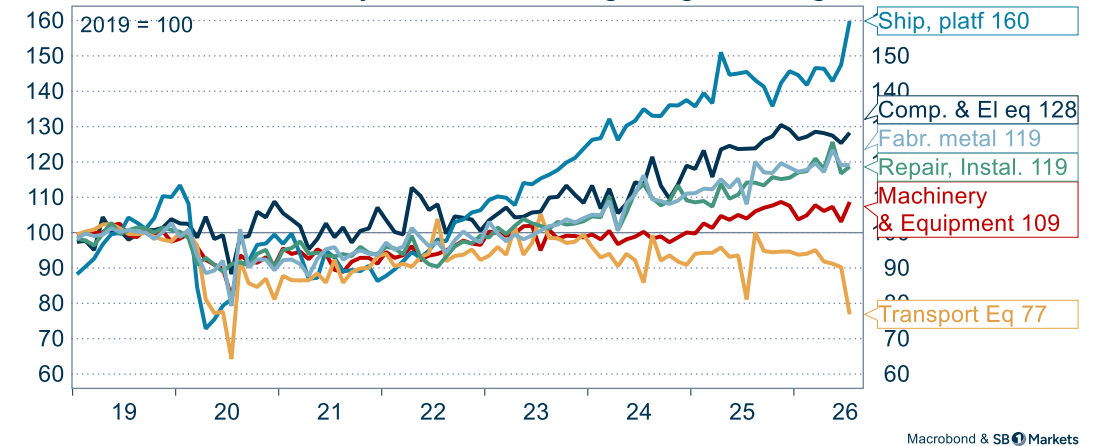
Norway Manufacturing commodities



Norway Manufacturing Engineering+

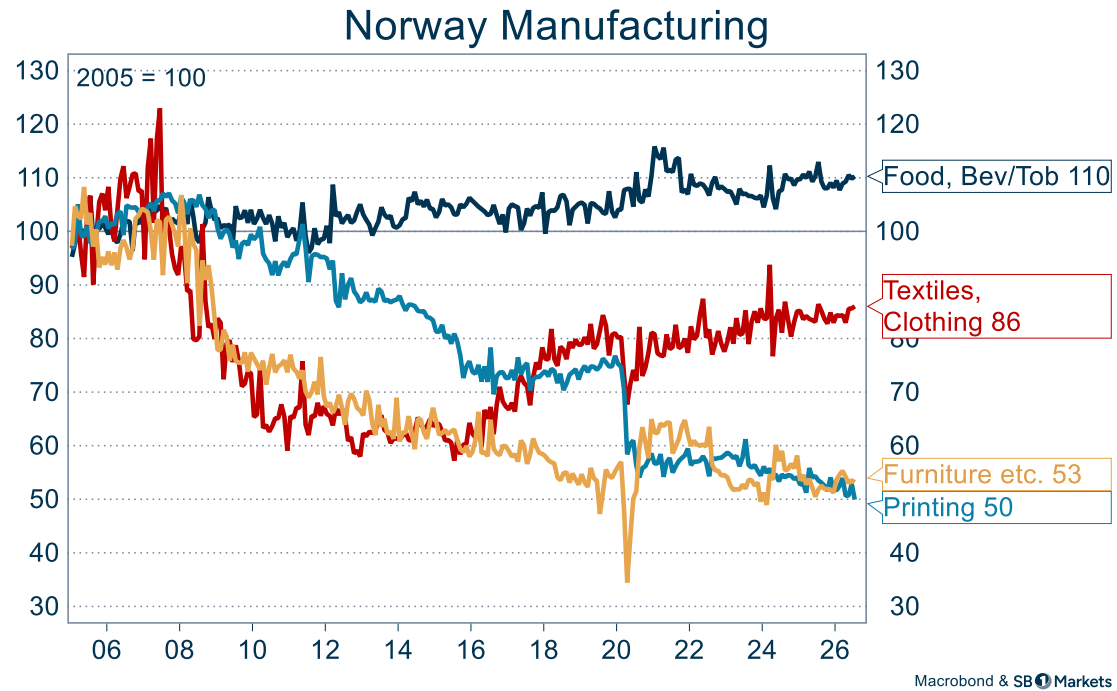


Norway Manufacturing Engineering+



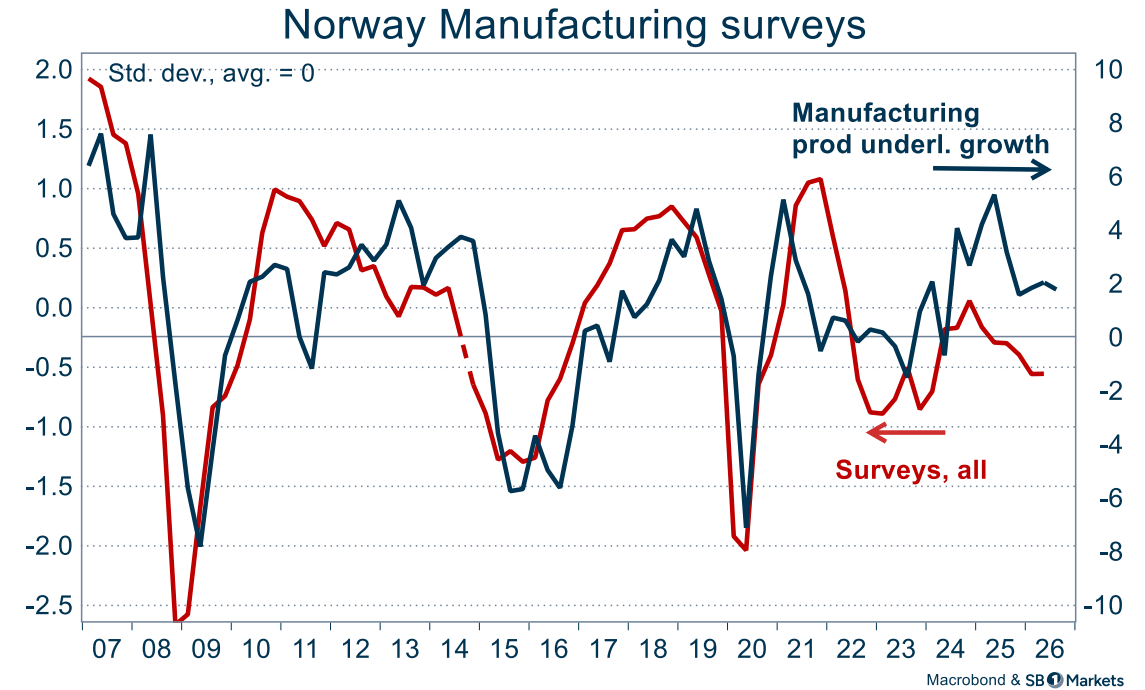
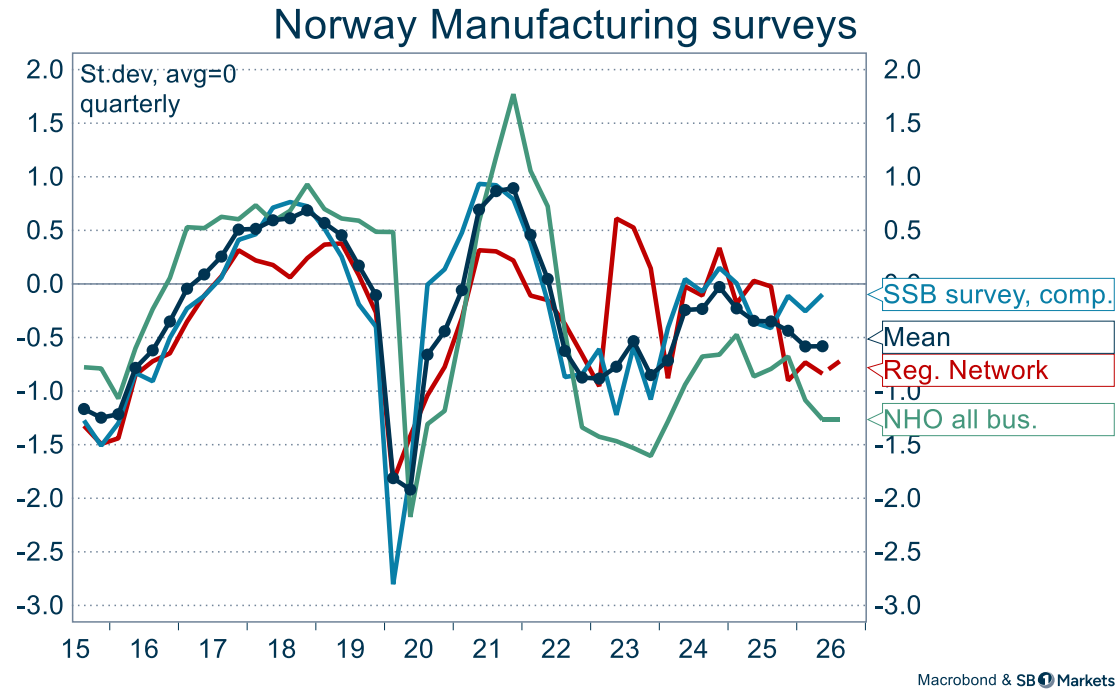


No gains in consumer-related production



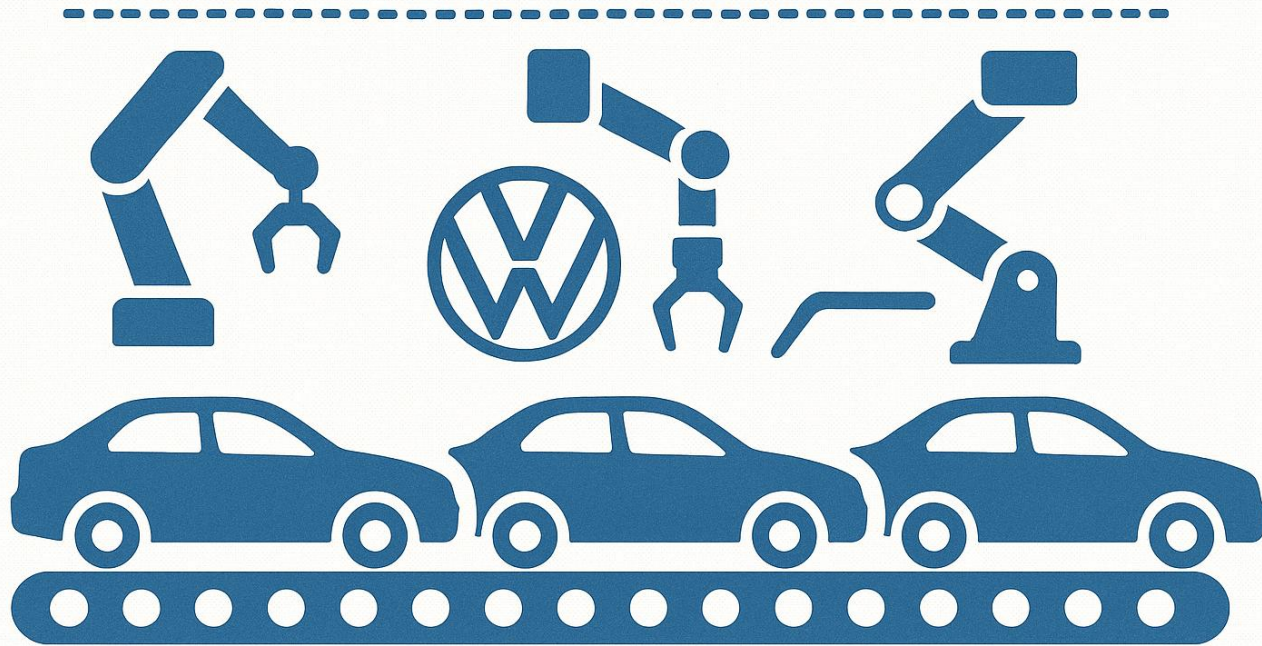
Manufacturing surveys have softened recently; all are < average and signal a setback

... which so far has not materialised.





3. Major economies



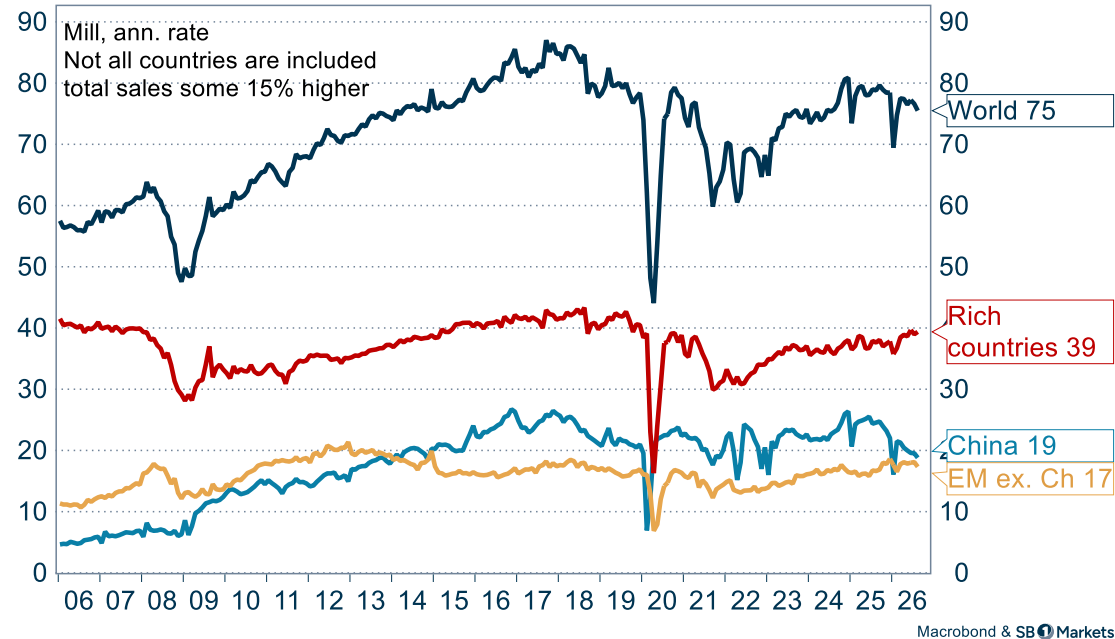
Auto sales



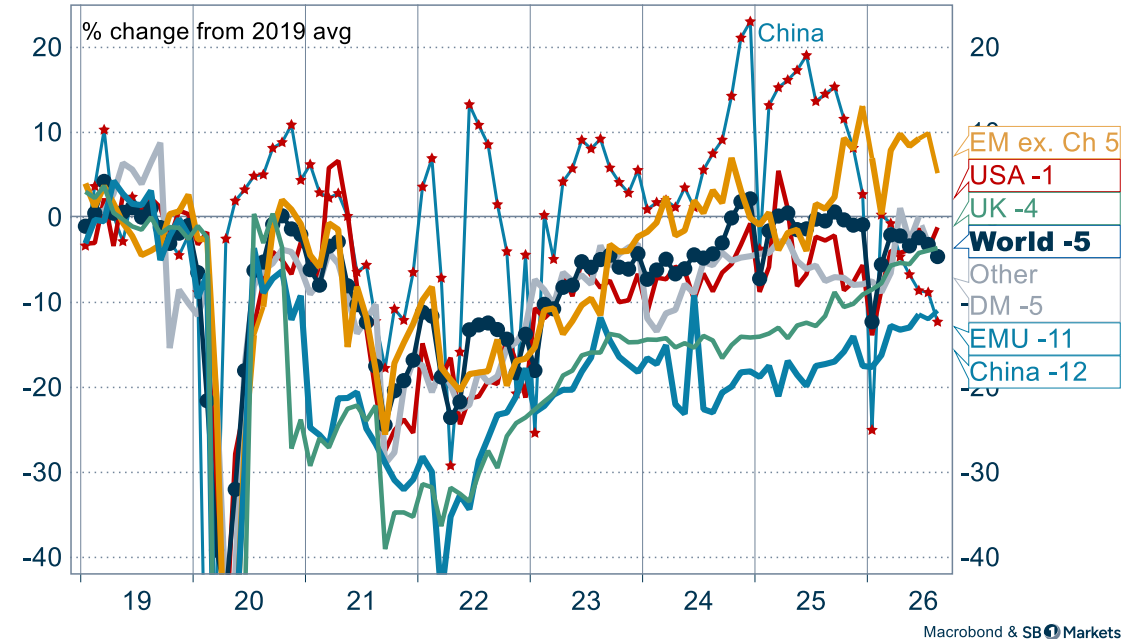
Auto sales are trending up in DM, EM ex. China – but still decline in China

Chinese sales declined further in August and are down 25% from the peak! Global sales fell 1.5% m/m, and trends slightly down. Sales rose in US and (most likely) in EMU but fell in India. From 2019: China -12%, EMU -11%, US-1%, EM ex. China +5%. Global sales -5%.

Global auto sales



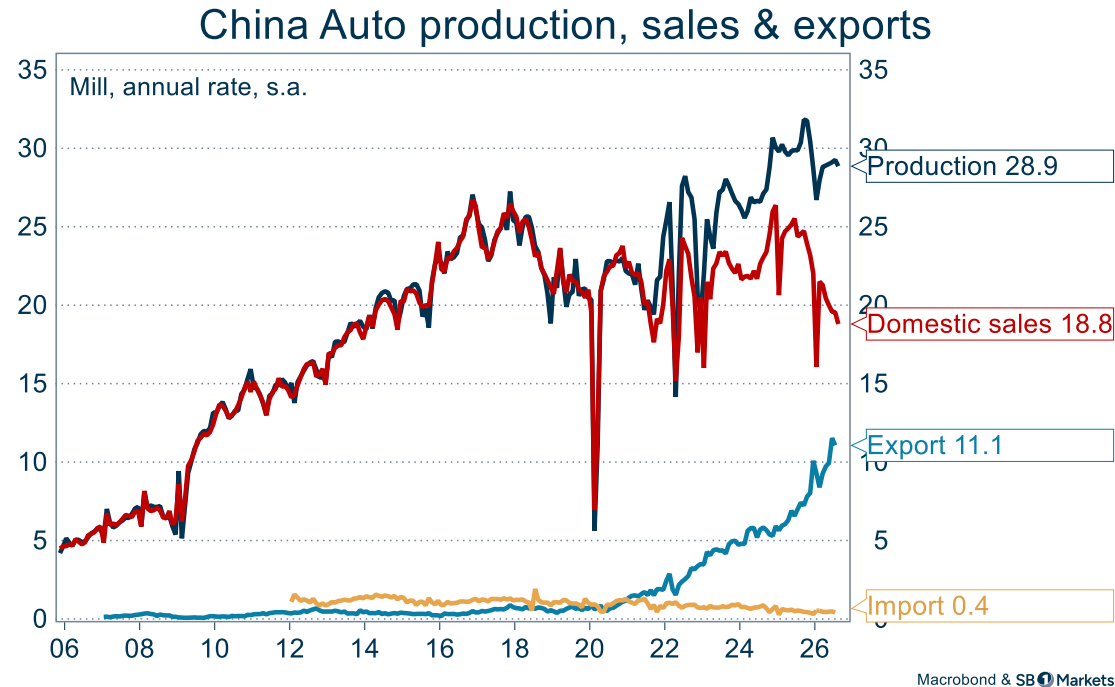
Global auto sales





For how long will this model work?

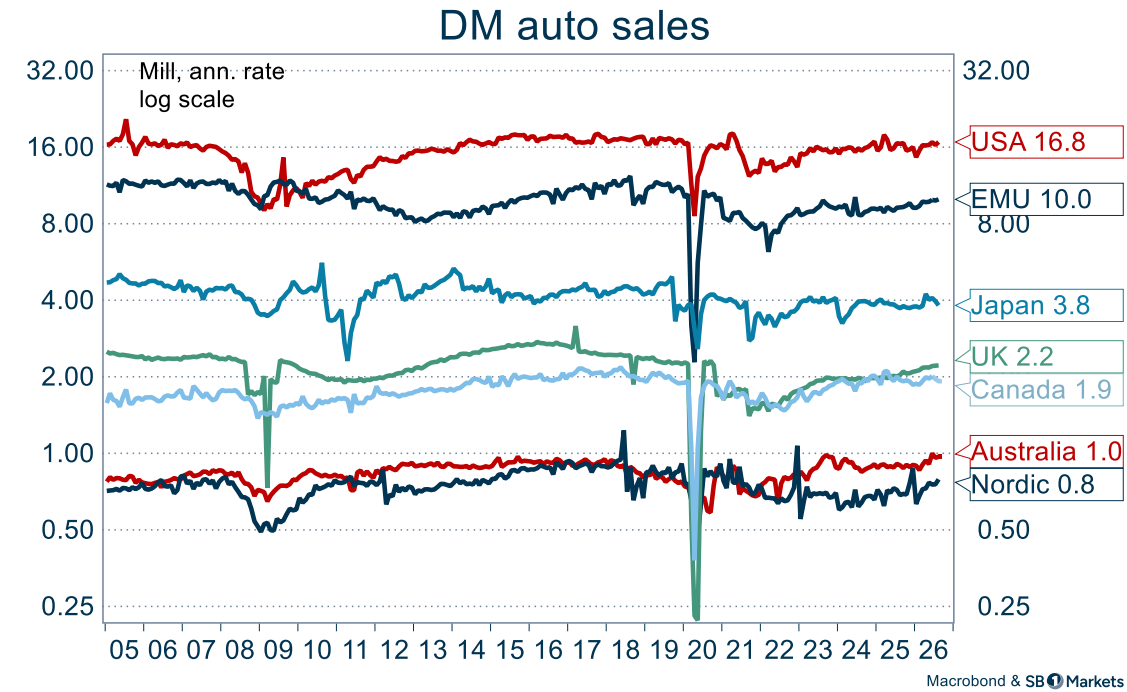
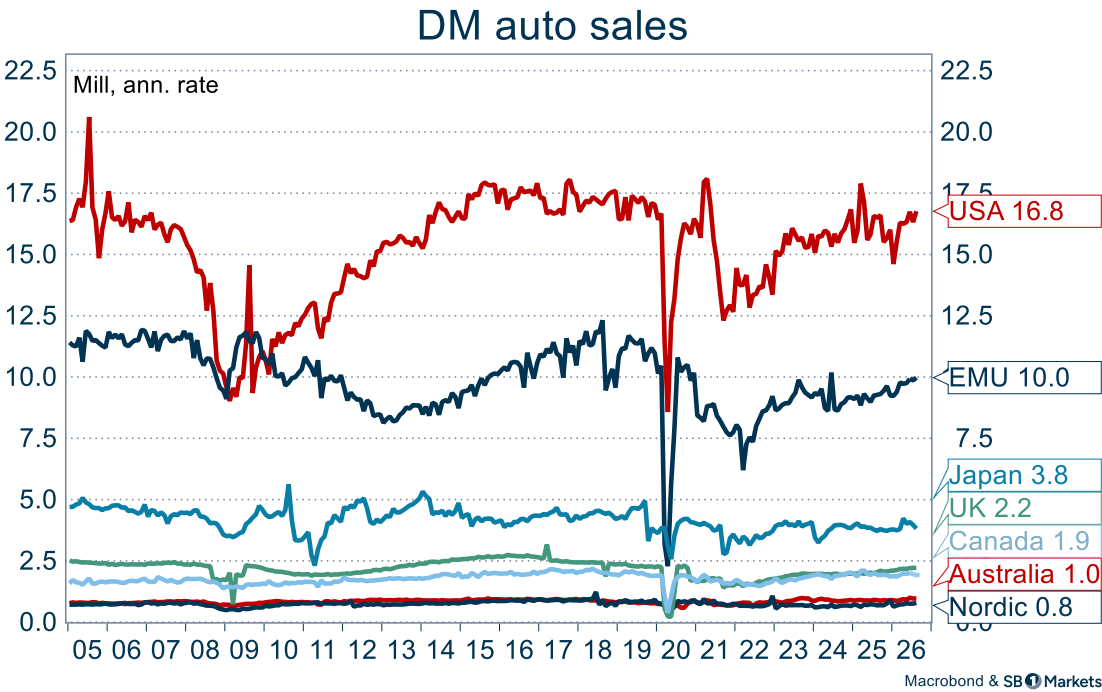
Chinese auto exports have been soaring, as domestic sales have fallen substantially without a decline in production (until lately). Chinese exports suddenly equal more than 1/3 of Chinese production, and almost 1/7 of sales in the Rest of the World, from close to zero in 2020.



- Auto imports into China? Close to zero.



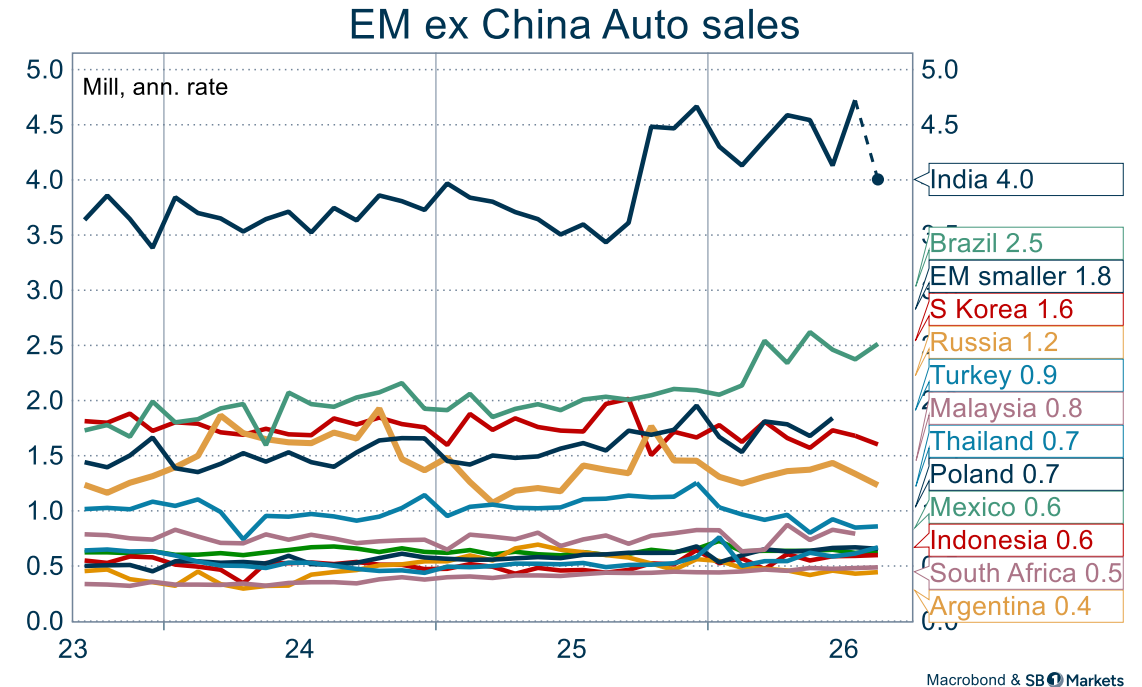
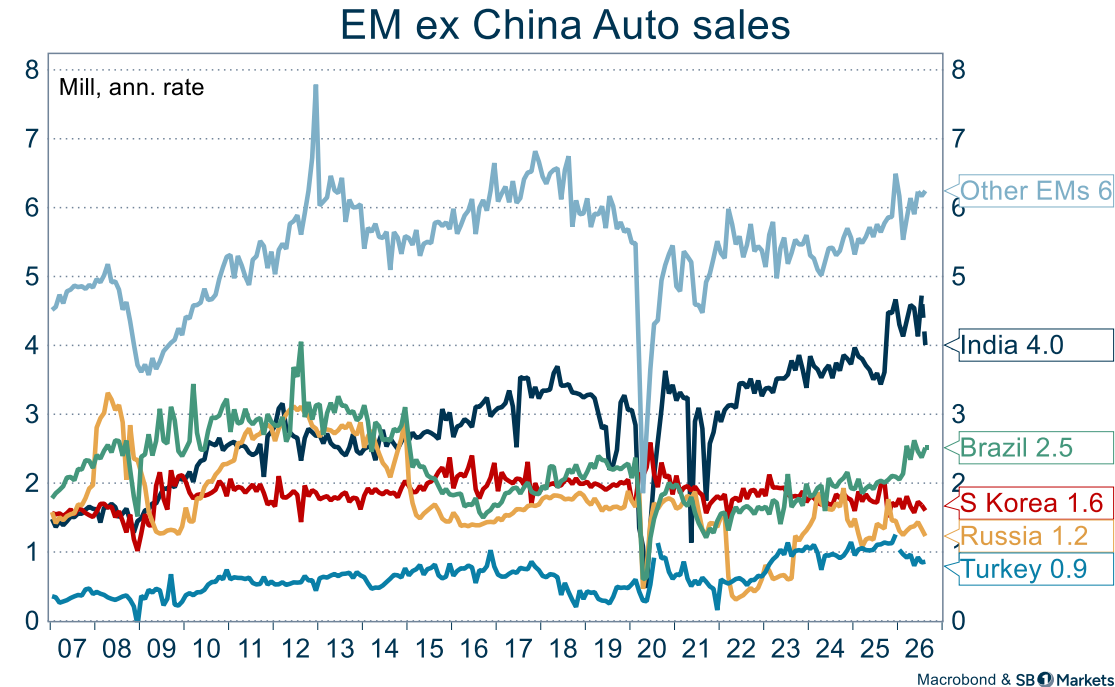
DM auto sales trend up: Japan, EMU & UK head marginally up, and US has joined lately





Indian auto sales (most likely) fell in August, and have flattened since Q4-25

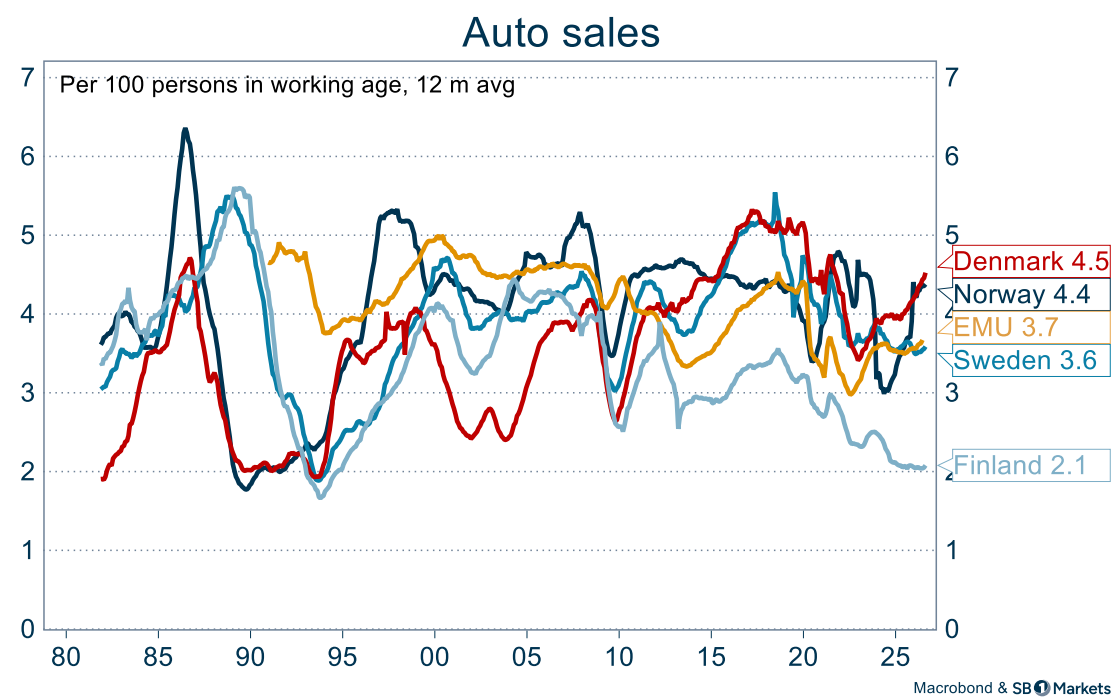
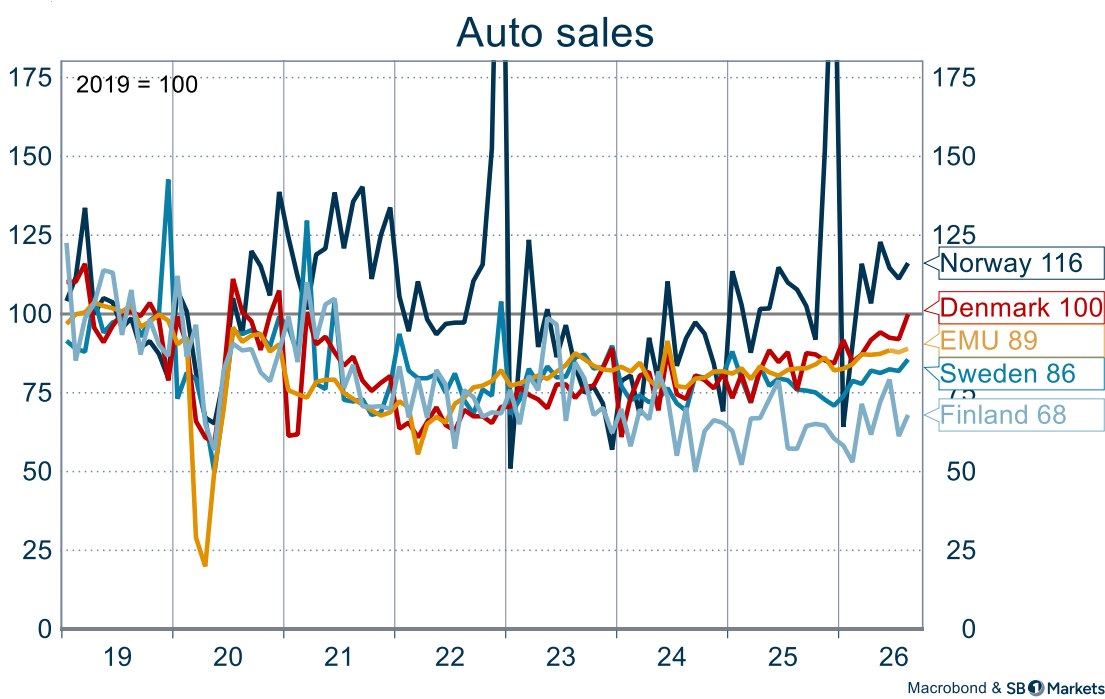
Sales in Brazil have speeded up in 2026 but are still down 20% from the level in 2011–2013. South Korea trends slightly down. Russian sales are half the level in 2012–14. The war is not for free.





Nordics Auto Sales: Denmark and Norway in the lead, Sweden is below par, Finland weak

Sales in Finland have recovered slightly recently (monthly data, left hand chart), from a very low level



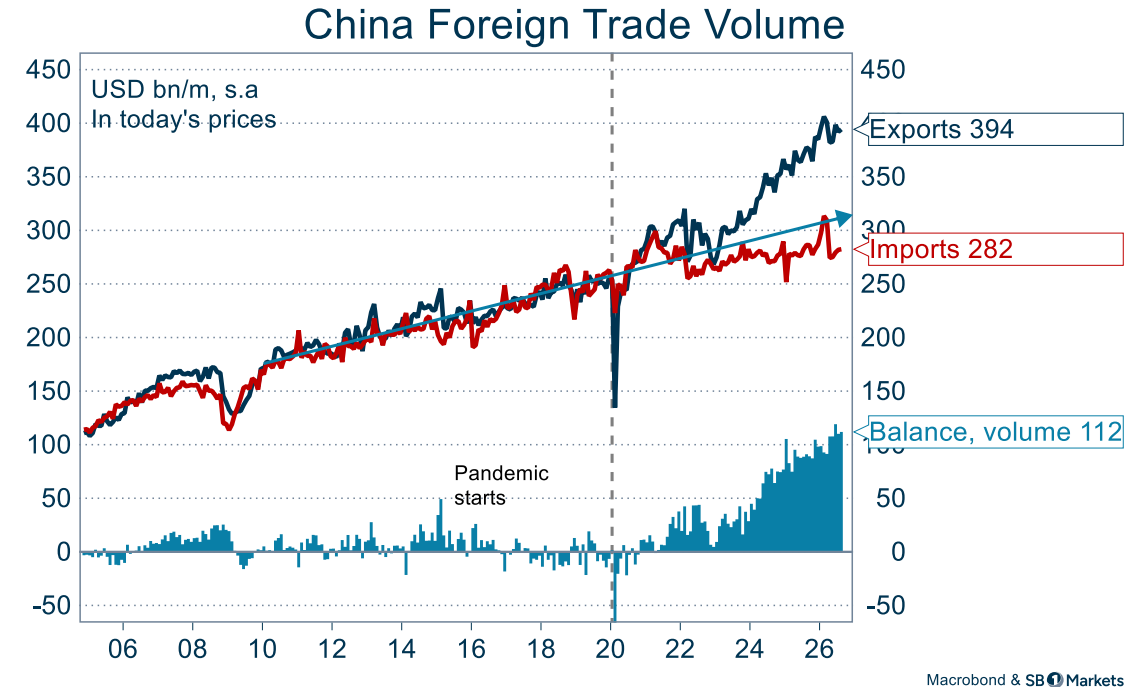
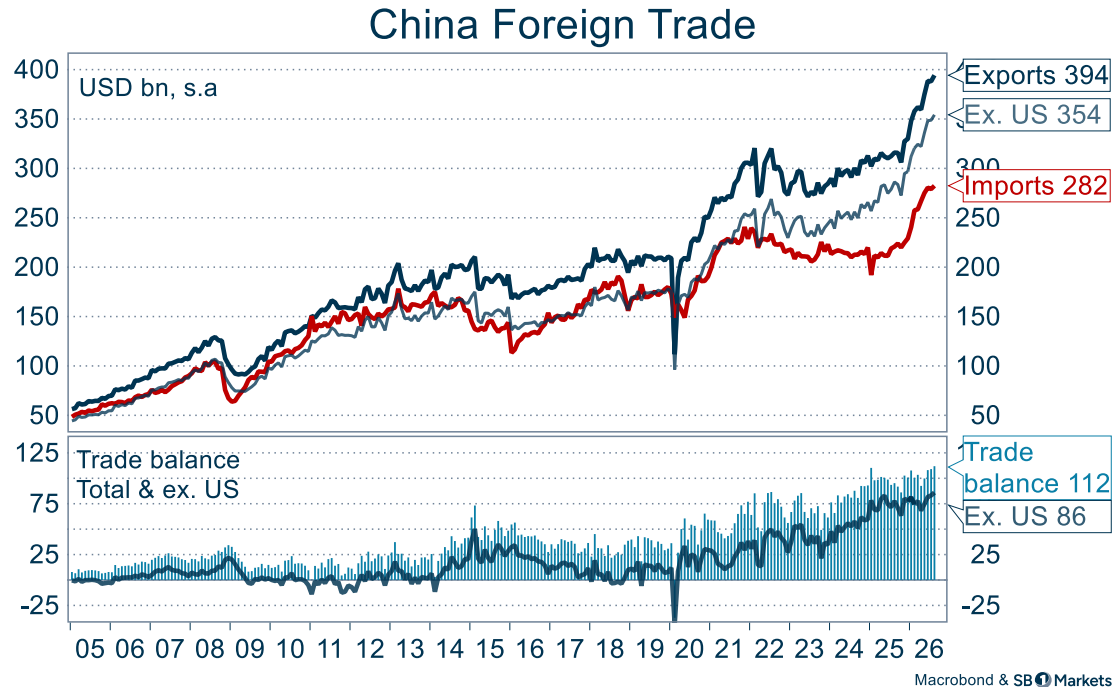


China



Both export and import values are surging; Import volumes are less impressive

Both exports and imports were close to expectations in August (up 25%, 28% y/y resp.). In volume terms, exports are up 5%, and imports are probably down, we assume 1%. Thus, trade supports GDP growth substantially. The trade surplus was record high, at USD 112 bn (s.a.)

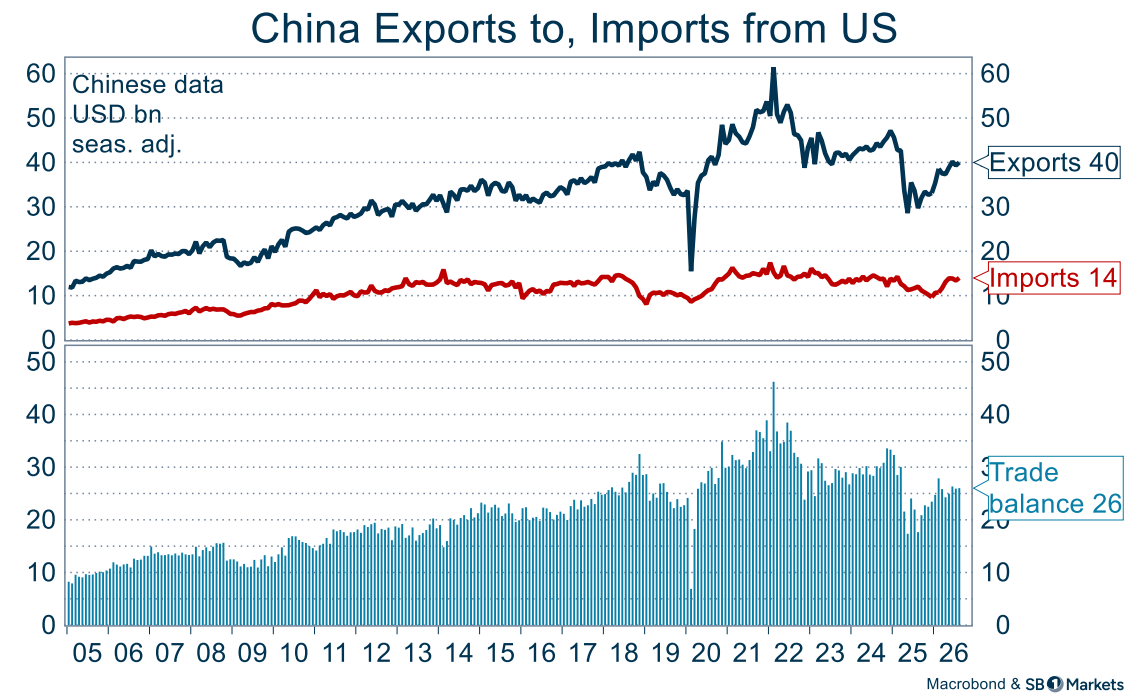
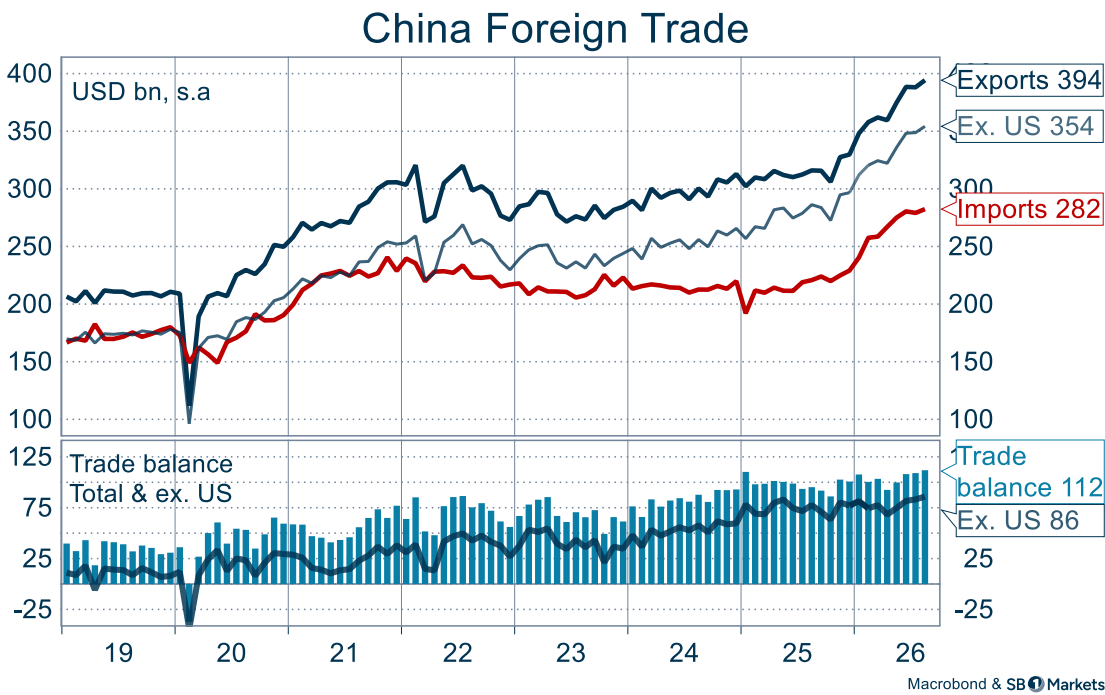


- **Exports** were up 2% m/m in August. Export volumes have not increased further recent months but are up 5% last year and are up almost 40% since 2021, and 60% from 2019.
- **Imports** rose 1% m/m. Import volumes have fallen sharply since early 2026 (oil), and the long-term trend is not much better than flat, even if exports, which require more imports, are sharply up. (And imports for domestic usage have fallen significantly).
- **The trade surplus** was slightly larger than expected, at USD 112 bn (s.a.), and the trend is slightly upwards, even if import prices have increased faster than export prices. In volume terms, the surplus has increased, supporting growth in production in China.
 - In value terms, the surplus equals above 6% of GDP, up from 2.5% before the pandemic. However, China runs a deficit in both services and foreign net income, and the **current account surplus** was 'just' 3.7% in Q1 (at the peak in 2007: 10%). This surplus measured in % of global GDP is also lower than 20 years ago. But still large.



A closer look: exceptionally strong trade data the past year, at least in value terms

Exports to the US are down from before the escalation of the trade war last spring, but most of the decline has been reversed since late last year.

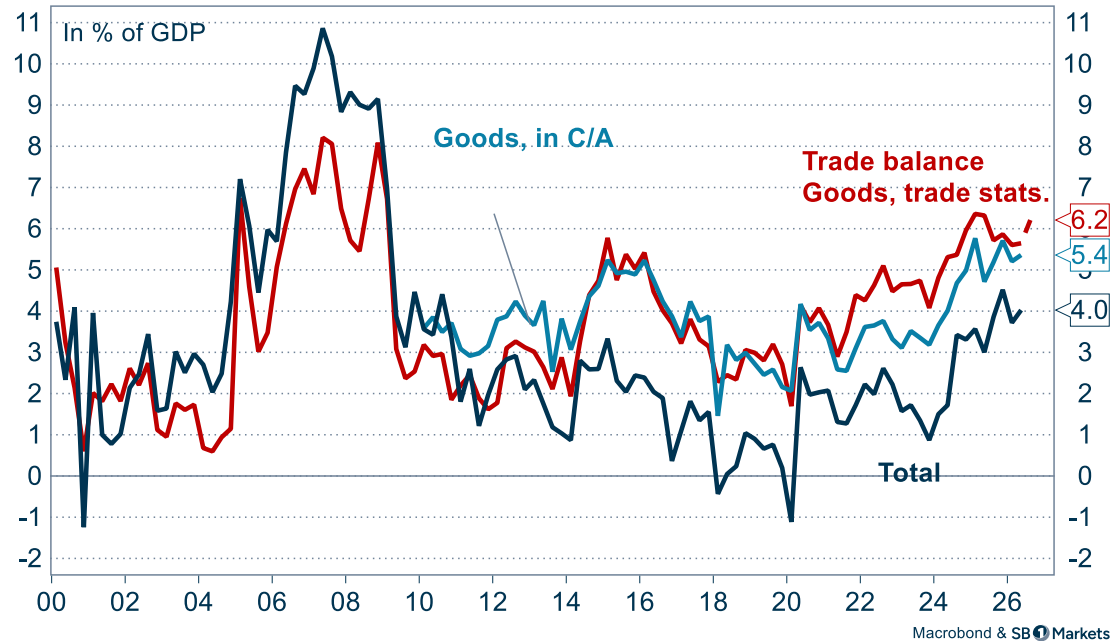




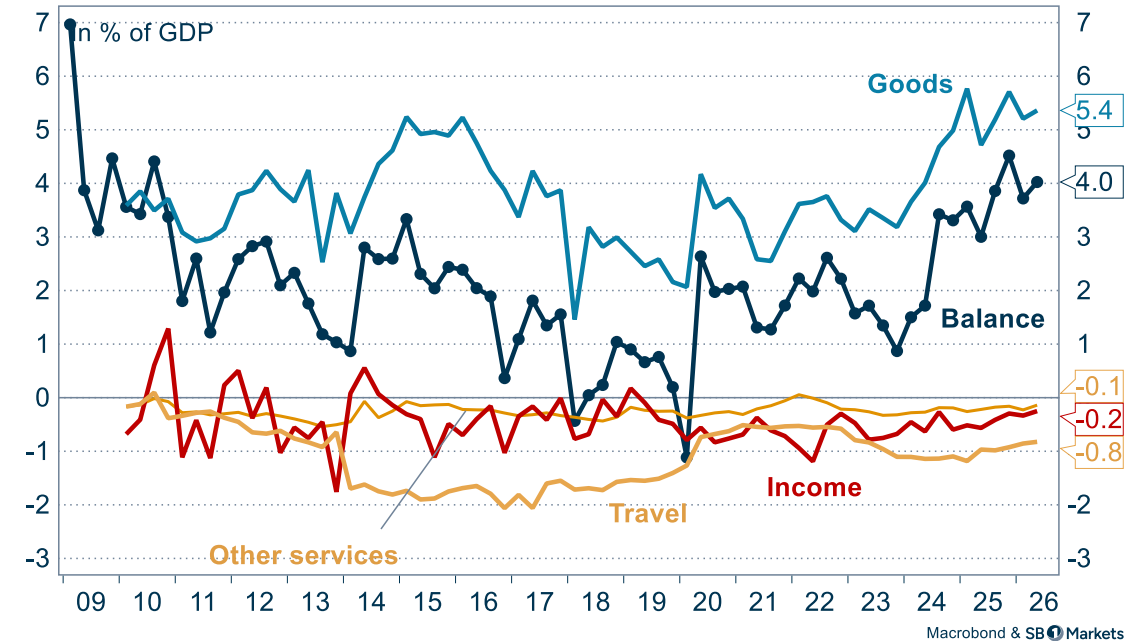
The surplus at the Chinese current account was 4% in Q2, and trends up

The surplus in goods was 5.4% of GDP in Q2. Services is at -0.9%, mostly due to a deficit in travel. The income balance (mostly net capital income) is also negative, 0.2% (even if China has a large (low yielding) net foreign asset position).

China Trade & current account surplus



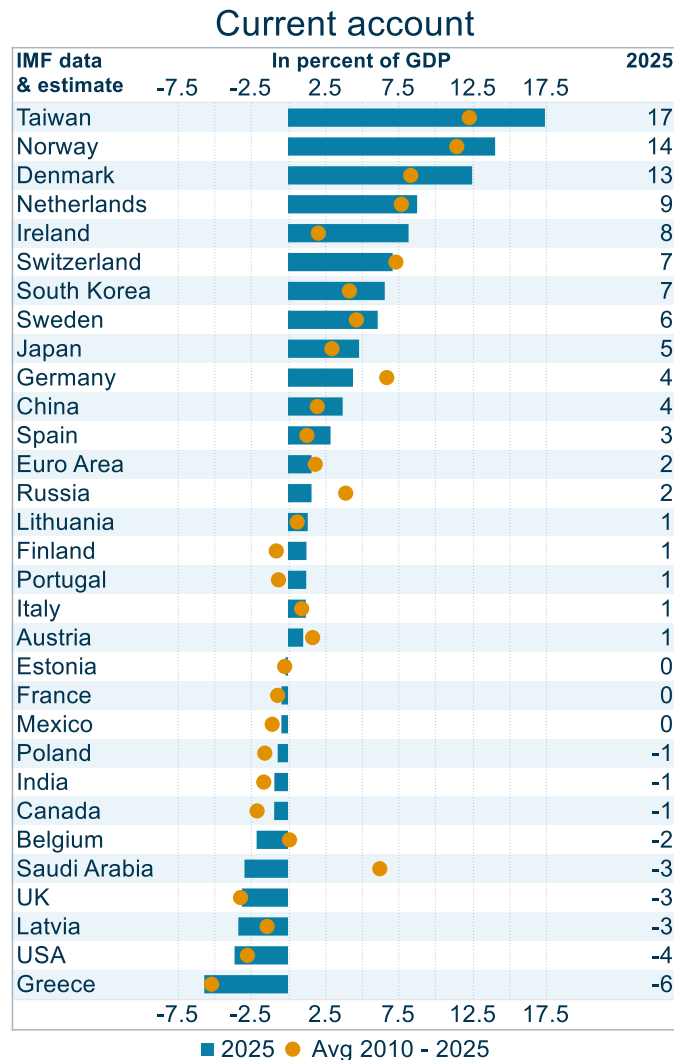
China Current account



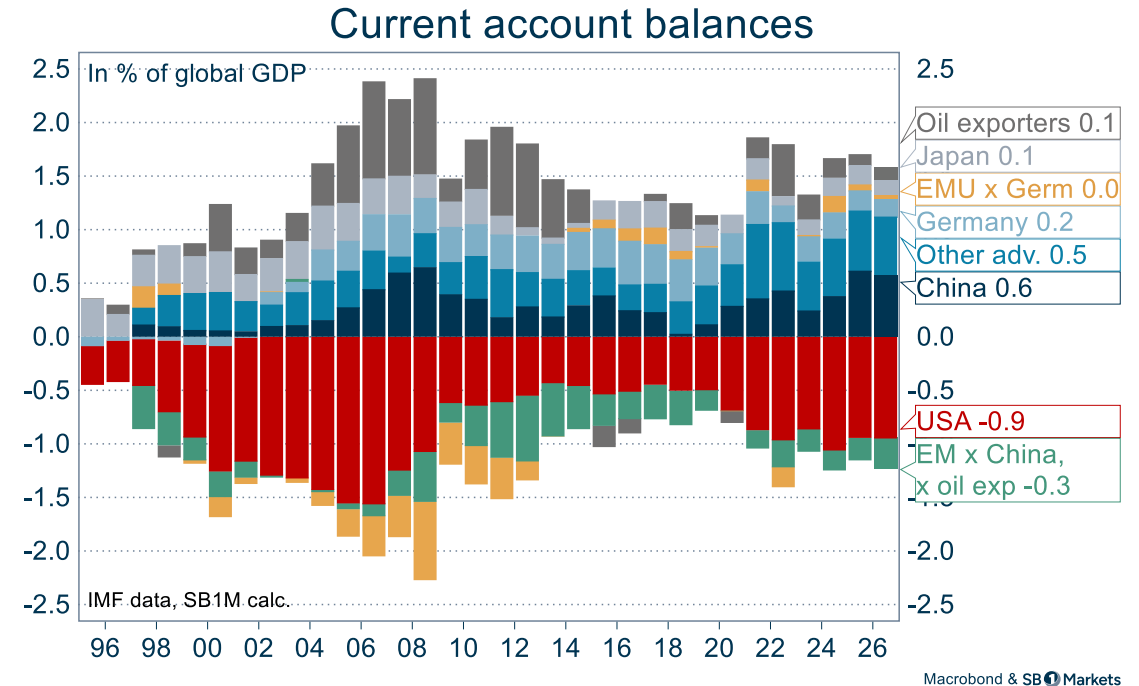


Global current account imbalances are smaller than before the Financial Crisis

... but remain substantial. China and Germany are the two largest surplus countries (in USD), US the largest deficit country (by far). UK is also running a large deficit, in % of GDP. EMU consolidated is in plus, 2% of GDP. DM are in balance, more or less.



IMF, SB1 Markets/Macrobond



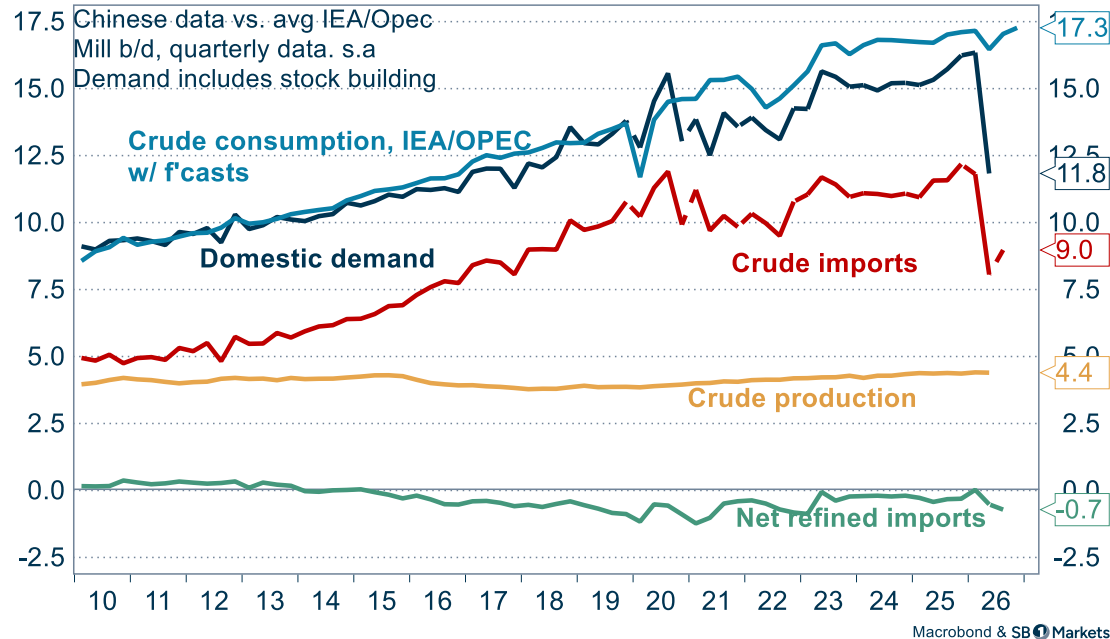
- Back in 2009, the Chinese current account surplus equalled 0.7% of global GDP. Now 0.5%, still a substantial amount. However, over time, the Chinese model has not been purely 'export-driven', in the sense that a steady lift in the current account surplus has explained growth in GDP
- Check next page for an even more aggregated view



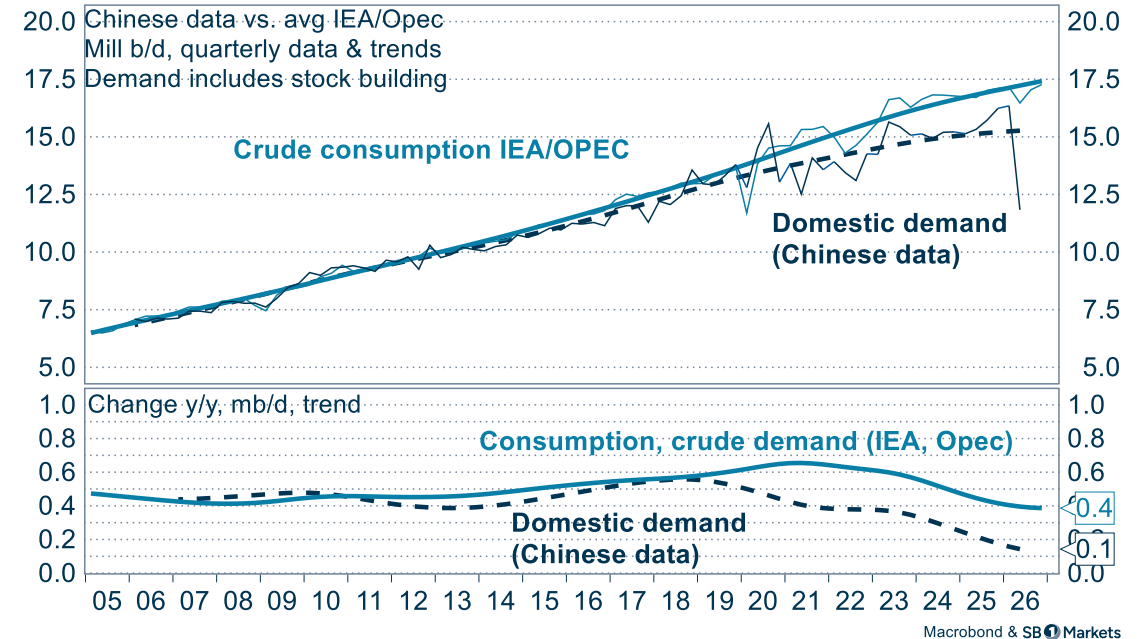
Oil imports remain way below a normal (and very likely sustainable) level

Imports rose marginally to 8.9 mb/d, still 3 mb/d below the early 2026 level. We very much doubt final oil demand has fallen by almost 20%, and inventories are now declining rapidly. These inventories are still large but will not last that long.

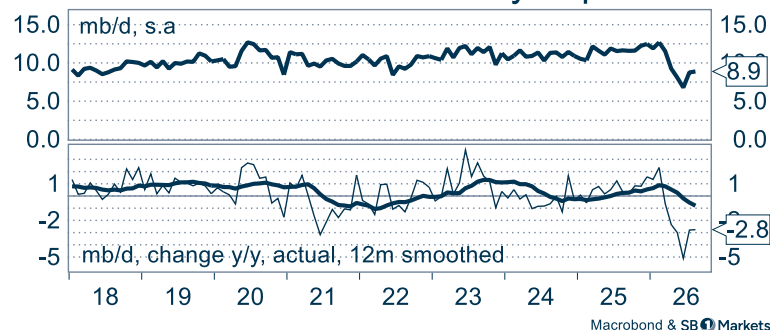
China Oil Production, Imports, Demand



China Oil Demand - Trends



China Crude oil monthly imports

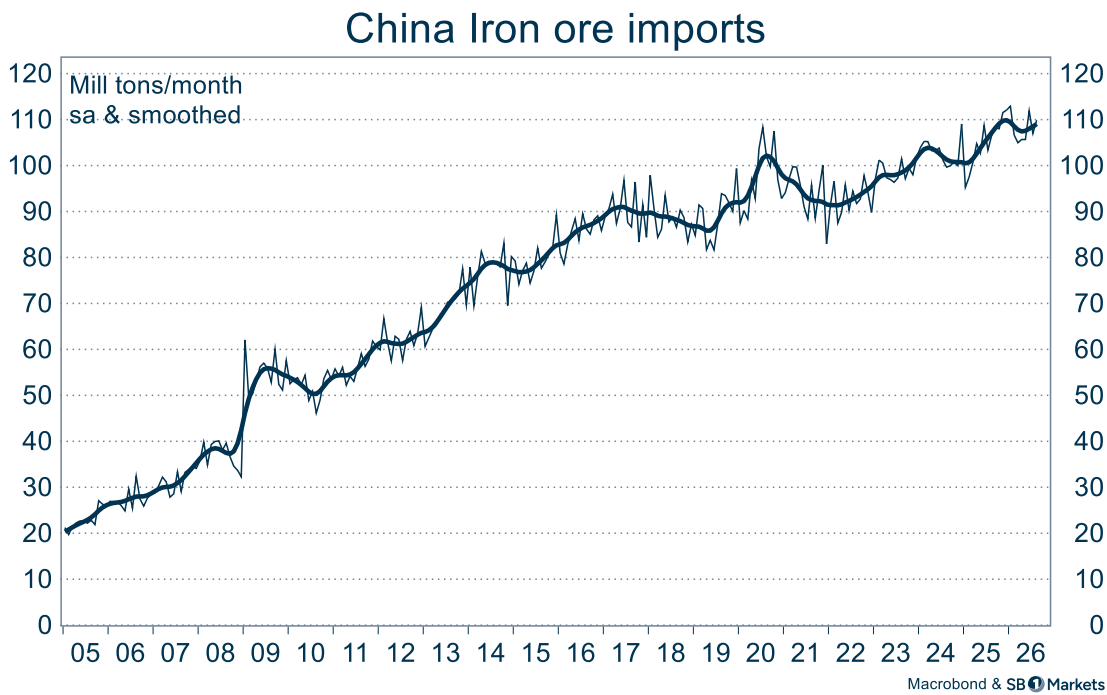


- Chinese **oil demand** has been trending up, at least until now, check the trend lines on the rhs. chart. Underlying long-term growth is still at 0.4–0.5 mb/d y/y
 - In both charts above, Chinese demand data (including changes in inventories) are compared with IEA's and OPEC's estimates of Chinese oil consumption/crude demand (averaged at the charts above, they are rather similar).
- China is tapping its **inventories**, probably both commercial and strategic. These inventories will very likely be replenished as soon as possible when the Gulf exports one day resume.
- Going forward, the rapid increase in **the share of EVs** will before too long reduce Chinese demand for oil, according to research conducted by our colleagues.

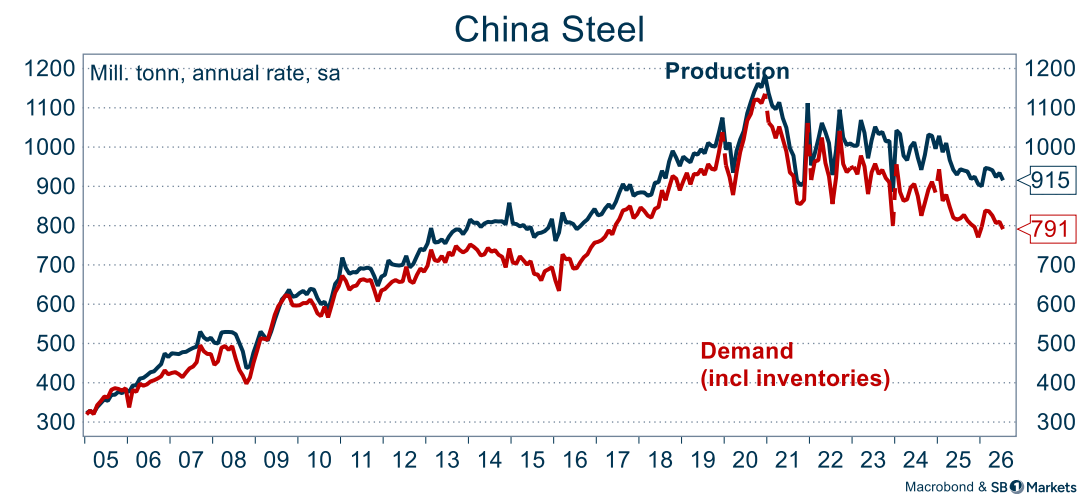


Chinese steel net exports equal 12% of ROW production. Iron ore imports have flattened

Domestic steel demand has fallen 28% from the peak in 2020, and net exports have surged as production has fallen less than demand. Demand may have been flattening lately, as has production – and net exports have flattened (at a very high level).



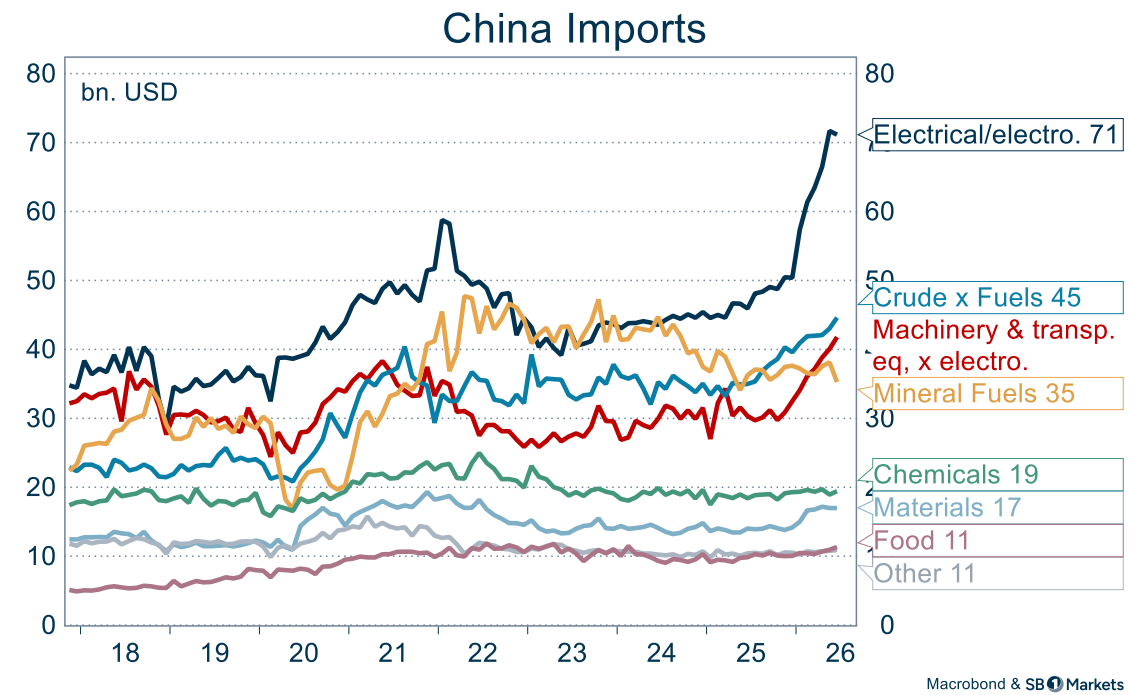
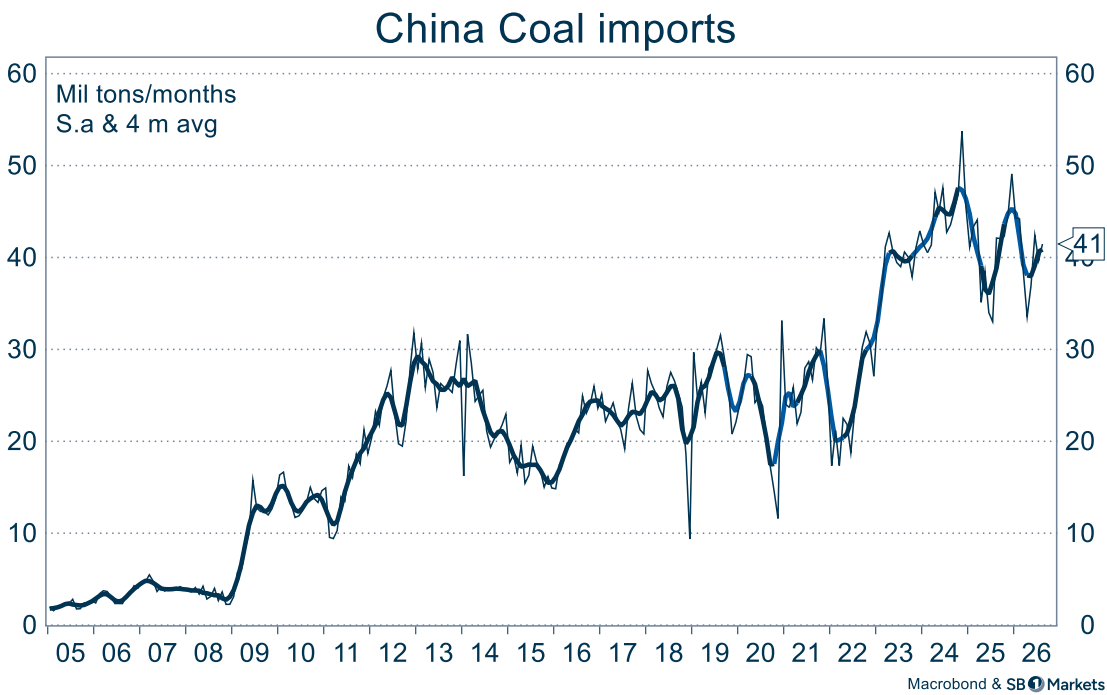
- **Net steel** exports are up more than 2x since early 2022, up to 12% of production in Rest of the World.





Coal imports trend down. Imports of electrical/electronic and machinery are surging

The value of oil imports has increased but far less than the oil price as import volumes have fallen sharply.

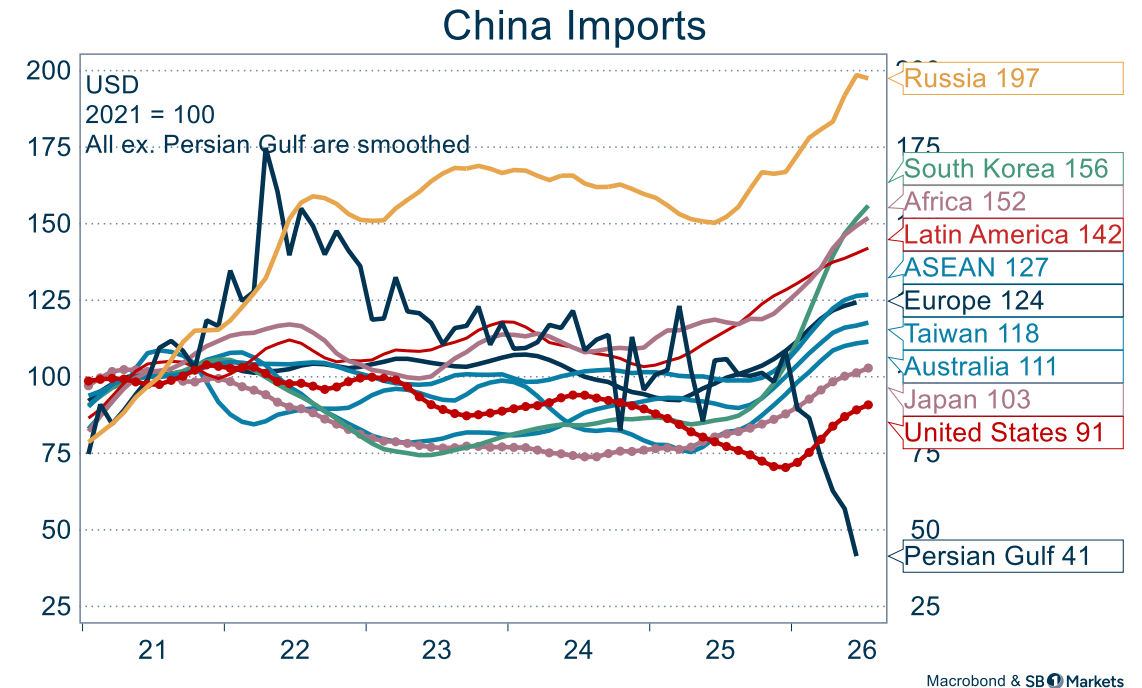
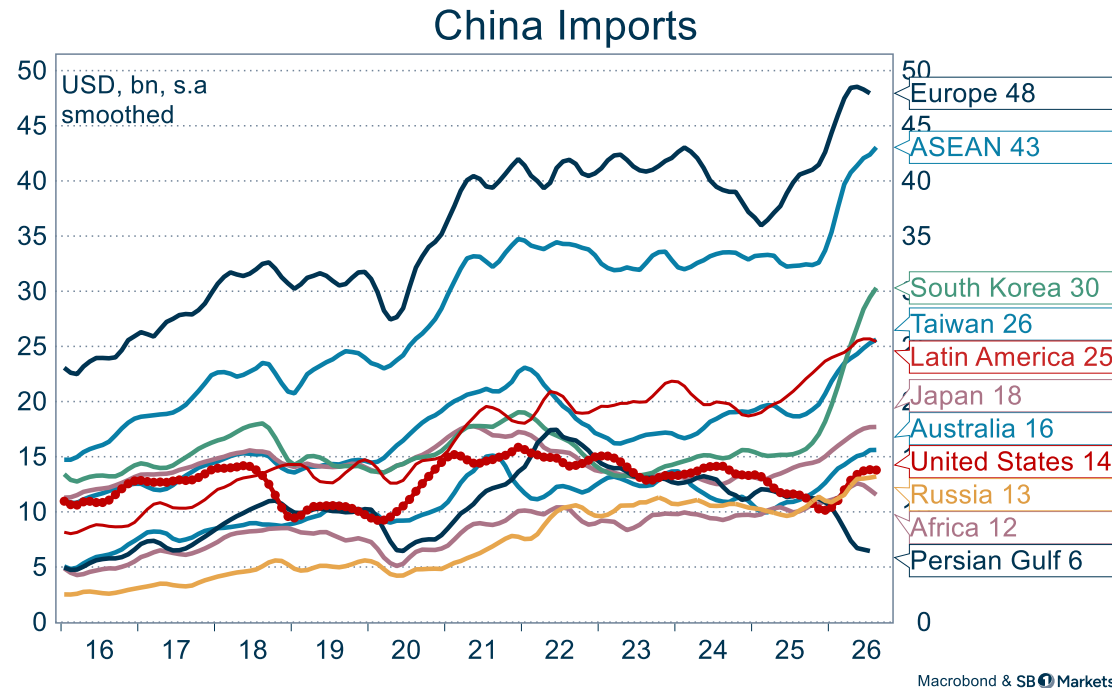


The last observation: July



More imports from most corners of the world, barring from the Gulf, for obvious reasons

Imports from other Asian countries as well as from Europe, are surging. Even imports from the US have recovered recently and are higher than when just Trump restarted the tariff war last spring.

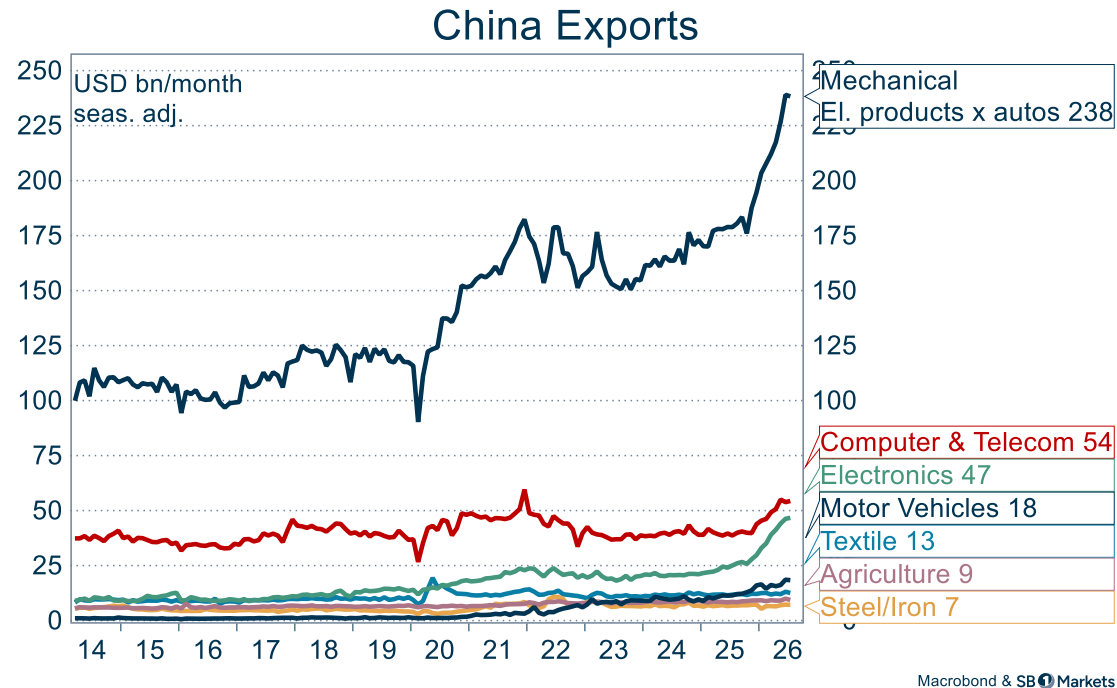


- **Europe** is still the biggest source for Chinese imports, and these imports have surged recently.
 - Imports from Europe **are 3½ times larger** than imports from the US (which may explain some 'nuances' in trade policies?)
- Imports from **ASEAN** countries have shot up since late 2025 – following the no-growth 2022-2025 period.
- Imports from **Taiwan** are surging, and even more imports from **South Korea**, due to imports of semiconductors and electronics.
- Imports from **LatAm** are increasing rapidly, and are almost twice as high as imports from US
- Imports from **Russia** have increased more than from other countries since 2021, but the country is not an important trading partner (3% of total imports, like from US (!) or Africa)



Mechanical/electrical, computers, and electronics have been the only growth engines lately

At least in value terms. Exports of computer & telecom equipment are still down from the 2021 peak; Electronics are way above. Auto exports are trending rapidly upwards but amount to just 5% of total exports. Steel exports: 2%.



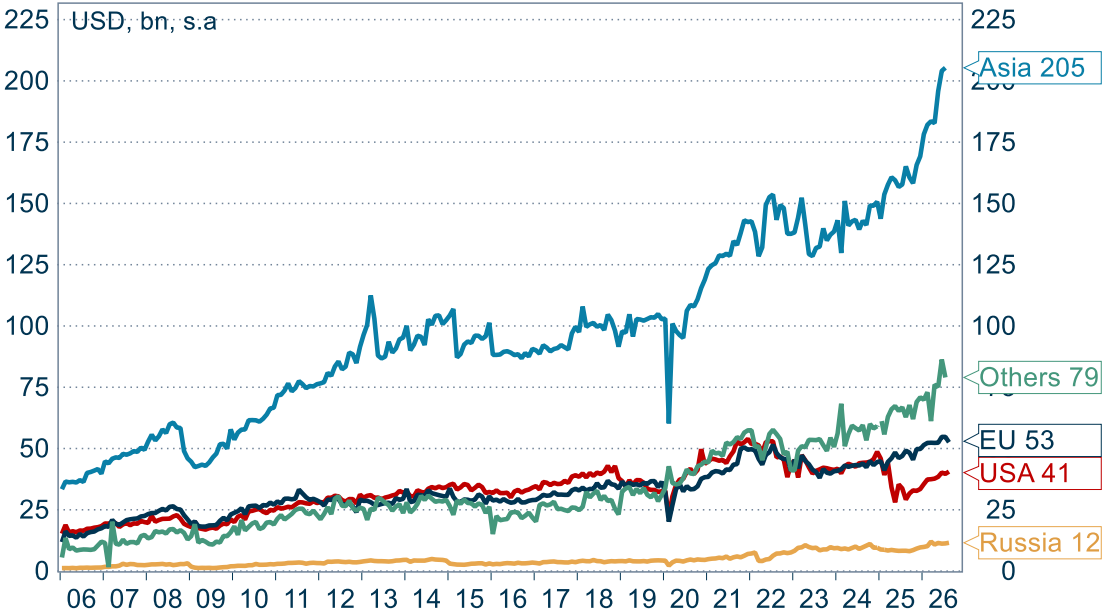
- The last observation: July



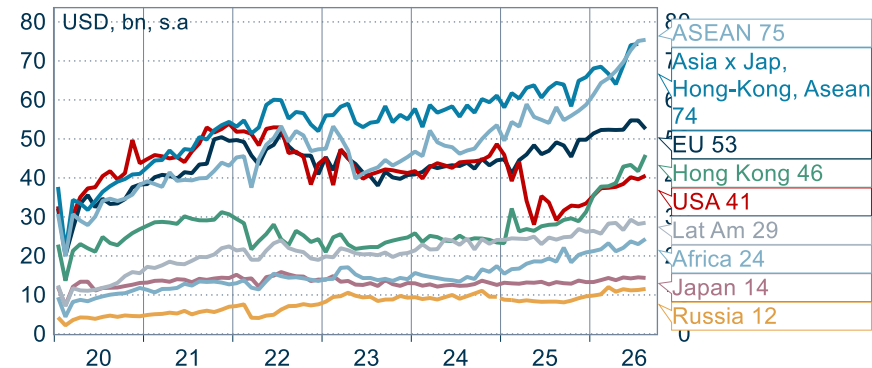
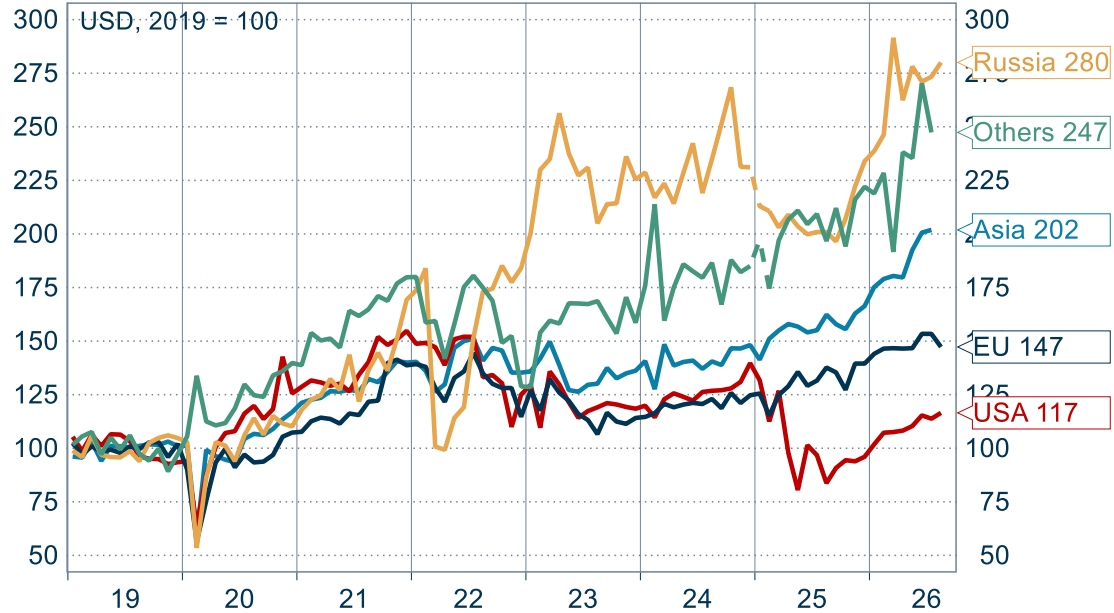
Exports to the US have turned up, after the drop of more than 25%, China reports

Exports to other Asian countries have surged recently, now at USD 205 bn, 52% of the total. Exports to EU drift rapidly up as well, to USD 53 bn (imports 48 bn). LatAm + Africa at 51 bn is close to EU, and far higher than China's exports to the US (41 bn). Russia? USD 12 bn, 3%

China Export markets



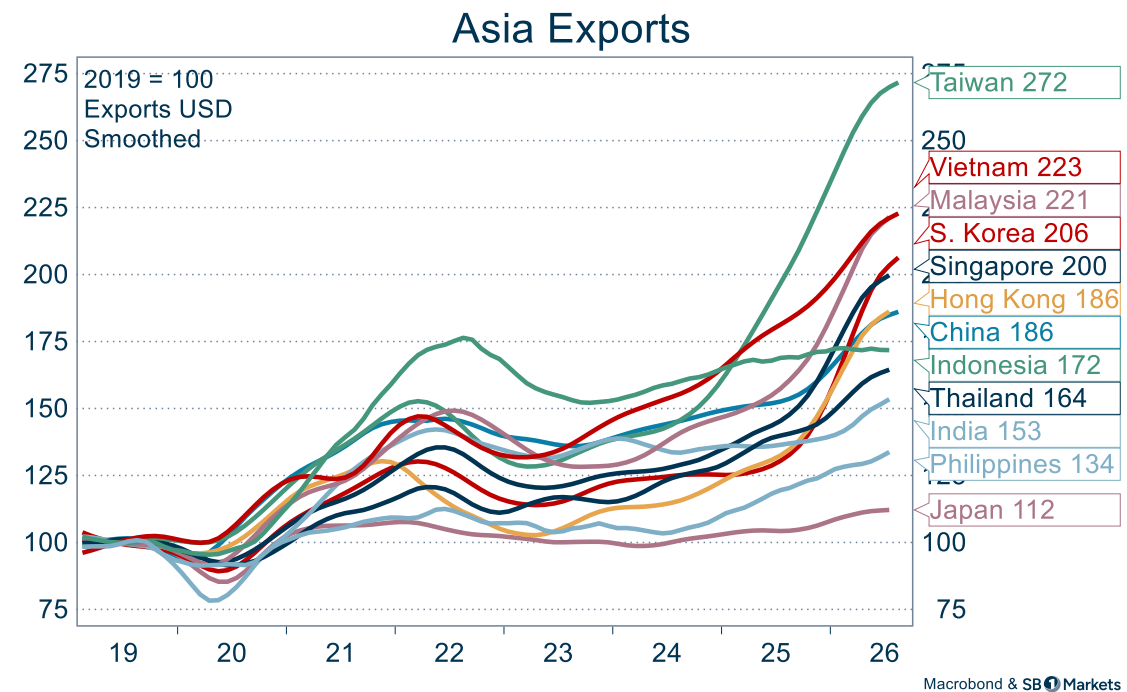
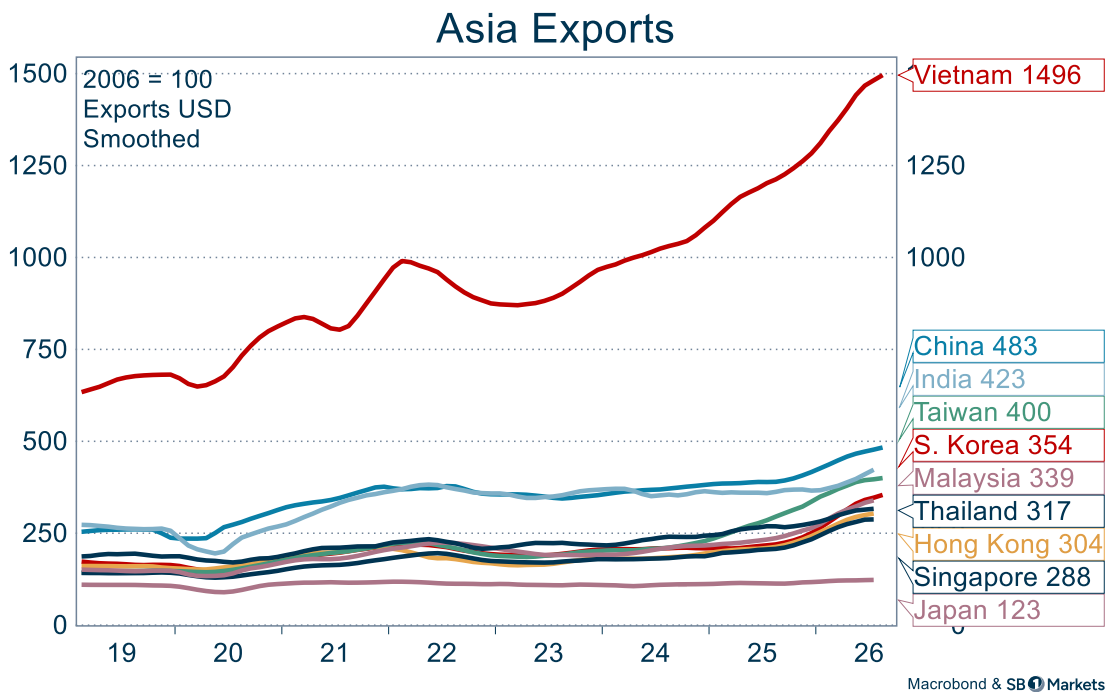
China Export markets





Asian exports: Strong, but not stronger growth most places

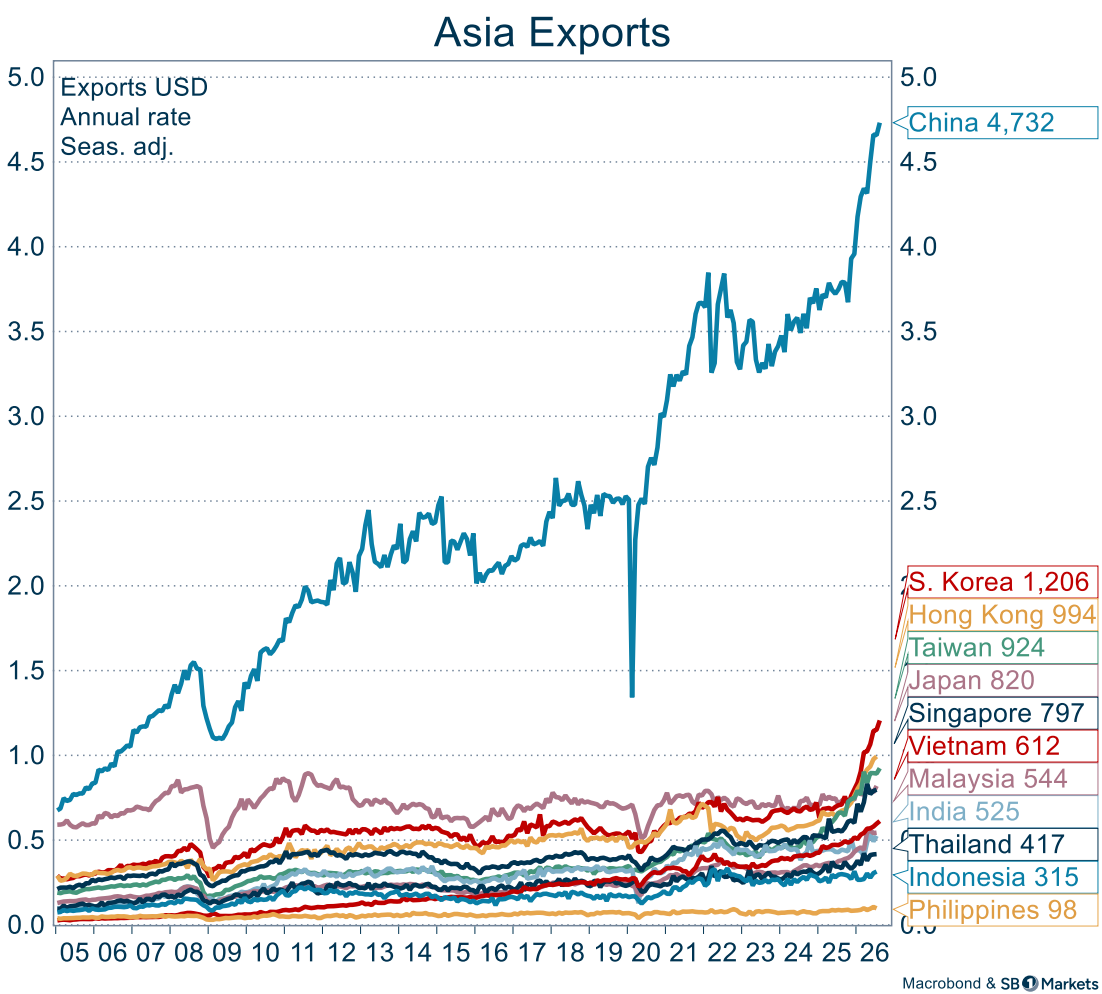
South Korea and Taiwan have reported astonishing export growth recently, mostly in semiconductors and computers. Vietnam has been the winner over the past decade (or two), Taiwan last year. The laggards among Asia EM in recent years: Indonesia and India.





Two cross-checks on the size of trade flows: China vs. Rest of Asia. And vs. ROW

BTW, Chinese exports are almost 2x US exports, and even 40% above EMU exports!
Chinese exports are almost 9x larger than Indian exports. Chinese imports? 12%>US exp.



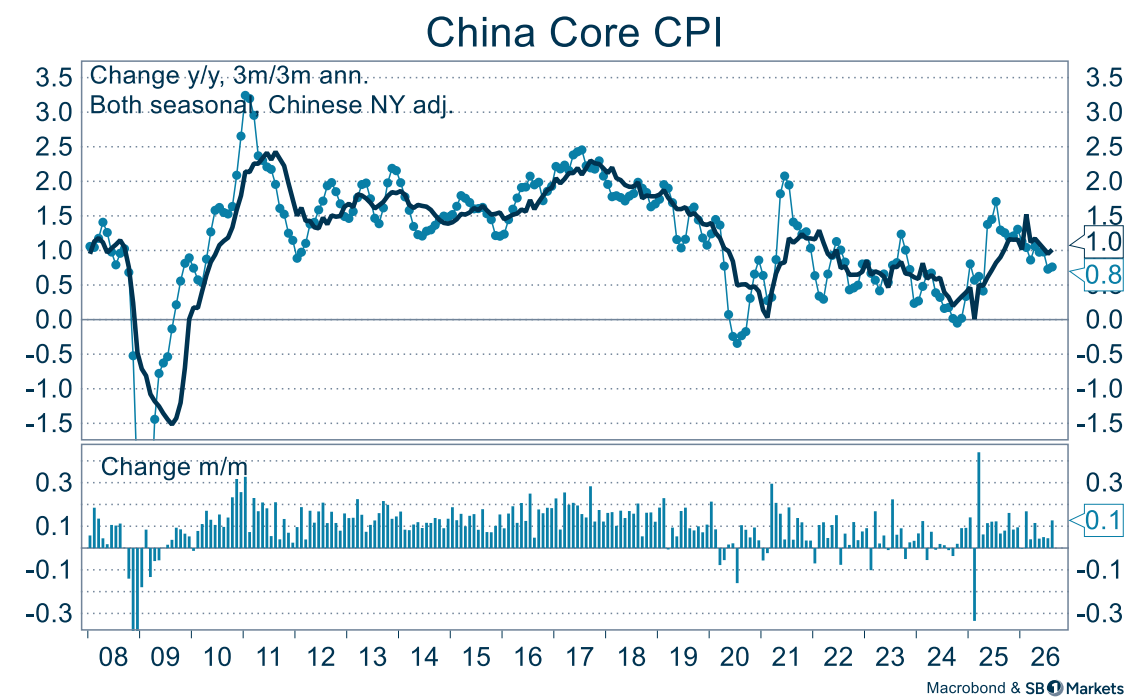
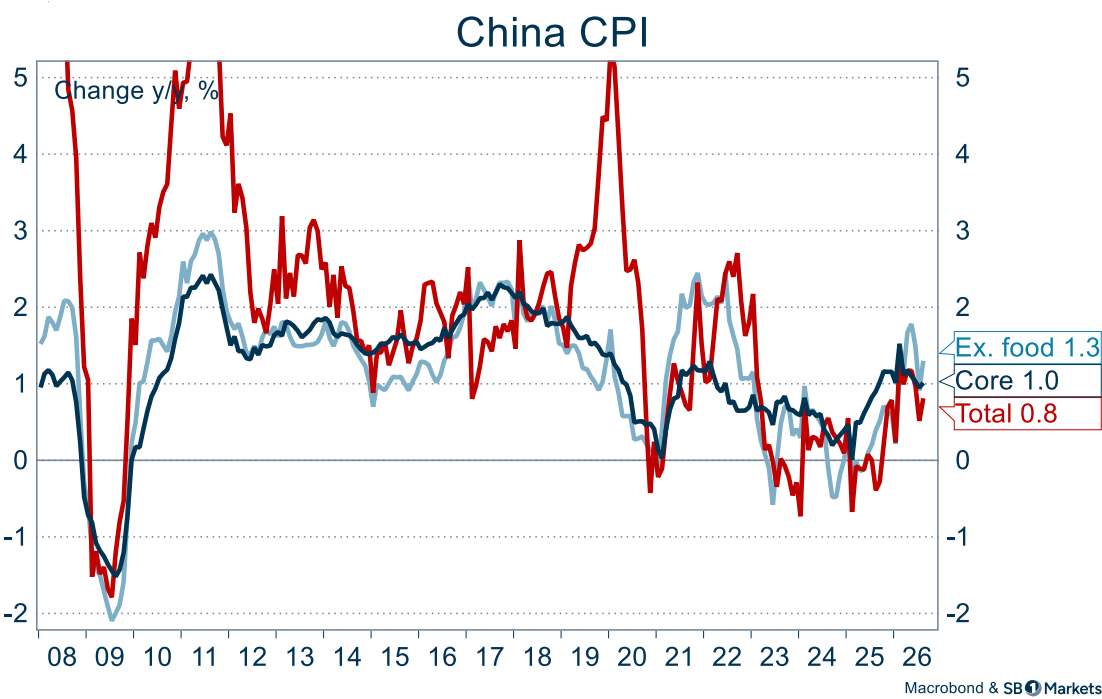
(Several EMU countries are shown separately, and their exports to other EMU countries are included)





Headline CPI inflation still below 1%, core inflation at 1%

Underlying growth in core prices (CPI ex. good and energy) is marginally lower. A tad too low, but no disaster. Fuel prices are down 8% y/y. A bit strange. Food prices are down as well, by 1.4% y/y. CPI ex. food is up 1.3%

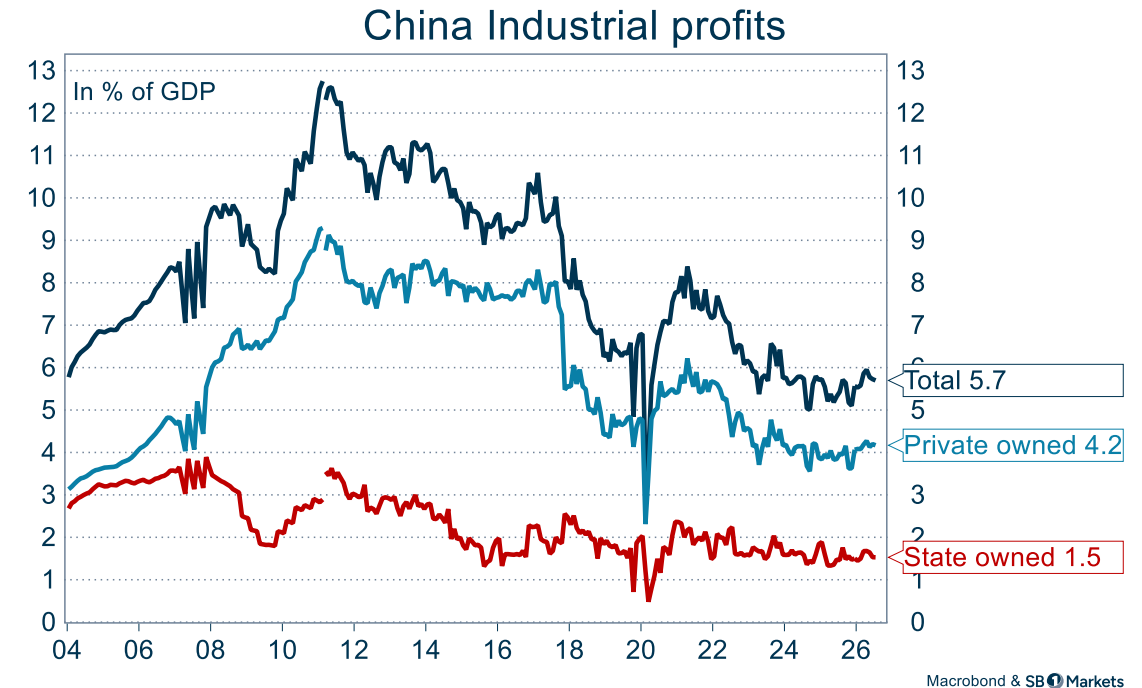
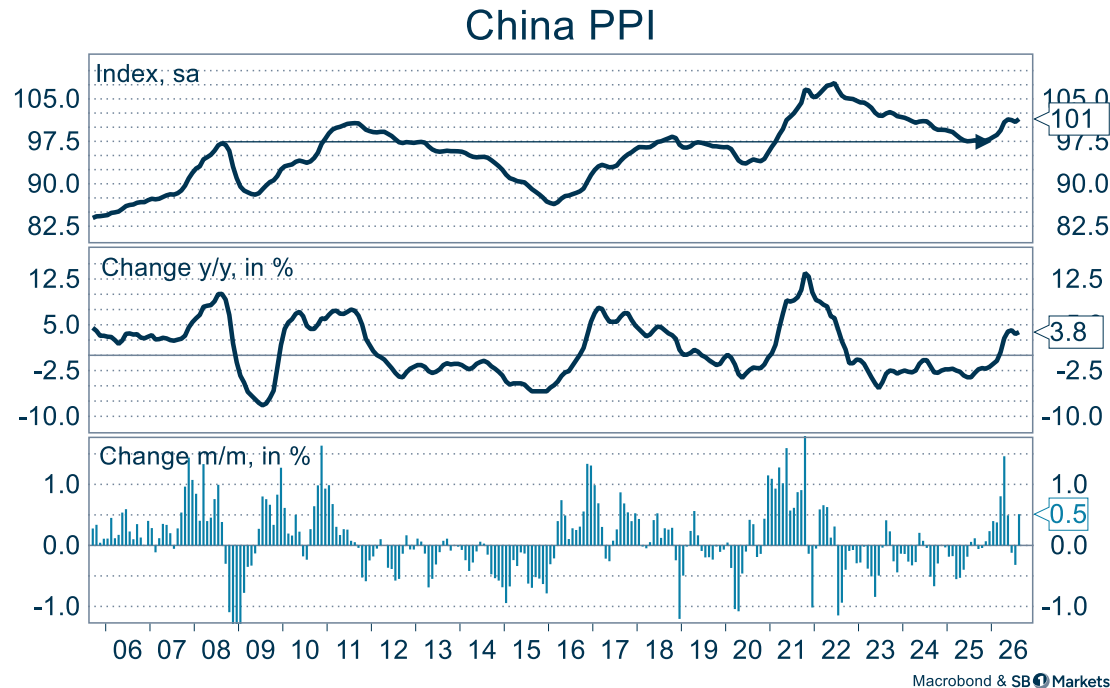


Core CPI: CPI ex. food and energy



PPI rose 0.5% m/m in August, and are up 3.8% y/y

Add on a 3.5% CNY appreciation, PPI is up 7% in USD. Non-ferrous metals are in the lead, +21%, with coal and petroleum. Machinery, electronics are close to unchanged. Several sectors are still down, like building materials, electricity and autos – and consumer goods.



