SB1 Markets



Macro Weekly

Week 46 2026

09/11/2026

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Last week – markets: *the US midterms have a bigger effect than expected*

- **Big picture:**
  - **The blue sweep** in the midterm elections may influence politics and thus the economy and markets more than we (and most others) assumed. The US may be looking for a way out of the Gulf conflict, without a new escalation. Markets responded: oil and European natural gas prices tumbled. The AI segment was further beaten down on the stock market as data centre construction may be slowed down in several states (which most likely would be positive for the sector and financial stability, long term). Rate expectations and bond yields fell due to lower inflation expectations, very likely supported by the decline in energy prices. Macro data were in sum on the upside, though, especially in the US.
- **Commodities:** ***down***
  - Brent spot was down almost USD 20/b, and the average price in the coming 12 months was down USD 12/b. LNG prices fell sharply as well. Metal and food prices also fell.
- **Equity markets:** ***AI worries***
  - The global market was down 2.3%, S&P500 -2.7%, while Nasdaq was down 4.9%, (the 4th weekly decline in row) and the AI segment in US -7% (and semiconductors -12%, down 38% from the June peak). The US market is still dependent on strong earnings growth in the coming years to defend the current multiples. Other markets are not on sale either, nor is Oslo Børs at P/B 2.33, even after a 4.4% setback last week.
- **Short-term rates:** ***down all over the place, the least in USD, the most in NOK***
  - **Central banks** delivered as expected last week, 3 hikes and one hold (*check next page*).
  - **The Fed** is still (mostly) expected to hike once more in December, and one more hike is discounted next year.
  - **The ECB** may hike in December (60/40), and in sum 2 hikes before end of 2027.
  - **The Bank of England** may hike in Dec. (50/50), and some almost 3 hikes are discounted before end of 2027.
  - **The Riksbank** is expected to hike 2¾ times before end of 2027.
  - **Norges Bank** will keep the policy rate unchanged at 4.50% before cutting once in 2028.

Policy rates, market exp.	USA	UK	EMU	Sweden	Norway
2024 Peak	5.33	5.25	4.00	4.00	4.50
...Change from peak	*-1.45*	*-1.25*	*-1.50*	*-2.00*	*0.00*
Now	**3.88**	**4.00**	**2.50**	**2.00**	**4.50**
Change until end of 2026	*0.20*	*0.13*	*0.16*	*0.04*	*0.06*
End of 2026 (market)	**4.08**	**4.13**	**2.66**	**2.04**	**4.56**
... Change last week	*0.01*	*0.03*	*-0.01*	*-0.04*	*-0.05*
Change through 2027	*0.25*	*0.55*	*0.38*	*0.60*	*-0.13*
End of 2027 (market)	**4.33**	**4.68**	**3.04**	**2.64**	**4.43**
... Change last week	*-0.09*	*-0.15*	*-0.13*	*-0.15*	*-0.22*

- **Long-term rates:** ***down everywhere***
  - **The US 10y bond yield** fell 8 bps to 4.86%. The real rate rose 3 bps to 2.63%, while the 10y break-even inflation expectation fell 11 bps, supported by the decline in the oil price. Long bond yields and swap rates fell more elsewhere, and the most in France. Still, Le Spread is very high, 152 bps.
- **FX:** ***Finally, NOK the loser, down 2.1%***
  - **The other commodity F/X currencies** (AUD, CAD, SEK) were down as well. NOK remains stronger than our model forecasts, and the downside risk has increased (i.e. if energy prices should decline further). Small changes among the main currencies, even if there were some turmoil on commodity and equity markets. The USD remains on the strong side vs. EUR.
- **Credit spreads:** ***trends up, still way below normal levels***
  - The **US BBB spread** (over 10y vs. US Treasuries) widened 2 bps to 138 bps, and it is up by 40 bps since the local trough in May. The Norwegian bank funding benchmark, bank2 5y, fell slightly to 67 bps, also well up from the 52 bps level in May. Credit spreads are still well below historical averages.

Last week – central banks: 3 hikes, one on hold – as expected

- **Norges Bank left its policy rate unchanged at 4.50%, as widely expected.**
  - Inflation at 3.0 (core) – 3.4% (total) is too high, but close to the bank's forecast – though driven by domestic goods and services, and less by import prices. A stronger NOK in recent months should dampen 'imported' inflation further. Capacity utilisation is slightly below normal, also as assumed in the last MPR.
  - Norges Bank kept the door open for a further policy tightening, in line with the assessment in September.
  - We (and the market) do not expect the bank to lift the signal rate further – at least if the NOK does not depreciate from the current level.

- **The Riksbank hiked the deposit rate from 1.75% to 2.00%**, the first tightening since September 2023. The hike was (mostly) expected.
  - Inflation is low now but is expected to return to the target next year. Domestic demand is improving, and cost pressures are increasing due to higher energy prices and a weak SEK.
  - The bank signals willingness to lift the policy rate further. The market expects 2½ more hikes, ½ hike less than a week ago, partly due to the surprisingly low CPI print.

- **The Bank of England hiked the bank rate by 25 bps to 4.00**%, the first hike since August 2023. The hike was expected. One member (out of 9) voted for a 50-bps hike.
  - The bank argued for an insurance move against possible energy-driven 2nd round effects. (We would have added rapid growth in Unit Labour Costs).
  - The bank signals willingness to tighten further, if needed, as the broader pass-through from energy prices remains uncertain (and last week, energy prices tumbled). The market expects almost 3 more (2¾) hikes, which seems to be on the high side.

- **The Reserve Bank of Australia hiked the key rate by 25 bps to 4.85%,** the 5th rate hike in 2026, to the highest rate in 18 years! The hike was as expected. However, 3 of 6 MPC members voted against the hike. Thus, probably a dovish hike.
  - Inflation is expected to remain above 3% in the coming year. On the other hand, the housing market is weaker, growth has slowed and unemployment is increasing.

Last week – the economy: *a strong US labour market*

- **Norway:** ***house prices slowly on the way up***
  - **Housing prices grew 0.1% in October, slightly below our** 0.3% forecast. The price level is in line with Norges Bank's forecast. The underlying national price growth is some 1.5%, with substantial regional differences. However, those differences are narrowing at price increases are slowing among the high-fliers (the 'oil coast' + Tromsø). The inventories of unsold homes are higher than normal in a majority of cities but are not increasing further (including in Oslo). The achieved premia vs. posted prices are on the way down most places, and are lower than normal, on average. Our flow-based models still suggest further price increases.
- **Final PMIs and US ISMs:** ***a minor setback in October but levels are still OK***
  - **The composite global PMI** declined 1.1 p to 53.2, which is still among the highest prints after the post-pandemic boom and ***signals some 3½% global GDP growth***. Based on the flash estimates, we expected a smaller decline, but a substantial downward revision in the US PMI lowered the global headline. The EMU survey declined but still reports growth. French services was the big loser in October. The Chinese PMIs were down too, but just marginally. In addition, a majority of countries reported a decline in October, both in manufacturing and services.
  - The US ISM **surveys** in sum kept up, and signal almost 3% growth (and S&P's index points towards more than 3.5% growth). The manufacturing surveys surprised on the upside. The service sector ISM surprised on the downside, and details were not that impressive. The ***price indices signal higher, not lower CPI inflation***.
- **USA:** ***besides a blue sweep and AI data centre angst: a very strong labour market***
  - **October nonfarm payrolls** were ***far stronger than expected*** (165,000 vs. 65,000), and history was revised upwards. Private services were in the lead. The Household survey (LFS) reported much ***faster total employment growth for the 3rd month in a row***, and the **unemployment rate** fell 0.04 pp to 4.14%, lowering the published rate 0.1 pp to 4.1%, expected unchanged. **Wage inflation** was modest but still 0.2 pp higher than expected, at 3.1%.
  - **Other labour market indicators** ***were strong too***: More **job openings**, which are **harder to fill**, more **hirings**, more (voluntarily) **quits**, fewer **layoffs** (JOLTS, NIFB survey and Challenger).
  - **Productivity in nonfarm businesses** rose faster than expected in Q3, +3.6%, and is up 2.1% y/y. Trend productivity growth is probably somewhat higher, some 2.5%. Hourly **compensation** rose just 2.9% in Q3, and **Unit Labour Costs** fell at a 0.7% pace. However, hourly compensation was revised up to an underlying pace at well above 4%, and ULC was up 2.4% y/y in Q3, well above the previously reported 1.4% Q2 growth rate (now revised up to 2.6%). Thus, ***labour cost inflation will not generate less than 2% price inflation over time***, even if productivity growth has accelerated. ***Labour cost inflation may even be a tad too high***.
- **EMU:** ***higher inflation***
  - **Headline HICP** accelerated to 4.0% in October from 3.8% in September, while the core index was unchanged at 2.5% y/y, both as expected. Underlying core inflation in recent months has accelerated to above 2.5%. In total, ***not what the ECB aims for***.
- **Sweden:** ***lower inflation***
  - **CPIF** (CPI ex. mortgage rates) was up 1.1% y/y, 0.3 pp less than expected, and the core CPIF was up 0.1% y/y, 0.4 pp below expectations and 0.5 pp lower than Riksbank's forecast. Prices fell 0.15% m/m, partly due to a decline in recreation/culture, and underlying price increases in recent months have fallen to below 1%. More details will be out this week.

Week ahead: US & Norwegian CPI in focus

Time	Count.	Indicator	Period	Forecast	Prior
Tuesday 10 Nov					
08:00	NO	Consumer confidence, Finans Nor.	Q4	(-25)	-17
	CN	**Exports YoY**	**Oct**	**38.0%**	**36.3%**
	CN	Imports YoY	Oct	35.0%	31.0%
	CN	Trade Balance	Oct	$126.95b	$133.53b
08:00	**NO**	**CPI Underlying YoY**	**Oct**	**XX' (2.9)**	**3.0%**
08:00	**NO**	**CPI YoY**	**Oct**	**XX '(3.6)**	**3.4%**
12:00	US	NFIB Small Business Optimism	Oct		97.9
14:30	US	CPI YoY	Oct	(4.0%)	3.7%
14:30	US	CPI MoM	Oct	0.3%	0.6%
14:30	**US**	**Core CPIYoY**	**Oct**	**(2.8%)**	**2.6%**
14:30	**US**	**Core CPI MoM**	**Oct**	**0.2%**	**0.3%**
Wednesday 11 Nov					
08:00	SW	Household Consumption MoM	Oct		1.10%
Thursday 12 Nov					
08:00	NO	Housing starts	Oct		26k
08:00	**NO**	**Unfilled Vacancies (job openings)**	**Q3**		**2.7%**
08:00	**NO**	**Investment surv. oil & gas, YoY**	**2027**	**(-3%)**	**-1%**
08:00	NO	Investment surv. manuf+ power,	2027		10%
08:00	UK	GDP QoQ	3Q P		0.5%
08:00	SW	CPIF YoY, final & details	Oct F	1.1%	1.1%
08:00	UK	Monthly GDP (MoM)	Sep		0.1%
08:00	UK	Manufacturing Production MoM	Sep		1.2%
14:30	US	Initial Jobless Claims	07-Nov		189k
16:00	US	Existing Home Sales	Oct	3.87m	3.99m
20:00	US	Federal Budget Balance	Oct		-$284.3b
Friday 13 Nov					
	CN	BoP Current Account Balance	3Q P		$193.7b
08:00	NO	Construction costs	Oct		
11:00	EMU	GDP SA QoQ, revision, details	3Q S	0.40%	0.4%
11:00	EMU	Employment QoQ	3Q P		0.1%
14:30	US	PPI Final Demand MoM	Oct	0.4%	1.3%
14:30	US	PPI Final Demand YoY	Oct		6.3%
During the week					
	CN	New Yuan Loans CNY YTD	Oct	11580b	11520b
	CN	Aggregate Financing CNY YTD	Oct	28877b	27460b

- **Norway**
  - **Core CPI-ATE** inflation was marginally above Norges Bank's forecast in September. In October, we expect the gap to be closed, at 2.9%, from 3.0% in September. Headline inflation is higher, mostly due to the almost 30% lift in gasoline/diesel prices. We expect a 0.2 pp to 3.6%, which also is NoBa's forecast. The 'only' problem, prices on domestically produced goods and service is well above NoBa's estimate, and 'imported' well below. Thus, the cost/price dynamics are somewhat worse than Norges Bank assumed in September.
  - **SSB's investment survey** will most likely report a 2 – 3% decline in nominal investments in **the oil and gas sector**, both in 2026 and 2027. In volume terms, the decline is larger, but modest vs. the 'real' downturns in the sector. Higher oil and gas prices has usually led to higher investments, and a positive surprise in the estimates from the companies in the sector may be more likely than a negative. In **manufacturing and power supply**, companies signal a 10% lift next year.
  - **SSB's housing starts** (building permits) have turned up recent months, while the home builders (Boligprodusentenes forening) report declining sales. The gap is wider than normal. SSB also reports a lift in other construction starts.
  - **Unfilled vacancies** have flattened slightly below 3% of employment the past year, above and average level, signalling a tighter then normal labour marked.
  - **Finans Norge Consumer Confidence** survey rose marginally in Q3 but we expect a larger decline in Q4 to 1.6 std. dev. below an average level, from -1.2 in Q3. Opinion's monthly survey heads down as well. The sentiment is weaker than traditional macro data can explain.
- **USA**
  - **The headline CPI** is expected up 0.3% in October, down from 0.6% in September. Formally, a 12m annual growth rate cannot be calculated due as the shutdown last autumn prevented BLS to collect price data. Based on reasonable assumption, we assume a 3.9% annual growth rate, up from 3.7% in September. The core CPI is expected up 0.2% (from 0.3% in Sep.),
  - **Existing home sales** are weak and prices have flattened. Pending sales (signed contracts) fell sharply in September and signals a decline in transactions in October.
- **China**
  - **Exports and imports** are both up some 30-35% (with exports in the lead) and growth is expected to accelerate somewhat in October and the trade surplus will remain very high. In **volume terms**, exports are growing rapidly, while import prices have been surging and import volumes are close to flat even if exports are up (which requires higher imports), confirming weak domestic demand.
  - Total credit growth slows steadily as households are reducing their debts. Growth in corporate borrowing still runs higher than nominal GDP growth.

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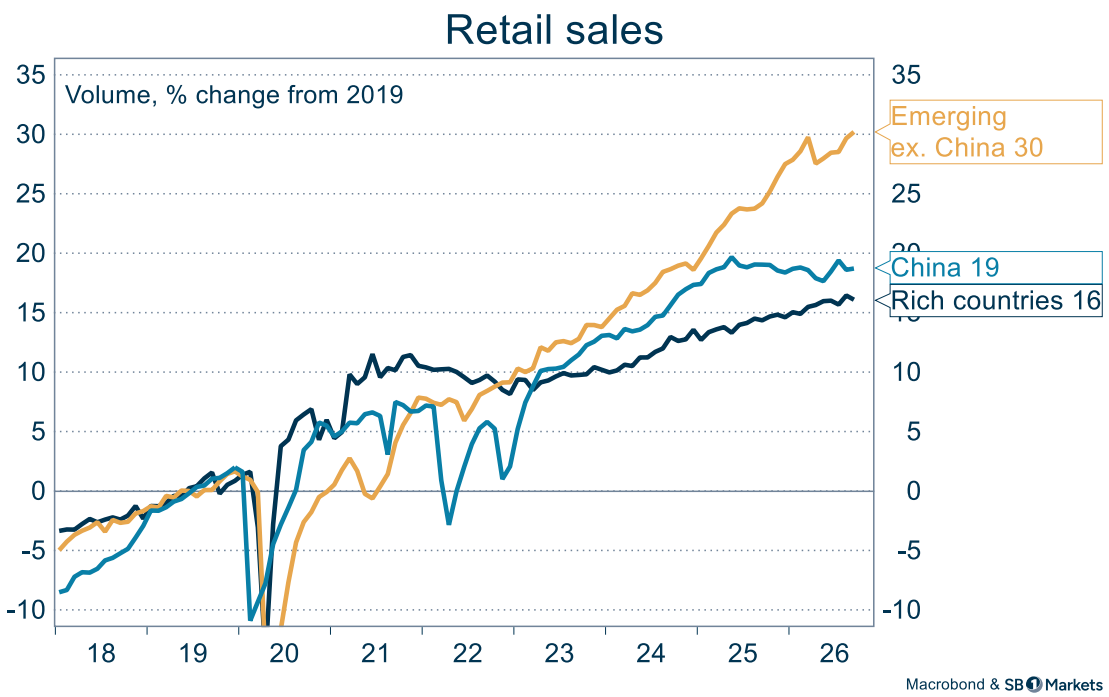
1. Highlights

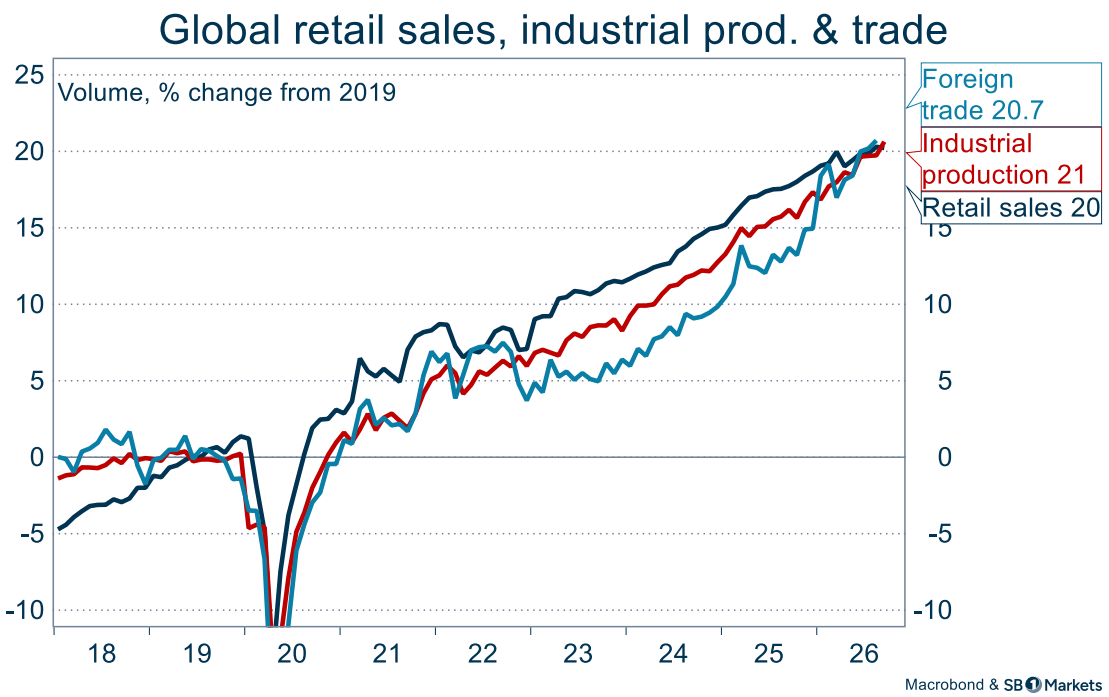
2. Norway
3. Major economies
4. Financial markets

*Picture source: ChatGPT

Global Economy: retail sales in EM ex. China recover; Chinese sales not. Steady in DM

Global industrial production is still going strong, and global foreign trade has been surging.



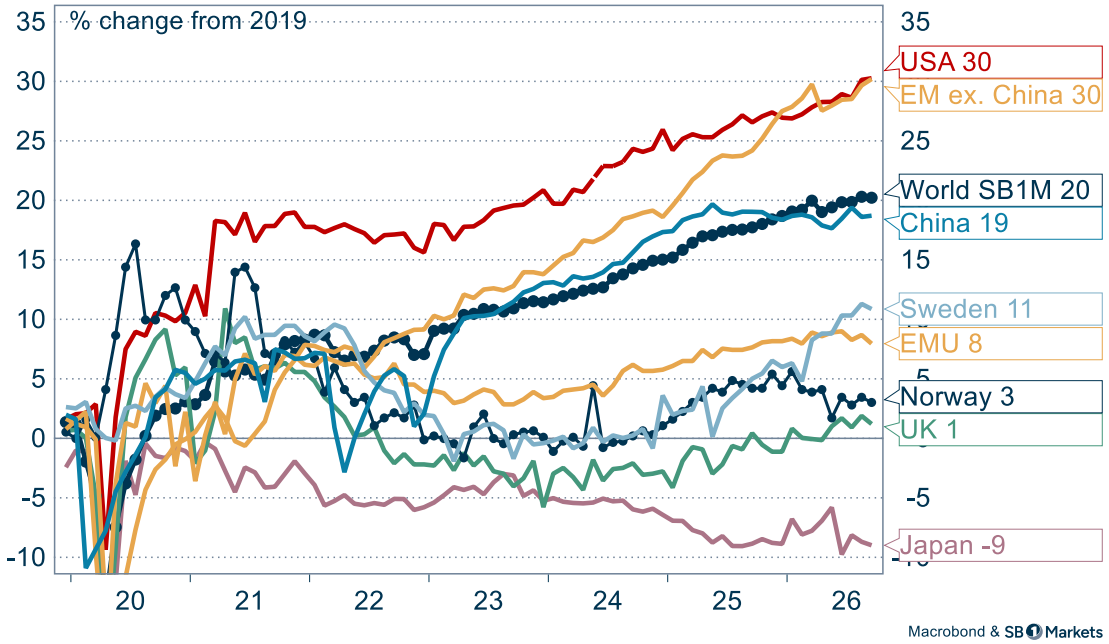


Extremely volatile retail sales data from Thailand have influenced the EM ex. China data series.

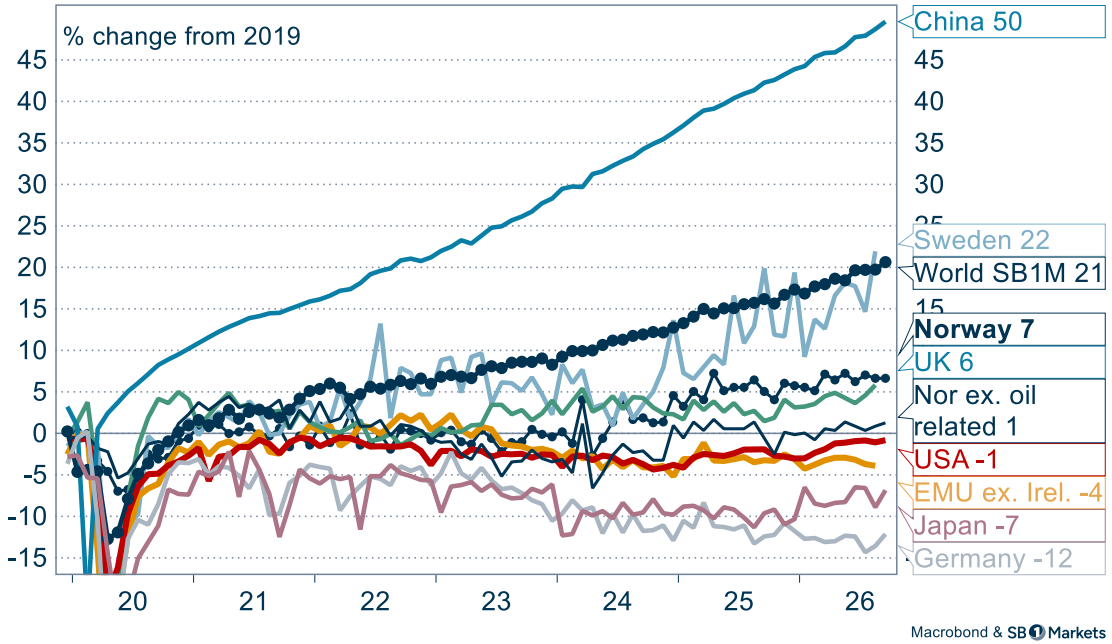
Huge gaps in retail sales and manufacturing production. China leads in manufacturing

… but not in retail sales. The US is among the best in retail sales but not in industrial production (a remarkable gap). EMU is in line with the US production-wise, but its retail sales are far weaker. Norway has been the retail trade loser in 2026, but sales have flattened over the summer.

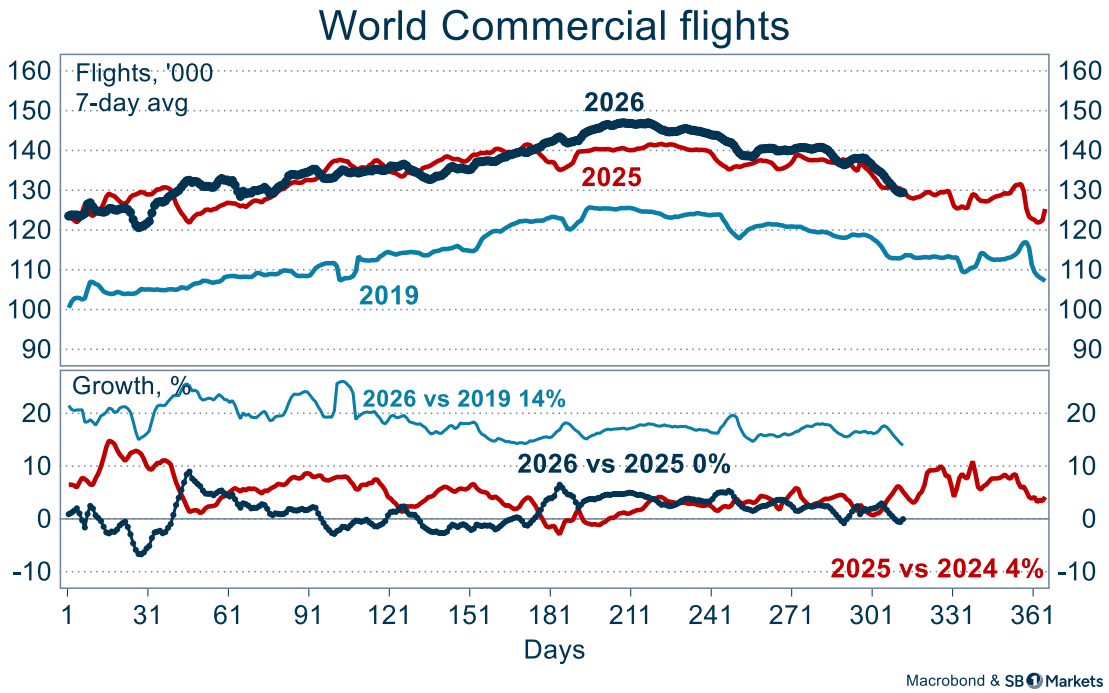
Retail sales volume

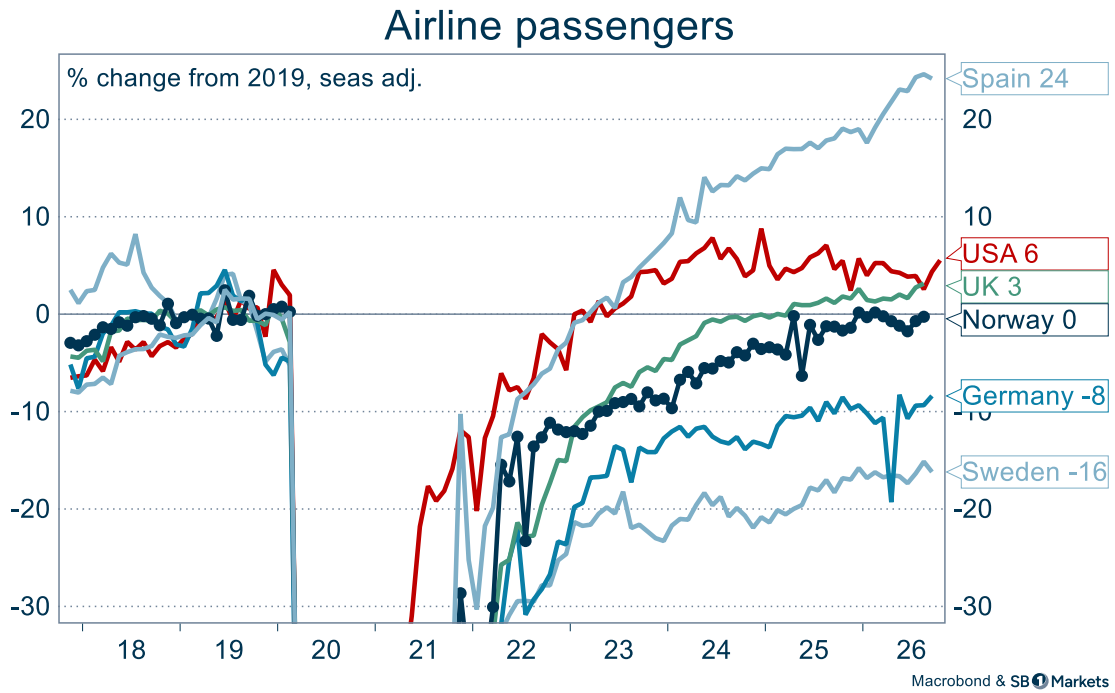


Manufacturing production



Global airline traffic just flat y/y, while the overall economy is up

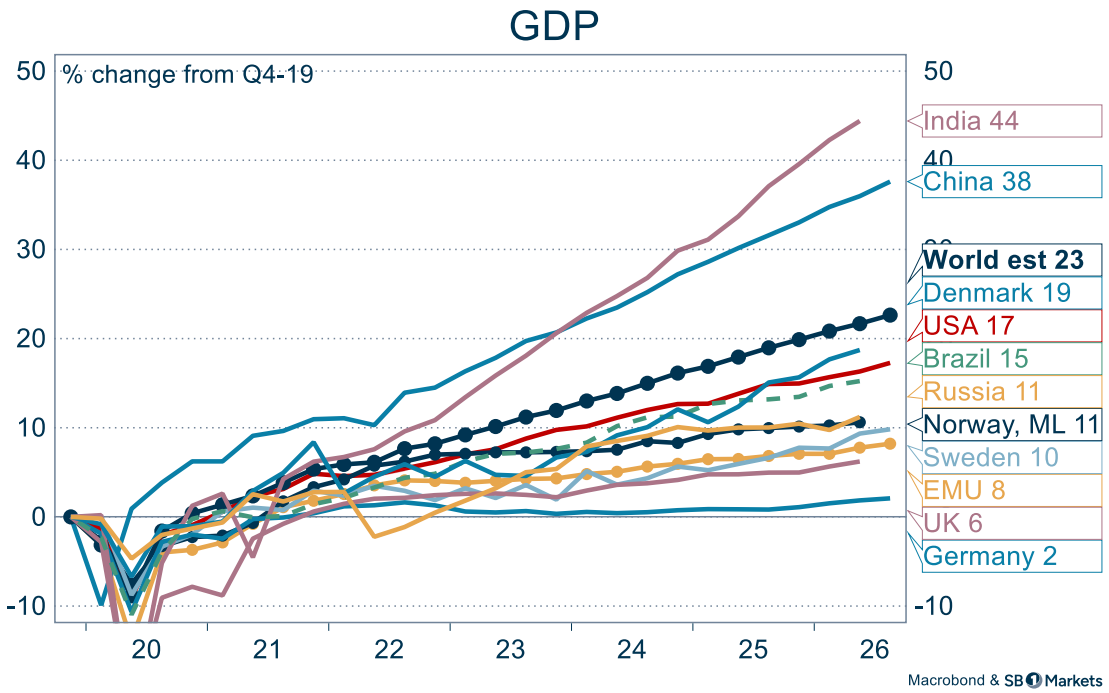


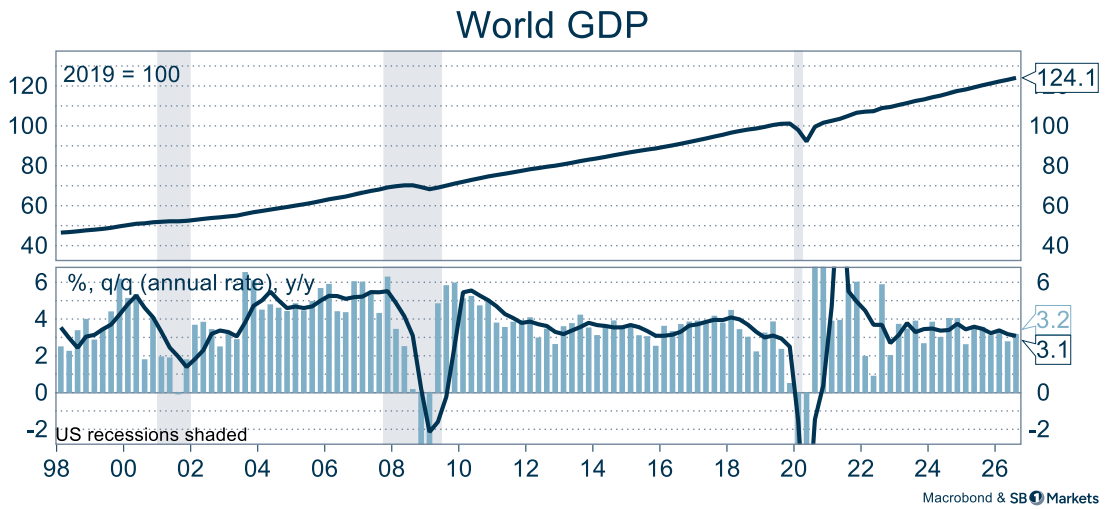


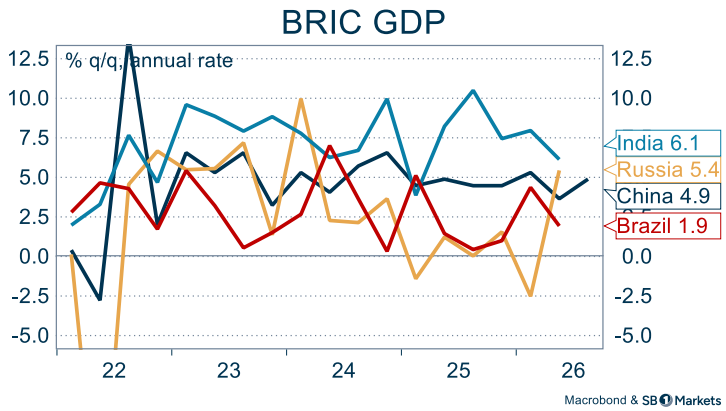
- **Passenger numbers** are recovering in most Western countries, except for the US, where traffic is declining from previously 'high' figures, almost back to the 2019 level. However, most others are still below: Sweden is down 16%. Germany 8%.
- Norway has returned to the 2019 level, but the trend is flat. Spain leads with a 24% increase.

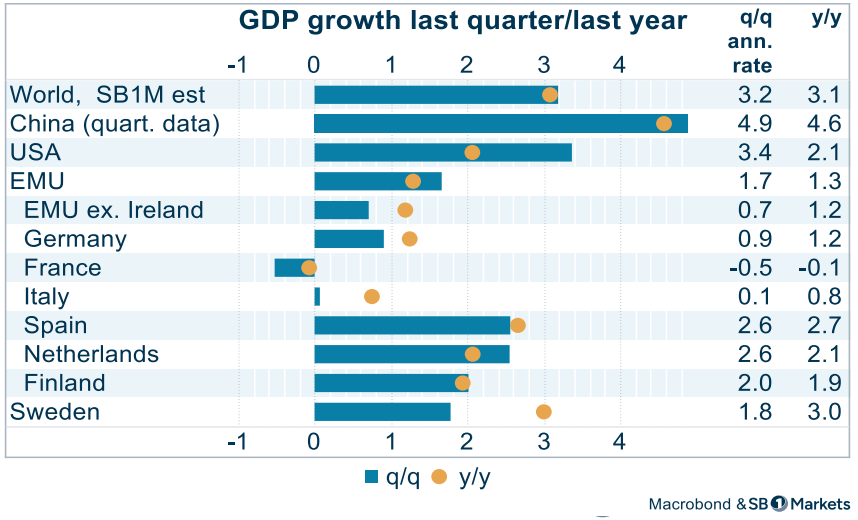
Q3 global GDP growth probably accelerated to above 3%, from 2.7% in Q2

At least, that's our very preliminary estimate, after a few countries have reported. The annual growth rate will still decline, to 3.0%. Growth accelerated in the US and China but slowed in EMU.





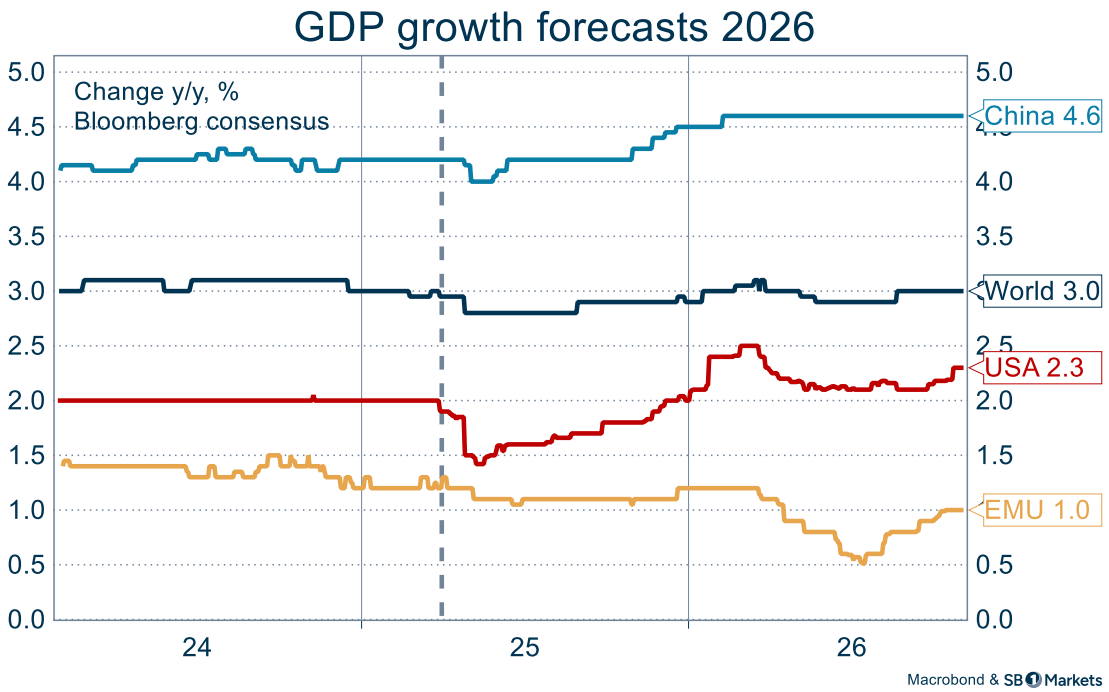


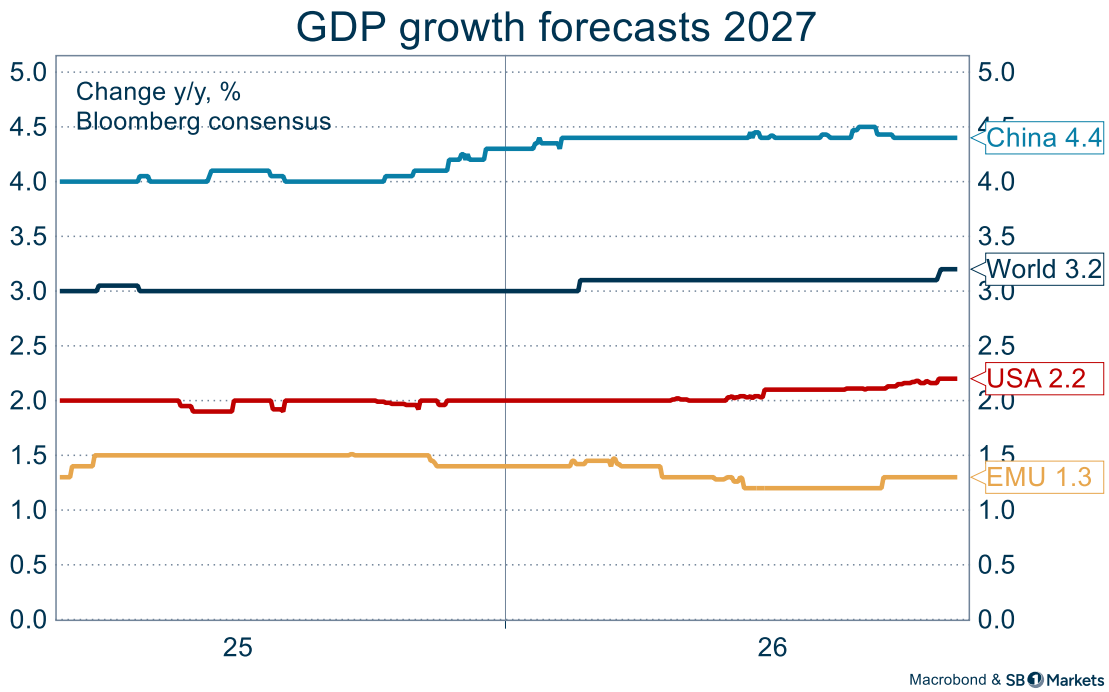


World GDP is estimated by SB1M

EMU and US growth forecasts inch upwards.

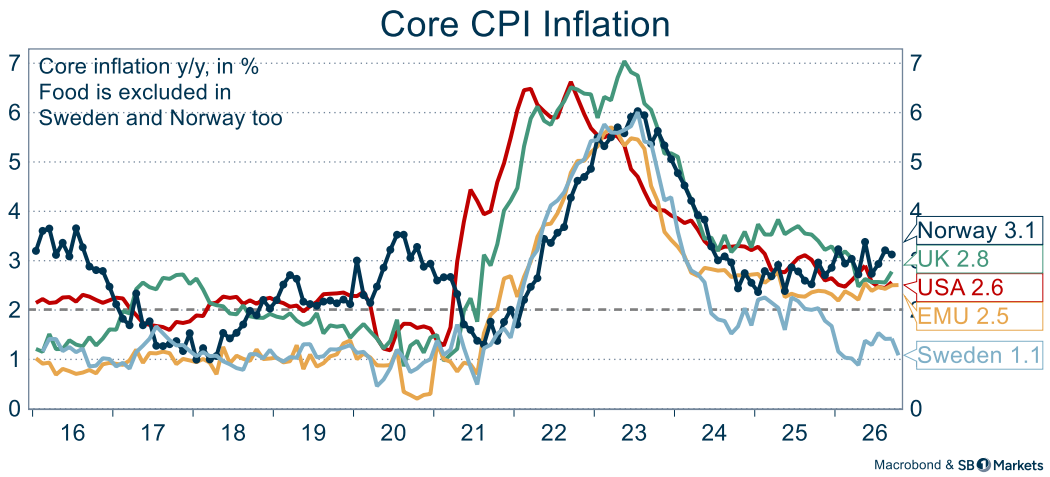
Bloomberg's consensus US '26 GDP forecast is still down 0.3 pp from Feb., to 2.2%. EMU '26 GDP at 1.0% is up from 0.5% in July. Boring (flattish) but decent 2027 f'casts (but US inches upwards).

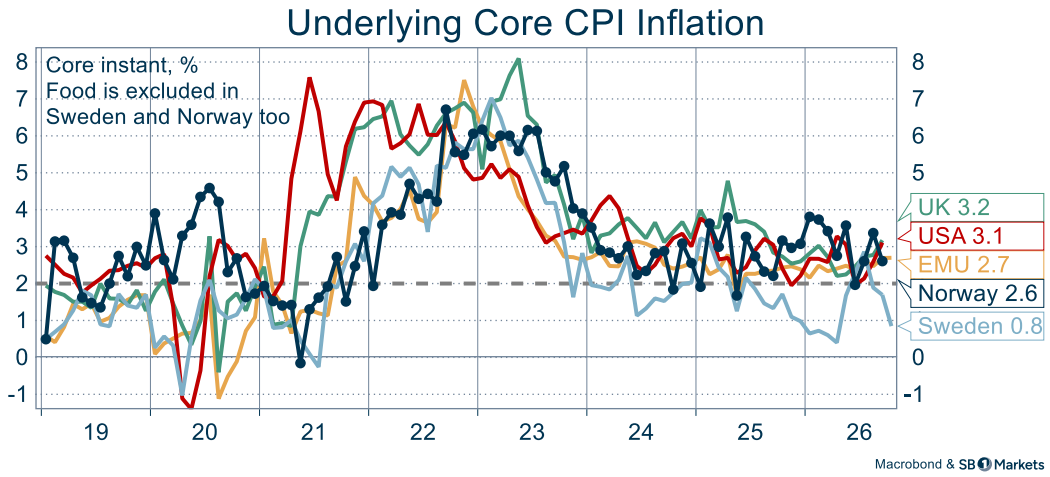


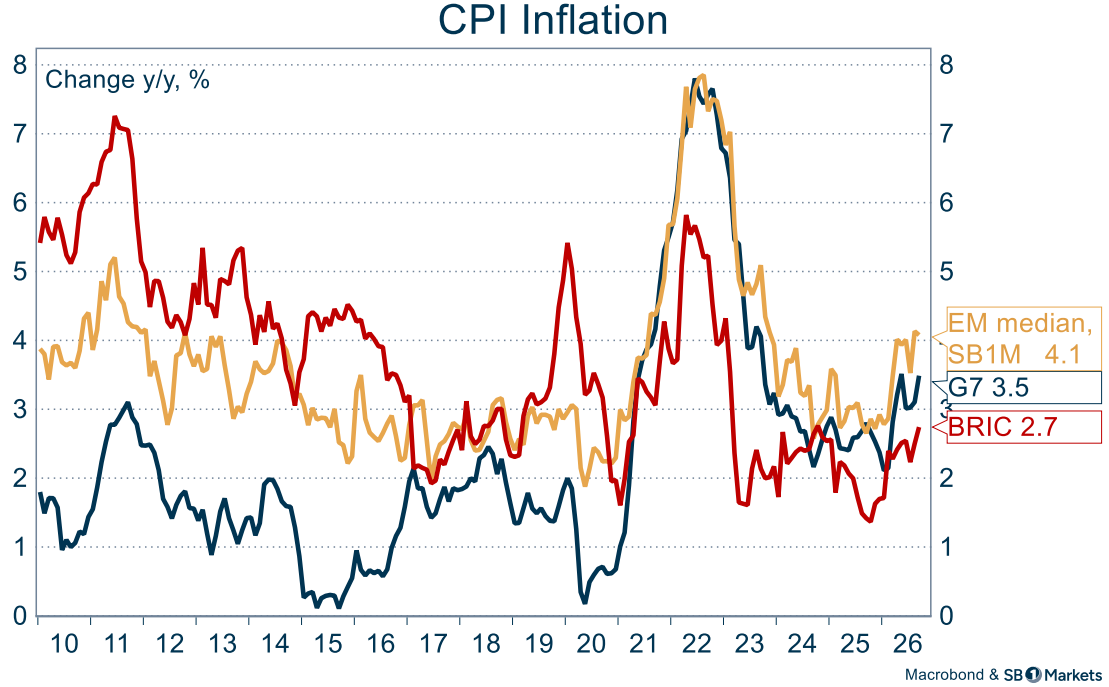


Inflation: underlying core in recent months: UK, US above 3% again. Norway, EMU > 2½%

The momentum in the Swedish core CPI has turned down again, to below 1% in October.



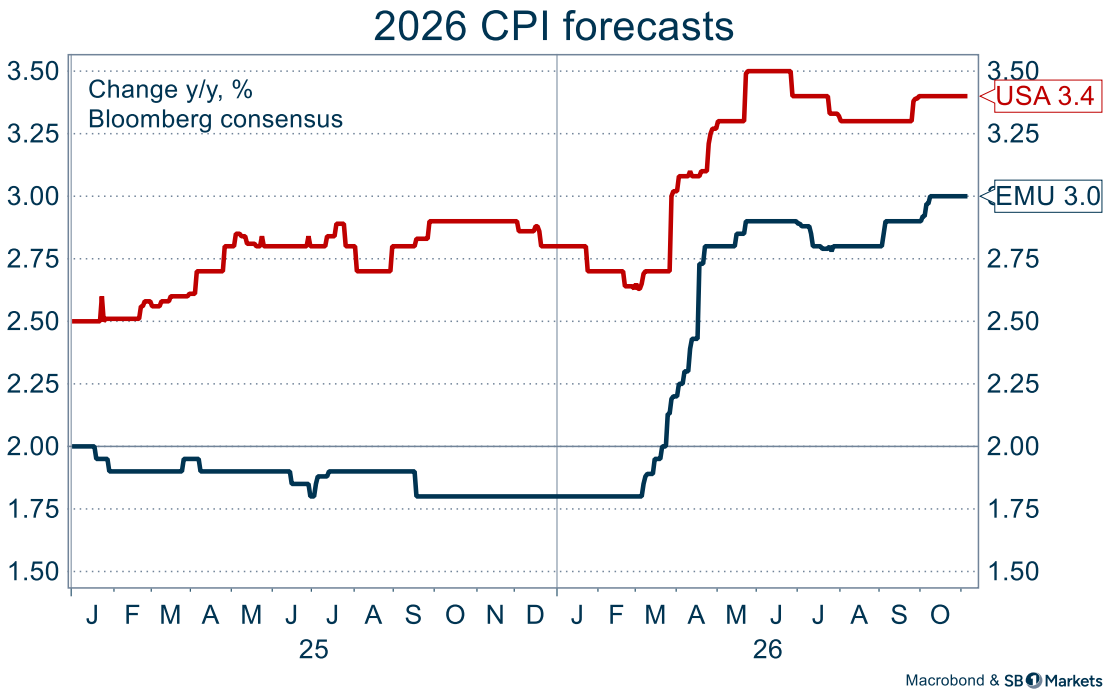


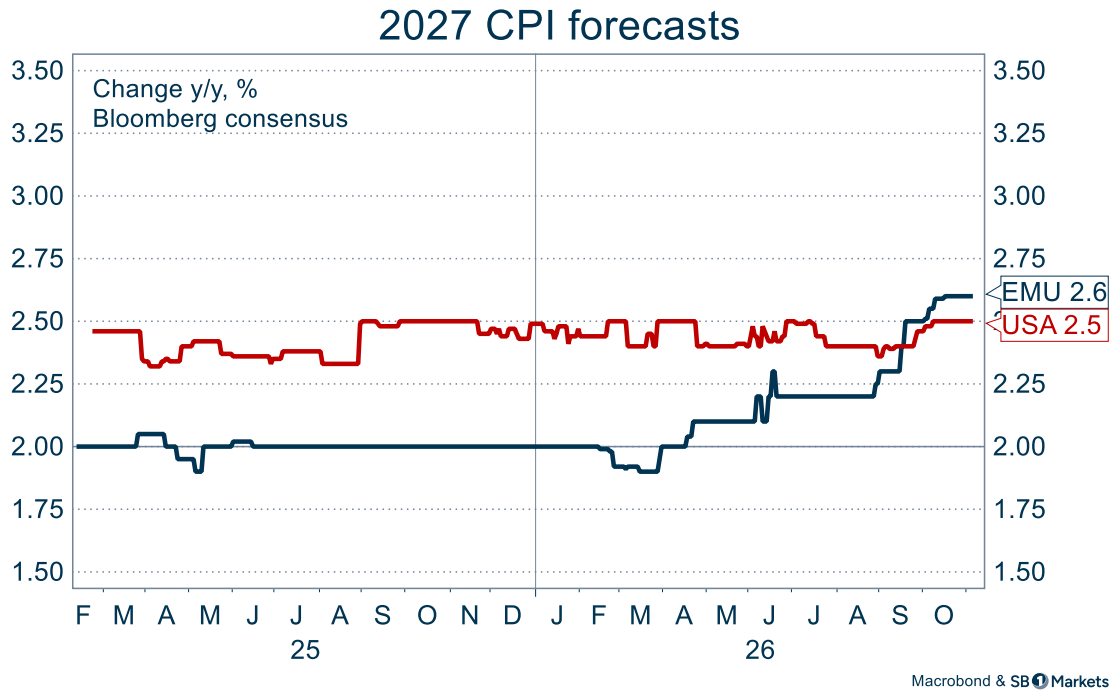


Food is removed from the Norwegian and Swedish 'official' core CPIs.

Inflation forecasts are drifting upwards, in both EMU and the US (but not further lately)

The EMU 2027 HICP f'cast before the Gulf war: 1.9%. Now 2.6%. The US f'cast is unch. at 2.5% vs. before the war but has inched upwards recently (the 2026 f'casts are up 0.7 pp in the US, 1.2 pp in EMU, and lower energy prices next year will lower inflation).

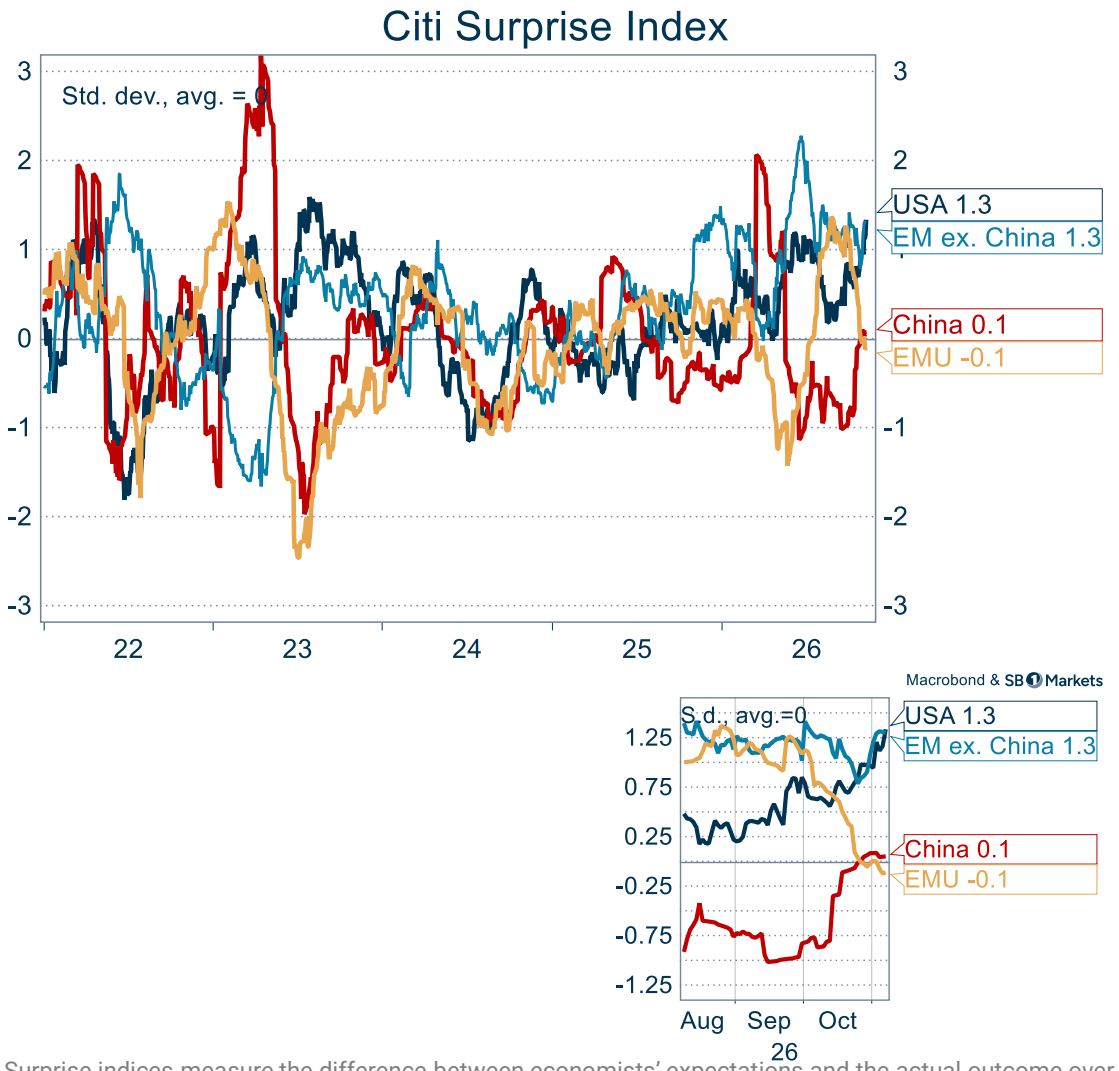


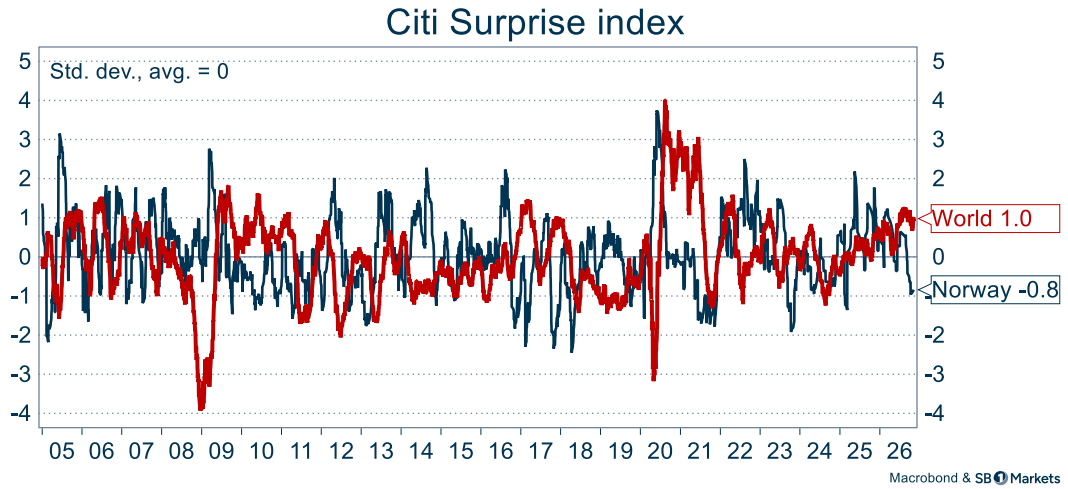


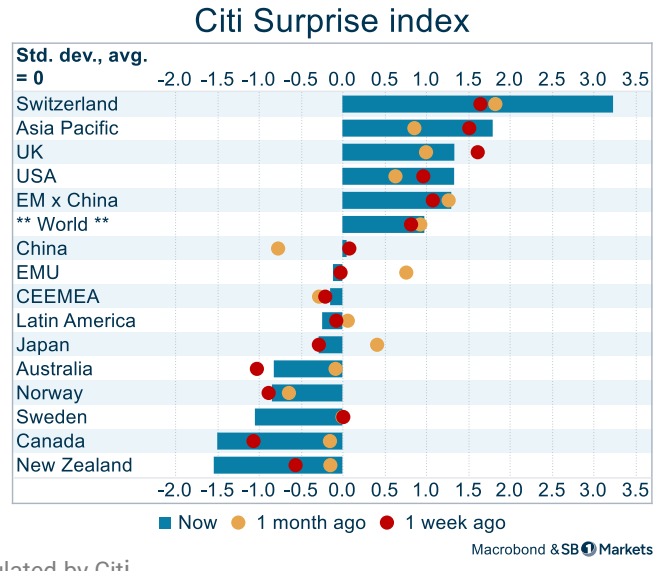
- Natural gas prices probably explain the difference between the US and EMU – both the larger lift in EMU in 2026 and the higher level in EMU in 2027.

Surprise indices: US moved up on the ranking on strong labour market data last week

EMU has dropped to an average level from +1 std. dev. during October. Canada, Australia and Norway remain at the bottom of the list (now joined by an even weaker New Zealand). EM ex. China, the UK (!) and (volatile) Switzerland are still going strong.



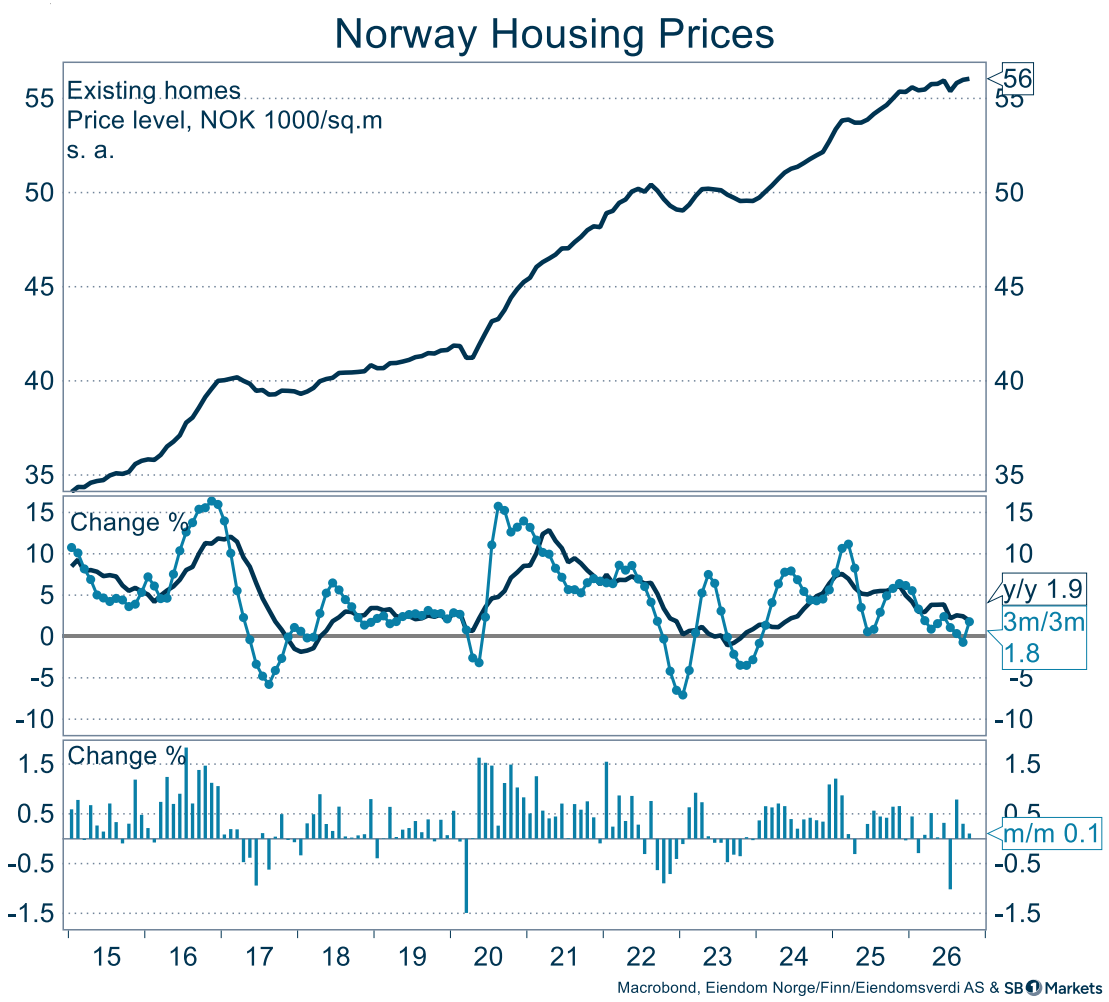




Surprise indices measure the difference between economists' expectations and the actual outcome over a 3-month rolling window, calculated by Citi.

Housing prices rose 0.1% in October, and are trending up at a 1–1.5% pace

October prices are in line with NoBa's f'cast. Sales trend down but are not low. The inventory is higher than normal but has flattened (Oslo included). The regional differences remain but are coming down: Prices among the high-fliers (the oil coast, Tromsø) are also slowing.



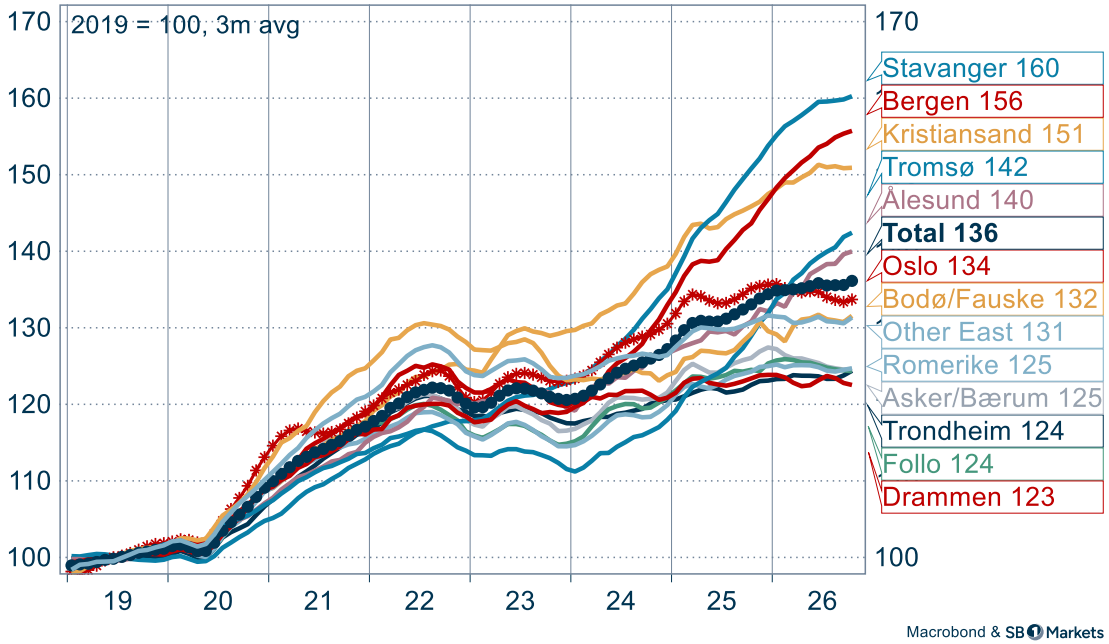
- We, and probably other economists, expected a somewhat higher monthly price growth.
- **Prices** are drifting up in a majority of counties. Kristiansand, the west coast and Tromsø are still in the lead, but price increases are clearly slowing. Prices in eastern Norway are still trending down. However, Oslo prices rose in October by 0.3%. Other eastern cities were up as well, while prices among the high-fliers declined.
  - Achieved price premia vs. listed prices fell to zero in October – and those at the top fell the most.
  - The real price level is down 6% from the 2022 peak and is just 2% above the level in 2016.
- **Sales** are trending down while the **inventory** has flattened at an above-average level. **The inventory/sales ratio** is higher than normal, as are average selling times. In Oslo, the inventory of unsold homes surged in May–July to a record high level but has stabilised.
- **Our flow-based models *suggest 0.5% monthly price increases in Oslo and 0.3% in the rest of the country as the inventory has stabilised.***
- So what?
  - House prices are an important **transmission mechanism** for monetary policy – and house prices are anyway **an important indicator** for the well-being of households and the overall economy, besides the normal impact on housing investments.
  - **Norges Bank** will not have to change any of its forecasts due to this report.

Data in this section are provided by Eiendom Norge/Finn/Eiendomsverdi AS as well as Macrobond.
All data are seasonally adjusted, partly by SB1M.

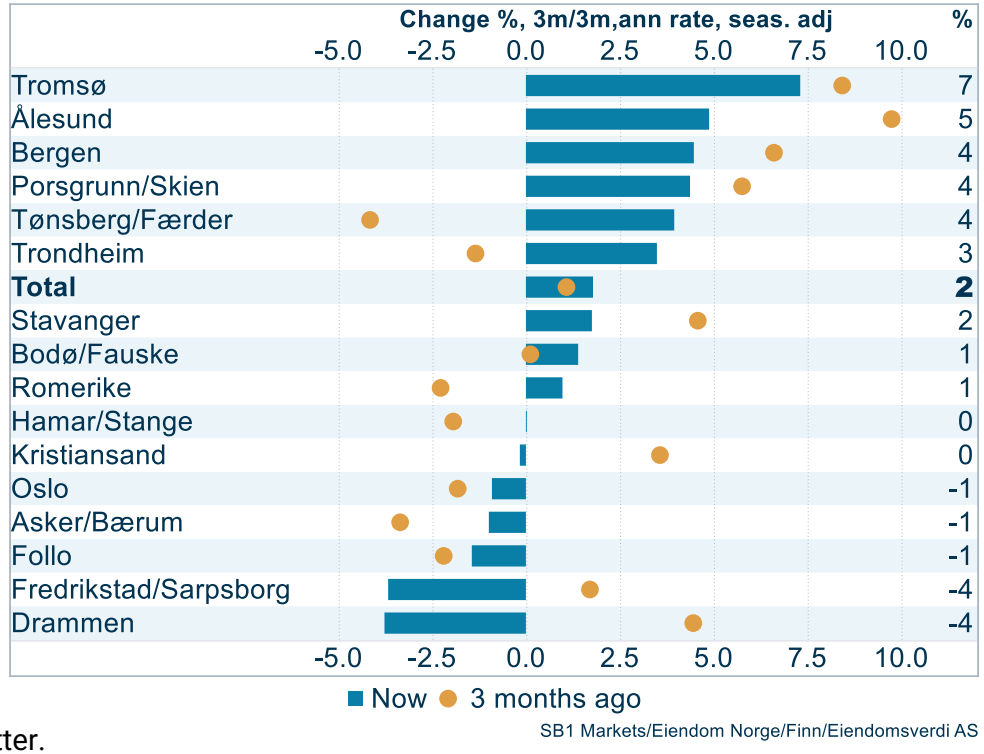
Big picture: prices are drifting down in 5 (from 10) cities, up in 9 (from 6)

8 cities report lower growth measured 3m/3m than 3 months ago, the others are accelerating/falling more slowly. The total 3m/3m is up at a 2% pace. Tromsø, Ålesund and Bergen are in the lead. Eastern Norway rules at the bottom, Oslo included, down at a 1% pace, from -4%.

Norway House prices



Norway House prices



SB1 Markets/Eiendom Norge/Finn/Eiendomsverdi AS

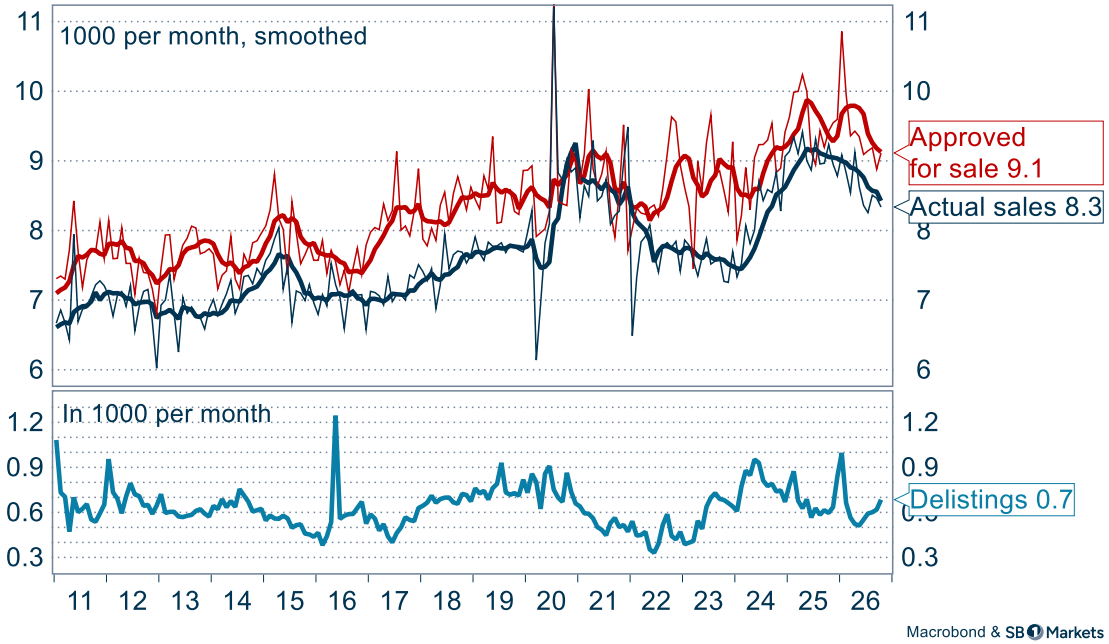
- **Vs. the pre-pandemic 2019 price level:**
  - Drammen and Trondheim are at the bottom, up 23–24%. Romerike and Follo marginally better.
  - Oslo is up 33%.
  - The average is up 36%.
  - Stavanger is up 60%, Bergen 55% and Kristiansand 51%!

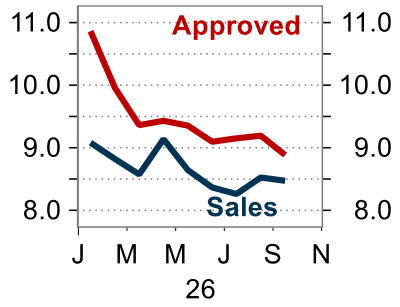
- If measured 6m/6m, prices are up in 8 cities and down in 8. The national average is up at a 1% pace.

Sales are trending down but are still above par. The inventory has increased slightly in ‘26

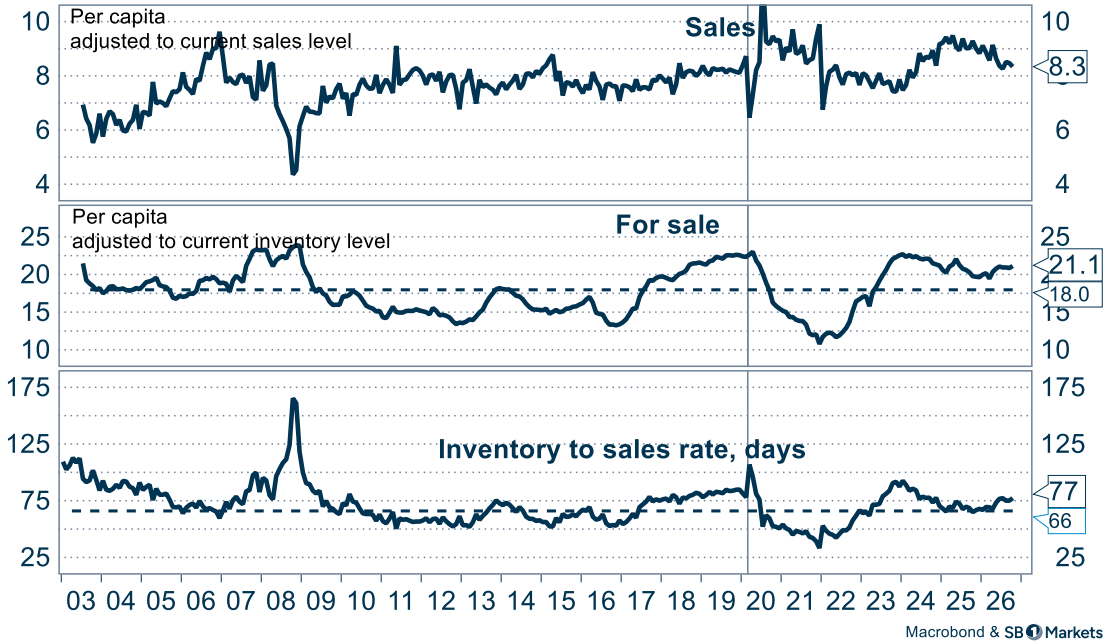
Sales have fallen since mid-25 but are still above the average level (but not by that much when adjusted for population size). The inventory of unsold homes has flattened lately, but rose marginally in October. The inventory-to-sales ratio rose by 2 days to 11 d above the 56-day historical average.

Norway Housing market



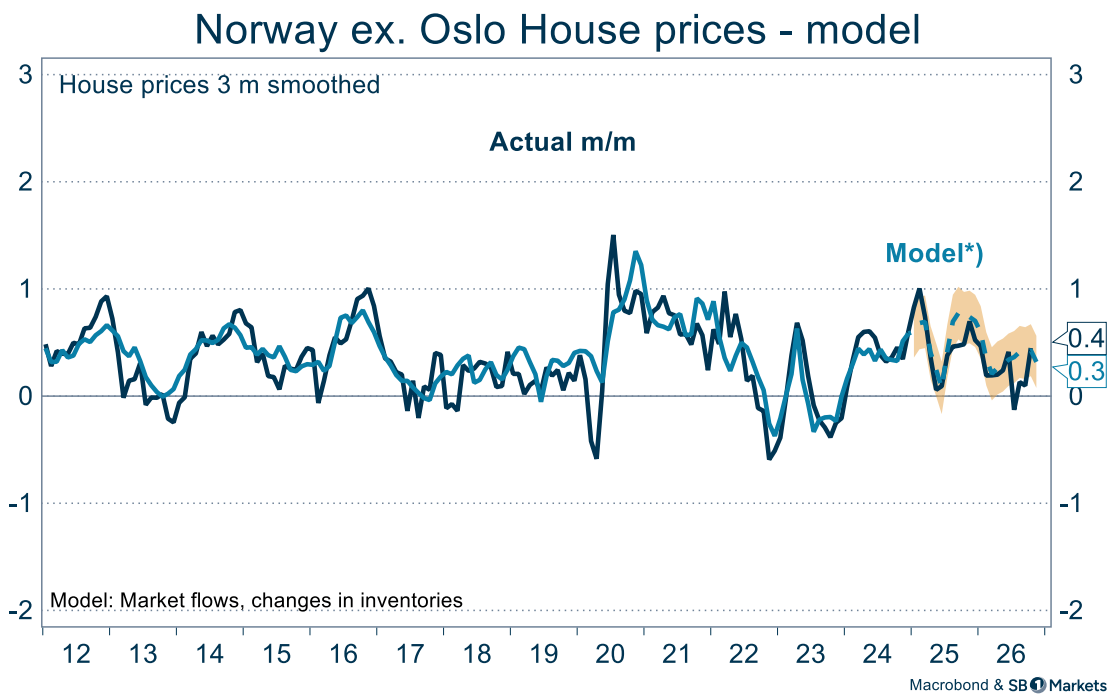


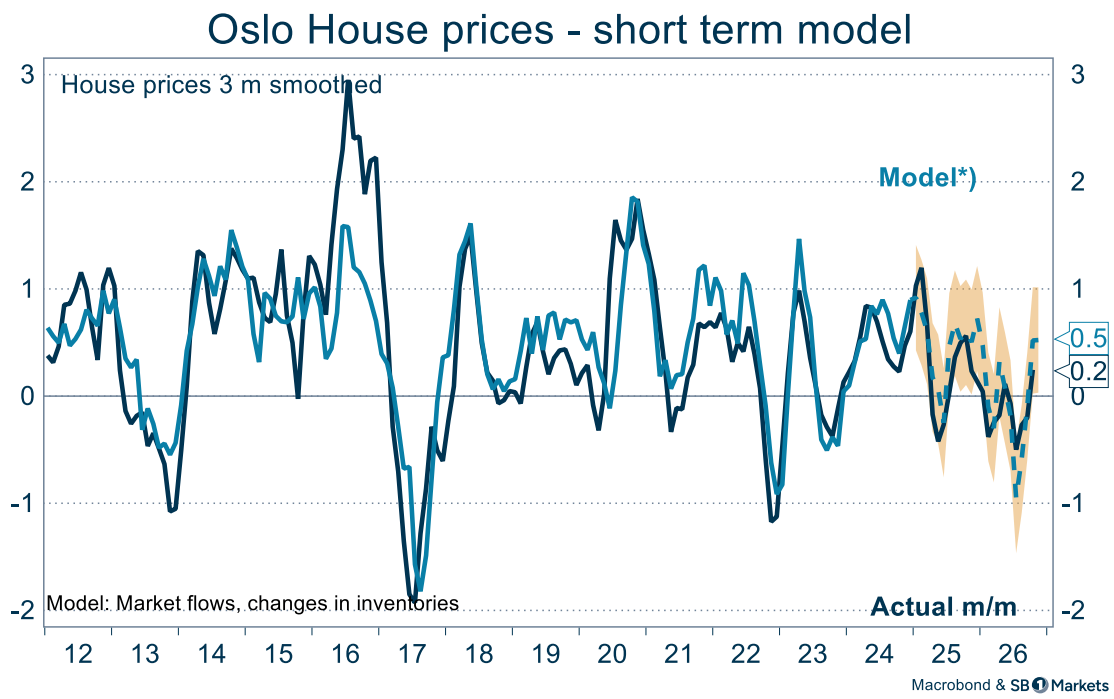
Norway House transactions



Housing prices – short-term forecasts: higher prices over the coming months!

The Oslo inventory has stabilised and a 0.5% lift per month is signalled, vs a 0.3% increase in rest of Norway.

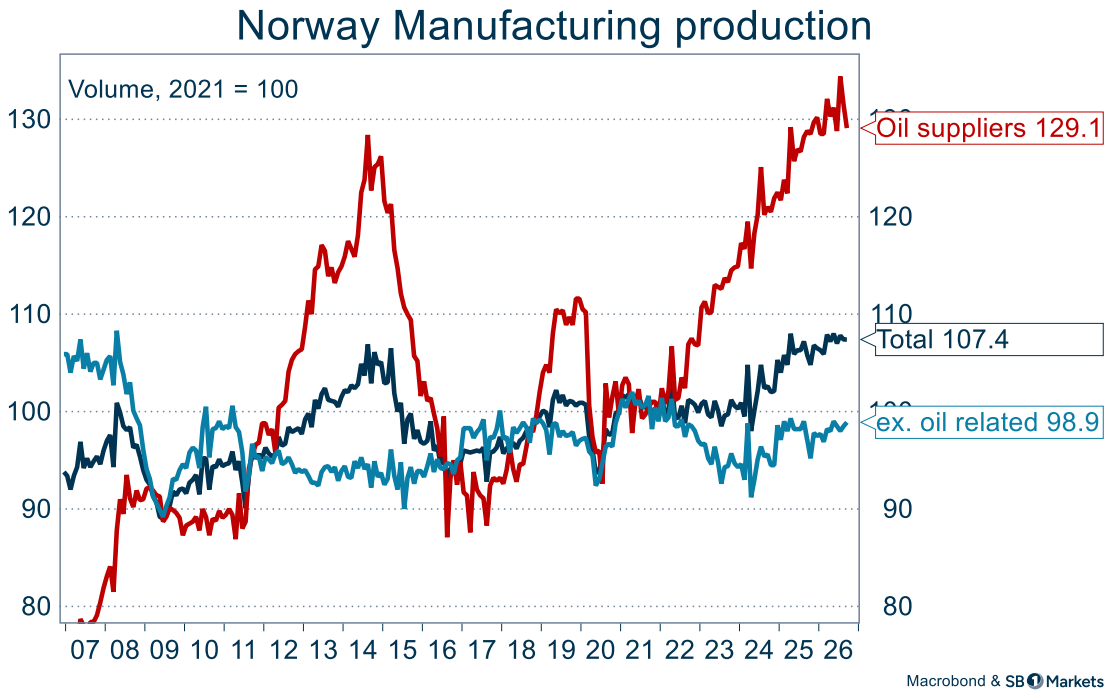


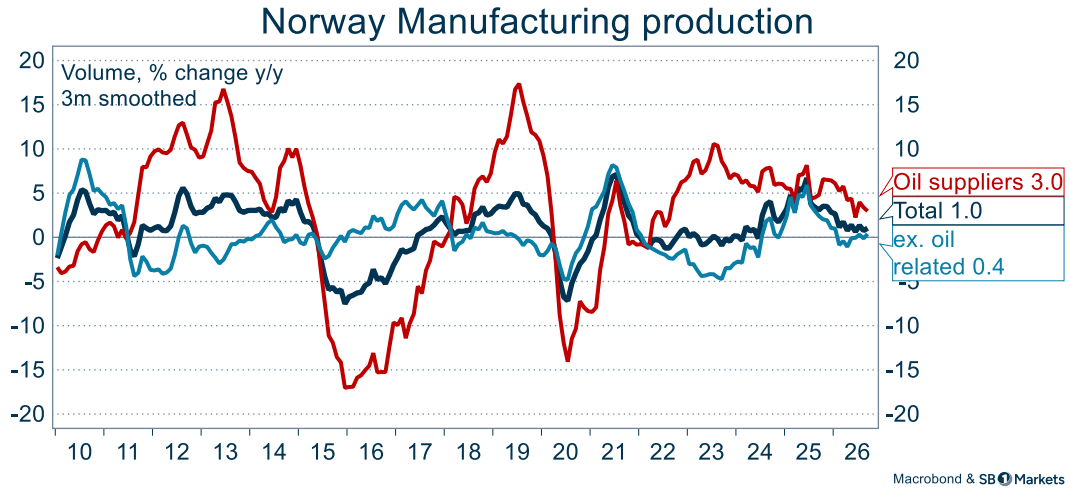


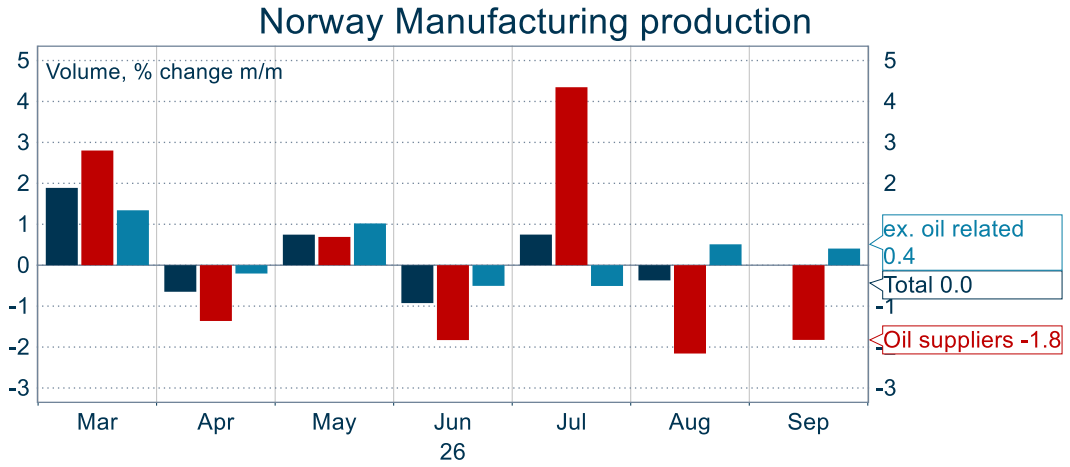
- **Our national ex. Oslo model**, based on flows and the inventory, signals a 0.3% m/m increase in housing prices, while the average over the past 3 months is up 0.4%.
- **Our Oslo model** also signals a 0.5% monthly lift. Prices are up 0.2% on average over the past 3 months.
- **Mortgage rates** are not included in these short-term market models, because they have not consistently added to the models' performance. Still, over time, mortgage rates and credit growth are important drivers for the flows in the housing market. Most likely, the rate hike in May and the threat of more hikes in H2 lowered demand in July.
- These models ***are not long-term price models***, just short-term models based on flows of (existing) houses approved for sale, actual sales and changes in inventories – which are normally correlated with prices.

Manufacturing production: Oil suppliers contracted in Sep., the rest was up. The sum: Flat

Manufacturing production was unchanged in September and trends flattish. Oil suppliers were down 1.8%, and have most likely peaked. The rest trends slowly upwards.



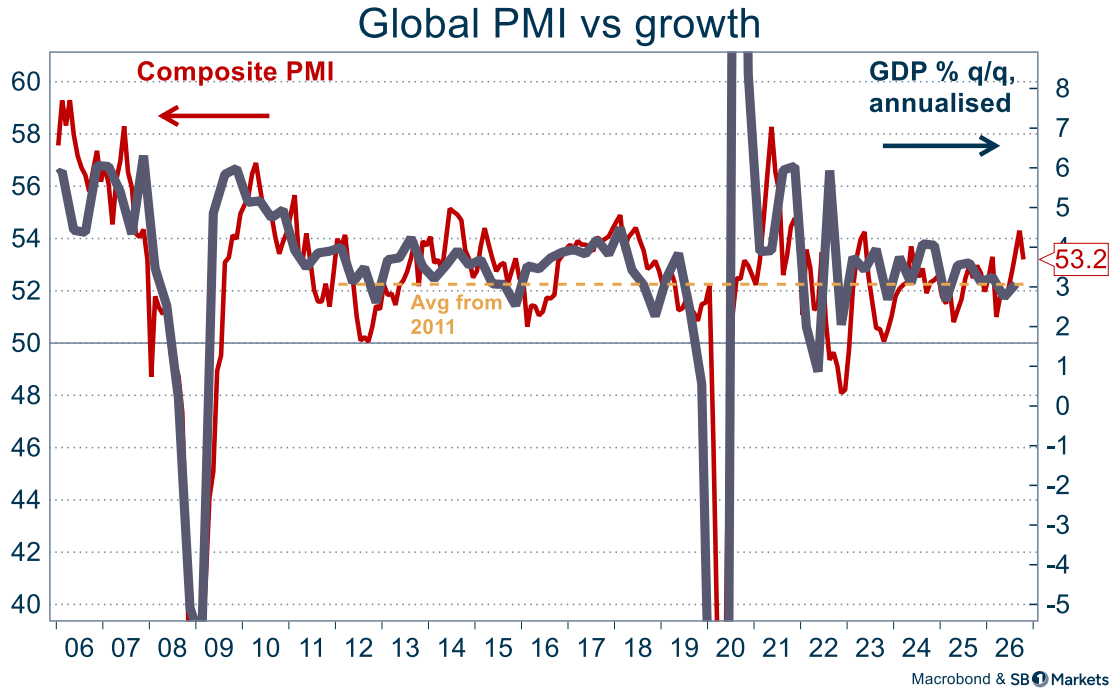


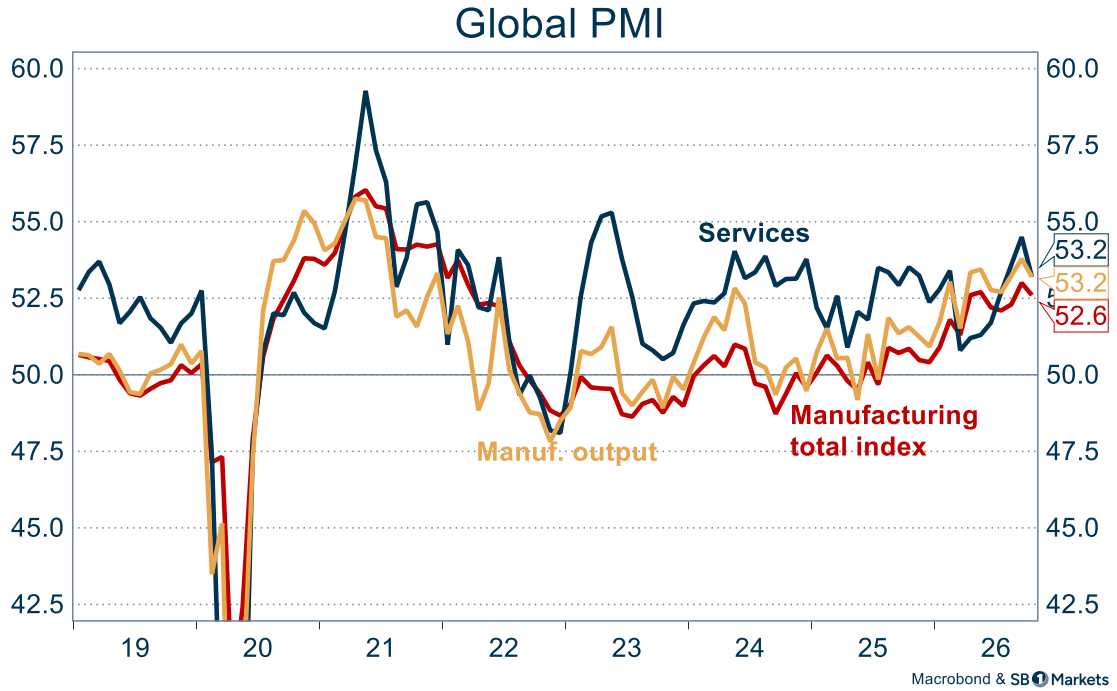


- The longer-term trend for **total production** is up and it is up 1% y/y (3m avg.). However, underlying growth has slowed, and production was flat 3m/3m.
- **Oil-related manufacturing production** (suppliers/yards etc. but not refined oil products) is still up 3% y/y but has most likely peaked. Surveys are sending clear signals.
- **Other sectors** are marginally up y/y but have been trending up from a local trough in Q4-25.
- **Manufacturing surveys** on average signal a modest decline in production.

The global PMI down 1.1 p to 53.2 in October, still a high level → *3½% global GDP growth*

The outcome was 0.6 p lower than flash PMIs signalled, mostly due to a 1.7 p larger decline in the US composite PMI vs the flash estimate. However, the final print at 55.9 is strong. Globally, services fell more than manufacturing but both trend up, and both are at OK levels.

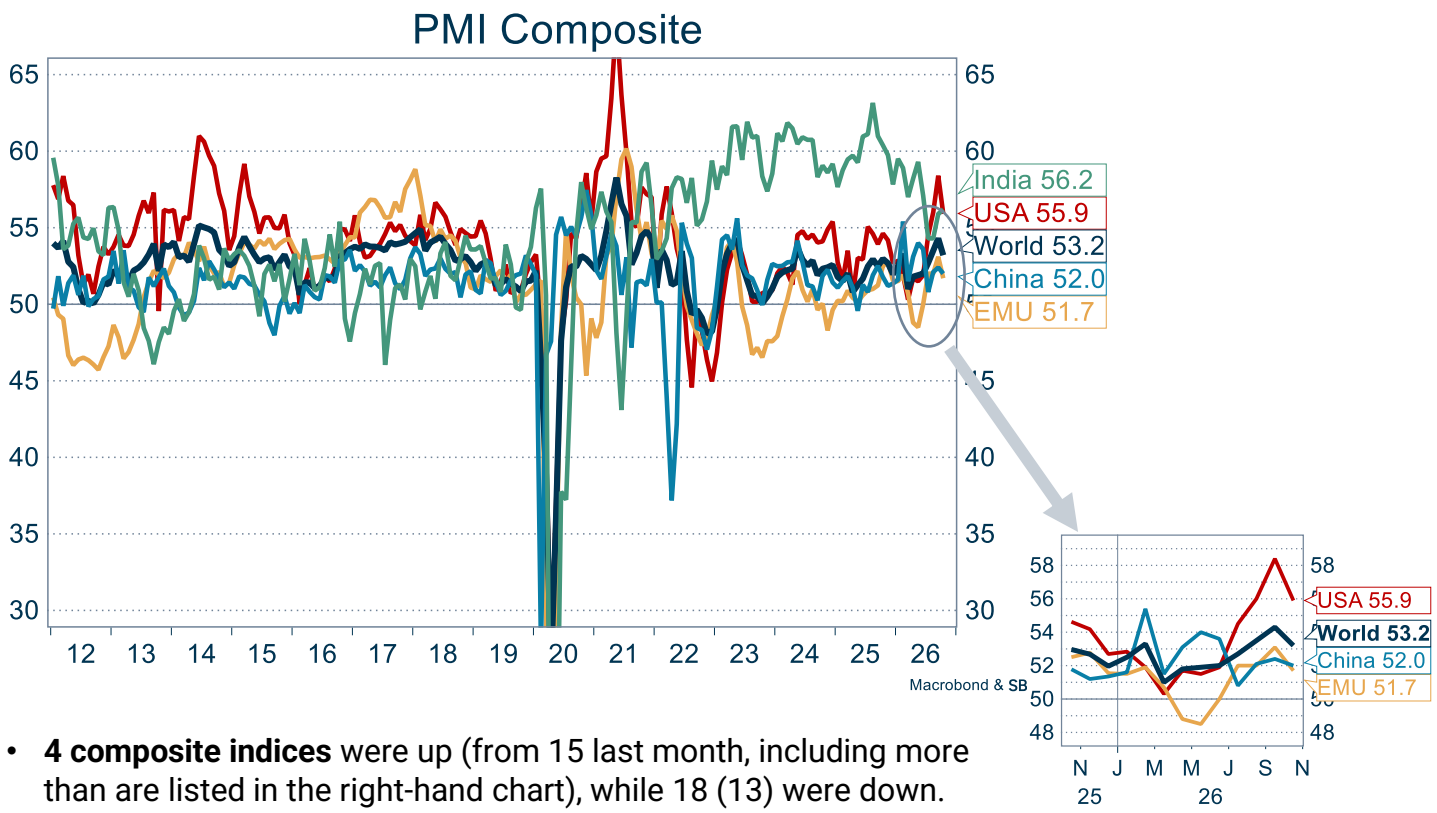




The global PMI is our estimate

PMI: US retreated the most of the majors, but remains high up on the list

The US composite index declined 2.5 p to 55.9, well below the 57.6 flash estimate. The EMU composite PMI fell 1.4 p to 51.7, 0.3 p below the flash estimate, dragged down by France (down 4.5 p to 46.6).



Composite PMI

	Deviation from 50 & change last month	Dev v 50	Change m/m	Change 6m
Sweden		7.0	-0.6	2.9
India		6.2	0.3	-2.0
Spain		6.2	-0.6	7.5
USA S&P (Markit)		5.9	-2.5	4.2
USA ISM (total)		4.7	-0.1	1.3
G4		4.0	-1.7	3.2
** Developed Markets **		3.7	-1.7	2.6
Germany		3.4	-0.4	5.0
**** WORLD ****		3.2	**-1.1**	1.4
UK		2.9	0.9	0.3
Japan		2.1	-0.2	-0.1
China (RatingDog)		2.0	-0.4	-1.1
** Emerging Markets**		2.0	-0.4	-0.7
EMU		1.7	-1.4	2.9
Italy		0.8	-0.2	0.3
Russia		0.0	-0.8	0.9
China (NBS/CFLP)		-0.3	-1.0	-0.4
South Africa		-1.0	0.0	-2.6
Australia		-1.8	-3.1	-2.2
Canada		-1.9	-0.6	-1.8
France		-3.4	-4.5	-1.0
Brazil		-5.6	-3.0	-8.0

-7.5 -5.0 -2.5 0.0 2.5 5.0 7.5

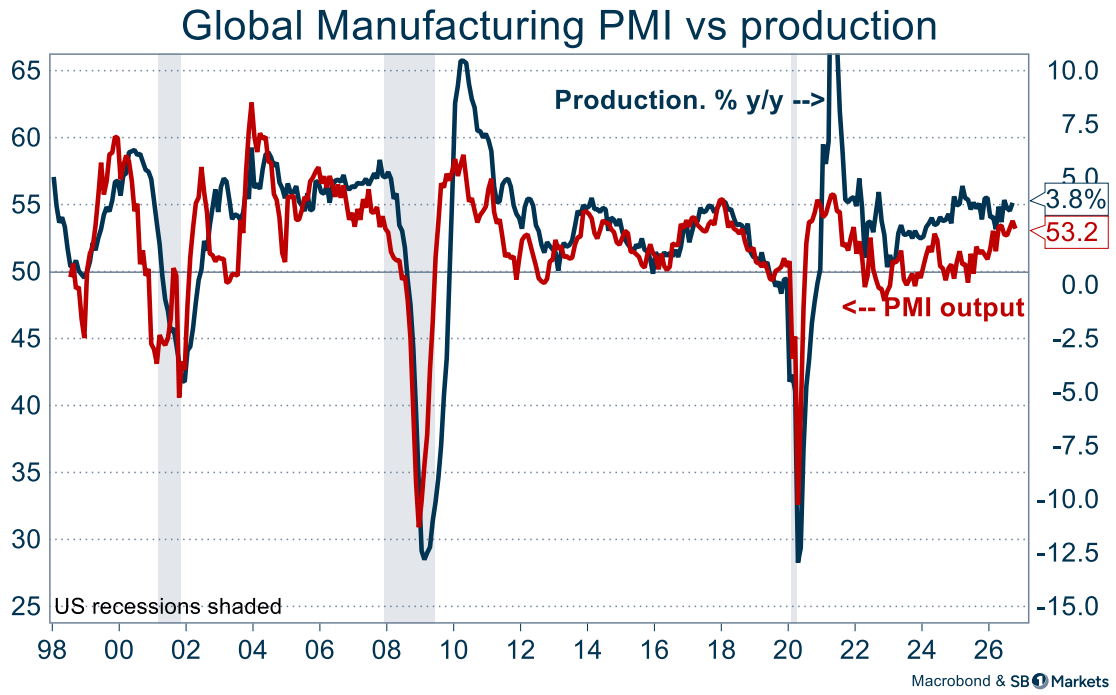
Dev. from 50 ● Change last month

Macrobond & SB Markets

- **4 composite indices** were up (from 15 last month, including more than are listed in the right-hand chart), while 18 (13) were down.
  - 7 indices (6) were below the 50-line, 1/4 of all composite surveys.
- The top: Sweden, India and Spain, followed by S&P US PMI – which fell 2.5 p, though.
- At the bottom: Australia, Canada, France and Brazil.
- A **composite ISM** (our calc.) declined by 0.1 p to 54.7.
- The **Chinese private sector RatingDog PMI** fell 0.4 p to 52.0.

The manufacturing sector PMI slightly down in October, still well above average

The global output index fell 0.4 p to 53.2, while the total index fell 0.4 p to 52.6, signalling continued growth above trend in global manufacturing production.



- **44%** of the indices were up (from 54% in September), and 28% are below the 50-line (from 20%, the average is 32%), a favourable mix.
- **The US PMI** was down 1 p to 54.9, revised down 1.1 p vs. the flash est. However, the ISM manufacturing index rose 1 p to 55.5, expected slightly down. Both US indices are placed in the upper quartile.
- The **Euro Area** PMI was down 0.2 p to 52.7, 0.3 p above the flash estimate. Still below the average on the list.
- **Sweden** reported a 2 p lift to 60.5, up to ***no. 1 on our global ranking***, well ahead of Switzerland.
- **Emerging markets** were down 0.1 p to 51.9. The **Chinese (RatingDog) PMI** was down 0.1 p, and is far above an average level, at 52.0. **India has fallen rapidly in recent months**, to 54.7. Brazil's PMI rose 1.3 p, but just to 46.1, and is still at the bottom of the list.

PMI Manufacturing

	Dev from 50 & change last month	Dev v 50	Change m/m
Sweden		10.5	2.0
Switzerland		6.7	1.4
New Zealand		6.5	3.2
Austria		5.9	1.0
USA(ISM)		5.5	1.0
Ireland		5.2	-0.3
Czech Republic		5.0	1.5
Netherlands		5.0	-0.6
Taiwan		4.9	-1.8
USA S&P (Markit)		4.9	-1.0
Thailand		4.8	0.5
India		4.7	-0.4
Germany		4.2	0.3
Indonesia		4.0	1.6
G4		3.7	-0.6
** DM		3.5	-0.8
Greece		3.3	-0.7
Japan		3.3	-0.8
Hungary		3.1	-0.2
UK		2.8	0.9
EMU		2.7	-0.2
**** World ****		**2.6**	**-0.4**
Vietnam		2.3	0.4
Spain		2.2	1.2
China (RatingDog)		2.0	-0.1
** EM		1.8	-0.1
South Korea		1.3	-2.6
Malaysia		1.0	1.1
Poland		0.0	1.0
Russia		-0.1	0.1
Australia		-0.4	0.0
Canada		-0.4	-1.9
France		-0.5	-1.1
Mexico		-0.5	-0.8
Italy		-0.6	-1.0
China (NBS/CFLP)		-0.7	-0.8
Philippines		-0.9	-0.5
Myanmar		-2.4	-1.5
Turkey		-2.7	-0.6
Brazil		-3.9	1.3

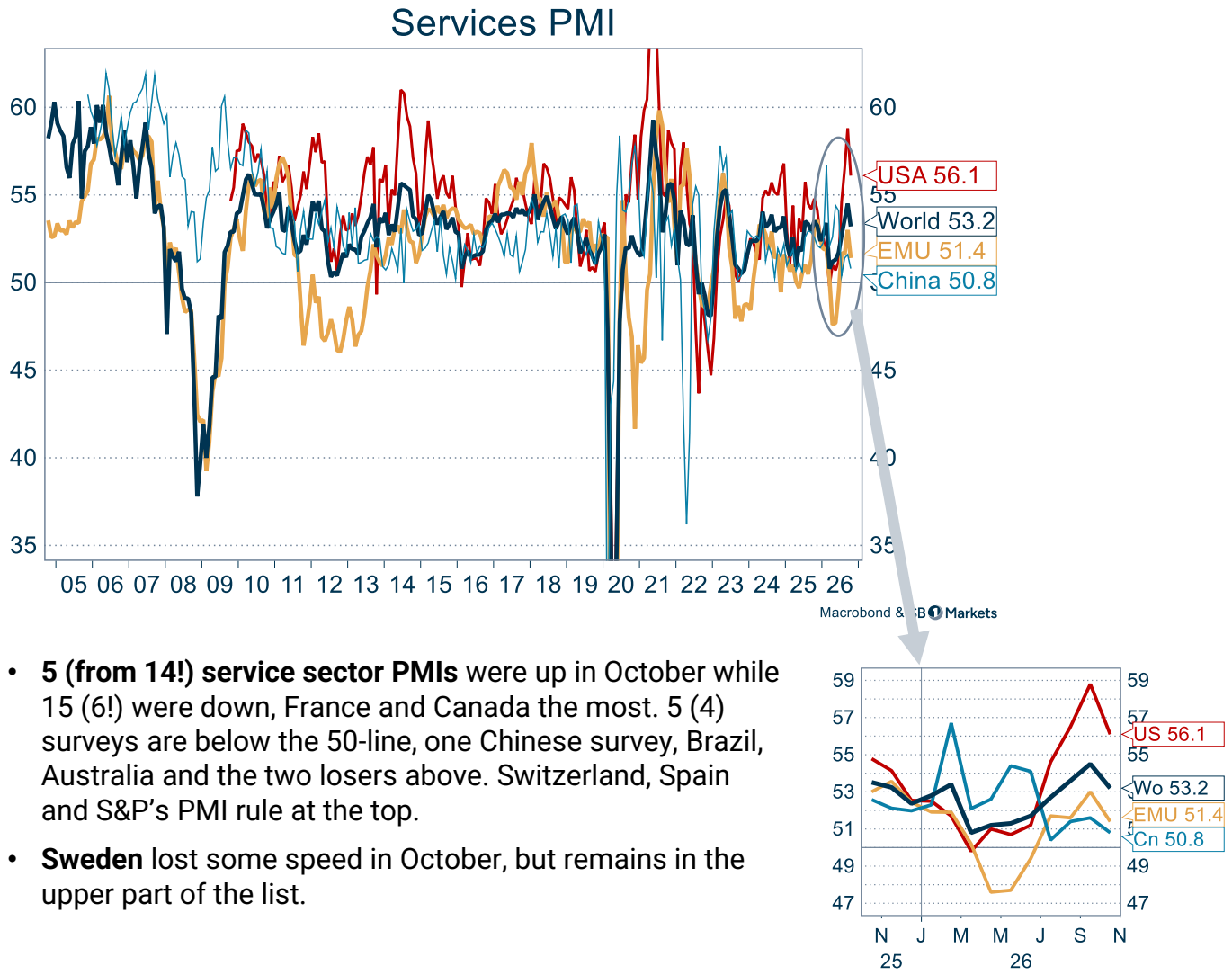
-5.0 -2.5 0.0 2.5 5.0 7.5 10.0 12.5

Deviation from 50 ● Change last month

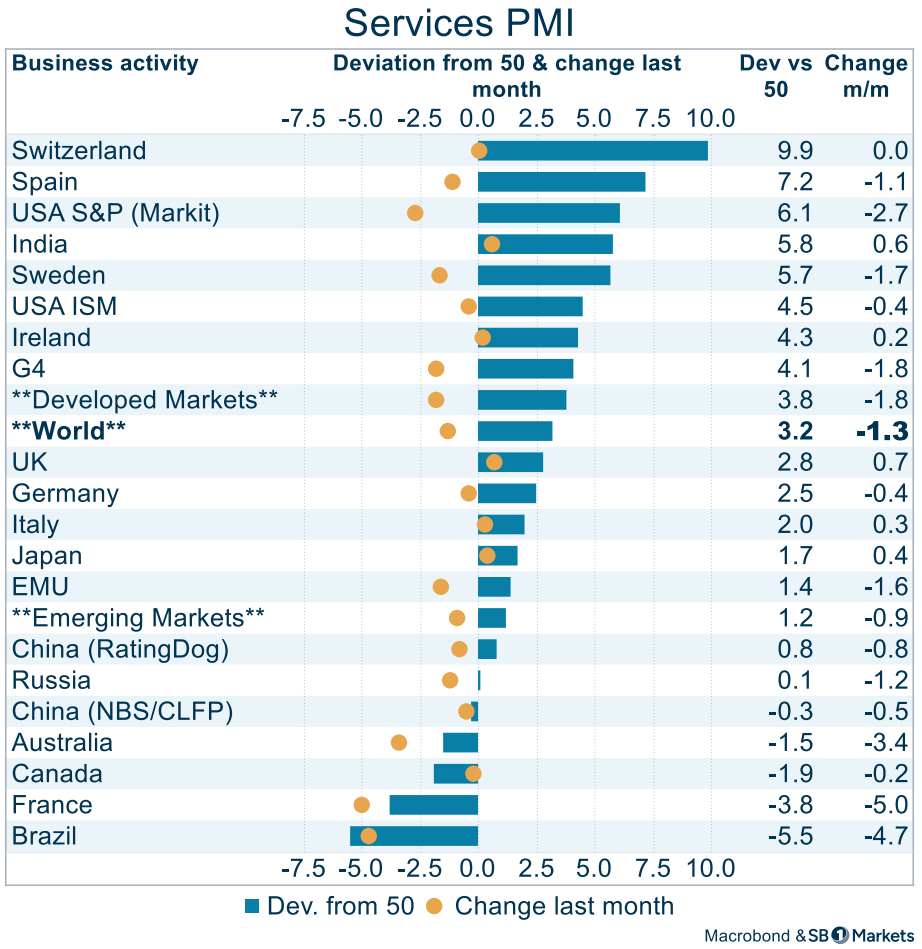
Macrobond & SB Markets

Services PMI: the global index down 1.3 p to 53.2, well below our flash-based estimate

The US index was revised down by 1.8 p, and fell 2.7 p to still a high level, 56.1 (ISM services fell 'just' 0.4 p to 54.5 but important details were weaker). The EMU index was also revised down, mostly due to an even steeper decline in France, down 5.0 p to 46.2.

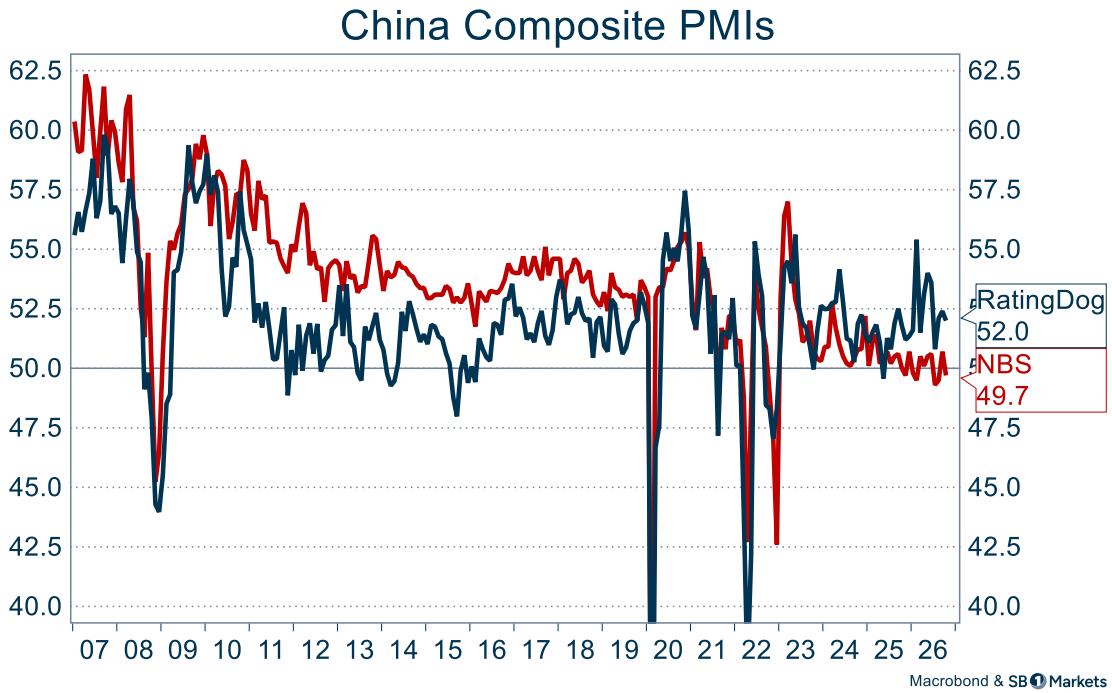


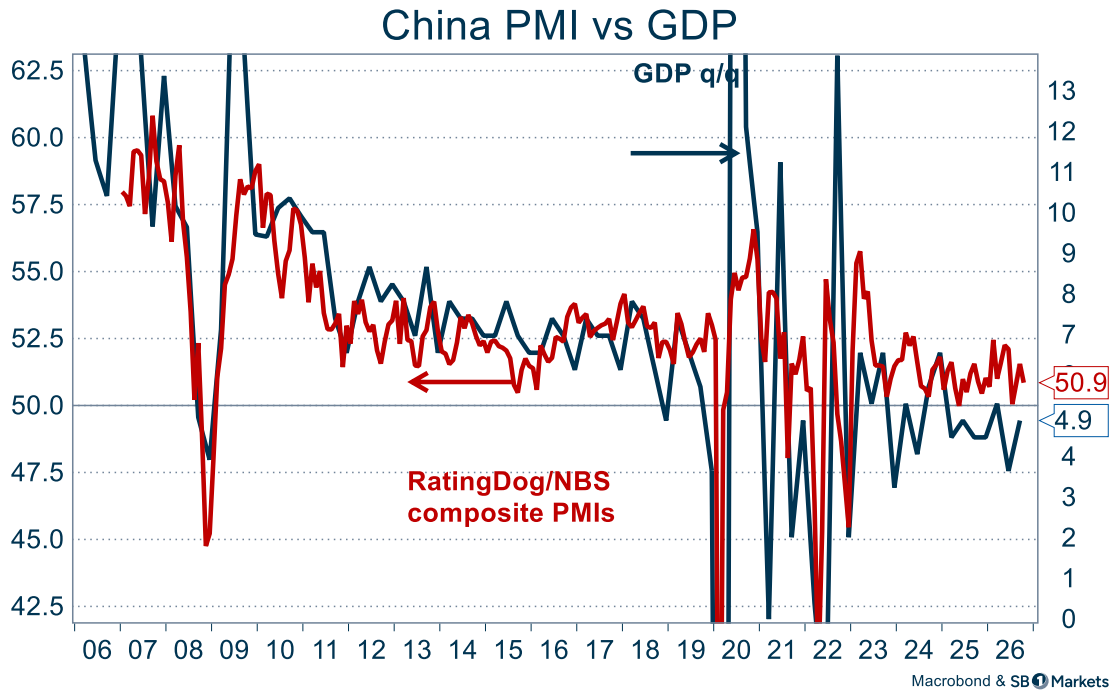
- **5 (from 14!) service sector PMIs** were up in October while 15 (6!) were down, France and Canada the most. 5 (4) surveys are below the 50-line, one Chinese survey, Brazil, Australia and the two losers above. Switzerland, Spain and S&P's PMI rule at the top.
- **Sweden** lost some speed in October, but remains in the upper part of the list.



China: the NBS PMI turned down again in October. RatingDog's just marginally down

… as we assumed last week. The NBS official index is at a low level, while the RD 'private' PMI is above average. The average of the 2 composite indices at 50.9 signals stronger growth than the current growth but these surveys have been too positive over the past 4 years.

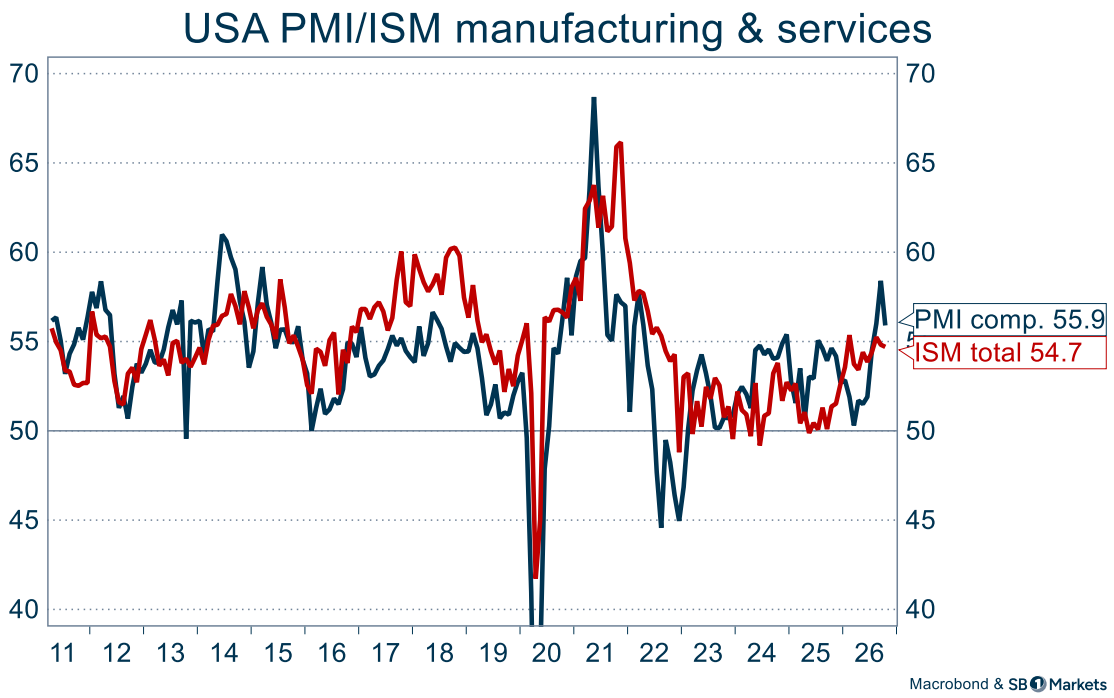


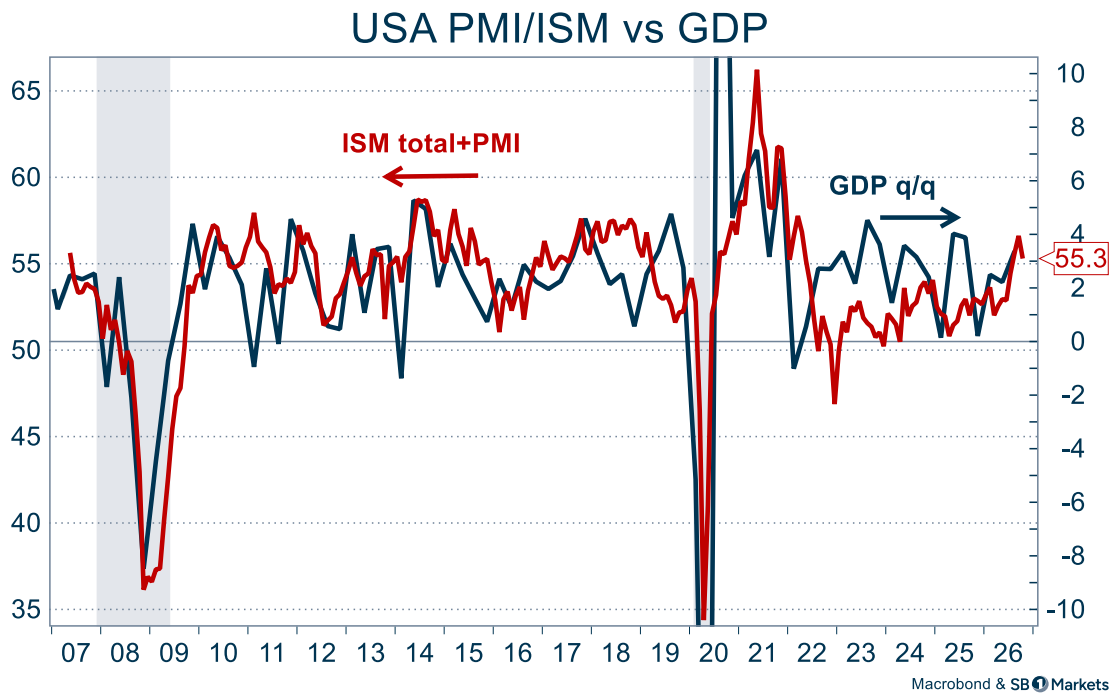


- RatingDog's PMIs have been far stronger than justified by actual growth over the past year but the average of the two has been 'too high' in recent years.
- In Q3, GDP grew at a 4.9% pace, and the PMIs may signal growth at this level.

USA: (ISM+PMI)/2 down 1.3 p to 55.3, still signalling *3% GDP growth*

At least normally. However, these (and other) surveys have – on average – underestimated growth since the pandemic (if not in Q2, Q3). The ISM indices were on avg. down 0.1 p to 54.7, while S&P's comp. PMI lost 2.5 p to 55.9. The S&P PMI is 2 p > avg., the ISM close to average.



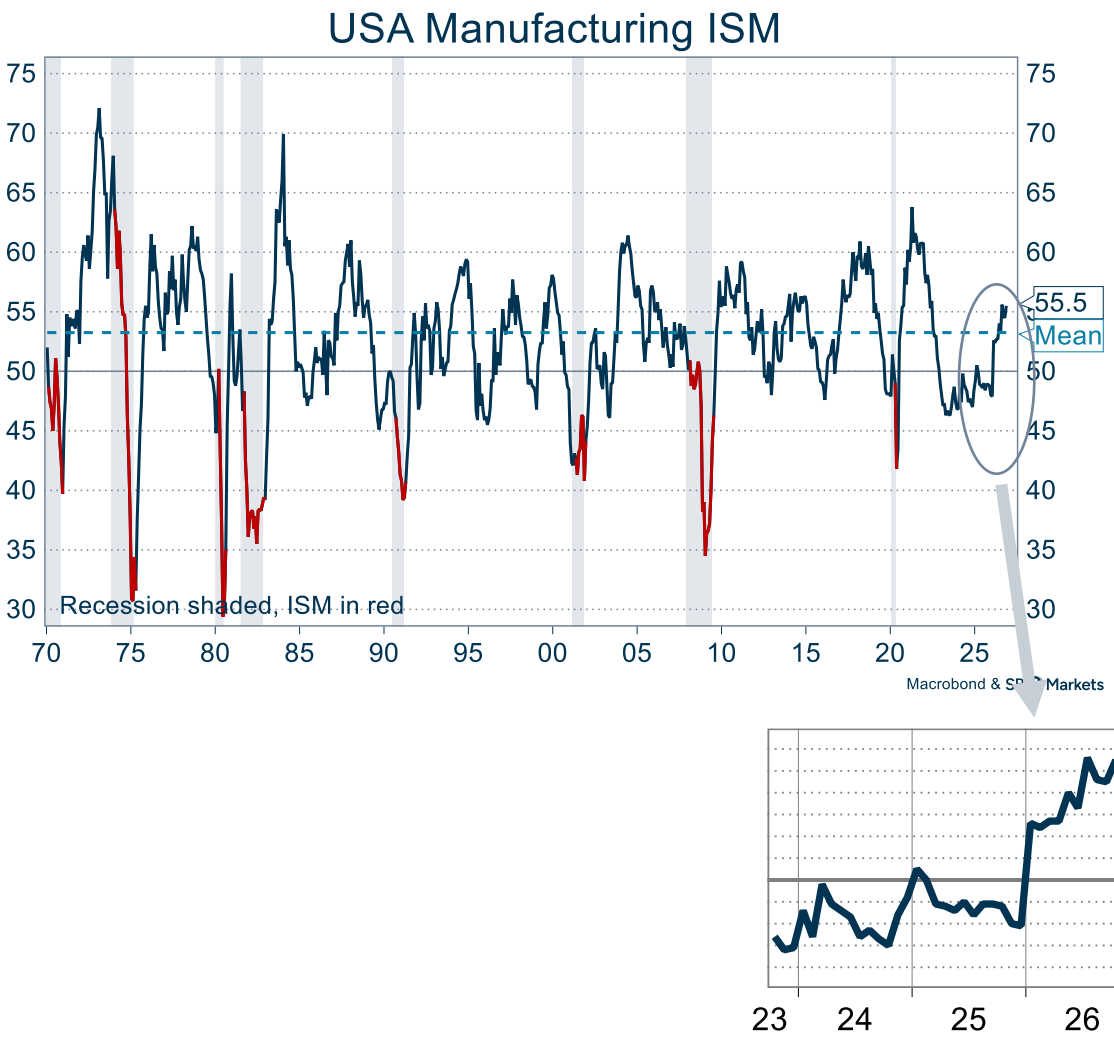


- S&P's composite PMI is more closely correlated with GDP growth than the good ol' ISM indices.

The ISM total index is the weighted average of the total manufacturing and service indices, not the output indices as these sub-indices are very volatile.

The US manufacturing ISM gained 1 p to 55.5, trends up. *So does price growth*

The outcome was better than expected. The details were OK, barring a lift in the inventory component, and the still lofty input price index, signalling rapid growth in production costs. And *the correlation with consumer prices is positive…*

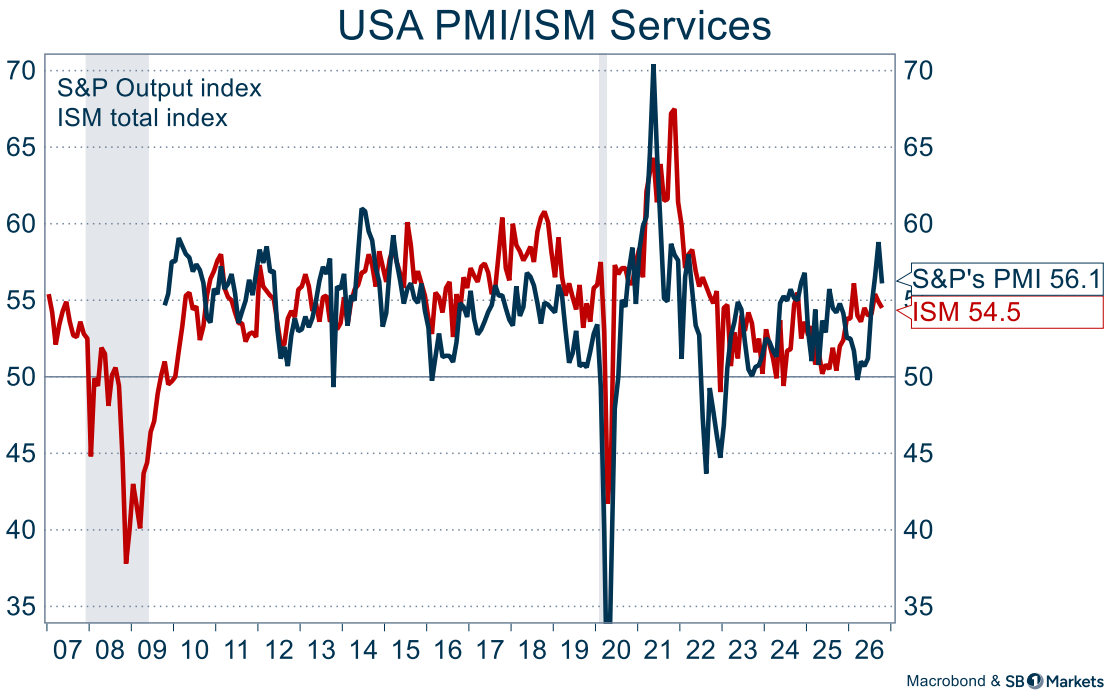


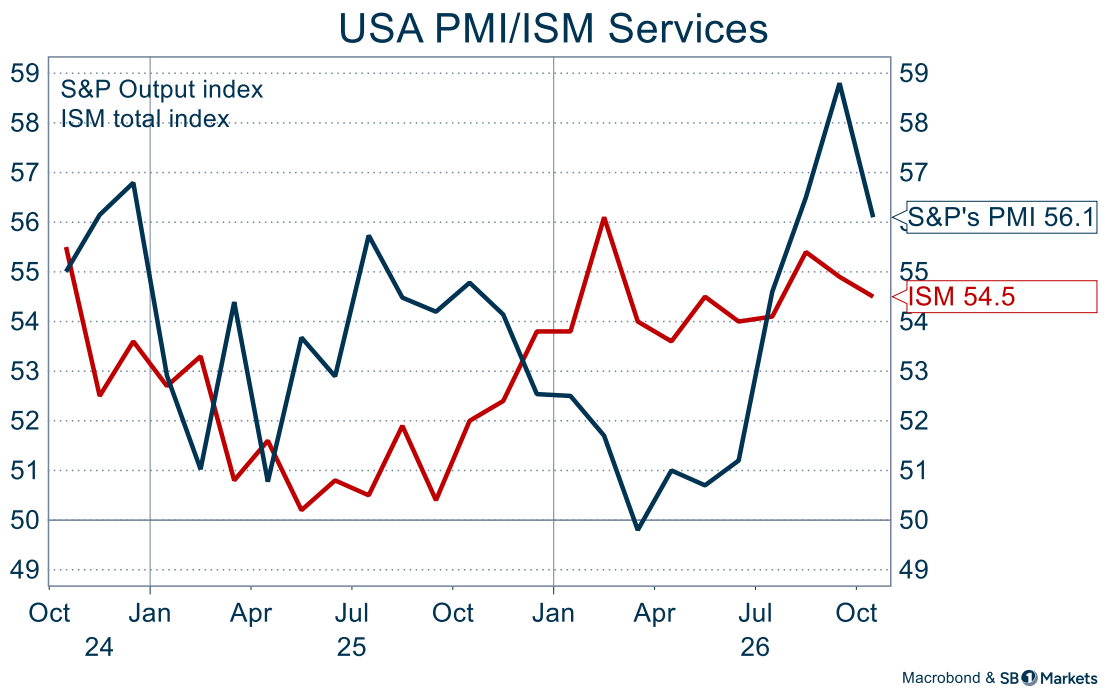
The details:

- The manufacturing ISM has stayed at 2 p above average over the past 4 months, and the trend is upwards.
  - The production index rose 2.3 p to 59.0, while the order index was close to unchanged, at 55.5.
  - 12 manufacturing sectors (of 18) reported growth, as in last month.
- **Comments from the companies: *Strong demand but many challenges.***
  - **Sentiment weak** despite strong data: 66% of comments negative, third month of deterioration.
  - **Costs the main problem**: price volatility, tariffs and metals prices squeeze margins.
  - **Supply chains strained**: longer lead times; Iran conflict adds uncertainty.
  - **Policy uncertainty**: customers commit only short term.
  - **Demand still firm**: new orders, exports and production improving.

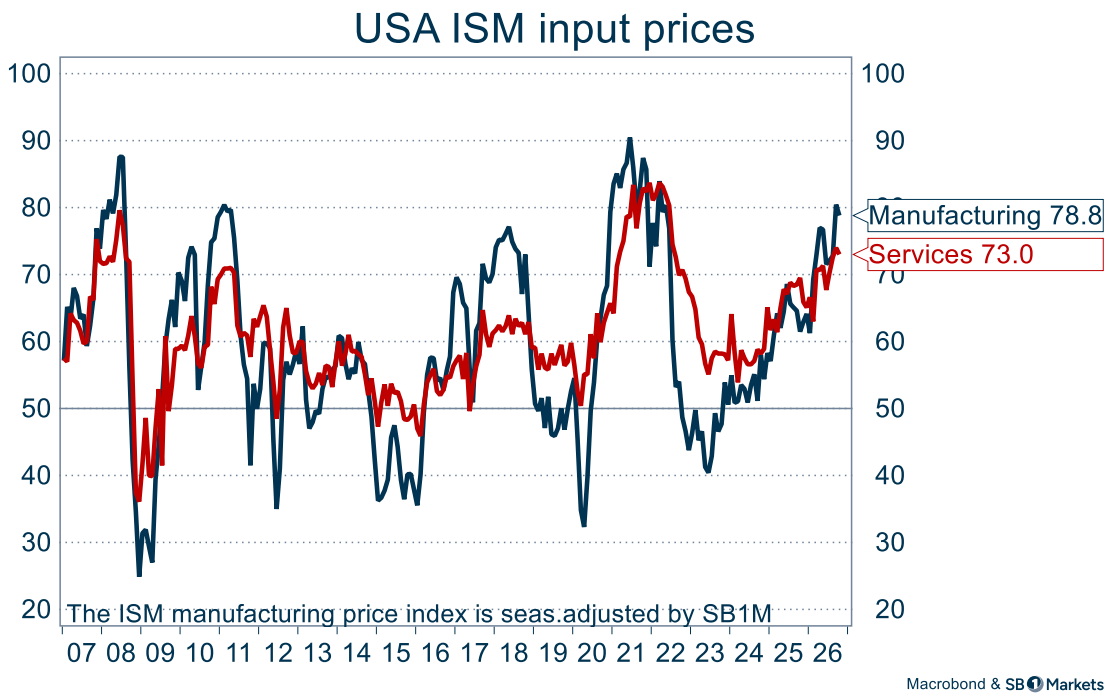
Services: S&P's PMI weaker than the flash estimate but still very strong. ISM down too

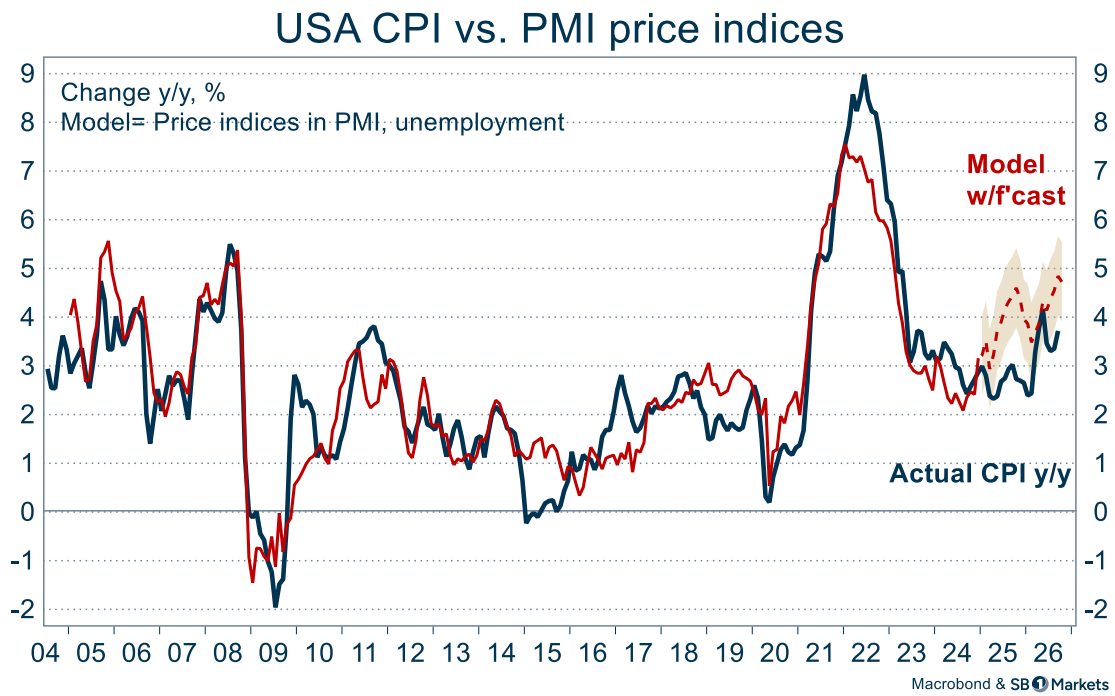
… and the important details surprised on the downside, and landed well below average (*check next page*). The S&P PMI is 2+ p above average, while the ISM index is 1 p below average. However, the ISM index sits well above the average over the past 4 years.





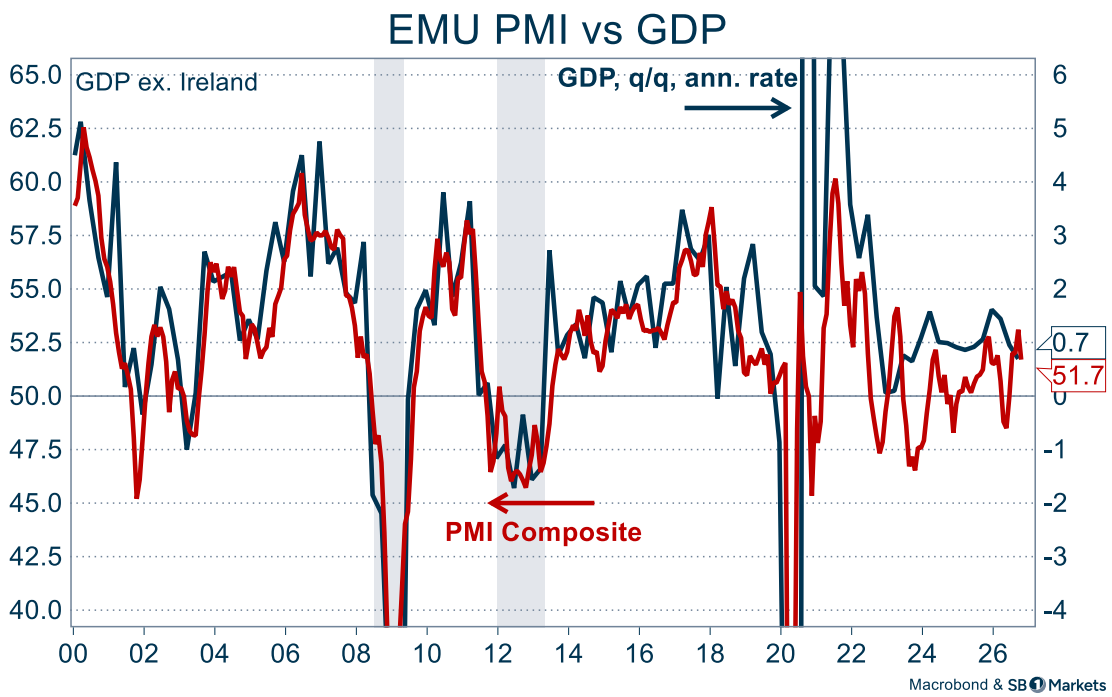
ISM input prices fell slightly in October but still signal rapid growth in CPI prices

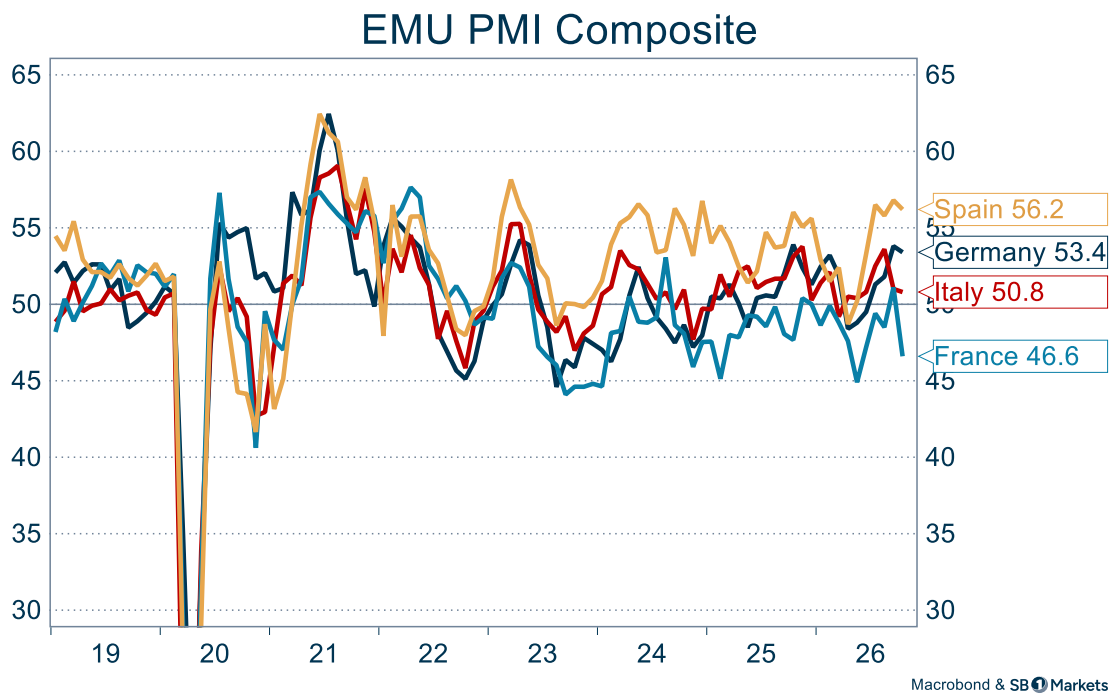




The EMU composite PMI down 1.4 p to 51.7→ *less than 1% growth is signalled*

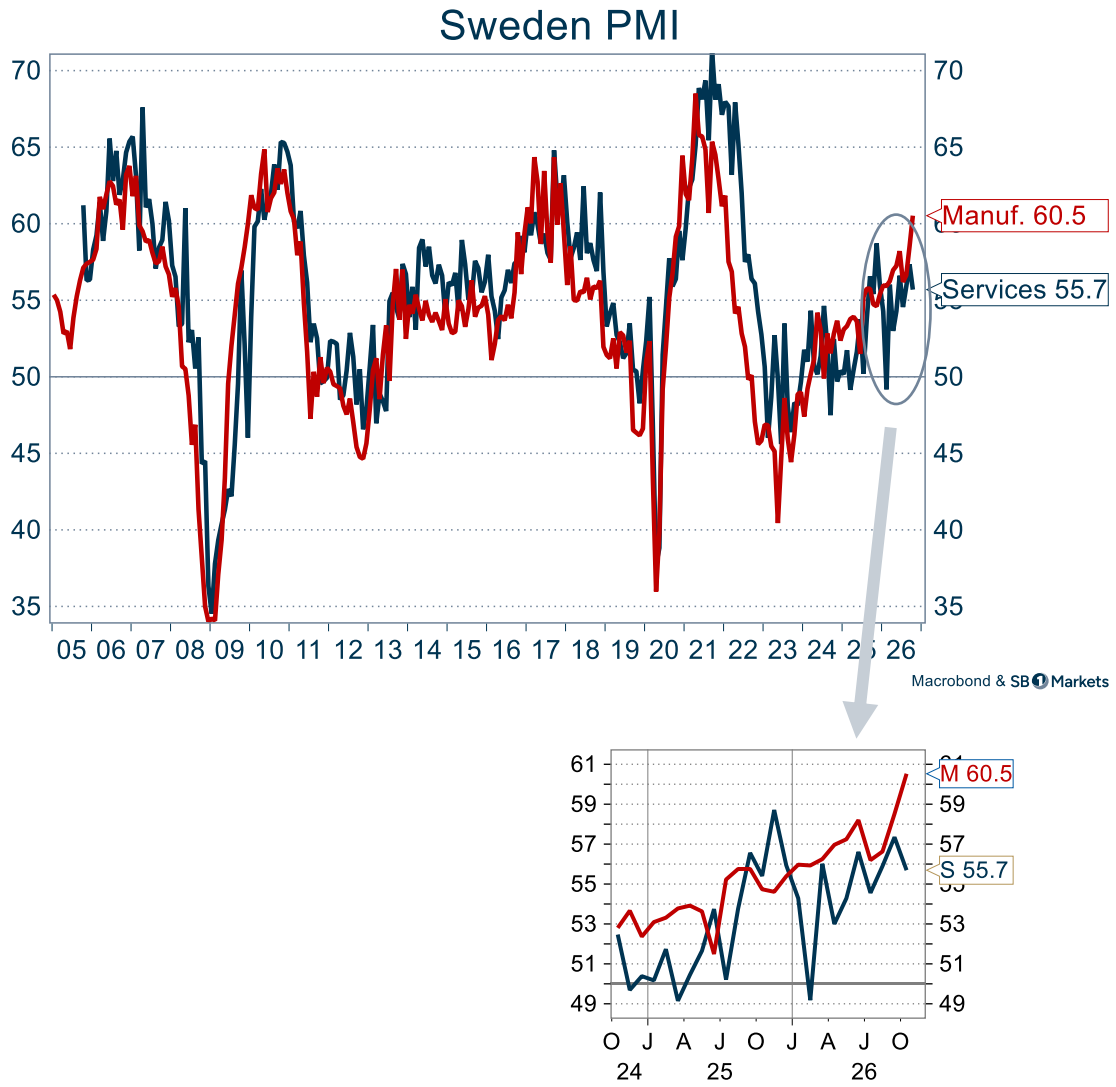
French services mostly to blame but the other 3 of the of the big 4 were down in Oct., but just marginally. The EMU PMI is above a 4y avg. Spain at the top, followed by Germany, where the manufacturing sector reports at least normal growth. The French composite fell 4.5 p to 46.6!

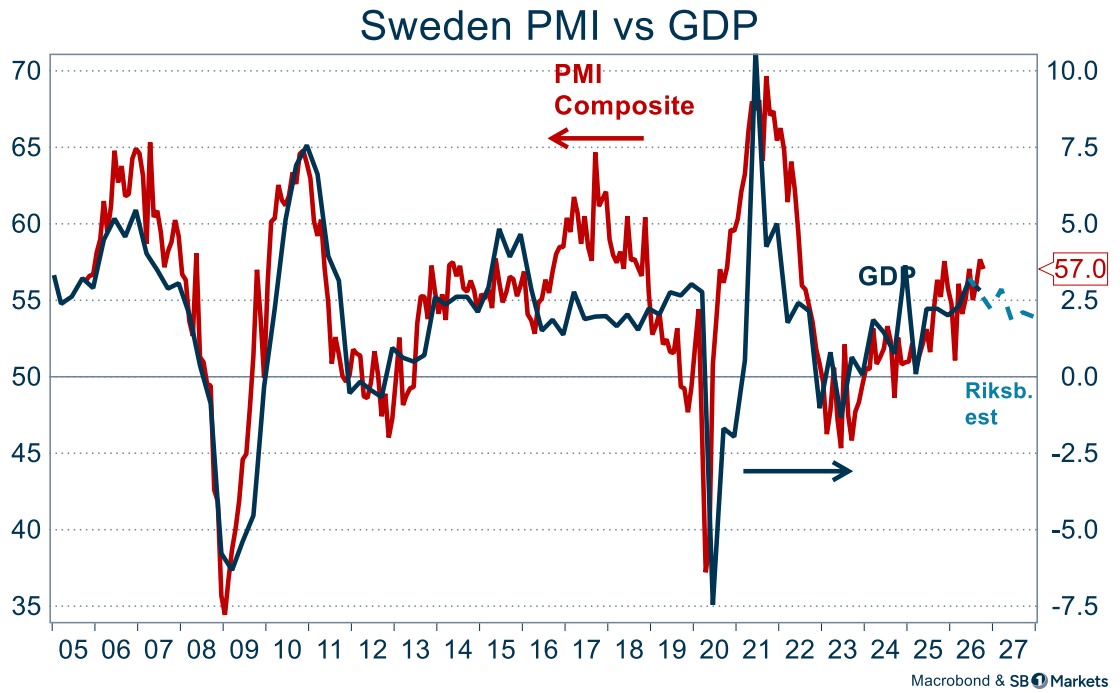




Sweden: manuf. up, services a tad down, comp -0.6 p to 57.0 → *3½% GDP growth*

Both manufacturing and services PMIs trend up, manufacturing is well above average, services at an average level.





The US labour market at a glance: A red sweep (here)

- **Share of companies hiring**
  - Up, and close to a normal level (JOLTS)
  - Up, and well above an average level (SMEs, NFIB)
- **Job openings/vacancies**
  - Up 0.2 pp to 4.5%, expected unch. Trends from a high level (JOLTS)
  - Job openings are harder to fill, share trends up from a high level. (NFIB)
- **Layoffs, quits**
  - Layoffs fell and remain at a very low level (JOLTS)
  - A further decline, to a normal level in good times. (Challenger)
  - Voluntary quits up, at a normal level (JOLTS)
- **Employment/payrolls**
  - Payrolls grew 2.5X faster than expected (165' vs. 65'), history revised up by 84' (BLS, Payrolls report)
  - Total employment grows even faster, by 500' per month the past 3 months (Household Survey/LFS)
- **Labour market participation rate**
  - Has turned up, alongside the employment rate. (HHS/LFS)
- **Unemployment**
  - Surprised marginally on the downside, to 4.1% (HHS/LFS)
  - The inflow of new jobless claims the lowest **EVER** (BLS)
- **Average hours per week**
  - Flat last month, but trends up

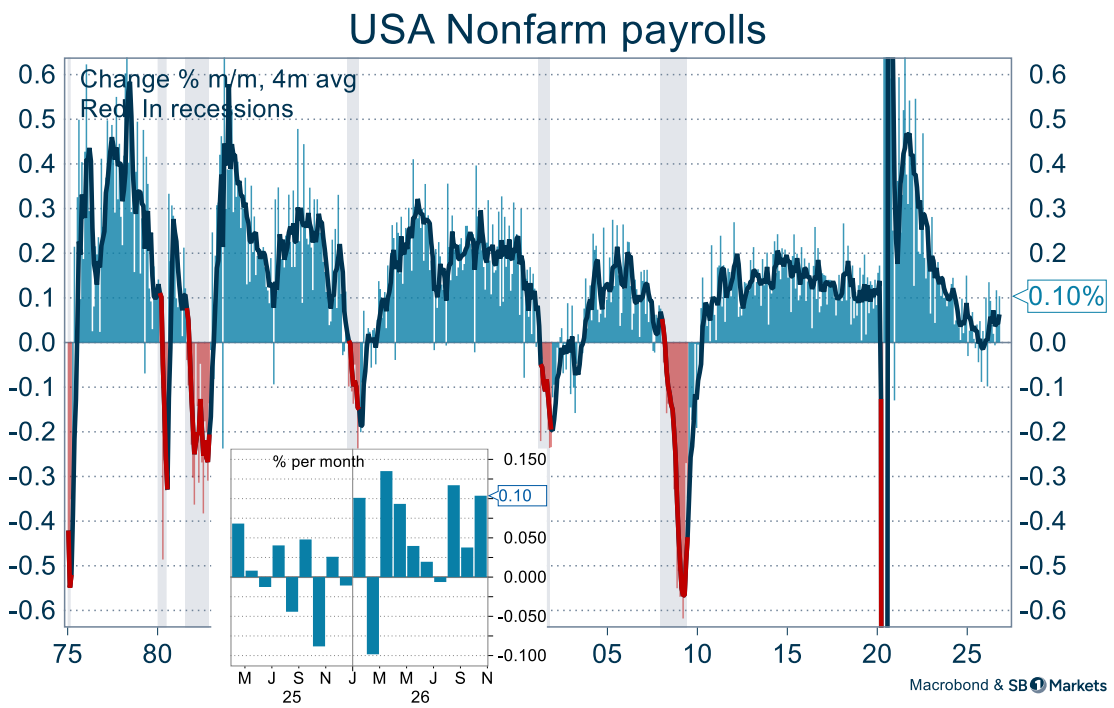
- **Wages/labour costs**
  - Average earnings rose faster than expected, 0.4% m/m, and to 3.1% y/y. Still, growth is moderate (Payrolls report)
  - A higher – and high – share of SMEs still plans to lift compensation (NFIB)
  - Hourly compensation grew at a modest 2.9% pace in Q3, but annual growth was revised upwards more than 1 pp and was 4.5% in Q3. (BLS)
  - **Our aggregate of the major wage indicators reports an underlying rate** at 3¾% in Q3, slightly down from Q2.
- **Productivity/Unit Labour Costs**
  - Productivity grew 3.6% in Q3, almost 1 pp more than expected. The annual rate fell to 2.1%. The trend growth is probably above 2%, **our trend-line is 2.5%** (BLS)
  - Unit labour costs fell 0.7% in Q3, expected up 0.4% but the Q2 annual rate was revised up 1.2 pp, and stayed at 2.4% in Q3, up from previously reported 1.4% in Q2 and much higher than expected – still not too far above the 2% long-term level needed to reach 2% inflation over time.

Our position

- Much more red (hot) than grey (neutral) or blue (cold)
- ***However, the most important figure vs. inflation, ULC growth (which is uncertain and is often heavily revised, like now), is almost in place.***

Faster employment growth, lower unemployment and higher wage growth in October

Payrolls grew 2.5x faster than expected and total employment is growing at an even brisker pace, according to the household survey. Unemployment fell to 4.1% (lucky rounding). Nothing suggests that the labour market is hit by an overly restrictive monetary policy.



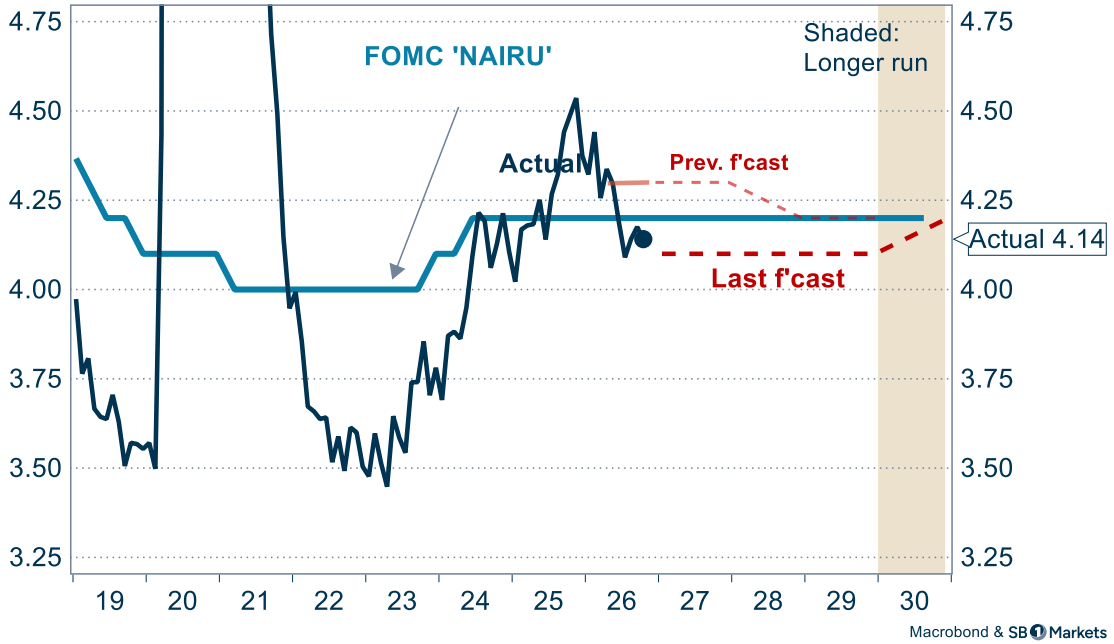
- **Nonfarm payrolls rose by 165,000, expected 65,000**, and the previous two months were revised up by 84,000. ***In sum, far better than expected***
  - Monthly data are volatile, but the **average growth** over the past 3 months was 137', ***a 1% growth pace***.
  - **Private sector employment** grew by 159', driven by professional and admin. services. Manufacturing and construction trend up the fastest (in per cent). Almost no growth in public sector employment.
- **Average hours worked** have increased recently, and total hours worked are up at a 2% pace measured 3m/3m.
- **Wages rose 0.37% m/m**, and were up 3.1% y/y, both ***0.2 pp above expectations***. Other wage indicators report higher growth, and the total hourly compensation was up 4.5% y/y in Q3.
- **Total employment,** measured by the LFS (household survey, 'AKU') has increased almost ***500' per month over the past 3m, far above any estimate of growth in the working-age population***. Thus, the employment rate has increased significantly. The participation rate has followed suit. However, they are both well down from the post-pandemic local peak.

