SB1 Markets



Macro Weekly

Week 42 2026

12/10/2026

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Last week – markets: *finally, a break*

Big picture:

- **No major economic news**, and no major 'political' news. **Rate expectations and yield curves** stabilised, following the recent lifts. **The Euro Area sovereign bond spreads** narrowed slightly following the surge the previous week.
- **The US/Russia diesel deal** will not change the market balance materially. The agreed volume at some 19m barrels over the coming months, equals just 0.3% of diesel consumption (assuming deliveries distributed over 6 months). BTW, Russia already lacks diesel too. A Russia/Ukraine energy truce may be more helpful (if ever implemented). The **Houthi attack** on Saudi Arabia's Riad airport is a worrisome development that does not signal that peace in the region is around the corner.

- **Commodities:** ***European natural gas prices were up, as were oil and metal prices***
  - **European natural gas prices** rose almost 10% last week and are not far below the local peak a month ago. **Refinery margins** widened somewhat but are down from the peaks. **Metal prices** rose, at least copper prices. **Food prices** rose as well.
- **Equity markets:** ***most up***
  - The global market was up 0.3%, S&P500 was up 1.2%. Oslo Børs recovered some of the loss from the previous weeks, supported by higher energy prices.
- **Short-term rates:** ***stable in 2026, NOK down in '27, GBP up, the others flattish***
  - **Small changes** in rate expectations most places. NOK rate expectations declined by up to 10 bps, while GBP rate expectations rose marginally more. Elsewhere, just small changes. The decline in NOK rate expectations was probably supported by a less expansionary budget than expected, and 0.1–0.2 pp lower CPI inflation than market participants expected.
  - **1 more hike** is discounted in **US** in 2026, and at least 2 more in 2027. In **EMU** 1+ at least 2; UK 1½+3. **Sweden** 1+almost 4. **Norway**: 60% for a hike in December or 80% for an early '27 hike, and no change thereafter.

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*	*-1.50*	*-1.50*	*-2.25*	*0.00*
Now	**3.88**	**3.75**	**2.50**	**1.75**	**4.50**
Change until end of 2026	*0.26*	*0.36*	*0.19*	*0.25*	*0.15*
End of 2026 (market)	**4.14**	**4.11**	**2.69**	**2.00**	**4.65**
... Change last week	*0.00*	*0.02*	*0.00*	*0.01*	*-0.01*
Change through 2027	*0.55*	*0.74*	*0.56*	*0.90*	*0.00*
End of 2027 (market)	**4.69**	**4.86**	**3.25**	**2.89**	**4.65**
... Change last week	*-0.02*	*0.11*	*0.03*	*0.03*	*-0.07*

- **Long-term rates:** ***+/- zero***
  - Small changes, following the surge the previous weeks. Our trading partners were up 1 bp on average, like the NOK 10y swap rate. In the US, the **term premium** has increased recently, but the longer-term trend is flat and has not explained the surge in long-term interest rates. Inflation expectations have been stable as well, and the real rate – and higher short-term rates over time explains the lift in the nominal rate, at least according to Fed's ACM term premium model. Other models yields somewhat higher term premia estimates.
- **FX:** ***SEK & NOK the winners last week***
  - AUD occupied the next position, probably supported by rising raw material prices. The USD appreciated further, now without any help from the rate differential vs. EMU, which narrowed.
- **Credit spreads:** ***stabilised***
  - The **US BBB spread** (over 10y vs. US Treasuries) narrowed 1 bp to 125 bps but has trended up since the summer. The Norwegian bank funding benchmark, bank2 5y, rose 4 bps to 62 bps, the highest level since May.

Last week – the economy

- **The global PMI:** ***up, and strong***
  - **The global composite** was up 0.8 p to 54.3, in line with the signals in the flash surveys. The level is the best since 2021 and signals a ***global growth rate of 4½%.*** Both **manufacturing and services** contributed, as did a majority of countries, with USA and Sweden in the lead. The EMU index rose as well. The **US ISM indices** declined, but not by much and the levels are high. The only problem: Price indices are even higher.
- **Norway:** ***a neutral budget, lower CPI inflation than expected***
  - **A slightly less expansionary budget than Norges Bank assumed:** The transfer from the Oil fund to the 2027 budget equals 2.7%, while Norges Bank assumed 2.8%. Public demand is up 1.7%, below NoBa's 2.2% forecast. **The transfer from the Oil fund** at NOK 608bn equals ***12.6% of trend Mainland GDP***, down from 12.7% in 2026, and finances ***27% of the central government's expenditures.*** The 2027 budget yields a positive 0.1–0.2% impact on the GDP level in both 2027 and 2028. ***We very much doubt Norges Bank will have to revise its growth, or inflation forecasts*** upwards due to this proposal. This is however not the final budget, as parties in parliament will have to negotiate to pass the budget.
  - **September CPI: Core inflation** was stable at 3.0%, in line with our estimate, but ***0.1 pp above*** **Norges Bank's forecast** and ***0.1 pp below consensus***. The **headline** was up 3.4%, ***0.1 pp below*** **NoBa's (and our) estimate**, and 0.2 pp below consensus. Gasoline/diesel prices rose 29% m/m, and lifted the headline index by 0.4 pp. Electricity prices are 'neutral', up 3.3% y/y. Inside the core, imported goods prices surprised on the downside and the annual growth rate declined 0.6 pp to 1.0%, 0.5 pp below NoBa's (implied) estimate. Domestically produced core goods and services prices surprised on the upside, up 3.9% y/y, up from 3.7%. NoBa assumed 3.6%. This is surely an unfavorable mix and displays the central bank's challenge: inflation runs too high for domestic reasons; labour cost inflation remains too high.
  - **Housing prices** rose 0.3% in September, more than Norges Bank, we and probably most other economists expected. Almost all cities reported higher prices m/m, but ***prices have fallen in 10 of 16 cities recently*** (3m/3m), though heavily influenced by a suspiciously weak July. However, the regional differences are substantial, the south, west and Tromsø are up, while the eastern part of the country heads down. Oslo is down 1.1% y/y. Sales are trending down, but the inventory has flattened, nationally. The Oslo inventory surged before the summer, but has flattened, at a record high level. Our short-term price models suggest higher prices both in Oslo and nationally in the coming months. Norges Bank cannot be blamed for killing the housing market.
- **USA**
  - **FOMC meeting minutes** confirmed the hawkish stance delivered at the September meeting: most members thought another rate hike by year-end would likely be appropriate as inflation remains the dominant concern and the economy was relatively resilient. These views were reflected in the press release, in the submitted forecasts from the FOMC members, including the dot-plot, as well as Governor Warsh's comments at the press conference. Several FOMC members have later toned down the need for an immediate hike (a week before the midterm elections…) but they stick to their assessment that the policy rate will be hiked further.
  - The August **trade balance** was very weak, mostly due the surge in AI-related imports.
  - **Consumer sentiment** fell to -2.9 std. dev. below average, the 2nd lowest level ever, with a new ATL regarding households' assessment of the current situation, according to University of Michigan's survey. This assessment is not at all supported by any macro data. The survey is heavily 'politicized' as Democratic leaning voters have become extremely negative vs. the current situation, along side the independent voters was well. (It used to be the Republicans, when Biden was the president.

Last week: the economy, II

- **Sweden**
  - **CPIF inflation** rose to 1.5% in September, up from 0.7% in August, as expected. Energy prices rose 12% m/m, and 17% y/y, the latter lifting inflation by 1 pp. However, the CPIF XE, **the core ex. energy index** was flat at 0.5%, 0.2 pp less than expected. Prices were close to unchanged m/m, for the 2nd month in a row. Excluding food prices, the core is up 1.4%. Riksbank expects inflation to return to 2% in April.
  - **GDP** grew 1.1% in August, but underlying growth in recent months has slowed somewhat, to 1.6% 3m/3m. Given the consistently strong surveys, and rapid growth in retail sales, we are still quite optimistic regarding the overall economy.
  - **Housing prices** are up 5% y/y, according to Mäklarstatistik's (unreliable) data. The price level is still below the 2022 peak, and prices are down 16% in real terms. But the tide has changed.

Week ahead: US CPI in focus

Time	Count.	Indicator	Period	Forecast	Prior
Monday 12 Oct					
08:00	NO	Housing starts	Sep		
Tuesday 13 Oct					
12:00	US	NFIB Small Business Optimism	Sep	98	98.7
16:00	US	Existing Home Sales	Sep	3.96m	3.98m
	US	Federal Budget Balance	Sep		$197.9b
Wednesday 14 Oct					
	CN	Exports YoY	Sep	25.4%	25.0%
	CN	Imports YoY	Sep	24.0%	28.2%
	CN	Trade Balance	Sep	$118.10b	$119.09b
03:30	CN	PPI YoY	Sep	4.5%	3.8%
03:30	CN	CPI YoY	Sep	1.0%	0.8%
06:00	SW	PES Unemployment Rate	Sep		3.8%
14:30	US	CPI YoY	Sep	3.6%	3.4%
14:30	US	Core CPI YoY	Sep	2.5%	2.4%
14:30	**US**	**Core CPI MoM**	**Sep**	**0.2%**	**0.3%**
20:00	**US**	**Fed Beige Book**			
Thursday 15 Oct					
08:00	SW	CPIF Excl. Energy YoY	Sep F	0.5%	0.5%
08:00	UK	Monthly GDP (MoM)	Aug	-0.1%	0.4%
08:00	NO	Trade Balance	Sep		100.4b
11:00	EMU	Industrial Production SA MoM	Aug	0.1%	-0.1%
14:30	US	Retail Sales Advance MoM	Sep	0.3%	1.2%
14:30	**US**	**Retail Sales Control Group**	**Sep**	**0.3%**	**1.4%**
14:30	US	Empire Manufacturing	Oct		7.6
14:30	US	Philadelphia Fed Business Outlo	Oct	26.4	37.8
14:30	US	Initial Jobless Claims	10-Oct	195k	197k
Friday 16 Oct					
08:00	SW	Unemployment Rate SA	Sep		8.9%
11:00	EMU	CPI YoY	Sep F	3.8%	3.8%
14:30	US	Import Price Index ex Petrol. MoM	Sep		0.8%
15:15	US	Manufacturing Production MoM	Sep	0.3%	-0.3%
During the week					
	CN	New Yuan Loans CNY YTD	Sep	11493.5b	10440.0b
	CN	Aggregate Financing CNY YTD	Sep	27241.0b	23910.0b
Monday 19 Oct					
03:30	CN	Used Home Prices MoM	Sep		-0.3%
04:00	**CN**	**GDP YoY**	**3Q**	**4.3%**	**4.3%**
04:00	CN	GDP SA QoQ	3Q	1.0%	0.9%
04:00	CN	Retail Sales YoY	Sep	0.5%	0.4%
04:00	CN	Industrial Production YoY	Sep	5.4%	5.2%
04:00	CN	Fixed Assets Ex Rural YTD YoY	Sep	-7.3%	-7.2%

- **USA**
  - **Headline CPI** inflation is expected up 0.2 pp to 3.6% in September, news that will grab the headlines, 3 weeks ahead of the midterm elections. The gap to the core index, expected up 0.1 pp to 2.5%, is entirely due to the lift in energy prices – because of the war in the Gulf. In addition, the core rate is well above the 2% target (which is measured against the PCE deflator though). A 'normal' 0.2% m/m lift in the core index is expected
  - **Retail sales** have surprised on the upside in recent months. Real wages are down and sentiment is weak, but actual spending keeps up, funded by a decline in the savings rate. A further, but moderate lift is expected in September.
  - **Manufacturing production** has been trending slowly up since early 2025, and surveys suggest growth above trend from here. In September, production is expected up 0.3% reversing the 0.3% decline in August.
  - **Fed's Beige Book** will give the central bank important information on companies' outlook on activity, employment and prices. The survey remained well above average 6 weeks ago.
- **EMU**
  - **Manufacturing production** has flattened at a modest level, down more than 3% from 2019 (though unchanged including irrelevant Irish data). US is down 1%. Adjusted for population growth, US and EMU ex. Ireland are both down 5%. The PMIs and other surveys suggest a recovery in production in EMU (and even more in the US). Based on already published data from several countries, the expected, but modest 0.1% increase seems fair.
- **Sweden**
  - **Both PES and LFS unemployment** figures are published this week. The PES open unemployment rate points marginally down, from a low level. The LFS rate is still high but may have flattened. The employment rate is on the way up, and the participation rate is record high.
- **China**
  - Next Monday morning both September activity data and **Q3 GDP** will be published. Growth has slowed markedly, due to a rapid decline in fixed investments, and not only in housing, and stagnant retail sales. On the other hand, surveys have been a tad stronger over the past two months. GDP is expected up 4.3% y/y. **Retail sales** are not expected to improve, investments are expected further down, while **manufacturing production** is assumed to keep up, supported by a higher trade surplus.
  - This week, both **CPI, PPI** and **credit growth** data are published. Both are on the low side.

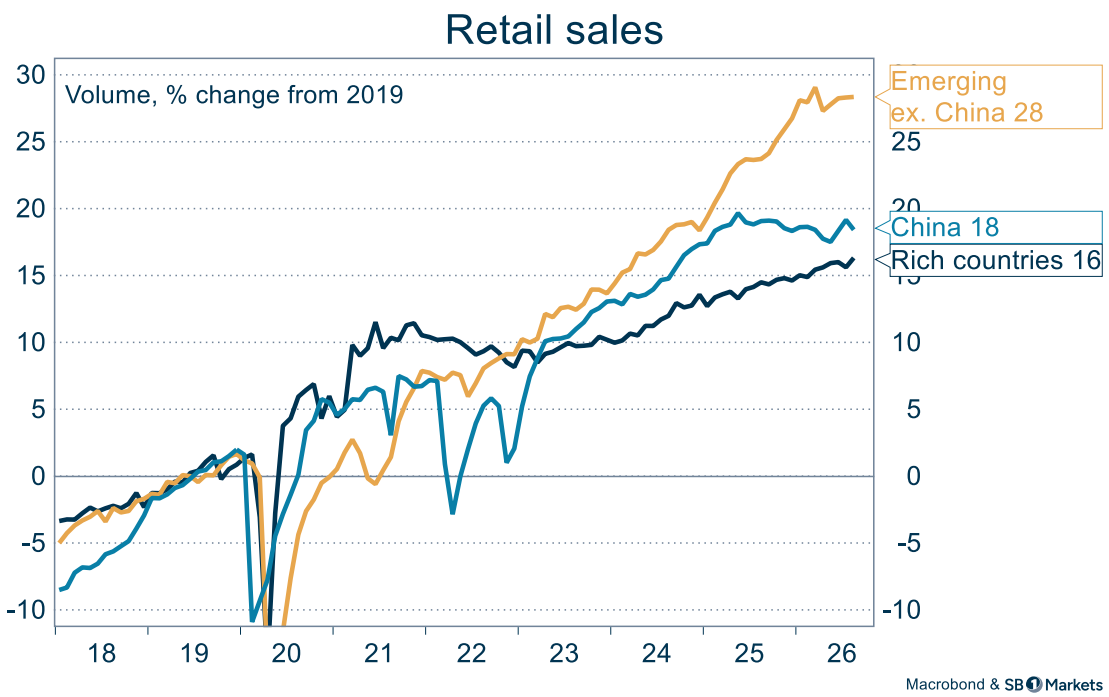
Agenda

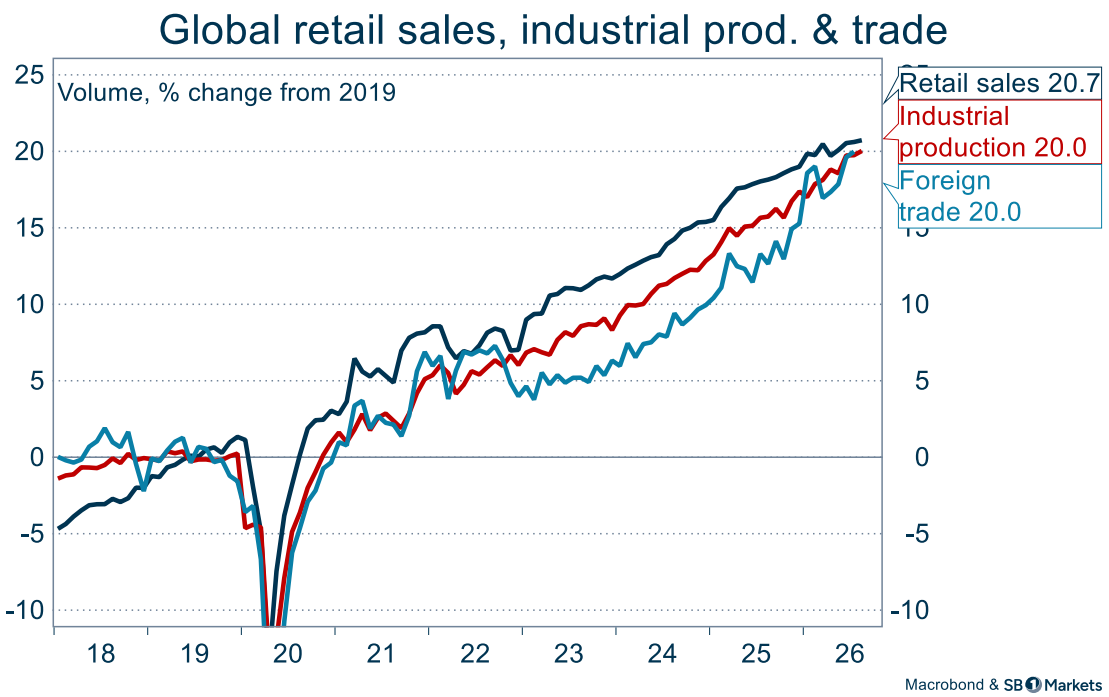
- Highlights
- The Norwegian economy
- Major economies
- Financial markets

SB1 Markets

Global Economy: Some weakness in EM retail trade, and global sales have slowed

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



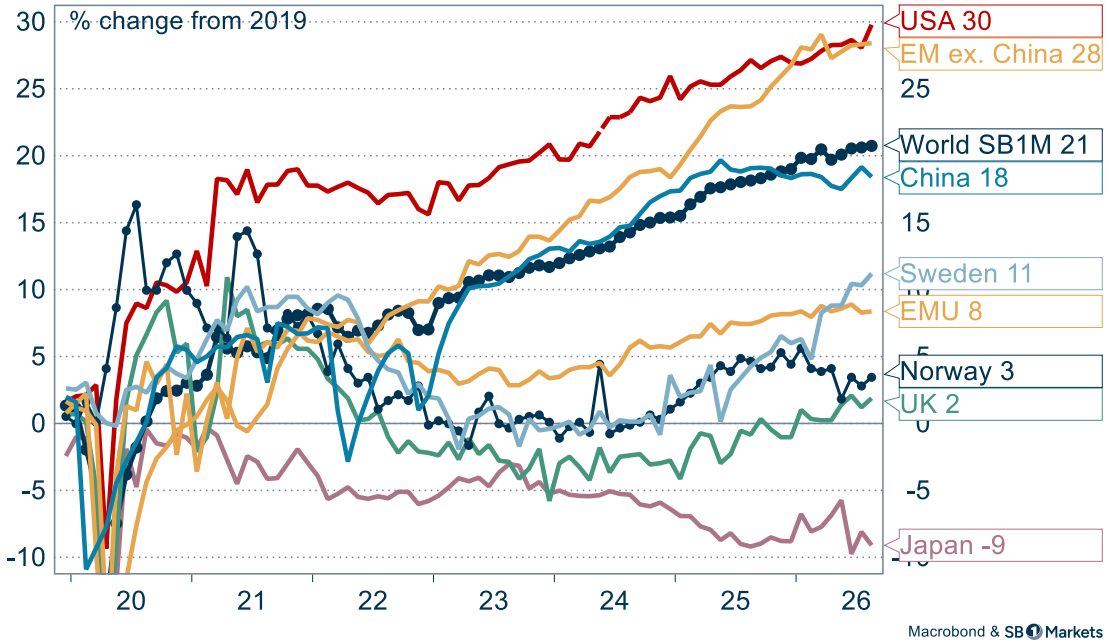


Extremely volatile retail sales data from Thailand have influenced the EM ex. China data series.

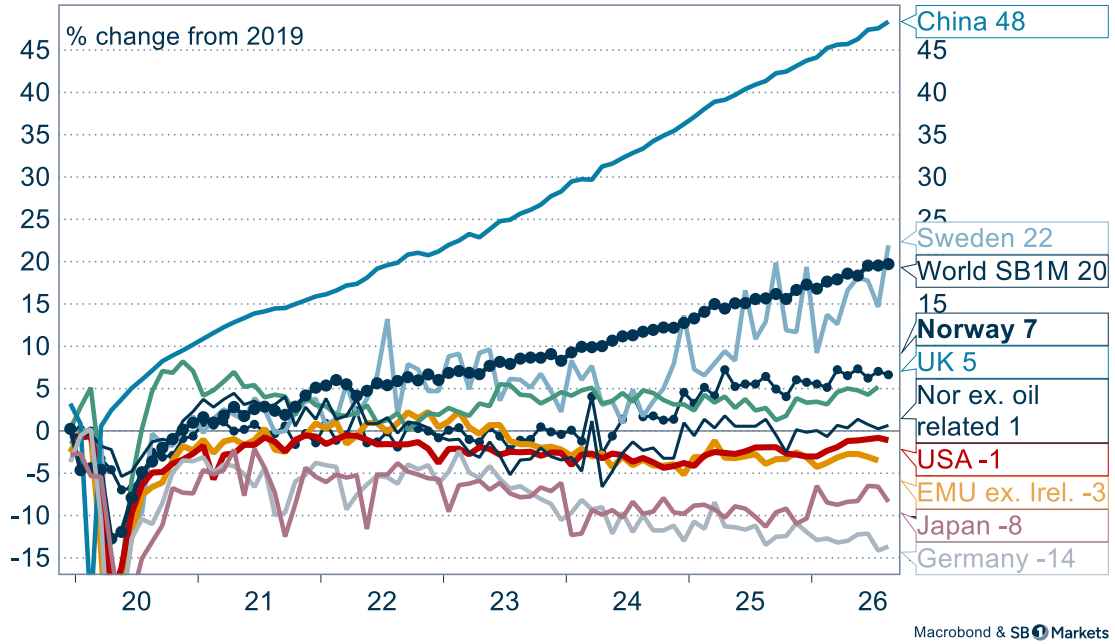
Huge gaps in retail sales and manufacturing production. China leads in manufacturing

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

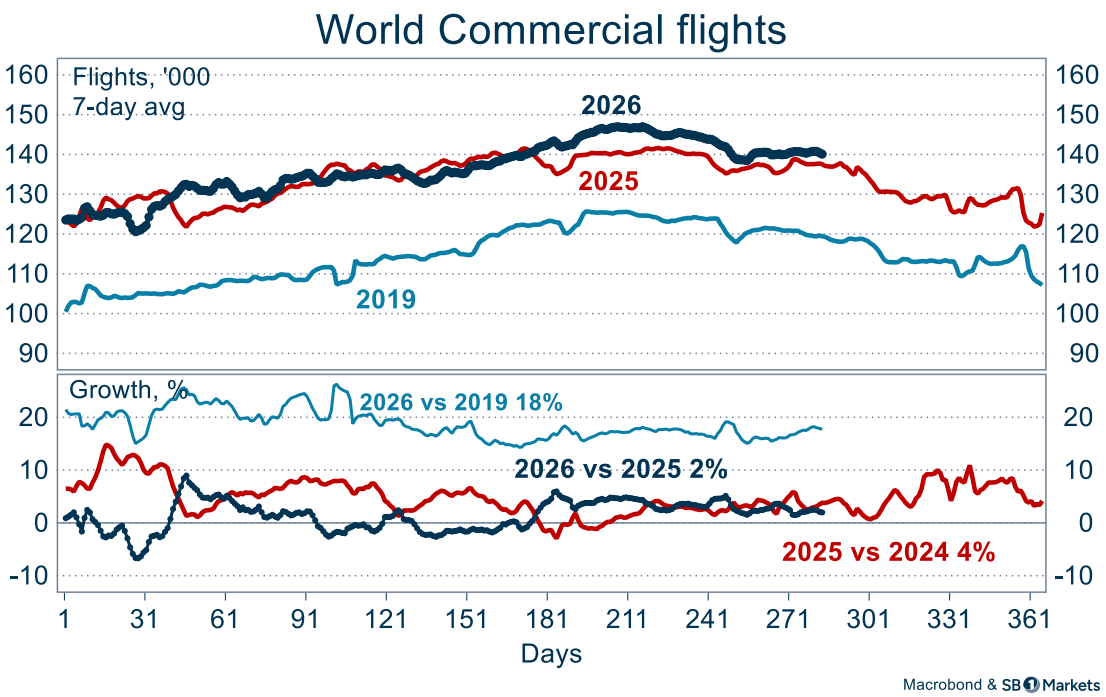
Retail sales volume

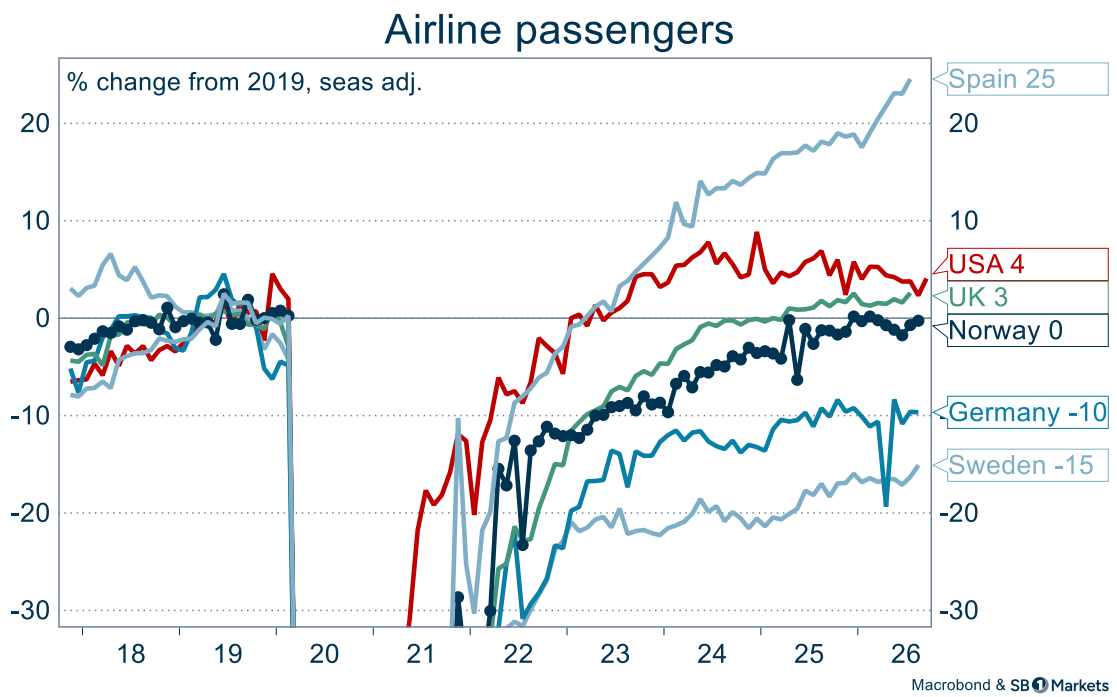


Manufacturing production



Global airline traffic up 2% y/y

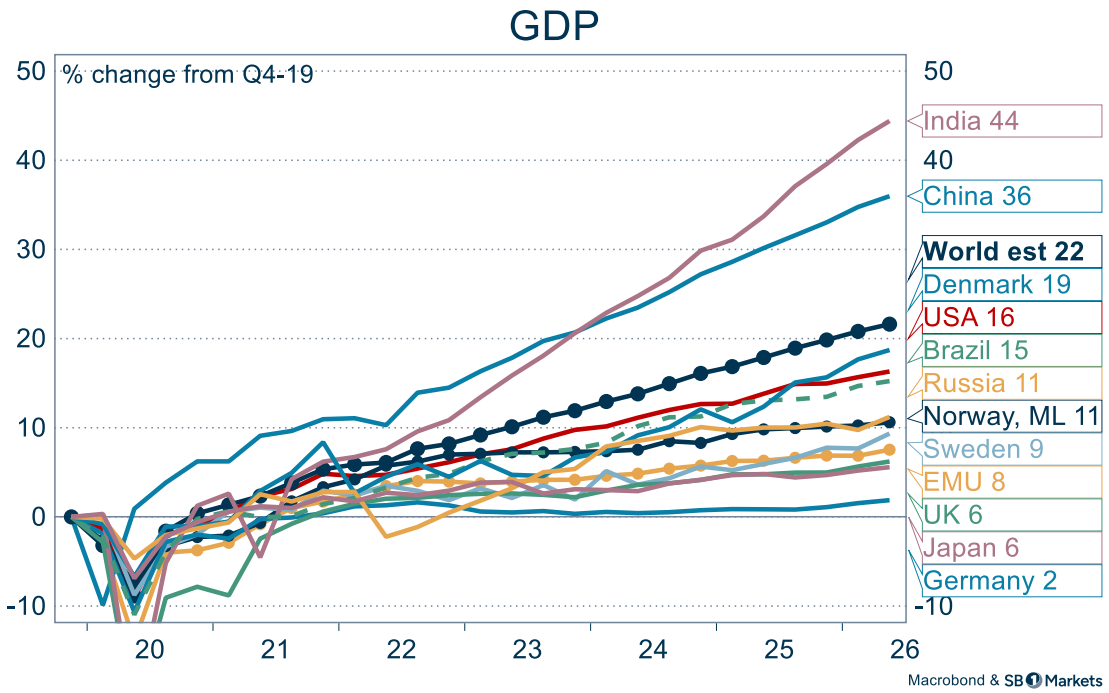


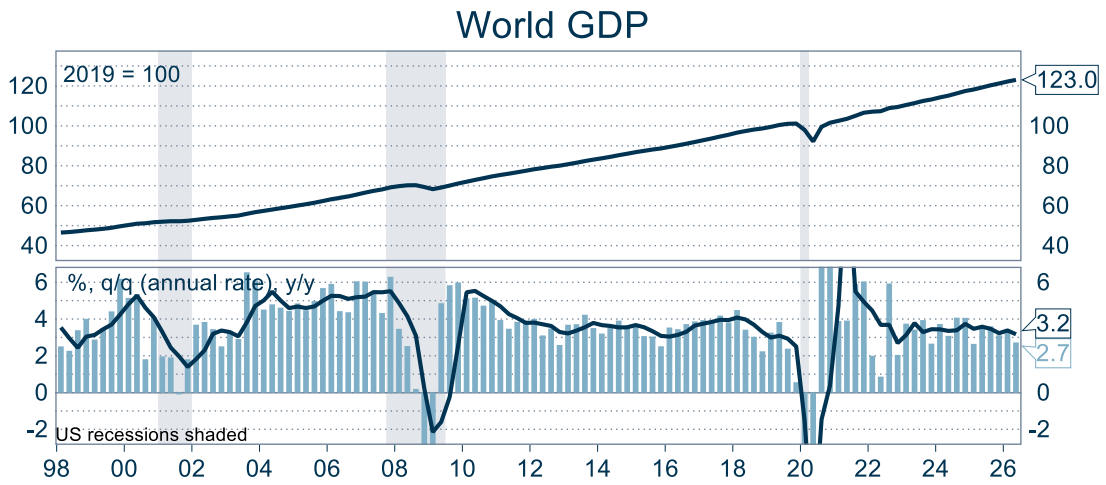


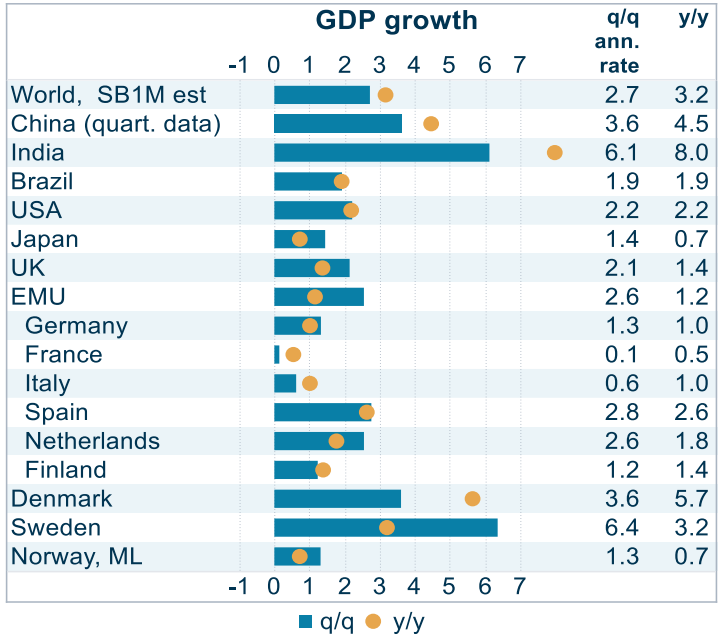
- **Passenger numbers** are recovering in most Western countries, except for the US, where traffic is declining from previously 'high' figures, almost back to the 2019 level. Sweden is well below the 2019 level, by 15%!
- Norway has returned to the 2019 level, but trends flat. Spain leads with a 25% increase.

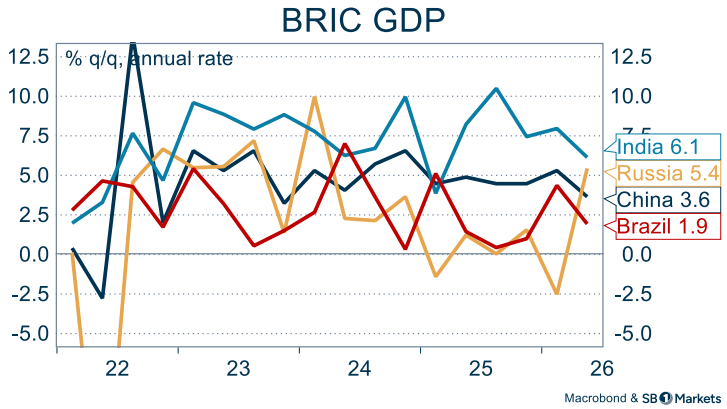
Q2 global GDP growth: slowed to 2.7%, still up 3.2% y/y

No doubt, the Gulf war and the lift in energy prices lowered growth in Q2. Growth was higher in EMU than in the US (at least before adjusting for irrelevant Irish GDP data). Norway has fallen towards the bottom of the y/y growth ranking. Both Denmark and Sweden are close to the top.







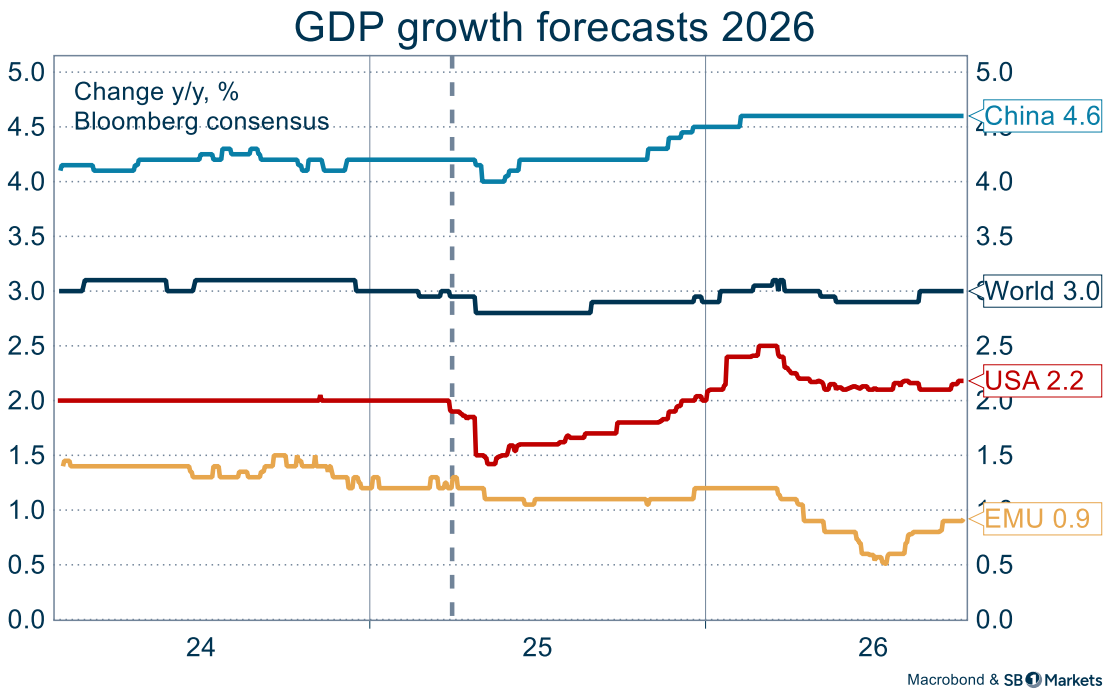


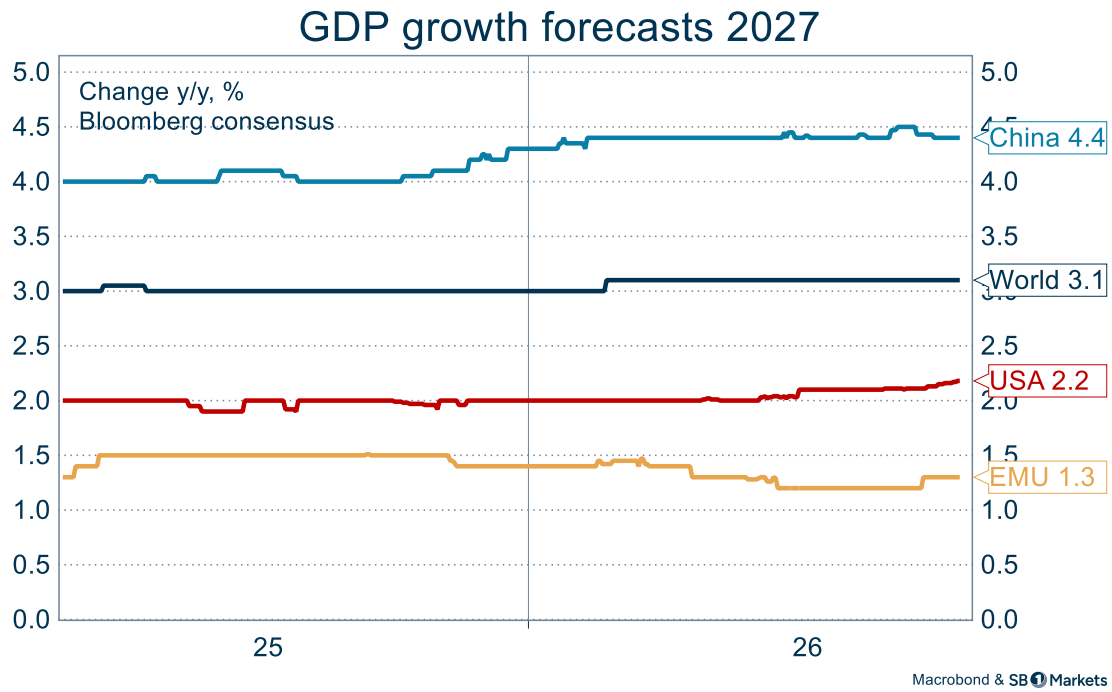
- India reported a 'modest' 6.1% growth in Q2, annualised, which is not that bad compared with the other main countries.
- China and Brazil slowed, Russia accelerated.

World GDP is estimated by SB1M

EMU GDP growth expectations has recovered. US is still above, and drift upwards

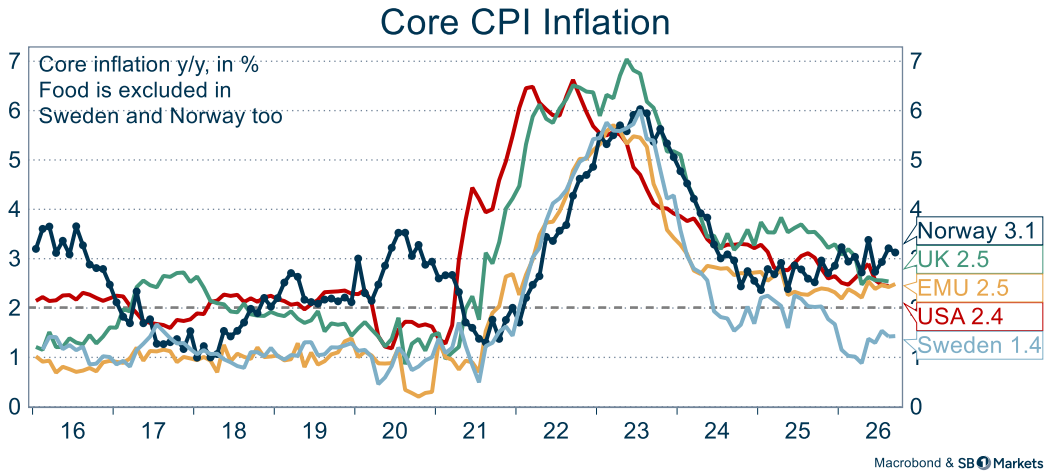
Bloomberg's consensus US forecast is still down 0.3 pp from before the Gulf war, to 2.2%. EMU is also down 0.3 pp, to 0.9%. Boring (flattish) but decent 2027 forecasts, and the US forecast trends marginally upwards. Chinese forecasts are not influenced by weak short-term data.

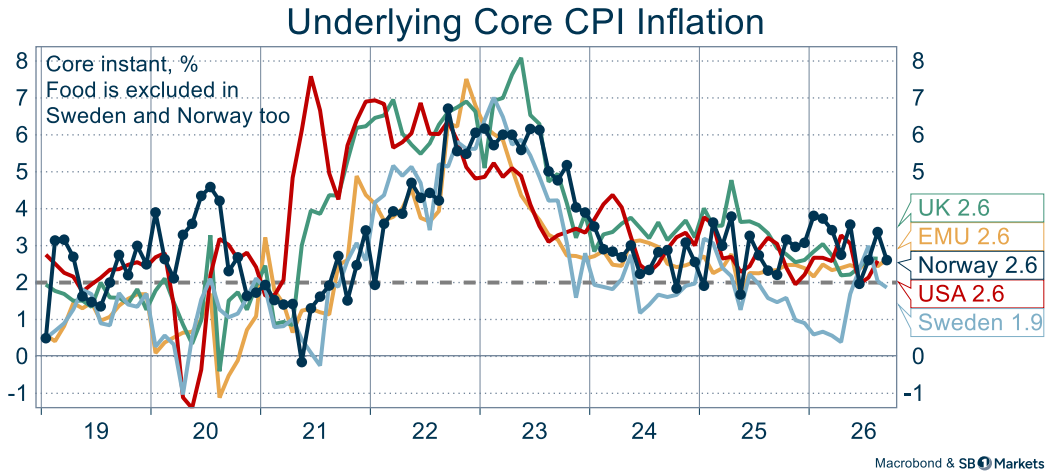


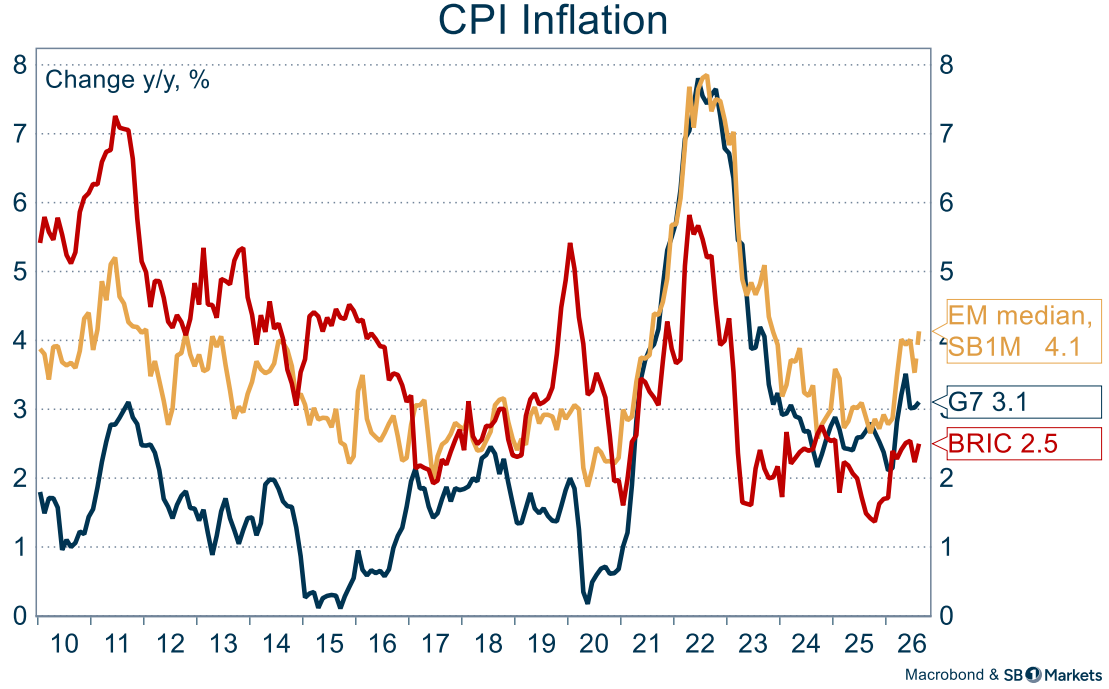


Inflation: underlying core in recent months: 2.6% everywhere barring Sweden at 1.9%

The 2.6% figure is just by luck and accident of course, but it shows, together with the annual growth rates at 2.4–3.1% (barring Sweden at 1.4%), that inflation remains too high.







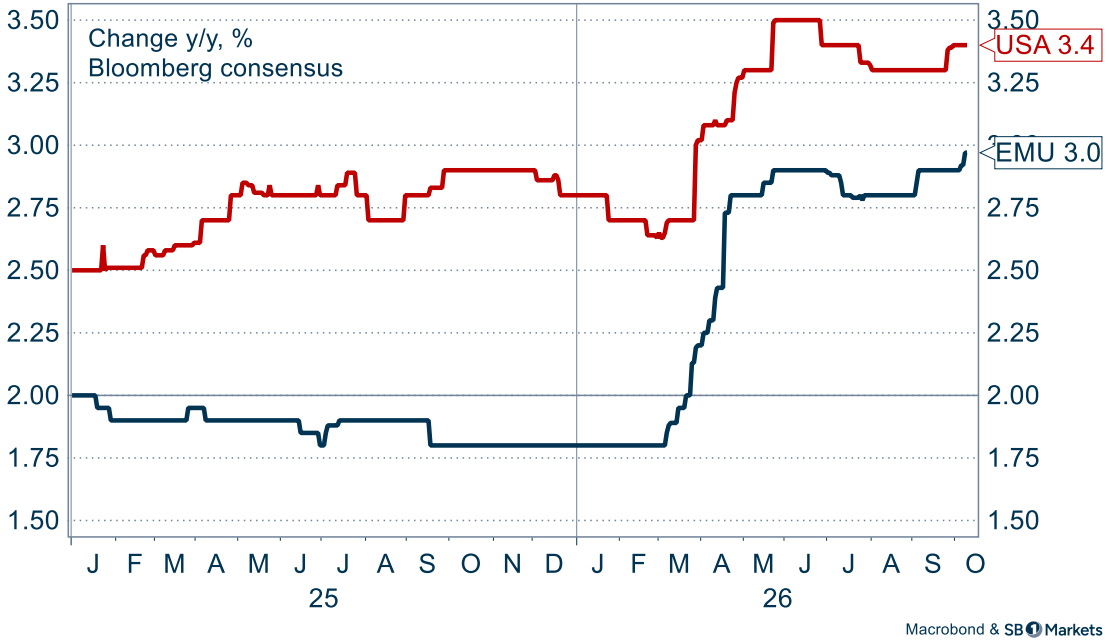
Food is removed from the Norwegian and Swedish 'official' core CPIs.

Inflation forecasts are drifting upwards, both in EMU and in the US

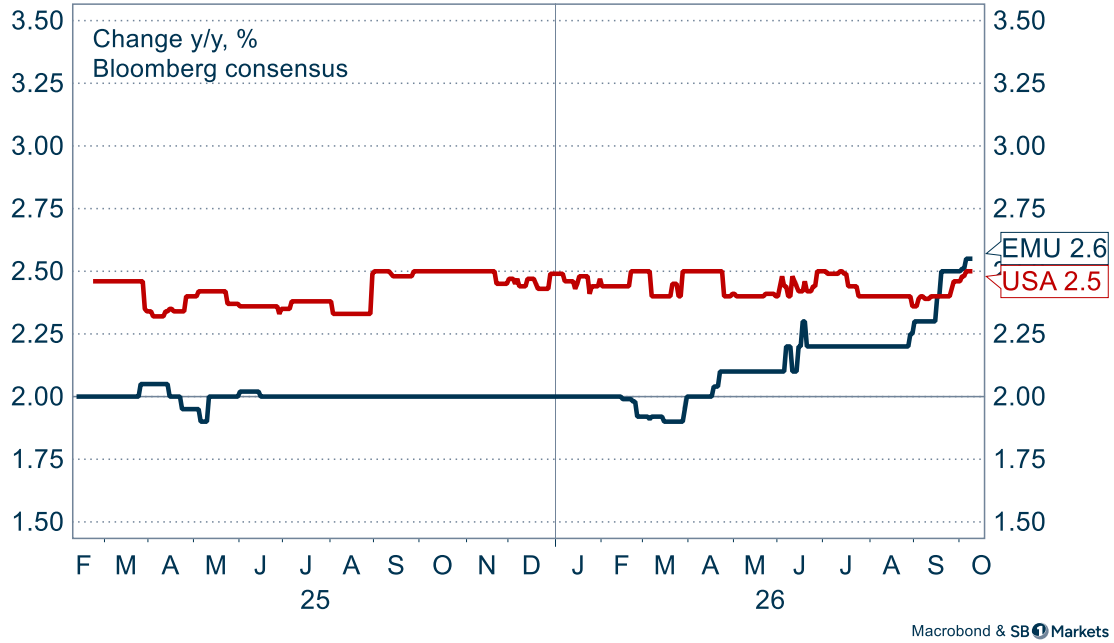
The EMU 2027 HICP forecast before the Gulf war: 1.9%. Now 2.6%. US is unchanged at 2.5% vs. before the war, but has now inched upwards.

