



Macro Weekly

Week 27–31 – 2026

29/06/2026

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Markets: no stable peace yet, but markets assume oil will flow

- **Big picture: back to square one**

- A broad de-risking week for Norwegian assets: **NOK** fell 1.7% w/w and is some 5% below its May peak. **Oslo Børs** fell 2.6% and stands 11% below the ATH in April, 2% lower than before the war started, and 5% below our peer-based model estimate. However, last week, **US (big) tech** led the way down in equity markets. Still the **USD** was the FX winner last week as the debasement trade has continued reversing.
- **Oil** has given back almost its entire war risk premium. The exchange of missiles between Iran and the USA in the Gulf which led to a couple of tankers being hit, have not scared markets – even though traffic through the Strait of Hormuz is still impacted. Lower energy prices lower short-term rate expectations as well as long-term rate/bond yields.

- **Commodities: mostly lower**

- Oil slid back to its late-February level, with spot now ~30% below its 20-year average in real terms. European gas prices fell too but are still above the 2023–25 range, with storage near 15-year lows. Metal prices fell last week and are down over the month; energy-intensive aluminium the most. Precious metals fell last week and have corrected hard – silver has halved from its January all-time high and gold is down ~20%. Freight rates were mixed, bulk rates fell sharply, while container rates are surging.

- **Equity markets: down everywhere, even if oil, rates were down**

- The global MSCI was down 1.4%, and just FTSE and TSX (Toronto) up. S&P was down 2% but is not far below ATH. OSE does not enjoy the decline in energy prices.

- **Short term rates: hike bets trimmed**

- Markets shaved ~10 bps off the expected rate path in DM markets. The steep decline in oil prices have lowered inflation expectations, but real rates have risen almost just as much in recent weeks, especially in Europe, where they rose the most when the oil price rose. In recent weeks, US real rates are up as well, across the curve. The market expects DM central banks, barring Sveriges Riksbank, to hike once before the end of 2026 (Riksbank is still expected to hike next year). Norges Bank is expected to hike once, to 4.50%, following the decline in rate expectations last week.

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	-1.75	-2.25	-0.25
Now	3.63	3.75	2.25	1.75	4.25
Change until end of 2026	0.30	0.21	0.20	0.11	0.28
End of 2026 (market)	3.93	3.96	2.45	1.86	4.53
... Change last week	-0.09	-0.12	-0.13	-0.05	-0.10
Change through 2027	-0.10	-0.02	0.00	0.24	-0.43
End of 2027 (market)	3.83	3.94	2.44	2.10	4.10

- **Long-term rates: down almost everywhere**

- **Long-term rates and bond yields** declined further. Inflation expectations are declining everywhere, and last week real rates declined as well but are up from before the war. The US market does not look upon Warsh as a dove. Over the past month, long-term rates are down 10 – 30 bps in most DM. The 10y NOK swap rate is down 22 bps last month.

- **FX: Dollar is again the winner, NOK the loser**

- The USD appreciated 0.5%. The NOK landed close to the bottom of the ranking, once more, down 1.7%. AUD and SEK depreciated as well. EUR was marginally down, trade-weighted. The GBP appreciated 0.4% in the week PM Starmer said he would leave the ship.

- **Credit spreads: flat, at a low level**

- The **US BBB spread** (10y vs. US treasuries) was up 3 bps, to 116 bps, which is still a very low level. The Norwegian Bank 2 5y spread was flat at 56 bps, not that far above (5 bps) the lowest level since before the Great Financial Crisis. The trend is down.

Last week – The economy, I

- **PMIs probably further up in May**

- Based on the flash PMIs we estimate a 0.5 p lift in the **global composite** to 52.8, signalling a 3% global growth rate. EMU, USA and Japan were all up, and better than expected. **Manufacturing** is in the lead, at the best level since 2022. **Services** were up as well but are still well below the pre-Iran-war level. Japan is in the lead among DM (though behind India, which trends down), the US PMIs signal growth below 2%, and EMU a mild contraction, due to the service sector.
- Even when **energy prices** remained high, in April and May, companies reported faster growth, following the setback in March, which suggests that the ‘underlying’ growth momentum is OK. If energy prices stay at the current level (or decline further), a further strengthening of the momentum is likely (if tech keeps up...). China and most other EMs report PMI data this week (and the US will report manufacturing ISM).

- **USA: inflation is too high**

- **PCE inflation** accelerated as expected in May, the headline to 4.1% and the core to 3.4%. Prices rose 0.4%/0.3% m/m, everything as expected. Energy prices rose 4% m/m and are up 24% y/y, lifting the CPI 1.0 pp. Core goods prices declined m/m, while services ex. rent rose 0.5%, with a substantial contribution from airfares, which are lifted by jet fuel costs – which now are falling rapidly, and will lower airfares the coming months. Even if inflation may be peaking now, price increases are broad and may legitimate a Fed rate hike – which the market still discounts.
- **Q1 GDP growth** was revised up 0.5 pp to 2.1%, as growth in imports was cut in half, lifting the growth rate by 1.3 pp, offset by a downward revision of private consumption, housing investments and exports. AI-related investments equalled almost all private-sector demand, as other business investments declined and household demand slowed to a trickle.
- **The trade deficit** in goods widened by more than USD 20 bn to 106 bn in May, expected up just 2 bn. Exports fell sharply, also in volume terms. The decline in exports was broad but the most in industrial supplies, where both gold and oil sit. However, just very aggregated data are published. Still, net exports will very likely be a drag on growth in Q2 as well.
- **Atlanta Fed’s GDP nowcaster** estimates a 2.5% Q2 growth rate, down 0.5% from the previous week. The decline in exports in May is not yet taken into account.
- **New home sales** are heading down, like housing starts. Prices have flattened, following the decline since 2022, even if the inventory is large, and still increasing.
- The inflow of **new jobless claims** fell last week, and the level is low.

Last week – The economy, II

- **Sweden: consumers are gloomy, businesses not**
 - **Consumer confidence fell slightly in June, to -0.9 std. dev. below average**, but retail sales are on the way up (at least until May data are published this week).
 - In the **KI survey**, businesses report growth above average but not faster in June. However, the +0.3 std. dev. print normally yields a decent 3% GDP growth. The manufacturing sector saved the day, while construction fell to 0.3 below average.
- **Norway: labour market data ok, retail sales not**
 - **Payrolls rose** further in May, and the underlying growth rate is in line with growth in the working-age population (0.5%+). Most sectors report growth, as even the construction sector has increased the no. of employees lately. However, education and professional services head down. The LFS reports faster growth in total employment.
 - Growth in **monthly earnings** has slowed to 3.5%. Other wage indicators on average report the same growth rate (in Q1).
 - **The LFS unemployment** was 0.1 pp lower than (we) expected, unchanged from a downward revised 4.7% April level. LFS unemployment is up 1.7 pp from the bottom in 2022 but has been flat since January, though at well above normal level. Both the participation and employment rates were revised down 0.2 pp, and both were flat in May. Participation has been and is still trending up, while employment has been declining in recent years but has increased marginally so far in 2026. Youth (under 25 y) unemployment at 14.3% is 3 pp above average, and close to record high even if the employment rate is also among the highest on record. The 25–74y unemployment rate at 3.1% is just 0.4 pp above average. Until the last year, the increase in total LFS unemployment rate vs the NAV open rate was entirely due to the increase in unemployment (due to the surge in participation rate) among those under 25 y, most of them very likely searching for part-time jobs. Unemployment among those with low education has risen far more than normal vs. total unemployment (probably among pupils/students still in education).
 - **Retail sales** tanked in May, by 2.1% and sales are down by more than 2% y/y. The direction in recent months is down. The decline in May was broad and may at least partly be due to the impact of a challenging working day adjustment (bad luck with the low number of movable holidays in May, which may not have lifted sales, even if the number of trading days was high☺). If retail sales do not recover the coming months, Norges Bank (and most others) will have to revise the growth outlook down.

July calendar: ECB and Fed on hold. CPI data is key for Norges Bank.

Time	Count.	Indicator	Period	Forecast	Prior
Monday 29 Jun					
10:00	EMU	Private credit growth	May		
11:00	EMU	Economic Confidence	Jun	94.3	93.5
Tuesday 30 Jun					
03:30	CN	Manufacturing PMI, NBS	Jun	50.1	50.0
03:30	CN	Non-manufacturing PMI, NBS	Jun	49.9	50.1
08:00	SW	Retail Sales MoM	May		0.0%
10:00	NO	Norges Bank Net FX transactions	Jul		-NK224m
15:00	US	Housing prices, CS	Apr		-0.16%
16:00	US	JOLTS Job Openings	May	7360k	7618k
16:00	US	Conf. Board Consumer Confidenc	Jun	94.2	93.1
Wednesday 01 Jul					
03:45	CN	Manufacturing PMI, RatingDog	Jun	51.9	51.8
08:30	SW	Manufacturing PMI	Jun		57.3
10:00	EMU	Manufacturing PMI	Jun F	51.3	51.3
11:00	EMU	CPI YoY	Jun P	3.1%	3.2%
11:00	EMU	CPI Core YoY	Jun P	2.6%	2.6%
15:45	US	Manufacturing PMI, S&P	Jun F	55.7	55.7
16:00	US	ISM Manufacturing	Jun	53.8	54
16:00	US	Construction Spending MoM	May	0.3%	0.4%
17:00	WO	Manufacturing PMI	Jun	(52.7)	52.6
Thursday 02 Jul					
08:00	NO	Hotel guest nights	May		
08:00	NO	Auto sales	Jun		
11:00	EMU	Unemployment Rate	May	6.3%	6.3%
14:30	US	Change in Nonfarm Payrolls	Jun	115k	172k
14:30	US	Average Hourly Earnings YoY	Jun	3.5%	3.4%
14:30	US	Unemployment Rate	Jun	4.3%	4.3%
14:30	US	Initial Jobless Claims	27-Jun	222k	215k
	US	Auto sales	Jun		16.1
Friday 03 Jul					
03:45	CN	PMI Services, RatingDog	Jun		54.4
08:00	NO	NAV unemployment Rate SA	Jun	(2.1%)	2.1%
10:00	EMU	Services PMI	Jun F	48.9	48.9
10:00	EMU	Composite PMI	Jun F	49.5	49.5
10:30	UK	Services PMI	Jun F	48.7	48.7
Monday 06 Jul					
11:00	EMU	Retail Sales MoM	May		-0.4%
15:45	US	Services PMI, S&P	Jun F	51.3	51.3
15:45	US	Composite PMI, S&P	Jun F	52.2	52.2
16:00	US	Services ISM	Jun	54.5	54.5
17:00	WO	Services PMI	Jun	(51.8)	51.3

This week

• June PMIs/ISM

- **The flash PMIs** were better than expected in both EMU and USA, and the global manufacturing sector will probably report the strongest growth in 2022 in June. Services are down from before the Gulf war, but the decline in energy prices may lift activity. Final PMI data out this week (and next Monday). The **manufacturing ISM** is expected slightly down, which may be a pessimistic estimate. The services index is expected unchanged, at a below average level.

• USA

- **The labour market** has surprised on the upside with far faster growth in employment than expected in recent months, and well above most forecasts of growth in working age population. Unemployment has stabilised at 4.3%. Job openings (unfilled vacancies) surprised on the upside last month.

• EMU

- **HICP inflation** probably peaked in May, at least the headline figure. Energy prices fell in June and are expected to lower total inflation by 0.1 pp to 3.1% – still above ECB's comfort zone. The core index at 2.6% is well above as well, and expected unch. in June.

• Norway

- **NAV open unemployment** has trended slowly down since last November, but not as far down as Norges Bank assumed in March, to 2.0%. In the June MPR, the bank expected unemployment to bottom at the current 2.1% (or 2.05% if another decimal is added) before starting to drift upwards from Q3. The decline in NAV unemployment has been broad, both vs. occupancies and regions. The inflow of **new vacancies** has increased, and was strong in May.

Rest of July

• USA

- **The Fed meeting** on 29/7 will be less eventful than the June meeting with the Fed surely keeping rates unchanged.
- **Other key US data:** the CPI report later this month is a key concern for most FOMC members – but probably less so with the ending of the Iran war leading to a steep decline in energy prices.

• Eurozone

- **The ECB** will most likely keep rates unchanged later this month after the June hike with energy prices declining broadly which reduces the worry amongst ECB rate setters. Another hike after the summer is still however likely.

• Norway

- **CPI data** on the 10/7 will show inflation that is still too high for comfort. The data needs to be significantly lower in the next two months for Norges Bank not to hike in August.

Sources: Bloomberg. SB1M est. in brackets. Foreign & Norwegian data highlighted, the most important in bold.

Agenda

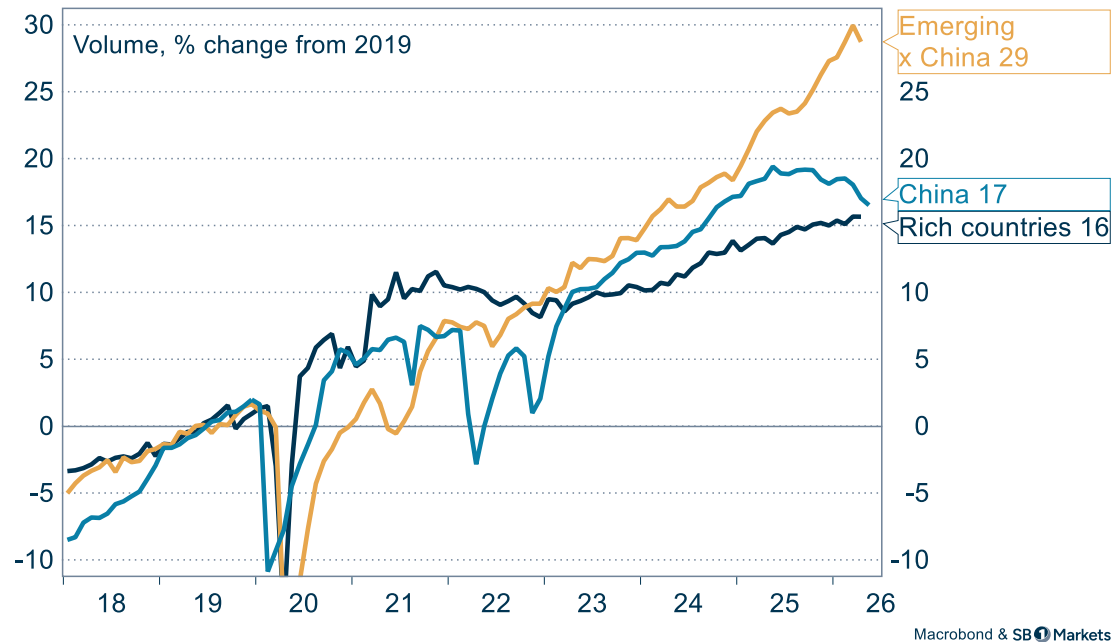
- **Highlights**
- Major economies
- The Norwegian economy
- Financial markets



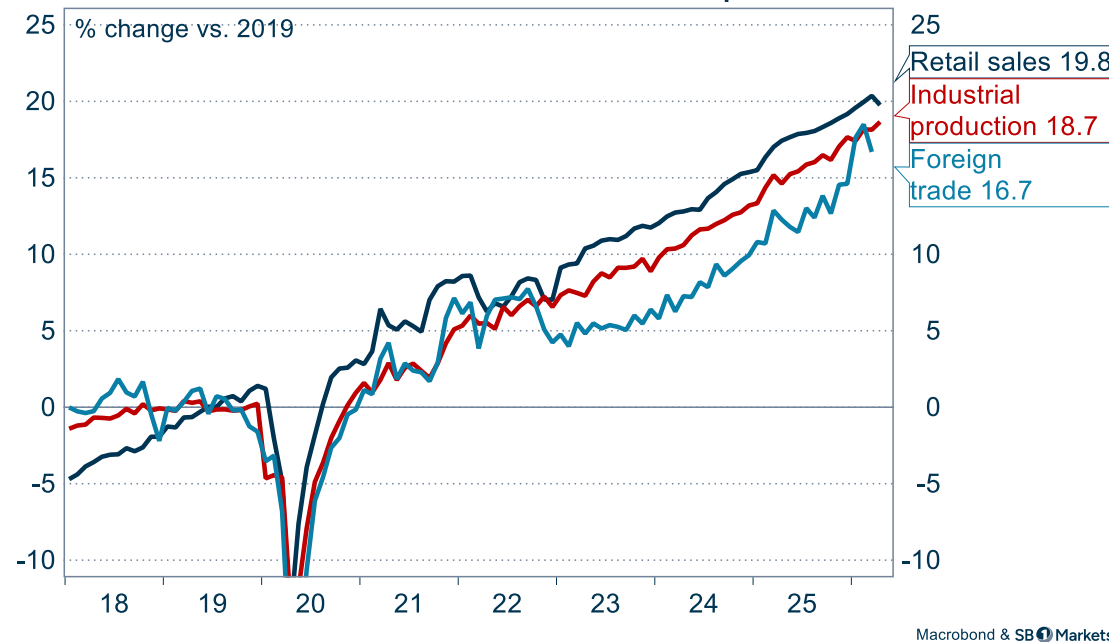
Global Economy: retail (slowing somewhat); Industry (steadily up); Trade (exploding)

Retail sales in EM ex. China continue to grow strongly, but Chinese sales are heading down. DM sales have slowed slightly lately. Global industrial production has improved, and global trade flows have risen rapidly recently (until March, at least).

Retail sales



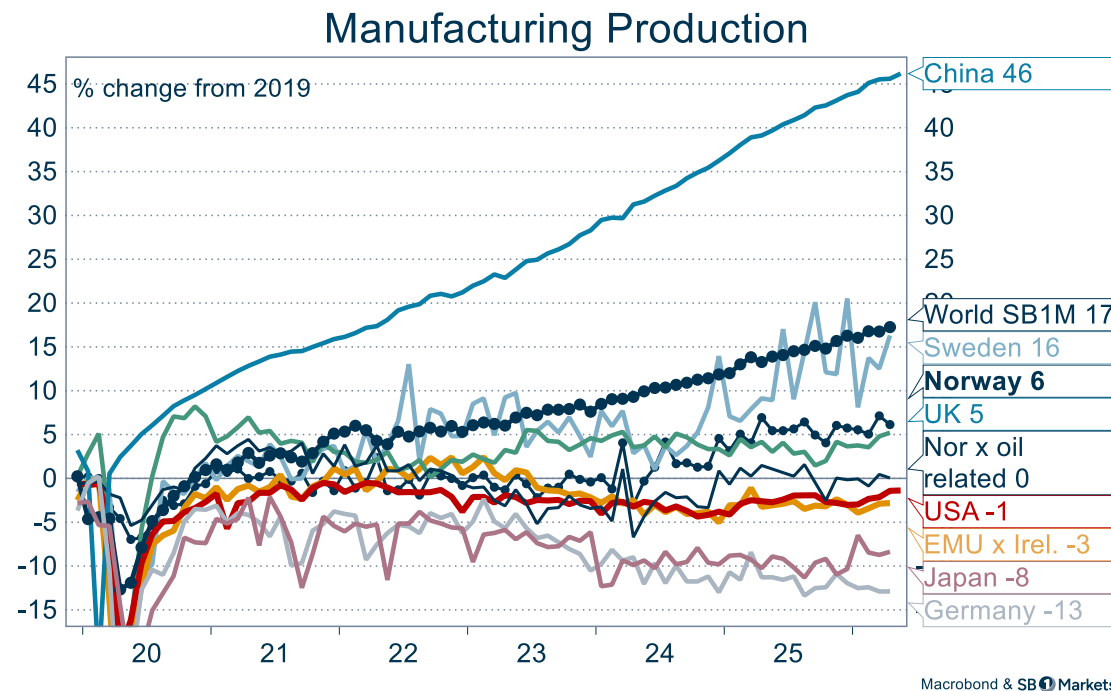
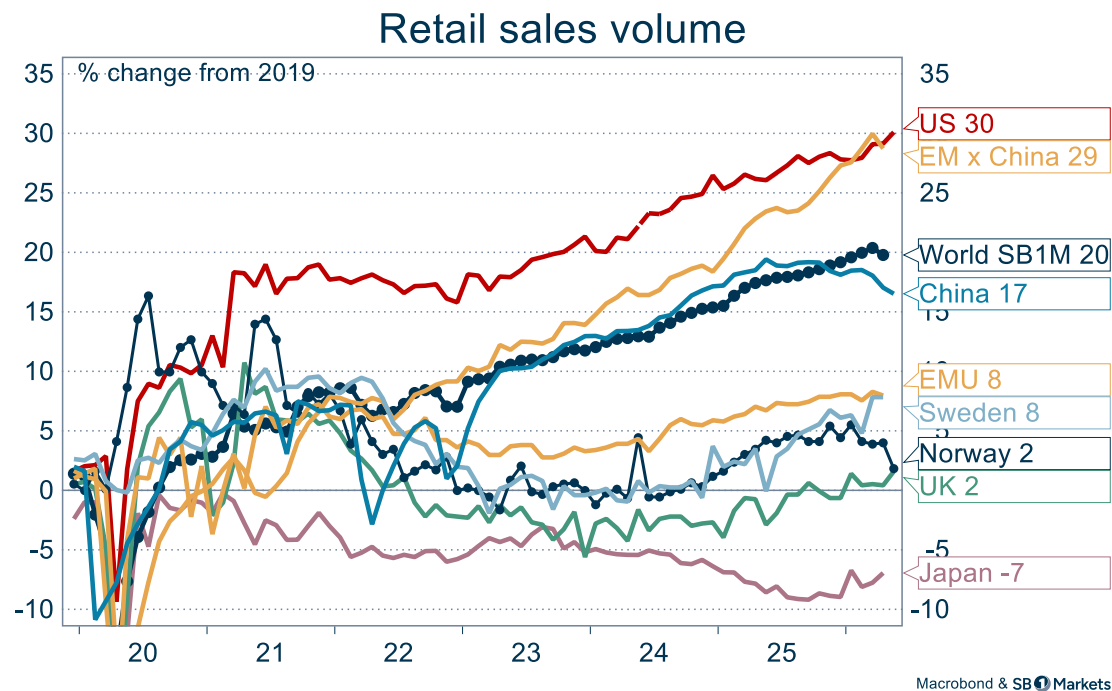
Global Retail sales, industrial prod. & trade





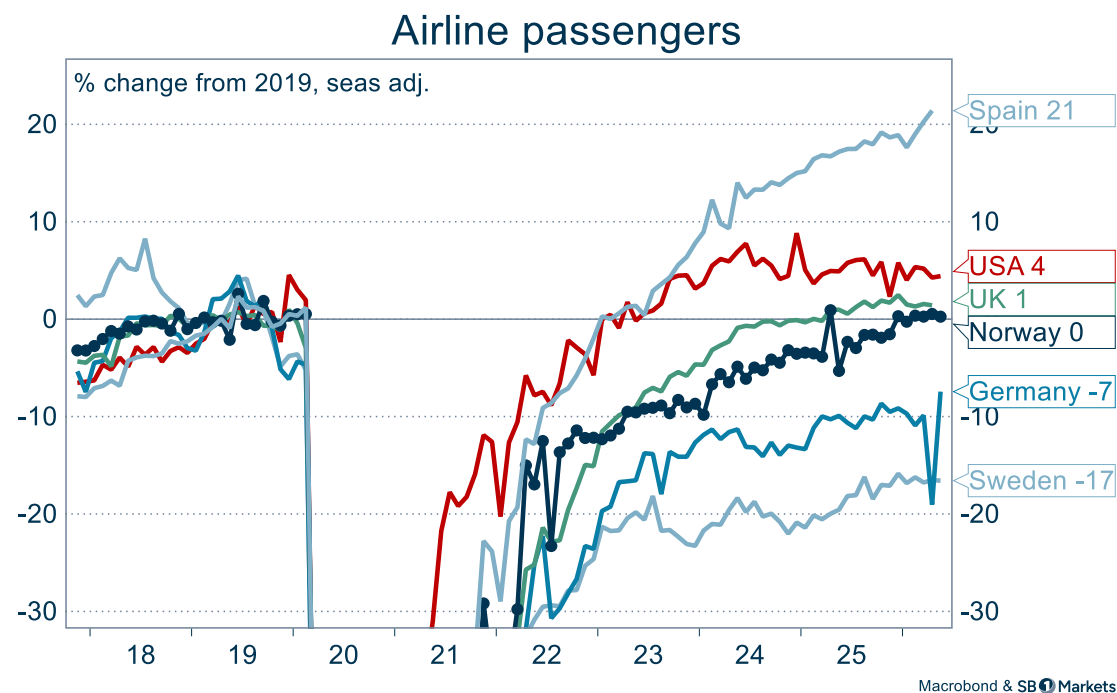
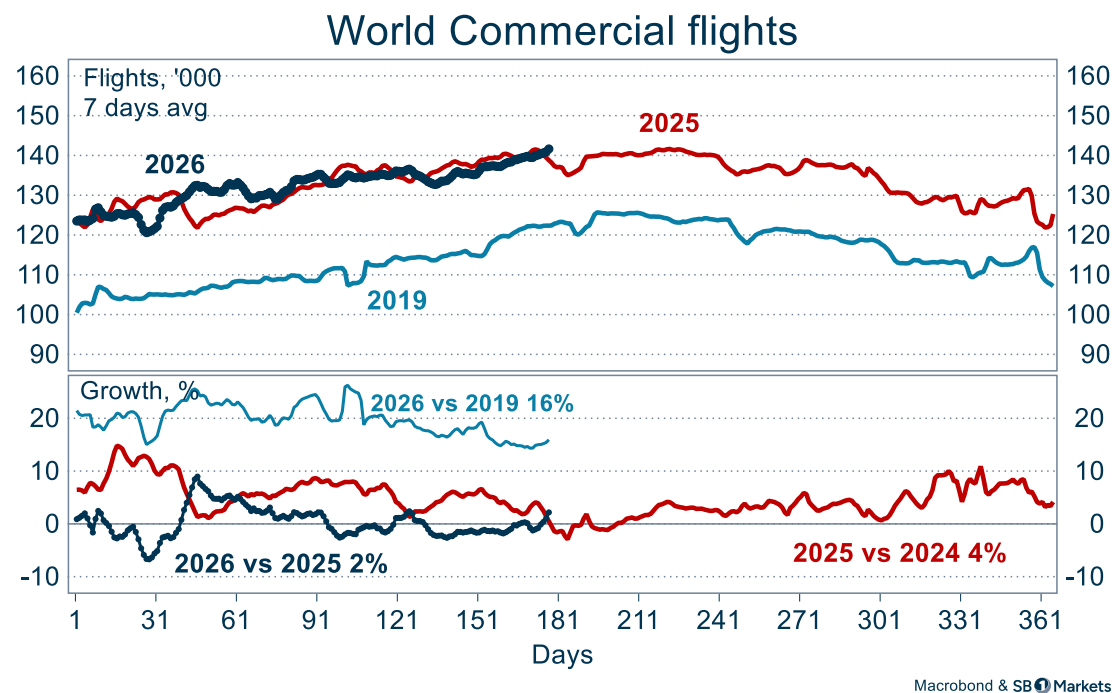
Huge gaps in retail sales and manufacturing production. China leads in manufacturing

But not in retail sales. The US is among the best in retail sales but not in industrial production. EMU is in line with the US on production, but its retail sales are far weaker.





Global airline traffic still close to flat y/y

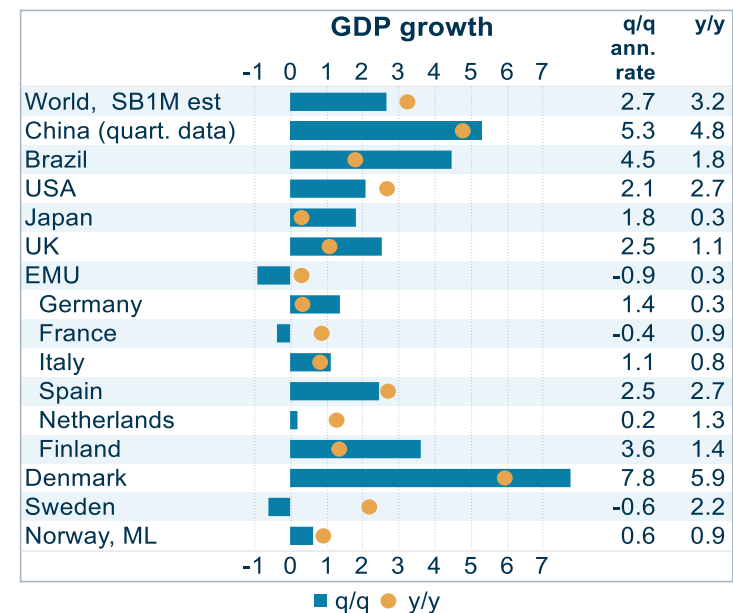
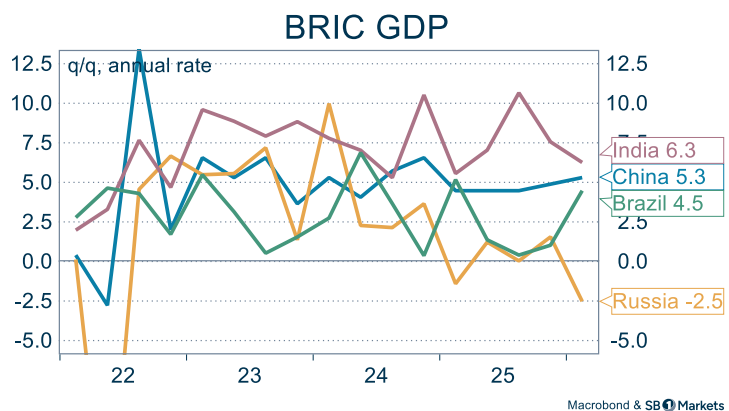
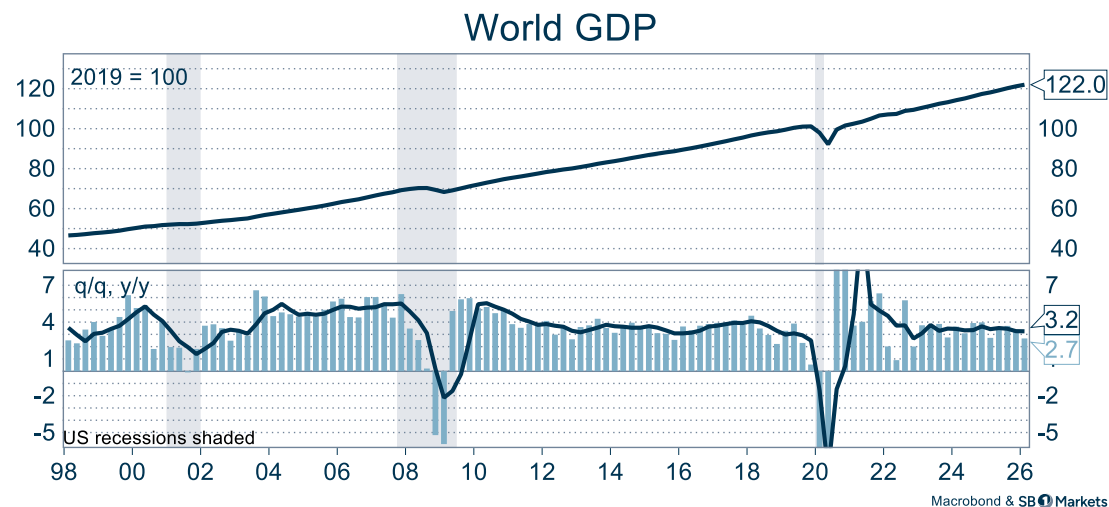
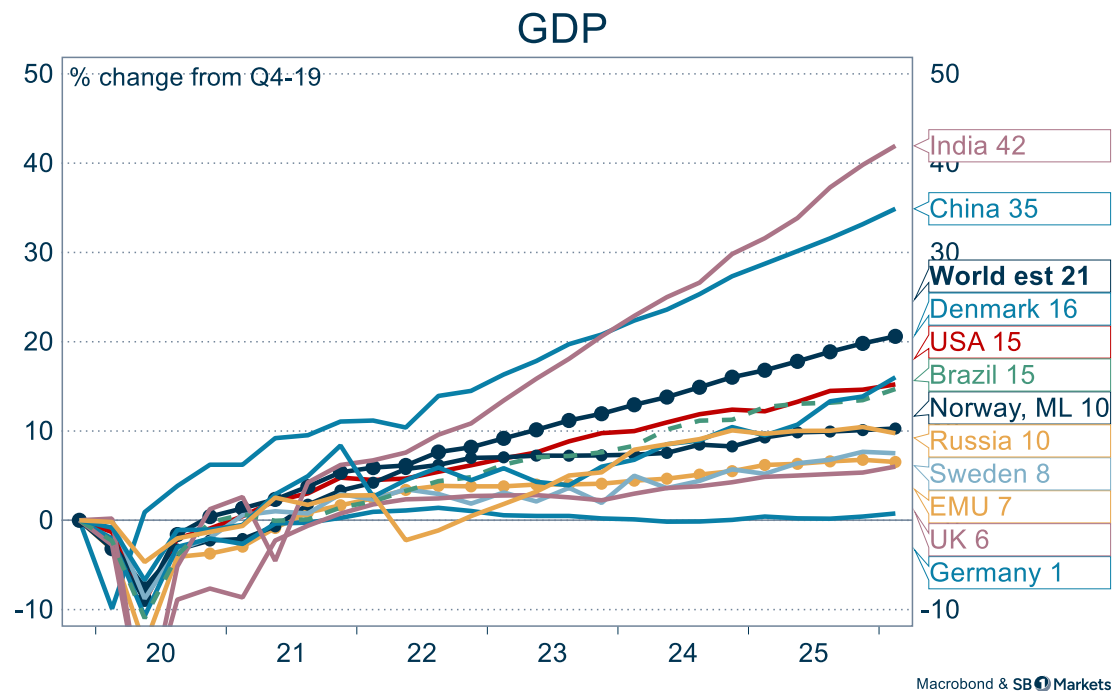


- Passenger numbers are recovering in most Western countries, except for the US, which is declining from previously 'high' figures, with traffic up just 4% from 2019. Sweden is well below 2019 levels, by 17%. Germany recovered in April from a slump in March (even after our Easter adjustment). Norway has climbed back up to its 2019 level, and Spain leads with a 21% increase.



Global GDP: 2.7% q/q in Q1, and 3.2% y/y

Growth was a few tenths below the average (and stable) growth rate the past 3 years.



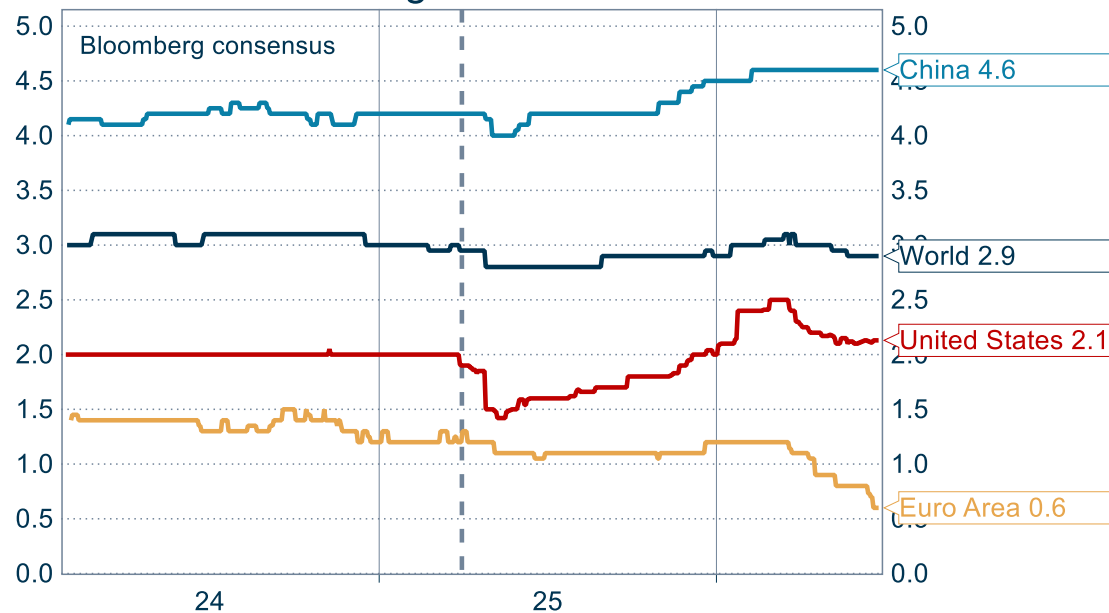
World GDP is estimated by SB1M



EMU 2026 growth forecasts are falling rapidly, down 0.6 pp from before the Gulf war, to 0.6%

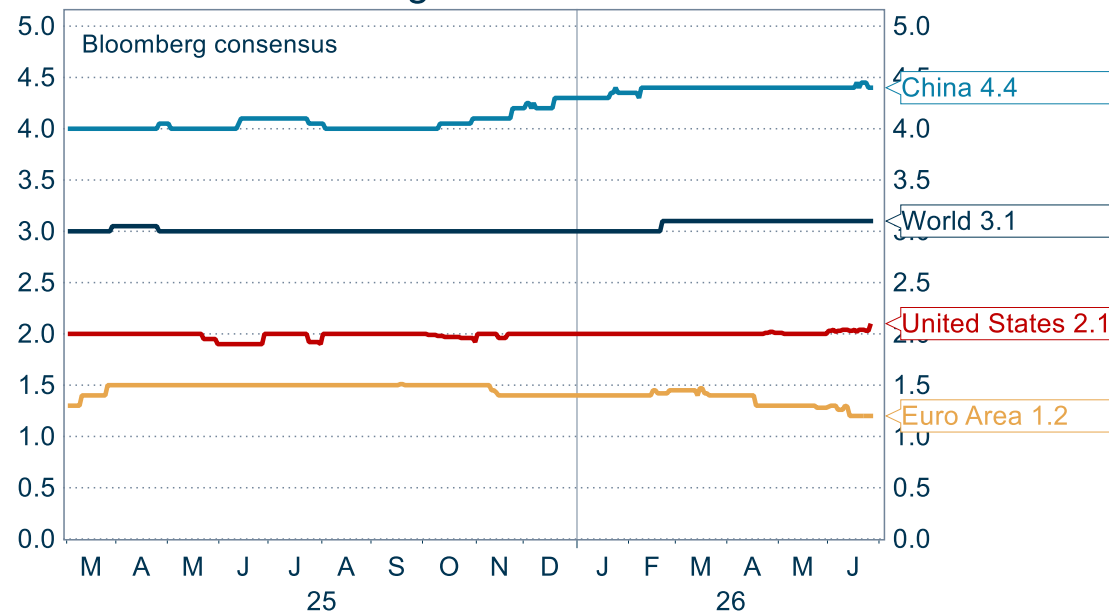
The US forecast is down 0.4 pp to 2.1%. US is less exposed to the lift in energy prices, and AI investments are incredibly strong. Boring (flattish) but decent 2027 forecasts.

GDP growth forecasts 2026



Macrobond & SB Markets

GDP growth forecasts 2027



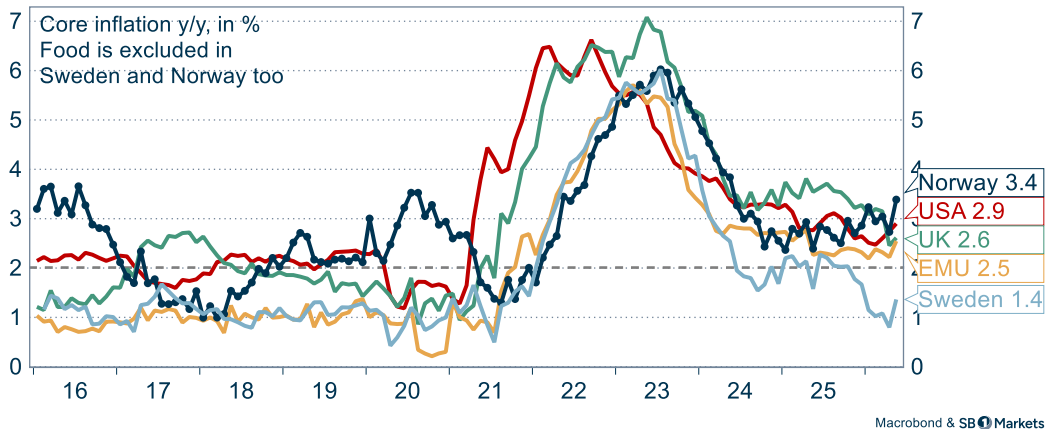
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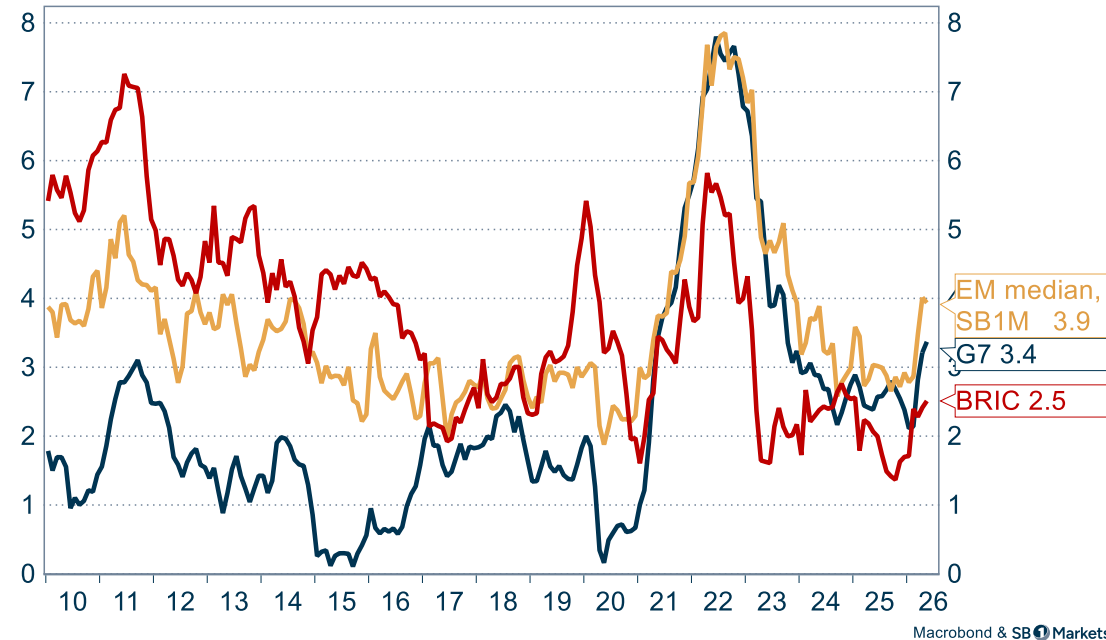
The US and Norway at the top of the core CPI ranking, Sweden up but still at the bottom

Norway rules at the top, our core CPI is up 3.4% y/y, followed by US at 2.9%. Sweden is at 1.4% (food and energy excluded). Underlying inflation in recent months is even higher in Norway and the US. Total inflation will very likely come down in June/July, due to lower oil prices

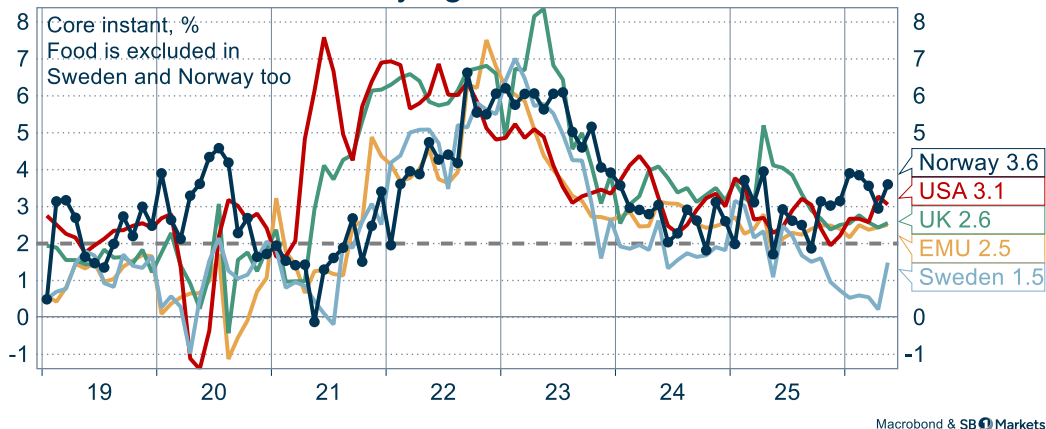
Core CPI Inflation



CPI Inflation



Underlying Core CPI Inflation

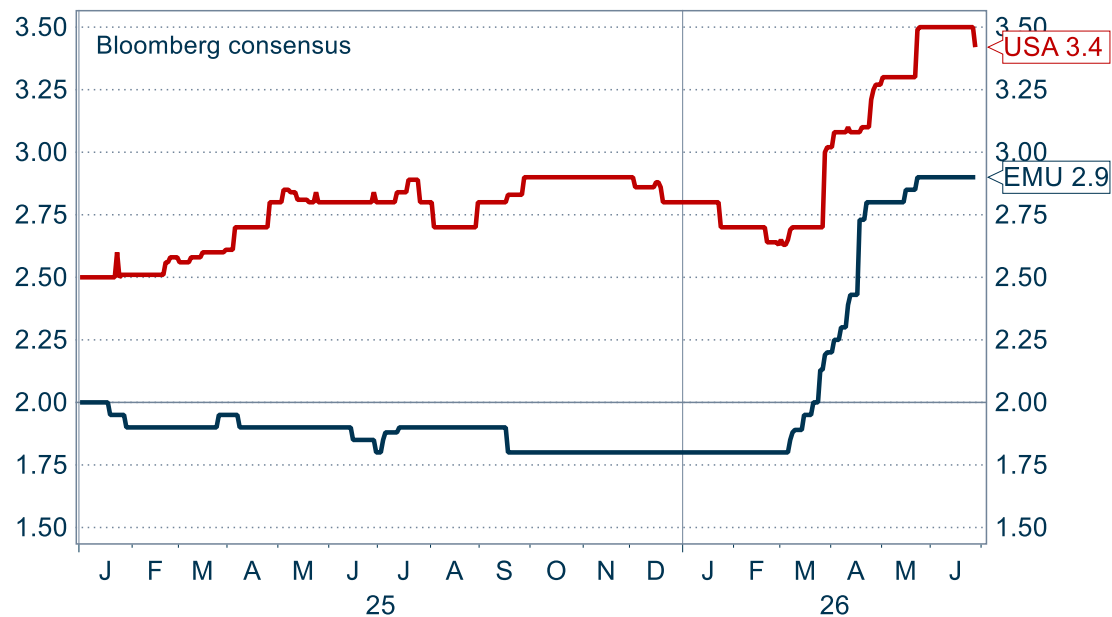




2026 inflation forecasts are very likely peaking now, as energy prices are declining

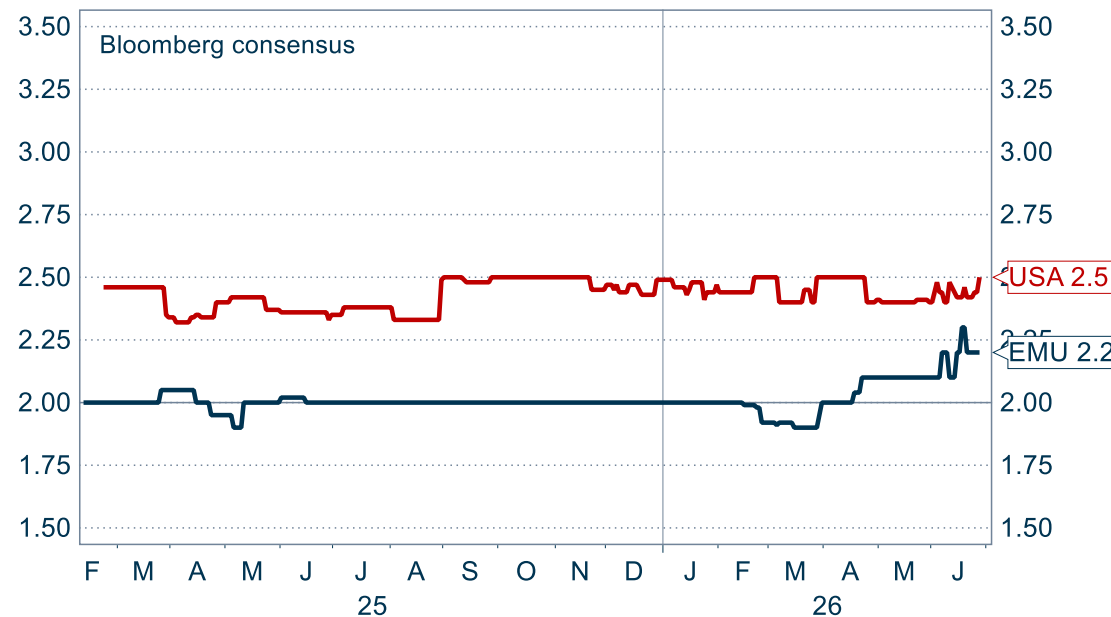
The 2027 EMU forecast of 2.2% is not far above the inflation target; the US at 2.5% remains somewhat above – but will now probably come down in the coming weeks (if Hormuz does not remain closed).

2026 CPI forecasts



Macrobond & SB Markets

2027 CPI forecasts

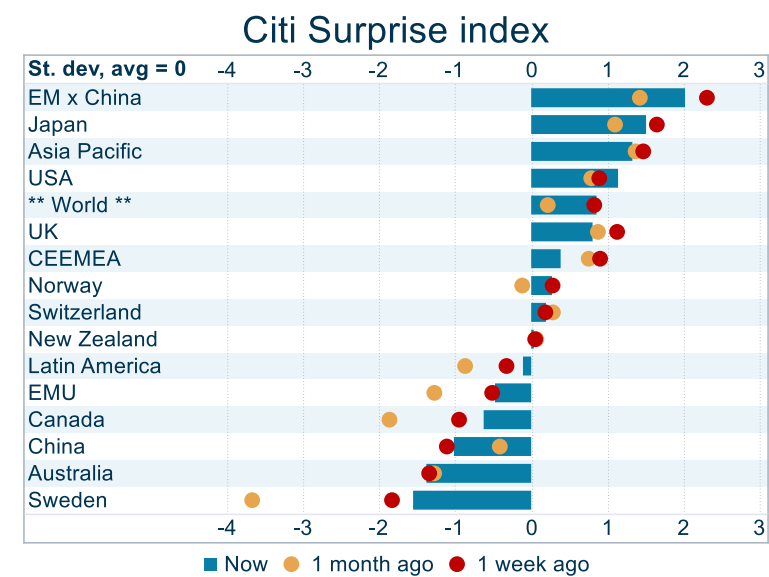
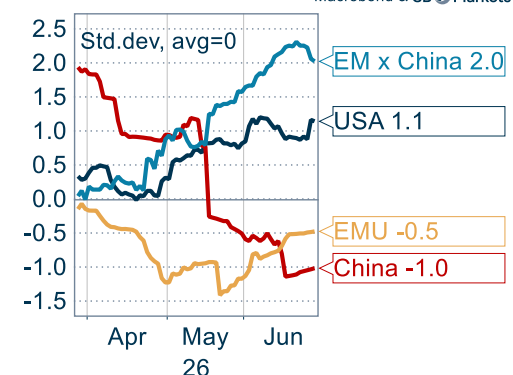
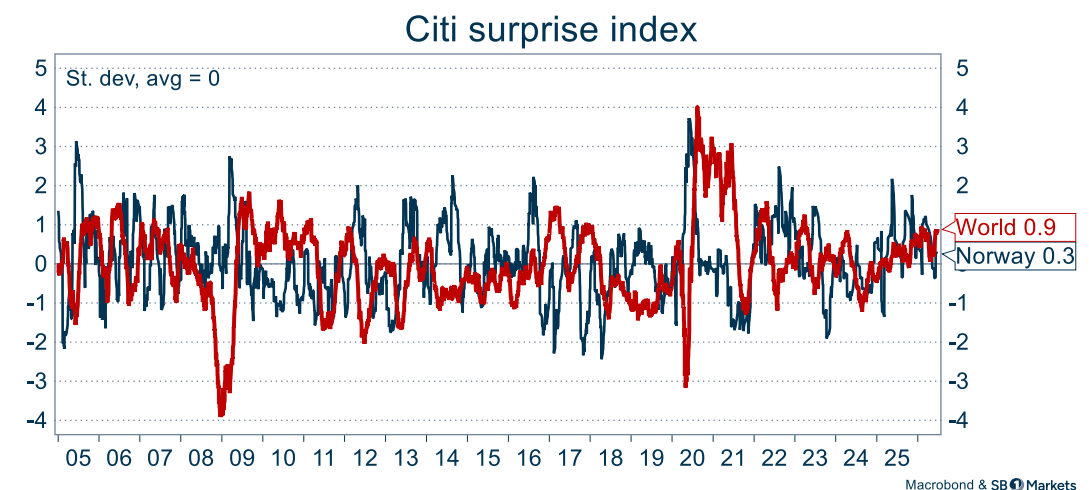
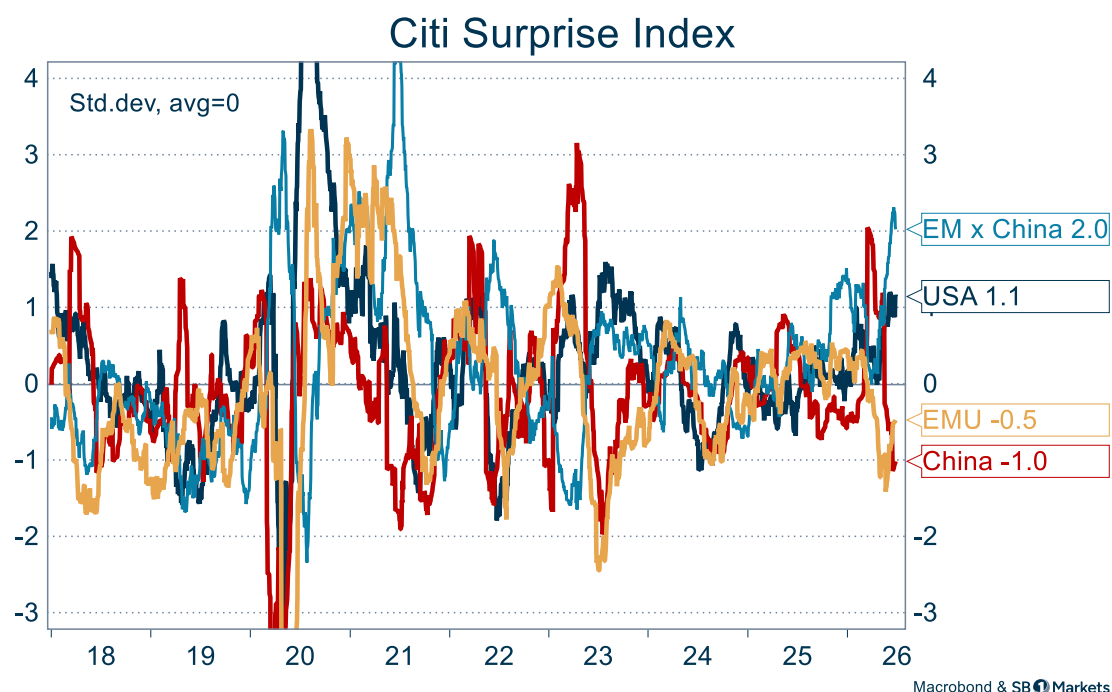


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Surprise indices: the world surprises more on the upside, last week led by the US

EM ex. China remains in the lead and heads rapidly upwards. EMU is below par but less so recently. Sweden still at the bottom. Norway is above an average level and slightly above the middle of the ranking.

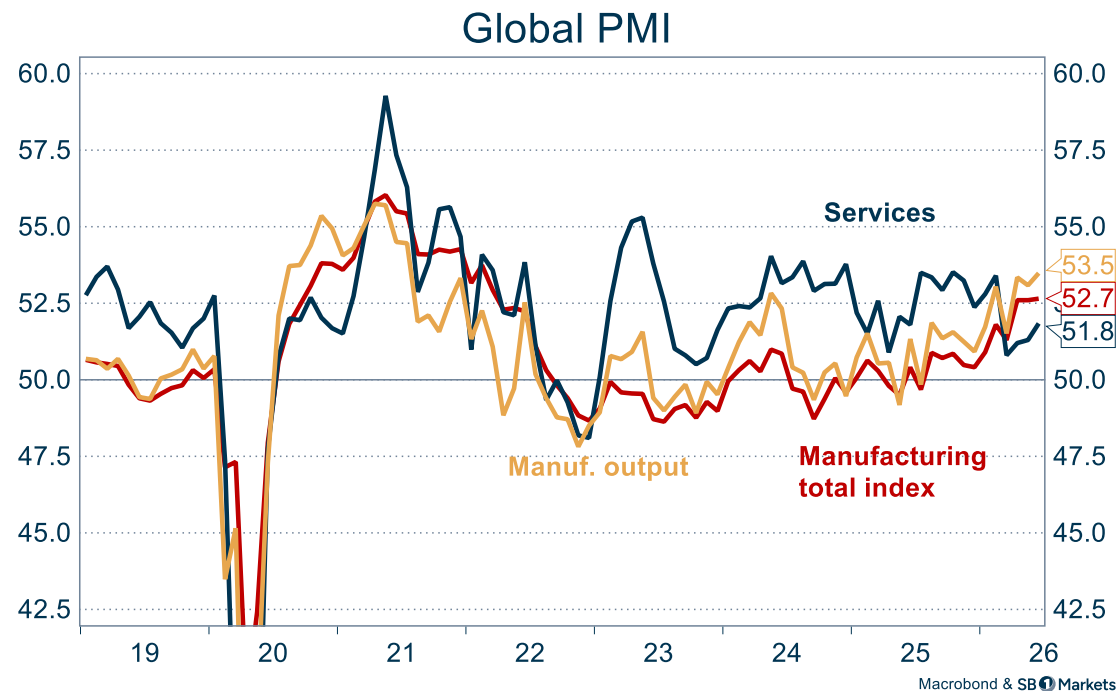
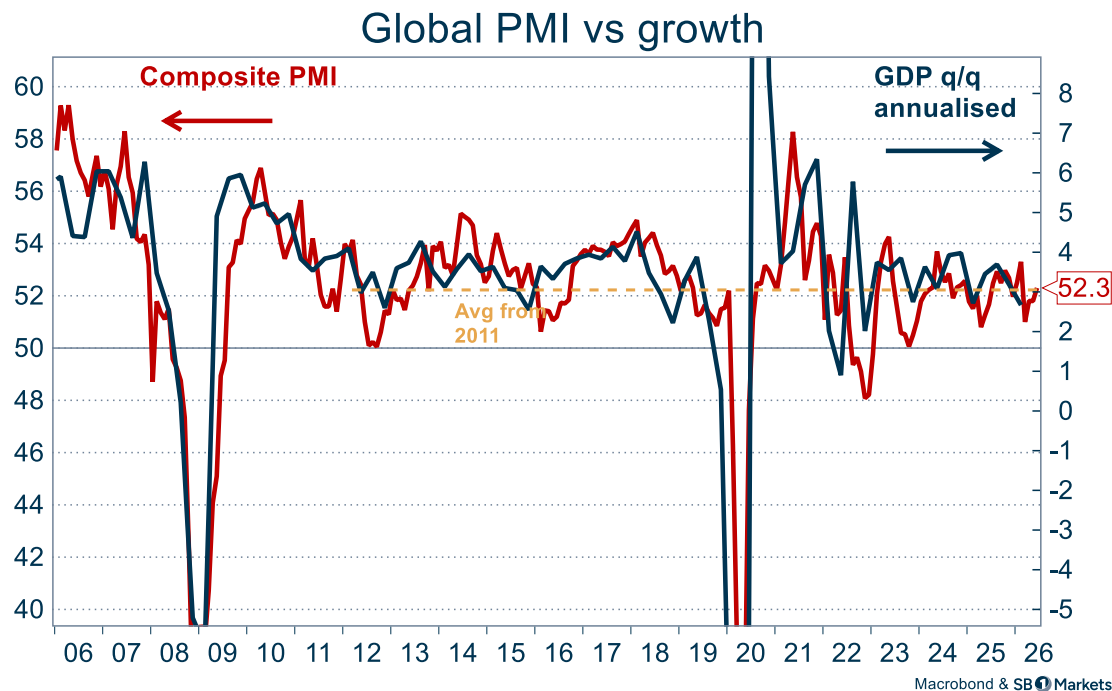


Surprise-indices measure the difference between economists' expectations and the actual outcome over a 3-month rolling window, calculated by Citi



The global PMI probably up in June, by 0.5 p to 52.8 → 3% GDP growth (as 'usual')

Manufacturing reports the fastest growth since 2021, according to the flash PMIs. Services are still well below par but continued upwards in June. Both EMU and US were better than expected. China and other EM (except India) have not yet reported.

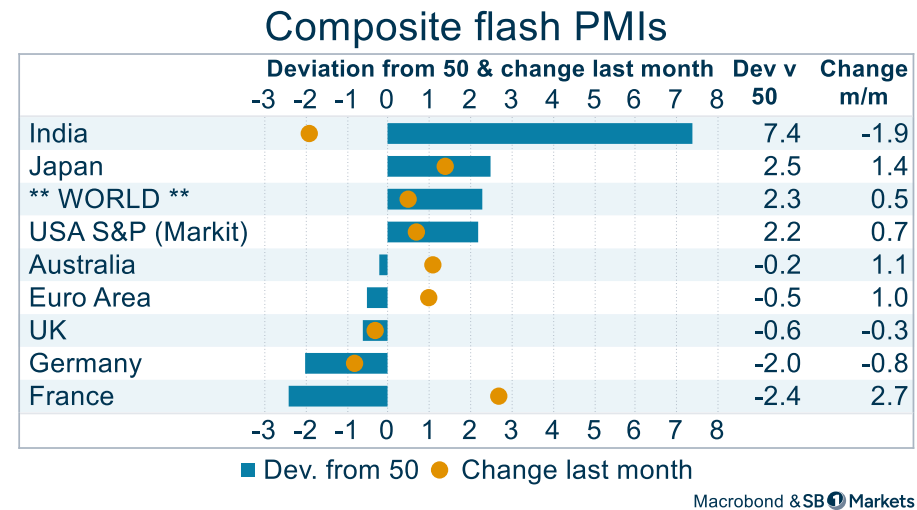
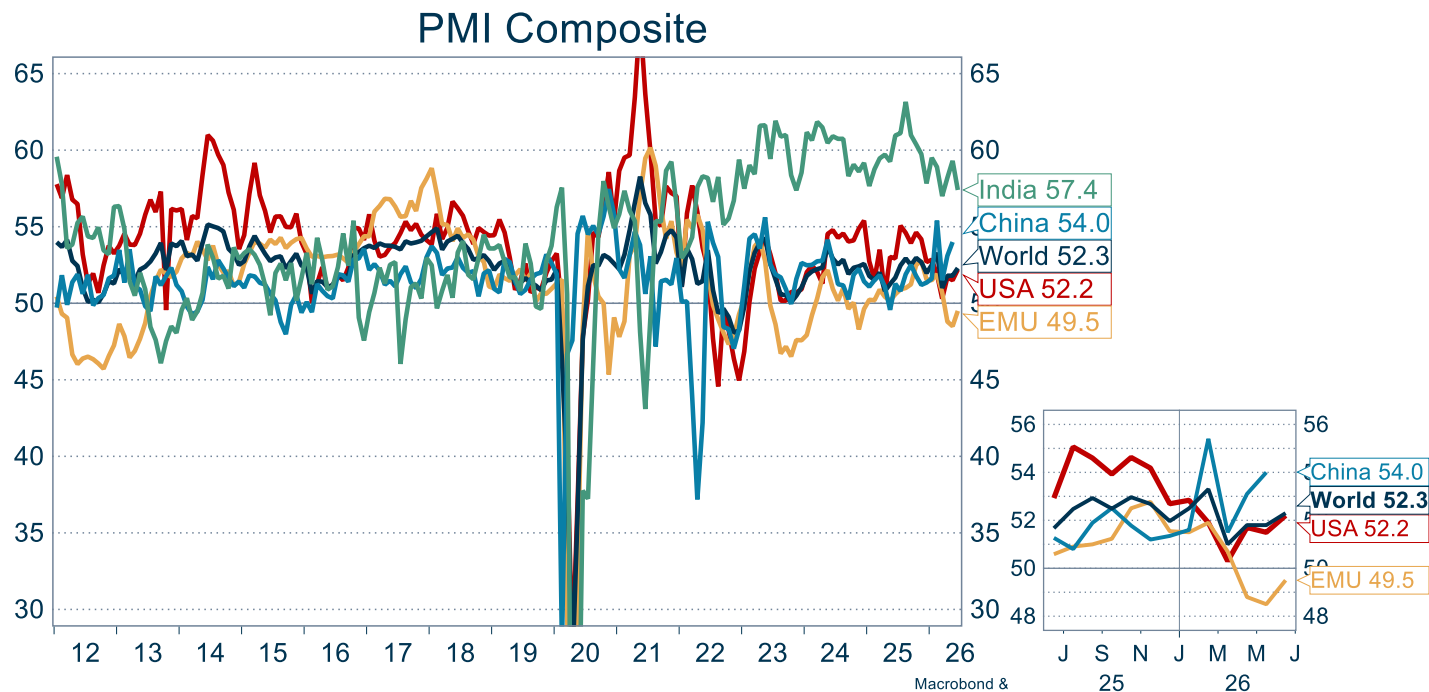


Global estimates are calculated by SB1M and based on flash PMIs from most DM and India. The final outcome may deviate visibly, both due to changes from the flash estimates and as more PMIs are added, especially the Chinese indices.



PMI: both US, EMU & Japan up in June, UK down (and Germany)

EMU is still below the 50-line and signals a GDP contraction, thanks to France and Germany. UK below par as well. The US PMI is above the 50-line but is still signalling less than 2% GDP growth,

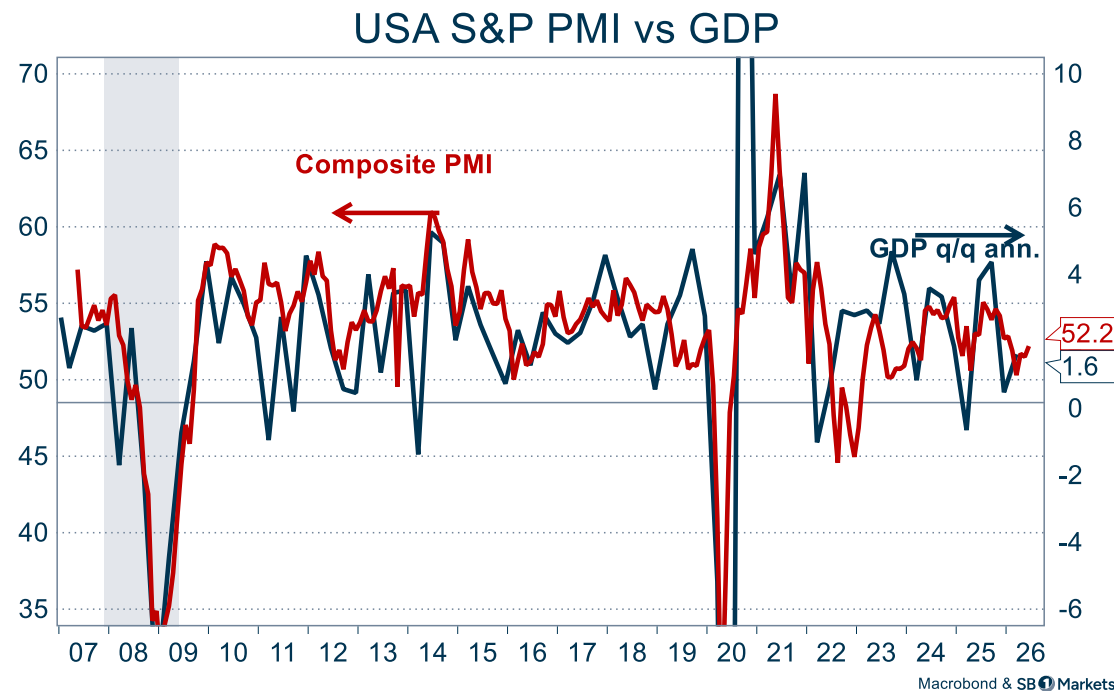
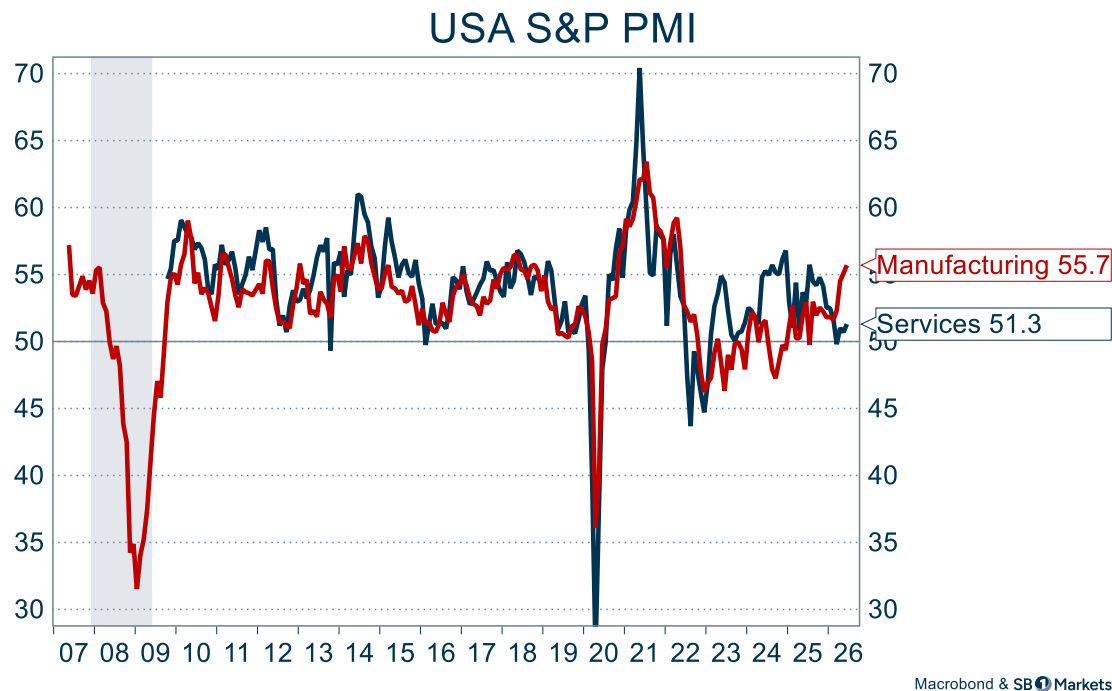


- **China** and most **other emerging markets** have yet to report, except for India, which leads the way; it has risen by 1.3 p to 58.3 despite facing some energy difficulties.



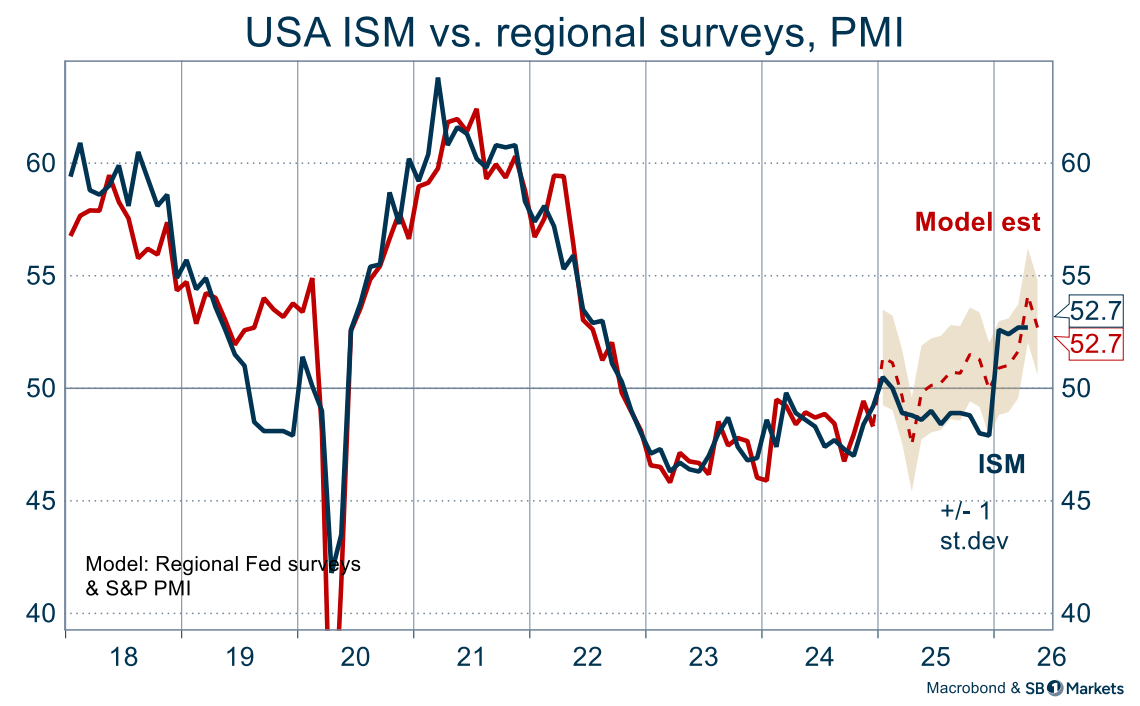
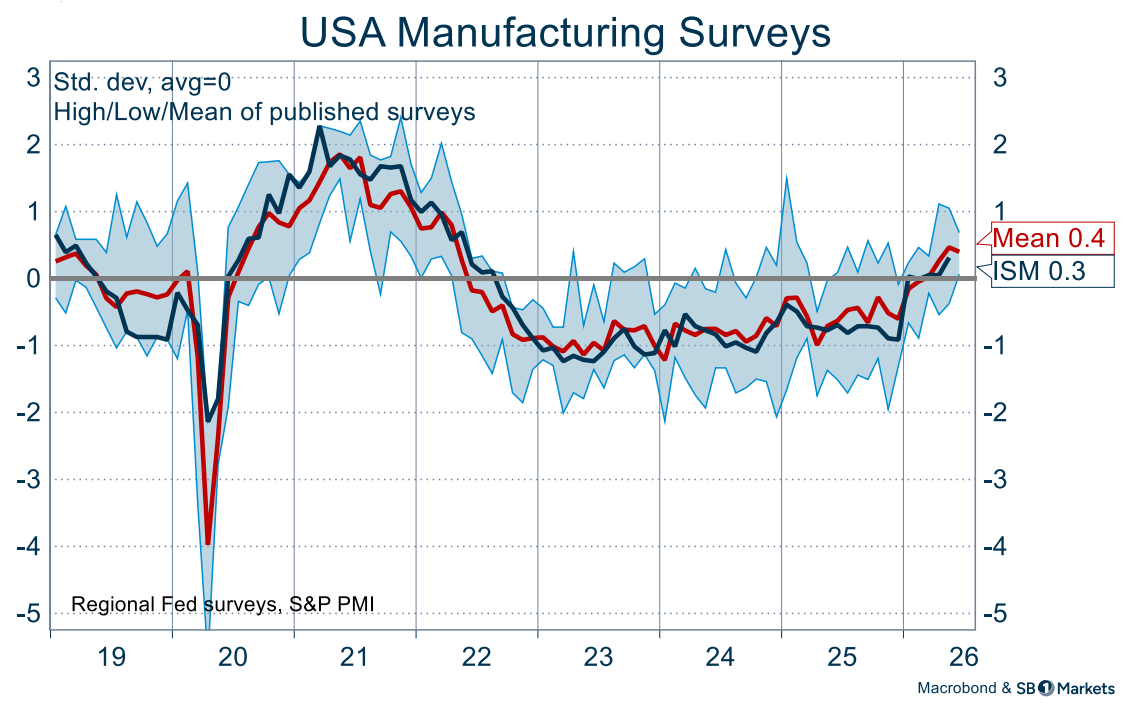
USA composite PMI up 0.7 p to 52.2 → **less than 2% GDP growth still signalled**

The manufacturing index rose further to 55.7, more than 1 p better than expected, and signals growth above trend. On the other hand, while the service sector PMI was up 0.6 p, and more than expected, the 51.3-level is well below average – lowering the composite index 2 p < avg.





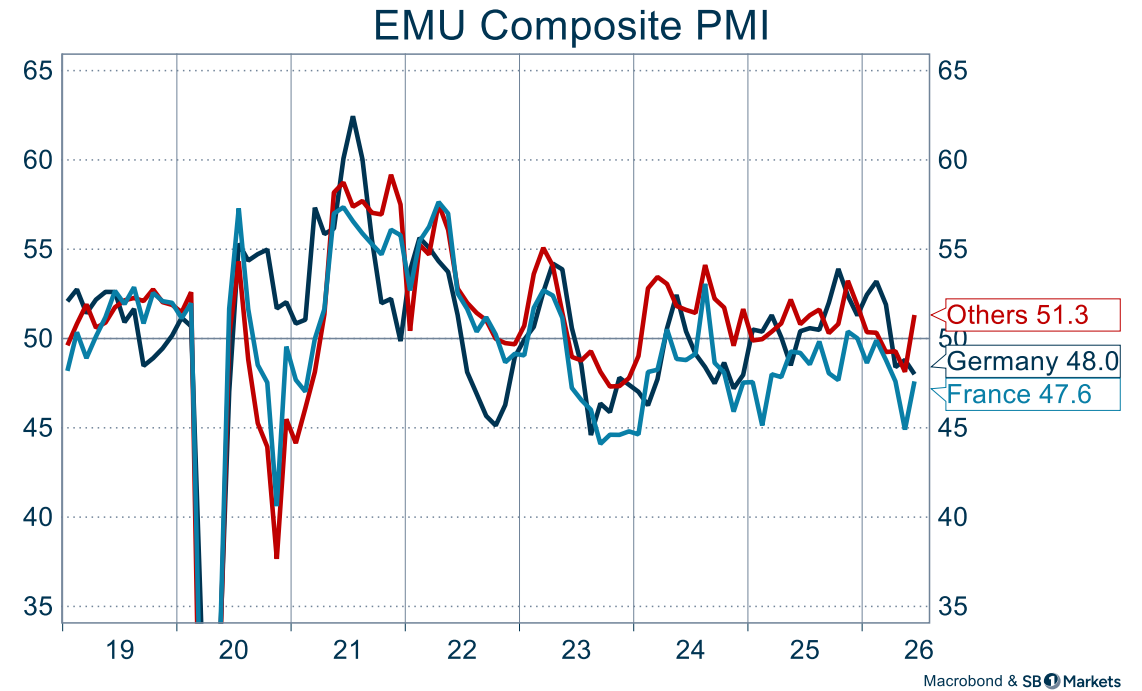
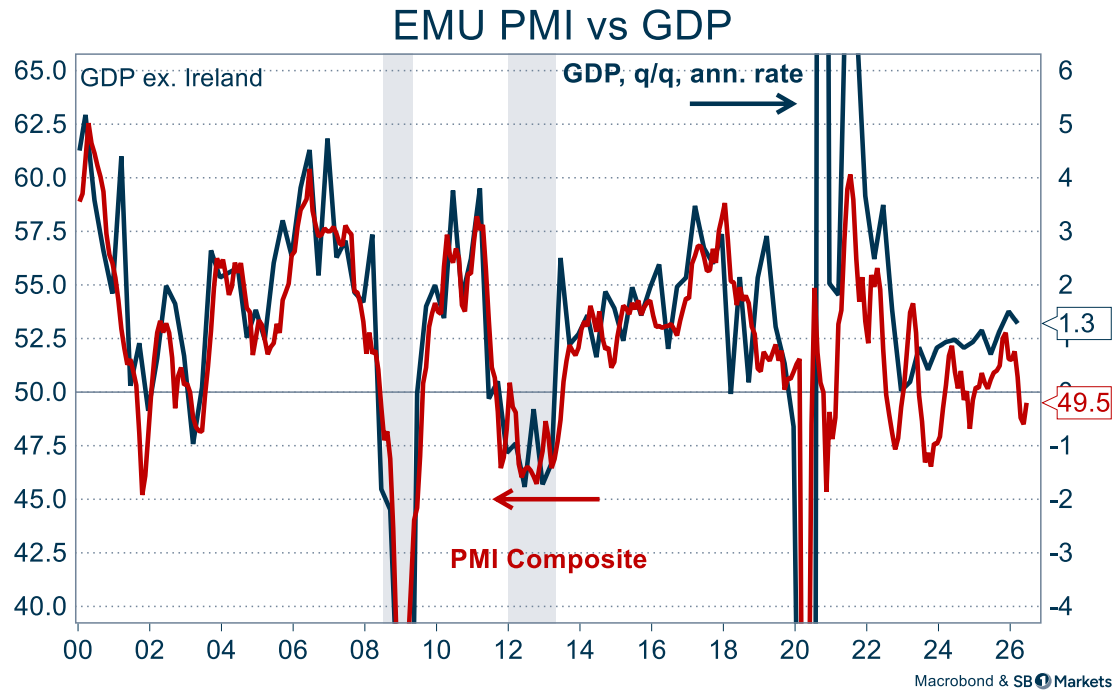
US manufacturing surveys signal an unchanged May manufacturing ISM print





EMU: the German PMI further down, the others up, sum +1 p to 49.5 → still no growth

The composite index rose 0.4 p more than expected –and may be too pessimistic. Germany surprised on the downside, the rest on the upside. France reports slight growth, Germany a 1% contraction, due to weakness in services. France turned up, but remains weak



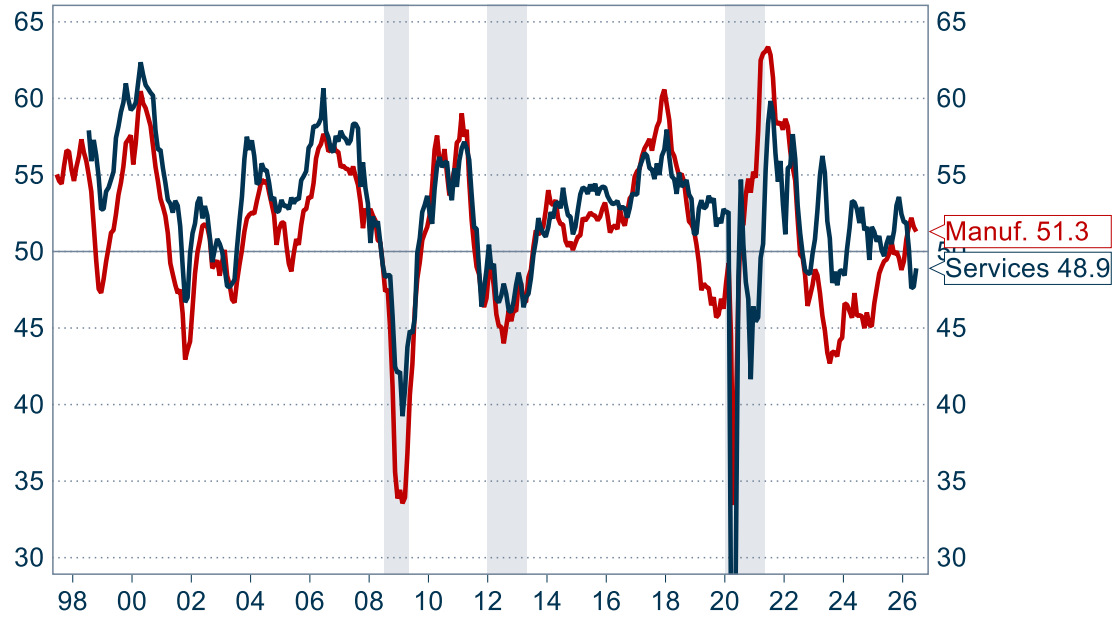
- EMU GDP growth has been **faster than signalled by the PMIs** over the past 2 years. In H2, growth accelerated to almost 1.5%.



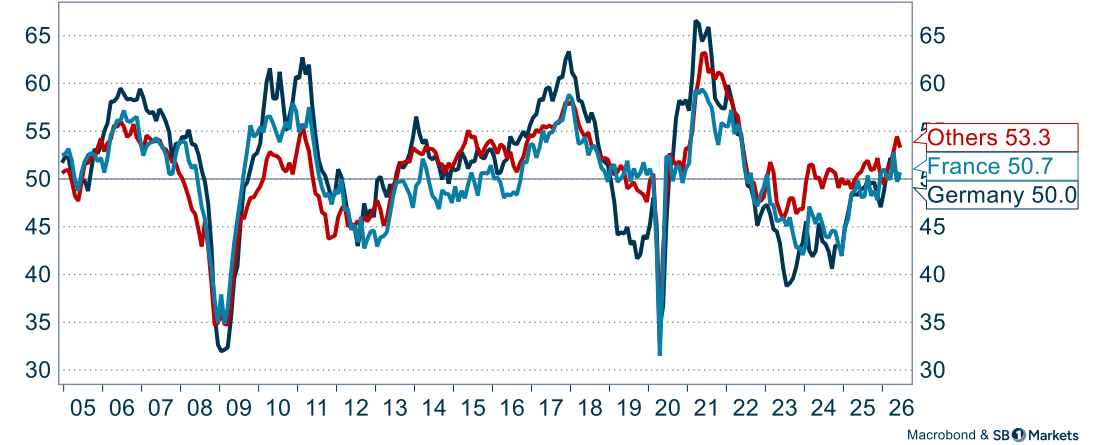
EMU manufacturing still OK in June, services not (at least not in France and Germany)

The service sector PMI gained 1.2 p to 48.9, a little better than expected but still weak. Germany & France are the laggards. The manuf. PMI index declined 0.3 p to 51.3, still the **3rd best since 2022**. Germany & France are at or above 50, the others (mostly Italy, Spain) are in the lead.

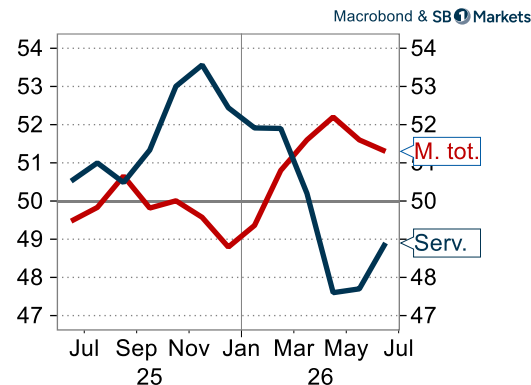
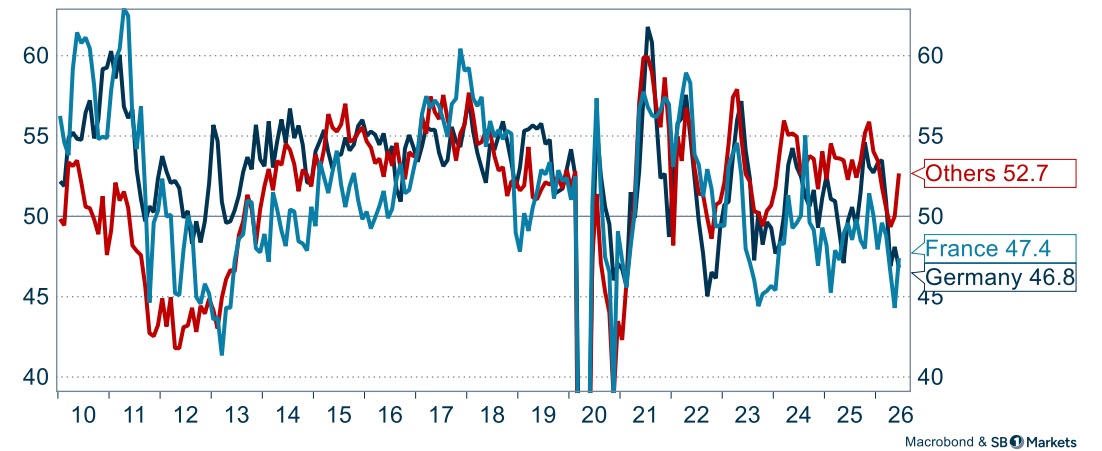
EMU PMI



EMU Manufacturing PMI



EMU Services PMI

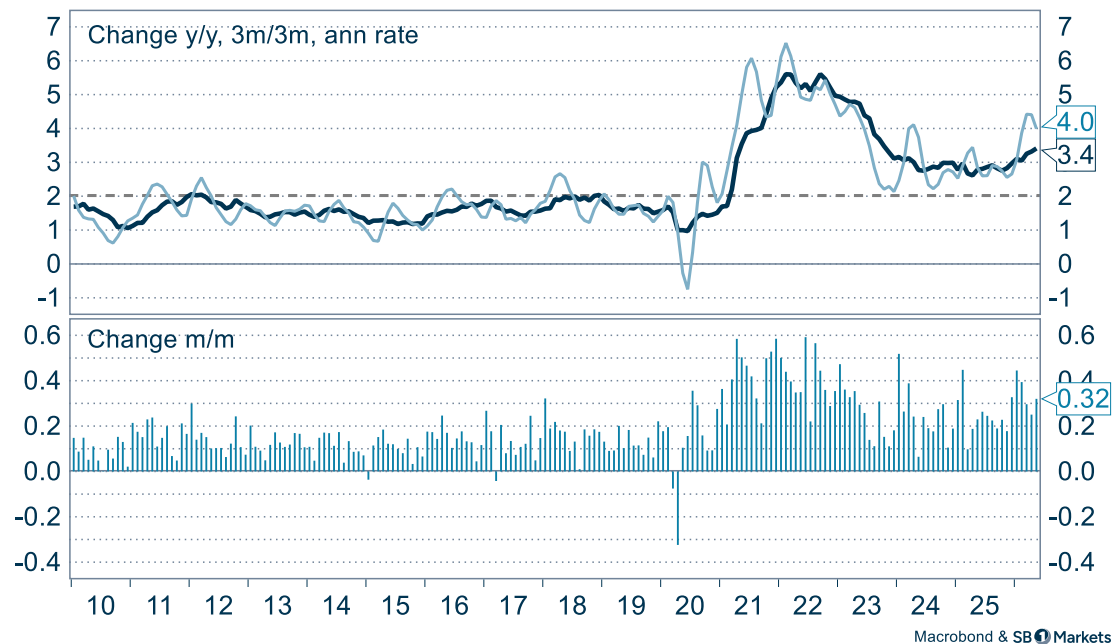




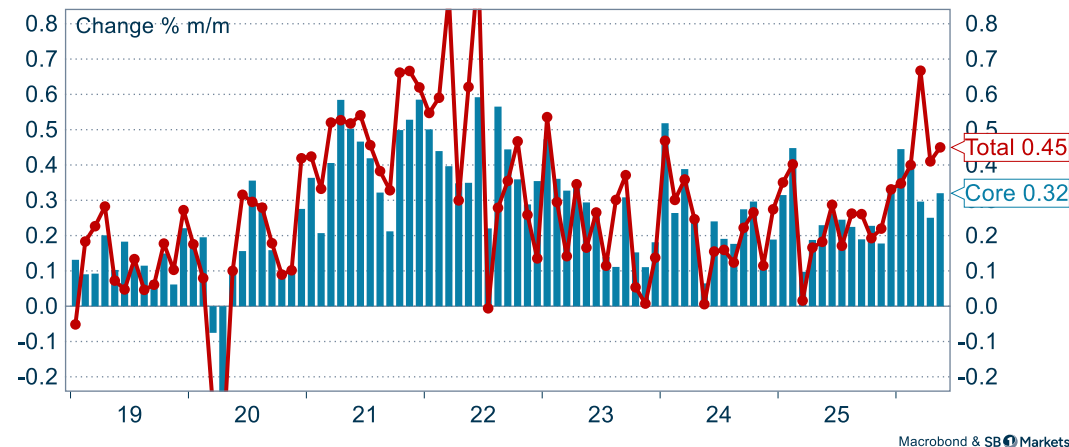
Total PCE up 0.4(498)% in May, and 4.1% y/y. The core up 0.32%/3.4%. All as expected

Energy prices were up 4% m/m, and 24% y/y, and lift the PCE by 1.0 pp. In the core index, services ex rents contributed the most on the upside, primarily due to lift in airfares, as jet fuel costs still were high. Now, (all sorts of) fuel prices are coming down, as will inflation, both tot. & core.

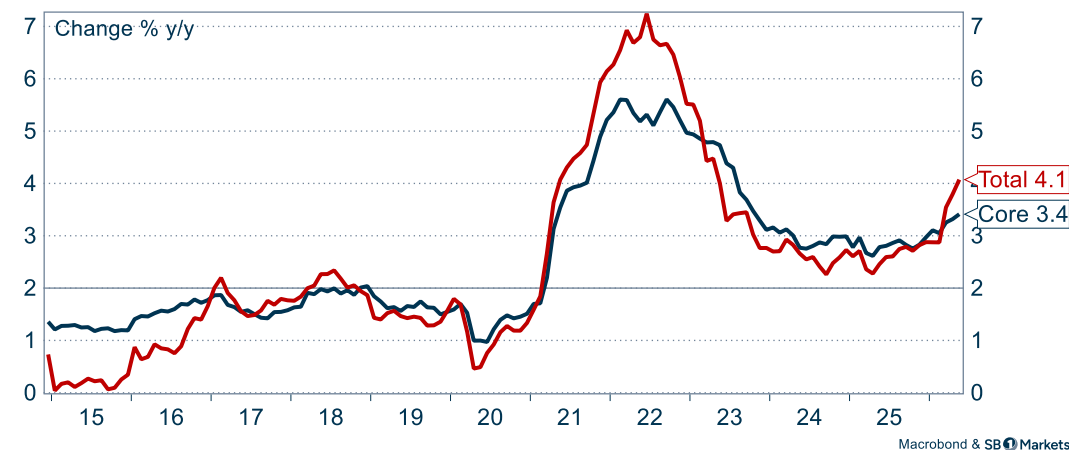
USA Core PCE deflator



USA PCE deflator



USA PCE deflator



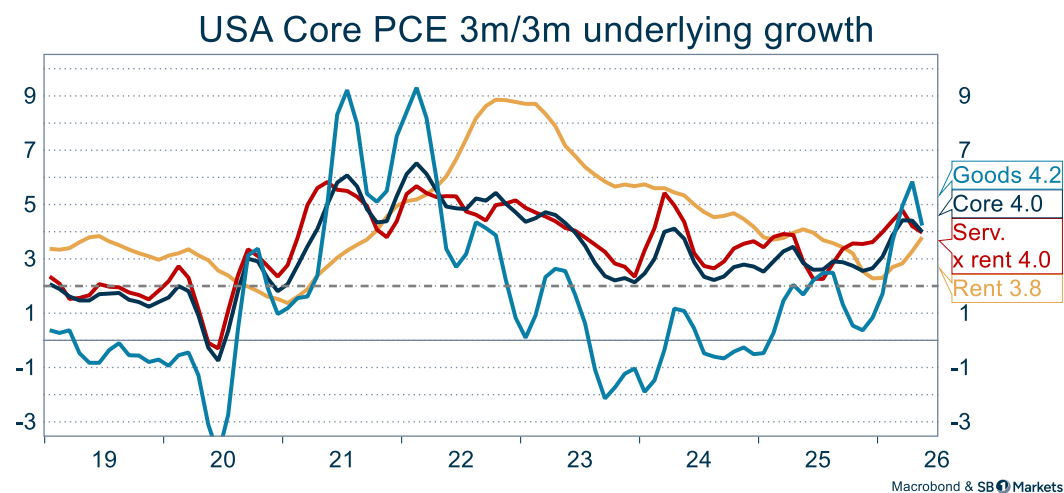
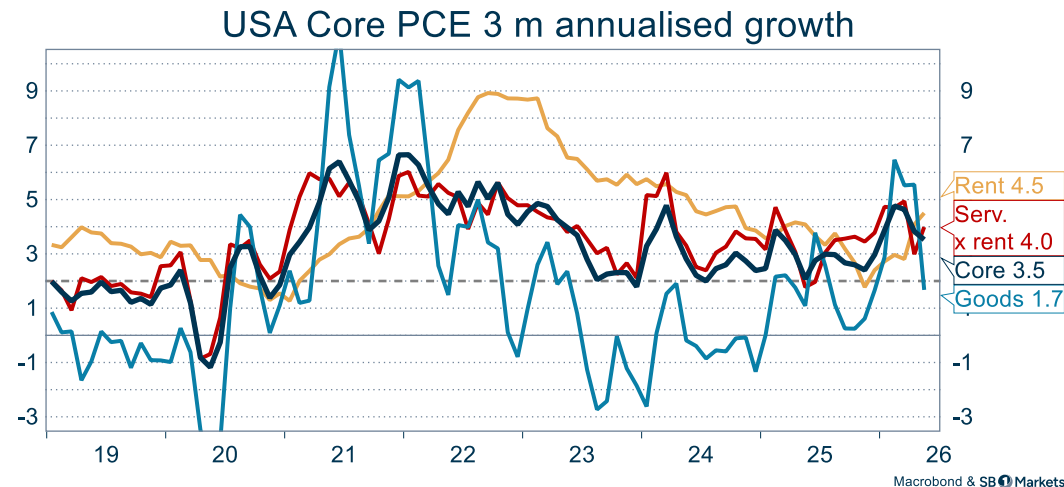
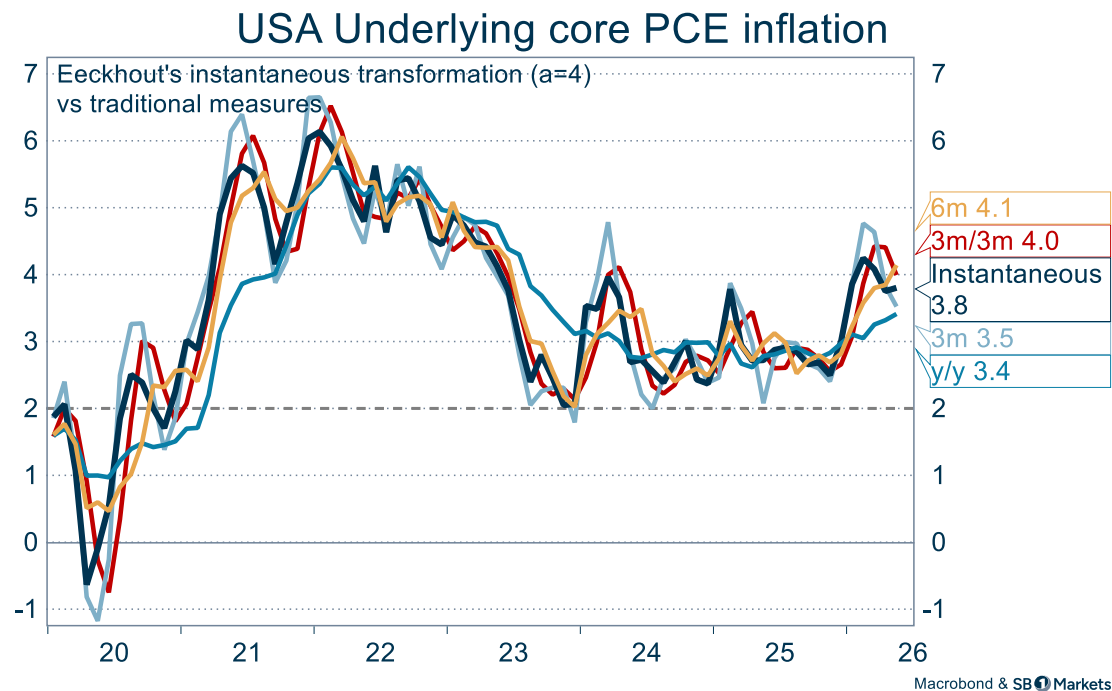
- **PCE price inflation** is high and has accelerated – but underlying growth has probably already peaked, and the headline will follow as energy prices now are rapidly on the retreat and the impact of tariffs is fading as prices have been adjusted, and the effective tariff rate has fallen.
- Even so, a large majority of sectors report too high inflation whatever way we (or Fed) measure it.
- Federal Reserve’s 2% inflation target refers to the PCE deflator, not the CPI. However, even the CPI would not have made it possible for the Fed to cut, barring a deep economic downturn.

PCE deflator: the price deflator for personal consumption expenditure in National Accounts. Rents have a far smaller weight than in the CPI, health services a much higher weight. Weights are adjusted continuously.

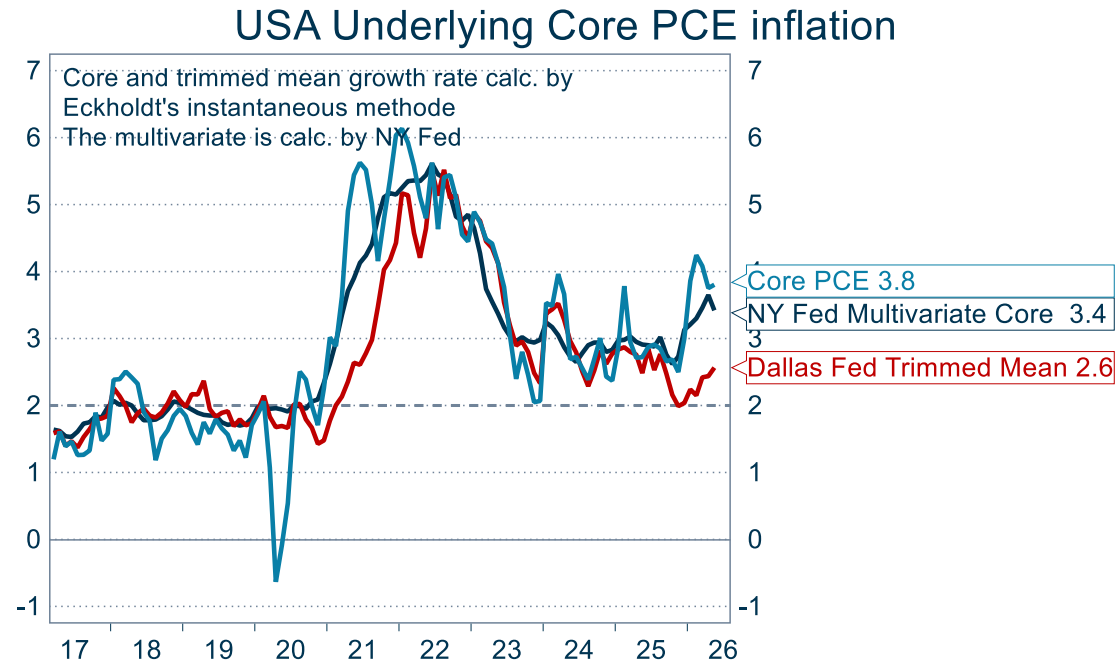


Underlying core PCE inflation has peaked – but is not low

Core goods price inflation is slowing, probably as more prices have been adjusted after the hike in tariffs, partly also because effective tariff rates are coming down. Rent inflation is accelerating though.



Other measures of underlying inflation: no reason to celebrate

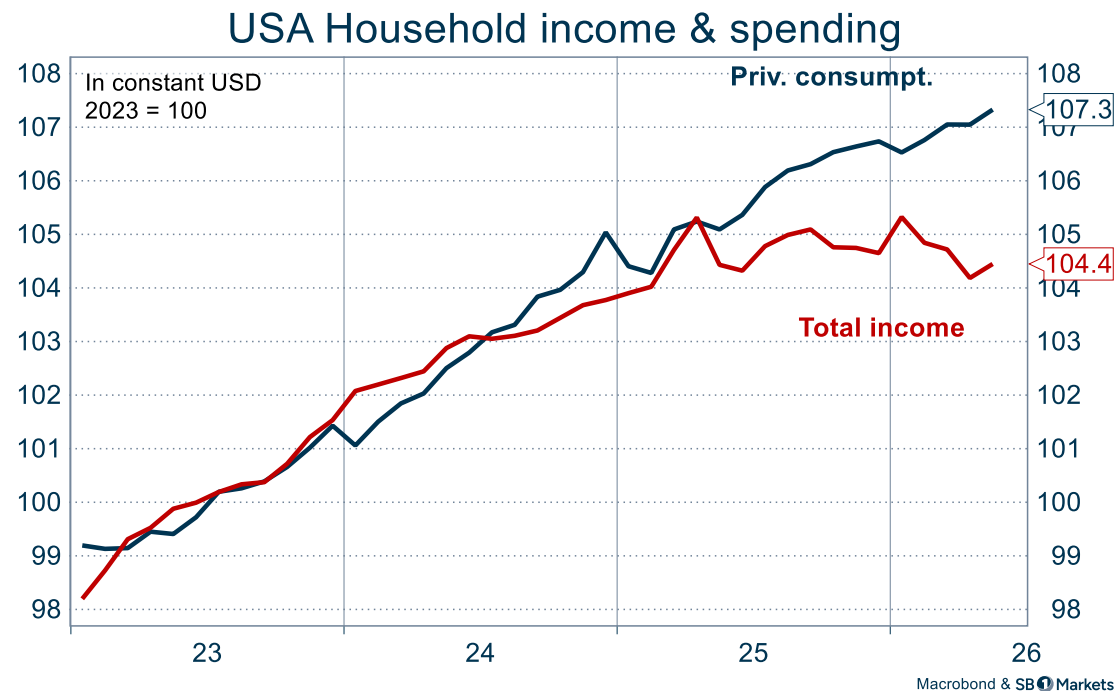
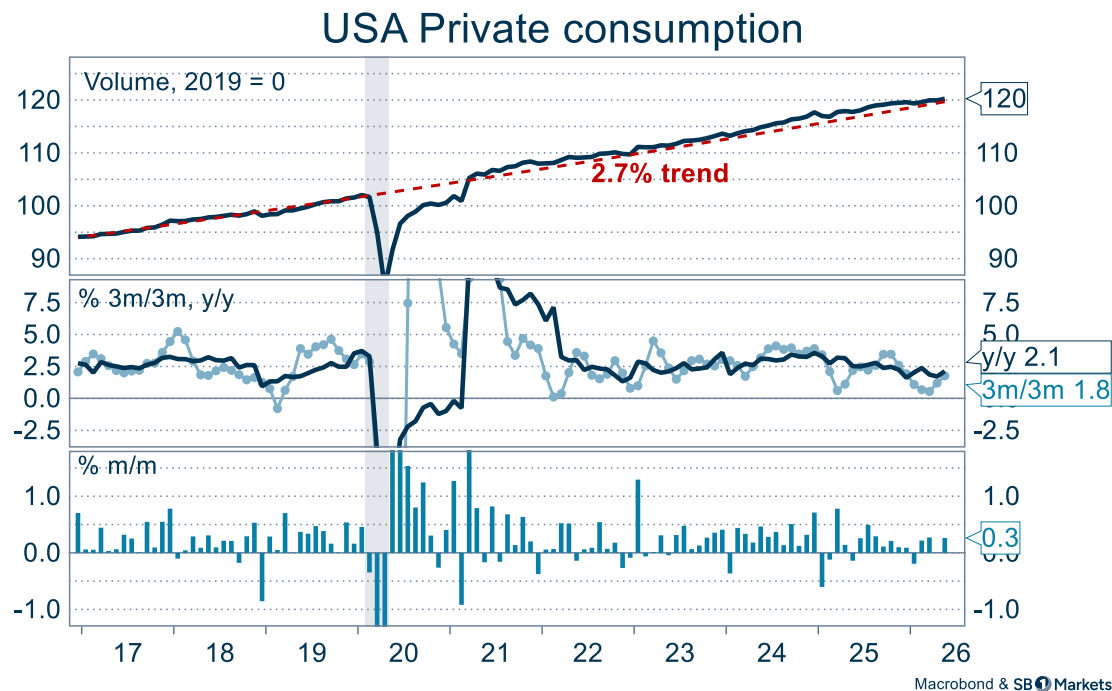


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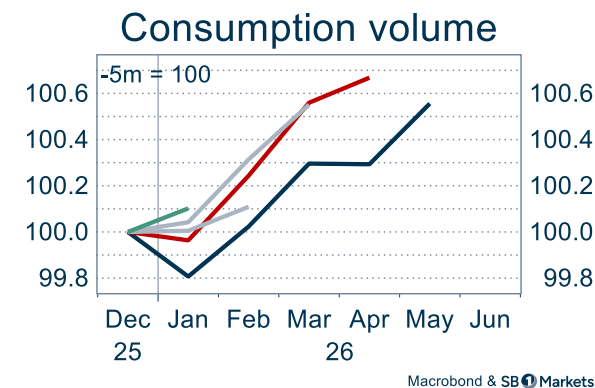


Consumption grew 0.3% in May, from a 0.8% downward revised level

Consumption grew by 0.1 pp more than expected. Disposable income rose 0.7% and 0.3% in real terms – which trends rapidly down. The savings rate was flat, at a 0.4 pp upward revised 3.0% level. The risk: One day, the savings could increase, substantially.



- **Income growth** has slowed in nominal terms, and inflation has not declined. Real disposable income is down y/y, even before adjusting for growth in population (which is low though).
- **Consumption** is up 1.8% 3m/3m, less than the growth rate reported a month ago. The downward revision was substantial (*check the lower chart to the right*).
- **The savings rate** has fallen sharply the past year and has funded all of the growth in consumption.

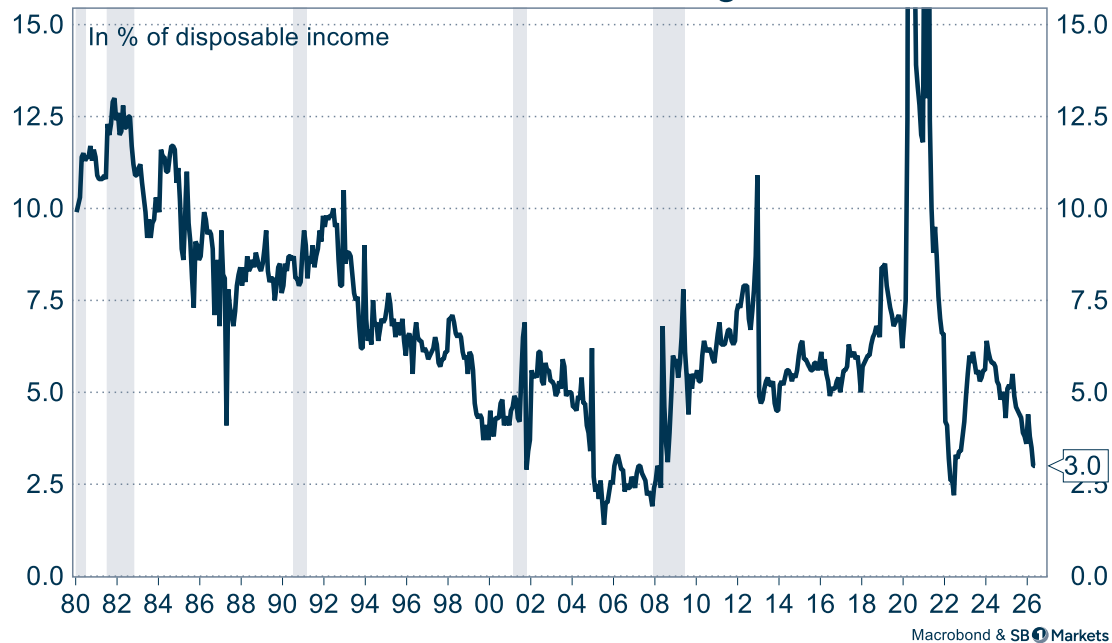




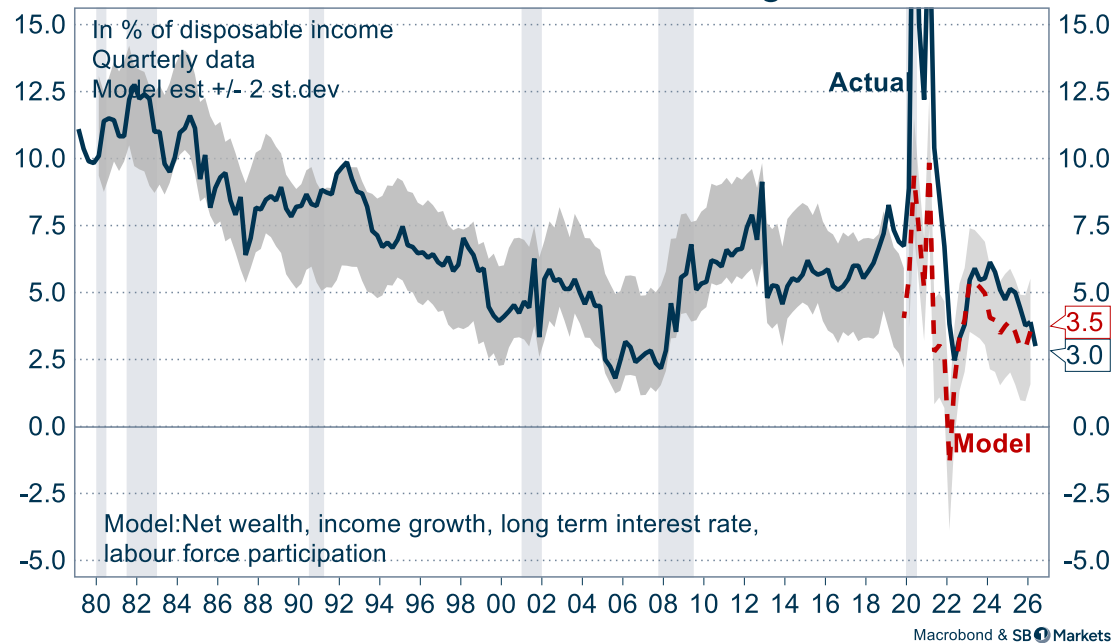
The savings rate revised up, and flat in May – but still very low

A falling savings rate has been a key driver behind the rise in consumption since early 2024. The 3.0% saving rate is not comforting, and it sits slightly below the projection from our simple model

USA Households' savings rate



USA Households' savings

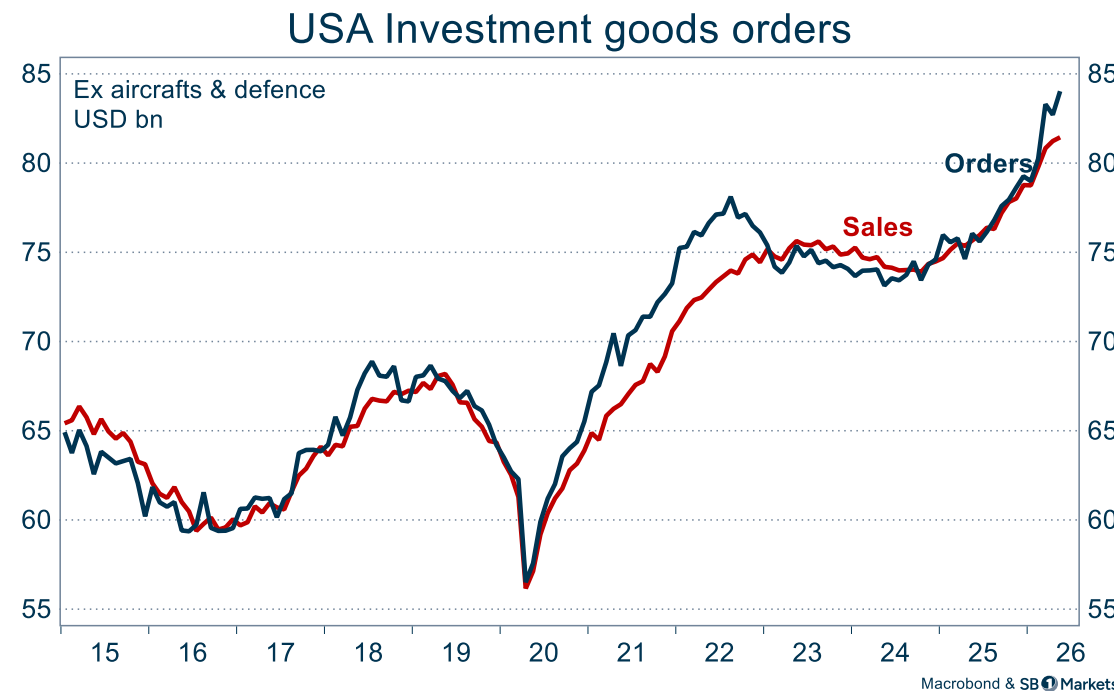
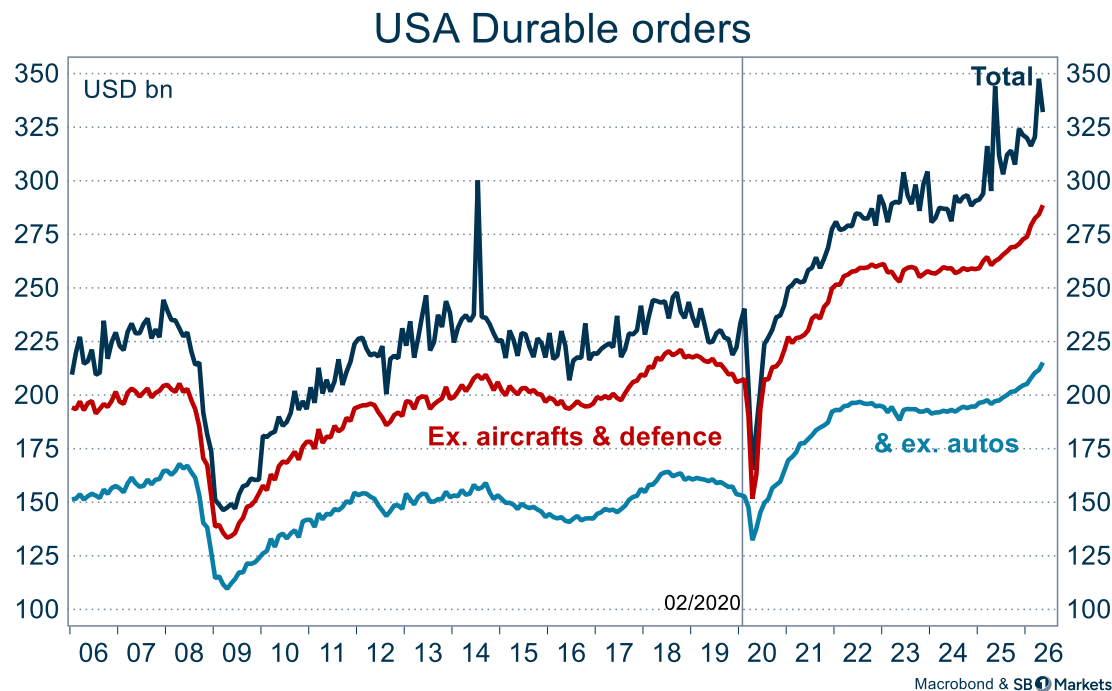


- The savings rate has been lower, but not by much.
- The decline in our model estimate is mostly driven by the strong equity market.



Total durable orders -4.5% as expected as aircraft orders fell from a high level. The rest

Ex. defence and aircraft +1.5%, well above expectations. Core investment goods orders rose 1.6%, twice as much as expected! **Underlying growth in core and core investment orders are impressive, some 15%, which of course is a very high growth rate!**



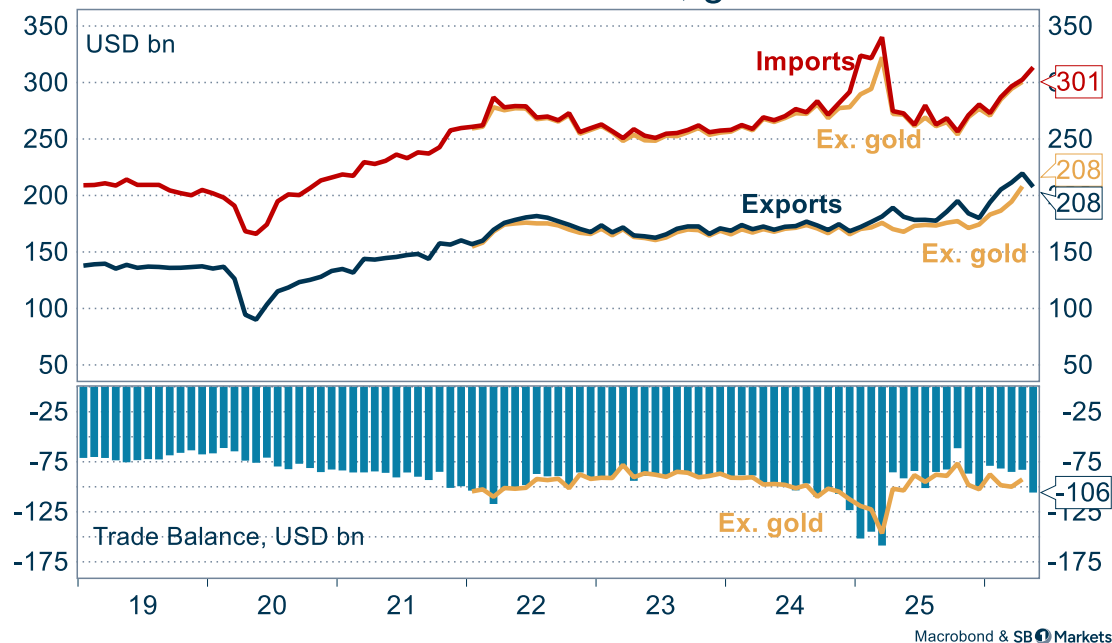
- **Computer & electronic orders** are growing the fastest, followed by primary metals (but both constitutes less than 10% of total durable orders).



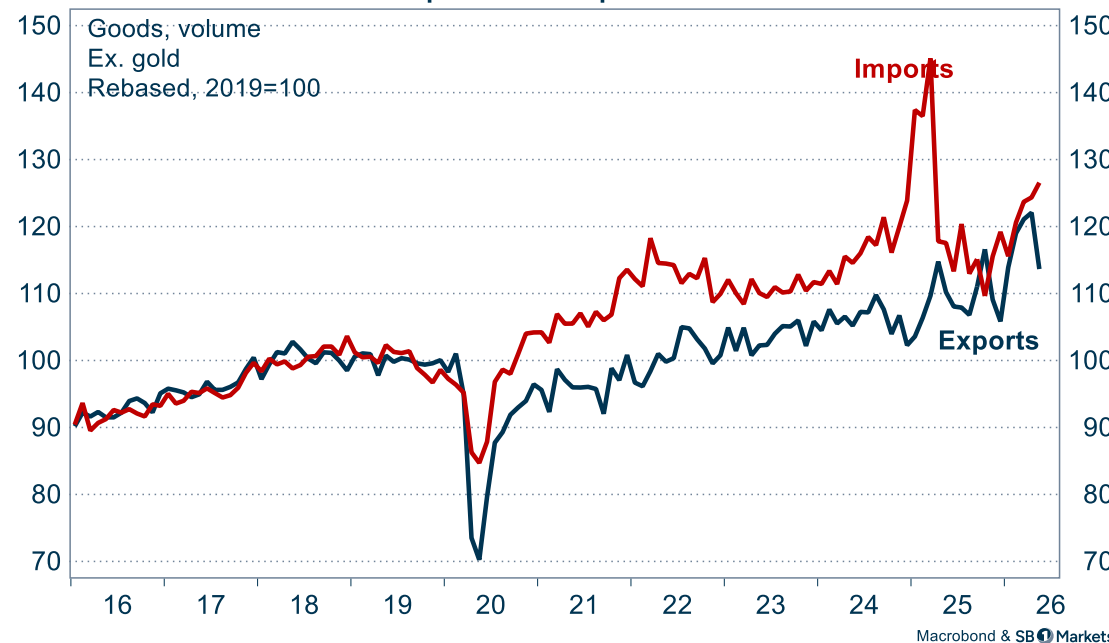
The trade deficit (in goods) suddenly widened in May, to above USD 100 bn.

The deficit was expected up USD 2 bn to 85 bn. A steep drop in exports lifted the deficit to USD 106 bn, the highest in more than one year. 3 of the 4 main categories of exports fell in May. Details are missing, but based on published price data, export volumes fell too. Gold and oil?

USA Trade Balance, goods



US Export & Import Volume

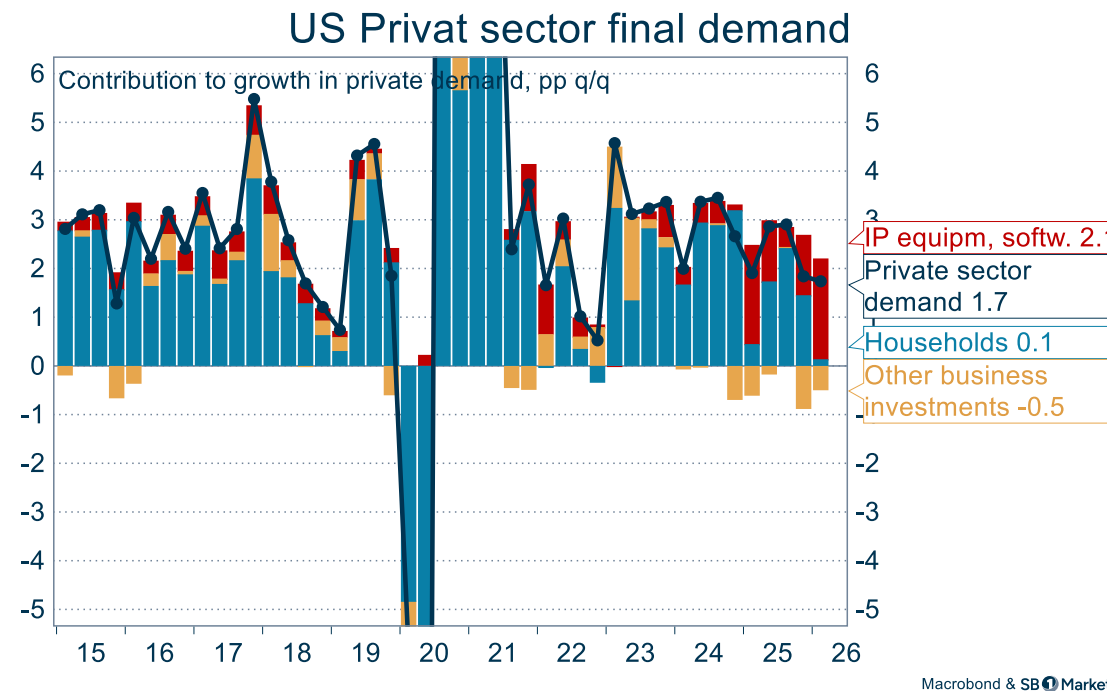
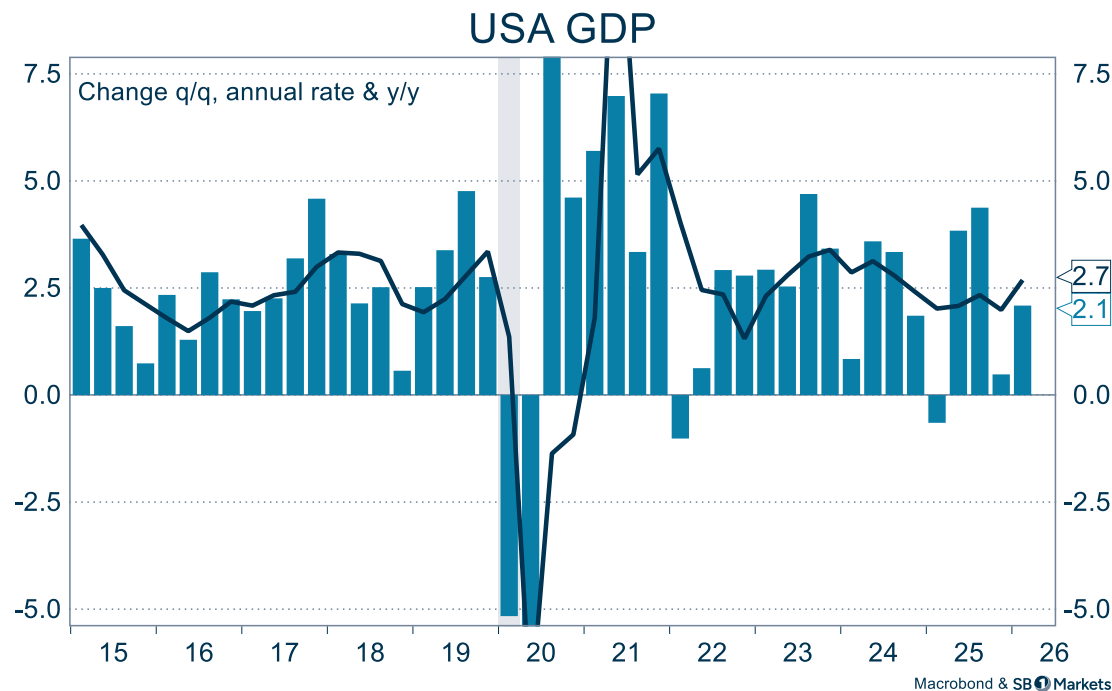


- The trend in exports has been strong lately supported by higher petroleum exports.
- Imports have climbed rapidly, especially capital goods (supporting the AI boom).



Q1 GDP growth revised down 0.5 pp to 2.1%, as imports rose far less than earlier reported

Growth in private domestic demand was revised marginally down. AI related investments lifted demand equalling 2.1% of GDP (yes, all of IT). Other business investments are steadily declining and household demand barely grew. GDP is up 2.7% y/y.



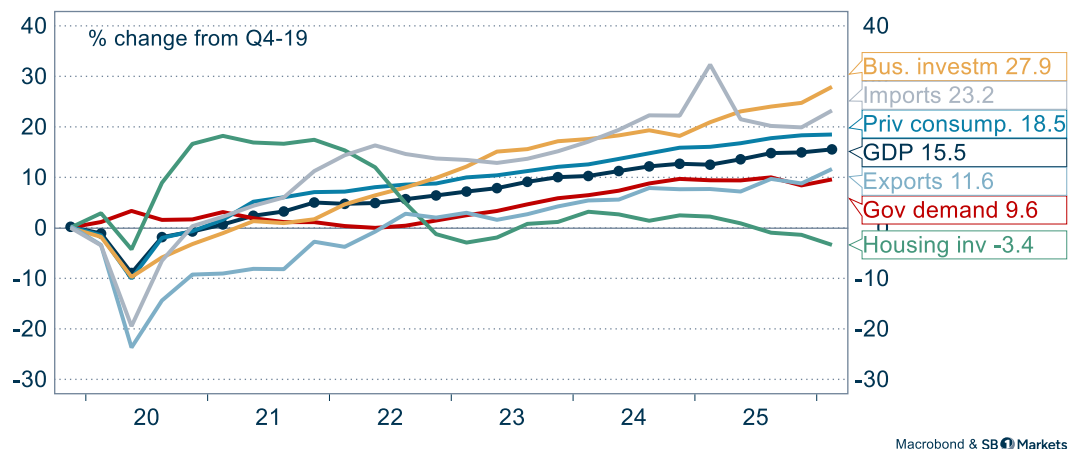
- Overall **business investments** grew 10% (revised down from 13%) in Q1, but ex. info processing a 4.5% setback! (annualised growth rates).



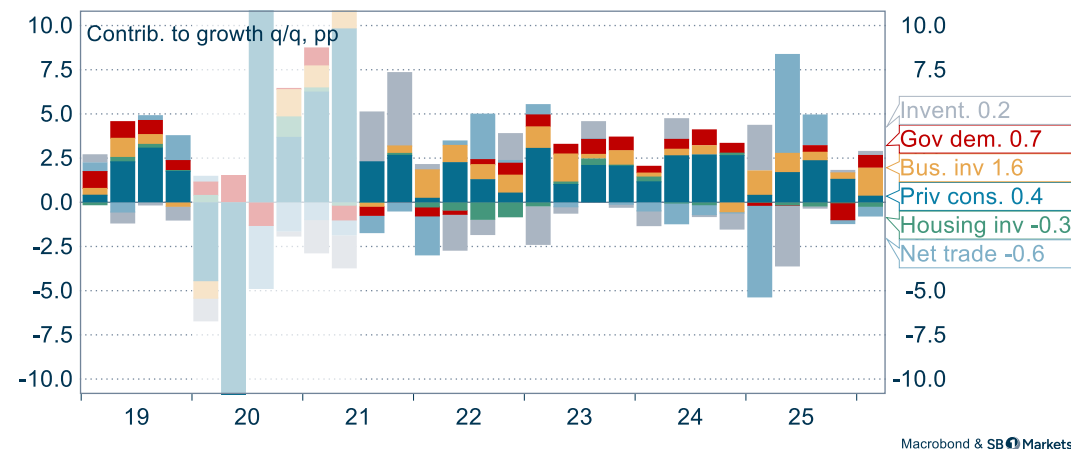
Q1 GDP 2nd revision: Imports grew just 12%, not 21%, lifting GDP growth by 1.3 pp

Net trade was still a drag on growth, but not by much. Private consumption was revised down (and savings up, but are still low). Housing investments declined marginally. Business investments contributed with 1.6 pp, before deduction for imported equipment.

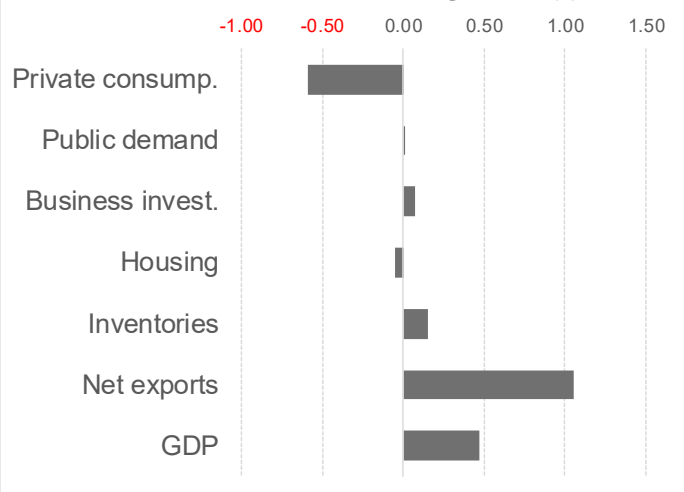
USA Demand



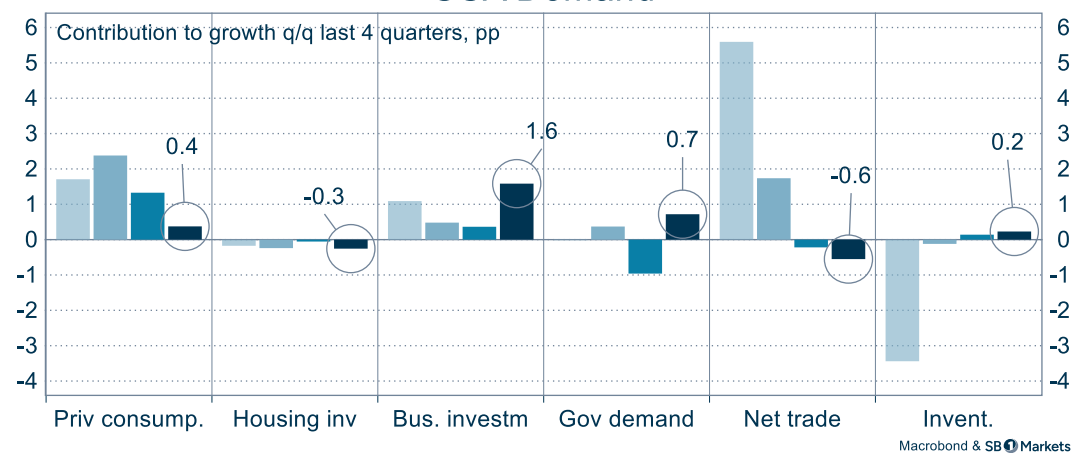
USA Demand



USA GDP Revision - contribution to growth, pp



USA Demand



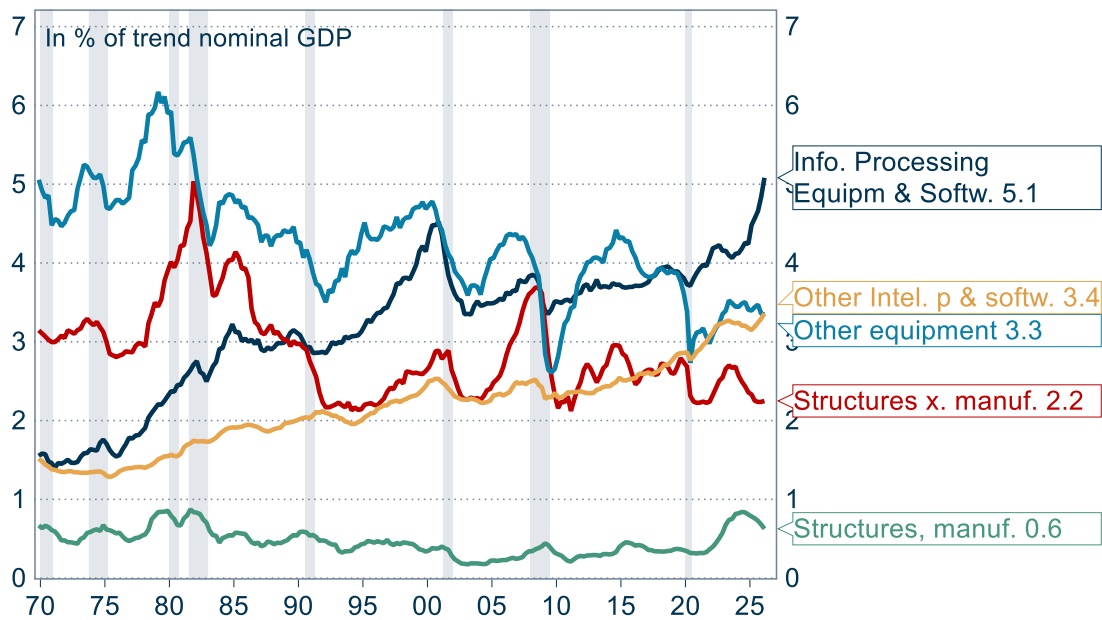
Statistical discrepancies are not included



The investment cycles: information processing the only game in town, up to 5.1% of GDP

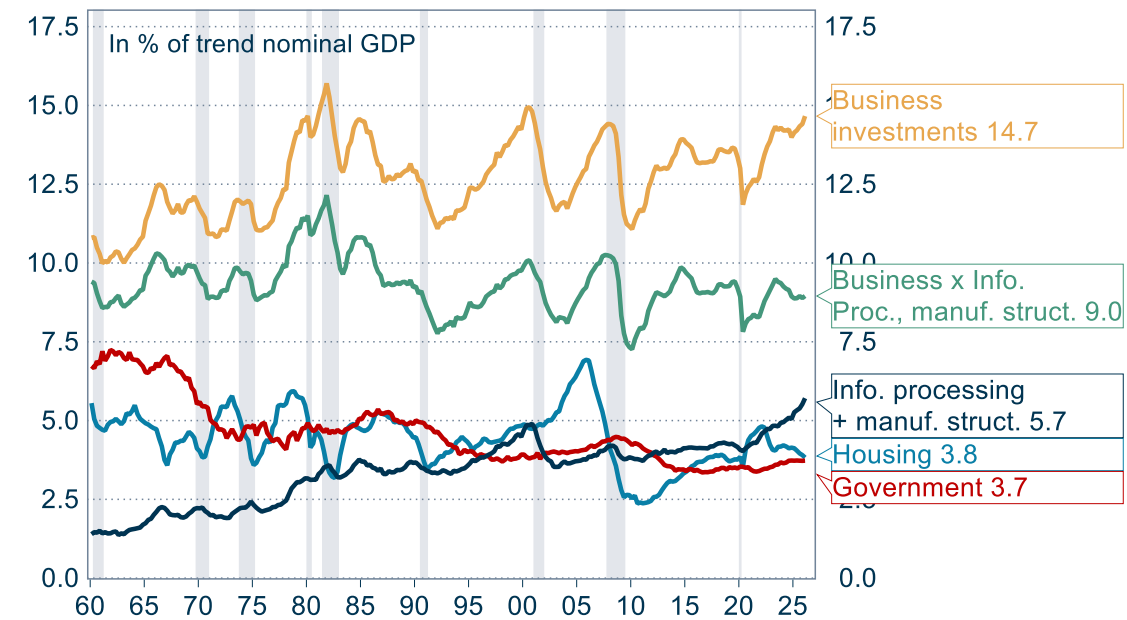
... from 4% before the investment boom started. Intellectual property and software (ex. info proc.) slowed in 2024 but has accelerated again. Business structures and even other equipment are on the way down (vs. GDP). In sum, some risks. Housing investments are at an average level.

USA Business investments



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USA Investments



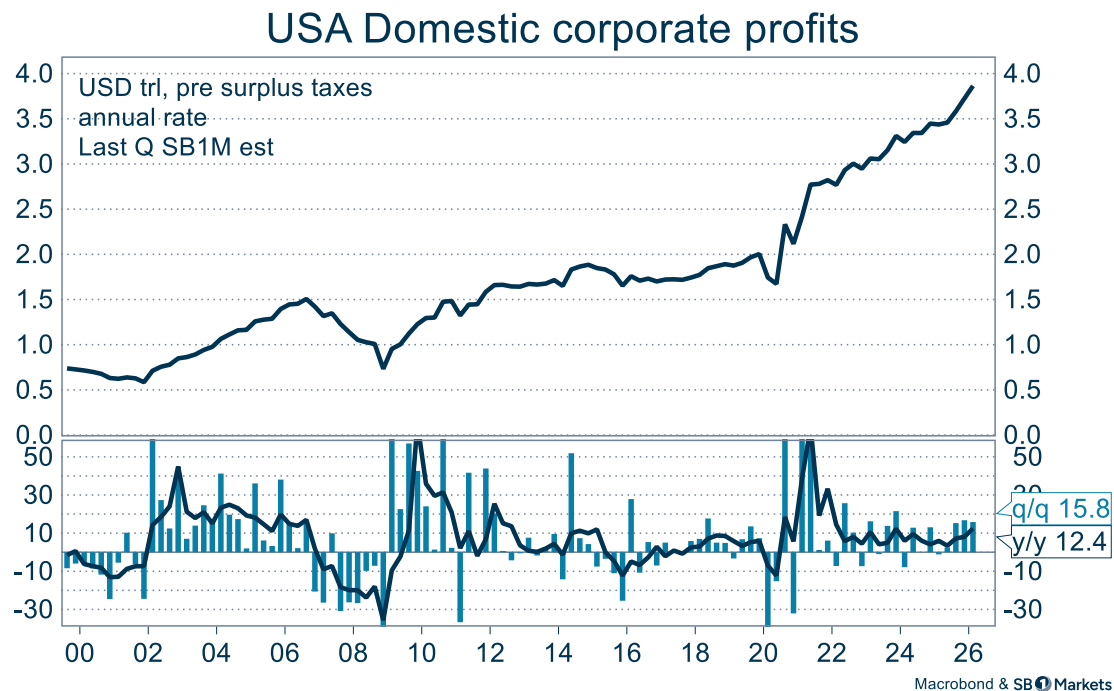
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- **Business investments** have accelerated vs. GDP recent quarters, to the highest level since 1990/2000. Ex. Information processing investments, the trend is down, but less than the increase in 'AI' investments. The total is above any reasonable trend, based on history.
 - **Investments in information processing equipment and software** (5.1% of GDP) together with investments in manufacturing structures (0.6% of GDP, supported by the CHIPS ACT, and now by the data centre boom but still on the way down) **are far above normal levels**. IF these investments should slow materially, a **substantial downside risk to the US economy, even if the lion's share of the equipment is imported**.
 - **Other investments** are **at low level** (like other structures) or **at a moderate level** (other equipment then info processing equipment) or have **proven rather stable** over time (other investments in intellectual property and software) and would probably **not be that exposed vs. a normal business cycle downturn**.
- **Housing investments** have declined recent quarters, and equal 3.8% of GDP, which we deem to be a mid-cycle level, and the downside risk is moderate.
- **Government investments** as share of GDP increased rapidly to late 2023 from mid-22 but has flattened at a modest 3.7% of GDP.