- **Unemployment reversed the** 0.04 pp increase to 4.18% in September, back to 4.14% in October, or rounded to 4.1% from 4.2%, expected unchanged. The trend is still down, and the level is low – and just marginally above FOMC's end-of-2026 estimate.
- **Other labour market indicators** were ***all on the strong side***, check the previous page.
- **So what?** ***The labour market is in good shape*** and does not at all suggest that monetary policy is too tight. So, if inflation remains above target, a further monetary policy tightening seems very likely.

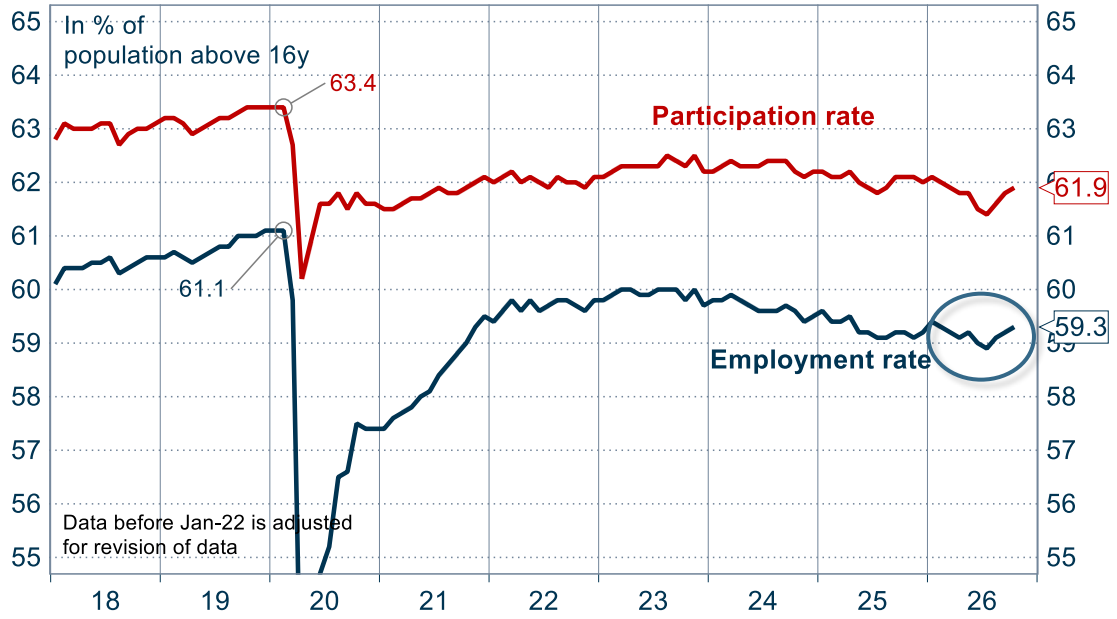
The unemployment rate fell 0.04 pp to 4.14%; rounded from 4.2% to 4.1%, expected unch.

FOMC expects a 4.1% rate through 2029. Both the participation and employment rates rose 0.1 pp to 61.9% and 59.3% resp. Both rates have recovered over the past 3 months, confirming a stronger labour market.

USA Unemployment vs Fed forecast



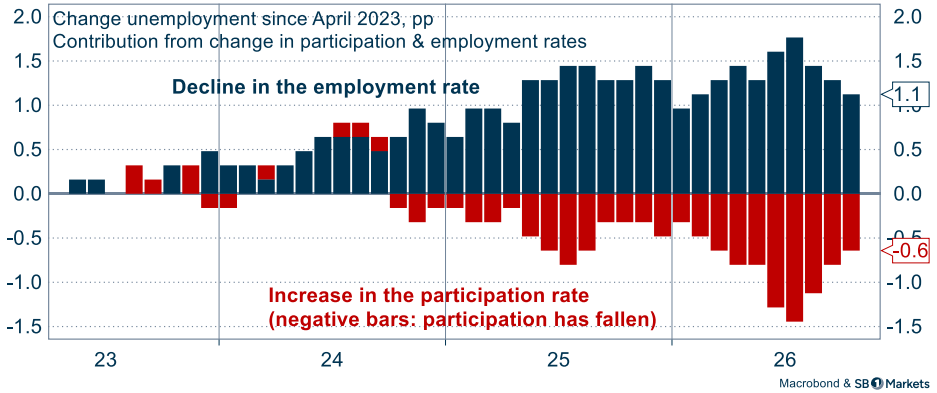
USA Labour market



- **The decline in the employment rate since 2023 is recession-like** (*check two pages forward*).
- The chart to the right decomposes changes in unemployment from the local trough in April 2023 into changes in the employment rate and in the participation rate. The decline in the employment rate has lifted unemployment by 1.1 pp, the decline in the participation rate has lowered the unemployment rate by 0.6 pp.
- **FOMC members** assume a 4.2% longer-term rate, which we may interpret as the FOMC's estimate of the NAIRU *).

*) NAIRU: The Non-Accelerating Inflation Rate of Unemployment – the rate that stabilises wage and price inflation. It varies between countries, is not stable over time, and can at best be quantified 'after the fact'.

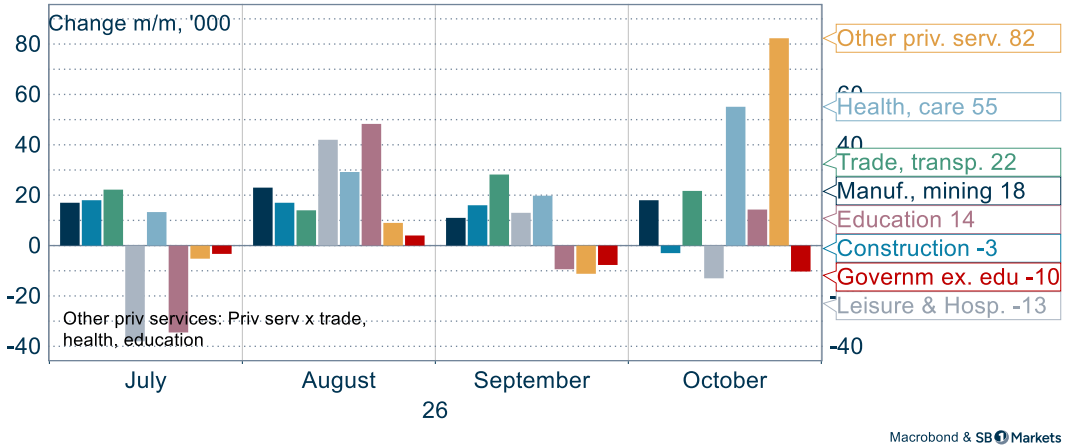
USA Why has unemployment increased/declined?



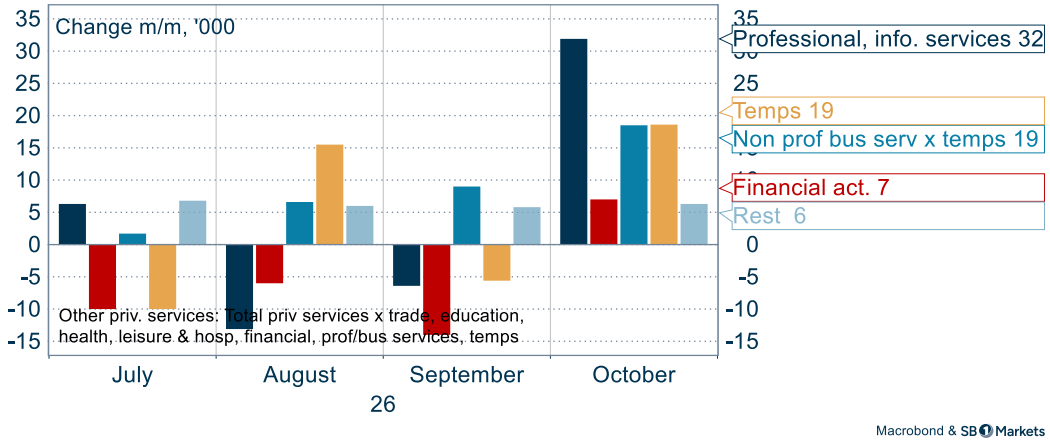
Growth in payrolls has turned up, broadly. Private services in the lead, in October

Construction and manufacturing are in the lead in terms of growth rates in recent months, and both are accelerating. The lift in October was broad, led by both professional services (mostly management, scientific and technical consulting services) and admin. services and temps.

USA Employment sectors

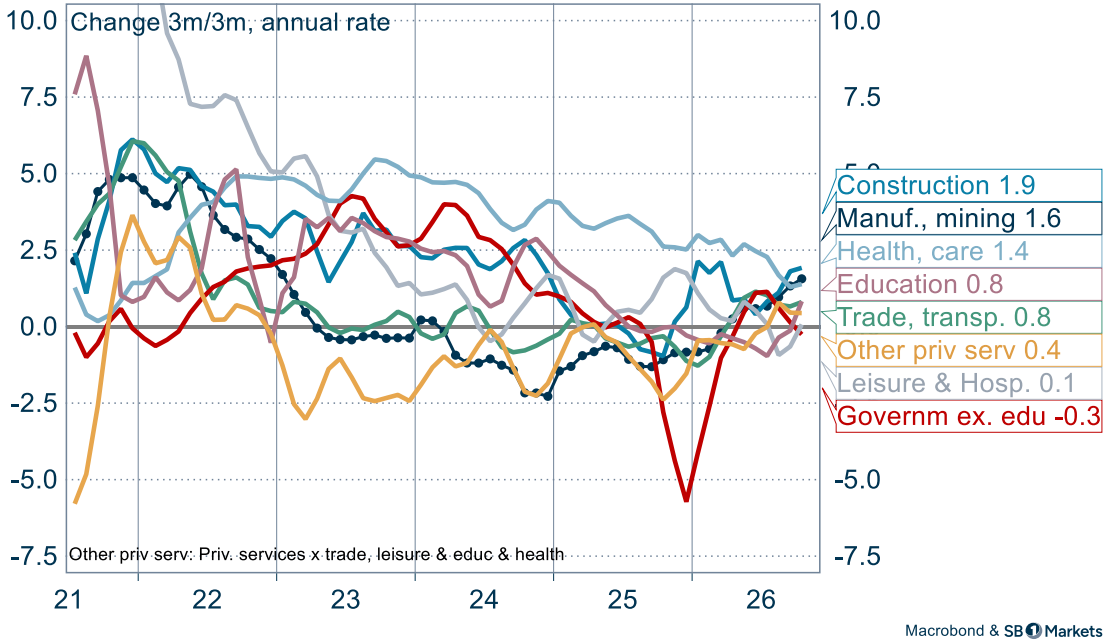


USA Employment services ex. trade, health, educ., leisure



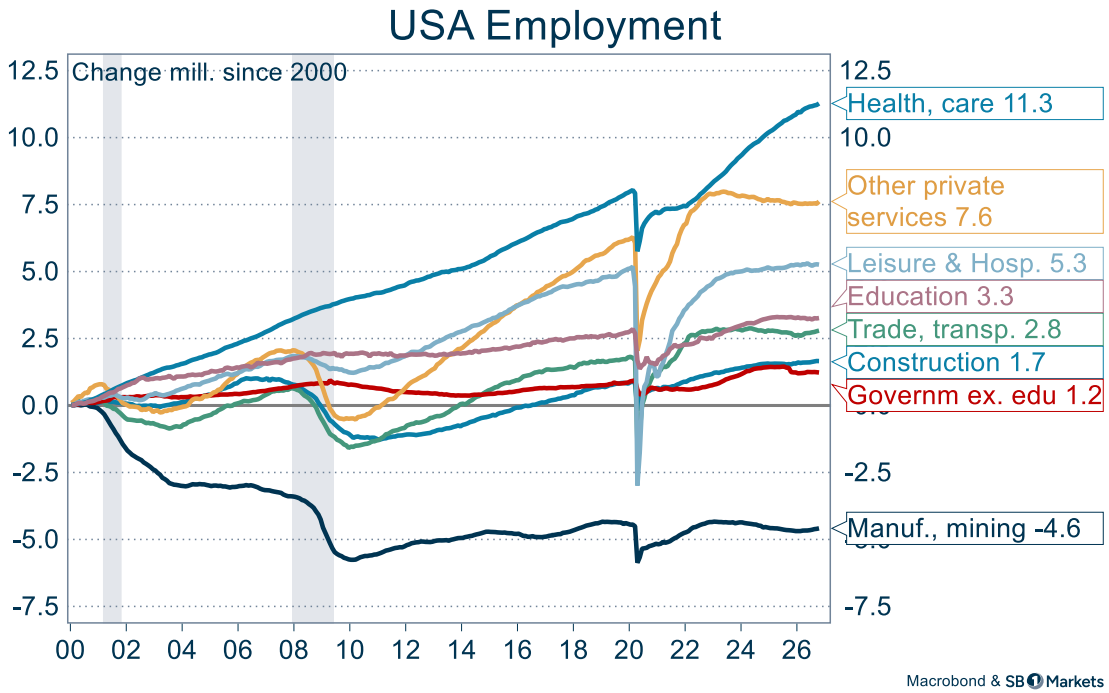
Education: Private, state and local government

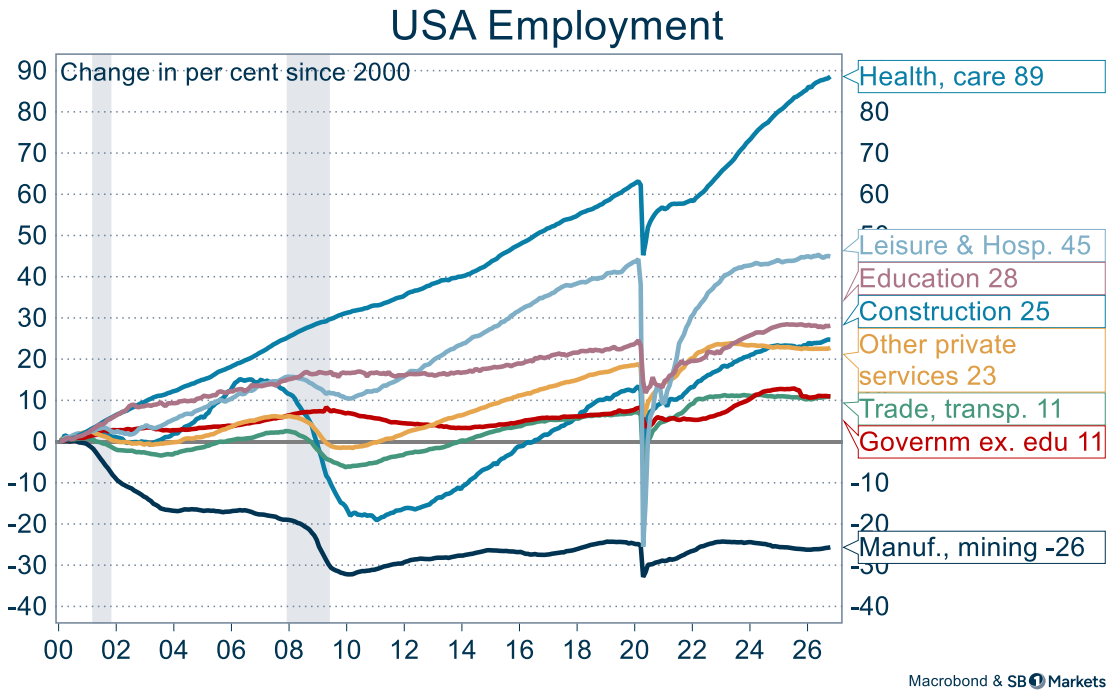
USA Employment



Where have all the workers gone in the last 26 years? To the health sector

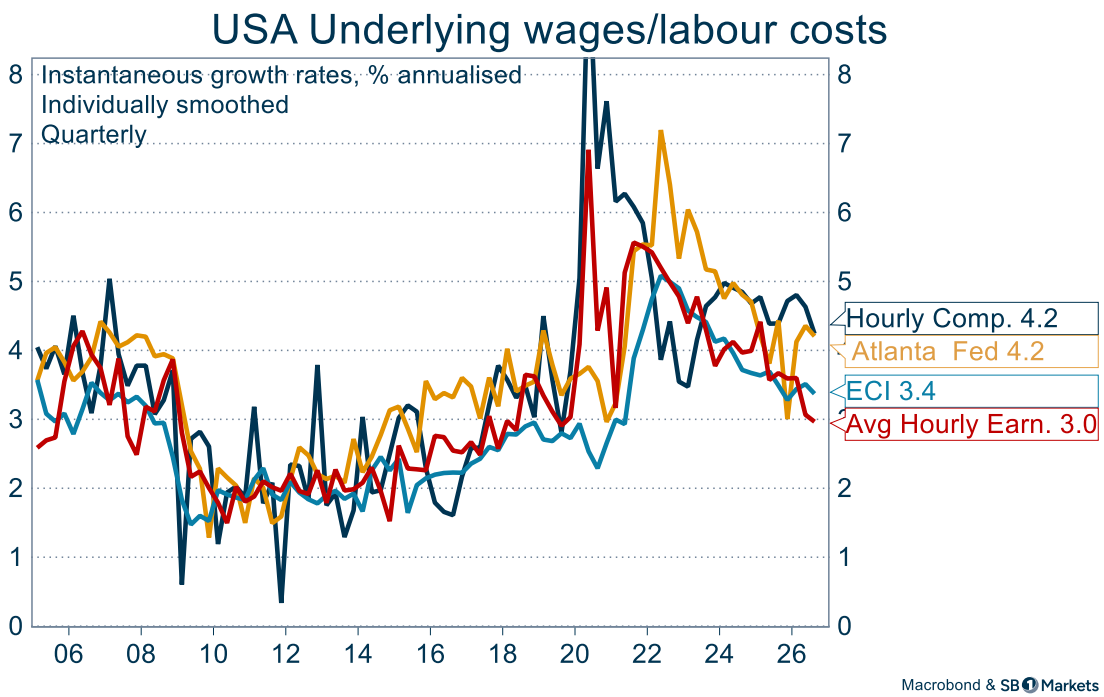
… and to other private services, the most in hotels & restaurants. Low growth in trade. Manufacturing the big loser, until 15 years ago at least. In recent months, a small lift in manufacturing.

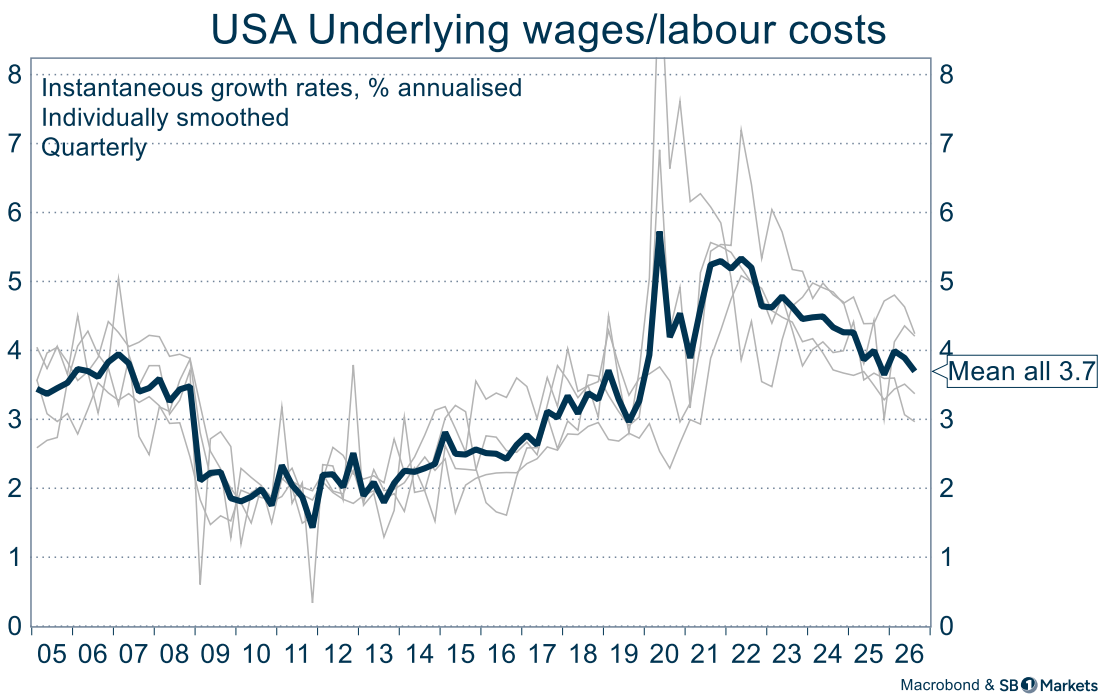




Our basket of wage indicators: wage growth has slowed to approx. 3¾%

The final answer, hourly compensation in National Accounts, is up more than 4% though.

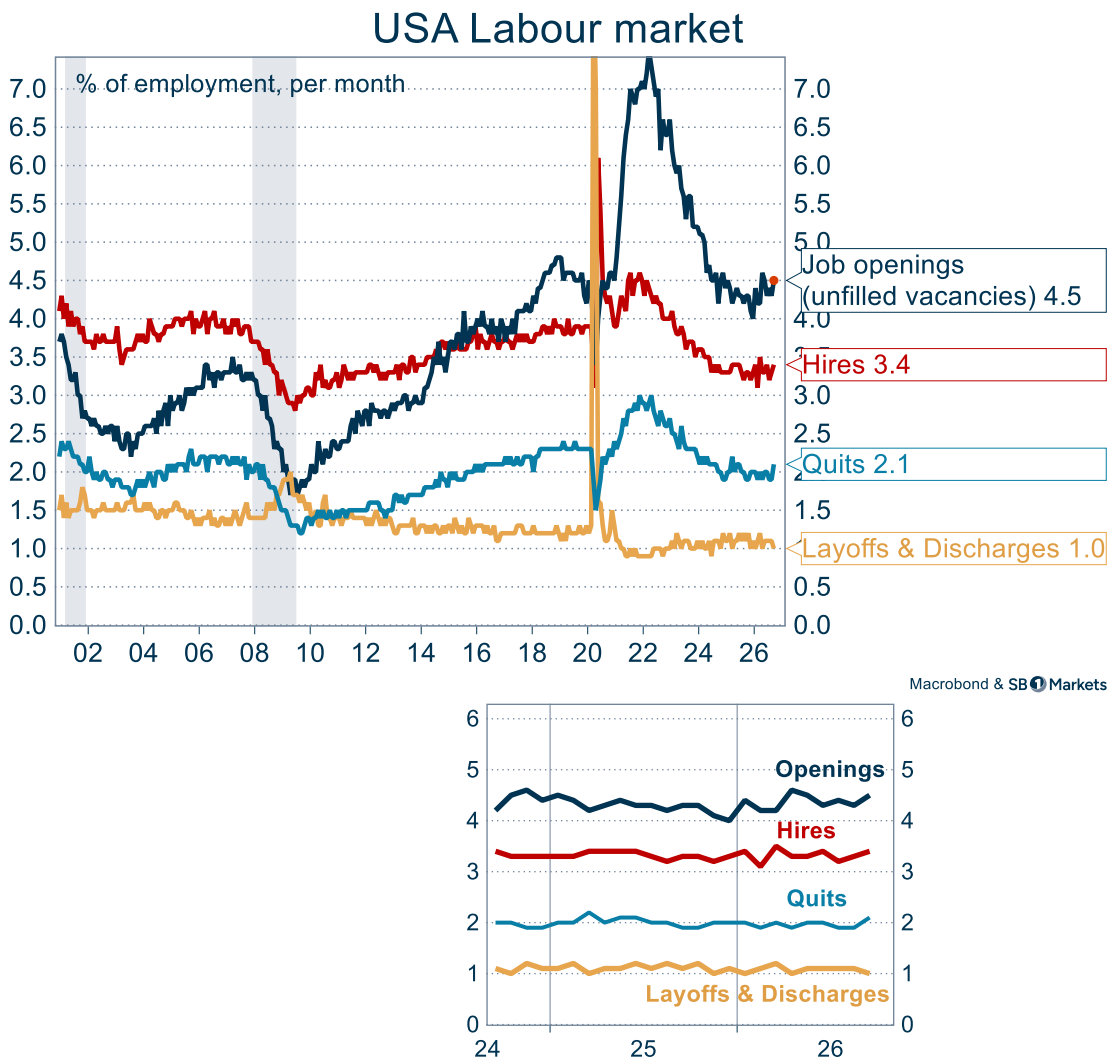




- The data series:
  - **Atlanta Fed median wage tracker** (monthly). The median wage is now an outlier on the upside.
  - **Average wage** in the nonfarm payroll report (monthly).
  - **The Employment Cost Index** measures total labour costs for a constant mix of employees (quarterly).
  - **Hourly compensation** in National Accounts measures the average total compensation per hour worked, here in the nonfarm business sector. This is the 'final answer', the cost of employing labour in the production process.

More job openings, more hiring, more (voluntary) quits, fewer layoffs, JOLTS report

Better or far better on all accounts. Unfilled vacancies rose 0.2 pp to 4.5%, expected unchanged. The trend is up, *signalling a tighter labour market*. Hiring rose further, to 3.4%, and trends flat, though at a modest level. Quits were up 0.2 pp to 2.1%, layoffs fell 0.1 pp to 1.0%.

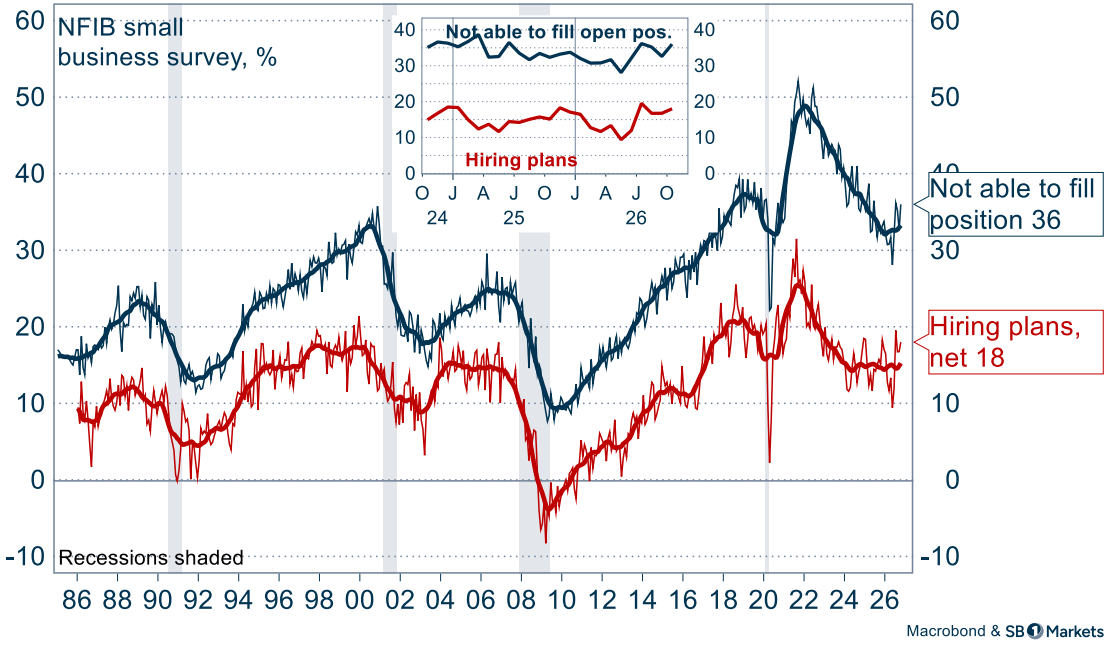


- **The job openings** (unfilled vacancies) bottomed last December and have so far in 2026 been higher.
  - The vacancy ratio is way above a historical average, but lower than after the pandemic, and the long-term trend is upwards (from 2001).
  - There are ***1.03 vacant position***s per unemployed person, twice ***the average of 0.5. This ratio trends upwards again, signalling a tighter labour market.***
  - We have assumed that the vacancy rate would need to fall to around 3.5% in order to bring wage inflation down to a level which would generate 2% CPI inflation over time. However, given the increase in productivity growth, ***wage inflation has already fallen sufficiently.***
- **New hires** trend flat, at a lower-than-normal level.
- **The quit rate** rose 0.2 pp to 2.1%, the highest level since March last year. The level is normal and way below the peak during the post-pandemic boom, and the trend is flat – which does not signal a weak labour market. (A lower voluntary quit rate signals a less tight labour market.)
- **Layoffs** fell another 0.1 pp to 1.0%. The trend is flat as well, below the 1.4% average.
  - These layoff data may be lagging: In the 2008 recession, layoffs did not turn up ***until well into the recession.*** In 2001, the layoff rate did not increase until the recession was almost over.
- **Challenger** reports a further decline in announced layoffs in October. The level is as if the economy was in good shape – which it very likely is.

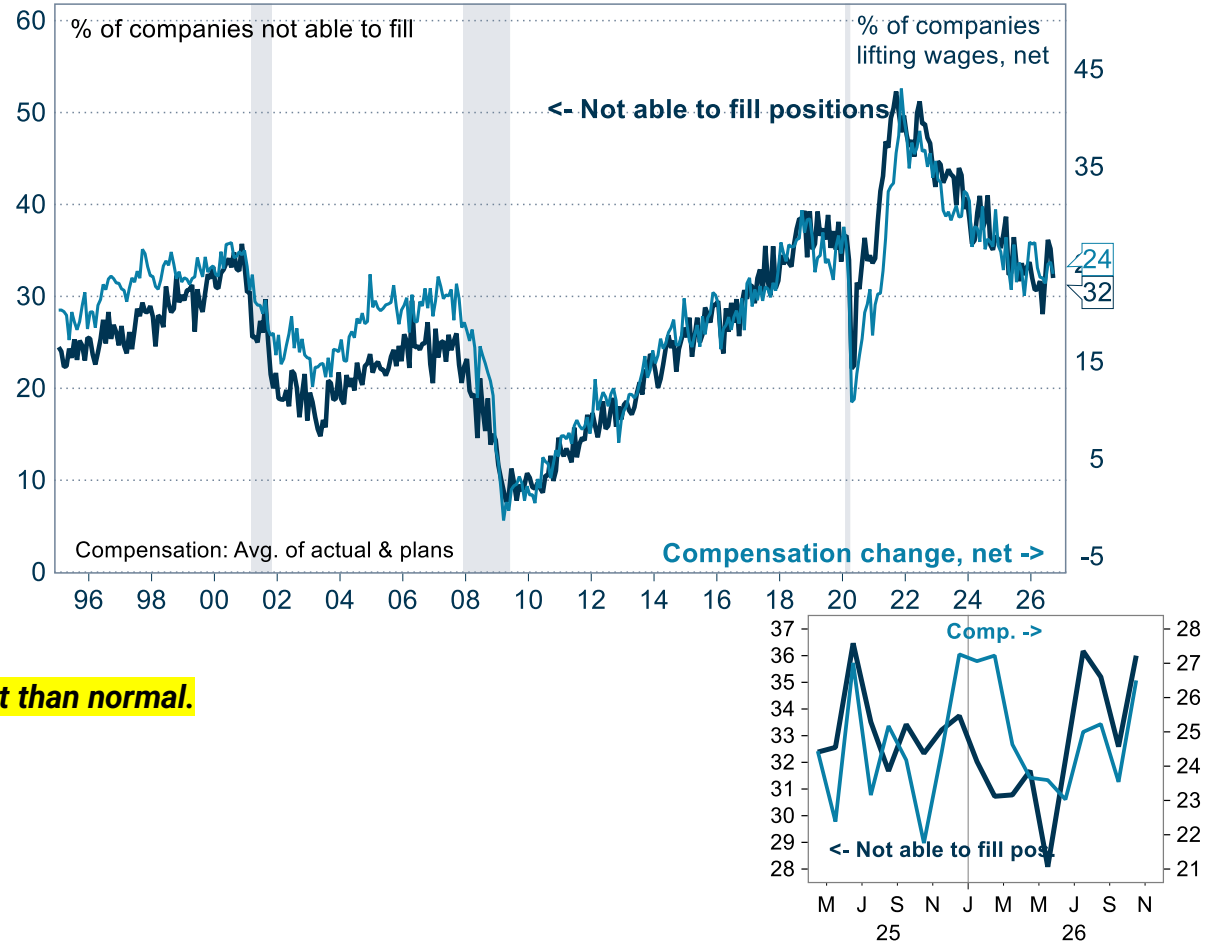
SME labour market survey: More companies are hiring, and more are not able to fill positions

Hiring plans rose 1 pp to 18%, well above an avg. level (12%), and 4 pp above the level over the past 2y. 36% of companies reported that they were not able to fill vacancies, well above the average over the past year, and the trend is up. The same goes for compensation plans.

USA Small businesses labour demand/supply



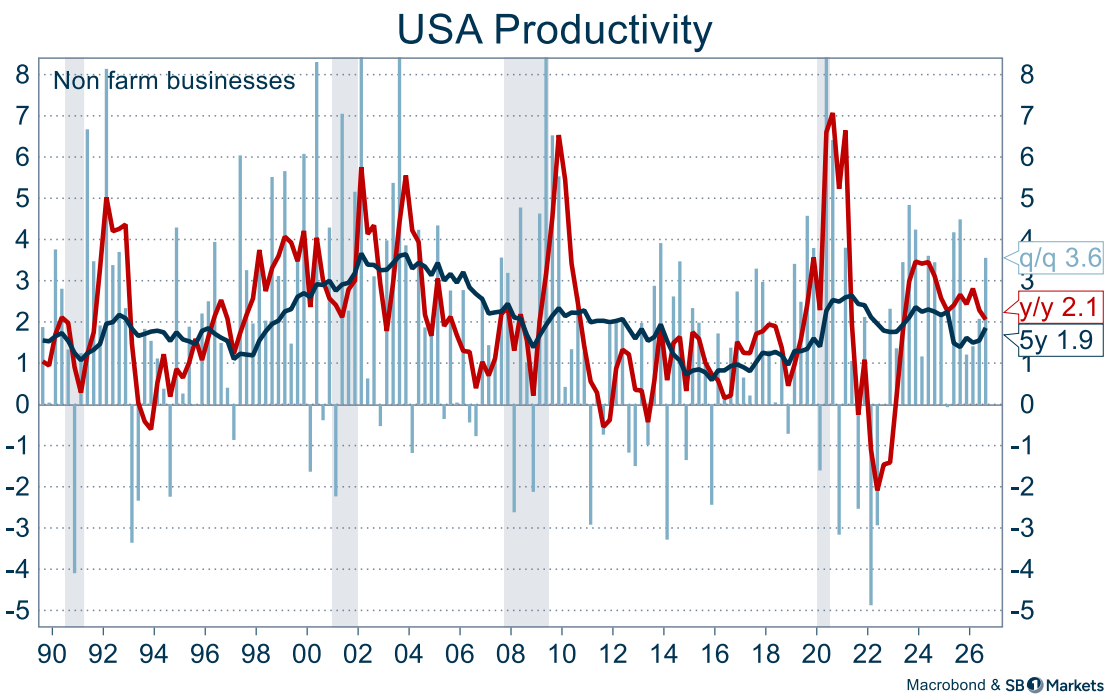
USA Vacancies vs. compensation

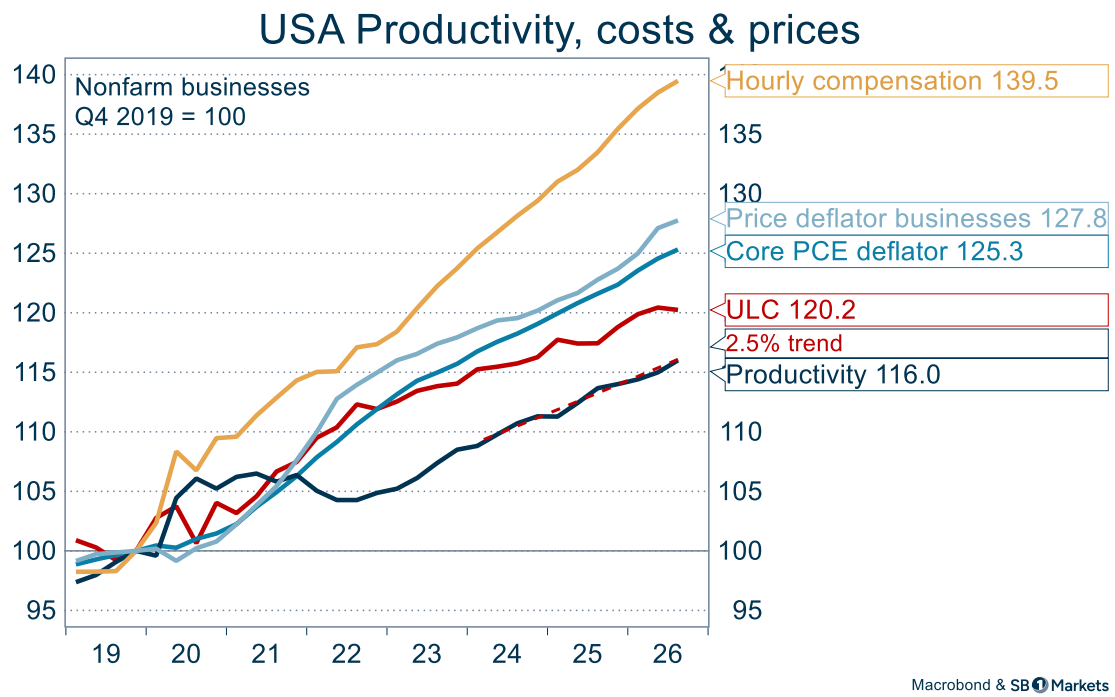


- ***In sum: the NFIB report signals a tighter labour market, and a tighter labour market than normal.***

Productivity grew 3.6% in Q3, and Unit Labour Cost declined 0.7% – but trends up 2%+

Productivity has accelerated from the 1.6% pace ahead of the pandemic to above 2%. Annual growth rates in hourly compensation and Unit Labour Costs in Q2 were both revised up by more than 1 pp, and growth in the latter is no longer 'too low', at 4.5 and 2.4% resp.



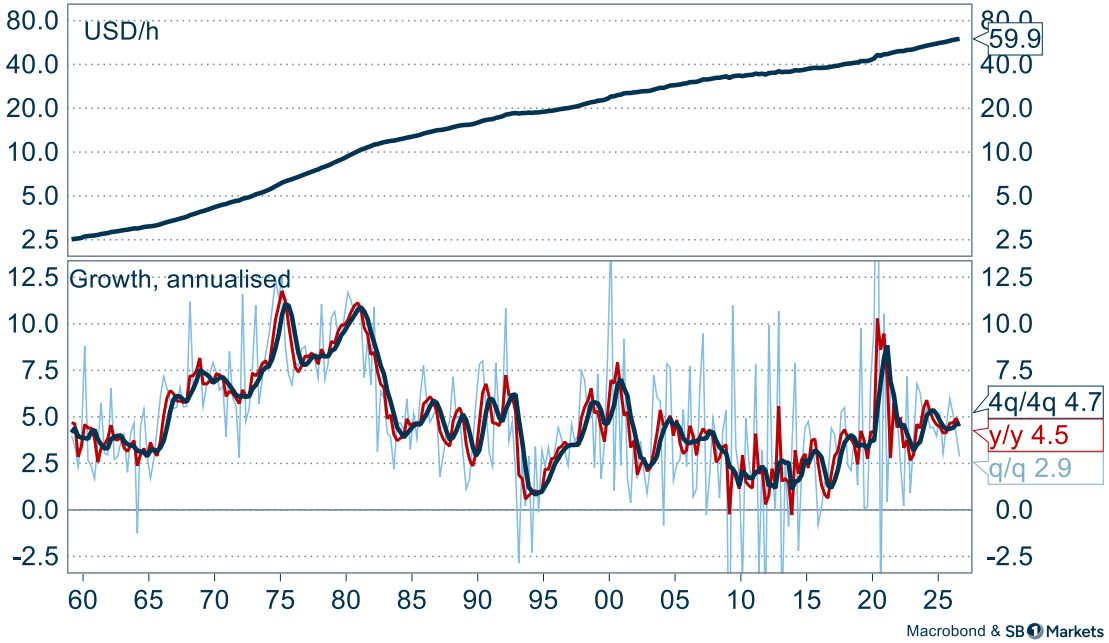


- **Productivity growth** is volatile – and often substantially revised. (The current data are the initial estimate.) The 3.6% growth pace was ***0.9 pp higher than expected***. Over the past 2 years, productivity is up at a 2.5% pace.
- **Total labour cost** (compensation per hour, measured in the National Accounts) grew just 2.9% in Q3, and is up 4.5% y/y, following a 1 pp upward revision of annual growth in Q2.
- **Unit Labour Cost** (labour cost per unit produced, growth = growth in hourly compensation – growth in productivity) fell 0.7% q/q in nonfarm businesses, expected up 0.4%. ULC is still up 2.4% y/y, which is on the upside vs. the 2% PCE inflation target – even if the surge in profits is the main culprit vs. the current above 2% inflation.

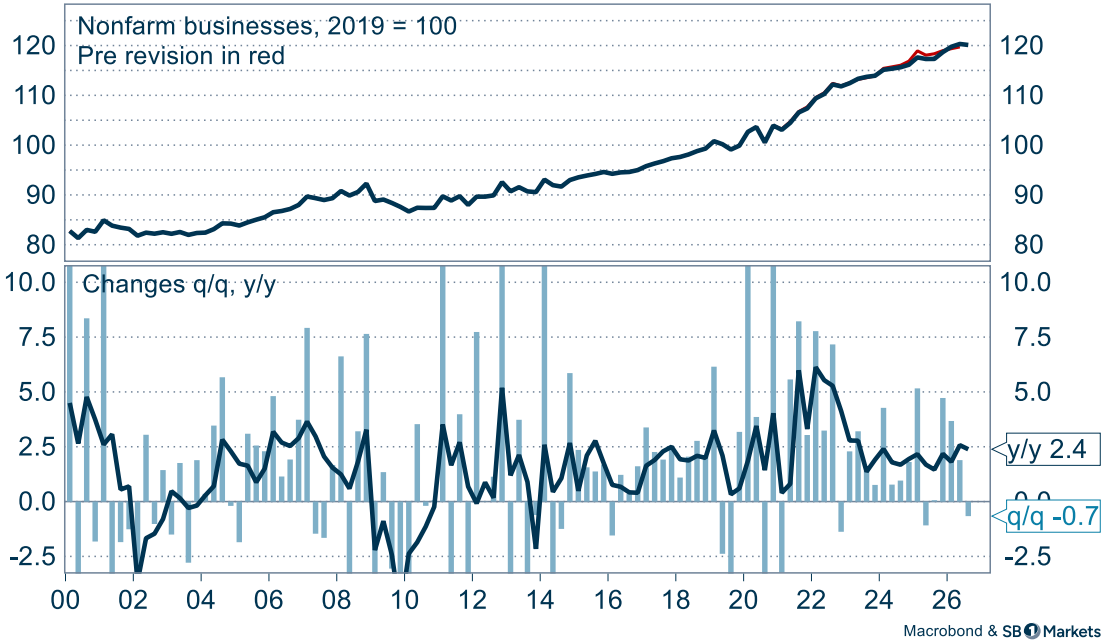
Hourly wage compensation grew at just a 2.9% pace in Q3, but underlying growth at 4.5%

… following an upward revision of more than 1 pp. In Q3, productivity rose at a 3.6% pace, and Unit Labour Costs fell 0.7%! Still, ULC is up 2.4% y/y in nonfarm businesses as Q2 was revised up 1.2 pp to 2.6% y/y. *Thus, labour cost inflation remains slightly too high!*

USA Hourly compensation, business sector

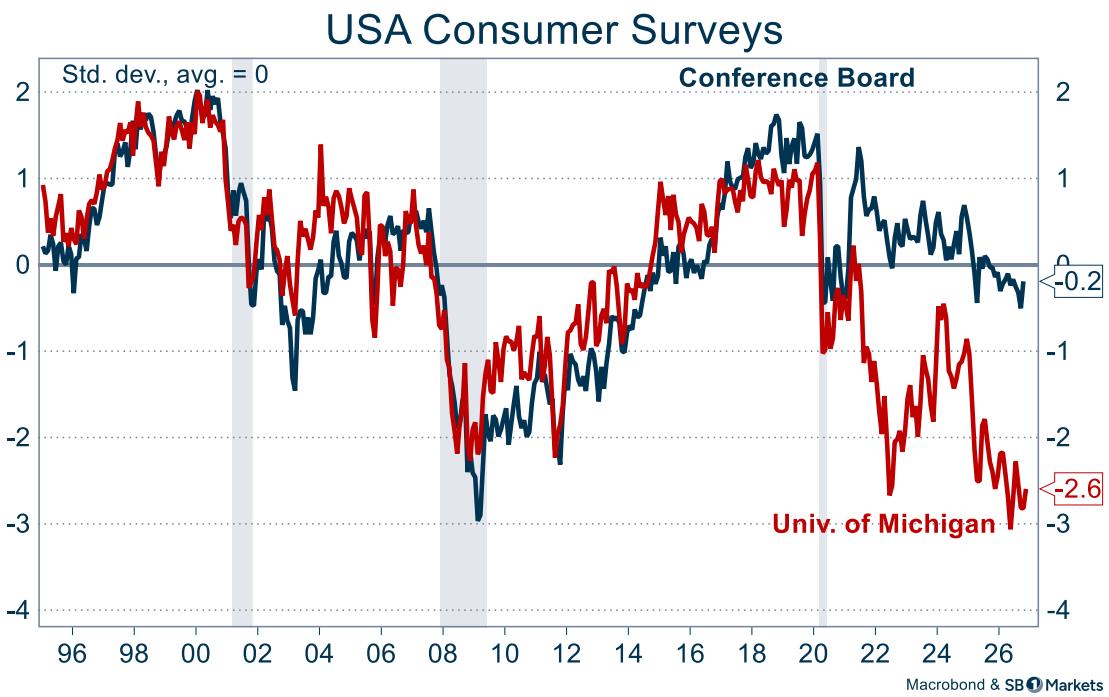


USA Unit labour cost

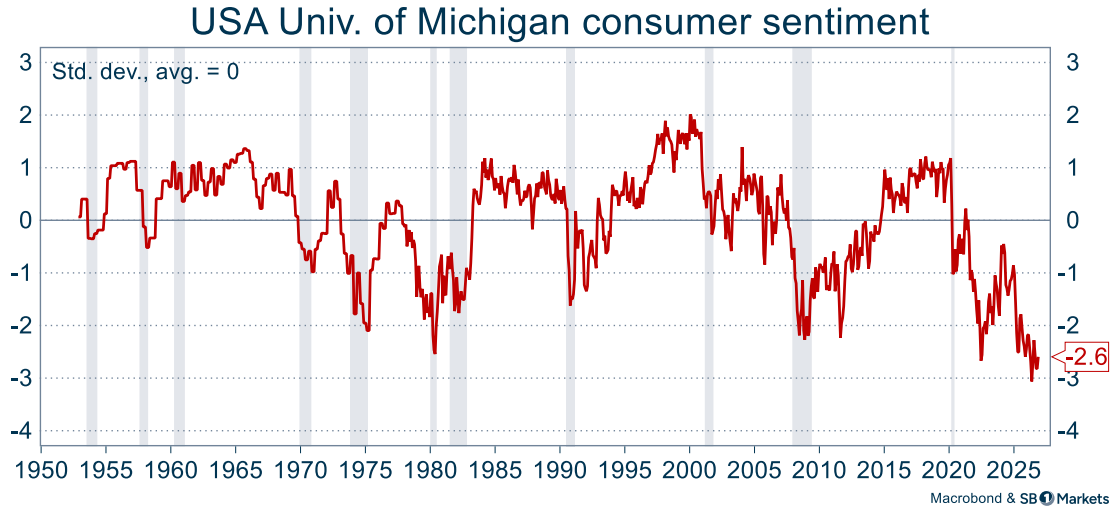


Univ. of M. consumer sentiment marginally up, still extremely weak

UM sentiment rose 0.2 std. dev. but is still 2.6 s.d. below avg, a very low level. An unchanged print was expected. Other surveys are also up in Oct./Nov. but all remain below average (but Conf. Board and IBD/TIPP not by much). The 'actual macro' does not explain the grim mood.

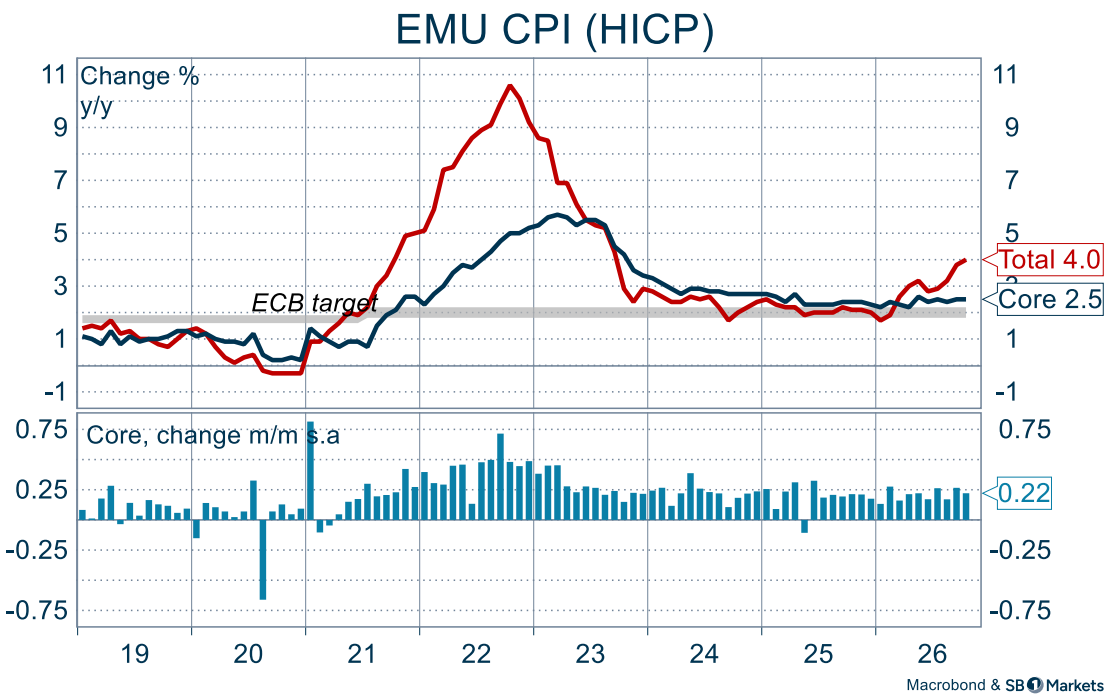


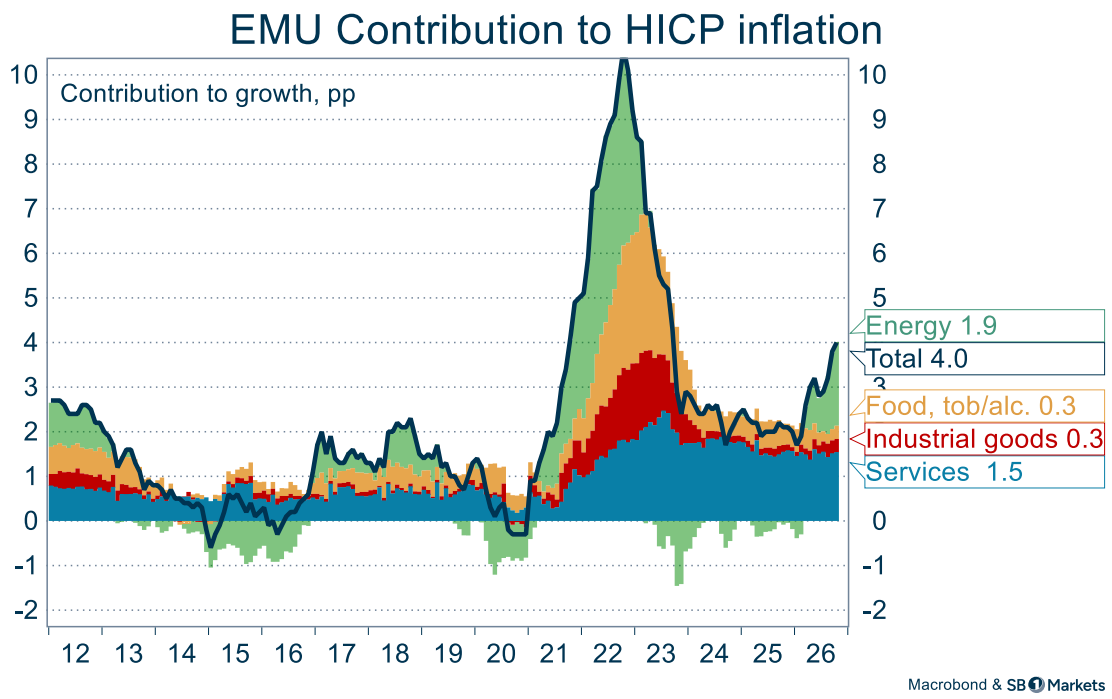
- **The UM consumer sentiment index** rose 3 p to 51.0, exp. slightly down.
- **The problem:** Households are asked about their own economic situation, which of course may be disconnected from the overall status in the US economy. However, the 'spread' between the 'micro' assessment in the Univ. of Michigan survey and the 'macro' situation in the US makes no sense at all and it has become totally dominated by party preferences over the past 10 years.
- In the UM survey, households – at least on average – remain ***extremely negative*** about the **business outlook**, **unemployment an**d the **government's economic policy**. **Personal finances** are well below par as well, and spending plans are still downbeat.
- Will households cut spending? Time will tell.



EMU: energy prices lifted the headline HICP 0.2 pp to 4.0%, the core flat at 2.5%

… both as expected. Core prices rose 0.22% m/m, and the underlying growth rate in recent months has accelerated to above 2½%. The ECB is not happy.

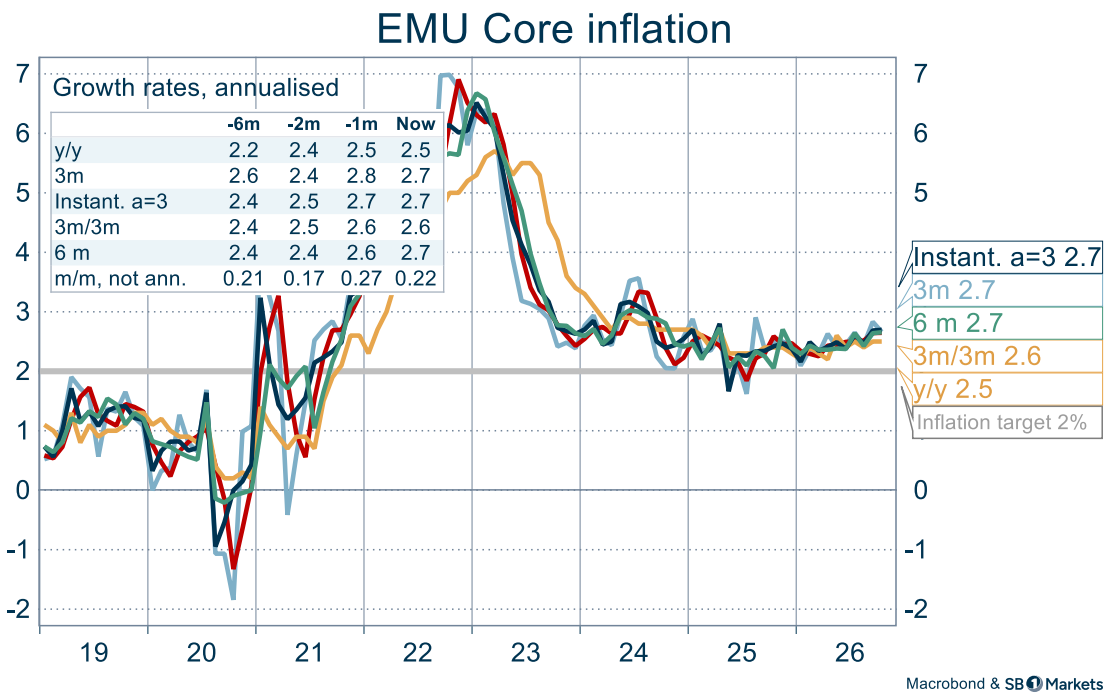


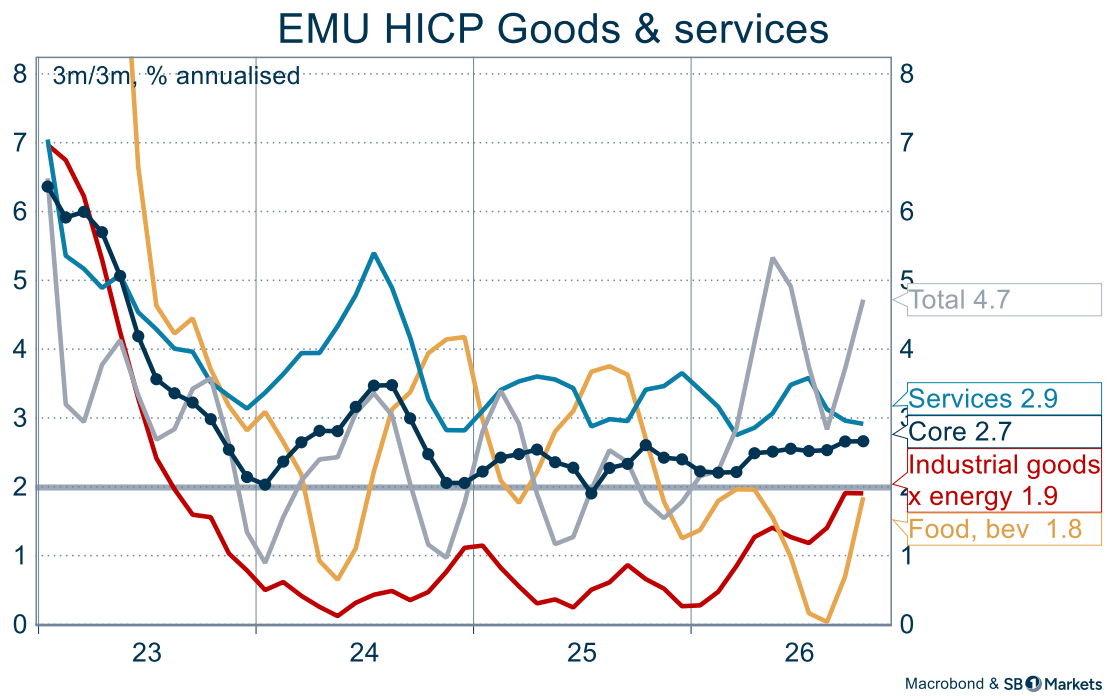


- **The headline HICP** was up 0.3% m/m in October as energy prices rose 0.8%. The annual rate accelerated 0.2 pp to 4.0%, as expected.
  - **Energy prices** are up 21% y/y, which lifts the HICP by 1.9 pp. Our model suggests that annual energy inflation is close to the top – if future prices are to be believed.
  - **Food prices** are up 1.6% y/y and the annual rate trends down.
- **The core HICP (ex. food & energy)** was up 0.22% (our calc.), down from 0.26% in September. Underlying core inflation in recent months trends up again, to 2¾% (avg. of our measures).
  - **Core service sector inflation runs at 3.2%** and contributes 1.5 pp to total inflation. **Industrial goods** price inflation has accelerated to 1.2%, contributing 0.3 pp.
  - **Wage and unit labour cost growth rates** are still too high, given the current modest growth in productivity – but the direction is steadily down.
- **For the ECB:** Price inflation is too high, but the economy is showing some signs of weakening? The unemployment rate trends up, credit demand is weakening.

Underlying core inflation in recent months trends up again – to some 2¾%

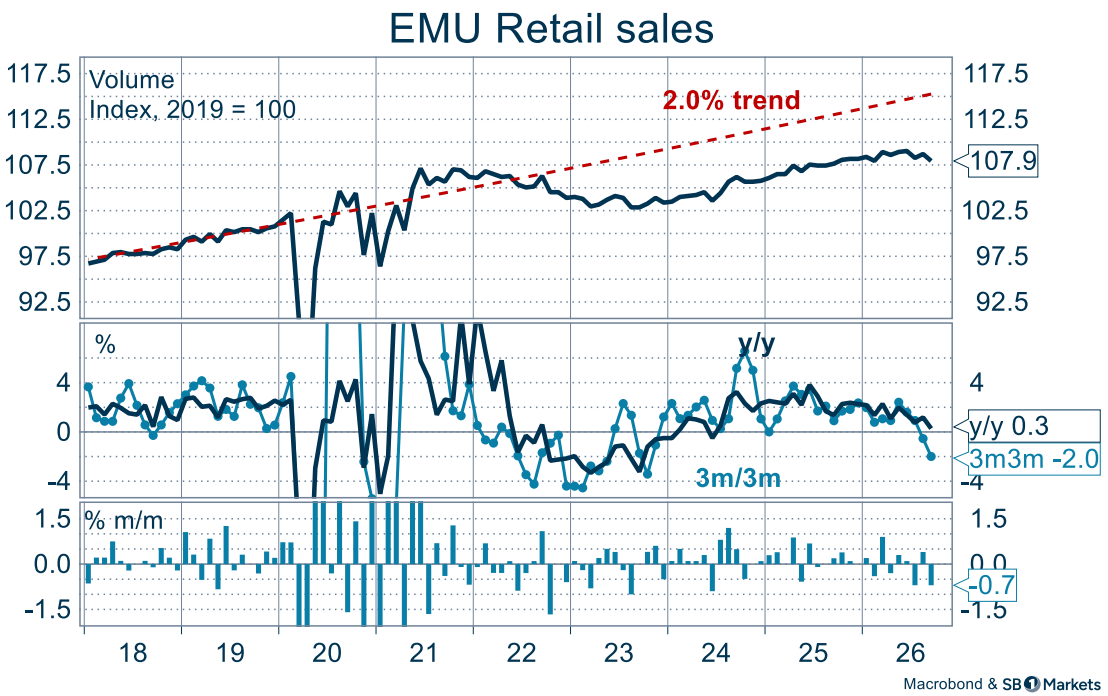
… measured by the average of our transformations. Core services are up 2.9% 3m/3m; core goods 1.9%. Food prices are up 1.9%.

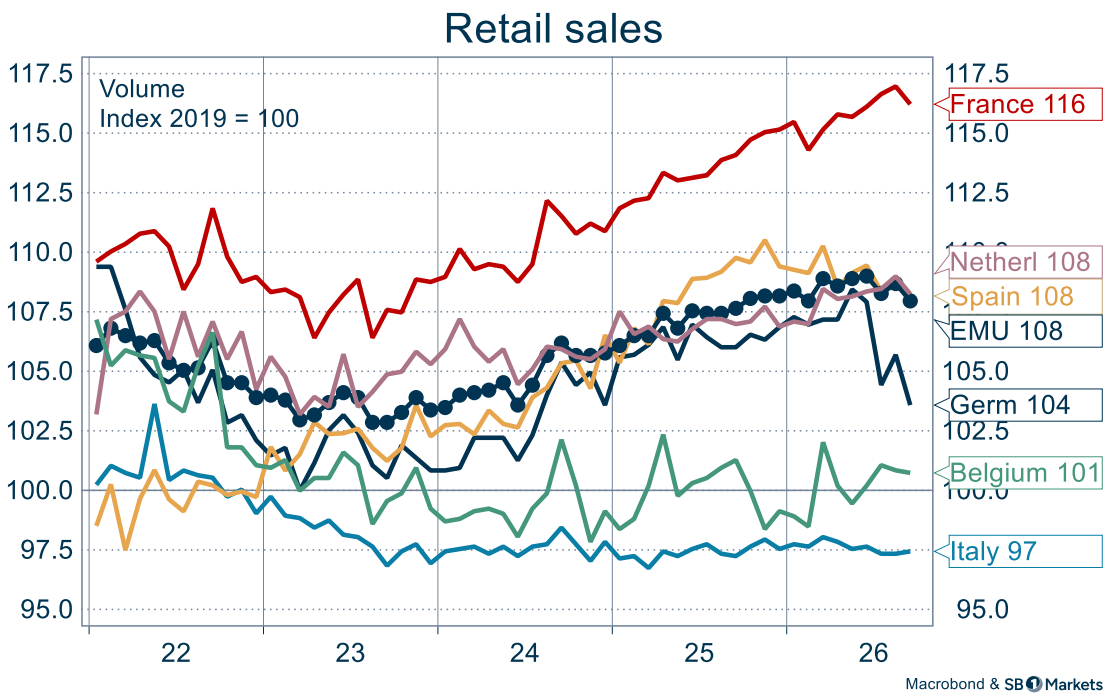




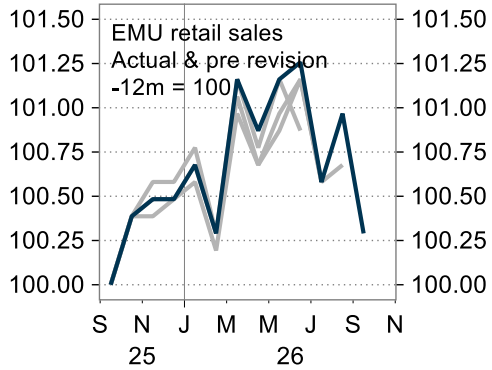
EMU: Very weak retail sales in September

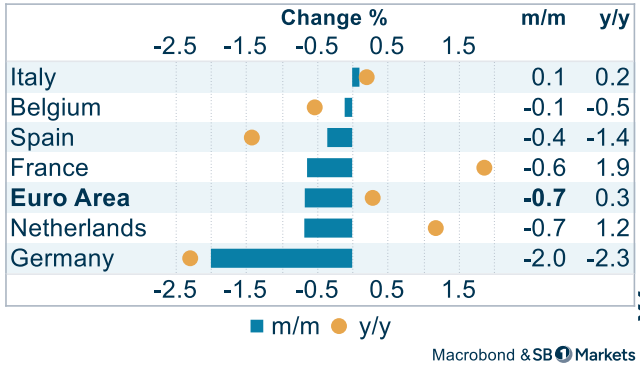
Sales fell by 0.7%, are drifting down and declined 2% in Q3 (q/q annualised). German sales fell 2% m/m and are down 4.4% from May. Strange. Sales are trending down in Spain as well. Some downside risk vs. the Q3 GDP growth (and more importantly, vs. Q4 growth)?





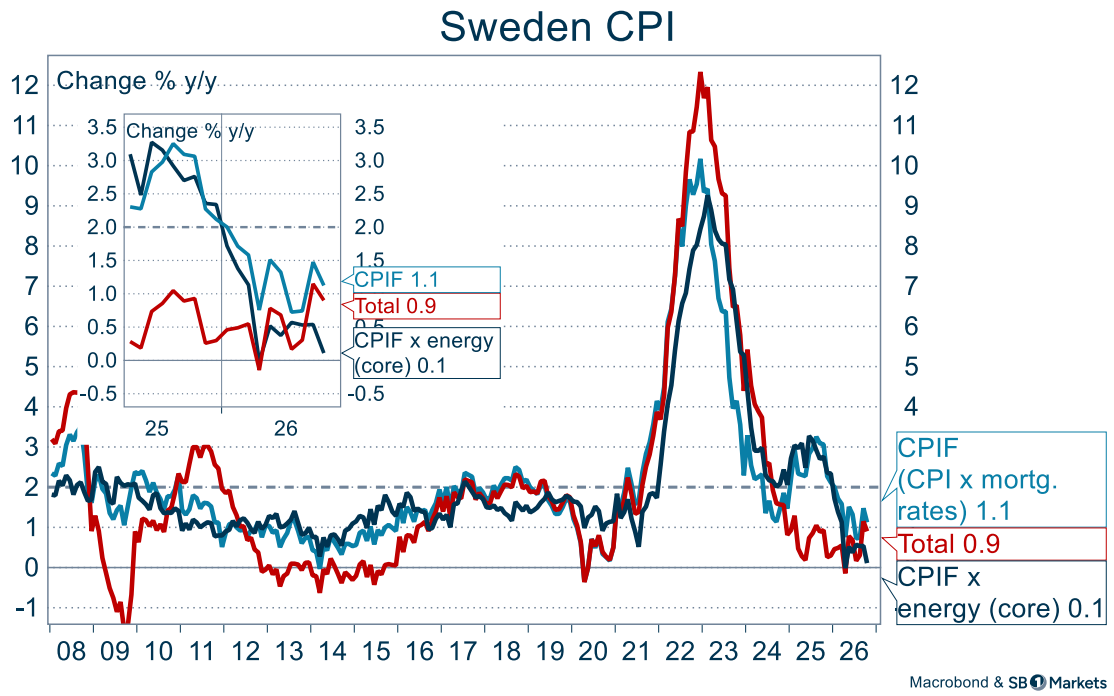
- **Retail price inflation** is 3.3% (*check next page*), and the value growth is 4.0% y/y (both data smoothed), which is in line with growth in total wage revenues.

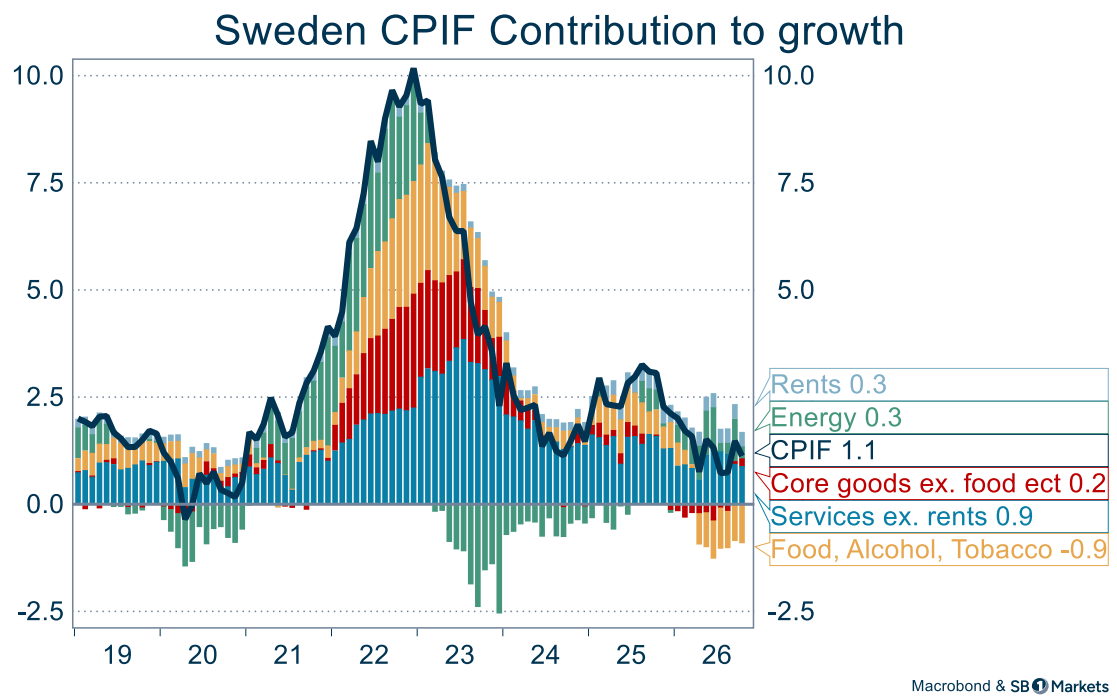




Sweden: CPIF core inflation *0.4 pp lower than expected* in October, down 0.4 pp to 0.1%

Prices fell 0.15% m/m, mostly due to a decline in recreation & culture but food and furnishings were also down. No further details in this flash report, and there may be some temporary elements. But at face value, *core inflation is 0.5 pp below Riksbank's 'plan'*.

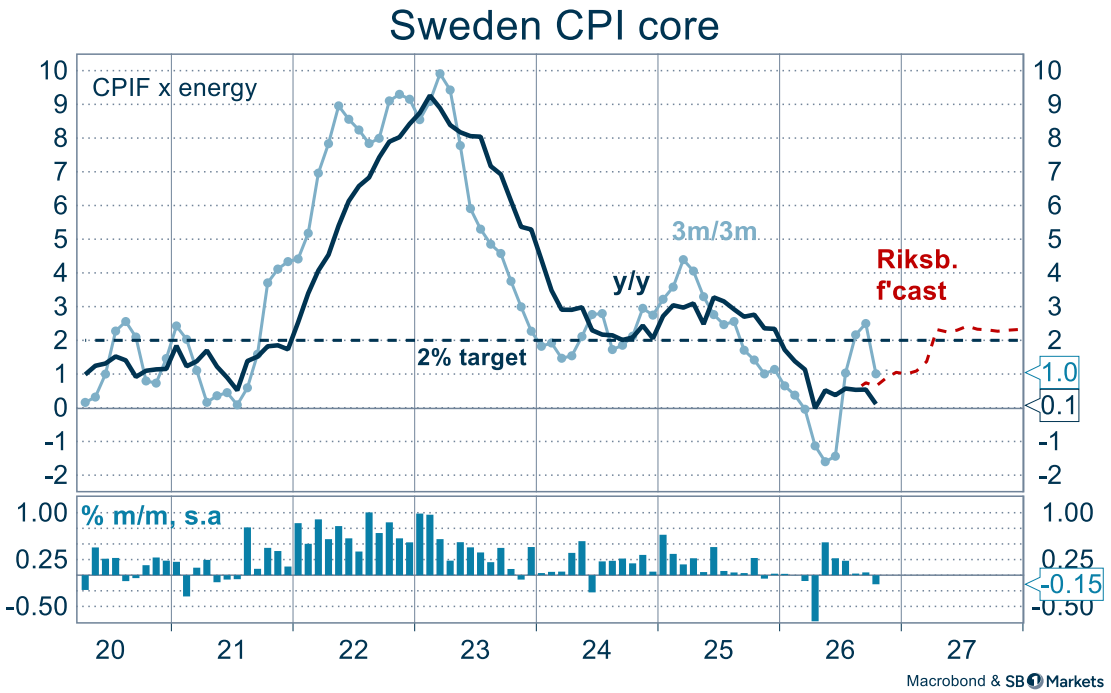


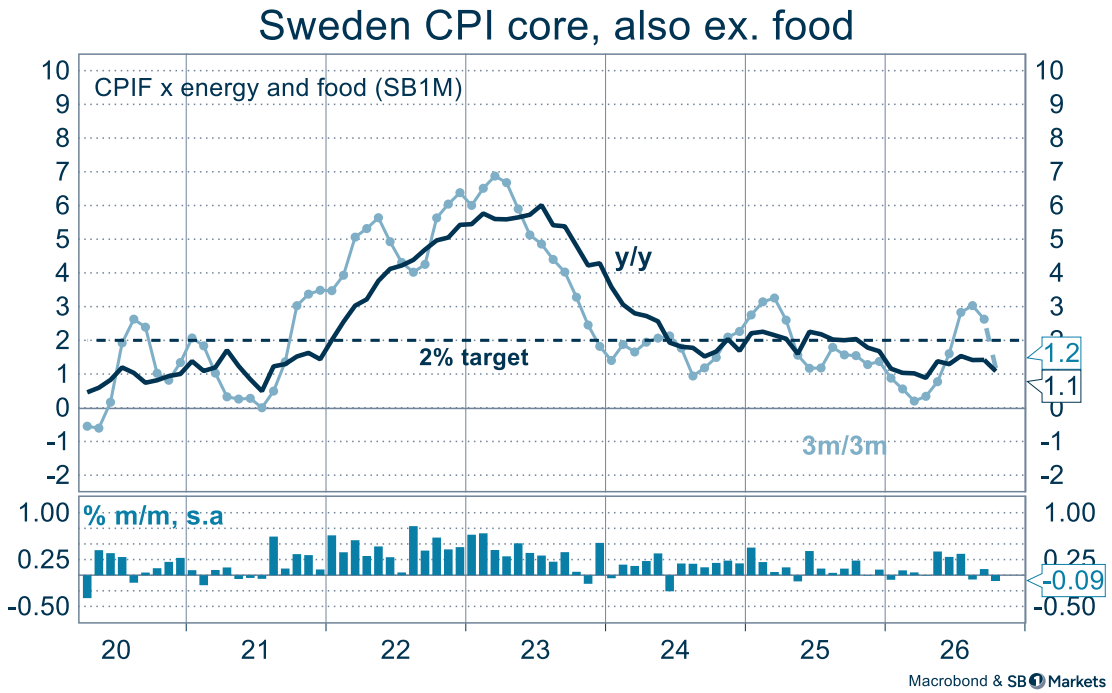


- **The traditional headline CPI inflation** slowed 0.2 pp to 0.9%, ***0.3 pp less than expected***. Prices fell 0.1% m/m.
- **Mortgage rates** are included in the 'official' CPI and Riksbank's cuts have lowered mortgage rates, and thus the CPI. The negative drag now equals 0.3 pp. Thus, the **CPIF** (CPI ex. mortgage rates, which is usually referred to as the CPI in Sweden) was up 1.1% y/y, down from 1.5%, and ***0.3 pp below expectations***.
- The **official core, the CPIF ex. energy** (CPIF XE) fell 0.15% m/m, and the annual rate fell 0.4 pp to 0.1%. 0.4 pp below consensus and ***0.5 pp below Riksbank's forecast***.
  - If food is removed as well, to compare with core prices in most other countries, the 'real core' is up 1.1% y/y. ***The underlying growth rate in recent months is less than 1%.***
- ***The Riksbank expected, in the last MPR, annual inflation to accelerate to marginally above 2% in April next year (food VAT impact) and to stay there. Now, the starting point for a new prognosis is significantly lower.***

CPI core inflation: 0.1% y/y – but 1.1% if food is also excluded. Still well below 2%…

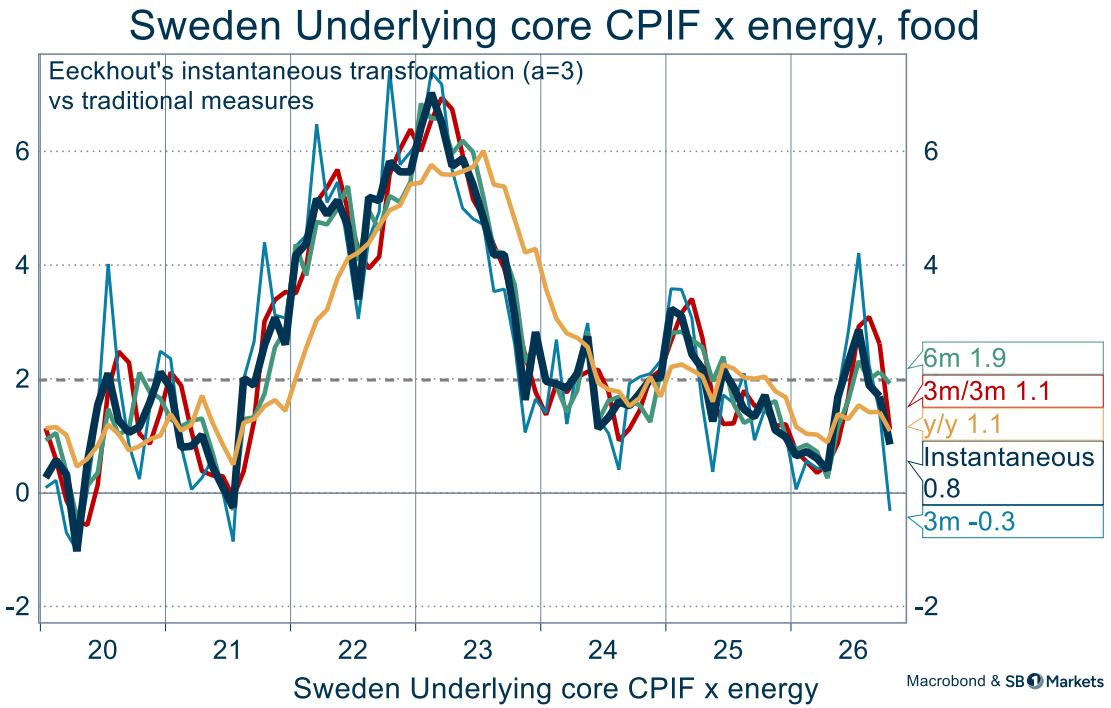
The m/m decline in October, the 3rd month in a row with inflation close to or below zero, was not at all expected.

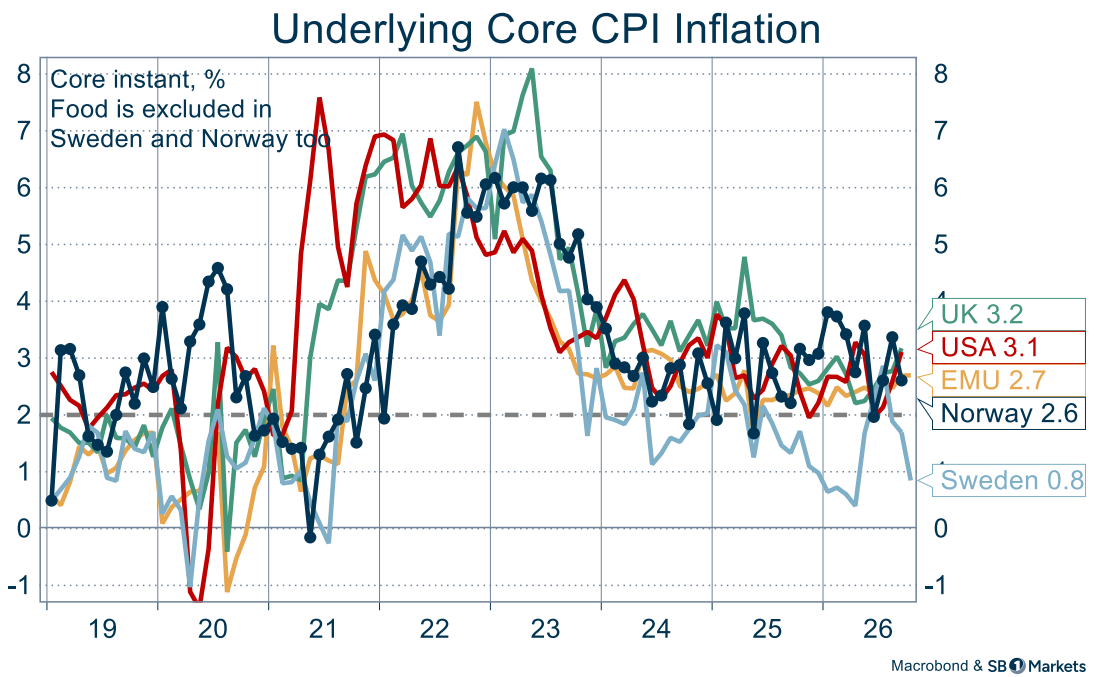


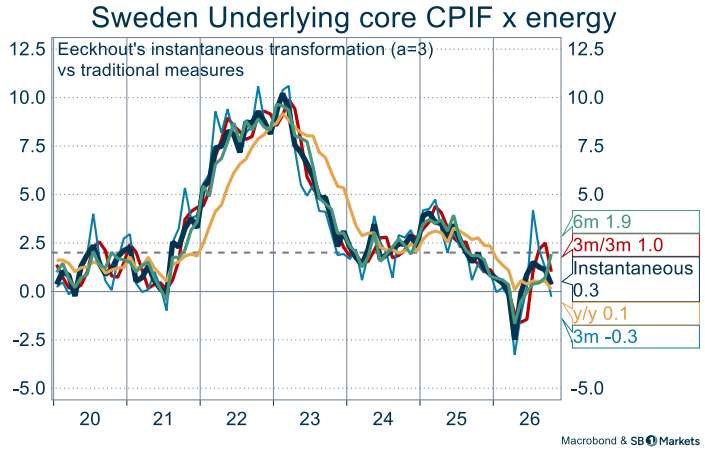


Underlying core inflation: 1% or even below

Sweden is still an outsider on the downside, also momentum-wise. The others are in the 2.6 – 3.2% range (with Norway at the bottom).



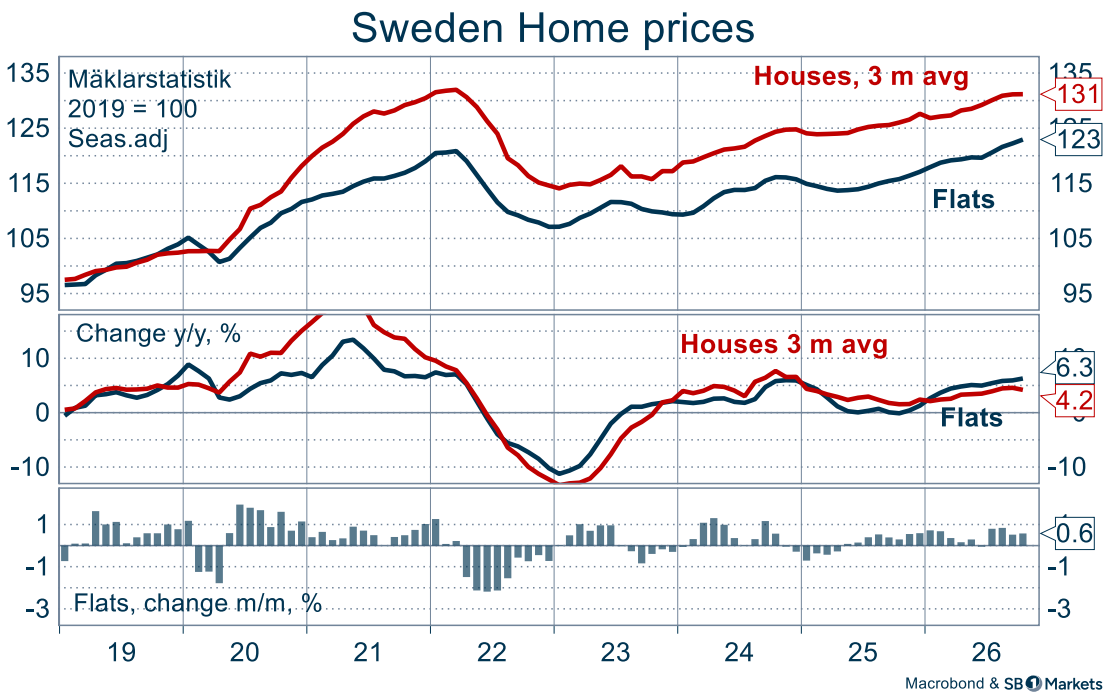




Underlying growth in recent months: Annualised seasonally adjusted growth over 3–6 months calculated in different ways to illustrate the momentum in a time series.

Housing prices are up 5–6% y/y

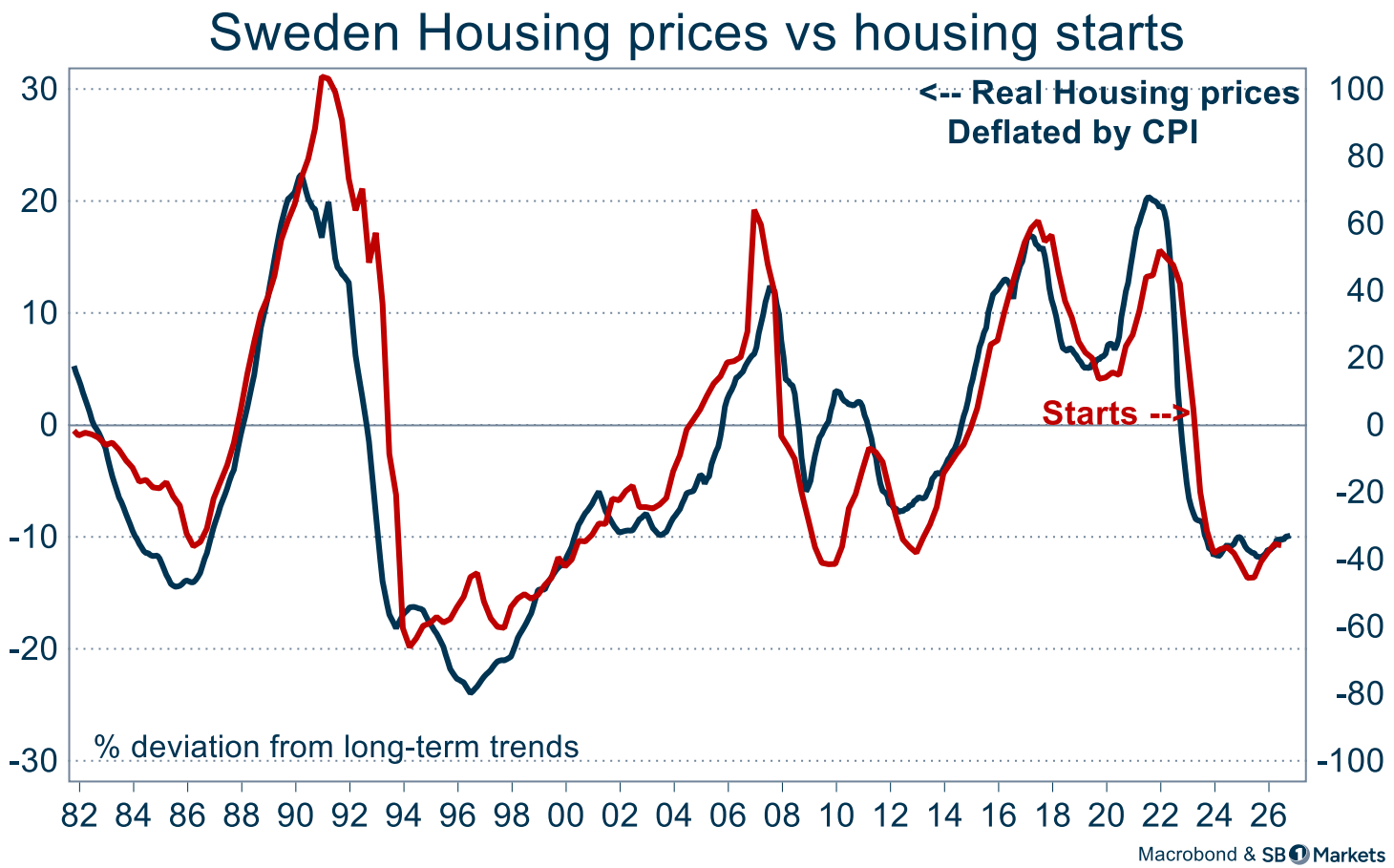
Flat prices rose 0.6% in October, while single-family house prices were flat (3m average). Given consumer confidence, the low price level (-16% from '22 in real terms), and low mortgage rates, prices will climb further?



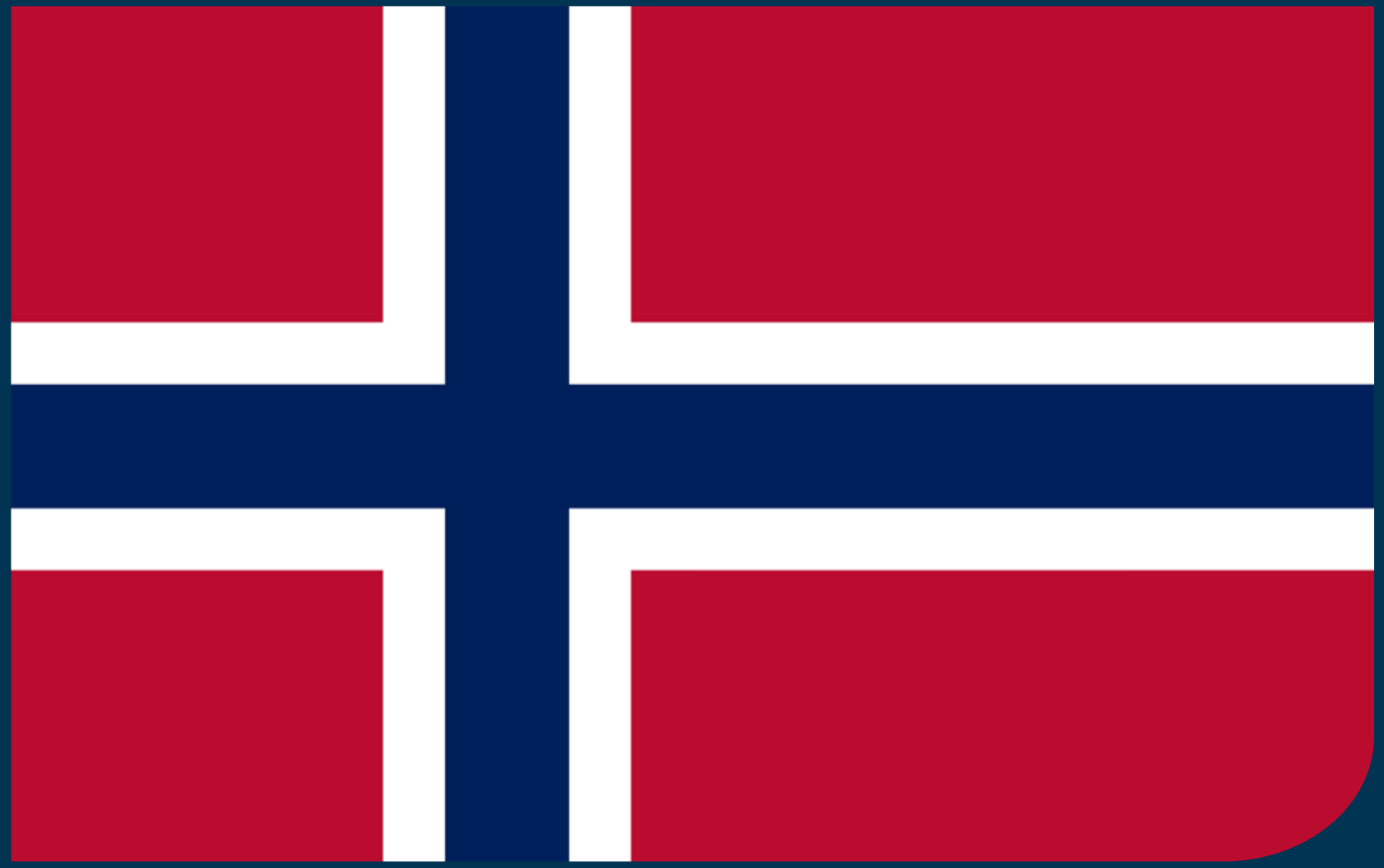
- **Housing prices** have been trending up since early 2023, but not in a straight line – and they are often heavily revised. In October, no revision!
- **Flat prices** are up 6.3% y/y, ***the best since early 2022.***
- **Single-family house prices** are still trending up, but have flattened recently (but are up 4.2% y/y).
- Taken together, **housing prices** rose 0.6%, measured as a 3m average, and are up 4.9% y/y.
  - **Nominal prices** are down 0.4% from the early 2022 peak. **In real terms**, deflated by CPI, ***prices are down 16%*** – and they are still 2% below the 2016 local peak – even if mortgage rates have fallen substantially from the 2023 peak.
    - **Norwegian** real housing prices are down just 6% from the peak and are up 2% from 2016.
- **Transaction volumes** are climbing and the level is normal (flats) to high (single homes).
- **The inflow of existing homes for sale** has been trending down and is at a record low level (even after an increase in October). A further increase in supply is not unlikely, which may dampen price increases (supply has been depressed as demand was weak, and sellers who did not have to sell decided to wait until the market recovered).
- **The inventory of unsold homes** heads down but remains ***above normal levels***.

… and if prices keep rising, starts will very likely follow ☺

Starts lag prices by some 6 months.



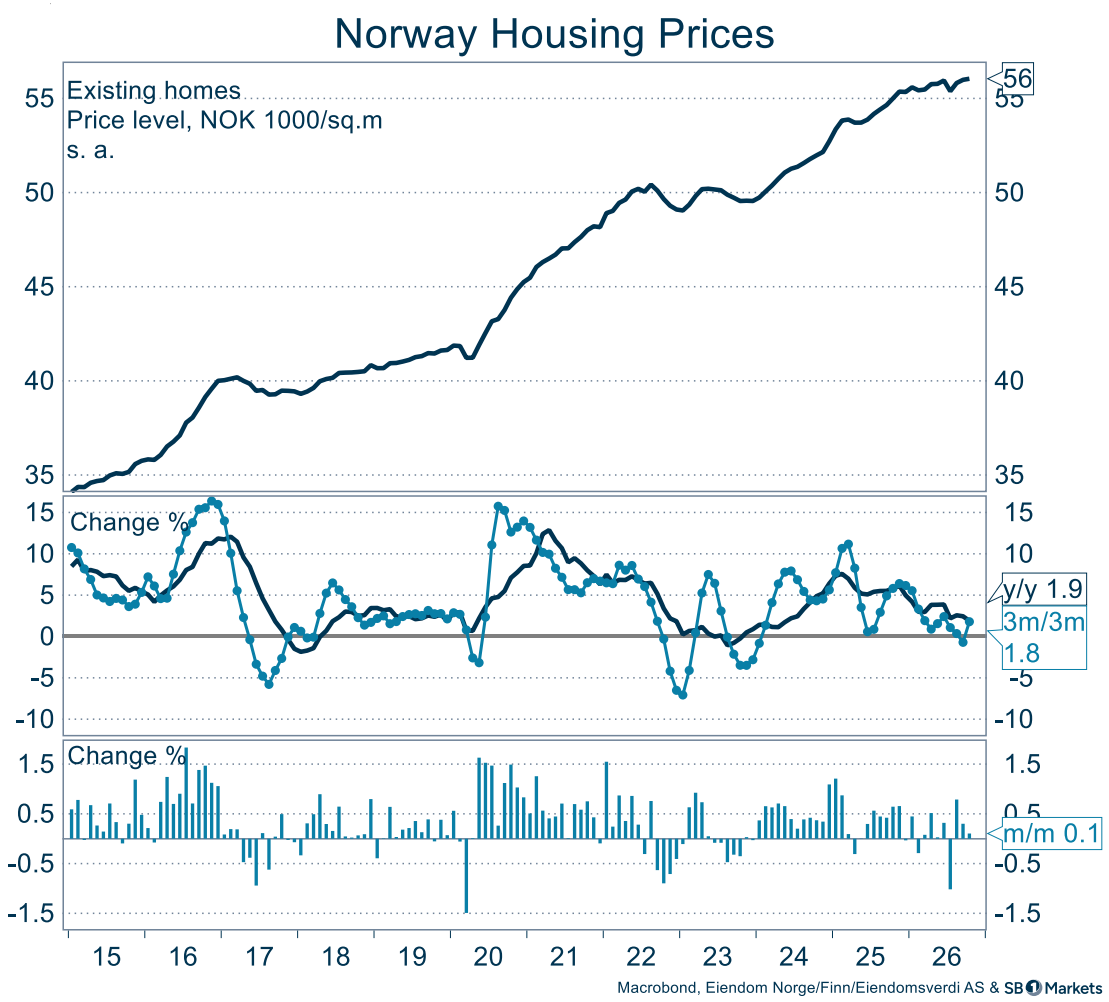
SB 1 Markets



1. Highlights
2. Norway
3. Major economies
4. Financial markets

Housing prices rose 0.1% in October, and are trending up at a 1–1.5% pace

October prices are in line with NoBa's f'cast. Sales trend down but are not low. The inventory is higher than normal but has flattened (Oslo included). The regional differences remain but are coming down: Prices among the high-fliers (the oil coast, Tromsø) are also slowing.

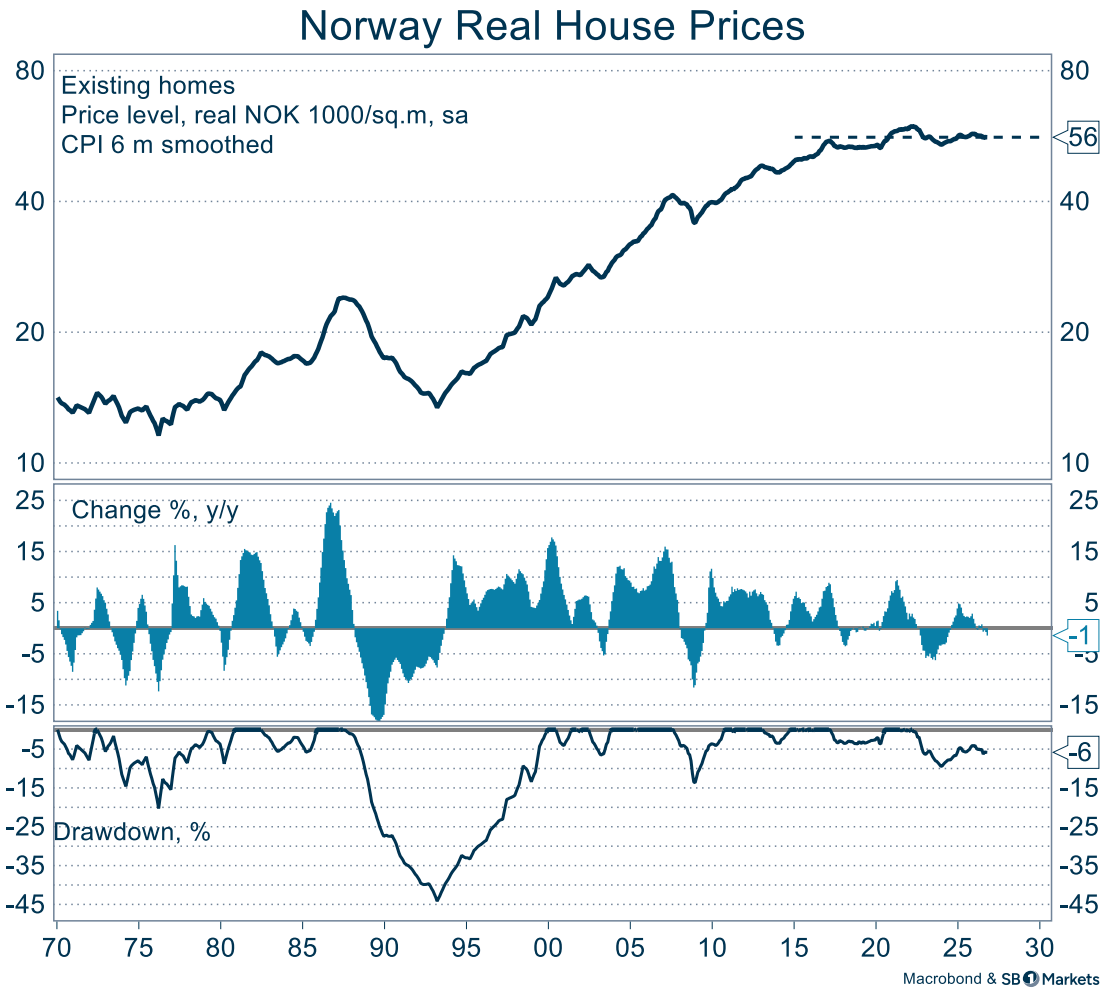


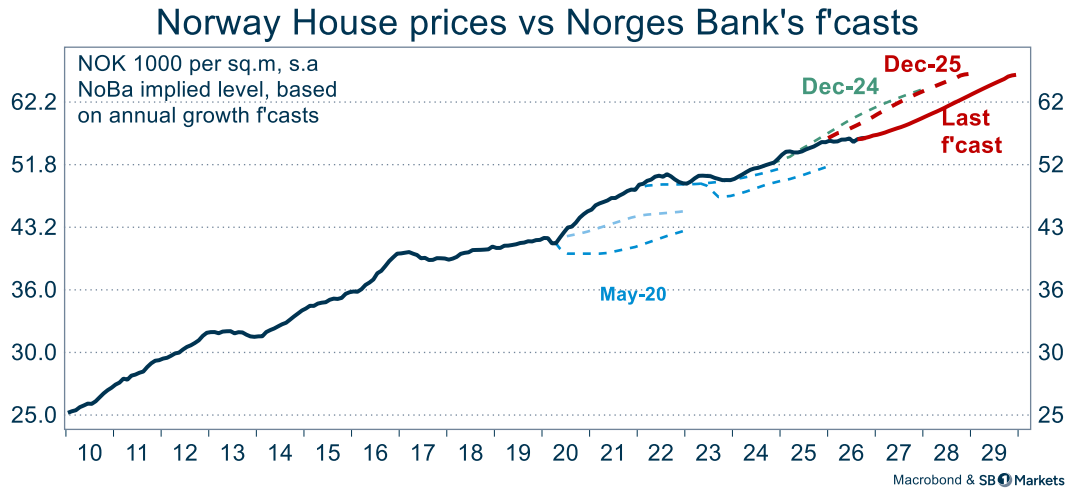
- We, and probably other economists, expected a somewhat higher monthly price growth.
- **Prices** are drifting up in a majority of counties. Kristiansand, the west coast and Tromsø are still in the lead, but price increases are clearly slowing. Prices in eastern Norway are still trending down. However, Oslo prices rose in October by 0.3%. Other eastern cities were up as well, while prices among the high-fliers declined.
  - Achieved price premia vs. listed prices fell to zero in October – and those at the top fell the most.
  - The real price level is down 6% from the 2022 peak and is just 2% above the level in 2016.
- **Sales** are trending down while the **inventory** has flattened at an above-average level. **The inventory/sales ratio** is higher than normal, as are average selling times. In Oslo, the inventory of unsold homes surged in May–July to a record high level but has stabilised.
- **Our flow-based models *suggest 0.5% monthly price increases in Oslo and 0.3% in the rest of the country as the inventory has stabilised.***
- So what?
  - House prices are an important **transmission mechanism** for monetary policy – and house prices are anyway **an important indicator** for the well-being of households and the overall economy, besides the normal impact on housing investments.
  - **Norges Bank** will not have to change any of its forecasts due to this report.

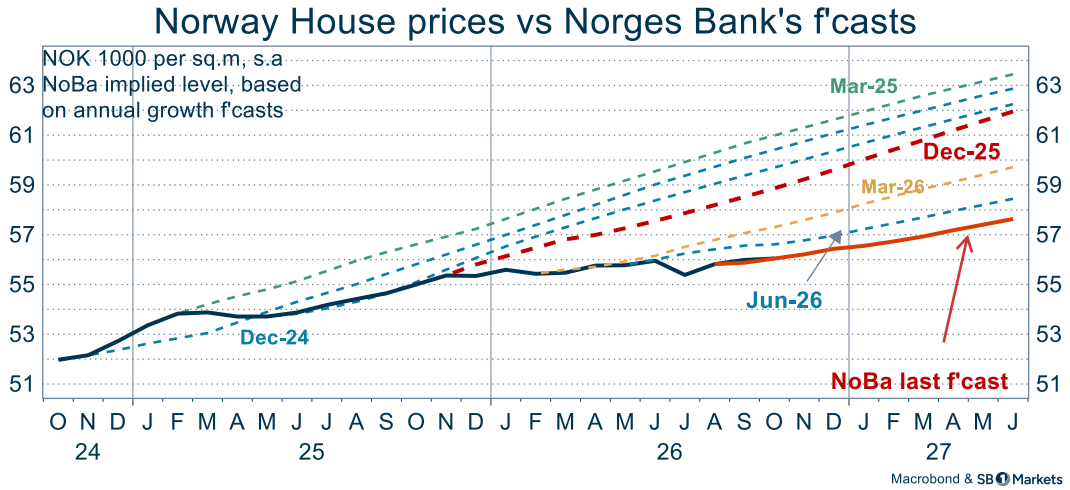
Data in this section are provided by Eiendom Norge/Finn/Eiendomsverdi AS as well as Macrobond.
All data are seasonally adjusted, partly by SB1M.

Real housing prices are down 6% from the peak, still above the pre-pandemic level

… *but just 2% up from 2016*! The price level in October is in line with Norges Bank's estimate in the September MPR. Since early 2025, NoBa has overestimated housing price inflation most of the time (in sum by 7%) and has now finally *revised expected growth rates down*.

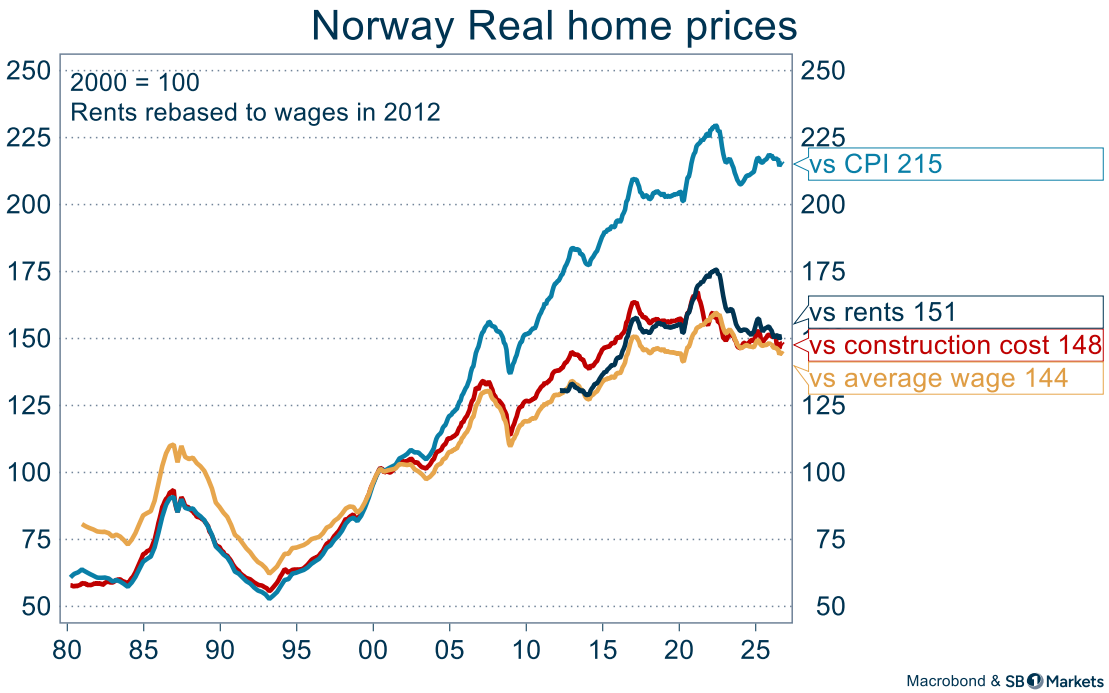


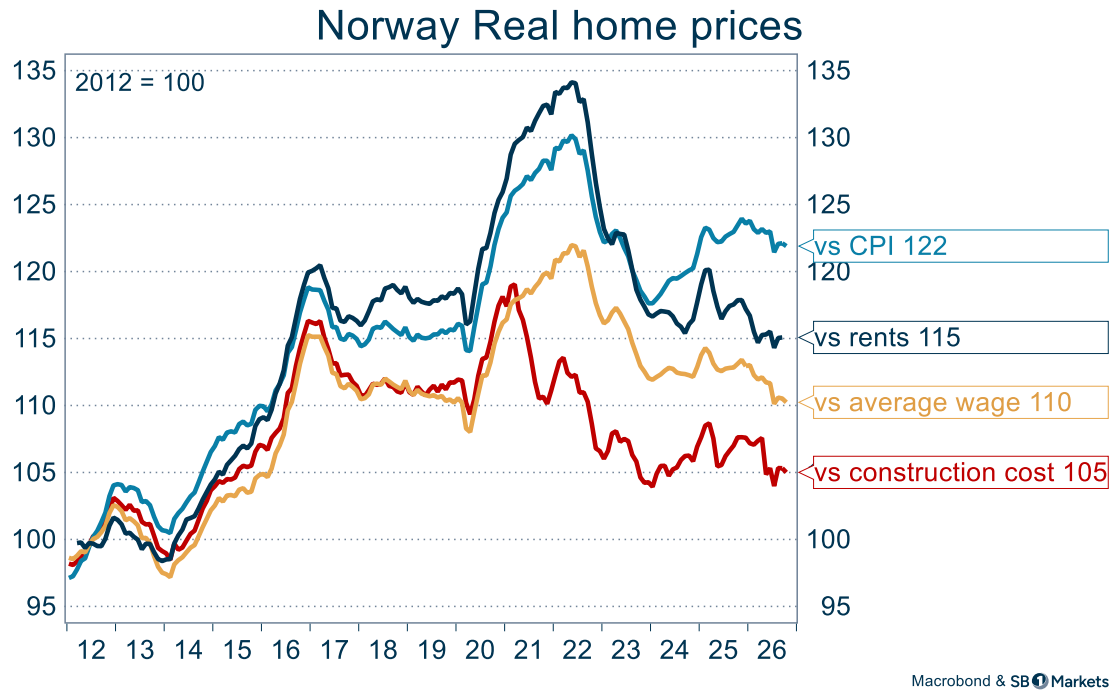




Real housing prices II, vs. other benchmarks: prices are lower than 9 years ago

Existing home prices have fallen sharply vs. construction costs since 2021. (But do not look too far back, or you will get dizzy.) Prices are down vs. rents and wages as well, the most vs. rents (the rental yield has moved sharply up).

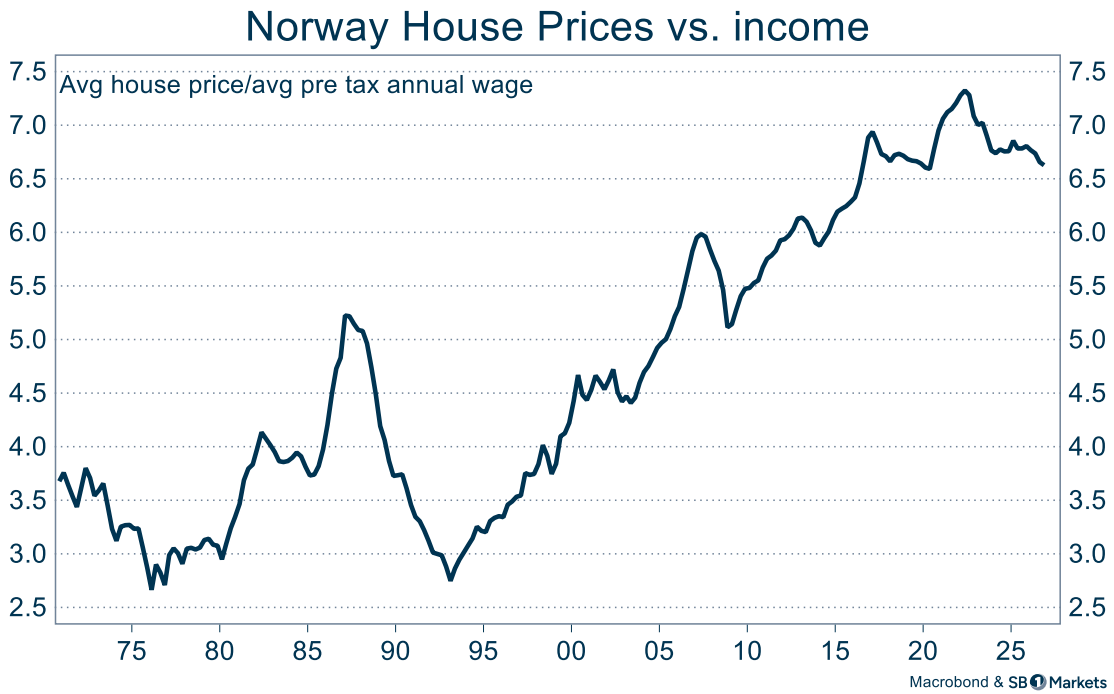


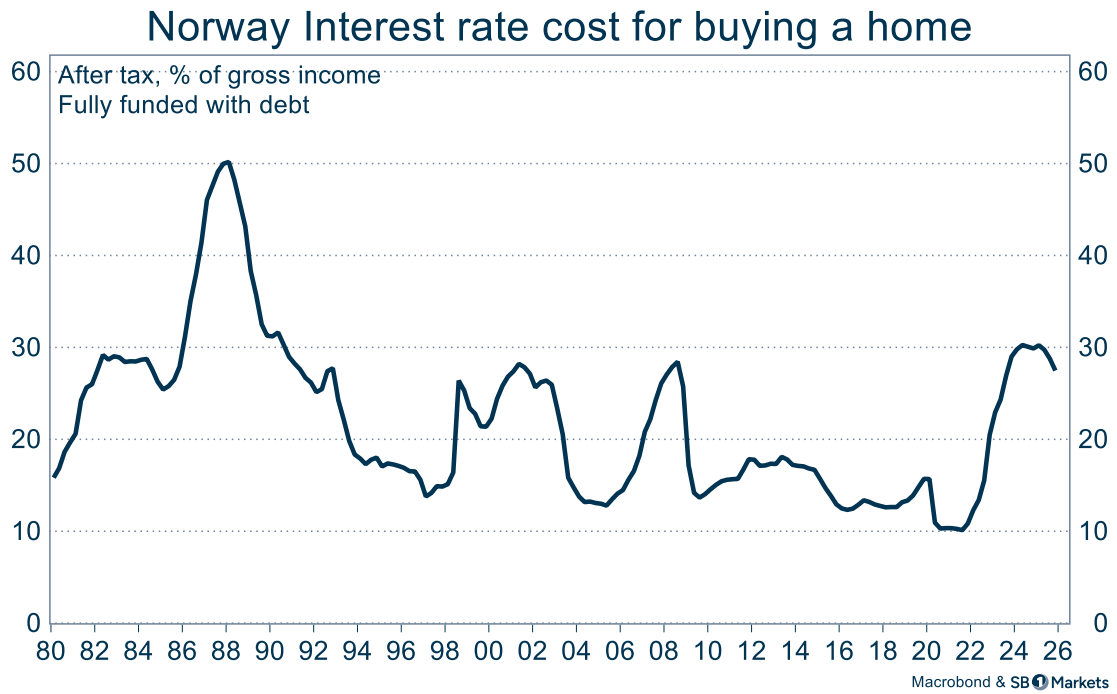


- Memo: Rents are Eiendom Norge's quarterly index for new leases in the 4 largest cities (Oslo, Bergen, Trondheim and Stavanger), and not a national index.

Housing prices head down vs. income but remain high; and capital is not free any more

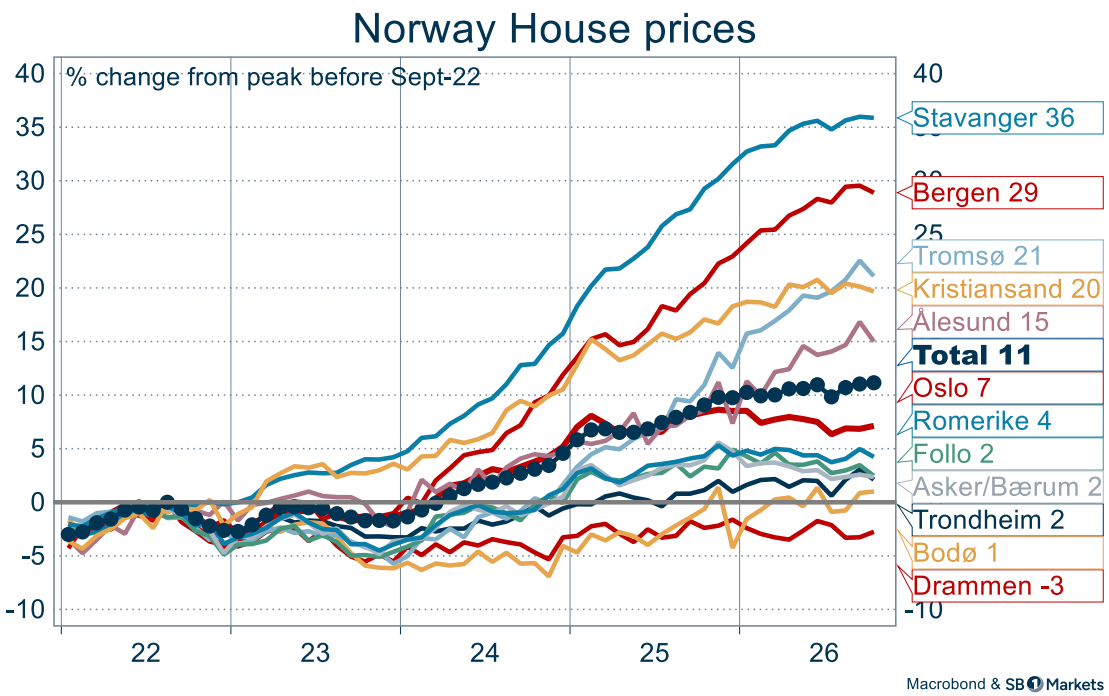
Affordability is close to its toughest level since the early 1990s, measured by (*house price*mortgage rate after tax)/gross income* – but the ratio has fallen somewhat recently (income grows faster than prices – and the mortgage rate has fallen somewhat, until now at least).

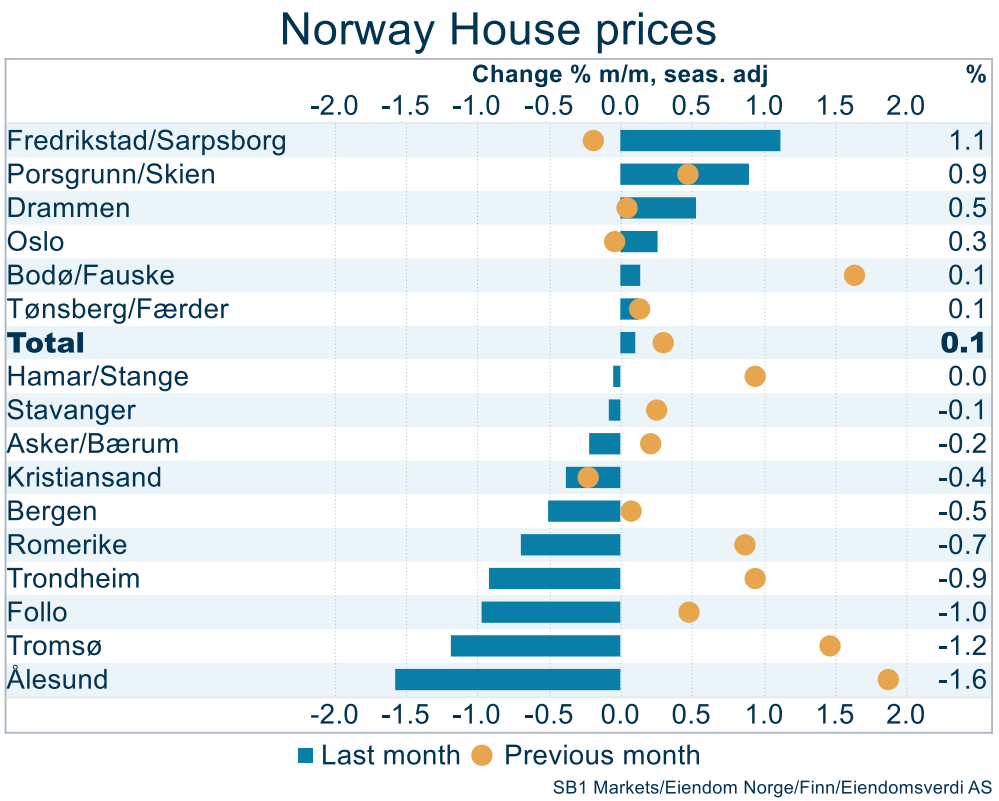




House prices: 9 cities reported lower prices in October, 6 higher

Prices are flattening in Bergen, Stavanger and Kristiansand, and all were down m/m. Some of the 'losers' reported higher prices.



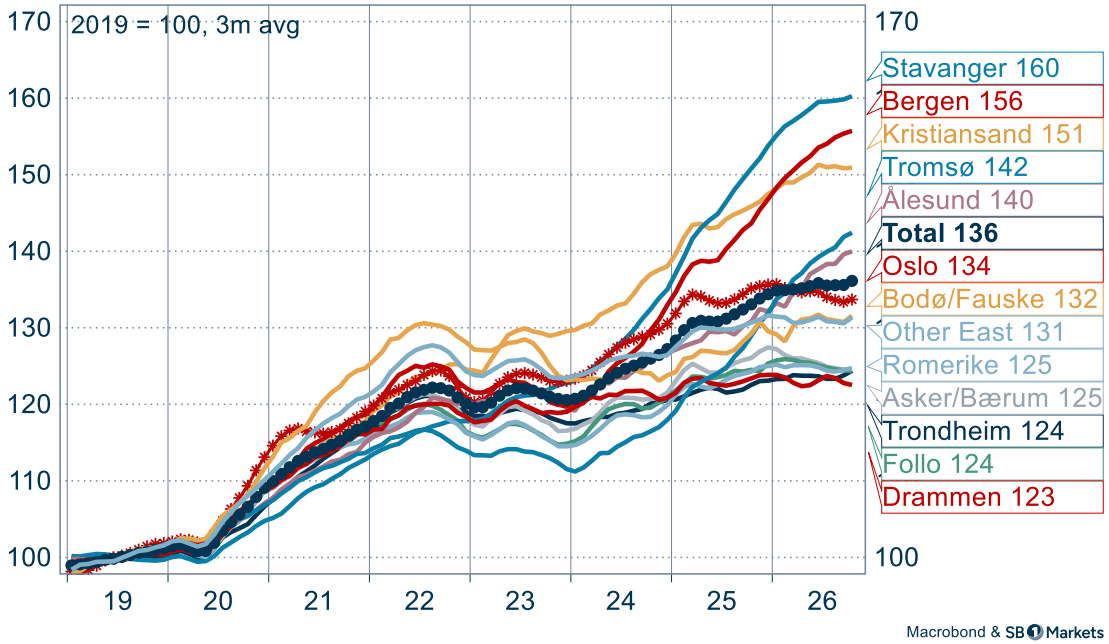


- The leaders are up 20–36% vs. the local peak in 2022, with Stavanger in the lead.
  - Asker/Bærum, Trondheim, Bodø and Drammen are just marginally up or down.
- **In real terms (CPI-deflated), real housing prices are down 6% from the local peak in 2025.**
  - Stavanger is up 16% vs. its real price peak.
  - Bergen +8%.
  - Tromsø +2%.
  - Oslo -9%.
  - Trondheim -14%.
  - Drammen -18%.

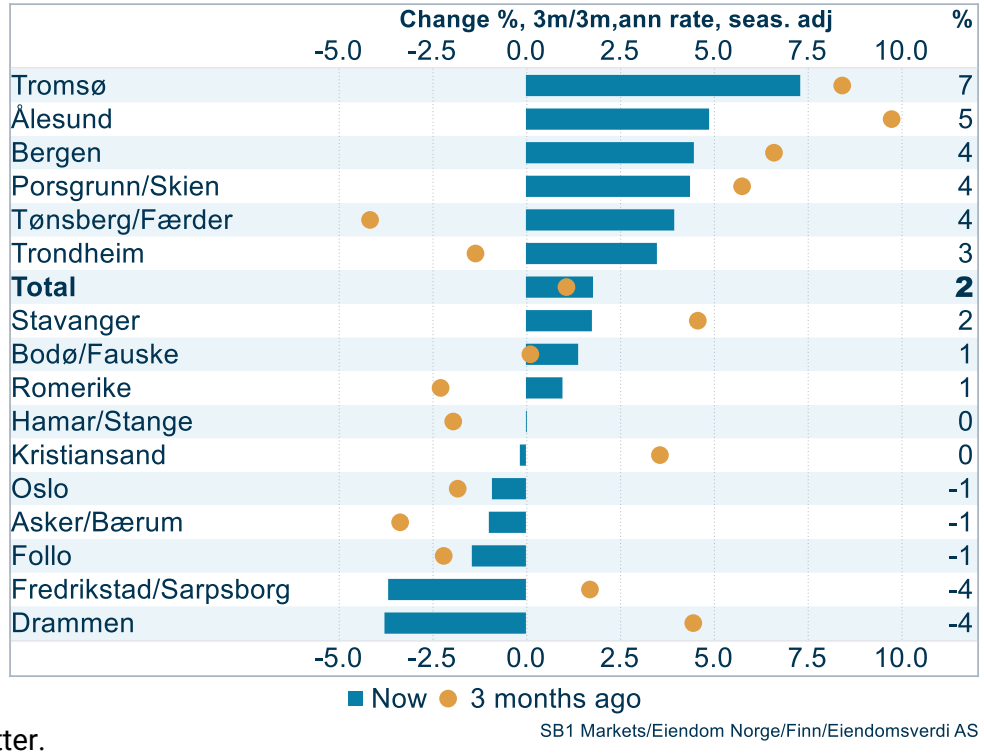
Big picture: prices are drifting down in 5 (from 10) cities, up in 9 (from 6)

8 cities report lower growth measured 3m/3m than 3 months ago, the others are accelerating/falling more slowly. The total 3m/3m is up at a 2% pace. Tromsø, Ålesund and Bergen are in the lead. Eastern Norway rules at the bottom, Oslo included, down at a 1% pace, from -4%.

Norway House prices



Norway House prices



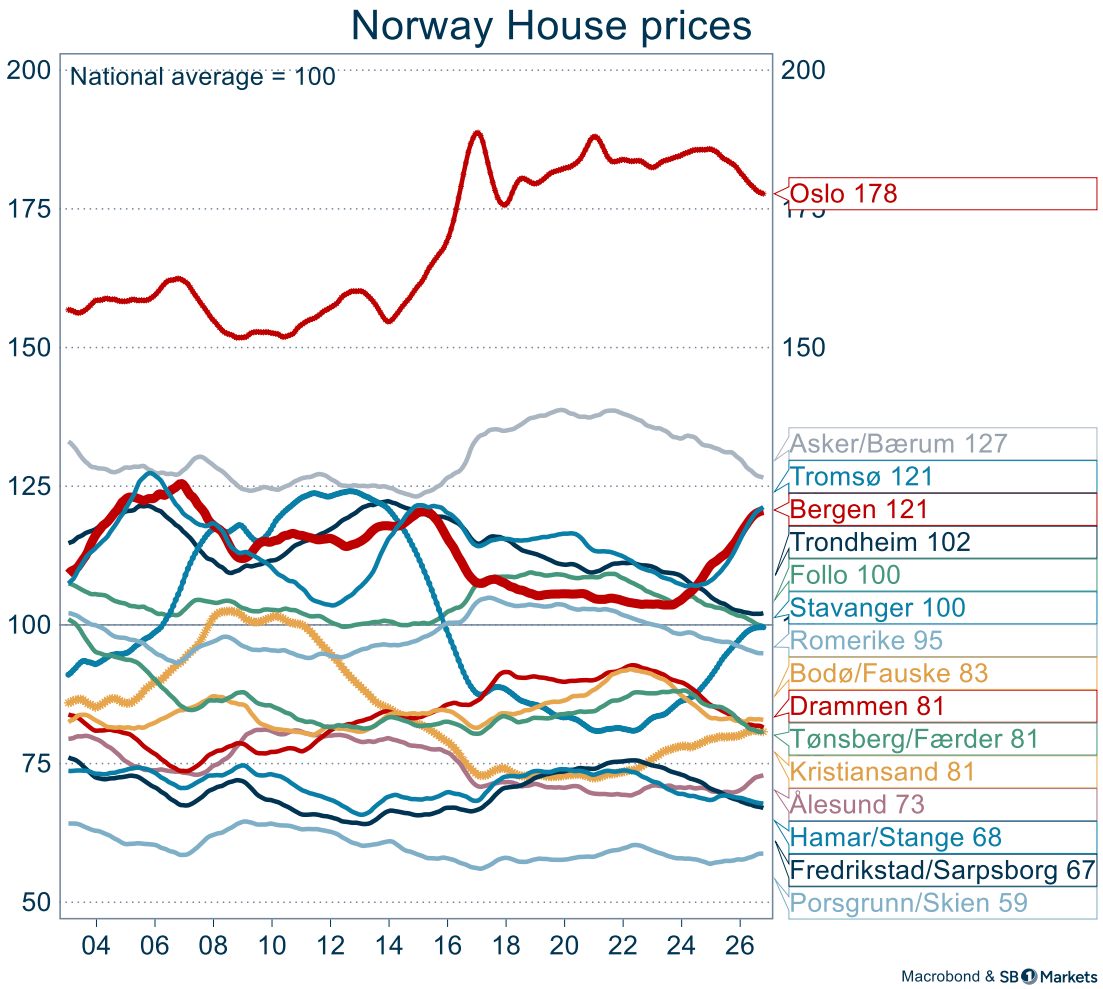
SB1 Markets/Eiendom Norge/Finn/Eiendomsverdi AS

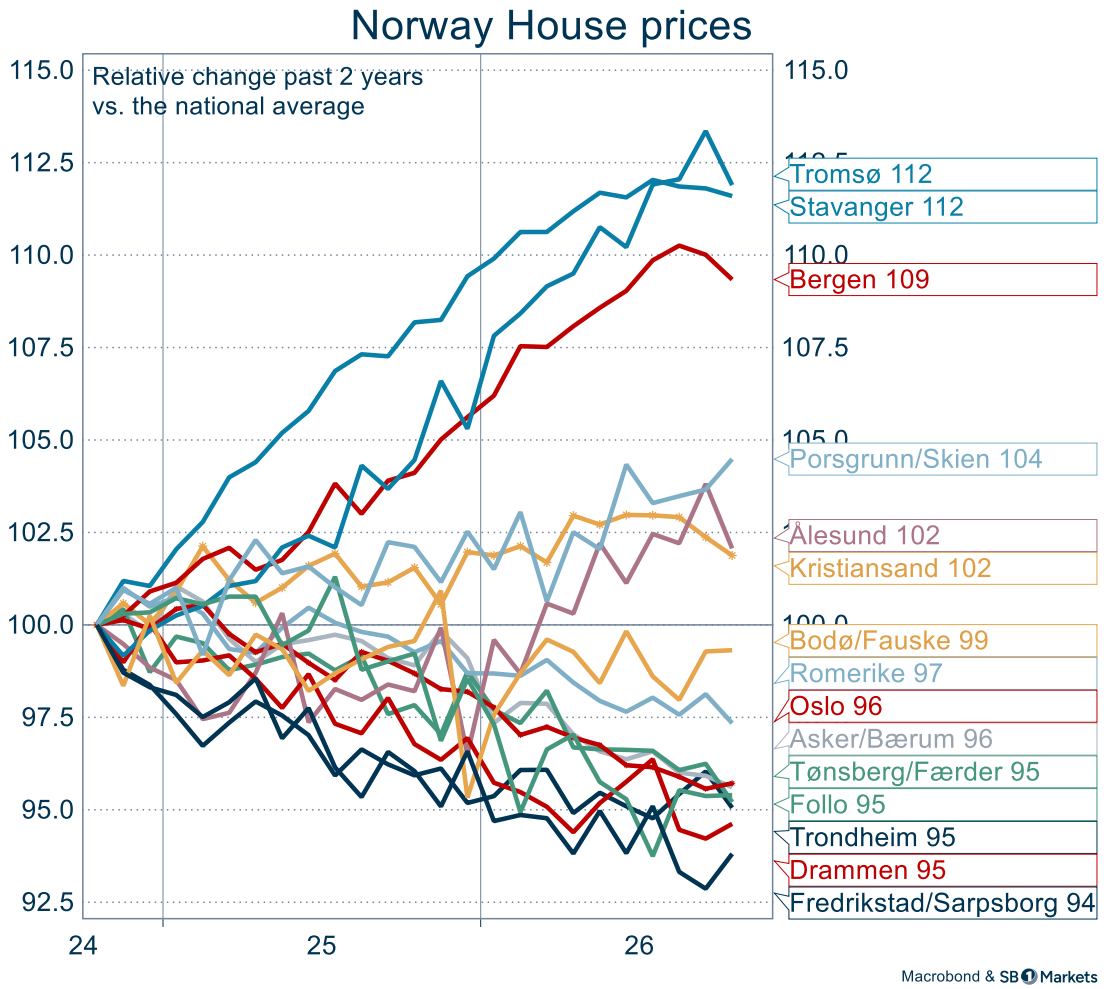
- **Vs. the pre-pandemic 2019 price level:**
  - Drammen and Trondheim are at the bottom, up 23–24%. Romerike and Follo marginally better.
  - Oslo is up 33%.
  - The average is up 36%.
  - Stavanger is up 60%, Bergen 55% and Kristiansand 51%!

- If measured 6m/6m, prices are up in 8 cities and down in 8. The national average is up at a 1% pace.

Relative prices: Stavanger, Bergen and Tromsø the winners over the past 2 years

All the eastern cities (barring Porsgrunn/Skien) and Trondheim are the losers over the past 2 years. Level-wise, Stavanger is still 1% below the national average. It was 20% above 13 years ago, 20% below 5 years ago. And who knows, in 5 years' time??



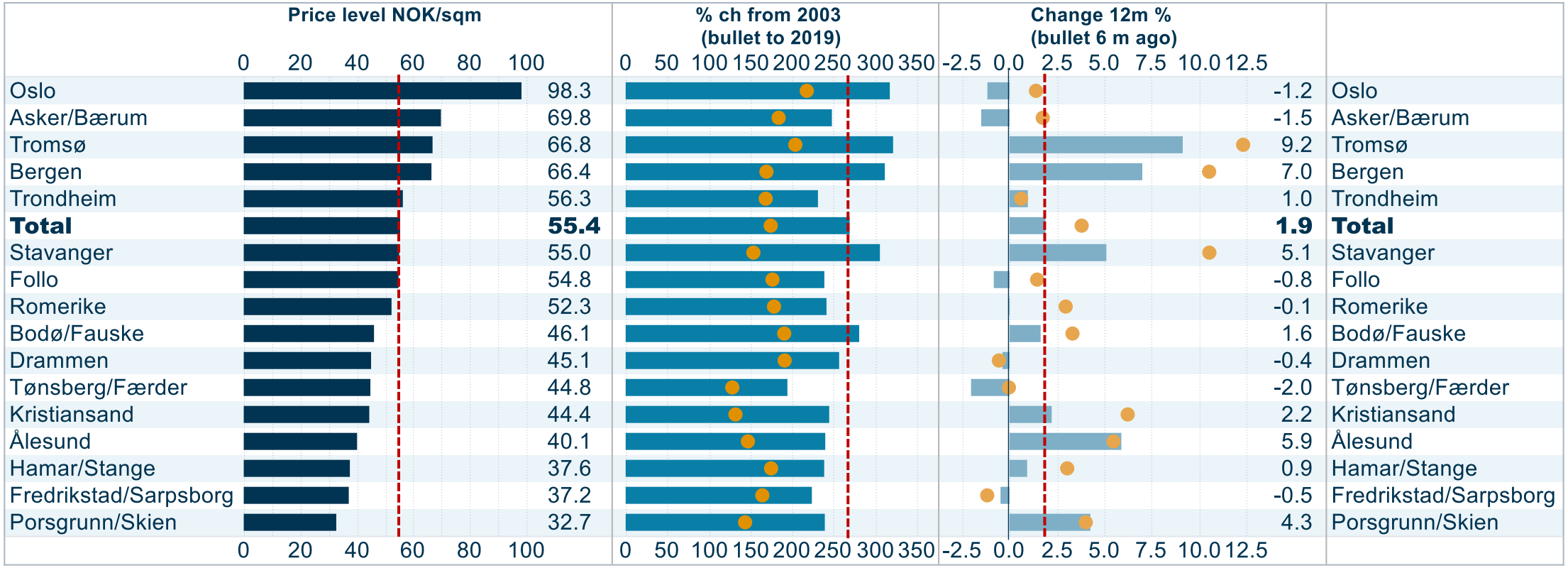


In Porsgrunn/Skien, prices are 67% lower than in Oslo, per sq. m.

Tromsø in the lead y/y, up 9.2%, followed by Bergen, Ålesund and Stavanger

… but Bergen and Stavanger are both slowing down rapidly. Price increases are slowing in 10 other cities as well (vs. 6 months ago). Oslo and other eastern cities are the laggards, and Oslo, Asker/Bærum, Drammen, Tønsberg and Fredrikstad are down y/y, Oslo by 1.2%.

Norway House prices



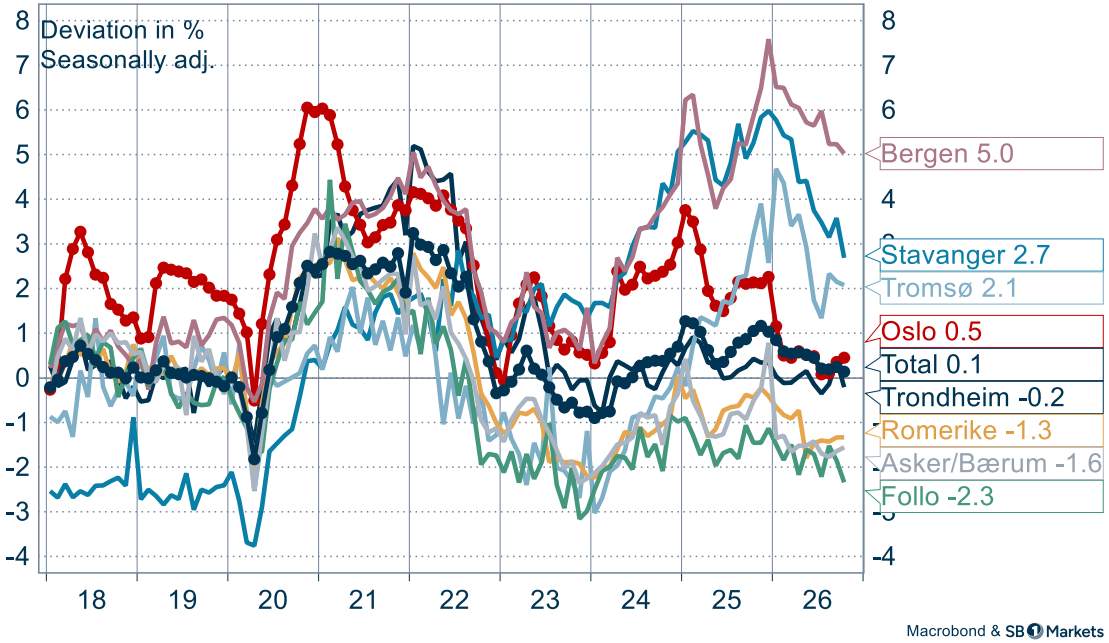
SB1 Markets/Eiendom Norge/Finn/Eiendomsverdi AS

Prices are seasonally adjusted, and the annual rate may differ marginally from the unadjusted (correct) annual growth rate. Red, dotted line: average.

The achieved price premium fell in October, and is well below an average level

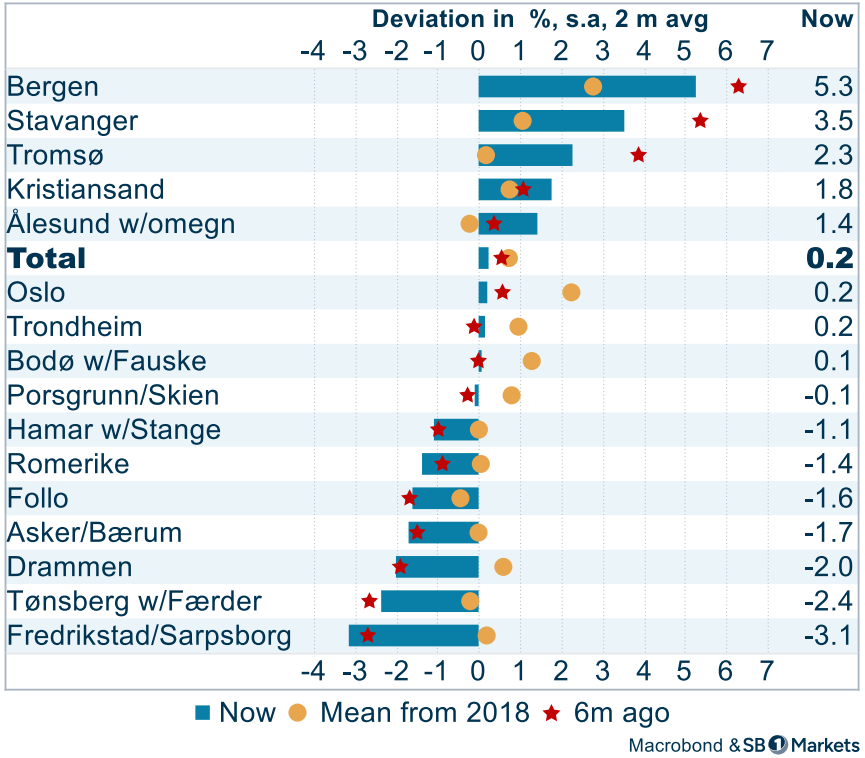
Large regional differences: Bergen and Stavanger are in the lead, +3–5%, while 8 of 16 cities still sell with a negative premium. Drammen, Tønsberg and Fredrikstad occupy the bottom of the list. The avg. premium is 0.1%, well below the avg. since 2018 (0.8%).

Norway Sale price vs posted home price



- In Oslo, homes were sold 0.5% above the listed price, up from 0.1% in August. The average Oslo premium since 2018 is 2.2%.
- The high-fliers are heading down, probably because listing prices have been moved upwards.

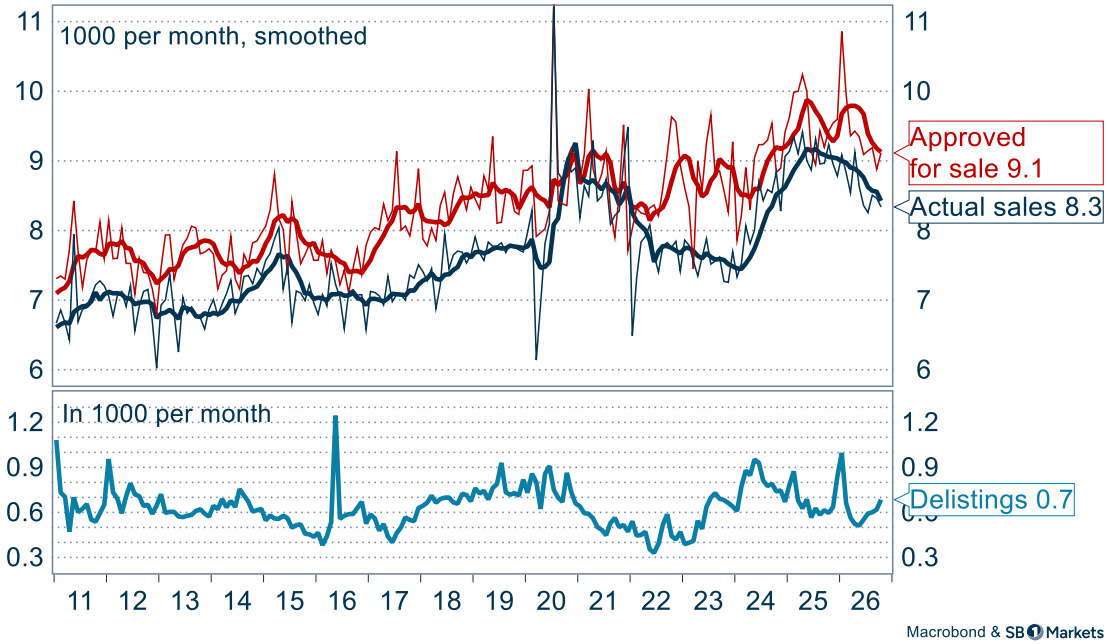
Norway Sale price vs posted home price

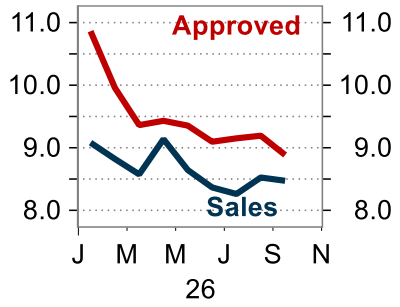


Sales are trending down but are still above par. The inventory has increased slightly in ‘26

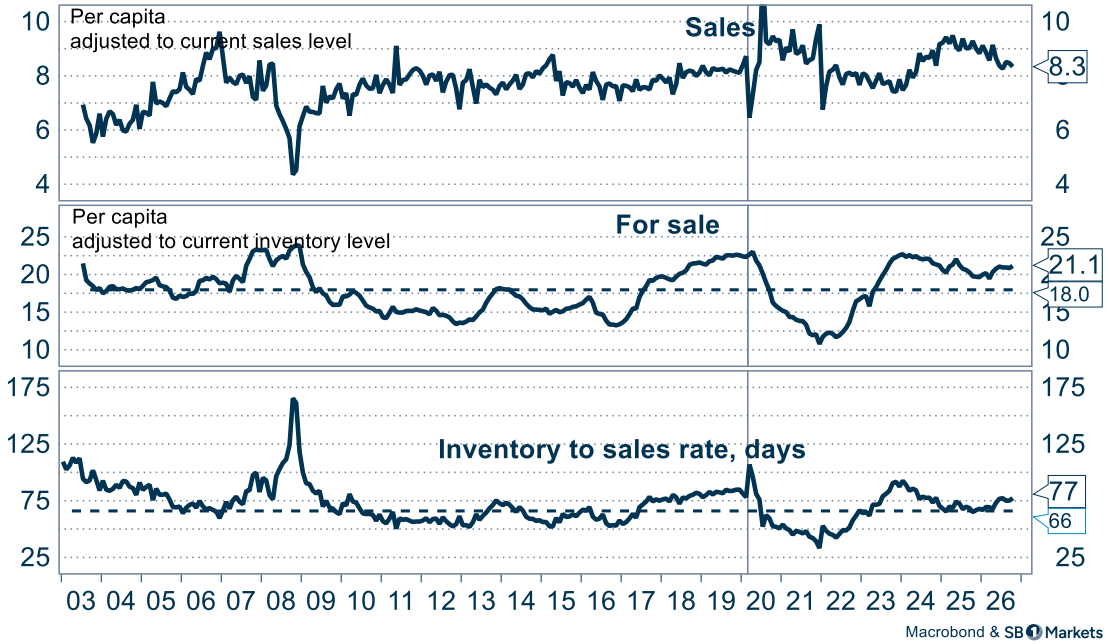
Sales have fallen since mid-25 but are still above the average level (but not by that much when adjusted for population size). The inventory of unsold homes has flattened lately, but rose marginally in October. The inventory-to-sales ratio rose by 2 days to 11 d above the 56-day historical average.

Norway Housing market



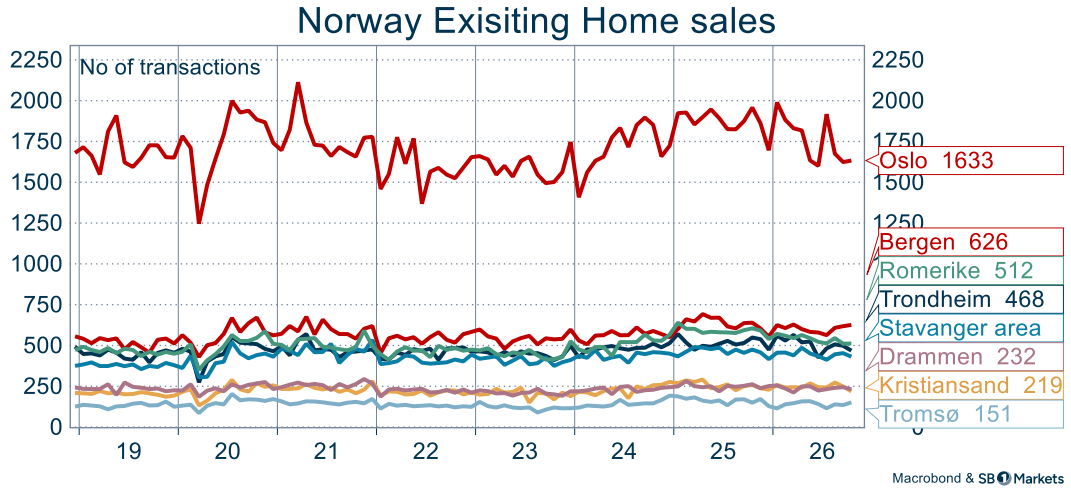


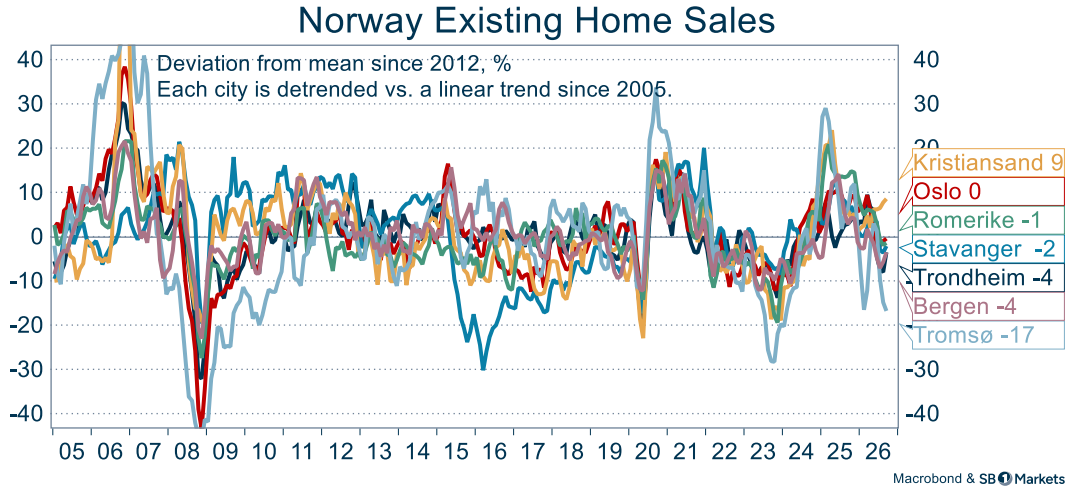
Norway House transactions

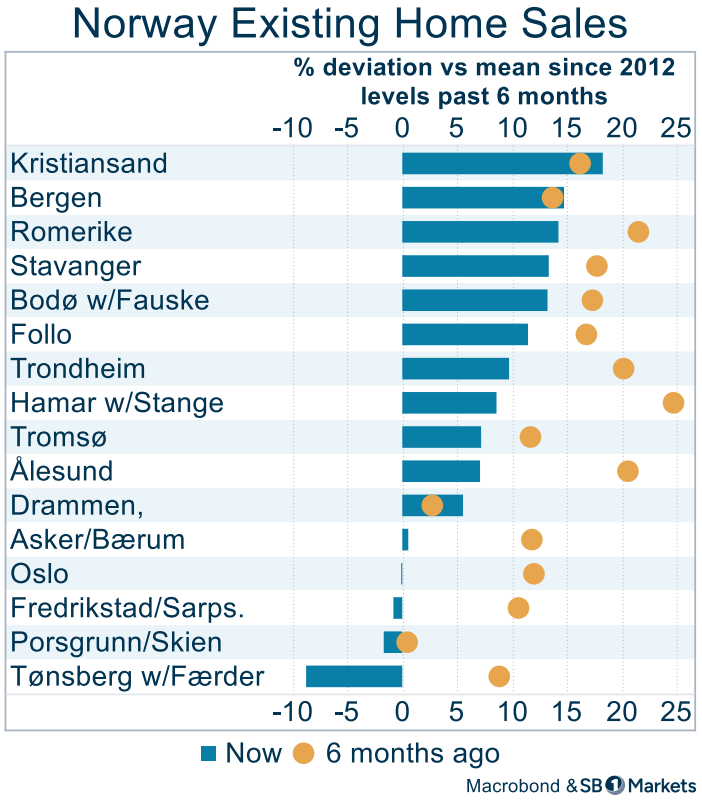


Home sales lower in the past 6m than in the previous 6m in 13 cities, up in 3

… while sales are higher *than normal* everywhere but Tønsberg, Porsgrunn/Skien and Fredrikstad/Sarpsborg. Sales in Oslo are equal to the long-term average, but below sales in recent years. Sales are the highest vs. normal sales in Kristiansand and Bergen.