Natural gas prices explain much of the difference between US and EMU next year, we assume. But US is up 3.4% in 2026, EMU 'just' 3%

2026 CPI forecasts

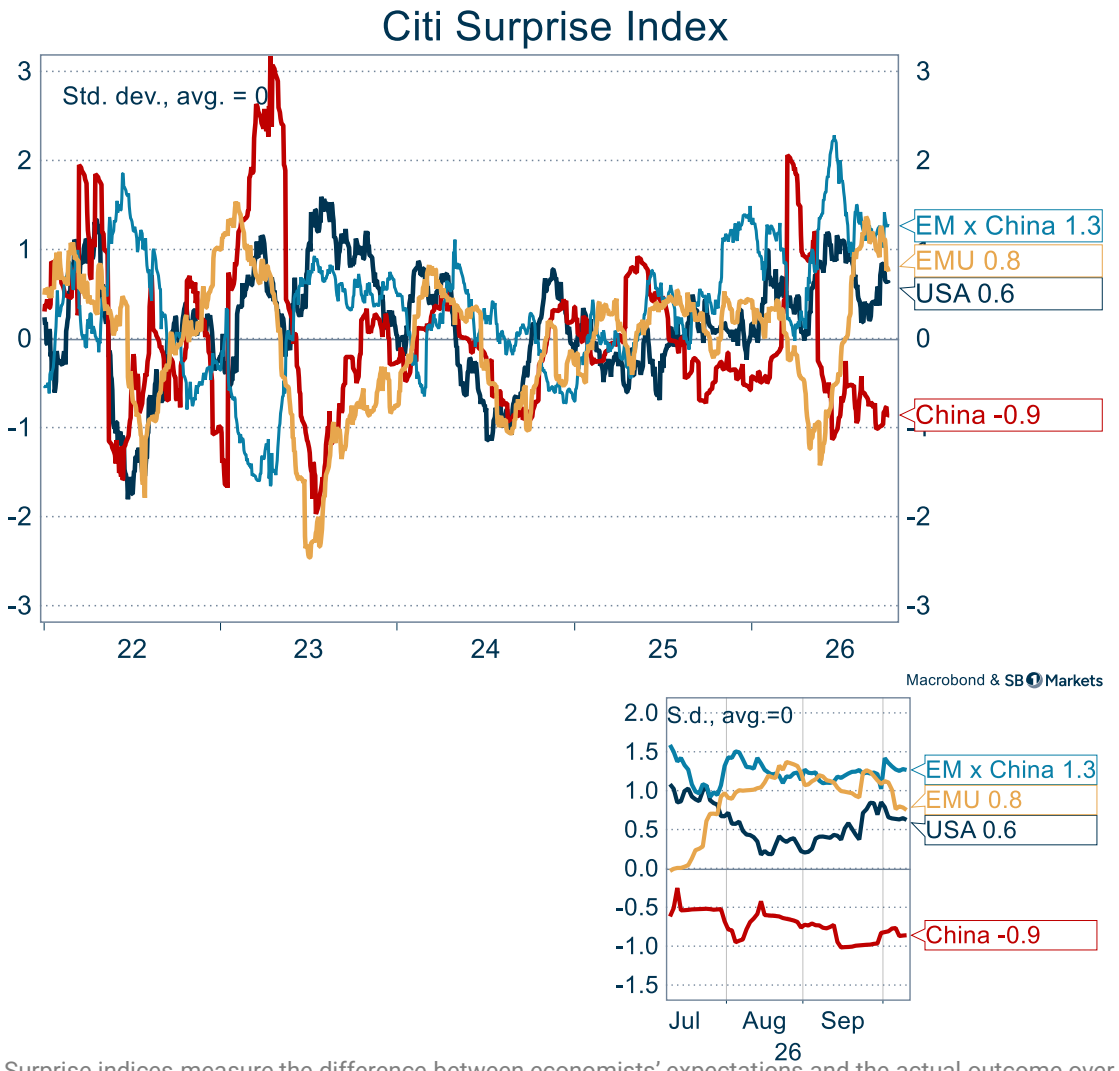


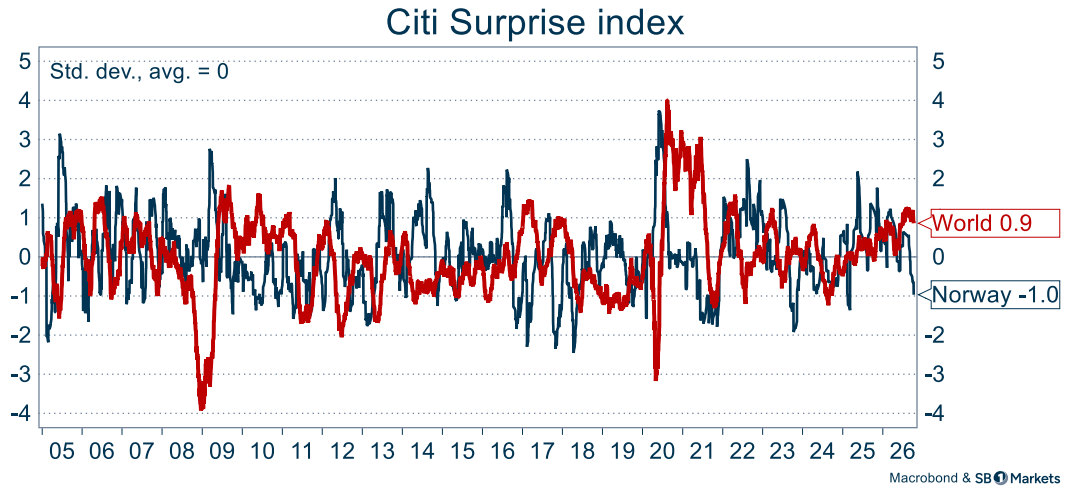
2027 CPI forecasts

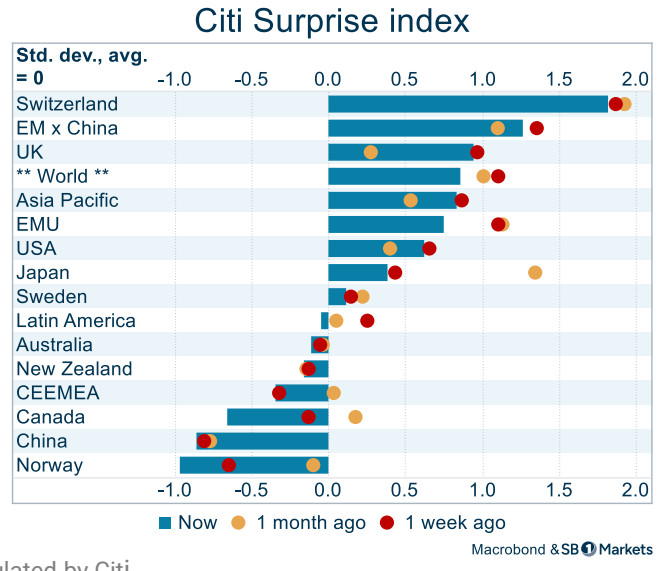


Surprise indices: Norway at the bottom of the ranking (due to a lower CPI than expected?)

We 'feel' that Norwegian data have not been that weak. Switzerland and EM ex. China at the top of the list, with UK. EMU turned down last week, but remains far above average. USA is just marginally behind. Canada and China join Norway at the bottom of the list.



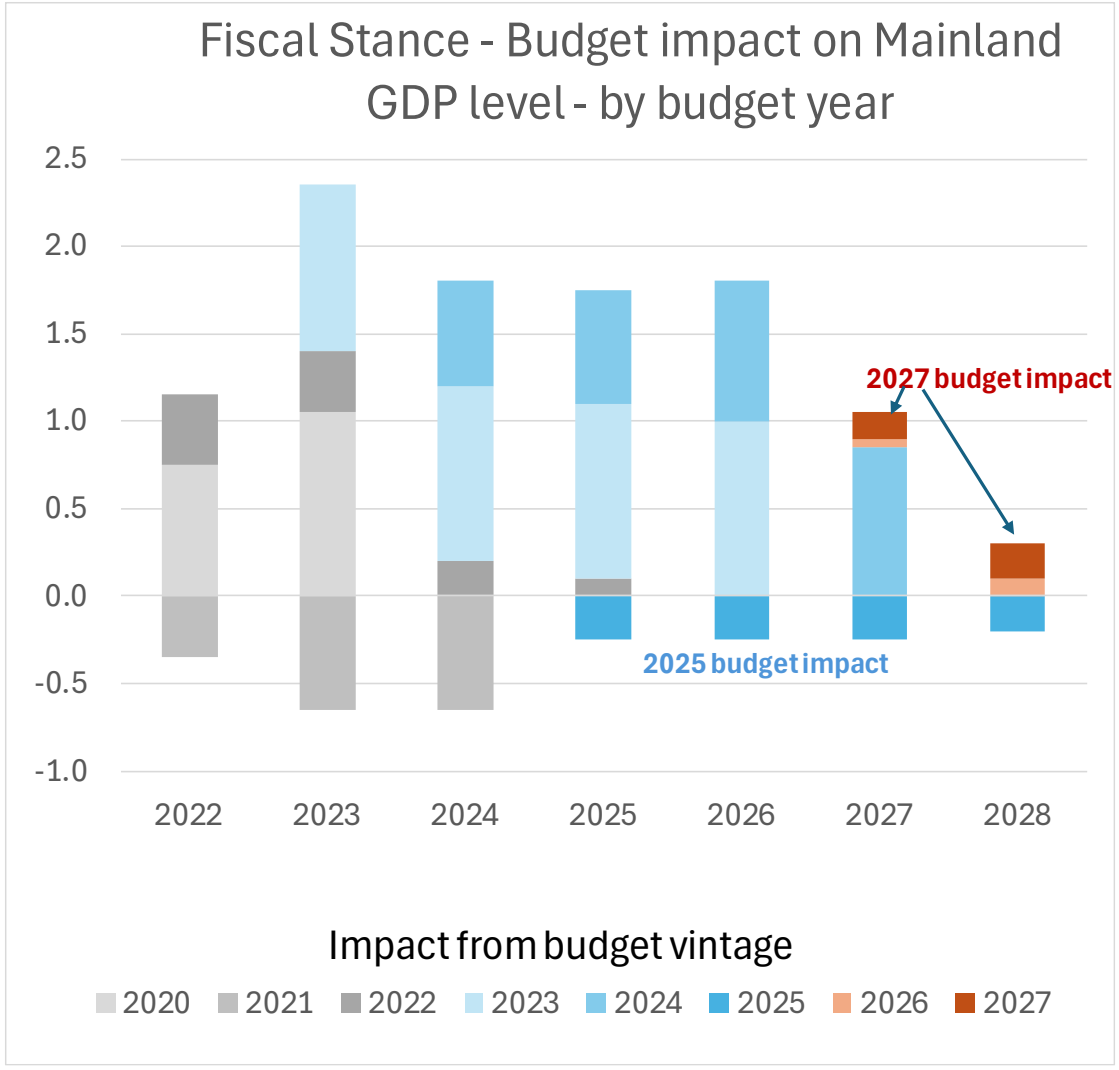




Surprise indices measure the difference between economists' expectations and the actual outcome over a 3-month rolling window, calculated by Citi

A marginally expansionary fiscal budget proposal, but less than expected?

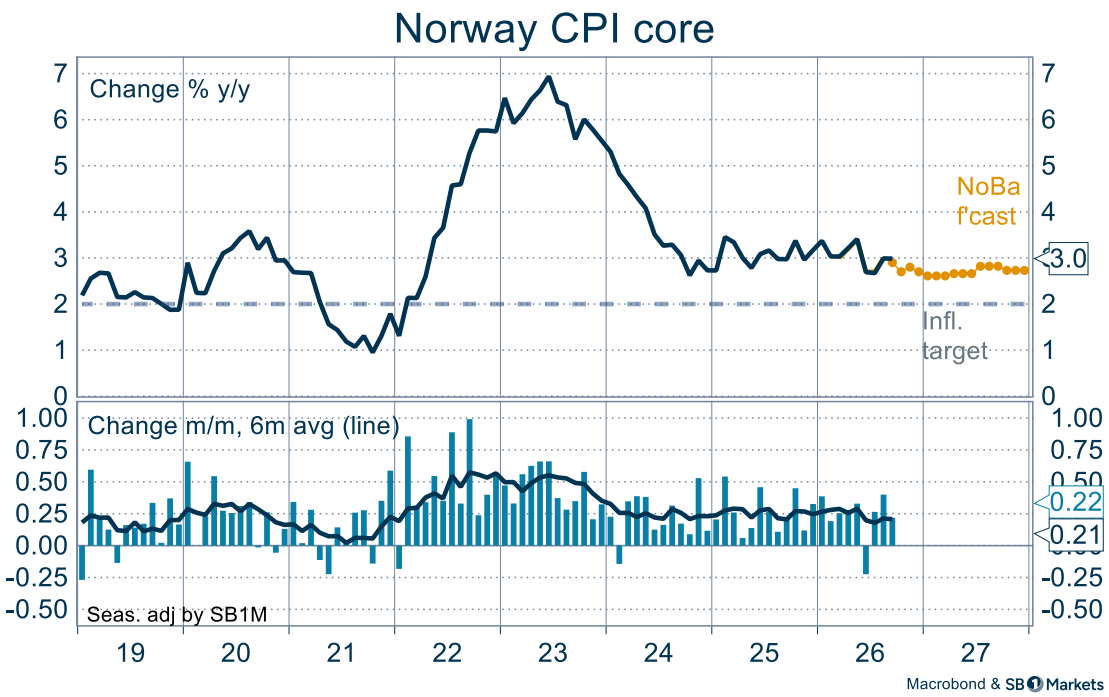
The transfer from the Oil fund is kept unchanged at 2.7% of the fund's value. Norges Bank expected a lift to 2.8%. Growth in government demand is also lower than the bank assumed. The expansionary impact is limited, and the impact of the 2026 budget is revised down



- ***A slightly less expansionary budget*** than **Norges Bank assumed.** The transfer from the Oil fund equals 2.7%, while Norges Bank assumed 2.8%. Public demand is up 1.7%, below NoBa's 2.2% forecast.
- Model estimates of the impact of the **2026 budget** on Mainland GDP in 2026 and 2027 was revised down by 0.1 pp to zero in both years.
- **The 2027 budget** yields a positive 0.1–0.2% impact on the GDP level in both 2027 and 2028. We very much doubt Norges Bank will have to revise its growth, or inflation forecasts upwards due to this proposal. The fiscal stance is marginally positive, but the two other indicators were the 'below' the bank's assumptions.
  - **In 2020–2024,** the budgets contributed to lifting GDP substantially, and in the next years, until 2027 (but not adding to *annual growth* after the initial 'injection'). **The 2025 budget** was contractive, lowering the GDP-level in 2025–28 by 0.2%. **The 2026 budget** is now deemed to be neutral, while the 2027 budget contributes marginally on the upside.
- **The transfer from the Oil fund** at NOK 608bn equals ***12.6% of trend Mainland GDP***, down from 12.7% in 2026. This transfer finances ***27% of the central government's expenditures.***
- The transfer from the fund is formally less than the long-term 3.0% fiscal spending rule but 2.7% has been the 'norm' in recent years. A risk analysis has concluded that 2.7% in normal times will build a buffer and reduce the need for fiscal tightening should the value of the fund decline (global equities equal 70% of the fund's value).
  - Excluding the 2% of Mainland GDP (NOK 85bn) cash support to **Ukraine**, the take from the fund equals 2.3%.
- **Now, the minority government** will have to build support for its proposal within its loose red-green coalition, which may prove to be very challenging. The balance may be weakened, but we doubt by huge amounts. (A NOK 4bn change equals 0.1% of GDP and should not rock the boat. But do not hold your breath).

Core inflation flat at 3.0%, 0.1 pp above Norges Bank's forecast, lifted by 'domestic' prices

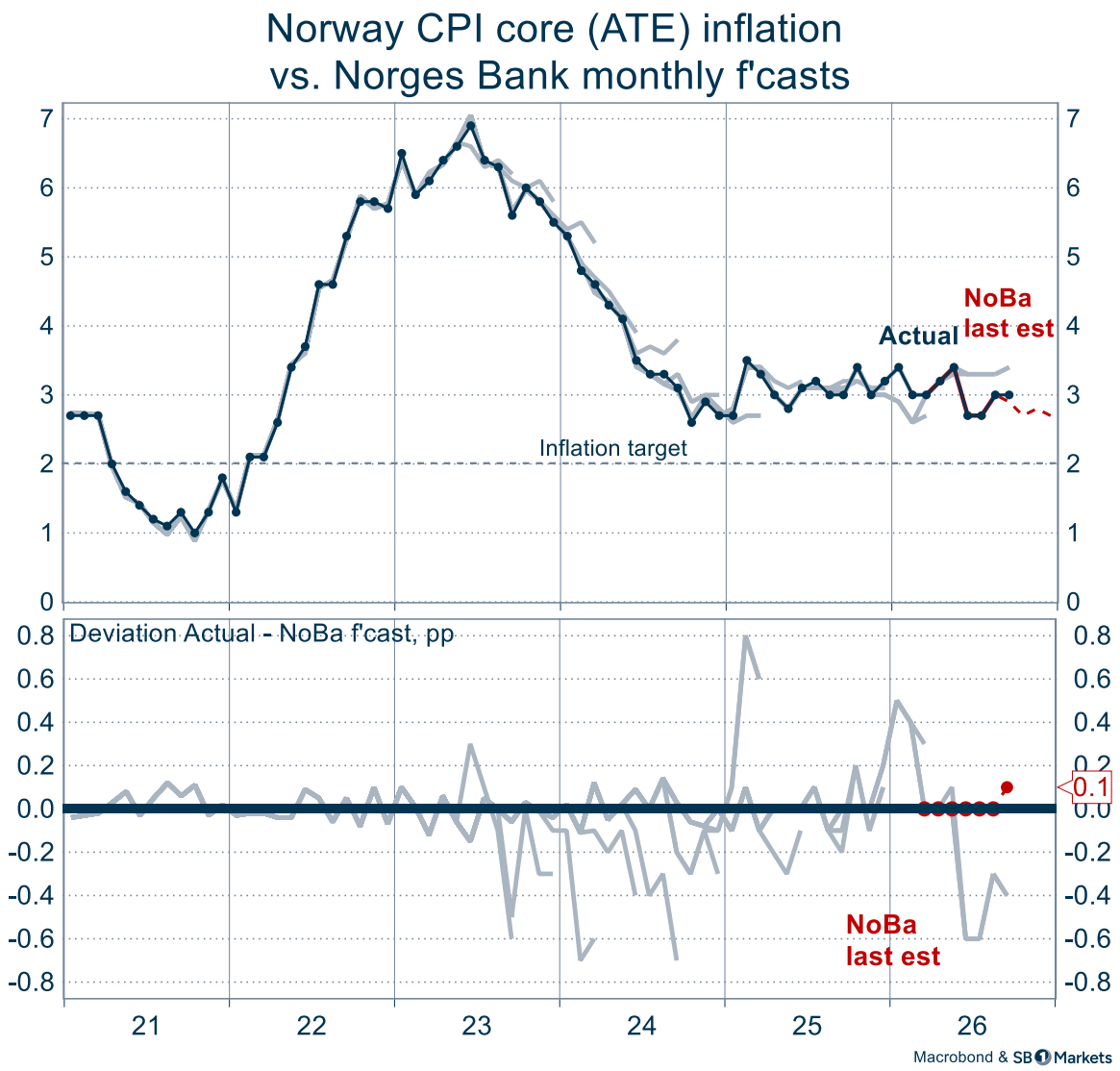
… which were up 3.9% y/y. Norges Bank has a domestic challenge, even if it is partly due to an indirect, long-term adjustment to a weaker NOK. Still, we do not expect Norges Bank to lift the signal rate in December if other factors do not support a further monetary tightening.

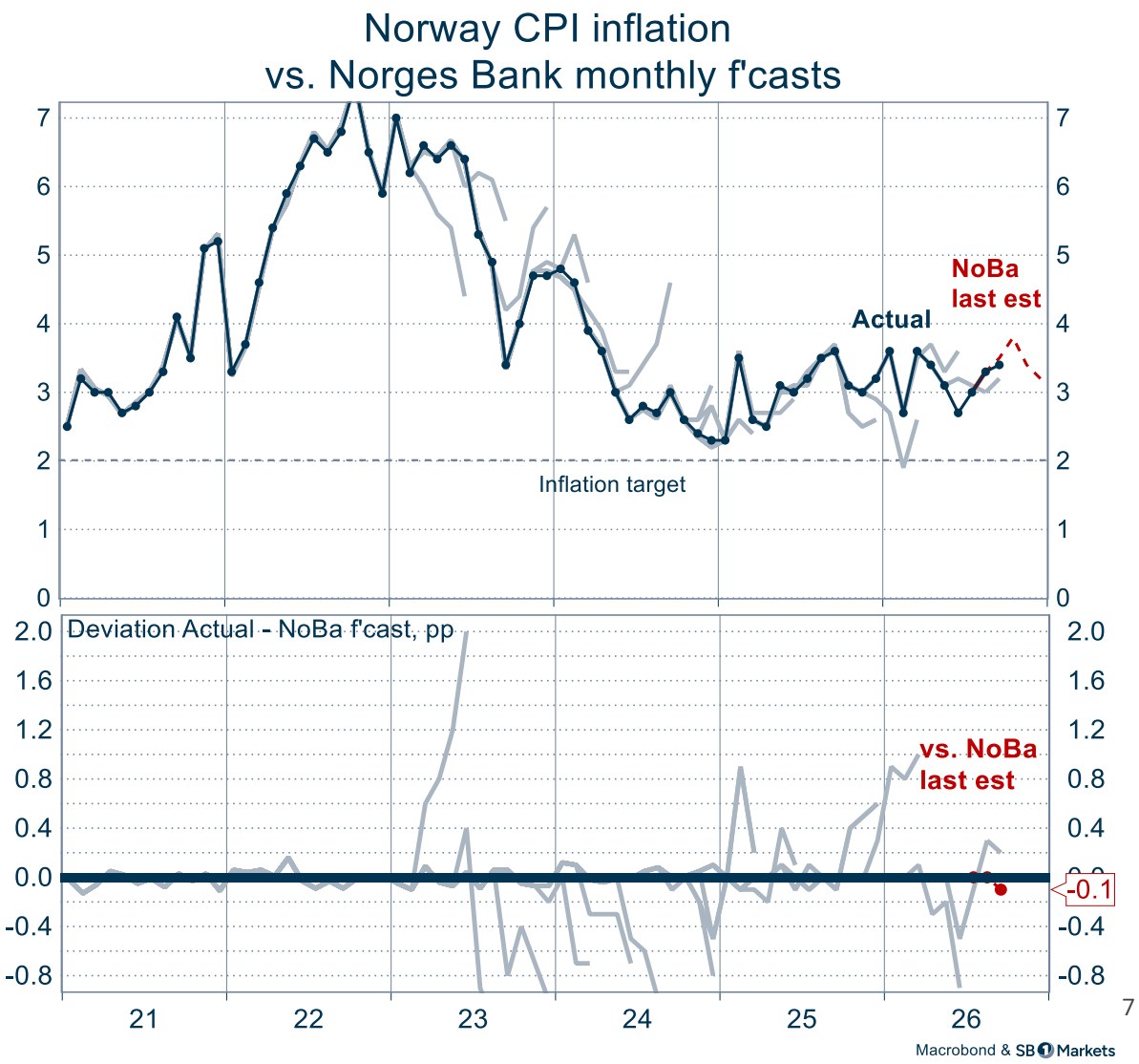


Change y/y	August 2026	September 2026
Total CPI	3.3	3.4
Norges Bank f'c	3.3	3.5
Core CPI	3.0	3.0
Norges Bank f'c	3.0	2.9

- **CPI-ATE** (ex. energy and taxes) prices rose 0.2% m/m, and prices are up at a pace somewhat above 2% in recent months, below the 3.1% y/y growth rate of a basket of various core inflation measures
  - **Imported goods prices** declined 0.4% m/m and were up 1.0% y/y, down from 1.6% in August. Norges Bank assumed (implied) a 1.5% growth rate. Our model suggests a decline over the coming months due to the NOK appreciation → *some downside potential, also vs. NoBa's f'casts*.
  - **Core domestically produced goods and services prices** rose 0.5% m/m, and are up 3.9% y/y, up 0.2 pp from August, and some 0.2 pp above NoBa's (implied) f'cast. Domestic services are up 3.9%, goods 3.6%. Both are 'supported' by wage inflation above 4%.
  - **Food prices** surprised on the upside for the 2nd month in a row. Prices rose 1.1% m/m, but are still up 'just' 2.4% y/y.
  - If **regulated prices** are removed (CPI-ATE XADM), prices are up 3.0% y/y, like in July and August.
  - Our measures of **underlying price growth in recent months** remain somewhat above 2.0%, while an average of various measures of core inflation **annual** growth (a la Norges Bank's palette) was flat at 3.1%.
- **Gasoline and diesel prices** rose 28% in September, as we assumed, and the annual rate rose to 26%, lifting the headline CPI annual growth rate by 0.4 pp. **Electricity prices** are up just 3.3% y/y, with no material impact on the CPI.
- **Core inflation** is above Norges Bank's forecast but not significantly, and the imported/domestic mix is not favourable. Still, if the gap vs. the forecast does not widen, and other data are neutral, Norges Bank will not move forward with another rate hike in December.

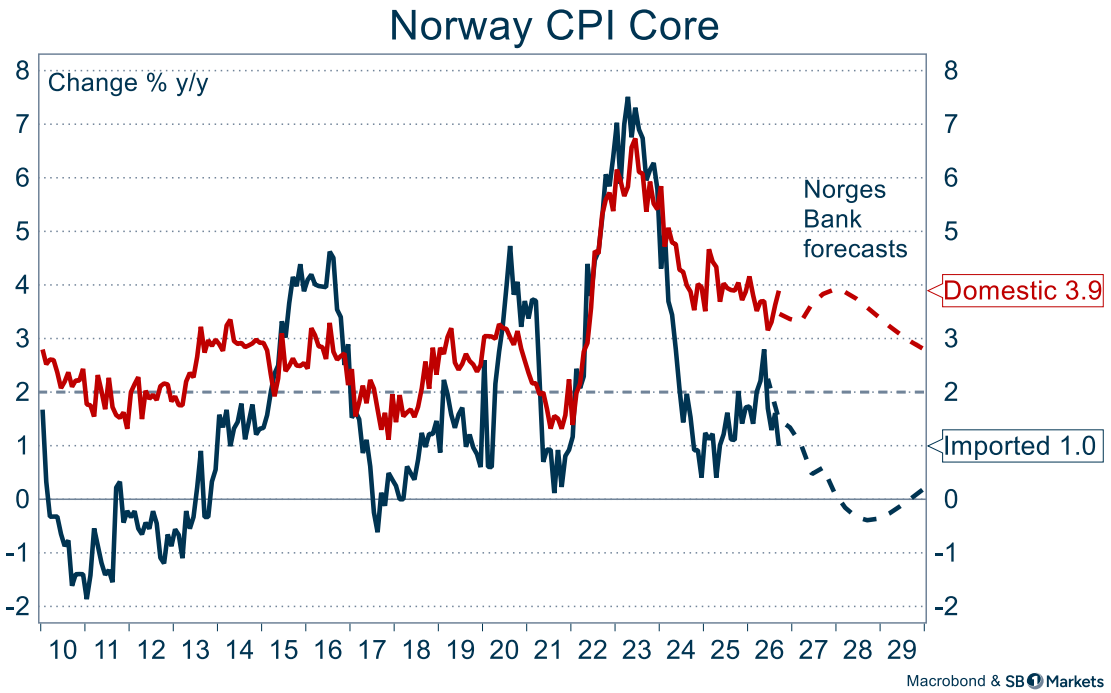
Core inflation is 0.1 pp above NoBa's f'cast, while the headline was 0.1 pp below

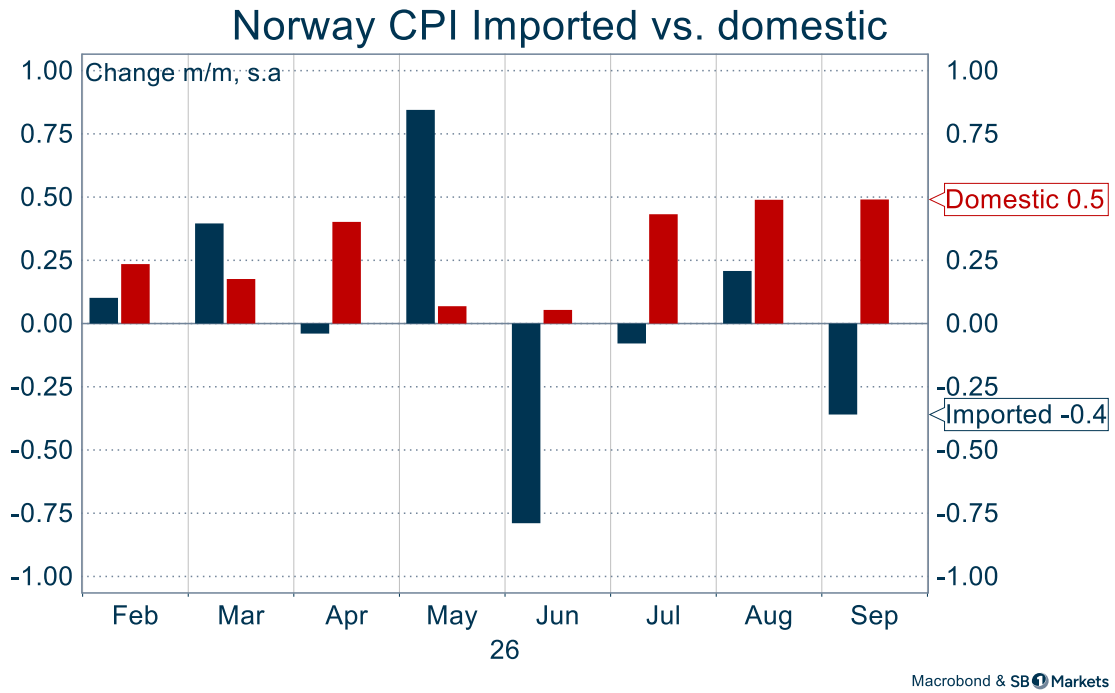




Imported core inflation down to 1.0%, ‘domestic’ inflation up to 3.9%

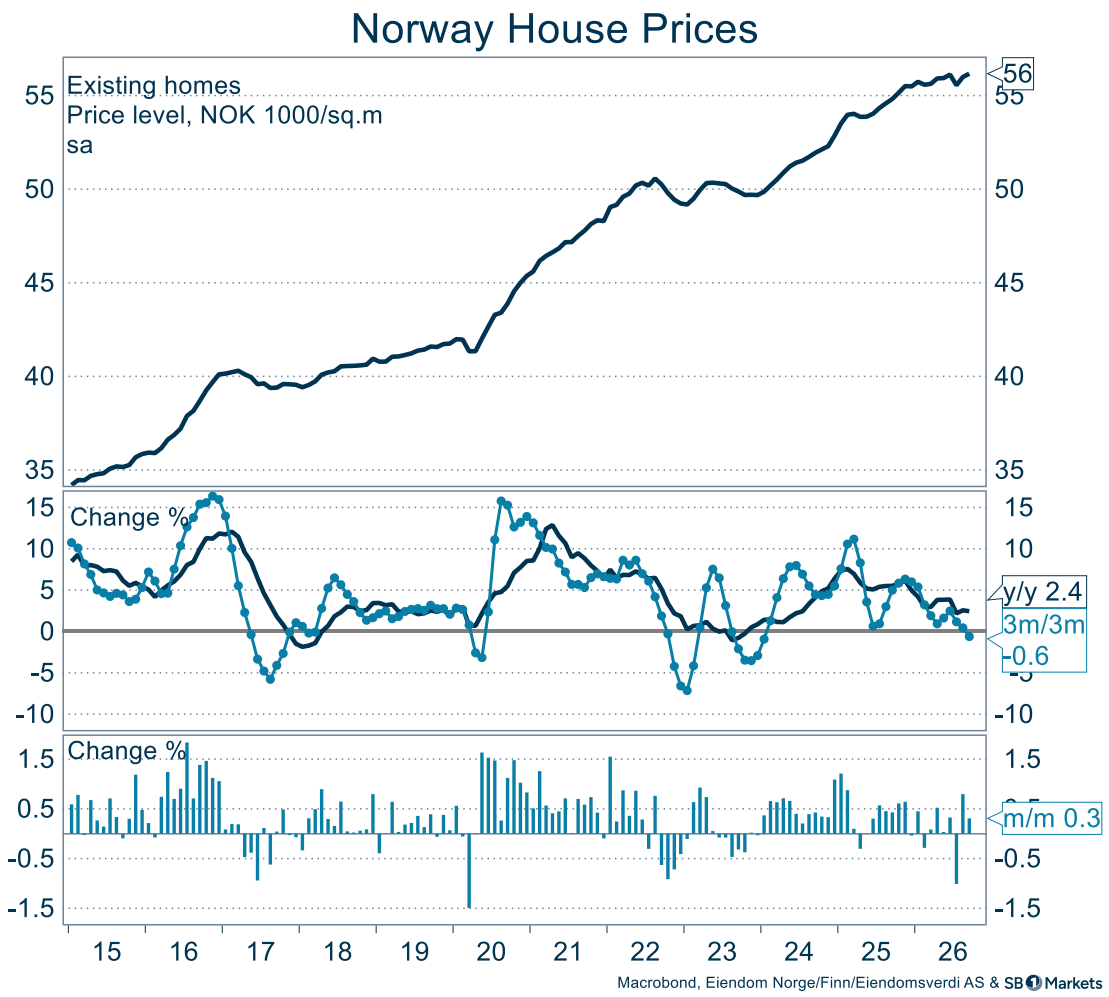
Prices of imported goods are well below Norges Bank’s forecast (implied 1.5%), while prices of domestically produced goods and services were well above the bank’s forecast (implied 3.6%). Most likely, domestic inflation will ‘surprise’ the bank in Q4 as well.





Housing prices rose 0.3% in September but have flattened in recent months.

Prices are down 0.6% 3m/3m, but just due to the July drop. Prices are still up 2.2% y/y. The regional differences are intact: south, west & Tromsø are in the lead, while the mid and the east are lagging, Oslo (after a surge in the inventory in the early summer) included.



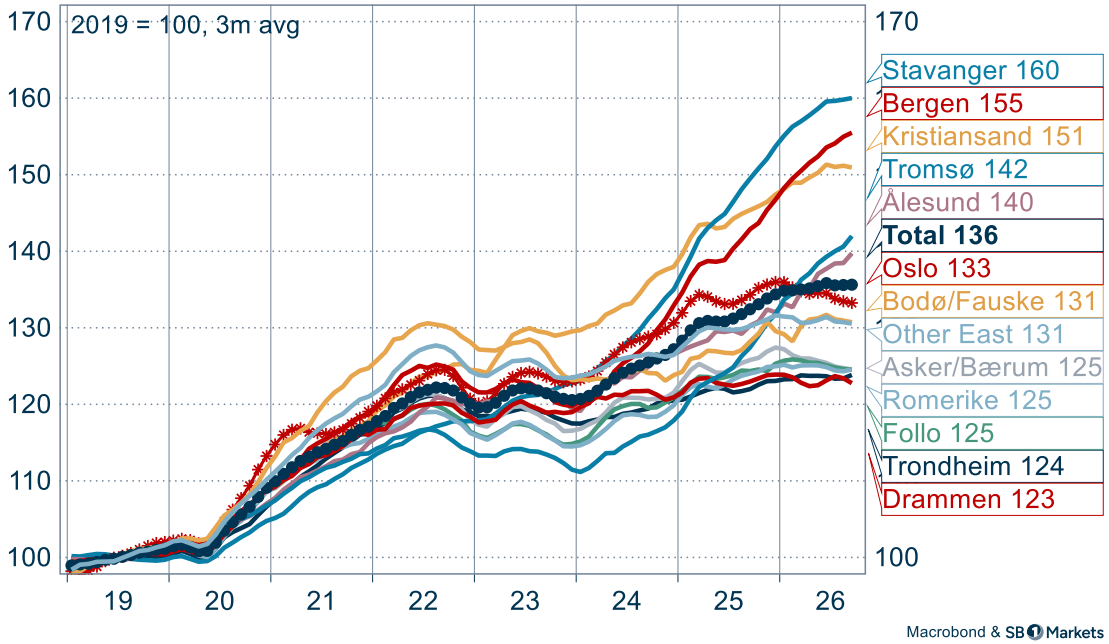
- **Norges Bank** expected a 0.1% monthly price increase, the consensus was probably slightly above, while we assumed unchanged prices. Prices rose in all but 2 cities in September, as in August.
- **Prices** are drifting up in 8 cities (6m/6m) and are declining in 8 cities. The national average is up 2%. Measured 3m/3m, a large majority of cities are down, mostly due to the drop in prices in July.
  - Achieved price premia vs. listed prices have flattened recently at a lower level than normal.
  - **Regional differences** are substantial with south/west in the lead, together with Tromsø in the north. East is the laggard, Oslo included. Oslo prices have been heading down in recent months and are down 1.1% y/y. Asker/Bærum, Drammen, Tønsberg and Fredrikstad/Sarpsborg are down as well. Interest rates are no doubt biting harder where house prices are the highest and in regions not supported by oil related activities. Tromsø is up 12%, Bergen 9%, and Stavanger 7%.
- **Sales** are trending down while the **inventory** has flattened at an above average level. **The inventory/sales ratio** is above average as well. In Oslo, the inventory of unsold homes surged in May-July to a record high level but fell slightly in August and September.
- **Our flow-based models *suggest 0.5% monthly price increases both in Oslo and 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.

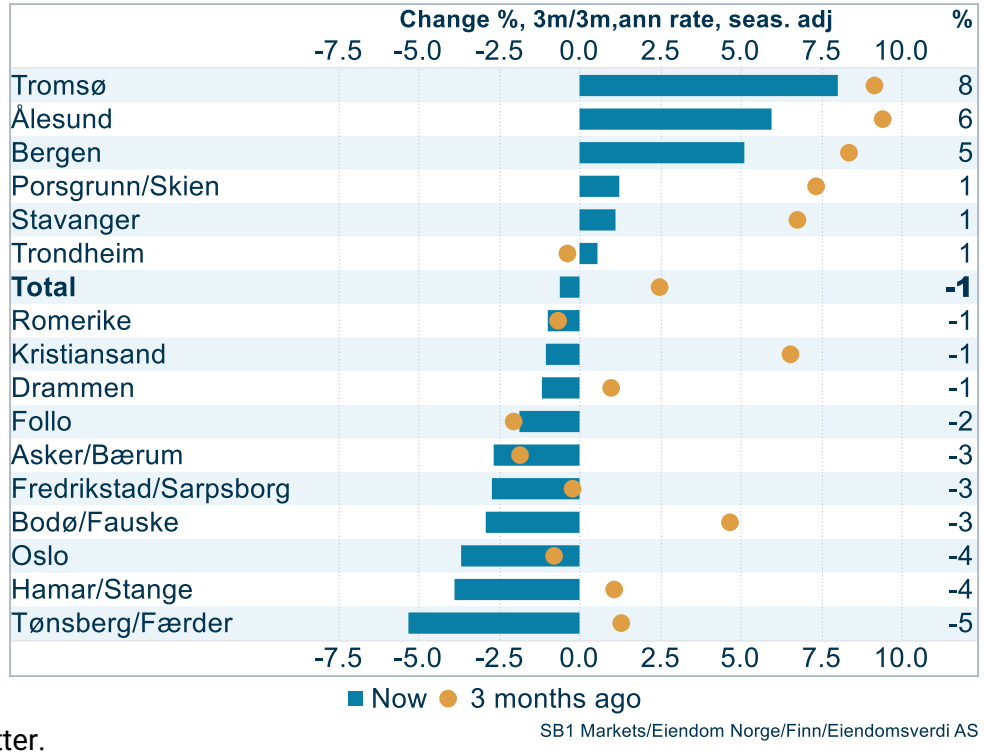
Big picture: prices are drifting down in 10 cities, up in 6

15 cities report lower growth or a faster decline measured 3m/3m than 3 months ago. The total 3m/3m is down at a 1% pace. Tromsø, Ålesund and Bergen are in the lead. Eastern Norway rules at the bottom, Oslo included, down at a 4% pace.

Norway House prices



Norway House prices



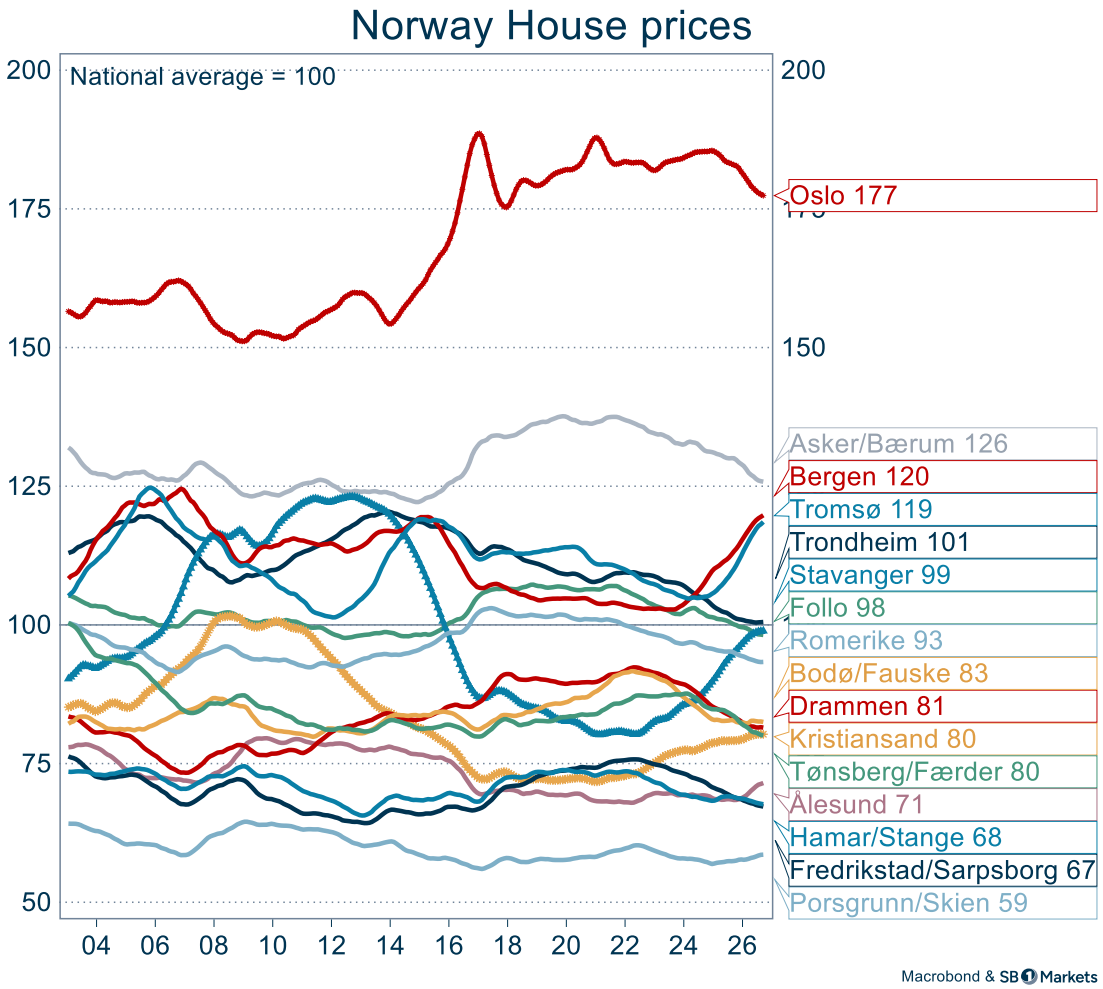
SB1 Markets/Eiendom Norge/Finn/Eiendomsverdi AS

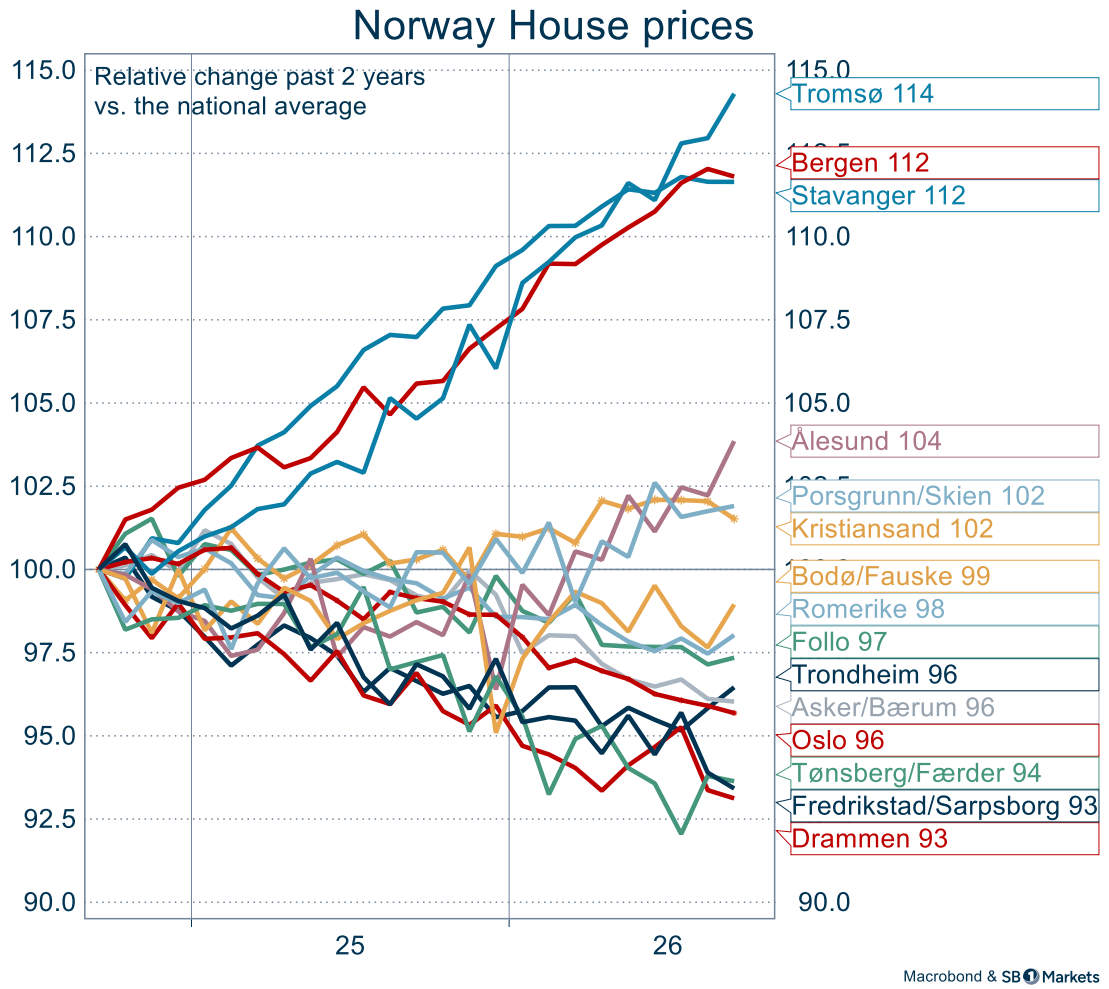
- **Vs. the pre-pandemic 2019 price level:**
  - Drammen and Trondheim are at the bottom, up 23–24%. Romerike and Follo marginally better.
  - Oslo is up 33%.
  - The average is up 36%.
  - Stavanger is up 60%, Bergen 55% and Kristiansand 51%!

- Measured 6m/6m, prices are up in 8 cities and down in 8. The national average is up 2%

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??

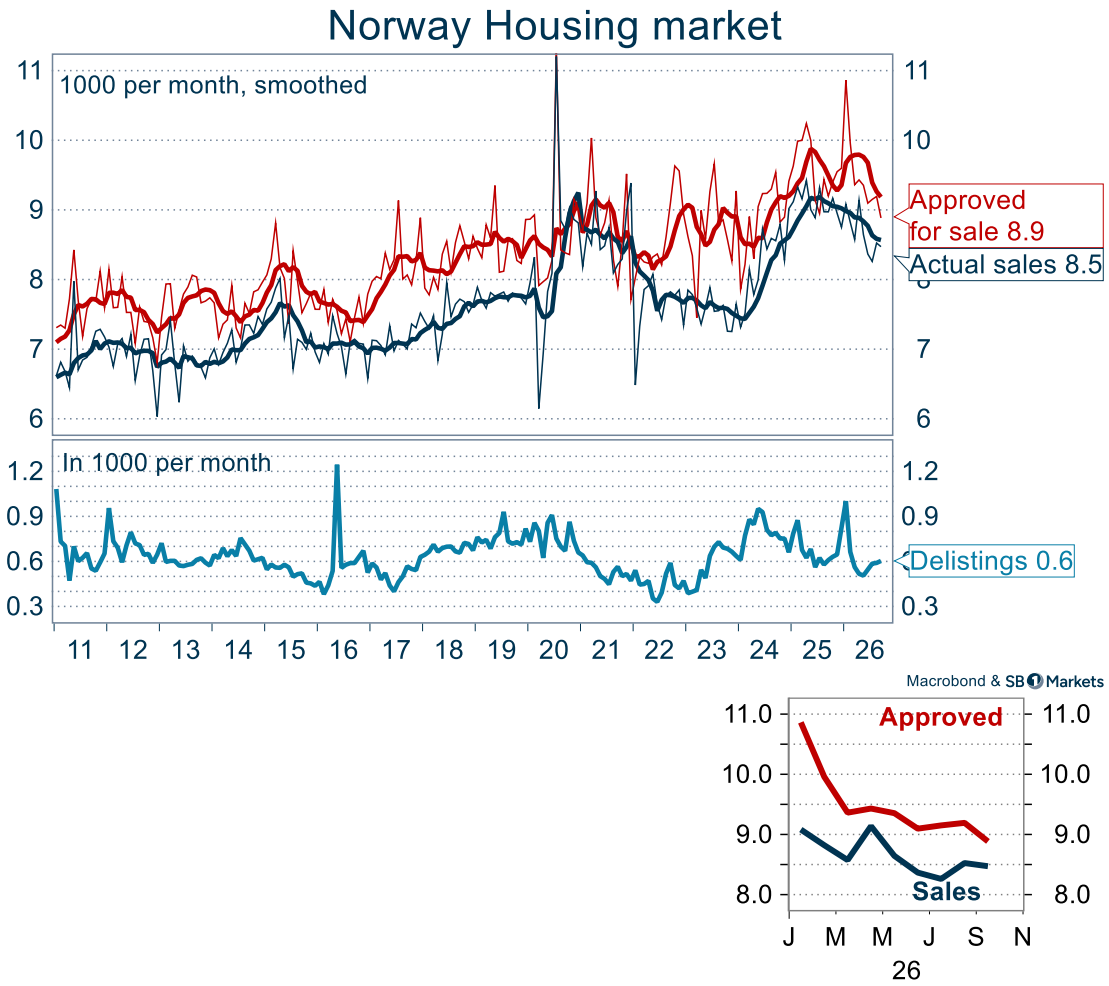


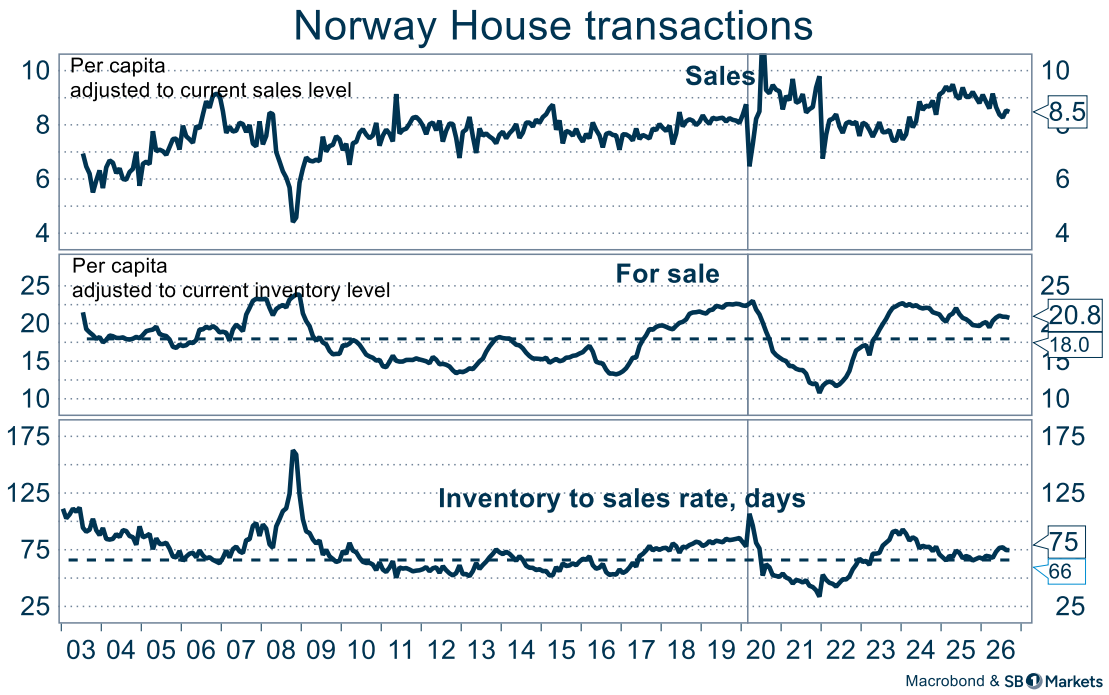


In Porsgrunn/Skien, prices are 67% lower than in Oslo, per sq. m.