Domestic corporate pre-tax profits surge, are up 12% y/y, and growth is not slowing

Total after-tax profits declined marginally, due to a small increase in the corporate tax rate.

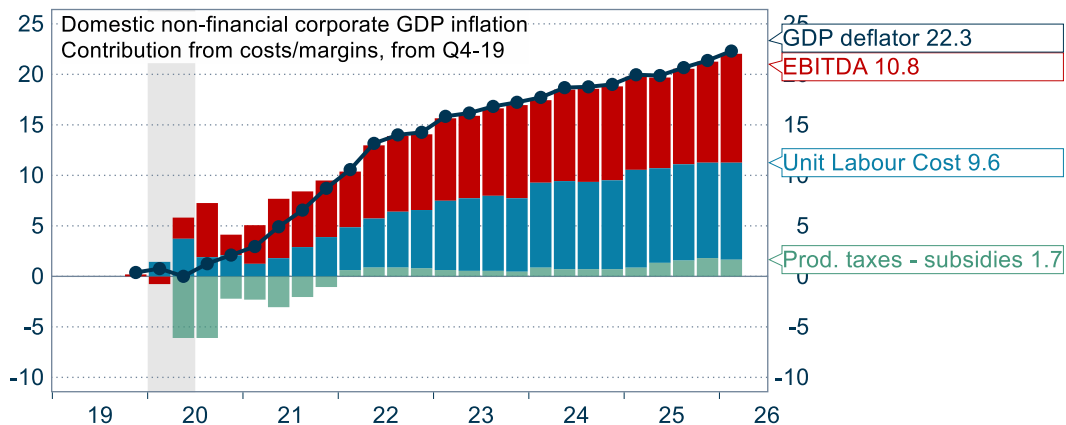




The non-financial corporate sector: prices are up 2.4% y/y, 1.6 pp due to higher profits

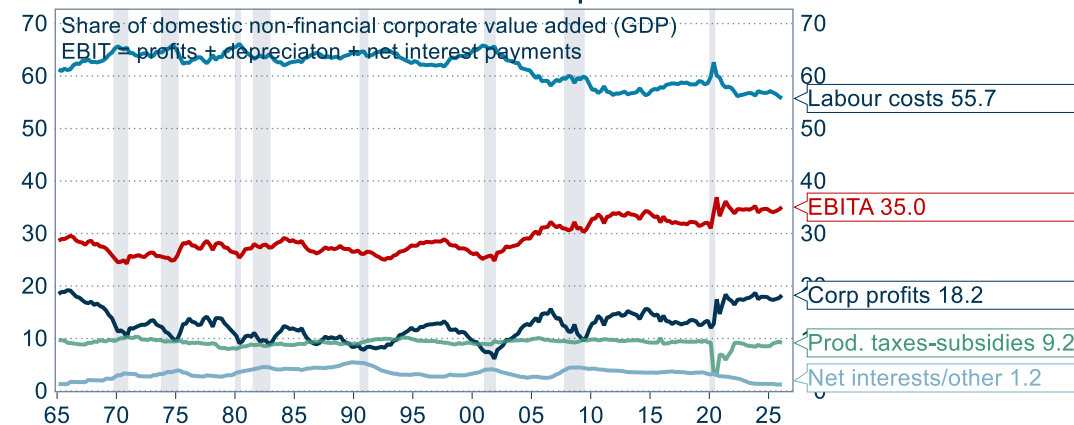
... and 0.8 pp due to tariffs (net production taxes – subsidies). Unit Labour Costs are down! Thus, the profit rate is on the way up, from a high level.

USA Inflation - what contributes?



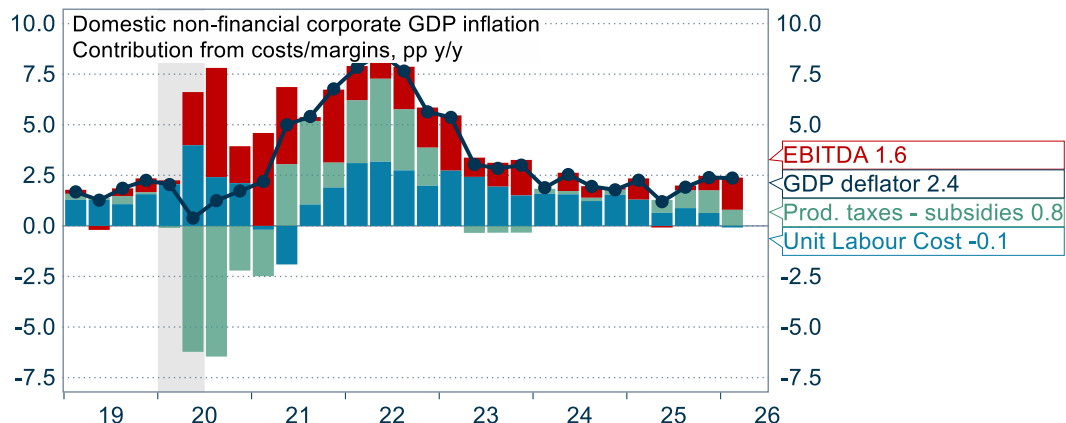
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USA Distribution of corporate value added



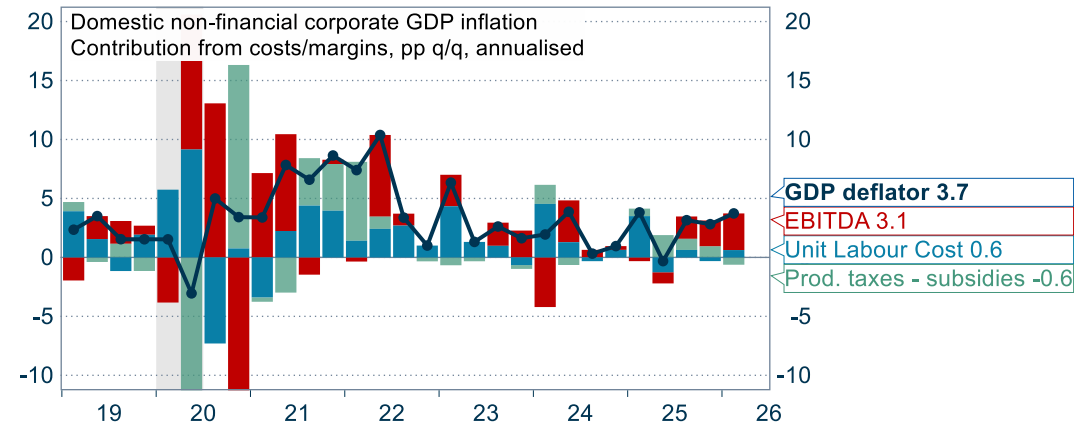
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USA Inflation - what contributes?



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USA Inflation - what contributes?



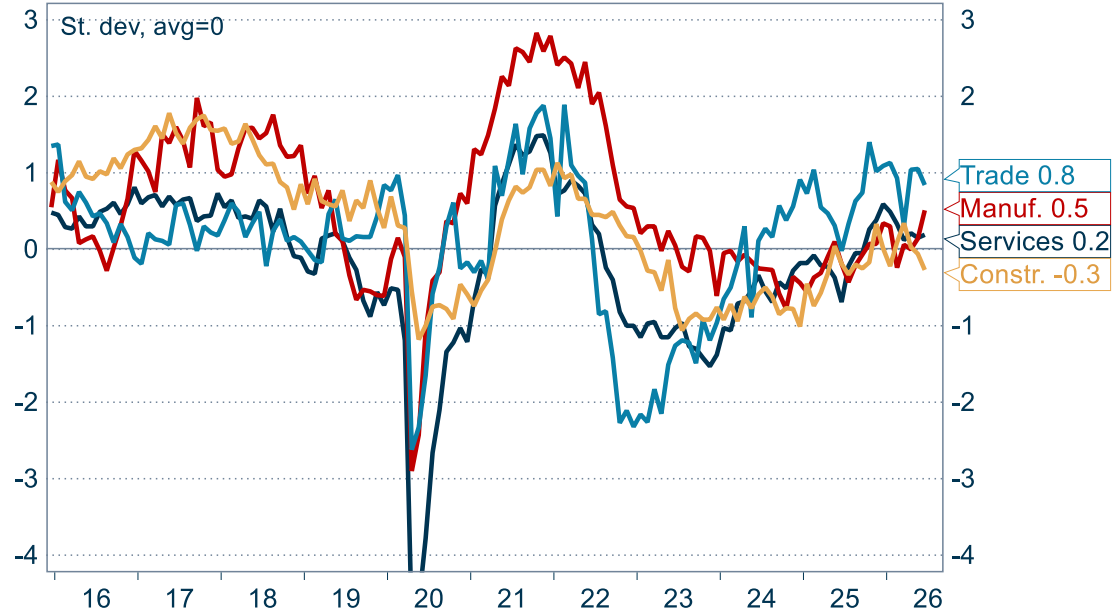
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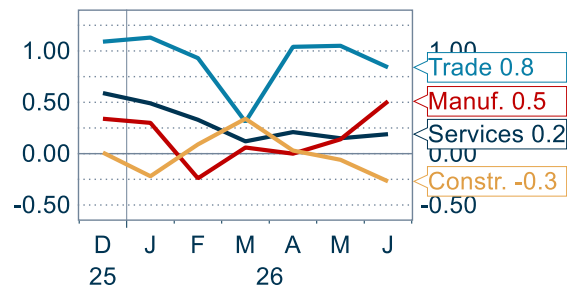
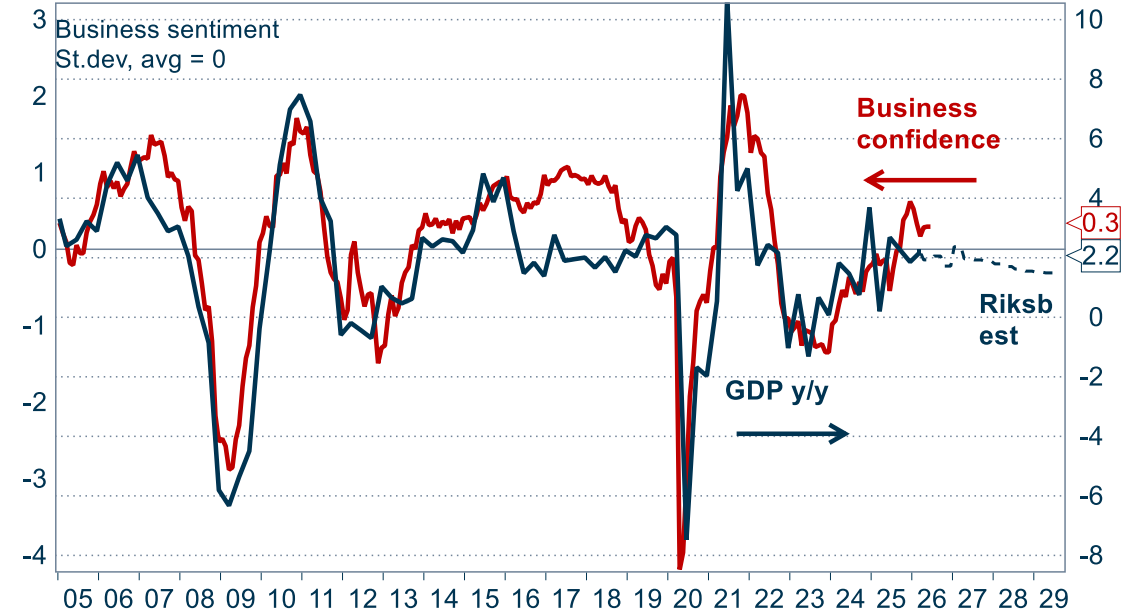
Business sentiment flat in June → 3 % GDP growth still signalled

Manufacturers saved the day, up 0.3 std. dev. to +0.5. Services ex. trade flat at 0.2 s.d., trade a tad down, still strong at +0.8 s.d. Construction the laggard – and companies in the sector reported weaker growth than normal in June.

Sweden KI business confidence



Sweden NIBR (KI) business sentiment vs GDP

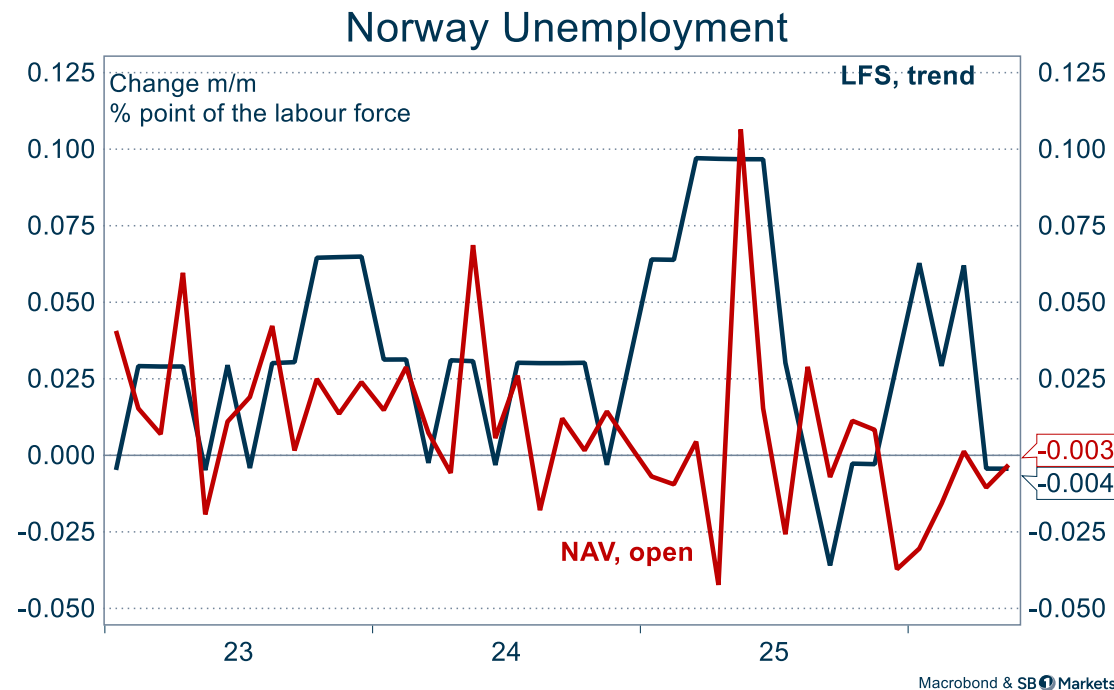
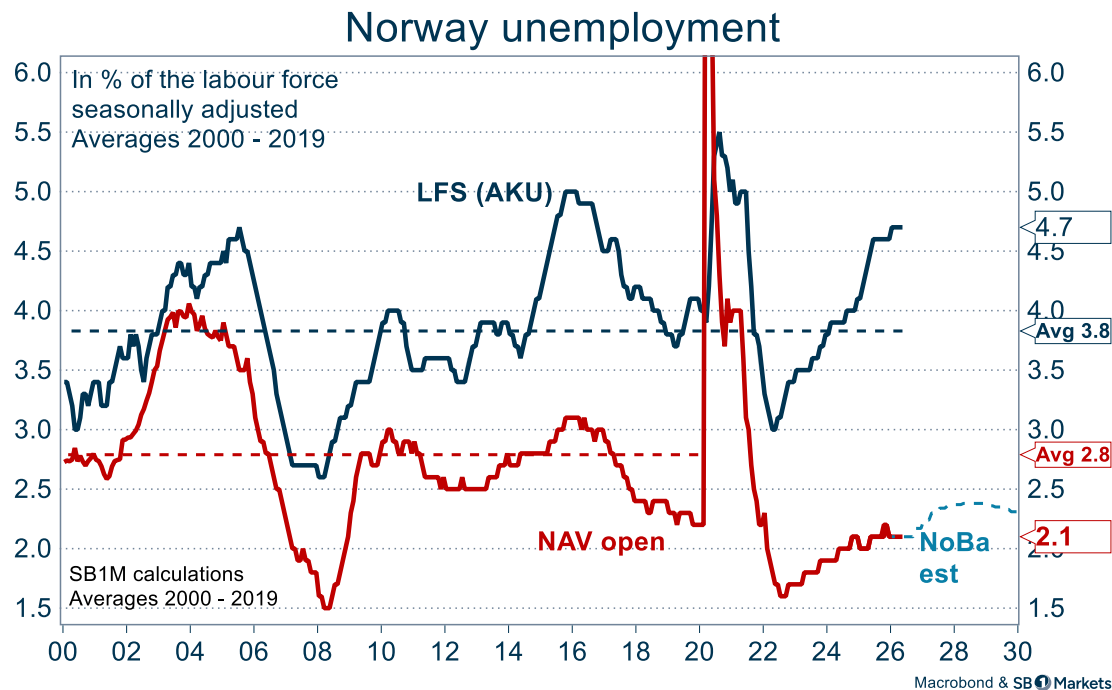


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LFS ('AKU') unemployment: revised down to 4.7%, and has been flat so far in 2026

Unemployment was 0.1 pp lower than expected in May, following a 0.1 pp downward revision of Mar/Apr. The level is some 1 pp above average, almost entirely due to high unemployment among those below 25y.



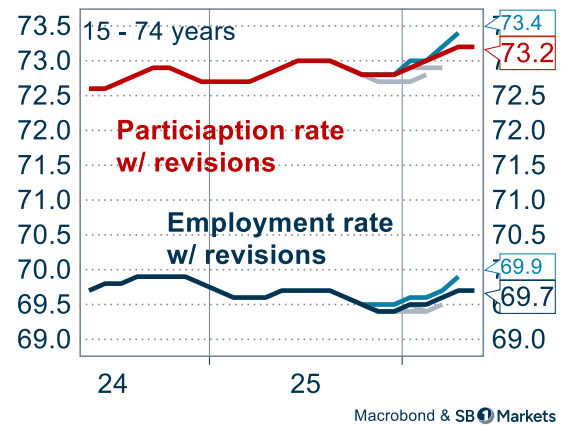
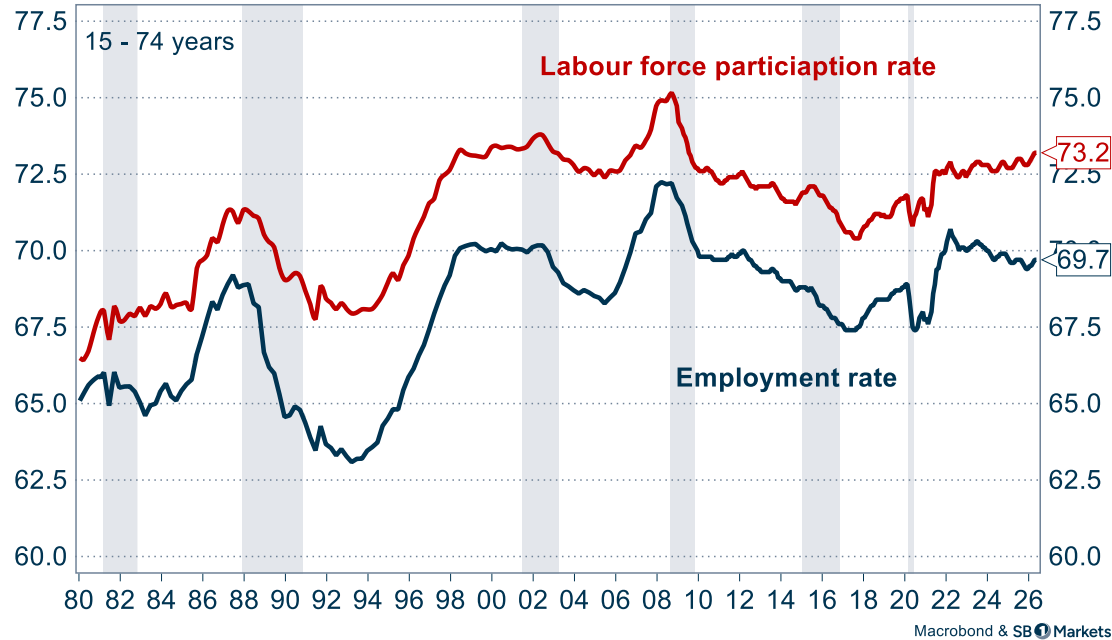
- Both the participation and employment rates were unchanged in May, following a downward revision of both. The employment rate has still been on the way up so far in 2026, but the trend the past years is downward.



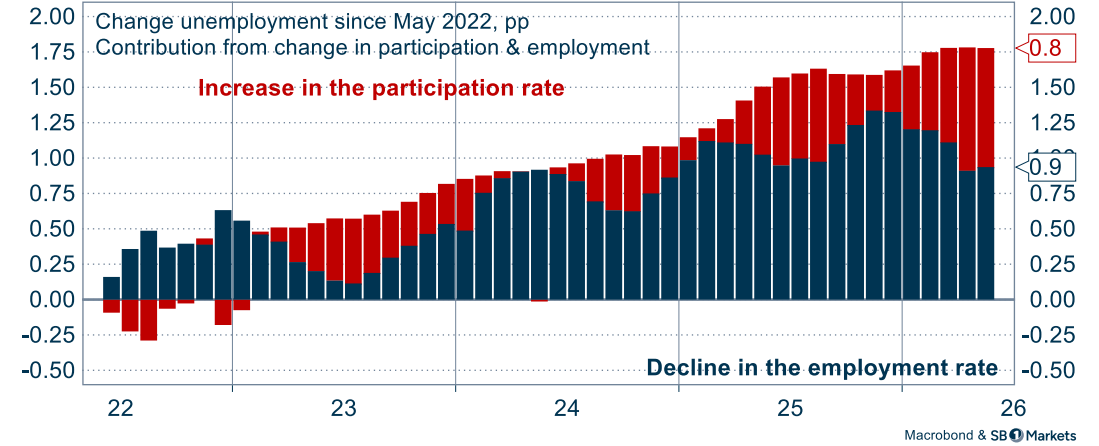
LFS: a 0.2 pp downward revision of both participation and employment rates

No change in May. Participation trends steadily upwards while the employment rate has been sliding down since after the post-pandemic boom and the two have contributed equally to the lift in the unemployment rate since 2022.

Norway Labour market



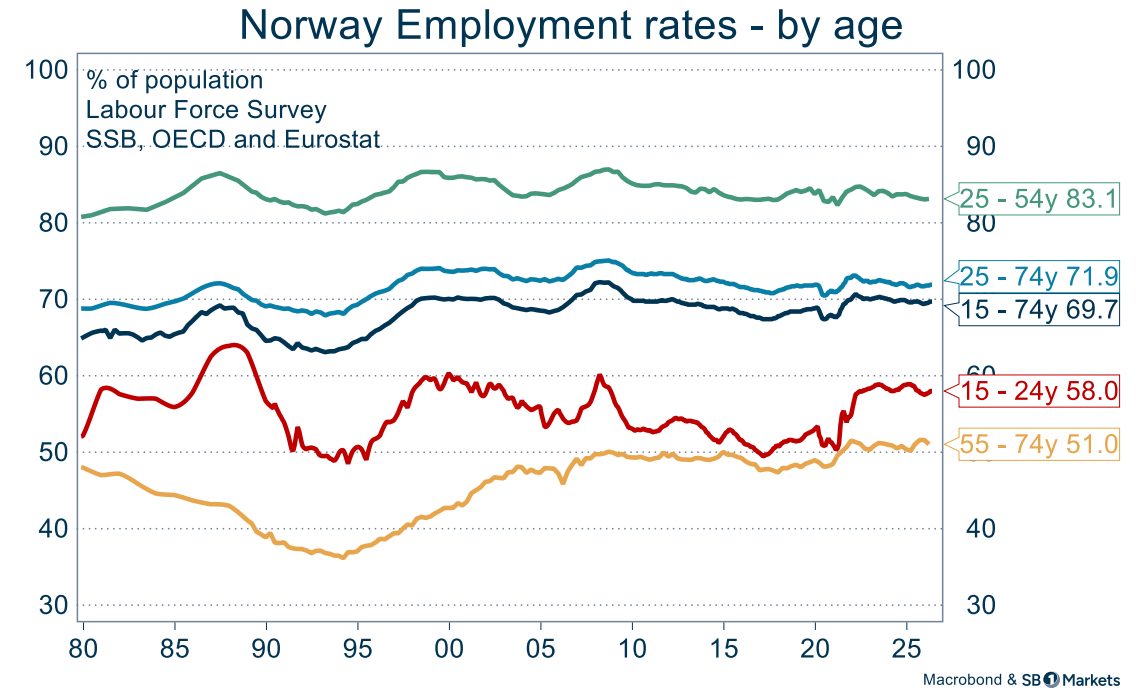
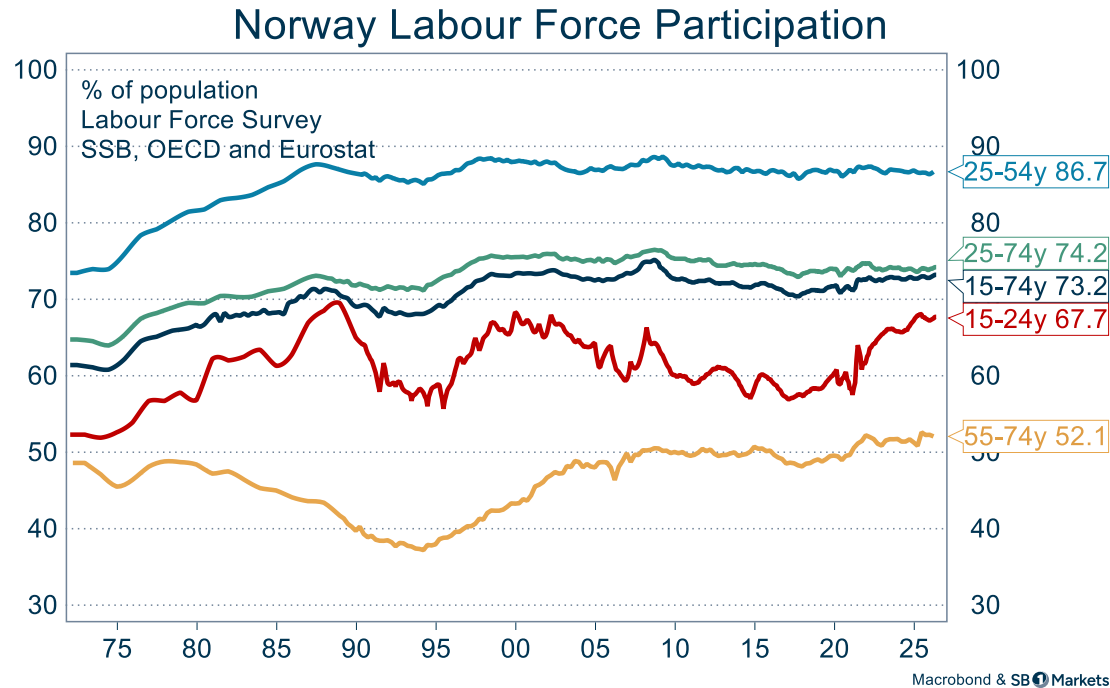
Norway Why has unemployment increased?



- **The participation rate** was flat at 73.2 in May, down from previously reported 73.4. The level is still the **best since 2009!**
- **The employment rate** was flat at 69.7 in May, down from previously reported 69.9. The very short-term trend has turned up, and May was equal to the level last summer.
 - **Ahead of the pandemic**, the rate was almost 69% and then fell to 67.4% in early 2021 (equal to the level in 2017, after the ‘oil crisis’).
 - **At the peak (ATH)** in 2008, the employment rate was 72%. The employment rate in the 25–54y group is down 3.5 pp from the 2008 level but is higher than before the pandemic.
- Growth in **working age population** approaches 0.5% y/y, down from up to 1.4% when immigration from Ukraine peaked a couple of years ago.

Youth labour market participation has been surging, and faster than employment

Now, the youth employment rate has flattened, while the participation rate still trends upwards. The employment rate is trending down in the core age group (25–54y). Participation & employment rates among those above 55y have never been higher, but are trending flat

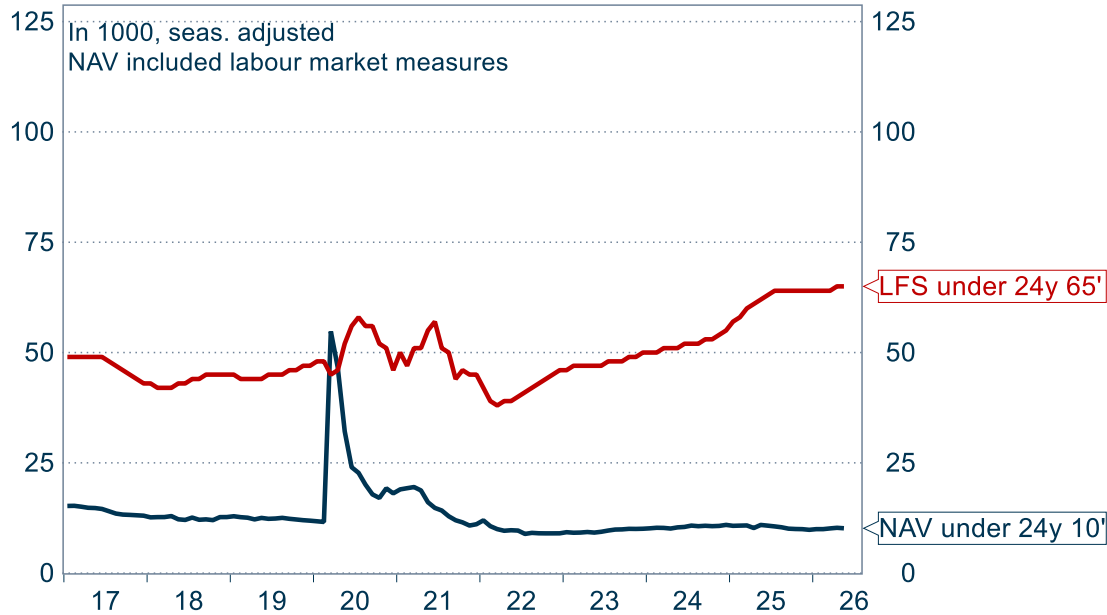


- The lift in the participation rate in the 15–24y group constitutes a marginal share of the effective labour supply, as their working hours often are low.

NAV or LFS unemployment? Almost all of the difference is due to youth unemployment

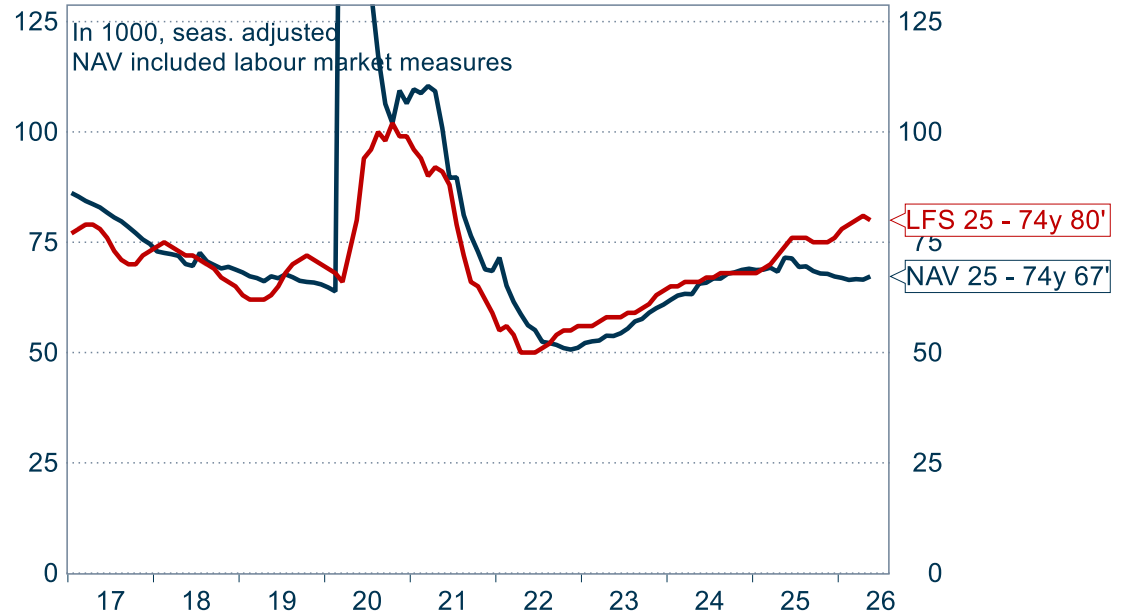
... at least until late 2025. Now the gap is due to higher LFS unemployment in the 25+ group, not among those 24y and younger.

Norway Youth Unemployment

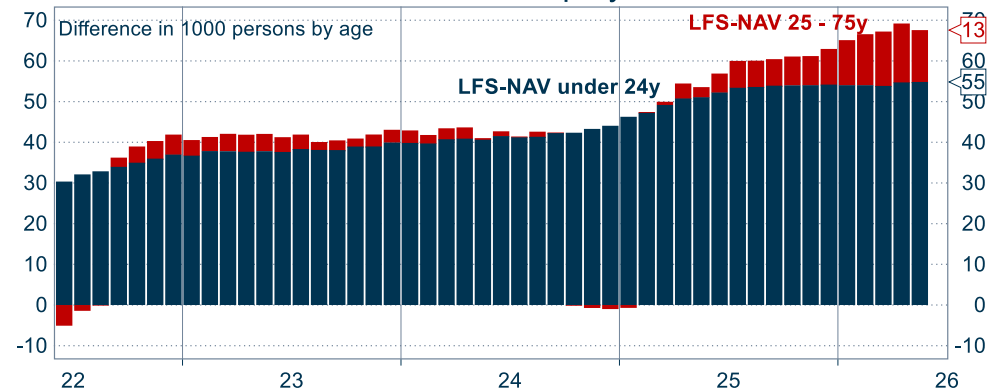


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Norway 'Adult' Unemployment



LFS - NAV Unemployment



- The effective supply of hours worked for those under 25 is limited. In addition, the lift in youth unemployment is not due to a decline in the employment rate, it has increased in recent years. The increase is due to an even larger lift in the participation rate, check the previous pages.
- We have included labour market measures in the NAV figures.

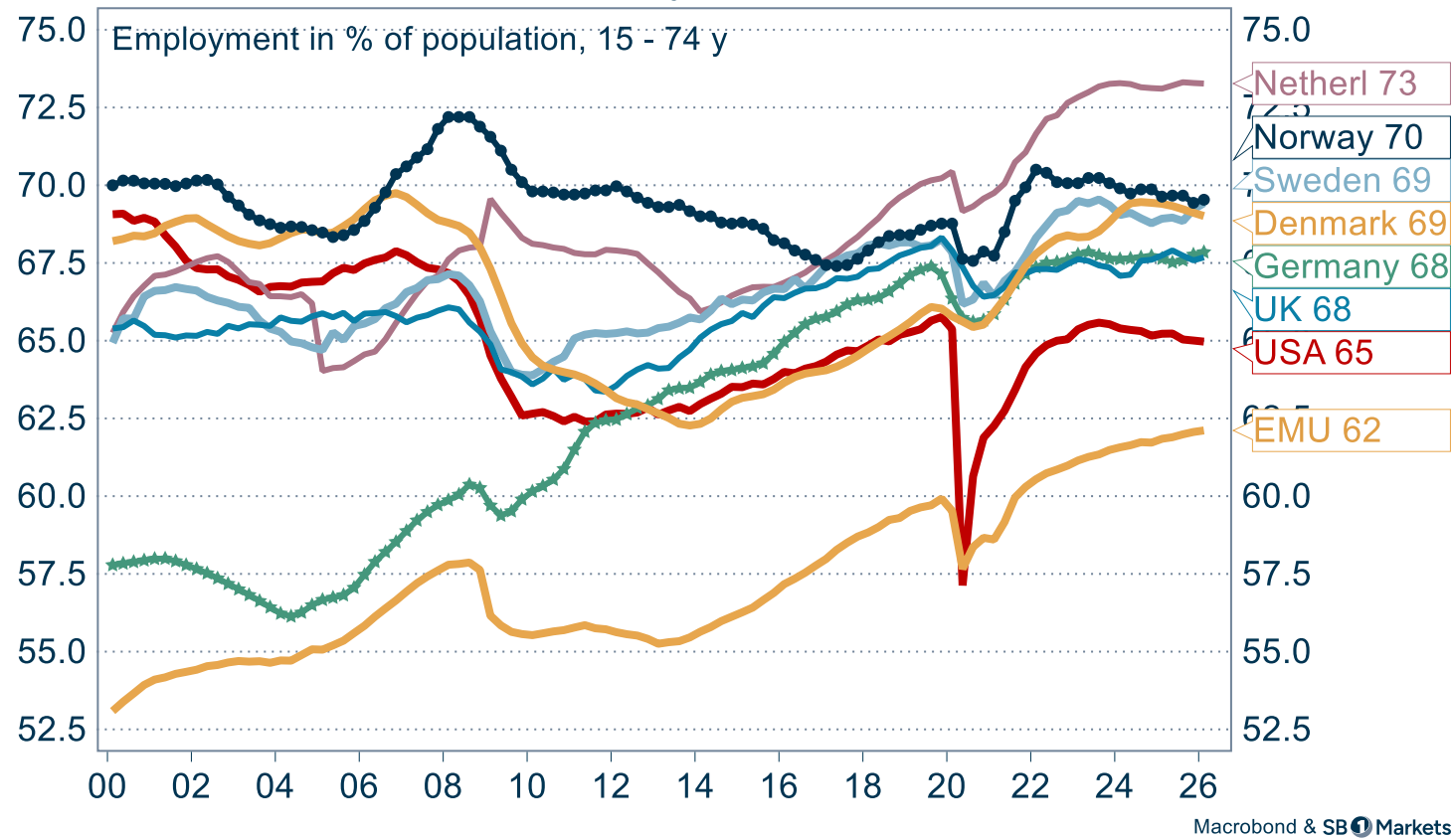
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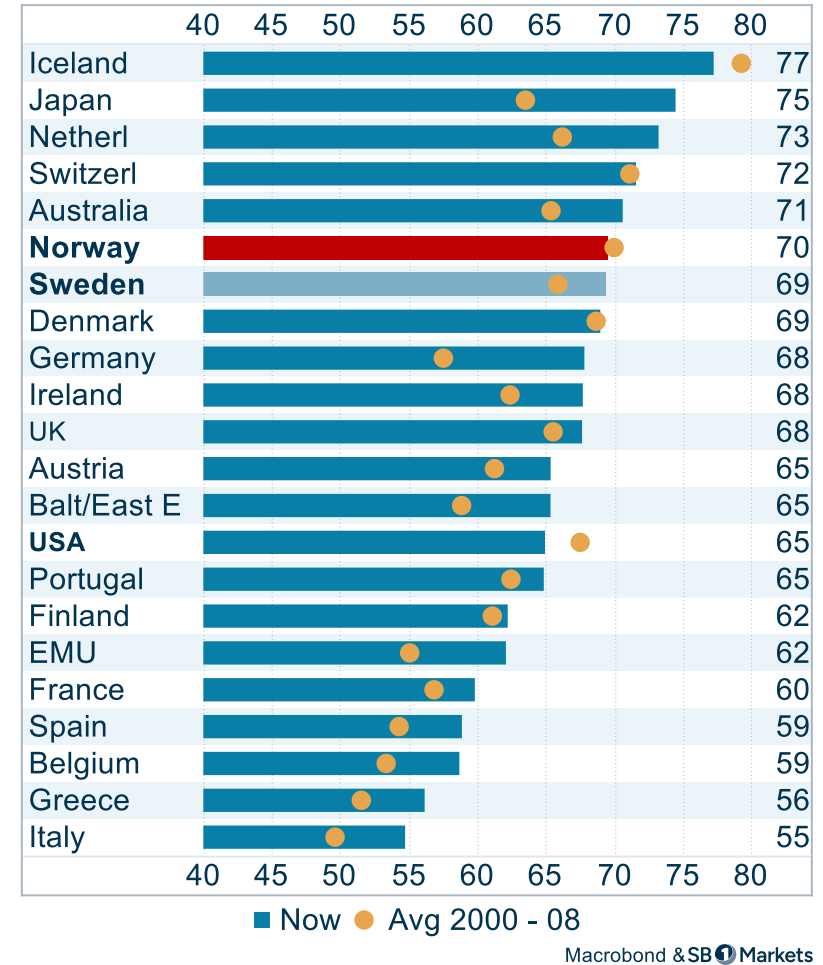
The Norwegian employment rate is not that low, according to OECD

However, several European countries are on the way up, and some have overtaken Norway in recent years. The Netherlands is the most impressive (and Sweden is not that impressive).

Employment rates



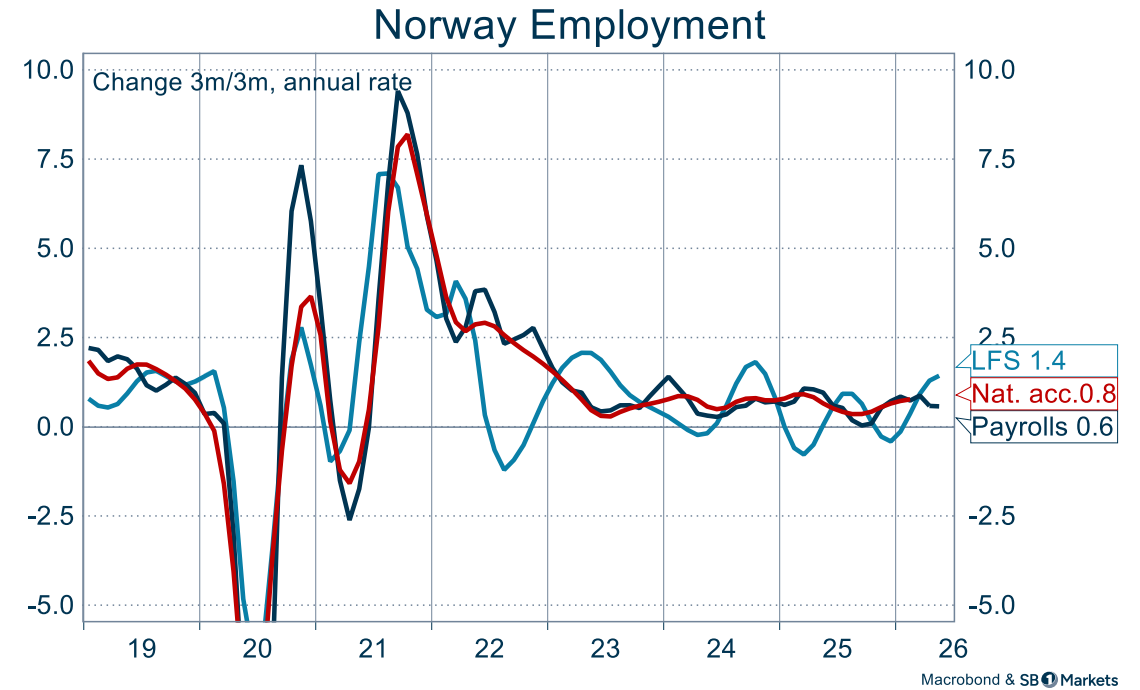
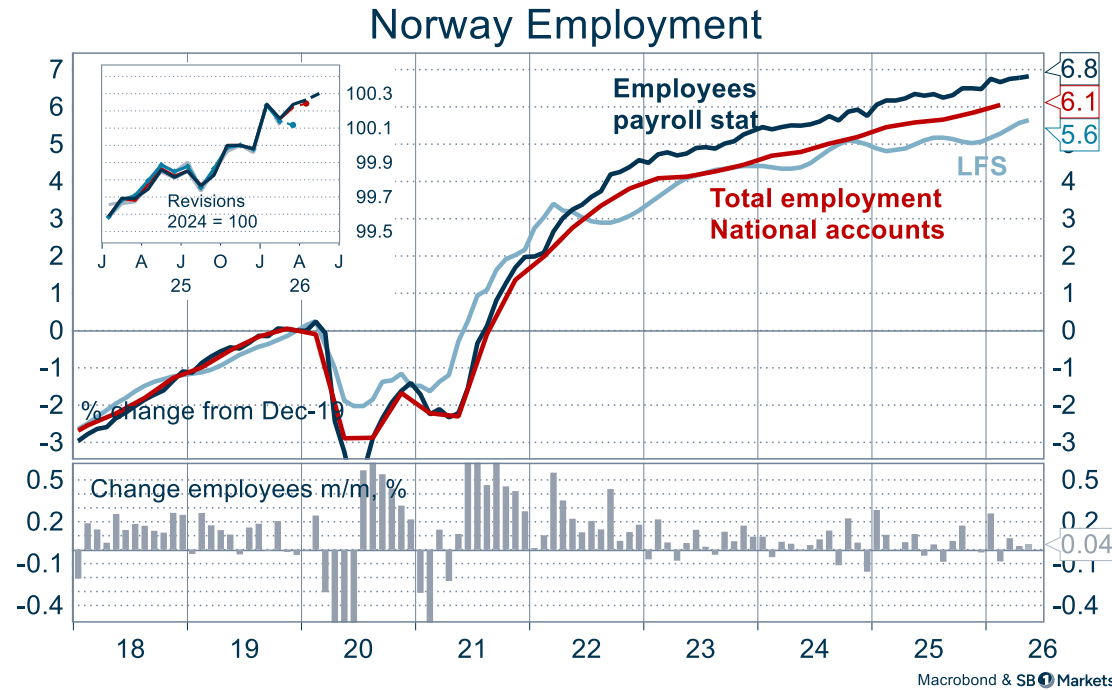
Employment rates 15-74





Payrolls: on the way up! The LFS also reports higher total employment

The no. of employed persons rose marginally in May, for the 3rd month in a row. (our est.). Underlying growth is at 0.6% which is in line with growth in working age population. The far more volatile LFS survey (AKU) reports 1.4% growth pace in recent months.



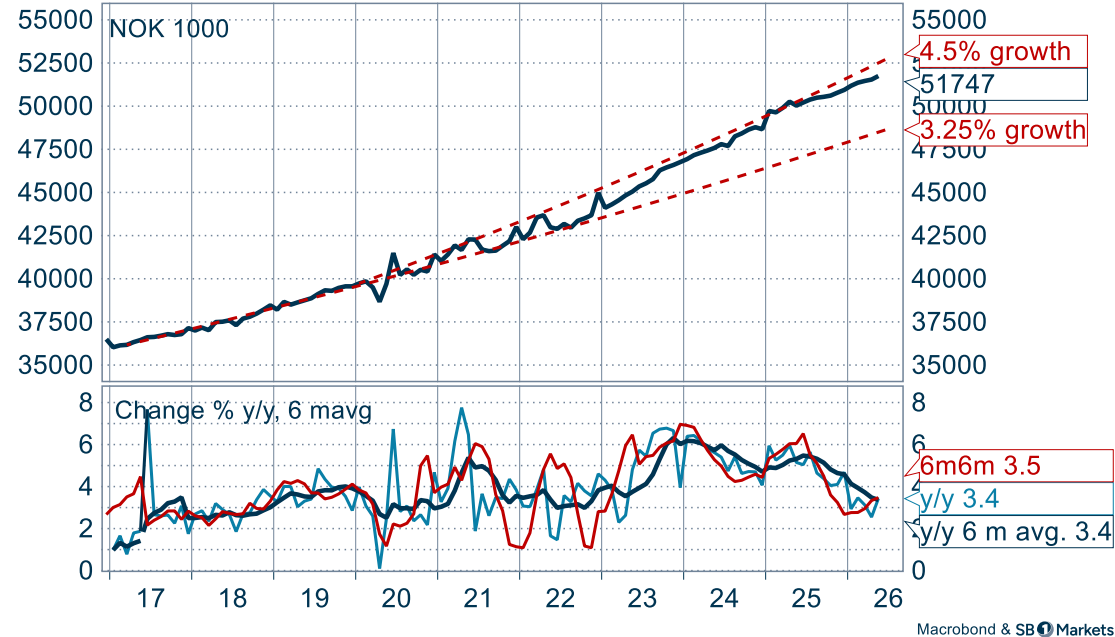
- **SSB's official data** reports a 3' increase in payrolls in May but our adjustment model suggests +1'.
 - In April payrolls rose by 1' as well, as we estimated a month ago, while SSB initially reported a 3' decline
 - Underlying growth in recent months at 0.6% is in line with growth in the working-age population.
 - The weakness: Construction is still on the way down, but slower. Professional services have turned down lately.
 - All other sectors are on the way up, hotel & restaurants as well as the primary sector the most.
- **Wage inflation** has slowed to close to 3% y/y, measured by monthly cash earnings.
- The **LFS** reports faster growth in total employment, above 1%, but data are volatile.



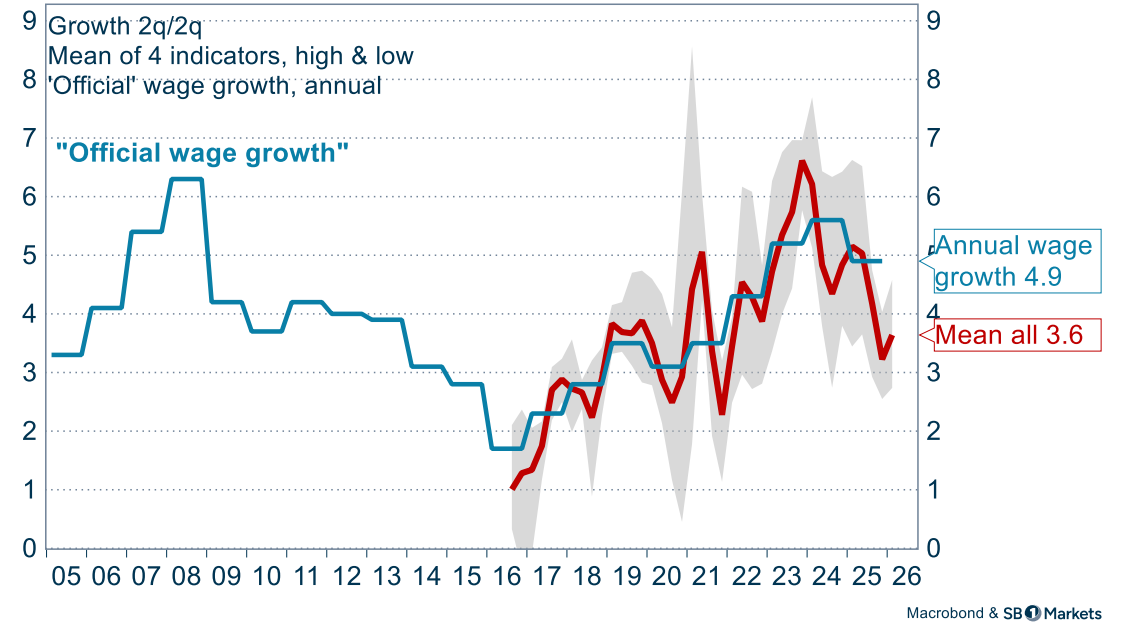
Wage inflation has fallen to 3.5% – but data are volatile

Monthly data based on payrolls stats are volatile, but they indicate that NoBa's 4.5% 2026 estimate may be on the high side. All sectors contribute to the decline in earnings growth. Other wage indicators have (mostly) signalled a slowdown in wage inflation.

Norway Average monthly earnings



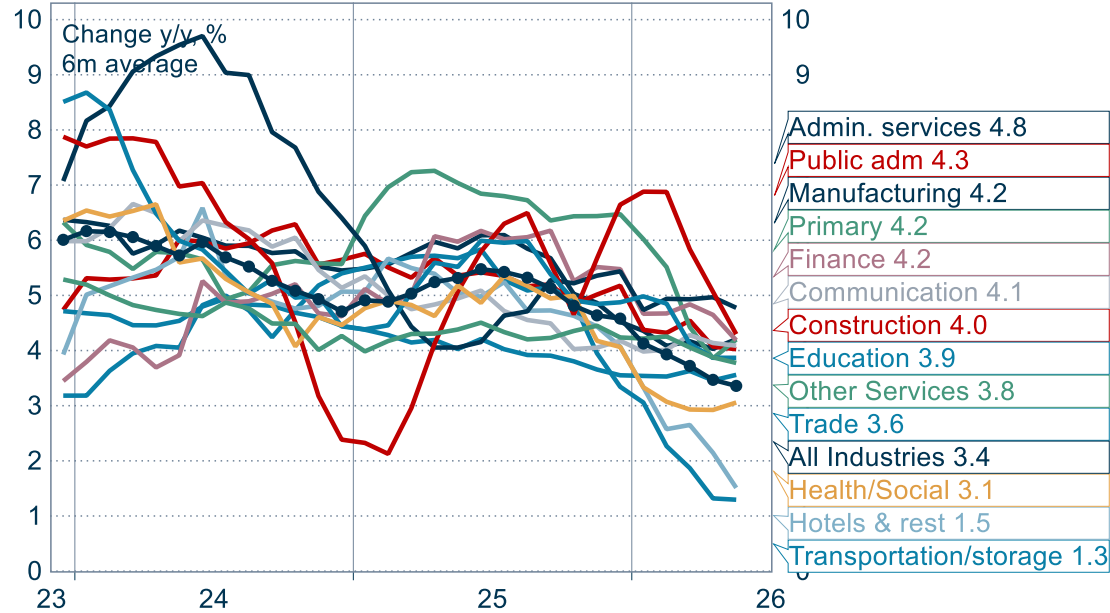
Norway Wage & Labour costs indicators





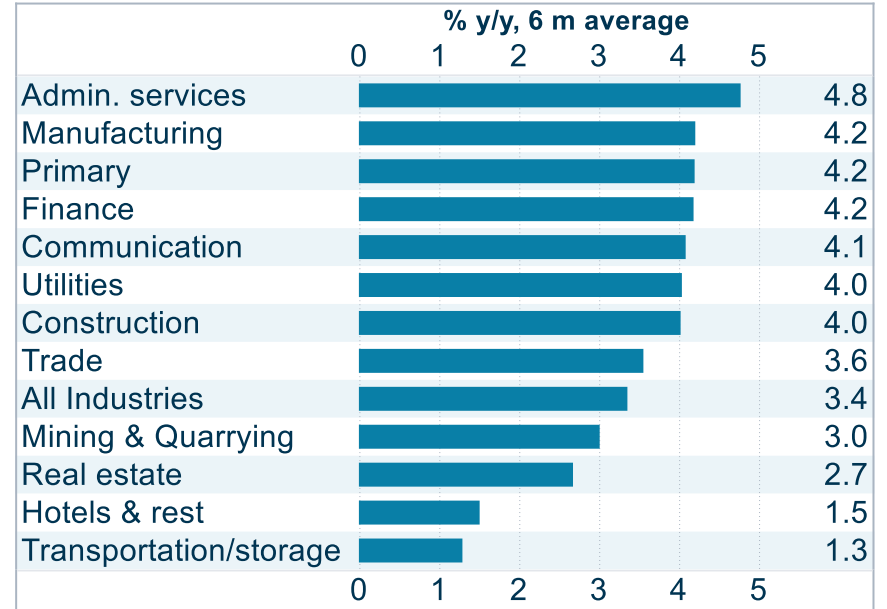
Wage inflation is slowing, broadly, according to SSB's register based statistics

Norway Monthly Cash Earnings



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Norway Monthly chash earnings growth



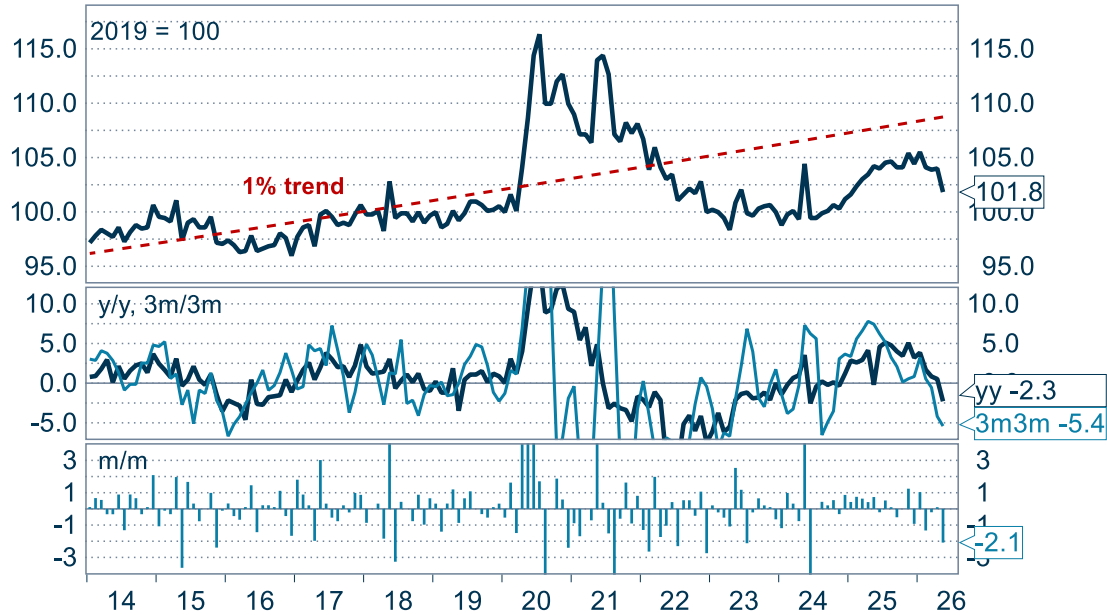
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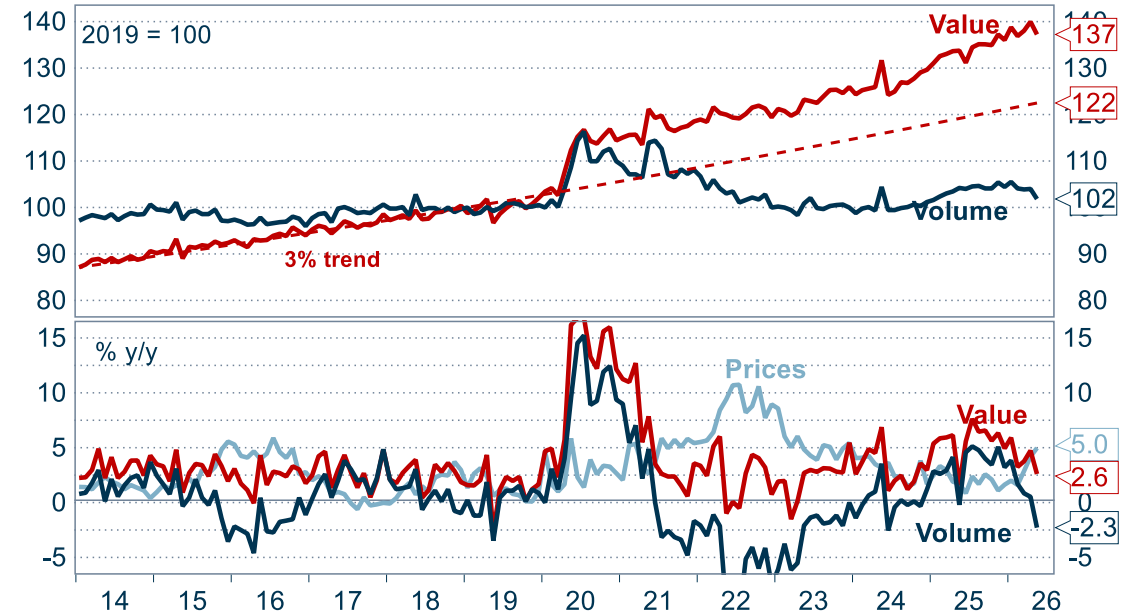
Retail nosedived by 2.1% in May, from a 0.5% downward revised level in April

The May decline was not expected, and it may be due to a challenging working day adjustment, SSB reports. The no. of working days was higher than normal, but sales did not follow suit – and fell, broad based. We have to wait for the June figures (but the not-WDA figures were weak too)

Norway Retail sales

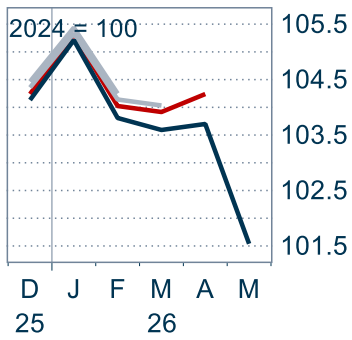


Retail sales - value vs volume



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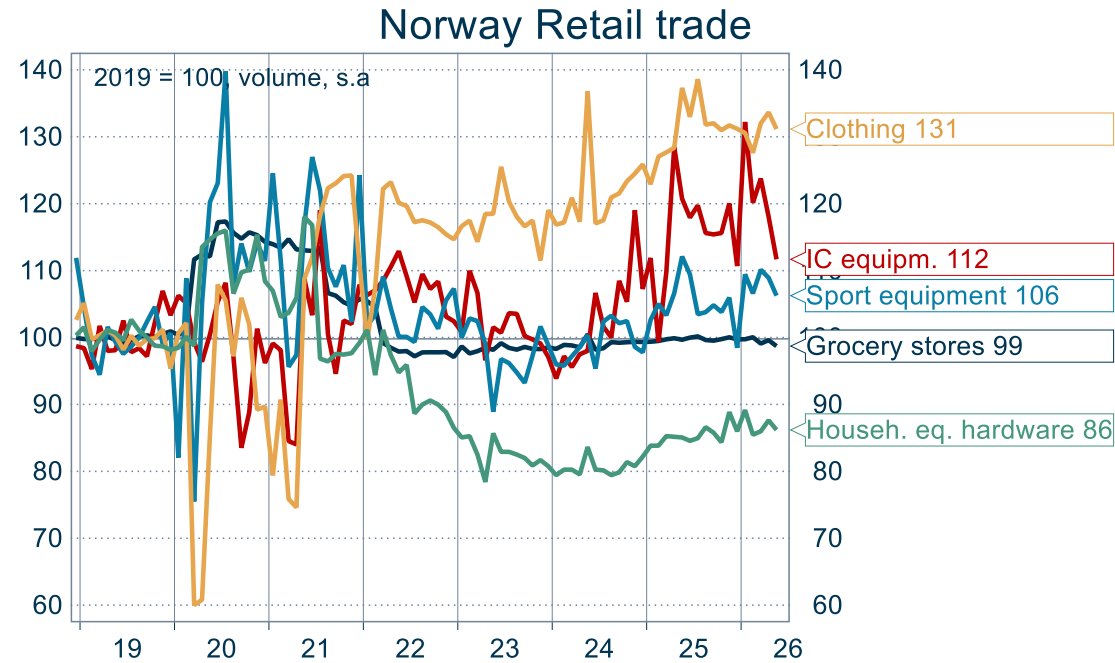


- The sales level in Feb/Mar was revised marginally down.

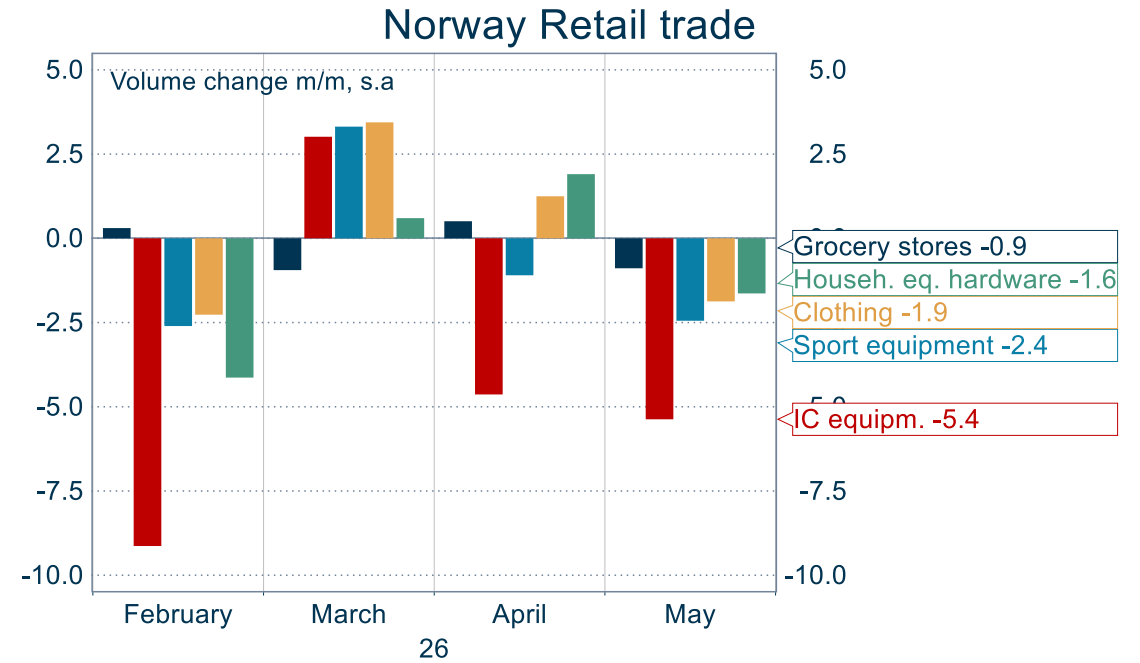


All sectors reported lower sales in May. Was the rate hike really that frightening?

Or are there some technical challenges working day adjustments in these May data?



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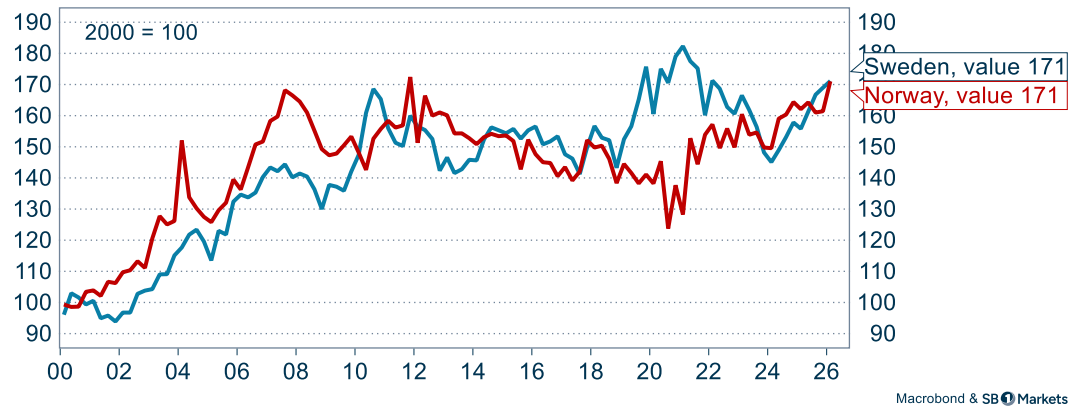


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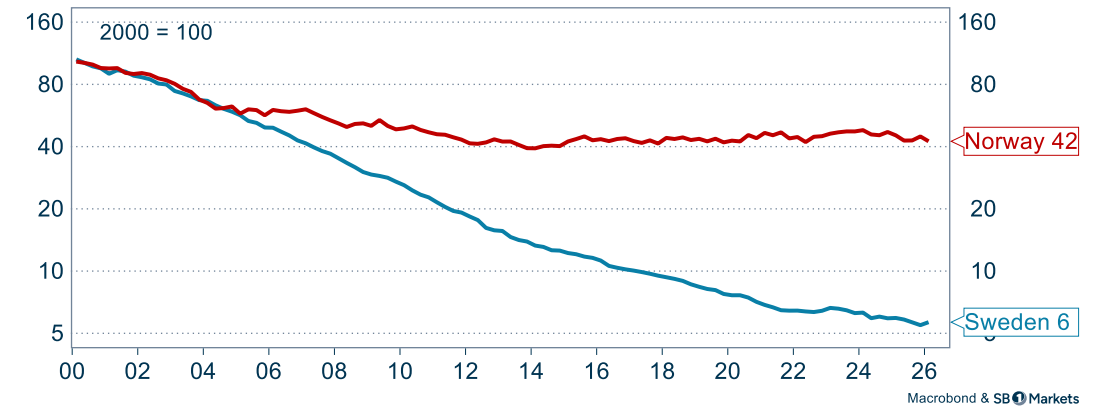
Two tales on sales of mobile phones/PCs: Norway vs. Sweden

In value terms, sales of IC equipment have increased by 71% since 2000 in both countries. In volume terms: 4x up in Norway, while sales in Sweden are up 302x, that is almost 100x more! At least, those are the verdicts from Statistics Norway and SCB in Sweden.

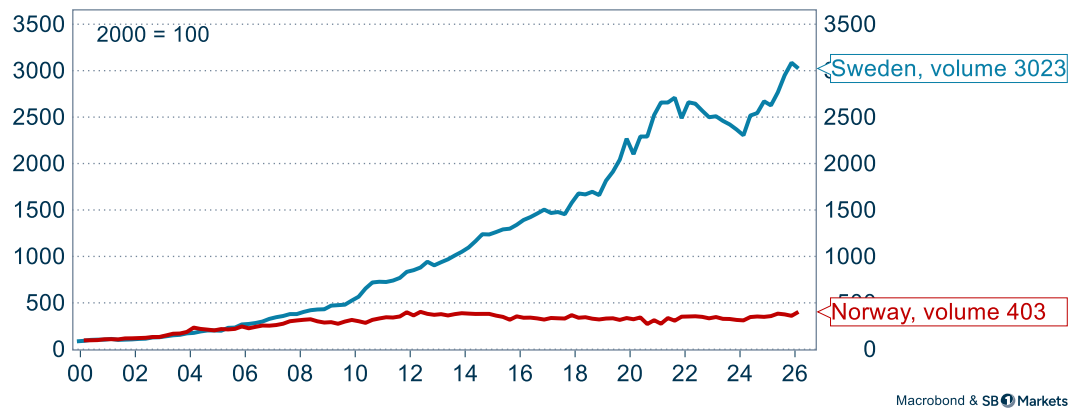
Sweden vs. Norway Retail trade Info Telecom equipment, VALUE



Sweden vs. Norway Retail trade Info Telecom equipment, PRICES



Sweden vs. Norway Retail trade Info Telecom equipment, VOLUME



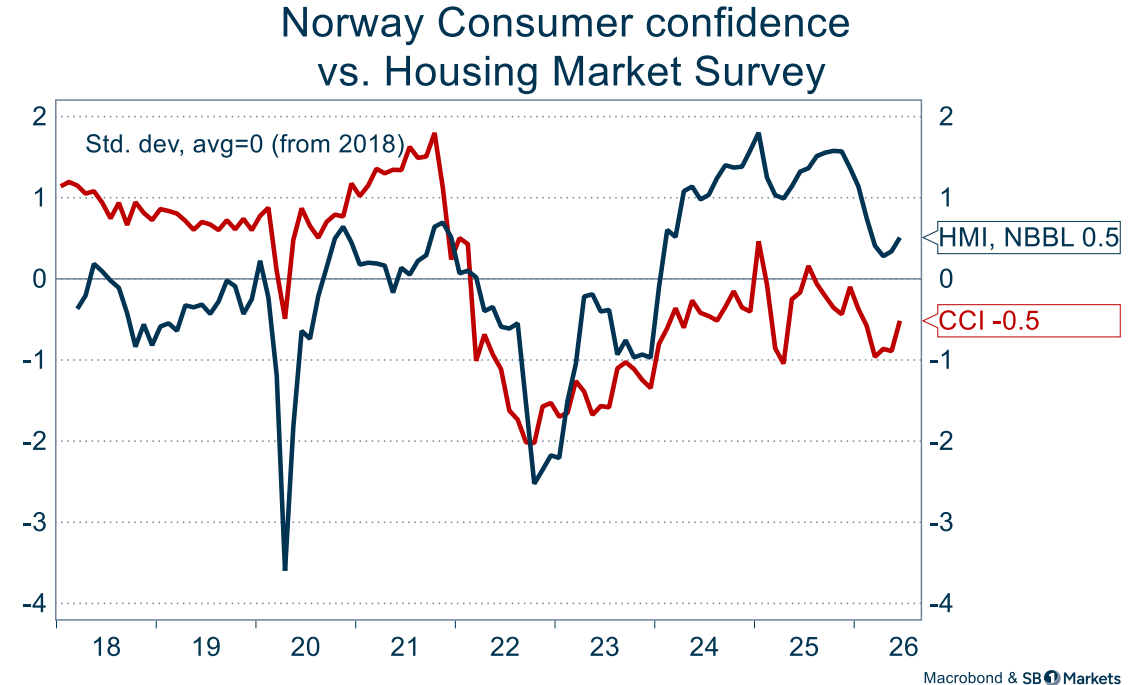
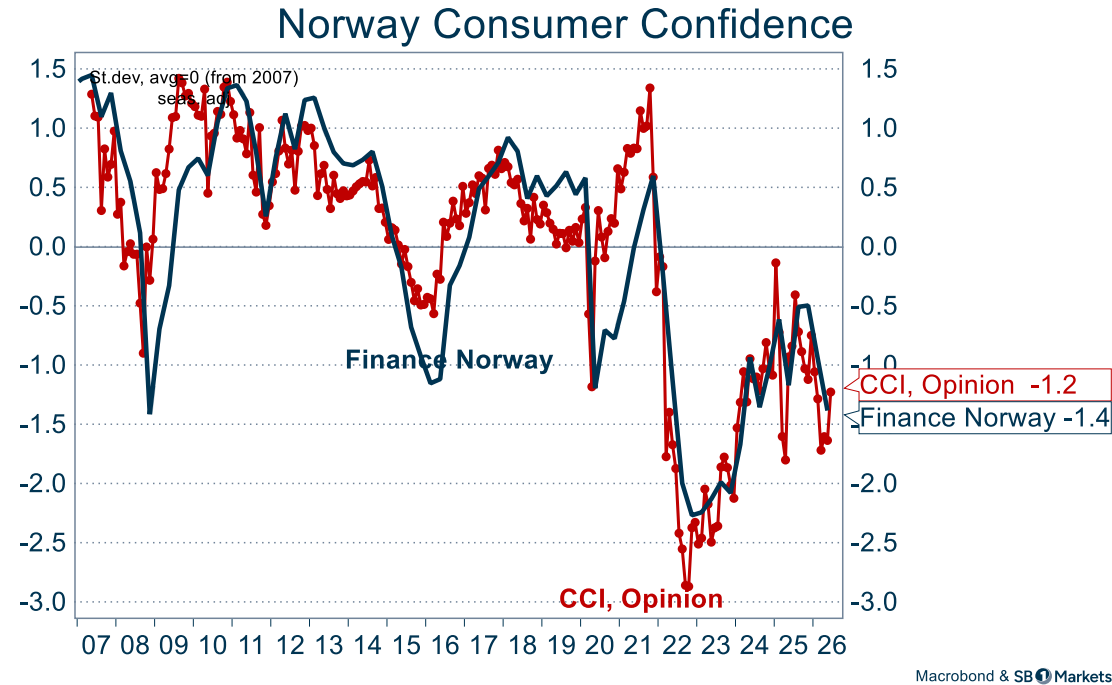
Inspired by Kjetil Martinsen, Malling & Co, and Sigmund Aas, Eiendomsverdi

- Clearly, something must be rotten in at least one of the two Kingdoms.
- The reason is of course what's assumed about the prices on IC equipment. In Sweden, SCB stipulates that prices have fallen by 11% per year since 2000, while SSB assumes a 3% annual decline. Since 2012: no change in the price index in Norway but an 8% annual decline in Sweden!
 - SCB applies an aggressive hedonic method, which implies that if the technical specifications on a new mobile phone or a PC are twice as good vs. the previous model, and the actual nominal price is the same, SCB reckons that the real price has been cut by 50%. Do you?
 - We think SSB is closer to the ball, vs. an assessment of the utility of the new product vs. the previous model.
- BTW, Apple last week announced a 20% price lift on their MacBooks, iPads and many other products but not yet their iPhones due to the (AI-driven) increase in component costs. Will the rest of the market follow suit?



June consumer confidence recovered to the best level since January, still weak

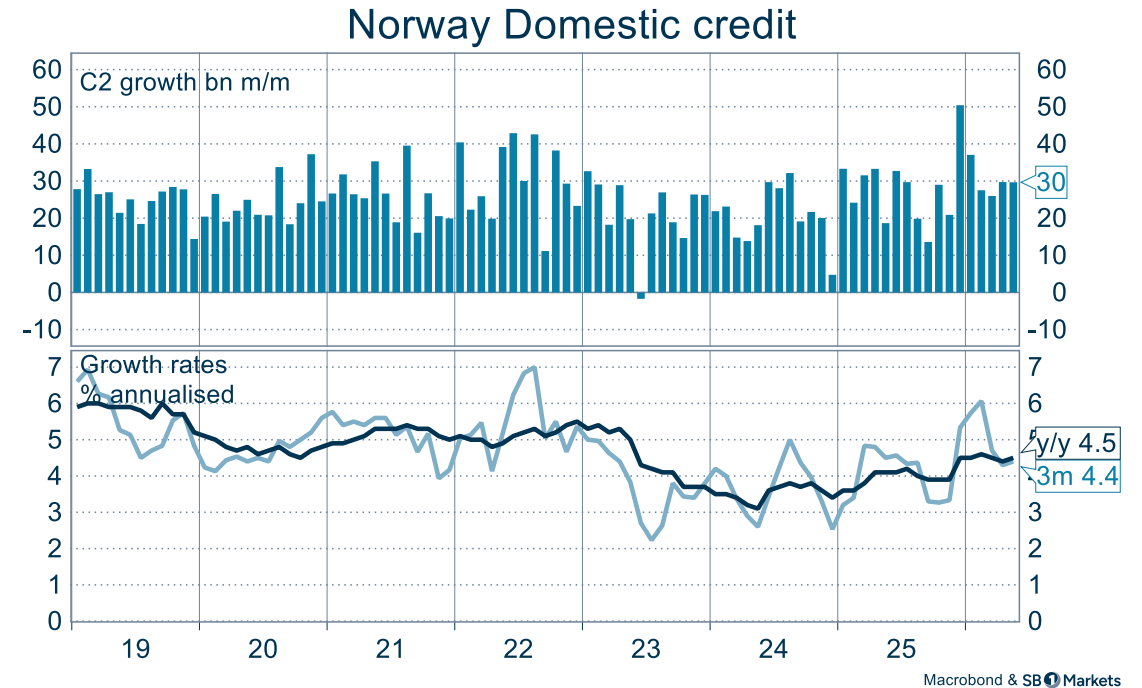
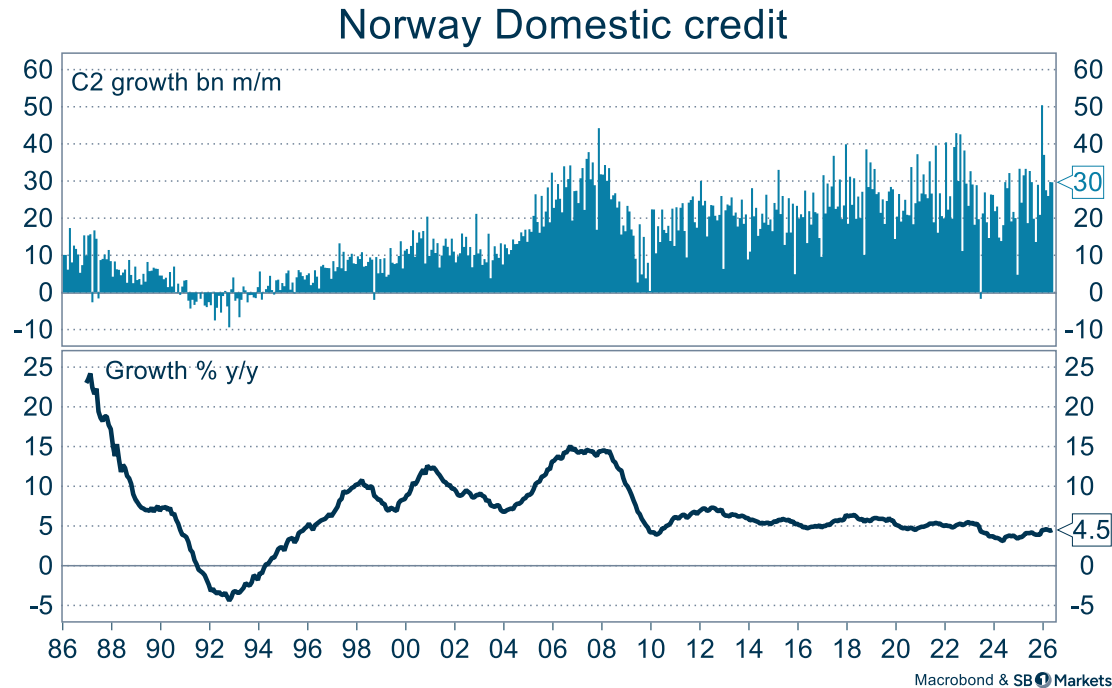
Opinion's Consumer confidence Index rose 0.5 std. dev. to -1.2 s.d. in June (but above the average since 2022!), and was above the level in February, before the Gulf war started. NBBL's housing market index rose slightly in May as well and remains above average (from 2018).



- The CCI is 0.5 std. dev. below the average **since 2018** at the *chart to the right* – to be comparable with NBBL's housing market index history. Taking the whole story into account, the CCI is 1.7 std. dev. below average (*at the chart to the left*).
- *More on the Housing Market Index next page*

Credit growth has flattened, at least in recent months

Domestic credit (C2) added NOK 30 bn in May, or 4.6% annualised. The 3m growth rate stands at 4.4%, while the annual growth rate rose 0.1 pp to 4.5%, as we expected. Barring higher growth in Dec/Jan, growth has flattened at a 4½% level: **not too high/not too low**



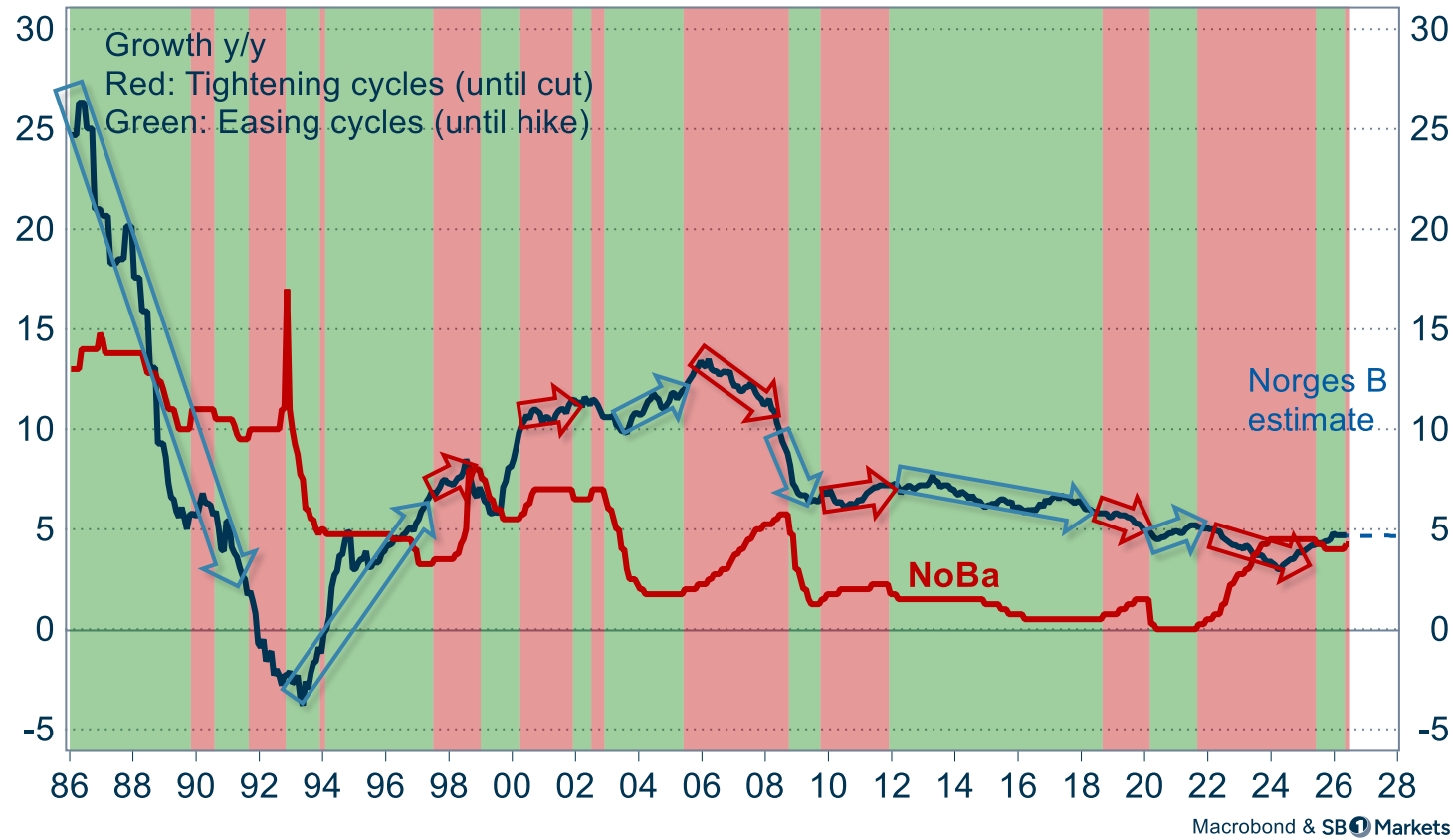
- **Household credit rose by NOK 17 bn in April**, a 4.3% pace, and the annual rate was flat at 4.7%. Debt growth is below household income growth, and the **LTI ratio is on the way down**, like in almost all other rich countries these days. (Households in most DM have reduced their debt burden the past 15–20 years)
- **Corporate C2 credit rose NOK 9 bn**, a 5% growth pace. The annual rate accelerated 0.5 pp to 4.2%. **Mainland businesses' domestic debt** is up 4.2% y/y. If **foreign debt** is included, the **growth rate in C3 was 5.3%** in Q1. **Oil/shipping**: up 2–3% y/y domestically and total.
- **Local government debt increased by NOK 4 bn**. The annual rate fell 0.1 pp to 4.6%, **below their income growth, and their LTI ratio is declining**.
- **In sum: Credit growth is modest and is not an argument against cutting the signal rate. But far from so low, that it is an argument for cutting**



Growth in household credit is not closely correlated to rate changes

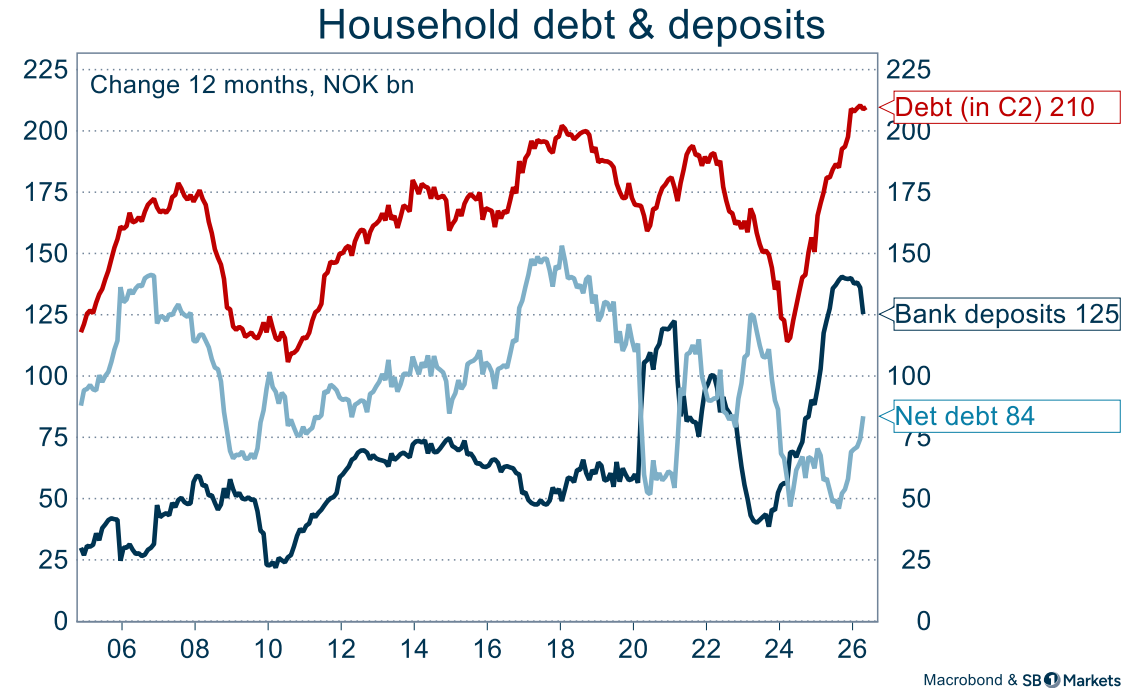
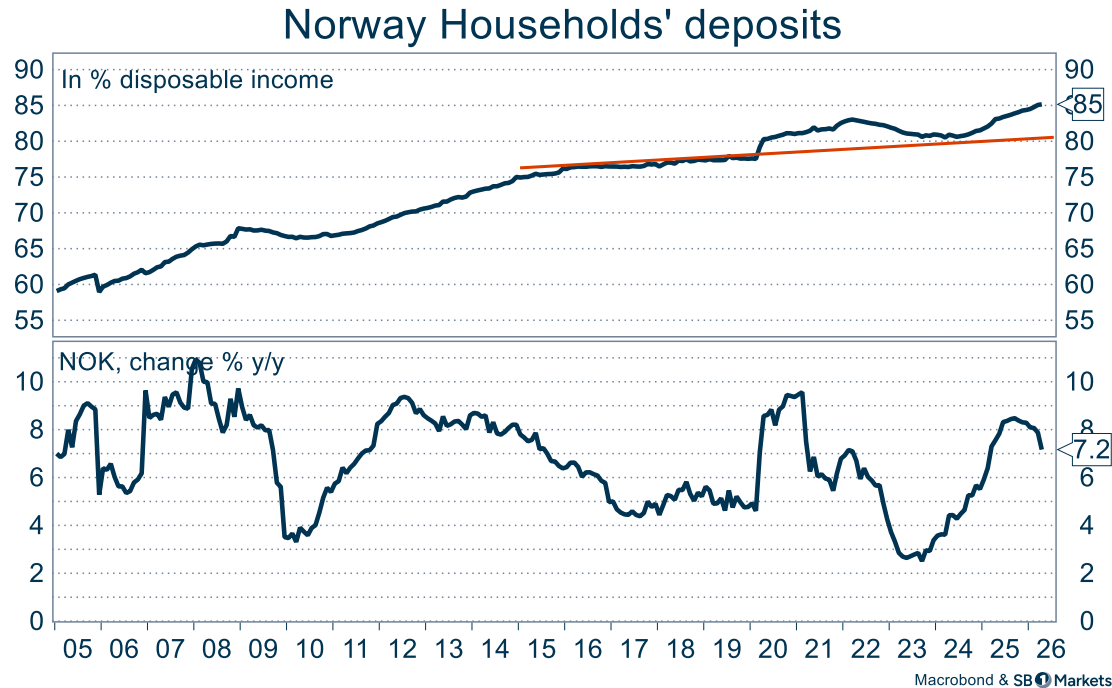
... as Norges Bank has various reasons for hiking and cutting rates

Norway Household debt vs NoBa cycles



Growth in households' bank deposits has peaked? Still high, at 7.2%

Deposit growth, measured in %, significantly outpaces the increase in disposable income. Although debt continues to rise faster than deposits in NOK billions, the rise in net debt last year slowed to the lowest level in decades.



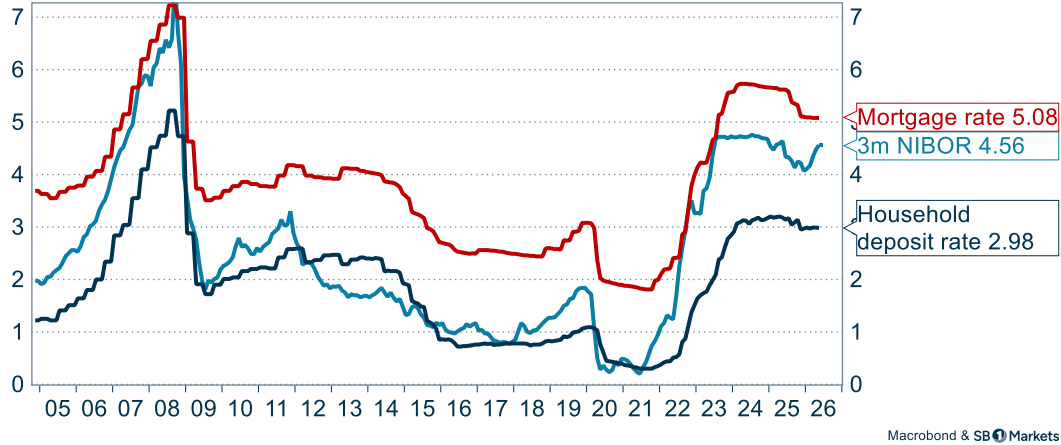
- **Households' total deposits** were up 7.2% y/y in April, down from 8.5% at the local peak last September but still well off from 3% at the bottom in 2023.
 - Deposits are still well **above a normal level** vs. household incomes, due to the rapid increase in savings during the pandemic and the drag from higher net interest payments over the past two years. Now, deposits are climbing faster than a normal growth in household income again, without any external 'trigger' (besides higher interest rates).
- **Households' debt** is growing faster than deposits, measured in NOK, and the gap has widened again slightly in recent months. Households are investing in other financial assets, like pensions funds, mutual funds, equities etc.



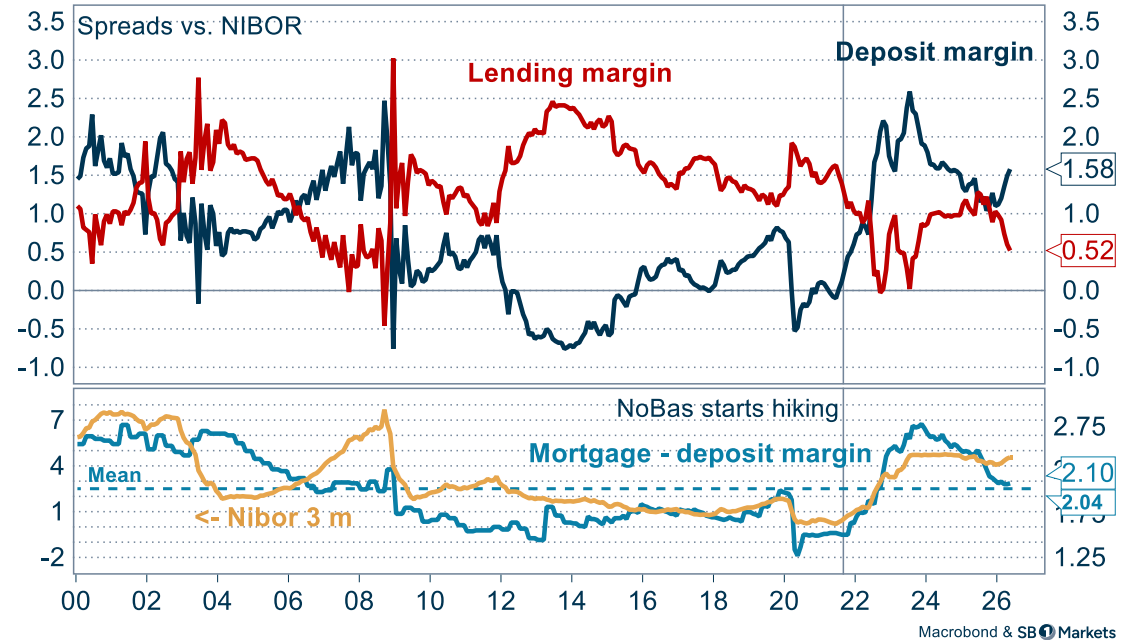
NIBOR rose in May, but not deposits or mortgage rates

The margin is close to the 25y avg., but the downside is still probably significant, as the deposit margin remains far above a normal level and strong competition may push the lending margin further down, from a low level. In March, the lending margin fell 18 bps to 74 bps.

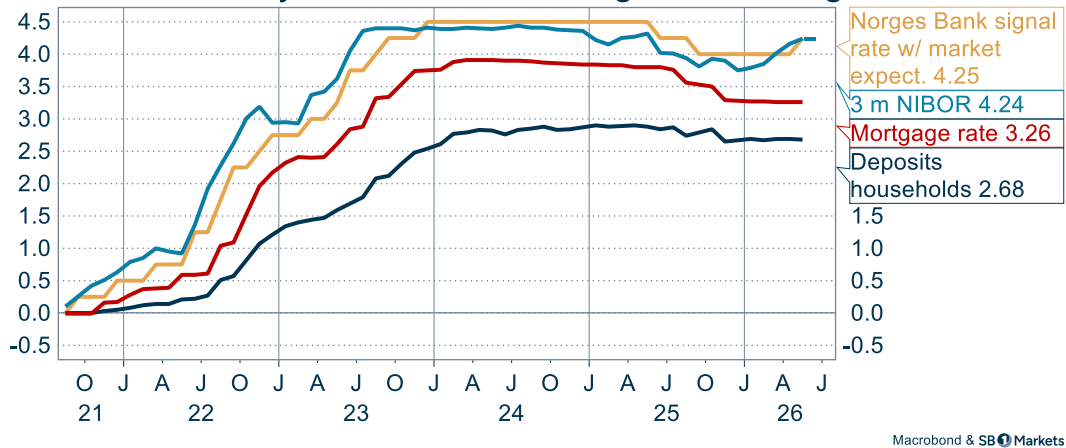
Norway Interest rates



Norway Bank margins vs. households



Norway Interest rates change from 1 Aug '21



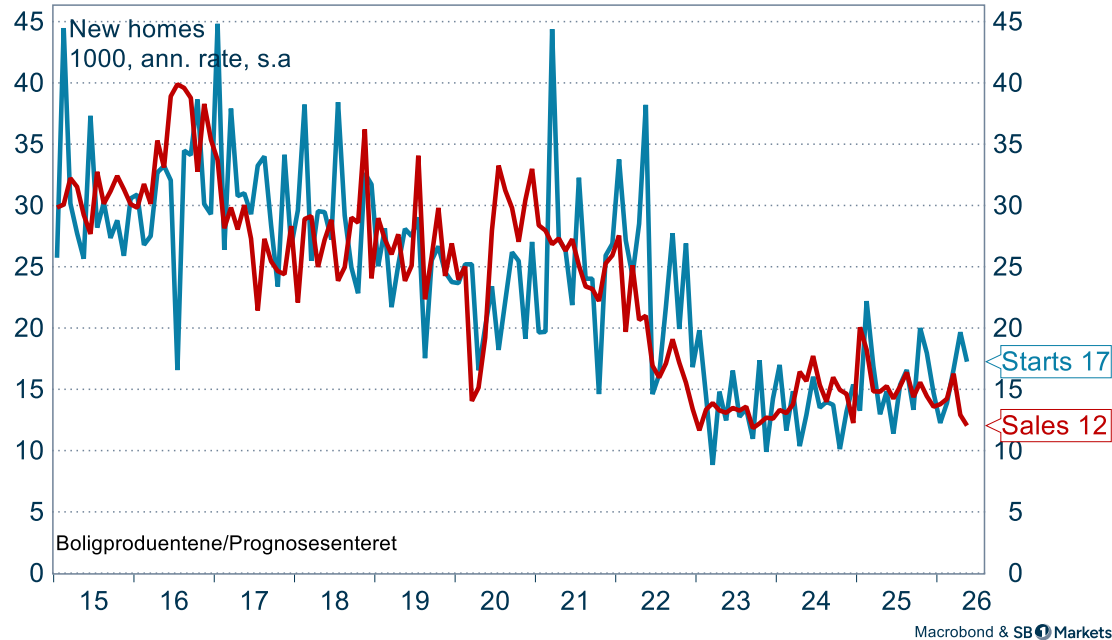
- **The 3m NIBOR** rate rose by 8 bps to 4.56% in May (and flattened in June).
- **The average deposit rate** was down 1 bp to 2.98% in May, and the deposit margin widened 8 bps to 1.58%, a rich level.
- **The avg. mortgage rate** was flat at 5.08%, as the lending margin narrowed 8 bps to 52 bps, way below a normal level. In June, the spread very likely widened, as banks started lifting mortgage rates.
- **The mortgage – deposit margin** may widen if Norges Bank hikes, but the trend is probably for a further decline



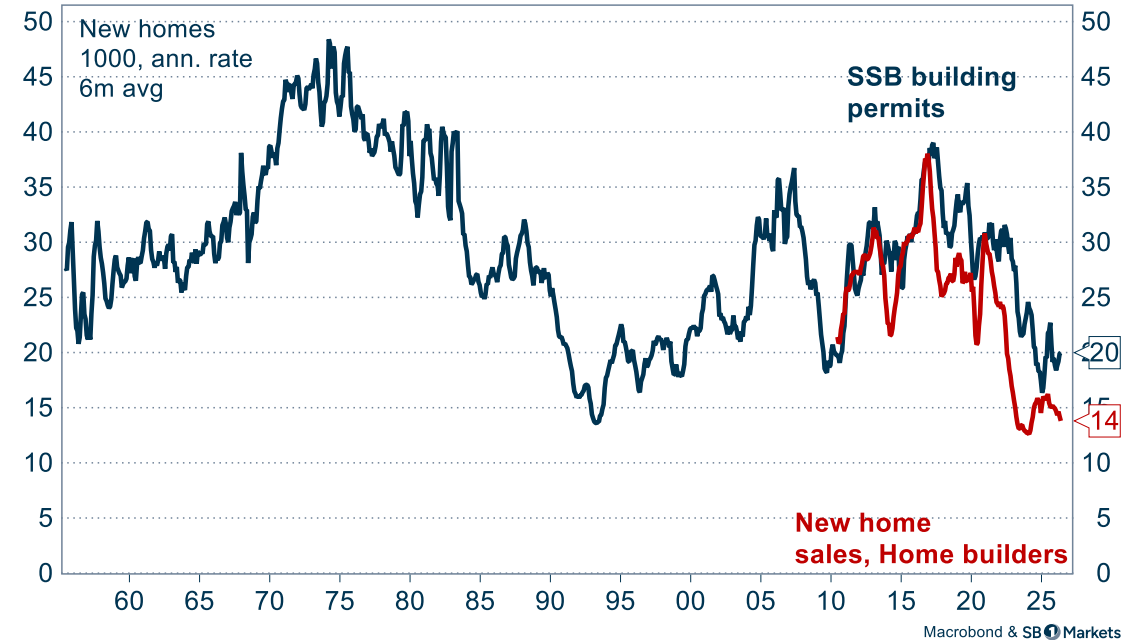
Home builders: New home sales fell further in May, to the lowest level since 2023

Starts declined by 1,000 to 12', and the 12 m average has fallen to 14,000 units. Starts have been slightly higher the past 2 months, but data are even more volatile than sales. Understandably, home builders are not happy.

Norway Homebuilders' survey



Norway Housing starts



- **SSB reports 20' building permits** on average over the past 6 months, 6' above the estimate from Boligprodusentenes forening (home builders association). Student homes and nursing homes are included in SSB's data but not in the home builders' stats. SSB's permits lag new home sales by some 6 months.
 - The gap between home builders' sales/starts data and SSB's permits has widened somewhat. Over time, 94% of SSB's permits are completed, which indicates that permits are 'for real'.



2. Major economies

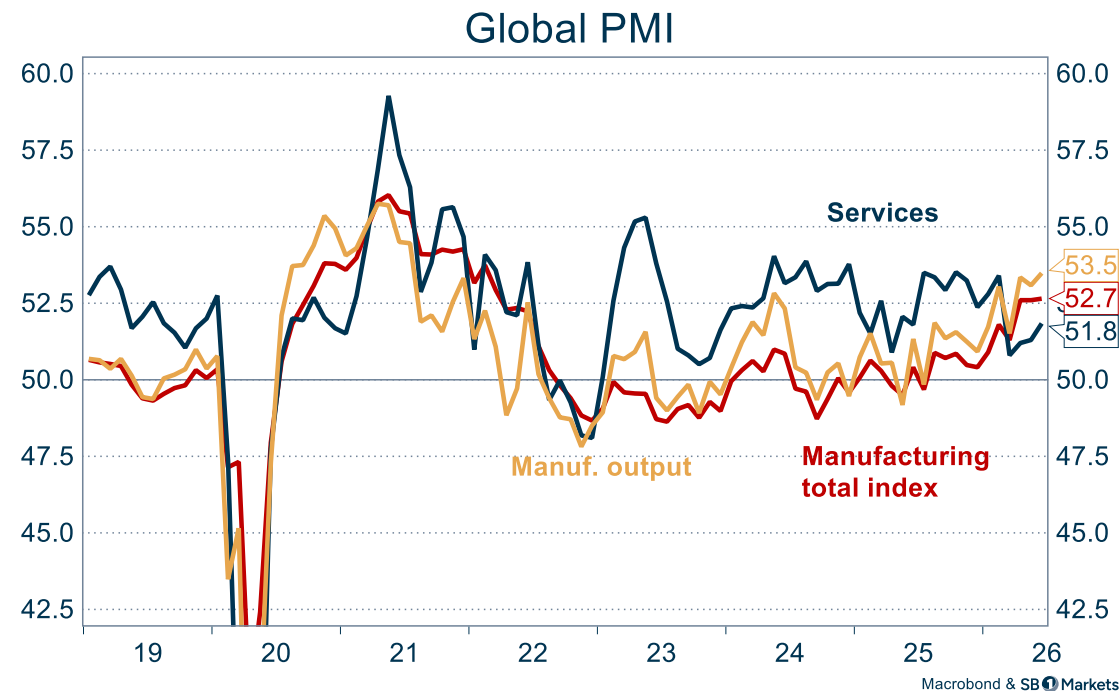
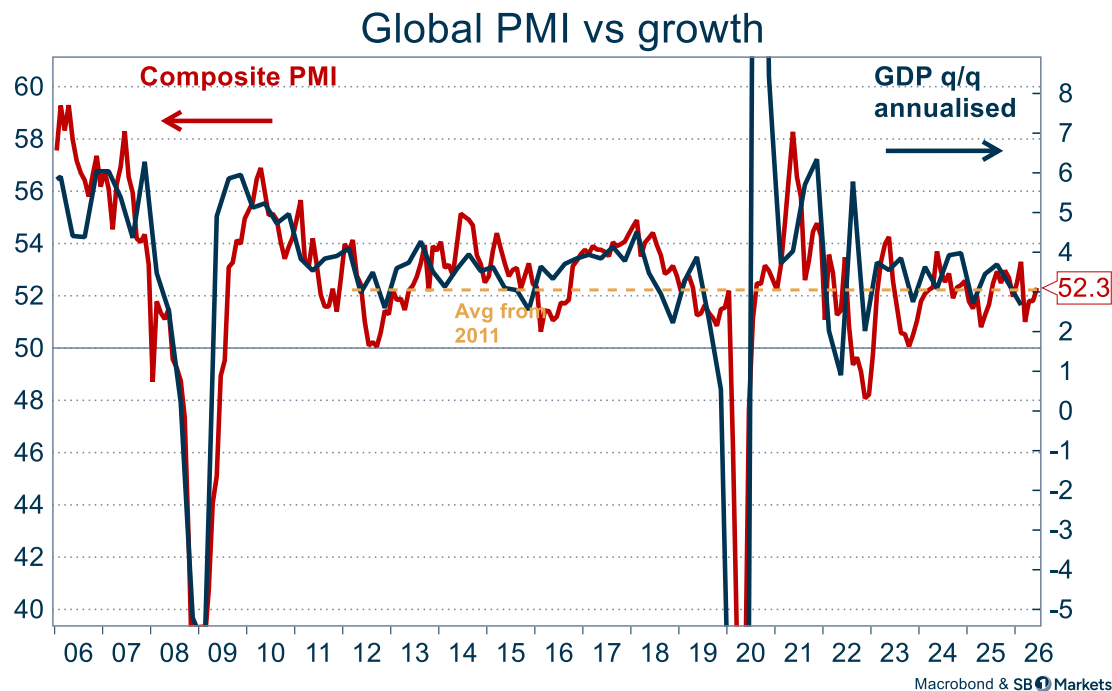


FLASH PMI



The global PMI probably up in June, by 0.5 p to 52.8 → 3% GDP growth (as 'usual')

Manufacturing reports the fastest growth since 2021, according to the flash PMIs. Services are still well below par but continued upwards in June. Both EMU and US were better than expected. China and other EM (except India) have not yet reported.

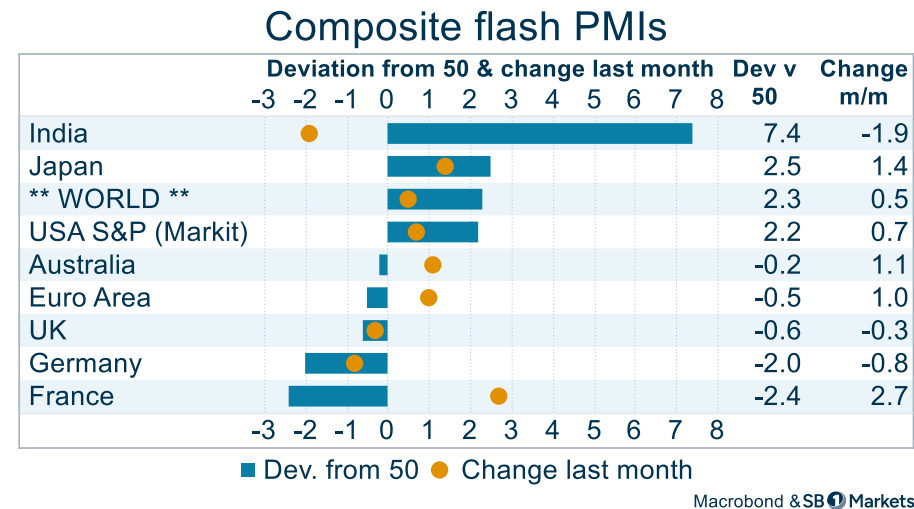
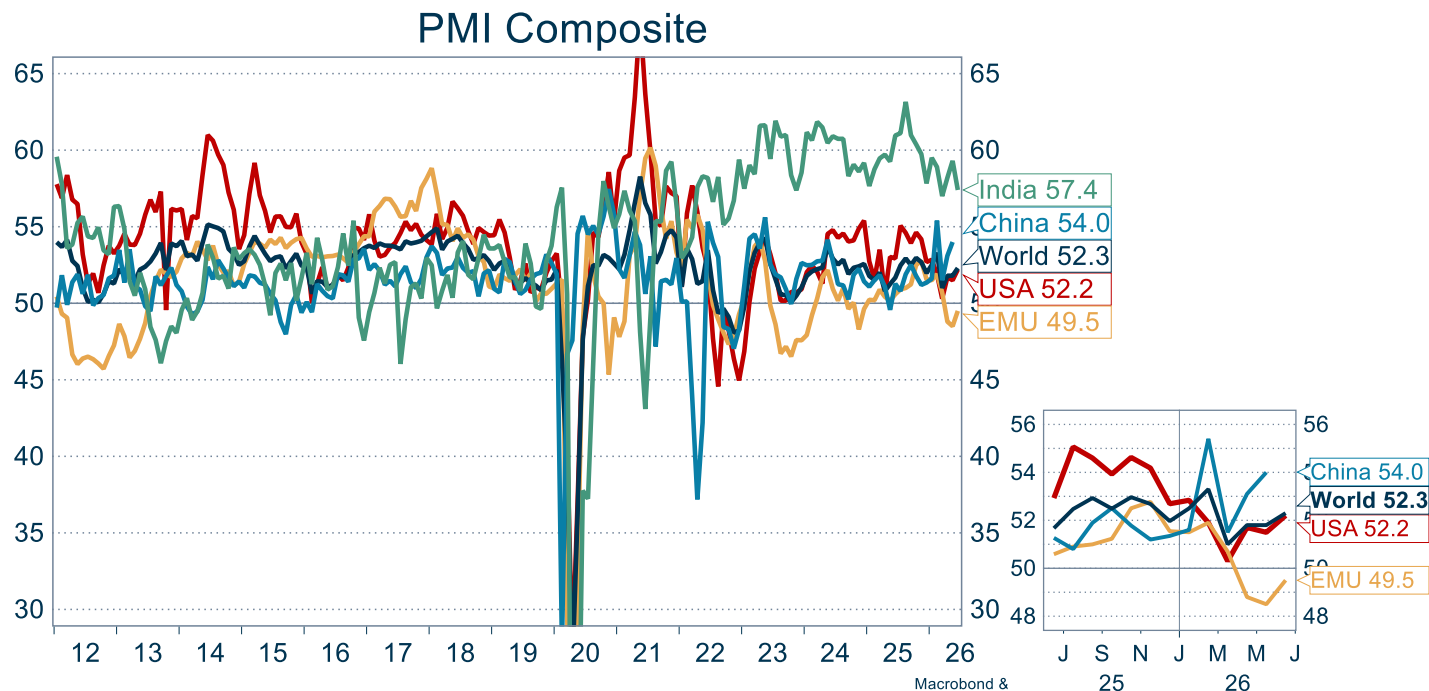


Global estimates are calculated by SB1M and based on flash PMIs from most DM and India. The final outcome may deviate visibly, both due to changes from the flash estimates and as more PMIs are added, especially the Chinese indices.



PMI: both US, EMU & Japan up in June, UK down (and Germany)

EMU is still below the 50-line and signals a GDP contraction, thanks to France and Germany. UK below par as well. The US PMI is above the 50-line but is still signalling less than 2% GDP growth,

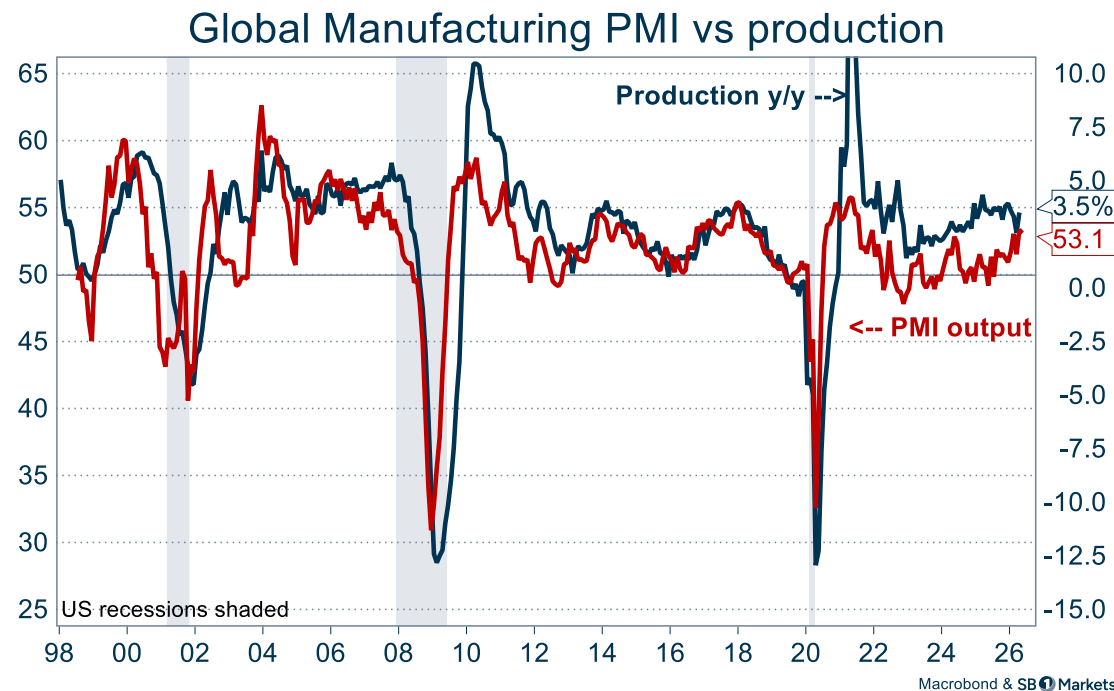
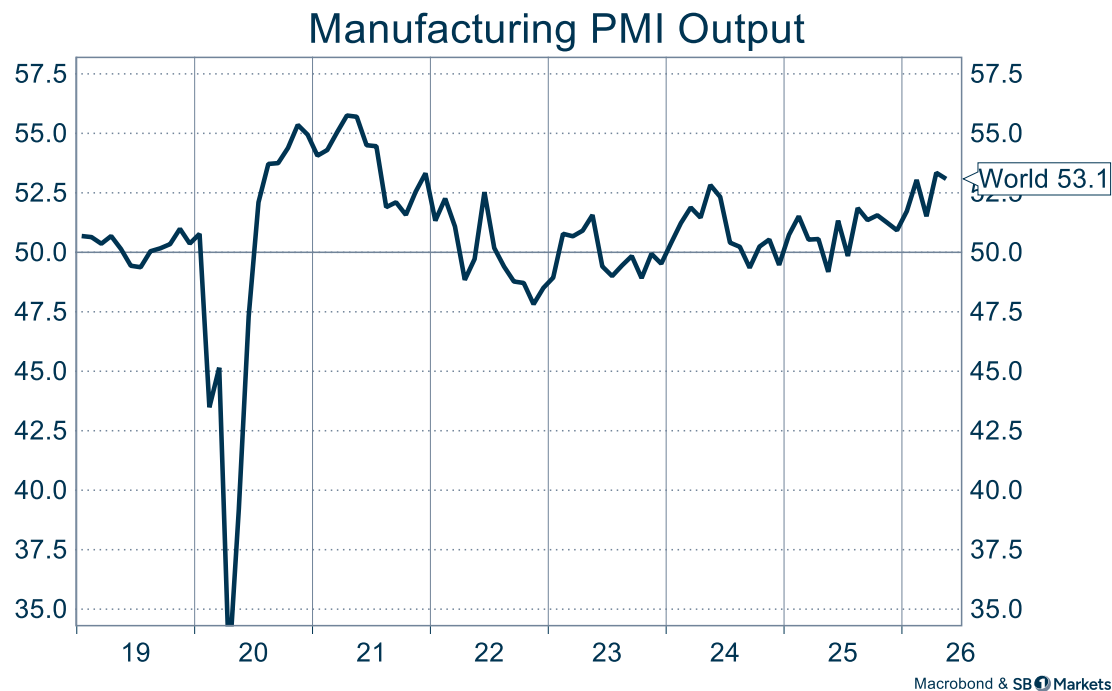


- **China** and most **other emerging markets** have yet to report, except for India, which leads the way; it has risen by 1.3 p to 58.3 despite facing some energy difficulties.



The manufacturing PMIs are **STRONG** most places, and not weak even in the EMU

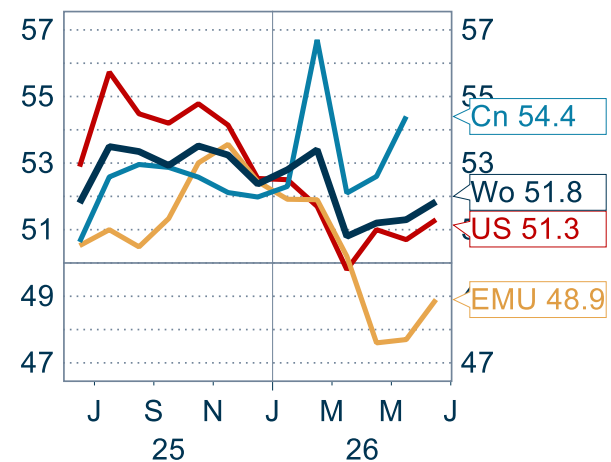
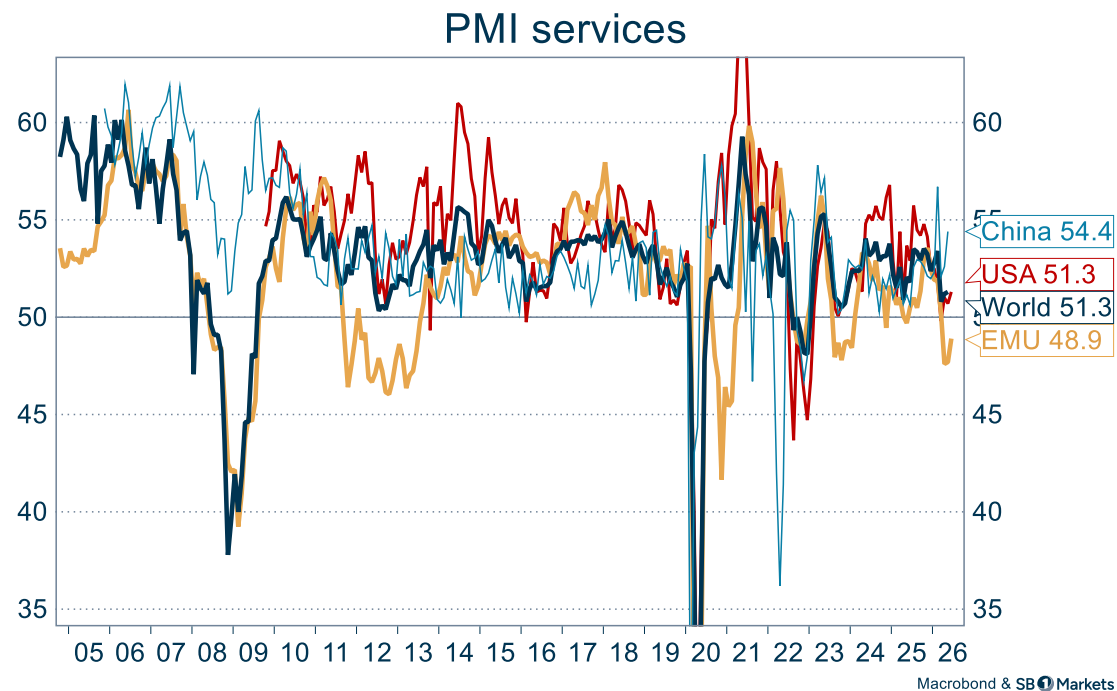
Both the total index and the output sub-index declined marginally in May, but both are above their February levels – and have not been better since 2022. Most likely, the momentum in manufacturing production was still strong in May.





Flash PMI Services: a 0.7 p drop in the global index to 50.4?

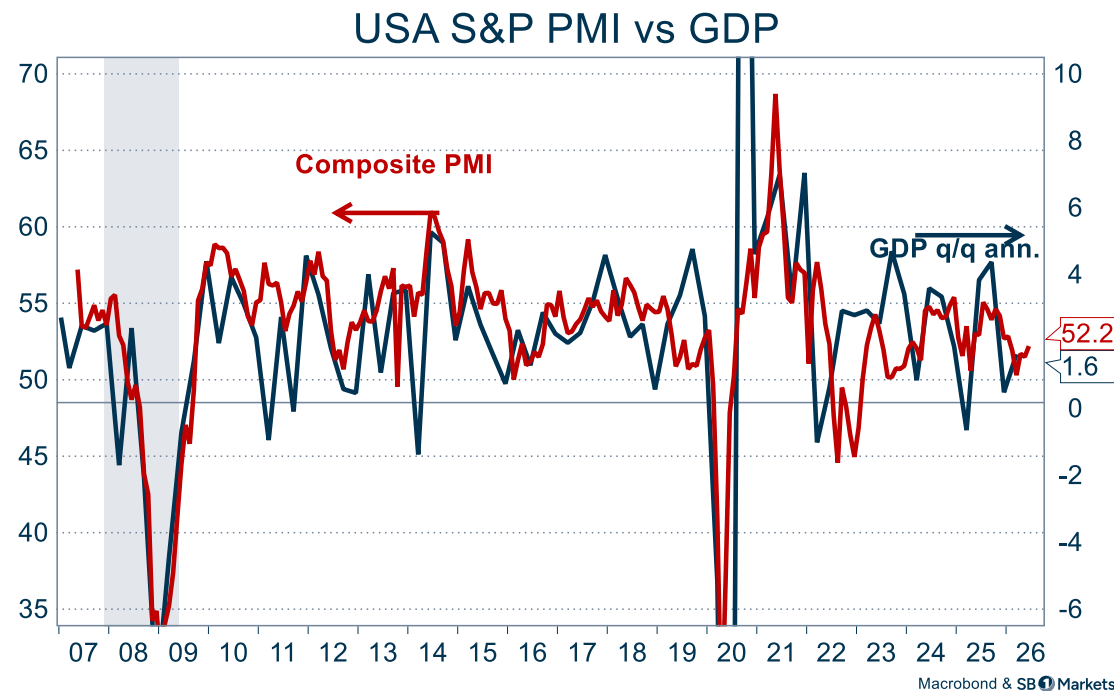
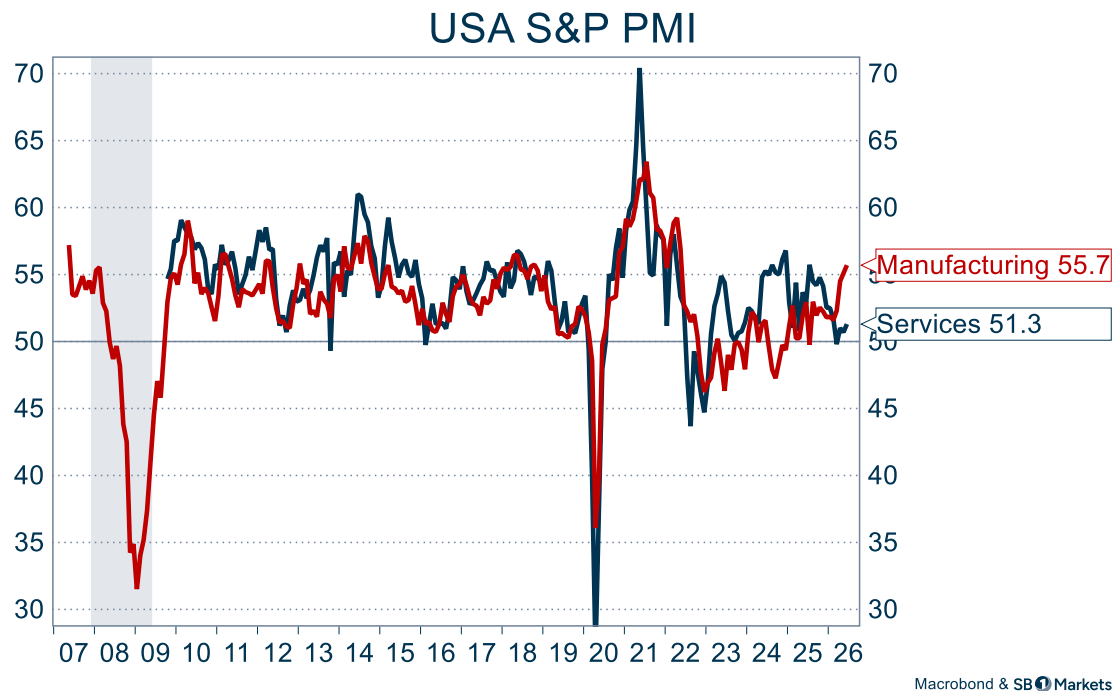
Further down in EMU, to 46.4! The US index close to flat, at 50.9





USA composite PMI up 0.7 p to 52.2 → **less than 2% GDP growth still signalled**

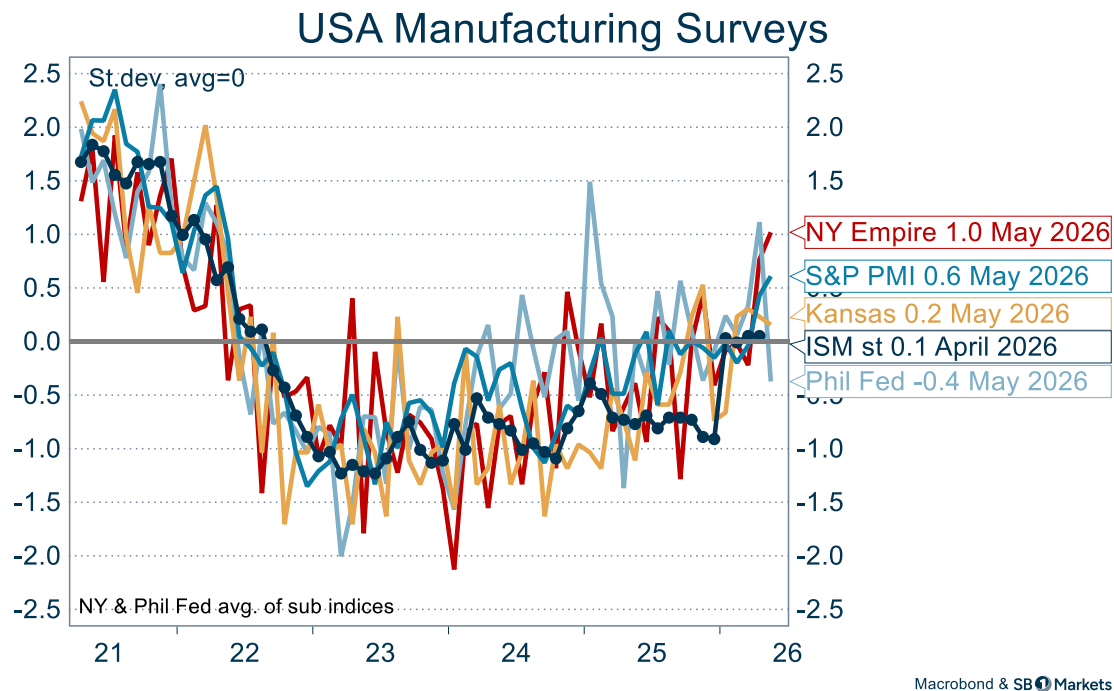
The manufacturing index rose further to 55.7, more than 1 p better than expected, and signals growth above trend. On the other hand, while the service sector PMI was up 0.6 p, and more than expected, the 51.3-level is well below average – lowering the composite index 2 p < avg.





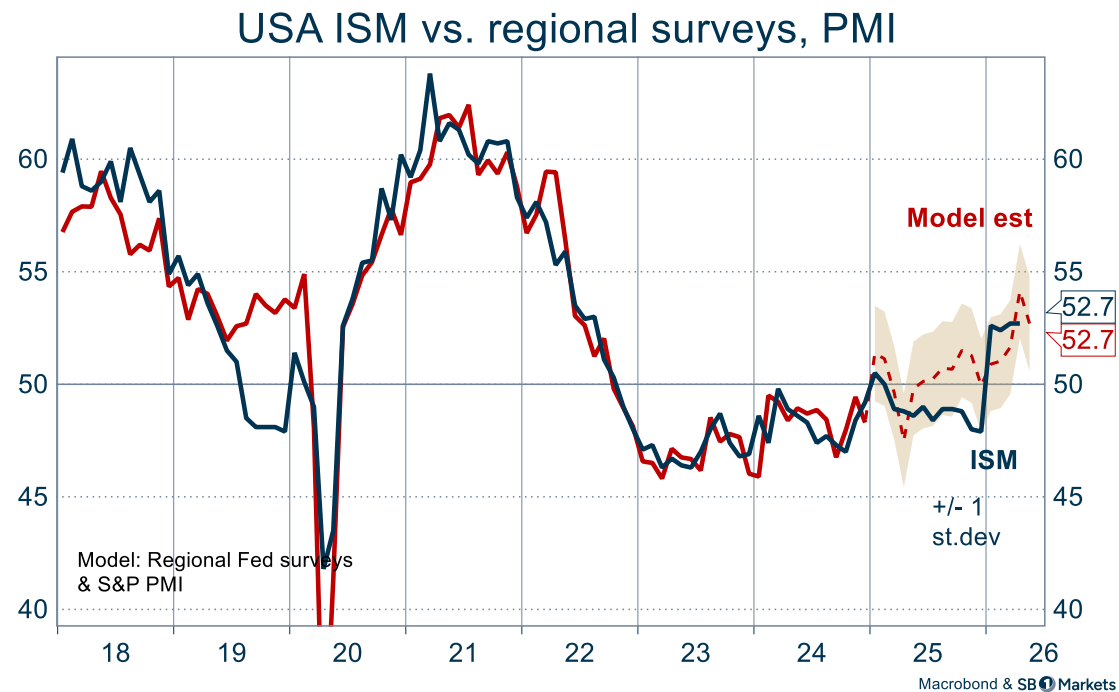
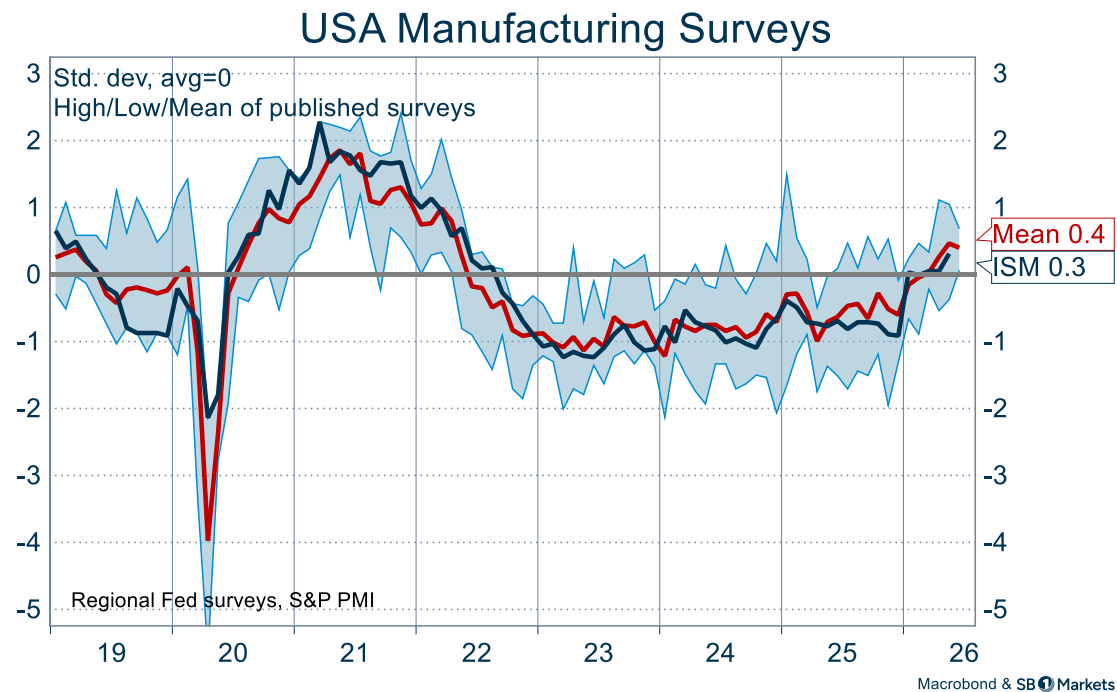
US Other manufacturing surveys mixed in May, the average slightly down, still > average

S&P's PMI and NY Fed's index rose further, while Kansas Fed was slightly down and Philadelphia Fed's index dropped 1.5 std. dev., still 'just' to -0.4, dragged down by a steep decline in new orders.





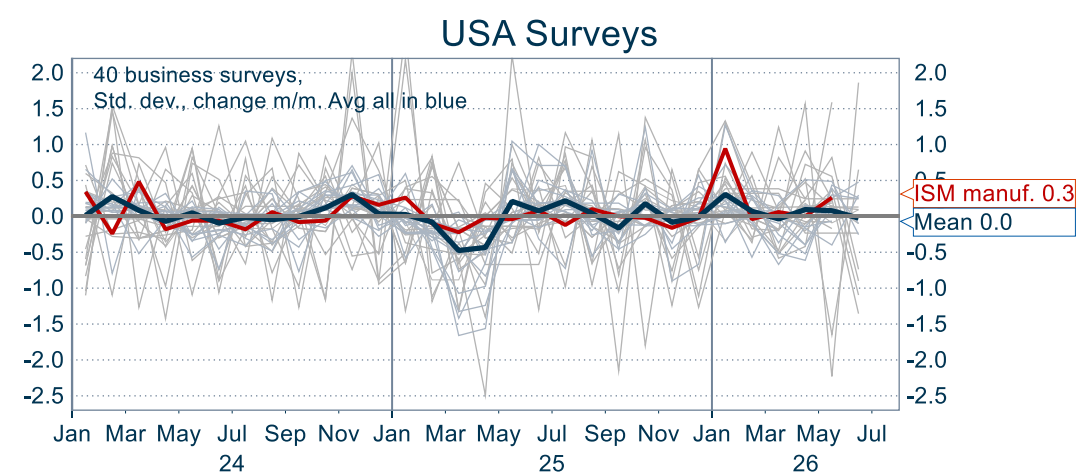
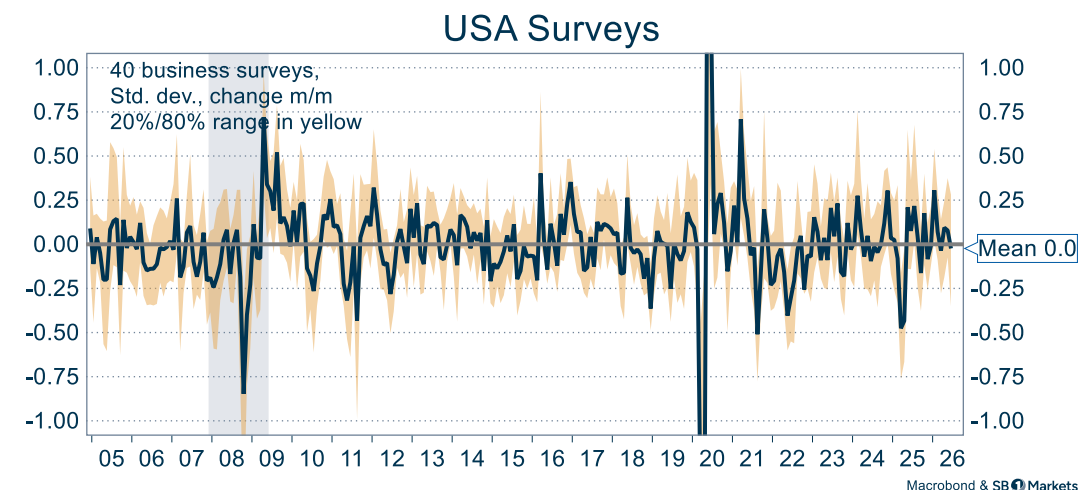
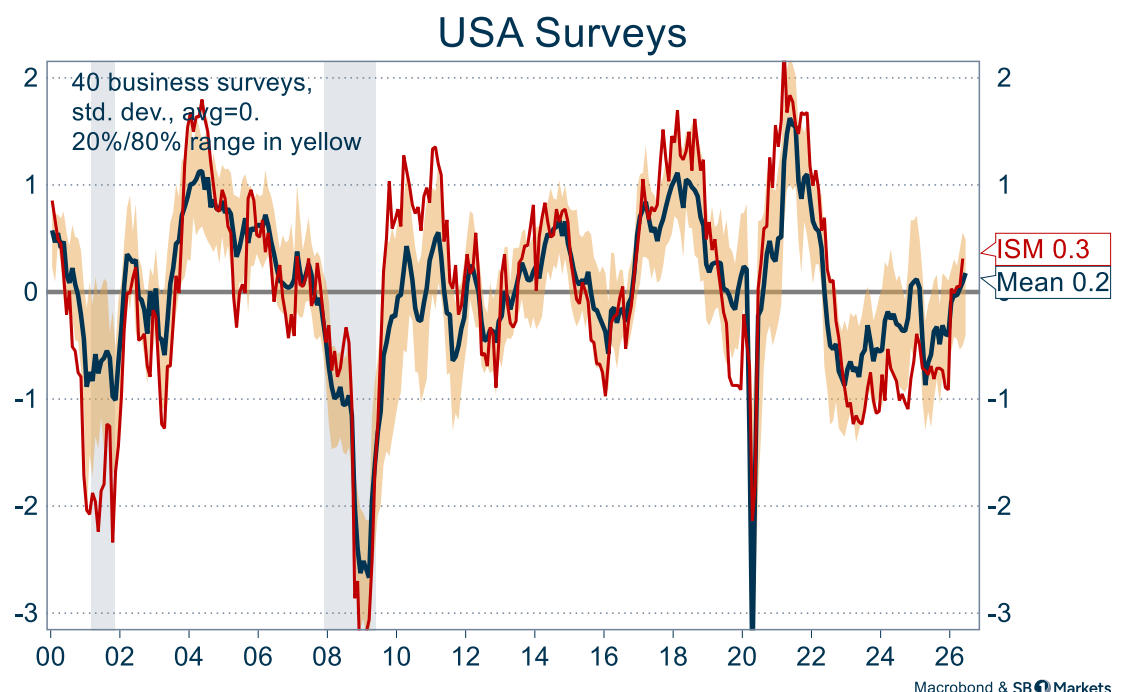
US manufacturing surveys signal an unchanged May manufacturing ISM print





The average of June business surveys: a marginal decline, to marginally below par

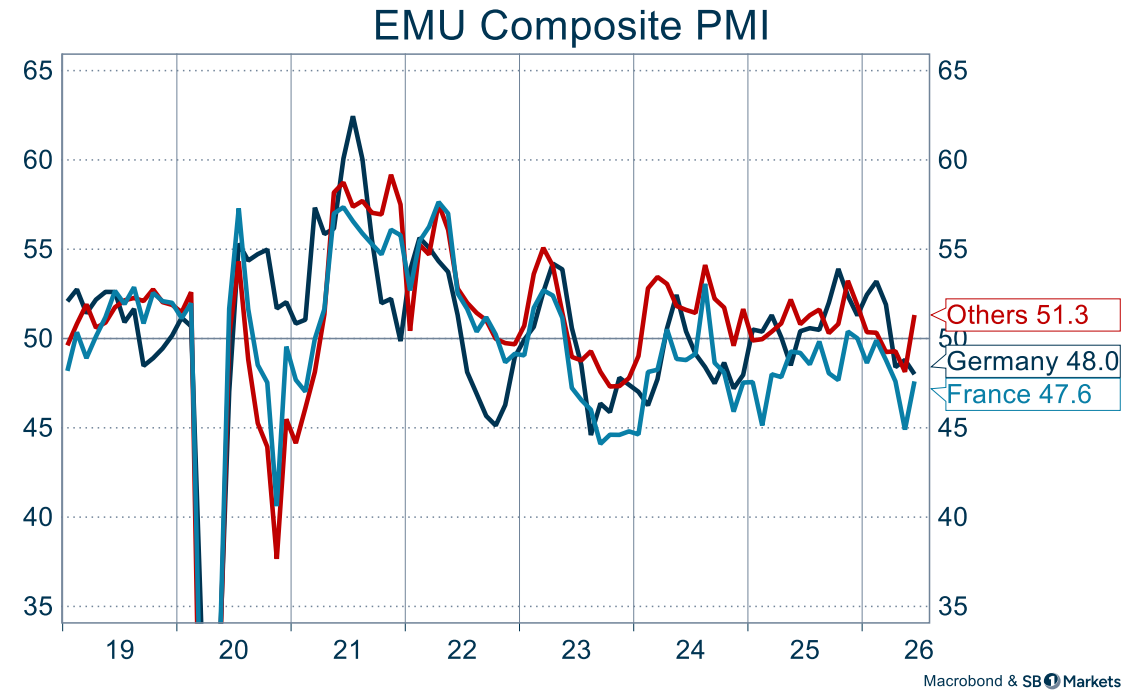
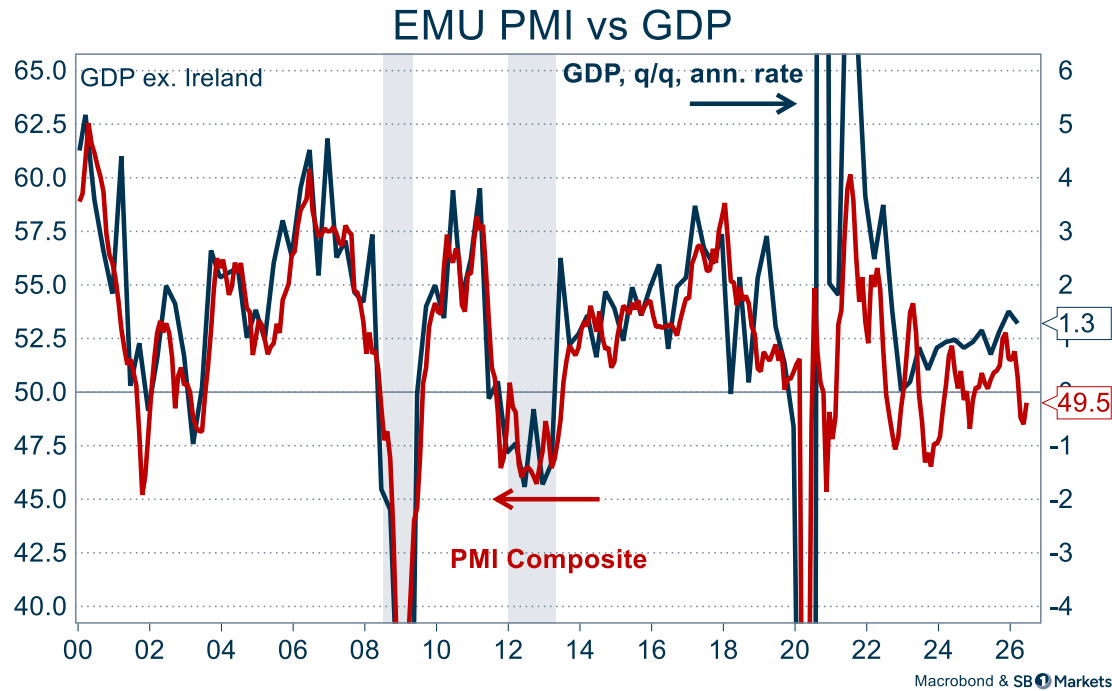
Since the local post 'Liberation Day' low point, the direction has been upward, and neither the war nor the lift in energy prices have lowered activity or sentiment, according to business surveys.