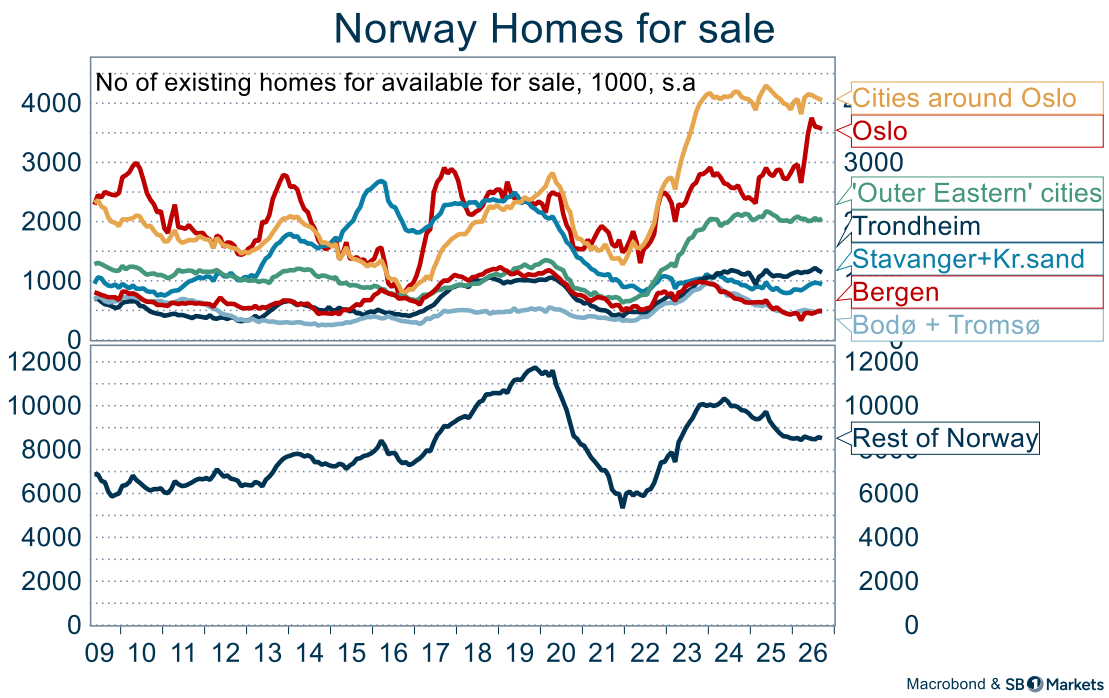


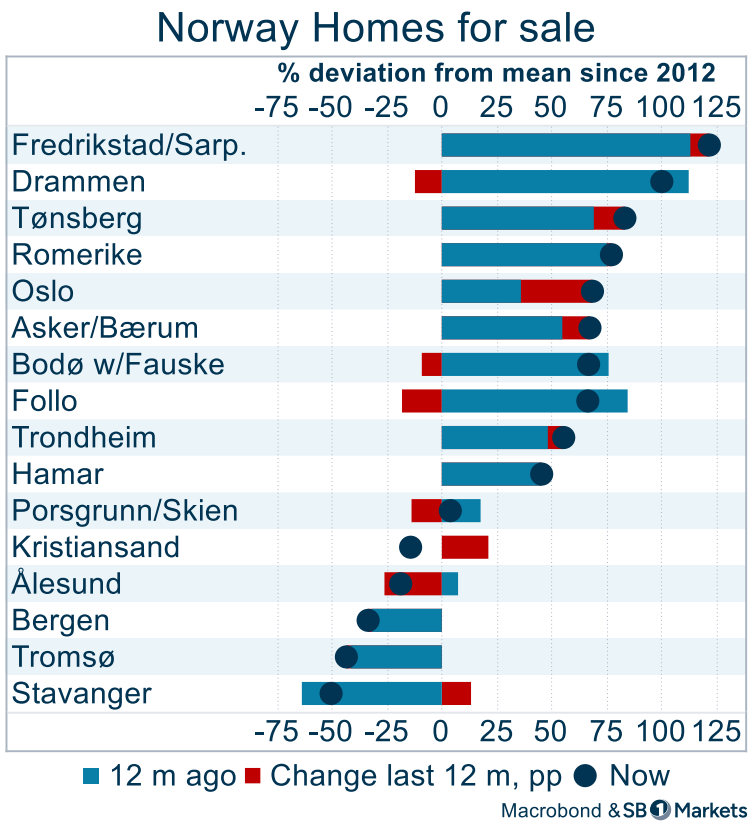




The inventory is > normal in most cities, at ATH in Oslo, by far. Still, 5 are down y/y

The inventory is lower than normal in 1/3 of the cities, the most in Stavanger and Tromsø. Fredrikstad and Drammen report the largest inventory vs. their resp. average levels (more than 2x). The inventory of unsold homes in Oslo has shot up recently, to ATH, 70% > average.

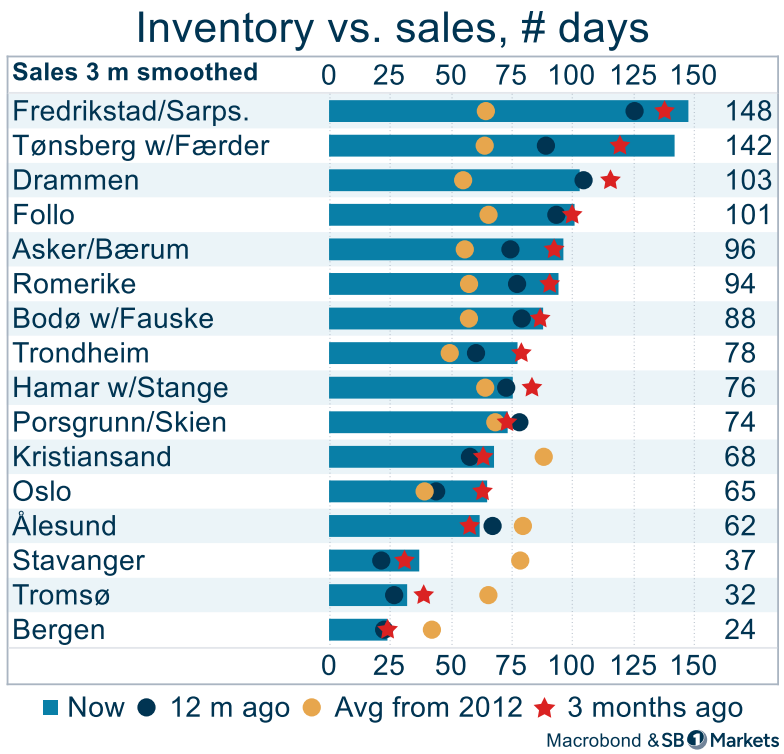


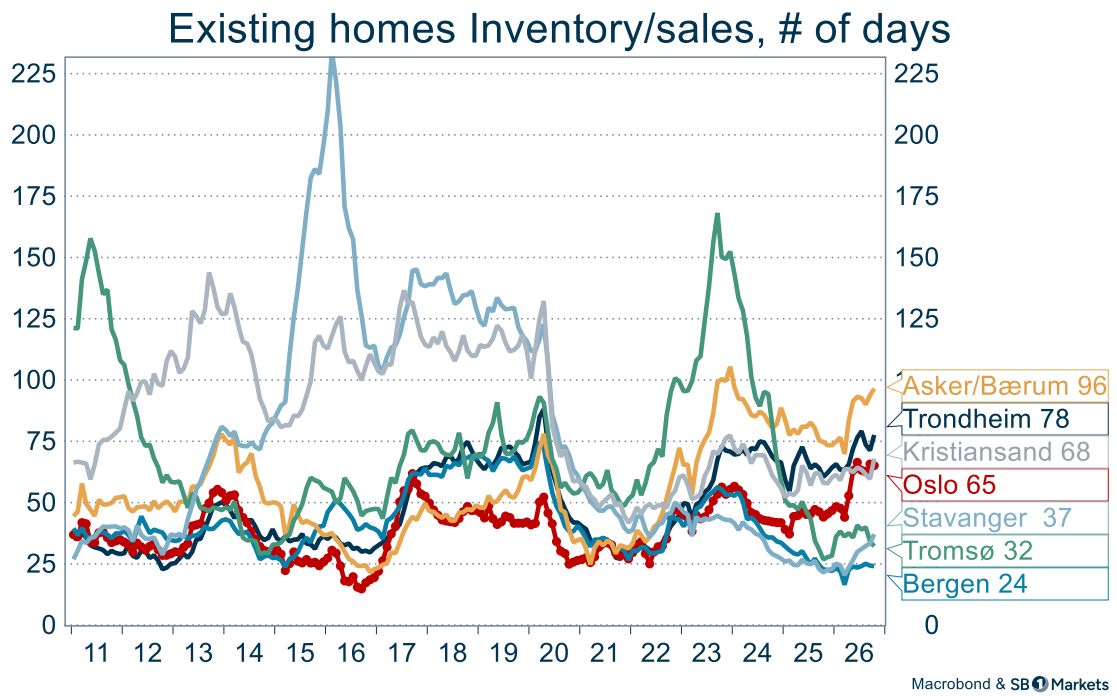


- In August and September, the inventory in Oslo fell marginally, but the surge over the summer was unprecedented.
- Several eastern cities are also above the middle of the list, and the direction is mostly up.
- Inventories in Kristiansand, Bergen, Stavanger as well as Tromsø and Ålesund are below average but have increased recently. The 11 other cities report higher inventories than average.
- In other cities, the inventory trends flat, following a decline from the early 2024 peak.

Inventory vs. sales is up over the past year in 8 cities, down in 4

Fredrikstad/Sarpsborg, Drammen and Tønsberg remain at the top of the i/s-list and are the most above their respective averages. The i/s ratio is lower than normal in Kristiansand, Stavanger, Bergen, Ålesund and Tromsø. Oslo has flattened, at a record high level.

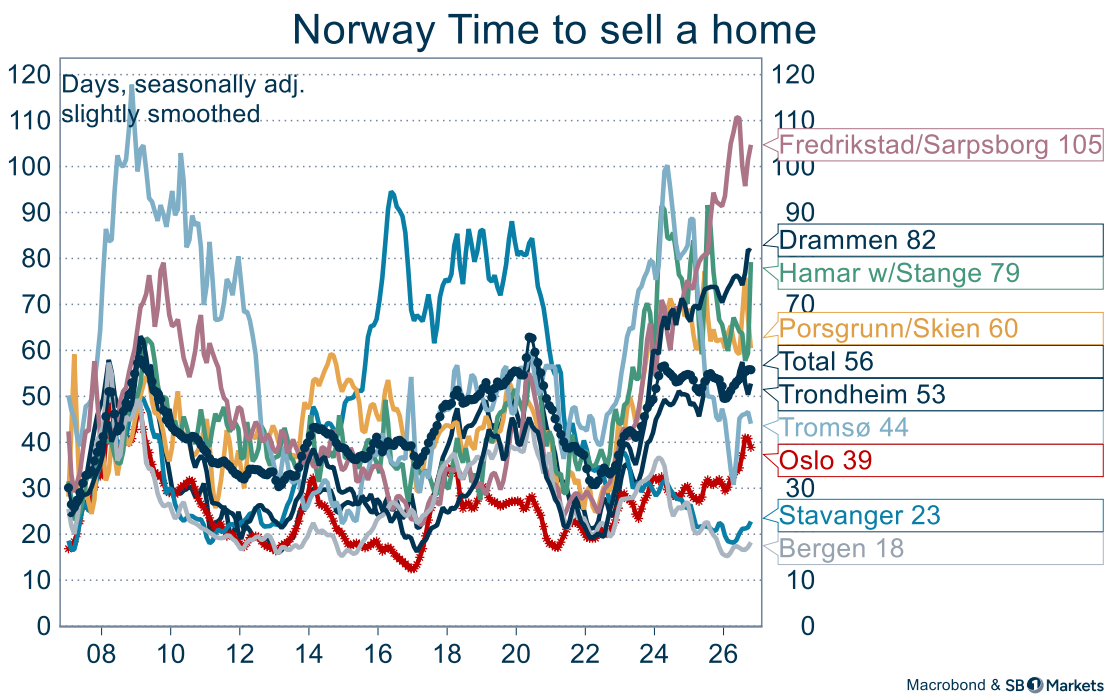


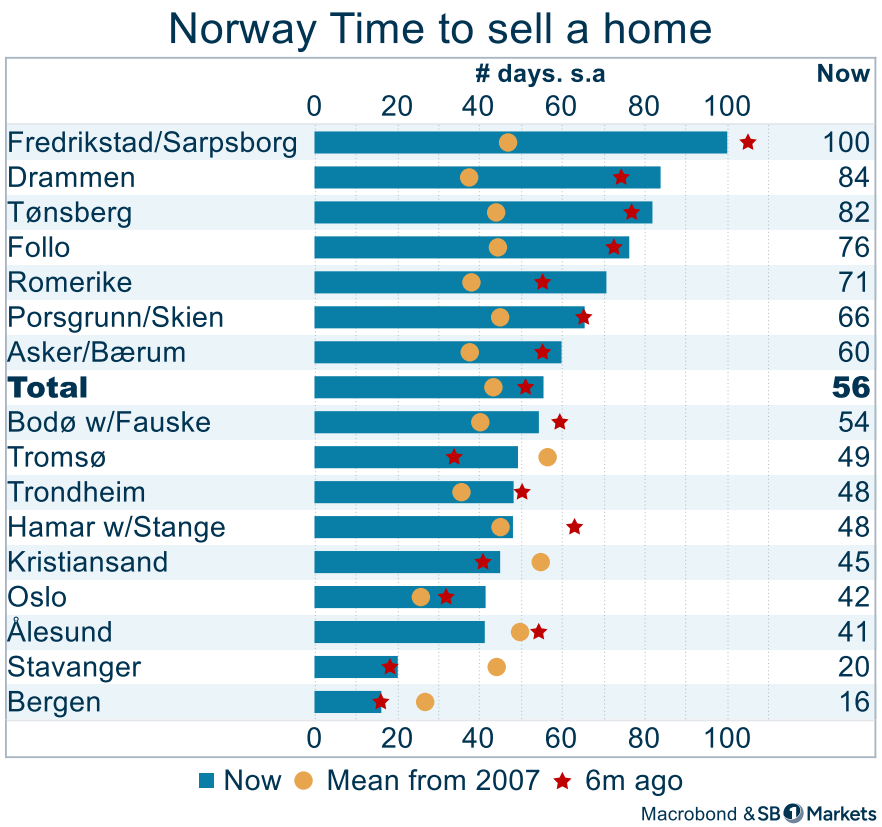


- **Fredrikstad/Sarpsborg** reports the highest turnaround time (i/s ratio), 148 days (data are smoothed over 3 months), more than twice the average (since 2012), and it still trends up.
- **Bergen** reports the lowest turnaround time, 24 days, half the average time on market in Bergen!
- **Oslo** at 65 days is well above the average (in Oslo, 39 days), and at a level never seen before – ***but the Oslo i/s ratio has flattened recently.***

Time on market (*for homes actually sold*) increases in most places, and most are > average

Just Kristiansand, Stavanger, Bergen, Ålesund and Tromsø report shorter selling times than normal. Fredrikstad/Sarpsborg is at the top, both in absolute (105 days) and relative terms, vs. normal selling times in this area. Drammen, Tønsberg and Follo are also high up on the list.

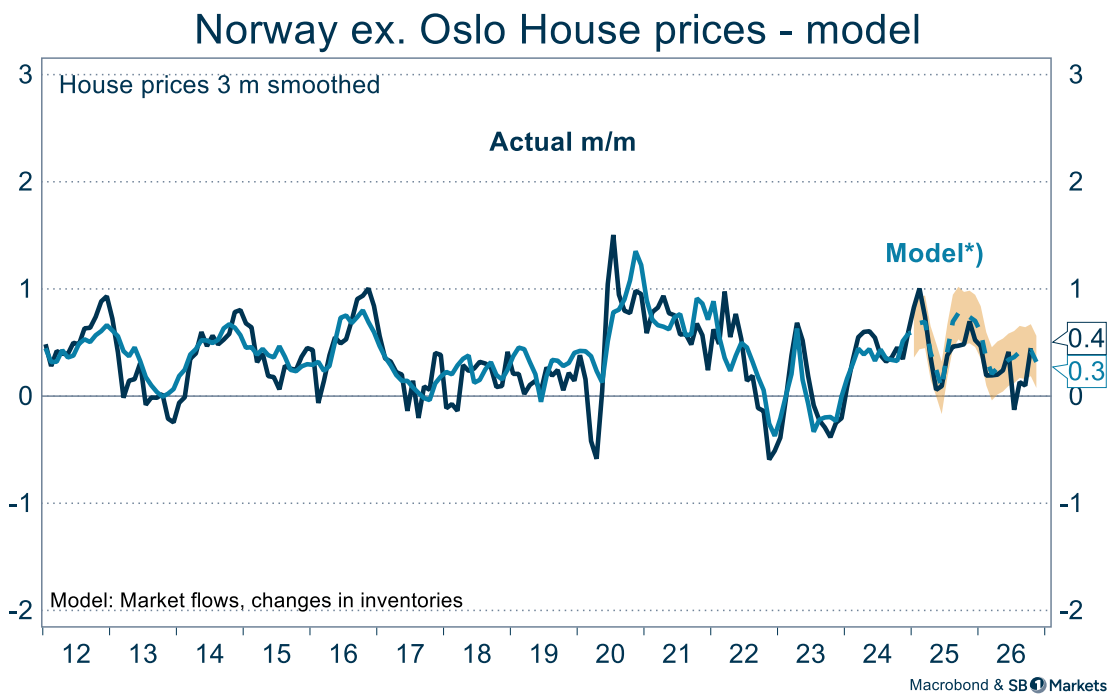


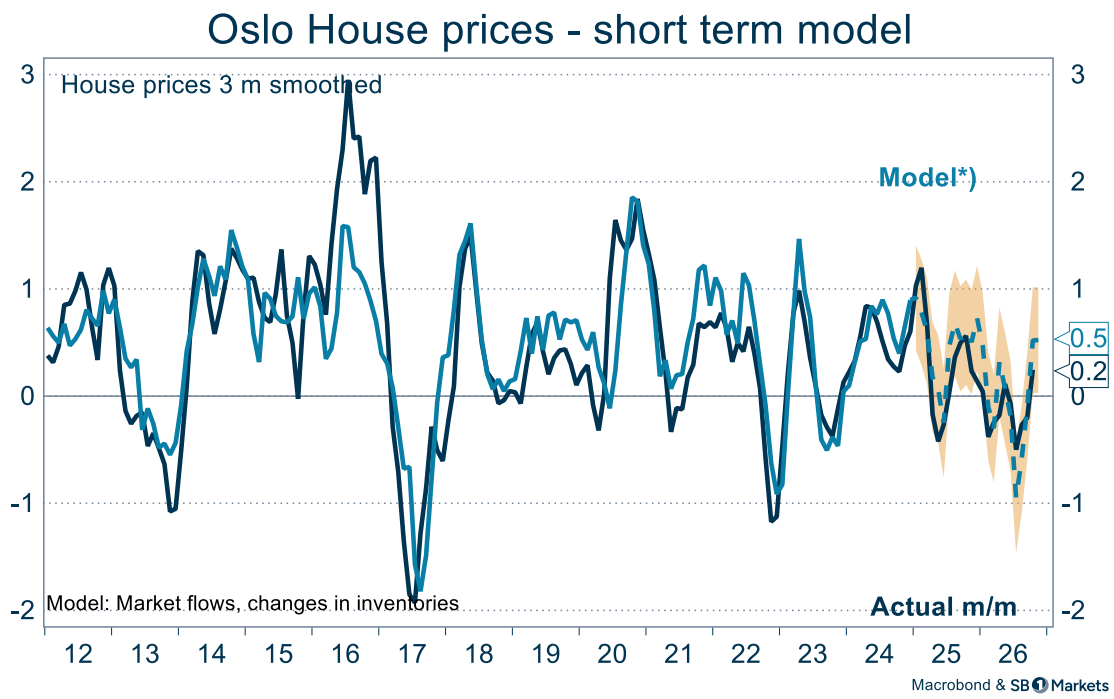


- Oslo is close to the bottom, but still higher than normal.
- 5 cities report shorter selling times than 6 months ago, 11 longer.

Housing prices – short-term forecasts: higher prices over the coming months!

The Oslo inventory has stabilised and a 0.5% lift per month is signalled, vs a 0.3% increase in rest of Norway.



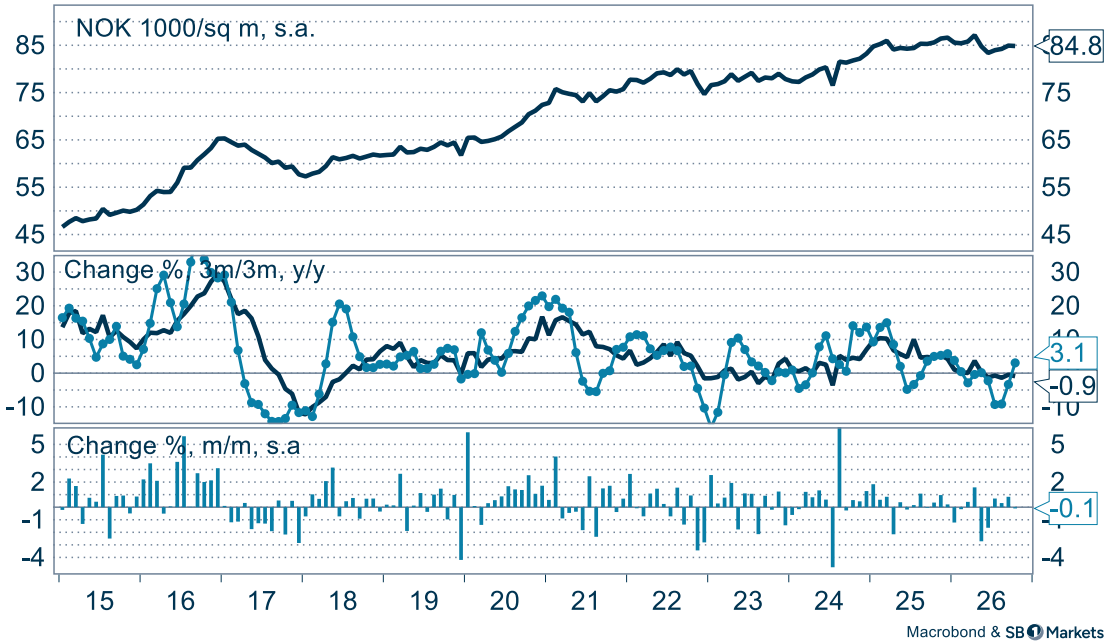


- **Our national ex. Oslo model**, based on flows and the inventory, signals a 0.3% m/m increase in housing prices, while the average over the past 3 months is up 0.4%.
- **Our Oslo model** also signals a 0.5% monthly lift. Prices are up 0.2% on average over the past 3 months.
- **Mortgage rates** are not included in these short-term market models, because they have not consistently added to the models' performance. Still, over time, mortgage rates and credit growth are important drivers for the flows in the housing market. Most likely, the rate hike in May and the threat of more hikes in H2 lowered demand in July.
- These models ***are not long-term price models***, just short-term models based on flows of (existing) houses approved for sale, actual sales and changes in inventories – which are normally correlated with prices.

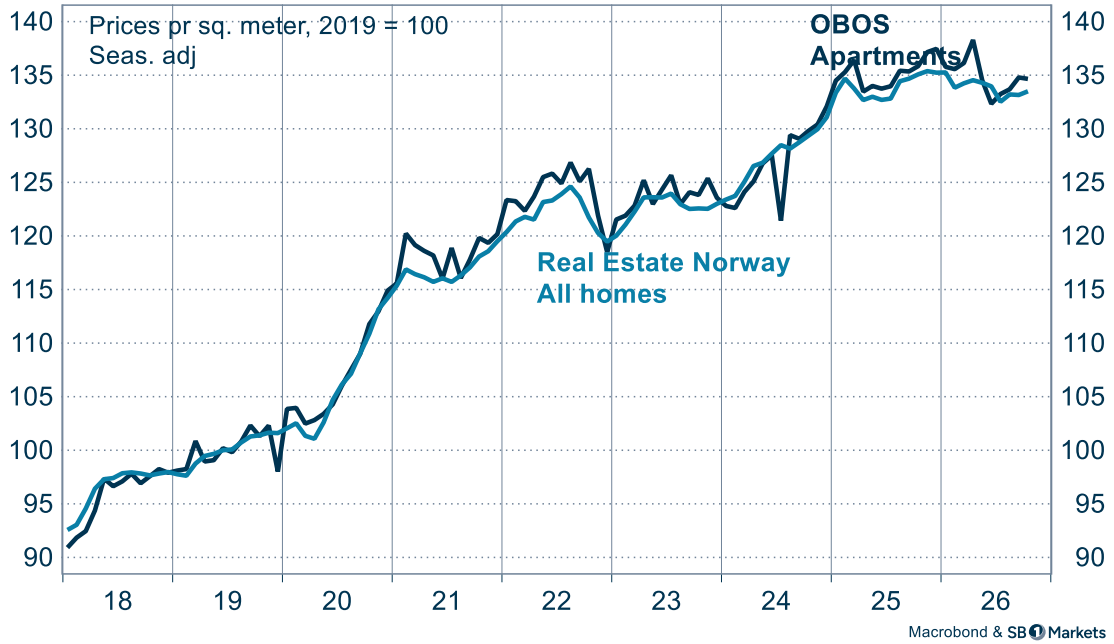
Oslo co-op apartment prices fell 0.1% m/m in October, and are down 0.9% y/y

OBOS prices are closely correlated with prices in the total Oslo market over time but are more volatile from month to month, with some large outliers. Realtors report a 0.3% m/m lift, and prices are down 1.2% y/y for the total market.

Obos Co-op apartment prices, Oslo

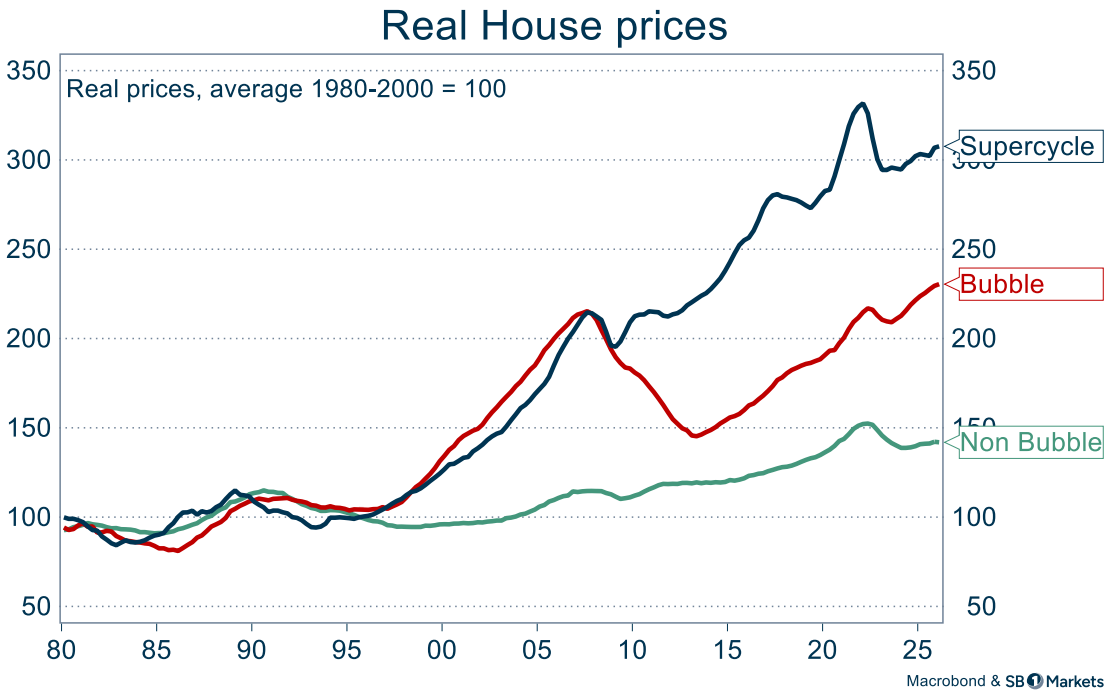


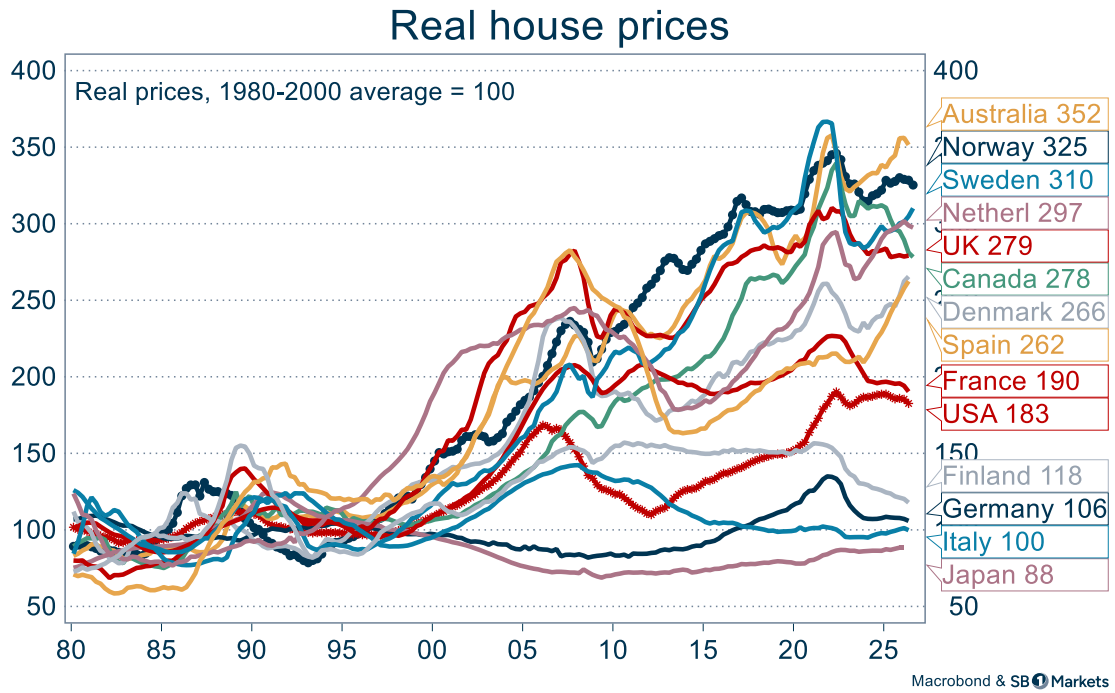
Oslo House prices



Real house prices fell almost everywhere when rates were hiked

… but most have turned up again in recent quarters as rates are cut. Real prices are still mostly lower than before rates were hiked (but the unweighted average of the bubble group is up due to Spain, Denmark and some minor countries; the UK, the US and several others are down).

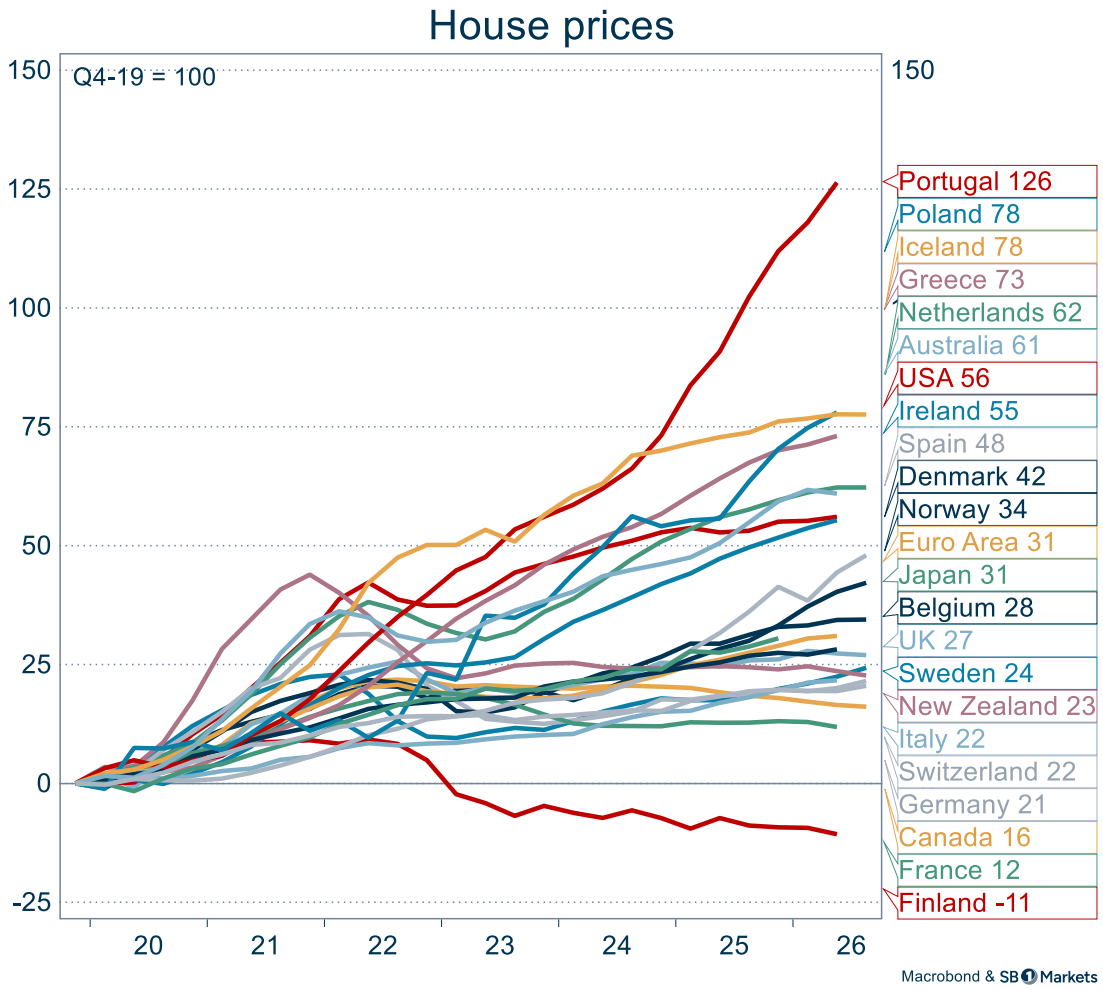


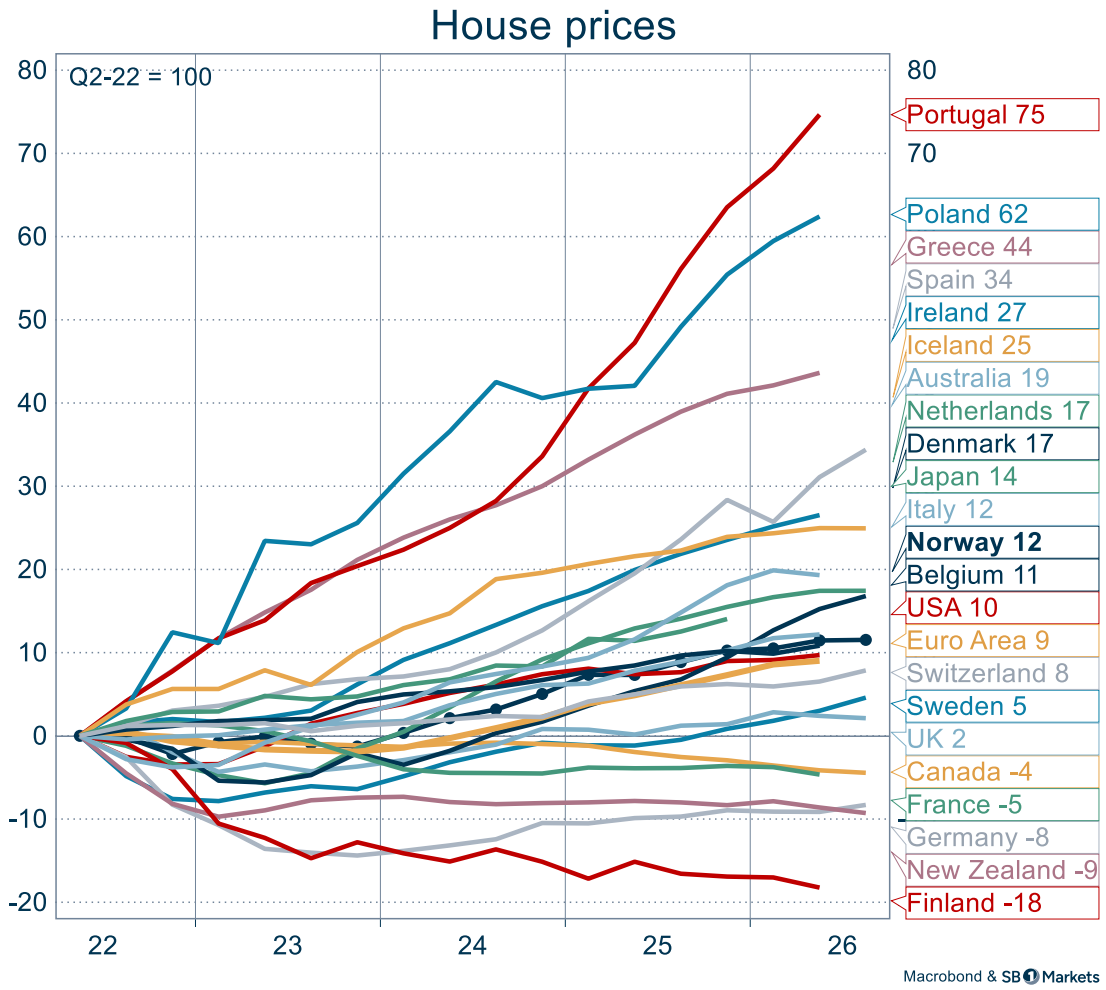


- Super cycle: Australia, Canada, Norway and Sweden.
- Bubble: USA, UK, Spain, Netherlands, Denmark, Ireland and several more.
- Non-bubble: Germany, Japan, Switzerland.

House prices on the way up in most places. Just Canada, Finland and NZ are slipping

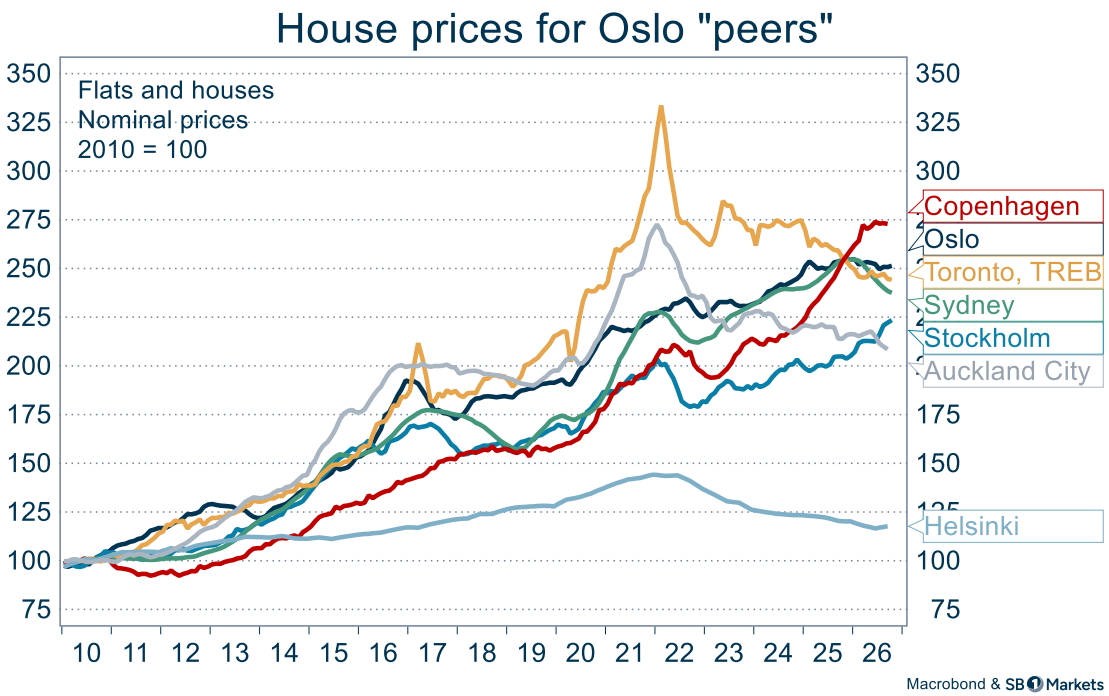
However, several countries have reported flattish prices lately: France, Germany, Switzerland and Japan. Just 5 of 23 countries/regions are down from before rates were hiked. All but Finland are up since before the pandemic.

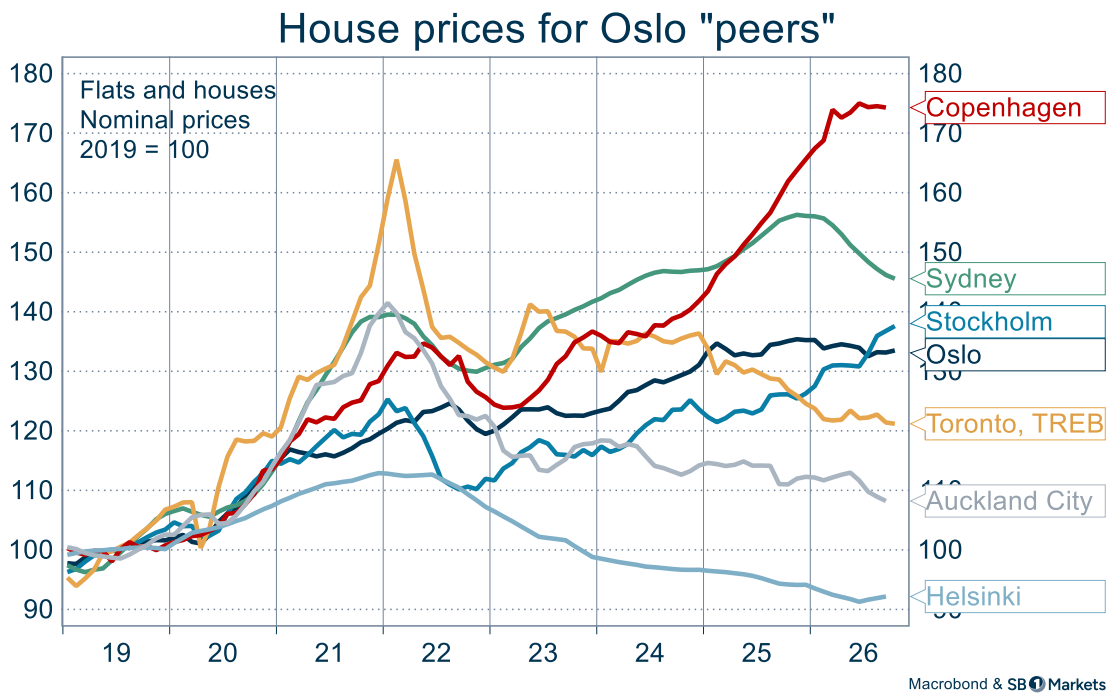




Oslo house prices in the middle of the road vs. peers?

Oslo lags Copenhagen but is ahead of Stockholm. Helsinki is the outlier on the downside, in a weak Finnish economy. Toronto took a beating last year (and is down 25% from the peak in 2022). Sydney has slowed recently, as the RBA has hiked its policy rate 3 x 25 bps to 4.35%.

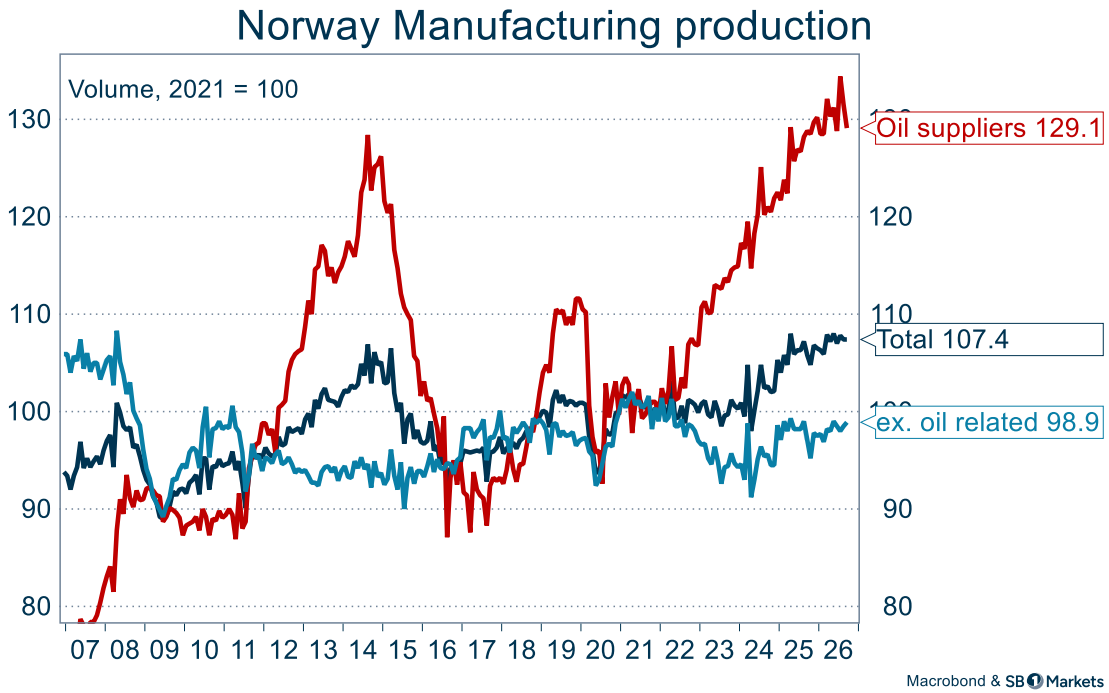


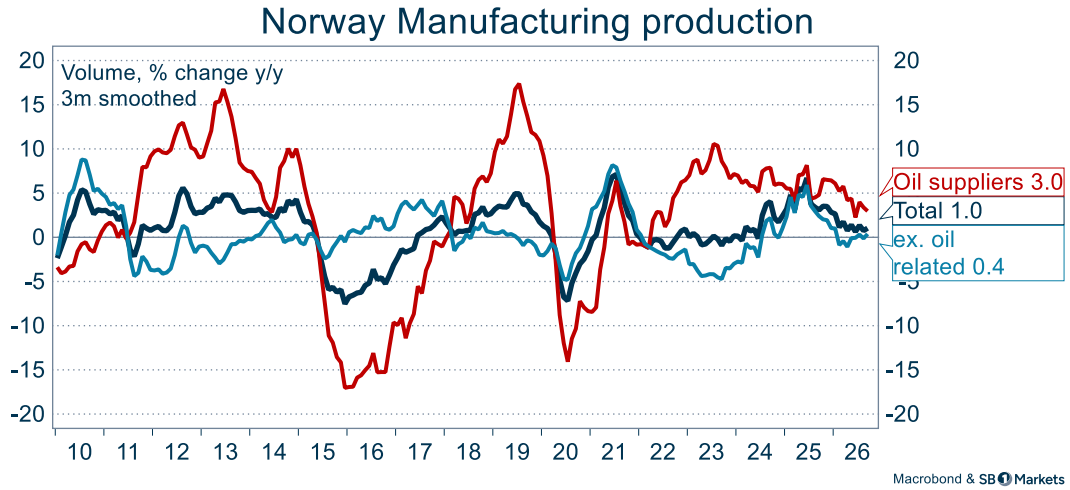


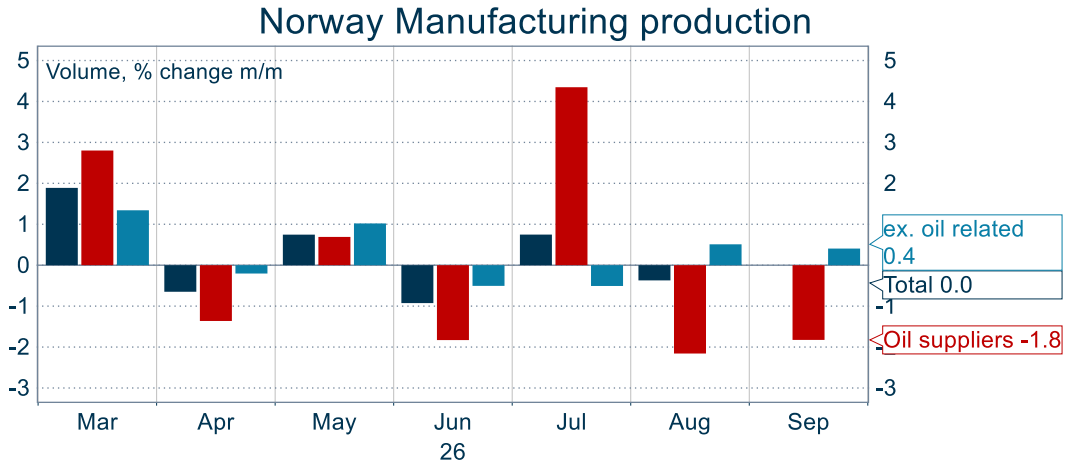
- Copenhagen the big winner in recent years

Manufacturing production: Oil suppliers contracted in Sep., the rest was up. The sum: Flat

Manufacturing production was unchanged in September and trends flattish. Oil suppliers were down 1.8%, and have most likely peaked. The rest trends slowly upwards.





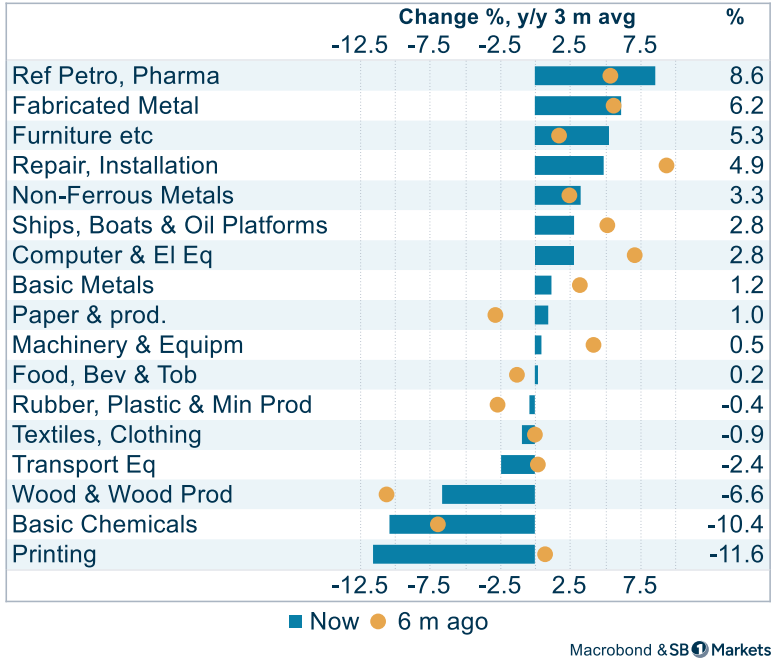


- The longer-term trend for **total production** is up and it is up 1% y/y (3m avg.). However, underlying growth has slowed, and production was flat 3m/3m.
- **Oil-related manufacturing production** (suppliers/yards etc. but not refined oil products) is still up 3% y/y but has most likely peaked. Surveys are sending clear signals.
- **Other sectors** are marginally up y/y but have been trending up from a local trough in Q4-25.
- **Manufacturing surveys** on average signal a modest decline in production.

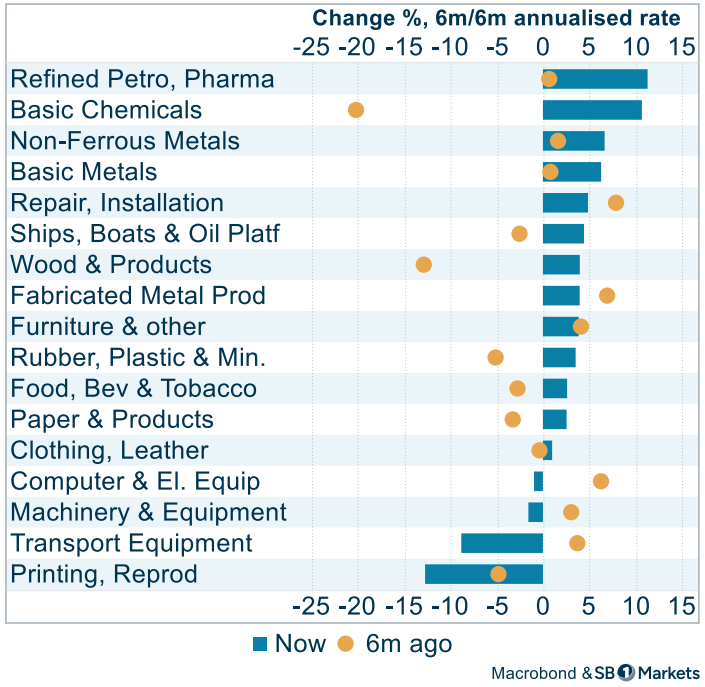
Manufacturing: most sectors trend up 6m/6m, just 4 of 17 are down

However, those sectors are not all irrelevant: computers & electrical equipment, machinery, transport equipment (printing is not that important).

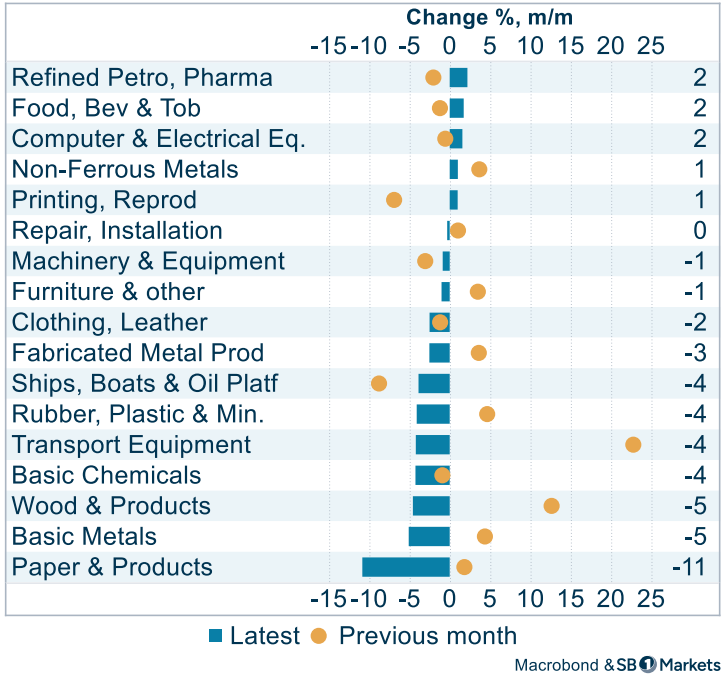
Norway Manufacturing



Norway Manufacturing

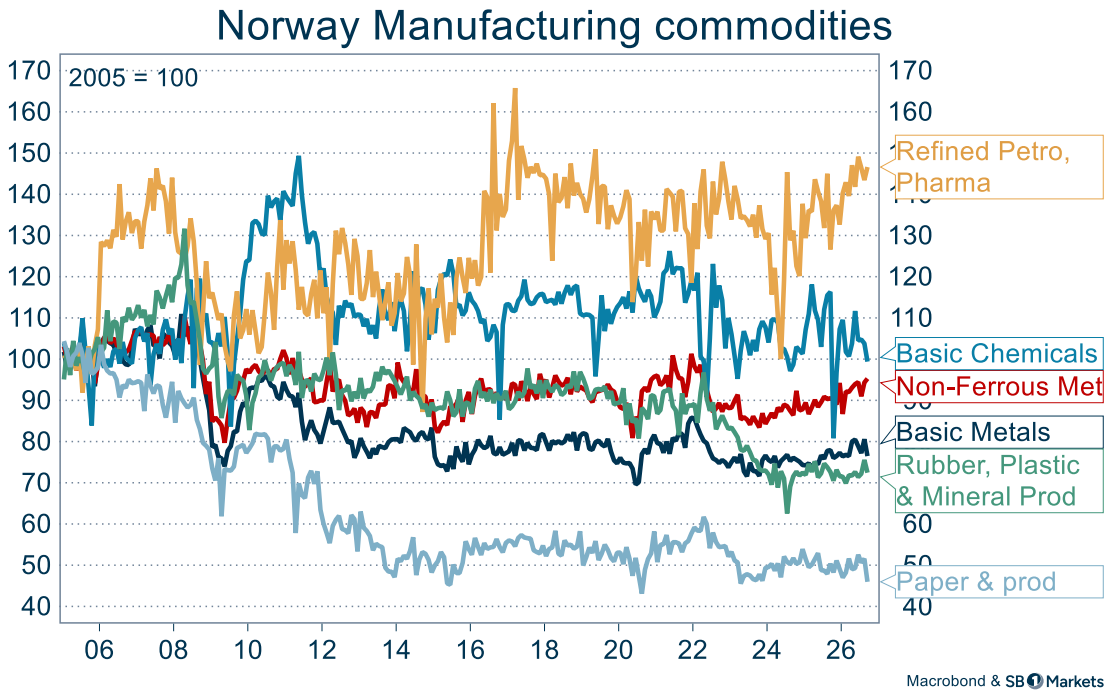


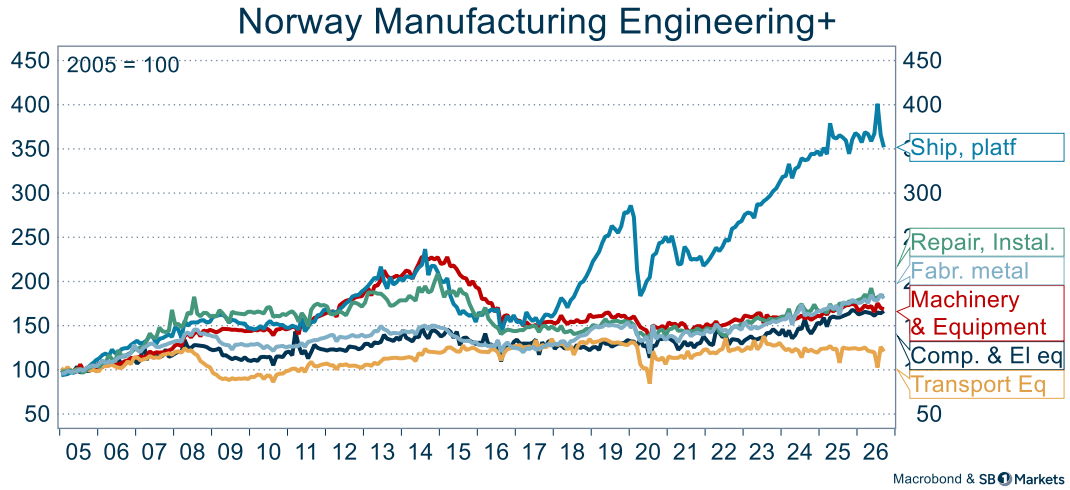
Norway Manufacturing

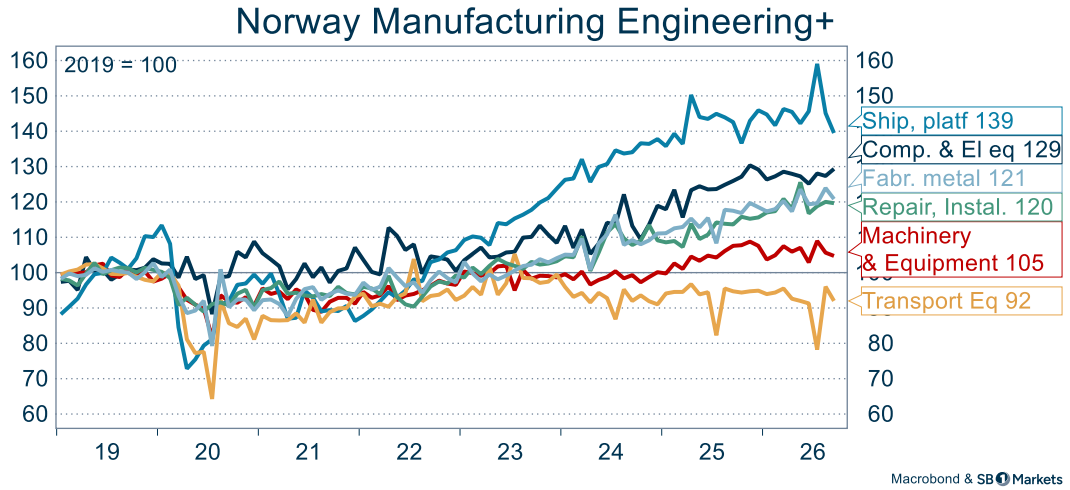


Shipbuilding & platform production has most likely peaked

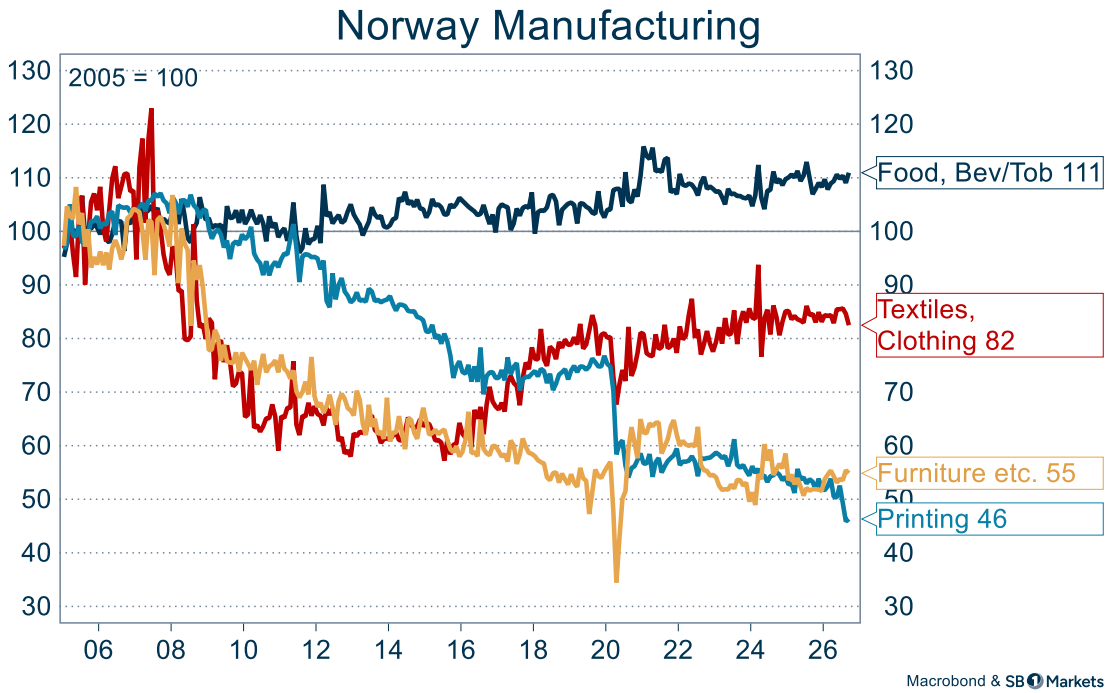
… as oil investments most likely will decline, especially in new fields. Machinery (much is oil-related) has flattened. Computers/electrical equipment has been a winner but not lately. Metals and refined oil products are on the way up, while chemicals trend flattish.





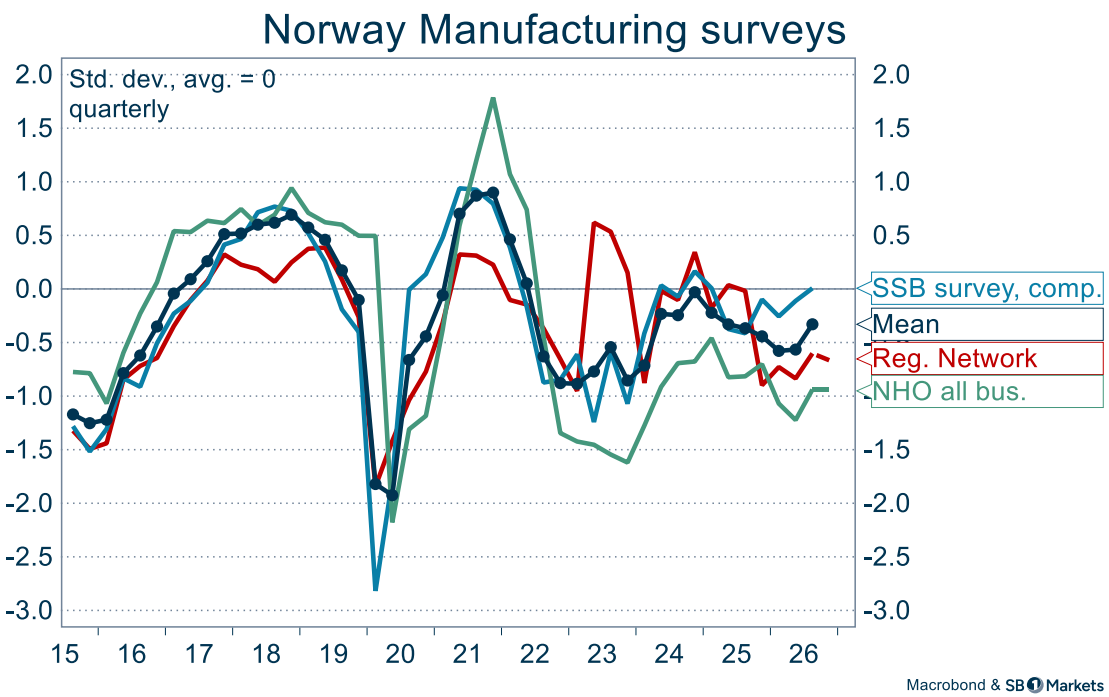


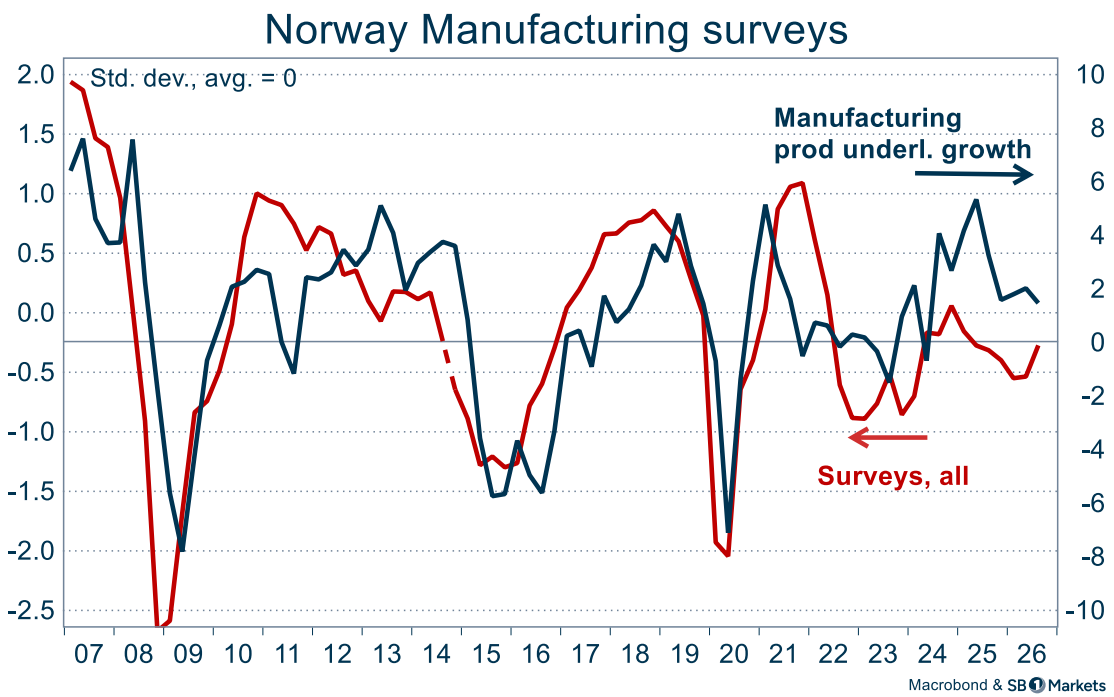
No gains in consumer-related production



Manufacturing surveys turned up in Q3 but still signal growth below par (if any)

… which so far has not materialised.





SB 1 Markets



1. Highlights
2. Norway
3. Major economies
4. Financial markets

SB 1 Markets

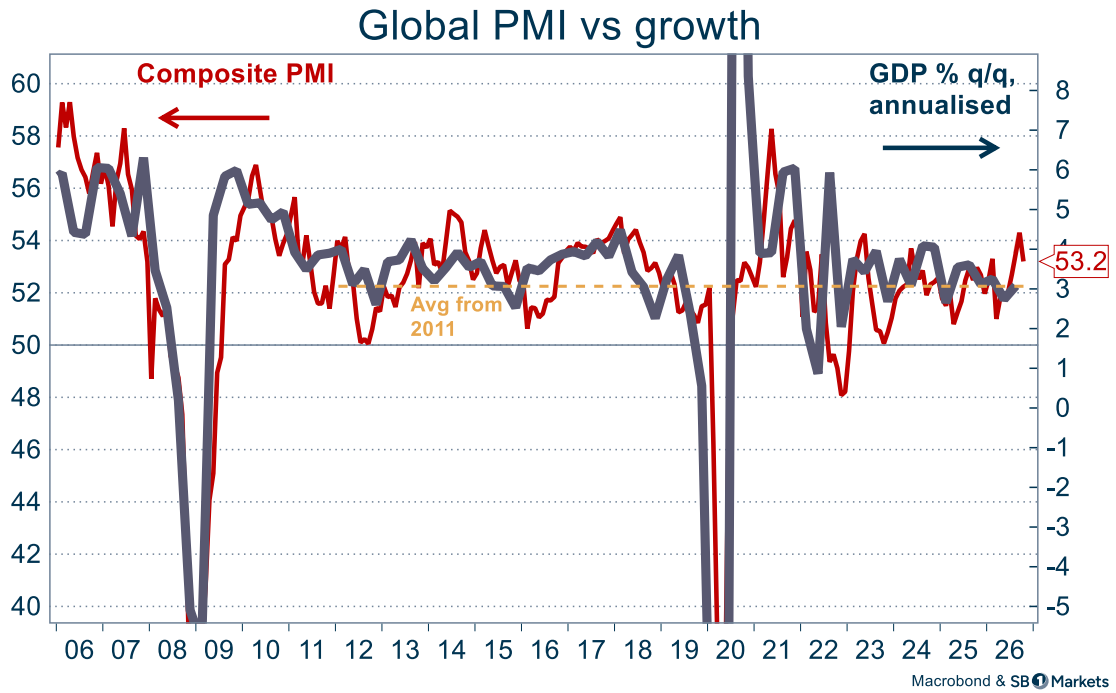


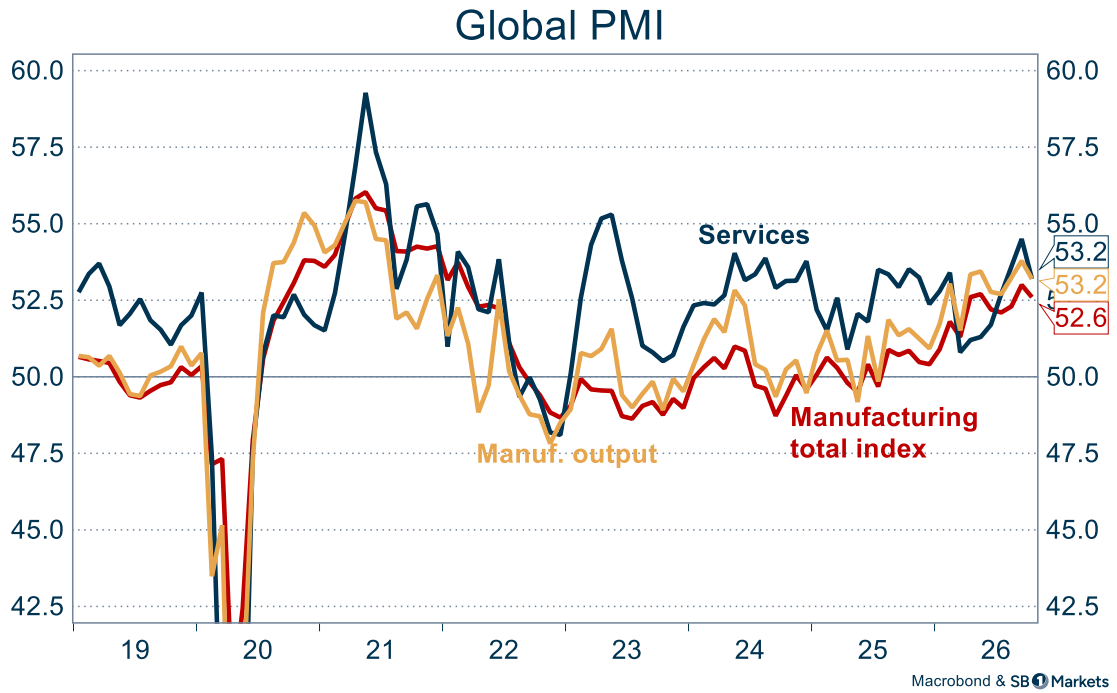
Final
PMIs & US ISMs

*Picture source: ChatGPT

The global PMI down 1.1 p to 53.2 in October, still a high level → *3½% global GDP growth*

The outcome was 0.6 p lower than flash PMIs signalled, mostly due to a 1.7 p larger decline in the US composite PMI vs the flash estimate. However, the final print at 55.9 is strong. Globally, services fell more than manufacturing but both trend up, and both are at OK levels.

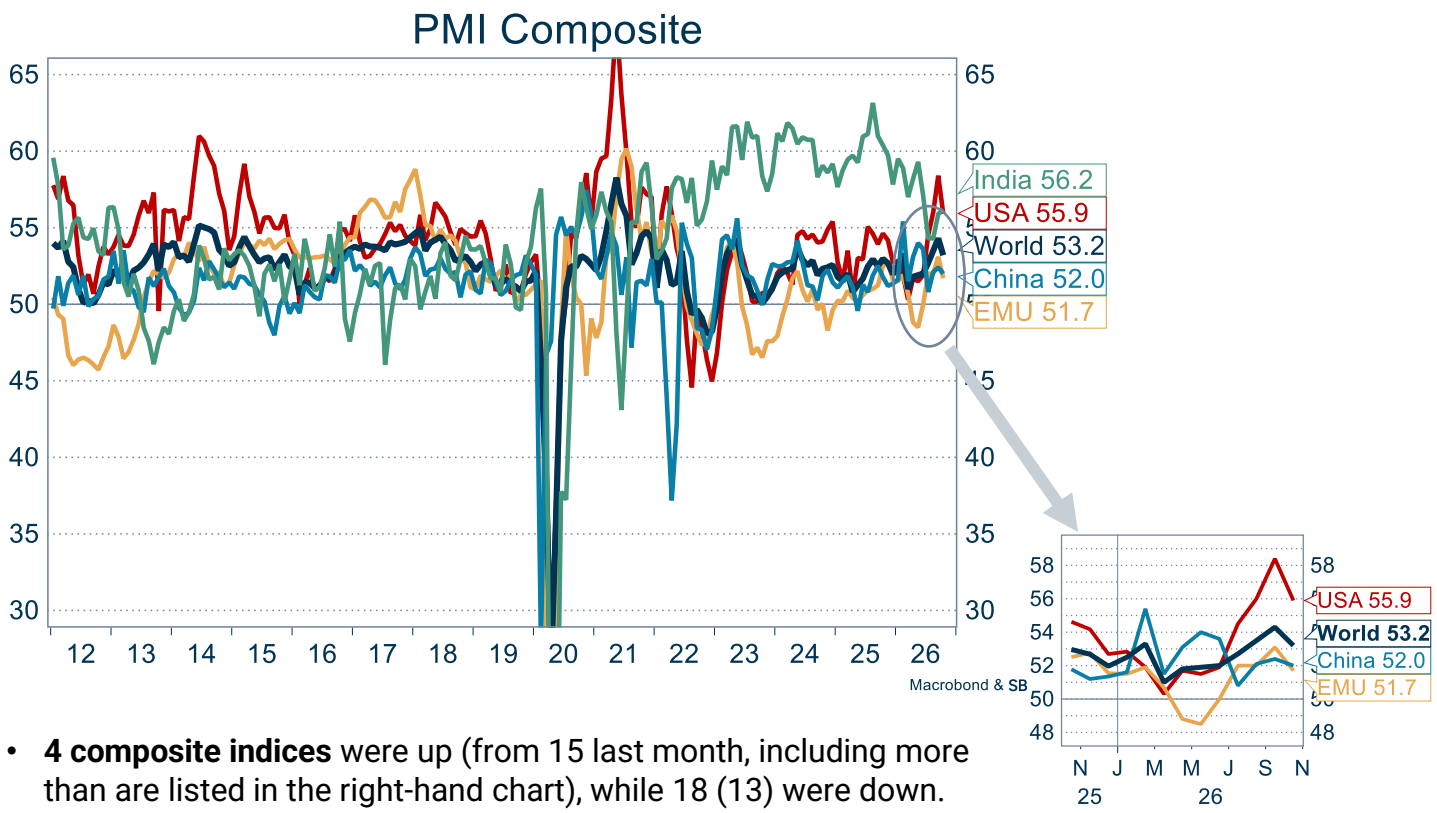




The global PMI is our estimate

PMI: US retreated the most of the majors, but remains high up on the list

The US composite index declined 2.5 p to 55.9, well below the 57.6 flash estimate. The EMU composite PMI fell 1.4 p to 51.7, 0.3 p below the flash estimate, dragged down by France (down 4.5 p to 46.6).



Composite PMI

	Deviation from 50 & change last month	Dev v 50	Change m/m	Change 6m
Sweden		7.0	-0.6	2.9
India		6.2	0.3	-2.0
Spain		6.2	-0.6	7.5
USA S&P (Markit)		5.9	-2.5	4.2
USA ISM (total)		4.7	-0.1	1.3
G4		4.0	-1.7	3.2
** Developed Markets **		3.7	-1.7	2.6
Germany		3.4	-0.4	5.0
**** WORLD ****		3.2	**-1.1**	1.4
UK		2.9	0.9	0.3
Japan		2.1	-0.2	-0.1
China (RatingDog)		2.0	-0.4	-1.1
** Emerging Markets**		2.0	-0.4	-0.7
EMU		1.7	-1.4	2.9
Italy		0.8	-0.2	0.3
Russia		0.0	-0.8	0.9
China (NBS/CFLP)		-0.3	-1.0	-0.4
South Africa		-1.0	0.0	-2.6
Australia		-1.8	-3.1	-2.2
Canada		-1.9	-0.6	-1.8
France		-3.4	-4.5	-1.0
Brazil		-5.6	-3.0	-8.0

-7.5 -5.0 -2.5 0.0 2.5 5.0 7.5

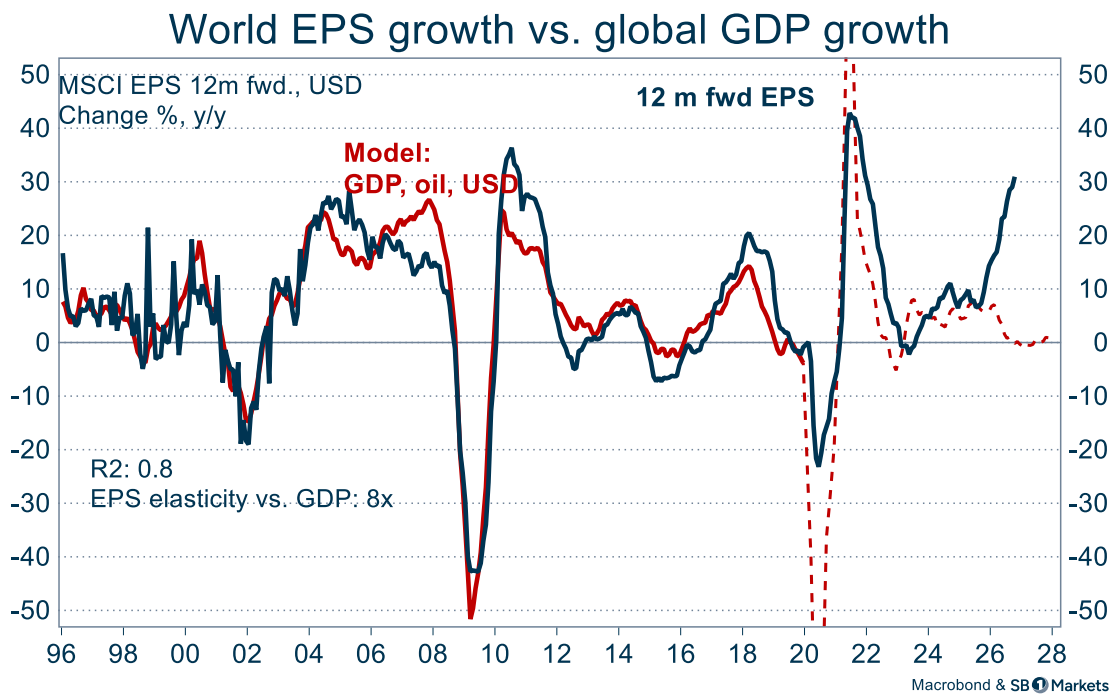
Dev. from 50 ● Change last month

Macrobond & SB Markets

- **4 composite indices** were up (from 15 last month, including more than are listed in the right-hand chart), while 18 (13) were down.
  - 7 indices (6) were below the 50-line, 1/4 of all composite surveys.
- The top: Sweden, India and Spain, followed by S&P US PMI – which fell 2.5 p, though.
- At the bottom: Australia, Canada, France and Brazil.
- A **composite ISM** (our calc.) declined by 0.1 p to 54.7.
- The **Chinese private sector RatingDog PMI** fell 0.4 p to 52.0.

Growth in expected earnings rather upbeat vs. a) global PMI b) GDP growth

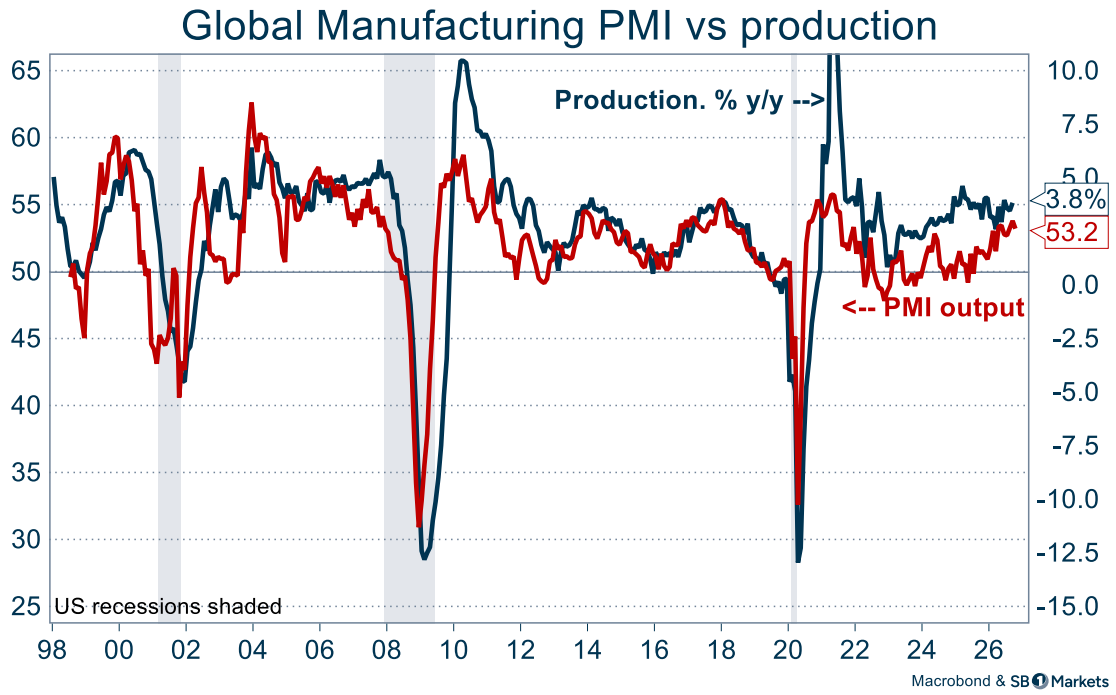




The global PMI is our estimate

The manufacturing sector PMI slightly down in October, still well above average

The global output index fell 0.4 p to 53.2, while the total index fell 0.4 p to 52.6, signalling continued growth above trend in global manufacturing production.



- **44%** of the indices were up (from 54% in September), and 28% are below the 50-line (from 20%, the average is 32%), a favourable mix.
- **The US PMI** was down 1 p to 54.9, revised down 1.1 p vs. the flash est. However, the ISM manufacturing index rose 1 p to 55.5, expected slightly down. Both US indices are placed in the upper quartile.
- The **Euro Area** PMI was down 0.2 p to 52.7, 0.3 p above the flash estimate. Still below the average on the list.
- **Sweden** reported a 2 p lift to 60.5, up to ***no. 1 on our global ranking***, well ahead of Switzerland.
- **Emerging markets** were down 0.1 p to 51.9. The **Chinese (RatingDog) PMI** was down 0.1 p, and is far above an average level, at 52.0. **India has fallen rapidly in recent months**, to 54.7. Brazil's PMI rose 1.3 p, but just to 46.1, and is still at the bottom of the list.

PMI Manufacturing

	Dev from 50 & change last month	Dev v 50	Change m/m
Sweden		10.5	2.0
Switzerland		6.7	1.4
New Zealand		6.5	3.2
Austria		5.9	1.0
USA(ISM)		5.5	1.0
Ireland		5.2	-0.3
Czech Republic		5.0	1.5
Netherlands		5.0	-0.6
Taiwan		4.9	-1.8
USA S&P (Markit)		4.9	-1.0
Thailand		4.8	0.5
India		4.7	-0.4
Germany		4.2	0.3
Indonesia		4.0	1.6
G4		3.7	-0.6
** DM		3.5	-0.8
Greece		3.3	-0.7
Japan		3.3	-0.8
Hungary		3.1	-0.2
UK		2.8	0.9
EMU		2.7	-0.2
**** World ****		**2.6**	**-0.4**
Vietnam		2.3	0.4
Spain		2.2	1.2
China (RatingDog)		2.0	-0.1
** EM		1.8	-0.1
South Korea		1.3	-2.6
Malaysia		1.0	1.1
Poland		0.0	1.0
Russia		-0.1	0.1
Australia		-0.4	0.0
Canada		-0.4	-1.9
France		-0.5	-1.1
Mexico		-0.5	-0.8
Italy		-0.6	-1.0
China (NBS/CFLP)		-0.7	-0.8
Philippines		-0.9	-0.5
Myanmar		-2.4	-1.5
Turkey		-2.7	-0.6
Brazil		-3.9	1.3

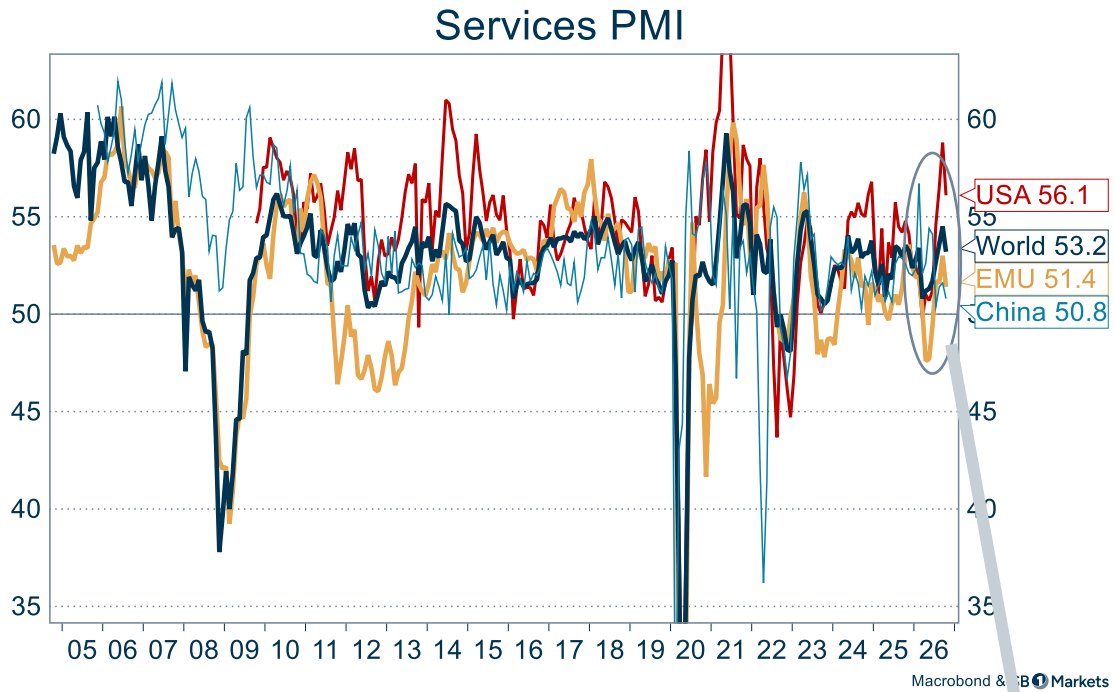
-5.0 -2.5 0.0 2.5 5.0 7.5 10.0 12.5

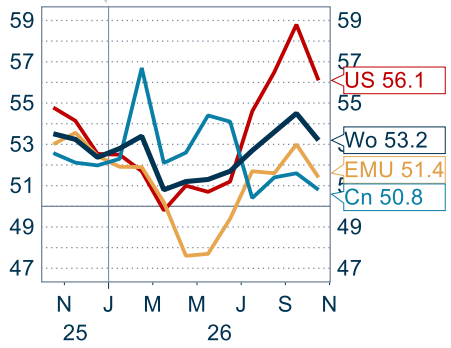
Deviation from 50 ● Change last month

Macrobond & SB Markets

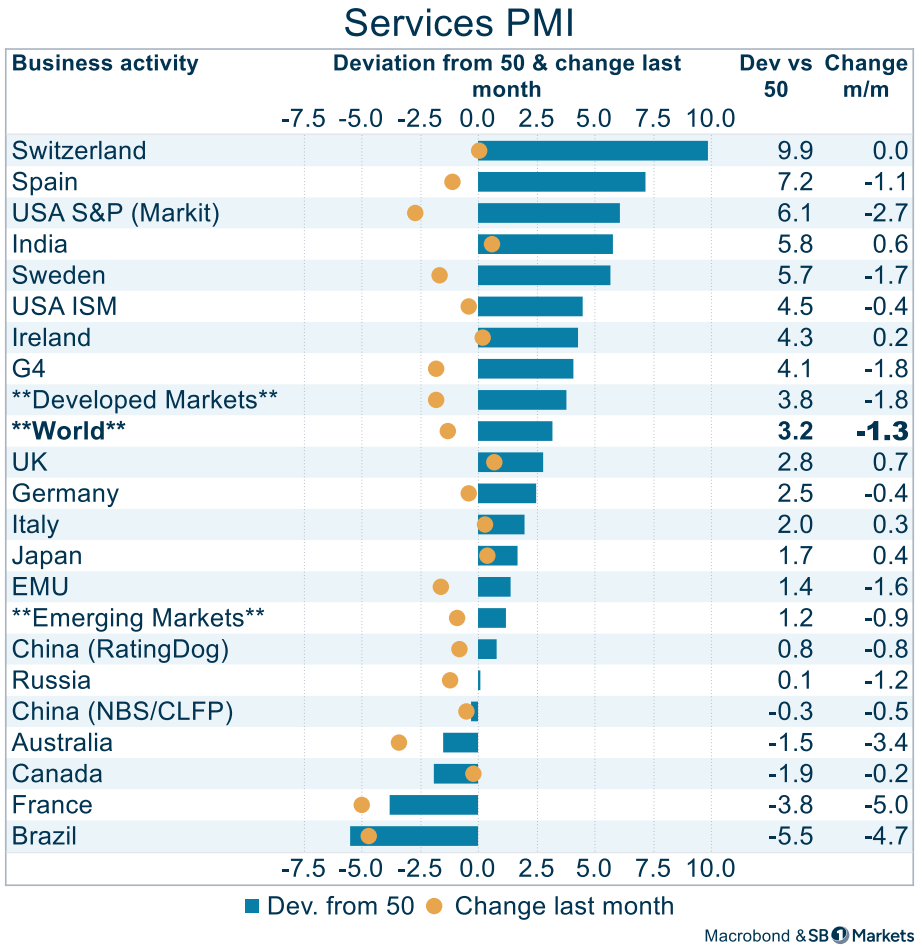
Services PMI: the global index down 1.3 p to 53.2, well below our flash-based estimate

The US index was revised down by 1.8 p, and fell 2.7 p to still a high level, 56.1 (ISM services fell 'just' 0.4 p to 54.5 but important details were weaker). The EMU index was also revised down, mostly due to an even steeper decline in France, down 5.0 p to 46.2.



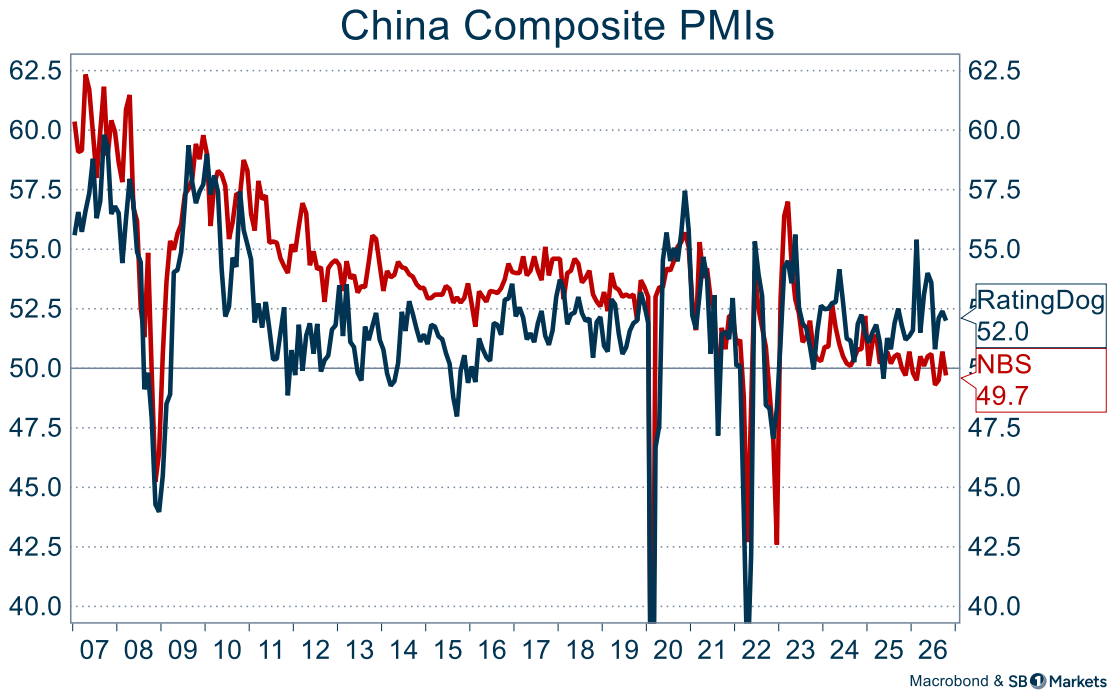


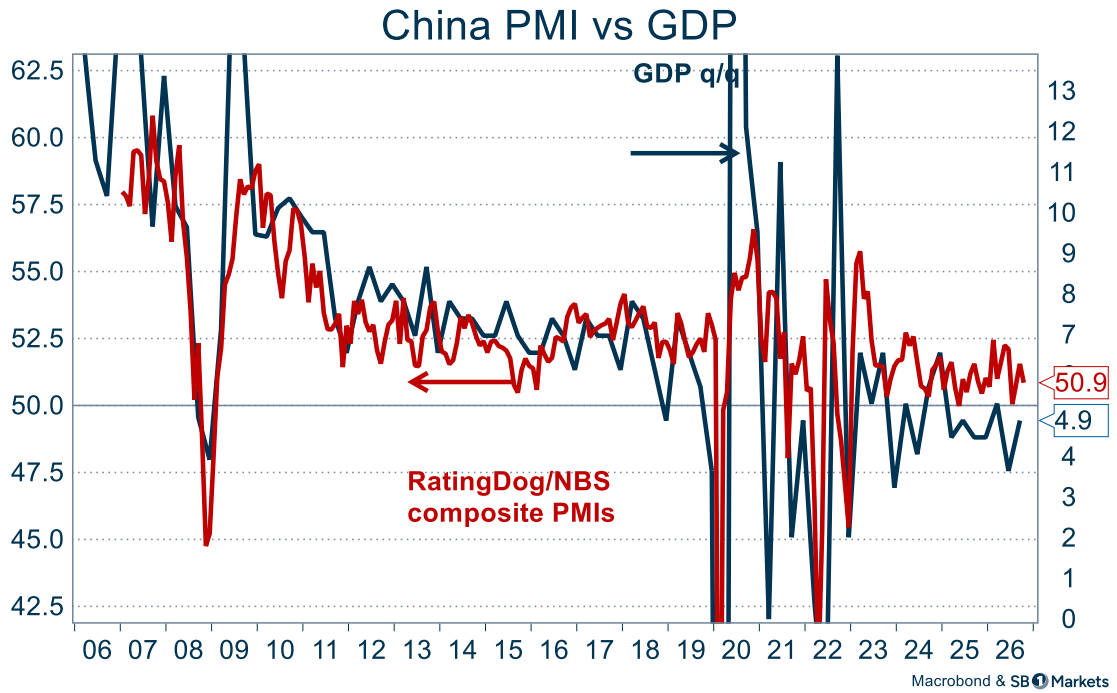
- **5 (from 14!) service sector PMIs** were up in October while 15 (6!) were down, France and Canada the most. 5 (4) surveys are below the 50-line, one Chinese survey, Brazil, Australia and the two losers above. Switzerland, Spain and S&P's PMI rule at the top.
- **Sweden** lost some speed in October, but remains in the upper part of the list.



China: the NBS PMI turned down again in October. RatingDog's just marginally down

… as we assumed last week. The NBS official index is at a low level, while the RD 'private' PMI is above average. The average of the 2 composite indices at 50.9 signals stronger growth than the current growth but these surveys have been too positive over the past 4 years.

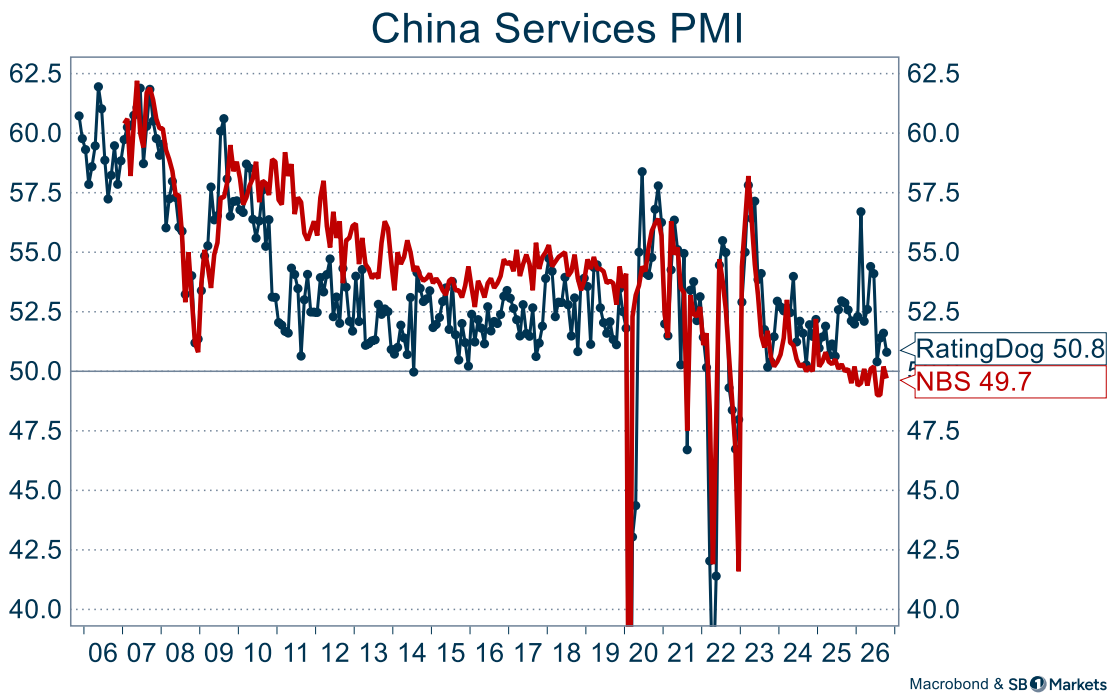




- RatingDog's PMIs have been far stronger than justified by actual growth over the past year but the average of the two has been 'too high' in recent years.
- In Q3, GDP grew at a 4.9% pace, and the PMIs may signal growth at this level.

China’s service sector PMIs: both down in October, but modest growth still signalled

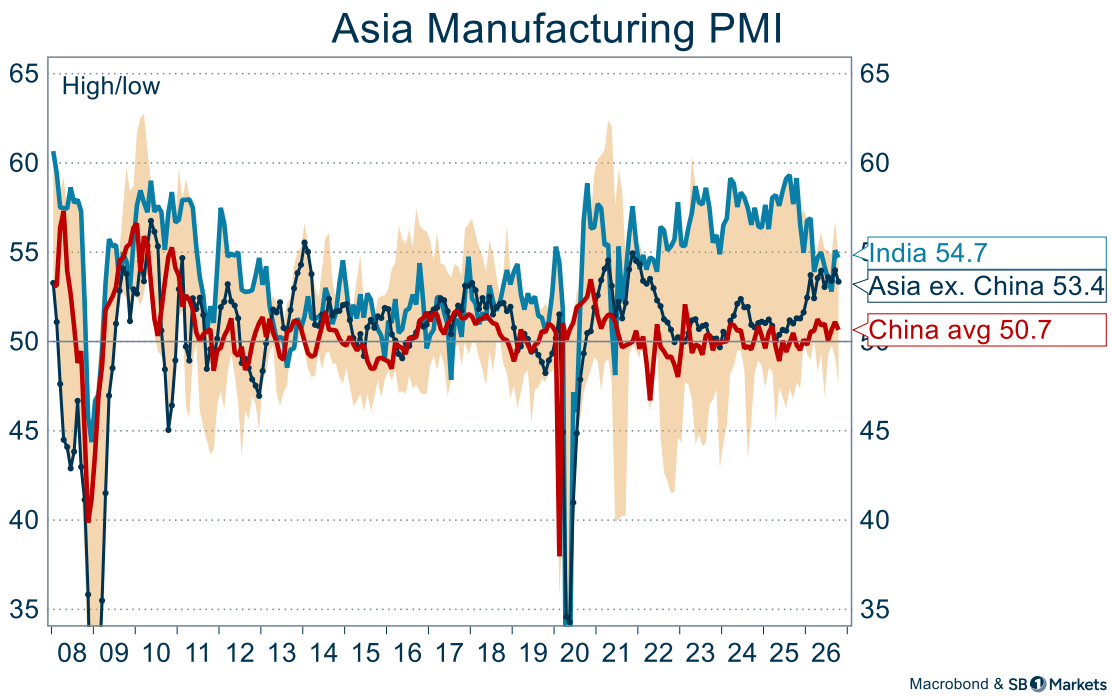
The average of the two is still low, well below the average over the past 3 years.

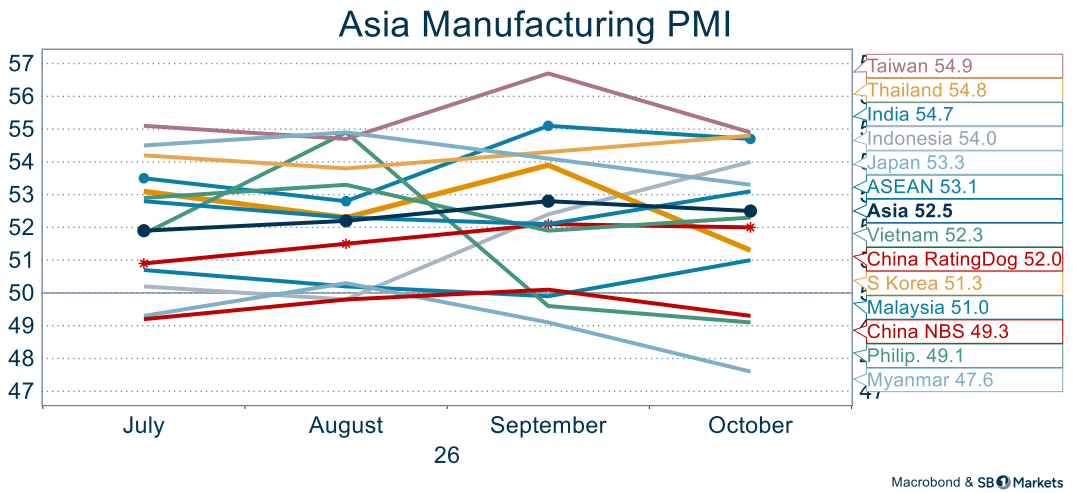


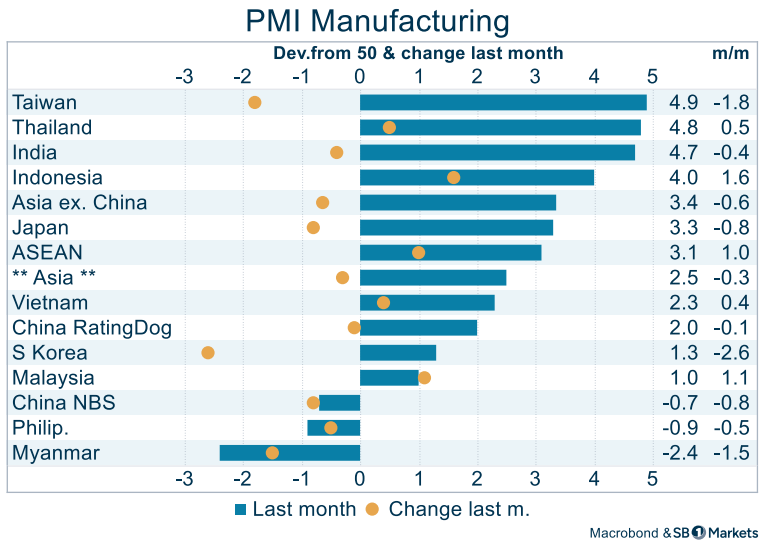


Asian manufacturing PMIs: 8 down in October; 4 up. But just 3 of 12 are below the 50-line

The Asian aggregate fell 0.3 p to 52.5, well above a normal level. South Korea was down 2.6 p to 51.3. China's RatingDog private sector manufacturing survey was down 0.1 p but is far above a normal level. NBS's index was down 0.8 p to 49.3, a low level.



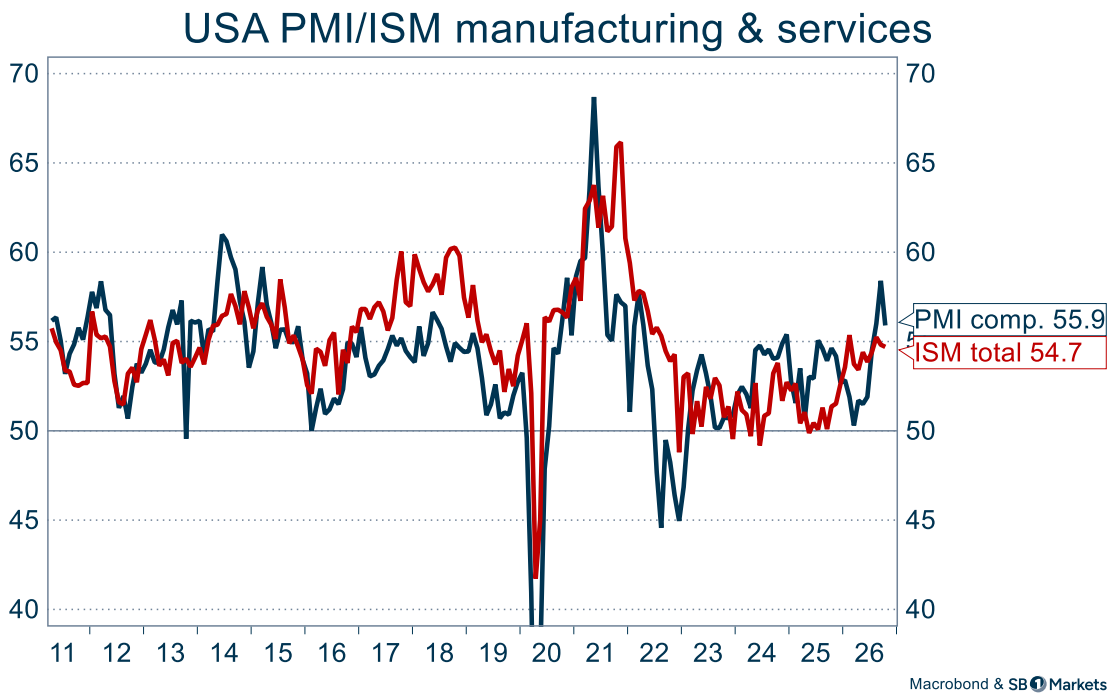


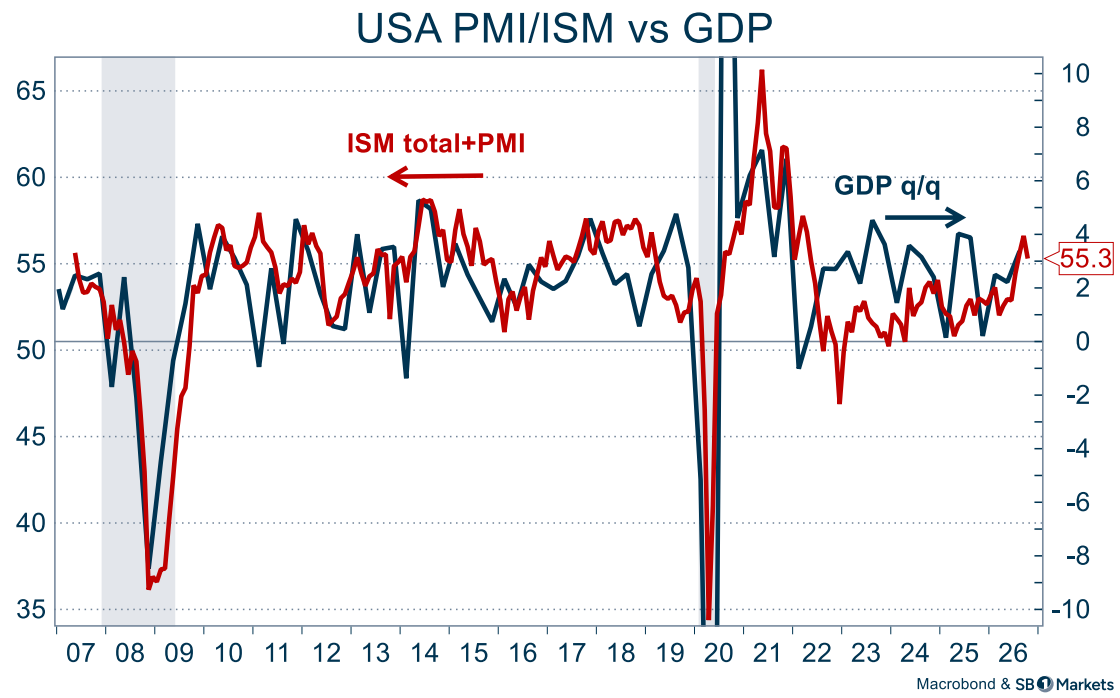


ASEAN: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.
Aggregates are not included in the number of higher and lower PMIs.

USA: (ISM+PMI)/2 down 1.3 p to 55.3, still signalling *3% GDP growth*

At least normally. However, these (and other) surveys have – on average – underestimated growth since the pandemic (if not in Q2, Q3). The ISM indices were on avg. down 0.1 p to 54.7, while S&P's comp. PMI lost 2.5 p to 55.9. The S&P PMI is 2 p > avg., the ISM close to average.



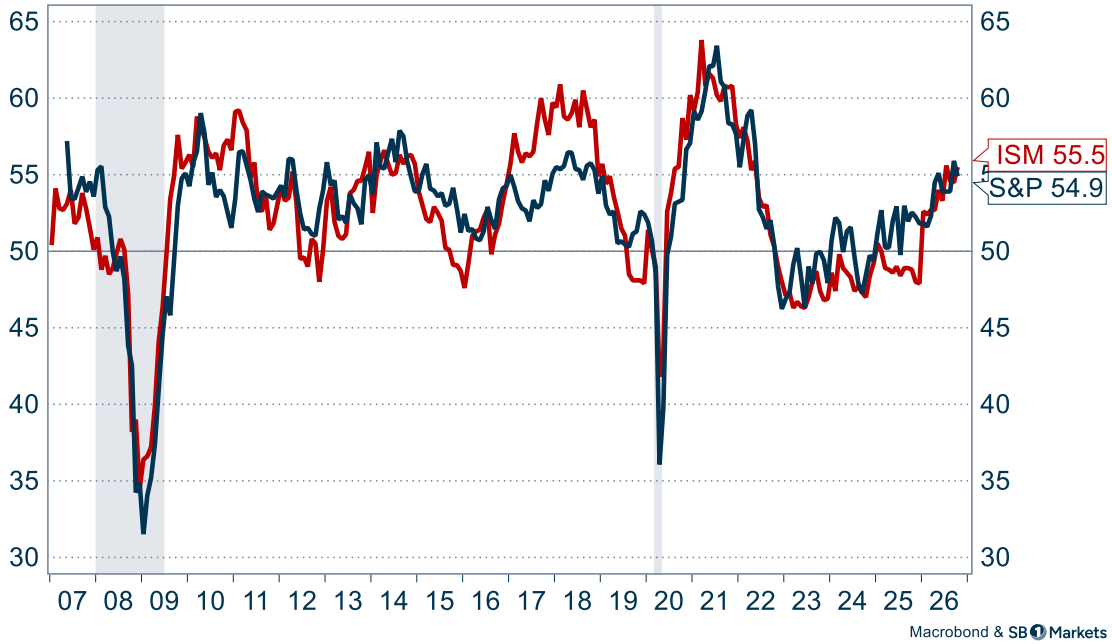


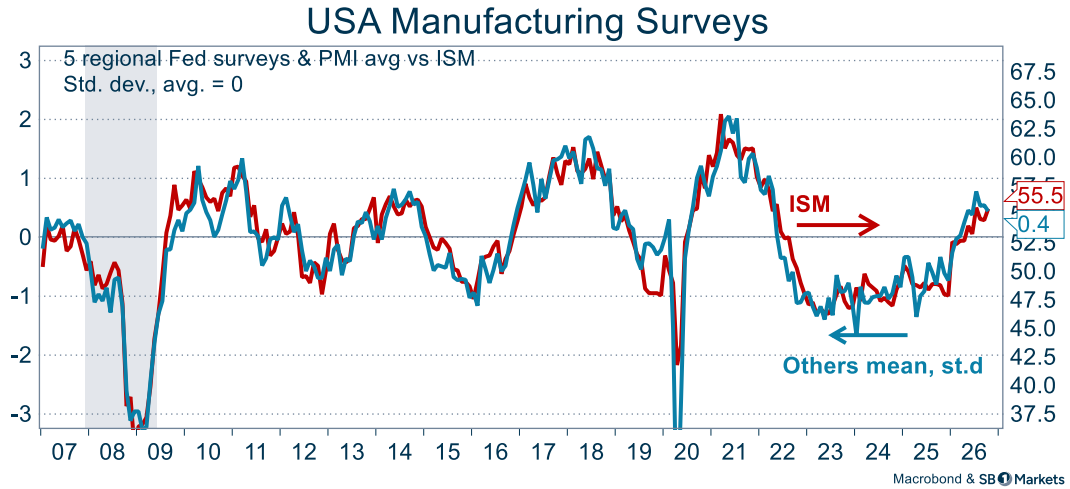
- S&P's composite PMI is more closely correlated with GDP growth than the good ol' ISM indices.

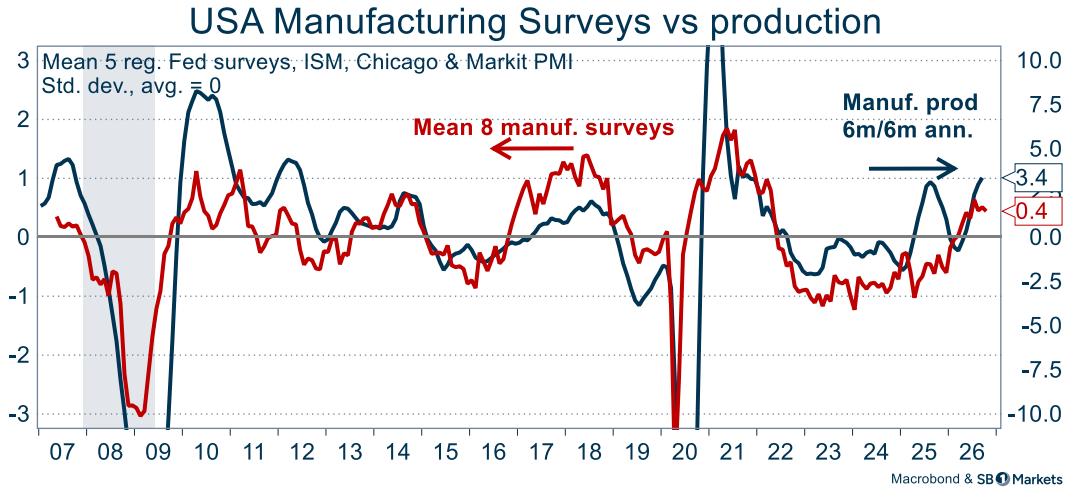
The ISM total index is the weighted average of the total manufacturing and service indices, not the output indices as these sub-indices are very volatile.

US manufacturing surveys marginally down in October but still 0.4 std. dev. > average

The ISM index surprised on the upside, +1 p to 55.5, the 2nd best level since 2022 (just July was better).
Actual production has turned up over the last year.



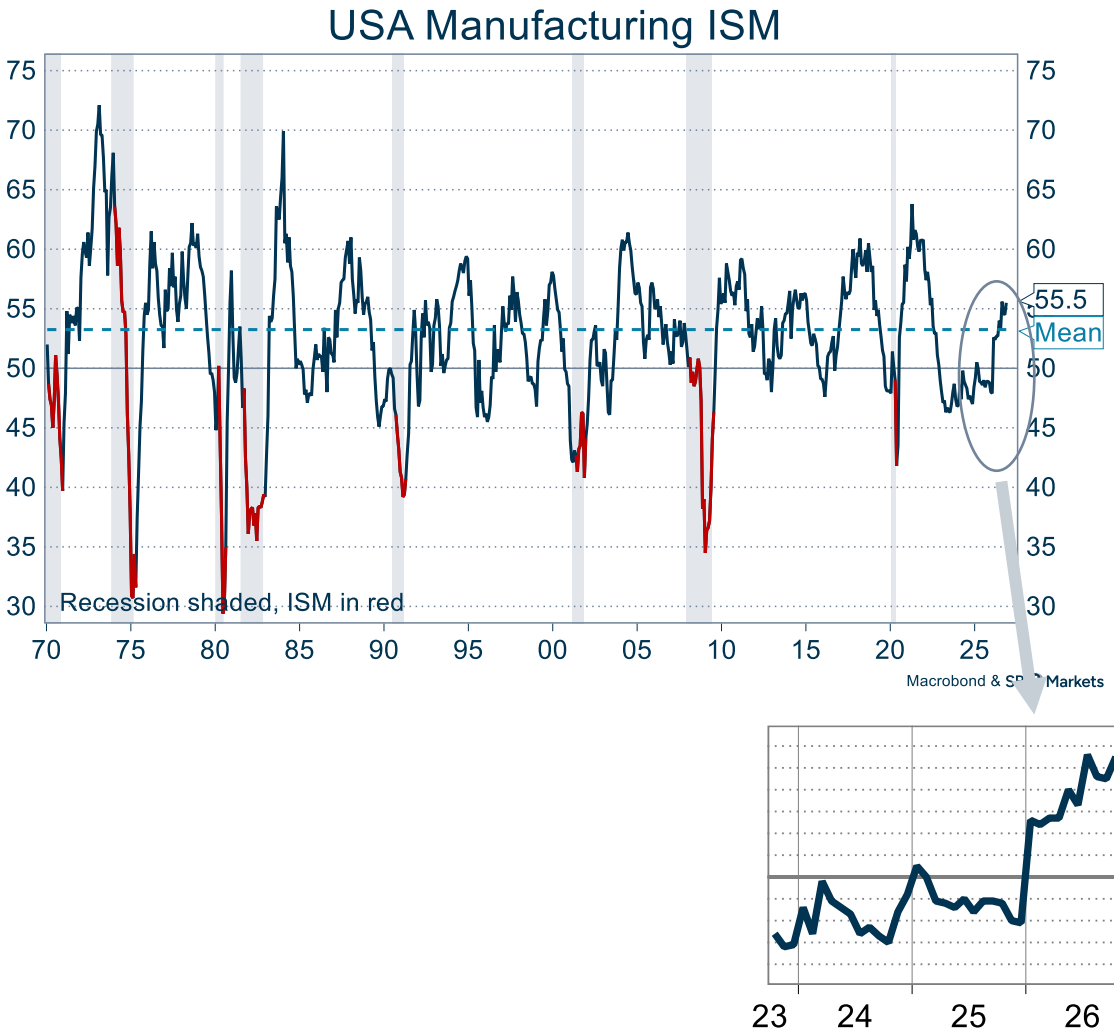




- **The correlation with actual production** is regrettably not that strong. ***Production declined less*** than these surveys have indicated over the past 2–3 years. Still, the surveys do not signal that the gains of the past 12 months will be sustained.

The US manufacturing ISM gained 1 p to 55.5, trends up. *So does price growth*

The outcome was better than expected. The details were OK, barring a lift in the inventory component, and the still lofty input price index, signalling rapid growth in production costs. And *the correlation with consumer prices is positive…*

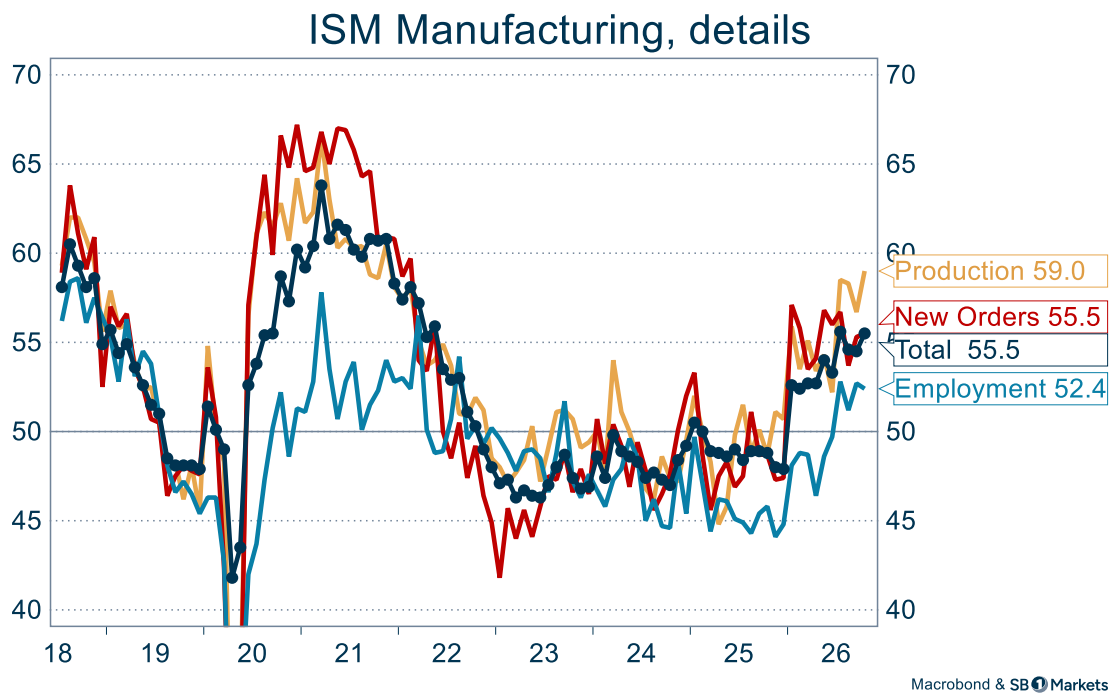


The details:

- The manufacturing ISM has stayed at 2 p above average over the past 4 months, and the trend is upwards.
  - The production index rose 2.3 p to 59.0, while the order index was close to unchanged, at 55.5.
  - 12 manufacturing sectors (of 18) reported growth, as in last month.
- **Comments from the companies: *Strong demand but many challenges.***
  - **Sentiment weak** despite strong data: 66% of comments negative, third month of deterioration.
  - **Costs the main problem**: price volatility, tariffs and metals prices squeeze margins.
  - **Supply chains strained**: longer lead times; Iran conflict adds uncertainty.
  - **Policy uncertainty**: customers commit only short term.
  - **Demand still firm**: new orders, exports and production improving.

ISM manufacturing details: production grew faster in October, but so did inventories

… the latter is not always good news. A majority of sectors reports faster growth.



USA ISM Manufacturing

	Index, dev. from 50 (-5 0 5 10 15 20 25 30)	Level	m/m
Total index		5.5	1.0
Production		9.0	2.3
New Orders		5.5	0.2
Employment		2.4	-0.3
Supplier Deliveries		9.5	0.4
Inventories		1.4	2.8
Prices		29.2	-1.7
Backlog of Orders		5.1	-1.2
New Export Orders		2.7	-0.2
Imports		4.1	1.3

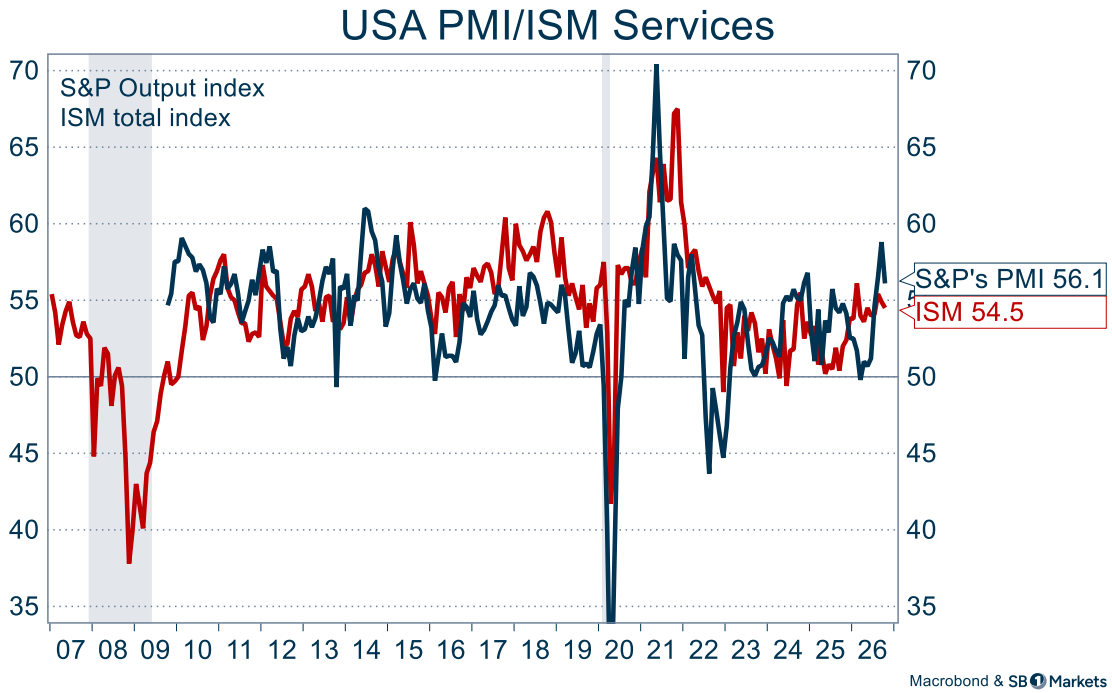
Level ● Change m/m

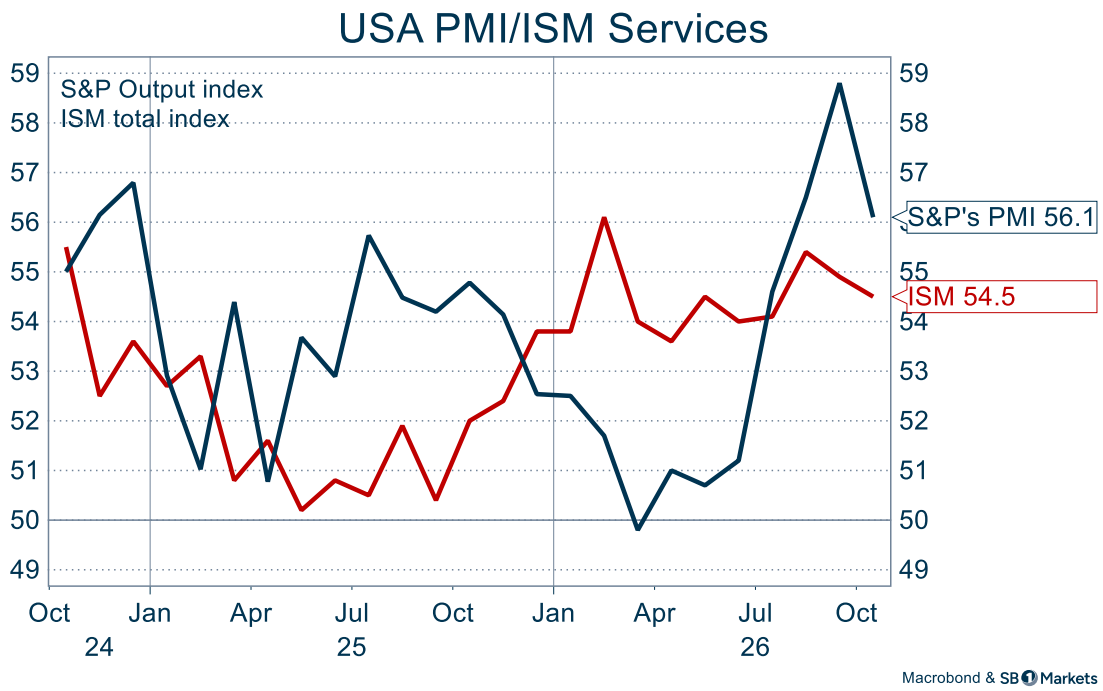
Macrobond & SB Markets



Services: S&P's PMI weaker than the flash estimate but still very strong. ISM down too

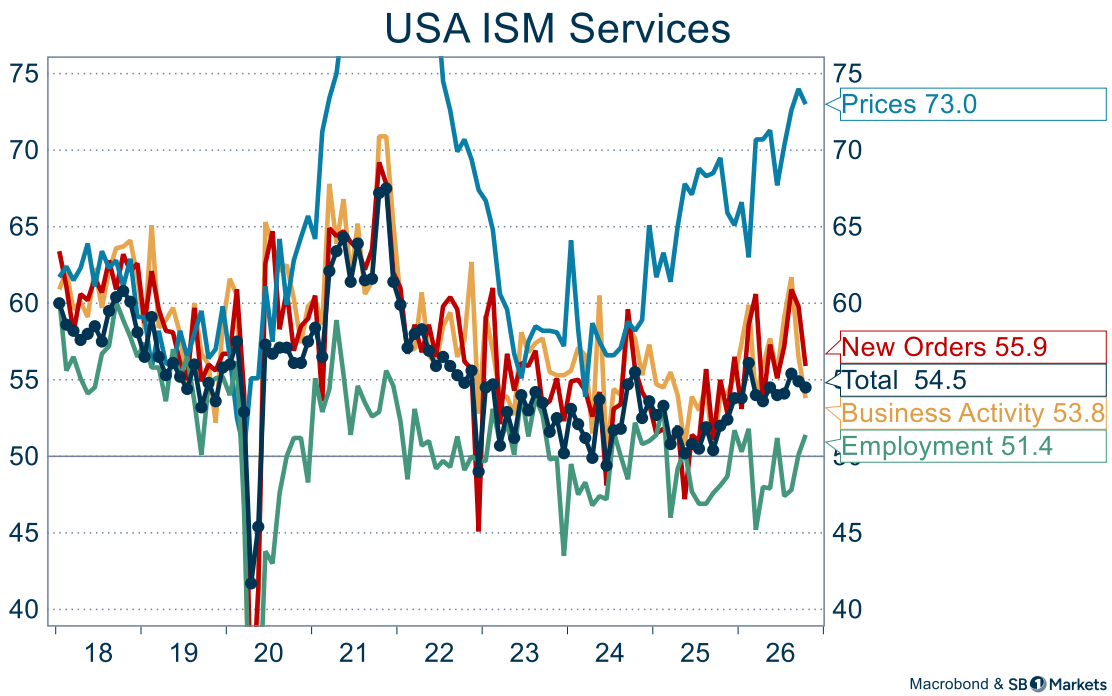
… and the important details surprised on the downside, and landed well below average (*check next page*). The S&P PMI is 2+ p above average, while the ISM index is 1 p below average. However, the ISM index sits well above the average over the past 4 years.

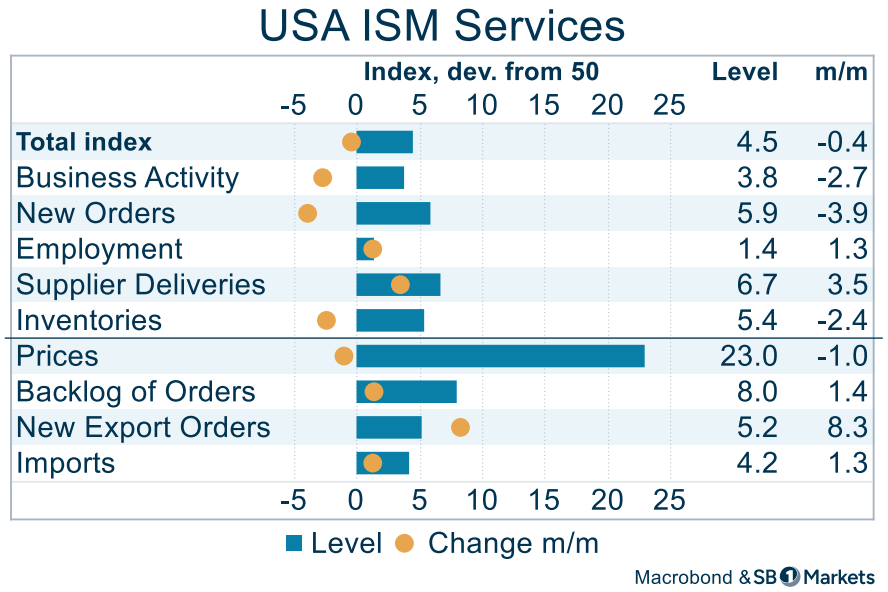




ISM services: orders and activity fell sharply in October, to below average

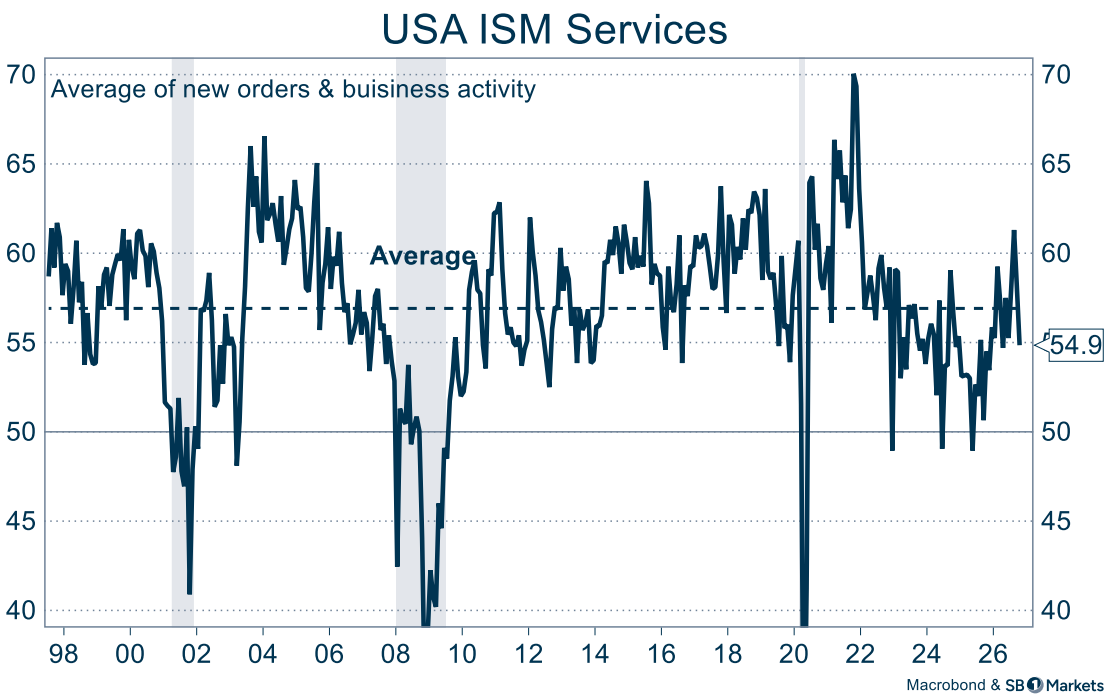
The total (weighted average of 5 main sub-indices) declined 0.4 p to 54.5, as the supplier deliveries index rose – which probably is not a signal of strength. The new orders index fell almost 4 p, actual activity almost 3. They are still above 50, but below average. Prices are >>> average.



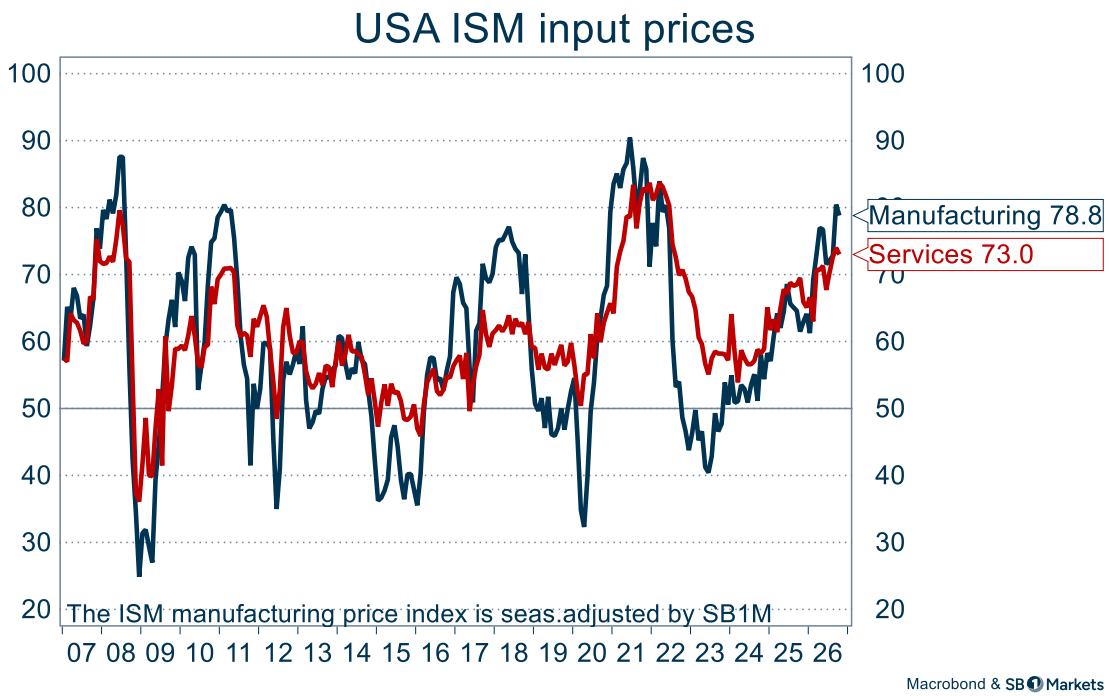


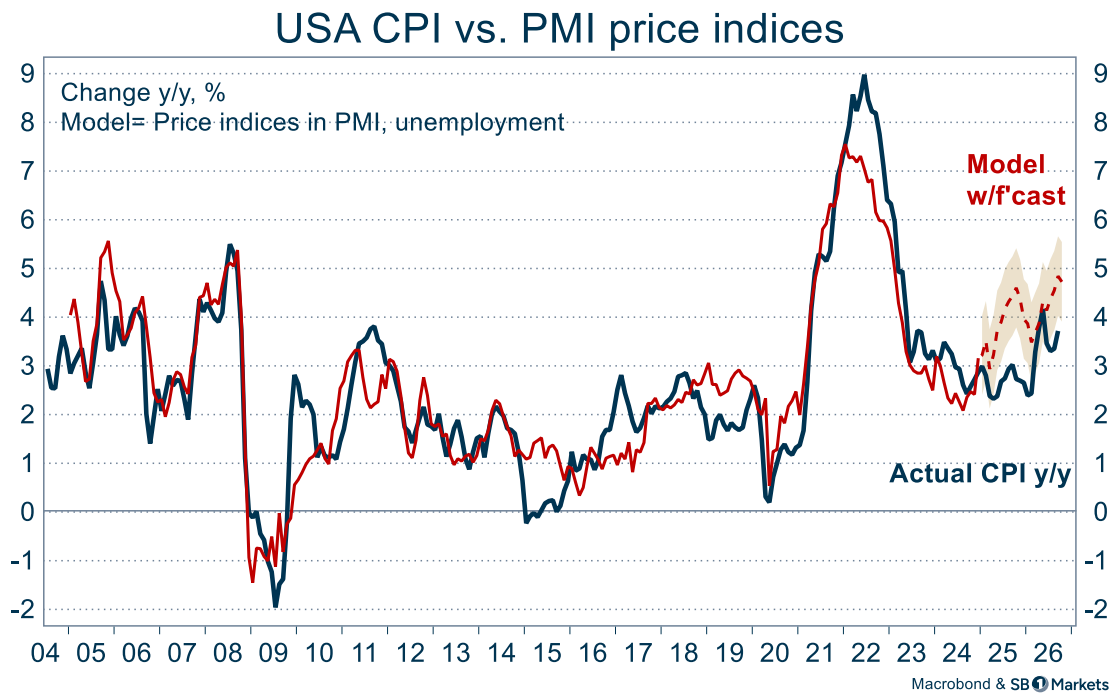
- **Respondent comments**
  - **Tariffs and fuel costs** were the most-cited issues; many firms have not yet seen the full impact or passed it on to customers, signalling more pricing pressure ahead.
  - **Supply chain strain:** Asian suppliers delaying shipments, elevated ocean freight and expected East Coast port congestion in November; retailers say tariffs are “causing havoc” with sourcing.
  - **Demand is mixed:** construction reports a strong backlog and a cautiously positive outlook, but labour shortages and higher financing costs weigh; agriculture calls demand “sluggish”.

The ISM services orders & business activity fell to below an average level in October



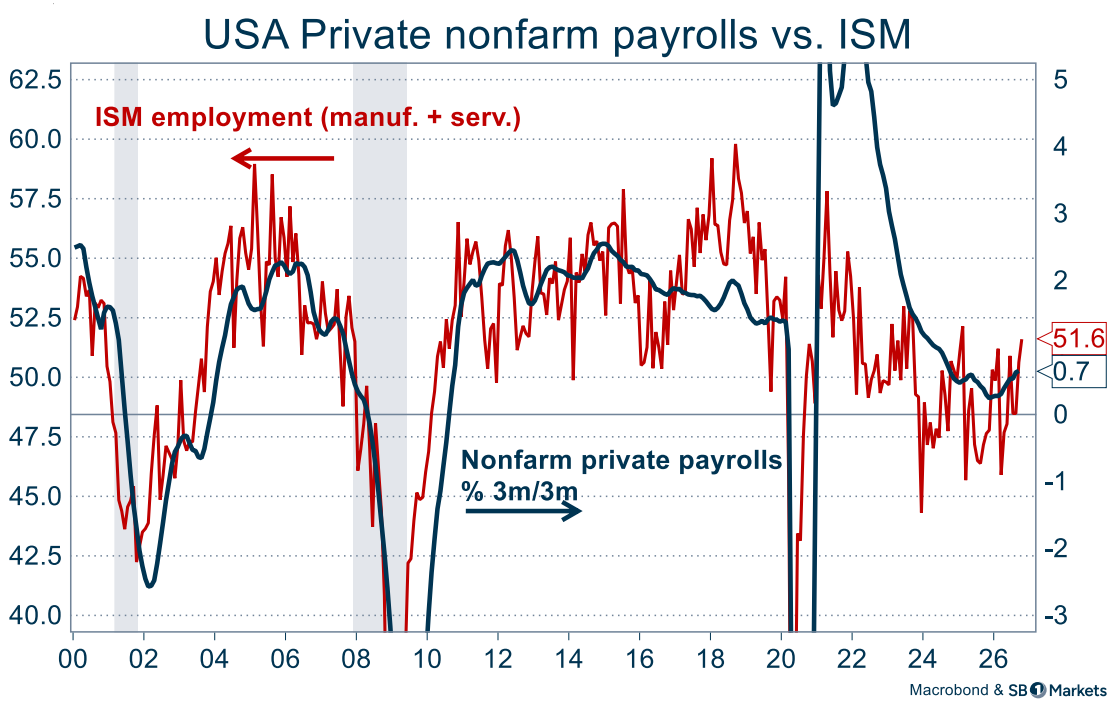
ISM input prices fell slightly in October but still signal rapid growth in CPI prices





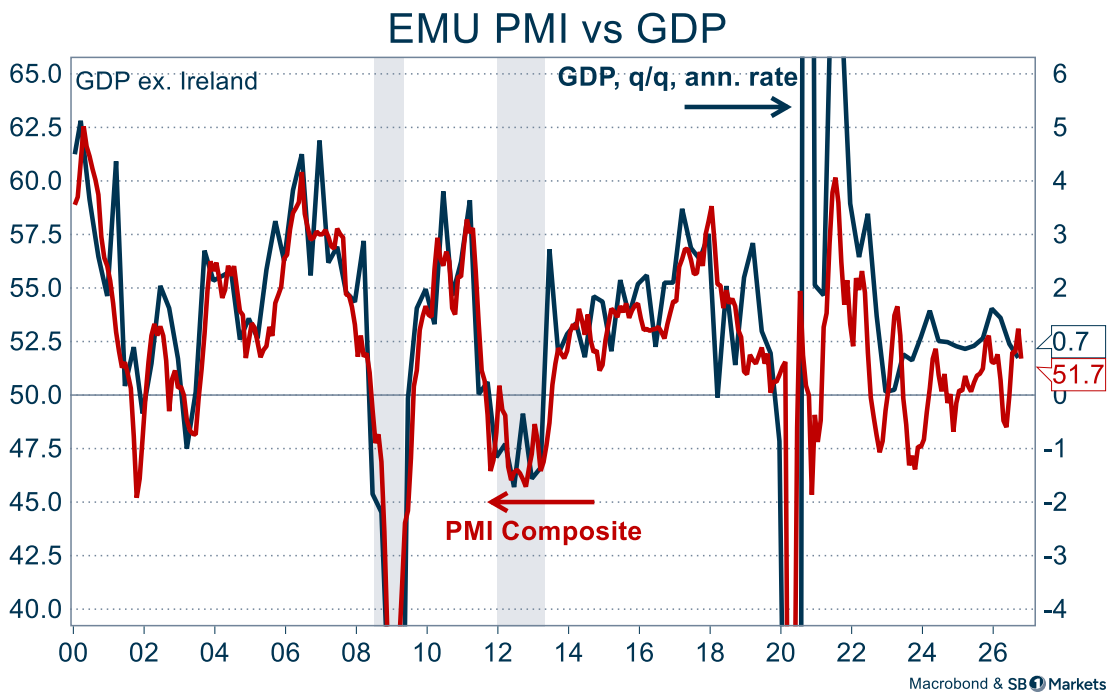
USA: ISM employment indices rose further in October, signal a strong labour market

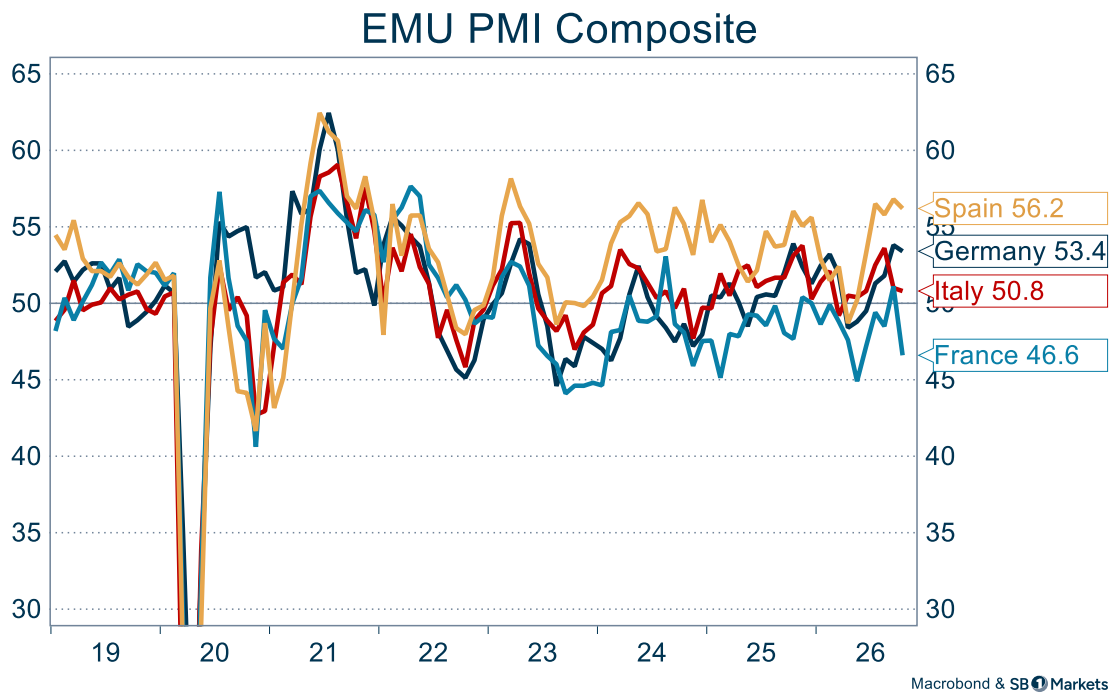
Actual payroll numbers have recovered so far in 2026 as well.



The EMU composite PMI down 1.4 p to 51.7→ *less than 1% growth is signalled*

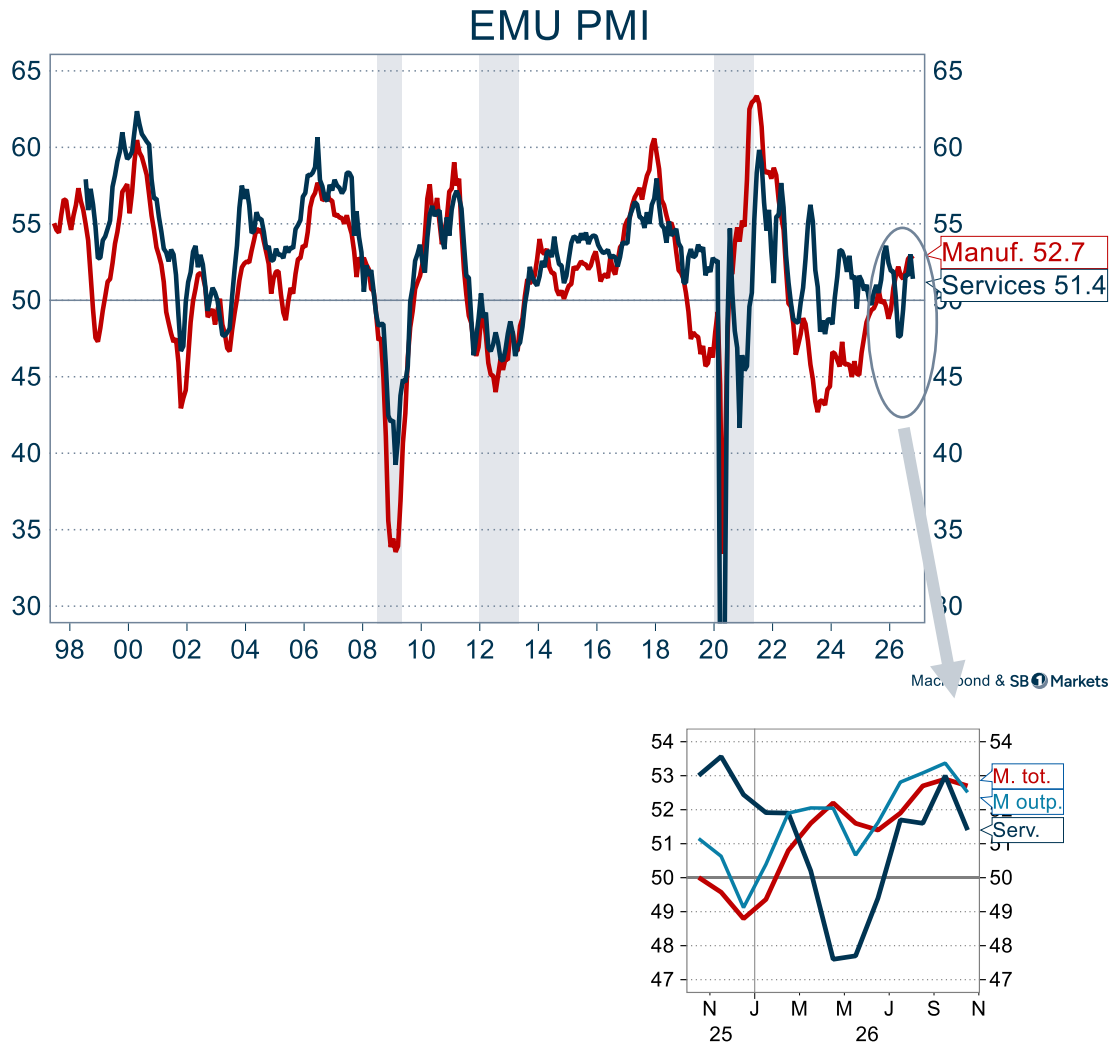
French services mostly to blame but the other 3 of the of the big 4 were down in Oct., but just marginally. The EMU PMI is above a 4y avg. Spain at the top, followed by Germany, where the manufacturing sector reports at least normal growth. The French composite fell 4.5 p to 46.6!