- The correlation between PPI and CPI in China is limited (but far better with the US CPI, at least before the tariff cycle ☺).



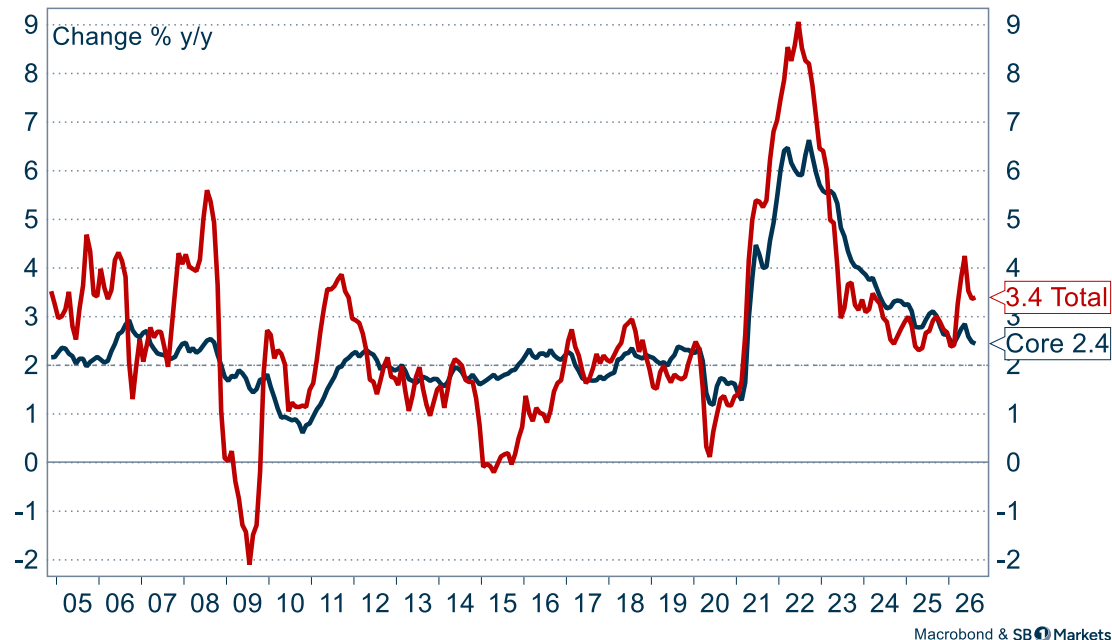
United States



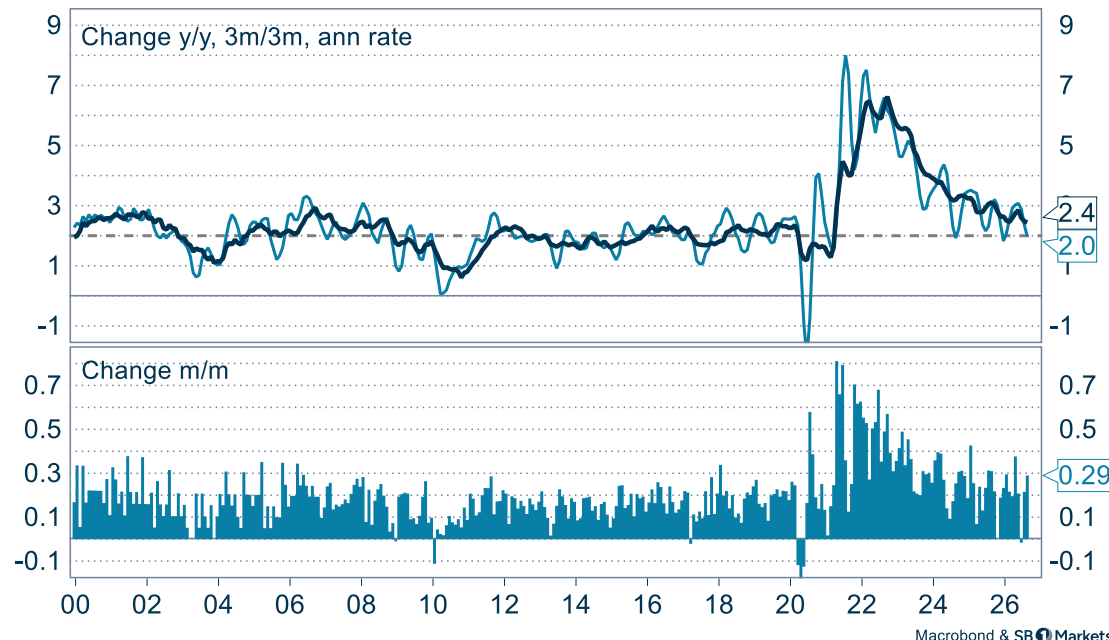
Core CPI up 0.3% in August, 0.1 pp higher than expected – still up 2.4% y/y, as expected

... and down from 2.5% due to happy rounding. The total CPI was up 0.4%, lifted by higher energy prices, as expected, and up 3.4% y/y. Price increases are slowing, and underlying growth in recent months is not far above 2%. However, the **3.4% headline suggests Fed will hike this week**

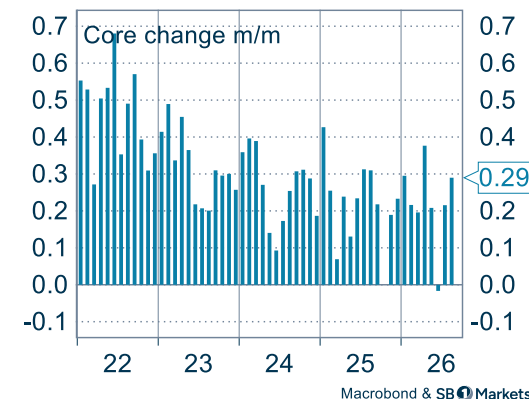
USA Consumer Price Index



USA Core CPI

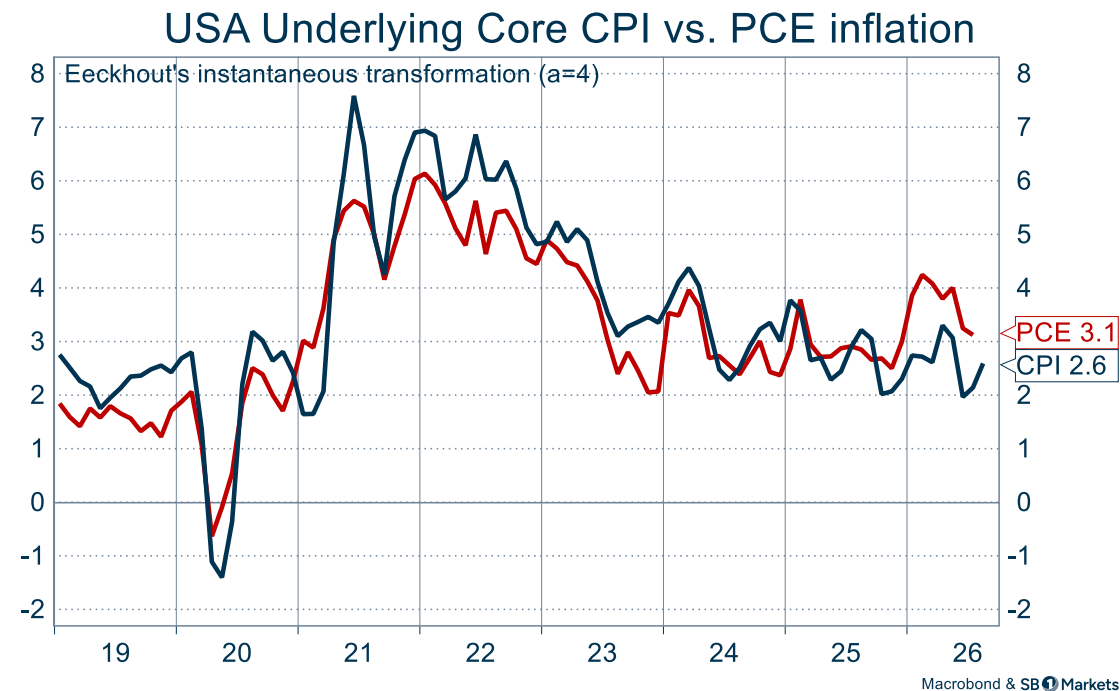
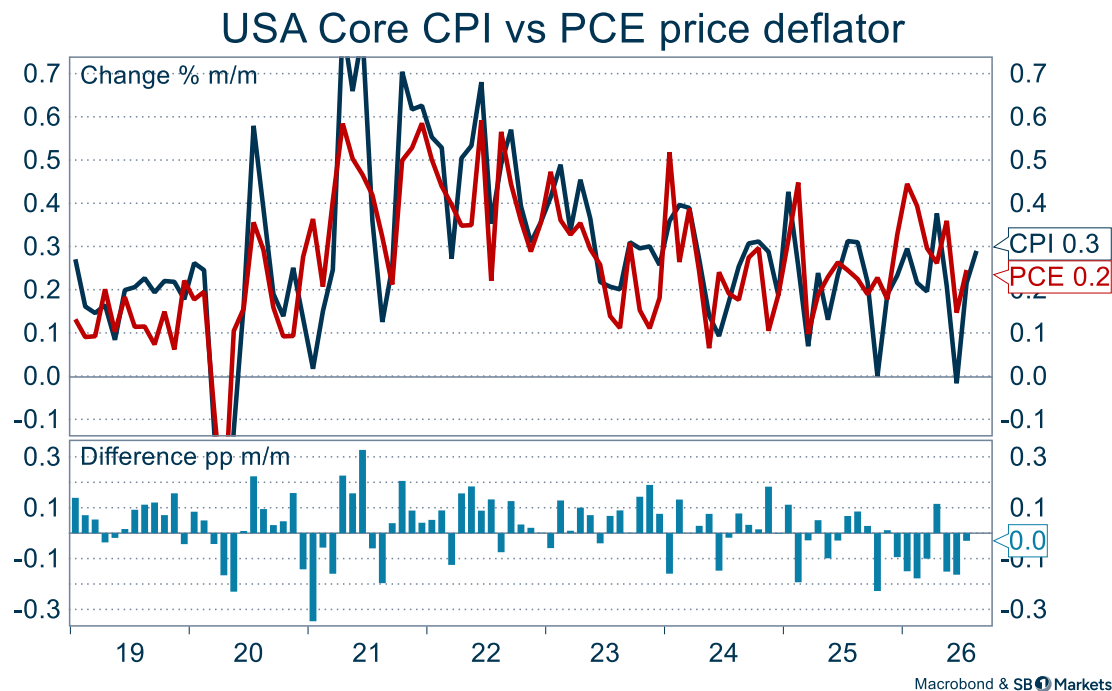


- **Energy prices** are up 16% y/y, and will probably accelerate further in September.
- Within the **core segment**, services ex. rents rose 0.5% and are up 3%. Rent inflation is has flattened at 3% y/y. Core goods are up 0.4%. The monthly growth rate was the highest since April. Underlying growth measured over the recent months are in the 2.0 – 2.6% range.
- **The outlook:** wage inflation is slowing, while productivity growth remains brisk (at least vs. recent history). Thus, **Unit Labour Costs growing slower**, in fact well below 2%, which over time will lower CPI inflation, barring further energy shocks or a forever increase in profit margins – which never has happened before. This is the best argument for patience, but actual inflation is well above target, and the labour market is balanced (or on the tight side). Given Warsh' inflation statements at Jackson Hole, and comments from most other FOMC members **a hike this week seems rather likely**.



Fed's preferred price target, the PCE deflator, is well above the CPI

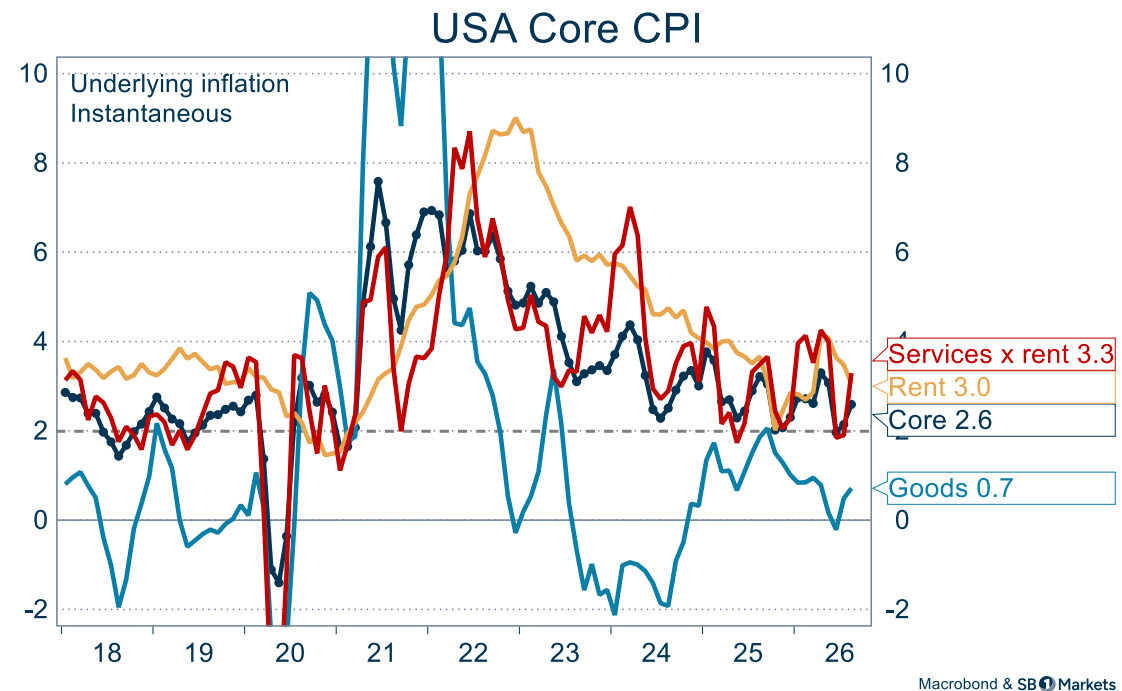
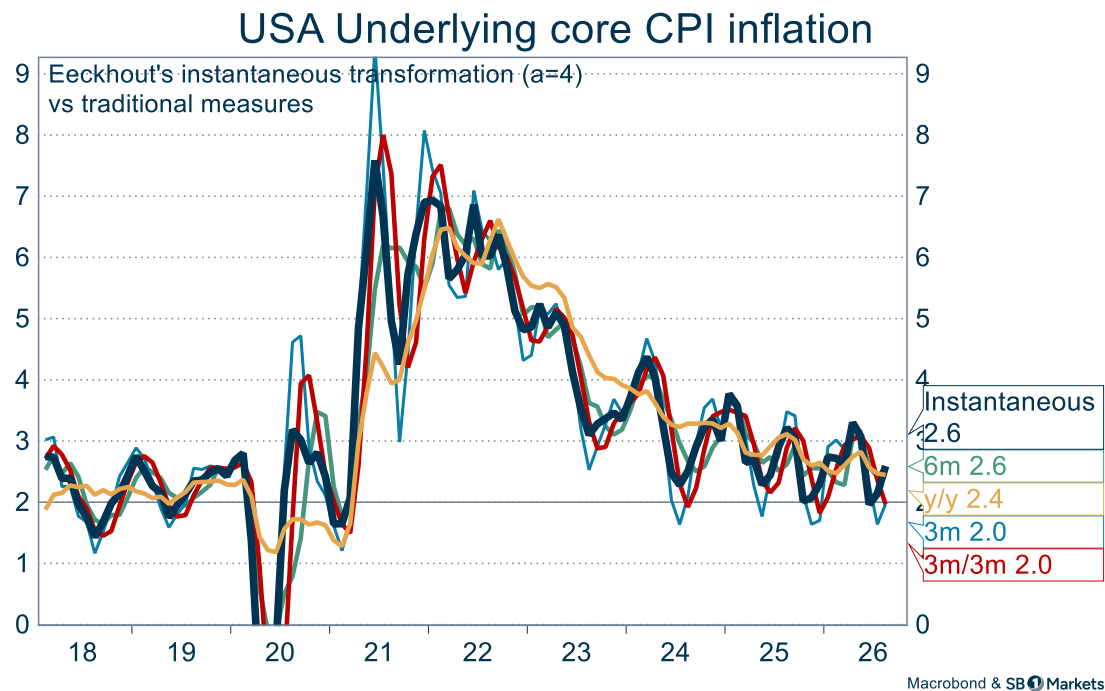
The August CPI does not signal any immediate decline in the PCE inflation (neither did the PPI)



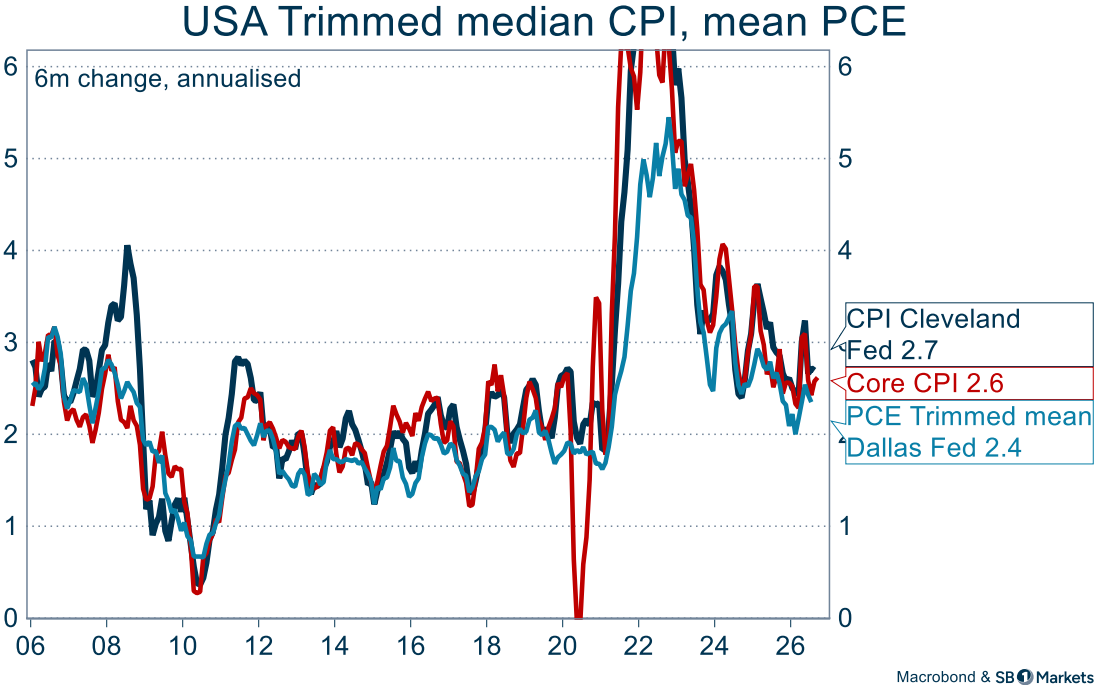


The avg. of our underlying CPI core inflation measures remains close to 2%

... but on the upside of 2. Services ex. rents accelerated in August. Rent inflation has slowed to 3.0% and core prices are up 0.7%, all measured by annualised price increases recent months.



The trimmed mean/medians remain well above the inflation target

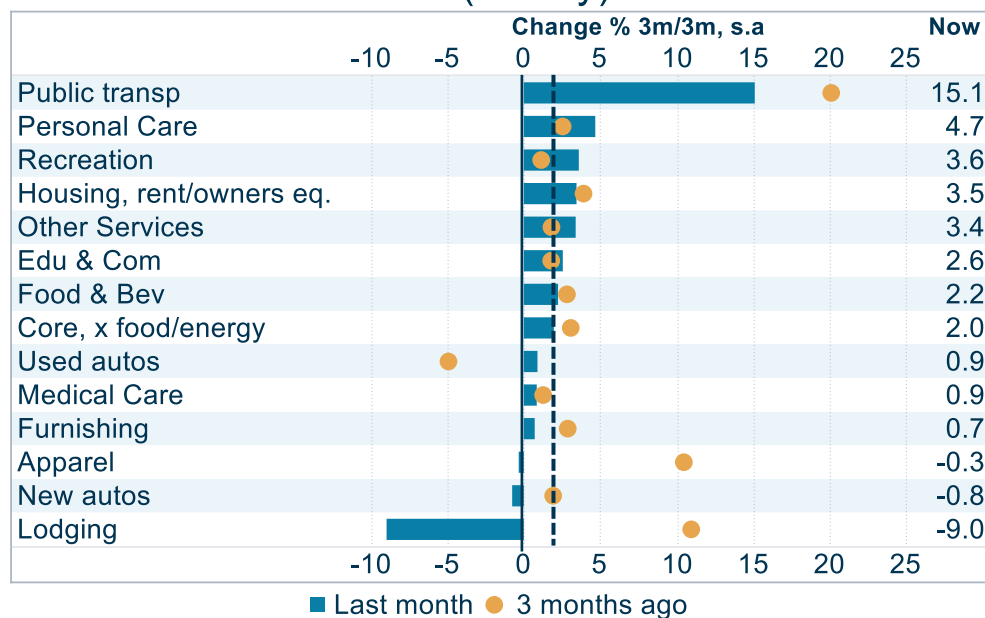




CPI growth momentum slows, and a smaller share of the CPI is 'red hot'

... especially measured over the recent months. 7 sectors are up more than 2% measured 3m/3m; and 7 at 2% or below, of which 3 are negative. 45% of 356 sub-sectors are up more than 2% measured 3m/3m, down from 70% back in April.

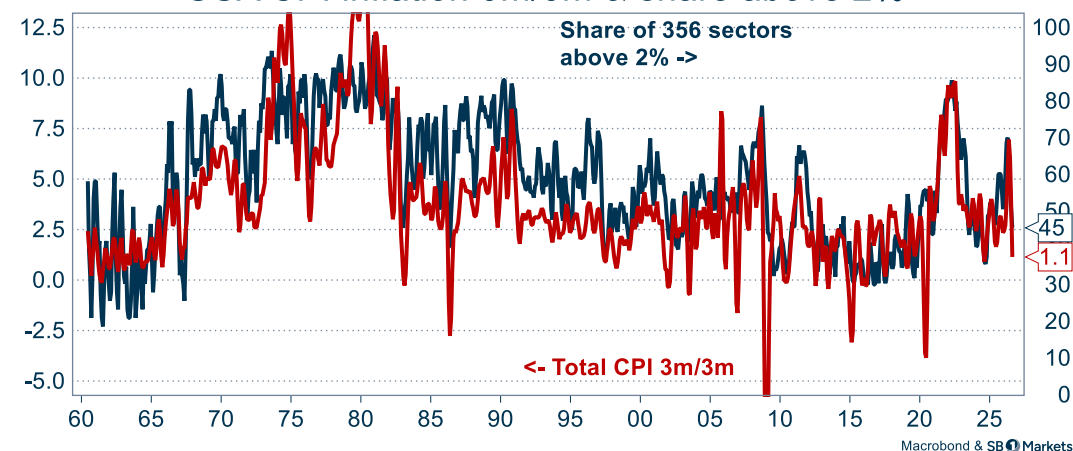
USA CPI (mostly) Core



Macrobond & SB Markets

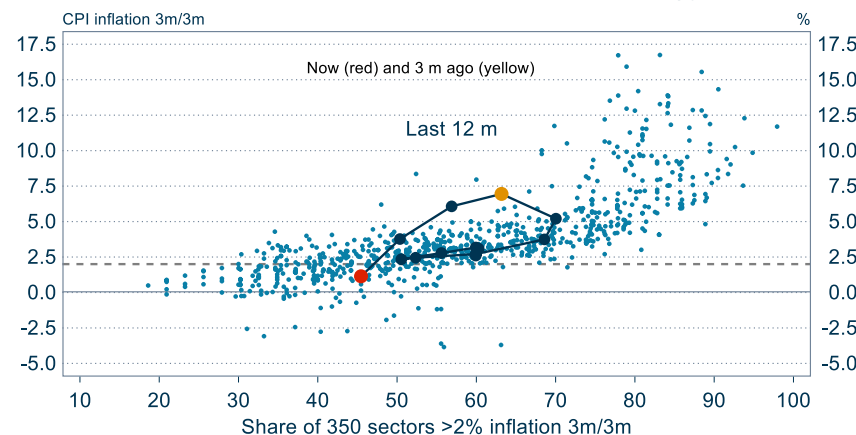
- The total CPI is up just 1.1% 3m/3m, down from 7% in May, when energy prices 'exploded'. Now, energy prices have 'stabilised' and the underlying growth rate has slowed.
 - The core is up 2.0% 3m/3m, down from 3.0% some few months ago.

USA CPI inflation 3m/3m & share above 2%



Macrobond & SB Markets

USA CPI inflation & share above 2%

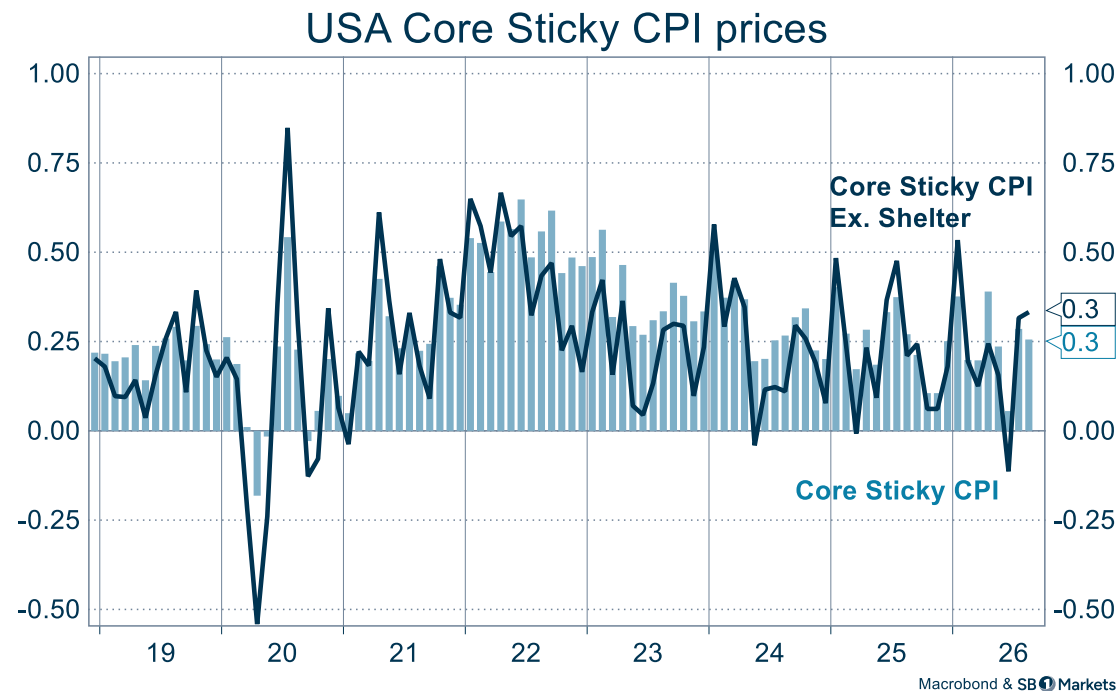
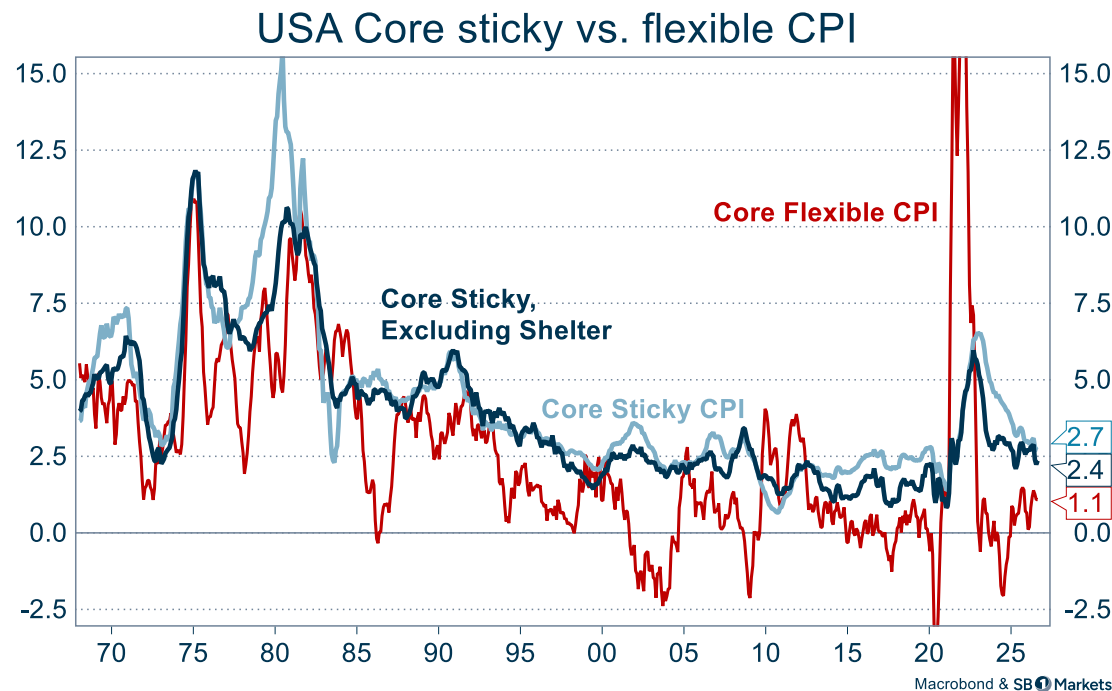


Macrobond & SB Markets



Core sticky prices rose 0.3% in August and are still up 2.7% y/y

Ex. shelter, core sticky prices also grew 0.3%, and are up 2.4%. A close to 3% sticky-price inflation is not consistent with a 2% overall inflation target. *Core flexible prices* (10% of the total CPI) are up 1.1% y/y, up from -2% in late 2024, following 'the collapse', from +19% y/y in 2022.

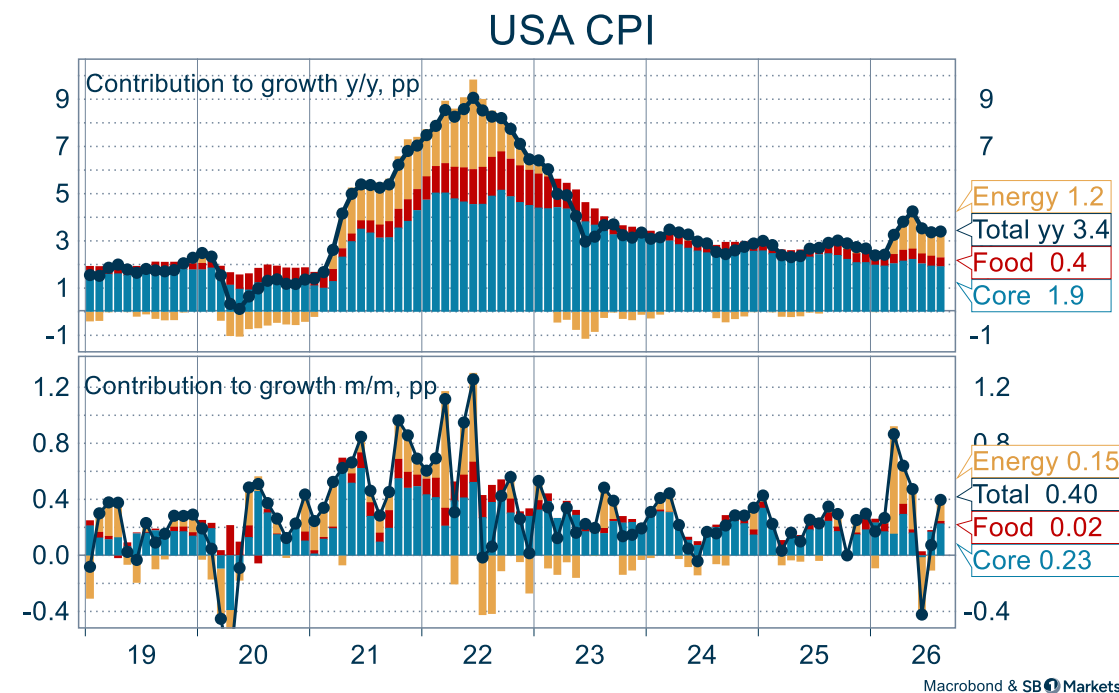
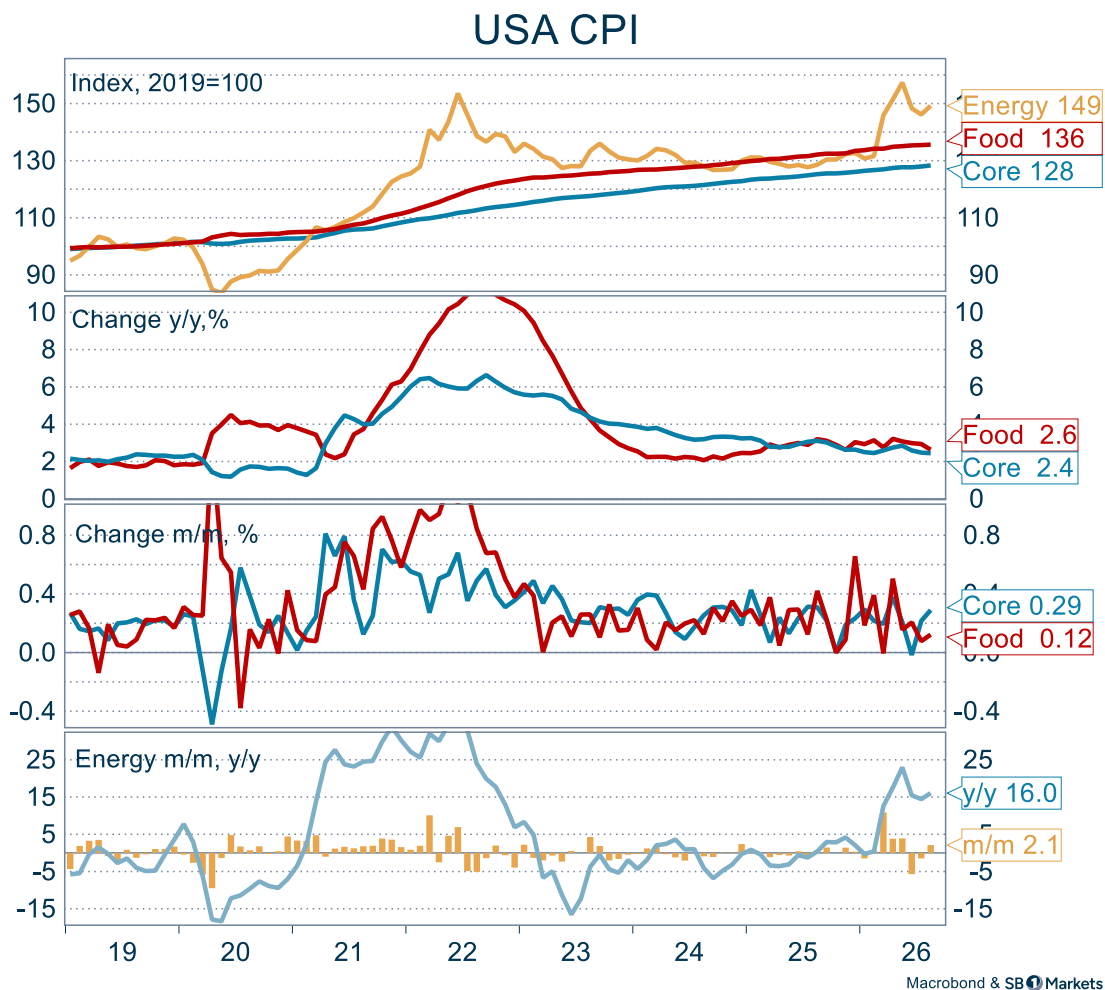


- Almost all the **initial** lift in core CPI was due to prices of goods & services that often fluctuate, with rapid price increases followed by deep price cuts. Thereafter, the sticky prices followed suit, they turned out not to be that sticky.



The headline CPI rose 0.4% in August, energy rose 2.1%, food 0.1%

Energy prices are still up 16% y/y. Food prices are up 2.6% y/y.

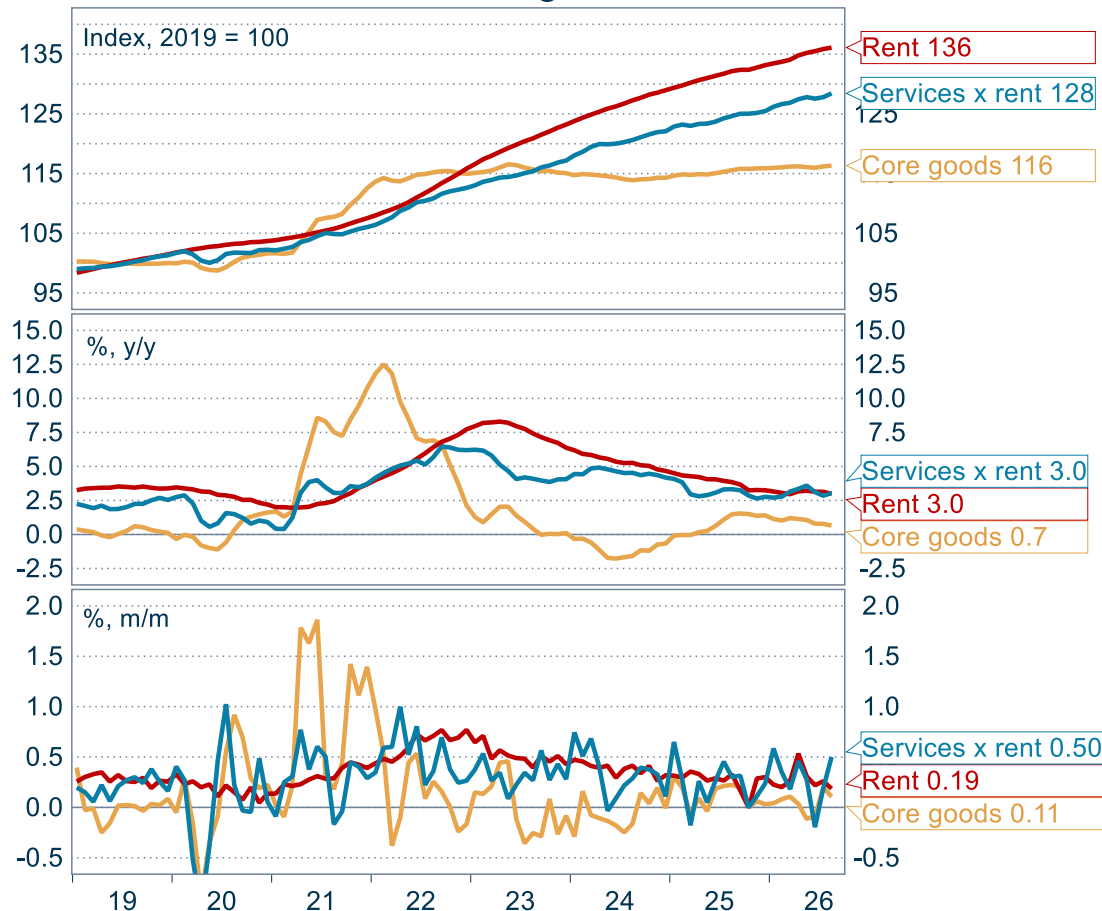




Core prices up 0.3% in August, led by services ex. rents, up 0.5%

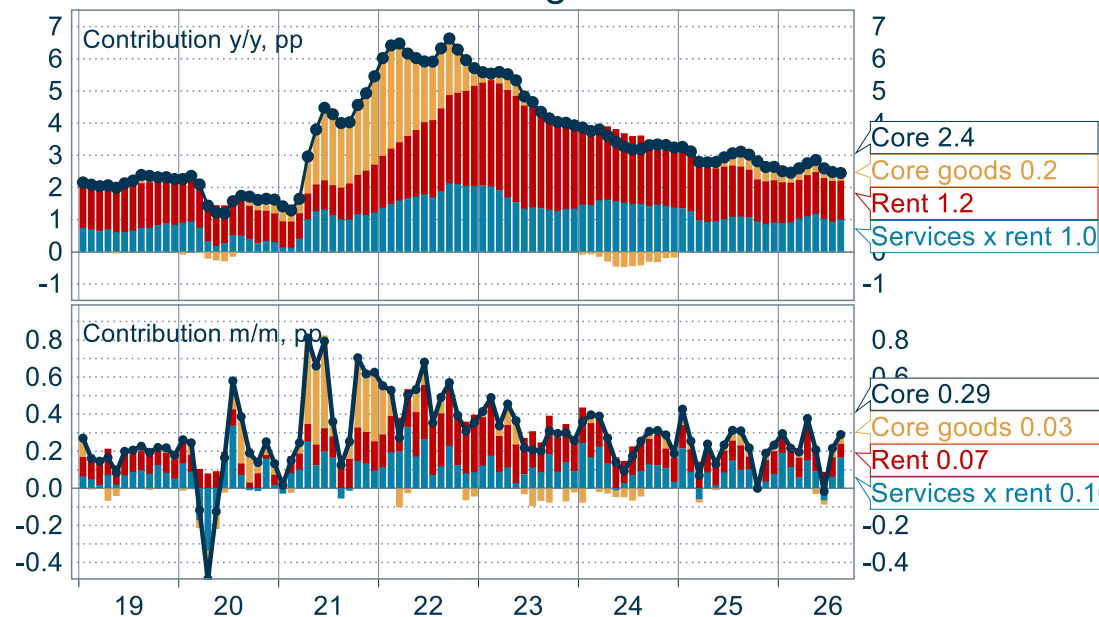
Rents are up 3.0% y/y, which lifts the core CPI by 1.2 pp. Core services 3.0%/1.0 pp, core goods 0.7%/0.2 pp.

USA CPI Core goods & services



Macrobond & SB Markets

USA CPI Core goods & services



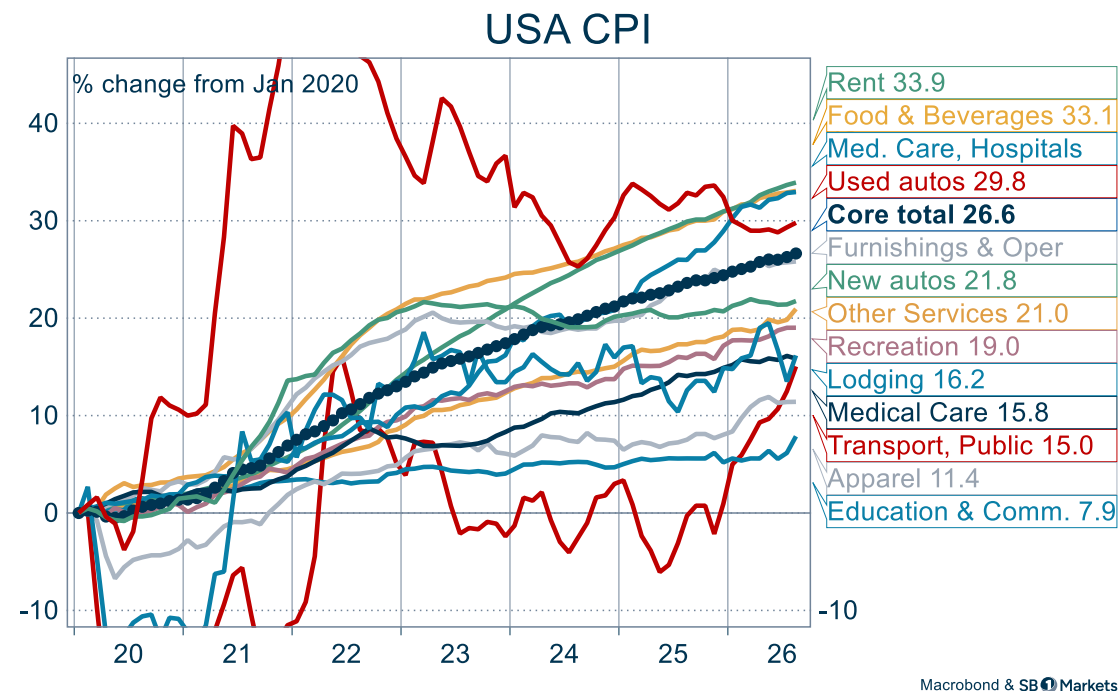
Macrobond & SB Markets



More CPI details: lodging (hotels) and public transport (airfares) in the lead in August

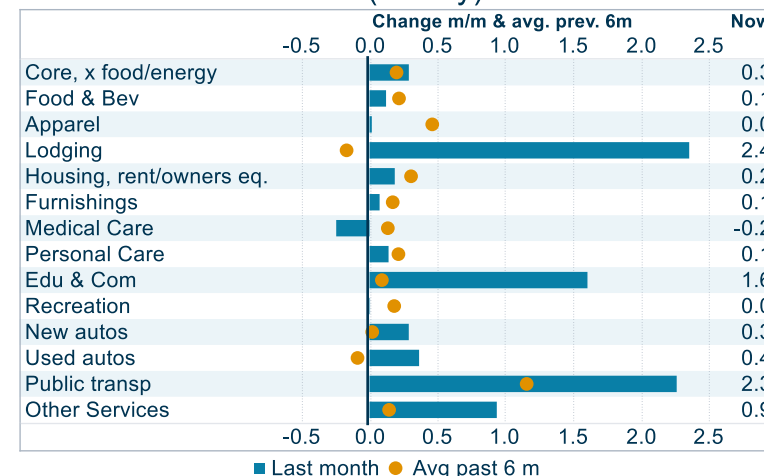
Public transport is up 15% y/y, and obvious 2nd round impact of the lift in energy prices. Lodging is up 3.6%.

10 main sectors are up more than 2% y/y, 4 sectors are at or below 2%.

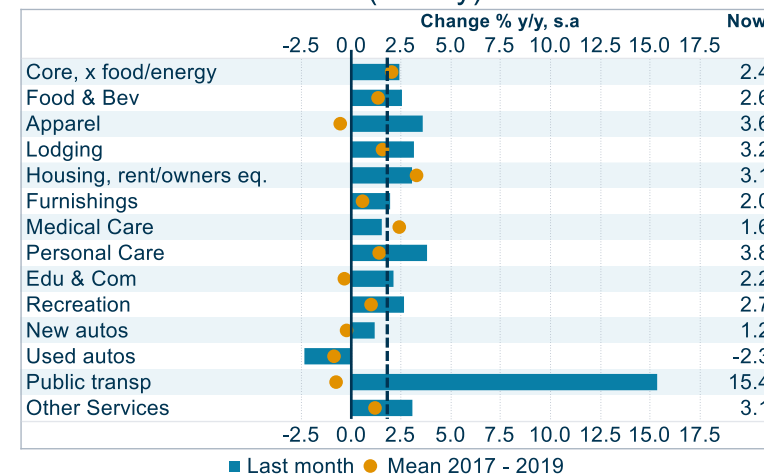


- **Used auto** prices have turned slightly up following a decline, new auto prices trend flat.
- **Rent inflation** has stabilised at 3%.

USA CPI (mostly) Core



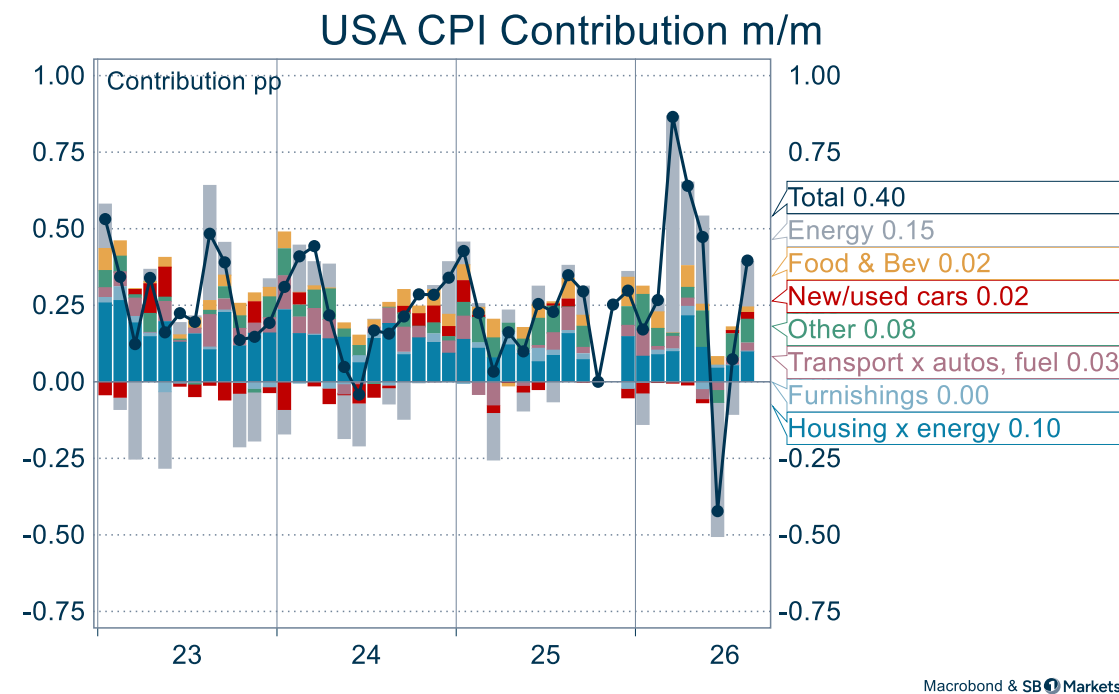
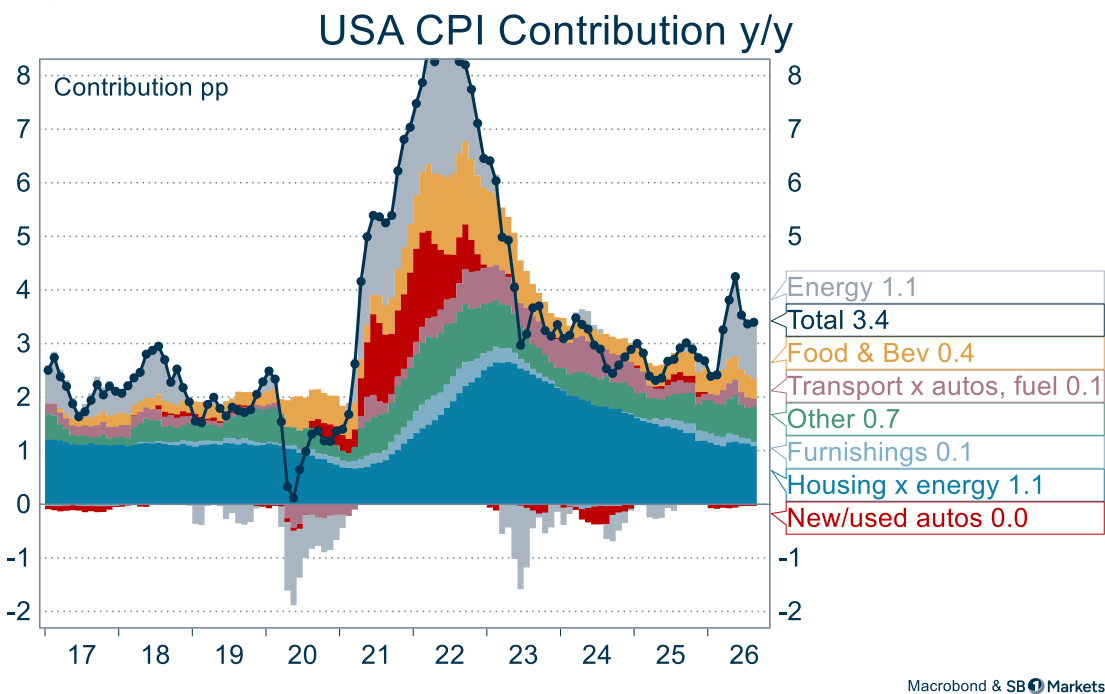
USA CPI (mostly) Core





More CPI details: faster prices increases in August

The surge in energy prices explains the lift in total CPI inflation since the spring.

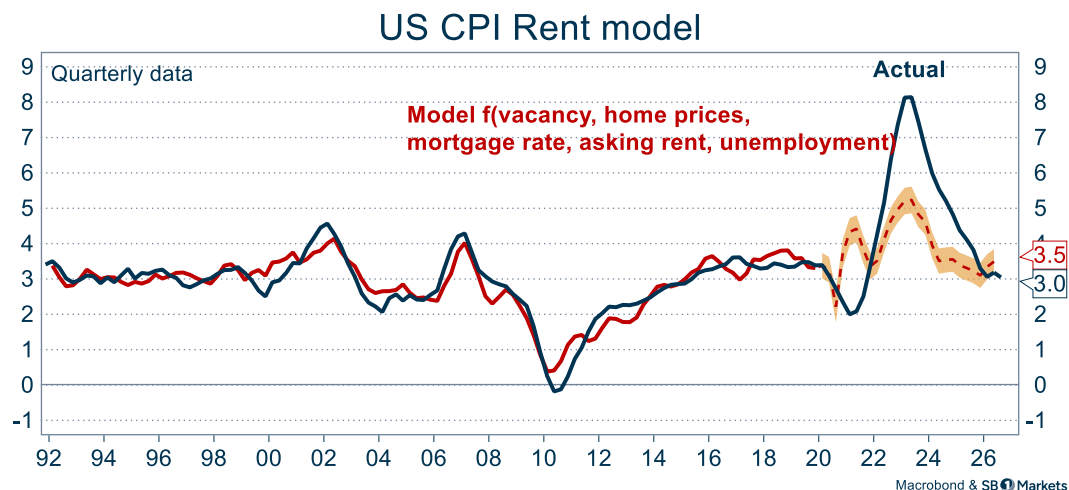


Lodging away from home (incl hotels) is not included in housing in the charts above

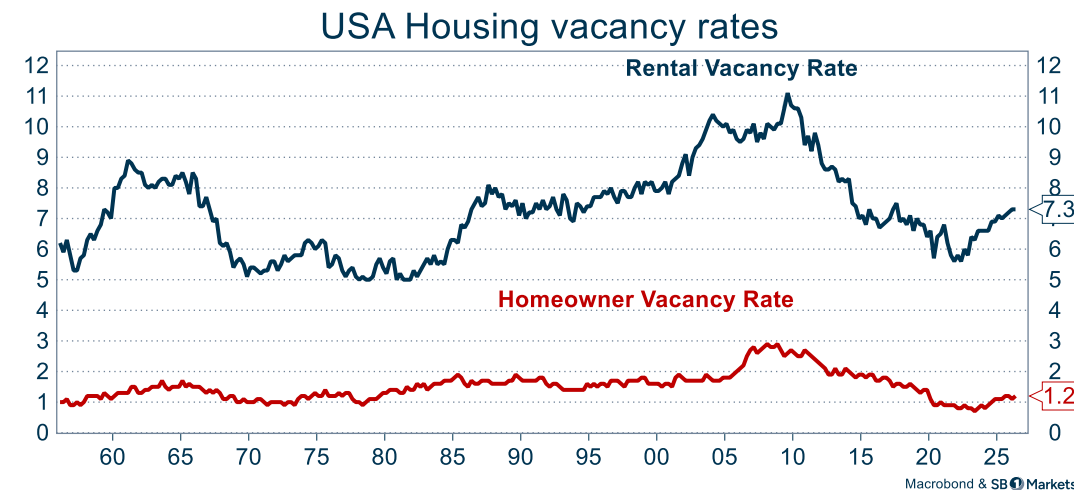
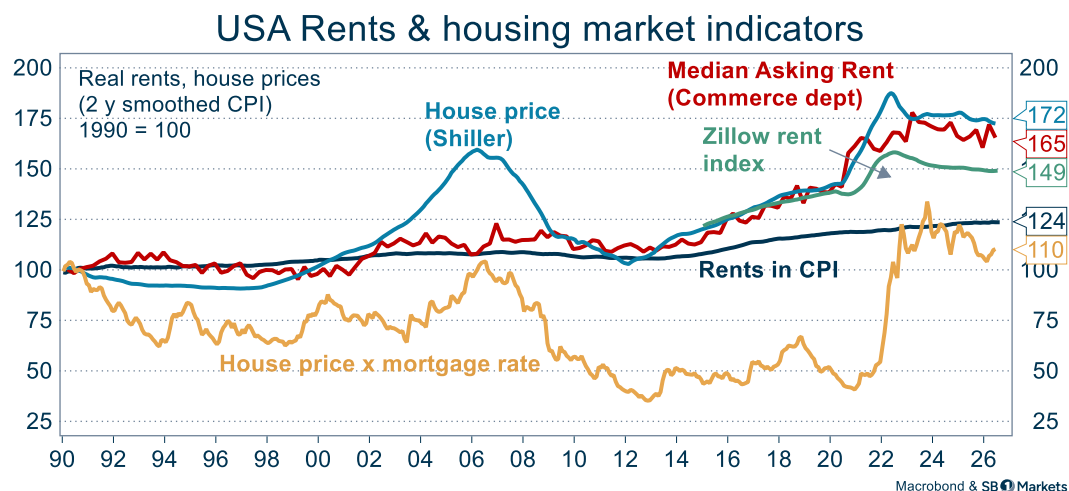


Rent inflation has retreated but has flattened recently, at 3%

The rental vacancy rate has turned up—as has the homeowner vacancy rate (marginally), arguments in favour lower rent inflation ahead. However, mortgage rates have turned up again...



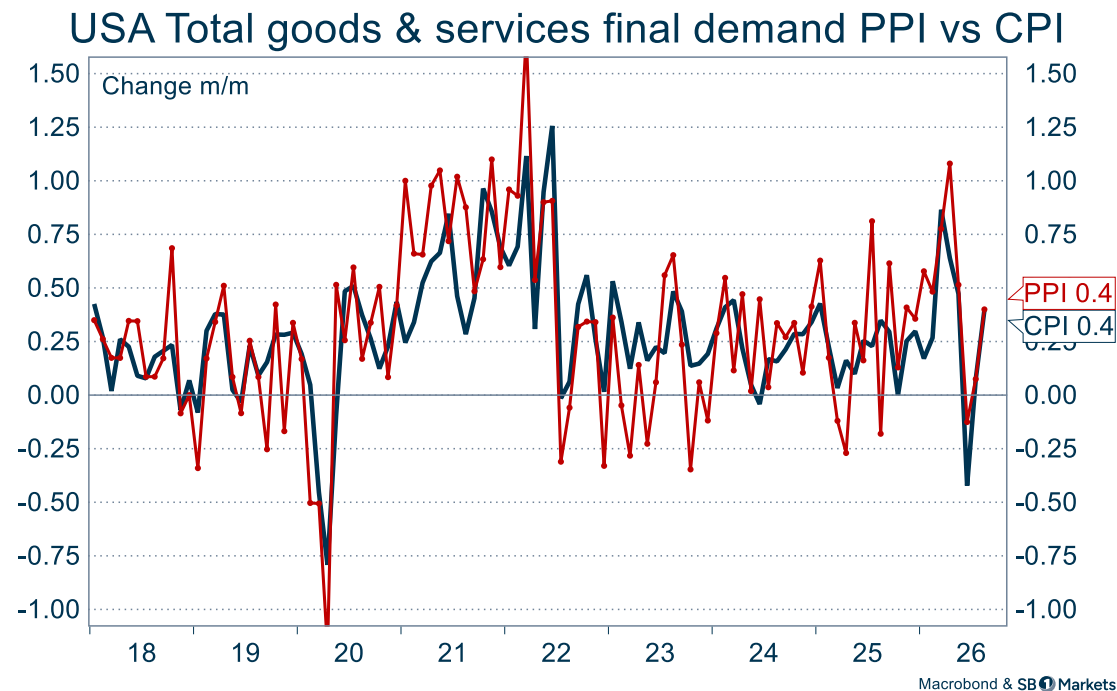
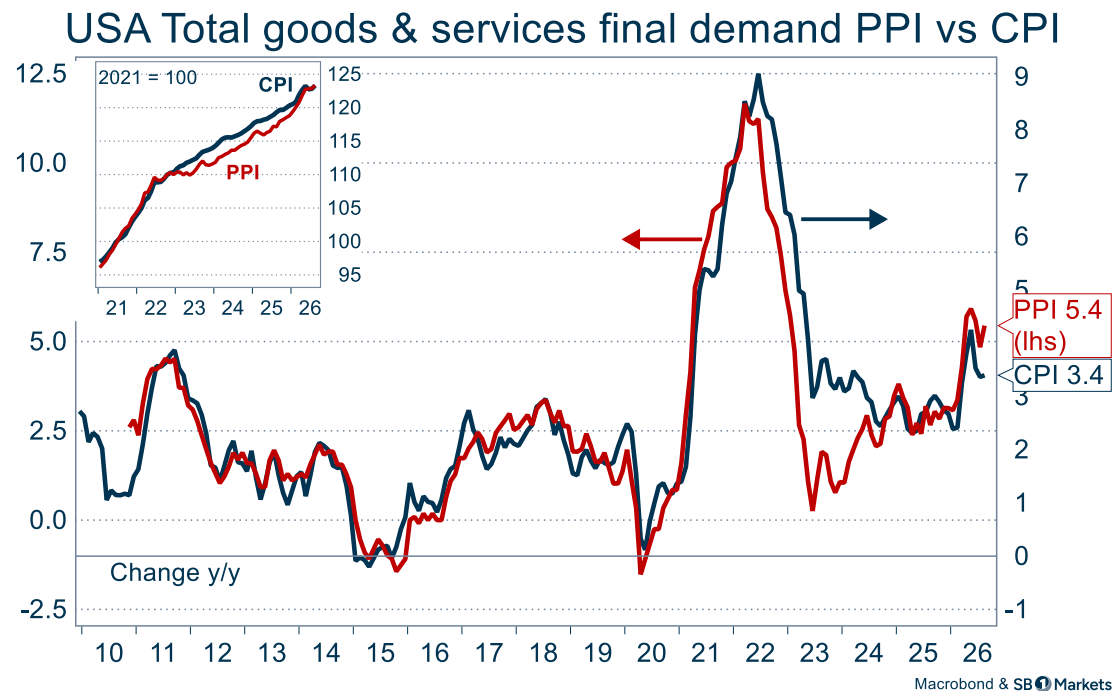
- **Rent inflation measured in the CPI** (covering the stock of leases, not just new leases) is gradually slowing. The annual rate has fallen to 3.1%. The underlying growth rate has fallen to below 3%.
- **Market based rent indicators** (new leases) are trending flat or down. However, new leases are up much more than the CPI rent index in recent years, and the CPI (average) rent index could drift upwards for a long while.
- Out of the pandemic, **the rental vacancy rate** fell to a low level, but the rate **is now increasing again**. The **homeowner homes' vacancy rate** has bottomed as well. **A less tight housing market?**
- **Our model** (based on vacancy rates, home prices, mortgage rates, a market rent indicator, and unemployment) **signals a slightly lower CPI rent inflation than the current rate, but the gap has narrowed rapidly recently**.





Producer prices a tad higher than expected, up 0.6 pp to 5.4% y/y, 0.1 pp > expected

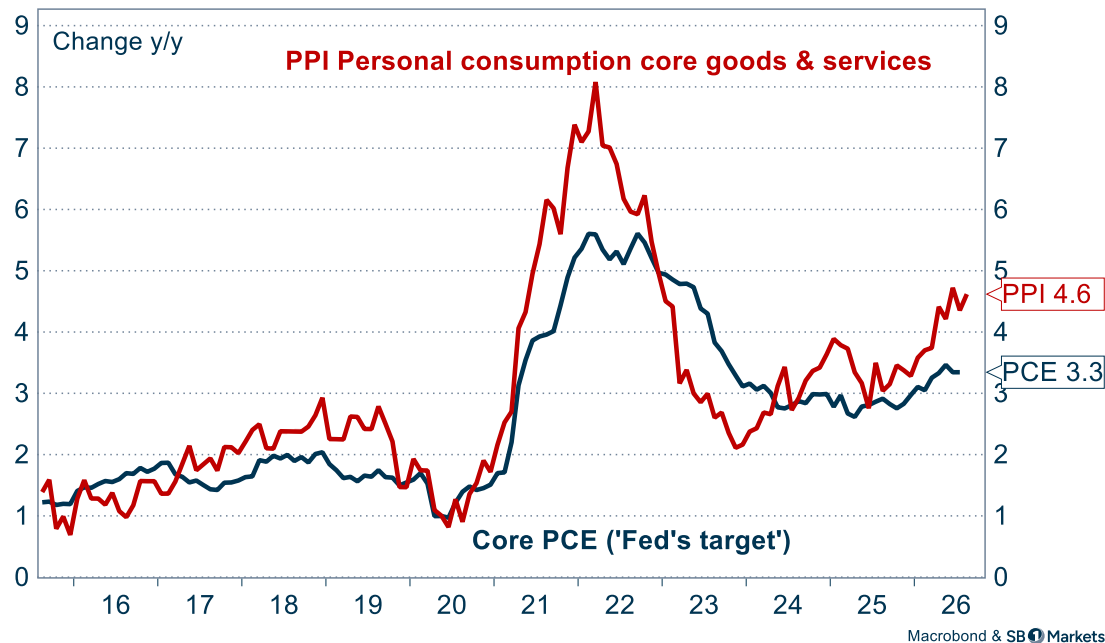
A 5.4% growth rate does not suggest a decline in CPI inflation. The monthly lift was 0.4 pp was as expected (but history was revised up). Energy prices rose 4.2% m/m. PPI for core goods and services for personal consumption rose by 0.2%, above expectations (*check next page*).



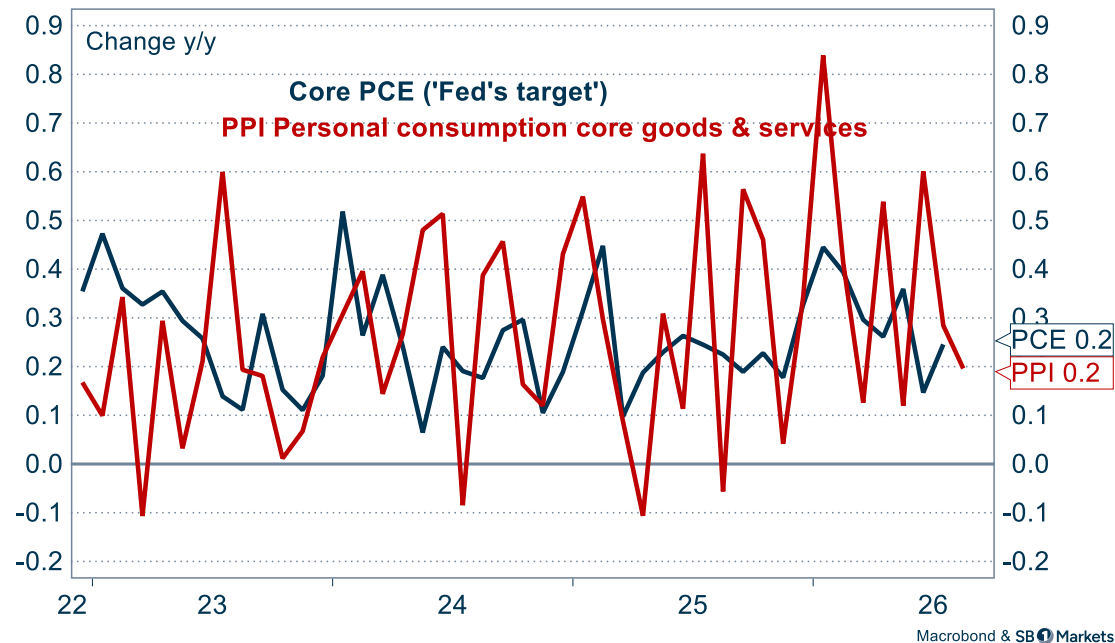
Core PPI personal consumption goods and services up 0.2% in August, 4.6% y/y

The trend recent months is not that encouraging and there are no signs of any slowdown.

USA Core PPI vs. PCE inflation

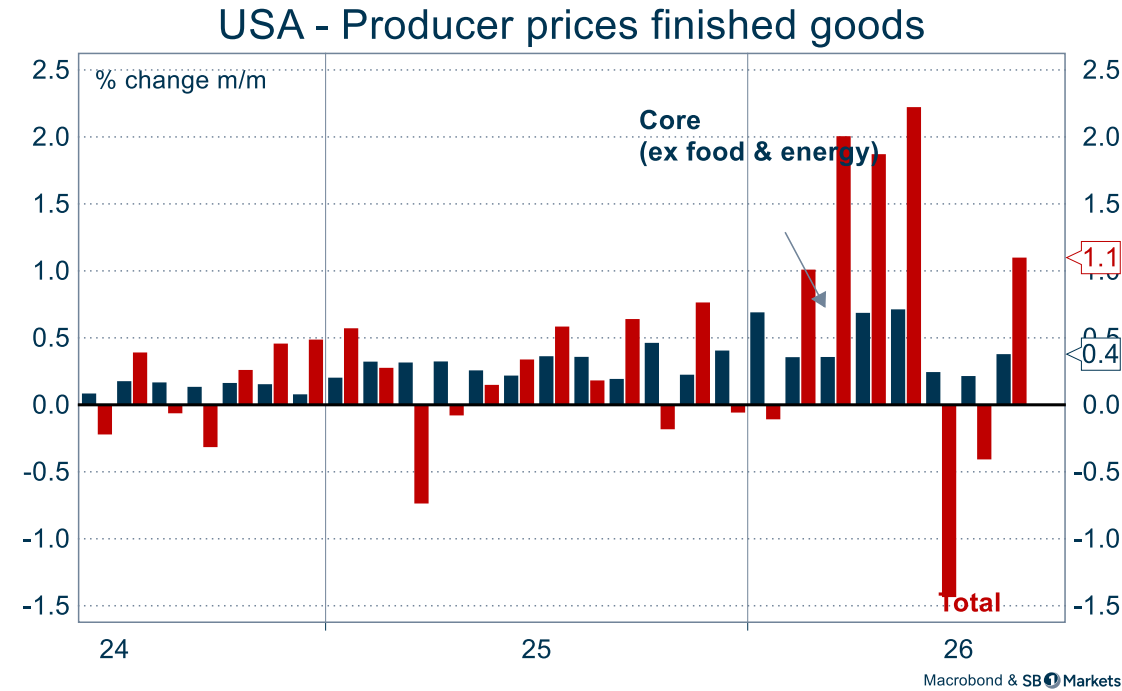
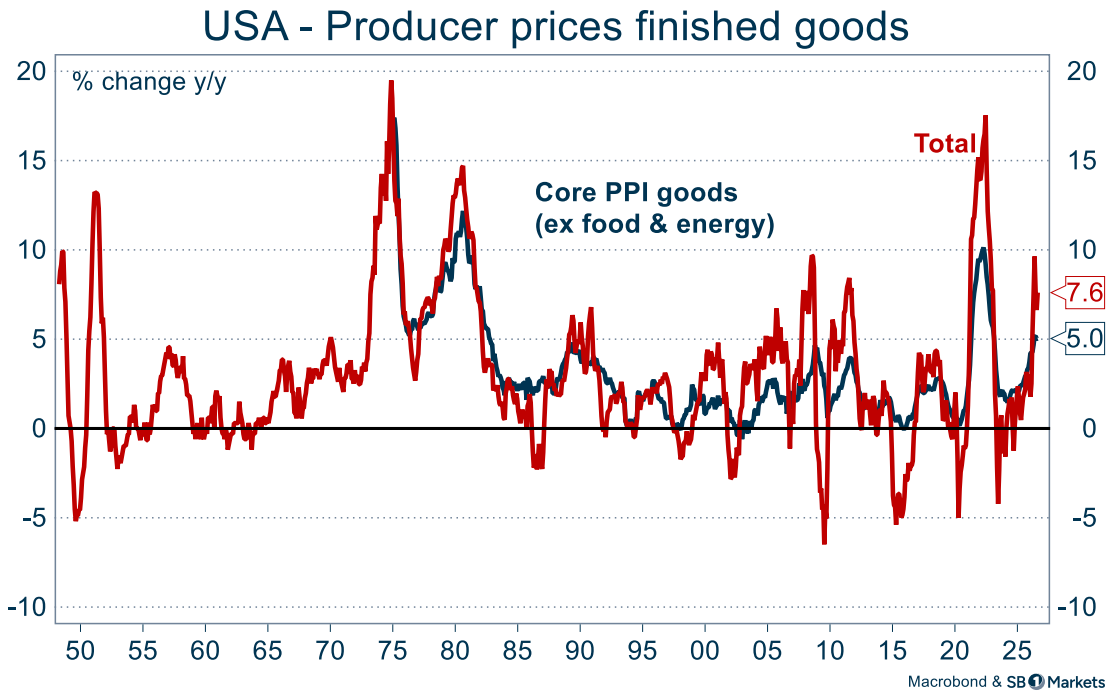


USA Core PPI vs. PCE inflation





Core goods PPI prices up 0.4% m/m in August, 5.0% y/y. Total goods 1.1%/7.6%!



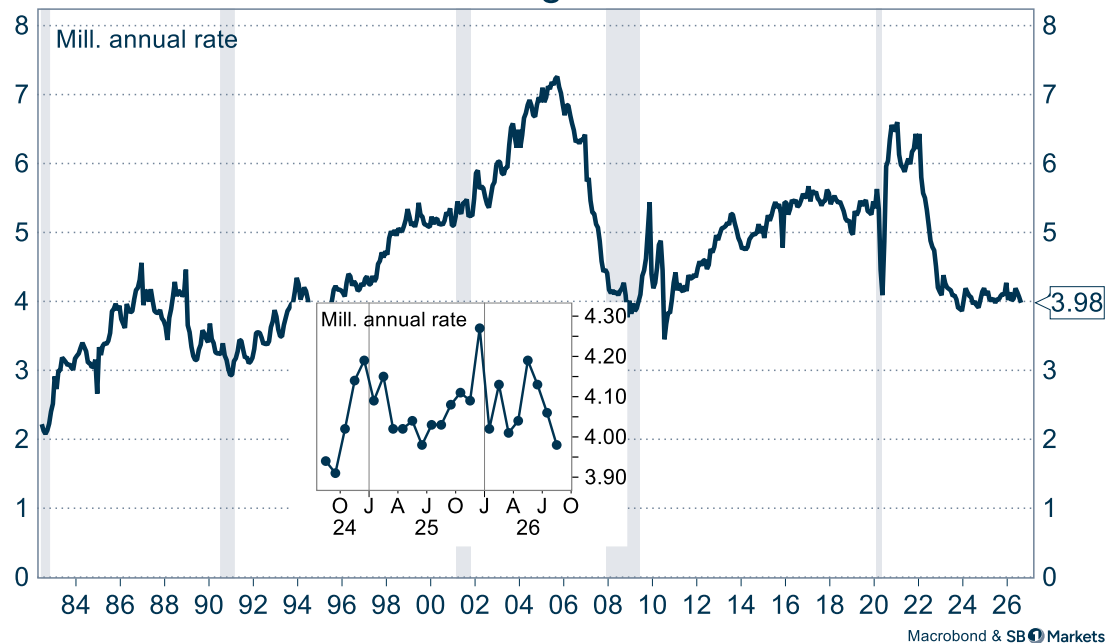
- **Core goods prices at early stages** in the production process have flattened recently, *check next page*.
- These goods prices include both consumer, investment and export goods prices.



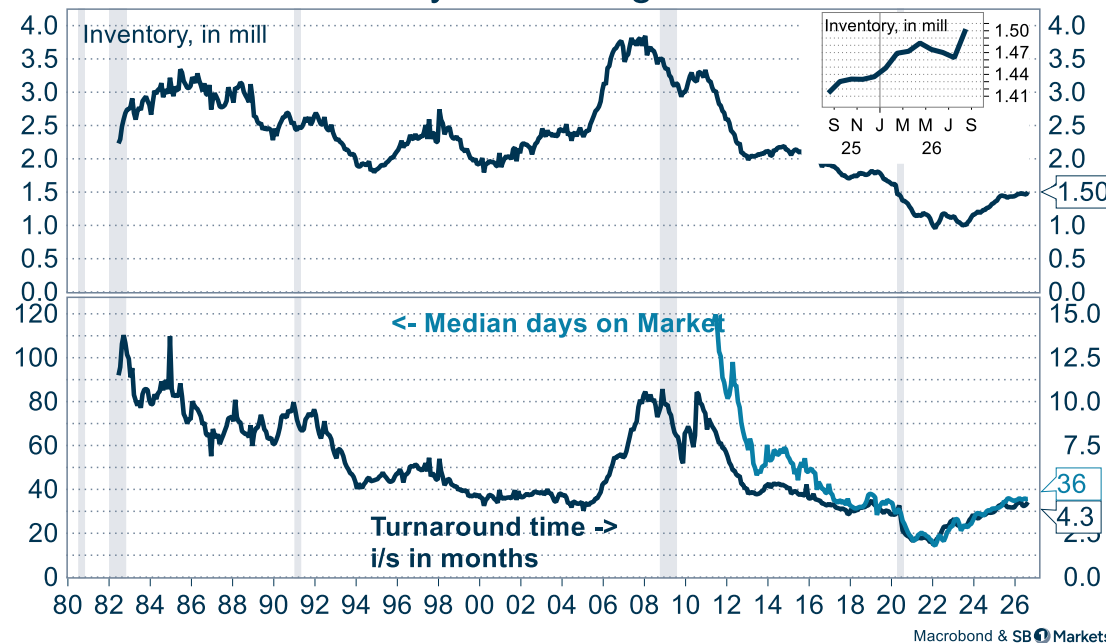
Existing home sales down in August too, and the level is low

Sales fell by 7,000 to 3.98 mill, as expected. The level is low and the trend over the past 3 years is flat. The inventory of unsold homes is below a normal level, also vs. sales, but is slowly trending upwards. Prices fell marginally, but are up 1.5% y/y.

USA Existing home sales



USA Inventory of existing homes for sale

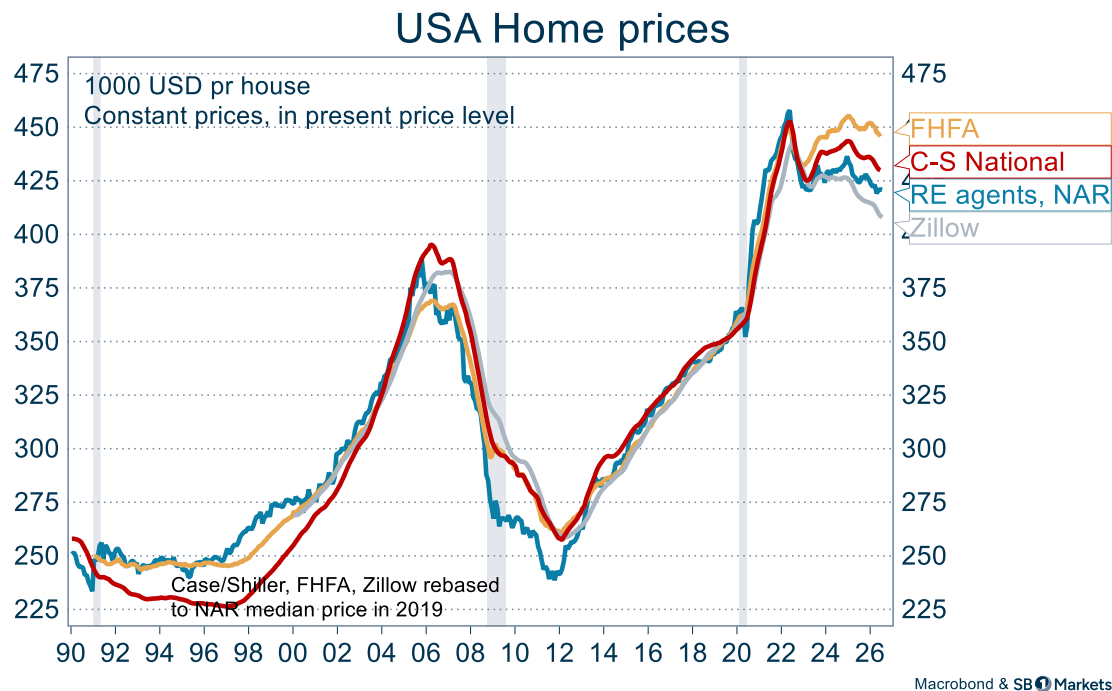


- The inventory is still at a low level, but well up from the bottom in 2022/23, also measured vs. sales.

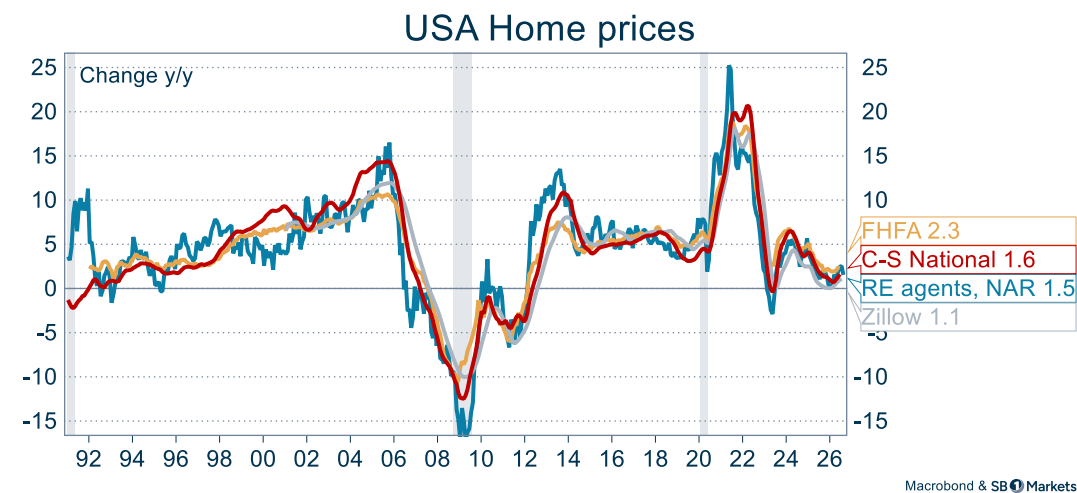
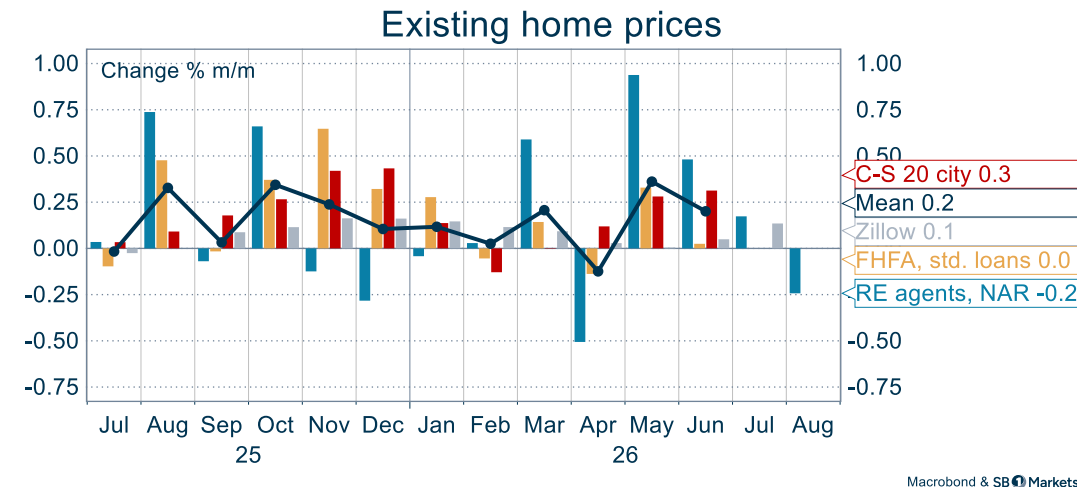


Housing prices are trending slowly upwards, but well below CPI and wage inflation

Realtors reported a 0.1% price increase in July, and are up 2.0% y/y. Other price indices are up 0.9–2.2% y/y.



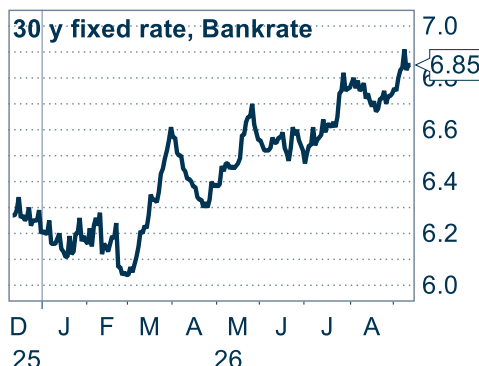
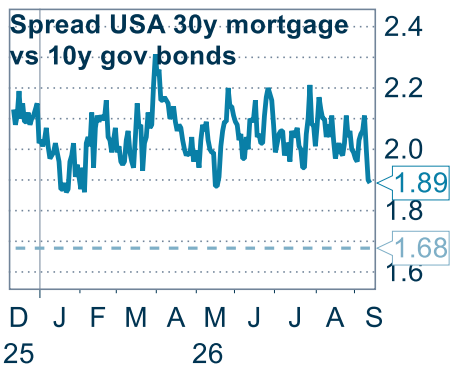
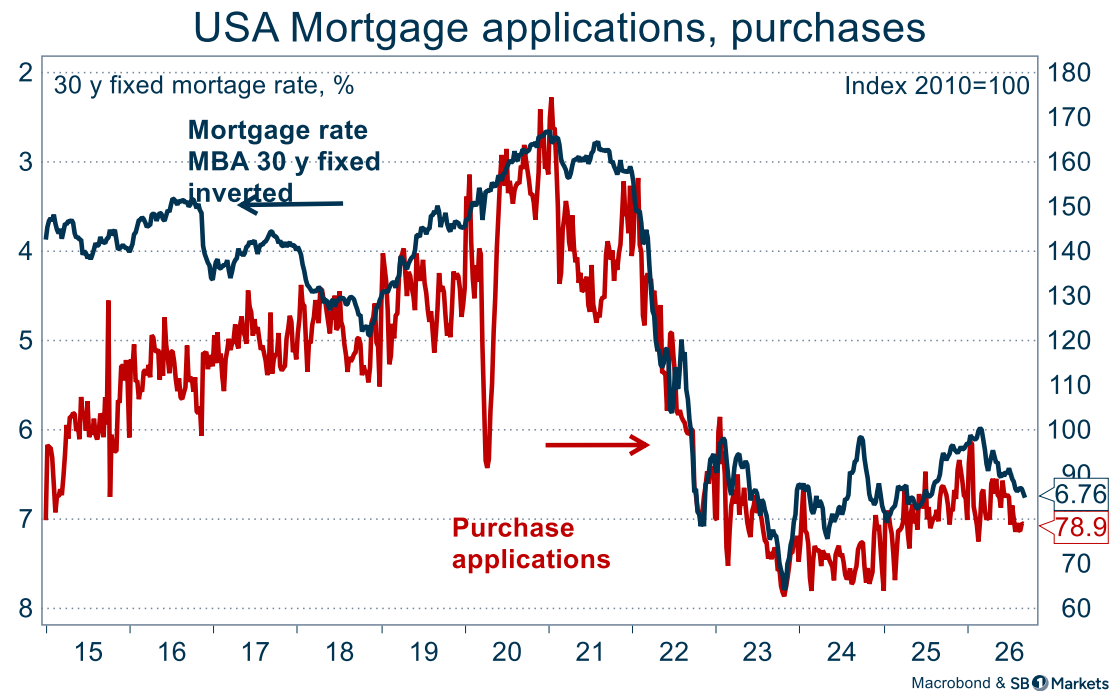
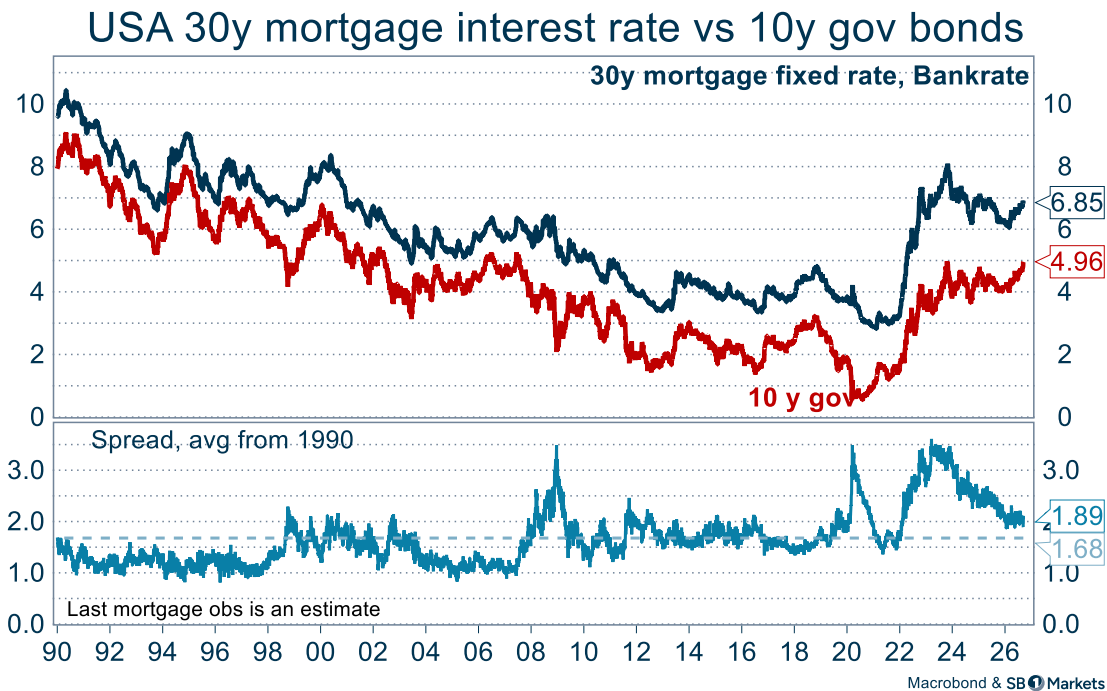
- **The NAR price stats** refers to transactions that were completed in July, which were mostly closed in May and June
- **Other price indices** confirmed slow growth nominally, and a decline in real terms.
- **Home prices** rose more than 40% during the pandemic. Real home prices are down from the 2021 ATHs, but they are far above the 2005 peak, before the Financial Crisis.





The 30y fixed mortgage rate is up 75 bps since before the war with Iran started

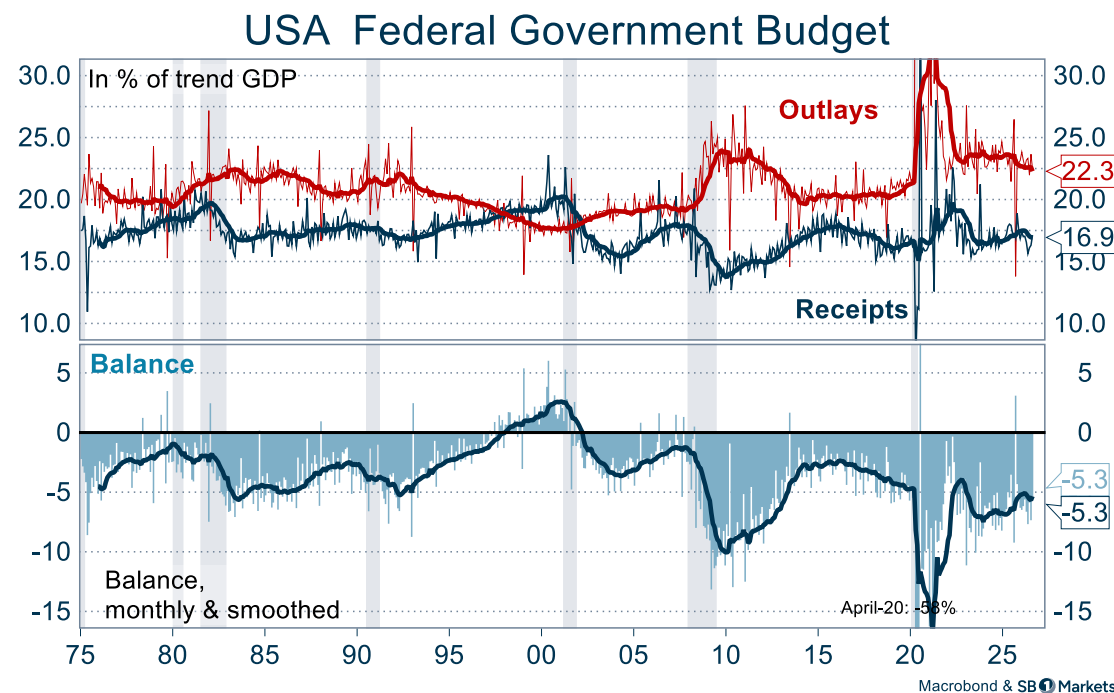
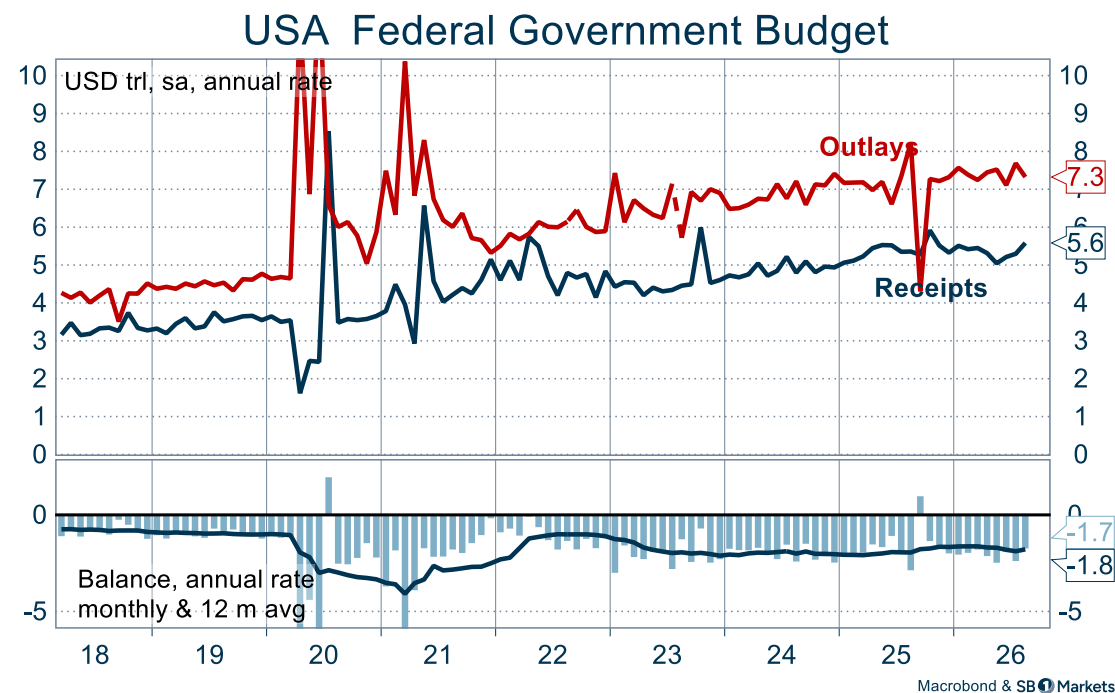
The mortgage spread vs. the 10y gov. bond yield (the convention), has trended flat so far in 2026, at 20 bps above the historical average. The inflow of purchase mortgage applications has turned down, alongside the lift in the mortgage rate in recent months.