EMU: the German PMI further down, the others up, sum +1 p to 49.5 → still no growth

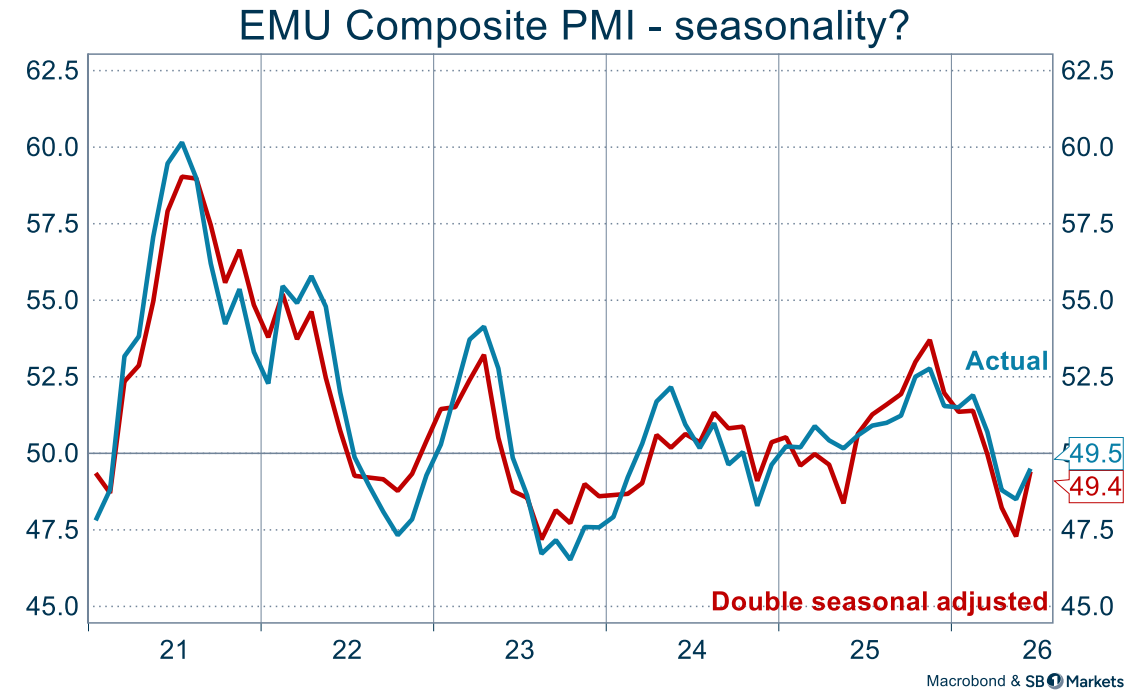
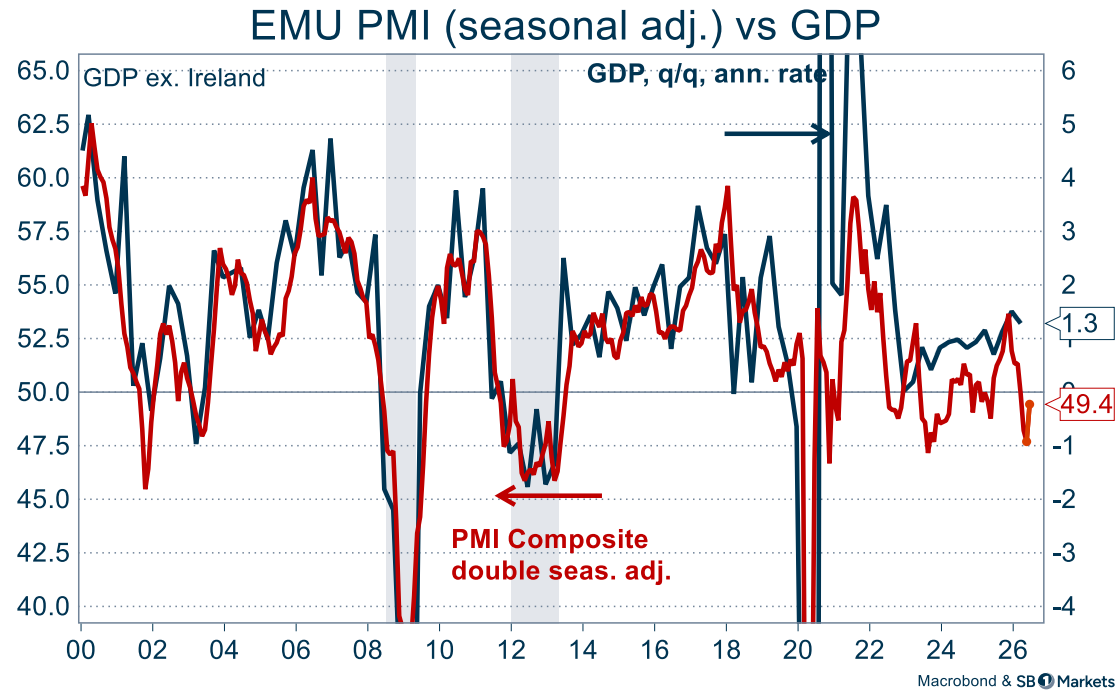
The composite index rose 0.4 p more than expected –and may be too pessimistic. Germany surprised on the downside, the rest on the upside. France reports slight growth, Germany a 1% contraction, due to weakness in services. France turned up, but remains weak



- EMU GDP growth has been **faster than signalled by the PMIs** over the past 2 years. In H2, growth accelerated to almost 1.5%.



A double seasonal adjustment: deeper down during the spring, more up in June



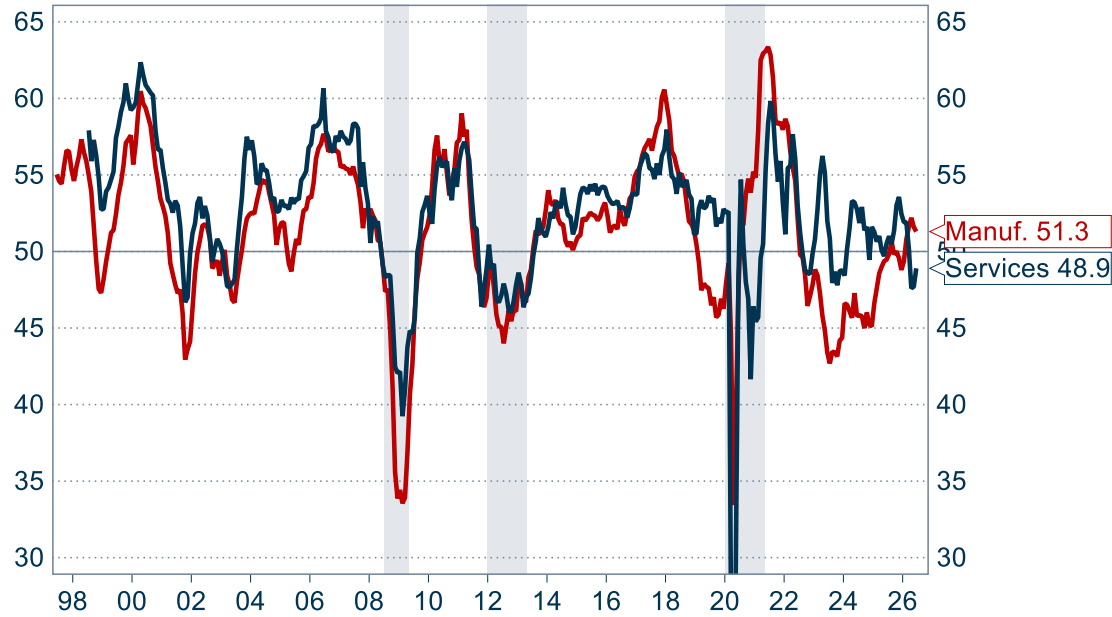
- The official PMI has on average been depressed in H2 and upbeat in H1, even though the data have been seasonally adjusted. After our double seasonal adjustment, the index becomes less volatile on average.



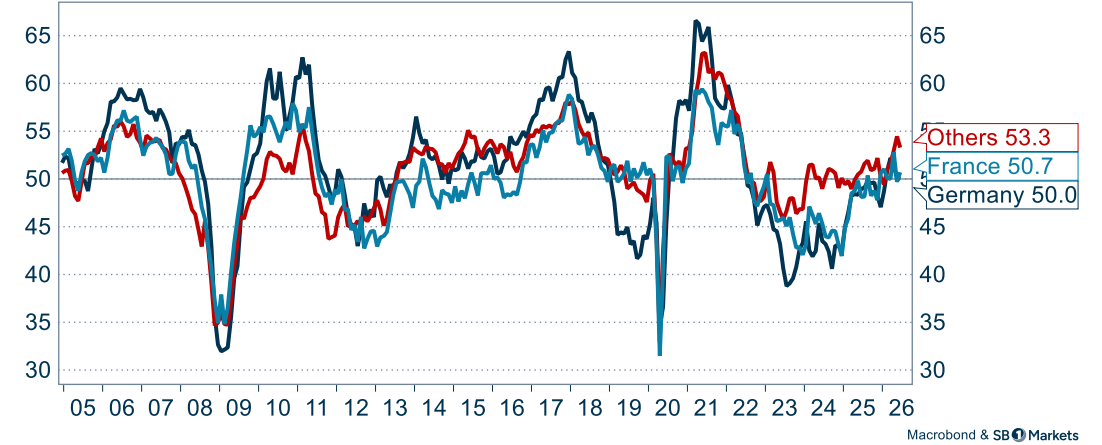
EMU manufacturing still OK in June, services not (at least not in France and Germany)

The service sector PMI gained 1.2 p to 48.9, a little better than expected but still weak. Germany & France are the laggards. The manuf. PMI index declined 0.3 p to 51.3, still the **3rd best since 2022**. Germany & France are at or above 50, the others (mostly Italy, Spain) are in the lead.

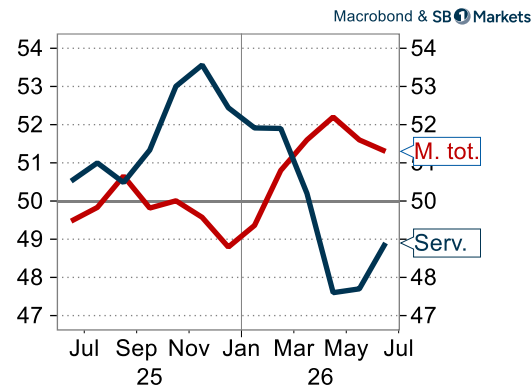
EMU PMI



EMU Manufacturing PMI



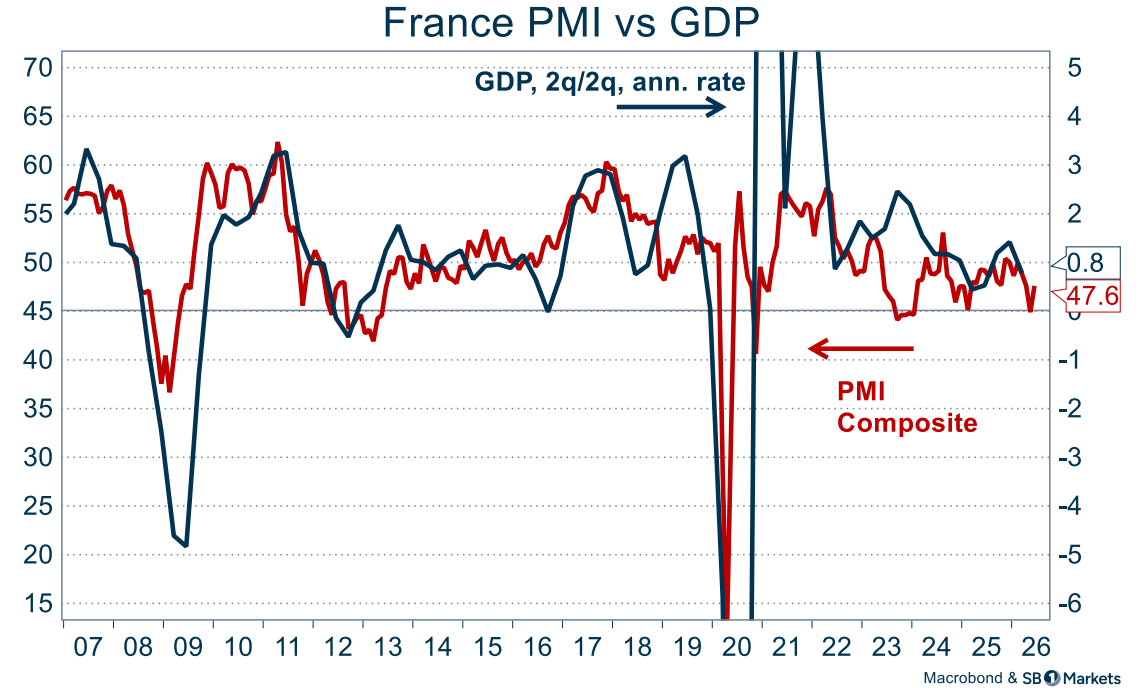
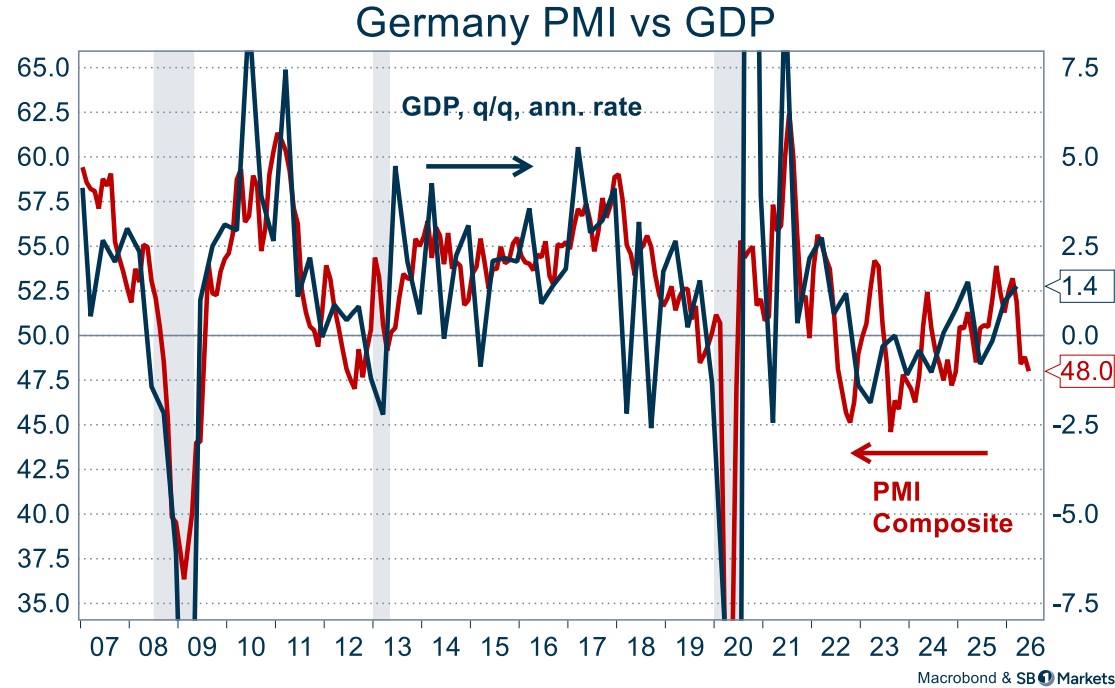
EMU Services PMI



A x-check: a German PMI at 48.0 is far weaker than a French PMI at 47.6?

At least growth-wise. The German PMI implies a 1% decline in GDP, the French survey 0.5% GDP growth.

Disclaimer: The correlation to GDP-growth is FAR from perfect.

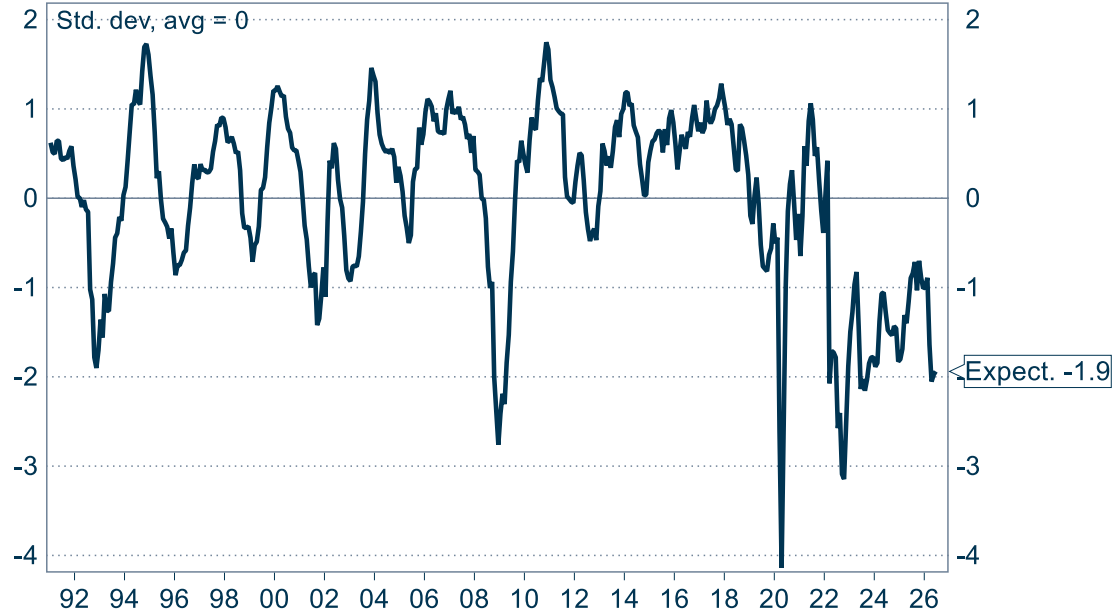




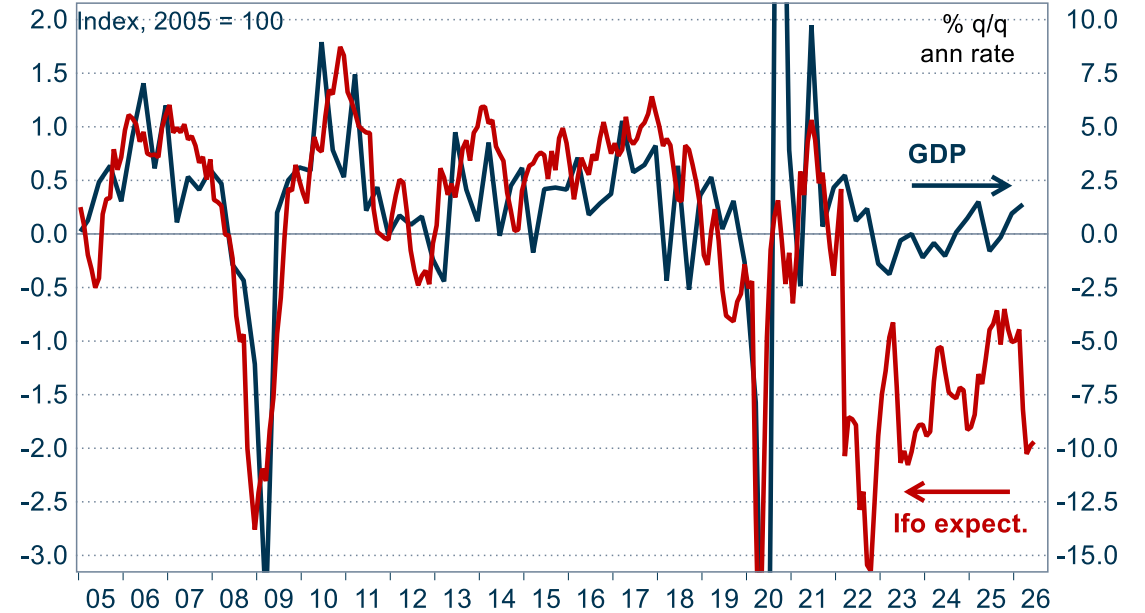
Germany: Ifo expectations slightly up in June, but a steep contraction still signalled. Formally

The index is 1.9 std. dev. below avg., which used to signal a steep decline in GDP. However, since the Ukraine war/the energy shock, the Ifo index has been some 1.6 std. dev. 'too weak' vs actual growth. Still, the current Ifo does surely not signal growth!

Germany Ifo survey, expectations



Germany Ifo vs GDP



Germany Ifo survey



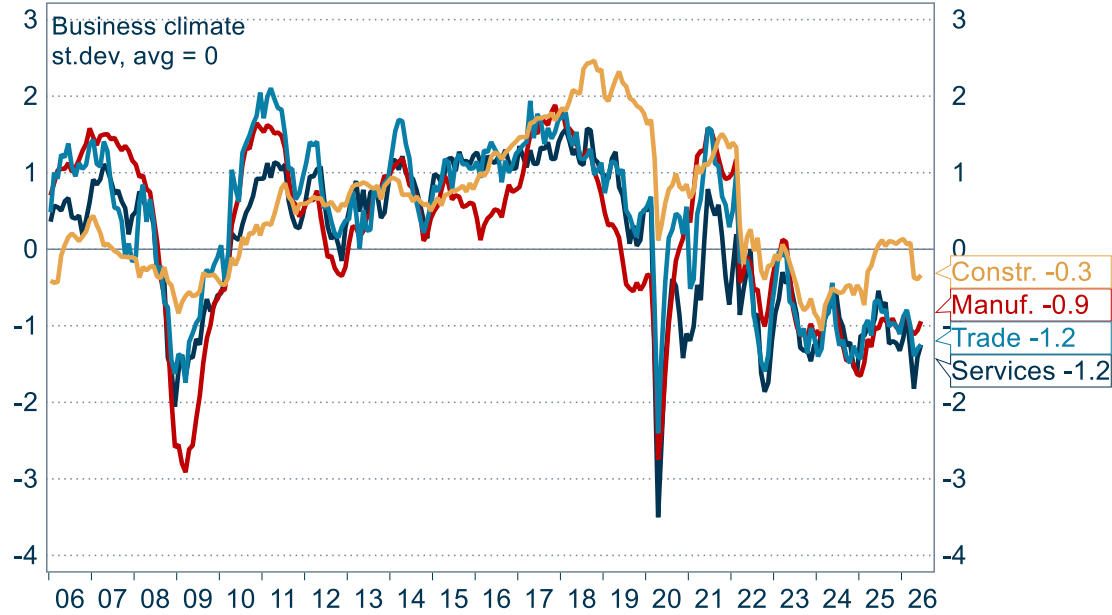
- The Ifo expectation index rose 0.3 p to 84.1, expected 84.8
- The assessment of the **current situation** also rose slightly, to -0.5 s.d.
- ... thus the **composite index** also rose marginally



German Ifo: all subindices up, all still under water.

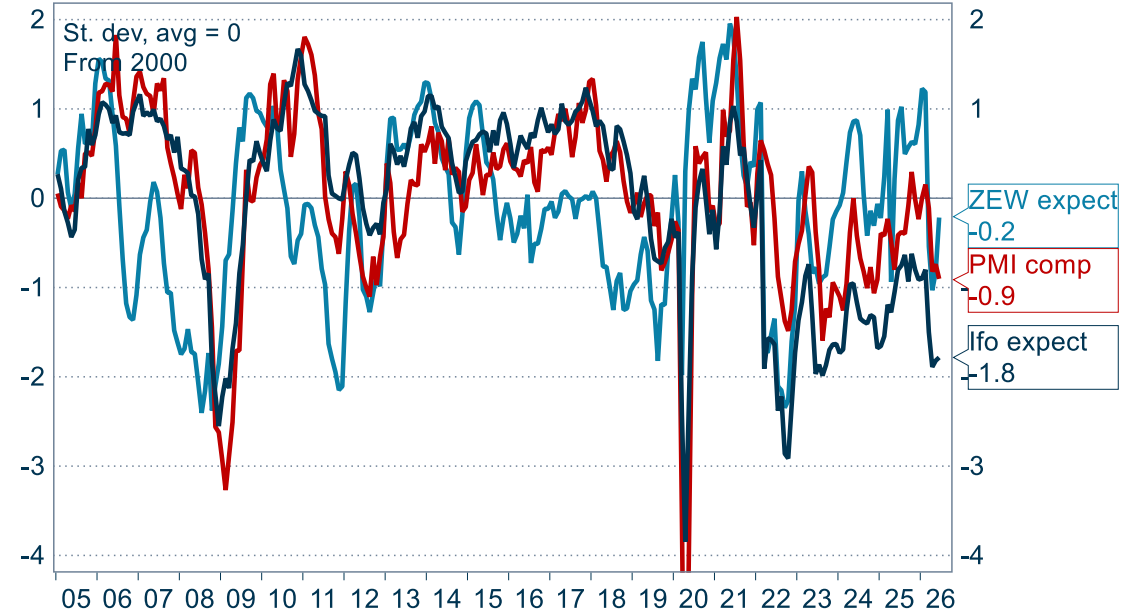
Services are still at the bottom of the ranking, with trade.
Ifo vs. other surveys: ZEW up, while the PMI declined further.

Germany Ifo survey, sectors

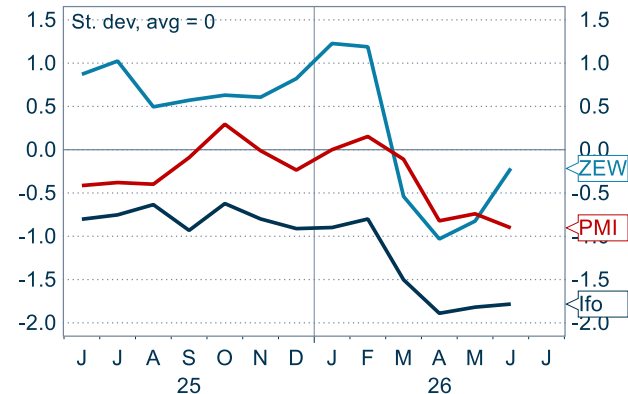
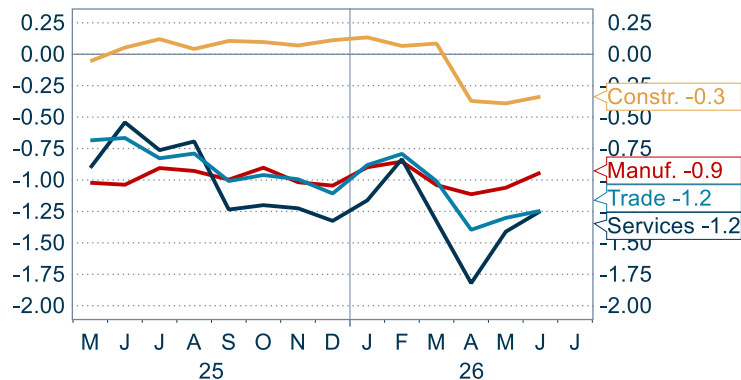


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Germany Business surveys



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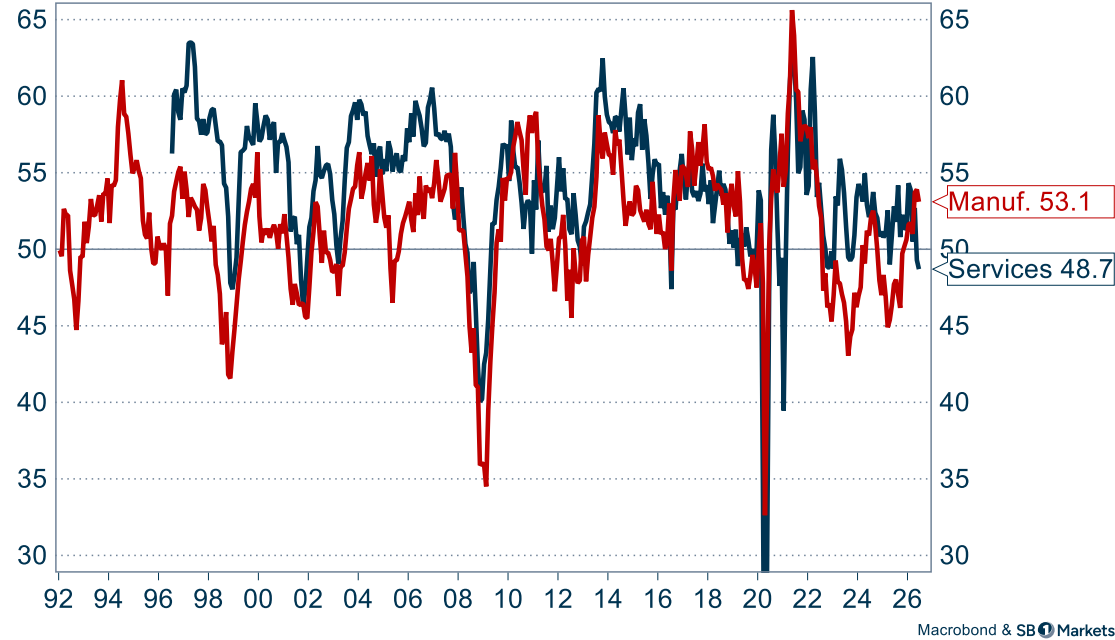




UK: services heads down; Manufacturing still OK; Comp. -0.3 p in June to 49.4 → **no growth**

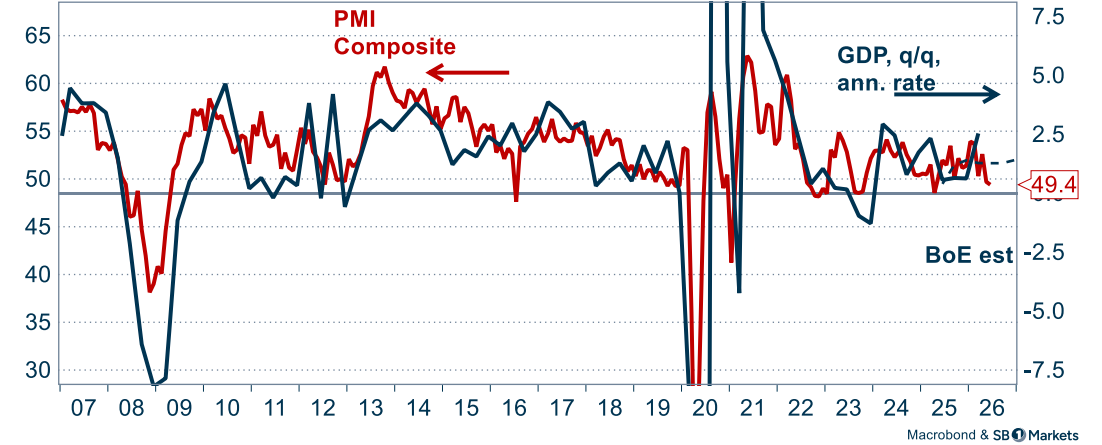
The composite PMI is at the lowest level since a single month in 2025 (and before that some months in 2023). The services PMI at 48.7 suggests a contraction in services. At the same time, the manufacturing PMI 53.1 implies growth above trend.

United Kingdom PMI

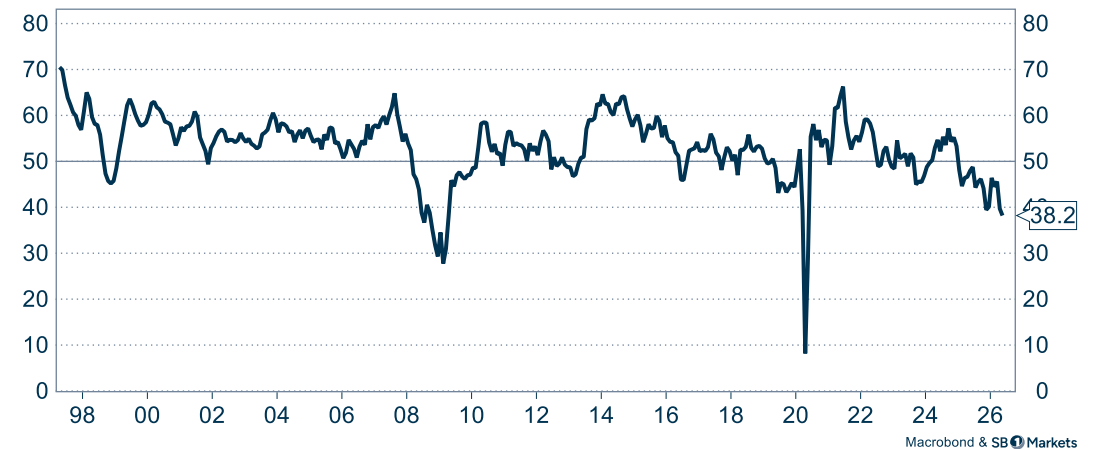


- Construction activity heads straight south, according to builders.

United Kingdom PMI vs GDP



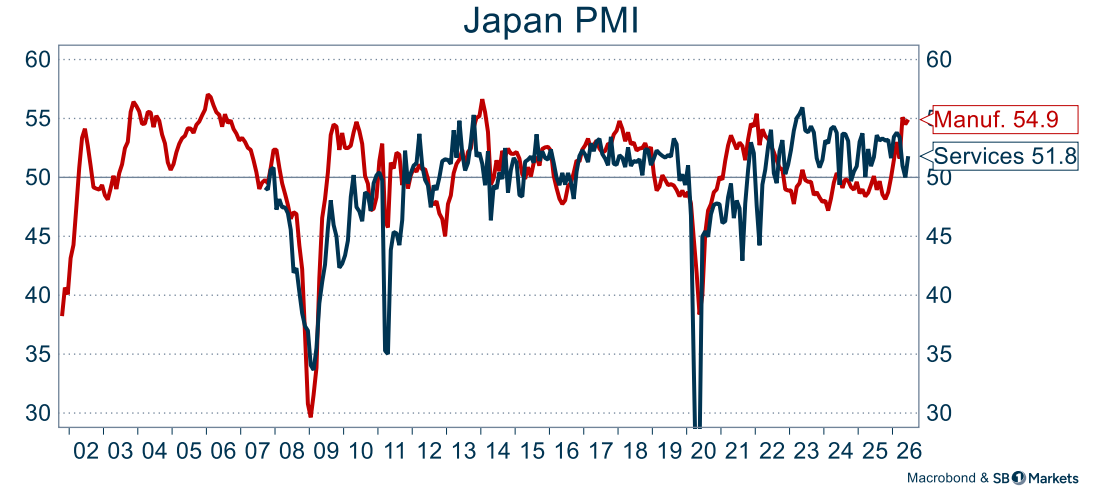
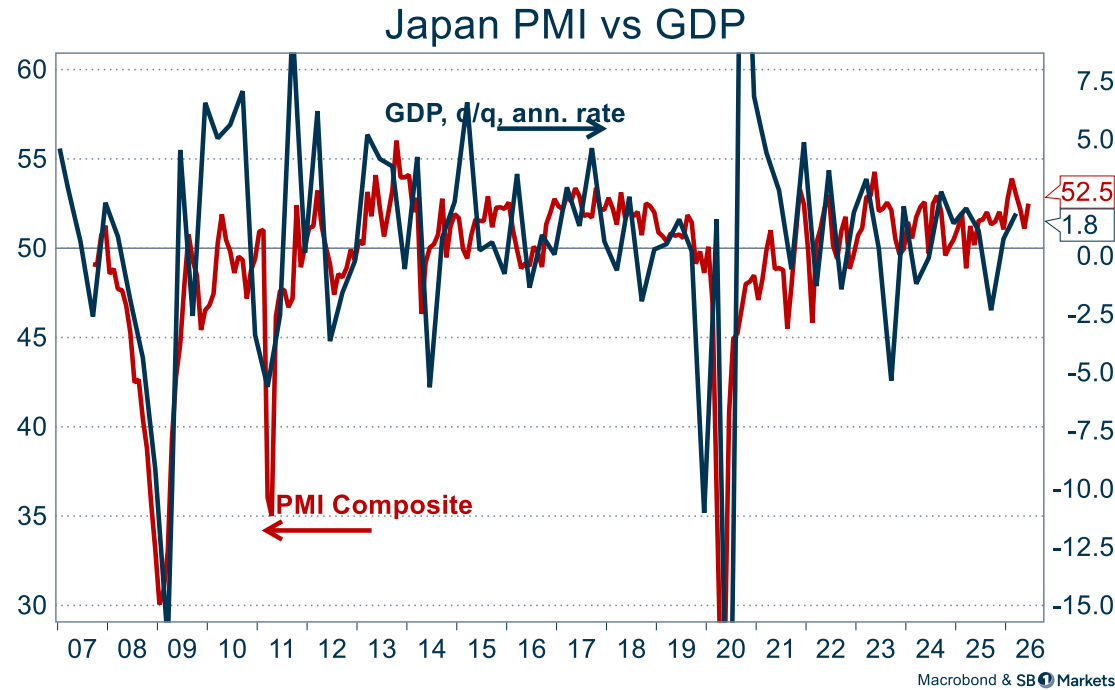
UK Construction PMI



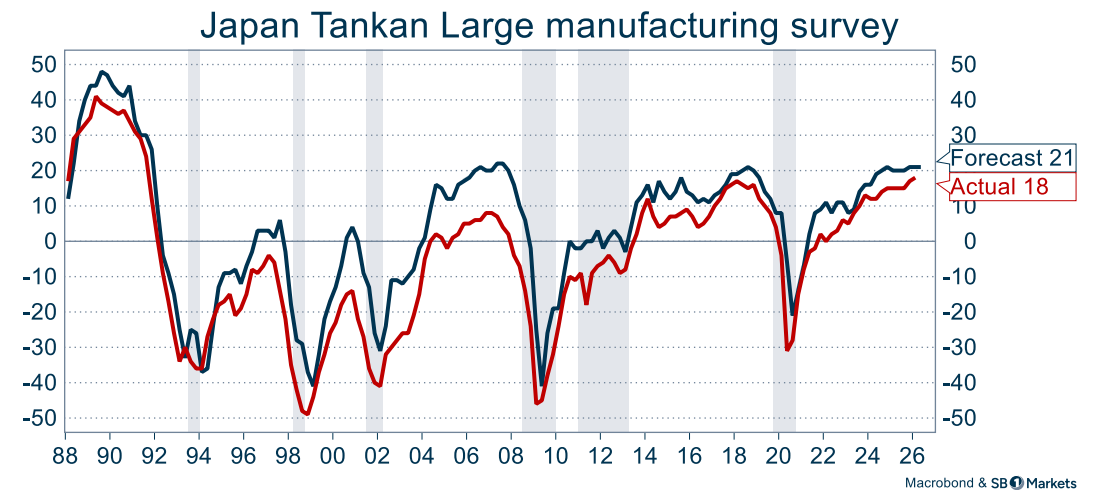


Japan: manufacturing booms, services not strong but up. The comp at 52.5 → **2% growth**

The manufacturing PMI rose to 54.9 in June, not far below ATH! Services recovered slightly to 51.8, above the long-term average (but below the average of the past 3 years). The composite gained 1.4 p to 52.5, well above average. Not that bad.

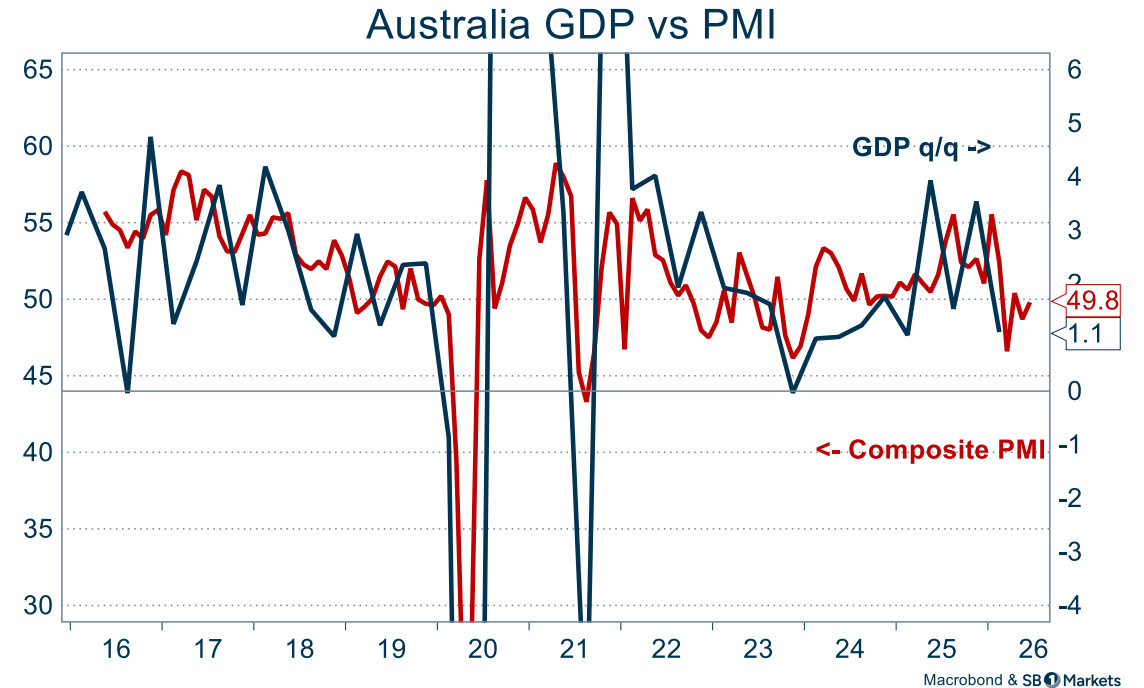
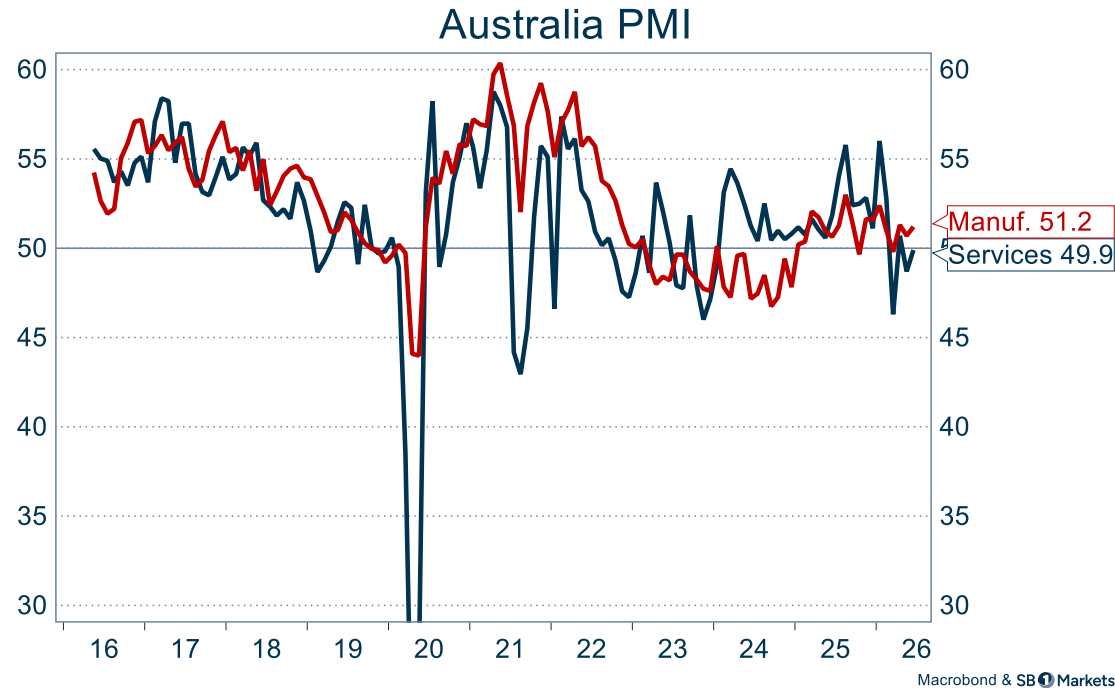


- Other Japanese business surveys, like the Bank of Japan's tankan survey, signal stronger growth than the PMI.
- In Q1, **GDP** grew at a 1.8% pace, in line with the message from the PMI survey.



Australia: both manufacturing and services slightly up in June → 1.5% GDP growth

The composite PMI rose slightly but remains below the 50-line at 49.9 – but that is sufficient to suggest 1.5% GDP growth. Manufacturing stays above (51.2), services below, at 49.9.



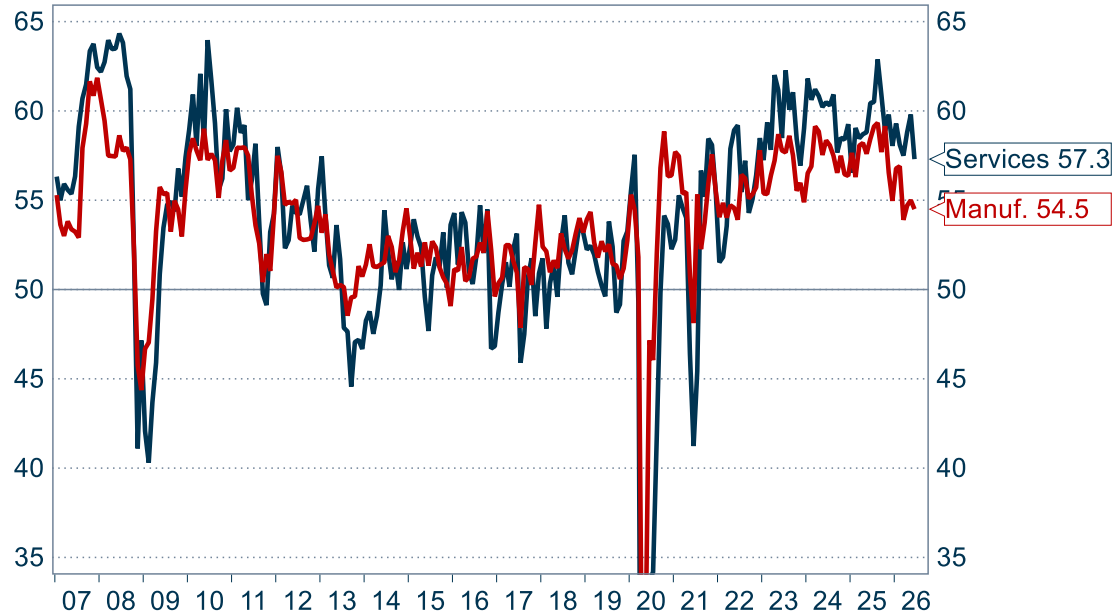
- GDP grew at a 1.1% pace in Q1, in line with the PMI 'signal'
- The 75-bps lift in the **policy rate** to 4.35% probably contributes to the slowdown in an economy that also struggles with too high inflation.



India: both manufacturing and services reported lower growth in June, **but still high**

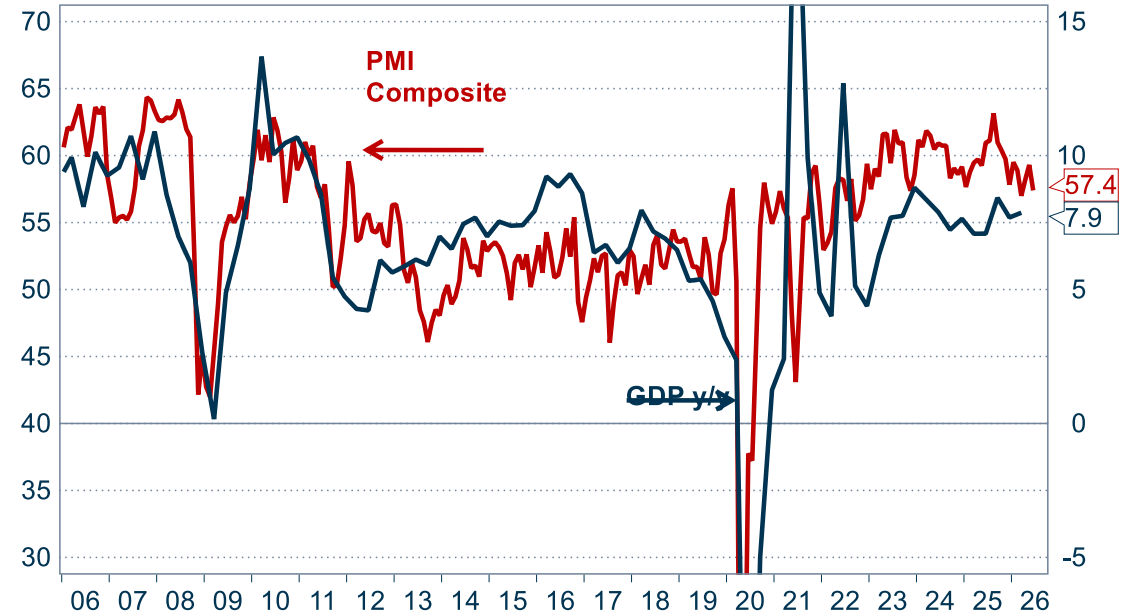
The composite PMI declined 1.9 p to 57.4, normally suggesting strong growth. However, the level signals somewhat slower growth than the current 8% speed – if adjusted for the ‘over-optimism’ recorded in the PMIs the past 3–4 years.

India PMI

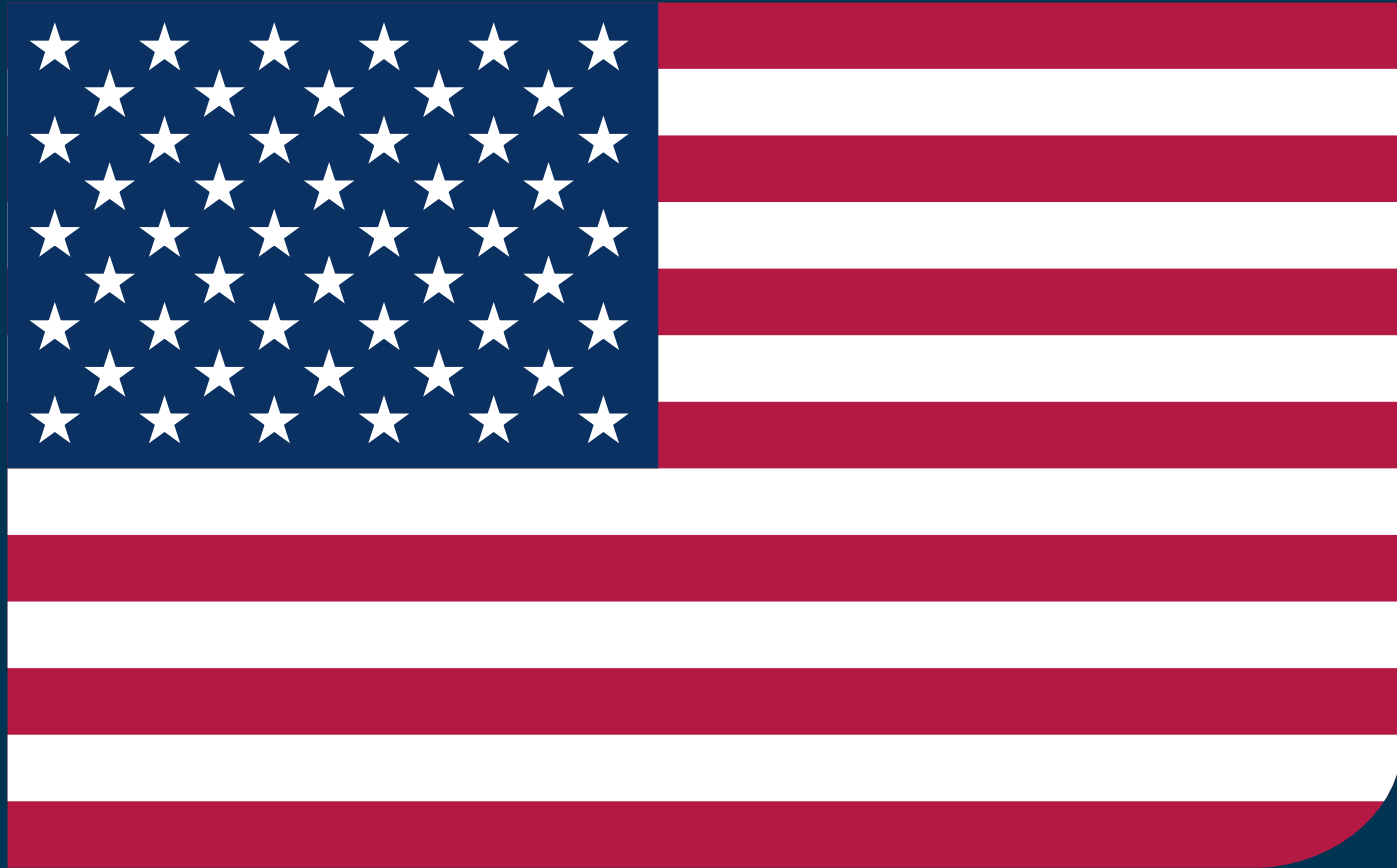


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India PMI vs GDP



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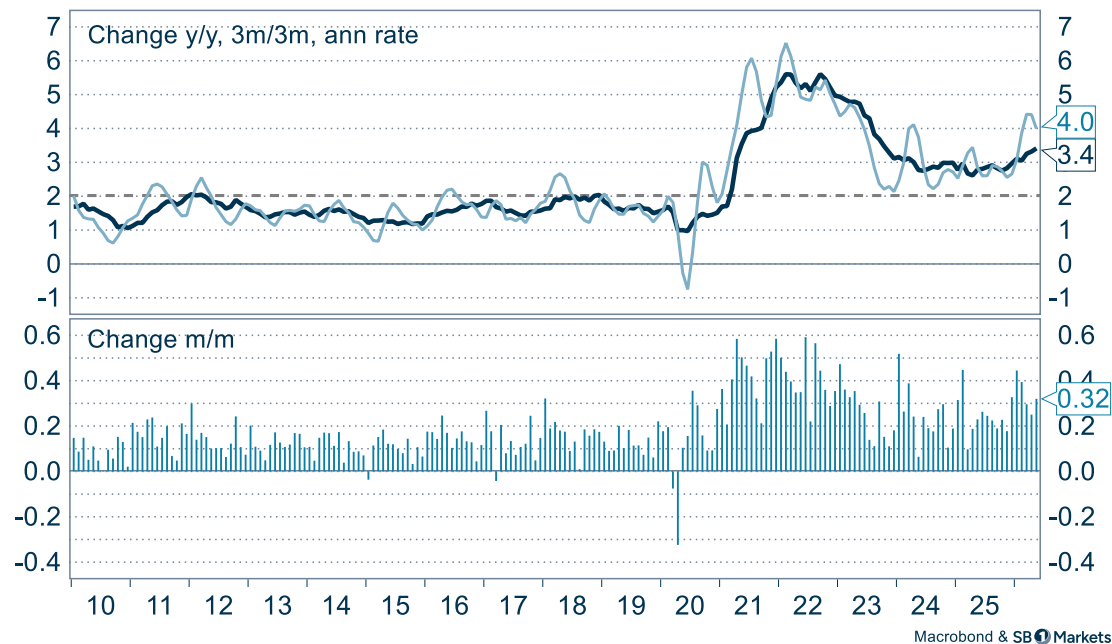
United States



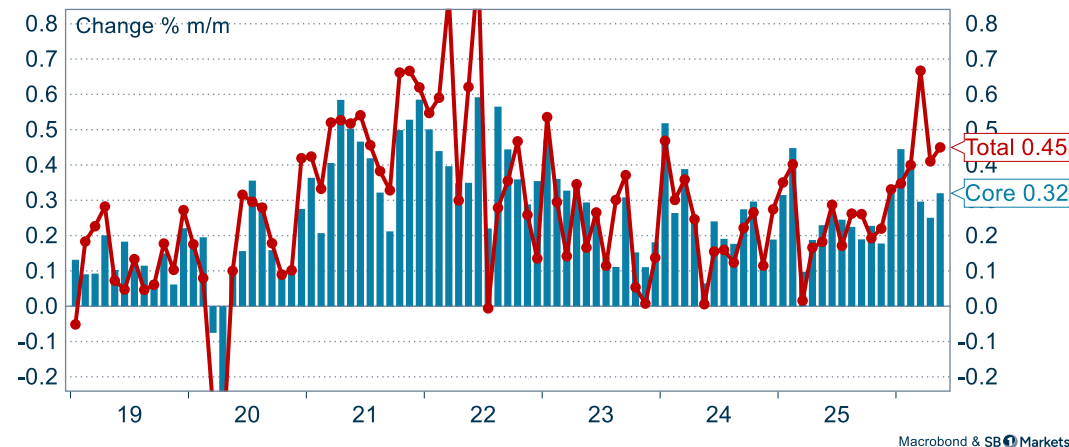
Total PCE up 0.4(498)% in May, and 4.1% y/y. The core up 0.32%/3.4%. All as expected

Energy prices were up 4% m/m, and 24% y/y, and lift the PCE by 1.0 pp. In the core index, services ex rents contributed the most on the upside, primarily due to lift in airfares, as jet fuel costs still were high. Now, (all sorts of) fuel prices are coming down, as will inflation, both tot. & core.

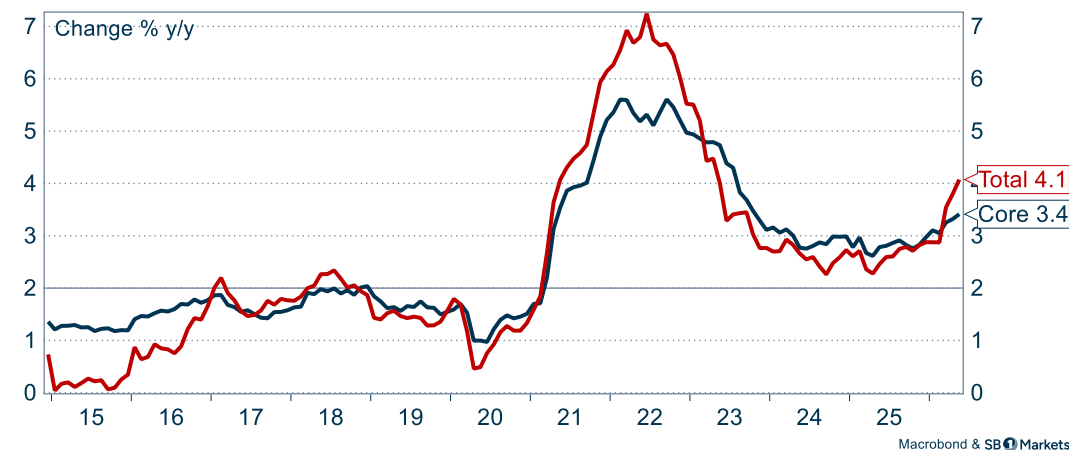
USA Core PCE deflator



USA PCE deflator



USA PCE deflator



- **PCE price inflation** is high and has accelerated – but underlying growth has probably already peaked, and the headline will follow as energy prices now are rapidly on the retreat and the impact of tariffs is fading as prices have been adjusted, and the effective tariff rate has fallen.
- Even so, a large majority of sectors report too high inflation whatever way we (or Fed) measure it.
- Federal Reserve’s 2% inflation target refers to the PCE deflator, not the CPI. However, even the CPI would not have made it possible for the Fed to cut, barring a deep economic downturn.

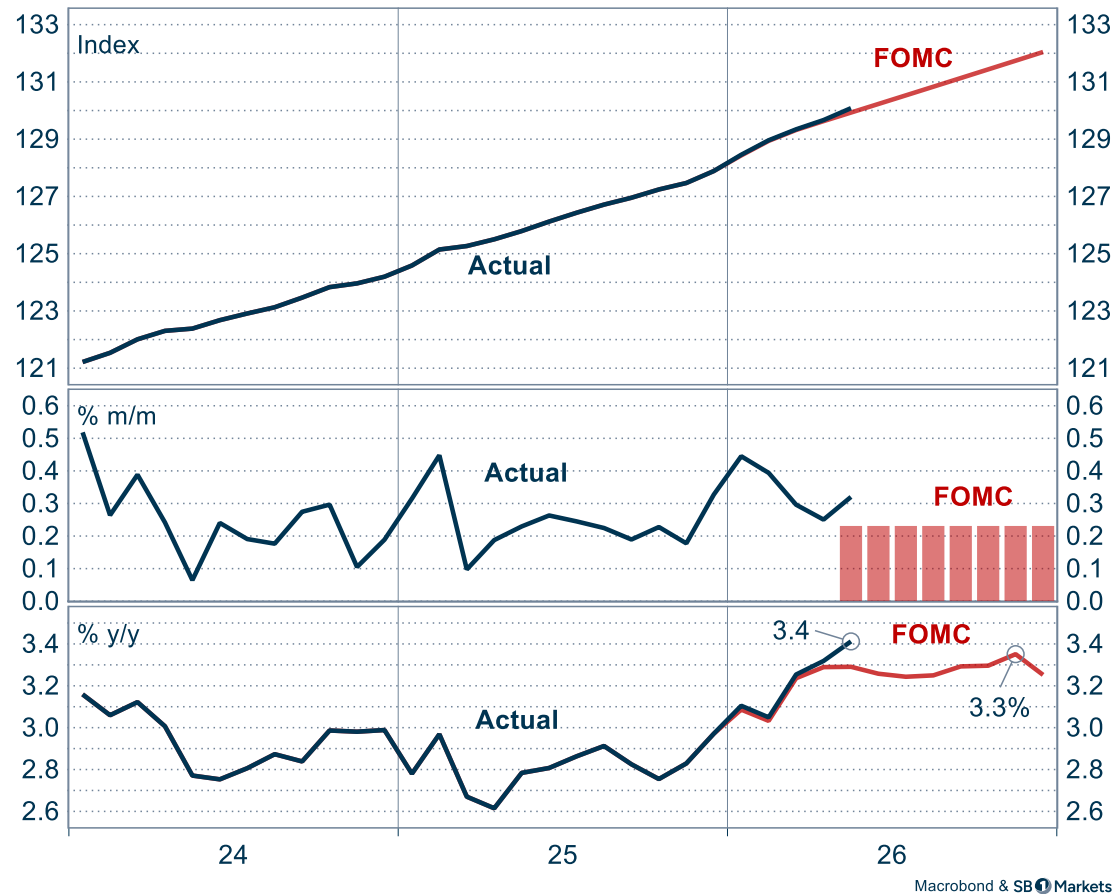
PCE deflator: the price deflator for personal consumption expenditure in National Accounts. Rents have a far smaller weight than in the CPI, health services a much higher weight. Weights are adjusted continuously.



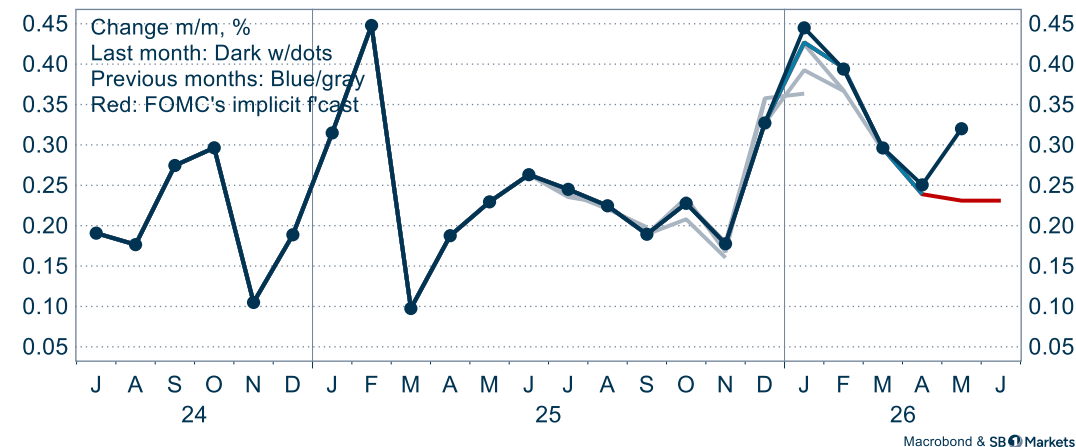
Core PCE inflation once again above FOMC's f'cast, if it had been linear

... which it is not. If the indirect impact of falling energy prices were factored into the FOMC (median member) core PCE forecast, it would have been higher in May than our technical assumption based on an equal distribution of monthly price increases.

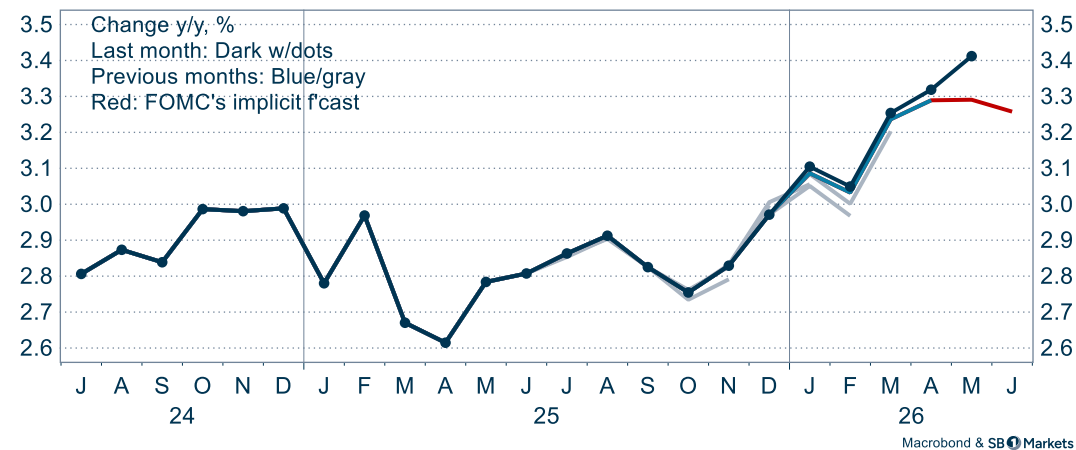
USA Core PCE FOMC forecast



USA Core PCE - revisions



USA Core PCE - revisions

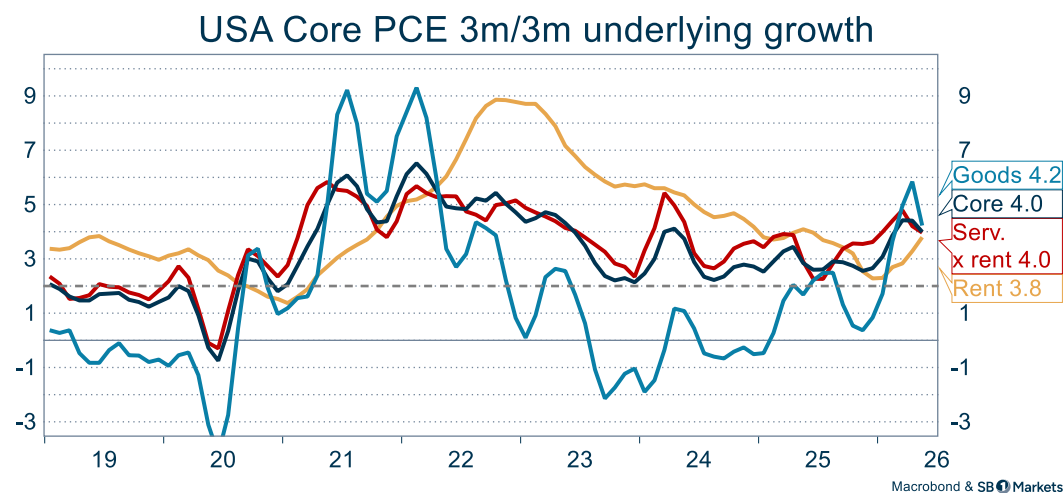
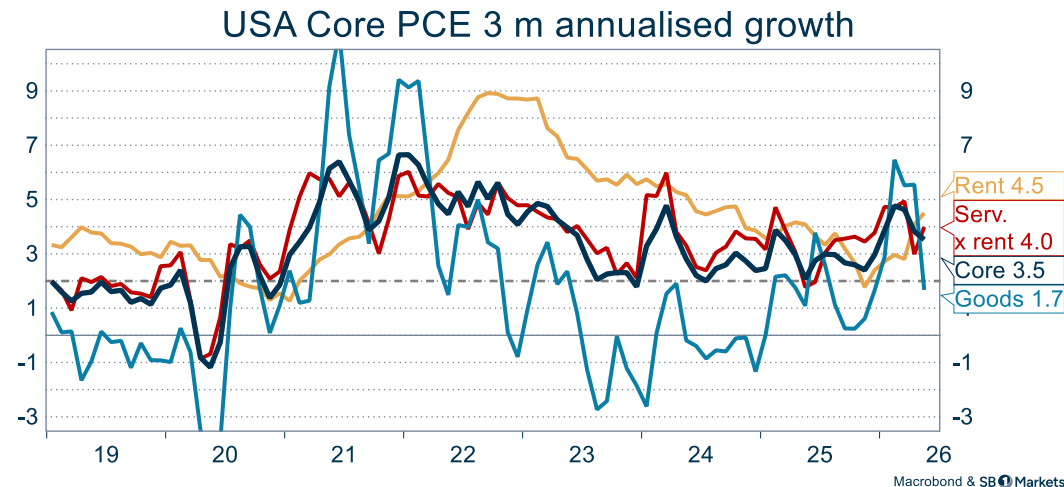
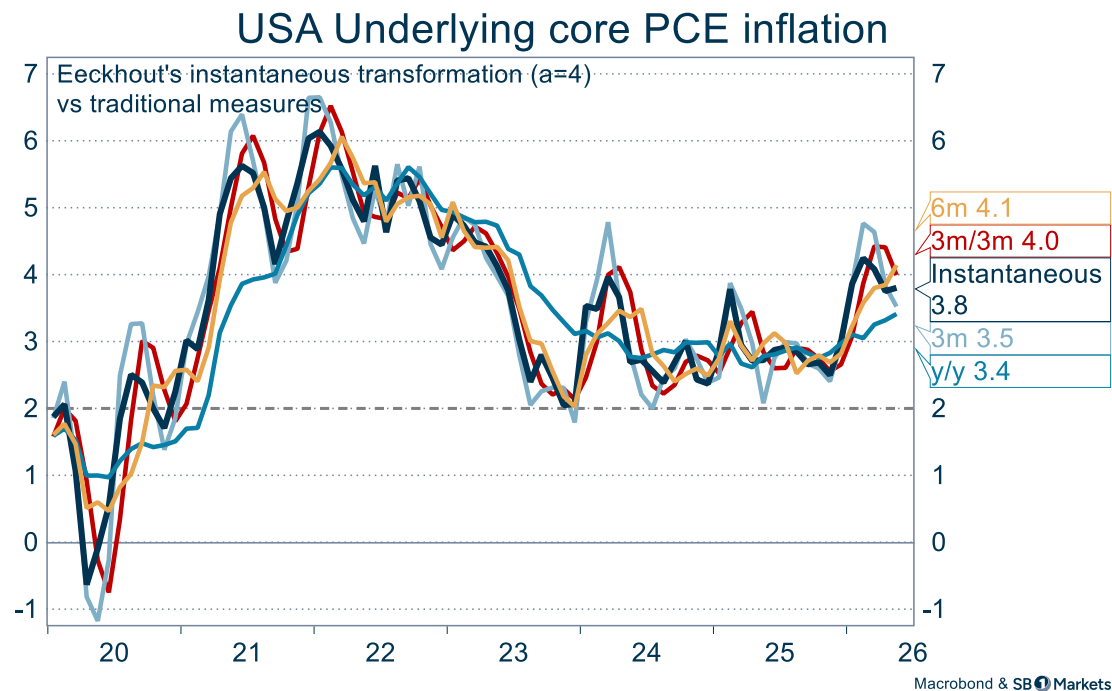


We assume constant monthly price increases through the rest of the year when we construct a 'FOMC' path, based on the annual growth rate in Q4 each year



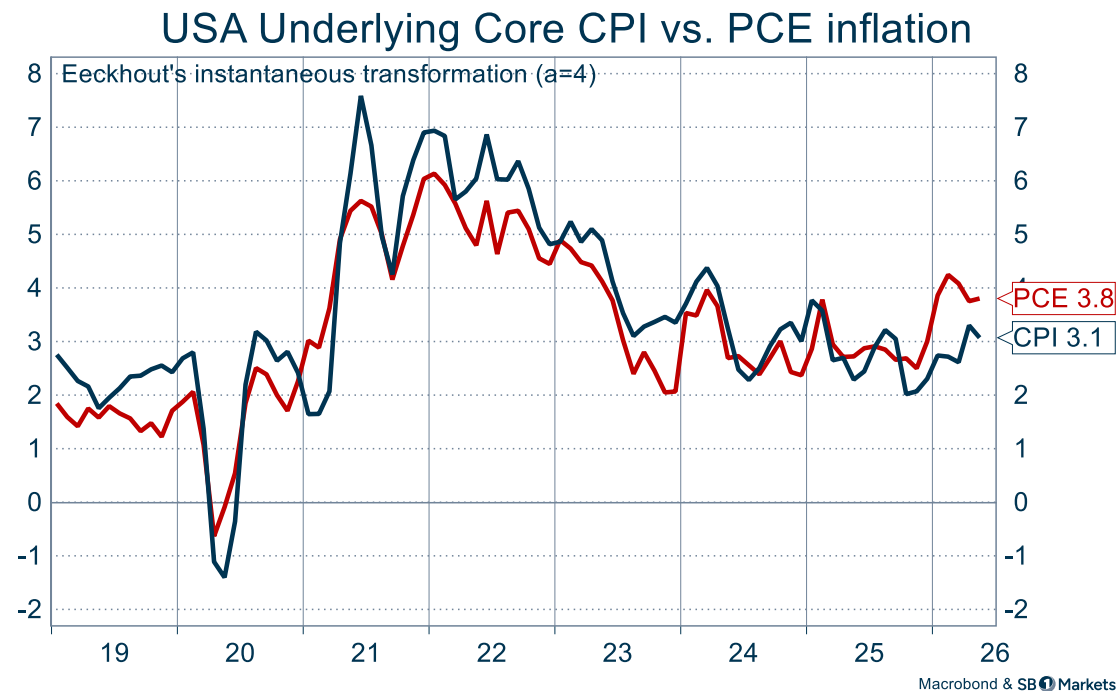
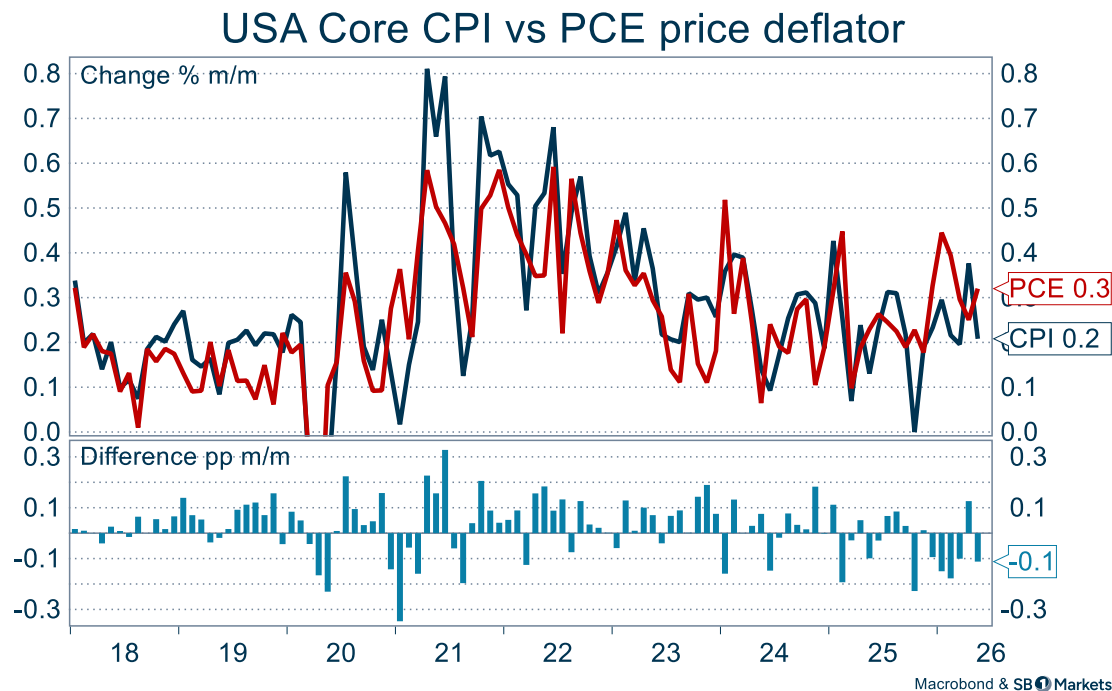
Underlying core PCE inflation has peaked – but is not low

Core goods price inflation is slowing, probably as more prices have been adjusted after the hike in tariffs, partly also because effective tariff rates are coming down. Rent inflation is accelerating though.



Core CPI vs. PCE: not the same signal lately – but the gap has narrowed

Underlying core CPI growth *) slowed to 3.1% in May, while the core PCE index was slightly up to a 3.8% pace

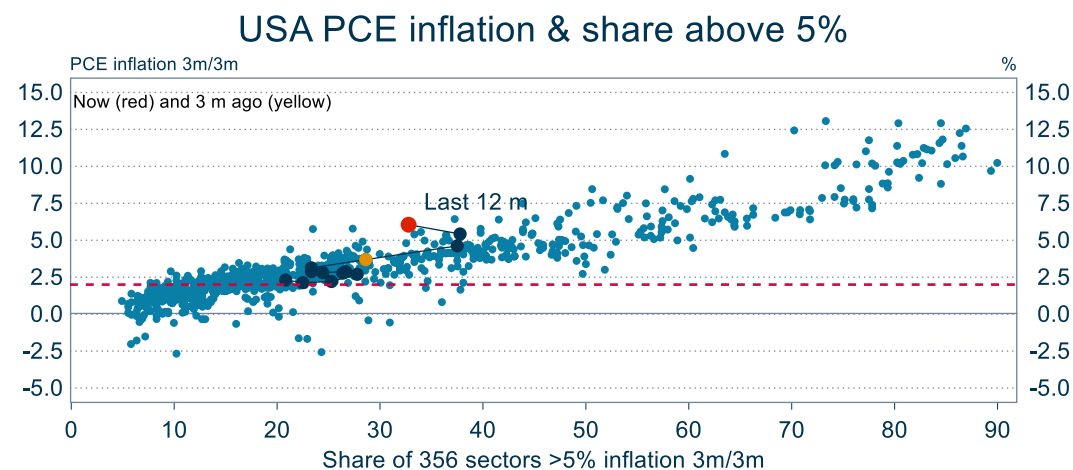
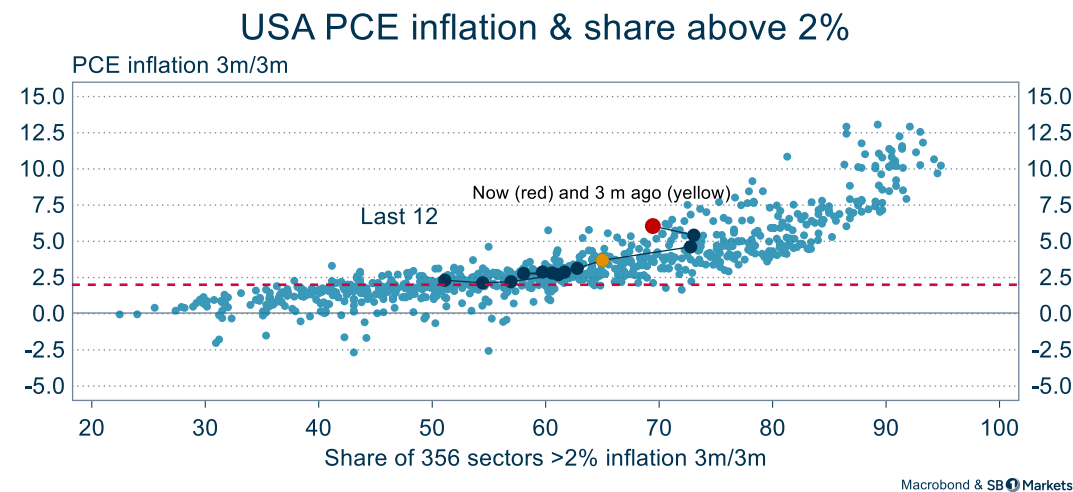
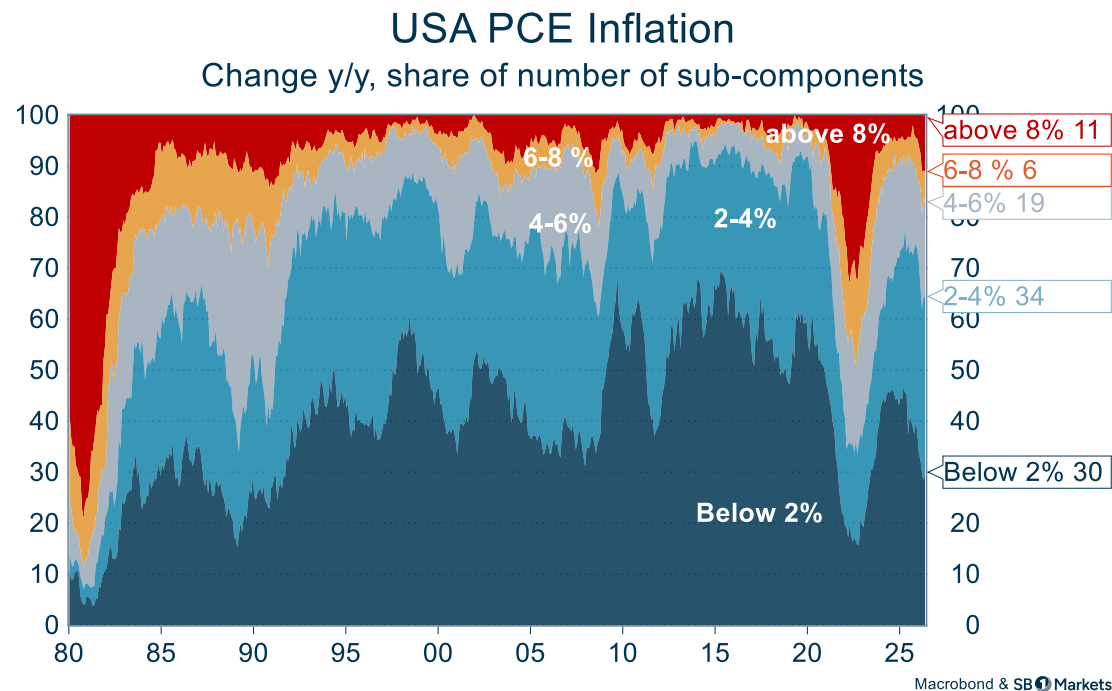


*) Eeckhout's instantaneous transformation



Rapid price increases are not broadening anymore but narrowing

Still, just 30% of the components in the PCE deflator grow 2% or less – and 36% are up more than 4%!



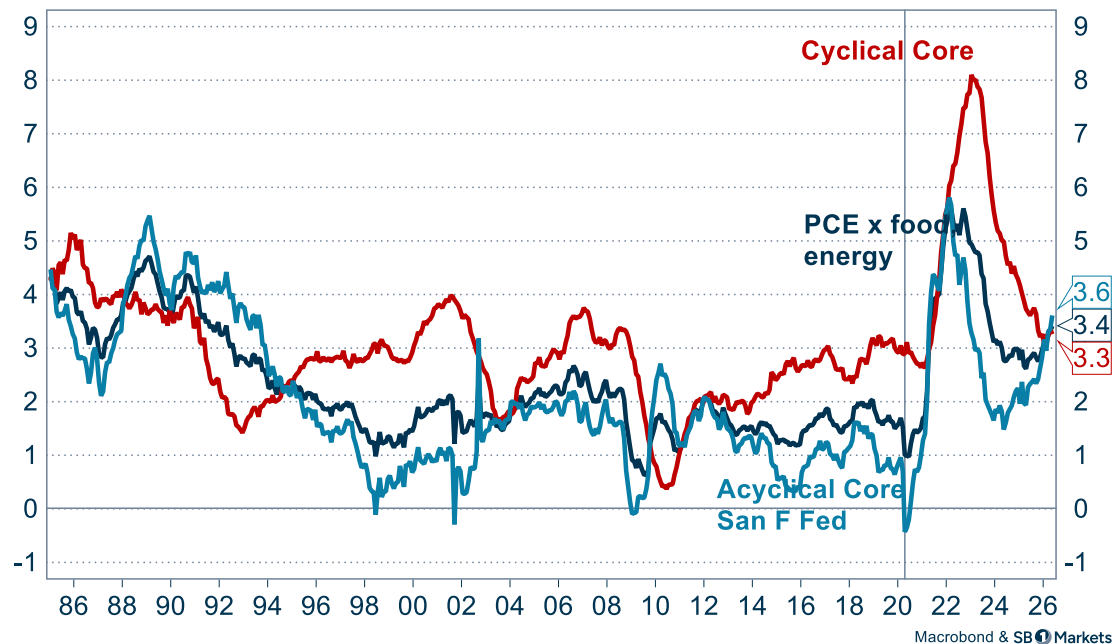


Both the cyclical and the acyclical core PCE accelerated in May, to 3.3–3.6%

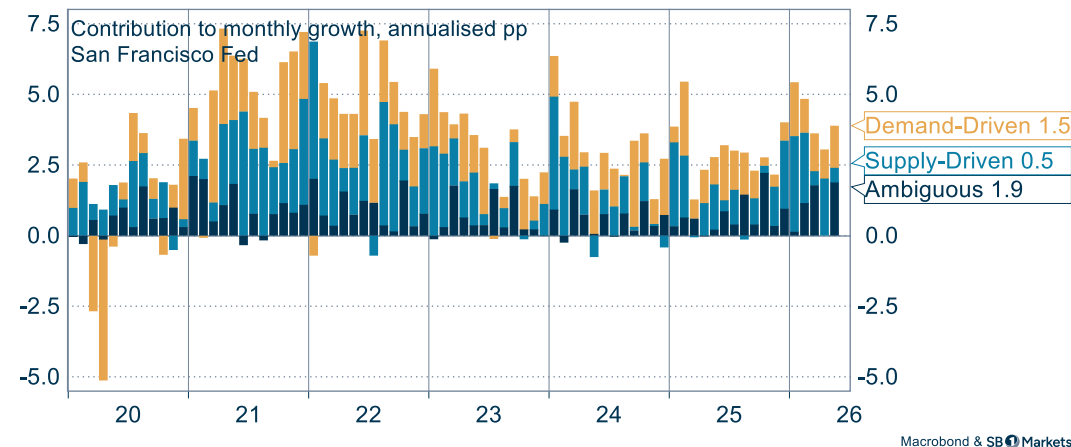
The cyclical core (37% of the PCE) trends down, while the acyclical core heads rapidly up.

Both supply and demand contribute to inflation, almost evenly (but until recently, demand has been the most important driver).

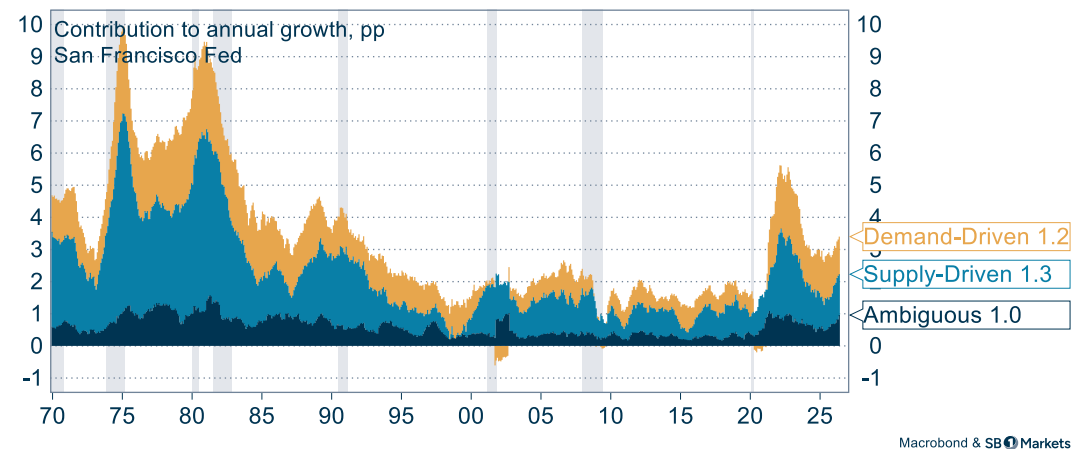
USA PCE 'core'



USA Core PCE inflation



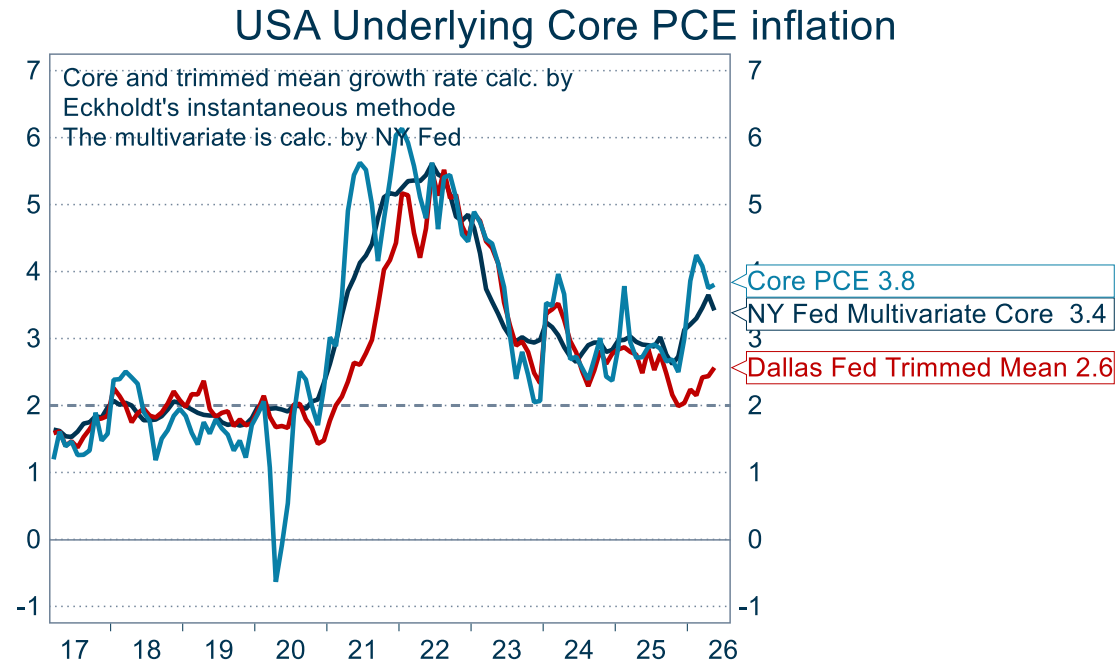
USA Core PCE inflation



- We have been in doubt regarding the **supply/demand split** for explaining the surge in inflation – but here are the San F. Fed’s estimates: Over the past year, 1.2 pp is due to strong demand, while supply side factors have lifted the index by 1.3 pp. The rest, 1.0 pp, is ambiguous. Wages are included in the supply side component, which is not an obvious model specification in all circumstances.

Demand-driven categories are identified as those where an unexpected change in price moves in the same direction as the change in quantity in consumption in a given month. *Supply-driven* categories are identified as those where unexpected changes in price and quantity move in opposite directions, **including impacts of higher wages**. Source: San Francisco Fed/A. Shapiro

Other measures of underlying inflation: no reason to celebrate



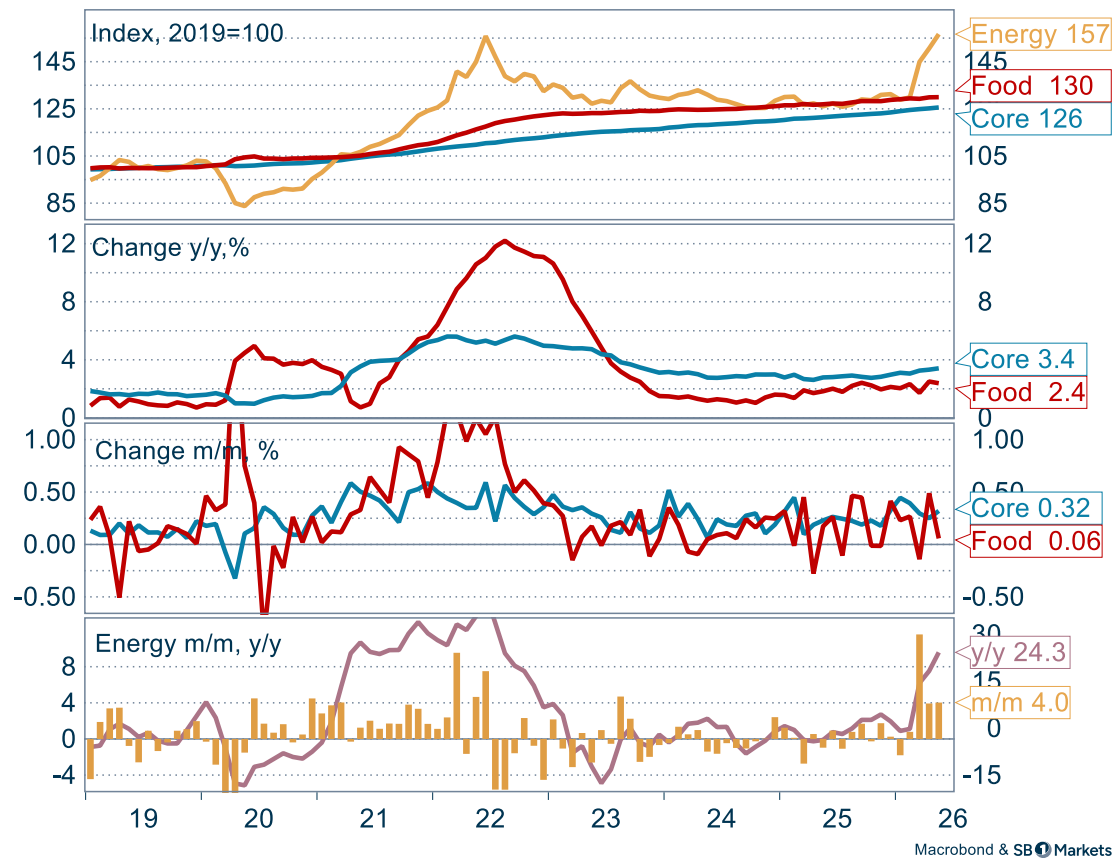
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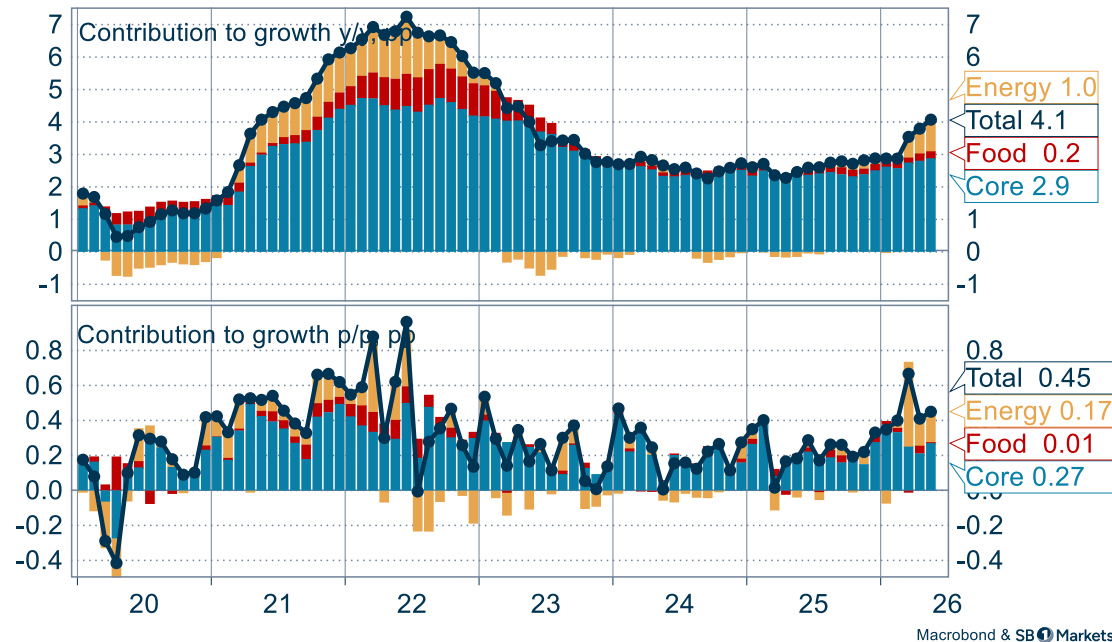
PCE details: energy up 4% m/m, 24% y/y, contributing 1.0 pp to the 4.1% headline PCE

Food prices rose 0.1%, while core prices rose 0.32%, and 3.4% y/y, both as expected

USA PCE deflator



USA PCE Deflator

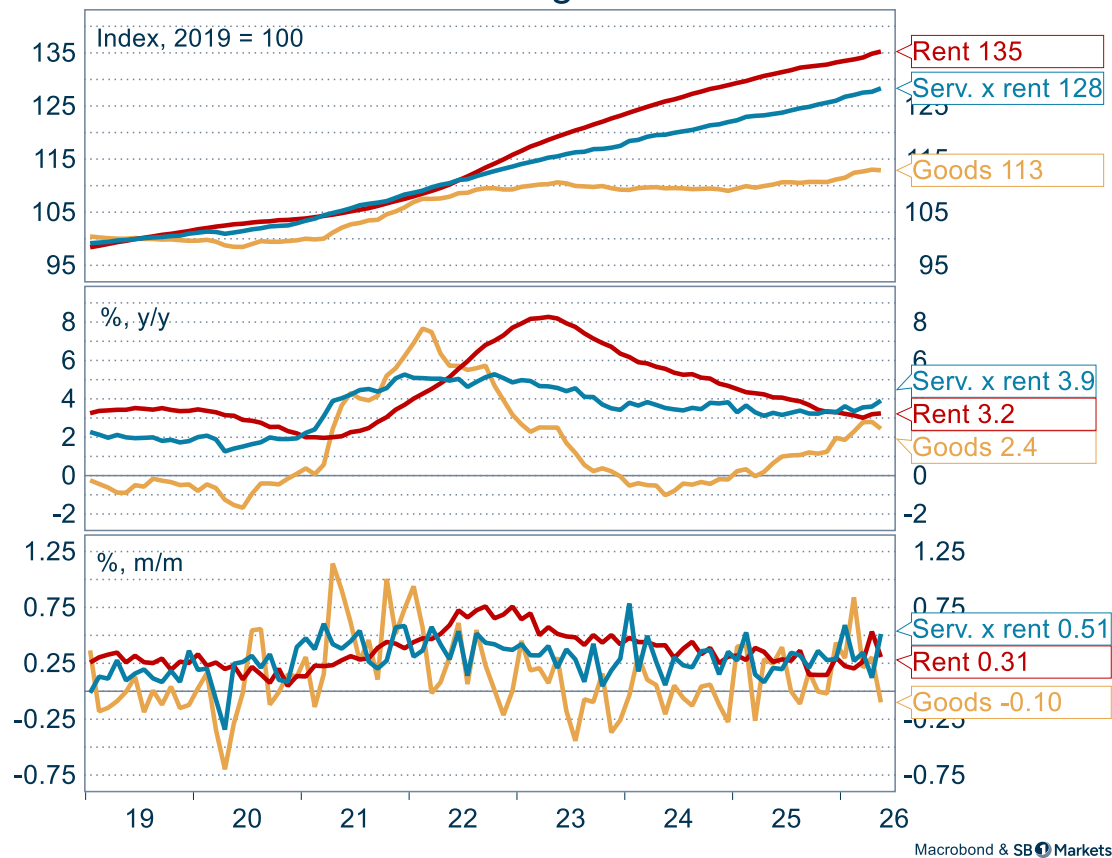




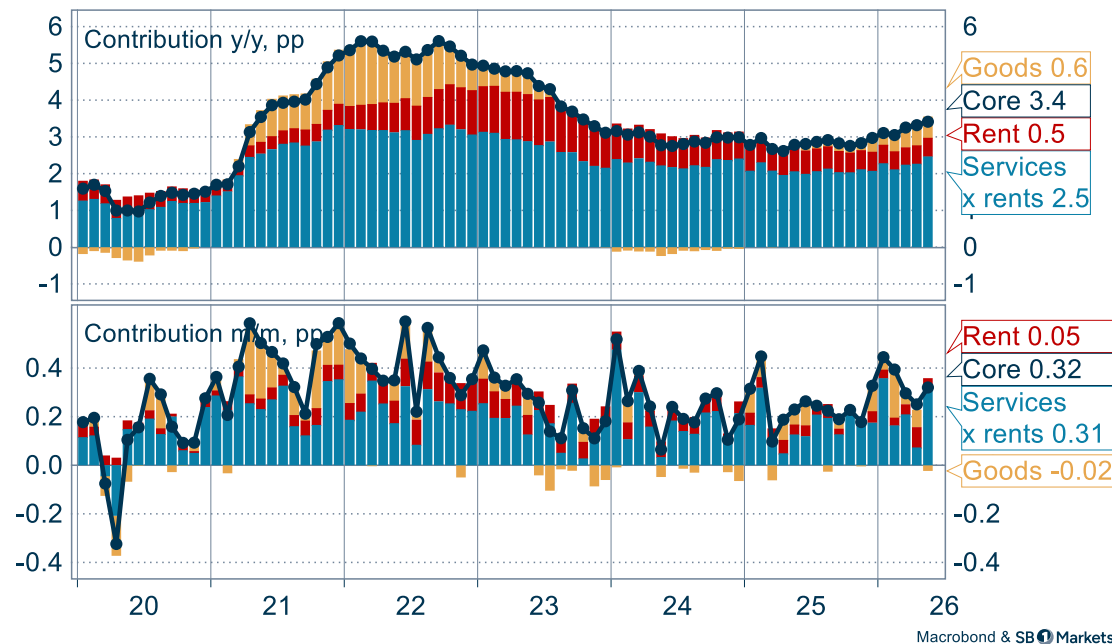
Core PCE details: services up just 0.1% in April, but goods 0.3% and rents 0.5%

Core services ex. rents are up 3.5%, lifting the core PCE by 2.2 pp. Rents are up 3.2%, a 0.5 pp contribution. Core goods are up 2.8% y/y. Blame the tariffs (but it will not last forever).

USA PCE Core goods & services



USA Core PCE deflator

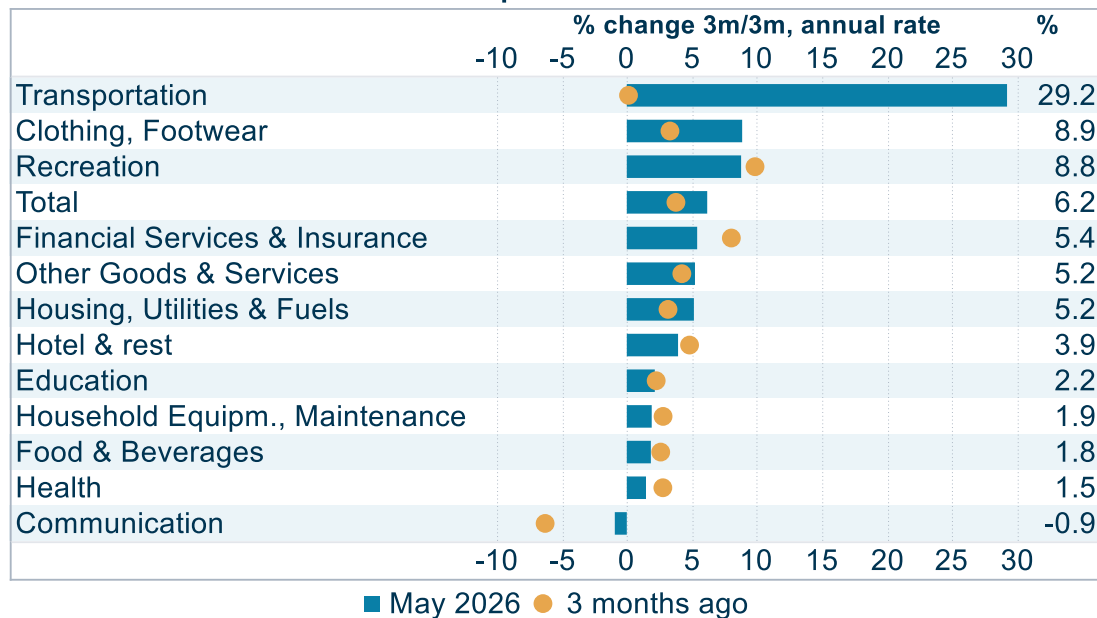




PCE details: 6 sectors report faster 3m/3m growth than 3 months ago, 6 slower. 9 >2%!

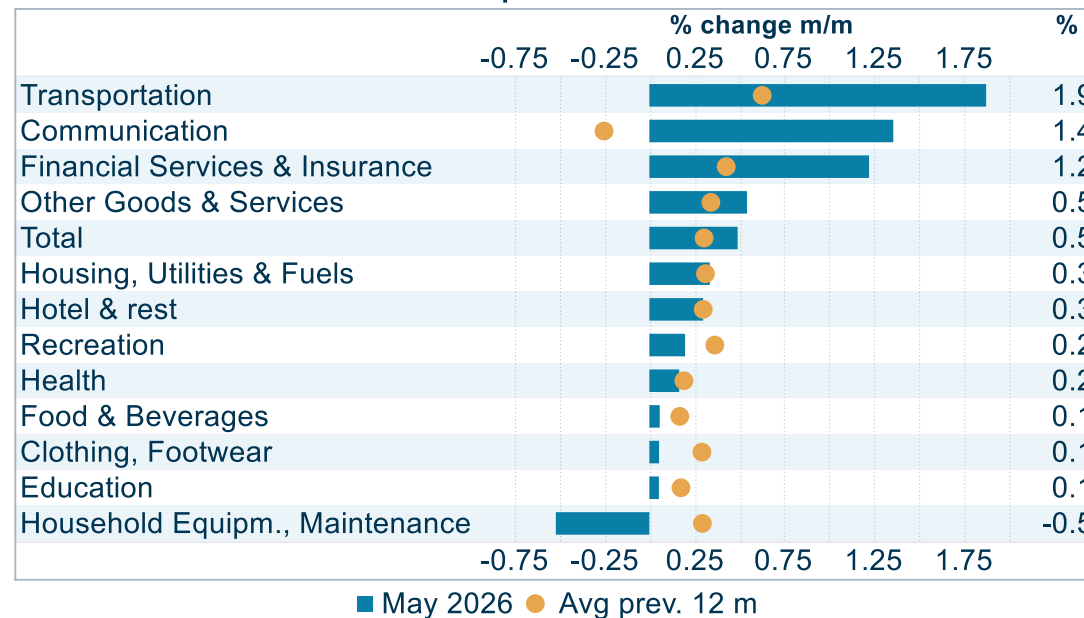
Inflation is too high, and rather broad based. Last month: transportation still in the lead 'supported' by airfares. Now, jet fuel prices are falling rapidly, and airfares will very likely turn down as well. Measured y/y, 4 of 13 sectors report less than 2% inflation, from 1 last month

PCE price index



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PCE price index

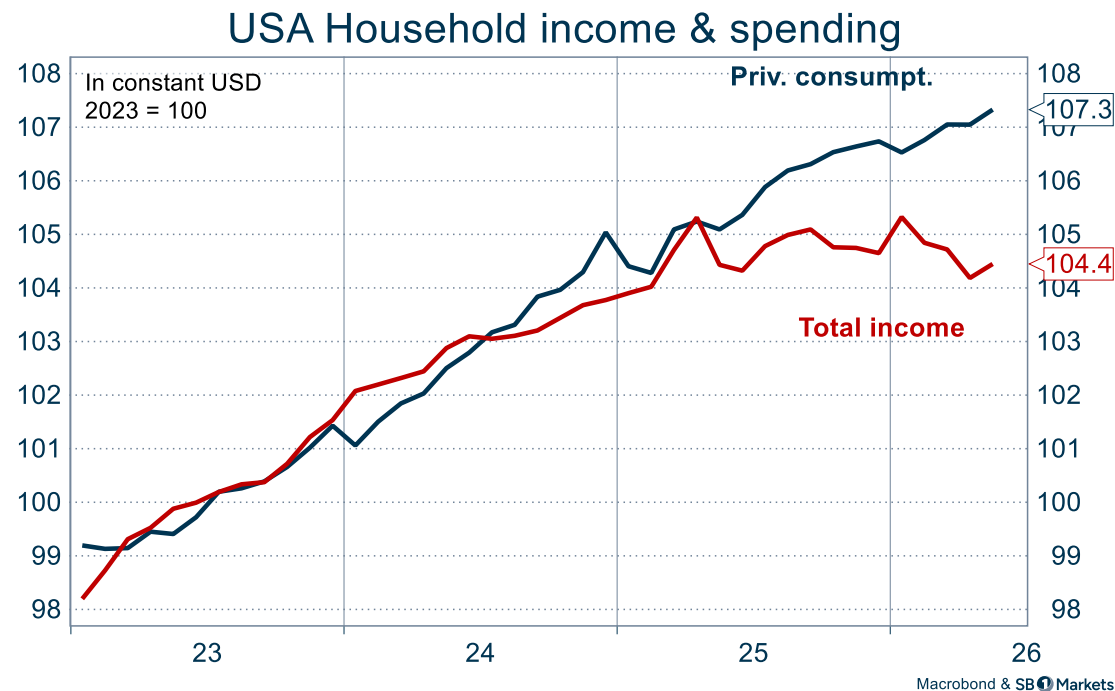
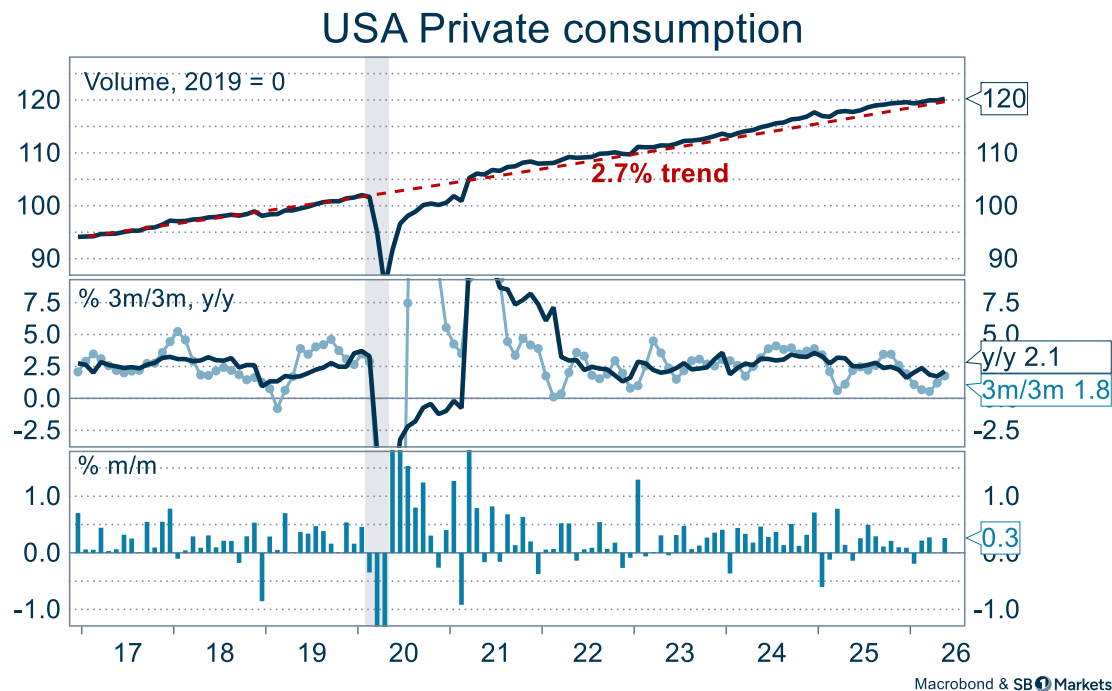


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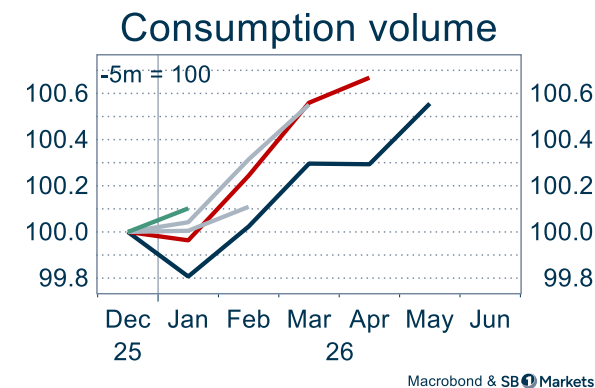


Consumption grew 0.3% in May, from a 0.8% downward revised level

Consumption grew by 0.1 pp more than expected. Disposable income rose 0.7% and 0.3% in real terms – which trends rapidly down. The savings rate was flat, at a 0.4 pp upward revised 3.0% level. The risk: One day, the savings could increase, substantially.



- **Income growth** has slowed in nominal terms, and inflation has not declined. Real disposable income is down y/y, even before adjusting for growth in population (which is low though).
- **Consumption** is up 1.8% 3m/3m, less than the growth rate reported a month ago. The downward revision was substantial (*check the lower chart to the right*).
- **The savings rate** has fallen sharply the past year and has funded all of the growth in consumption.

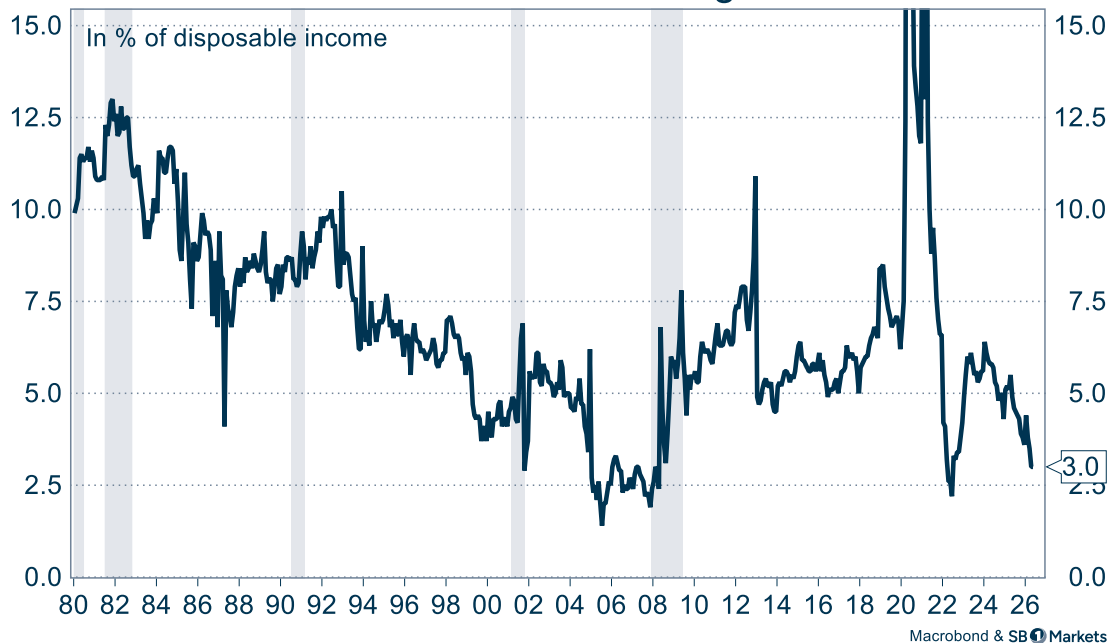




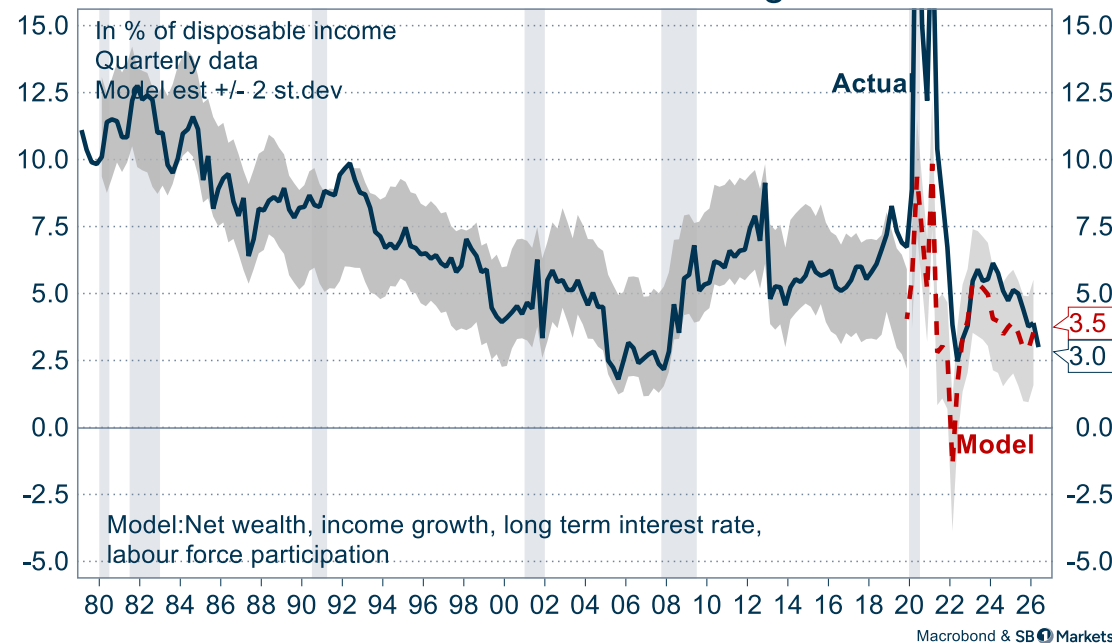
The savings rate revised up, and flat in May – but still very low

A falling savings rate has been a key driver behind the rise in consumption since early 2024. The 3.0% saving rate is not comforting, and it sits slightly below the projection from our simple model

USA Households' savings rate



USA Households' savings

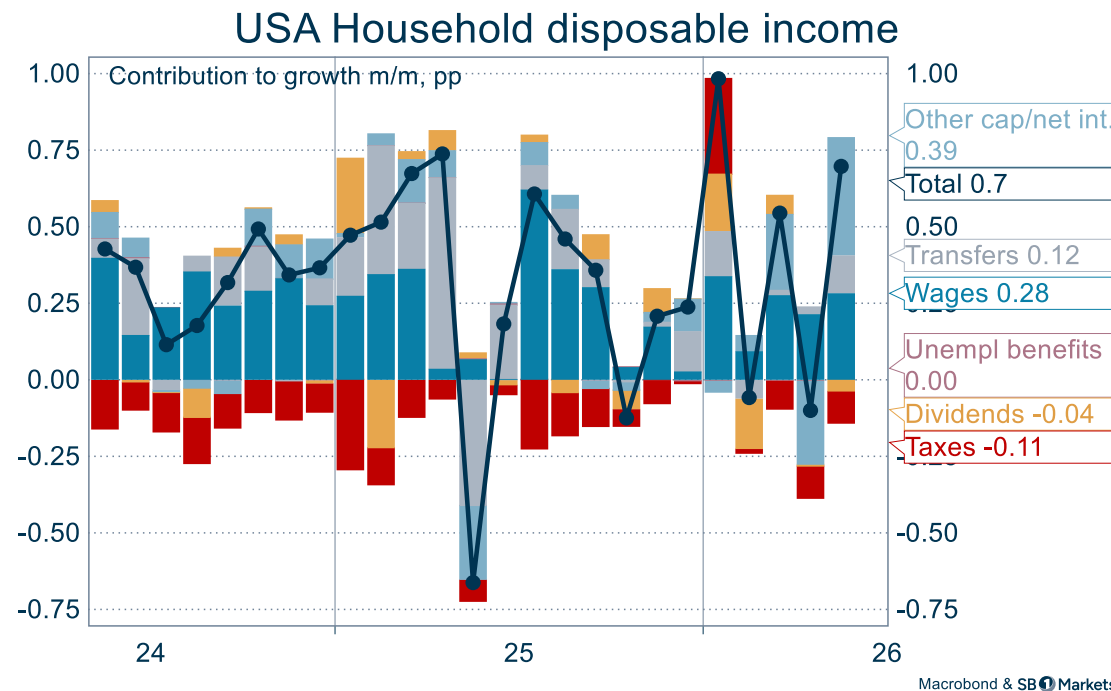
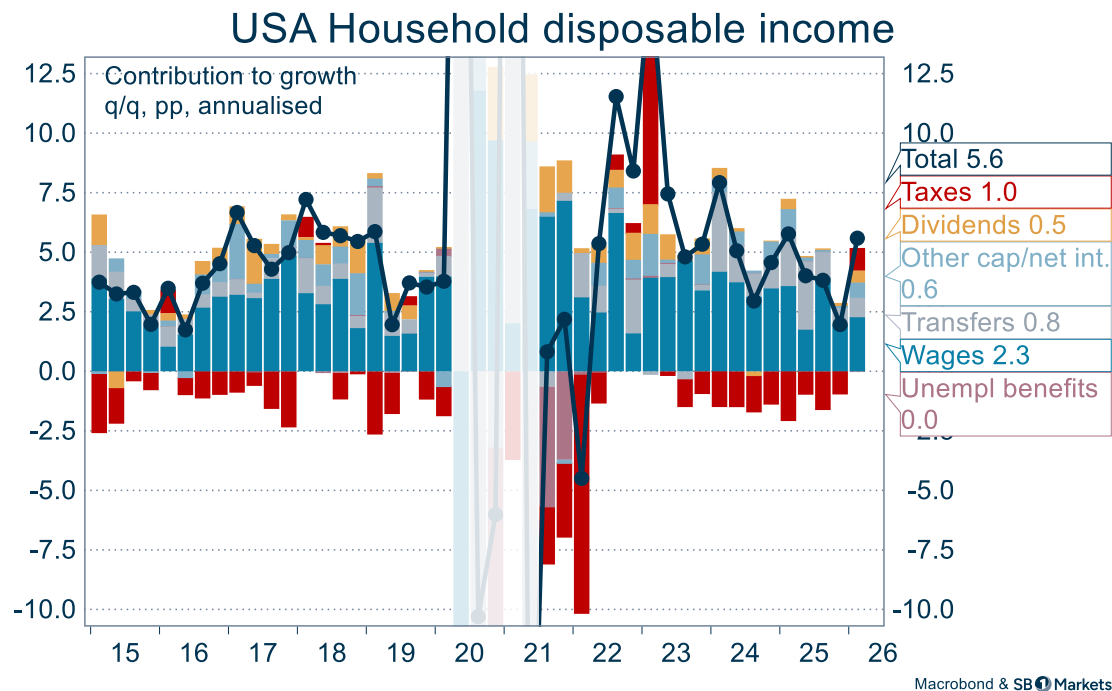


- The savings rate has been lower, but not by much.
- The decline in our model estimate is mostly driven by the strong equity market.



Household income: a 0.7% lift, nominally, as (farmers) incomes recovered.

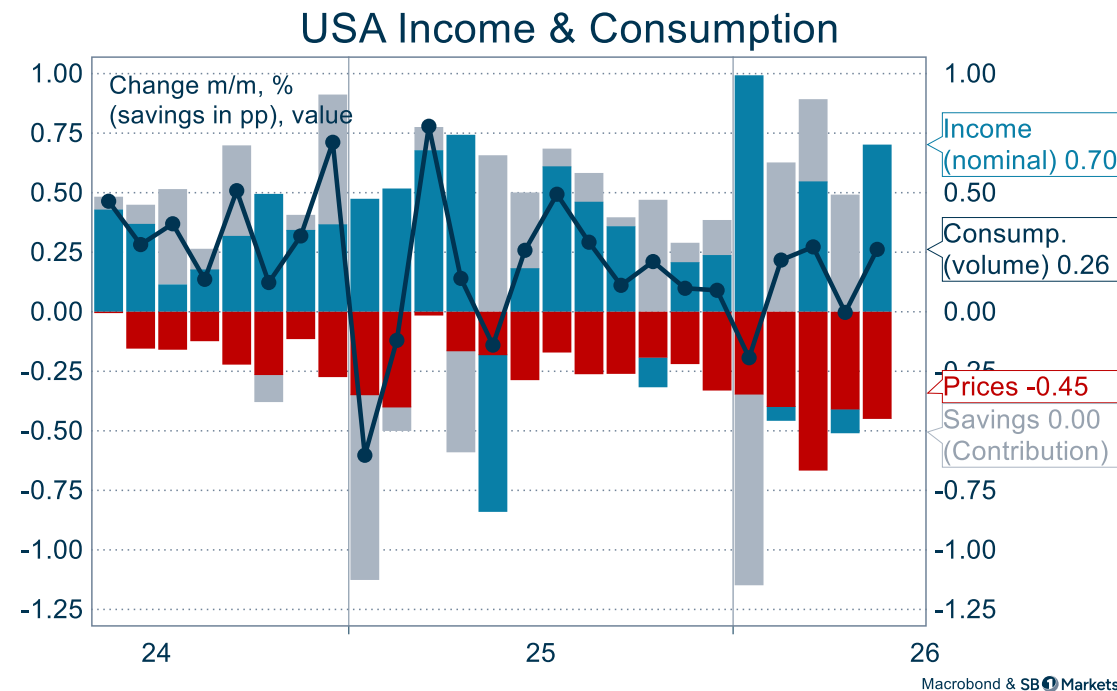
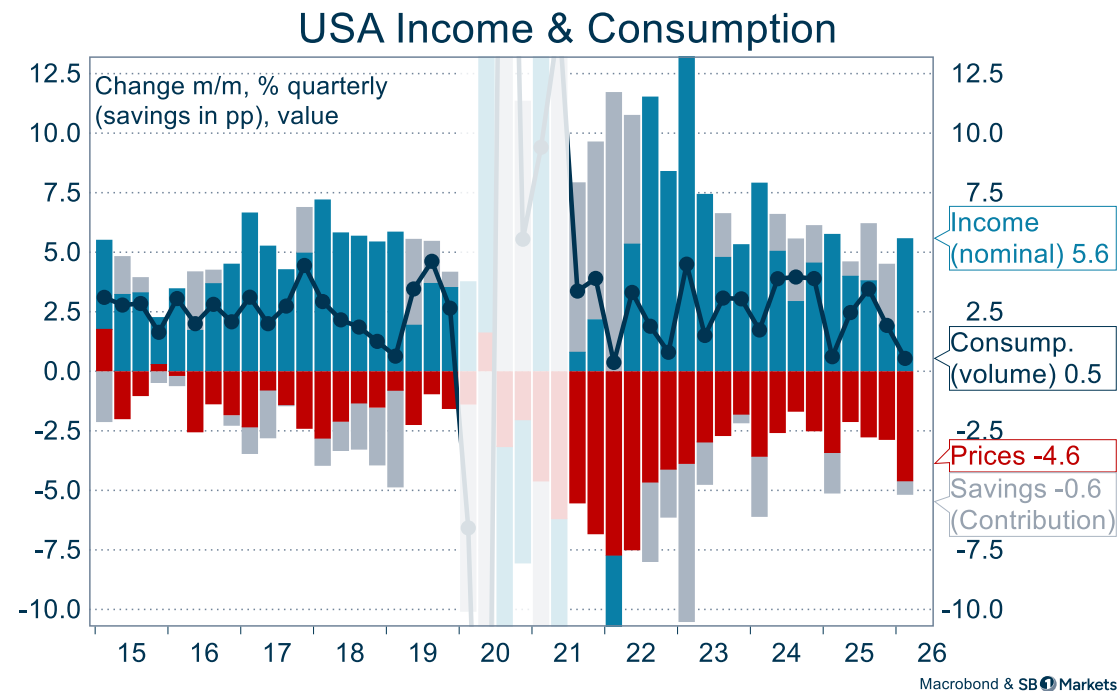
Wage incomes grew at a modest pace, while dividends were flat. In Q1, household disposable income grew at a 5.6% pace.





Real income rose 0.25% in May, in line with growth in consumption

The savings rate was flat in May

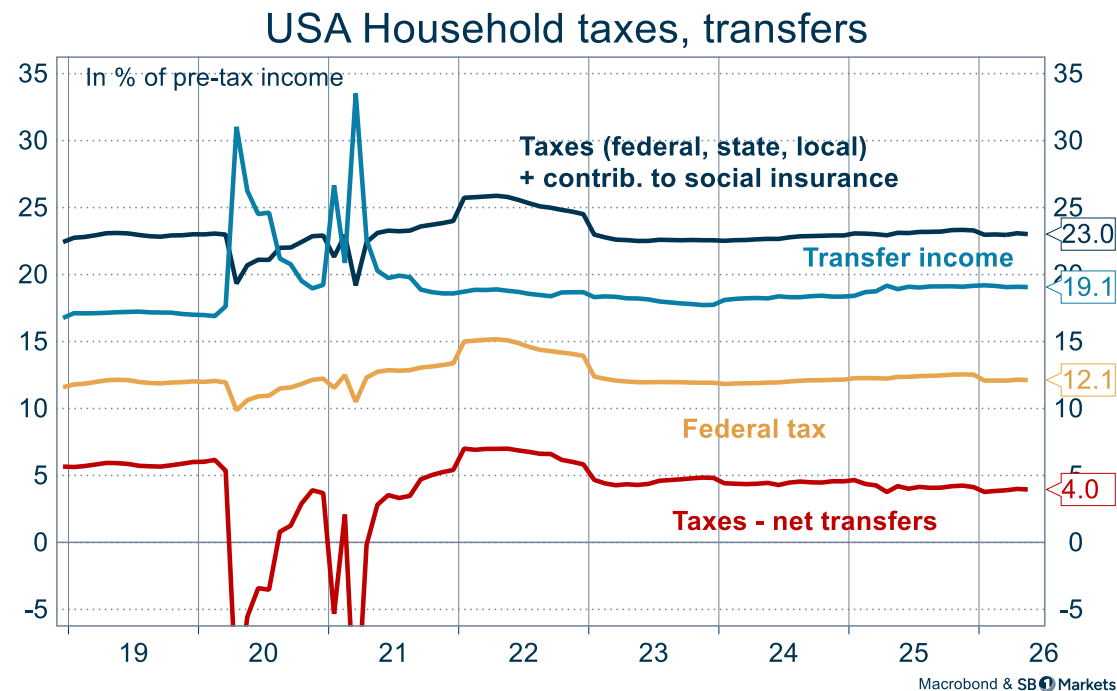
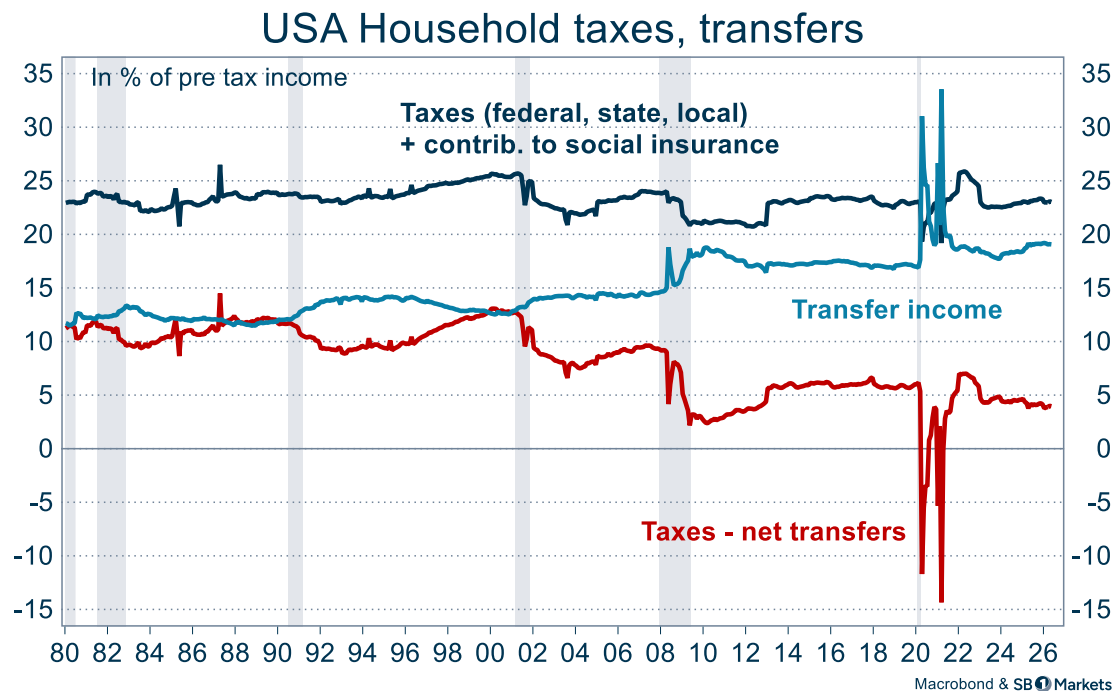


The sum of the staples at the charts above does not add up to change in consumption as growth rates are calculated from different levels (consumption and income). The 'residual' is normally not that large. Thus, the charts illustrate well how growth in real consumption is funded. Positive contribution from savings implies that savings are falling – and thus contributing to funding growth in consumption. A negative price contribution implies that prices are increasing



The net tax rate at 4% is the lowest ever, barring the GFC & the pandemic

This net tax rate (taxes paid – transfers received) is not, together with corporate taxes and other public revenues, sufficient to fund the local, state and federal government (aka the deficit). But who cares?

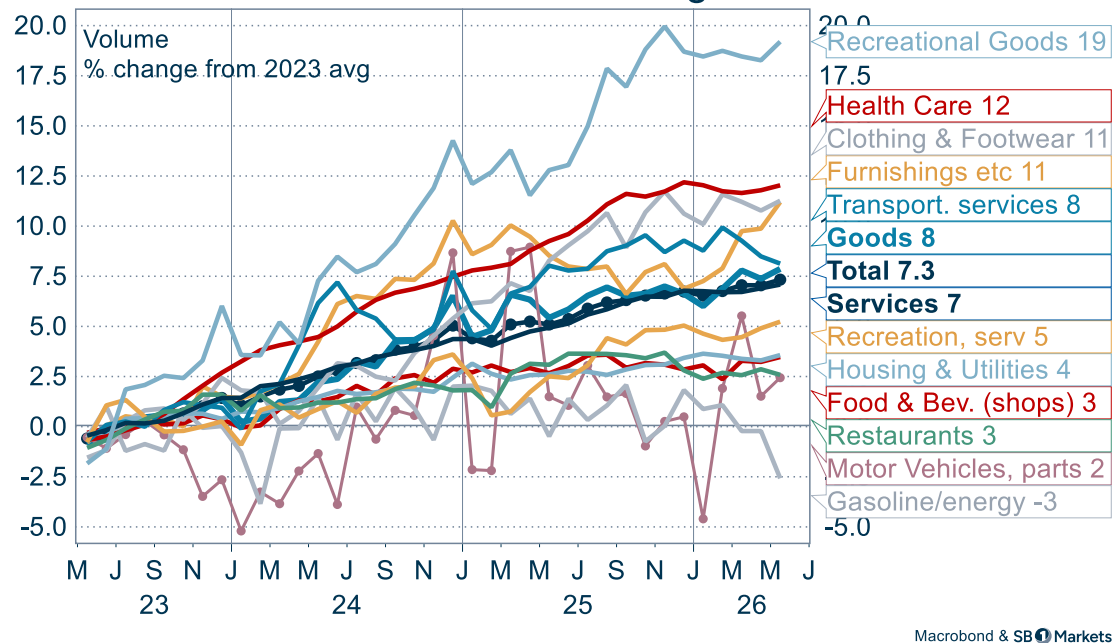




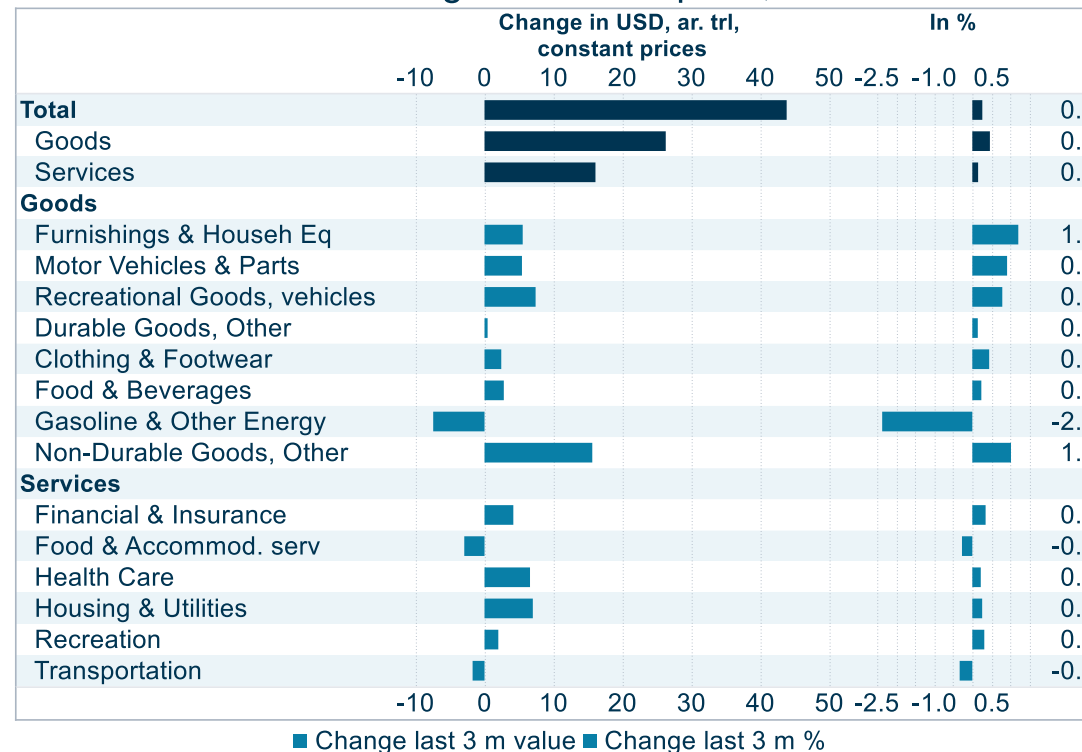
Consumption details: goods in the lead in May, even if gasoline consumption declined

Within services: weakness in transportation, restaurants. Probably some 'affordability' issues.