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

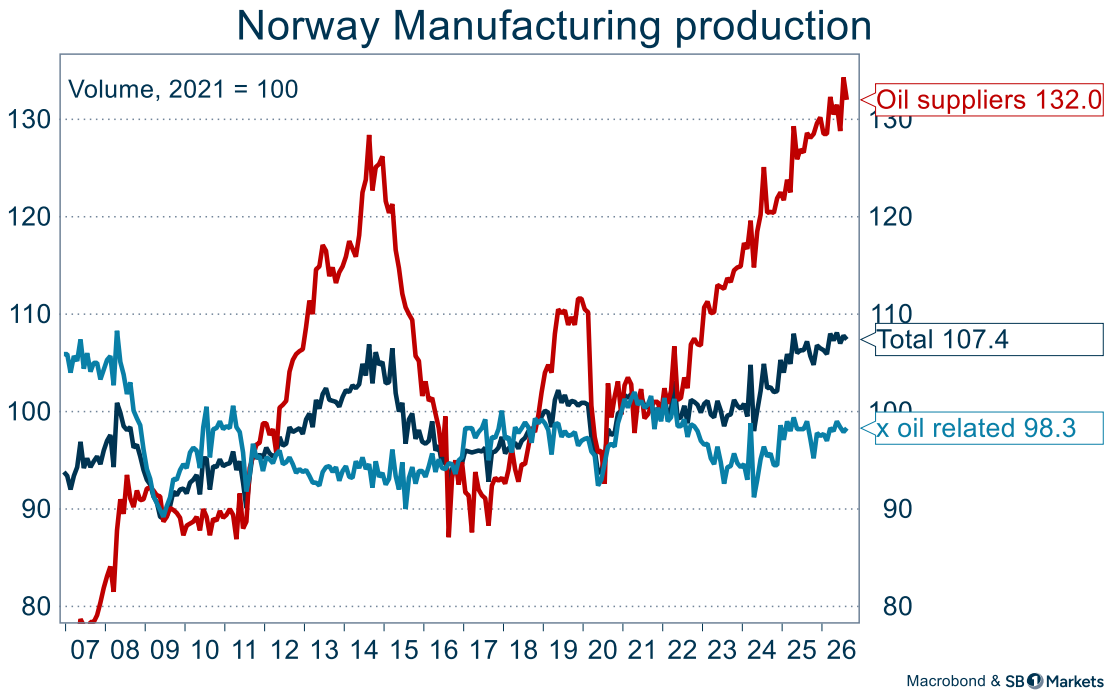
Sales have fallen since mid-25 but are still above an average level (but not by that much population-size adjusted). The inventory of unsold homes has fallen marginally the past 3 months. The inventory-to-sales ratio fell to 10 days above the 56-day historical average.

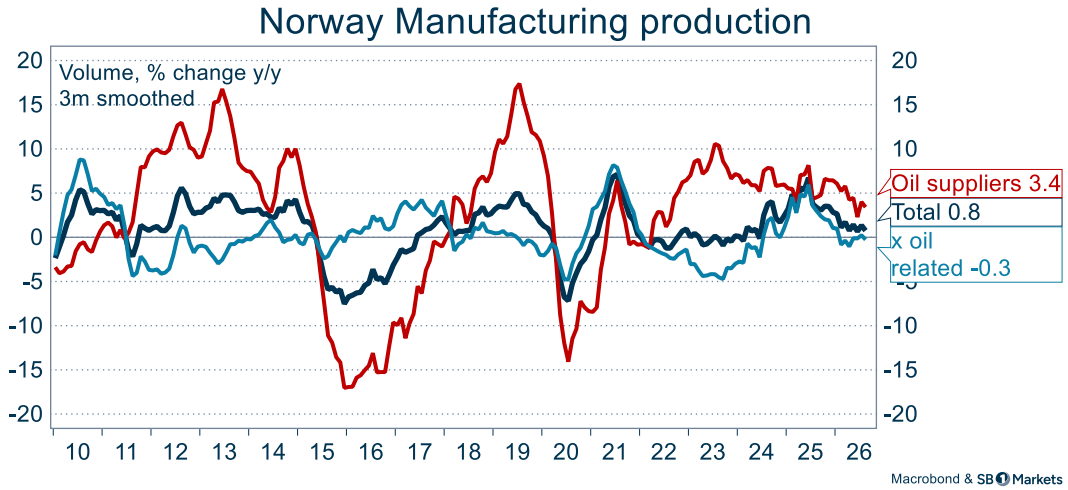


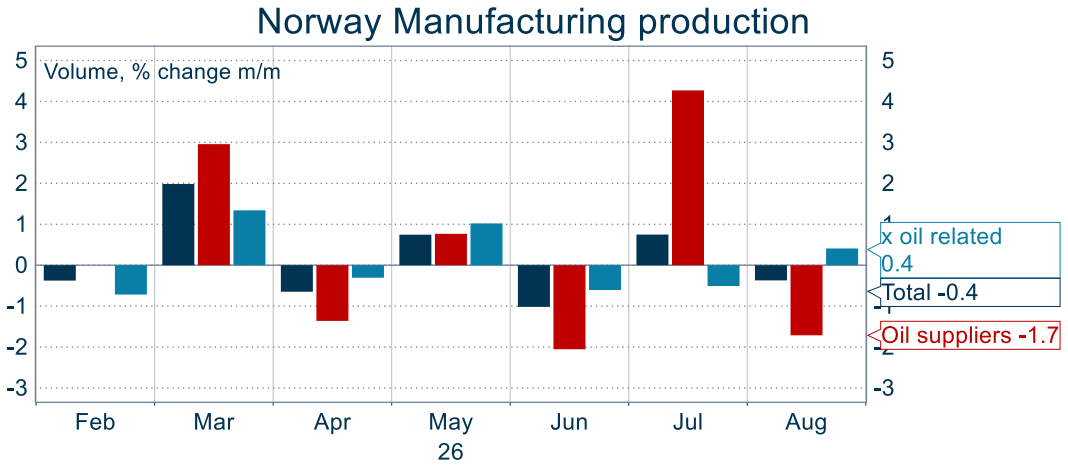


Manufacturing production: Oil suppliers contracted in August, a small lift elsewhere

Manufacturing production declined 0.4% in August, following the 0.7% lift in Jul. Oil suppliers reversed almost half of the 4.2% hike in July. Non-oil-related production rose 0.4%. The total has flattened lately.



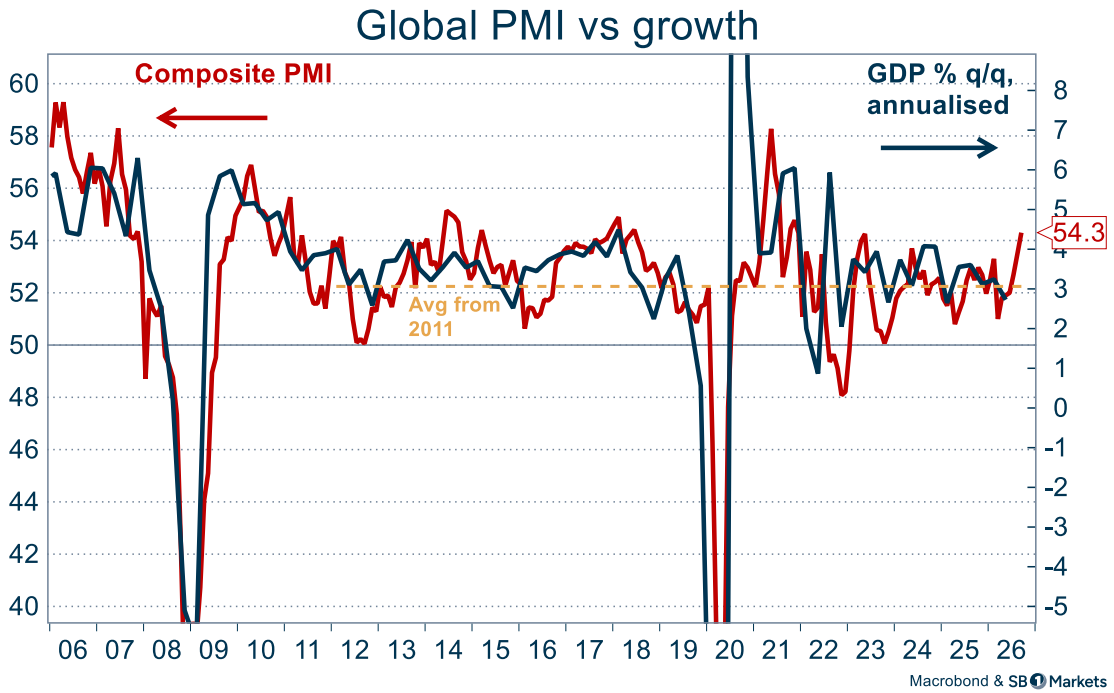


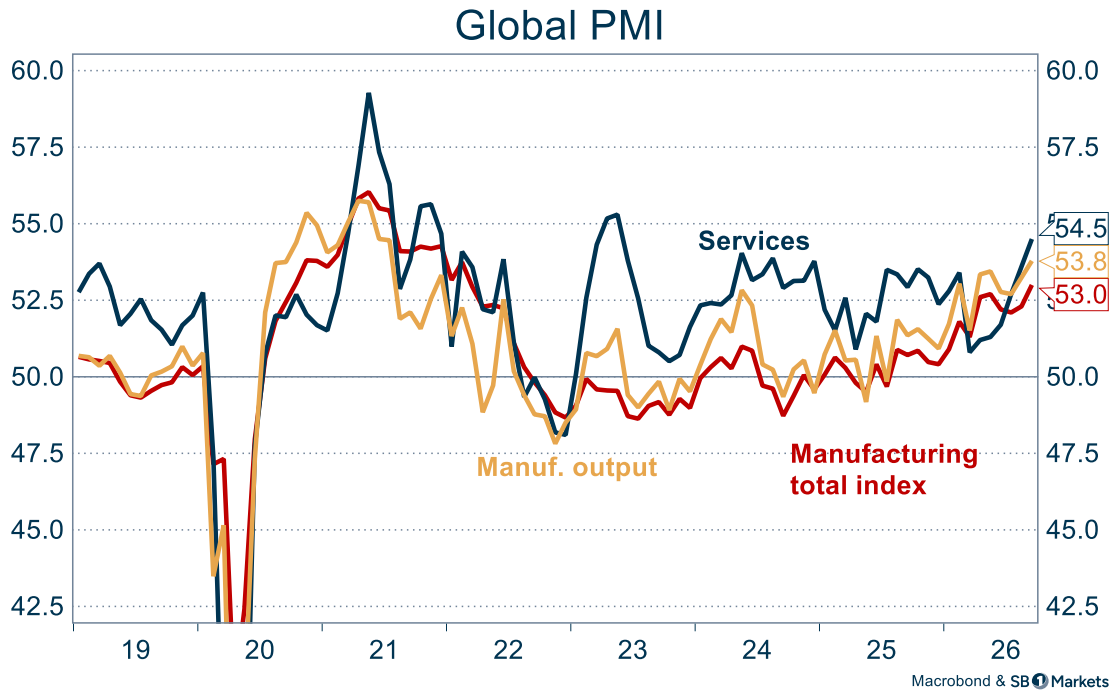


- The longer-term trend for **total production** is up. Production is up 0.8% y/y (3m avg).
- **Oil-related manufacturing production** (suppliers/yards etc. but not refined oil products) is still up 3% y/y.
- **Other sectors** are flat y/y.
- **Manufacturing surveys** on average signal a modest decline in production.

A strong global PMI print confirmed, +0.8 p to 54.3 best since '21→ *4½% global GDP growth*

6 months ago, in March, companies signalled a 2% global growth rate. Both manufacturing and services contributed, as did a majority of countries, with USA and Sweden in the lead. The global index is the highest since 2021. A well-above-average global growth rate is signalled.

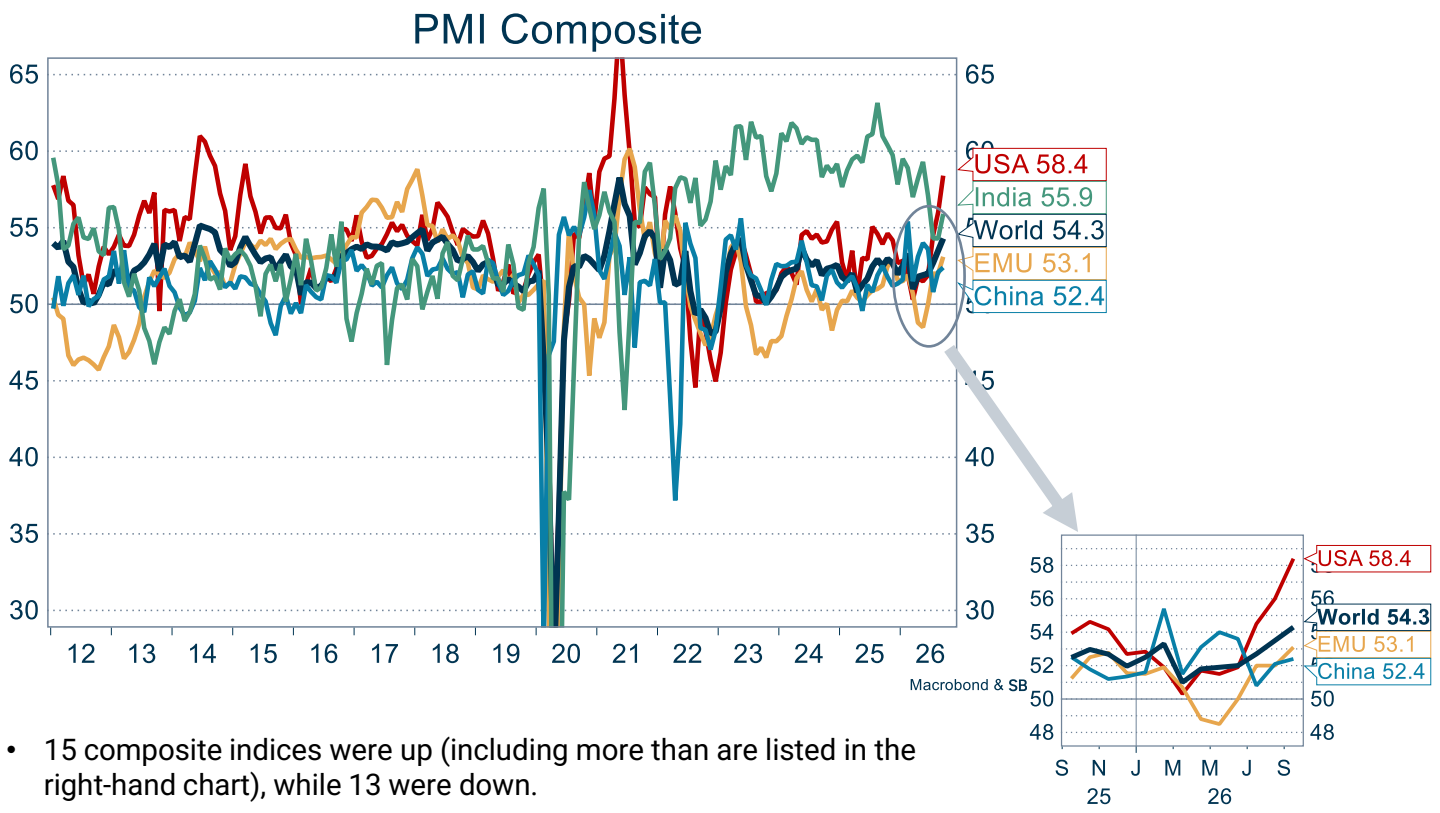


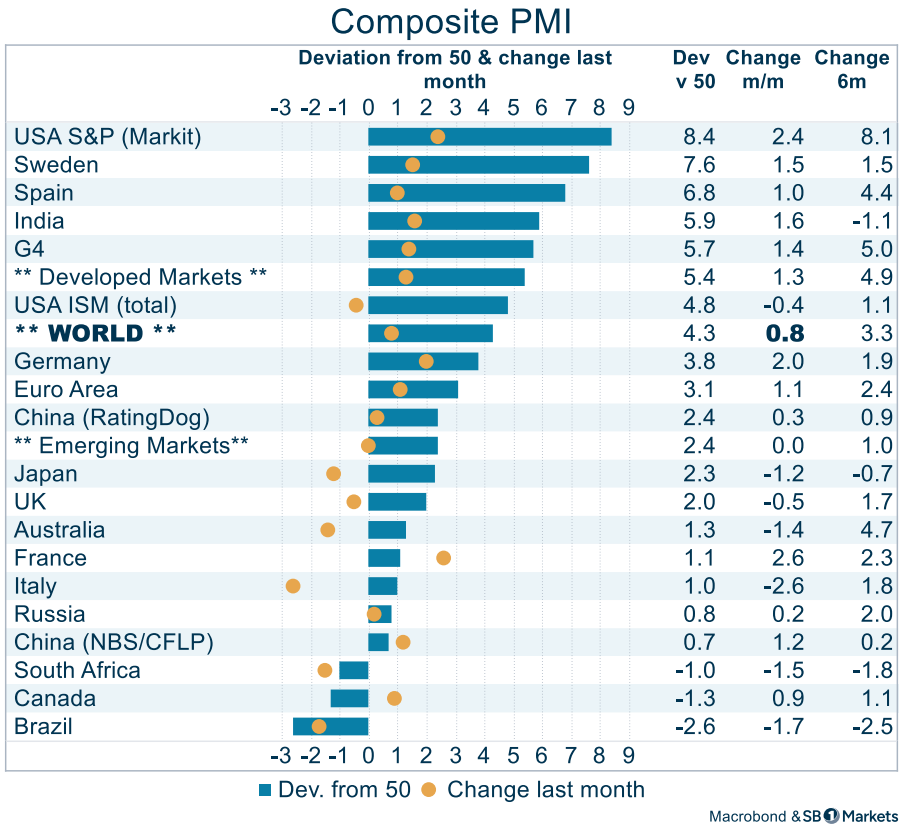


The global services and composite PMIs are our estimates.

PMI: US at the top of the ranking, + 2.4 p to 58.4, ahead of Sweden, Spain and India

The EMU composite PMI was up 1.1 p to 53.1, the best since 2023. Both of the Chinese indices were up more than 1 p. The US ISM indices were marginally down, still high up on the list. Japan also slowed, while the Brazilian index fell sharply, to a low level.

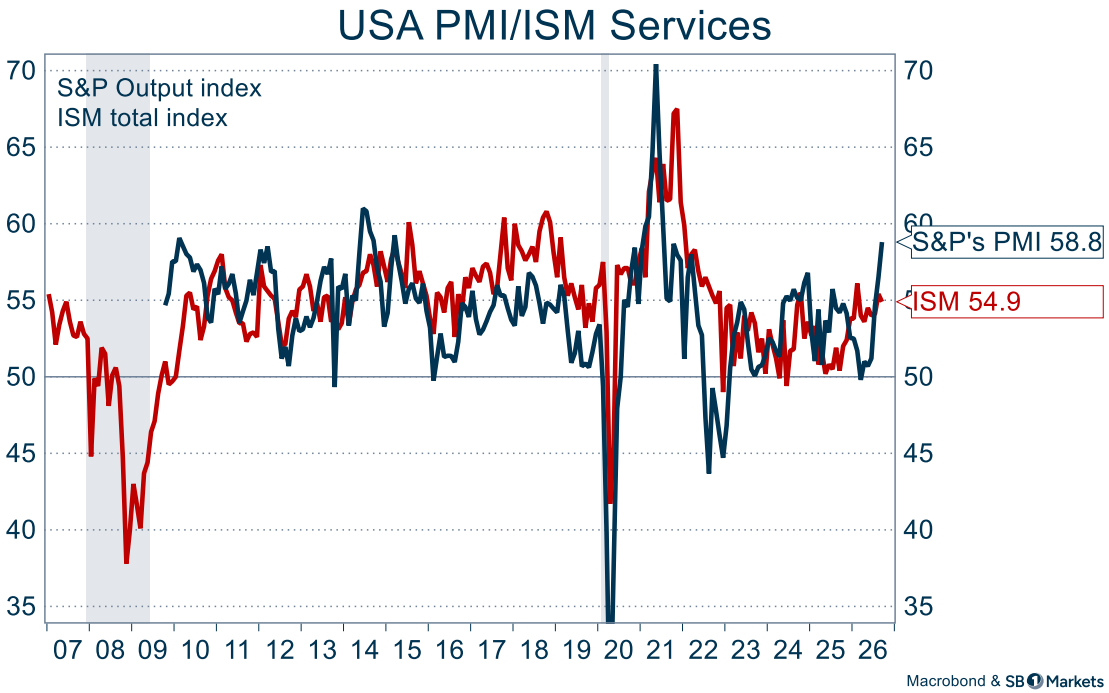


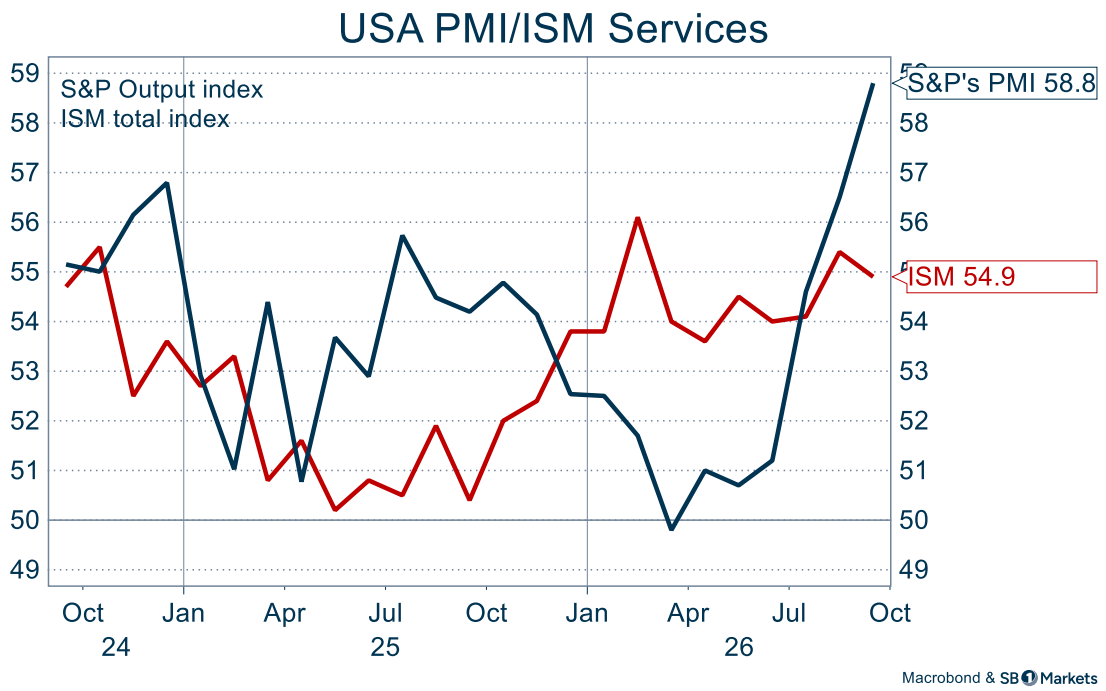


- 15 composite indices were up (including more than are listed in the right-hand chart), while 13 were down.
  - 6 indices were below the 50-line, 1/5 of all composite surveys.
- The top: A **composite ISM** (our calc.) declined by 0.4 p to 54.8, in line with expectations, even if S&P's index rose by 2.4 p to 58.4-
- The **Euro Area index** was up 1.1p to 53.1, well above the level before the Gulf conflict started.
- The **Chinese private sector RatingDog PMI** rose slightly, to 52.4.

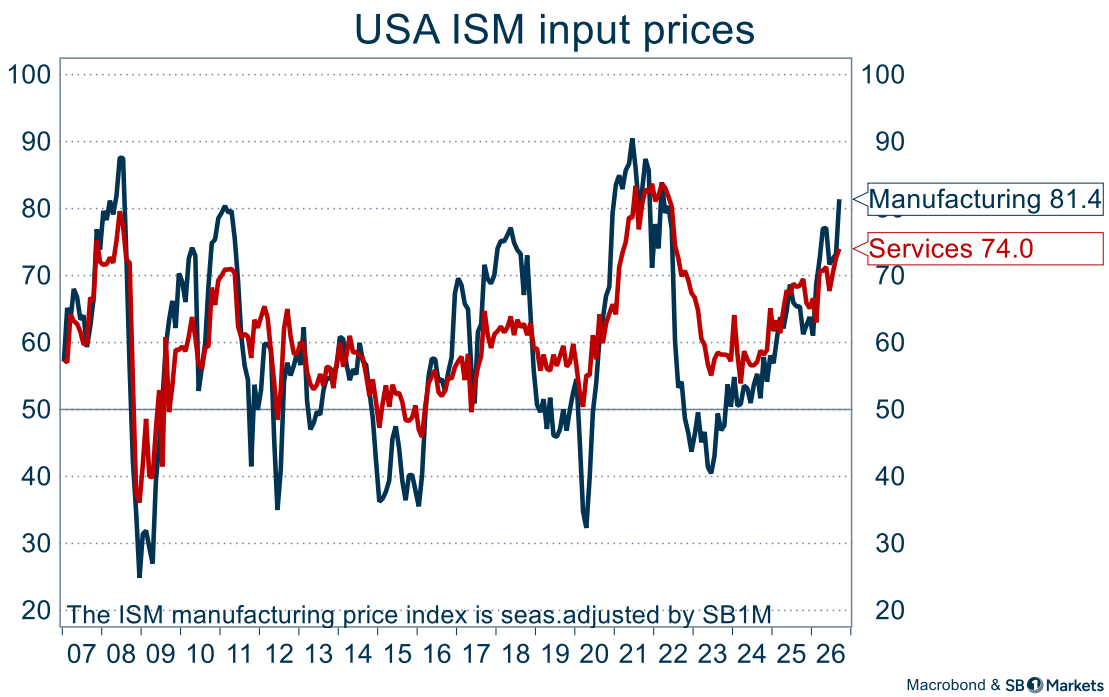
Services: S&P's PMI up to a very high level, ISM's remained at an average level

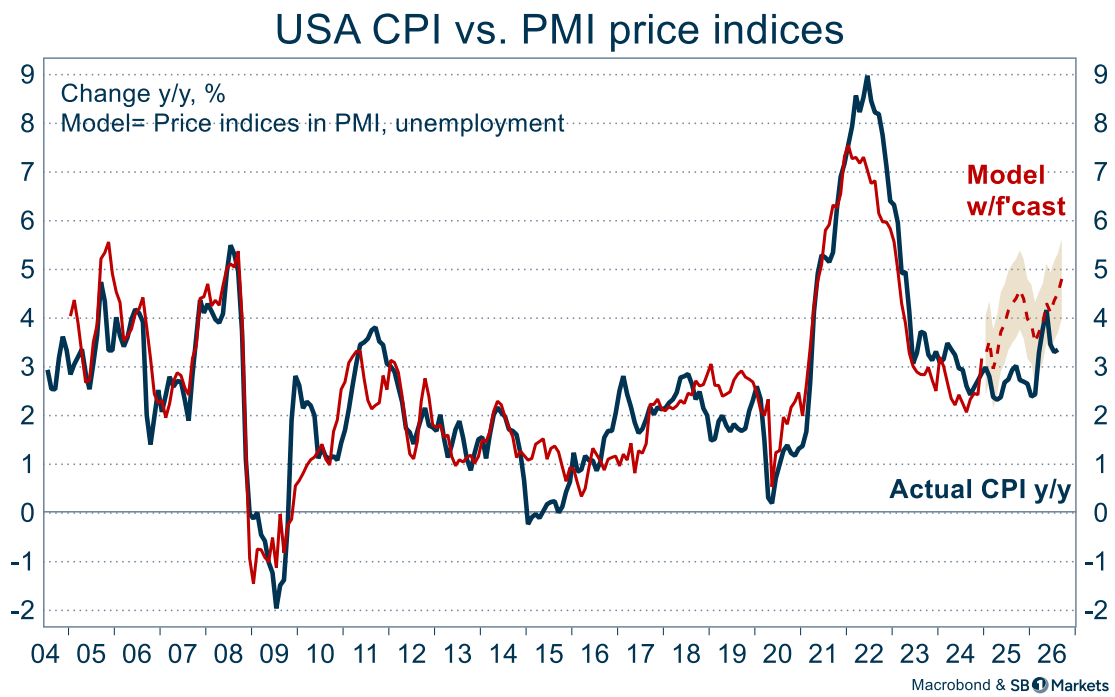
… but above the 3y average. In sum, fast growth in services is signalled





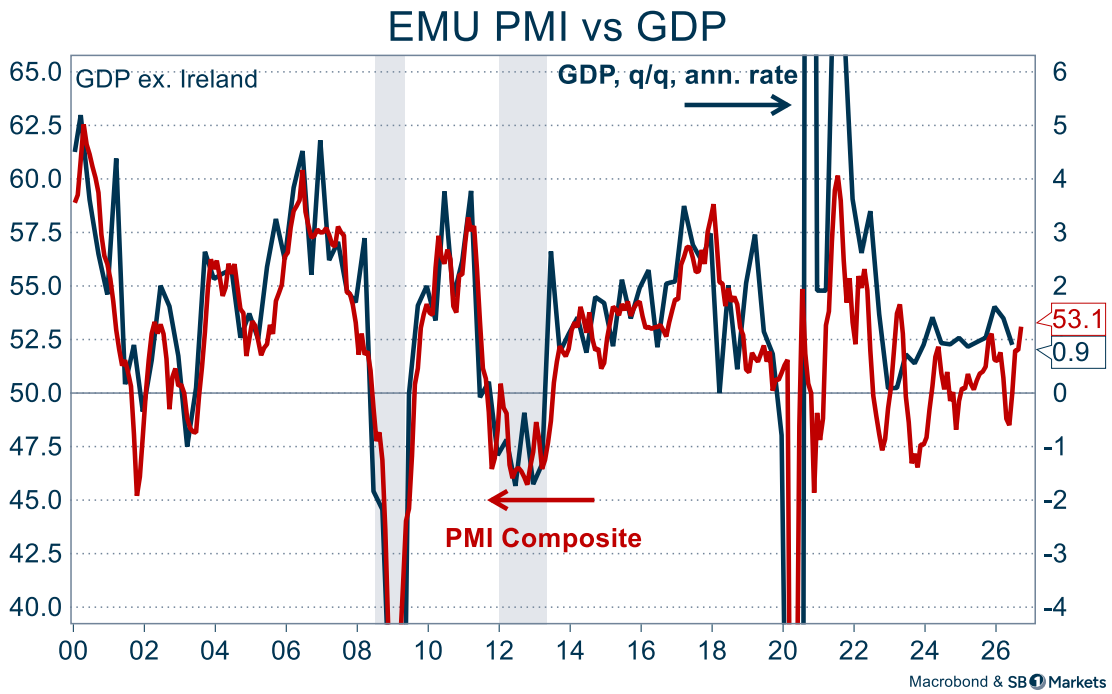
ISM input price indices rose further in September, and signal higher CPI inflation

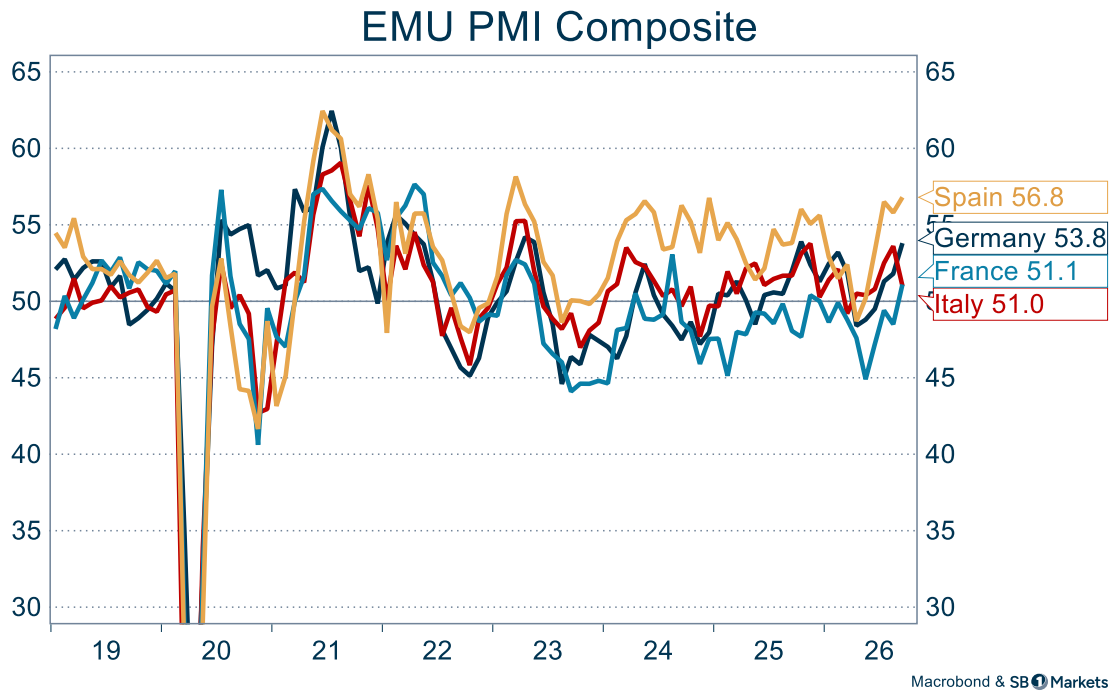




The EMU composite PMI up 1.1 p to 53.1→ *(almost) 1.5% growth is signalled*

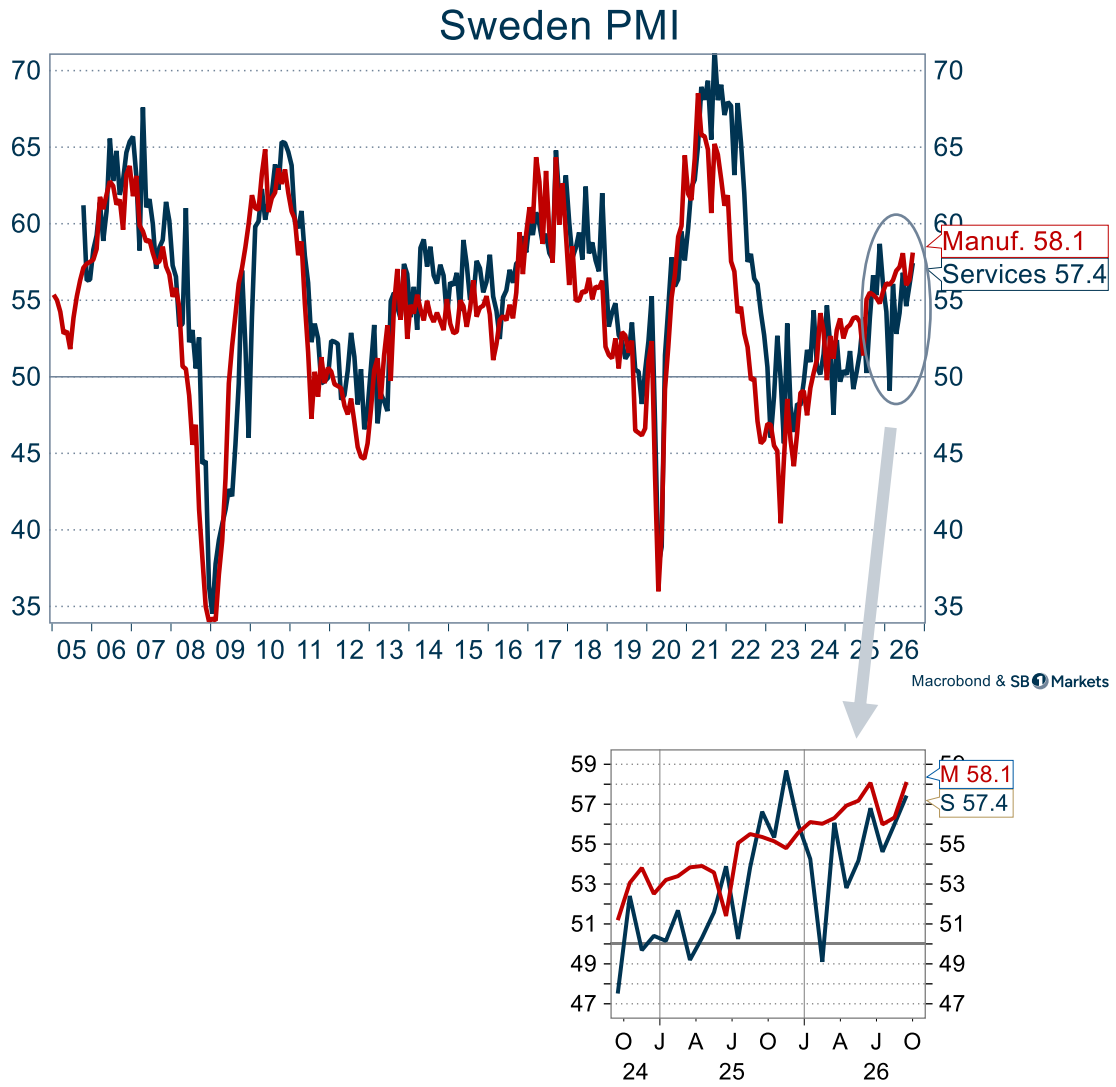
The index level is the best since 2023. All big 4 but Italy reported faster growth, and even Germany reports rather fast growth (but it did so last autumn as well). Spain is in the lead, as it has been virtually every month the past 3½ years – which shows up in the GDP statistics.

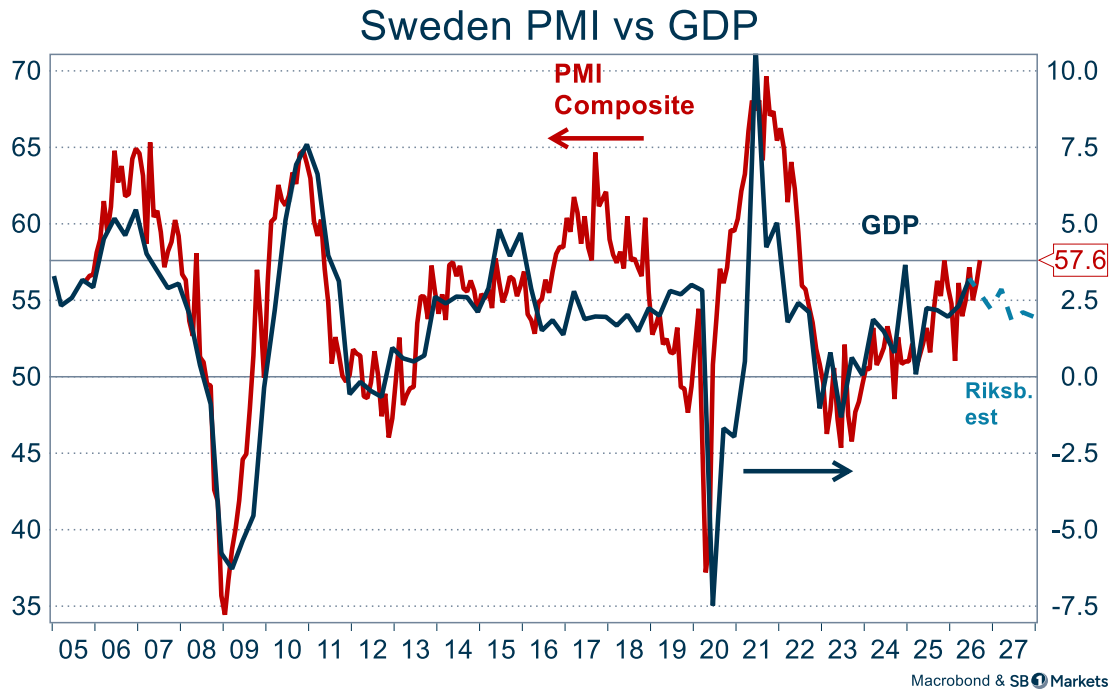




Sweden: manuf. & services up in Sep., comp +1.5 p to 57.6 → *3–4% GDP growth*

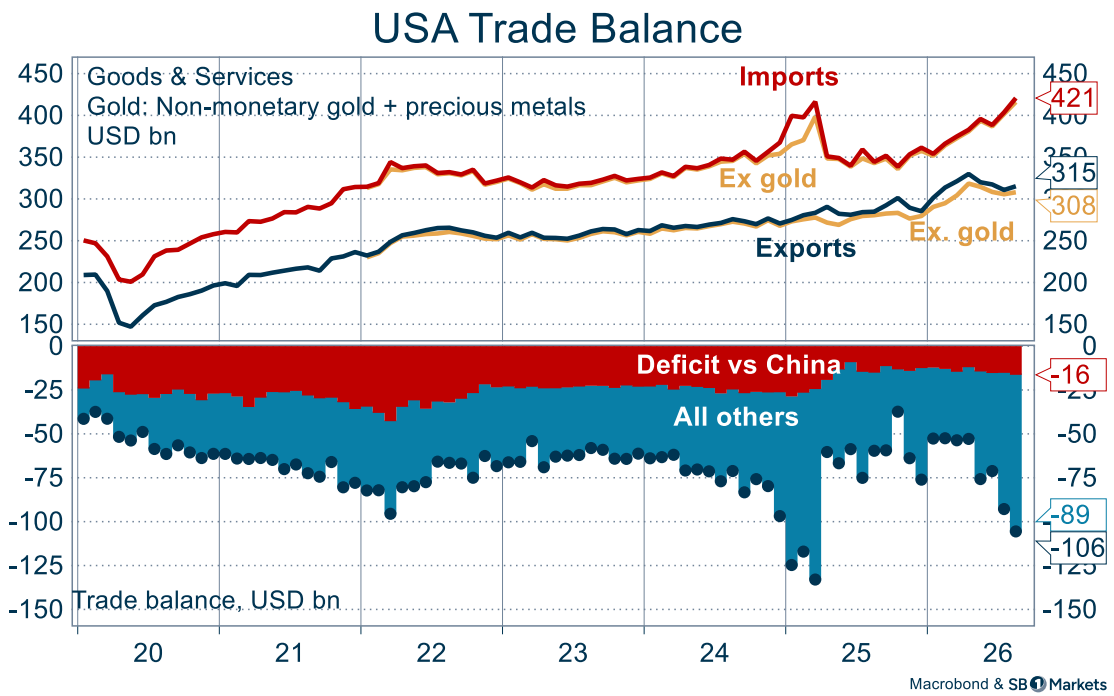
Both manufacturing and services PMIs trend up, and both are well above average – but far from record highs.

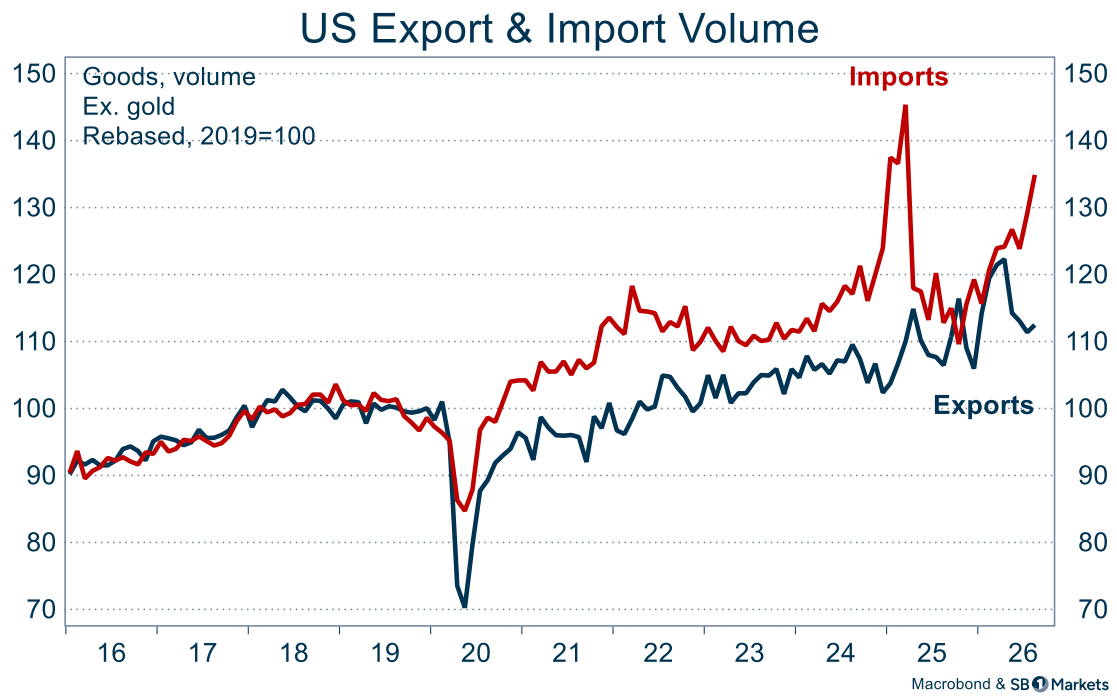




The trade deficit is higher than any time before, barring the pre-tariff frontrunning in Q1-25

… at least in value terms. The deficit widened to USD 106bn in August, from 93bn in July, as signalled by the preliminary goods data.

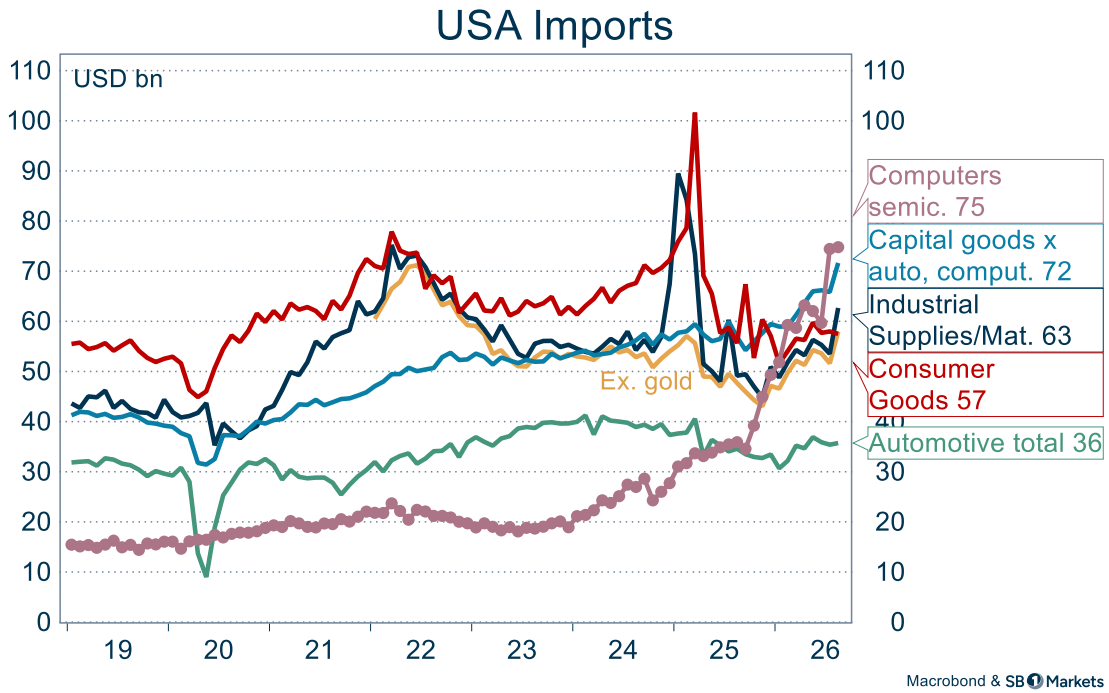


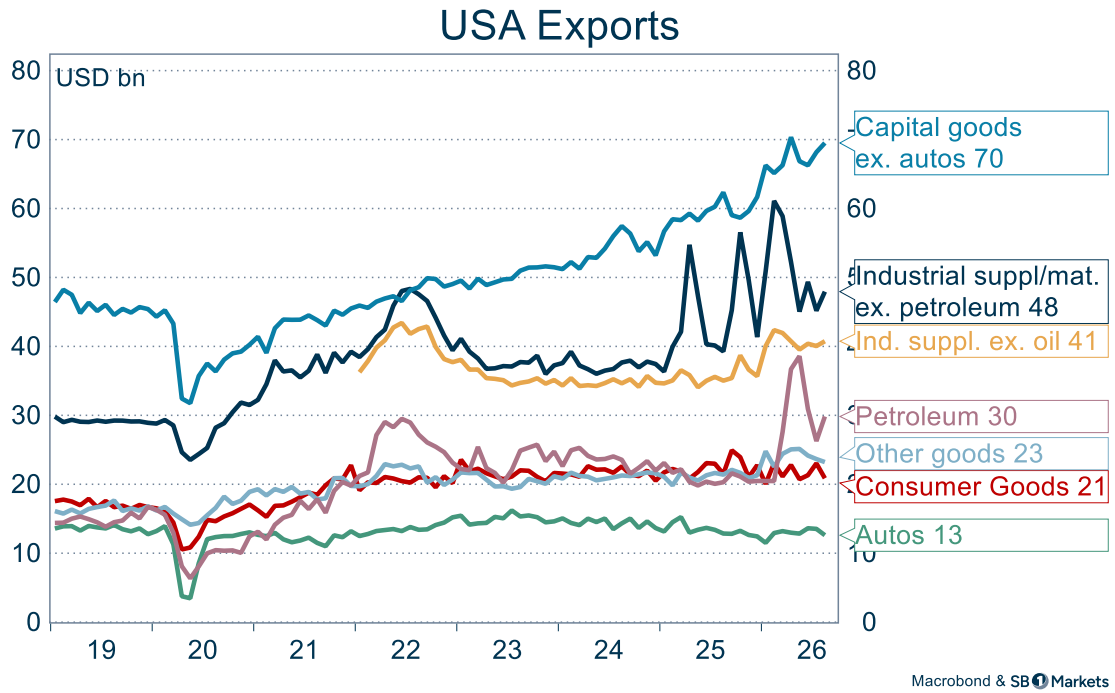


- Net gold exports have fallen to almost a normal level and do not influence trade figures by much anymore.

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

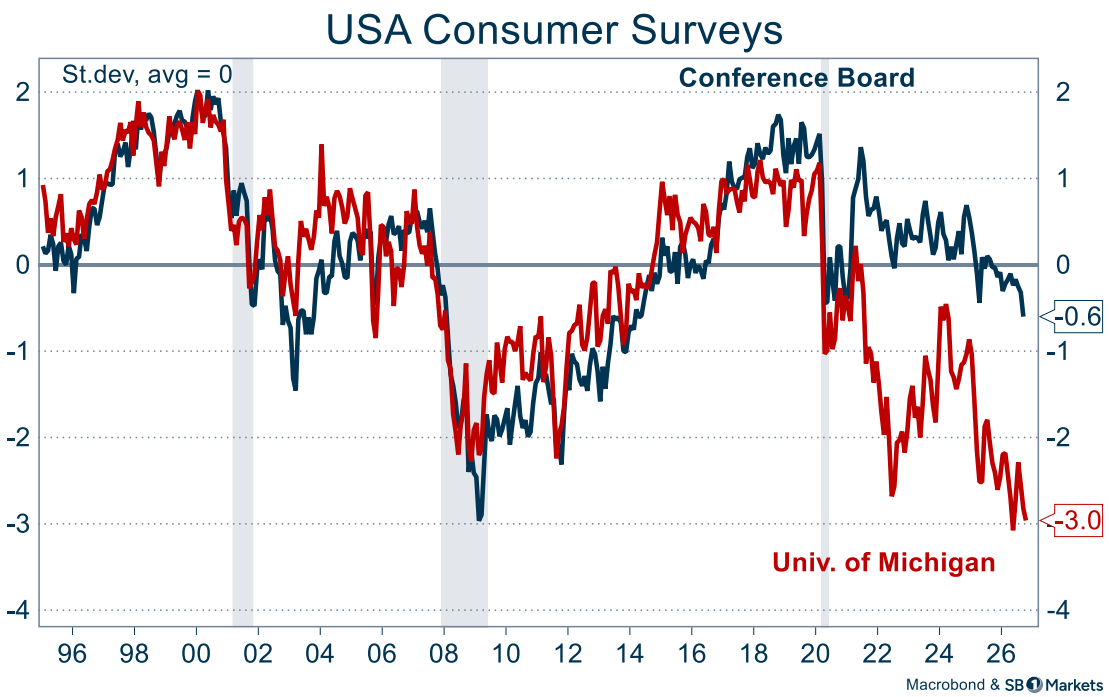
Imports of semiconductors/computers are up more than USD 40bn since last autumn, or more than 2x.
Exports: Petroleum exports as well as other material exports have been volatile lately. Capital goods ex. autos trend steadily up.