The federal budget deficit slightly reduced in August but remains large

Receipts grew while outlays were slightly cut in August, and the deficit was slightly reduced. The budget deficit equalled 5.3% of GDP in August, equal to the average the past 12 months, and is slightly reduced as outlays are trending marginally down vs. GDP

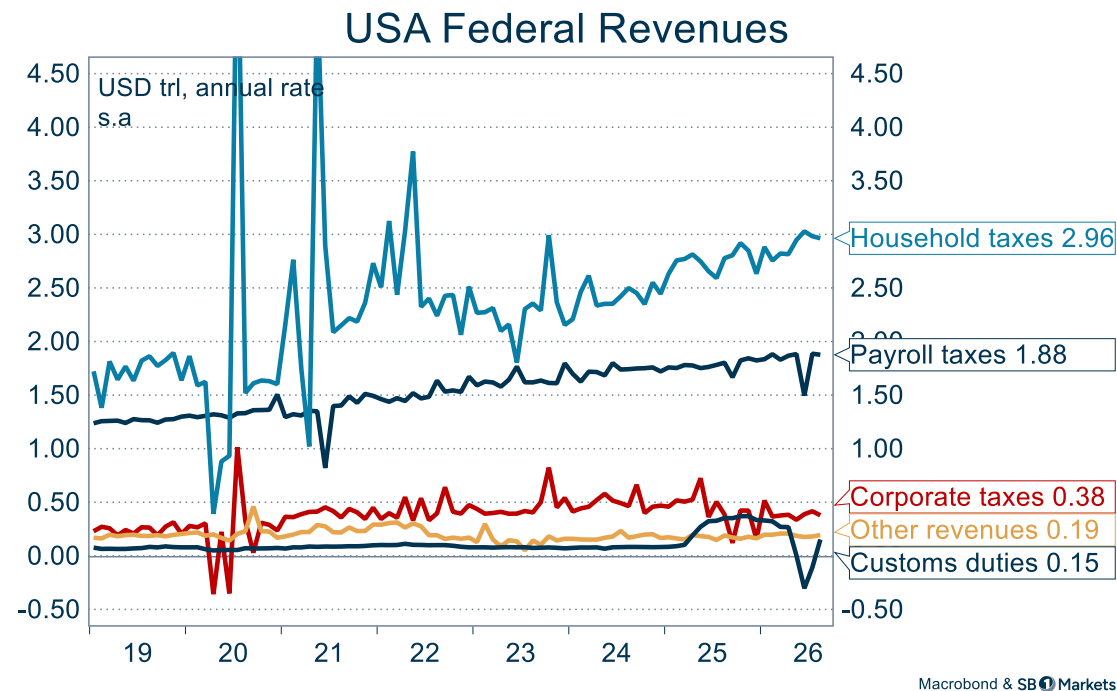
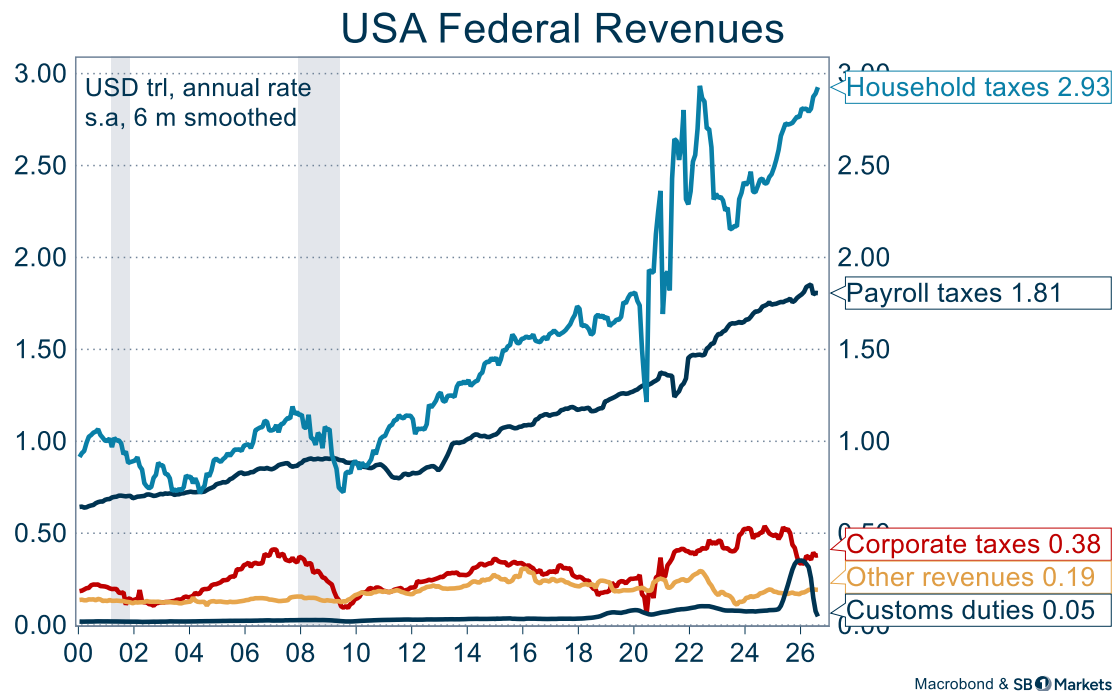


- **The deficit** remains *significant*, especially considering the *robust economy* and *low unemployment rates*. The primary deficit will probably widen in 2026 (OECD assumes 0.6 pp of GDP), followed by a similar tightening in 2027. Time will show.



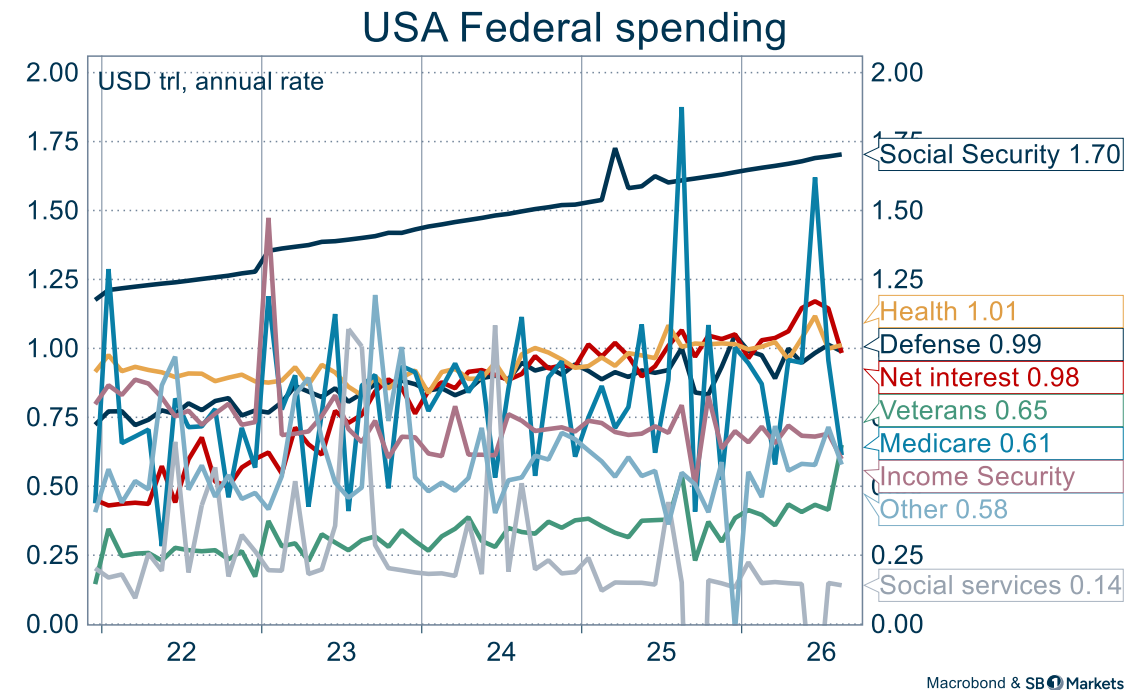
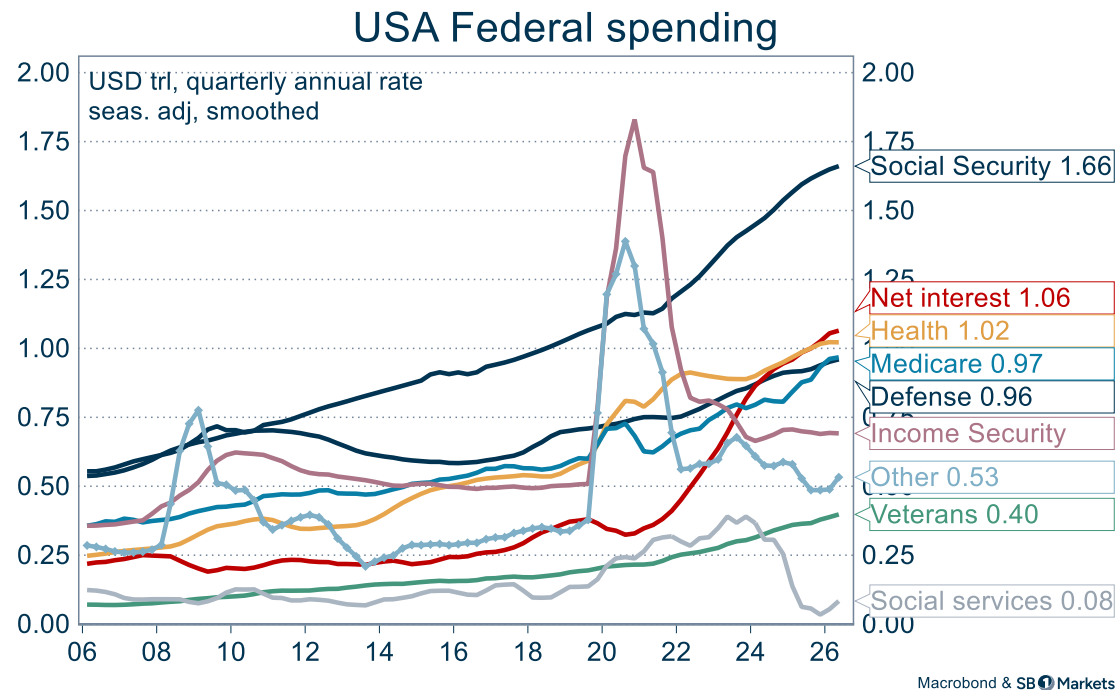
Net tariff payments positive again, still below 'normal'. Household taxes trend up

... corporate taxes not. Tariff payments equalled 1.2% of GDP at the peak in late 2025 but has since fallen and has net tariffs have been negative/low since May, due to the refunds of the illegally collected tariffs.





Some federal spending has been cut, most sectors are still on the way up

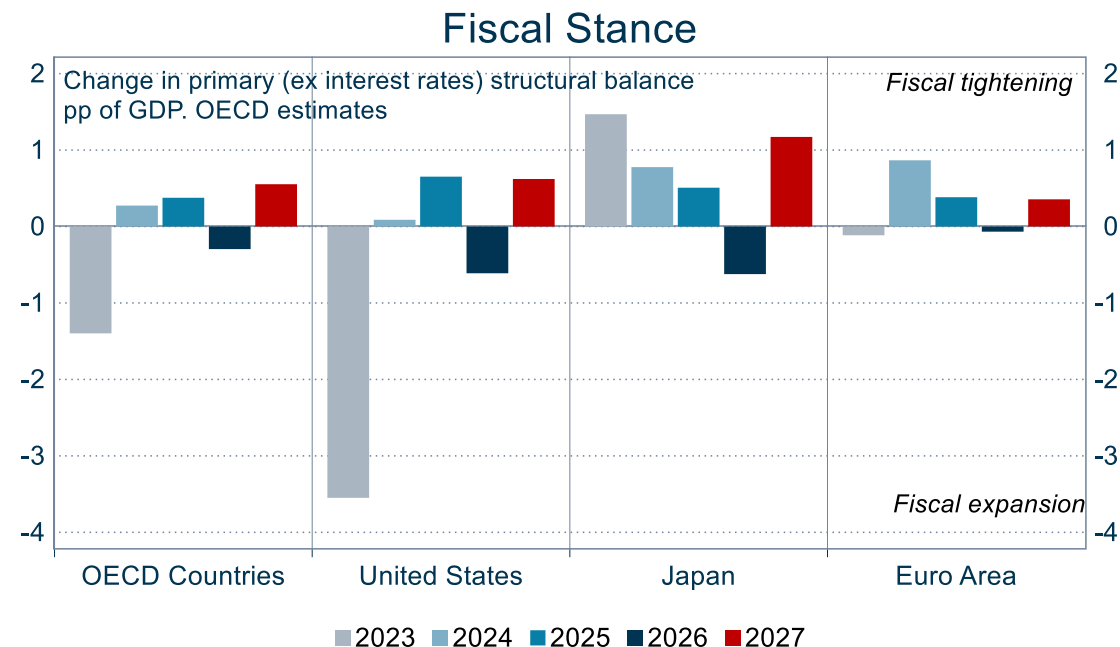
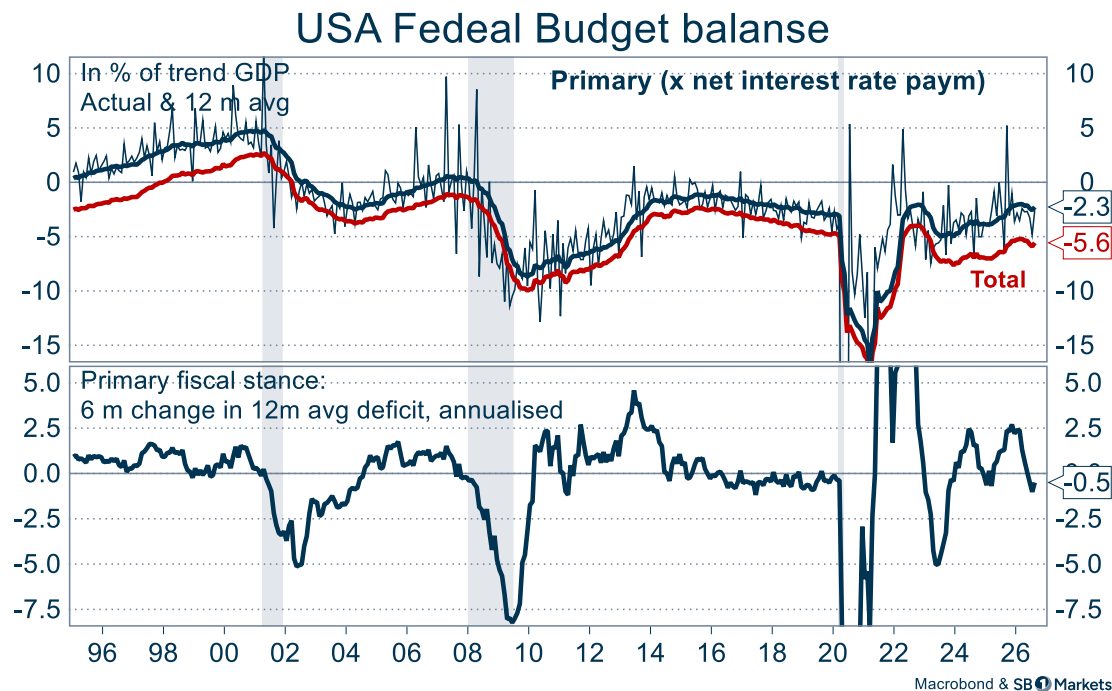


- **Social security expenditures** (including pensions) have risen sharply in recent years, largely due to inflation adjustments – and more pensioners.
- Spending on **income security** remains significantly above pre-pandemic levels, although it has been gradually decreasing.
- **Healthcare** expenses, primarily related to Medicaid and support for low-income individuals, are increasing once more after stabilising following the pandemic. Costs for **Medicare** (covering those aged 65 and over) are also on the rise, despite considerable monthly fluctuations in the data.
- Expenditure on **social services**—which covers education, training, and employment initiatives (excluding state unemployment benefits)—has been particularly unstable recently, with spending reaching a low point last year. These cuts are probably related to 'DOGE' cuts, but recent months spending has returned a level that is normal.
- **Interest payments** on debt have surged and are expected to continue rising, even if bond yields remain steady at current levels as new and refinanced debt must accommodate prevailing higher yields compared to (lower) maturing bonds. Additionally, debt growth outpaces GDP growth, increasing the overall burden. Currently, **net interest payments** represent 3% of GDP — **one-fifth of all federal revenue**. (The decline in interest rate payments in August is very likely an outlier)



OECD expects a widening of the US primary deficit in 2026 before a tightening in 2027

OECD does not expect any material fiscal expansion in the Euro Area in 2026, and a tightening in 2027 (that is, no signs of a fiscal stimulus due to defence or infrastructure investments).



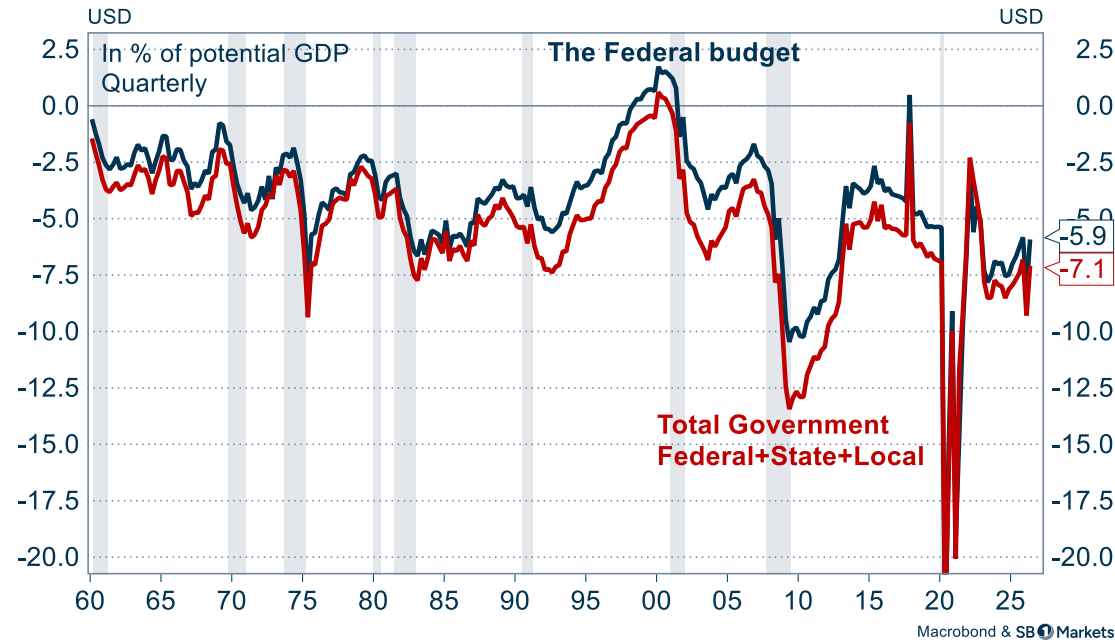
Macrobond & SB Markets



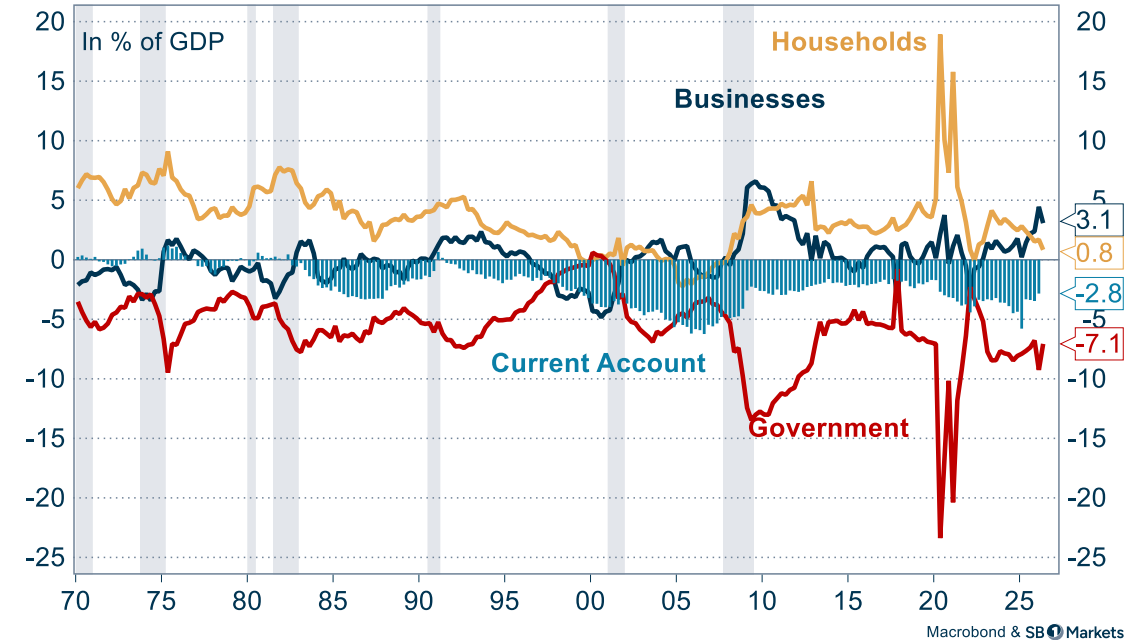
The total government deficit at 7% of GDP in Q2. 3.9% is funded at home, 2.8% abroad

... aka the deficit at the current account. Businesses run a far larger cash surplus than normal, 3.1% of GDP. Households' cash surplus is far smaller than normal, equalling 0.8% of GDP.

USA Budget balance



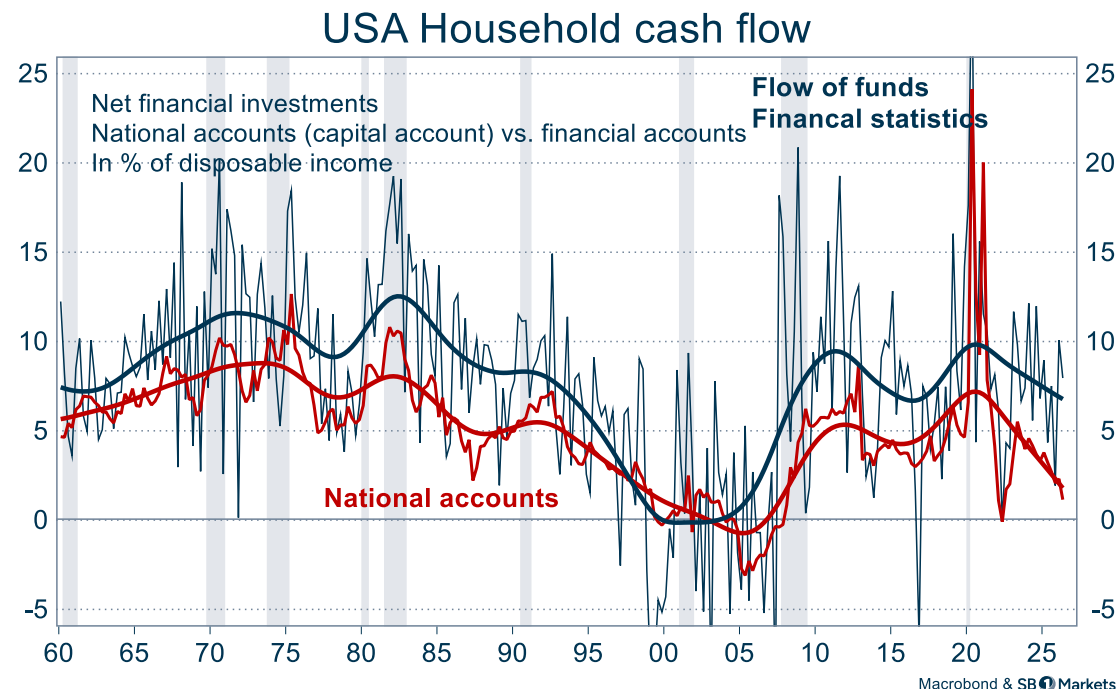
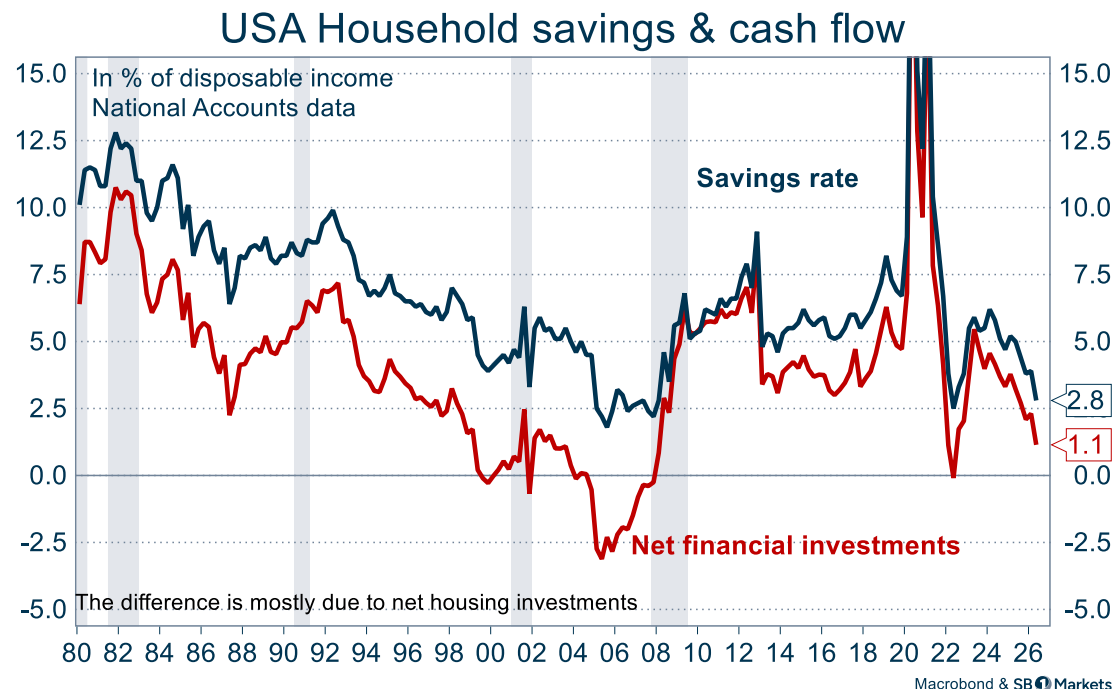
USA Financial balances





Households' saving and net financial surplus fell further in Q2.

The savings rate was 2.8% in Q2. Even if housing investments are on the low side, and requires less cash than normal, the net financial investment rate in national accounts is low as well, at 1.1%. Financial accounts report far more comfortable cash surplus, at 8% of disposable income



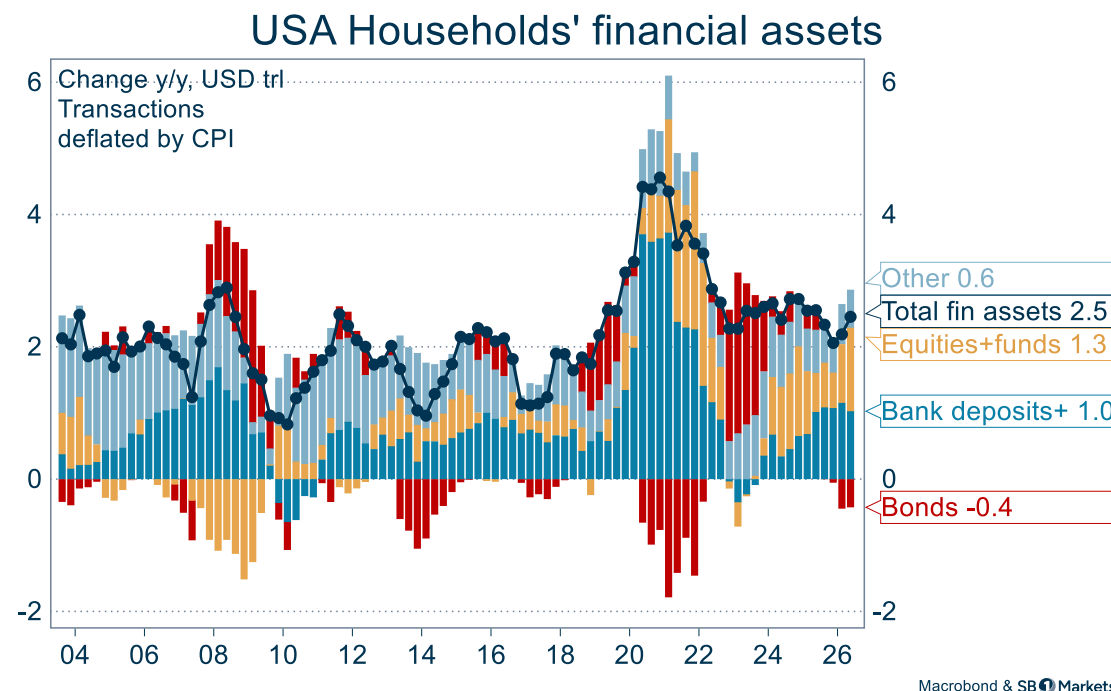
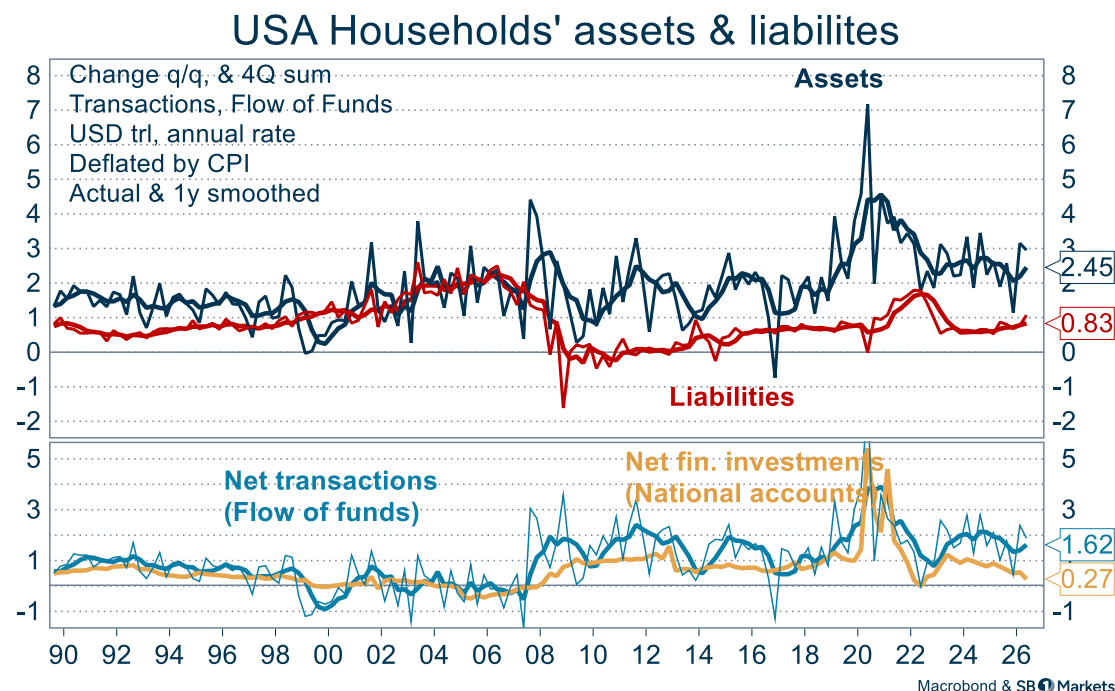
Households increase their net financial assets through transactions by running a cash surplus (spending less than their incomes)

- **Savings** = Income – Consumption
- **Net financial investments** (the 'cash flow' via income/spending in national accounts)
= Savings – Net investments in real capital (mostly housing) (**national accounts**, check the chart to the left)
- **Net financial investments can also be measured via households' transaction in financial assets**, financial accounts, aka Fed's 'Flow of funds' statistics.
= Change in financial assets due to transactions – Change in debt (check the chart to the right above, and next page).
- There is a disturbing, and lasting (at least in average), **discrepancy** between these two calculations of households' net financial investments. In average, the discrepancy equals more than 2% of their disposable income!



Flow of funds: Growth in househ. financial assets (through transactions) accelerated in H1

Growth in debt is slowly accelerating but is still modest. Net buying of equities is the major investment, followed by growth in bank deposits and money market funds.

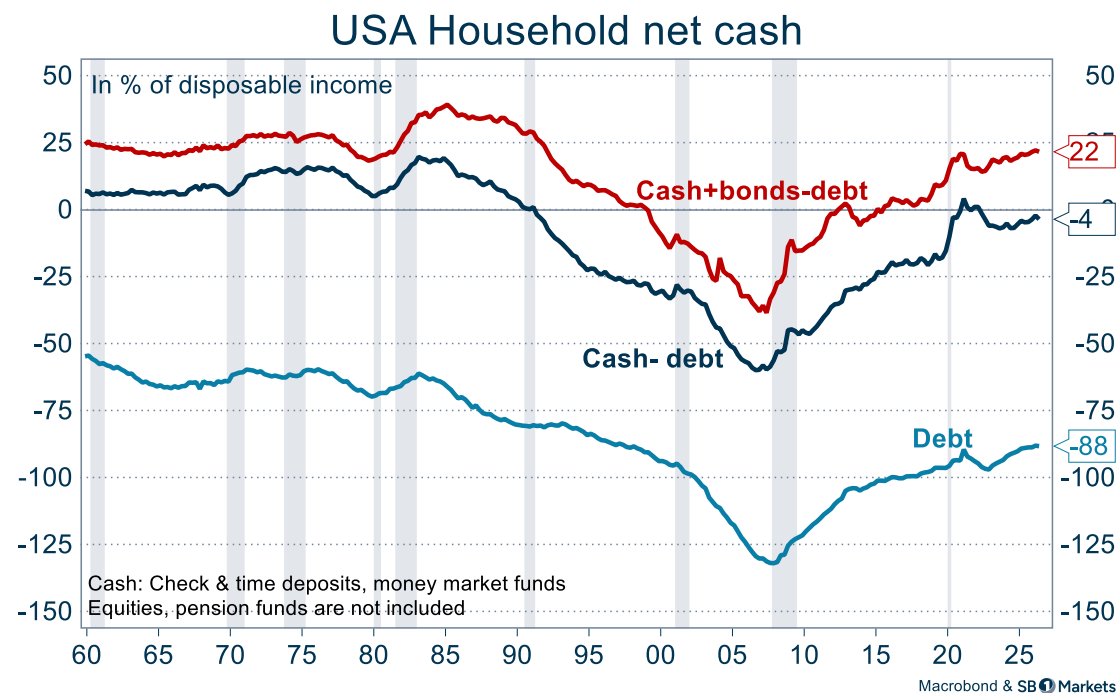
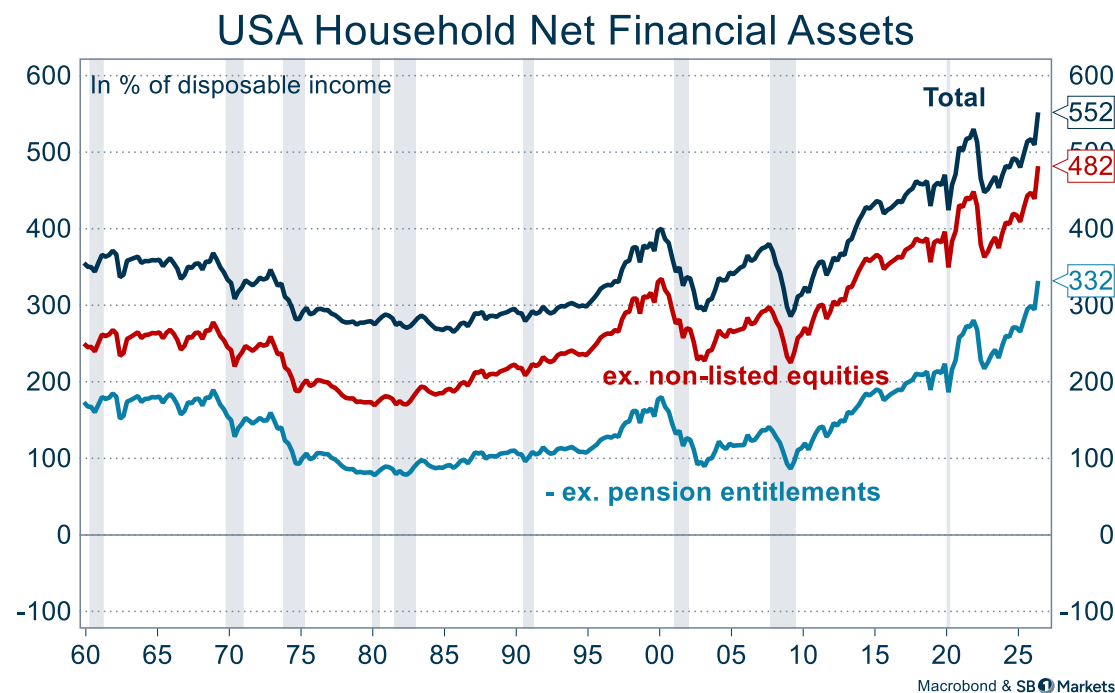


- Households have increased their (gross) **financial assets through transactions** by USD 2.5 trl last 4 quarters **equalling 11% of their disposable income**, well below the accumulation during the pandemic when the savings rate was very high, but still a normal rate.
- Debt growth** has equalled USD 0.83 trl last 4 quarters (equalling 3.6% of disposable income). Debt is growing at a modest 3.9% y/y vs. 8% at the local peak during the pandemic. Higher interest rates have had some impact...
 - Households' debt-to-income ratio** has fallen sharply and now sits at 90% (Norway: 220%), to **the lowest in 28 years**.
- Net financial investments**, measured through transactions, equalled USD 1.6 trl last 4 quarters (7% of disposable income). Income accounts (in the national accounts) report a smaller net cash surplus, USD 0.27 trl or 1.1% of disposable income. In average, flow of funds report a 2.5 pp higher net investment rate then national accounts.



Assets values shot up in Q2

US households are in a rock-solid net positive cash position – if bonds are counted as cash

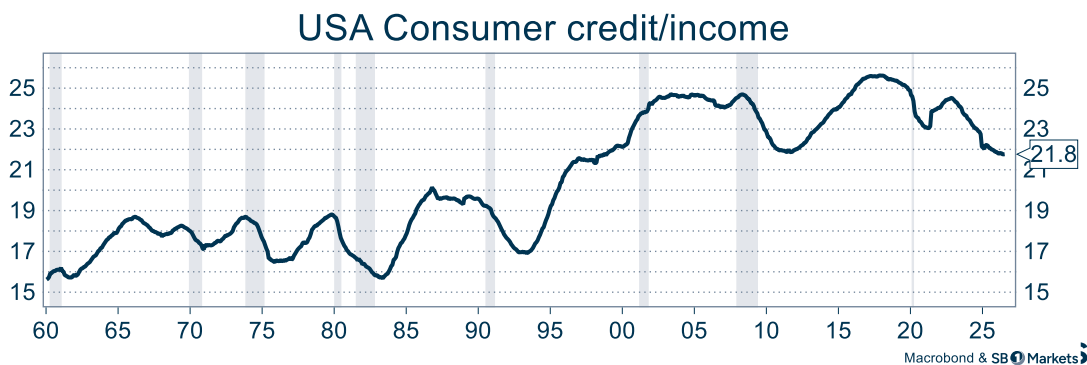
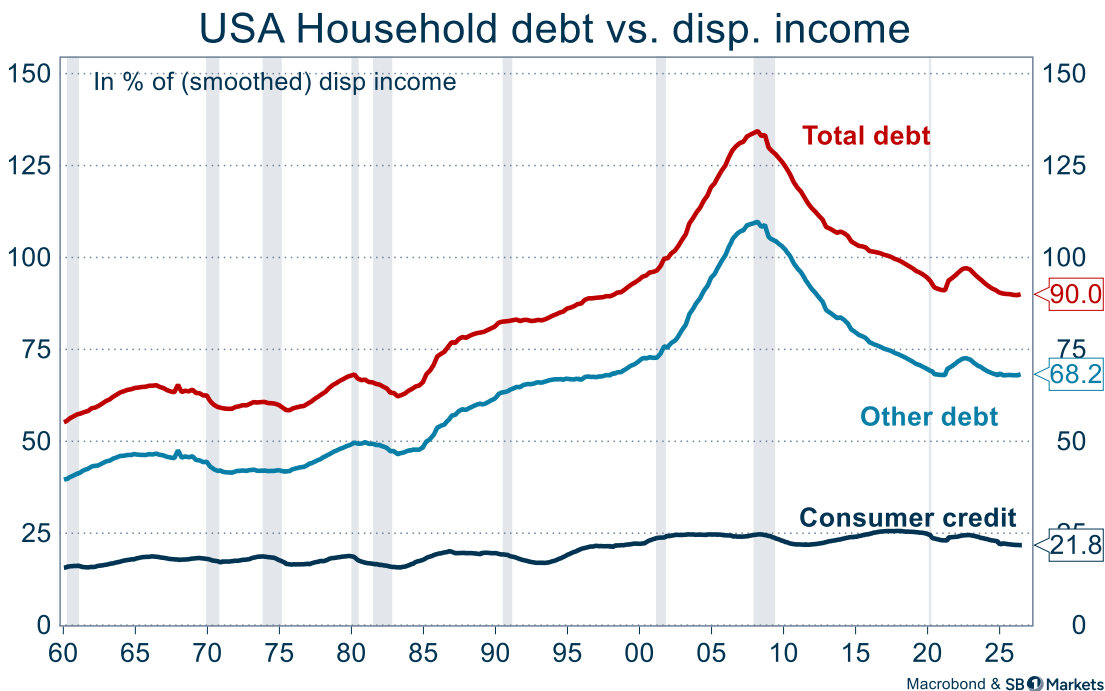
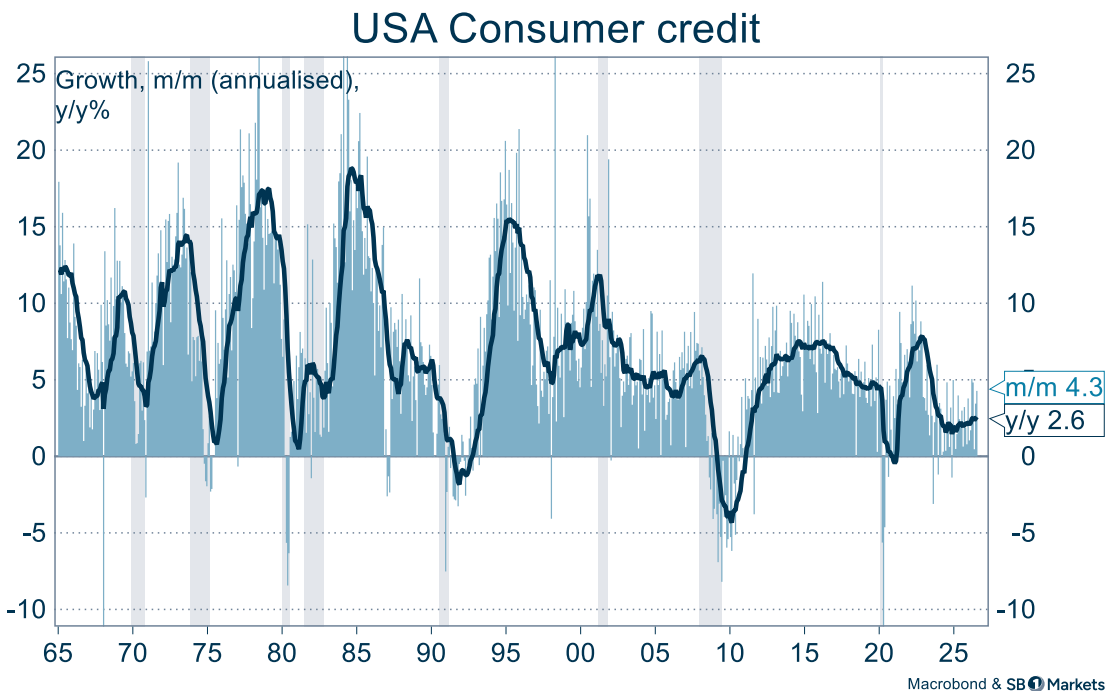


- **On aggregate**, US households have almost an equal amount of cash in banks and money market funds as their total debt – which was not the case during the 30 years before the pandemic. At the worst, in 2006, the ratio was at -60% of disposable income! **Now, the rate is -4%!**
 - If bonds are included in liquid assets, the cash+bond-debt rate is positive, by 22% of disposable income!
- **Total net financial assets, including equities** – at 5.5x disposable income, and 3.3x if less liquid non-listed equities and pension entitlements (which are not liquid at all) are excluded. Both are at ATH, by far, following a steep lift in Q2.
- **The caveat:** Debt and deposits are *not equally distributed*...



Slow growth in consumer credit and the LTI ratio declining – like the total LTI ratio

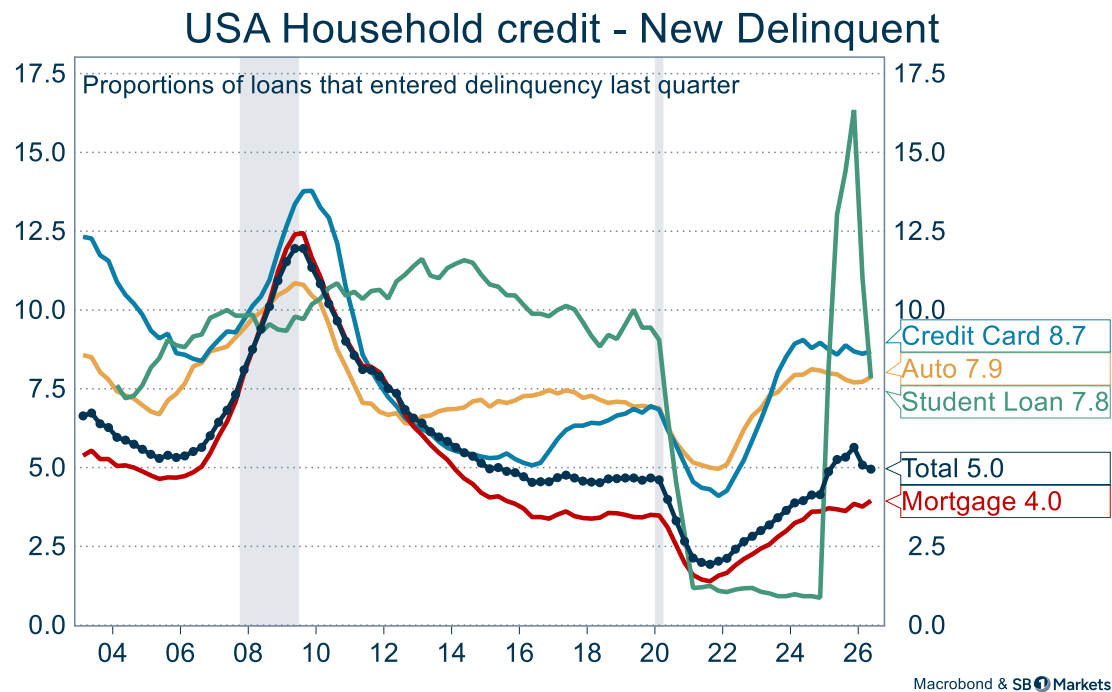
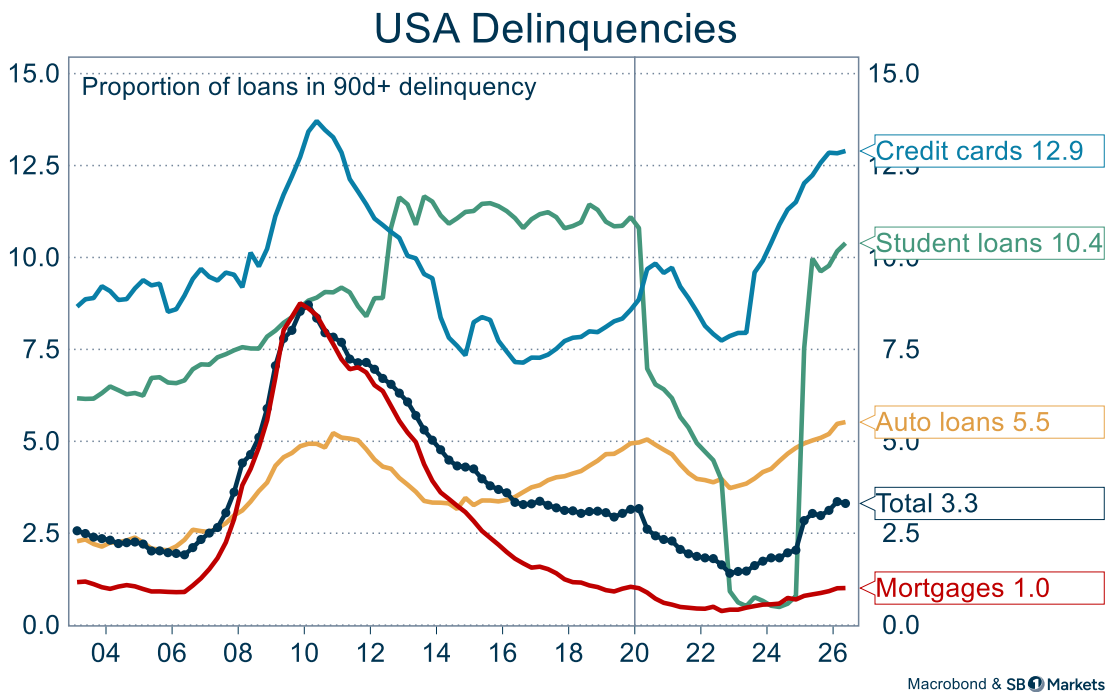
Outstanding consumer credit is up just 2.5% y/y





Some warning signs: more households have trouble handling their debts

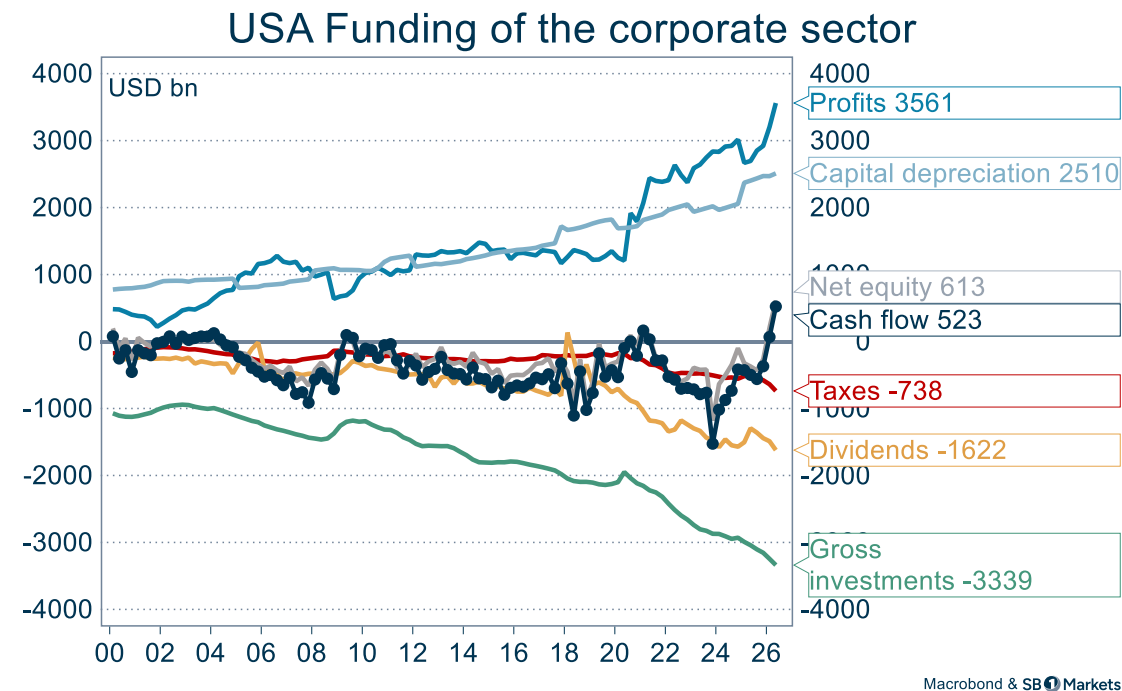
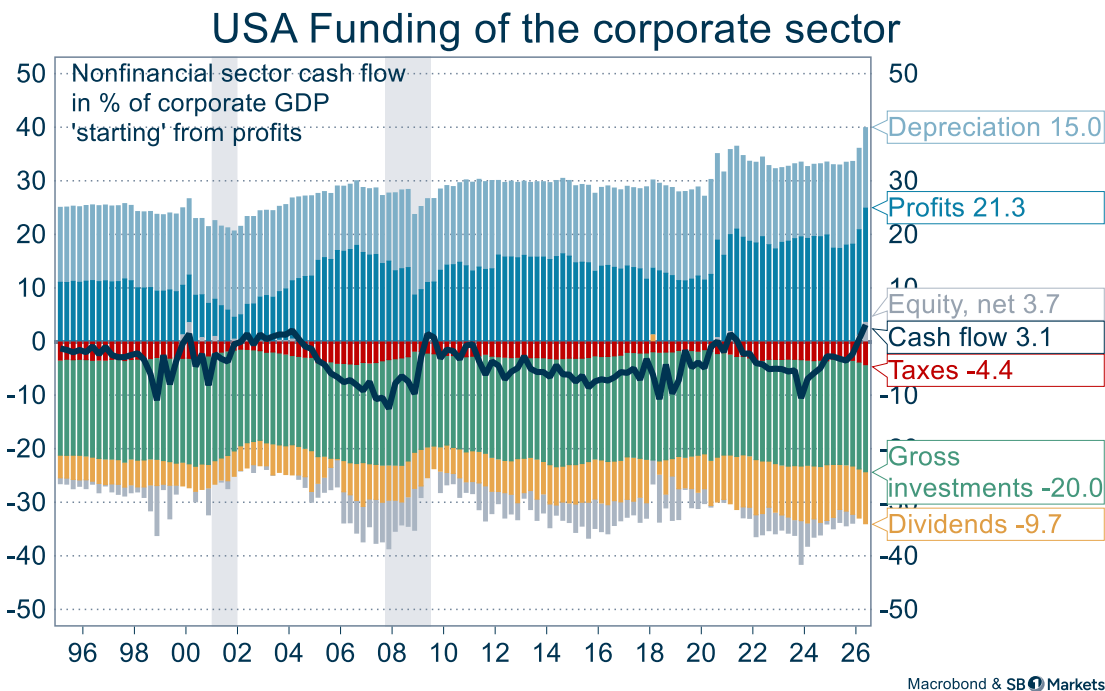
The share of household loans that are delinquent is increasing, and it is not just student loans (which have to be served again).
The good news: the *inflow of new delinquencies* has flattened/turned down. *Mortgage debt* delinquencies remain at a low level





The corporate cash flow is positive, which is highly unusual

Investments are up but higher profits and net positive equity issuances have both come to the rescue.



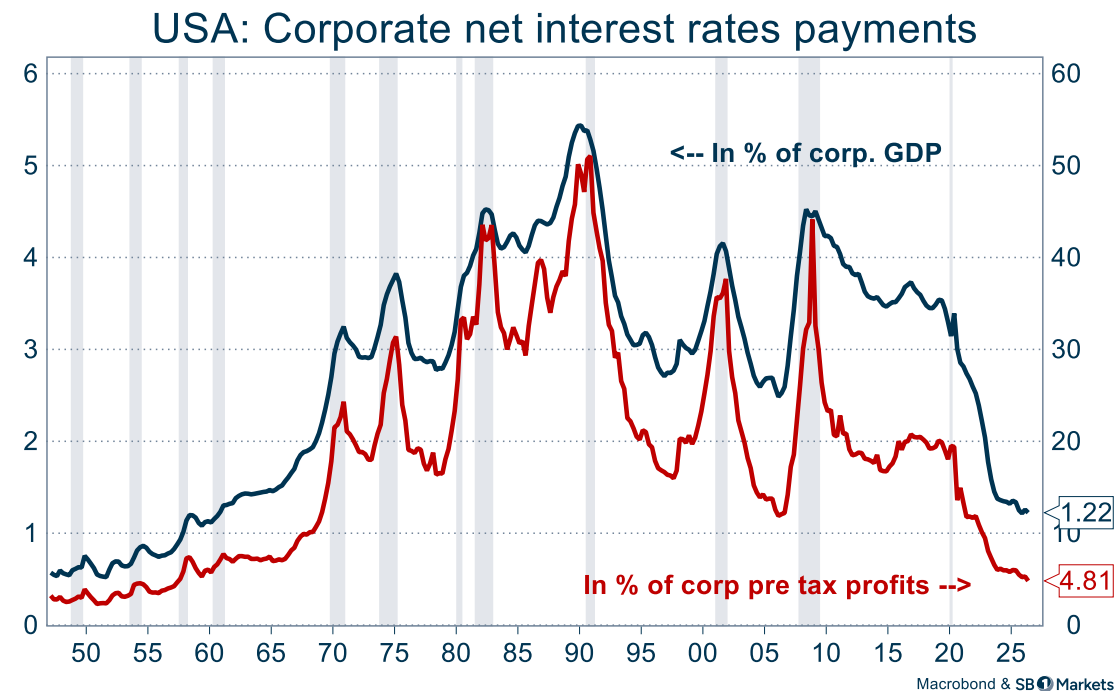
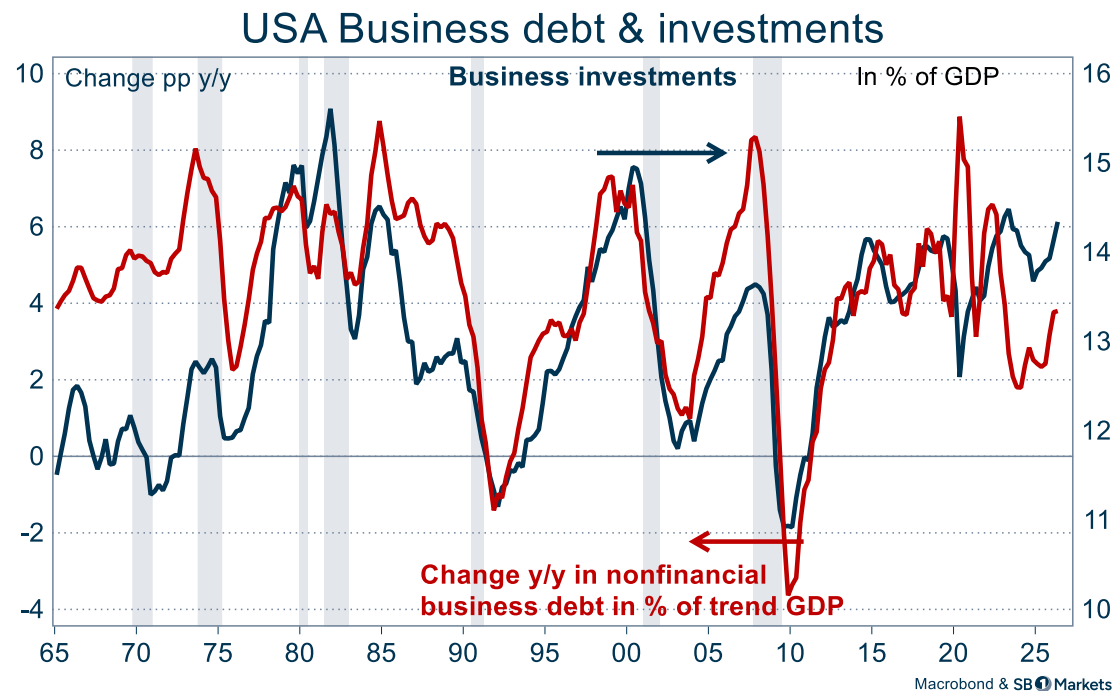
- The net cash flow has normally been negative, that is the companies have to increase net borrowing to fund the gap.



Business investments are on the way up, as is credit growth

They are usually positively correlated.

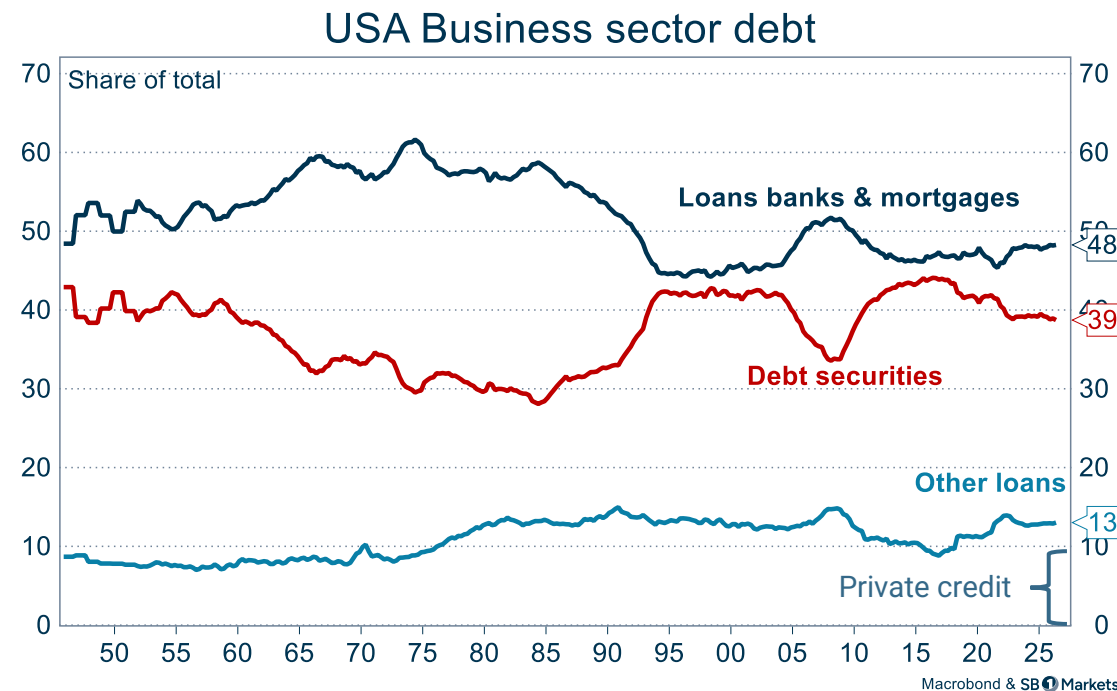
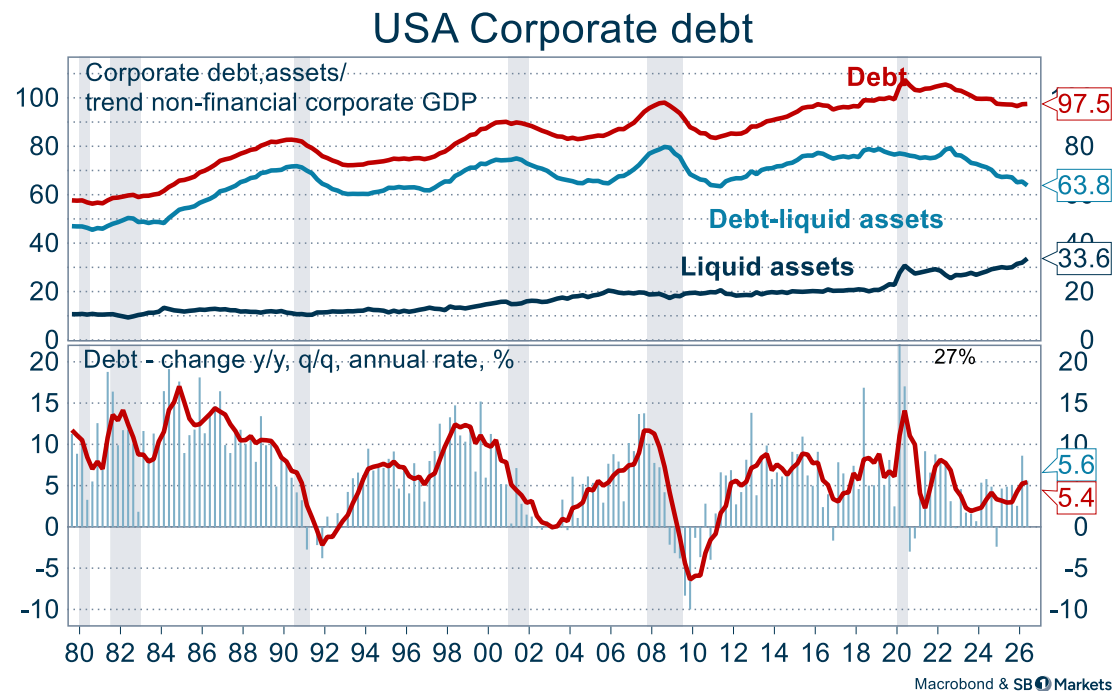
The corporate sector net interest rate payments are at the lowest level in 70 years.





Corporate debt growth slowed in Q2 and is up a modest 5.4% y/y

The debt ratio vs (corp. GDP) has flattened followed a decline since the pandemic. The net debt ratio (debt-liquid assets), decline steadily, and is at **the same level as 30 – 40y ago!** Private credit equals less than 10% of corporate debt, by itself manageable.



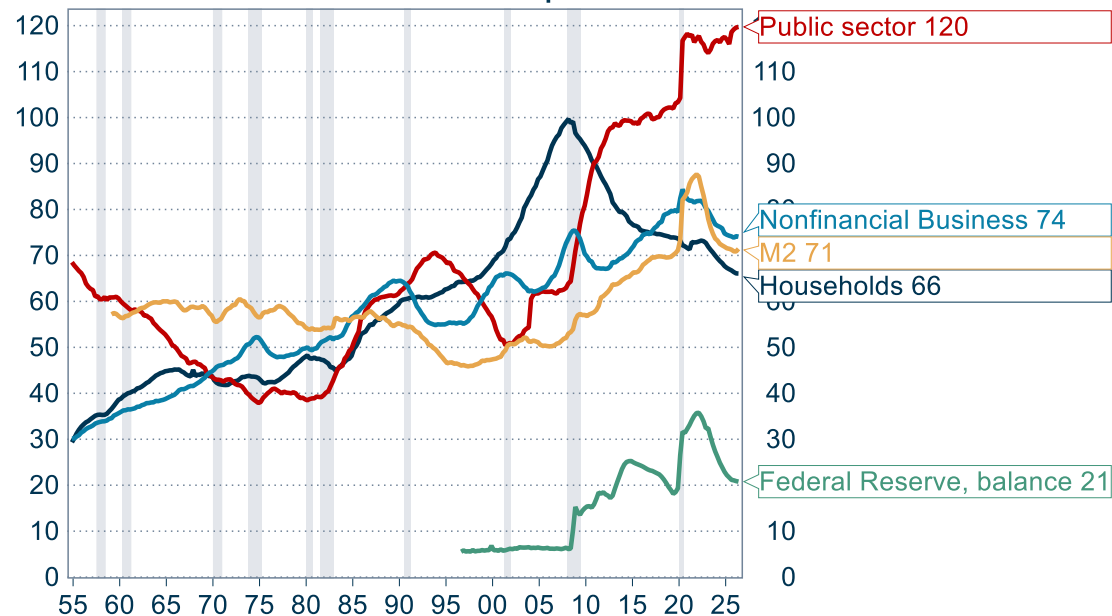
- **Non-financial corporate debt** rose at a 5.6% (annualised) pace in Q2, down from 9% in Q1, the highest since the pandemic. Measured y/y, debt is up by 5.4% and slowly accelerating. Corporate debt grew by USD 200bn in Q2, equalling 0.7% of GDP (BTW, the public sector borrows 10 x more).
 - **Total non-financial corporate debt** equals USD 15,700 bn. **Private credit** equals less than 10% of the total debt burden. Even if the credit quality is very likely sub-standard, credit losses in this segment will most likely not rock the whole credit system – but some activities will surely not be funded as the credit quality has come under scrutiny.
- During the pandemic, companies increased their **liquid assets** sharply, to the highest level ever (absolute, and vs. value added), and the level remains high. Thus, the **debt-liquid assets ratio** (vs corporate value added) in the non-financial sector is falling rapidly and is at the same level as in the late 80ies!
- **The investment cycle** is still live and kicking, due to AI investments. Other investments are on the way down vs. GDP. The moderate lift in credit growth in H1 may be a warning sign. However, as debt has been growing at a slow pace for a while, and overall debt ratio is flat, the risk for a sudden halt in the credit flow, forcing companies to cut investments, seems to be limited.



Public sector debt is the challenge, not private sector debt

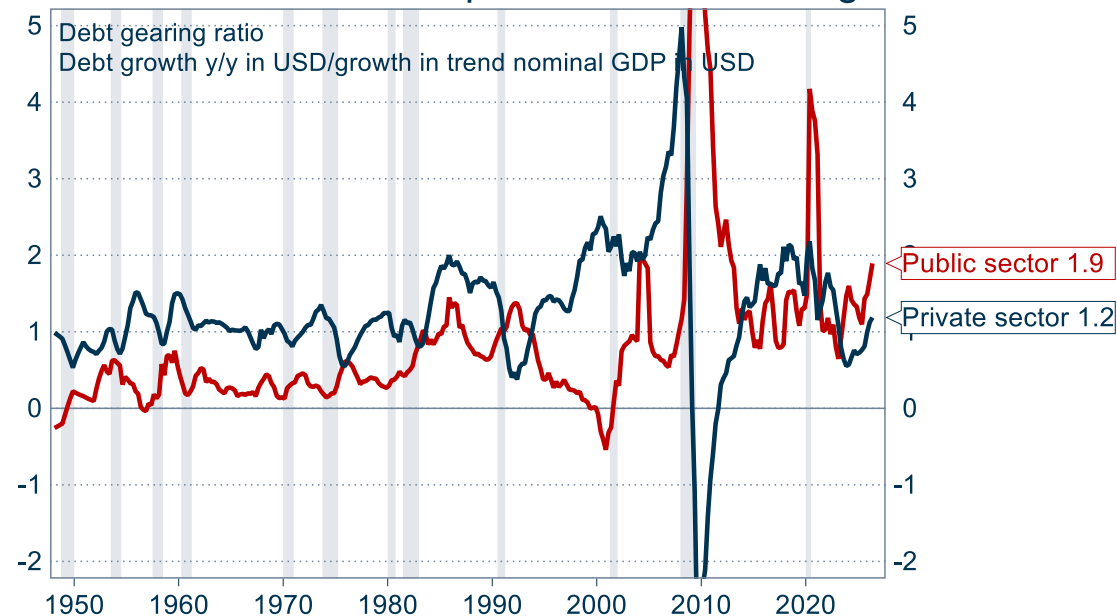
Households have reduced their debt ratio the past 18 years, businesses the past 6 years - which cannot be said about public debt. Public debt is also increasing far faster than private sector debt.

USA Private vs public sector debt



Macrobond & SB Markets

USA Private vs public sector debt - growth

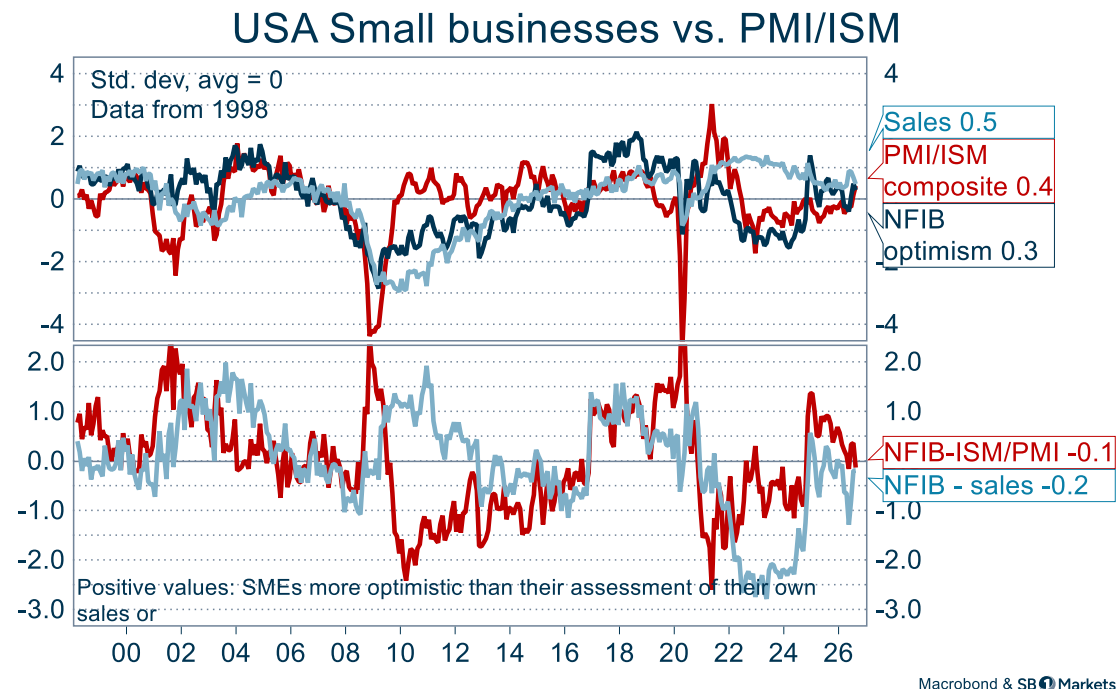
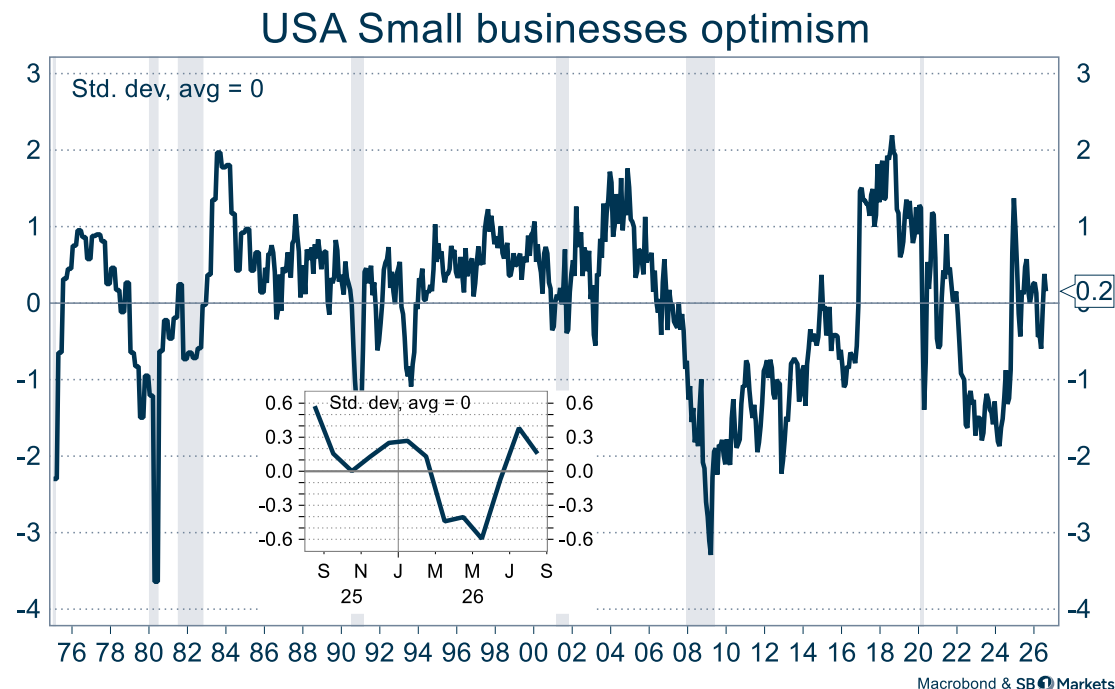


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SME optimism further declined slightly in August, still above average

Sales reports were less upbeat than in July, still above average.



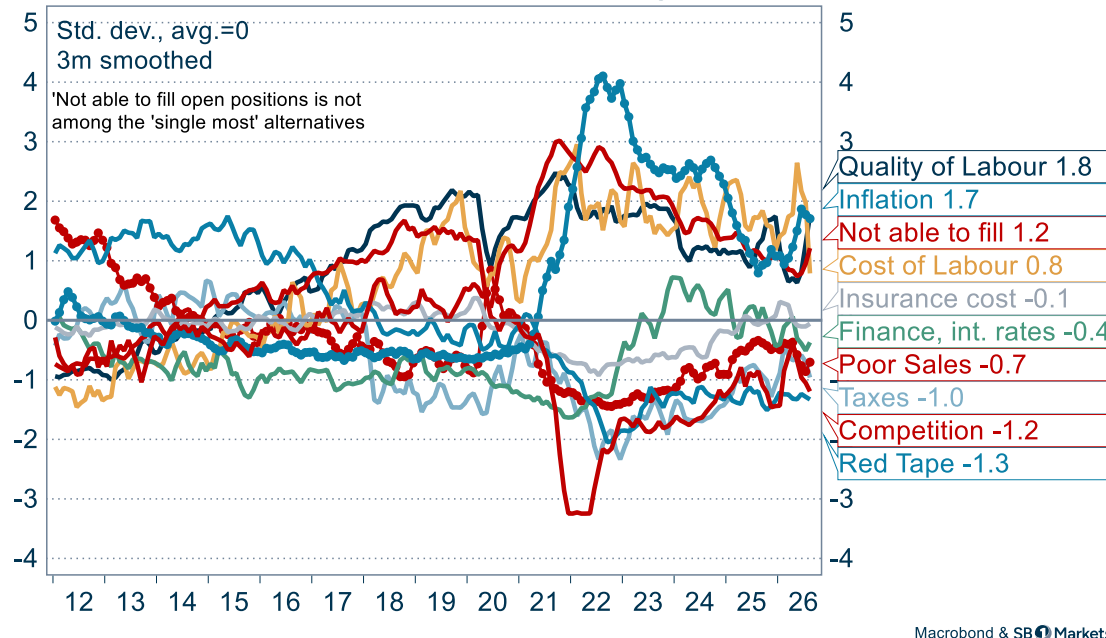
- The **NFIB optimism index** declined 0.2 std. dev. to 0.2 above average.
 - The ISM/PMIs average is 0.4 s. d. above par, signalling some 3% GDP growth.
- **Labour constraints/costs** have turned up again lately, and the level is far above average. The share of companies reporting **poor sales** has been trending slowly upwards but has fallen the past 3 months.
- **Hiring plans** shot up to far above average in August
- **Investment plans** were revised marginally down in August, following a lift earlier in the summer. The level is still below average, but not by much.
- **Price hike plans** were cut further somewhat back but still signals inflation above normal.



Quality, cost of labour remain the main challenge; Sales/competition not the problem

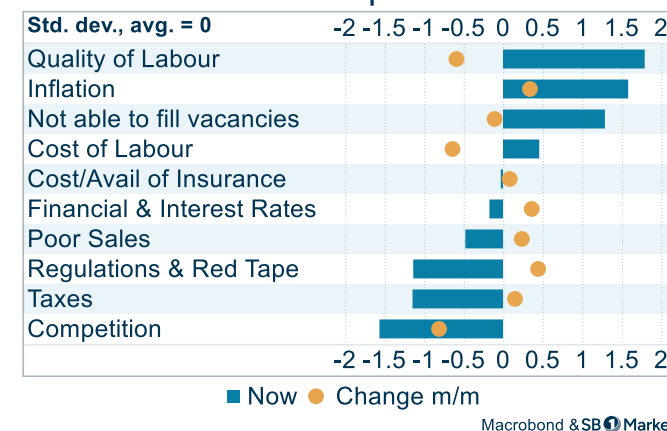
Availability, cost and quality of labour are still serious challenges and have turned up in recent months (even after a decline in August). Sales and competition are still far less of a problem than normal. *Check next page as well.*

USA Small businesses Single most problem

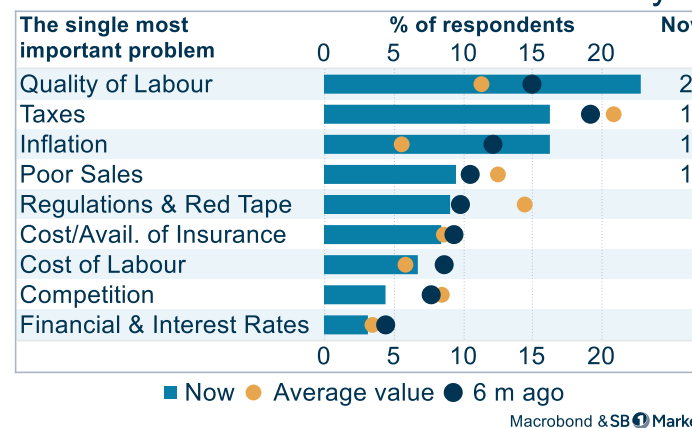


- The share of companies that report **poor sales as the main problem** was at 10% in May, which is 0.7 std. dev. below average! **Competition** from larger companies is even less of the problem, 7%/-1.1 s.d.
- Finance/interest rates** are not regarded much of a problem. **Taxes** are of course 'a huge problem' but less than normal. So are regulation and red tape.
- In sum:** companies still report they are mostly **constrained from the supply side**, not from the **demand side**, check next page.

Small businesses (NFIB) What's the problem?



USA NFIB Small Businesses Survey

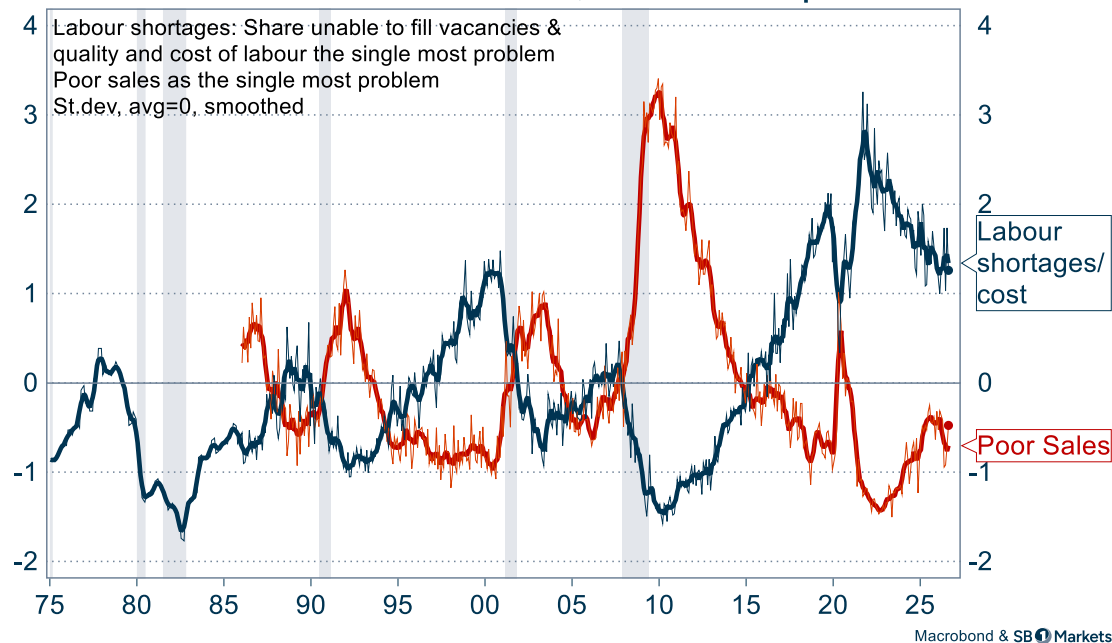




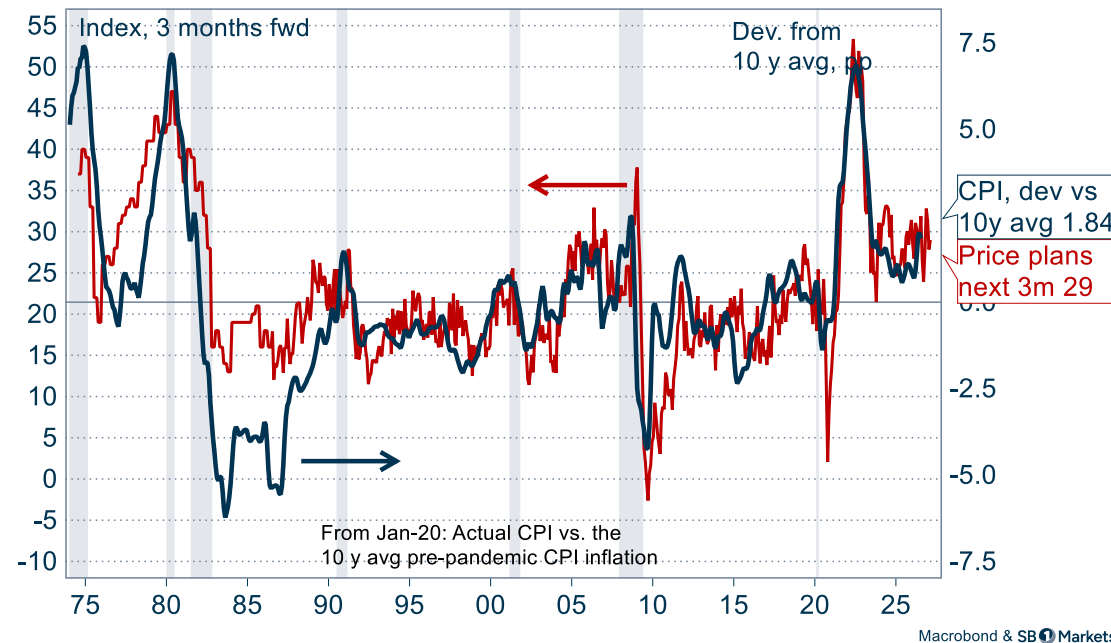
Big picture: labour shortages/costs still the problem, not poor sales

Price plans are well above average, which normally has been consistent with inflation well above average

USA Small businesses, what's the problem?



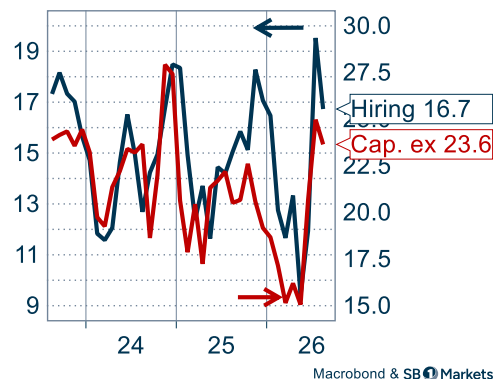
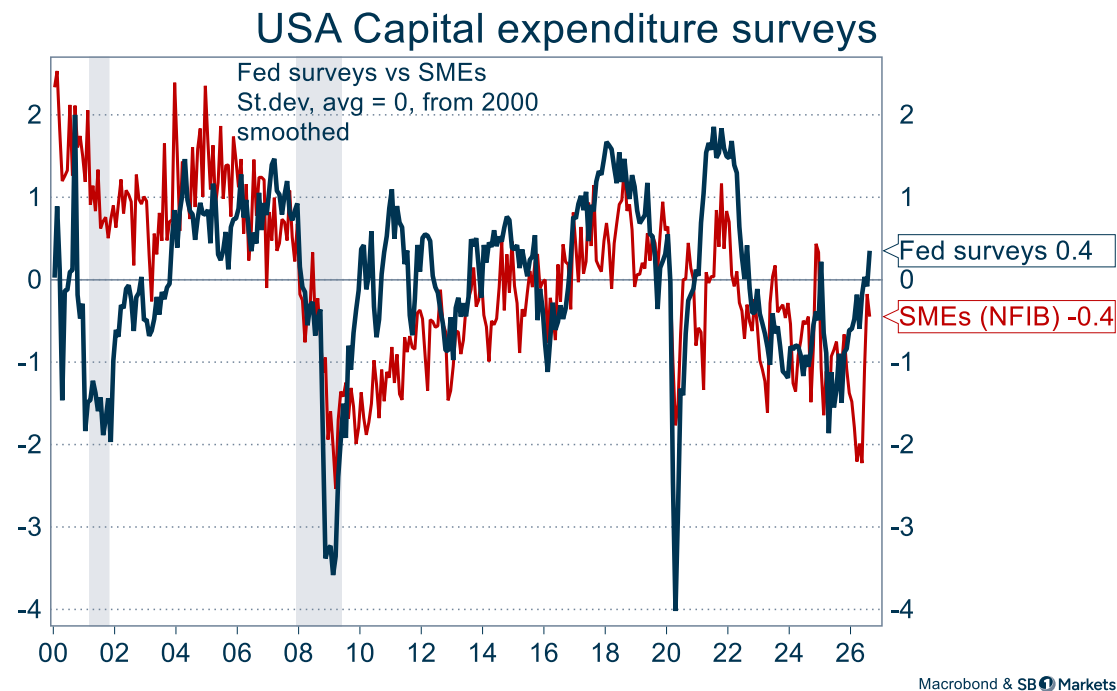
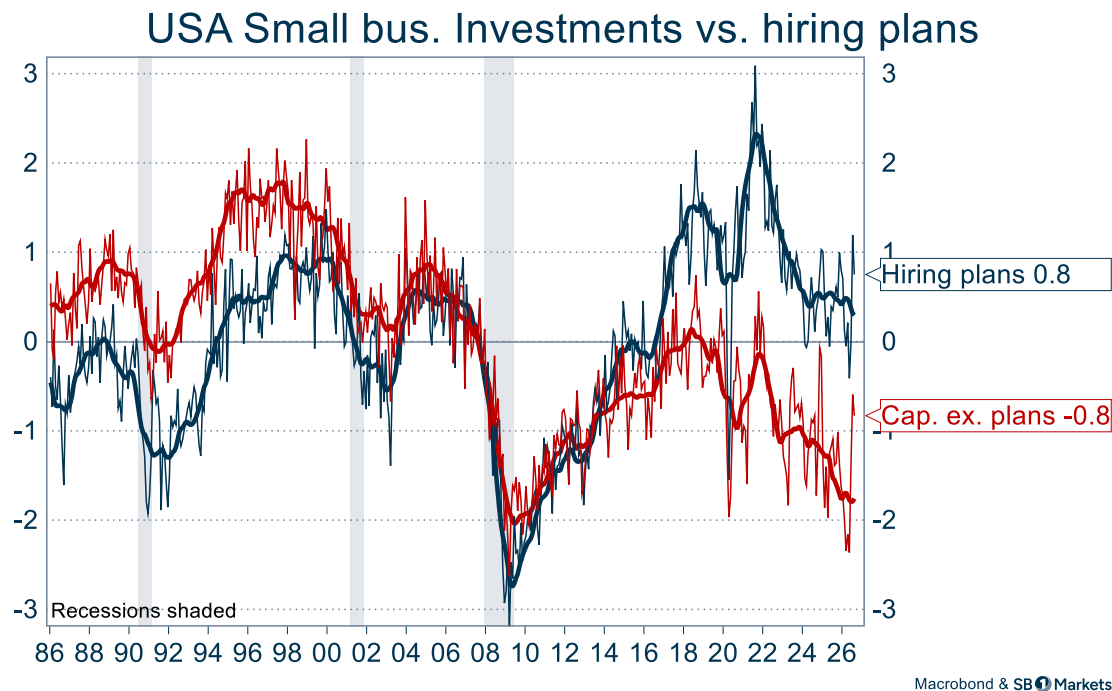
USA Small Businesses Price Plans





SMEs' investment is still below average but not by much vs the avg. since 2000

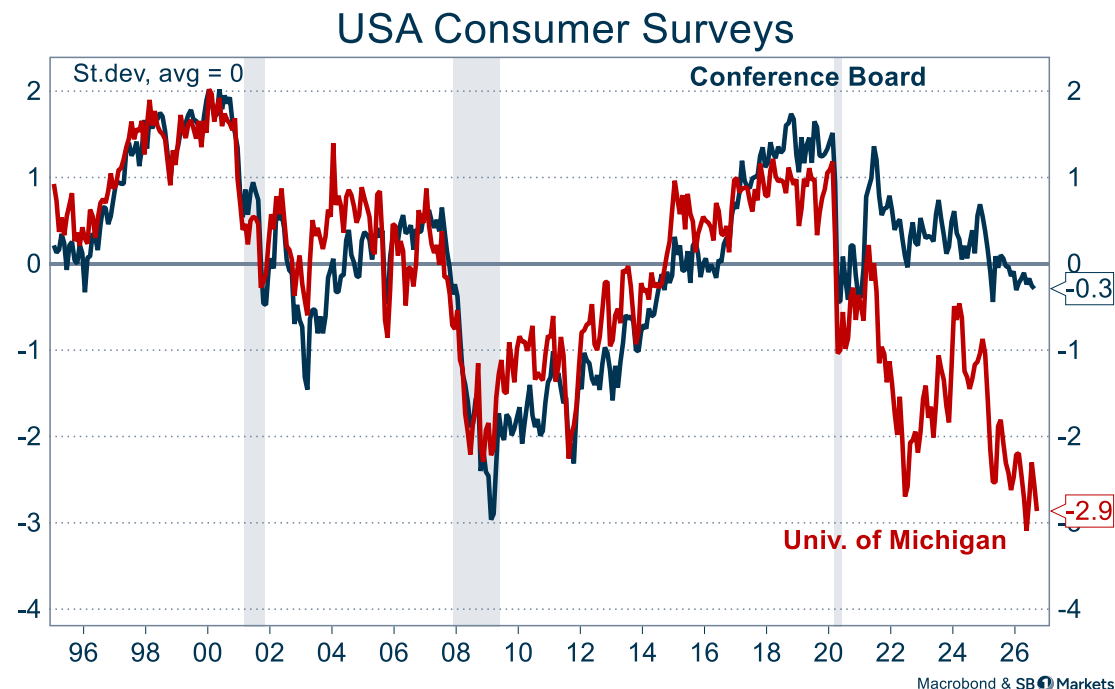
Fed's regional investment surveys have been heading upwards for a while, up to an average level. Hirings plans were confirmed slightly down in August but are still well above average, following the July lift.



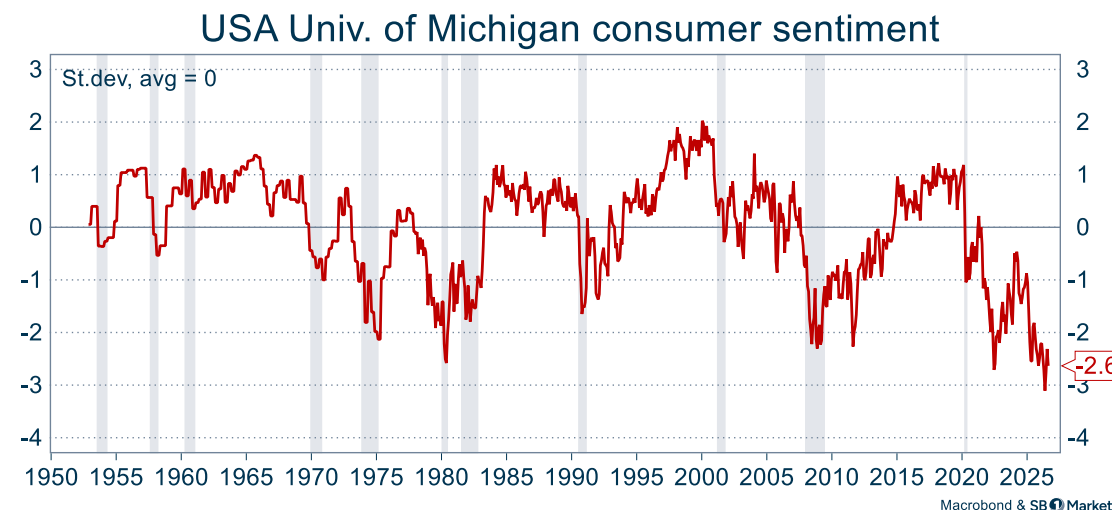


Univ. of M. consumer sentiment the 2nd worst ever; Just May even weaker (data from 1953)

UM sentiment fell 0.3 std. dev. to -2.9 s. d. below average. Both the assessment for the current situation and expectations declined. All confidence surveys are heading down, and all are below average, still not as weak as UM's survey.



- The UM consumer sentiment index fell almost 4 p to 47.8, well below expectations (51.0)
- **The problem:** Households are asked about their own economic situation, which of course may be disconnected from the overall status in the US economy. However, the 'spread' between the 'micro' assessment and the 'macro' situation in the US makes no sense at all and it has become totally dominated by party preferences the past 10 years.
- In the UM survey, households remain **extremely negative** about the **business outlook, unemployment, and the government's economic policy**. **Personal finances** are well below par as well, and spending plans are still downbeat.
- Will households cut spending? Time will show.

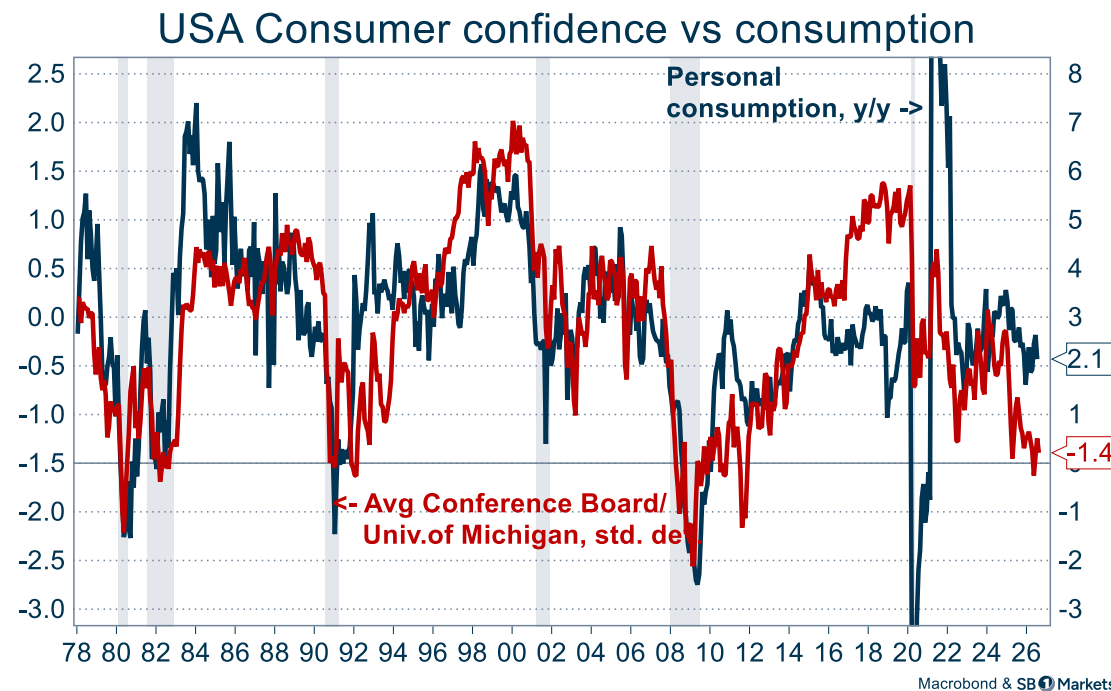
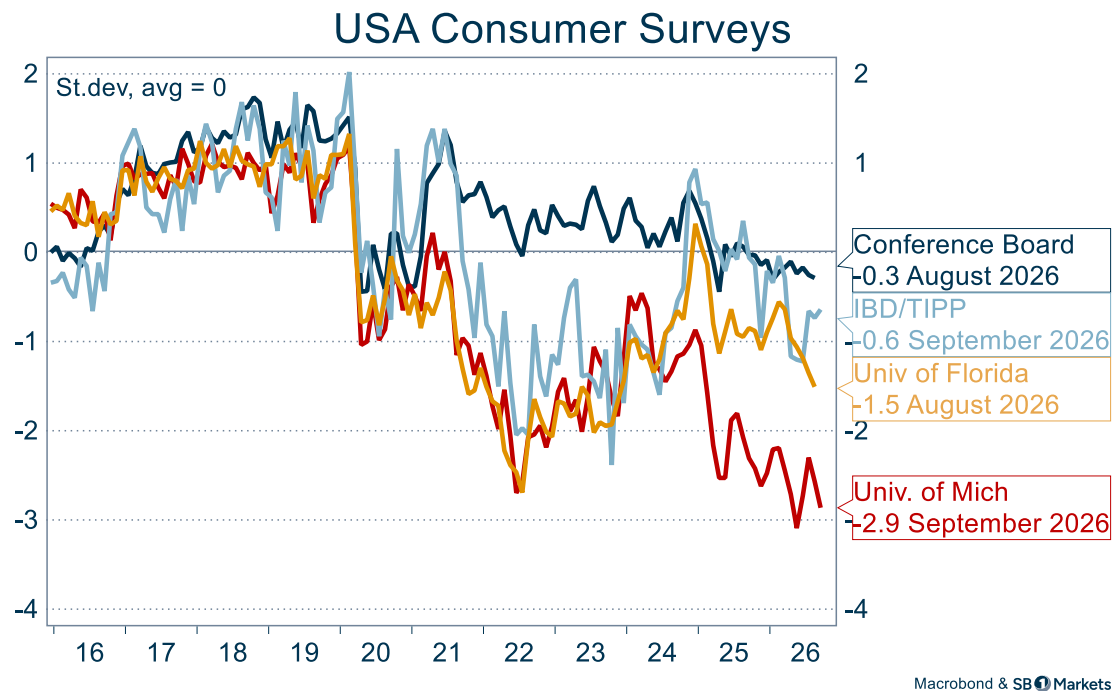




Other surveys are below par but not like the UM survey

Conference Board's survey is still close to zero. Other surveys are between the two 'outliers'.