USA Private cons. % change from 2023



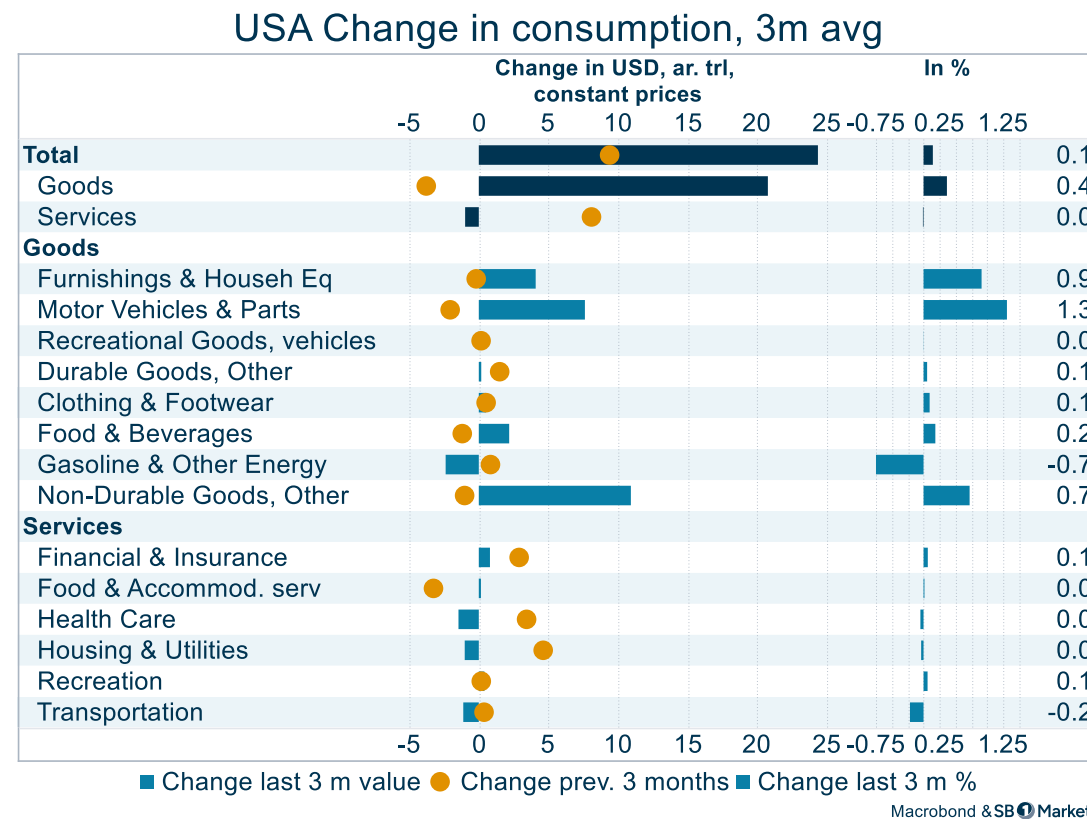
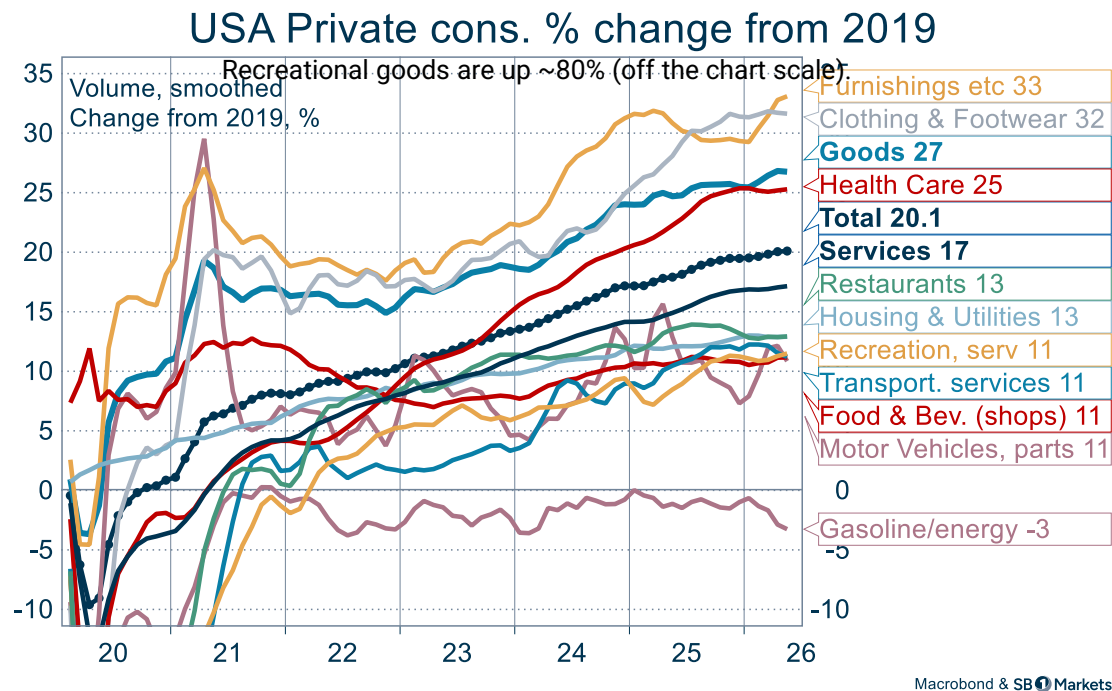
USA Change in consumption, m/m



Phones are included in the recreational category



Consumption trends: now spending on services slows, goods have gained speed again



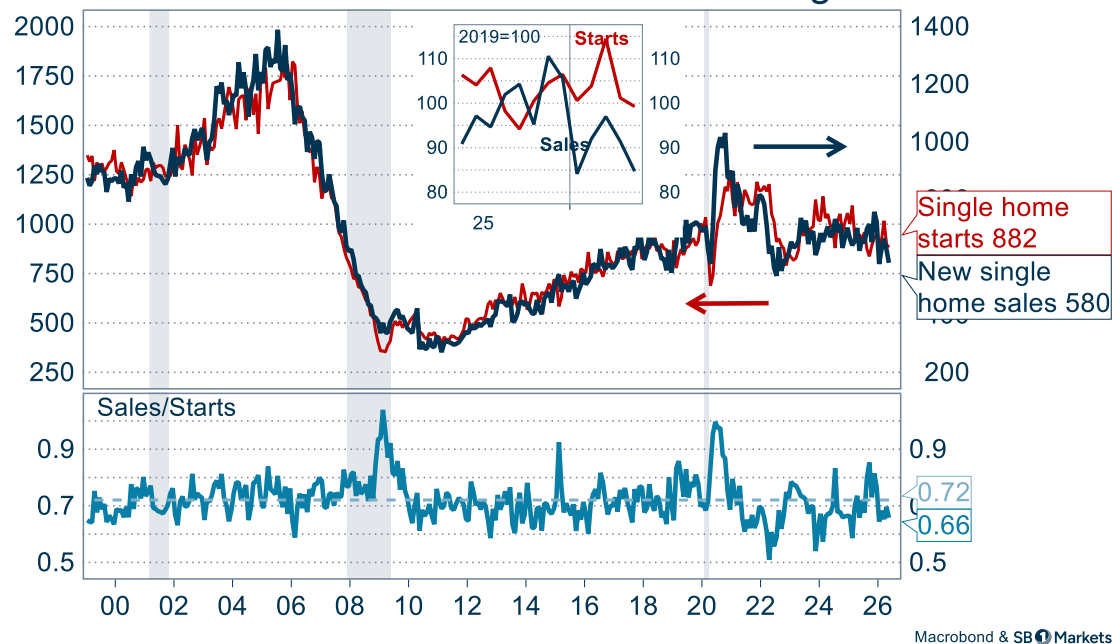
Phones are included in the recreational category



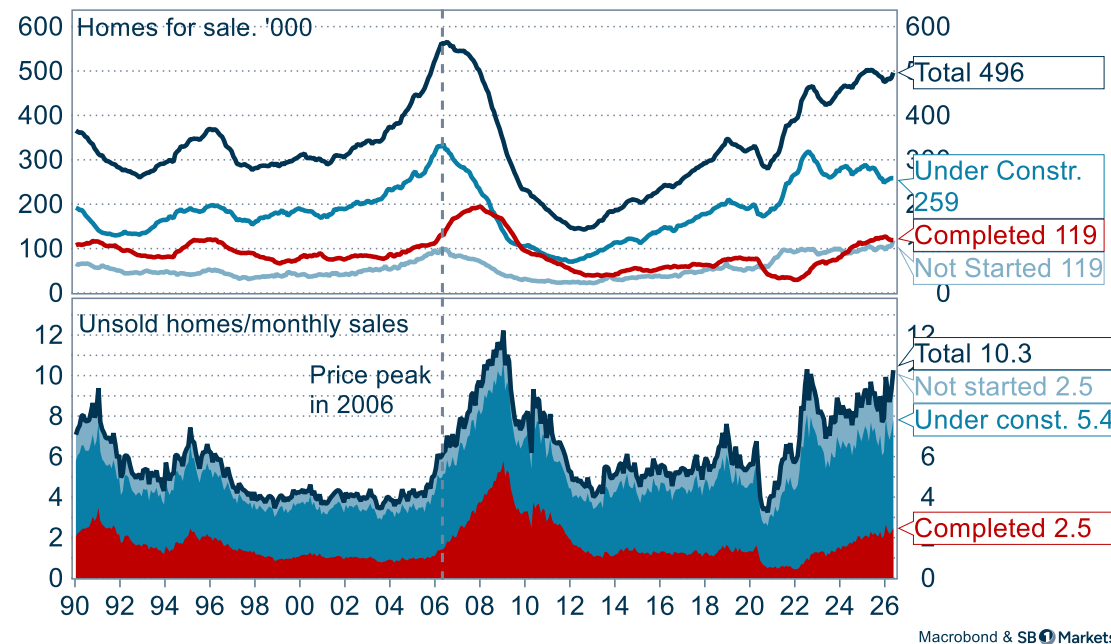
New home sales head down, the inventory of unsold homes up again?

Sales of new single homes declined 7% in May, to 580', expected up to 640'. Sales are trending down, but the level is probably not far from 'normal'. Prices have stabilised but the inventory of unsold homes is on the way up again. So are construction costs. Not a favourable mix?

USA New home sales and housing starts



USA New homes for sale

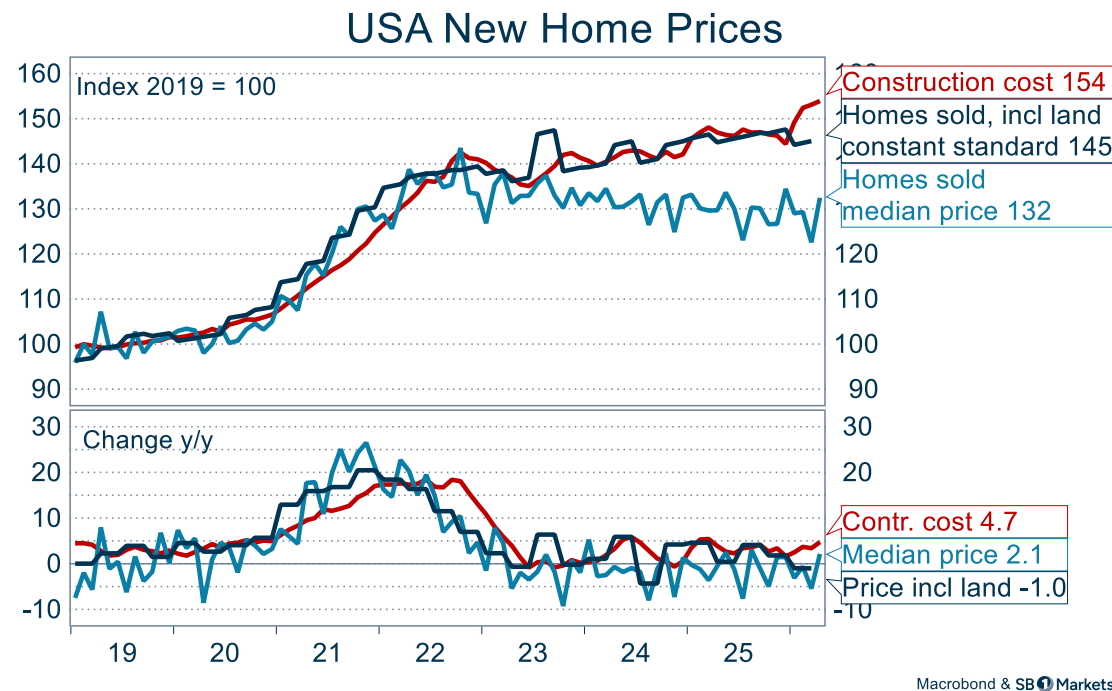
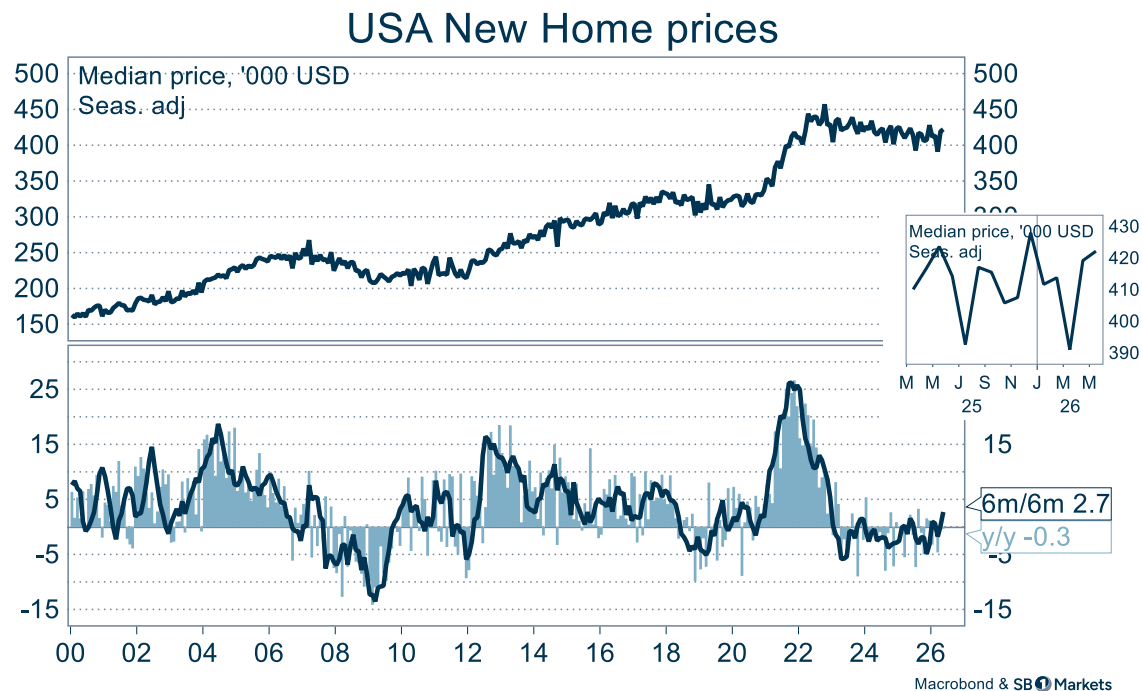


- **New single home sales** are volatile but the past 5 months have been on the soft side vs the level the previous year.
- The **inventory of unsold new homes** has increased marginally recent months, but it is still below the local peak last year. The level is still very high and has been higher just once, before and during the first part of the housing crisis almost 20 years ago (aka the great financial crisis). The inventory/sales ratio at 10.3 months has been higher just once, when the housing market crashed in 2007/8.
- **New home median price, a volatile and 'simple'** (not adjusted for standard/size etc.) have been falling since the peak in 2022 but have flattened recently. Normally, a high inventory puts a pressure on sales prices.
- **Construction costs** (adjusted for standard/size) and the total **sales price**, including the cost of land are trending upwards (but slower than CPI inflation).
- **In sum: not a strong report.**



New home median prices have flattened? Construction costs are climbing rapidly

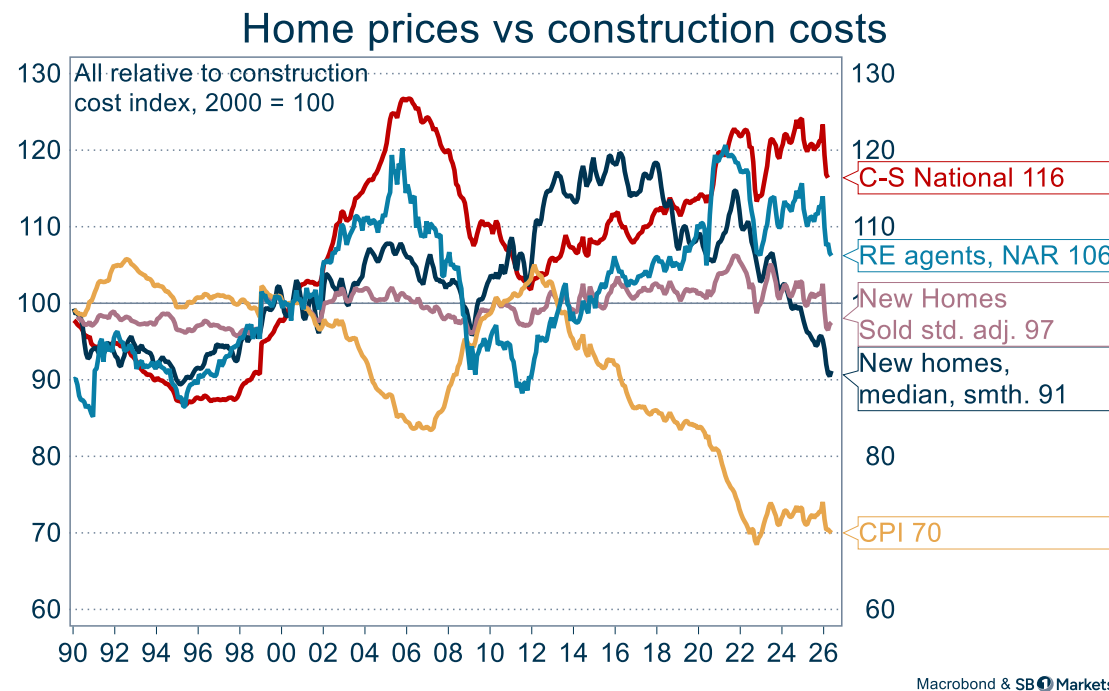
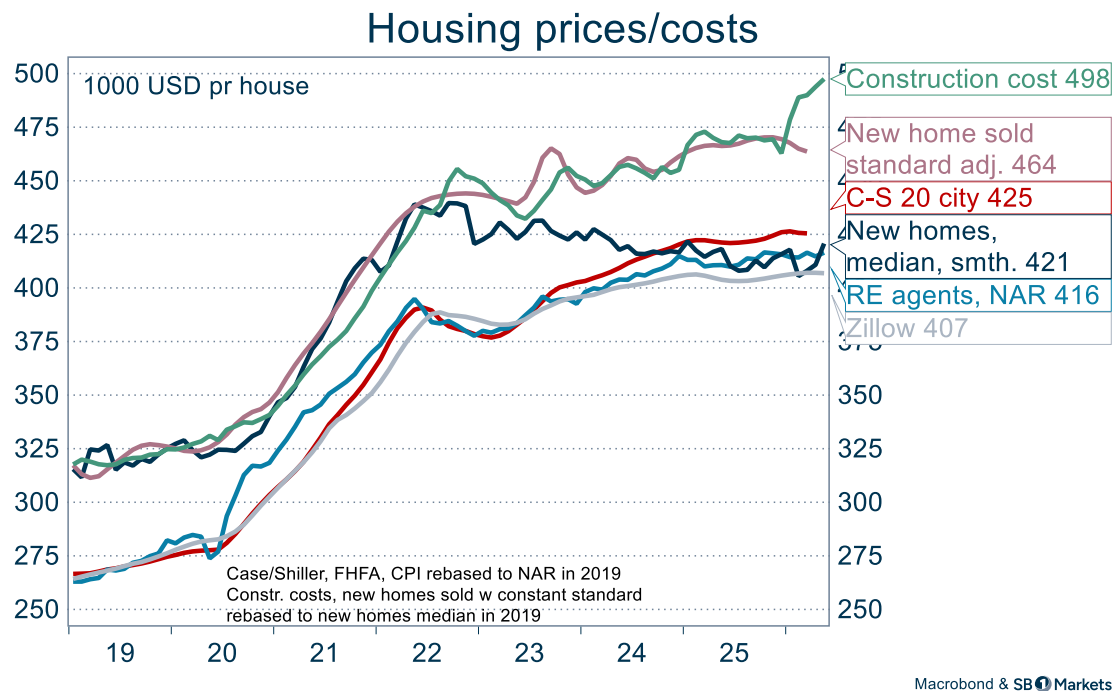
The median price is down 0.3% y/y (from +5% in April), but the 6m/6m rate was significantly in plus for the first time since 2023. Prices have been trending down from 2022 peak but may have flattened. Construction costs are up almost 5% y/y



- **The median new home sales price** is very volatile and is often significantly revised.
 - Prices are not adjusted for size, standard or area, which may change from month to month, and over time.
- **Construction costs** have been drifting upwards at a 2–3% pace, following the 40% surge to 2022 from 2019. Cost inflation has accelerated recently, now to 5%.
- Including the **cost of land, and adjusted for standard/size etc, new home (quarterly) sale prices** (which is a better price measure for new homes than the median price for new homes sold) are trending slowly upwards as well (but prices were down 1% y/y in Q1).
- **In real terms, all three price measures** are down from their respective 2022 average level, the median price by 20%, the real construction cost is flat, while the adjusted home price/land index down more than 5%.



Most housing price indices are heading up – but less than construction costs lately

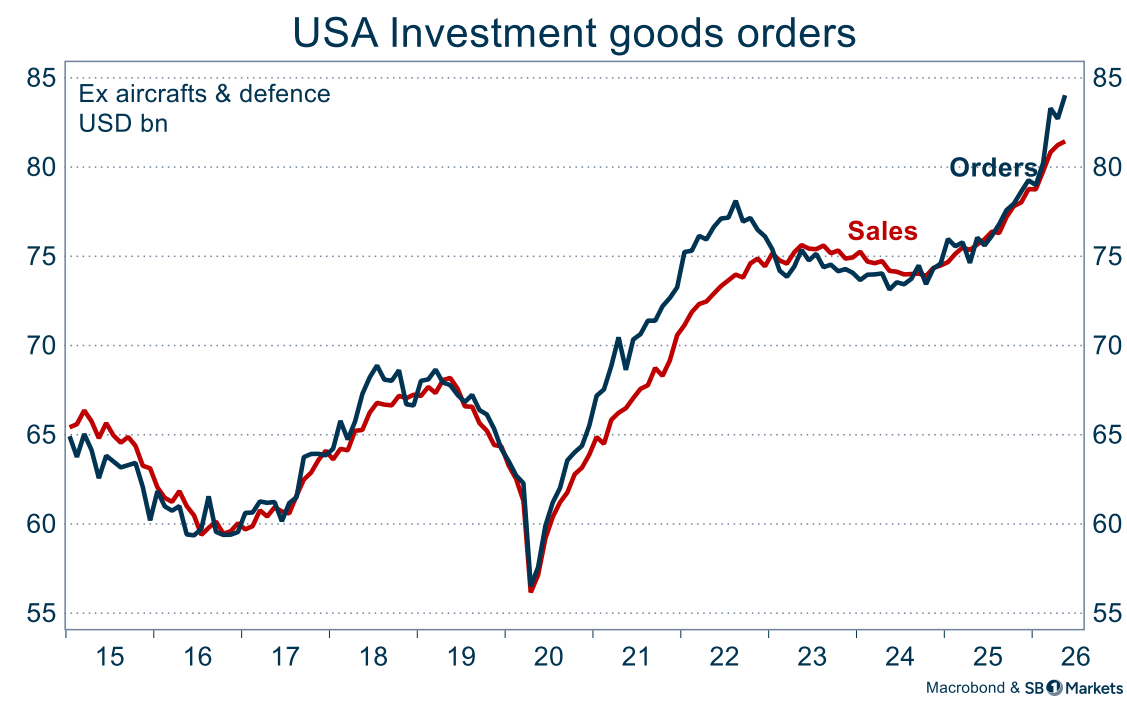
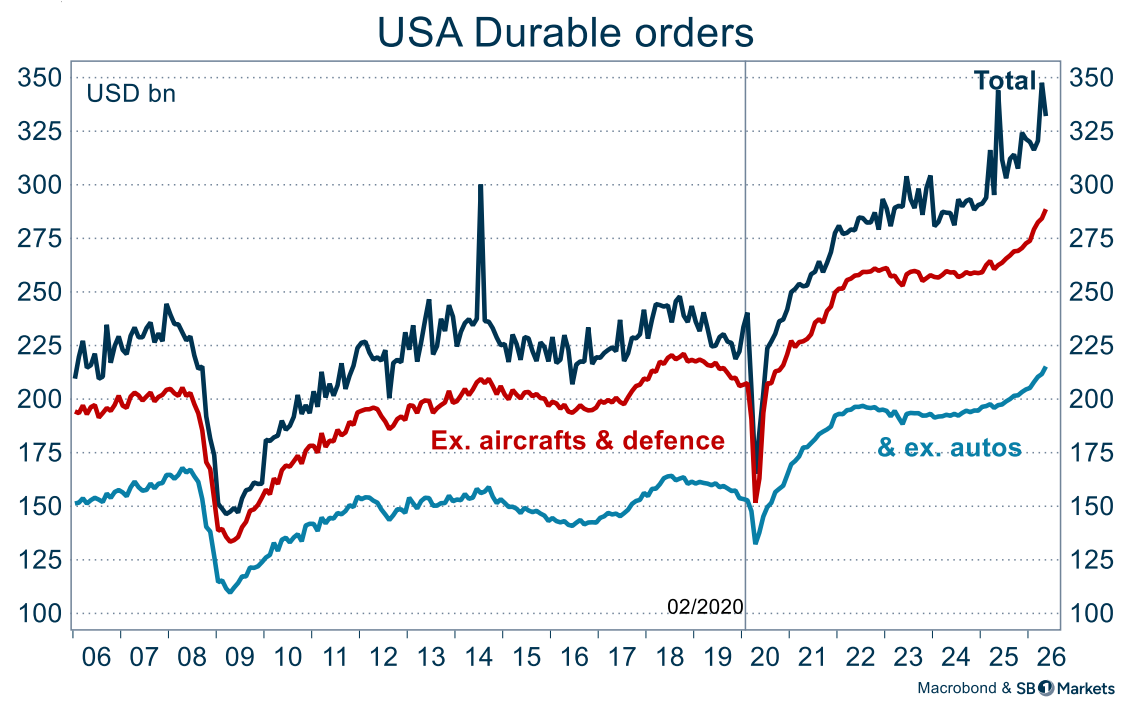


- **The new house sold price index** (standard adjusted and including land) has increased *in line with construction costs* over time – with a 5% relative ‘boom’ during the pandemic, and a retreat thereafter – suggesting land prices have fallen somewhat since the pandemic.
 - **The median price for new homes**, which is mostly referred to regarding new homes (and is published alongside monthly sales data), are *not well correlated to construction costs* and even worse, not even the price index for new houses sold (all inclusive, size and standard adjusted, the quarterly index). Thus, not a useful price index, even not for new homes.
- **Existing home prices** (as measured by both NAR & CS) climbed sharply vs. construction costs until 2005, before the bubble burst, in early 2006. Prices fell to a normal level vs. construction cost – or below – in 2010/11. Thereafter, and until late 2024, home prices climbed faster than construction costs and the **price/cost ratio was just marginally below the 2006 boom level. Lately the price/cost ratio declined, but it remains well above an average level.**



Total durable orders -4.5% as expected as aircraft orders fell from a high level. The rest

Ex. defence and aircraft +1.5%, well above expectations. Core investment goods orders rose 1.6%, twice as much as expected! **Underlying growth in core and core investment orders are impressive, some 15%, which of course is a very high growth rate!**



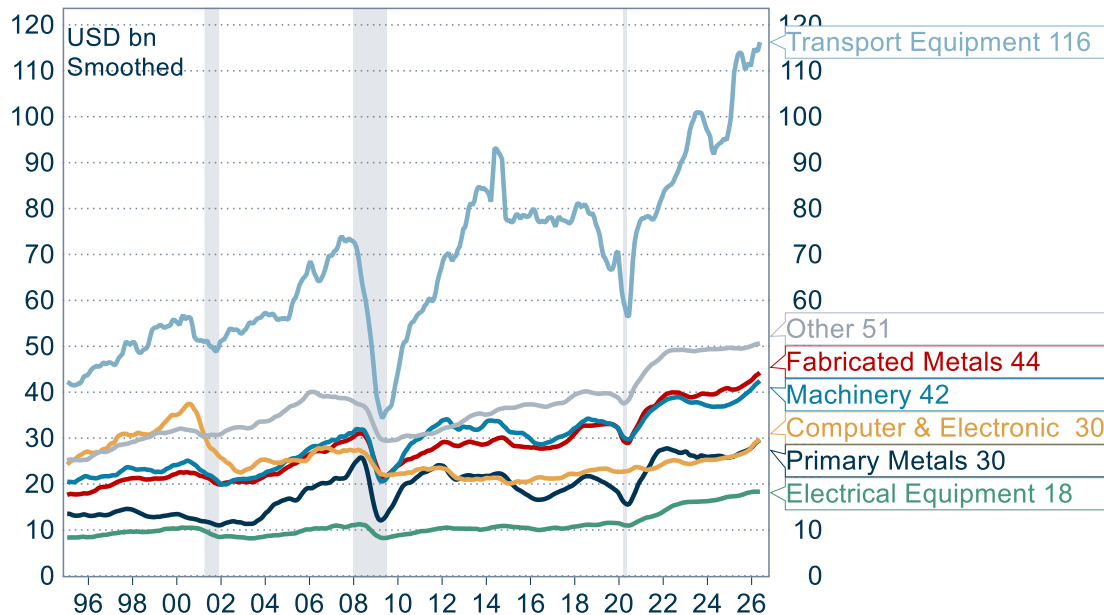
- **Computer & electronic orders** are growing the fastest, followed by primary metals (but both constitutes less than 10% of total durable orders).



Durable orders are on the way up, broadly. Computers and electronics up in the lead

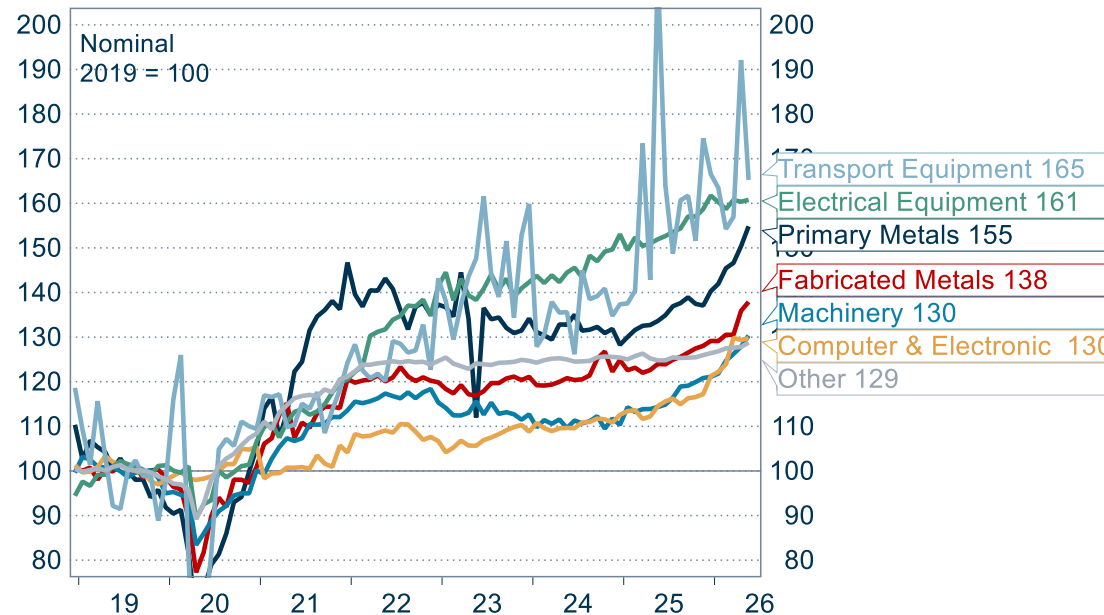
... at least growth wise. Primary metals are up as well, all in value terms. Transport equipment orders are very volatile (mostly thanks to aircraft) but over time by far the main contributor, in USD terms. Last year a tad down, from a high (aircraft orders) peak last spring

USA Durable orders

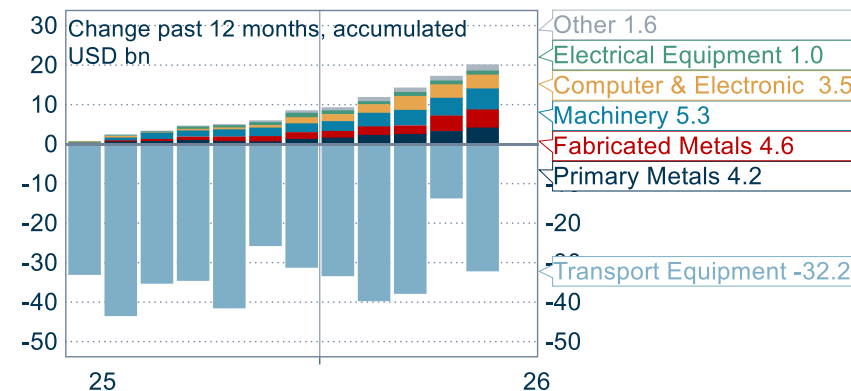


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USA Durable orders



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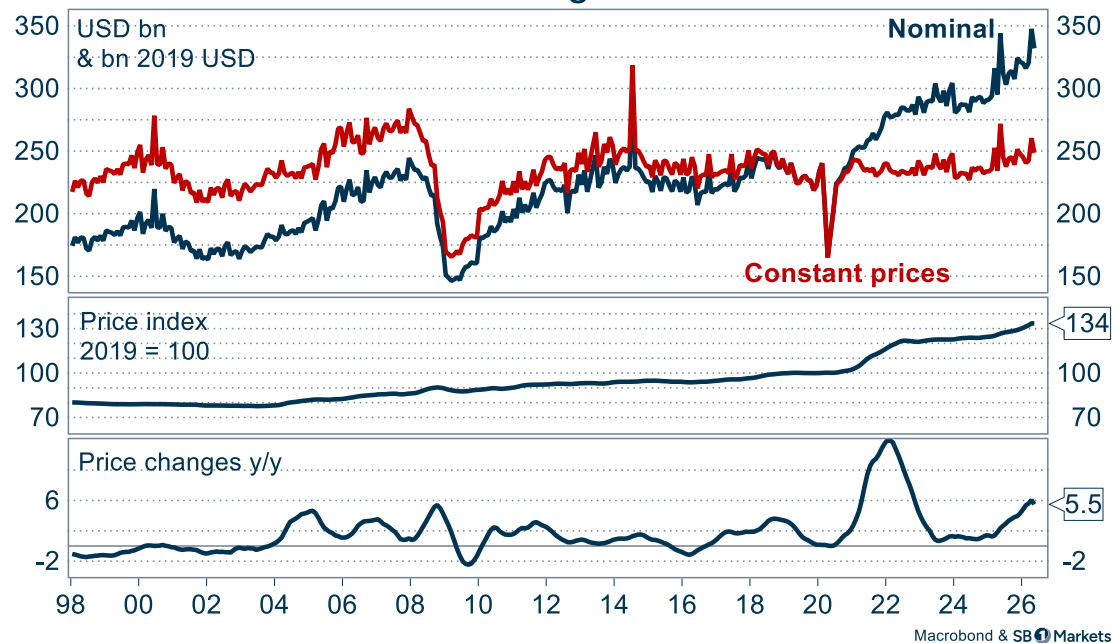
Macrobond & SB Markets



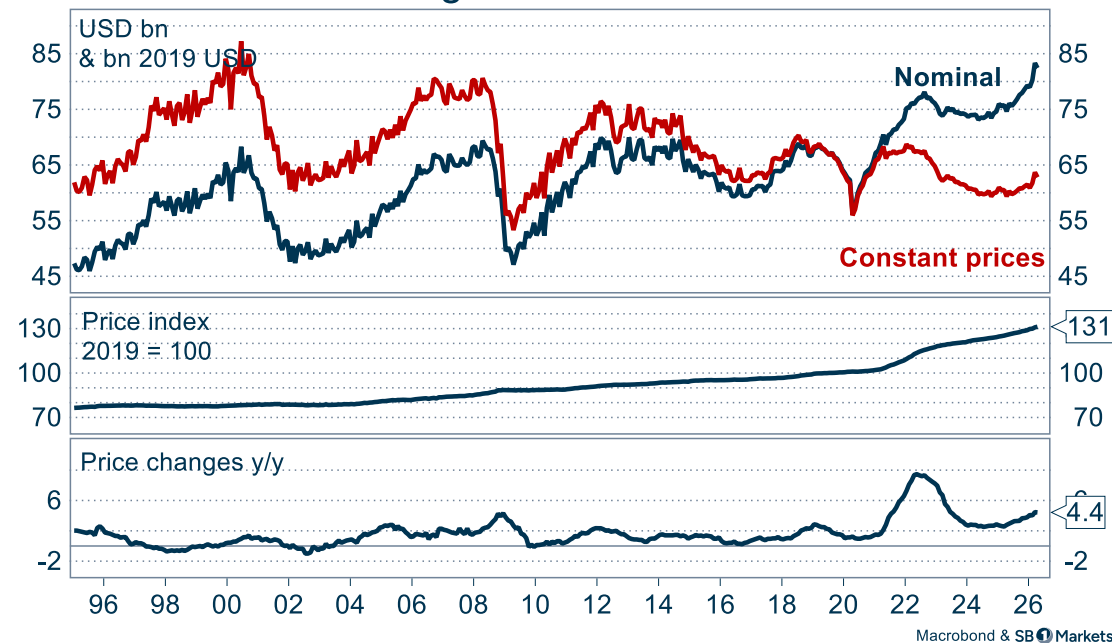
New durable orders: volume trends not that impressive, but now they are heading up

Both the total inflow and core investment goods orders in volume terms have turned up recently, especially the investment component – after being close to flat for a long time. Prices are up 4.5–5.5% y/y, driven by tariffs and global higher commodity prices, and strong US demand.

USA Durable goods orders



USA Investment good orders x aircraft/defence



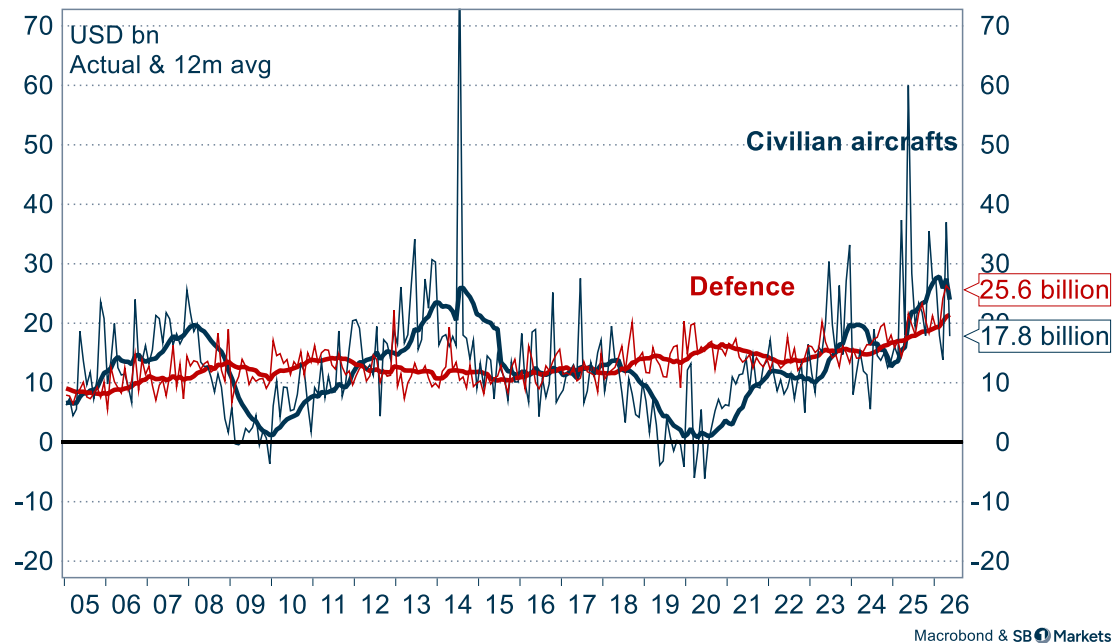
- **Durable order prices** have accelerated somewhat in recent months, and price inflation is higher than average price increases ahead of the out-of-corona surge



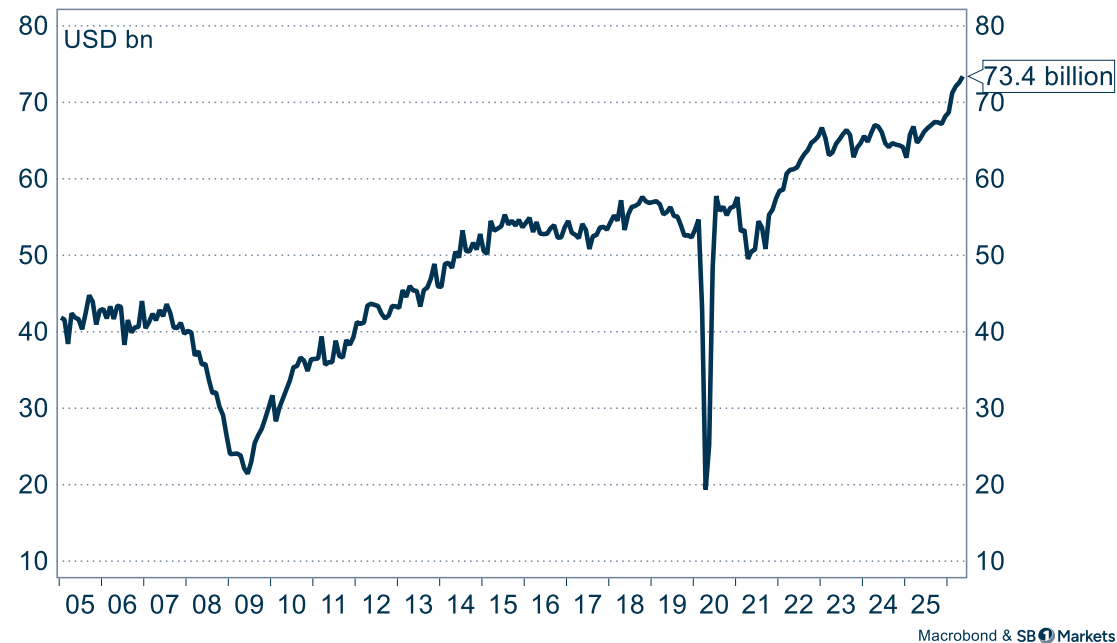
Civilian aircraft orders down in May, defence up. Auto orders are growing rapidly as well

Defence orders have increased faster in recent months as well, and the underlying trend in aircraft is strong.

USA Civilian aircraft & defence orders



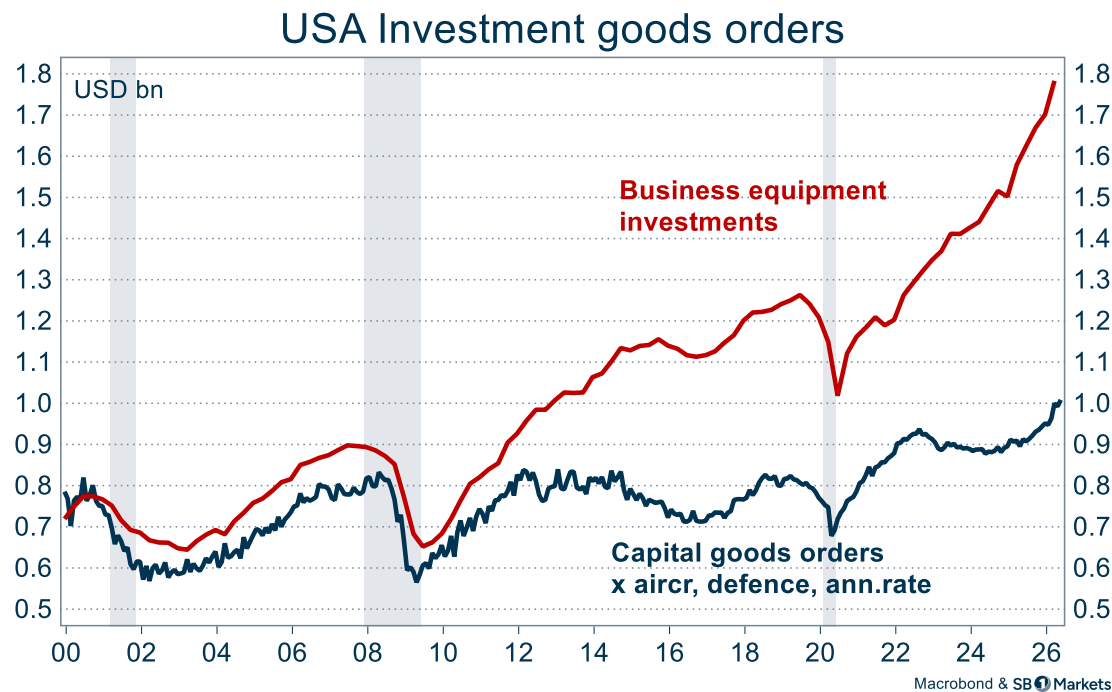
USA Durable orders - autos



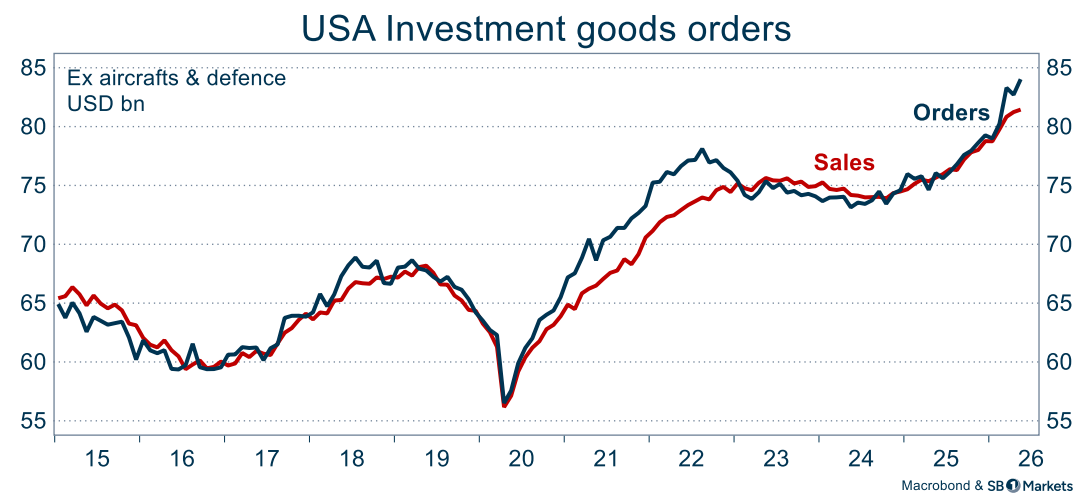
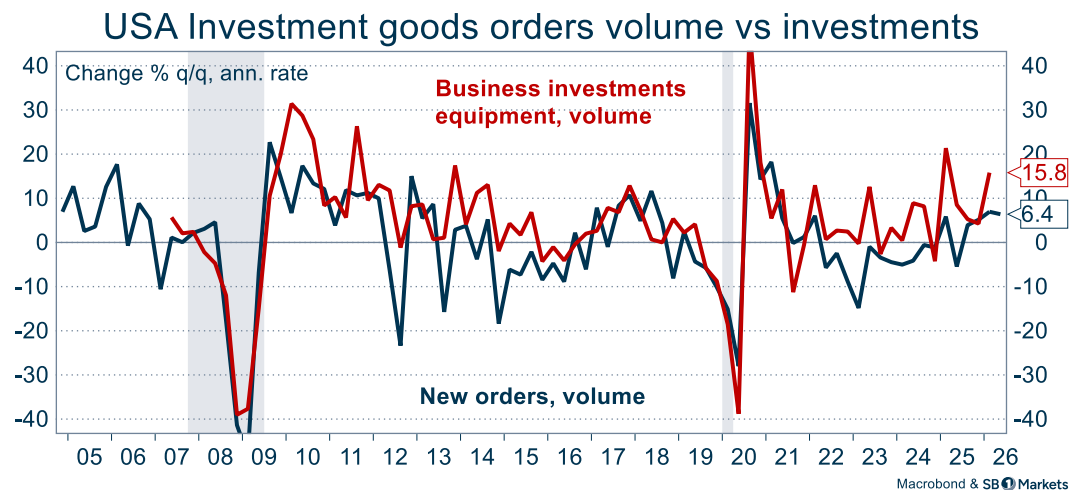


Capital orders are growing rapidly but do not signal double-digit growth in equipm. invest.

The surge in 'core' investment goods orders recent months has been unusual, at least in value terms. In volume terms, not that impressive.



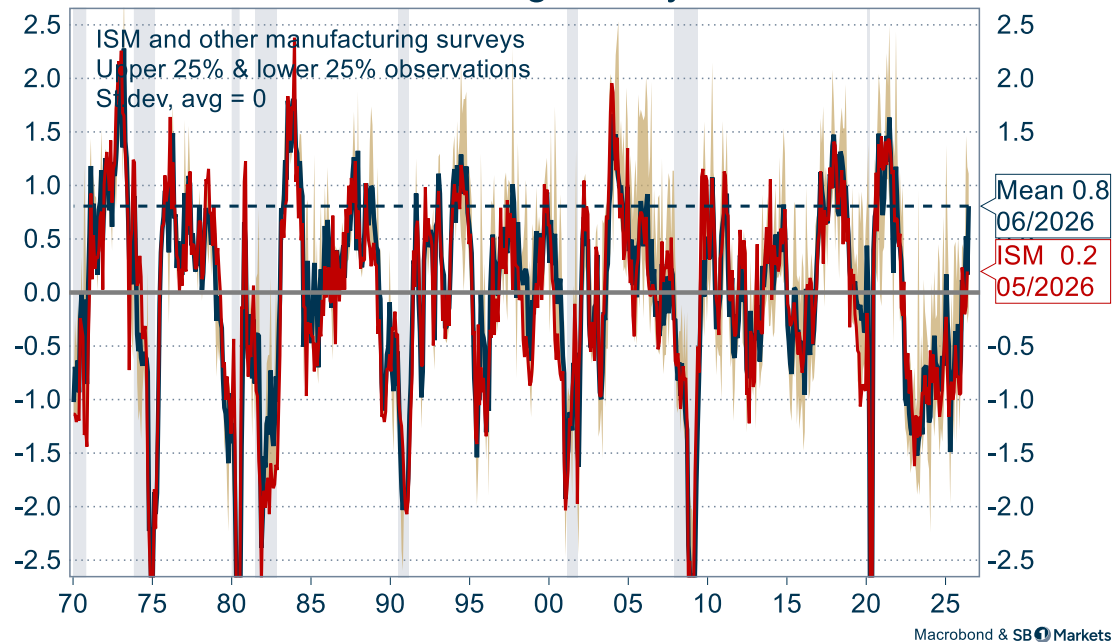
- Growth in **core (x aircraft, defence) capital goods orders** has accelerated rapidly lately.



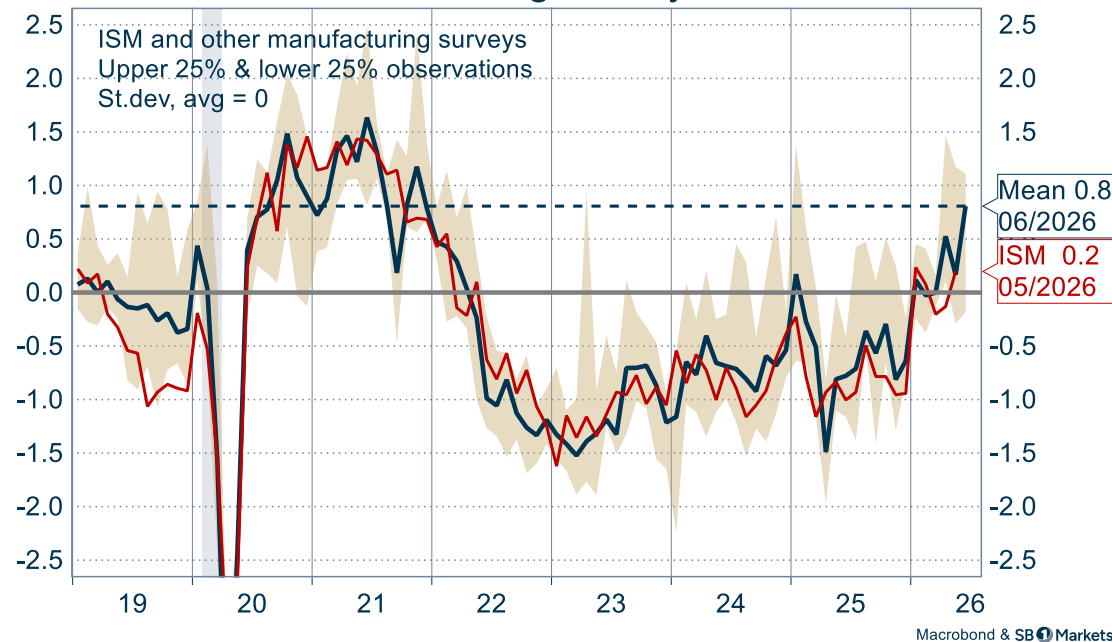


Manufacturing order surveys report faster – and really fast – growth in June

USA Manufacturing surveys, new orders



USA Manufacturing surveys, new orders

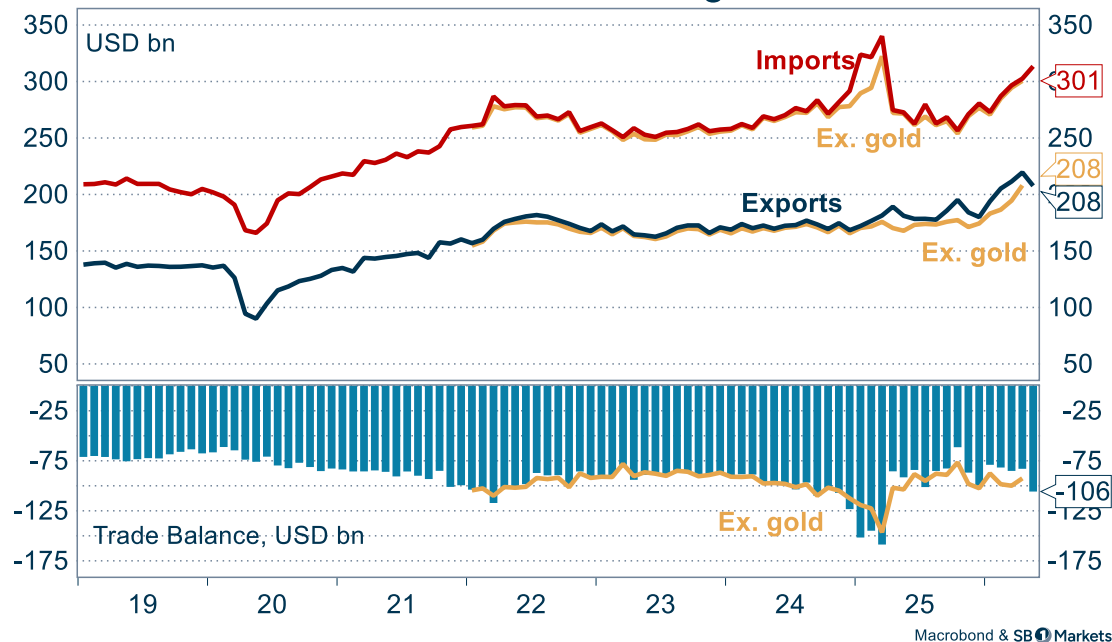




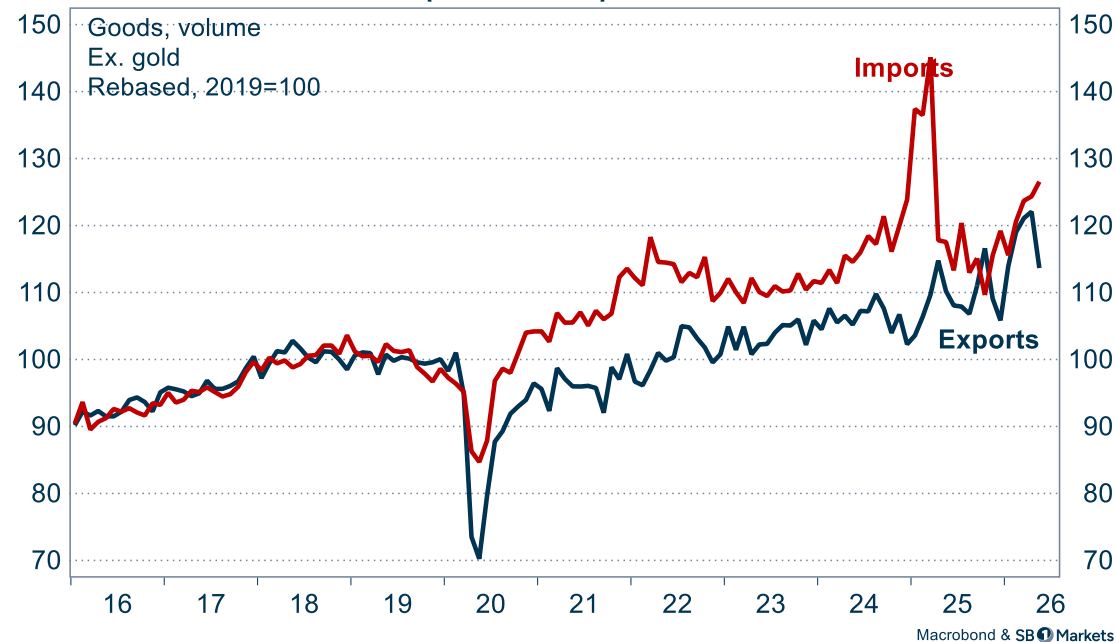
The trade deficit (in goods) suddenly widened in May, to above USD 100 bn.

The deficit was expected up USD 2 bn to 85 bn. A steep drop in exports lifted the deficit to USD 106 bn, the highest in more than one year. 3 of the 4 main categories of exports fell in May. Details are missing, but based on published price data, export volumes fell too. Gold and oil?

USA Trade Balance, goods



US Export & Import Volume

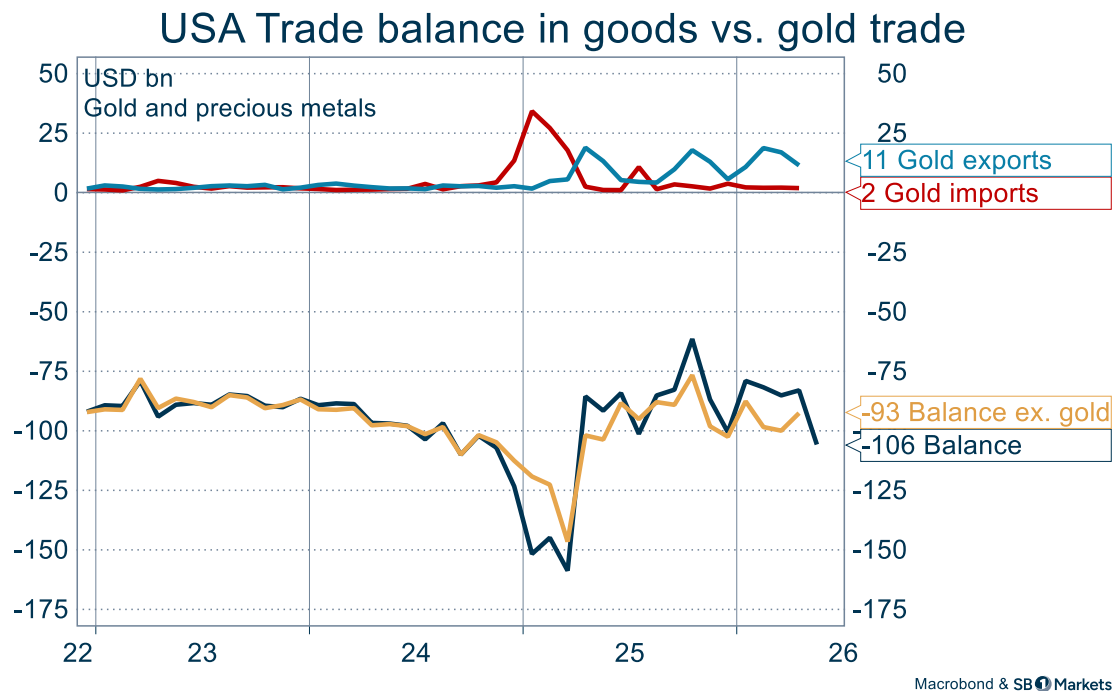


- The trend in exports has been strong lately supported by higher petroleum exports.
- Imports have climbed rapidly, especially capital goods (supporting the AI boom).



Gold imports and then exports: some impact on the trade balance since late '24.

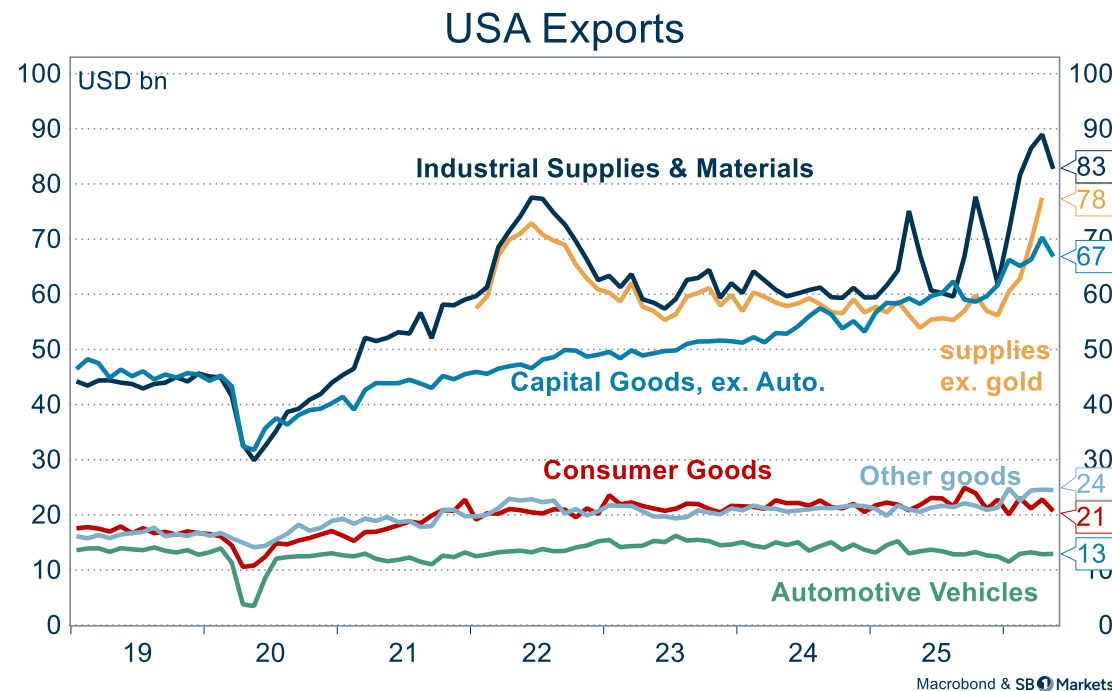
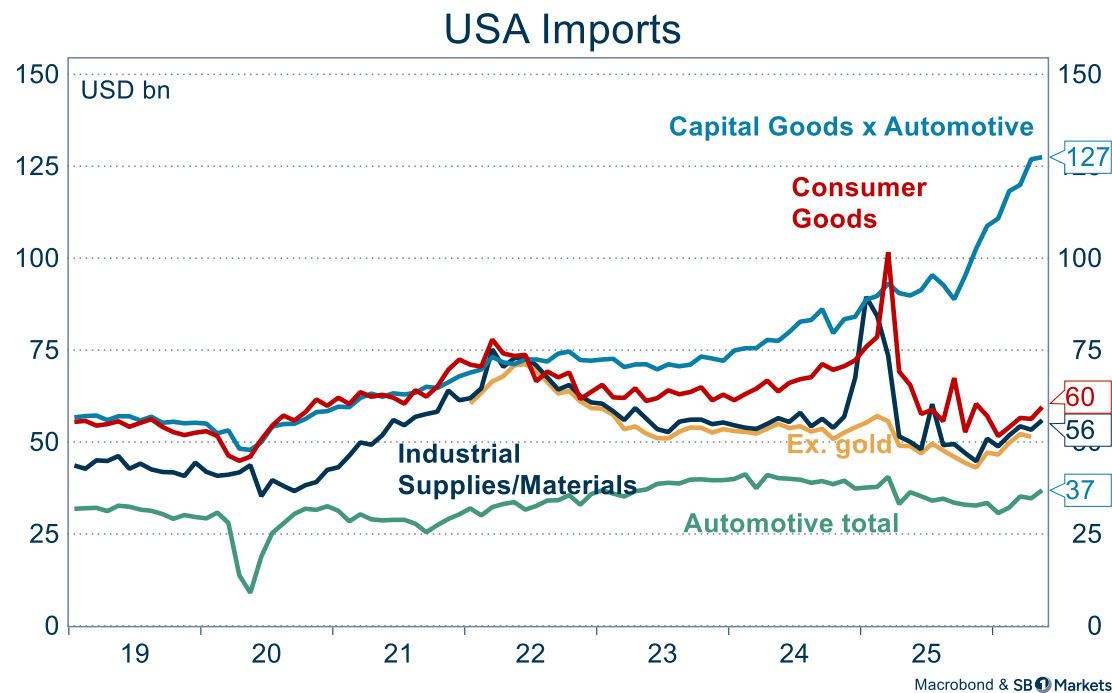
However, no May data yet. The decline in the value of petroleum exports is probably more important for the decline in exports in May





Exports of industrial supplies, gold and oil included, fell USD 6 bn (7%) in May

Exports of capital goods and consumer goods declined as well. On the import side, a further increase in all main components.

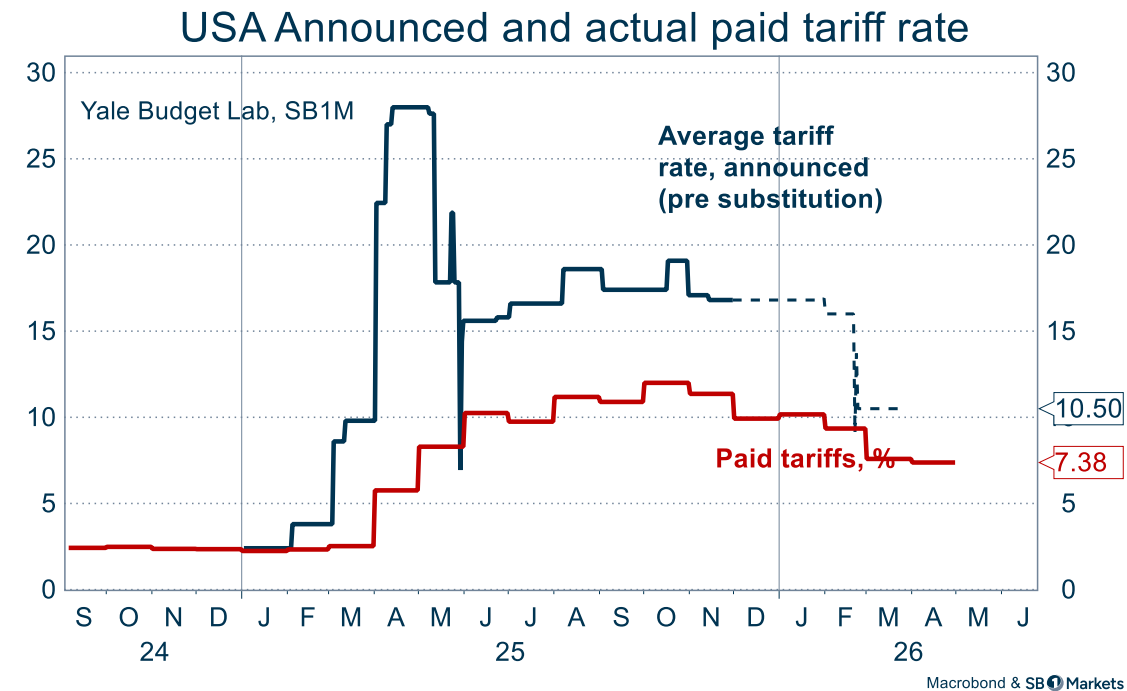
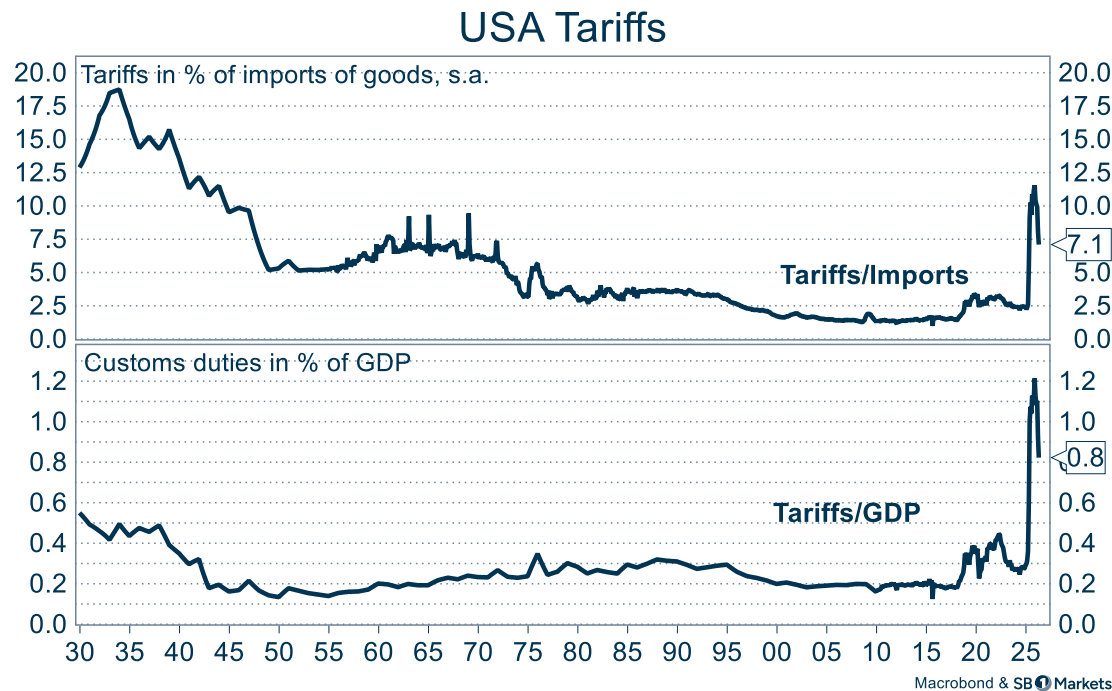


- The surge in capital goods is due to a rapid increase in imports of computers incl. accessories and telecom (investment) equipment. These sectors equal almost half of the capital goods imports. Computers were up 130% to USD 218 bn, no doubt driven by demand from US AI related investments.



The tariff rate has fallen to 7.5%. In April last year, Trump announced a 28% avg. rate.

The US Supreme Court deemed ¾ of Trump’s tariffs illegal, and a lower court has challenged the 10% global tariff rate which was decided after the SCOTUS verdict. The ‘illegally’ collected tariffs will be refunded to the companies that paid these tariffs.

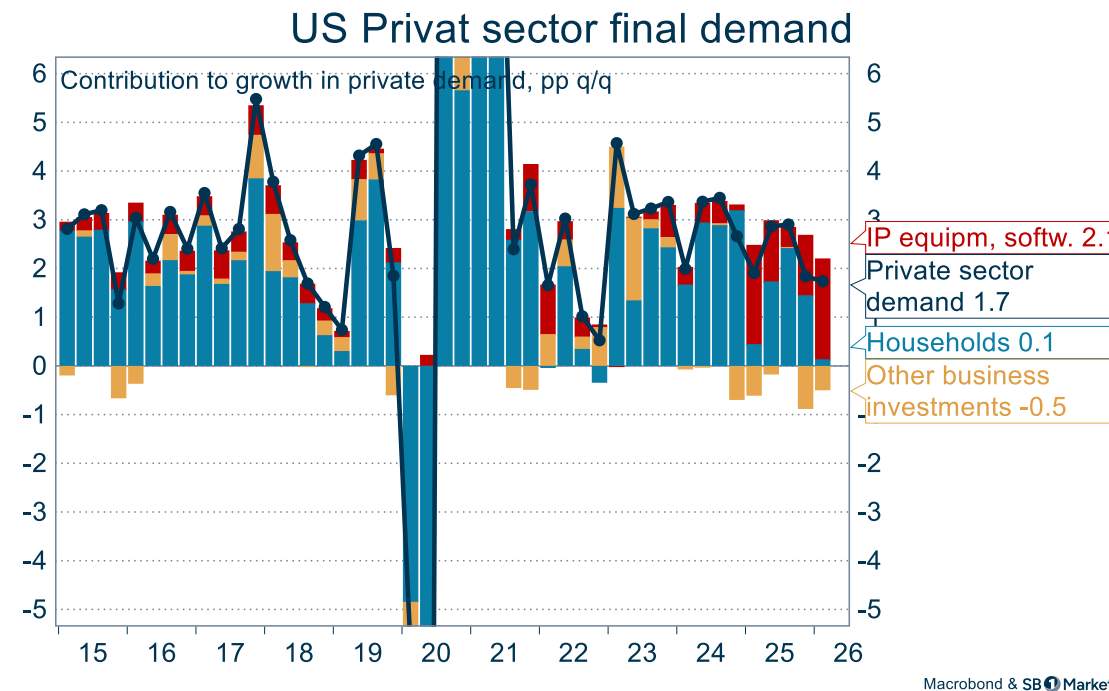
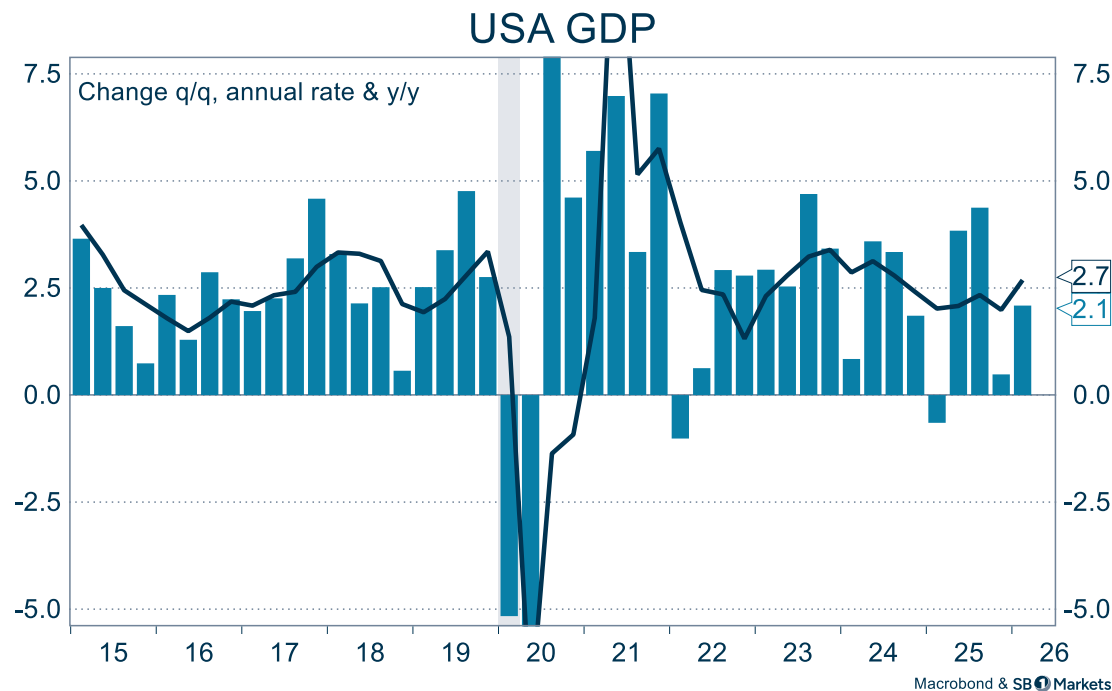


- **In April** customs duties equalled 0.8% of GDP, up from the ‘normal’ rate at 0.2% before ‘Trump 1’ tariff hikes, and 0.3% before the recent lift in tariffs during ‘Trump 2’ – but down from 1.2% at the peak late last year.
- The average tariff rate (relative to total goods imports) was 7.5%.



Q1 GDP growth revised down 0.5 pp to 2.1%, as imports rose far less than earlier reported

Growth in private domestic demand was revised marginally down. AI related investments lifted demand equalling 2.1% of GDP (yes, all of IT). Other business investments are steadily declining and household demand barely grew. GDP is up 2.7% y/y.



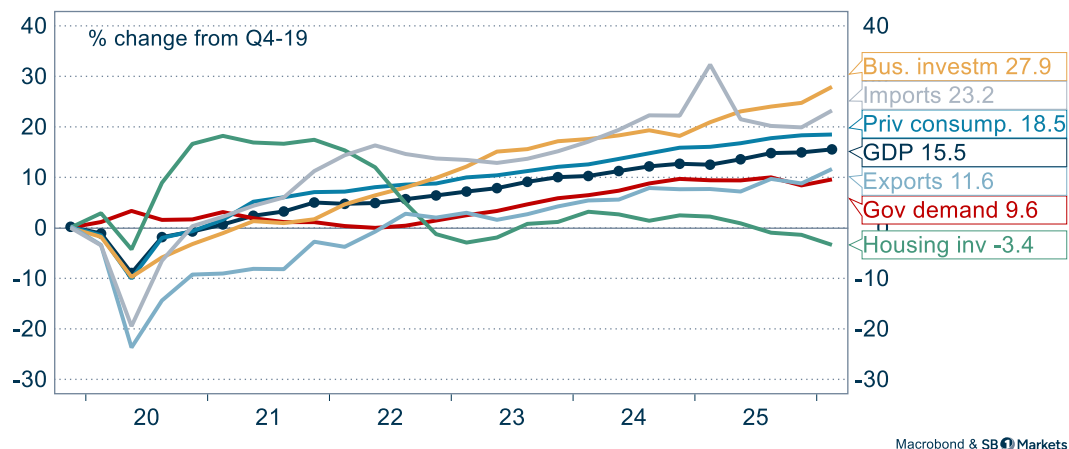
- Overall **business investments** grew 10% (revised down from 13%) in Q1, but ex. info processing a 4.5% setback! (annualised growth rates).



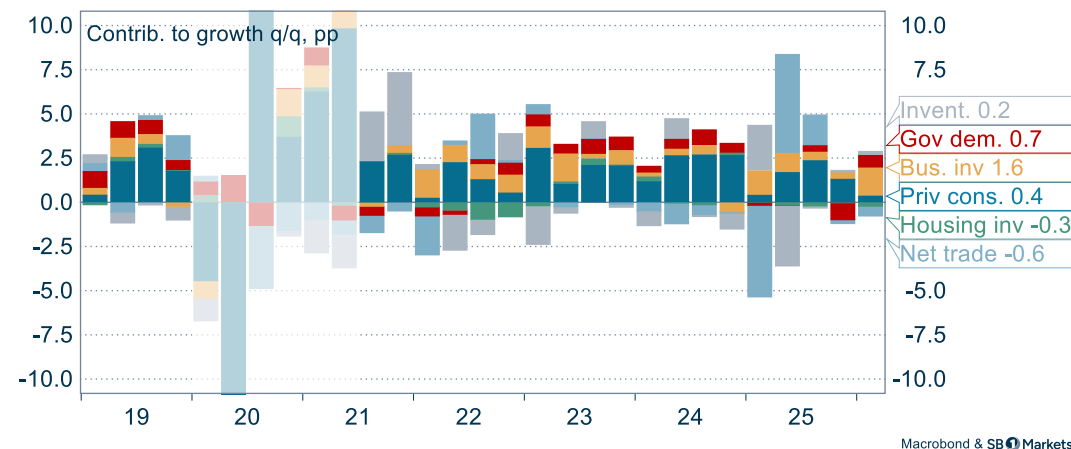
Q1 GDP 2nd revision: Imports grew just 12%, not 21%, lifting GDP growth by 1.3 pp

Net trade was still a drag on growth, but not by much. Private consumption was revised down (and savings up, but are still low). Housing investments declined marginally. Business investments contributed with 1.6 pp, before deduction for imported equipment.

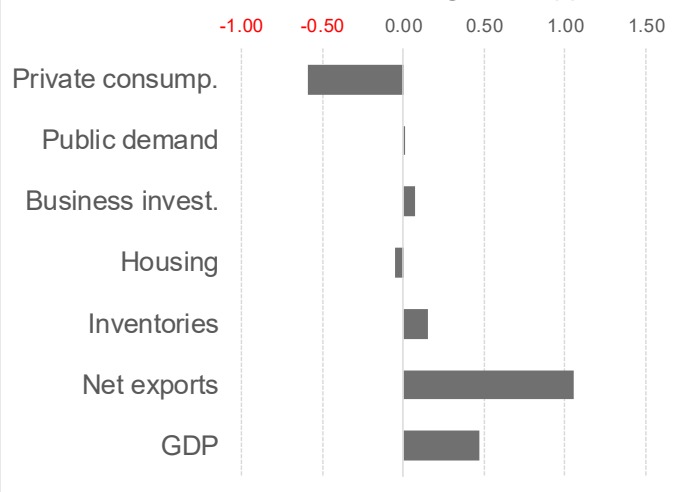
USA Demand



USA Demand

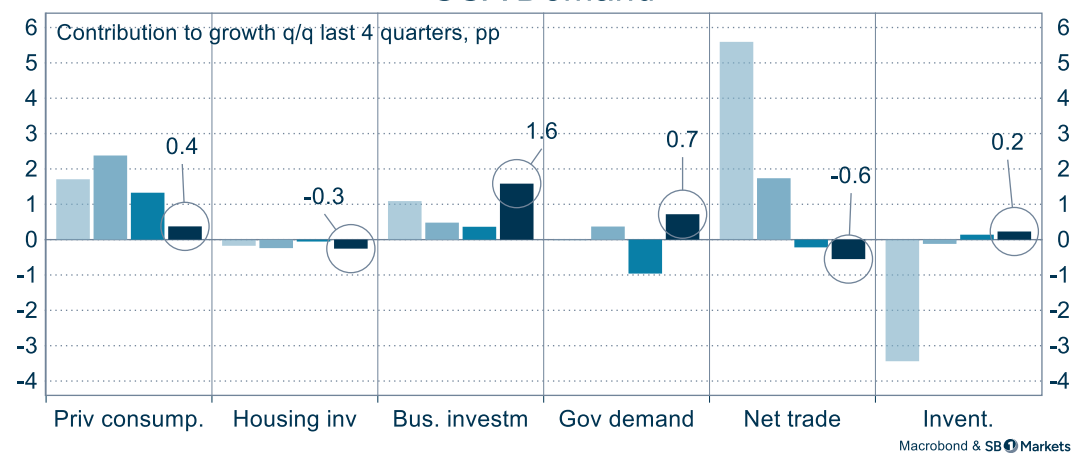


USA GDP Revision - contribution to growth, pp



Statistical discrepancies are not included

USA Demand



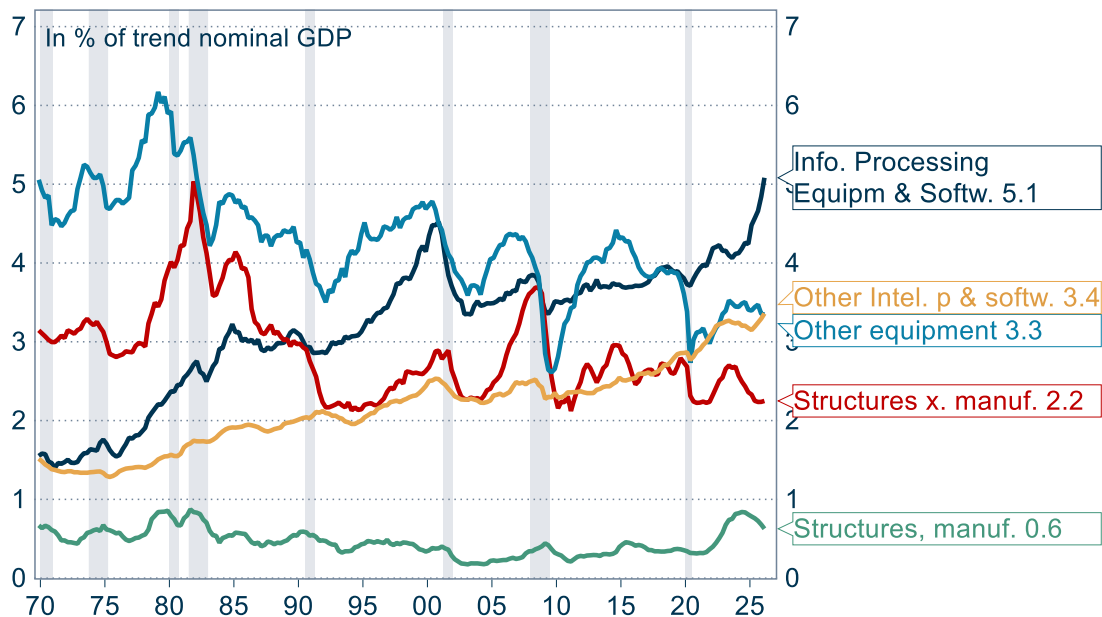
Macrobond & SB Markets



The investment cycles: information processing the only game in town, up to 5.1% of GDP

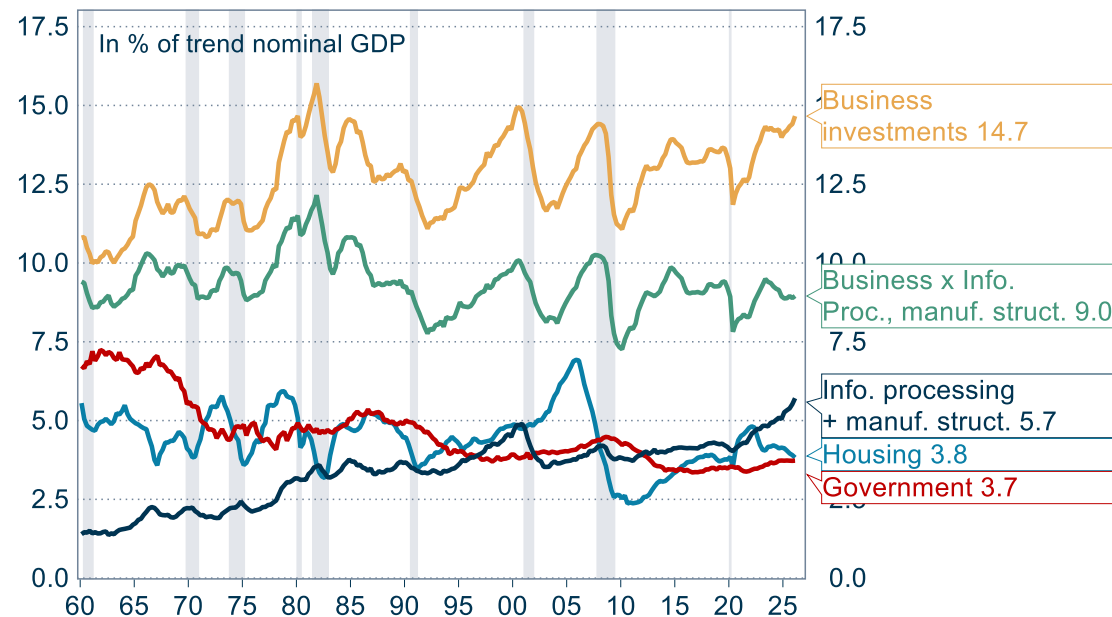
... from 4% before the investment boom started. Intellectual property and software (ex. info proc.) slowed in 2024 but has accelerated again. Business structures and even other equipment are on the way down (vs. GDP). In sum, some risks. Housing investments are at an average level.

USA Business investments



Macrobond & SB Markets

USA Investments



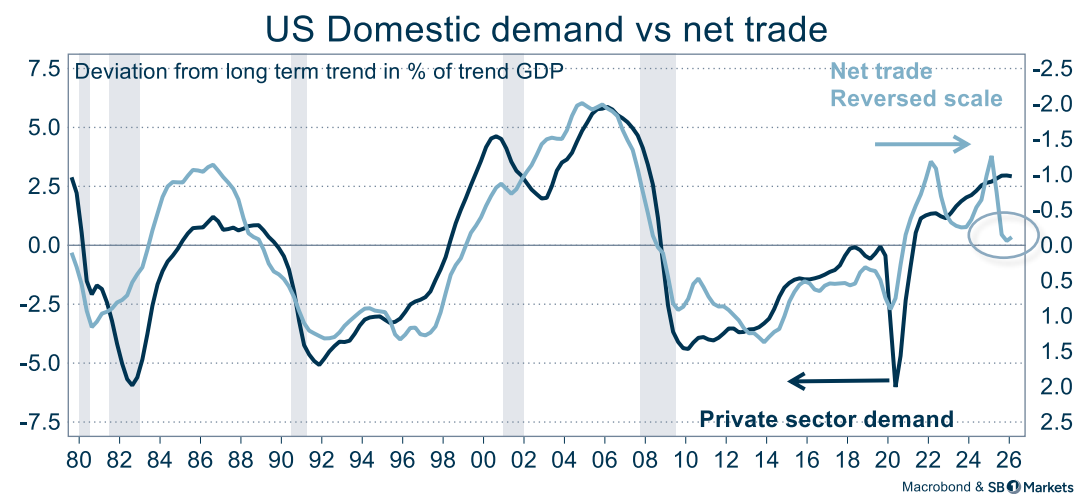
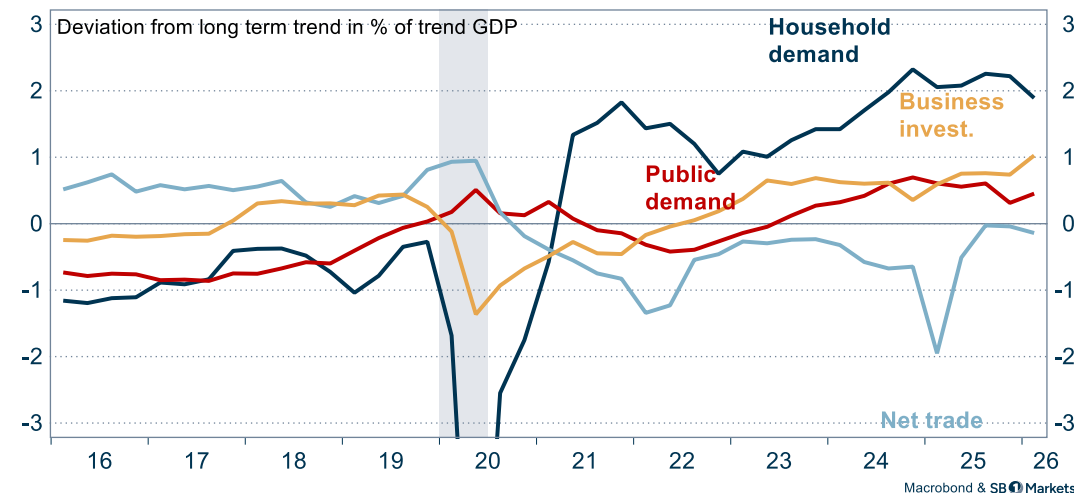
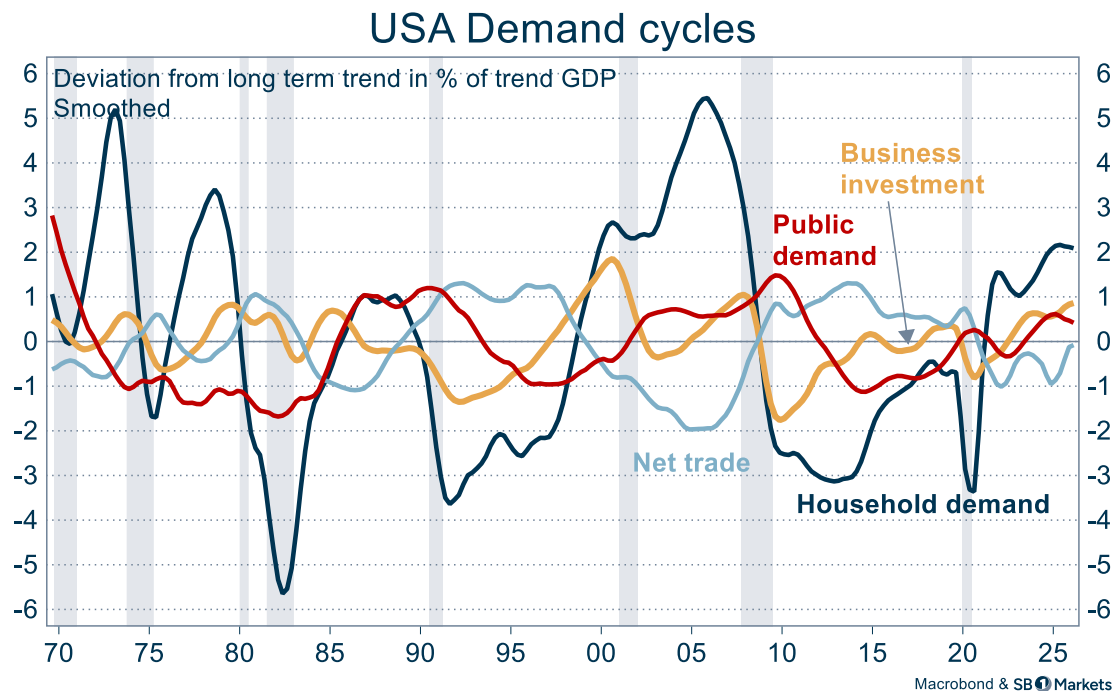
Macrobond & SB Markets

- **Business investments** have accelerated vs. GDP recent quarters, to the highest level since 1990/2000. Ex. Information processing investments, the trend is down, but less than the increase in 'AI' investments. The total is above any reasonable trend, based on history.
 - **Investments in information processing equipment and software** (5.1% of GDP) together with investments in manufacturing structures (0.6% of GDP, supported by the CHIPS ACT, and now by the data centre boom but still on the way down) **are far above normal levels**. IF these investments should slow materially, a **substantial downside risk to the US economy, even if the lion's share of the equipment is imported**.
 - **Other investments** are **at low level** (like other structures) or **at a moderate level** (other equipment then info processing equipment) or have **proven rather stable** over time (other investments in intellectual property and software) and would probably **not be that exposed vs. a normal business cycle downturn**.
- **Housing investments** have declined recent quarters, and equal 3.8% of GDP, which we deem to be a mid-cycle level, and the downside risk is moderate.
- **Government investments** as share of GDP increased rapidly to late 2023 from mid-22 but has flattened at a modest 3.7% of GDP.



The cycles: Household demand (housing incl.) has flattened, at a high level

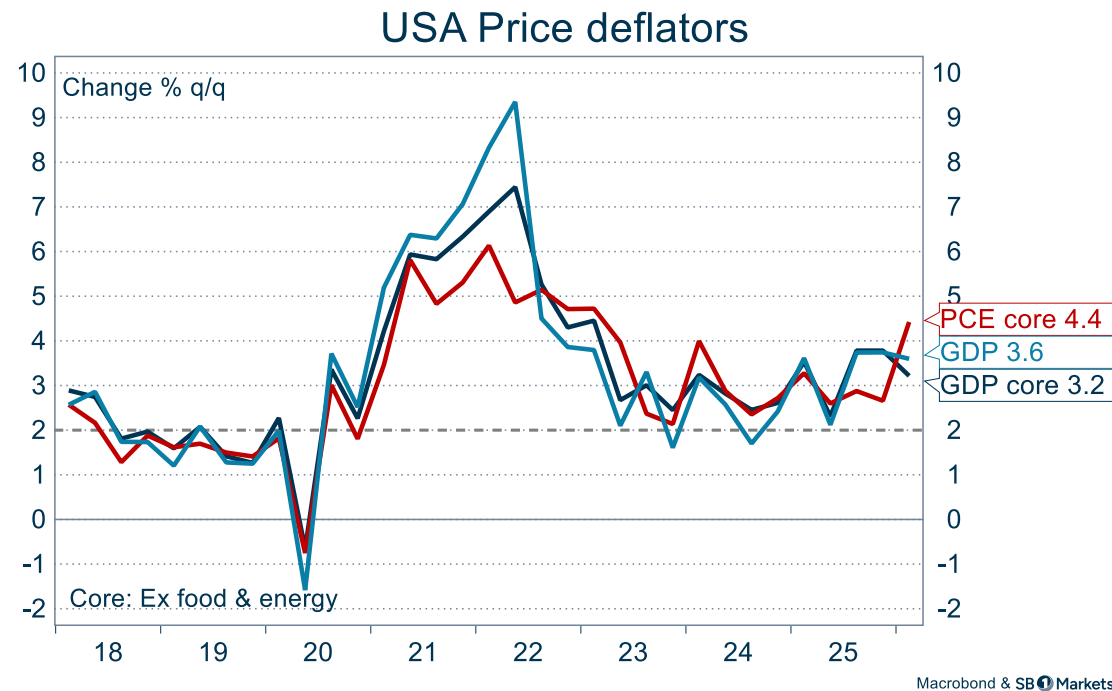
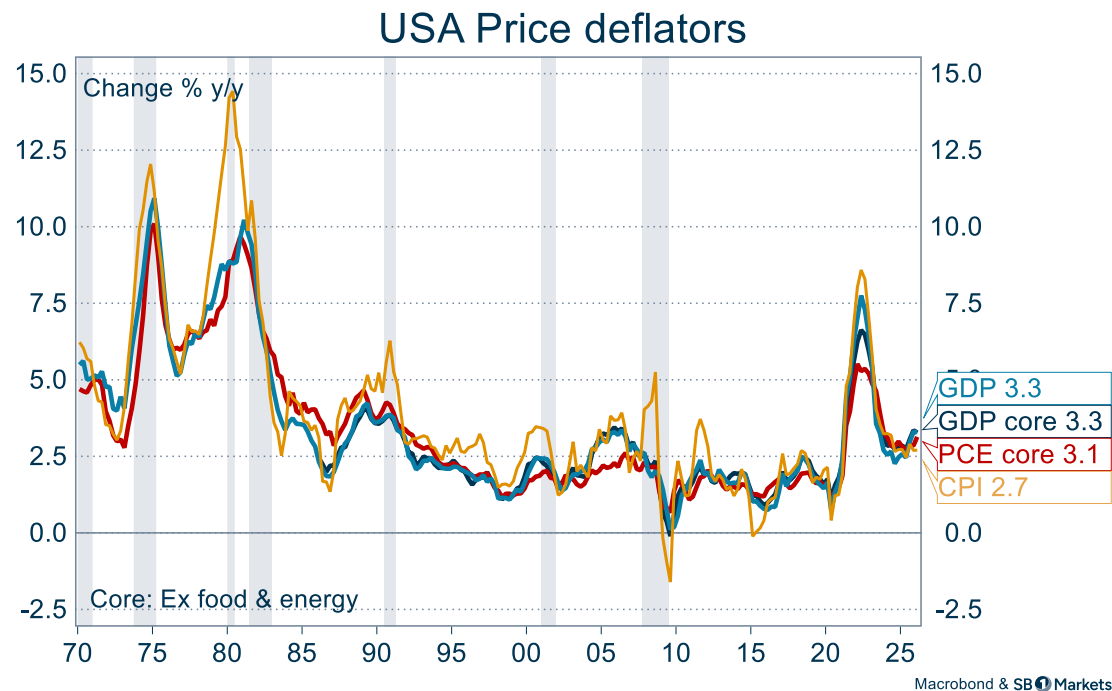
Growth in business investments has slowed, even if AI-related investments are booming, at least until Q1. In Q1, the AI boom lifted the total. Public demand recovered in Q1. Net trade is normally weak when domestic demand is strong. Now, net trade is relatively strong.





Price deflators were mixed in Q1 but all up more than 3%

The PCE deflator was up a 4.4% pace.

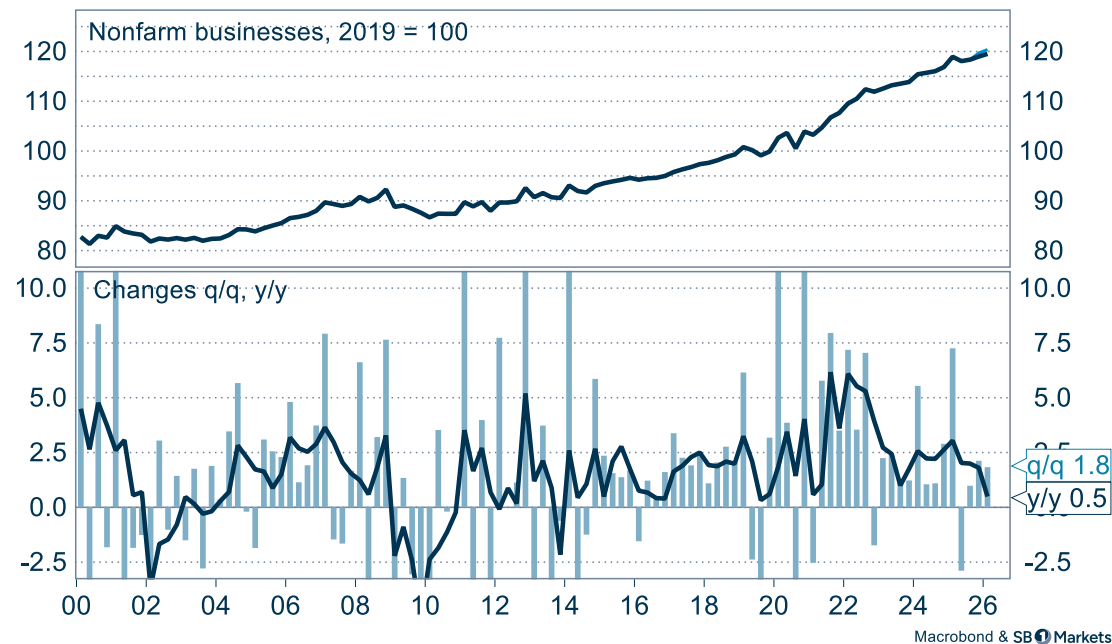




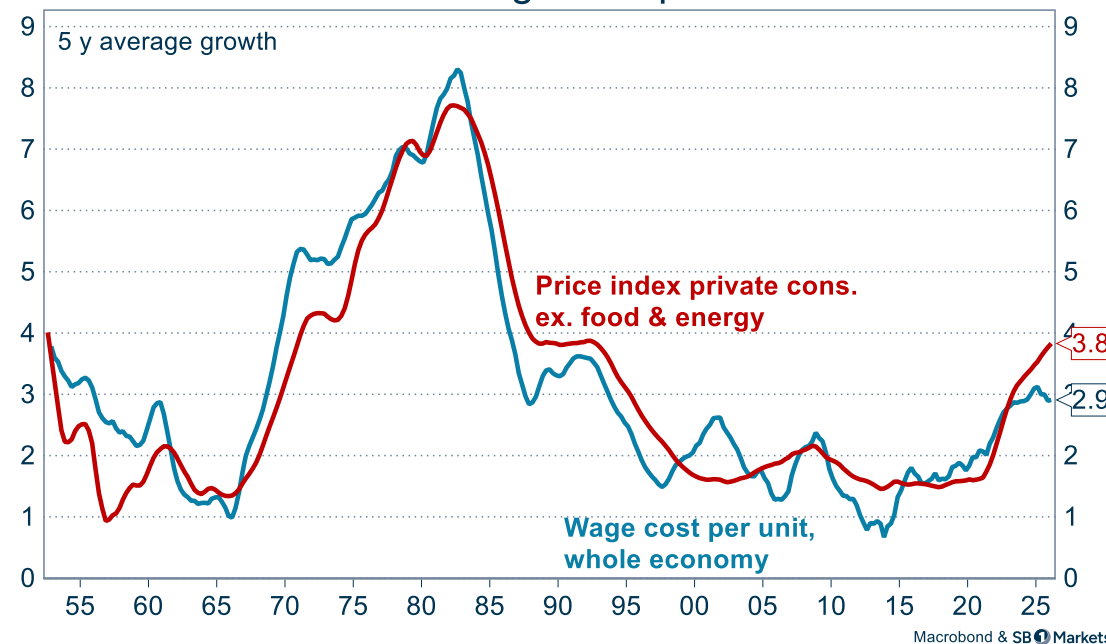
Unit Labour Costs inflation has slowed to some 2%. If not for the surge in profits...

... inflation would have been low. The annual ULC growth rate fell to 1.2% in Q1, even if quarterly growth in Q4 and Q1 has been above 2%. A mild smoothing yields a 2% growth rate – which is **what is needed to bring price inflation down to 2% over time**.

USA Unit labour cost



USA Wages vs. prices

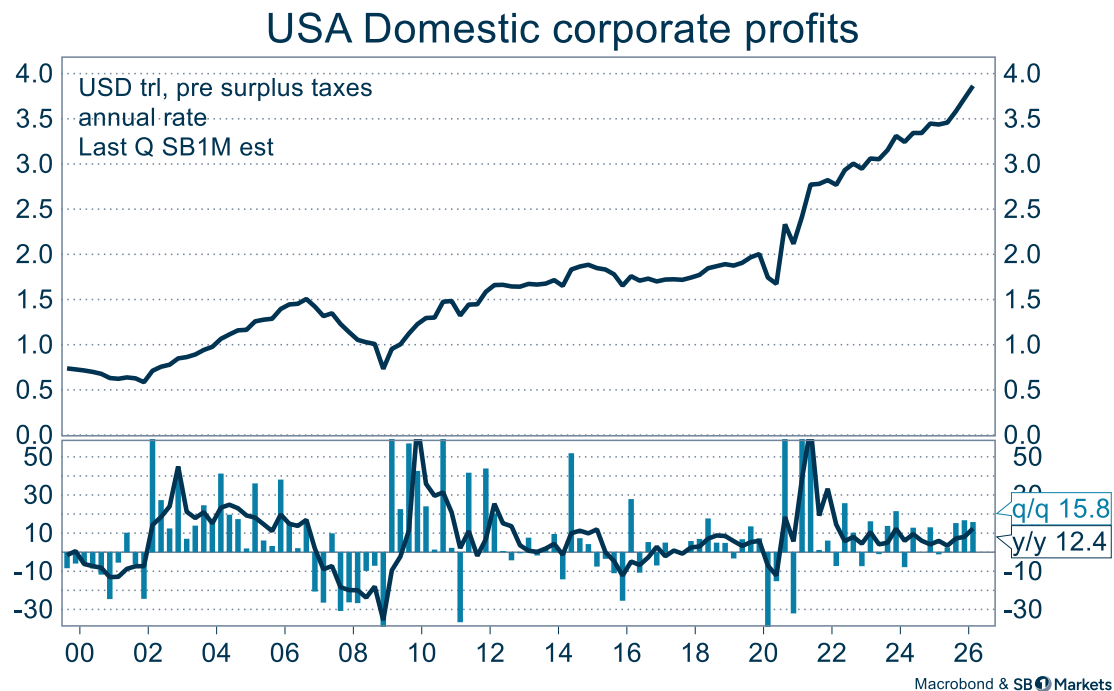


- In the **nonfarm business sector**, ULC rose 2.3% in Q1 and are up 1.2% y/y.



Domestic corporate pre-tax profits surge, are up 12% y/y, and growth is not slowing

Total after-tax profits declined marginally, due to a small increase in the corporate tax rate.

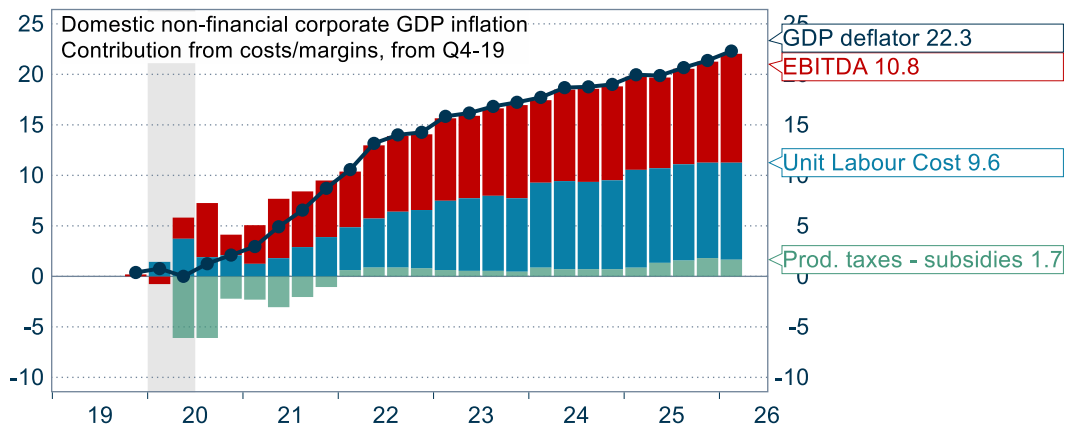




The non-financial corporate sector: prices are up 2.4% y/y, 1.6 pp due to higher profits

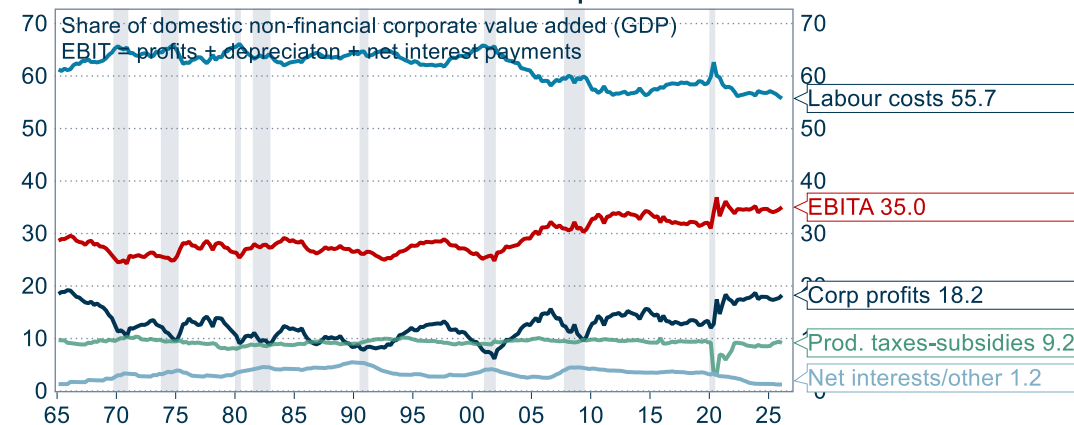
... and 0.8 pp due to tariffs (net production taxes – subsidies). Unit Labour Costs are down! Thus, the profit rate is on the way up, from a high level.

USA Inflation - what contributes?



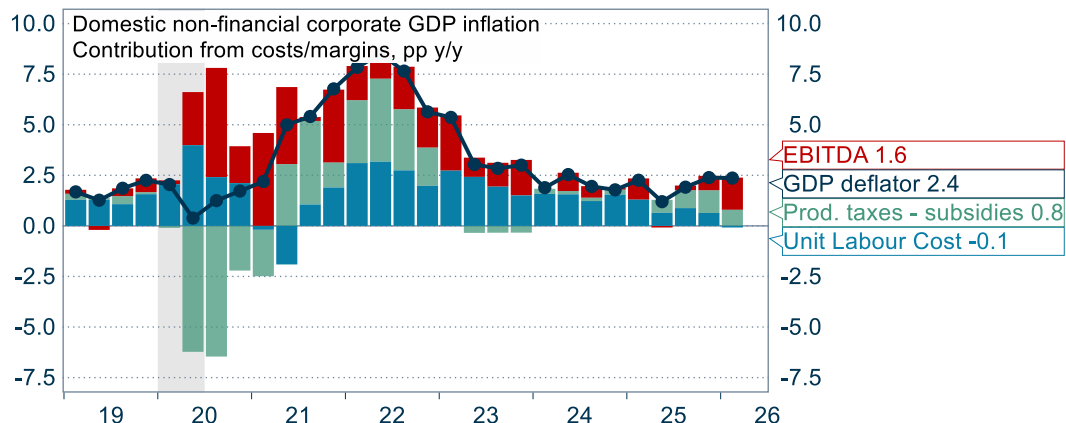
Macrobond & SB Markets

USA Distribution of corporate value added



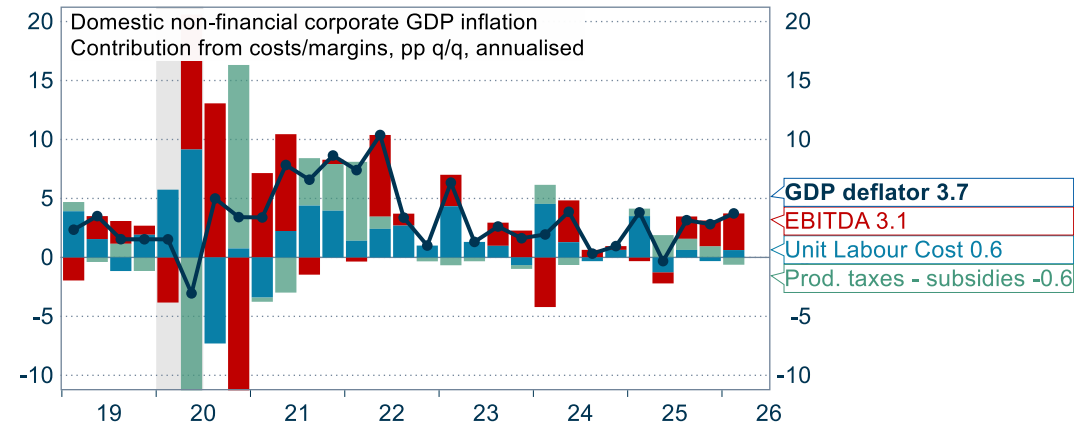
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USA Inflation - what contributes?



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USA Inflation - what contributes?

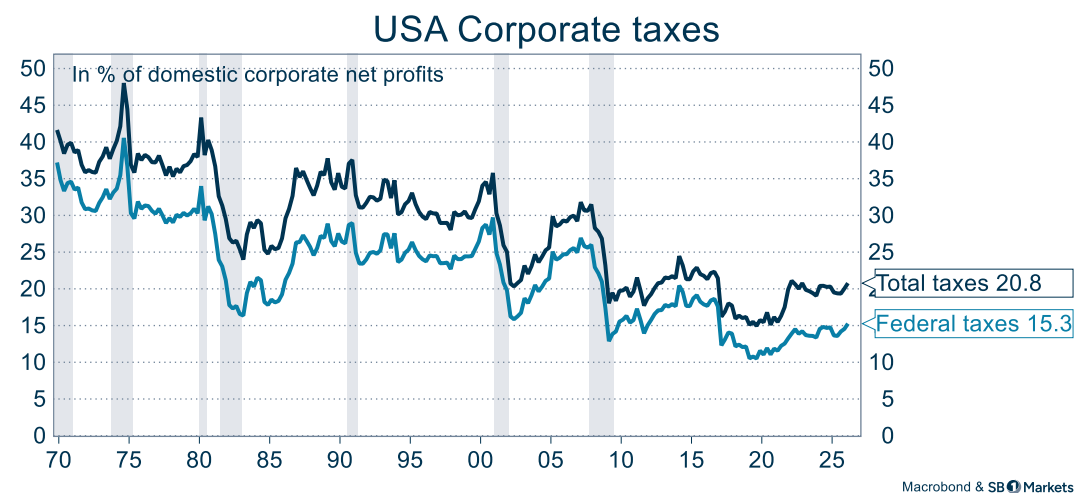
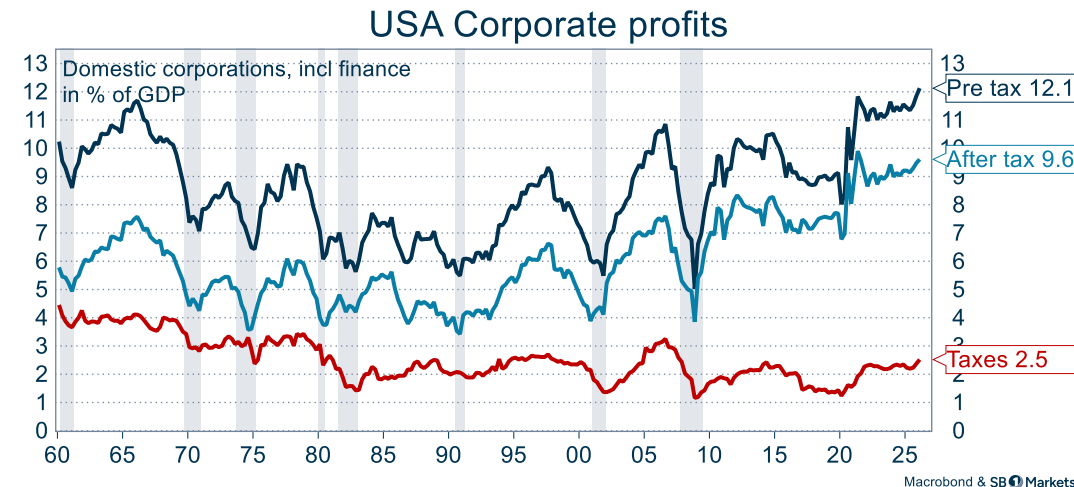
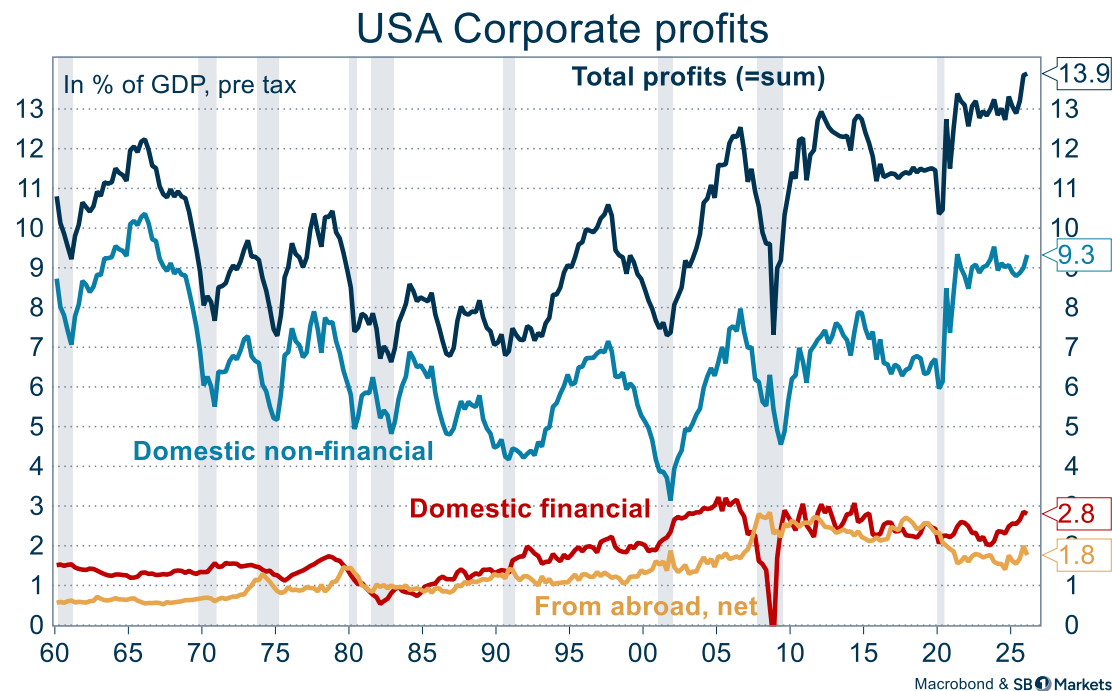


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The pre-tax profit rate up to ATH in Q1, although not among domestic non-financial corp.

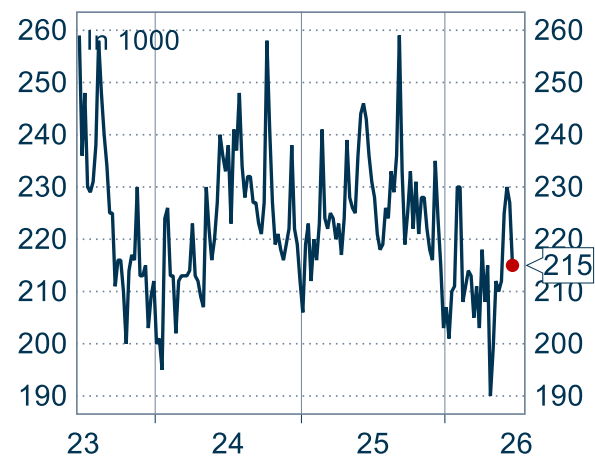
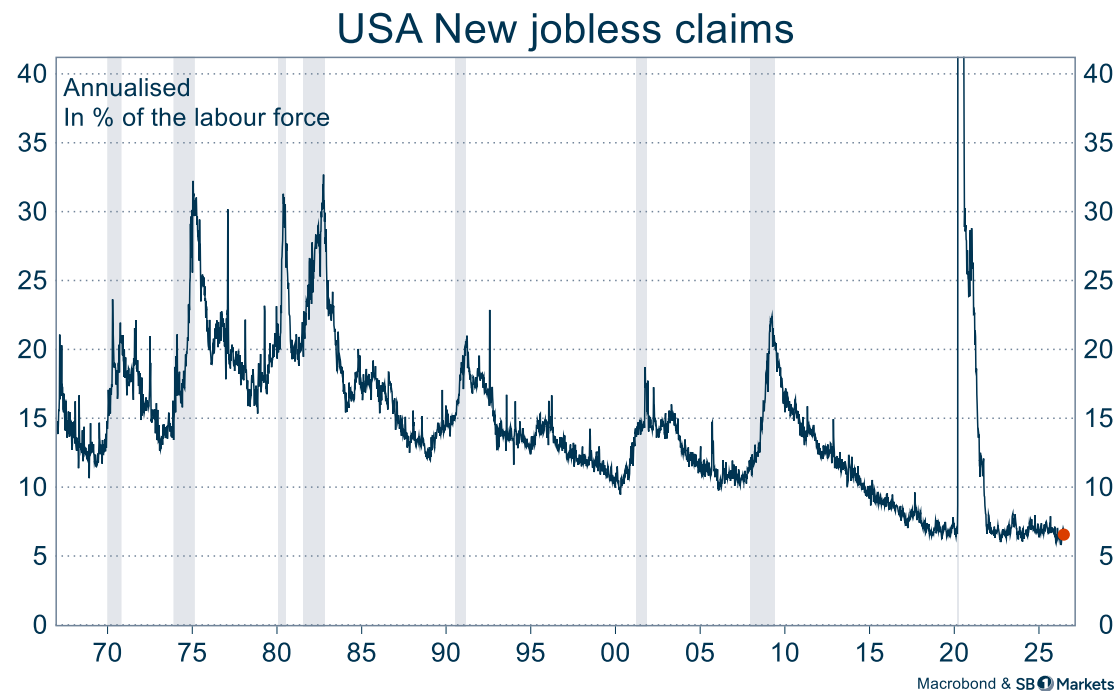
Profits from abroad trends up, partly supported by a weaker USD. Profits in the financial sector are surging. The overall corporate tax rate has increased slightly the past quarter, to 21%. The long-term trend is down. In Q1, the after-tax profits fell slightly, but the trend is strong.





The inflow of jobless claims down, and the level is still low

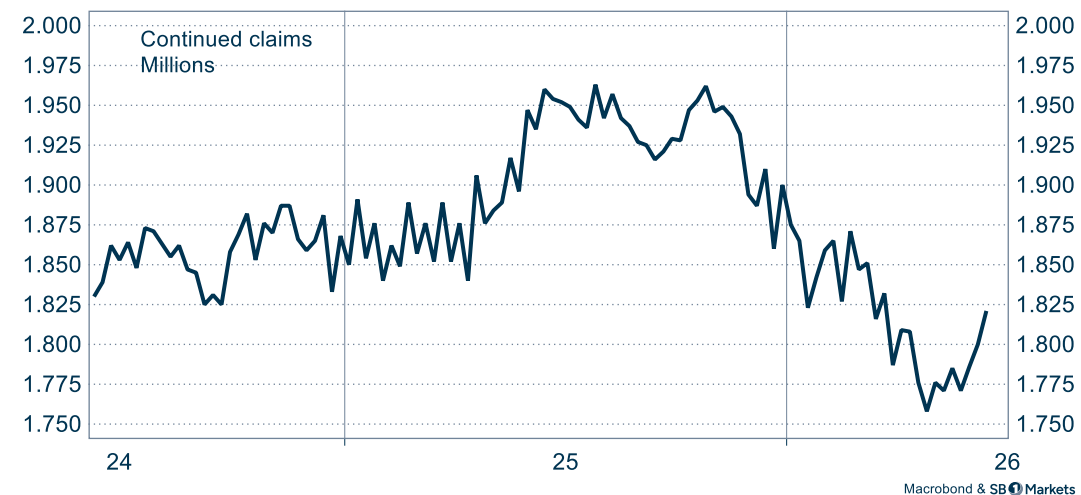
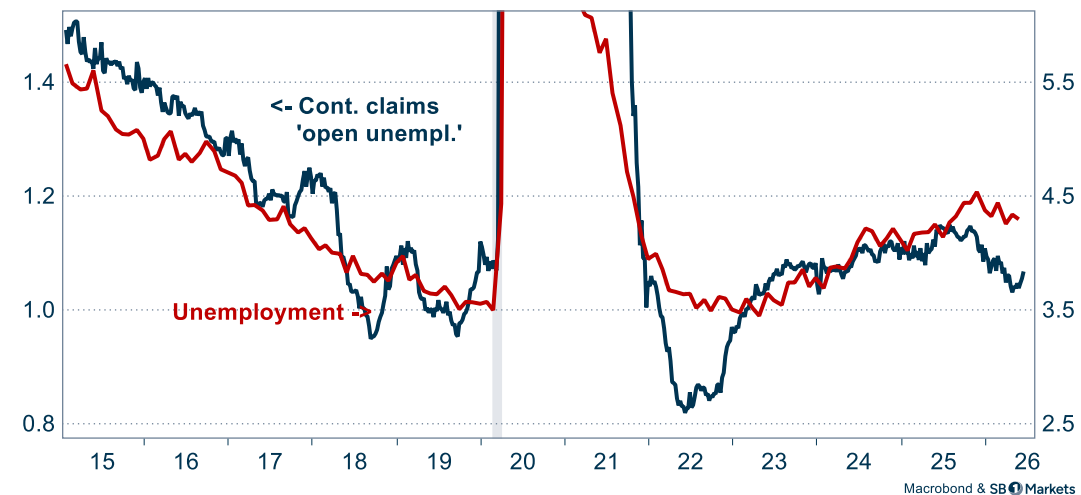
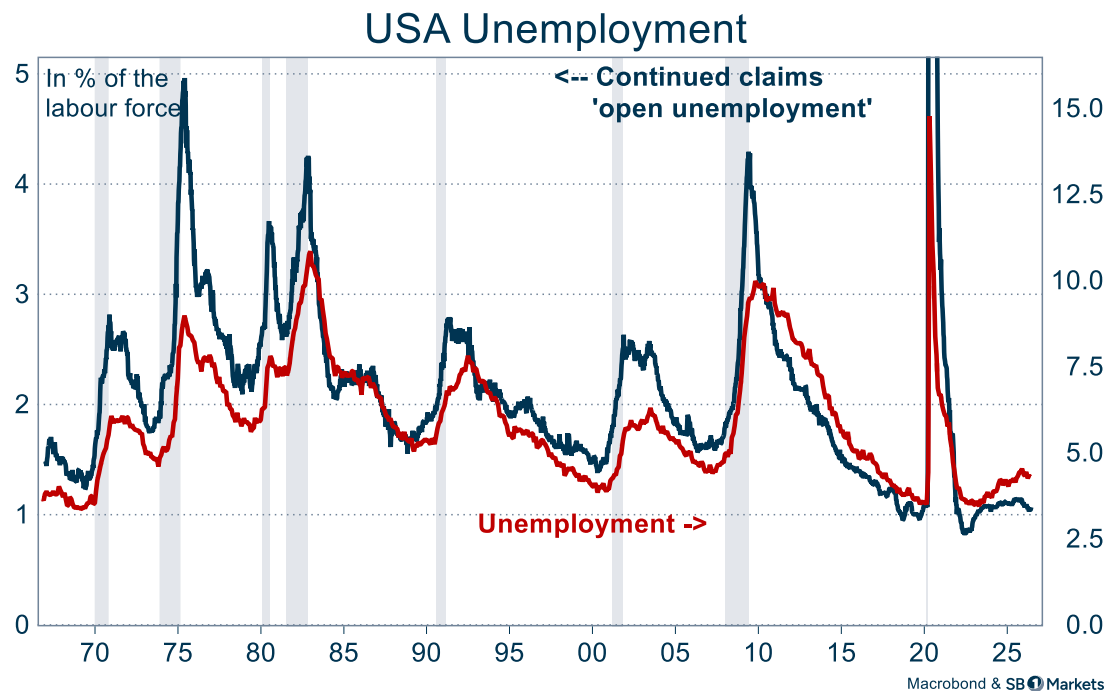
The previous week, 215,000 new jobless claimants, down 12' from the previous week





Continued jobless claims slightly up in recent weeks but still at a very low level

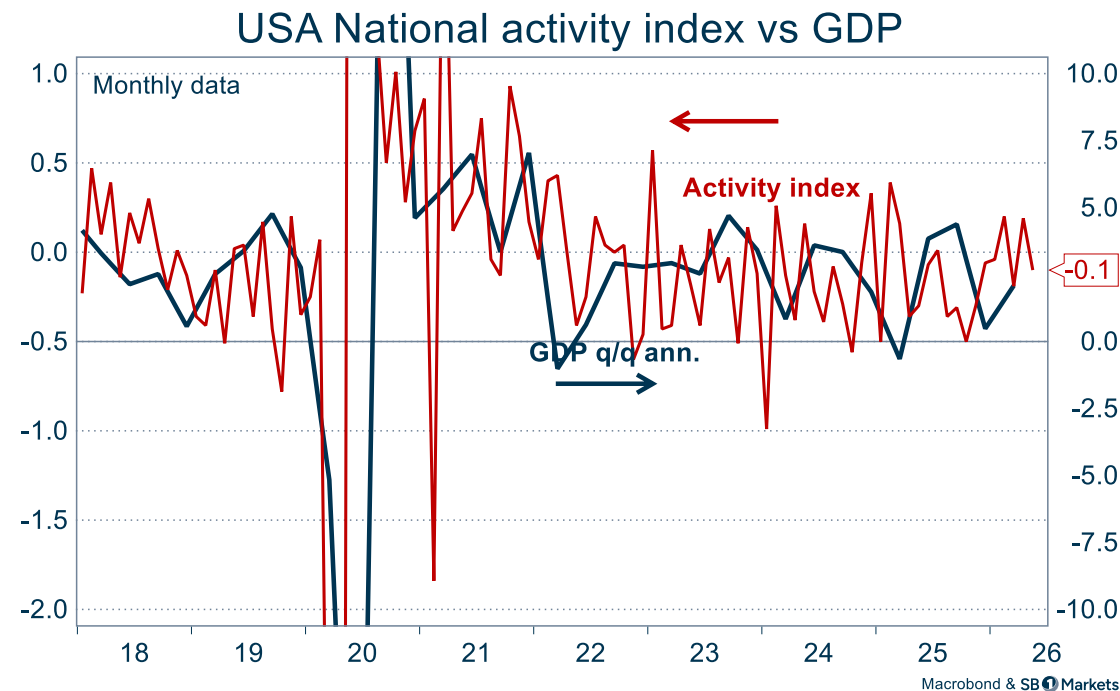
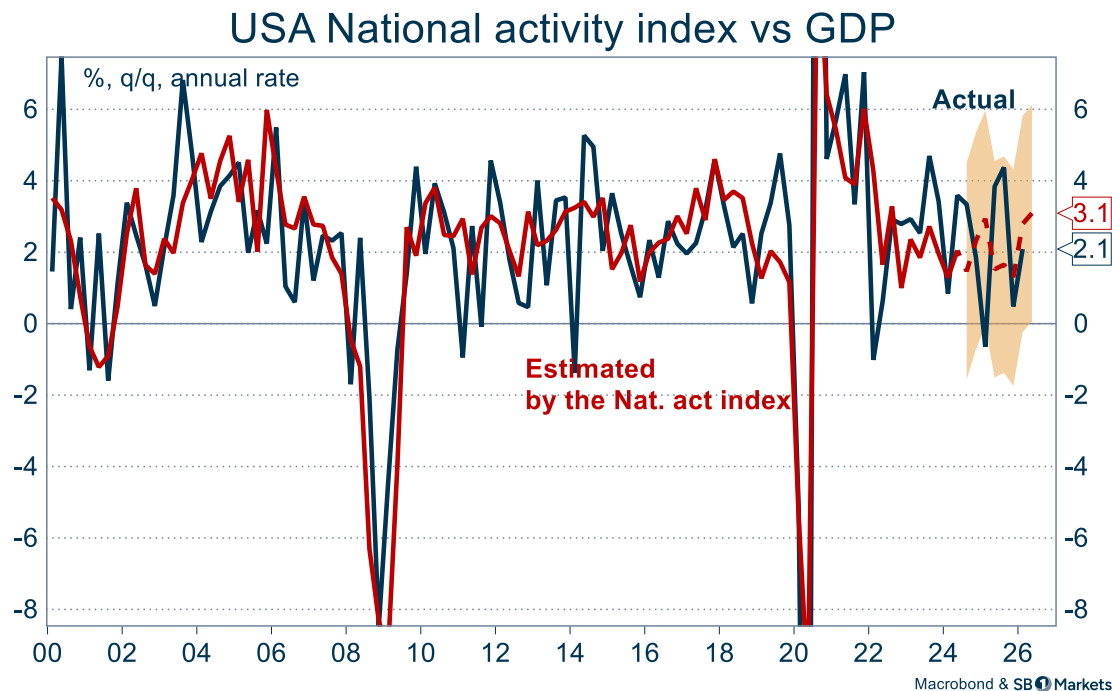
The count of persons receiving unemployment benefits has fallen rapidly in recent months, confirming the decline in the unemployment rate – and signals a further decline. However, the **trend the past 6 weeks is upwards**





The National Activity Index declined in May, but 3% growth still signalled

When smoothed



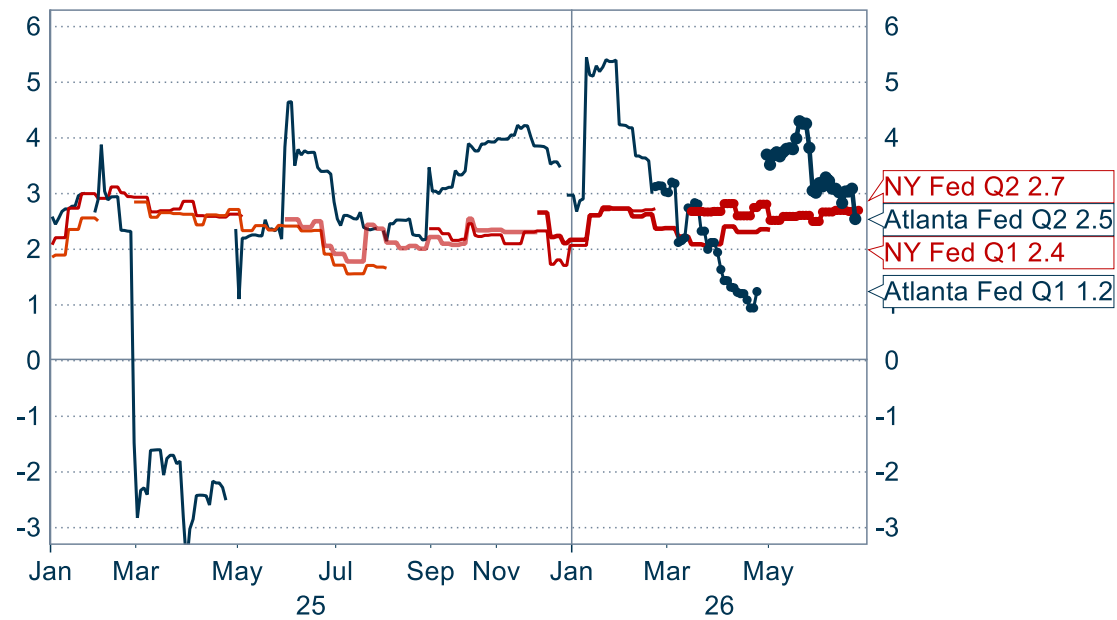
- **The National Activity Index** at -0.11 in February implies a 2.5% growth rate
- **The activity index** is normally quite closely correlated to the GDP cycle, just less volatile (on a quarterly basis) than GDP figures. Thus, it is *perhaps a better gauge for the 'real' activity in the US economy than the quarterly GDP data*, check the model-based estimation at the chart to the left.



Atlanta Fed's Q2 GDP estimate cut by 0.5 pp to 2.5%

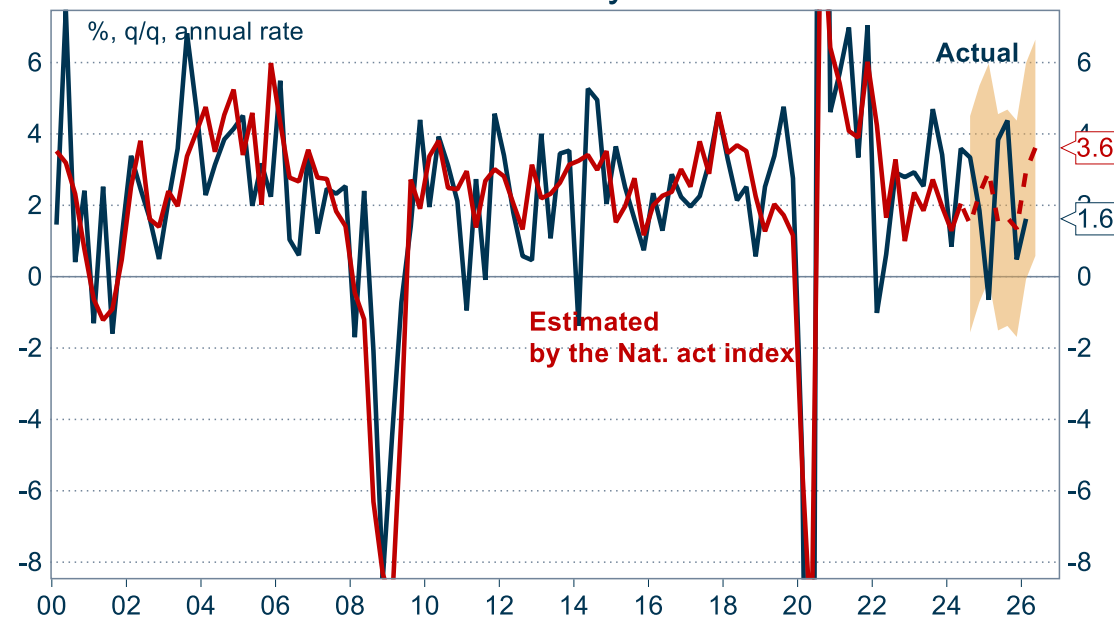
The weak May export data published on Friday will probably cut the growth forecast further. Other nowcasters/surveys report lower growth, some higher.