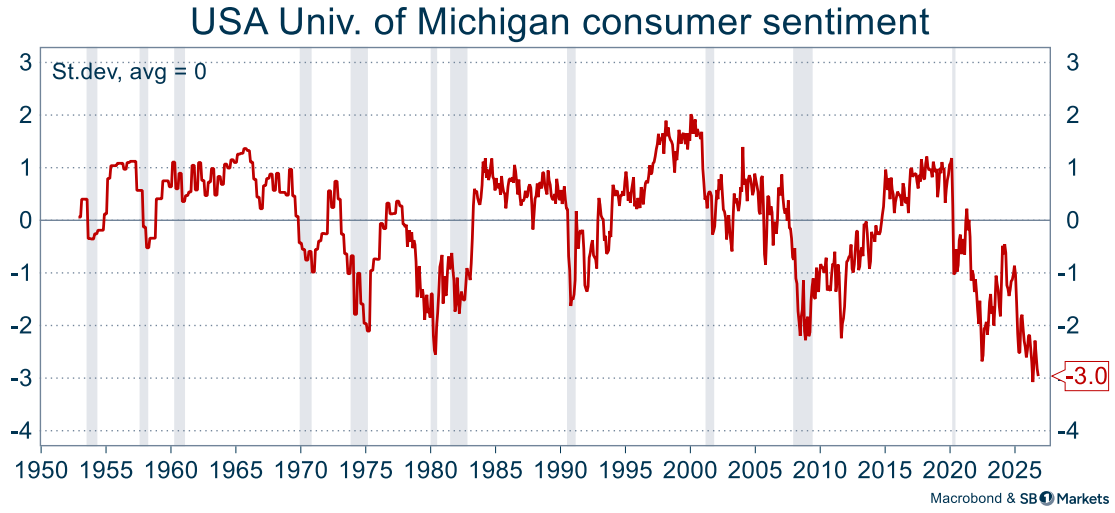


Univ. of M. consumer sentiment the 2nd worst ever; Just May even weaker (data from 1953)

UM sentiment fell 0.1 std. dev. to -3.0 std. dev. below average. Households say the current situation is the worst ever – which of course is completely BS. Expectations have been even weaker just in 1979/80, when the gasoline bill was far, far higher than today. Still, they spend!

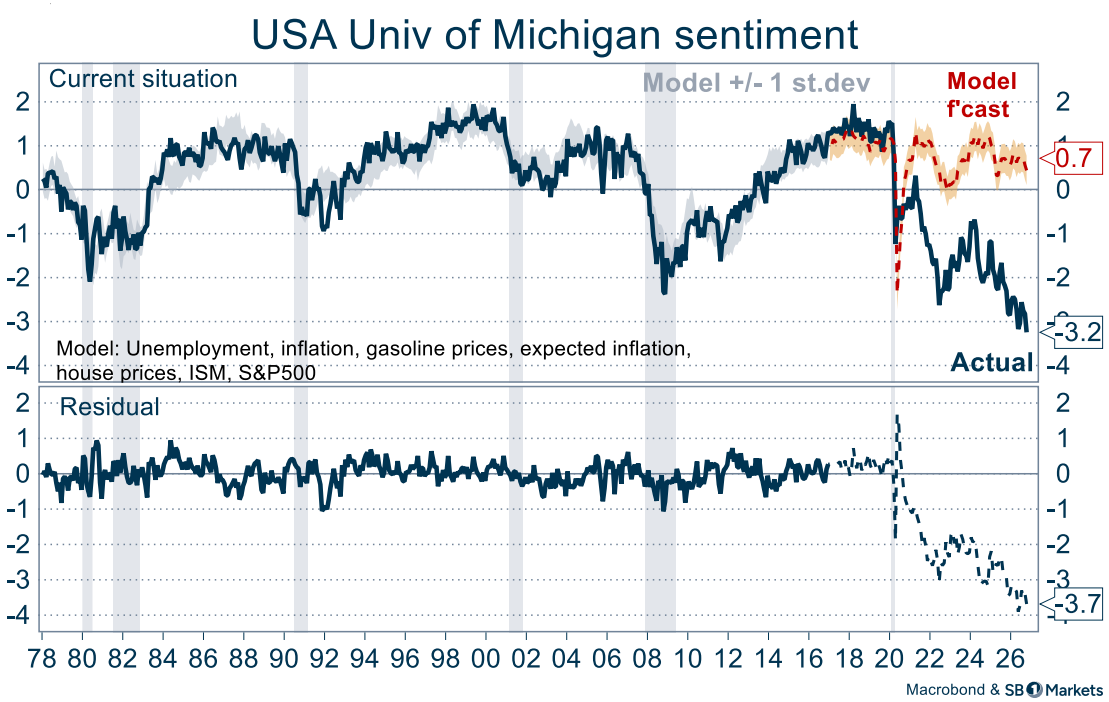


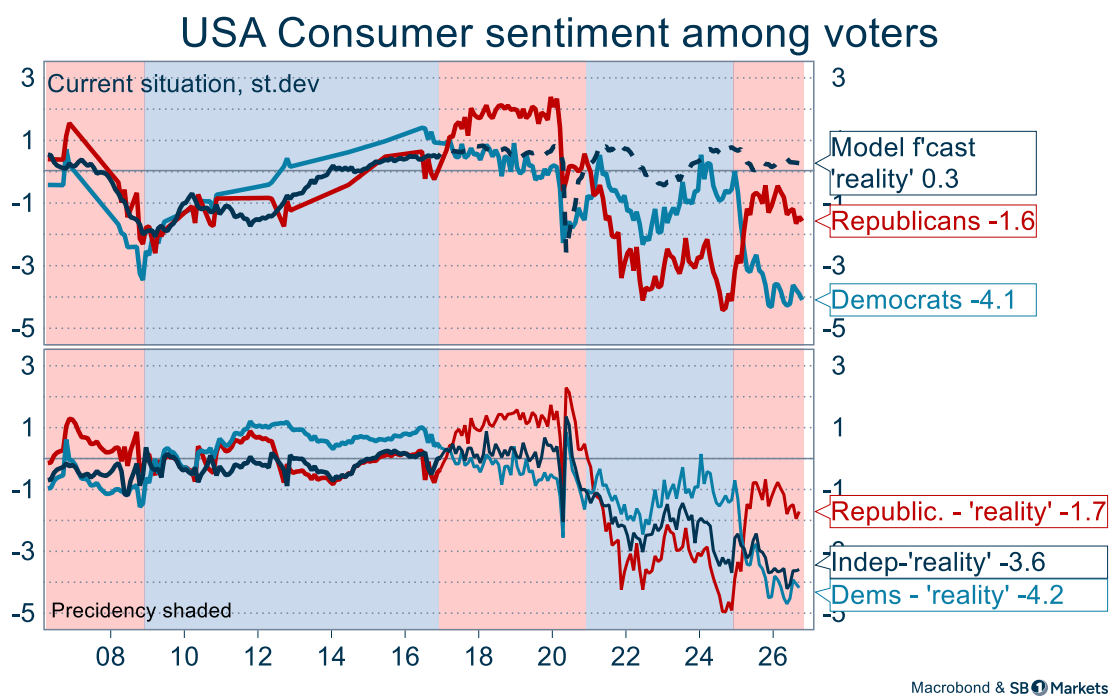
- **The UM consumer sentiment index** fell almost 4 p to 47.8, well below expectations (51.0)
- **The problem:** Households are asked about their own economic situation, which of course may be disconnected from the overall status in the US economy. However, the 'spread' between the 'micro' assessment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



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.

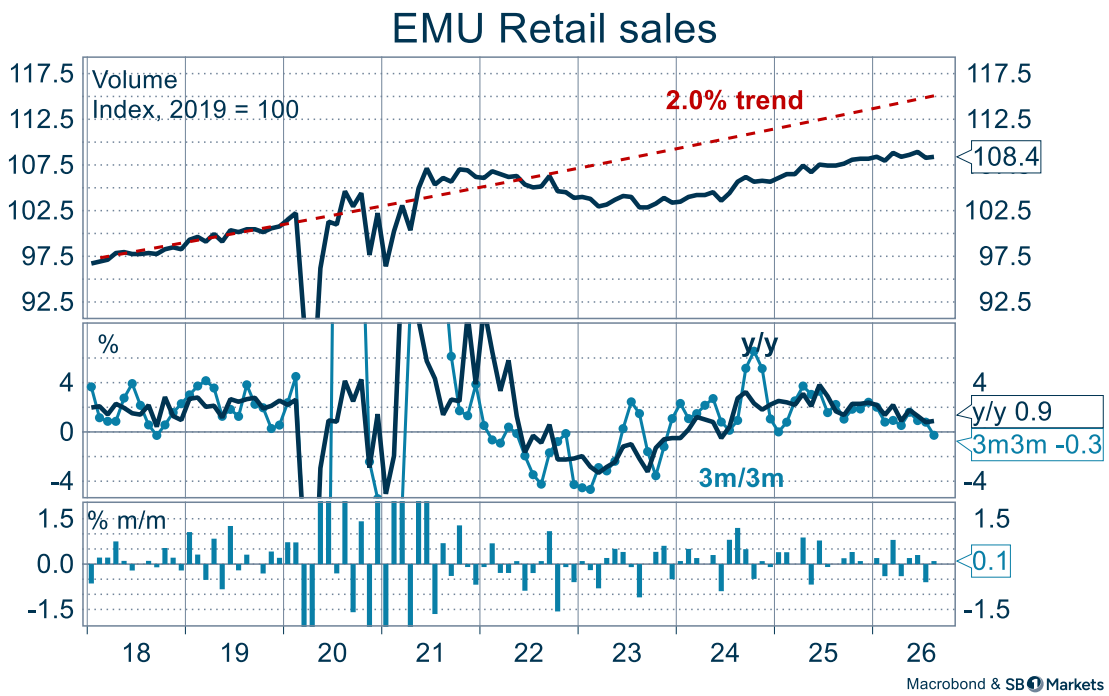


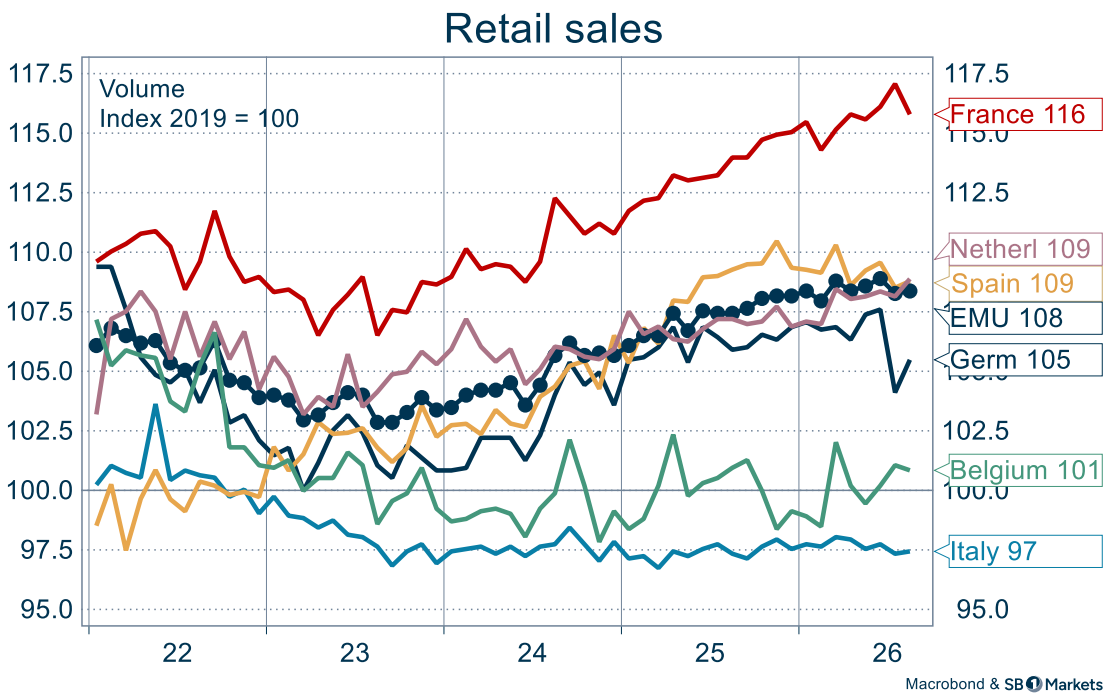


- During the Biden administration, our models indicated that Republican voters were largely out of touch with reality in their assessment of the current situation. The 'Republican negative sentiment' accounted for most of the discrepancy in our sentiment model. The gap was closed as soon as Trump was re-elected in 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 as 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 it current situation is 4.2 s.d. 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.

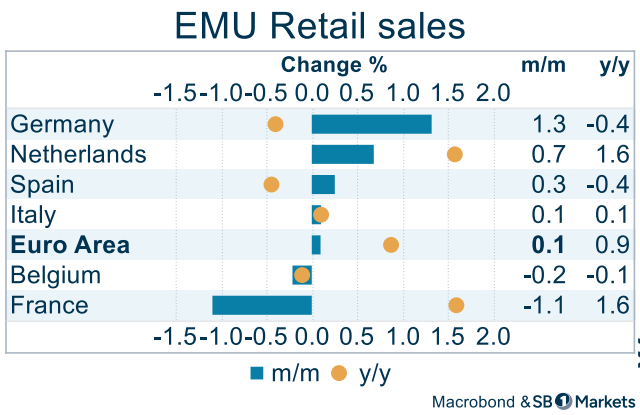
EMU: Retail sales marginally up in August, trend flat

Sales rose 0.1% m/m, and 0.9% y/y, both 0.2 pp below expectations. German sales recovered some of the unusual 3.2% July drop but remain at a low level. In August, French sales fell the most, from a (suspiciously, vs. national accounts data) high level.



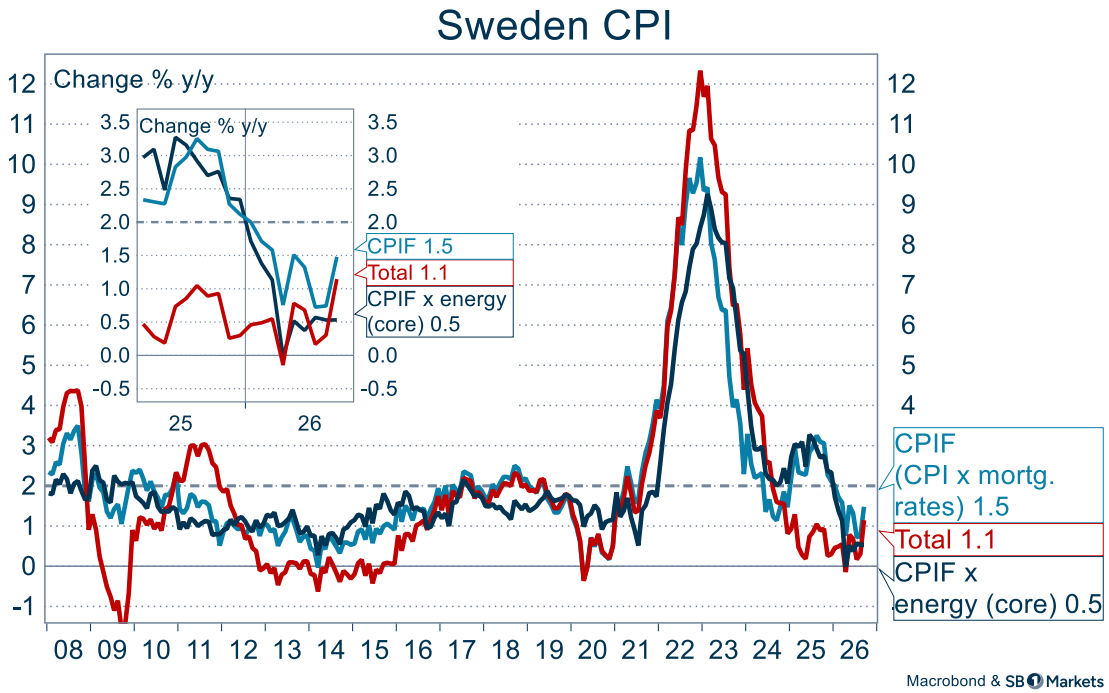


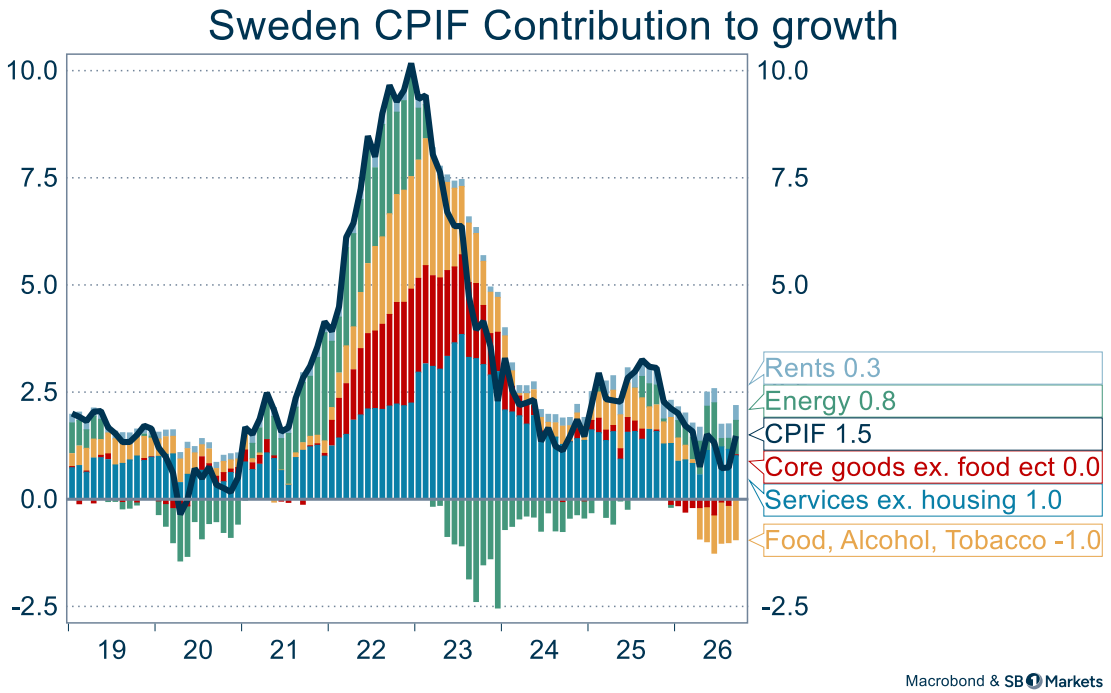
- **Retail price inflation** is 2.5% (*check next page*), and the value growth is 3.8% y/y (both data smoothed), which is in line with growth in total wage revenues.



Sweden: CPIF core inflation 0.2 pp lower than expected in September, flat at 0.5% y/y

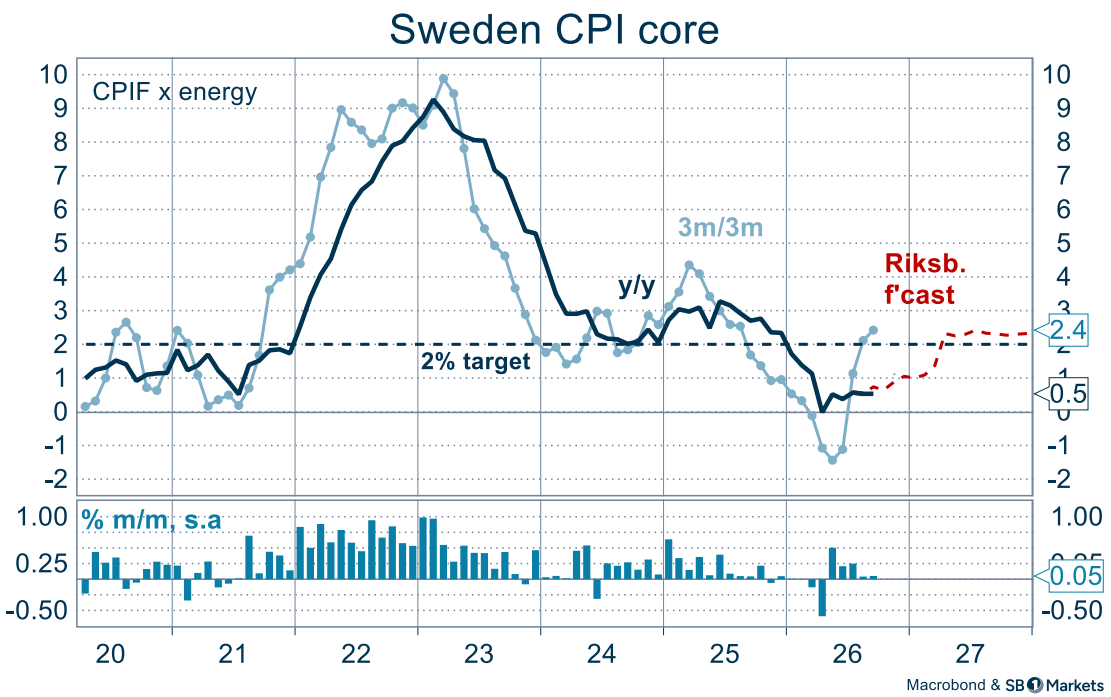
Core prices were close to flat m/m, as in August. However, energy prices rose 12% m/m and are up 17% y/y. CPIF including energy was up 1.5% y/y, as expected, from 0.7% in August. Inflation is still far below target, mostly due to tax cuts, which will lower inflation just temporarily.

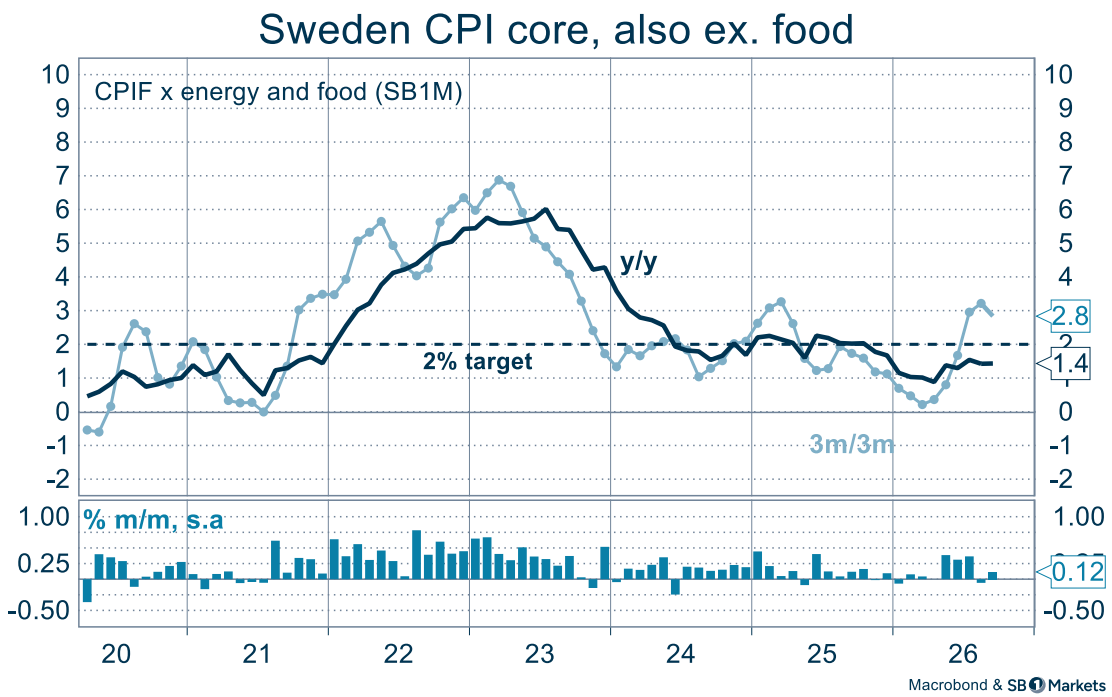




- **The traditional headline CPI inflation** accelerated 0.8 p to 1.1% y/y, 0.1 pp less than expected. Prices rose by 0.6% m/m
- **Mortgage rates** are included in the 'official' CPI and Riksbank's cuts have lowered mortgage rates, and thus the CPI. The negative drag now equals 0.4 pp. Thus, the **CPIF** (CPI x mortgage rates, which is usually referred to as the CPI in Sweden) was up 1.5% y/y, as expected, up from 0.7% in August.
- The **official core, the CPIF excluding energy** (CPIF XE) was close to flat m/m, and the annual rate was unchanged at 0.5%, expected up to 0.7%. The outcome was also below Riksbank's forecast.
- If food is removed as well, to compare with core prices in most other countries, the 'real core' is up 1.4% y/y *(check chart next page)*. ***The underlying growth rate in recent months is at some 2%***
- ***The Riksbank expects annual inflation to accelerate to marginally above 2% next April (food VAT impact) and to stay there. The bank is in no hurry to hike?***

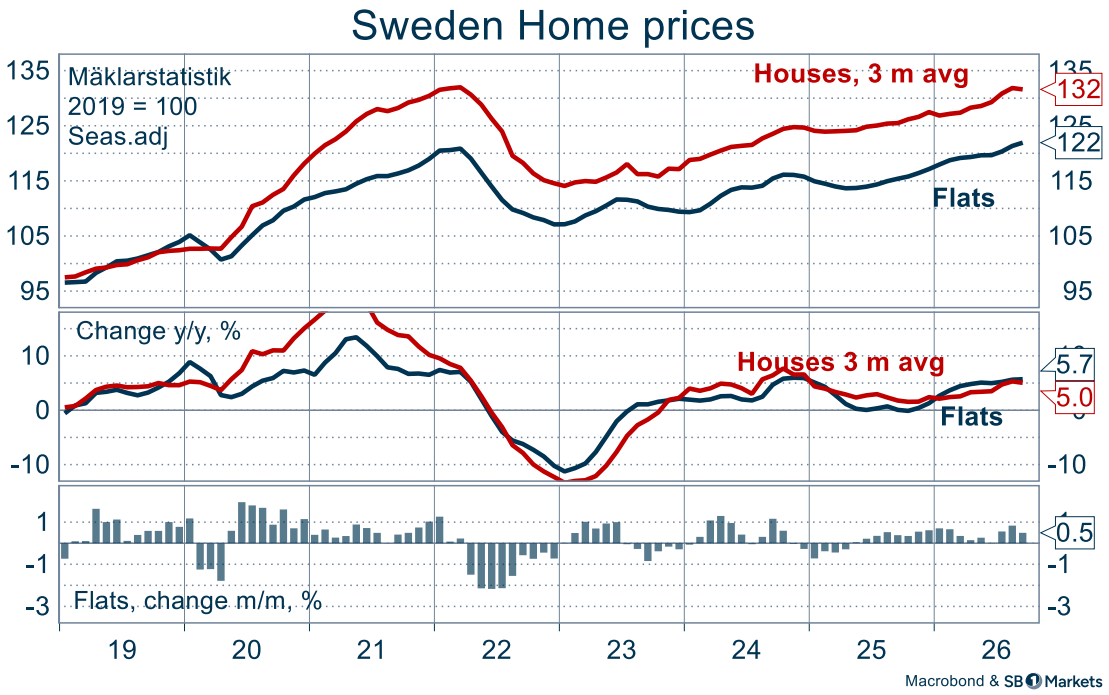
CPI core inflation: 0.5% y/y – but 1.4% if food is also excluded





Housing prices are up 5–6% y/y (at least according to the latest version of the statistics)

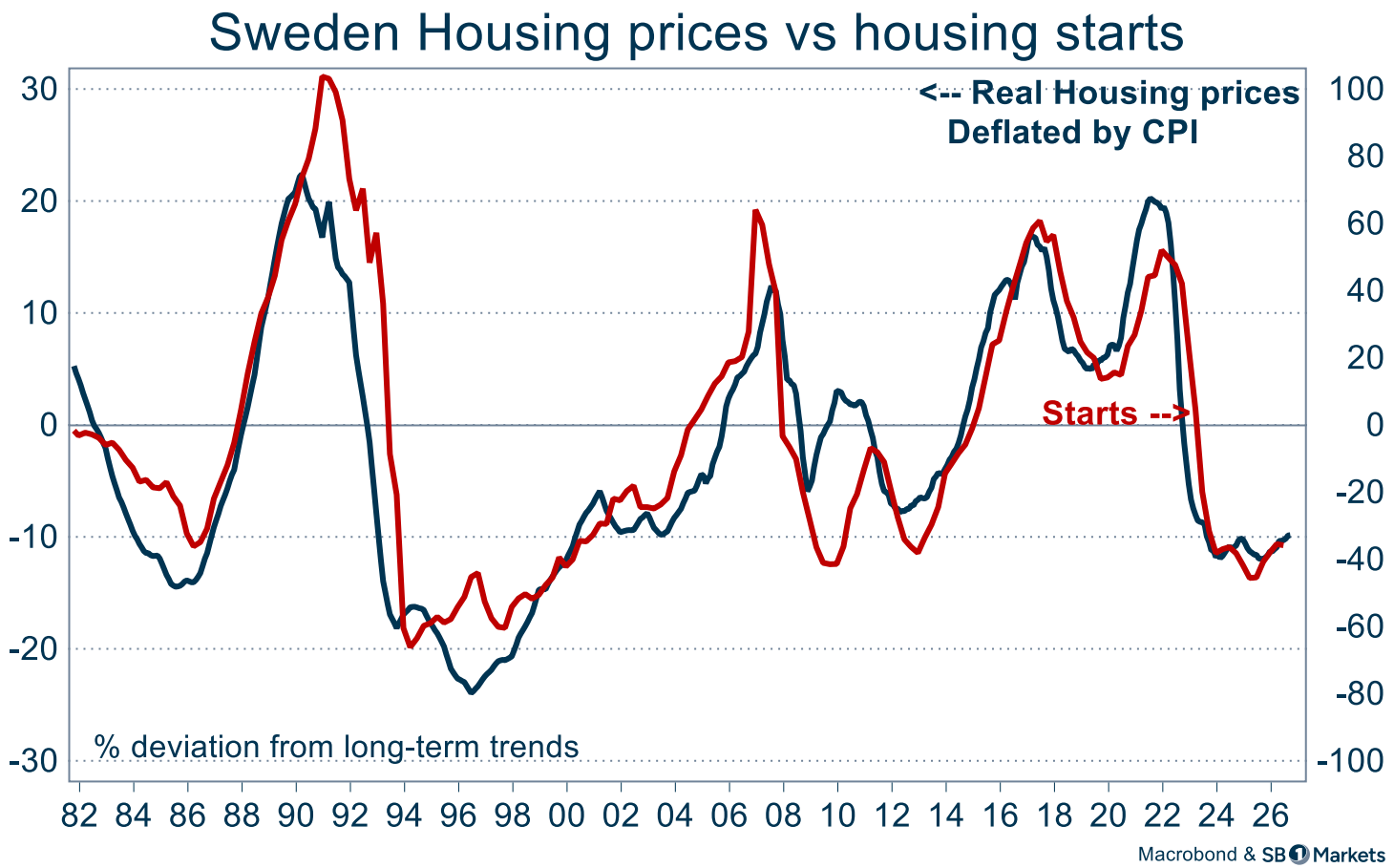
... following a 2½ pp upward revision of the previous months' data. Flat prices rose 0.5% in September, while single-family house prices fell slightly (3m average). Given consumer confidence, the low price level (-16% from '22 in real terms), and low mortgage rates, prices will climb further?



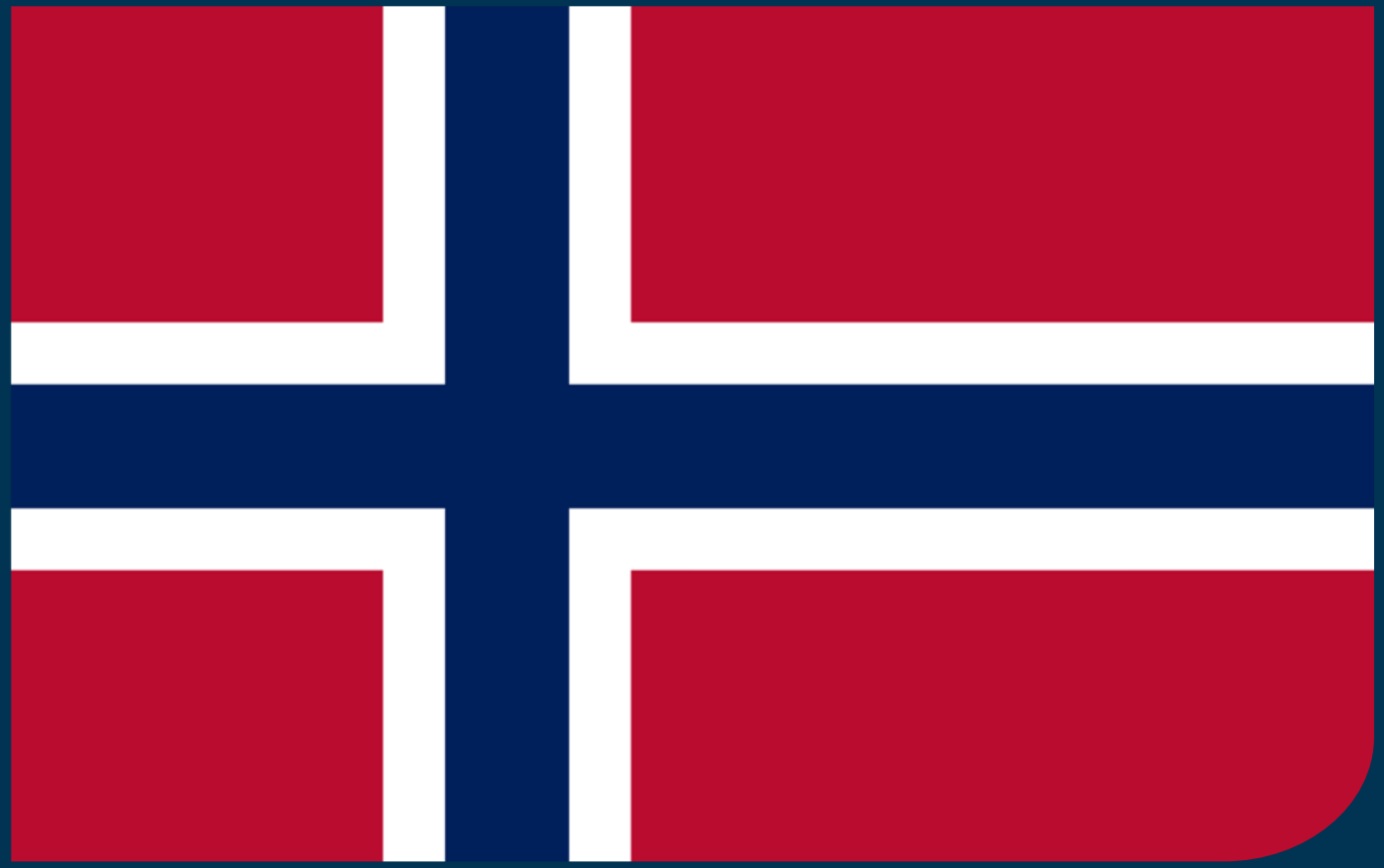
- **Housing prices** have been trending up since early 2023, but not in a straight line – and they are often heavily revised.
- **Flat prices** are up 5.0% y/y, the best in almost 2 years.
- **Single-family house prices** are still trending up, but fell in August, even measured as a 3m average.
- Taken together, **housing prices** rose 0.3%, measured as a 3m average, and are up 5.0% y/y.
  - **Nominal prices** are down 0.5% from the early 2022 peak. **In real terms**, deflated by CPI, ***prices are down 16%*** – and they are back to the 2016 level – even if mortgage rates have fallen substantially from the 2023 peak
    - **Norwegian** real housing prices are down 5% from the peak.
- **Transaction volumes** have recovered to a normal level.
- **The inflow of existing homes for sale** has been trending down and is at a record low level.
- **The inventory of unsold homes** heads down but remains ***above normal levels***.

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

Starts lag prices by some 6 months.



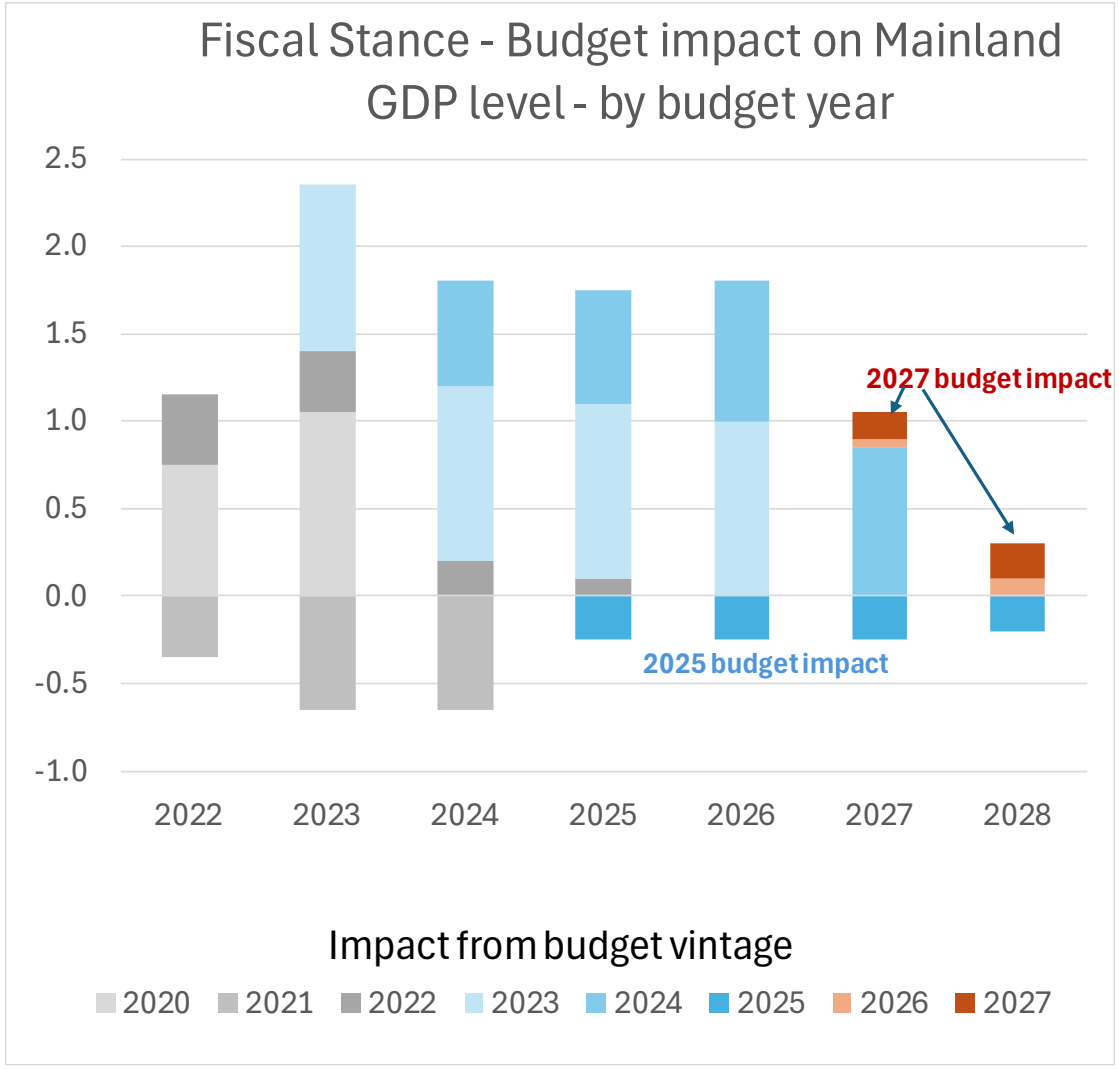
SB 1 Markets



2. Norway

A marginally expansionary fiscal budget proposal, but less than expected?

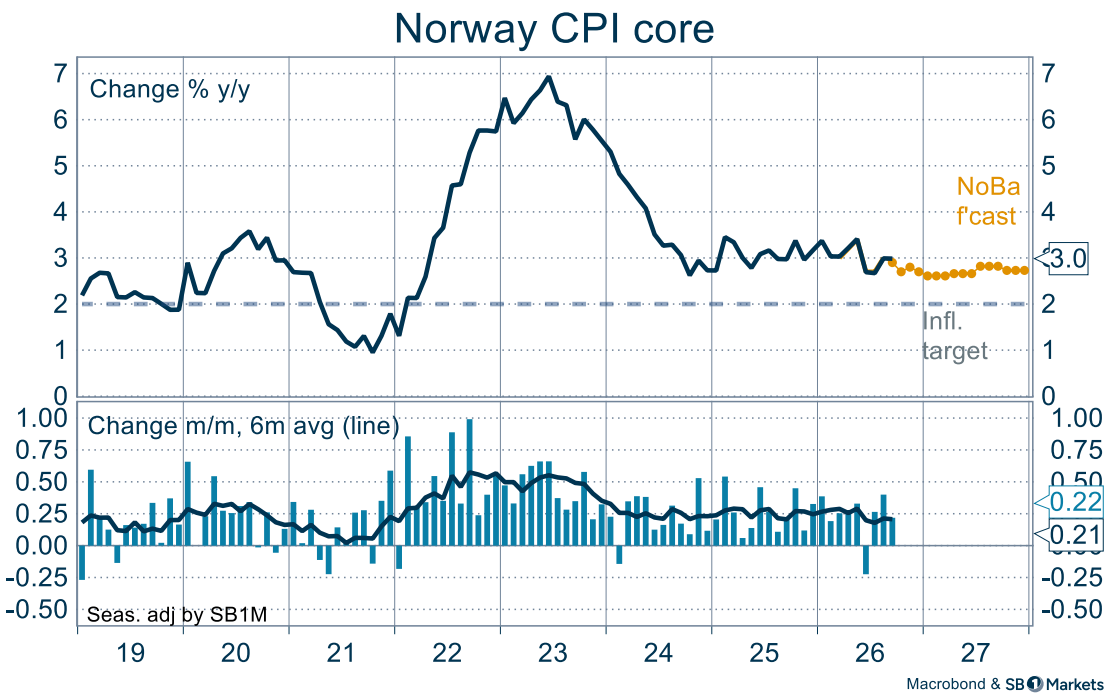
The transfer from the Oil fund is kept unchanged at 2.7% of the fund's value. Norges Bank expected a lift to 2.8%. Growth in government demand is also lower than the bank assumed. The expansionary impact is limited, and the impact of the 2026 budget is revised down



- ***A slightly less expansionary budget*** than **Norges Bank assumed.** The transfer from the Oil fund equals 2.7%, while Norges Bank assumed 2.8%. Public demand is up 1.7%, below NoBa's 2.2% forecast.
- Model estimates of the impact of the **2026 budget** on Mainland GDP in 2026 and 2027 was revised down by 0.1 pp to zero in both years.
- **The 2027 budget** yields a positive 0.1–0.2% impact on the GDP level in both 2027 and 2028. We very much doubt Norges Bank will have to revise its growth, or inflation forecasts upwards due to this proposal. The fiscal stance is marginally positive, but the two other indicators were the 'below' the bank's assumptions.
  - **In 2020–2024,** the budgets contributed to lifting GDP substantially, and in the next years, until 2027 (but not adding to *annual growth* after the initial 'injection'). **The 2025 budget** was contractive, lowering the GDP-level in 2025–28 by 0.2%. **The 2026 budget** is now deemed to be neutral, while the 2027 budget contributes marginally on the upside.
- **The transfer from the Oil fund** at NOK 608bn equals ***12.6% of trend Mainland GDP***, down from 12.7% in 2026. This transfer finances ***27% of the central government's expenditures.***
- The transfer from the fund is formally less than the long-term 3.0% fiscal spending rule but 2.7% has been the 'norm' in recent years. A risk analysis has concluded that 2.7% in normal times will build a buffer and reduce the need for fiscal tightening should the value of the fund decline (global equities equal 70% of the fund's value).
  - Excluding the 2% of Mainland GDP (NOK 85bn) cash support to **Ukraine**, the take from the fund equals 2.3%.
- **Now, the minority government** will have to build support for its proposal within its loose red-green coalition, which may prove to be very challenging. The balance may be weakened, but we doubt by huge amounts. (A NOK 4bn change equals 0.1% of GDP and should not rock the boat. But do not hold your breath).

Core inflation flat at 3.0%, 0.1 pp above Norges Bank's forecast, lifted by 'domestic' prices

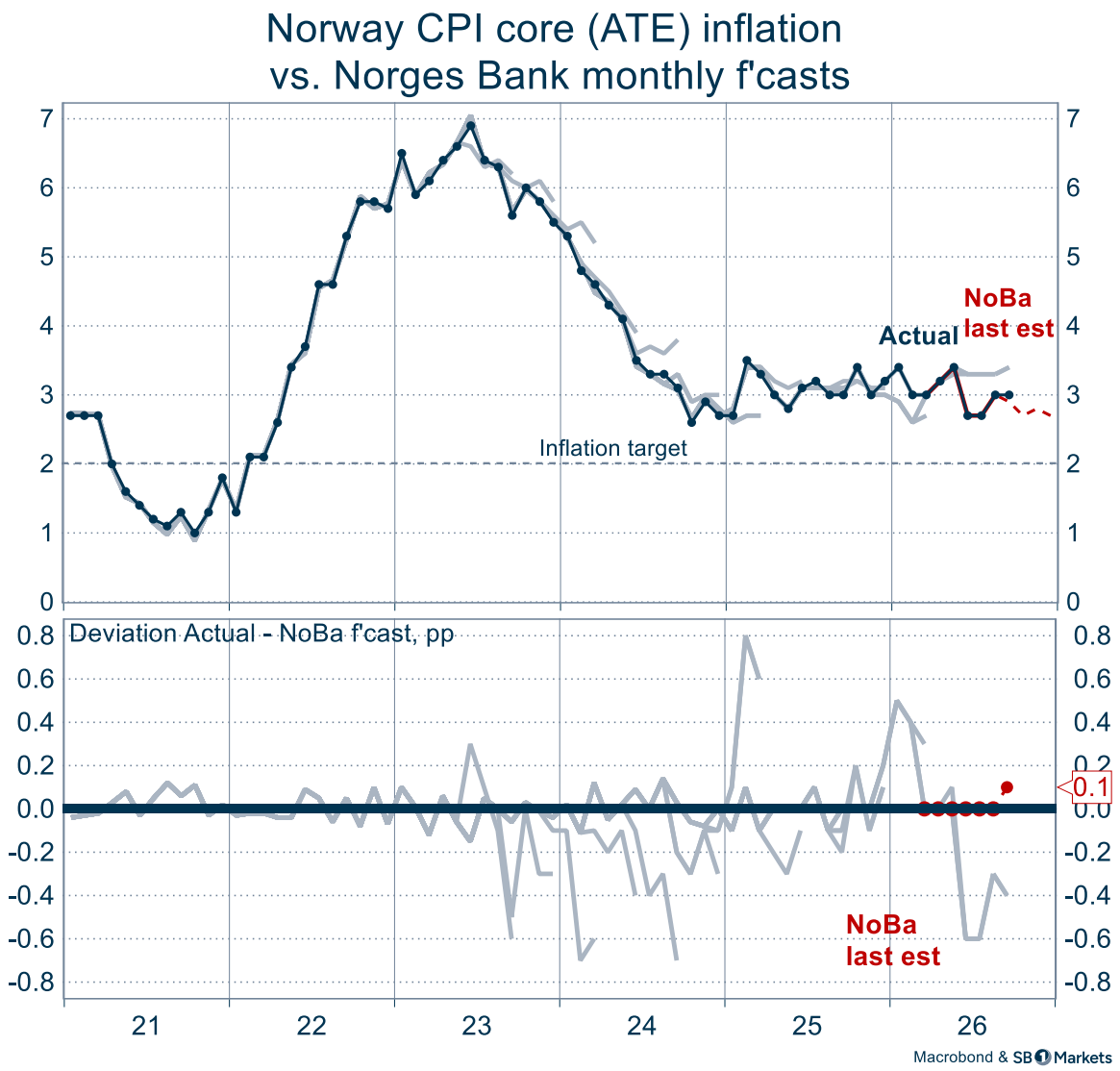
… which were up 3.9% y/y. Norges Bank has a domestic challenge, even if it is partly due to an indirect, long-term adjustment to a weaker NOK. Still, we do not expect Norges Bank to lift the signal rate in December if other factors do not support a further monetary tightening.

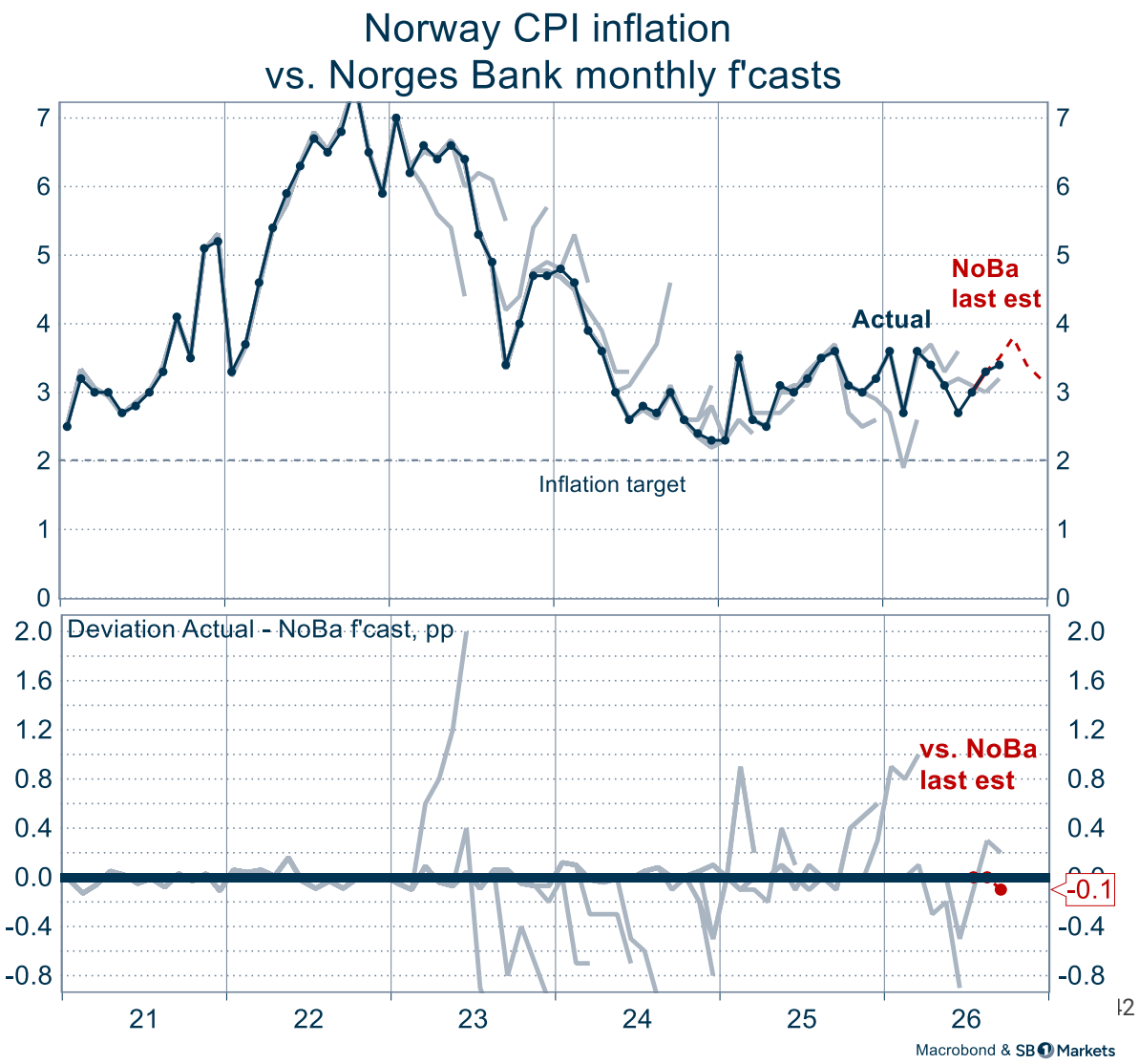


Change y/y	August 2026	September 2026
Total CPI	3.3	3.4
Norges Bank f'c	3.3	3.5
Core CPI	3.0	3.0
Norges Bank f'c	3.0	2.9

- **CPI-ATE** (ex. energy and taxes) prices rose 0.2% m/m, and prices are up at a pace somewhat above 2% in recent months, below the 3.1% y/y growth rate of a basket of various core inflation measures
  - **Imported goods prices** declined 0.4% m/m and were up 1.0% y/y, down from 1.6% in August. Norges Bank assumed (implied) a 1.5% growth rate. Our model suggests a decline over the coming months due to the NOK appreciation → *some downside potential, also vs. NoBa's f'casts*.
  - **Core domestically produced goods and services prices** rose 0.5% m/m, and are up 3.9% y/y, up 0.2 pp from August, and some 0.2 pp above NoBa's (implied) f'cast. Domestic services are up 3.9%, goods 3.6%. Both are 'supported' by wage inflation above 4%.
  - **Food prices** surprised on the upside for the 2nd month in a row. Prices rose 1.1% m/m, but are still up 'just' 2.4% y/y.
  - If **regulated prices** are removed (CPI-ATE XADM), prices are up 3.0% y/y, like in July and August.
  - Our measures of **underlying price growth in recent months** remain somewhat above 2.0%, while an average of various measures of core inflation **annual** growth (a la Norges Bank's palette) was flat at 3.1%.
- **Gasoline and diesel prices** rose 28% in September, as we assumed, and the annual rate rose to 26%, lifting the headline CPI annual growth rate by 0.4 pp. **Electricity prices** are up just 3.3% y/y, with no material impact on the CPI.
- **Core inflation** is above Norges Bank's forecast but not significantly, and the imported/domestic mix is not favourable. Still, if the gap vs. the forecast does not widen, and other data are neutral, Norges Bank will not move forward with another rate hike in December.