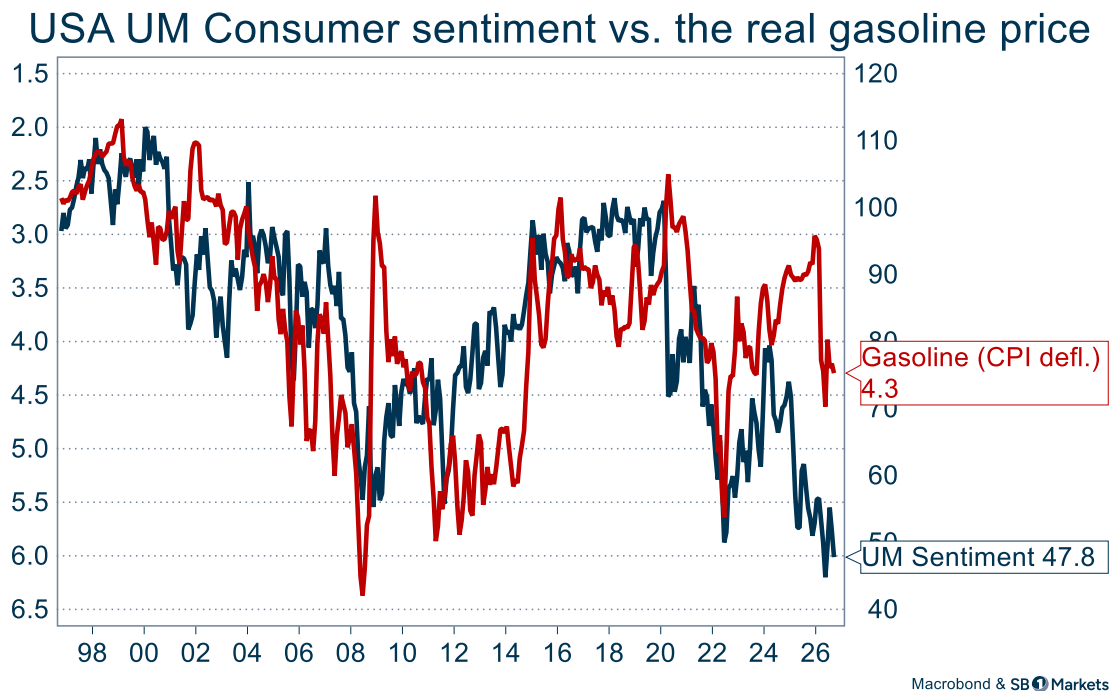
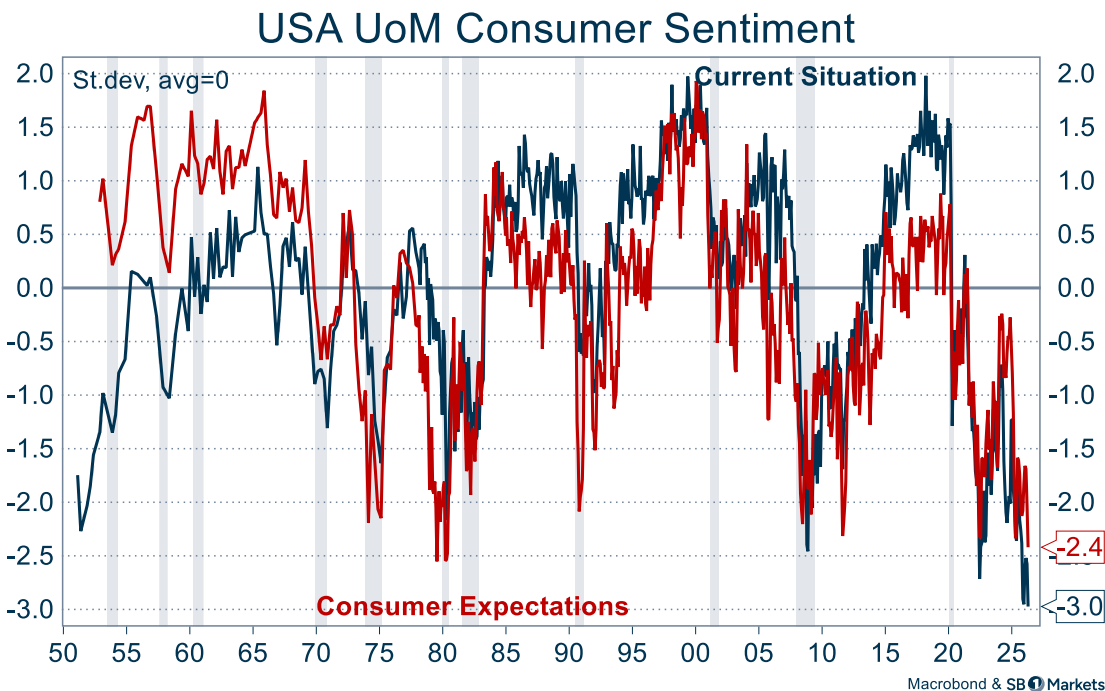
Actual consumption is closely correlated to confidence, if not leading. The current sentiment signals some risks.





UM Sentiment: The current situation the worst EVER, data back to 1950

The cost of gasoline might account for some of the complaints, but the overall economy is actually in decent shape. Expectations are the weakest since 1980. See the following page for more details.

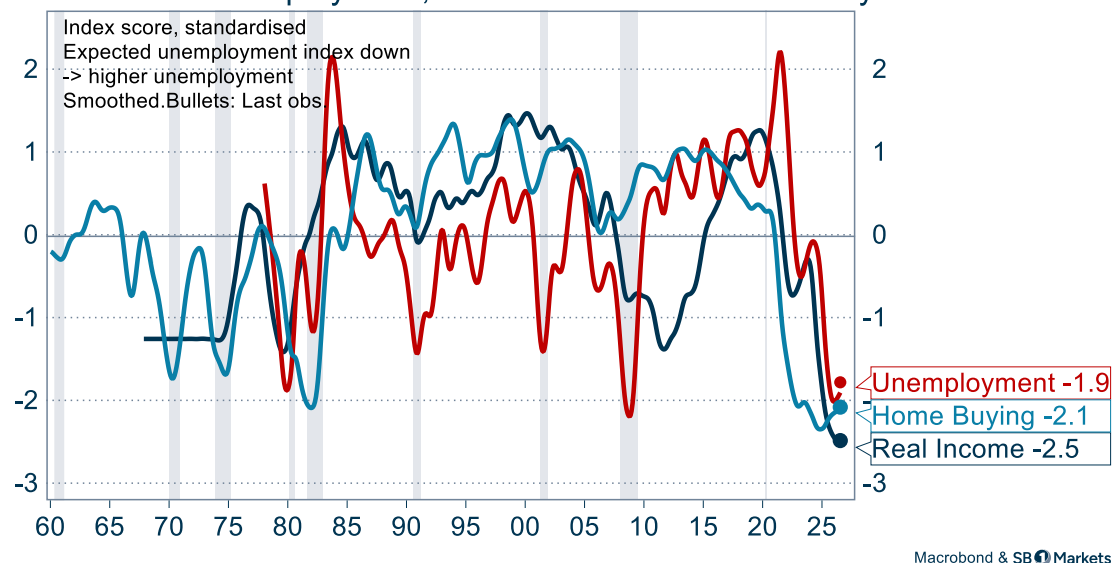




UM Sentiment: expectations are among the worst ever; Buying plans are extremely weak

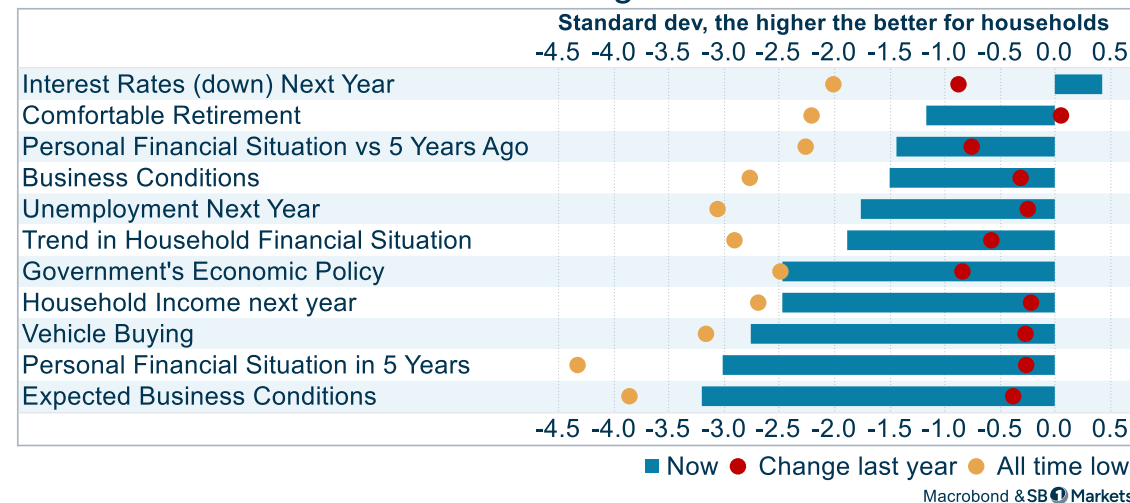
... as are income expectations.

Univ. of Michigan consumer sentiment
Home buying conditions. Expected change in
unemployment, real household income next year



- Data are updated through July.

USA Univ. of Michigan sentiment

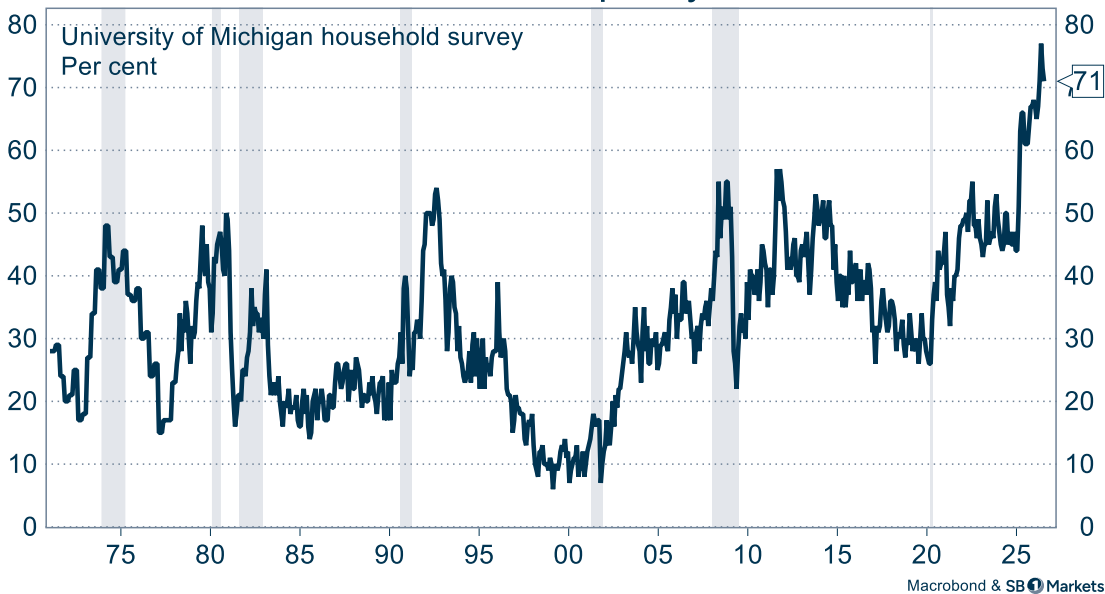




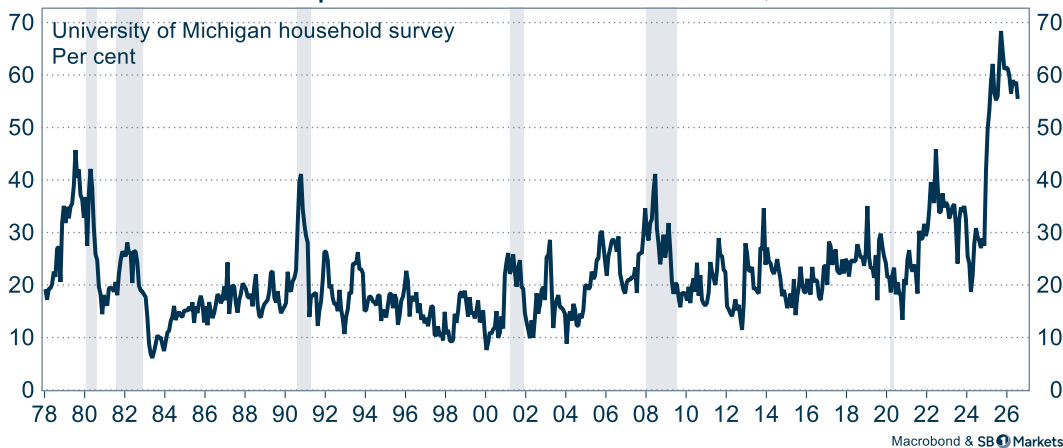
Households: The government's economic policy is the **poorest ever** (July data)

Expected business conditions are still weaker than at any time before (barring the previous few months). Unemployment is expected to climb at a rate households have only expected **in recessions**.

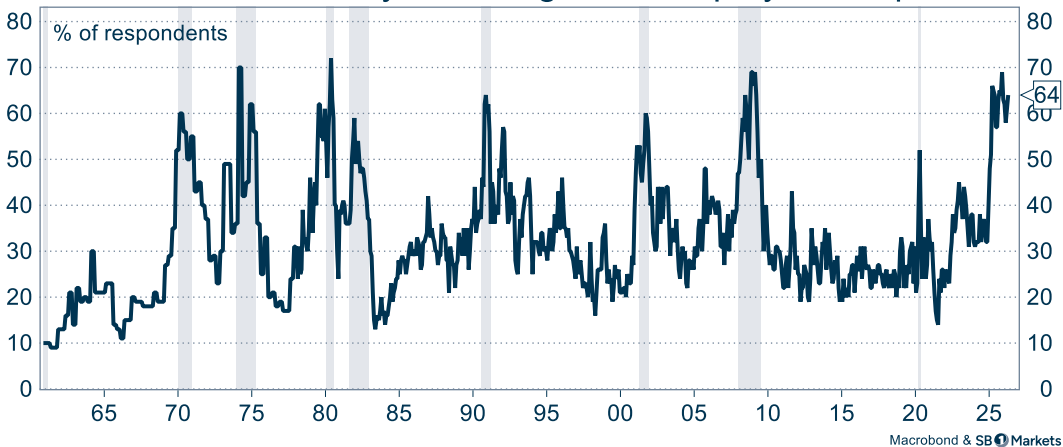
USA Negative opinion of government's economic policy



USA Expected business conditions, worse



USA Univeristy of Michigan, unemployment up

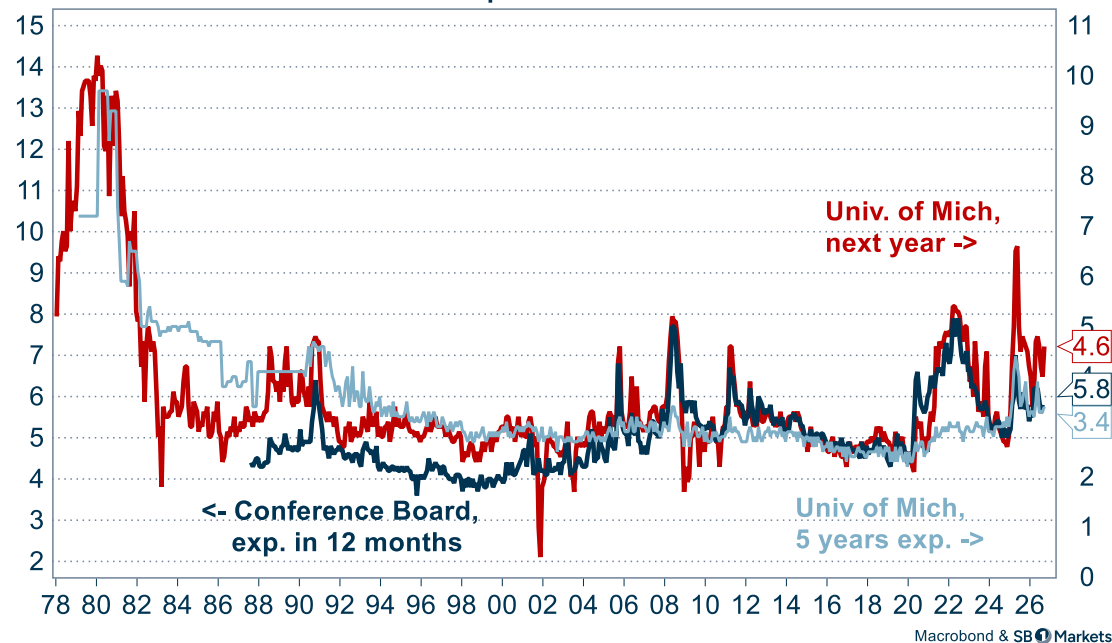




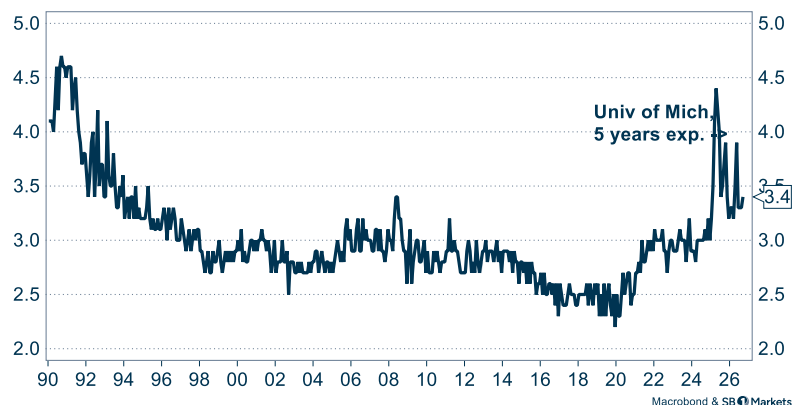
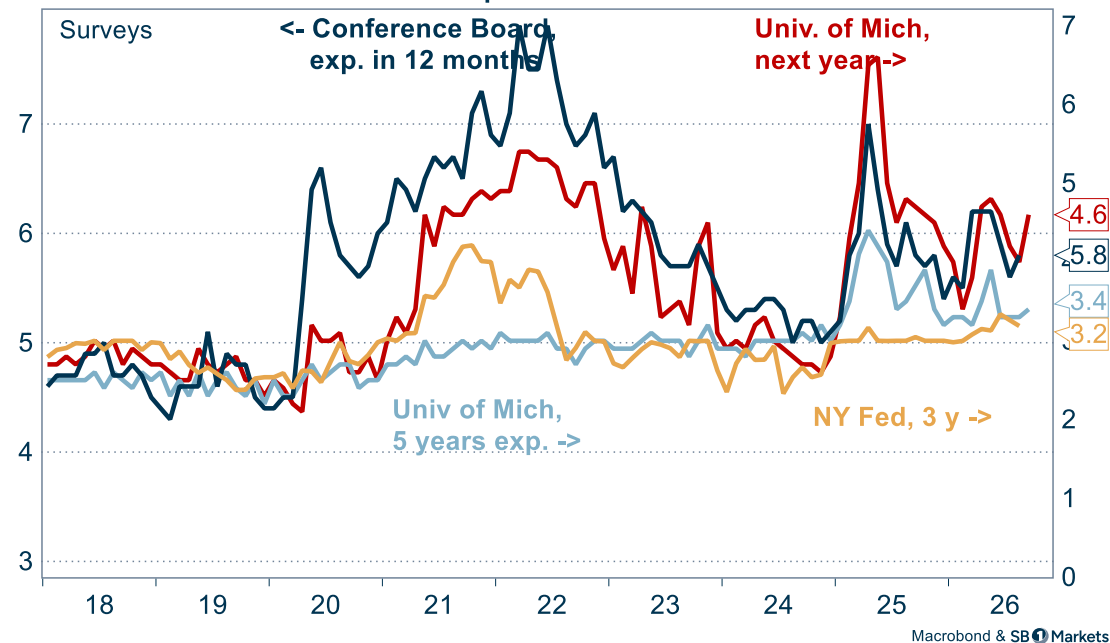
Inflation expectations up in the first part of September

No doubt, the tariff shock lifted inflation expectations last spring. Now, the lift in gasoline prices has lifted expectations once more. Expectations remain at (arguably unrealistic) high levels, even for the next 5 years on average.

USA Inflation expectations - Households



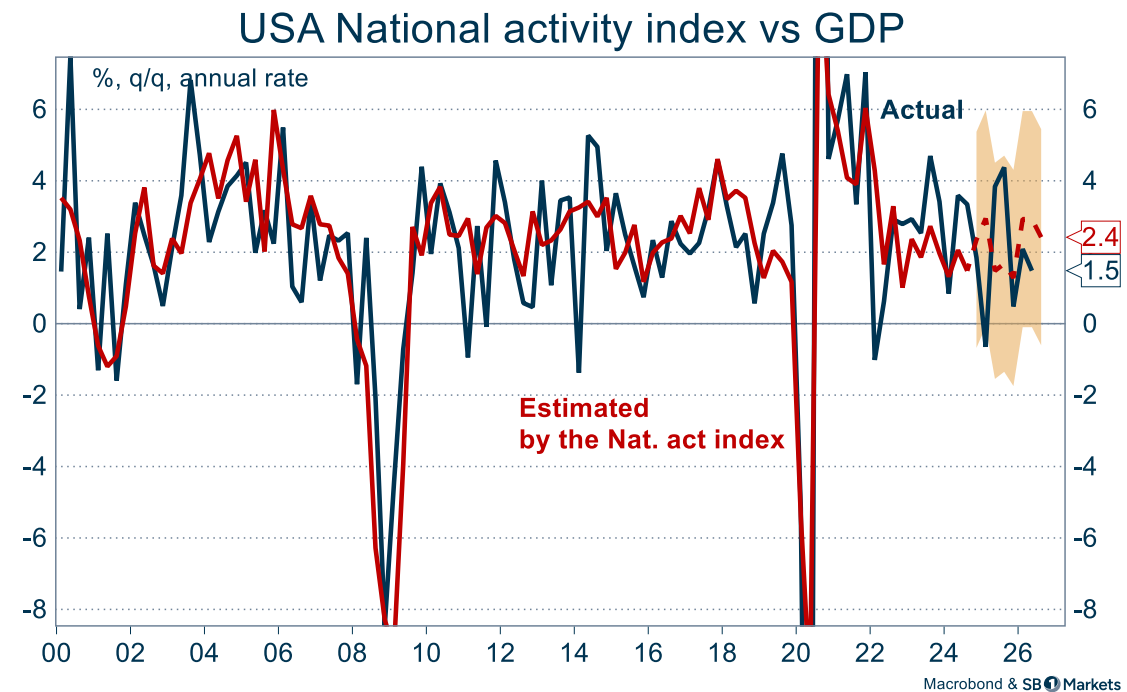
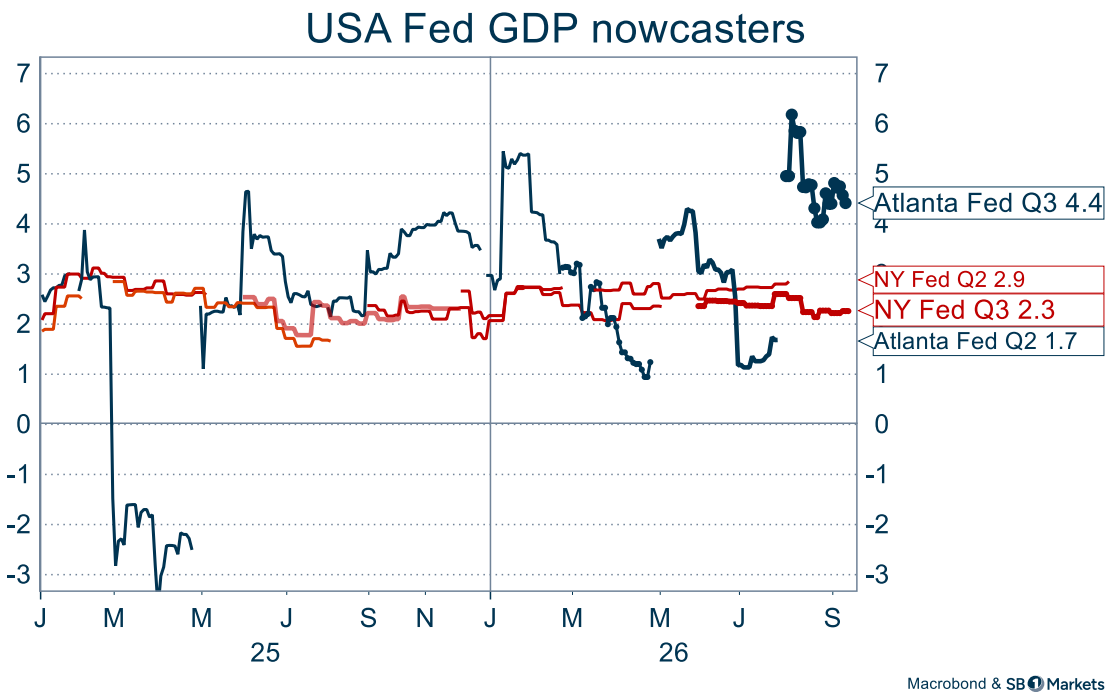
USA Inflation expectations - Households





Atlanta Fed's Q3 GDP nowcast slightly down but still at 4.4%

The National Activity Index suggests a 2.3% growth pace. NY Fed's nowcaster reports 2.4% (but this model yields a far too stable output).

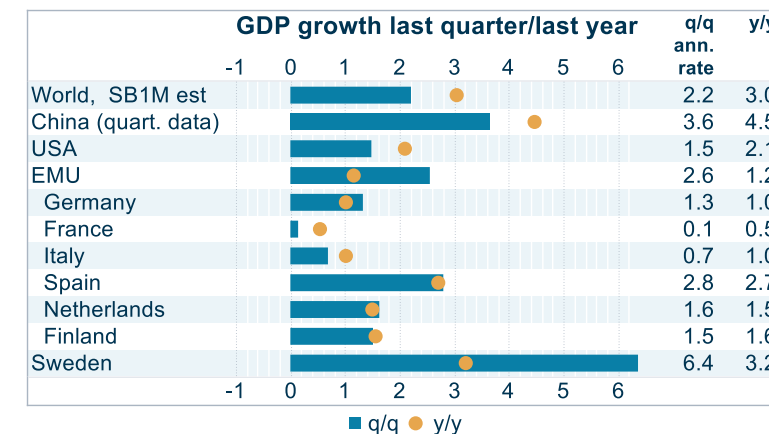
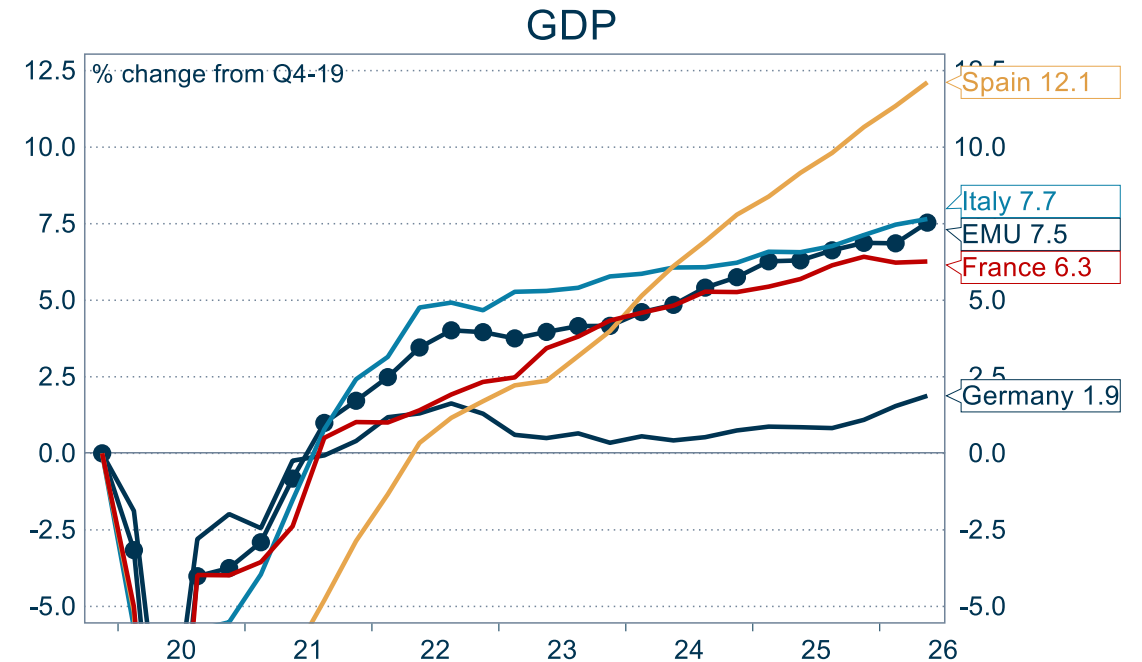
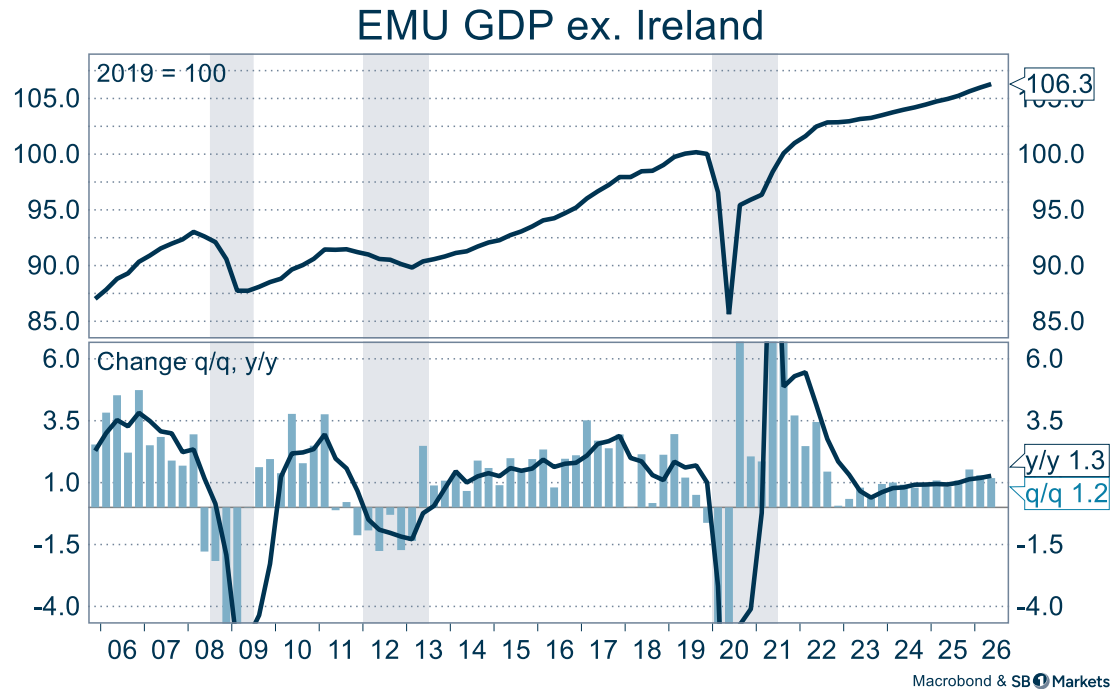




Euro Area



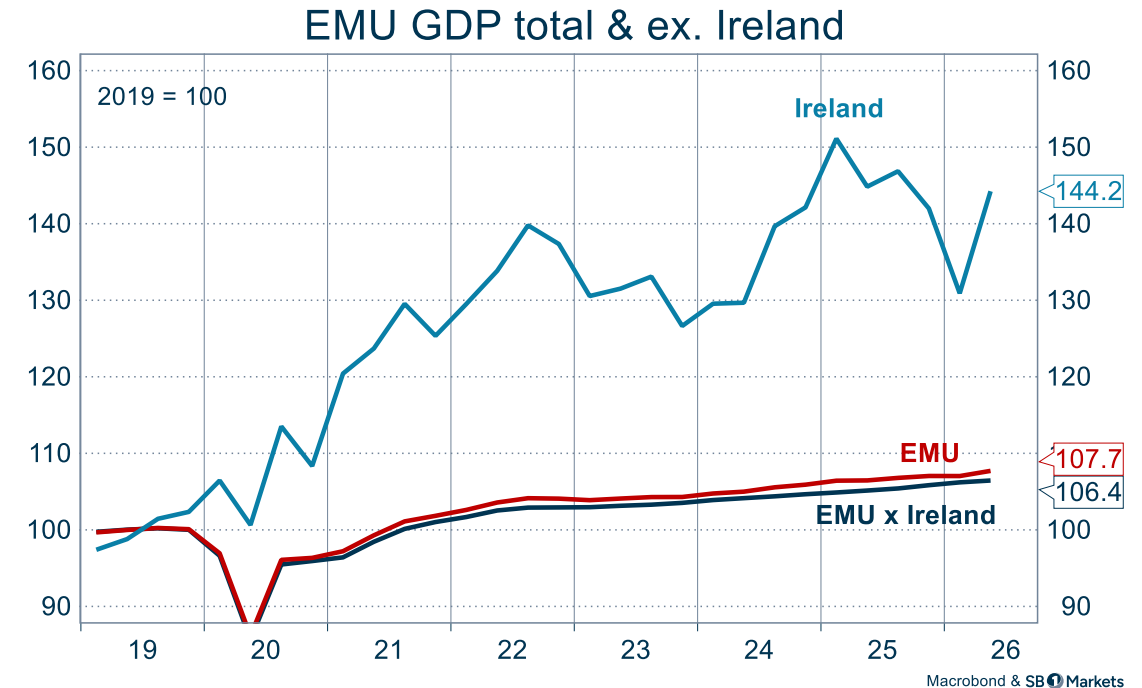
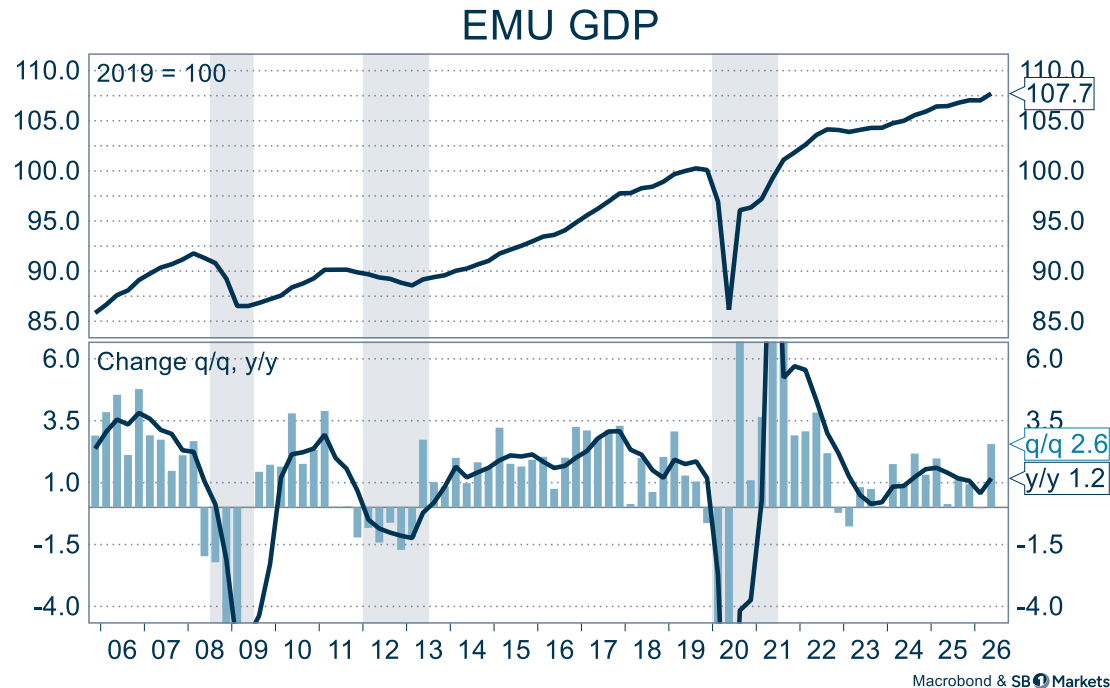
GDP (ex. Ireland) confirmed up at 1.2% pace in Q2, and is up 1.3% y/y



The **extremely volatile and mostly irrelevant Irish data** are playing games with the whole EMU region, (check next page).

For the nerds: The volatile and irrelevant Irish GDP data lifted EMU GDP growth in Q2

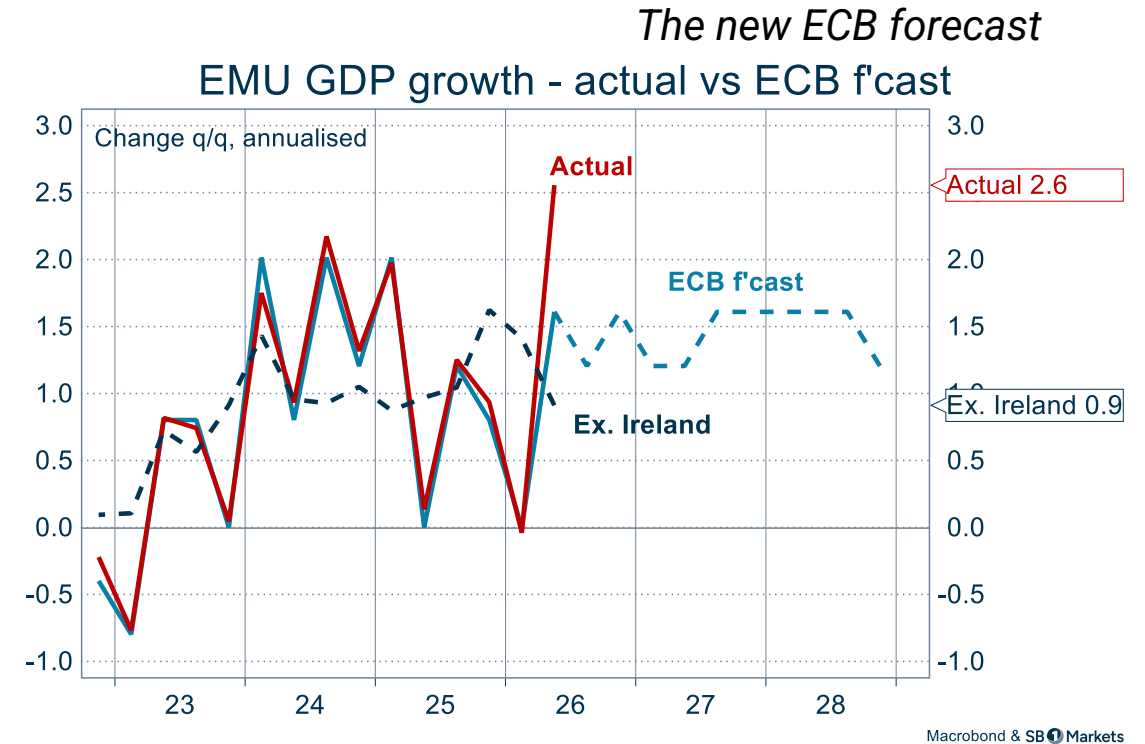
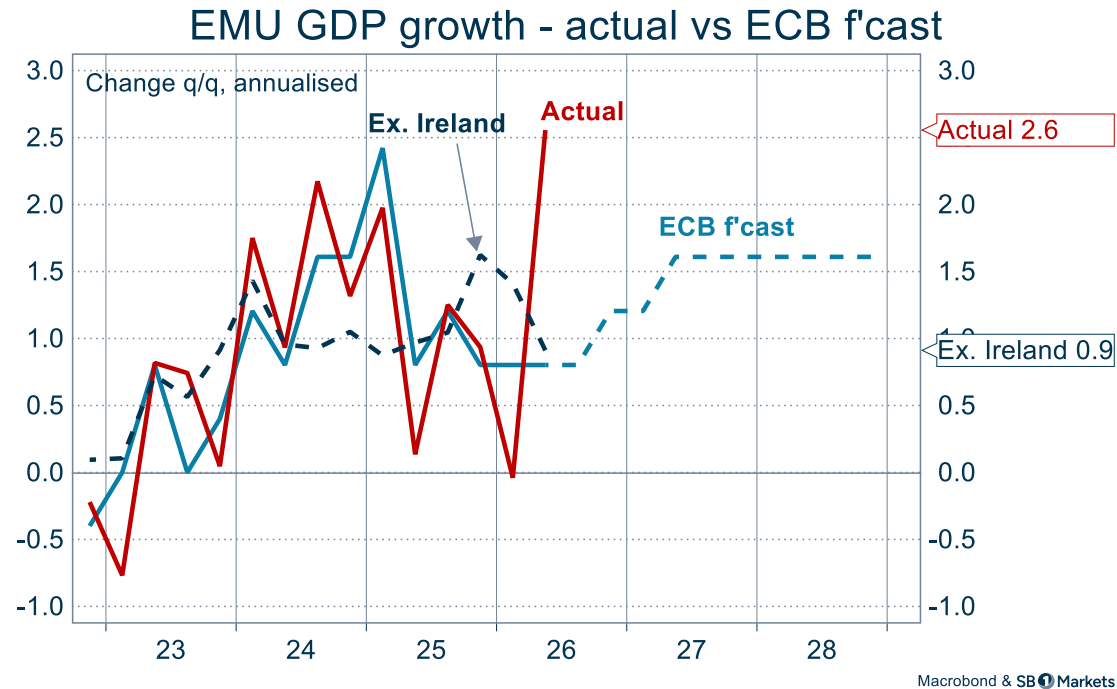
Q2 GDP growth was revised up to 2.6% (0.6% not annualised) from 1.8% (0.4%). However, ex. Ireland, no GDP revision.



- **Irish GDP growth data** are heavily influenced by the 'modern sector', which distributes products like software and pharma products through Ireland, which influences exports and investments heavily. These transactions are at least partly tax motivated, and do not have any impact on 'real' production or Irish income.
- The Irish **modified gross national income** (GNI) is adjusted for these transactions and dividends paid to foreign companies. In most countries the GNI is close to GDP. The **Irish GNI equals just 62% of the Irish GDP!**
 - BTW, in Norway the GNI is well above the GDP, due to the net capital revenue from abroad, from the Oil Fund.

GDP rose faster in Q2 than ECB expected

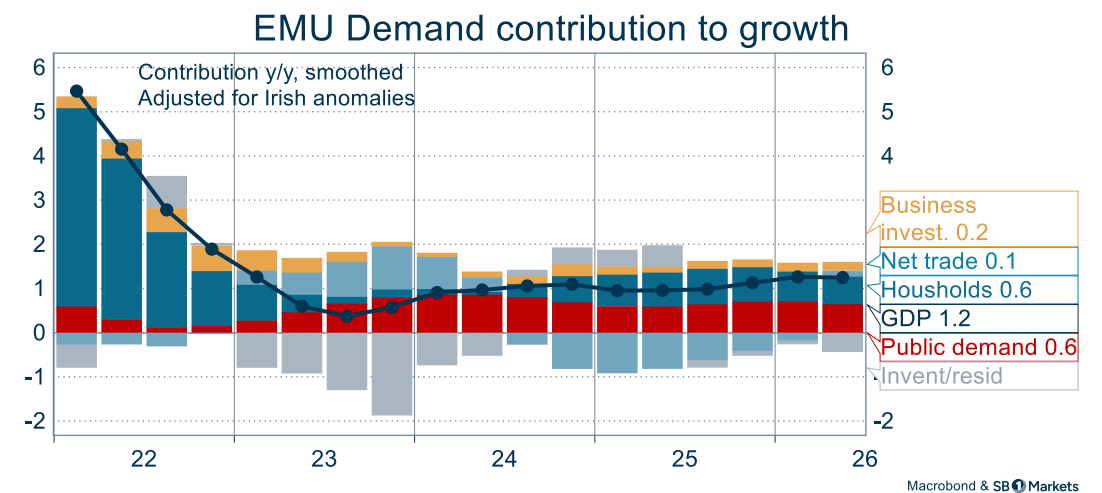
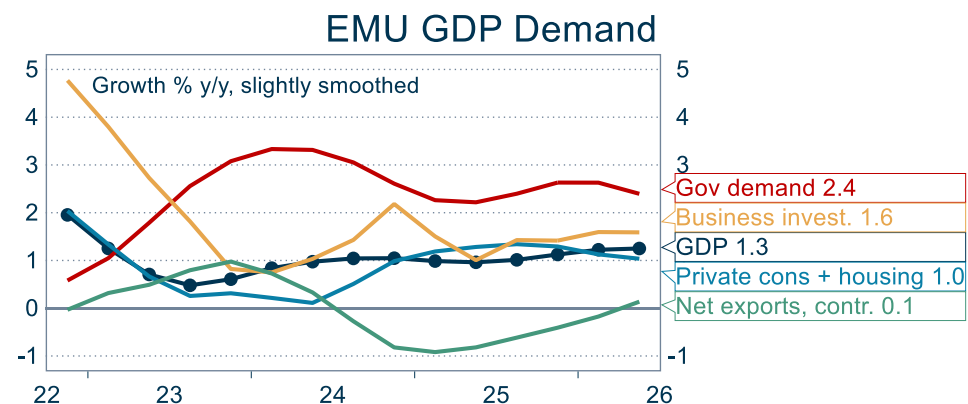
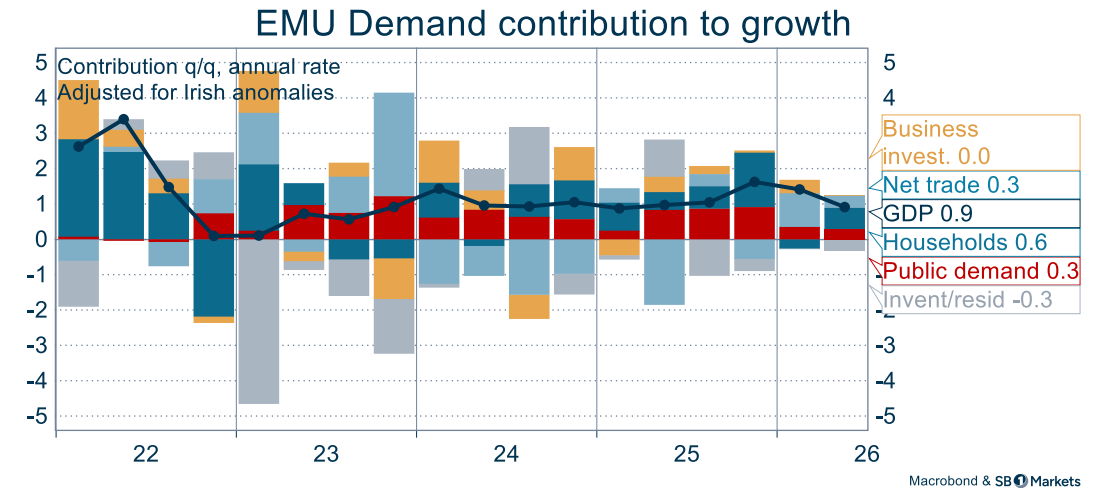
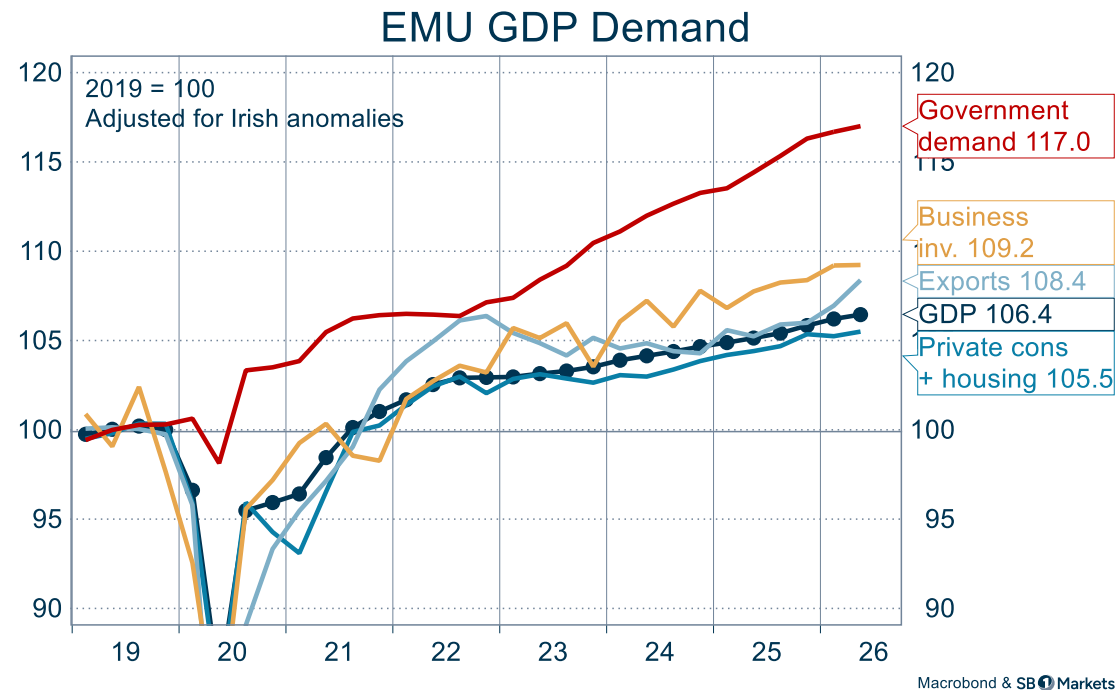
... but ex. Ireland, ECB was close to spot on





Both public and private demand on the way up but business investments flattened in Q2

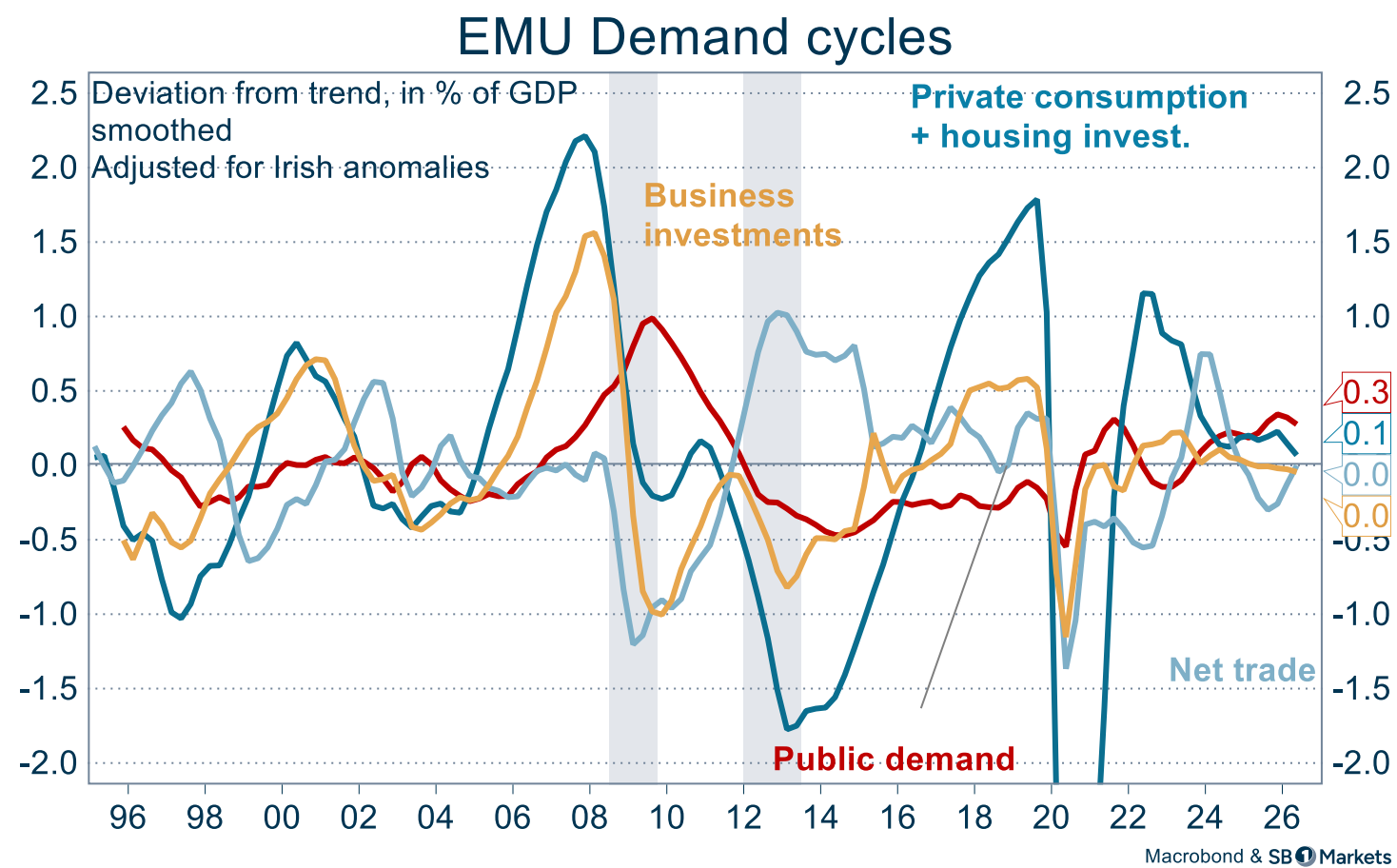
Public demand (consumption + investments) contributes just as much as households (both 0.6 pp to GDP growth).



Data are adjusted for Irish investments and foreign trade.
We have added an estimate for Government investment demand



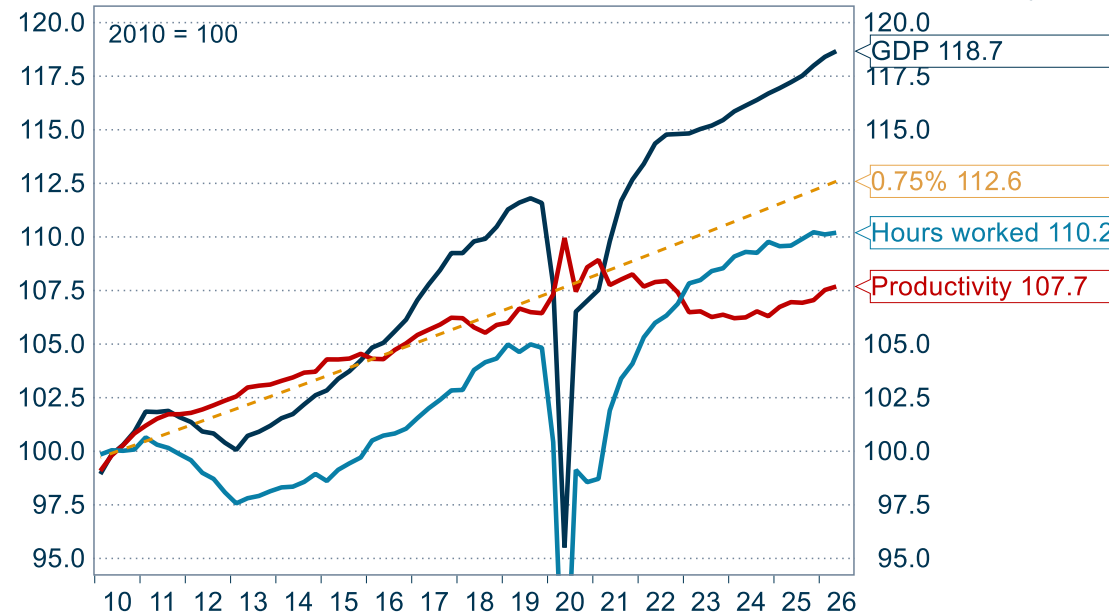
The current cycle is ‘modest’, in all directions: demand components are close to trend
... according to our calculations.



Productivity growth slightly up, +0.7% y/y

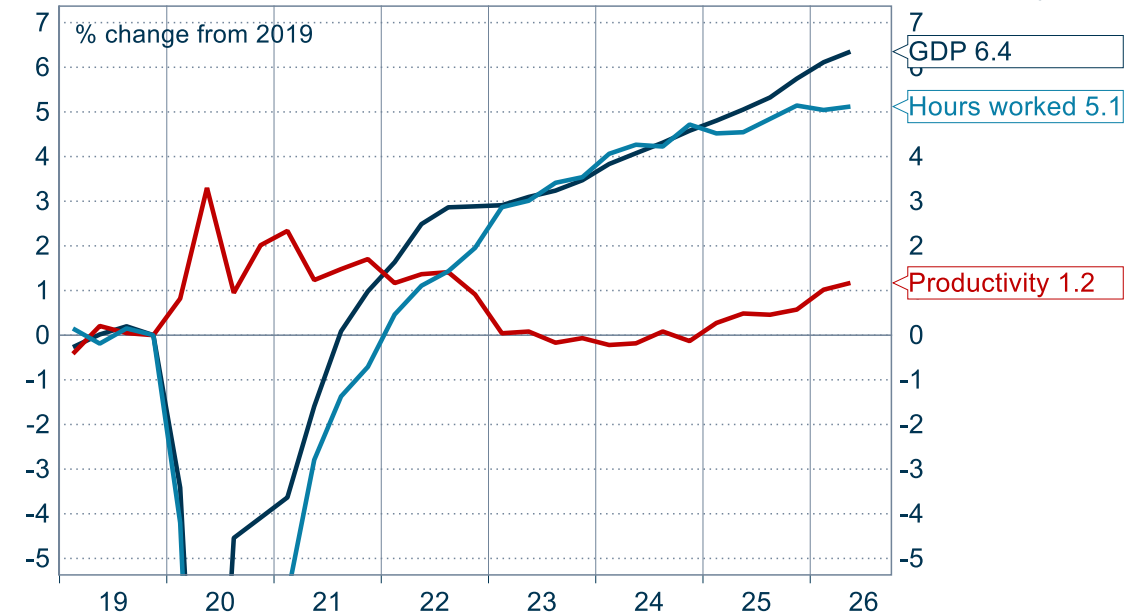
However, productivity is up 1.2% past 6 years, *in sum*! Luckily, the employment rate & hours worked are on the way up, lifting the GDP 6.4% the past 6 years. But that is not that impressive either.

EMU ex. Ireland GDP, hours worked & productivity



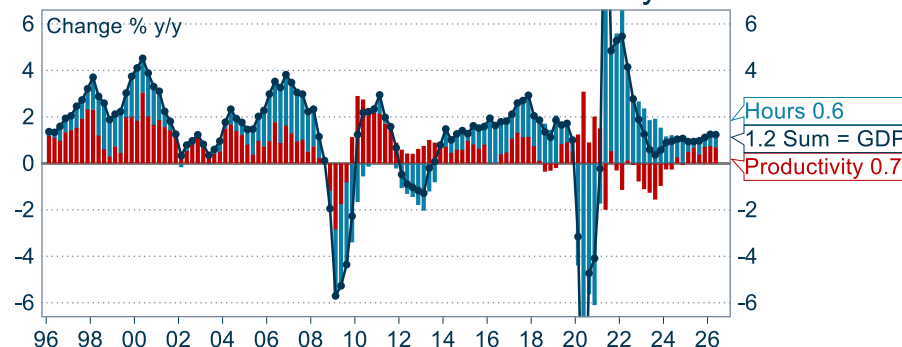
Macrobond & SB Markets

EMU ex. Ireland GDP, hours worked & productivity



Macrobond & SB Markets

EMU GDP & Productivity

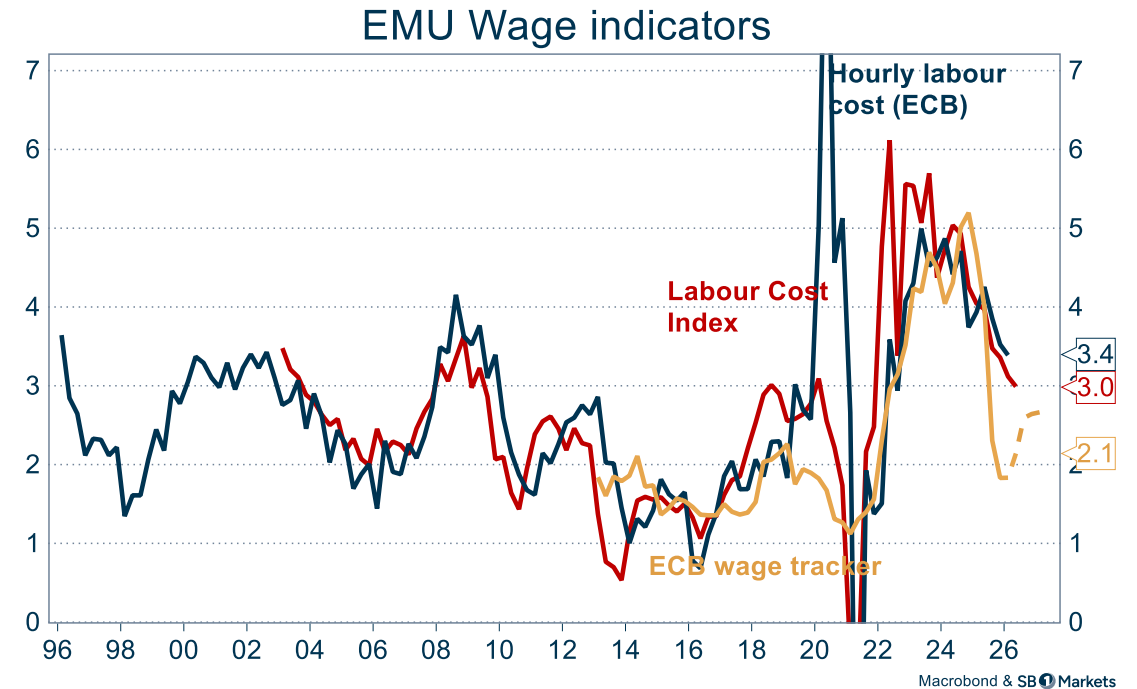
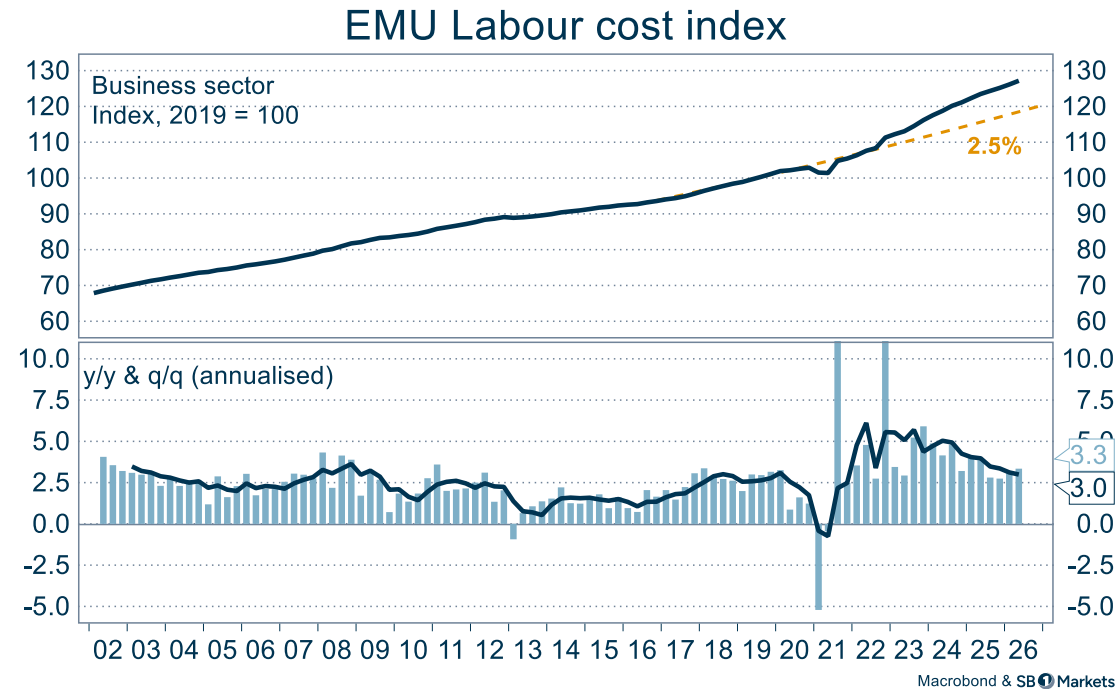


Macrobond & SB Markets

- The pre-pandemic underlying trend in productivity was not that impressive either, at some ¾ %.
- Productivity has now fallen to well below this trend

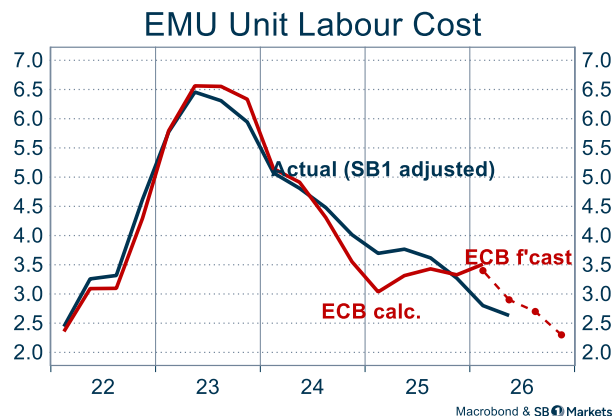
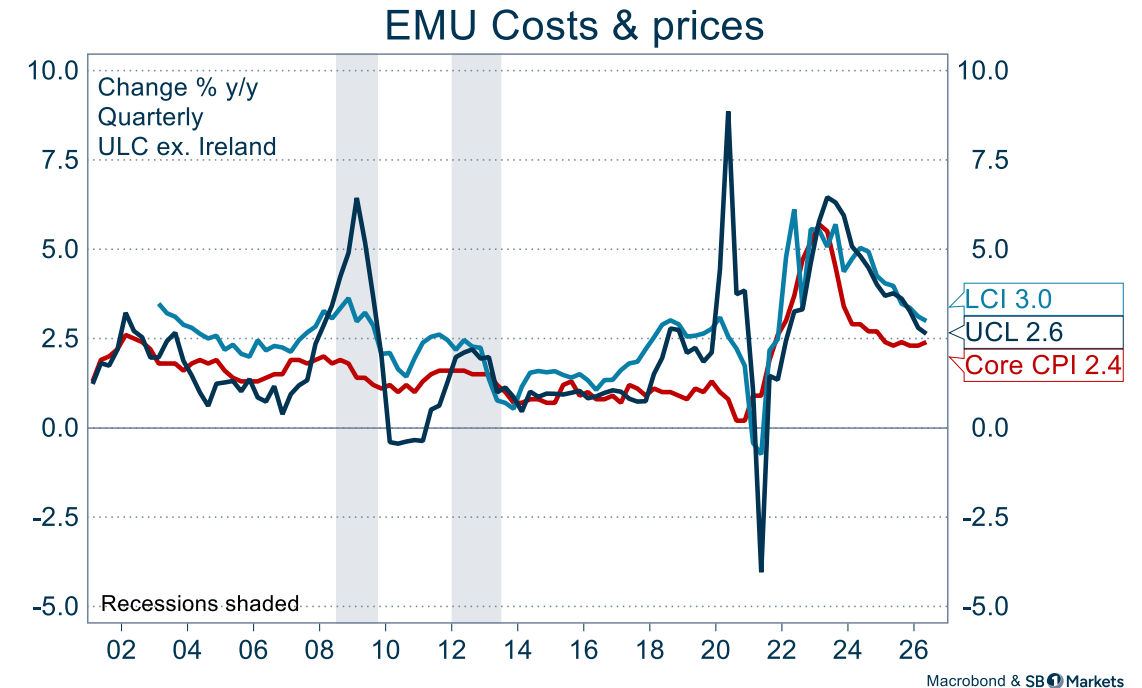
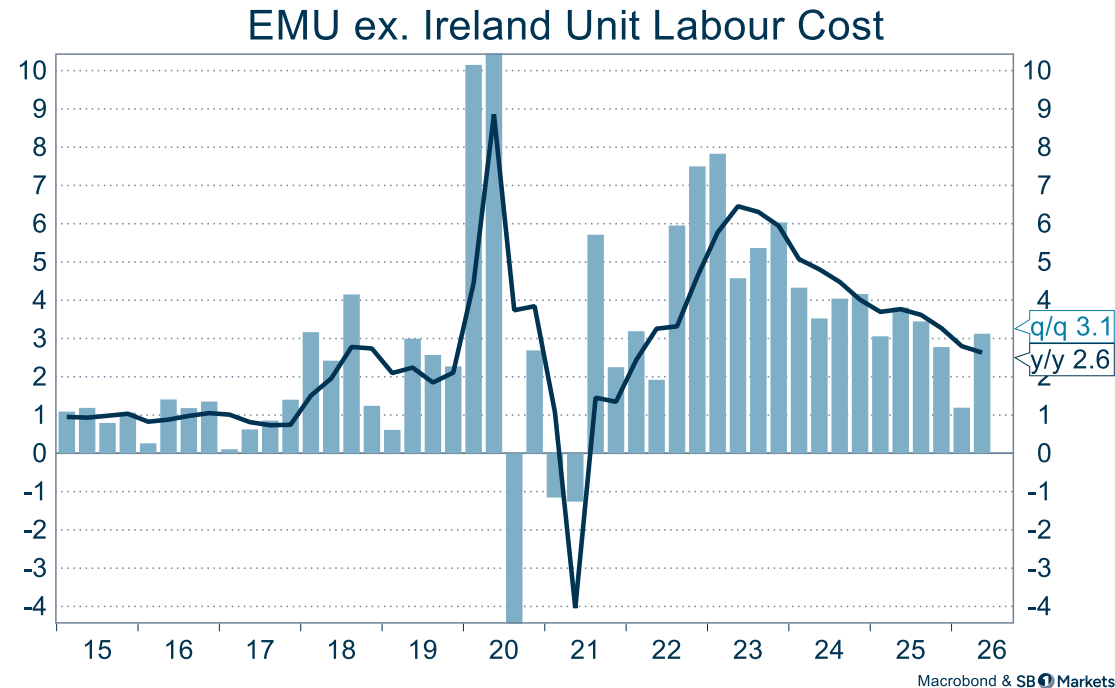
EMU labour cost inflation is gradually slowing, to 3.0% y/y in Q2

ECB's wage tracker signals a further decline in wage inflation, down towards acceptable levels.



Unit Labour Cost inflation heads down, the (adjusted) rate to 2.6% y/y

ULC annual inflation has fallen to 2.6% (our est, ex. Ireland), well below ECB's forecast. Barring the impact of the lift in energy prices, the inflation pressure is not fully contained – but almost.



- **Unit Labour Costs** (labour cost per unit produced)
= wage cost/production volume
Growth in ULC = hourly wage growth – productivity growth.

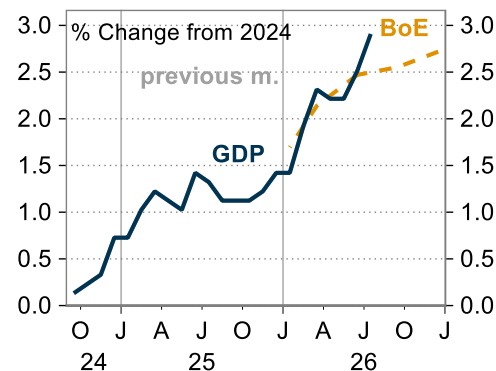
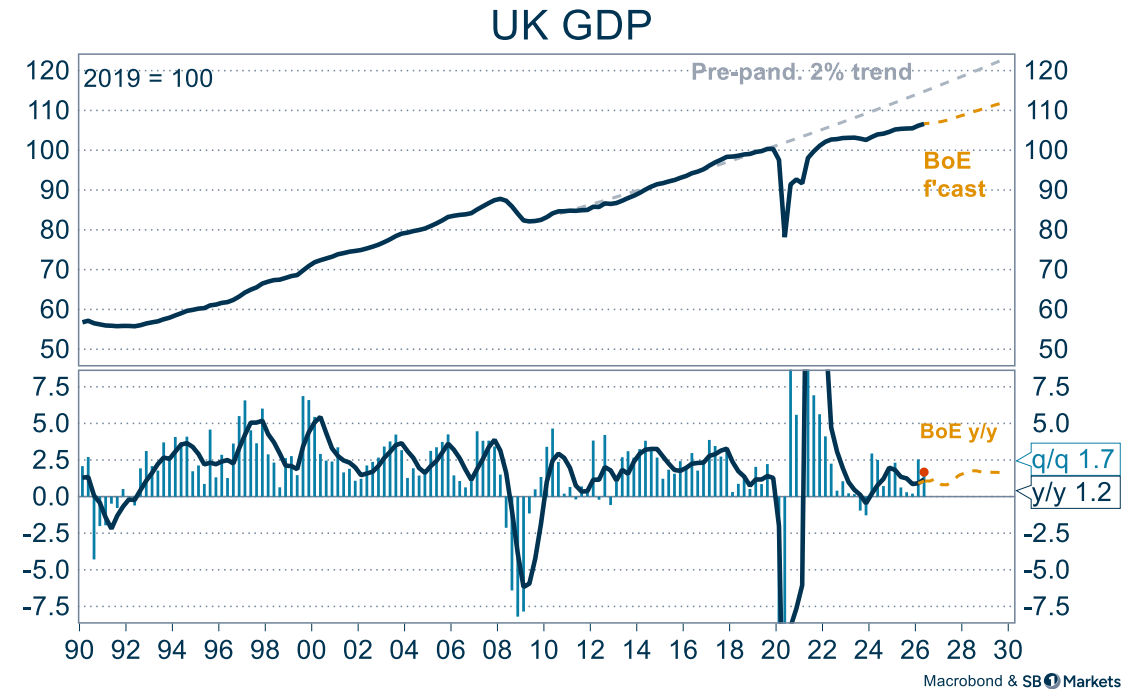
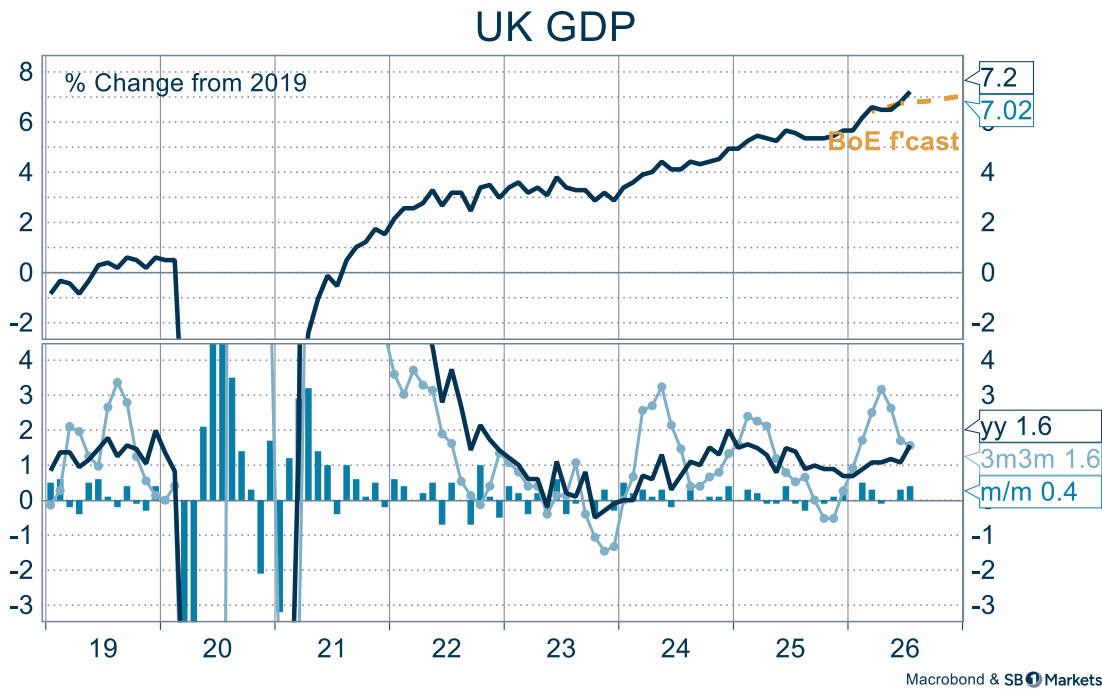


UK



GDP added 0.4% in July, grows at a 1.6% pace, equal to the annual growth rate

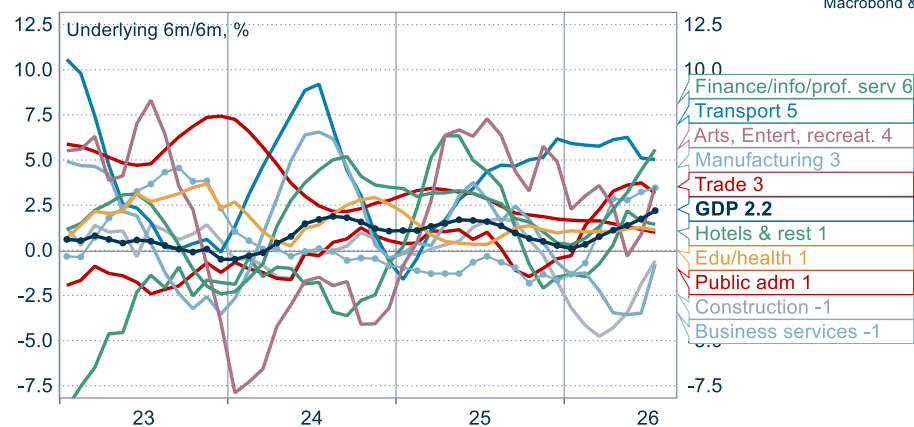
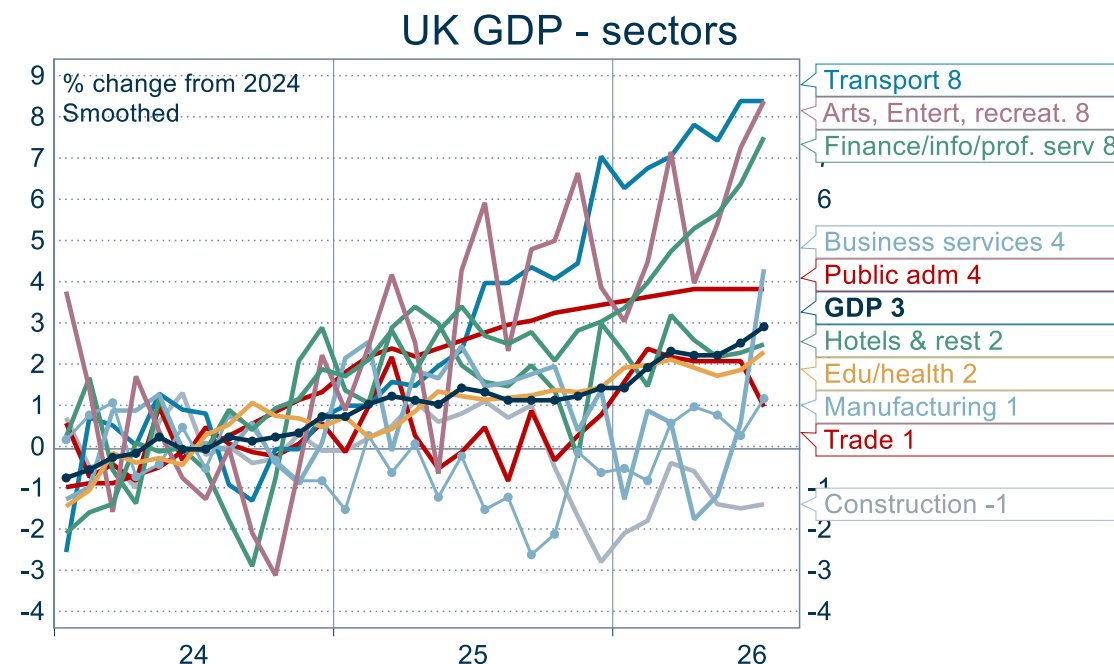
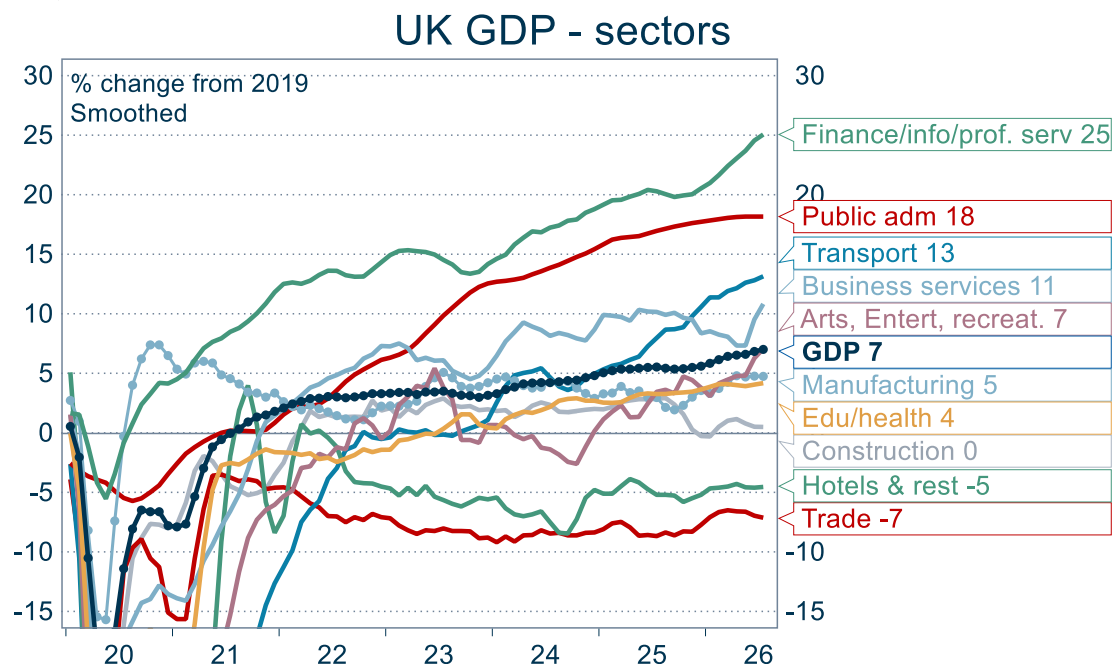
No growth was expected following the 0.3% lift in June.





Growth in most sectors, barring construction

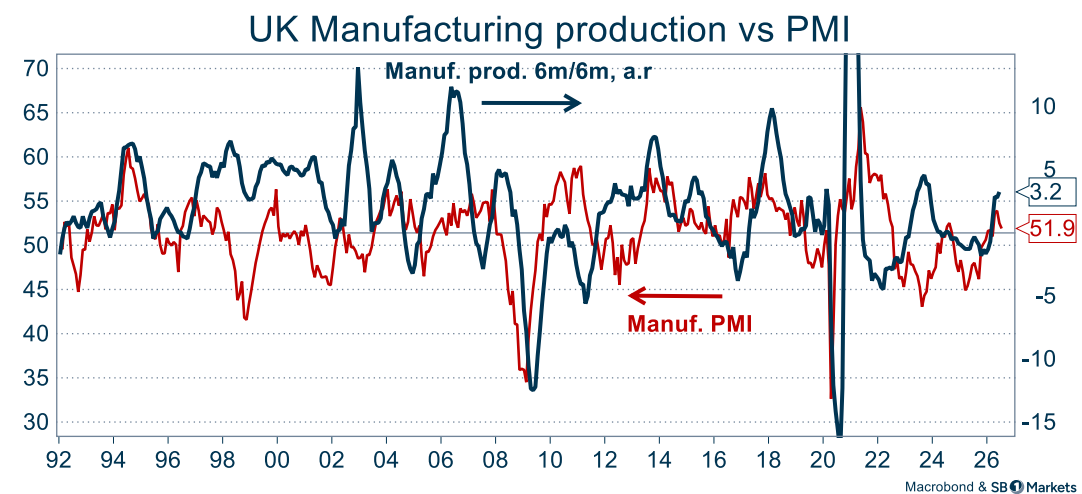
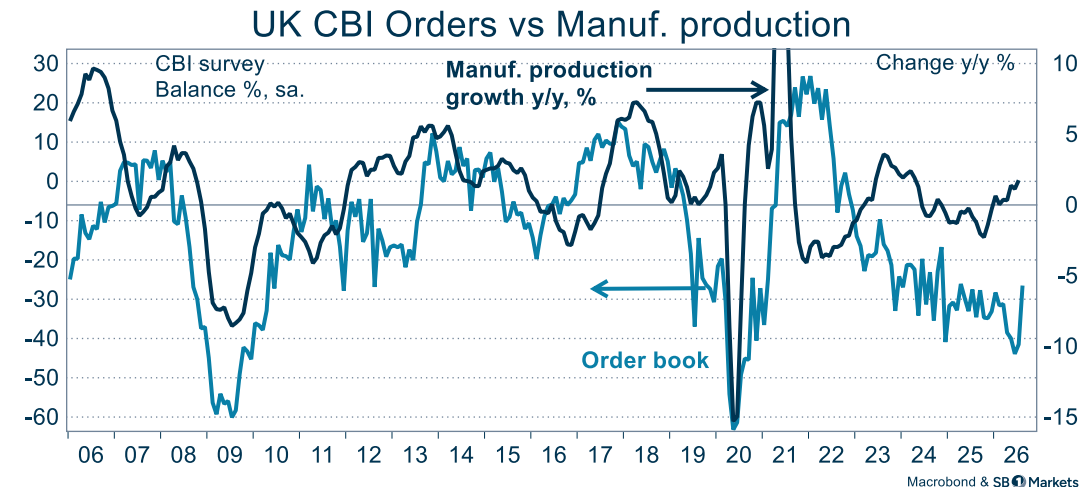
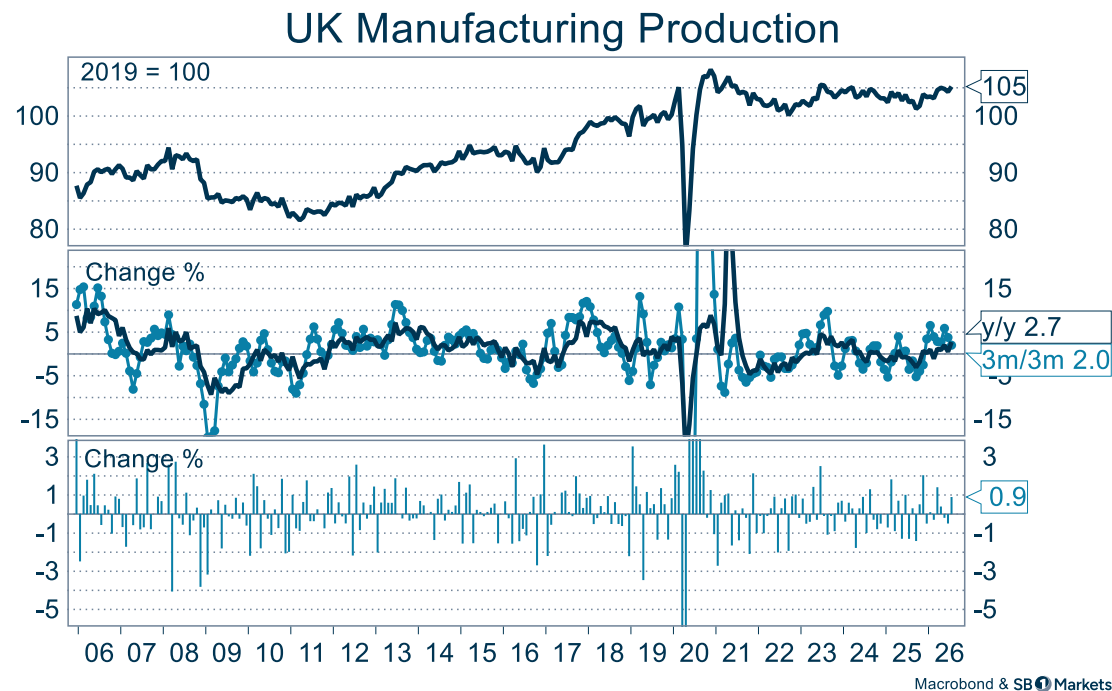
The other laggard until recently, business (non-professional) services have turned up the past 3 months.





Manufacturing production has recovered so far in 2026

Production turned up in July, by 0.9%, following a smaller decline in May & June. The underlying growth rate is at 2%, and production is up 2.7% y/y.



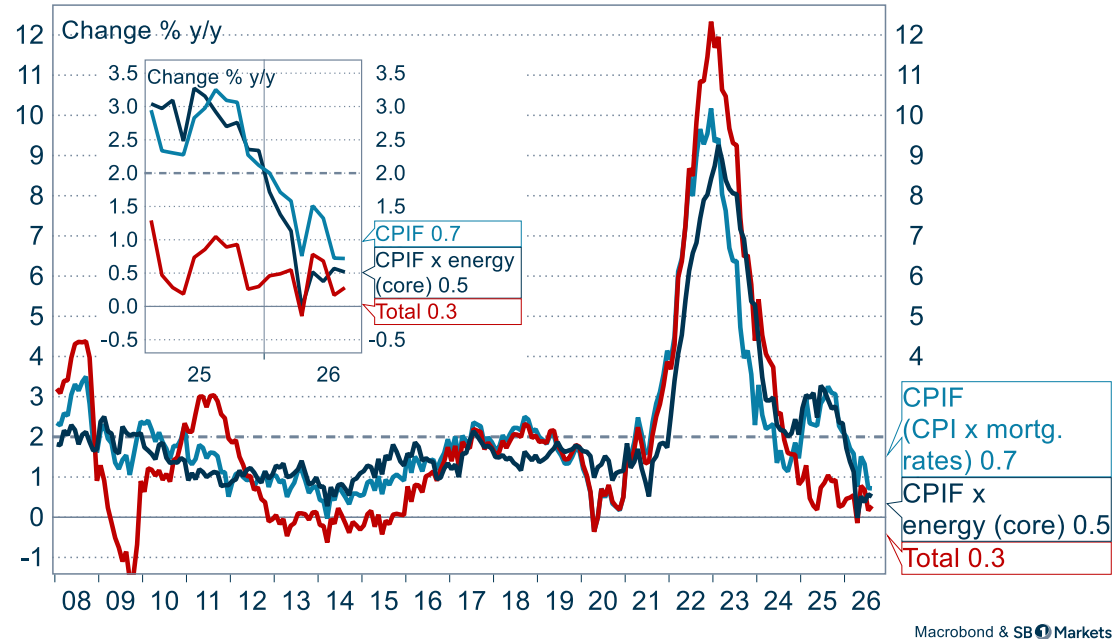


Sweden

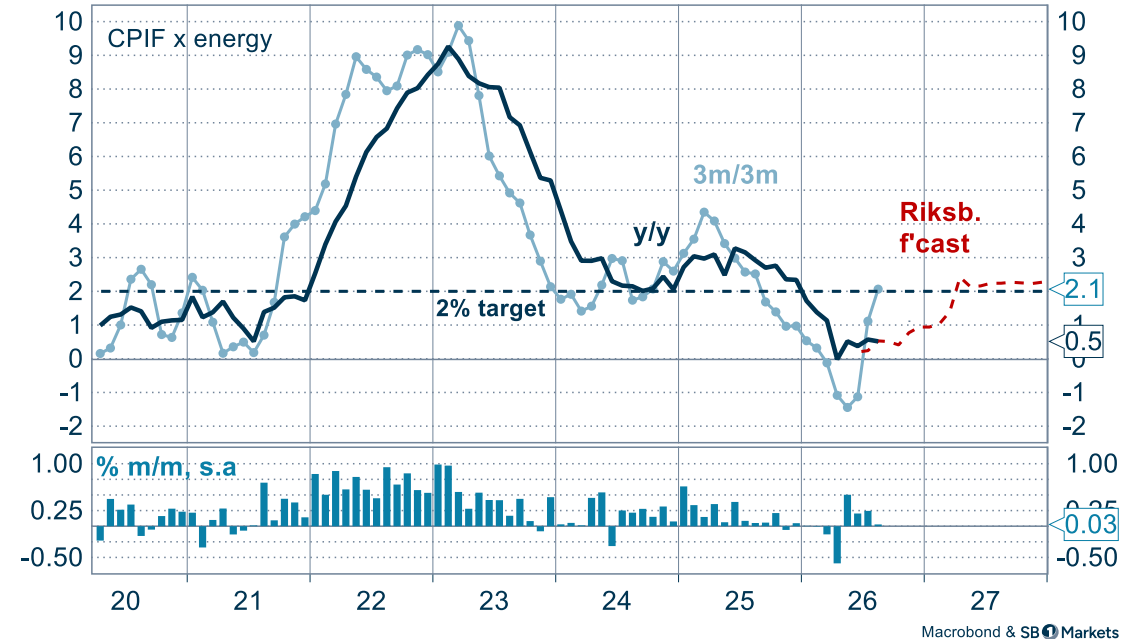
Sweden: CPIF core inflation 0.2 pp lower than expected in August, down to 0.5% y/y

The CPIF was also 0.2 pp below expectations, and unchanged at 0.7%. Core price were flat m/m but underlying growth in recent months has increased to 2% or above.