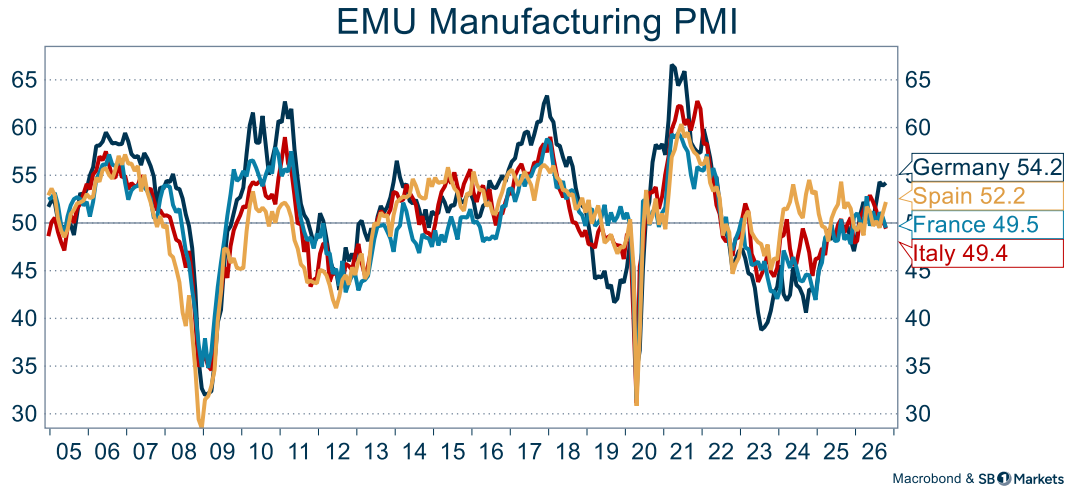


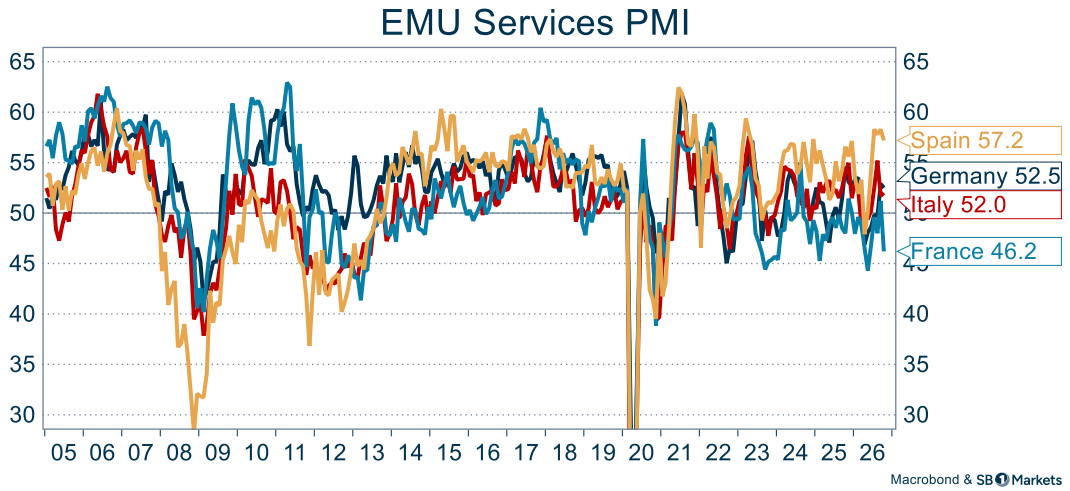


EMU PMI: Both manufacturing and services weaker in October, French services the most

The manuf. PMI fell less than the flash estimate, and 52.7 signals growth. Services fell more than the flash estimate due to an even steeper decline in the French index, down 5 p to 46.2. This is a low level, but not that weak vs. recent low prints in France. The other big 4 are OK.

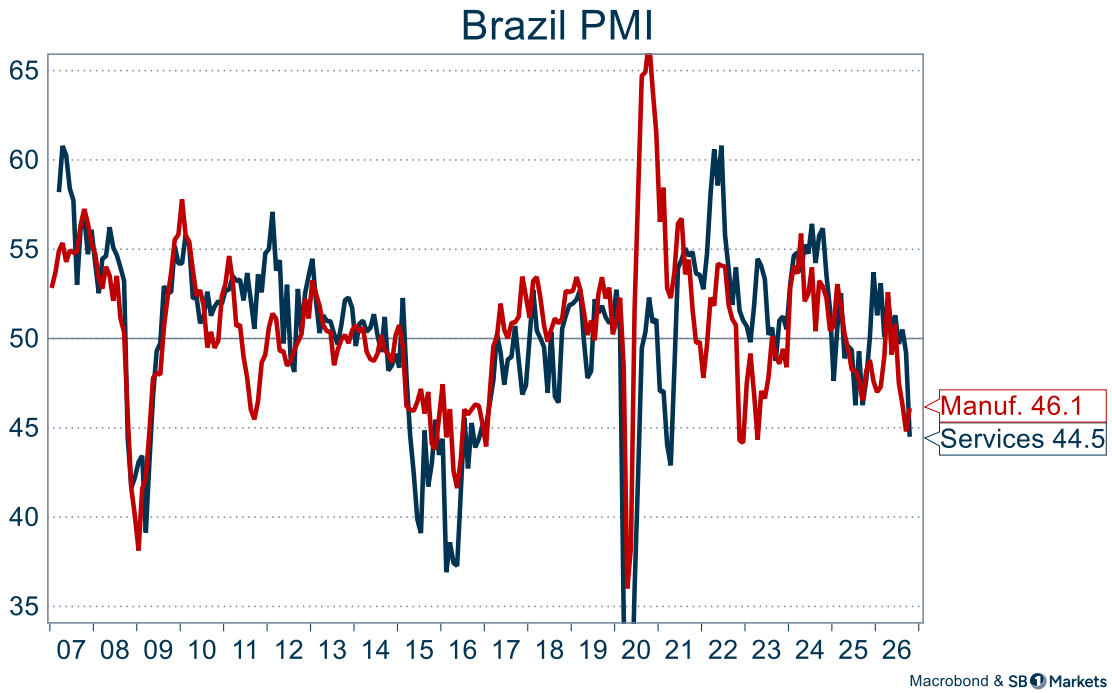


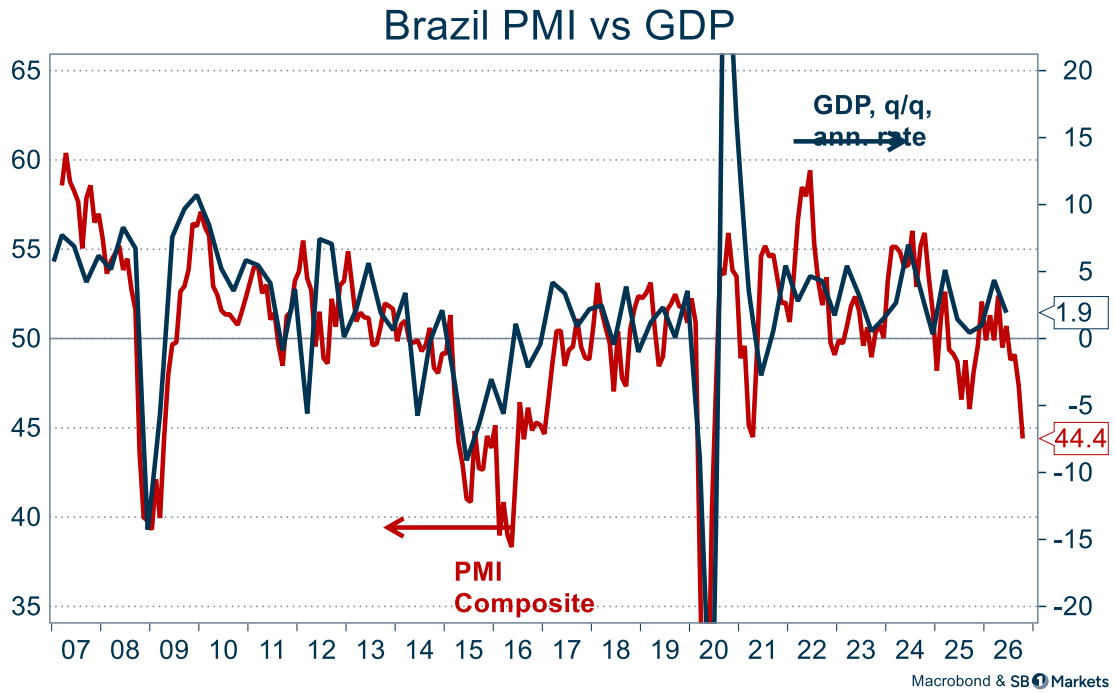




Brazil: post-election trauma? The composite -3 p to 44.4 → a STEEP GDP contraction?

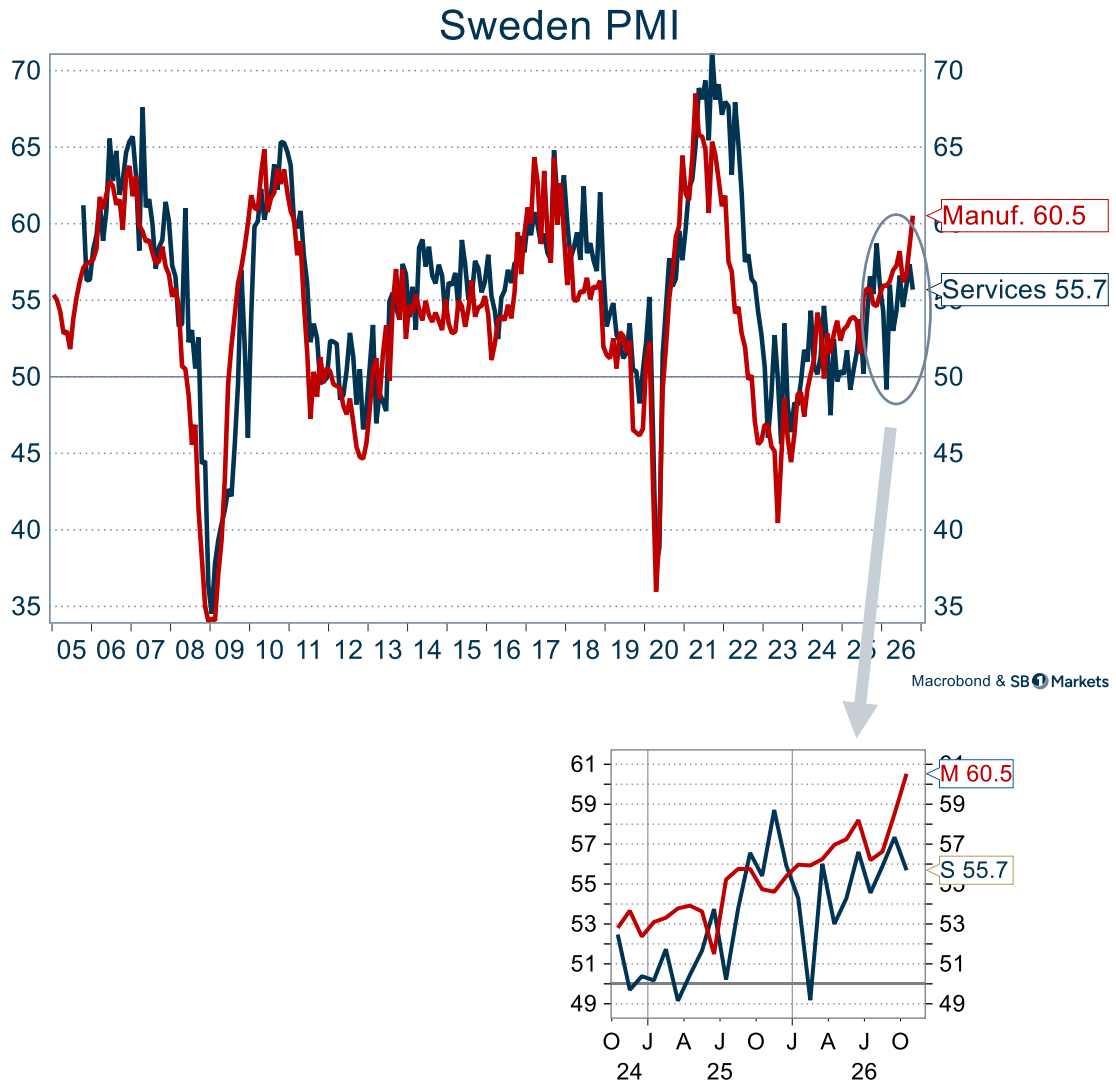
The manufacturing PMI recovered slightly but is still weak, at 46.1. The service sector PMI fell off the cliff, -4.7 p to 44.5. Both services and the composite PMI were the weakest since the pandemic, by far.

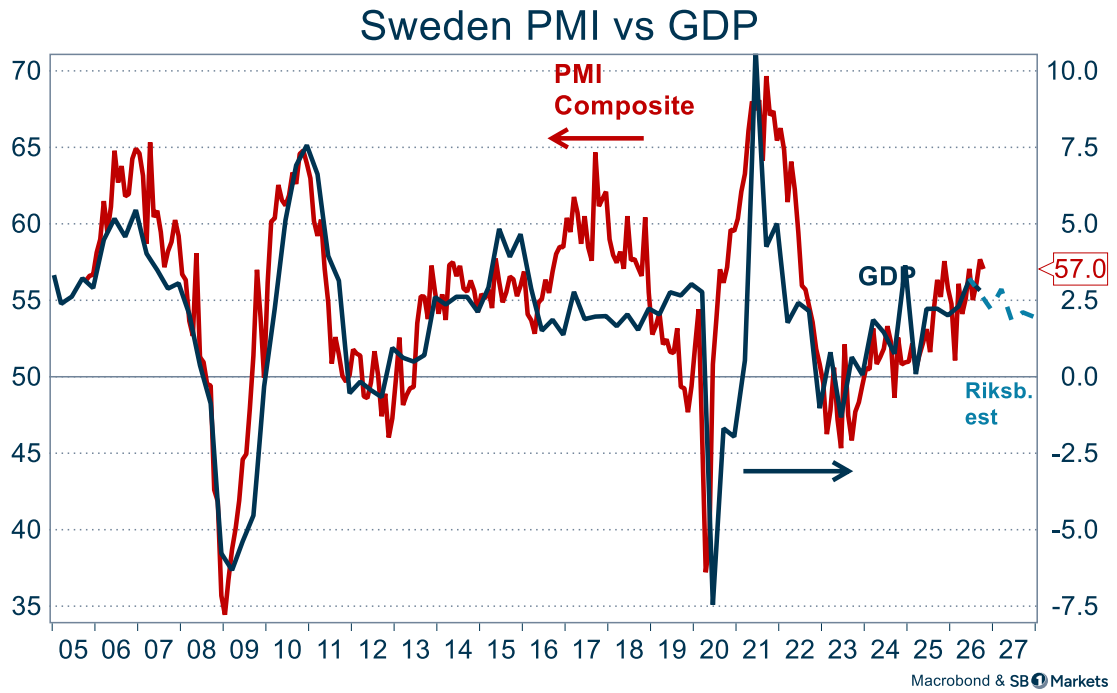




Sweden: manuf. up, services a tad down, comp -0.6 p to 57.0 → *3½% GDP growth*

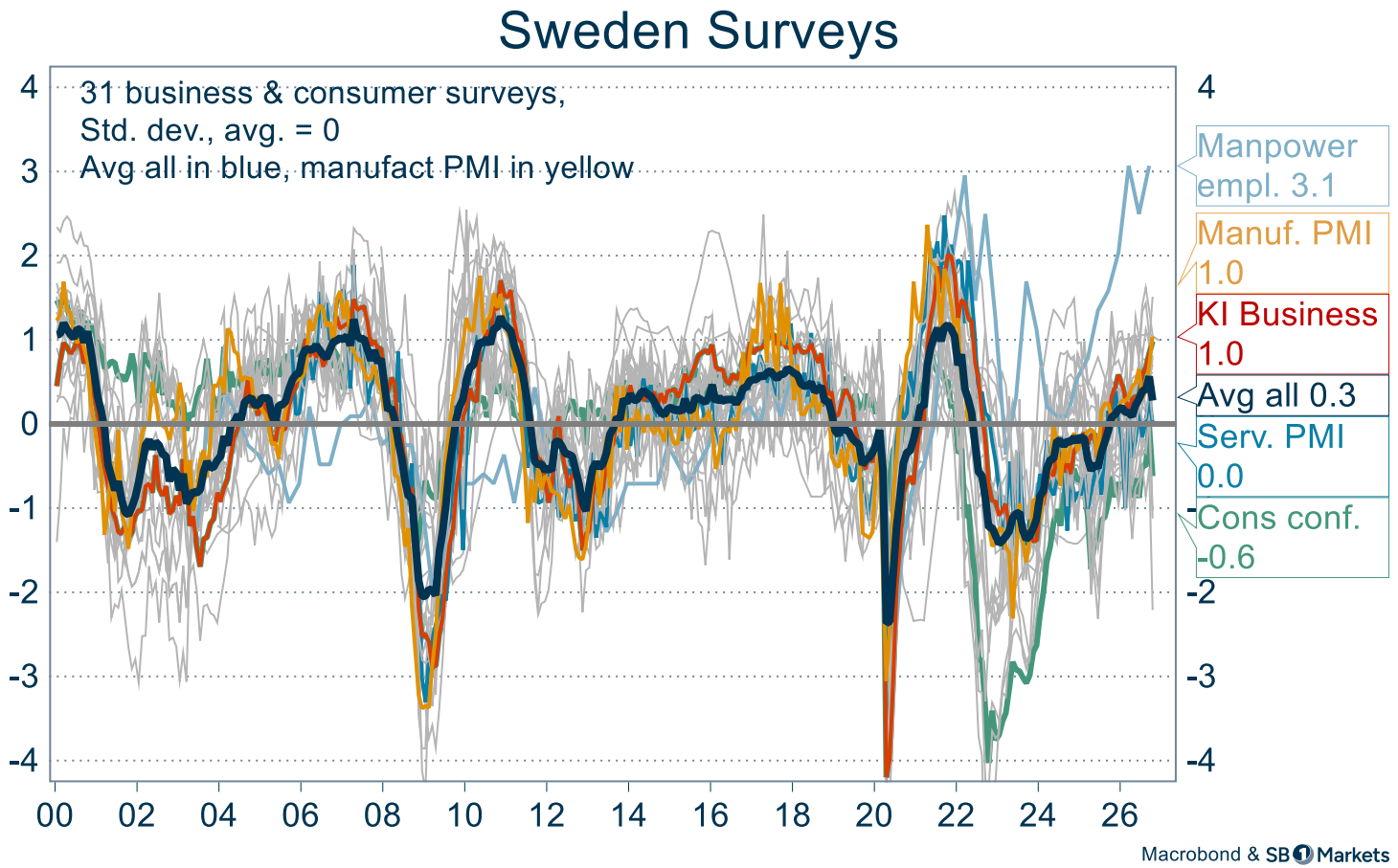
Both manufacturing and services PMIs trend up, manufacturing is well above average, services at an average level.



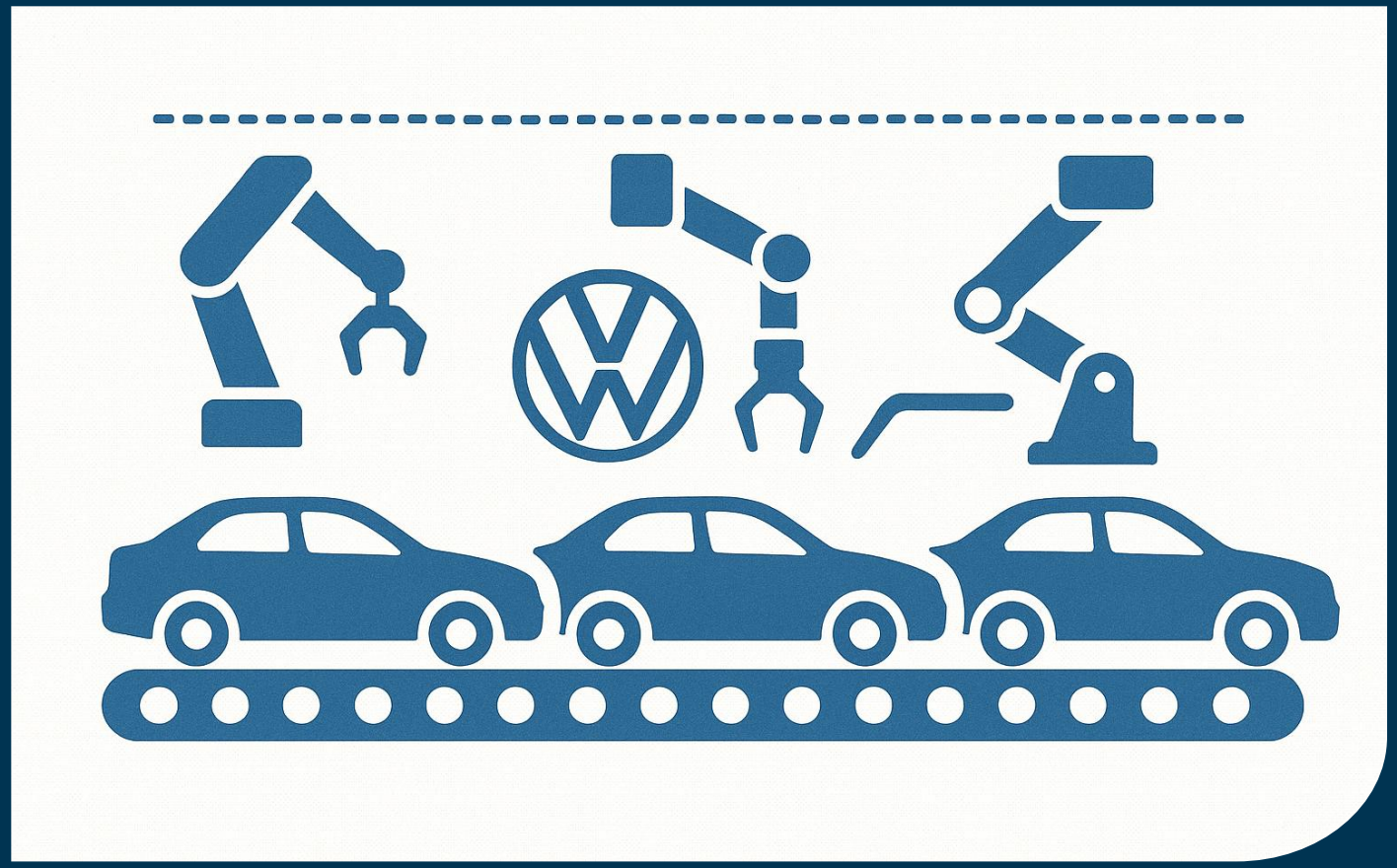


Sweden: surveys a tad down in October, still above average

KI's survey and the manufacturing PMI contribute on the upside, while the services PMI fell to an average level.



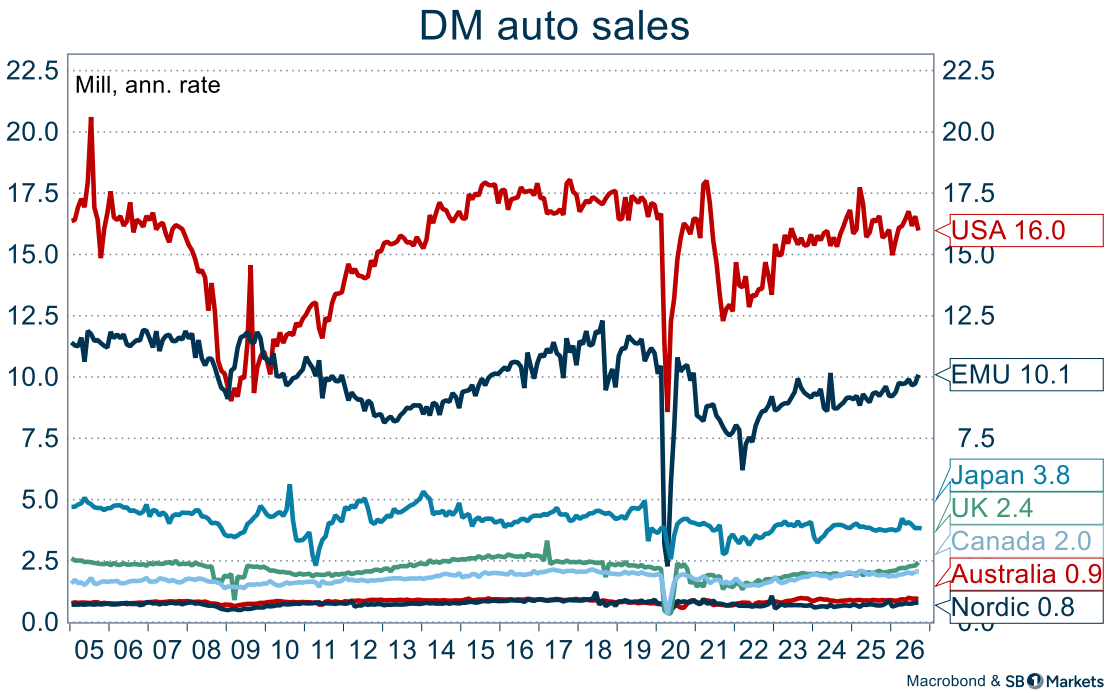
SB 1 Markets

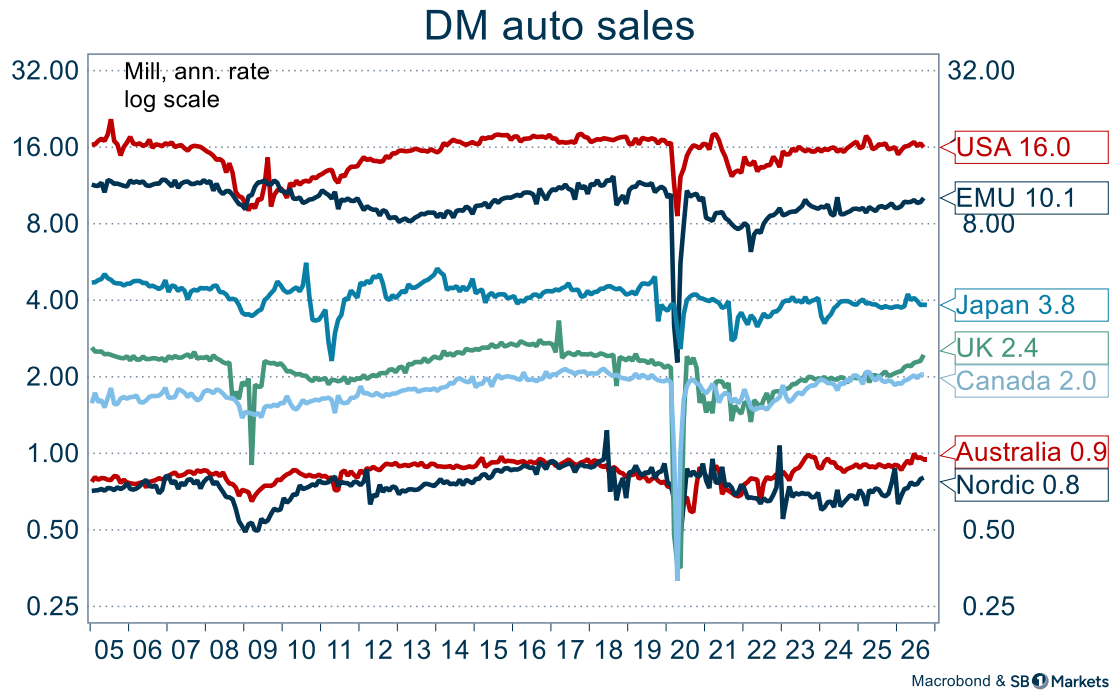


Auto sales

DM auto sales trend up: Japan, EMU & UK edge up. US sales slip again

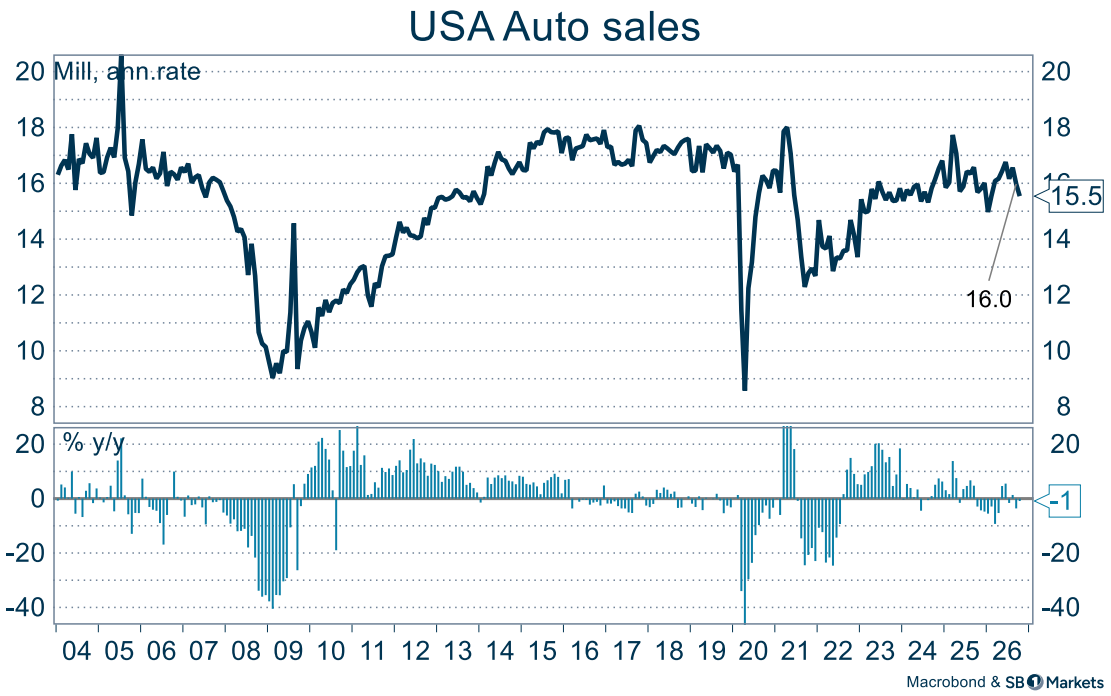
The Nordics are up as well, in aggregate at least.

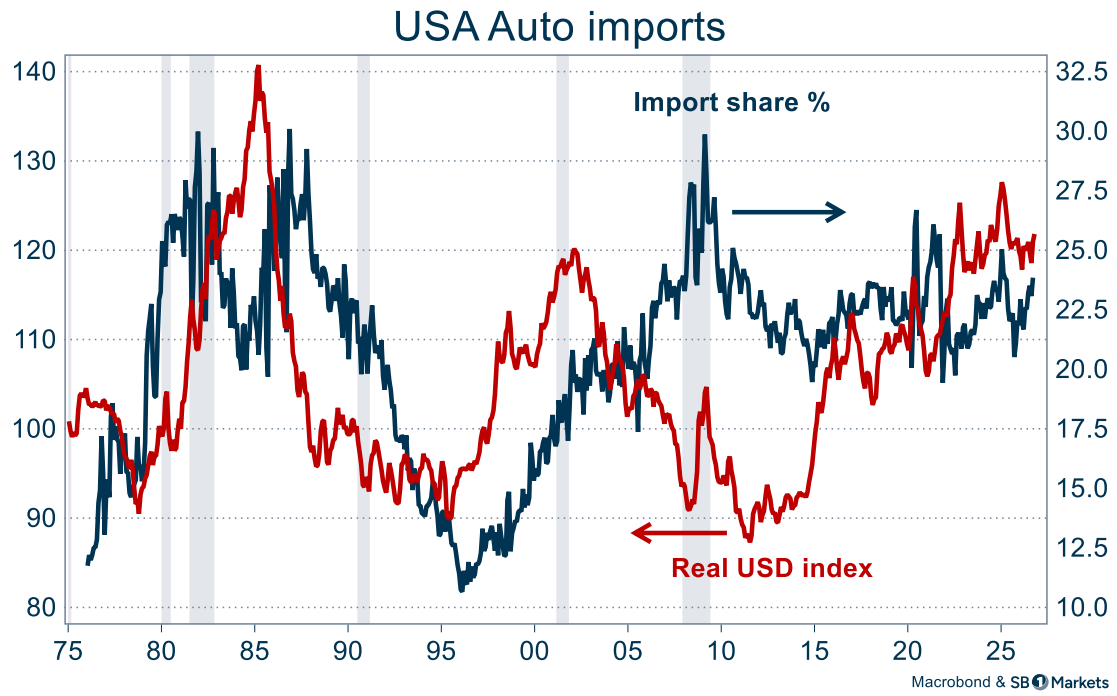




US Auto sales further down in October, and lower than expected

Sales fell to 15.5m (annual rate) from 16.0m in July, expected 15.9m. Sales are 8% below the 2019 level.
The import share is at a normal level, and the short-term trend is up. So much for the impact of tariffs.

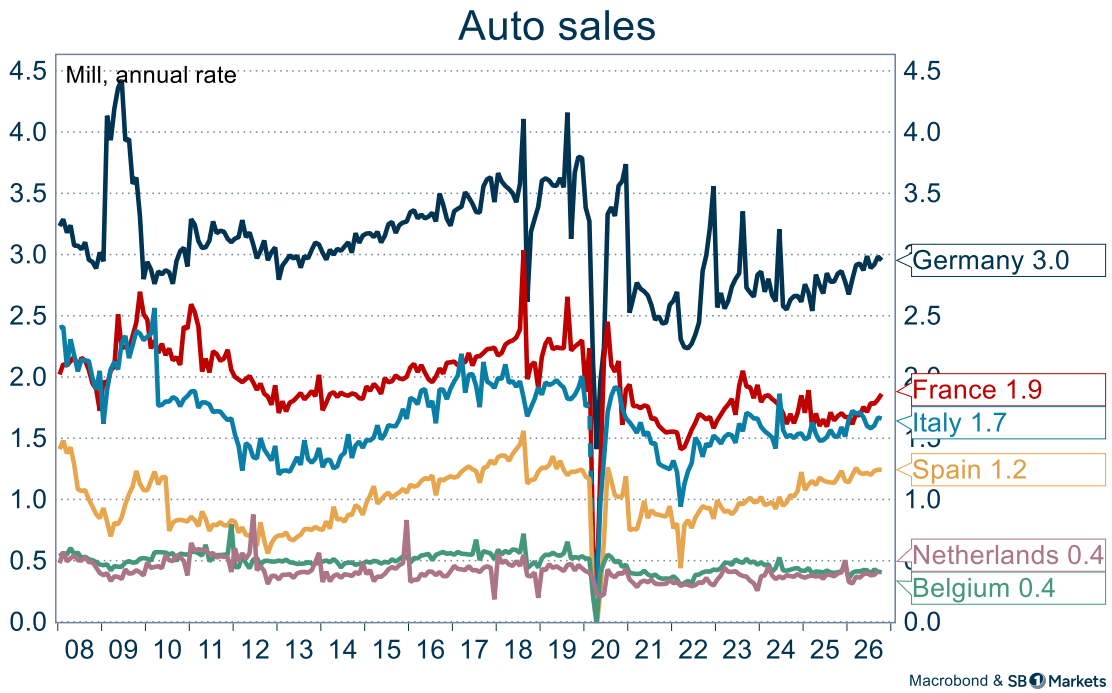


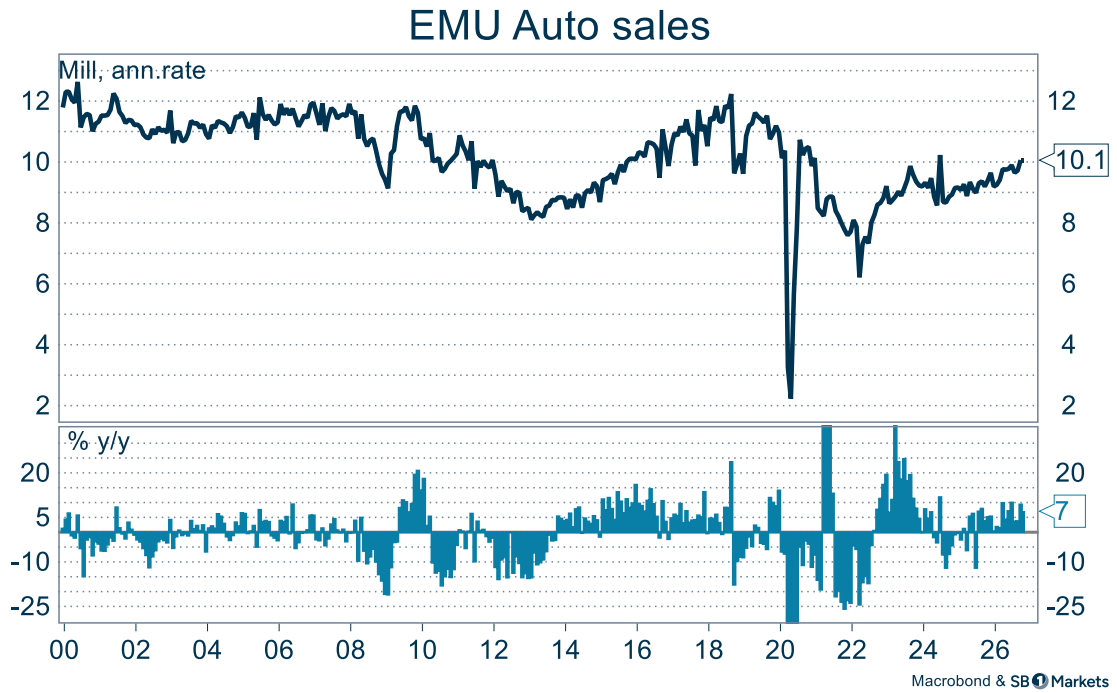


- The import share of autos sold declined in H2-25, but has recovered lately, and the level is close to the average of the past 10 years.

EMU Auto sales probably flat in October, from a ‘strong’ September. The trend is up

EMU sales trend up as well but are 10% below the 2019 level (but 7% higher than a year ago).

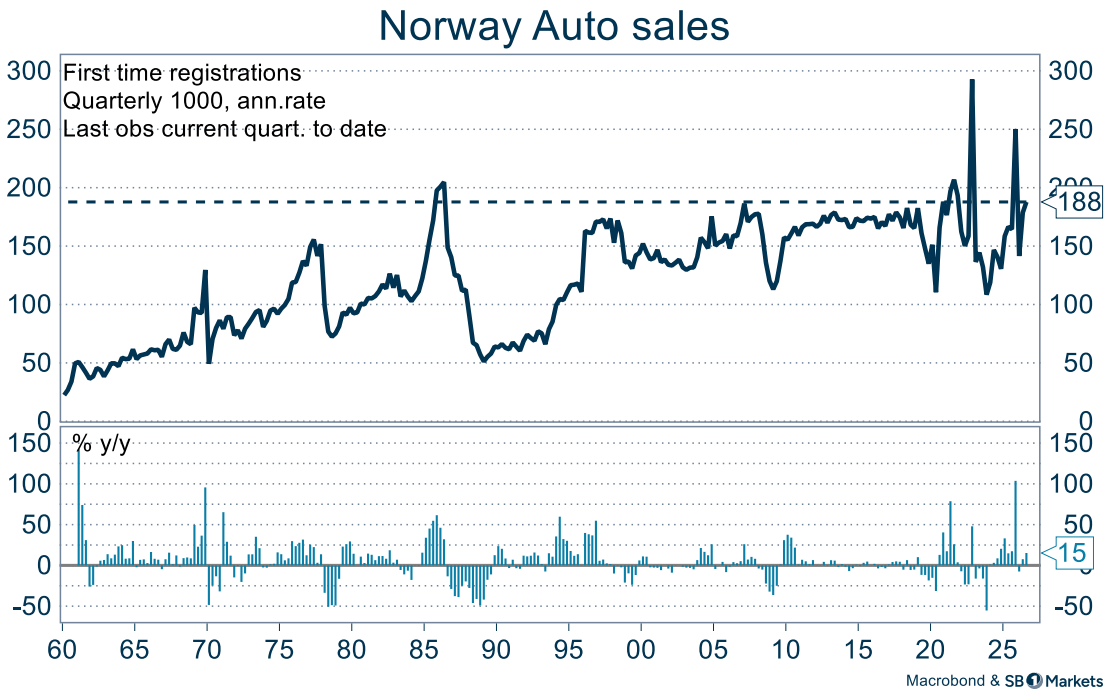


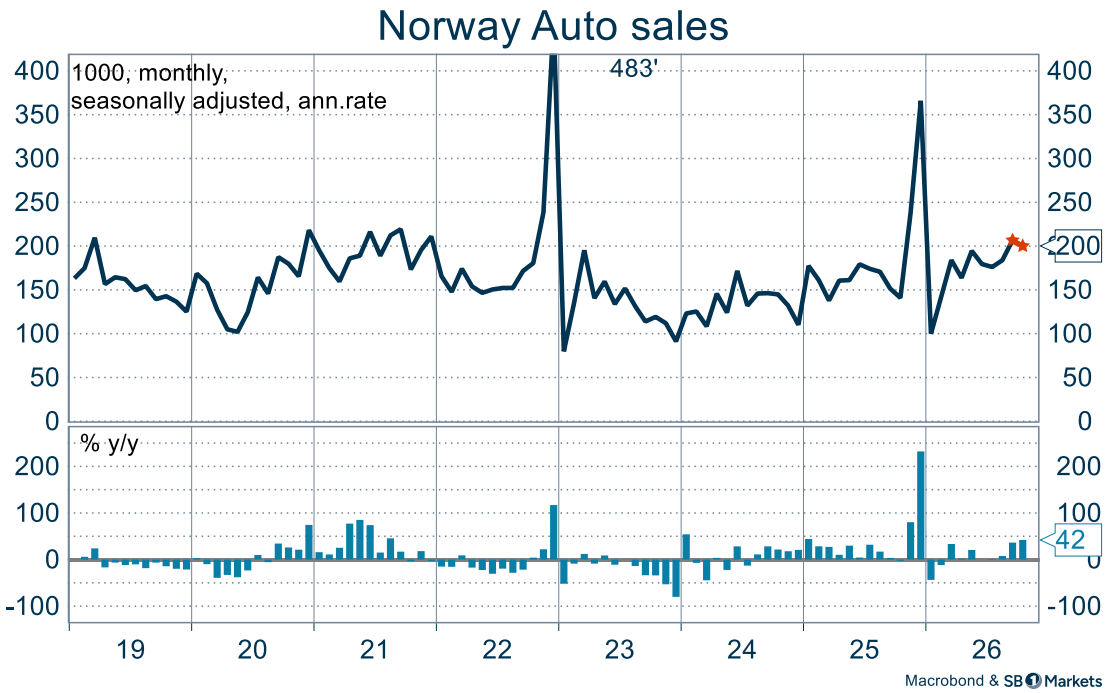


July and August EMU sales are our estimates.

Norway: Auto sales strong in October too, well above a normal level

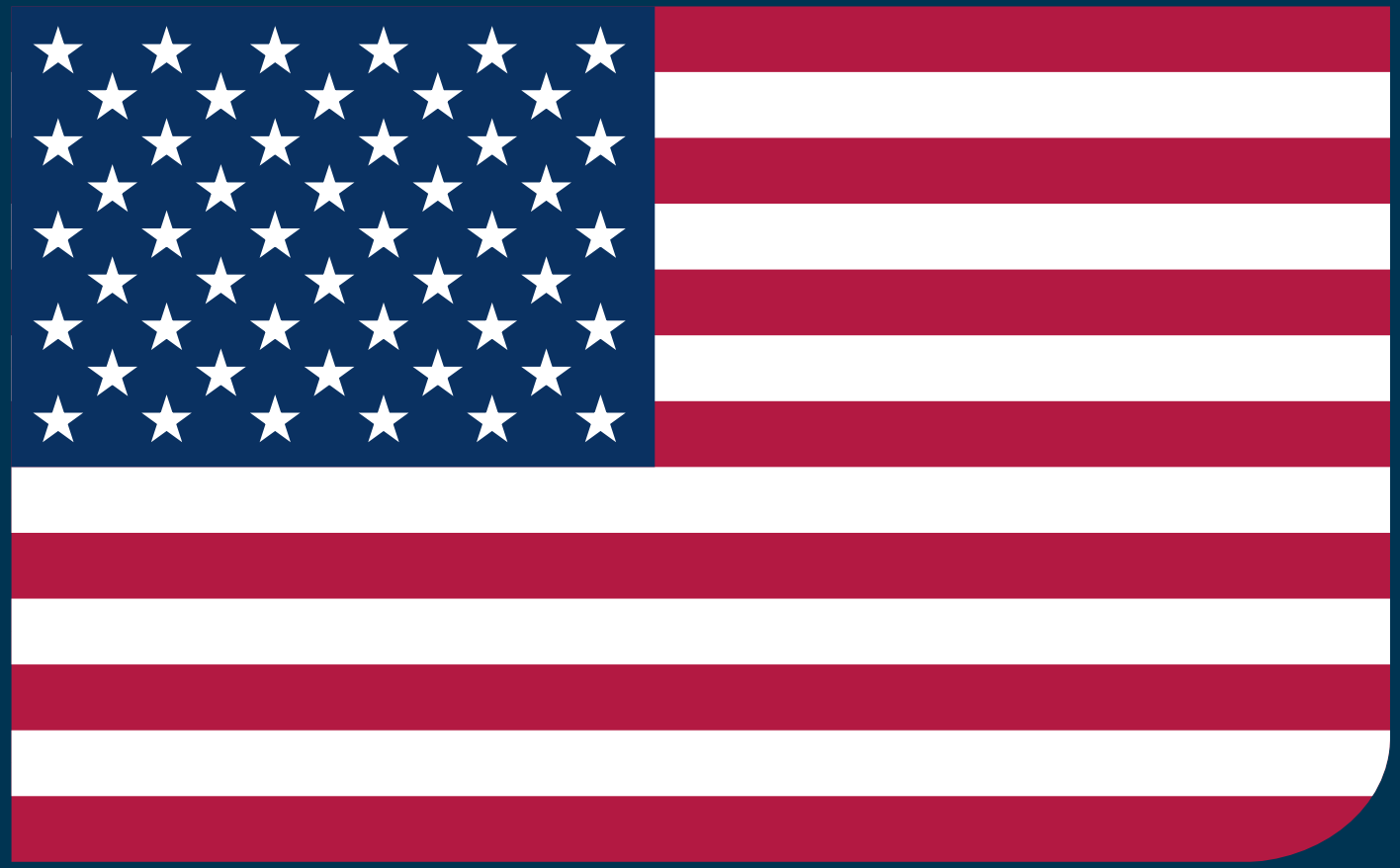
Sales fell slightly to 200,000 (annualised rate), which is well above sales during the years before the financial crisis.





Auto sales: A 'shorthand' for **new vehicle registrations**. Data are seasonally adjusted and presented at an annualised rate.

SB 1 Markets



United States

The US labour market at a glance: A red sweep (here)

- **Share of companies hiring**
  - Up, and close to a normal level (JOLTS)
  - Up, and well above an average level (SMEs, NFIB)
- **Job openings/vacancies**
  - Up 0.2 pp to 4.5%, expected unch. Trends from a high level (JOLTS)
  - Job openings are harder to fill, share trends up from a high level. (NFIB)
- **Layoffs, quits**
  - Layoffs fell and remain at a very low level (JOLTS)
  - A further decline, to a normal level in good times. (Challenger)
  - Voluntary quits up, at a normal level (JOLTS)
- **Employment/payrolls**
  - Payrolls grew 2.5X faster than expected (165' vs. 65'), history revised up by 84' (BLS, Payrolls report)
  - Total employment grows even faster, by 500' per month the past 3 months (Household Survey/LFS)
- **Labour market participation rate**
  - Has turned up, alongside the employment rate. (HHS/LFS)
- **Unemployment**
  - Surprised marginally on the downside, to 4.1% (HHS/LFS)
  - The inflow of new jobless claims the lowest **EVER** (BLS)
- **Average hours per week**
  - Flat last month, but trends up

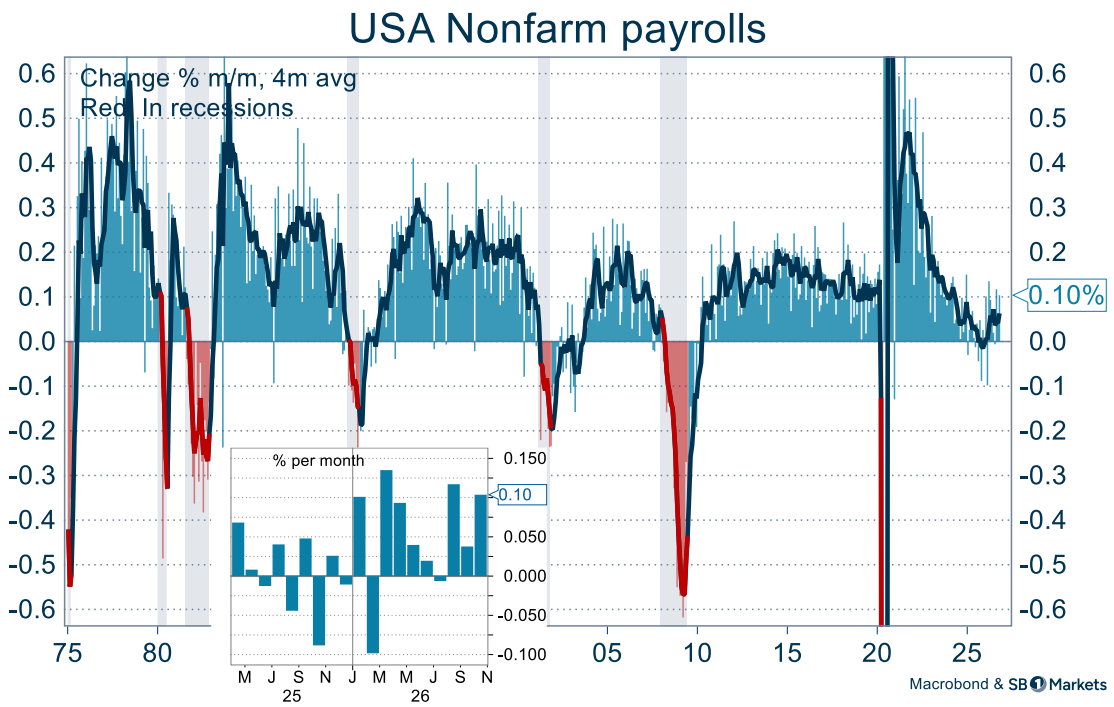
- **Wages/labour costs**
  - Average earnings rose faster than expected, 0.4% m/m, and to 3.1% y/y. Still, growth is moderate (Payrolls report)
  - A higher – and high – share of SMEs still plans to lift compensation (NFIB)
  - Hourly compensation grew at a modest 2.9% pace in Q3, but annual growth was revised upwards more than 1 pp and was 4.5% in Q3. (BLS)
  - **Our aggregate of the major wage indicators reports an underlying rate** at 3¾% in Q3, slightly down from Q2.
- **Productivity/Unit Labour Costs**
  - Productivity grew 3.6% in Q3, almost 1 pp more than expected. The annual rate fell to 2.1%. The trend growth is probably above 2%, **our trend-line is 2.5%** (BLS)
  - Unit labour costs fell 0.7% in Q3, expected up 0.4% but the Q2 annual rate was revised up 1.2 pp, and stayed at 2.4% in Q3, up from previously reported 1.4% in Q2 and much higher than expected – still not too far above the 2% long-term level needed to reach 2% inflation over time.

Our position

- Much more red (hot) than grey (neutral) or blue (cold)
- ***However, the most important figure vs. inflation, ULC growth (which is uncertain and is often heavily revised, like now), is almost in place.***

Faster employment growth, lower unemployment and higher wage growth in October

Payrolls grew 2.5x faster than expected and total employment is growing at an even brisker pace, according to the household survey. Unemployment fell to 4.1% (lucky rounding). Nothing suggests that the labour market is hit by an overly restrictive monetary policy.

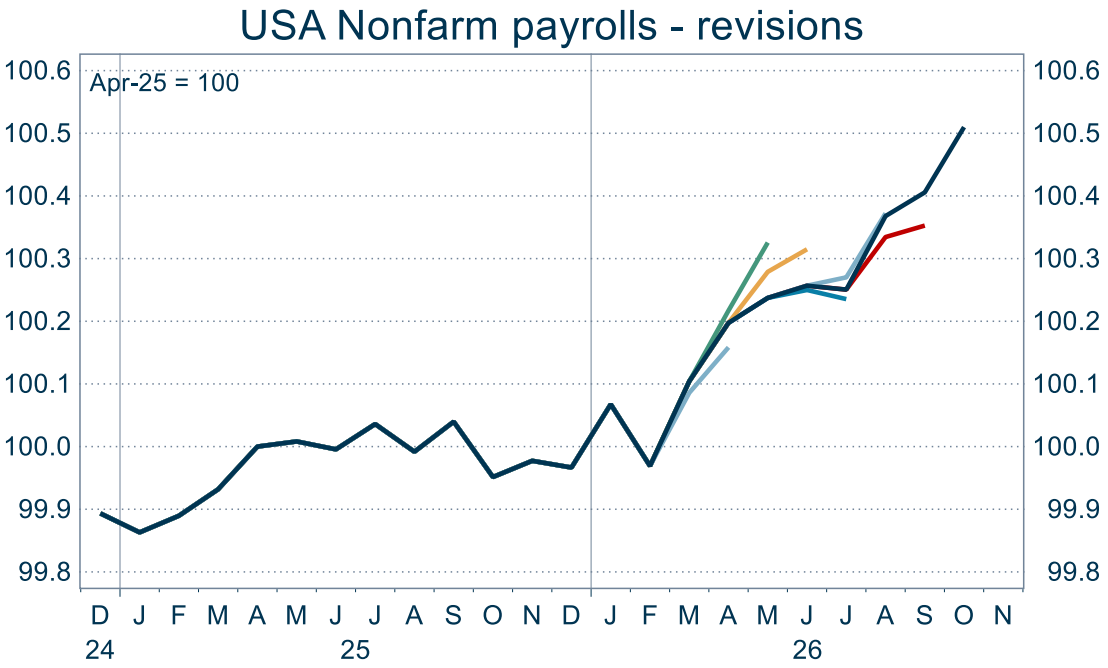


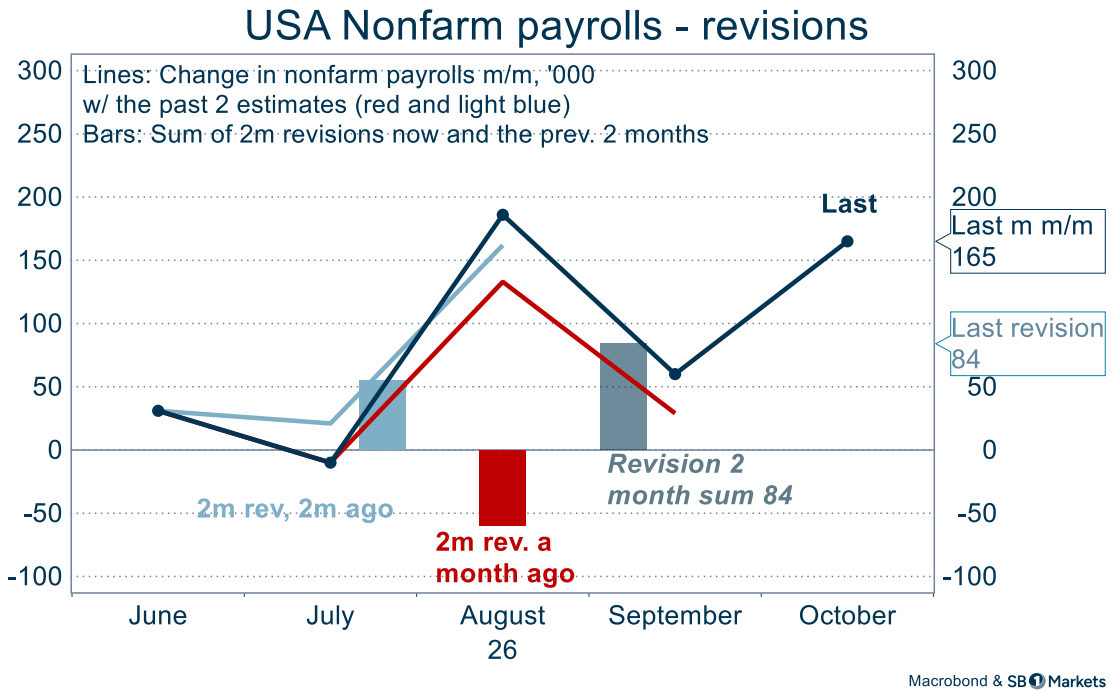
- **Nonfarm payrolls rose by 165,000, expected 65,000**, and the previous two months were revised up by 84,000. ***In sum, far better than expected***
  - Monthly data are volatile, but the **average growth** over the past 3 months was 137', ***a 1% growth pace***.
  - **Private sector employment** grew by 159', driven by professional and admin. services. Manufacturing and construction trend up the fastest (in per cent). Almost no growth in public sector employment.
- **Average hours worked** have increased recently, and total hours worked are up at a 2% pace measured 3m/3m.
- **Wages rose 0.37% m/m**, and were up 3.1% y/y, both ***0.2 pp above expectations***. Other wage indicators report higher growth, and the total hourly compensation was up 4.5% y/y in Q3.
- **Total employment,** measured by the LFS (household survey, 'AKU') has increased almost ***500' per month over the past 3m, far above any estimate of growth in the working-age population***. Thus, the employment rate has increased significantly. The participation rate has followed suit. However, they are both well down from the post-pandemic local peak.

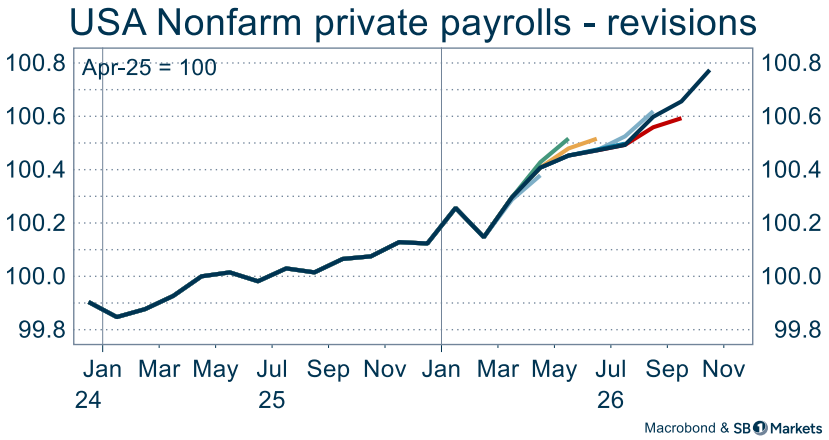
- **Unemployment reversed the** 0.04 pp increase to 4.18% in September, back to 4.14% in October, or rounded to 4.1% from 4.2%, expected unchanged. The trend is still down, and the level is low – and just marginally above FOMC's end-of-2026 estimate.
- **Other labour market indicators** were ***all on the strong side***, check the previous page.
- **So what?** ***The labour market is in good shape*** and does not at all suggest that monetary policy is too tight. So, if inflation remains above target, a further monetary policy tightening seems very likely.

Revisions: an 80,000 upward revision of the previous 2 months

The revision was rather large, on top of the much higher than expected growth in October – in sum 180'.





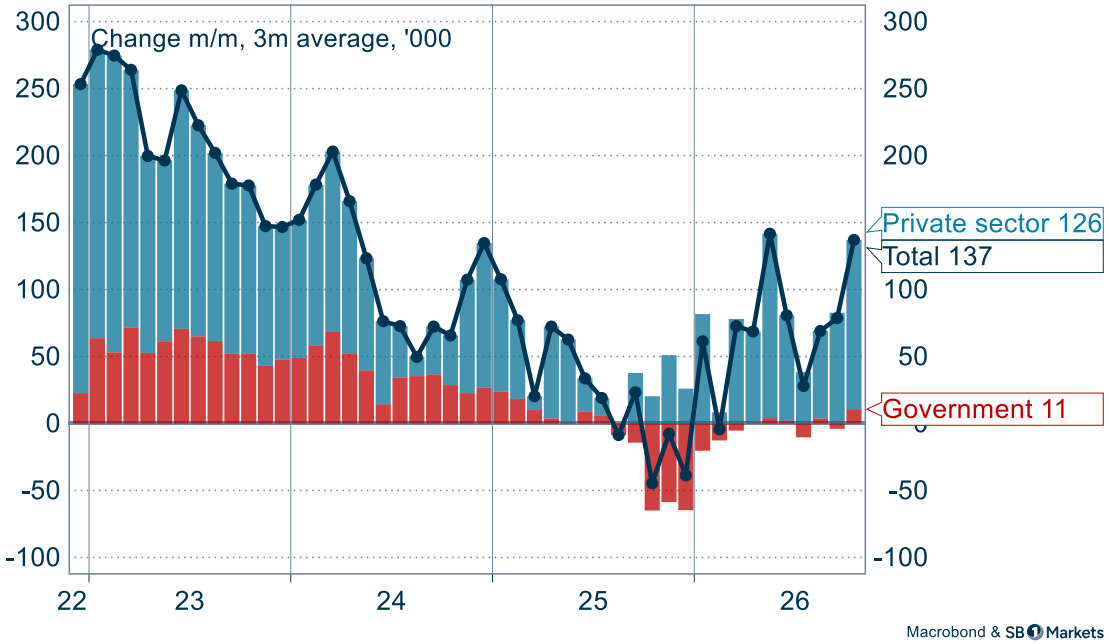


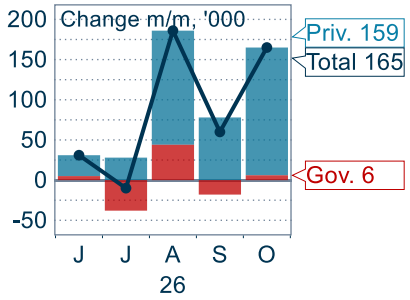
- Economists expected 64,000 in October. Almost 3 times that number was delivered.

Government payrolls trend flat; Private sector up by 126,000 (3m avg) ., 92’ ex. health

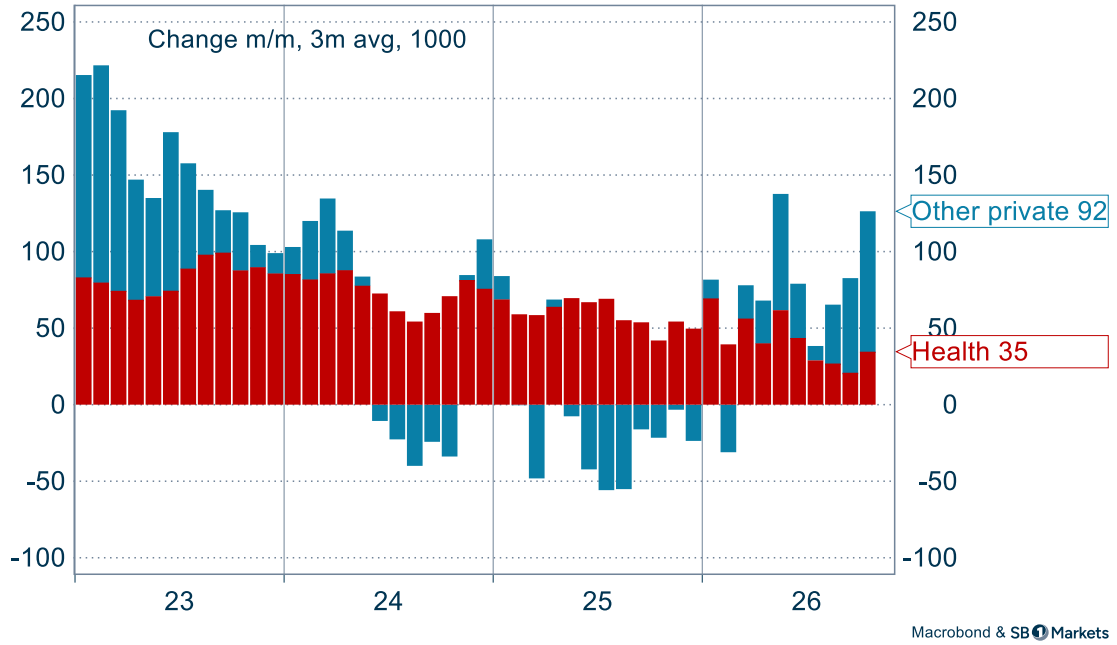
Growth in the private sector was strong, like in August (but not in September). Private sectors other than health & care were up by more than 100,000 employees in October. Growth in payrolls has accelerated from the trough in Q3 last year.

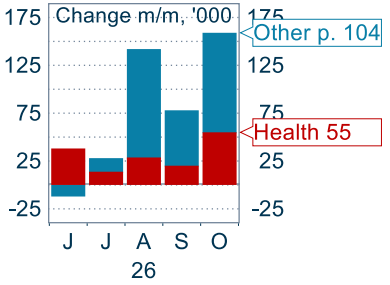
USA Nonfarm payrolls - private vs. government





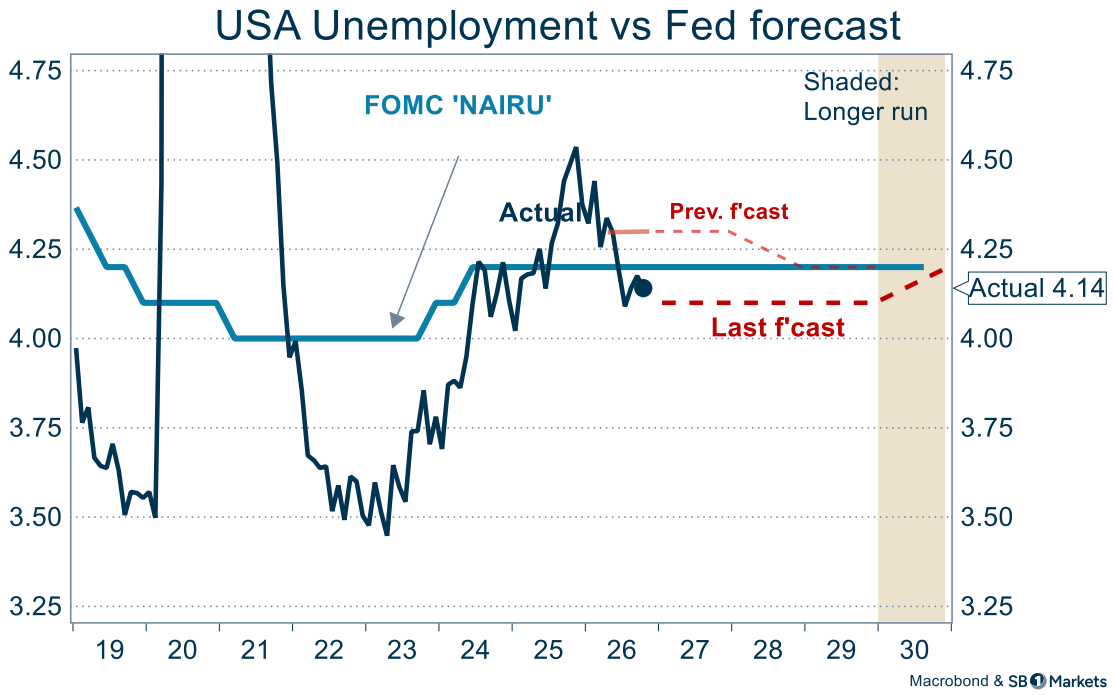
USA Nonfarm payrolls - Private sector health vs the rest

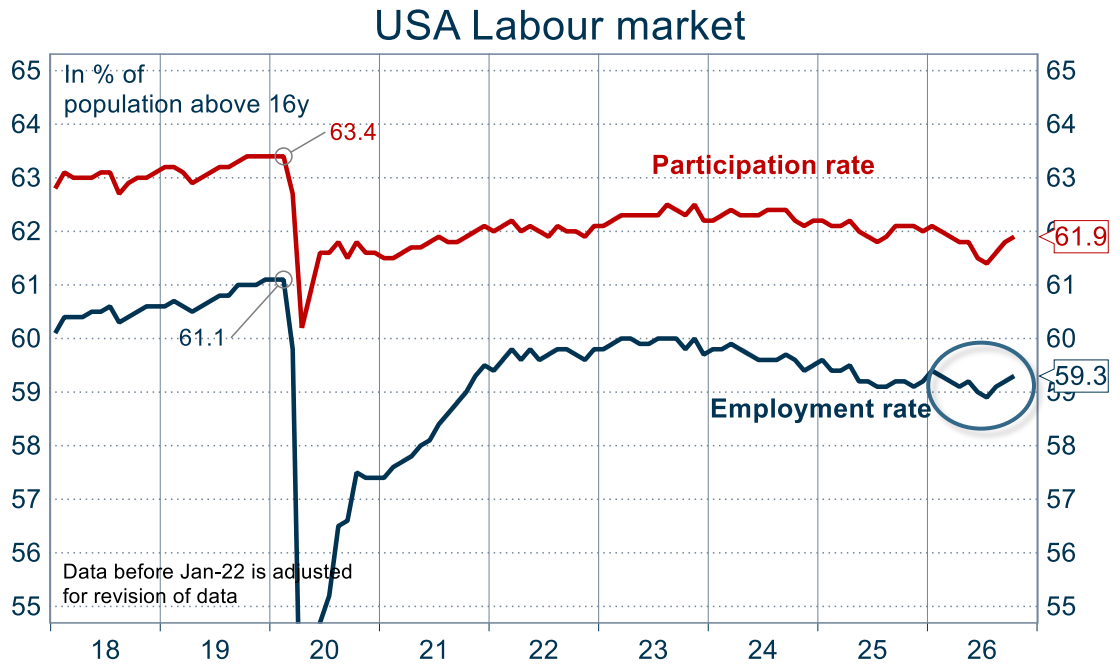




The unemployment rate fell 0.04 pp to 4.14%; rounded from 4.2% to 4.1%, expected unch.

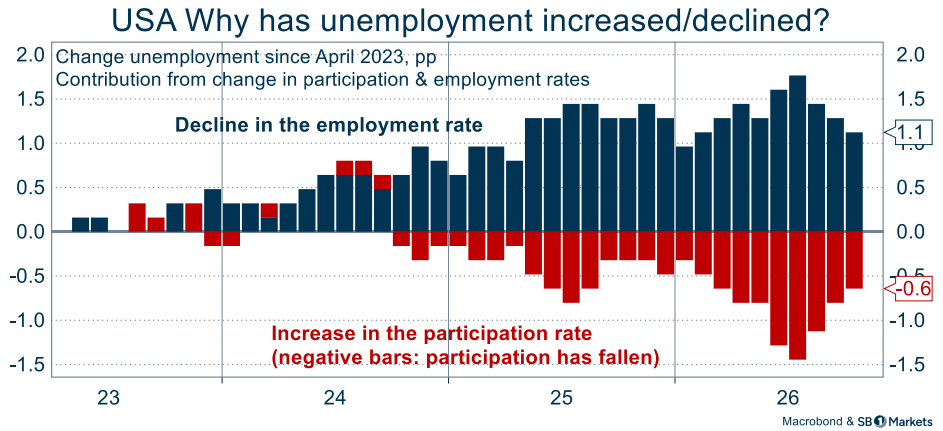
FOMC expects a 4.1% rate through 2029. Both the participation and employment rates rose 0.1 pp to 61.9% and 59.3% resp. Both rates have recovered over the past 3 months, confirming a stronger labour market.





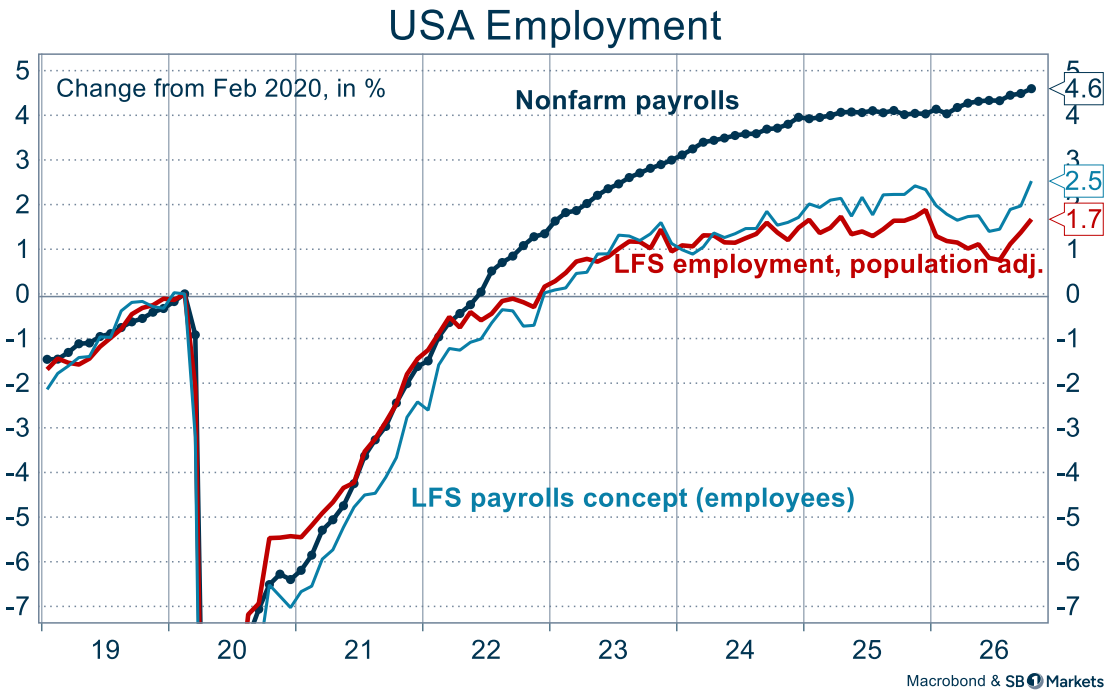
- **The decline in the employment rate since 2023 is recession-like** (*check two pages forward*).
- The chart to the right decomposes changes in unemployment from the local trough in April 2023 into changes in the employment rate and in the participation rate. The decline in the employment rate has lifted unemployment by 1.1 pp, the decline in the participation rate has lowered the unemployment rate by 0.6 pp.
- **FOMC members** assume a 4.2% longer-term rate, which we may interpret as the FOMC's estimate of the NAIRU *).

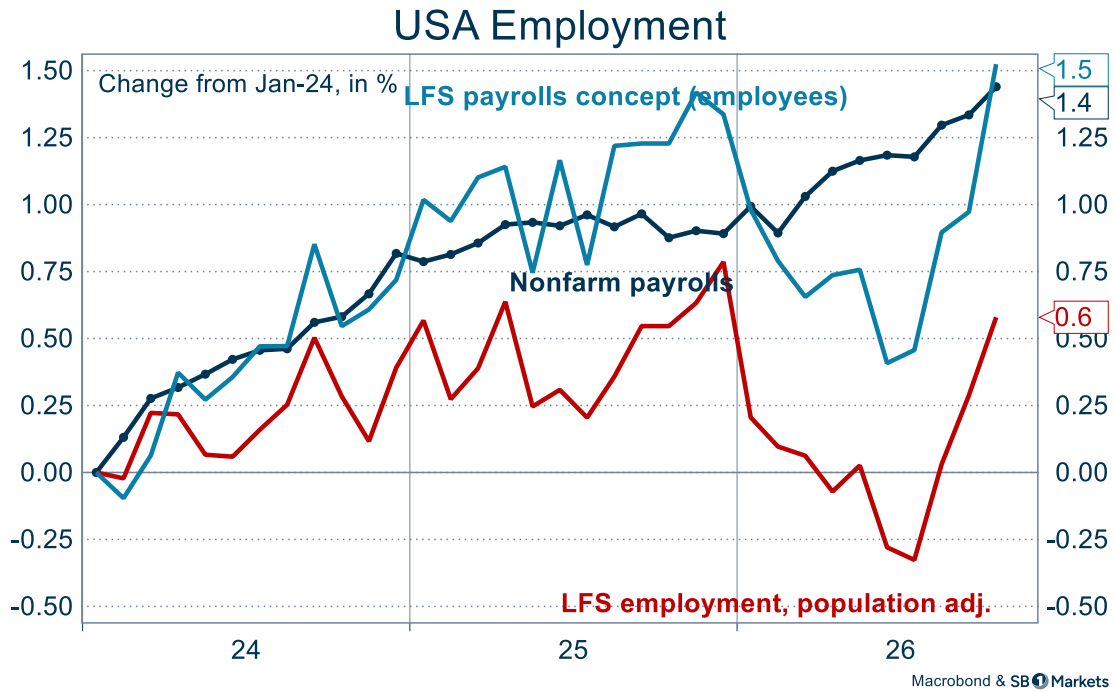
*) NAIRU: The Non-Accelerating Inflation Rate of Unemployment – the rate that stabilises wage and price inflation. It varies between countries, is not stable over time, and can at best be quantified 'after the fact'.



Both the payroll register-based stats and the household survey (LFS) point upwards

The LFS ('AKU') household survey employment data are much more volatile than the register-based payrolls stats (like 'a-ordningen' in Norway). Given our assessment of all other US macro data, the payroll data seem more reasonable than the 'extreme' LFS data lately.

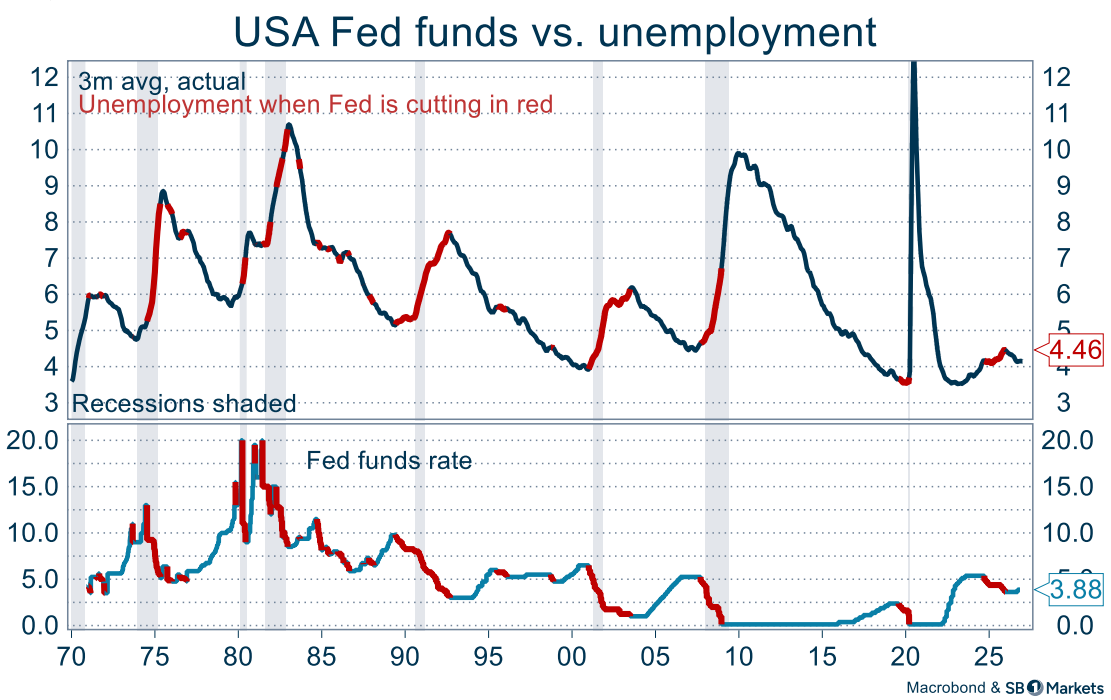


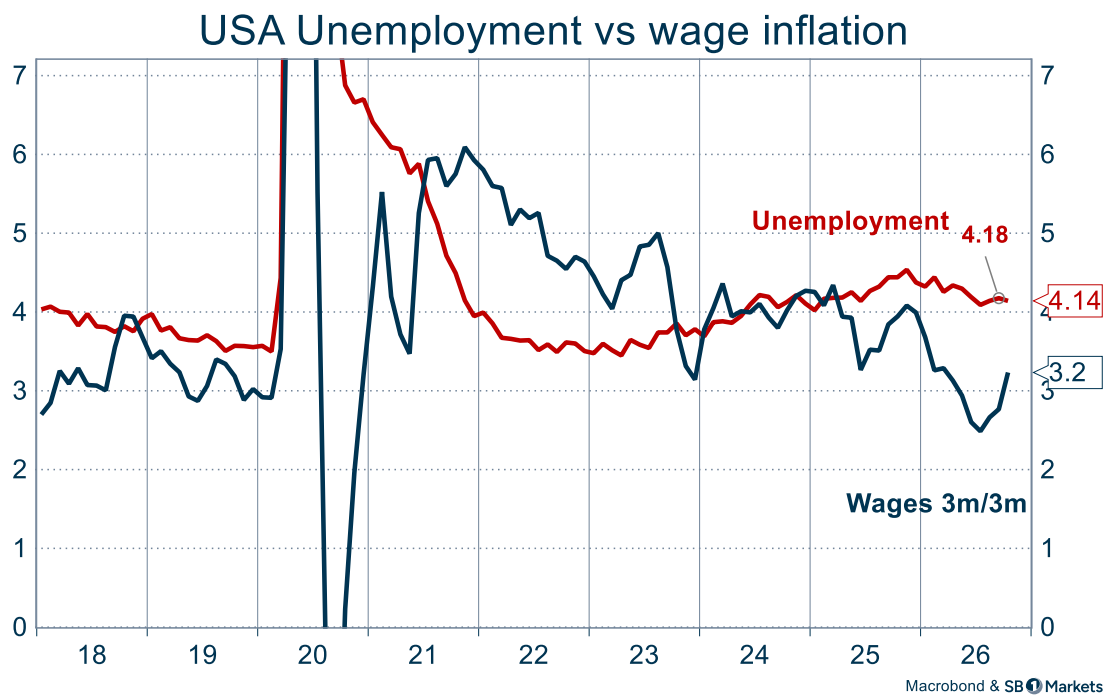


- The **LFS data** are based on employment rates derived from the household survey and the population estimates from BLS – which are heavily dependent on uncertain ***net immigration estimates.***
- We have adjusted LFS employment/employee data from before Jan-26 by BLS' annual revisions of the civilian population.

The lift in the unemployment rate since 2023 was ‘recessionary’

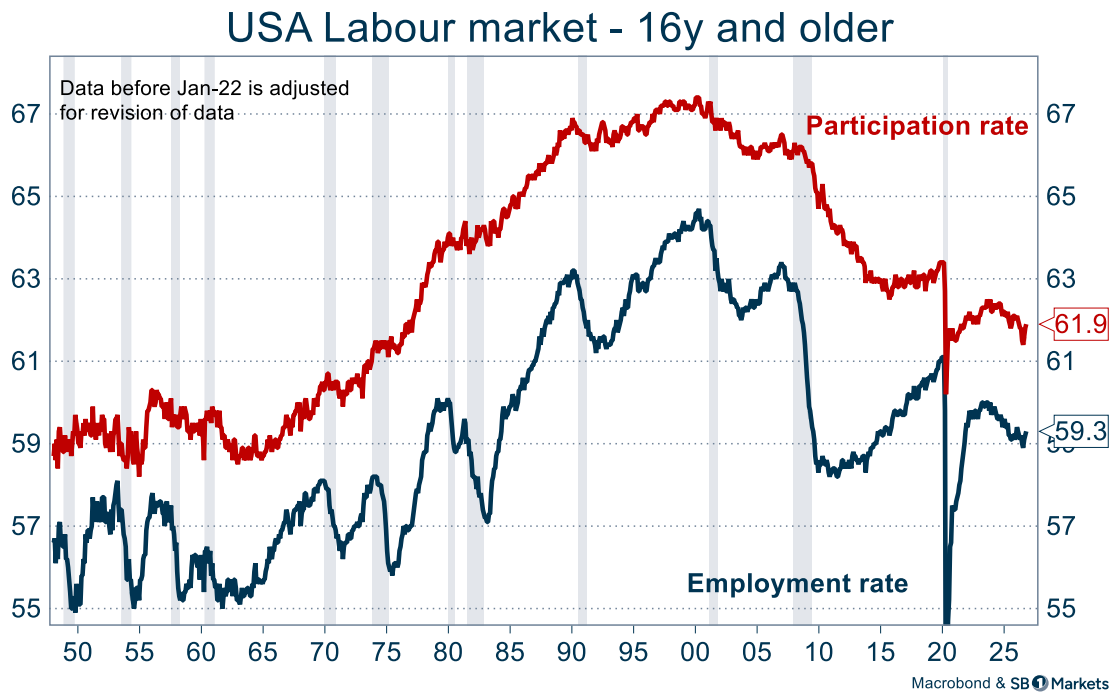
… but not the decline since last November ☺. In October, a 0.04 pp decline in the unemployment rate to 4.14%.
Wage inflation has accelerated somewhat, to 3.2% 3m/3m (while the annual rate rose to 3.1%, *0.2 pp above expectations*).

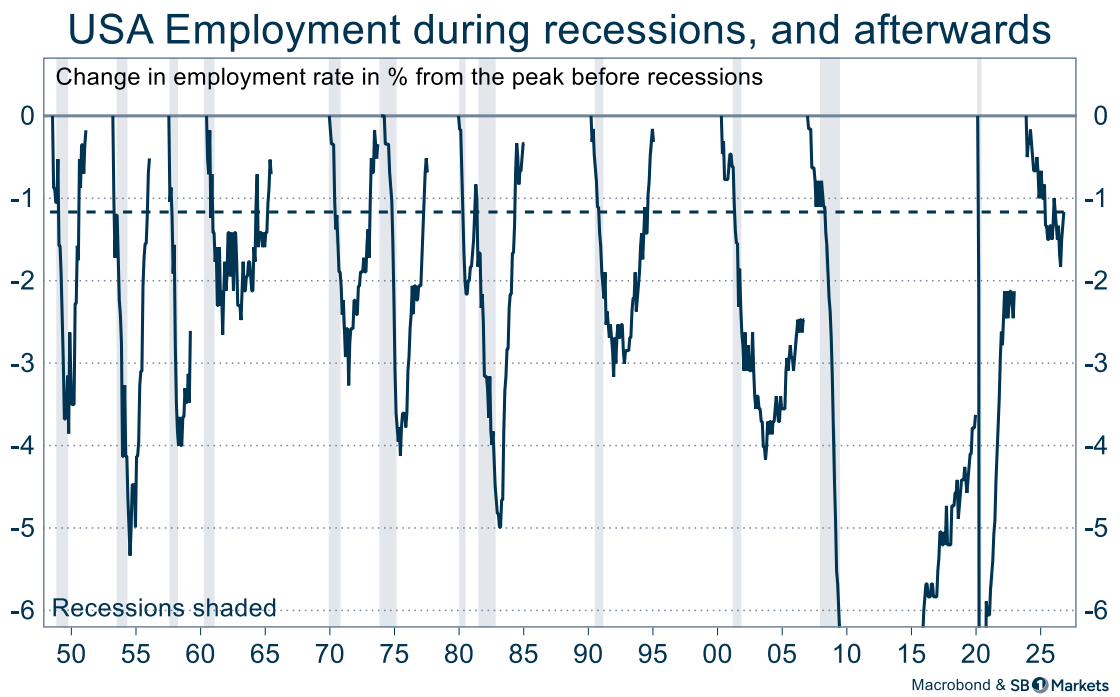




LFS: The employment rate has fallen over the past 2 years, in a ‘recessionary’ way

The participation rate fell as well, and until late last year by less than the employment rate, and unemployment rose. The recent drop in the participation rate has been faster than that in the employment rate, and unemployment has decreased.

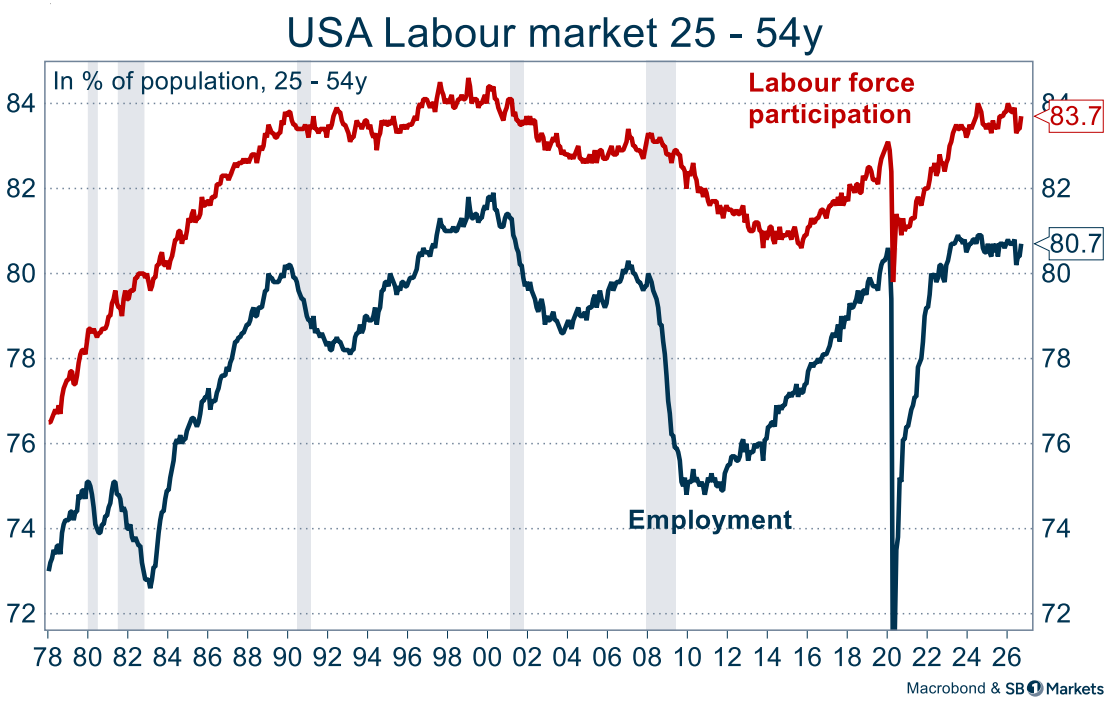


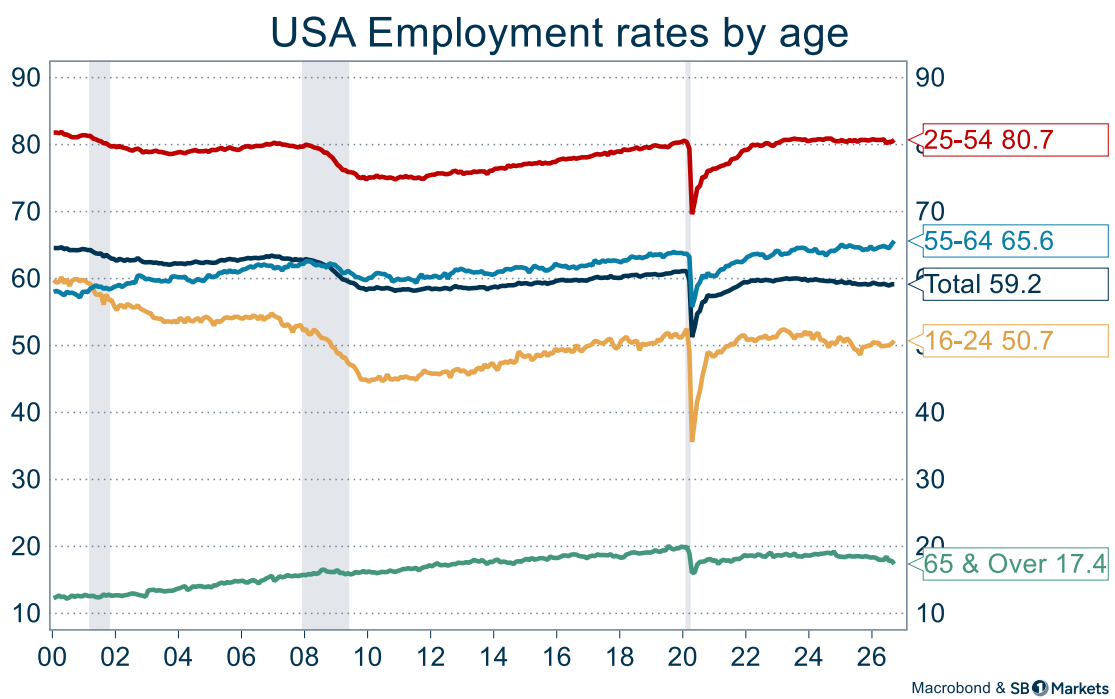


- The longer-term trend in participation and employment in the US is not impressive, especially compared with the steady rise in most European countries.

Employment in the 25–54y segment has recovered from the June dip, trends flat

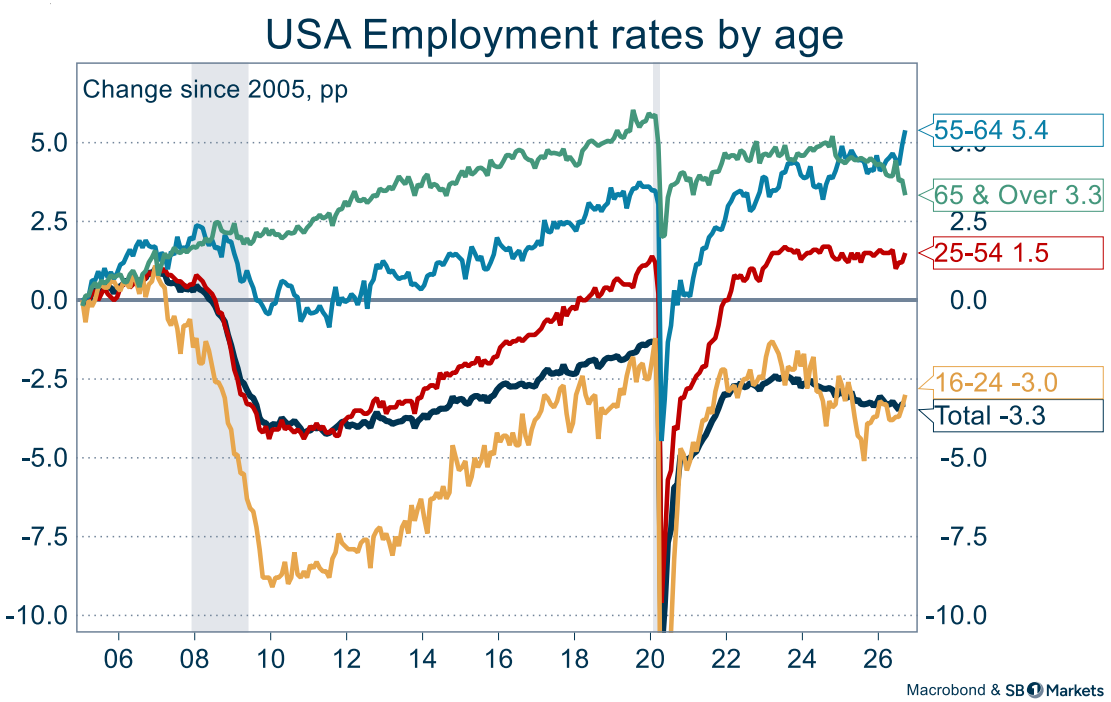
Employment heads down among those 65y and older, but up in the 55–64y segment. A gradual decline among those below 24y.

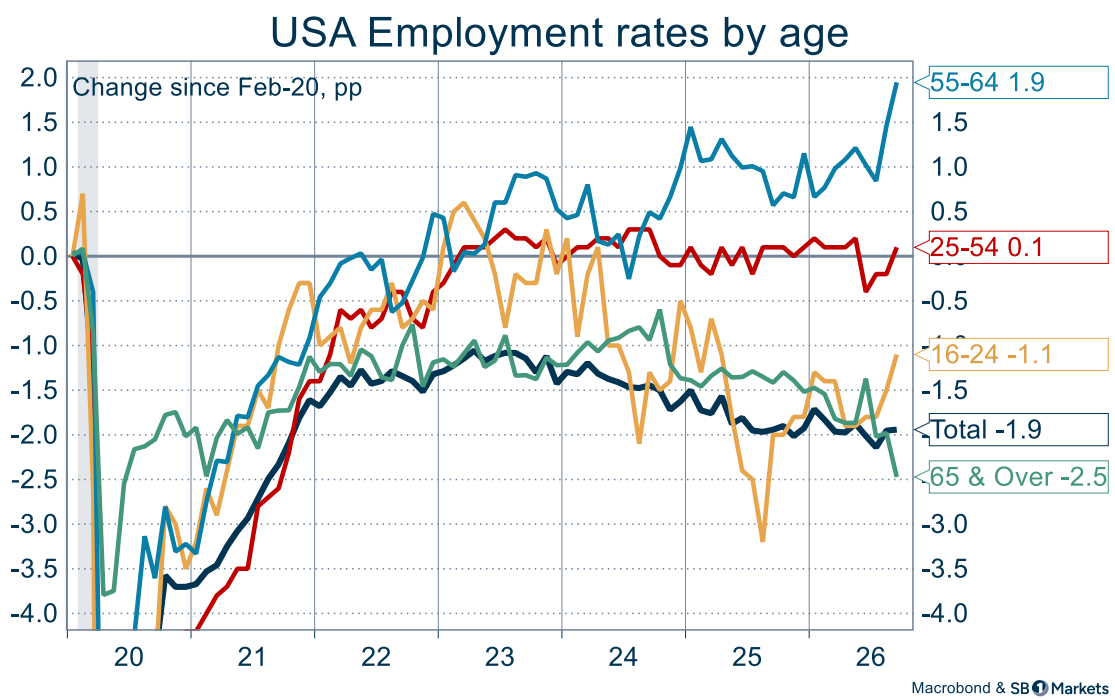




Some strange changes in employment rates, age-wise; at both ends of the age spectrum

Employment in the core 25–54y group has recovered from the strange dip in June – and the rate trends flat.

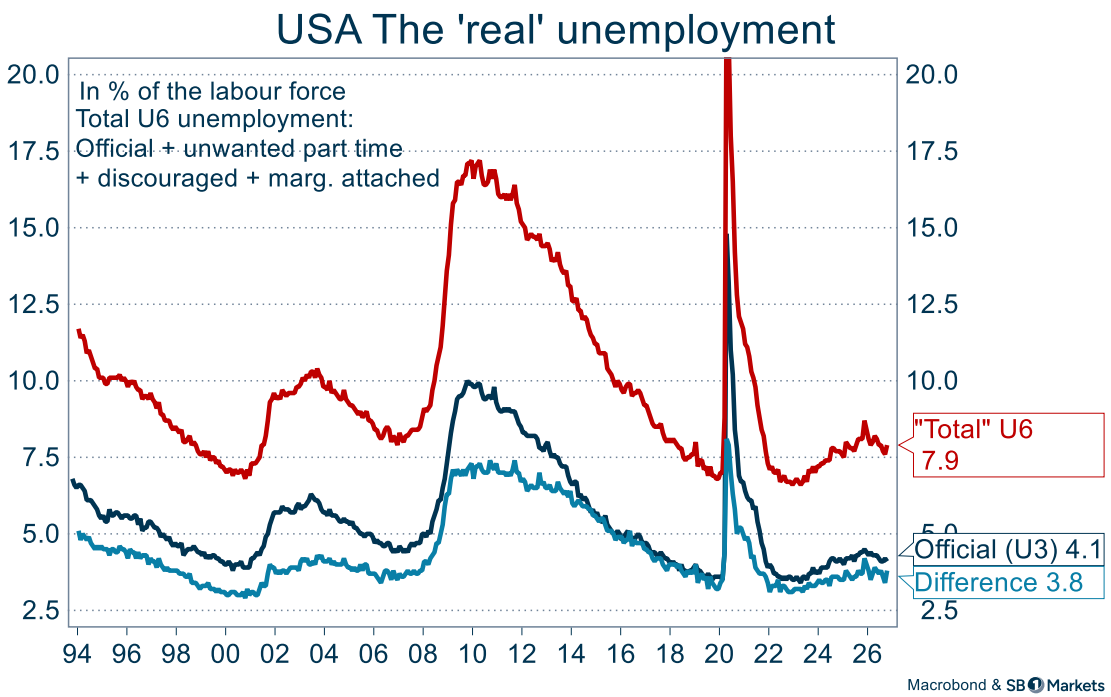


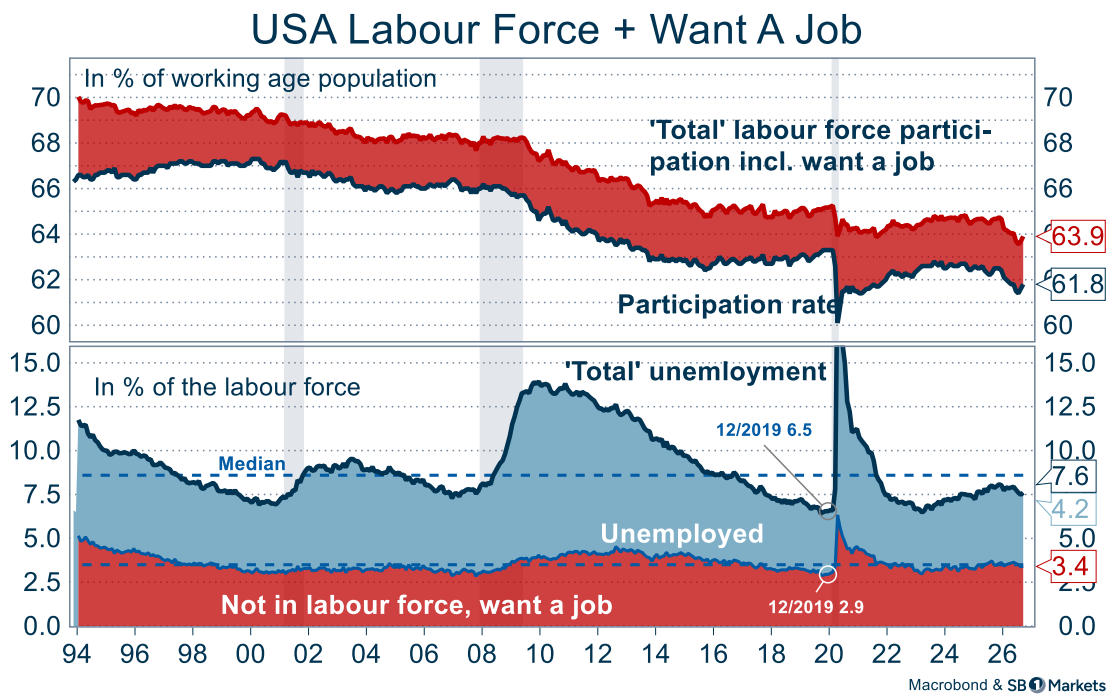


These data are not adjusted for the impact of the change in population composition.

‘Total’ unemployment up 0.3 pp to 7.9% but trends down

The overall unemployment rate (U6), which includes individuals seeking work, but who are not counted in the labour force, those involuntarily working part-time + the standard unempl. rate (U3) heads down. No lift in discouraged workers.



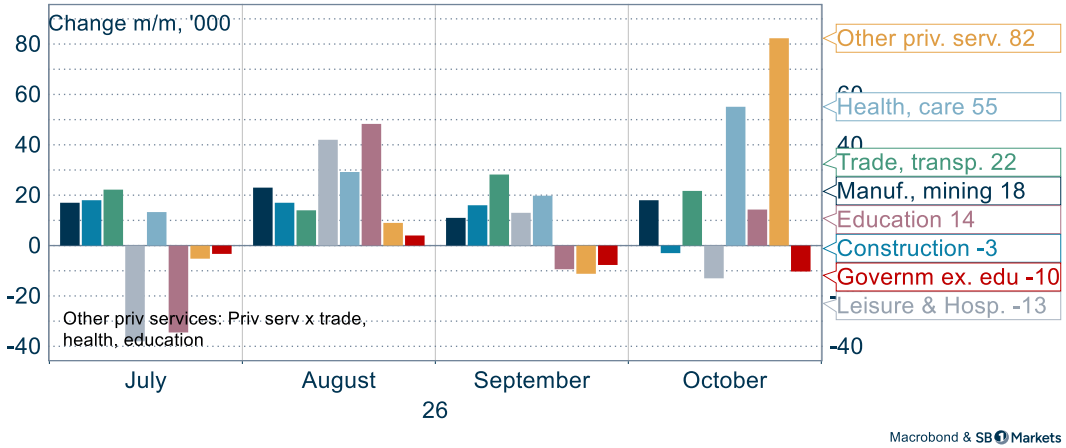


- Another way of estimating ‘total’ unemployment is illustrated in the chart to the right: A substantial part of the increase in the participation rate after the pandemic was due to a declining rate of persons who report they want a job **but do not search actively for it**. This **‘discouraged workers’** category ***has not increased***, and cannot explain the drop in the participation rate, which signals that the decline is ***a real decline in the share of people who want a job. If so, bad news.***

Growth in payrolls has turned up, broadly. Private services in the lead, in October

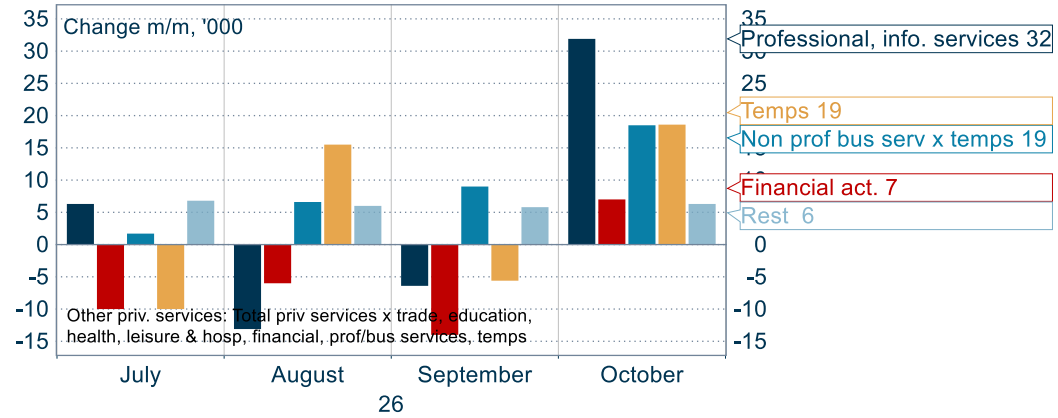
Construction and manufacturing are in the lead in terms of growth rates in recent months, and both are accelerating. The lift in October was broad, led by both professional services (mostly management, scientific and technical consulting services) and admin. services and temps.

USA Employment sectors



Macrobond & SB1 Markets

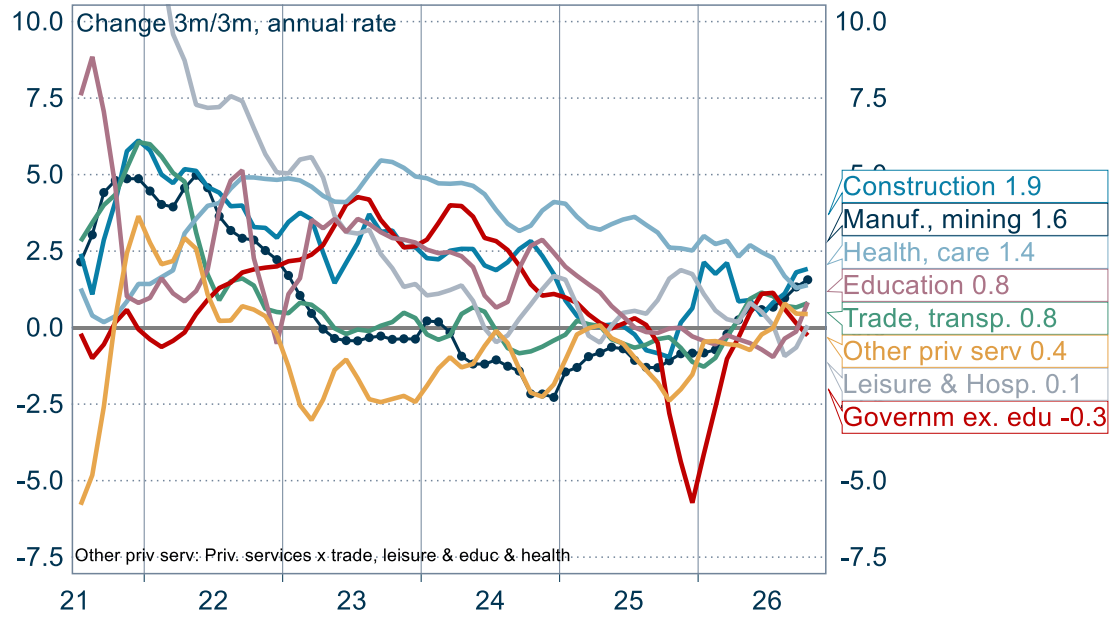
USA Employment services ex. trade, health, educ., leisure



Macrobond & SB1 Markets

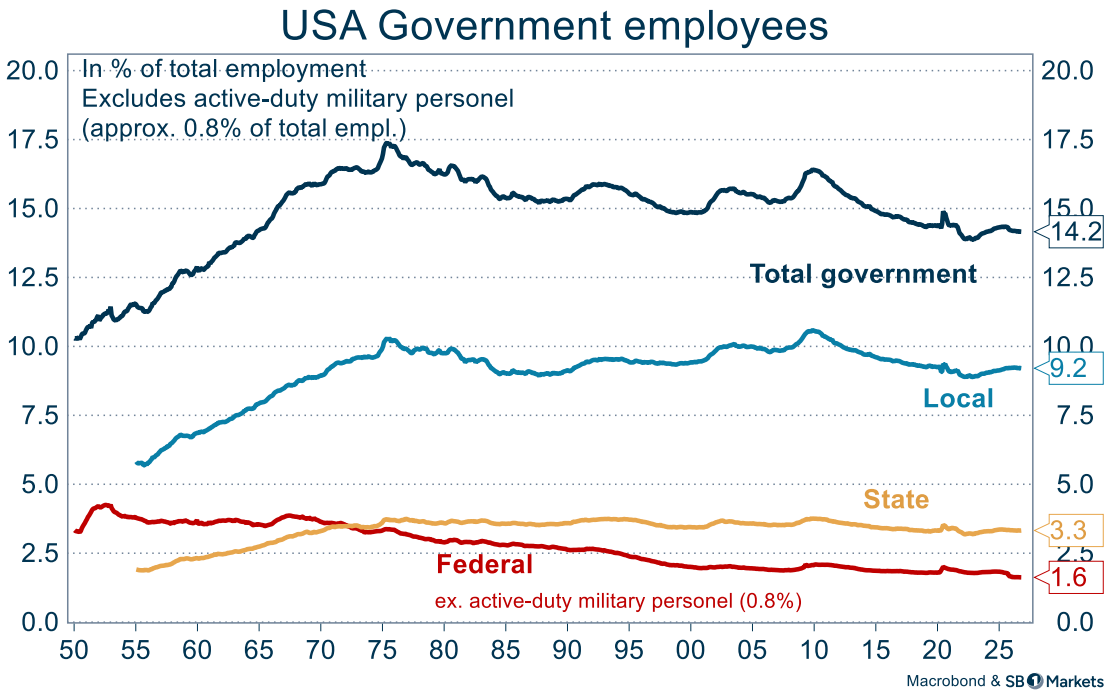
Education: Private, state and local government

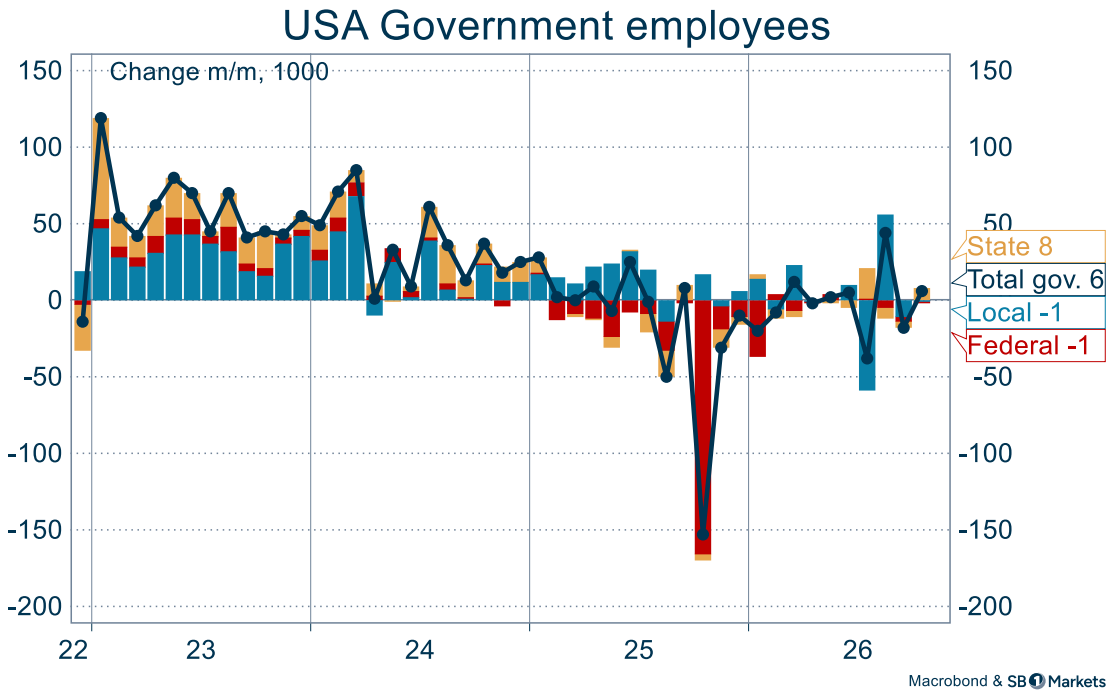
USA Employment

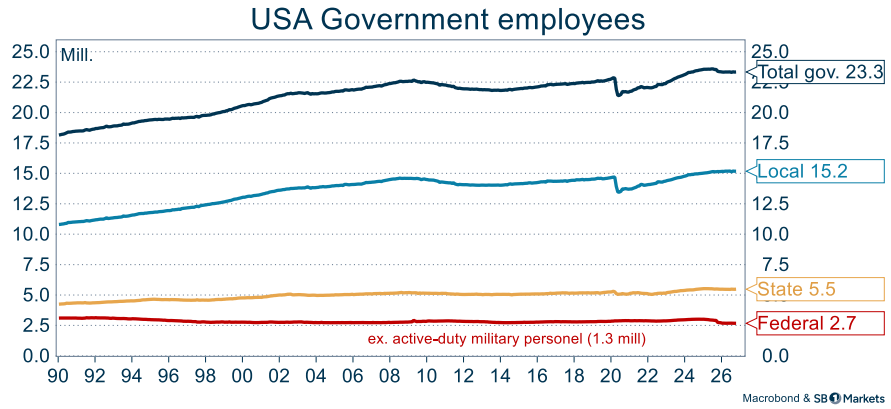


Macrobond & SB1 Markets

Almost no change in public employment in October



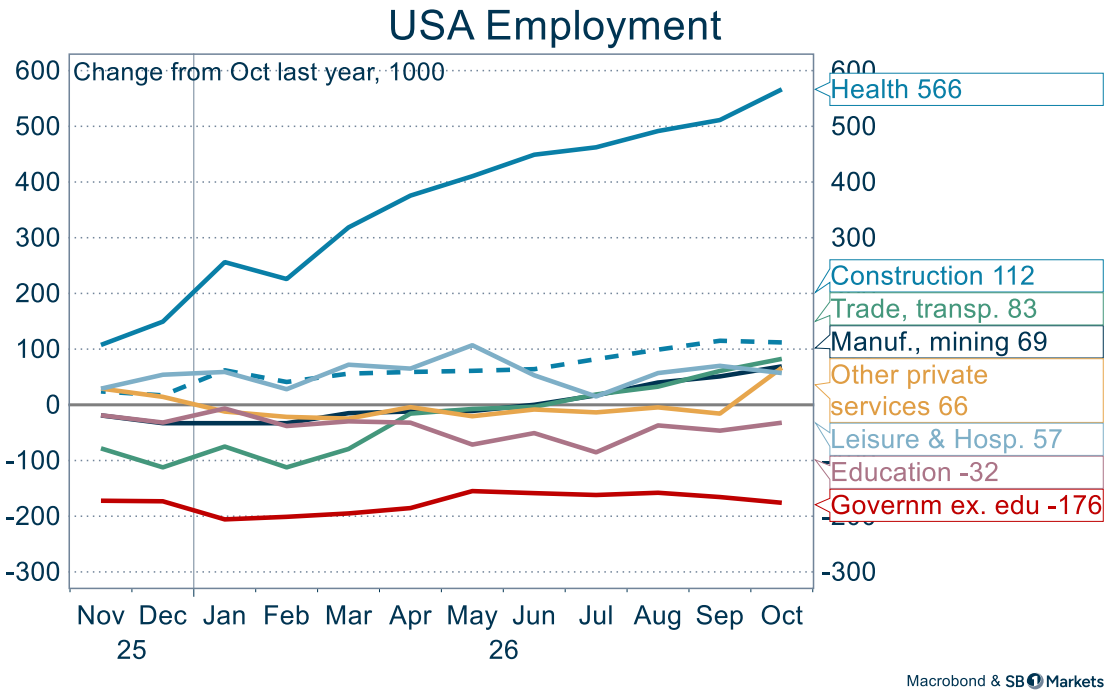


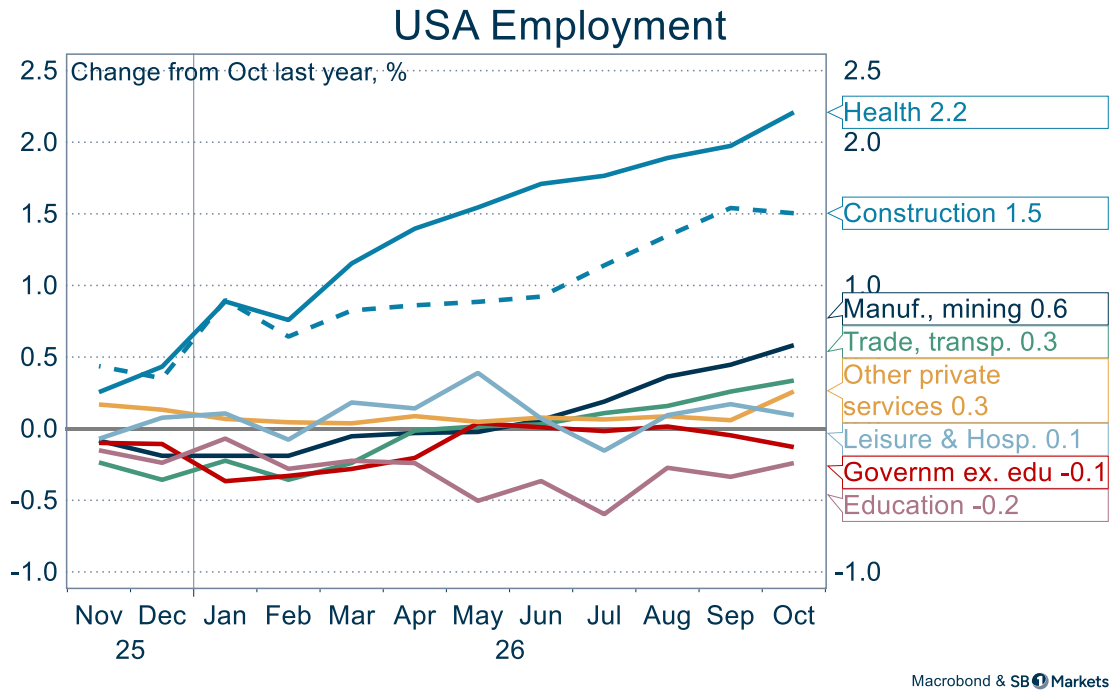


- **Civilian federal employment** accounts for only 12% of overall government employment and 1.6% of total US employment. Thus, a 12% cut equals just 0.2% of total employment.
  - Including active-duty military personnel, the 12% share rises to 18% of total government employment.

Where have all the workers gone in the last year? To the health sector

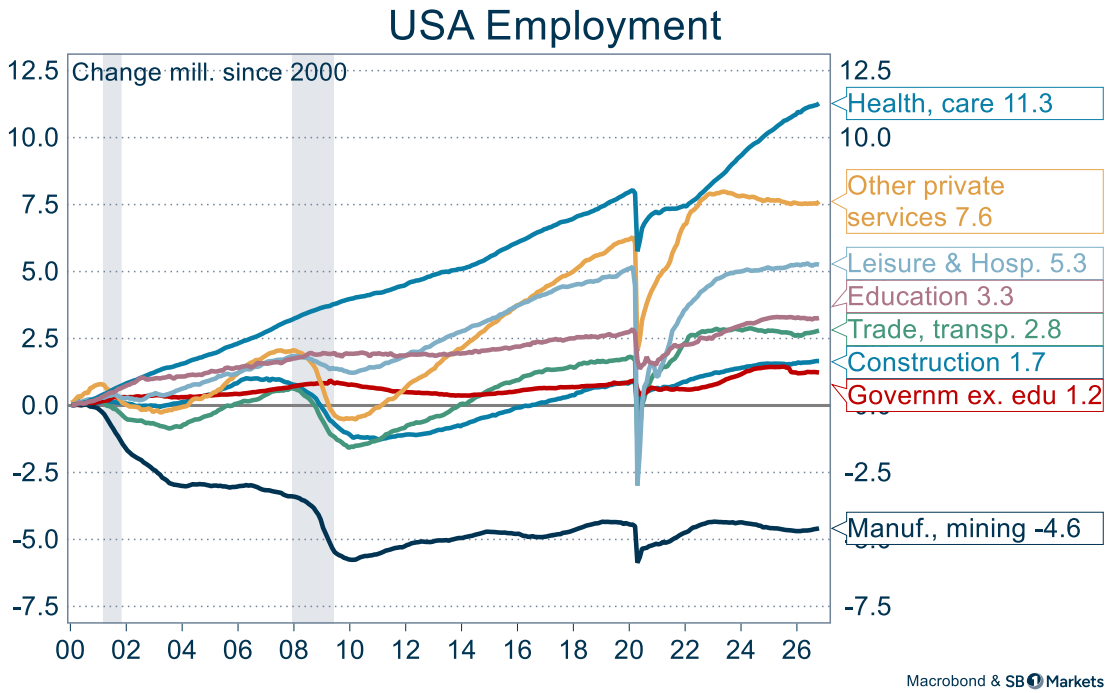
… and to construction (where data centres are in the lead, until further notice).

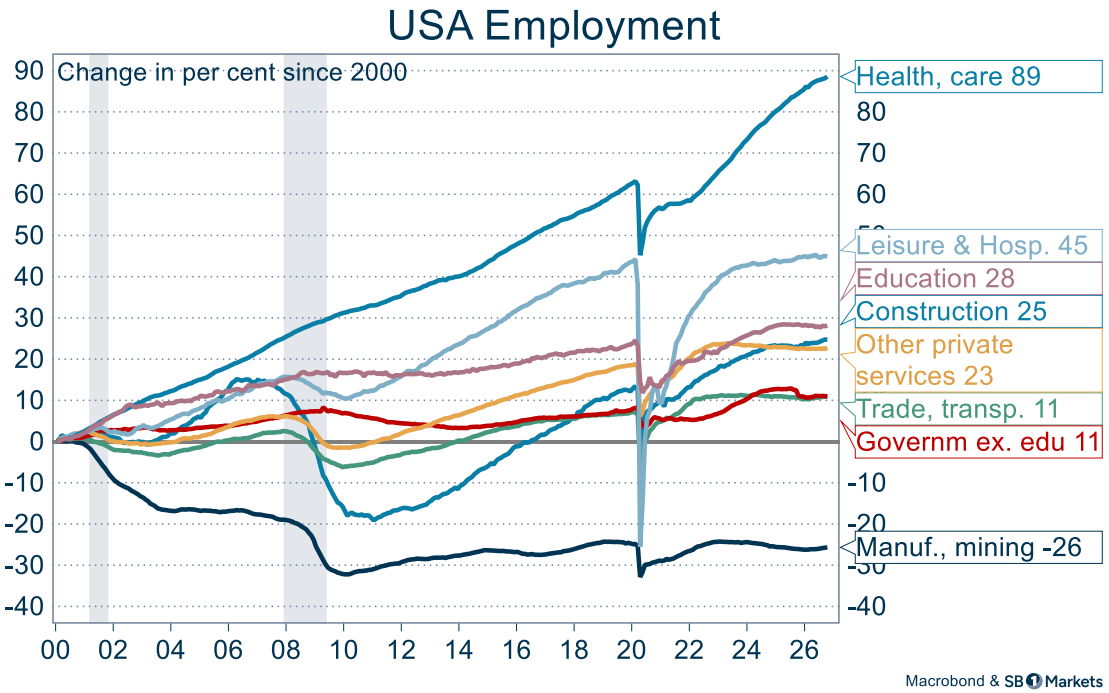




Where have all the workers gone in the last 26 years? To the health sector

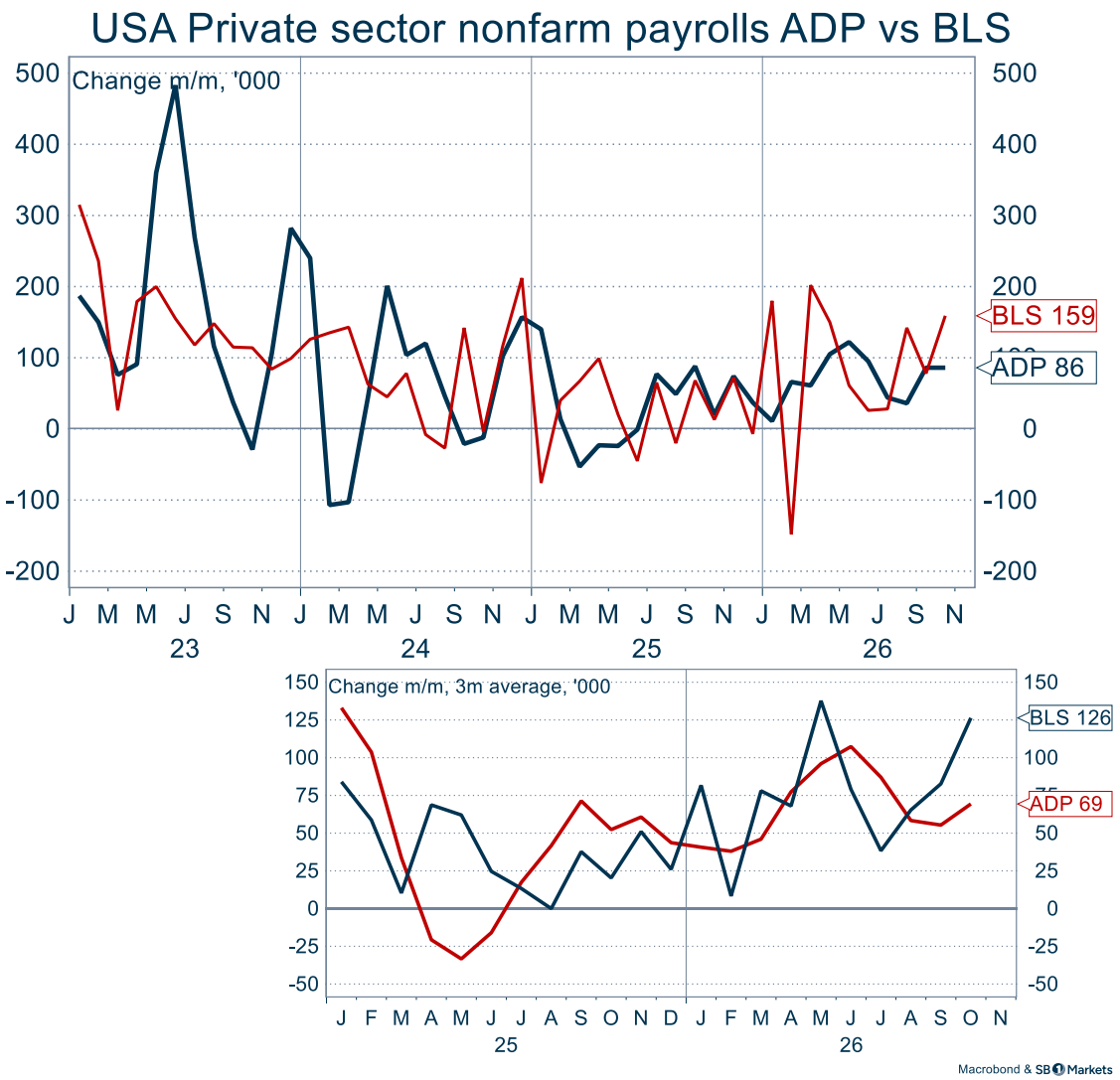
… and to other private services, the most in hotels & restaurants. Low growth in trade. Manufacturing the big loser, until 15 years ago at least. In recent months, a small lift in manufacturing.

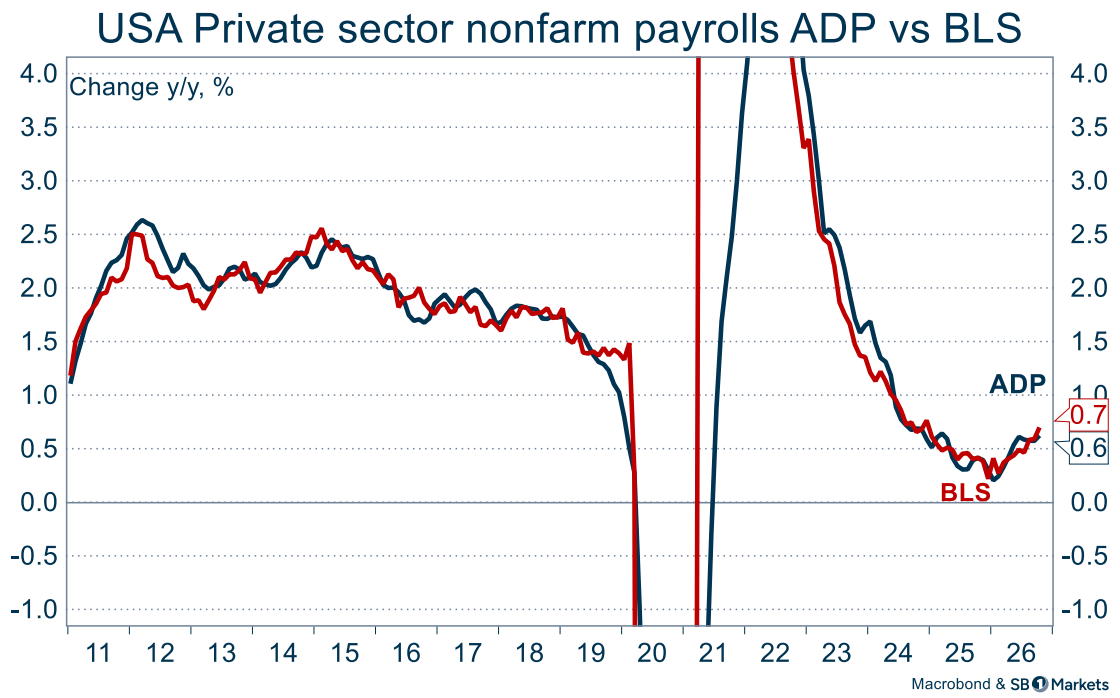




ADP vs. BLS: the 3m average growth in private sector payrolls 69,000 vs. 126,000

Both report 0.6–0.7% growth y/y.



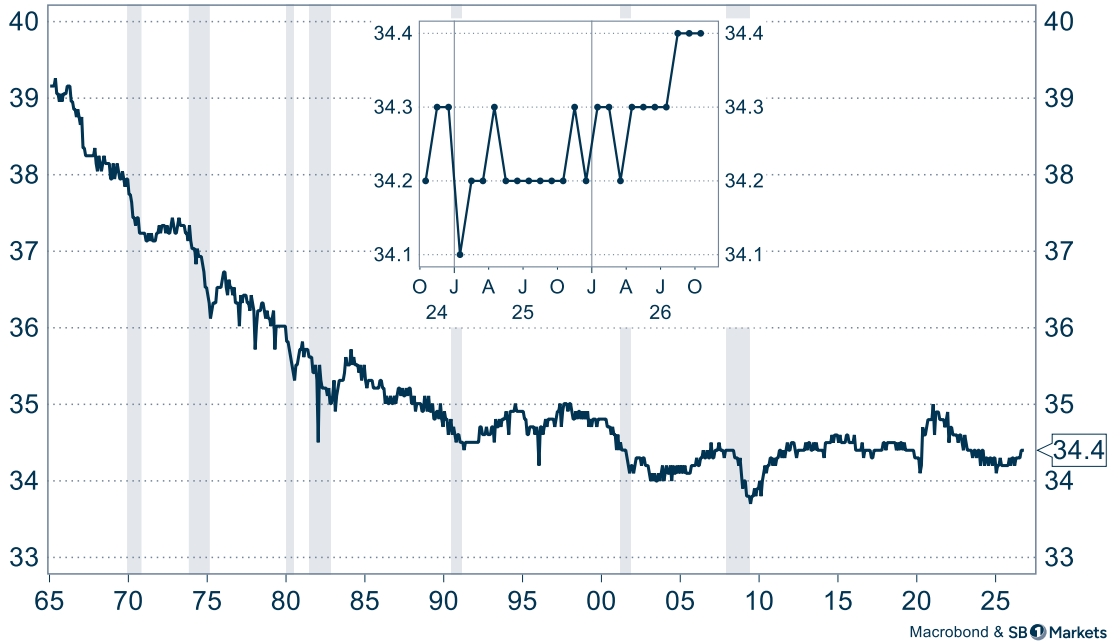


- The ADP and BLS payrolls data are not closely correlated from month to month, but the cycles are identical (ADP with data just from 2010 though, and after ADP has revised its data to fit official data…).
  - Measured over 12 months, these two data series yield a rather similar picture, at least after revisions in both series (chart to the right above).
- The ADP report is based on a survey covering some 15% of the total number of employees. It uses some parameters from the BLS survey to calibrate its data.

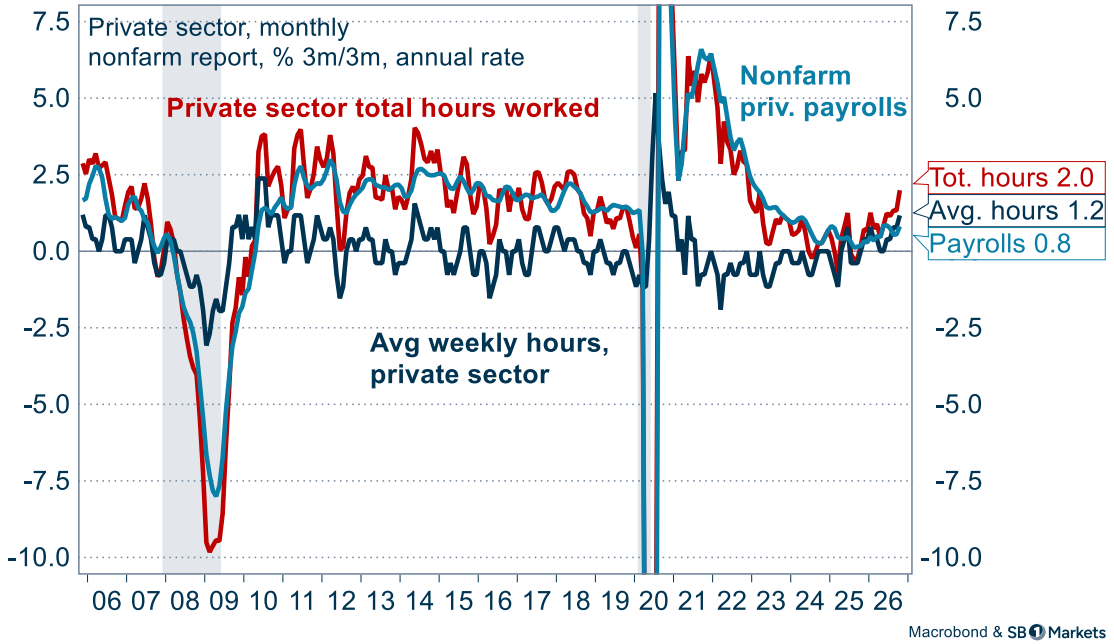
Avg. weekly hours flat at a ‘high’ level in October, but trend upwards

Total hours worked in the private sector are up 2.0%, measured 3m/3m. The number of employees is up at a 1.2% pace 3m/3m.

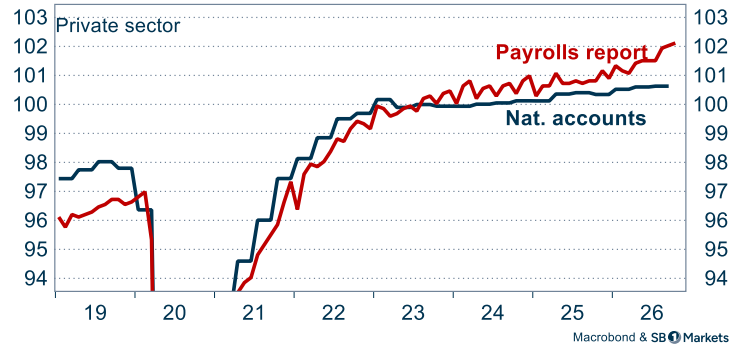
USA Weekly hours worked, average



USA Hours worked vs. employment



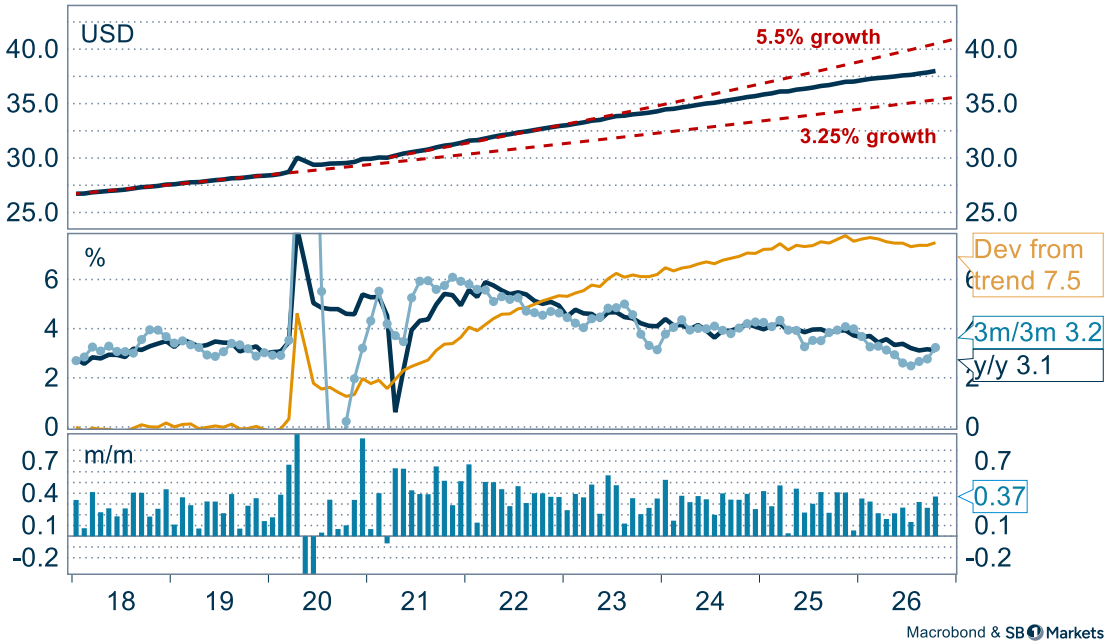
USA Hours worked - payrolls vs. Nat. accounts



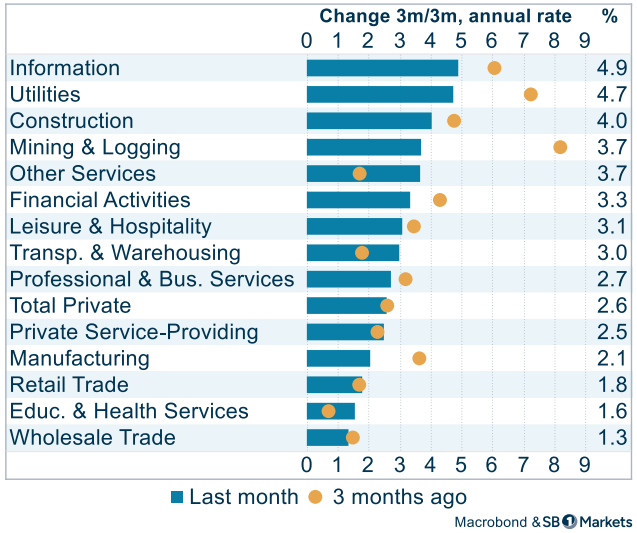
Wages grew 0.37% m/m, and 3.1% y/y, both 0.1 pp less than expected. The trend is down

The 3m/3m rate slowed 0.1 pp to 2.6%, a very low level. 3 sectors report higher 3m/3m wage growth than 3 months ago, 9 lower. Other labour measures report higher wage growth but taken together, wage inflation has fallen more than sufficiently to keep inflation in check, over time.

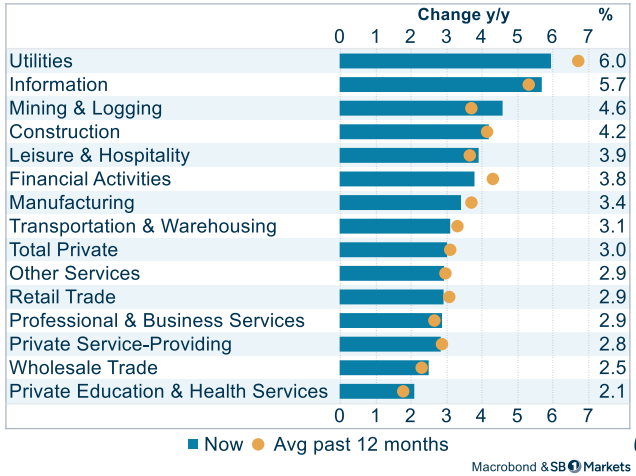
USA Average Hourly Earnings



USA Hourly earnings

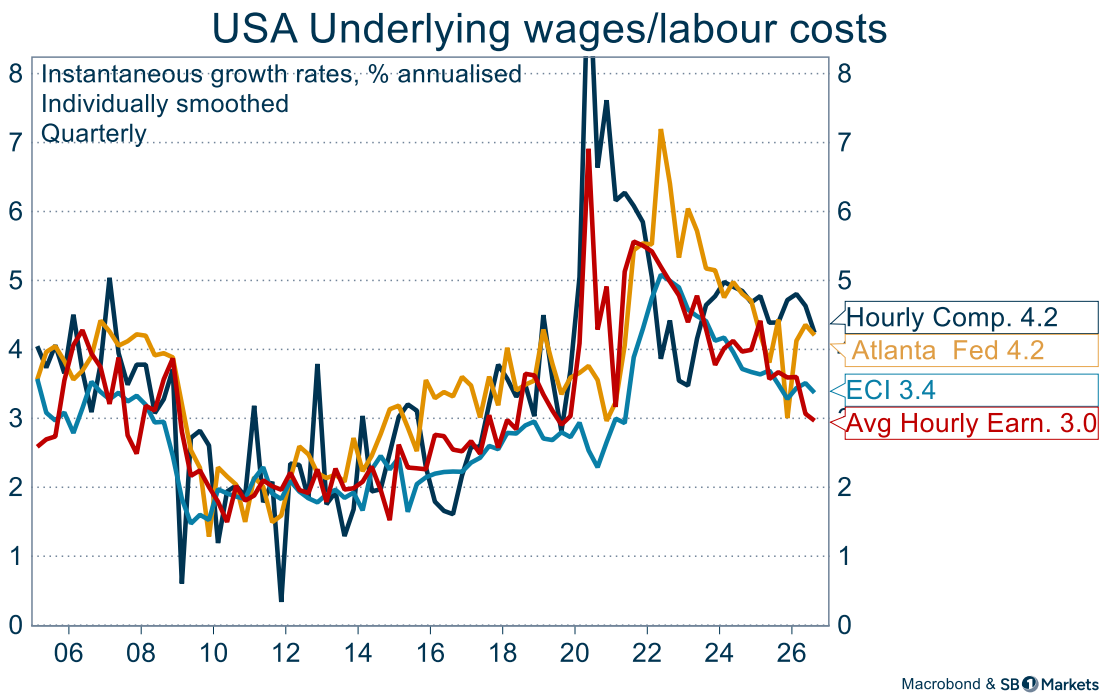


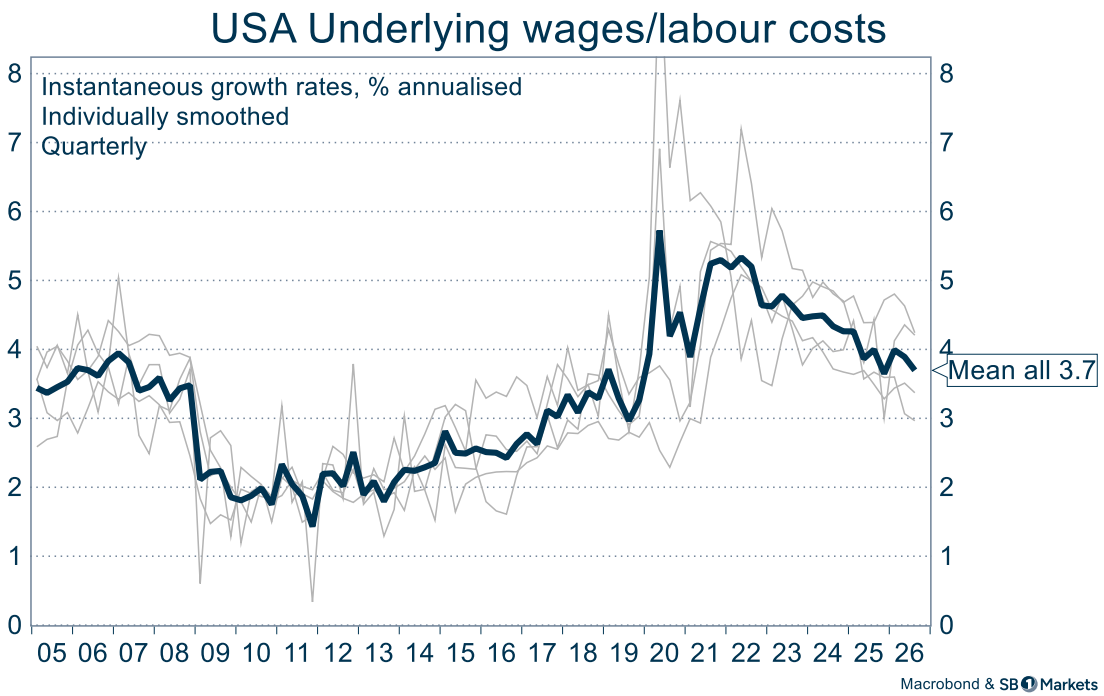
USA Hourly earnings



Our basket of wage indicators: wage growth has slowed to approx. 3¾%

The final answer, hourly compensation in National Accounts, is up more than 4% though.

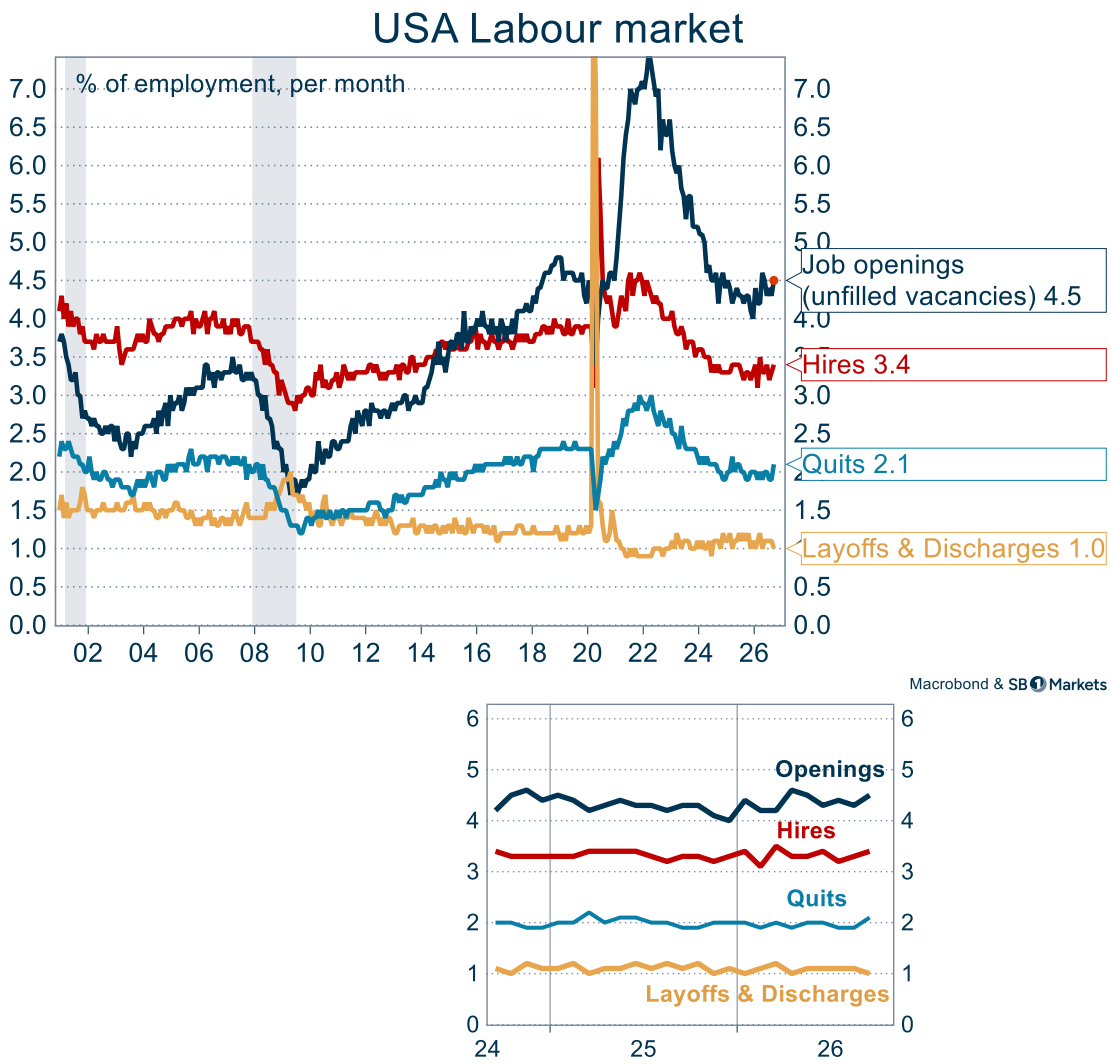




- The data series:
  - **Atlanta Fed median wage tracker** (monthly). The median wage is now an outlier on the upside.
  - **Average wage** in the nonfarm payroll report (monthly).
  - **The Employment Cost Index** measures total labour costs for a constant mix of employees (quarterly).
  - **Hourly compensation** in National Accounts measures the average total compensation per hour worked, here in the nonfarm business sector. This is the 'final answer', the cost of employing labour in the production process.

More job openings, more hiring, more (voluntary) quits, fewer layoffs, JOLTS report

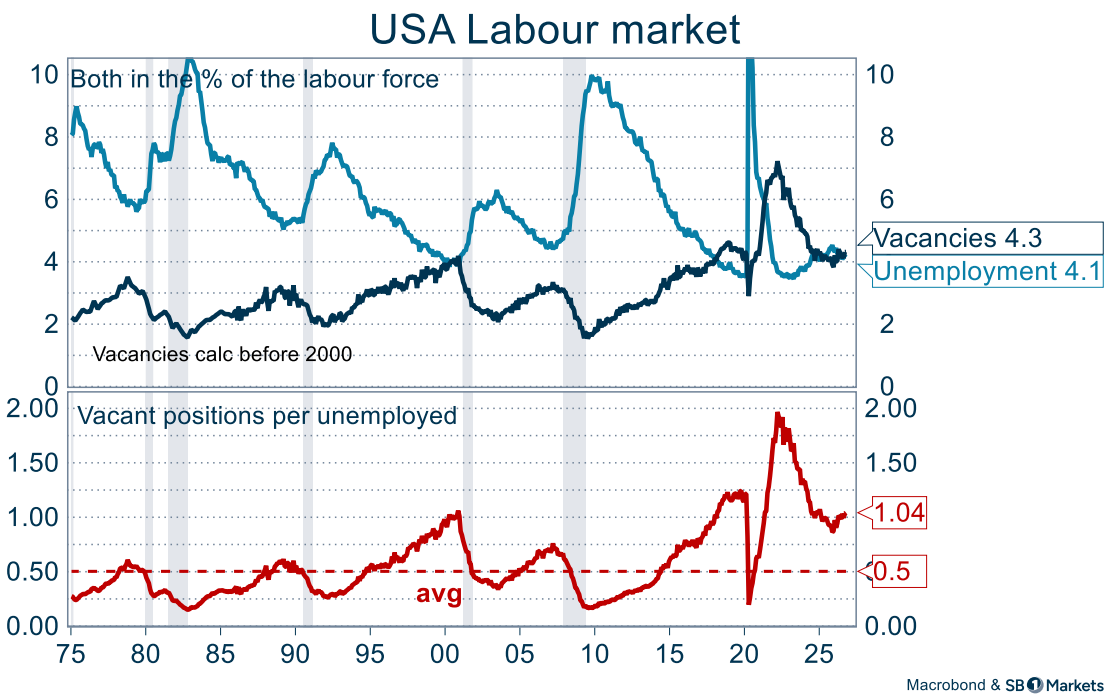
Better or far better on all accounts. Unfilled vacancies rose 0.2 pp to 4.5%, expected unchanged. The trend is up, *signalling a tighter labour market*. Hiring rose further, to 3.4%, and trends flat, though at a modest level. Quits were up 0.2 pp to 2.1%, layoffs fell 0.1 pp to 1.0%.