USA Fed GDP nowcasters



Macrobond & SB Markets

USA National activity index vs GDP



Macrobond & SB Markets



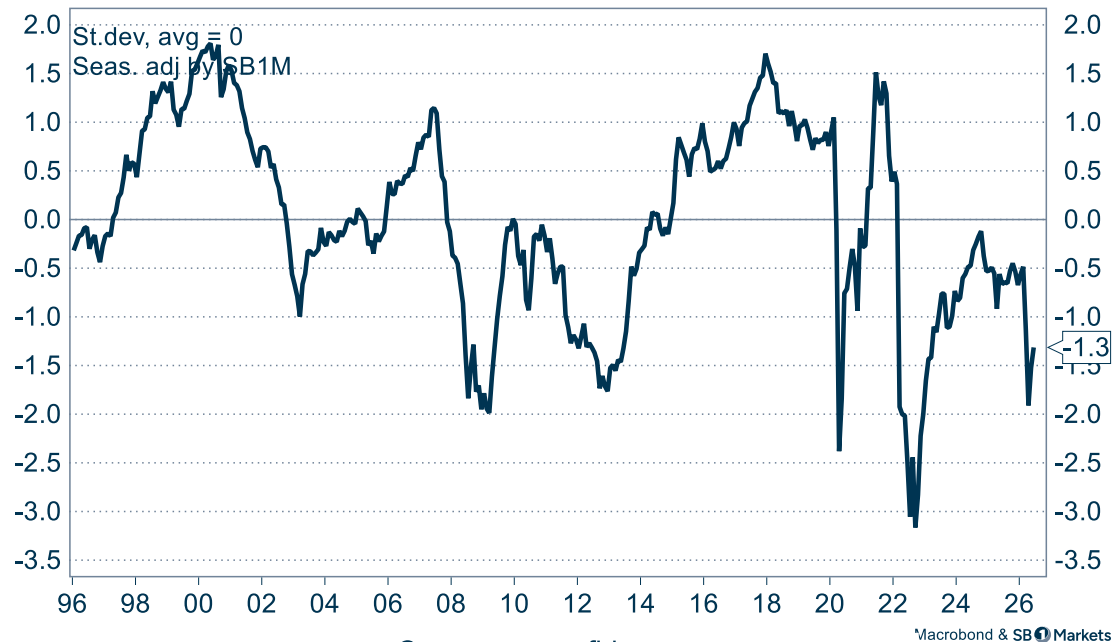
Euro Area



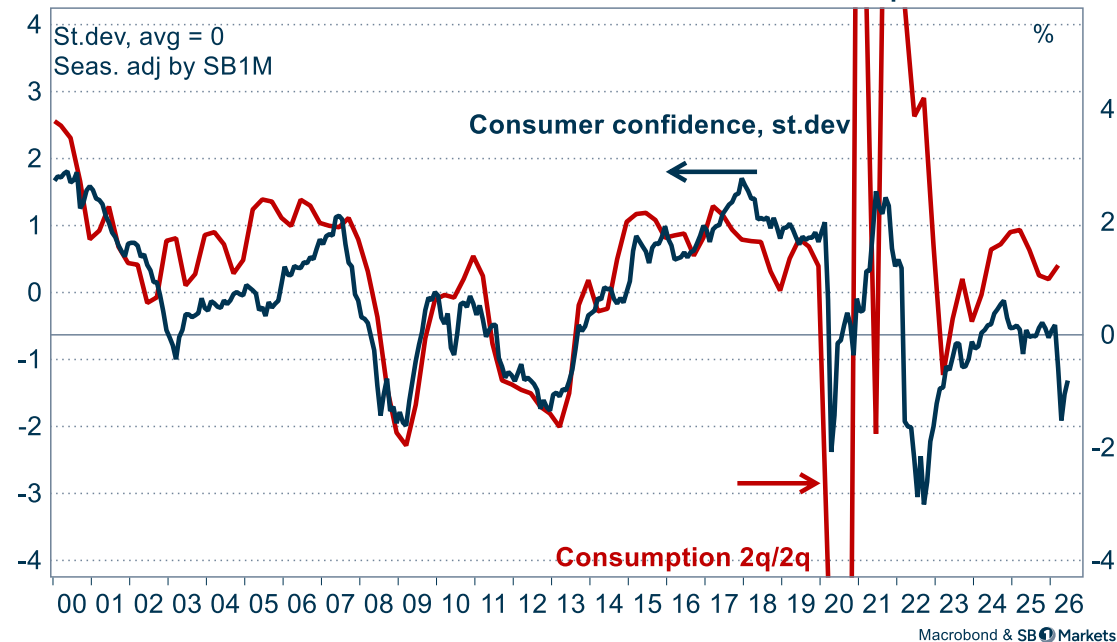
Consumer confidence further up in June but still below the pre-Gulf-war level, -1.3 s.d.

Sentiment in Denmark rose in June, but remains weak, at -1.6 s.d. Others have not reported. Since the Ukraine war started, demand has kept up far higher than normal vs. confidence, but the current level does not suggest any growth in private consumption.

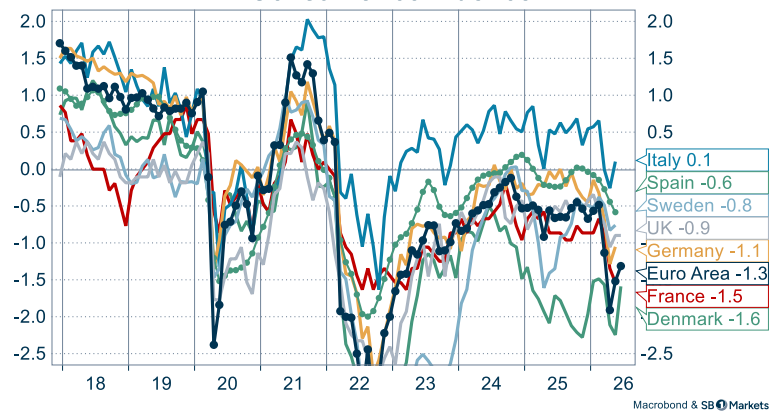
EMU Consumer confidence



EMU Consumer confidence vs consumption



Consumer confidence



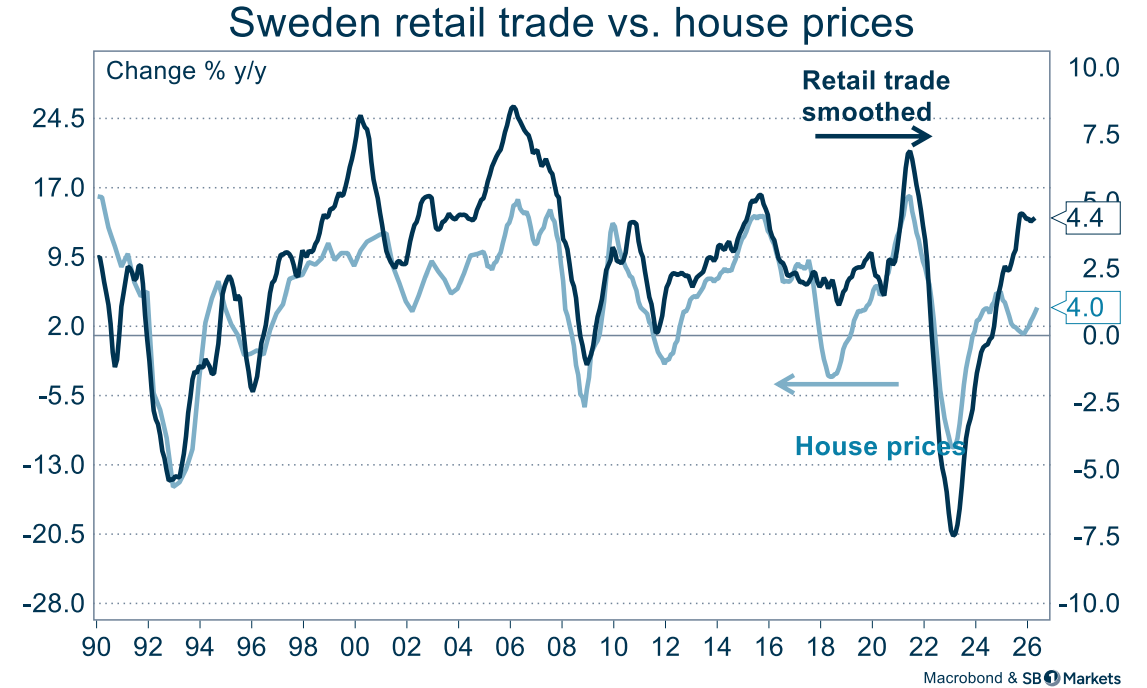
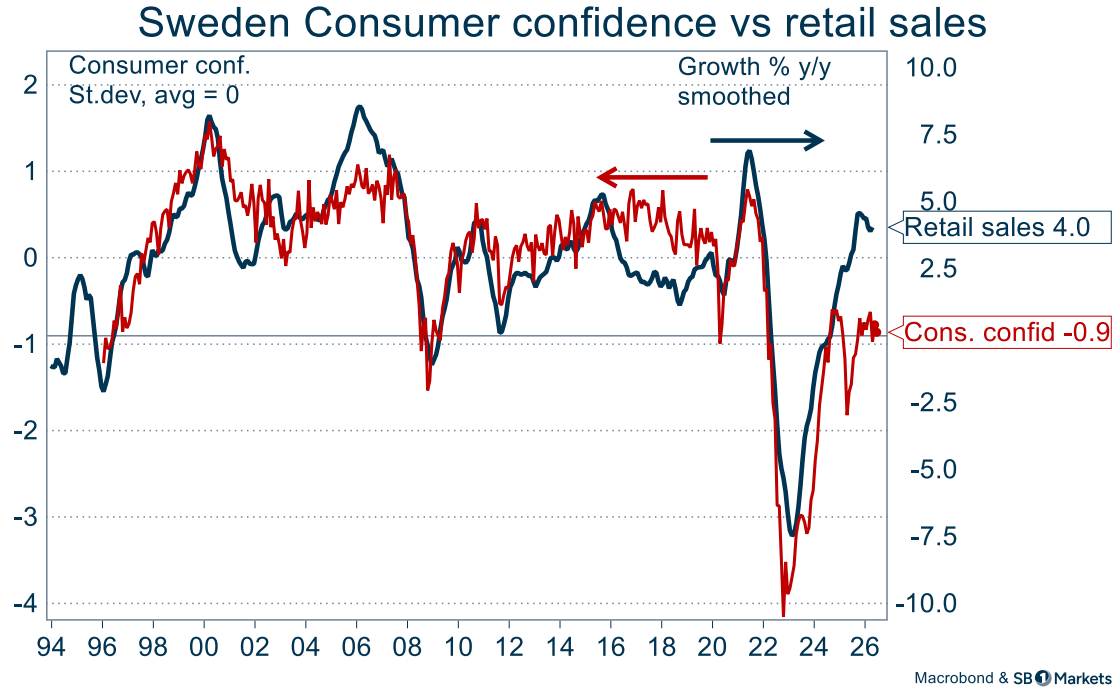


Sweden



Consumer confidence remains weak, 0.9 std. dev. below par. But spending has been OK

The 'micro' index declined 0.1 std. dev. to -0.9 s.d. in June. Based on the historical relation to consumer spending: no growth in retail sales. However, sales have been far better than implied by consumer confidence the past 2 years. So, no reason to worry?

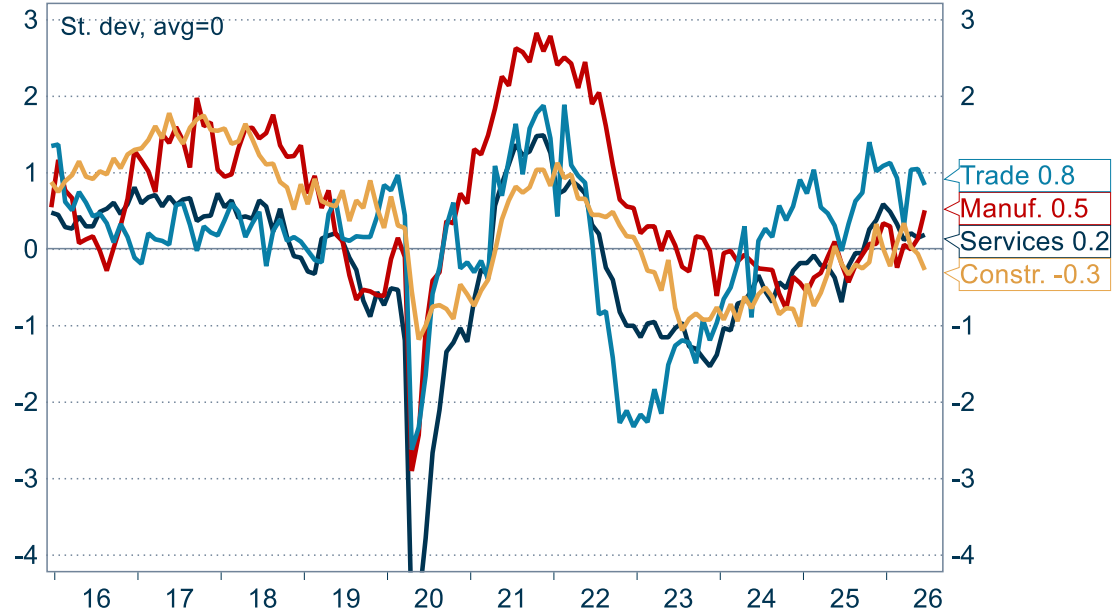




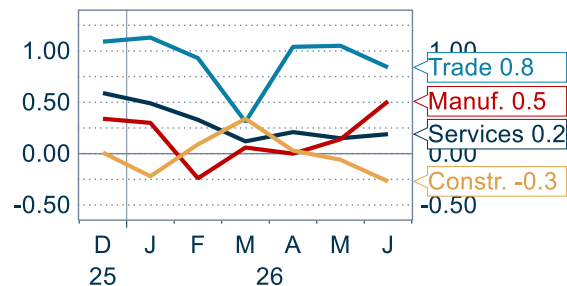
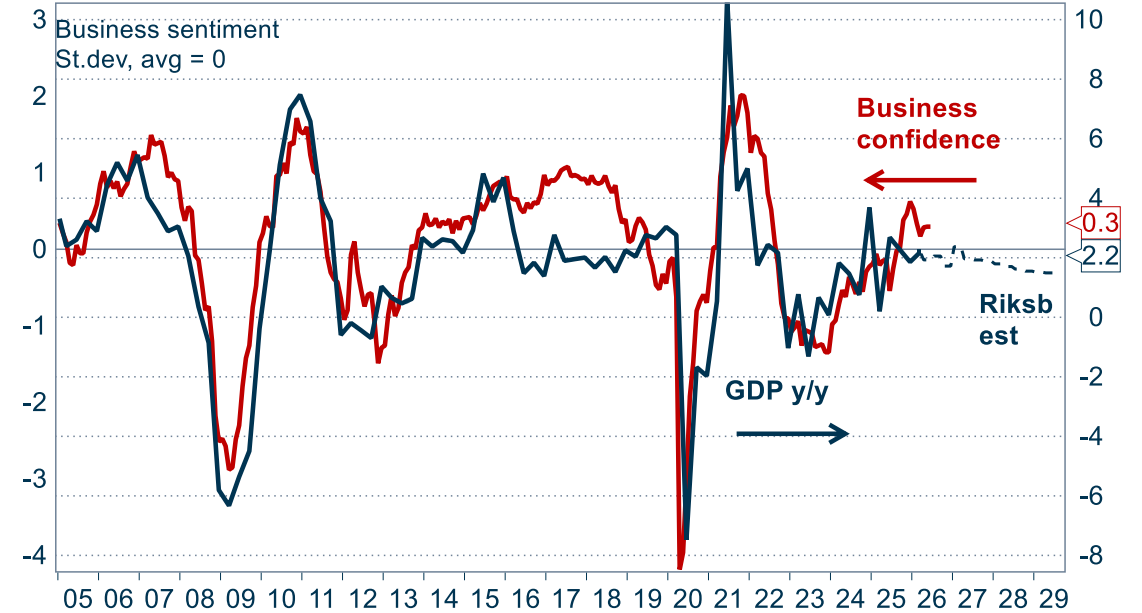
Business sentiment flat in June → 3 % GDP growth still signalled

Manufacturers saved the day, up 0.3 std. dev. to +0.5. Services ex. trade flat at 0.2 s.d., trade a tad down, still strong at +0.8 s.d. Construction the laggard – and companies in the sector reported weaker growth than normal in June.

Sweden KI business confidence



Sweden NIBR (KI) business sentiment vs GDP



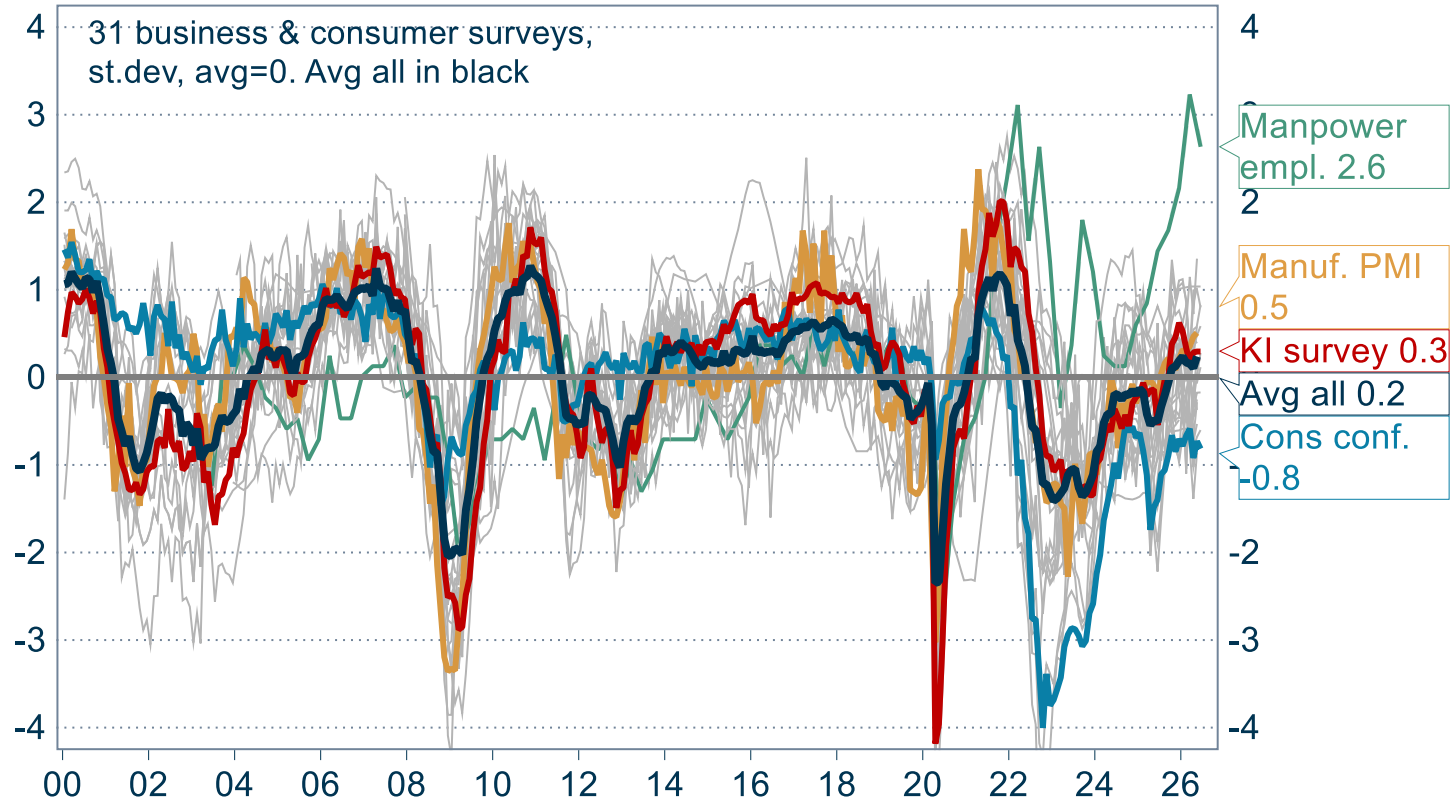
Macrobond &



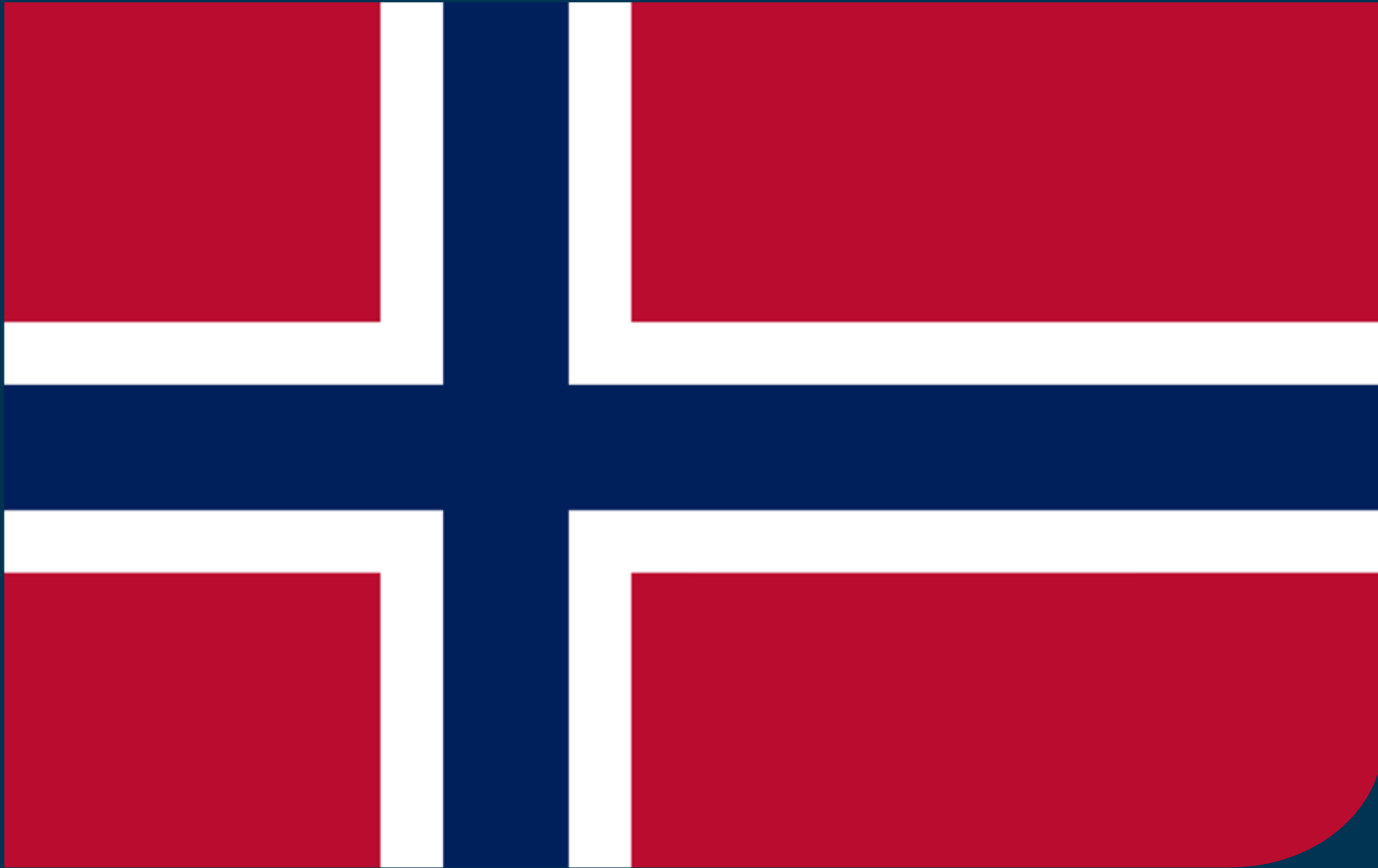
On average, surveys were unchanged in June, and slightly above average

Consumer confidence lags, but who cares, consumers have so far been spending well!

Sweden Surveys



Macrobond & SB Markets

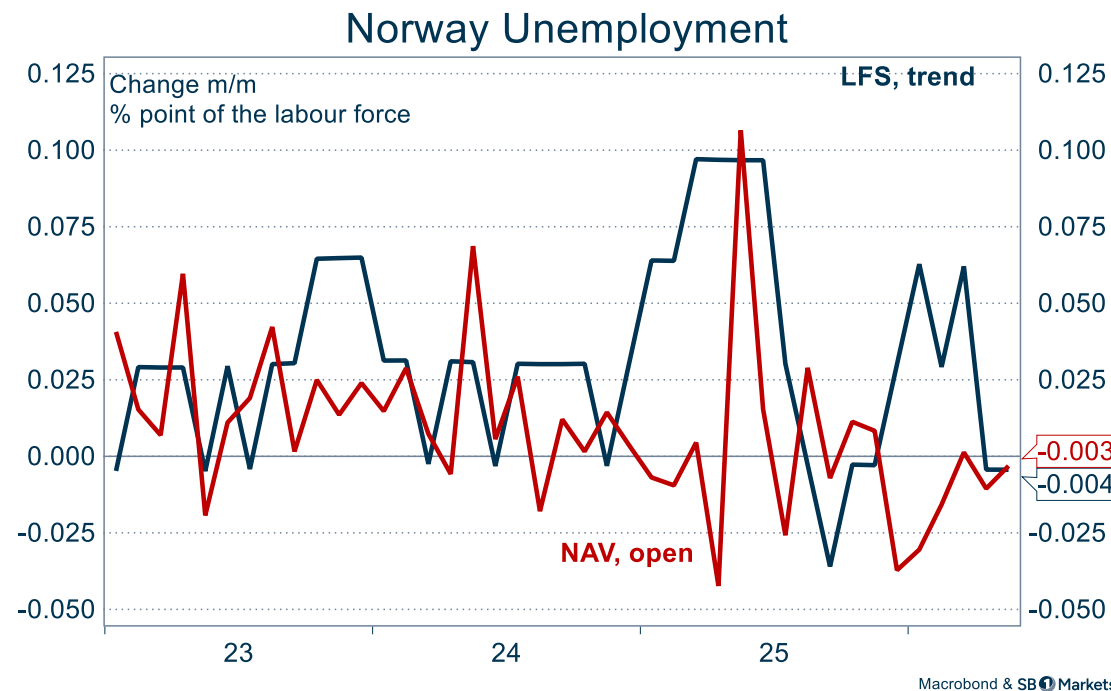
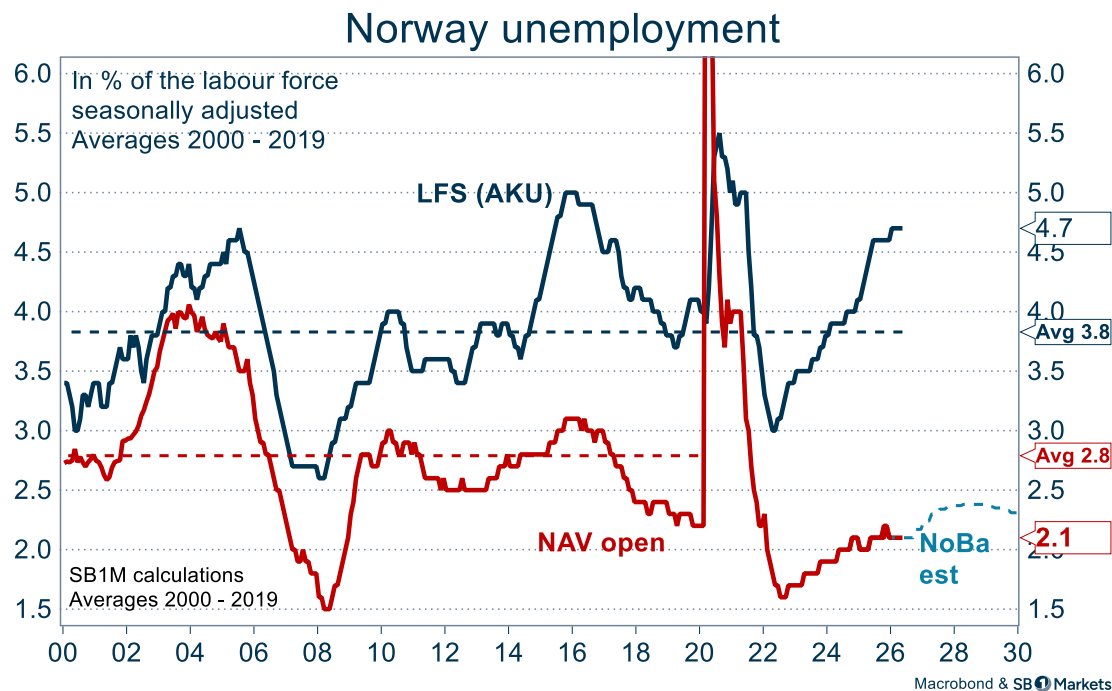


3. Norway



LFS ('AKU') unemployment: revised down to 4.7%, and has been flat so far in 2026

Unemployment was 0.1 pp lower than expected in May, following a 0.1 pp downward revision of Mar/Apr. The level is some 1 pp above average, almost entirely due to high unemployment among those below 25y.



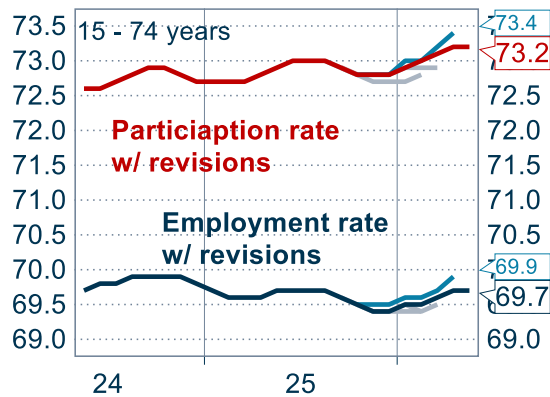
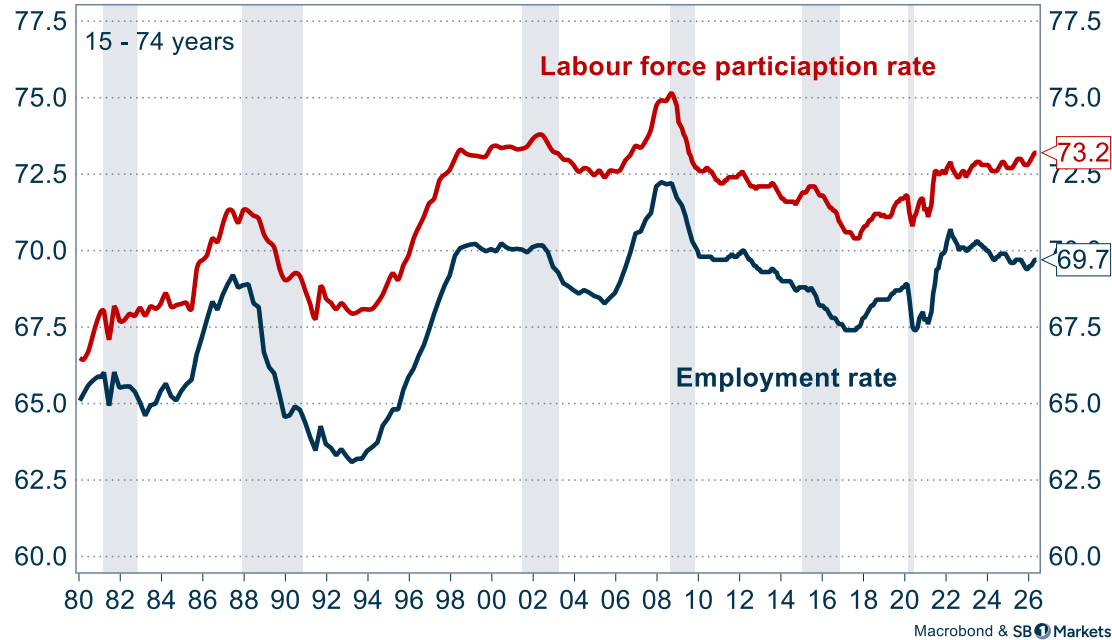
- Both the participation and employment rates were unchanged in May, following a downward revision of both. The employment rate has still been on the way up so far in 2026, but the trend the past years is downward.



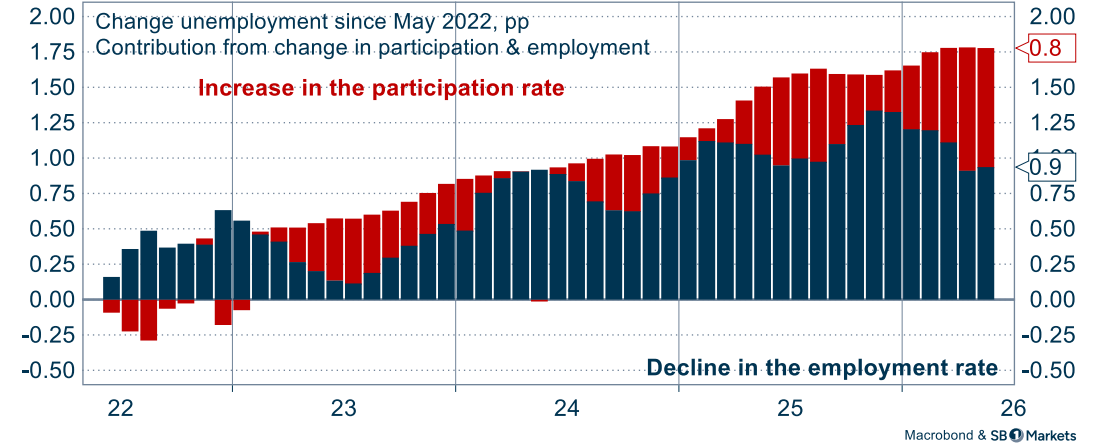
LFS: a 0.2 pp downward revision of both participation and employment rates

No change in May. Participation trends steadily upwards while the employment rate has been sliding down since after the post-pandemic boom and the two have contributed equally to the lift in the unemployment rate since 2022.

Norway Labour market



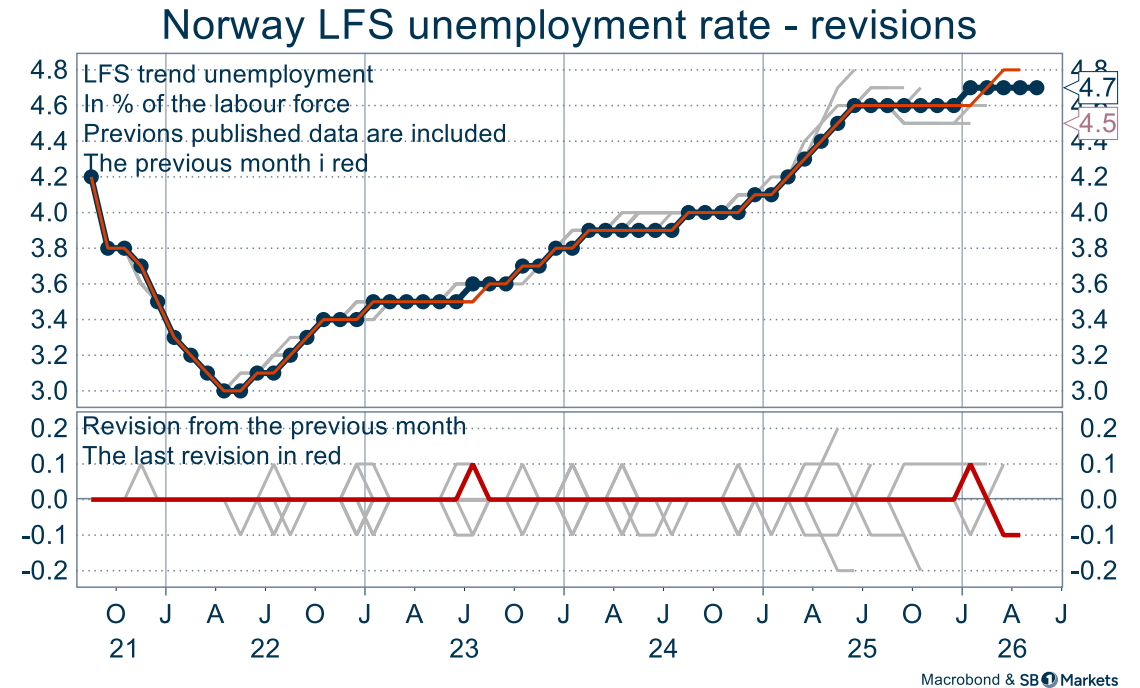
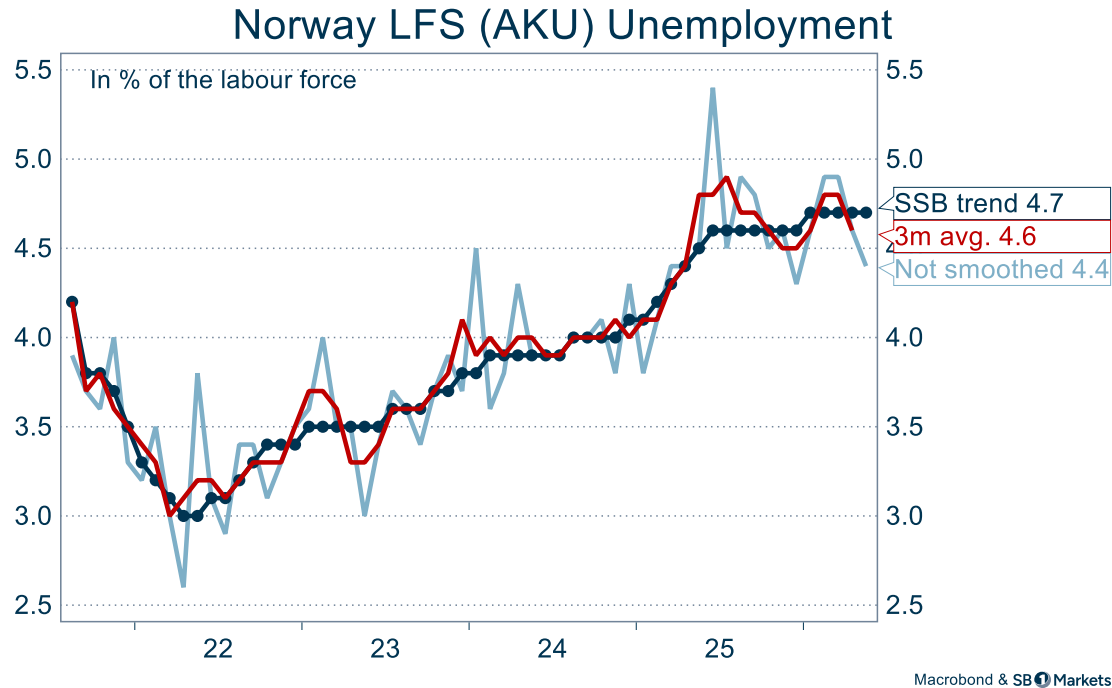
Norway Why has unemployment increased?



- **The participation rate** was flat at 73.2 in May, down from previously reported 73.4. The level is still the **best since 2009!**
- **The employment rate** was flat at 69.7 in May, down from previously reported 69.9. The very short-term trend has turned up, and May was equal to the level last summer.
 - **Ahead of the pandemic**, the rate was almost 69% and then fell to 67.4% in early 2021 (equal to the level in 2017, after the ‘oil crisis’).
 - **At the peak (ATH)** in 2008, the employment rate was 72%. The employment rate in the 25–54y group is down 3.5 pp from the 2008 level but is higher than before the pandemic.
- Growth in **working age population** approaches 0.5% y/y, down from up to 1.4% when immigration from Ukraine peaked a couple of years ago.

For the nerds: LFS unemployment data are volatile, some sort of smoothing is needed

.. which often leads to revisions of the best measures of the 'trend' when new data points are added, even if the unsmoothed monthly unemployment rate is not revised (and they are usually not). SSB now estimates the trend at 4.7%. The non-smoothed rate fell 0.2 pp to 4.4%.

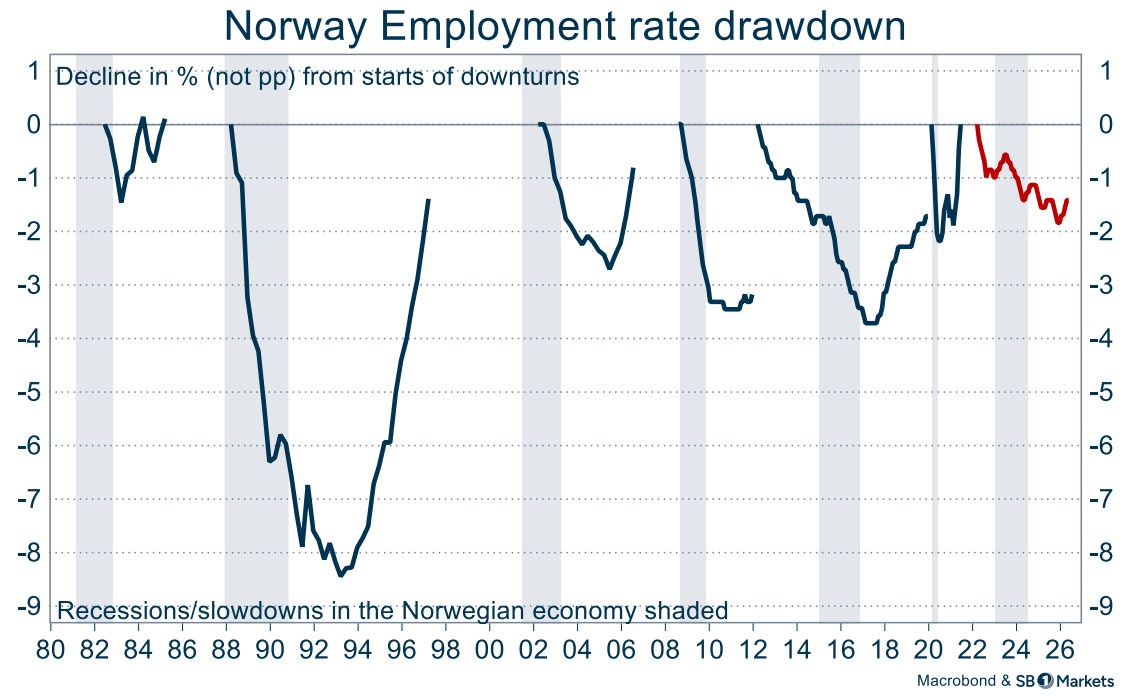


- **Monthly unsmoothed** data are far too volatile, and some smoothing is needed. We usually refer to SSB's trend estimate. Even this smoothed measure is often revised, check the chart to the right above.
 - **SSB's trend** was revised down by 0.1 pp to 4.7% in April, and was unchanged at this level in May. The level has been unchanged since January.
- **The 3-month average** declined 0.2 pp to 4.6% in May.
- So, there are good reasons to take the LFS unemployment data with more than **a grain of salt**. What is certain is that the unemployment rate has increased from 3% in early 2022 to 4.5% – 5% now – which of course is a substantial lift, and the underlying long-term trend is still upwards.



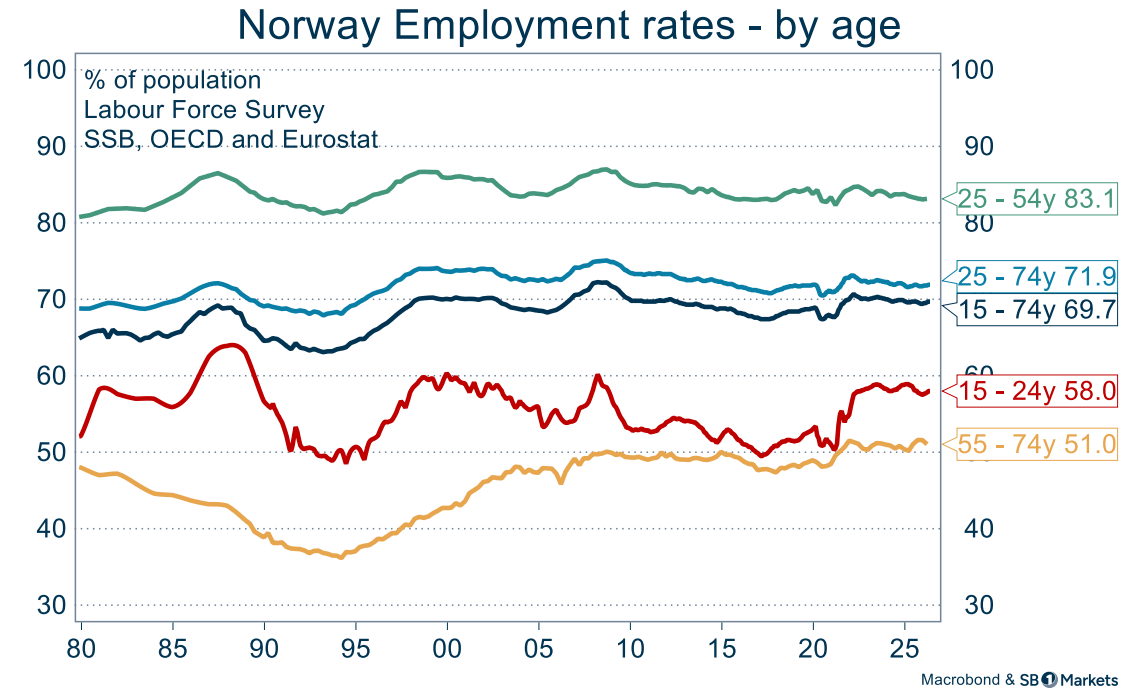
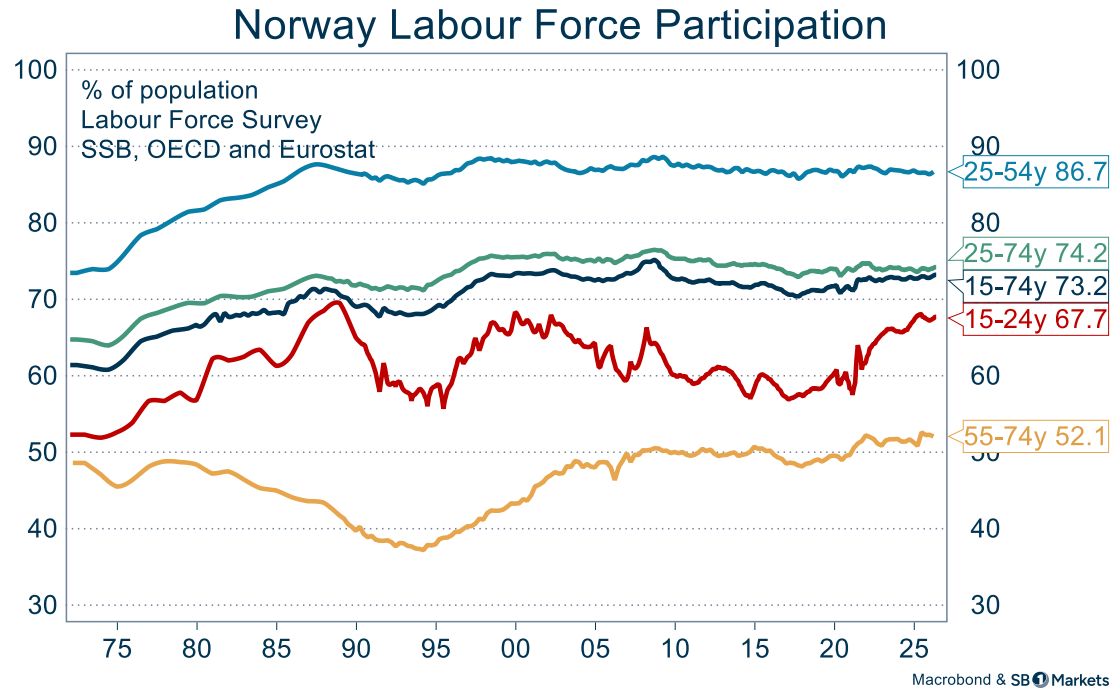
The employment rate has taken a substantial hit since 2022

However, the current slowdown has been slower than during most downturns



Youth labour market participation has been surging, and faster than employment

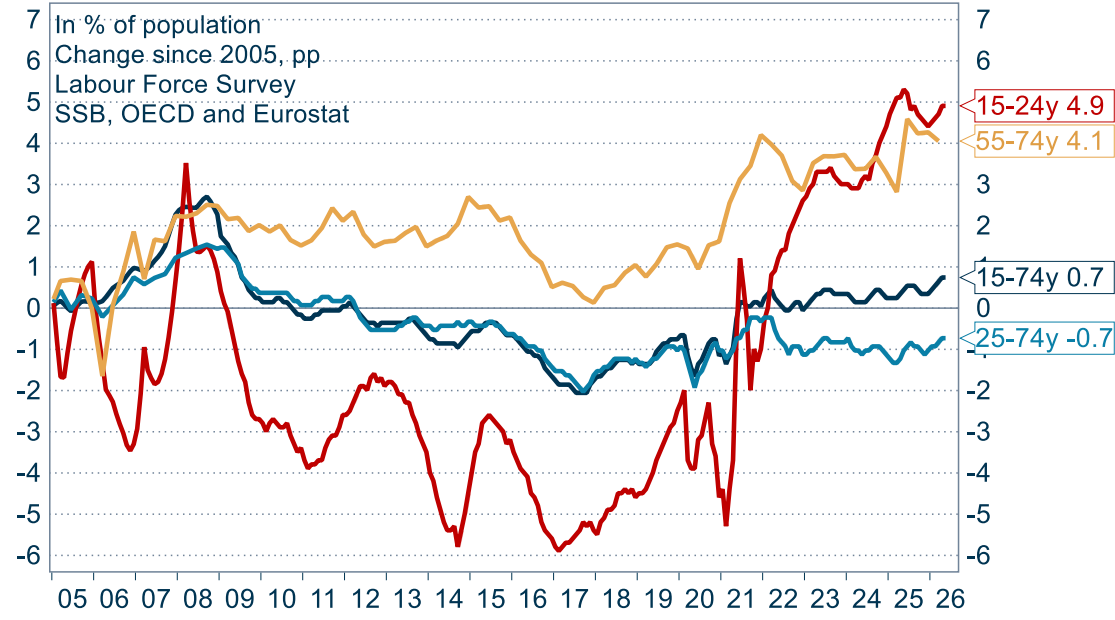
Now, the youth employment rate has flattened, while the participation rate still trends upwards. The employment rate is trending down in the core age group (25–54y). Participation & employment rates among those above 55y have never been higher, but are trending flat



- The lift in the participation rate in the 15–24y group constitutes a marginal share of the effective labour supply, as their working hours often are low.

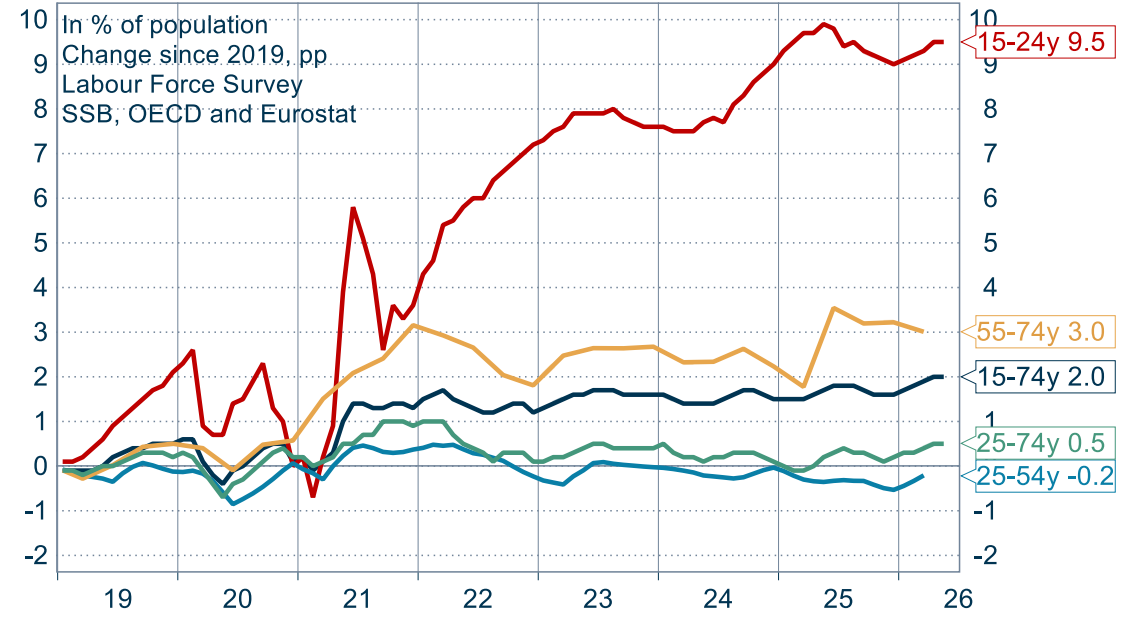
A close up: changes in participation rates

Norway Labour Force Participation



Macrobond & SB Markets

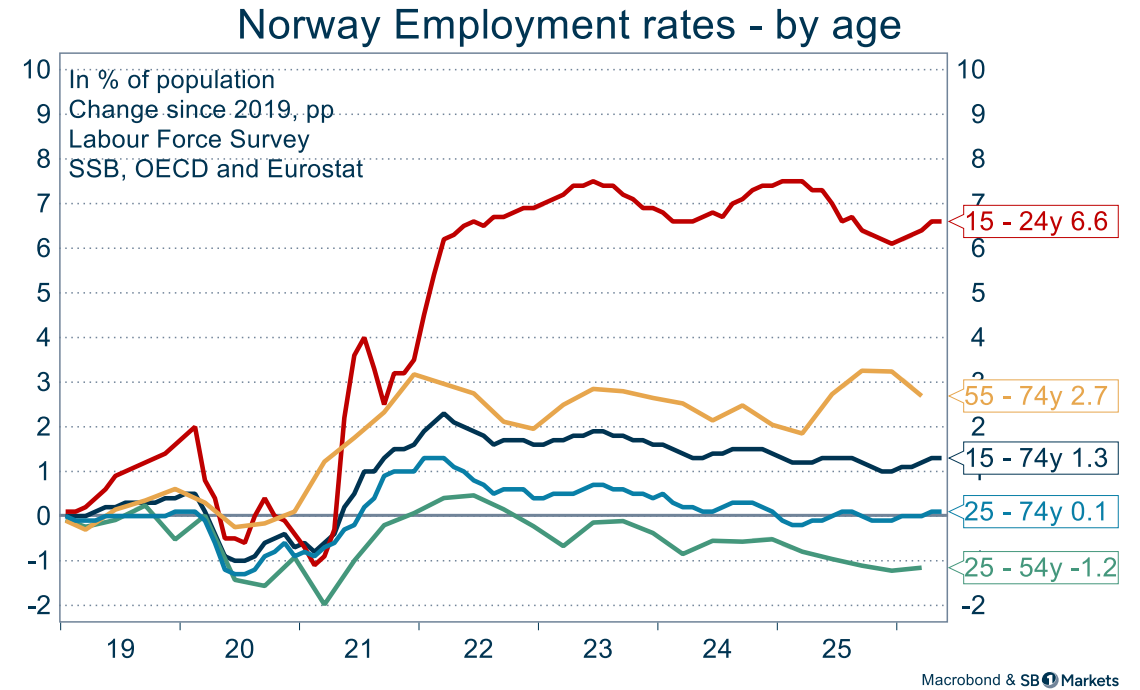
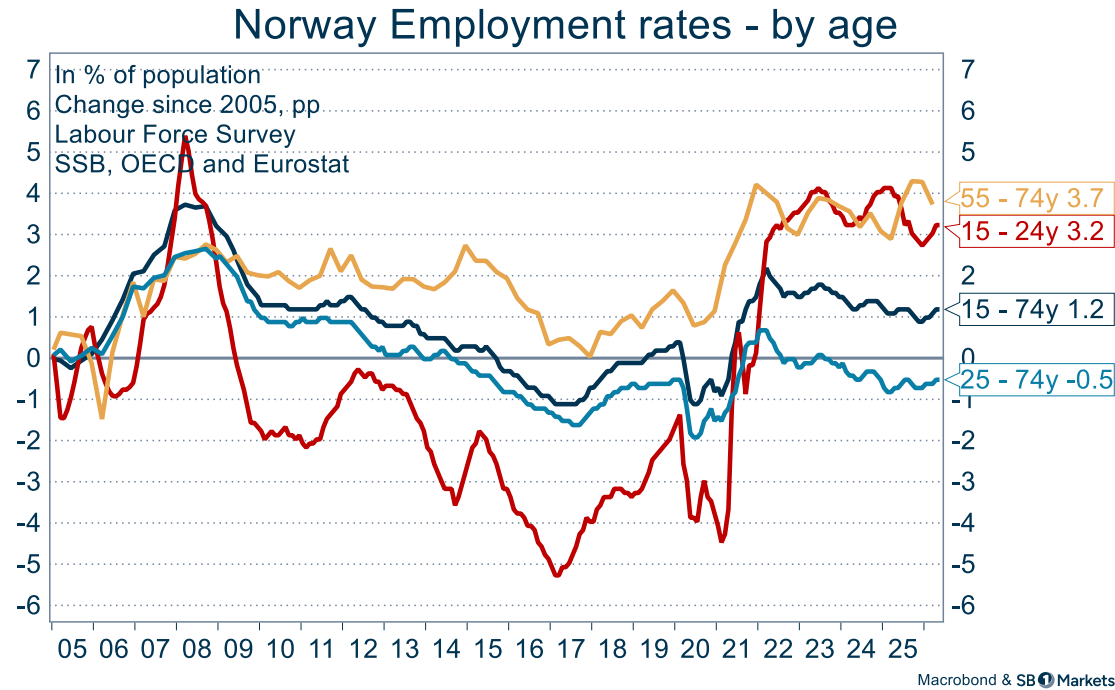
Norway Labour Force Participation



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Another close up: changes in employment rates

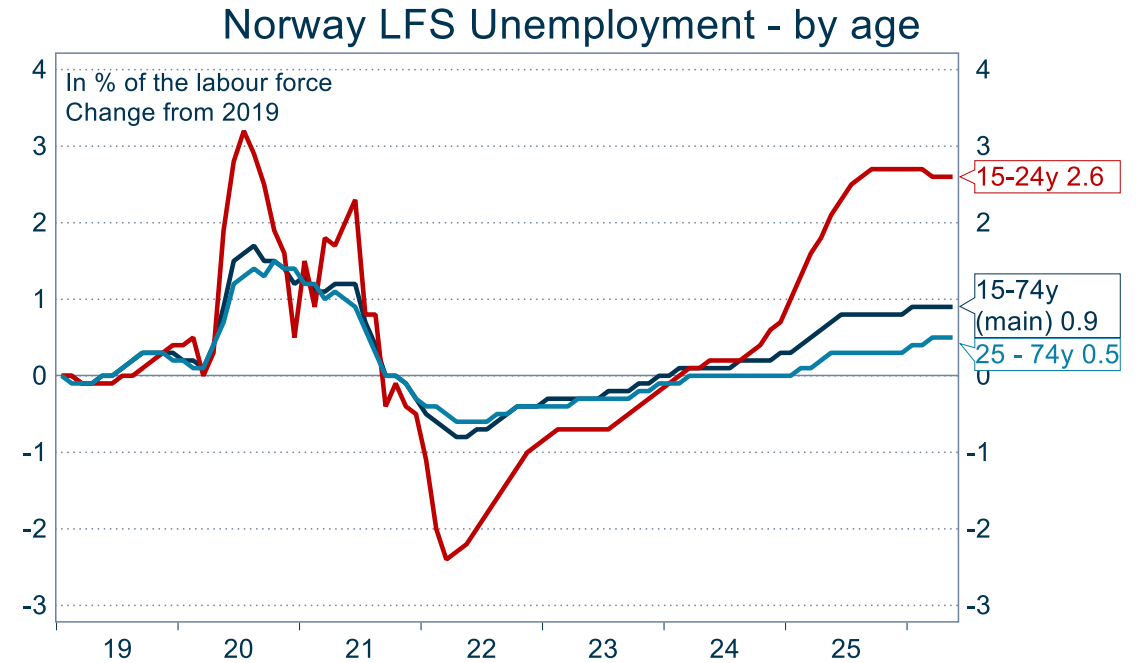
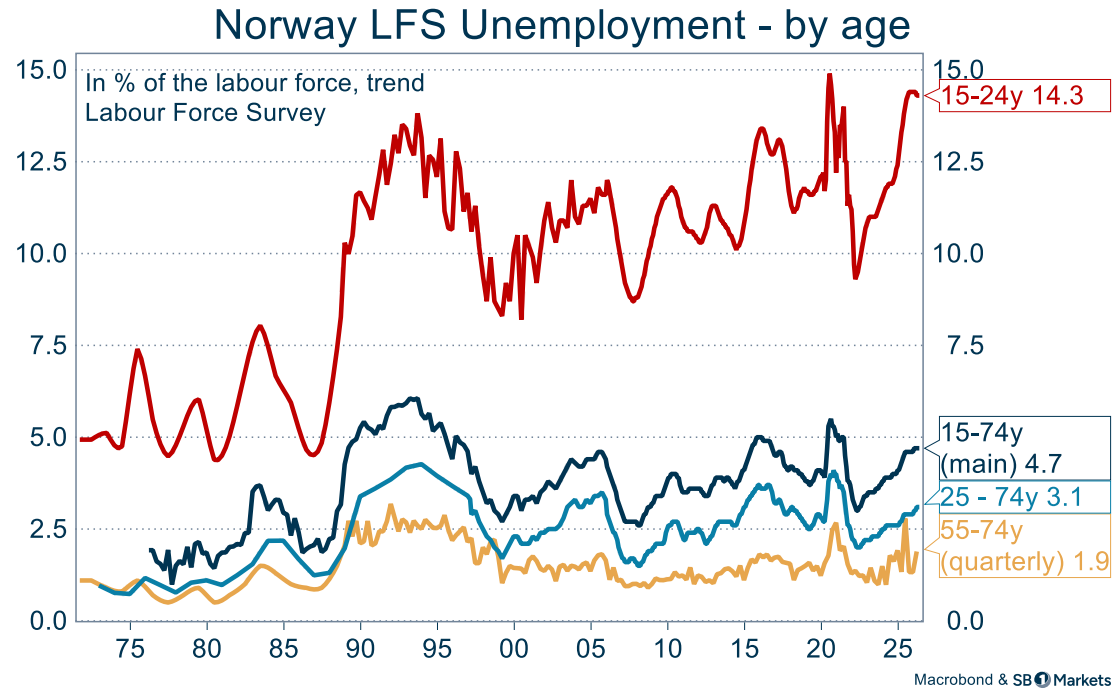
The laggards recent years: the 25–54y segment. The youths in the lead. And the oldies



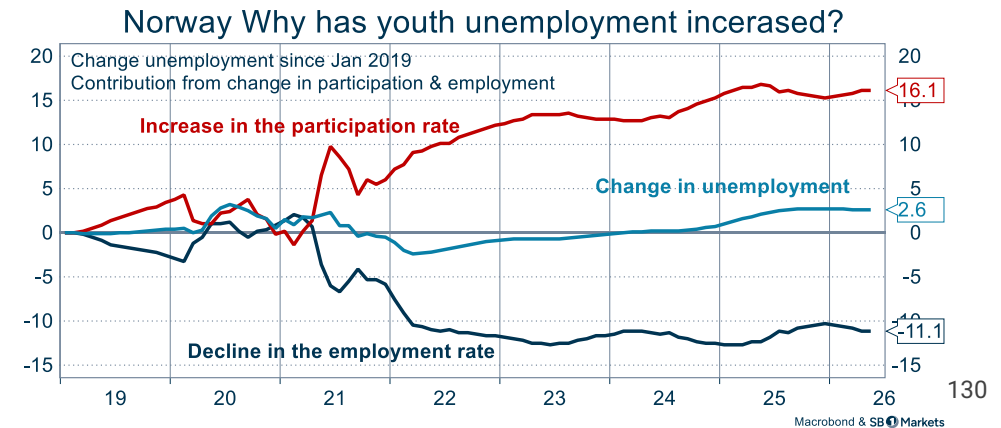


Unemployment has increased among all age groups; The most among the youngest

... due to the surge in the participation rate. Unemployment in the 'core' group, the 25–54y segment, is up as well, but far less than the lift in the overall rate.



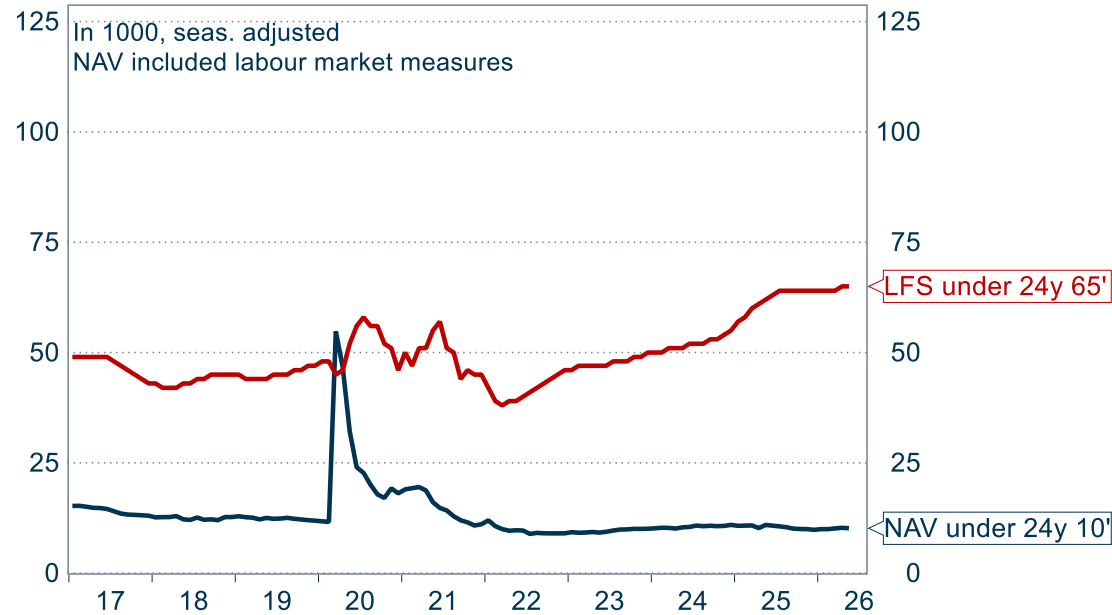
- The increase in the **unemployment rate** in the 15–24y group since 2019/2021 has been driven by a higher **participation rate (+16 pp)**, as the **employment rate has climbed rapidly (an 11% increase)** to among the highest on record, at least until recently (check the previous page). The unemployment rate is up 2.6 pp (measured in % of the labour force)



NAV or LFS unemployment? Almost all of the difference is due to youth unemployment

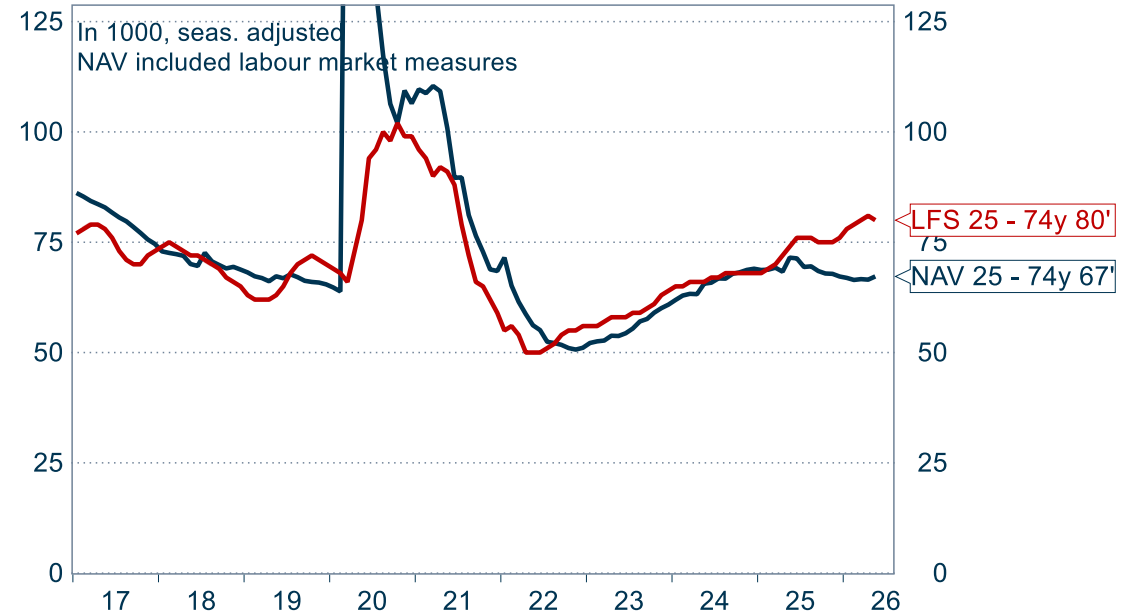
... at least until late 2025. Now the gap is due to higher LFS unemployment in the 25+ group, not among those 24y and younger.

Norway Youth Unemployment

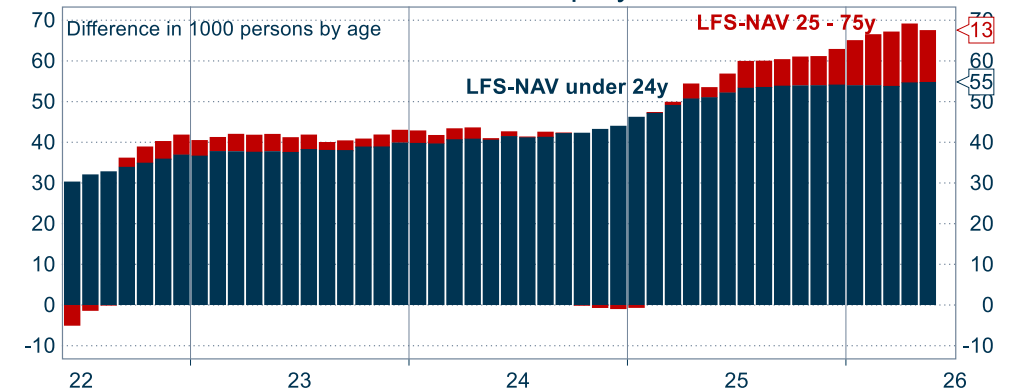


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Norway 'Adult' Unemployment



LFS - NAV Unemployment

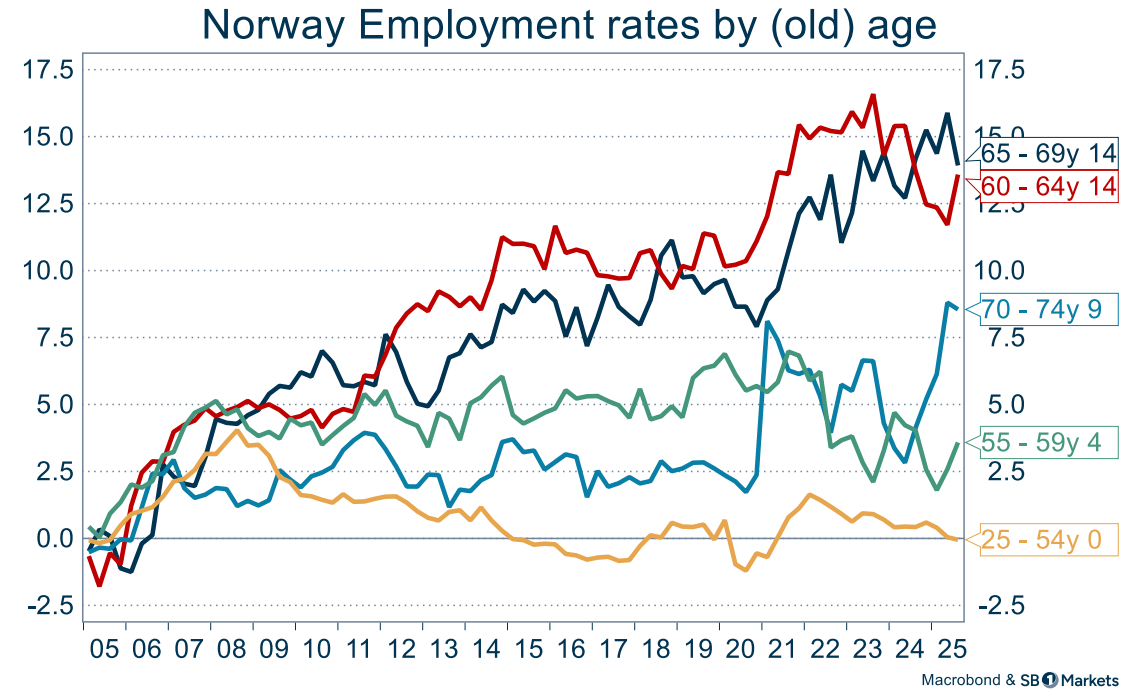
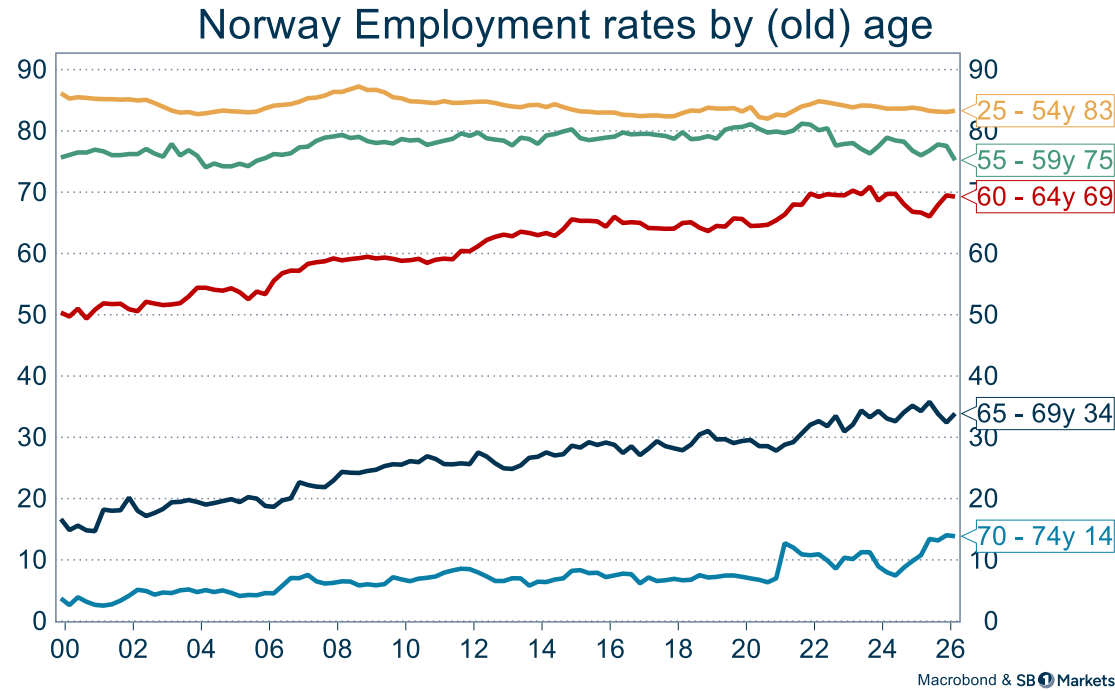


- The effective supply of hours worked for those under 25 is limited. In addition, the lift in youth unemployment is not due to a decline in the employment rate, it has increased in recent years. The increase is due to an even larger lift in the participation rate, check the previous pages.
- We have included labour market measures in the NAV figures.



What about the oldies on the labour market? The trend is up for those > 65y

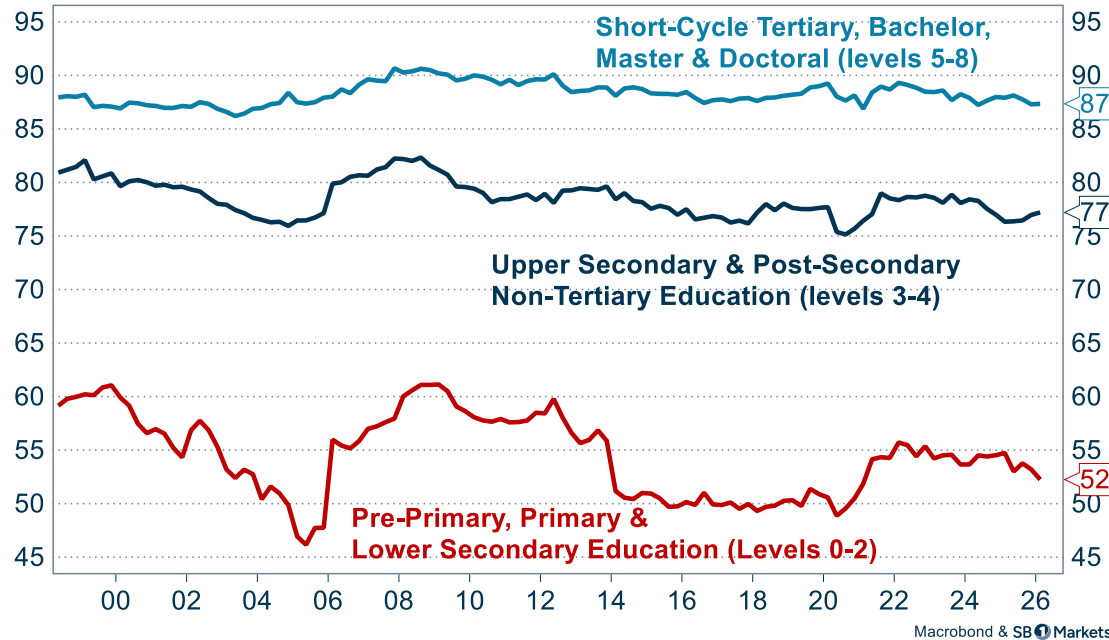
But not that impressive among those below 65y recently.



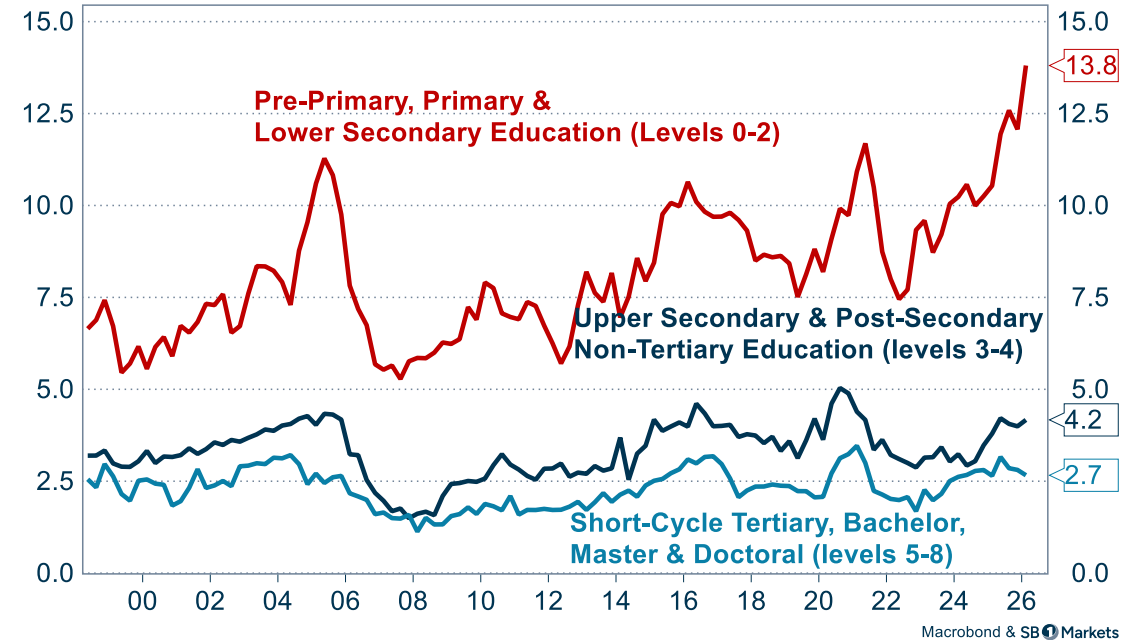
Employment trends down among all educational groups, unemployment has increased

Unemployment has increased rapidly, and much faster than in the total population, for those with the lowest educational level, very likely because those below 25y, have increased their participation rate sharply, when still in education.

Norway LFS Employment vs. education



Norway LFS Unemployment vs. education

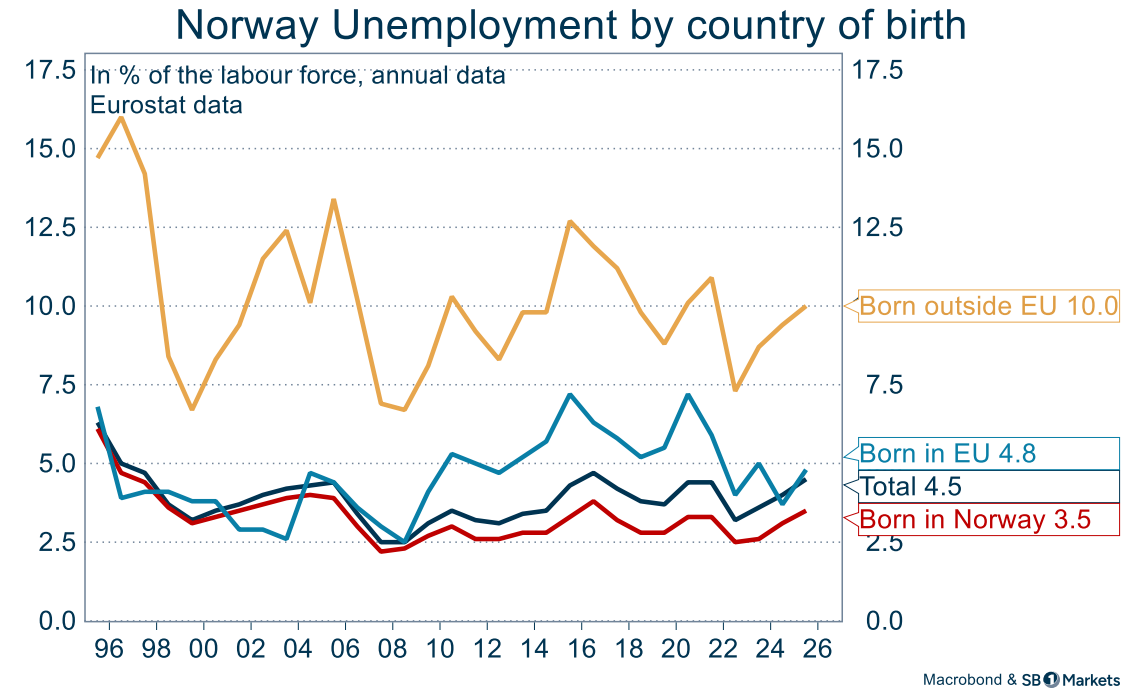
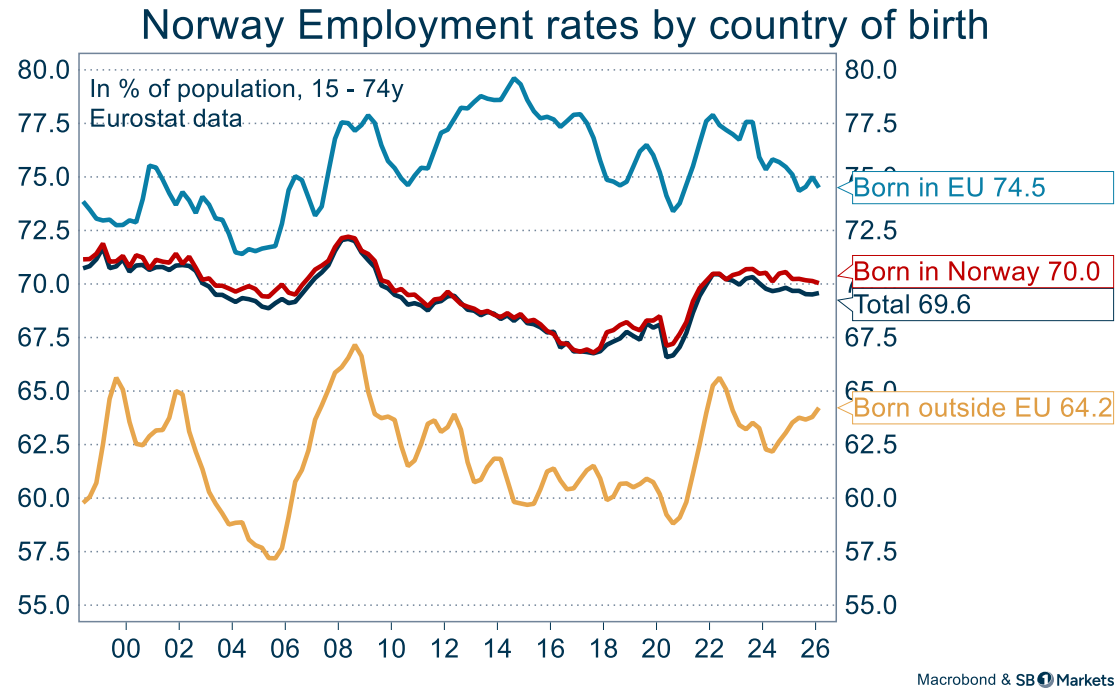


- The normal pecking order is intact: Employment is higher and unemployment is the lowest among those with the highest level of education, and it is at a normal level vs. overall unemployment. Unemployment among those with low education is the highest since early 90s. Many youths who offer few hours



The employment rate is down wherever they **are born**

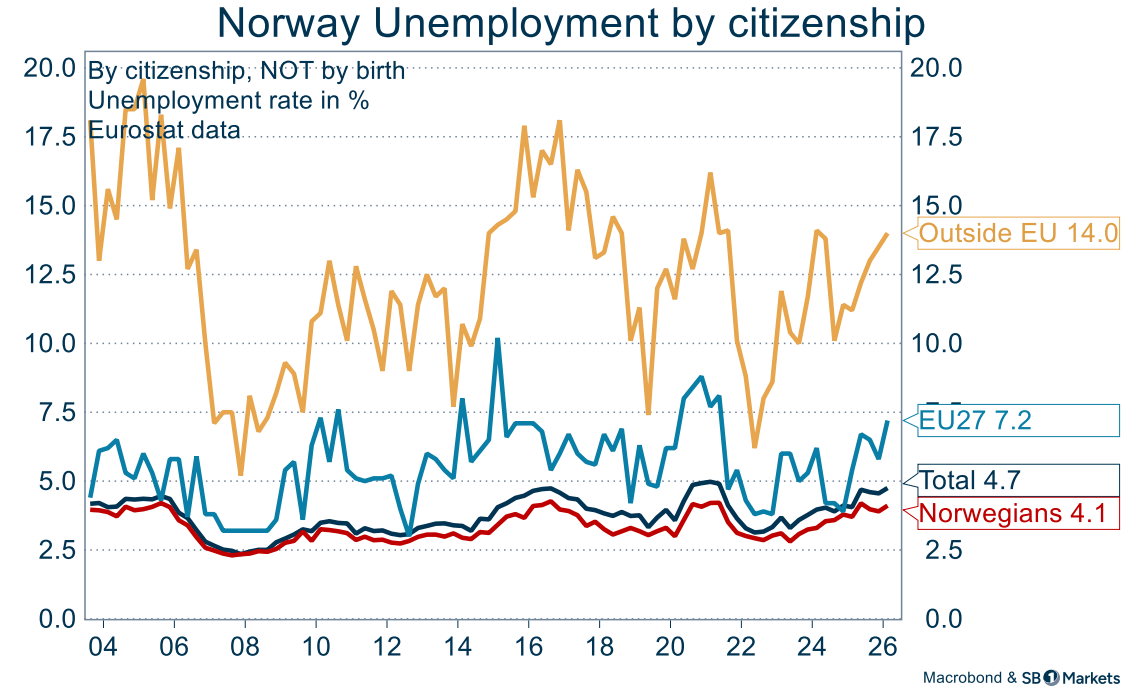
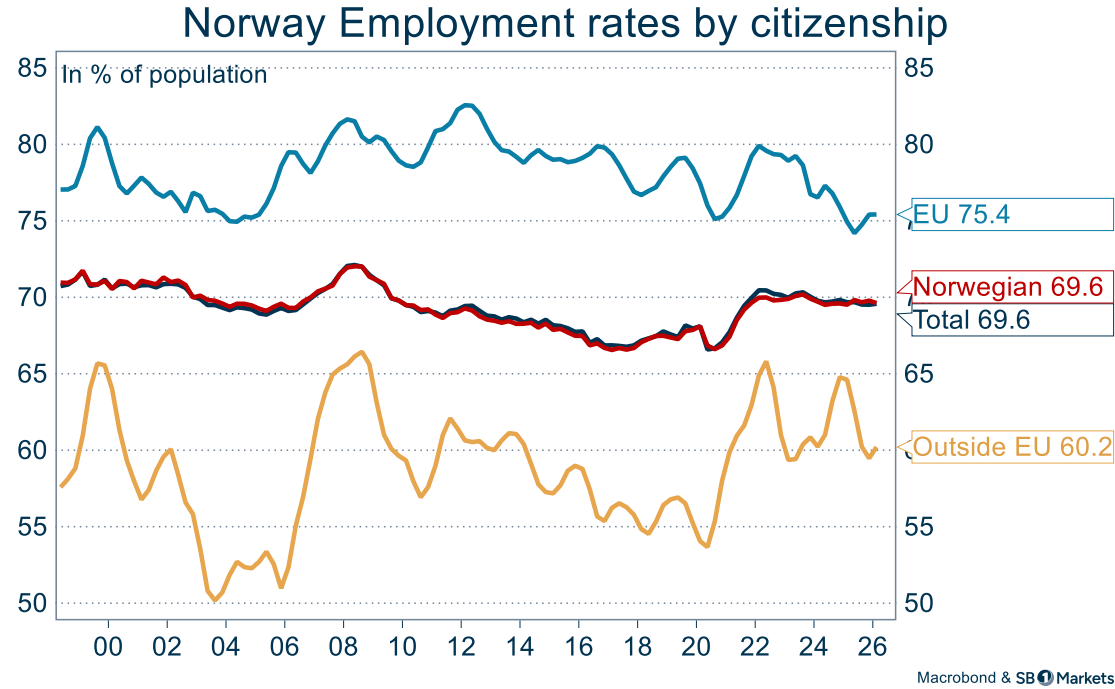
However, the employment rate among those born outside EU has increased recently. Quarterly unemployment rates are not published – but unemployment among the foreign-born was trending down until 2024.





The labour market is tougher for **foreign citizens**, employment down, unemployment up

Unemployment among Norwegians (born in Norway) has flattened recent months



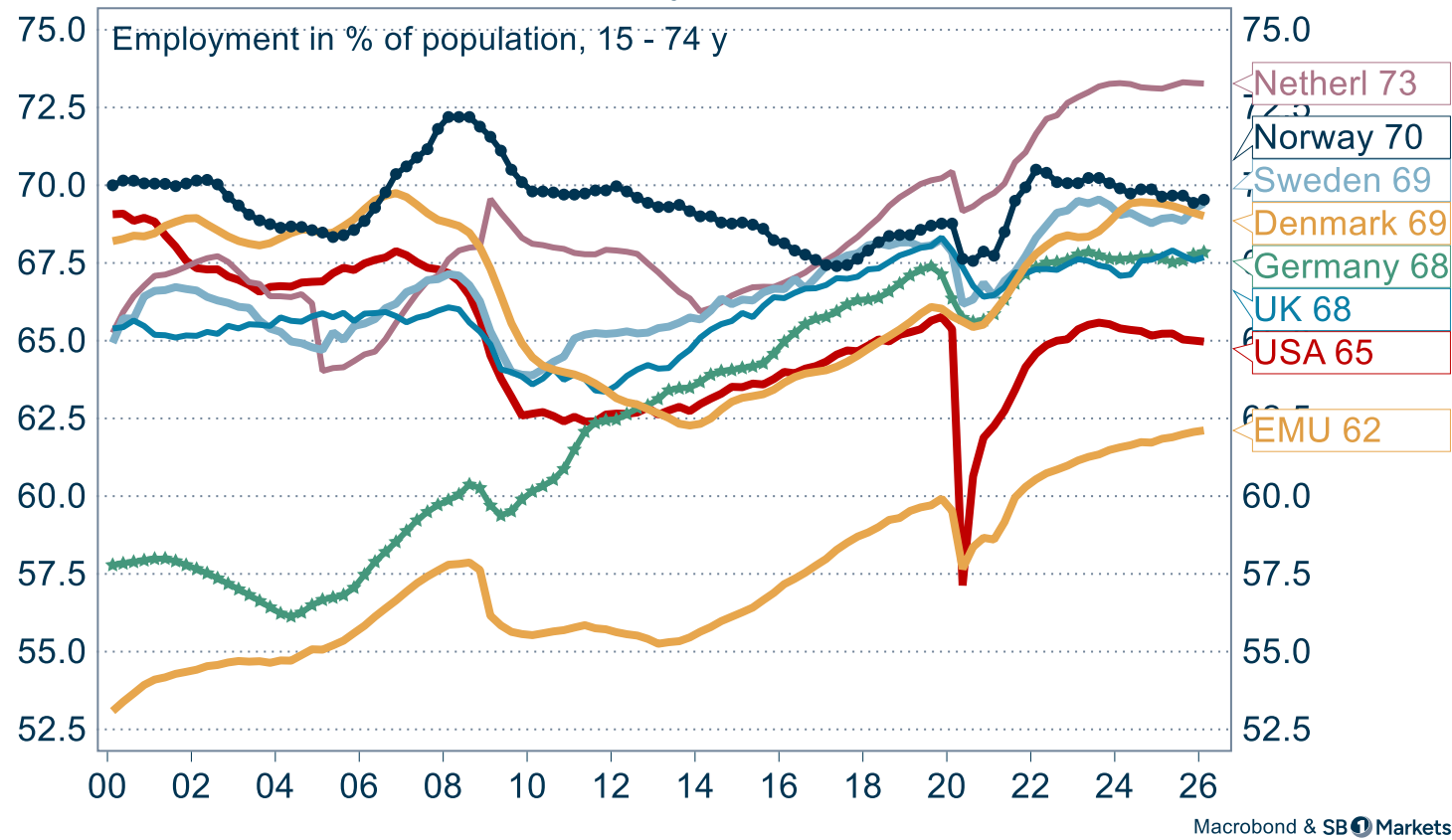
Source: Eurostat data which does not always add up



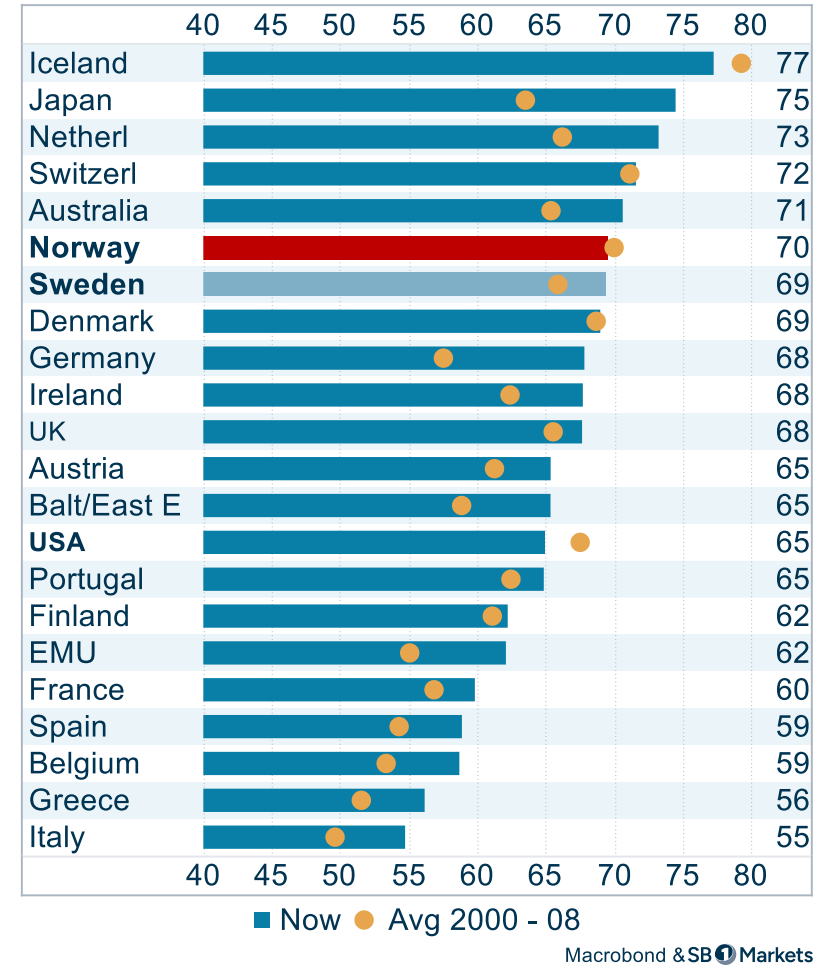
The Norwegian employment rate is not that low, according to OECD

However, several European countries are on the way up, and some have overtaken Norway in recent years. The Netherlands is the most impressive (and Sweden is not that impressive).

Employment rates

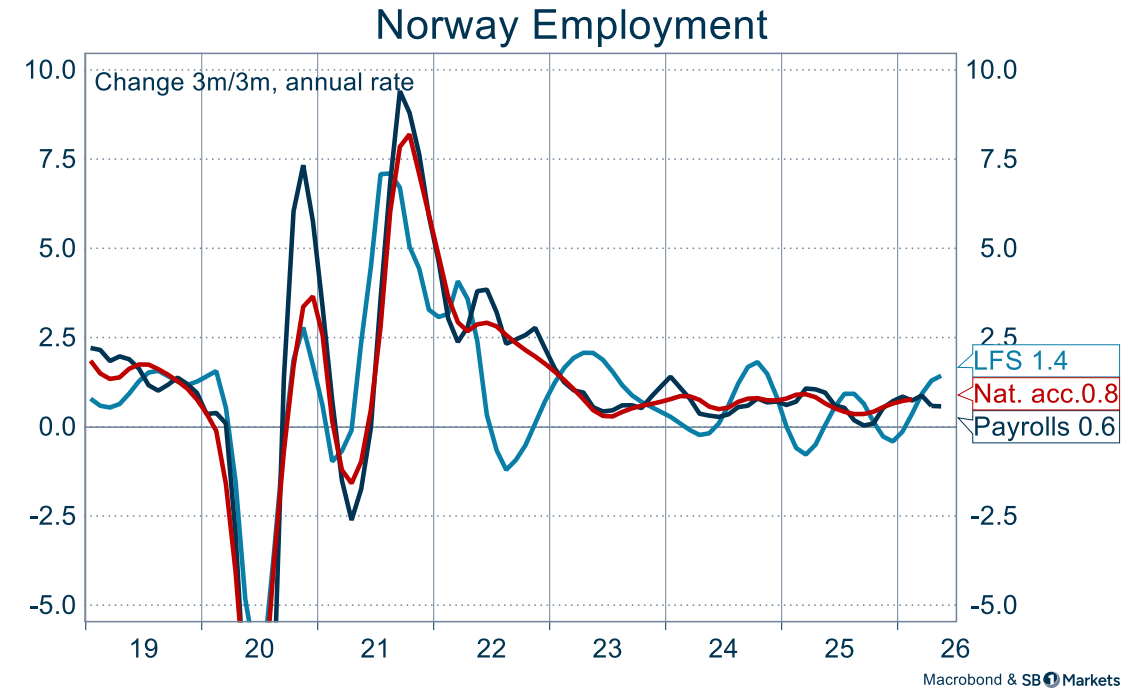
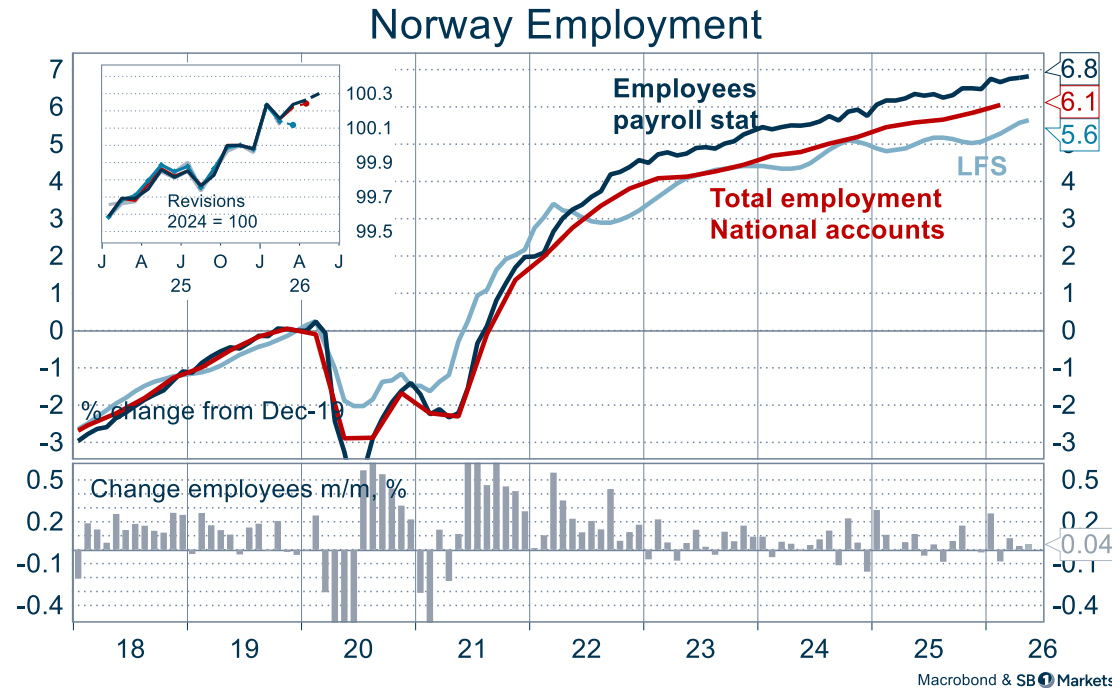


Employment rates 15-74



Payrolls: on the way up! The LFS also reports higher total employment

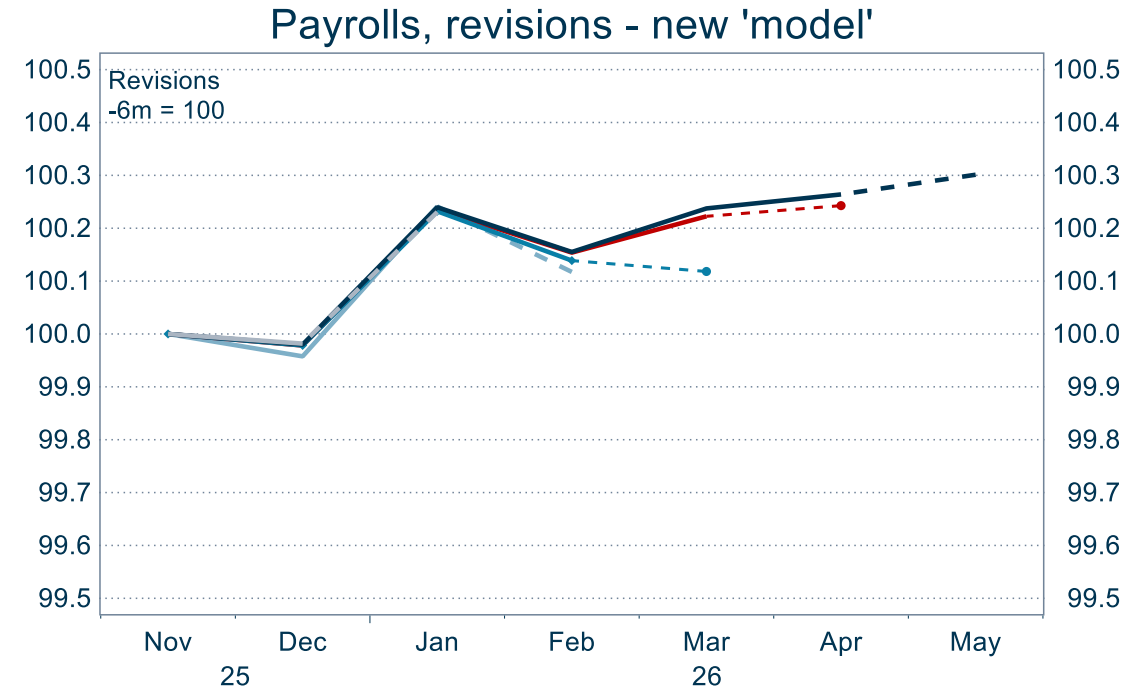
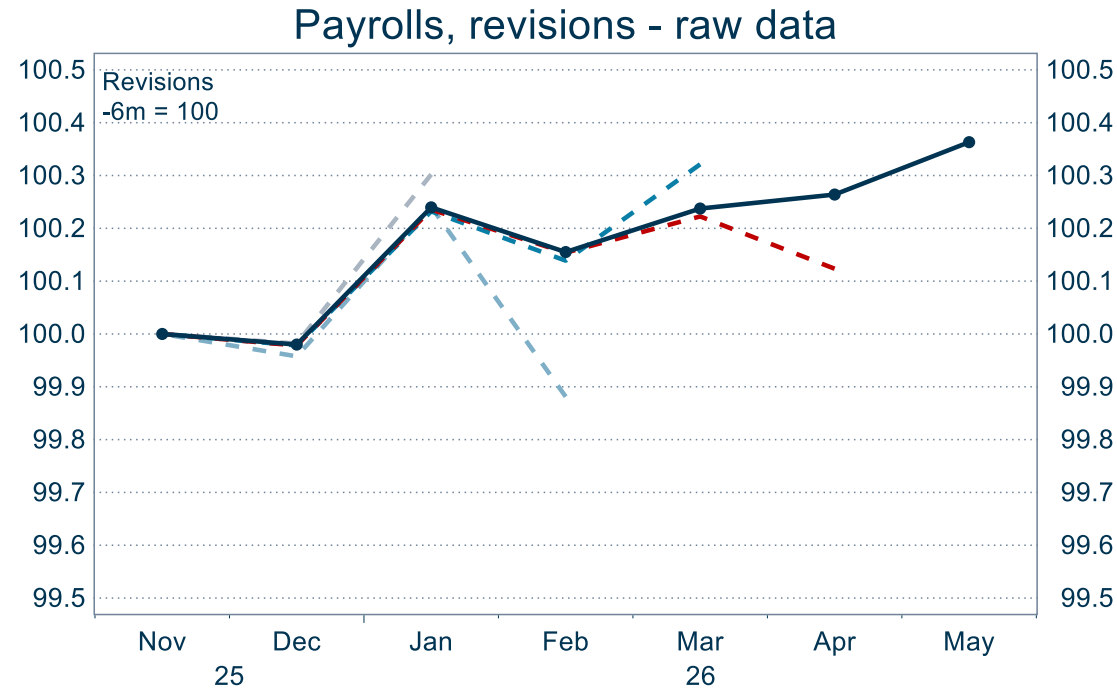
The no. of employed persons rose marginally in May, for the 3rd month in a row. (our est.). Underlying growth is at 0.6% which is in line with growth in working age population. The far more volatile LFS survey (AKU) reports 1.4% growth pace in recent months.



- **SSB's official data** reports a 3' increase in payrolls in May but our adjustment model suggests +1'.
 - In April payrolls rose by 1' as well, as we estimated a month ago, while SSB initially reported a 3' decline
 - Underlying growth in recent months at 0.6% is in line with growth in the working-age population.
 - The weakness: Construction is still on the way down, but slower. Professional services have turned down lately.
 - All other sectors are on the way up, hotel & restaurants as well as the primary sector the most.
- **Wage inflation** has slowed to close to 3% y/y, measured by monthly cash earnings.
- The **LFS** reports faster growth in total employment, above 1%, but data are volatile.

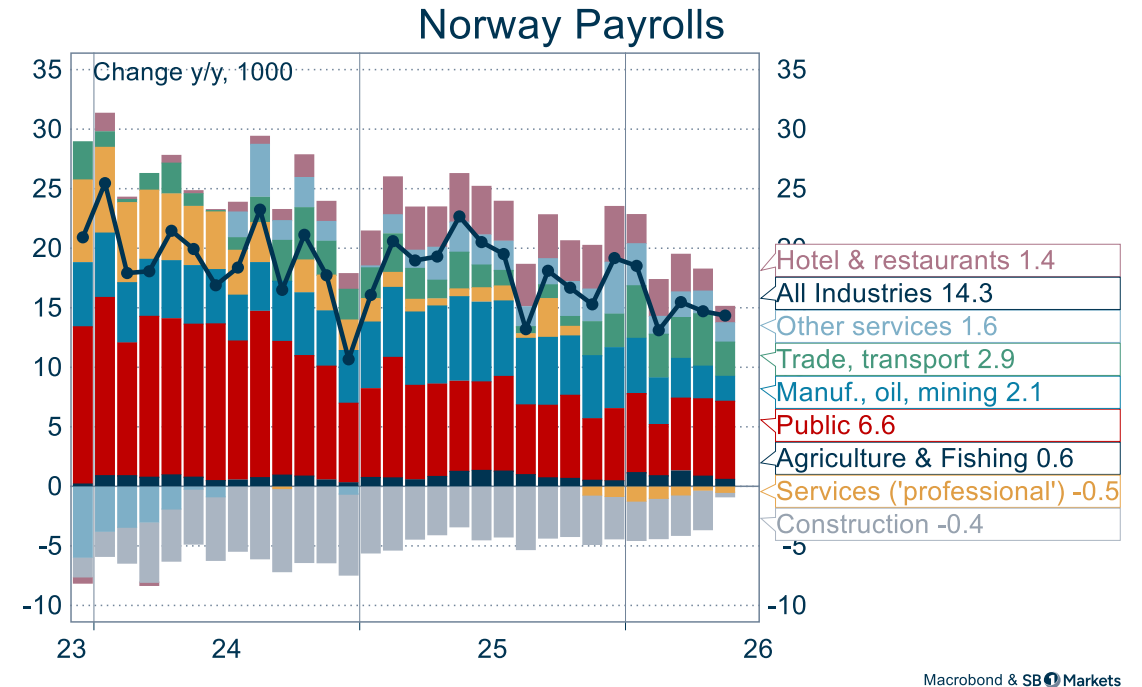
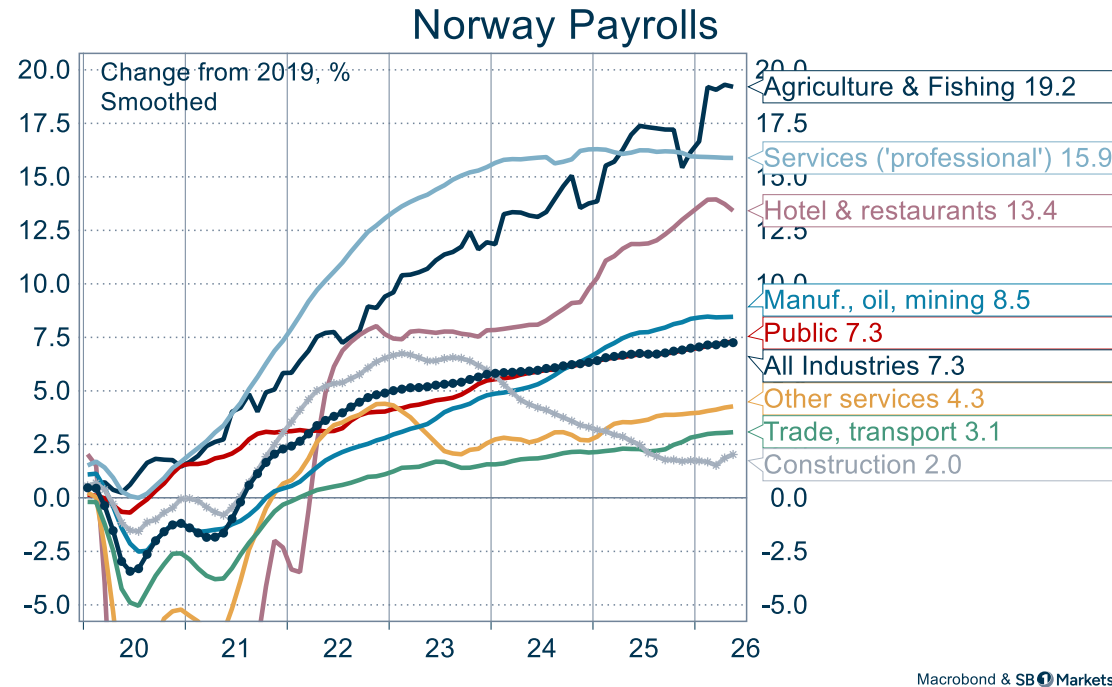
For the nerds: payrolls data are not easy to handle...

Data are volatile and, from time to time, heavily revised. Our error correction model has yielded far better estimates of monthly changes than SSB's 'raw' data – so we stick to it.



Construction is finding a bottom? That's what payrolls data suggest

Professional services are slightly down vs. the level in early 2025



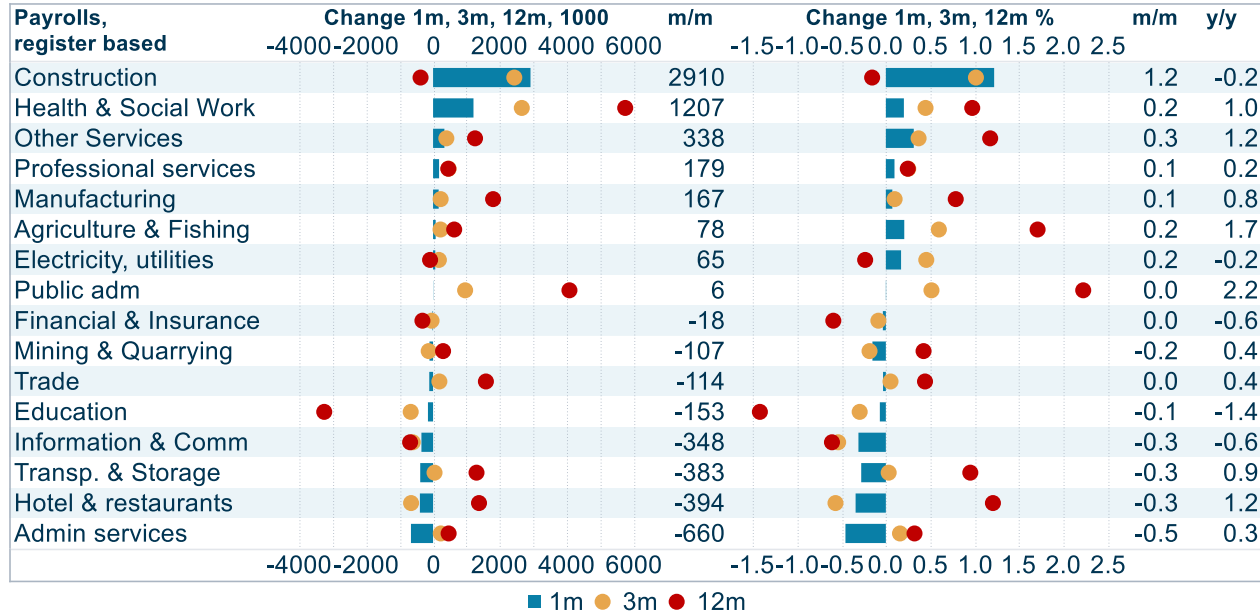
- **Construction** has been the outlier on the downside but now shows signs of stabilisation. **Manufacturing** has been going strong and still is.
- **Public sector** employment (admin + health + education) is up 7.2% since before the pandemic, in line with total growth (and thus with growth in the private sector overall).



For the nerds: most are up past 3m but education, info, construction & finance down

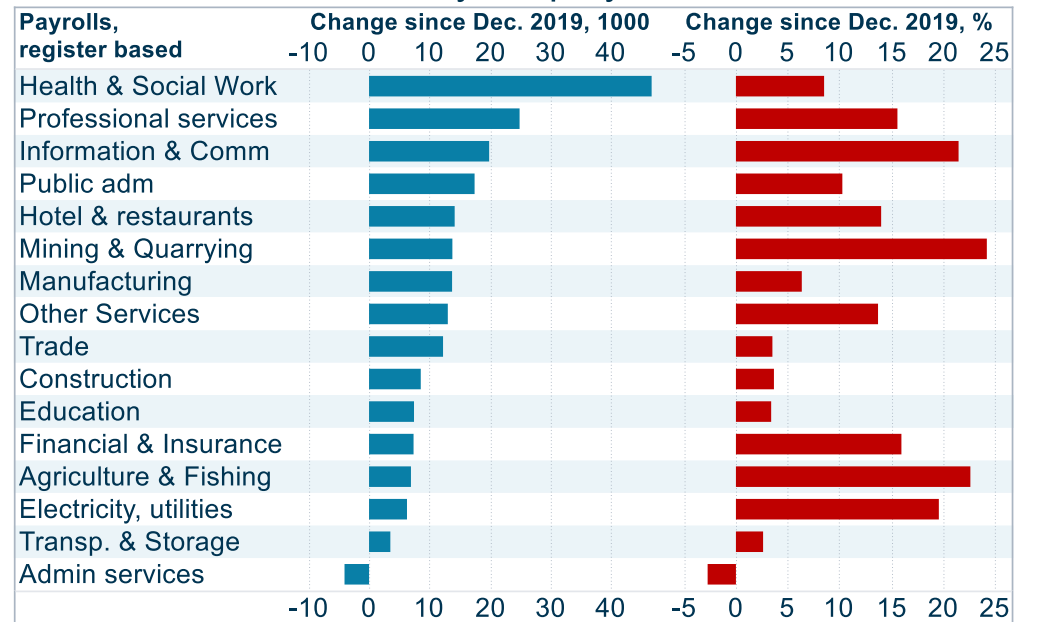
Education is down 1.4% the past year; Info & communication and finance -0.6%; Construction -0.2%.

Norway Employees



Macrobond & SB Markets

Norway Employees



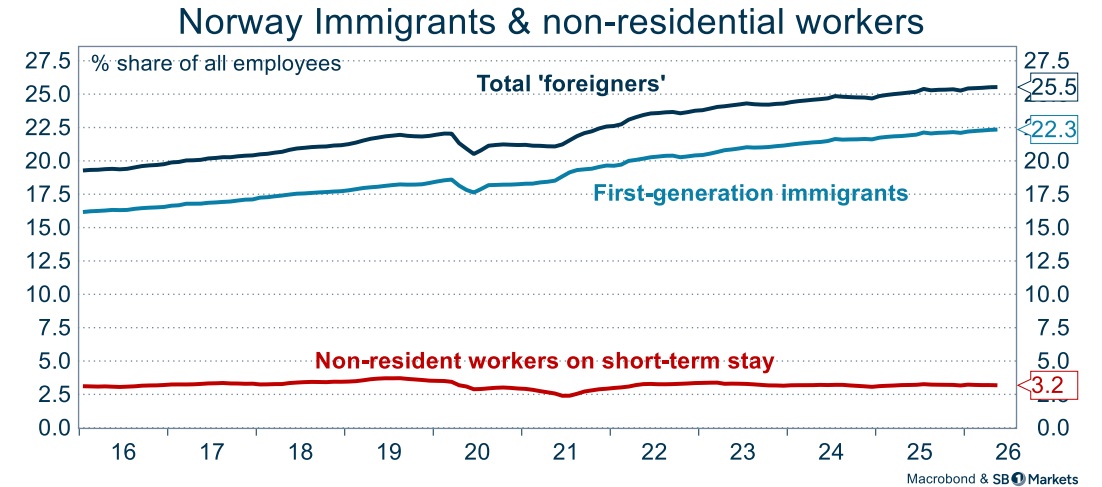
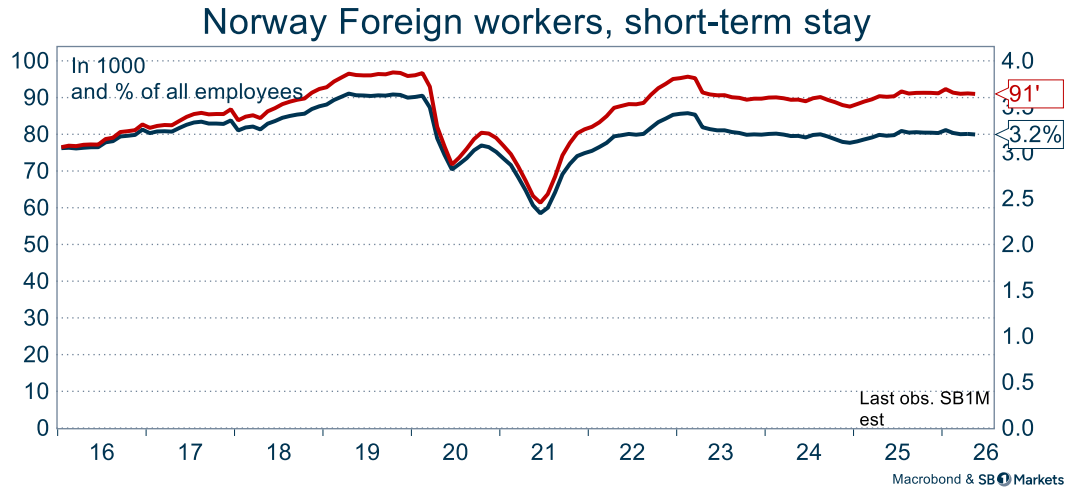
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We have not applied an error adjustment model to the sector data

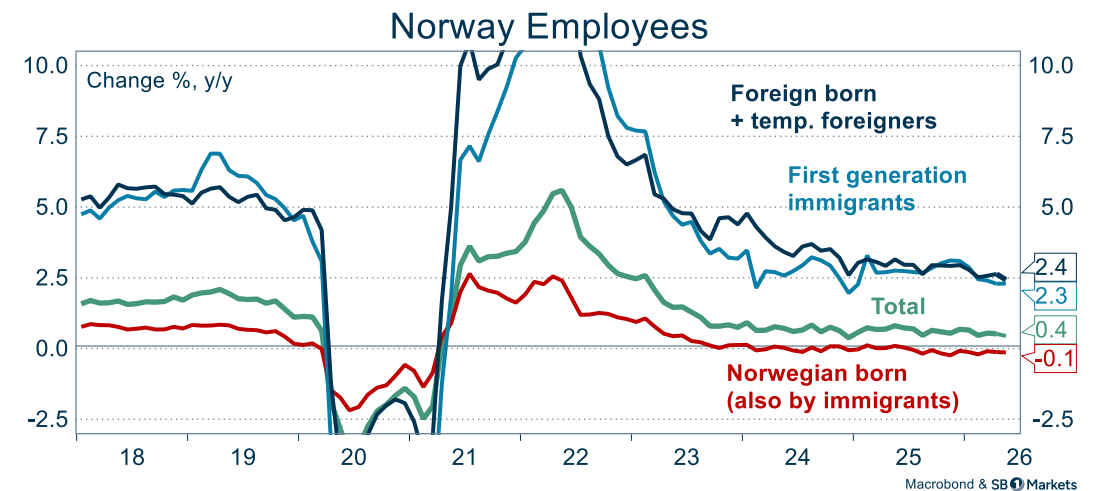


Steady growth in no. of foreign (born) employees, at least due to more immigrants

The no. of foreigners on short-term stays has flattened, at 3.2% of total employment, down from 3.6% at the peak before the pandemic. 22.5% of the employees are foreign born immigrants. This share is growing by almost 0.5 pp per year.



- The no. of **foreign workers on short-term** stay equals 3.2% of all employees, and trends flat. In 2019, the share was 3.6%, at the peak
 - Construction workers employed directly in construction, and as temps employed in 'administrative services', explain most of a small decline from early 2023.
- The share of **first-generation immigrants** equals 22.3% of all employees, and the no. was up 2.3% y/y in May, and +32% from 2019. **The total share of 'foreigners'** (short-term workers + first-generation immigrants), is 4.6 pp higher than in 2019.
- **Norwegian born:** up 2.0% since 2019, but down 0.1% y/y.

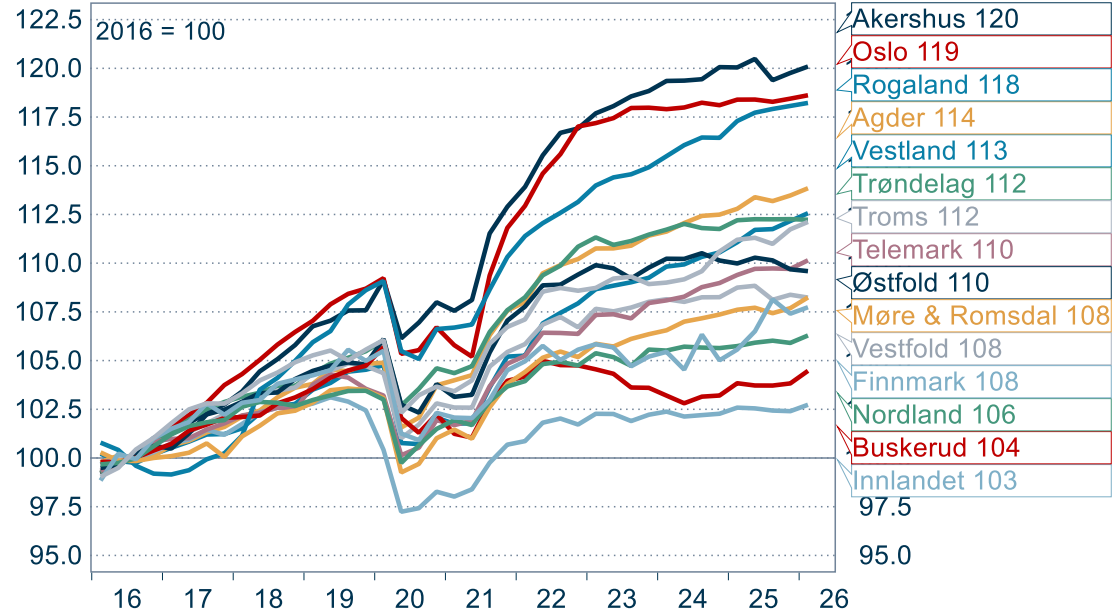




Payrolls: West, South and North in the lead. Trøndelag and the East the laggards

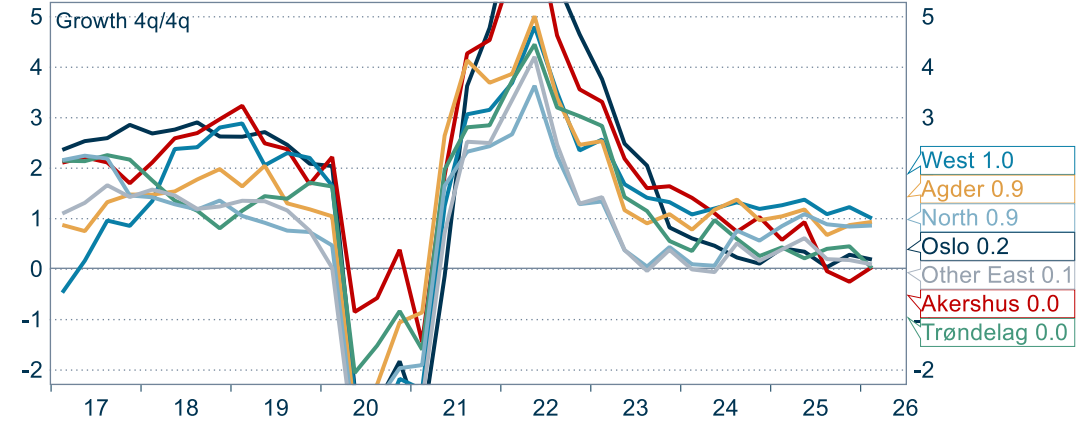
... at least growth wise. No growth in Akershus, which is normally the regional winner! Vestfold and Østfold head down as well, and growth is modest in Oslo. **Finnmark** is in the lead, which has surely not been the norm! Vestland and Agder are no. 2 and 3, Troms no. 4.

Norway Employees



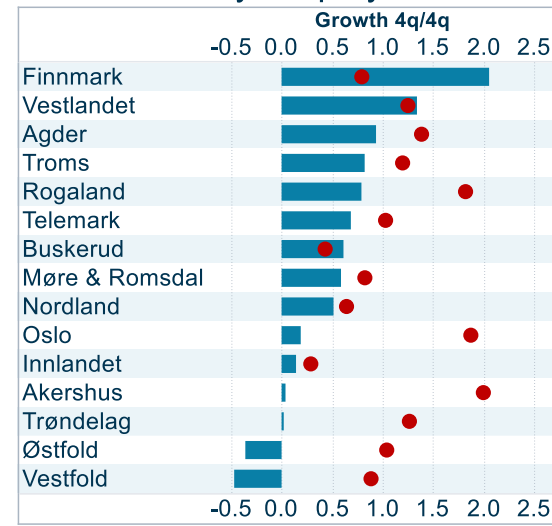
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Norway Employees



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Norway Employees



■ Now ● Avg since 2016

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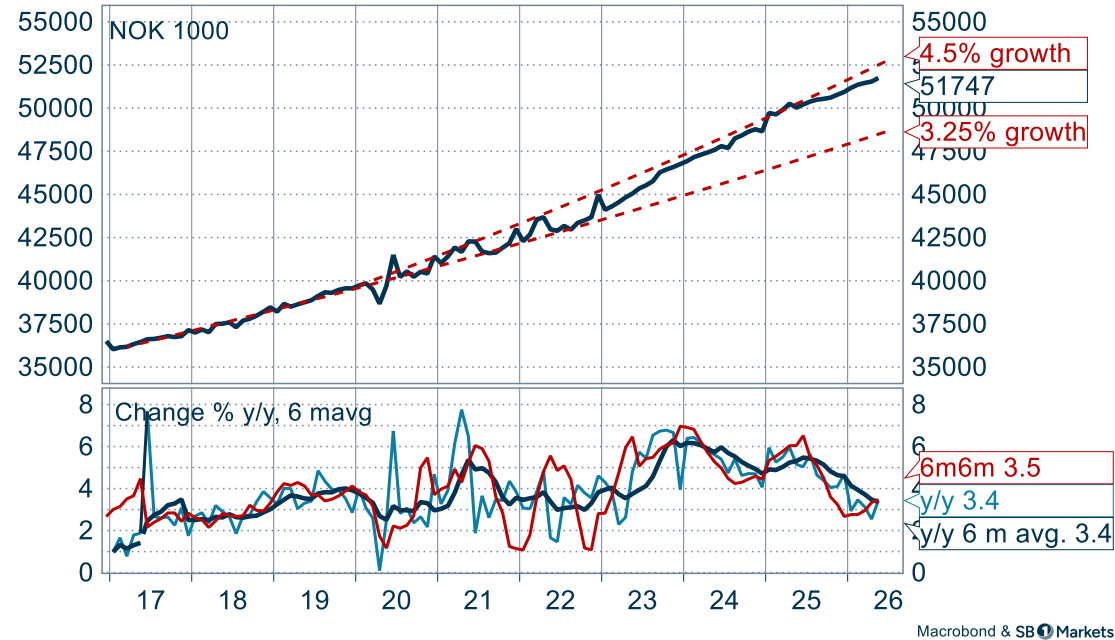
- From 2016: Akershus, Oslo and Rogaland in the lead
- Quarterly data, the last is Q1-26.



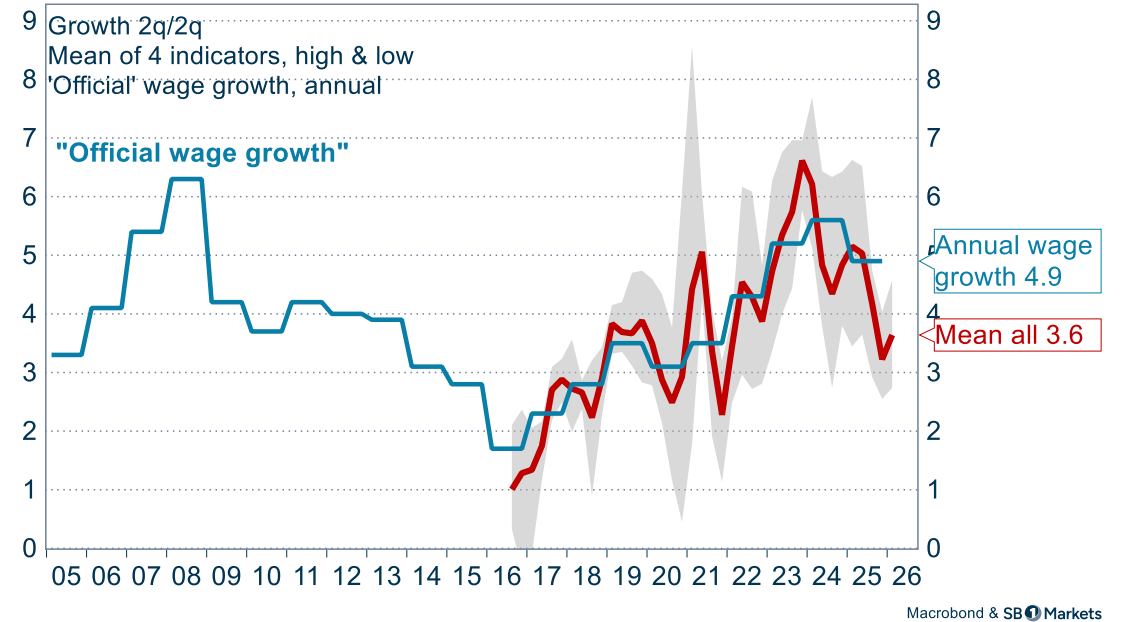
Wage inflation has fallen to 3.5% – but data are volatile

Monthly data based on payrolls stats are volatile, but they indicate that NoBa's 4.5% 2026 estimate may be on the high side. All sectors contribute to the decline in earnings growth. Other wage indicators have (mostly) signalled a slowdown in wage inflation.

Norway Average monthly earnings

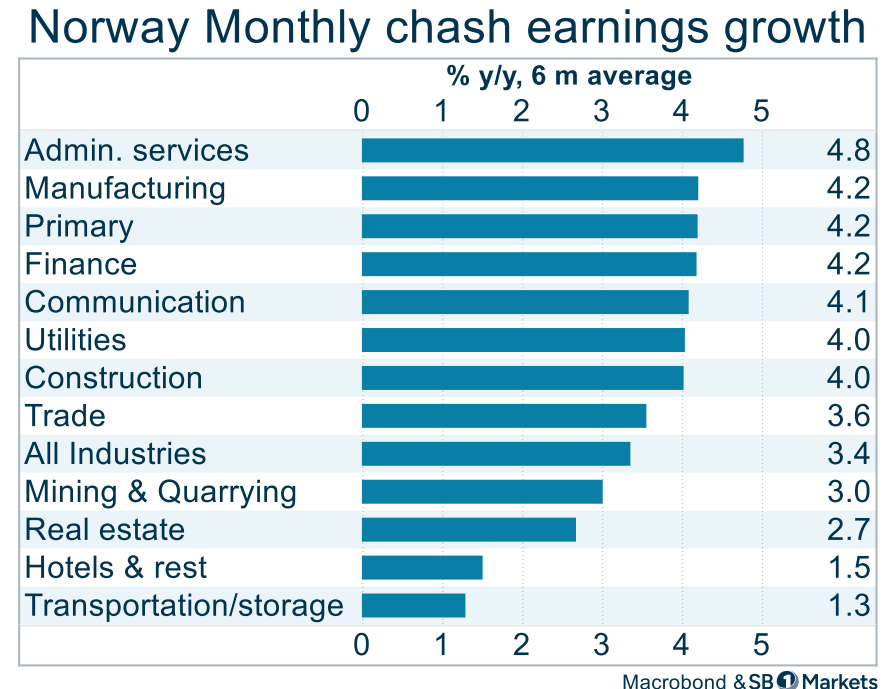
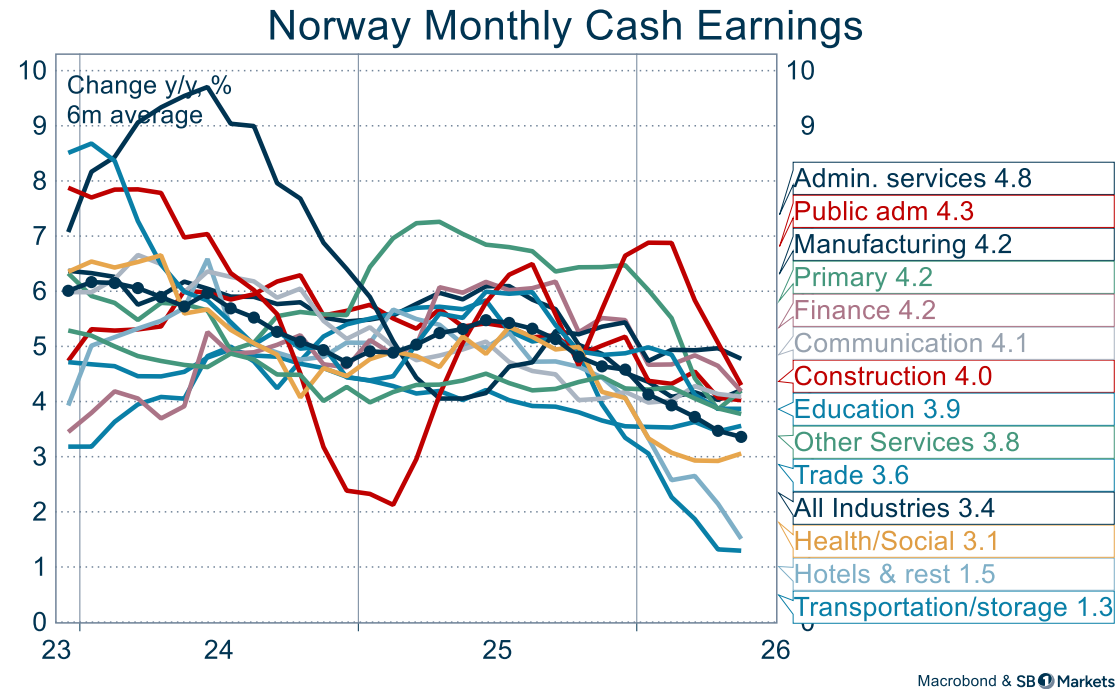


Norway Wage & Labour costs indicators





Wage inflation is slowing, broadly, according to SSB's register based statistics

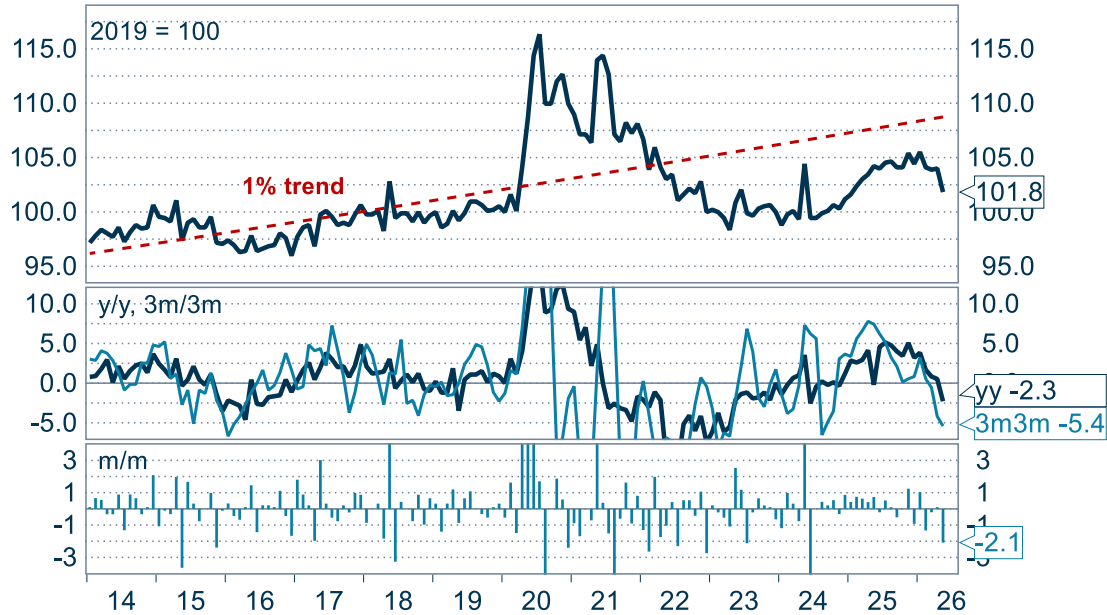




Retail nosedived by 2.1% in May, from a 0.5% downward revised level in April

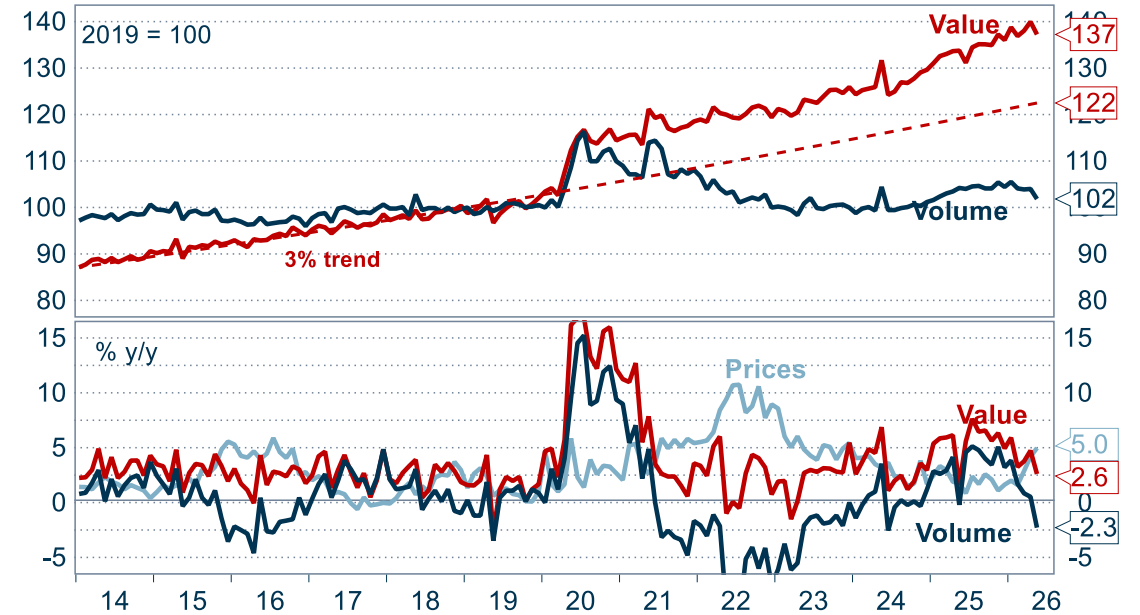
The May decline was not expected, and it may be due to a challenging working day adjustment, SSB reports. The no. of working days was higher than normal, but sales did not follow suit – and fell, broad based. We have to wait for the June figures (but the not-WDA figures were weak too)

Norway Retail sales

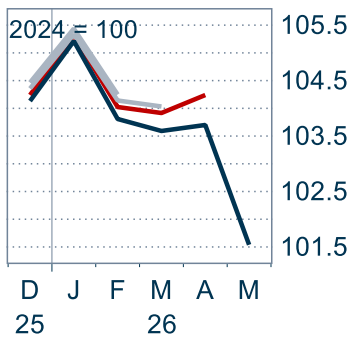


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Retail sales - value vs volume



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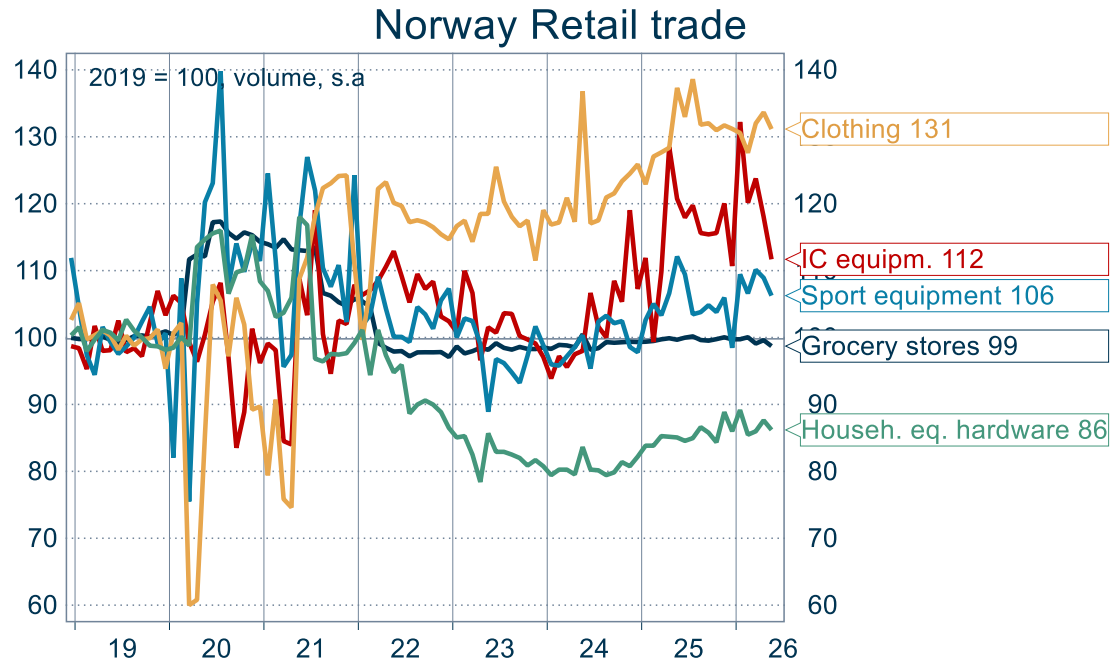


- The sales level in Feb/Mar was revised marginally down.