Sweden CPI



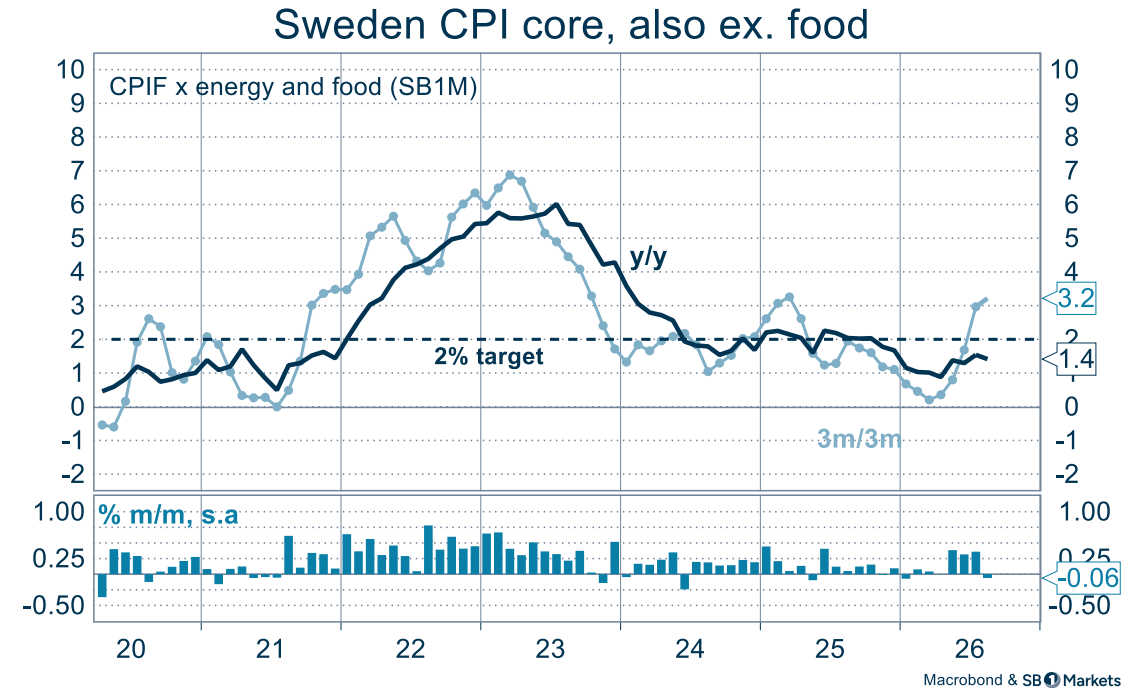
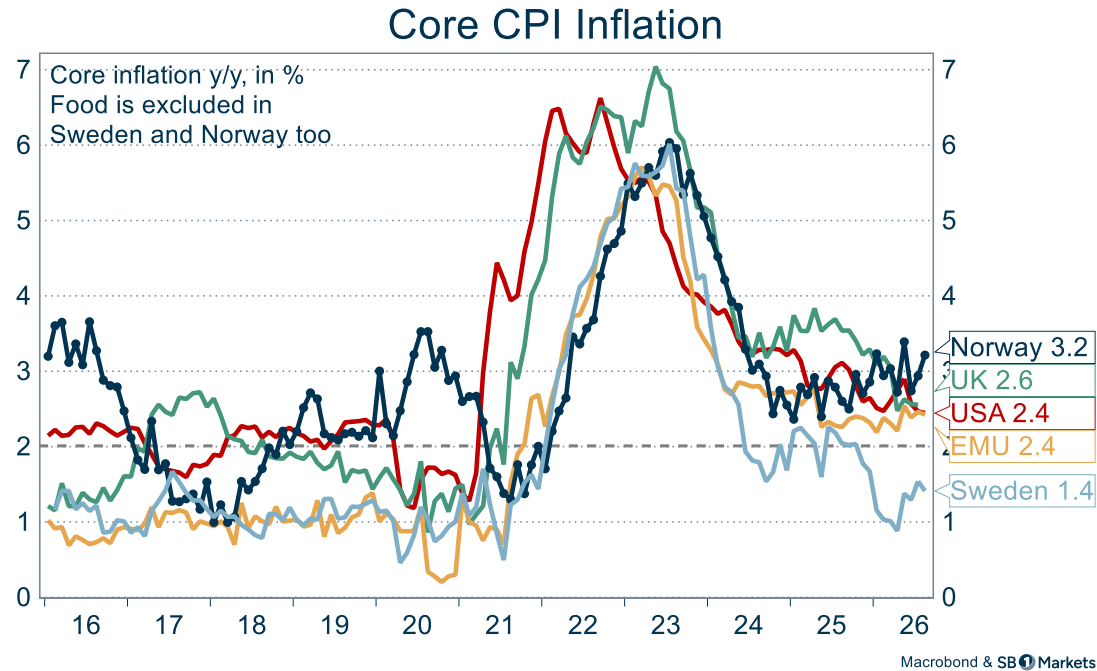
Sweden CPI core



- **The traditional headline CPI inflation** accelerated 0.1 pp to 0.3%. Energy prices rose 2.2% but are up just 5% y/y.
- **Mortgage rates** are included in the 'official' CPI and Riksbank's cuts have lowered mortgage rates, and thus the CPI. The negative drag now equals 0.4 pp. Thus, the **CPIF** (CPI x mortgage rates, which is usually referred to as the CPI in Sweden) was up 0.7% y/y (0.2 pp lower than expected).
- The **official core, also excluding energy** (CPIF XE) prices were flat m/m, and the annual rate slowed 0.1 pp to 0.5%, expected up to 0.7%. The outcome was in line with Riksbank's forecast.
- If food is removed as well, to compare with core prices in most other countries, prices down 0.06%, and up 1.4% y/y (check chart next page). **The underlying growth rate in recent months has increased to 2 – 3%**
- **The Riksbank expect annual inflation to accelerate to marginally above 2% next April – and to stay there. The bank is no hurry to lift the signal rate?**

Core inflation: Sweden (ex food) still an outlier measured y/y, on the downside

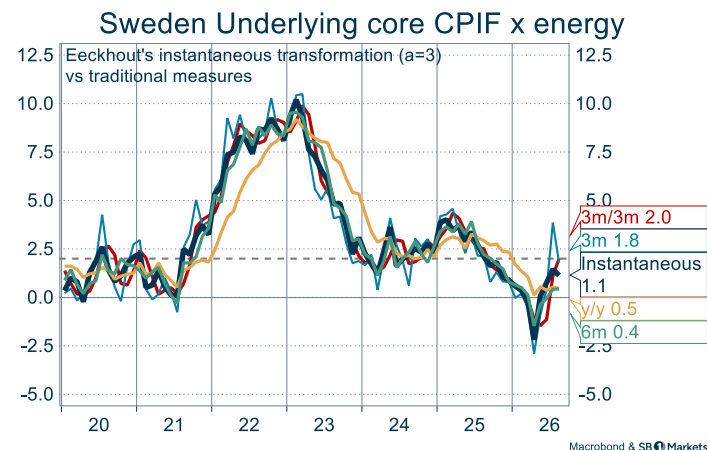
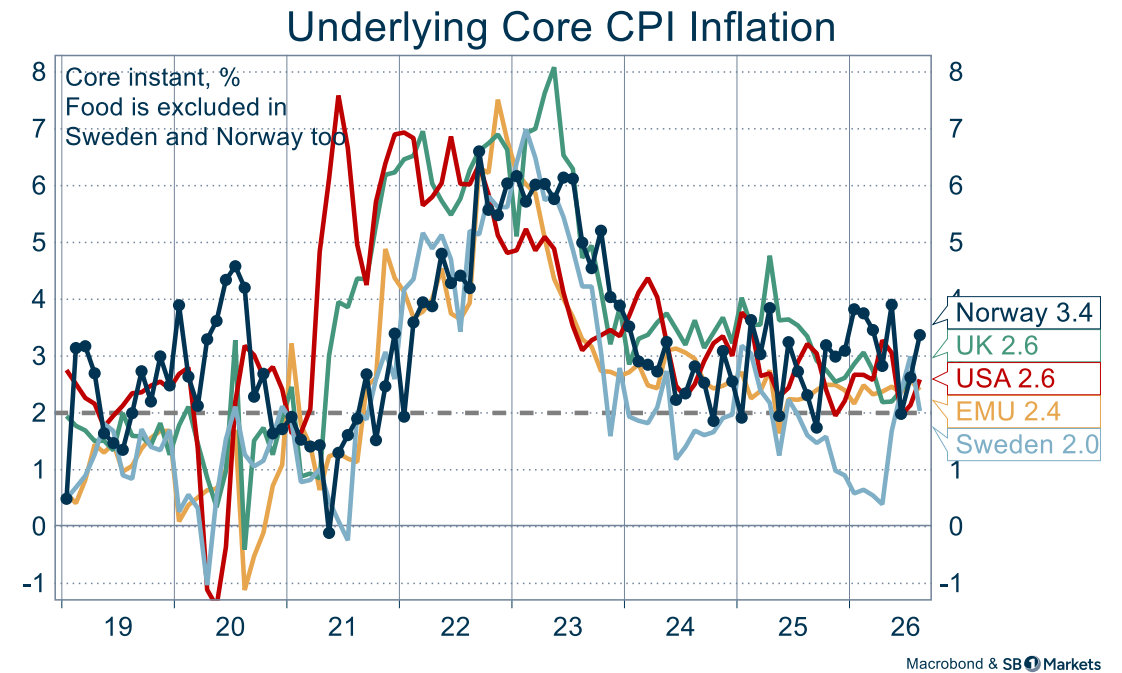
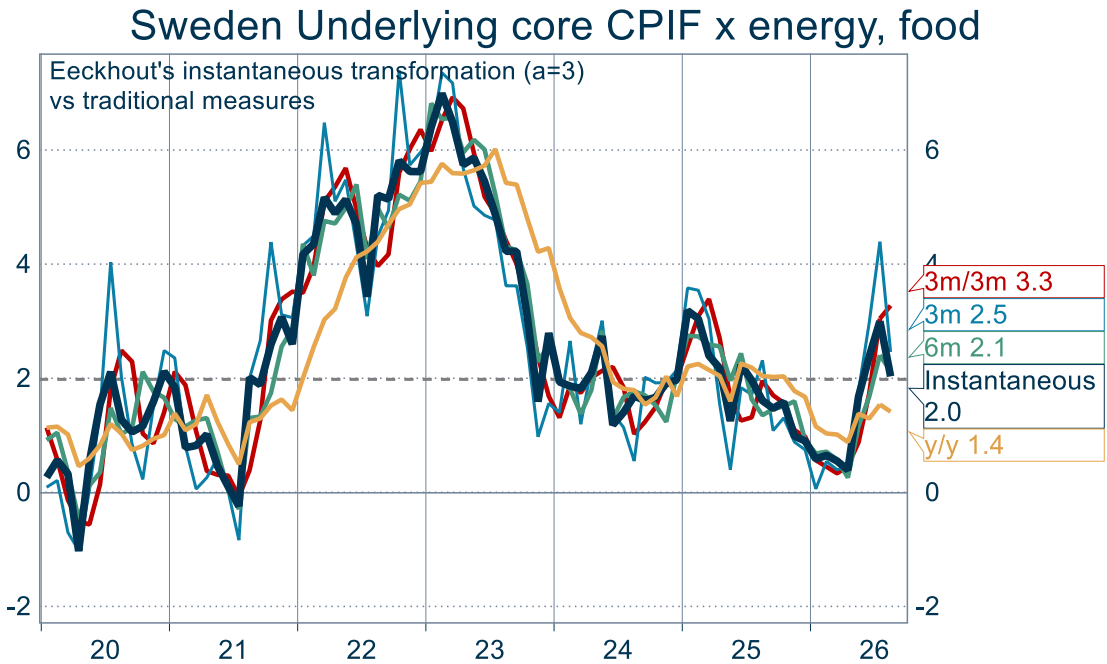
A Norwegian ex. food and energy core index (CPI-ATE ex. food) sits at the top, up 3.2% y/y





Underlying core inflation: at least 2%, if food prices are excluded

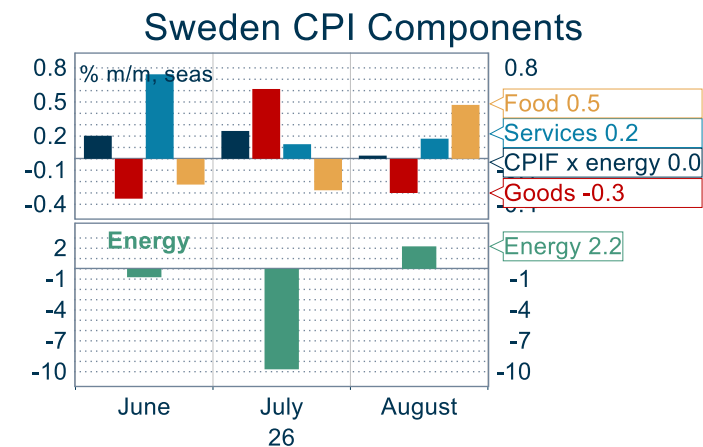
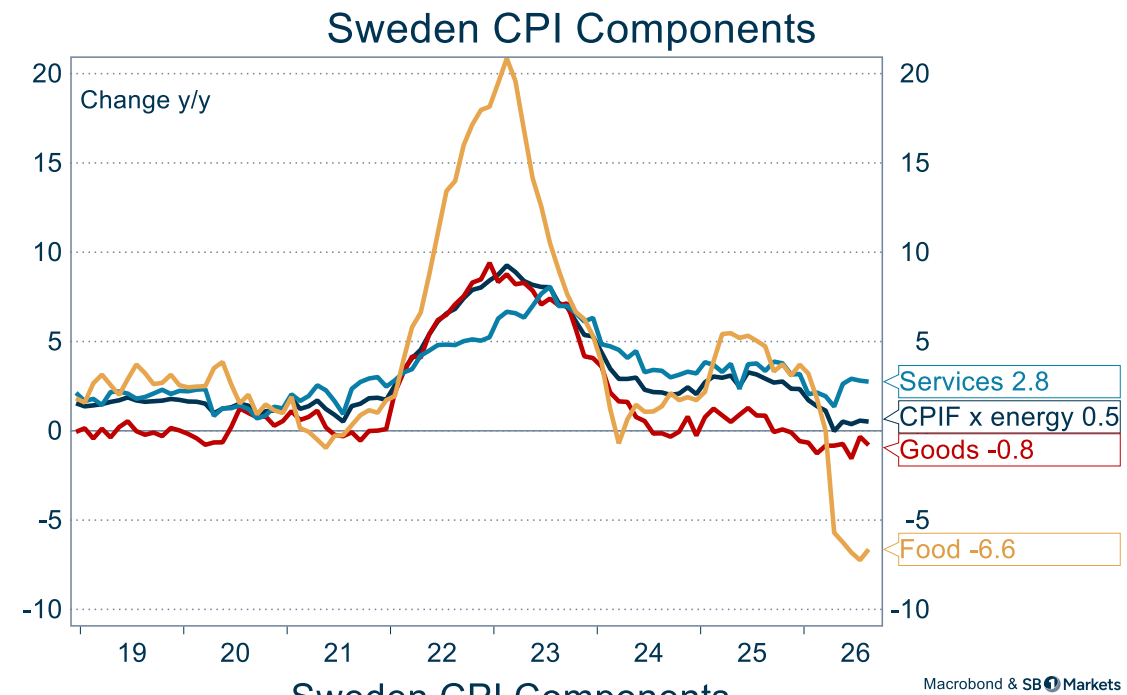
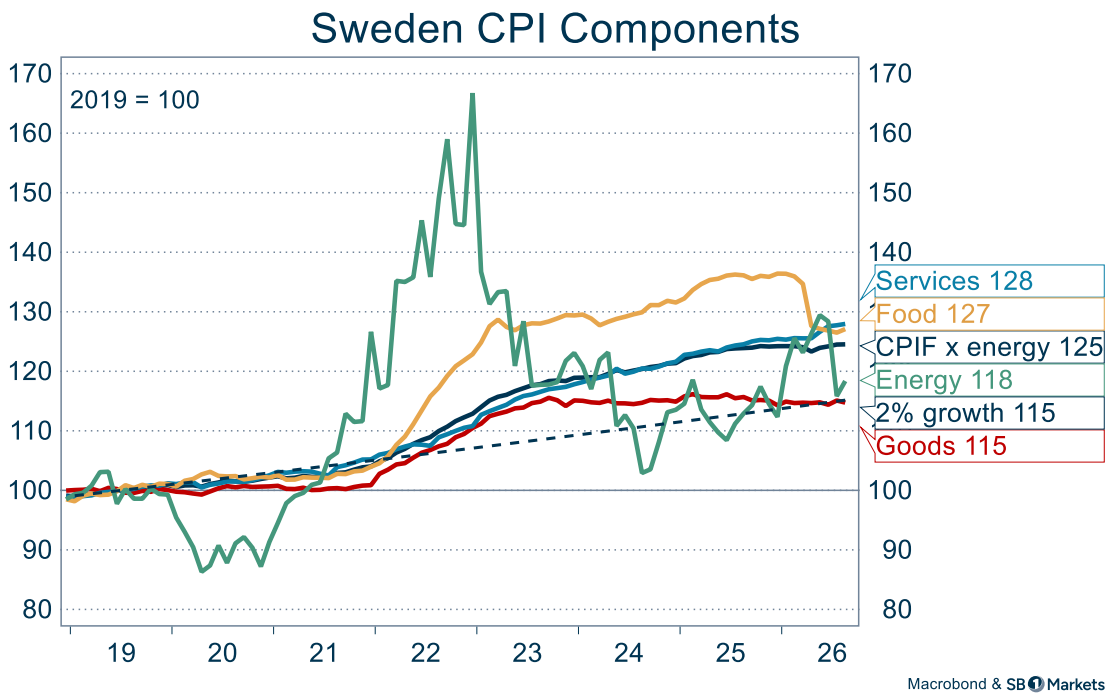
Sweden is back in line with other DM. (Norway is on the high side again)





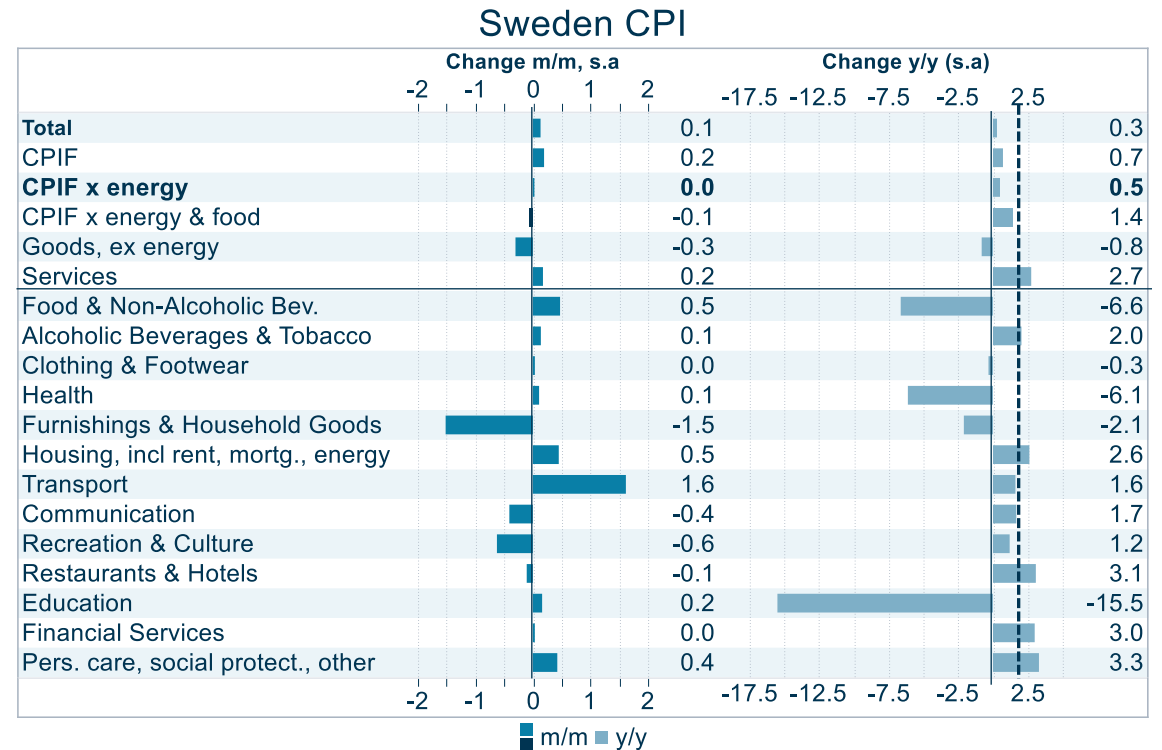
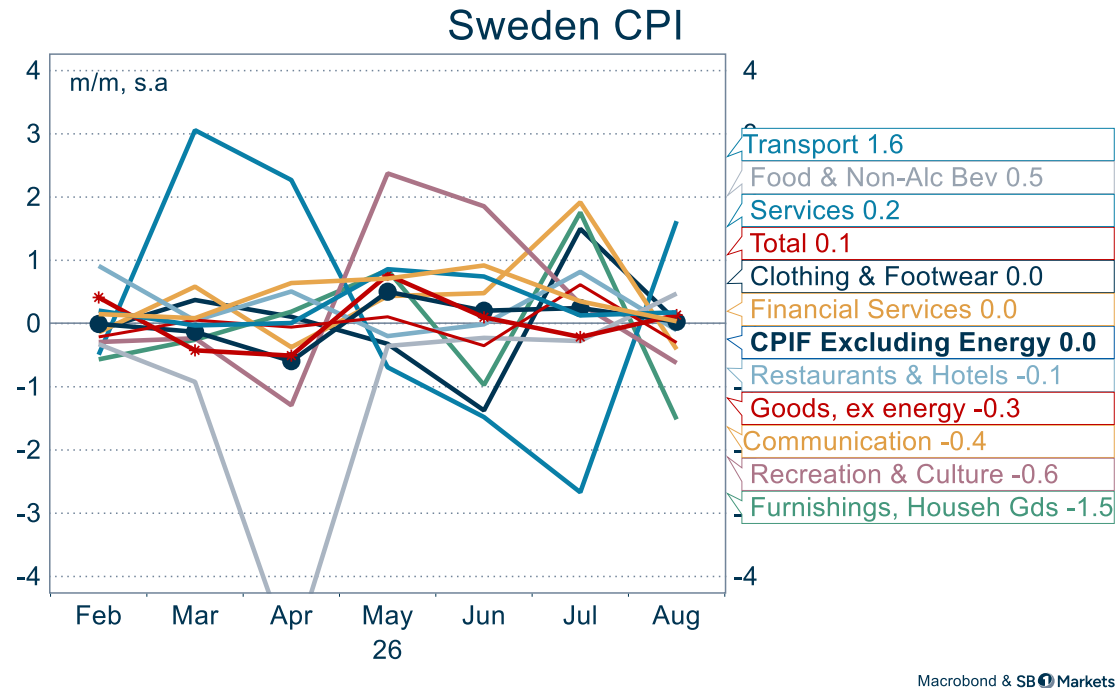
Services prices are up 2.8%, core goods ex. food are down 0.8%, food is down 6.6%

Service sector inflation still on the high side. Energy prices rose 2.2% and are up 5% y/y.



Food, health and education prices have been cut due to taxes, subsidies

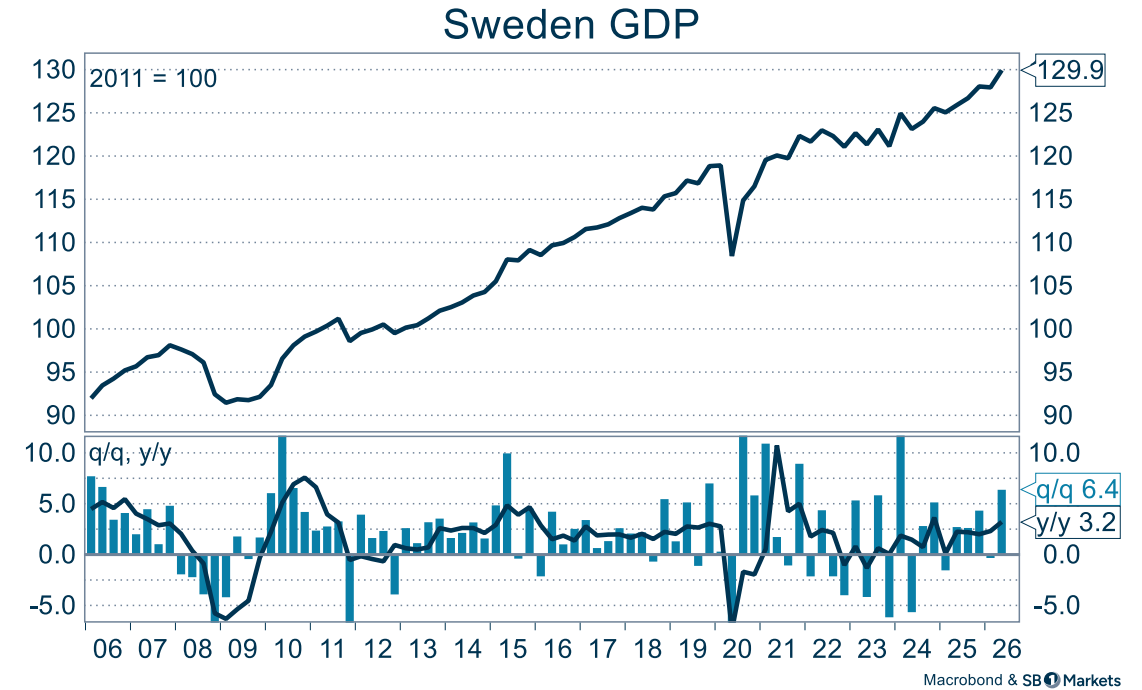
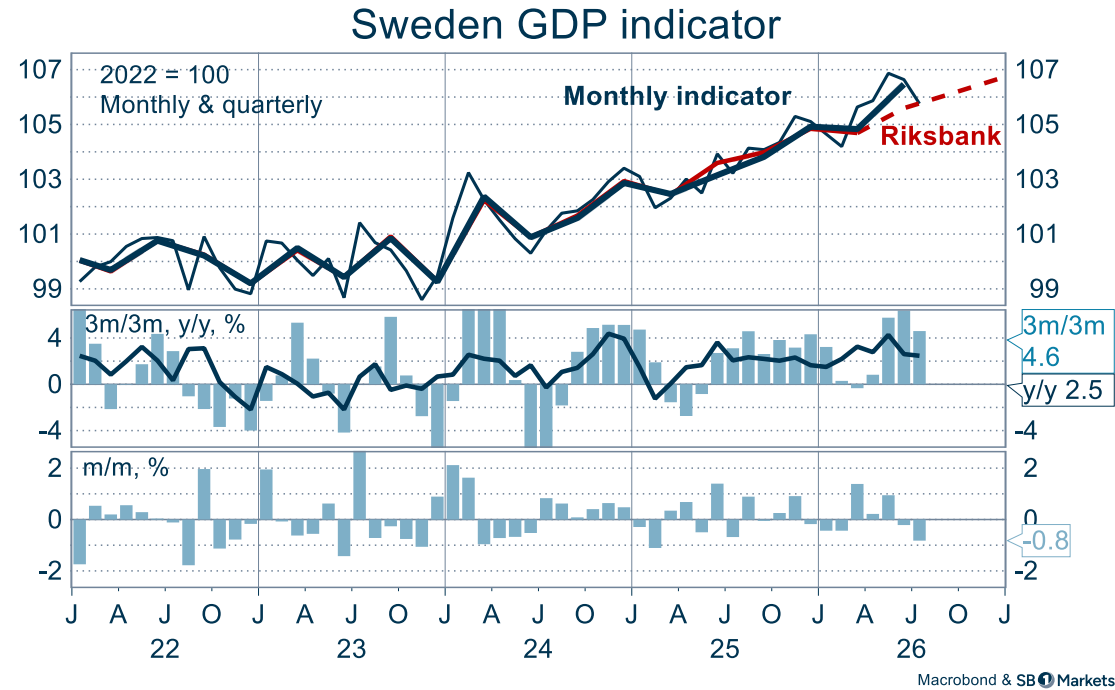
However, several other sectors report slow price increases. Just 4 sectors are up more than 2% y/y, 9 are below (of which 5 are down, of which 3 are 'subsidied').





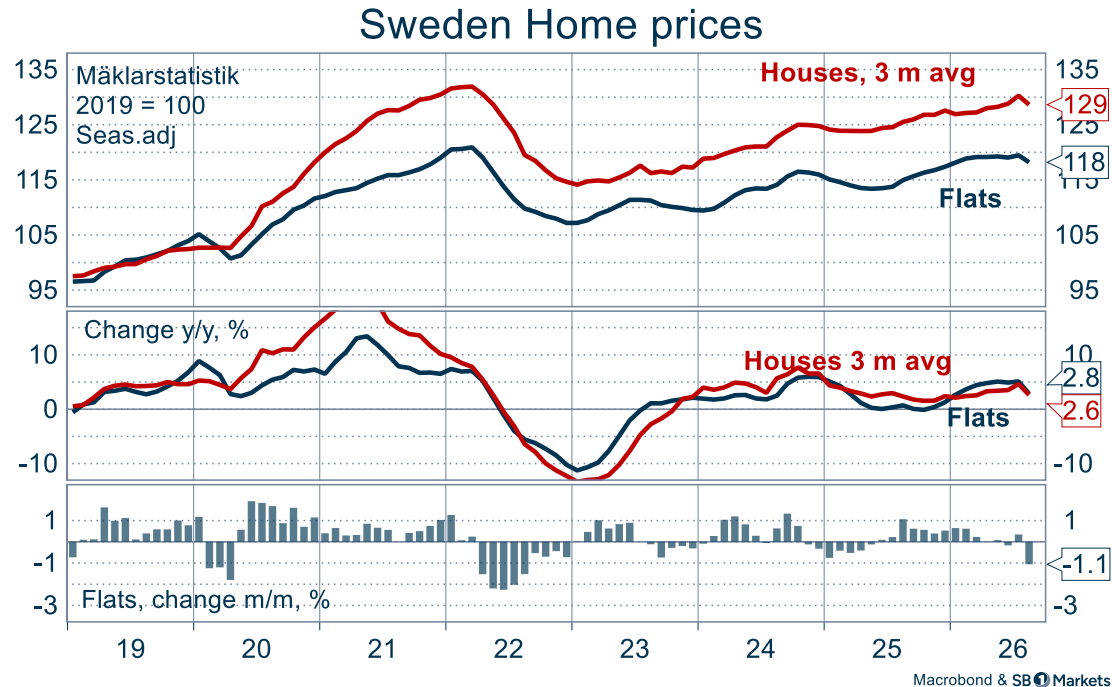
GDP fell 0.8% in July but grew at a 6.4% pace in Q2, and is up 2.8% y/y

Q2 GDP was well above Riksbank's forecast.



Housing prices fell in August, but July was revised upwards

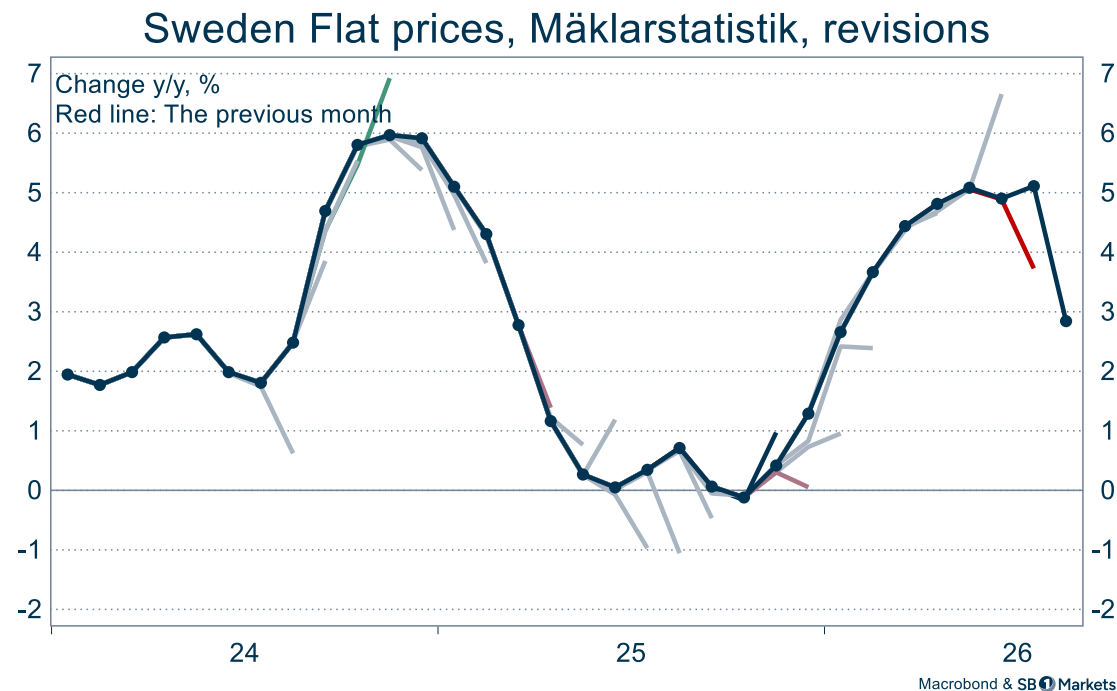
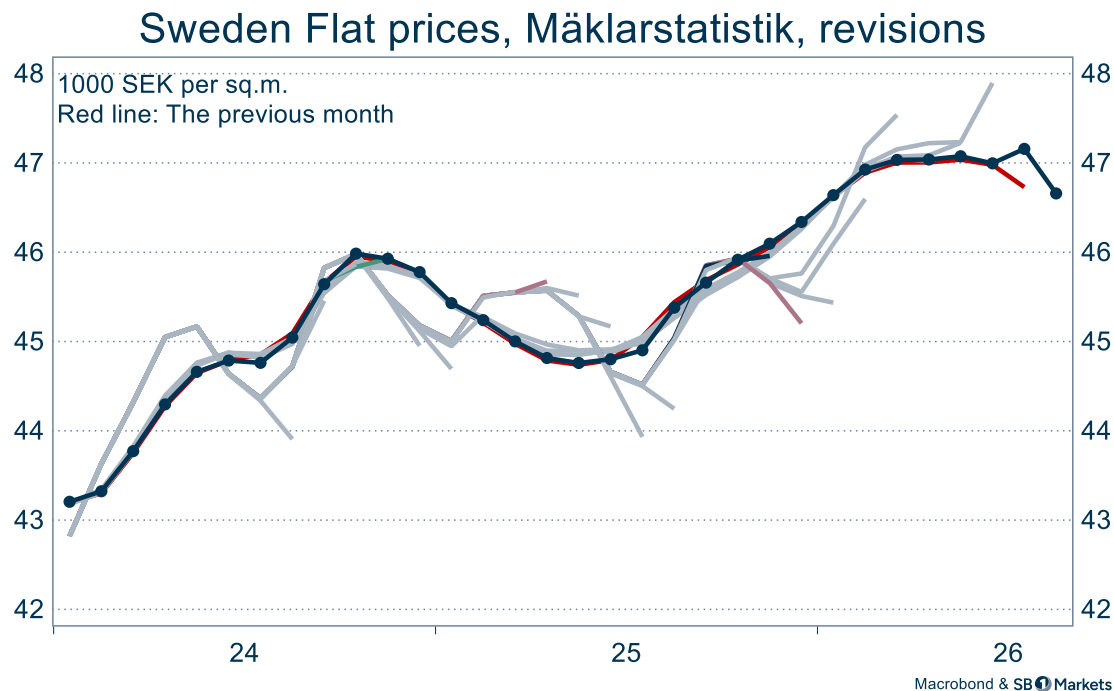
Flat prices fell 1.1% in August, but July was revised up to +0.3% from -0.5%. In sum, still on the weak side, and the annual growth rate fell to 2.8%, while single house prices also fell, and are up 2.6%. Regrettably, the last month is extremely uncertain, *check next page*



- **Flat prices** have at least flattened in recent months- Since the local bottom in 2022, we have been witnessing 3 smaller up- and downturns.
 - Just Stockholm prices falls sharply in August, which seems strange. An upward revision next month?
- **Single house prices** are still trending up, but fell in August, even measured as a 3 m average.
- Taken together, **housing prices** were fell 0.6% in August, measured as a 3 m average, and are up 2.7% y/y.
 - **Nominal prices** are down 1% from the early 2022 peak. **In real terms**, deflated by CPI, **prices are down 18%** – and they are back to the 2016 level – even if mortgage rates have fallen substantially from the 2023 peak
 - **Norwegian** real housing prices are down 5% from the peak.
- **Transaction volumes** have recovered to a normal level.
- **The inflow of existing homes for sale** has been trending down and is at a record low level.
- **The inventory of unsold homes** heads down but remains **above normal levels**.

Revisions, revisions. We hate them. But they are for real

Pretty large revisions are not unusual, especially around turning points.

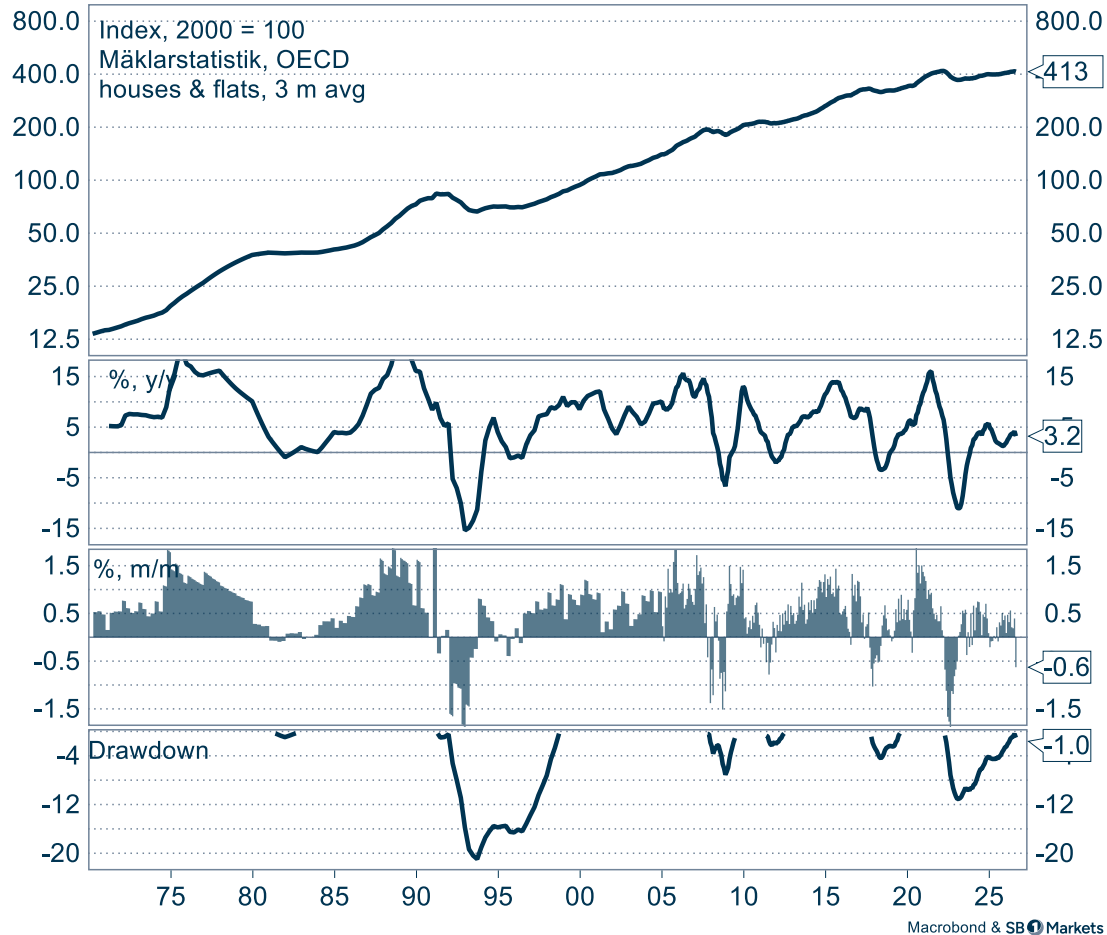




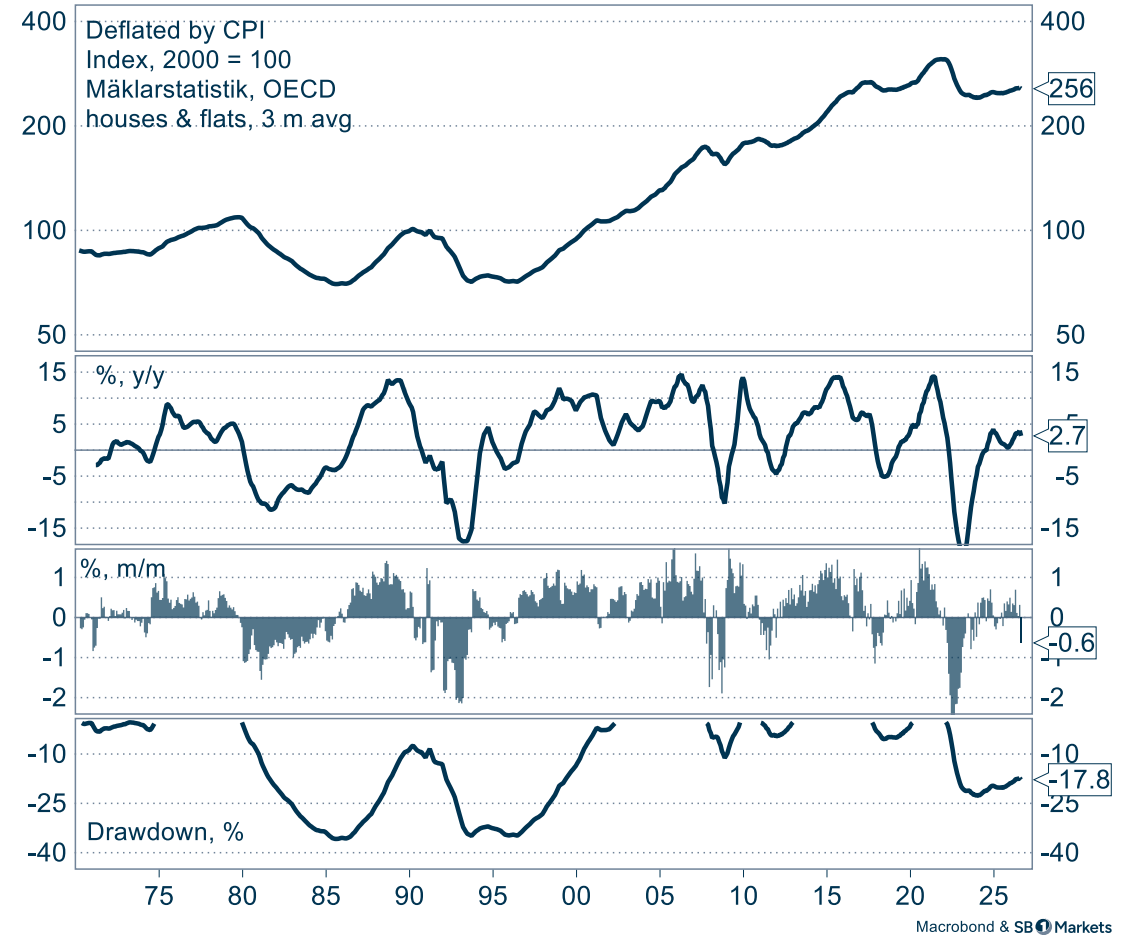
Nominal housing prices are down 1% from the 2022 peak. **In real terms, -18%!**

Real prices are the same as in 2016. The last downturn in prices is the 2nd largest in nominal terms, and the 3rd largest in real terms since 1970.

Sweden Housing prices



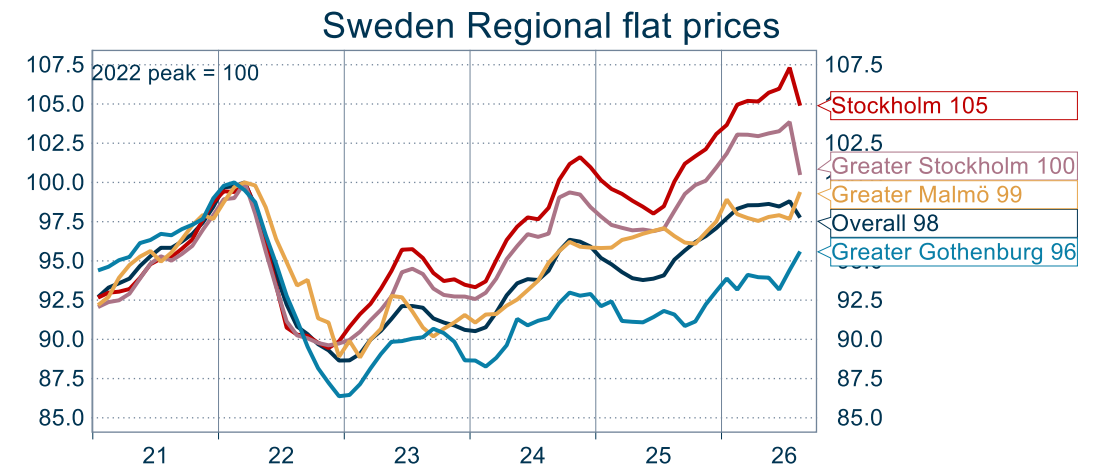
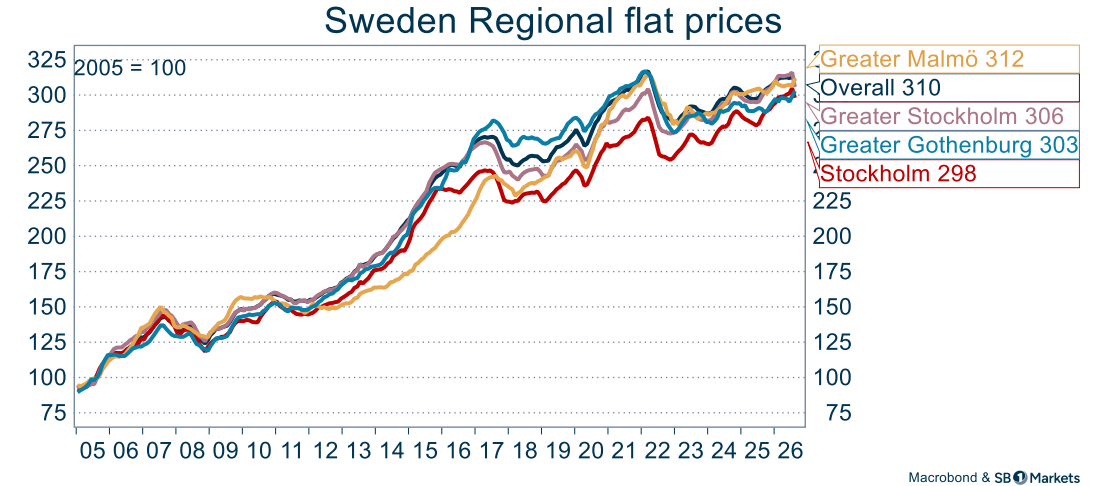
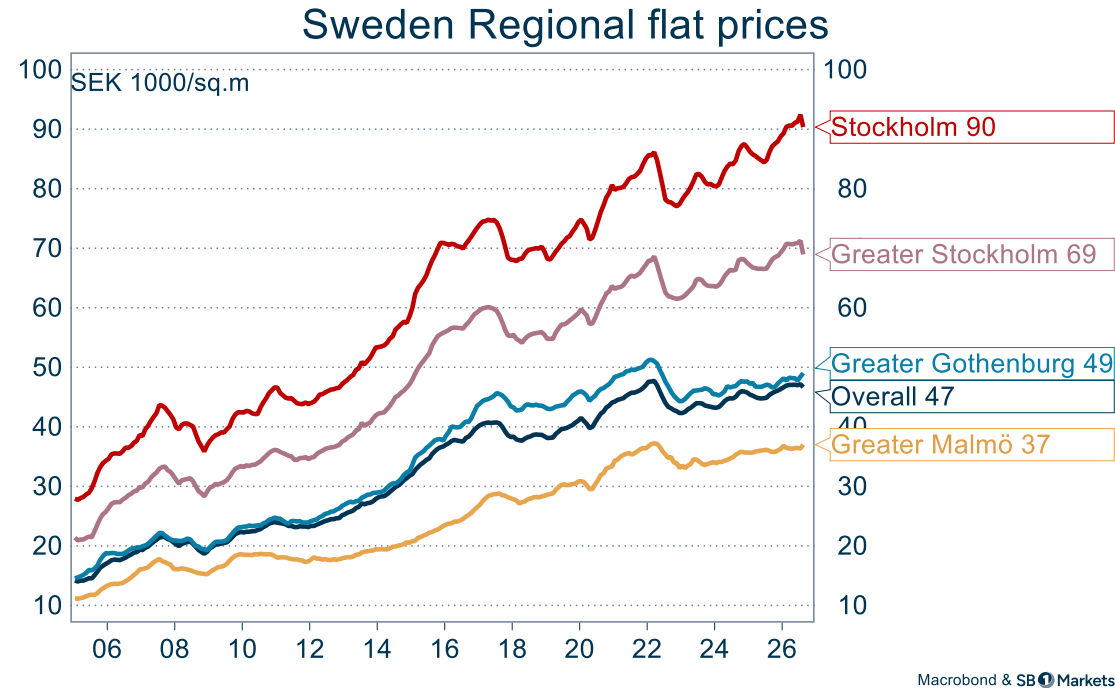
Sweden Real Housing prices





Just Stockholm prices fell in August, a bit strange? An upward revision seems likely

Stockholm still reports higher prices than the peak in 2022. The other main cities and all other (21) counties (län) barring Blekinge, report lower prices. Nominal prices are down more than 10% in 15 counties. Real prices are deep down from ATHs, everywhere, by up to 44% (Dalarna).

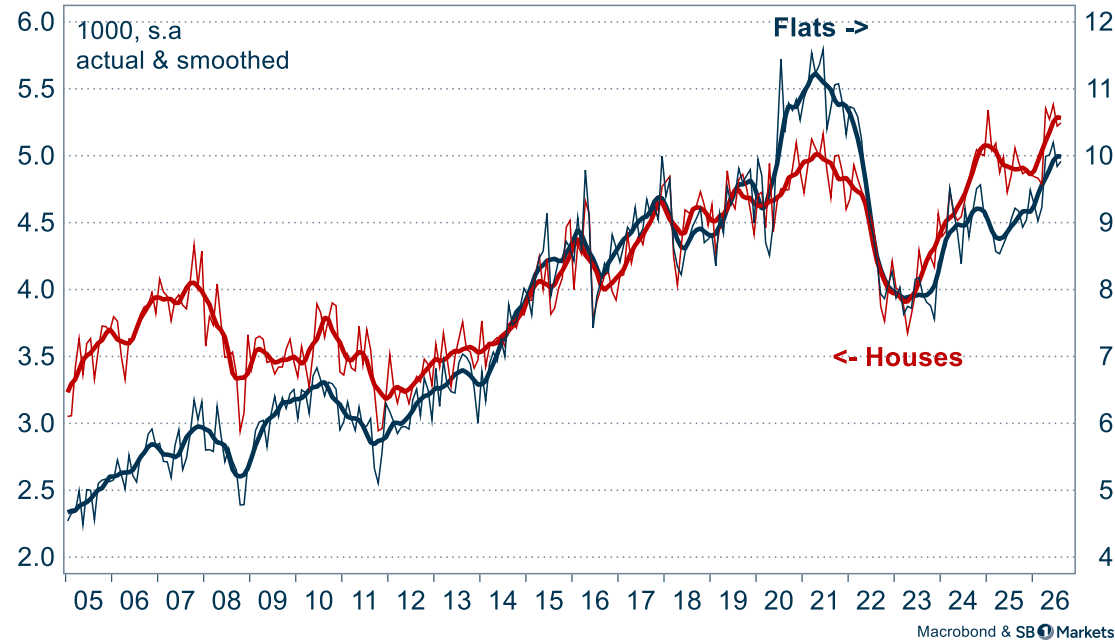




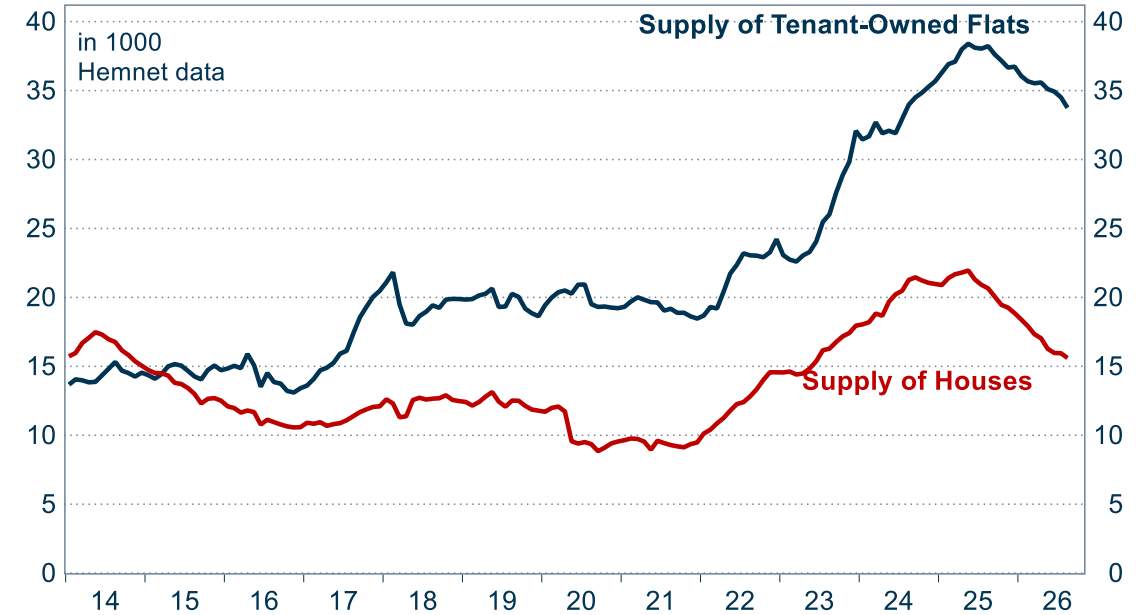
Sales volumes are surging, and the inventory is declining. **Good news**

The inventory trends down but the level is higher than normal. The supply of new (existing) homes for sale has fallen sharply the past year, contributing to a more balanced market (but may also indicate that the 'pipeline' of homes for sale, if prices should recover, is large).

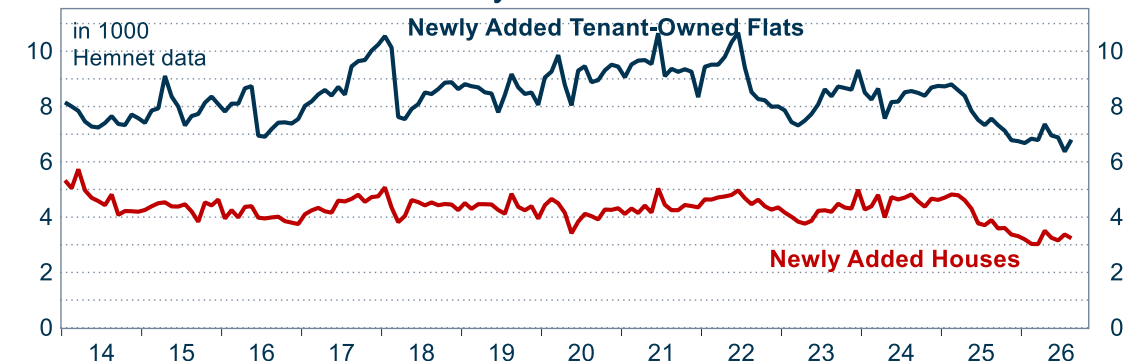
Sweden Real Estate Transactions



Sweden Existing homes for sale



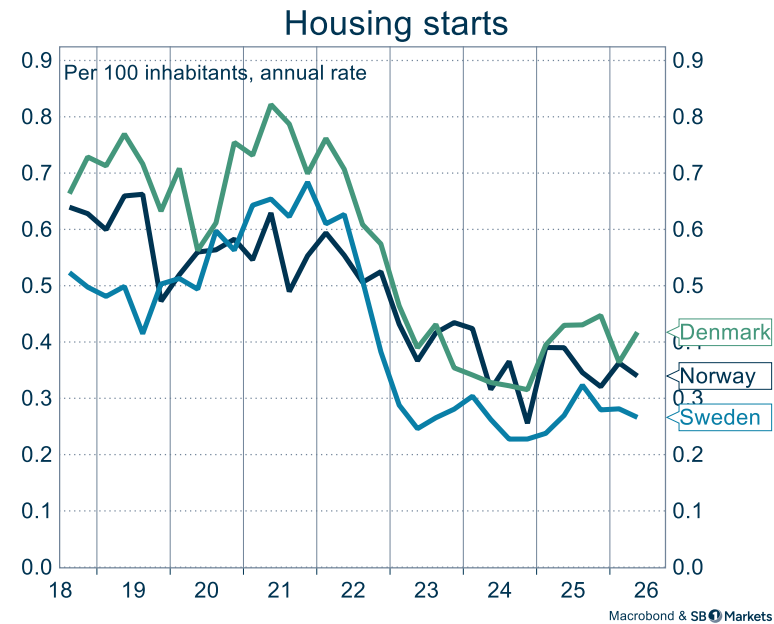
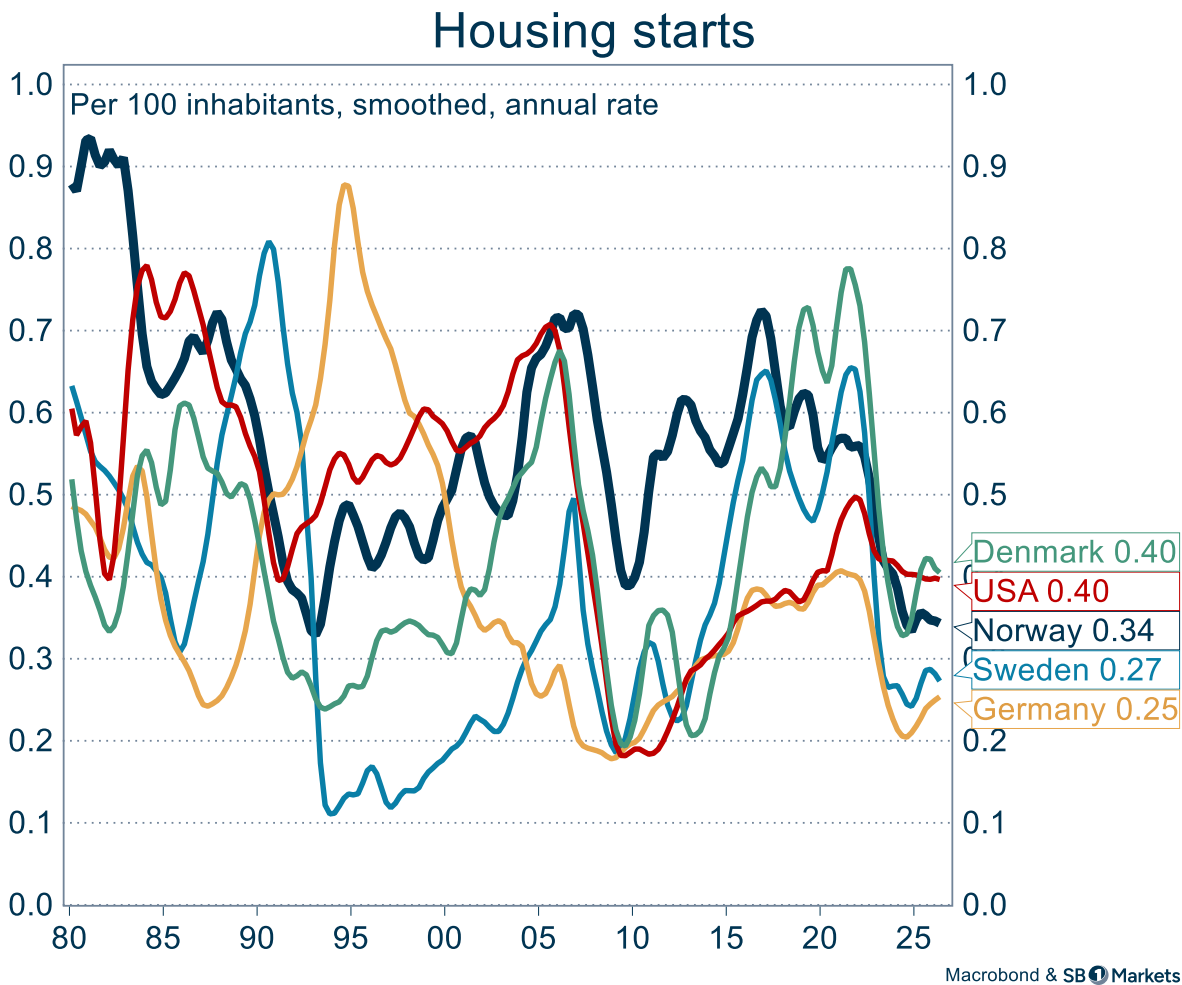
Sweden Newly added homes for sale





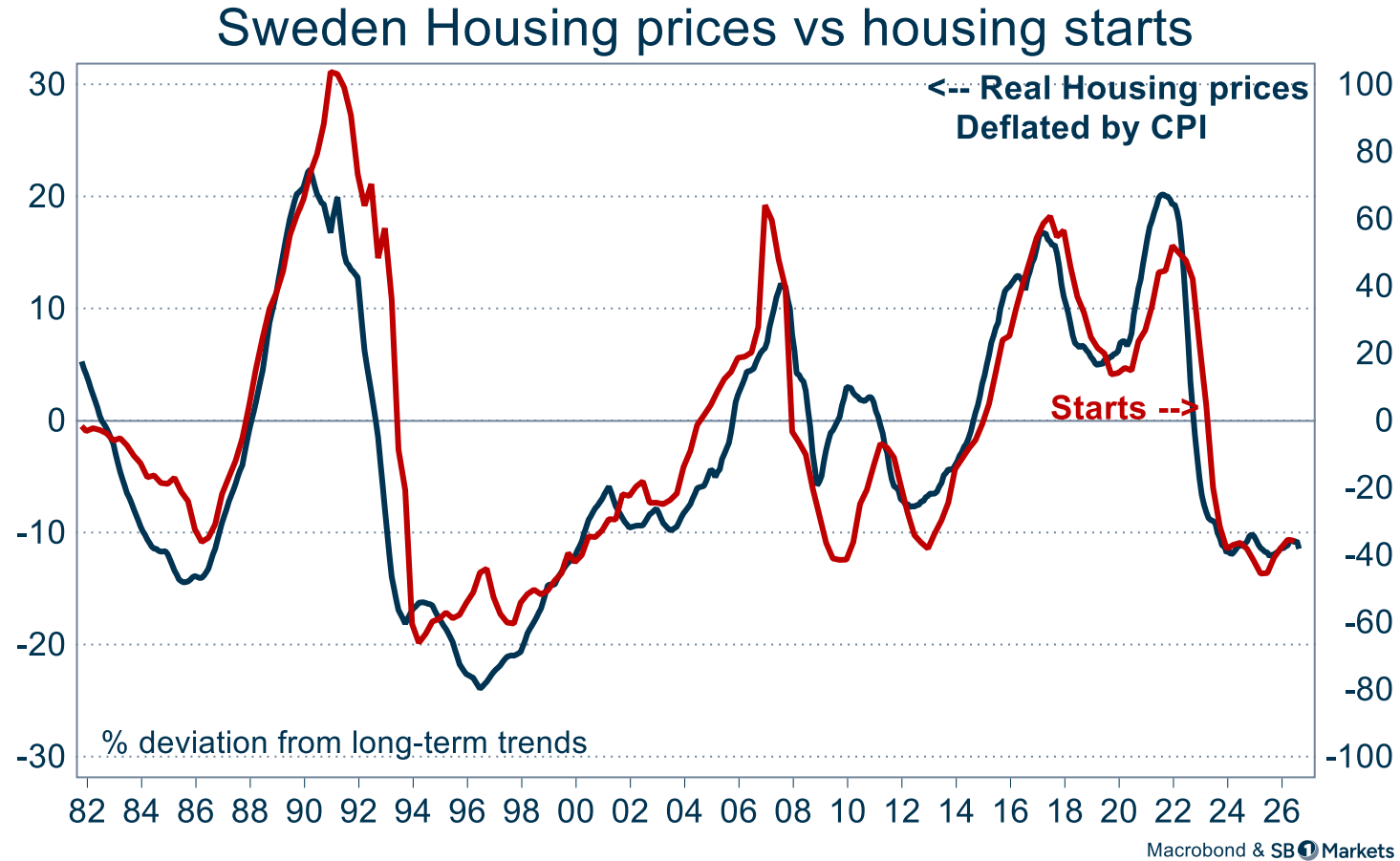
Swedish housing starts have turned marginally up, from a low level

Starts are up from the bottom in Denmark as well. Norwegian starts have just flattened. The setback was larger in both Denmark and Sweden than in Norway.



... and if prices keep rising, starts will very likely follow 😊

Starts lag prices by some 6 months.



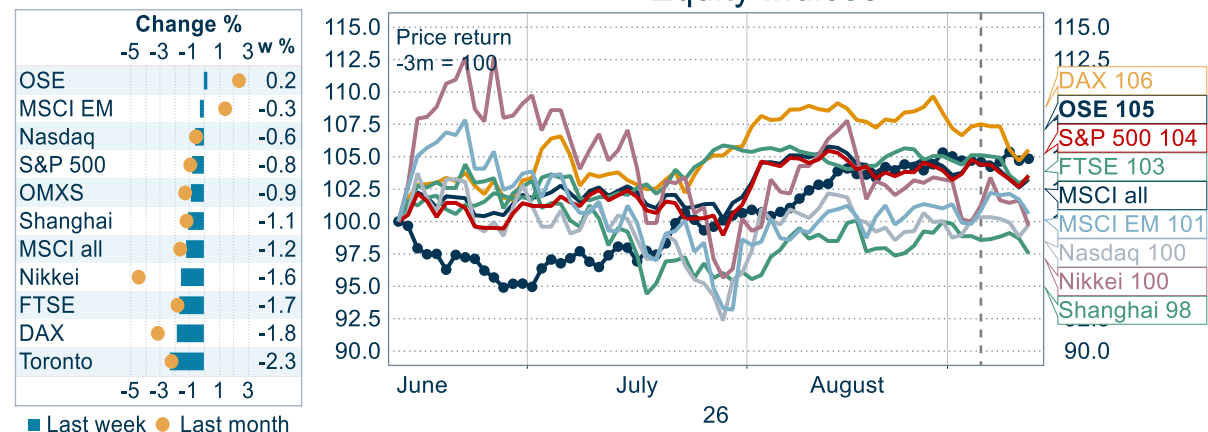


4. Financial Markets

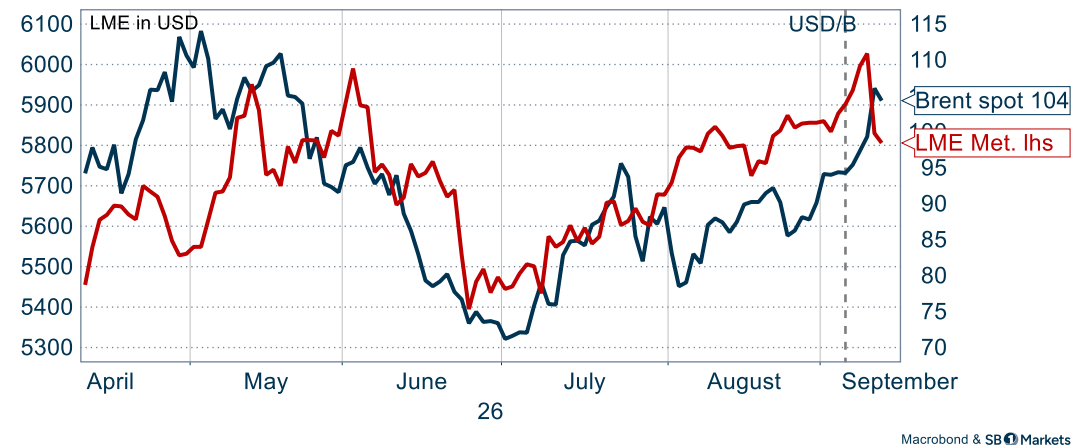
OSE the only equity market that survived last week's 'rate shock', thanks to oil & gas prices

Short term rates and bond yields were up by 15 – 30 bps abroad, but far less in Norway. Still the NOK appreciated further, supported by the energy prices. JPY was even stronger, last week & last month. Both the USD and EUR was flat. Metal prices fell visibly.

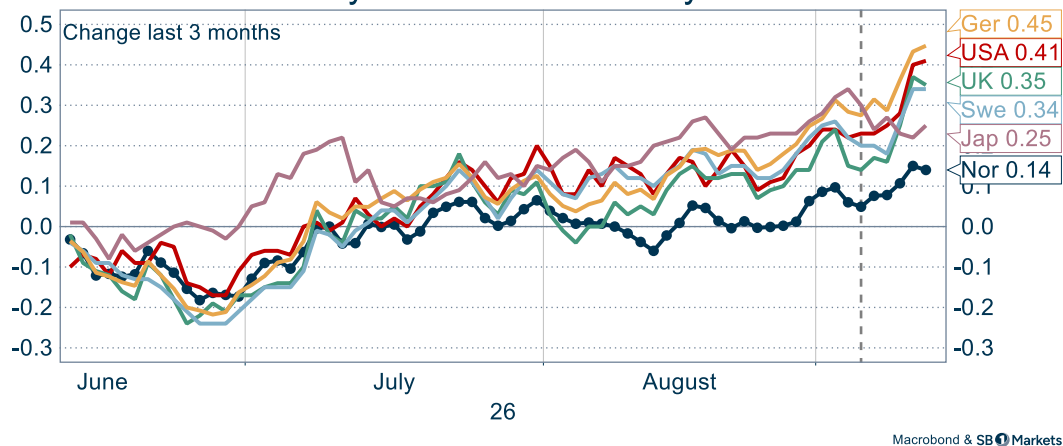
Equity Indices



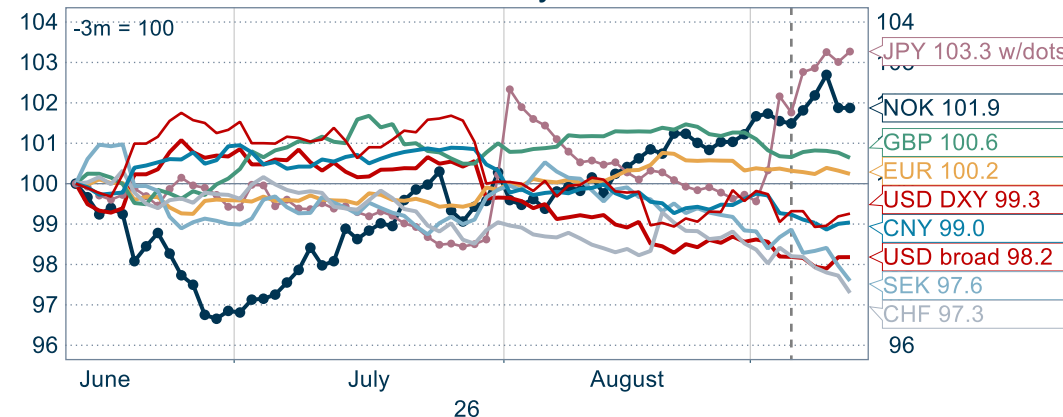
Oil vs. metals



10 y Government bond yields



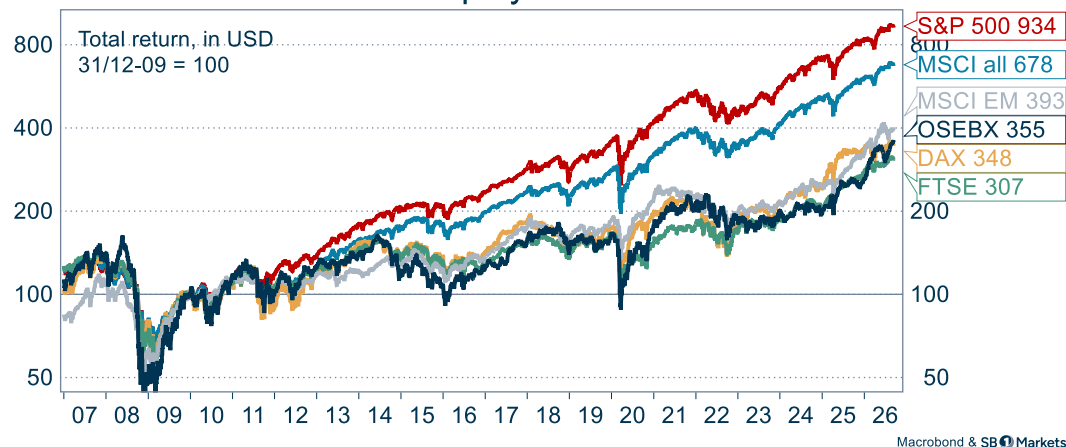
Currency indices



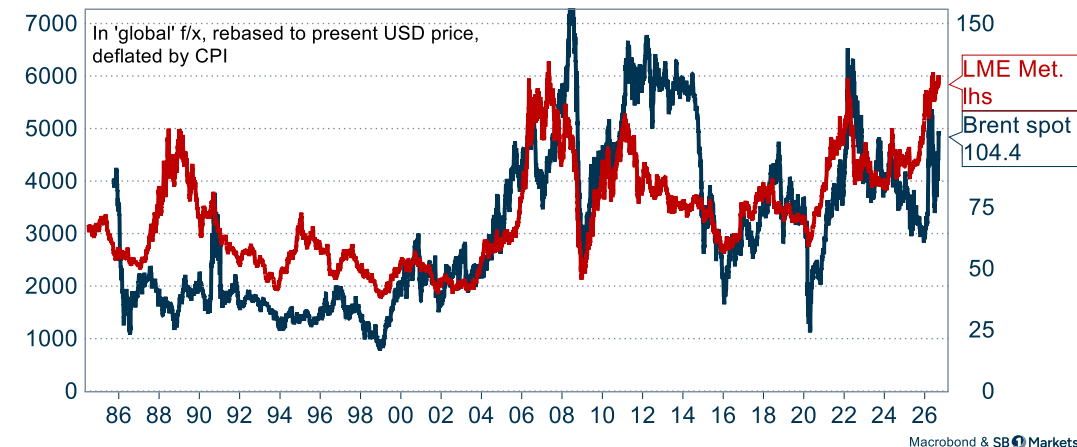
Big picture: Equity markets, bond yields and metal prices are on the way up

JPY is the main FX loser, and the USD was the winner until early 2025 (with the CHF). NOK has recovered substantially so far in 2026. The oil price rose to a normal (20y real USD) level last week.

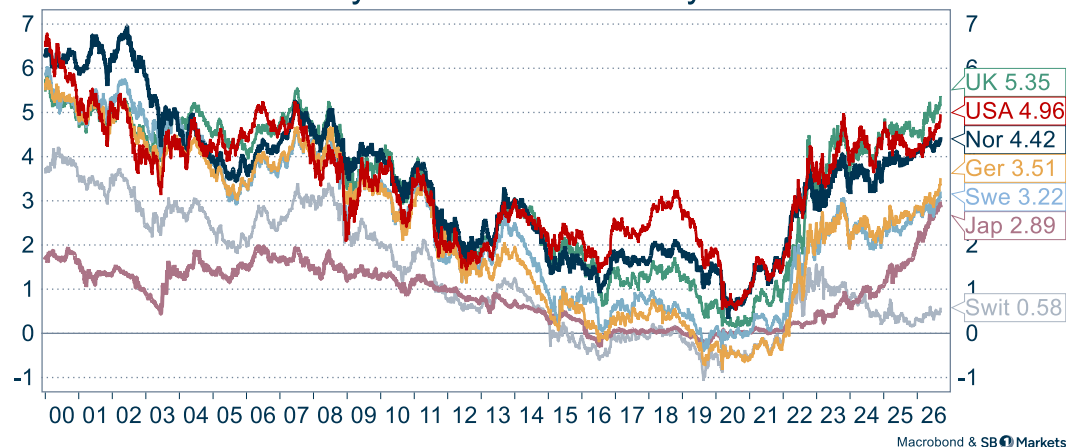
Equity Indices



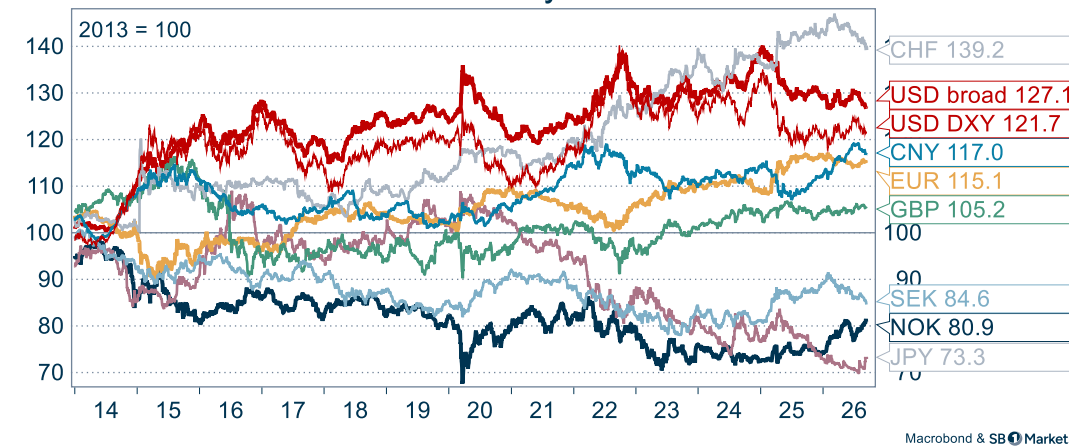
Oil vs. metals



10 y Government bond yields



Currency indices

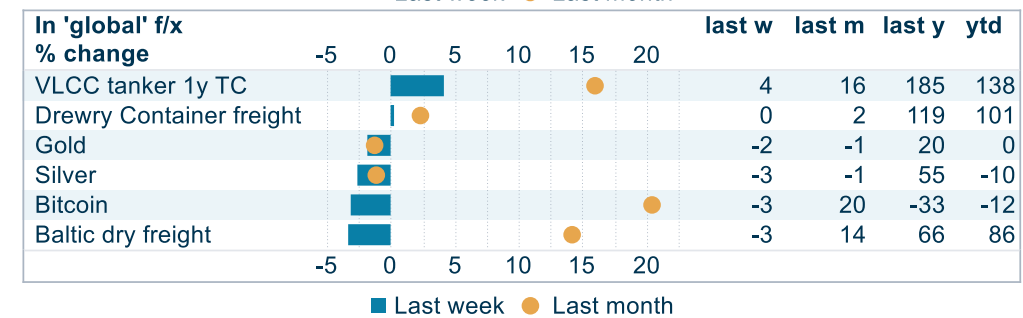
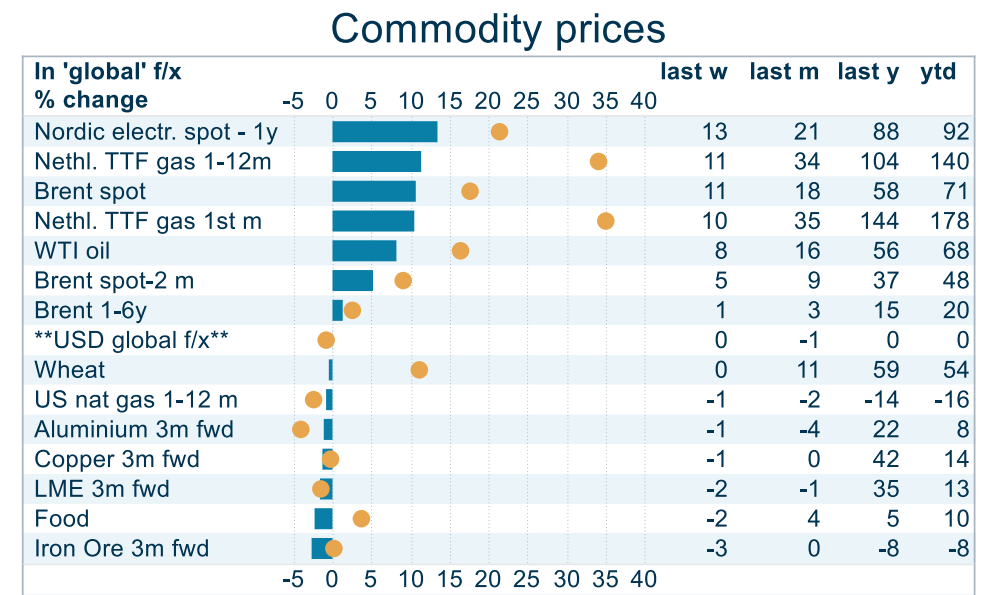
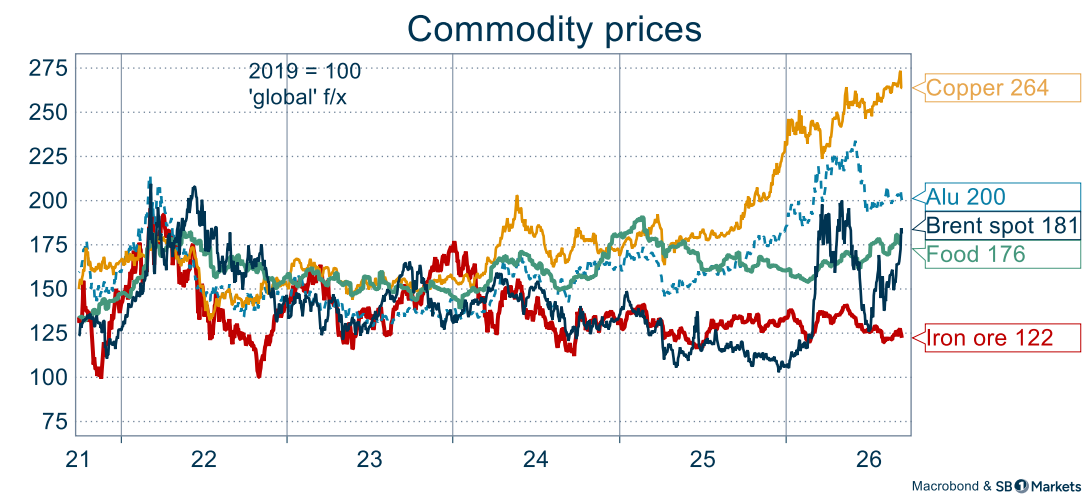
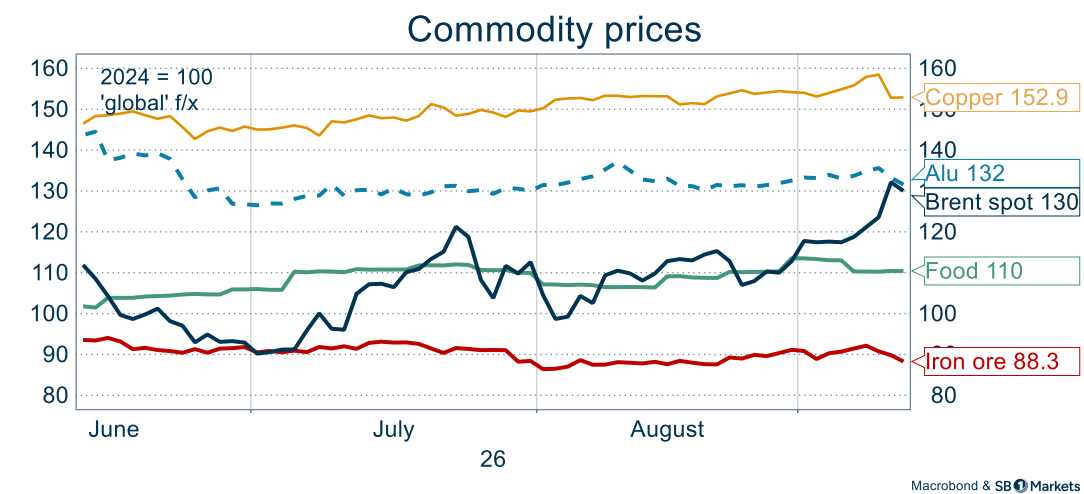




4.1 Commodities

Commodity prices: oil and gas prices turned up again, metal prices finally yielded

The oil price rose most in the short end of the curve on supply worries. Nordic electricity prices followed European gas prices up. The LME metal index is also down last month as are precious metal. Freight rates were mixed but all are at high levels.

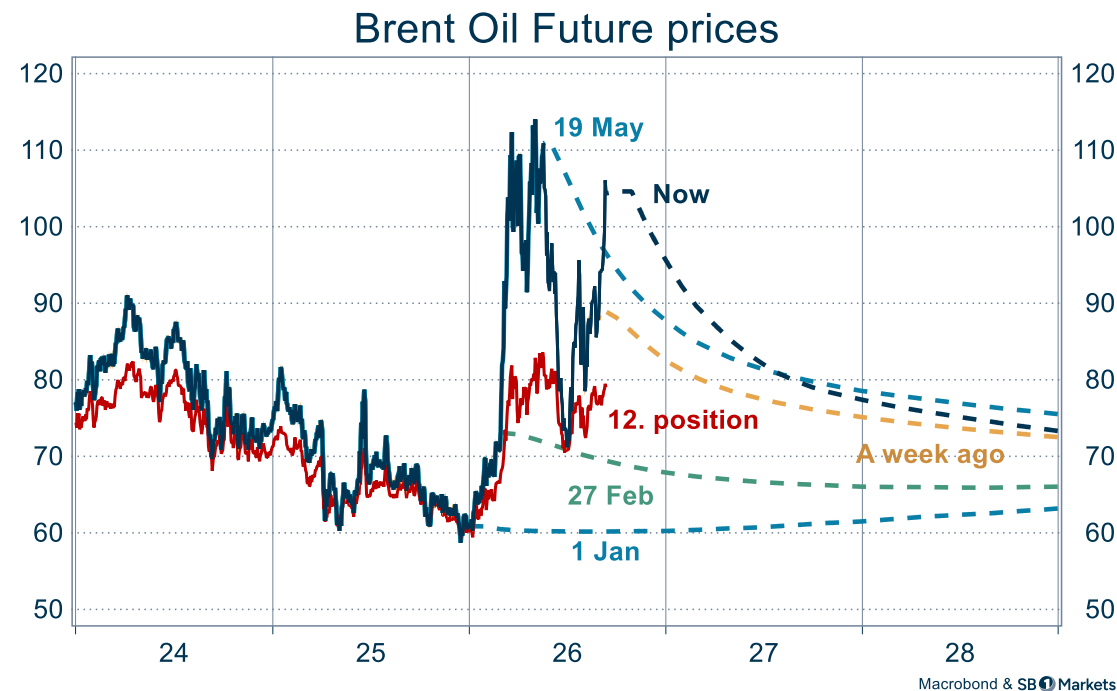
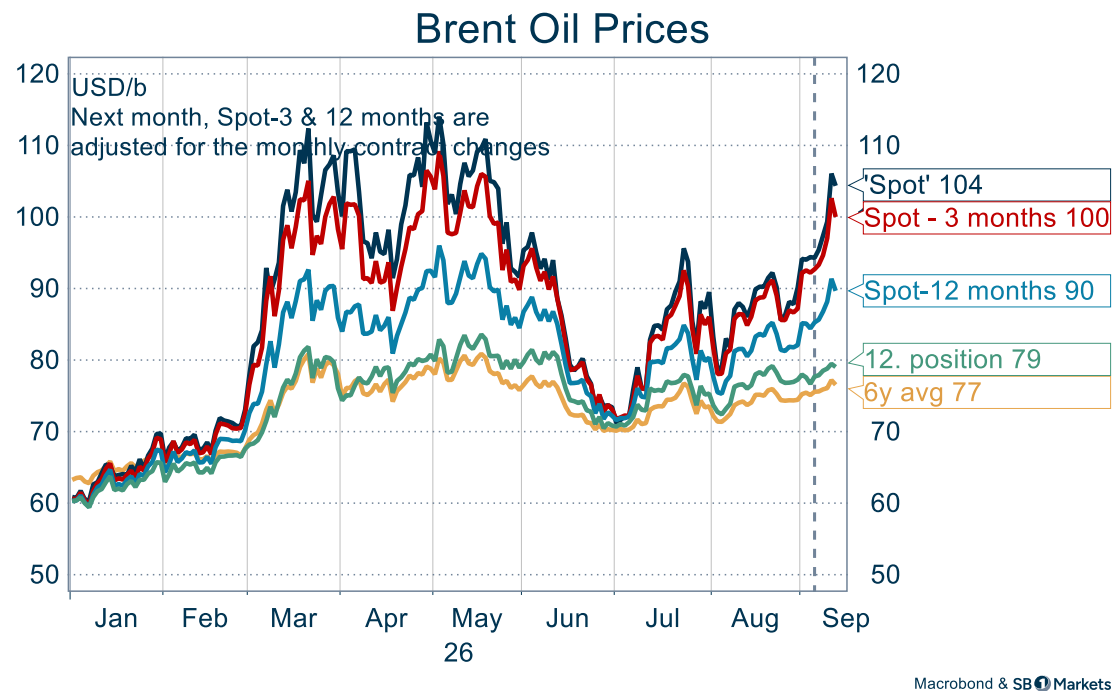


Macrobond & SB Markets

Prices in a 'global' FX measure. We have divided the table on the right into two sections, with the lower part showing the (normally...) most volatile elements.

Oil prices: The short end of the oil price curve shot up on bad news from the Gulf

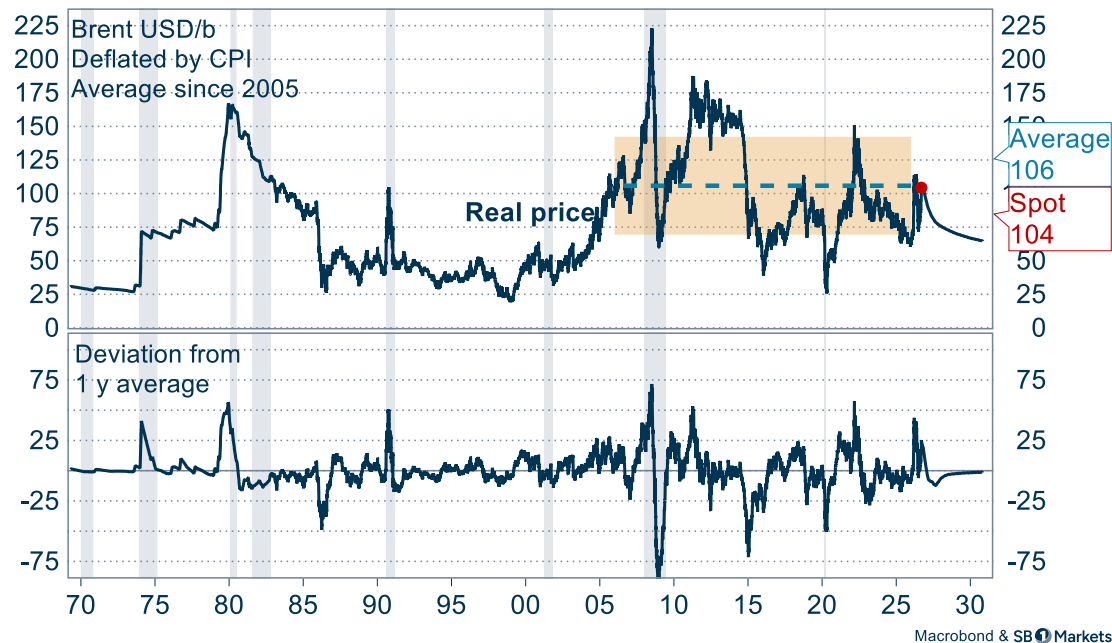
Ships are hit, traffic is down, and the Saudi eastward pipeline was bombed and closed, and spot Brent rose to USD 104/b. (Dated North Sea prices, for immediate delivery, reached USD 120/b.)



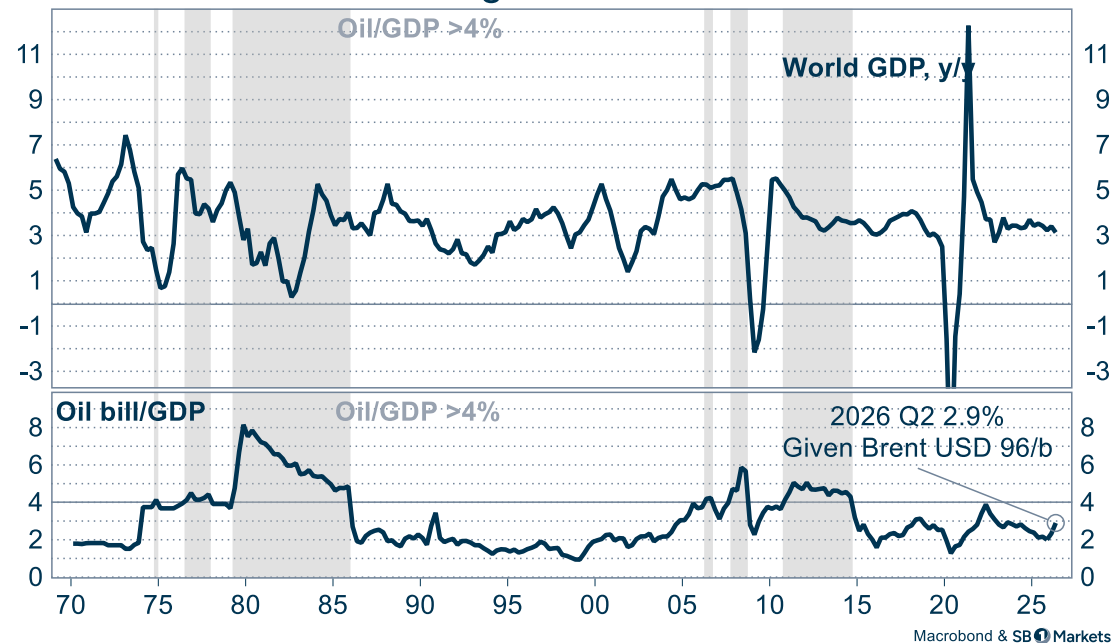
The current oil spot price is *rose to the 20y real price average*

Over the long term, oil consumption has consistently declined relative to GDP, leading to a notable reduction in oil dependence. At current price levels, oil does not pose a significant cost issue.

The Real Oil Price

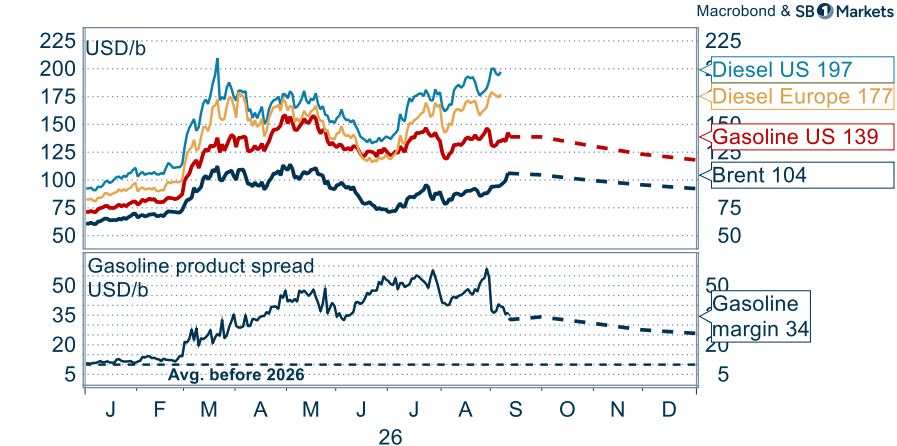
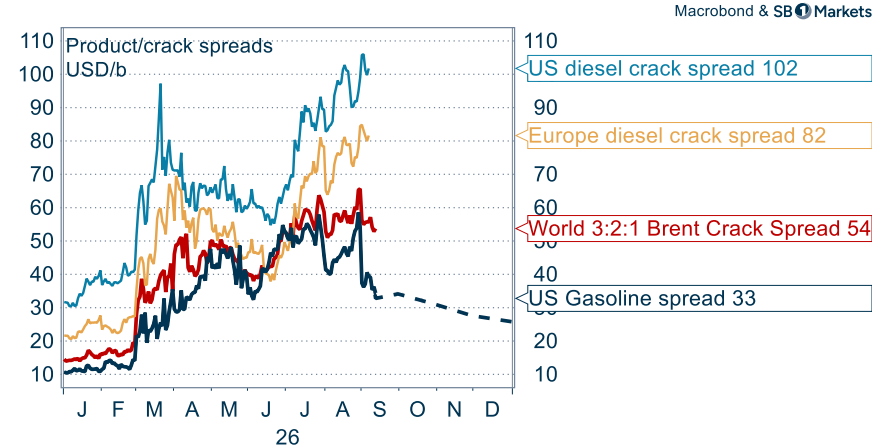
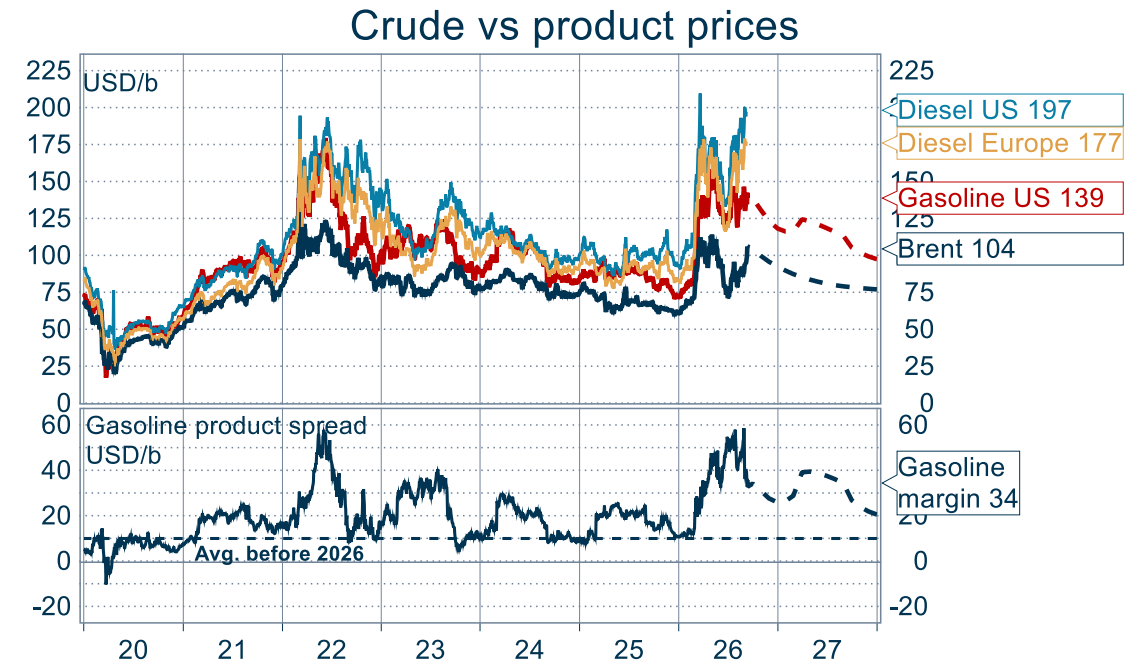
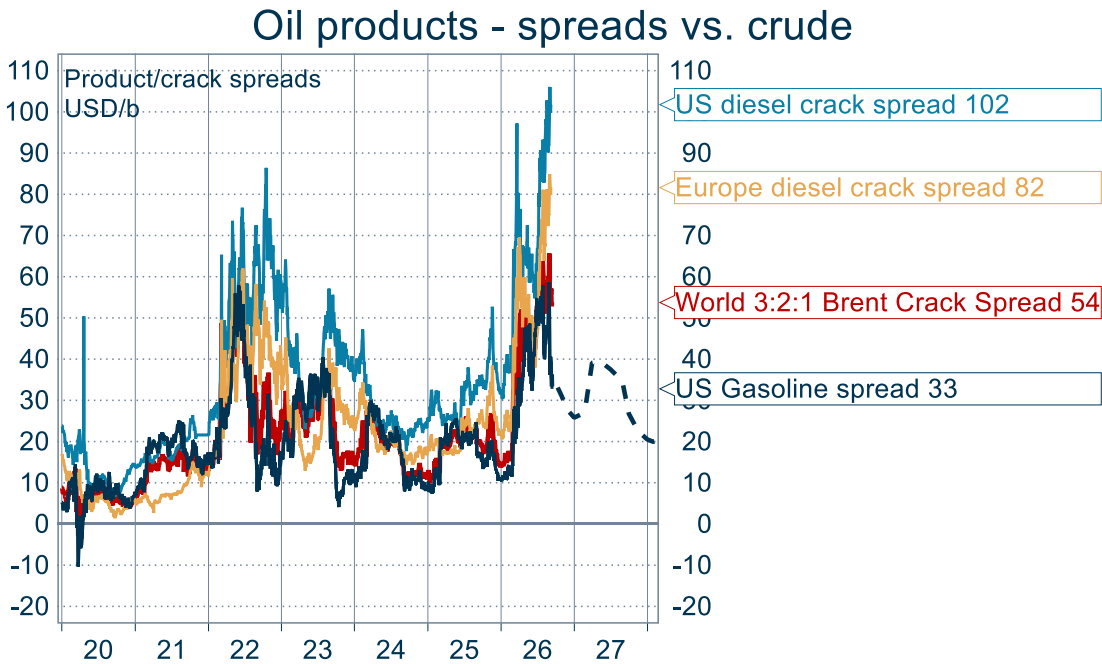


World GDP growth vs the 'oil bill'



Oil products: spreads have peaked

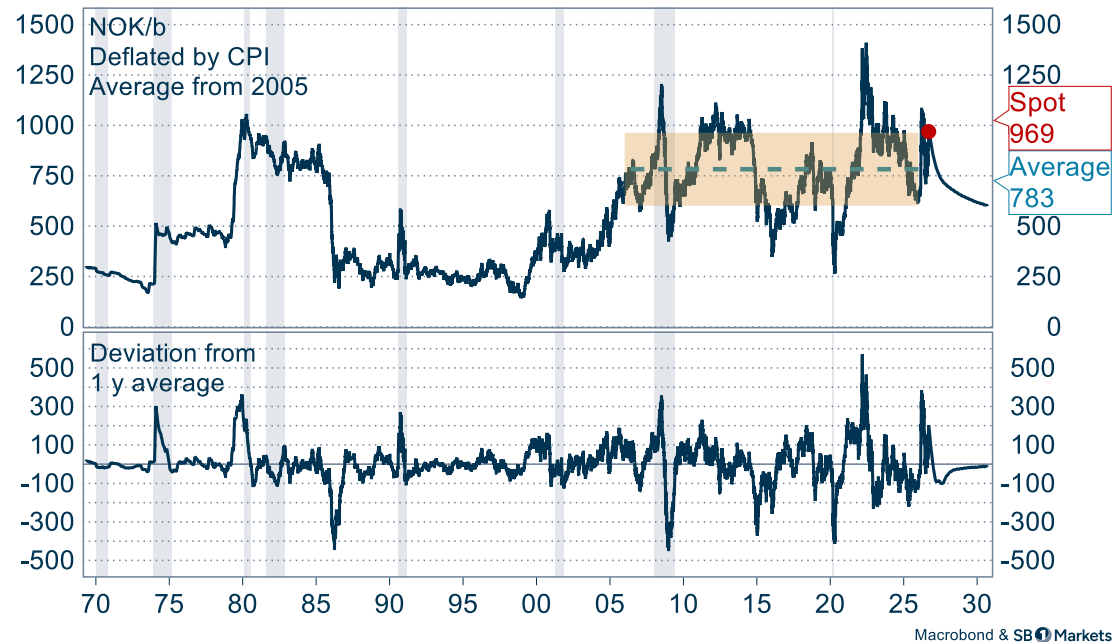
The US NYMEX gasoline spread narrowed by almost USD 30/b to 33/b last week, and the forward curve lands below USD 30/b at year-end. The world average crack spread is down as well (our US and Europe diesel spreads are not updated).



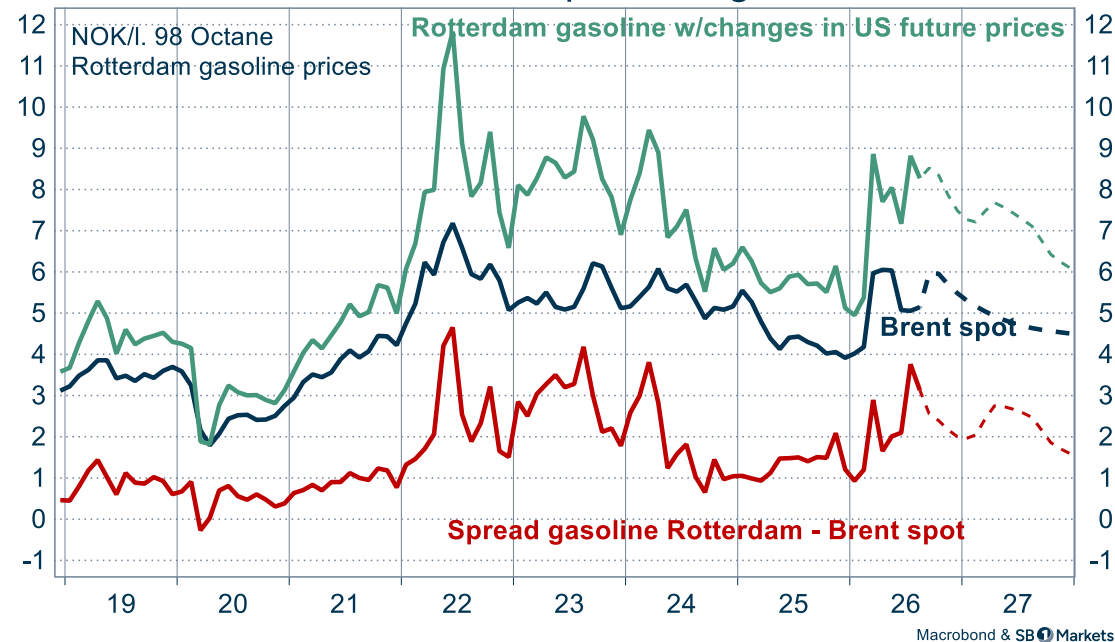
Measured in a weak NOK, the real oil price is not far above the 20y average

Gasoline prices (fob refineries) have not fallen alongside the oil price recently, as refinery ('crack') margins are wider than normal (and some product spreads are higher than the gasoline spread). However, futures prices point towards a rapid normalisation in the coming months.