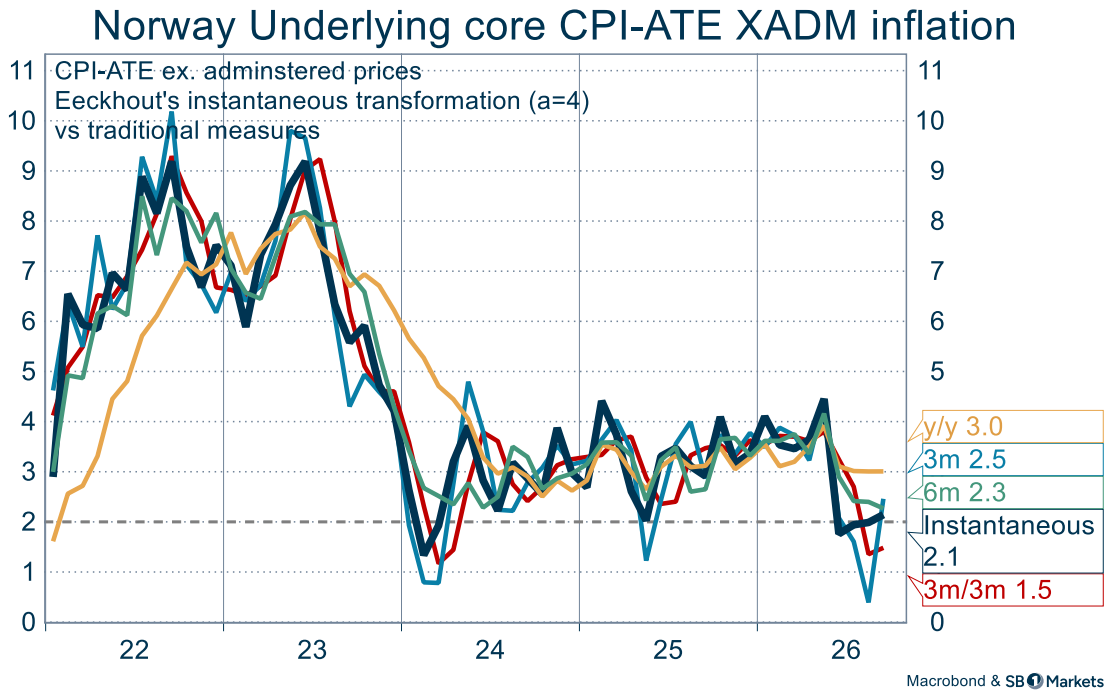
Core inflation is 0.1 pp above NoBa's f'cast, while the headline was 0.1 pp below

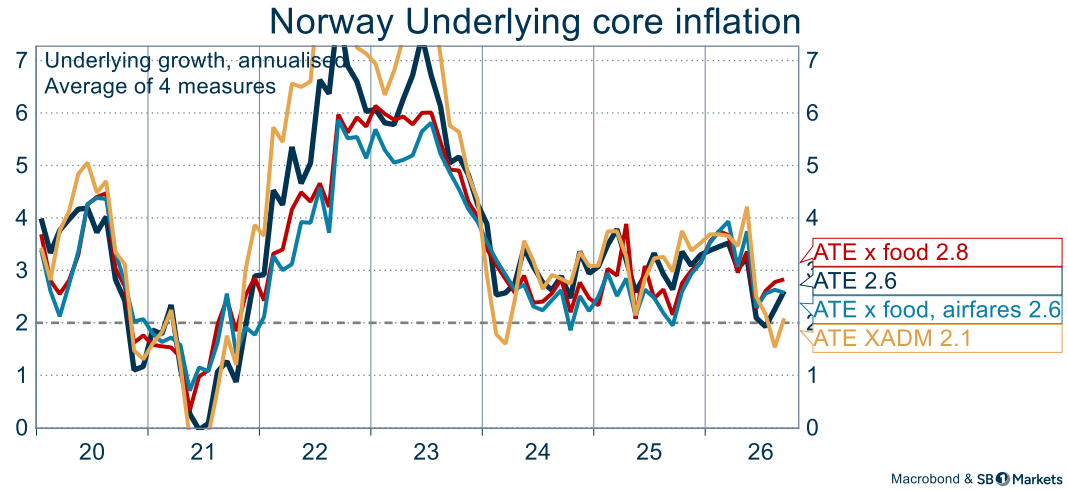


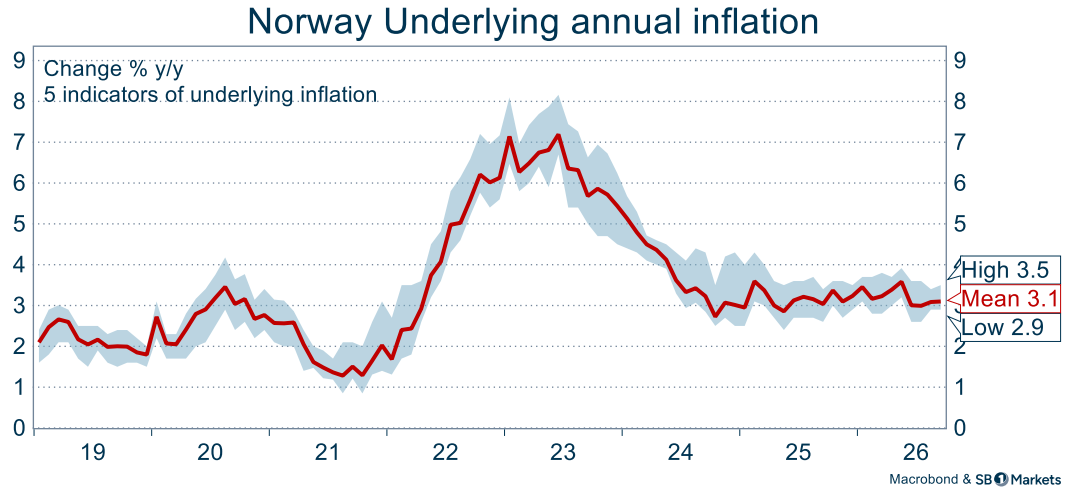


Underlying inflation in recent months is not far above 2.0%.

Norges Bank's estimates of underlying annual inflation flattened at slightly above 3.0% in recent months – and have been rather stable, and too high – since H2-24. *The inflation target is still far from being met.*







Core prices rose 0.2% m/m in September, food prices rose +1.1%, and contributed the most

Food inflation accelerated by 0.8 pp to 2.4%. We expected a decline! Furnishings, transport and info/communication contributed the most on the downside. Furnishings and airfares are down y/y. Gasoline/diesel +28% m/m, and 26% y/y. Electricity is up 3.3%.

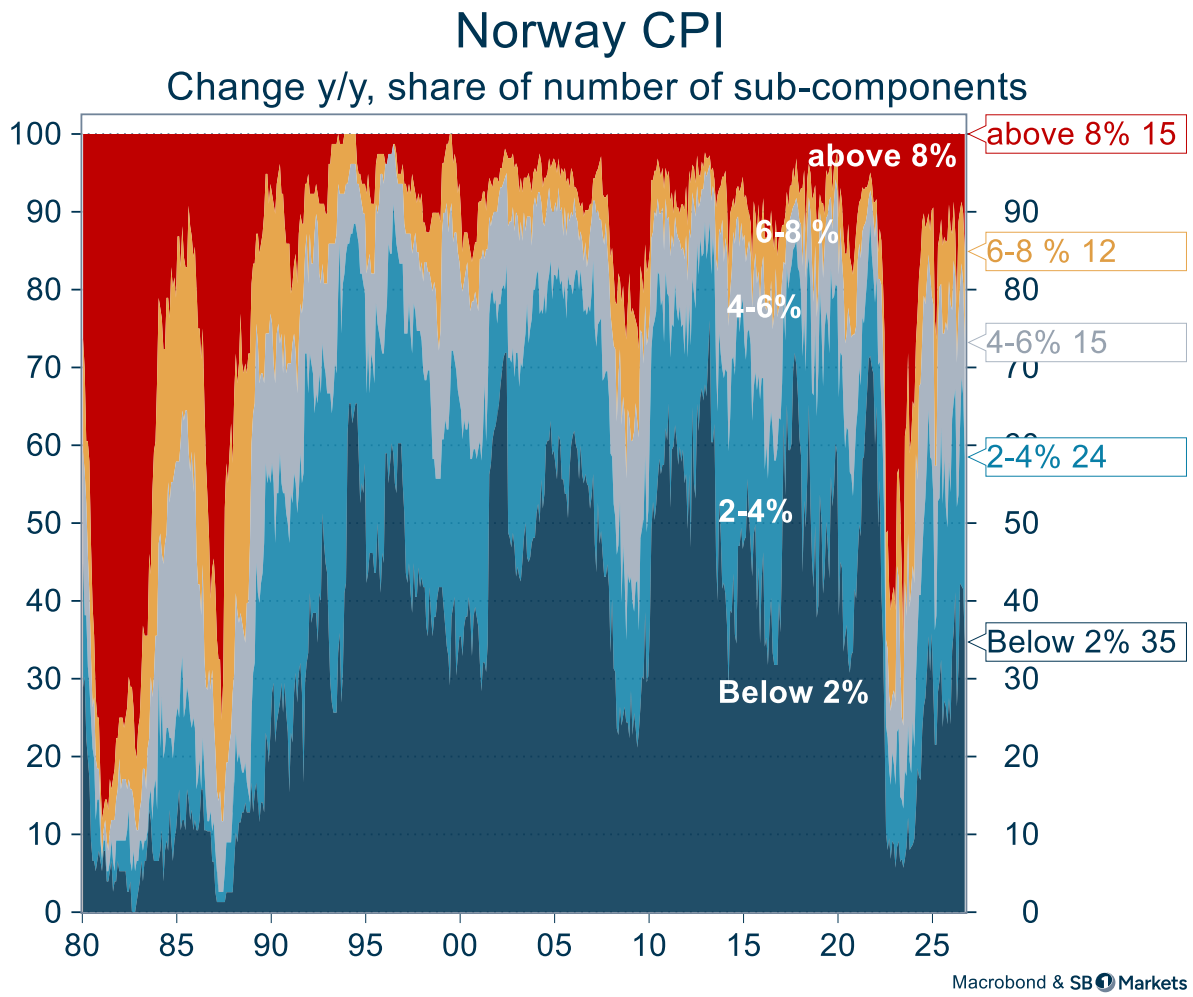
Sep-26	Actual Weight	Change m/m, seas. adj			Change y/y			Contribution, pp			
CPI ATE, seas adj.	%	Out-come	SB1M f'cast	Dev. pp	Prev. month	Out-come	SB1M f'cast	m/m	y/y	y/y change	vs. y/y f'cast
Food, non alc bev	10.5	1.0	0.2	0.9	1.6	2.4	1.1	0.11	0.27	0.08	0.15
Alcohol, tobacco	3.4	0.5	0.2	0.3	3.0	3.3	3.0	0.02	0.12	0.01	0.01
Clothing, footwear	4.3	0.1	0.2	-0.1	2.2	2.2	2.3	0.00	0.10	0.00	-0.00
Housing x. energy	27.5	0.2	0.3	-0.0	3.3	3.3	3.3	0.07	0.89	-0.00	-0.01
Furnishings	5.9	-2.4	0.2	-2.5	1.5	-1.1	2.5	-0.15	-0.07	-0.15	-0.23
Health	3.2	0.8	0.4	0.4	4.4	4.9	4.3	0.03	0.16	0.02	0.02
Transp. ex. gas, airfares	11.4	-0.3	0.2	-0.5	2.5	1.8	2.5	-0.04	0.24	-0.07	-0.10
Airfare	1.1	1.6	0.2	1.4	-7.6	-6.6	-8.1	0.02	-0.08	0.01	0.02
Info & communication	5.3	-0.1	0.3	-0.3	3.2	1.7	2.0	-0.00	0.09	-0.08	-0.02
Recreation, culture	8.5	0.3	0.3	0.0	3.8	4.0	4.0	0.03	0.38	0.02	0.00
Education (not s.a)	0.6	4.3	4.0	0.3	2.4	4.3	4.0	0.03	0.03	0.01	0.00
Restaurants, hotels	5.9	0.4	0.3	0.1	5.5	6.0	6.0	0.02	0.39	0.02	0.00
Financial services	2.7	0.0	0.4	-0.4	7.9	7.9	7.6	0.00	0.22	0.00	0.01
Other goods, services	4.8	0.0	0.4	-0.3	4.3	3.9	4.3	0.00	0.21	-0.02	-0.02
CPI-ATE, s.a	94.9	**0.2**	**0.3**	-0.0	**3.0**	**3.0**	**3.0**				
Norges Bank est.			0.3		3.0		*3.0*				
Imported	31	-0.4	0.2	-0.5	1.6	1.0	1.6	-0.11	0.31	-0.19	
Domestic	64	0.5	0.3	0.2	3.7	3.9	3.6	0.32	2.51	0.16	
Energy, housing (x s.a)	3.2	0.2	-1.8	2.0	6.1	3.3	1.2	0.01	0.11	-0.09	0.1
Energy, transport (x s.a)	1.4	27.7	29.0	-1.3	-0.2	26.3	27.6	0.39	0.37	0.37	-0.02
CPI Total (not sa)	100	**0.0**	**0.0**	-0.0	**3.3**	**3.38**	**3.5**				
Norges Bank est.		**-0.1**		*0.1*	3.3	3.4					

Change m/m, seasonally adjusted (calc by SB1M)
Sum of parts does not necessarily add up to totals
Norges Bank m/m s.a. estimate is implied, calc by SB1M

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

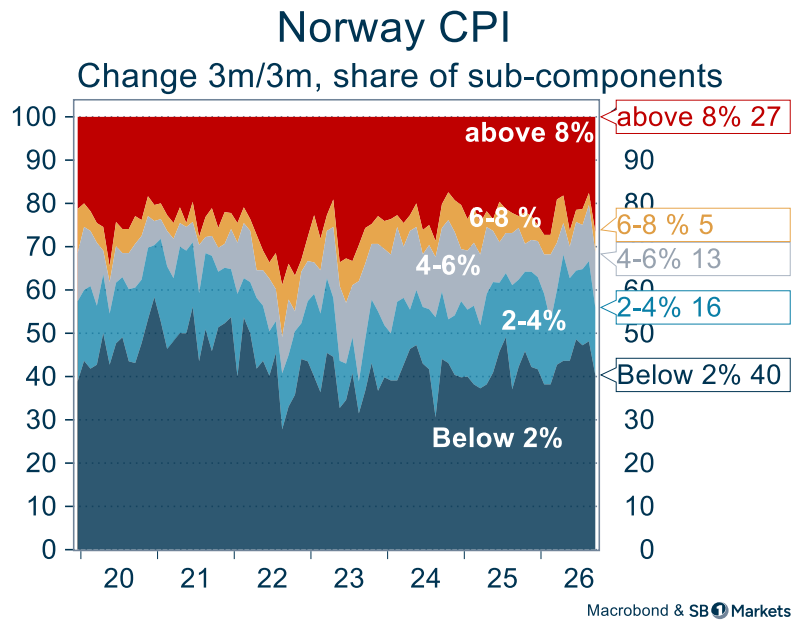
35% of the CPI components are up 2% or less y/y, 'just' 42% are up more than 4%

… based on 302 CPI components.



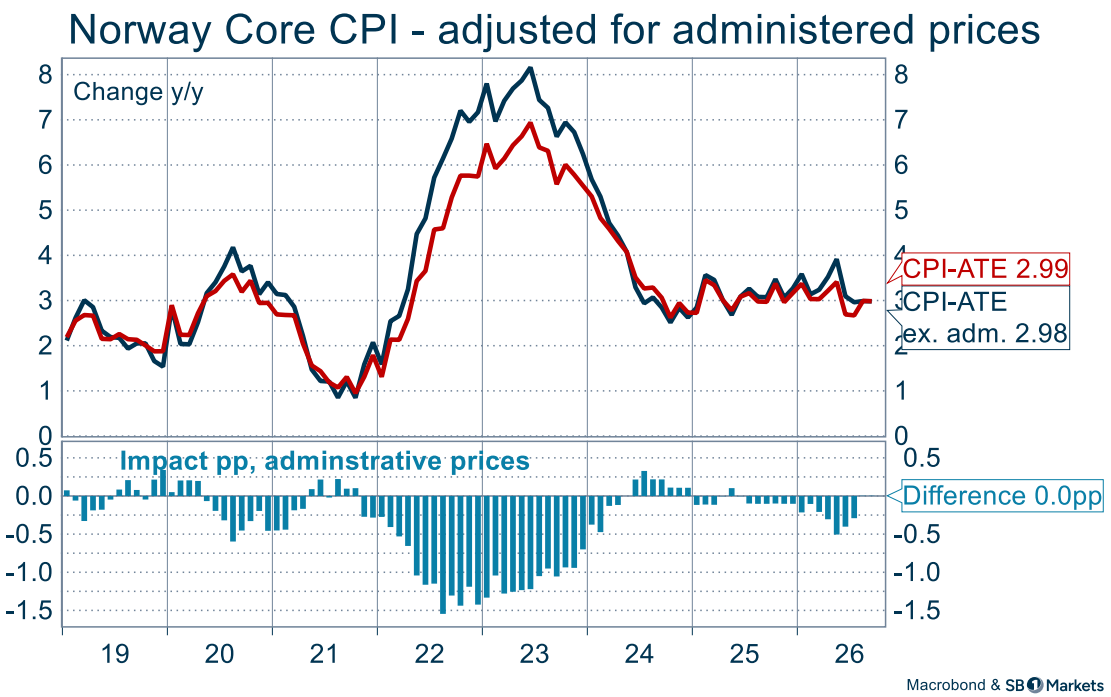
On the margin, measured 3m/3m
(110 components, seasonally adjusted)

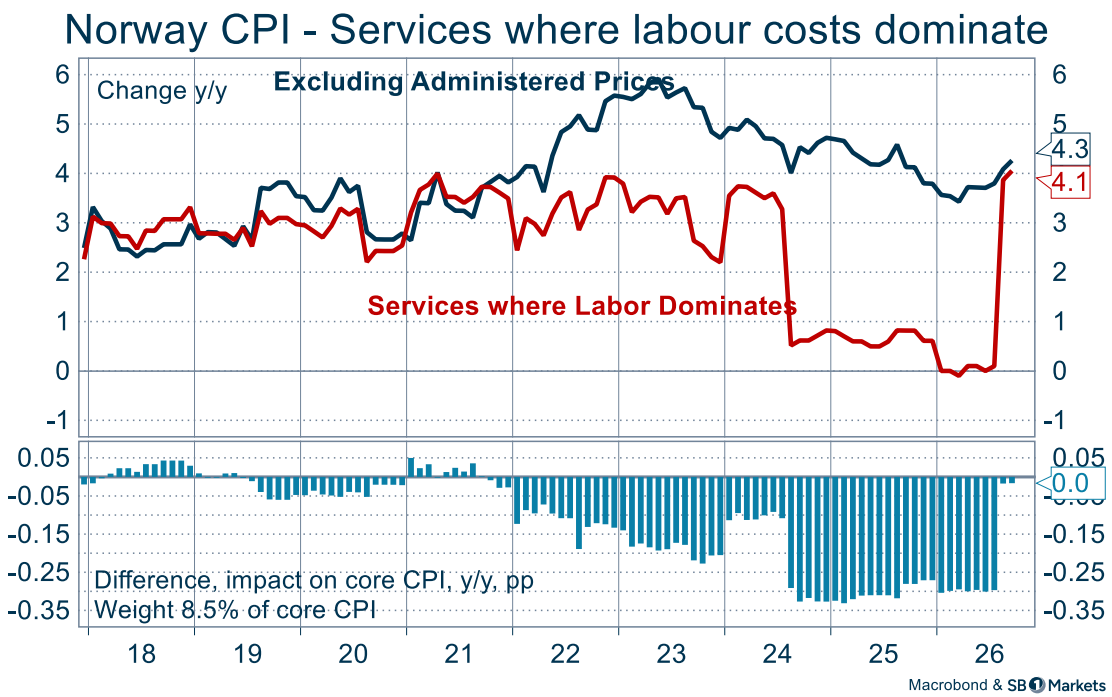
- 40% of the CPI components are up 2% or less, down from almost 50% last month.
- 45% of the components are climbing faster than a 4% pace, after some 'calmer' months.



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

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

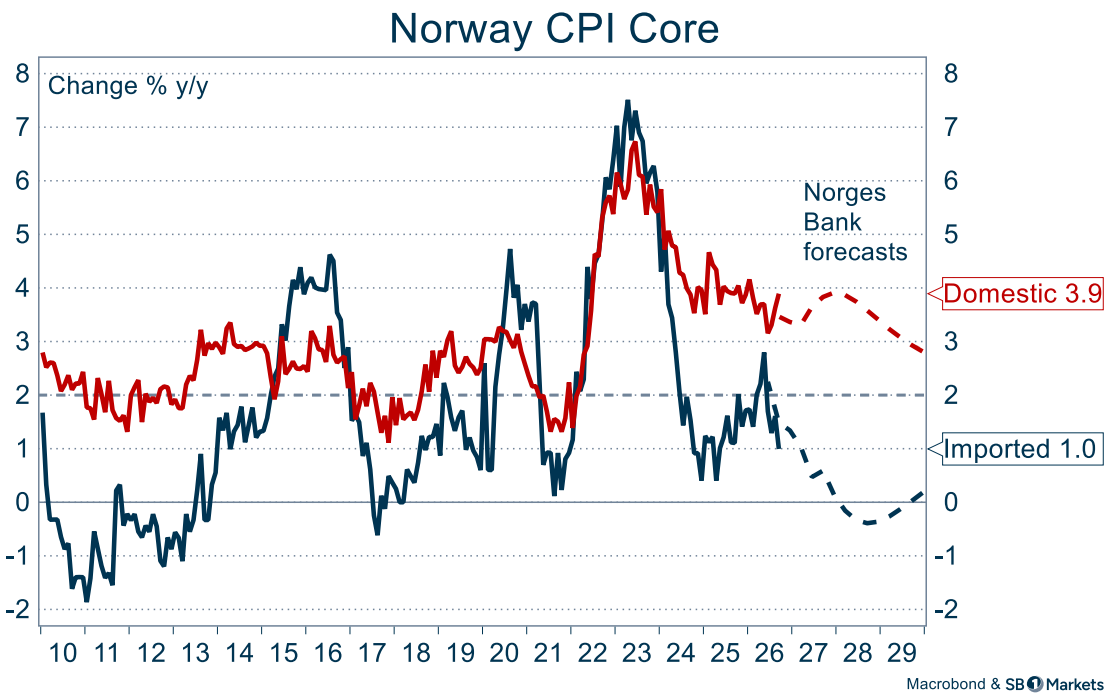


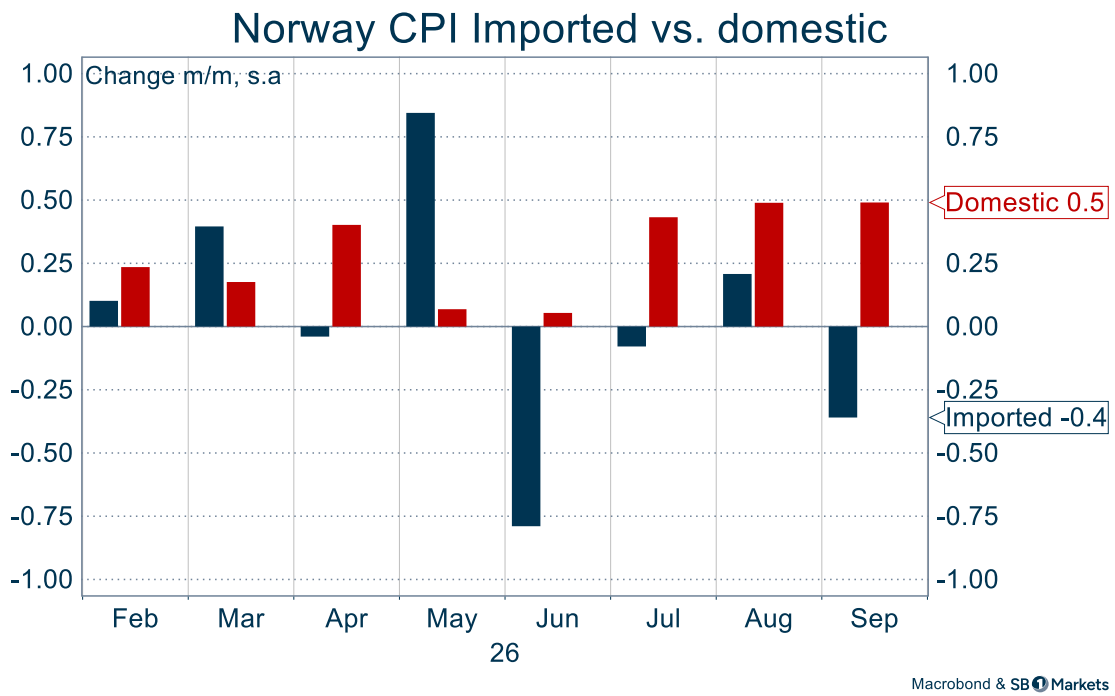


- Administered prices in Norway mainly comprise publicly regulated services, including childcare, healthcare co-payments, public transport, road tolls, electricity grid charges, postage and various government fees. Rents are included as well together with some goods like alcohol (not beer), books and prescription drugs. These prices are either set directly by public authorities or strongly influenced by government regulation.

Imported core inflation down to 1.0%, ‘domestic’ inflation up to 3.9%

Prices of imported goods are well below Norges Bank’s forecast (implied 1.5%), while prices of domestically produced goods and services were well above the bank’s forecast (implied 3.6%). Most likely, domestic inflation will ‘surprise’ the bank in Q4 as well.

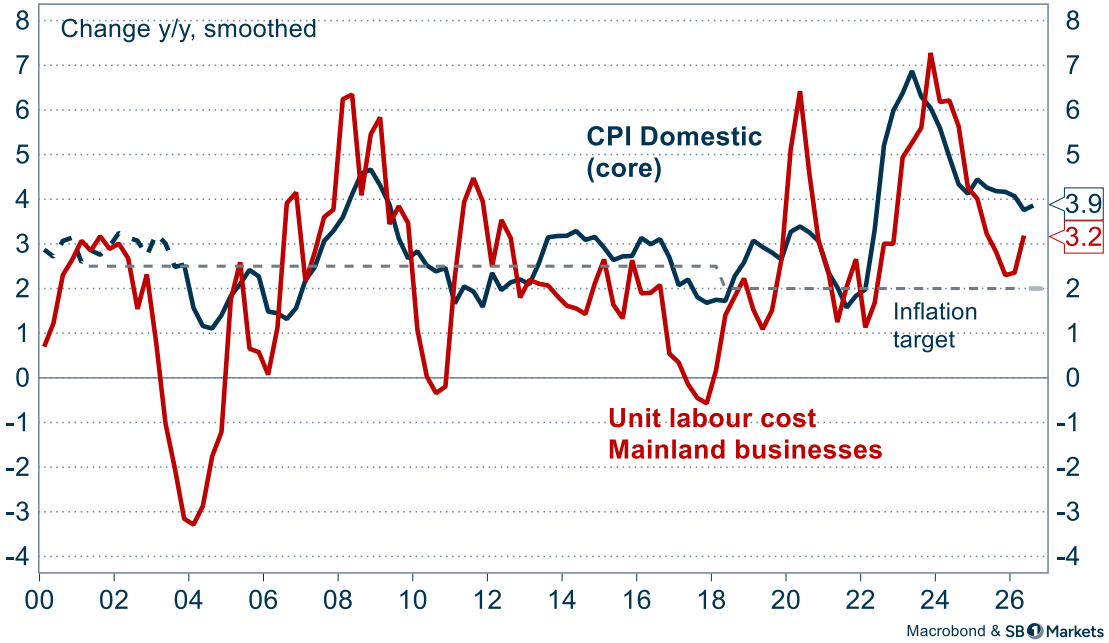




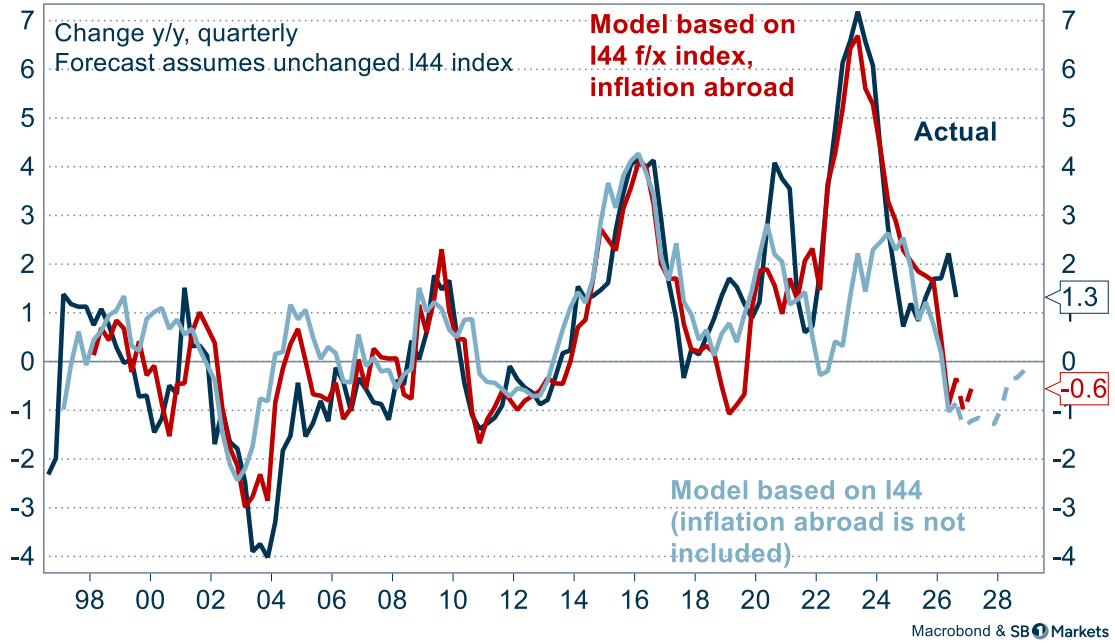
Domestic costs and imported goods: Arguments for expecting *lower inflation!*

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

Norway CPI vs labour costs



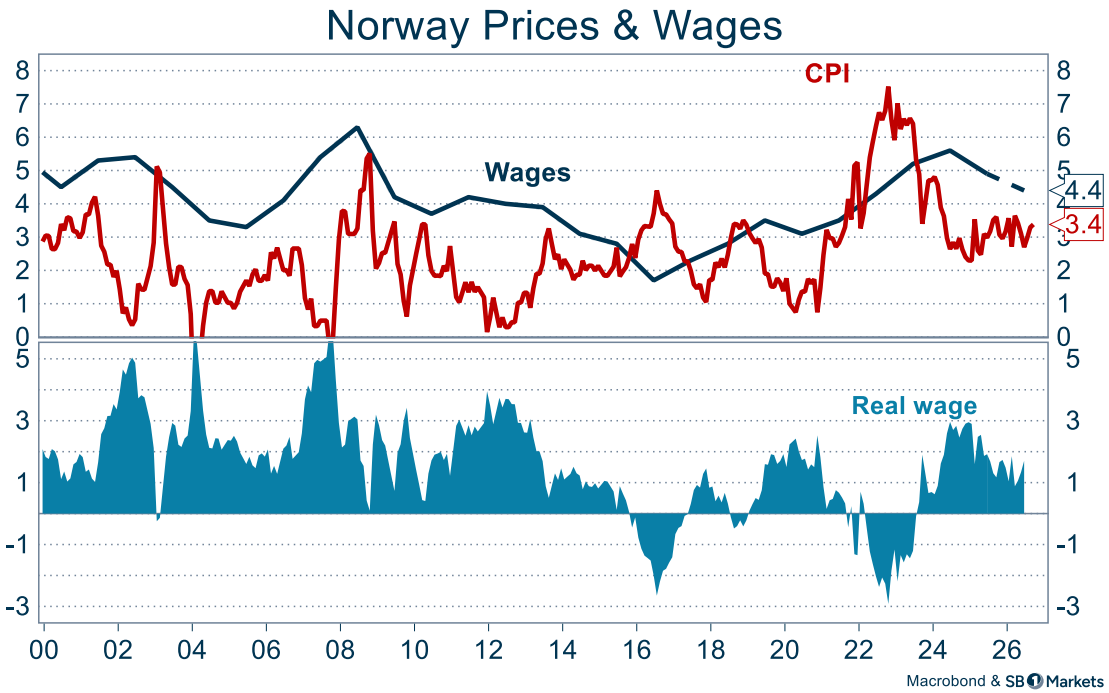
Norway Imported goods CPI, f/x-model

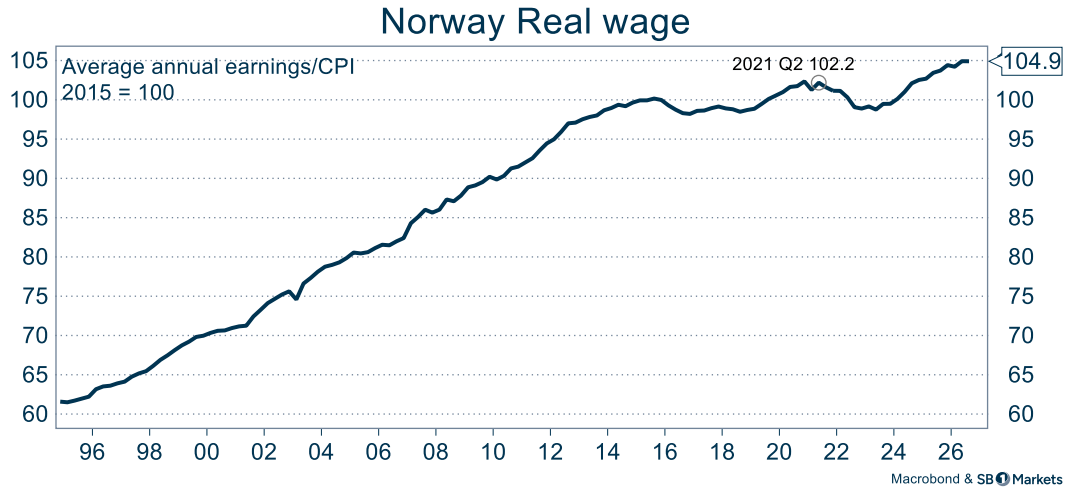


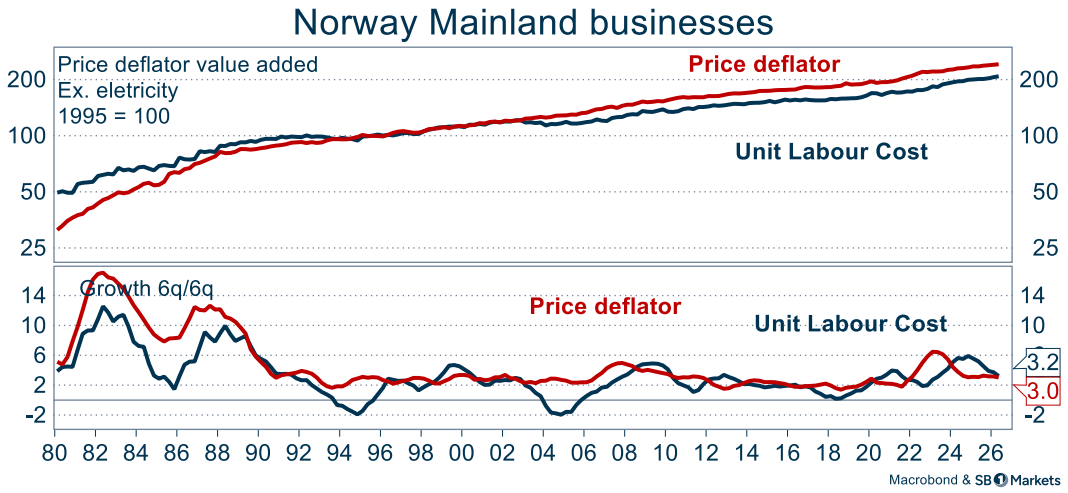
- **Core domestic CPI inflation** remains close to 4%**.** Even if ULC inflation is slowing, it remains too high.
- **Imported goods:** Our model signals a decline in prices, from the current 1.3% level (Q3 avg, 1.0% in September alone).
  A drop to zero will lower total inflation by 0.3 pp (vs. the September contribution).

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

Unit Labour Cost inflation has slowed to between 3 and 3.5%, in line with the 'trend' growth in the price deflator for Mainland business value added.

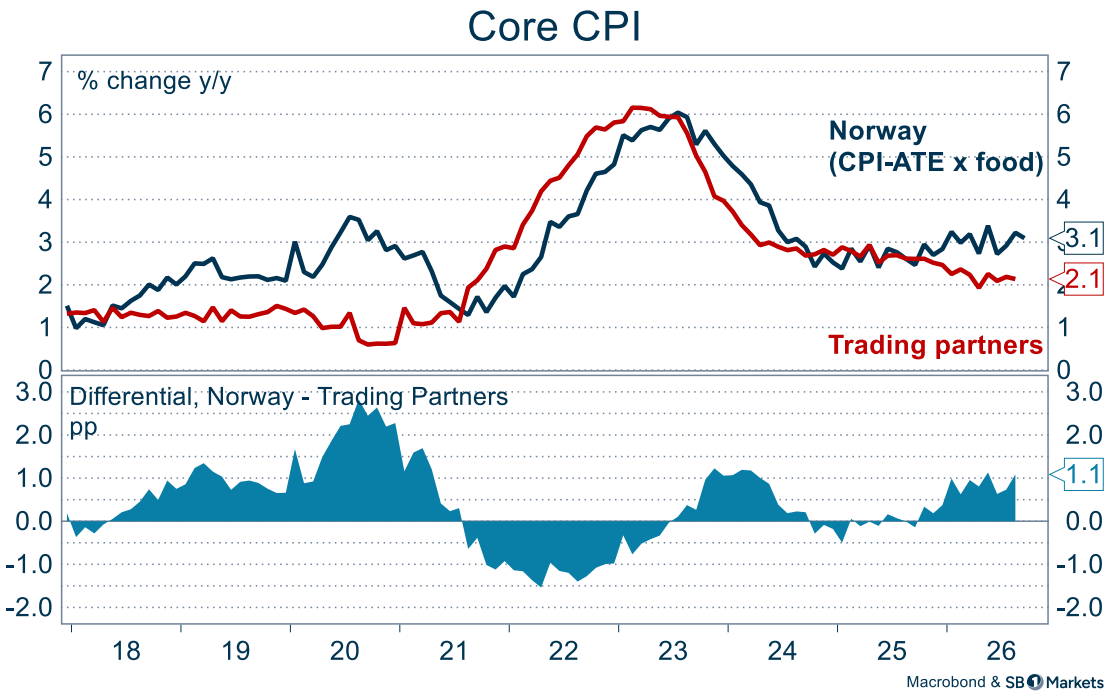


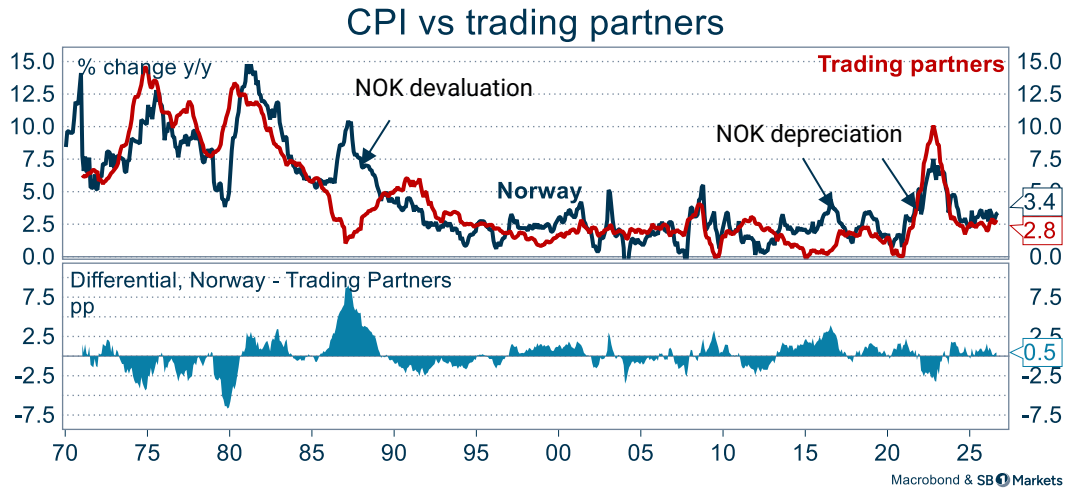


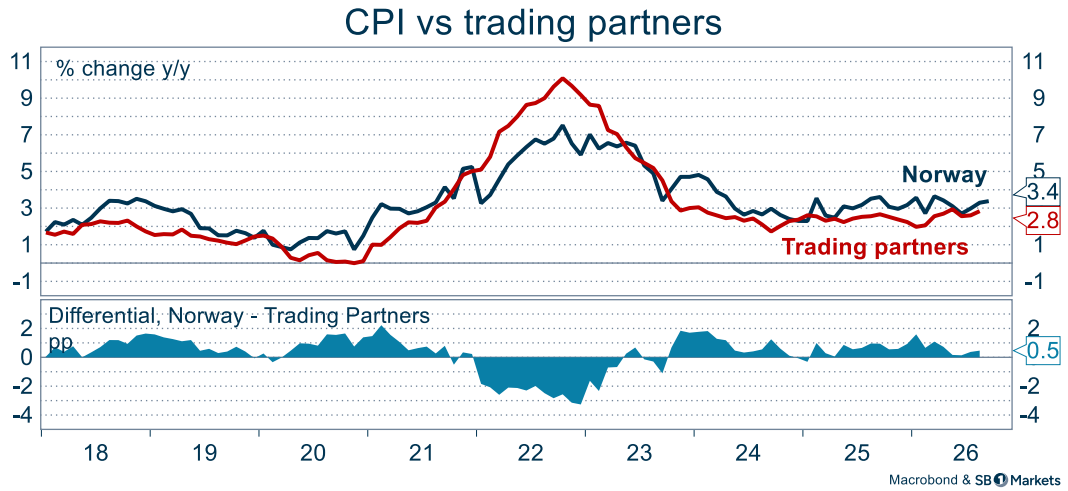


Norwegian ('real') core inflation is 1 pp higher than among our trading partners

The headline CPI inflation is 0.6 pp higher than abroad. Heavy VAT & tax cuts have lowered Swedish prices substantially, explaining some 0.2 pp of the core gap.



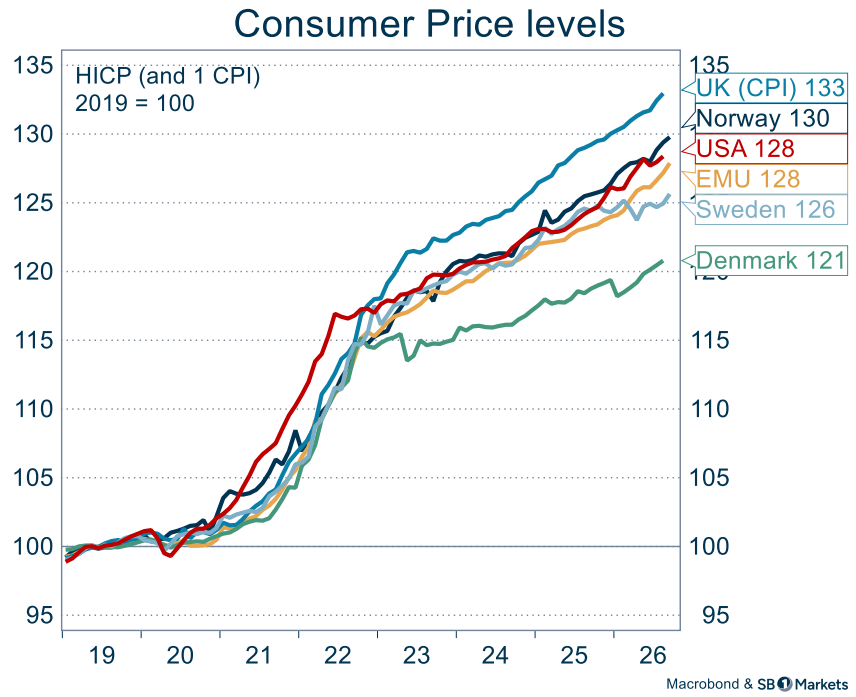


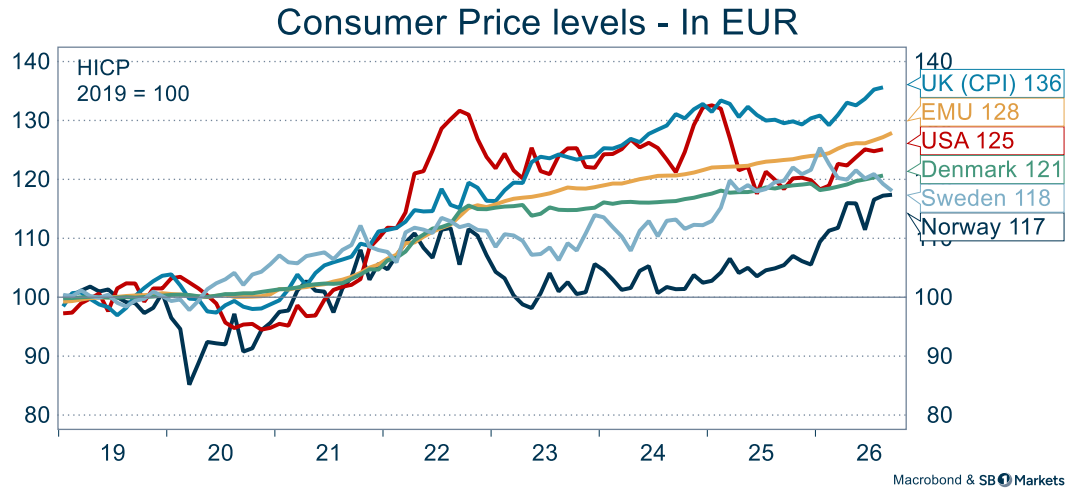


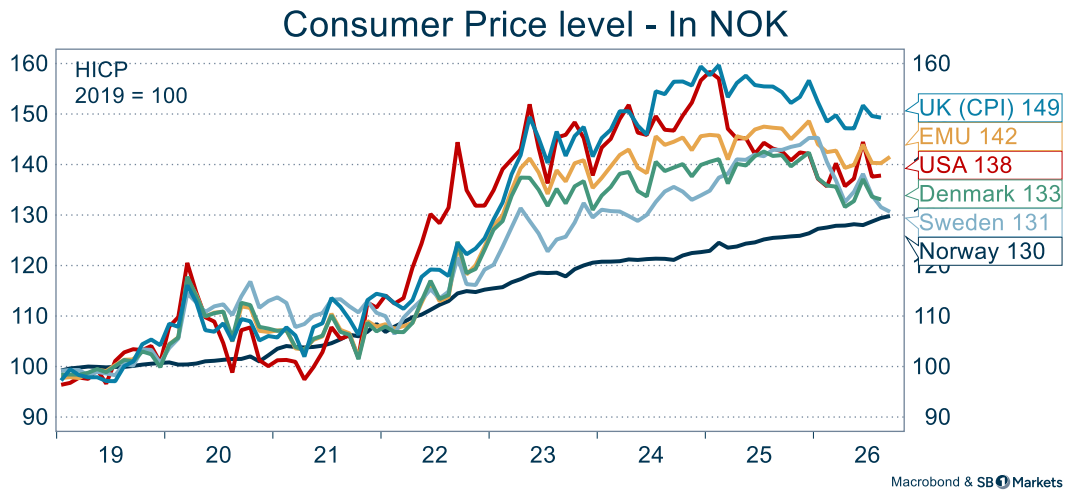
- **During the last large inflation cycle in the** '70s and early '80s Norwegian headline inflation was quite closely correlated to the global (G7) CPI cycle (and mostly lagging).
- **Norwegian core CPI** has (on average) been close to ***uncorrelated*** vs. core CPI among our trading partners over the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

In *national* currencies, prices are up 26 - 28% from 2019 in EMU, Sweden, US. 30% in Norw.

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

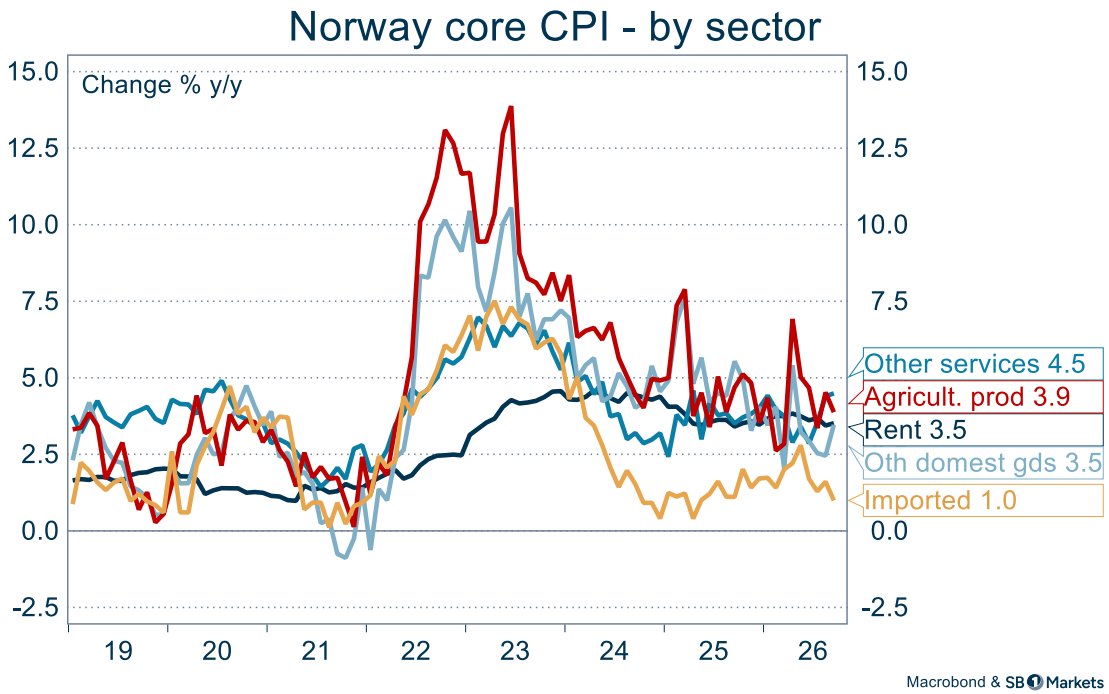


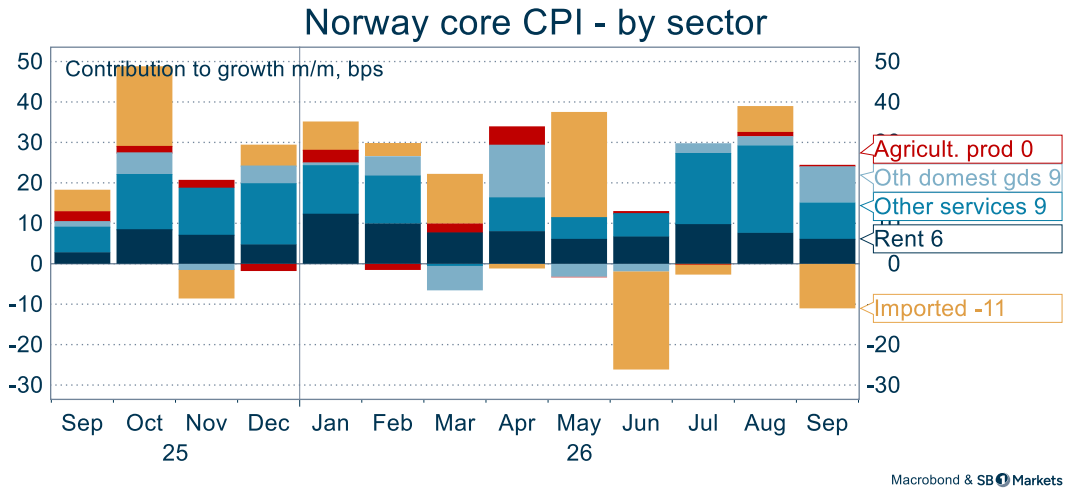


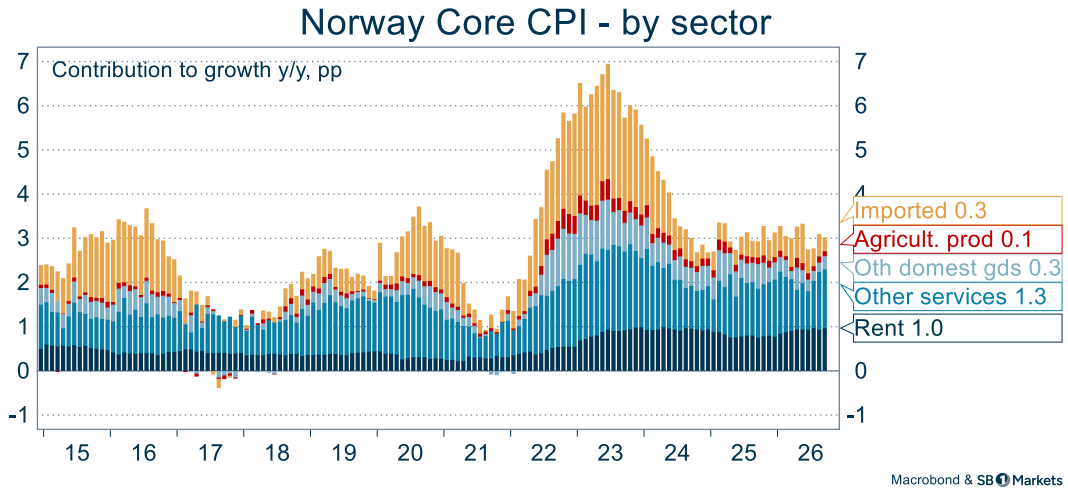


Sectors: Both domestic goods and services contributed the most on the upside in Sep.