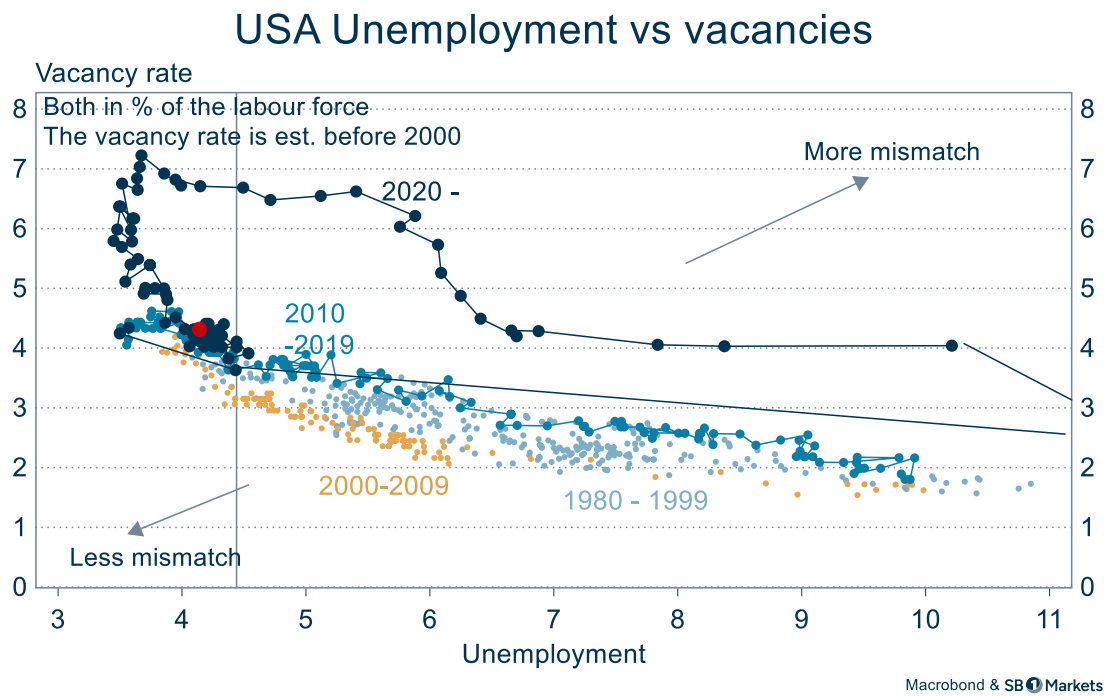


- **The job openings** (unfilled vacancies) bottomed last December and have so far in 2026 been higher.
  - The vacancy ratio is way above a historical average, but lower than after the pandemic, and the long-term trend is upwards (from 2001).
  - There are ***1.03 vacant position***s per unemployed person, twice ***the average of 0.5. This ratio trends upwards again, signalling a tighter labour market.***
  - We have assumed that the vacancy rate would need to fall to around 3.5% in order to bring wage inflation down to a level which would generate 2% CPI inflation over time. However, given the increase in productivity growth, ***wage inflation has already fallen sufficiently.***
- **New hires** trend flat, at a lower-than-normal level.
- **The quit rate** rose 0.2 pp to 2.1%, the highest level since March last year. The level is normal and way below the peak during the post-pandemic boom, and the trend is flat – which does not signal a weak labour market. (A lower voluntary quit rate signals a less tight labour market.)
- **Layoffs** fell another 0.1 pp to 1.0%. The trend is flat as well, below the 1.4% average.
  - These layoff data may be lagging: In the 2008 recession, layoffs did not turn up ***until well into the recession.*** In 2001, the layoff rate did not increase until the recession was almost over.
- **Challenger** reports a further decline in announced layoffs in October. The level is as if the economy was in good shape – which it very likely is.

More vacancies per unemployed person than normal – and *the ratio trends upwards*

In September, there were 1.04 job openings per unemployed person, twice the average level before the pandemic. This 'balance ratio' has increased from a local trough late last year as the unemployment rate has decreased and the vacancy rate has increased.



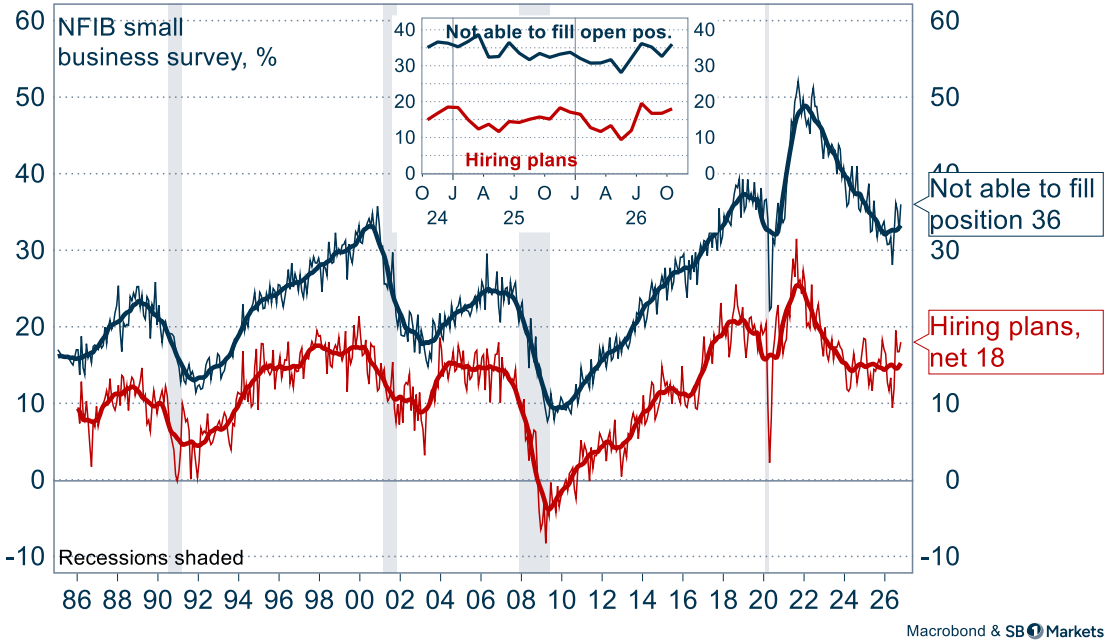


- During the pandemic, the **vacancy rate** was likely 'arti***ficially' high vs. t***he unemployment rate due to large changes in activity and thus demand for labour between sectors. This contributed to a much larger mismatch between sector-wise supply and demand for labour than normal.
- The unemployment rate is trending slowly up, and the vacancy rate is declining – which is the normal correlation. The current vacancy rate is also close to normal vs. the current unemployment rate.

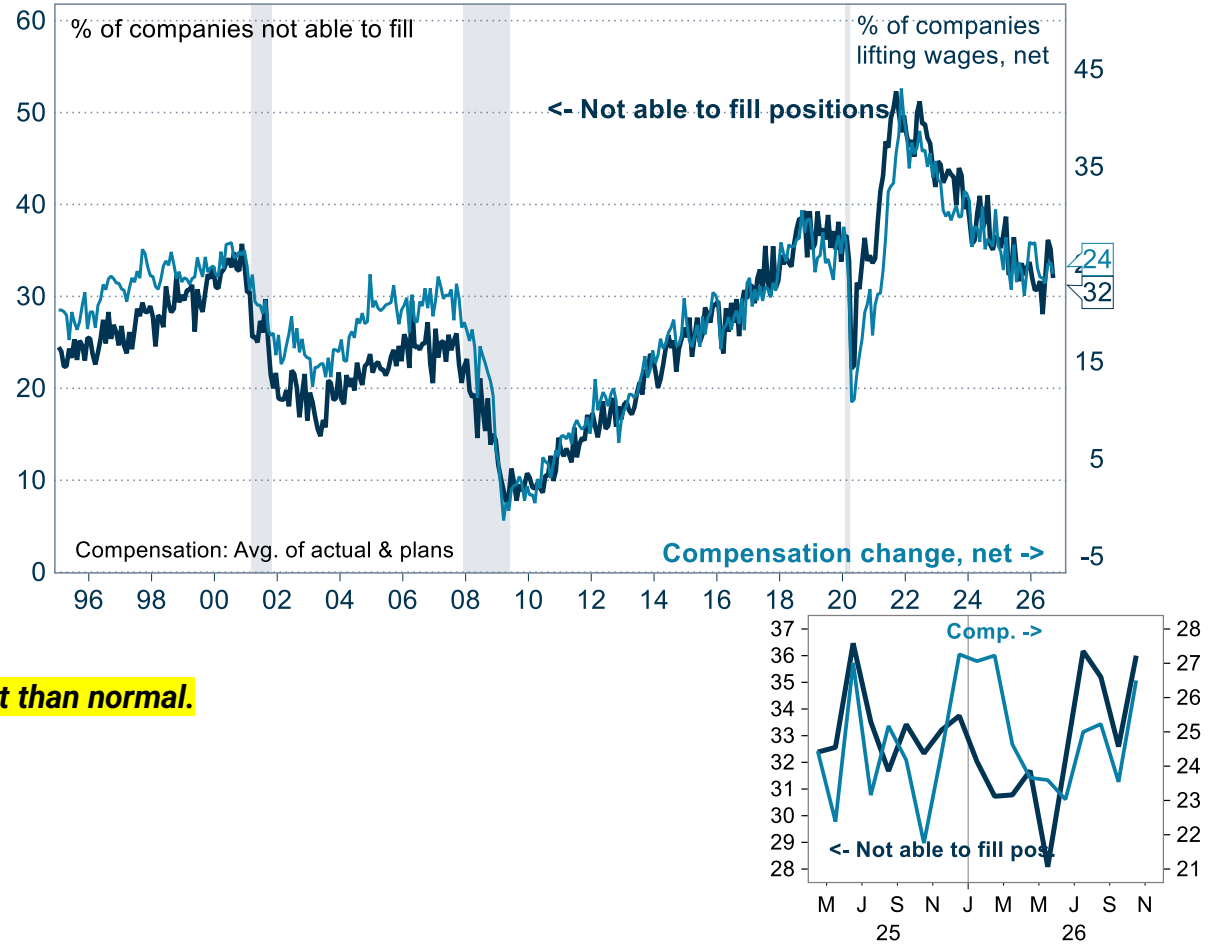
SME labour market survey: More companies are hiring, and more are not able to fill positions

Hiring plans rose 1 pp to 18%, well above an avg. level (12%), and 4 pp above the level over the past 2y. 36% of companies reported that they were not able to fill vacancies, well above the average over the past year, and the trend is up. The same goes for compensation plans.

USA Small businesses labour demand/supply



USA Vacancies vs. compensation

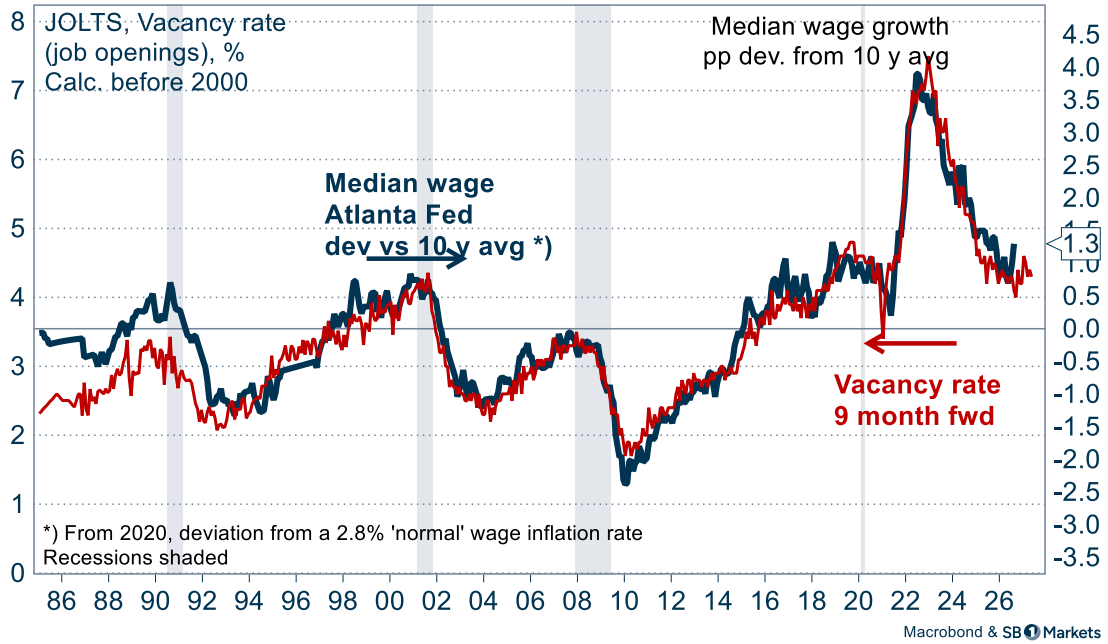


- ***In sum: the NFIB report signals a tighter labour market, and a tighter labour market than normal.***

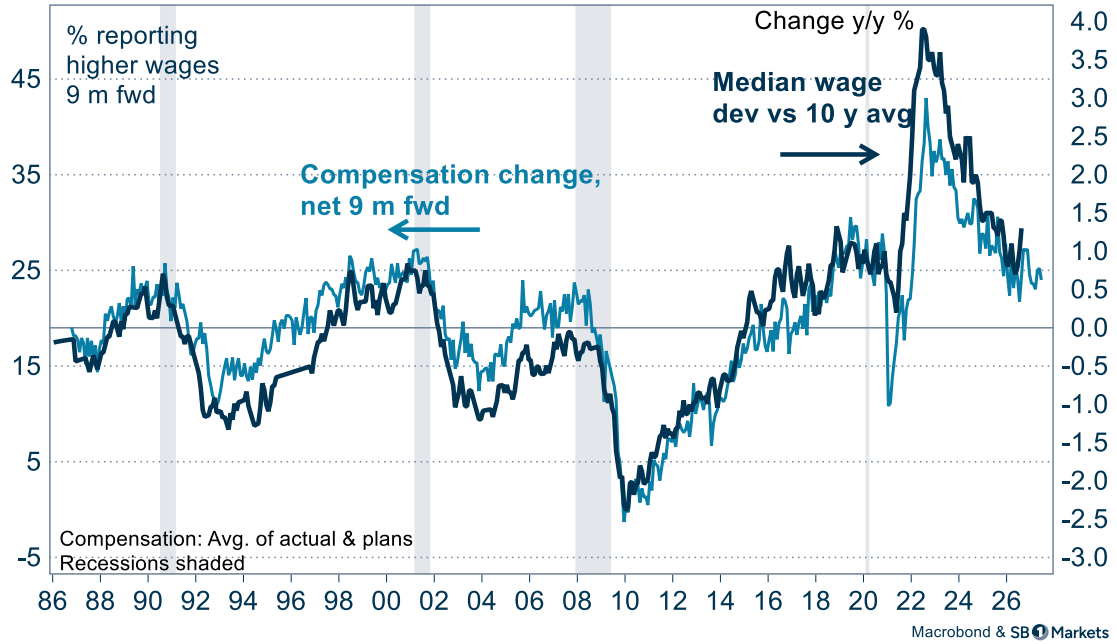
Job openings and compensation plans signal lower wage inflation

Wage inflation is at some 3.5%, and given the current rate of productivity growth, growth in unit labour costs has slowed substantially; check some pages forward. Wage inflation does not need to decline further to keep inflation in check over time.

USA Wage inflation vs vacancies



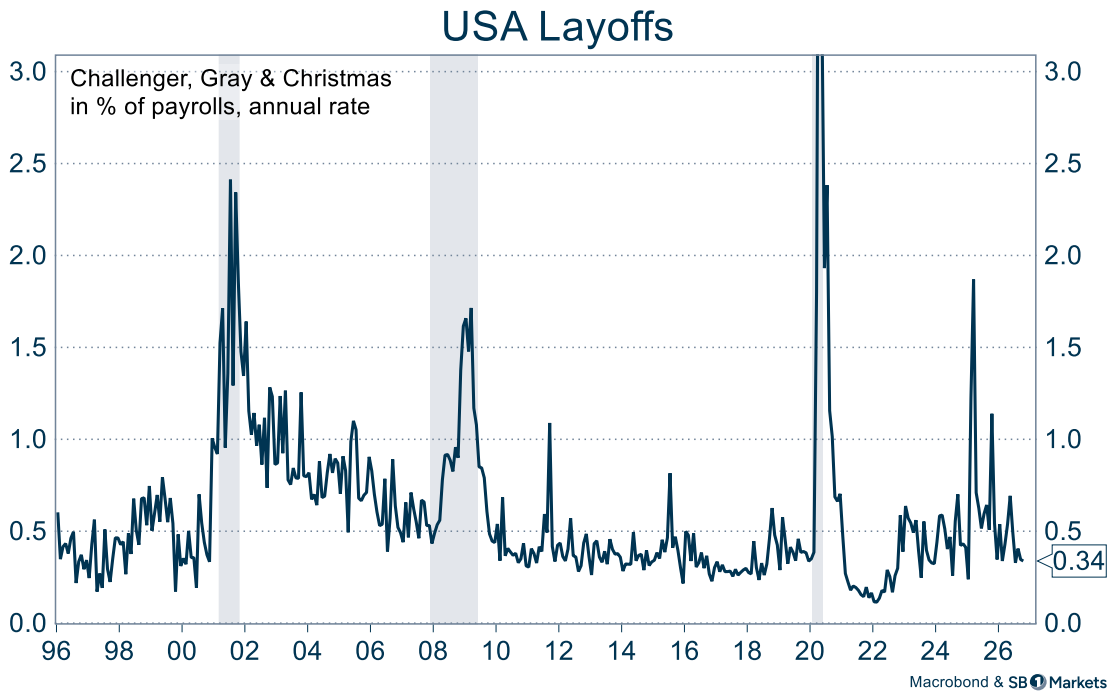
USA Wages - Actual vs NFIB survey

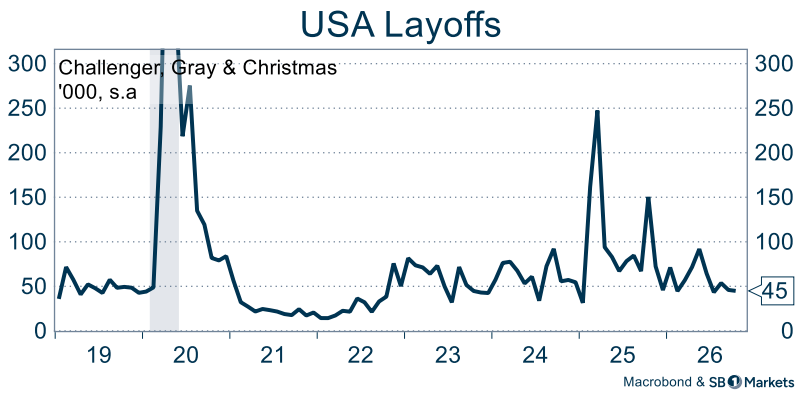


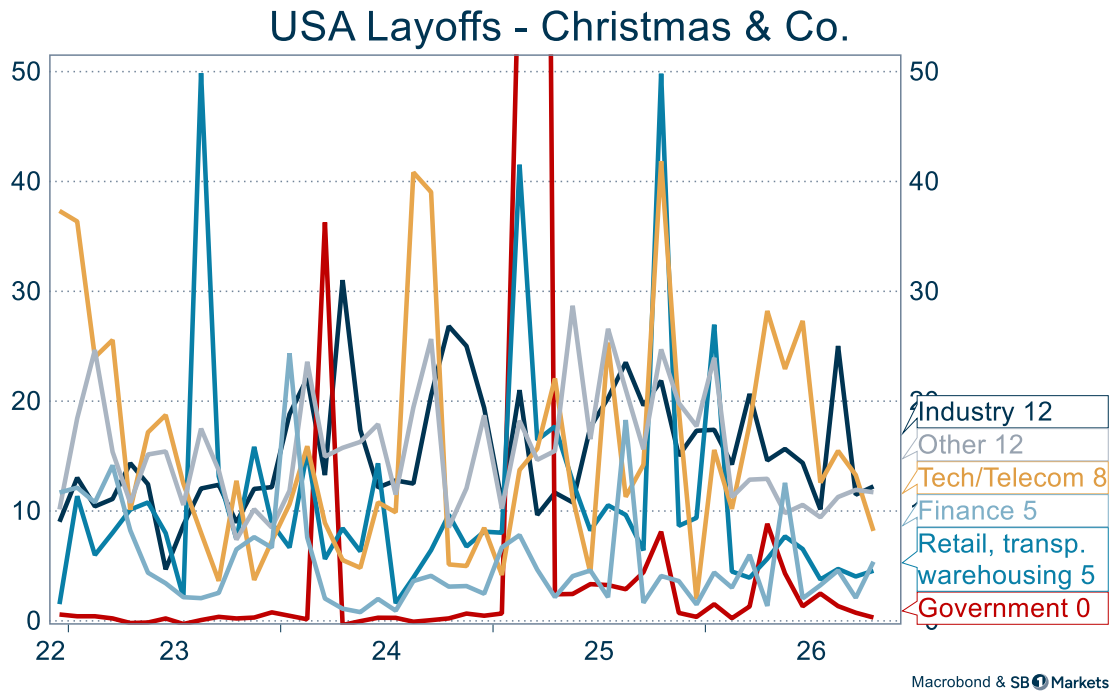
- **Our 'Phillips curve'** based on the vacancy rate signals wage inflation measured by Atlanta Fed's median wage at some 0.8 pp ***above*** the normal level (here vs. the 10y average from before the pandemic), down from the current 1.3 pp gap. (Atlanta Fed's wage tracker is an outlier on the upside, *check here*).
- **Companies' (SMEs') assessment of their compensation plans also** signals lower wage inflation (at least vs. Atlanta's measure).
- Once again – ***if productivity growth has 'permanently' accelerated*** to a 2.5% trend from the previous 1.5% trend, ***wage inflation has fallen (more than) sufficiently to bring unit labour costs down to a sustainable level.***

Challenger & Co: still few layoffs

The total declined slightly to 45,000, or 0.3% of payrolls, annualised (as if the last month's pace was sustained for a year), equal to a normal level in a stable, growing economy. The trend is down, and most sectors head down as well.

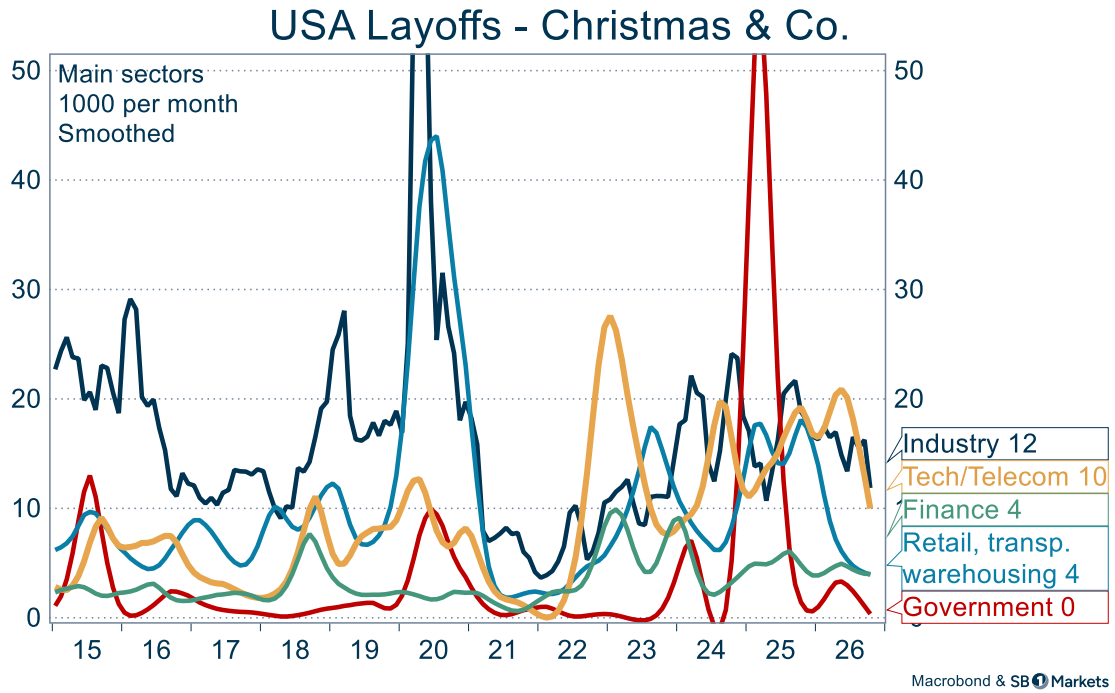






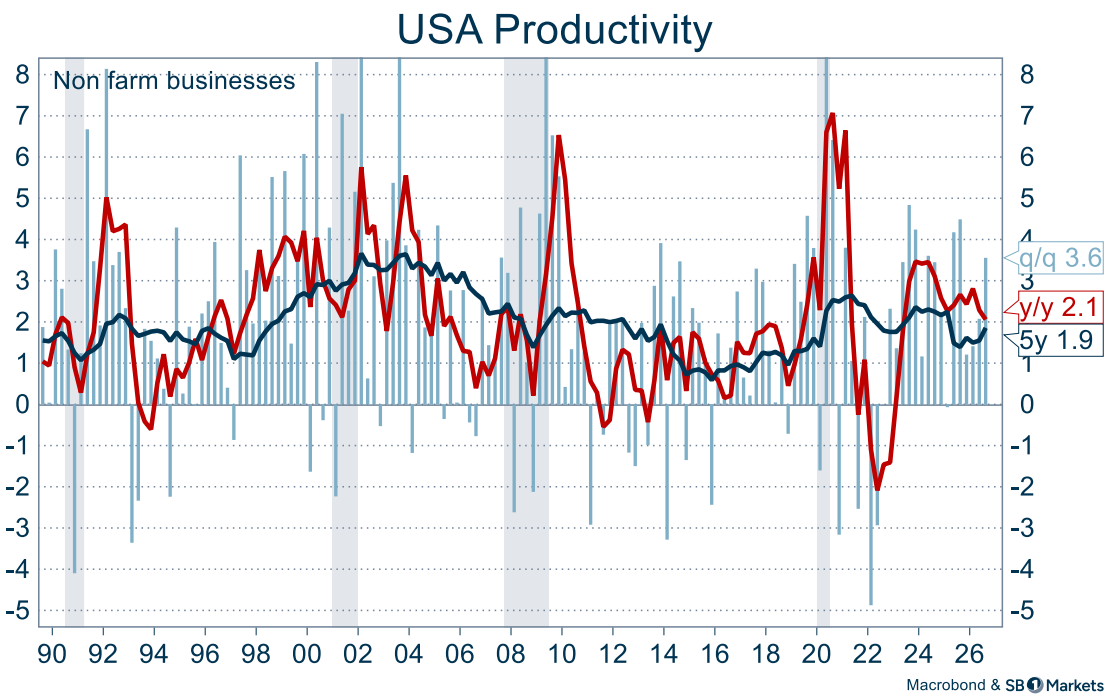
- If you have problems spotting the trends in the chart above, *check a smoothed sector chart on the next page.*

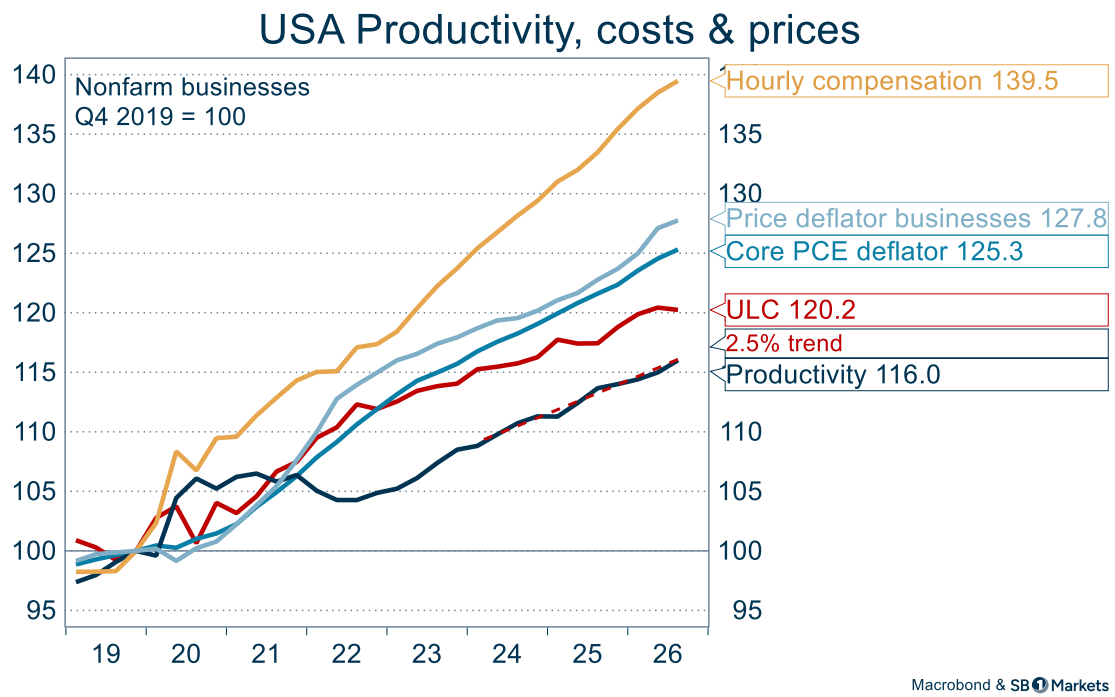
Tech layoffs still the only upside outlier (but less). Retail down to a low level again



Productivity grew 3.6% in Q3, and Unit Labour Cost declined 0.7% – but trends up 2%+

Productivity has accelerated from the 1.6% pace ahead of the pandemic to above 2%. Annual growth rates in hourly compensation and Unit Labour Costs in Q2 were both revised up by more than 1 pp, and growth in the latter is no longer 'too low', at 4.5 and 2.4% resp.

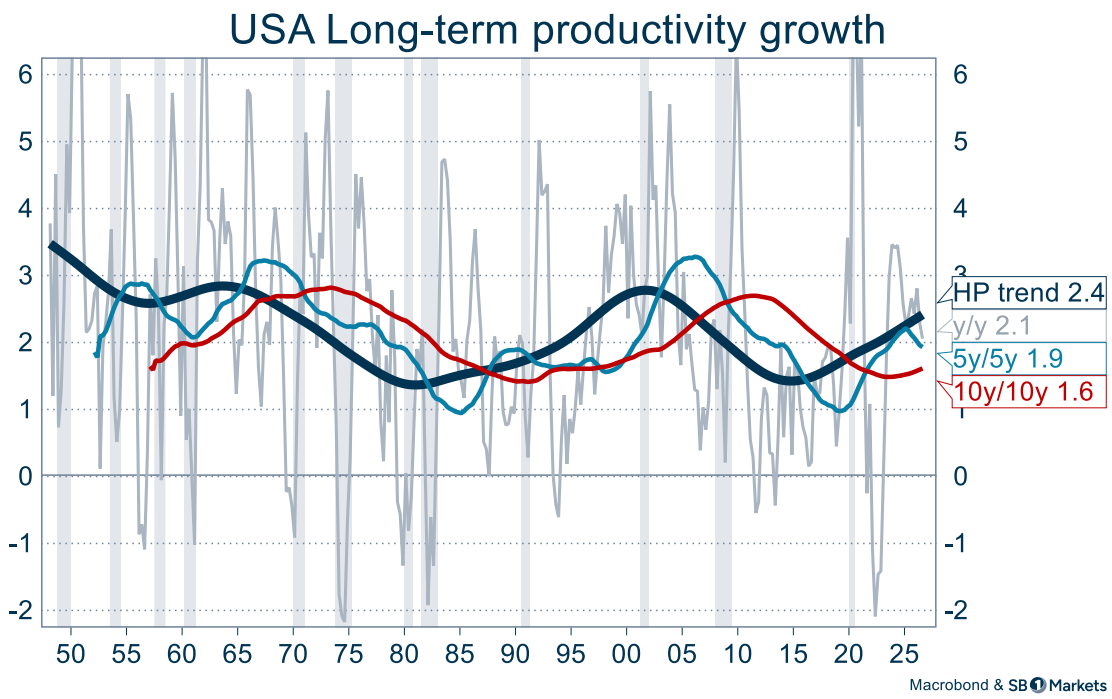


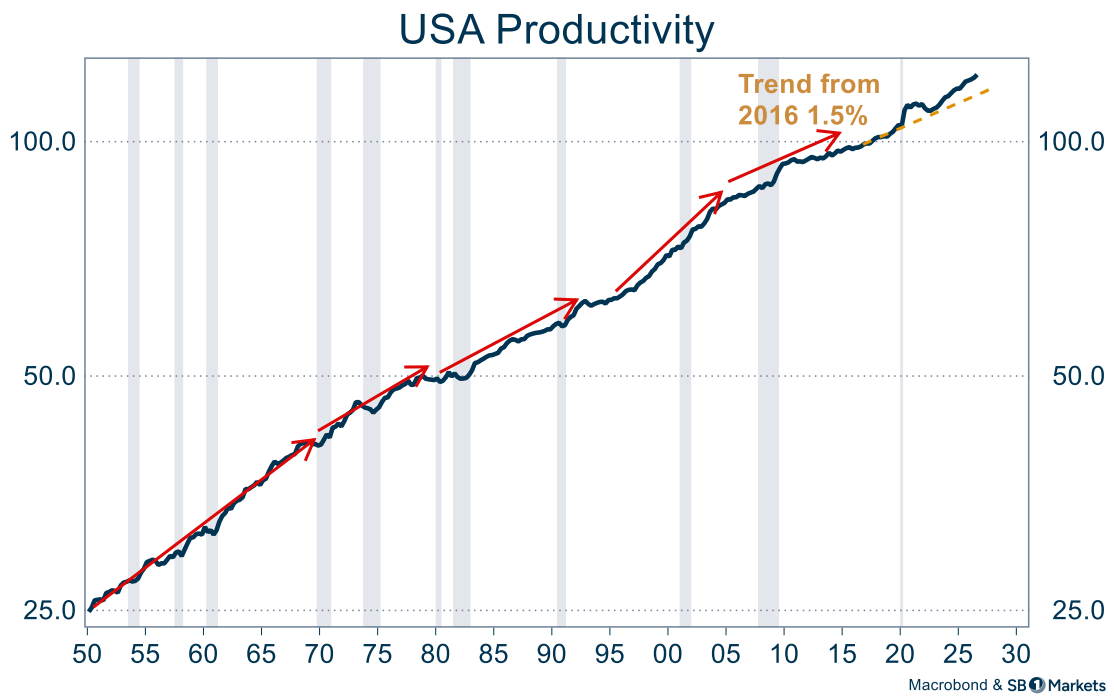


- **Productivity growth** is volatile – and often substantially revised. (The current data are the initial estimate.) The 3.6% growth pace was ***0.9 pp higher than expected***. Over the past 2 years, productivity is up at a 2.5% pace.
- **Total labour cost** (compensation per hour, measured in the National Accounts) grew just 2.9% in Q3, and is up 4.5% y/y, following a 1 pp upward revision of annual growth in Q2.
- **Unit Labour Cost** (labour cost per unit produced, growth = growth in hourly compensation – growth in productivity) fell 0.7% q/q in nonfarm businesses, expected up 0.4%. ULC is still up 2.4% y/y, which is on the upside vs. the 2% PCE inflation target – even if the surge in profits is the main culprit vs. the current above 2% inflation.

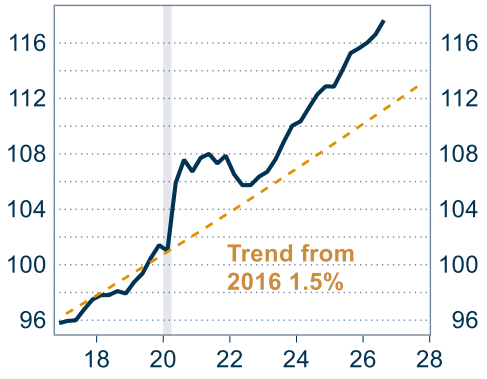
Productivity: *Growth has accelerated!*

Productivity is volatile from quarter to quarter and year to year. A 2%+ trend path seems reasonable, which is not that impressive vs. the long-term history, but *better than during the slowdown from before the financial crisis until the pandemic*.





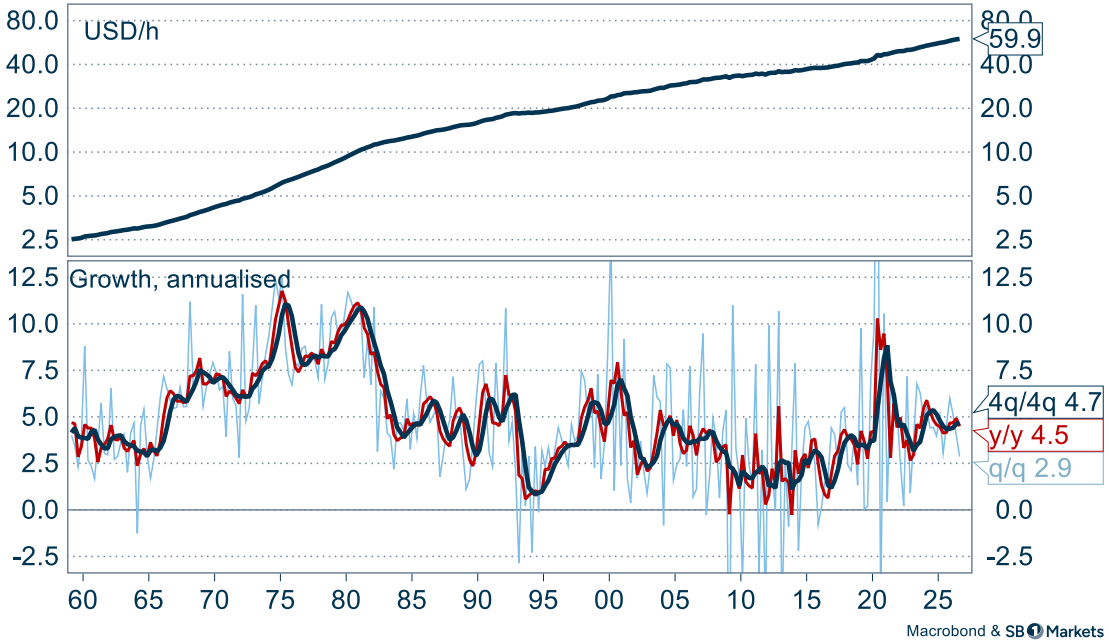
- "Productivity isn't everything, but in the long run, it's almost everything" (Krugman, 1994). (Productivity = value added (GDP) per hour worked.)
- The long-term downward trend since WWII has not been a straight line. The **internet revolution** probably contributed to ***faster growth around 2000*.** Now, the **5y/5y growth rate** is 2.1%, above the 10y/10y 1.6% pace. An HP filter (lambda = 40,000) yields a 2.4% underlying growth rate.
  - High inflation and a badly managed economy lowered productivity 1975–1985+, and growth slowed to 1.5%, from almost 3% from the 50'ies into the 70'ies.
- We may still hope and pray for another productivity surge – like one driven by AI – which would be good for both real wages and profits.



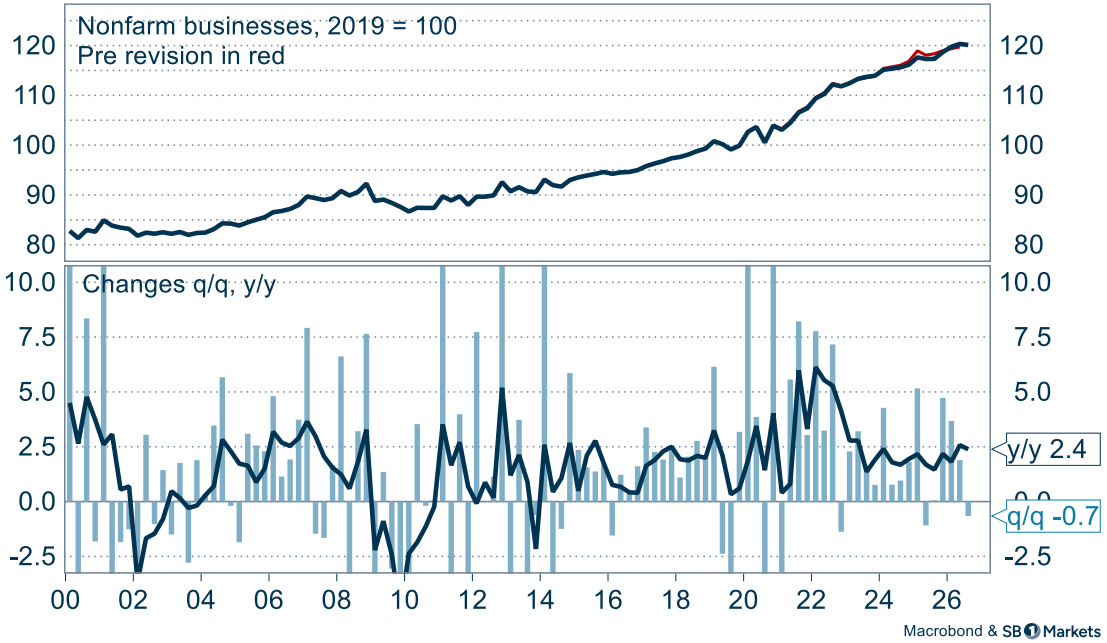
Hourly wage compensation grew at just a 2.9% pace in Q3, but underlying growth at 4.5%

… following an upward revision of more than 1 pp. In Q3, productivity rose at a 3.6% pace, and Unit Labour Costs fell 0.7%! Still, ULC is up 2.4% y/y in nonfarm businesses as Q2 was revised up 1.2 pp to 2.6% y/y. *Thus, labour cost inflation remains slightly too high!*

USA Hourly compensation, business sector

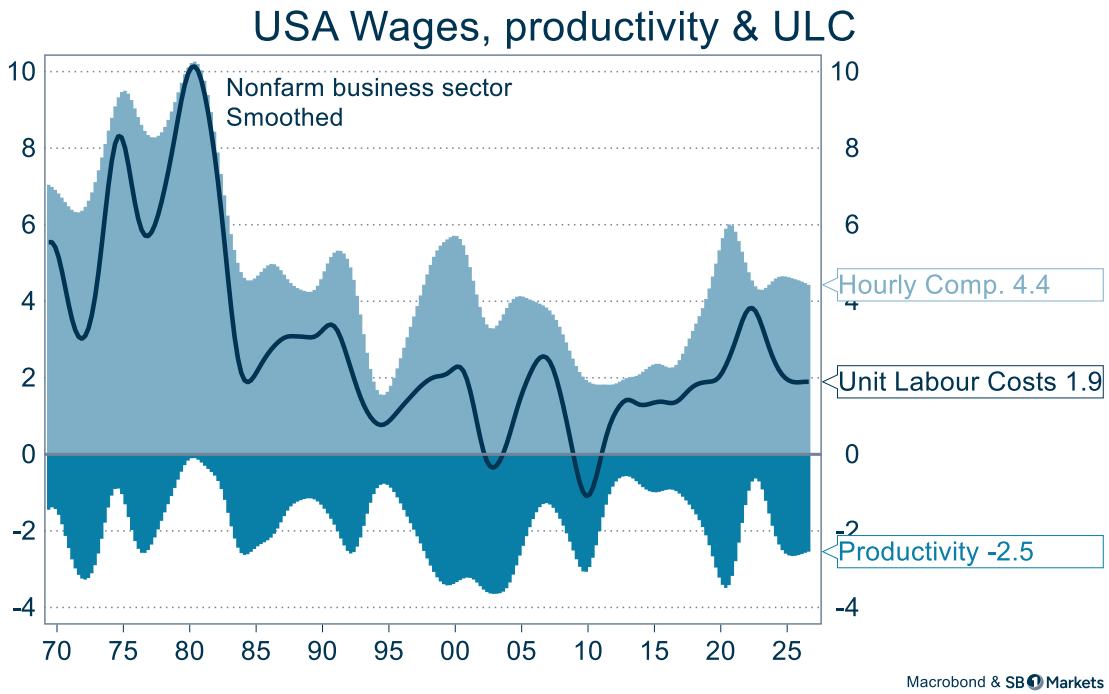


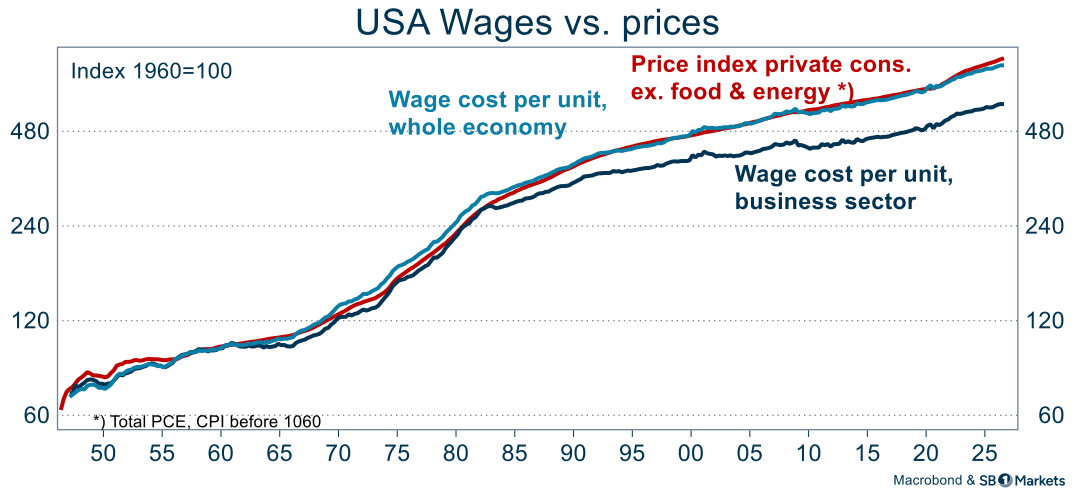
USA Unit labour cost

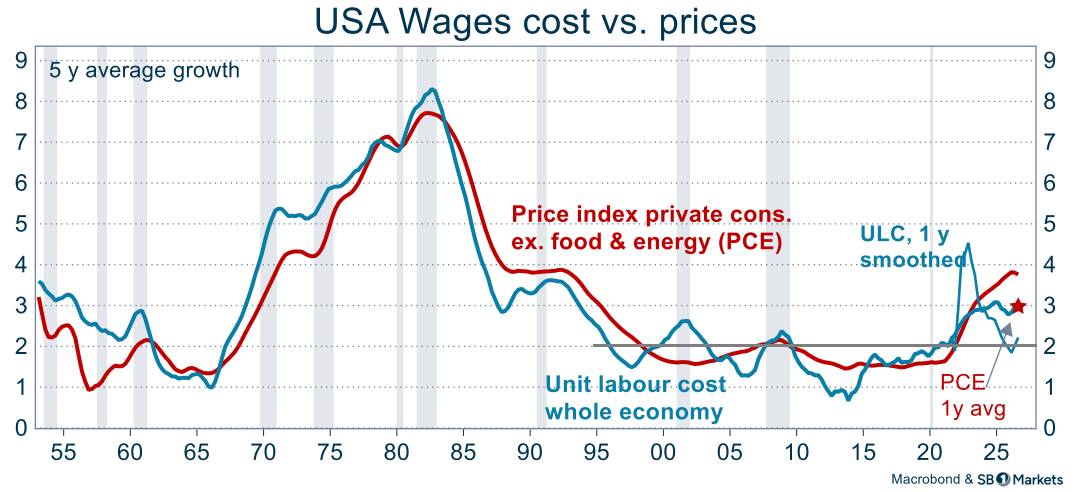


Cost and productivity trends decide price trends, over time.

Smoothed data: Hourly compensation: 4%+. Productivity: 2%+ ***→Unit Labour Cost: 2% →Less inflation risk!***





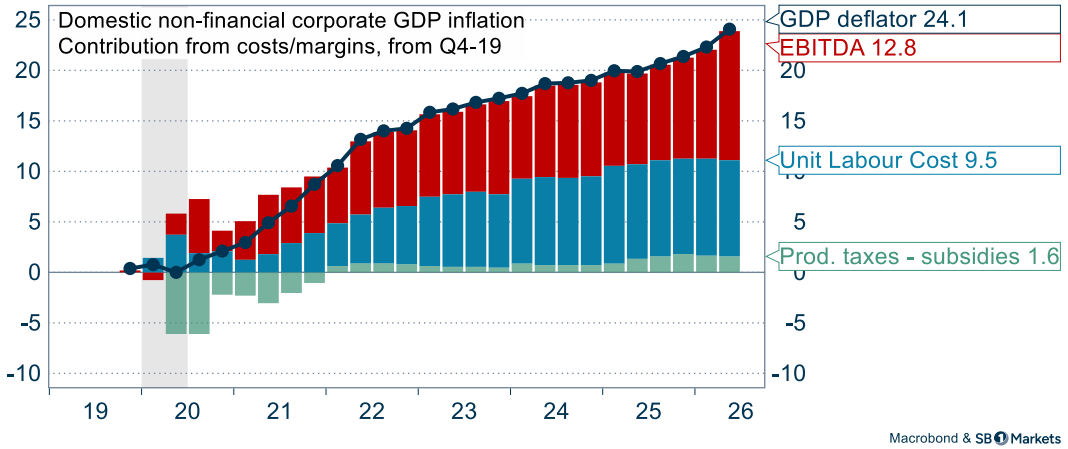


- In the chart above, an illustration with a technical smoothing (HP filter, lambda = 800).

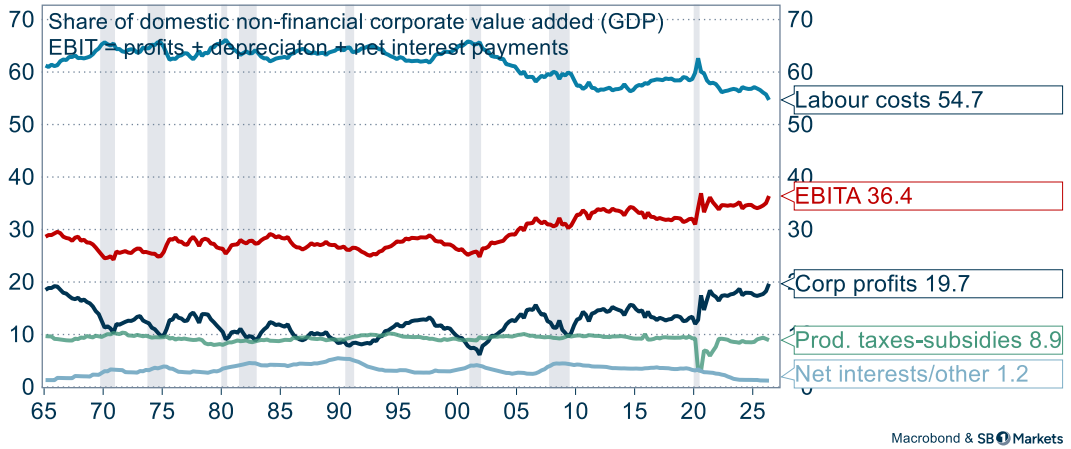
Old, Q2 data: Corporate value-added prices rose 4.3% y/y, of which 3.9% from higher profits

We expect an upward revision of labour cost, and a lift in the contribution from Unit Labour Costs by some 0.6 pp, to 0.8% – and a smaller contribution from profits.

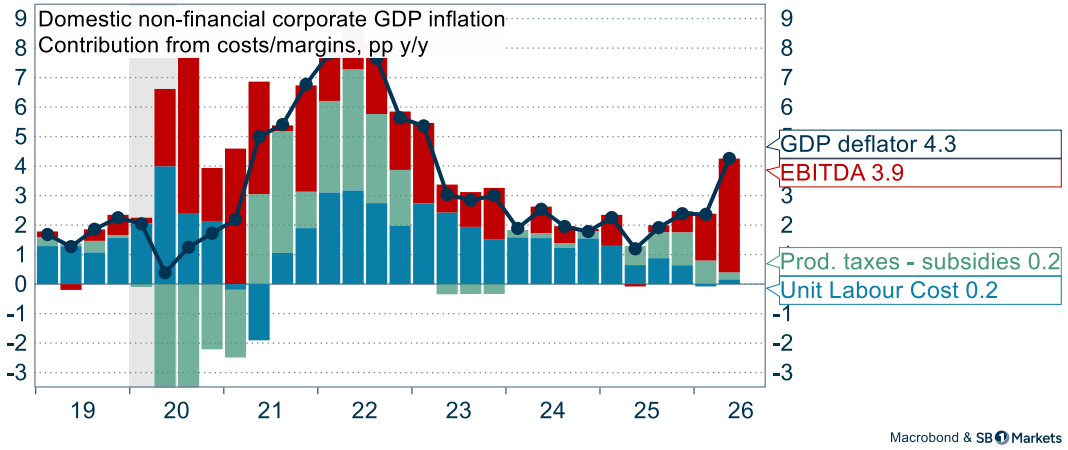
USA Inflation - what contributes?



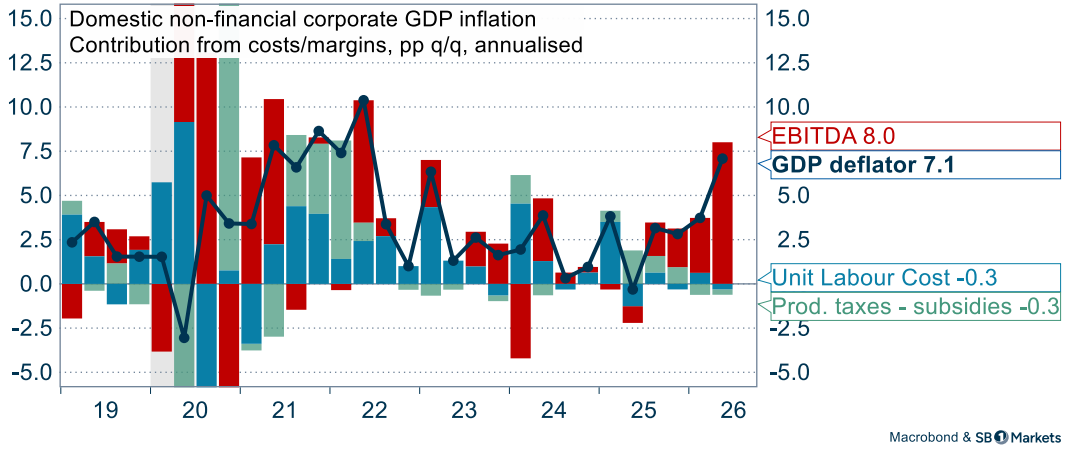
USA Distribution of corporate value added



USA Inflation - what contributes?

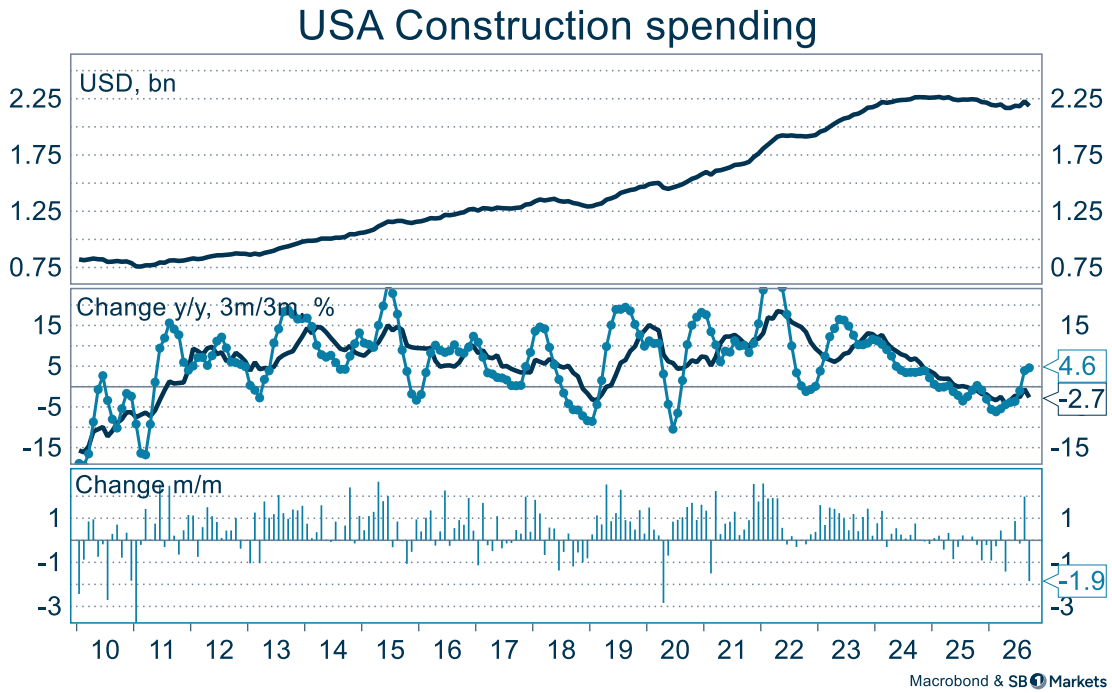


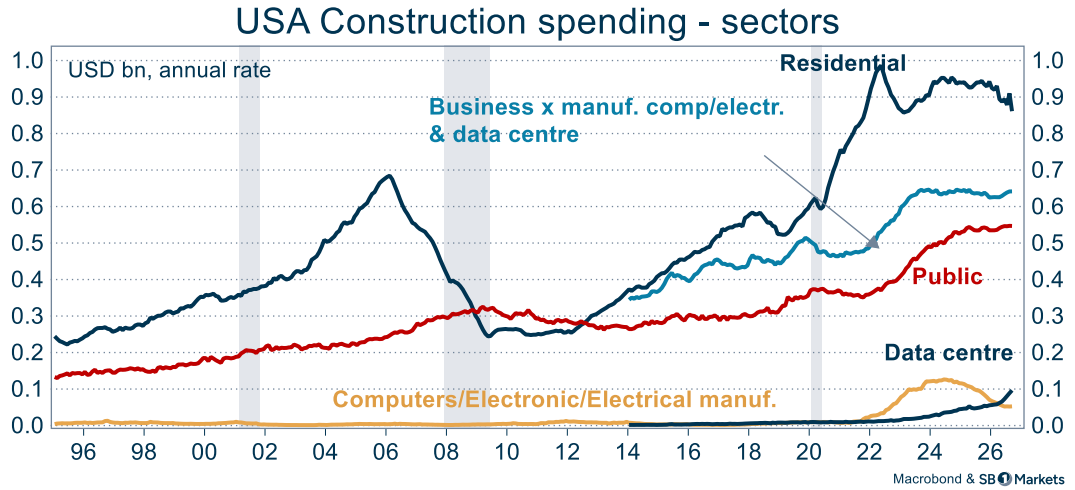
USA Inflation - what contributes?

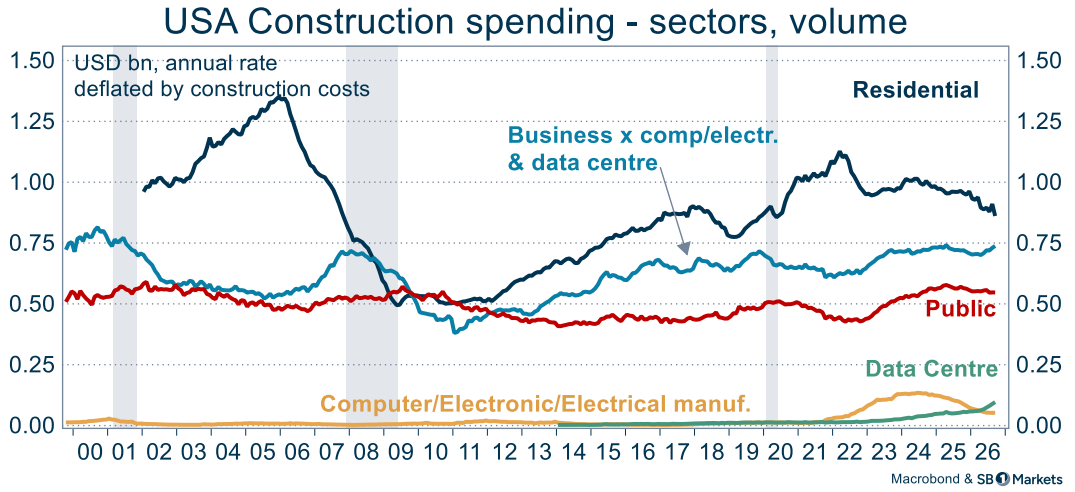


Construction spending: turned up in recent months, thanks to businesses (guess which…)

Well, most is due to data centres. Other business construction spending is up as well, if not by much (and close to flat if manufacturing of computers etc. is subtracted, as it is declining). Residential construction dropped in September, and the total was down 1.9%.

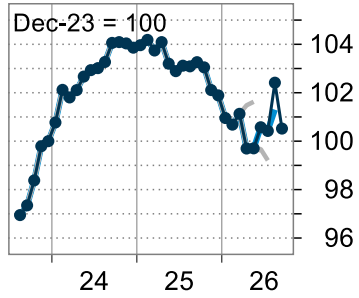






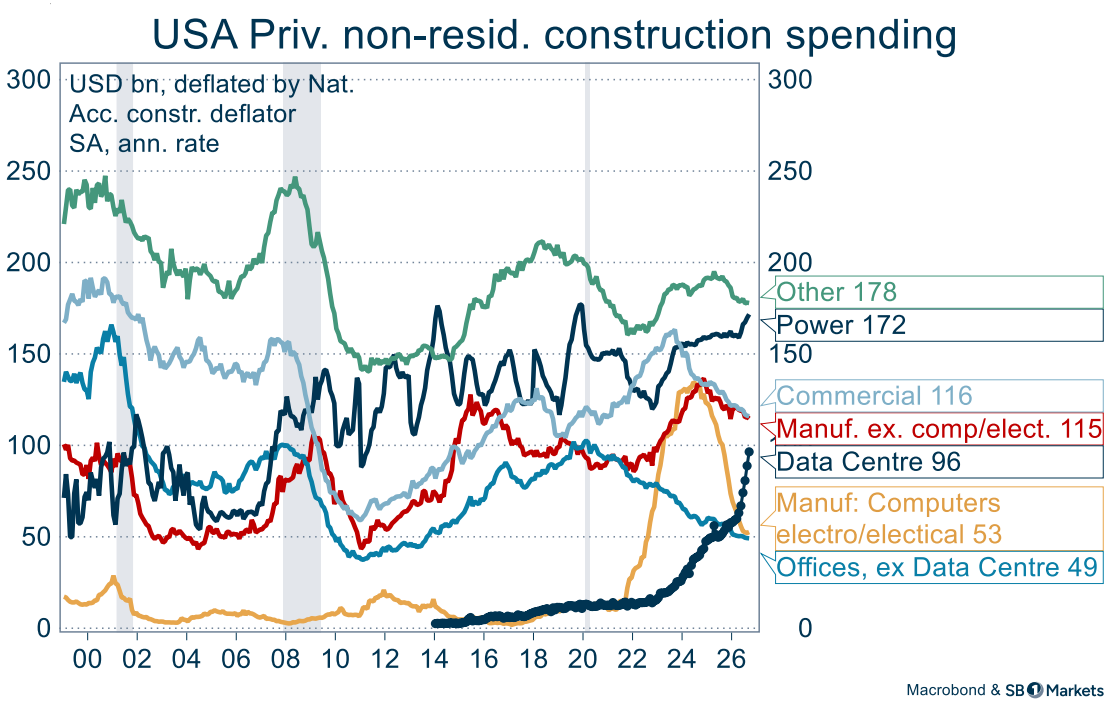
- Residential construction spending trends rapidly down, both in value and volume terms, taking the total construction spending down, at least in volume terms.

- Revisions: August was revised up.



Mixed trends in investments in business structures: data centre, power up. The rest: down

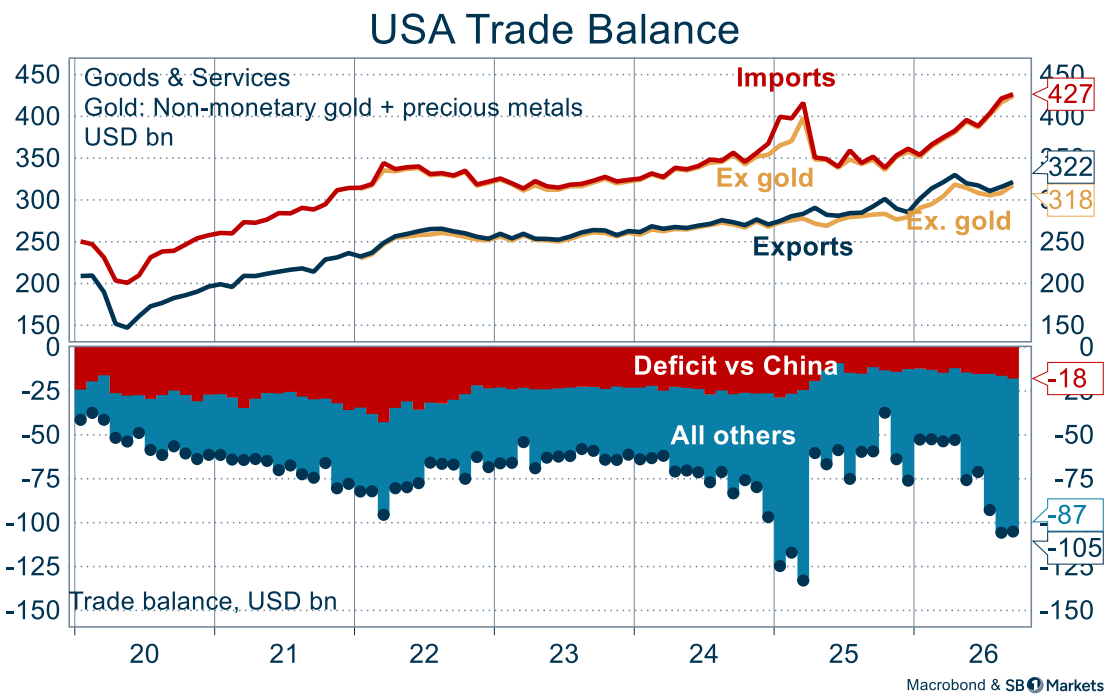
Data centre structure investments are surging (the equipment not included) and compensate for the collapse in structures for manuf. of electronics etc., which exploded in 2022/23. Offices (ex. data centres) are falling rapidly. Commercial (incl. retail trade) trends down.

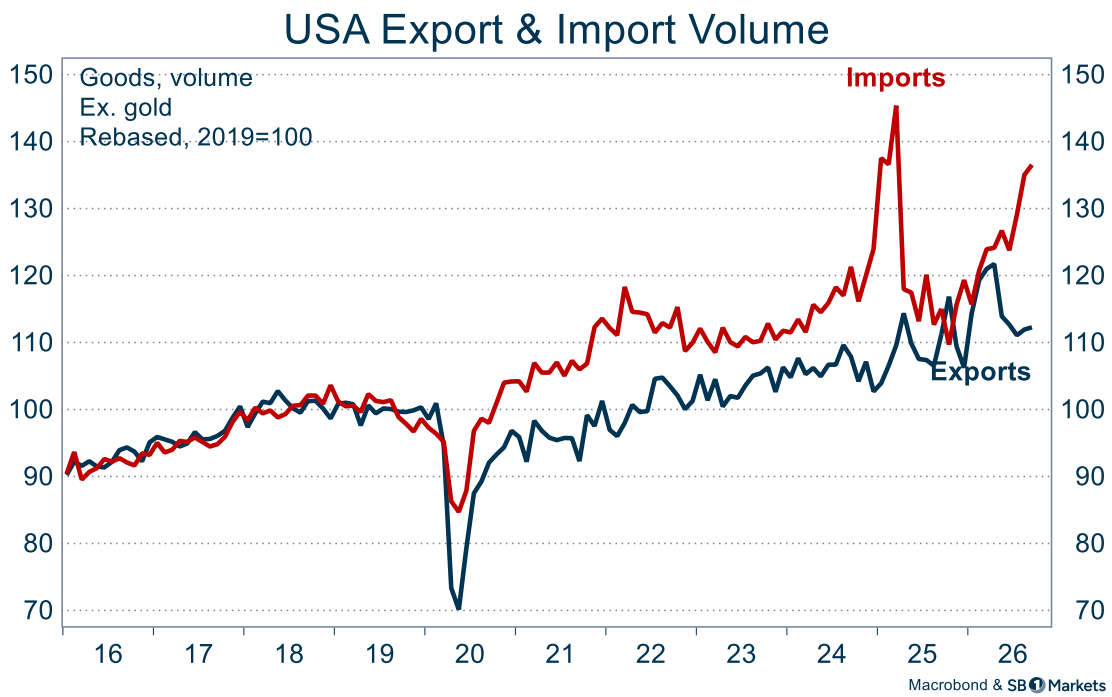


- Spending on data centre construction is surging, just as fast as spending on manufacturing in data/electro/electrical plants in 2023/24, due to the Chips and Science Act. The peak level in these investments was higher than investment in data centre structures is now. Investments in data etc. plants have fallen 60%.
- Investments in **other parts of the manufacturing sector** have also been growing in recent years but have been declining over the past year.
- Investments in **power supply** are also connected to the data centre expansion, and they suddenly turned up a few months ago.
- Investments in **offices ex. data centres have been cut in half since 2020**, and is at a 'recessionary' level (and the downside is probably limited).
- Construction in the **commercial sector** (trade, distribution ex. transport) is probably also exposed as the investment level may be on the high side, even after a 25% decline.
- **Other business investments** are not at a high level and may be sustained.

The trade deficit is higher than at any time before, barring the pre-tariff frontrunning in Q1-25

... at least in value terms. The deficit was close to unchanged at USD 105bn in September. Import values/volumes are surging, mostly due to a steep lift in computers/semiconductors to data centres. However, other imports are increasing as well.

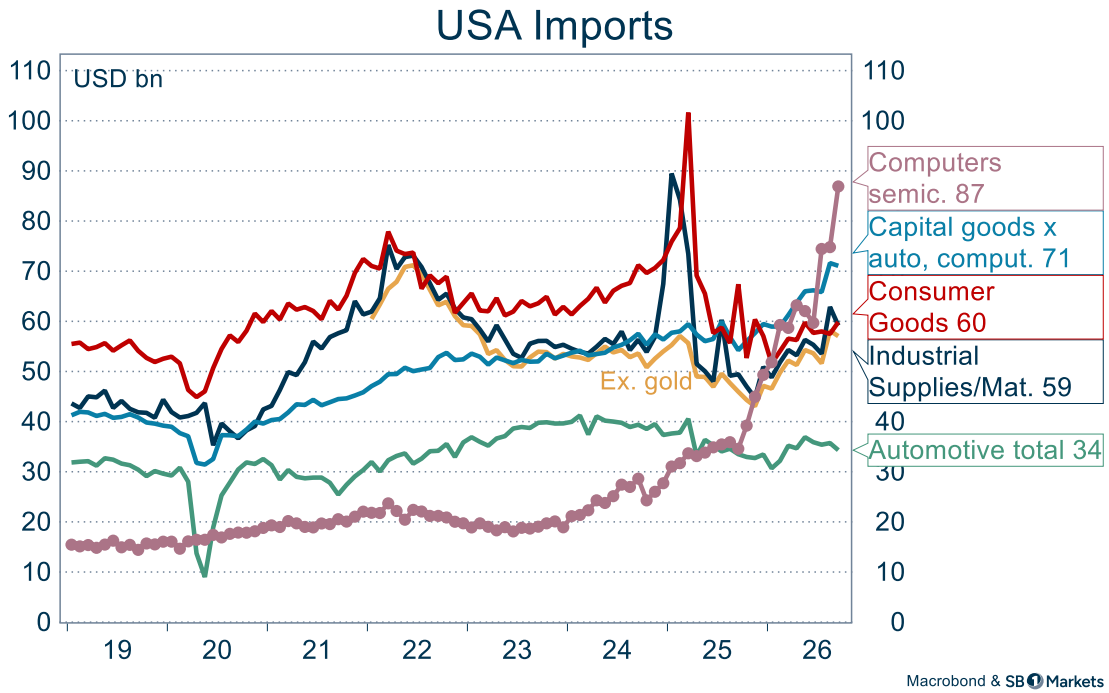


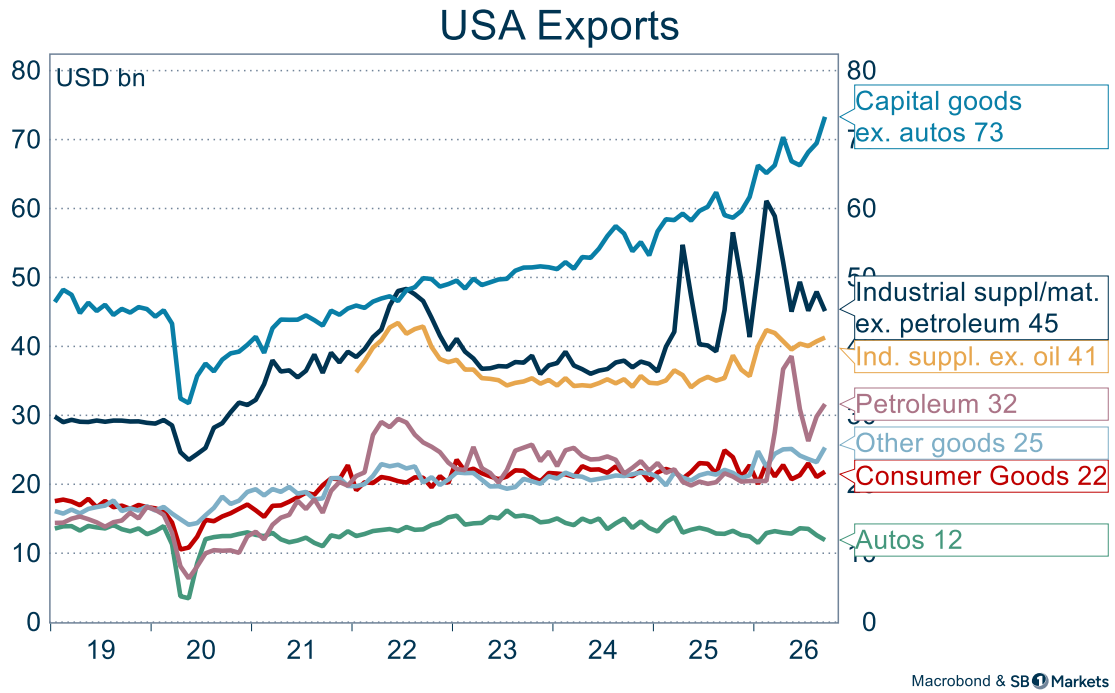


- Net gold exports have fallen to almost a normal level and do not influence trade figures by much anymore.

Semi/computer imports are surging – but other imports are up as well

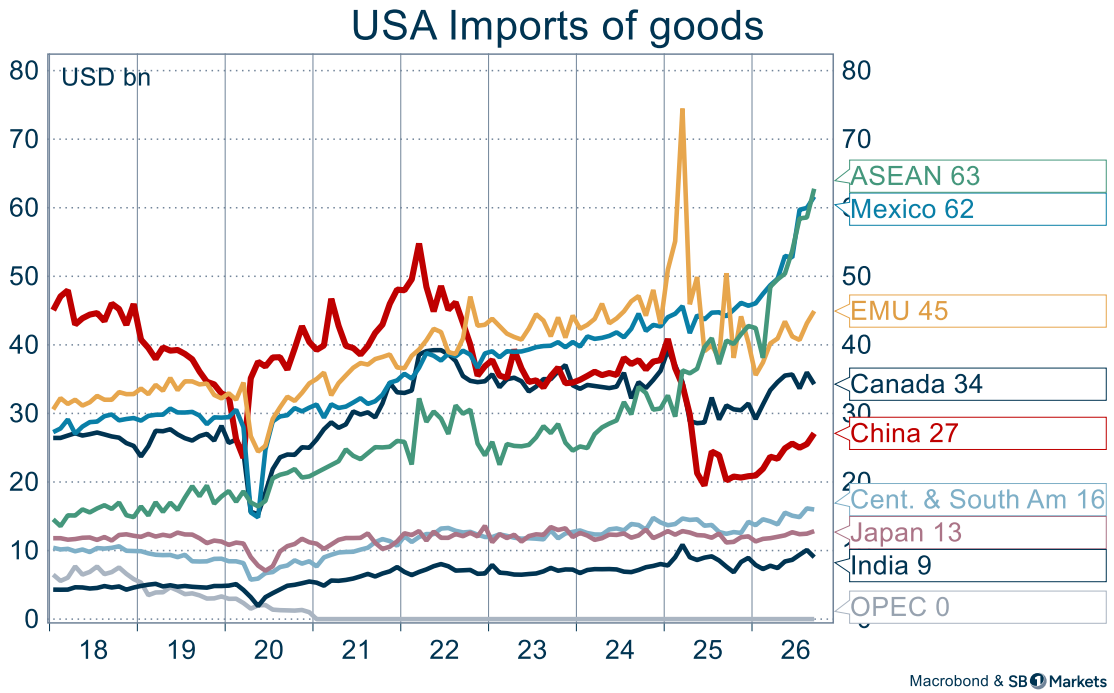
Imports of semiconductors/computers are up by USD 50bn since last autumn, or more than 2x.
Exports: Petroleum exports as well as other material exports have been volatile lately. Capital goods ex. autos trend steadily up.

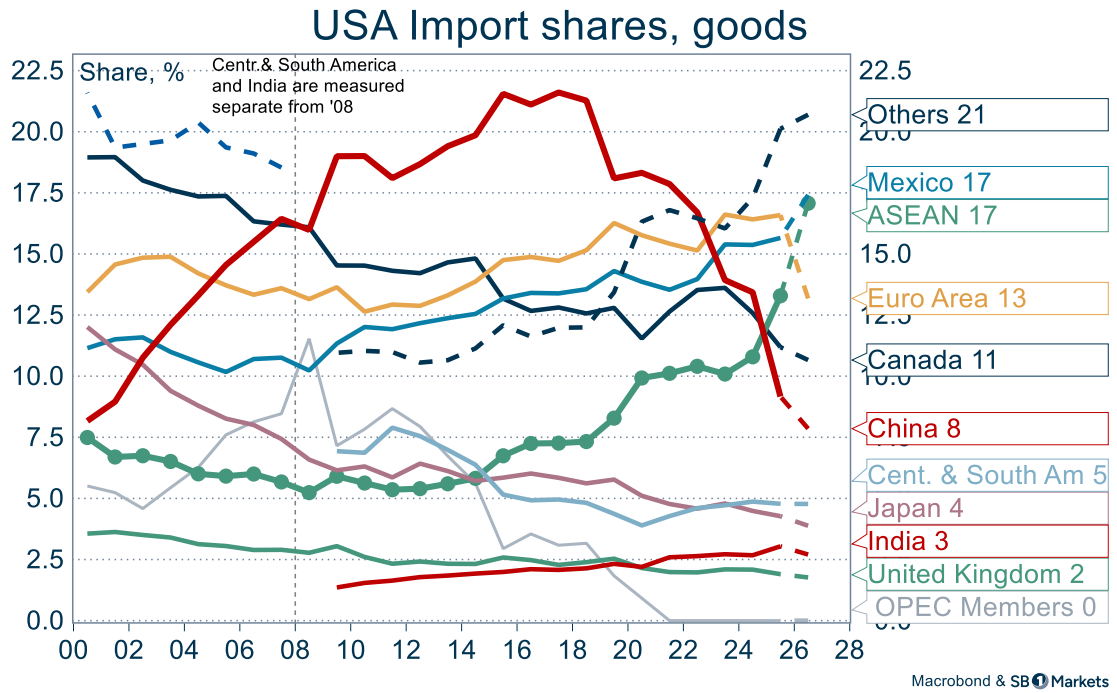




Imports from China are creeping into the US (both directly and through other countries)

The 'official' Chinese import share has fallen to 8% from 22% in 2018! Imports from Canada have also fallen. However, imports from ASEAN and other Asian countries and Mexico have been surging, which has compensated for lower exports (directly) from China.



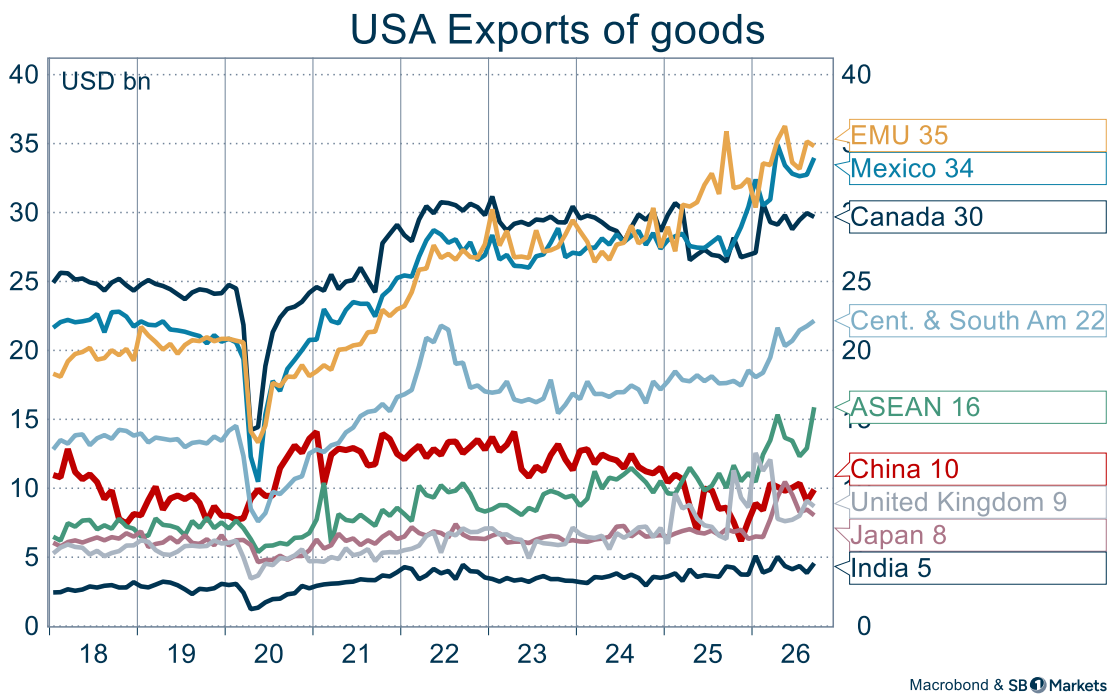


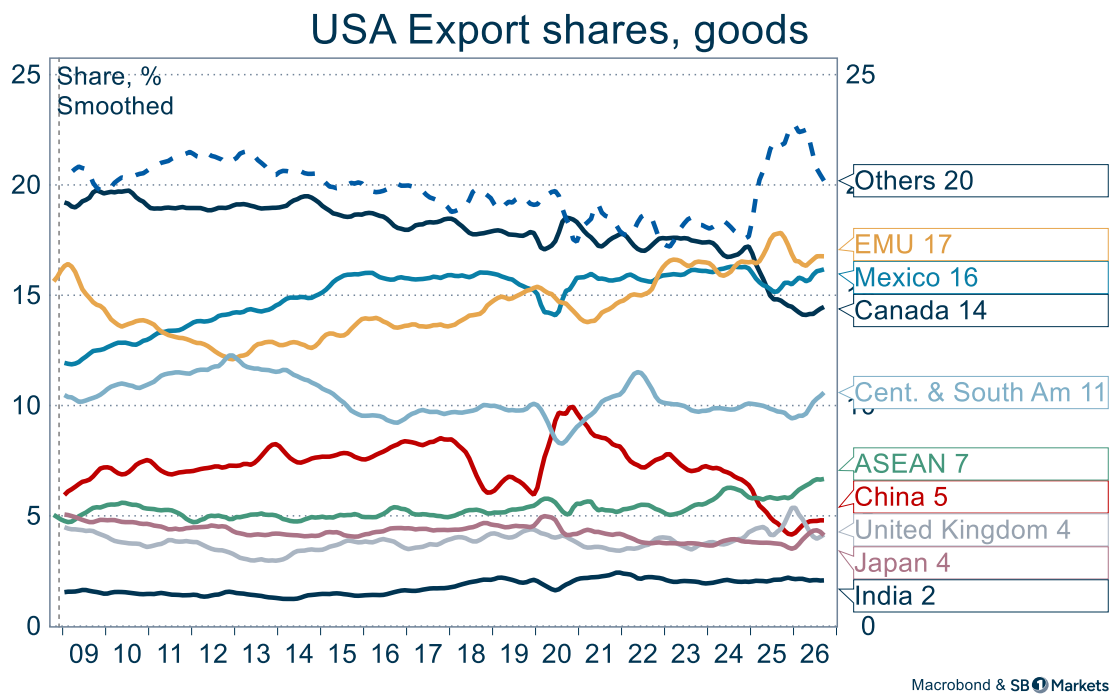
- Long-term trends
  - EMU, Mexico and ASEAN hold the highest import shares. Canada has dropped to no. 4, from the pole position 25 years ago.

ASEAN: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.

US exports to EMU trend up, to Mexico as well

US exports to China fell to 4% of the total last year, down from 10% in 2020. So far in 2026, exports to China have increased somewhat.

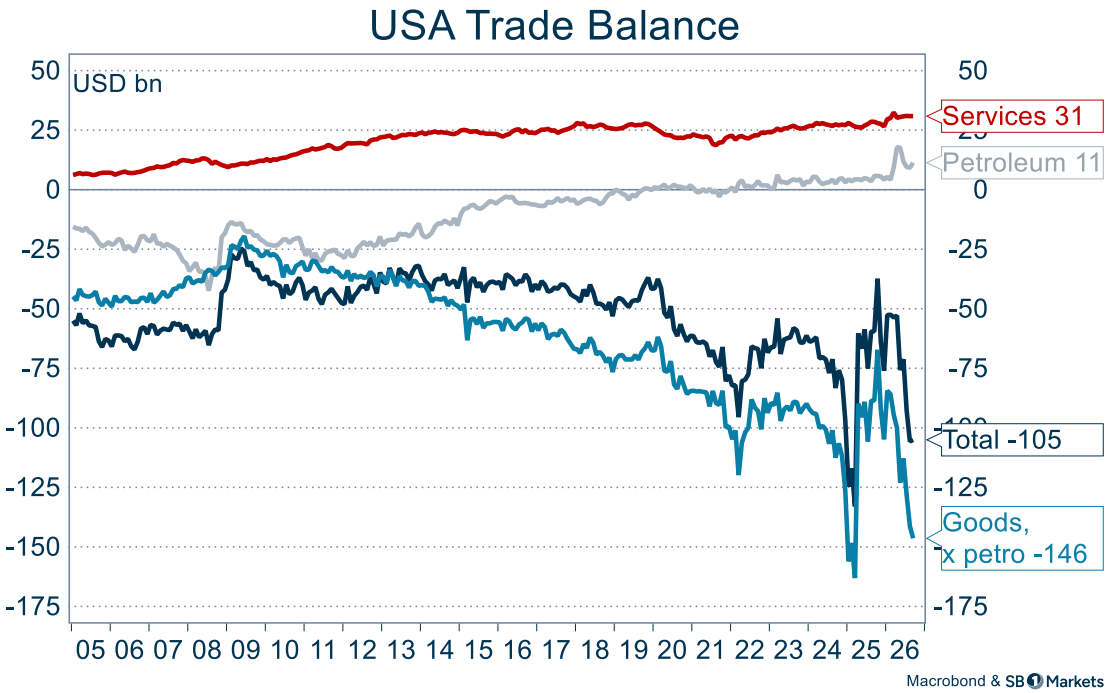


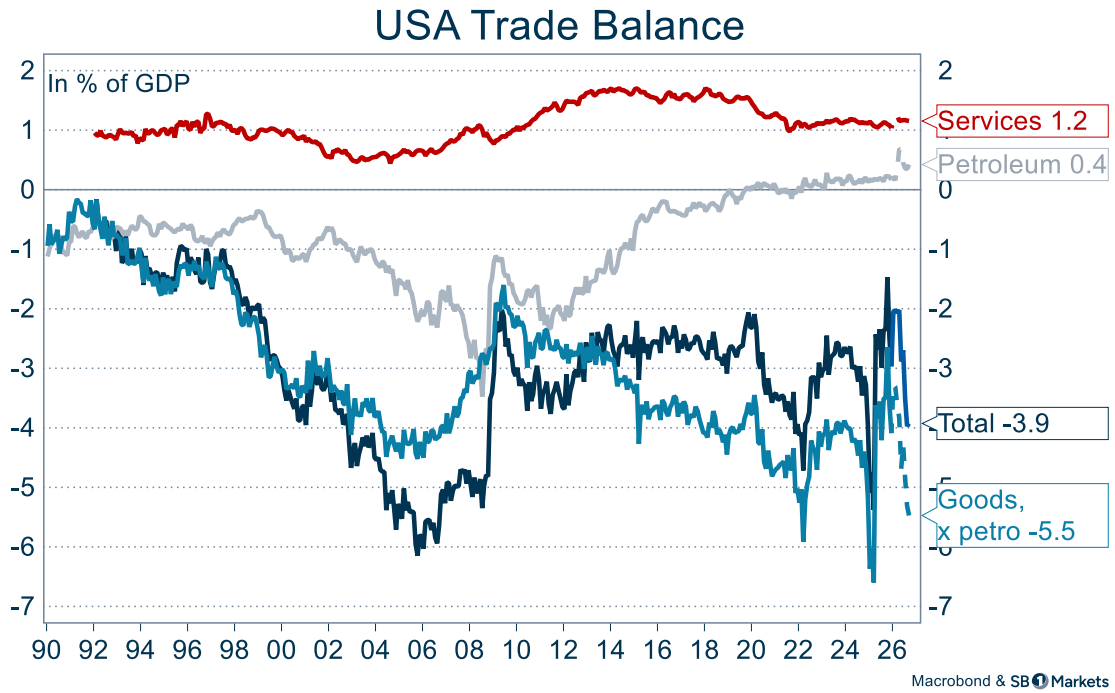


ASEAN: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.

The trade deficit has suddenly ‘exploded’ – and it is very large also vs. GDP

The trade surplus in petroleum products equalled 0.4% of GDP in September, up from less than 0.2% in February. Other goods are down 5.5% of GDP. The trade surplus in services has increased slightly (now to 1.2% of GDP) but is still well below the level before the pandemic.

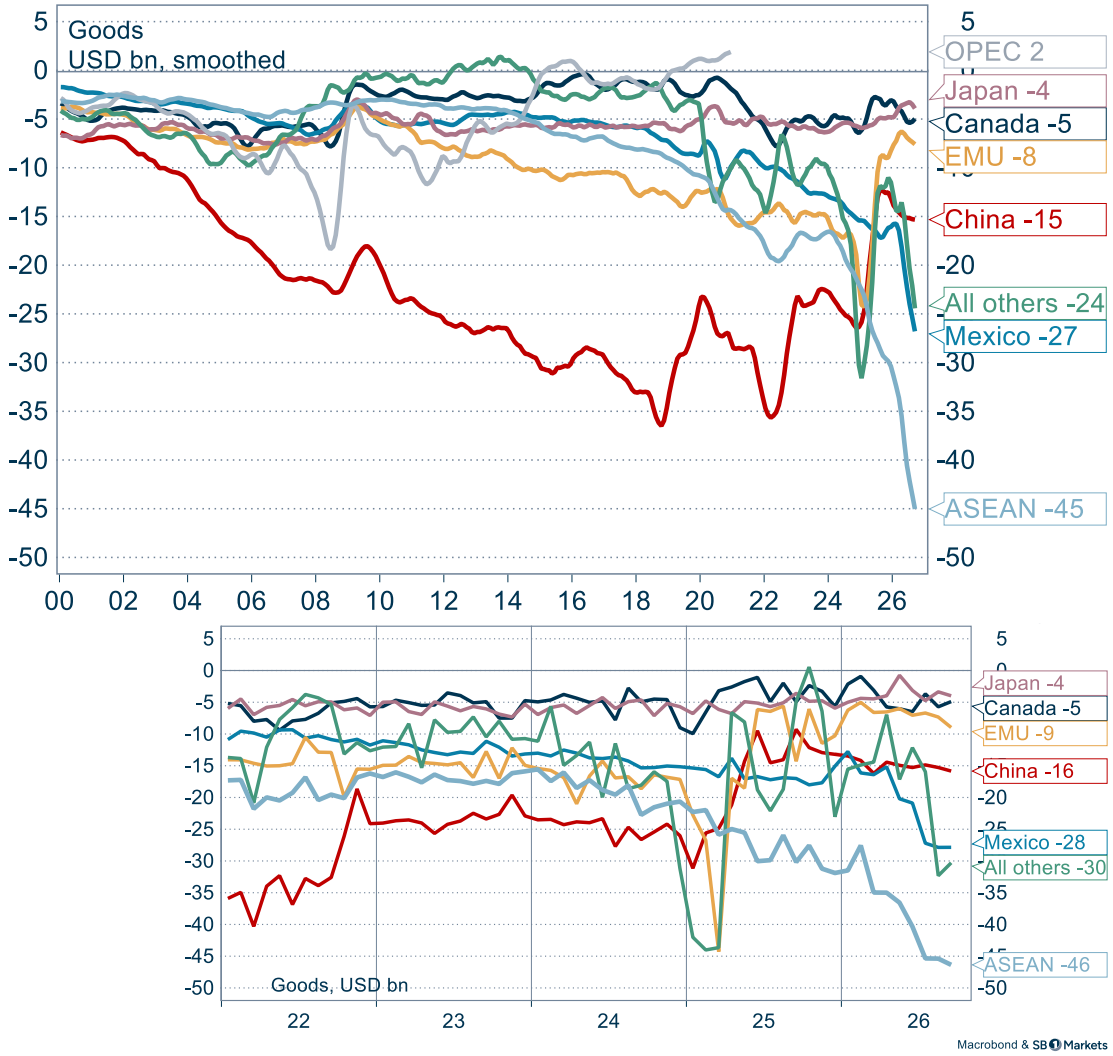




The deficit vs. China is likely permanently lower; it is too early to judge the rest

Adjustments to tariffs, gold trades, the AI investment boom and now oil exports have pushed both exports and imports up and down. However, the deficit vs. ASEAN and other Asian countries has widened (especially vs. Vietnam), also supported by computers/semicond.

USA Trade Balance



US deficits:

- Vietnam and Mexico at the top with Taiwan before China!
- China used to hold the pole position.

USA Trade Balance goods

Countries & regions	Last 12m, USD bn	NOW
Vietnam		-239
Mexico		-235
Taiwan		-223
ASEAN ex. Vietnam		-194
China		-173
Euro Area ex. Germany		-88
South Korea		-79
Germany		-70
Canada		-50
Japan		-49
India		-49
Russia		-2
Norway		-2
Africa		2
Saudi Arabia		6
Australia		17
Switzerland		33
United Kingdom		49
South & Central America		64

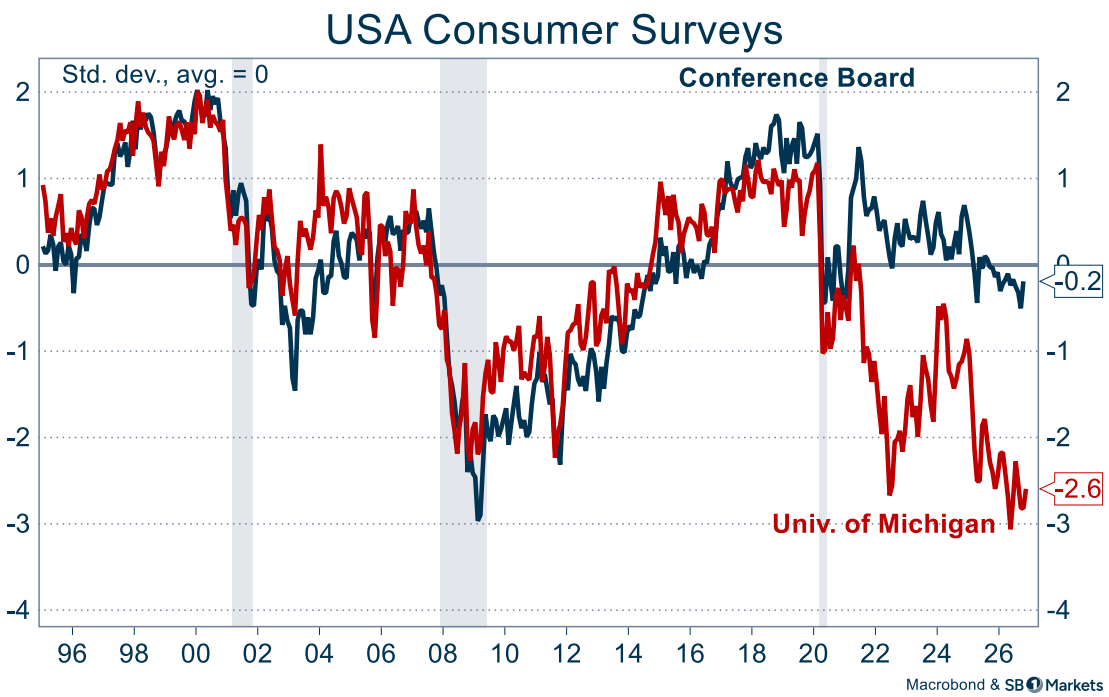
-250 -150 -50 50

Now 1 y ago

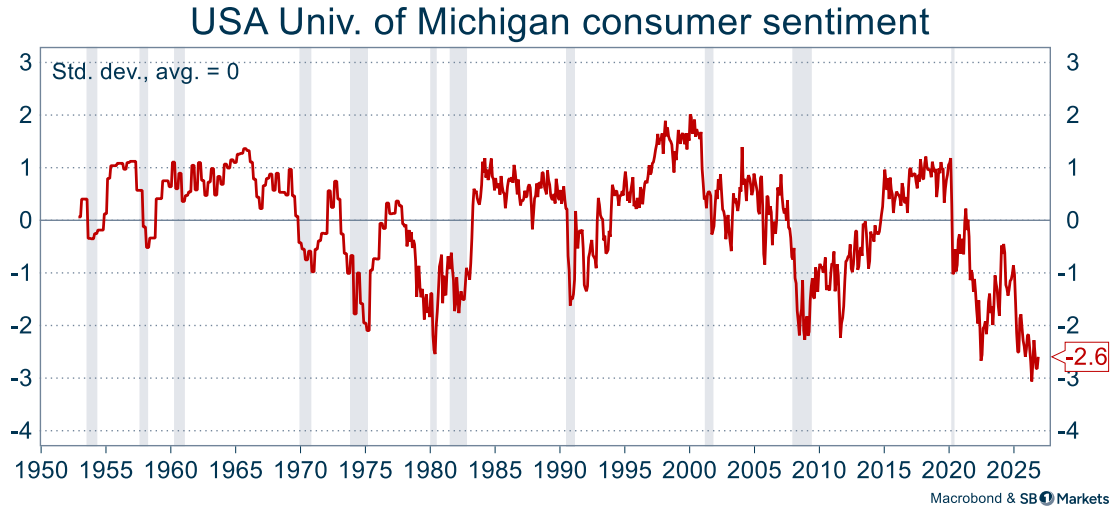
Macrobond & SB1 Markets

Univ. of M. consumer sentiment marginally up, still extremely weak

UM sentiment rose 0.2 std. dev. but is still 2.6 s.d. below avg, a very low level. An unchanged print was expected. Other surveys are also up in Oct./Nov. but all remain below average (but Conf. Board and IBD/TIPP not by much). The 'actual macro' does not explain the grim mood.

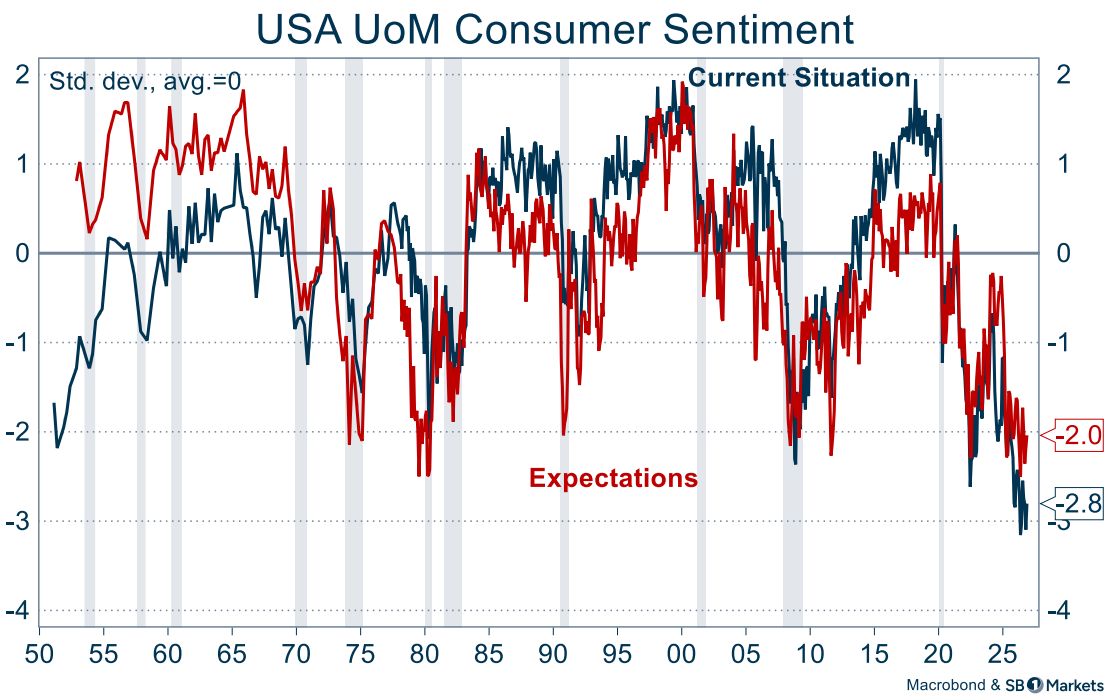


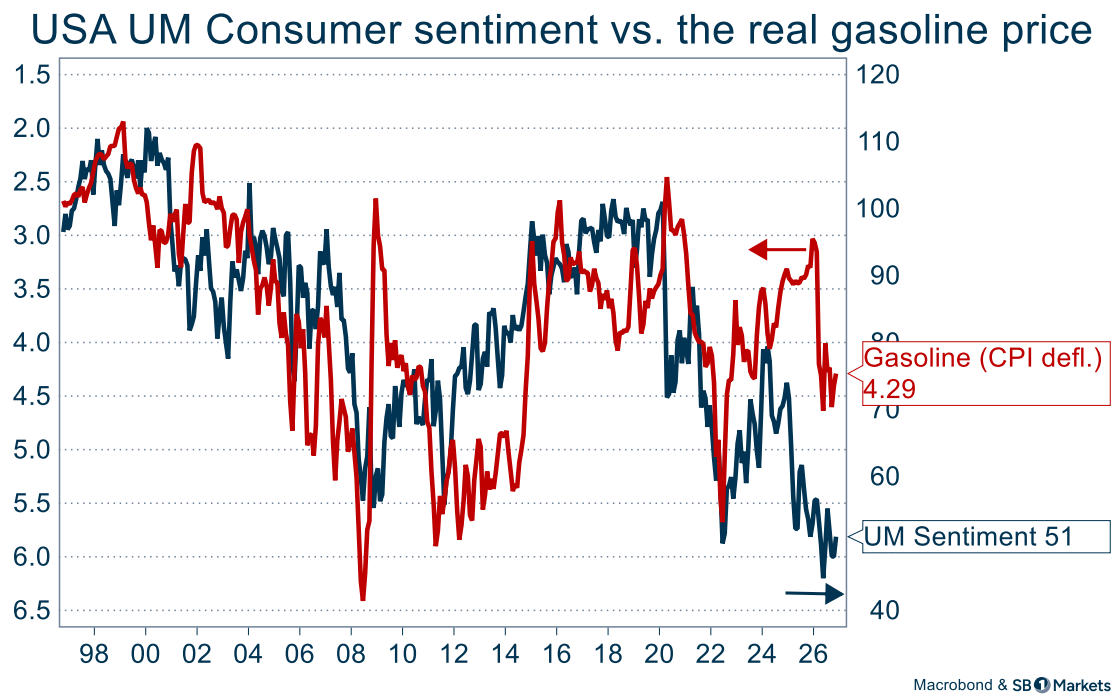
- **The UM consumer sentiment index** rose 3 p to 51.0, exp. slightly down.
- **The problem:** Households are asked about their own economic situation, which of course may be disconnected from the overall status in the US economy. However, the 'spread' between the 'micro' assessment in the Univ. of Michigan survey and the 'macro' situation in the US makes no sense at all and it has become totally dominated by party preferences over the past 10 years.
- In the UM survey, households – at least on average – remain ***extremely negative*** about the **business outlook**, **unemployment and** the **government's economic policy**. **Personal finances** are well below par as well, and spending plans are still downbeat.
- Will households cut spending? Time will tell.



UM Sentiment: both the current situation and expectations are close to record low levels

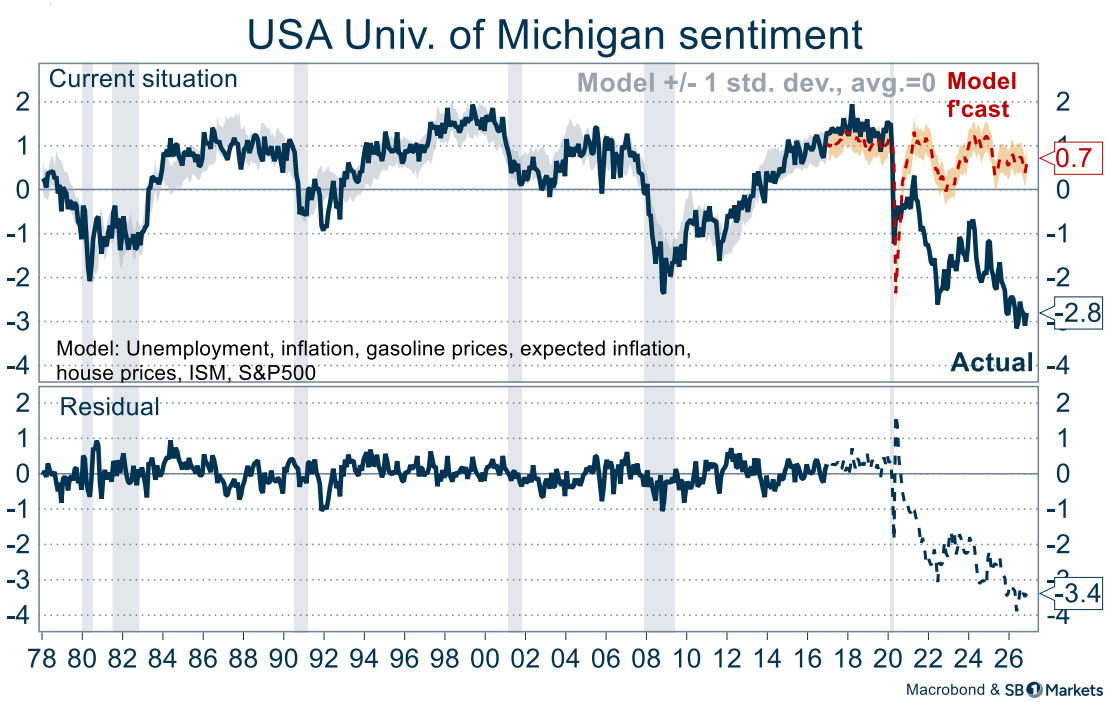
The cost of gasoline might account for some of the complaints, but the overall economy is actually in decent shape. Expectations are the weakest since 1980. *See the following page for more details.*

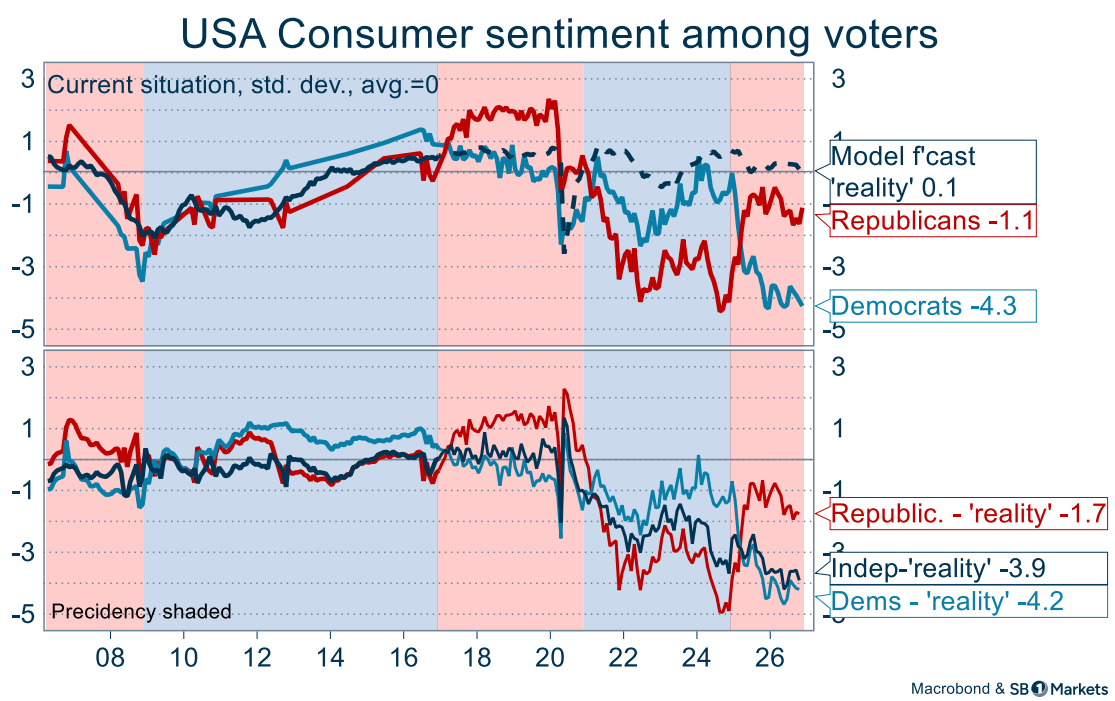




UM Sentiment: households deem the current situation the worst ever. Very likely, it isn't

Reality: a model forecast based on consumers' historical assessment of the current situation explained by traditional factors like unemployment, inflation & infl. expectations, house prices, ISM & S&P. First Republican voters lost connection with reality, now it's the Dems.

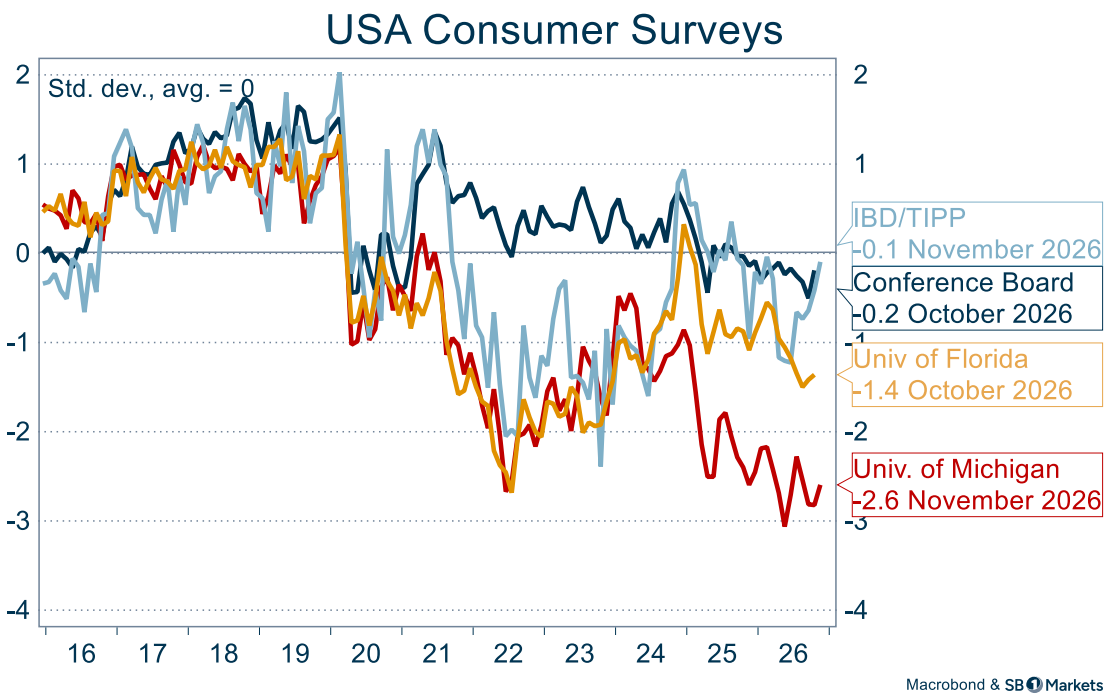


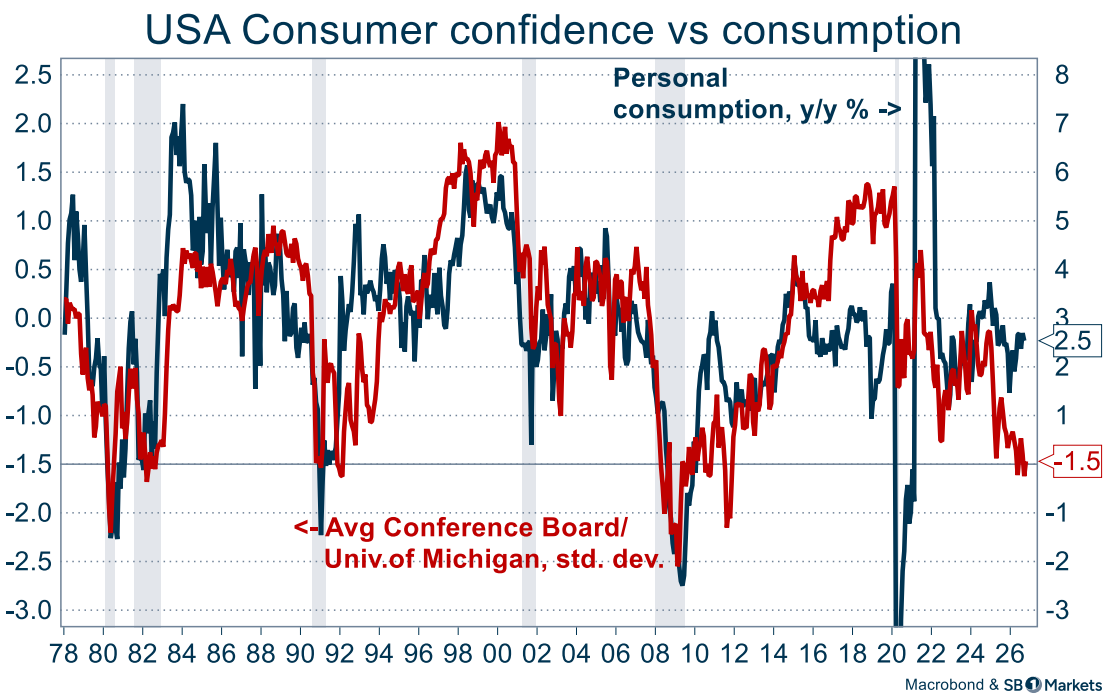


- During the Biden administration, our models indicated that Republican voters were largely out of touch with reality in their assessment of the current situation. The 'Republican negative sentiment' accounted for most of the discrepancy in our sentiment model. The gap was closed as soon as Trump was re-elected in late 2024. Now, it appears that Democrats have become disconnected from reality, at least regarding their assessment of their own personal finances, which nosedived when Trump became president.
- The challenge, at least for Republicans in terms of elections, is that independent voters are also significantly detached from reality, nearly as much as Democrats. Additionally, Republican voters have grown more negative than warranted as well, to 1.6 std. dev. below average. The Dems feel that the current situation is 4.2 std. dev. below par.
- Note: This model does not represent households' **expectations**, which are indeed strongly influenced by the political leadership, for understandable reasons. However, evaluations of the **present situation** – primarily personal finances – should be based on actual circumstances in the economy rather than the incumbent president. Unfortunately, this is no longer the case in the United States. At least, that used to be the case.

Other surveys rose in Oct./Nov. but remain below par, though not like the UM survey

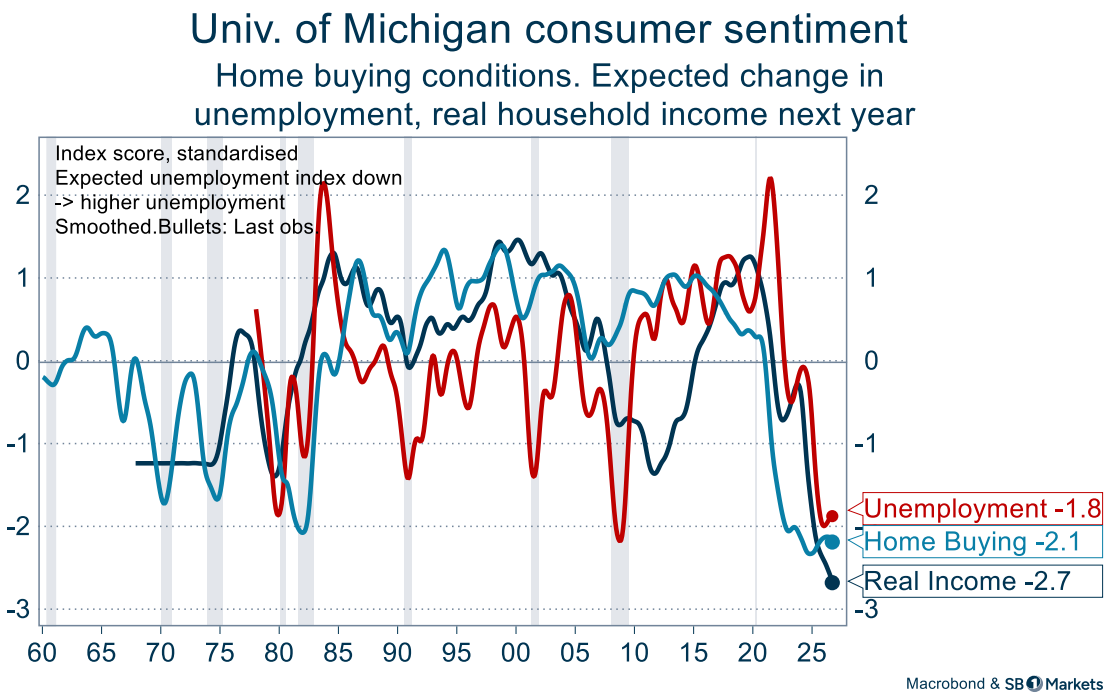
Conference Board's and IBD/TIPP's surveys are close to zero. Other surveys are also below an average level, but not like the UM survey. Actual consumption is closely correlated with confidence, if not leading. The current sentiment signals some risks.

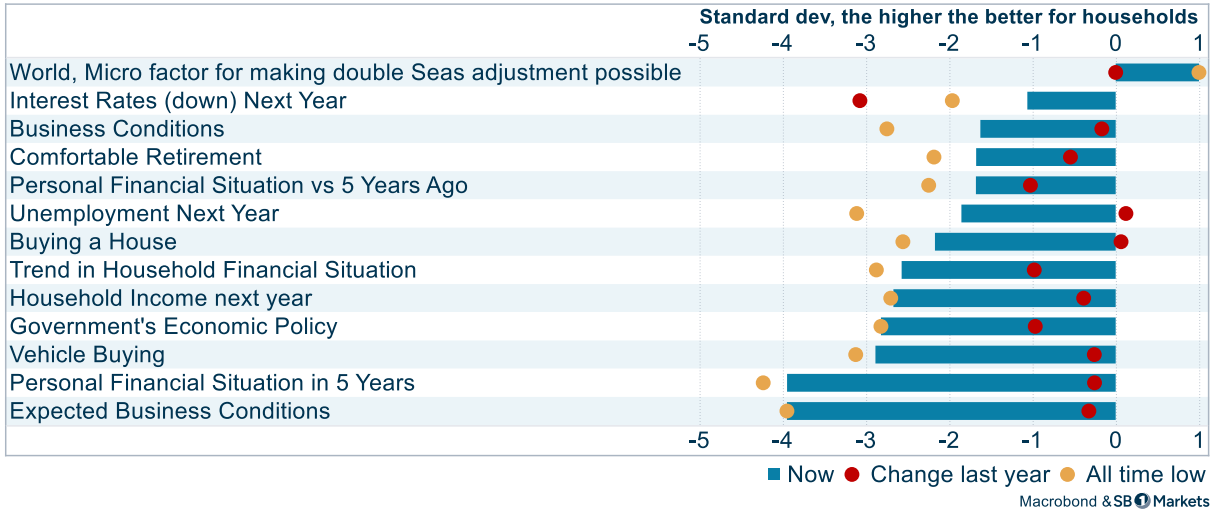




UM Sentiment: expectations are among the worst ever; buying plans are extremely weak

… as are income expectations, which are the lowest ever. Almost all components are down over the past year.



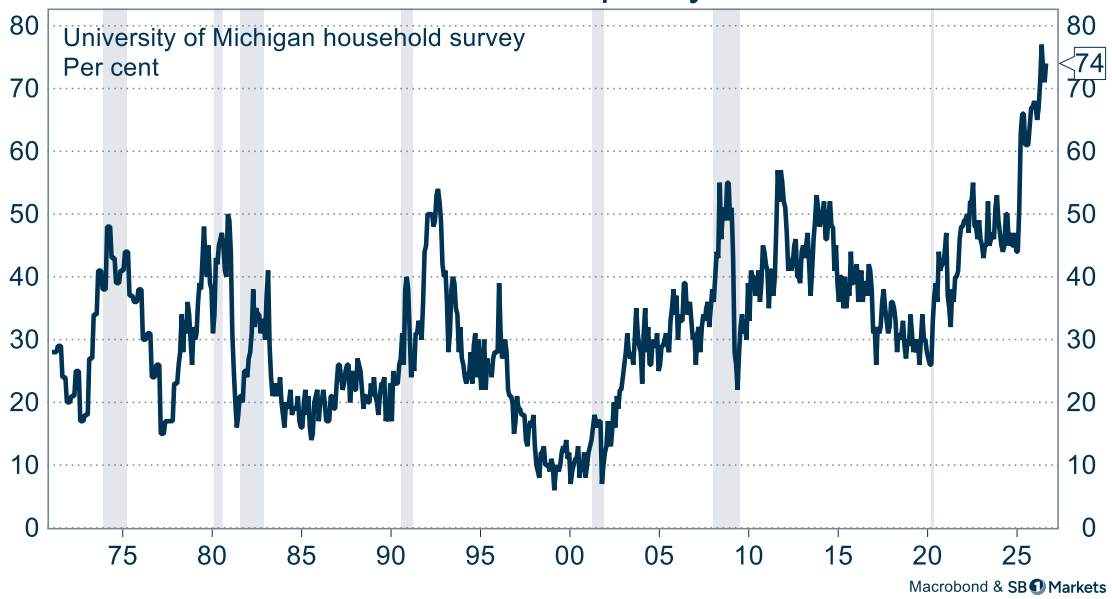


- *Data are updated through September.*

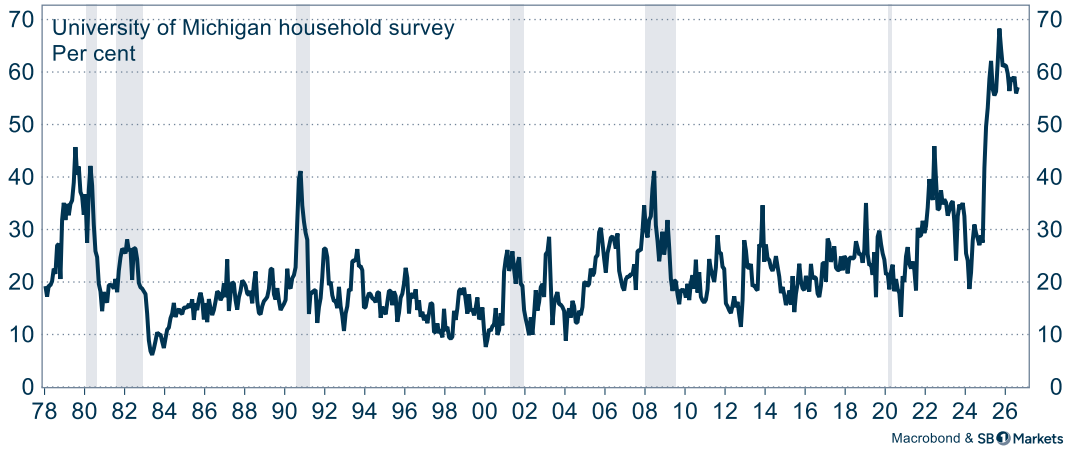
Households: Government’s economic policy is really bad

Expected business conditions are a tad less weak than in previous months, but *far below what companies themselves* report (above average). Households also expect unemployment to climb rapidly.

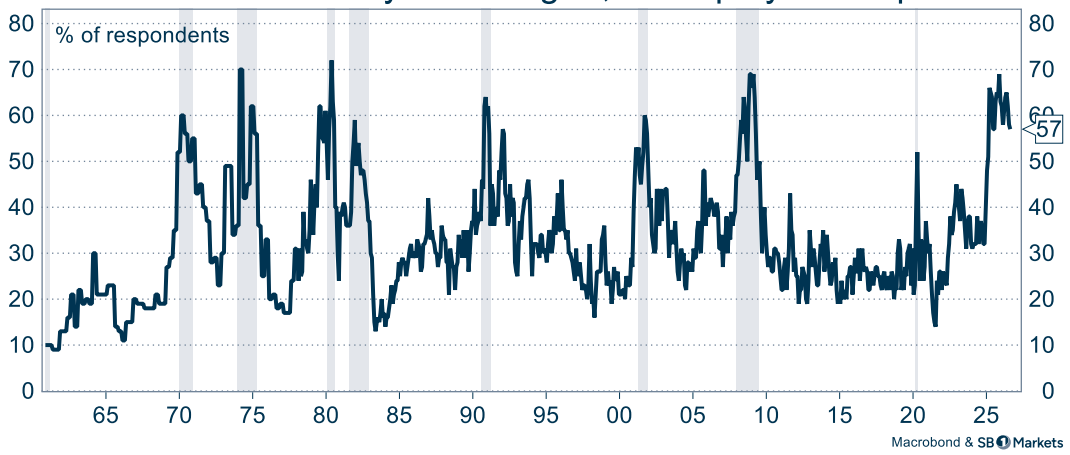
USA Negative opinion of government's economic policy



USA Expected business conditions, worse



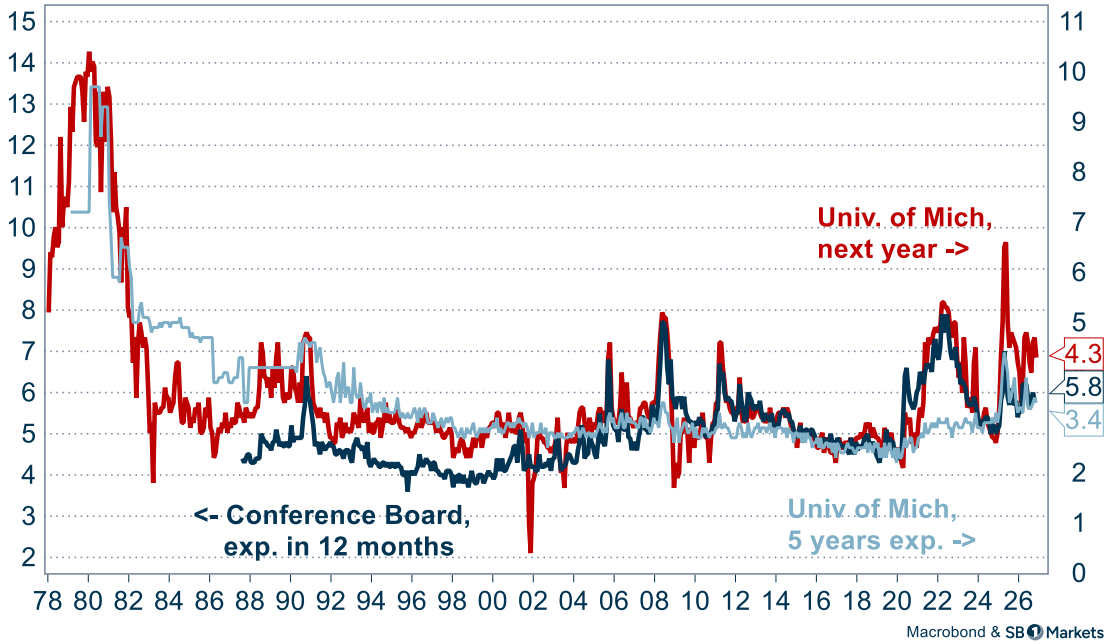
USA Univeristy of Michigan, unemployment up

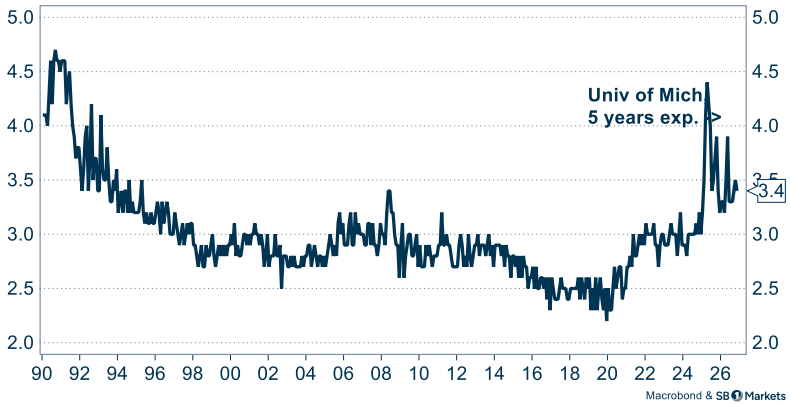


Inflation expectations slightly down in November

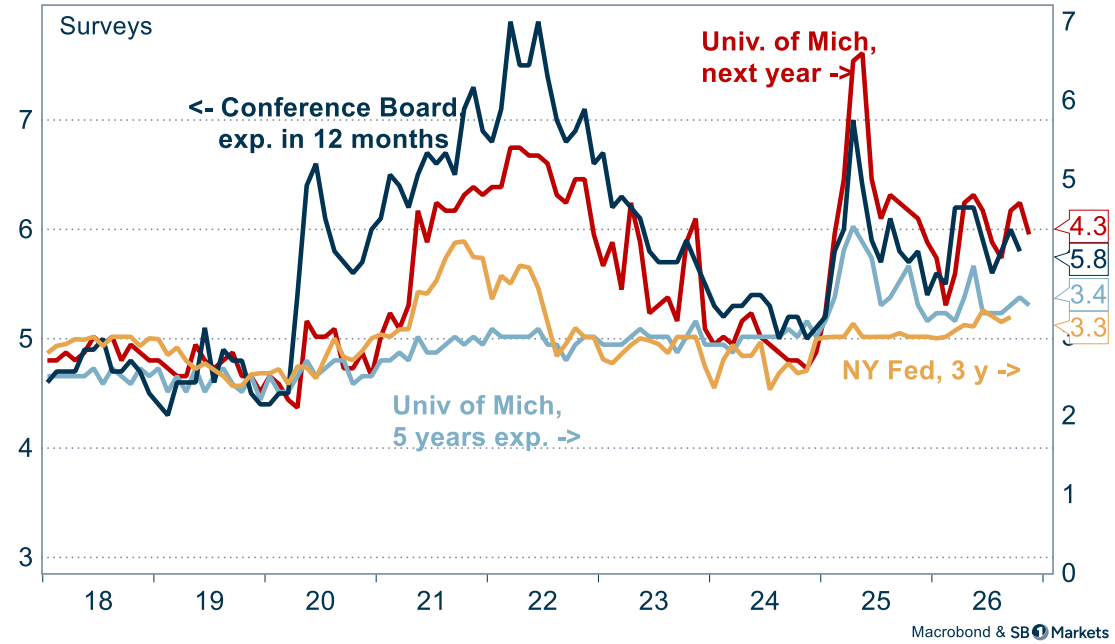
No doubt, the tariff shock lifted inflation expectations last spring. Now, the lift in gasoline prices has lifted expectations once more. Expectations remain at (arguably unrealistically) high levels, even for the next 5 years on average.

USA Inflation expectations - Households



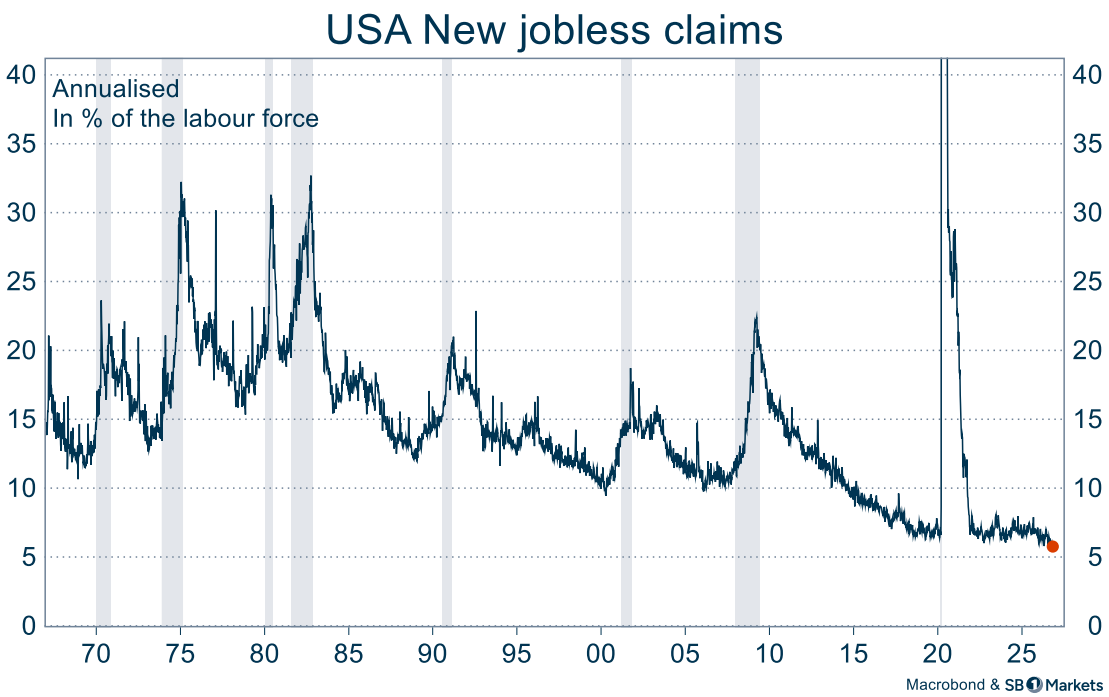


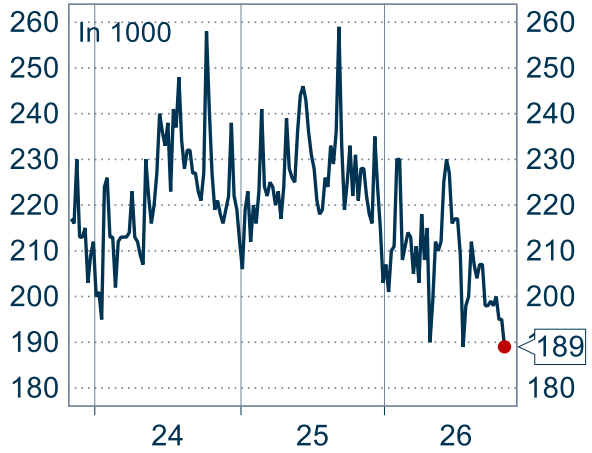
USA Inflation expectations - Households



Last week, new jobless claims remained at the ~~3~~rd *lowest inflow ever vs. the labour force!*

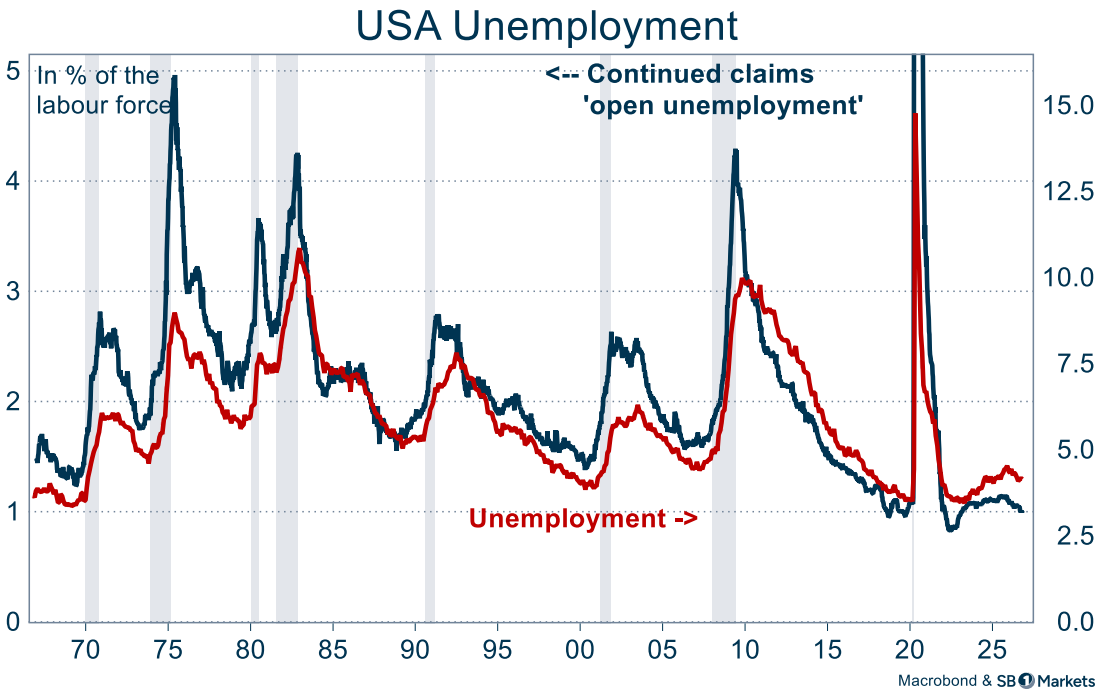
189,000 new claims, equalling 6% of the labour force, annualised. The lowest print ever, before the pandemic, was 7%. Ahead of recessions, the inflow at best bottomed at 10% (before 2008).

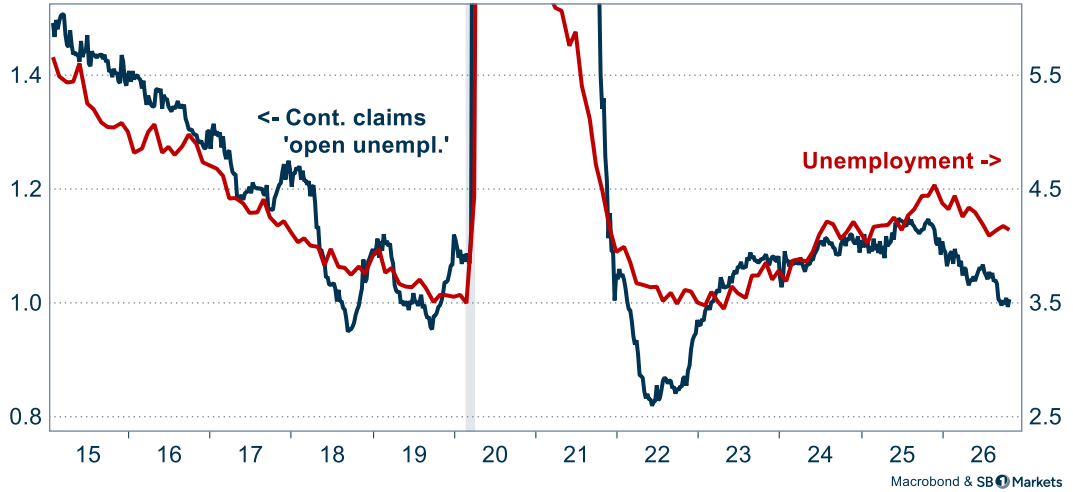




Continued jobless claims remain at a very low level too

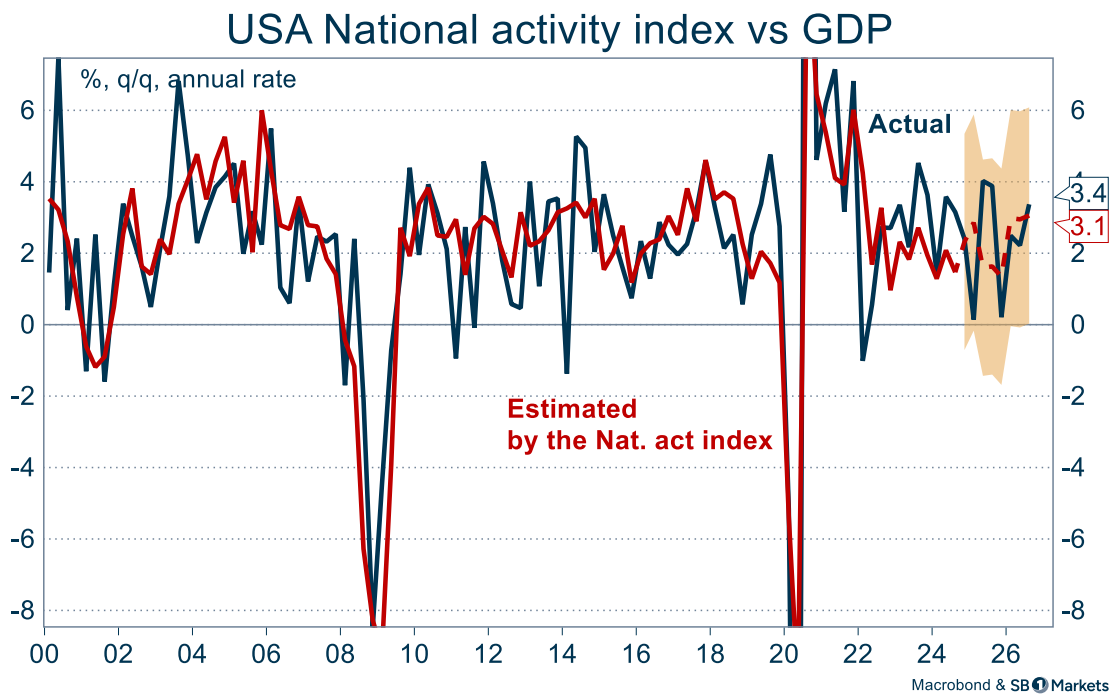
The count of persons receiving unemployment benefits has fallen sharply in 2026 and indicates a decline in the official unemployment rate.

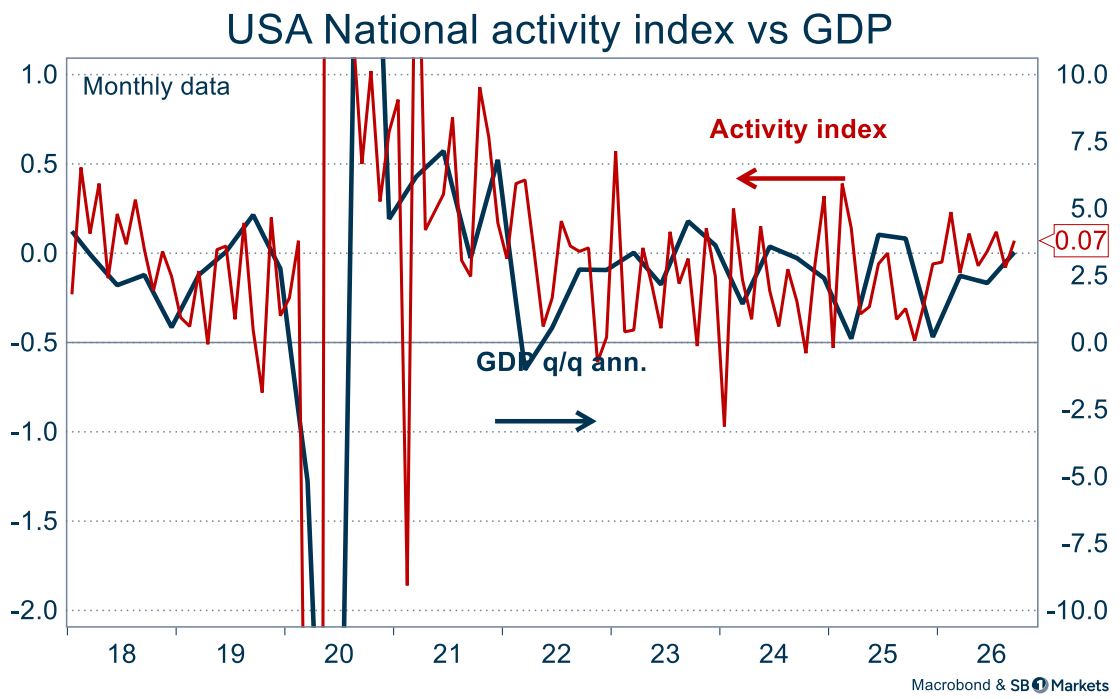






The National Activity Index still signals 3% GDP growth



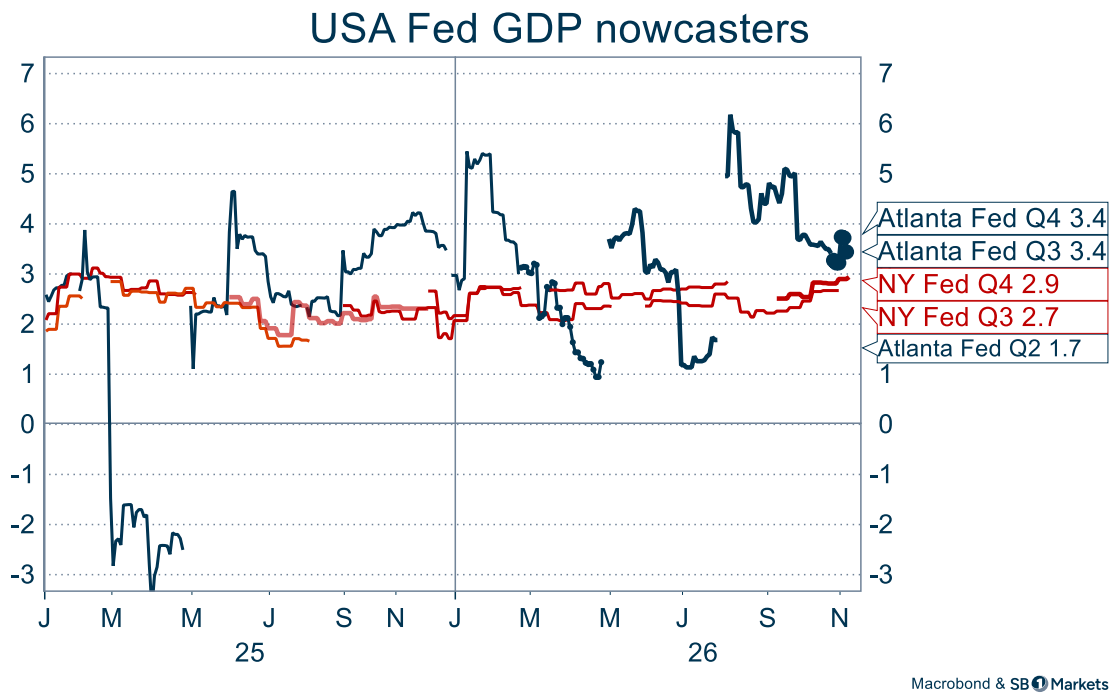


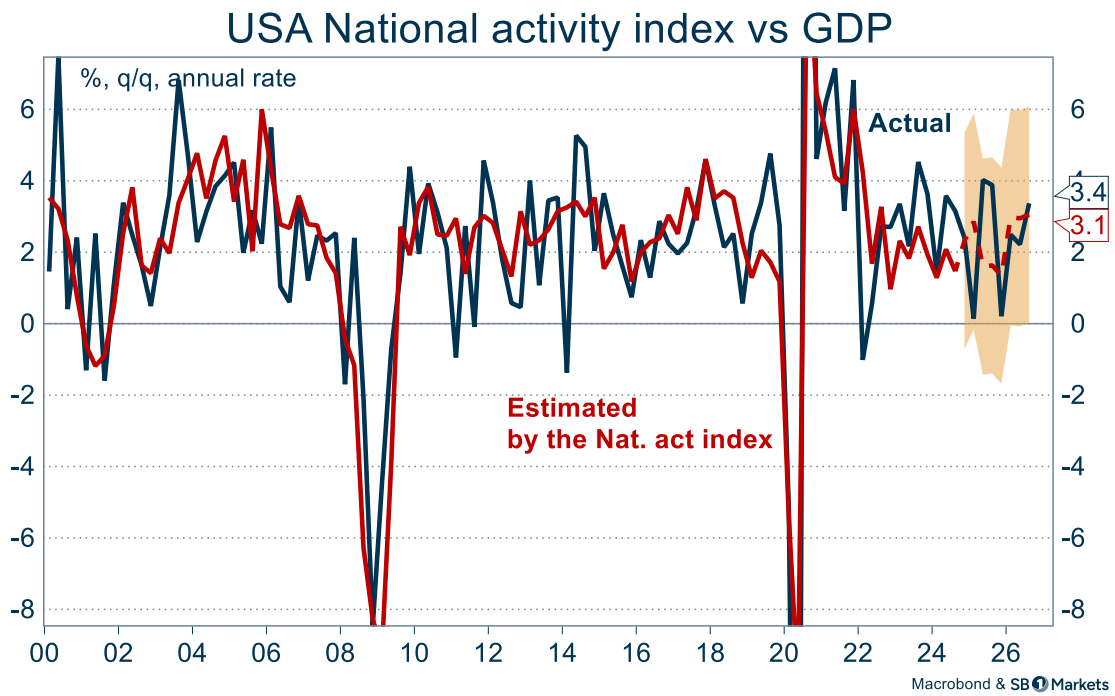
- **The activity index** is normally quite closely correlated with the GDP cycle, just less volatile (on a quarterly basis) than GDP figures. Thus, it is ***perhaps a better gauge for the 'real' activity in the US economy than the quarterly GDP data (check the model-based estimation in the chart to the left)***.

The Chicago Fed National Activity Index (CFNAI) is a weighted average of 85 monthly indicators of national economic activity.

Atlanta Fed’s nowcaster suggests 3.4% Q4 growth

Growth is driven by consumption and investment in business equipment. Net exports are negative, but inventories are expected to be replenished. The National Activity Index suggests a 3.0% growth pace. In Q2, GDP grew at a 2.2% pace.





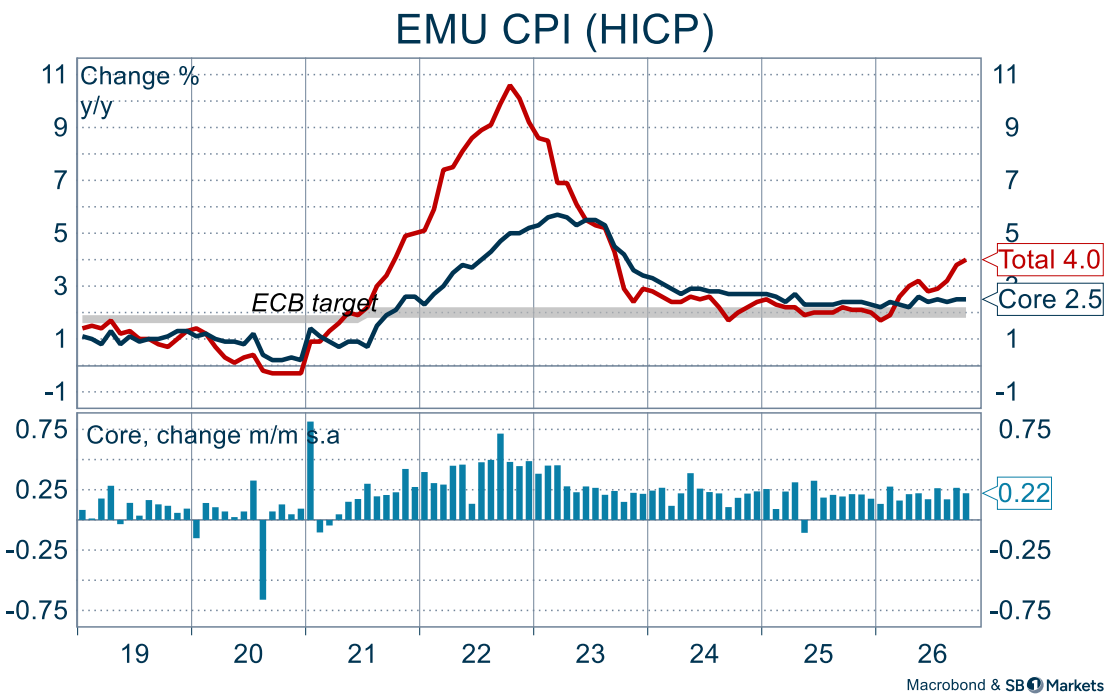
SB 1 Markets

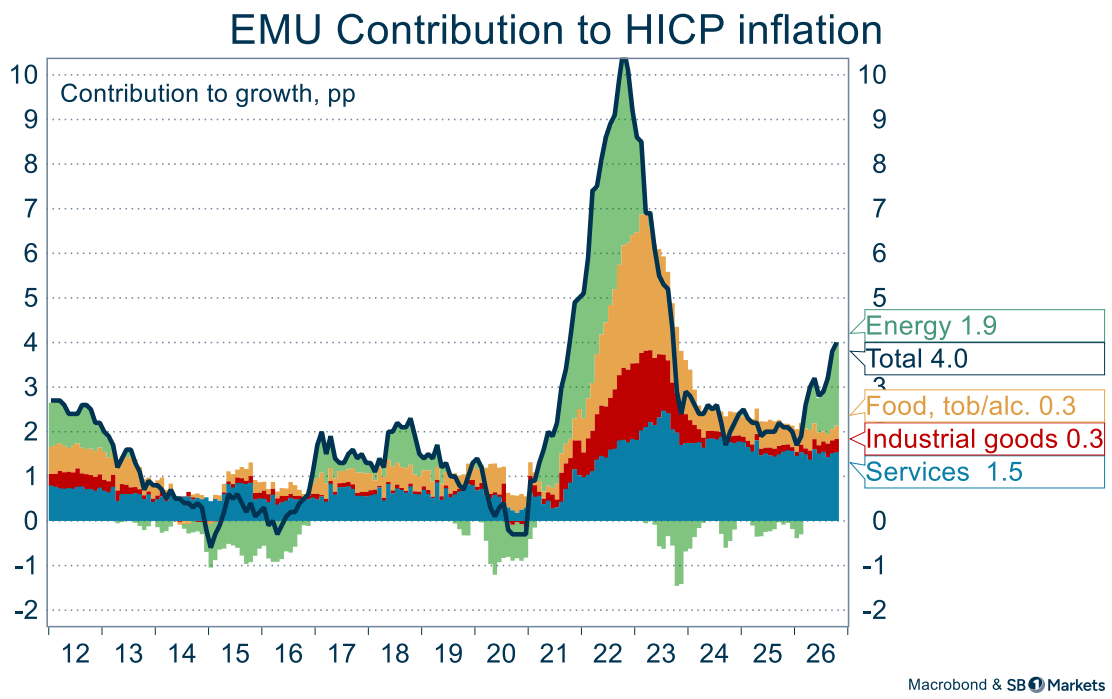


Euro Area

EMU: energy prices lifted the headline HICP 0.2 pp to 4.0%, the core flat at 2.5%

… both as expected. Core prices rose 0.22% m/m, and the underlying growth rate in recent months has accelerated to above 2½%. The ECB is not happy.