The Real NOK Oil Price



Brent vs. market price on gasoline

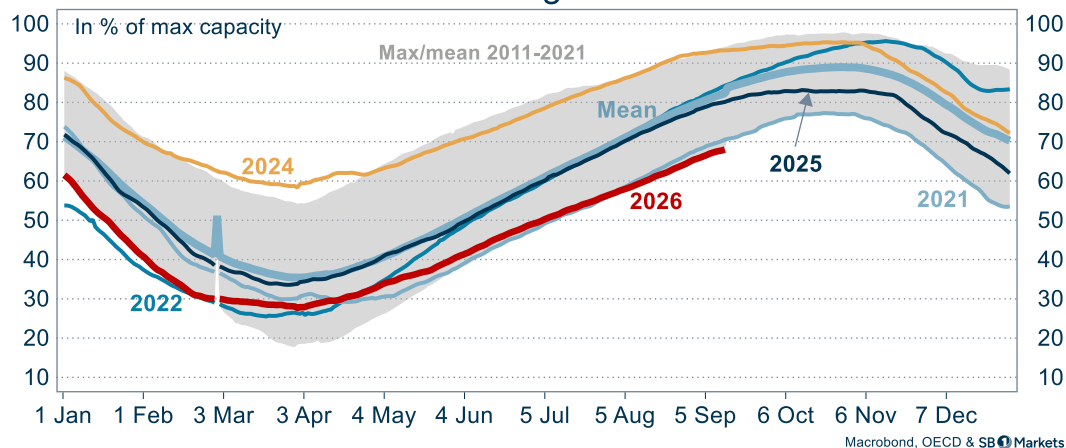


European natural gas stocks are record-low, and prices are rapidly on the way up

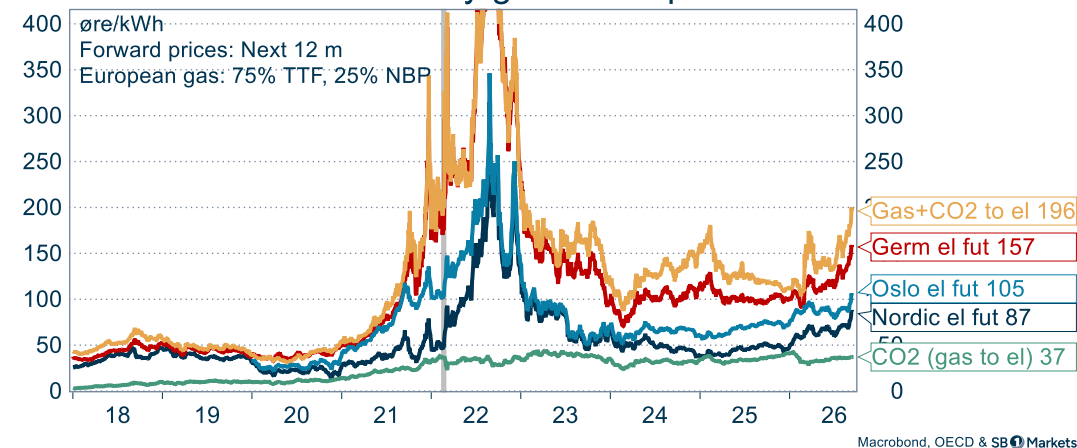
The fill rate is still slower than normal. **A clear warning sign.** European gas prices are 10x higher than in the US.

Nordic electricity prices are following gas prices upwards.

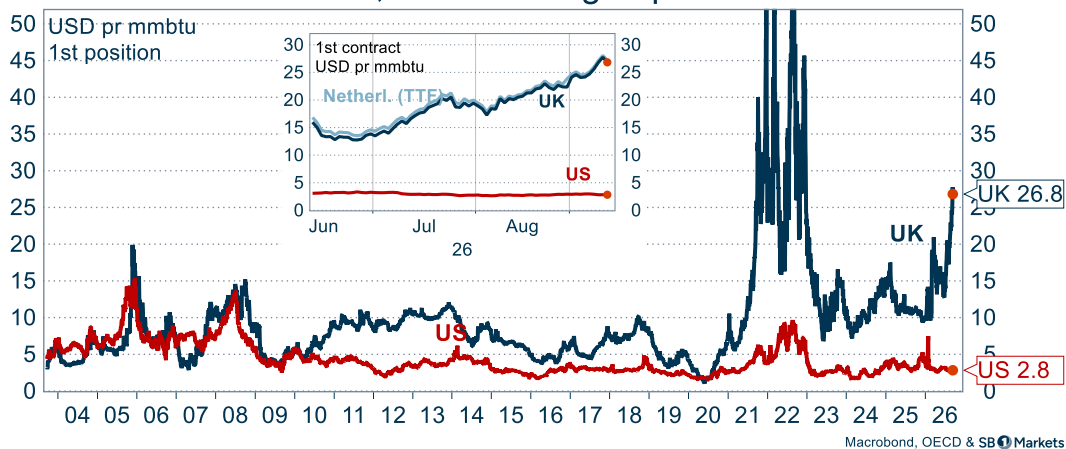
EU natural gas stocks



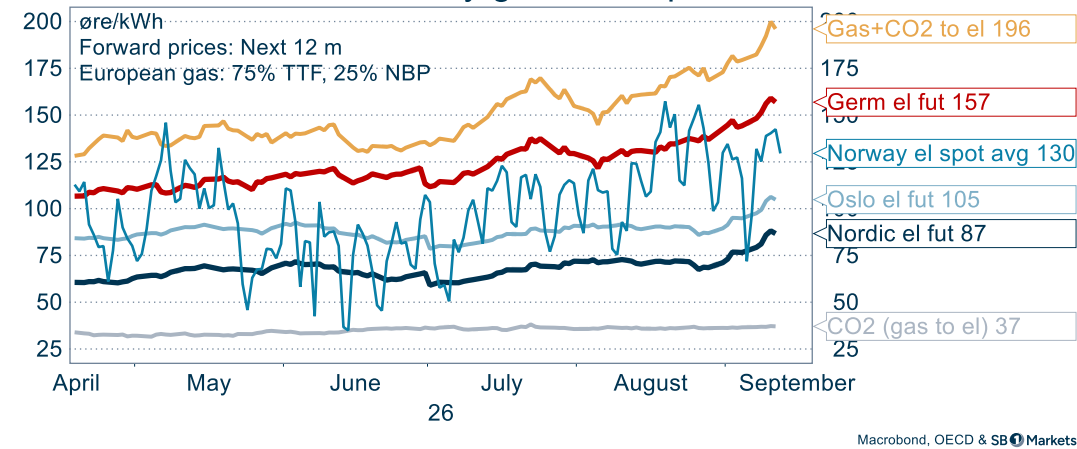
Electricity/gas future prices



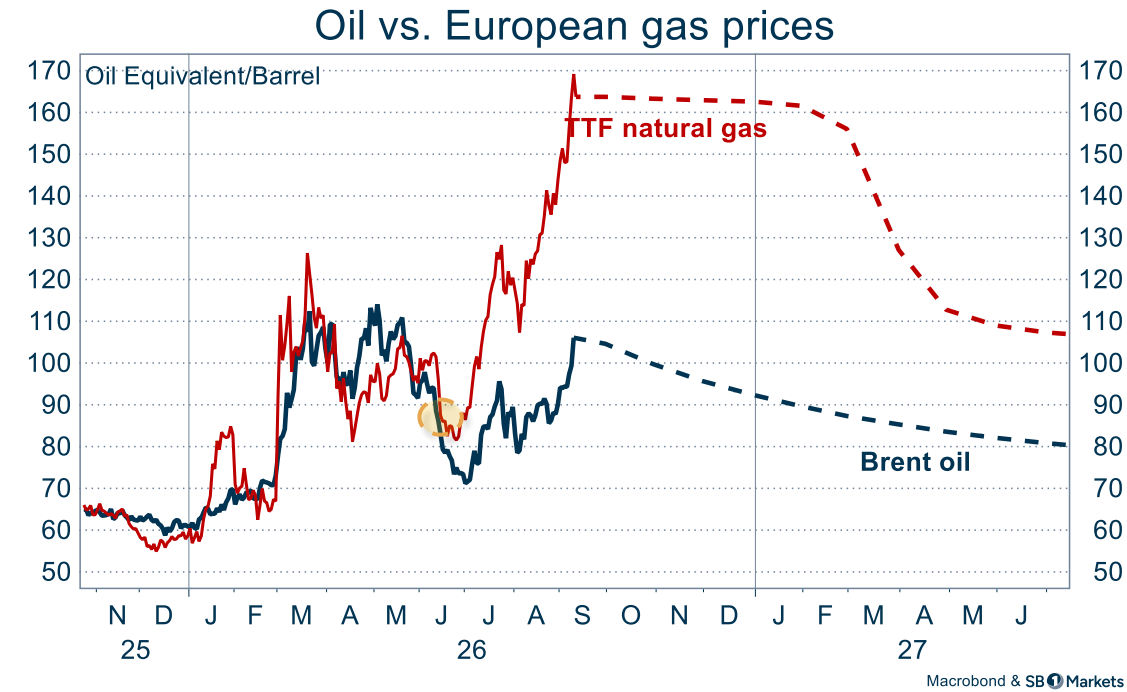
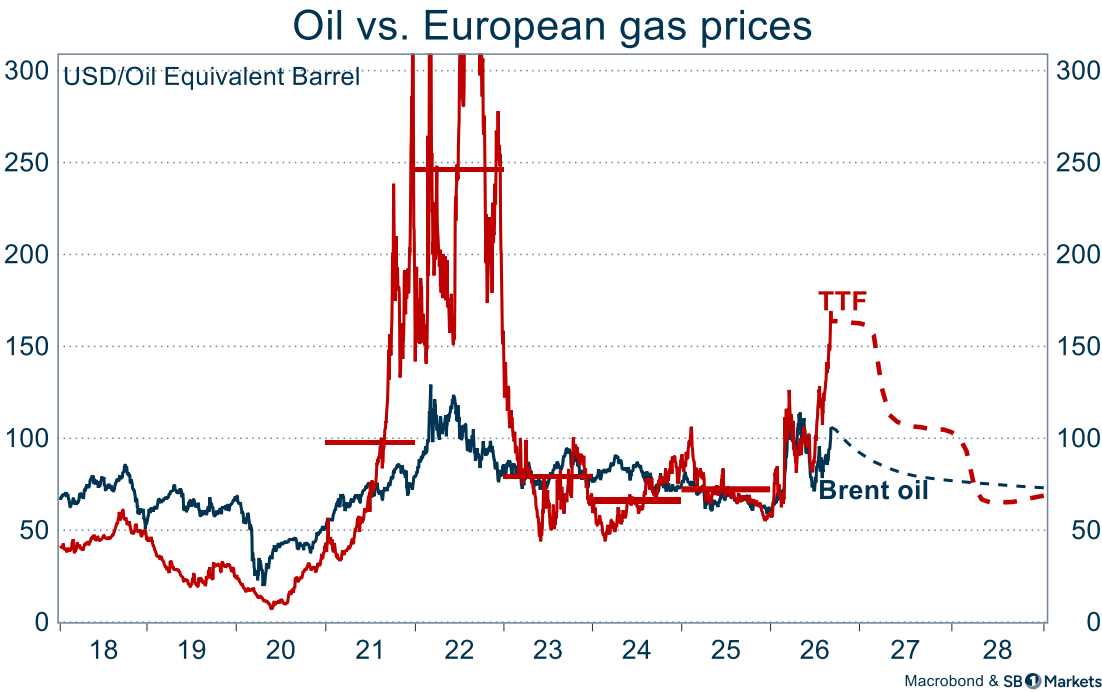
UK, US natural gas prices



Electricity/gas future prices



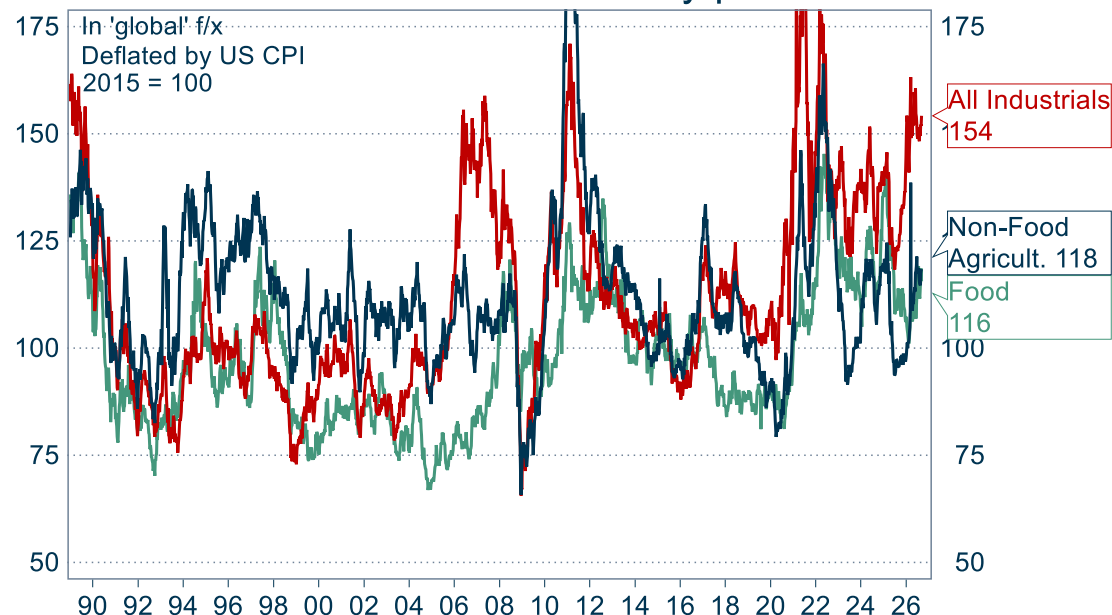
Gas prices shot up last week and have doubled from the June level



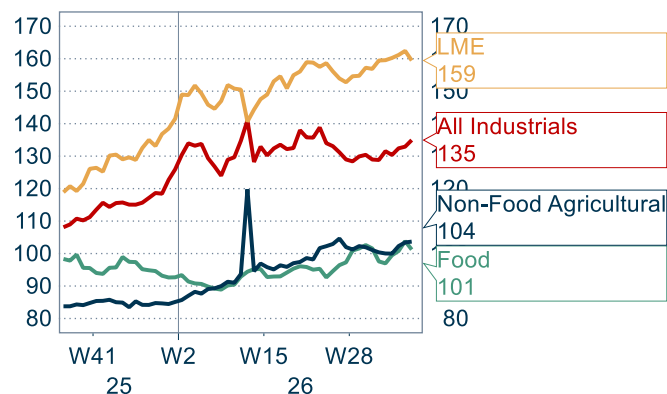
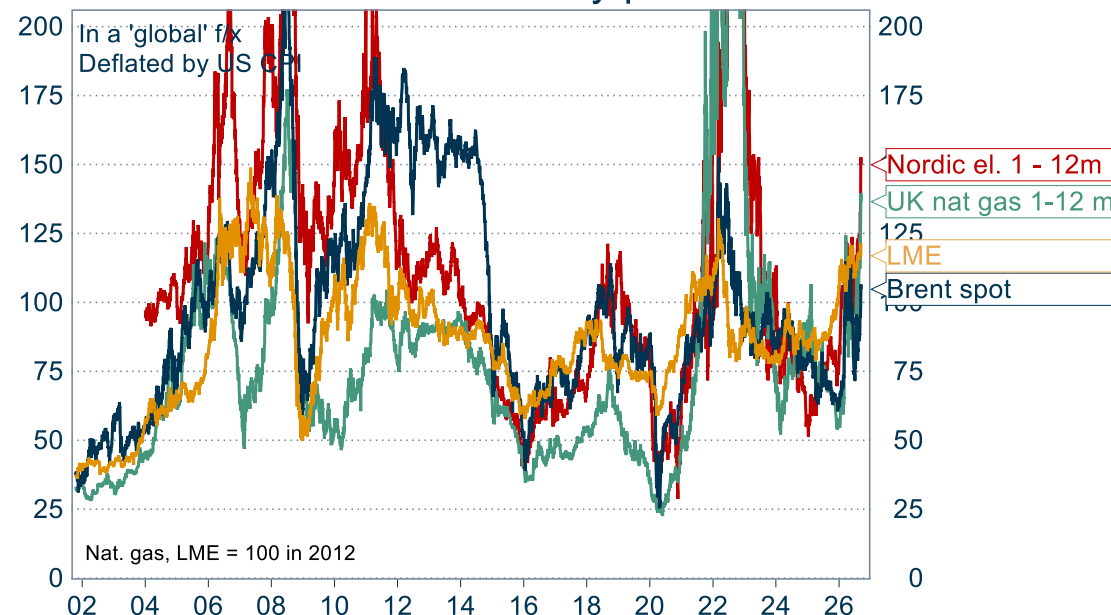
Big picture: industrial commodities far above normal levels, have flattened in 2026

Food prices have been trending down since the war in Ukraine started but are up 10% since the Gulf war started. Non-food agricultural prices are up 20% so far in 2026. Industrial materials are in total at a high level, driven by metals. **Taken together, still some inflationary signals.**

The Economist - commodity price indices

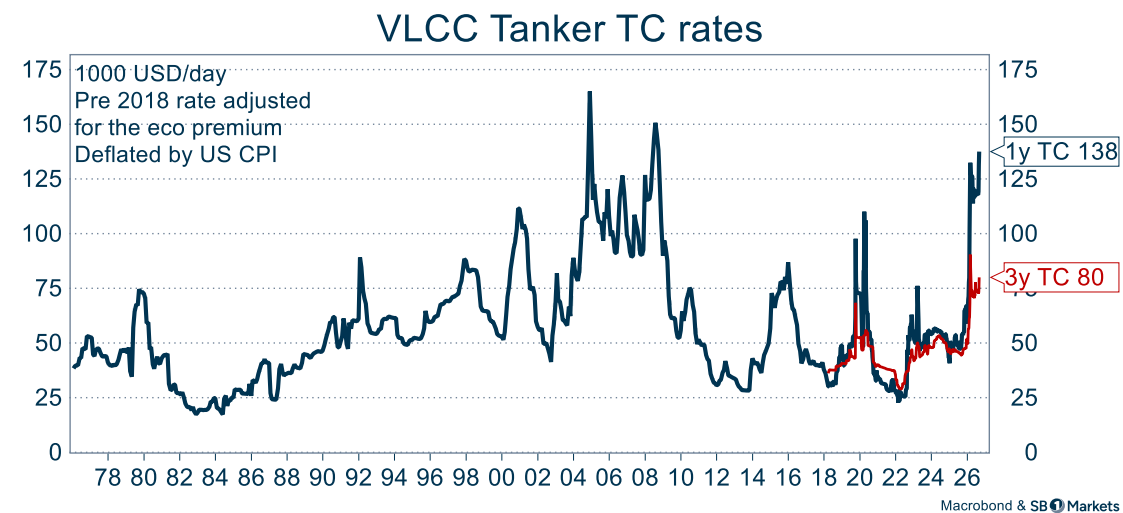
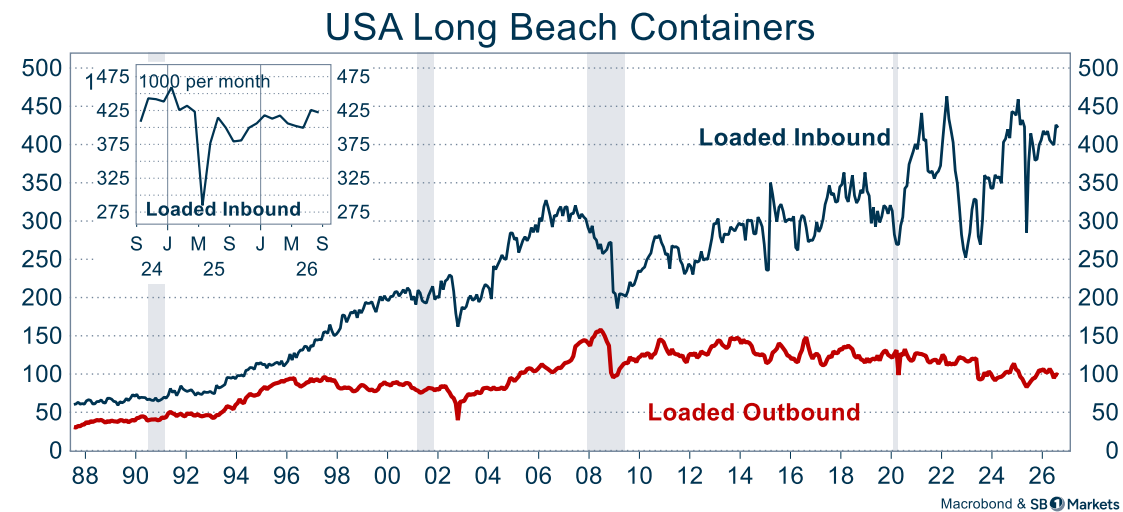
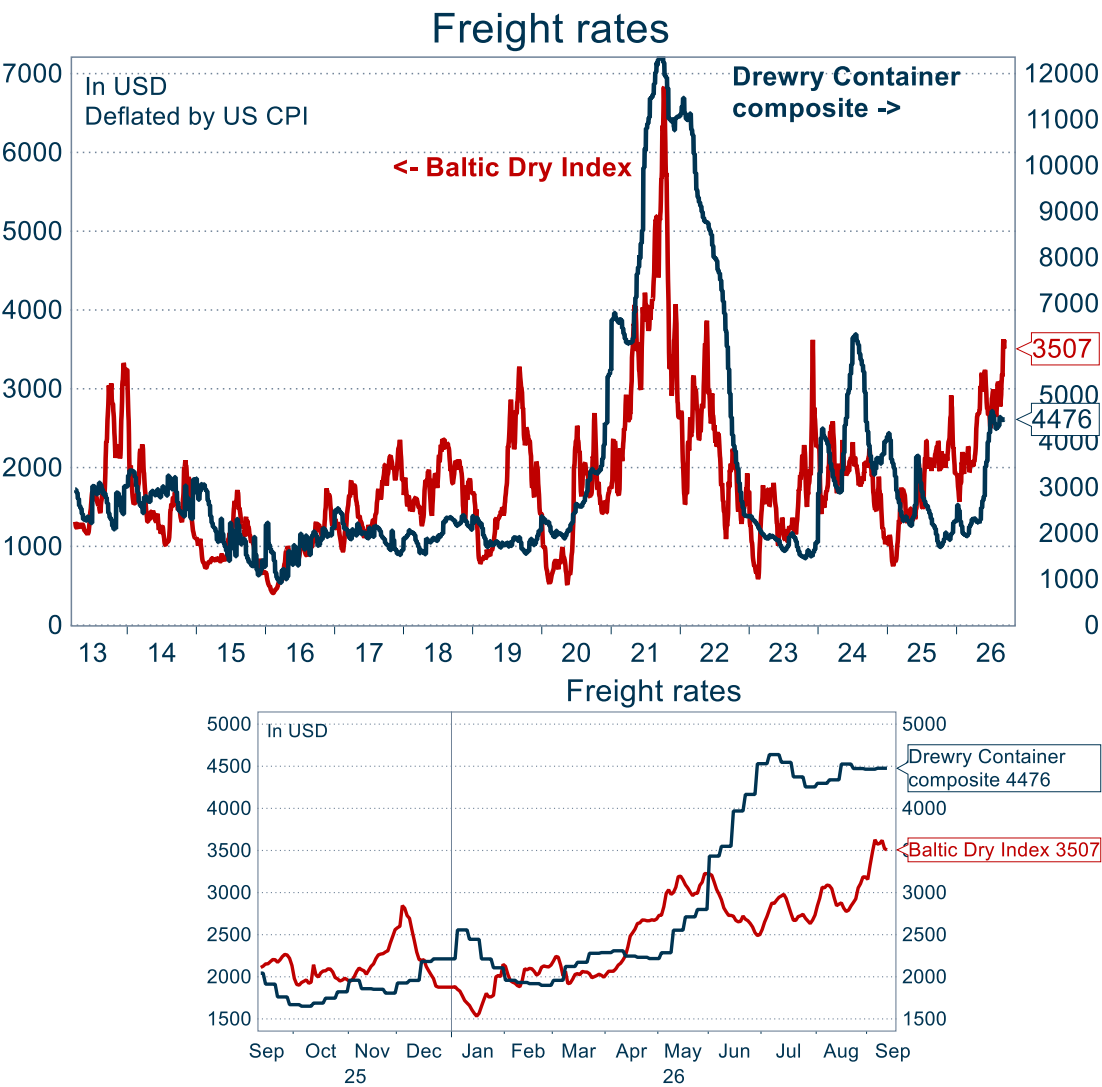


Commodity prices



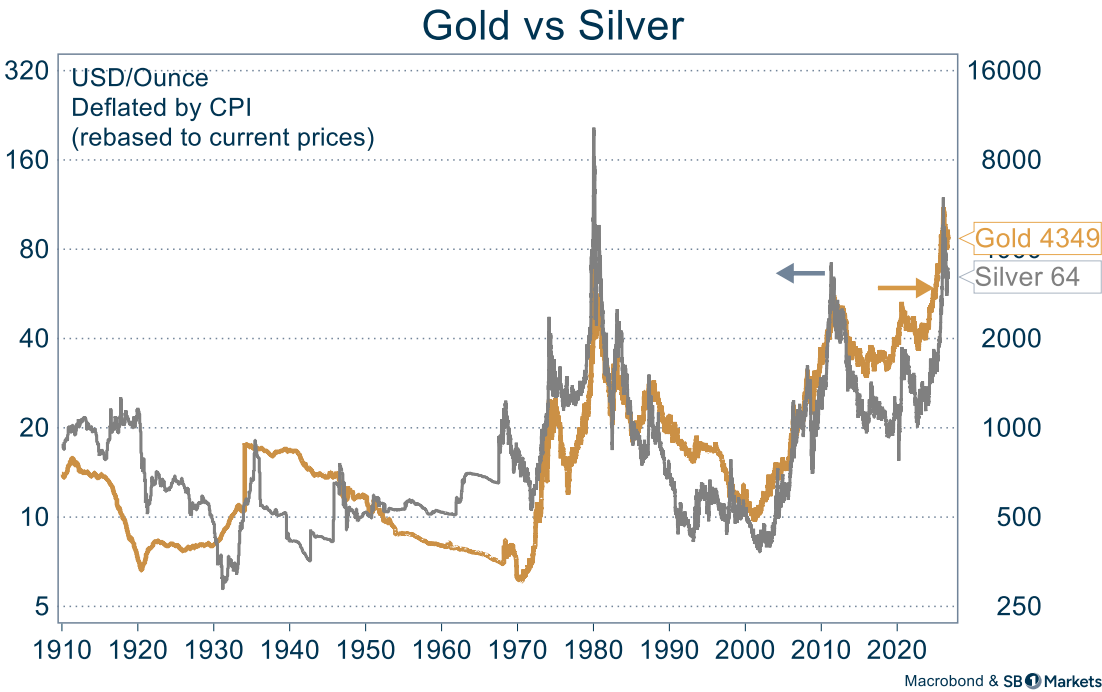
Dry bulk rates remain high, so are container rates – and tanker rates

... as 'some' oil is shipped out of the Gulf



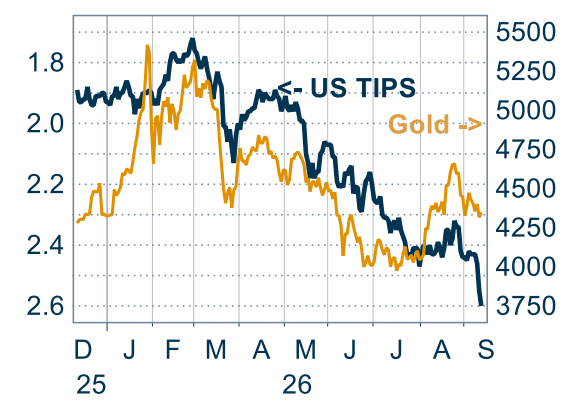
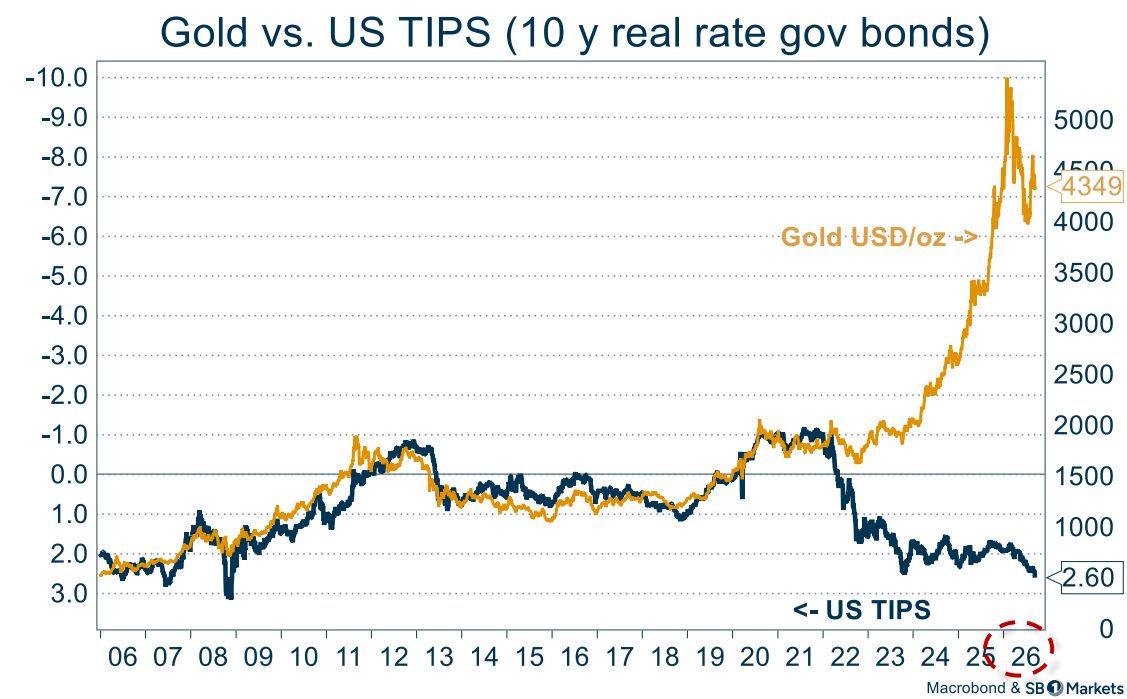
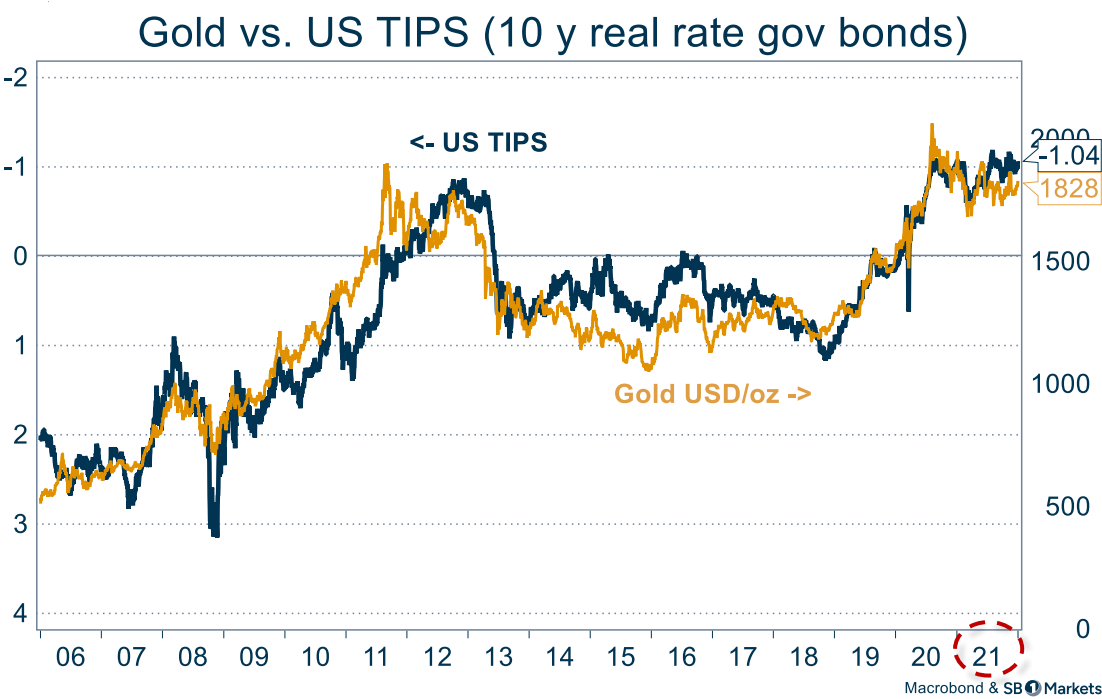
Gold and silver prices fell further last week

Real prices are still very high vs. historical averages.



Gold used to be tightly negatively correlated with 10y TIPS real yields – until 2022

Since then, other drivers have dominated. Market- or survey-based long-term inflation expectations have not contributed either. However, from February until June, the gold price was closely correlated to the 10y real rate again. Now, the gold price is 'high' vs. the real rate

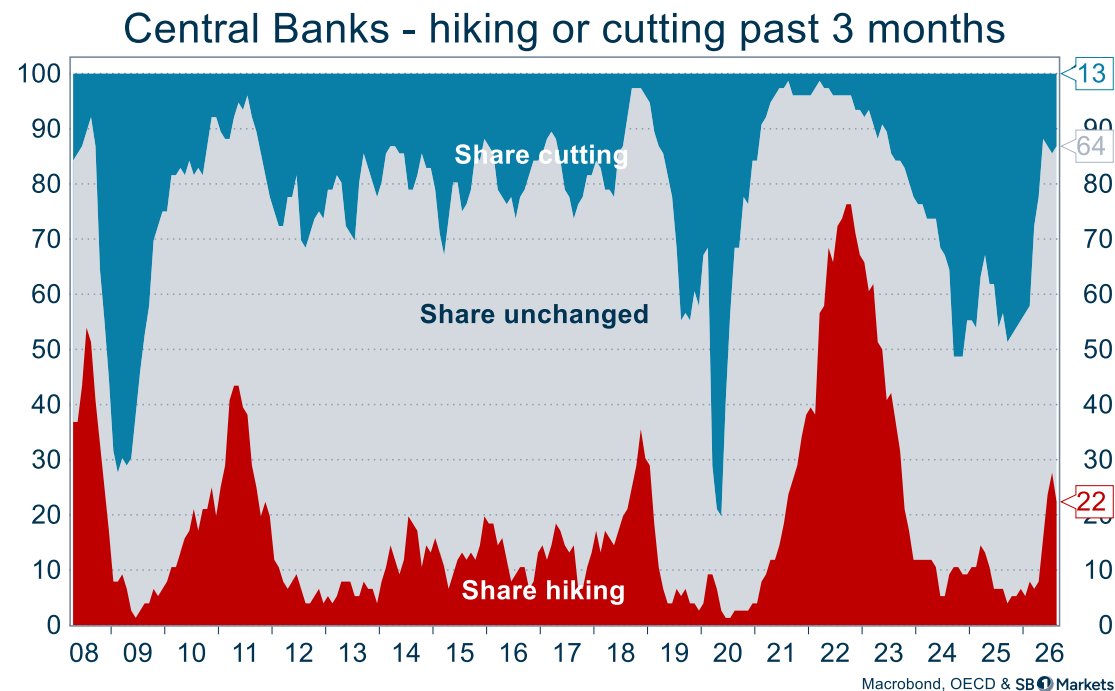
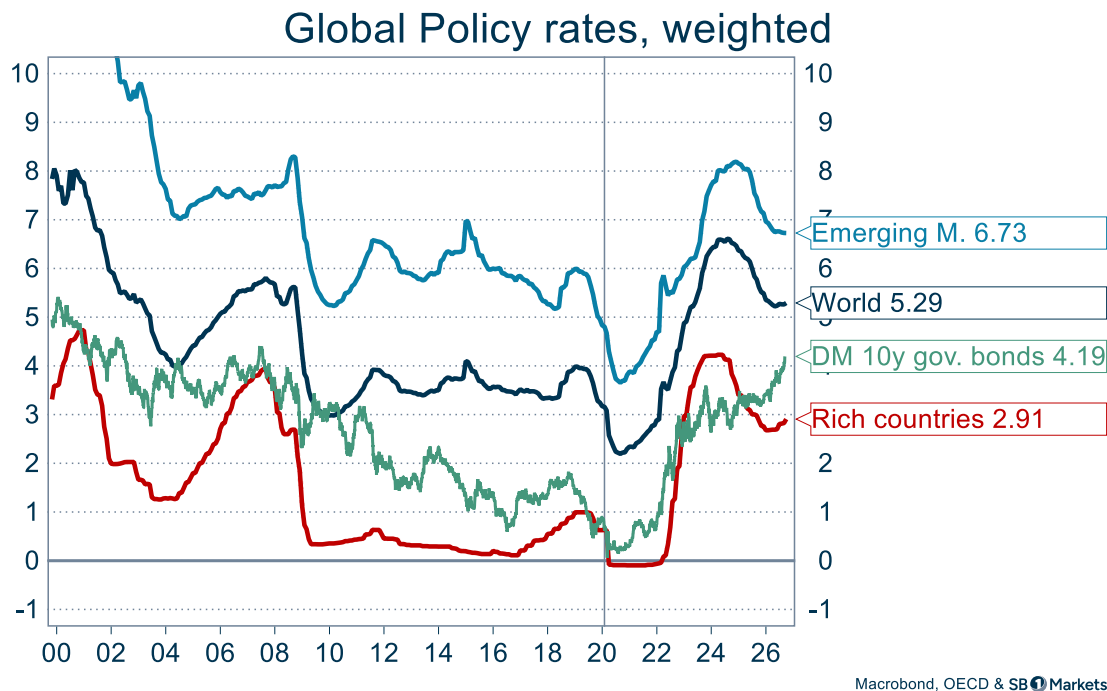




4.2 Interest rates & credit markets

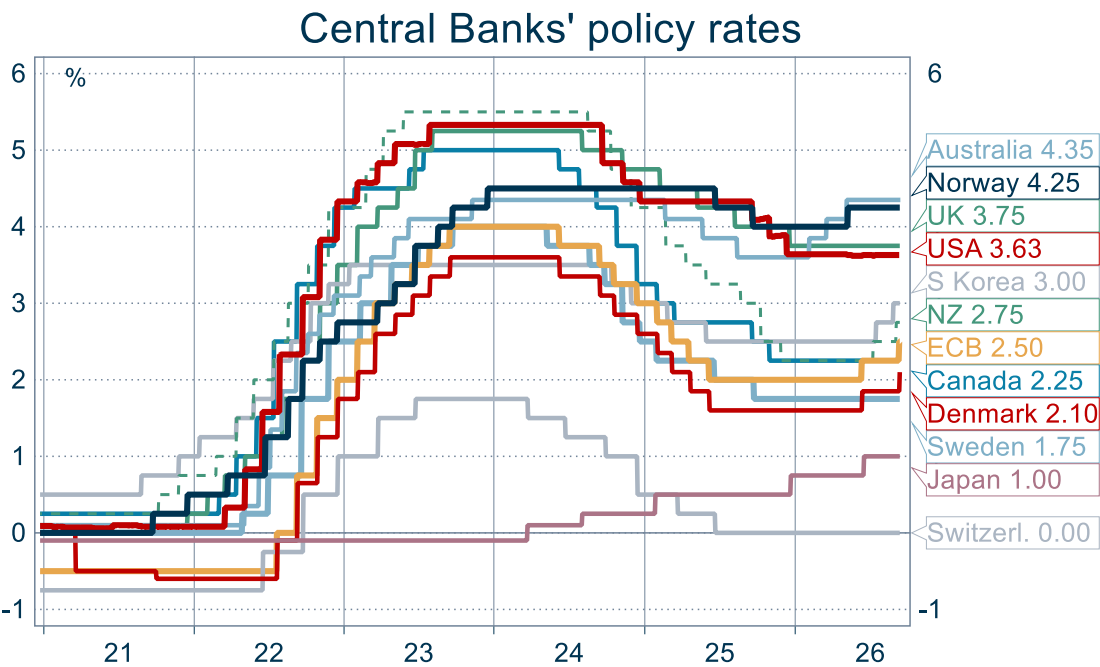
In the past 3 months, 22% of central banks have hiked, while 13% have cut

The global average policy rate is slightly up from the bottom, primarily due to the ECB hike. The global average is at 5.3%. In DM, 2.9%. The average DM long-bond yield has trended up – and it is at **the highest level since before the Financial Crisis, at 4.19%.**



Rate expectations straight up last week, at least abroad.

Dec. 26: Up 14–16 bps in US, UK, EMU, and 2 hikes are discounted in US and UK, and one more (thus in sum 3) in EMU. Single hikes are discounted in Sweden and Norway. 2–3 more hikes abroad next year (or even 4 in Sweden), no change in Norway.



The list of cutters

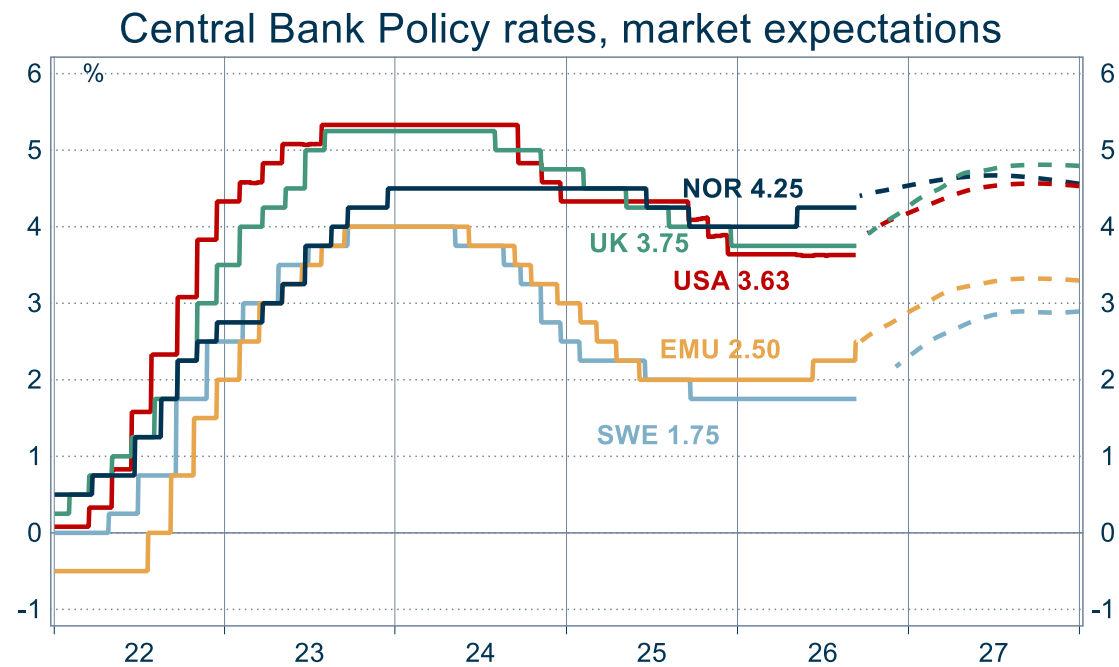
- Canada (-275 bps, to 2.25%)
- Sweden (-225 bps, to 1.75%)
- Switzerland (-175 bps, to zero!)
- US (-175 bps, to 3.63%)
- UK (-150 bps, to 3.75%)

The list of hikers

- Japan (+105 bps, to 1.00%)

The list of cutters that have hiked

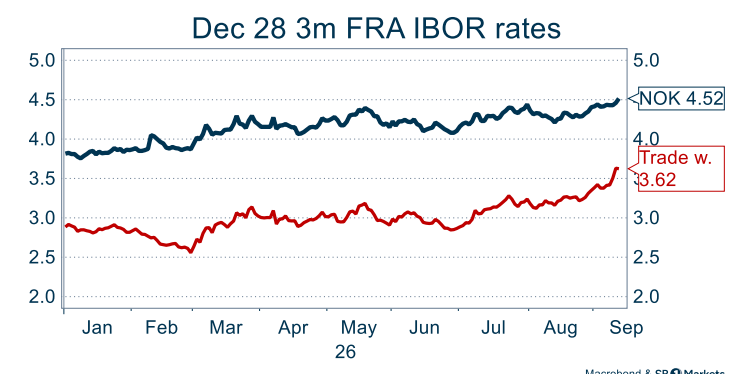
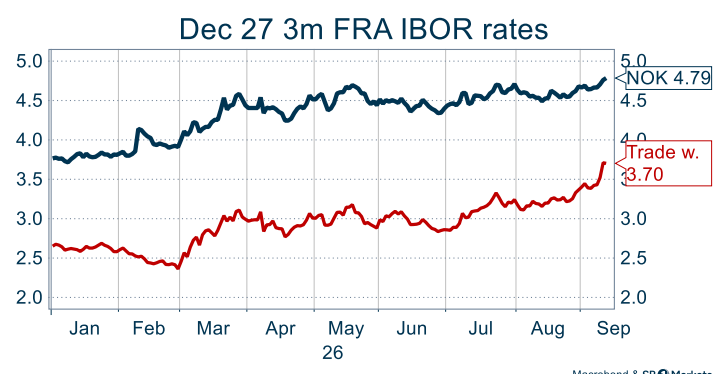
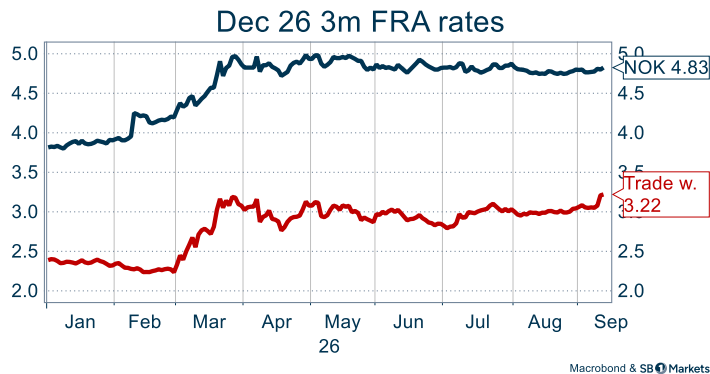
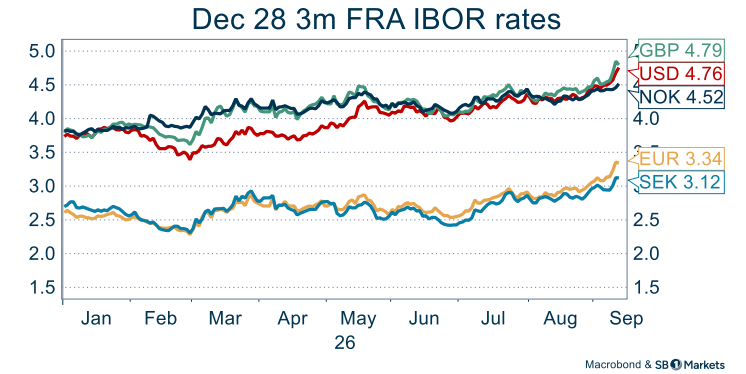
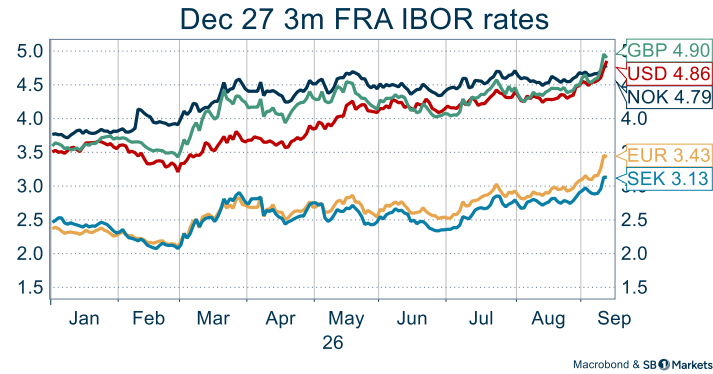
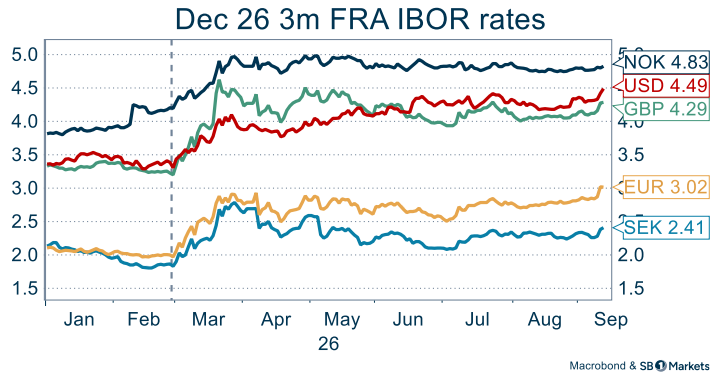
- Australia (+75 bps, to 4.35%)
- EMU (+50 bps, to 2.50%)
- Denmark (+50 bps, to 2.10%)
- South Korea (+50 bps, to 3.00%)
- Norway (+25 bps, to 4.25%)
- New Zealand (+25 bps, to 2.75%)



Signal rates, market exp.	USA	UK	EMU	Sweden	Norway
2024 Peak	5.33	5.25	4.00	4.00	4.50
... Change from peak	-1.70	-1.50	-1.50	-2.25	-0.25
Now	3.63	3.75	2.50	1.75	4.25
Change until end of 2026	0.50	0.45	0.33	0.27	0.27
End of 2026 (market)	4.13	4.20	2.83	2.02	4.52
... Change last week	0.14	0.16	0.16	0.04	-0.01
Change through 2027	0.42	0.60	0.48	0.88	0.05
End of 2027 (market)	4.54	4.80	3.30	2.89	4.57
... Change last week	0.32	0.36	0.33	0.23	0.15

FRAs: an unusual lift abroad last week; USD, EUR and GBP up 18 (Dec-26) – 35 bps (Dec-27)

NOK rates were up as well, but 'just 6–14 bps, far less than half the lift abroad. SEK rates were in the middle.



Dec 26 3m FRAs

	Close	1w	1m	YTD
NOK	4.83	0.06	0.07	1.01
USD	4.49	0.18	0.24	1.13
GBP	4.29	0.19	0.24	0.95
EUR	3.02	0.19	0.28	0.91
SEK	2.41	0.10	0.08	0.28

Macrobond & SB Markets

Dec 27 3m FRAs

	Close	1w	1m	YTD
GBP	4.90	0.36	0.55	1.30
USD	4.86	0.31	0.54	1.35
NOK	4.79	0.14	0.25	1.02
EUR	3.43	0.34	0.55	1.06
SEK	3.13	0.24	0.35	0.67

Macrobond & SB Markets

Dec 28 3m FRAs

	Close	1w	1m	YTD
GBP	4.79	0.28	0.44	1.00
USD	4.76	0.26	0.45	1.02
NOK	4.52	0.10	0.24	0.70
EUR	3.34	0.26	0.47	0.73
SEK	3.12	0.18	0.29	0.43

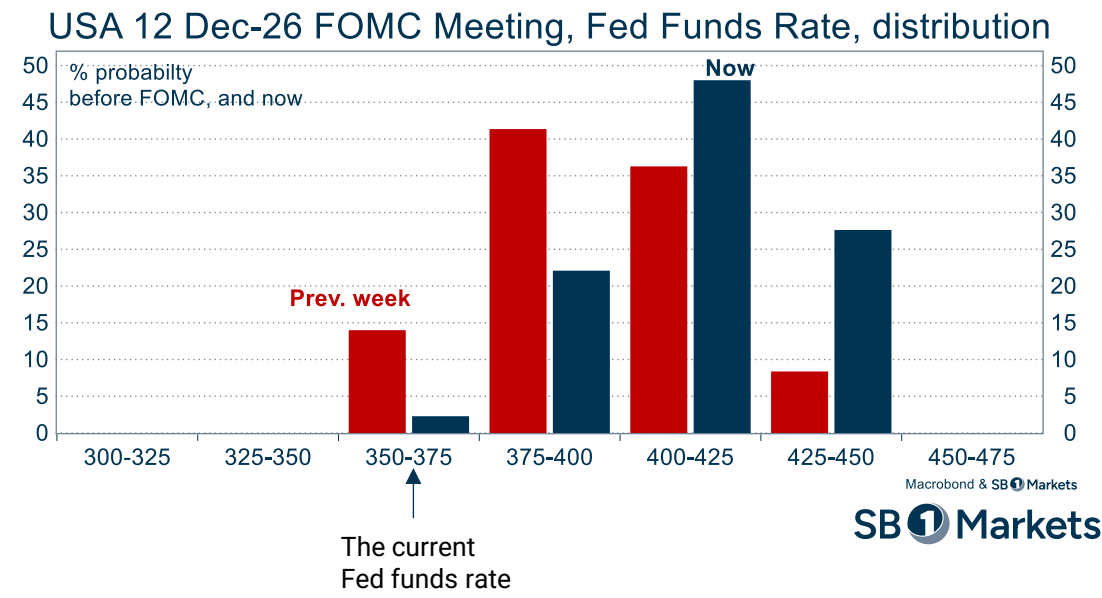
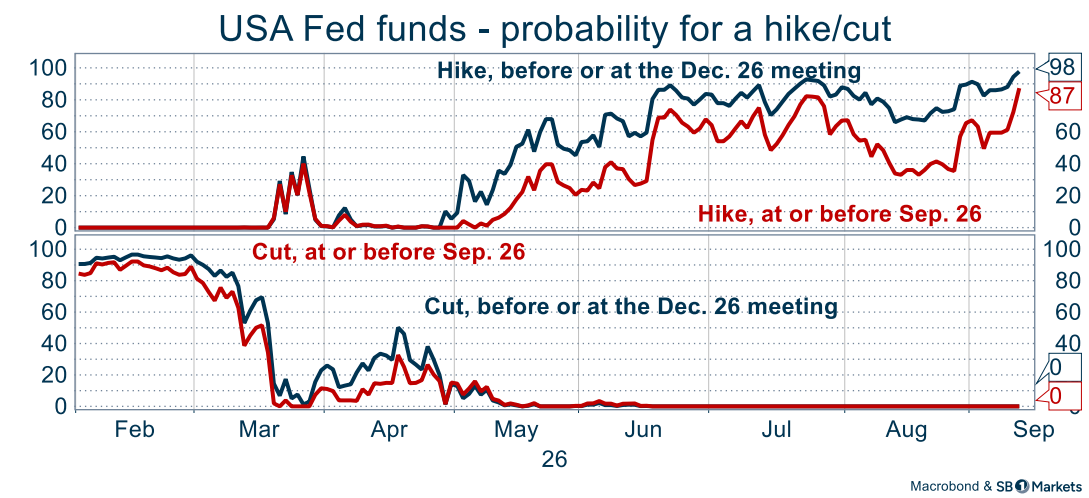
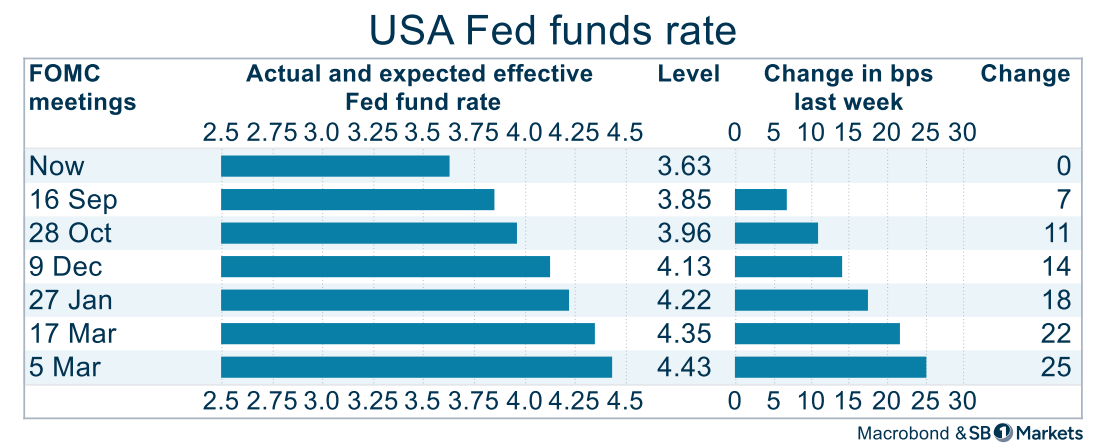
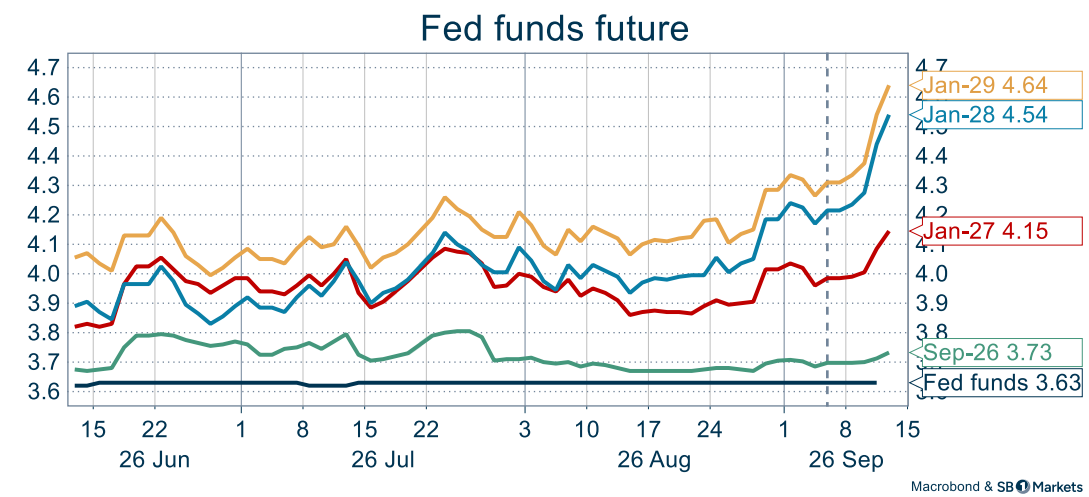
Macrobond & SB Markets

GBP and USD rates are SONIA- and SOFR-adjusted, with stable IBOR spreads to make them comparable to EUR, SEK and NOK IBOR-based FRAs.



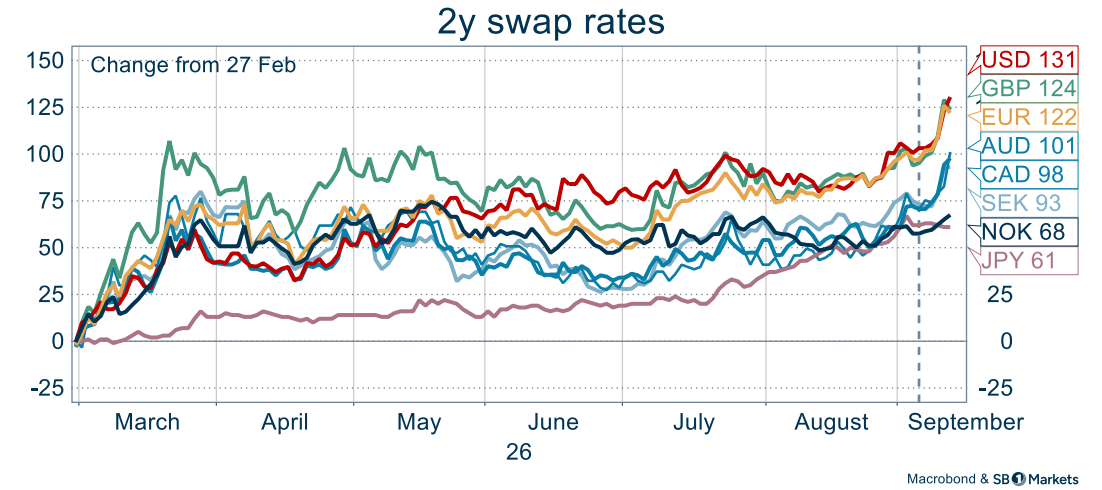
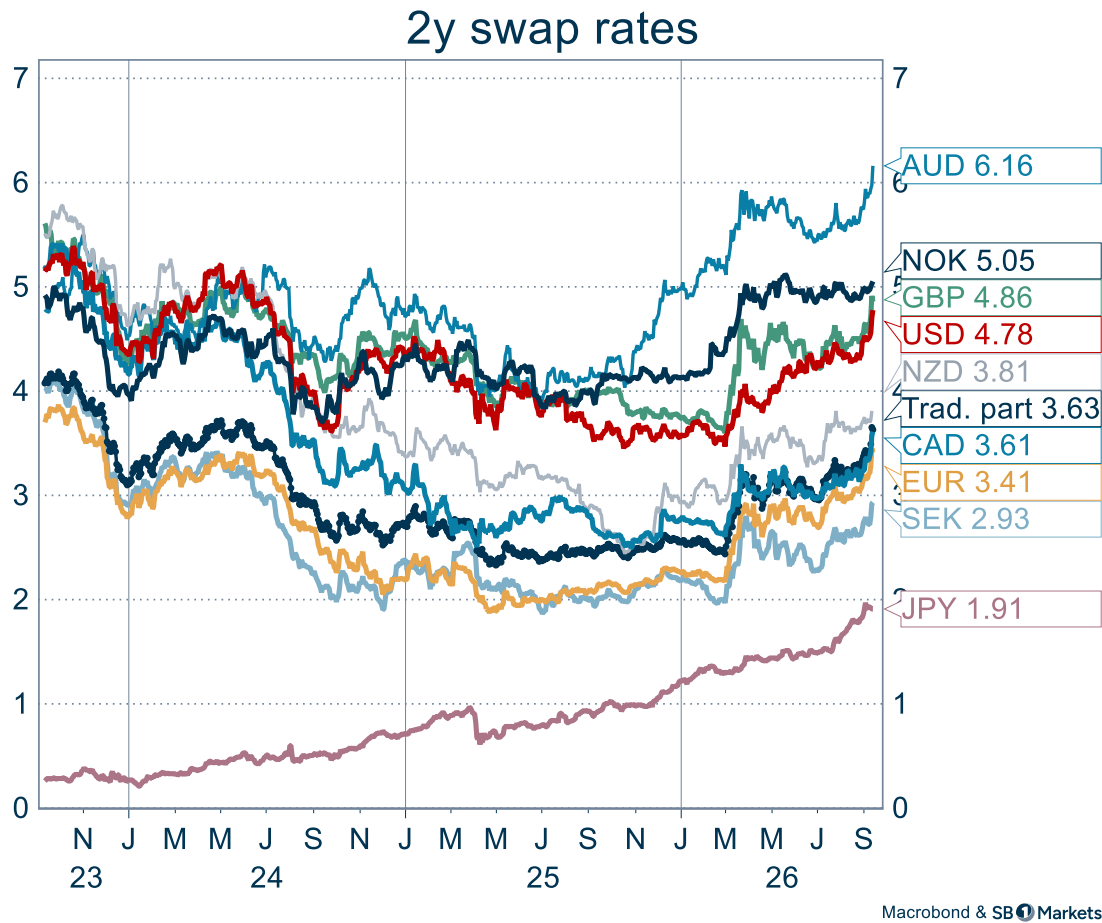
Fed funds: The market expects the FOMC to hike

The probability of a September hike rose to 87% from 59% last week and another hike is discounted before or at the December FOMC meeting.



2-year swap rates up almost everywhere (just JPY down)

The average 2y swap among our trading partners was up 24 bps last week, and it is up **40 bps in the last month**. The NOK rate was up 10 bps last week and 16 bps last month. In the past 3 months: trading partners +50 bps, NOK +11 bps.

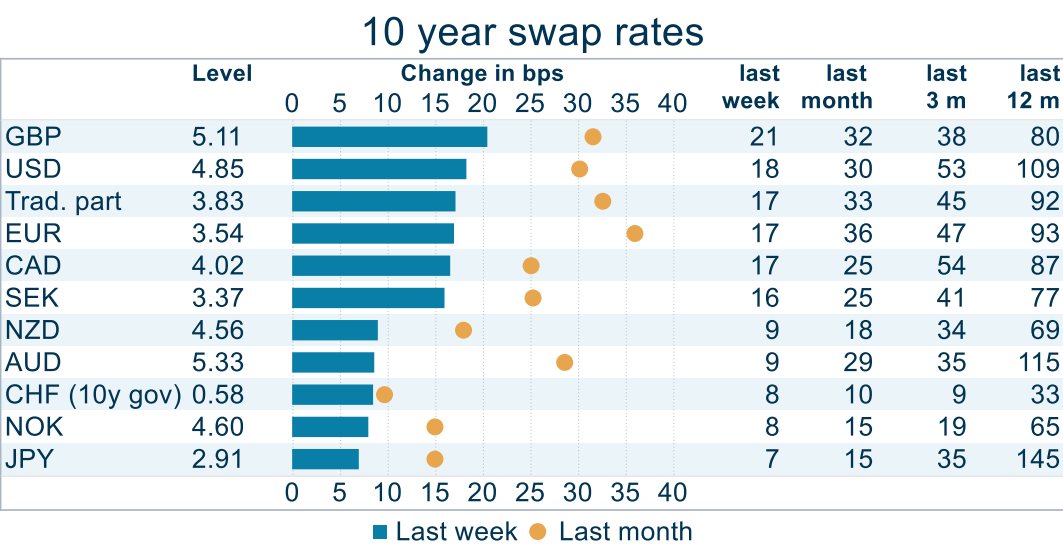
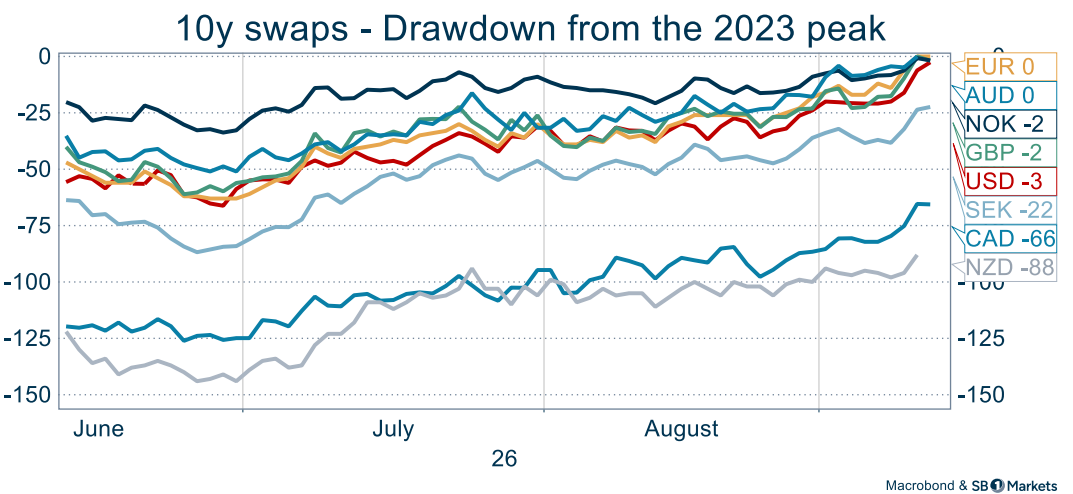
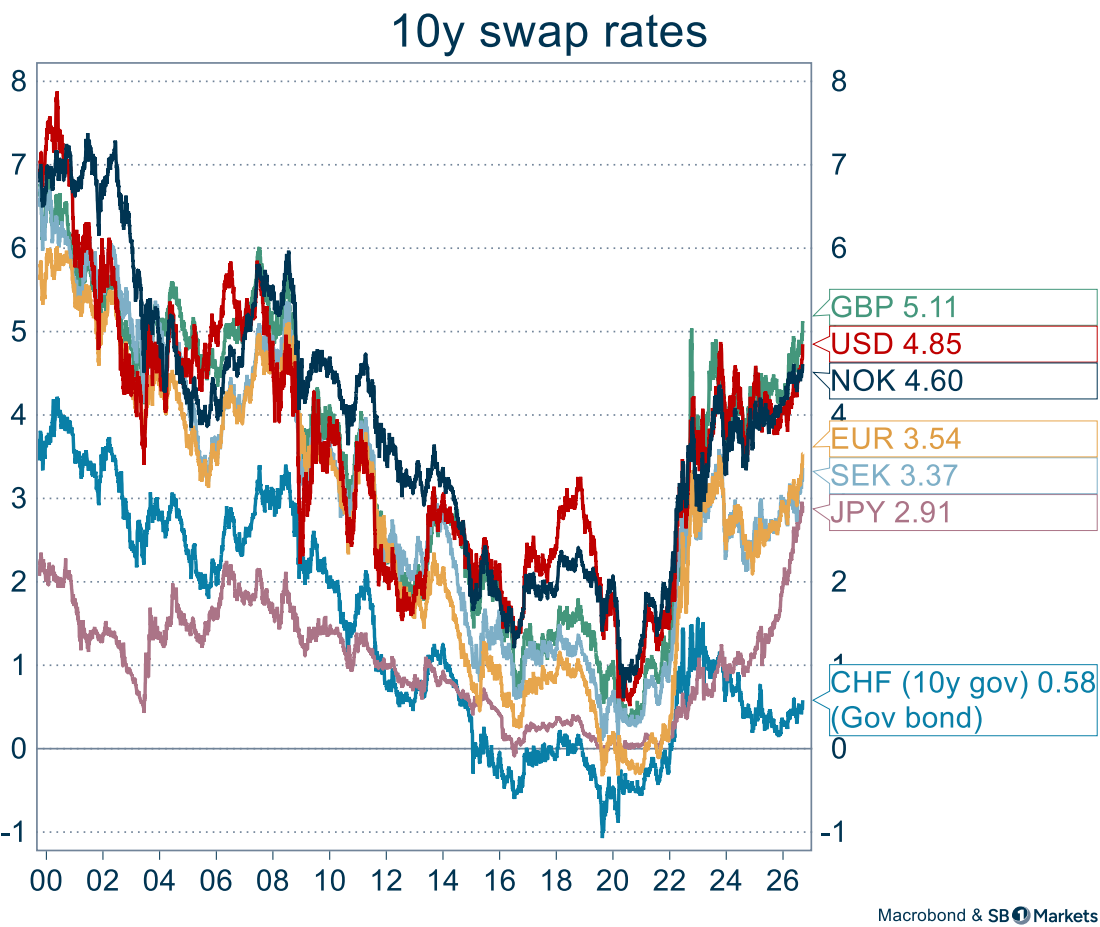


2y swap rates									
	Level	Change in bps							
		-10	0	10	20	30	40	50	60
AUD	6.16								
GBP	4.86								
USD	4.78								
CAD	3.61								
EUR	3.41								
Trad. part	3.63								
SEK	2.93								
NZD	3.81								
NOK	5.05								
JPY	1.91								
		-10 0 10 20 30 40 50 60							
		■ Last week ● Last month							

	last week	last month	last 3 m	last 12 m
AUD	31	52	59	203
GBP	28	42	39	90
USD	27	43	60	123
CAD	27	38	61	95
EUR	25	43	54	129
Trad. part	24	40	50	117
SEK	20	28	43	94
NZD	11	17	33	92
NOK	10	16	11	105
JPY	-1	18	42	99

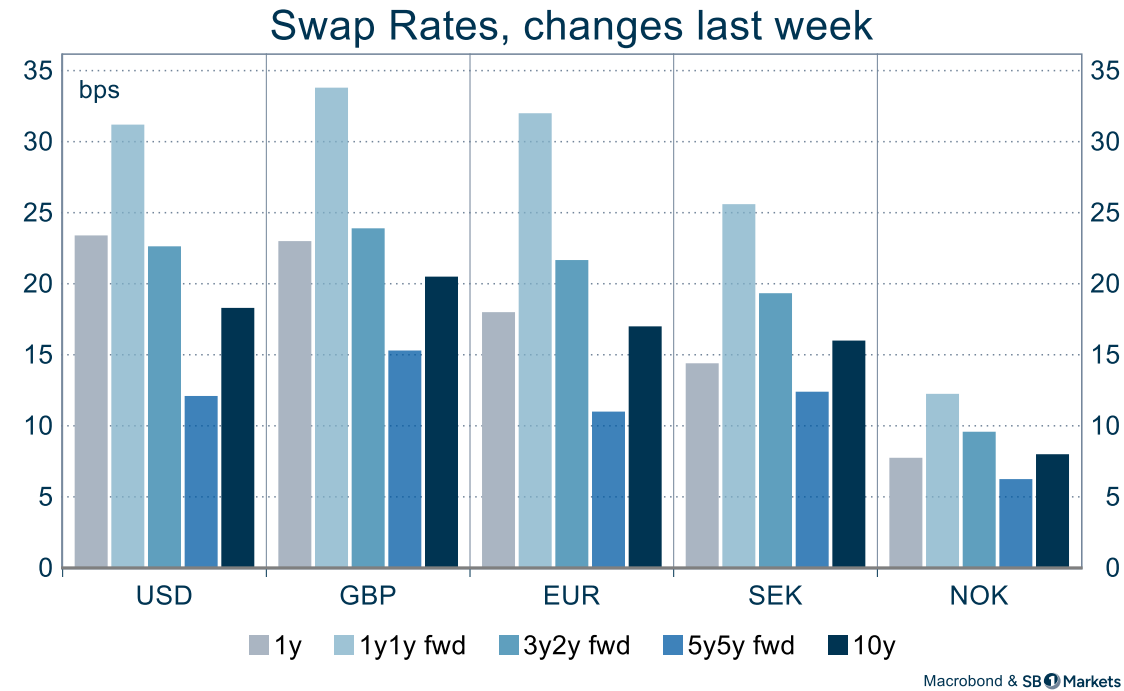
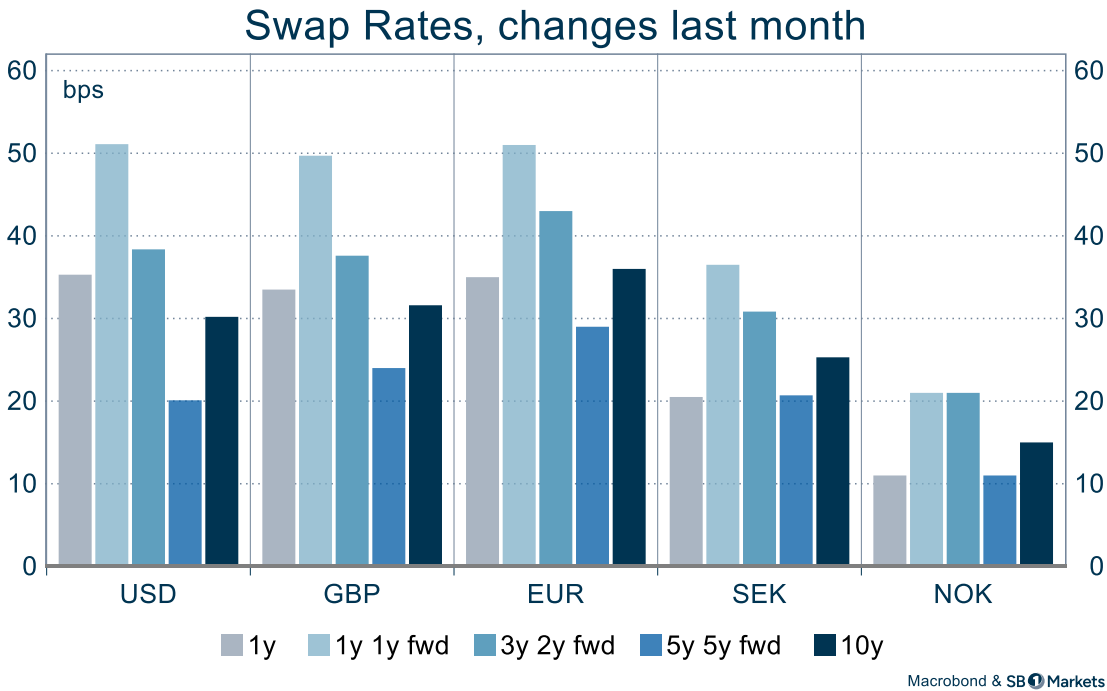
10-year swap rates up everywhere

Our trading partners were up 17 bps (USD 18 bps, EUR 17), the NOK swap just 8 bps, close to the bottom of the list.



Swap curves: A rate ‘shock’ abroad, but more modest increases in Norway

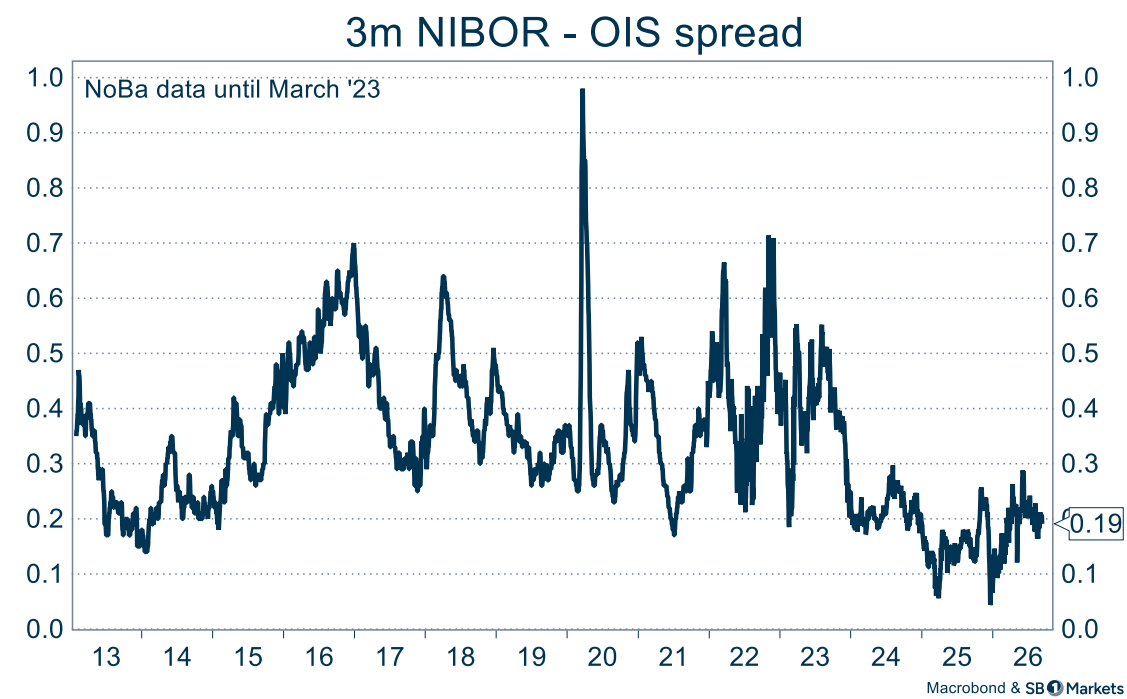
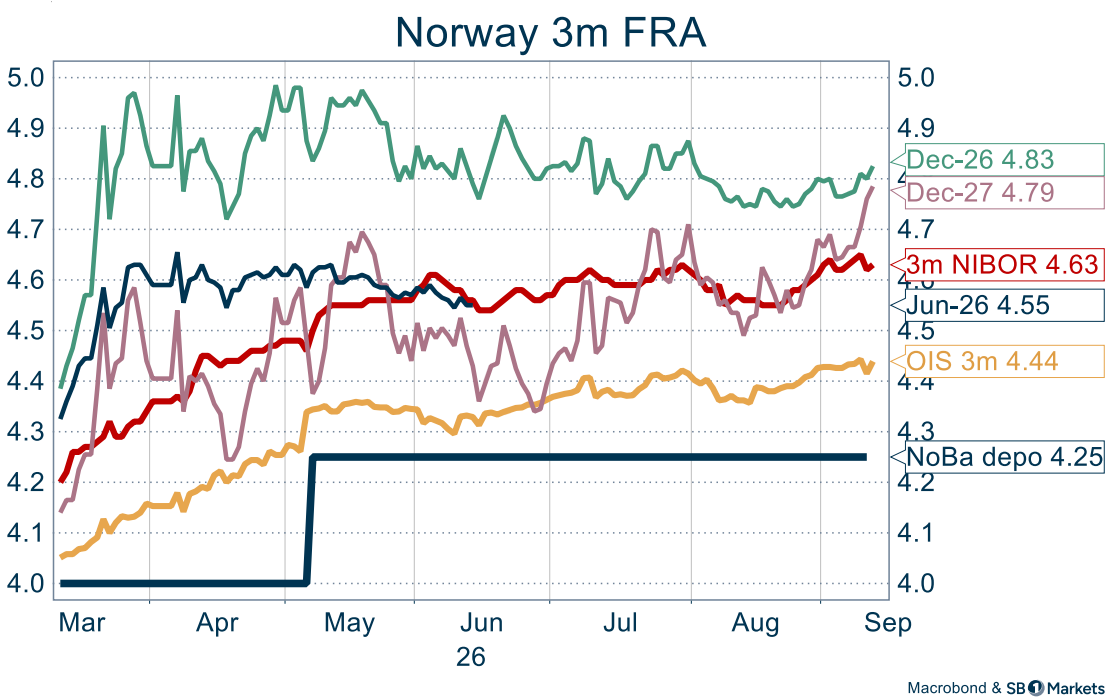
The short end of the curves was up 20–30+ bps last week – and is up 30–40 bps in the last month, in USD, EUR and GBP. SEK rates were up 15– 20 bps last week and 20–30 bps last m. NOK rates are up even less, all over the curve; Last week (7–12 bps) and last month (10–20)





NOK 3m NIBOR: +1 bp to 4.63%. The NIBOR spread was unchanged at 19 bps.

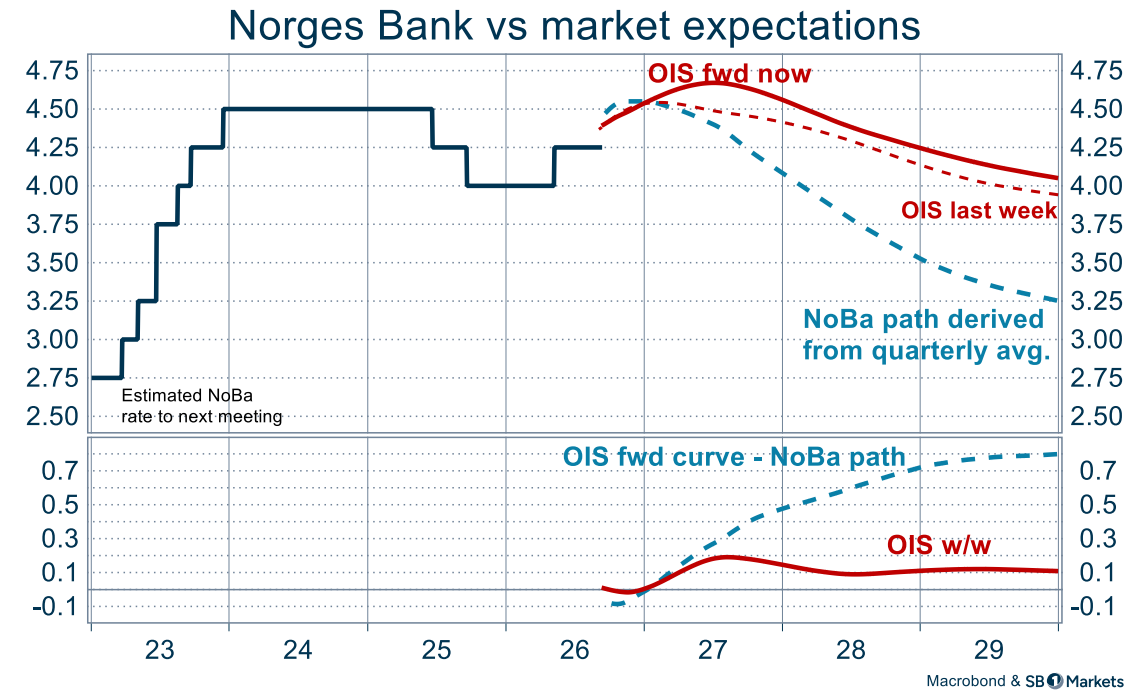
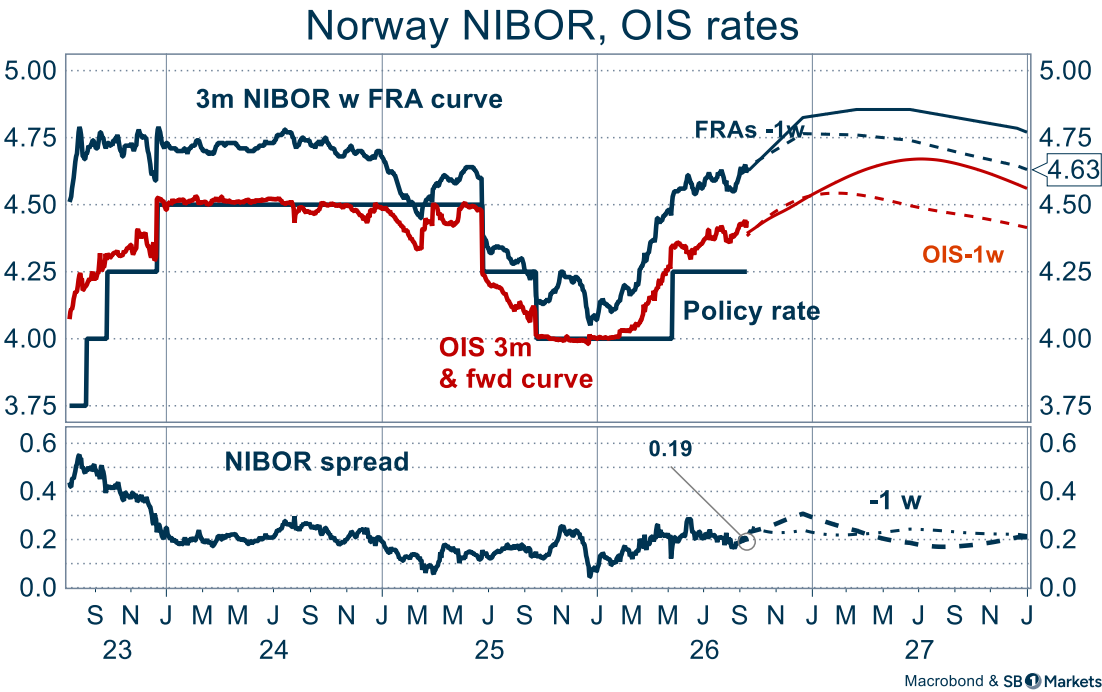
However, FRAs rose substantially, like abroad.





Rate expectations: a Norges Bank hike next week still more likely than not, the market says

Surging rates abroad are putting more pressure on NoB, and inflation remains too high (but still a little lower than NoBa assumed). The Regional Network will have to be weak to prevent a hike. The OIS/FRA curves were up by 10 to up to 20 bps, in '2027.



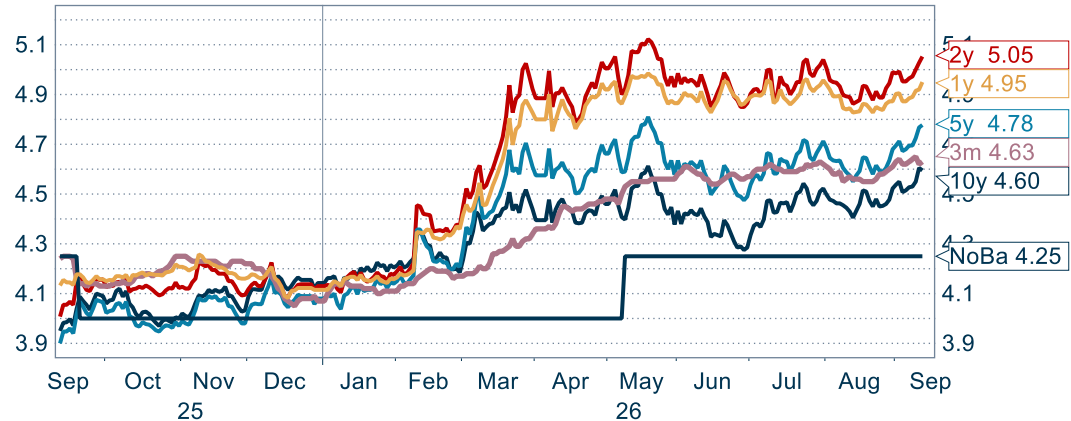
Norges Bank vs. market					
Meeting	NoBa path	OIS fwd	OIS NoBa est.	Alternat. rate	% prob for alt
24-Sep	4.50	4.41	4.50	4.25	35%
05-Nov	4.50	4.47	4.50	4.25	12%
17-Dec	4.50	4.51	4.50	4.75	4%
21-Jan	4.50	4.53	4.50	4.75	13%
24-Mar	4.50	4.54	4.50	4.75	17%
06-May	4.50	4.53	4.50	4.75	13%
17-Jun	4.50	4.52	4.50	4.75	7%
12-Aug	4.25	4.49	4.50	4.25	4%

Yellow cells: Norges Bank cut
Red cells: Norges Bank hike
Sources: Norges Bank, Macrobond, Infront, SB1M

NOK swaps: the whole curve up, the most in the 1y-2y segment

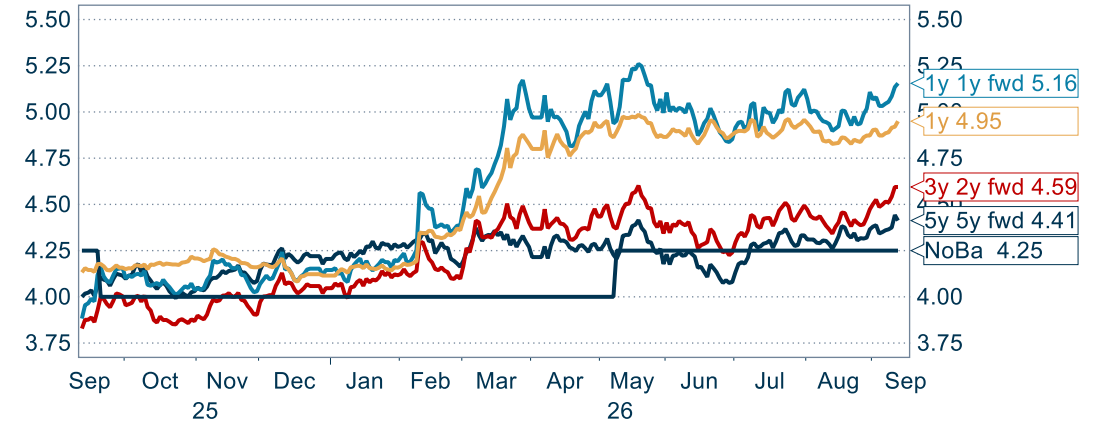
The curve is slightly more inverted than a week ago.

NIBOR, NOK swap rates



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NOK Implied Swap fwd rates



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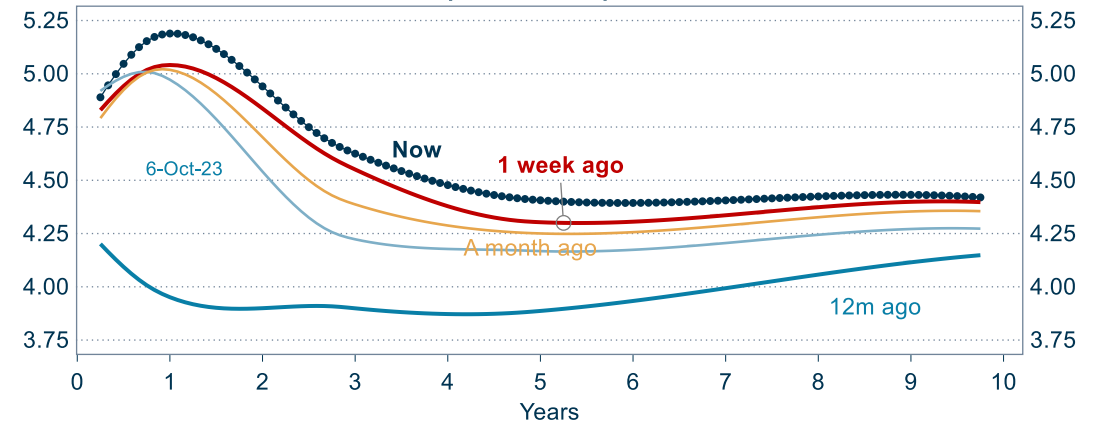
Norway - yield spread, 10y - 2y swap



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Swap rates are calculated vs. 6m NIBOR, not 3m NIBOR.

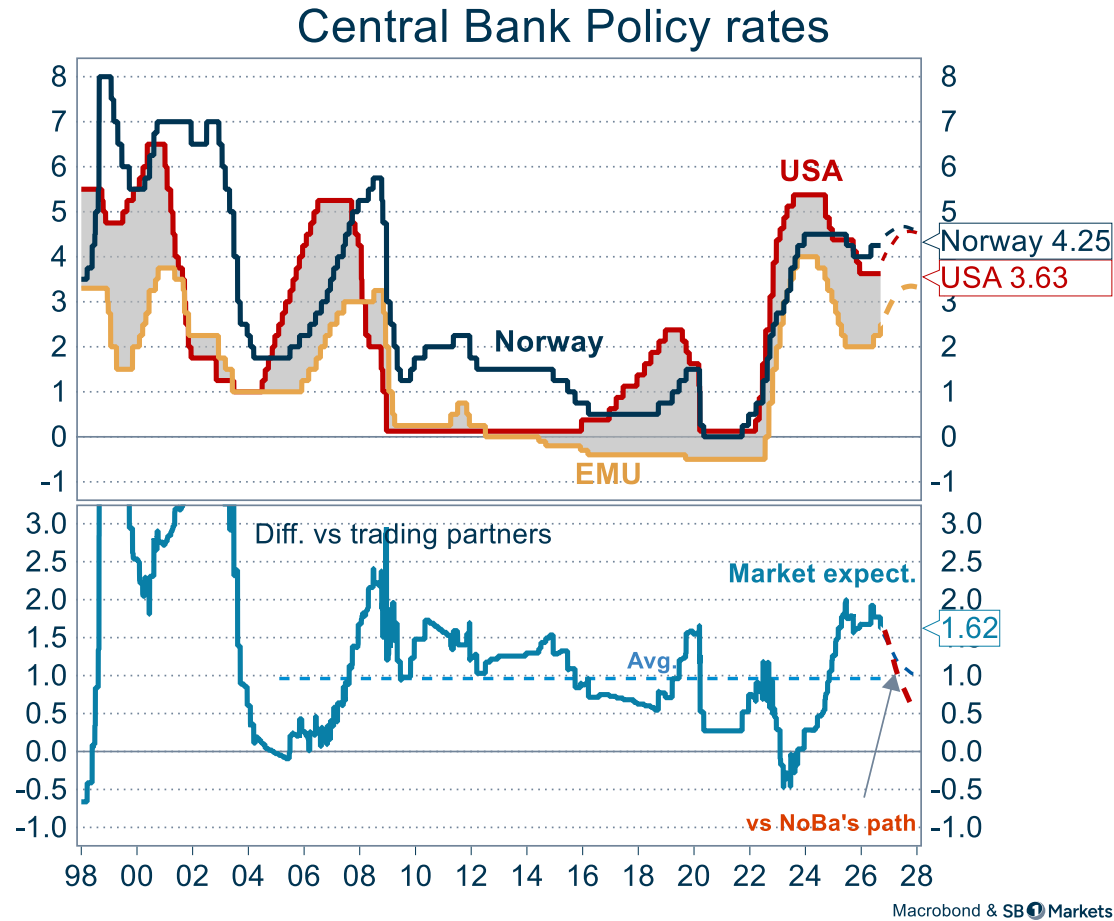
NOK Implied swap forwards



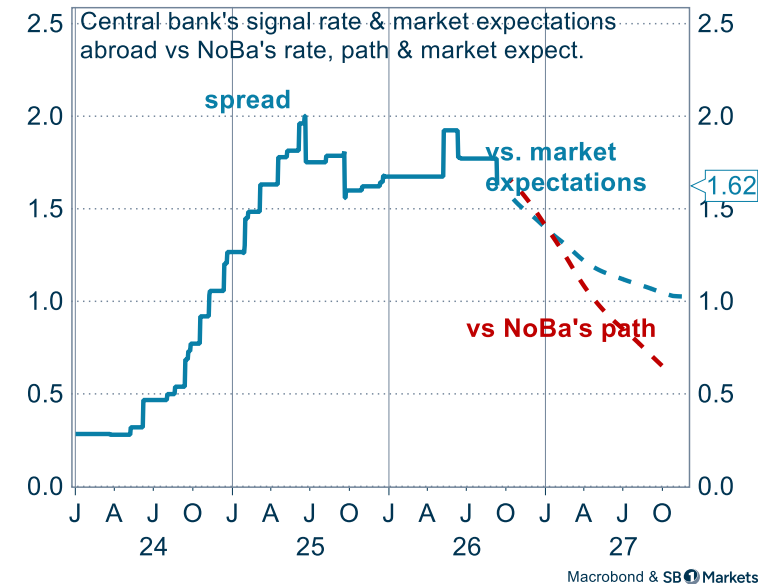
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Norges Bank's policy rate: 162 bps above the trading partners' average

... which is well above the average level at some 95 bps (over the past 20 years).



- The peak difference in policy rates over the past 20 years was 225 bps (barring a few days in 2008).
 - In the current cycle, the 2y NOK swap rate has been up to 200 bps above the average rate among our trading partners.
- If **Norges Bank** follows the rate path presented in the MPR, the spread will narrow to a normal level by the end of 2027.
- **The market** has a slightly different view...