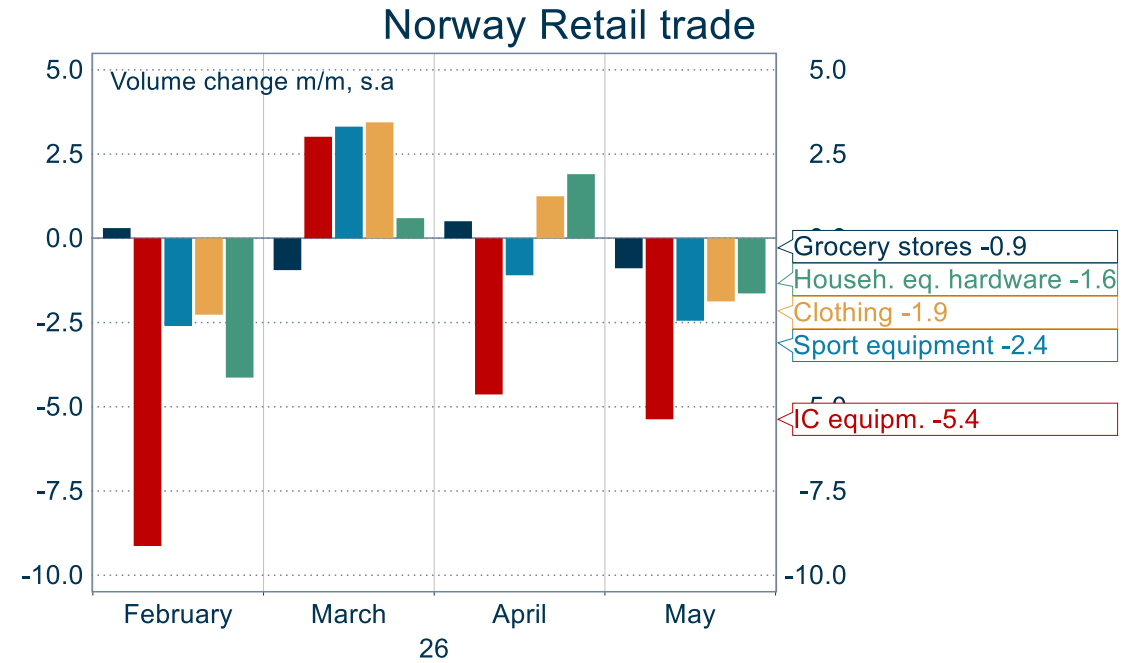


All sectors reported lower sales in May. Was the rate hike really that frightening?

Or are there some technical challenges working day adjustments in these May data?



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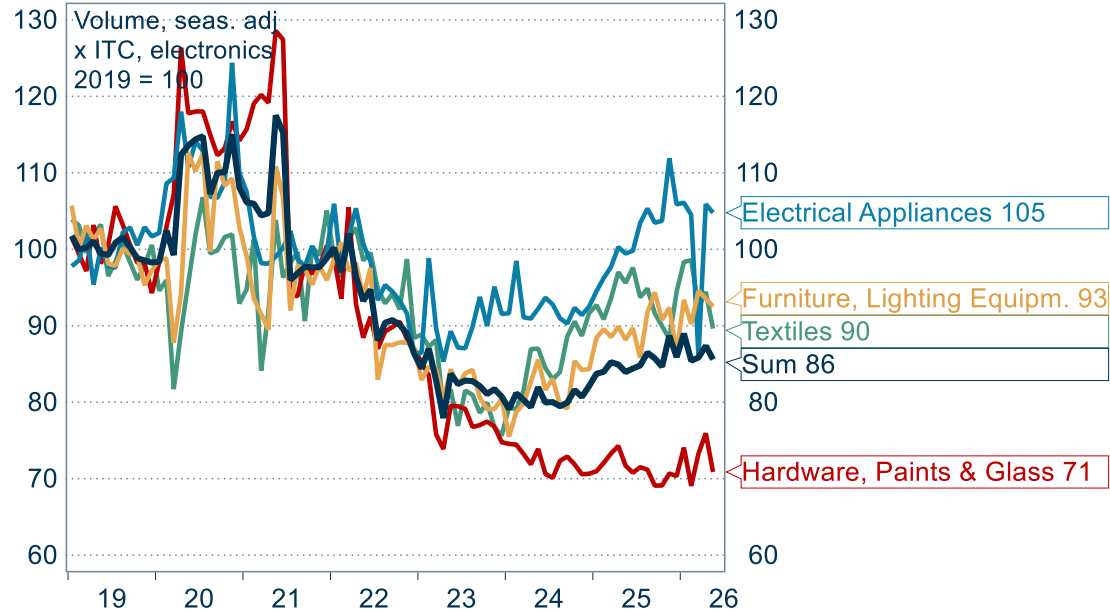
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Sales of hardware/building materials have bottomed! Telecom is volatile, now down

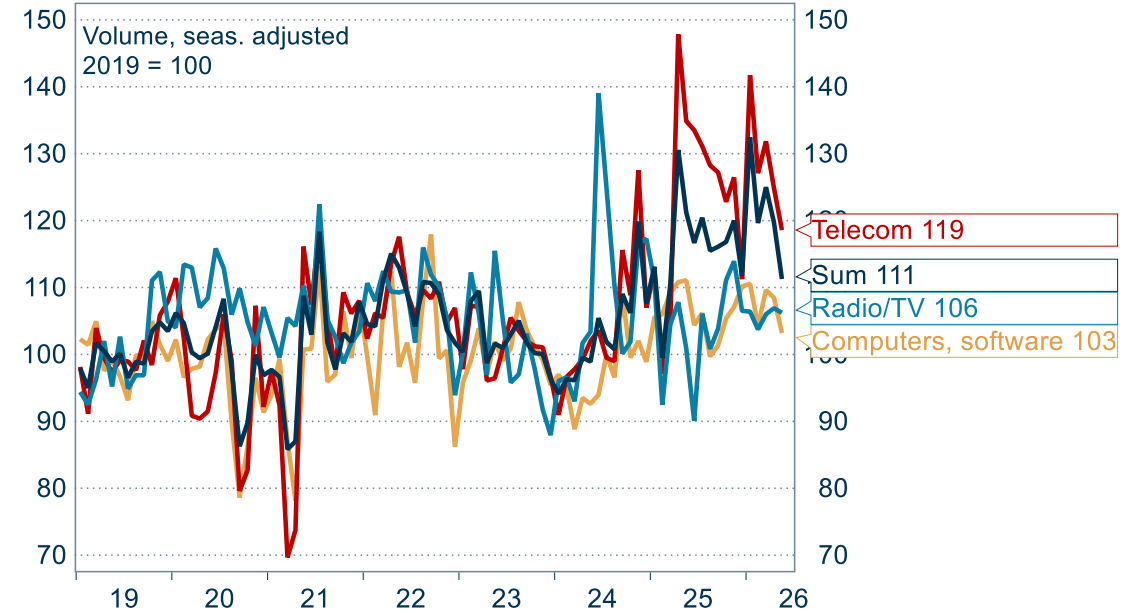
Electrical appliances have recovered from the March drop. Sales of information and communication equipment broadly declined in May, mobile phones the most.

Norway Retail sales - household equipment



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Norway Retail sales - IC/Electronics

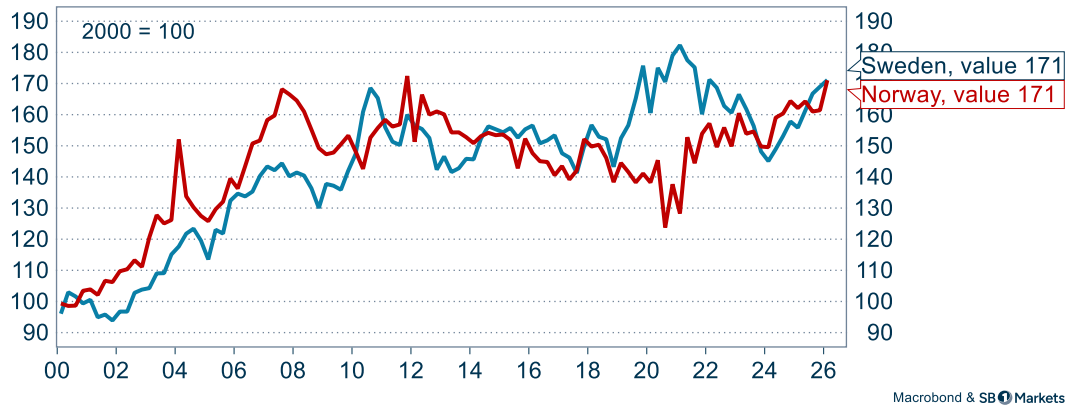


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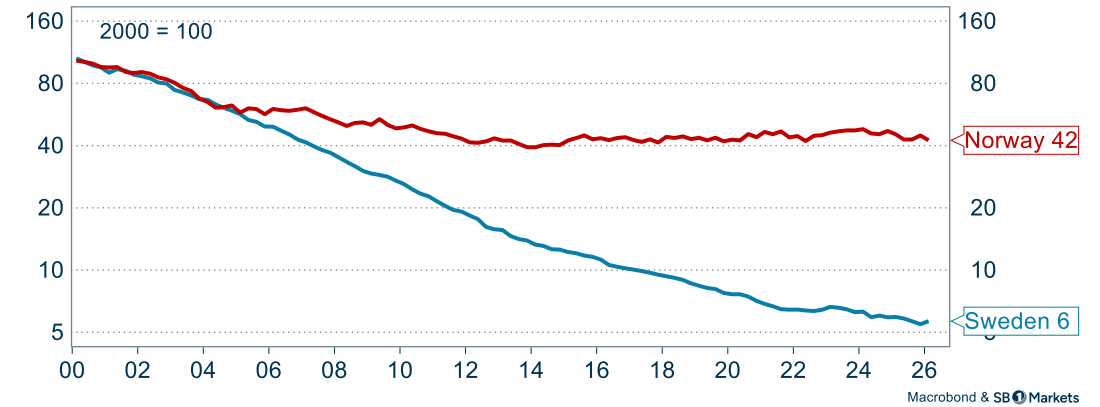
Two tales on sales of mobile phones/PCs: Norway vs. Sweden

In value terms, sales of IC equipment have increased by 71% since 2000 in both countries. In volume terms: 4x up in Norway, while sales in Sweden are up 302x, that is almost 100x more! At least, those are the verdicts from Statistics Norway and SCB in Sweden.

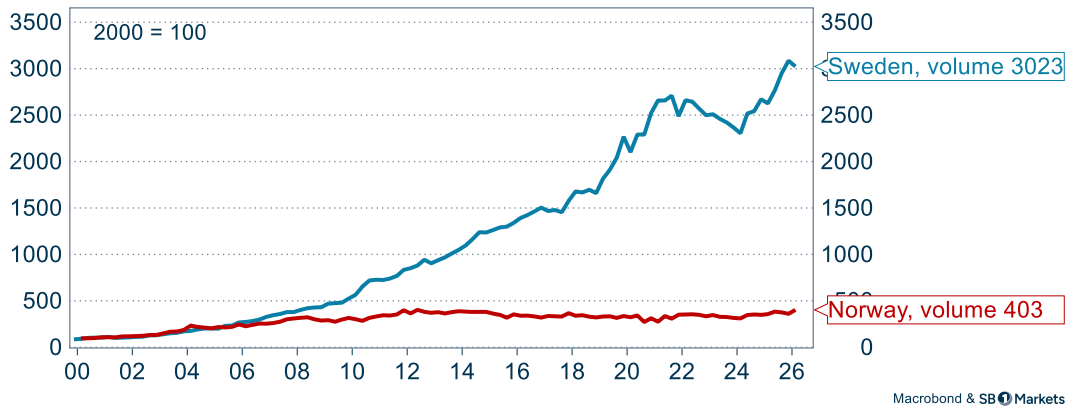
Sweden vs. Norway Retail trade Info Telecom equipment, VALUE



Sweden vs. Norway Retail trade Info Telecom equipment, PRICES



Sweden vs. Norway Retail trade Info Telecom equipment, VOLUME



Inspired by Kjetil Martinsen, Malling & Co, and Sigmund Aas, Eiendomsverdi

- Clearly, something must be rotten in at least one of the two Kingdoms.
- The reason is of course what's assumed about the prices on IC equipment. In Sweden, SCB stipulates that prices have fallen by 11% per year since 2000, while SSB assumes a 3% annual decline. Since 2012: no change in the price index in Norway but an 8% annual decline in Sweden!
 - SCB applies an aggressive hedonic method, which implies that if the technical specifications on a new mobile phone or a PC are twice as good vs. the previous model, and the actual nominal price is the same, SCB reckons that the real price has been cut by 50%. Do you?
 - We think SSB is closer to the ball, vs. an assessment of the utility of the new product vs. the previous model.
- BTW, Apple last week announced a 20% price lift on their MacBooks, iPads and many other products but not yet their iPhones due to the (AI-driven) increase in component costs. Will the rest of the market follow suit?

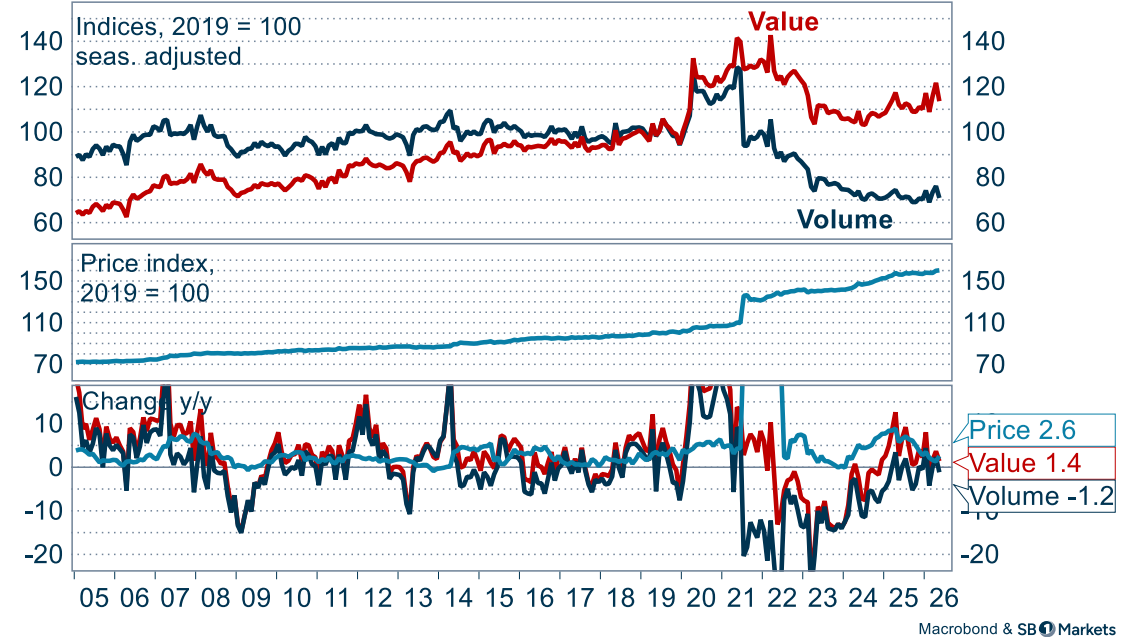


Sales of sport equipment have turned up again. Some lift in building materials as well?

Norway Retail trade - sport equipment



Norway Retail sales hardware, paints & glass

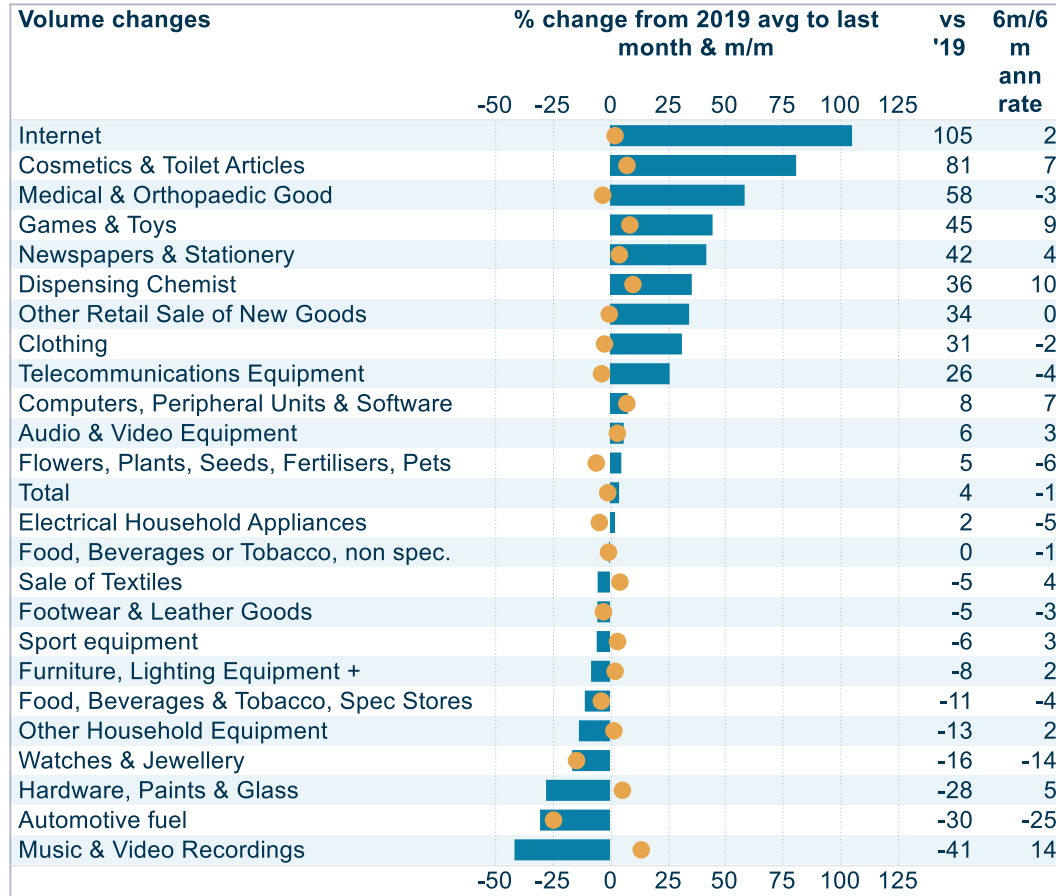




A majority of sectors are still trending up, but fewer; Past 6m/6m: 14 are up vs. 10 down

Since before the pandemic: incredible sectoral differences in sales volumes. Hardware, paints and glass are down 27% (but have bottomed). Cosmetics +81%. Internet sales 105% (but declining)

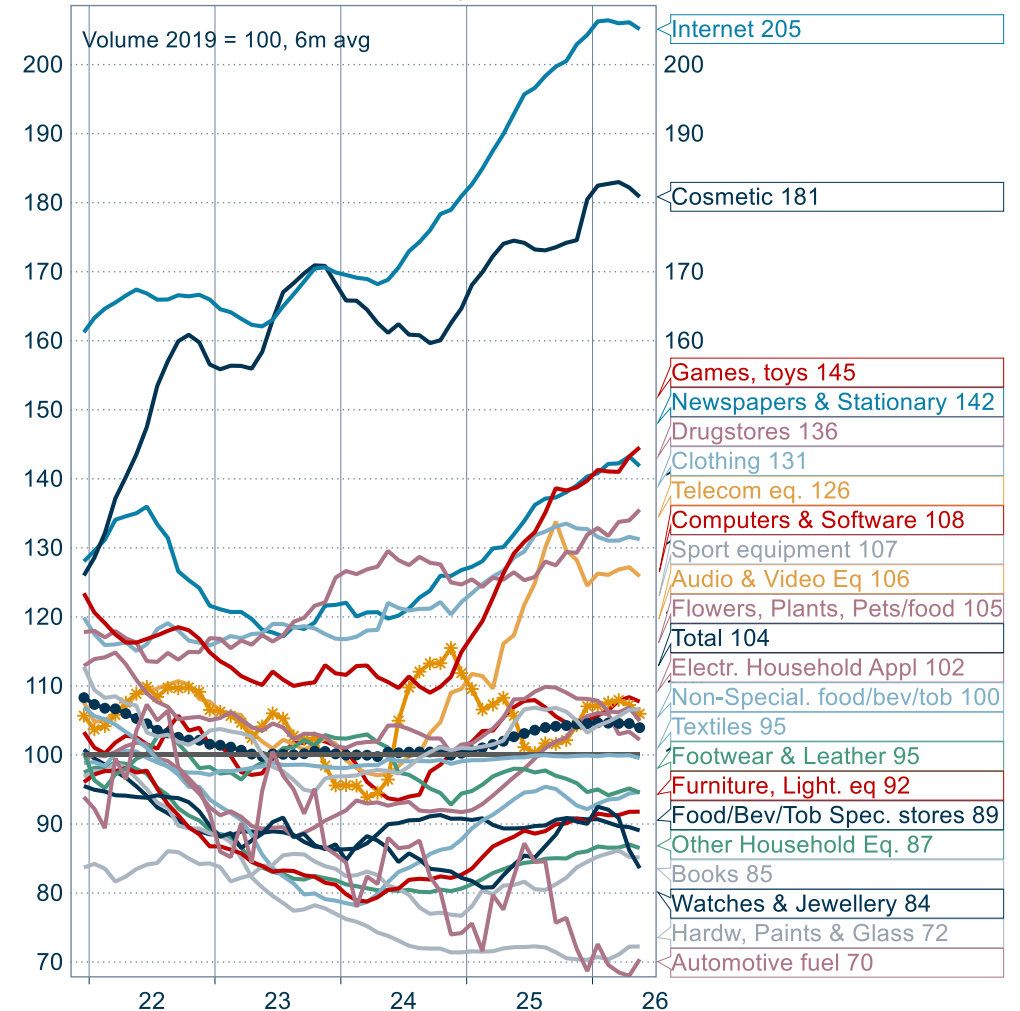
Norway Retail Sales



■ vs. 2019 avg ● m/m

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Norway Retail trade

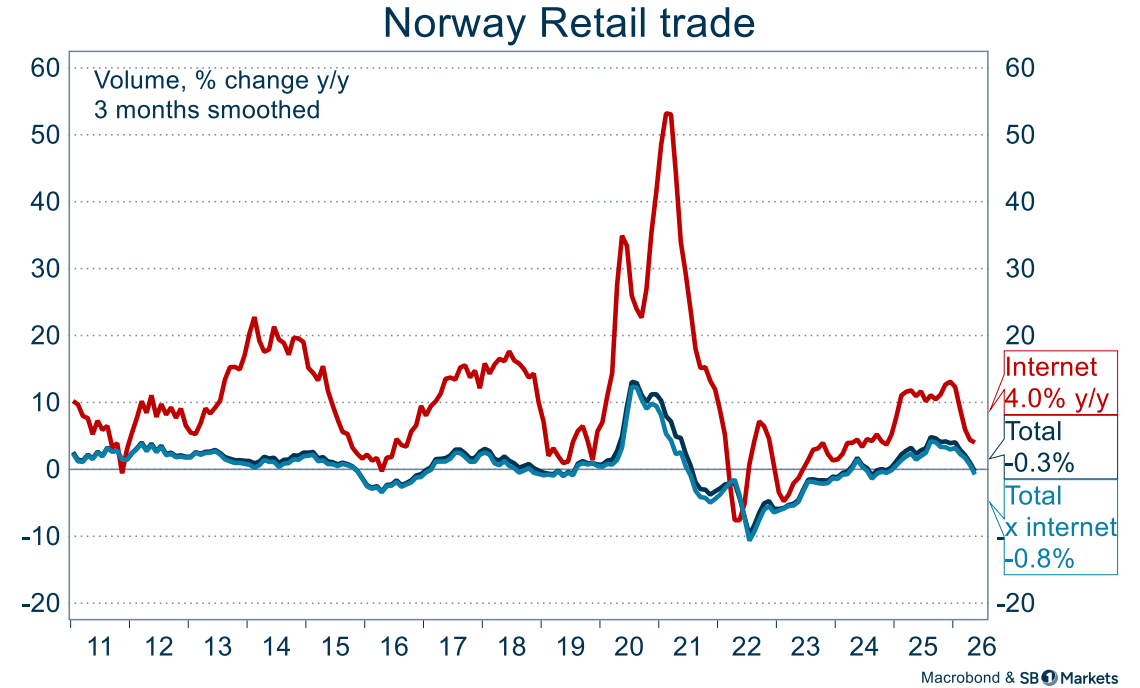
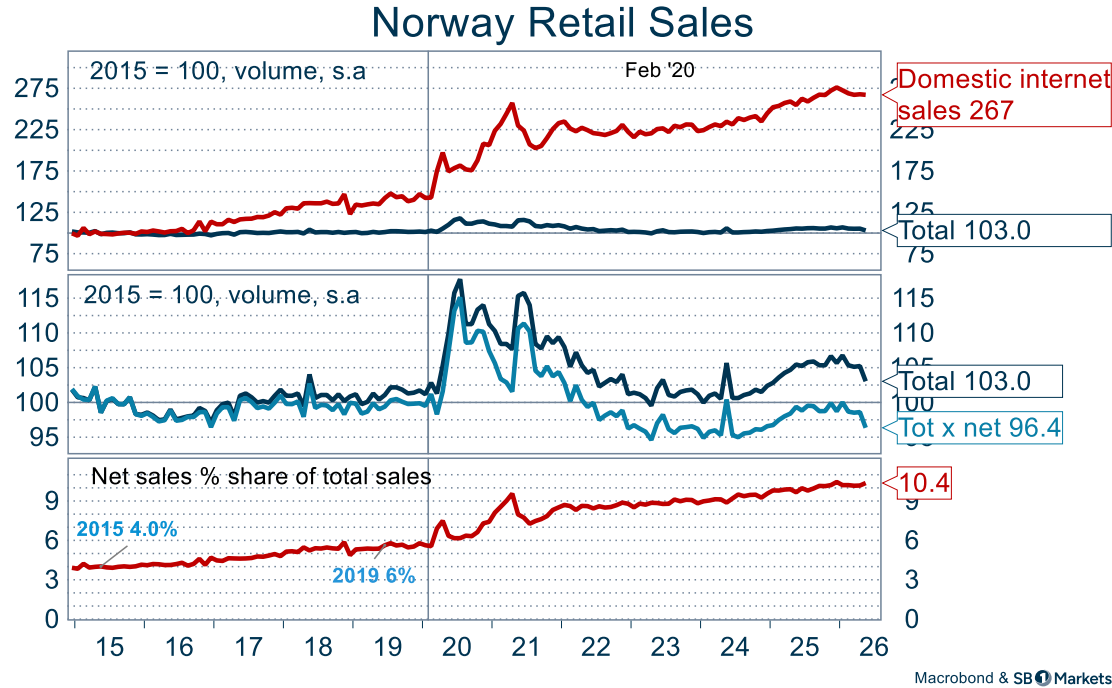


Macrobond & SB Markets



Domestic internet sales have fallen lately, are up just 4½ % y/y, the rest -1% (smoothed)

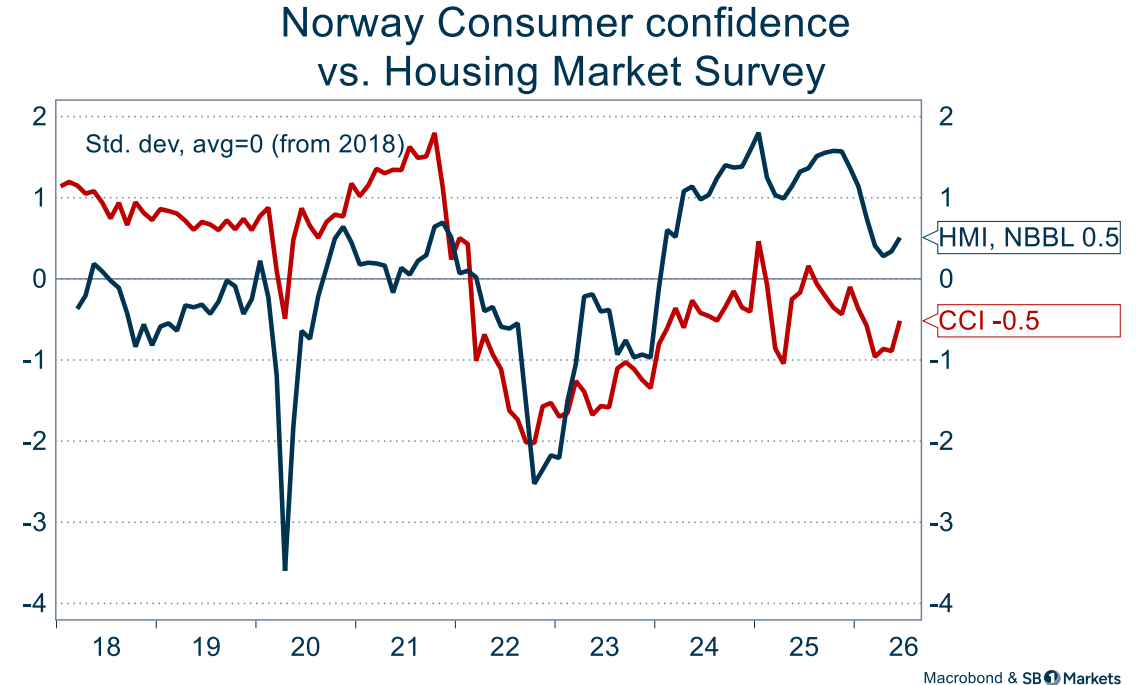
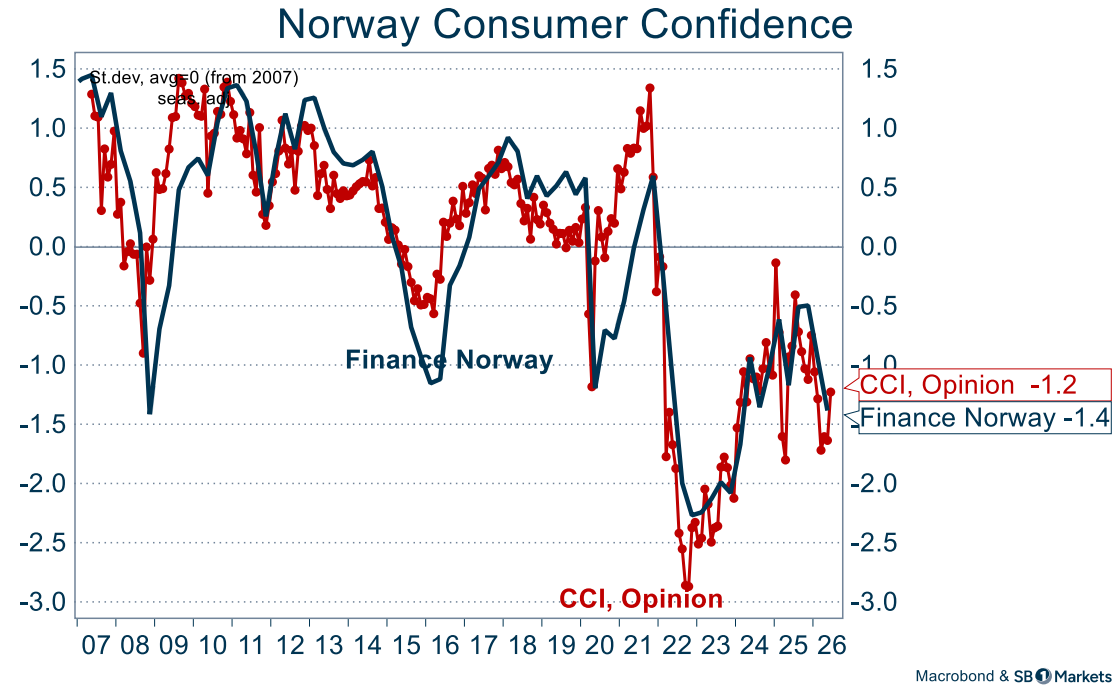
Internet sales are up 2.7x from 2015, or 10% p.a. Total retail sales are up 3% from 2015. Sales ex. internet sales: down 3½ % since 2015, in volume terms.





June consumer confidence recovered to the best level since January, still weak

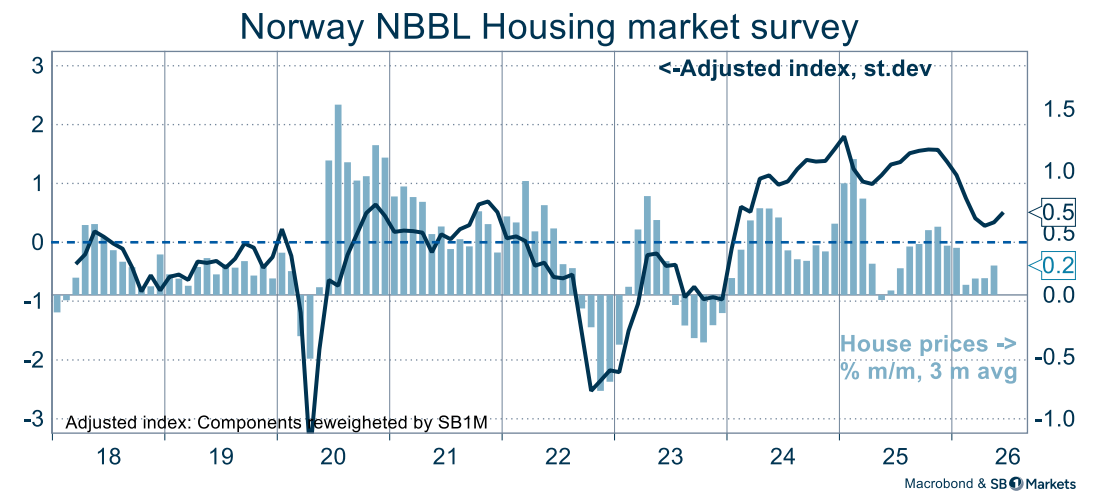
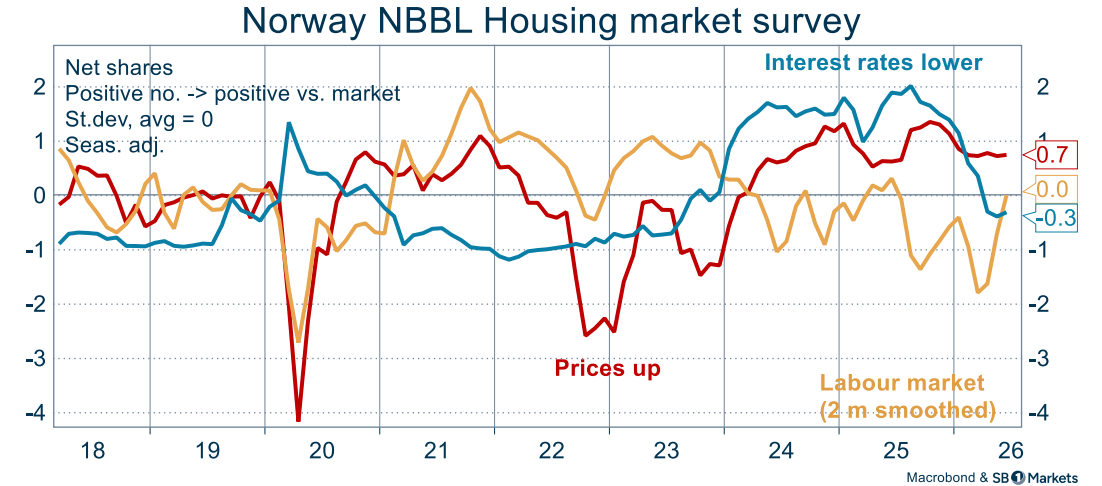
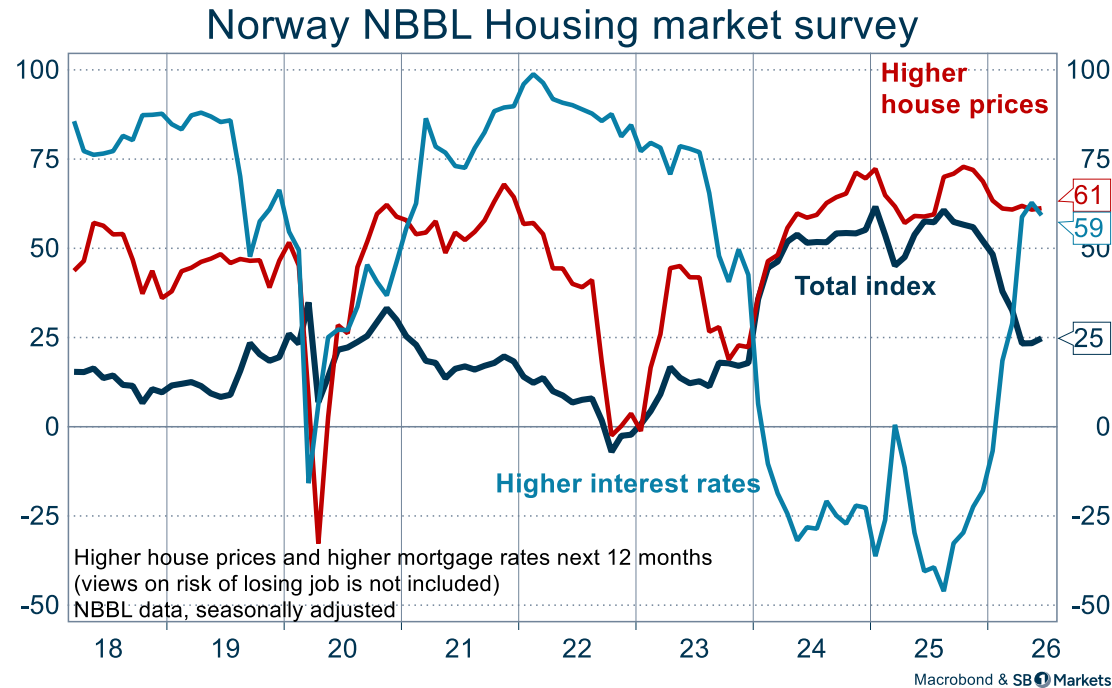
Opinion's Consumer confidence Index rose 0.5 std. dev. to -1.2 s.d. in June (but above the average since 2022!), and was above the level in February, before the Gulf war started. NBBL's housing market index rose slightly in May as well and remains above average (from 2018).



- The CCI is 0.5 std. dev. below the average **since 2018** at the *chart to the right* – to be comparable with NBBL's housing market index history. Taking the whole story into account, the CCI is 1.7 std. dev. below average (*at the chart to the left*).
- *More on the Housing Market Index next page*

NBBL Housing Market Survey: marginally up in both May and June

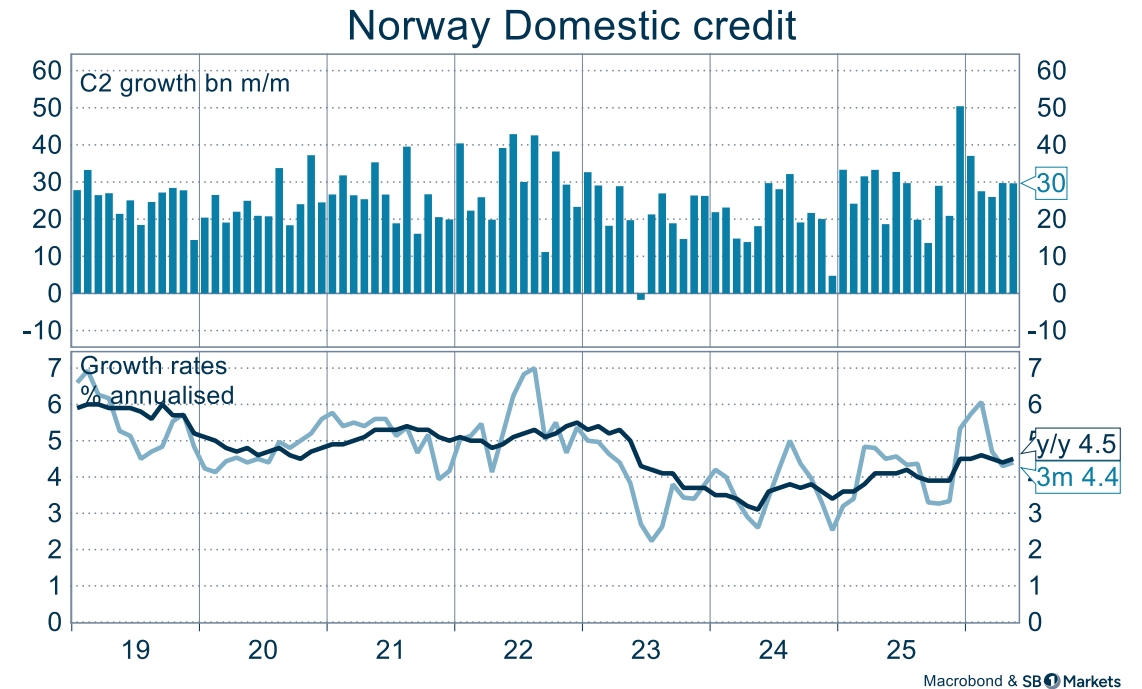
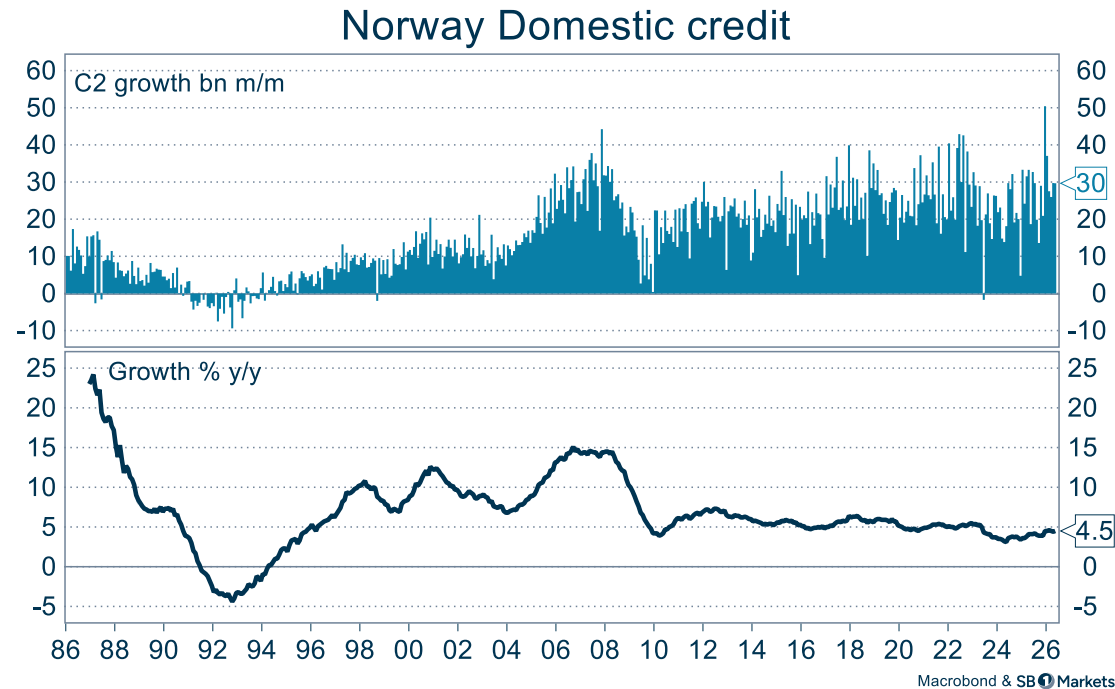
Households' rate outlook has deteriorated since last autumn, and by the most in April but has stabilised. The labour market outlook strengthened in May and June, and households still expect housing prices to climb further. Thus: **no serious rate shock to be seen!**



- The change in the **rate outlook** started in late Q3, and now households expect higher rates, by a wide margin.
- The assessment of **the labour market** has recovered the past 2 months, up to an average level.
- Households expect **house prices** to increase faster than normal
- **Our adjusted headline index** (at the lower right chart) gained 0.2 std. dev. to 0.5 s.d. above average.
- The correlation with actual house prices is not impressive, mostly because price inflation has been weaker than HMS optimism since 2024.

Credit growth has flattened, at least in recent months

Domestic credit (C2) added NOK 30 bn in May, or 4.6% annualised. The 3m growth rate stands at 4.4%, while the annual growth rate rose 0.1 pp to 4.5%, as we expected. Barring higher growth in Dec/Jan, growth has flattened at a 4½% level: **not too high/not too low**

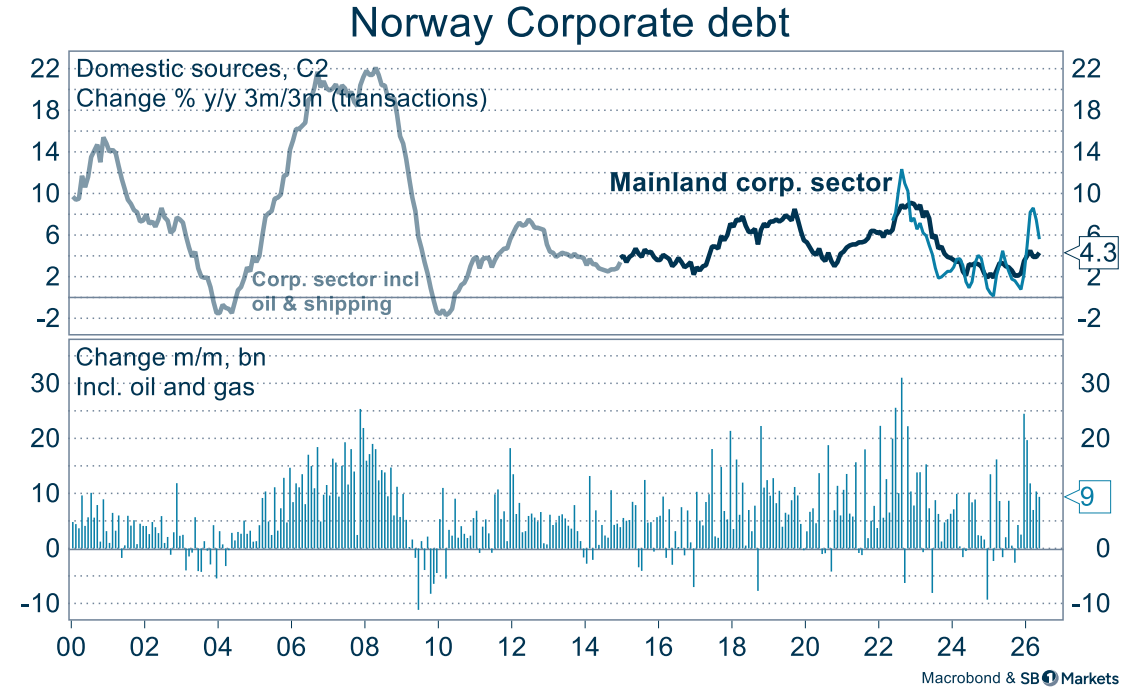
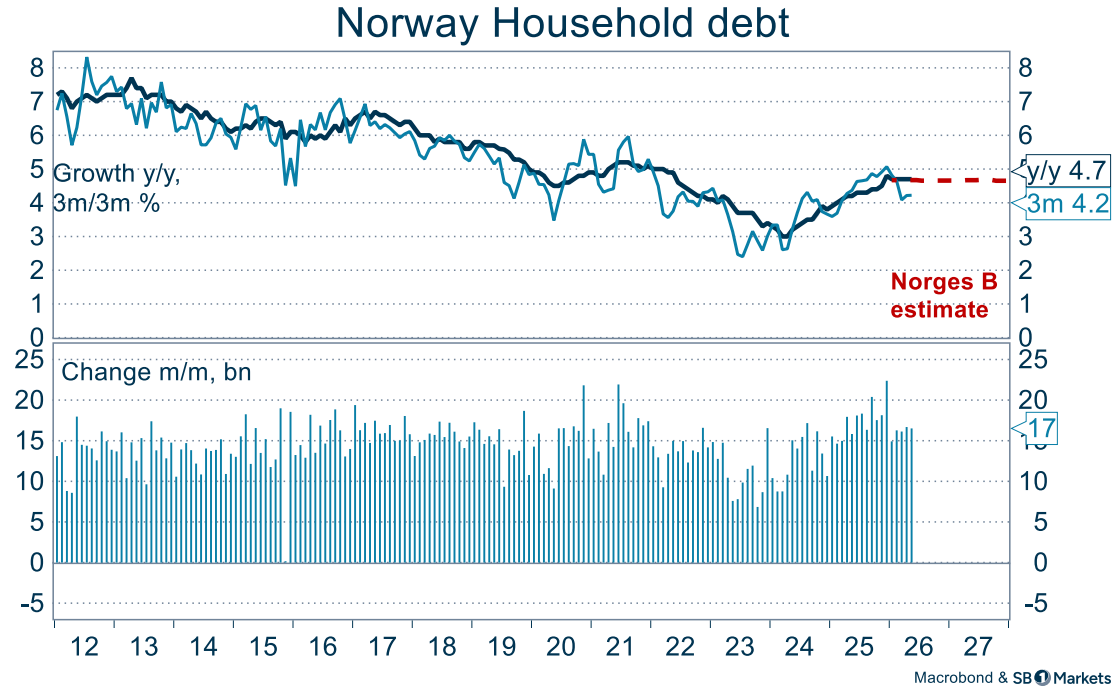


- **Household credit rose by NOK 17 bn in April**, a 4.3% pace, and the annual rate was flat at 4.7%. Debt growth is below household income growth, and the **LTI ratio is on the way down**, like in almost all other rich countries these days. (Households in most DM have reduced their debt burden the past 15–20 years)
- **Corporate C2 credit rose NOK 9 bn**, a 5% growth pace. The annual rate accelerated 0.5 pp to 4.2%. **Mainland businesses' domestic debt** is up 4.2% y/y. If **foreign debt** is included, the **growth rate in C3 was 5.3%** in Q1. **Oil/shipping**: up 2–3% y/y domestically and total.
- **Local government debt increased by NOK 4 bn**. The annual rate fell 0.1 pp to 4.6%, **below their income growth, and their LTI ratio is declining**.
- **In sum: Credit growth is modest and is not an argument against cutting the signal rate. But far from so low, that it is an argument for cutting**



Household credit growth is stabilising?

Growth in household debt has equalled a 4% pace so far in 2026. Growth in Mainland corporate credit has accelerated the past 6 months, and the 3m/3m rate is at 6% from less than 2% some few months ago. Volatile data – still positive!

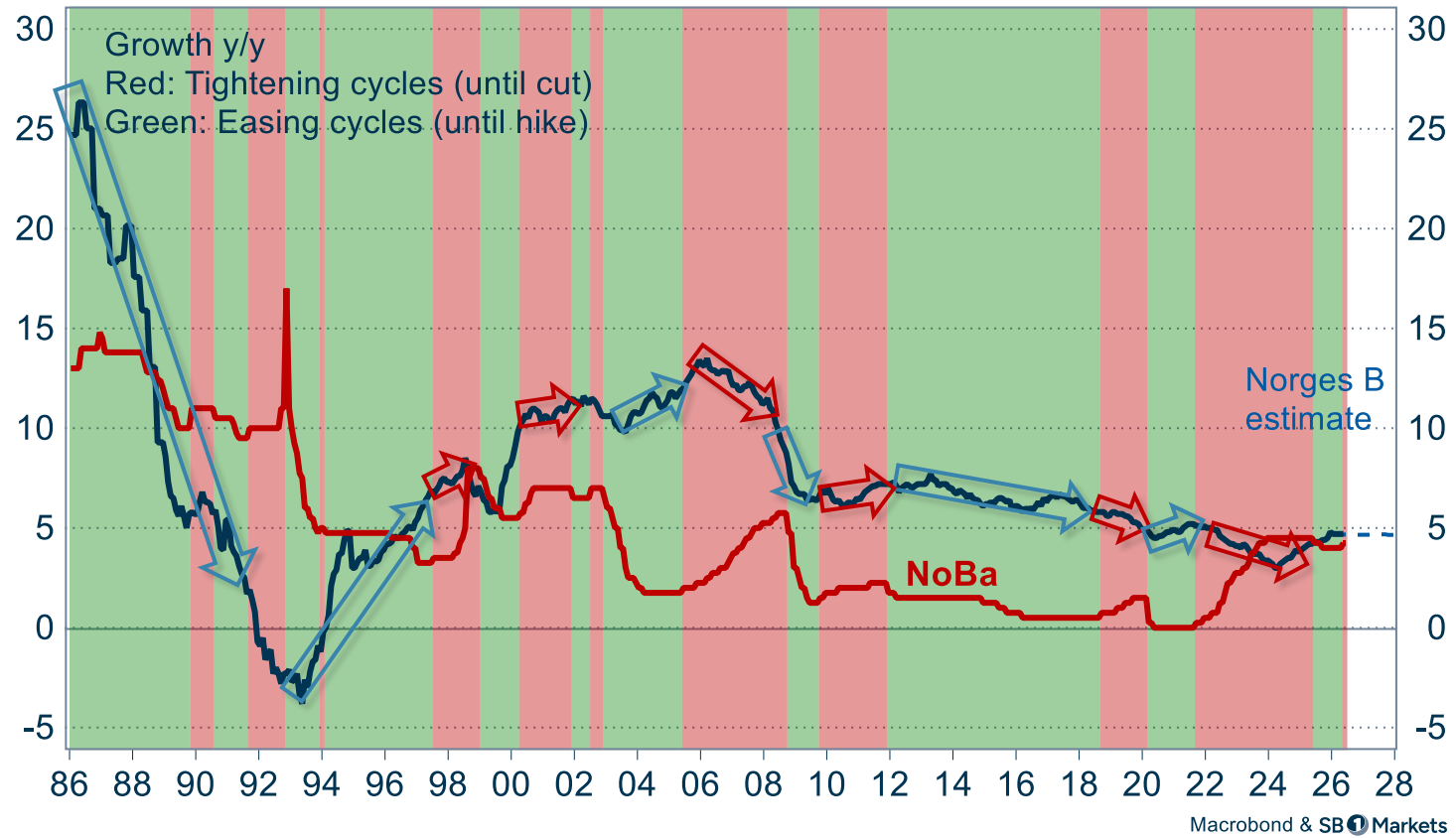




Growth in household credit is not closely correlated to rate changes

... as Norges Bank has various reasons for hiking and cutting rates

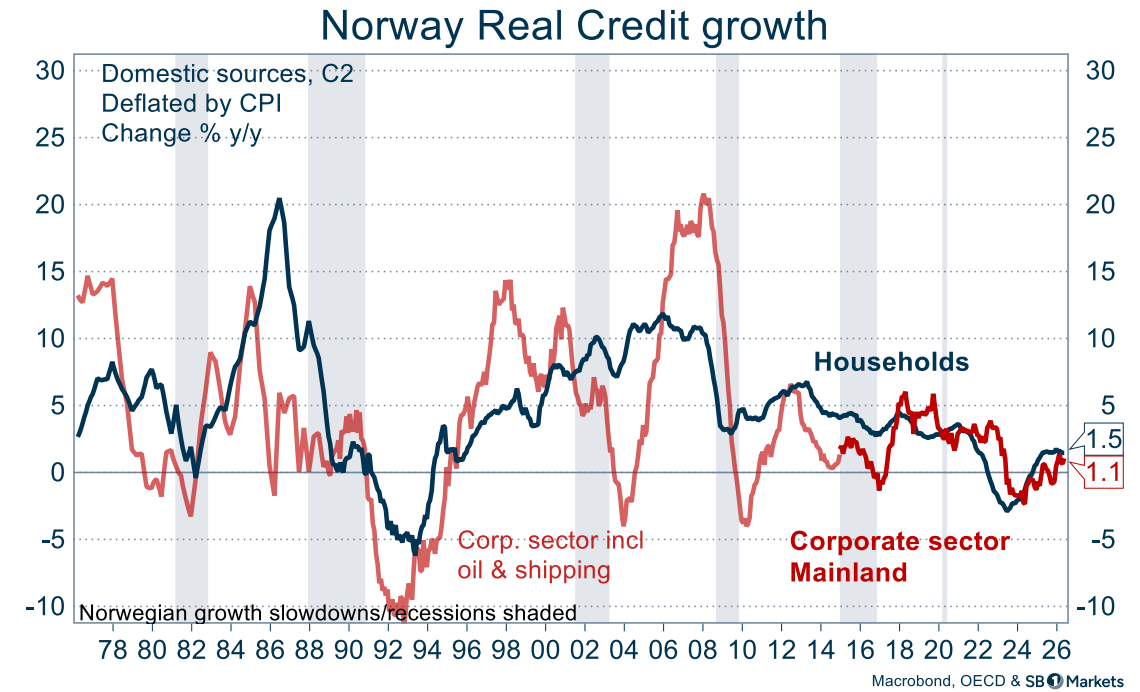
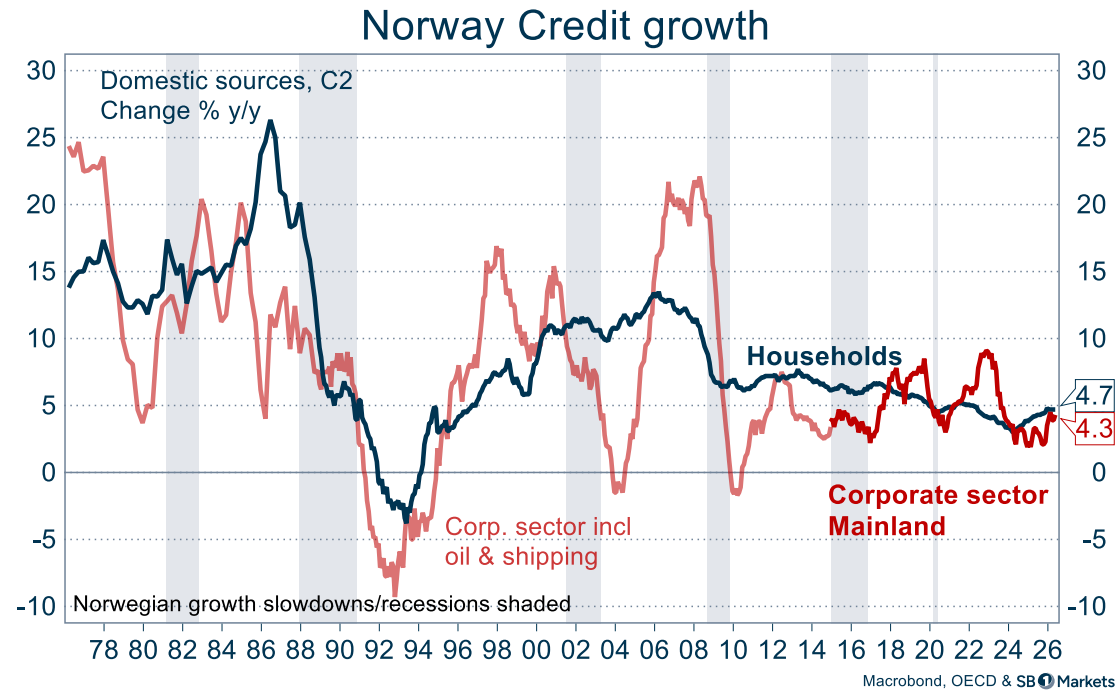
Norway Household debt vs NoBa cycles





Nominal credit growth remains modest, and debt is growing slowly in real terms

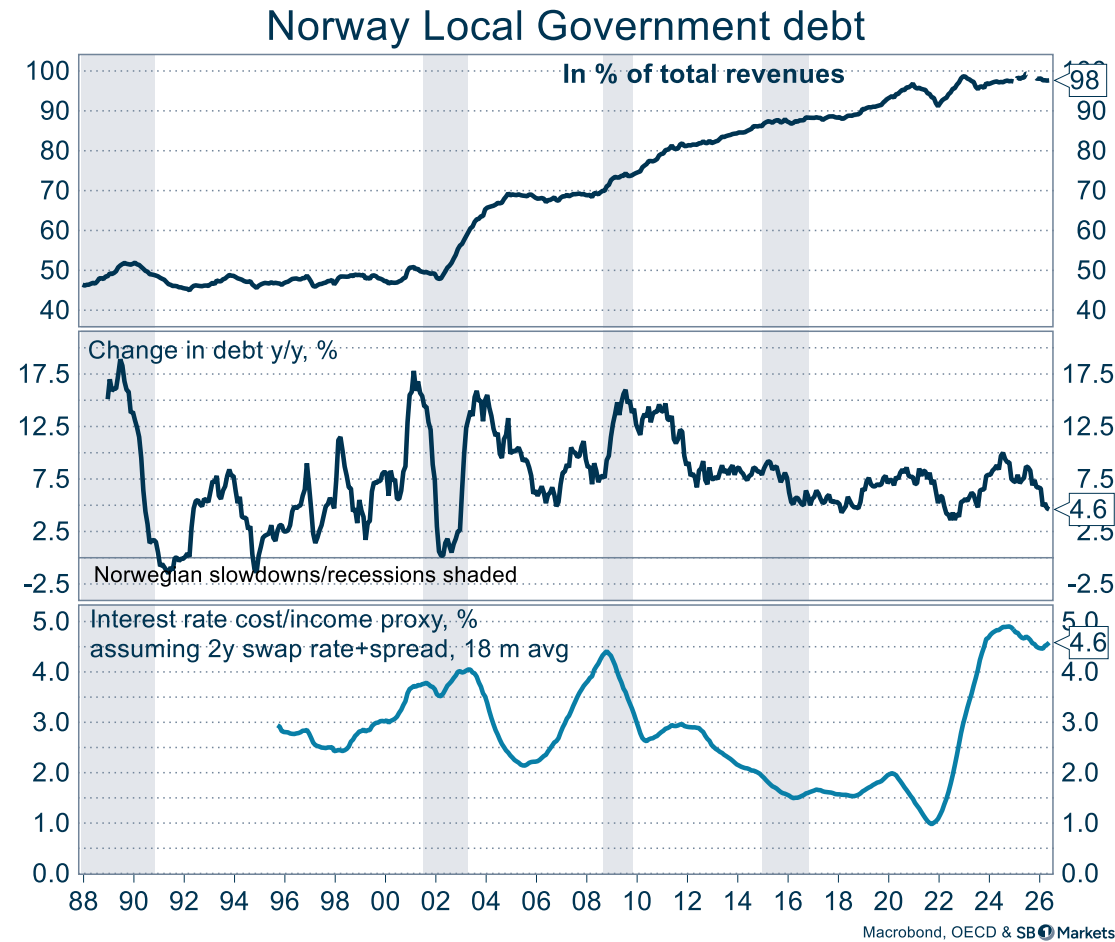
... but real debt is growing again!





Growth in local government debt is slowing rapidly, and their debt ratio is declining!

... following more than 2 decades with an expanding debt ratio

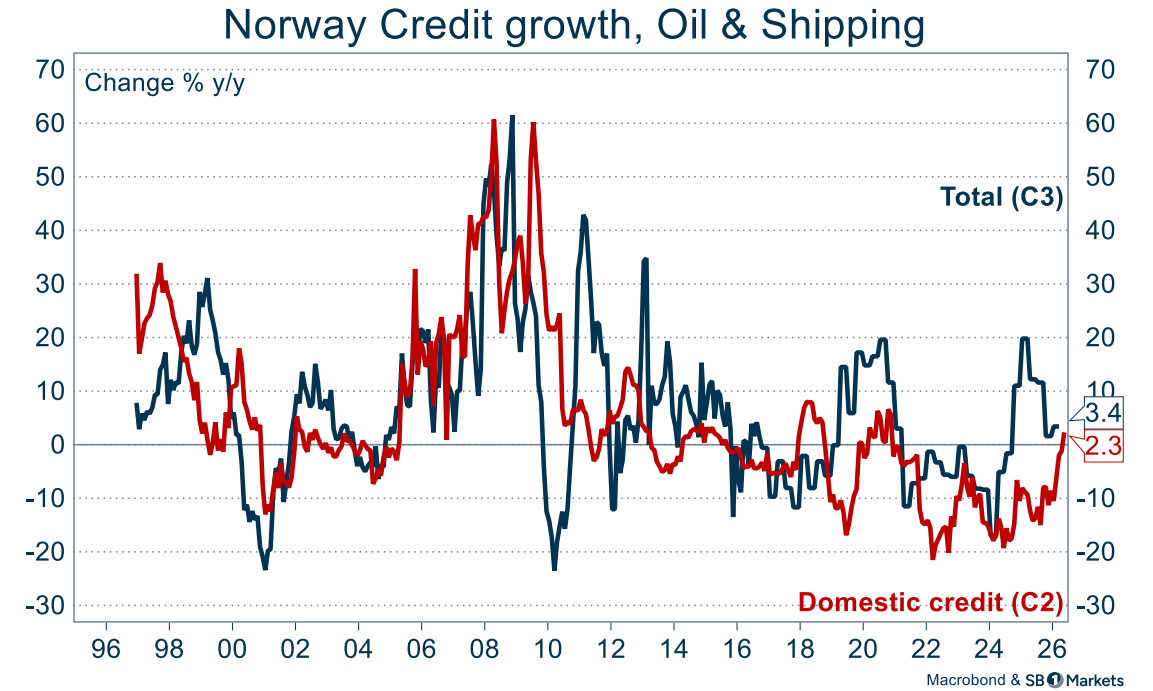
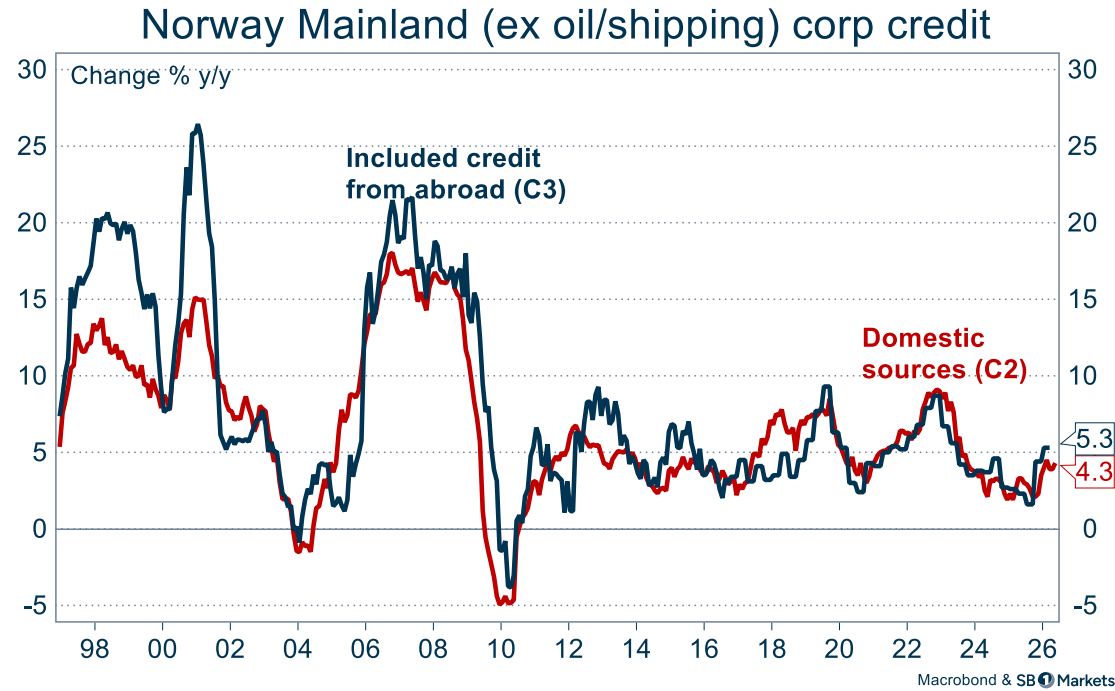


- Debt is up 4.7% y/y, below growth in the local government's incomes
- The debt/income ratio is close to 100%
- We estimate a 4.5% average borrowing rate, down from almost 5% at the peak in 2024. But still way up from the spectacular 1% rate back in 2021.



Mainland corporates increased their total debt (incl. foreign credit) by 4.3% in Q1

Oil & shipping total debt was up 3% in Q1 (and 2.3% from domestic sources).

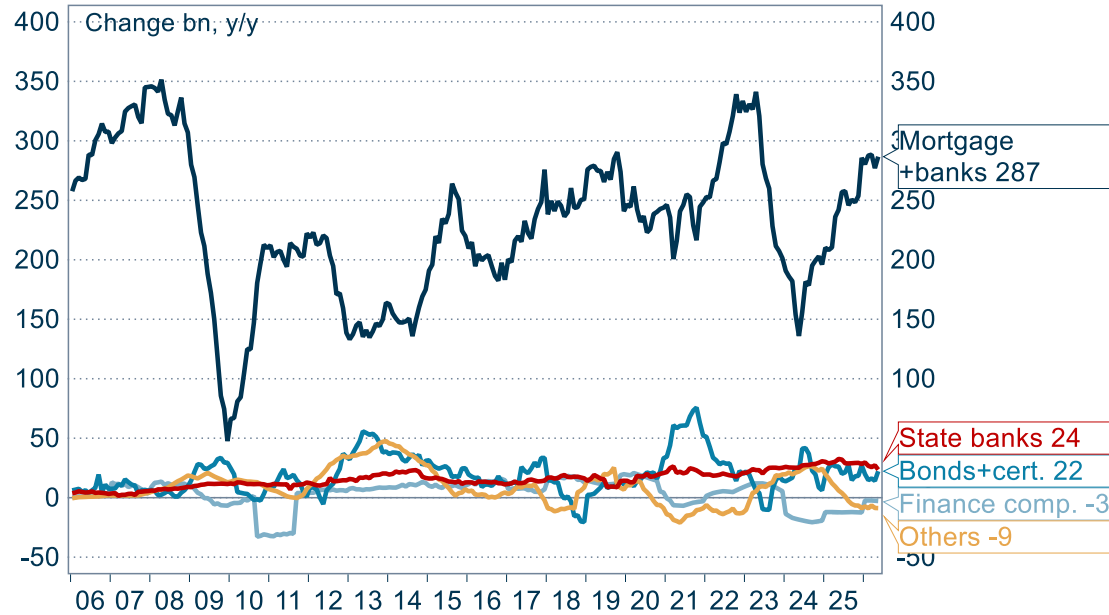




Growth in bank/mortgage companies' loans at 4.6%, trends flat

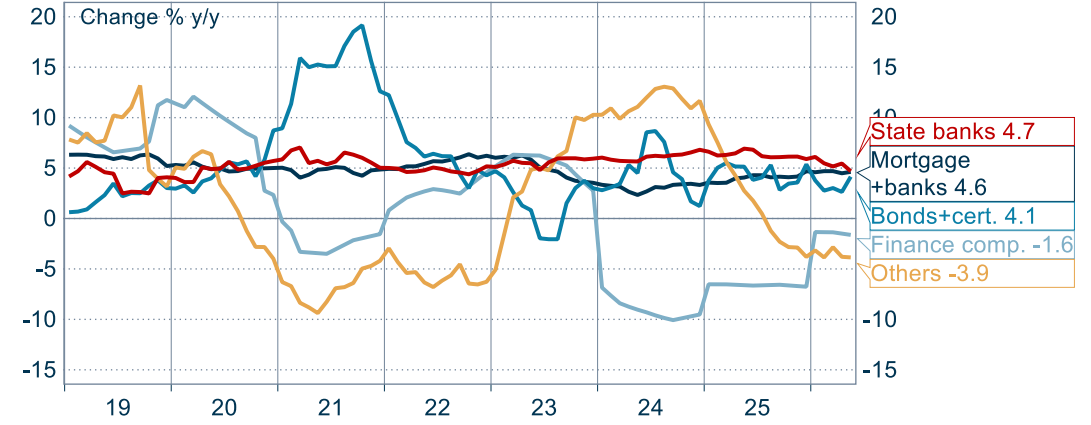
Banks & their mortgage companies totally dominate the credit market

Norway Credit growth - sources

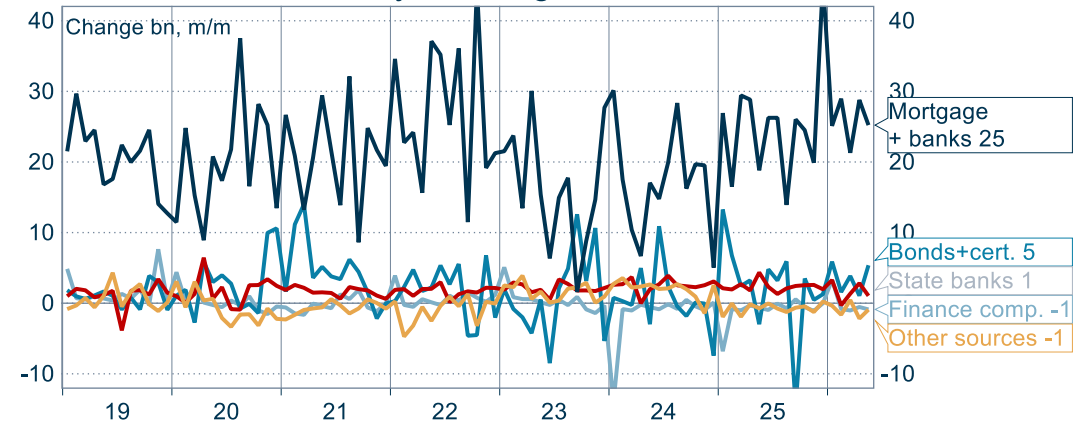


- Loans from **banks/mortgage companies** were up NOK 287 bn y/y in May. The annual growth rate was up 0.1 pp to 4.6%, almost double the pace in mid-24.
- Net issuance of **bonds** (+ bills, to the non-financial sector) is at NOK 22 bn last 12 m (+5 bn m/m in May) and the outstanding amount is up 4.1%.
- Credit from **finance companies** is close to zero y/y
- Loans from **state owned banks** are up NOK 24 bn, or 4.7%, and still (marginally) the leader of the pack, in percentage terms
- All 'others'** have reduced their lending by NOK 9 bn, or by 3.9%.

Norway Credit growth - sources

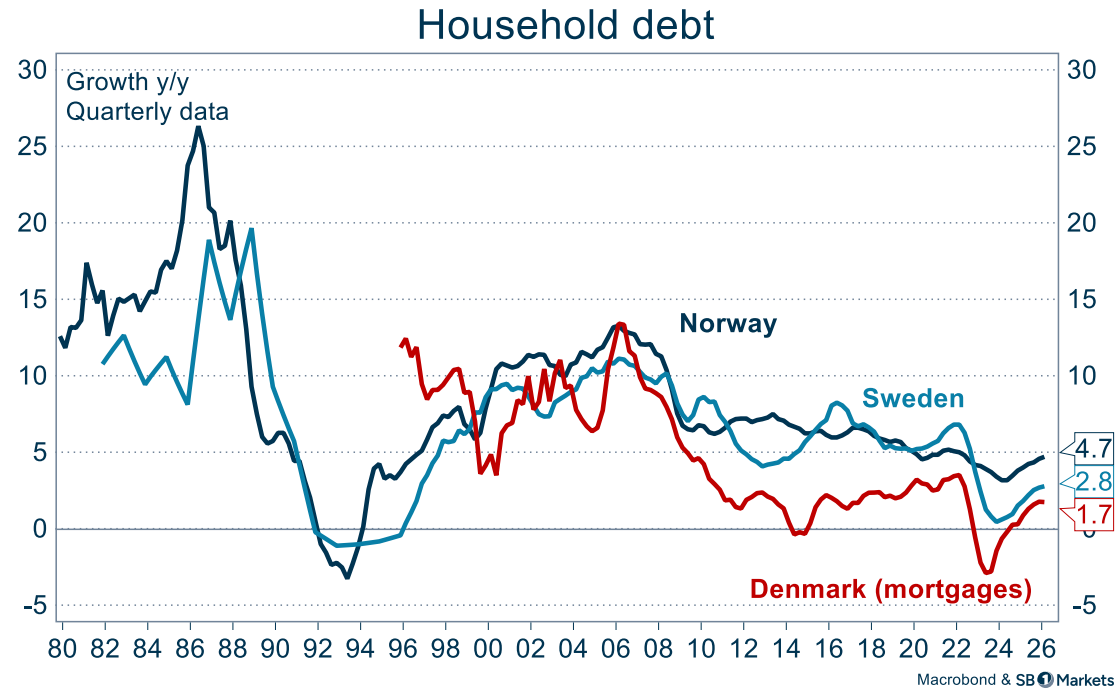


Norway Credit growth - sources



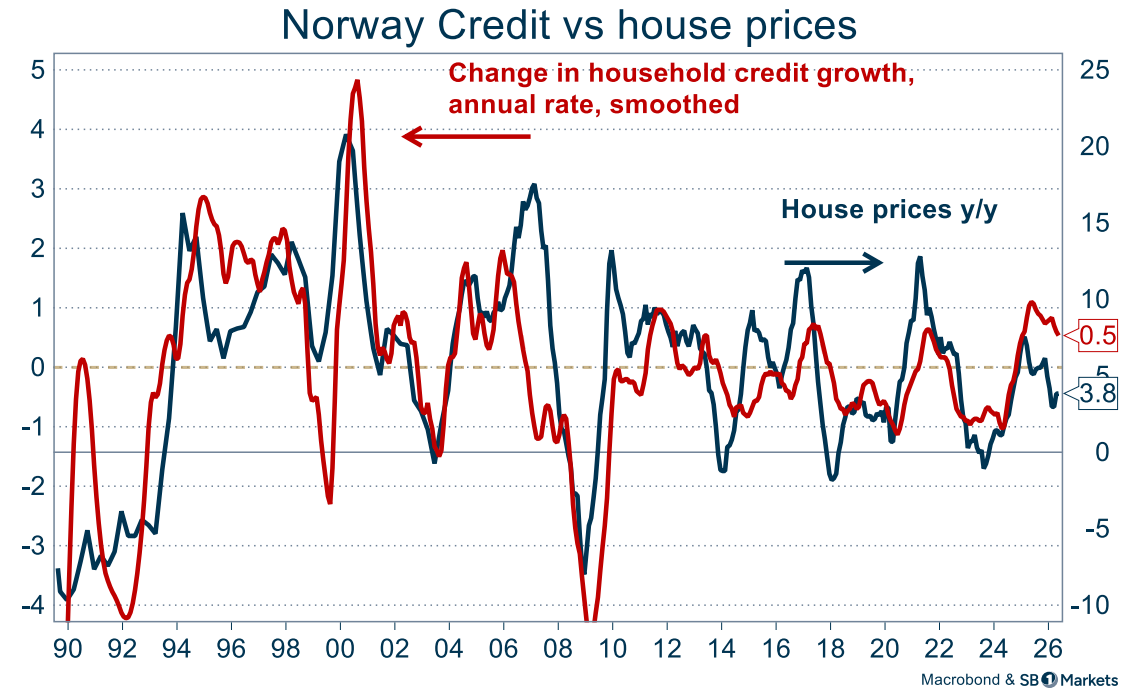
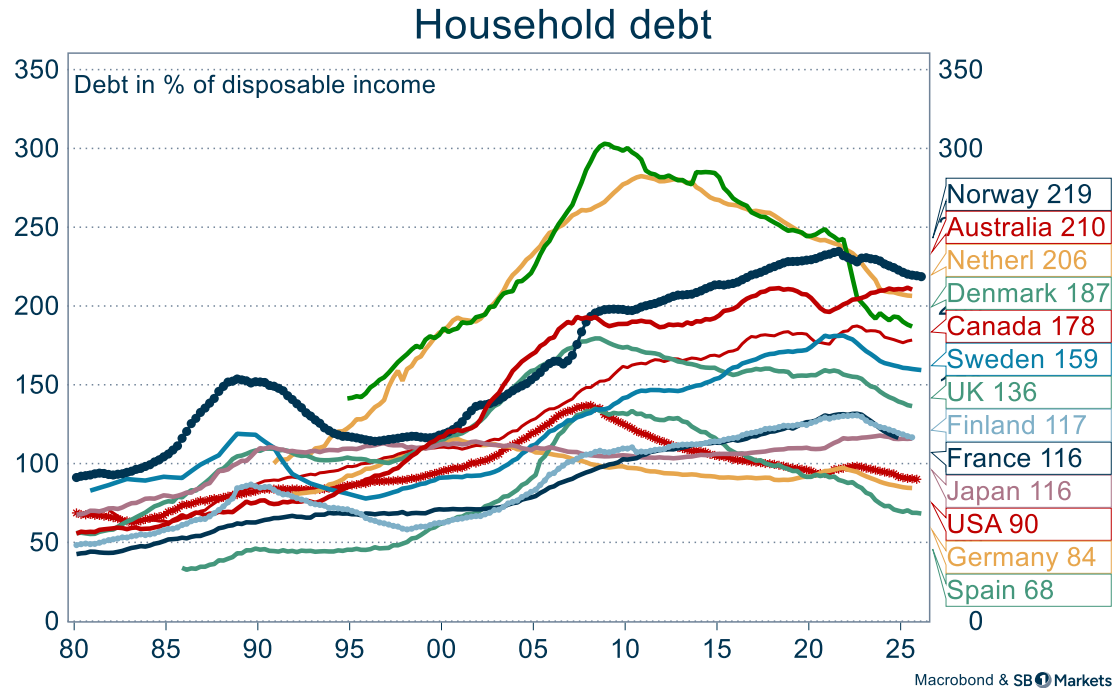
The seasonally adjusted 'sum of the parts' credit supply do not exactly equal changes in the total C2 seasonally adjusted. Consumer banks are included in 'banks and mortgage companies'

The Scandics: slow growth in household debt – but it is slowly accelerating again!



Households' debt/income ratios are falling everywhere, ~~except in Australia~~

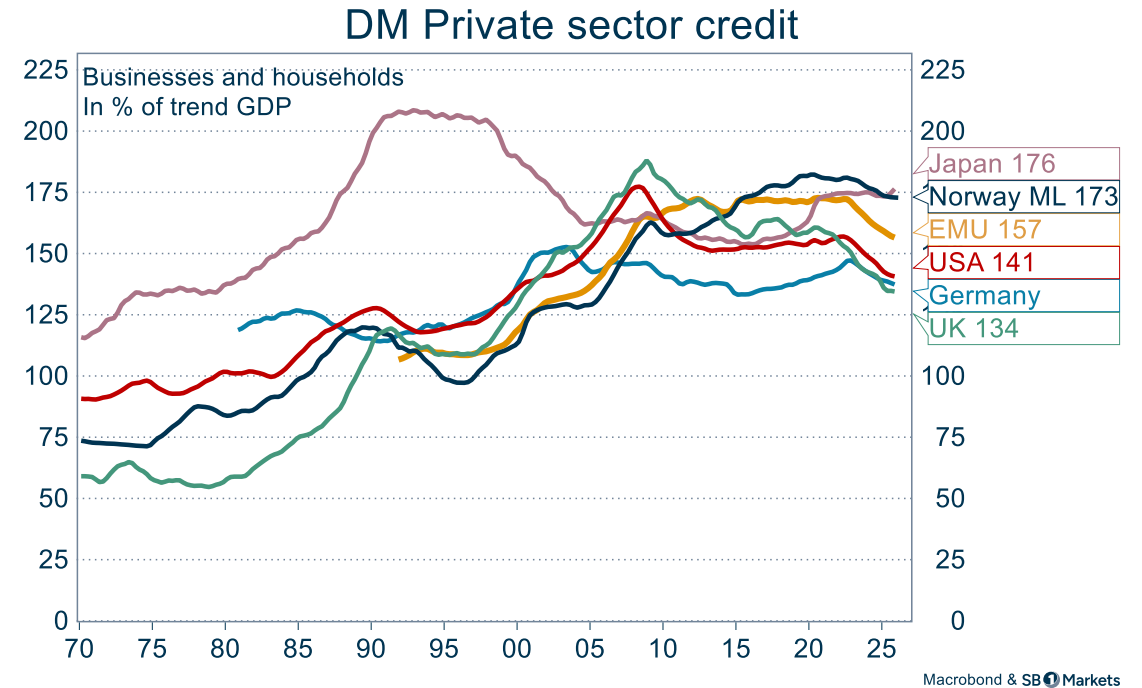
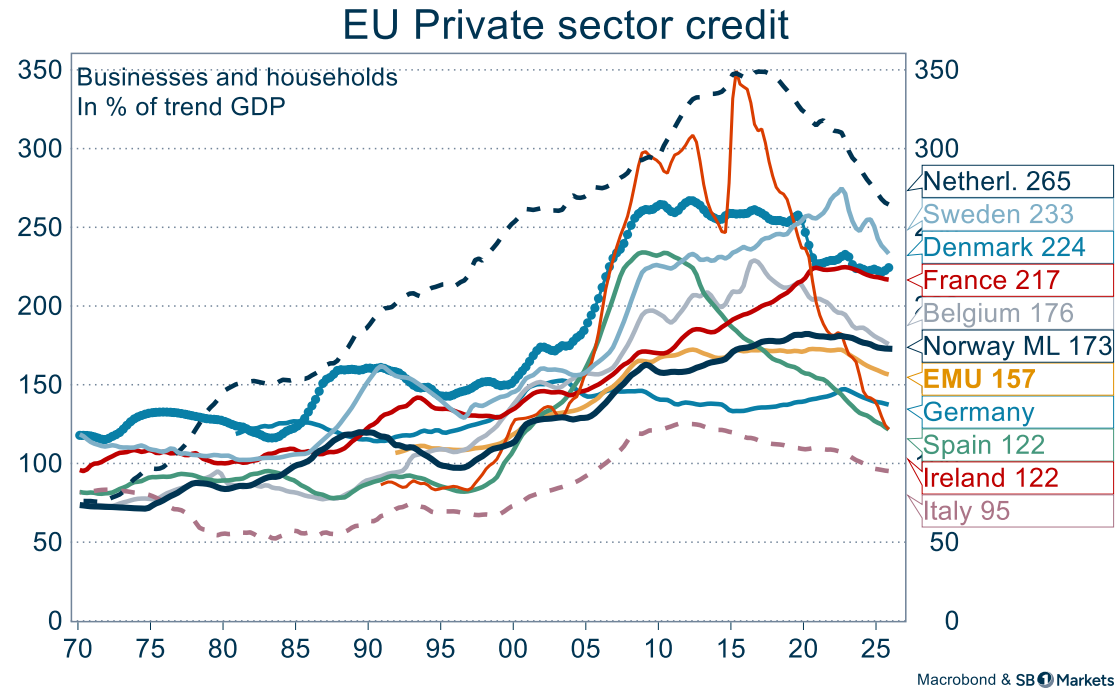
The LTI ratio is declining even in Norway! However, our average debt-to-income ratio is still the highest in the world, and a further consolidation is not unlikely. The housing market decides? The recent slowdown in prices may indicate a slowdown in debt growth.



- **Changes** in credit **growth** (the 2nd derivative) are usually correlated to economic growth, and asset markets – including **growth** (the 1st derivative) in house prices
 - A gradual retreat in the debt ratio will probably be healthy in the long run, and if managed carefully, it need not be painful – even for the housing market
 - If credit growth **slows less than 1 pp per year** (e.g. from 4% growth this year to 3% next year, then down to 2%, etc.), **house prices should just flatten**. Recently, growth has accelerated by 0.8 pp.
- Households' LTI debt ratios are on the way **down in almost all DM countries**.

This is not the time to fear a DM *private sector* 'created' financial crisis?

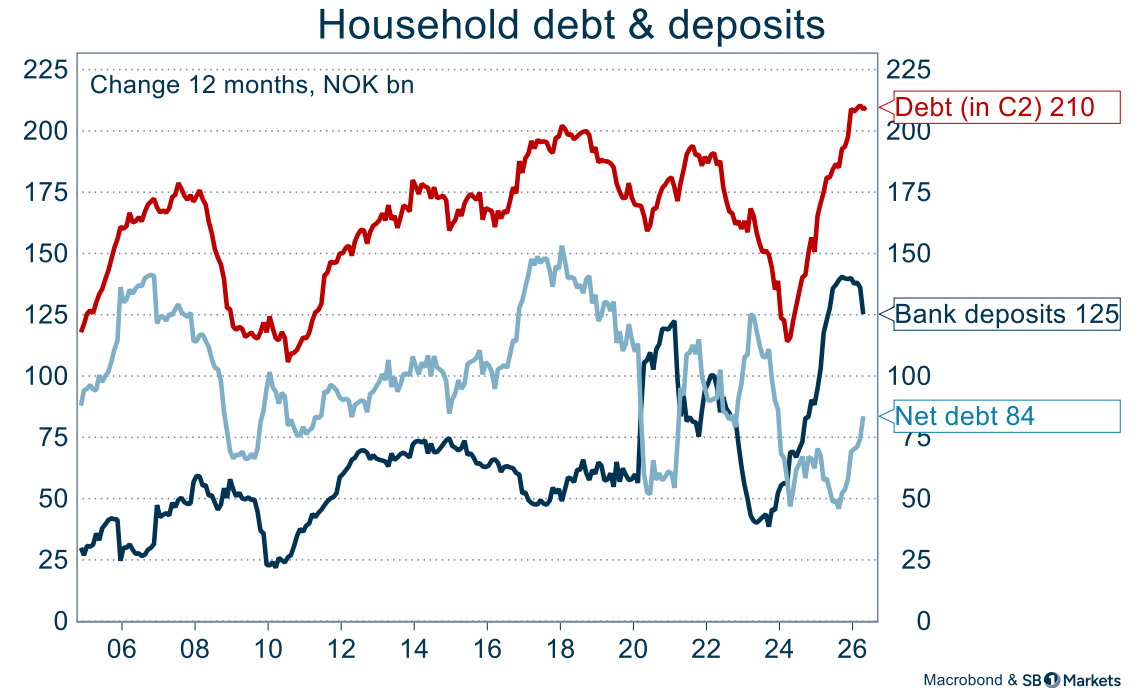
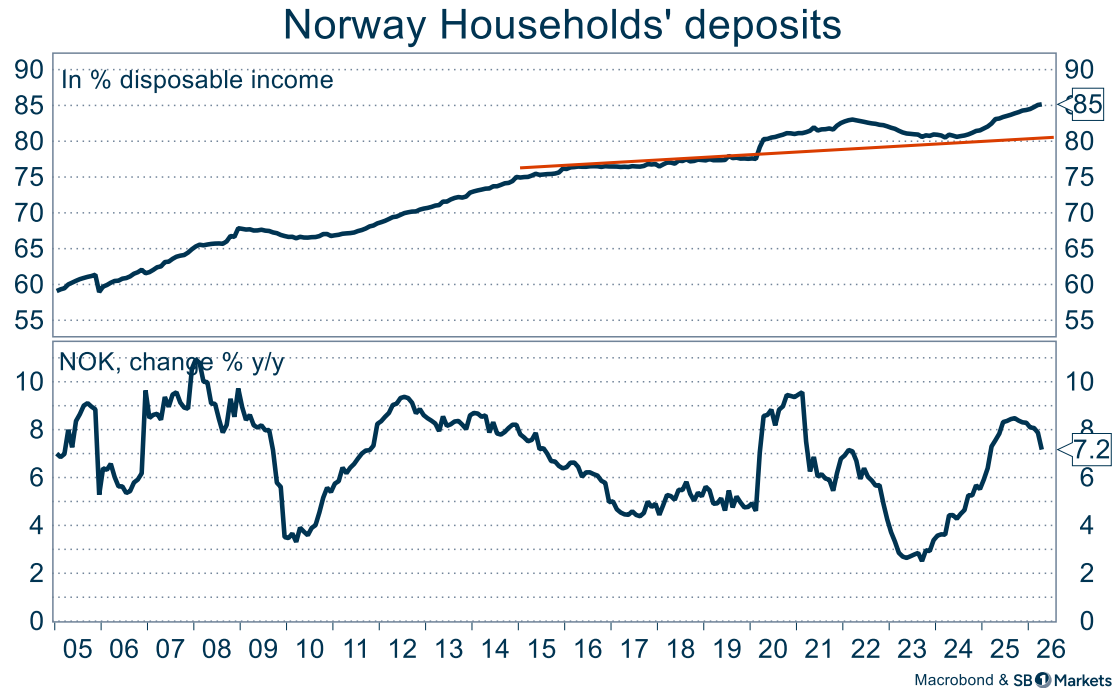
Private sector debt ratios are on the way down, almost everywhere. (The same cannot be said about public debt ratios everywhere).



- The household sector has reduced debt to income ratios almost everywhere the past 15 – 20 years – with some exceptions: Norway, Sweden and Canada started just some few years ago when interest rates were normalised, and Australia joined last year. So now, we are on the way down!
 - Private sector debt in Sweden has fallen sharply recent quarters. The level is still very high (the 2nd highest on our list) due to high debt in the corporate sector (which has also funded parts of the housing market in Sweden). Cross border corporate debt make comparisons more uncertain than vs. household debt.

Growth in households' bank deposits has peaked? Still high, at 7.2%

Deposit growth, measured in %, significantly outpaces the increase in disposable income. Although debt continues to rise faster than deposits in NOK billions, the rise in net debt last year slowed to the lowest level in decades.



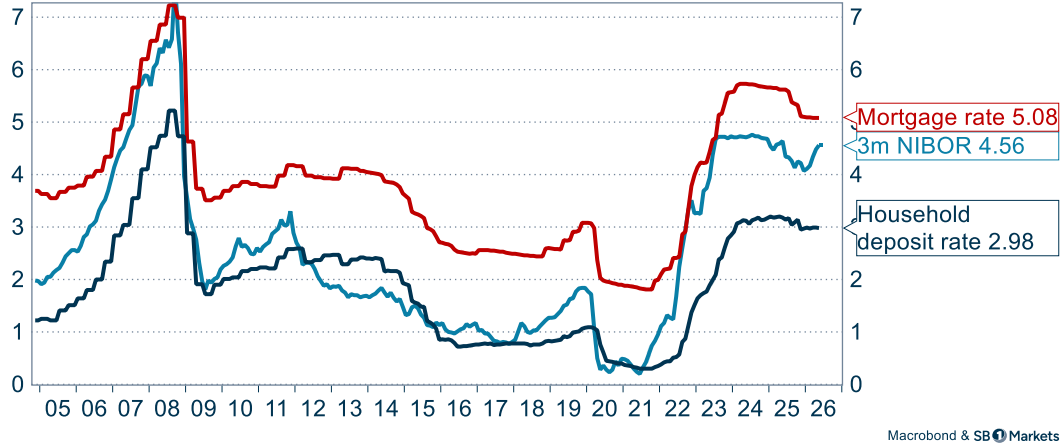
- **Households' total deposits** were up 7.2% y/y in April, down from 8.5% at the local peak last September but still well off from 3% at the bottom in 2023.
 - Deposits are still well **above a normal level** vs. household incomes, due to the rapid increase in savings during the pandemic and the drag from higher net interest payments over the past two years. Now, deposits are climbing faster than a normal growth in household income again, without any external 'trigger' (besides higher interest rates).
- **Households' debt** is growing faster than deposits, measured in NOK, and the gap has widened again slightly in recent months. Households are investing in other financial assets, like pensions funds, mutual funds, equities etc.



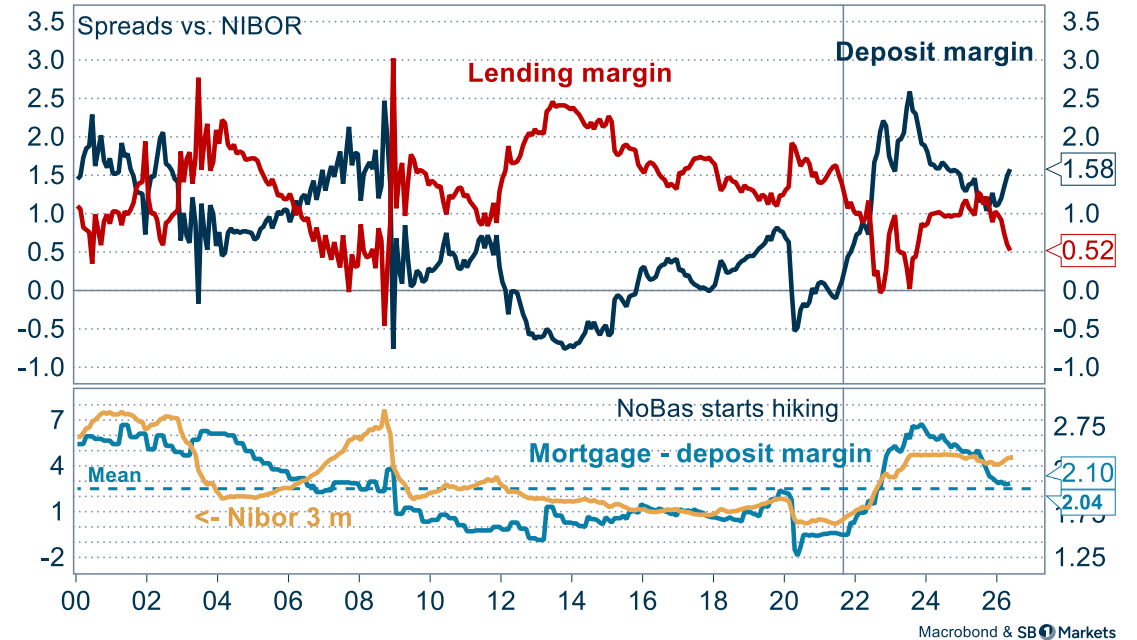
NIBOR rose in May, but not deposits or mortgage rates

The margin is close to the 25y avg., but the downside is still probably significant, as the deposit margin remains far above a normal level and strong competition may push the lending margin further down, from a low level. In March, the lending margin fell 18 bps to 74 bps.

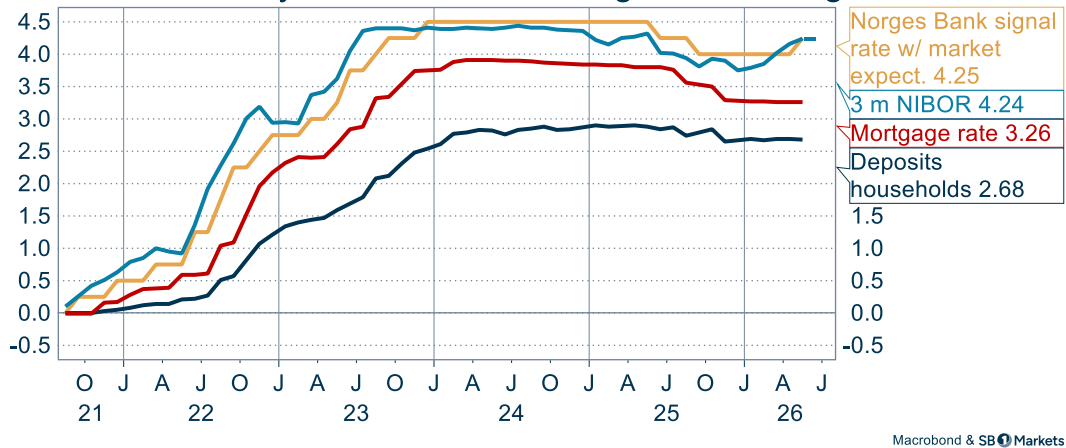
Norway Interest rates



Norway Bank margins vs. households



Norway Interest rates change from 1 Aug '21



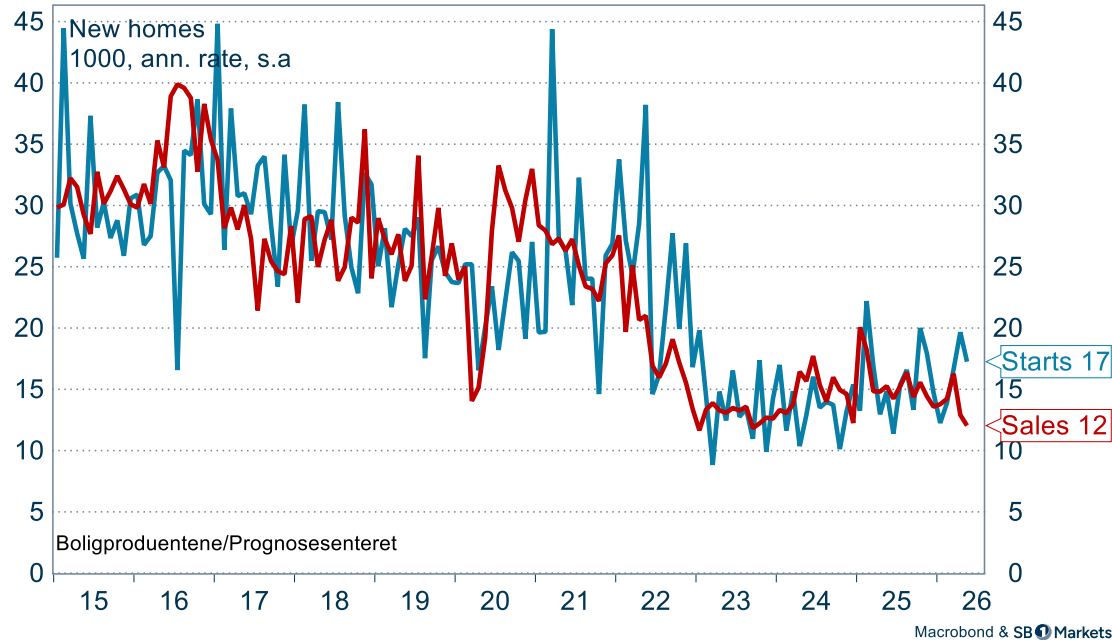
- **The 3m NIBOR** rate rose by 8 bps to 4.56% in May (and flattened in June).
- **The average deposit rate** was down 1 bp to 2.98% in May, and the deposit margin widened 8 bps to 1.58%, a rich level.
- **The avg. mortgage rate** was flat at 5.08%, as the lending margin narrowed 8 bps to 52 bps, way below a normal level. In June, the spread very likely widened, as banks started lifting mortgage rates.
- **The mortgage – deposit margin** may widen if Norges Bank hikes, but the trend is probably for a further decline



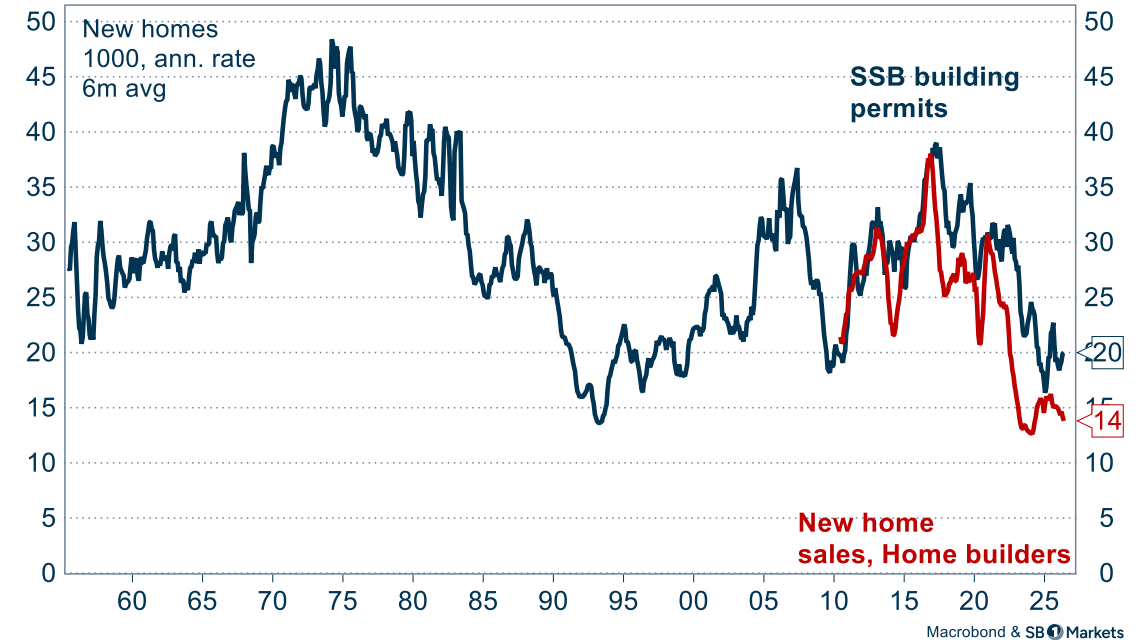
Home builders: New home sales fell further in May, to the lowest level since 2023

Starts declined by 1,000 to 12', and the 12 m average has fallen to 14,000 units. Starts have been slightly higher the past 2 months, but data are even more volatile than sales. Understandably, home builders are not happy.

Norway Homebuilders' survey



Norway Housing starts

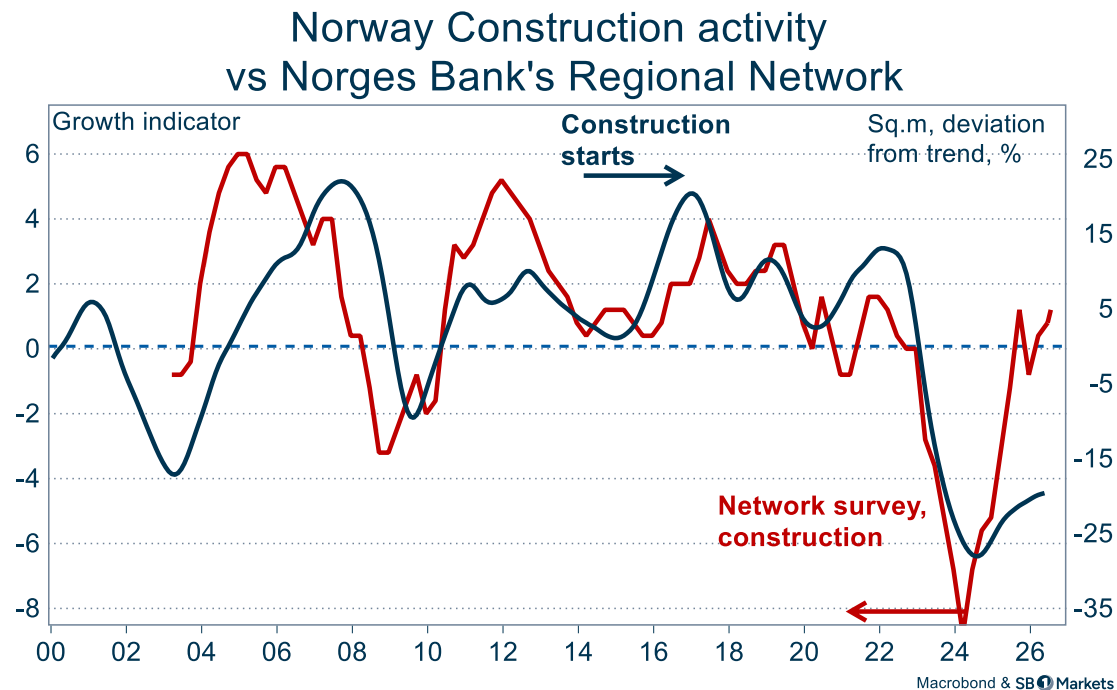
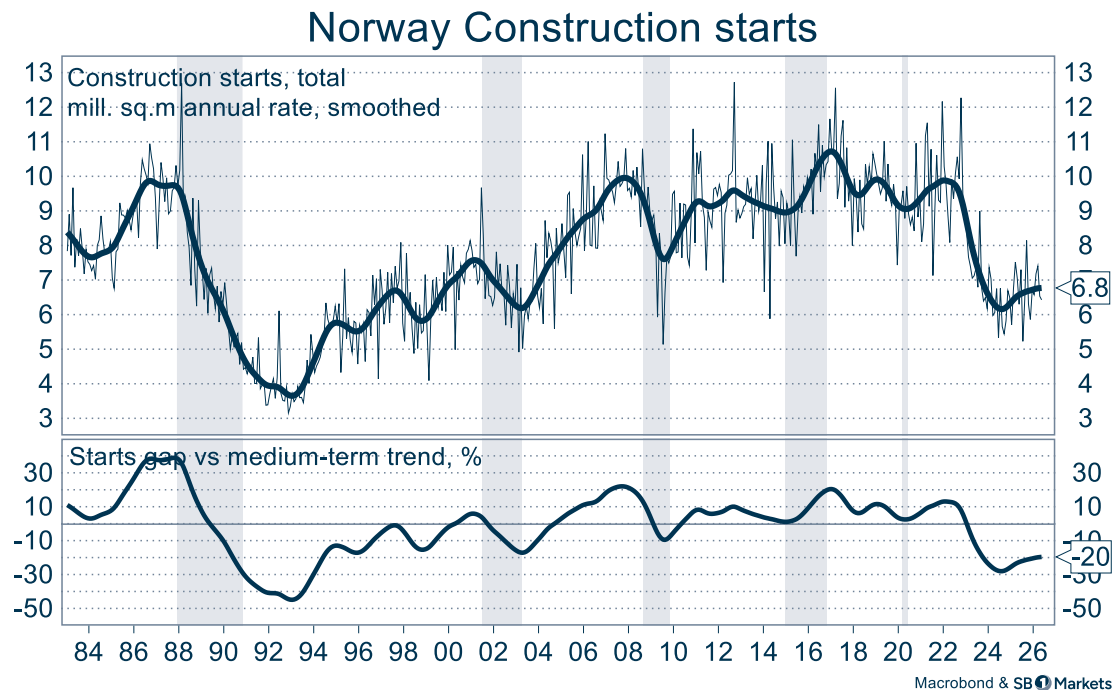


- **SSB reports 20' building permits** on average over the past 6 months, 6' above the estimate from Boligprodusentenes forening (home builders association). Student homes and nursing homes are included in SSB's data but not in the home builders' stats. SSB's permits lag new home sales by some 6 months.
 - The gap between home builders' sales/starts data and SSB's permits has widened somewhat. Over time, 94% of SSB's permits are completed, which indicates that permits are 'for real'.



Construction starts have bottomed, and the construction sector reports **GROWTH**

At least companies did so in Norges Bank's Regional Network, even if housing starts remain in the doldrums



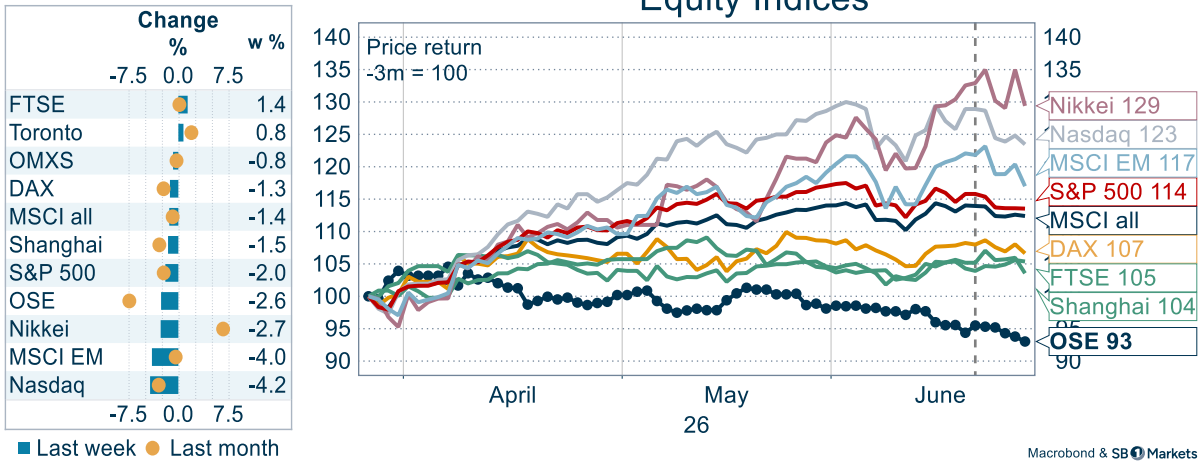


4. Financial Markets

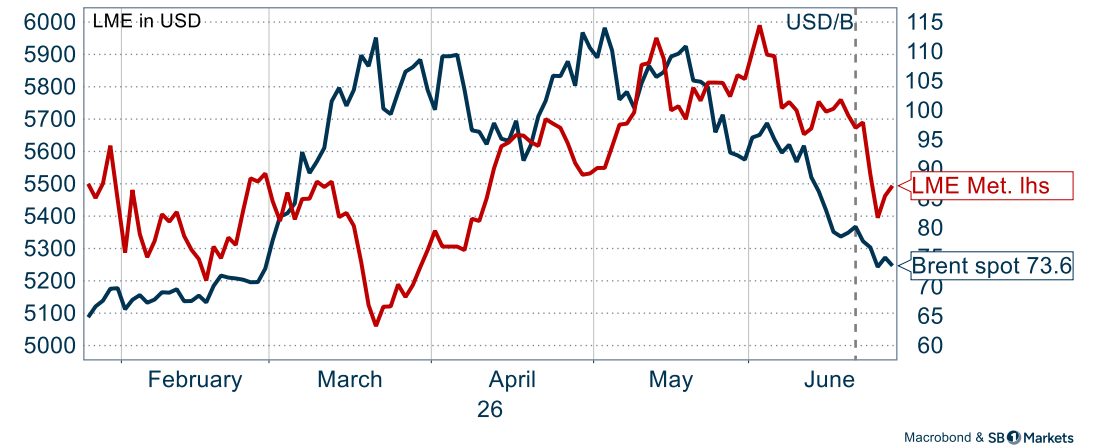
Tech, oil, NOK, rates and bond yields straight down

The oil price is close to the level before the Gulf war started, as are metal prices. NOK fell 1.7% last week, and is down 5% from the May local peak, and is weaker than before the war! The OSE is down 11% from the peak and is 2% below the level in late February.

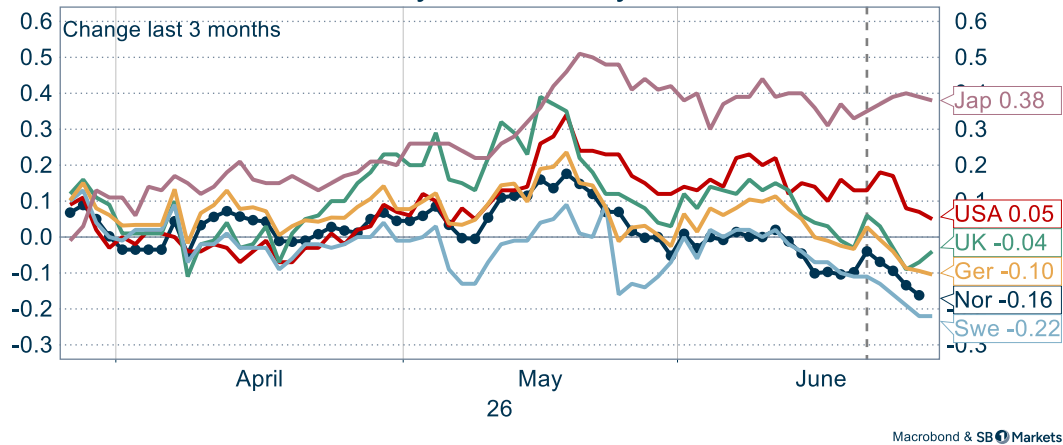
Equity Indices



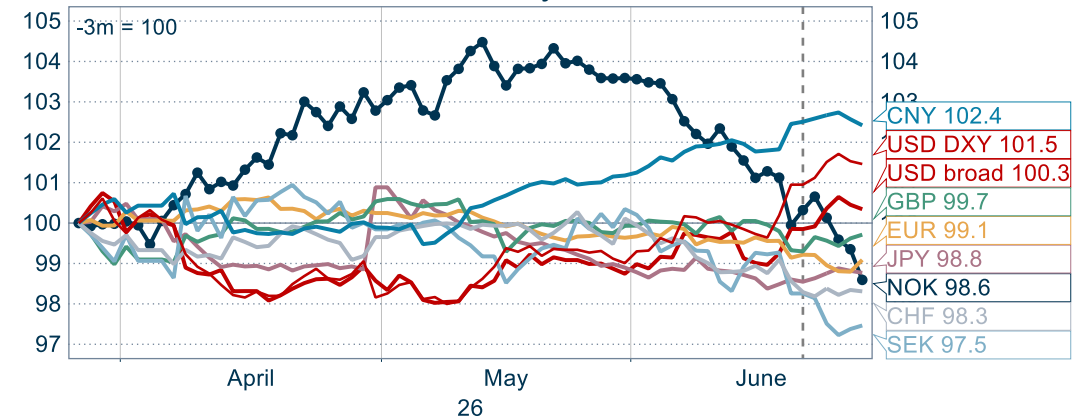
Oil vs. metals



10 y Gov bond yields



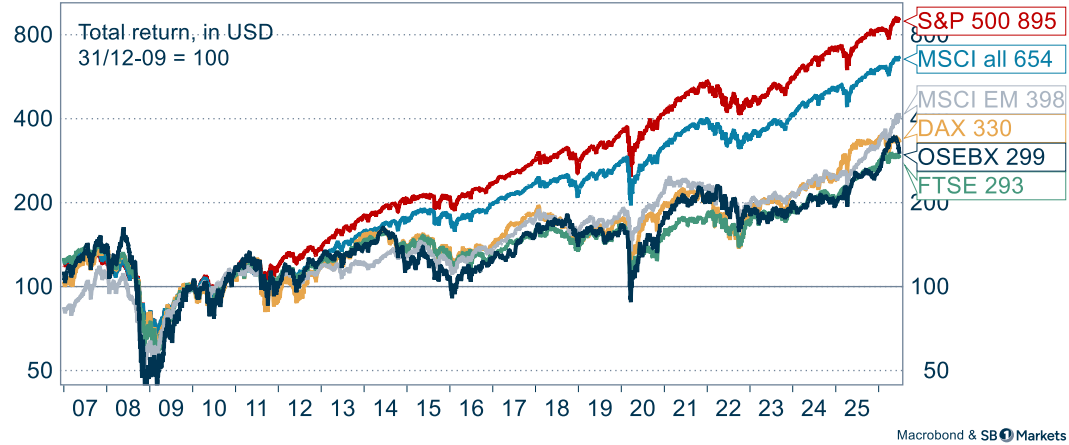
Currency indices



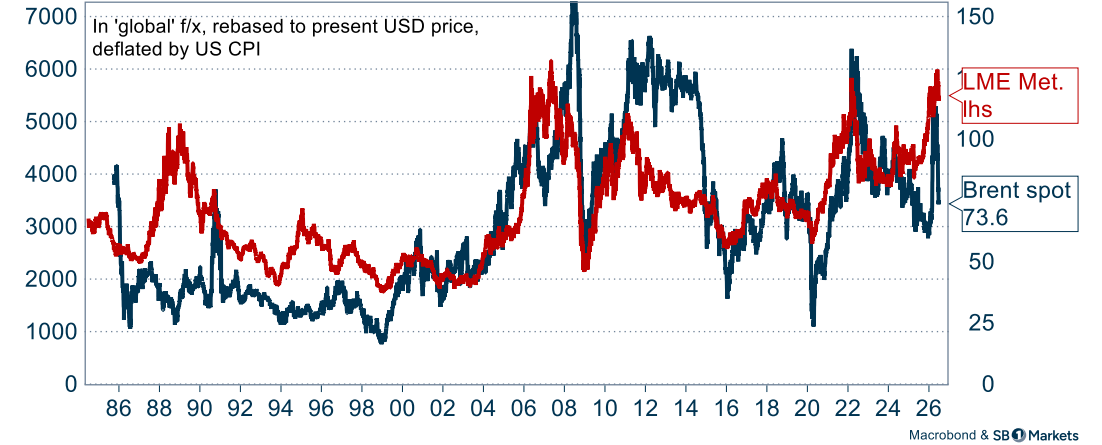
Big picture: Equity markets are soaring, real metal prices are close to record high

... and long-term bond yields are still trending upwards. JPY is the main FX loser, while CNY and CHF are the winners – and the USD until early 2025. NOK has recovered substantially so far in 2026 (but not the last month). And the oil price? Back to a rather low level.

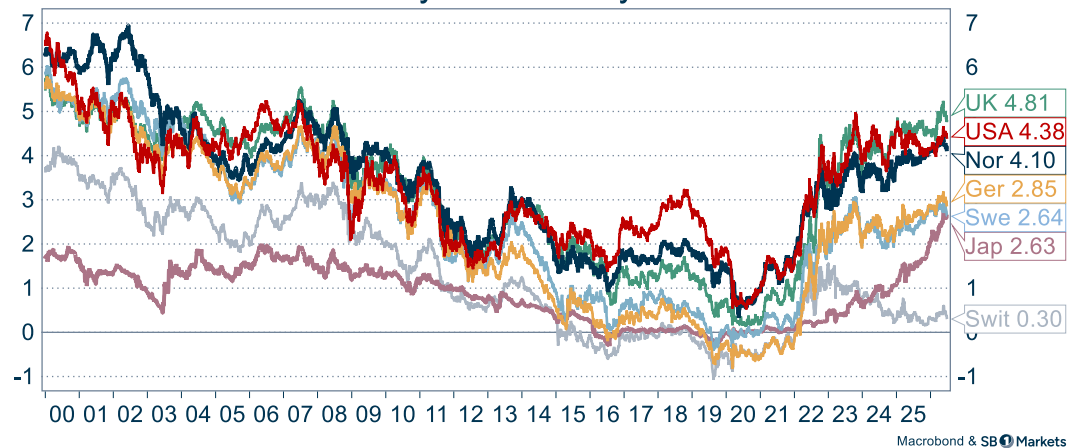
Equity Indices



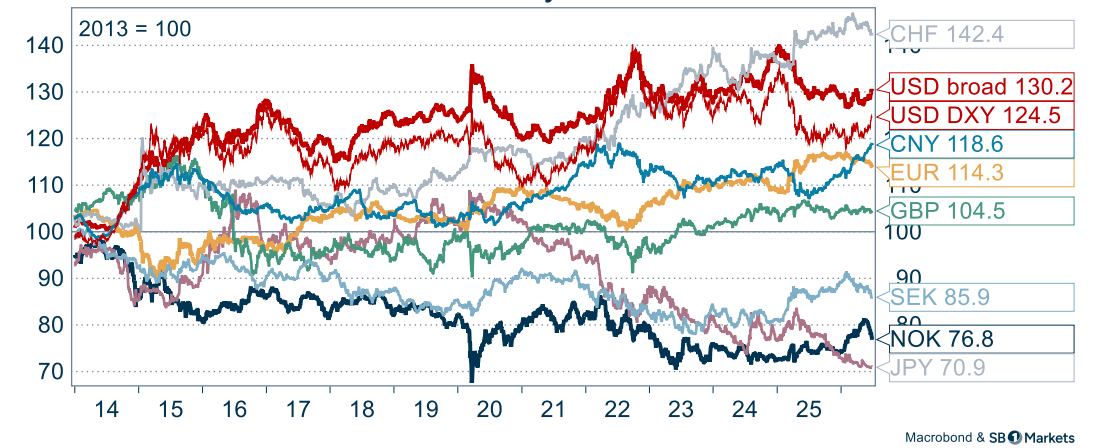
Oil vs. metals



10 y Gov bond yields



Currency indices

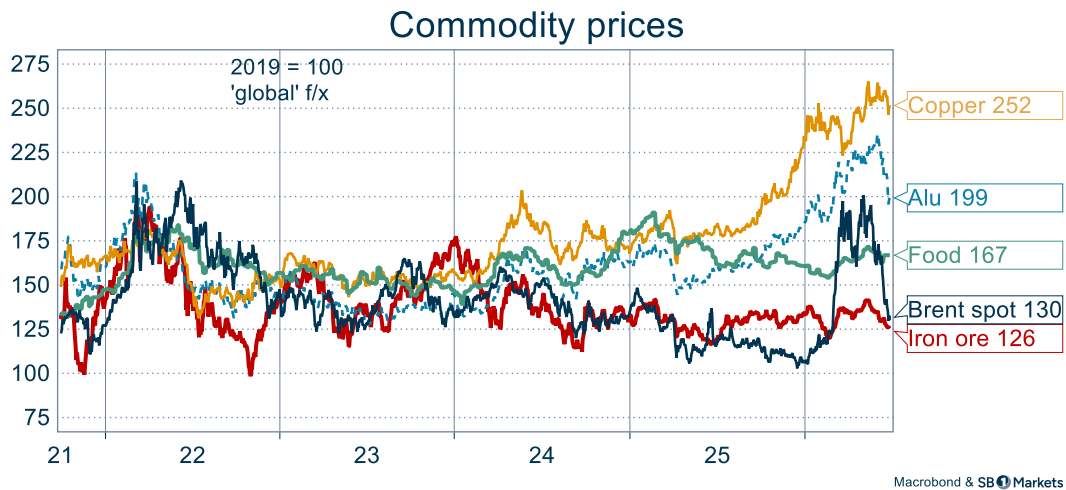
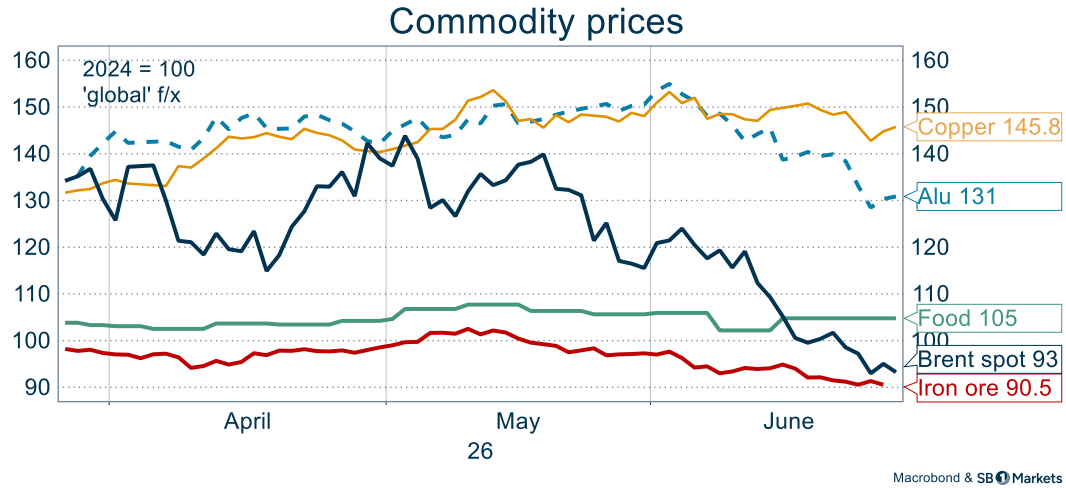




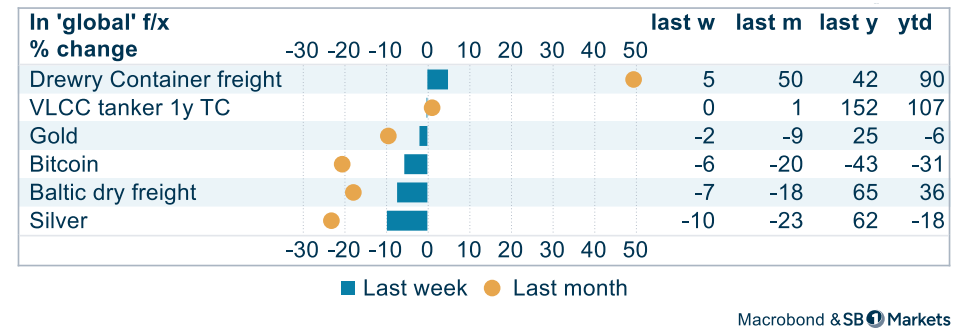
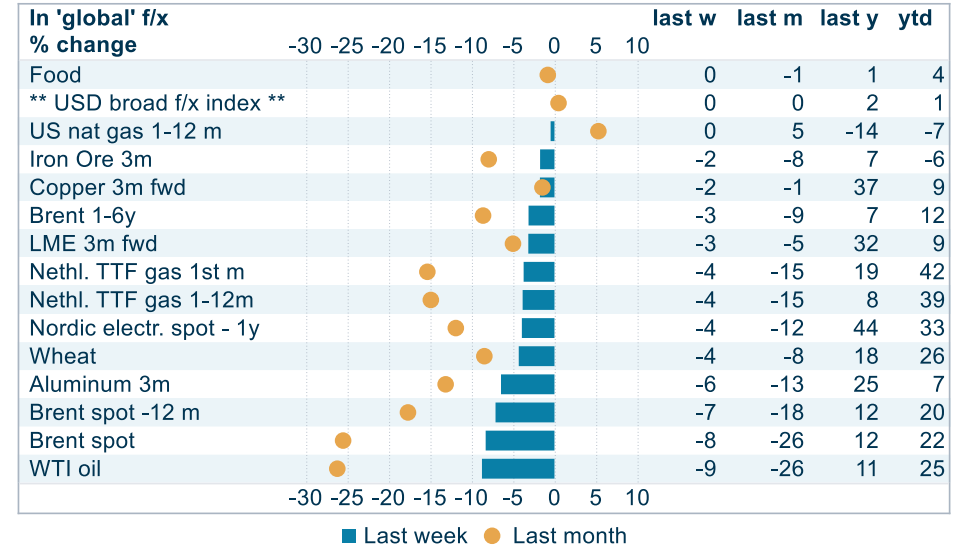
4.1 Commodities

Commodity prices: all down last week, oil the most, back to the pre-war level

Metal prices, the energy-intensive aluminium the most



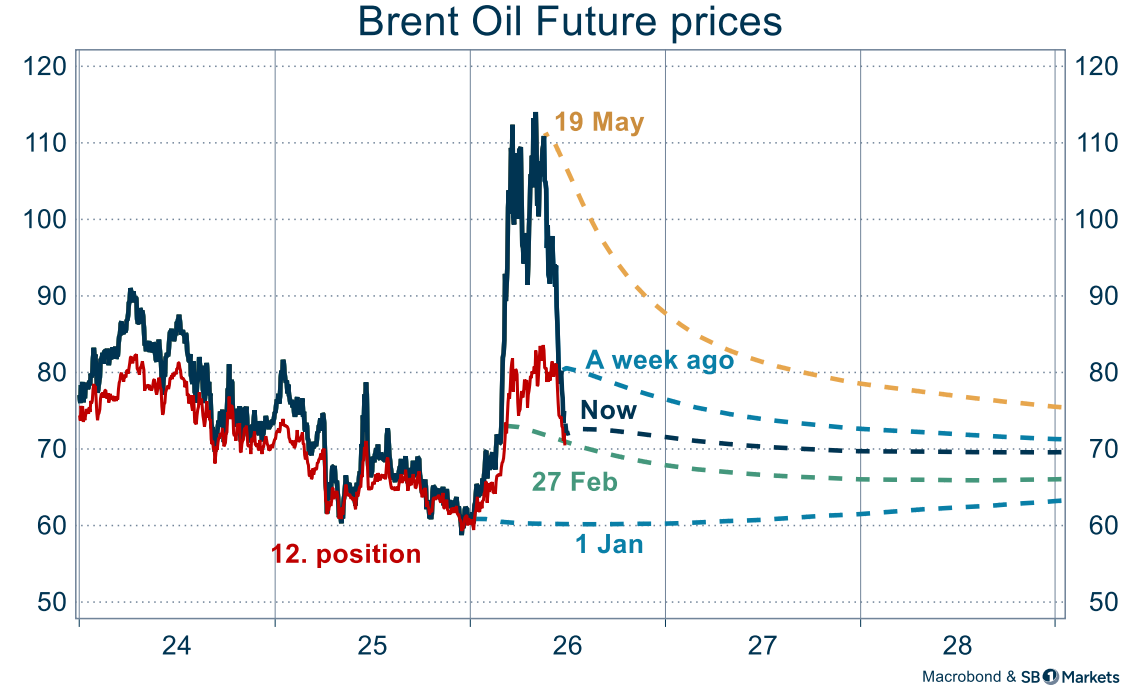
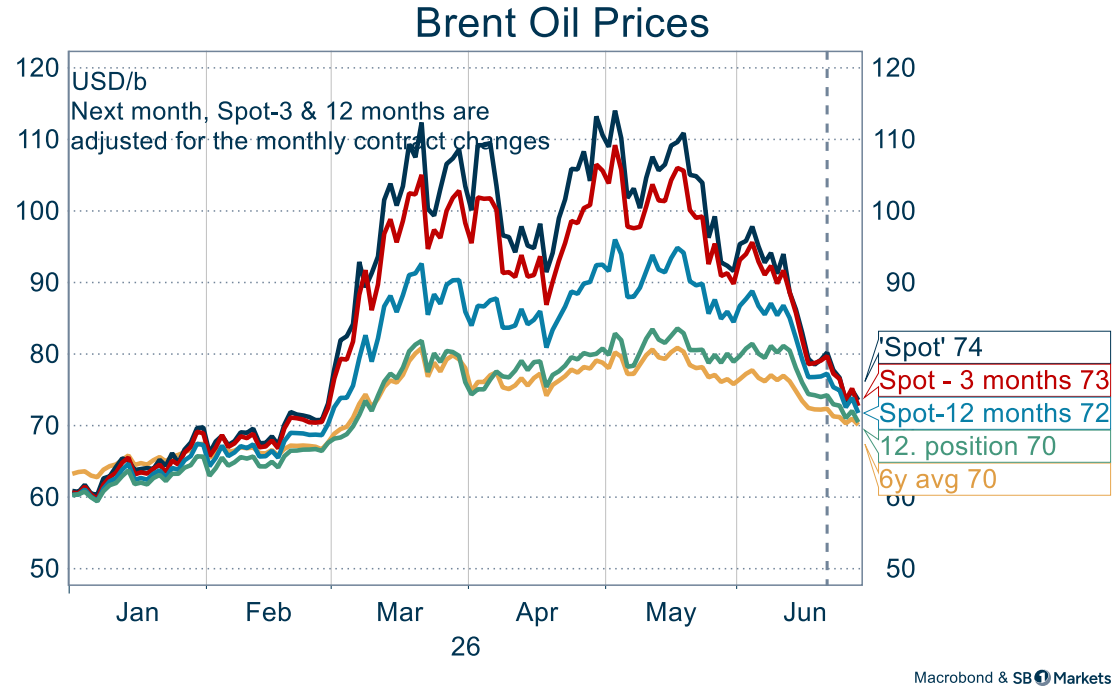
Commodity prices



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

Oil prices: the whole curve down, the short end by almost 10% – and the curve has flattened

The Brent spot is back to where it came from, before the Gulf war started. Future prices are still slightly above

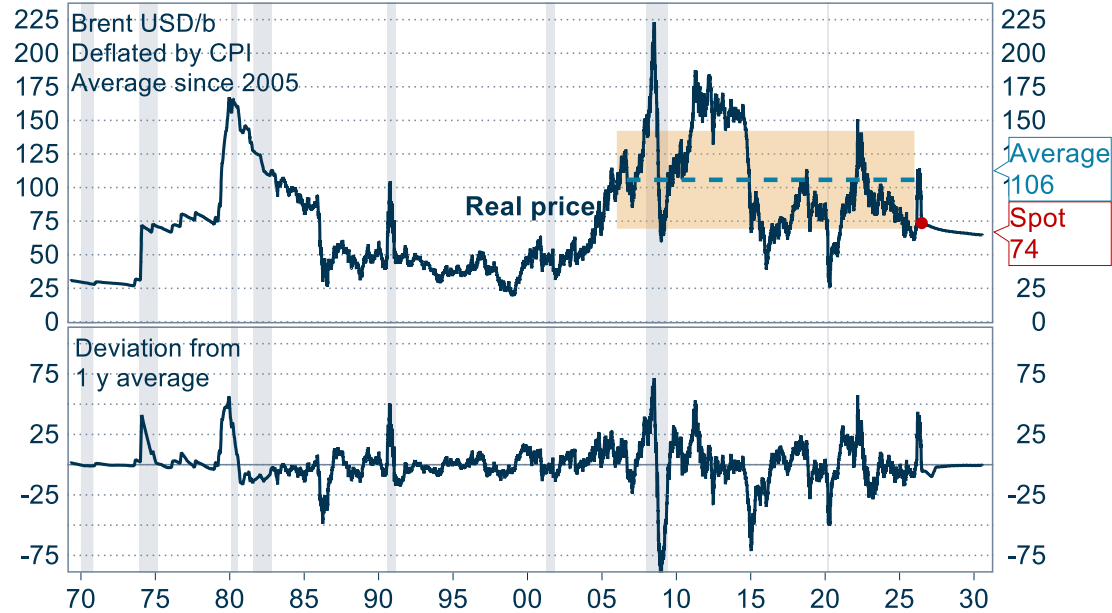


- If current price expectations persist, there is of course **no oil price energy shock**

The current oil spot price is 30% below the 20-year average USD real price

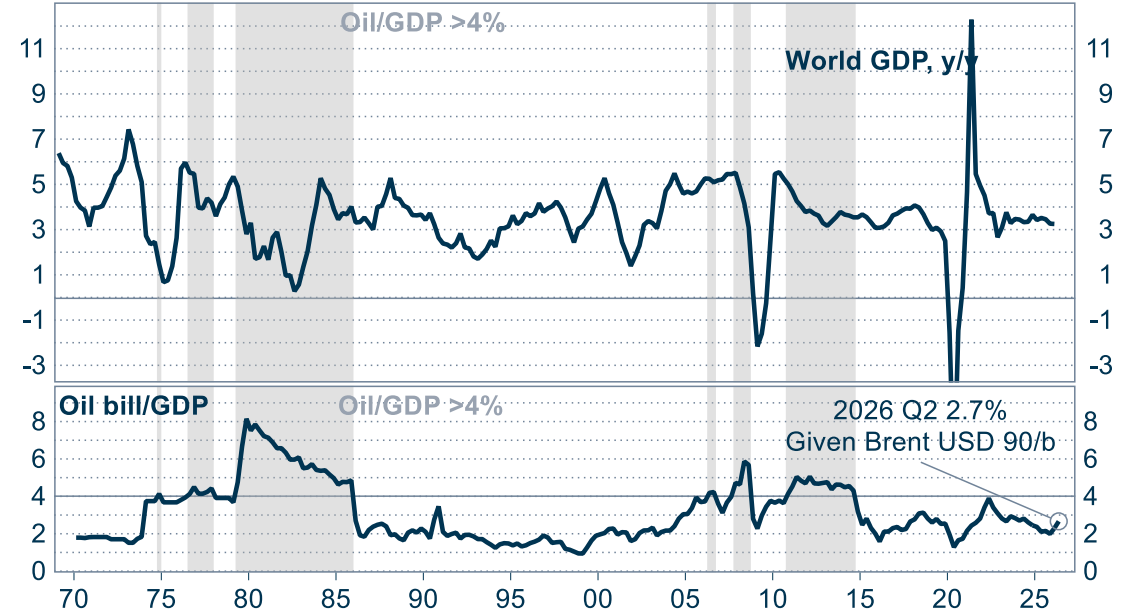
Over the long term, oil consumption has consistently declined relative to GDP, leading to a notable reduction in oil dependence. At current price levels, oil does not pose a significant cost issue.