Imported goods prices declined 0.4% and lowered the CPI ATE by 0.1 pp. Imported prices are up 1.0% y/y, equalling a 0.3 pp contribution to the 3.0% annual growth rate. Rents are up 3.5%, lifting the index 1.0 pp. Other services are up 4.5 (!)%, which contributes 1.3 pp.

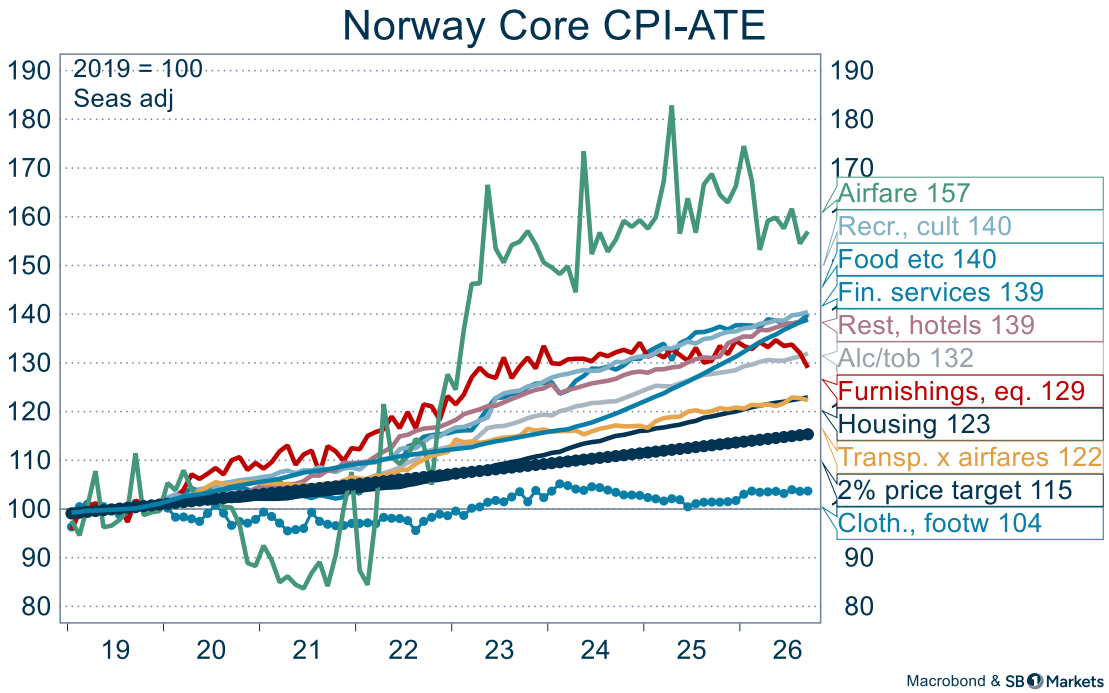


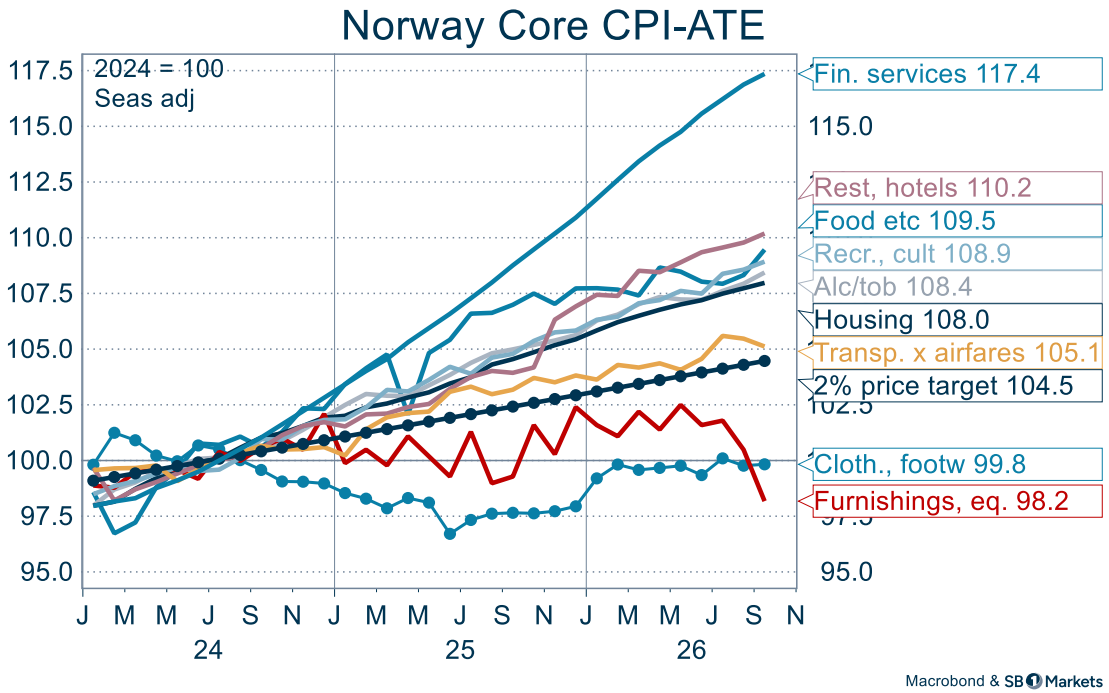




Core CPI details: airfares head down; clothing trends flat; furnishings down recently

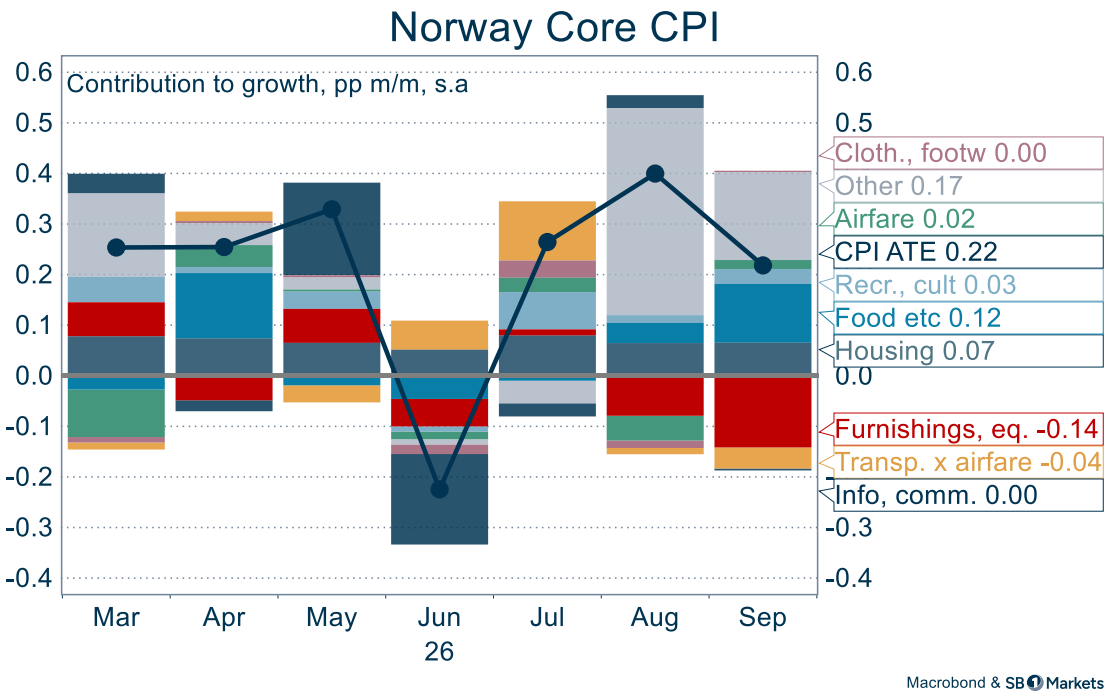
Recreation prices are up the 2nd most since 2019 (airfares are at the top), followed by food and financial services. Clothing prices remain very low, almost no change (4%) since 2019 (even if the NOK has fallen sharply). Furnishings prices fell further in September.

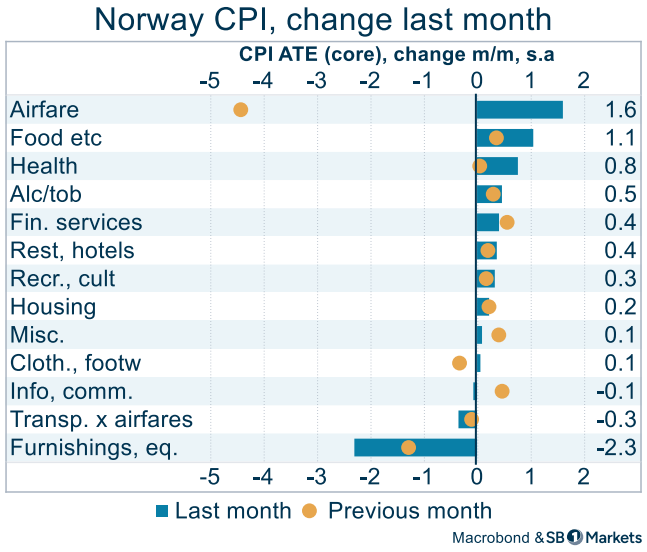


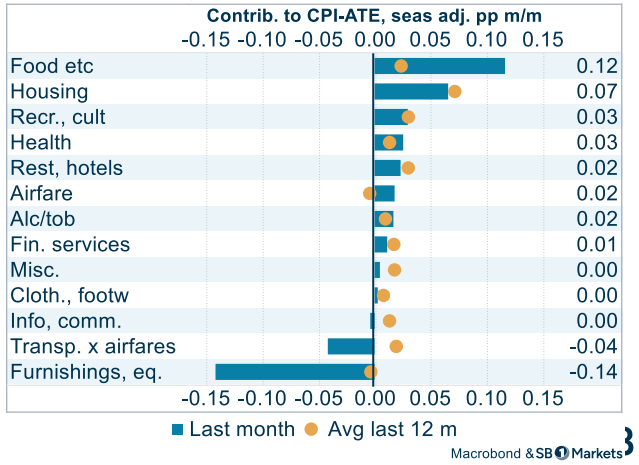


Core CPI m/m: food on the upside, furnishings on the downside, with airfares

However, several other sectors contributed as well. Food and info/communication prices declined



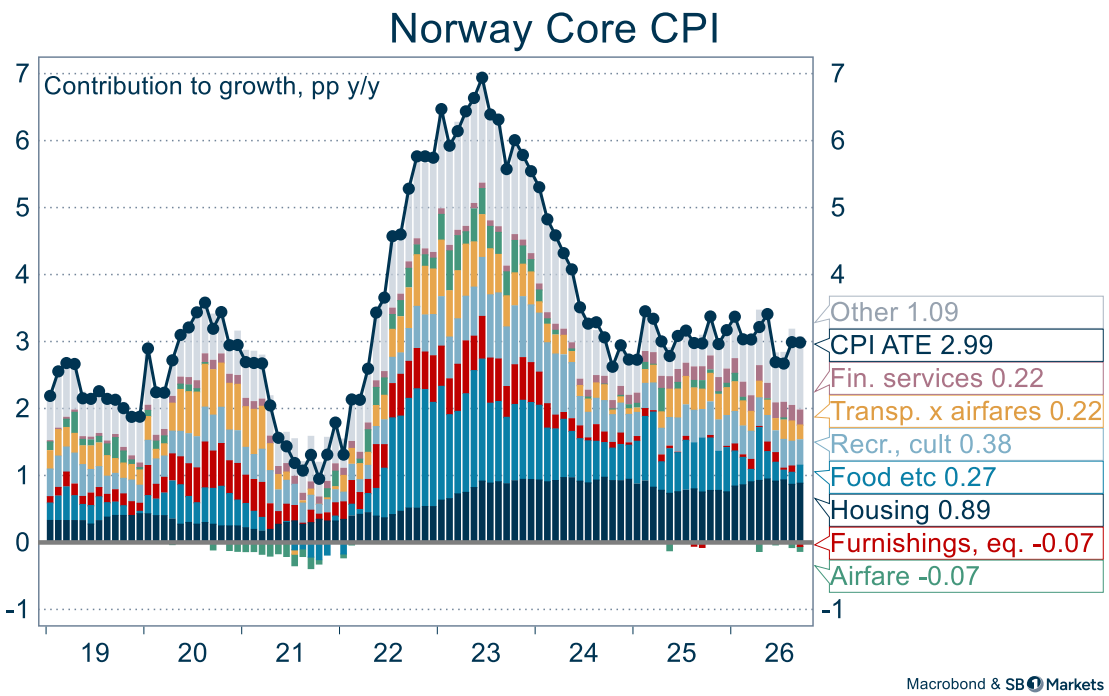




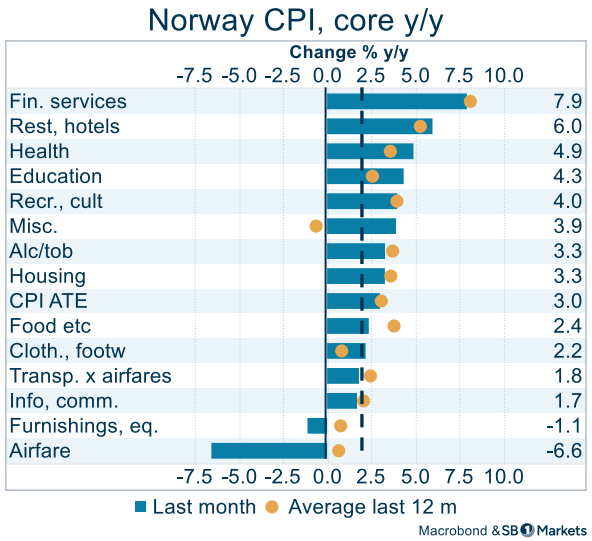
On this page, only the core CPI-ATE components are presented

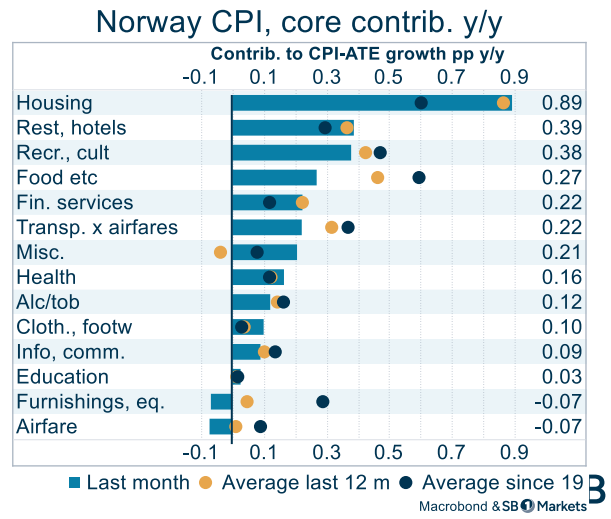
Core CPI y/y details: Financial serv. (insurance +13%), hotel/rest. (6.0%) at the top

Housing (mainly rents) contributes the most, 0.9 pp, followed by hotels & restaurants and recreation/culture. 10 main sectors are up more than 2% y/y, and just 3 less than 2%, of which 1 is down (airfares).



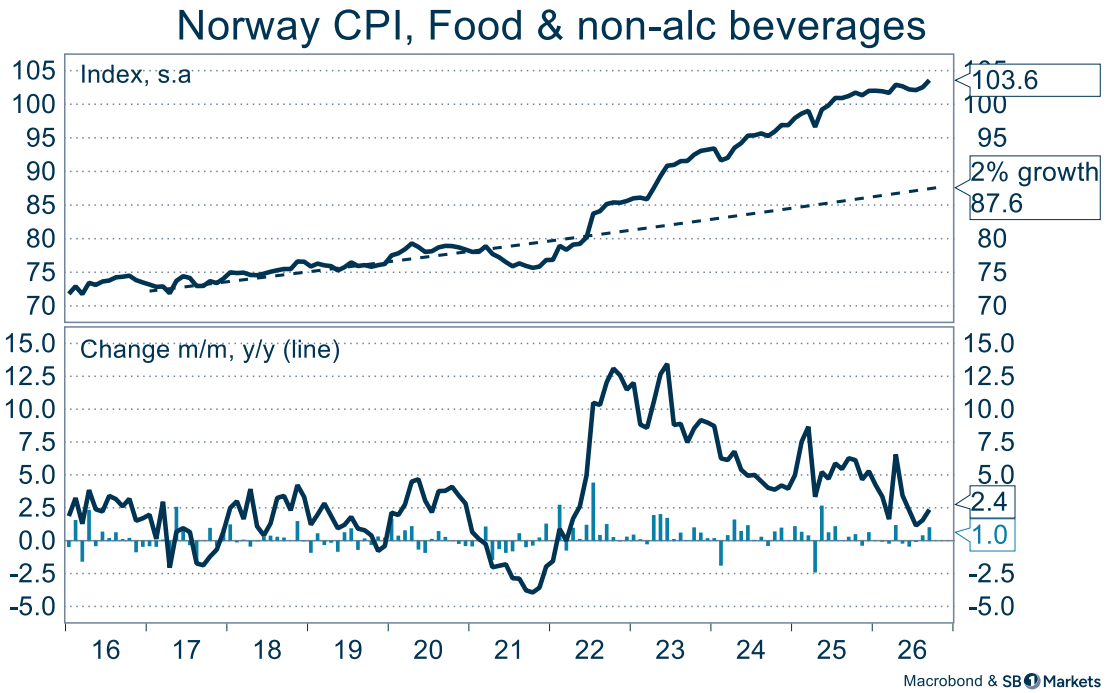
- 5 sectors report **higher inflation** than the average over the past 12 months, and 8 **lower.**



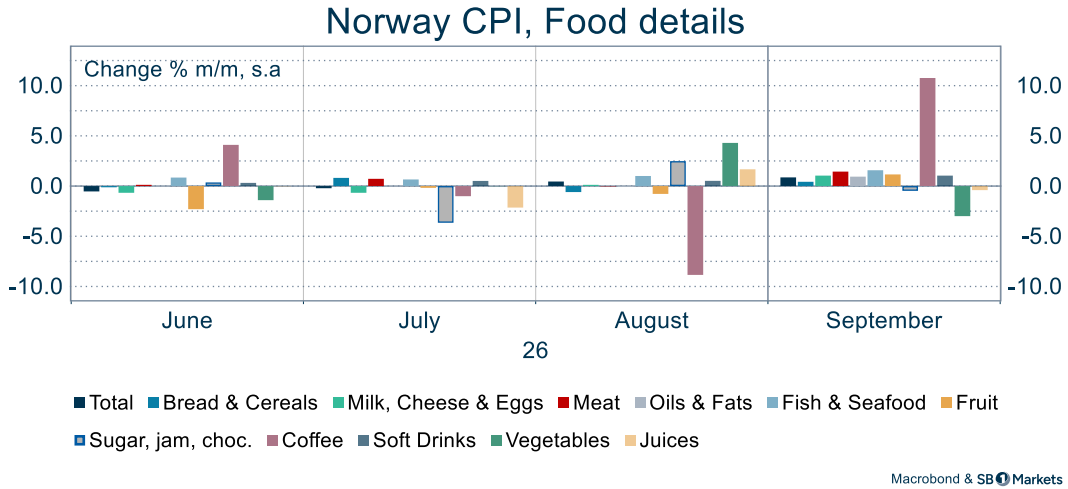


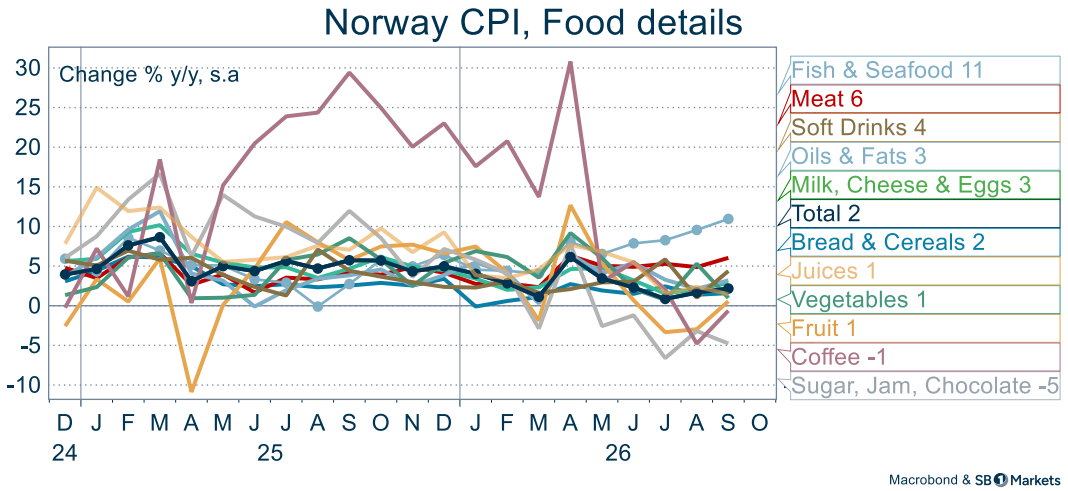
CPI: Food prices rose further in September (and far more than we expected)

Prices rose 1.0% m/m and are up 2.4%, we expected far less! Most types of food contributed on the upside, coffee the most following the price drop in August. Coffee is down 1% over the past year. Fish prices are up 11%, meat 6%.



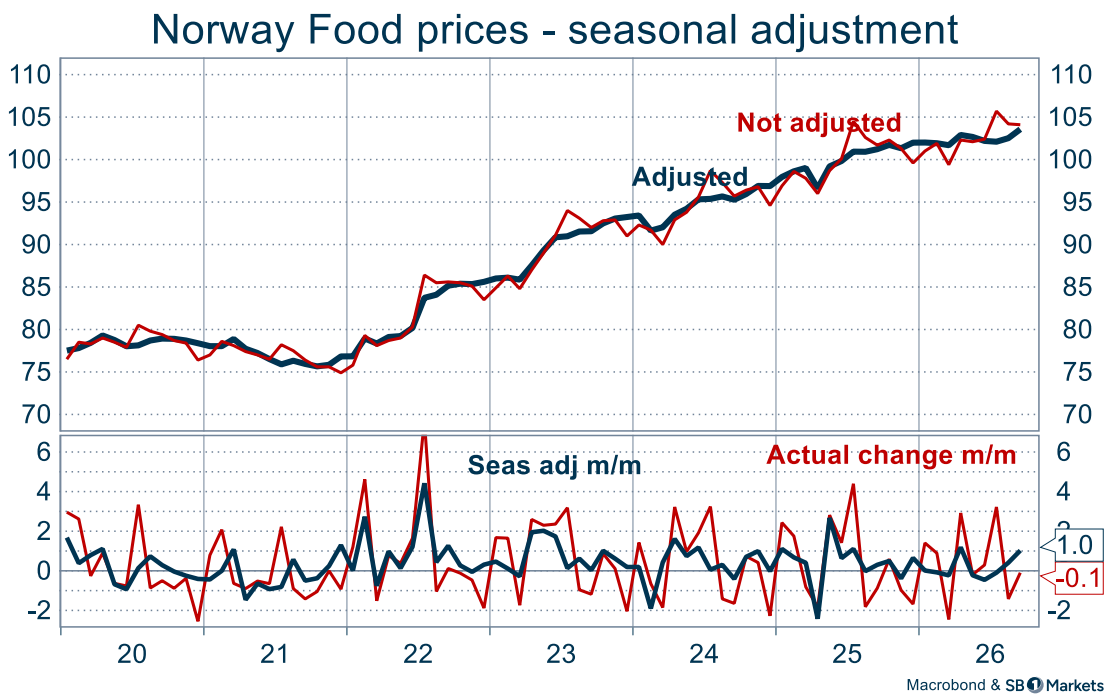
- **Food prices are almost 20% above** the long-term trend before the pandemic (like in most other countries).

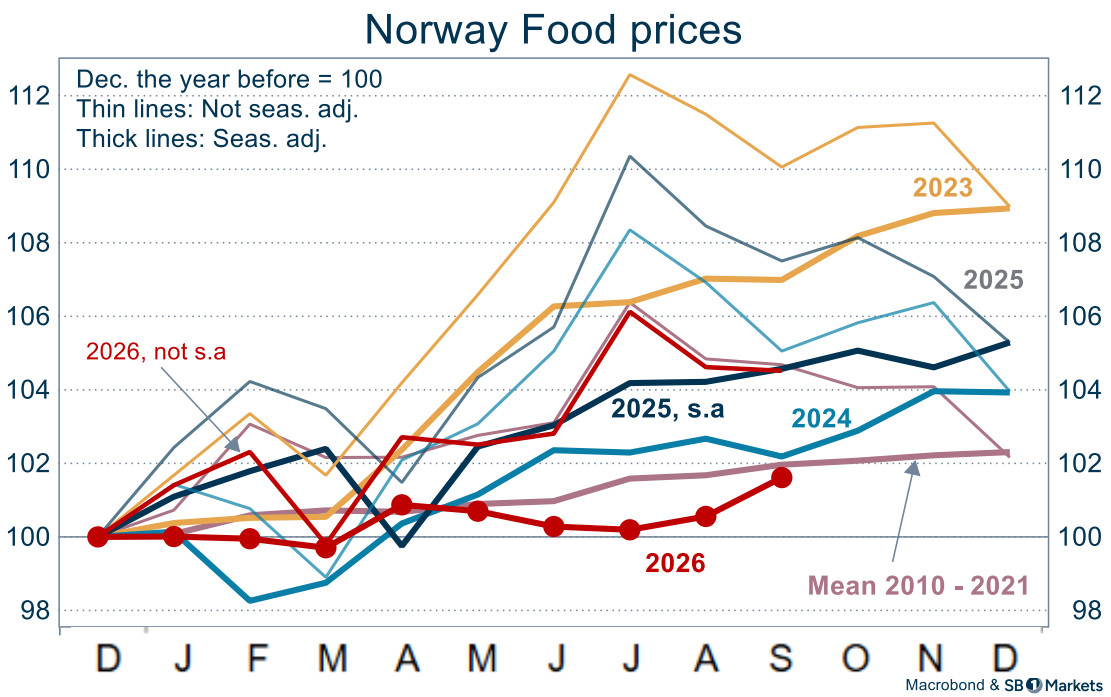




CPI: Food prices have turned up again, by 1.8% over the past 2 months

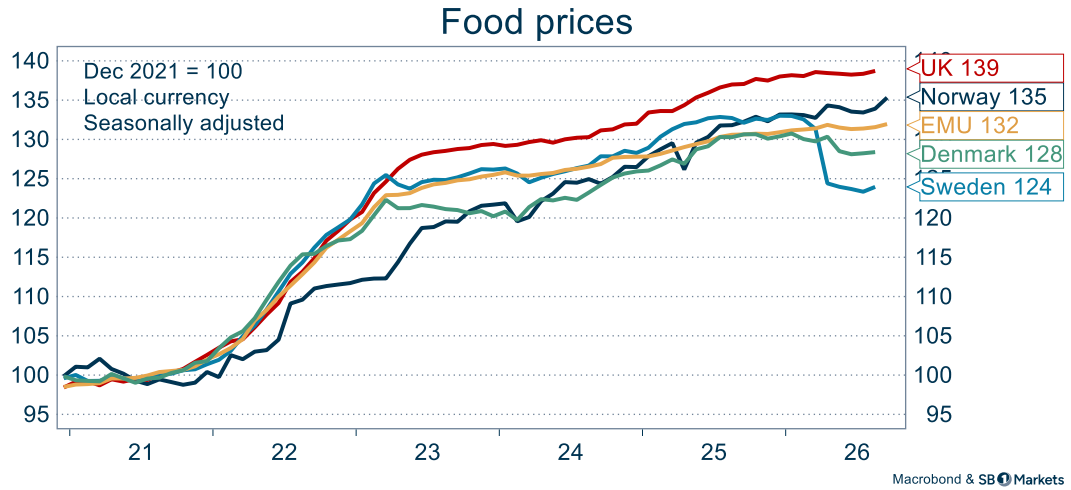
… following almost no change in prices from the start of the year until July. Now, prices are up 1.9% so far in 2026. Prices rose 1.0% in September, and are up 2.4% y/y.

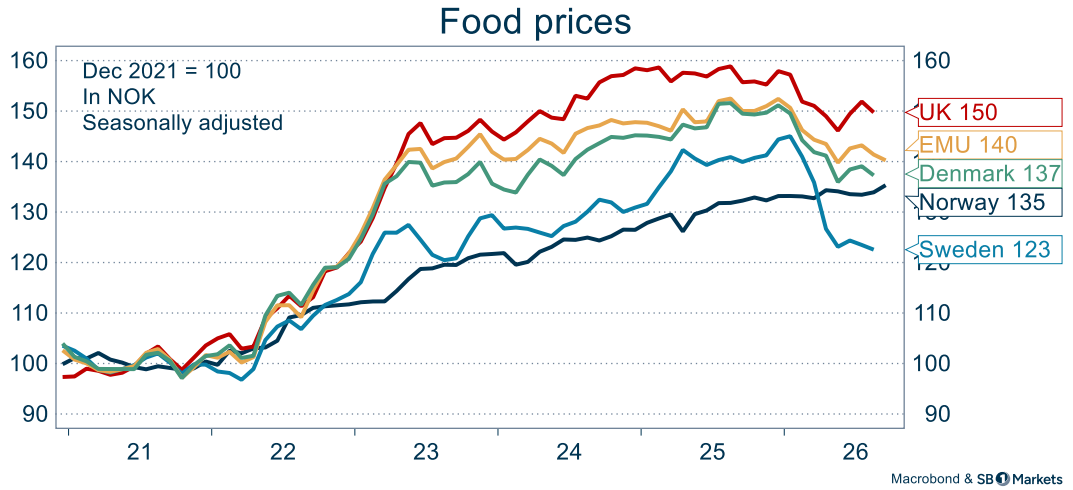




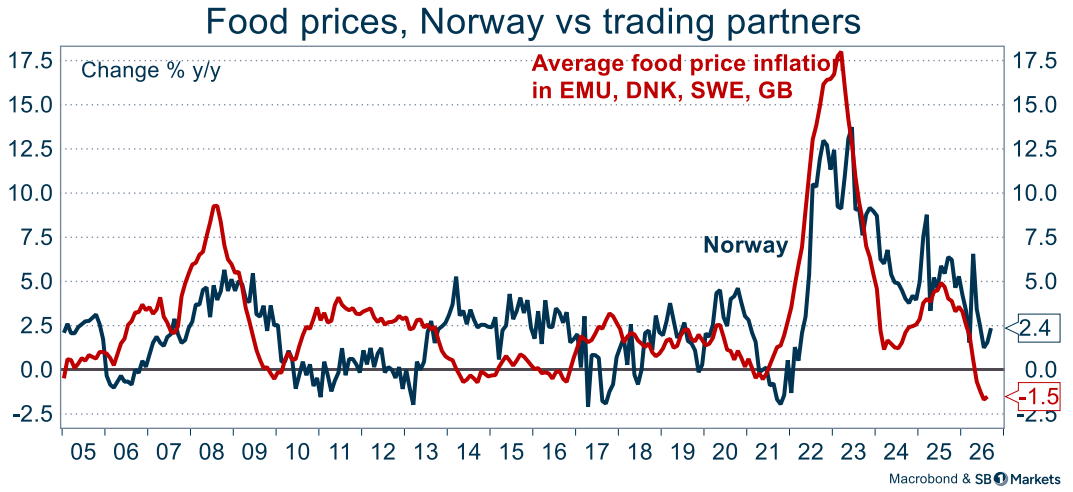
Food prices up everywhere in August/September – but the most in Norway

Measured in a common currency, food prices in Norway are still lower than normal vs. food prices elsewhere (ex. in Sweden, following the 6 pp cut in the rate), but the gap has narrowed lately.



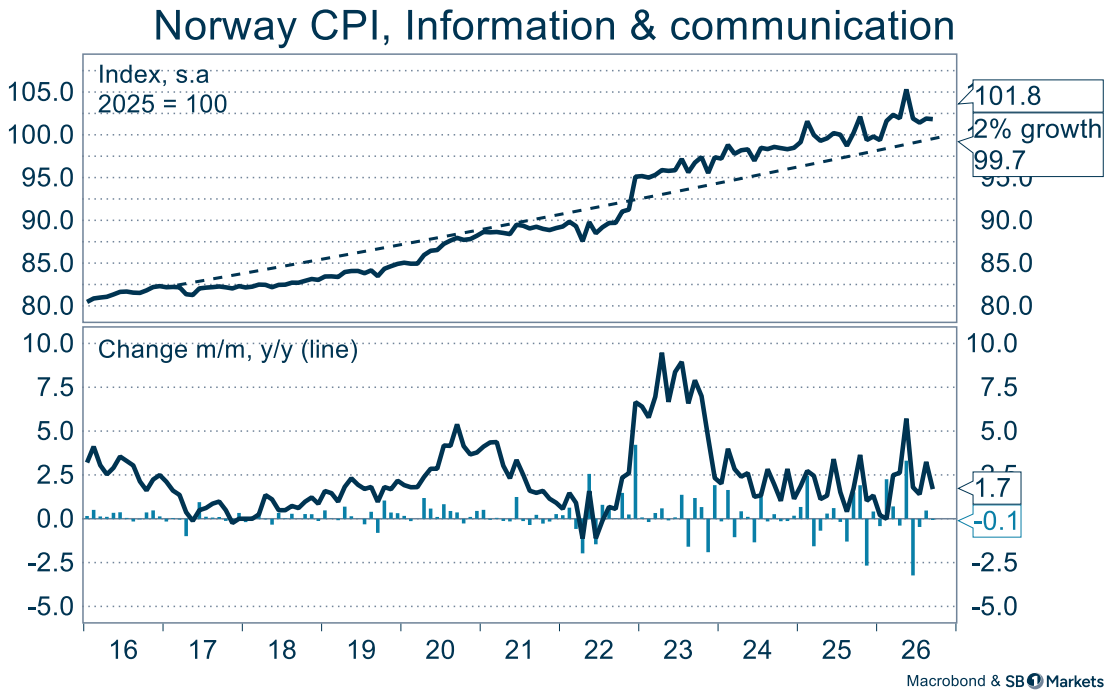


- Since 2021, and until recently, Norwegian food prices increased almost at the same pace as food prices abroad, in spite of the heavy NOK depreciation.
  - Measured in a common currency, and due to the NOK depreciation until 2026, Norwegian food prices have been 'cheap', compared to prices in countries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



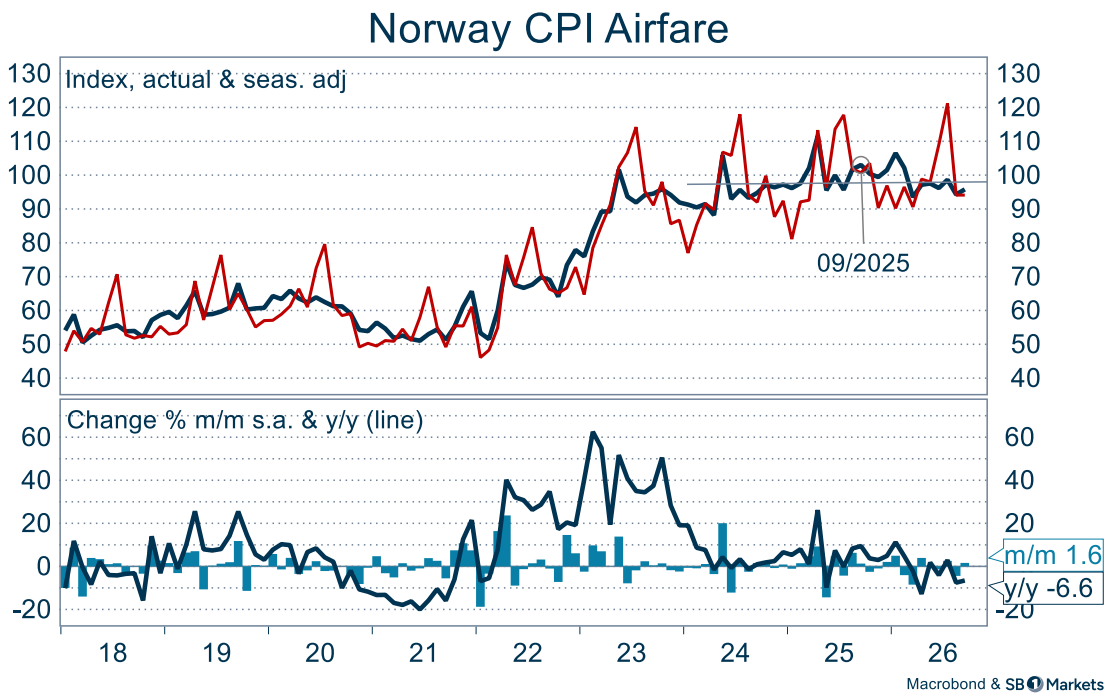
Information & communication (mobile phones, PCs, subscriptions) up at 2% pace

Prices fell 0.1% in September, and the annual rate fell to 1.7%. The underlying growth rate is in the ballpark of the annual rate, some 2%.

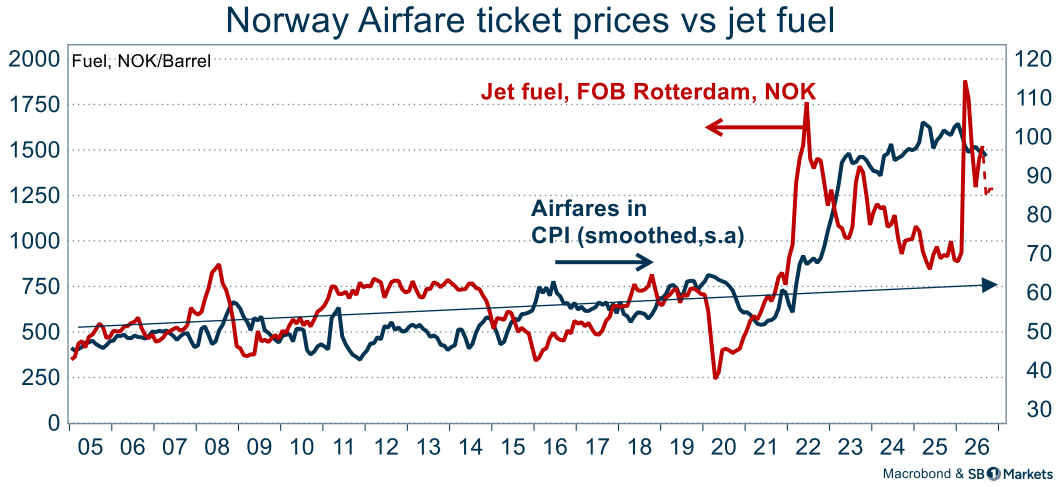


CPI: Airfares down 7% y/y, in spite of the lift in jet fuel costs

Airfares rose 1.6% m/m (seasonally adjusted), we expected somewhat less. Fuel prices are down from the peak, but still high. The correlation to airfares is not impressive, but the sign is positive. Thus, some risk!

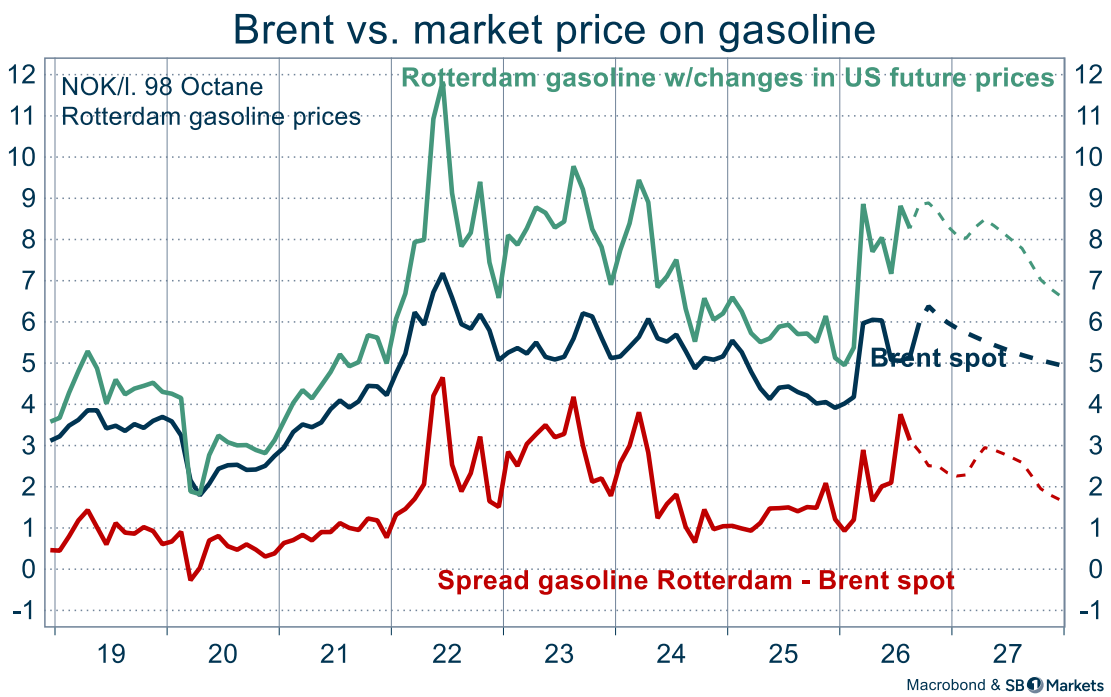


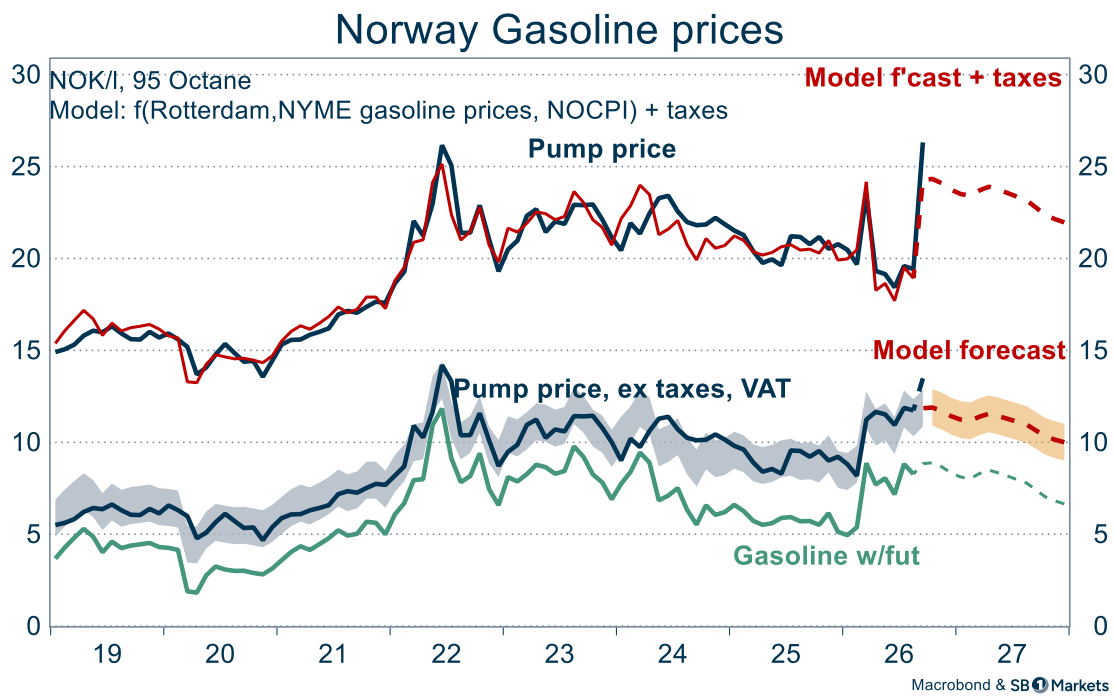
- **The fuel cost** has fallen substantially from the 2022 spike – until the current shock, which is illustrated below. Normally, fuel equals 20% of the total cost.
  - **The correlation to airfares** is limited but large changes in fuel costs will have an impact, of course.
- **Labour costs** per hour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



The end of the temporary gasoline tax cut lifted prices substantially (and too much)

… and more than our model suggested. The model, based on European/US gasoline market prices, suggested a lift to NOK 24/l in Sep. (95 octane). Actual pump prices rose to NOK 26/l (assuming a lift in the pump price equal to the lift in the CPI gasoline component)

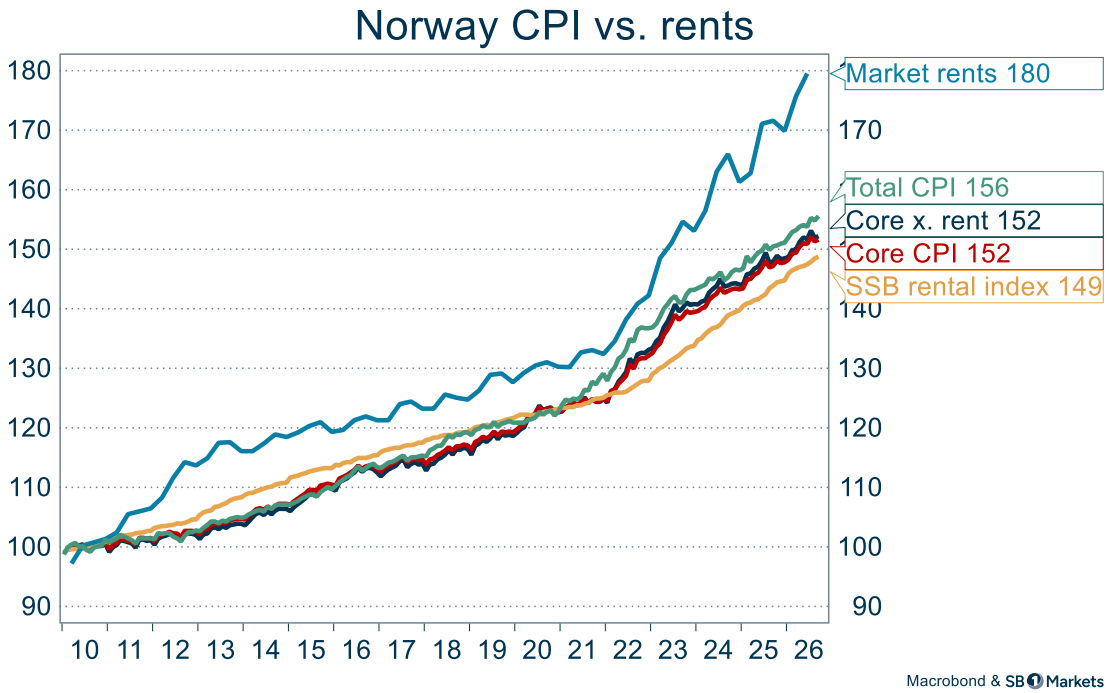


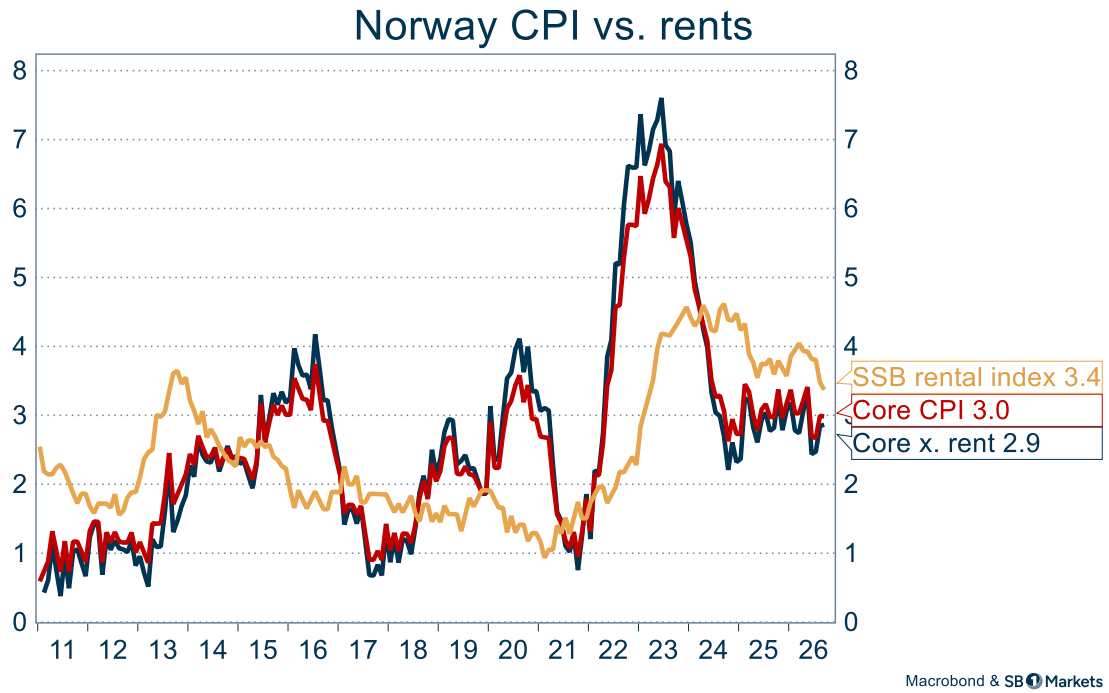


Norway gasoline prices, 07-Sep-2026 | GlobalPetrolPrices.com

Rents do not spoil the CPI, and there is no (relevant) rate→ rent → CPI → rate spiral!

Yes, higher rates lift rents short term. But this lift in rents does not lift the CPI meaningfully, and higher rates anyway lower overall inflation (and thus lower CPI adjustment of existing leases), which in practice breaks the rate → rent → CPI → rate spiral before it has even started.