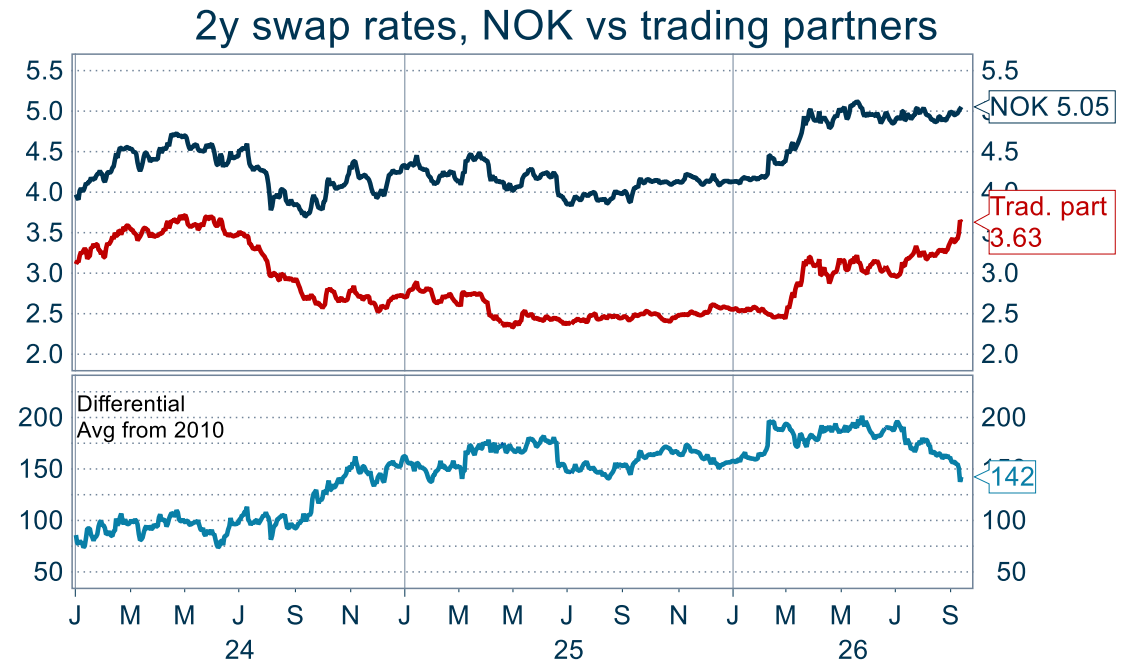




2y swap rates, NOK vs. trading partners

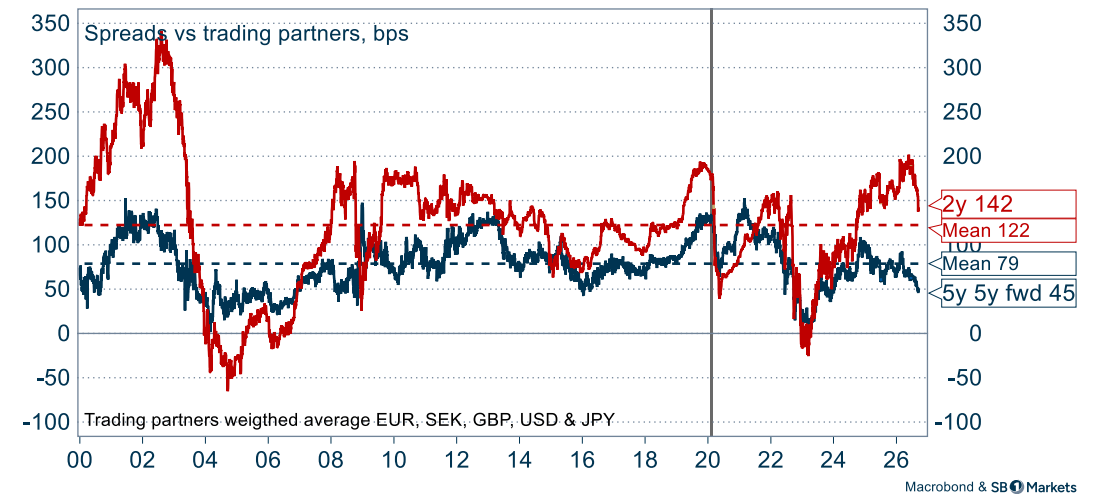
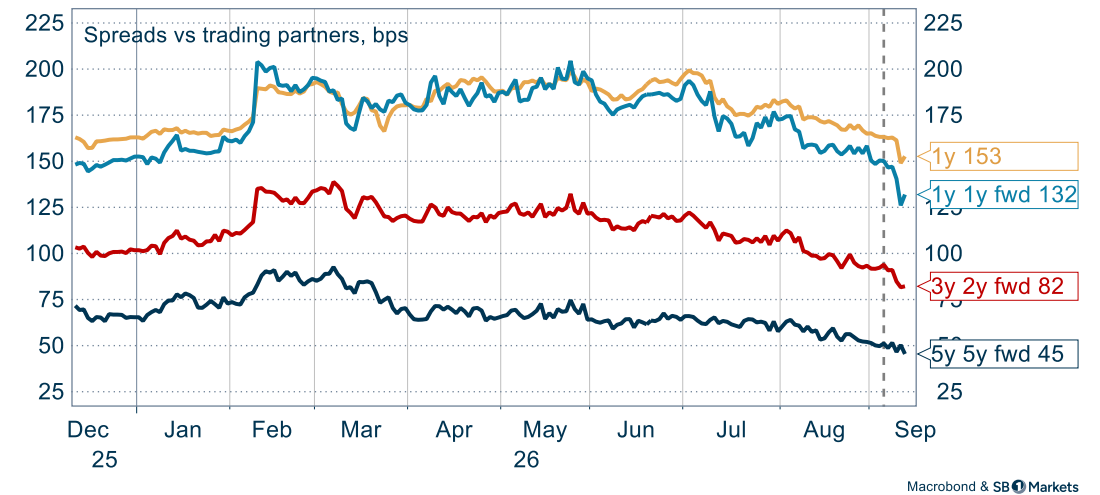
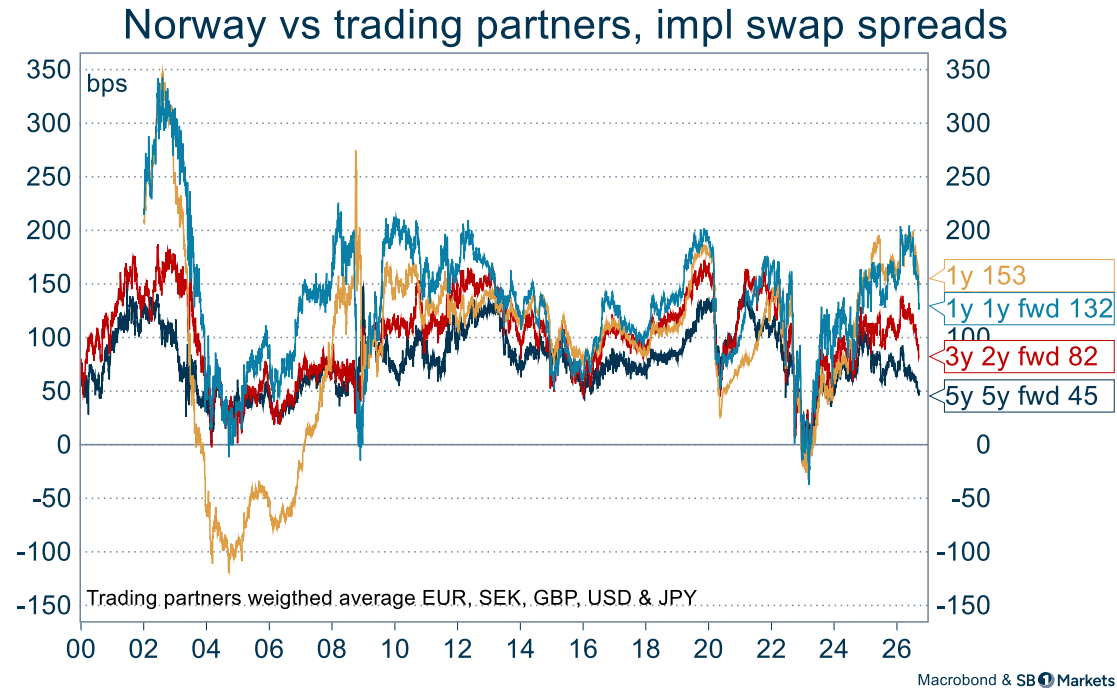
The top chart displays the 2-year swap rates for NOK (black line) and the trading partner (red line) from 2000 to 2026. The NOK rate starts around 6.5% in 2000, peaks near 8% in 2002, and then generally declines to around 2% by 2020, before rising back to 5.05% by 2026. The trading partner rate starts around 4.5% in 2000, peaks near 5.5% in 2002, and then declines to around 0.5% by 2020, before rising back to 3.63% by 2026. The bottom chart shows the differential between the two rates, averaged from 2000 with +/- 1 st.dev. (blue line). The differential starts around 200 in 2000, peaks near 300 in 2002, and then declines to around 100 by 2020, before rising back to 142 by 2026. The differential is consistently positive, indicating that NOK rates are generally higher than trading partner rates.

Year	NOK 2y swap rate (%)	Trad. part 2y swap rate (%)	Differential (avg from 2000, +/- 1 st.dev.)
2000	~6.5	~4.5	~200
2002	~8.0	~5.5	~300
2004	~4.0	~3.0	~100
2006	~3.0	~2.0	~100
2008	~6.0	~4.0	~200
2010	~3.0	~1.5	~150
2012	~2.0	~0.5	~150
2014	~1.5	~0.5	~100
2016	~1.0	~0.5	~100
2018	~1.5	~0.5	~100
2020	~2.0	~0.5	~100
2022	~4.0	~2.0	~200
2024	~5.0	~3.0	~200
2026	5.05	3.63	142



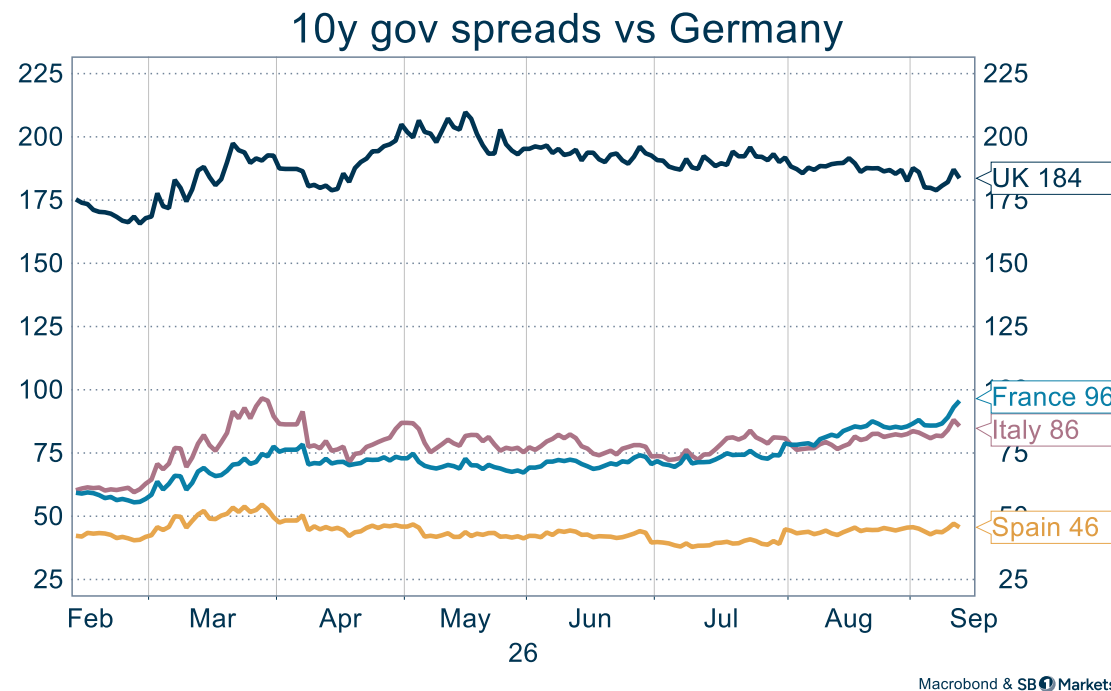
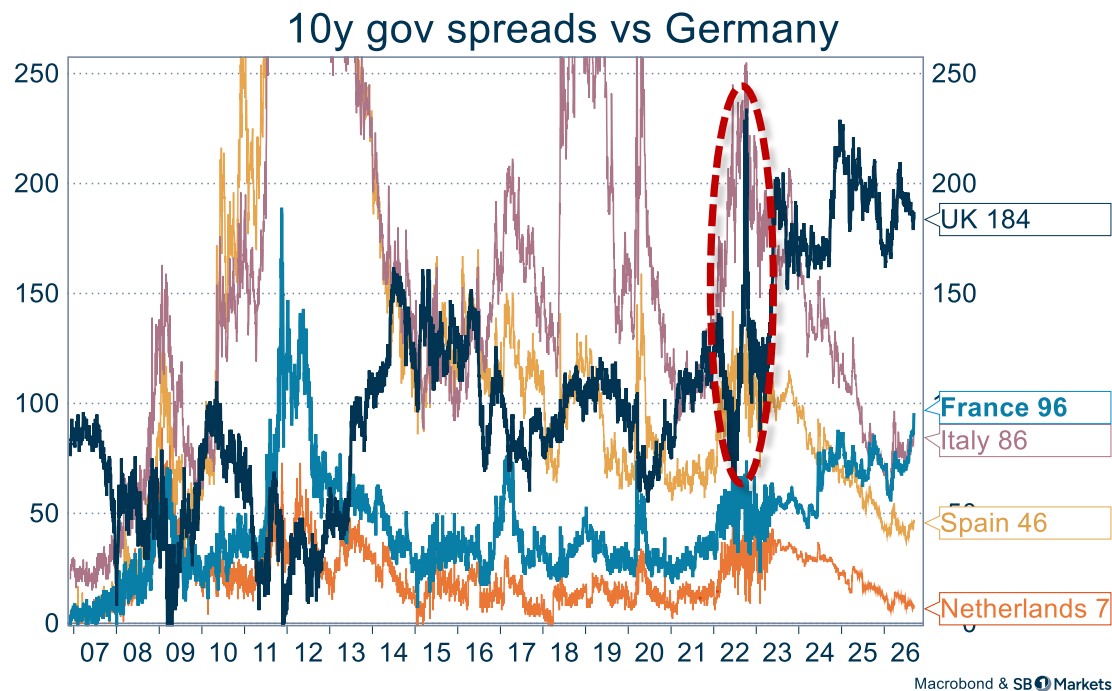
Swap spreads vs. our trading partners trend rapidly down

... and declined further last week, especially in the short end. The spread is lower than normal in the long end of the curve but still above an average level in the short end.



EMU 10y sovereigns: no big changes. UK yields are drifting **down** vs. German yields

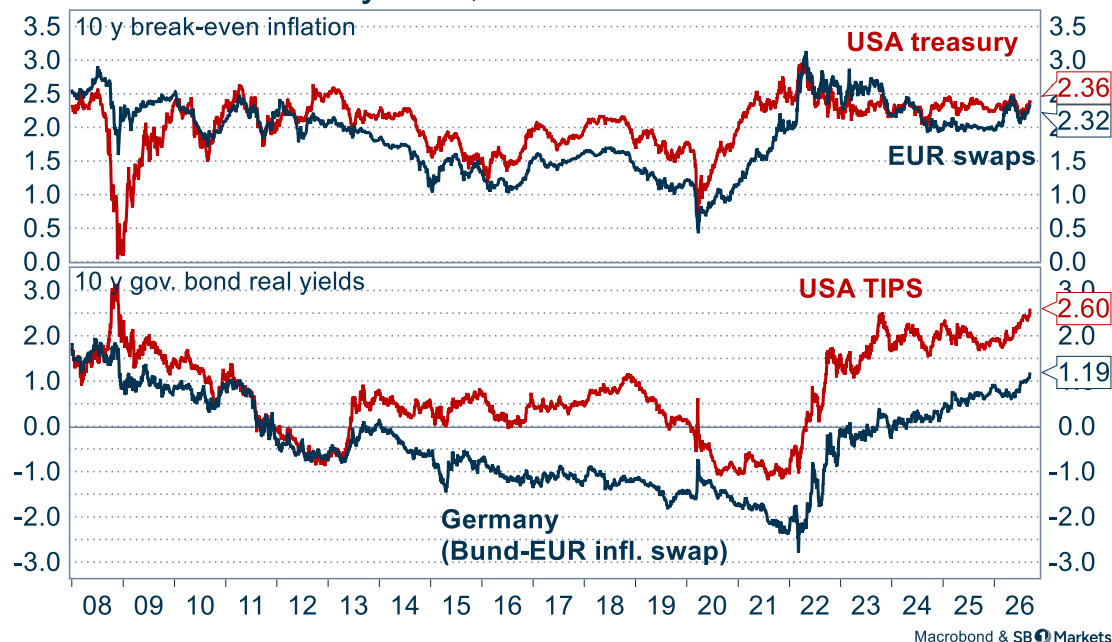
And even if the spread vs. the German bund remains high, there is no Truss moment to be seen (then the spread widened 150 bps before the Bank of England had to stabilise the market). On the watchlist: the French spread drifts upwards. The Italian spread drifts up as well.



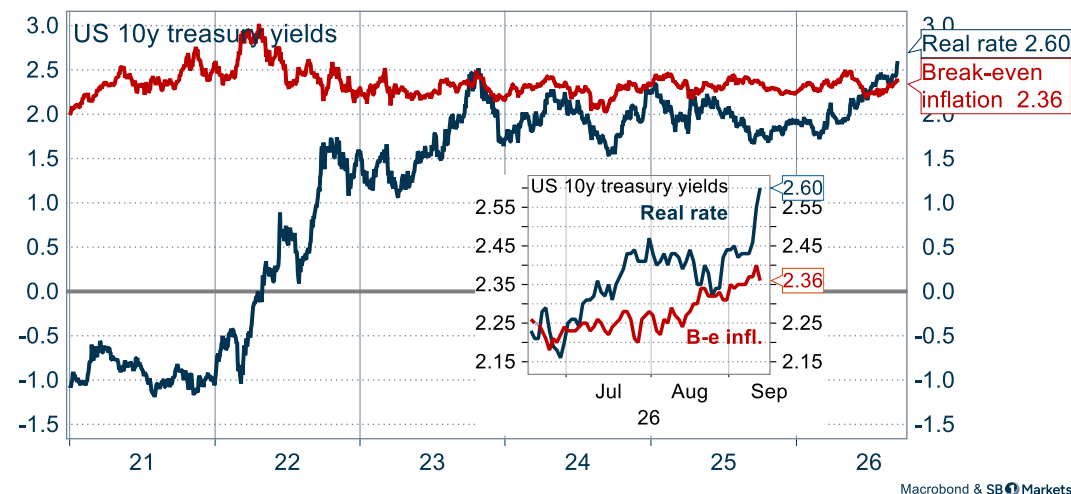
The US 10y TIPS real rate shot up 17 bps to 2.60%, a cycle high

A German real rate (10y gov. – the 10y inflation swap) rose 13 bps to 1.19%, the highest since 2009. Both US and German real rates trend up. Inflation expectations are close to flat in the US, but slightly up in the short end in Europe, *check the next 5 pages*.

Real yields, break-even inflation



- The **10y real TIPS** is up 67 bps YTD. And by 375 bps from the lowest prints in 2021.
- The **US 10y break-even CPI inflation** at 2.36% is (almost) in line with the PCE target at 2.0% (PCE inflation is on average lower than inflation measured by the CPI, if not now).
- **10y EUR inflation expectations** (inflation swap) at 2.32% are slightly on the high side. **The real bond rate** (applying inflation swaps) is at 1.19%, up 30 bps in 2026, and at the highest level since 2009 and **trends steadily upward**.



US, Germany real rates, inflation expectations

	Yield	Change 1w	Change 1m	YTD	Min since April-20
USA nominal treasury	4.96	0.18	0.26	0.78	0.52
.. break-even inflation	2.36	0.01	0.09	0.11	1.06
.. TIPS real rate	2.60	0.17	0.17	0.67	-1.19
Germany 10y gov, bund	3.51	0.17	0.37	0.67	-0.65
.. 10y EUR inflation swap	2.32	0.04	0.14	0.37	0.68
.. real rate	1.19	0.13	0.23	0.30	-2.79

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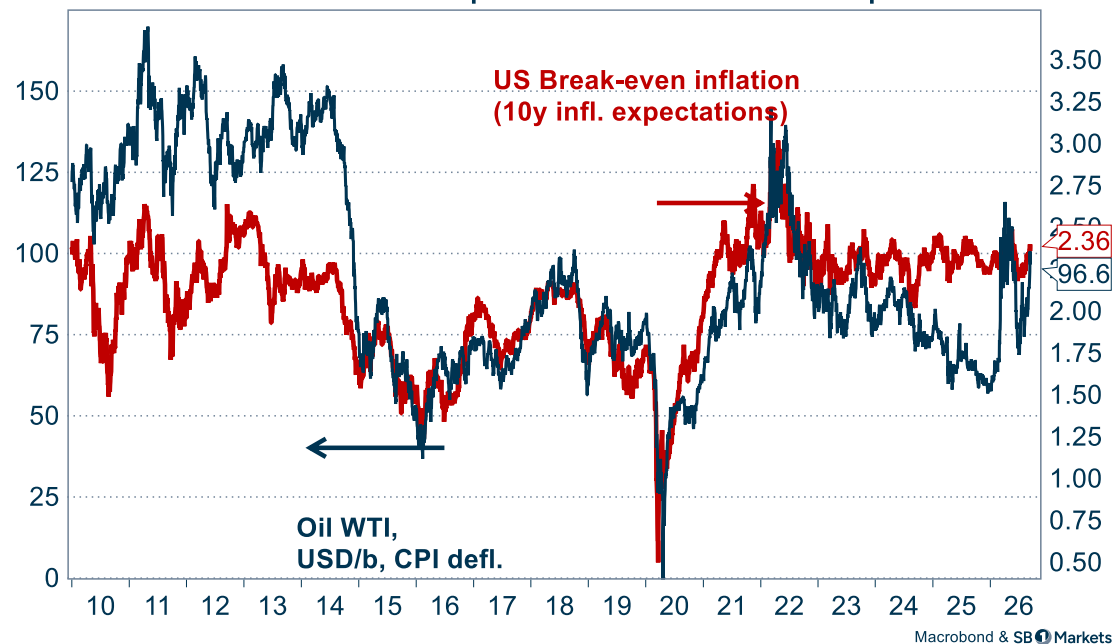


US inflation expectations are still correlated to the oil price

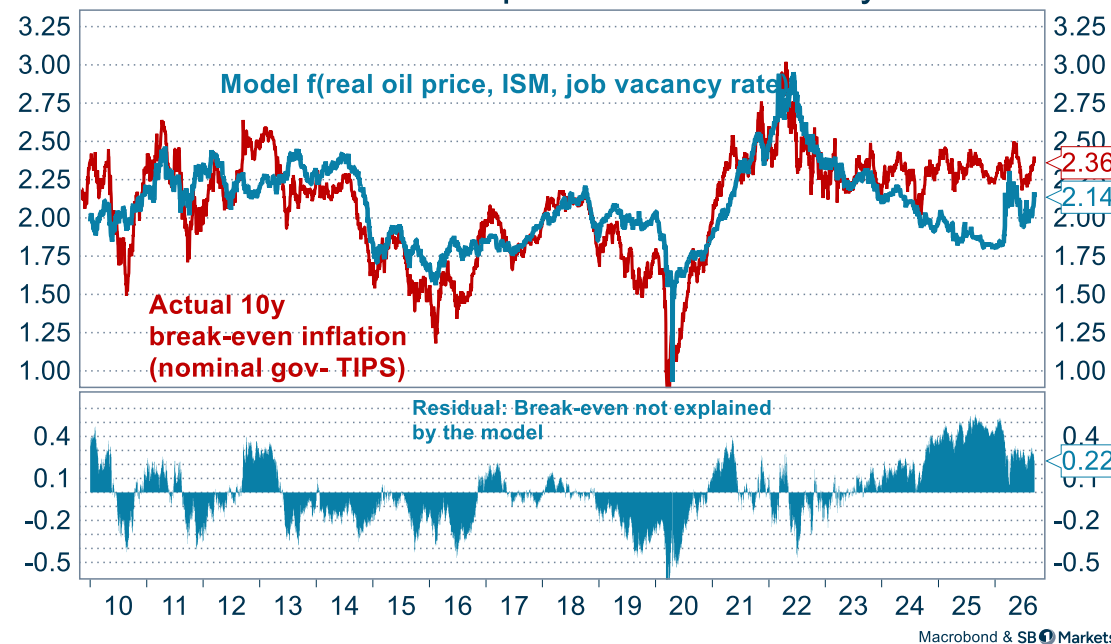
... but the impact has been less than normal during the recent oil turbulence.

Inflation expectations are still high vs. our model forecast but the gap has narrowed in 2026.

USA Inflation expectations vs. the oil price



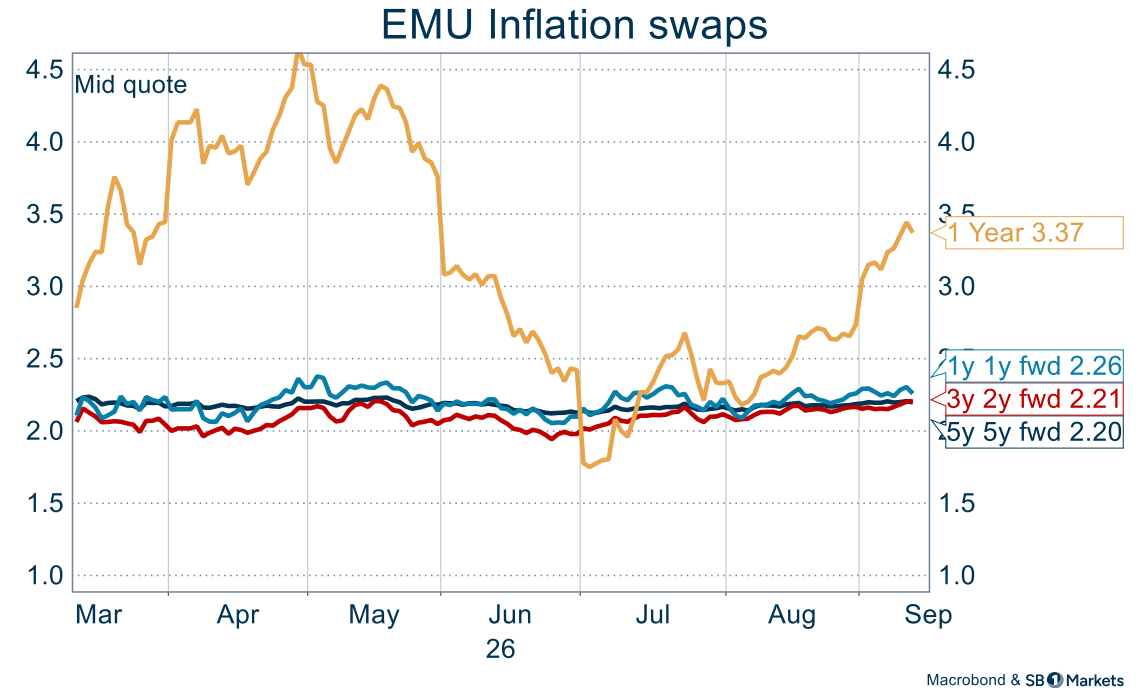
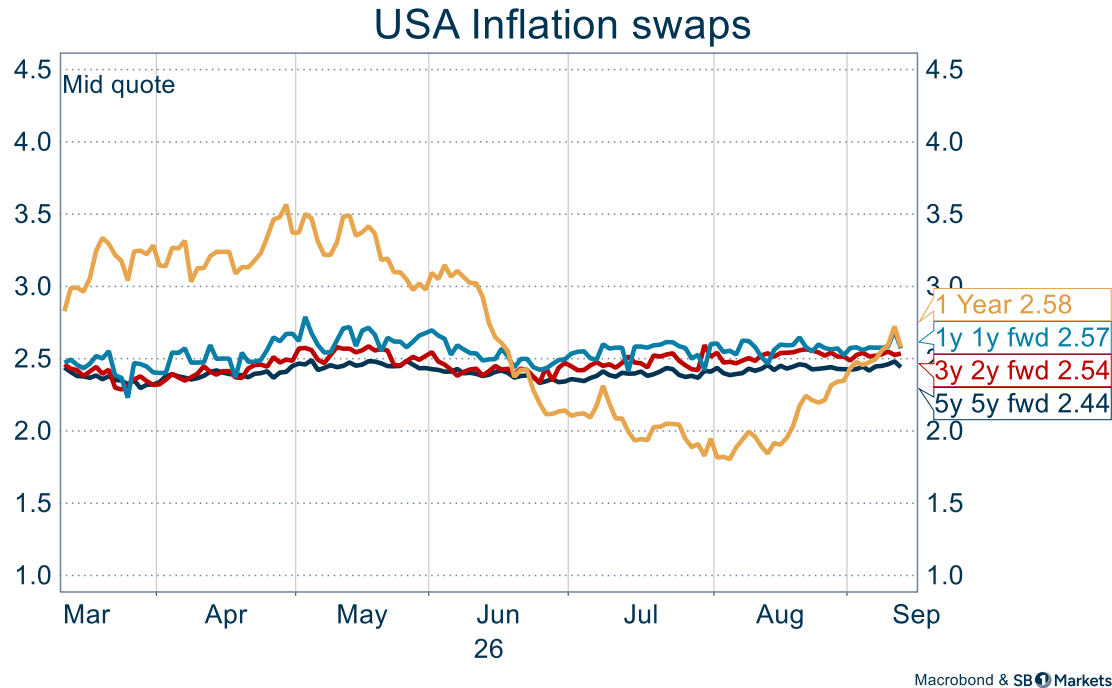
USA Inflation expect. vs. oil & the cycle



- The main determinant of **long-term inflation expectations** has been the current **spot (!) oil price**. If the current ISM and the current labour market are added, the model works even better.
- Our model's coefficients:
 - -10 USD/b: -10 bps (the dominant factor, check the upper left chart).
 - -1 labour market vacancy pp (say to 4.3% from 5.3%): -12 bps.
 - -5 ISM points: -12 bps.
- Should other factors have been included in the model?

Short-term EUR inflation expectations are surging, the 1y to 3.37%

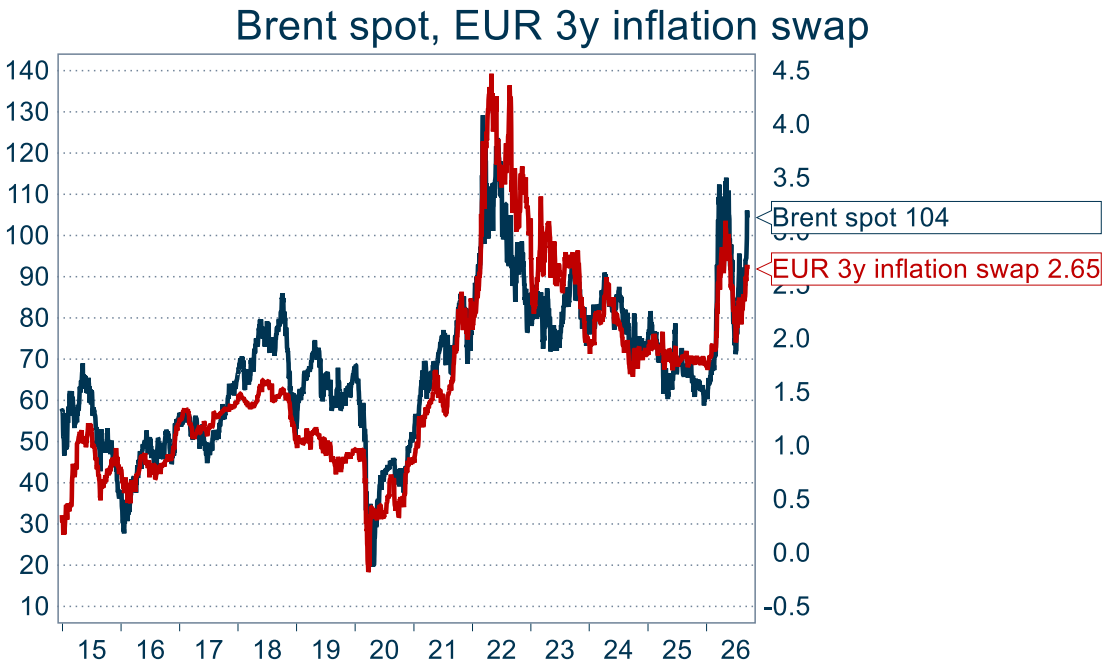
In the US, the 1y 1y fwd rate at 2.58% is well above the Fed's inflation target. However, from 1y onwards, inflation expectations are well behaved, especially in EUR.



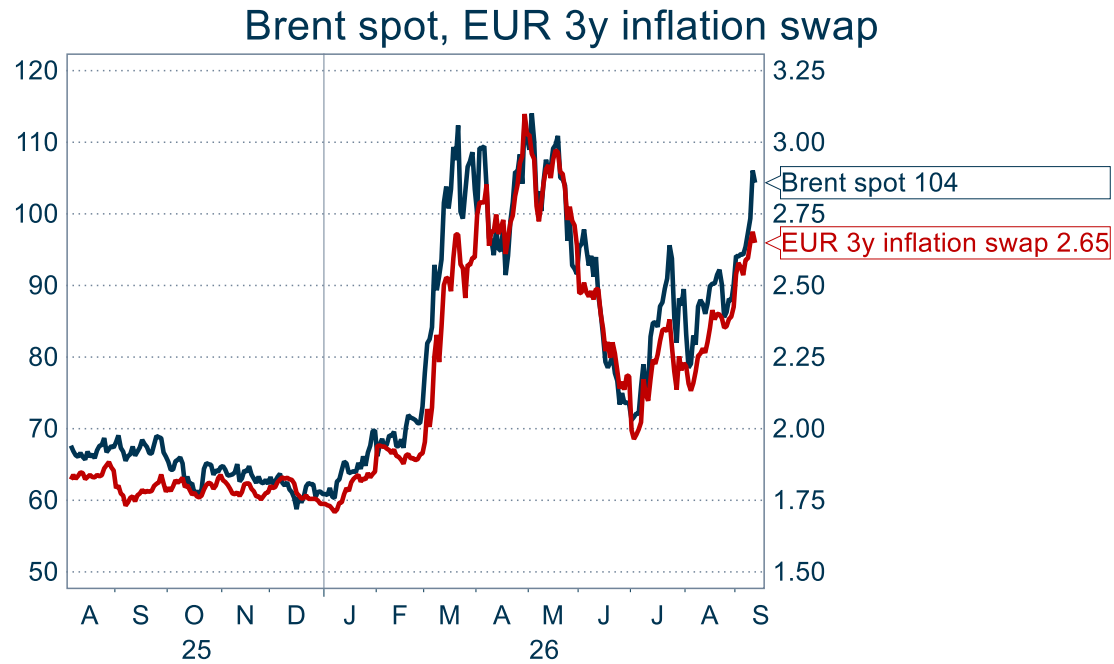
The 1y EUR inflation swap is heavily impacted by the base effect in the y/y HICP inflation rate. Thus, around the change of front month, the 1y expected inflation rate may shift substantially (check Jan/Feb and then May/June and June/July in the chart above to the right). Further out on the inflation swap curve, the impact is limited and it is non-existent in the forward curve (check the 1y1y vs. the 1y inflation swap).

EUR short-term inflation expectations are still following the oil price

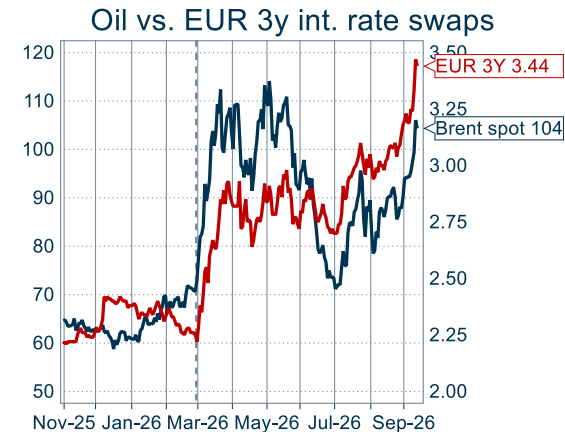
However, nominal rates did not follow the oil price all the way up last week (check the upper right chart).



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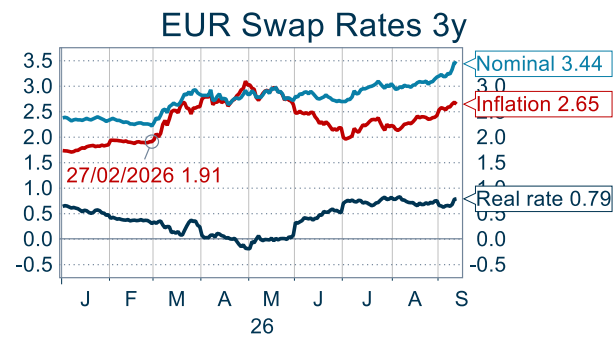
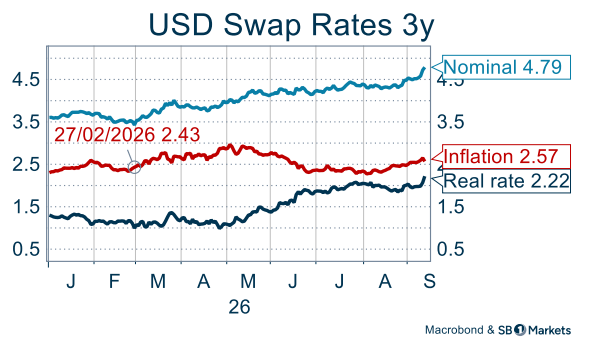
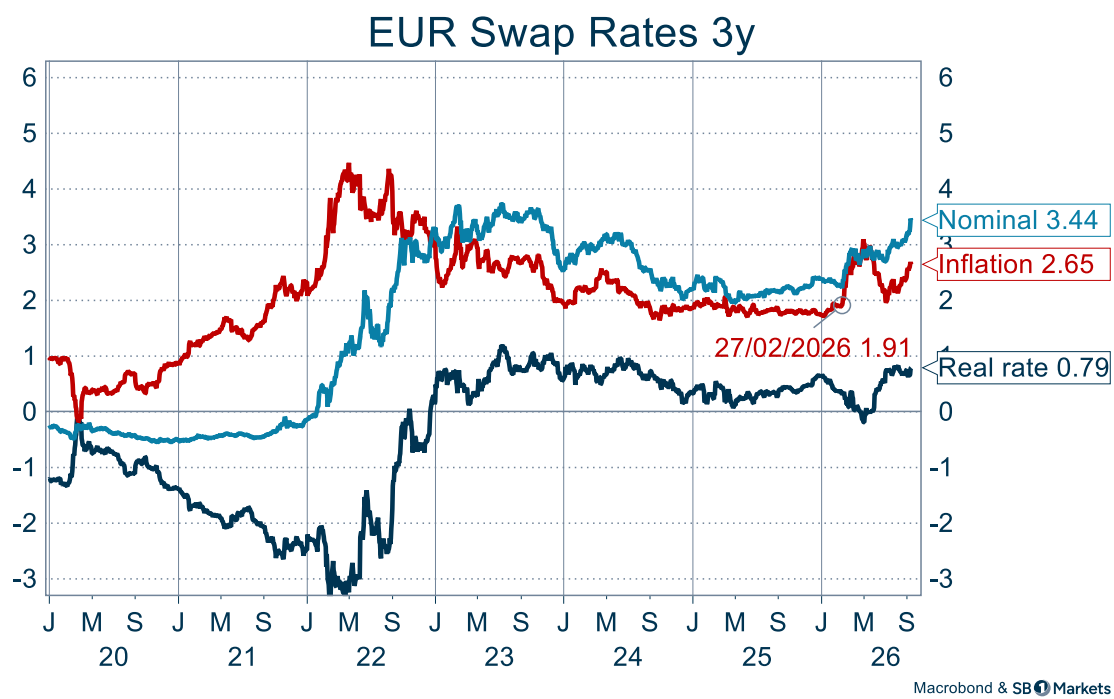
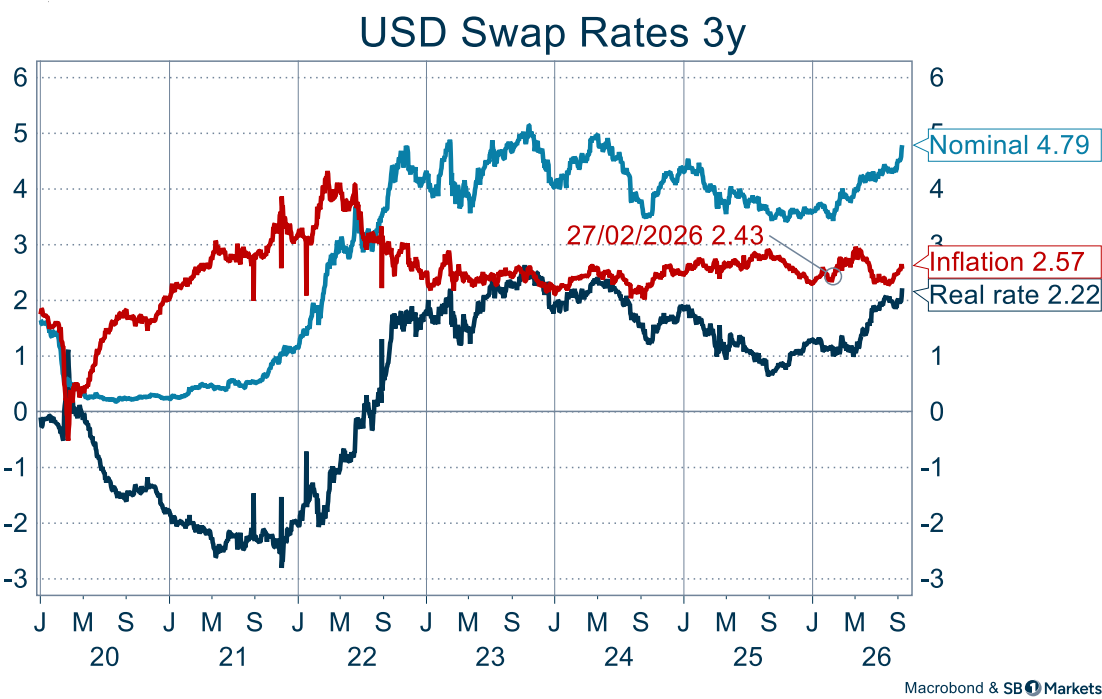


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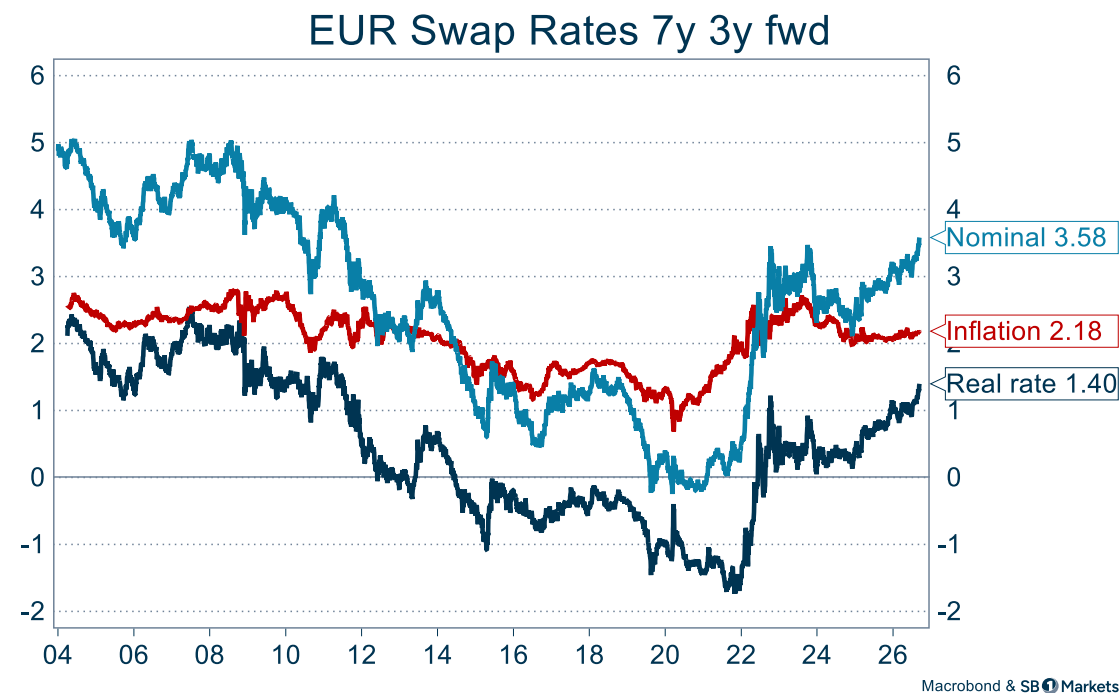
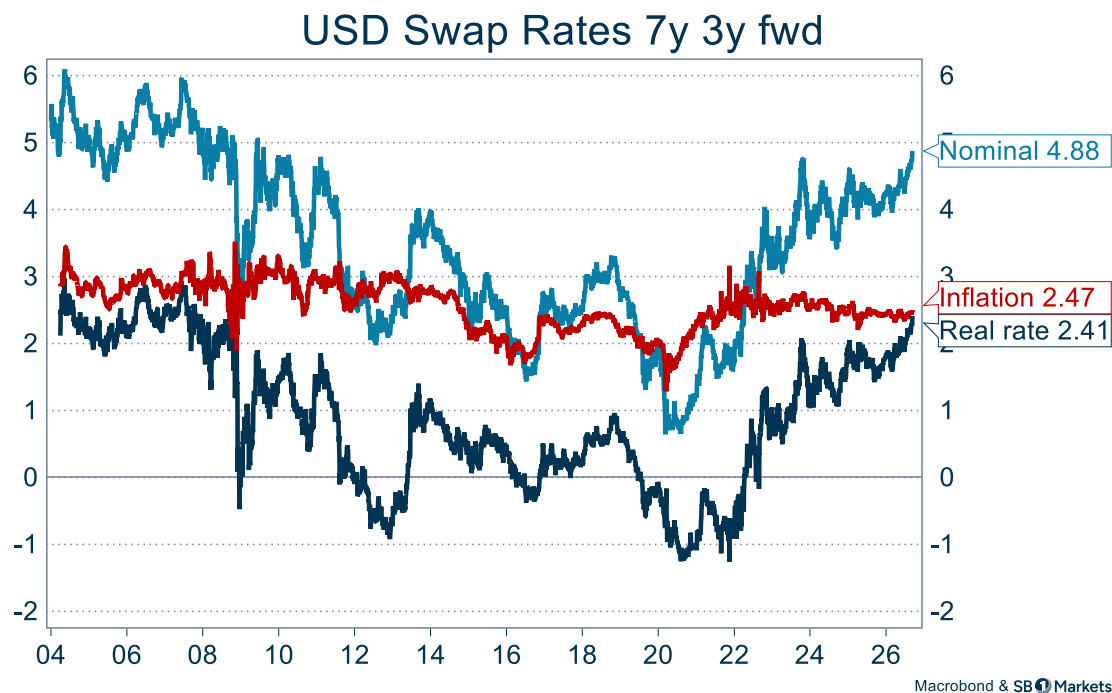
In the US, real rates lifted the short end last week. In EMU, both real rates and infl. exp. rose

Since early June, 3y EUR real rates have stabilised, while inflation expectations have increased alongside higher oil and gas prices.



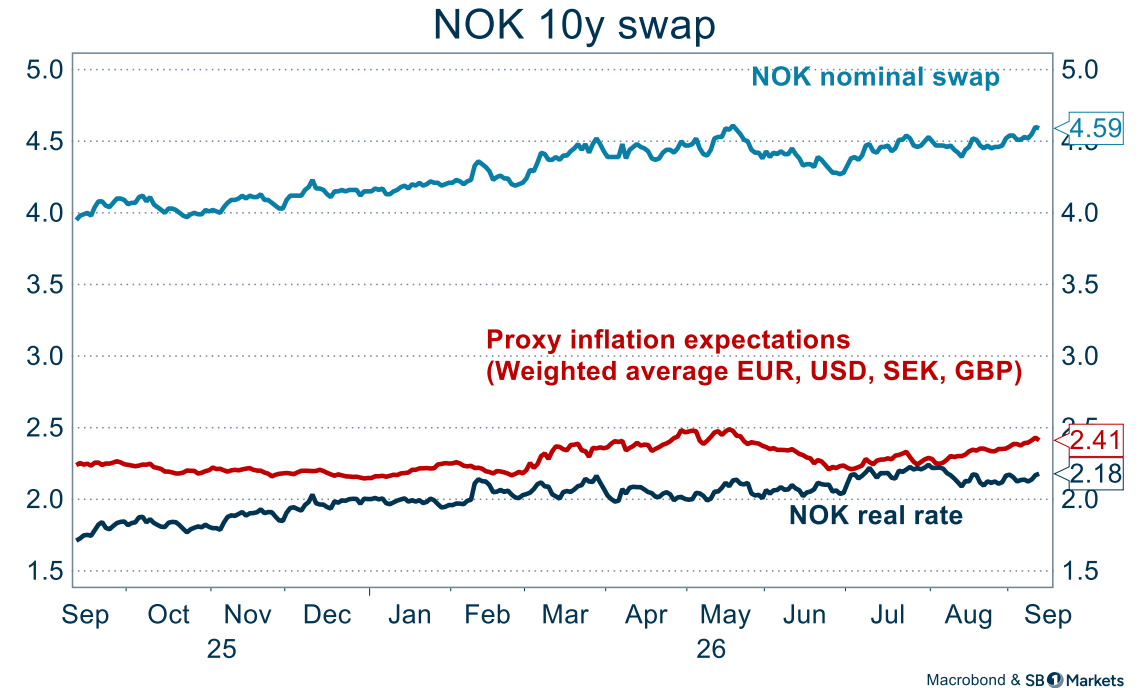
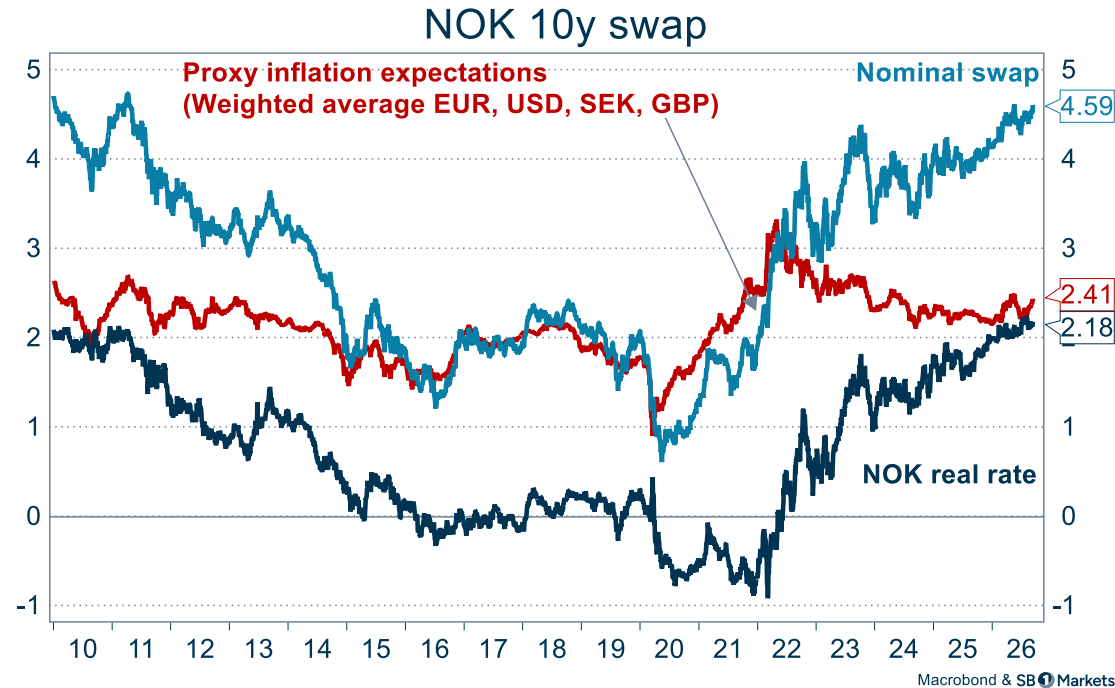
Longer-term inflation expectations are stable while real rates are surging

Real rates are the highest since the financial crisis/Euro crisis.



The 10-year NOK real rate is (probably) above 2%

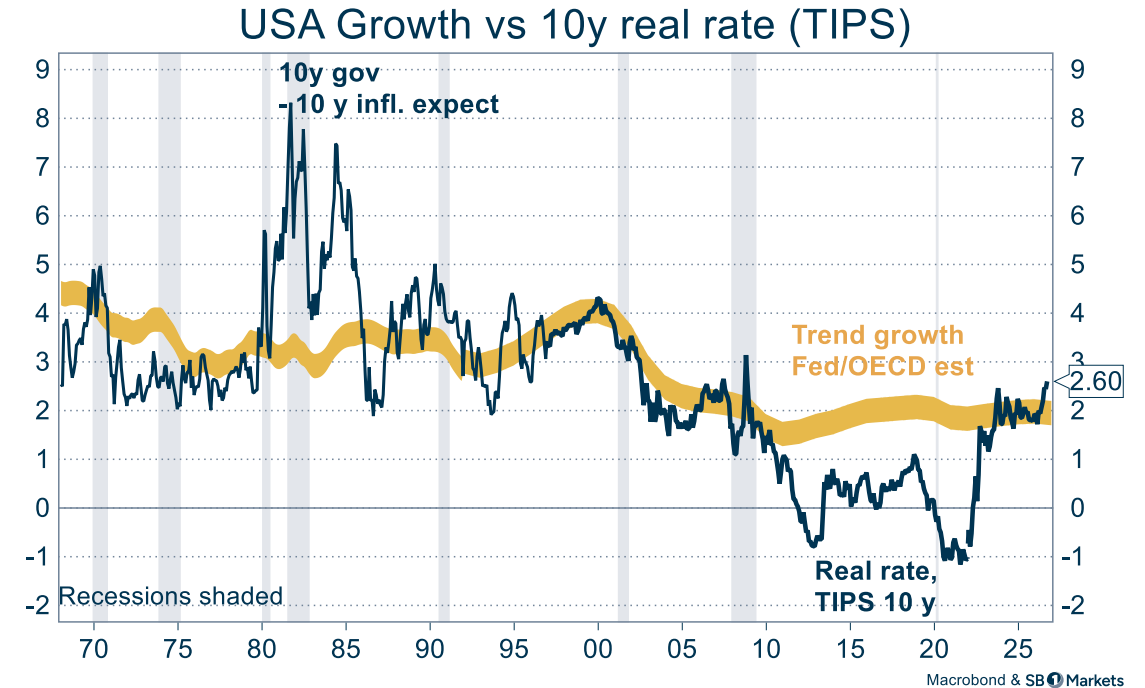
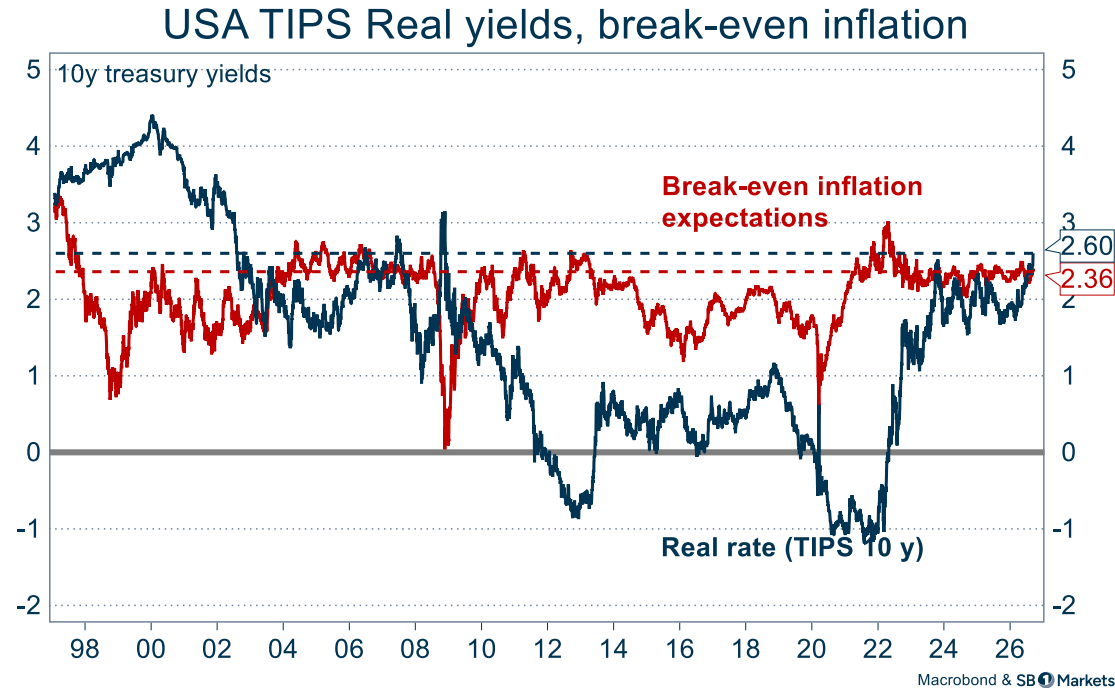
... as we assume that long-term inflation expectations develop in line with expectations abroad. These expectations have been drifting upwards in recent weeks due to the impact of the energy price shock, but remain modest.



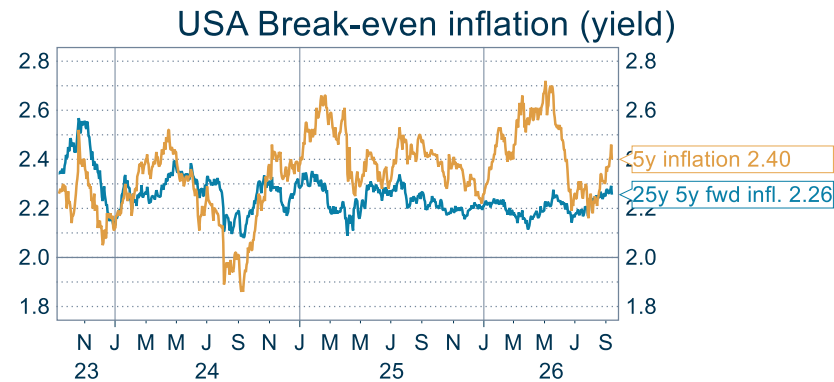
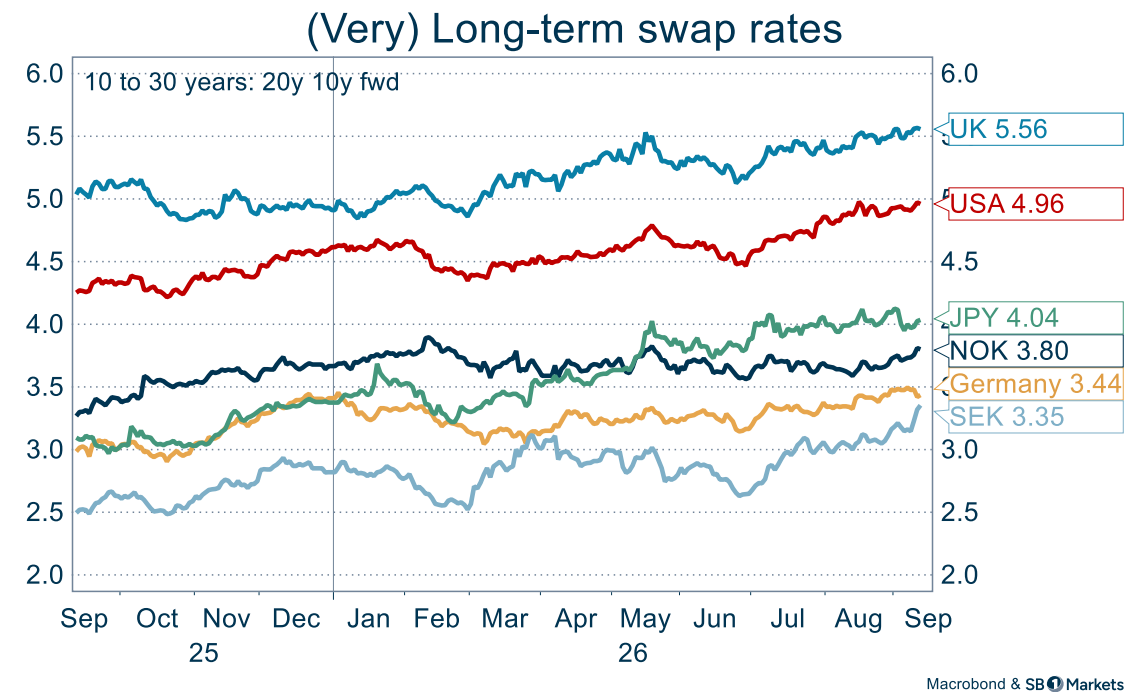
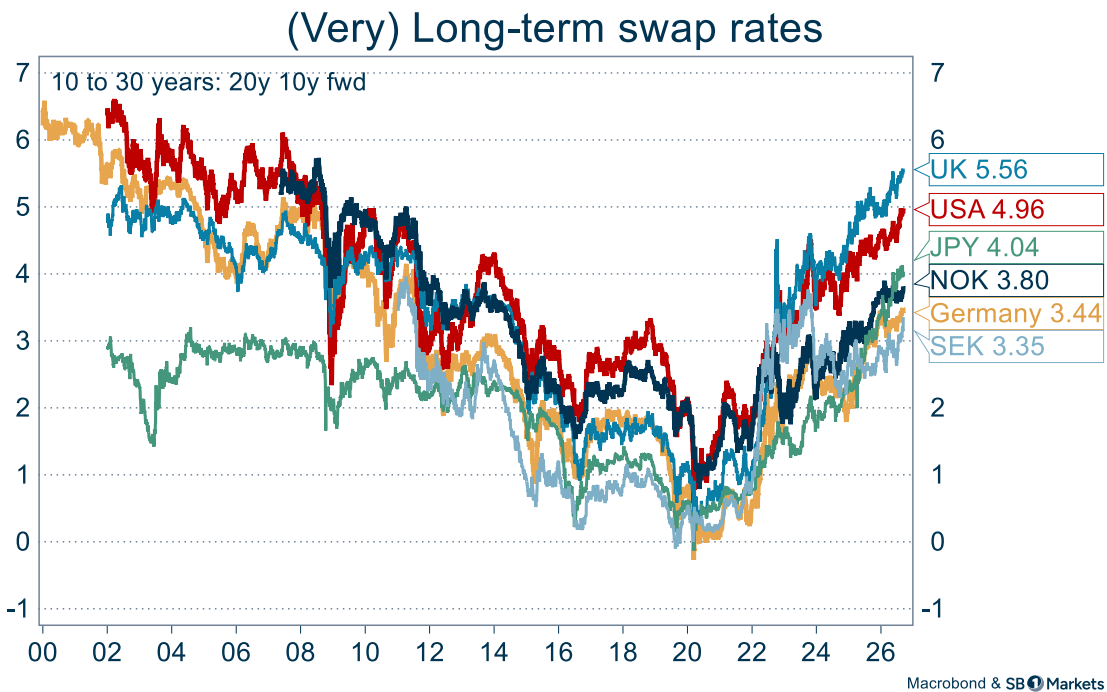


US real rates vs. growth expectations: above the upper part of the 'growth corridor'

We would NOT bet on a substantial lift from here, unless a 'Truss moment' comes along. In an economic downturn: lower long-term real rates are likely. Break-even inflation expectations are stable, at least barring the very short end.

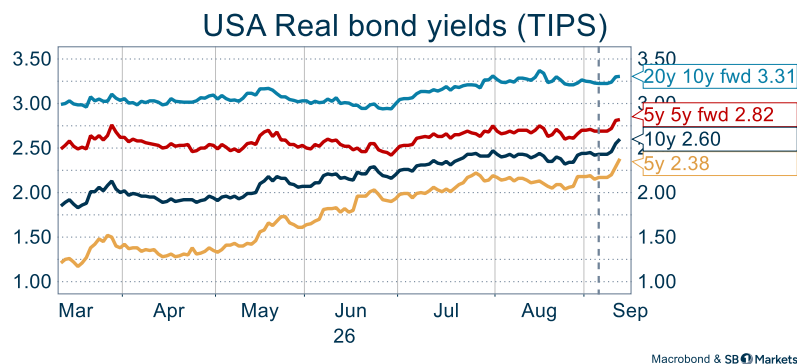
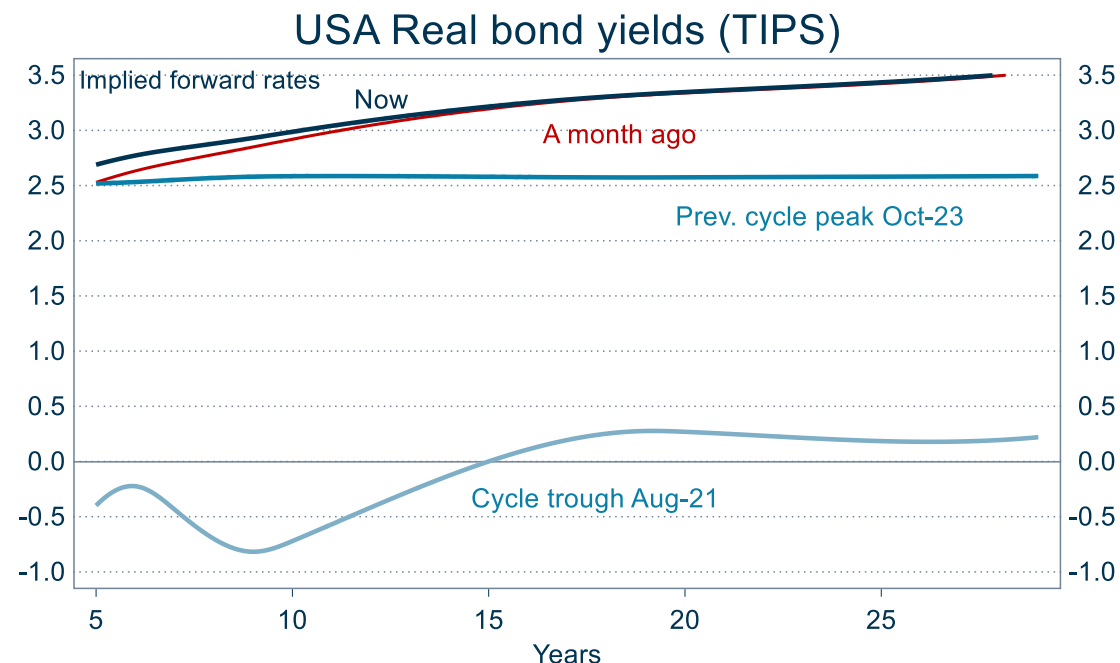
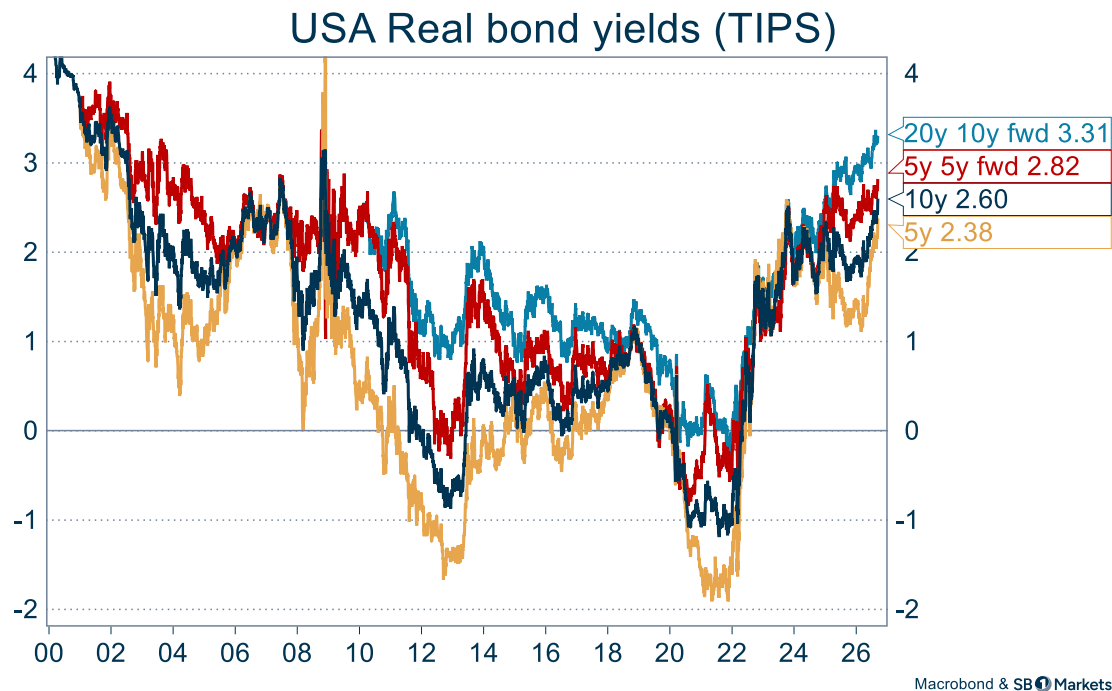


Very long-term swap rates trend upwards



TIPS real yield curve: 'Shorter-term' real rates were up last month, not the very long end

The 5y real rate rose 19 bps to 2.38%, while the 20y 10y fwd was up 'just' 8 bps to 3.31%, the highest rate on record, but with data just from 2010. The shorter-dated TIPS rates are the highest since 2007.

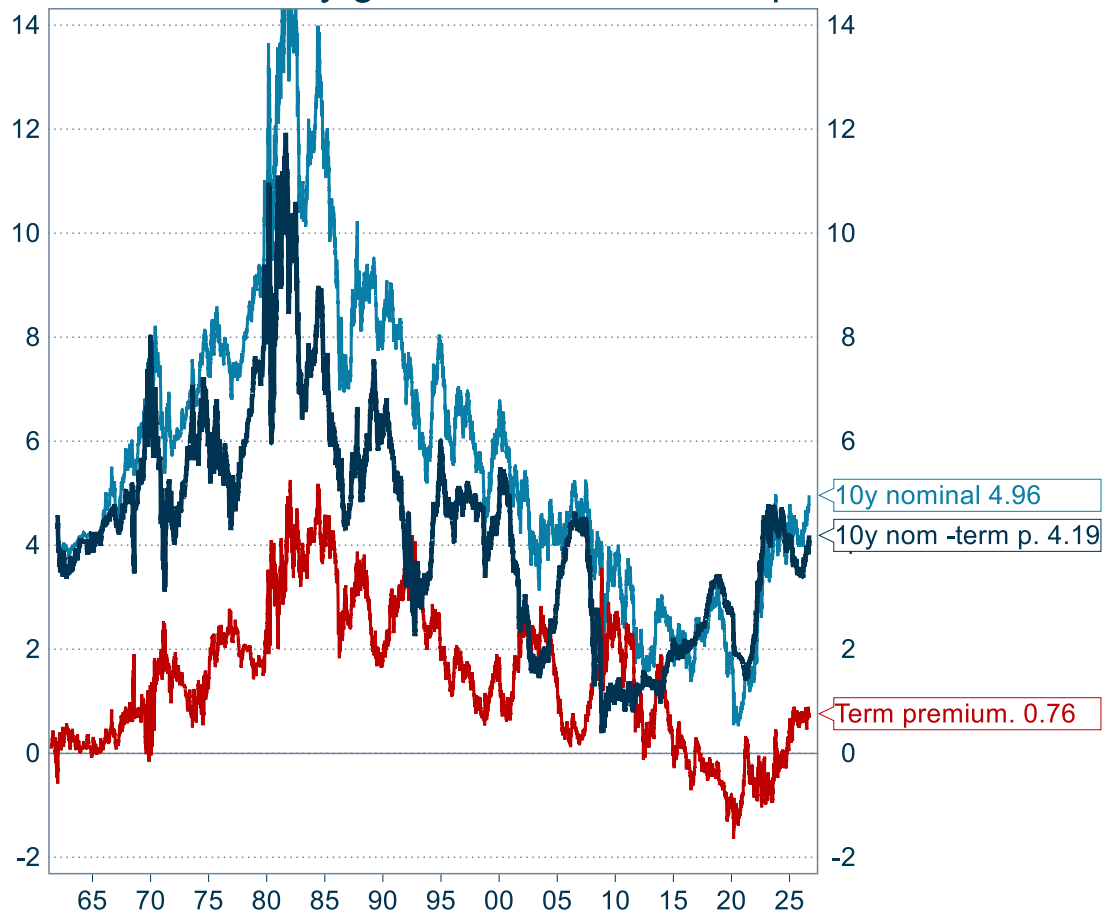




The term premium cannot explain the lift in government bond yields in recent weeks

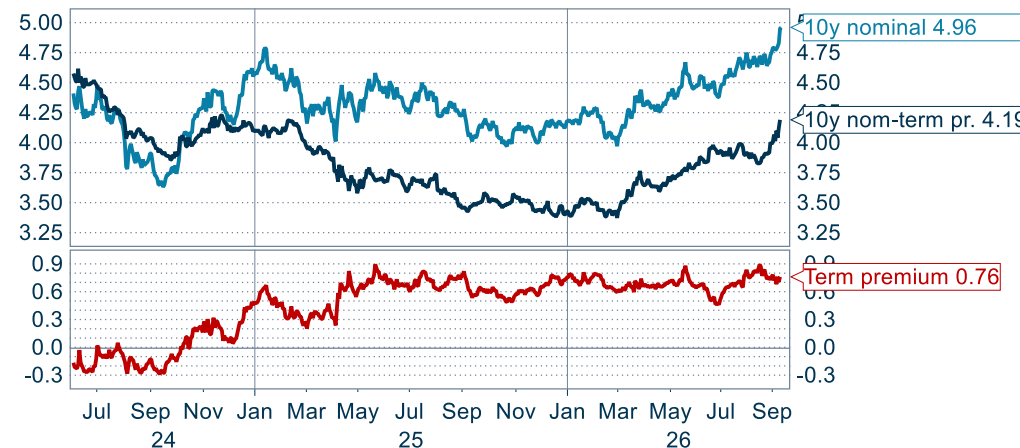
The lift in bond yields in recent months is not due to a lift in the risk premium but **expectations of a higher 'normal' Fed funds rate**. Neither is the term premium 'high', according to Fed models. Credit Default Swap premiums have not increased either.

USA 10y gov bond vs. the term premium



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- **The term premium:** The excess yield that investors require to hold a long-term bond instead of a series of shorter-term bonds
 - The actual 10y nominal bond yield
 - the 10y term premium
 - = expected short-term rates over the next 10 years (the blue lines on the charts on this page)
- There is no precise way to estimate the term premium. Here we present the estimate from the **Fed's ACM model**
- We are somewhat sceptical as to whether this or other term premium models really deliver what they claim to
 - The term premium is basically **just a function of the short and long end of the curve**. Thus, expected future short-term rates are just a function of the current short- and long-term yield (*check next page*)
- Still, the term premium is probably a relevant indicator when interpreting the implication of changes in long-term bond yields. The current level does not signal any stress in the bond market.

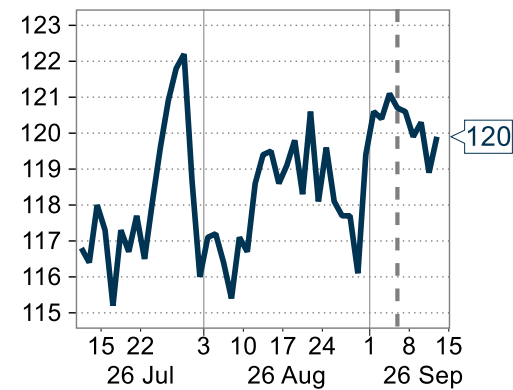
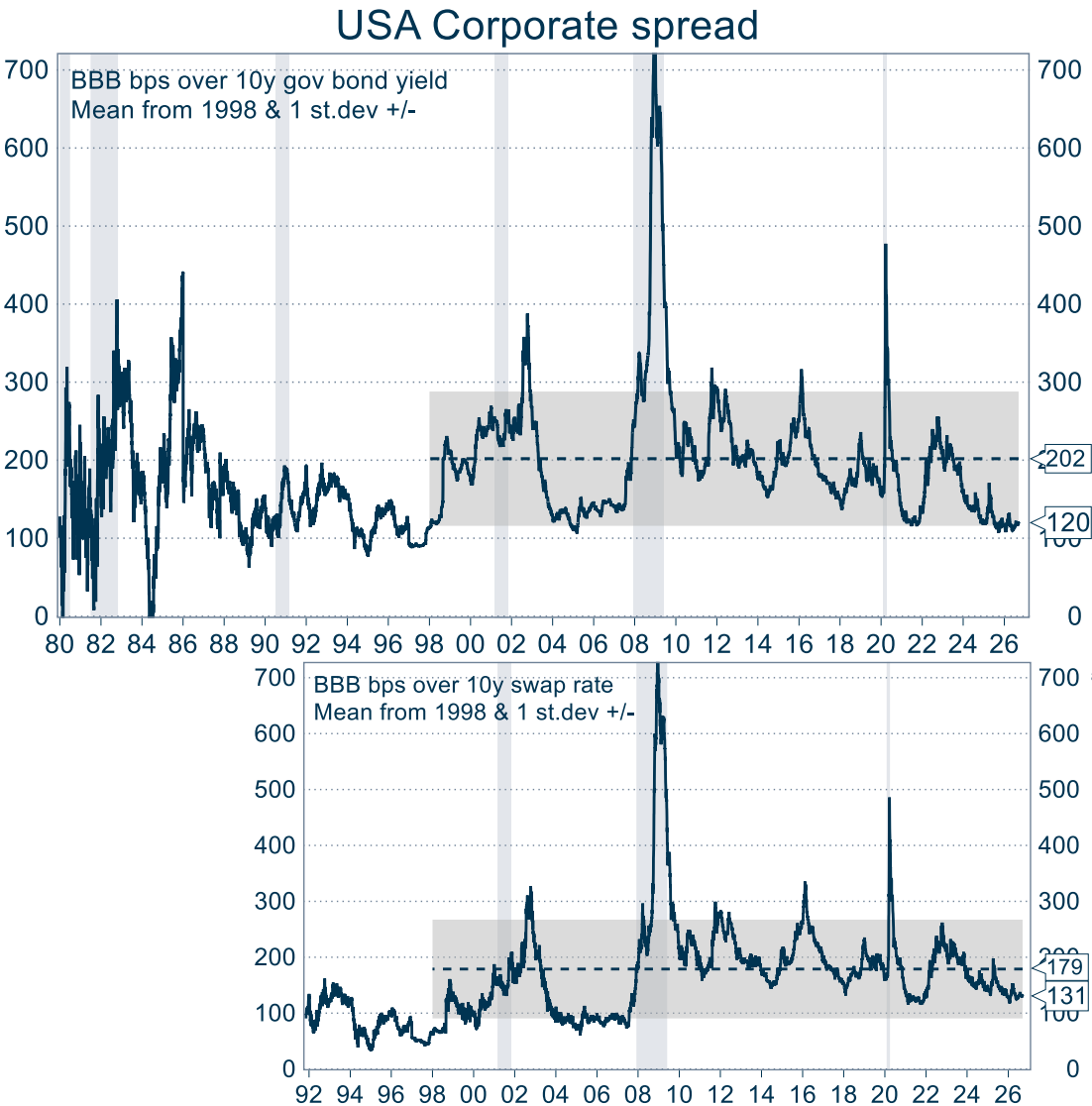


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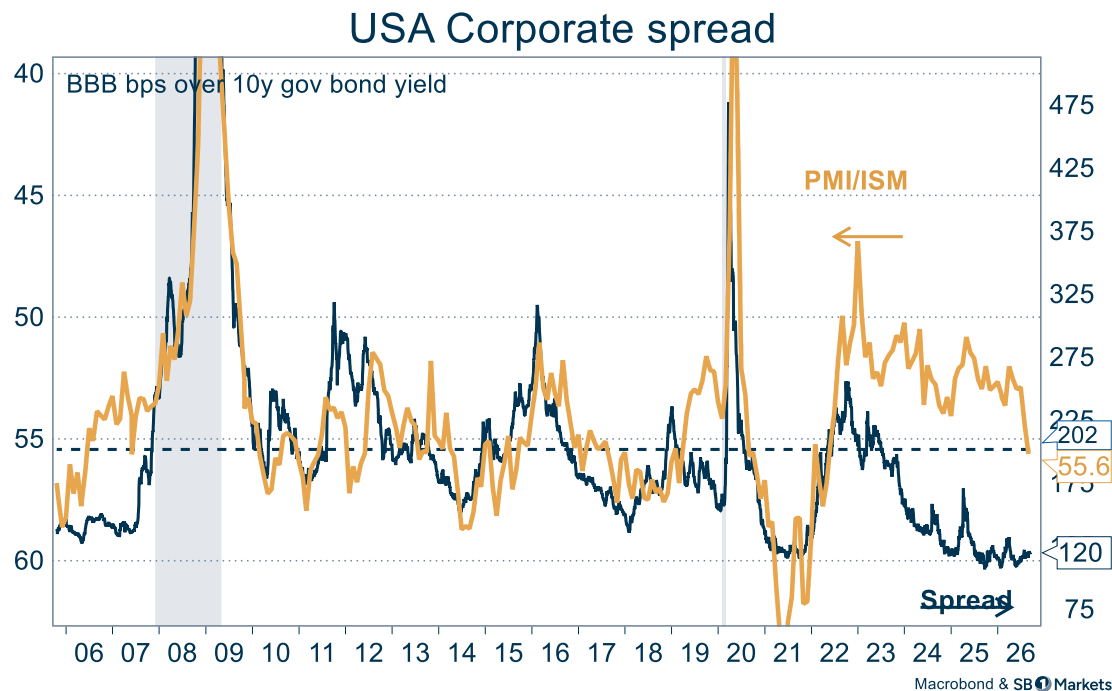
US BBB corporate spread (vs. 10y gov.) declined 1 bp to 120, but trends upwards

... from a very low level.

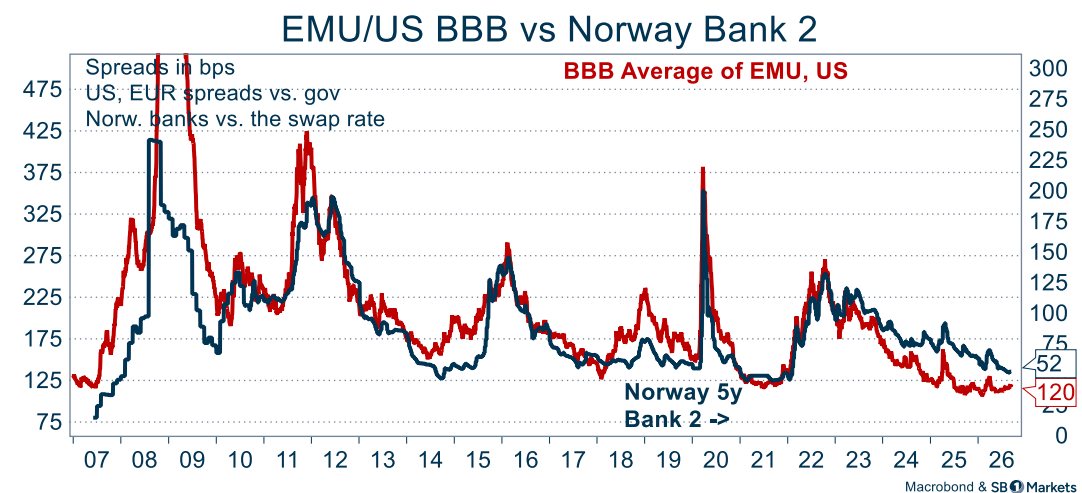
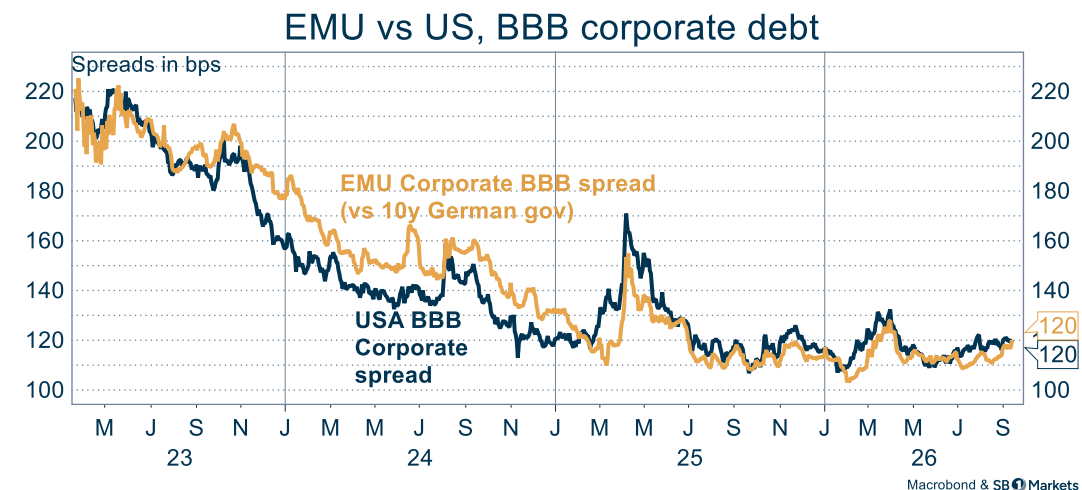


Mind the gap: surveys signal faster but not fast growth, and credit spreads are very low

... as though the economy were genuinely thriving. Spreads abroad have increased slightly in recent months, while the main Norwegian bank spread is still trending down.



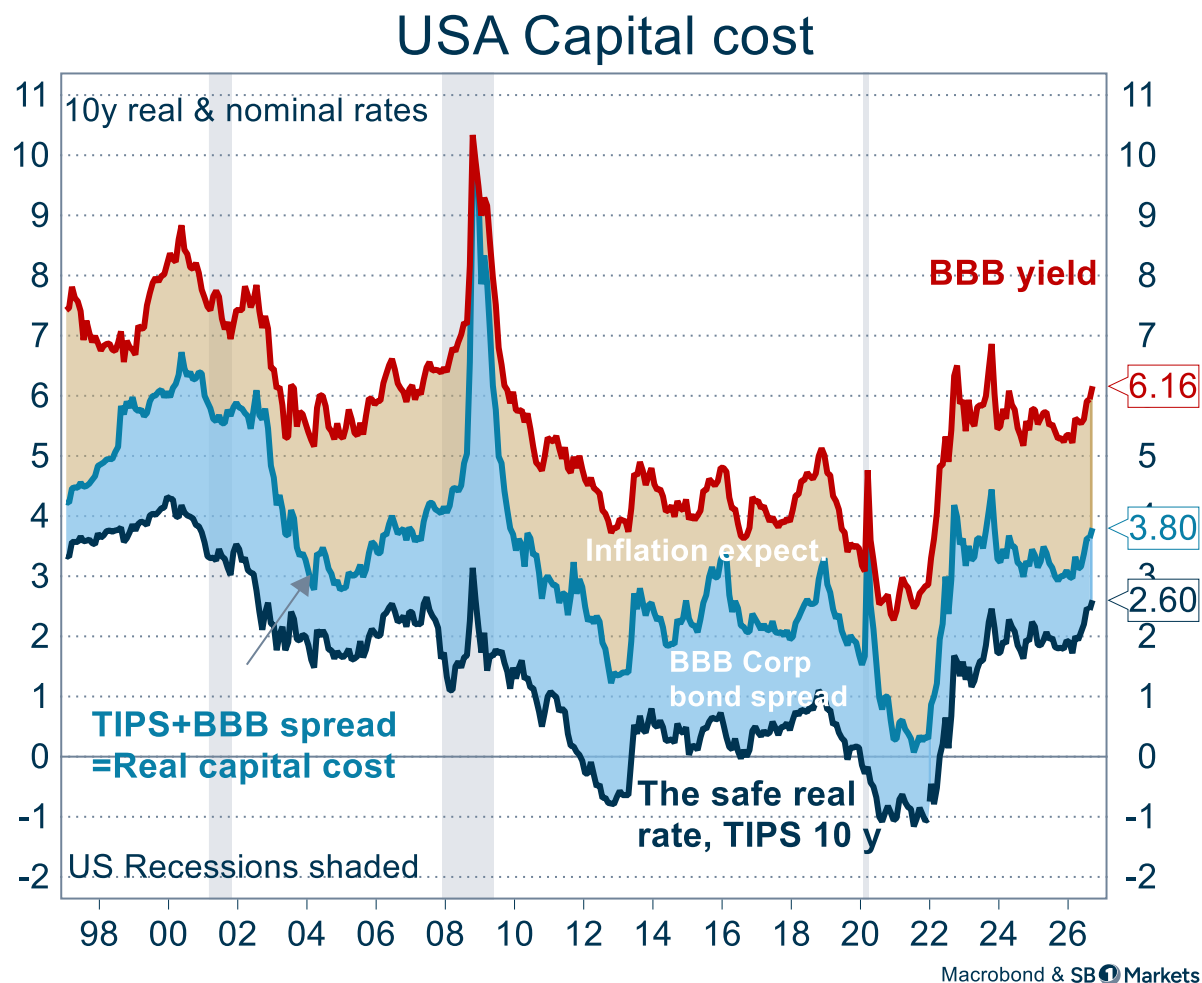
- The main Norwegian bank bond spread (bank 2, 5y senior) was flat at 52 bps last week, at the lowest level since early 2022.





Corporate borrowing costs have been drifting lower but turned up again in recent months

Both the rise in government bond yields and the widening of credit spreads have contributed to the lift since February.



- The total **real borrowing cost** for a US BBB investment-grade industrial corporation is at 3.8%, following the lift in the 10y TIPS rate last week.
- Adding in inflation expectations, the nominal borrowing cost has increased in recent months, now to 6.16%, up almost 100 bps from February.
 - The 'all in' is still down from the close to 7% at the local peak in 2023 – but up from well below 3% at the bottom in 2020/21.



4.3 Equity markets



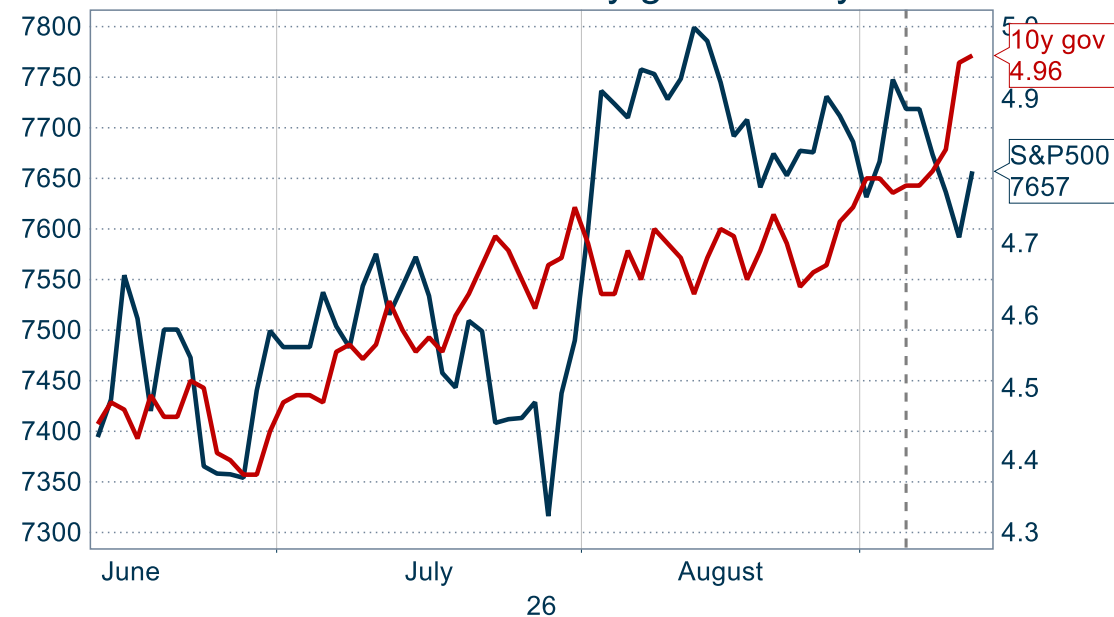
S&P declined 0.8% but is not far below ATH. The 10y gov. bond rate rose 18 bps to 4.96%

The 10y gov. bond yield has been trending upwards so far in 2026 and shot up last week. The oil price, the CPI and the unsuccessful long bond buyback auction contributed. The level is just 4 bps below the 2023 local peak. The 30y +10 bps to 5.35%, the highest since 2007.

USA S&P 500 vs. 10y gov. bond yield



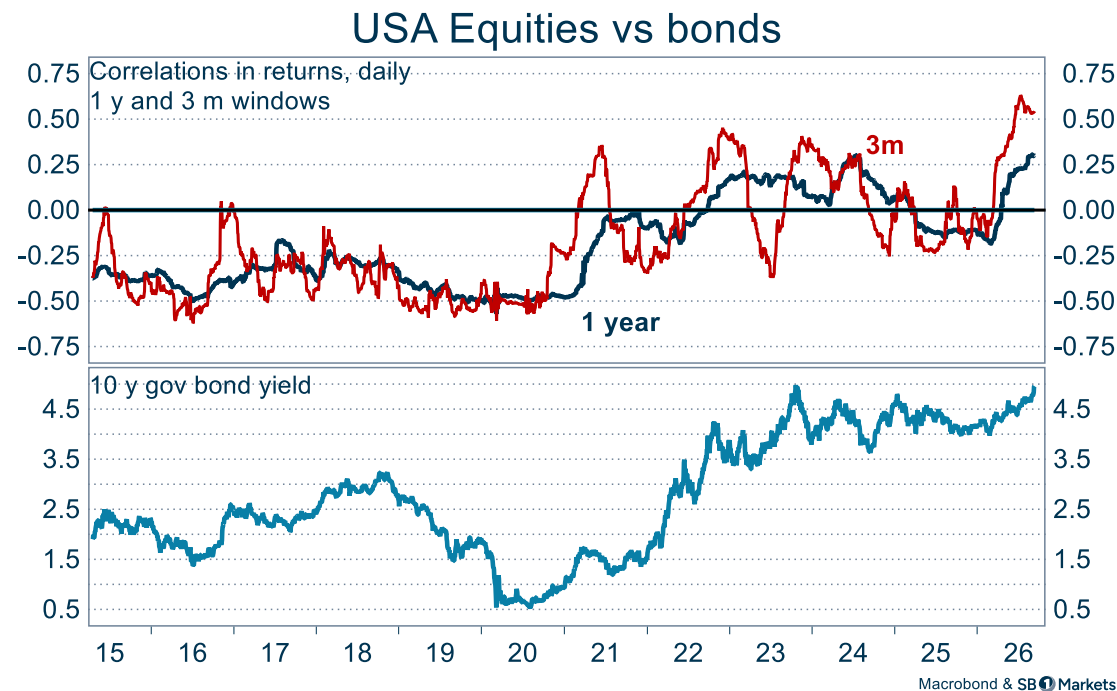
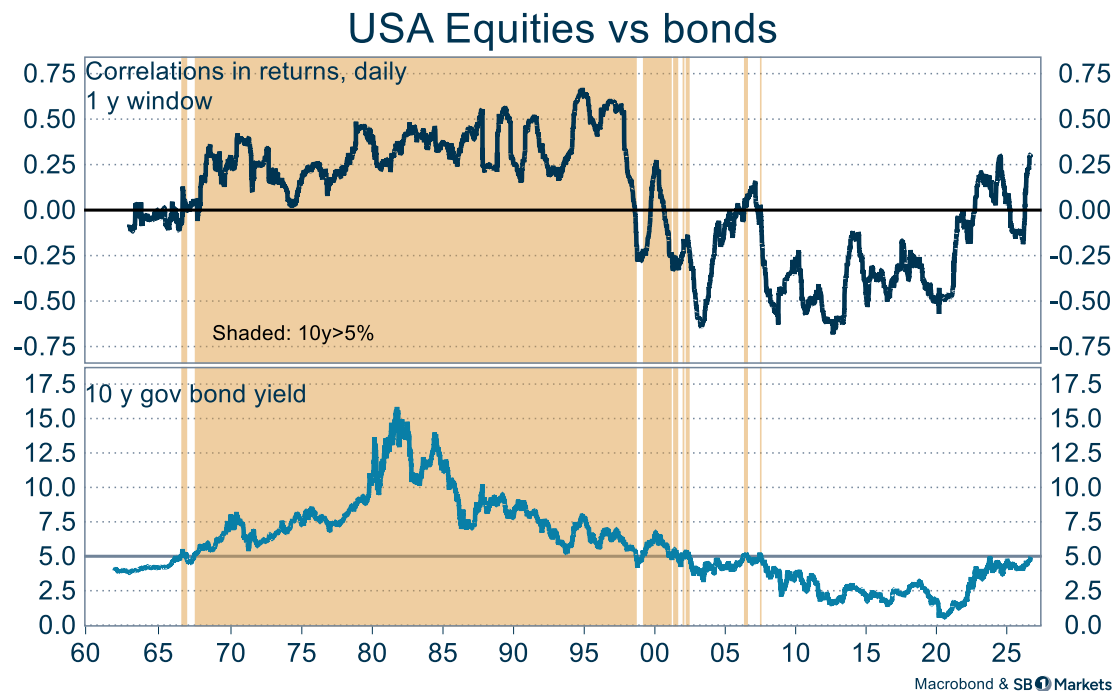
USA S&P 500 vs. 10y gov. bond yield





Equity–bond return correlation remains positive

This follows the return of inflation worries and rising bond yields for ‘the wrong reason’ – an oil supply shock – even if it is real rates, not inflation expectations, that have risen.

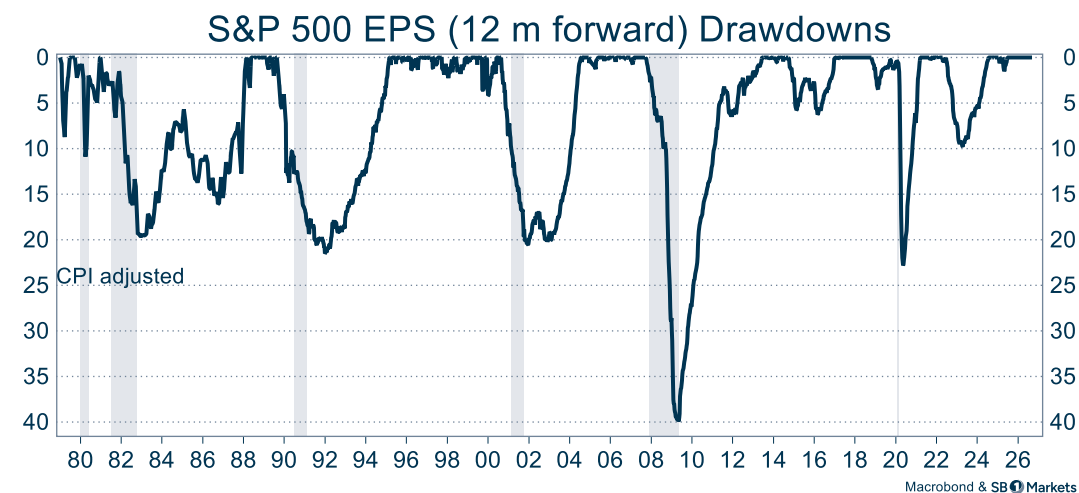
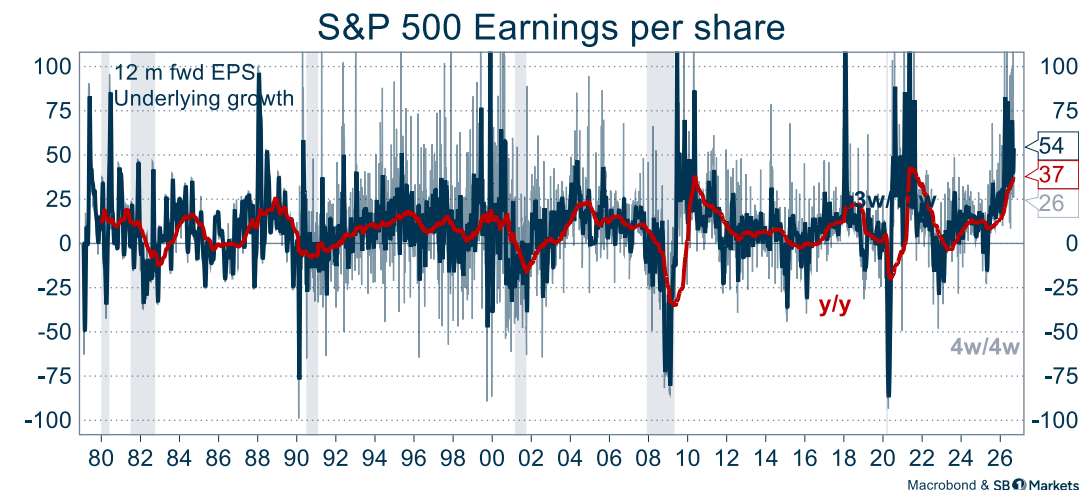
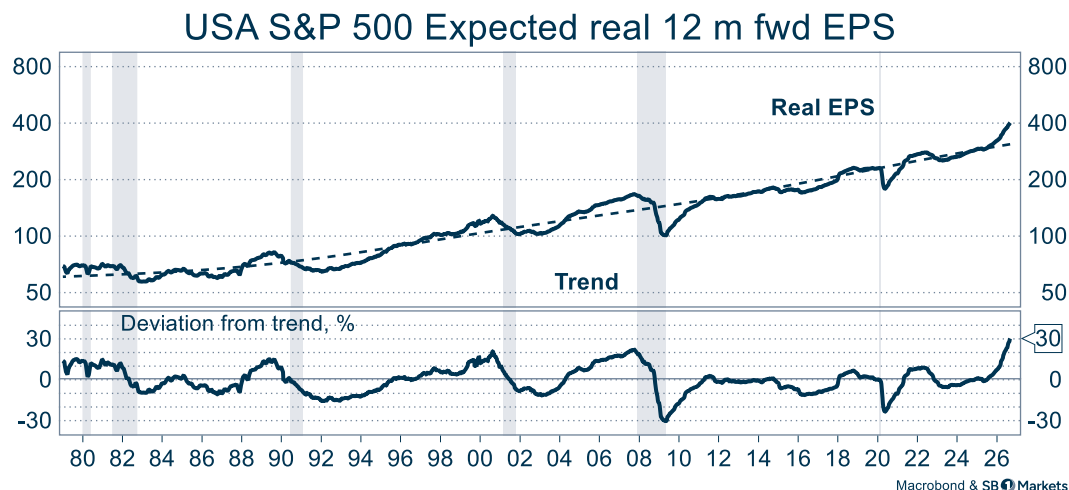


- **Inflation worries** normally lift government bond yields to a ‘high’ level and are normally not positive for equities: thus, a positive correlation (in returns).
- **Growth worries produce the opposite (negative) correlation in returns: lower yields and a weaker equity market.**
- **The threshold** vs. the 10y bond yield before the correlation turned positive used to be some 5.0%. Now it is very likely lower – say 4.5% or below.
 - The neutral rate is probably lower than 15–20 years ago due to the decline in trend growth (demographics & productivity).