The Real Oil Price



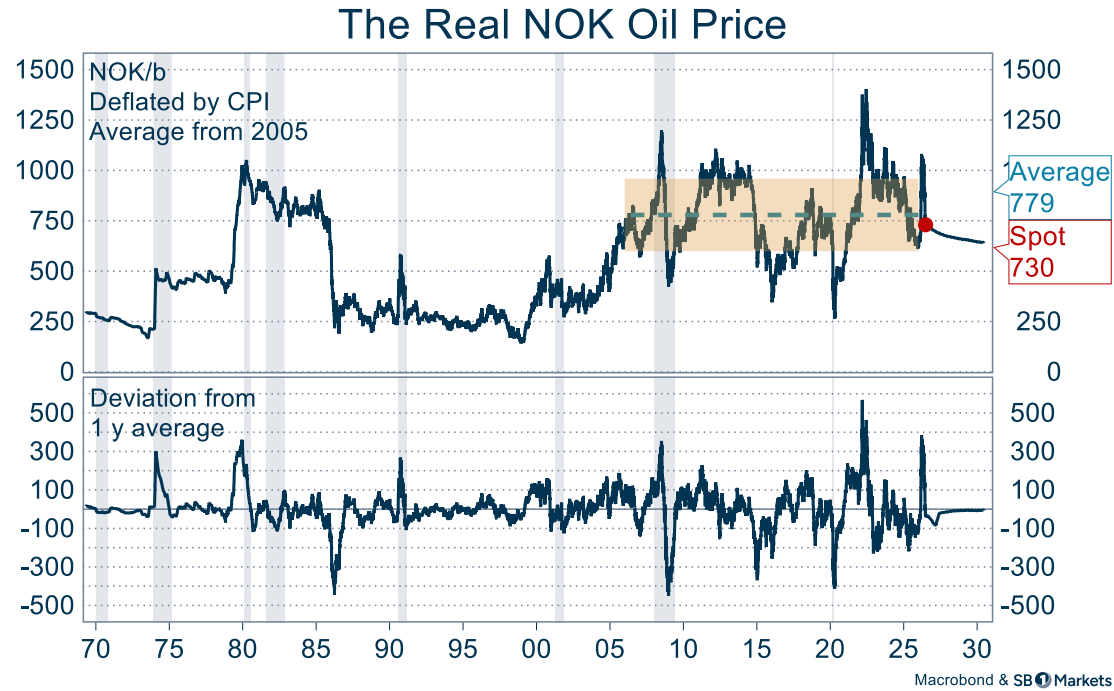
Macrobond & SB Markets

World GDP growth vs the 'oil bill'



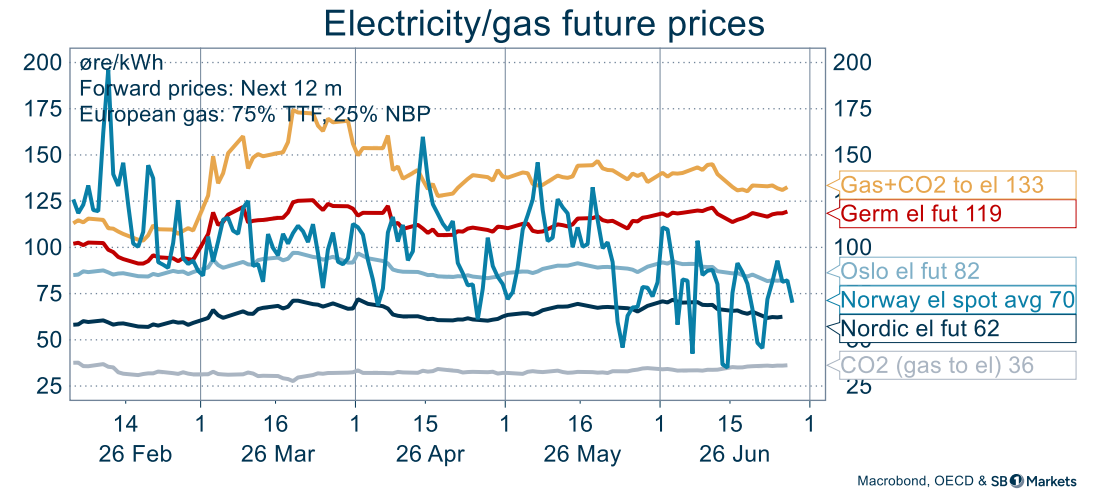
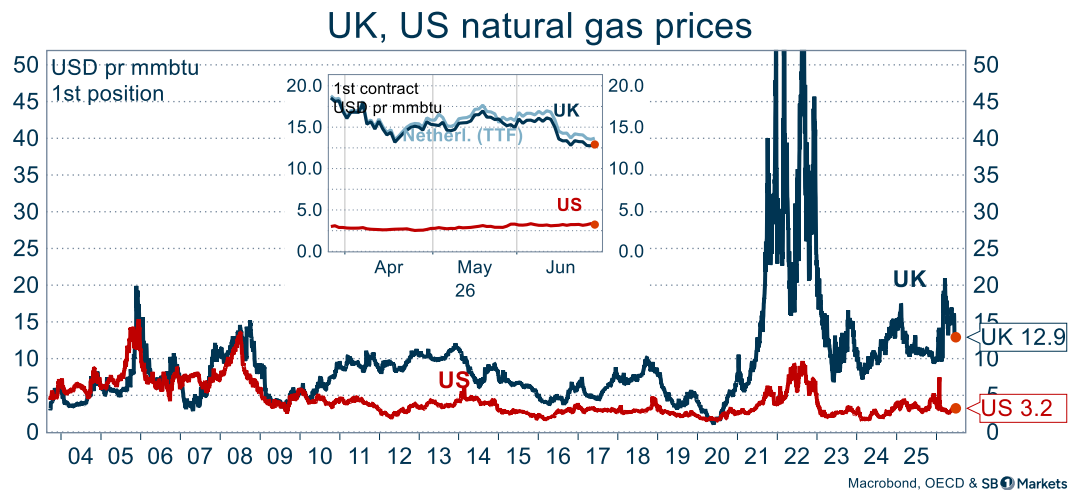
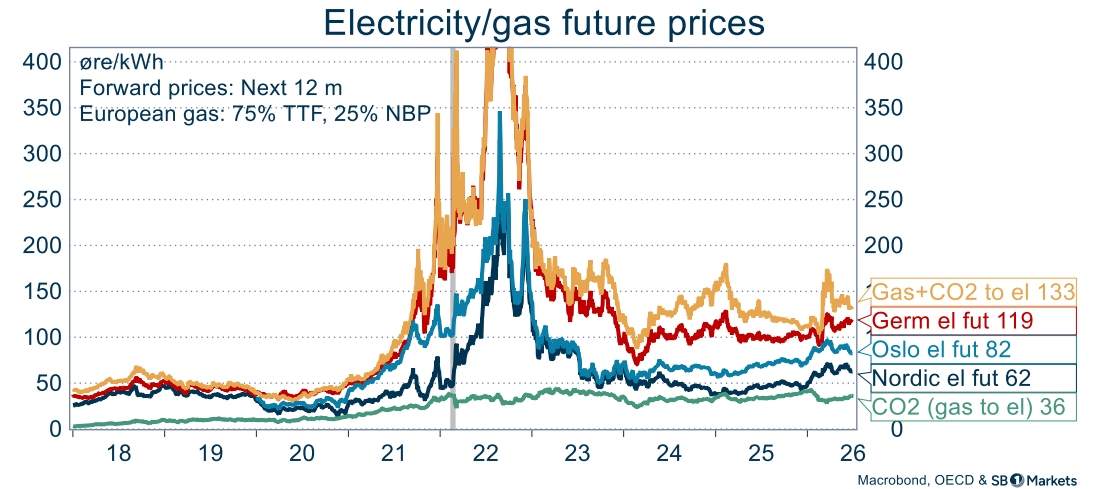
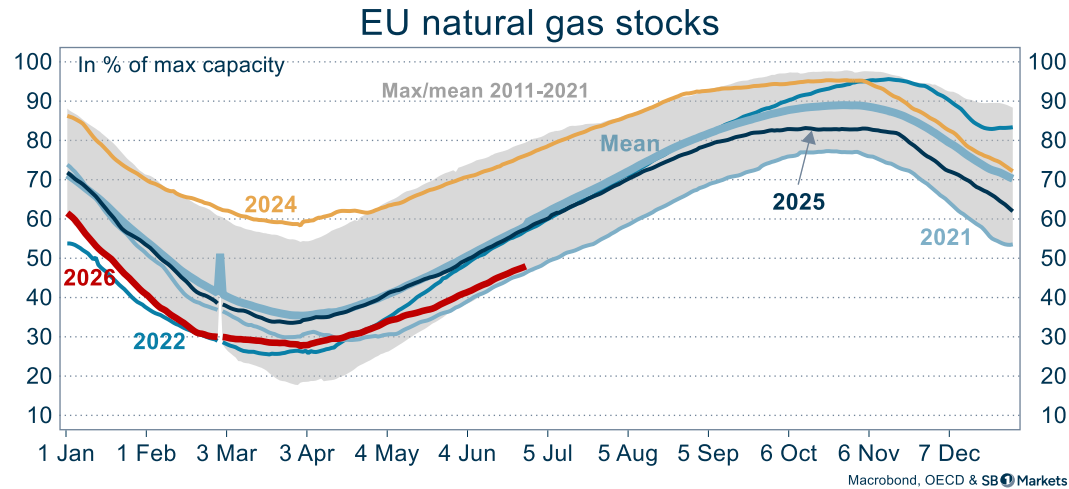
Macrobond & SB Markets

Even measured in a weak NOK, real oil prices are below the 20y average



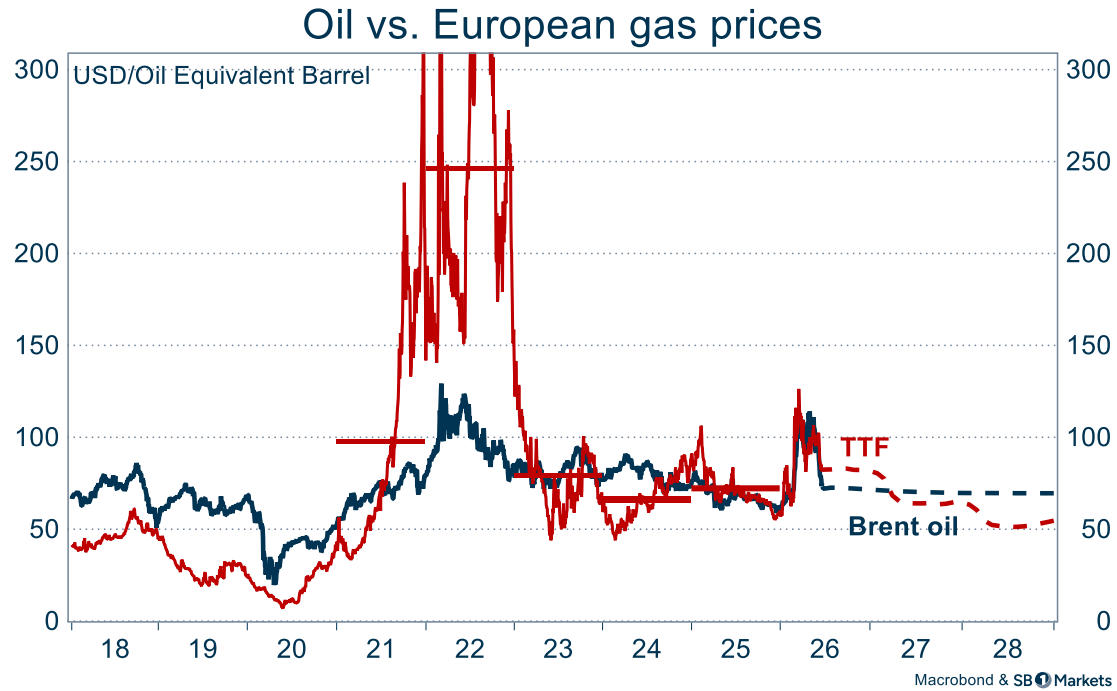
European natural gas prices have come down but are still well above pre-war levels

EU natural gas stocks are being rebuilt, but the fill rate is still a tad lower than normal, and inventories are close to the lowest levels of the past 15 years.



European natural gas prices are down from March peaks, but above the 2023–25 level

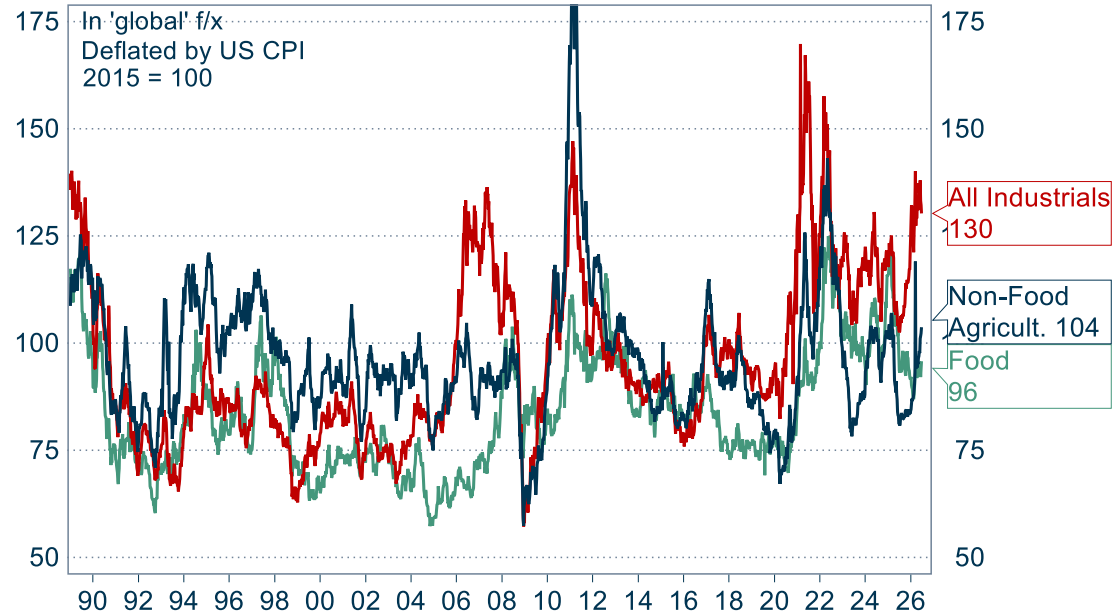
However, the inflationary impact will be limited – if the strait opens up



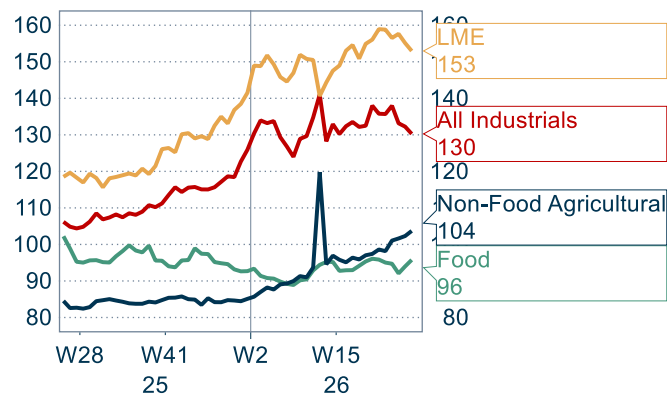
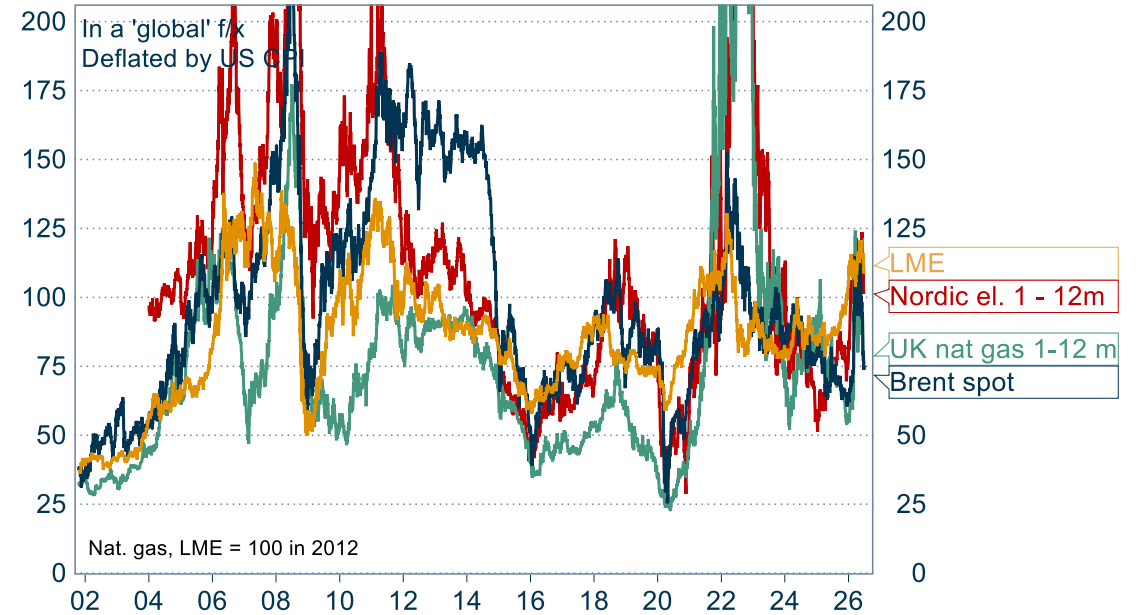
Big picture: industrial commodities far above normal levels, thanks to metals

Food prices have been trending down since the war in Ukraine started but rose somewhat in the first phase of the Gulf war. Non-food agricultural prices are up 20% so far in 2026. Taken together, some inflationary signals

The Economist - commodity price indices



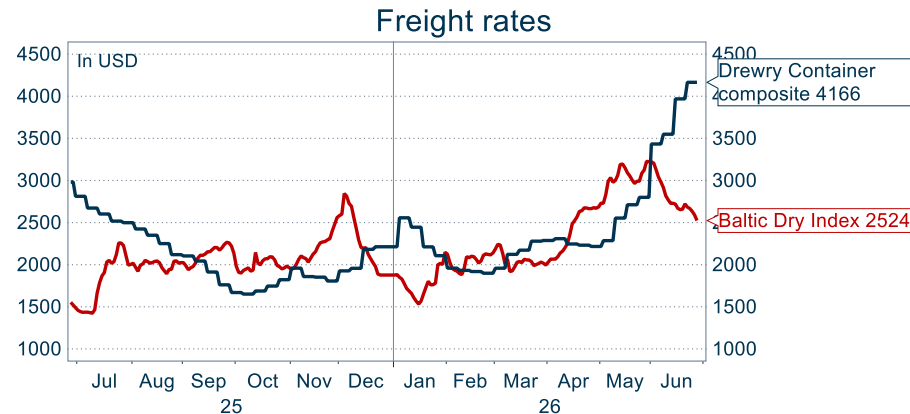
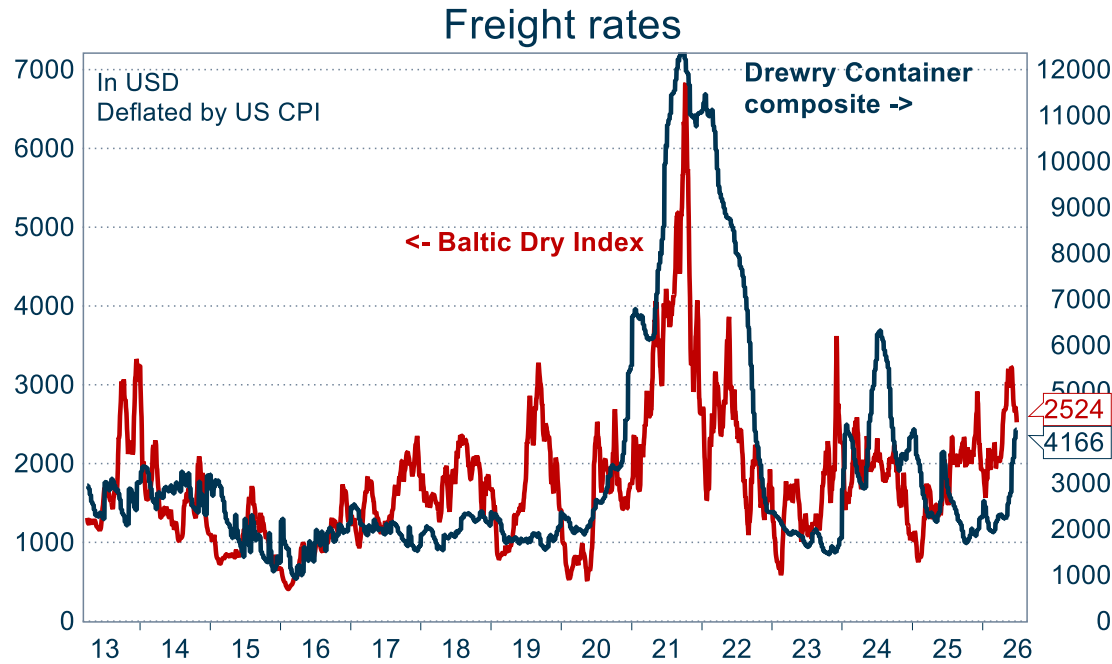
Commodity prices



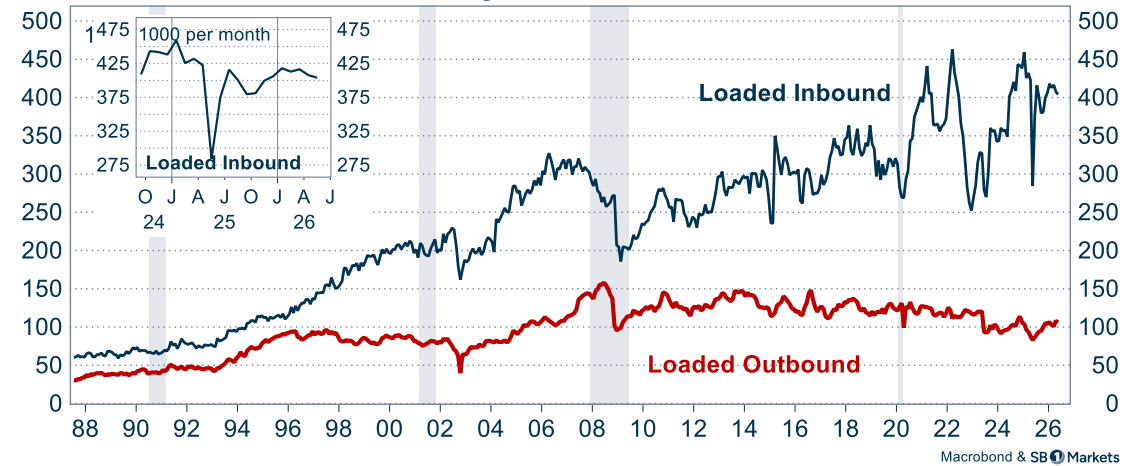
Container freight rates are up more than 100% since early May! Baltic Dry down lately

Demand has strengthened earlier than normal, while supply is still suppressed by less traffic through the Suez Canal.

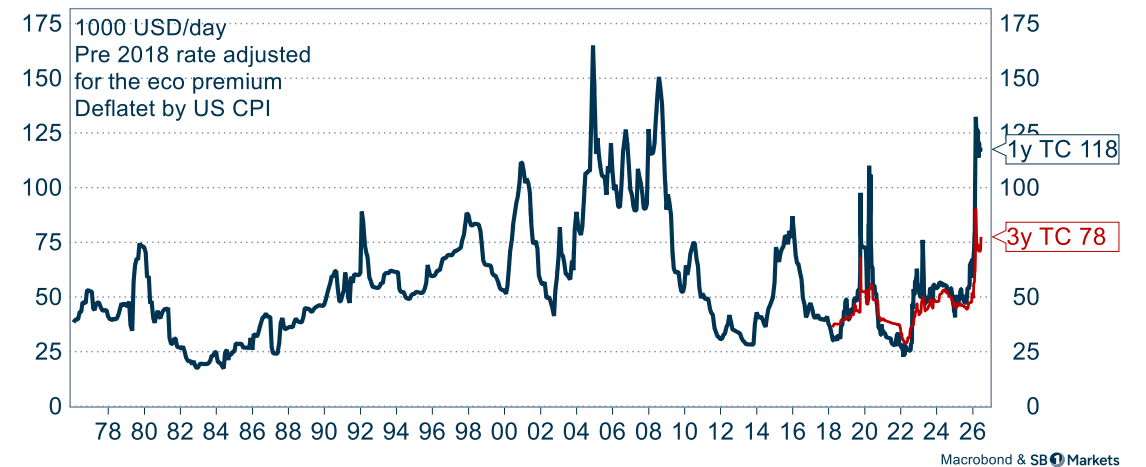
Tanker rates are slightly down from the April peak.



USA Long Beach Containers



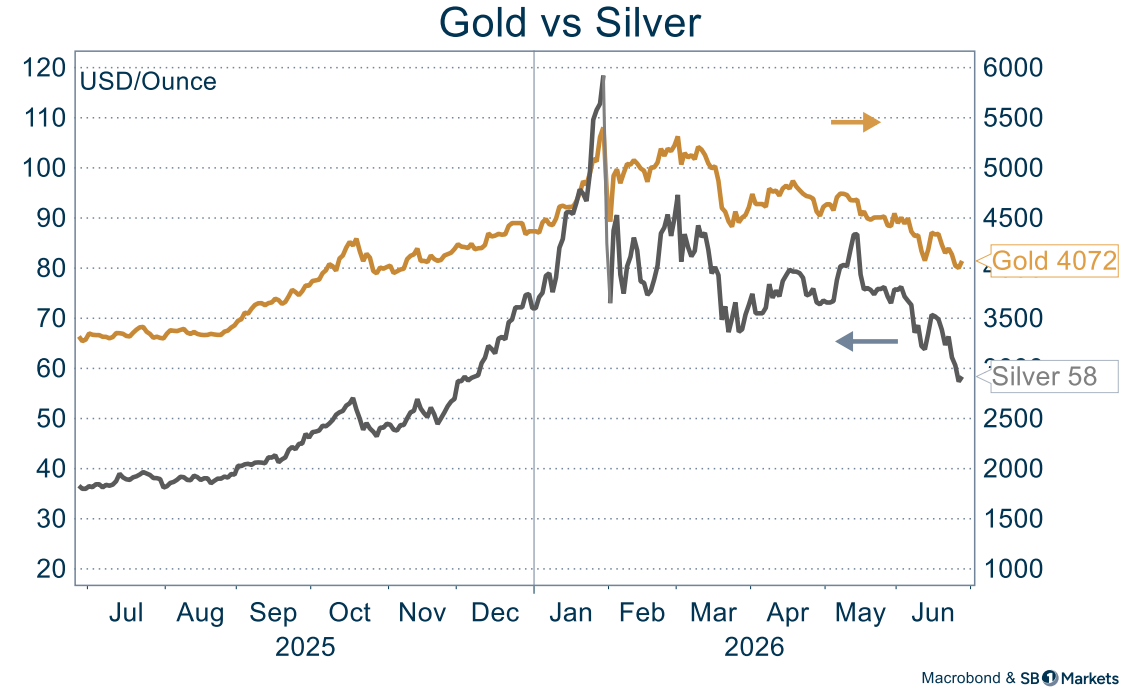
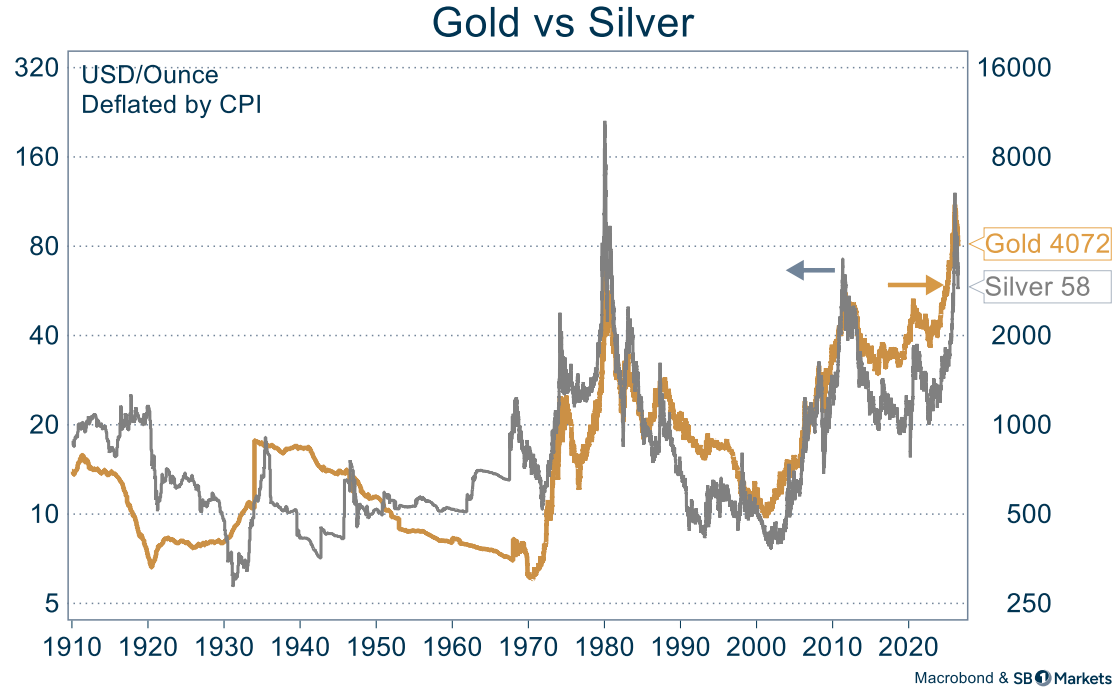
VLCC Tanker TC rates



Gold and silver prices trend slowly downwards, come war or peace (hopes)

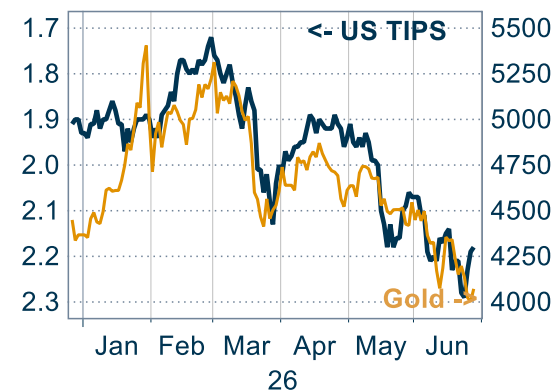
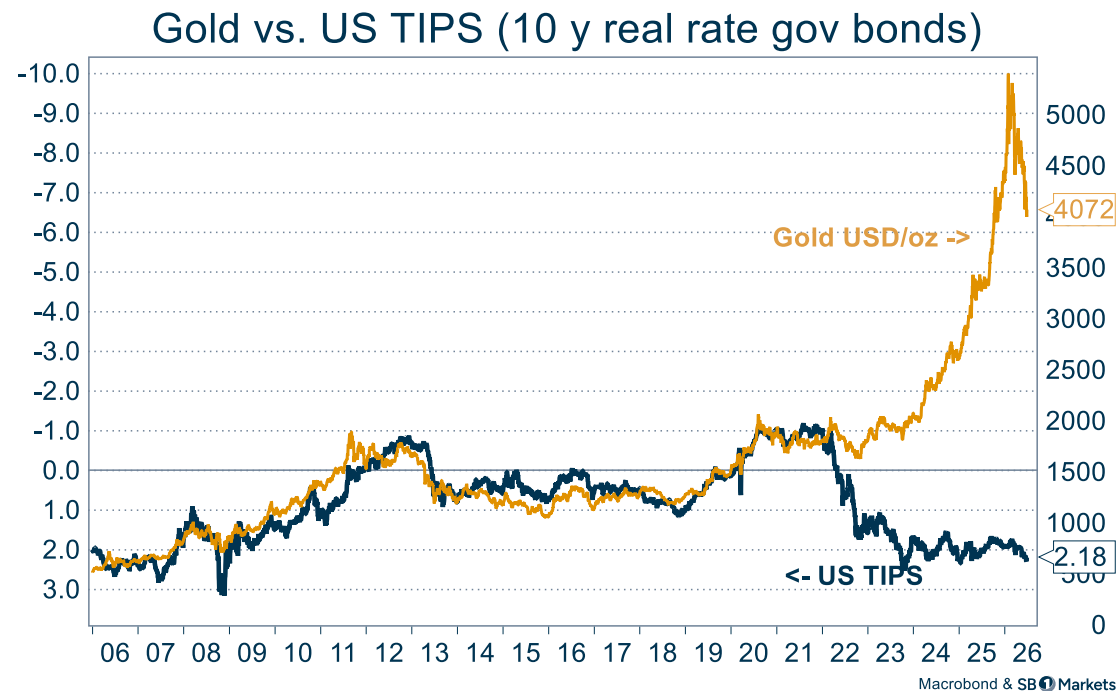
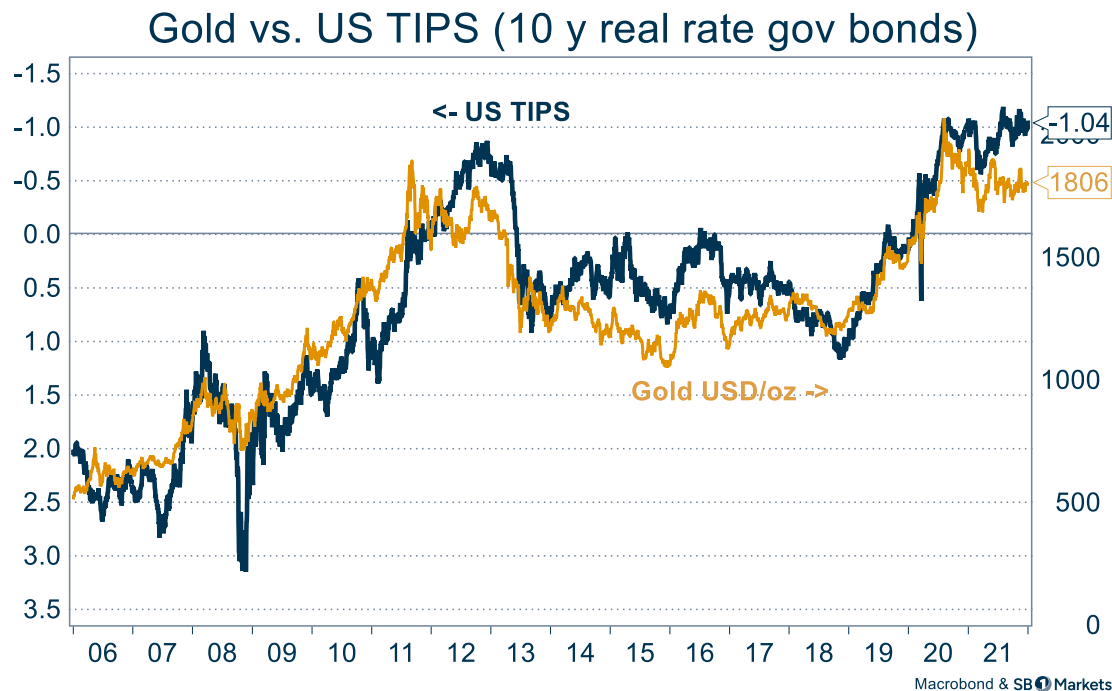
The silver price is cut in half from the ATH peak in late January (back to the Dec. level...)

Gold more than 20% (back to the Nov. level).



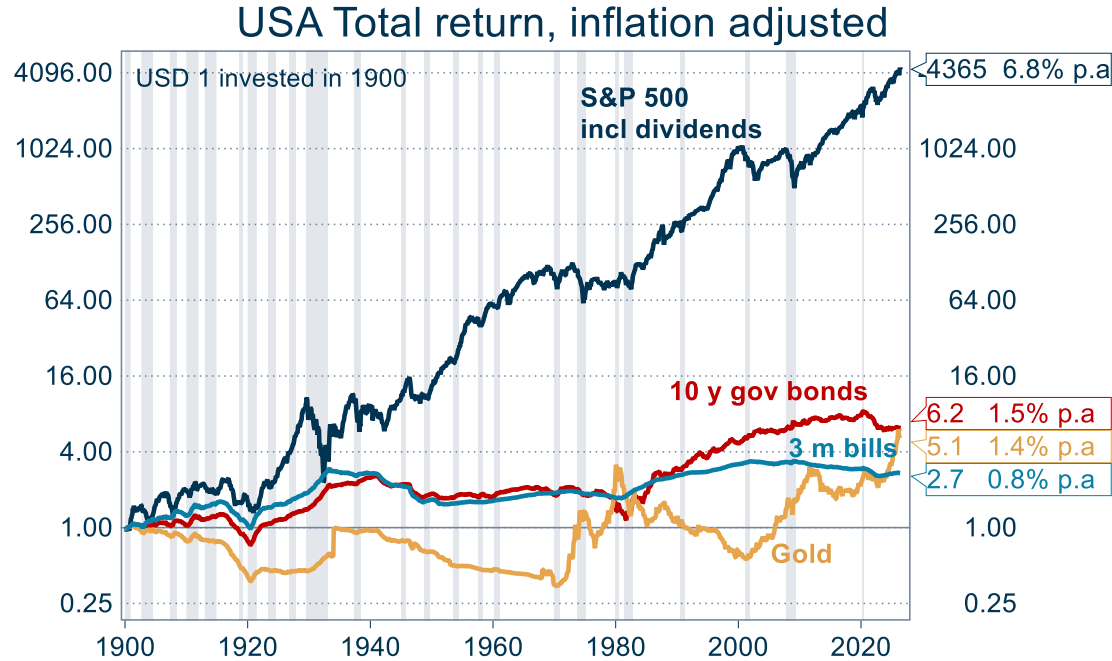
Gold used to be tightly negatively correlated with 10y TIPS real yields – until 2022

Since then, other drivers have dominated. Long-term inflation expectations, whether market-based or survey-based, have not contributed either. However, **in recent months**, the gold price has suddenly become closely correlated to the TIPS 10y real rate again.

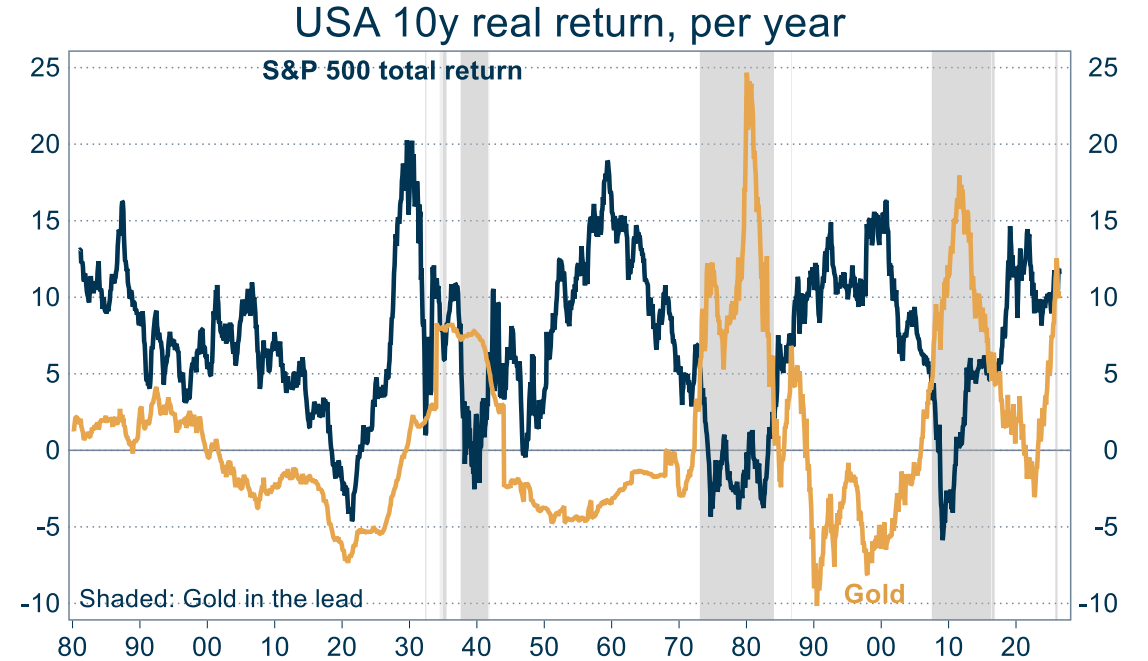


Gold and equities rising together – not seen since the '30s

Long-term risk-adjusted returns look modest. Historically, gold has hedged equity drawdowns over the medium term, but less consistently over the past decade – and both gold and US equities now appear richly priced.



Macrobond & SB Markets



Macrobond & SB Markets

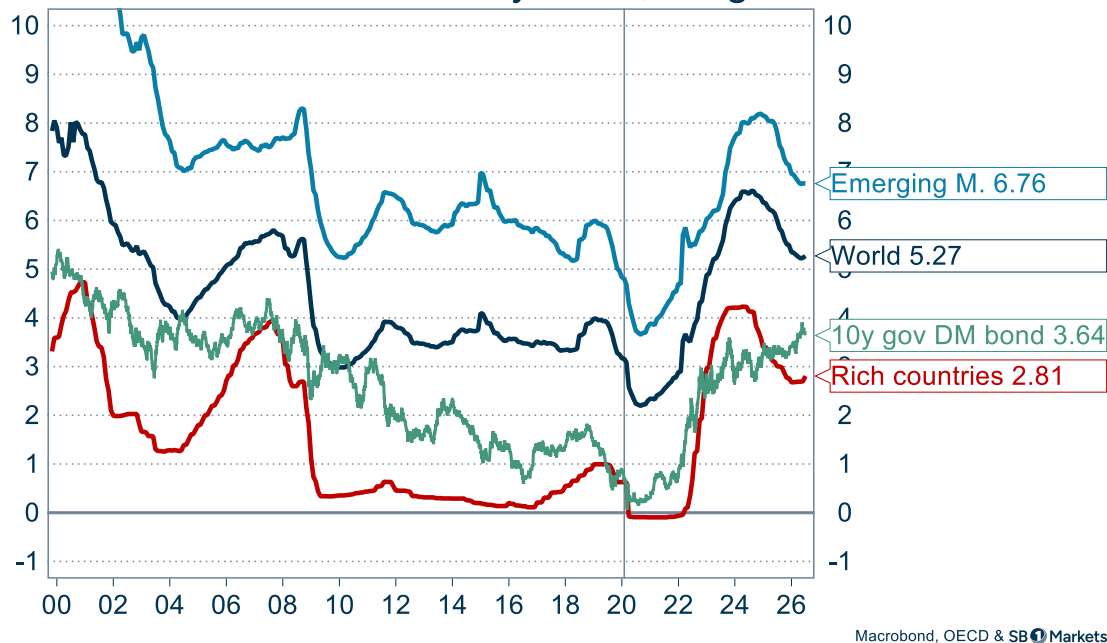


4.2 Interest rates & credit markets

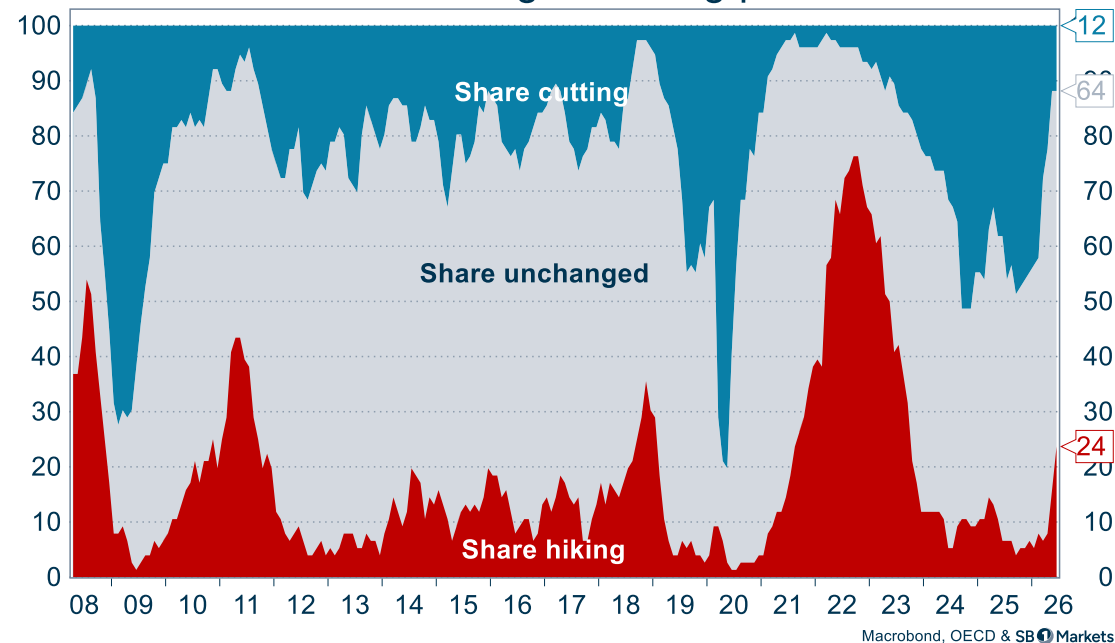
In the past 3 months, 24% of central banks have hiked, just 12% have cut

The global average policy rate is slightly up from the bottom, primarily due to the ECB hike the previous week. The global average is at 5.3%. In DM, 2.8%. The average DM long-bond yield has trended up – and is close to **the highest level since before the Financial Crisis.**

Global Policy rates, weighted



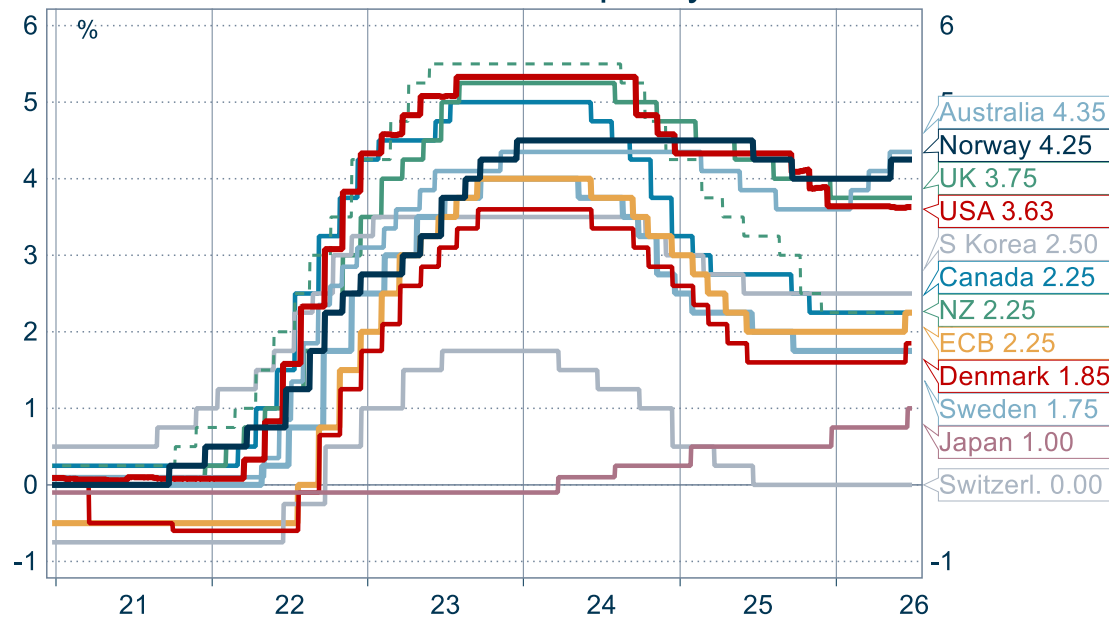
Central Banks - hiking or cutting past 3 months



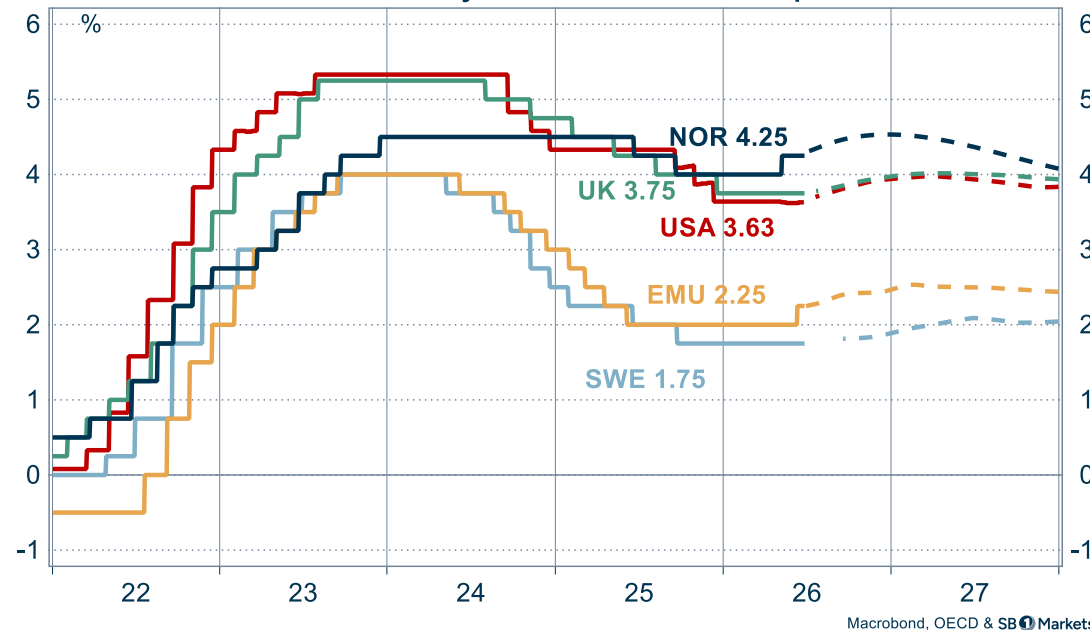
Rate expectations (end of 2026) declined some 10 bps, everywhere

Still, markets expect central banks to hike, at least ex. Sweden (where a 2027 hike is expected though).

Central Banks' policy rates



Central Bank Policy rates, market expectations



The list of cutters

- New Zealand (-325 bps, to 2.25%)
- Canada (-275 bps, to 2.25%)
- Sweden (-225 bps, to 1.75%)
- Switzerland (-175 bps, to zero!)
- US (-175 bps, to 3.64%)
- UK (-150 bps, to 3.75%)
- South Korea (-100 bps, to 2.50%)

The list of hikers

- Japan (+105 bps, to 1.00%)

The list of cutters that have hiked

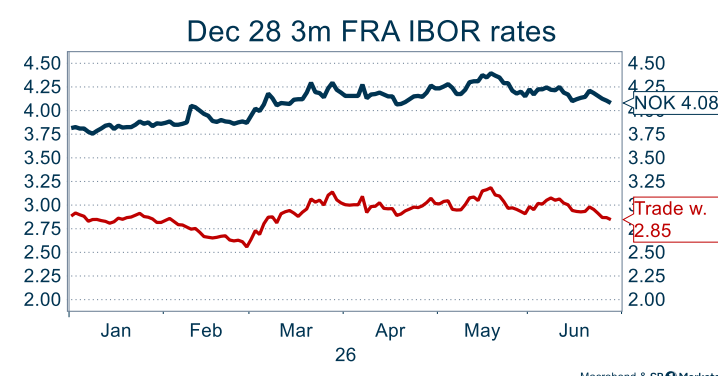
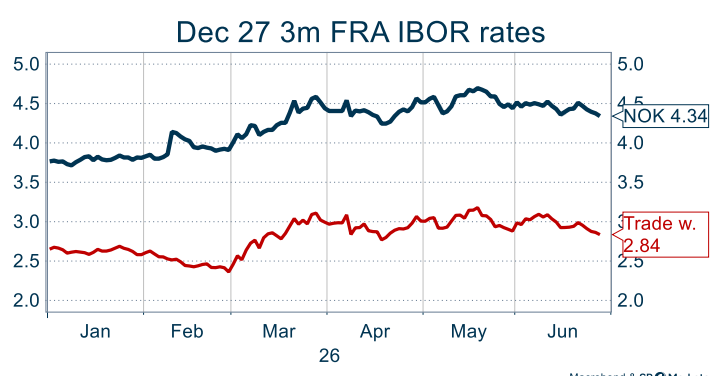
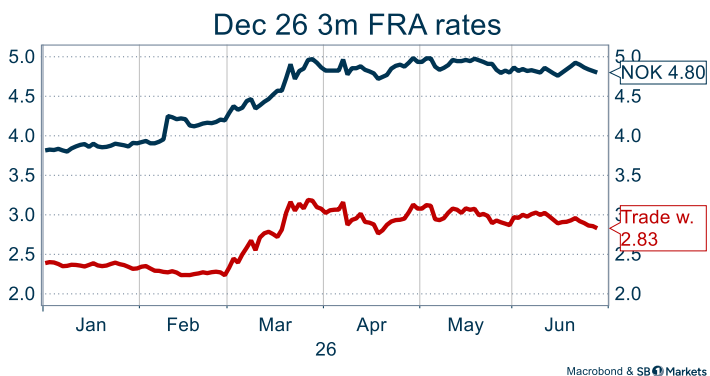
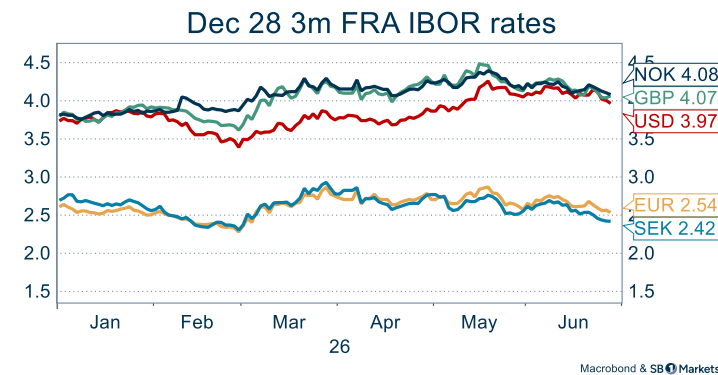
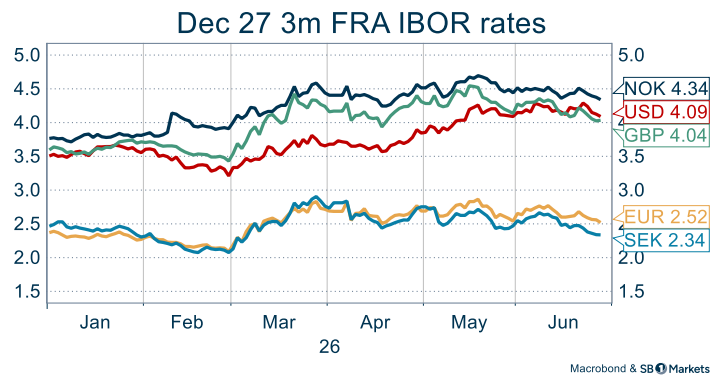
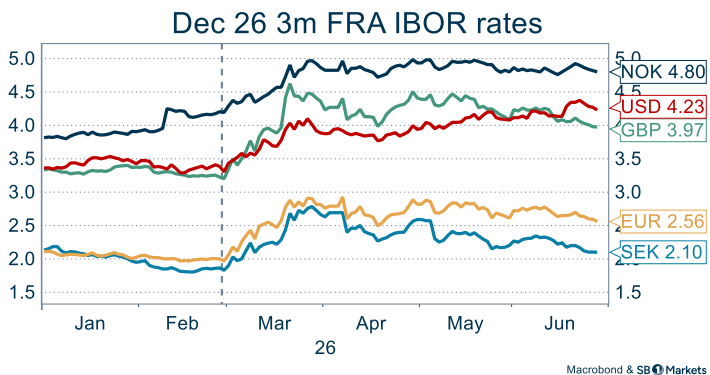
- Australia (+75 bps, to 4.35%)
- Norway (+25 bps, to 4.25%)
- EMU (+25 bps, to 2.25%)
- Denmark (+25 bps, to 1.85%)

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	-1.75	-2.25	-0.25
Now	3.63	3.75	2.25	1.75	4.25
Change until end of 2026	0.30	0.21	0.20	0.11	0.28
End of 2026 (market)	3.93	3.96	2.45	1.86	4.53
... Change last week	-0.09	-0.12	-0.13	-0.05	-0.10
Change through 2027	-0.10	-0.02	0.00	0.24	-0.43
End of 2027 (market)	3.83	3.94	2.44	2.10	4.10

Source: SB1M, Macrobond

FRAs: rates fell in tandem, all over the place. The oil price contributed

No material difference between countries or maturity (here, up to Dec. 2028)



Dec 26 3m FRAs

	Close	1w	1m	YDT
NOK	4.80	-0.13	-0.03	0.99
USD	4.23	-0.11	0.12	0.87
GBP	3.97	-0.14	-0.23	0.64
EUR	2.56	-0.14	-0.13	0.45
SEK	2.10	-0.10	-0.09	-0.03

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Dec 27 3m FRAs

	Close	1w	1m	YDT
NOK	4.34	-0.17	-0.16	0.57
USD	4.09	-0.11	-0.02	0.59
GBP	4.04	-0.19	-0.21	0.44
EUR	2.52	-0.16	-0.12	0.15
SEK	2.34	-0.14	-0.12	-0.13

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Dec 28 3m FRAs

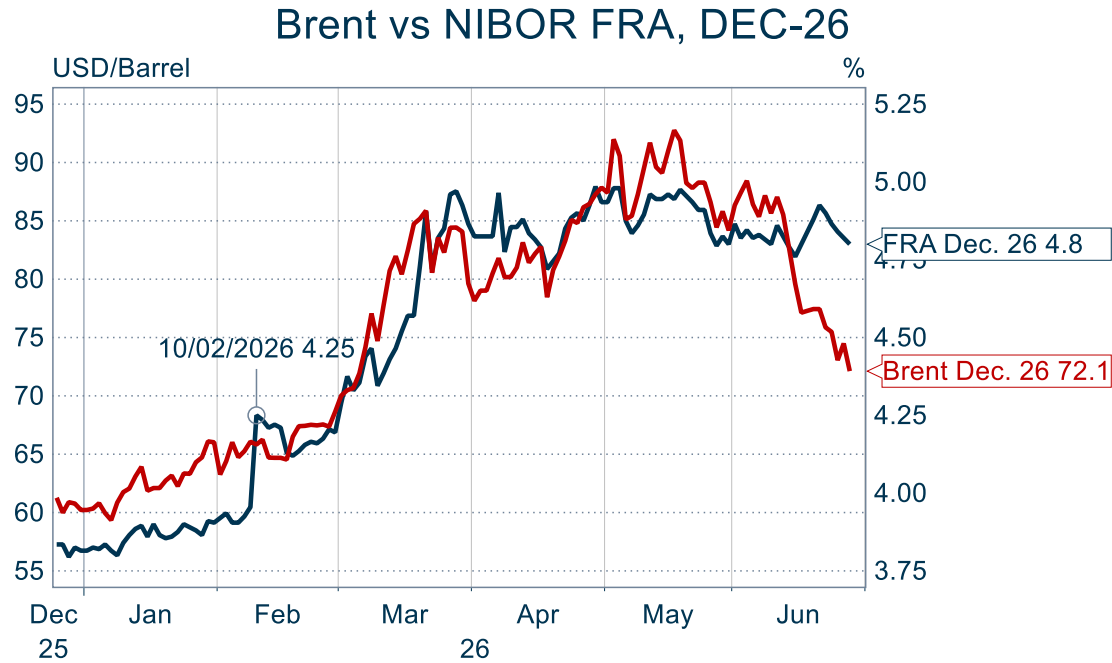
	Close	1w	1m	YDT
NOK	4.08	-0.13	-0.13	0.27
GBP	4.07	-0.13	-0.14	0.27
USD	3.97	-0.11	-0.13	0.23
EUR	2.54	-0.15	-0.13	-0.08
SEK	2.42	-0.12	-0.11	-0.28

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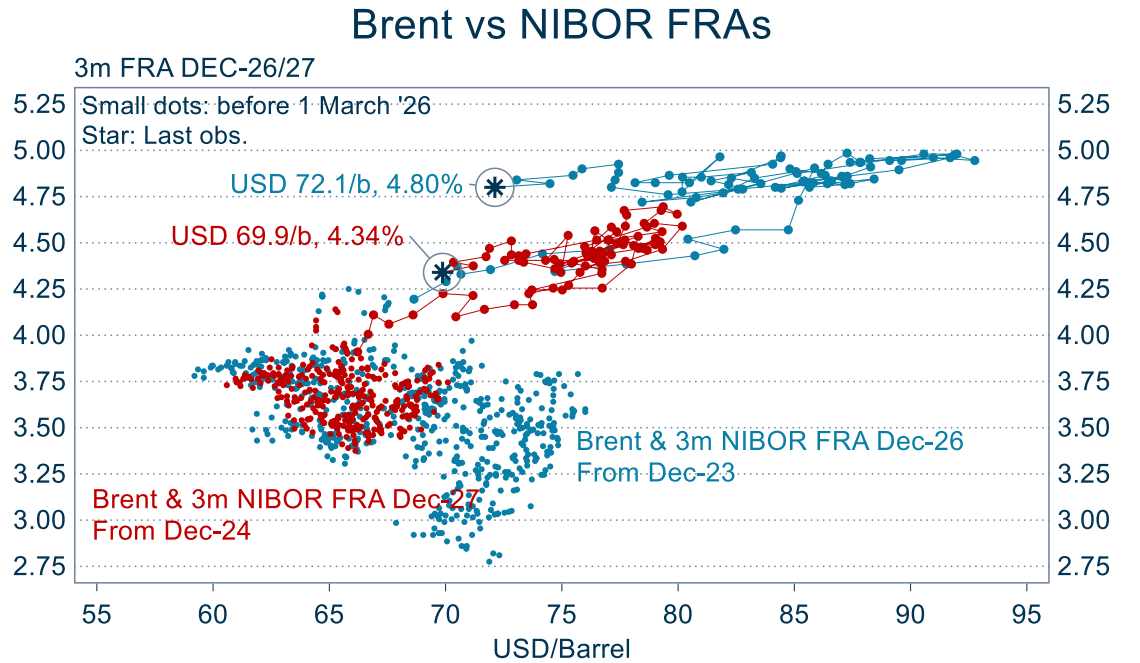
GBP and USD rates are SONIA- and SOFR-adjusted, with stable IBOR spreads to make them comparable to EUR, SEK and NOK IBOR-based FRAs.

NOK rate expectations have not followed the oil price down

But only since the war started. There was no correlation in the previous two years. Since early March, the factor has been some 30 bps per USD 10/b.



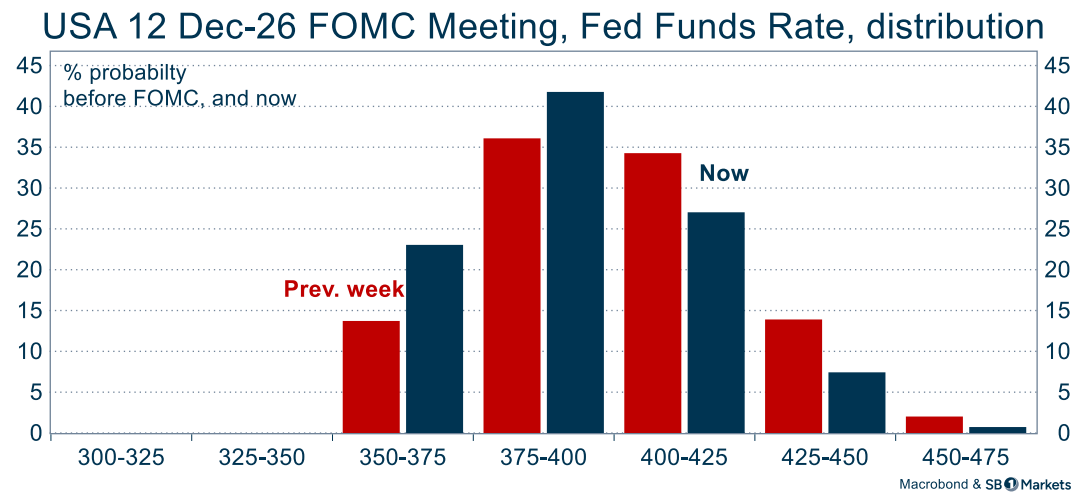
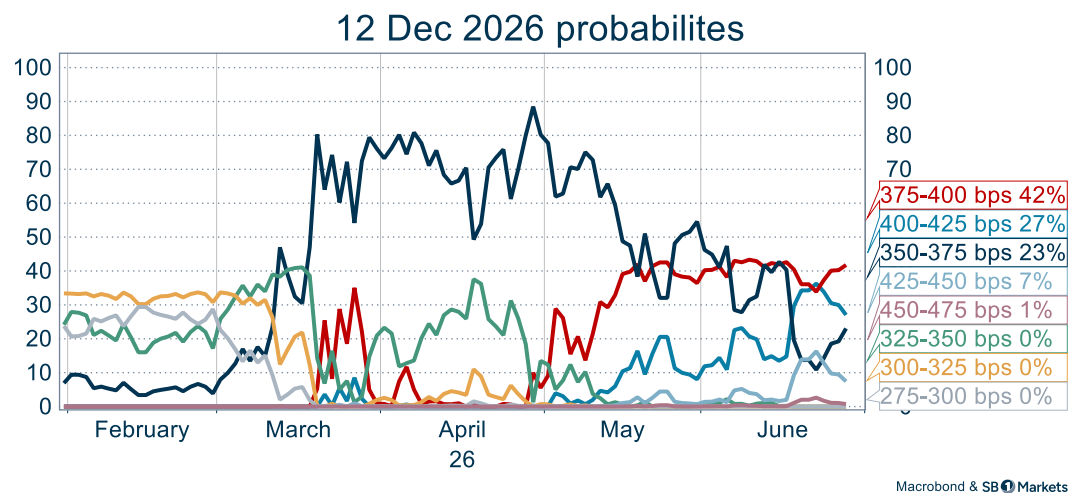
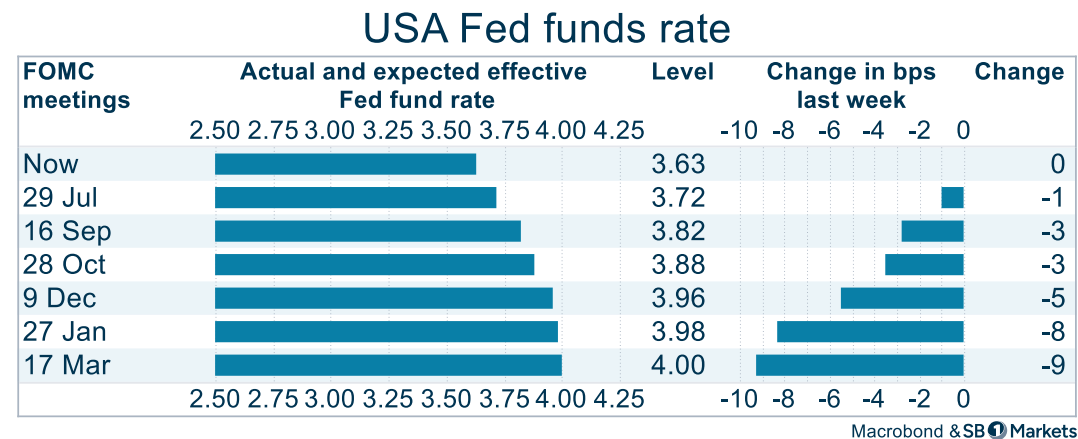
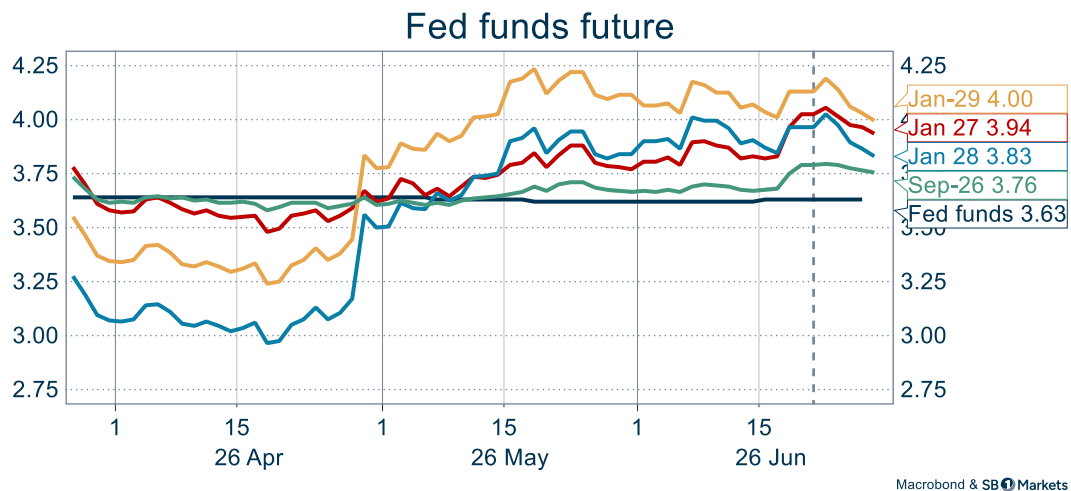
Macrobond & SB Markets



Macrobond & SB Markets



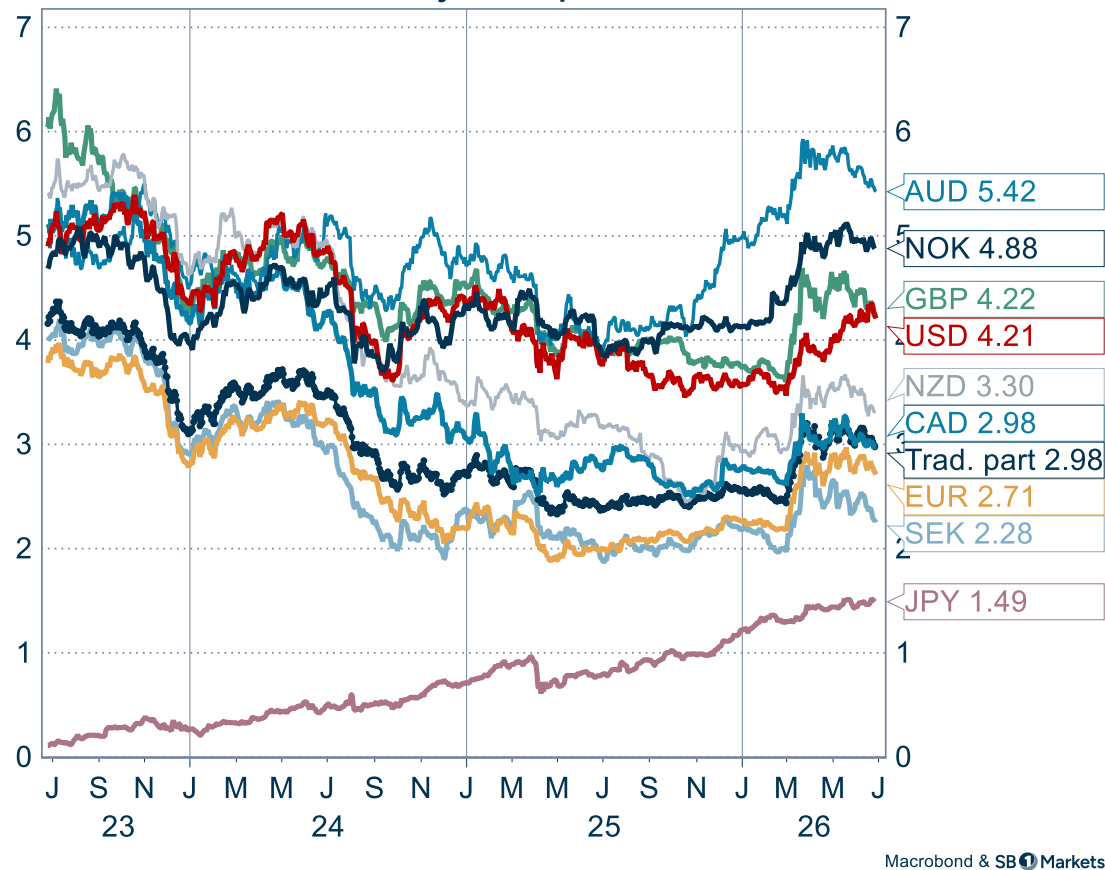
Fed funds: rate expectations declined last week, alongside the decline in oil prices



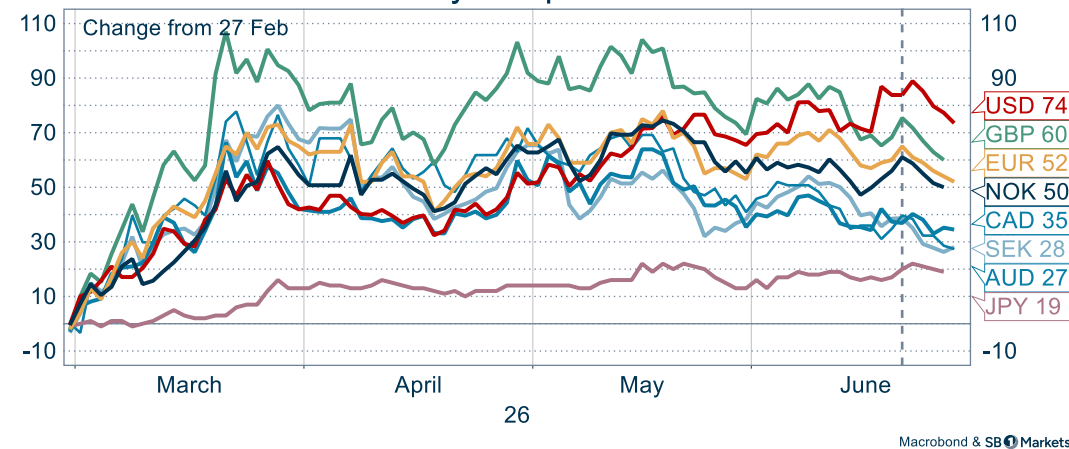
2-year swap rates down everywhere (ex. the JPY rate)

Our trading partners were down 7 bps, the NOK rate 6 bps. EUR, AUD and SEK rates declined the most. All are down last month, by 1–25 bps, GBP rates the most.

2y swap rates



2y swap rates



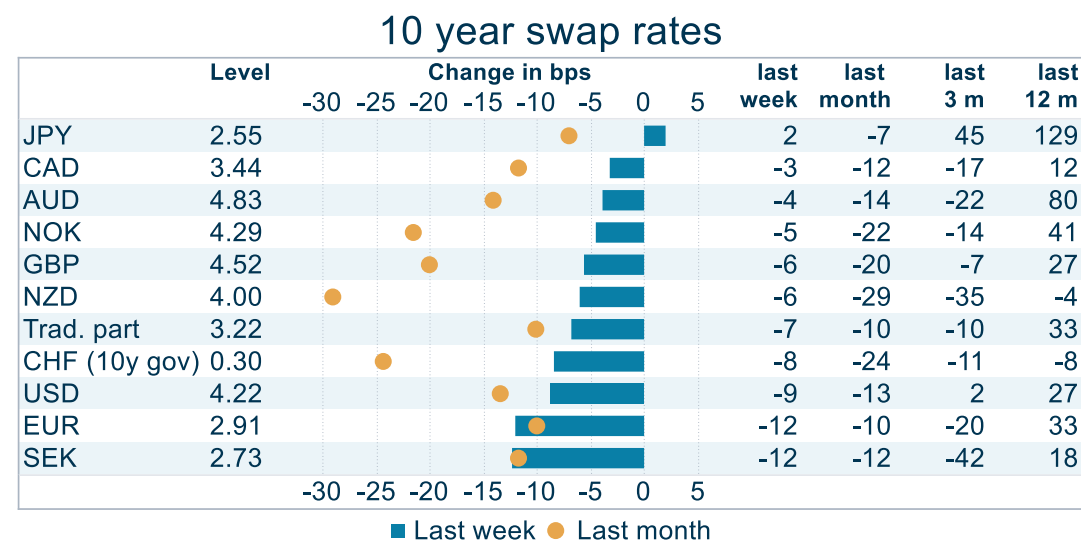
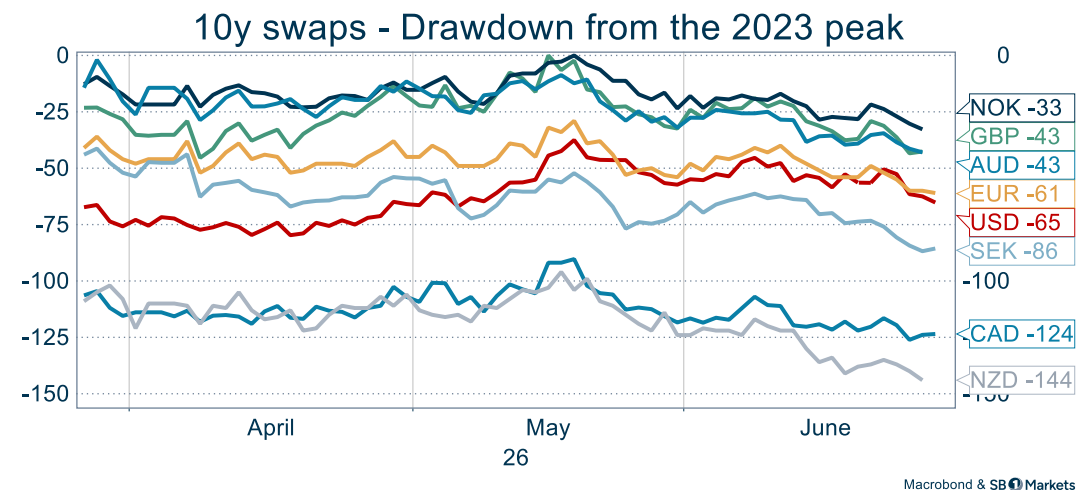
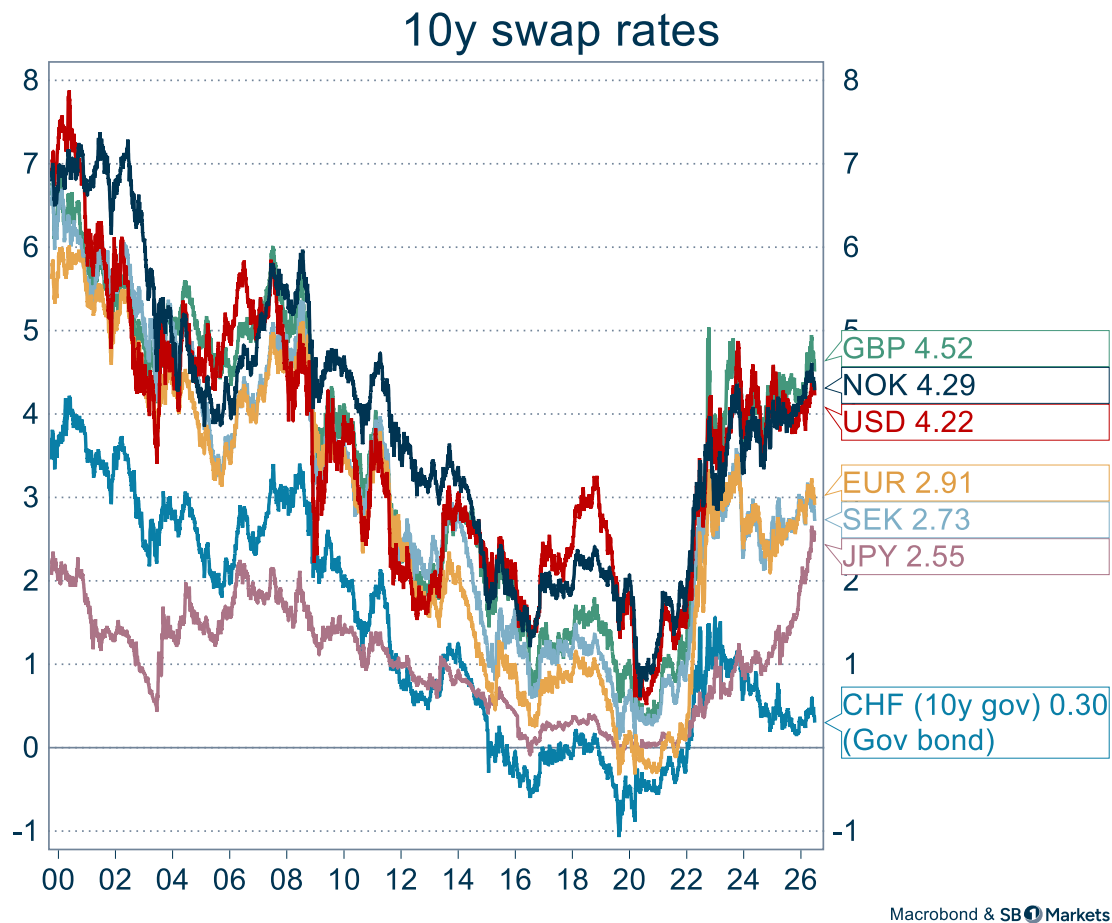
2y swap rates

	Level	Change in bps					last week	last month	last 3 m	last 12 m		
		-25	-20	-15	-10	-5	0	5				
CAD	2.98					●	■		-2	-9	-23	19
JPY	1.48						■	●	-3	1	6	70
NZD	3.31			●			■		-6	-14	-15	15
USD	4.21						■	●	-10	4	14	44
SEK	2.28					●	■		-11	-7	-48	36
Trad. part	2.97					●	■		-12	-6	-24	60
AUD	5.42	●					■		-12	-22	-39	150
EUR	2.71					●	■		-13	-5	-20	74
NOK	4.86				●		■		-13	-12	-14	95
GBP	4.24		●				■		-14	-17	-39	37

■ Last week ● Last month

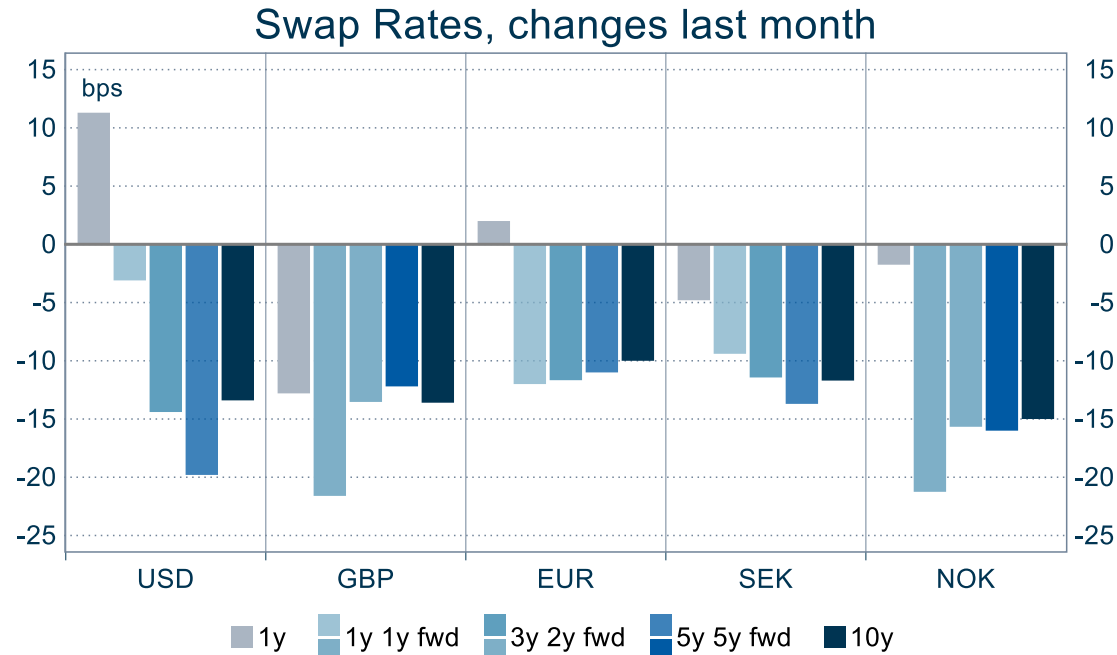
10-year swap rates down everywhere (ex. the JPY rate)

Our trading partners were down 7 bps, the NOK rate 5 bps. USD, EUR and SEK rates declined the most. All are down last month, by 10–30 bps, NOK rates among the most.

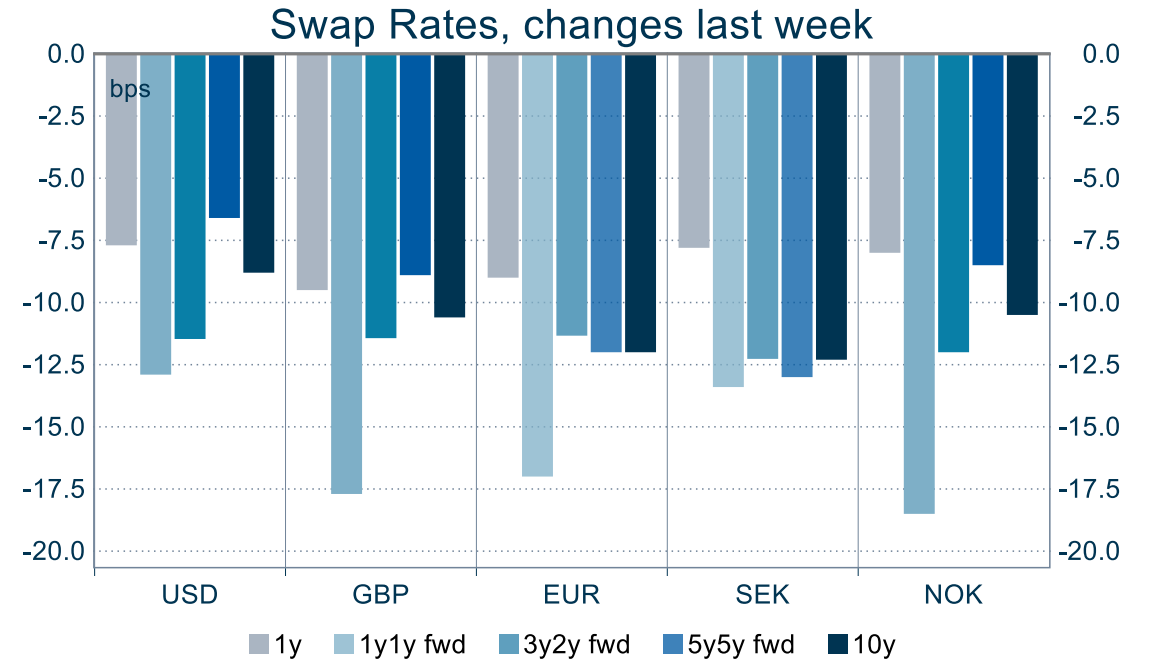


Swap curves: down almost by the same amount everywhere last week

Barring the very short end in USD (and marginally in EUR) all rates are down everywhere.



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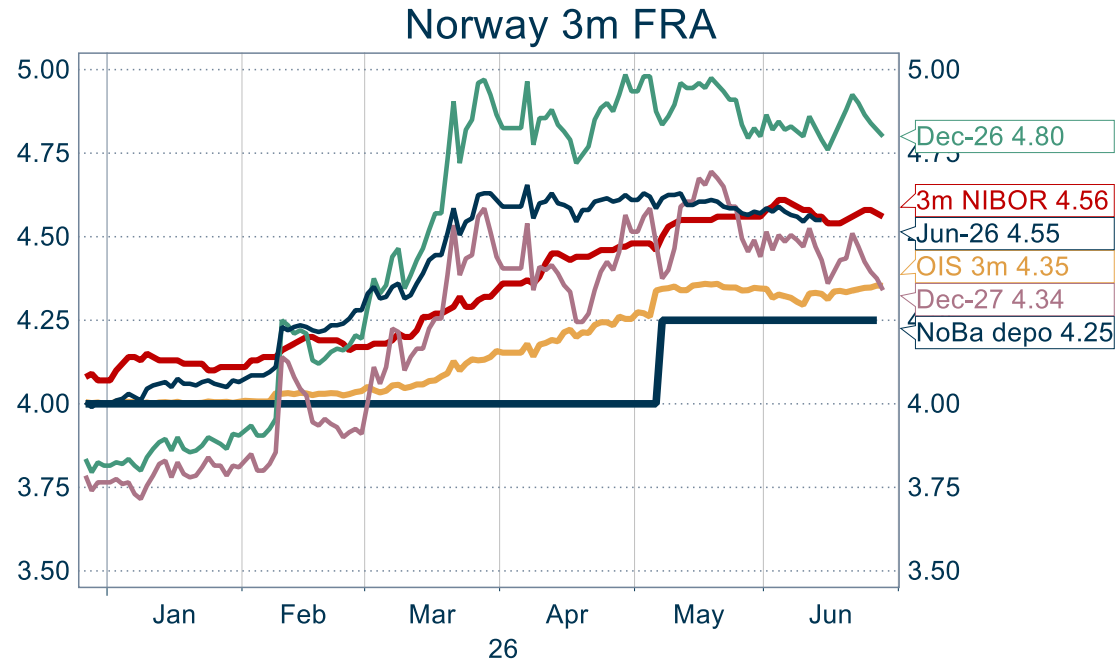


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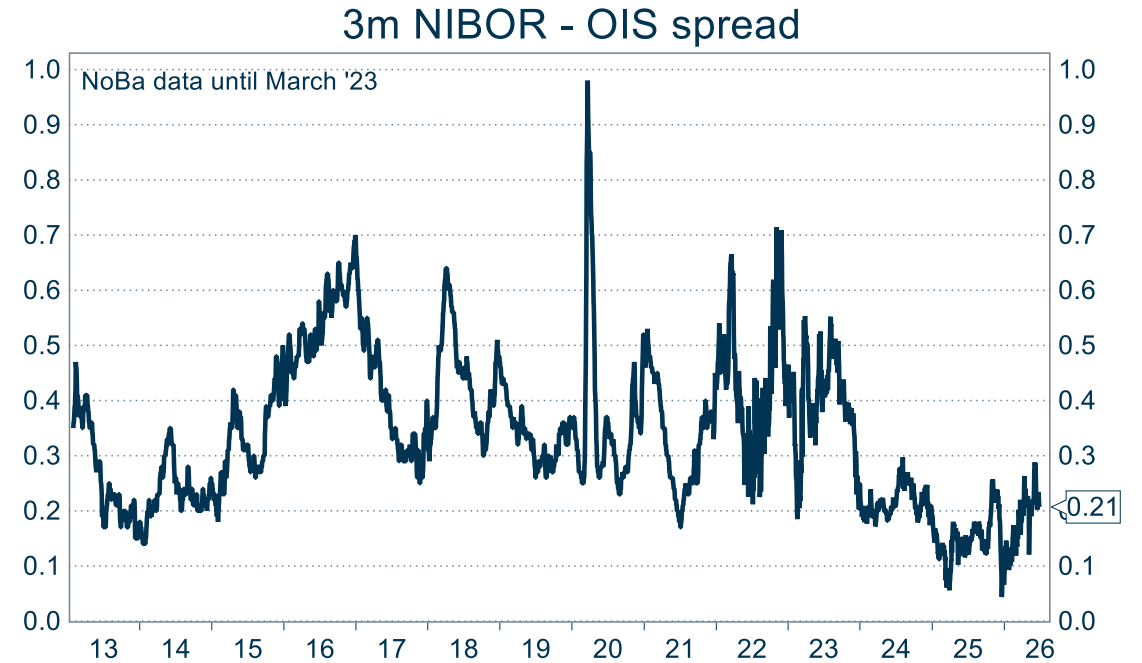


NOK 3m NIBOR: flat at 4.56%; the NIBOR spread down 1 bp to 21 bps

The 3m OIS was up 1 bp to 4.35% and the contract 'drifts into' the expected August hike to 4.50%



Macrobond & SB Markets

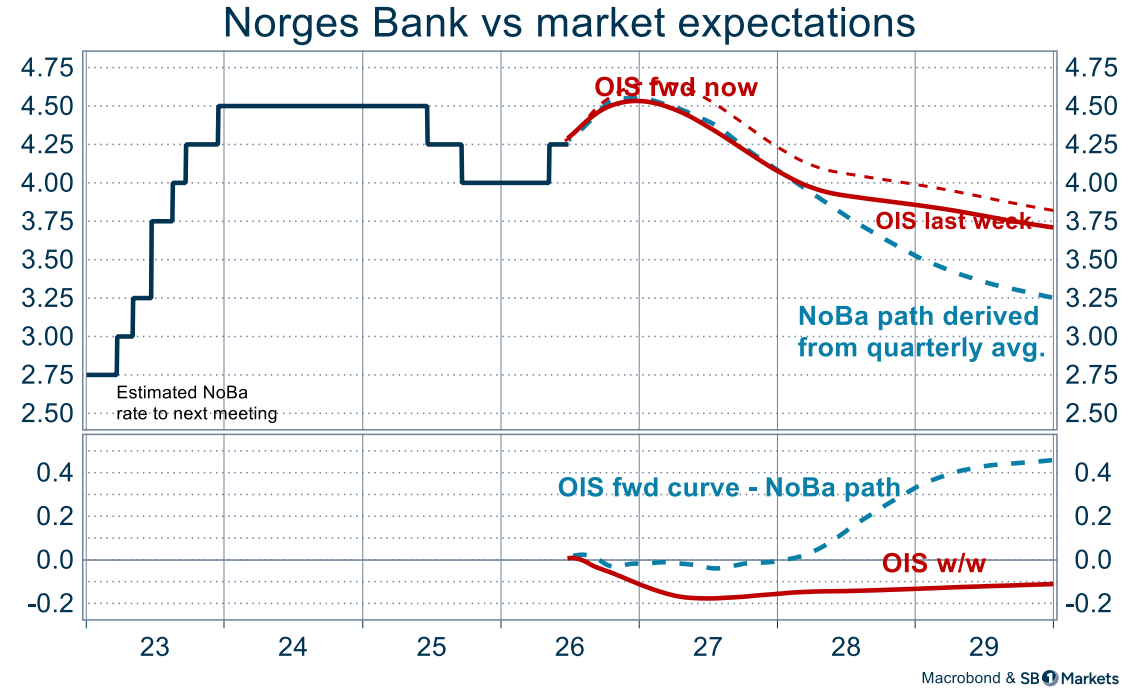
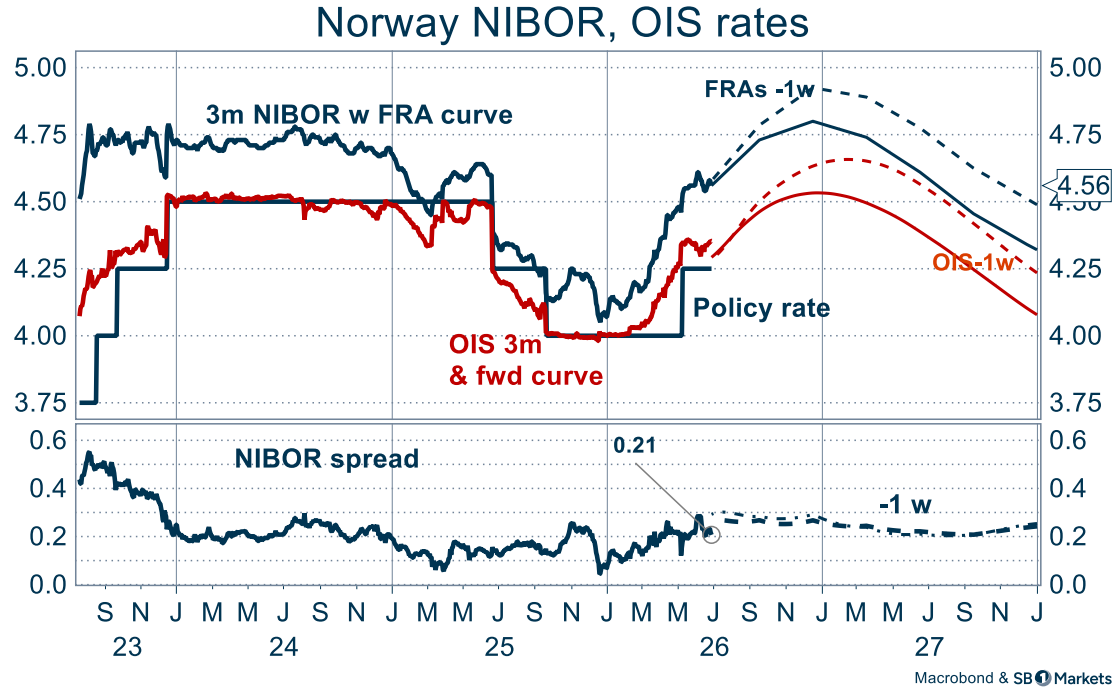


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Rate expectations dropped by up to 18 bps last week, and approached NoBa's path in 2027

The market now rules out a hike to 4.75%. Still, an August hike to 4.50% is still discounted. And if not in August, in September.



Norges Bank vs. market					
Meeting	NoBa path	OIS fwd	OIS NoBa est.	Alternat. rate	% prob for alt
13-Aug	4.25	4.39	4.50	4.25	43%
24-Sep	4.25	4.47	4.50	4.25	11%
05-Nov	4.50	4.51	4.50	4.75	6%
17-Dec	4.50	4.53	4.50	4.75	13%
21-Jan	4.25	4.53	4.50	4.75	11%
24-Mar	4.25	4.49	4.50	4.25	4%
06-May	4.25	4.44	4.50	4.25	22%
17-Jun	4.25	4.39	4.50	4.25	45%

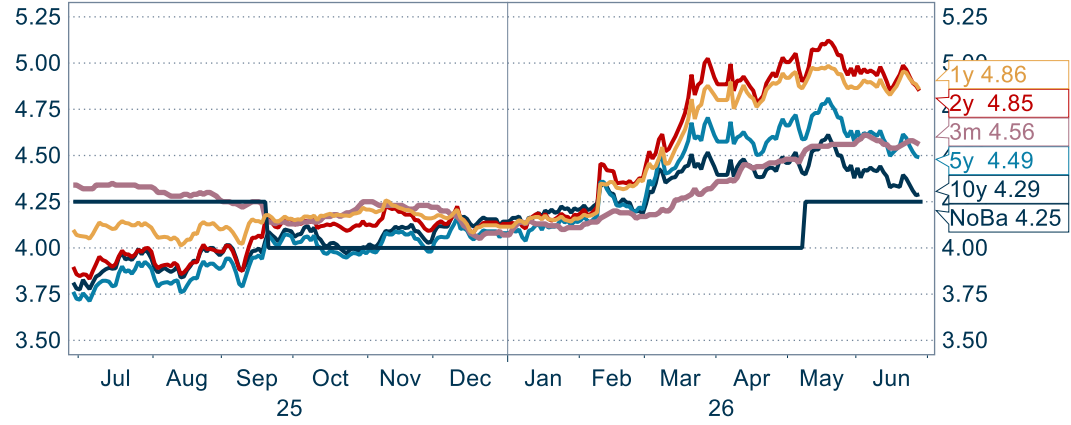
Yellow cells: Norges Bank cut
 Red cells: Norges Bank hike
 Sources: Macrobond, Infront, SB1 M



NOK swaps: spot rates down all over the curve

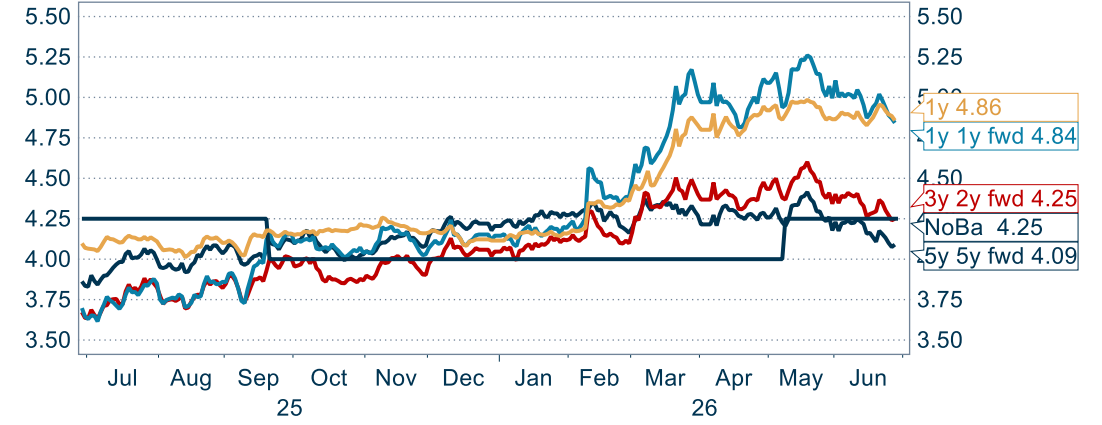
The curve remains inverted, the 10y – 2y spread at -56 bps. Barring the very short end, the whole curve is down the past month too.

NIBOR, NOK swap rates



Macrobond & SB Markets

NOK Implied Swap fwd rates



Macrobond & SB Markets

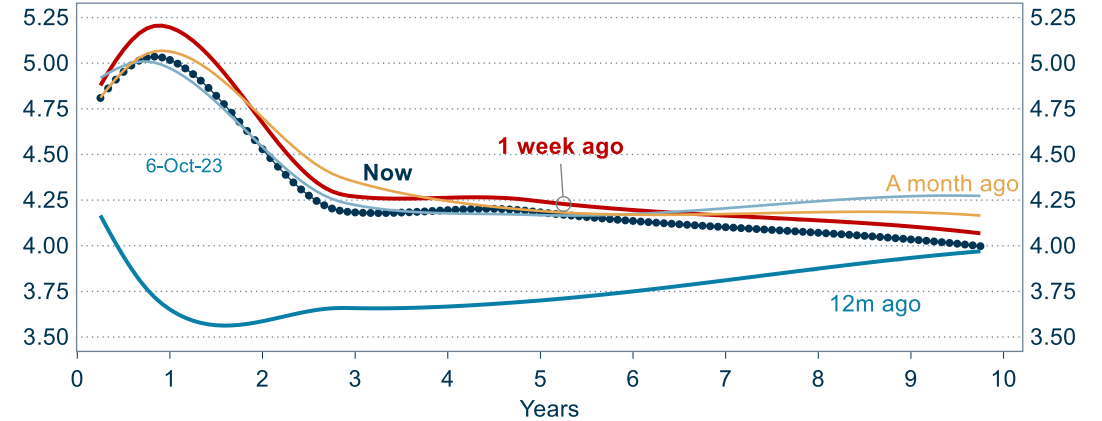
Norway - yield spread, 10y - 2y swap



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

NOK Implied swap forwards

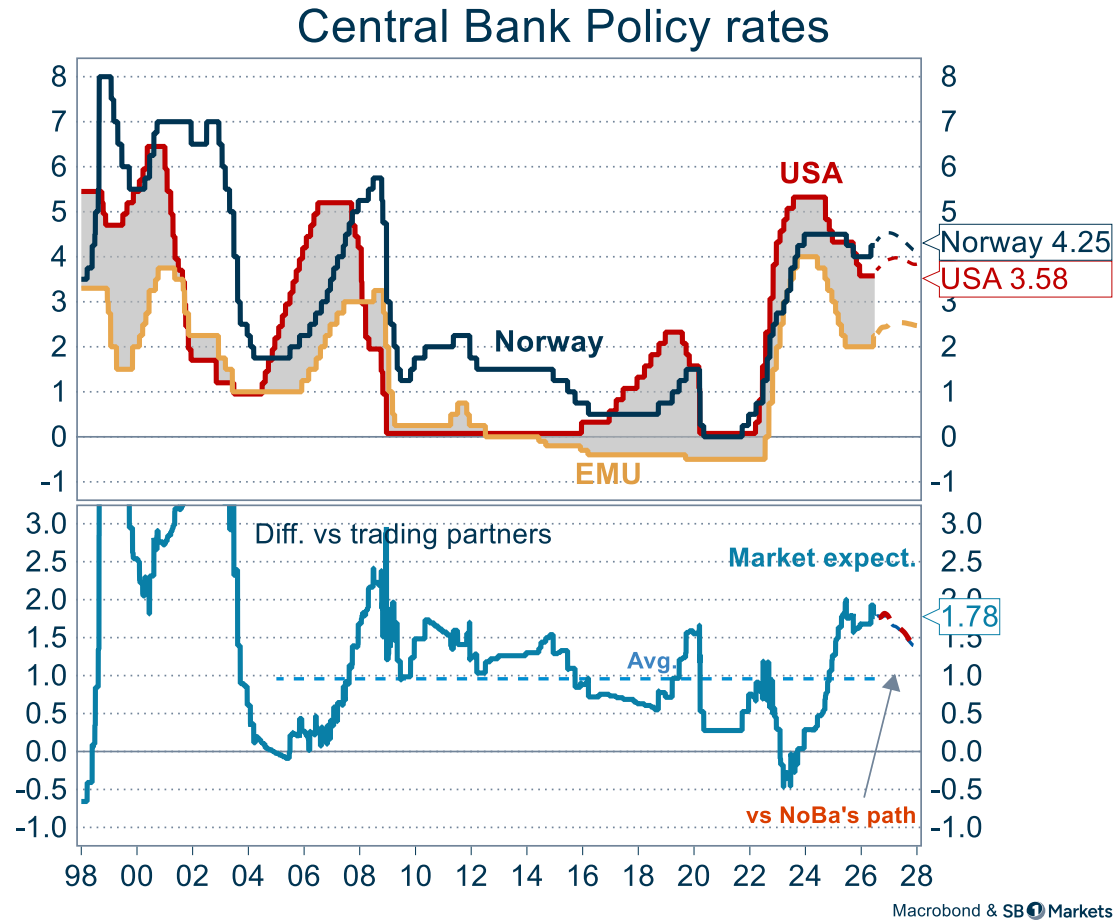


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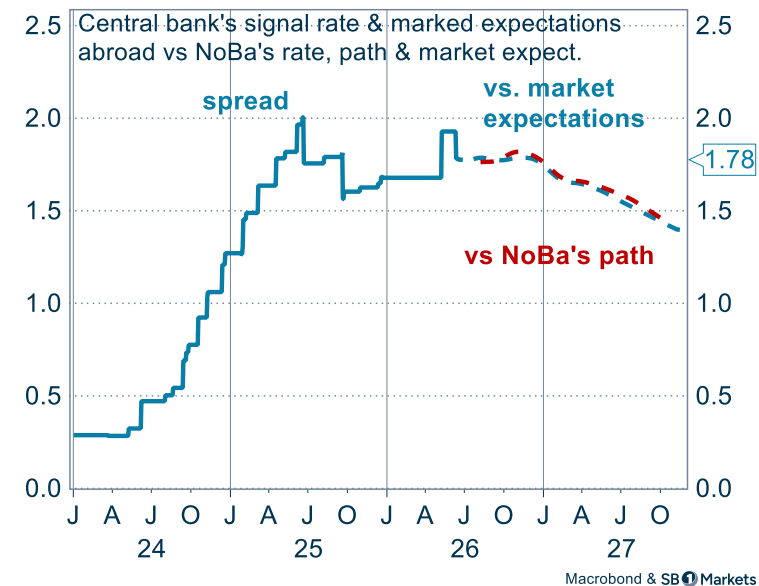


Norges Bank's policy rate: 178 bps above the trading-partners' average

... 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...

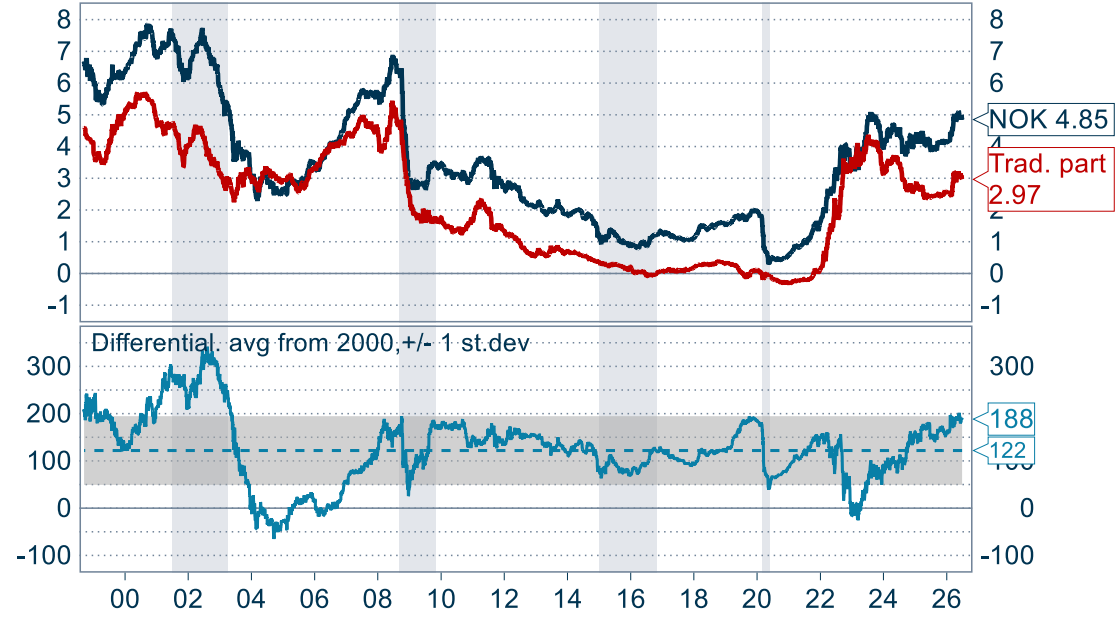




2-year NOK swap rates followed the trading partners' rates down last week

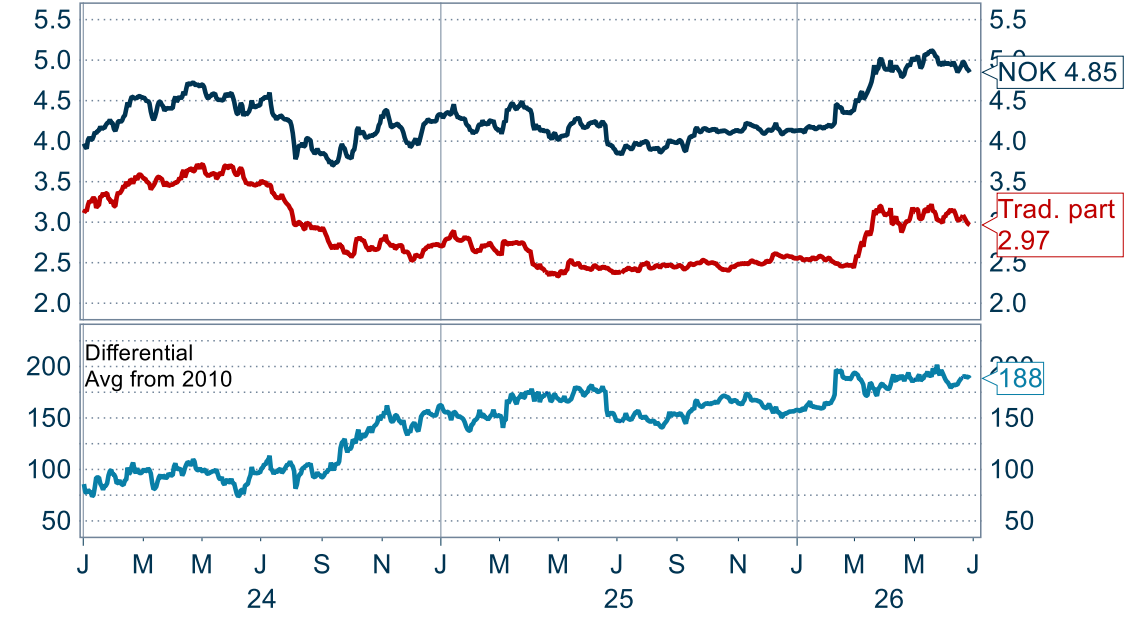
The spread was close to unchanged – and at a high level. The upside risk is limited, at least if rates abroad remain 'high'.

2y swap rates, NOK vs. trading partners



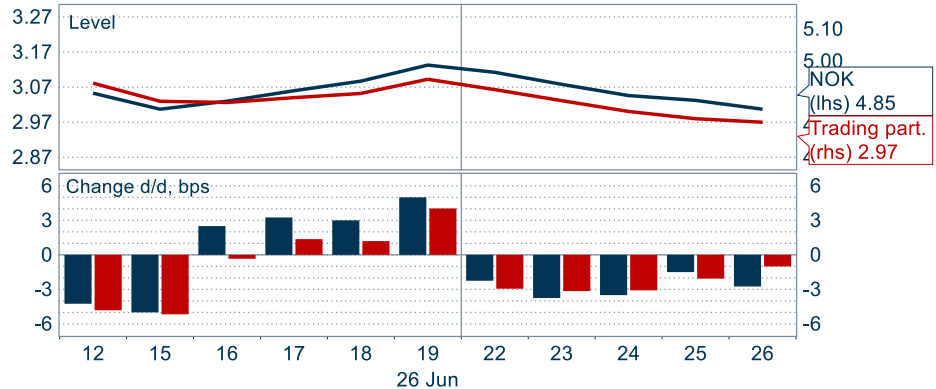
SB Markets

2y swap rates, NOK vs trading partners

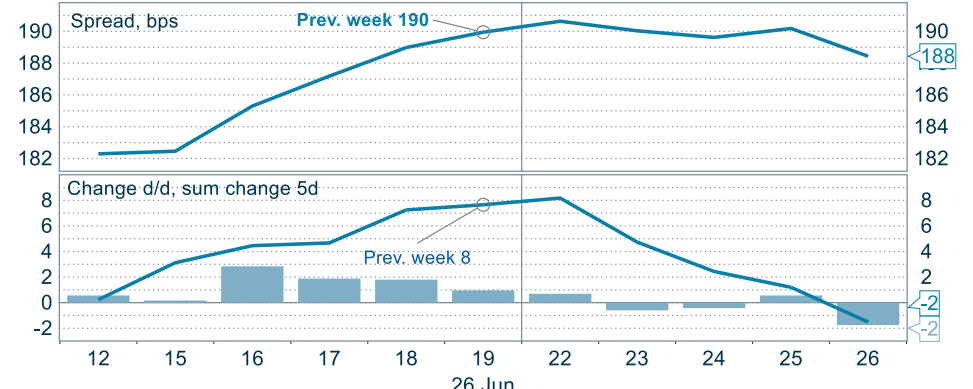


SB Markets

2y swap rates, NOK vs trading partners



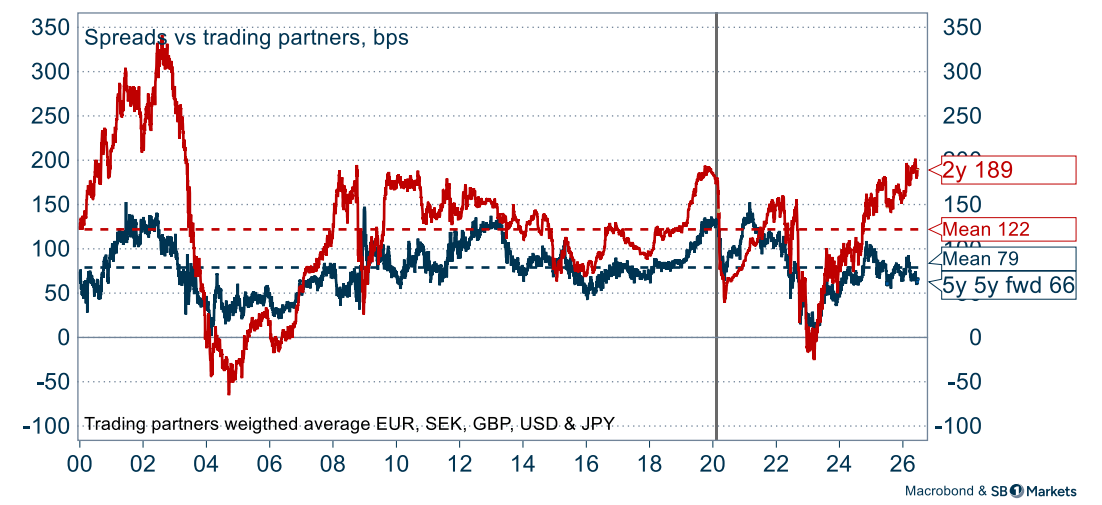
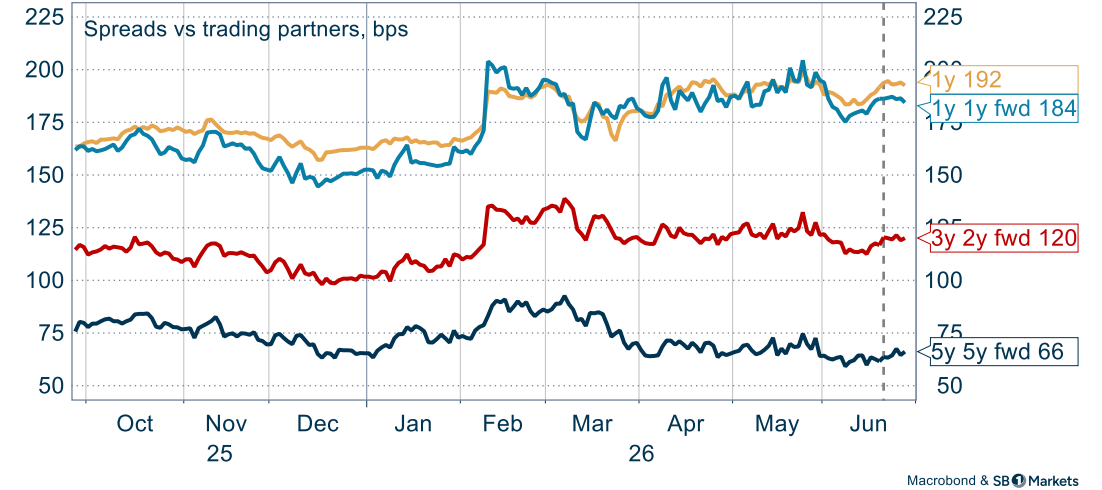
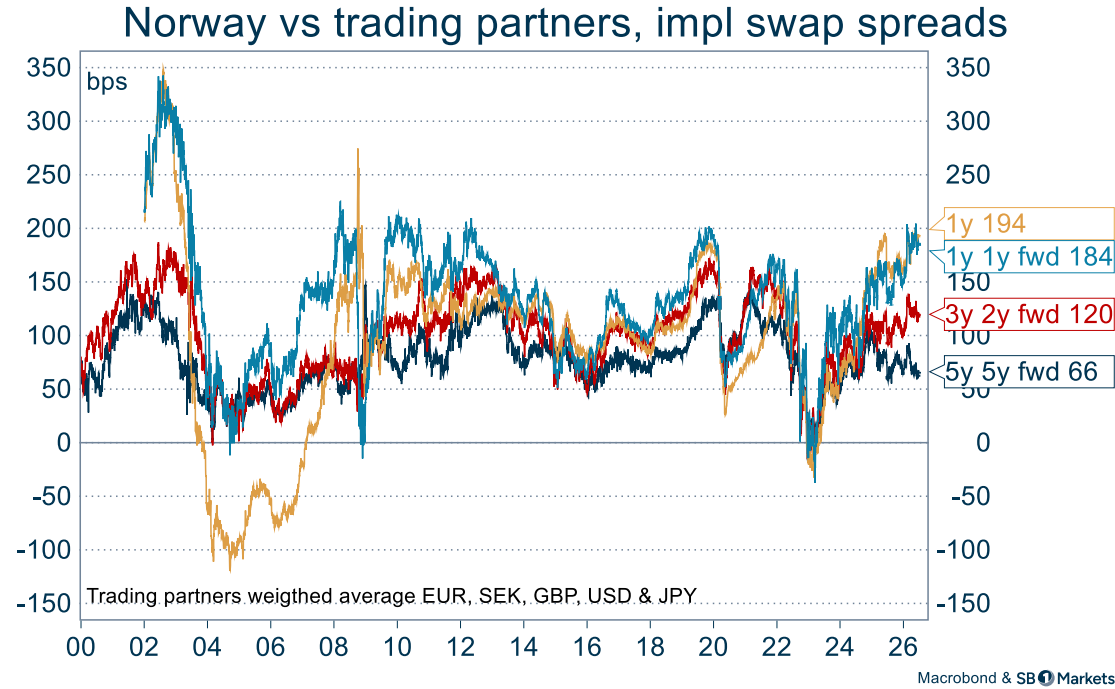
2y swap rates, NOK vs trading partners





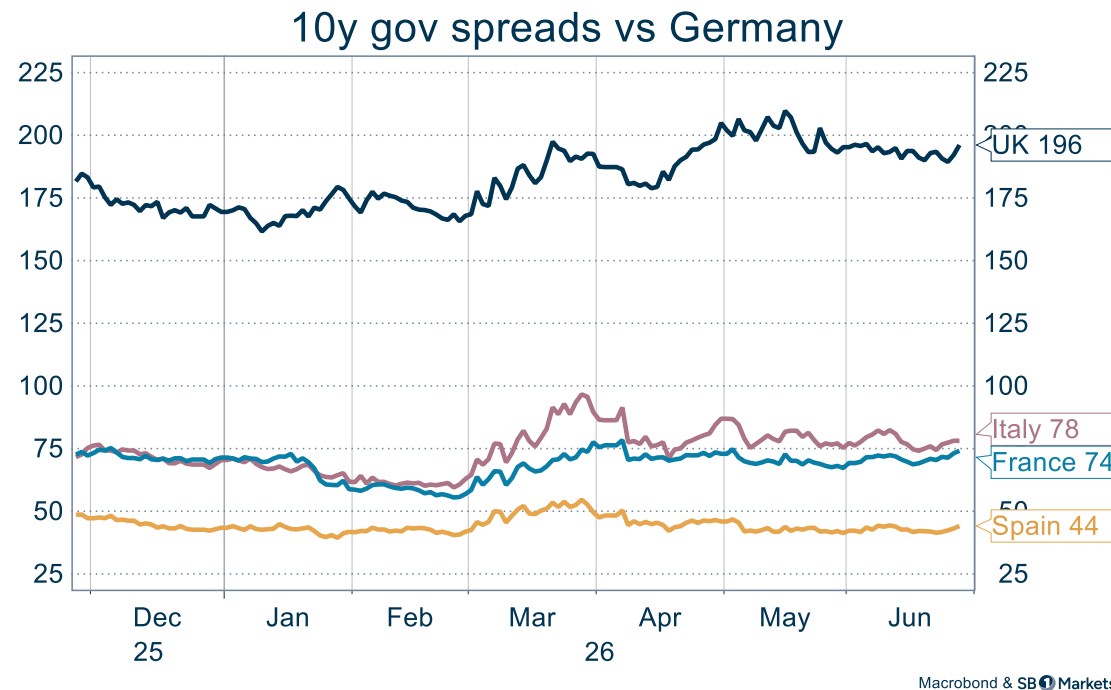
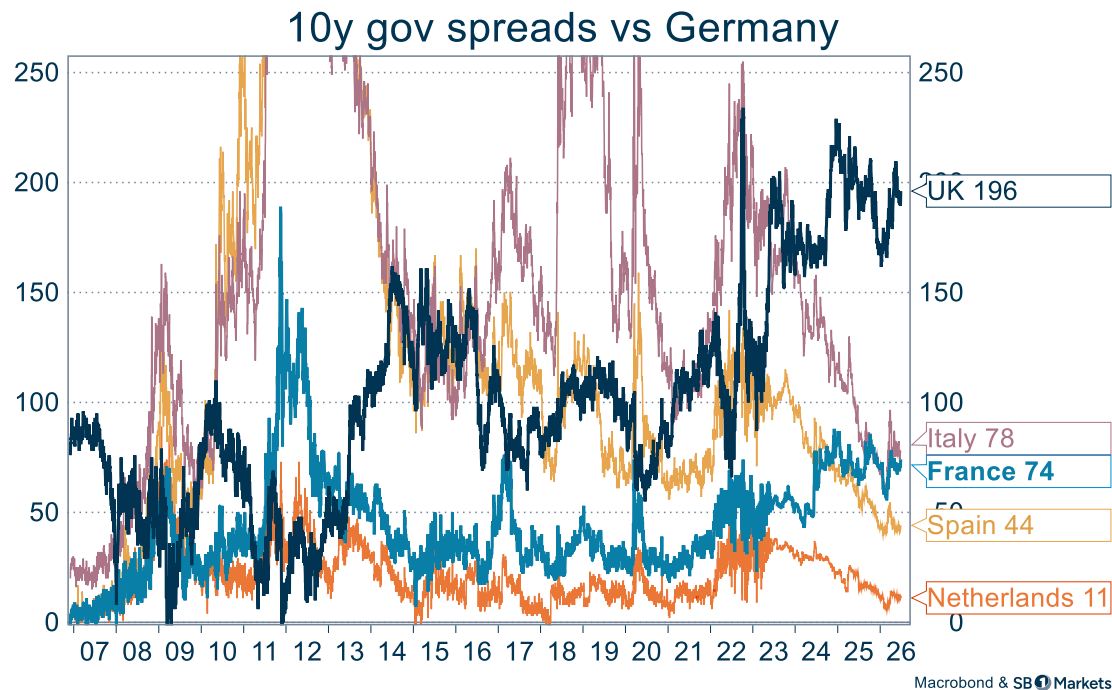
The swap spreads vs. trading partners close to unchanged last week

Spreads are still high in the short end, and well above average levels – and below average in the long end



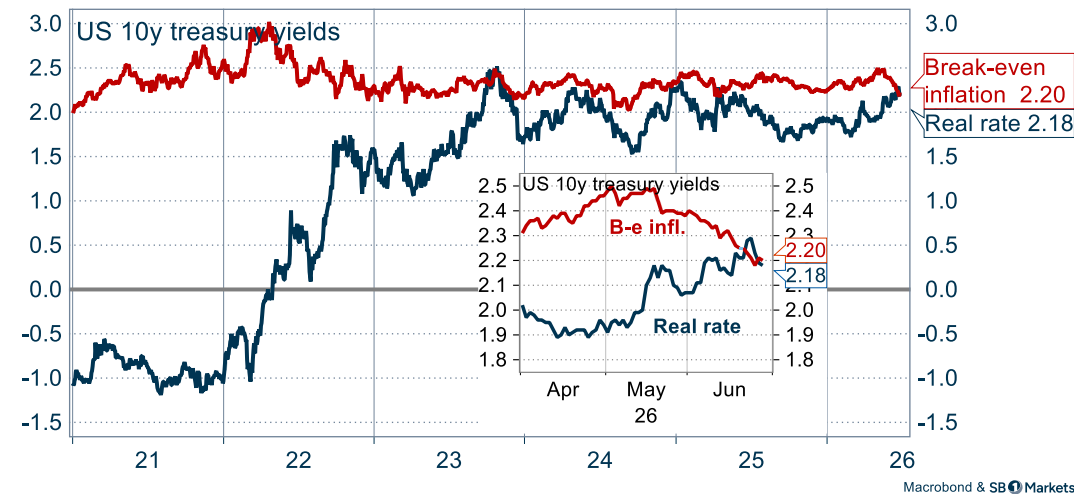
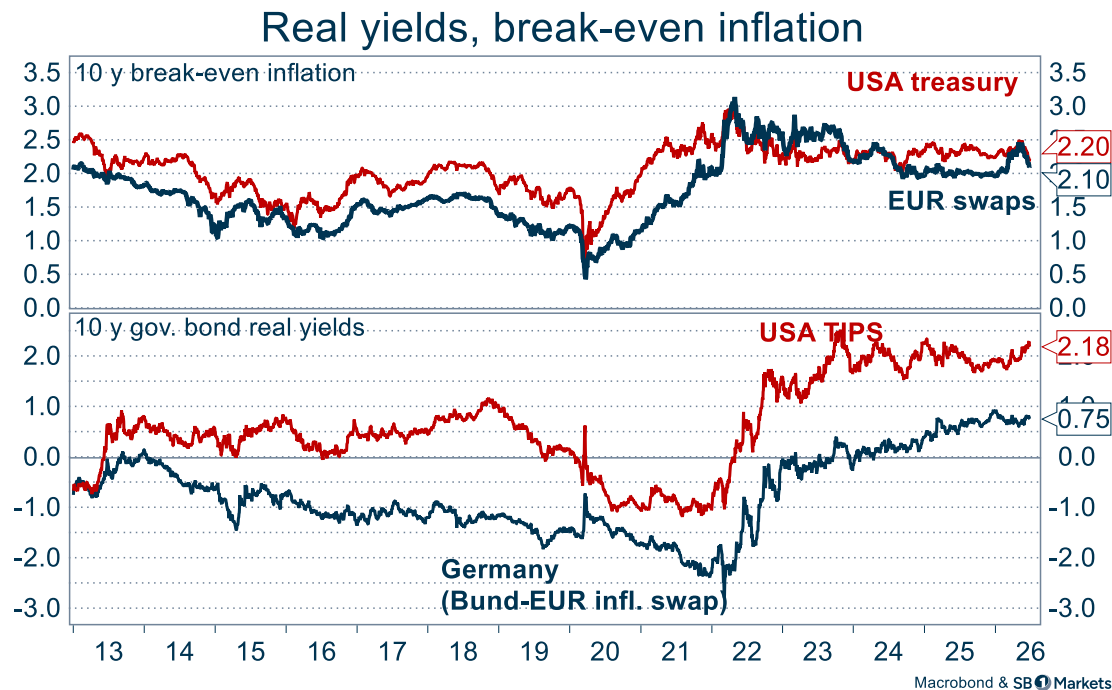
EMU 10y sovereigns: spreads widened slightly last week, have trended flat past 2 months

Spreads are still mostly higher than before the war. UK yields have taken the ongoing shift in leadership (which will result in a new PM & government) in UK's Labour party in stride. The challenges are huge: a large deficit, and a very high debt level. And a 'soft-left' PM?



Inflation expectations further down, and are 'well anchored'

US break-even inflation expectations have fallen since mid-May and are lower than before the Gulf war started. In EUR, inflation expectations rose more than in the US, and real rates fell. Now, EMU inflation exp. have fallen, but not 'more' than the oil price.



US, Germany real rates, inflation expectations

	Yield	Change 1w	Change 1m	YTD	Min since April-20
USA nominal treasury	4.38	-0.08	-0.12	0.20	0.52
.. break-even inflation	2.20	-0.05	-0.20	-0.05	1.06
.. TIPS real rate	2.18	-0.03	0.08	0.25	-1.19
Germany 10y gov, bund	2.85	-0.13	-0.13	0.00	-0.65
.. 10y EUR inflation swap	2.10	-0.06	-0.22	0.14	0.68
.. real rate	0.75	-0.07	0.09	-0.14	-2.79

- The US 10y break-even CPI inflation at 2.20%, is in line with the PCE target at 2.0% (PCE inflation is on average lower than inflation measured by the CPI).
- 10y EUR inflation expectations at 2.10% are just marginally on the high side.

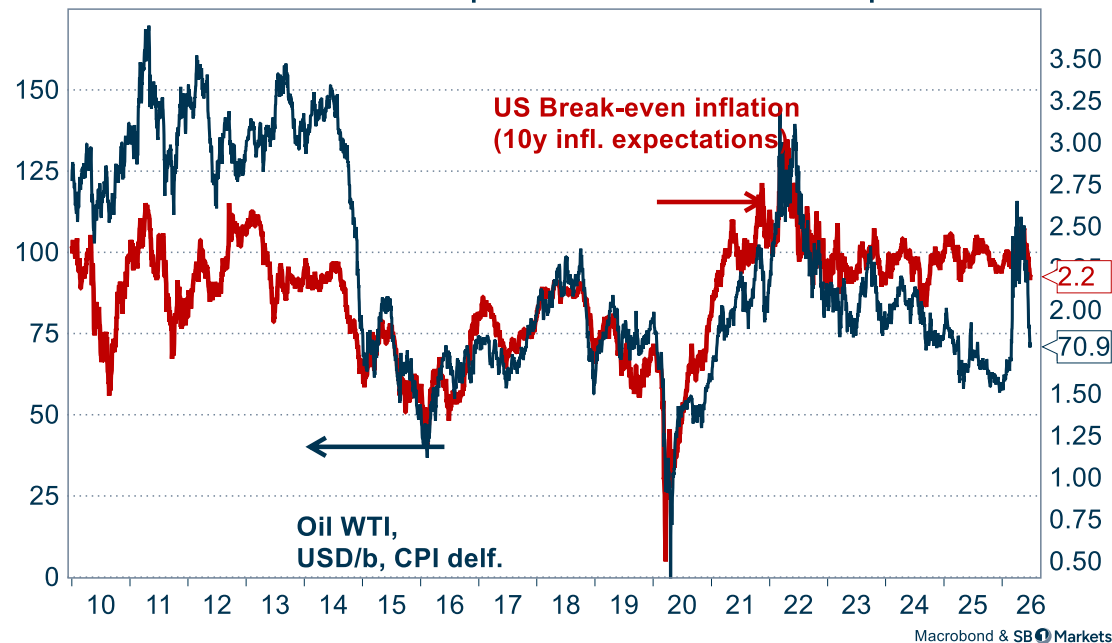
Macrobond & SB Markets



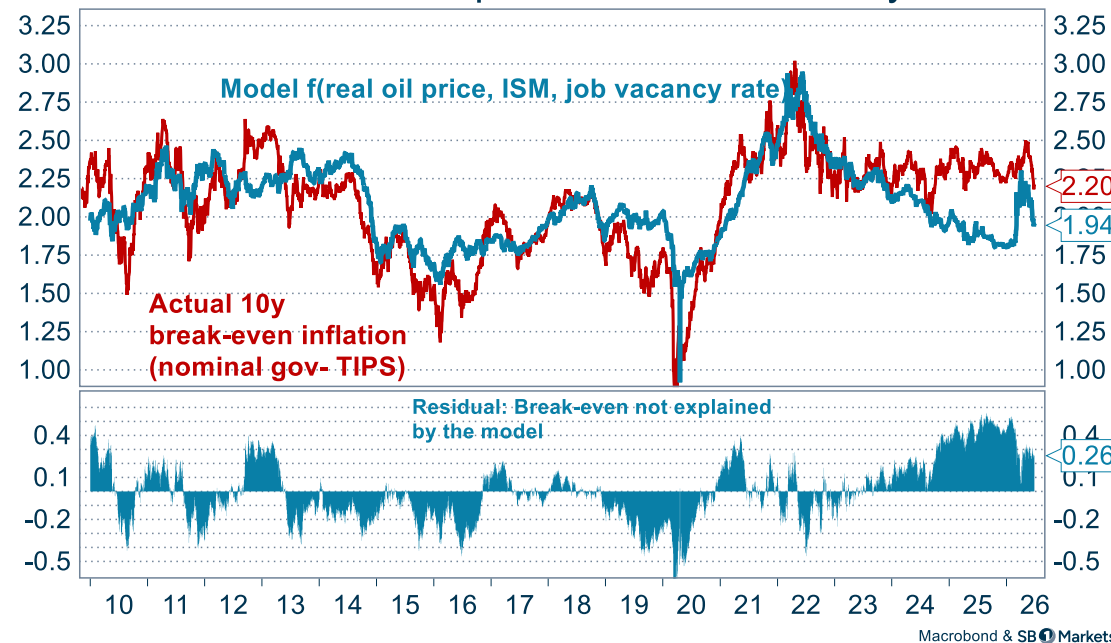
US inflation expectations have fallen even more than the oil price

Inflation expectations rose less than the (spot) WTI oil price normally explains when oil prices shot up in March/May. Now, **inflation expectations have fallen to below the level before the Gulf war started.**

USA Inflation expectations vs. the oil price



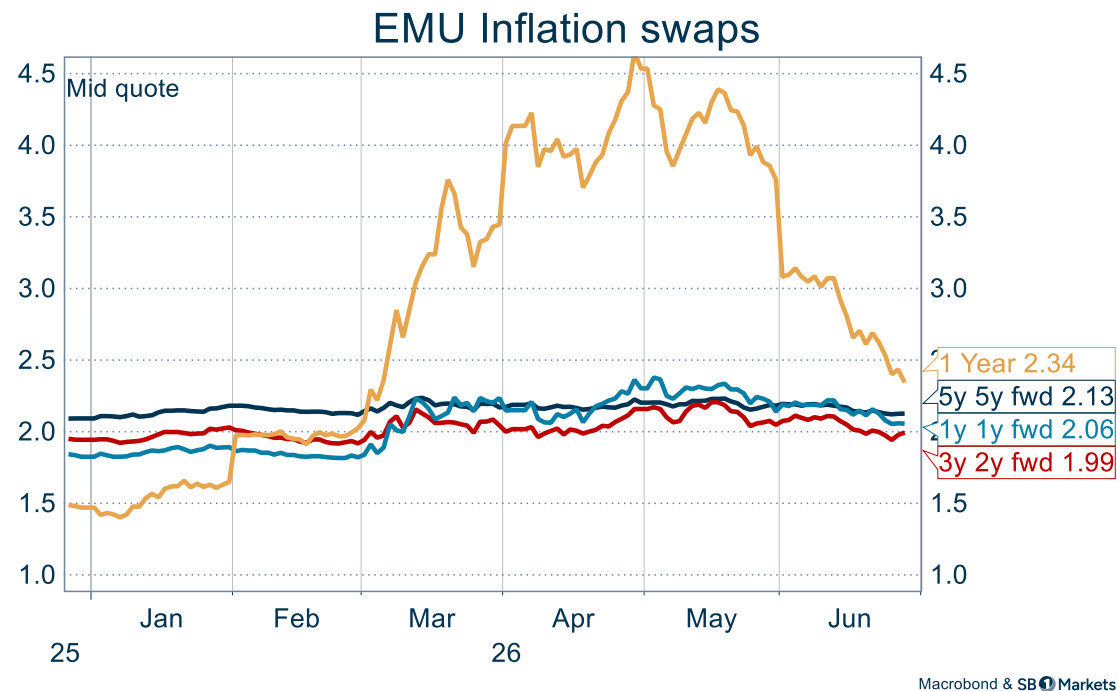
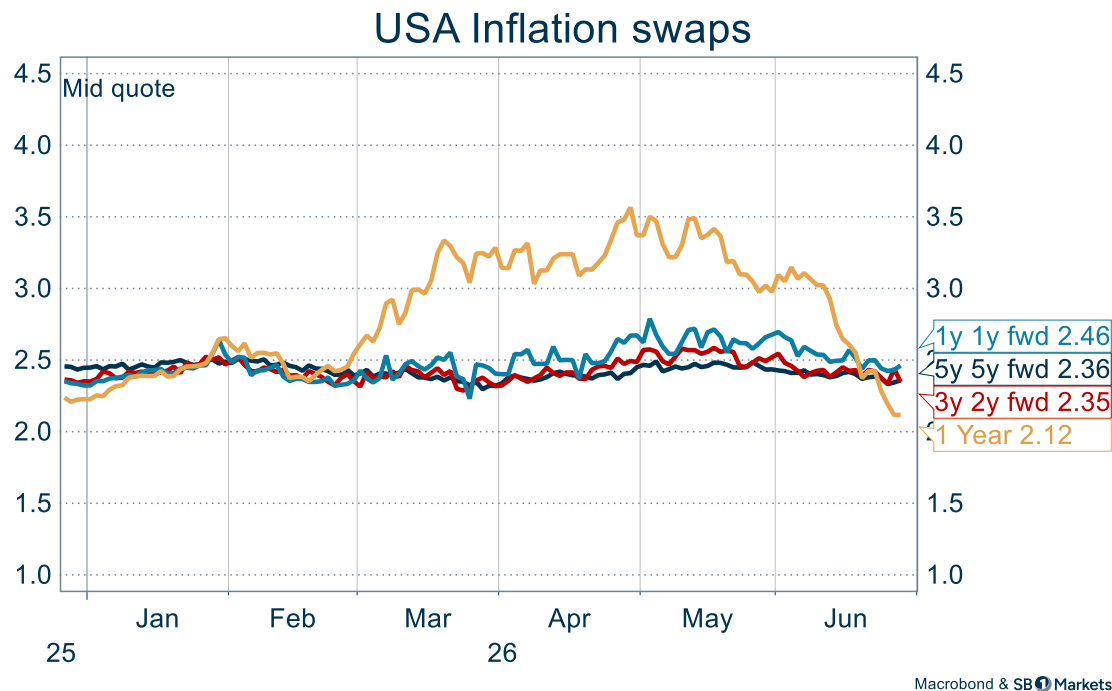
USA Inflation expect. vs. vs oil & the cycle



- 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 pts (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 inflation expectations are coming rapidly down, and are 'normalised' in the US

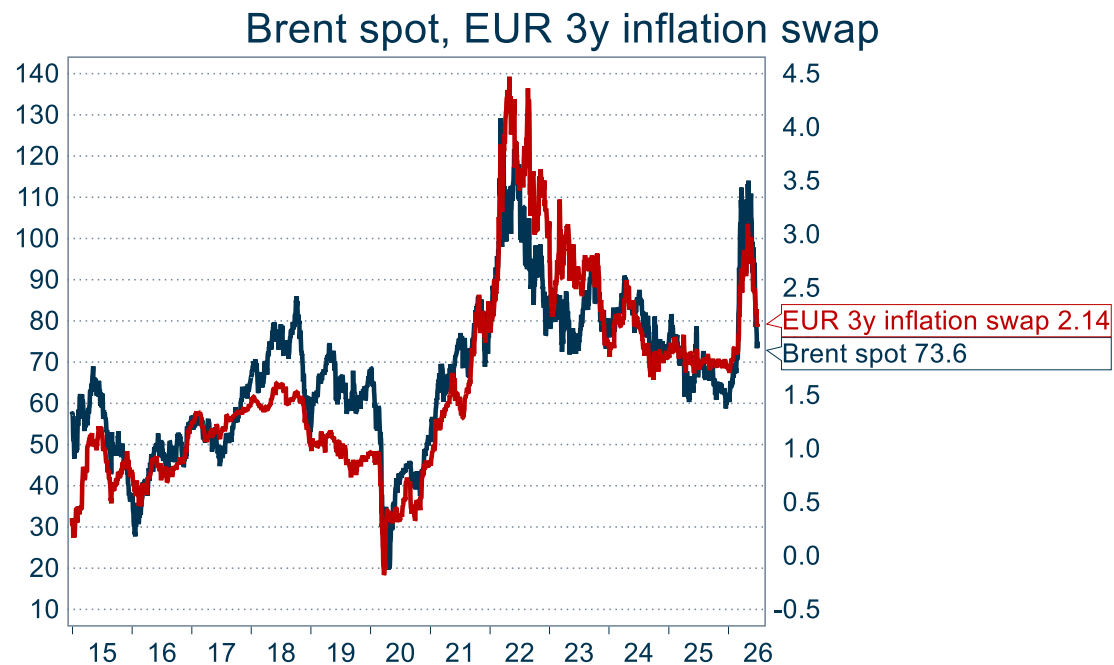
In EMU, the EUR 1y inflation swap is still above the pre-war level, but the gap has fallen sharply. Given a likely decline in energy prices y/y, a further decline is likely (it has fallen below in US already). Long-term inflation expectations (here 5y 5y fwd) are back to square one both places.