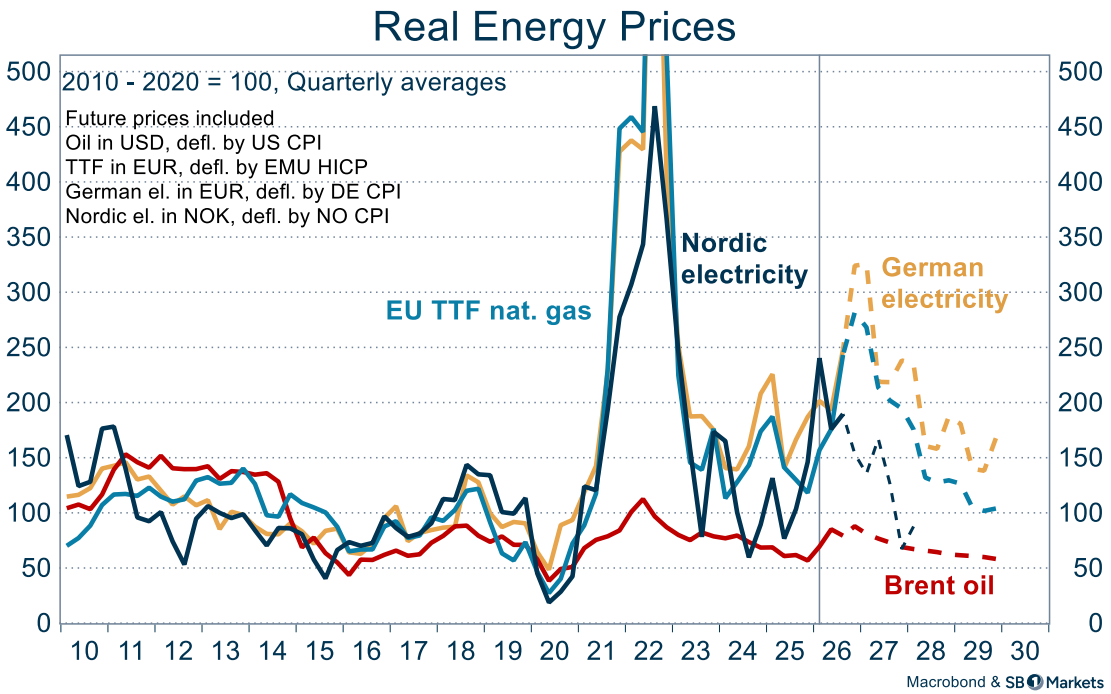


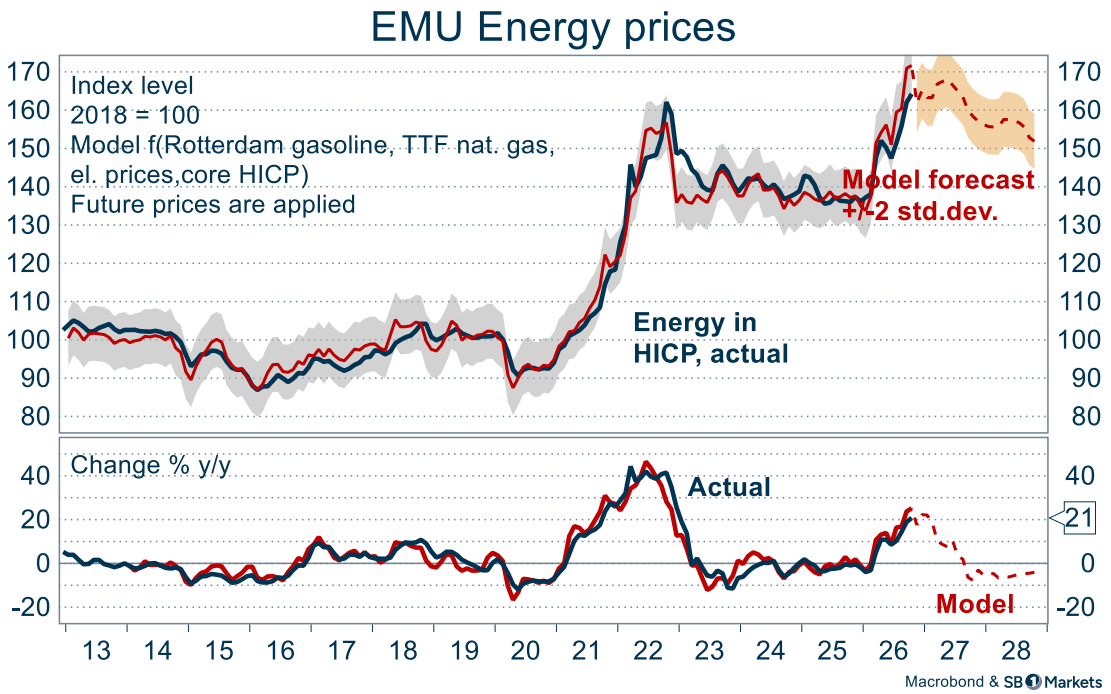


- **The headline HICP** was up 0.3% m/m in October as energy prices rose 0.8%. The annual rate accelerated 0.2 pp to 4.0%, as expected.
  - **Energy prices** are up 21% y/y, which lifts the HICP by 1.9 pp. Our model suggests that annual energy inflation is close to the top – if future prices are to be believed.
  - **Food prices** are up 1.6% y/y and the annual rate trends down.
- **The core HICP (ex. food & energy)** was up 0.22% (our calc.), down from 0.26% in September. Underlying core inflation in recent months trends up again, to 2¾% (avg. of our measures).
  - **Core service sector inflation runs at 3.2%** and contributes 1.5 pp to total inflation. **Industrial goods** price inflation has accelerated to 1.2%, contributing 0.3 pp.
  - **Wage and unit labour cost growth rates** are still too high, given the current modest growth in productivity – but the direction is steadily down.
- **For the ECB:** Price inflation is too high, but the economy is showing some signs of weakening? The unemployment rate trends up, credit demand is weakening.

Energy prices: Still some upside risks? Probably not that much (if the futures curve is right)

Our model, based on futures prices for gasoline, natural gas and electricity, suggests a further lift in energy prices at the consumer level. But sure, forward prices may be wrong. Anyway, annual energy inflation will very likely remain high in the coming quarters.

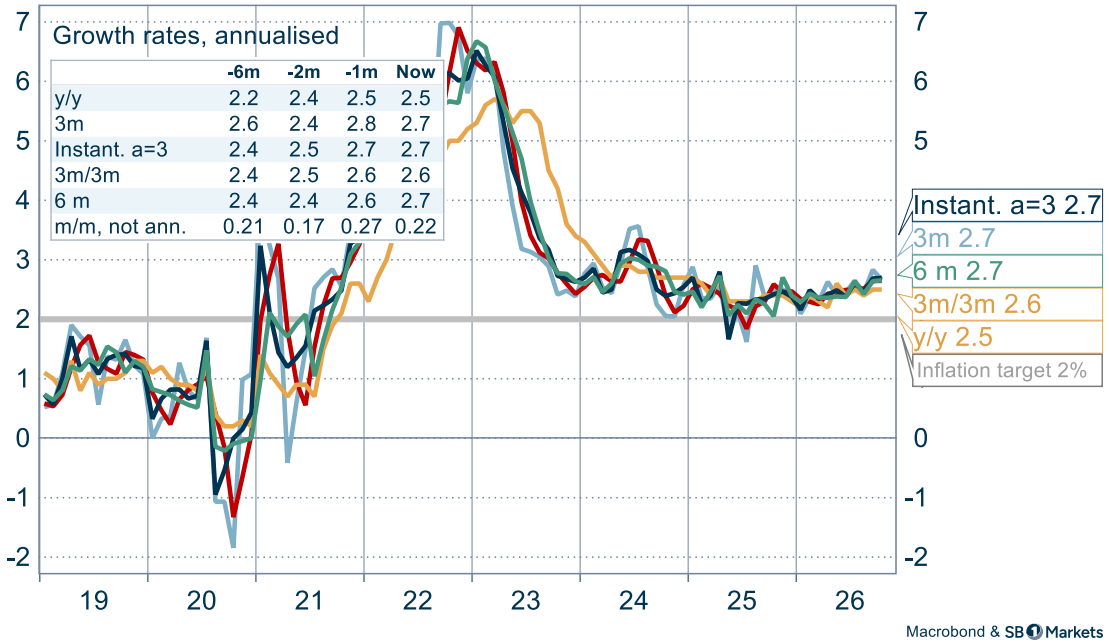




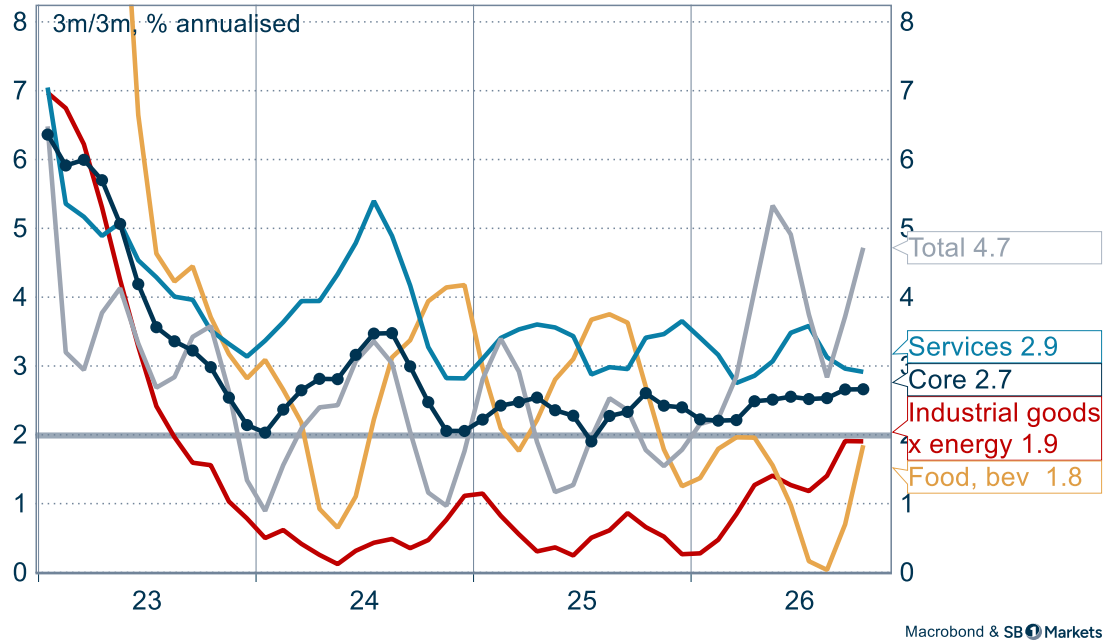
Underlying core inflation in recent months trends up again – to some 2¾%

… measured by the average of our transformations. Core services are up 2.9% 3m/3m; core goods 1.9%. Food prices are up 1.9%.

EMU Core inflation

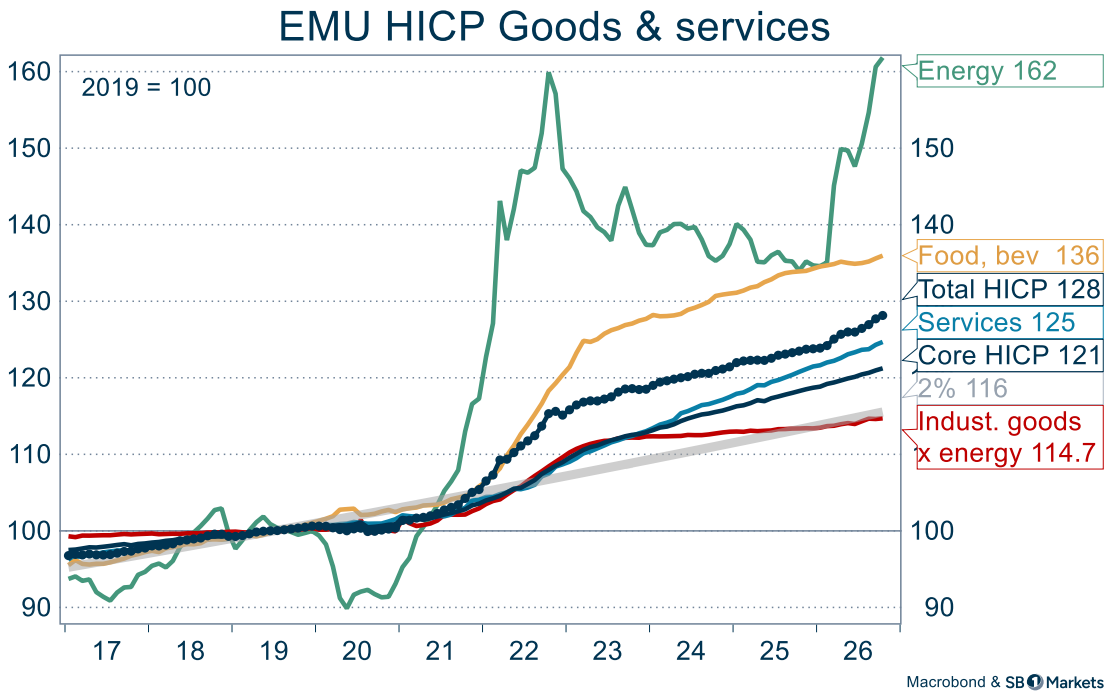


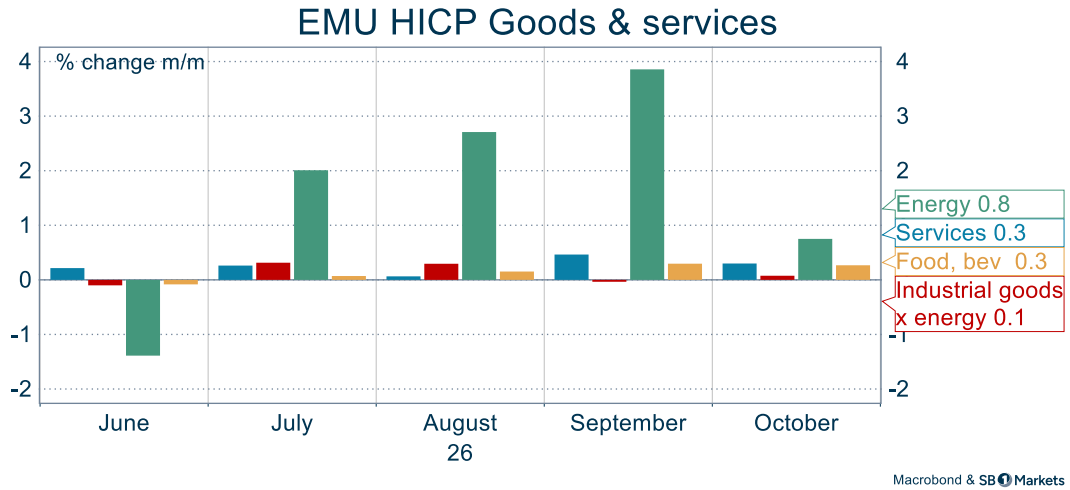
EMU HICP Goods & services

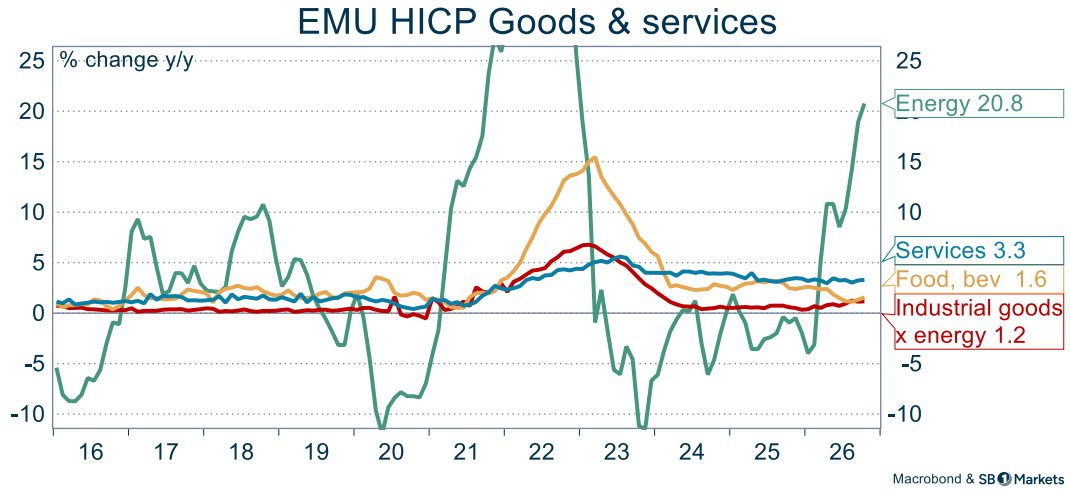


Energy prices rose just 0.8% in October, but are up 21% y/y

Food prices have slowed down lately and are up just 1.6% y/y.

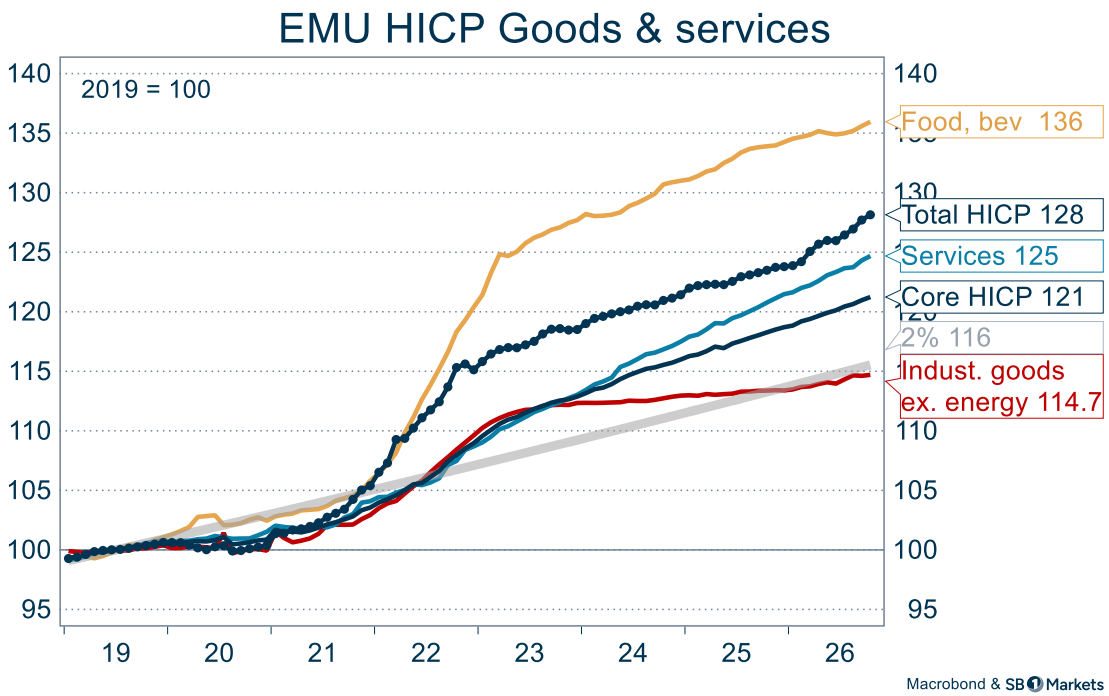


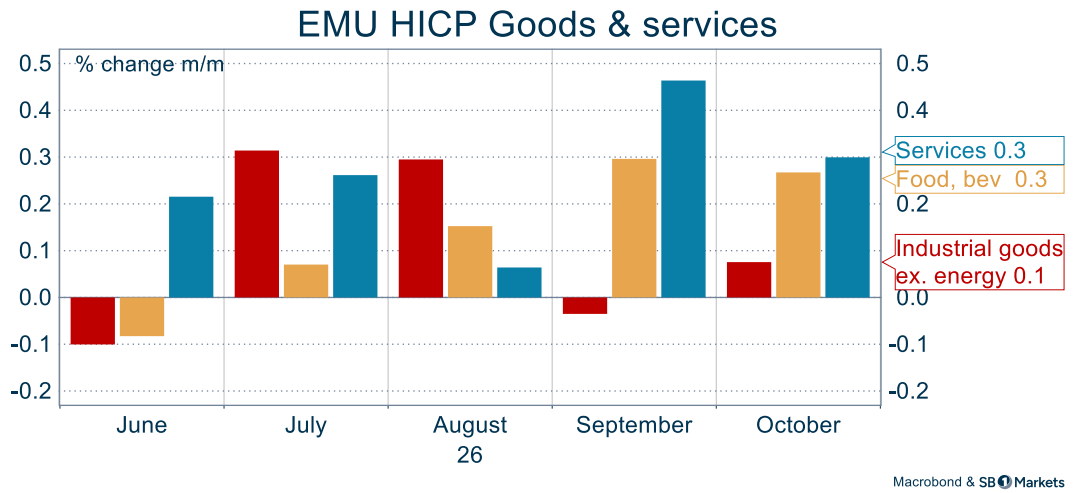


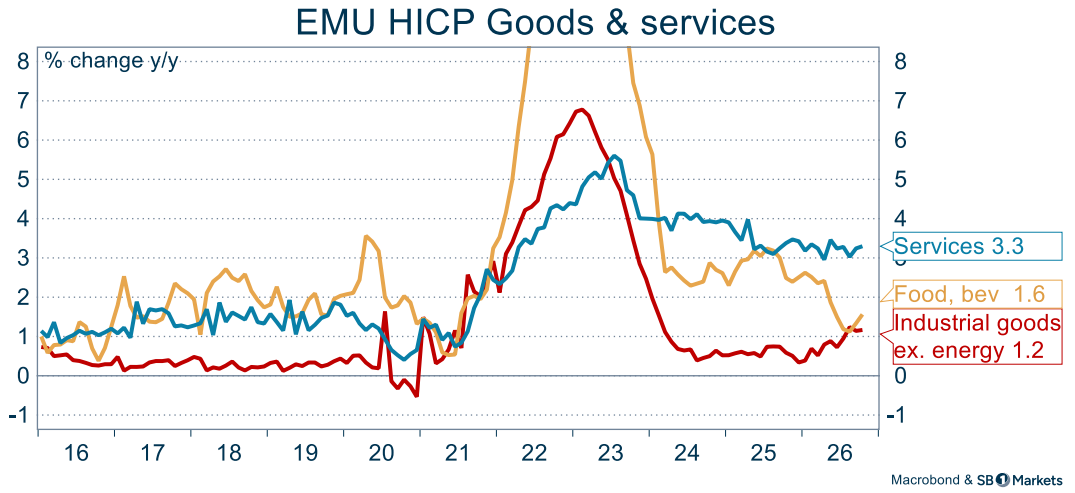


Services prices rose 0.3% in October, annual rate trends flat, above 3%

Core industrial goods prices rose 0.1% m/m and are up 1.2% over the past year.



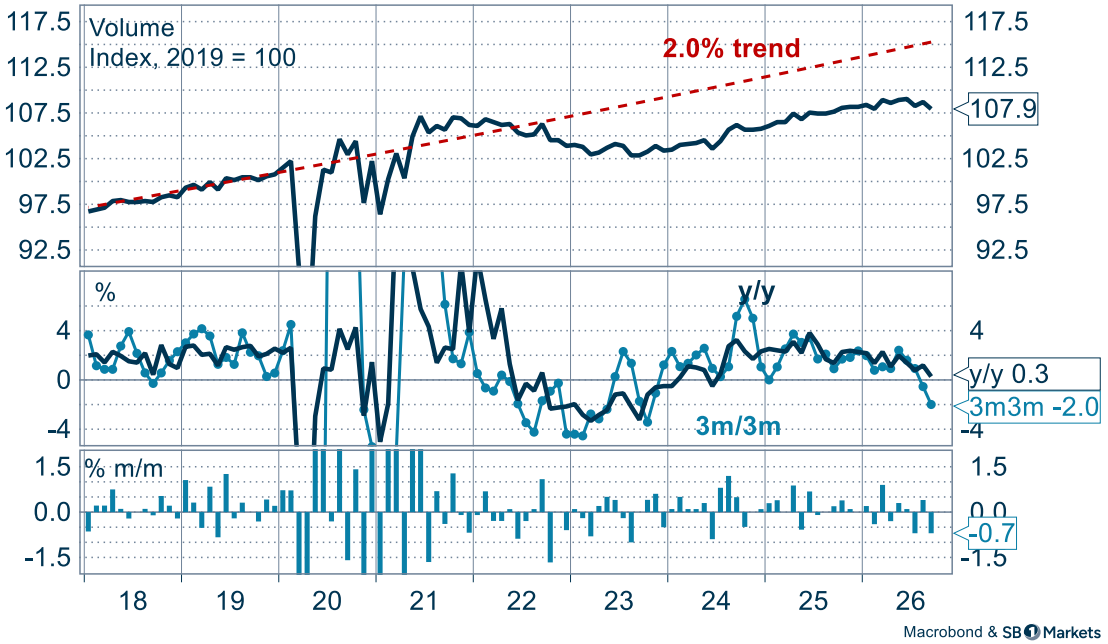




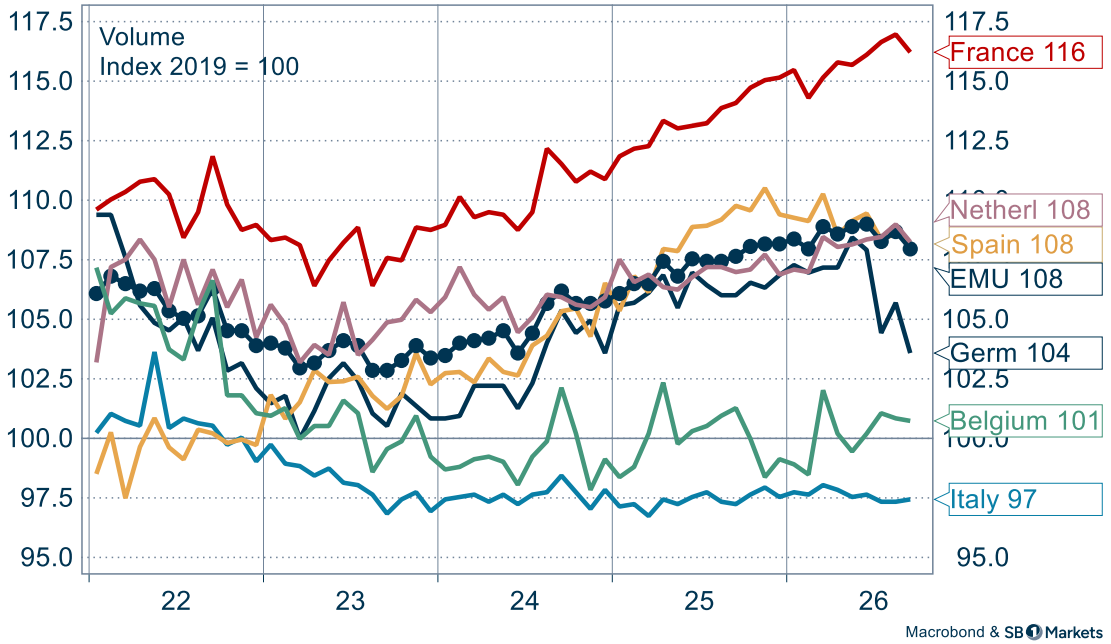
EMU: Very weak retail sales in September

Sales fell by 0.7%, are drifting down and declined 2% in Q3 (q/q annualised). German sales fell 2% m/m and are down 4.4% from May. Strange. Sales are trending down in Spain as well. Some downside risk vs. the Q3 GDP growth (and more importantly, vs. Q4 growth)?

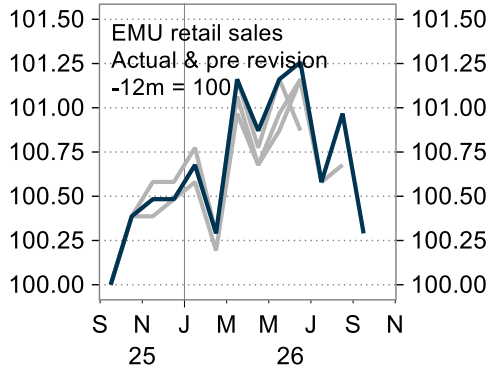
EMU Retail sales



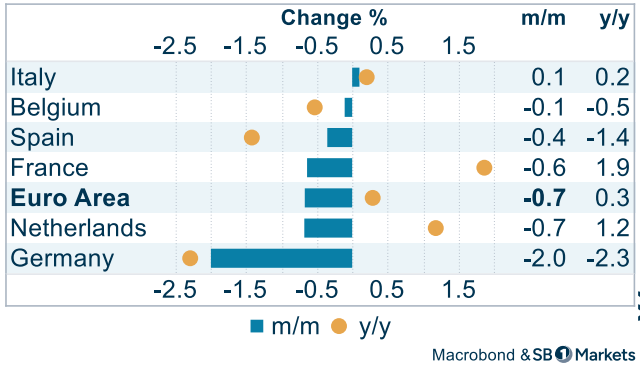
Retail sales



- **Retail price inflation** is 3.3% (*check next page*), and the value growth is 4.0% y/y (both data smoothed), which is in line with growth in total wage revenues.

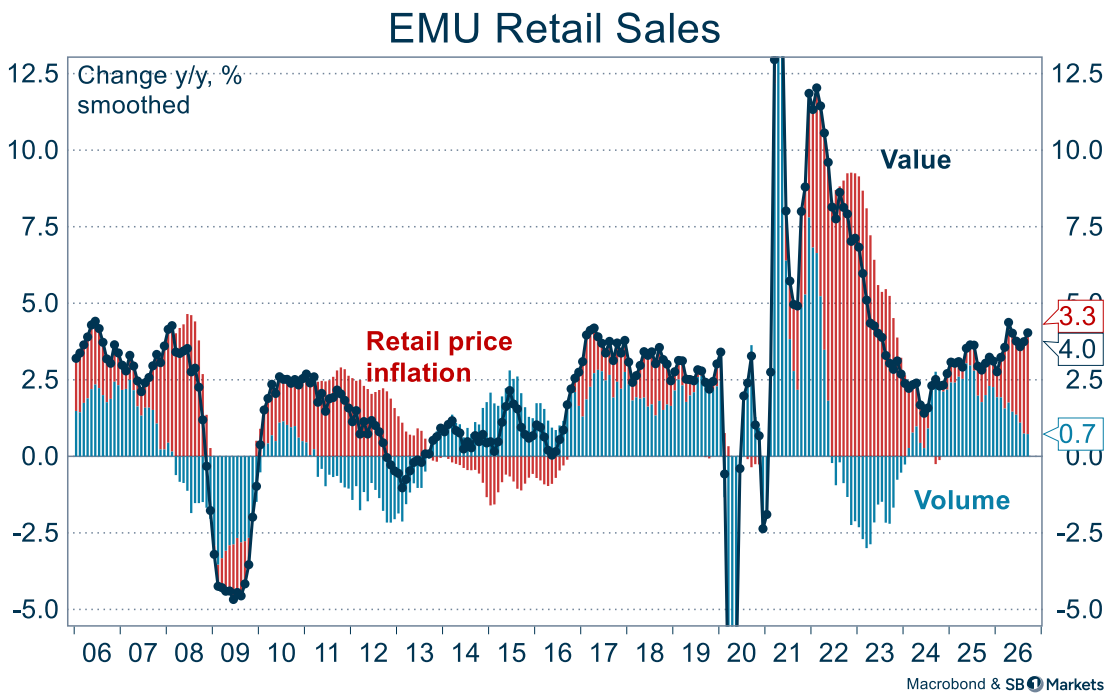


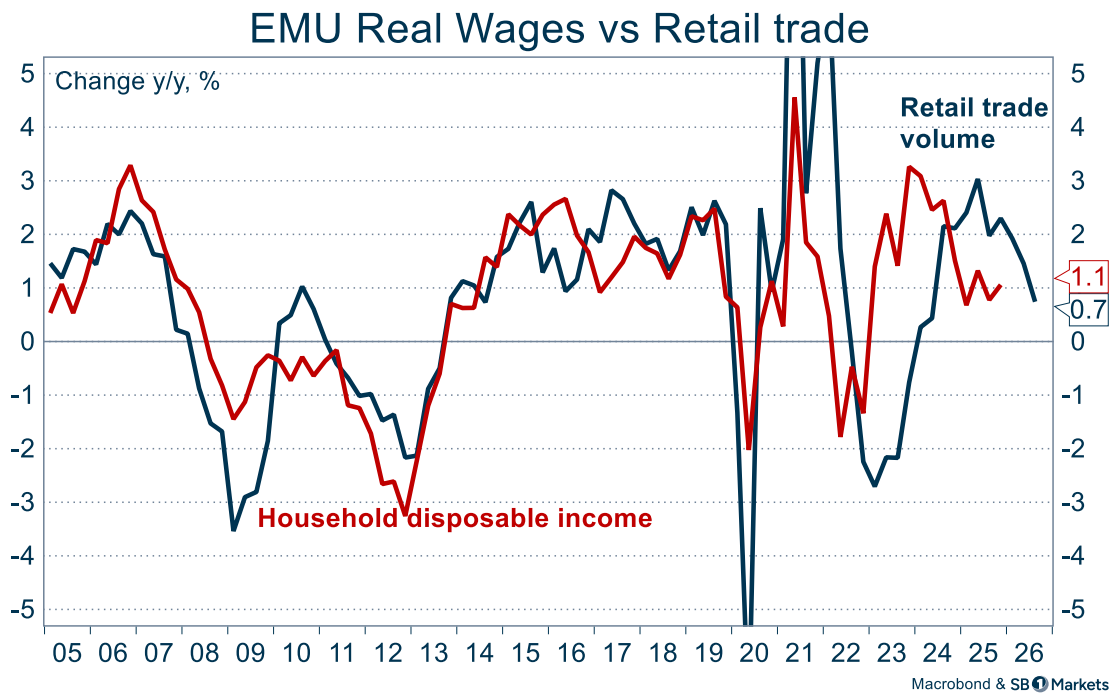
EMU Retail sales



Price inflation is at 3.3% (gasoline included)

Growth in households' real disposable income has slowed to 1% – but it is still increasing.





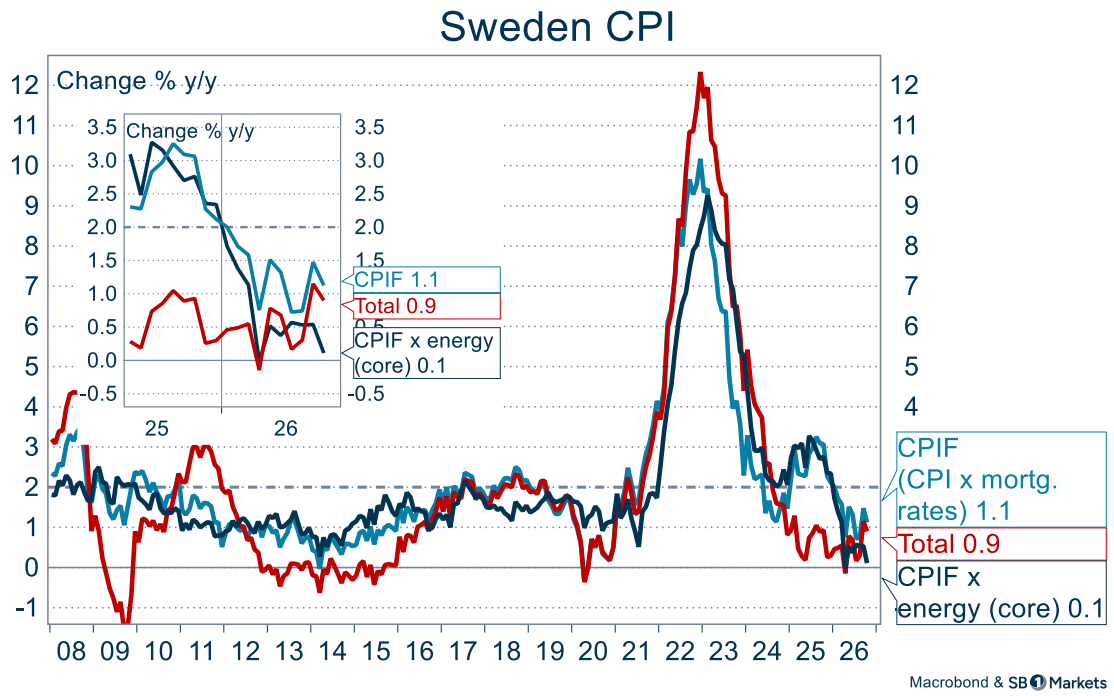
SB 1 Markets

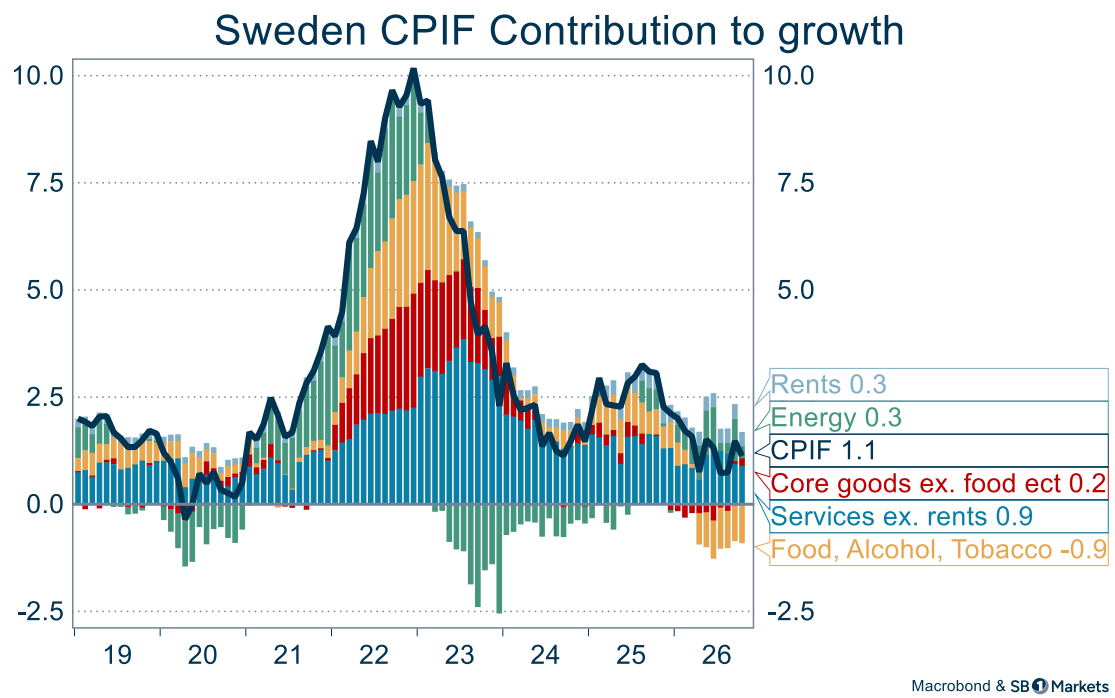


Sweden

Sweden: CPIF core inflation *0.4 pp lower than expected* in October, down 0.4 pp to 0.1%

Prices fell 0.15% m/m, mostly due to a decline in recreation & culture but food and furnishings were also down. No further details in this flash report, and there may be some temporary elements. But at face value, *core inflation is 0.5 pp below Riksbank's 'plan'*.

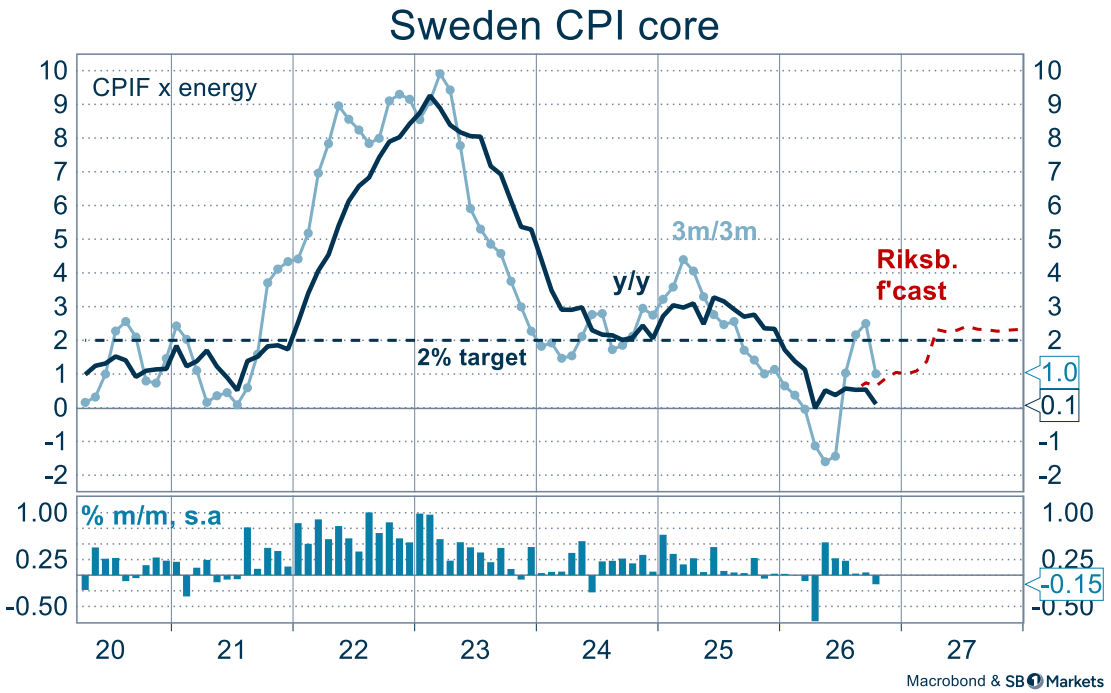


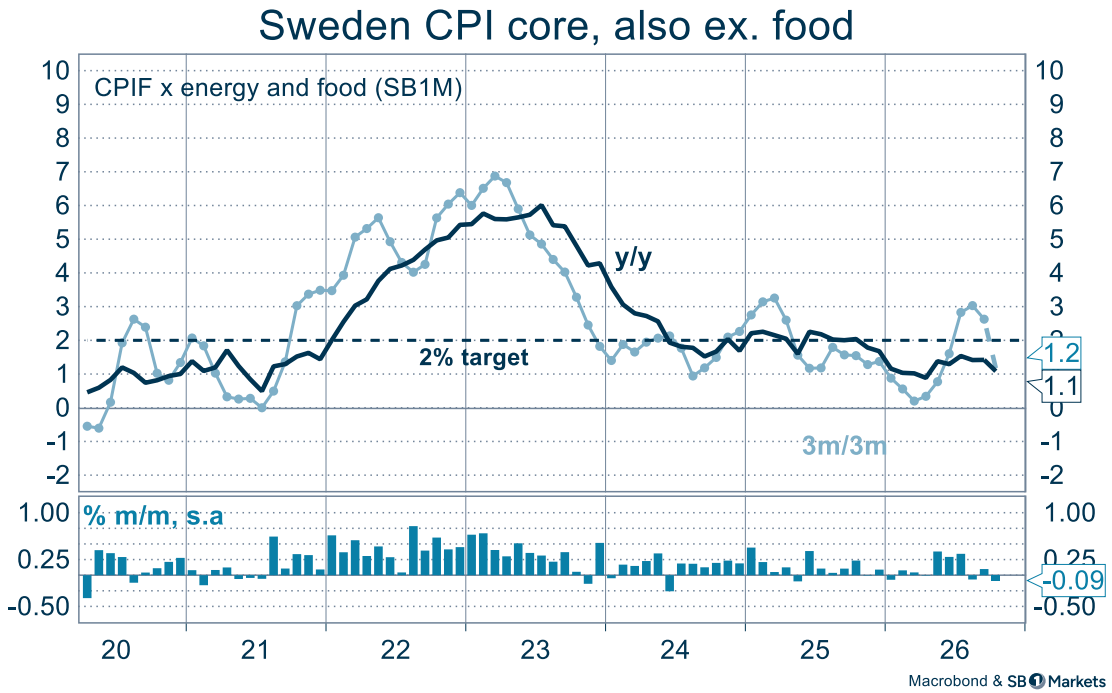


- **The traditional headline CPI inflation** slowed 0.2 pp to 0.9%, ***0.3 pp less than expected***. Prices fell 0.1% m/m.
- **Mortgage rates** are included in the 'official' CPI and Riksbank's cuts have lowered mortgage rates, and thus the CPI. The negative drag now equals 0.3 pp. Thus, the **CPIF** (CPI ex. mortgage rates, which is usually referred to as the CPI in Sweden) was up 1.1% y/y, down from 1.5%, and ***0.3 pp below expectations***.
- The **official core, the CPIF ex. energy** (CPIF XE) fell 0.15% m/m, and the annual rate fell 0.4 pp to 0.1%. 0.4 pp below consensus and ***0.5 pp below Riksbank's forecast***.
  - If food is removed as well, to compare with core prices in most other countries, the 'real core' is up 1.1% y/y. ***The underlying growth rate in recent months is less than 1%.***
- ***The Riksbank expected, in the last MPR, annual inflation to accelerate to marginally above 2% in April next year (food VAT impact) and to stay there. Now, the starting point for a new prognosis is significantly lower.***

CPI core inflation: 0.1% y/y – but 1.1% if food is also excluded. Still well below 2%…

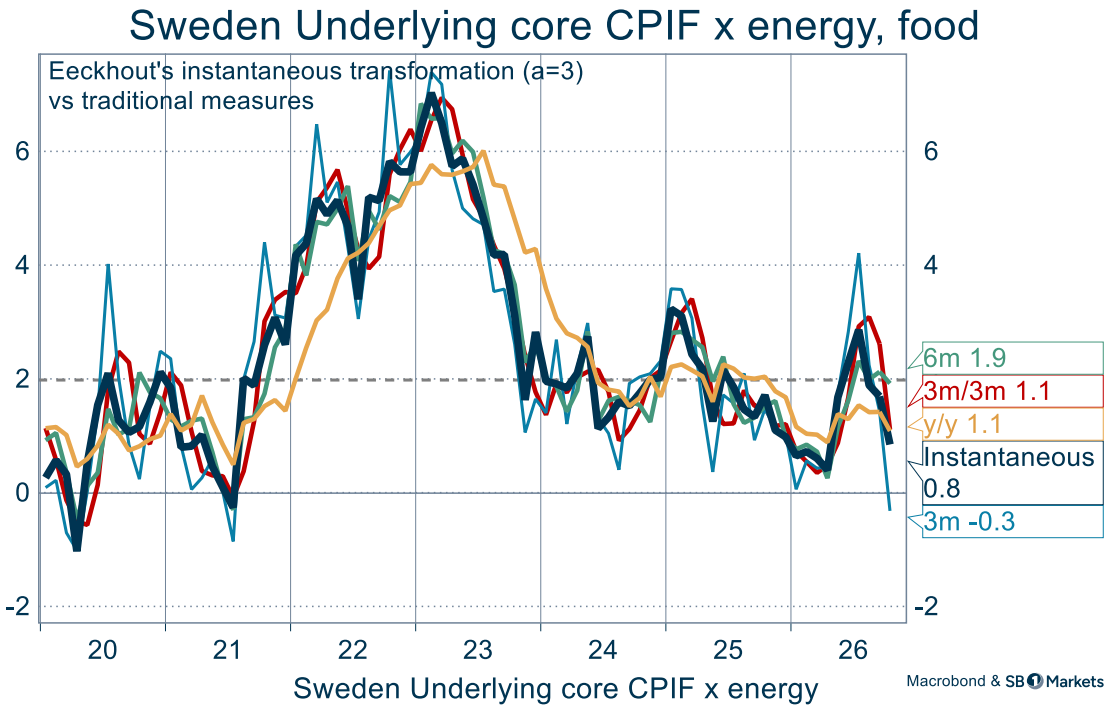
The m/m decline in October, the 3rd month in a row with inflation close to or below zero, was not at all expected.

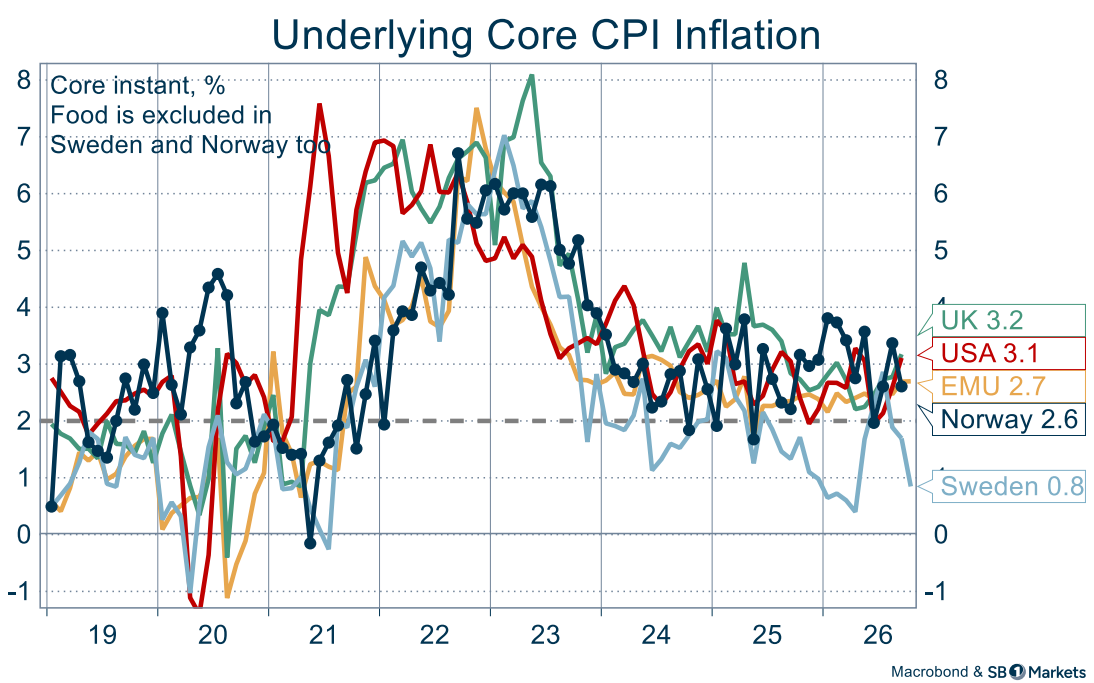


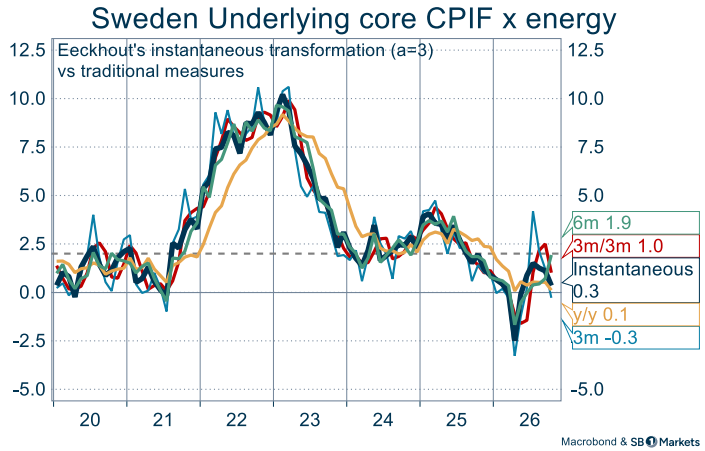


Underlying core inflation: 1% or even below

Sweden is still an outsider on the downside, also momentum-wise. The others are in the 2.6 – 3.2% range (with Norway at the bottom).



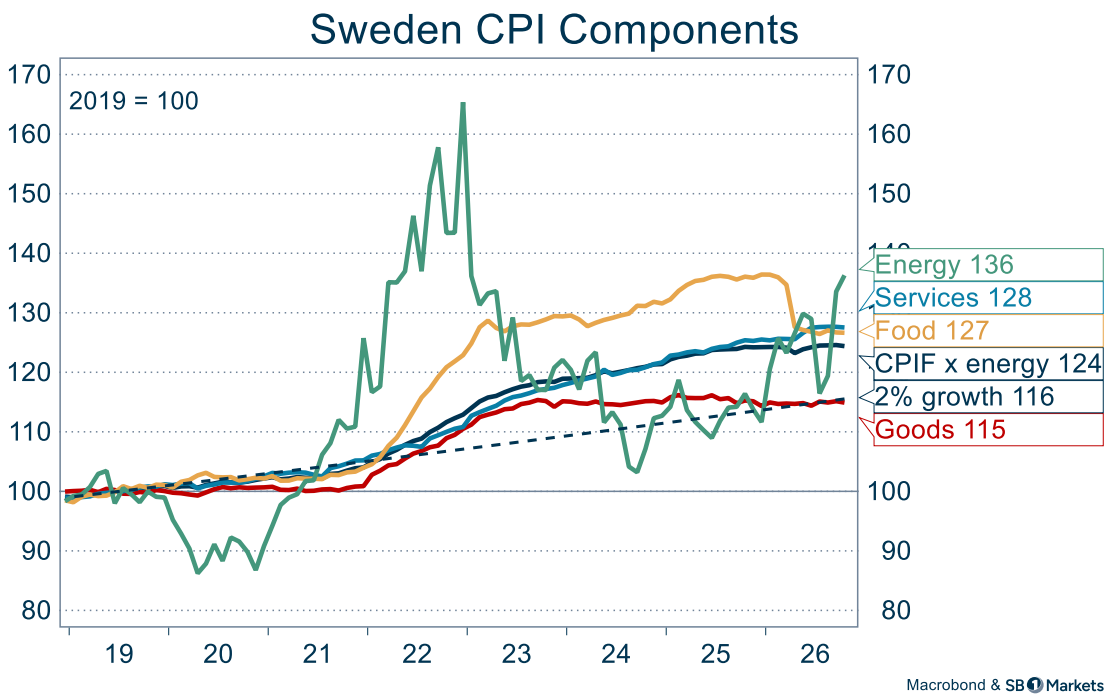


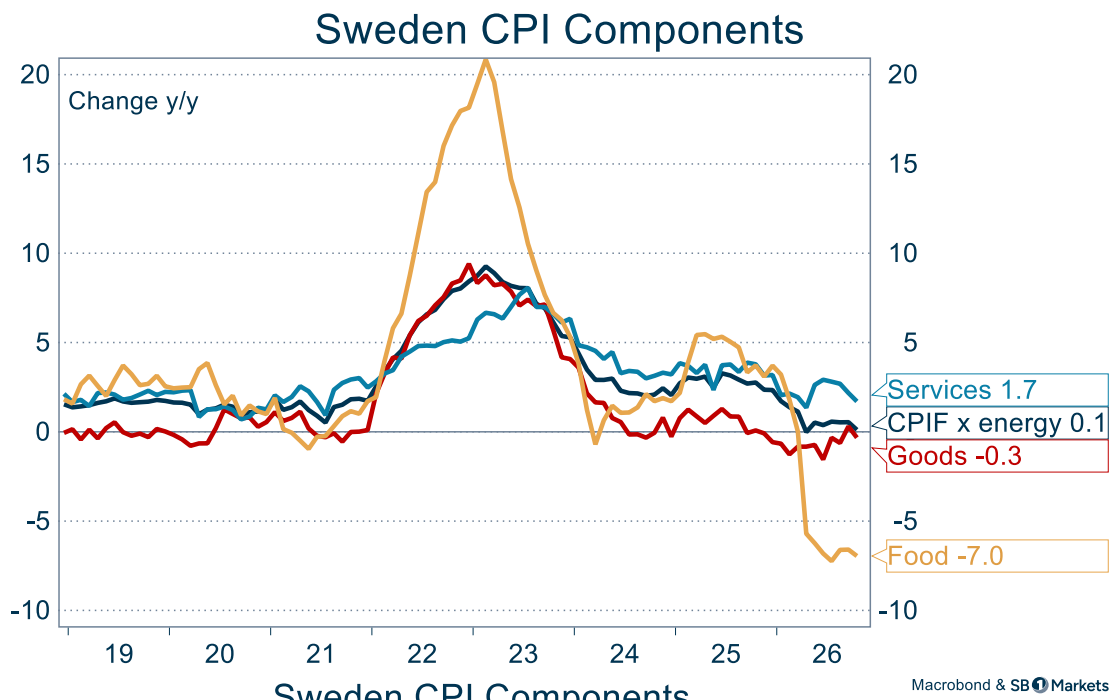


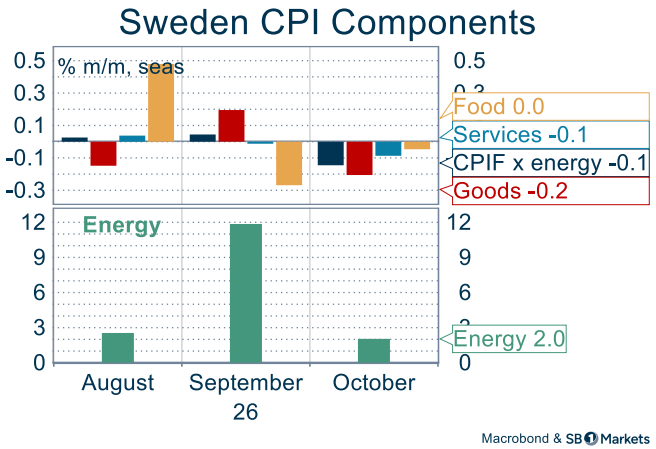
Underlying growth in recent months: Annualised seasonally adjusted growth over 3–6 months calculated in different ways to illustrate the momentum in a time series.

Just energy prices rose in October. Both services and core goods were down m/m

Food prices also declined m/m – and are down 7% y/y, due to the cut in food VAT.
Energy prices rose 2.0% y/y and are up 17% y/y.

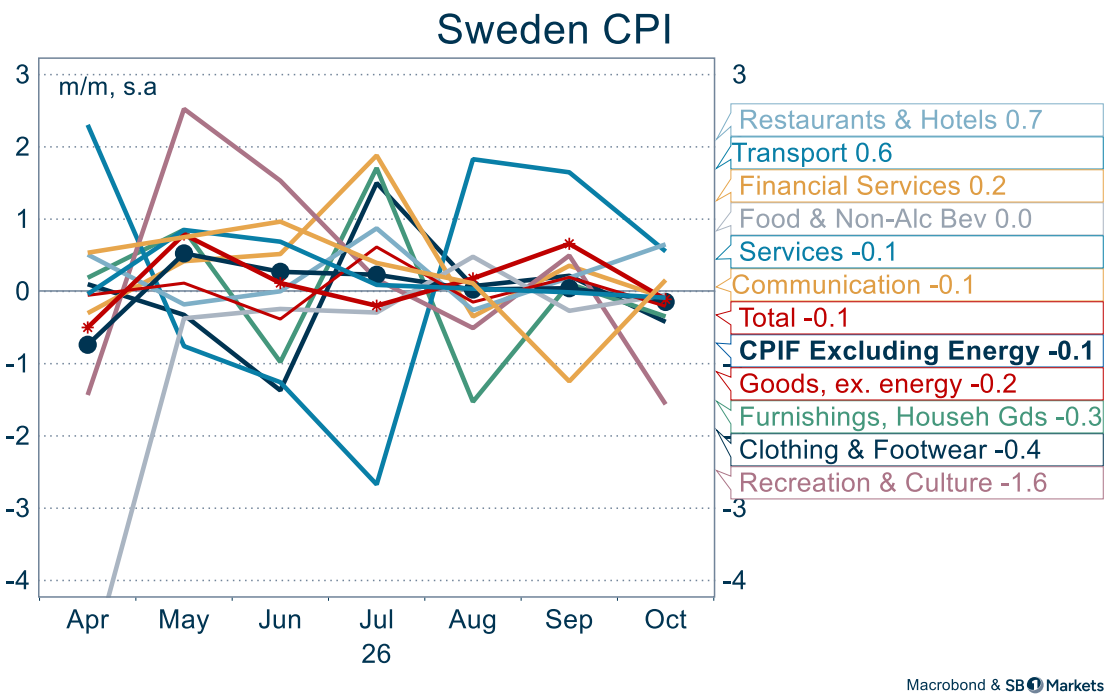


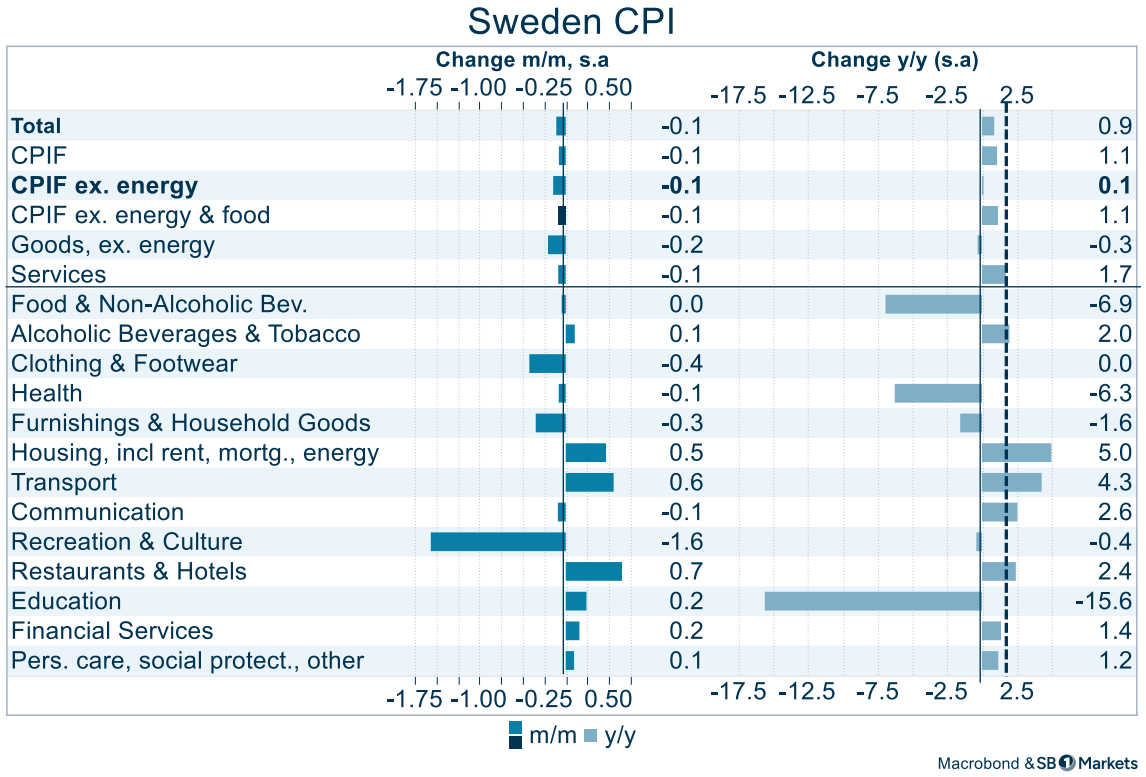




Recreation was down 1.6% in October. Clothing, furnishings also down

Only the main sector data have been published so far, so we have to await the details to find the real 'culprits', at least in recreation/culture.

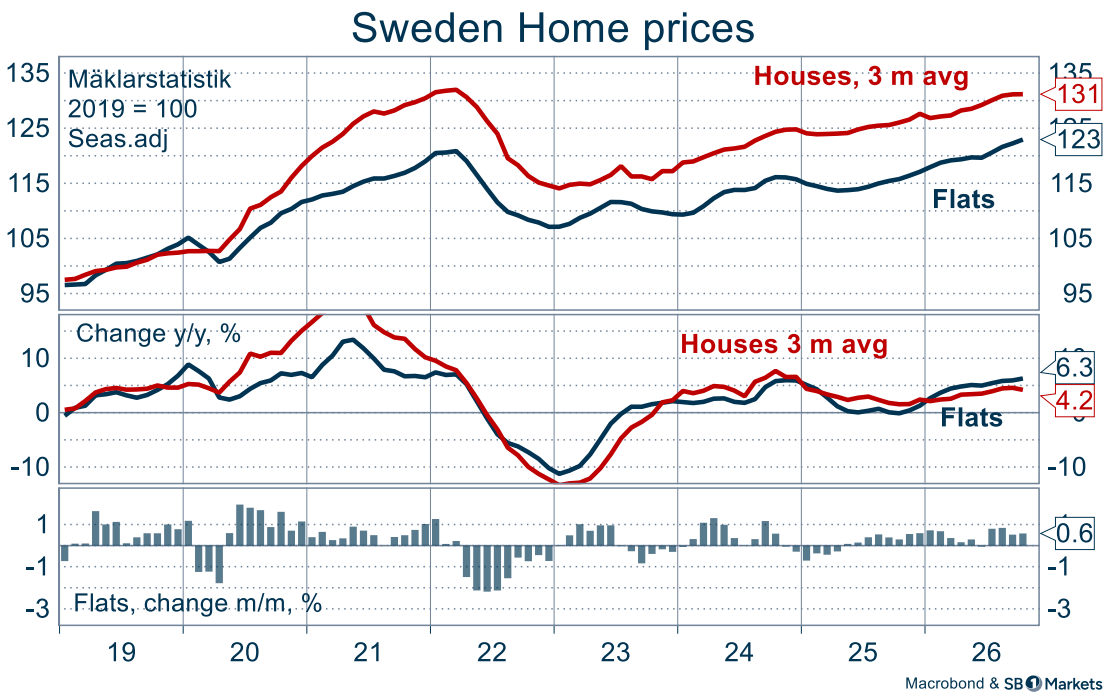




- Financial services are up 1.4% y/y in Sweden. In Norway 7.9%. A remarkable gap.

Housing prices are up 5–6% y/y

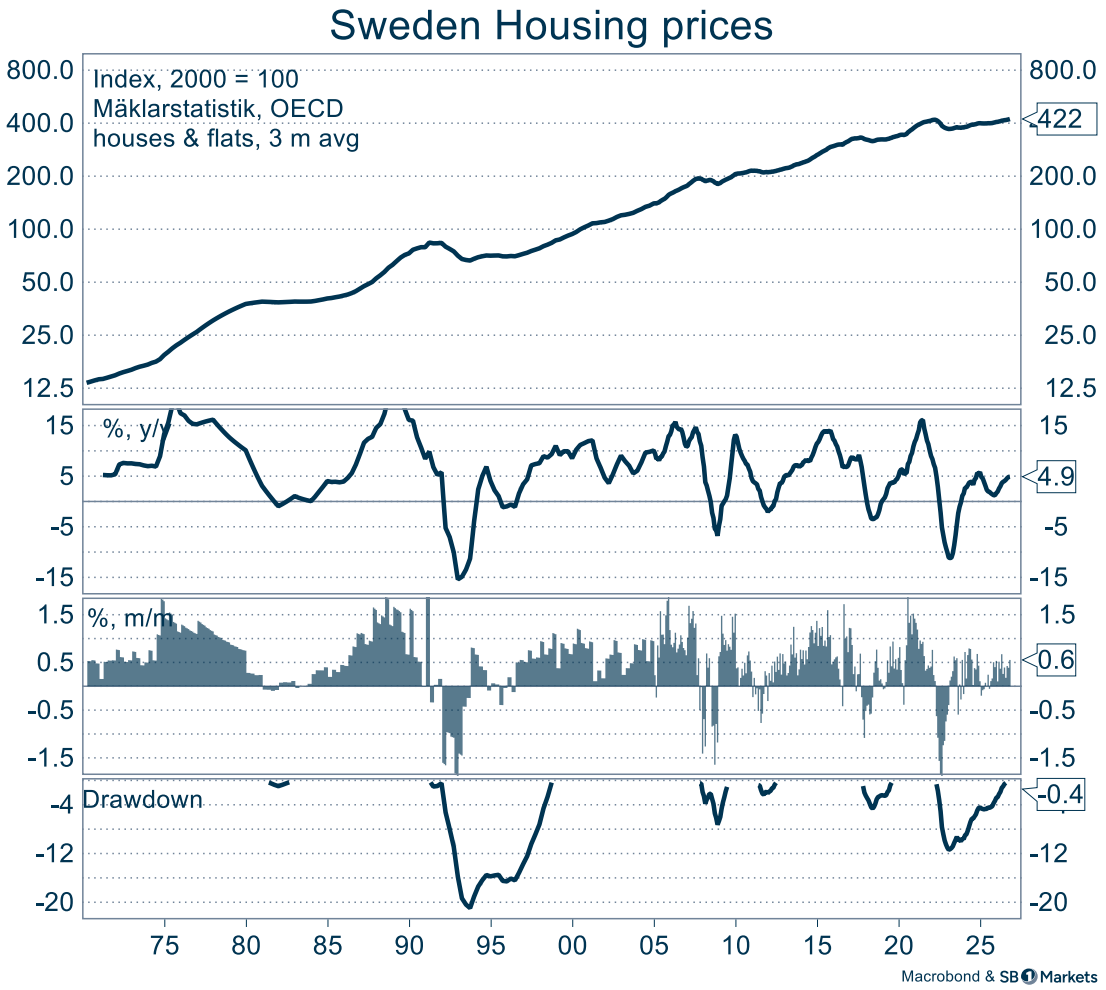
Flat prices rose 0.6% in October, while single-family house prices were flat (3m average). Given consumer confidence, the low price level (-16% from '22 in real terms), and low mortgage rates, prices will climb further?

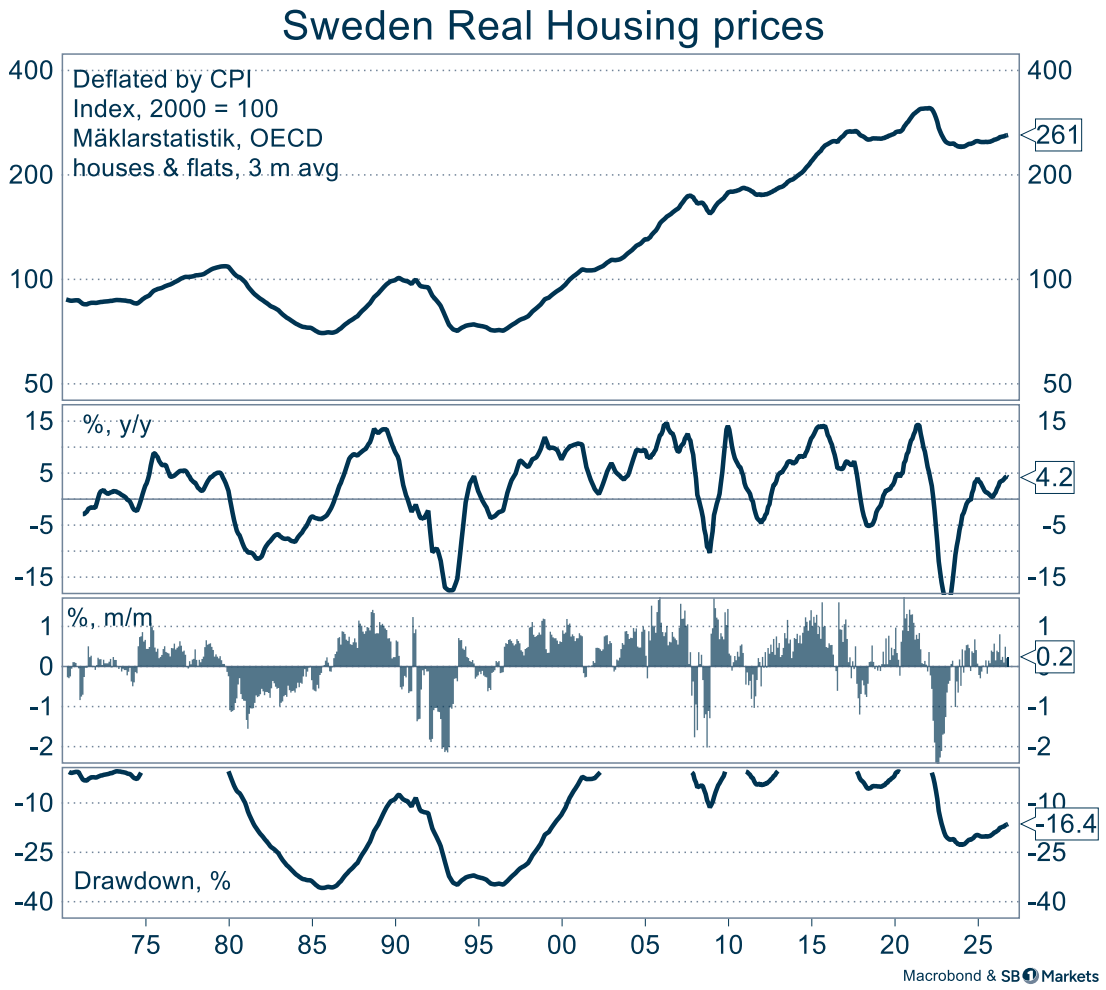


- **Housing prices** have been trending up since early 2023, but not in a straight line – and they are often heavily revised**.** In October, no revision!
- **Flat prices** are up 6.3% y/y, ***the best since early 2022.***
- **Single-family house prices** are still trending up, but have flattened recently (but are up 4.2% y/y).
- Taken together, **housing prices** rose 0.6%, measured as a 3m average, and are up 4.9% y/y.
  - **Nominal prices** are down 0.4% from the early 2022 peak. **In real terms**, deflated by CPI, ***prices are down 16%*** – and they are still 2% below the 2016 local peak – even if mortgage rates have fallen substantially from the 2023 peak.
    - **Norwegian** real housing prices are down just 6% from the peak and are up 2% from 2016.
- **Transaction volumes** are climbing and the level is normal (flats) to high (single homes).
- **The inflow of existing homes for sale** has been trending down and is at a record low level (even after an increase in October). A further increase in supply is not unlikely, which may dampen price increases (supply has been depressed as demand was weak, and sellers who did not have to sell decided to wait until the market recovered).
- **The inventory of unsold homes** heads down but remains ***above normal levels***.

Nominal housing prices almost back to the 2022 peak. *In real terms, -16%!*

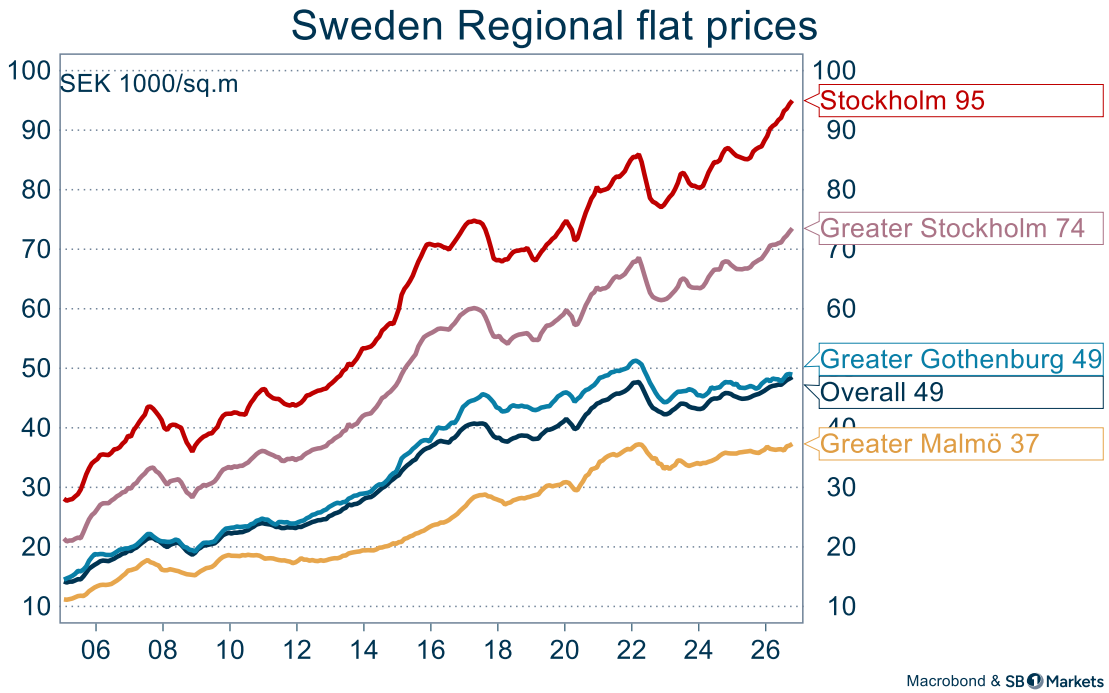
Real prices down 2% from the 2016 local peak (like in Norway). This downturn is the 2nd largest in nominal terms, and the 3rd largest in real terms since 1970.

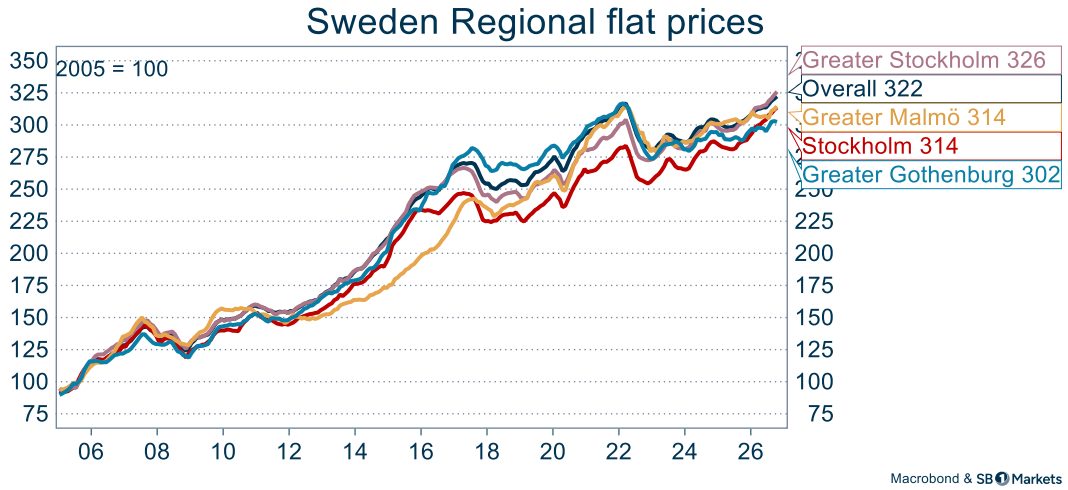


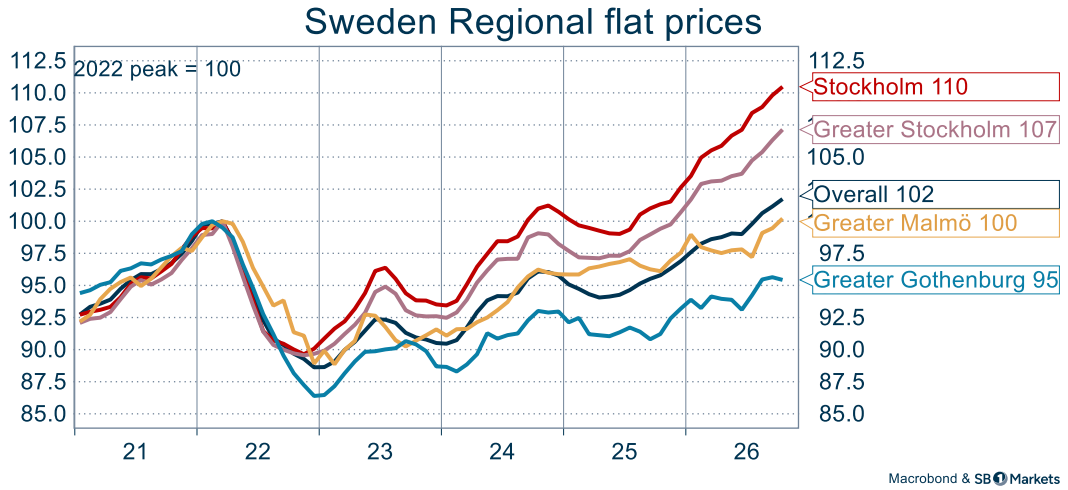


Prices are heading up at 8–9% everywhere

Gothenburg is still below the 2022 peak. Stockholm is 10% above. Almost all counties (län) report lower prices than at the 2022 peak. More than half of the counties are down more than 10% nominally and more than 25% in real terms.



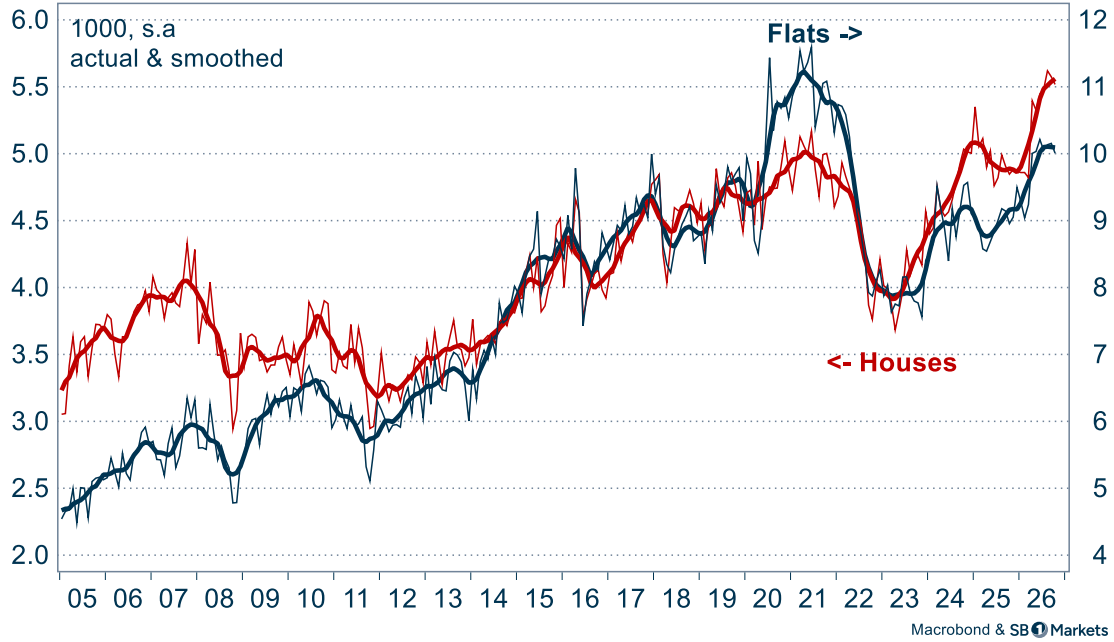




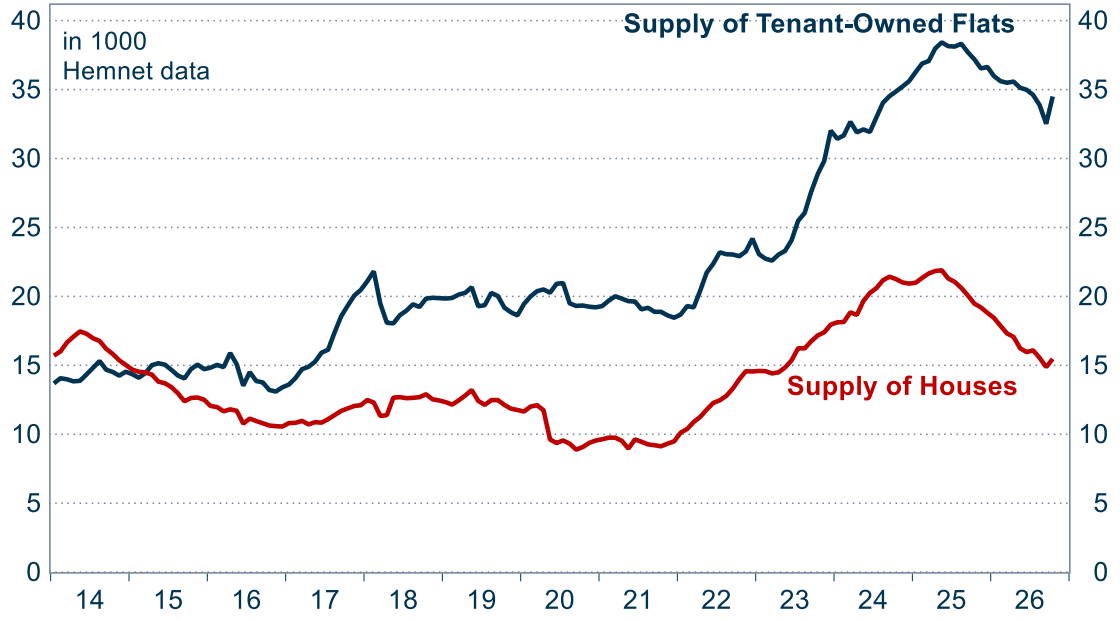
Sales volumes are surging, and the inventory is declining. *Good news*

The inventory of unsold homes rose in October and is higher than normal but trends down. The supply of new (existing) homes for sale has fallen sharply over the past year, contributing to a more balanced market. In October, more homes were listed. More to come?

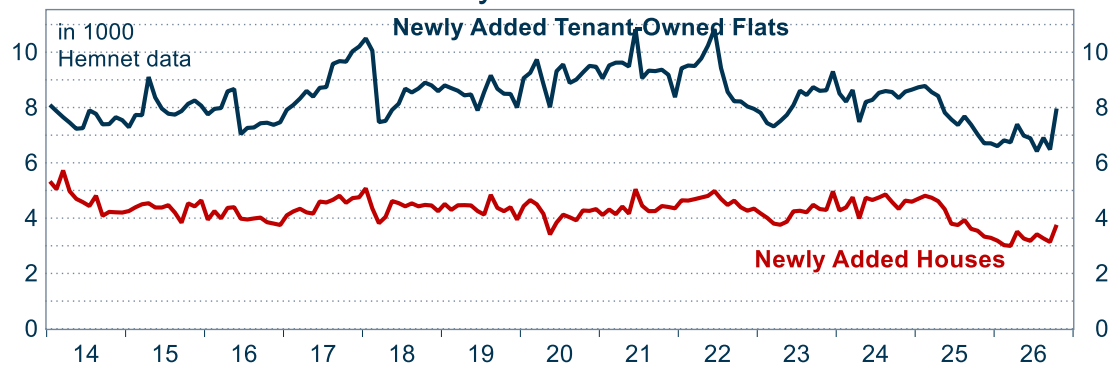
Sweden Real Estate Transactions



Sweden Existing homes for sale

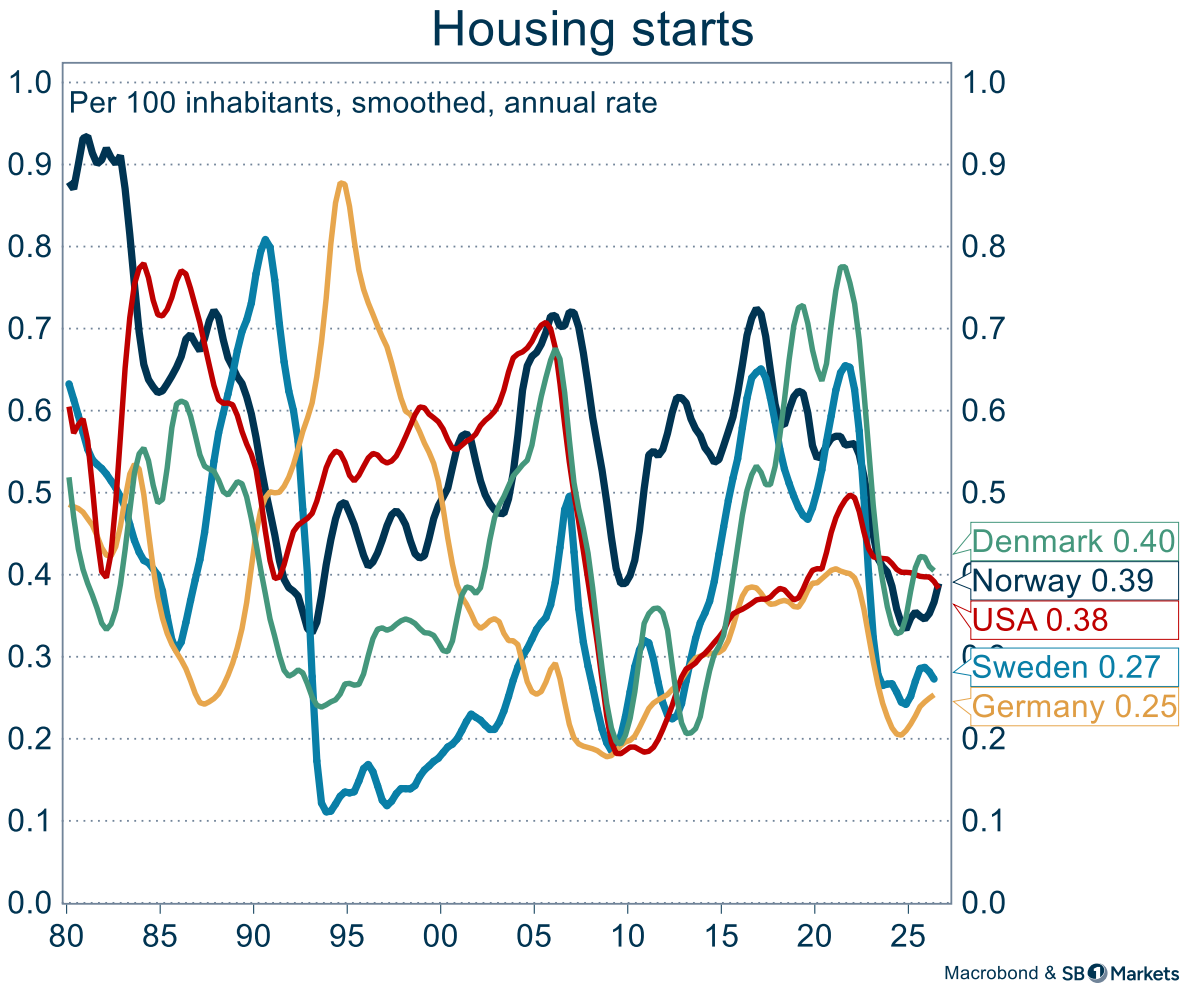


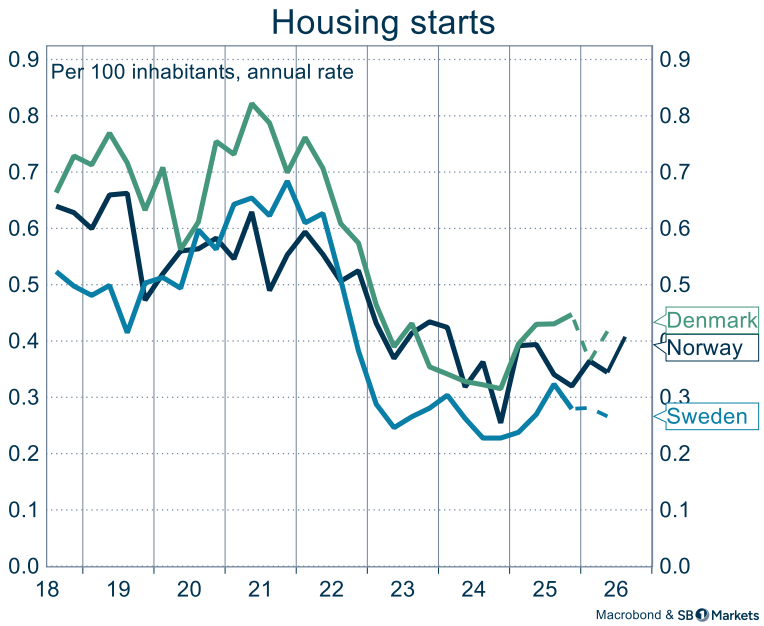
Sweden Newly added homes for sale



Swedish housing starts have bottomed, but not in an impressive way

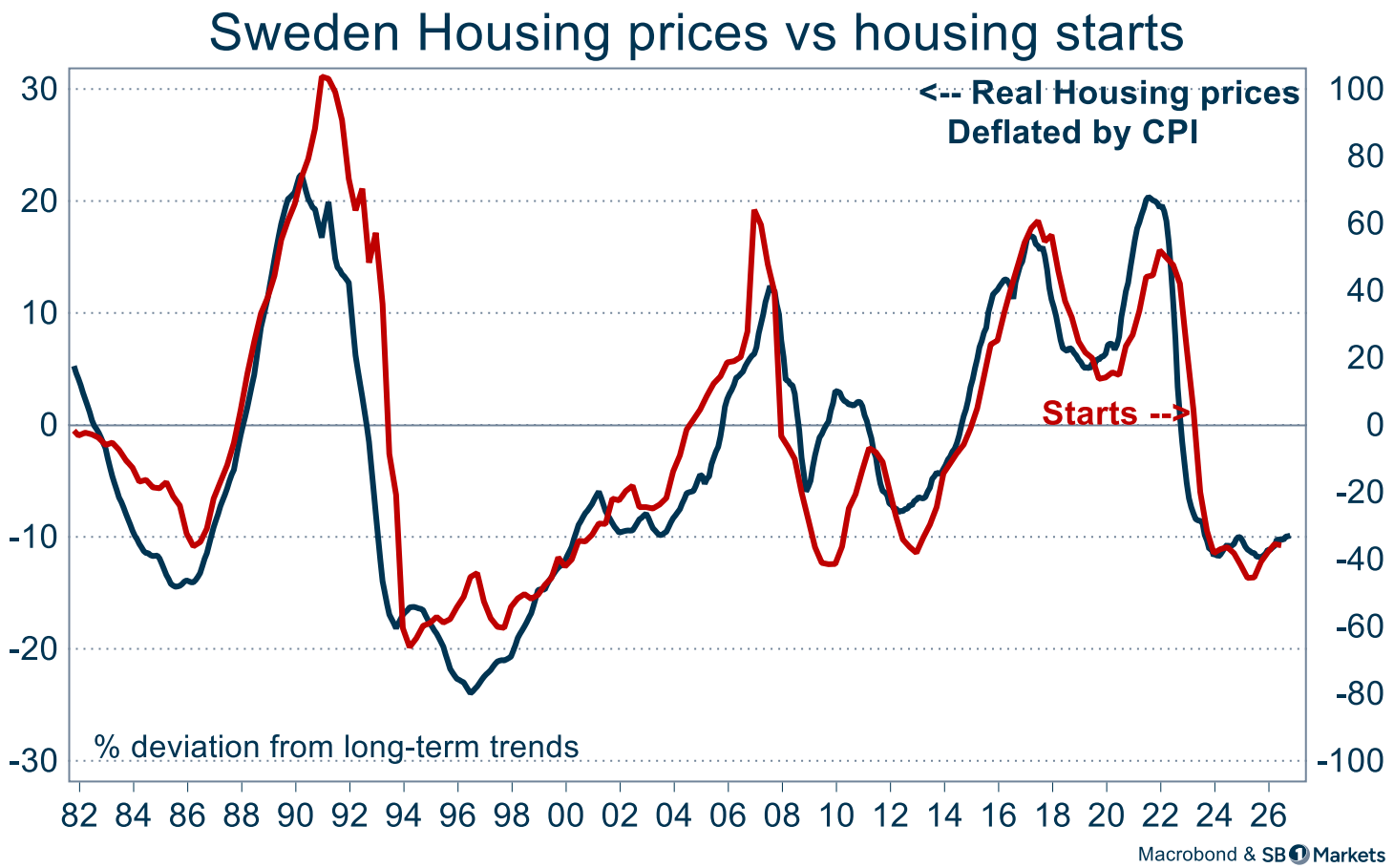
Starts are up from the bottom in Denmark as well. Norwegian starts have just flattened. The setback was larger in both Denmark and Sweden than in Norway.





… and if prices keep rising, starts will very likely follow ☺

Starts lag prices by some 6 months.



SB 1 Markets



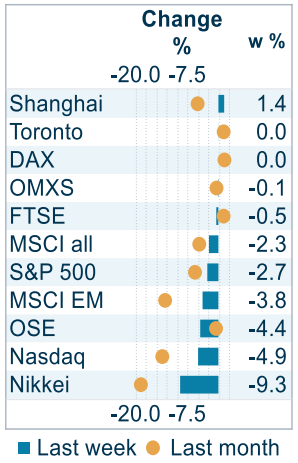
1. Highlights
2. Norway
3. Major economies

4. Financial markets

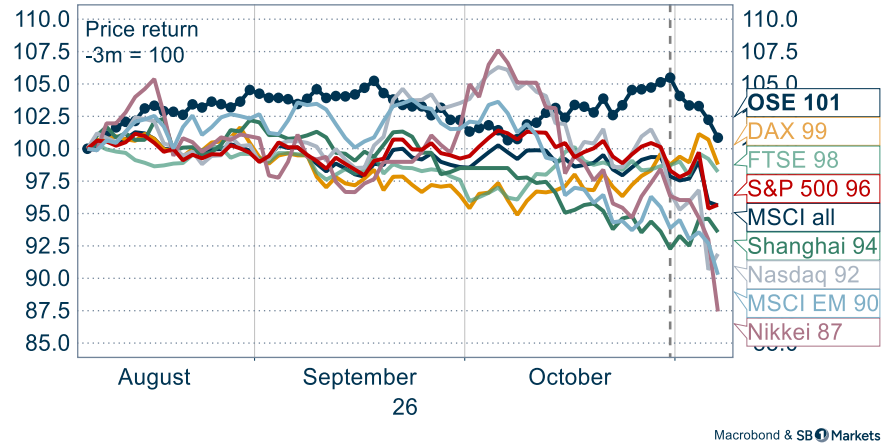
*Picture source: ChatGPT

Most stock markets down; Bond yields down; Oil & metals down, and NOK, -2.1%

The US Blue sweep and data centre uncertainty dragged the AI segment further down (and Nasdaq fell for the 4th week in a row). Hopes for a deescalation of the Gulf conflict lowered oil prices by almost USD 20/b in the short end, back to the early September level.

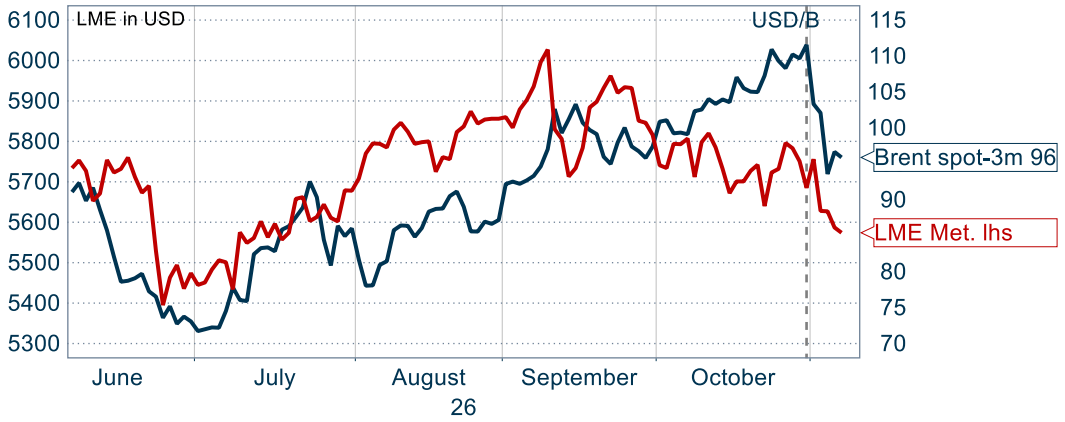


Equity Indices



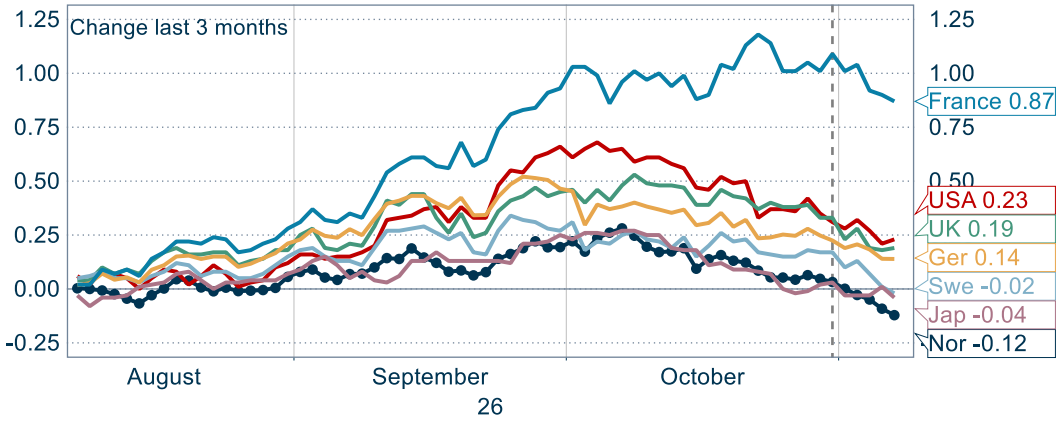
Macrobond & SB1 Markets

Oil vs. metals



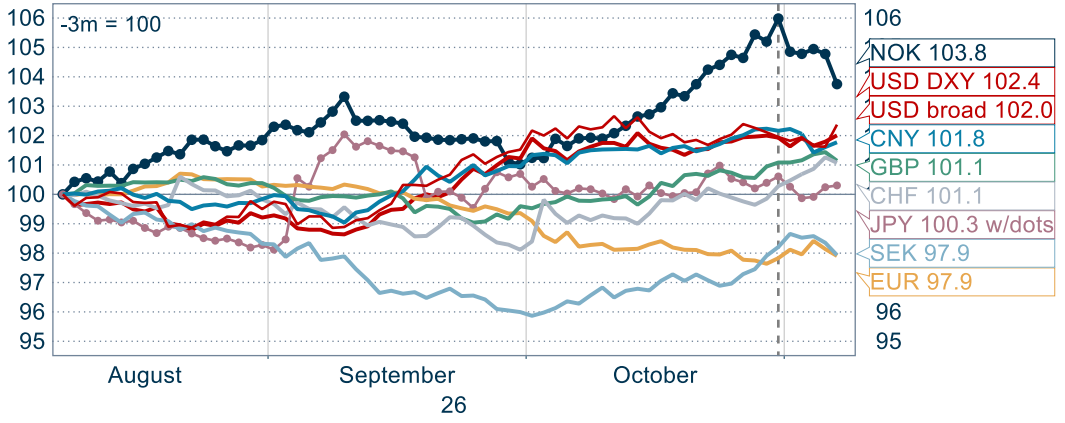
Macrobond & SB1 Markets

10 y Government bond yields



Macrobond & SB1 Markets

Currency indices

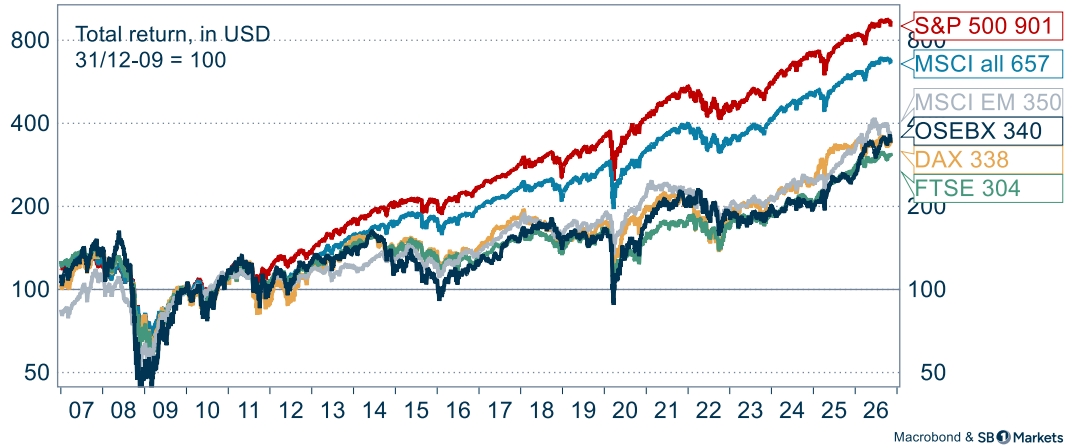


Macrobond & SB1 Markets

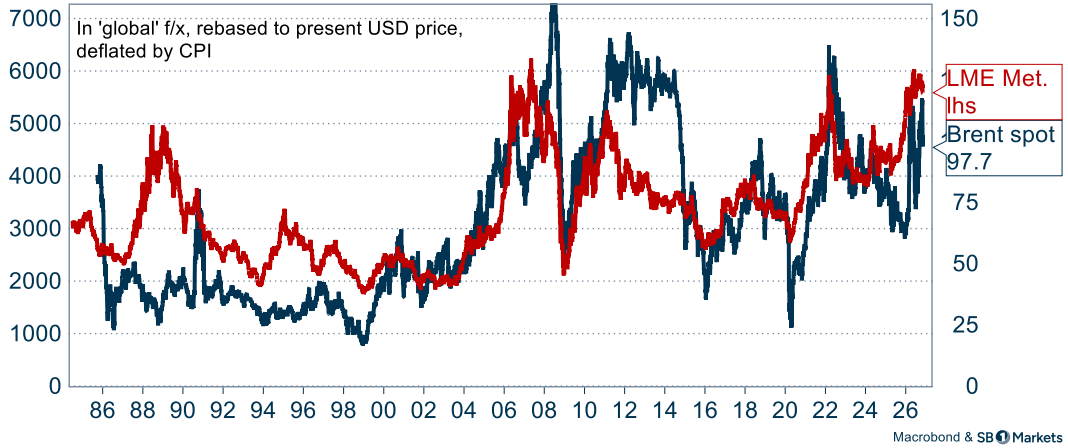
Big picture in recent years: Equity markets, bond yields and metal prices on the way up

The real crude oil price (in USD terms) has increased too but has not reached that high levels. JPY has been the main FX loser. The USD was the winner until early 2025 (with the CHF, which is one of the losers in 2026). NOK has recovered substantially so far in 2026.

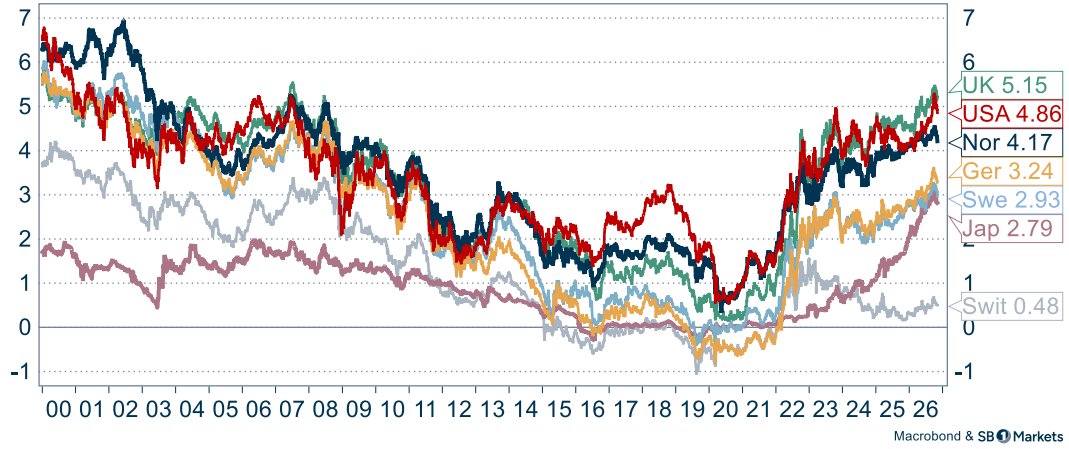
Equity Indices



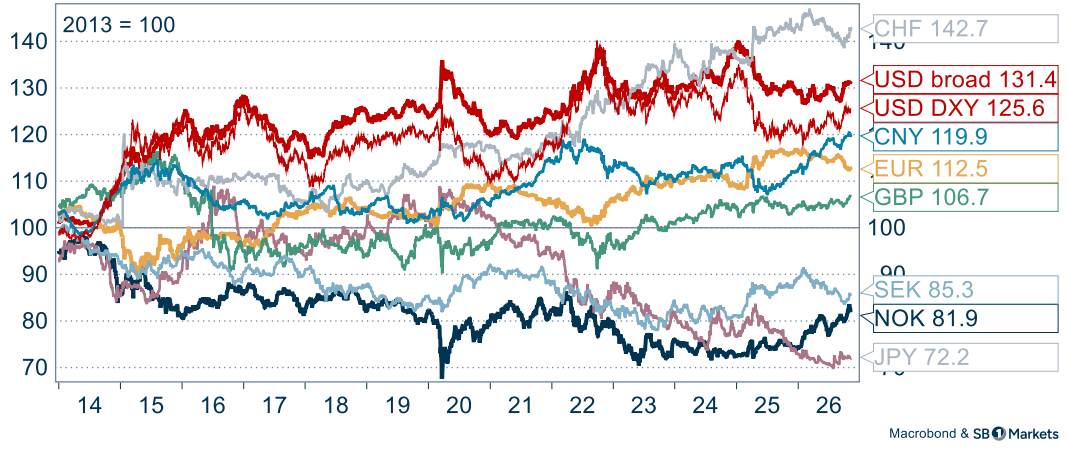
Oil vs. metals



10 y Government bond yields



Currency indices



SB 1 Markets



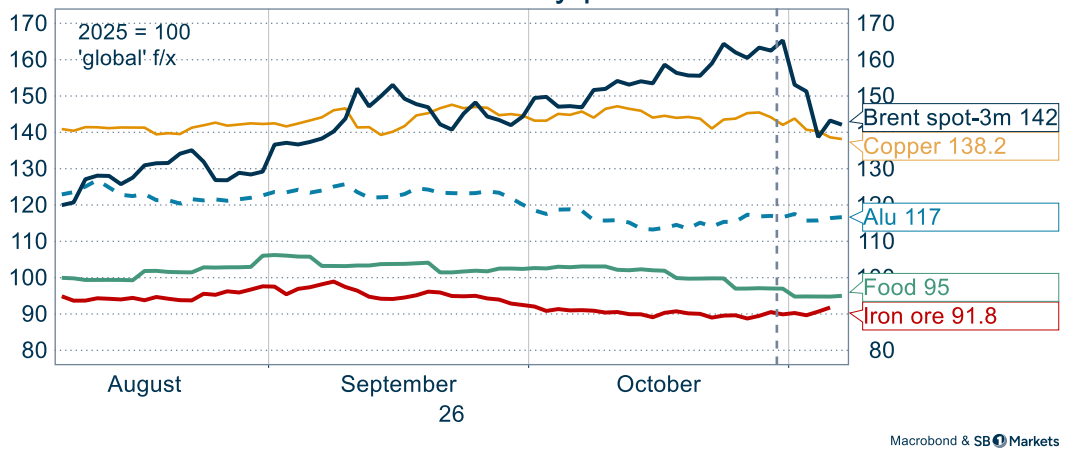
4.1 Commodities

*Picture source: ChatGPT

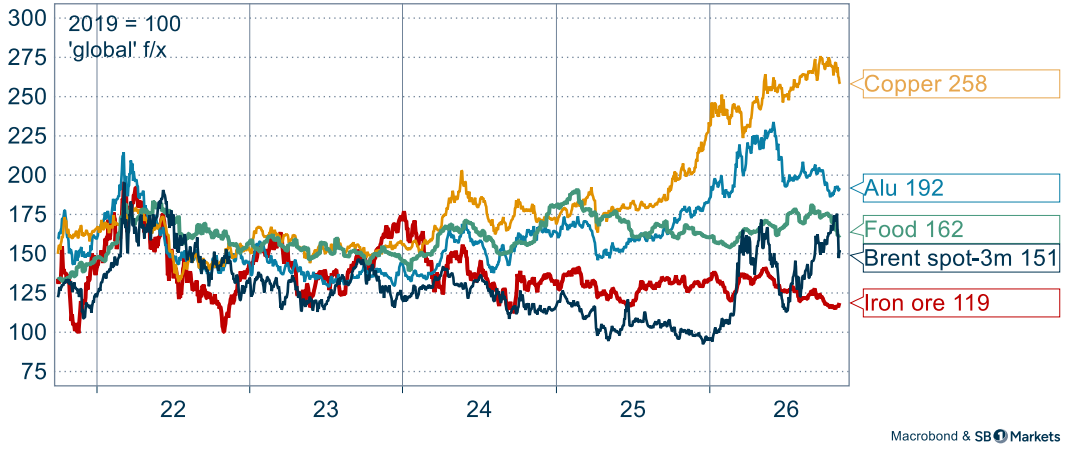
Commodity prices: energy prices dropped on hopes of a tame lame duck in the White H.?

… and some sort of a US retreat from the Gulf conflict. Most metal and food prices fell further while precious metals recovered following the decline in the previous weeks. Tanker rates turned south, which has not been the norm lately.

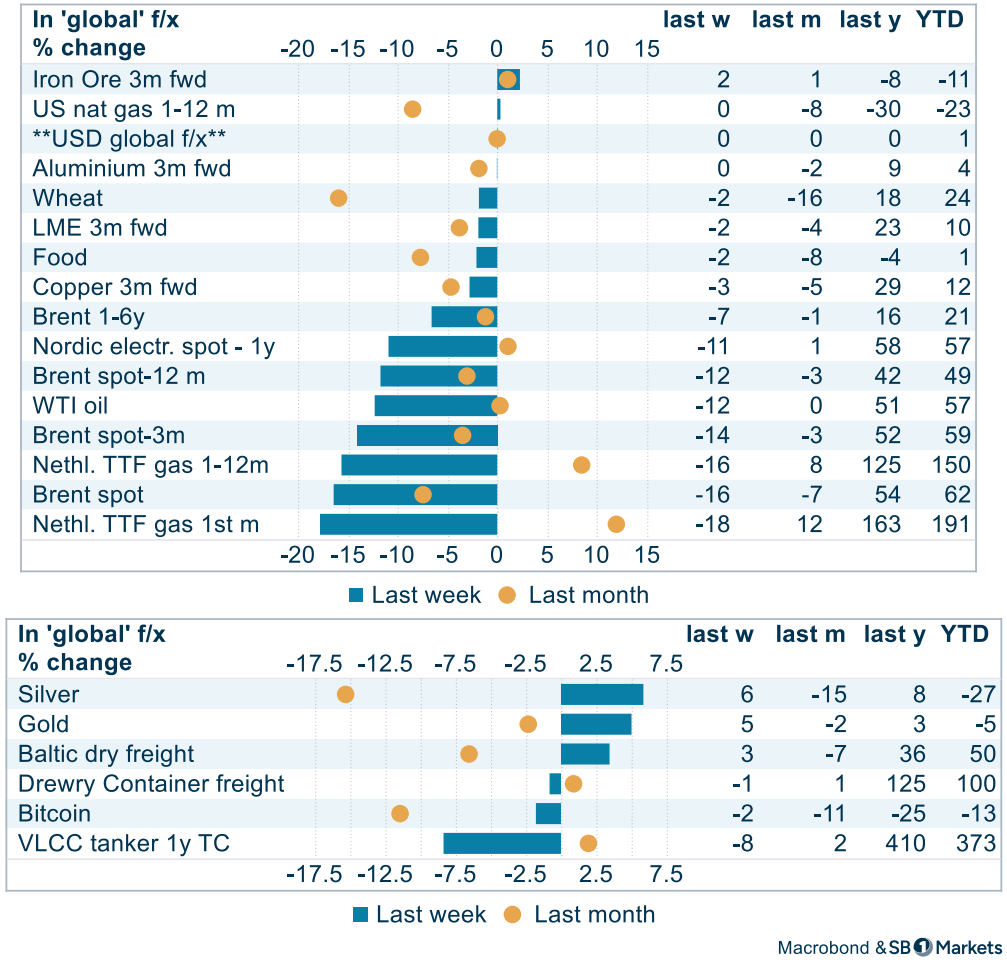
Commodity prices



Commodity prices



Commodity prices

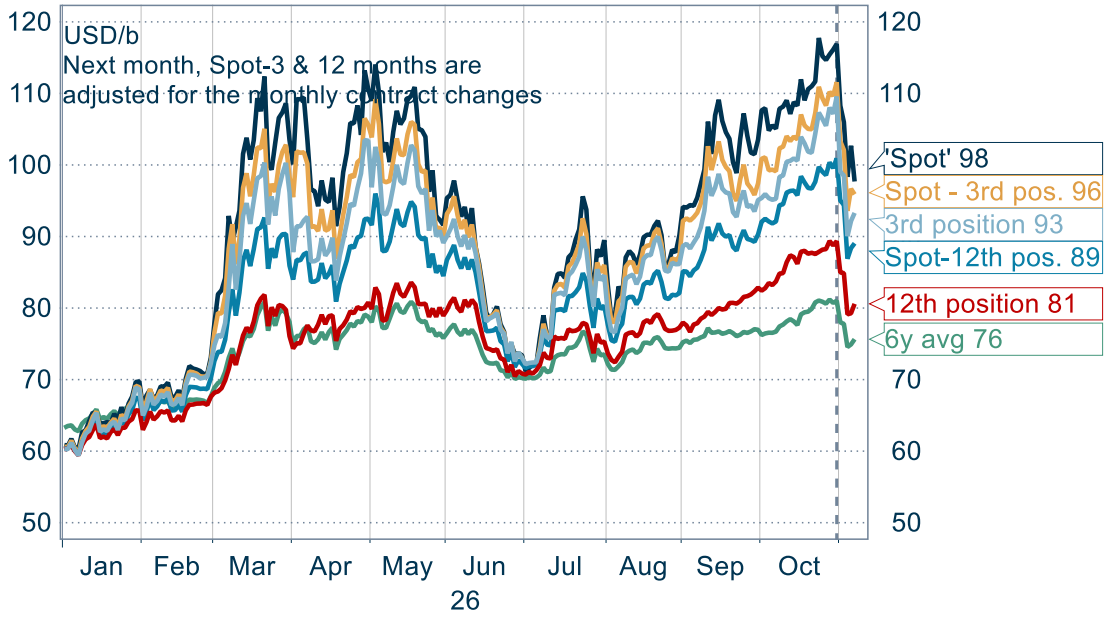


Prices in a 'global' FX measure. We have divided the table on the right into two sections, with the lower part showing the (normally…) most volatile elements. The spot–12m data are the average price for the coming year.

Brent spot down almost USD 20/b, and by USD 12/b over the coming 12 months

No ‘real’ news but hopes of *some sort of de-escalation of the US-Iran conflict*, following surprisingly strong gains for the Democrats in the midterms and a heated debate within the Republican party about the wisdom of this ‘war’.

Brent Oil Prices



Brent Oil Future prices



Brent prices

	USD/b		Change last week UDS/b	
	0 20 40 60 80 100		-20 -15 -10 -5 0	
'Spot'		98		-19
1st position		98		-19
2nd position		96		-18
Spot - 3rd pos.		96		-16
3rd position		93		-16
Spot-12th pos.		89		-12
12th position		81		-9
6y avg		76		-5
In 4y (48th pos.)		70		-2
				0
World 3:2:1 spread		40		-1
	0 20 40 60 80 100		-20 -15 -10 -5 0	

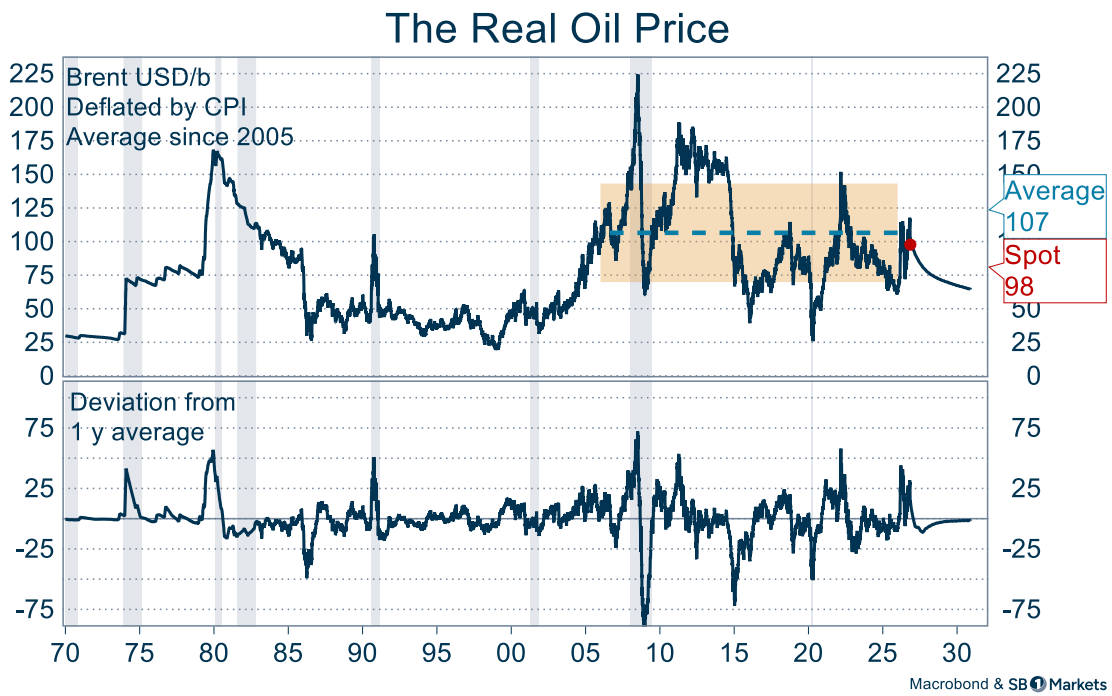
'Spot' - World 3:2:1 spread

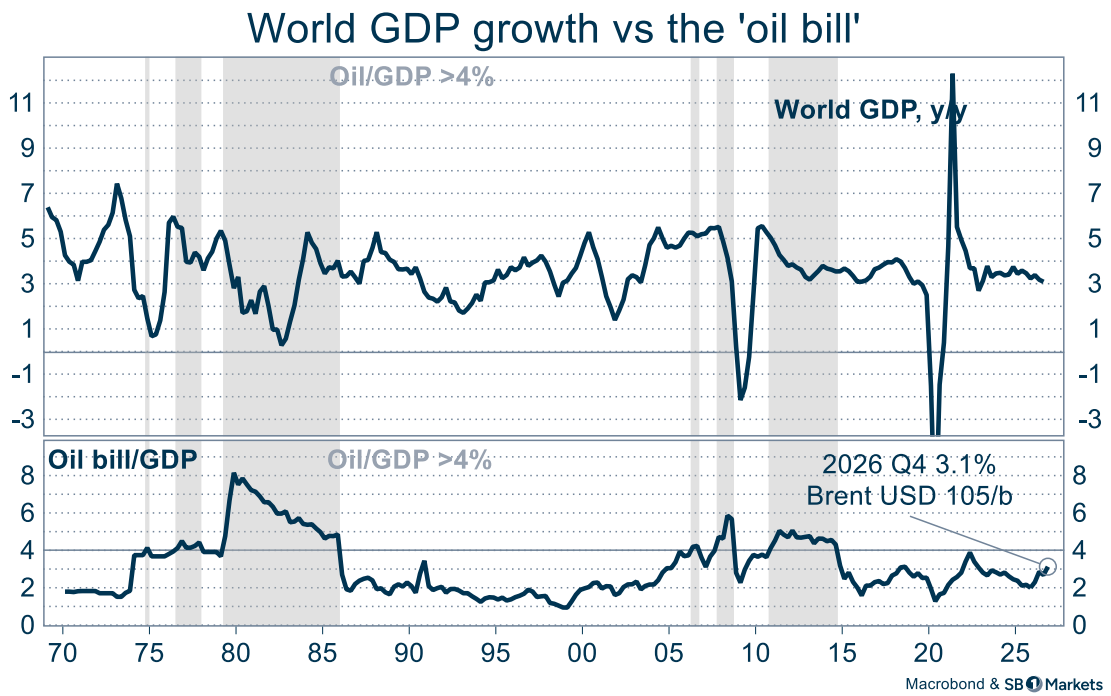
Macrobond & SB1 Markets

Monthly Brent contracts are rolling, and the actual month covered by the contract changes the first day every month. Our spot – 3rd position and spot – 12th position average in the charts/table adjusts for these changes in contracts.

The current oil spot price is 8% below a ‘normal’ level

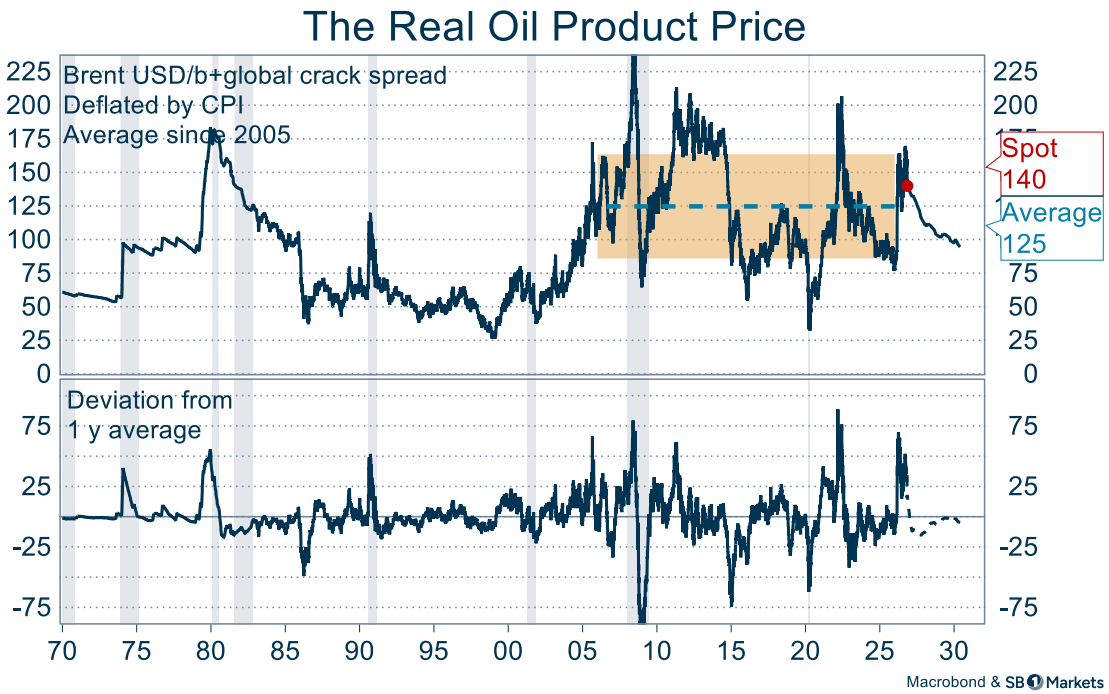
Over the long term, oil consumption has consistently declined relative to GDP, leading to a notable reduction in oil dependence. At current price levels, oil does not pose a significant cost issue.

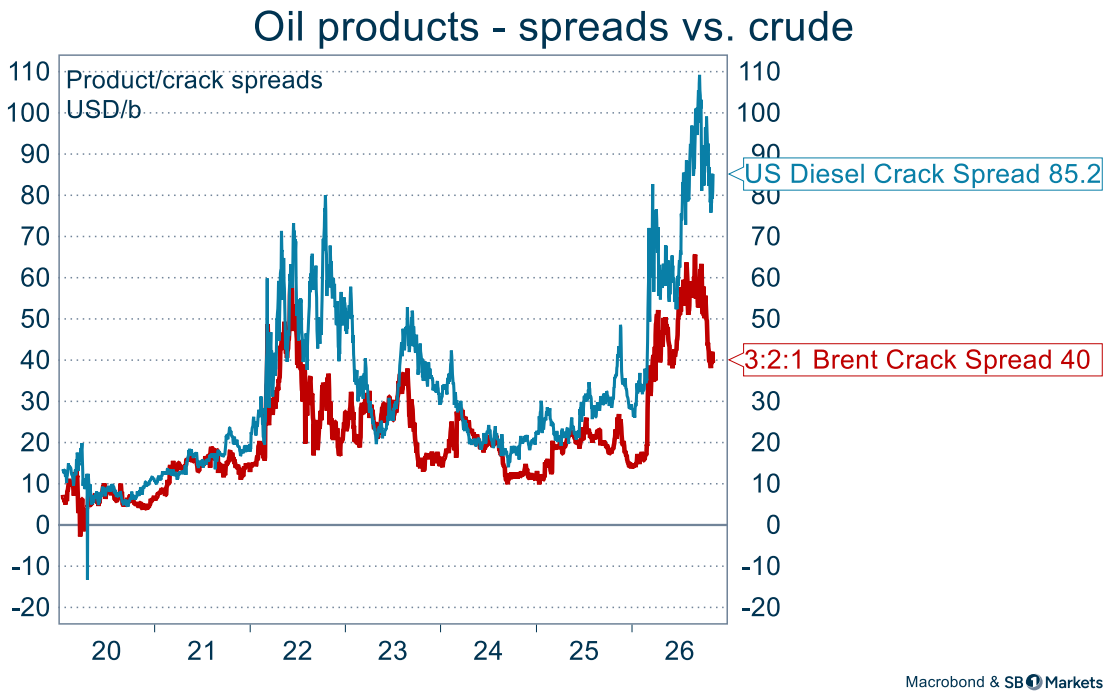




Including *product spreads*, the oil product prices are 12% above the 20y average

Last week the average crack spread narrowed marginally.
(*More on product spreads on the next page*.)



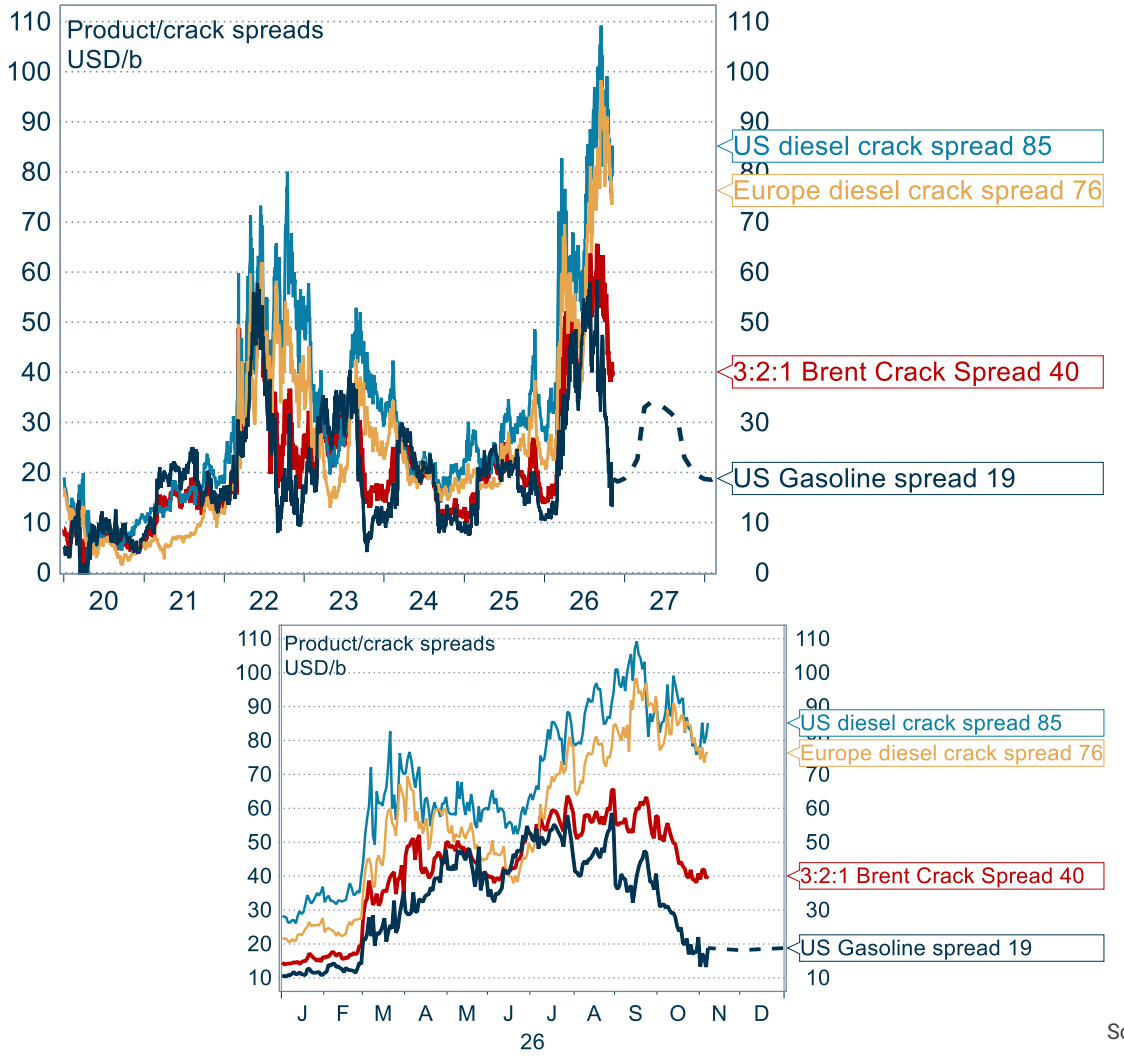


We have added the global average crack spread, the red line in the right-hand chart.

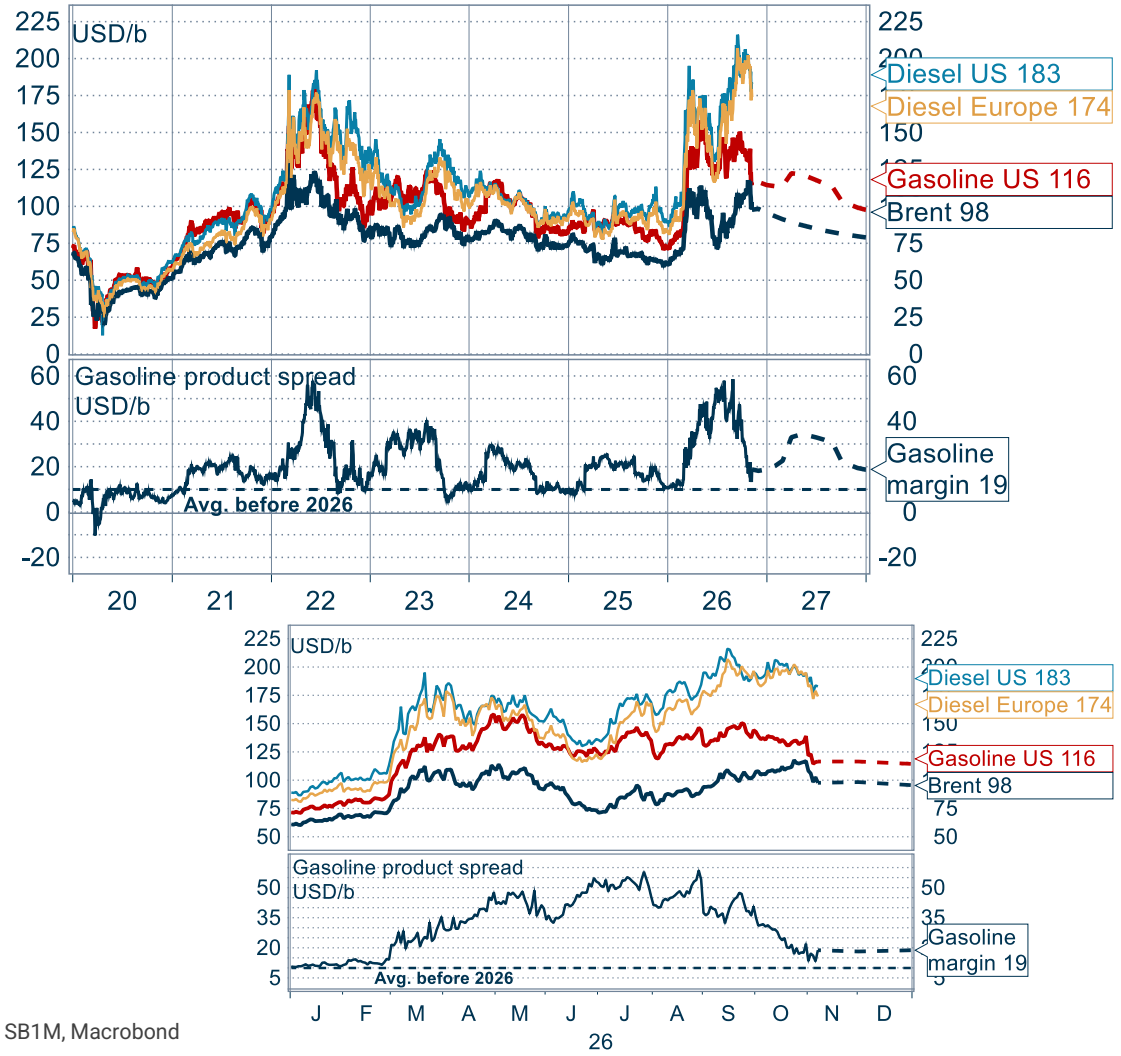
Oil products: the trend is down, and the global average fell last week – but not US diesel

The world avg. spread fell USD 1/b to 40/b. The US gasoline spread fell to USD 19/b, below the average since Russia invaded Ukraine in 2022 but still above the long-term average at USD 10/b. The trend is still down.

Oil products - spreads vs. crude



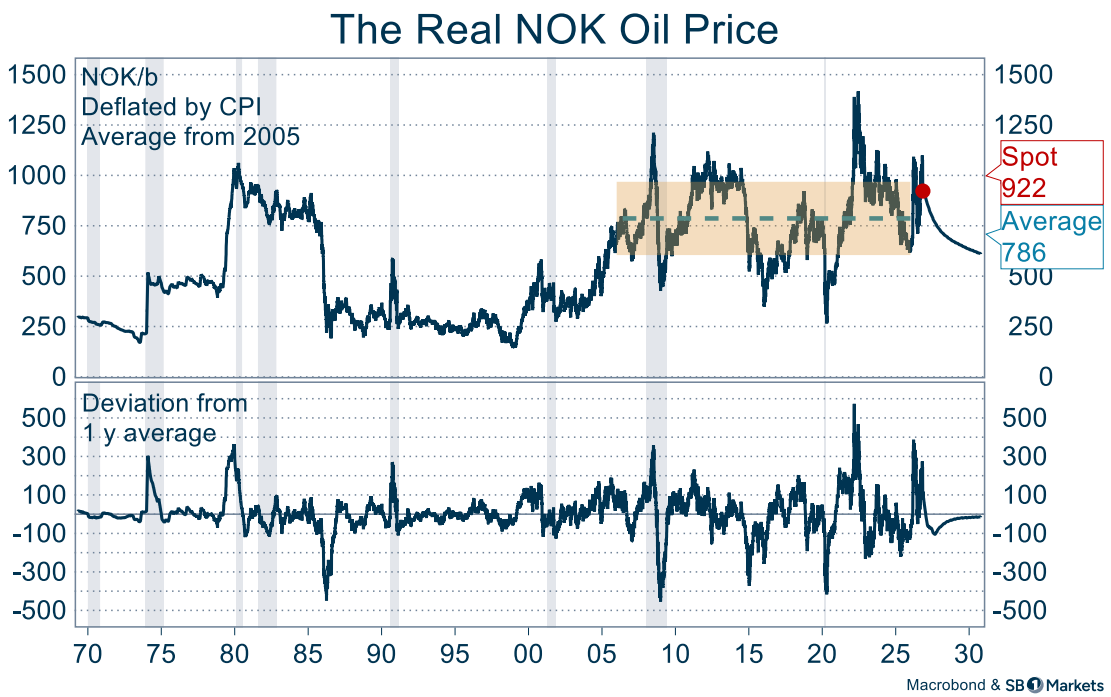
Crude vs product prices

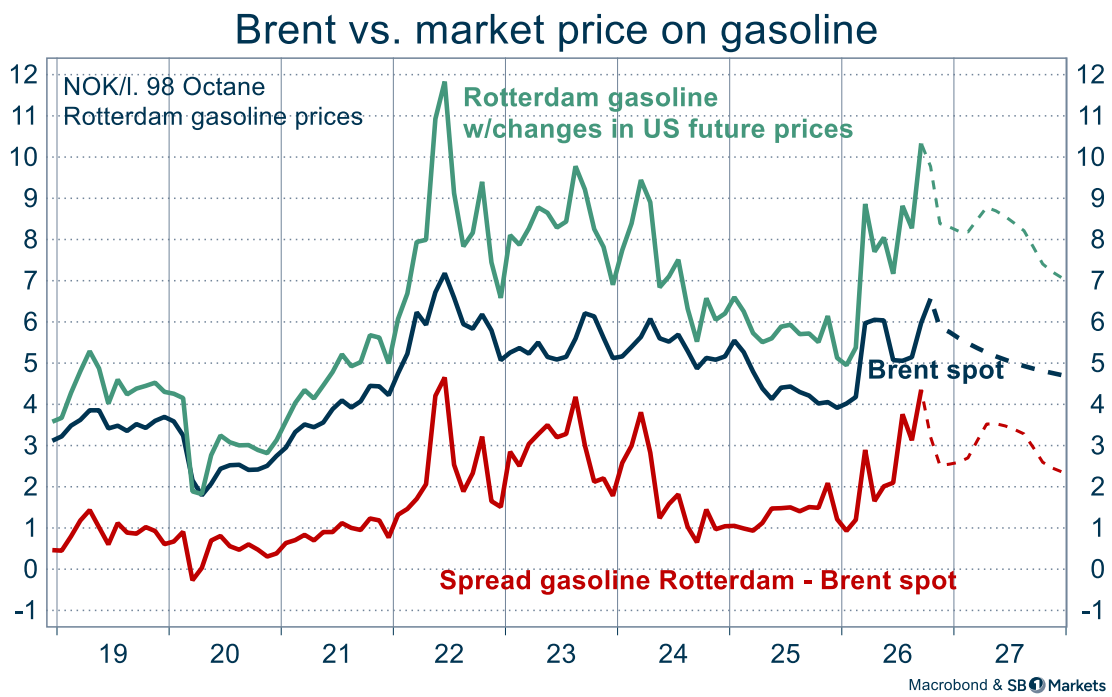


Sources: SB1M, Macrobond

Measured in NOK, the real oil price is almost 20% above the 20y average

Gasoline prices (fob refineries) are even higher vs. the long-term average, as refinery ('crack') margins are wider than normal (and some product spreads are higher than the gasoline spread).

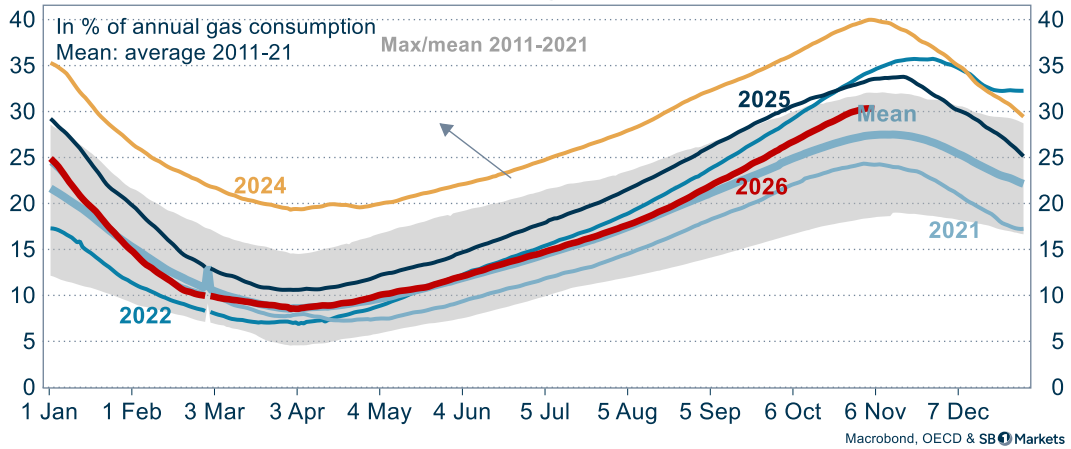




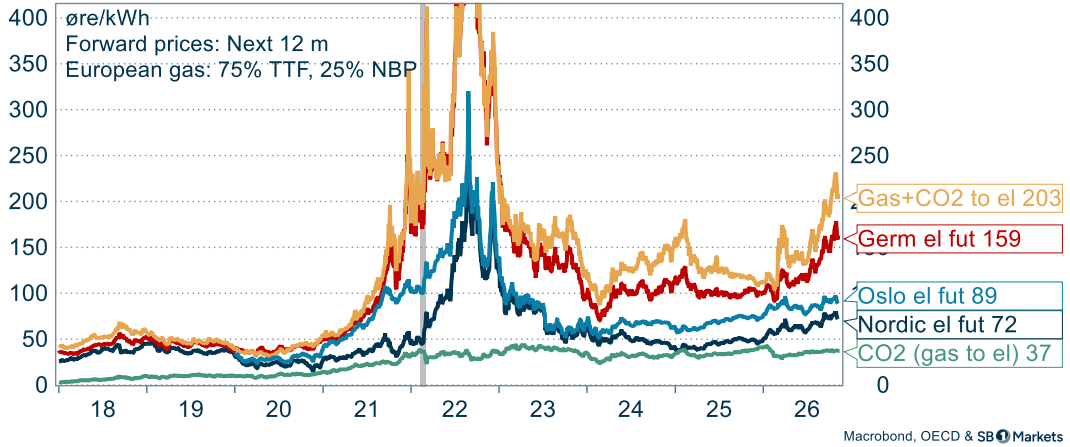
European natural gas turned down on Gulf ‘peace’ hopes. In addition, inventories are OK?

Inventories have been filled faster than normal since mid August and are higher than normal vs. annual natural gas consumption.
The problem: European natural gas prices are still *very high*.

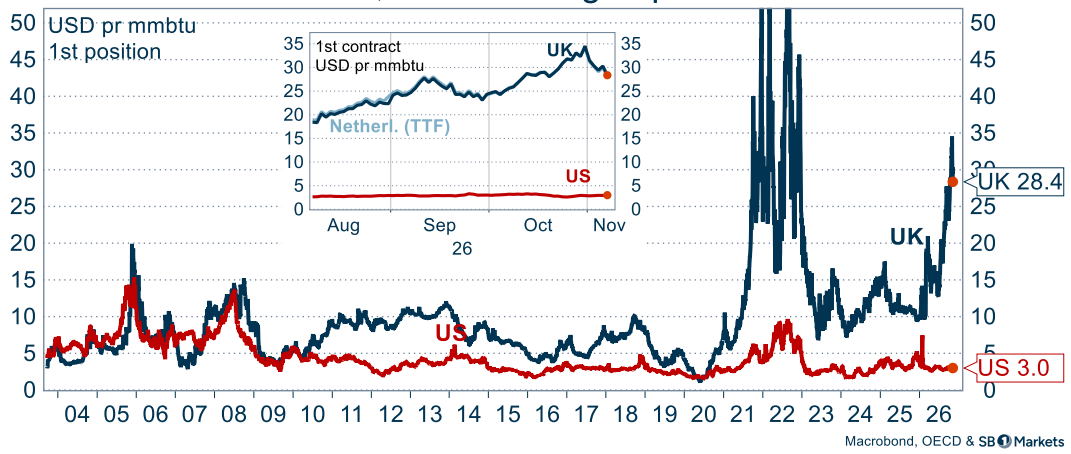
EU natural gas stocks



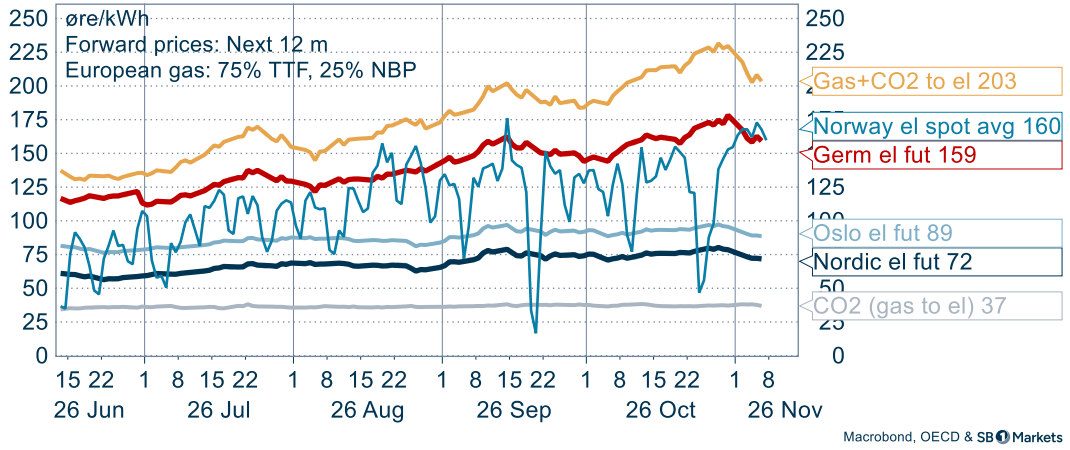
Electricity/gas future prices



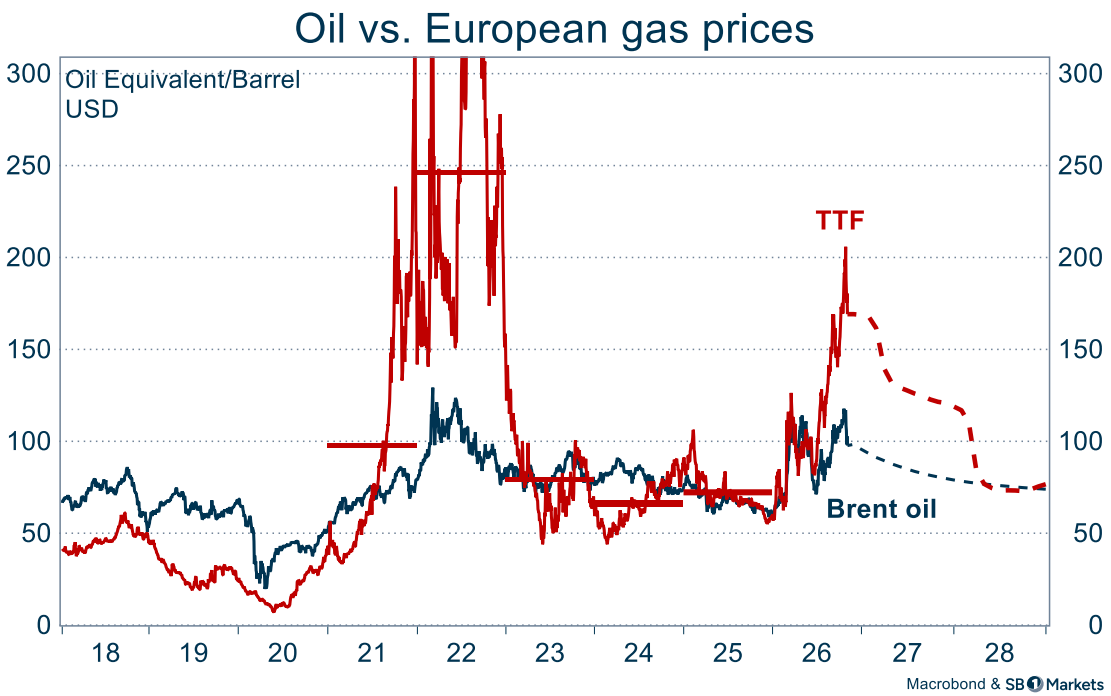
UK, US natural gas prices

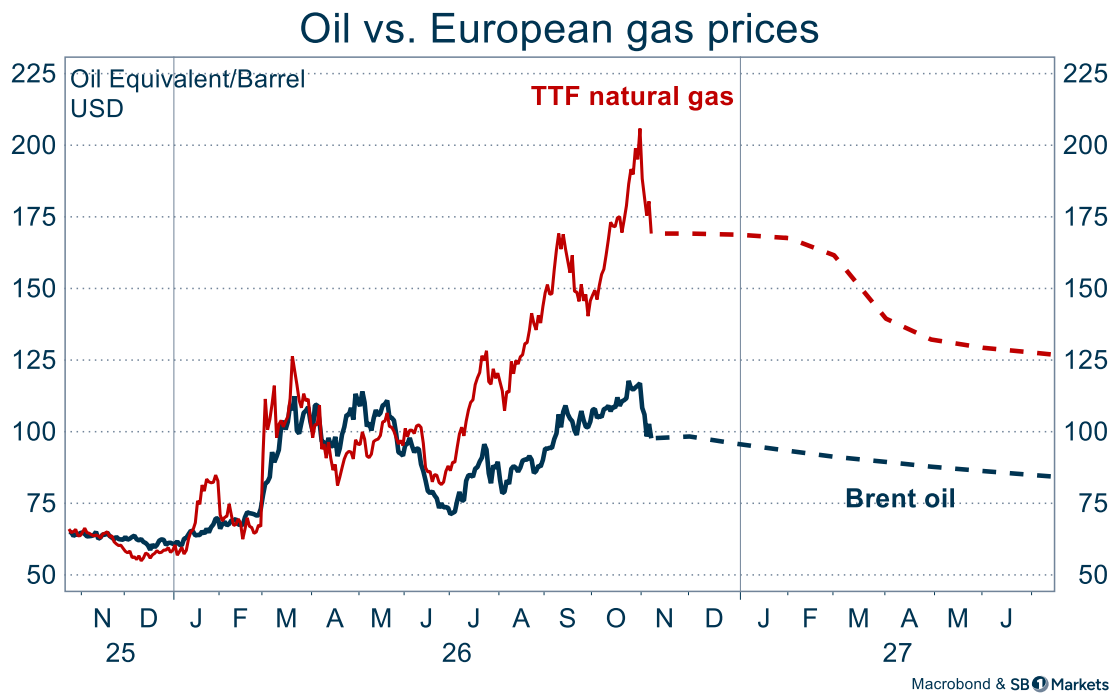


Electricity/gas future prices



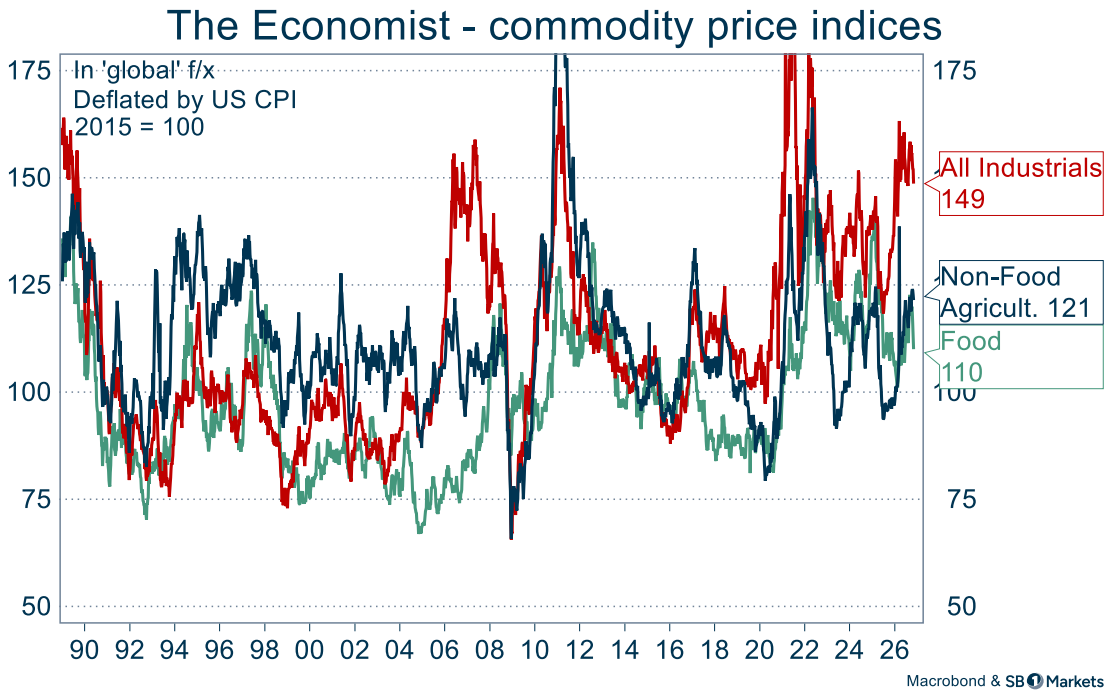
European natural gas down. Back to the early October level…

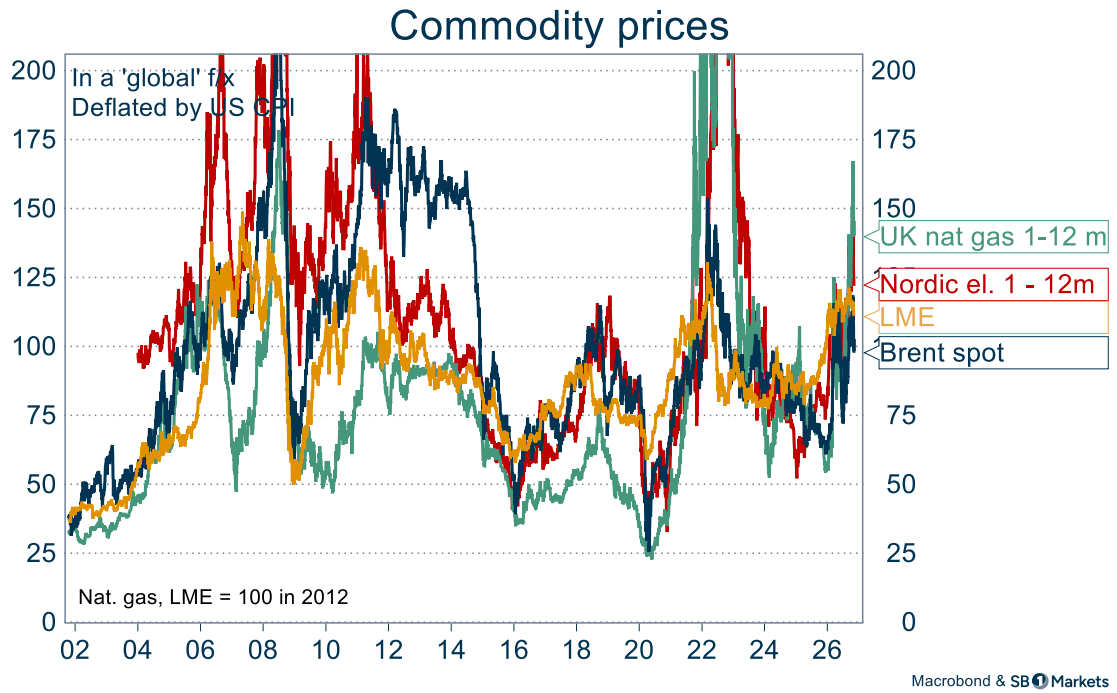


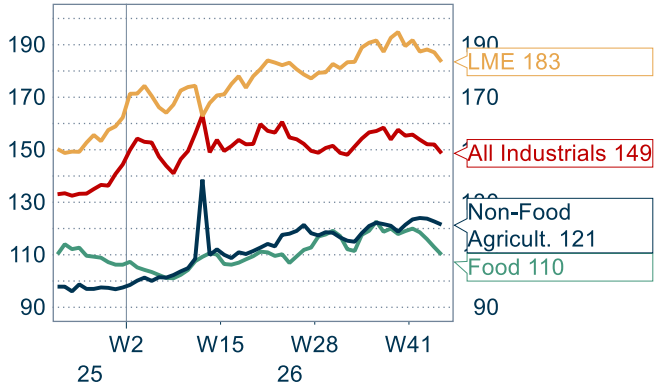


Big picture: industrial commodity prices far above normal levels, have flattened in 2026

Food prices have been trending down since the war in Ukraine started but is close to unch. so far in 2026. Non-food agricultural prices are up more than 20%. Industrial material prices are close to unchanged in 2026, even if metal prices are higher. *Taken together, slightly up.*



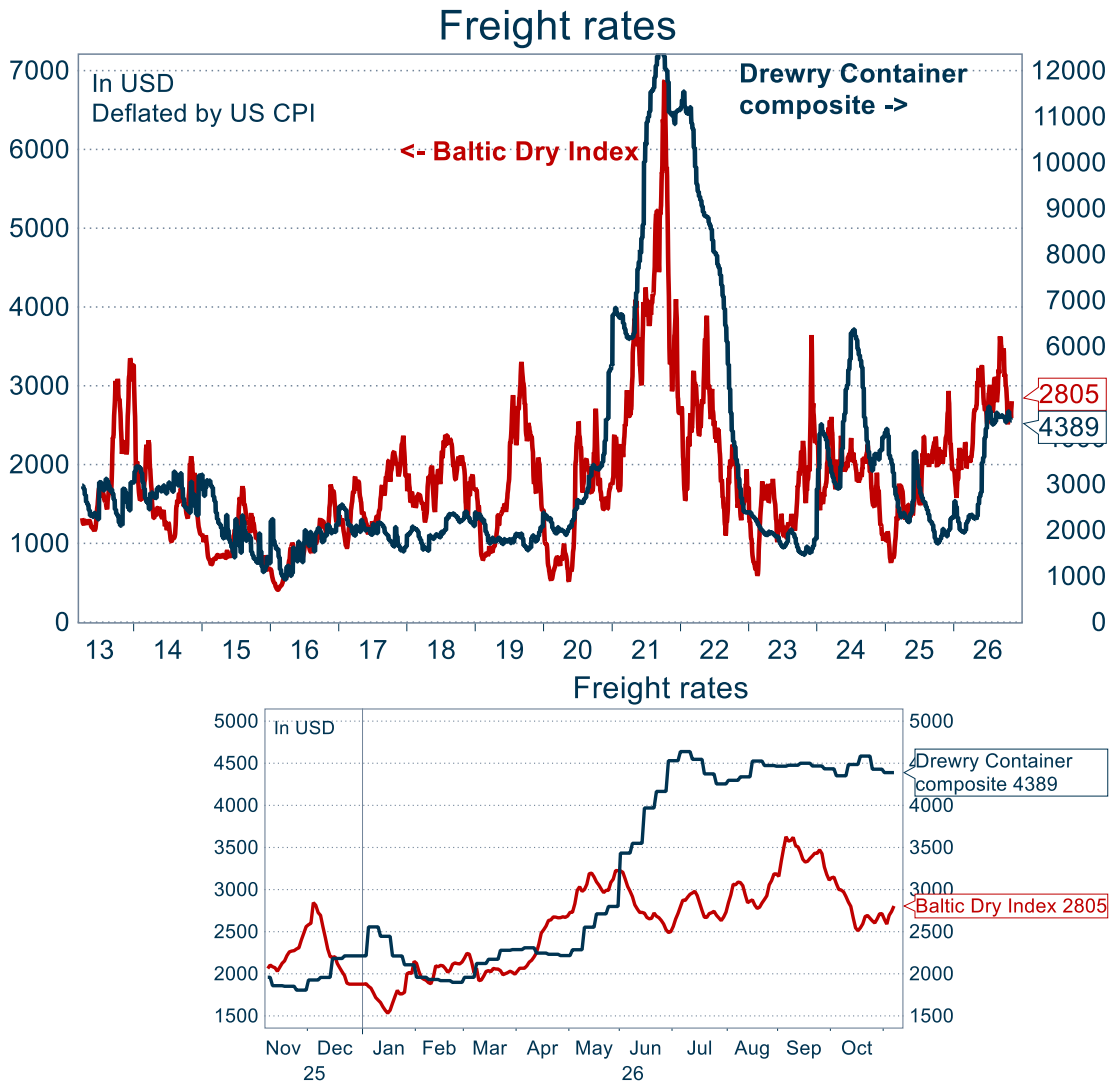


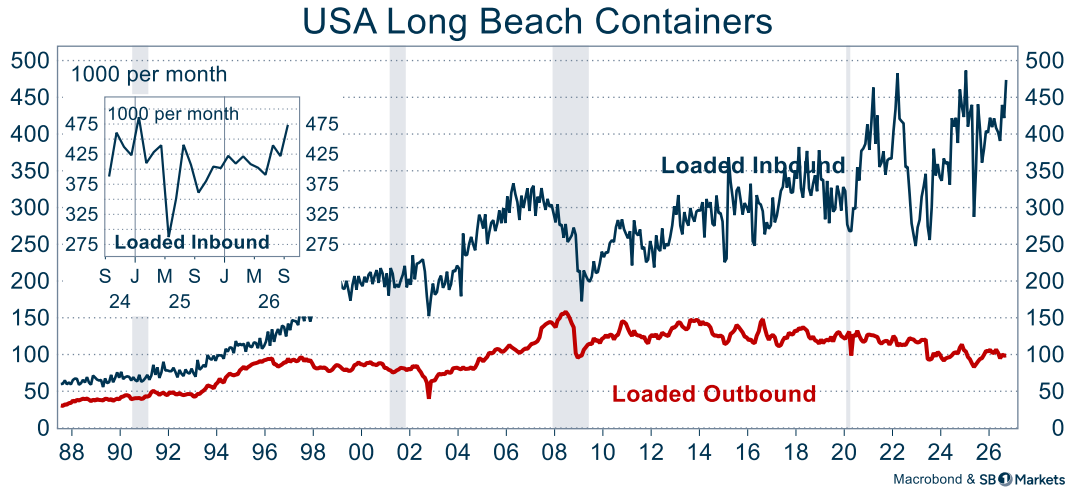


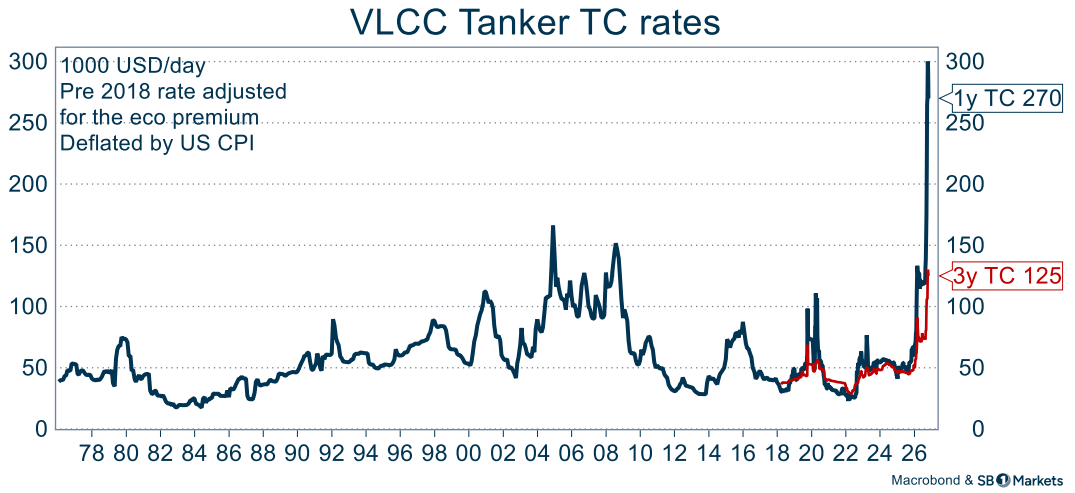
- … and energy prices are of course up in 2026, even if prices fell last week

Tanker rates turned down, small changes in container and dry freight rates

Inbound container traffic on the US west coast does not suggest any weakness in US imports.