US earnings expectations are up 37% y/y, and the momentum in recent weeks is impressive

The 12m fwd. expected (CPI-adjusted) S&P 500 EPS is 30% above the long-term real trend path, as the profit share of GDP is booming, to record high levels. **Some downside risk?**

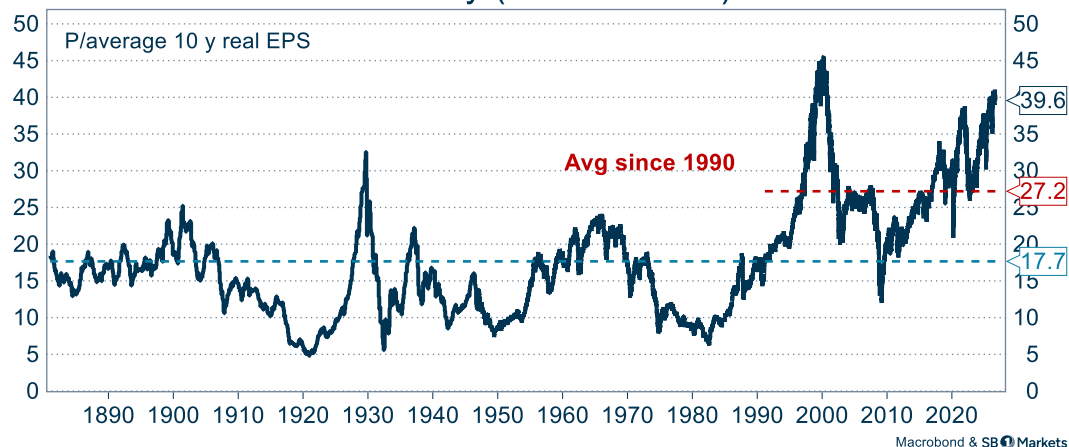




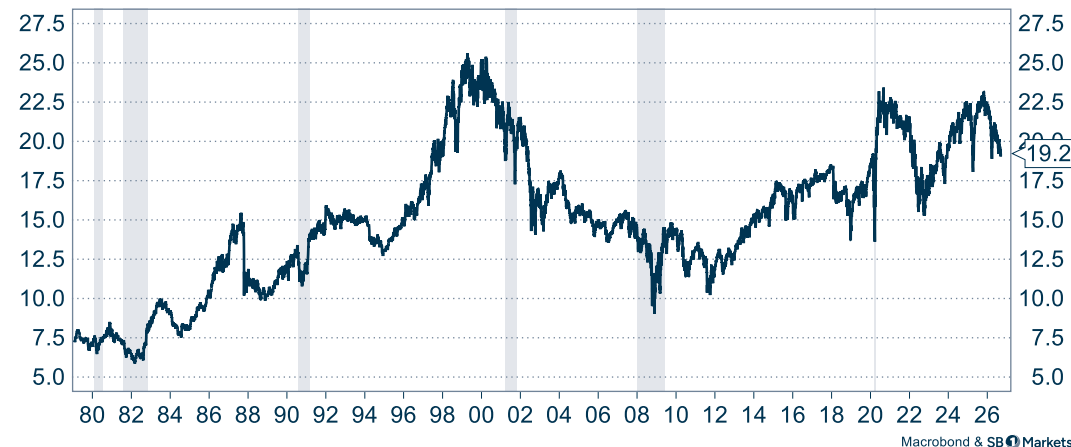
US P/Es are still high, but **rapid earnings growth** lowers the 12m fwd. P/E rapidly

Historically, returns have been dismal when pricing has been as aggressive as now. On the other hand, earnings are booming (and far more than we have assumed). The CAPE/Shiller has kept up, even if the 10y TIPS US real rate has increased sharply.

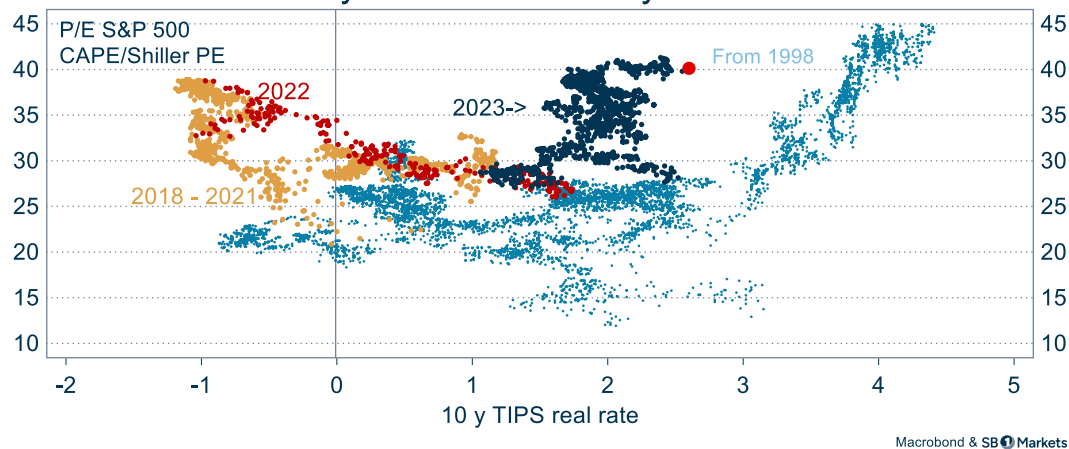
S&P500 10y (CAPE/Shiller) P/E



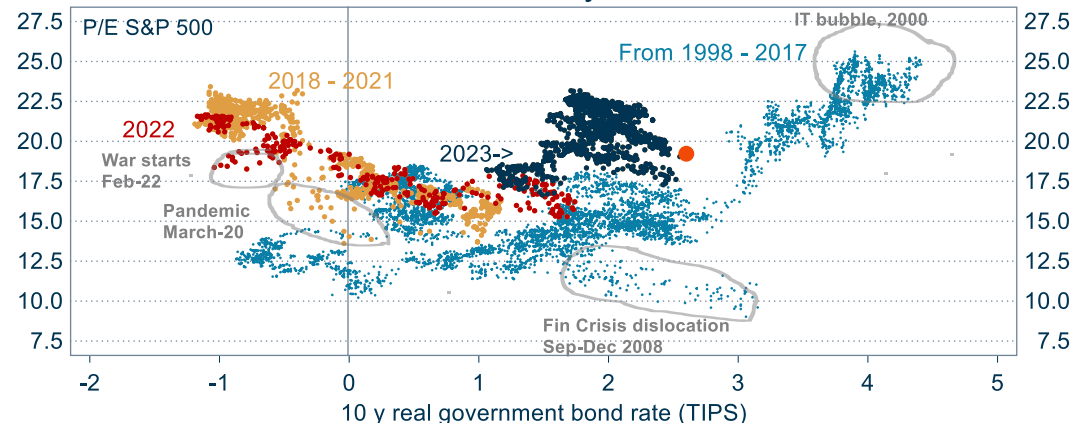
USA S&P 500 12 m fwd P/E



S&P 500 10y CAPE vs US 10 y real interest rate

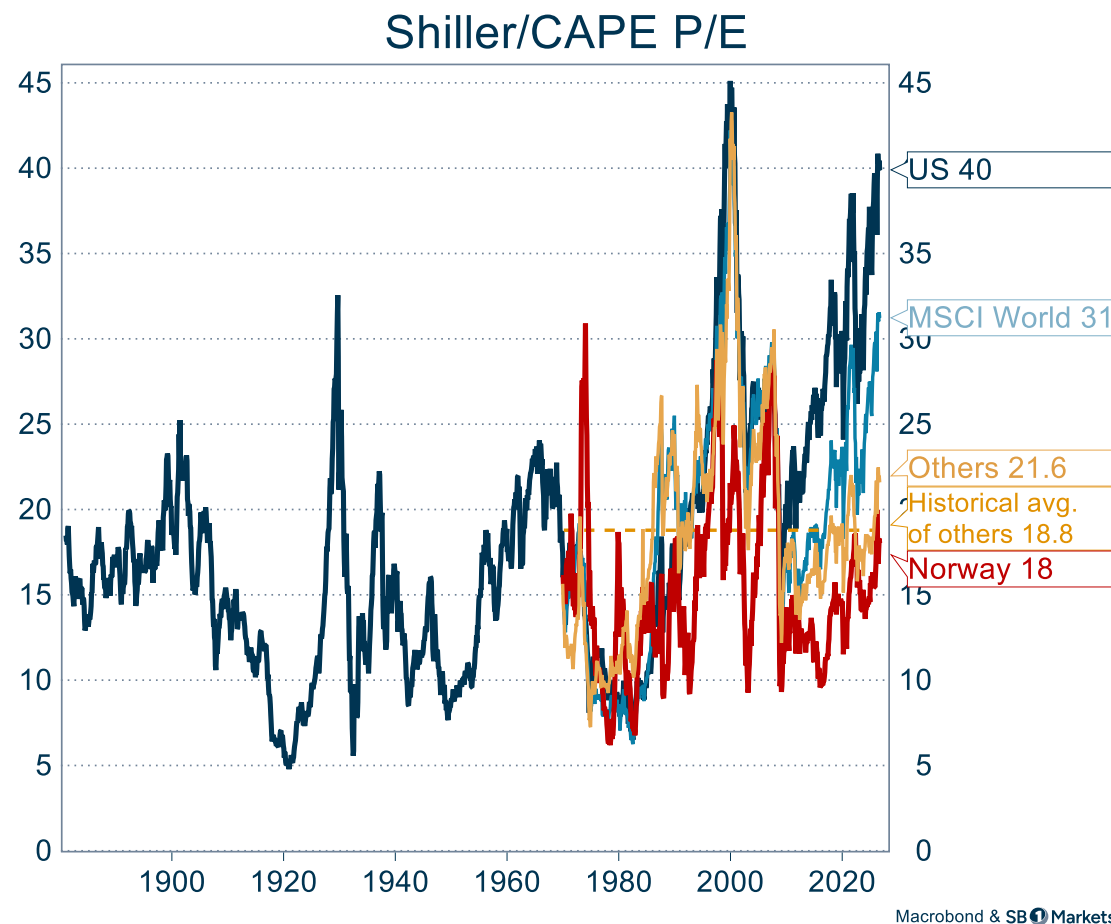
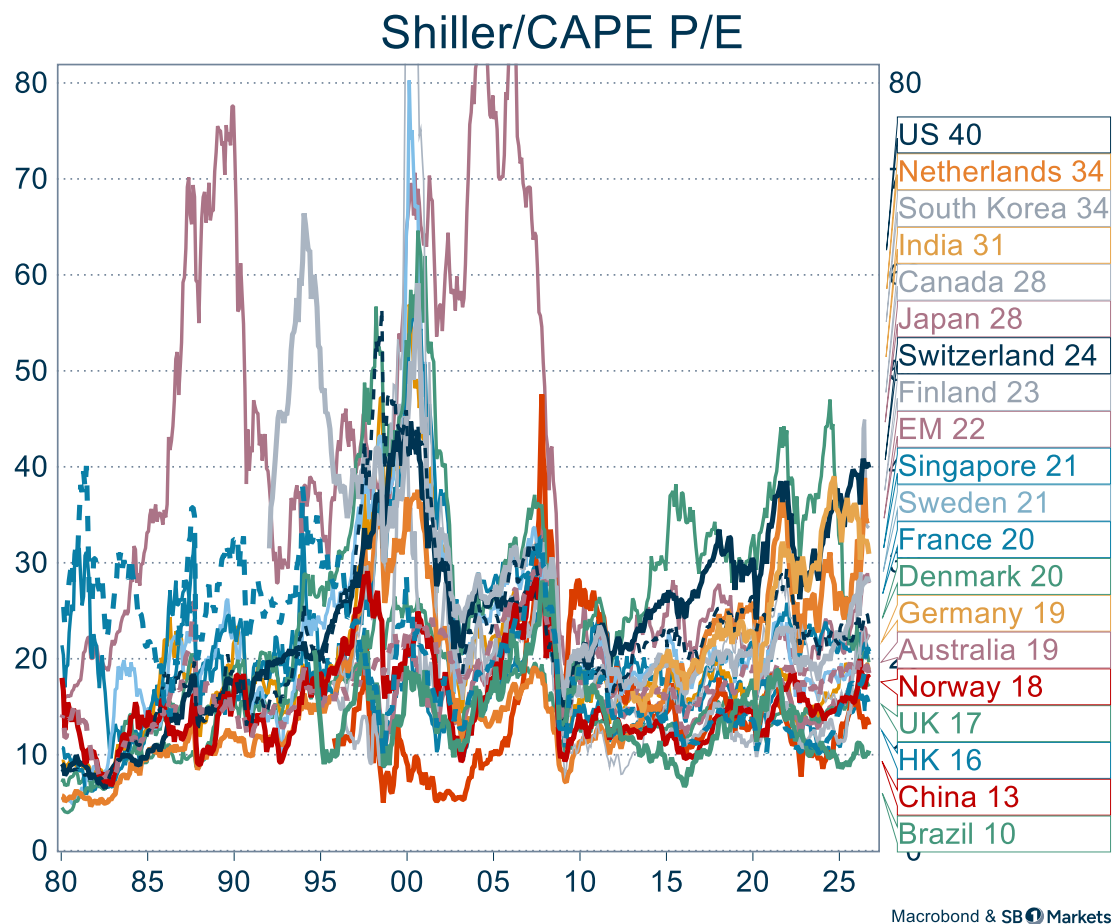


S&P 500 PE vs US 10 y real interest rate



The US market at the 2nd highest vs. the Shiller CAPE ever, and few markets are cheap

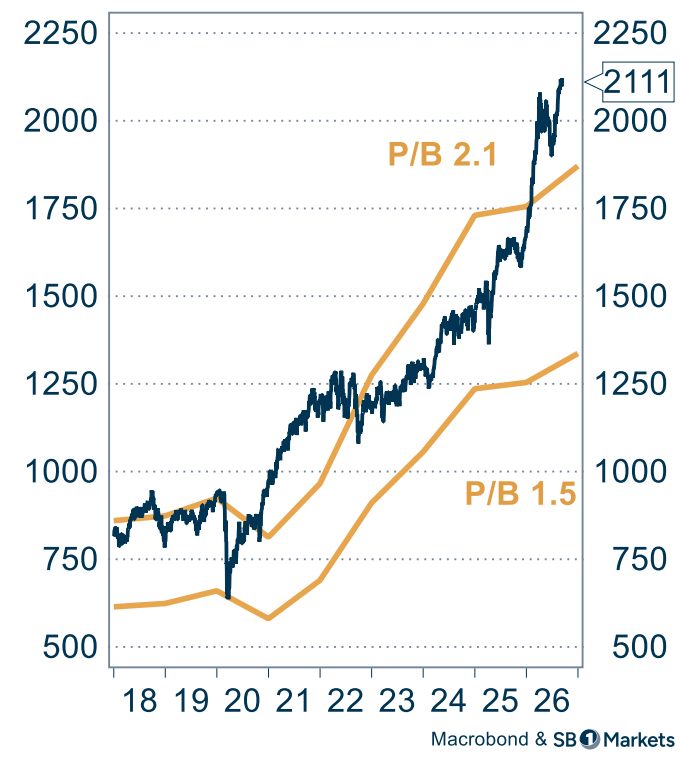
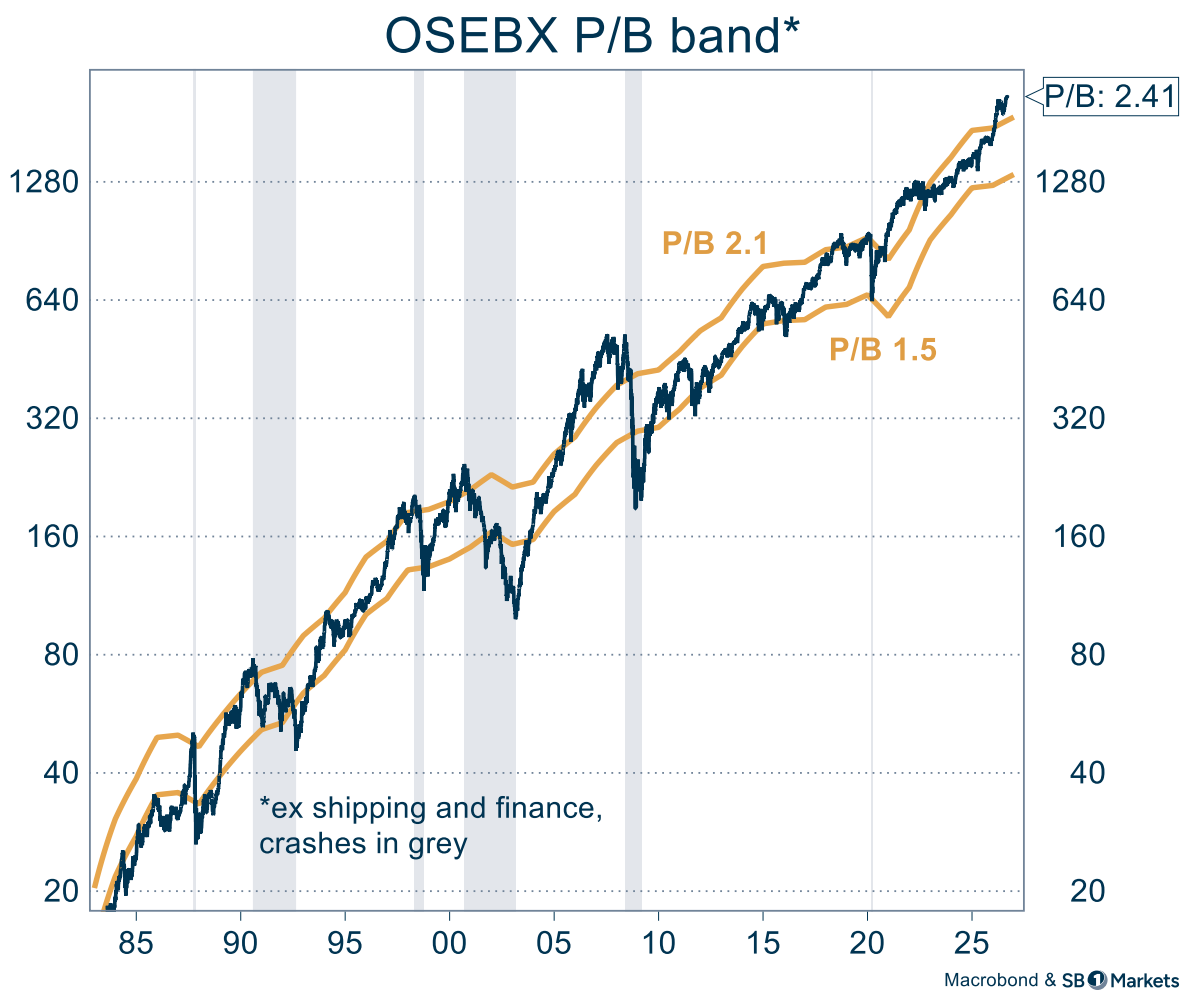
Other markets are on average 15% above an average multiple, 21.6 vs. 18.8. The OSE sits at 18, which is above average (from 1970) but not by that much.





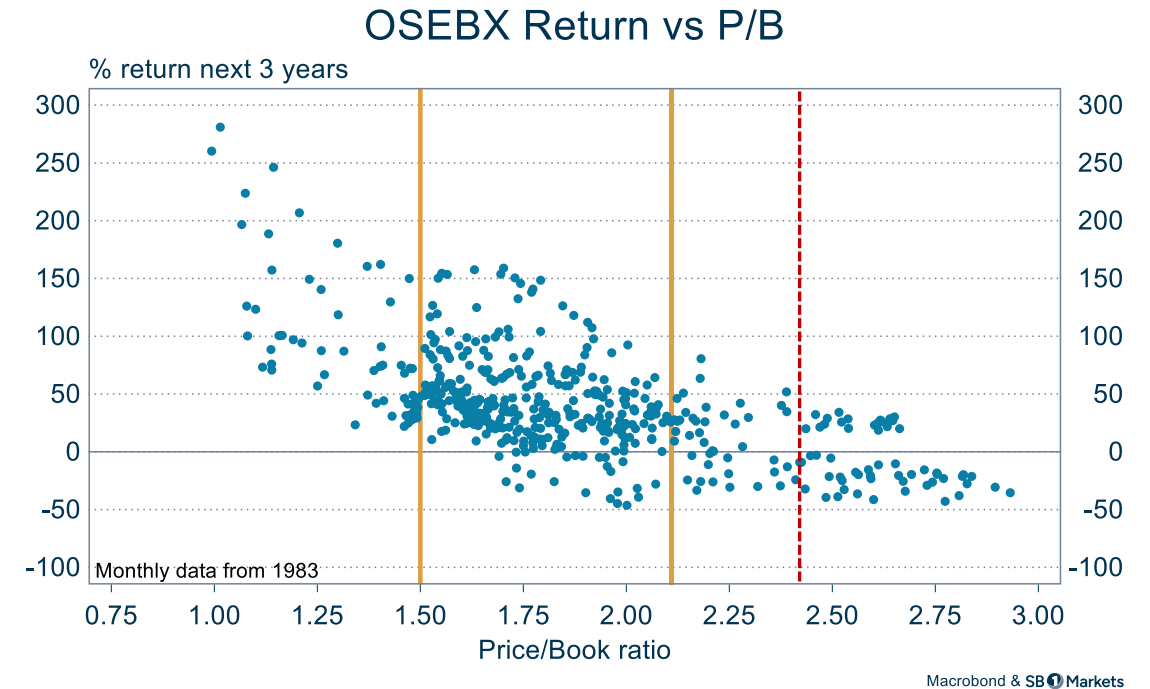
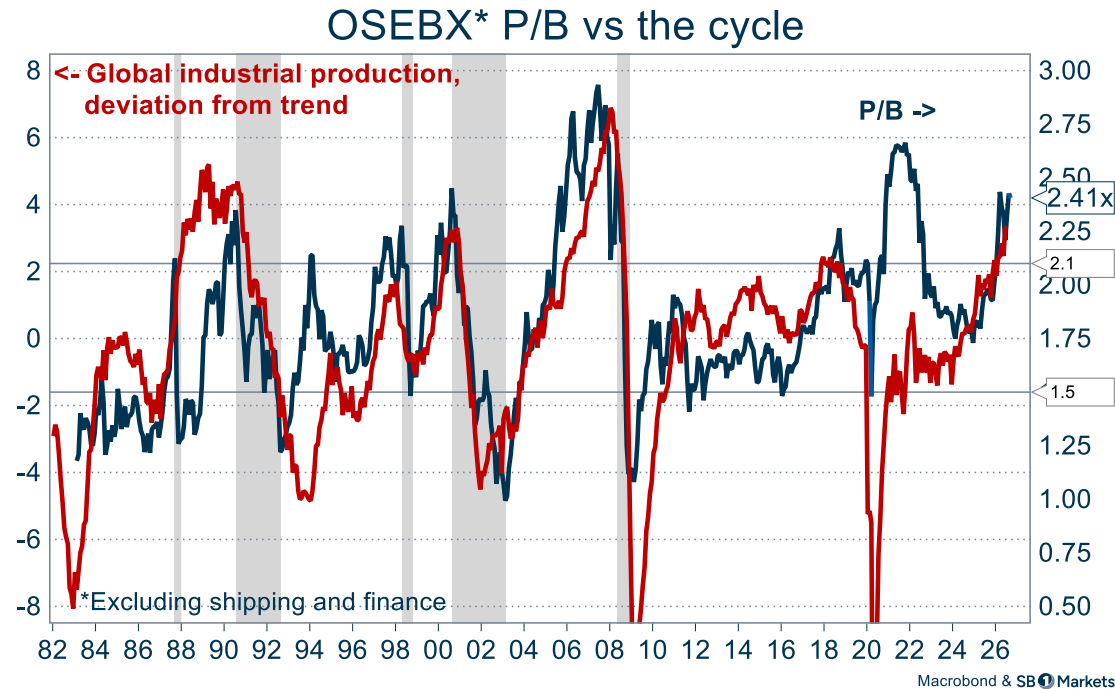
OSE up 0.2% to another ATH, once more supported by higher oil prices

The P/B ratio stays at 2.41, not an attractive level.



OSE 3-year expected return: not very attractive

BTW, we know what drives the pricing cycles most of the time: the global economic cycle.

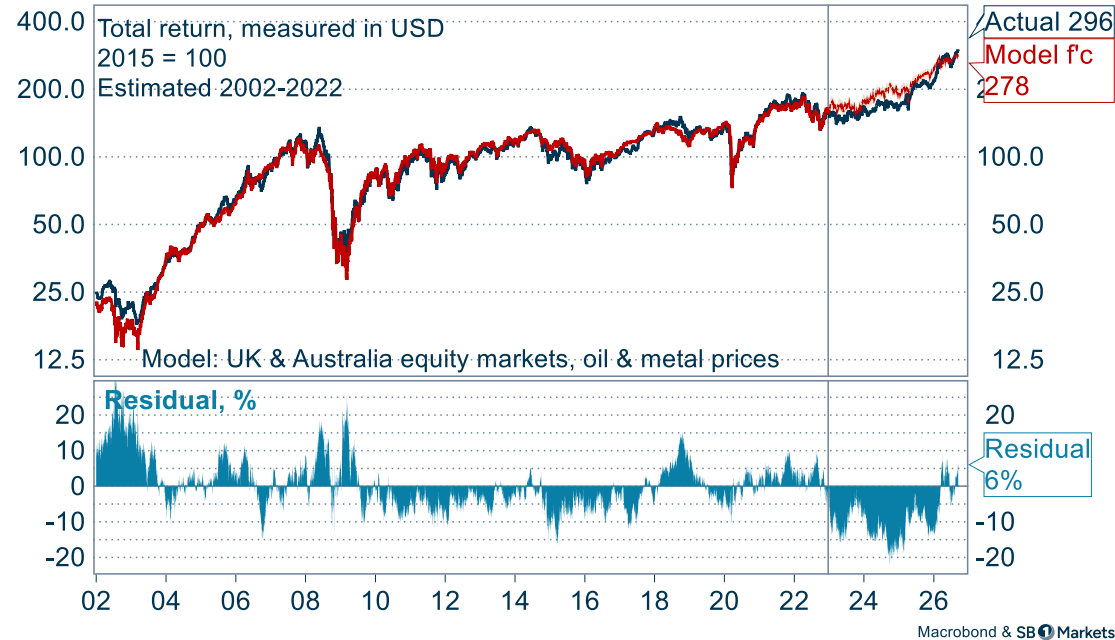


OSE vs. our 'peers'-based level model: a tad above

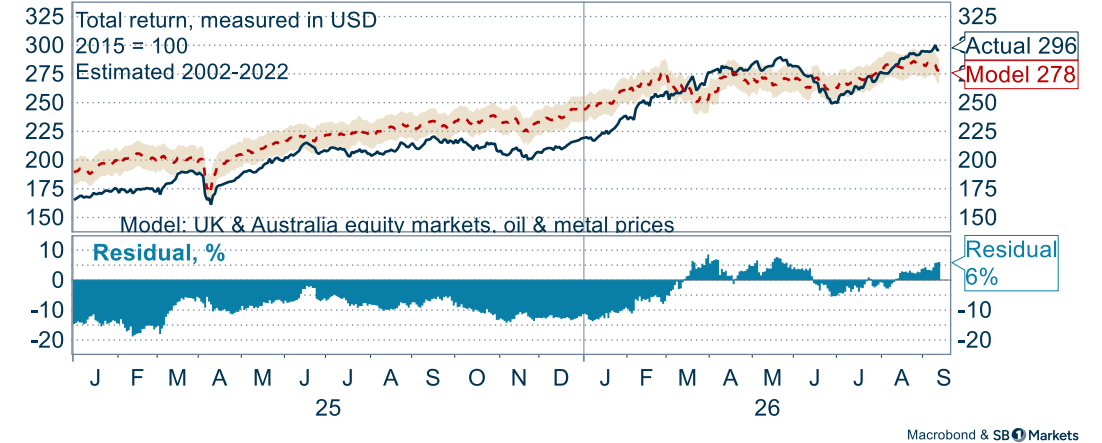
The OSE is 6% above a model estimate based on FTSE, ASX, oil and metal prices.

Measured over the past 12 months, the OSE is up 28%, while our y/y model suggests 16%.

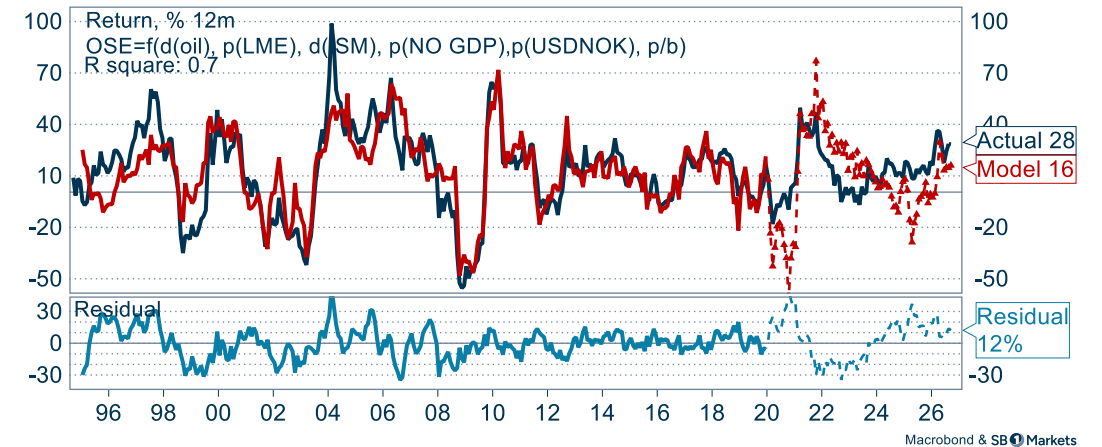
OSEBX - actual vs. model

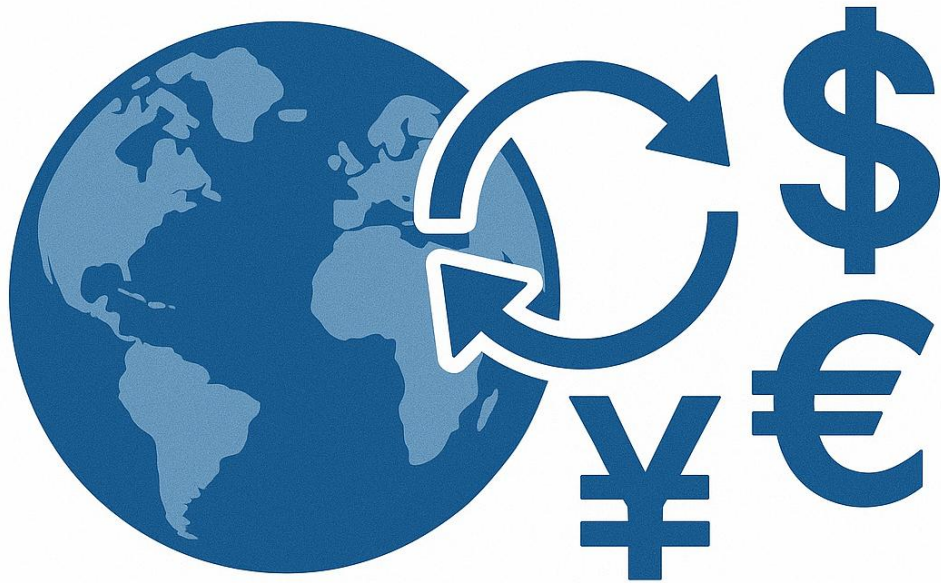


OSEBX - actual vs. model



OSE Return

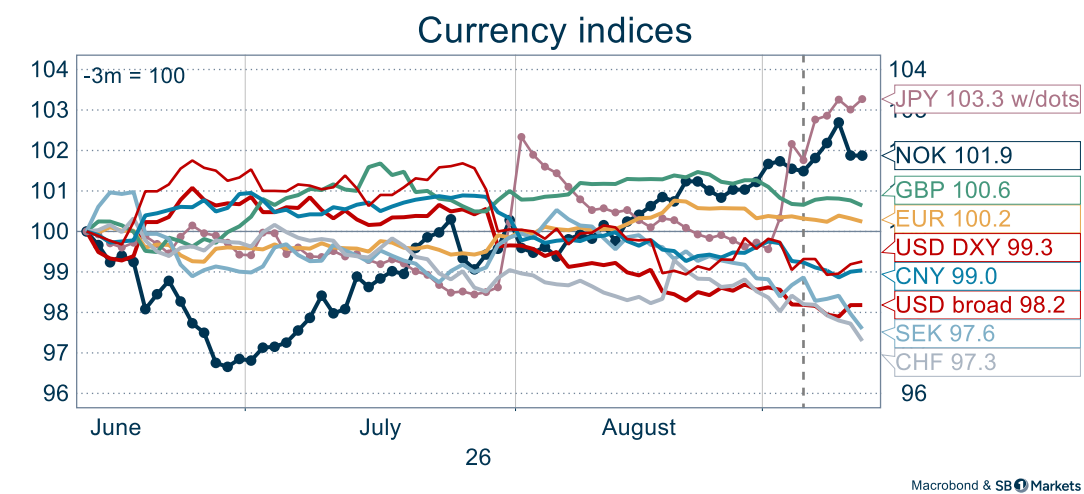
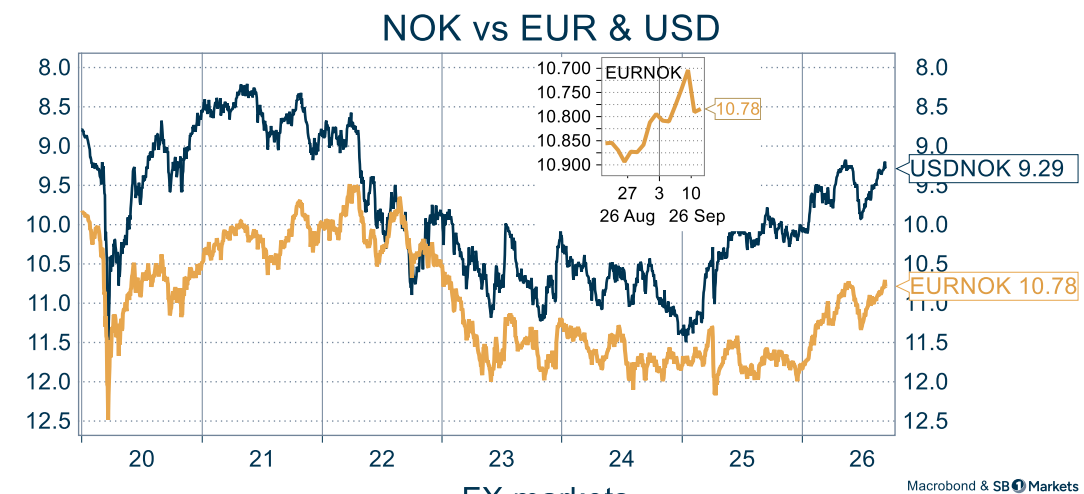




4.4 FX markets

JPY appreciated another 1.5% and is up 3% the past 3 months. NOK appreciated further

... even if NOK weakened on the CPI report, which lowered NOK rates significantly. USD and EUR were close to flat (trade-weighted). SEK is on a losing streak and was the loser last week as well. SEK is down 5% so far in 2026. NOK is up 9% (and NOKSEK is up 14% 😊).



FX markets

f/x broad indices + 4 f/x crosses	% change	Last week	Last month	YTD	Last year
RUB	-4 -3 -2 -1 0 1 2 3 4 5	2.4	-3.3	-8	-1
JPY		1.5	2.7	1	-6
NOKSEK		1.4	4.2	14	11
KRW		0.6	4.4	7	3
NOK index		0.4	2.1	9	7
NOKEUR		0.2	1.7	10	7
NOKUSD		0.2	2.3	9	6
USD broad		0.0	-1.0	-2	-2
GBP		0.0	-0.5	1	0
EURUSD		0.0	0.6	-1	-1
USD DXY		-0.1	-0.7	1	2
EUR		-0.1	0.2	-1	-1
CAD		-0.2	-0.1	-2	-1
CNY		-0.2	-0.8	4	7
MXN		-0.6	0.4	5	9
AUD		-0.6	0.8	6	8
CHF		-0.9	-1.4	-3	-2
SEK		-1.3	-2.5	-5	-4

■ Last week ● Last month

In the table, we present both the Fed's broad USD index and the standard DXY index, where the USD is measured relative to a few DM currencies.

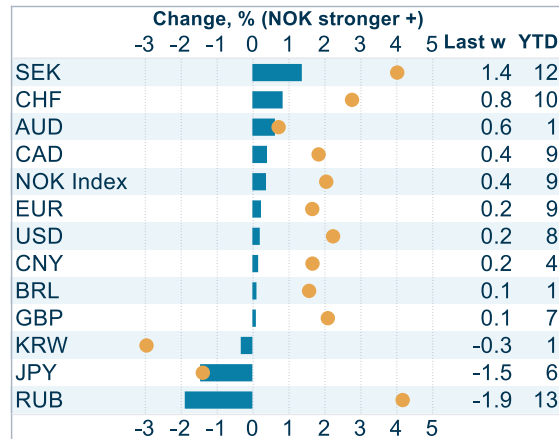


FX: NOK appreciated vs the most other currencies, while the USD was mixed, in sum unch.

The trade-weighted NOK has appreciated 9% so far in 2026, while the USD indices are close to unchanged.

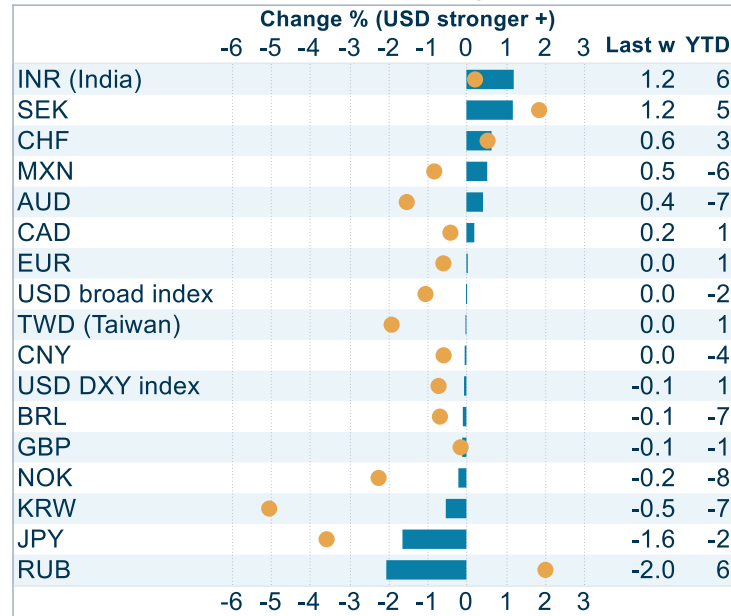
The Russian RUB and the Venezuelan VES are the losers in 2026 (together with the Indian INR, Indonesian IDR and the Ukrainian UAH).

NOK vs. the others



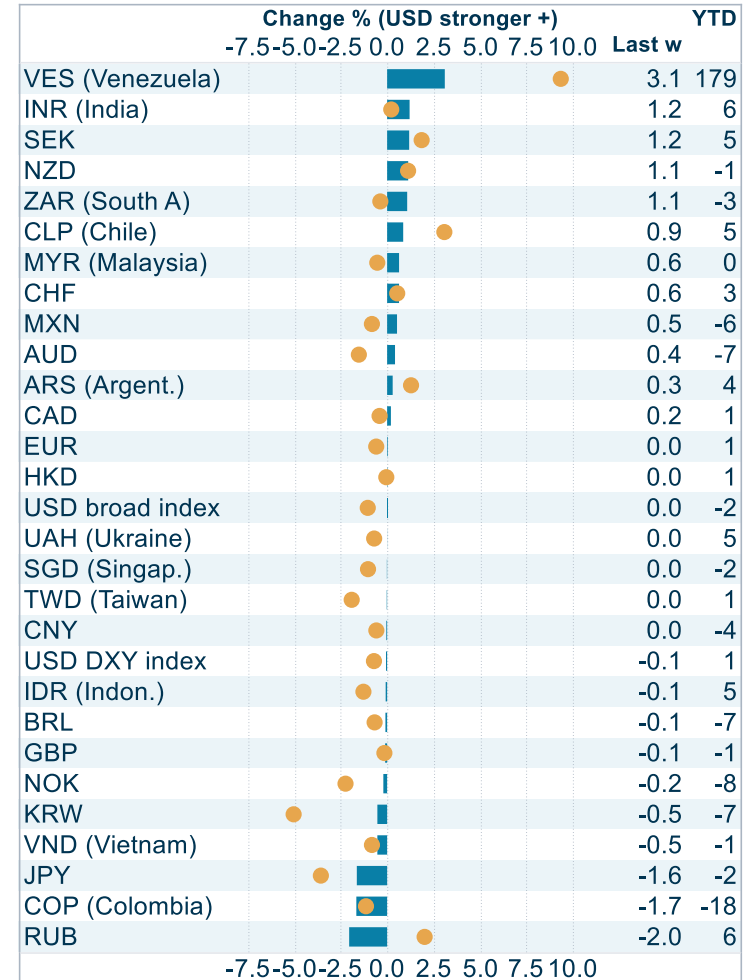
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USD vs. the 'Majors'



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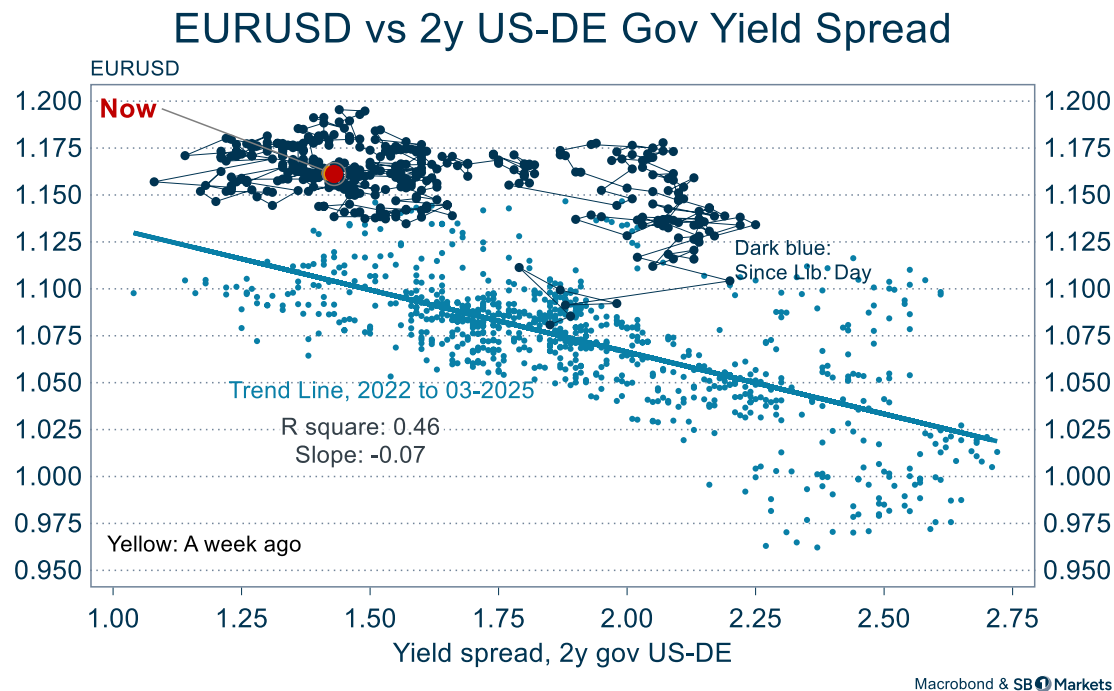
USD vs. 'all'



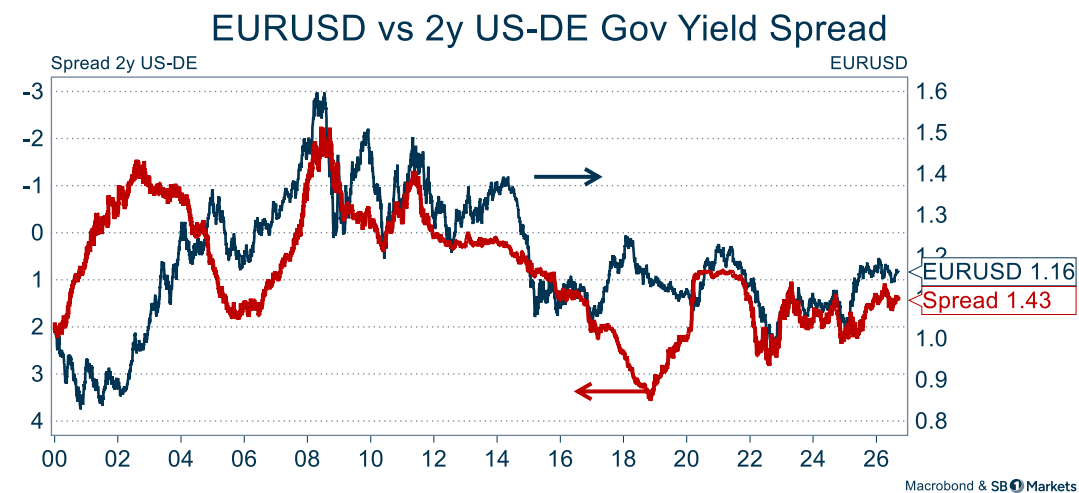
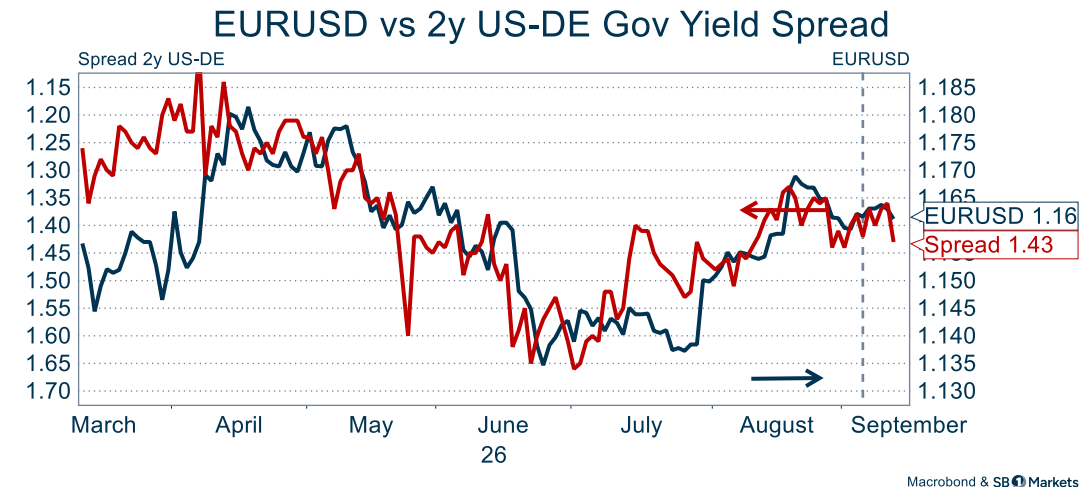
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Macrobond & SB Markets

EURUSD flat last week – as was (almost) the rate differential

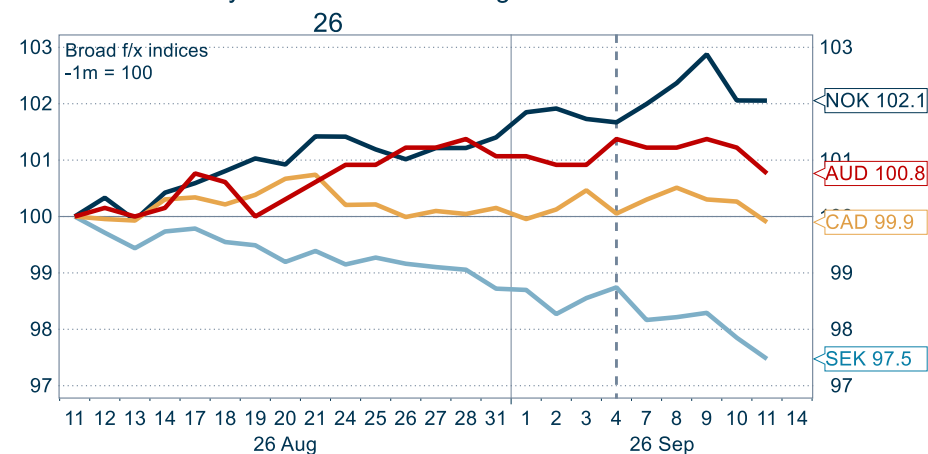
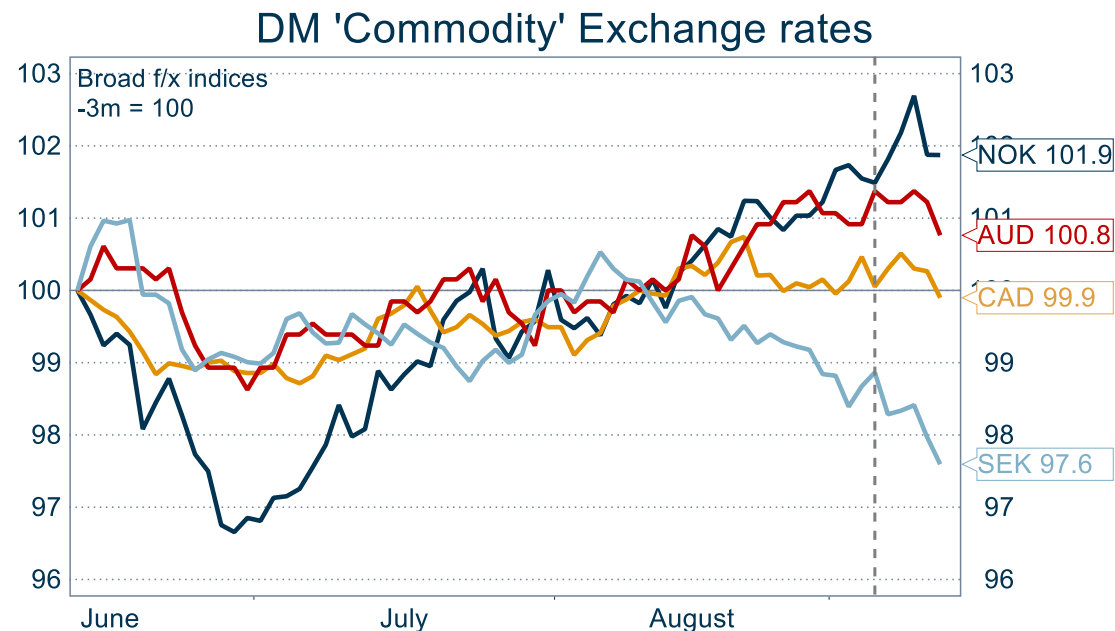
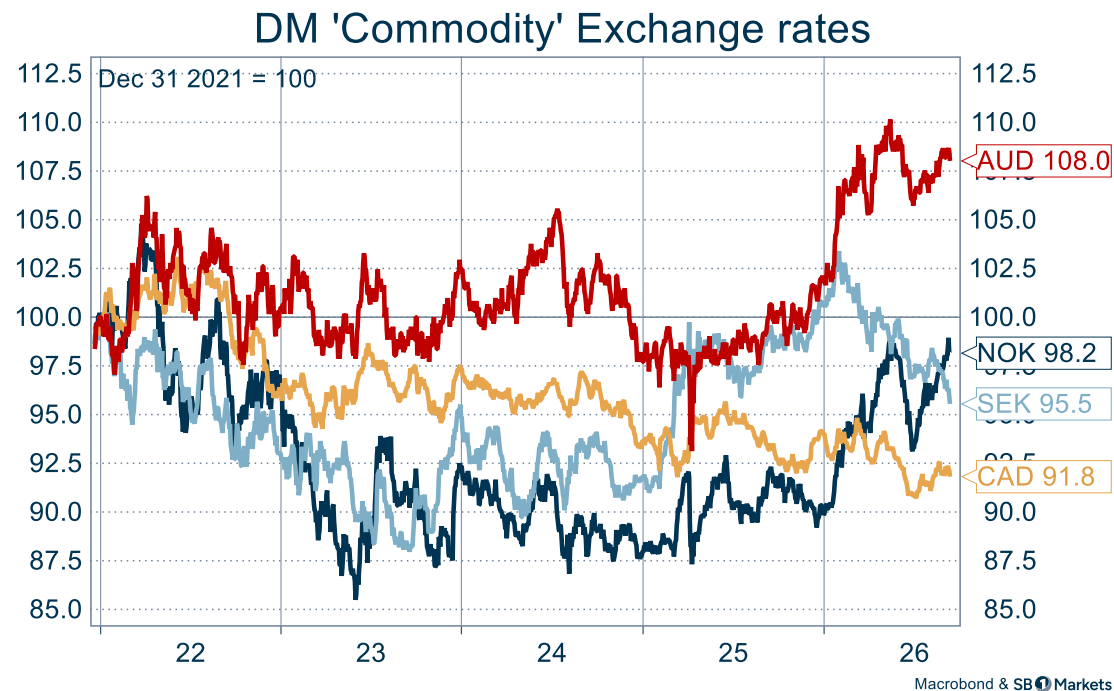


- The 'model', estimated over the previous 3 years of data:
 - 1 pp narrowing of the 2y gov. spread: a 7% EURUSD appreciation.
 - Some 'carry' impact.
 - There may be a reason for changes in the spread, such as changes in the relative growth outlook.
- Over time, the correlation is not tight at all, check the lower chart to the right! We have seen far larger 'gaps' than the current one.



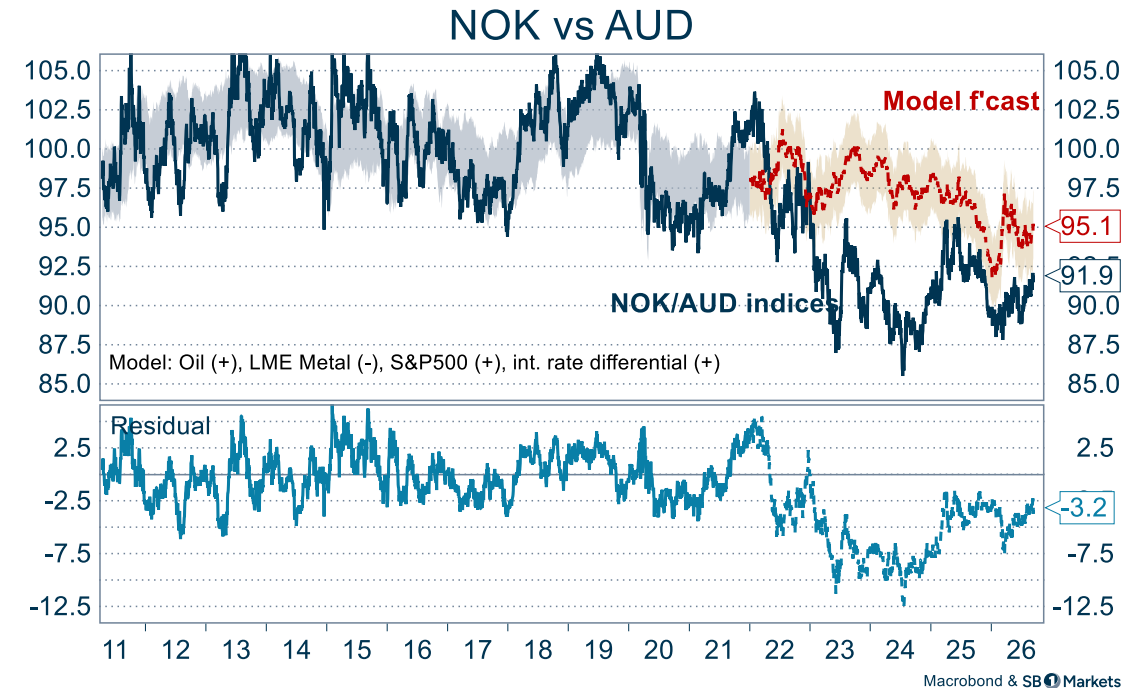
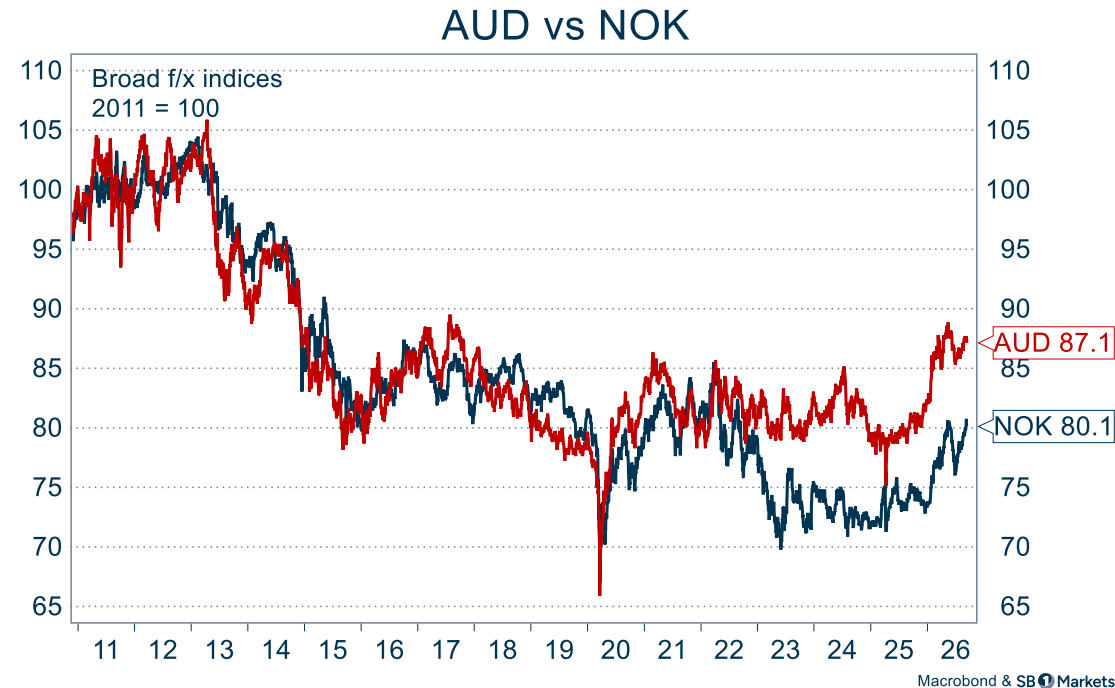
'Commodity' FX: SEK heads down, AUD and CAD flat last week. NOK the winner

As in the last month and the past 3 months. NOK is more geared towards the oil price within the commodity spectrum than our currency peers.



NOK weaker relative to AUD than our model suggests, but the gap has narrowed slightly

... and is not that large anymore, at 3.2%

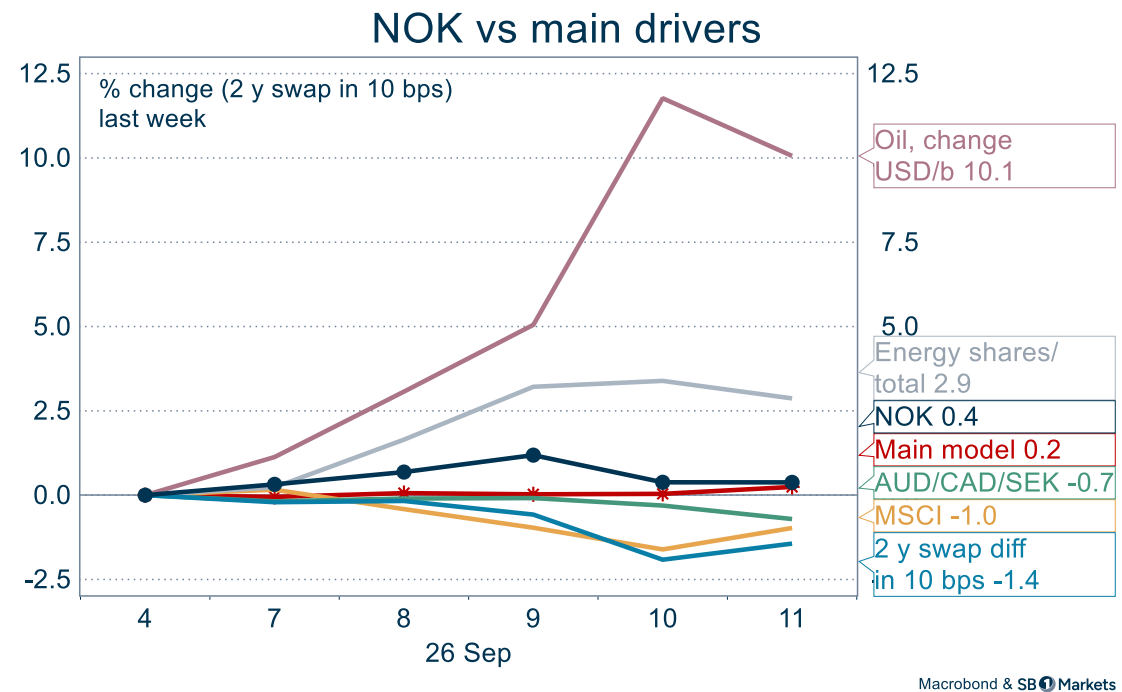
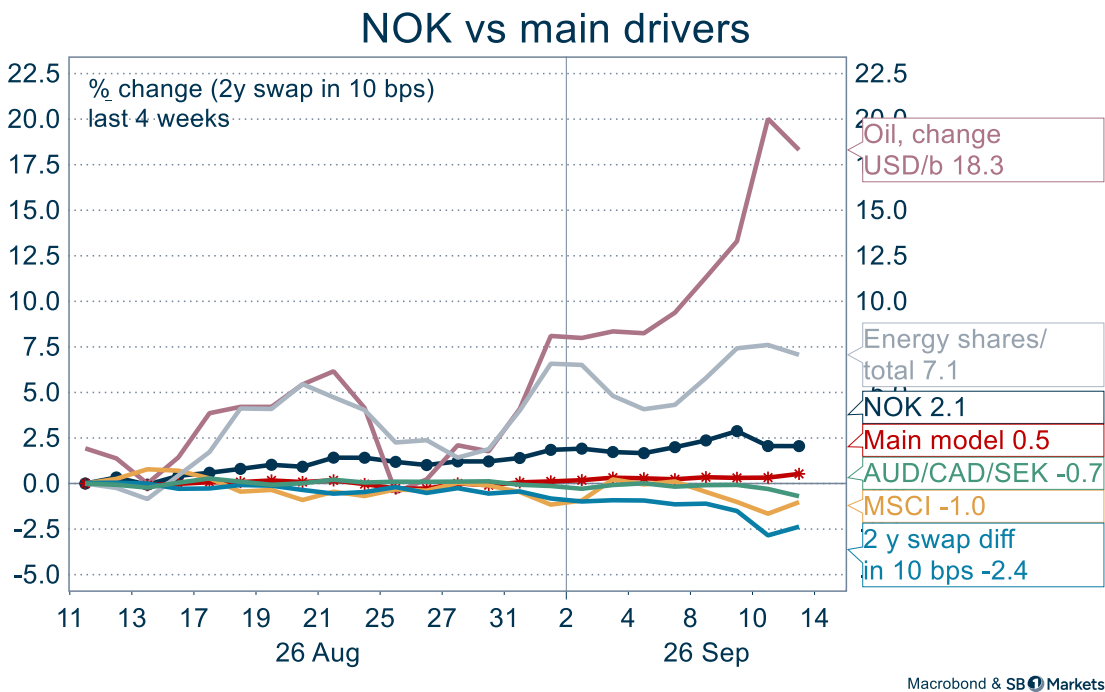


- NOK and AUD, measured by the respective FX indices, have been very closely correlated over the past 15 years, at least until early 2023.
- Our NOK/AUD index model explains most of the small differences between the two FX indices. Normally, the NOK index strengthens relative to the AUD index when the oil price rises relative to the LME metal index and the S&P 500 index climbs.



NOK 0.4% stronger last week, our model suggested 0.2%.

Last month: NOK has appreciated 2.1%, the model suggested 0.5%. The lift in the oil price has been the main factor for the NOK appreciation, both last month and last week. A significant decline in the interest rate spread has contributed on the downside.

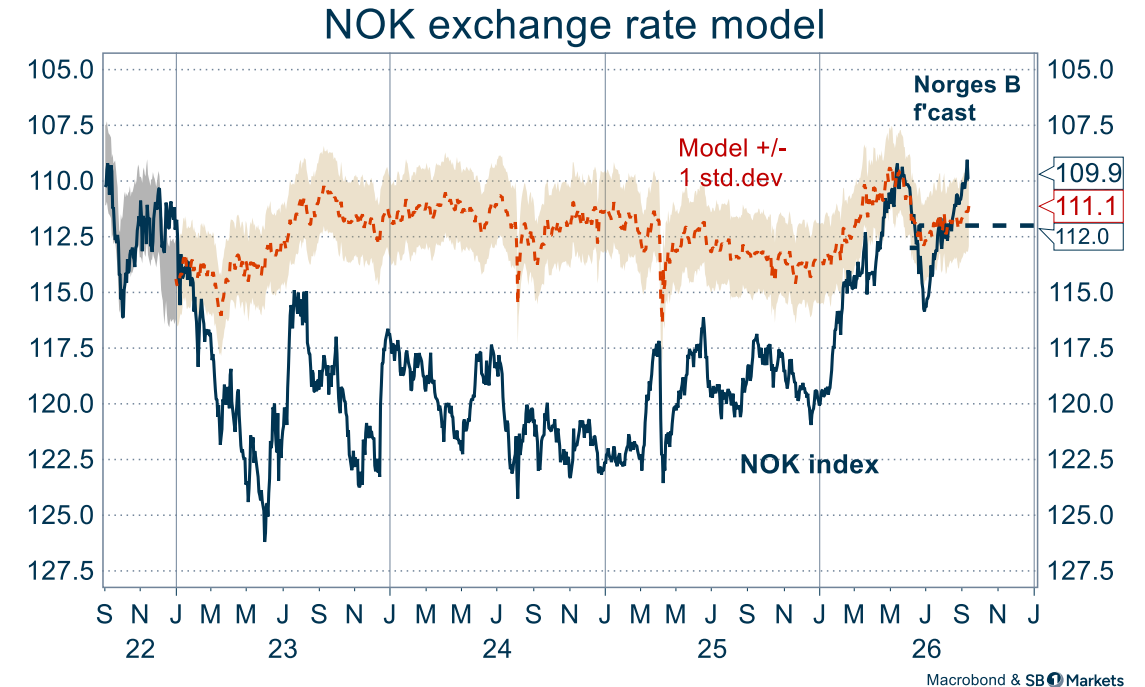
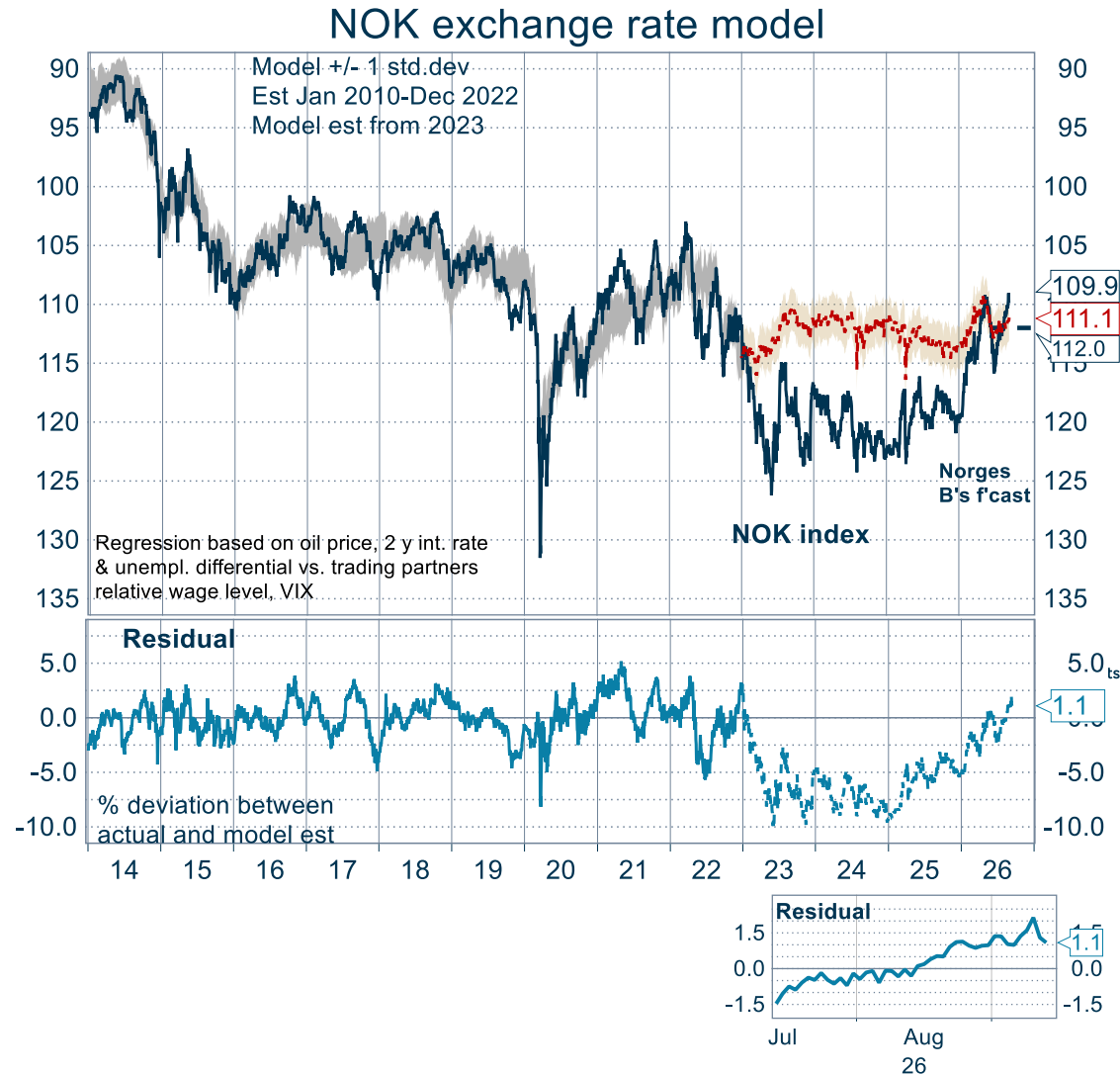


The NOK index: I44, adjusted for end-of-day FX rates relative to NOK. AUD, SEK and CAD are represented by their respective trade-weighted currency indices.



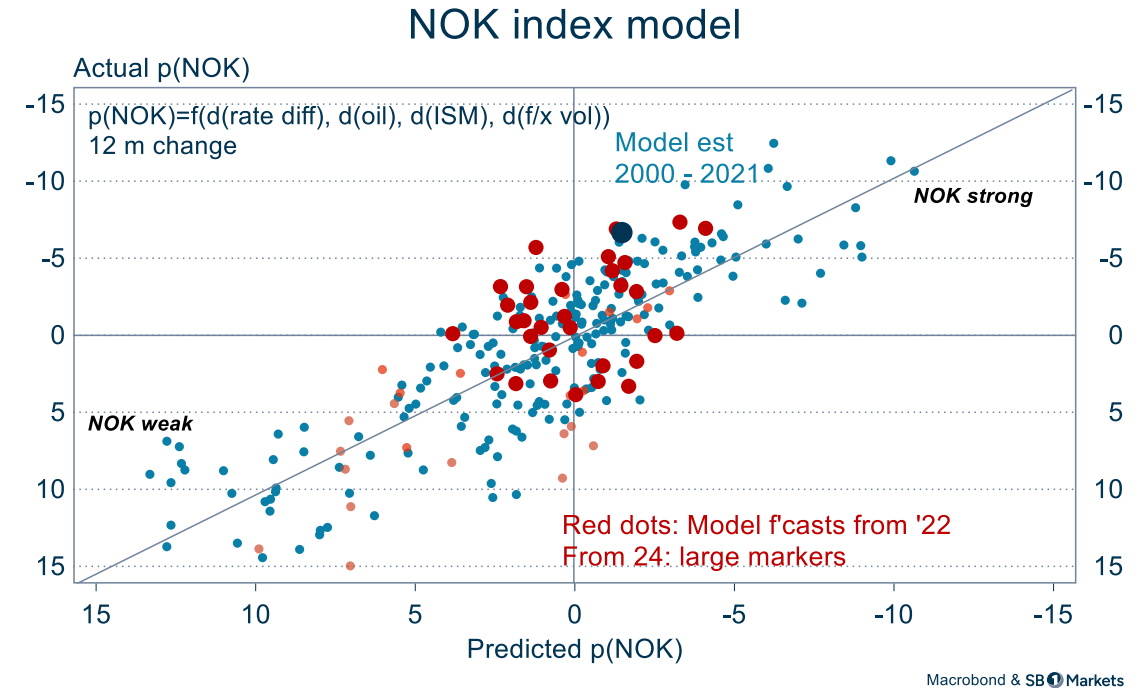
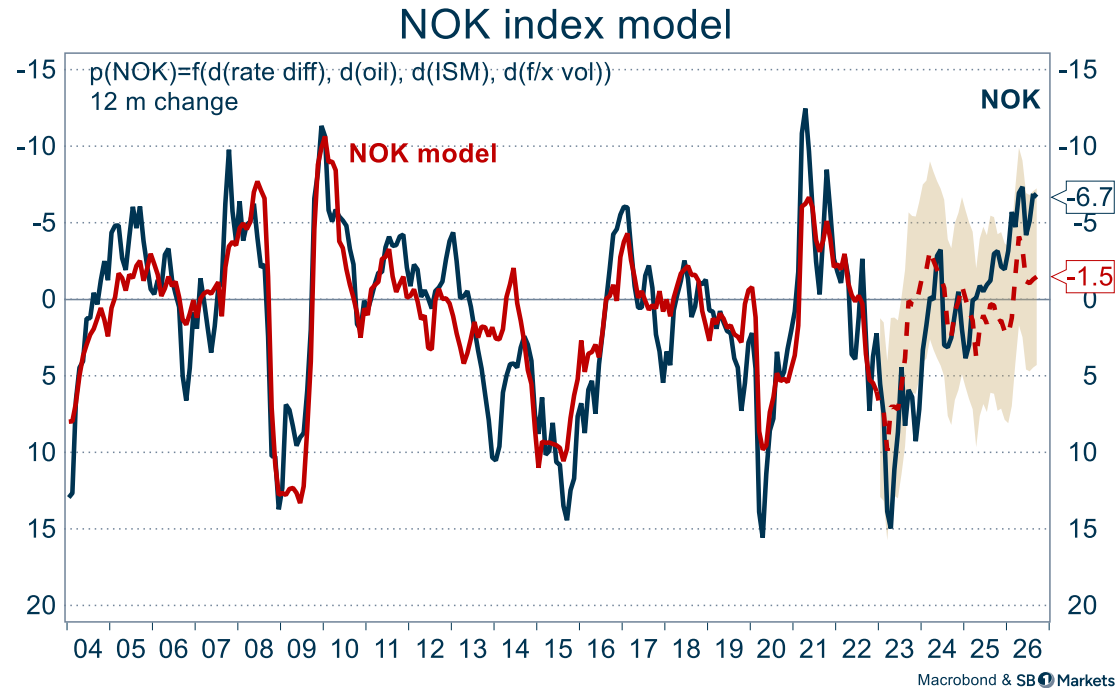
NOK has appreciated to above our model forecast, and is 1.9% above NoBa's estimate

If sustained, a negative drag on the interest rate path in the upcoming MPR, by 10–15 bps in Q4-26 and almost 20 bps further out on the curve. (Higher rates abroad will lower the curve by less).



Short-term NOK cycles: The NOK has appreciated 'by itself' in the past year

Our model suggests a 1.6% NOK appreciation over the past 12 months, while NOK has climbed 6.7%. A higher oil price and a higher rate differential explain most of the estimated strengthening – but most of the appreciation **is due to factors other than the normal 'drivers'**.

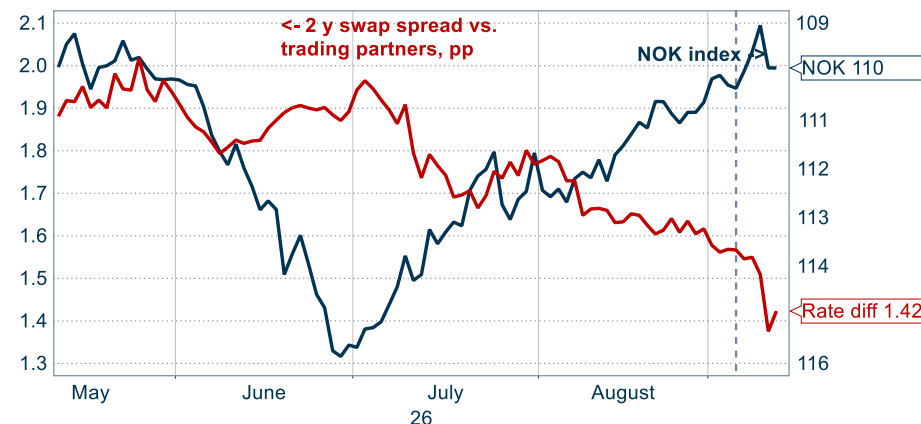
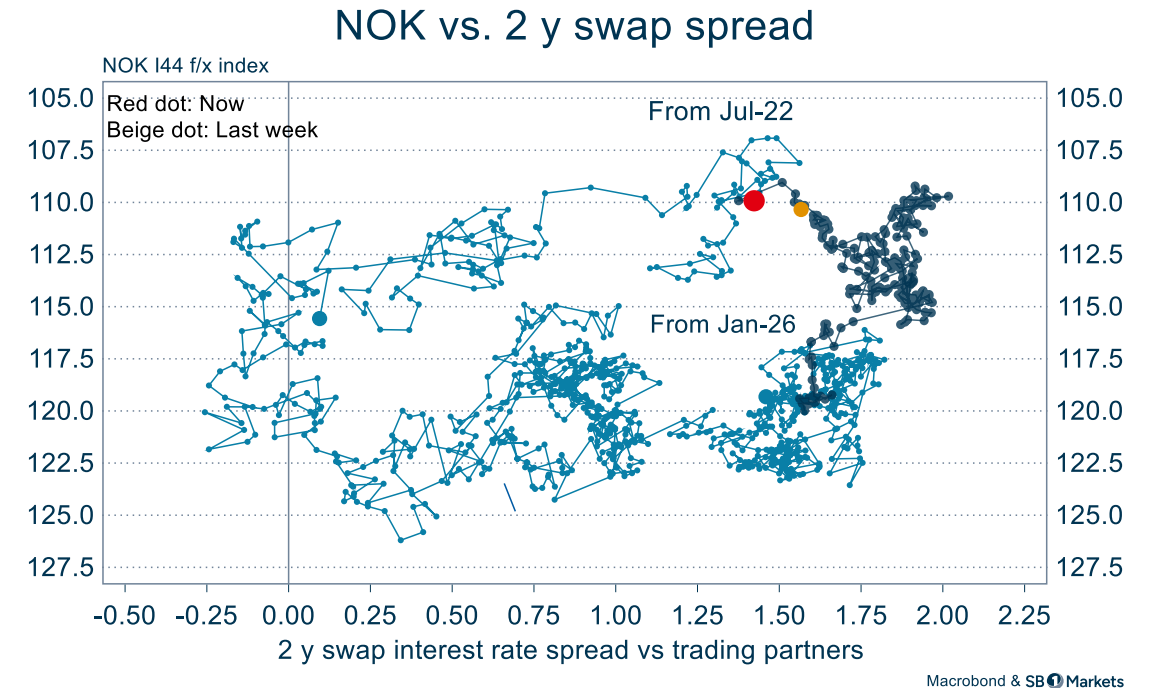
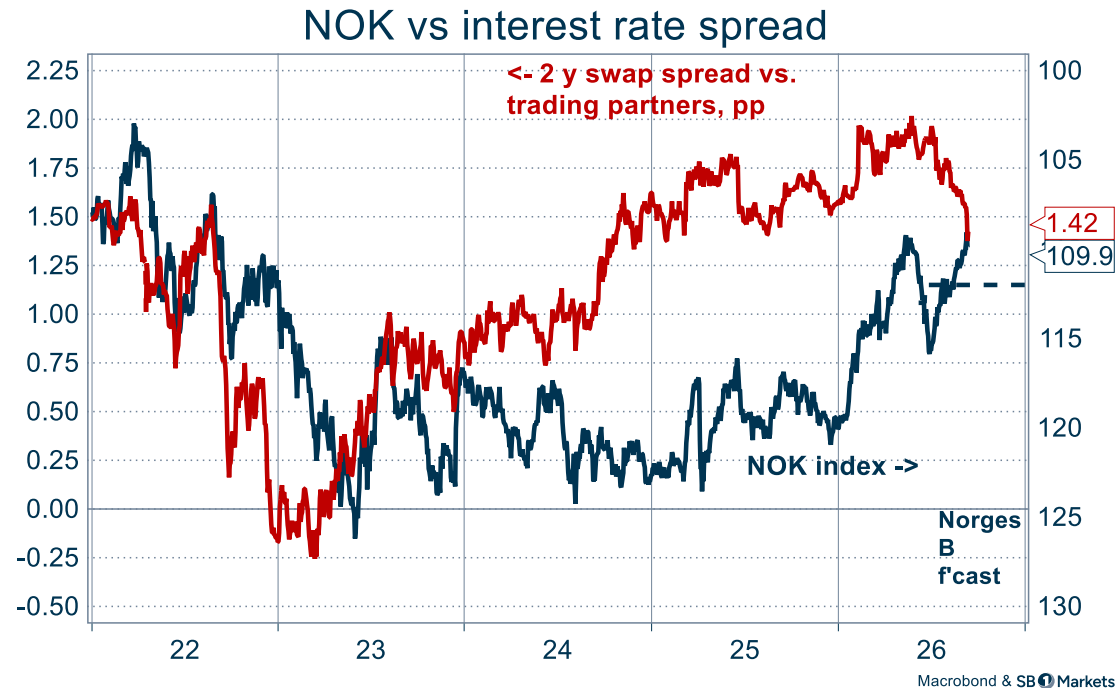


- ... which may be seen as a **'real' repricing of NOK**, reversing the 'unexplained' NOK depreciation in H1 2023.
- The model: Most of the NOK's ups and downs (if not necessarily the level at all times) are well explained by a few 'macro' variables: the 2y rate differential relative to trading partners, the oil price, the US ISM manufacturing survey (the global growth momentum) and FX volatility. The oil price has been the most important factor.



The rate differential narrowed further last week, still the NOK appreciated (with the oil price)

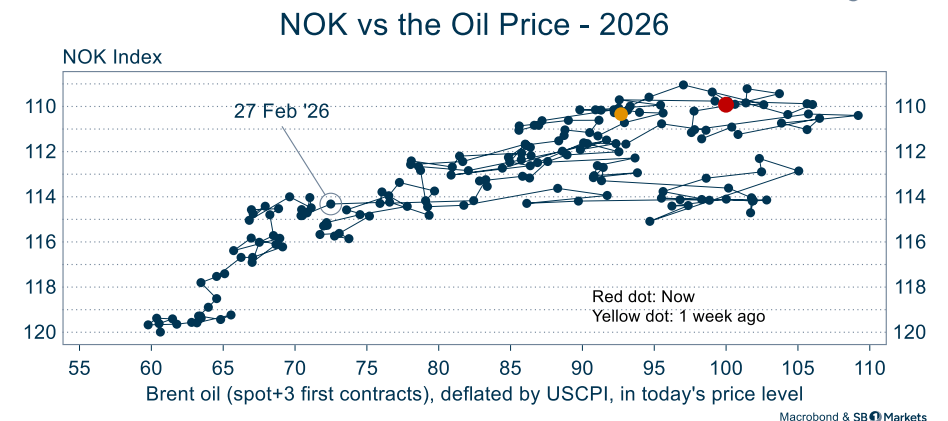
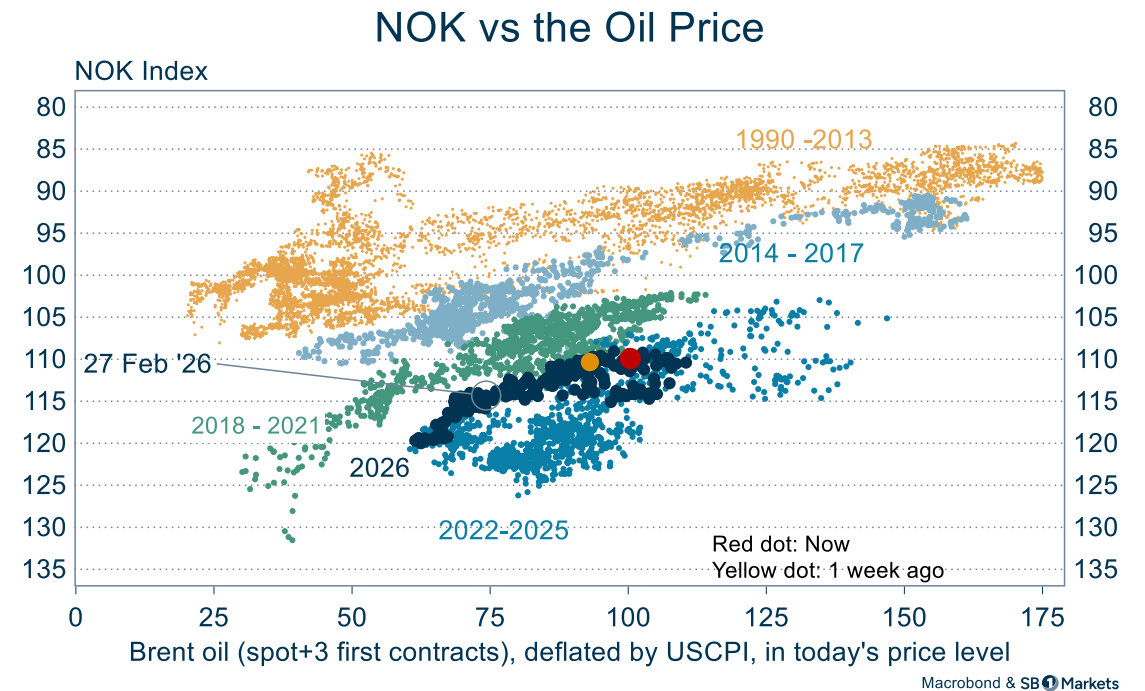
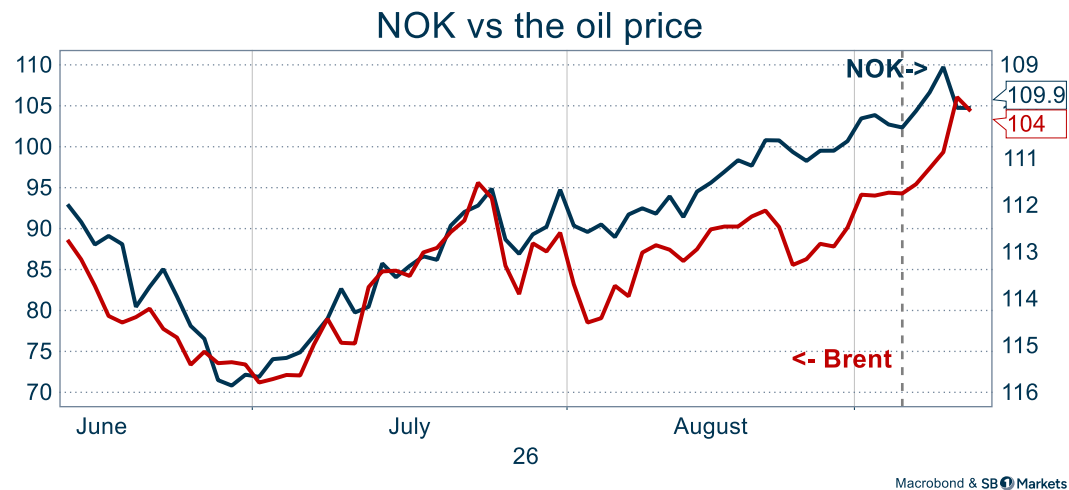
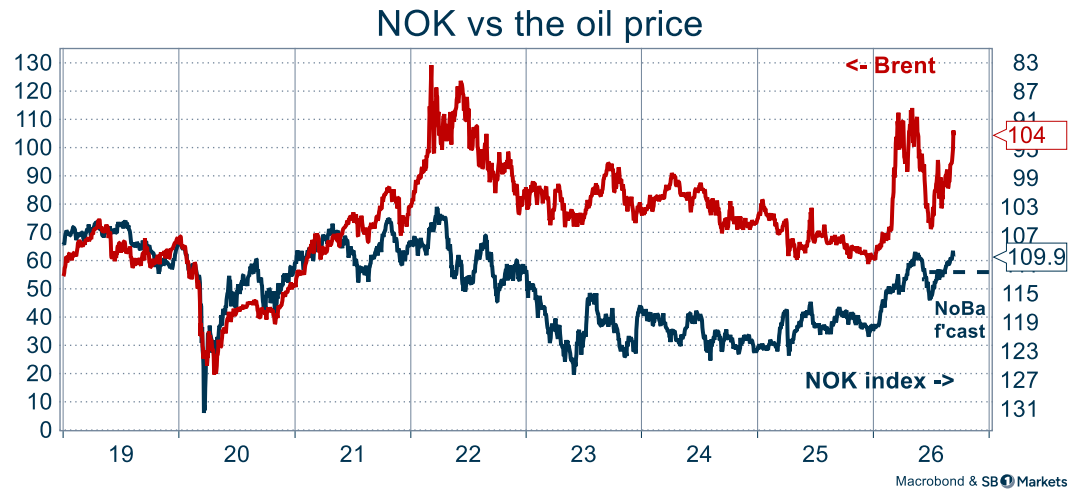
From mid-June, the correlation between the rate differential and the NOK has been mostly 'wrong' – but the correlation is anyway not tight, even if the sign is 'correct' over time.





NOK has followed the oil price closely in recent months: last week both rose again

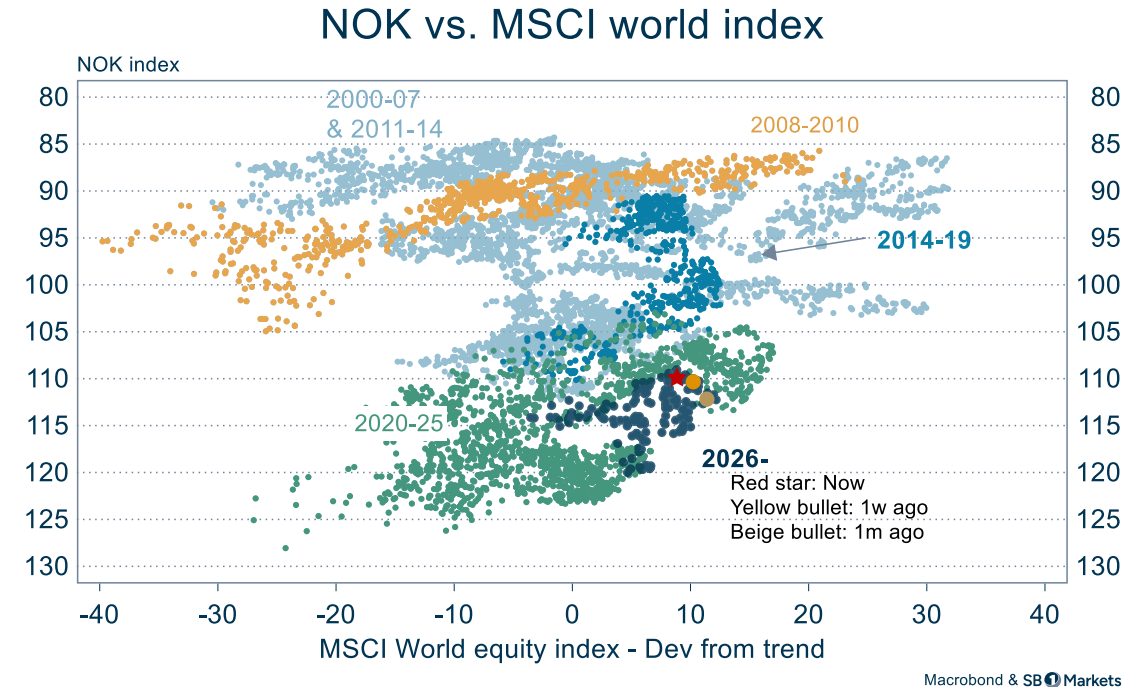
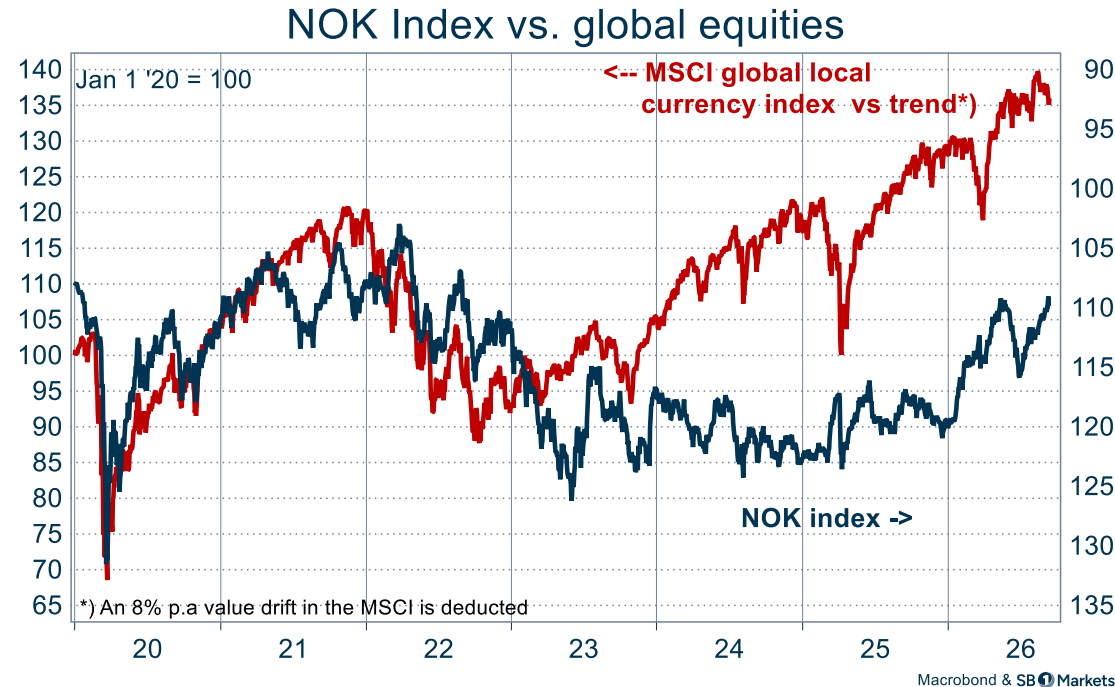
The NOK is on the strong side vs. the oil price vs. the relationship in recent years (from 2022, the darker blue and black dots in the upper-right chart, and vs. the relationship since the US-Iran war started in late February, lower-right chart).



NOK almost uncorrelated to global equity markets in 2026

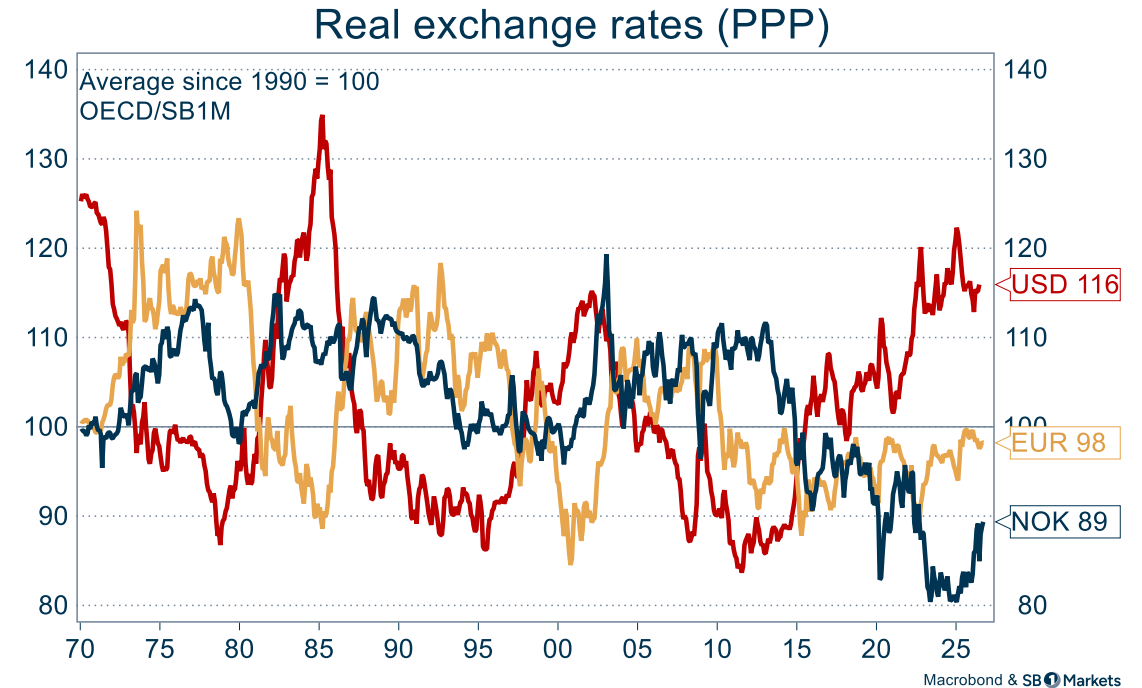
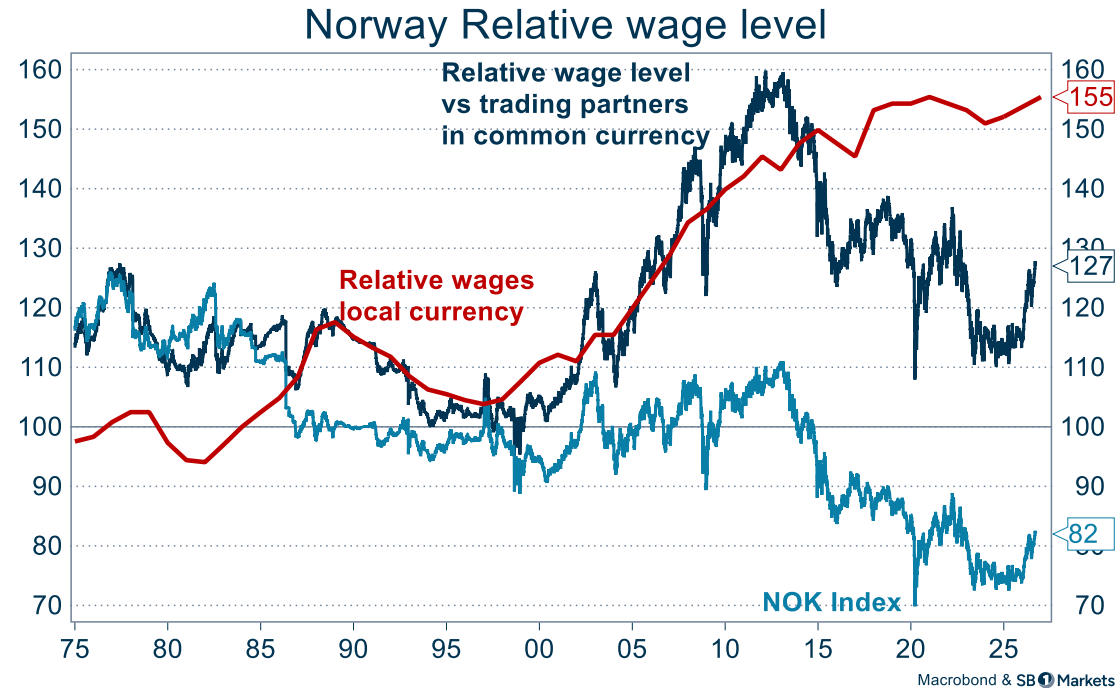
Normally, a stronger stock market has been supportive of the NOK – and vice versa.

Last week, the NOK appreciated while the global stock market retreated slightly (no doubt due to the impact of the lift in oil prices).



The relative cost position may be at a reasonable level. The price level is still rather low.

Thus, mixed signals vs. the NOK – but the upside is anyway not that large.



- Norway's wage costs have long been higher than abroad due to higher productivity, with a 5–20% gap before 2000.
 - The return from the Oil Fund now equals about 14% of GDP and finances a quarter of imports, justifying a higher cost level than before. The current wage-cost gap is 27%, up from 12% in 2024. This relative cost level may still be on the low side, but **the gap to a fair value has certainly narrowed substantially.**
- Norway's price level vs. trading partners is 11% below the average since 1990, up from 20% below late last year. The level may still be too low, **but also this gap has narrowed substantially.**
- Other currencies:
 - The real USD exchange rate is well above a long-term average level.
 - The real EUR exchange rate is close to an average.

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