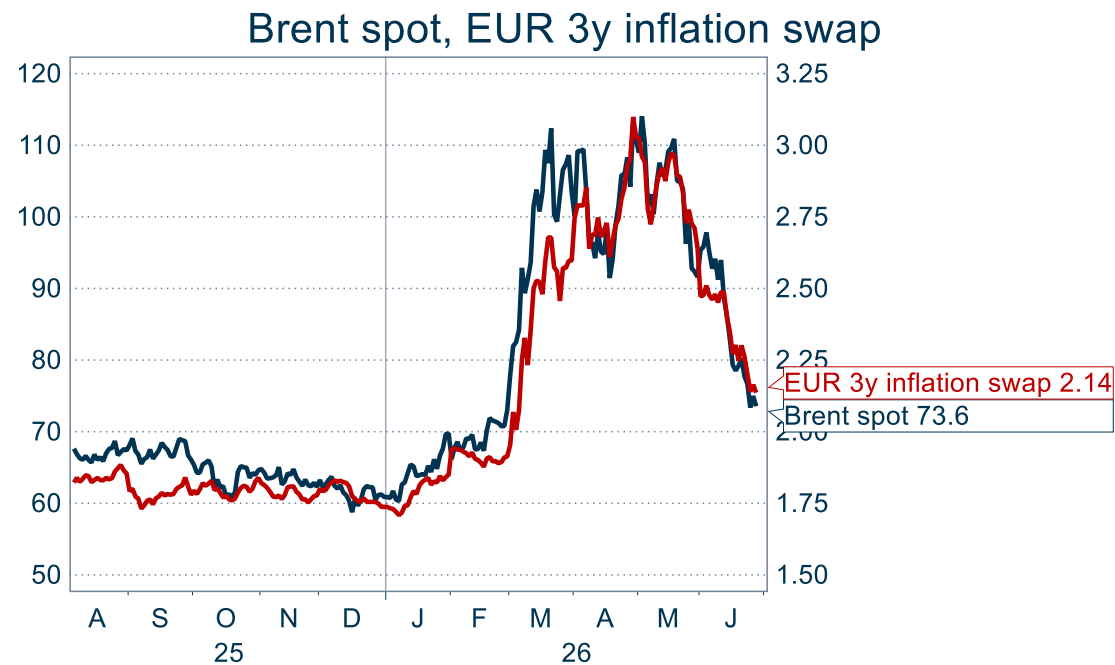
The 1y EUR inflation swap is heavily impacted by the base effect in y/y HICP inflation rate. Thus, around the change of front month, the 1y expected inflation rate may shift substantially (check Jan/Feb and then May/June at the chart above to the right). Further out on the inflation swap curve, the impact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

EUR short-term inflation expectations have followed the oil price closely, and now down

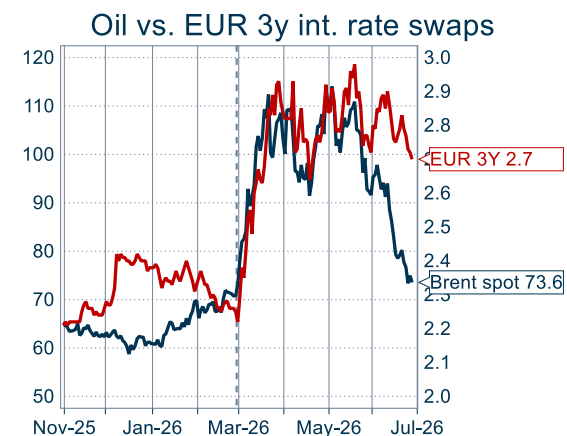
But recently, **nominal swap rates** have not fallen by much. The real rate is in between, *check next page*



Macrobond & SB Markets

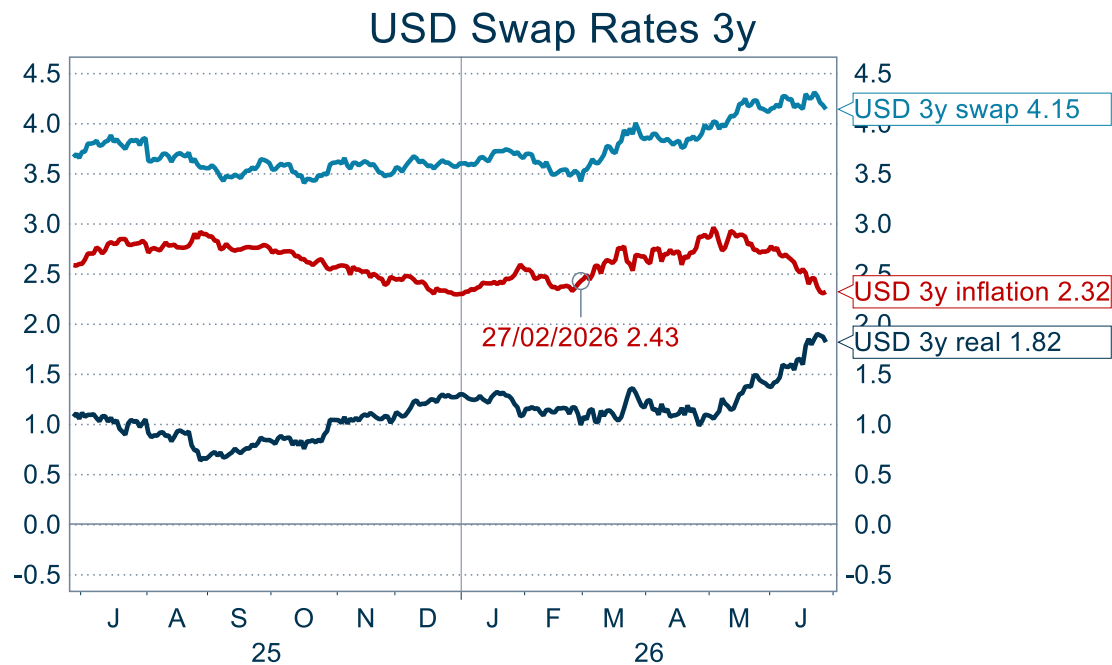


Macrobond & SB Markets

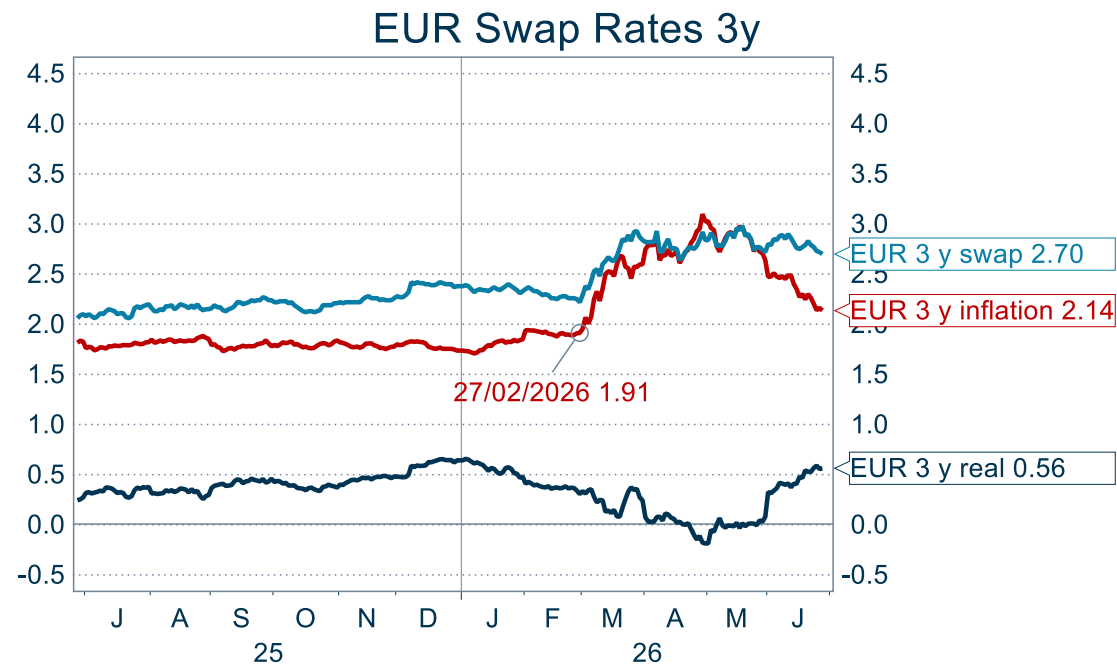


From before the war: the 3y US real rate is up 80 bps, the EUR real rate 20 bps

Initially, when the oil price and inflation expectations rose, EUR real rates declined but have risen more since May (partly due to the 'technical' changes in the 1y inflation swap). Inflation expectations since before the war: -10 bps in USD, +20 bps in EUR.



Macrobond & SB Markets

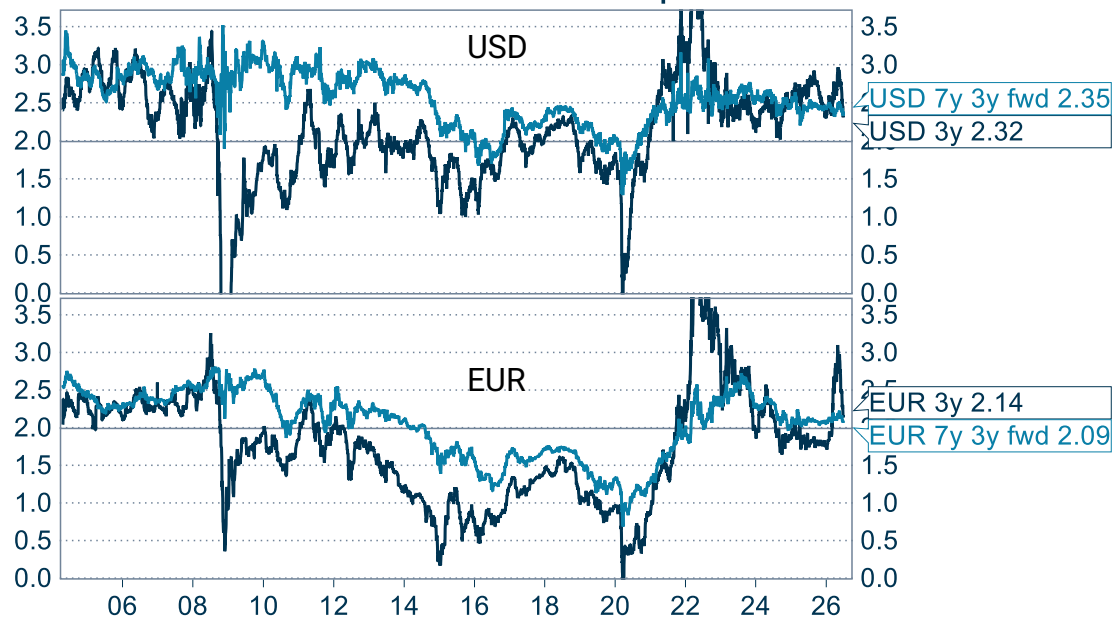


Macrobond & SB Markets

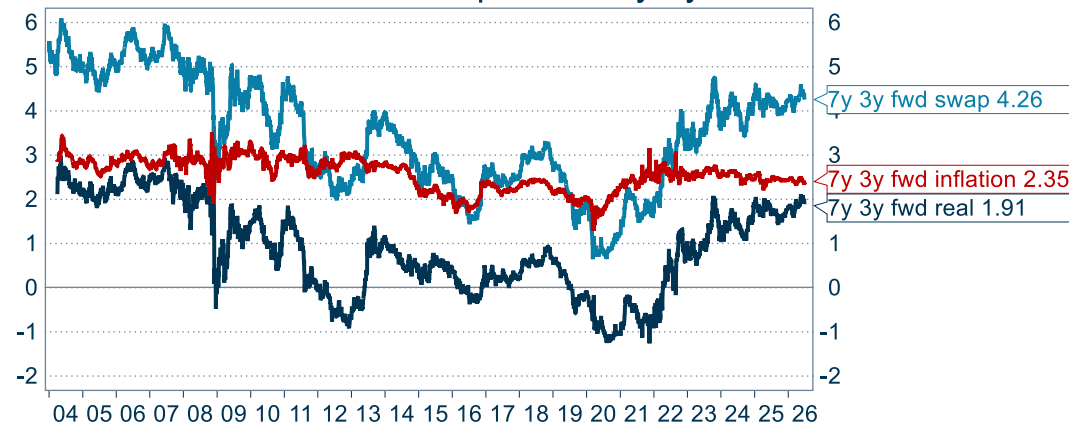
Short-term rate expectations are heading down, small changes in longer-term expectations

... just as longer-term inflation expectations have been stable when energy prices soared, while short-term expectations, especially in EUR, have followed the oil price (and gas prices) up and down since the war started.

Inflation swaps

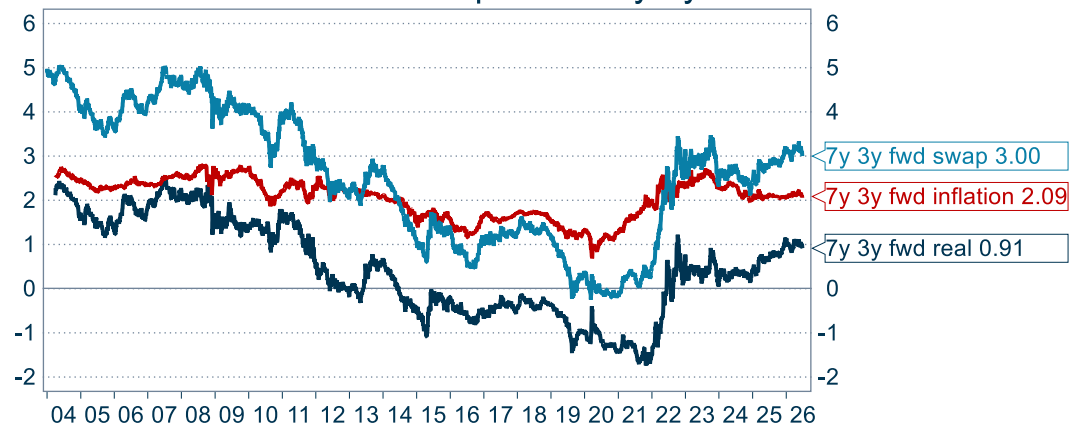


USD Swap Rates 7y 3y fwd



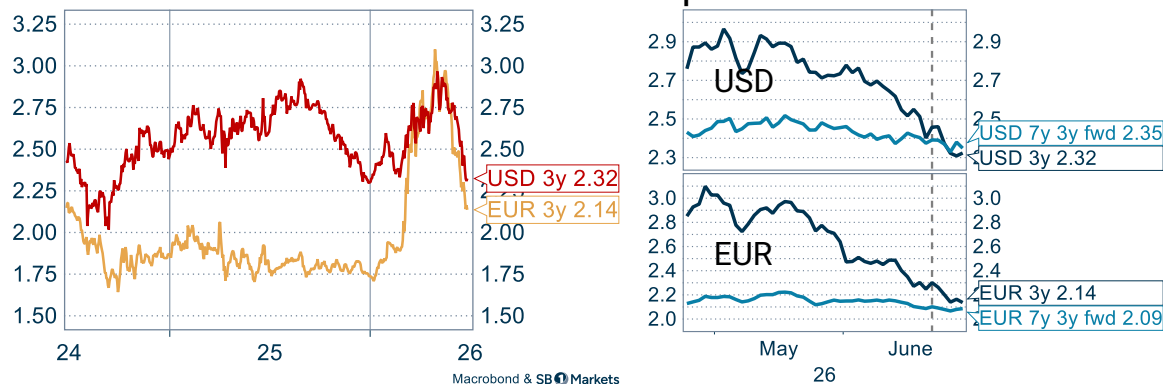
Macrobond & SB Markets

EUR Swap Rates 7y 3y fwd



Macrobond & SB Markets

Inflation swaps



Macrobond & SB Markets

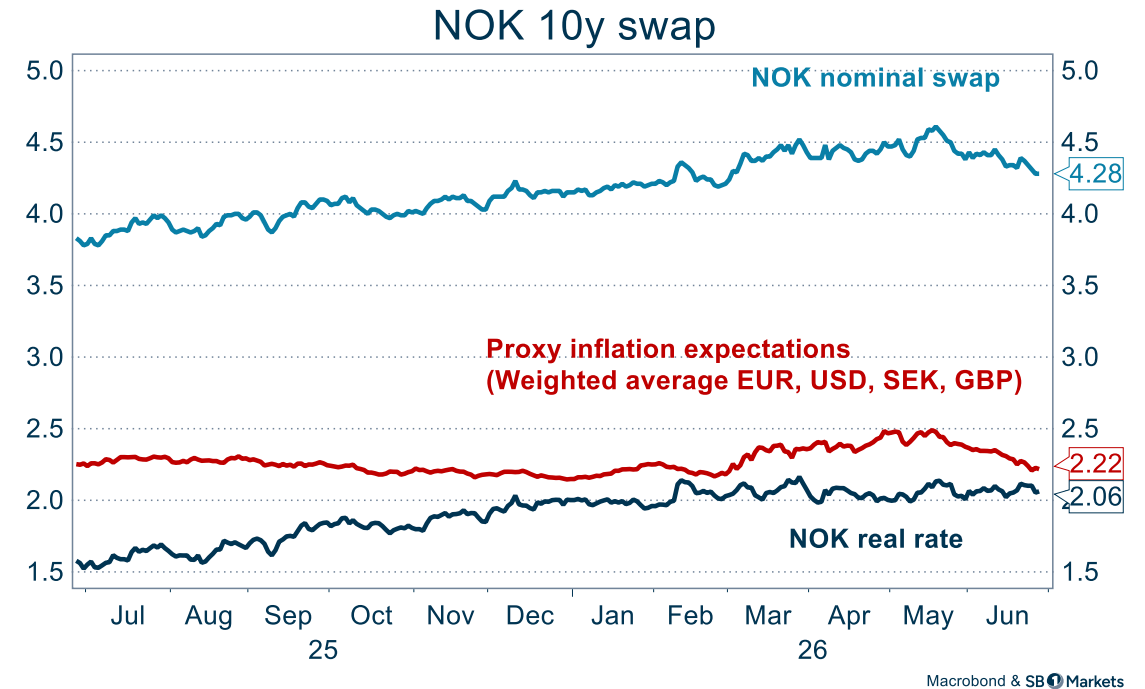
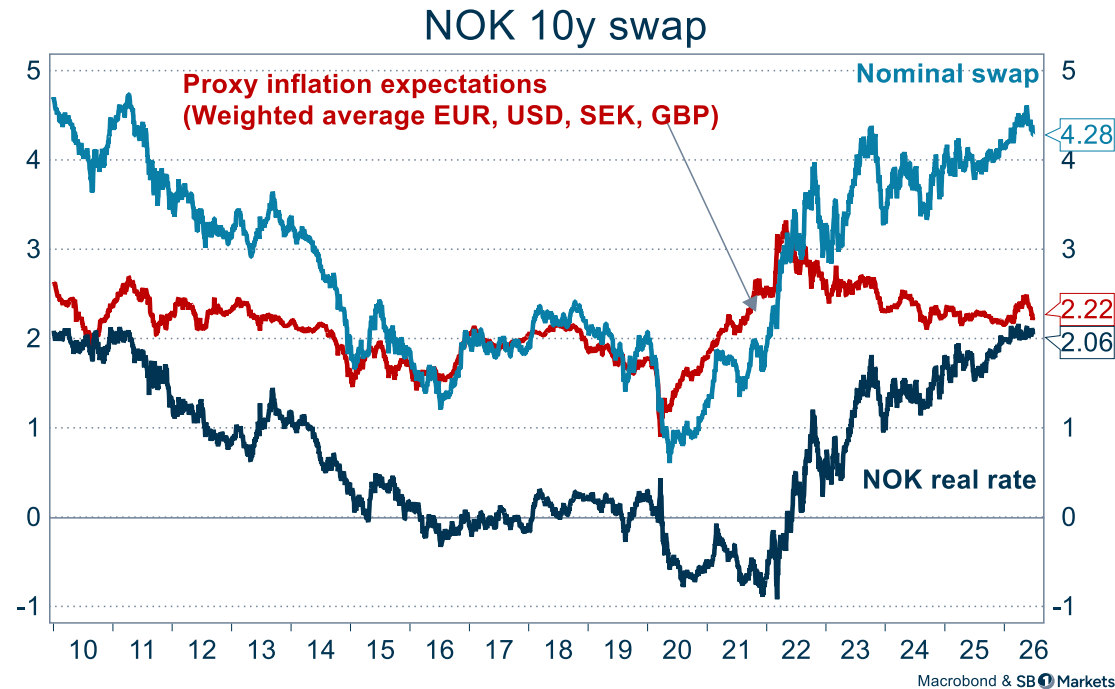
Macrobond & SB Markets

Memo: These charts are based on swap rates and inflation swaps, not government bond yields and real bond yields



NOK: the 10-year real rate remains above 2%

... as we assume that 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 – until the decline the past two weeks

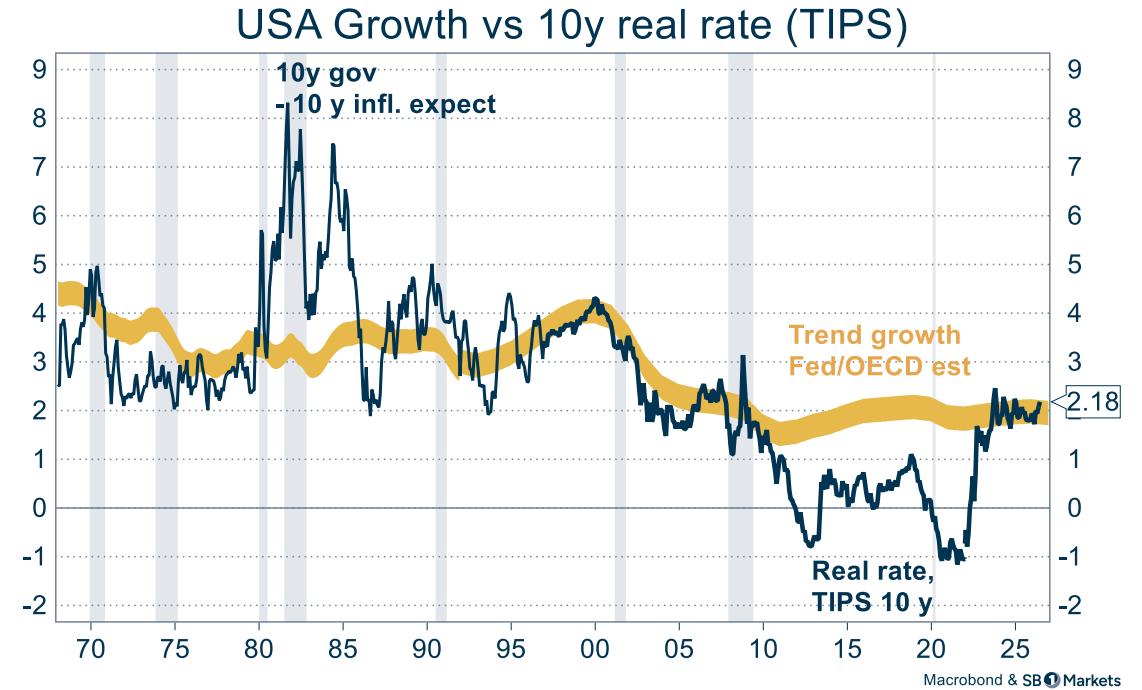
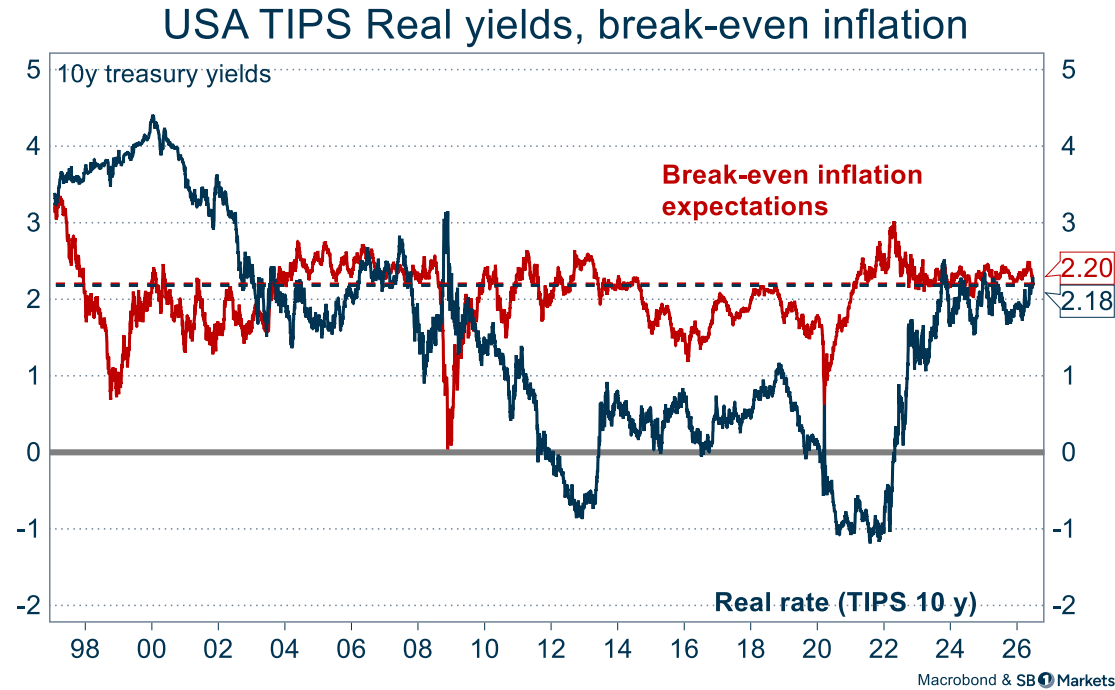


Memo: Our NOK inflation expectations proxy is a weighted average of EUR, SEK, GBP and USD inflation swaps, cross-checked vs. historical inflation differentials and survey-based expectations. The impact of NOK depreciation is not included in the calculation.



US real rates vs. growth expectations: still within the 'growth corridor'

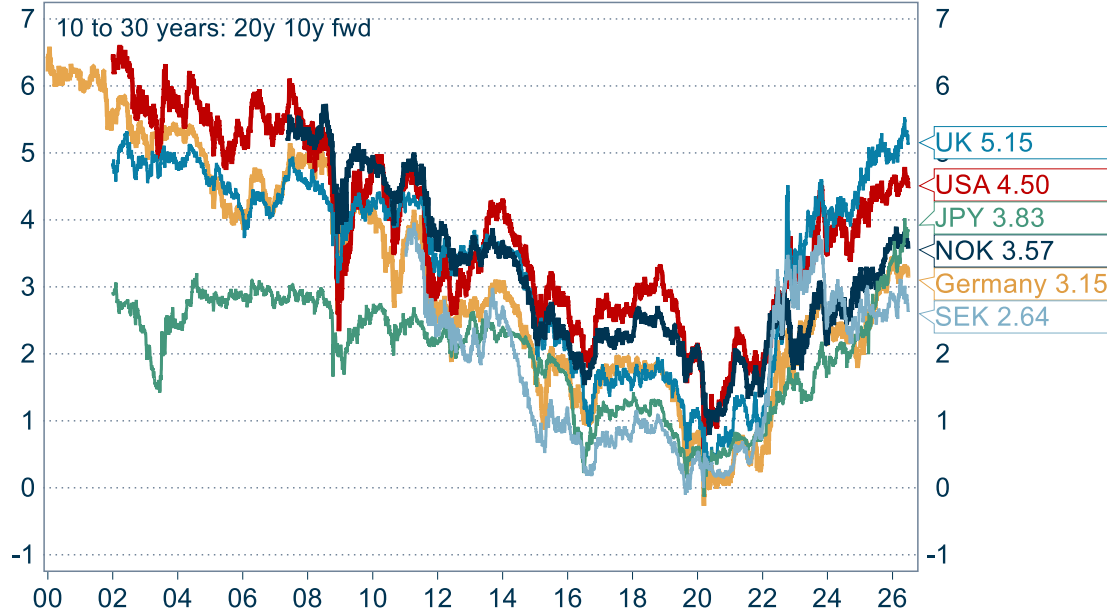
We would NOT bet on a substantial lift from here. In an economic downturn: lower long-term real rates likely.



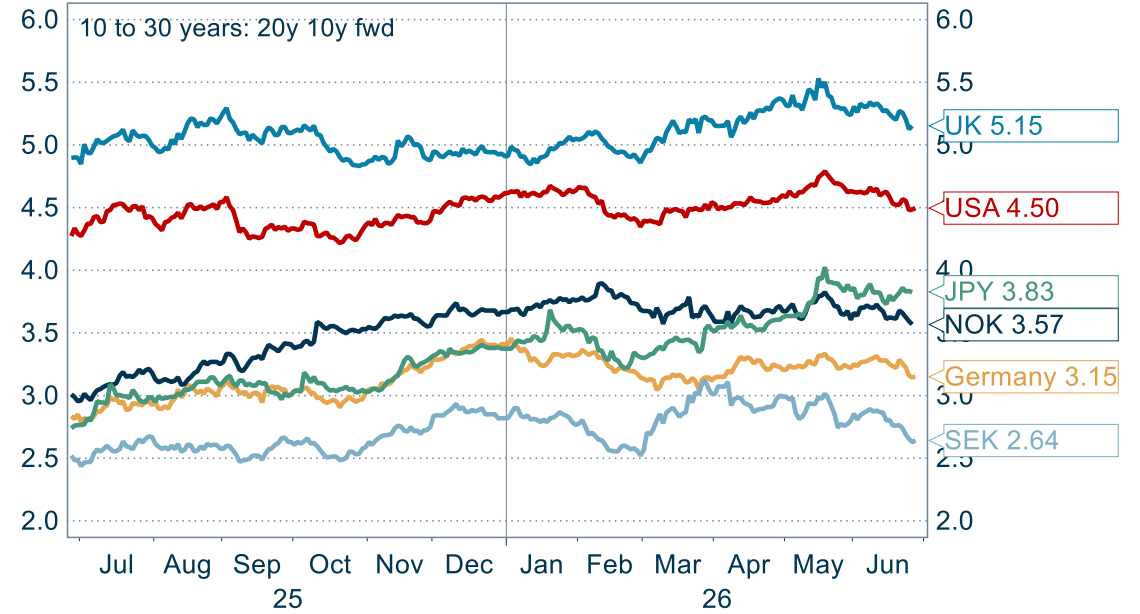
Very long-term swap rates headed down last week (-JPY swaps)

GBP, JPY and NOK 20y 10y forward rates have climbed further.

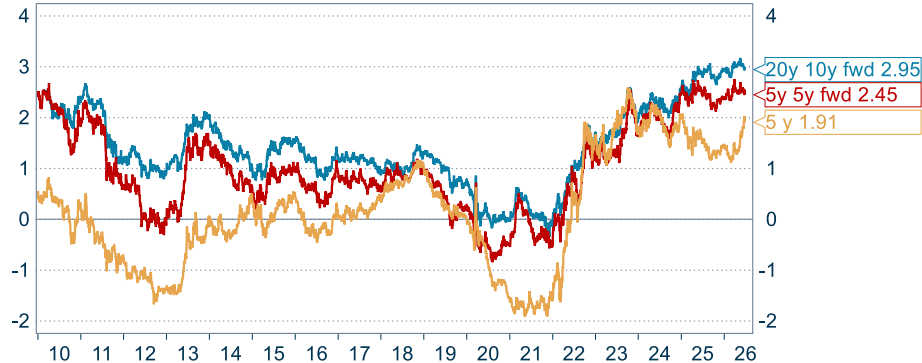
(Very) Long-term swap rates



(Very) Long-term swap rates



USA Real bond yields (TIPS)



US real bond yields are drifting upwards, at least up to 5y

Macrobond & SB Markets

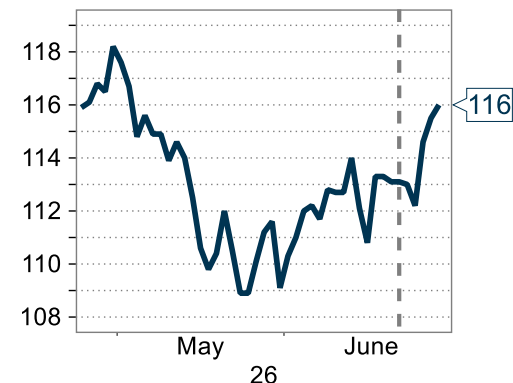
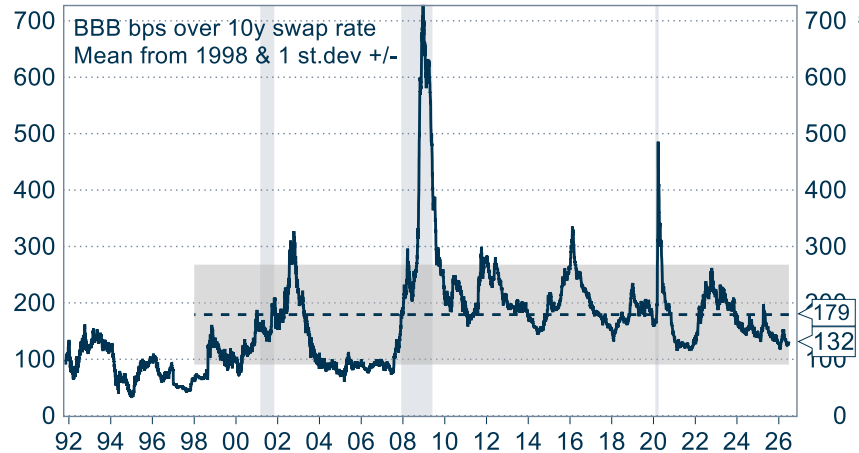
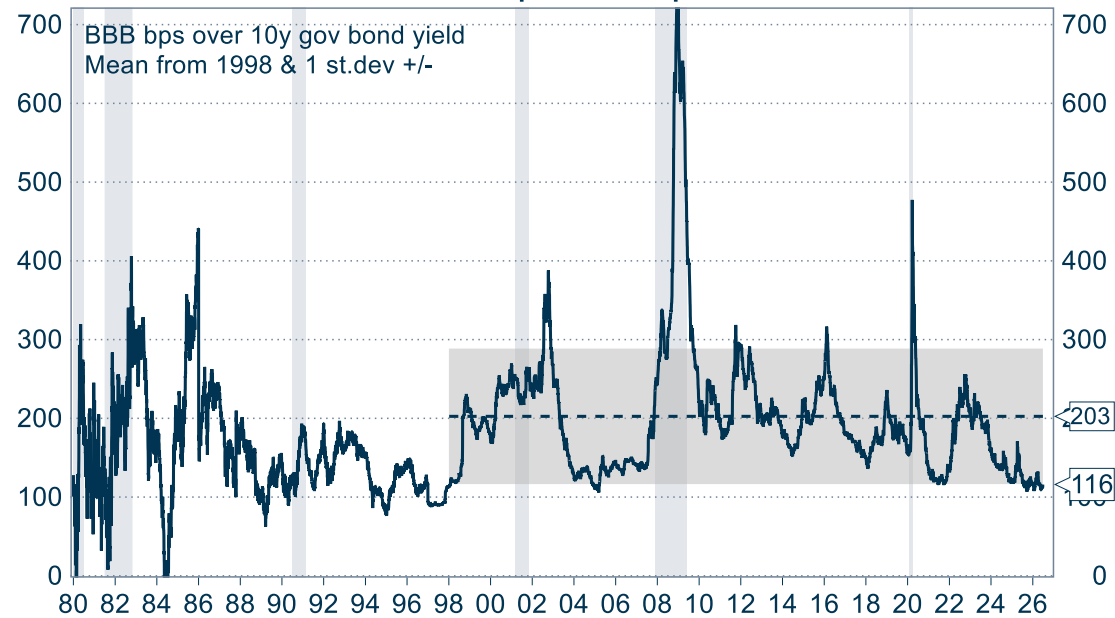
Macrobond & SB Markets



US BBB corporate spread (vs. 10y gov.) widened 3 bps to 116 (and is up 7 bps last month)

... but the level is still very low

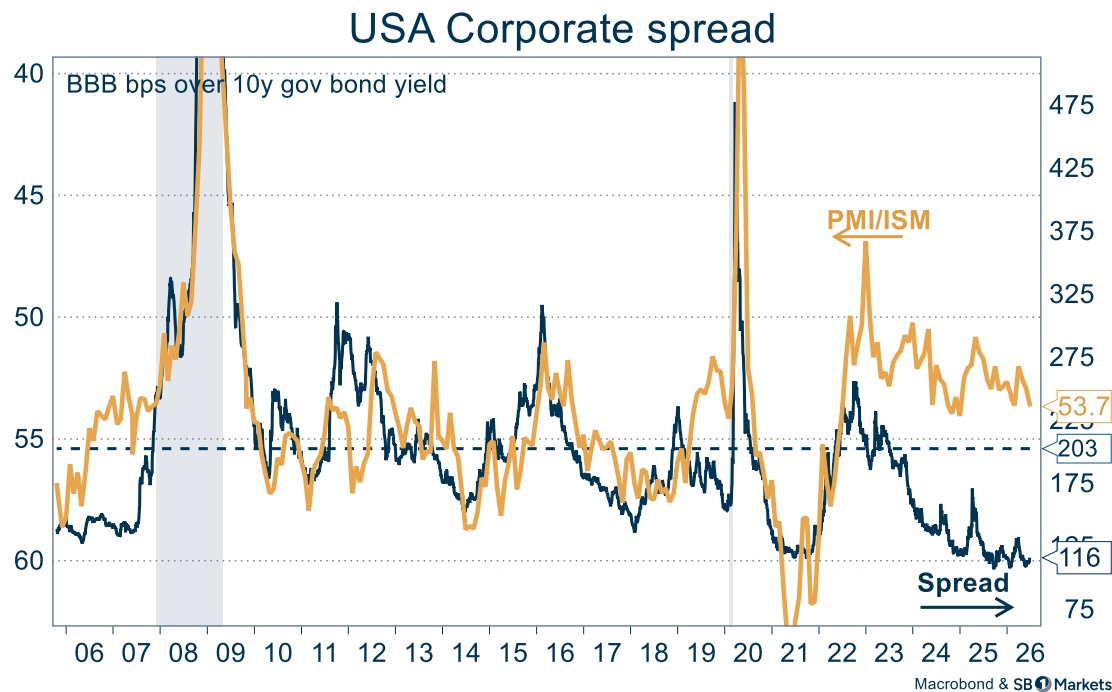
USA Corporate spread



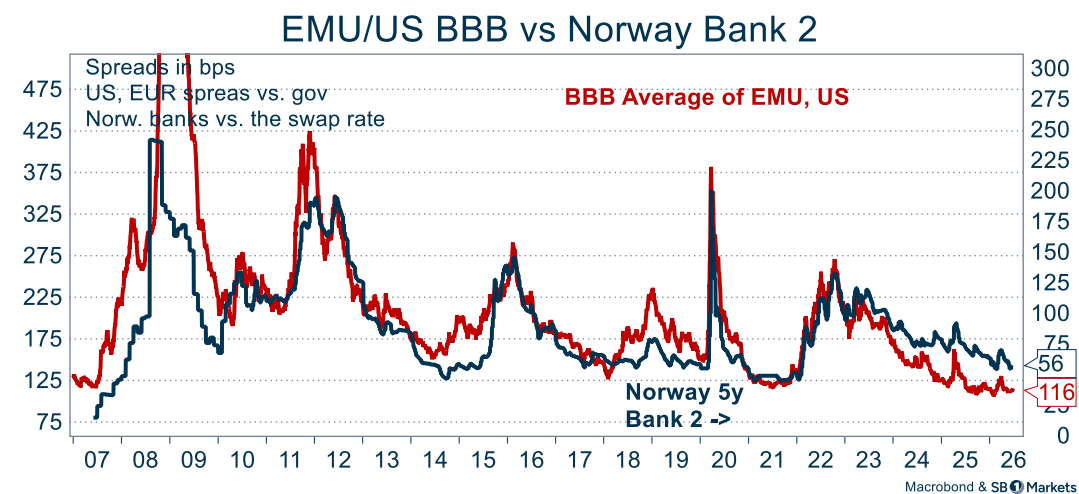
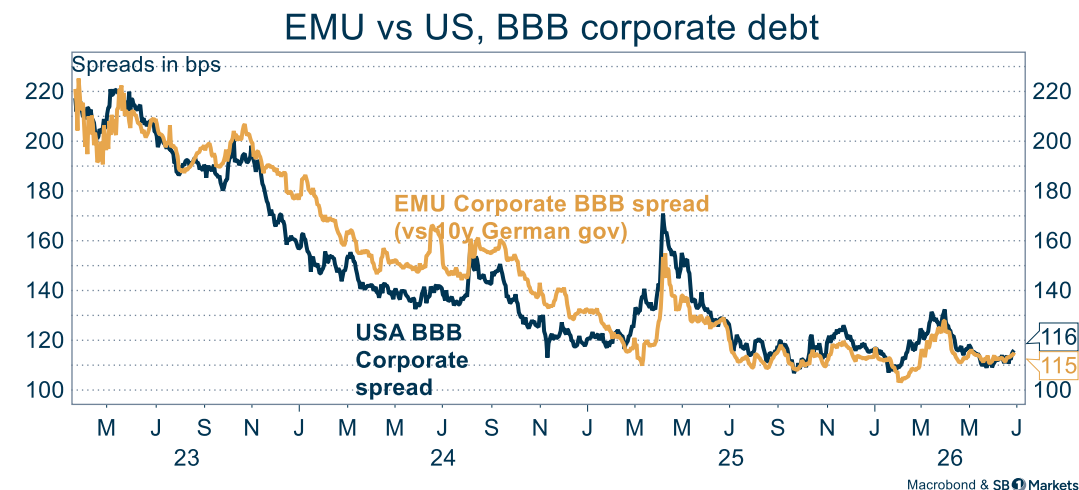
Macrobond & SB Markets

Mind the gap: modest survey growth data, but credit spreads are VERY low

... as though the economy were genuinely thriving. US and European spreads have tightened simultaneously, as is typical – and Norwegian spreads have followed a similar pattern, more or less.



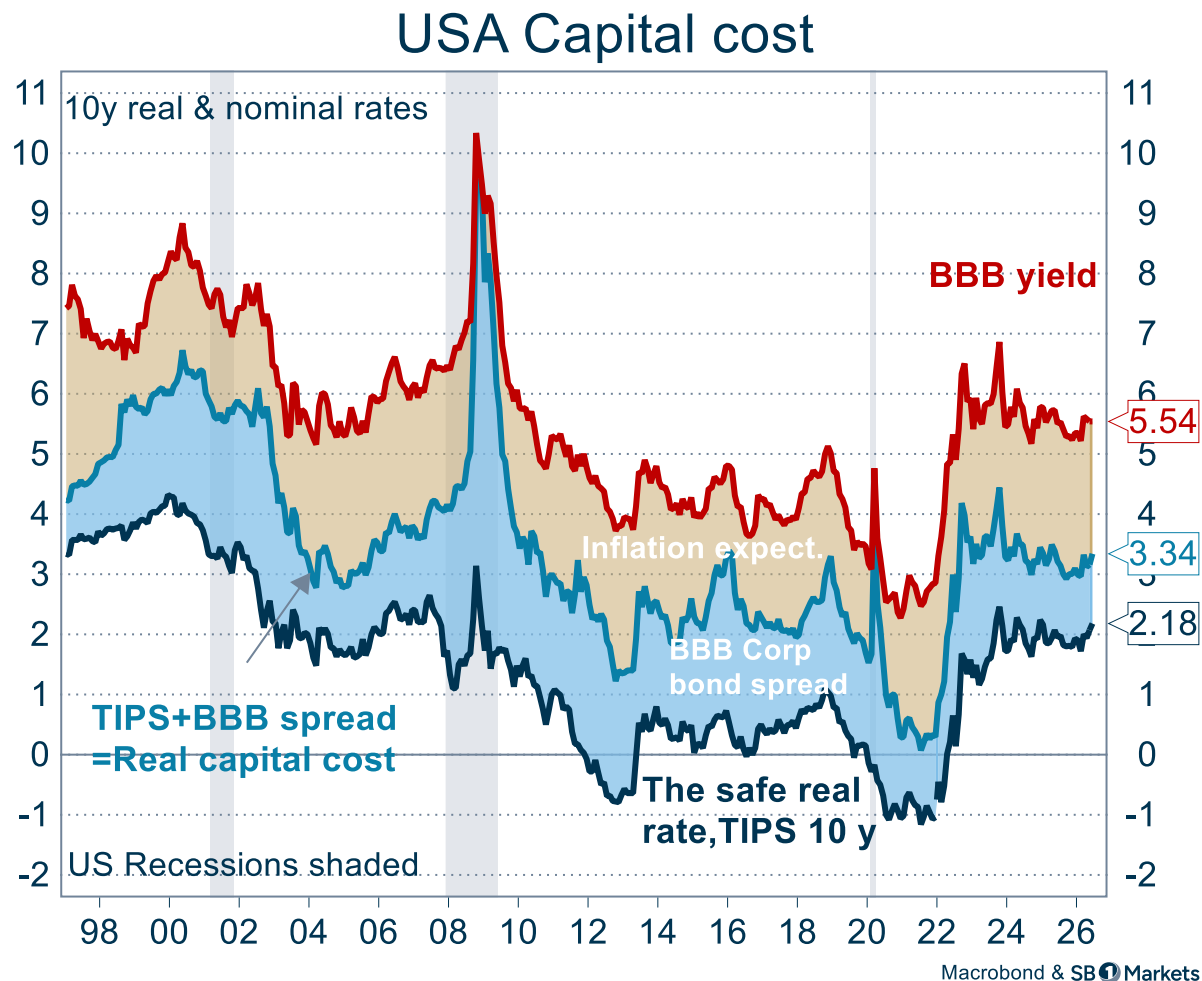
- The main Norwegian bank bond spread (bank 2, 5y senior) was flat at 56 bps. The trend is down, but the level is not rock bottom.





Corporate borrowing costs have been drifting lower but turned up again

Both the rise in government bond yields and the widening of credit spreads contributed.



- The total real borrowing cost for a US BBB investment grade industrial corporation is at 3.3%.
- Adding in inflation expectations, the nominal borrowing cost has declined in recent months, now to 5.5%, from close to 7% at the peak – but up from well below 3% at the bottom in 2020/21

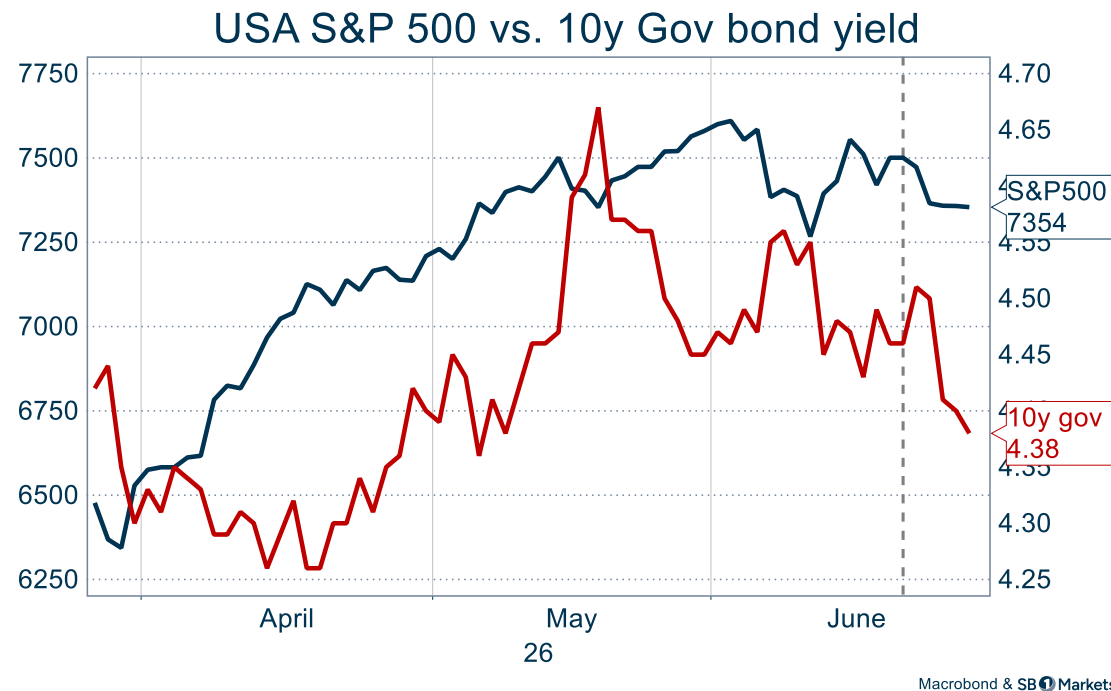
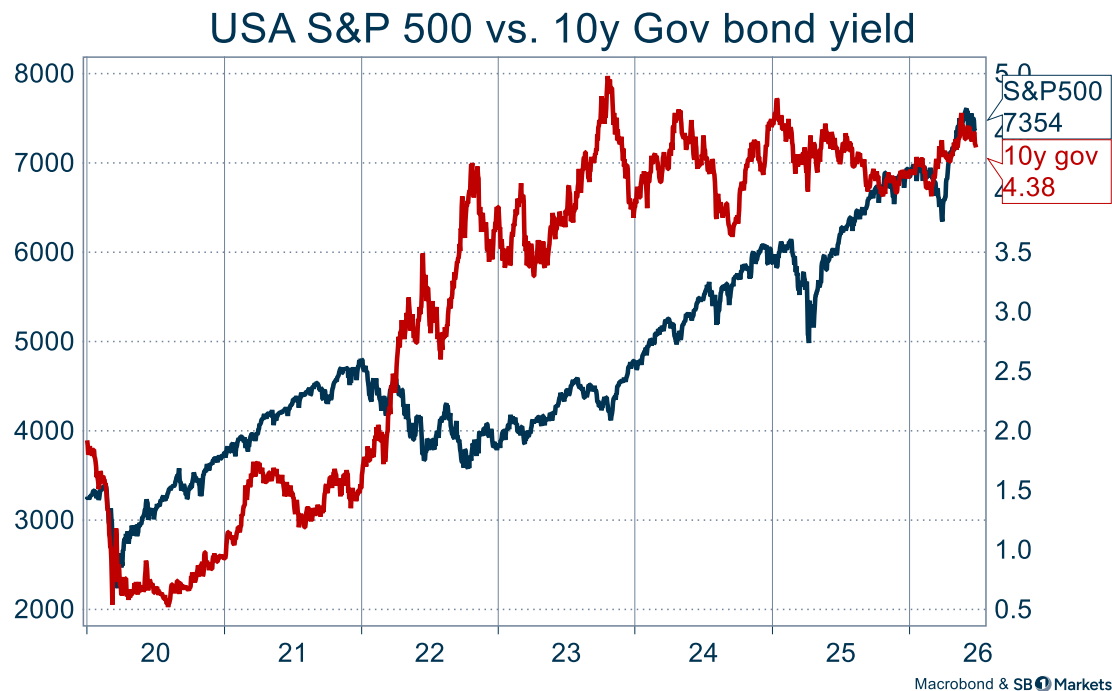


4.3 Equity markets



S&P 500 up and not far below ATH, while the 10y bond yield has fallen since mid-May

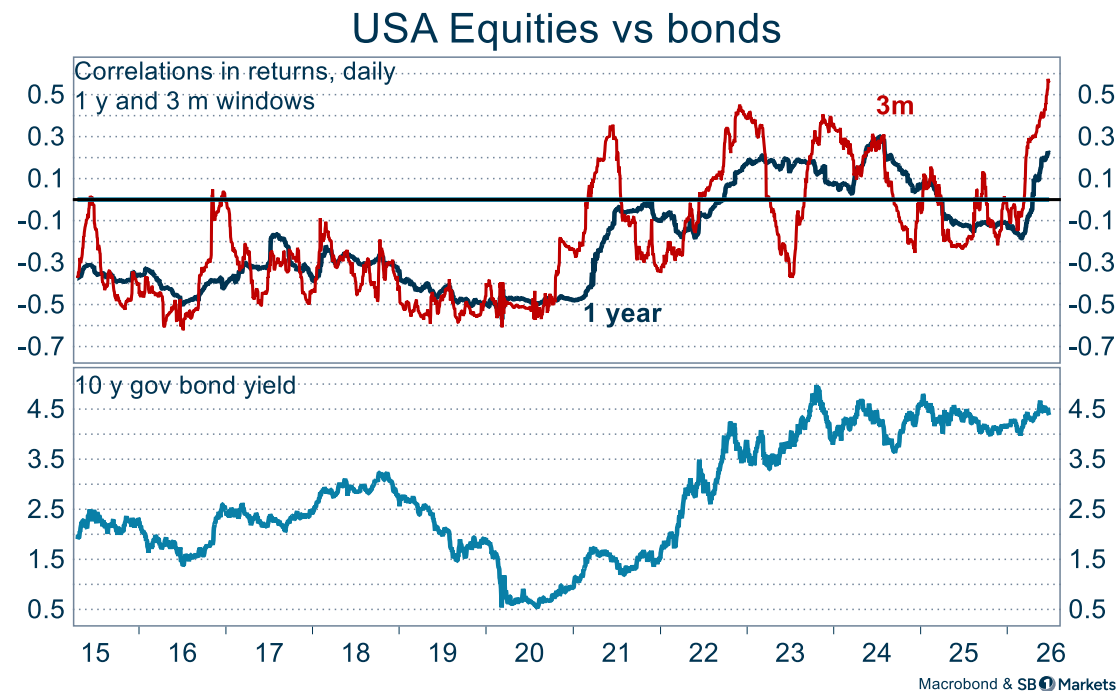
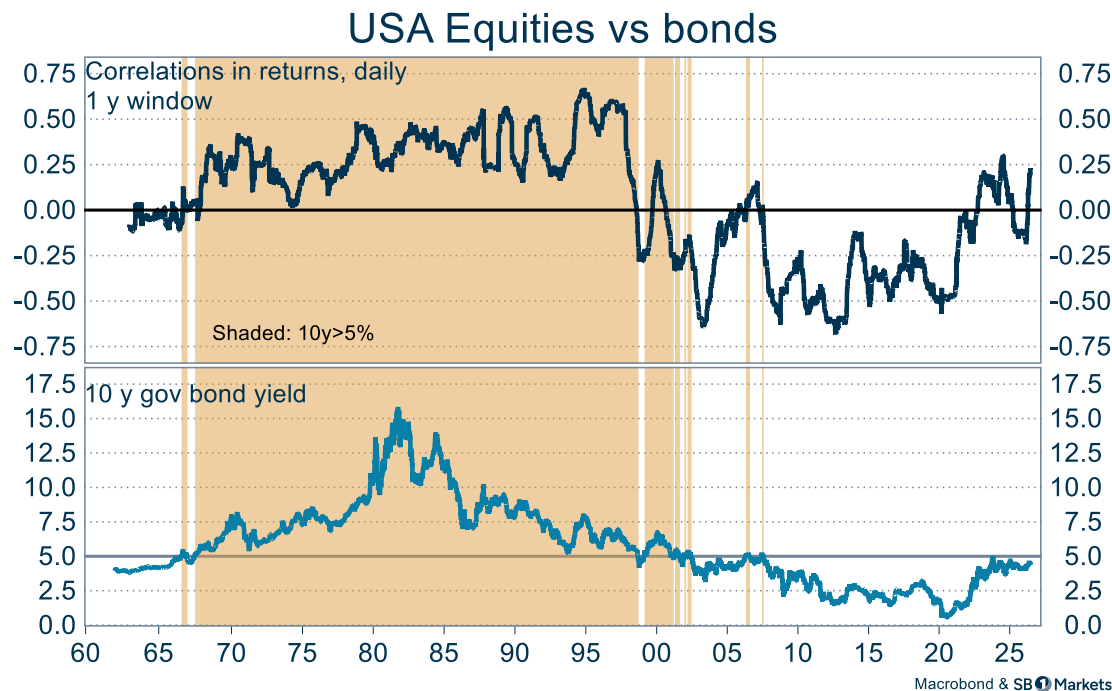
The 10y gov. bond yield declined 8 bps to 4.38%.





Equity–bond return correlation has turned positive in recent months

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.

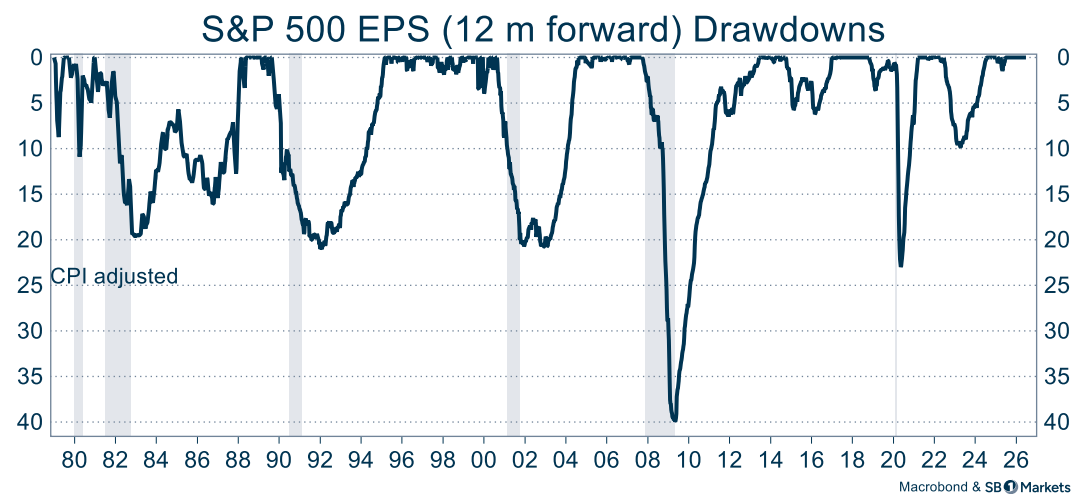
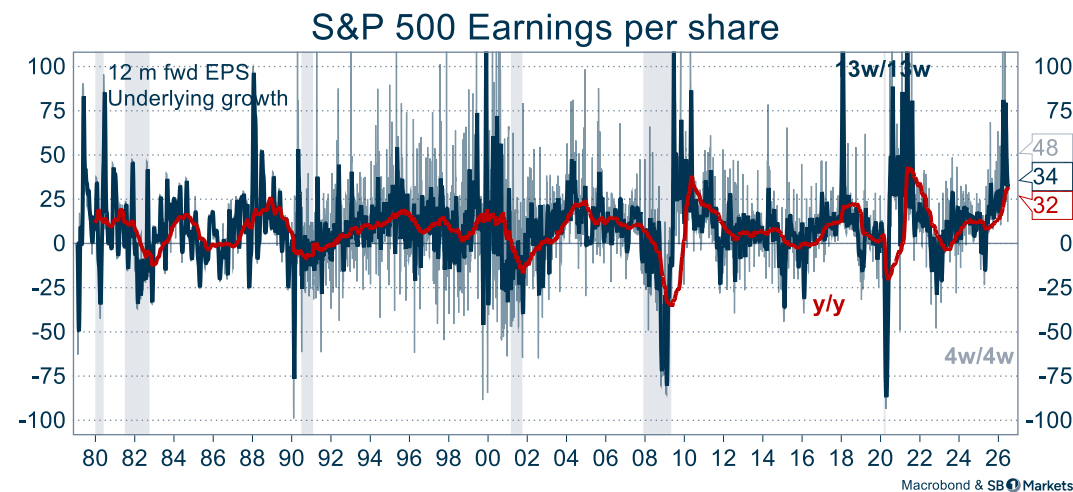
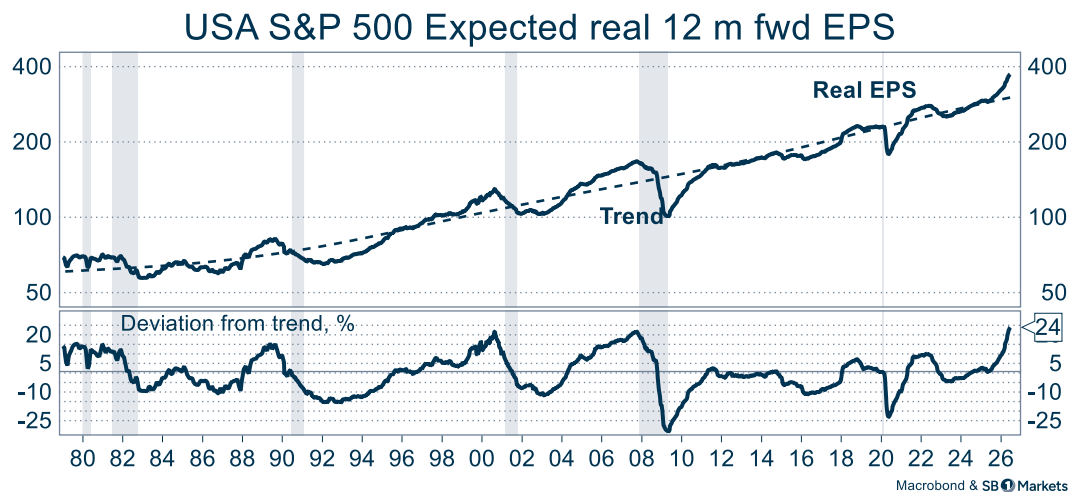


- **Inflation worries** normally lift government bond yields to a ‘high’ level and are normally not positive for equities: thus, a positive correlation (in returns).
- **Growth worries produce the opposite (negative) correlation in returns: lower yields and a weaker equity market.**
- **The threshold** 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 climbing rapidly, 30% y/y!

The 12m fwd. expected (CPI adjusted) EPS is 23% above the long-term real trend path. **Some downside risk?**

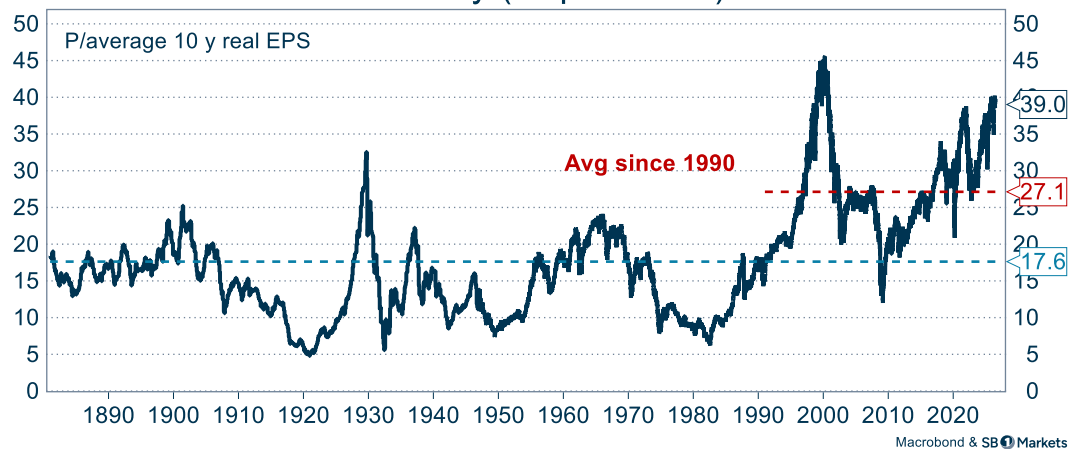




US P/Es are still high, but rapid earnings growth offers some support

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).

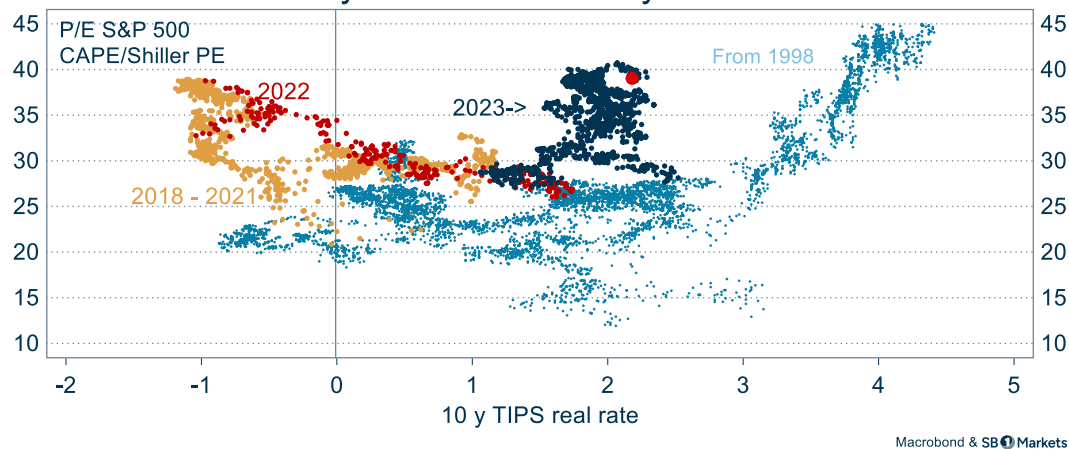
S&P500 10y (Cape/Shiller) P/E



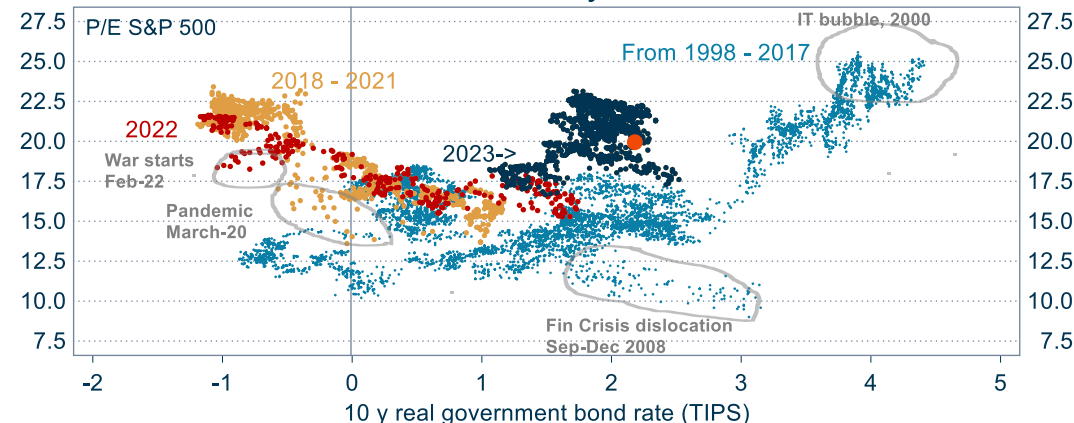
USA S&P 500 12 m fwd P/E



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

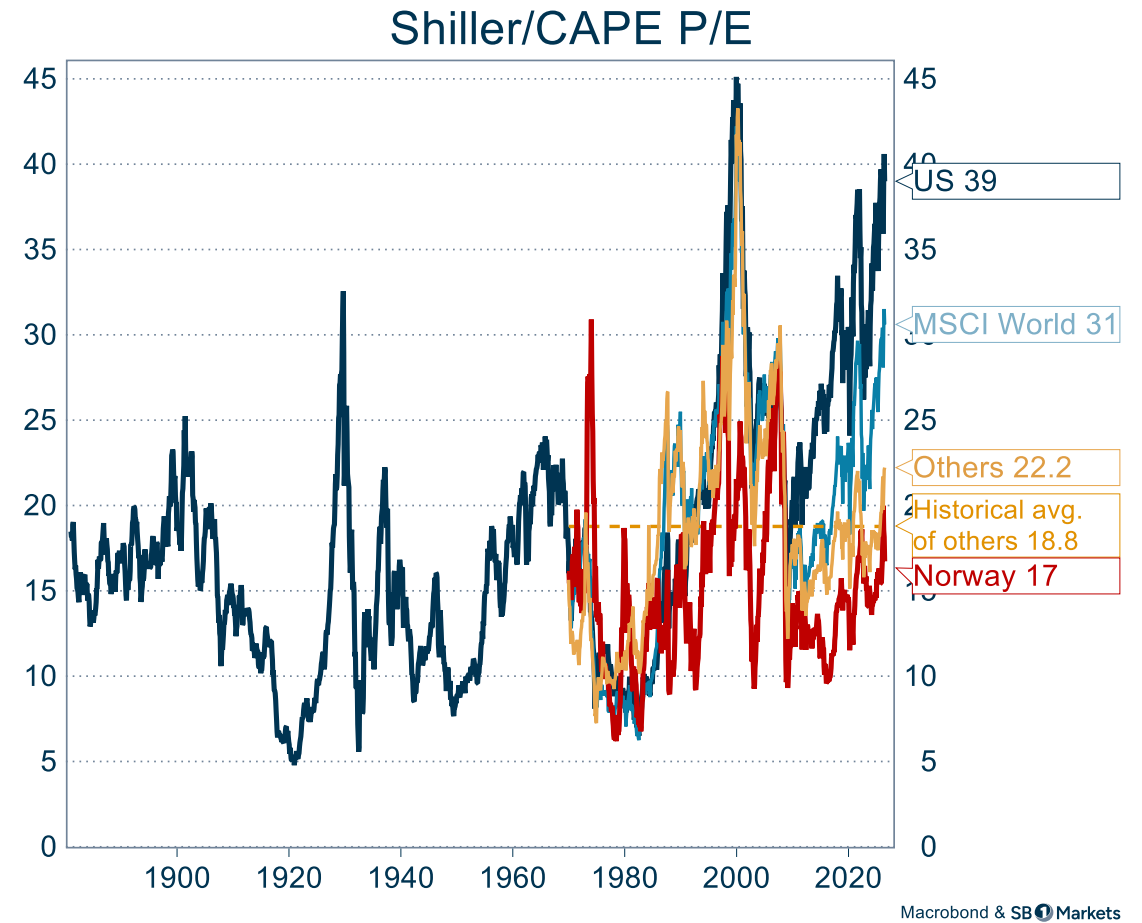
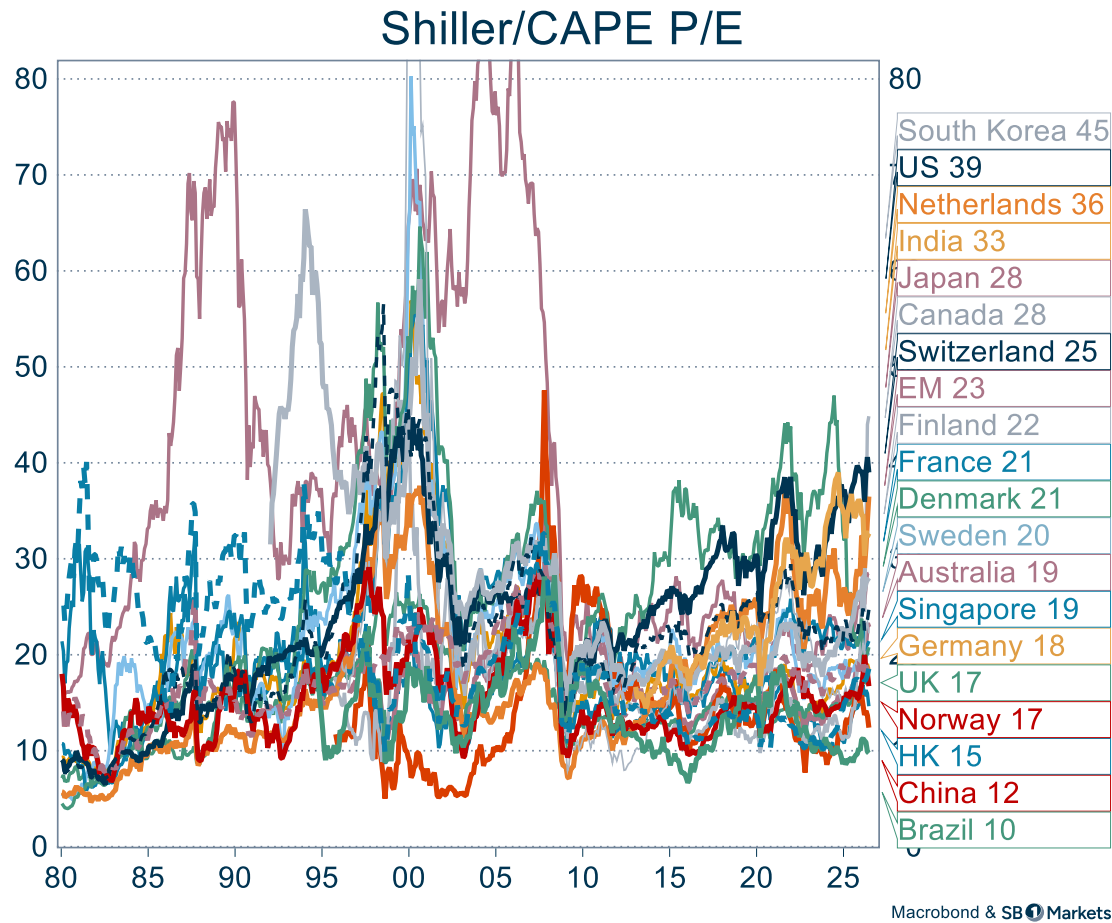


S&P 500 PE vs US 10 y real interest rate



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

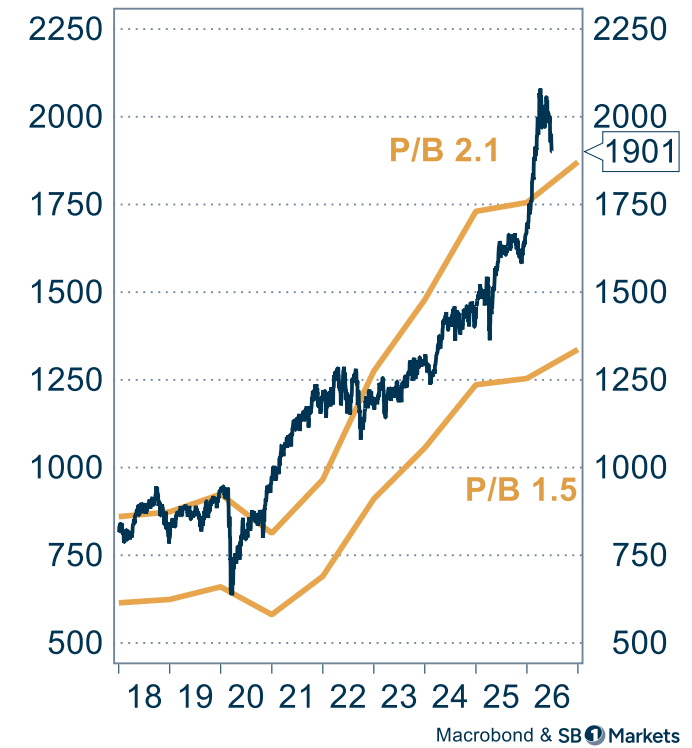
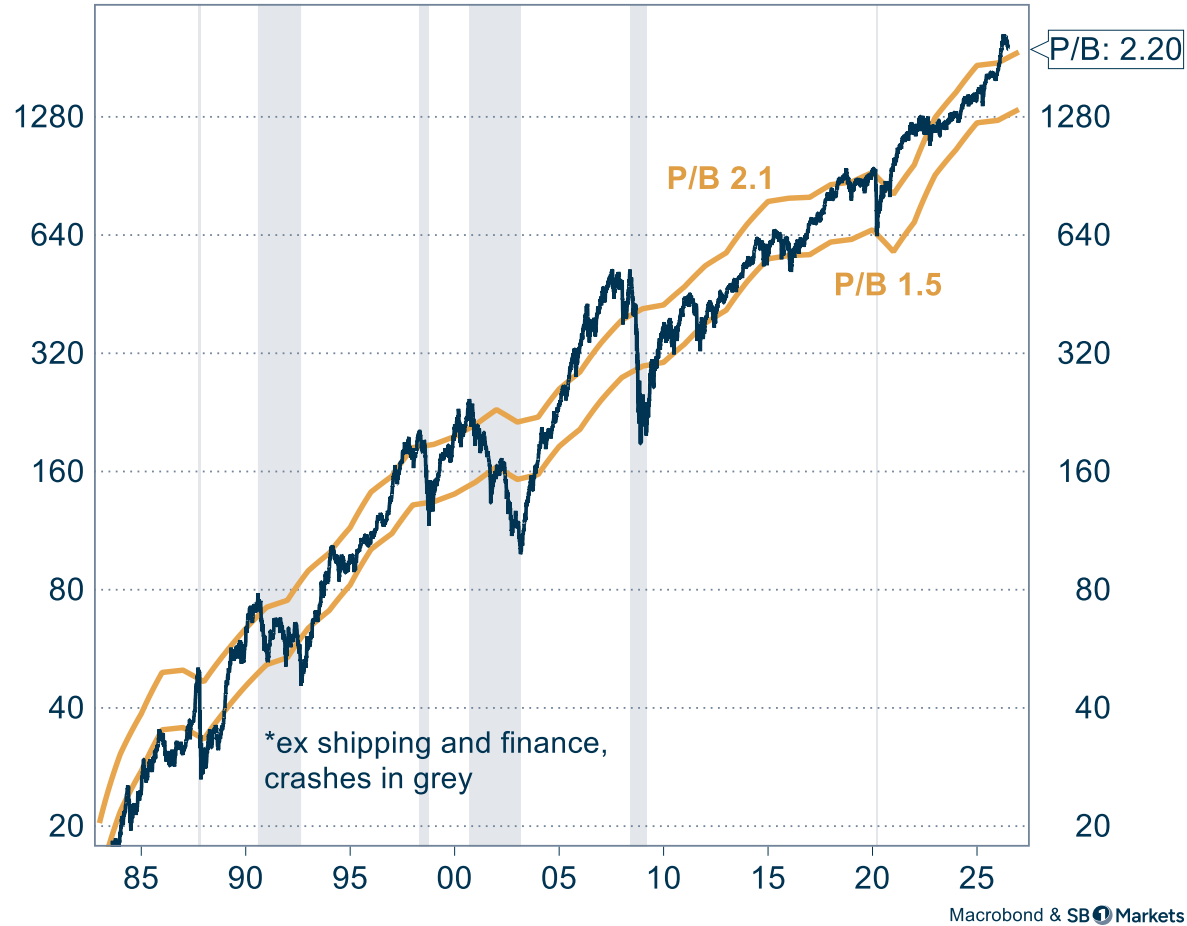
Other markets are almost 20% above an average multiple, 22.2 vs. 18.8. The OSE sits at 17, and not far above an average level. BTW, South Korea and the Netherlands have climbed rapidly lately. They also offer some tech exposure.





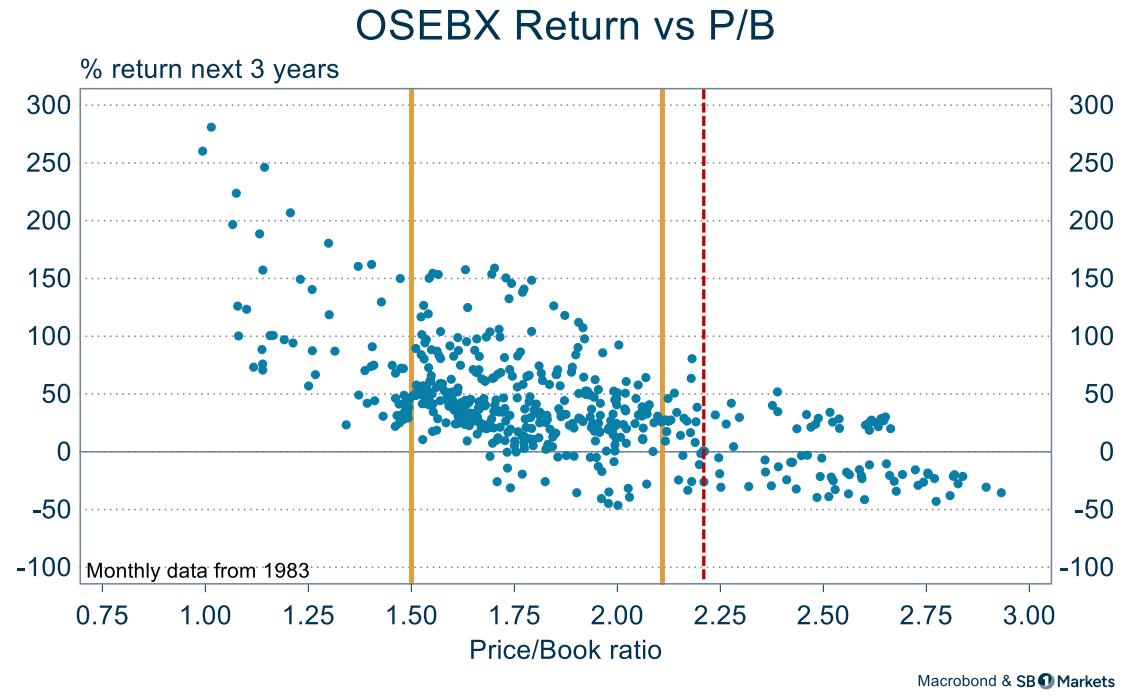
OSE down from the peak, and approaches the upper part of the fair value p/b corridor

OSEBX P/B band*





OSE 3-year expected return: drifting upwards but still not attractive

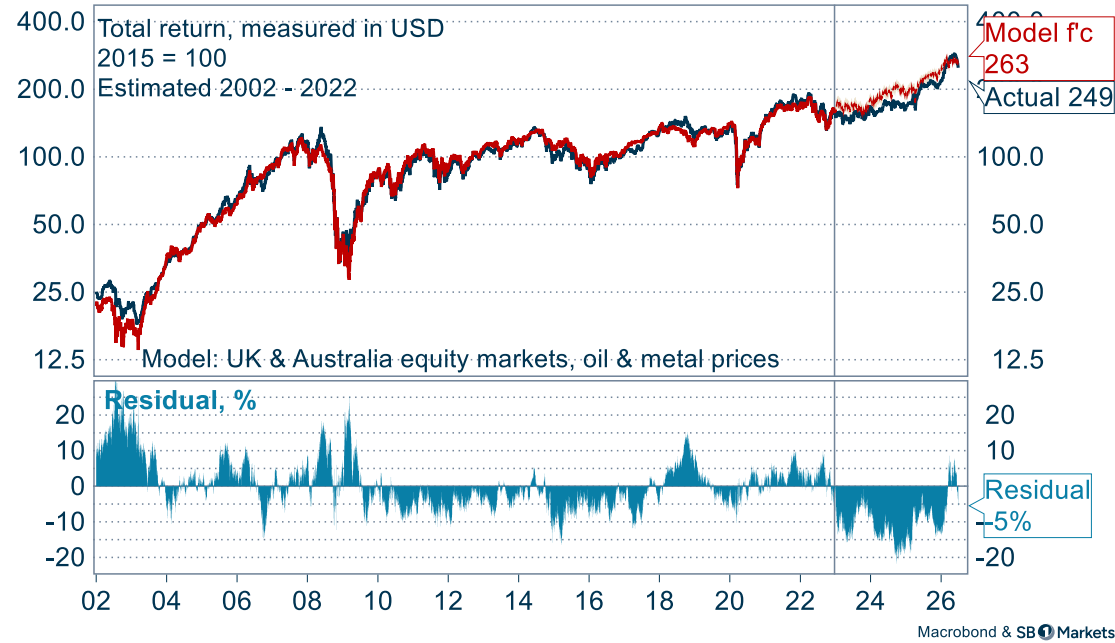




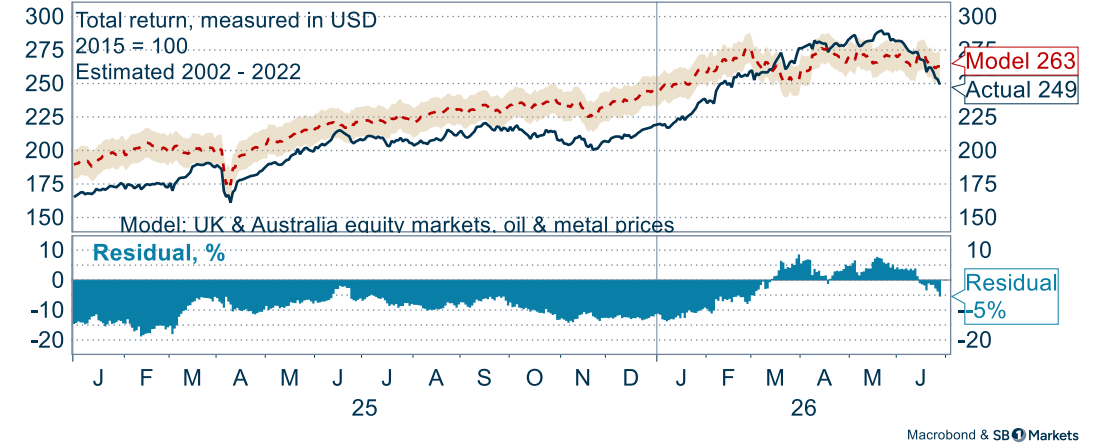
OSE vs. our 'peers'-based level model: a significant drop recent weeks

The OSE is 6% below a model estimate based on FTSE, ASX, oil and metal prices, from up to 8% above in May. Measured over the past 12 months, OSE is up 17%, while our y/y model suggests 13%.

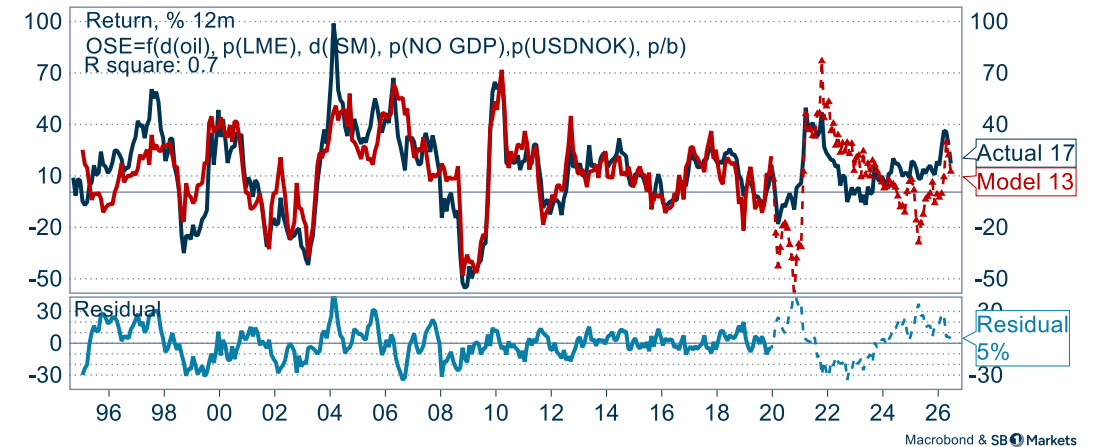
OSEBX - actual vs. model

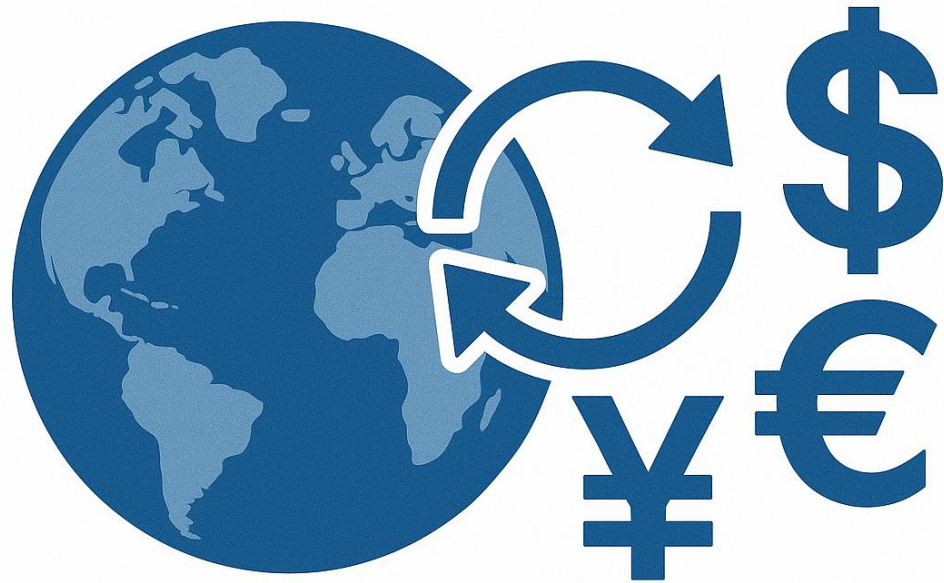


OSEBX - actual vs. model



OSE Return





4.4 FX markets

NOK the loser last week, with AUD, SEK (and RUB). USD the winner, once more!

EURUSD declined 0.6% to 1.140, supported by a less dovish Fed the past two weeks. USD is the winner last month as well. CNY no. 2 on that list. EUR was 0.1% trade weighted last week, and 0.6% last month. NOK is the loser last month, down 5.0%, it is 3% below NoBa's est.

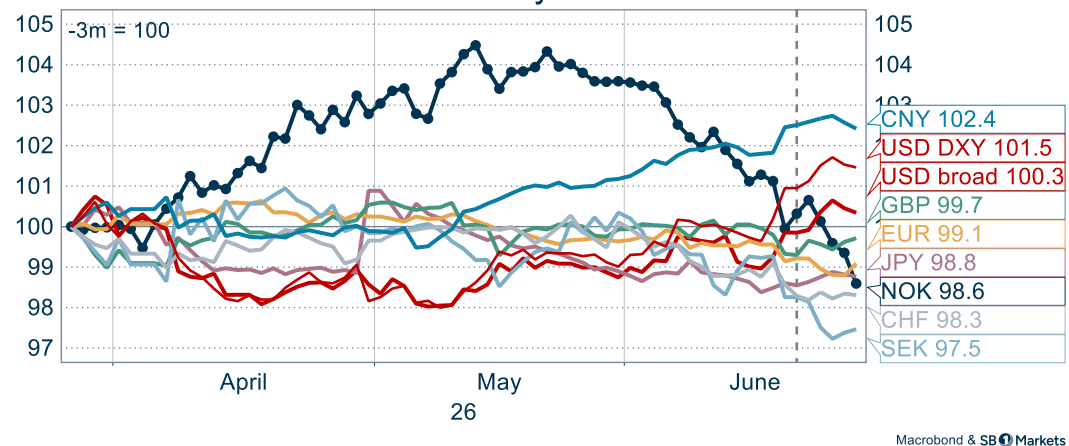
EURUSD



NOK vs EUR & USD



Currency indices



F/x markets

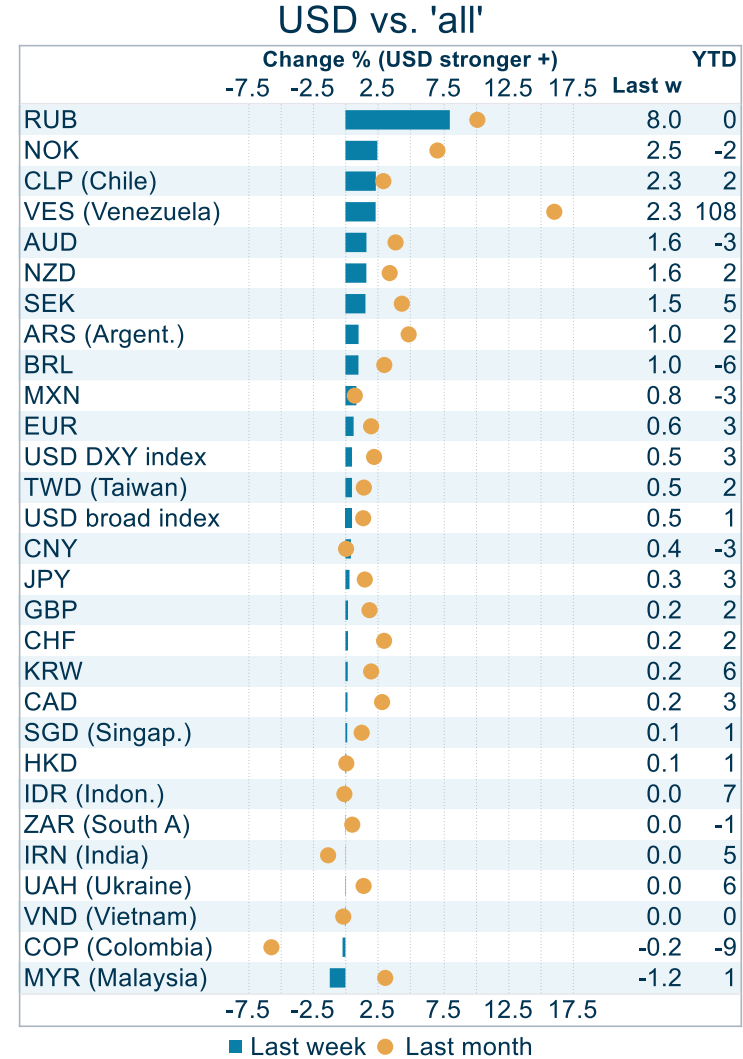
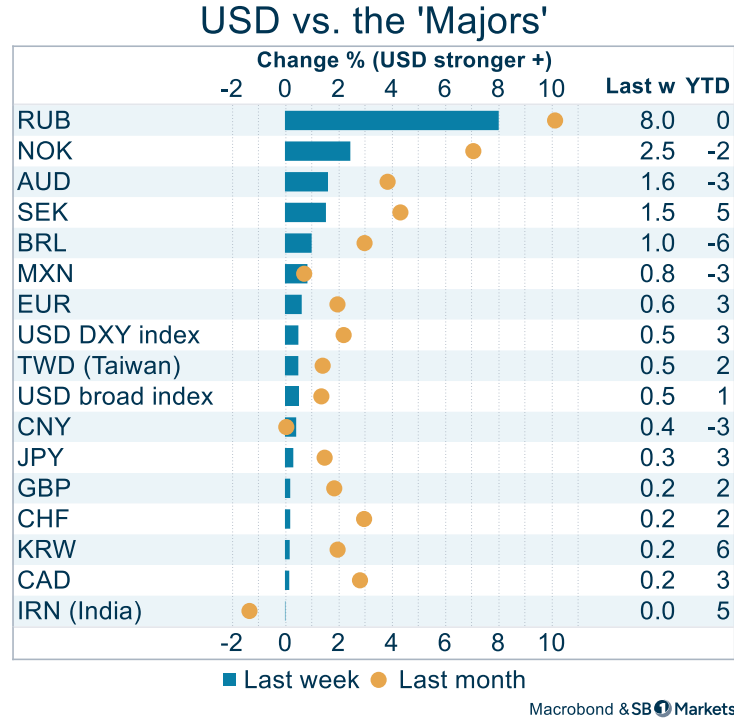
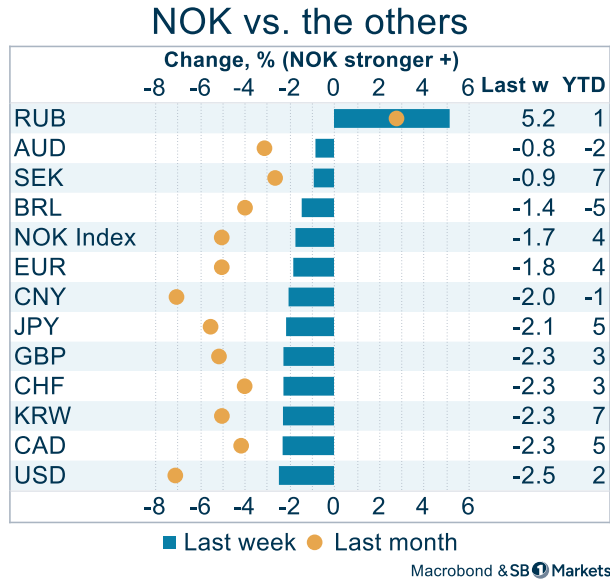
f/x broad indices	% change							Last week	Last month	YTD	Last year		
+ 4 f/x crosses	-7	-6	-5	-4	-3	-2	-1	0	1	2	3		
USD DXY								■	●	0.5	2.2	3	4
USD broad								■	●	0.5	1.4	1	1
GBP								■	●	0.4	-0.3	0	-2
JPY								■	●	0.2	-0.4	-3	-11
KRW								■	●	0.1	-1.0	-6	-11
CAD								■	●	0.1	-2.1	-3	-4
CHF								■	●	0.0	-1.6	0	0
CNY								■	●	-0.1	1.4	6	10
EUR								■	●	-0.1	-0.6	-2	-1
MXN								■	●	-0.5	-0.2	3	9
EURUSD								■	●	-0.6	-1.9	-3	-3
SEK								■	●	-0.8	-2.4	-4	-1
NOKSEK								■	●	-0.9	-2.6	7	4
AUD								■	●	-1.2	-2.7	4	8
NOK index								■	●	-1.7	-5.0	4	3
NOKEUR								■	●	-1.8	-4.8	5	4
NOKUSD								■	●	-2.4	-6.6	2	1
RUB								■	●	-5.1	-6.6	2	2

■ Since 15 May ● Last month

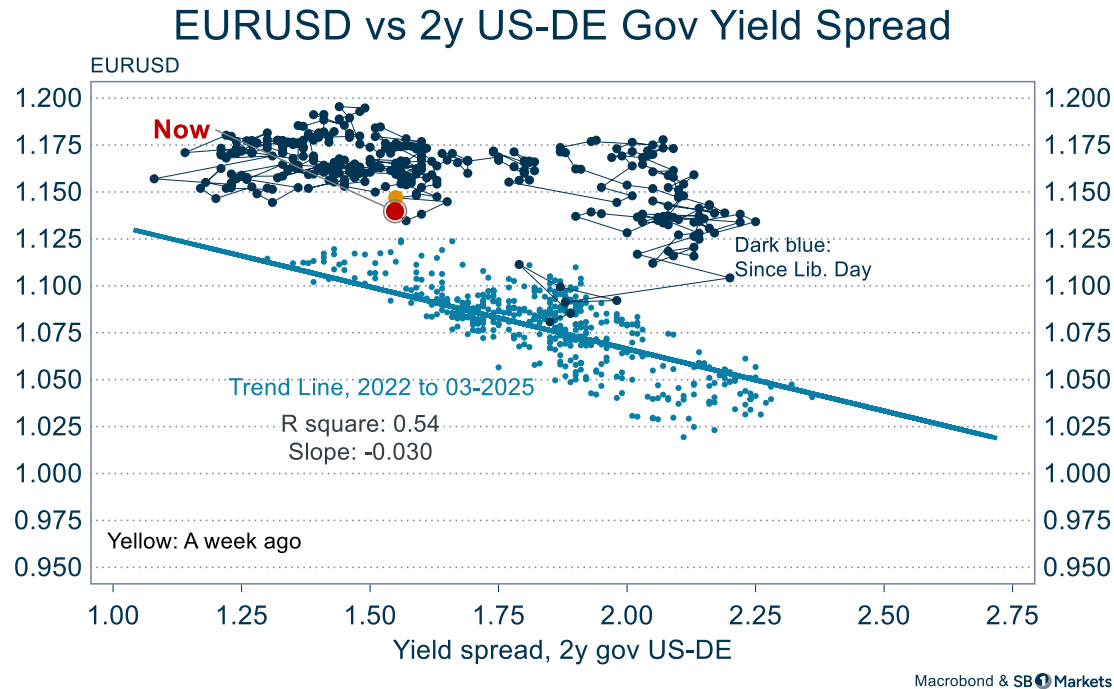
In the table, we present both the broad USD index relative to 'all' currencies and the standard DXY index, where the USD is measured relative to a few DM currencies.

FX: NOK depreciated vs. all, barring RUB. The USD appreciated vs. almost all other f/x

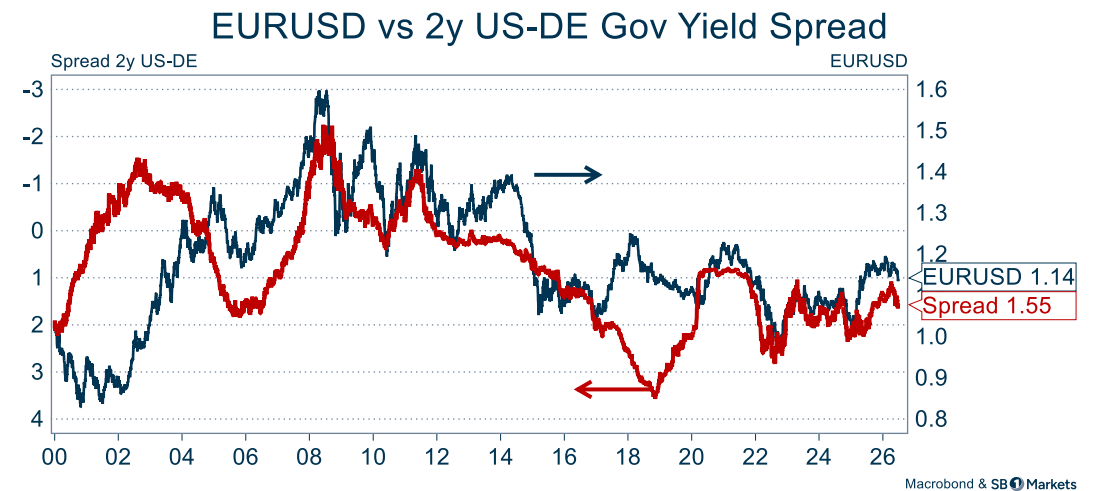
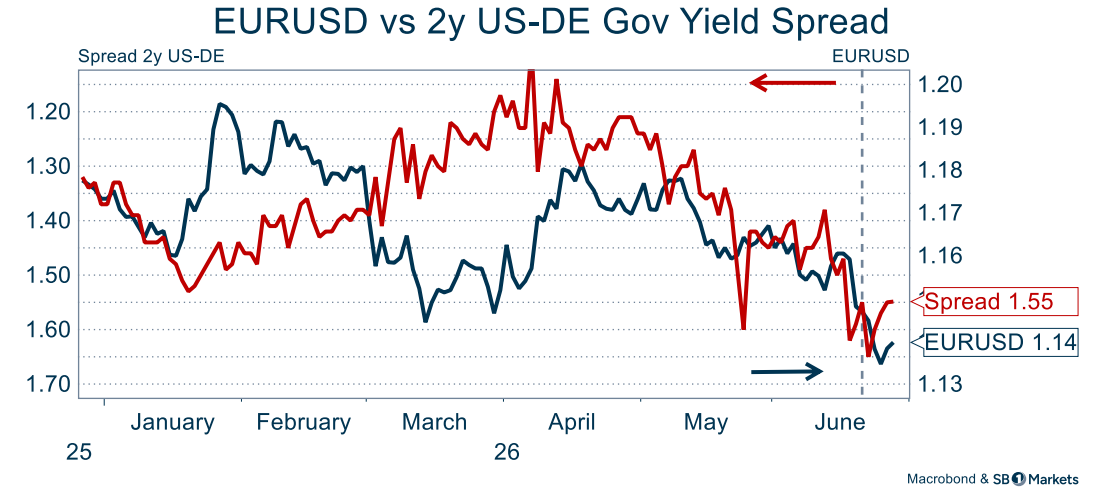
NOK has still appreciated 4% so far in 2026, while the USD has strengthened approx. 2%



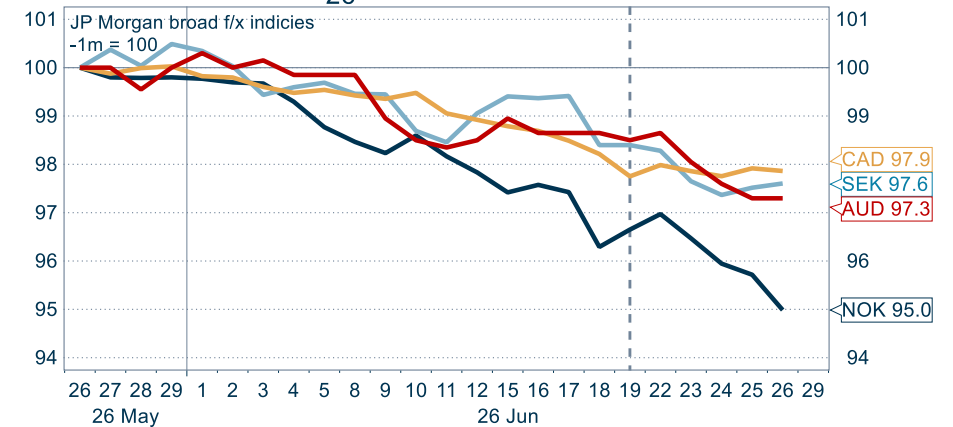
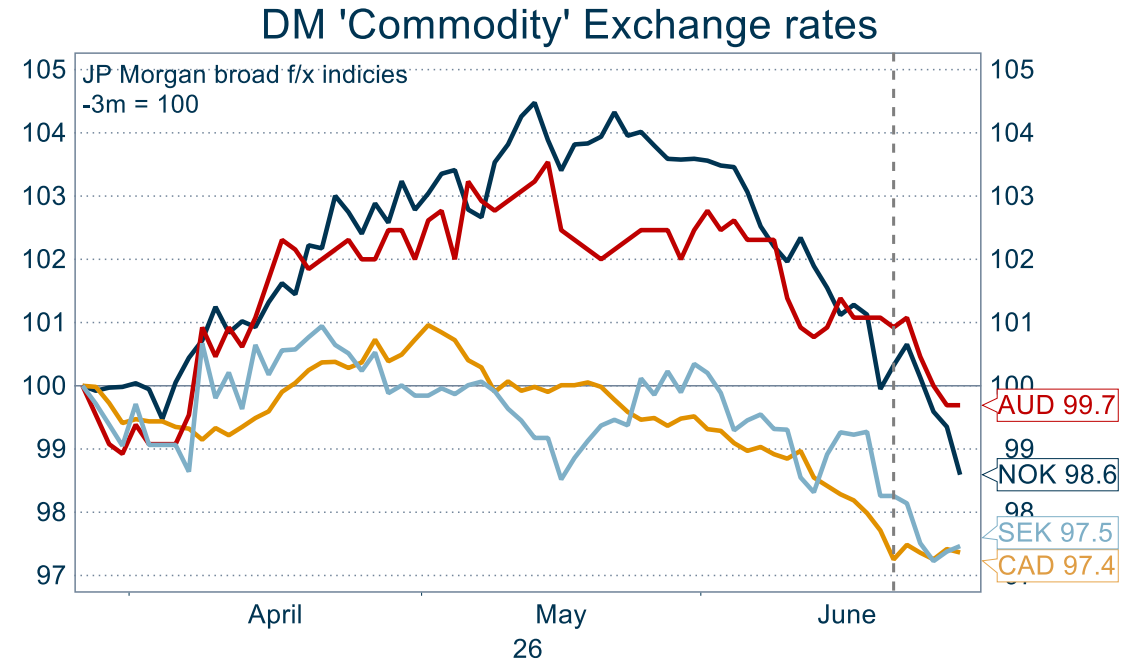
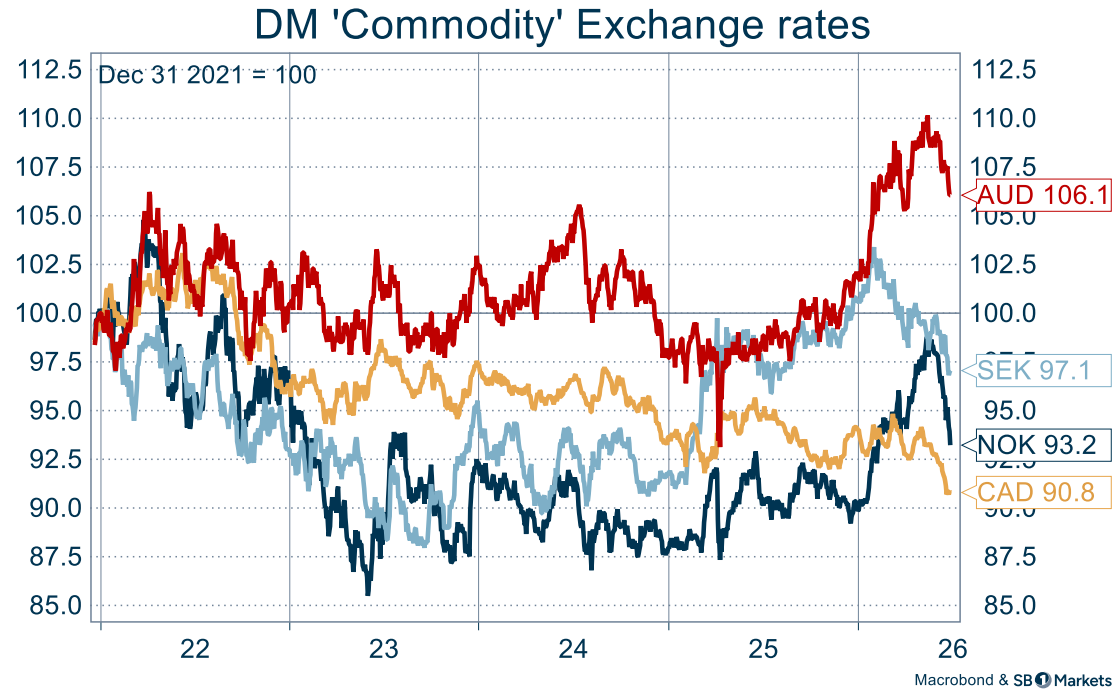
EURUSD (almost) flattened, as did the rate differential



- 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.
- The Liberation Day tariff announcement and US tariffs seem to have weakened the USD by some 7% (the shift from 'blue to black dots')



'Commodity' FX: all weaker since the start of June; NOK the most

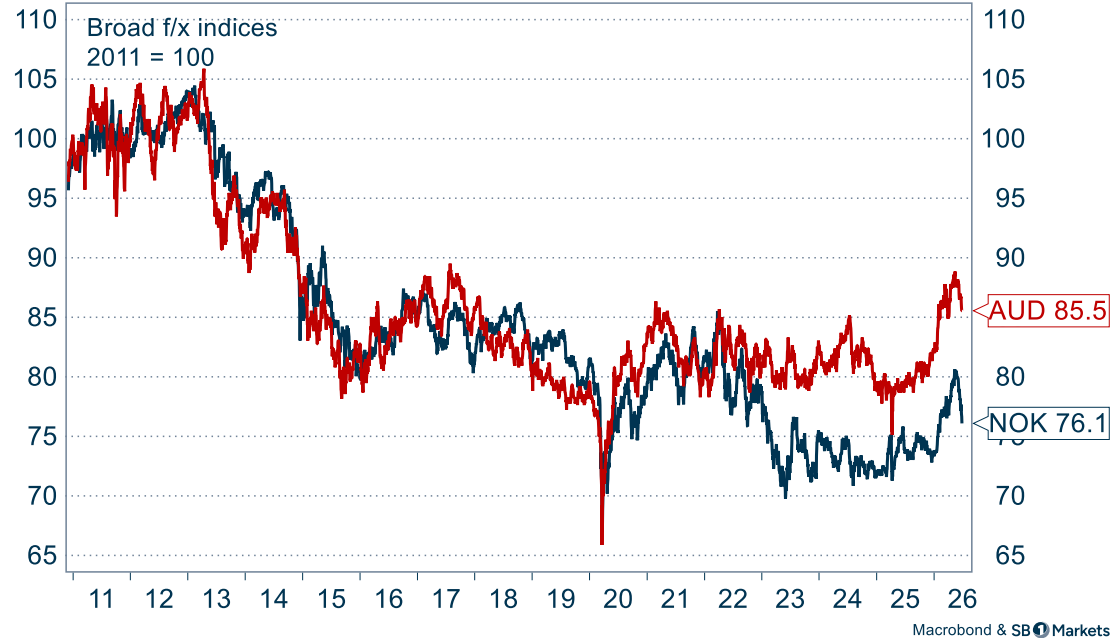




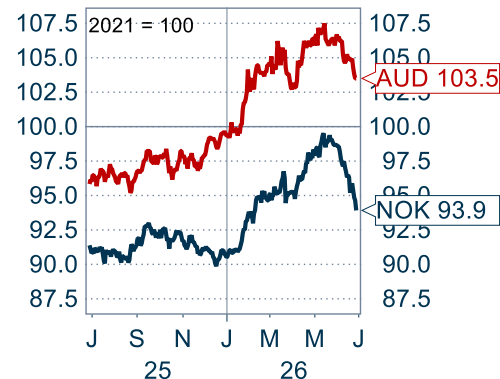
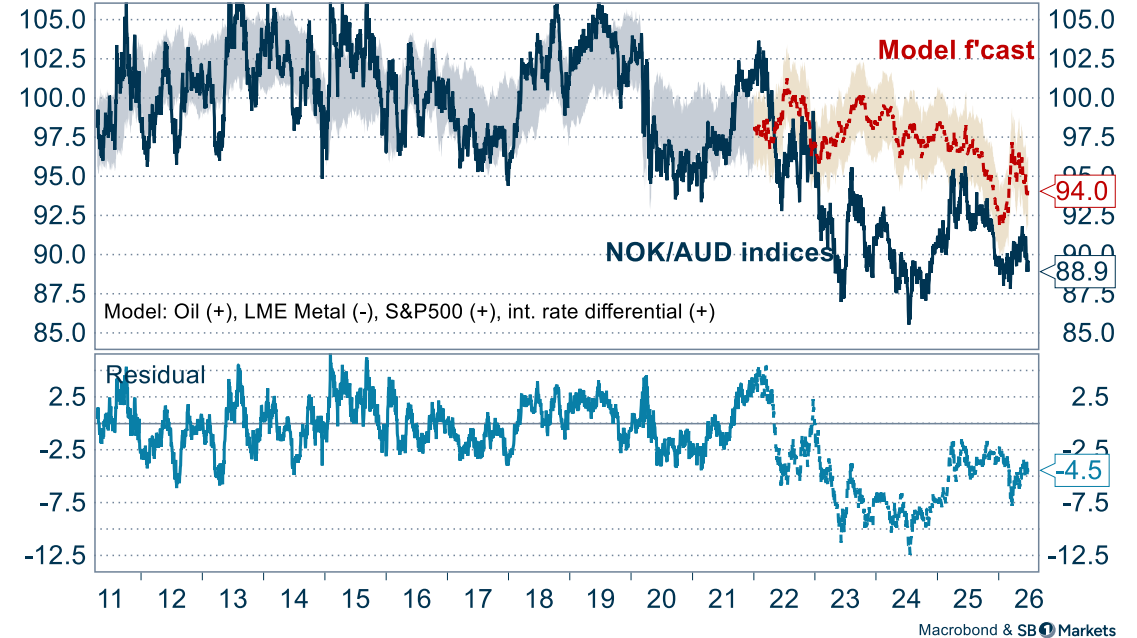
NOK weaker relative to AUD than our model suggests, but rather stable lately

... relative to our NOK/AUD FX index model

AUD vs NOK



NOK vs AUD

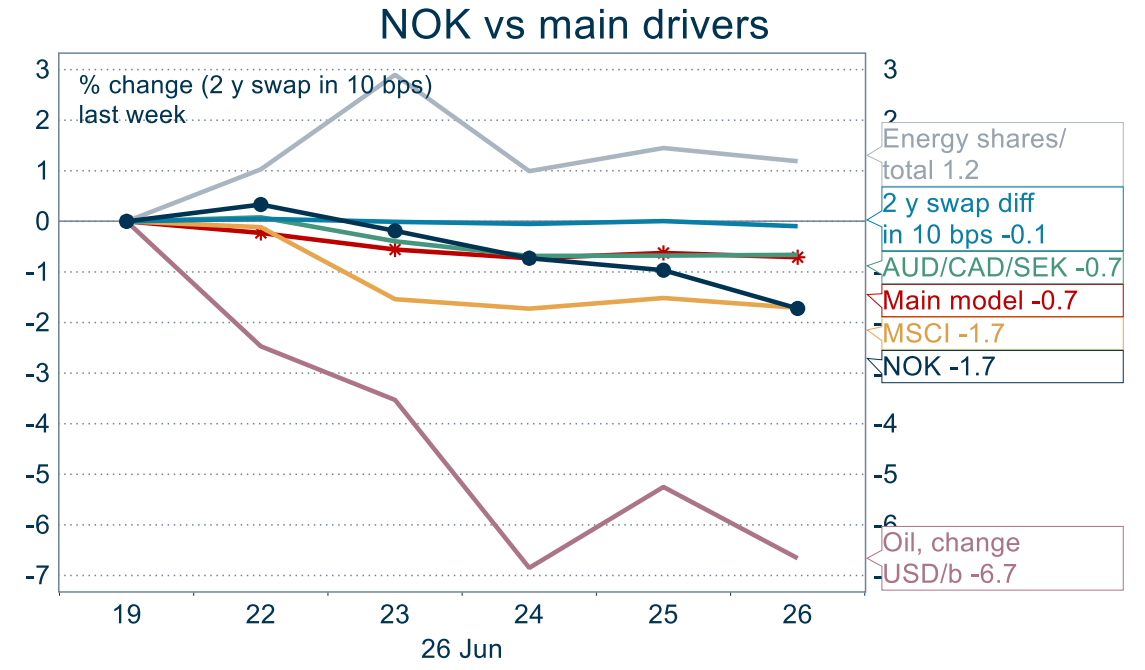
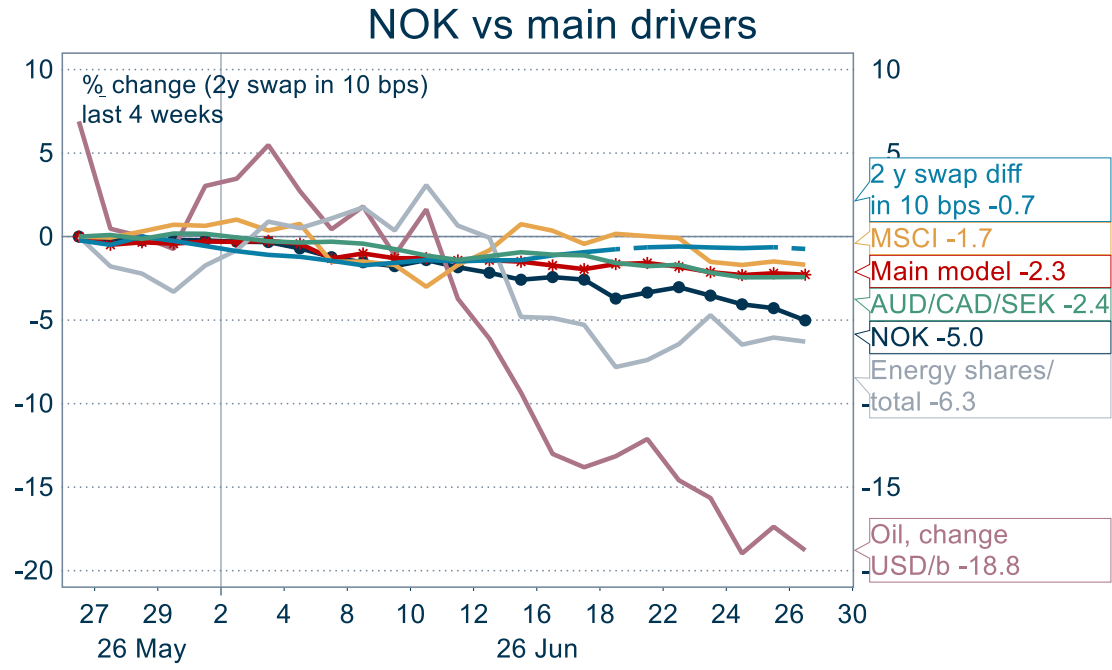


- NOK and AUD have been very closely correlated over the past 15 years, at least until early 2023.
- Our NOK/AUD index model explains most of the small differences between the two FX indices. Normally, the NOK index strengthens relative to the AUD index when the oil price rises relative to the LME metal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



NOK depreciated 1.7%. Our model suggested 0.7%, as the oil price fell

Last month: NOK has depreciated 5.0%. Our model suggested a 2.3% depreciation, mostly due to the USD 19/b decline in the oil price.



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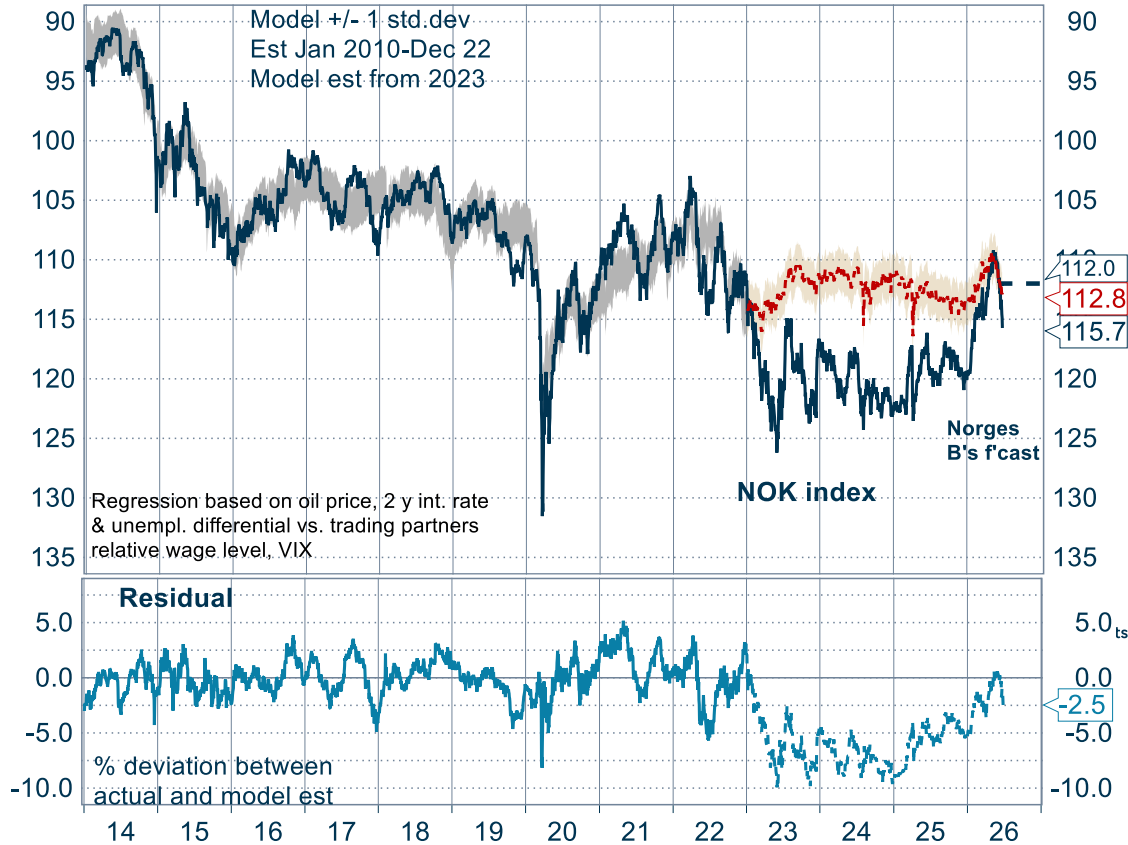
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NOK depreciated further last week, and more than half of the gain in 2026 is reversed

The NOK weakened 1% vs. our model forecast, and NOK is suddenly 3.2% below NoBa's forecast, surely increasing the odds for a rate hike in August/September. NOK has followed the oil price down to where they both came from just before the Gulf war started.

NOK exchange rate model



NOK exchange rate model

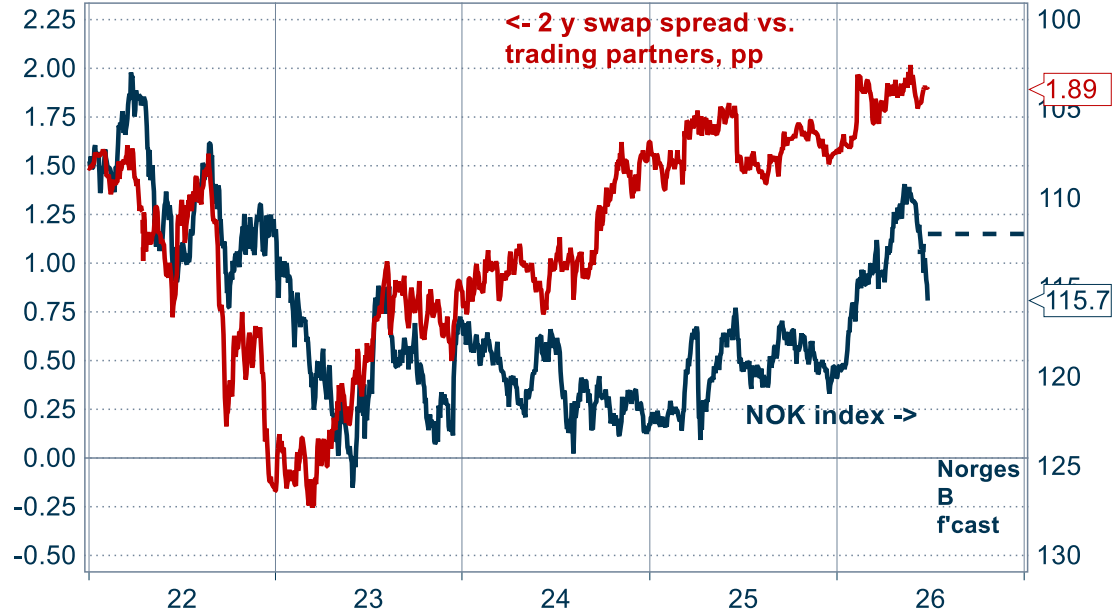




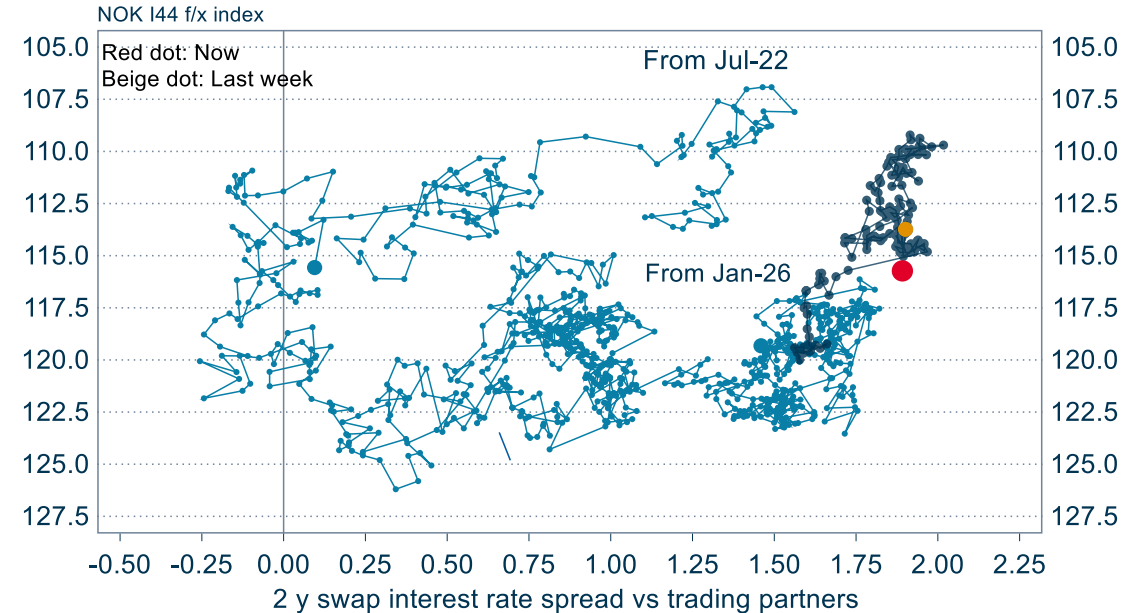
The rate differential has widened recently (but the NOK has followed the oil price down)

Still, so far in 2026, NOK has correlated with the 'right sign' with the 2y swap differential vs. trading partners, if not week-by-week. However, the *partial* correlation is not impressive over time.

NOK vs interest rate spread

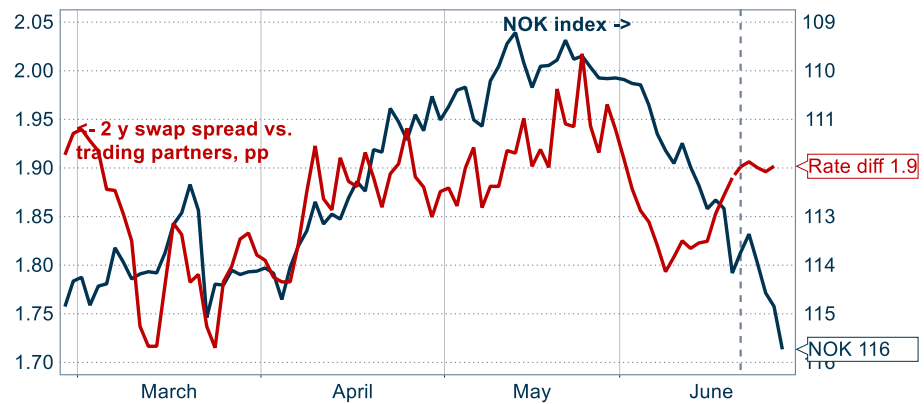


NOK vs. 2 y swap spread



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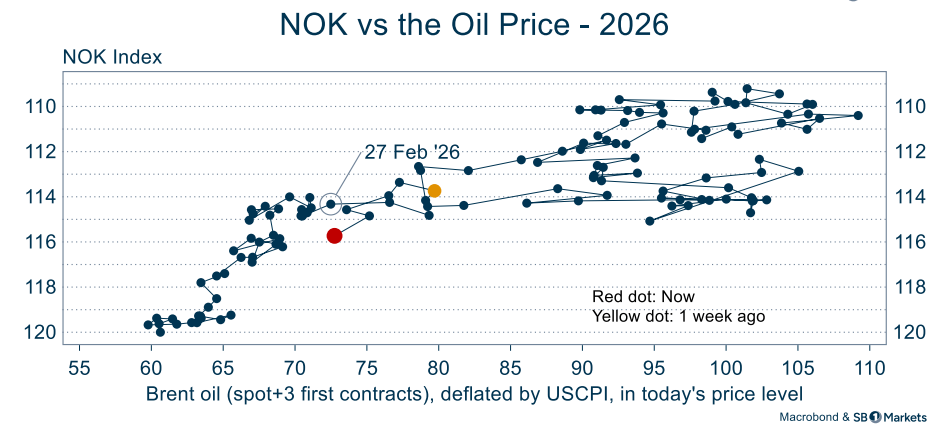
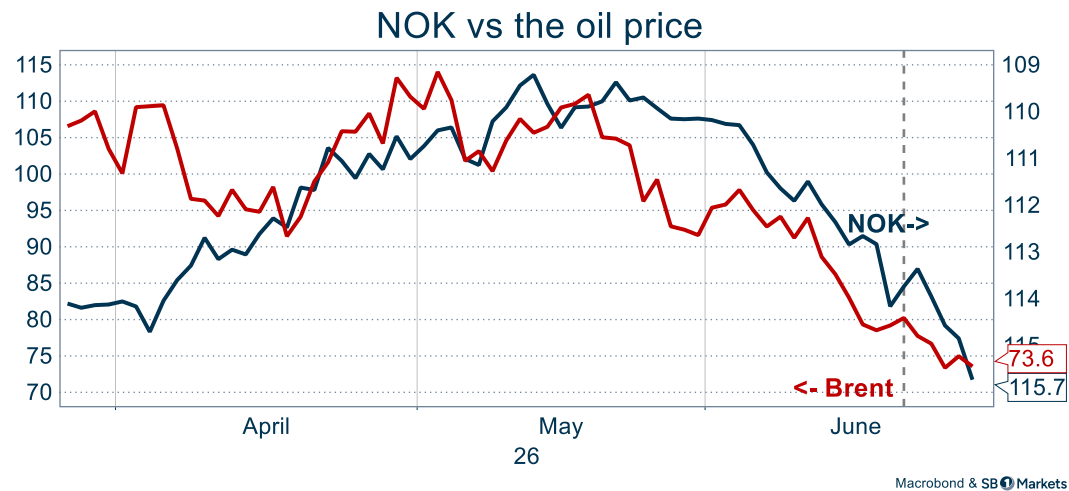
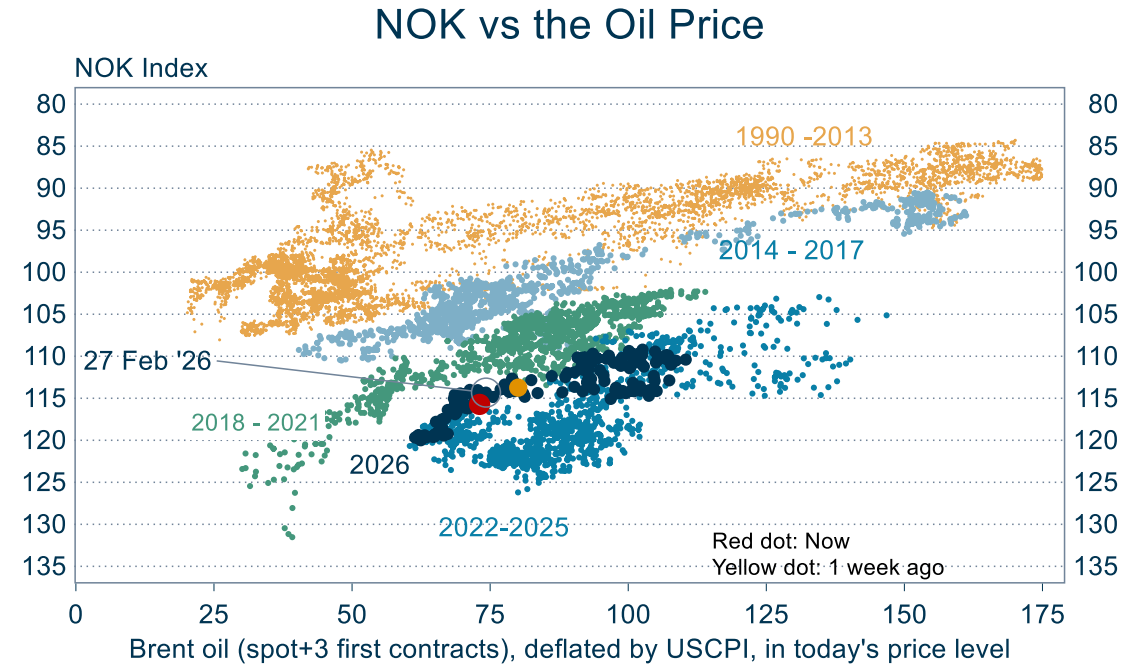
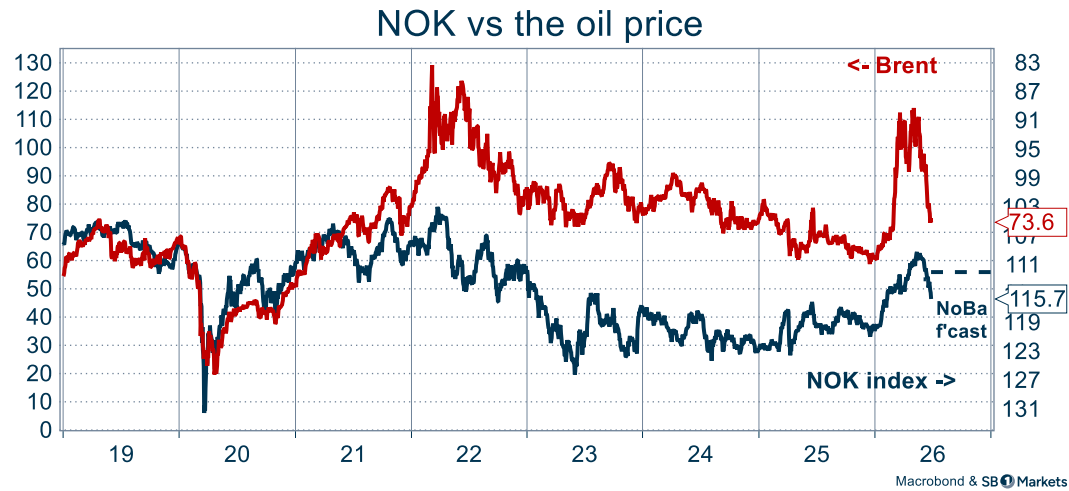
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NOK has followed the oil price down – back to where both were in late February

NOK is in fact a tad weaker vs. the oil price than on 27 Feb, the day before the Gulf war started.





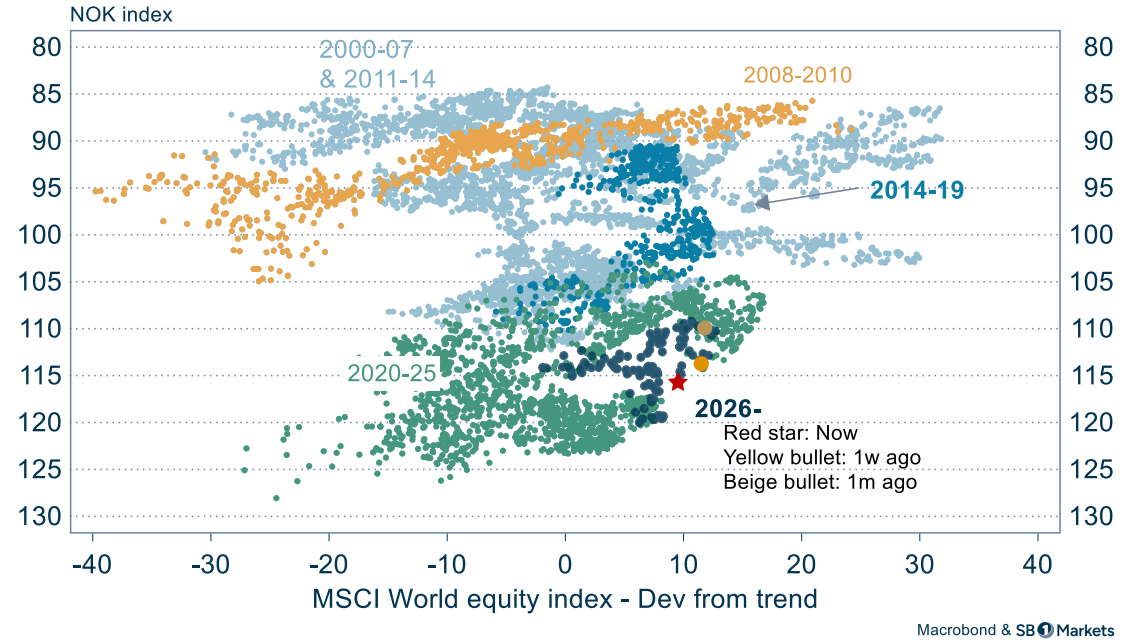
Global equities turned down, and the NOK followed suit

The correlation has been far from perfect over time, but a stronger stock market has usually been supportive of the NOK – and vice versa
Now, the oil price works in the other direction, of course.

NOK Index vs. global equities

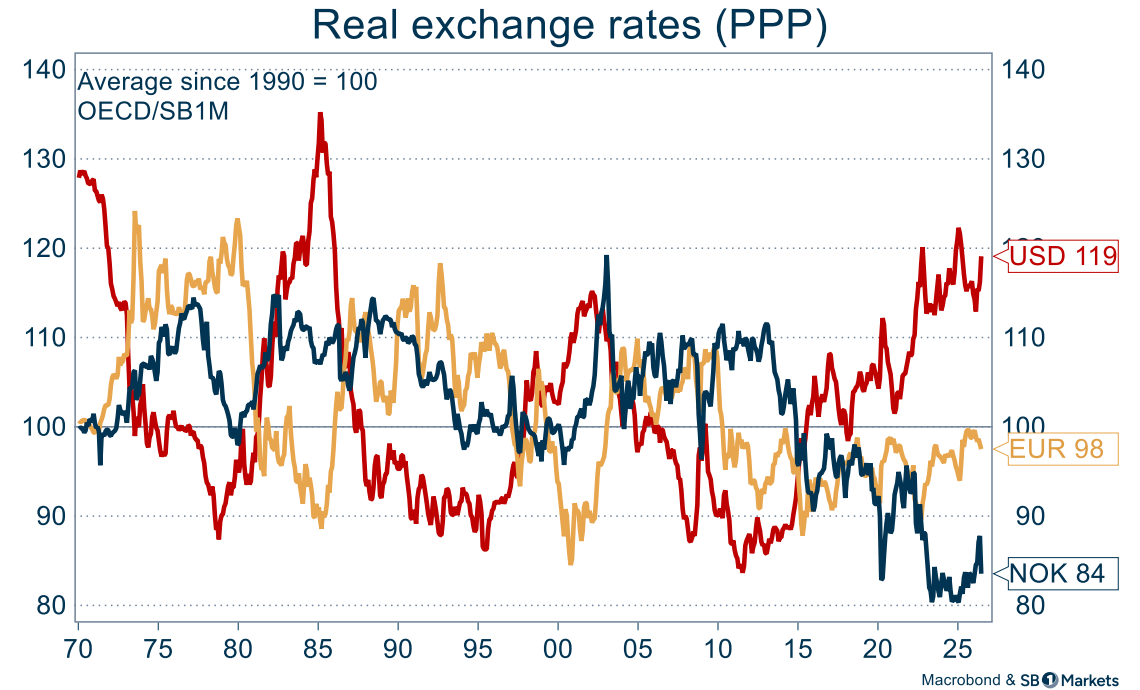
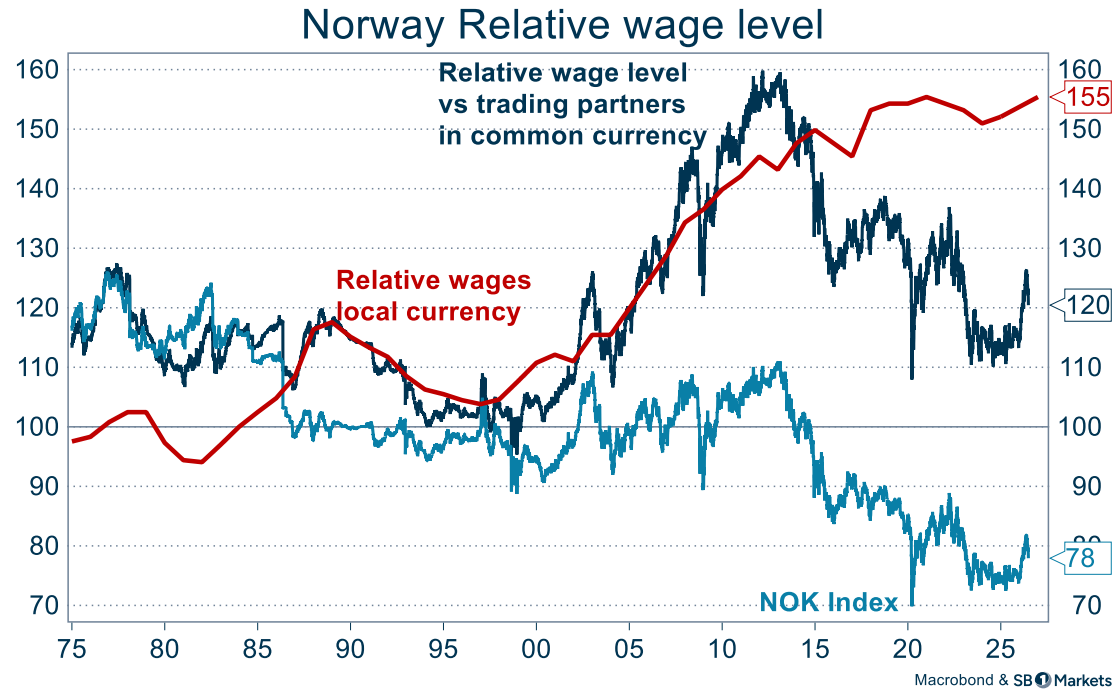


NOK vs. MSCI world index





NOK weaker – and probably too weak



- 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 a quarter of imports, justifying a higher cost level. The current wage-cost gap is 20%, 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 is 16% below the 1990 average relative to trading partners, improving from 20% below.
- Other currencies:
 - The real USD exchange rate is well above a long-term average level – and has appreciated recently
 - The real EUR exchange rate is close to an average.

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