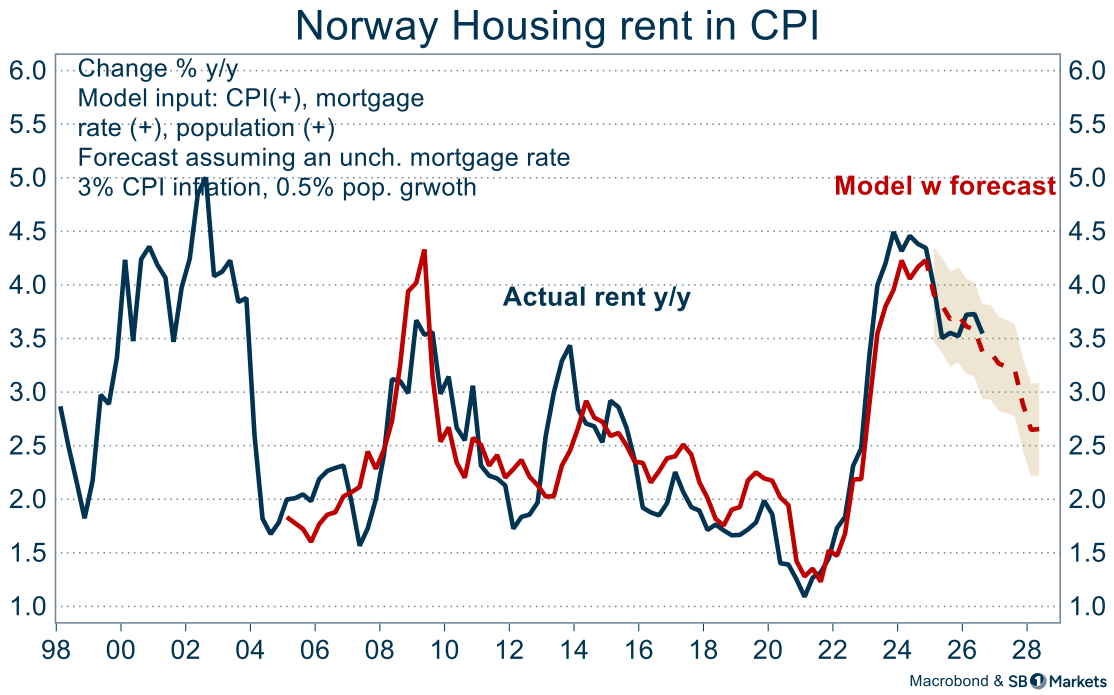


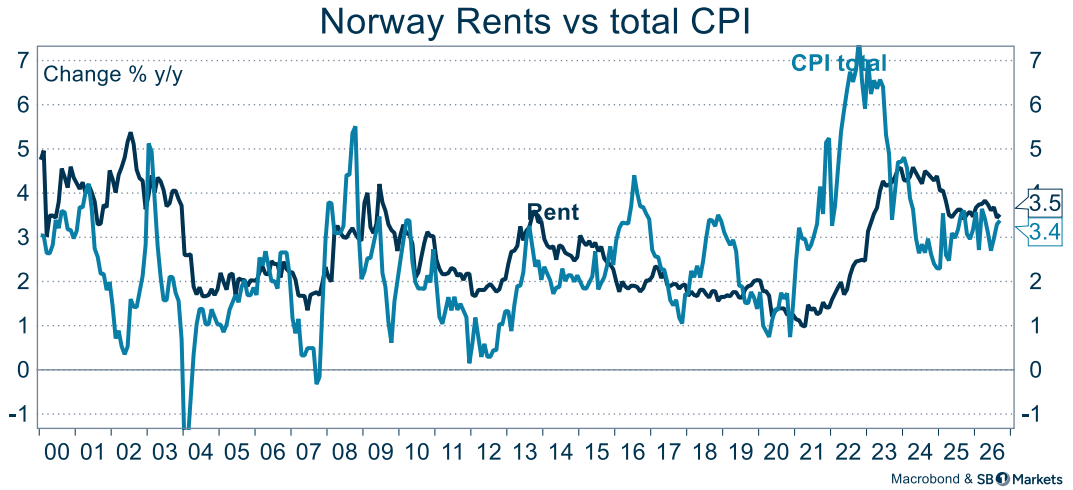


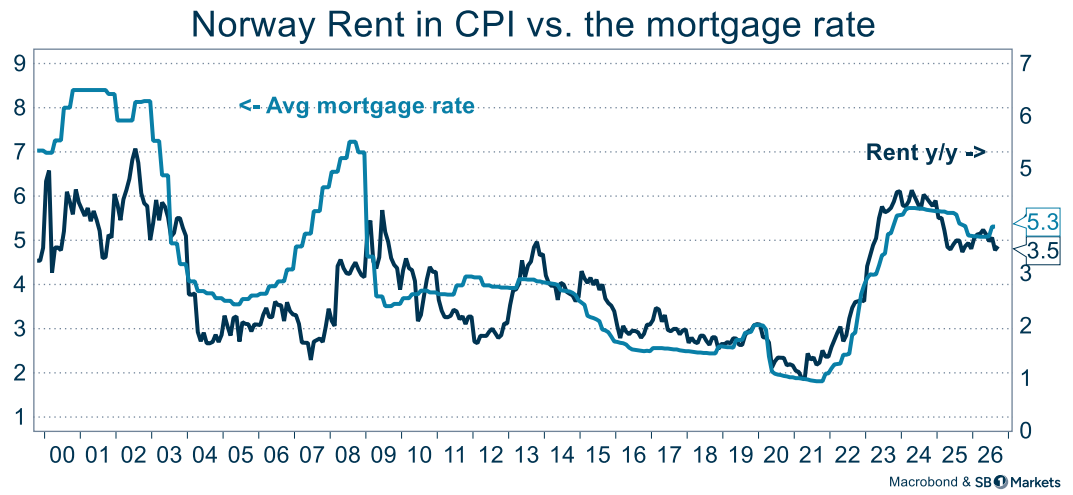
- Now, core CPI inflation ex. rents is at 2.9%

CPI: SSB rent inflation has flattened at 3½%

Our rent inflation model suggests a decline in rent inflation from the current 3.5% growth rate





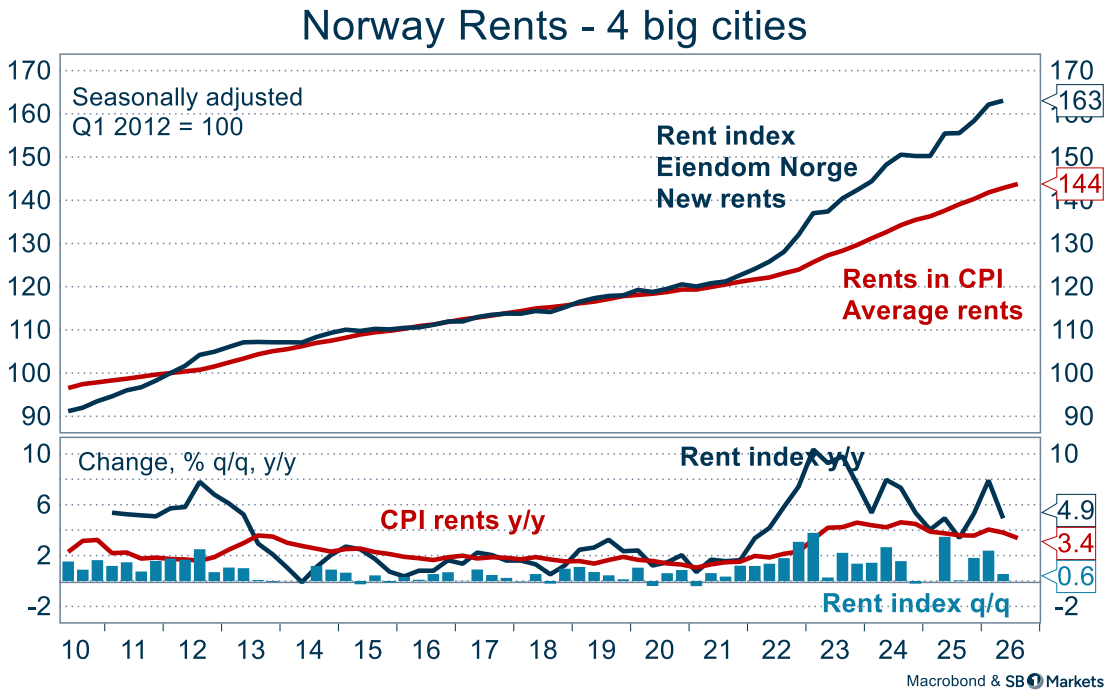


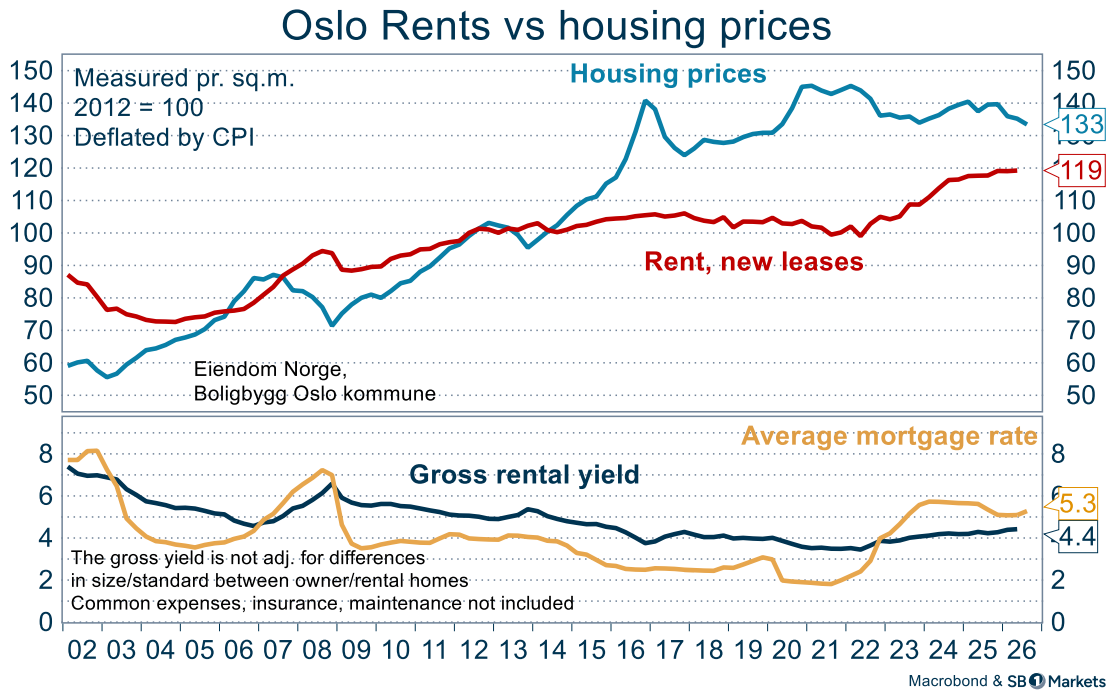
- Since 2005, a 1 pp increase in the after-tax mortgage rate has increased rent inflation by some 0.5 pp. Now, the after-tax mortgage rate is up approx. 3½ pp from the bottom in 2020/21, which may have explained some 1.5 pp of the 3½ pp ***increase* in rent inflation** (at the peak). Even if rents constitute 26% of CPI (revised up from 21%), a mortgage rate-rent-CPI-mortgage ***rate spiral is totally unlikely, as the impact on rents is smaller than other and negative impacts on inflation from a lift in the policy rate***
- On the other hand, the need to bring **rental yields** up to a more reasonable level vs. the cost of capital ***may push the average rent up over the coming quarters and years.***

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

New rental lease are up to 5% y/y but the underlying growth rate is higher.

New leases (4 big cities) are up 33% since late 2021, average rents measured by SSB are up 17%. SSB last year: 3.4% (Q3 avg.)

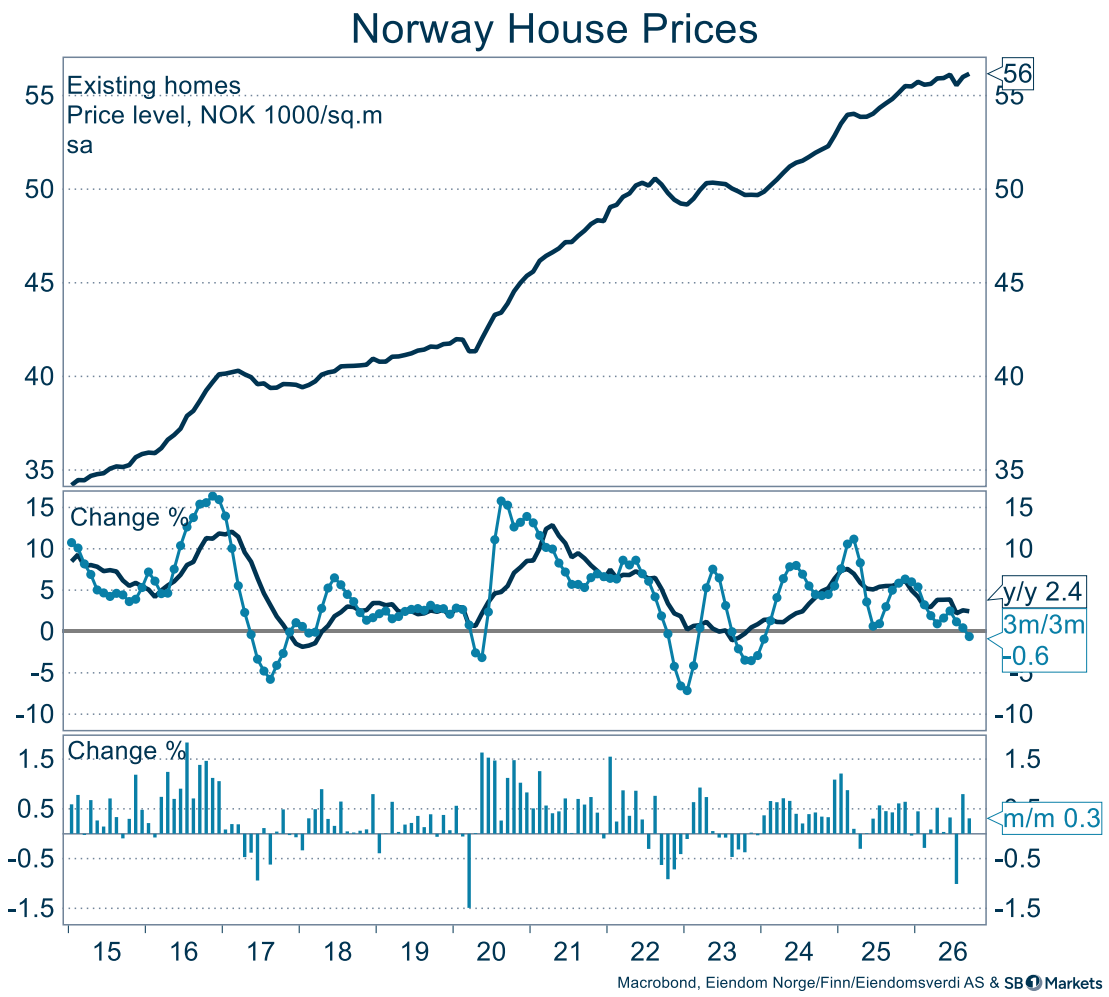




- **Eiendom Norge's index** for **new leases** (in Oslo, Bergen, Trondheim and Stavanger) does not correlate well with **SSB's index for average rents for all** (new and existing) **leases**. However, it seems very likely that average rents will drift upwards in ***order to bring the rental yield – which is still very low – back to a more reasonable level vs. the cost of capital***
  - **New leases** are – by definition – more volatile than the average rent for all leases. Existing leases are normally gradually adjusted by CPI
  - Over time, average rents will drift towards rents for new leases. Thus, if the increase in mortgage rates increases rents for new leases, t**he average ('SSB') r**ent will drift upwards, a***nd faster than the normal CPI adjustment would sugg***est. However, this process will be gradual, and the annual change in the average rent will probably not b***e f***ar higher than CPI inflation (barring changes in other factors that decide rent inflation). In addition, housing rents equal 'just' 27% of the core CPI. Thus, a mortgage rate/rent inflation/CPI inflation/rate-spiral is not possible (check our model estimates on the previous page)
- **New leases (4 big cities)** are up 33% since late 2021. In real terms, a new ATH was finally reached in Q3-23 – following the steady decline in real rents from the previous peak in 2013 to 2021. The **rental yield**, which fell sharply until 2022, is on the way up, but ***is still below the cost of capital (here the mortgage rate)***

Housing prices rose 0.3% in September but have flattened in recent months.

Prices are down 0.6% 3m/3m, but just due to the July drop. Prices are still up 2.2% y/y. The regional differences are intact: south, west & Tromsø are in the lead, while the mid and the east are lagging, Oslo (after a surge in the inventory in the early summer) included.

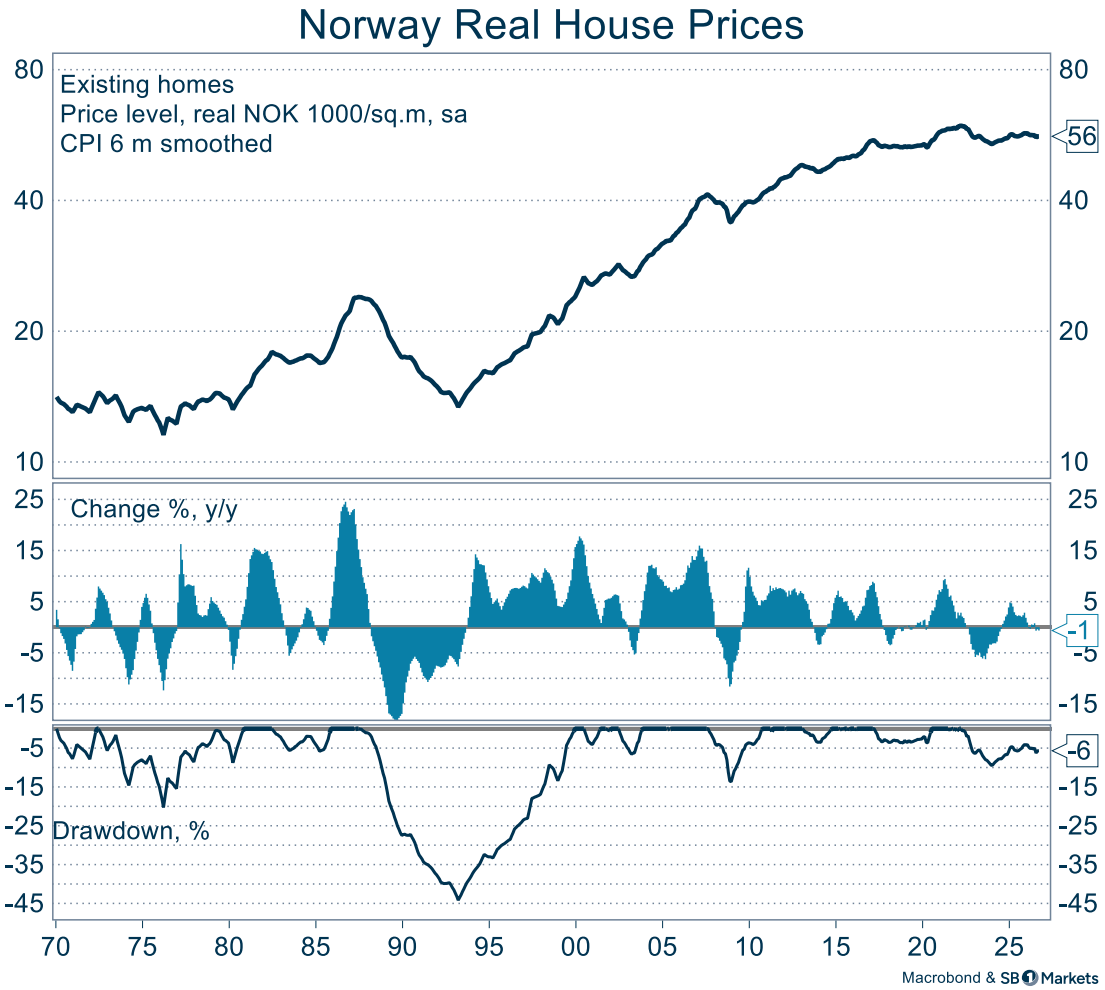


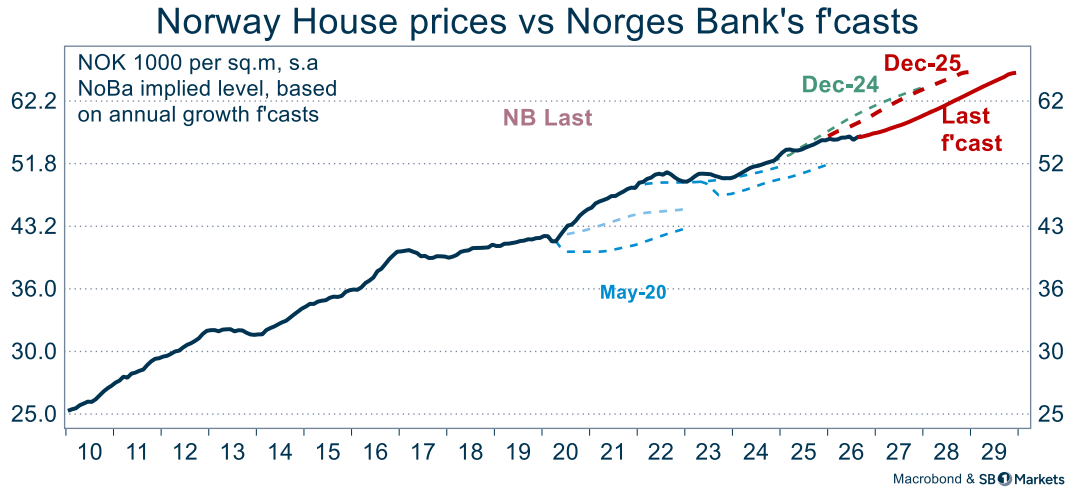
- **Norges Bank** expected a 0.1% monthly price increase, the consensus was probably slightly above, while we assumed unchanged prices. Prices rose in all but 2 cities in September, as in August.
- **Prices** are drifting up in 8 cities (6m/6m) and are declining in 8 cities. The national average is up 2%. Measured 3m/3m, a large majority of cities are down, mostly due to the drop in prices in July.
  - Achieved price premia vs. listed prices have flattened recently at a lower level than normal.
  - **Regional differences** are substantial with south/west in the lead, together with Tromsø in the north. East is the laggard, Oslo included. Oslo prices have been heading down in recent months and are down 1.1% y/y. Asker/Bærum, Drammen, Tønsberg and Fredrikstad/Sarpsborg are down as well. Interest rates are no doubt biting harder where house prices are the highest and in regions not supported by oil related activities. Tromsø is up 12%, Bergen 9%, and Stavanger 7%.
- **Sales** are trending down while the **inventory** has flattened at an above average level. **The inventory/sales ratio** is above average as well. In Oslo, the inventory of unsold homes surged in May-July to a record high level but fell slightly in August and September.
- **Our flow-based models *suggest 0.5% monthly price increases both in Oslo and 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

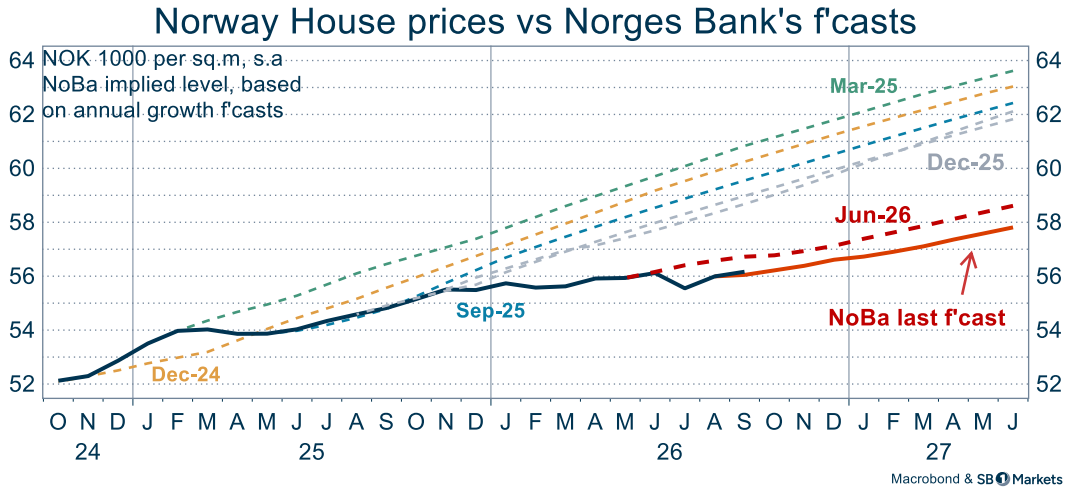
Data in this section are provided by Eiendom Norge/Finn/Eiendomsverdi AS as well as Macrobond.
All data are seasonally adjusted, partly by SB1M.

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

… but not much up from 2016. The price level in September was marginally (0.2%) above Norges Bank's estimate in the September MPR. Since early 2025, NoBa has overestimated housing price inflation most of the time but still assumes approx. the same growth rates.

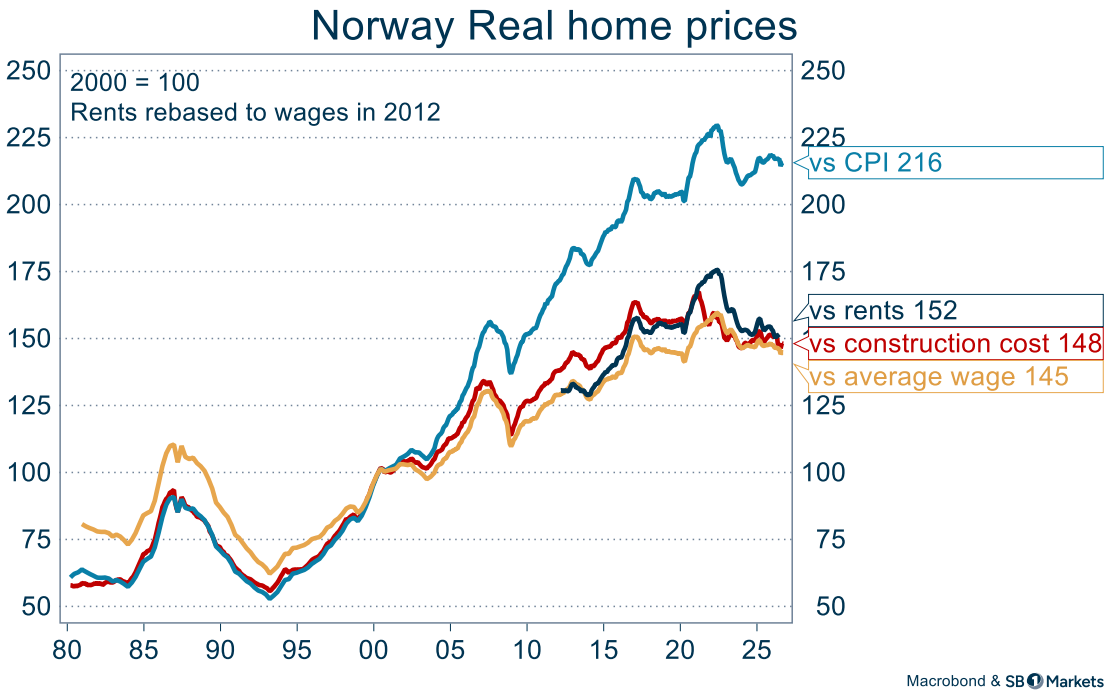


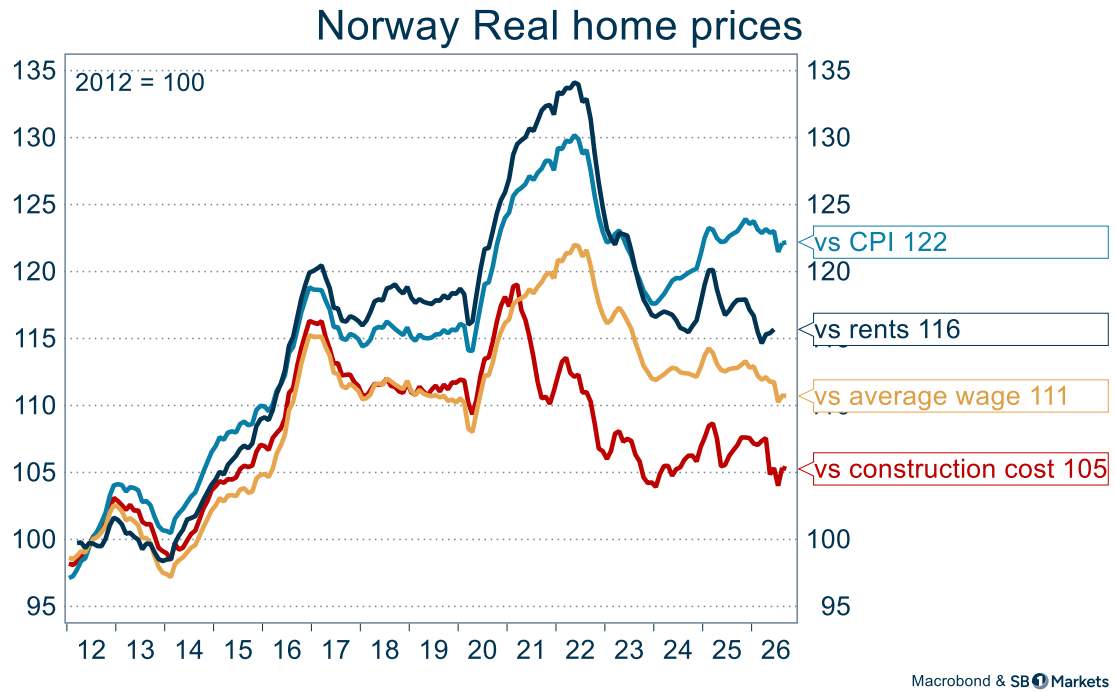




Real housing prices II, vs. other benchmarks: prices are lower than 9 years ago

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

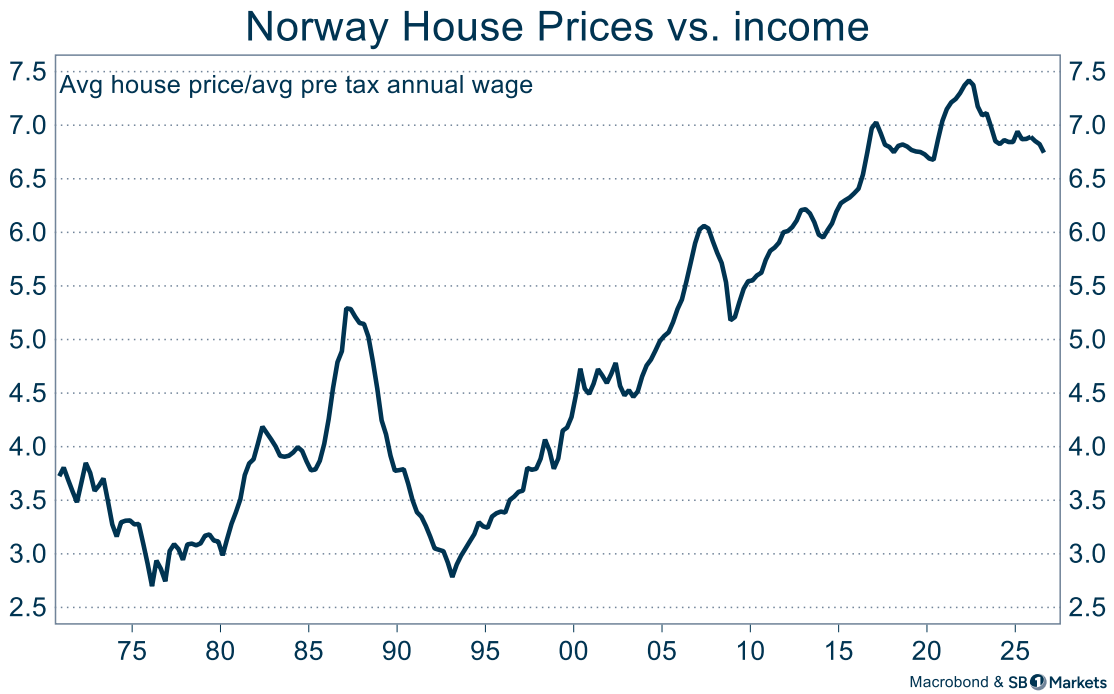


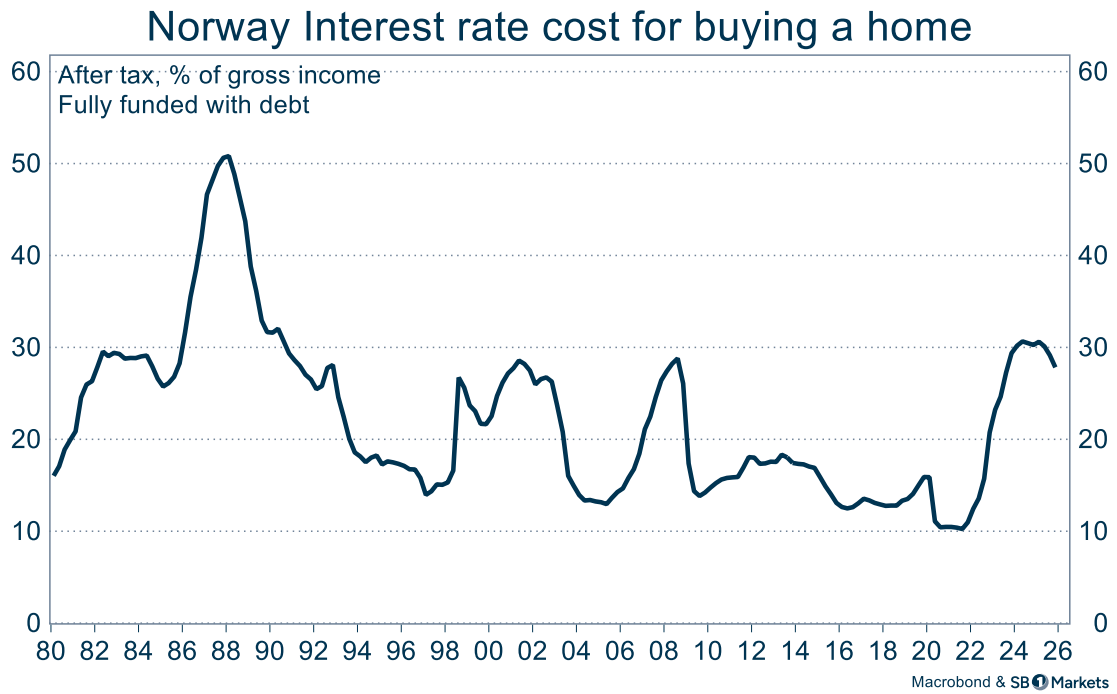


- Memo: Rents are Eiendom Norge's quarterly index for new leases in the 4 largest cities (Oslo, Bergen, Trondheim and Stavanger), and not a national index.

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

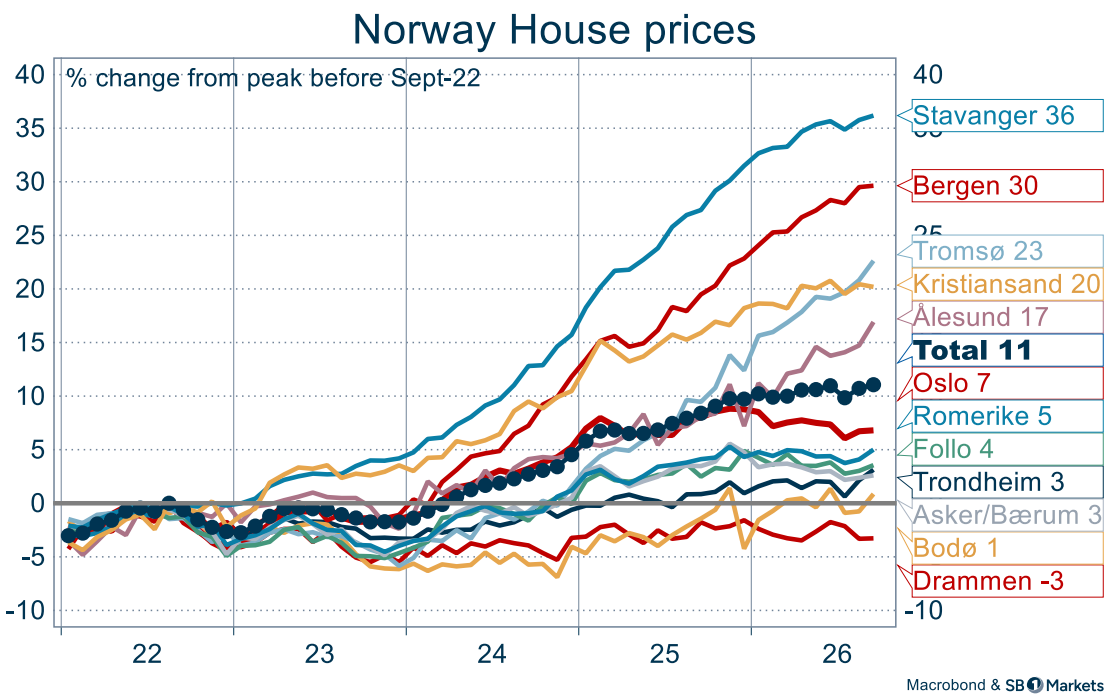
Affordability is close to its toughest level since the early 1990s, measured by (*house price*mortgage rate after tax)/gross income* – but the ratio has fallen somewhat recently (income grows faster than prices – and the mortgage rate has fallen somewhat, until now at least).

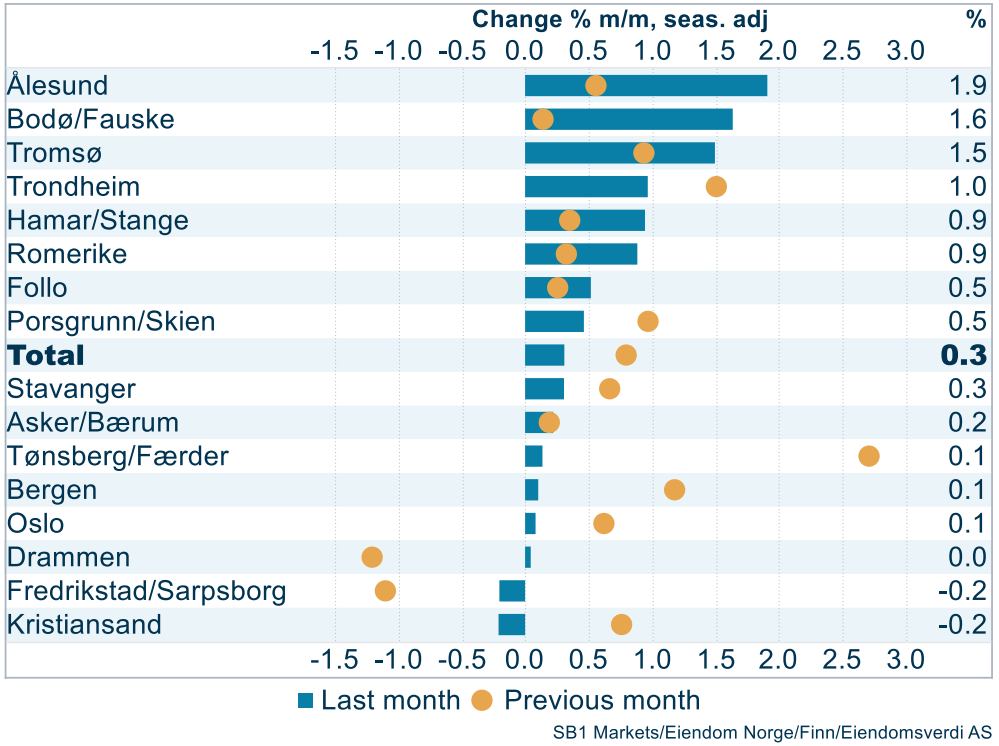




House prices: July was the outlier on the downside; Prices rose in all but 2 cities in Sep.!

Just Fredrikstad/Sarpsborg and Kristiansand reported lower prices. Oslo prices rose 0.1%. Ålesund, Bødø, Tromsø and Trondheim were in the lead m/m in September – Trondheim for the 2nd month in row.



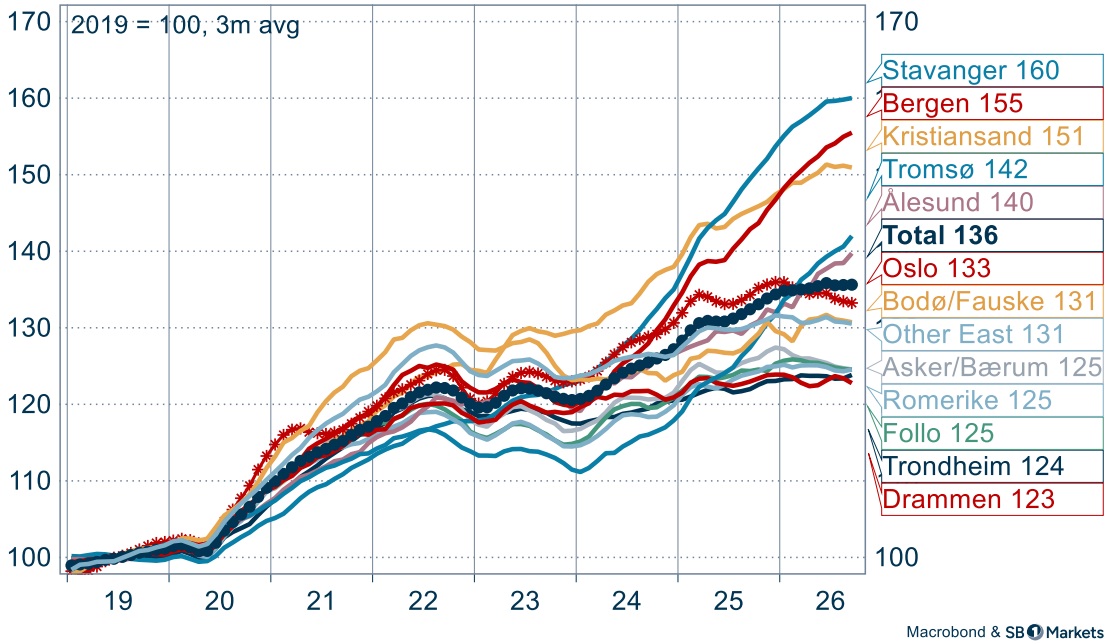


- The leaders are up 20–36% vs. the local peak in 2022, with Stavanger in the lead
  - Asker/Bærum, Trondheim, Bodø and Drammen are just marginally up or down
- **In real terms (CPI deflated), real housing prices are down 5% from the local peak in 2025**
  - Stavanger is up 17% vs. its real price peak
  - Bergen +10%
  - Tromsø +3%
  - Oslo -9%
  - Trondheim -13%
  - Drammen -18%

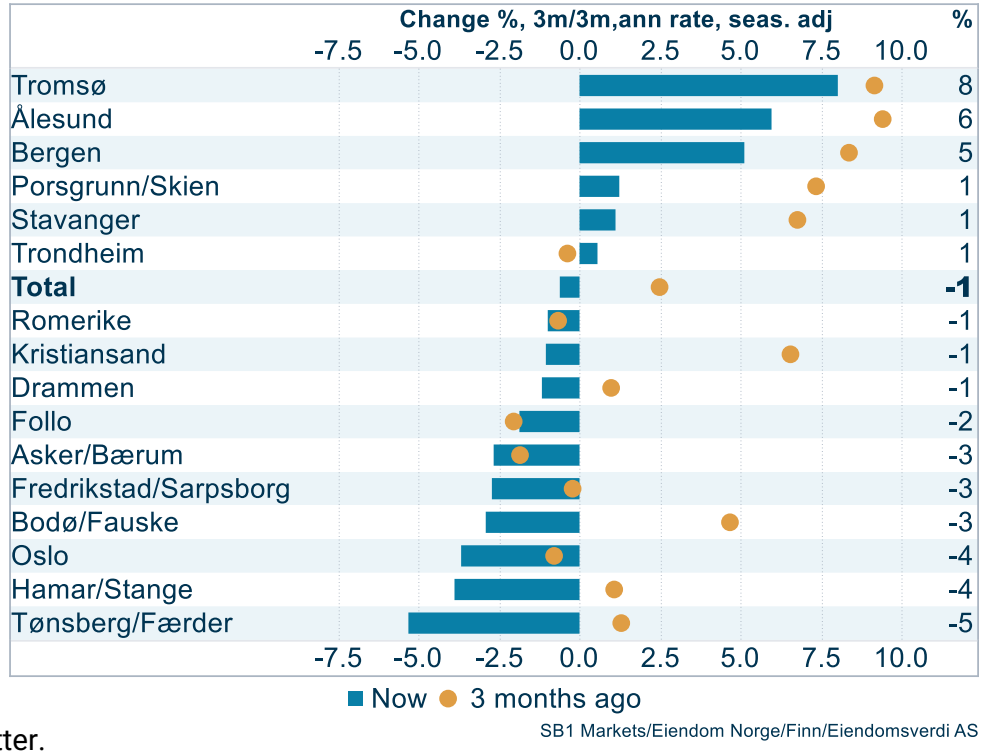
Big picture: prices are drifting down in 10 cities, up in 6

15 cities report lower growth or a faster decline measured 3m/3m than 3 months ago. The total 3m/3m is down at a 1% pace. Tromsø, Ålesund and Bergen are in the lead. Eastern Norway rules at the bottom, Oslo included, down at a 4% pace.

Norway House prices



Norway House prices



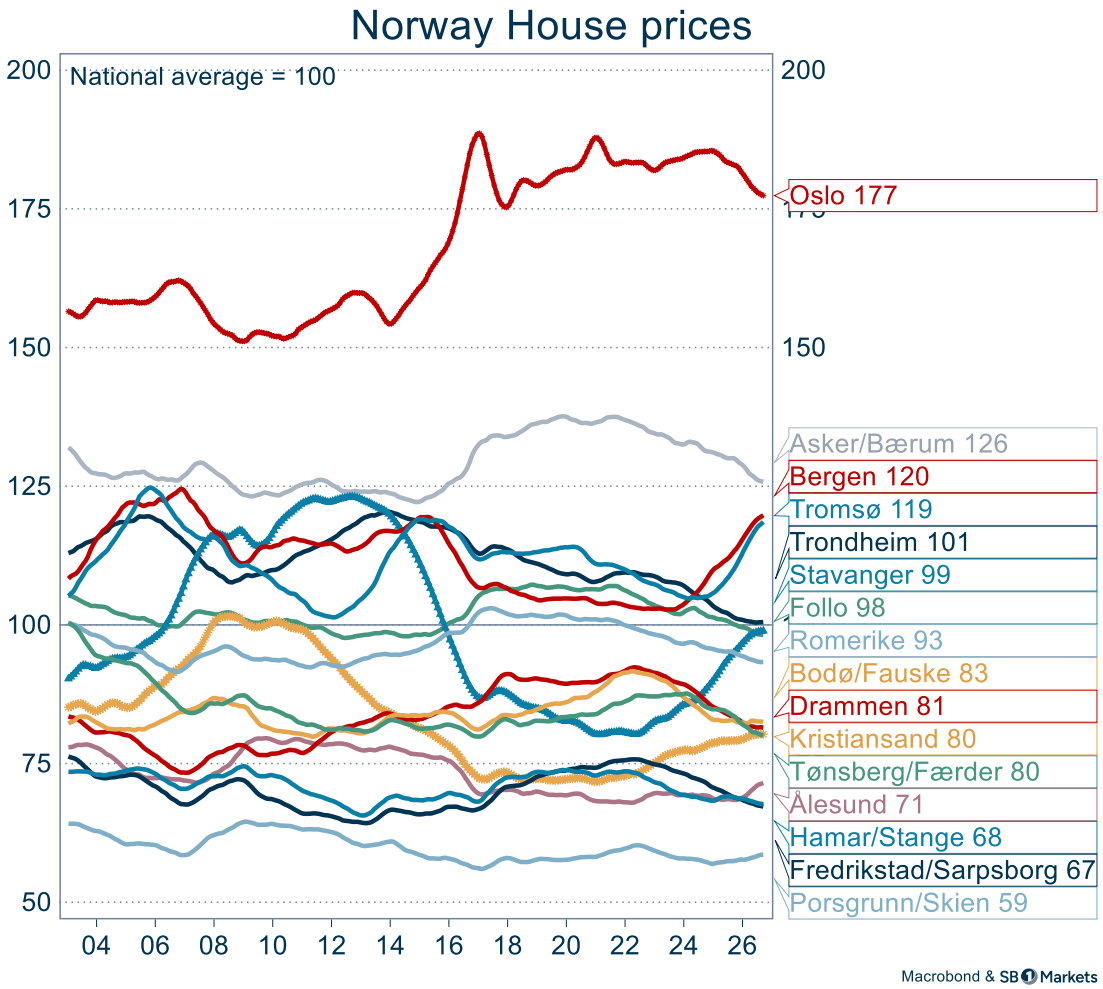
SB1 Markets/Eiendom Norge/Finn/Eiendomsverdi AS

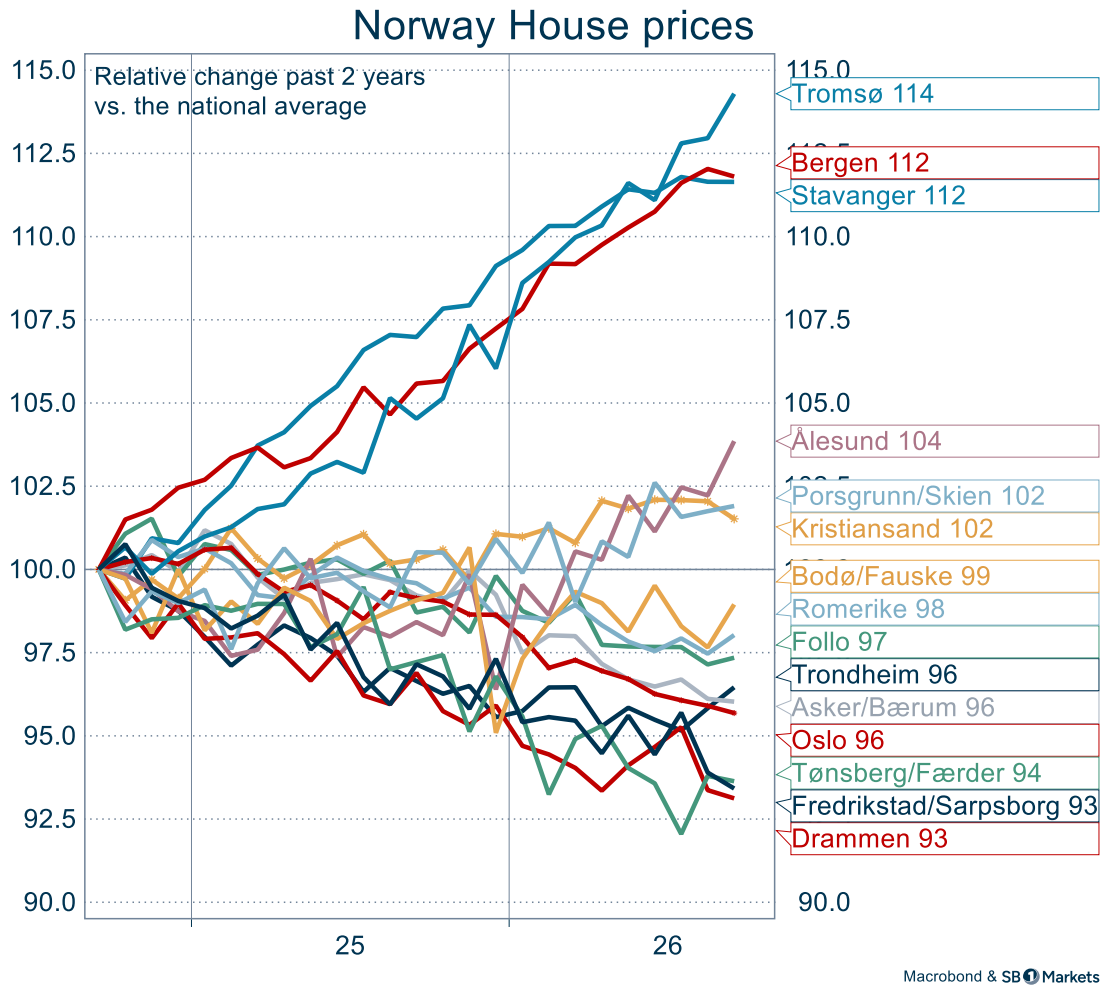
- **Vs. the pre-pandemic 2019 price level:**
  - Drammen and Trondheim are at the bottom, up 23–24%. Romerike and Follo marginally better.
  - Oslo is up 33%.
  - The average is up 36%.
  - Stavanger is up 60%, Bergen 55% and Kristiansand 51%!