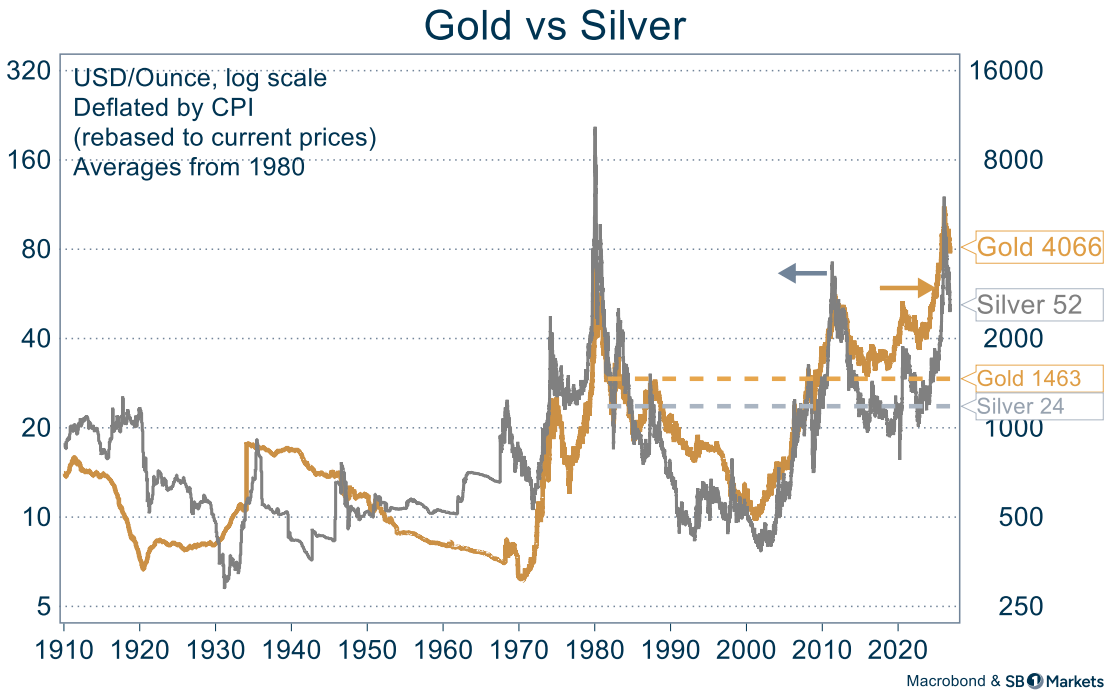


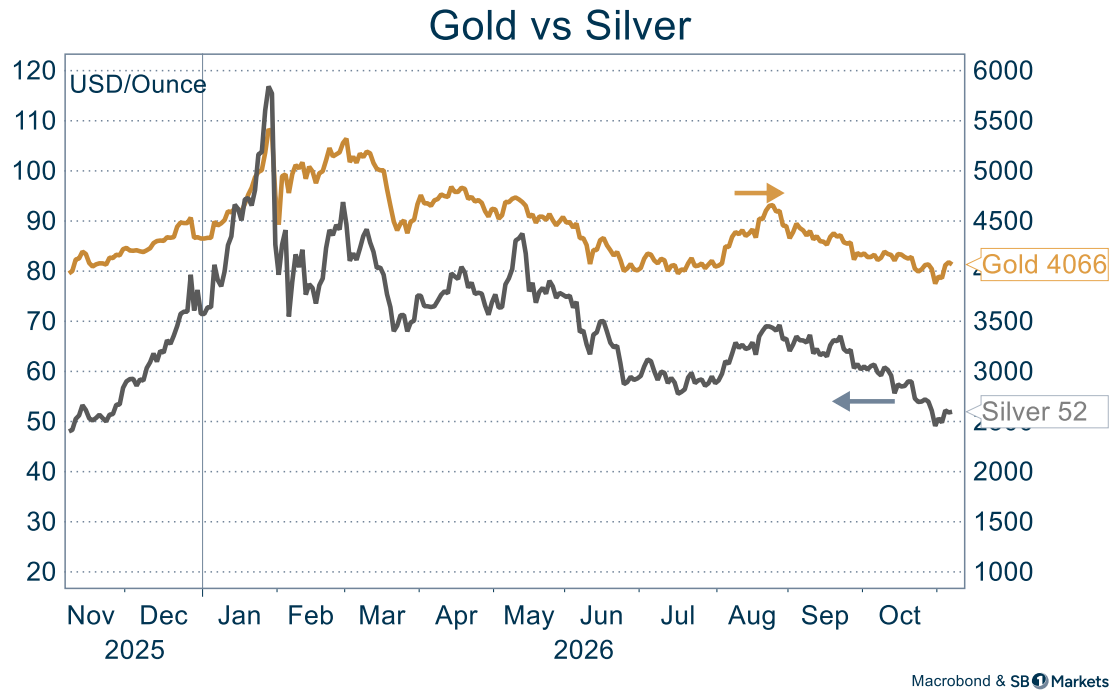




Gold and silver prices recovered some (silver) or most (gold) of the losses in recent weeks

Silver is down 55% from the peak in January, but the real price is still at a very high level (2x the average since 1980).
Gold also trends down but has lost 'just' 25% from the ATH in January. The real price is even higher vs. a long-term average.

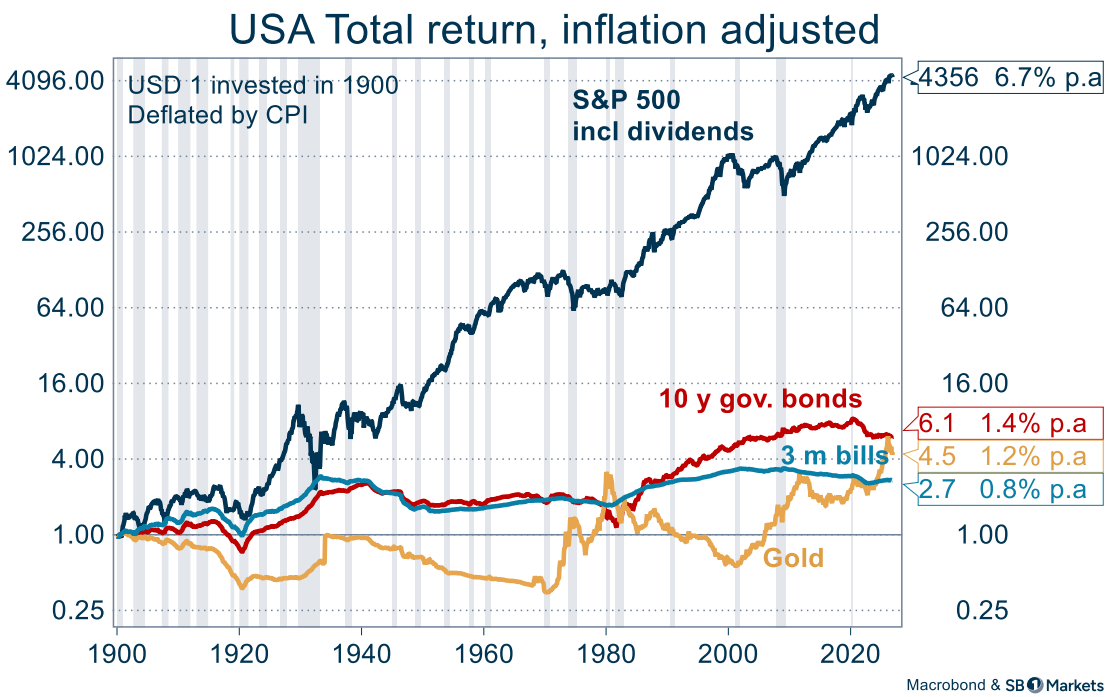


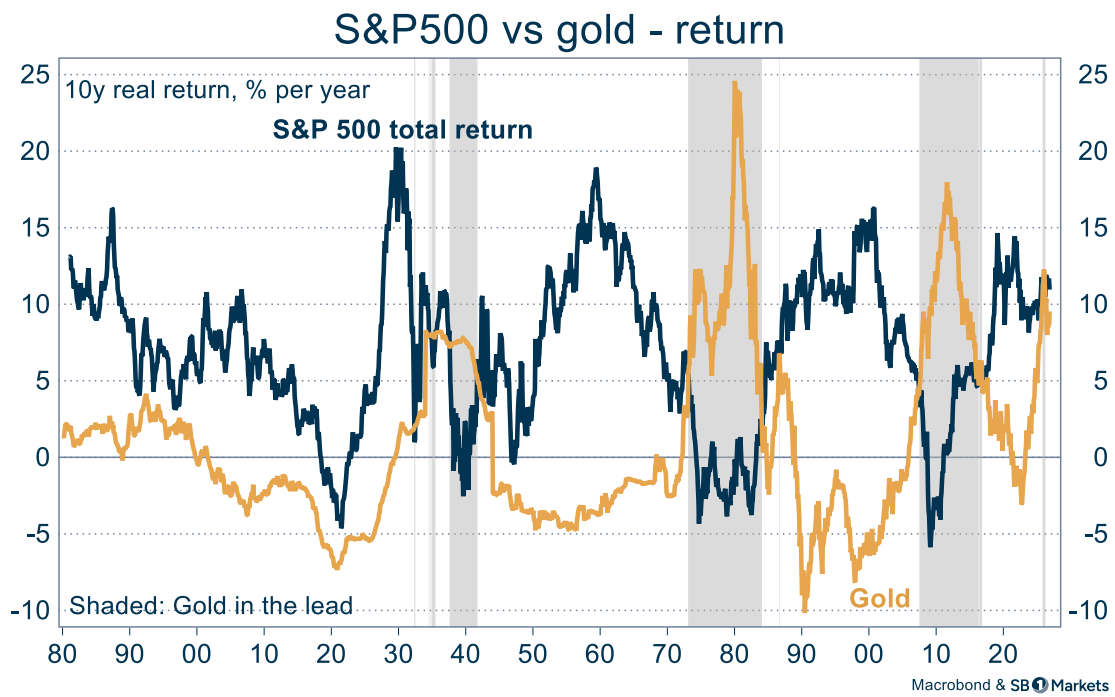


- The downside risk? Check the chart above.

Gold and equities rising together – not seen since the ’30s (at least not over a longer period)

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.





SB 1 Markets

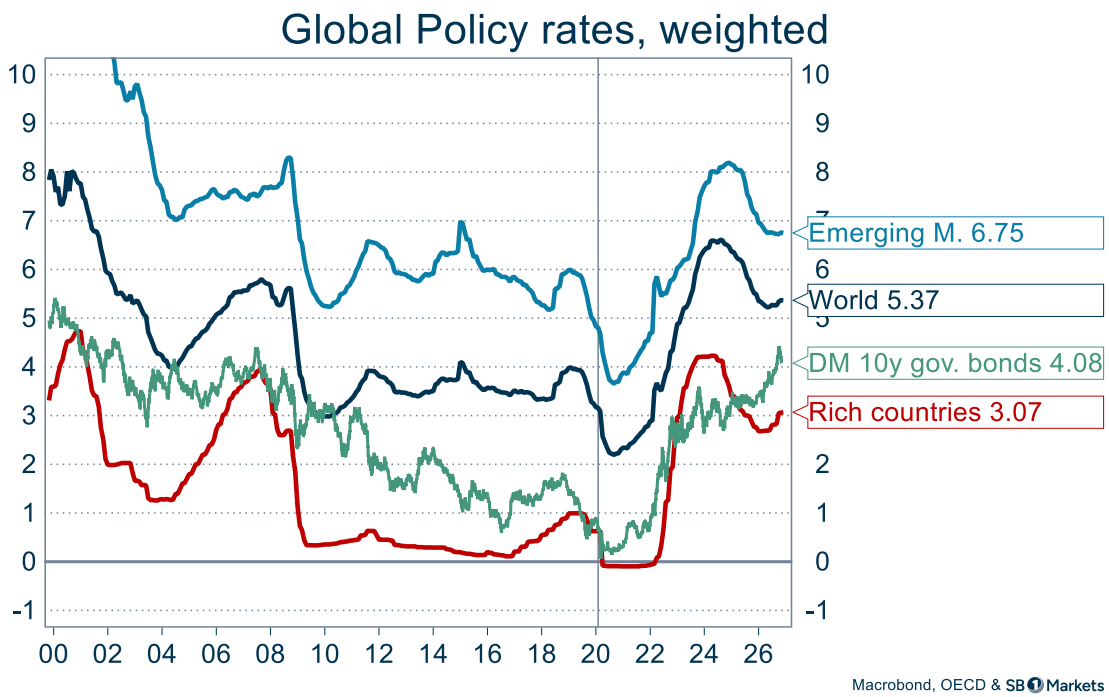


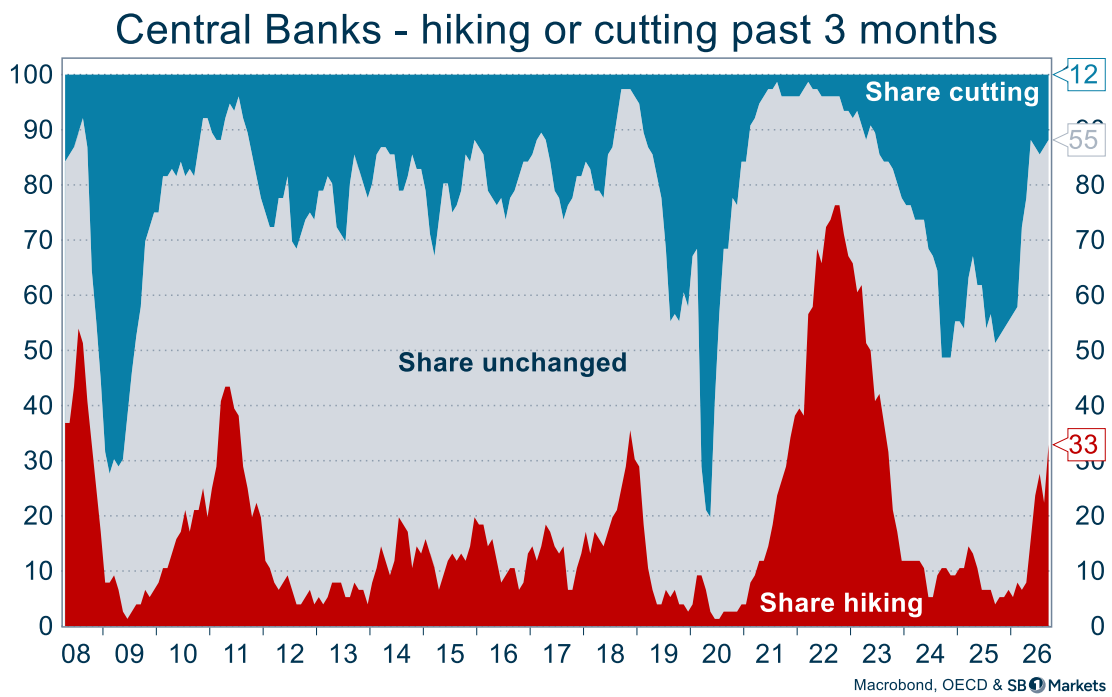
4.2 Interest rates & credit markets

*Picture source: ChatGPT

In the past 3 months, 33% of central banks have hiked, while 12% have cut

The global average policy rate is slightly up from the bottom in 2025, as a majority of DM central banks have hiked lately. The global average is at 5.4%. In DM, 3.1%. Not many EMs have hiked. The average DM long-bond yield has fallen 20 bp to 4.08% in recent weeks.

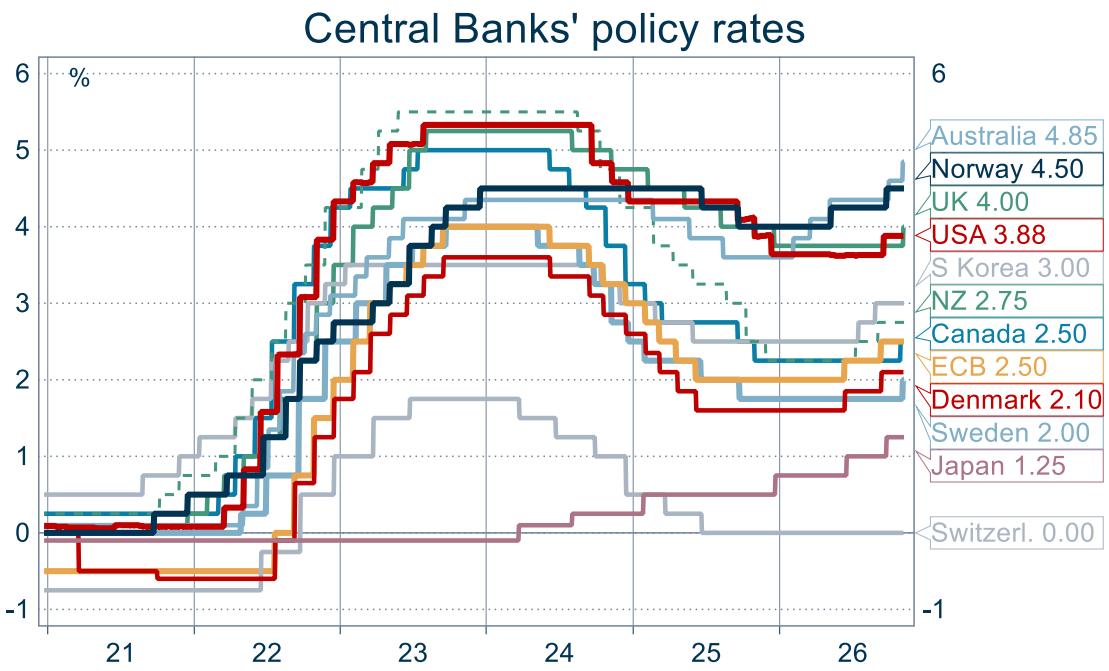


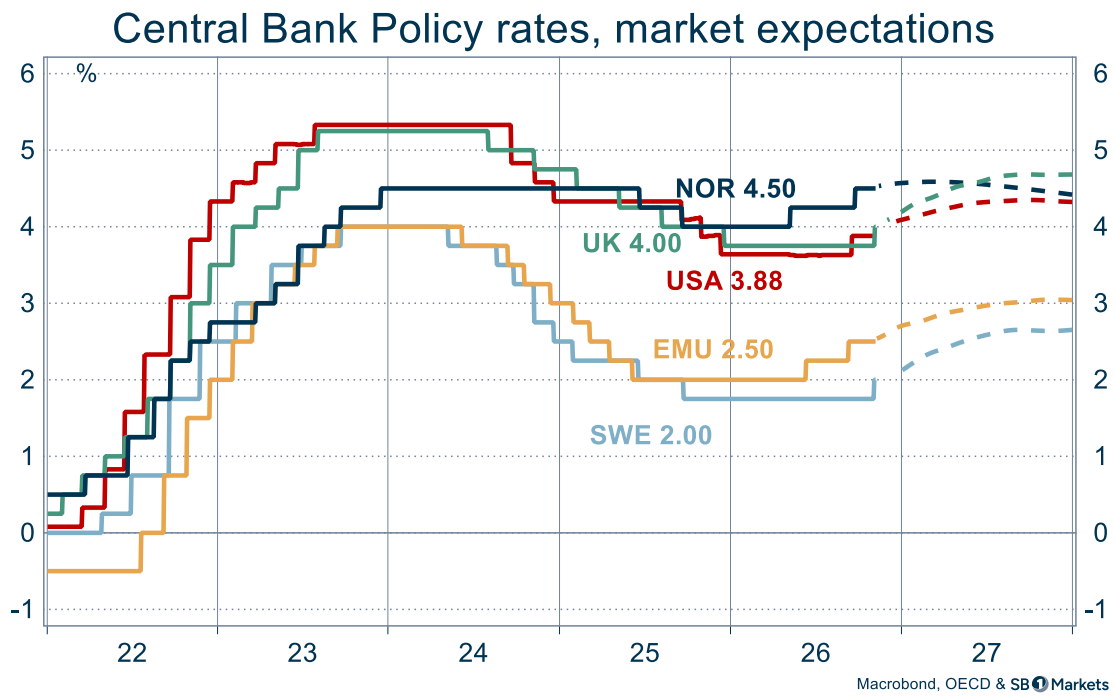


DM 10y government bond yield: a weighted average of US, Japan, UK, Germany, France, Italy, Spain and Canada

The Bank of England, RBA (Australia), the Riksbank all hiked, as expected. Norges Bank not.

… which also was as expected. Small changes short-term rate expectations (measured by the end of the year) but a 9 – 22 bp drop in end of 2027 policy rate expectations, the most in Norway, the least in US.





The short list of cutters, which have not yet hiked

- Switzerland (-175 bp, to zero!)

The list of hikers (no cut since the pandemic)

- Japan (+130 bp, to 1.25%)

The long list of cutters that have hiked

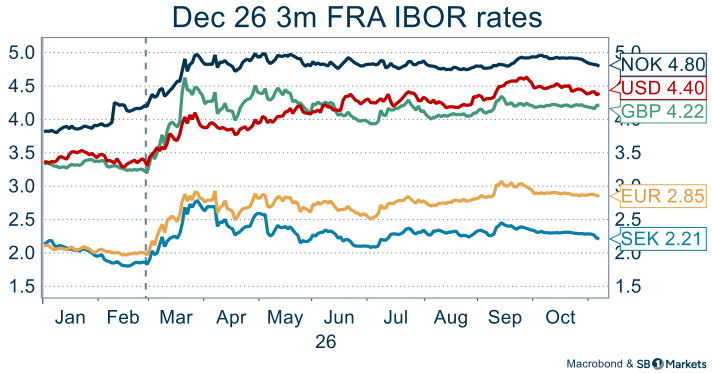
- Australia (+125 bp, to 4.85%)
- South Korea (+50 bp, to 3.00%)
- EMU (+50 bp, to 2.50%)
- Denmark (+50 bp, to 2.10%)
- Norway (+50 bp, to 4.50%)
- New Zealand (+50 bp, to 2.75%)
- UK (+25 bp, to 4.00%)
- US (+25 bp, to 3.88%)
- Canada (+25 bp, to 2.50%)
- Sweden (+25 bp, to 2.00%)

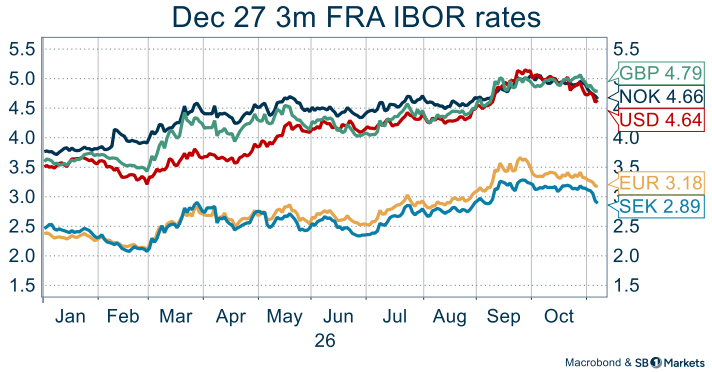
Policy rates, market exp.	USA	UK	EMU	Sweden	Norway
2024 Peak	5.33	5.25	4.00	4.00	4.50
…Change from peak	*-1.45*	*-1.25*	*-1.50*	*-2.00*	*0.00*
Now	**3.88**	**4.00**	**2.50**	**2.00**	**4.50**
Change until end of 2026	*0.20*	*0.13*	*0.16*	*0.04*	*0.06*
End of 2026 (market)	**4.08**	**4.13**	**2.66**	**2.04**	**4.56**
… Change last week	*0.01*	*0.03*	*-0.01*	*-0.04*	*-0.05*
Change through 2027	*0.25*	*0.55*	*0.38*	*0.60*	*-0.13*
End of 2027 (market)	**4.33**	**4.68**	**3.04**	**2.64**	**4.43**
… Change last week	*-0.09*	*-0.15*	*-0.13*	*-0.15*	*-0.22*

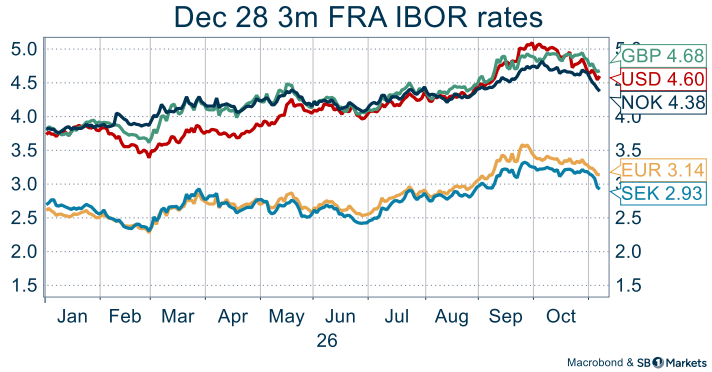
Source: SB1M, Infront, Macrobond

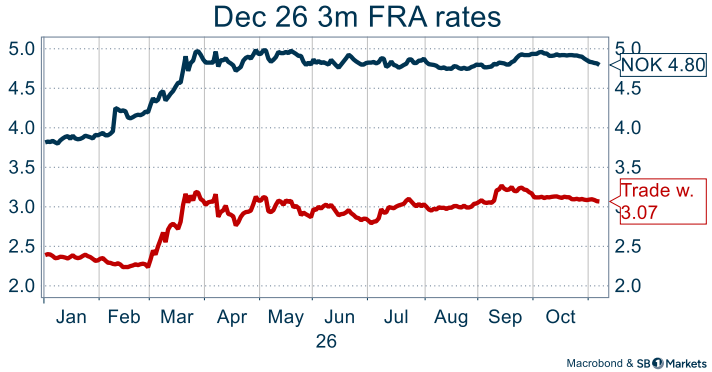
FRAs: a steep decline; not much in the very short end, but substantially in 2027/2028

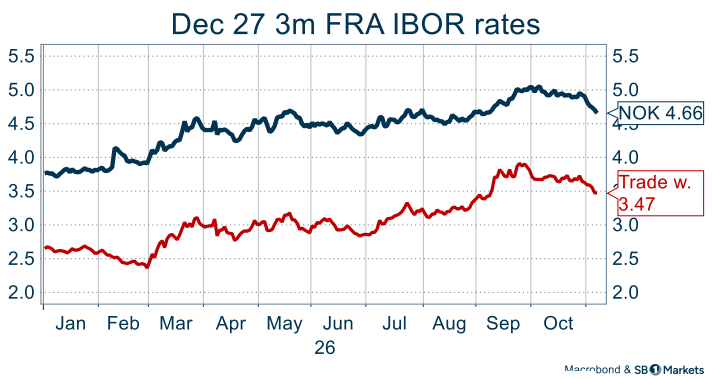
Rates fell the most in NOK and SEK, the least in USD.

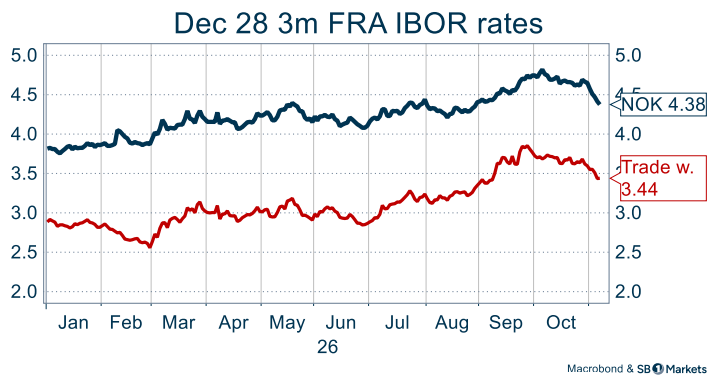












Dec 26 3m FRAs

	Close	1w	1m	YTD
NOK	4.80	-0.06	-0.17	0.98
USD	4.40	0.02	-0.09	1.04
GBP	4.22	0.03	0.02	0.89
EUR	2.85	-0.02	-0.05	0.74
SEK	2.21	-0.08	-0.12	0.08

Macrobond & SB1 Markets

Dec 27 3m FRAs

	Close	1w	1m	YTD
GBP	4.79	-0.15	-0.08	1.19
NOK	4.66	-0.25	-0.40	0.89
USD	4.64	-0.09	-0.38	1.13
EUR	3.18	-0.14	-0.17	0.80
SEK	2.89	-0.26	-0.27	0.43

Macrobond & SB1 Markets

Dec 28 3m FRAs

	Close	1w	1m	YTD
GBP	4.68	-0.17	-0.14	0.89
USD	4.60	-0.07	-0.43	0.86
NOK	4.38	-0.27	-0.45	0.56
EUR	3.14	-0.14	-0.21	0.53
SEK	2.93	-0.26	-0.30	0.23

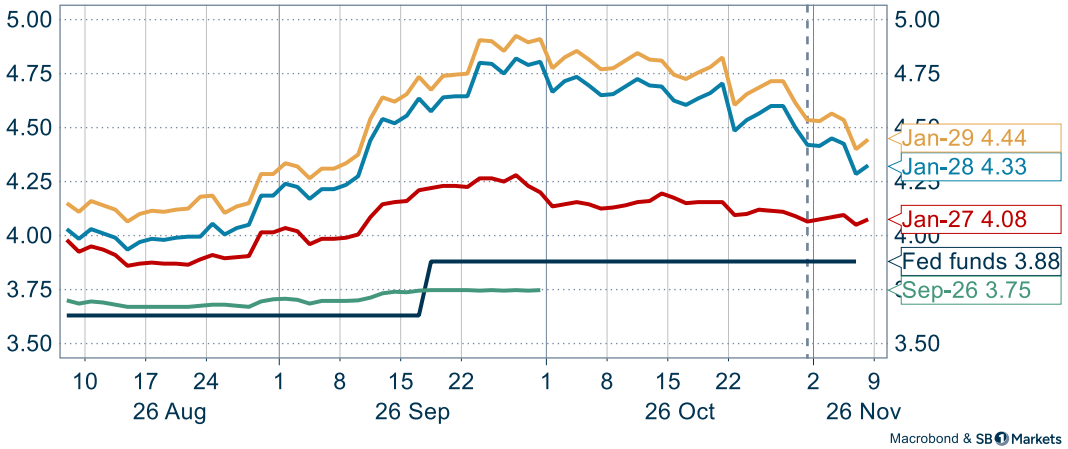
Macrobond & SB1 Markets

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

Fed funds: Another rate hike in December more likely than a week ago

… but thereafter rate expectations declined substantially.

Fed funds future

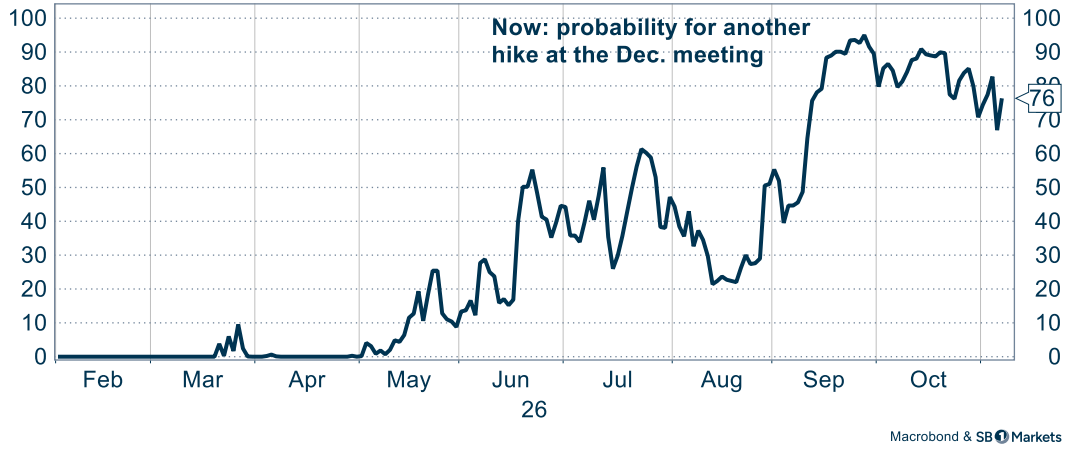


USA Fed funds rate

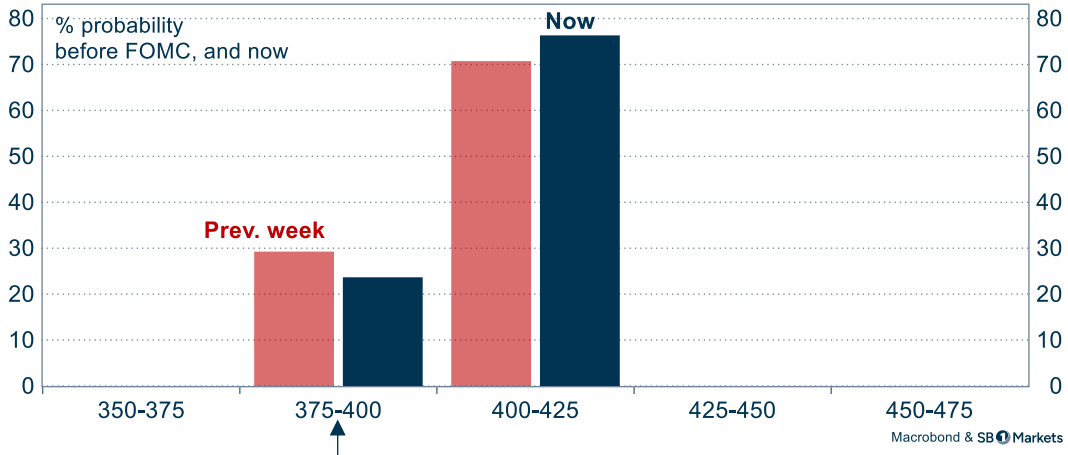
FOMC meetings	Actual and expected effective Fed fund rate (2.5 2.75 3.0 3.25 3.5 3.75 4.0 4.25 4.5)	Level	Change in bps last week (-12 -9 -6 -3 0)	Change
Now		3.88		0
9 Dec		4.08		1
27 Jan		4.14		-1
17 Mar		4.23		-5
28 Apr		4.27		-7
9 Jun		4.31		-10
28 Jul		4.33		-12

Macrobond & SB1 Markets

USA Fed funds - probability for 2 hikes in 2026



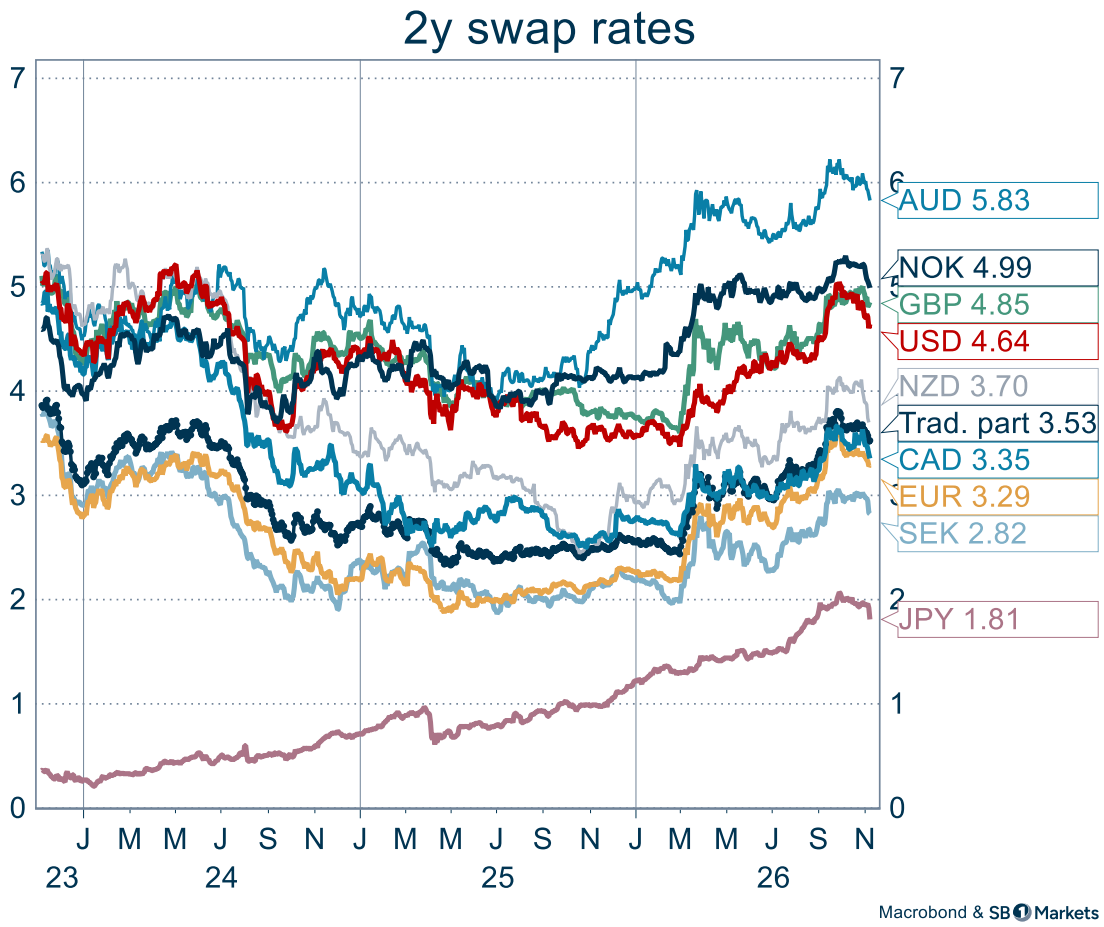
USA 9 Dec-26 FOMC Meeting, Fed Funds Rate, distribution

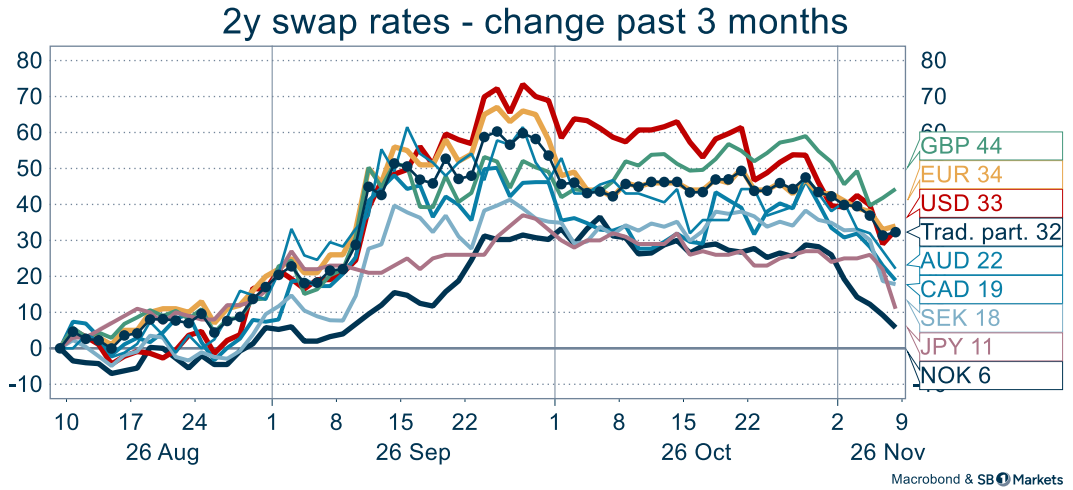


SB1 Markets

2-year swap rates down everywhere, NOK down 20 bp!

Our trading partners were down 10 bp to 3.53%. The USD was down 7 bp to 4.64%, EUR 9 bp to 3.29%.
The NOK 2y swap rate was down 20 bp, to 4.99%. Still, all are up in the past 3 months, but NOK rates the least.☺





2y swap rates

	Level	Change in bps -35 -30 -25 -20 -15 -10 -5 0 5	last week	last month	last 3 m	last 12 m
USD	4.64		-7	-28	28	102
GBP	4.85		-8	1	43	106
EUR	3.29		-9	-10	32	114
Trad. part	3.53		-10	-11	31	104
JPY	1.81		-13	-19	12	82
CAD	3.35		-15	-14	21	81
AUD	5.83		-16	-23	28	141
SEK	2.82		-17	-16	20	68
NOK	4.99		-20	-31	4	84
NZD	3.70		-25	-30	8	115

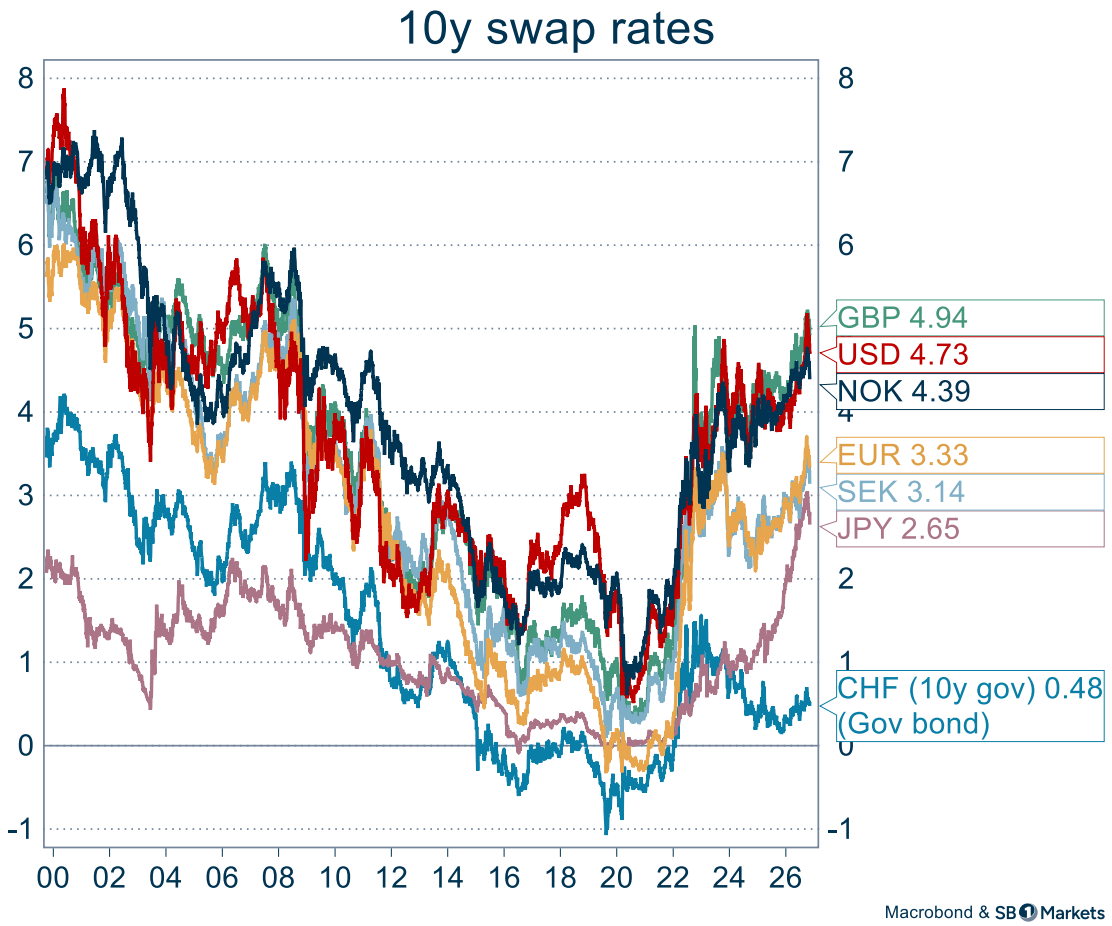
-35 -30 -25 -20 -15 -10 -5 0 5

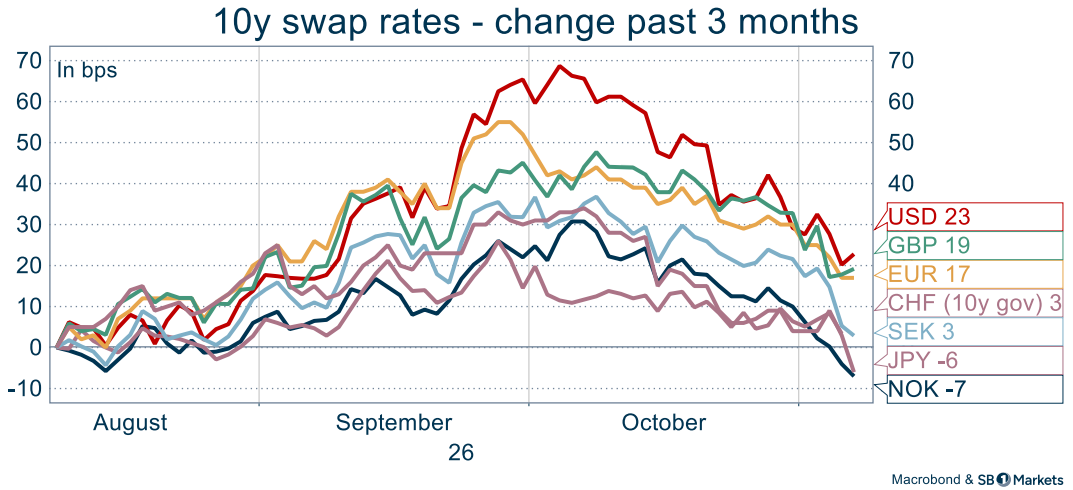
Last week ● Last month

Macrobond & SB1 Markets

10-year swap rates down everywhere, NOK down 17 bp

Our trading partners were down 13 bp to 3.63%. The USD was down 6 bp to 4.73%, EUR -13 bp to 3.33%.
The NOK 10y swap rate was down 17 bp, to 4.39%. Most are up in the past 3 months, but NOK rates are down, and by the most ☺.





10 year swap rates

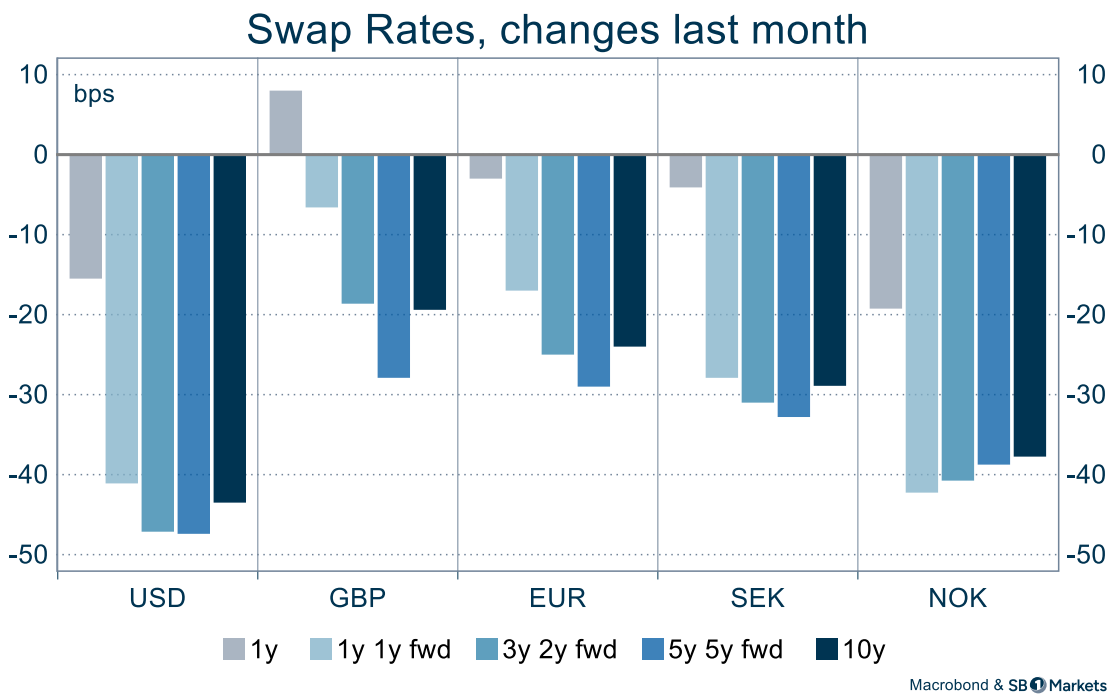
	Level	Change in bps -45 -40 -35 -30 -25 -20 -15 -10 -5 0	last week	last month	last 3 m	last 12 m
CHF (10y gov)	0.48		-6	-8	5	34
USD	4.73		-6	-43	21	81
JPY	2.65		-10	-39	-6	108
EUR	3.33		-13	-24	16	67
Trad. part	3.63		-13	-26	14	67
GBP	4.94		-14	-19	18	77
CAD	3.74		-14	-29	6	60
AUD	5.16		-15	-29	16	83
NOK	4.39		-17	-38	-7	36
SEK	3.14		-19	-29	6	39
NZD	4.33		-24	-43	-2	69

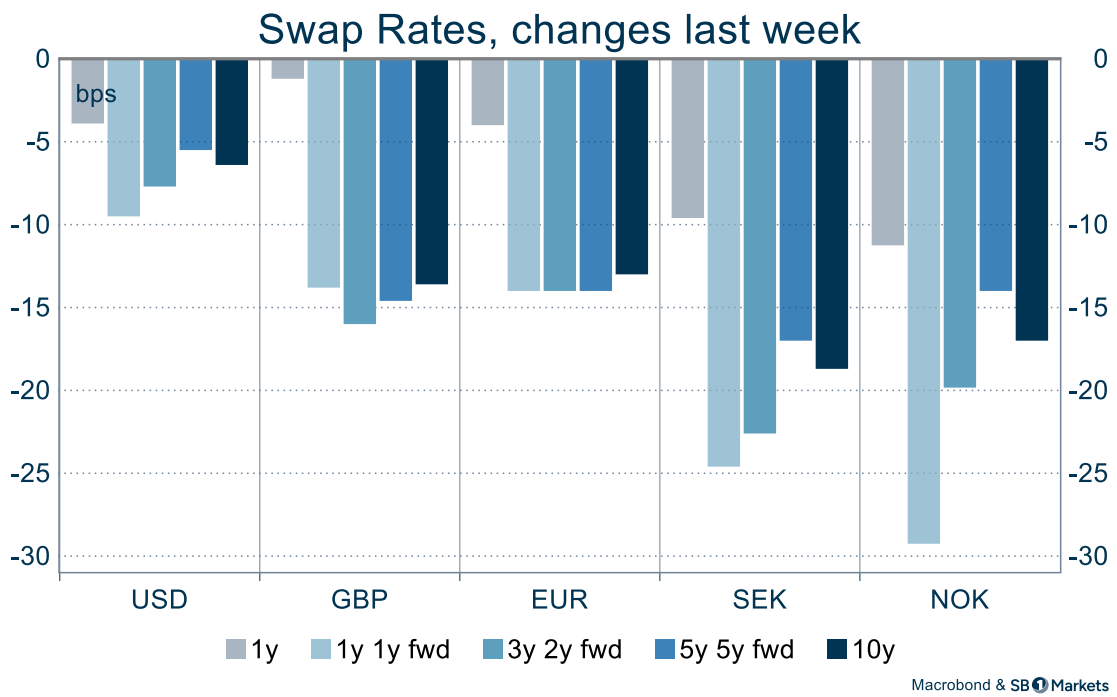
Last week ● Last month

Macrobond & SB Markets

Swap curves: The USD curve down the least *last week*; NOK and SEK curves the most

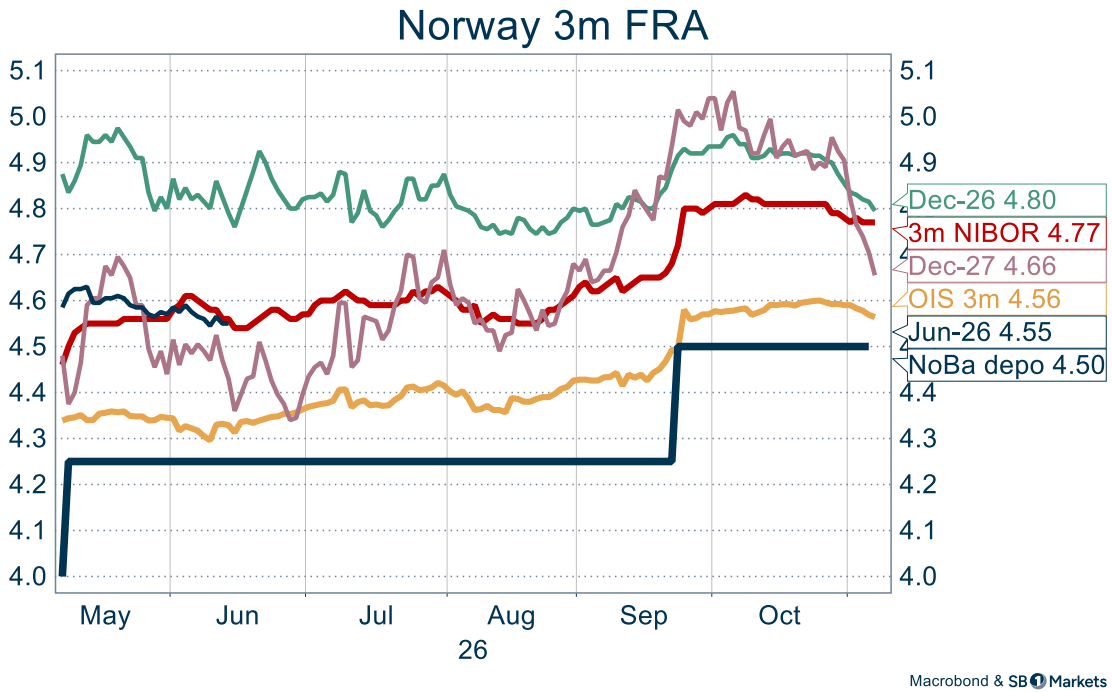
***Last month*: NOK and USD rates have fallen the most.**

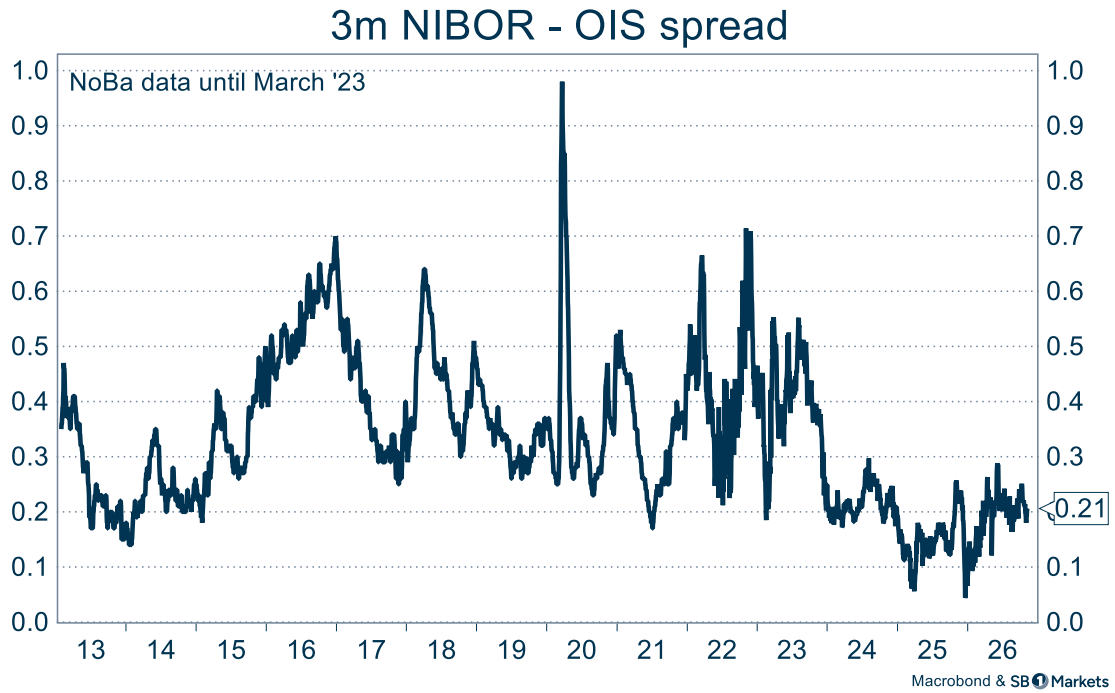




NOK 3m NIBOR: down 1 bp to 4.77%. The NIBOR-OIS spread widened 2 bp to 21 bp

Longer-dated FRAs declined further: the Dec-27 3m FRA is down 40 bp from 5.05% at the local peak in early October to 4.66% now.

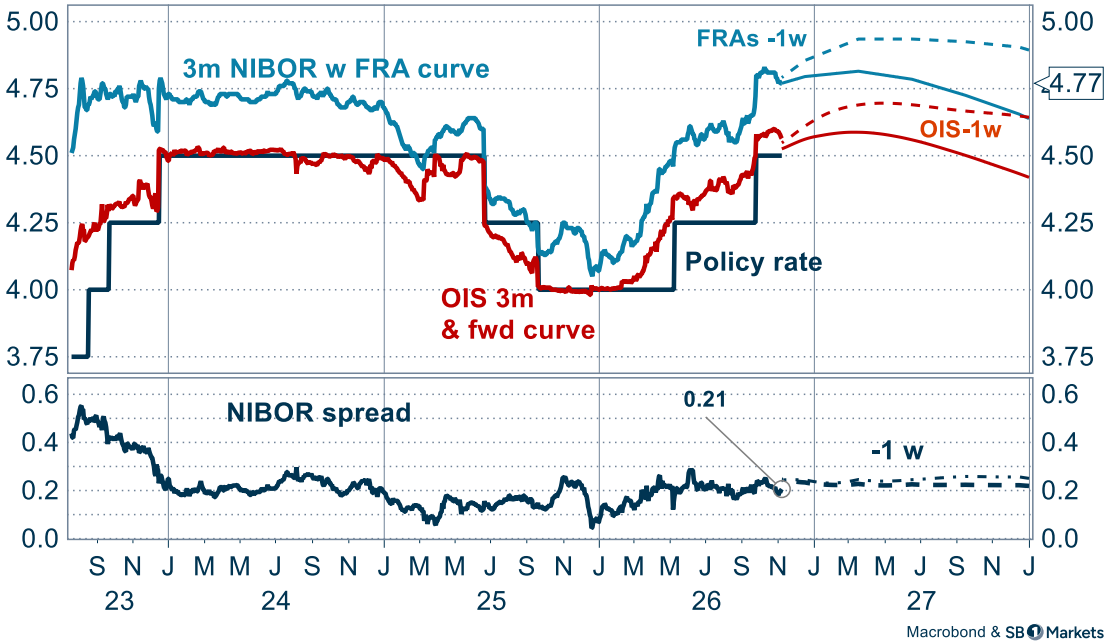




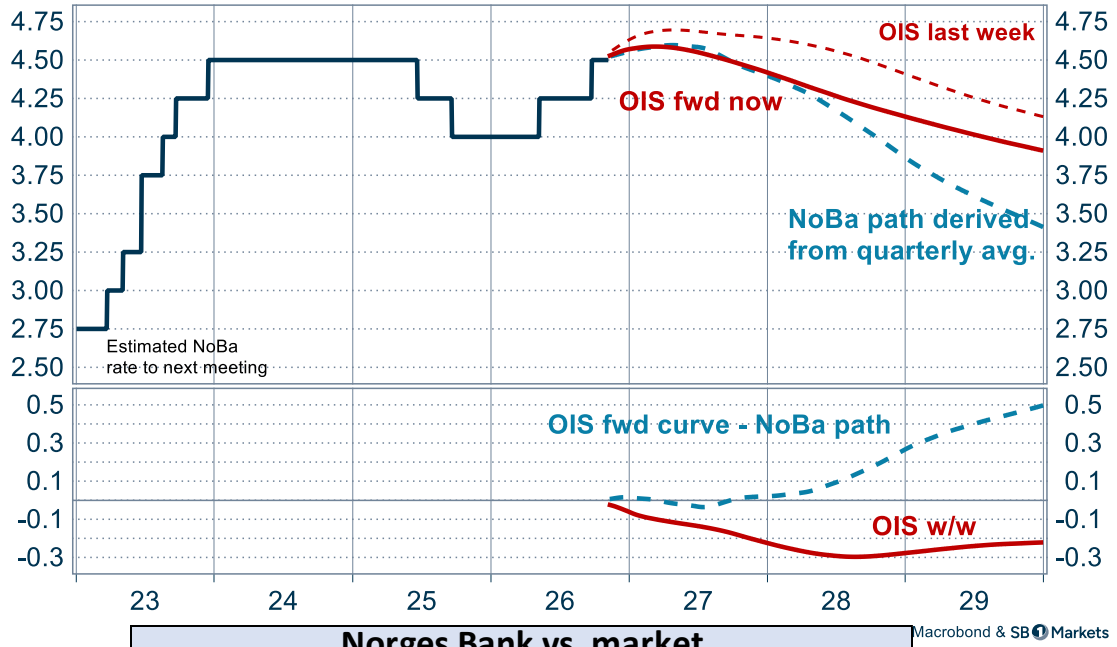
NOK rate expectations: a substantial shift downwards. No more hikes discounted

The curve declined by up to 30 bp in mid-2028. Still, the market curve is 50 bp above Norges Bank's rate path from September, measured by the end of 2029. We think a rate hike is rather unlikely.

Norway NIBOR, OIS rates



Norges Bank vs market expectations

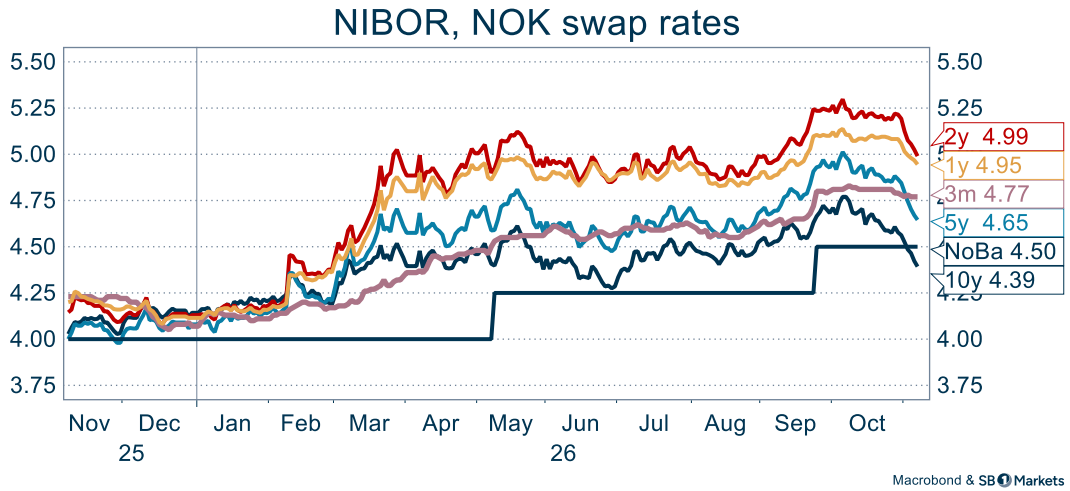


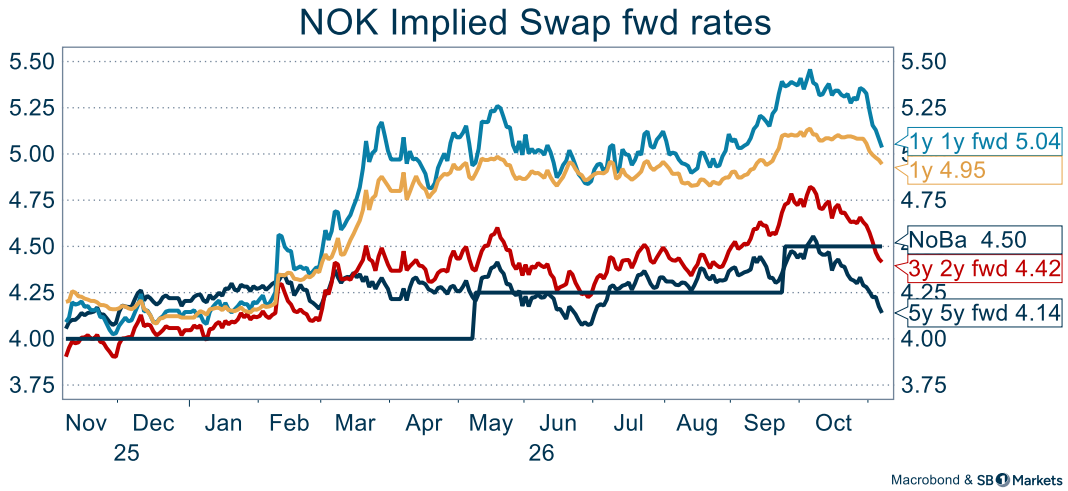
Norges Bank vs. market

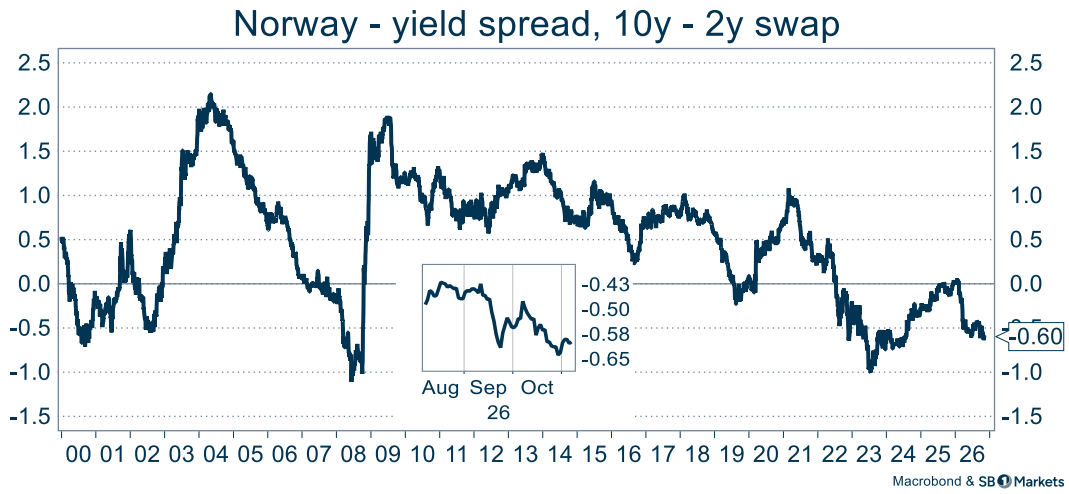
Meeting	NoBa path	OIS fwd	OIS NoBa est.	Alternat. rate	% prob for alt
17-Dec-26	4.50	4.56	4.50	4.75	23%
21-Jan-27	4.50	4.58	4.50	4.75	31%
24-Mar-27	4.50	4.59	4.50	4.75	35%
06-May-27	4.50	4.58	4.50	4.75	31%
17-Jun-27	4.50	4.56	4.50	4.75	24%
12-Aug-27	4.50	4.53	4.50	4.75	10%
23-Sep-27	4.50	4.50	4.50	4.25	2%
04-Nov-27	4.50	4.47	4.50	4.25	14%

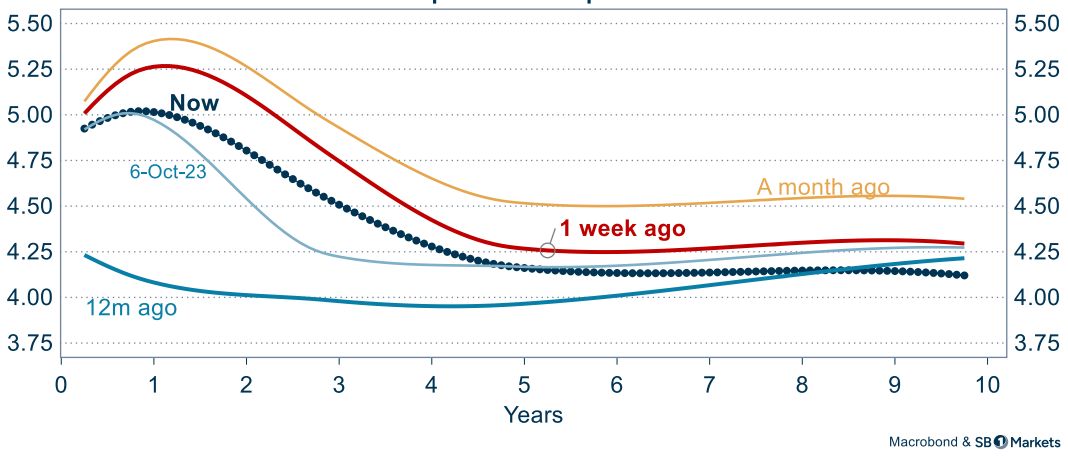
Yellow cells: Norges Bank cut (none now…)
Red cells: Norges Bank hike
Sources: Norges Bank, Macrobond, Infront, SB1M

NOK swaps: a significant shift downwards, the most in the coming years





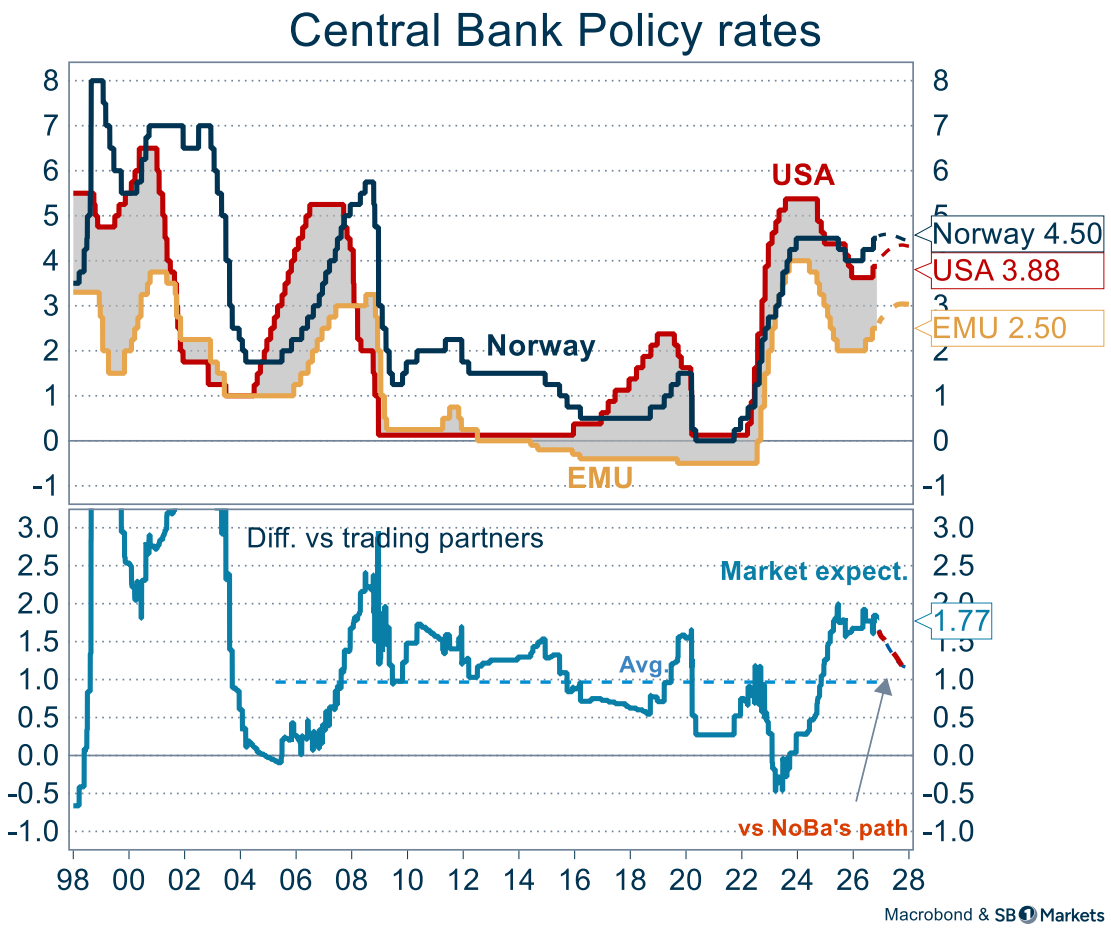




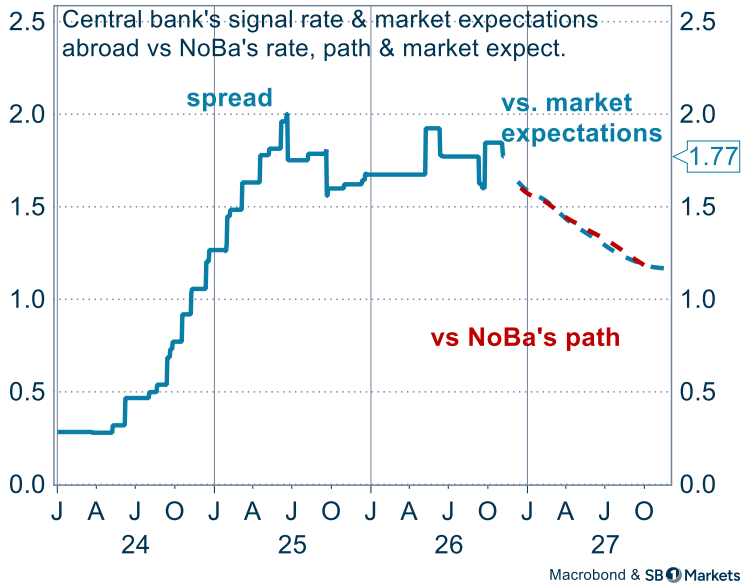
Swap rates are calculated vs. 6m NIBOR, not 3m NIBOR.

Norges Bank's policy rate: 177 bp above the trading partners' average

… which is well above the average level of slightly below 100 bp (over the past 20 years).

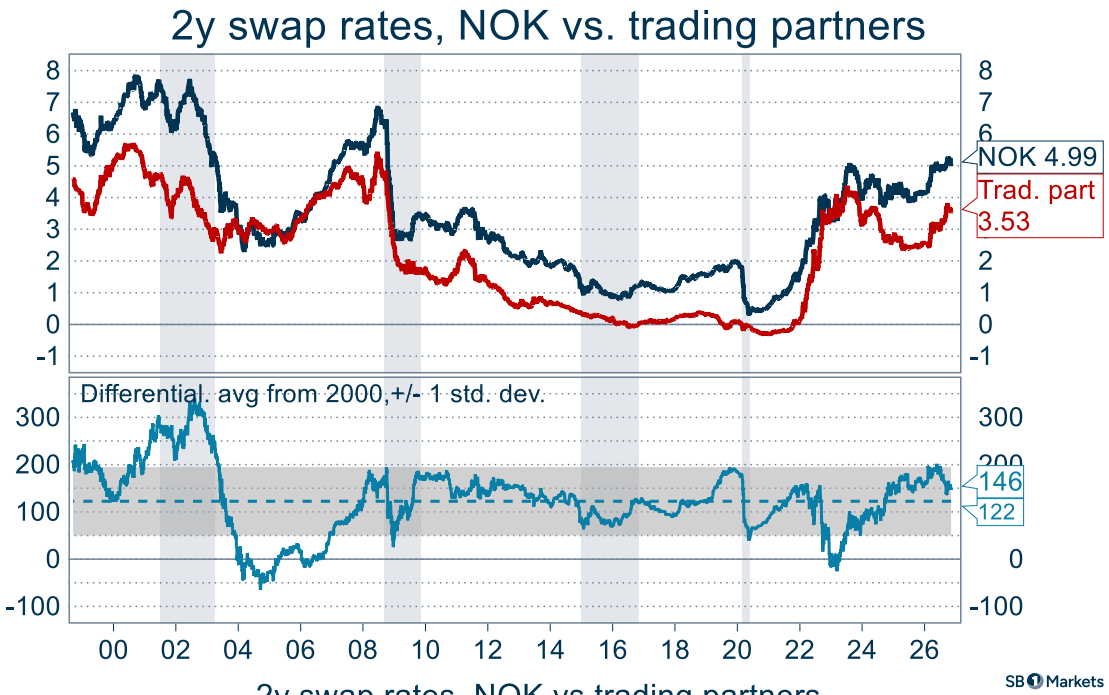


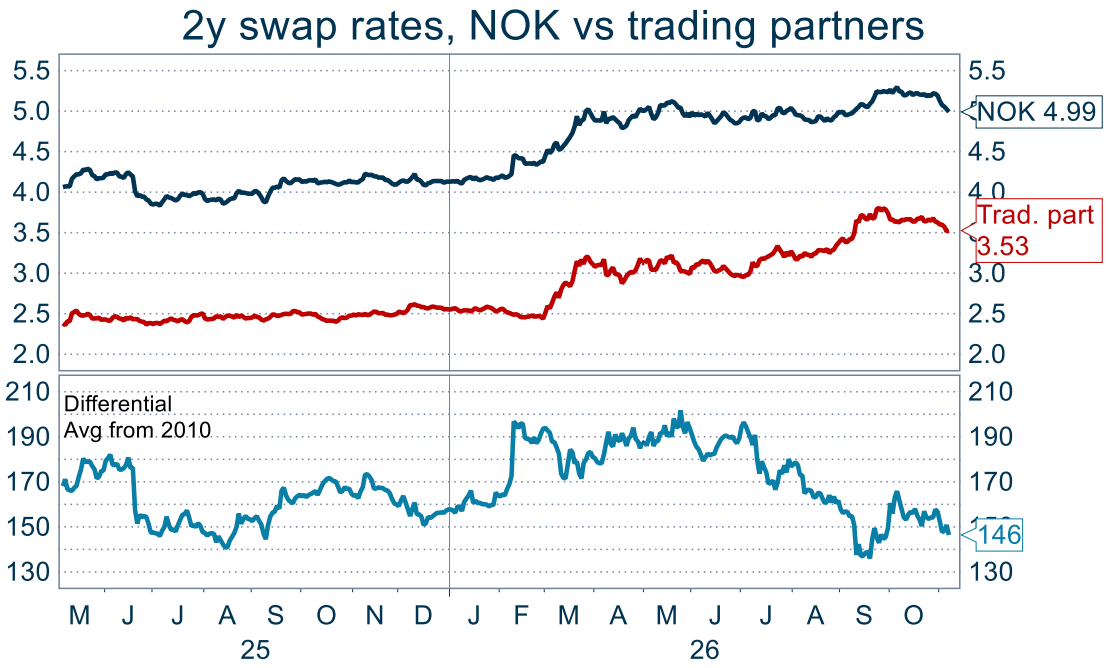
- The peak difference in policy rates over the past 20 years was 225 bp (barring a short period in 2008).
  - In the current cycle, the 2y NOK swap rate has been up to 200 bp above the average rate among our trading partners.
- If **Norges Bank** follows the rate path presented in the MPR, the spread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

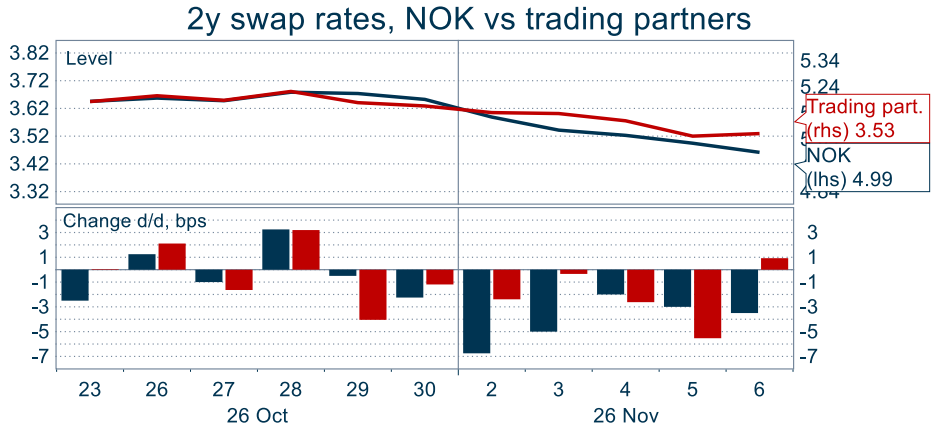


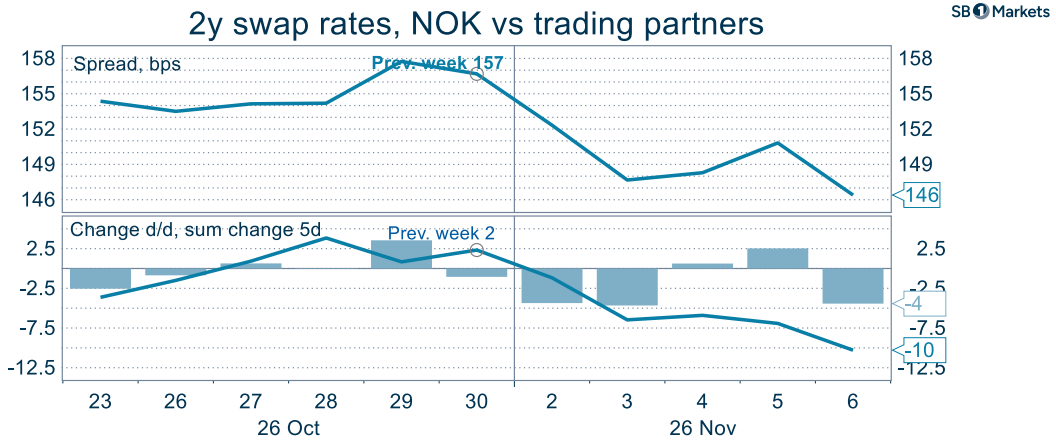
The 2-year NOK swap spread vs. trading partners down 10 bp to 146 bp

The spread is down more than 50 bp from the peak in May. Even so, the spread is well above an average level of some 120 bp.



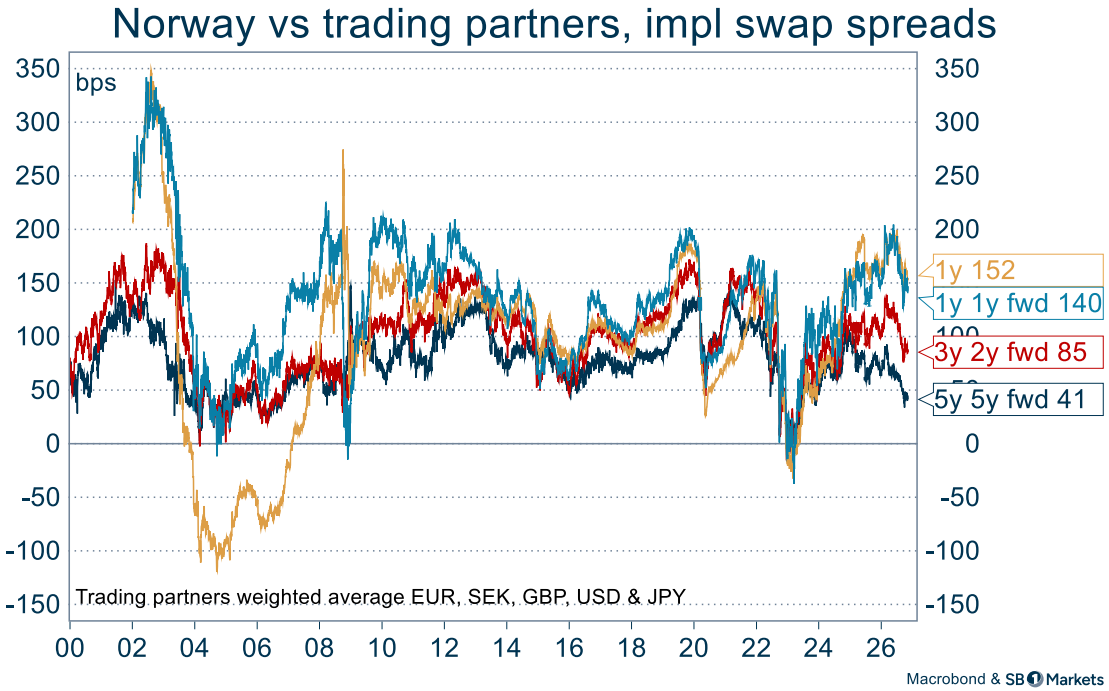


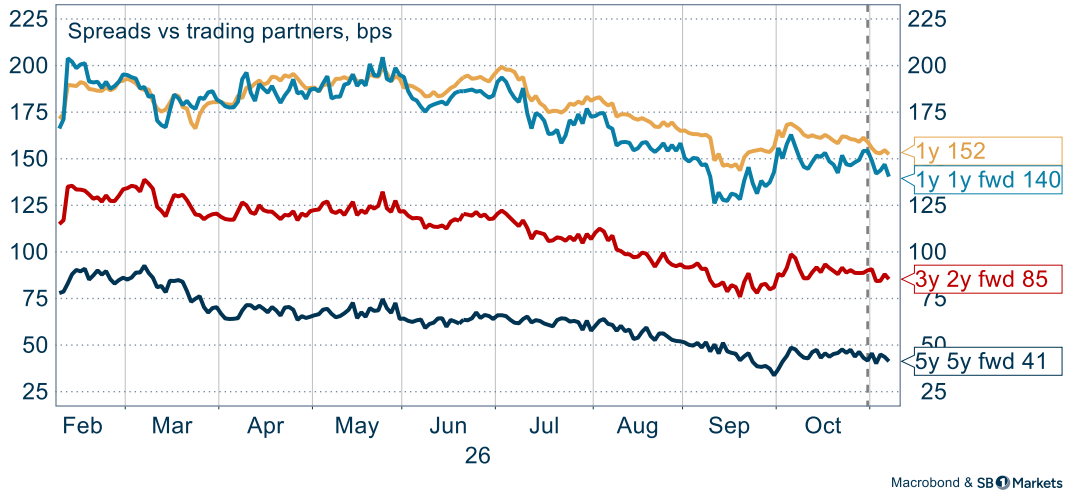


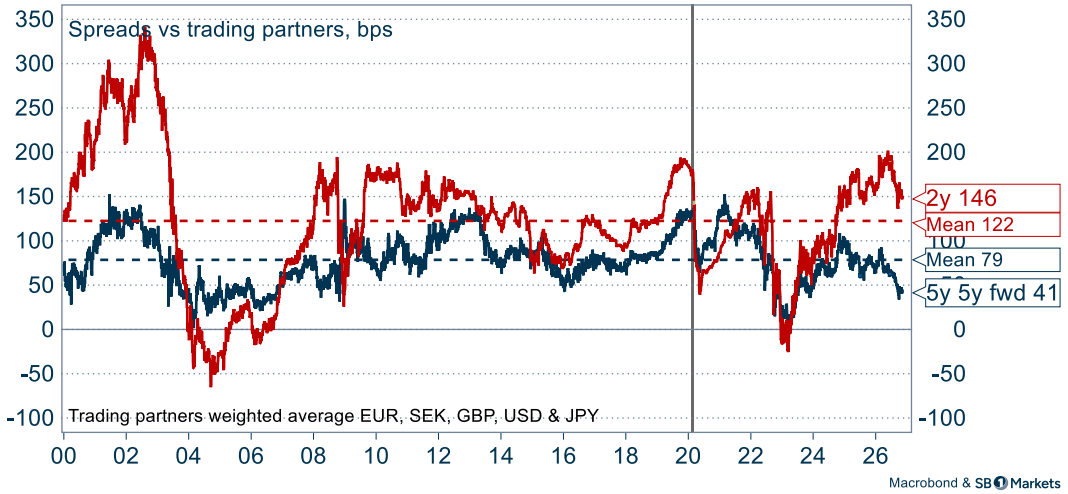


Swap spreads vs. trading partners narrowed all over the curve

The long-end spread is far lower than normal: the 5y 5y fwd is at 41 bp vs. an average of 79 bp since 2000.
In the short end, the spread remains somewhat above an average level.

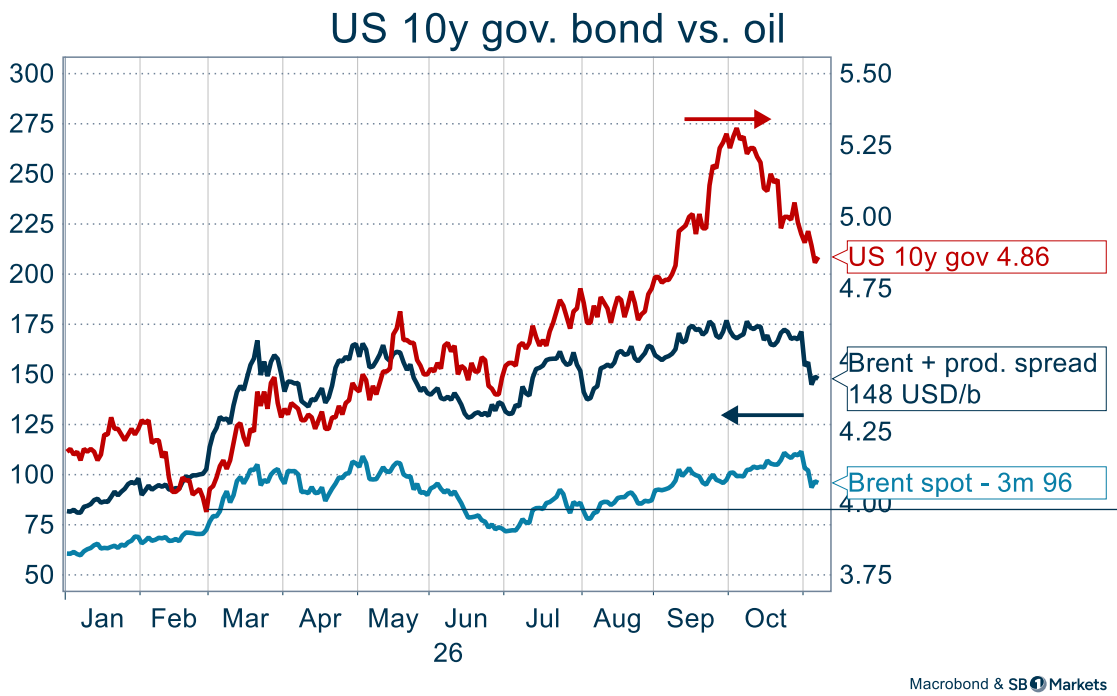


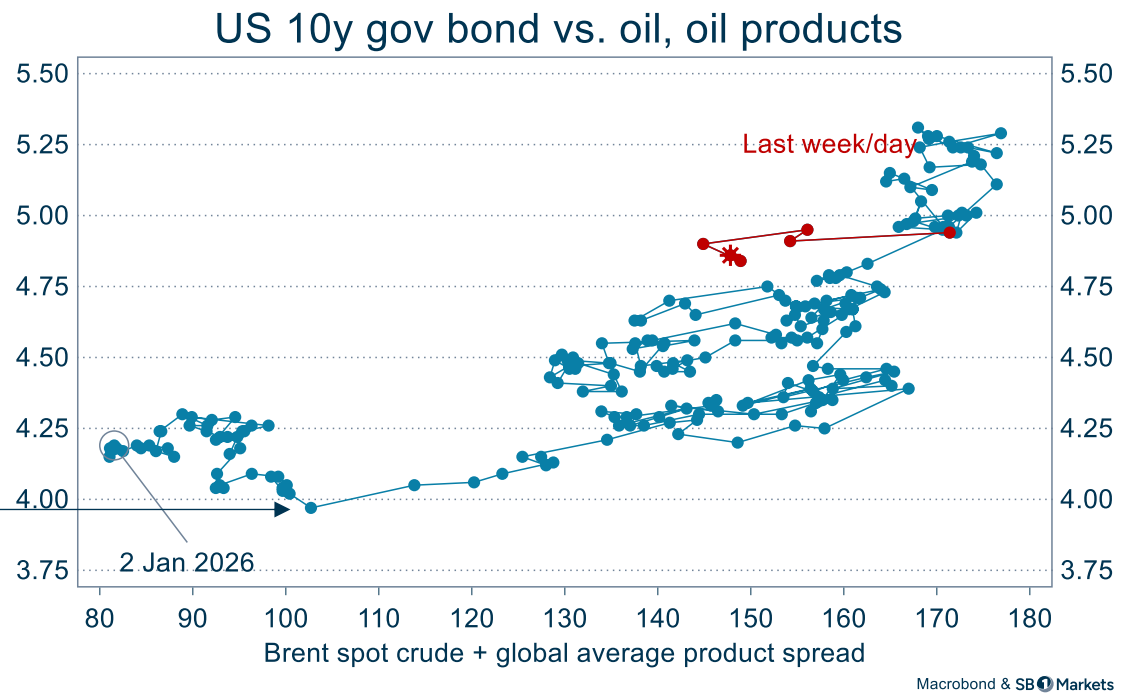




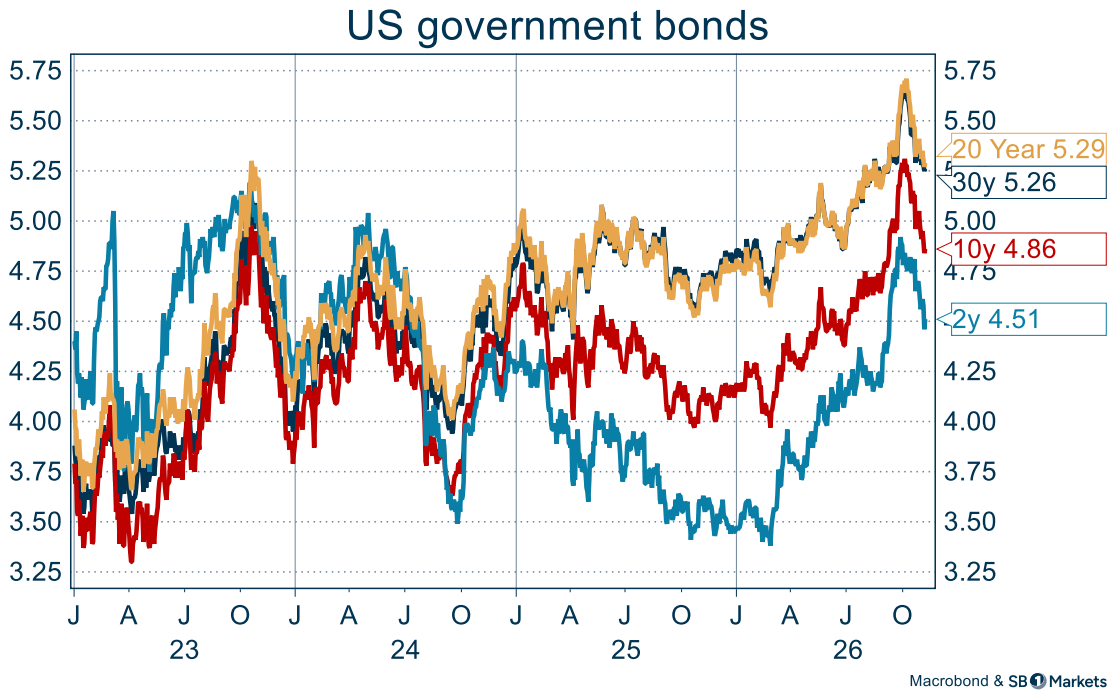
Yields vs. oil & oil products: bond yields fell ‘less’ than the decline in oil prices suggested

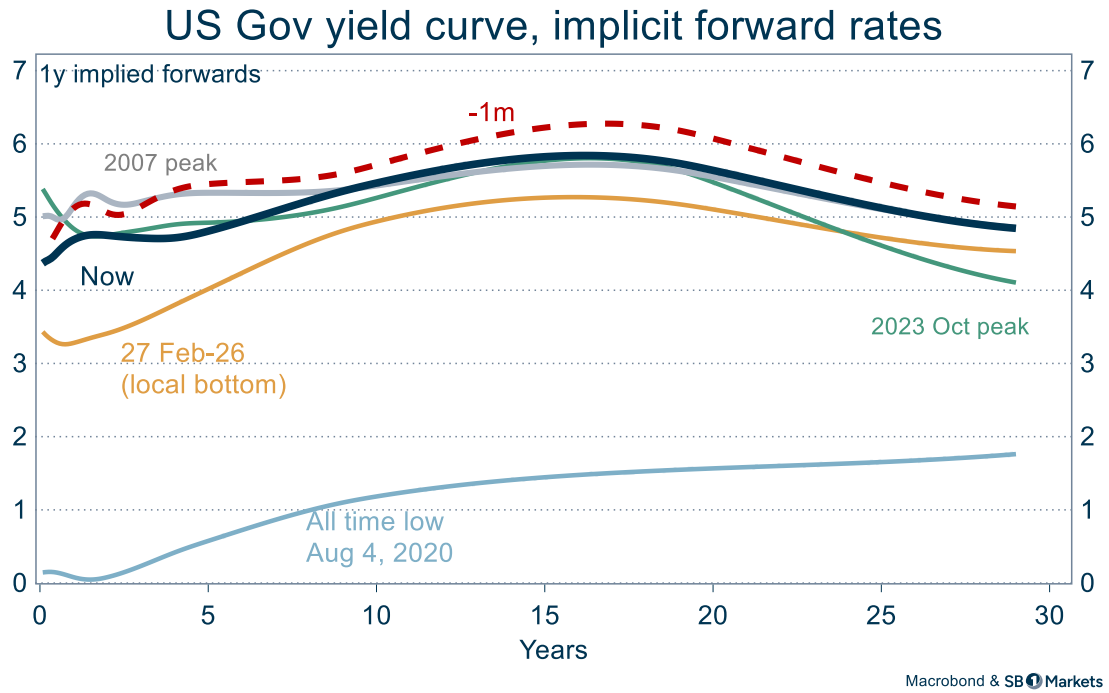
Oil and oil product prices fell sharply last week, while the decline in US gov. bond yields was moderate, even if parts of the stock market struggled. Strong economic data, especially from the labour market, contributed on the upside vs. yields.





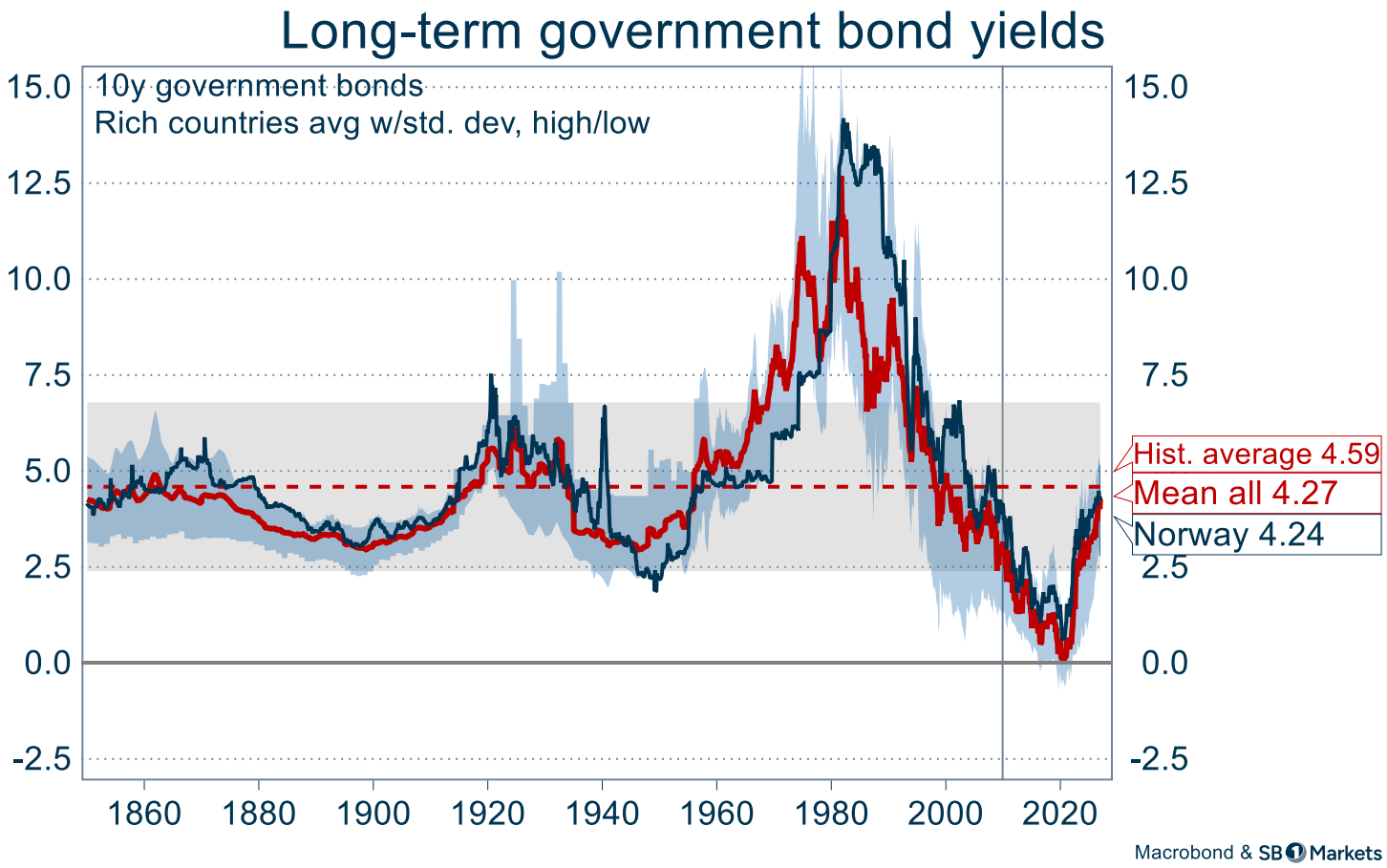
Another step down last week, also in the long end of the curve



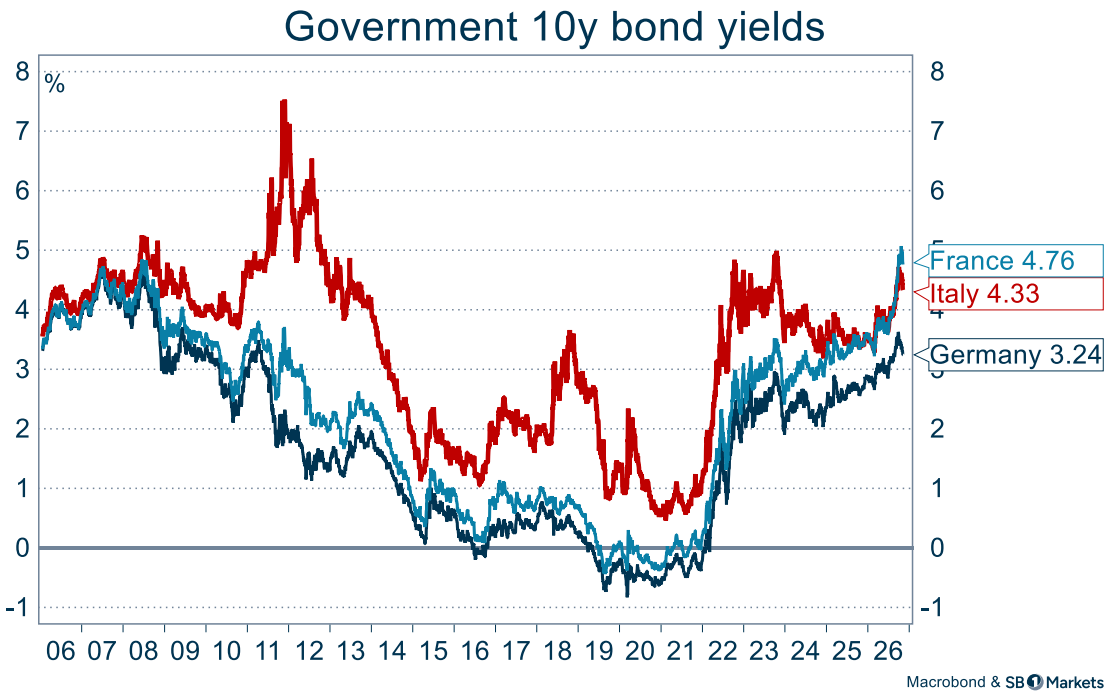


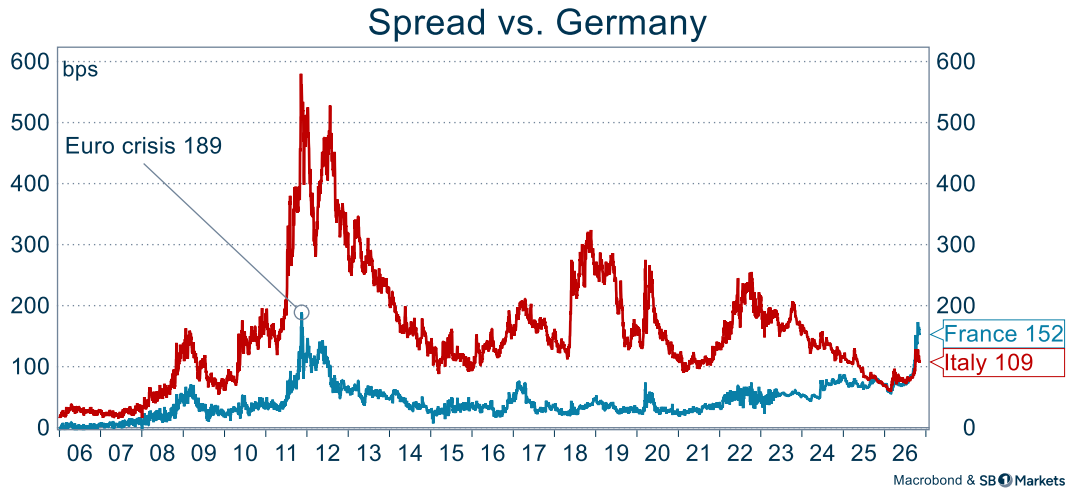
DM: Current 10y bond yields are close to a historical average

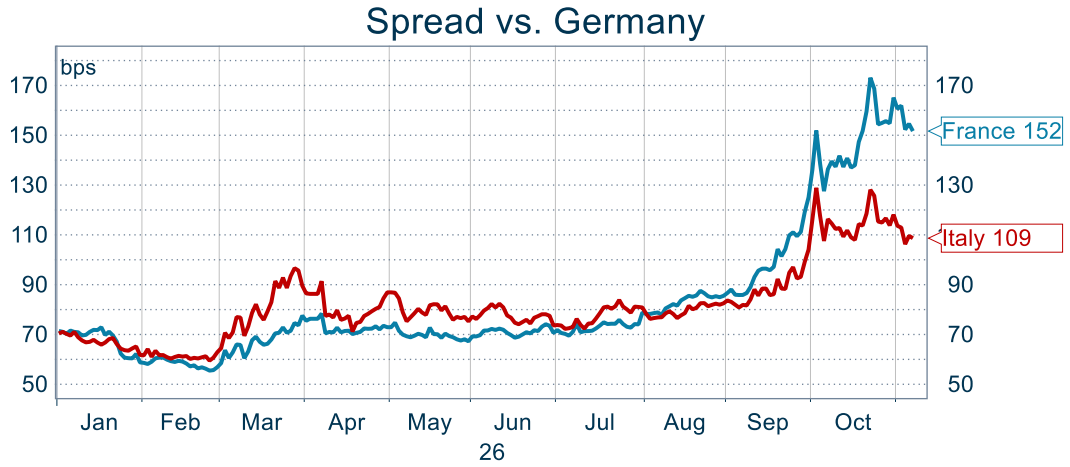
The NOK bond rate is pretty close to the average of rates abroad, as usual.



The French gov. bond spread vs. Germany declined further last week, but remains high

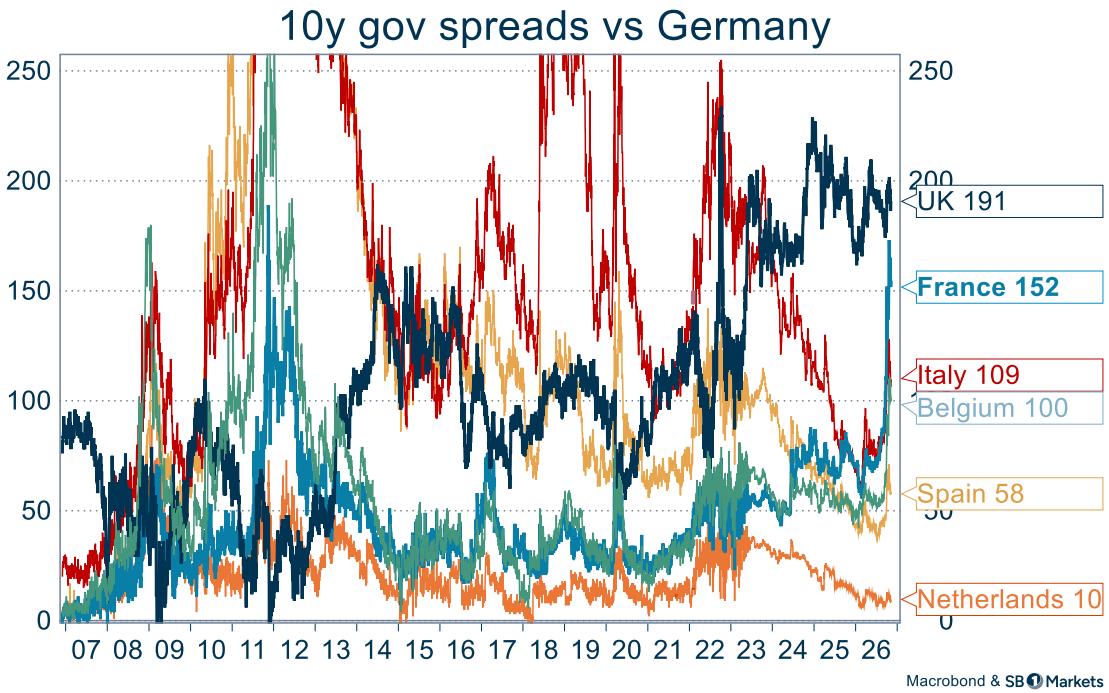


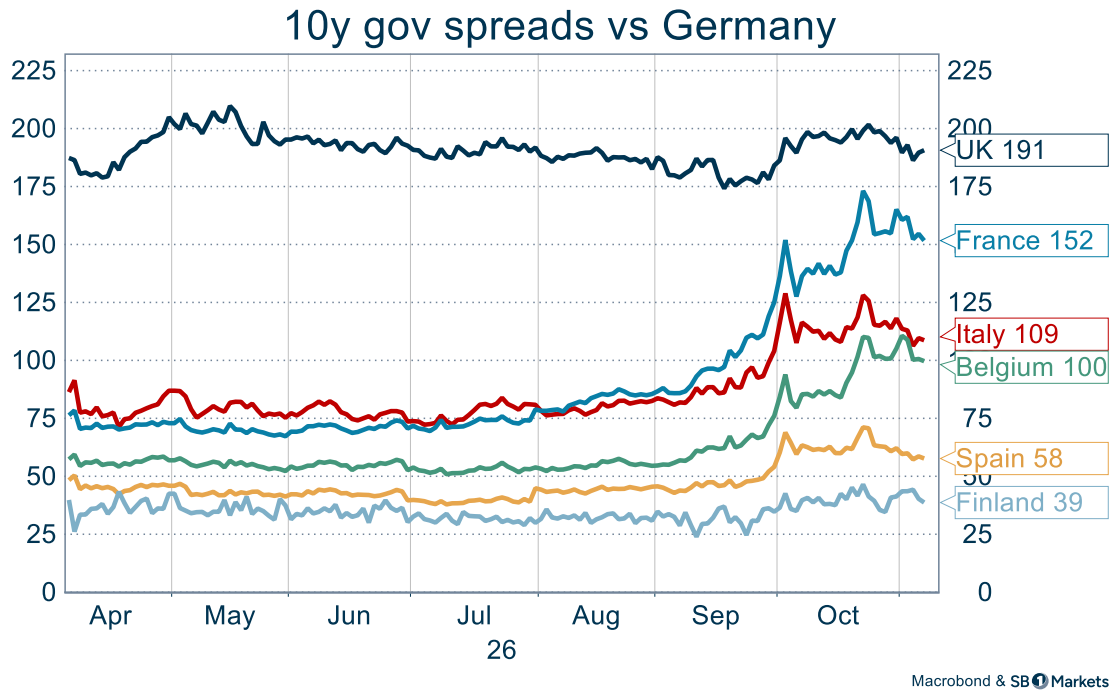




- **The spread between French and German government 10y bonds** narrowed 12 bp last week, but is still high, at 152 bp.
  - A 'normal' spread has been less than 50 bp. It widened to some 75 bp in March and has doubled recently.
  - The recent spread widening is more than worrying, given the fragile French public finances and a challenging political & social situation, to put it mildly.
- The **Italian spread** at 109 bp (down 9 bp last week) is not that high by Italian standards, but still well above the 70-bp level in early 2026.

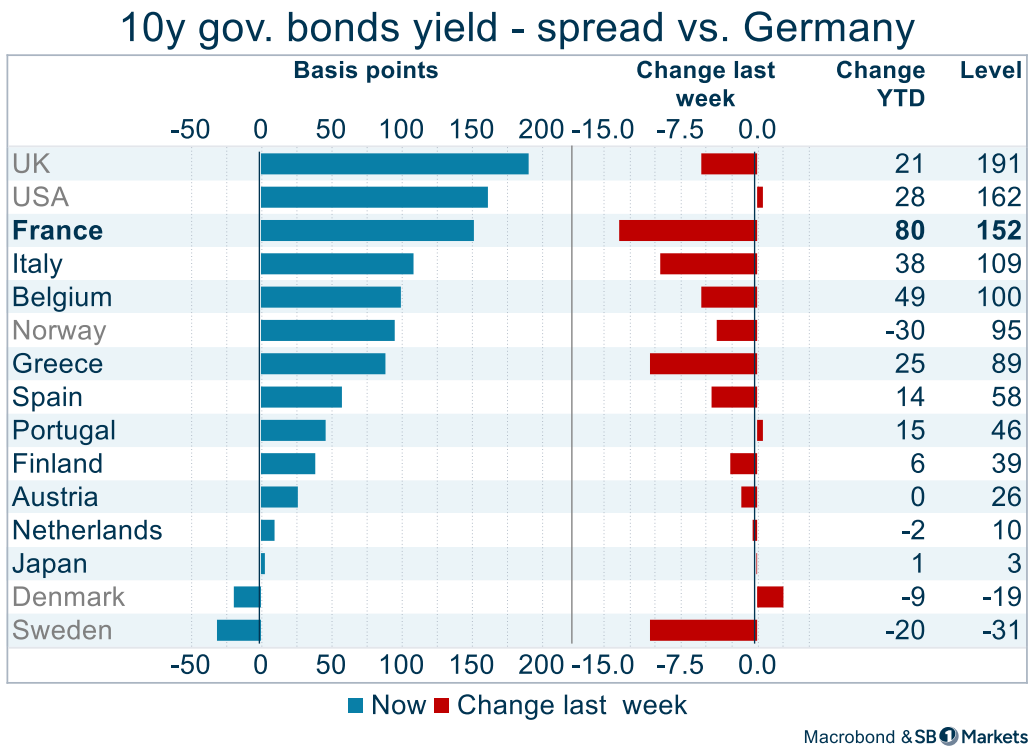
The other EMU 10y sovereigns: Most spreads continued downwards last week





France: the outcast within the Euro Area

10y gov. bond spreads (within the EMU) vs. Germany narrowed last week, but the French spread remains very high.

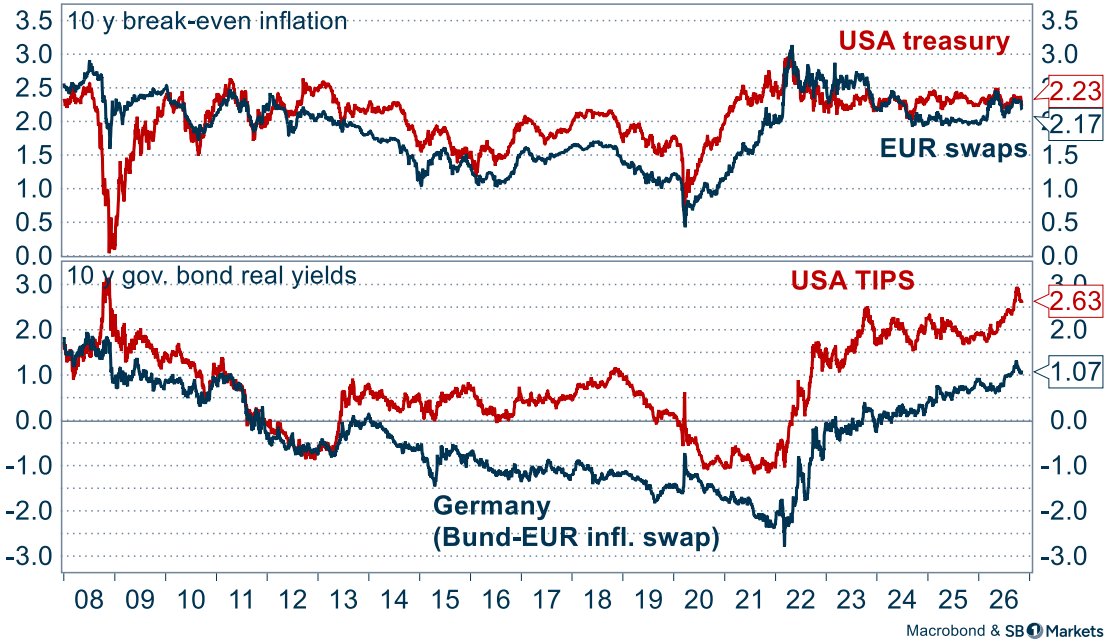


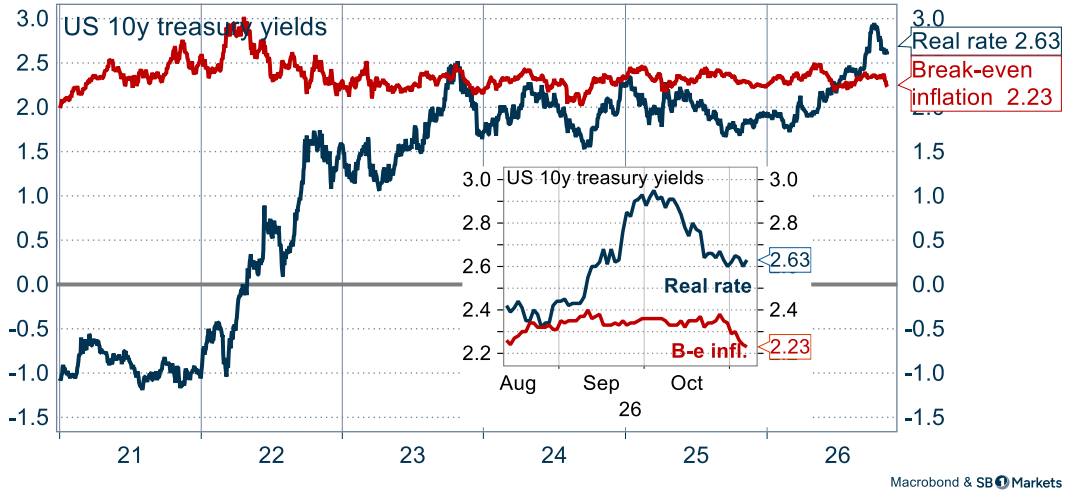
- (US, UK, Denmark, Norway and Sweden are included just as references).

Real bond yields recovered slightly, while long-term inflation expectations fell 11–14 bp

The decline in inflation expectations is at least partly due to the decline in energy prices, which fell the most in EMU. Real rates rose slightly even if the stock market retreated.

Real yields, break-even inflation





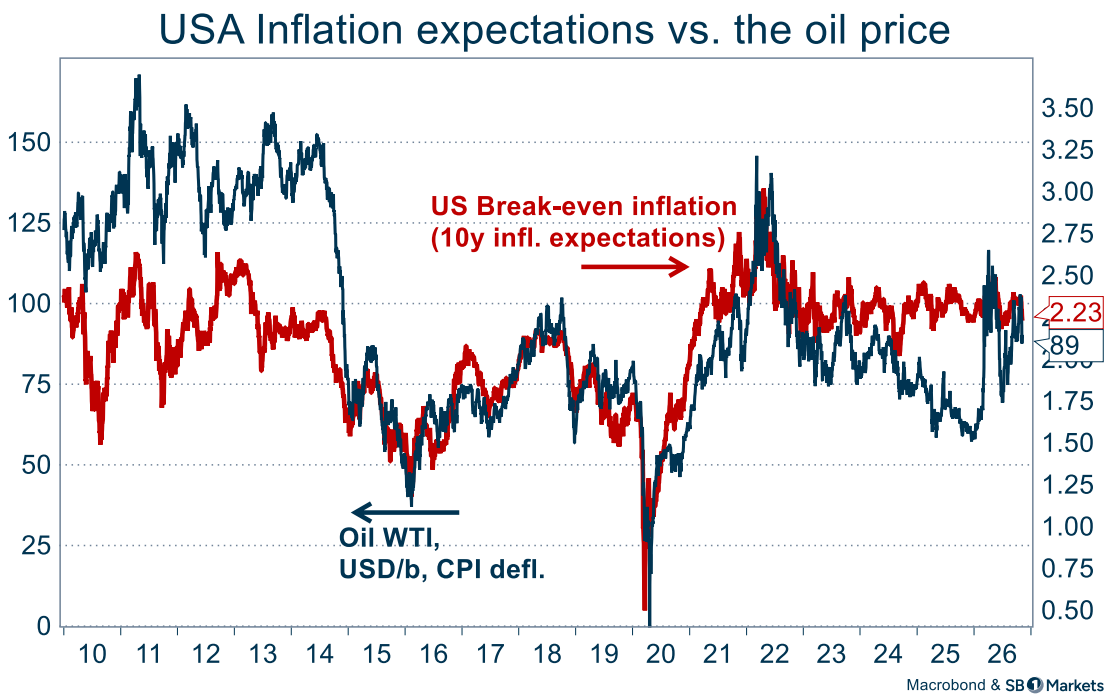
- The **US 10y break-even CPI inflation** at 2.23% is if anything on the low side vs. the PCE target at 2.0% (PCE inflation is on average lower than inflation measured by the CPI).
- **10y EUR inflation expectations** (inflation swap) at 2.17% are slightly on the high side, and they are up from marginally below 2.00% in early 2026, before the conflict in the Gulf started.

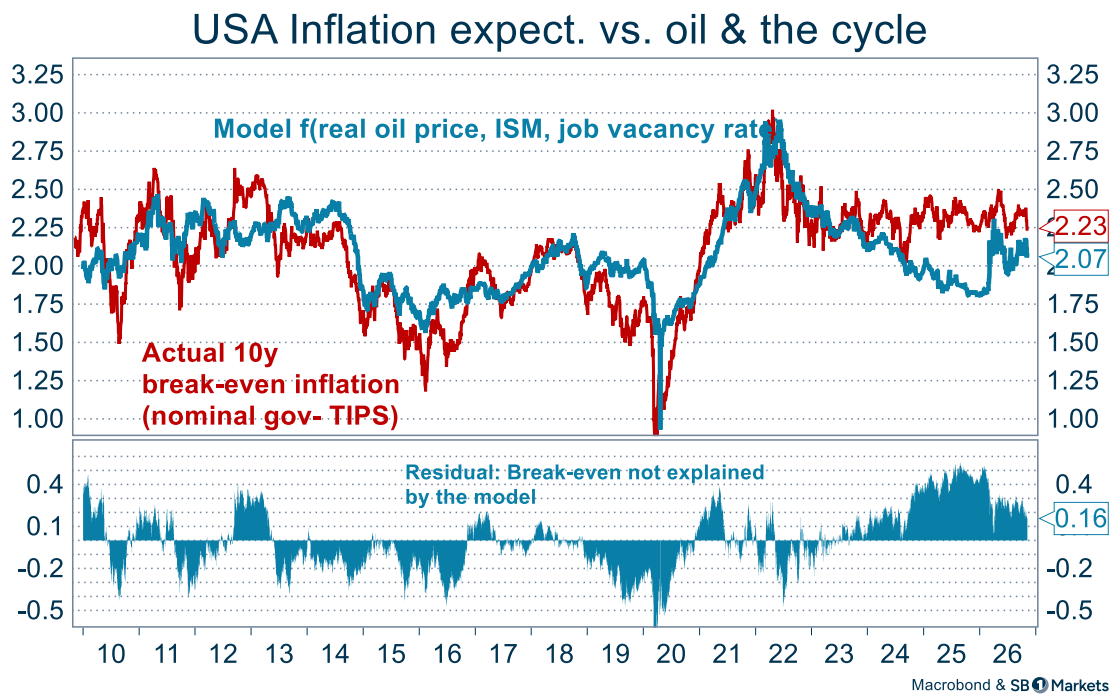
US, Germany real rates, inflation expectations

	Yield	Change 1w	Change 1m	YTD	Min since April-20
USA nominal treasury	4.86	-0.08	-0.41	0.68	0.52
.. break-even inflation	2.23	-0.11	-0.13	-0.02	1.06
.. TIPS real rate	2.63	0.03	-0.28	0.70	-1.19
Germany 10y gov, bund	3.24	-0.09	-0.23	0.40	-0.65
.. 10y EUR inflation swap	2.17	-0.14	-0.10	0.21	0.68
.. real rate	1.07	0.06	-0.13	0.18	-2.79

Macrobond & SB1 Markets

US inflation expectations down alongside the decline in oil prices



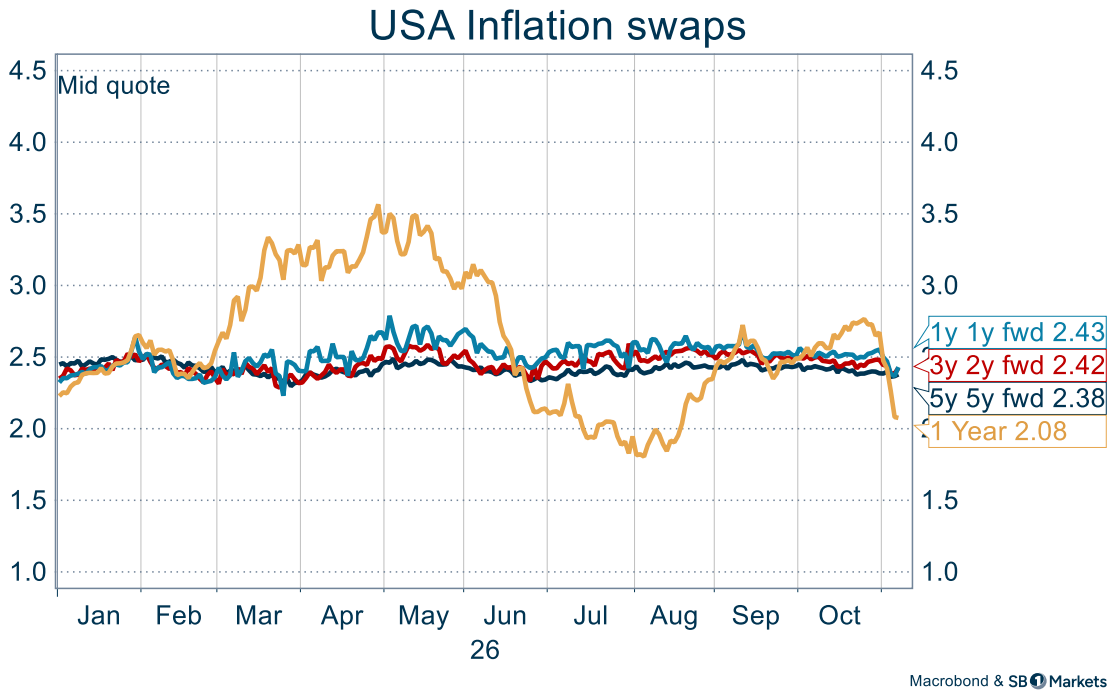


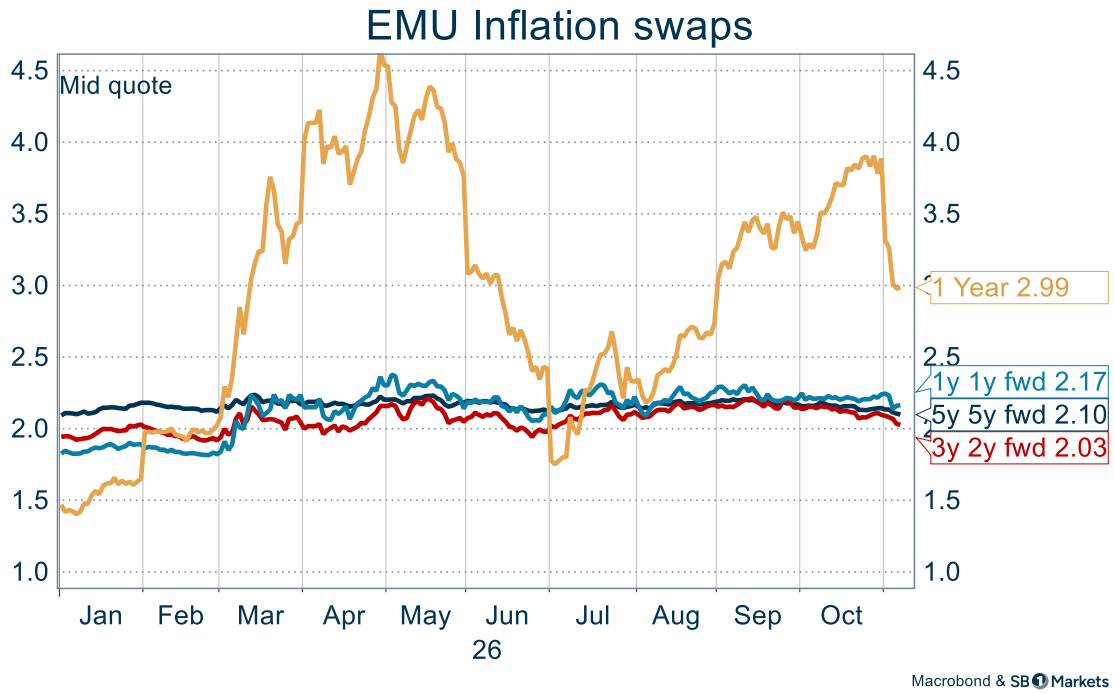


- The main determinant of **long-term inflation expectations** has been the current **spot (!) oil price**. If the current ISM and the current labour market are added, the model works even better.
- Our model's coefficients:
  - USD -10/b: -10 bp (the dominant factor, check the upper left chart).
  -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

1y EUR inflation expectations remain high but *not much of a problem thereafter*

Part of the decline in the 1y EUR inflation swap is due to a new starting month, but most of the decline is due to the decline in energy prices. In the US, 1y inflation expectations fell to 2.08%. The rest of the inflation swap curve is close to the Fed's 2% PCE inflation target.

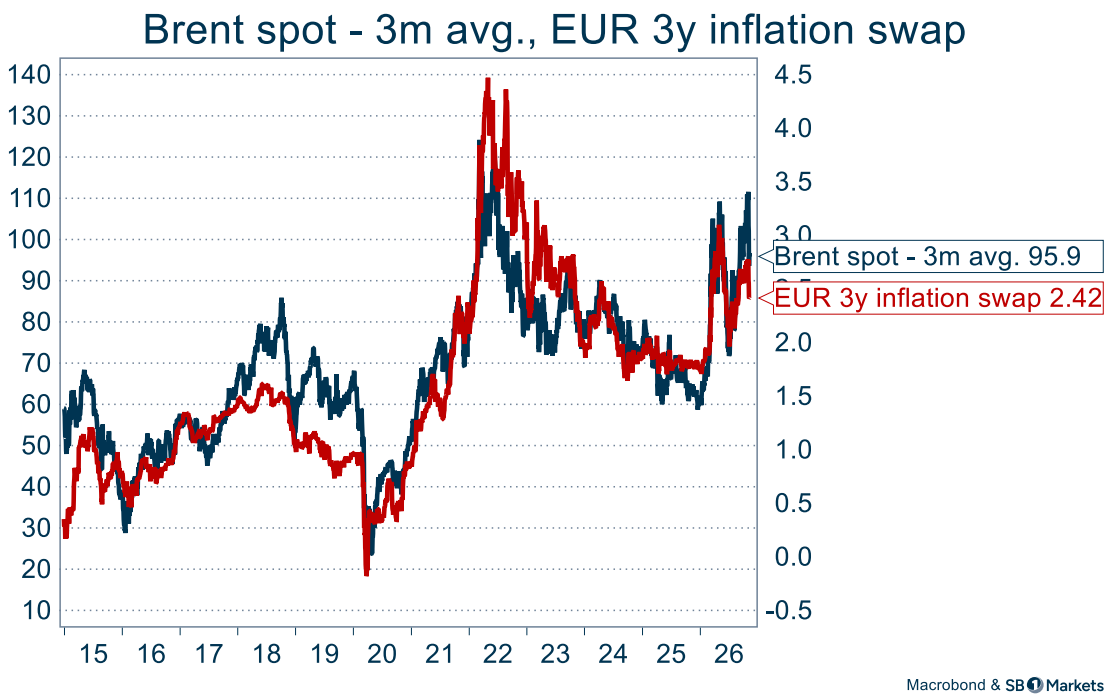




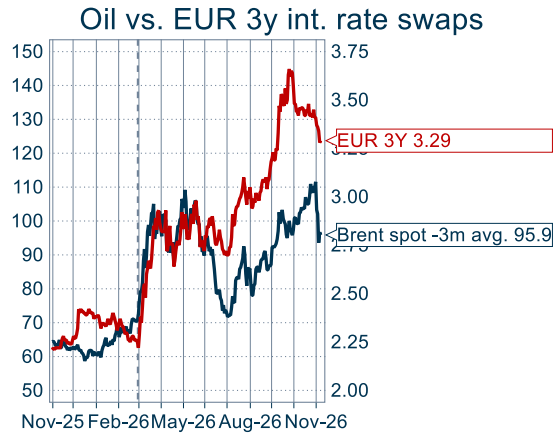
The 1y EUR inflation swap is heavily impacted by the base effect in the y/y HICP inflation rate. Thus, around the change in the front month, the 1y expected inflation rate may shift substantially (check Jan/Feb and then May/June and June/July in the chart above to the right). Further out on the inflation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

EUR short-term inflation expectations did not fully follow the oil price down last week

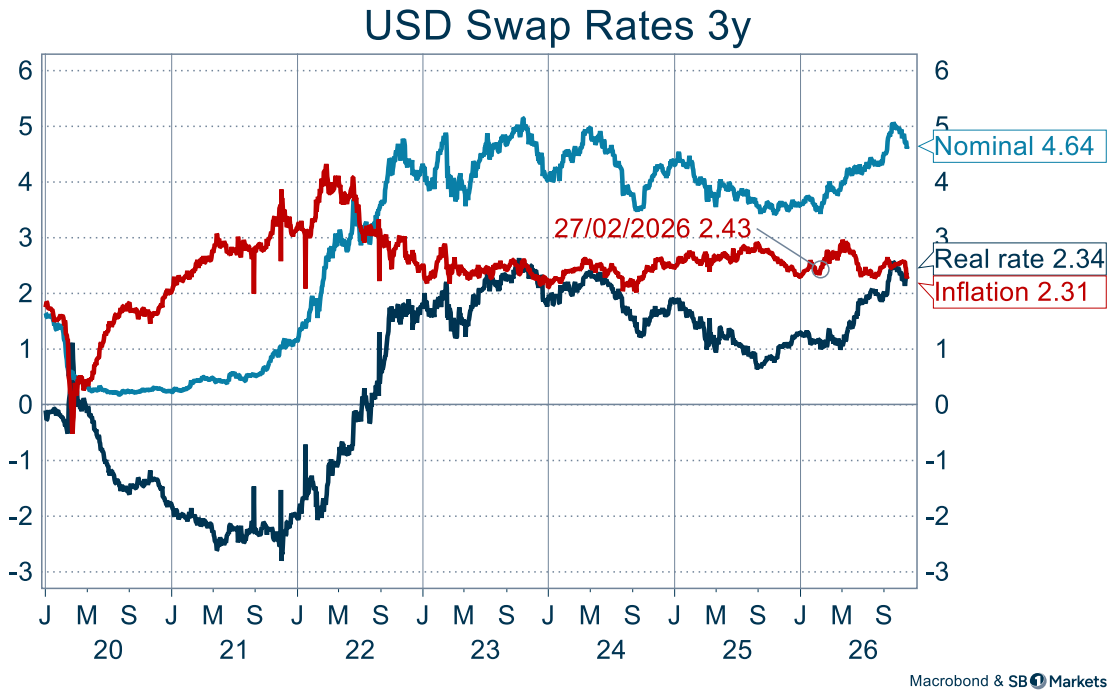
However, since the summer, nominal rates have climbed more, of course because real rates have shot up (until the past 2 weeks).

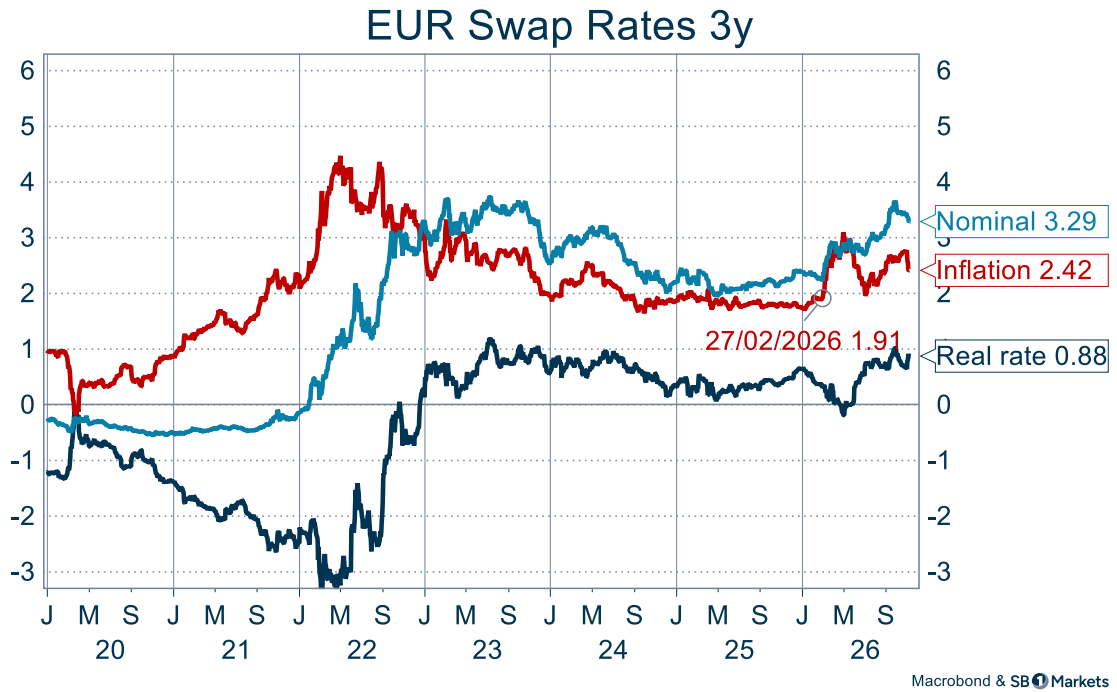


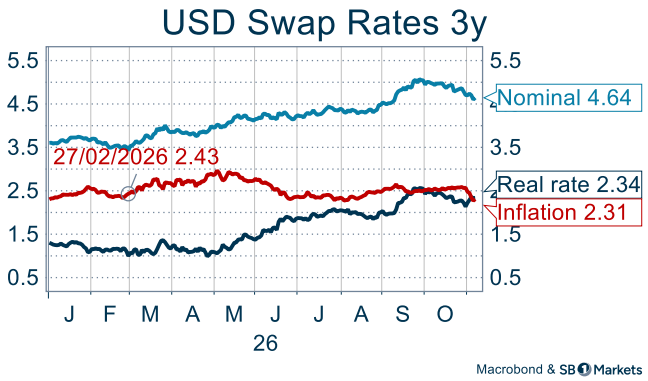


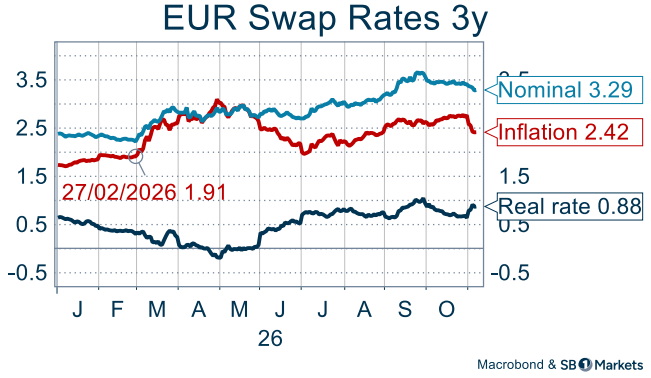


Short-term inflation expectations down with the oil price last week, real rates turned up



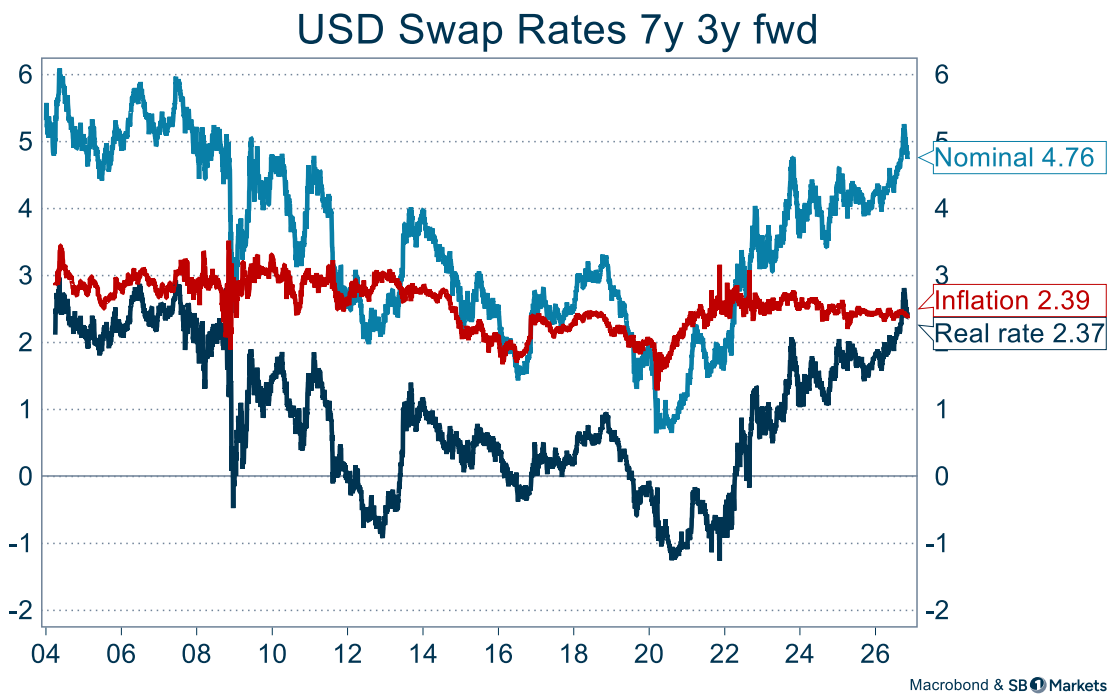


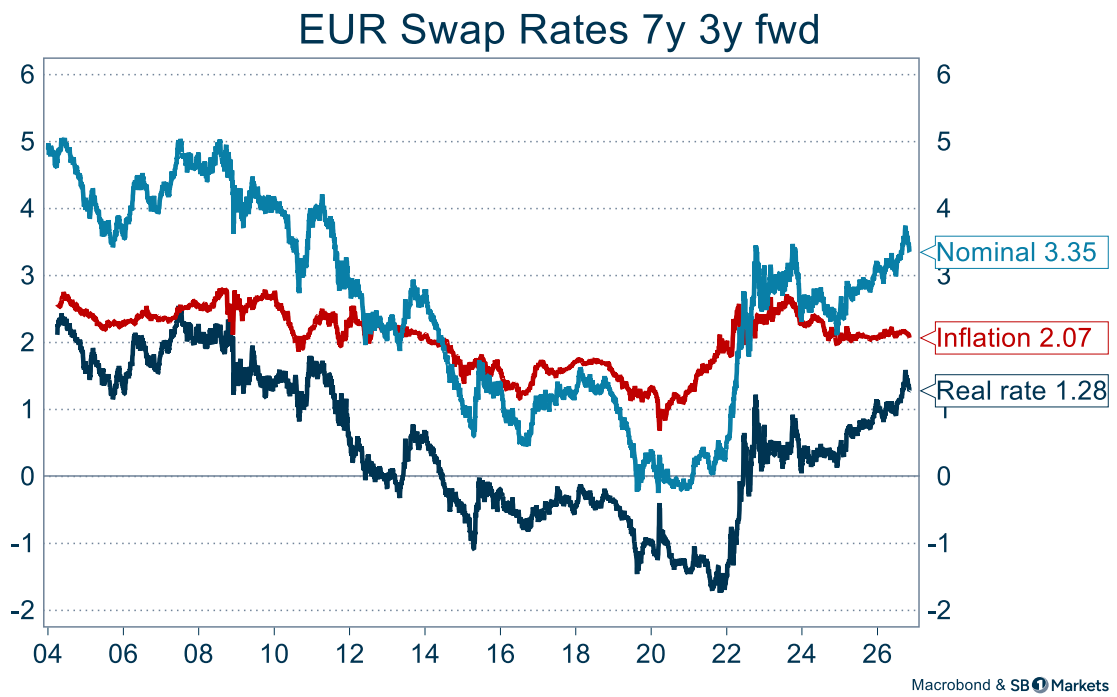


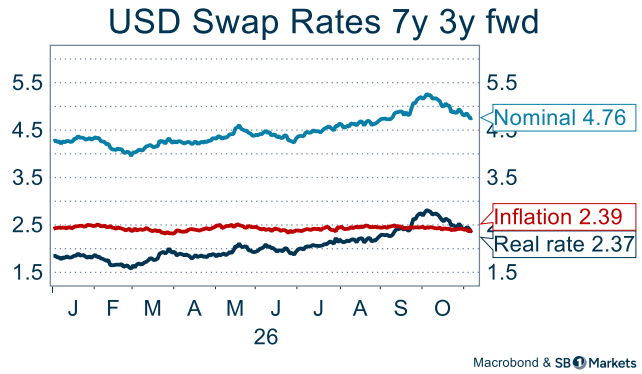


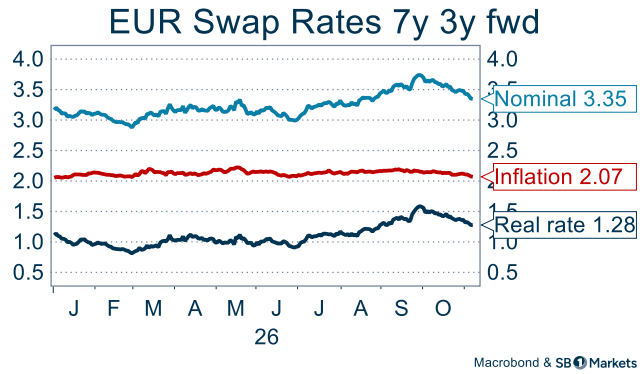
Implied longer-term real rates declined further (while short-term real rates rose)

Close to unchanged implied longer-term inflation expectations.



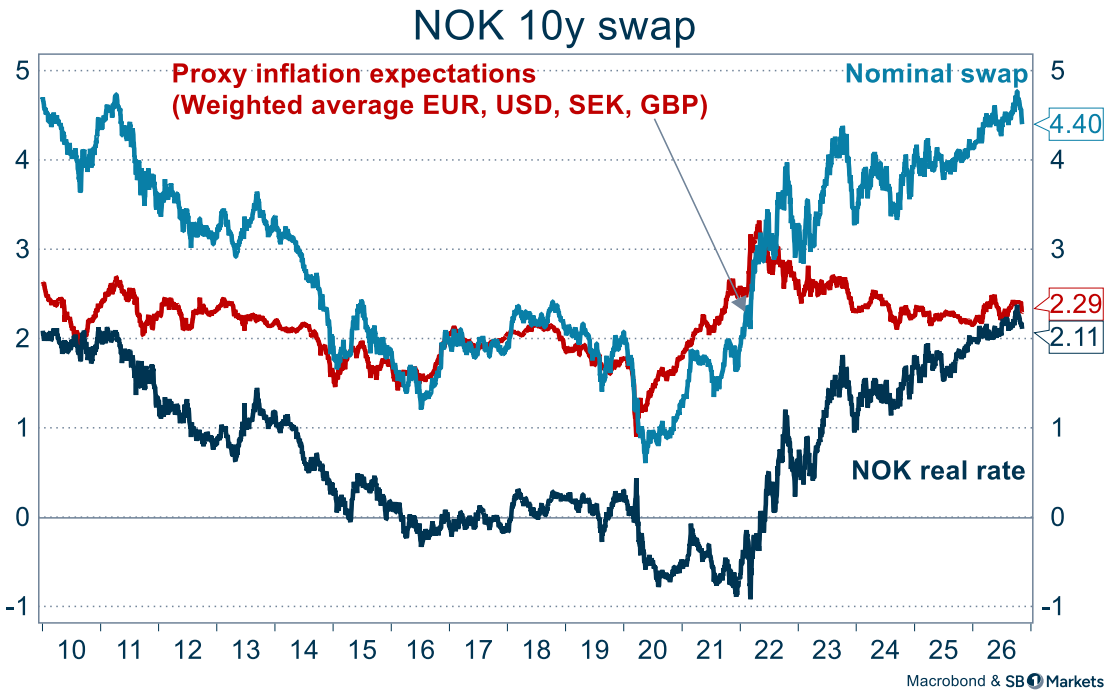


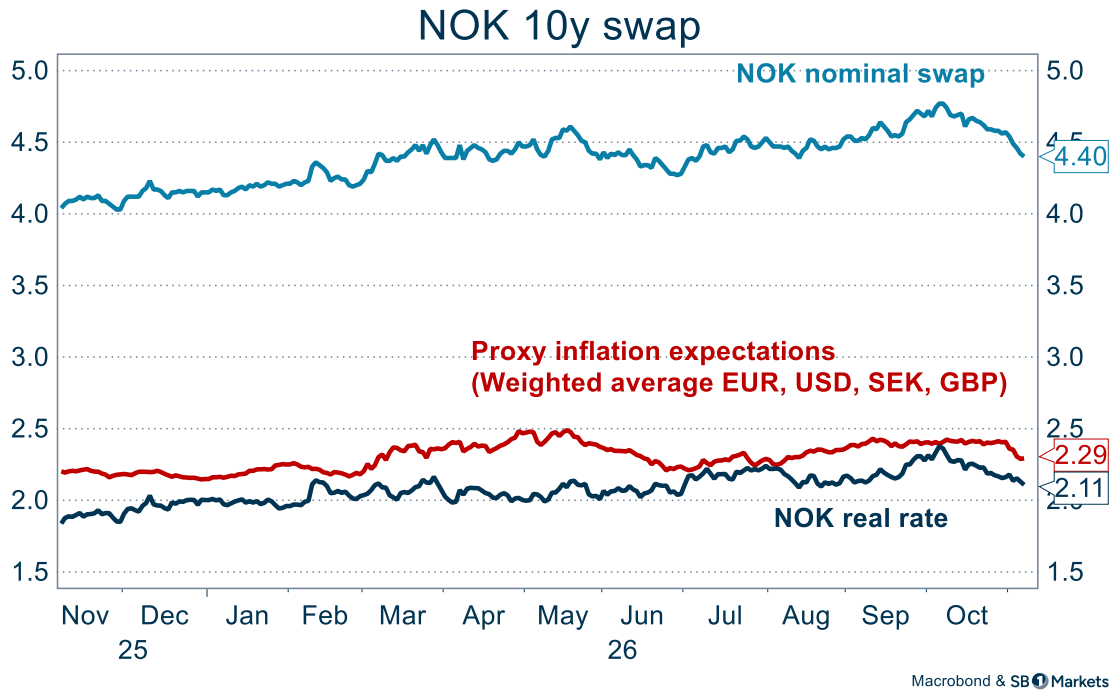




The 10-year NOK real rate (probably) declined last week too, but remains above 2%

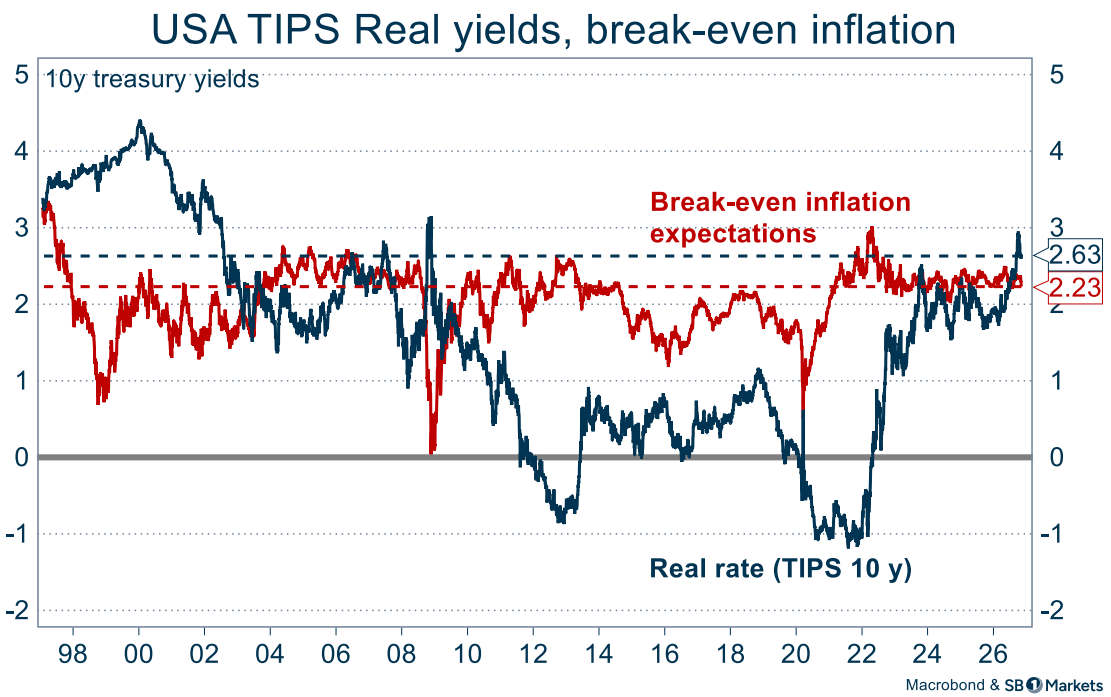
… as we assume that long-term inflation expectations develop in line with expectations abroad. These expectations rose in Q1, fell in Q2, rose in Q3 but have flattened recently – and have been pretty stable, seen from a distance. The implied real rate has not been stable!

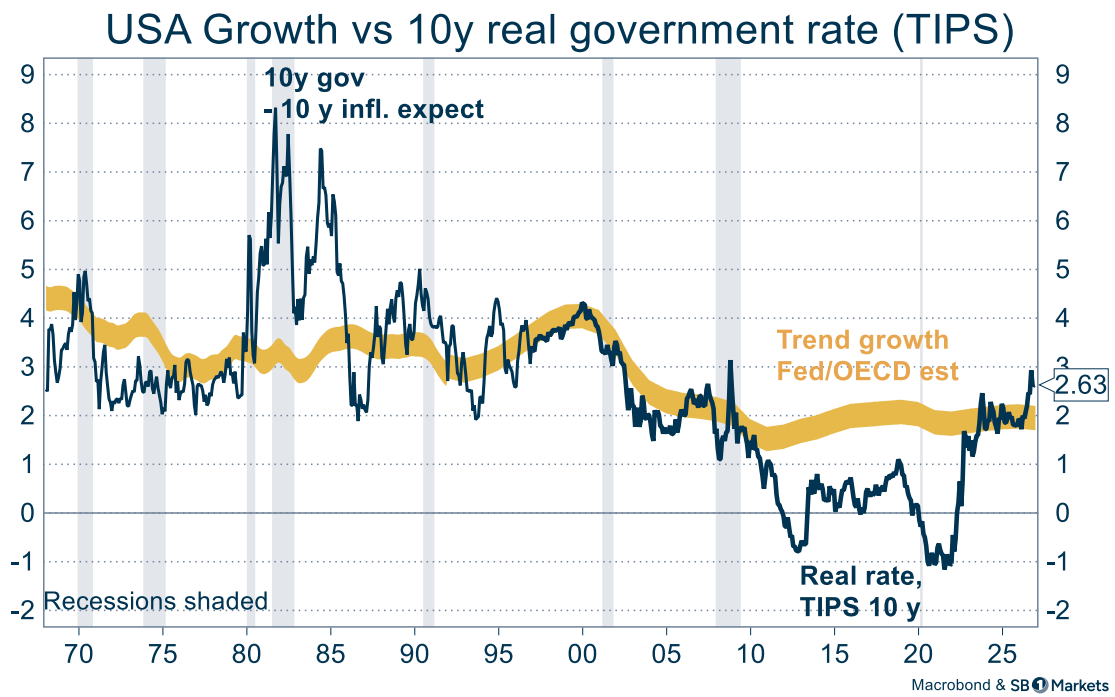




Memo: Our NOK inflation expectations proxy is a weighted average of EUR, SEK, GBP and USD inflation swaps, cross-checked vs. historical inflation differentials and survey-based expectations. The impact of NOK depreciation is not included in the calculation.

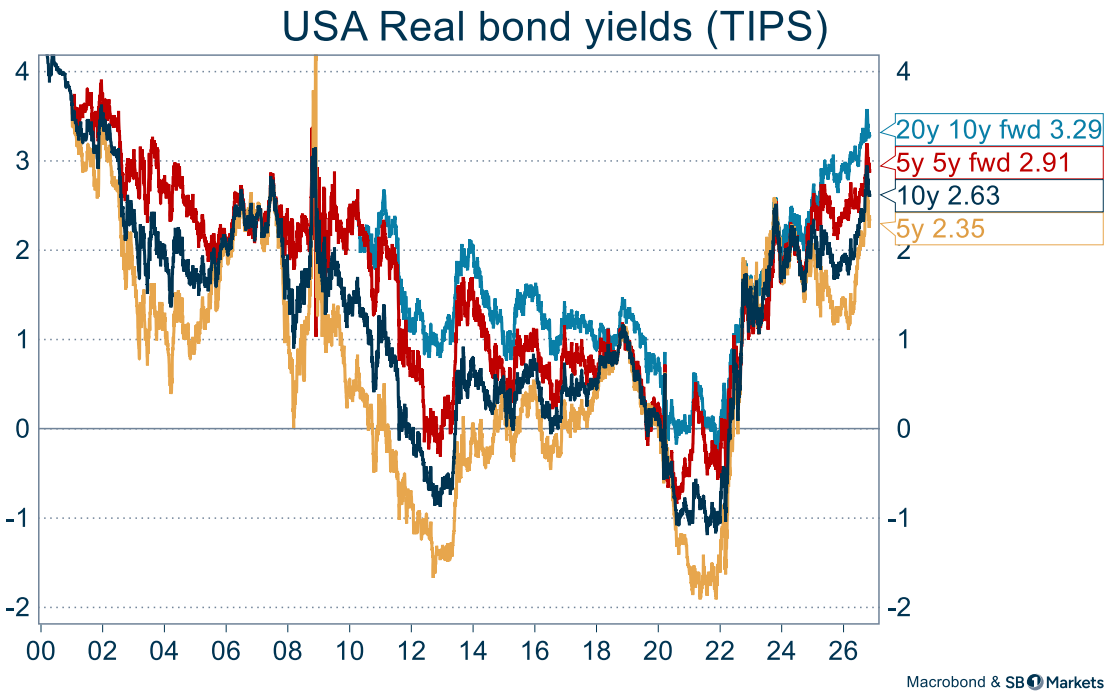
US real rates vs. growth expectations: above the upper part of the ‘growth corridor’

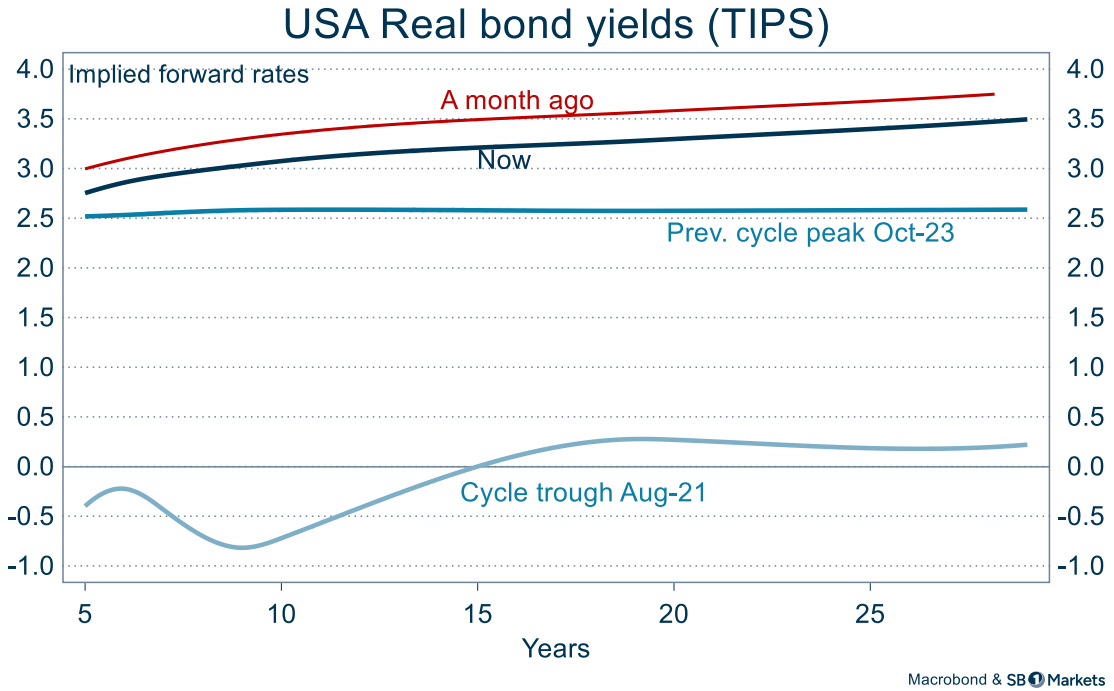


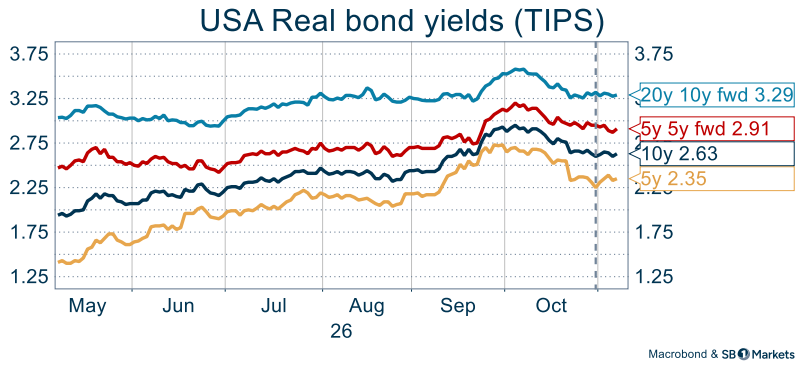


TIPS real yield curve: the September/early October hike is reversed in the long end

… but just partially up to 10y. TIPS rates are still close to their highest since the brief spike during the market turmoil in October 2008. Before that, similar levels were last seen in 2002.

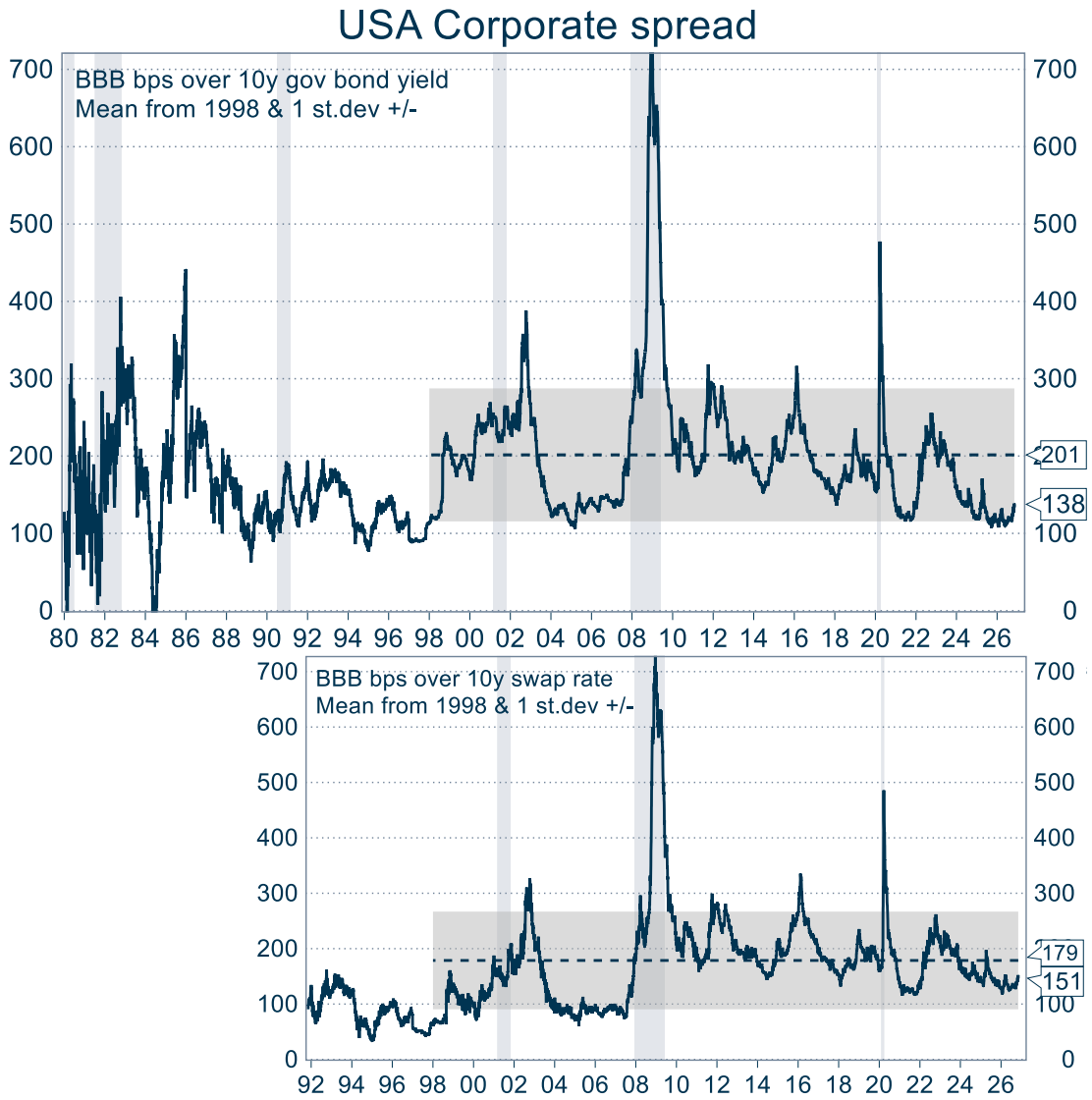




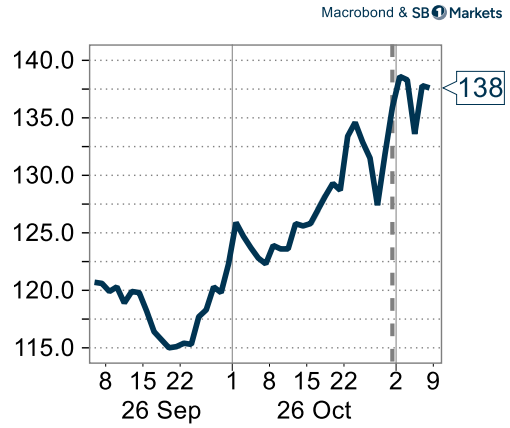


The US BBB corporate spread (vs. 10y gov.) up 2 bp to 138 bp – and *the trend is up*

The spread has widened by almost 30 bp since May, but the *level is still very low*, at least vs. history.

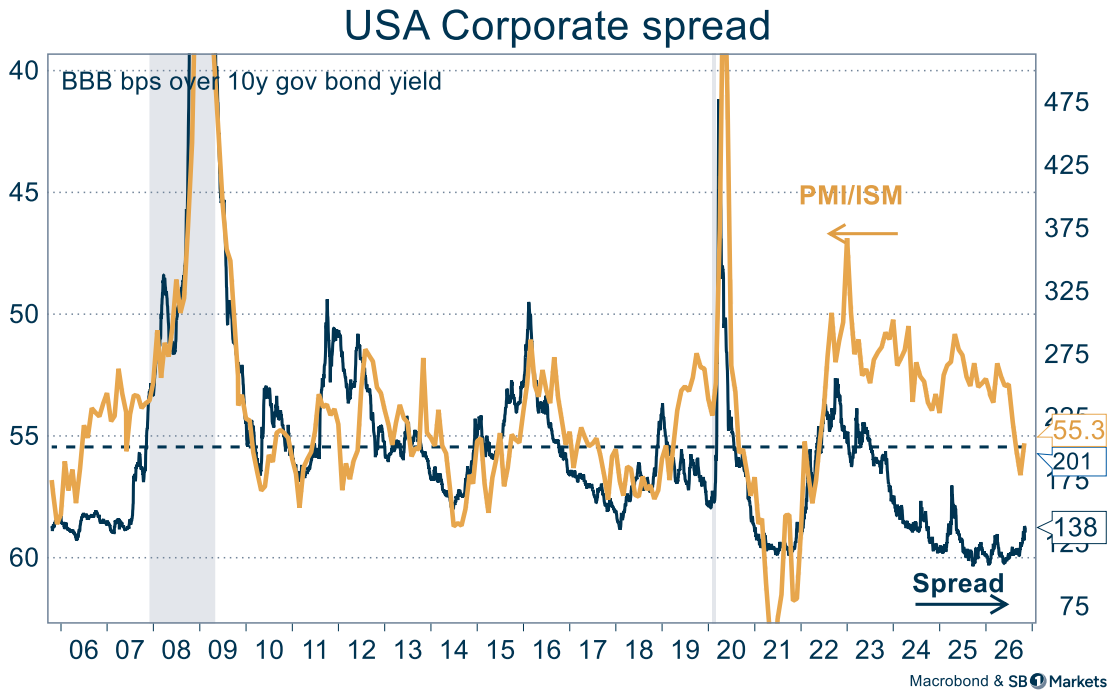




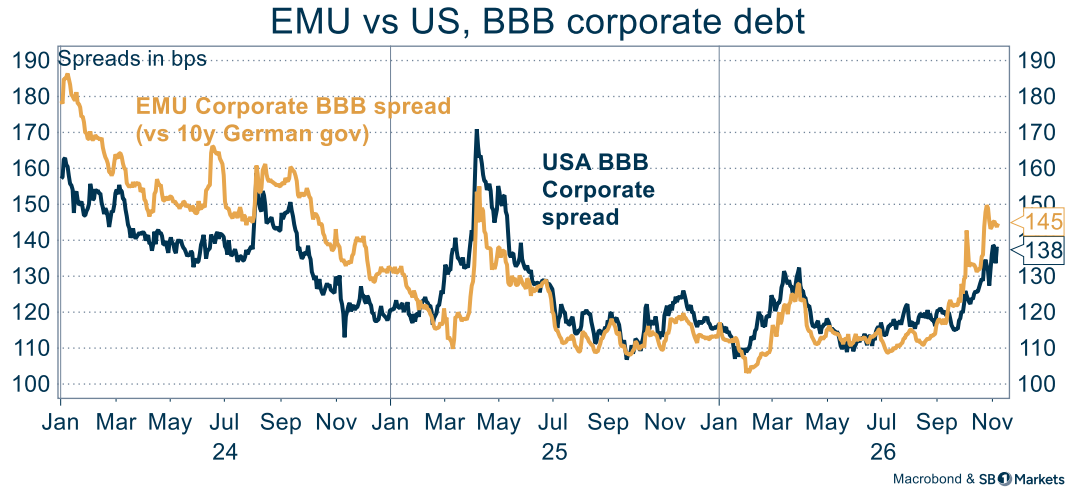


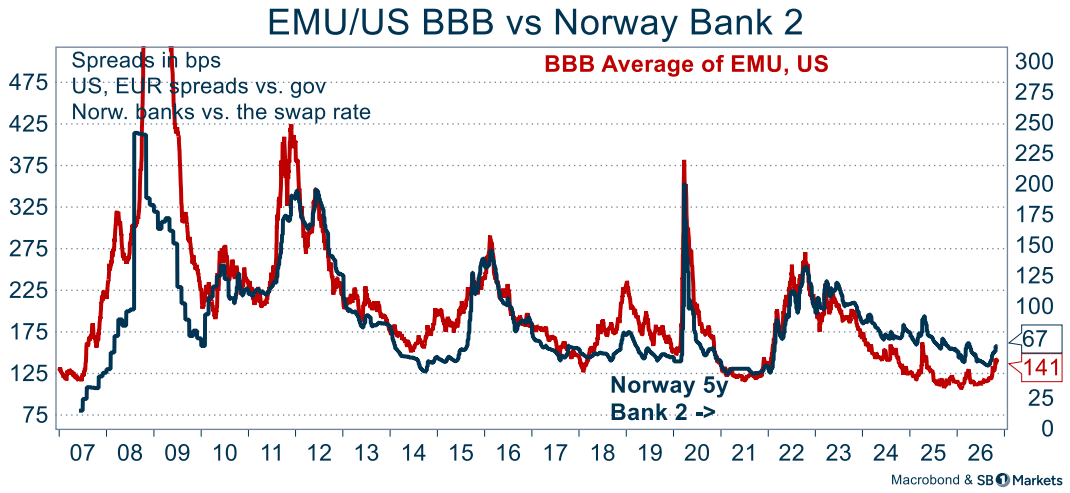
EMU corporate spreads more than in the US, at least measured vs. German bond yields

(but not that much vs. an average of EMU yields)



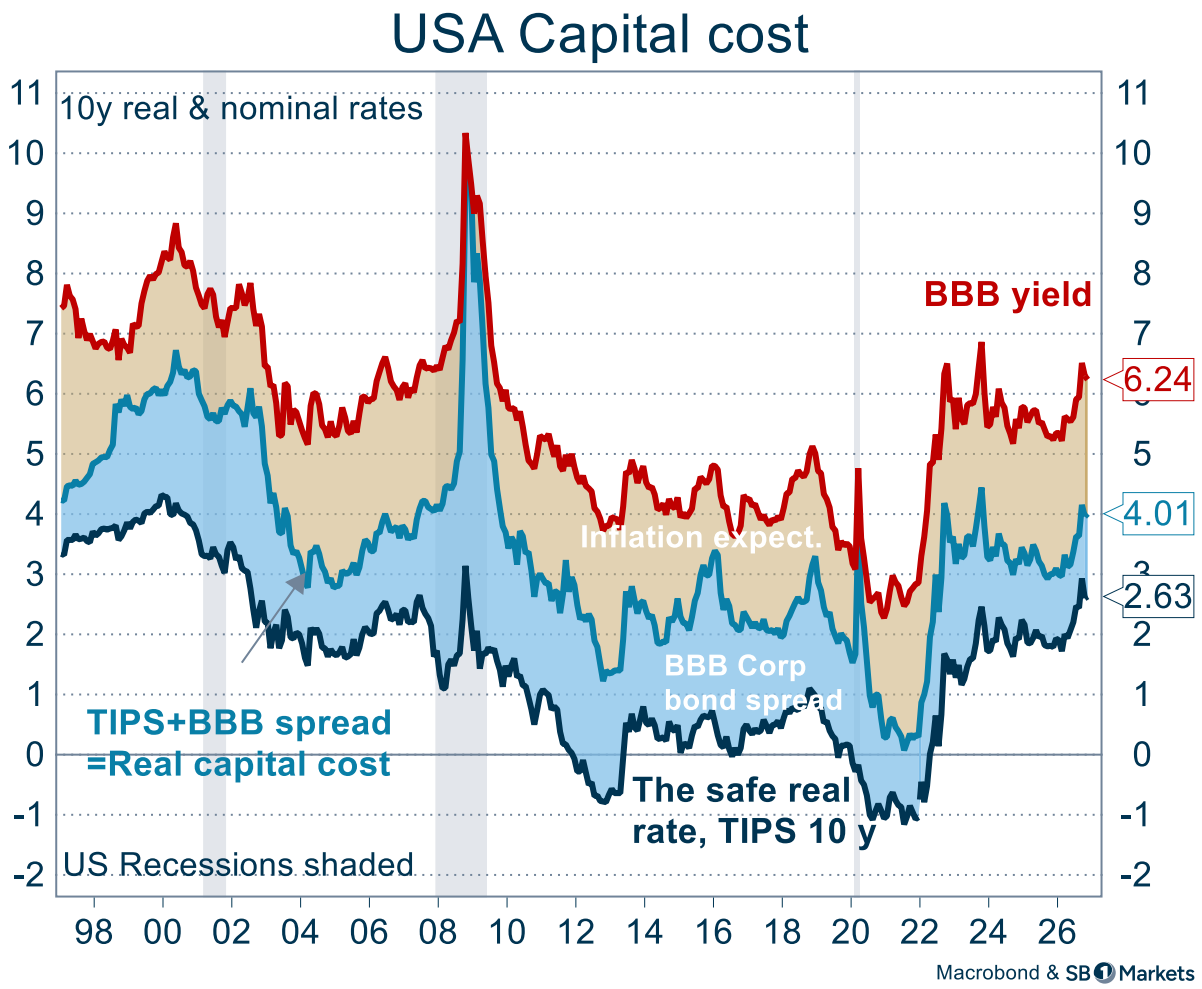
- The main Norwegian bank bond spread (bank 2, 5y senior) narrowed marginally to 67 bp last week, though up from 51.5 bp at the bottom in late August. This lift is visible, check the chart to the right.





Corporate borrowing costs have increased in recent months, due to a higher TIPS real rate

In recent weeks, the 10y TIPS real rate has fallen (and last week inflation expectations also declined), while the corporate spread has widened. In sum, a small decline in the nominal borrowing cost.



- The total **real borrowing cost** for a US BBB investment-grade industrial corporation rose 5 bp to 4.01% last week as the 10y TIPS real rate added 3 bp and corporate bond spread widened by 2 bp.
- Adding in inflation expectations, the **nominal borrowing cost** fell slightly to 6.24%, still up 100 bp from February.

SB 1 Markets

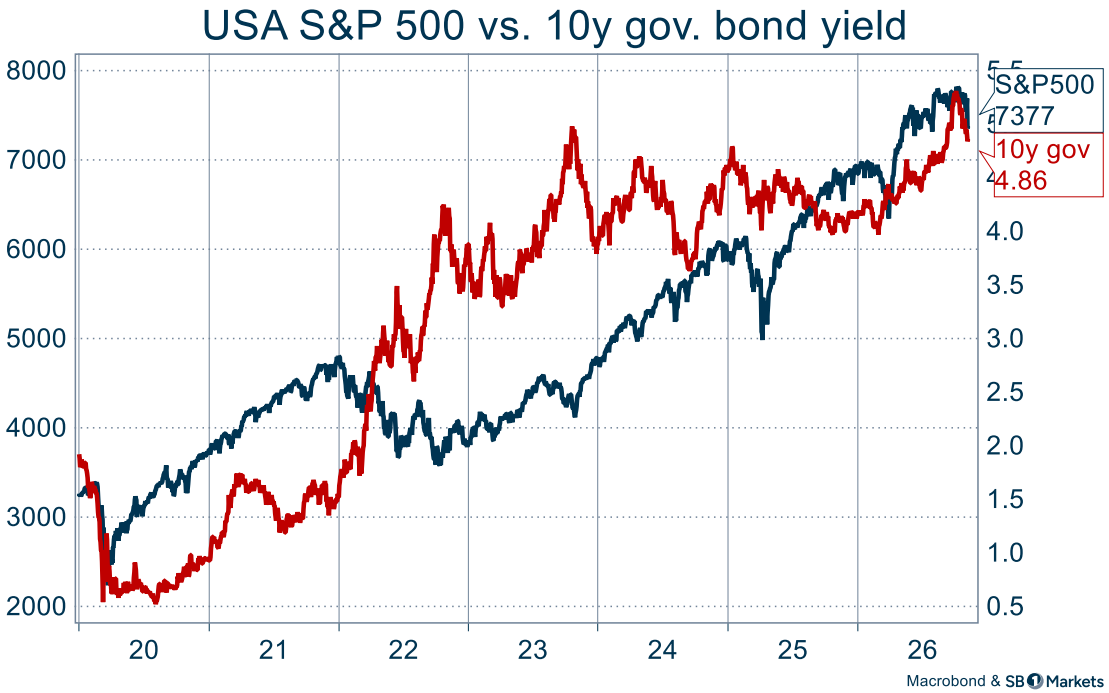


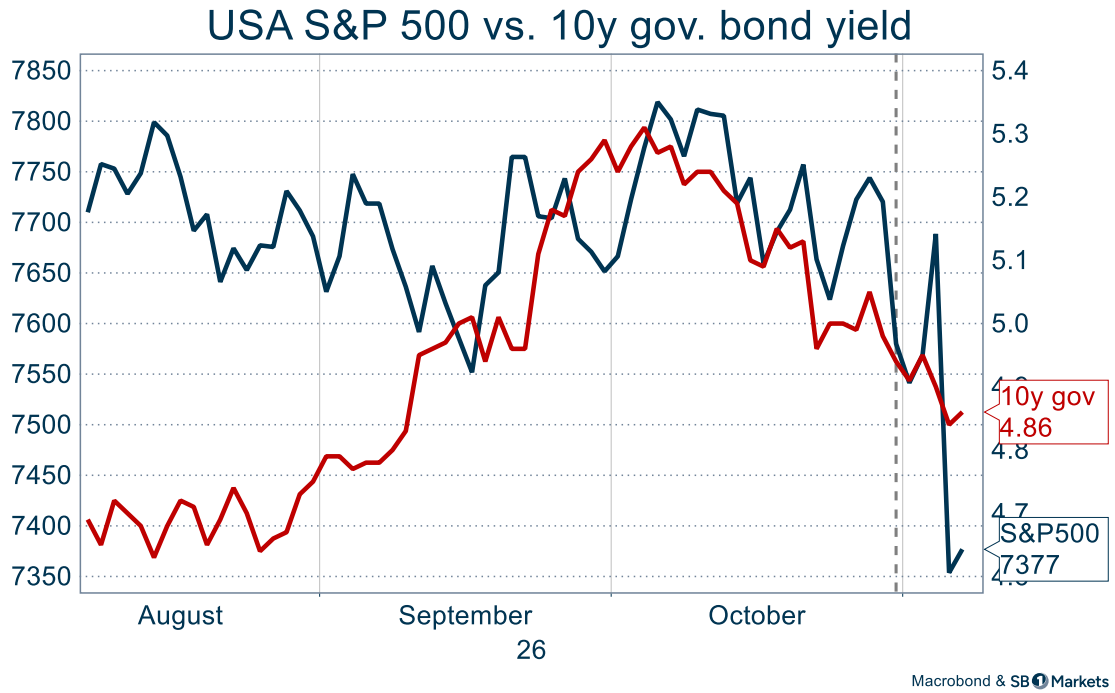
4.3 Equity markets

*Picture source: ChatGPT

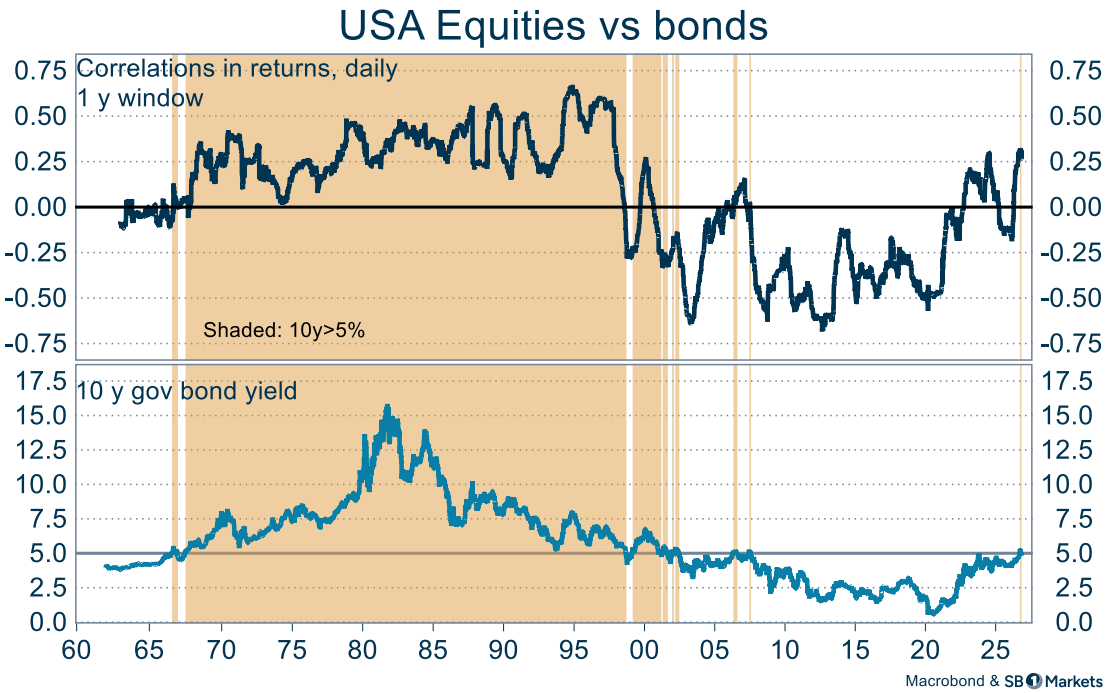
US equities and bond yields fell further last week, equities the most

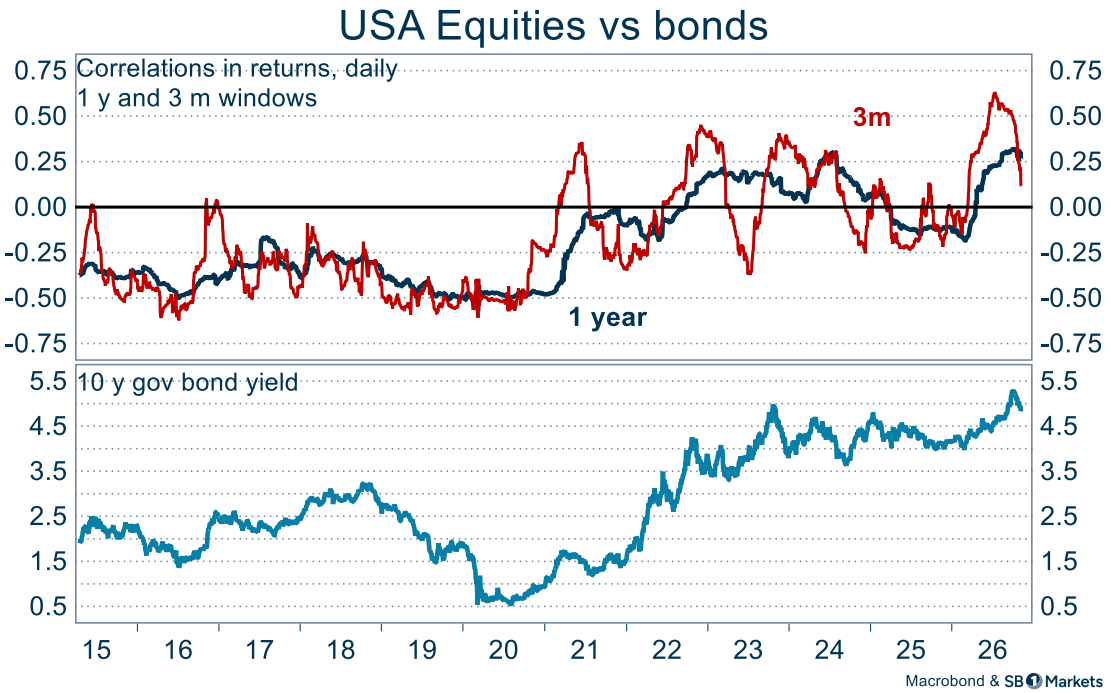
The S&P lost 2.7% (and Nasdaq 4.9%), due to a spectacular setback on Thursday.
The 10y bond yield fell 8 bp to 4.86%.





Equity–bond return correlation remains positive, measured over the past 3m – but less

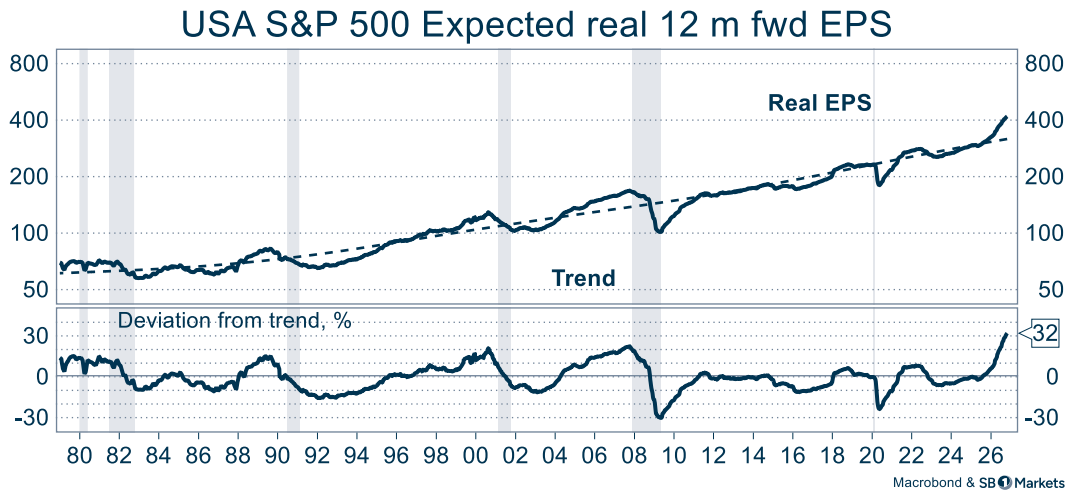


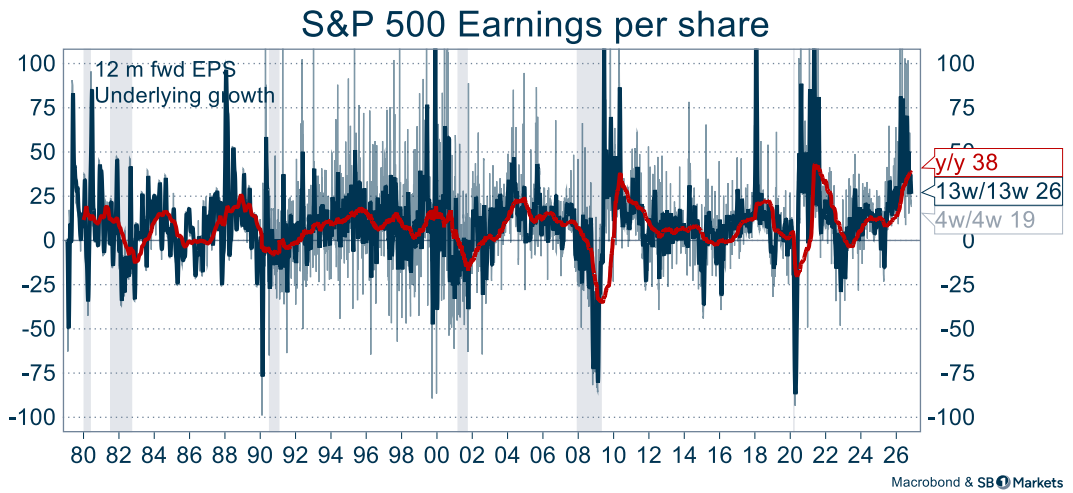


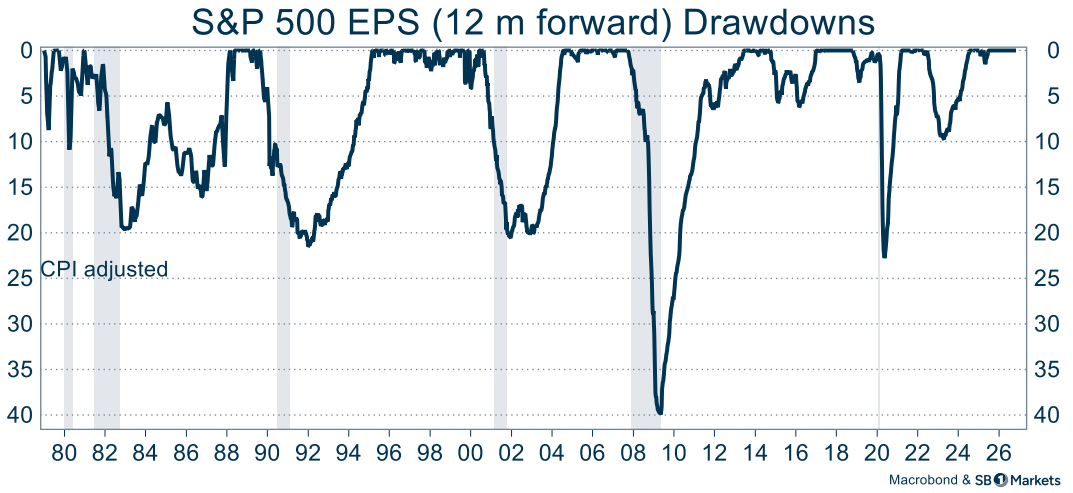
- **Inflation worries** normally lift government bond yields to a 'high' level and are normally not positive for equities: thus, ***a positive correlation*** (in returns).
- **Growth worries produce the *opposite (negative) correlation in returns***: lower yields and a weaker equity market, which we have been witnessing over the past two weeks.
- **The threshold** vs. the 10y bond yield before the correlation turned positive used to be some 5.0%.

US earnings expectations are up 38% y/y, and the short-term momentum is strong too

The 12m fwd. expected (CPI-adjusted) S&P 500 EPS is 32% above the long-term real trend path, as the profit share of GDP is booming, to record-high levels (which is why inflation has become too high). *Some downside risk?*



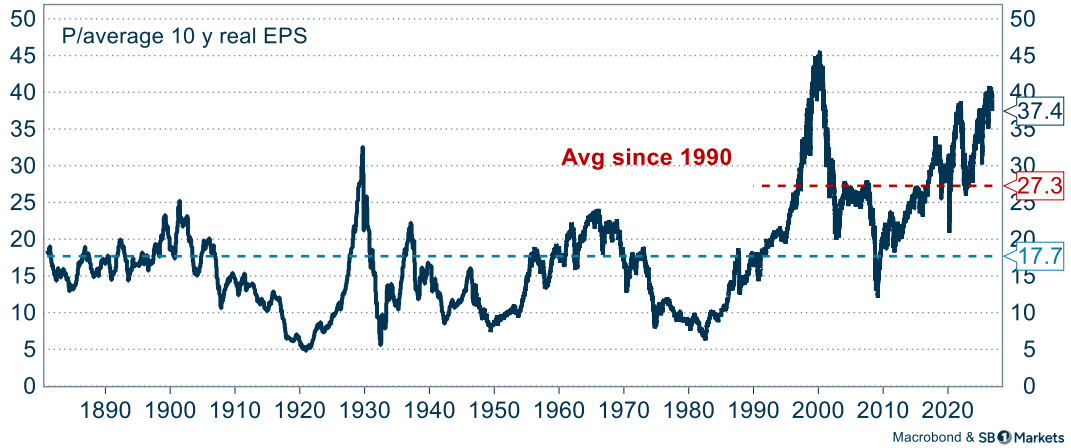




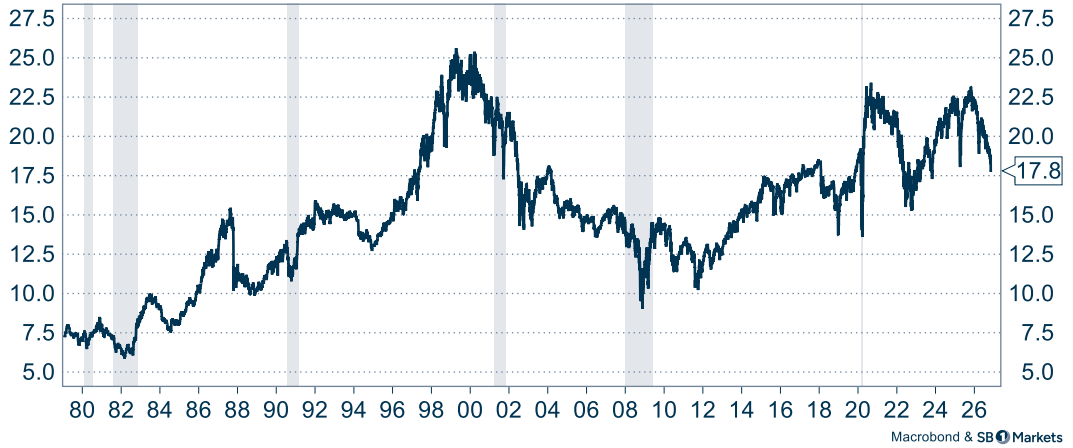
The US Shiller P/E (CAPE) is still high, while strong EPS and a lower ‘P’ lower the 12m fwd. P/E

Historically, returns have been dismal when pricing has been as aggressive as now. On the other hand, earnings are booming (and far more than we have assumed). The CAPE/Shiller has kept up, even if the 10y US TIPS real rate has increased sharply in 2026.

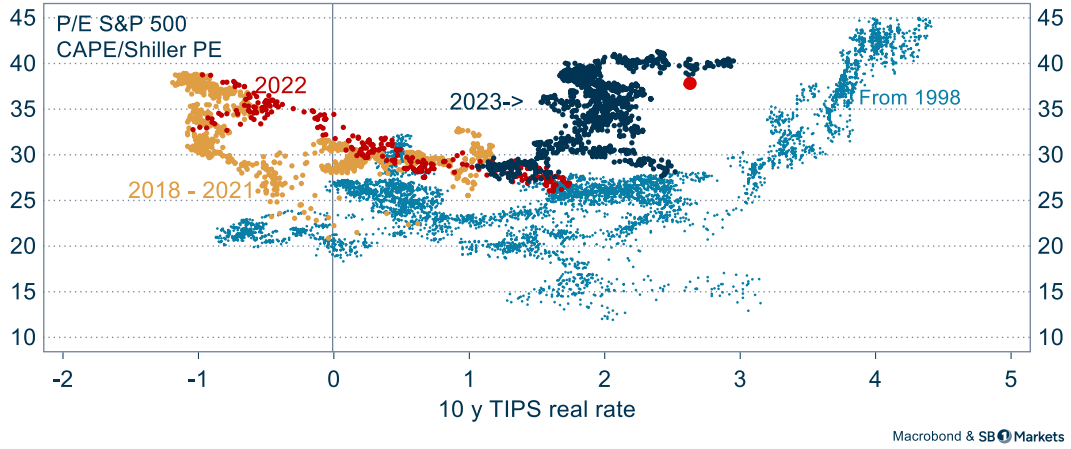
S&P500 10y (CAPE/Shiller) P/E



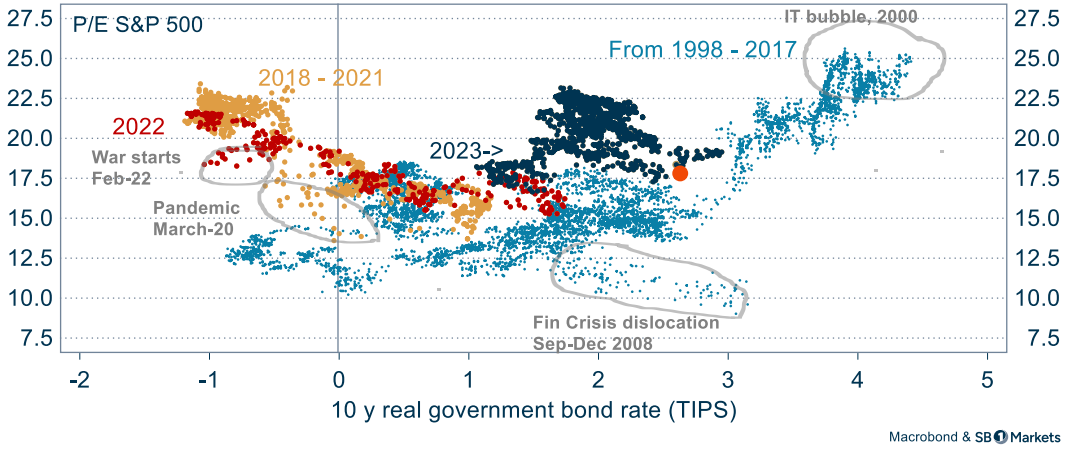
USA S&P 500 12 m fwd P/E



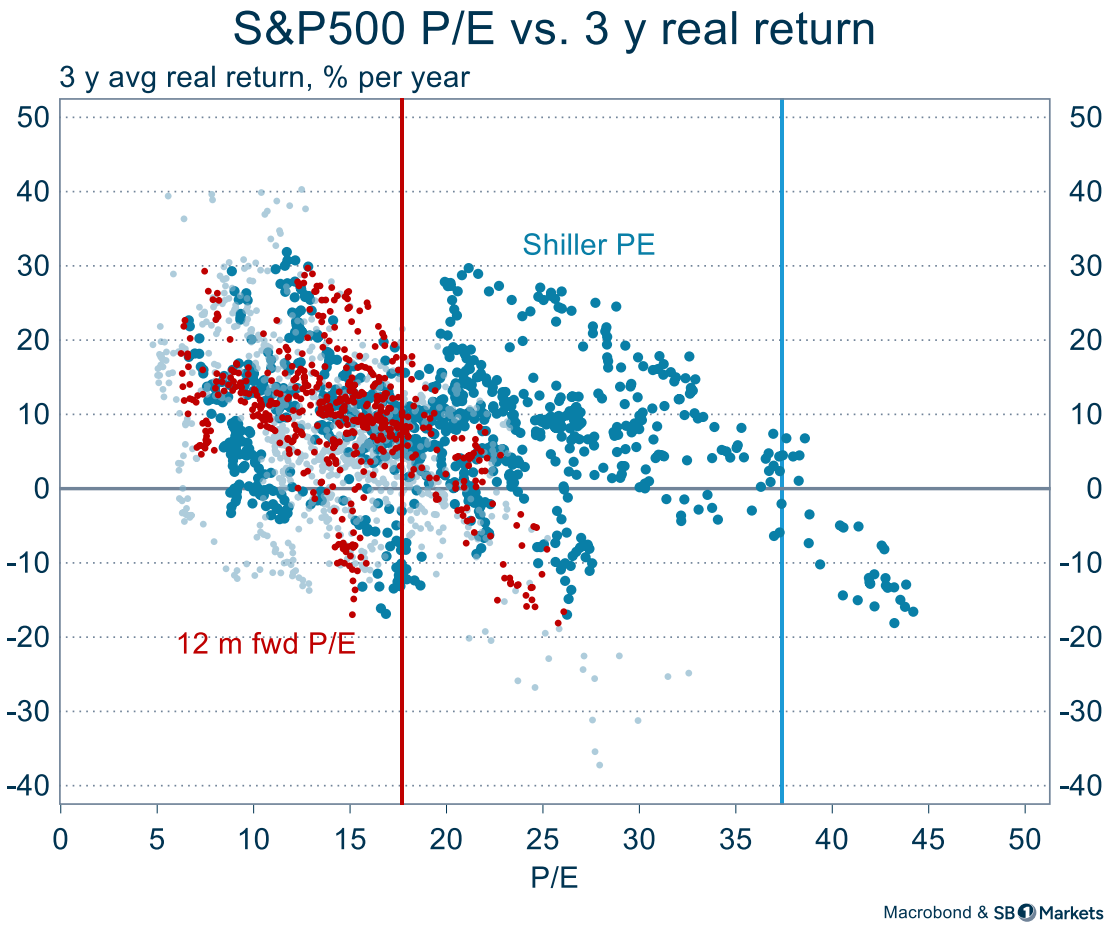
S&P 500 10y CAPE vs US 10 y real interest rate

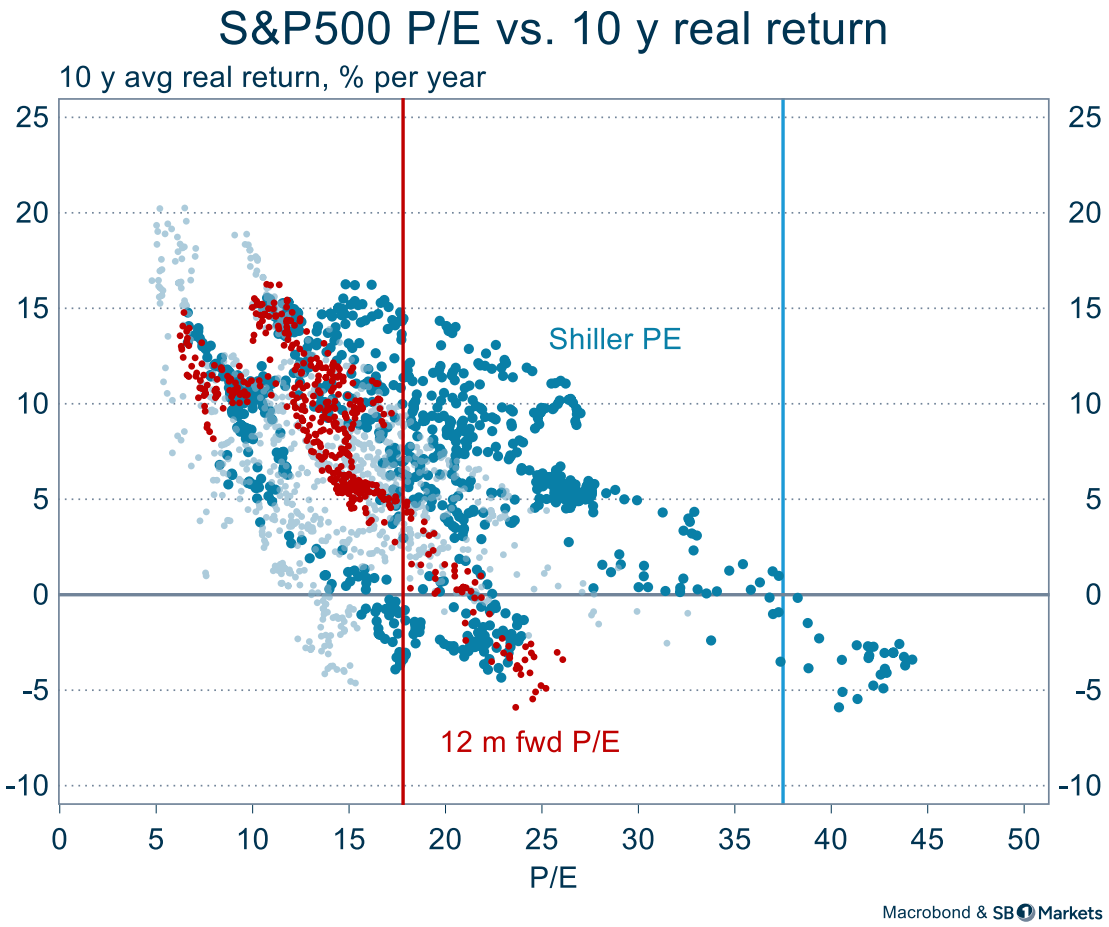


S&P 500 P/E vs US 10 y real interest rate



Long-term returns are generally better when you buy cheap ☺

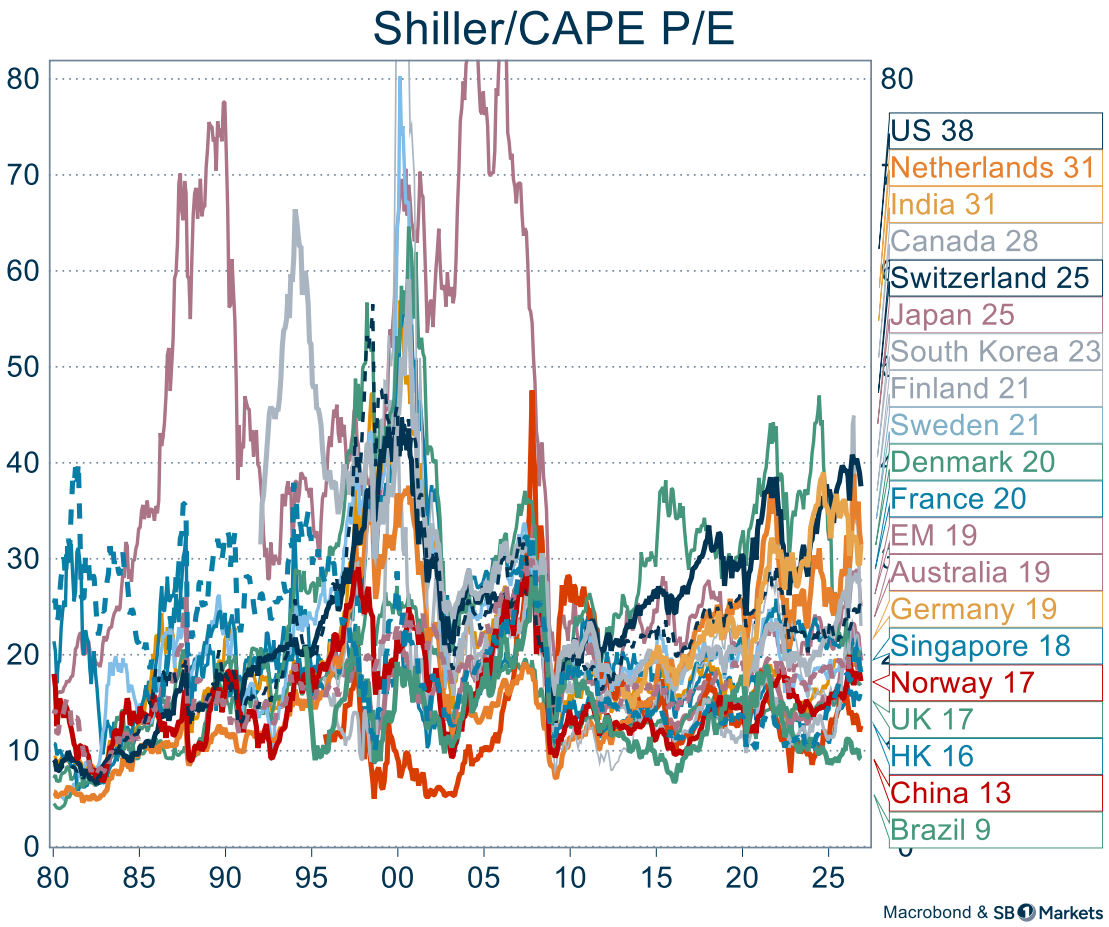


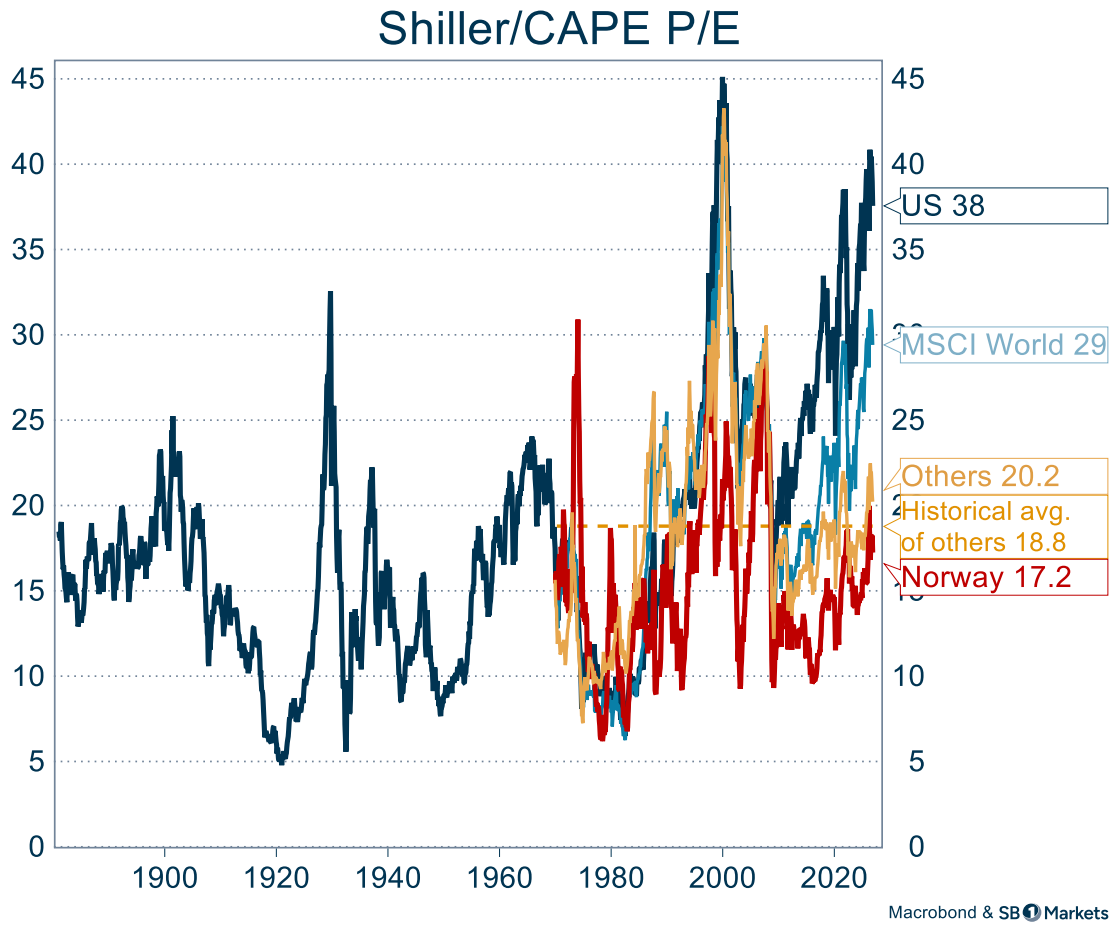


Dark blue dots: Shiller (CAPE) returns from 1953/1960. The light blue dots: returns from 1874/1881.
The 12m fwd. red dots are returns from 1983/1990 (and no data before that).

US Shiller CAPE at its 2nd highest level ever, and few markets are cheap

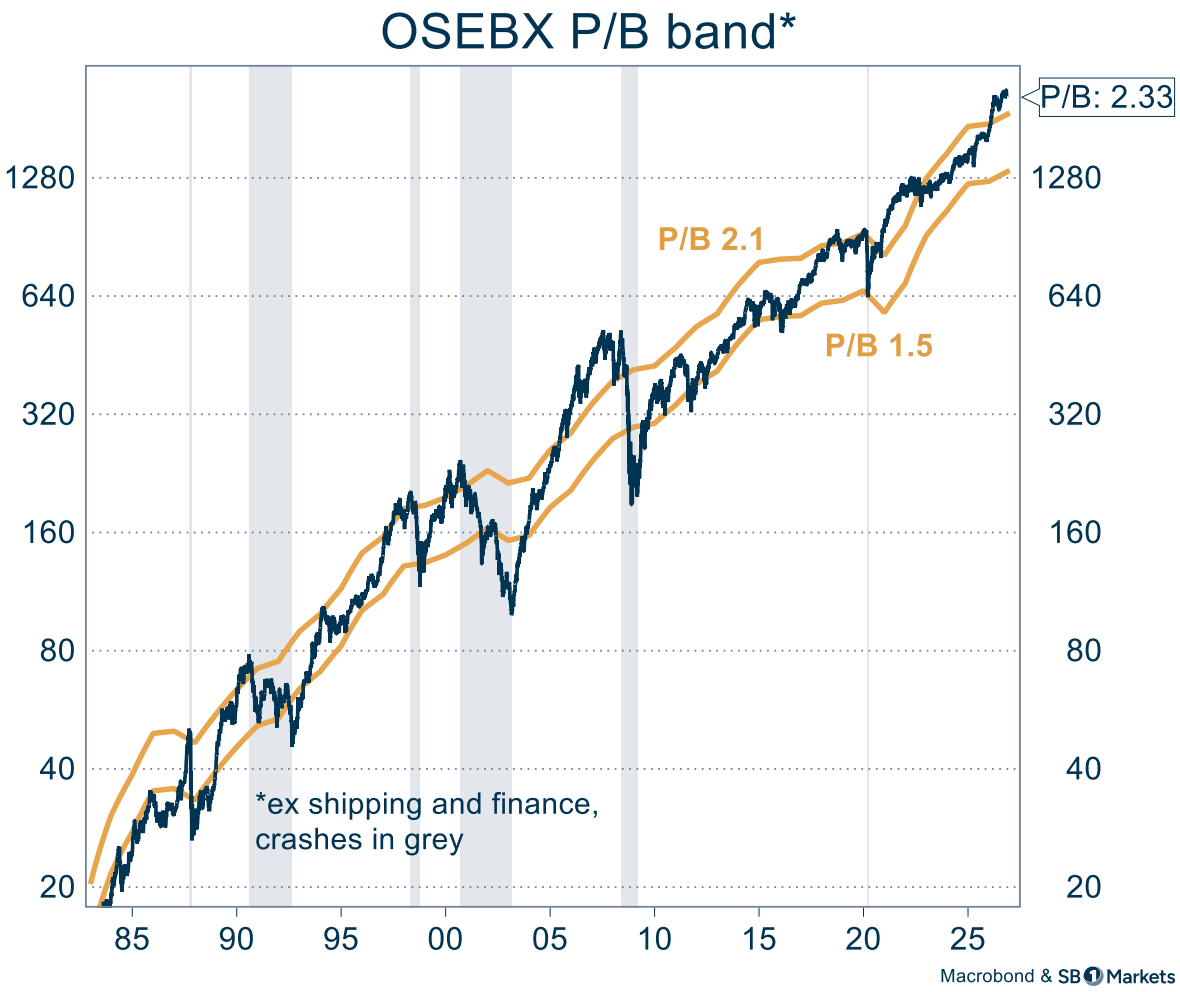
Other markets are on average 7% above an average multiple, at 20.2 vs. 18.8. The OSE sits at 17.2, which is above average (from 1970) but not by that much.

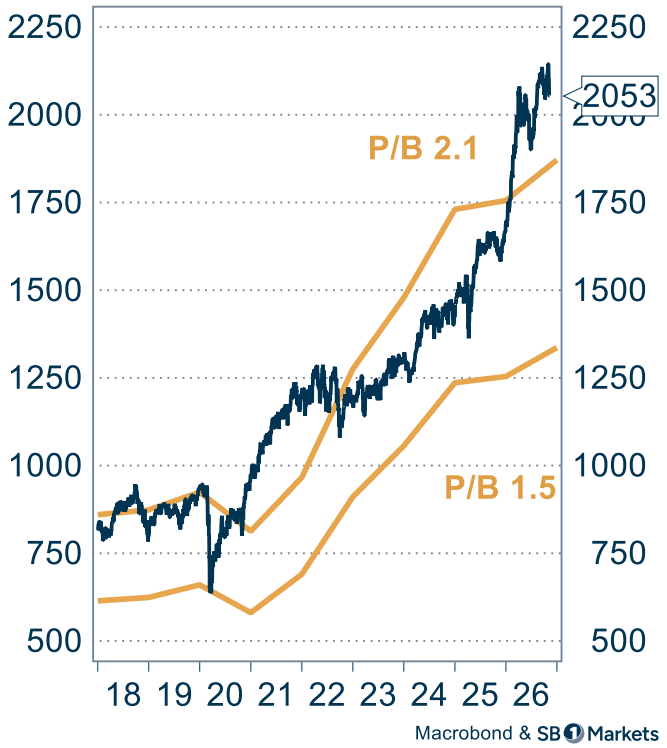




OSE fell 4.4% last week, along with energy prices and probably growth expectations

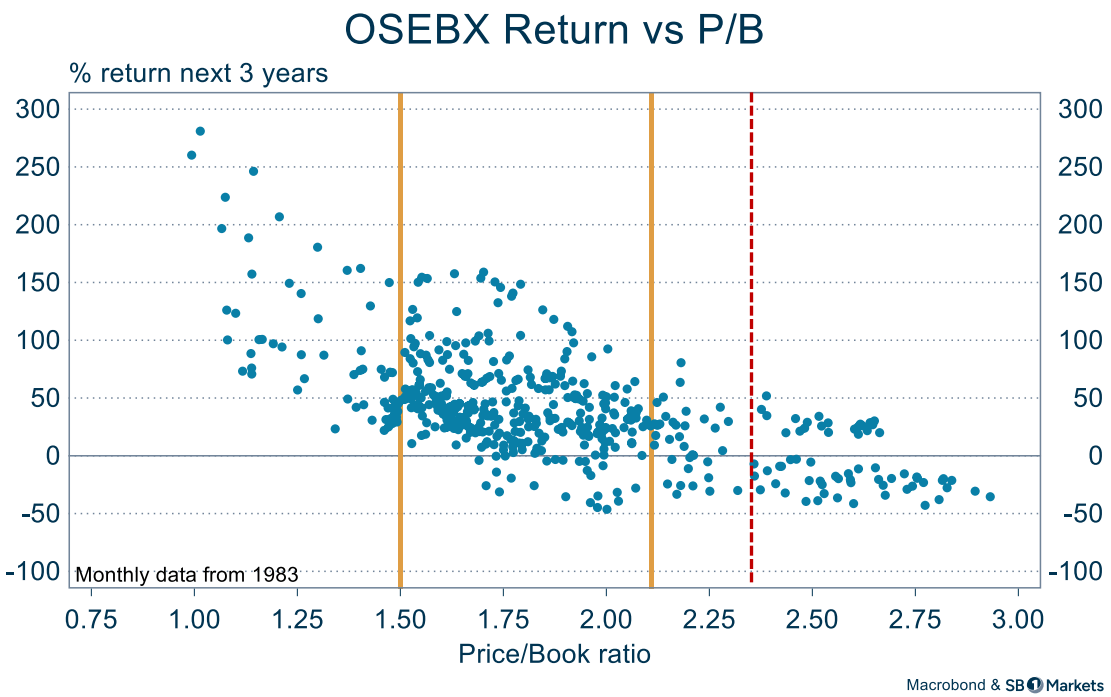
The price-to-book ratio fell to 2.33, still a rather high level.

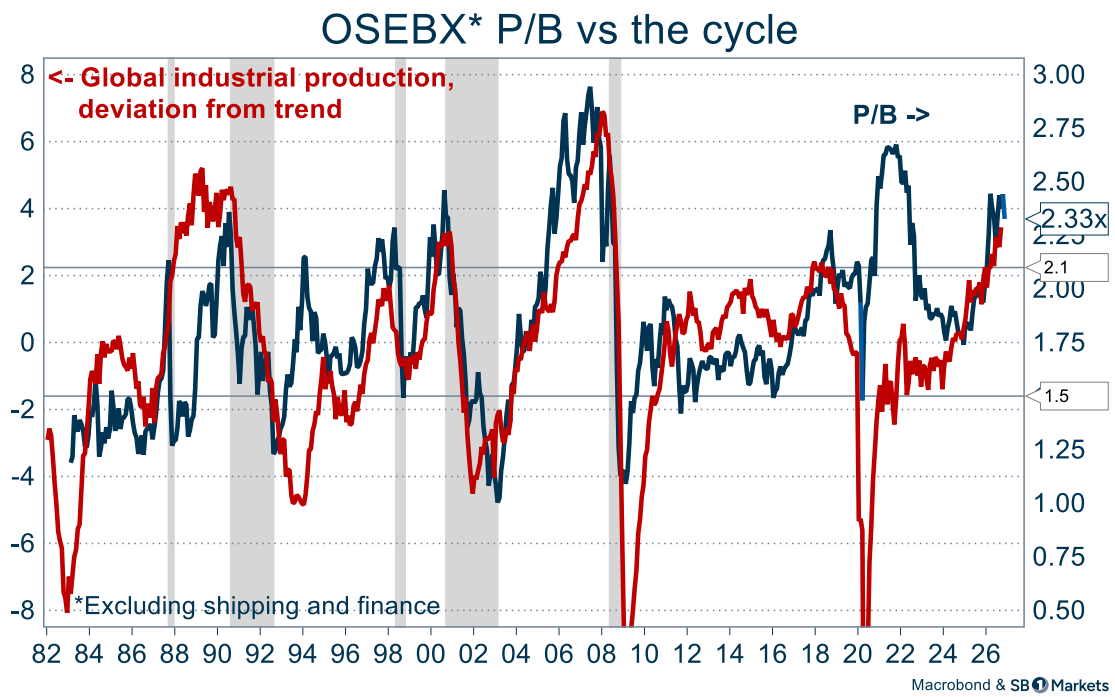




OSE 3-year expected return from the current P/B ratio: normally not very attractive

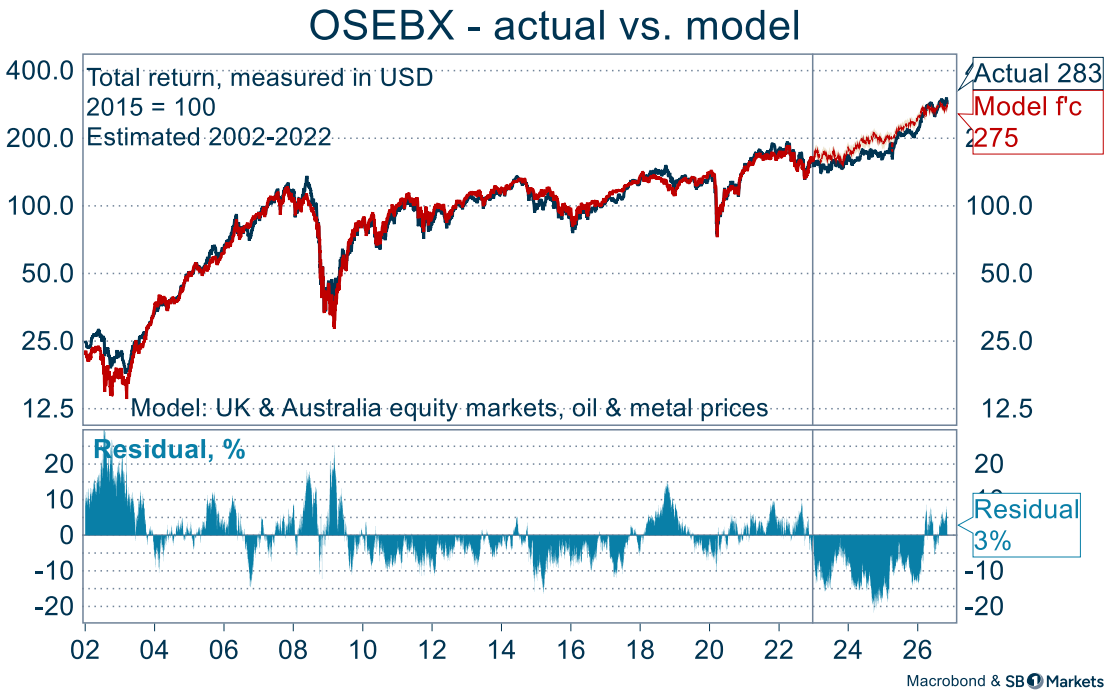
BTW, we know what drives the pricing cycles most of the time: the global economic cycle.



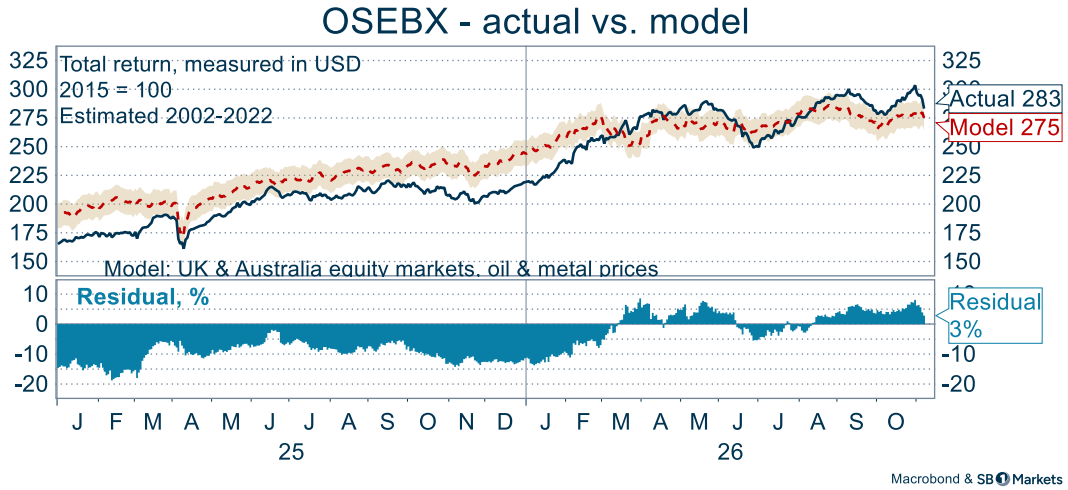


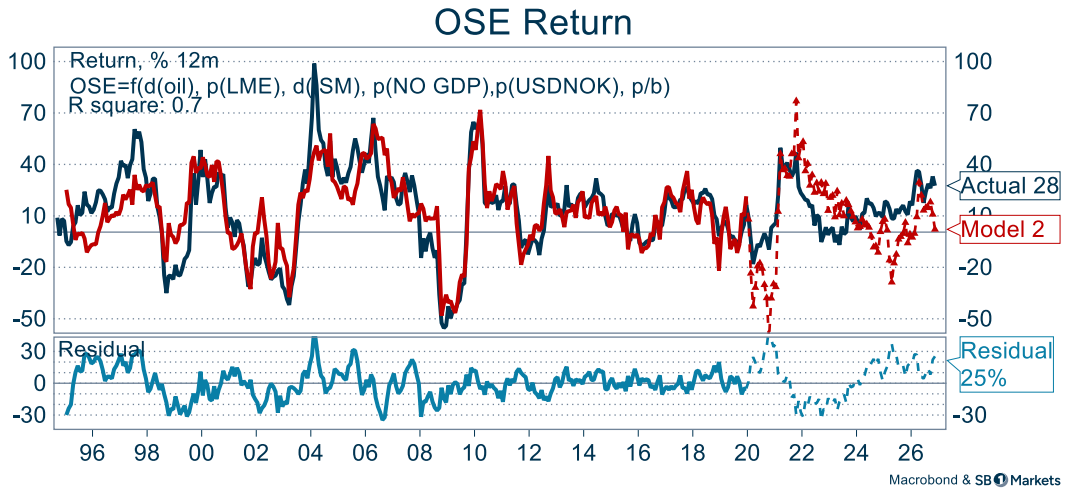
OSE vs. our peer-based level model: 3% above

The OSE is 3% above a model estimate based on FTSE, ASX, oil and metal prices, just as in previous weeks. (Gas prices are not included in the model.) Measured over the past 12 months, the OSE is up 28%, while our y/y 'cycle' model suggests just 2%, an unusually wide gap.

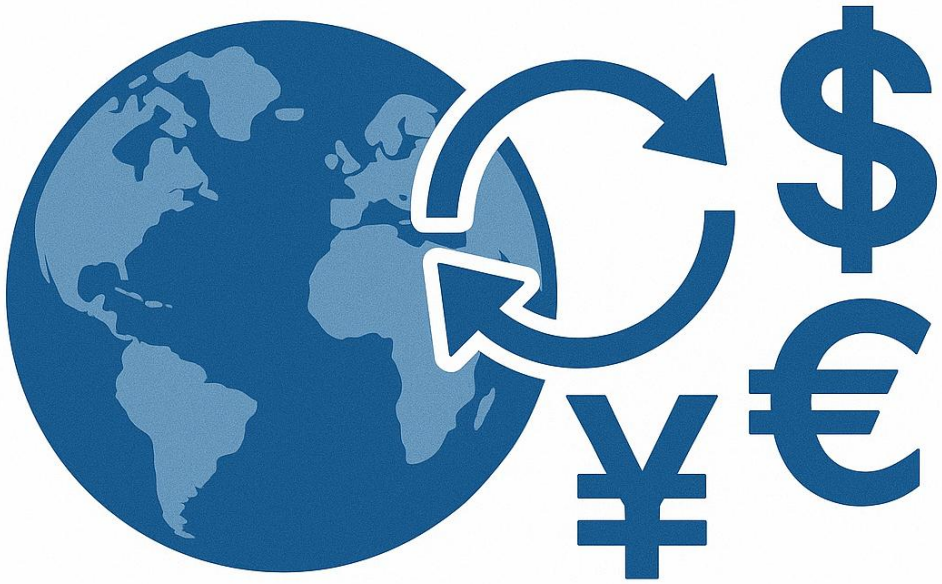


- The OSE y/y 'cycle' model: Oil and metal prices, US manufacturing ISM, Norwegian Mainland GDP growth, USDNOK and P/B (a year ago). (Gas prices are not included.)





SB 1 Markets



4.4 FX markets

*Picture source: ChatGPT

NOK the loser last week, down 2.1%. AUD, CAD also depreciated. SEK too.

NOK still the winner last month (ex. RUB), and so far in 2026. NOK has been far too cheap vs. long-term models. ***Now, gaps have closed or changed sign. Thus, the downside NOK risk has increased.*** Both EUR and USD appreciated, trade-weighted (but EUR depreciated slightly vs. USD).

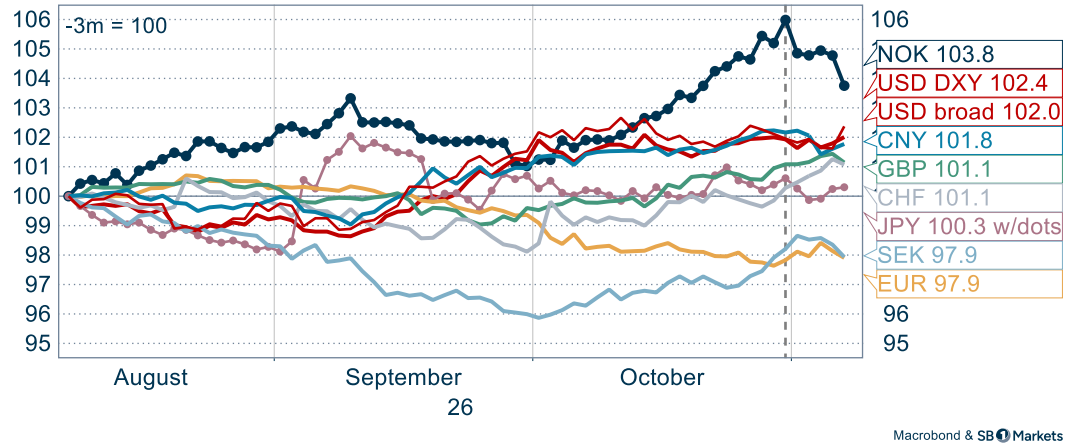
EURUSD



NOK vs EUR & USD



Currency indices



FX markets

f/x broad indices + 4 f/x crosses	% change	Last week	Last month	YTD	Last year
MXN		1.2	-3.5	-4	-1
CHF		0.8	2.1	0	0
USD DXY		0.4	0.5	4	3
EUR		0.1	-0.8	-3	-3
USD broad		0.1	0.8	2	0
GBP		0.1	1.2	2	4
RUB		0.0	5.4	-2	0
EURUSD		-0.2	-1.0	-5	-3
CNY		-0.2	0.9	7	8
SEK		-0.3	1.6	-4	-2
JPY		-0.4	0.2	-1	-4
CAD		-1.0	1.4	-2	0
KRW		-1.6	-1.3	7	6
AUD		-1.8	-1.2	3	5
NOKSEK		-2.0	0.2	14	12
NOK index		-2.1	2.0	11	10
NOKEUR		-2.3	2.3	12	12
NOKUSD		-2.5	1.3	7	8

-4 -3 -2 -1 0 1 2 3 4 5 6

Last week ● Last month

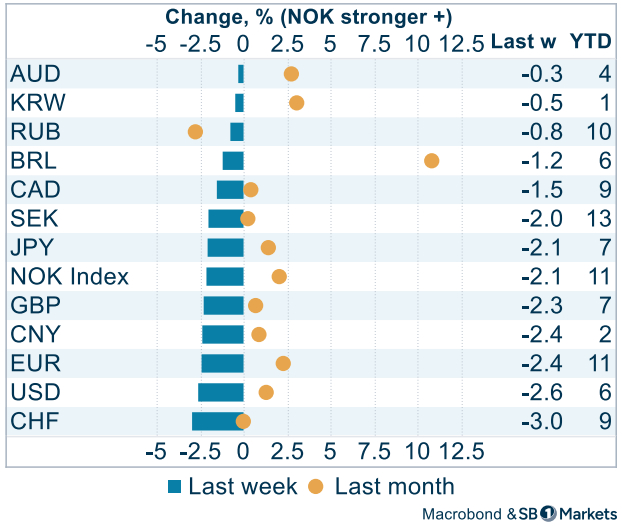
SB1 Markets/BIS/Central Banks/Macrobond SB1 Markets

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

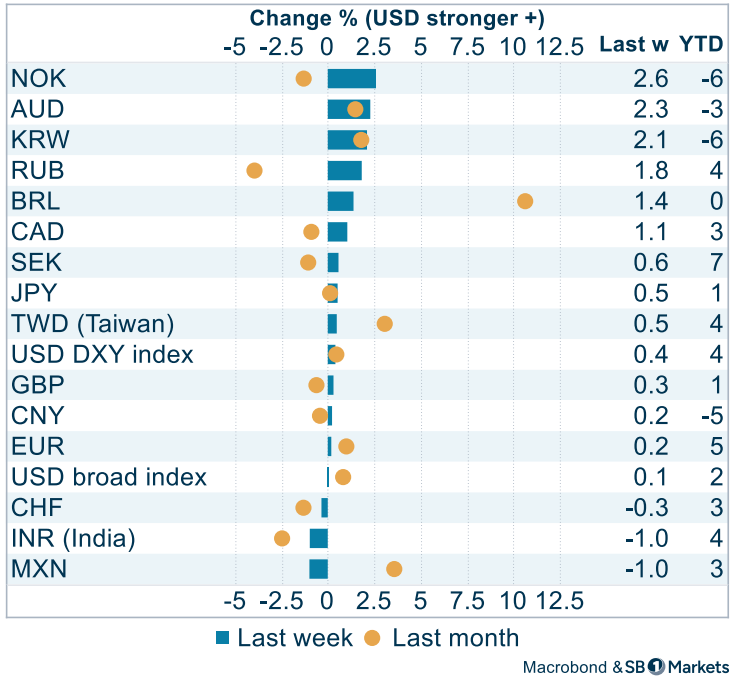
FX: NOK depreciated vs. all. The USD mostly stronger

The trade-weighted NOK has appreciated 11% so far in 2026, 13% vs. SEK, 11% vs. EUR and 9% vs. CHF (which is not that common) and 6% vs. USD. The USD indices are up 2% (the broad index) to 4% (DXY, vs. rich countries) YTD.

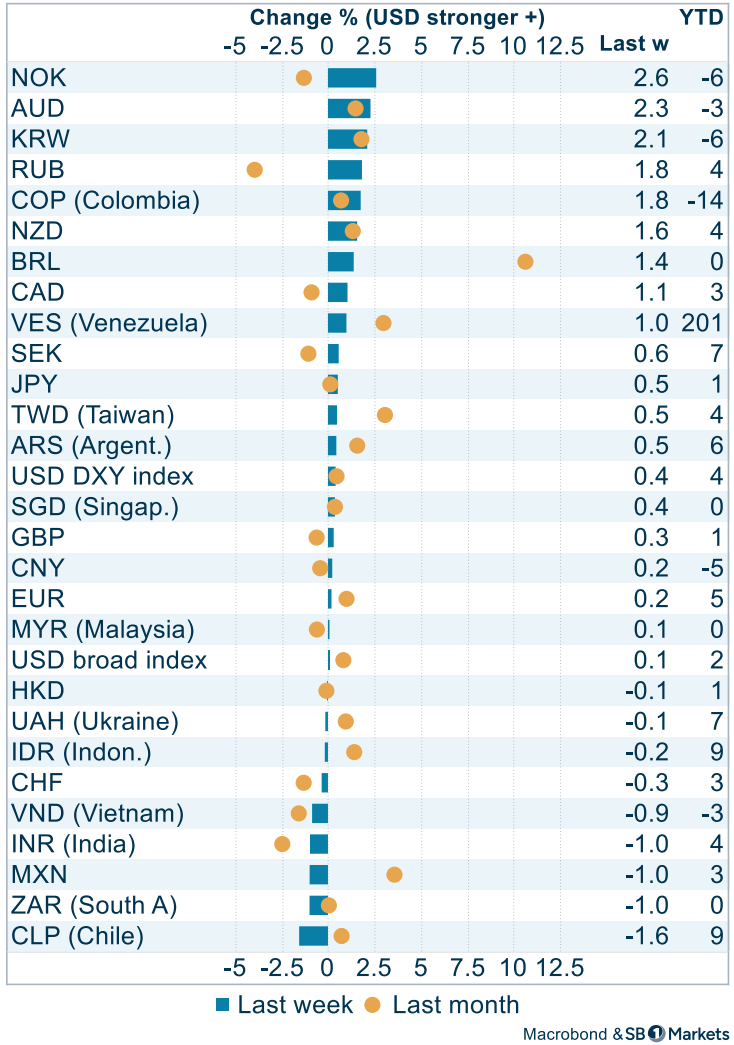
NOK vs. the others



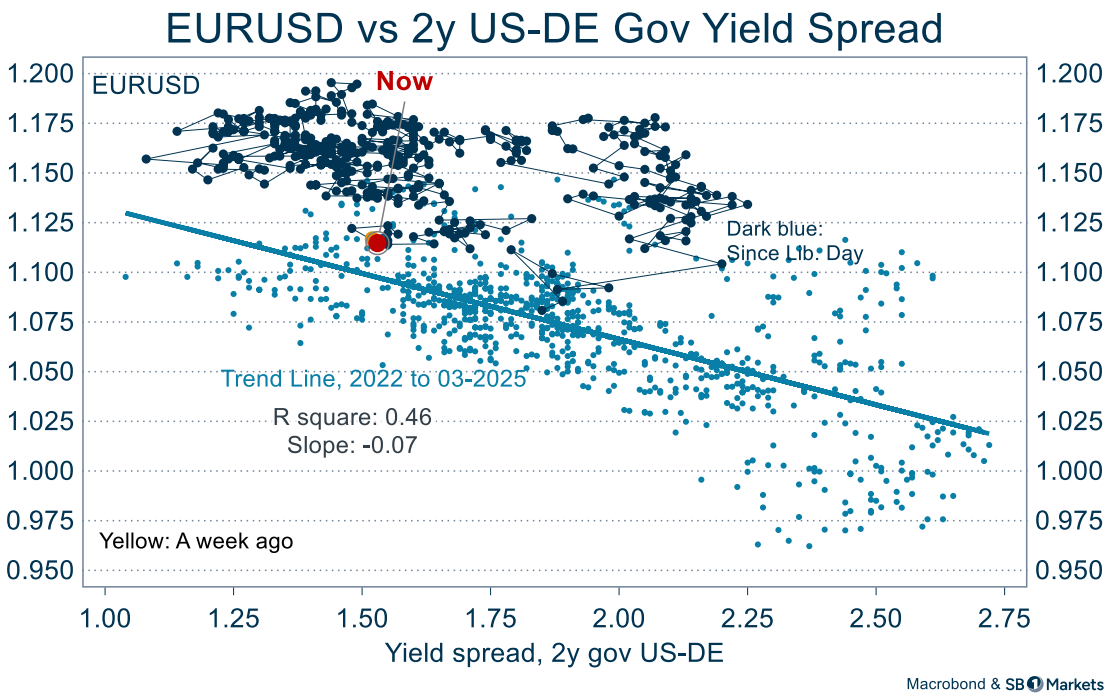
USD vs. the 'Majors'

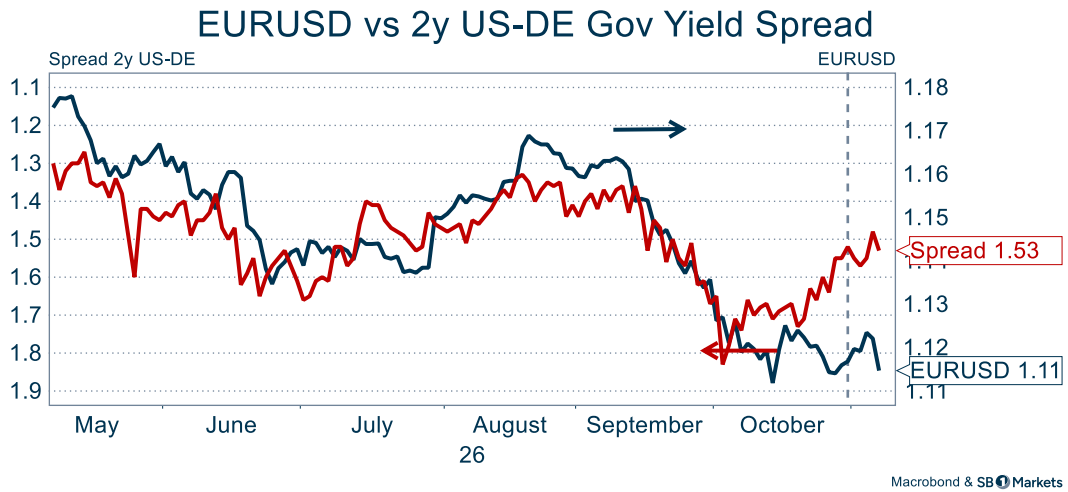


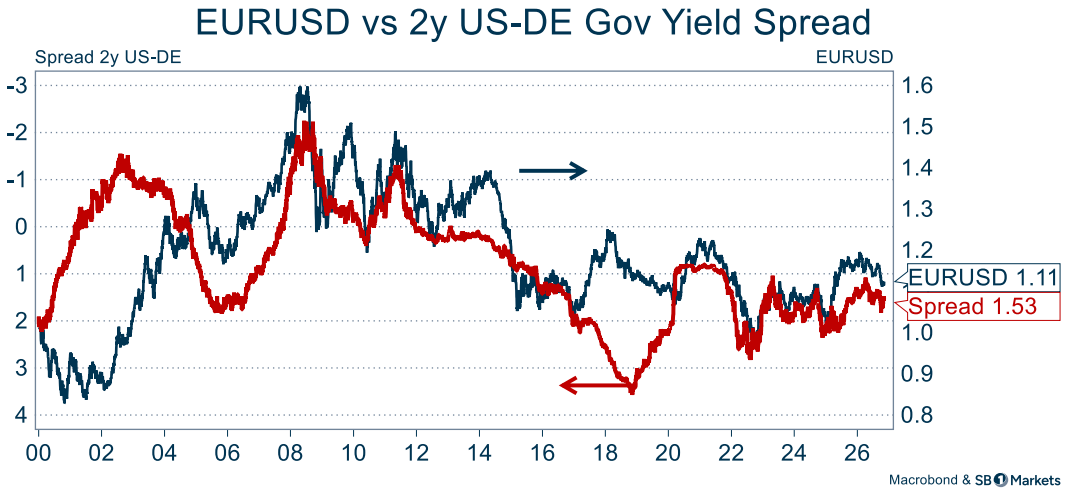
USD vs. 'all'



EUR depreciated 0.2% vs. the USD – and the 2y yield differential was close to unchanged



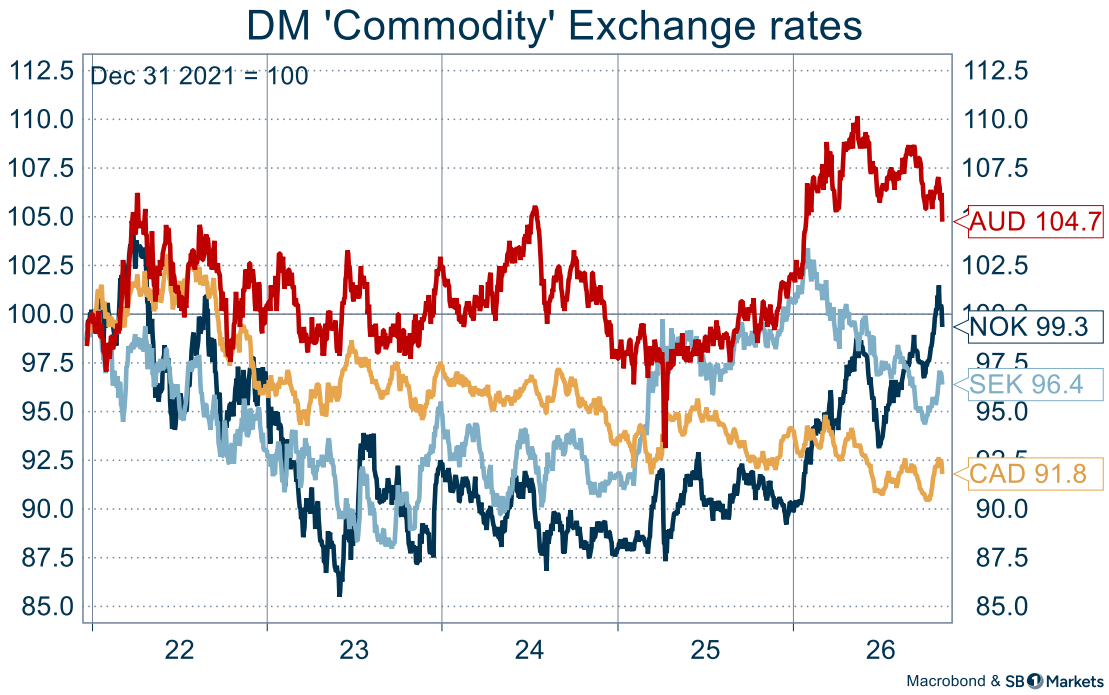


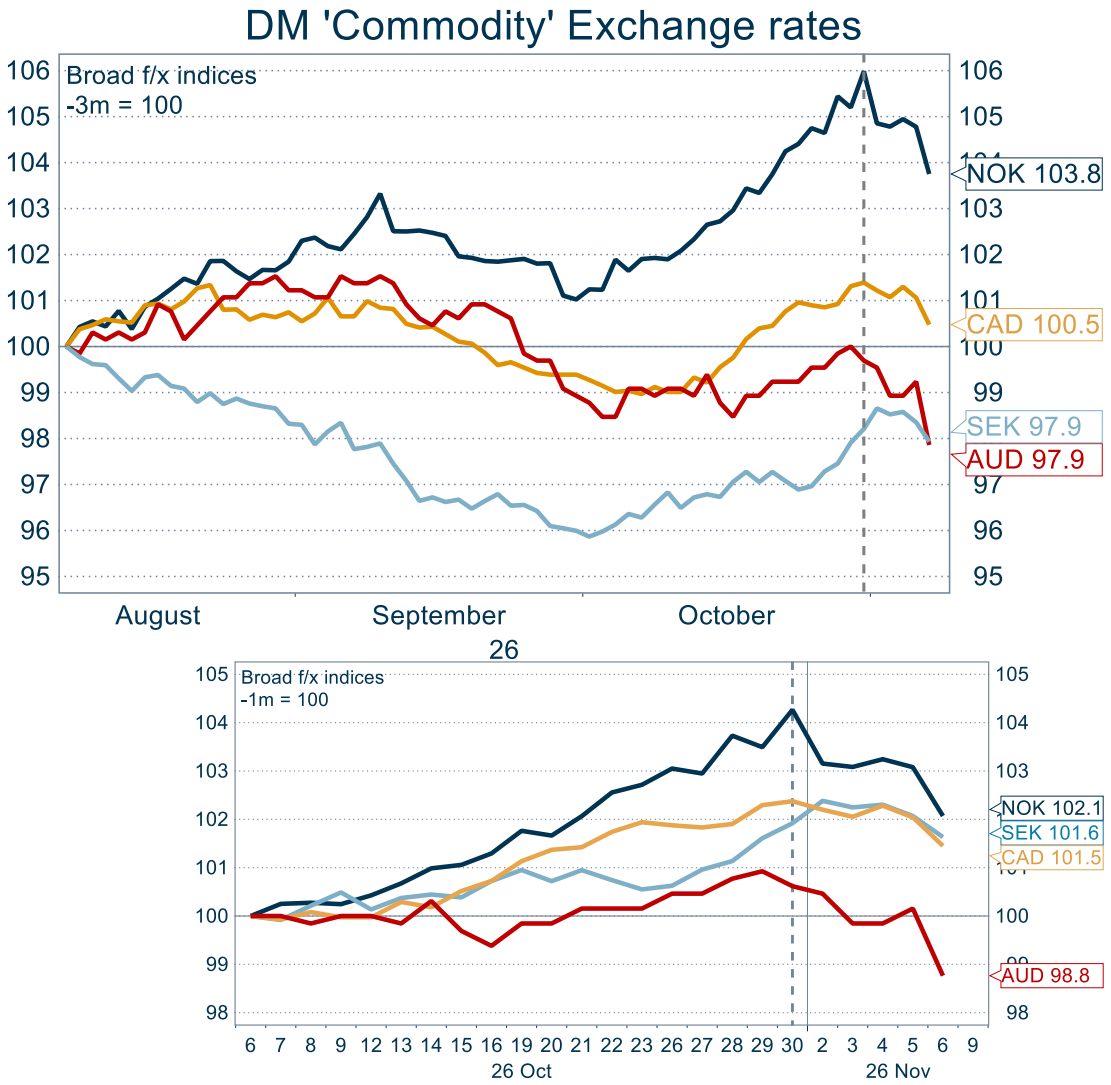


- The 'model', estimated over the previous 3 years of data:
  - 1 pp narrowing of the 2y gov. spread: a 7% EURUSD appreciation.
    - Some 'carry' impact.
    - There may be a reason for changes in the spread, such as changes in the relative growth outlook.
- Over time, the correlation is not tight at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

‘Commodity’ FX: NOK the loser last week – but still the winner last month and in the past 3 months

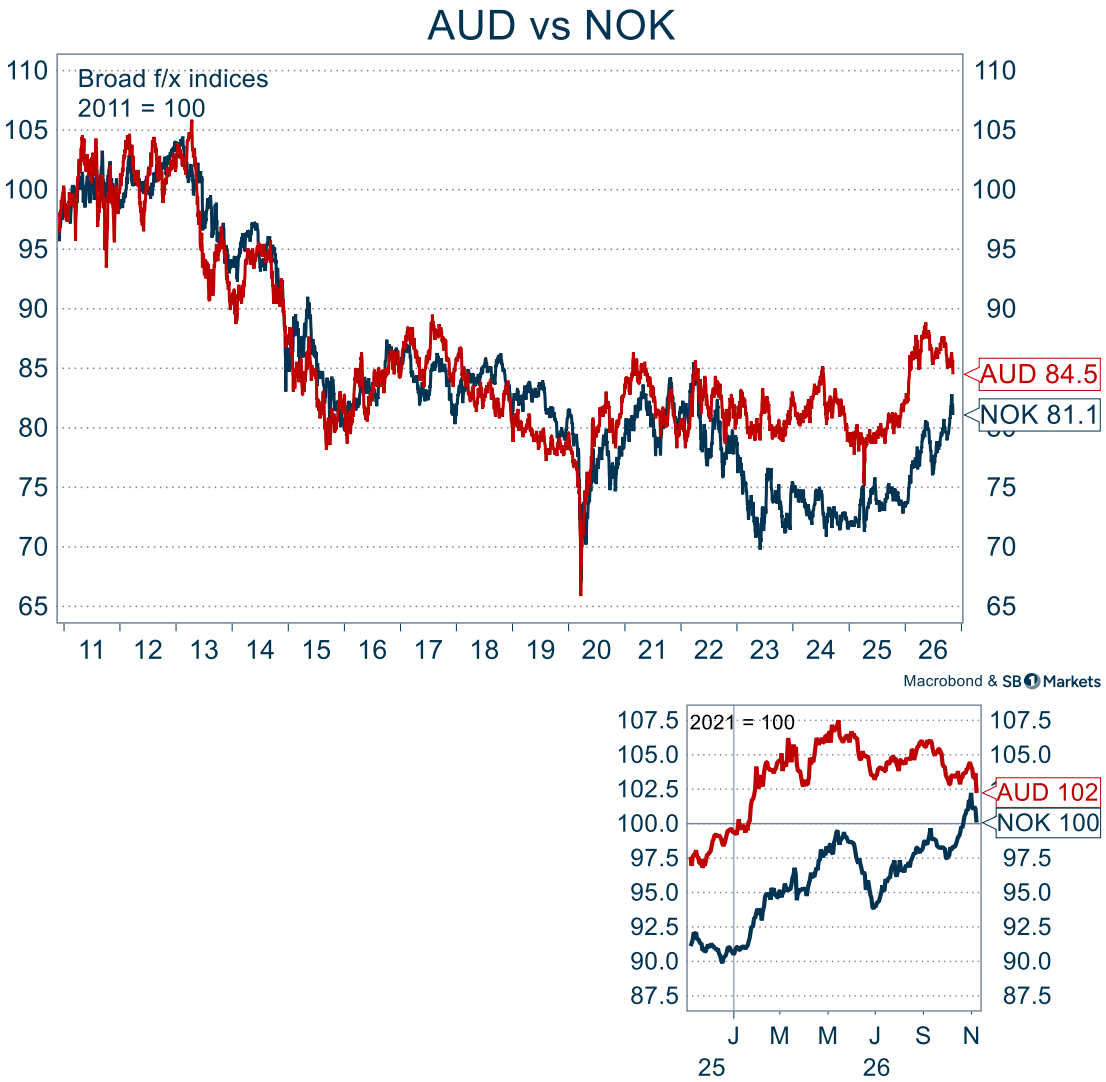
SEK has been the loser so far in 2026 but has recovered slightly recently. Together with AUD and CAD, SEK has depreciated since the spring (while the NOK has appreciated, together with oil and European gas prices).

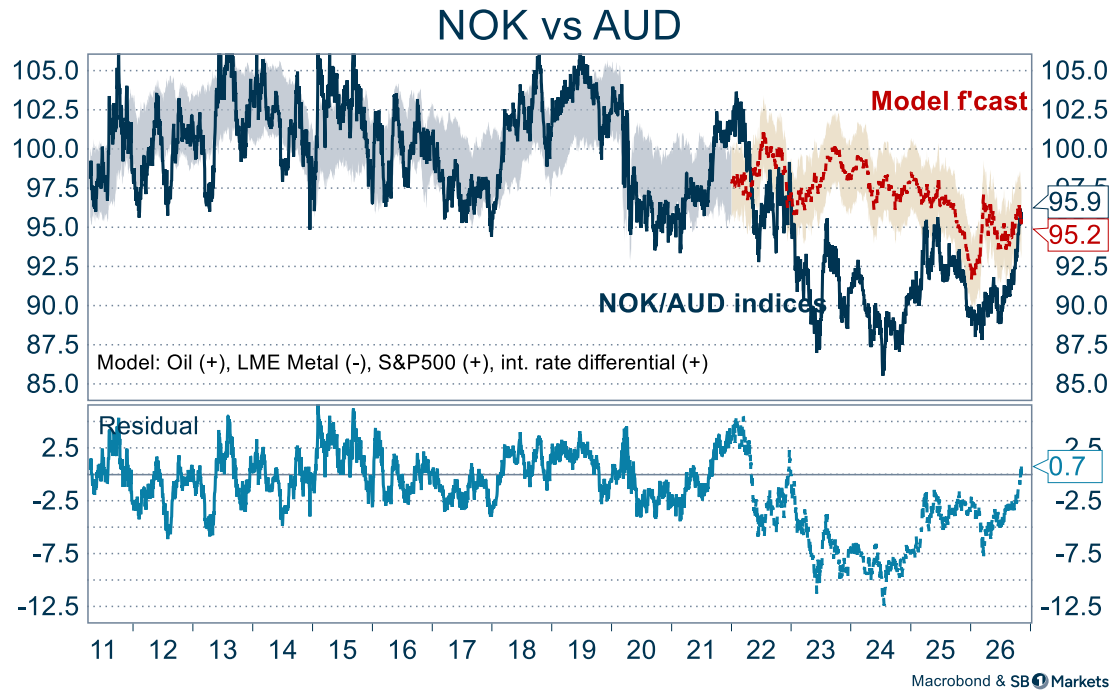




The NOK-AUD gap is closed vs. our model estimate – it has even changed sign!

… for the first time since Dec-22.

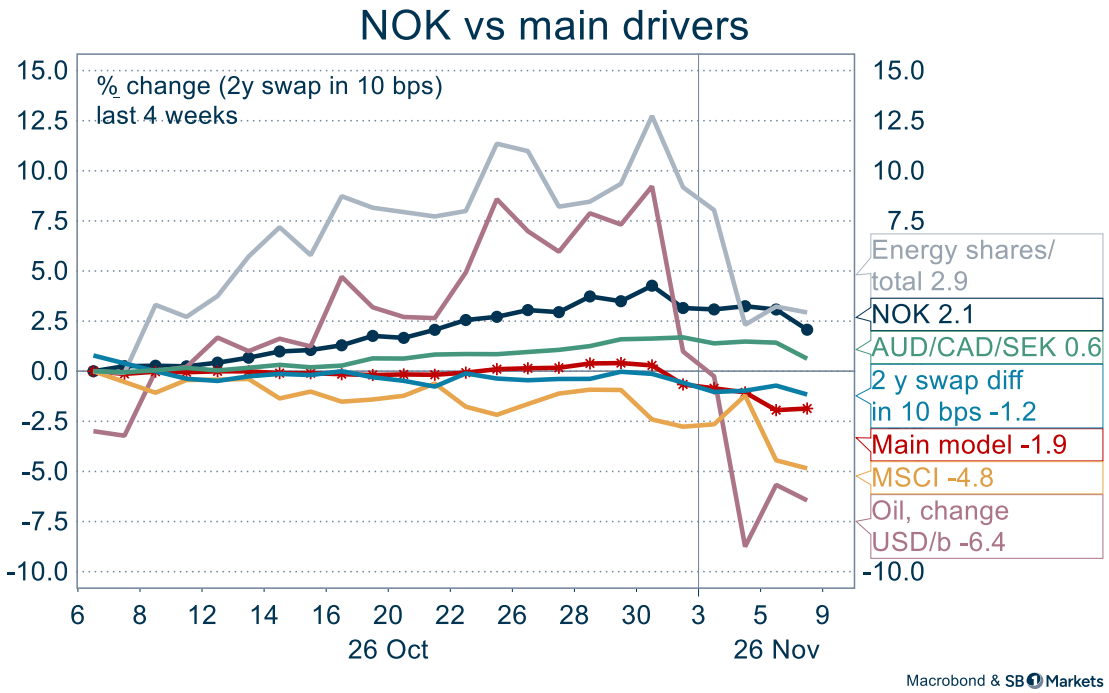


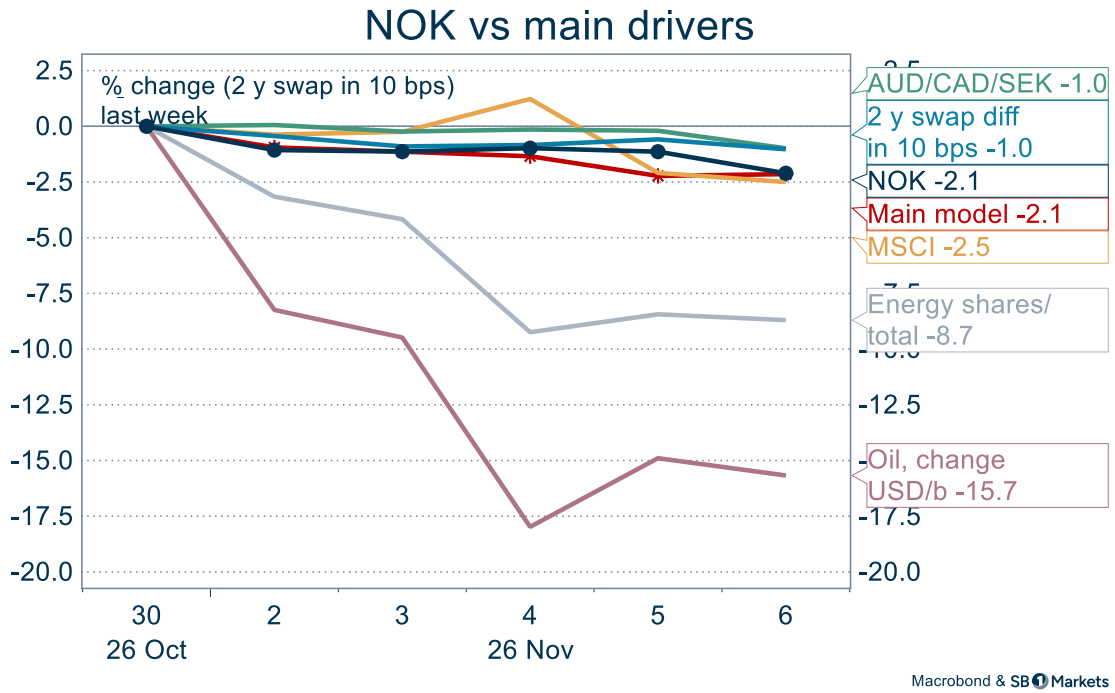


- NOK and AUD, measured by the respective FX indices, were extremely tightly correlated until early 2023, before the NOK dropped 12%, 'by itself'.
- Our NOK/AUD index model explains most of the small differences between the two FX indices. Normally, the NOK index strengthens relative to the AUD index when the oil price rises relative to the LME metal index and the S&P 500 index climbs. The interest rate differentials also contribute somewhat.

NOK 2.1% *weaker* last week, in line with our main model estimate. Oil & the rate diff. down.

Last month: NOK has *appreciated* 2.1%, the model suggested a 1.9% depreciation (!) mostly due to the decline in the oil price and a lower 2y swap rate differential.

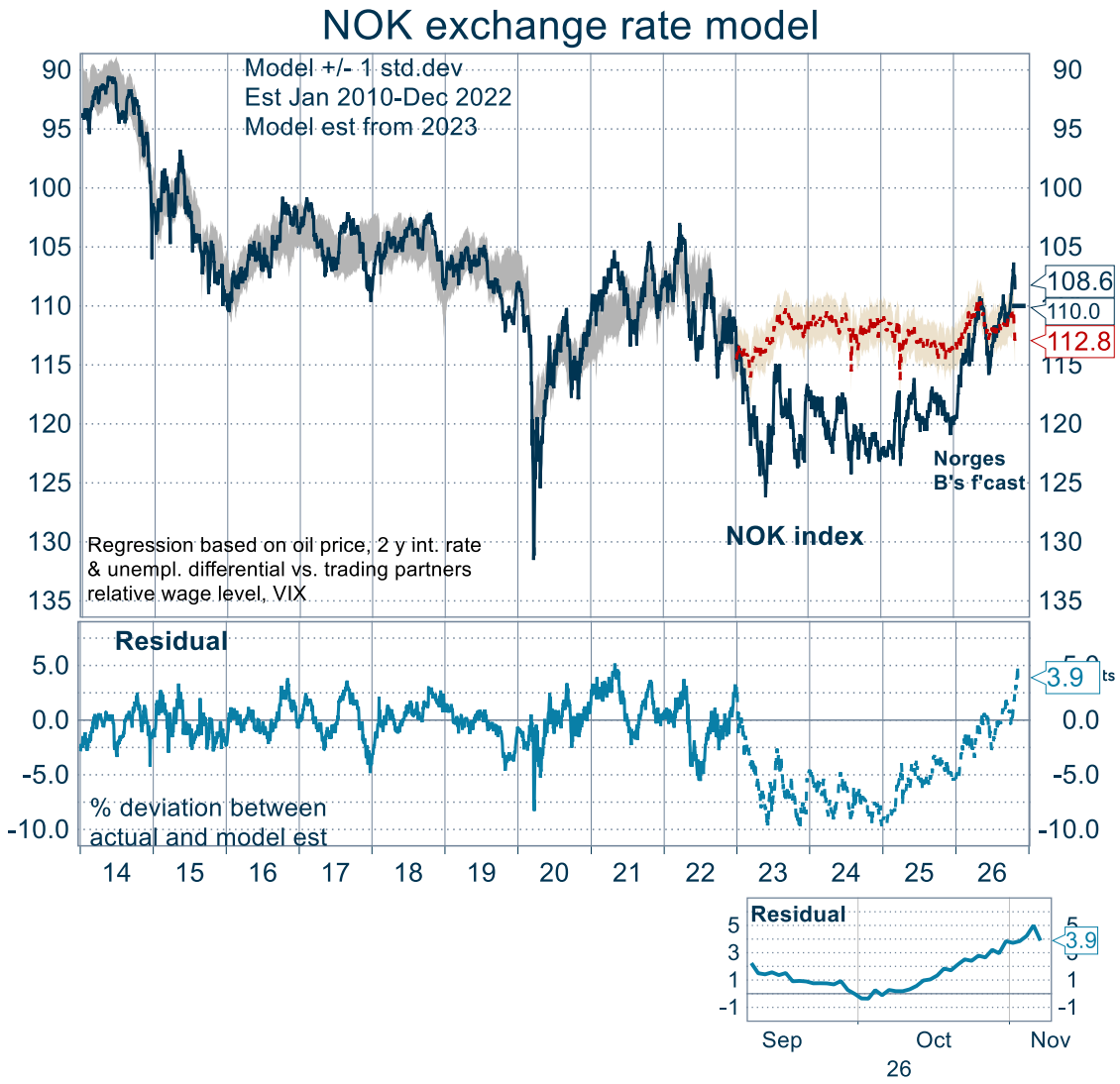


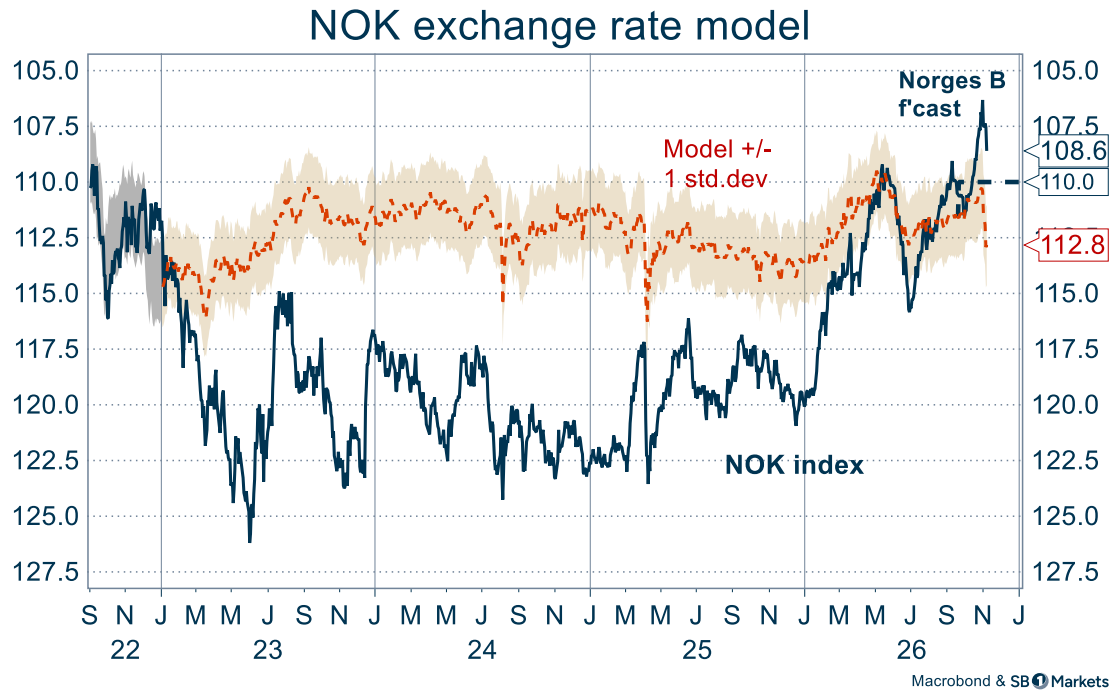


The NOK index: I44, adjusted for end-of-day FX rates relative to NOK. AUD, SEK and CAD are represented by their respective trade-weighted currency indices. The oil price: average spot–3m (rolling positions).

NOK still 3.9% above our model forecast – and more than 1% above NoBa's path

The 1% gap lowers NoBa's rate path by some 15 bp (over time). NOK has appreciated 13% more than our model suggests since early 2025, following the 'unexplained' depreciation in H1-2023. Thus, NOK *may be back on track.*

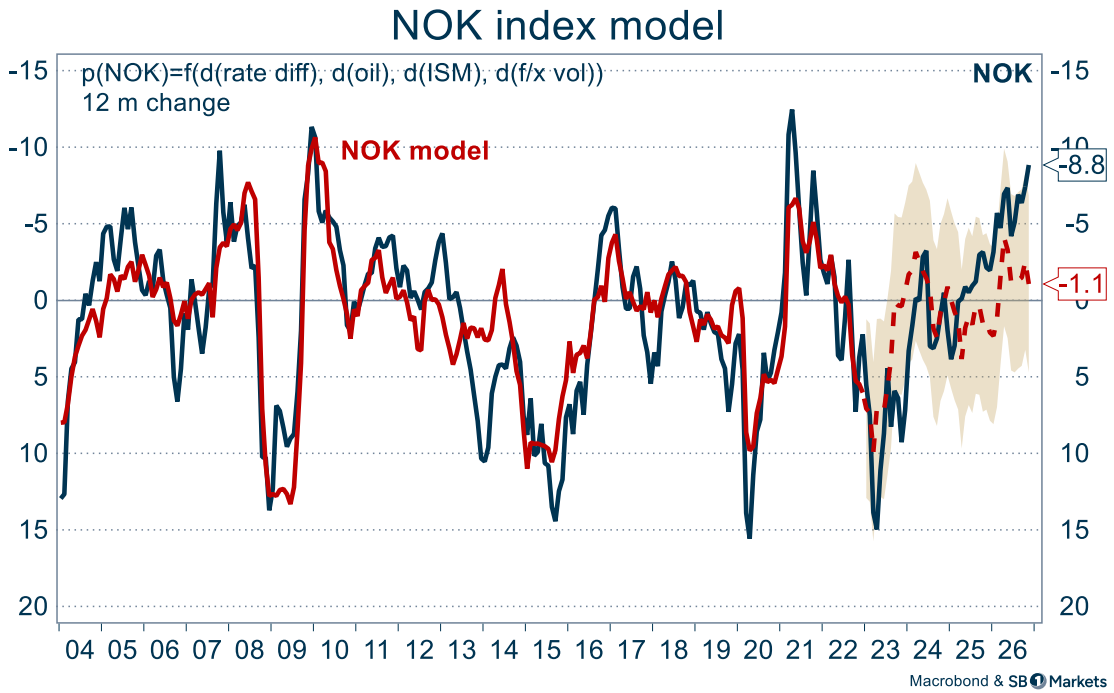


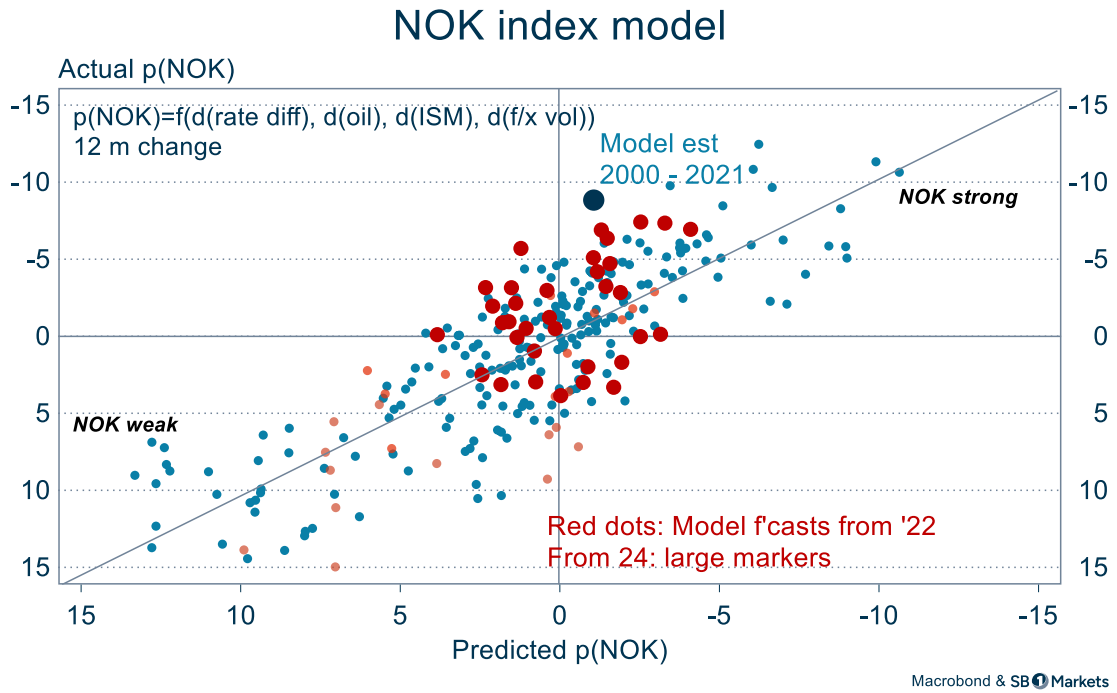


The NOK index: I44, adjusted for end-of-day FX rates relative to NOK.
The oil price in the model: average spot–3m (rolling positions), US CPI-adjusted.

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

Our 'cycle' model suggests a 1.1% NOK appreciation over the past 12 months, while NOK has climbed 8.8%. A higher oil price and a higher rate differential explain most of the estimated strengthening – but most of the appreciation *is due to factors other than the normal 'drivers'*.

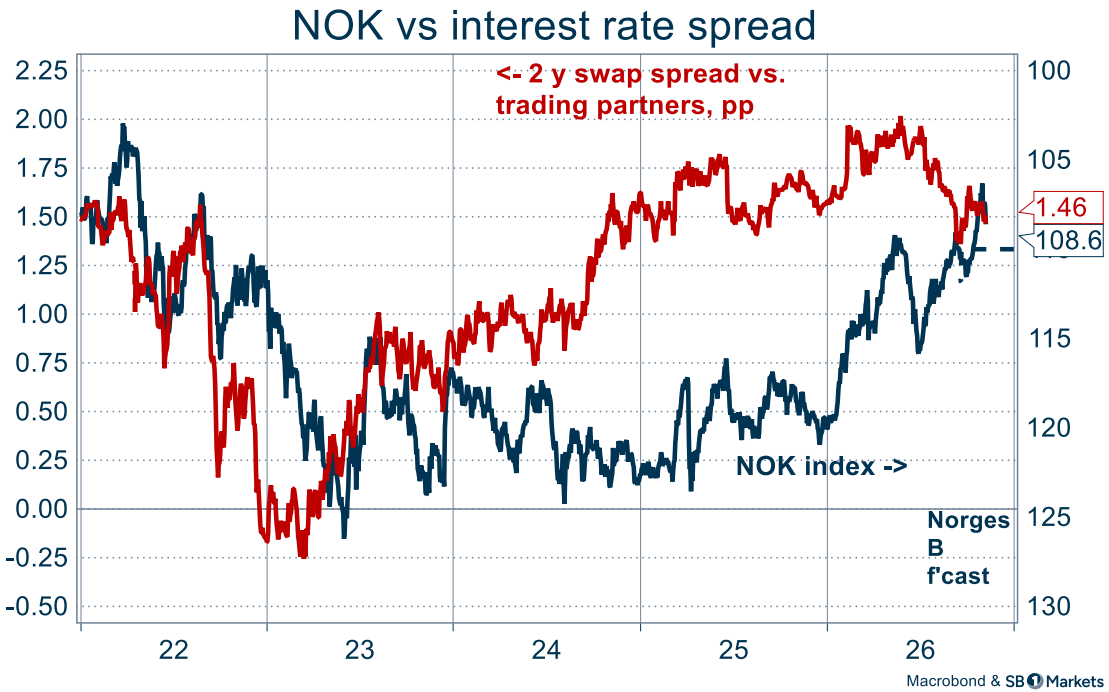


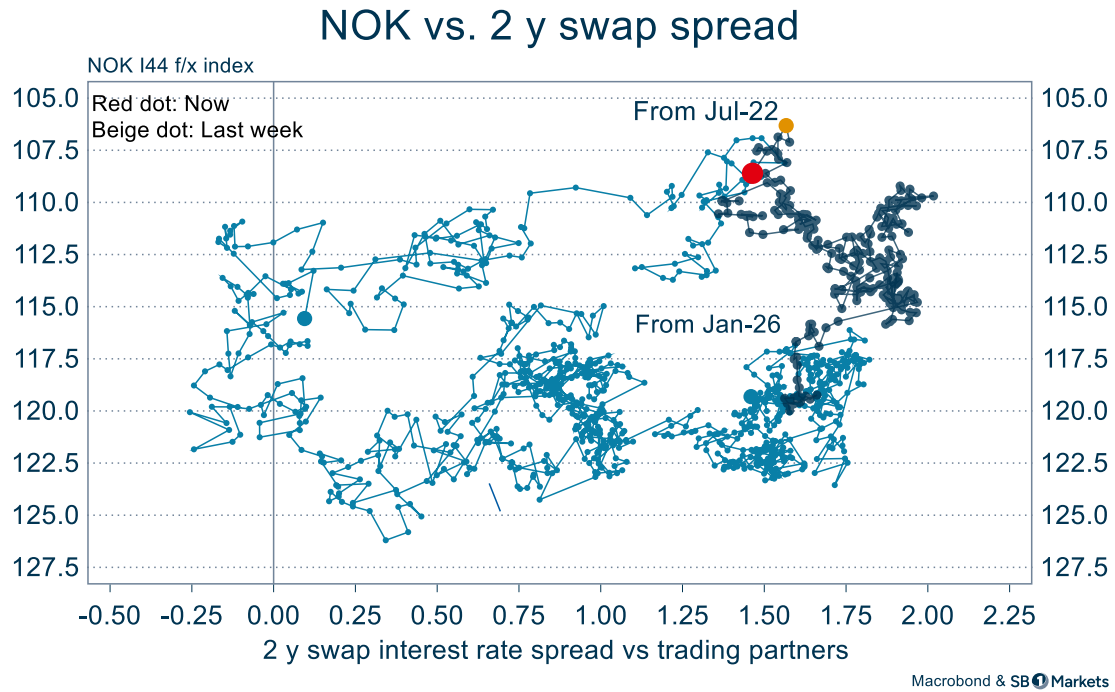


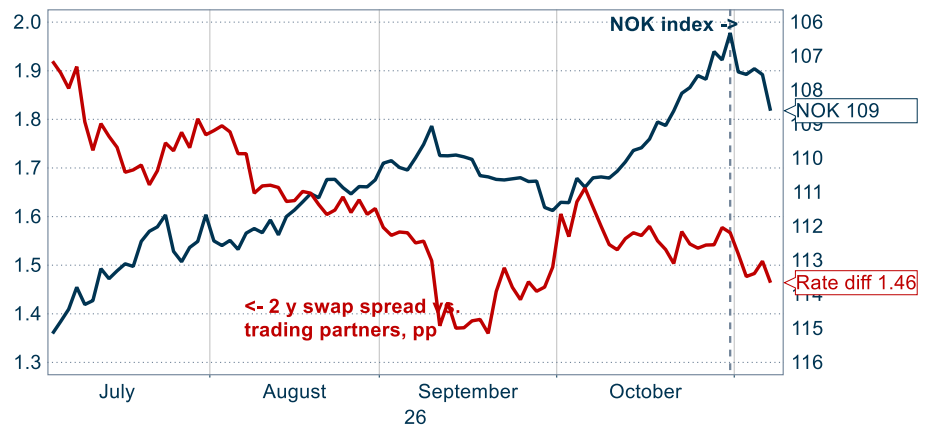
- … which may be seen as a 'real' repricing of NOK, reversing the 'unexplained' NOK depreciation in H1-2023.
- The model: Most of the NOK's ups and downs (if not necessarily the level at all times) are well explained by a few 'macro' variables: the 2y rate differential relative to trading partners, the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

The rate differential narrowed, and the NOK depreciated (as it 'should')

However, from mid-June, the correlation between the rate differential and the NOK has been mostly 'wrong'. The correlation is anyway not tight, even if the sign is 'correct' over time (like last week).

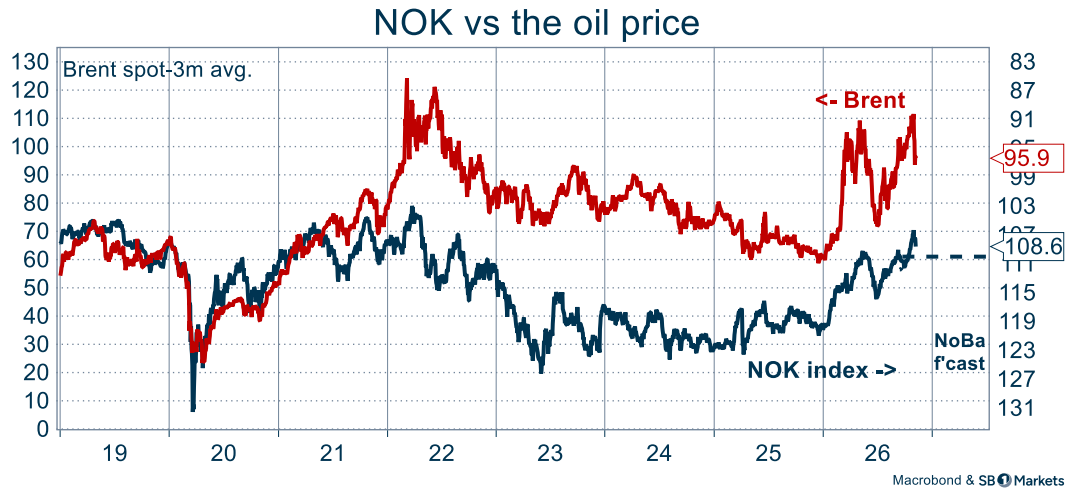


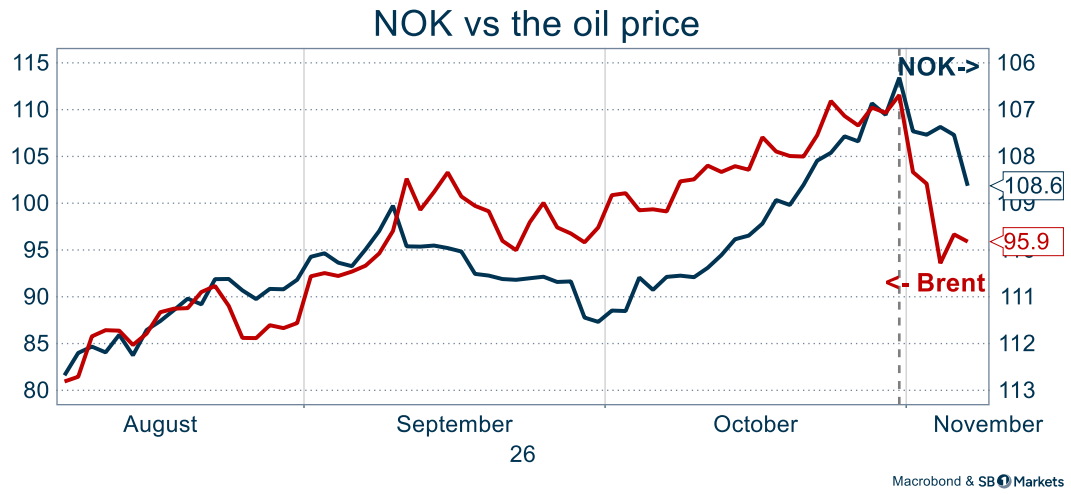


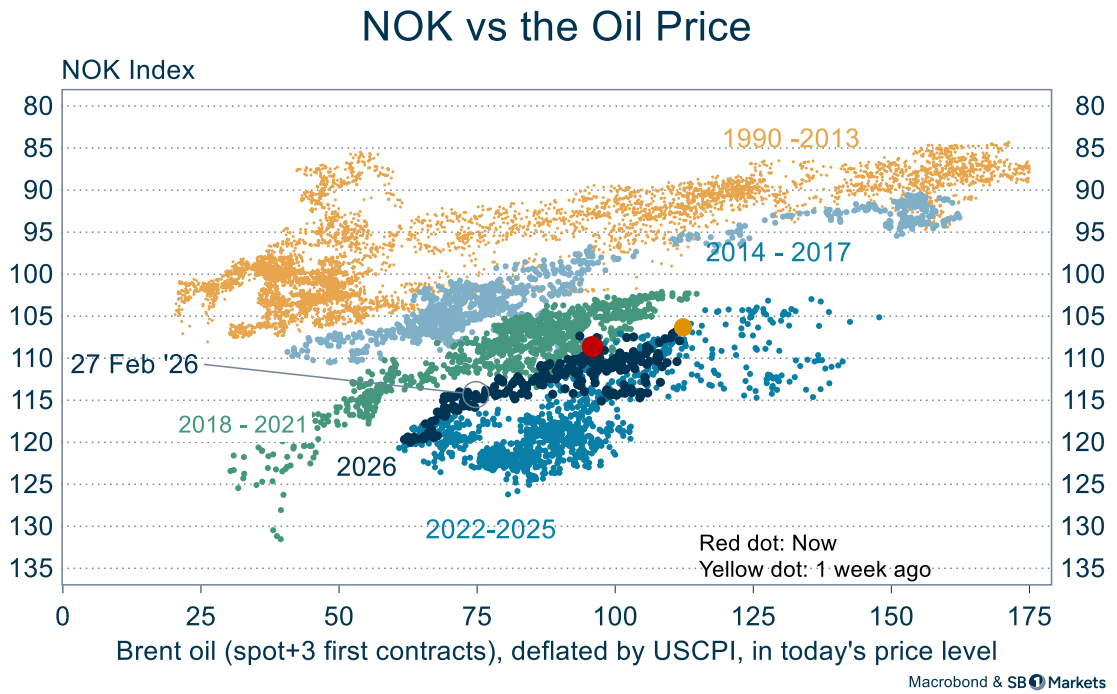


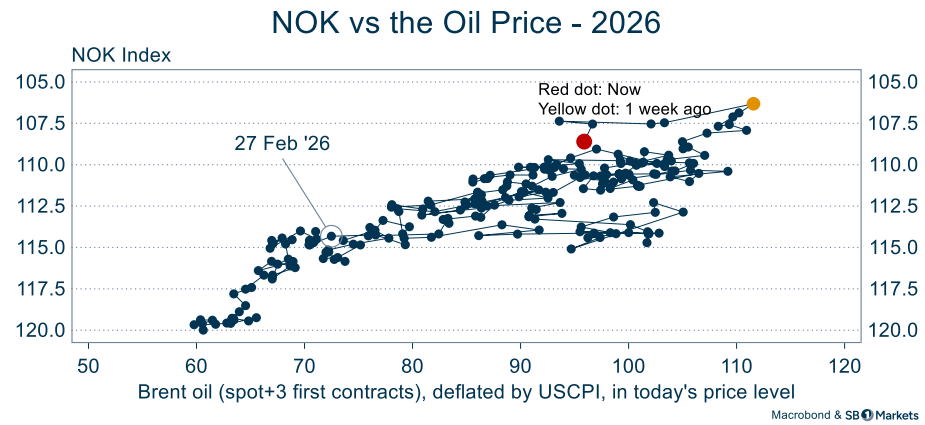
NOK followed oil (and gas) prices down – if anything too little (but the rate diff. also fell)

The NOK is on the strong side vs. the oil price, compared with the relationship in recent years (from 2022, the darker blue and black dots in the upper-right chart).









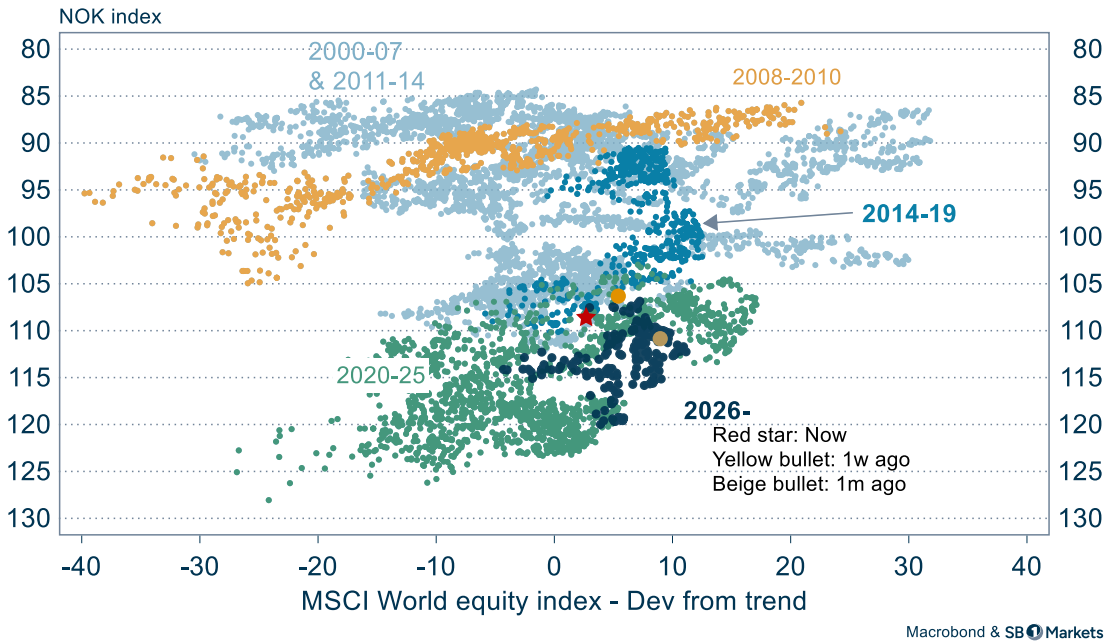
NOK uncorrelated with global equity markets in 2026 – but last week both fell

Normally, a stronger stock market has been supportive of the NOK – and vice versa. The pattern has not been that evident in 2026. The culprit: oil and gas prices, no doubt. However, last week both oil and stock markets turned south.

NOK Index vs. global equities

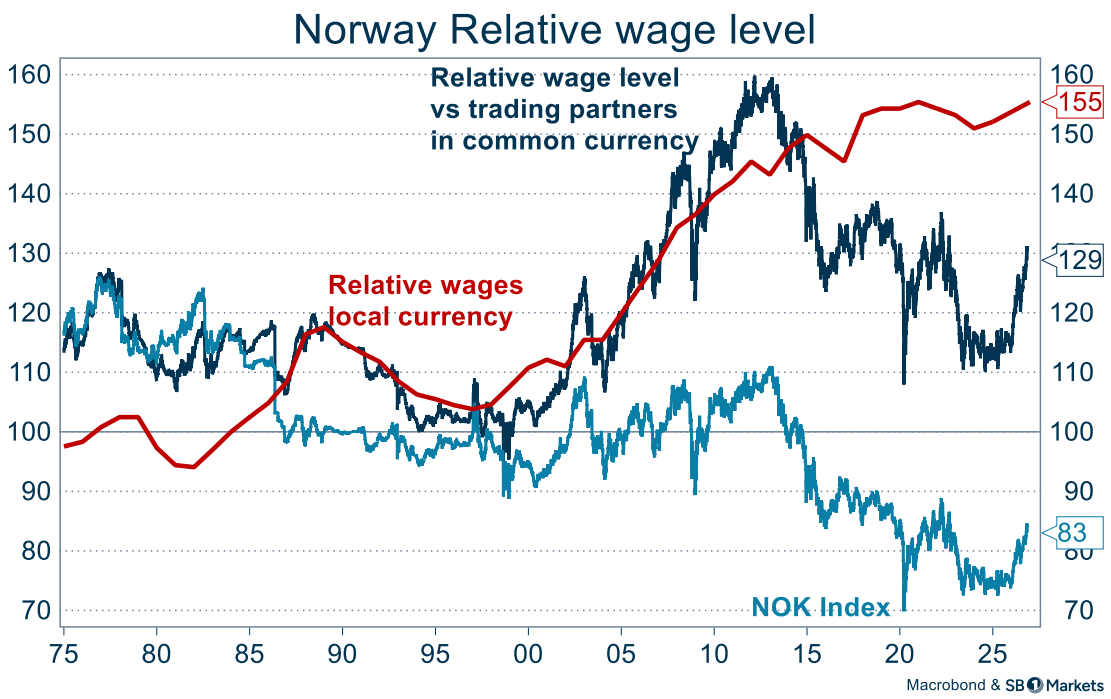


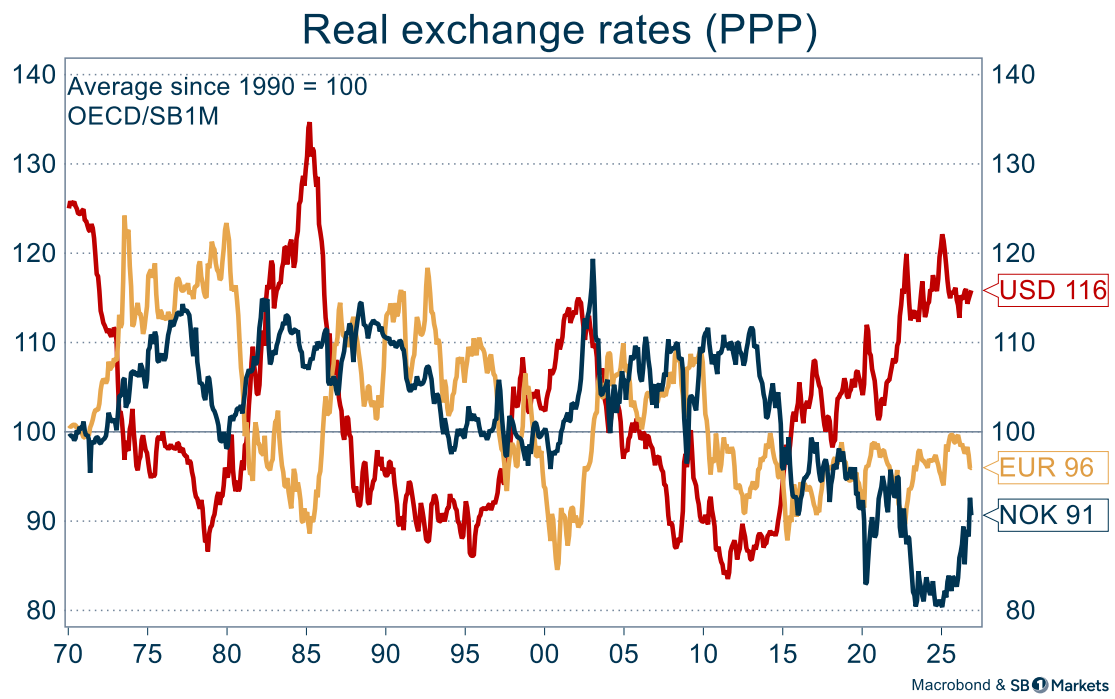
NOK vs. MSCI world index



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

Thus, mixed signals vs. the NOK – but the upside is anyway not large anymore. And the NOK is surely exposed to energy prices.





- Norway's wage costs have long been higher than abroad due to higher productivity, with a 5–20% gap before 2000.
  - The return from the Oil Fund now equals about 14% of GDP and finances a quarter of imports, justifying a higher cost level than before. The current wage-cost gap is 29%, up from 12% in 2024 - ***may be fair***
- Norway's price level vs. trading partners is 9% below the average since 1990, up from 20% below the average late last year. The level may still be too low, ***but this gap has also narrowed substantially***.
- Other currencies:
  - The real USD exchange rate is well above a long-term average level.
  - The real EUR exchange rate is close to an average – or somewhat below. The recent depreciation is most likely due to the uncertainty regarding France.

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