- Measured 6m/6m, prices are up in 8 cities and down in 8. The national average is up 2%

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??



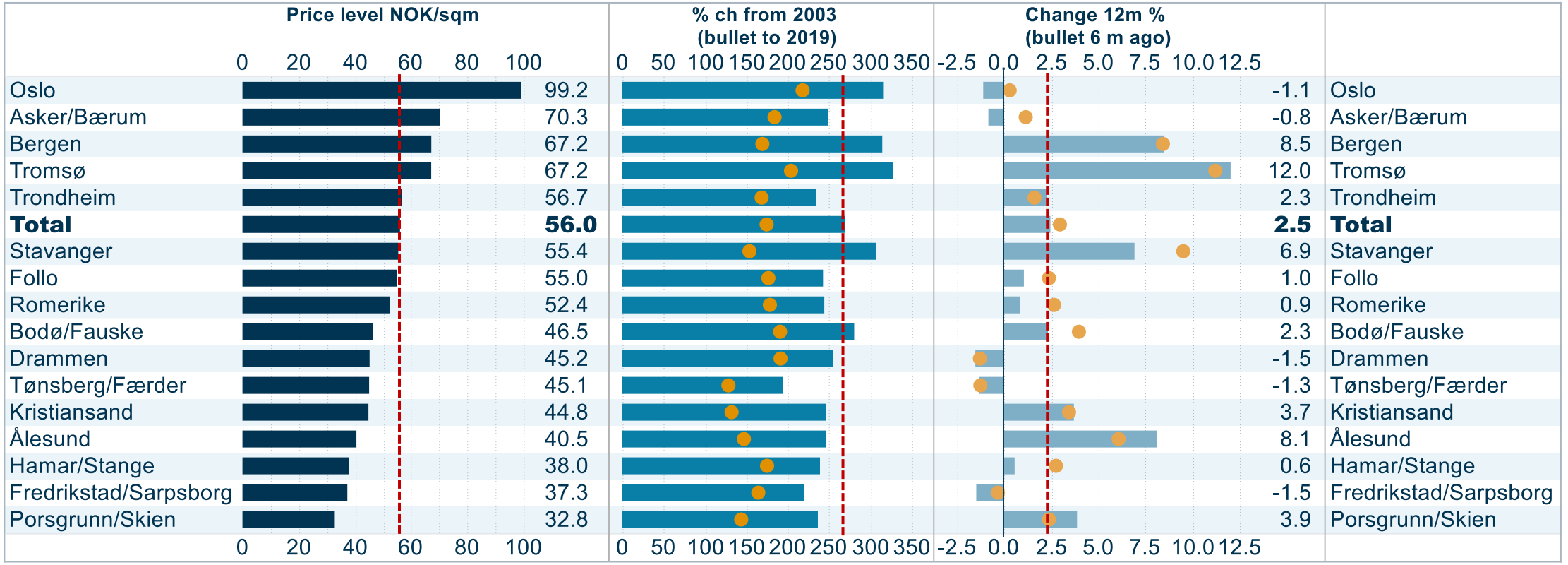


In Porsgrunn/Skien, prices are 67% lower than in Oslo, per sq. m.

Tromsø in the lead y/y, up 12%, followed by Bergen and Ålesund and Stavanger

However, growth has slowed in Stavanger and in 7 other cities (vs. 6 months ago).
Oslo and other Eastern towns are the laggards, and Oslo, Asker/Bærum, Drammen, Tønsberg and Fredrikstad are down y/y.

Norway House prices



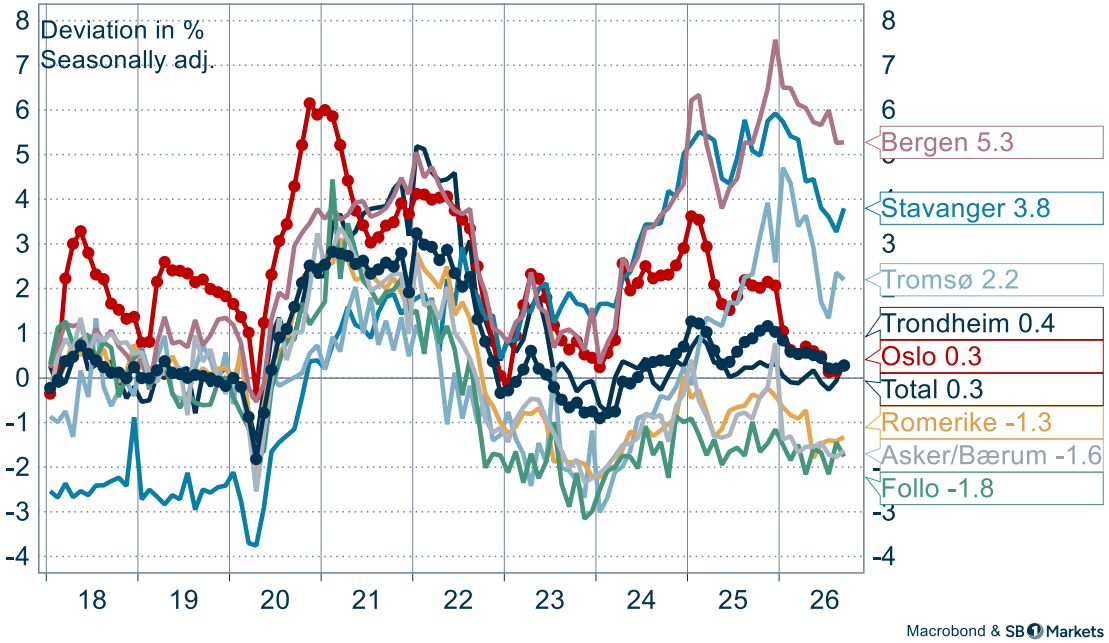
SB1 Markets/Eiendom Norge/Finn/Eiendomsverdi AS

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 remained low, and below normal, in September

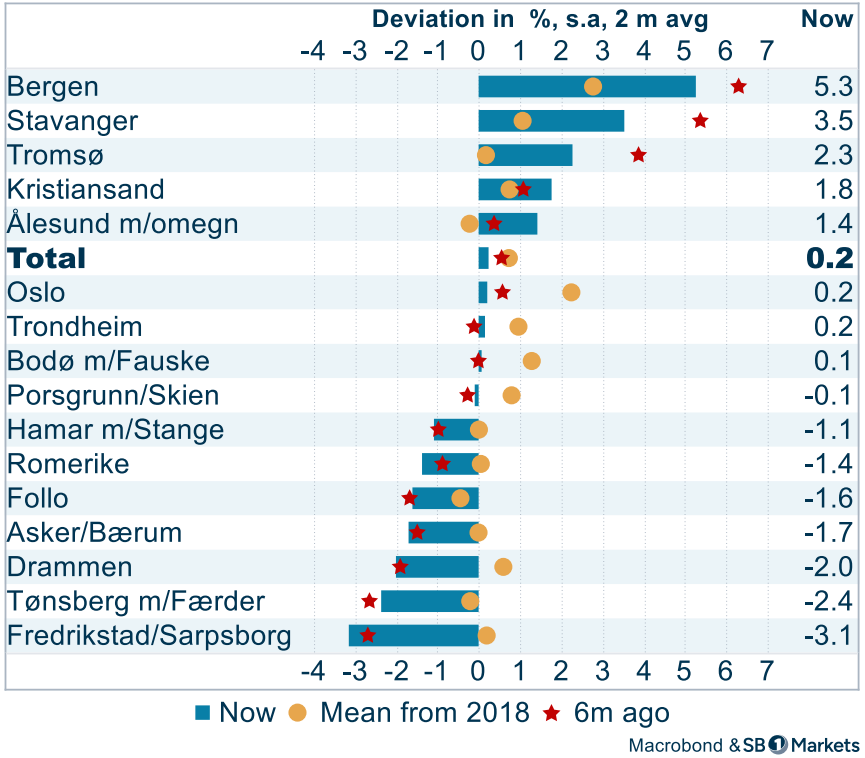
Large regional differences: Bergen and Stavanger are in the lead, +4–5%, while 8 of 16 cities still sell with a negative premium. Drammen, Tønsberg and Fredrikstad occupy the bottom of the list. The avg. premium is 0.3%, well below the avg. since 2018 (0.8%) but in line with the 2y average.

Norway Sale price vs posted home price



- In Oslo, homes were sold 0.3% above the listed price. The average Oslo premium since 2018 is 2.2%. But homes are still sold at a premium, according to the realtors, at least.

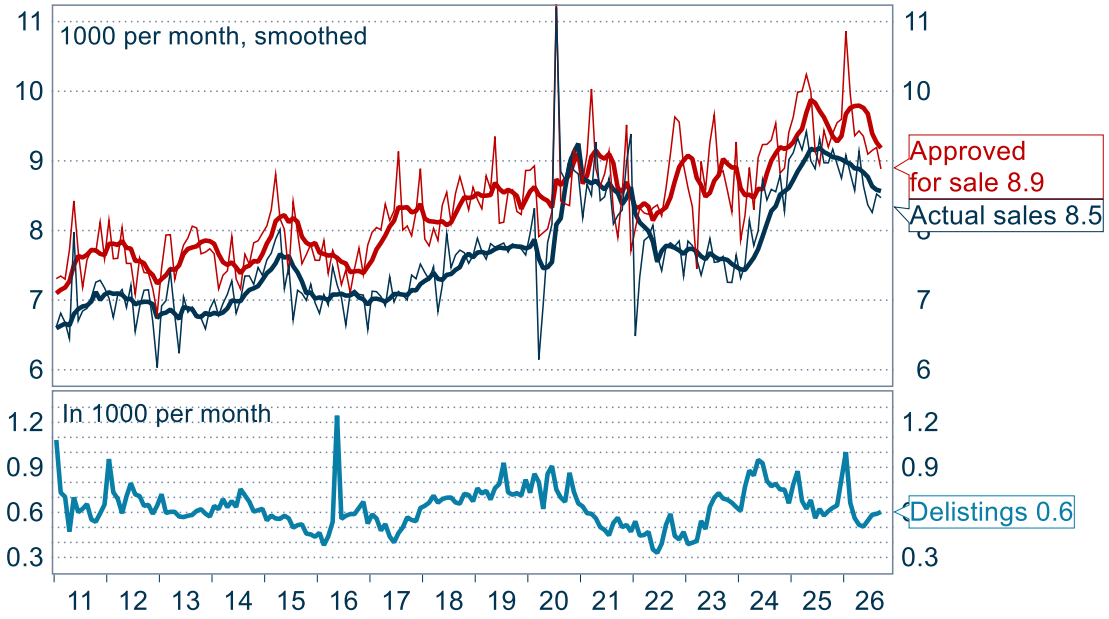
Norway Sale price vs posted home price

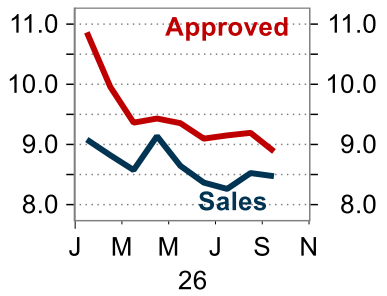


Sales are trending down but are still above par. The inventory has increased slightly in ‘26

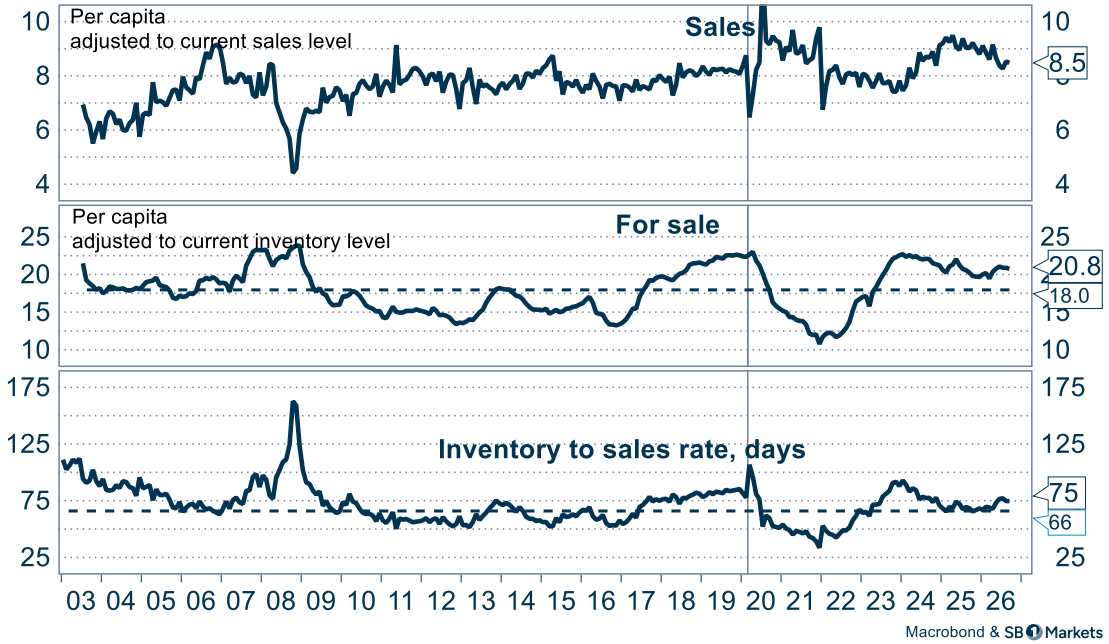
Sales have fallen since mid-25 but are still above an average level (but not by that much population-size adjusted). The inventory of unsold homes has fallen marginally the past 3 months. The inventory-to-sales ratio fell to 10 days above the 56-day historical average.

Norway Housing market



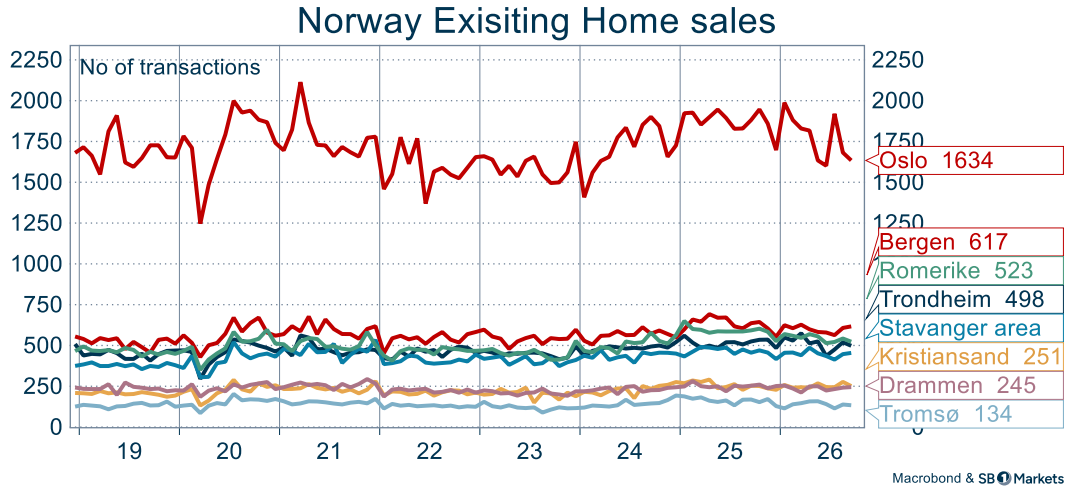


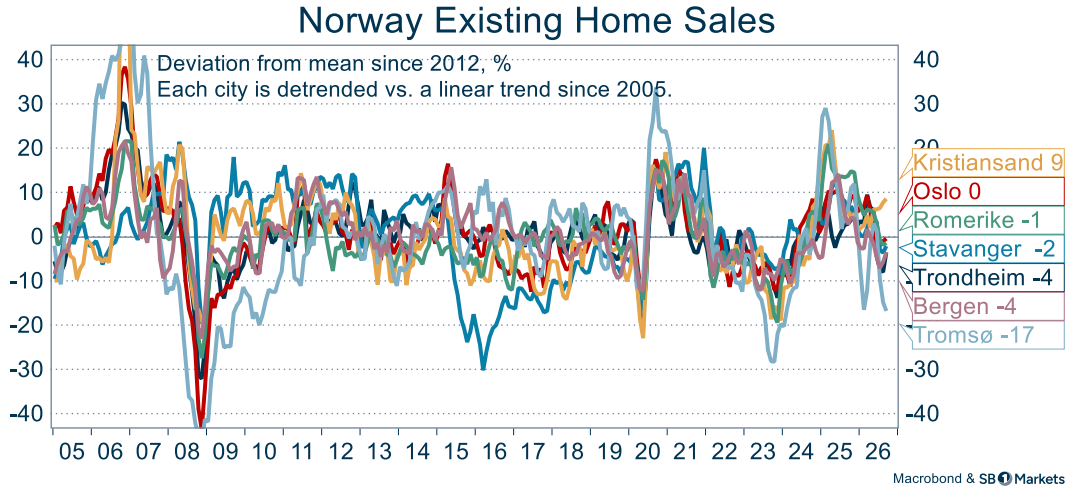
Norway House transactions

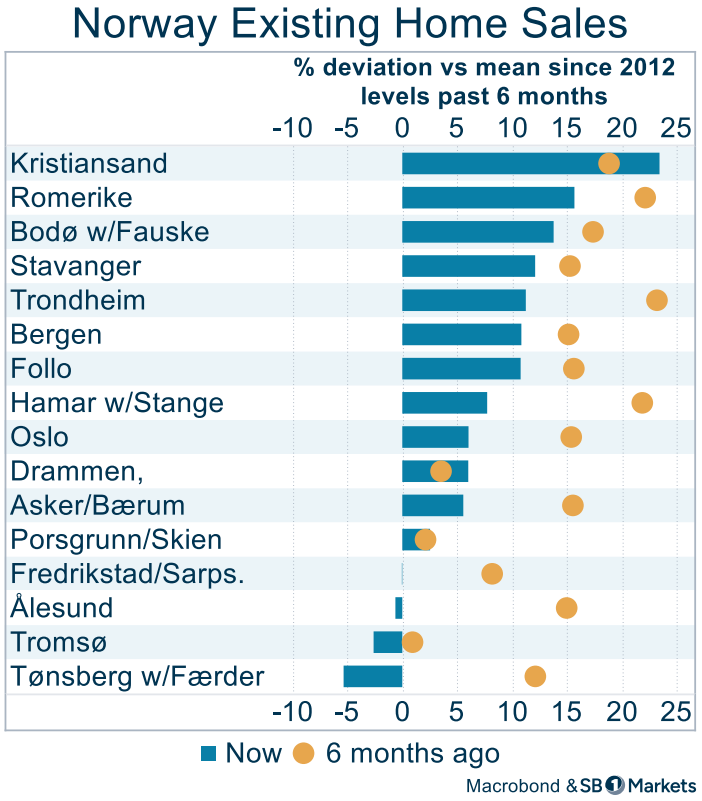


Home sales lower the past 6 months than the previous 6 months in 13 cities

… while sales are higher *than normal* everywhere but Tønsberg, Tromsø and Ålesund. Sales in Oslo are *above* the long-term average, but below sales in recent years. Sales are the highest vs. normal sales in Kristiansand and Romerike.

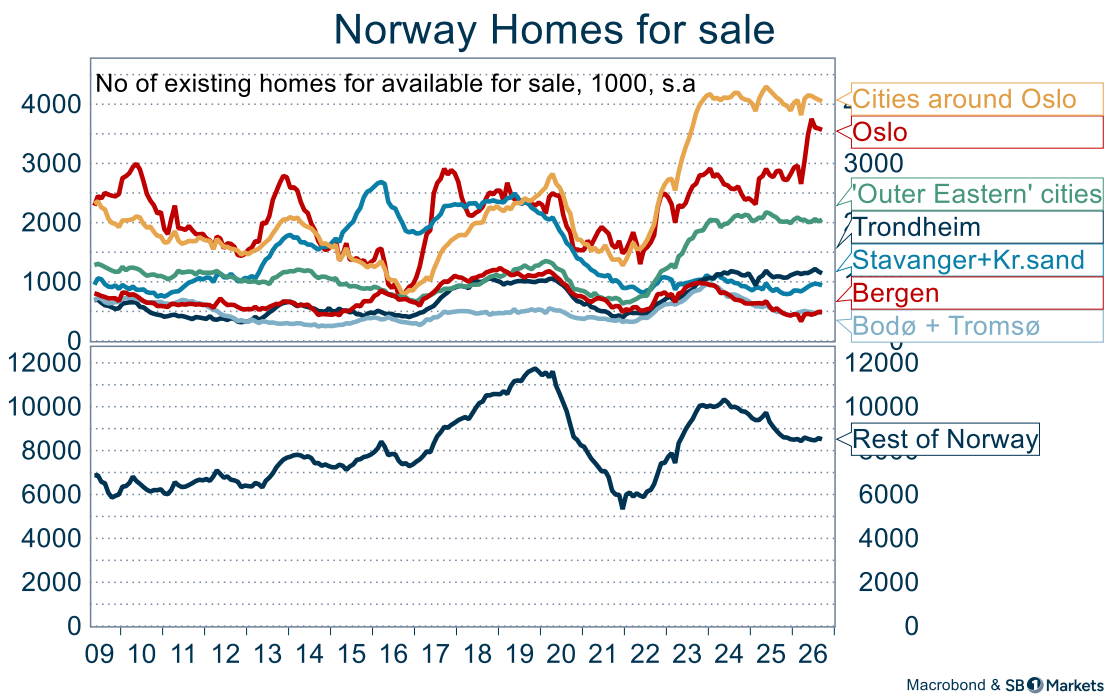


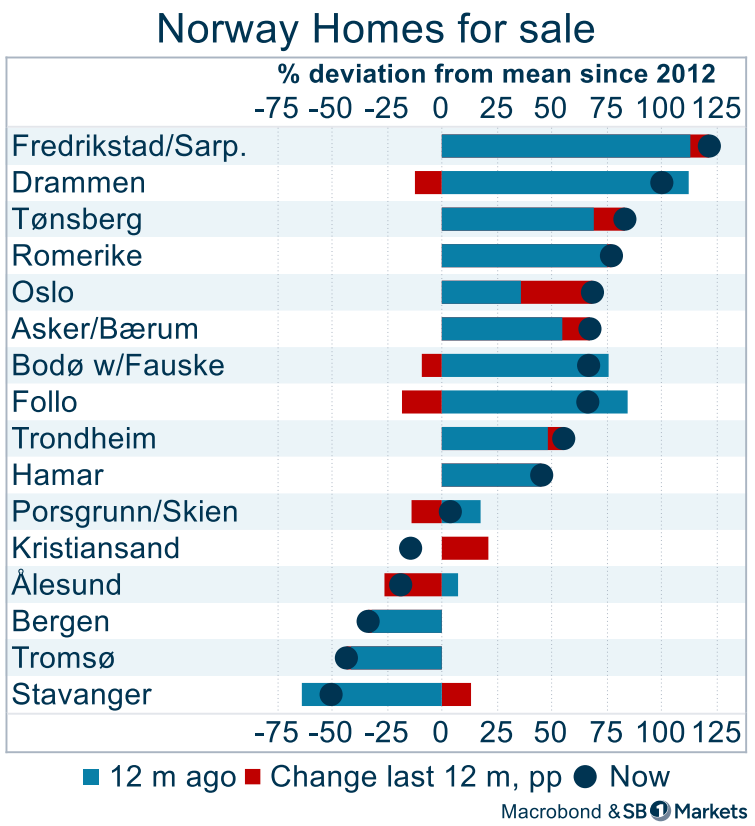




The inventory is > normal in most cities, at ATH in Oslo, by far. Still, 5 are down y/y

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.

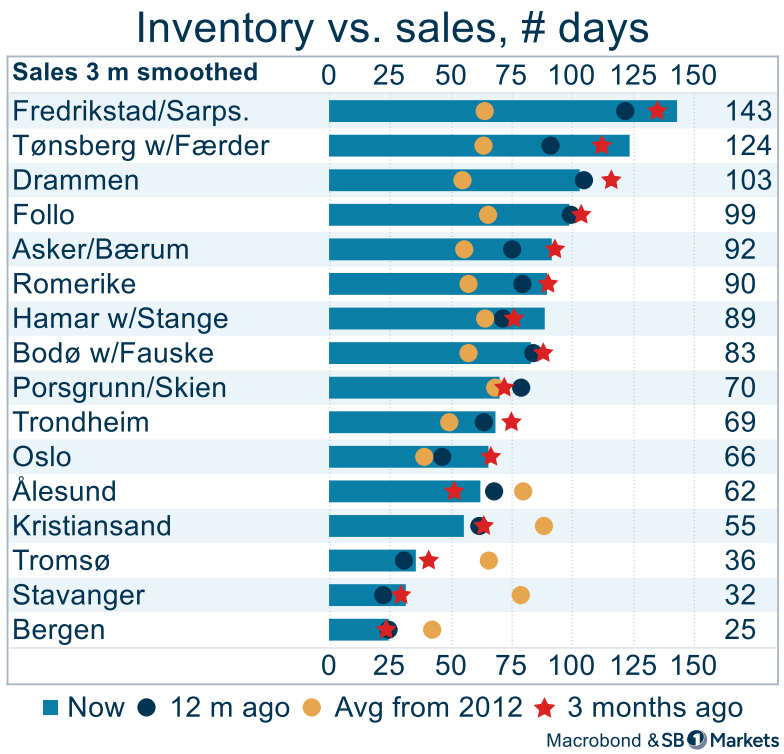


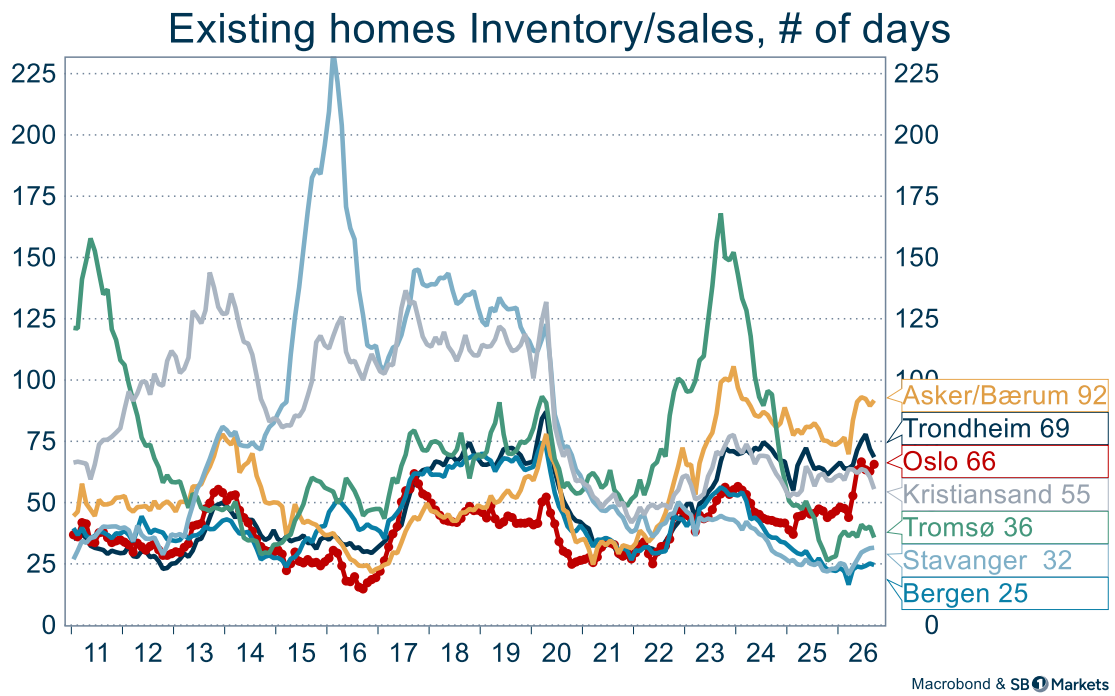


- In August and September, the inventory in Oslo fell marginally, but the surge over the summer was unprecedented.
- Several eastern cities are also above the middle of the list, and the direction is mostly up.
- Inventories in Kristiansand, Bergen, Stavanger as well as Tromsø and Ålesund are below average 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 9 cities, down in 6

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.

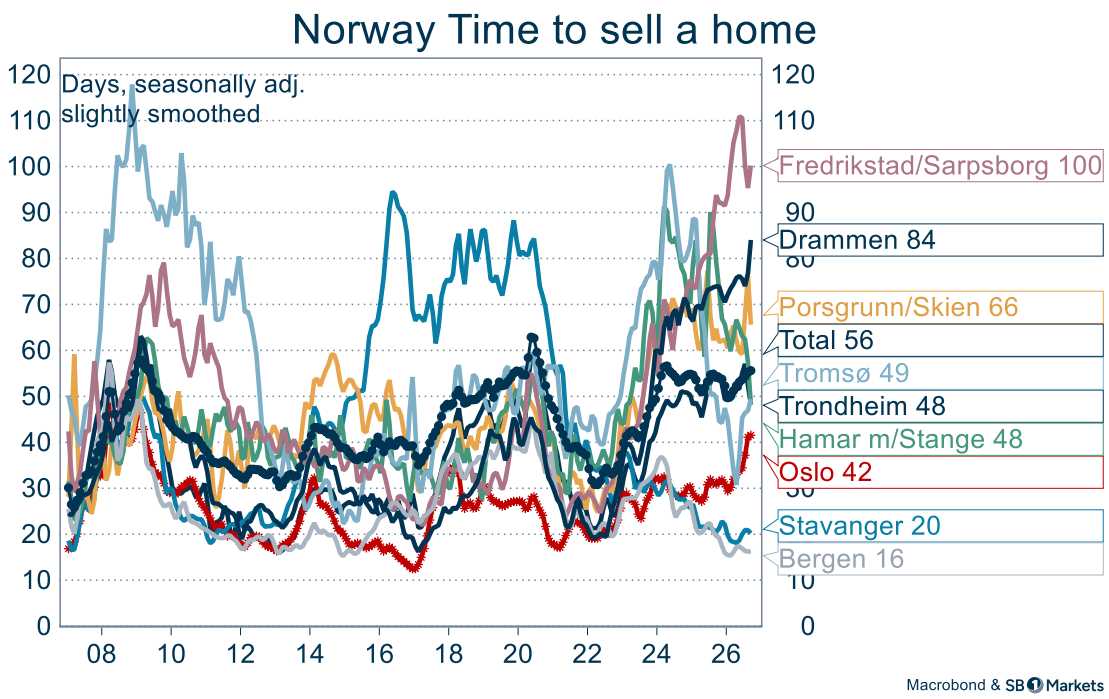


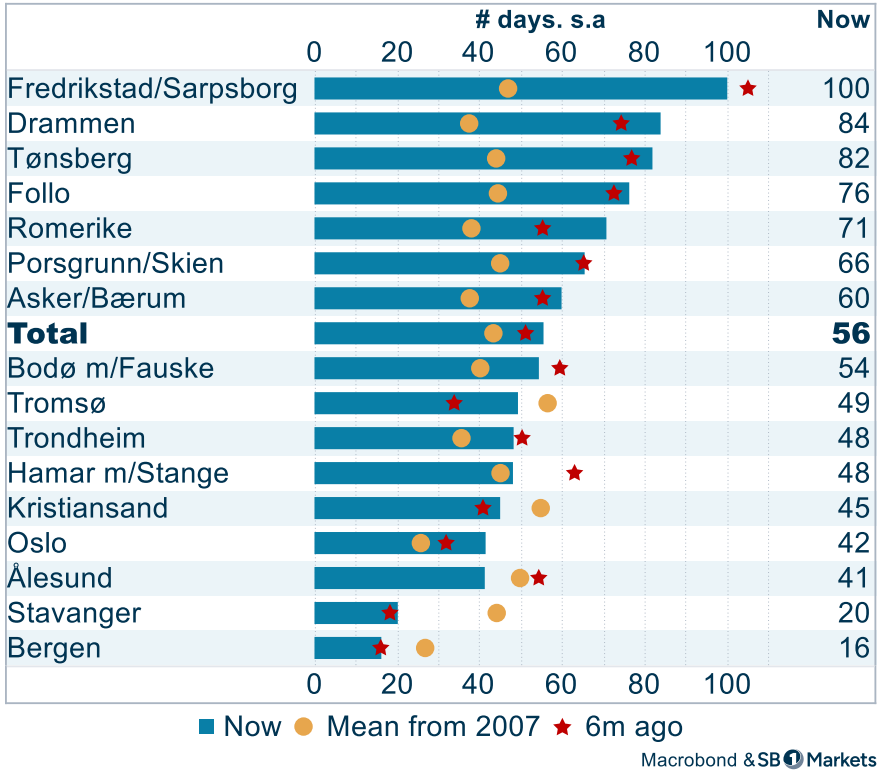


- **Fredrikstad & Sarpsborg** report the highest turnaround time (i/s ratio), 143 days (data are 3 months smoothed), more than twice the average (since 2012), and it still trends up.
- **Bergen** reports the lowest turnaround times, 25 days, half the average time on market in Bergen!
- **Oslo** at 66 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*) mixed, the total is on the way up, close to ATH

Just Kristiansand, Stavanger, Bergen, Ålesund and Tromsø report shorter selling times than normal. Fredrikstad/Sarpsborg is at the top, both in absolute (100 days) and relative terms, vs. normal selling times in this area. Drammen, Tønsberg and Follo are also high up on the list.

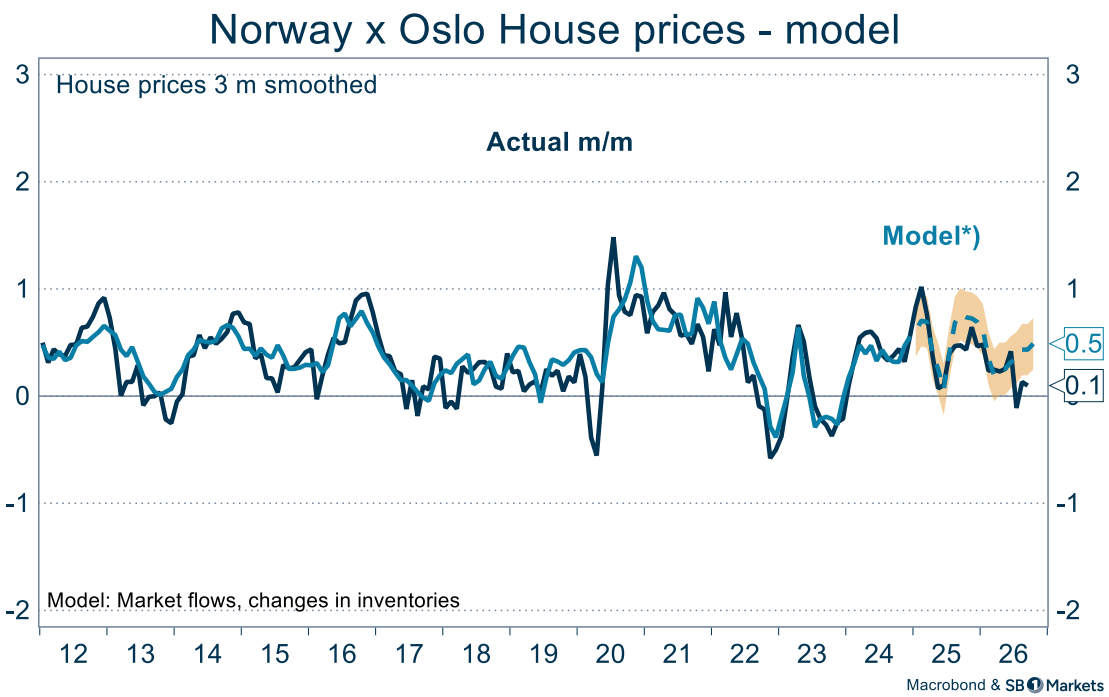


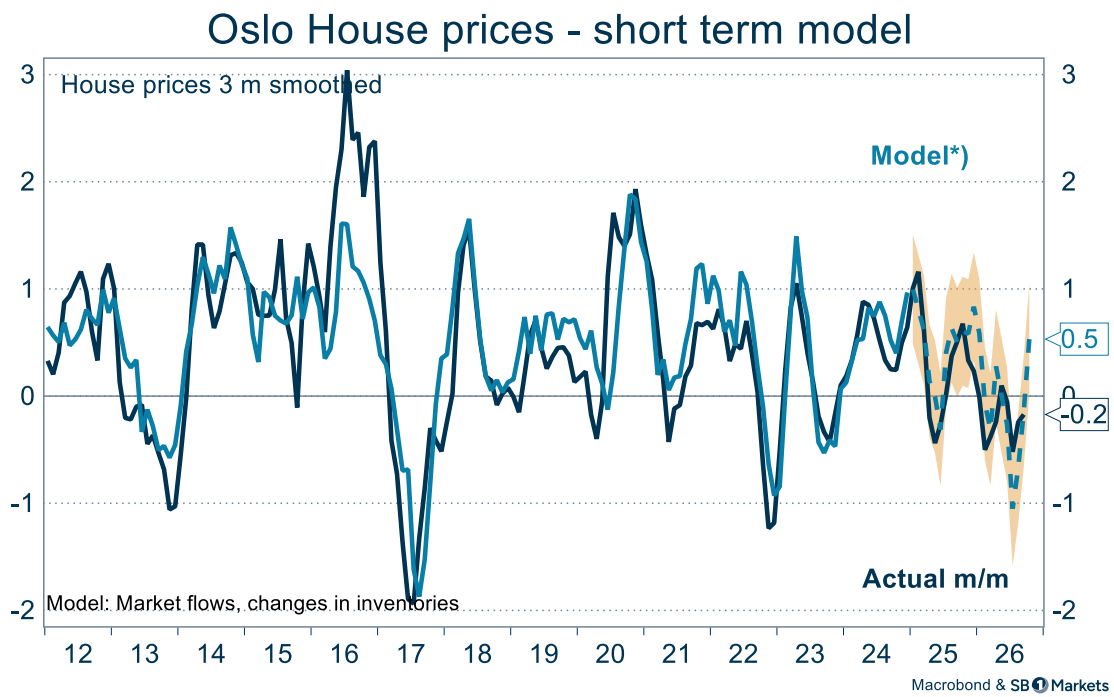


- Oslo is close to the bottom, but still higher than normal.
- 5 cities report shorter selling times than 6 months ago, 9 longer

Housing prices – short-term f'casts: higher prices over the coming months!

The Oslo inventory has stabilised and a 0.5% lift per month is signalled, like for the rest of the country



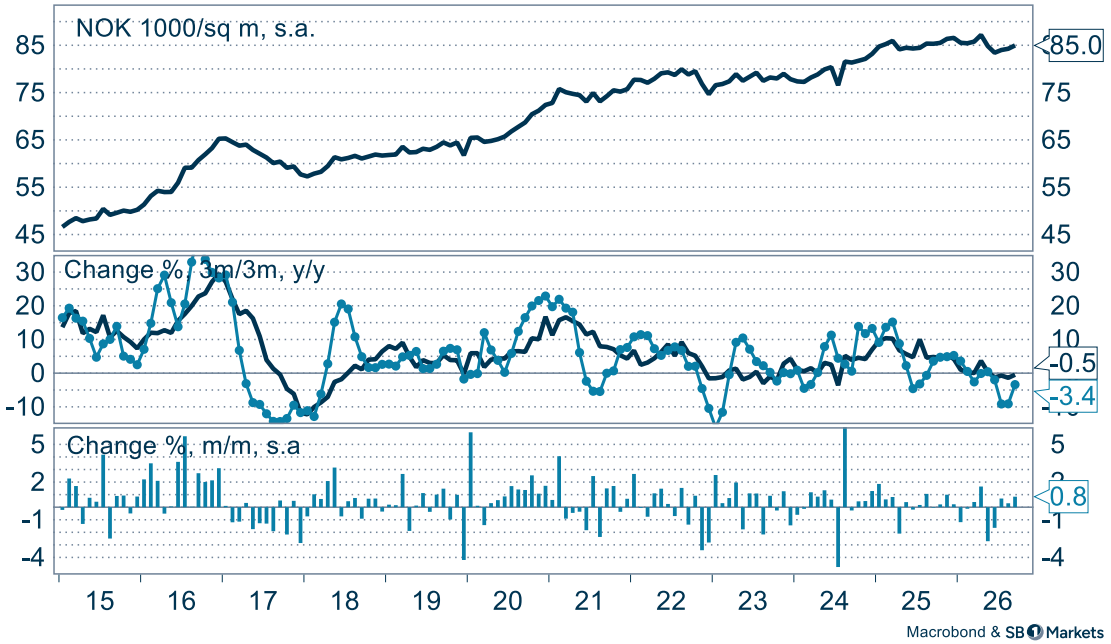


- **Our national ex. Oslo model**, based on flows and the inventory, signals a 0.5% m/m increase in housing prices, while the average over the past 3 months is up 0.1%.
- **Our Oslo model** also signals a 0.5% monthly lift, from -0.2 last month. Prices are down 0.2% on average the past 3 months.
- **Mortgage 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 to prices.

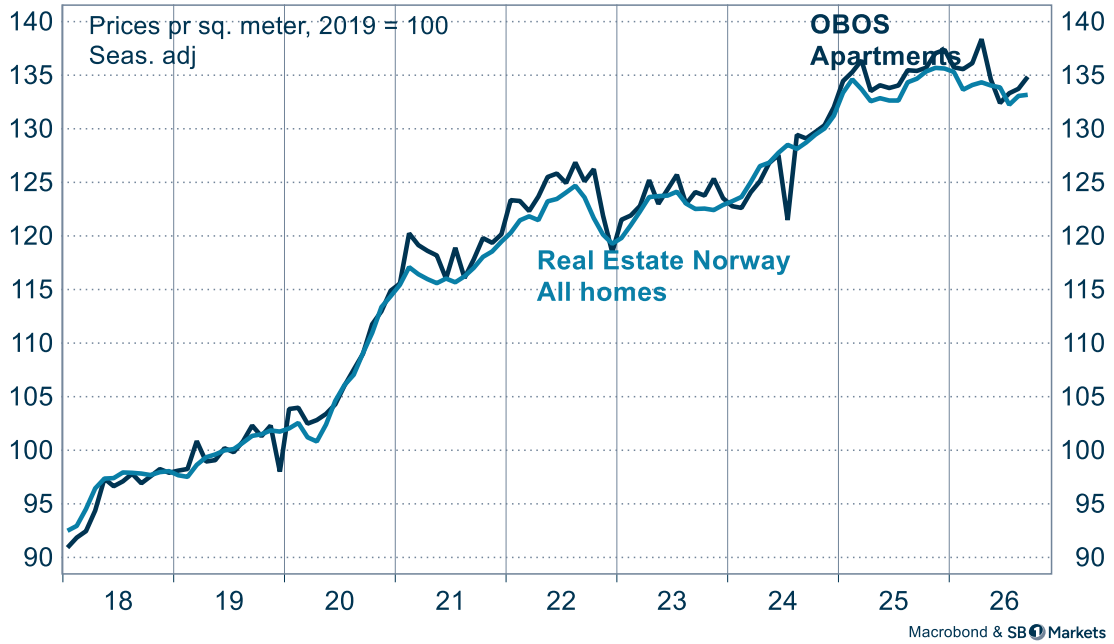
Oslo co-op apartment prices rose 0.8% m/m in September, but are down 0.5% y/y

OBOS prices are closely correlated to the total Oslo market over time but are more volatile from month to month, with some large outliers. Realtors report a 0.1% m/m lift, and prices are down 1.1% y/y for the total market.

Obos Apartment prices, Oslo

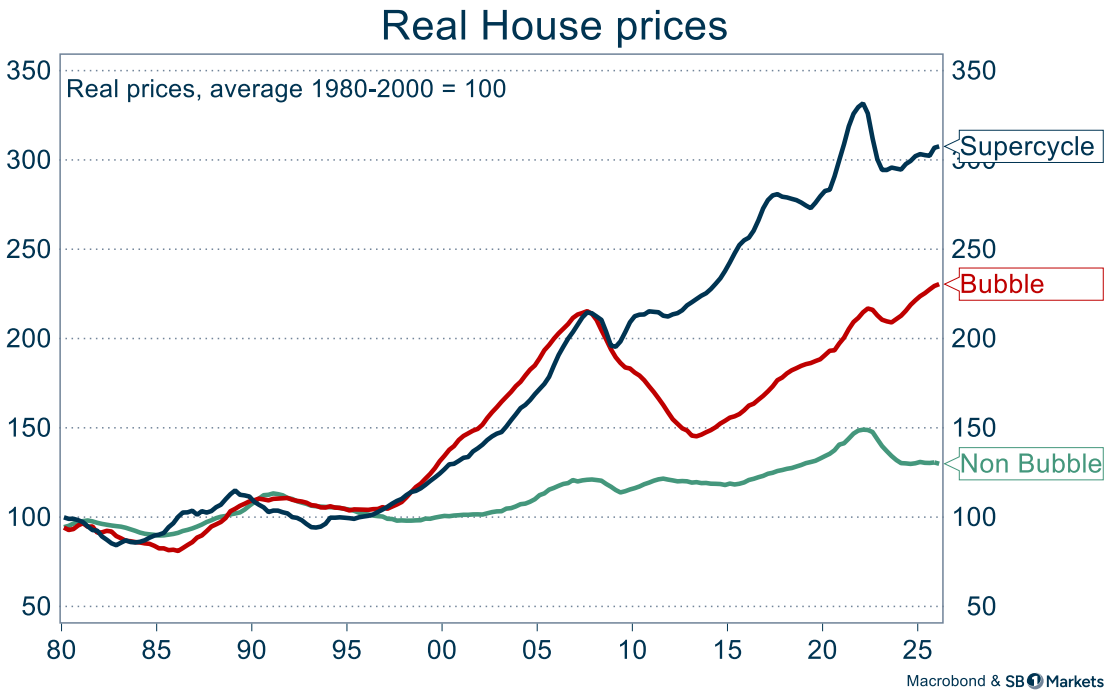


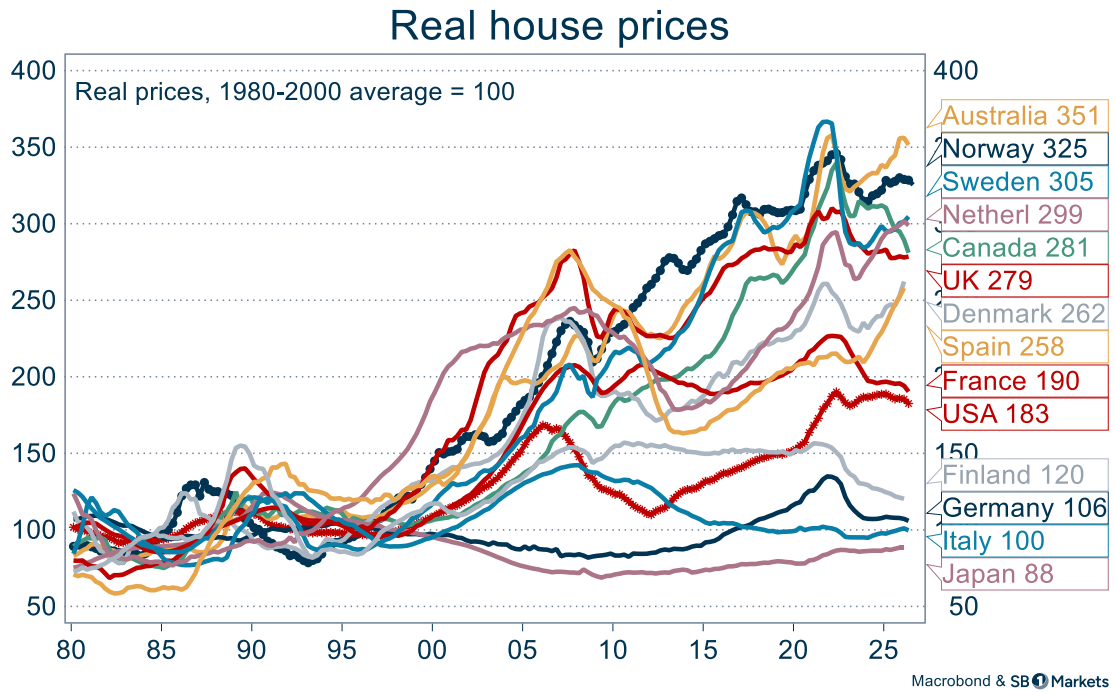
Oslo House prices



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; UK and US and several others are down)



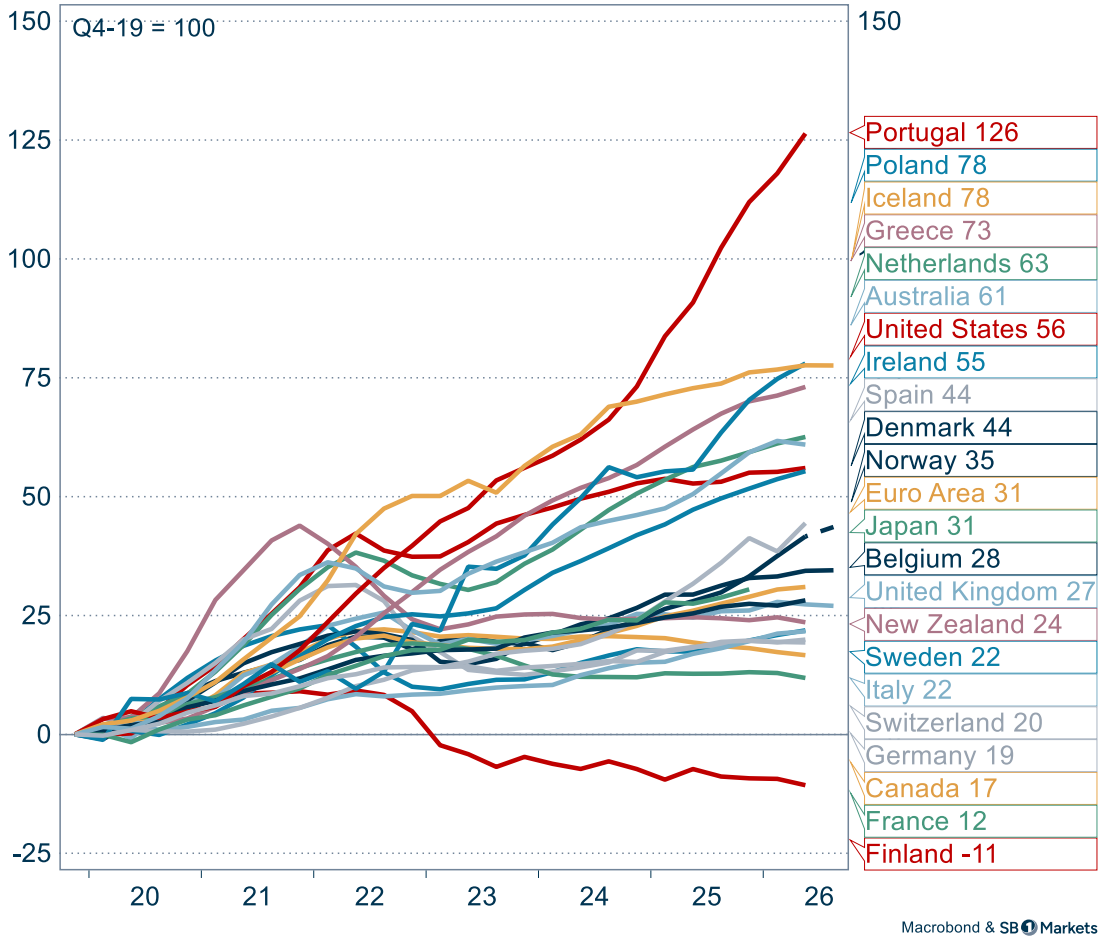


- Super cycle: Australia, Canada, Norway and Sweden
- Bubble: USA, UK, Spain, Netherlands, Denmark, Ireland and several more
- Non-bubble: Germany, Japan, Switzerland

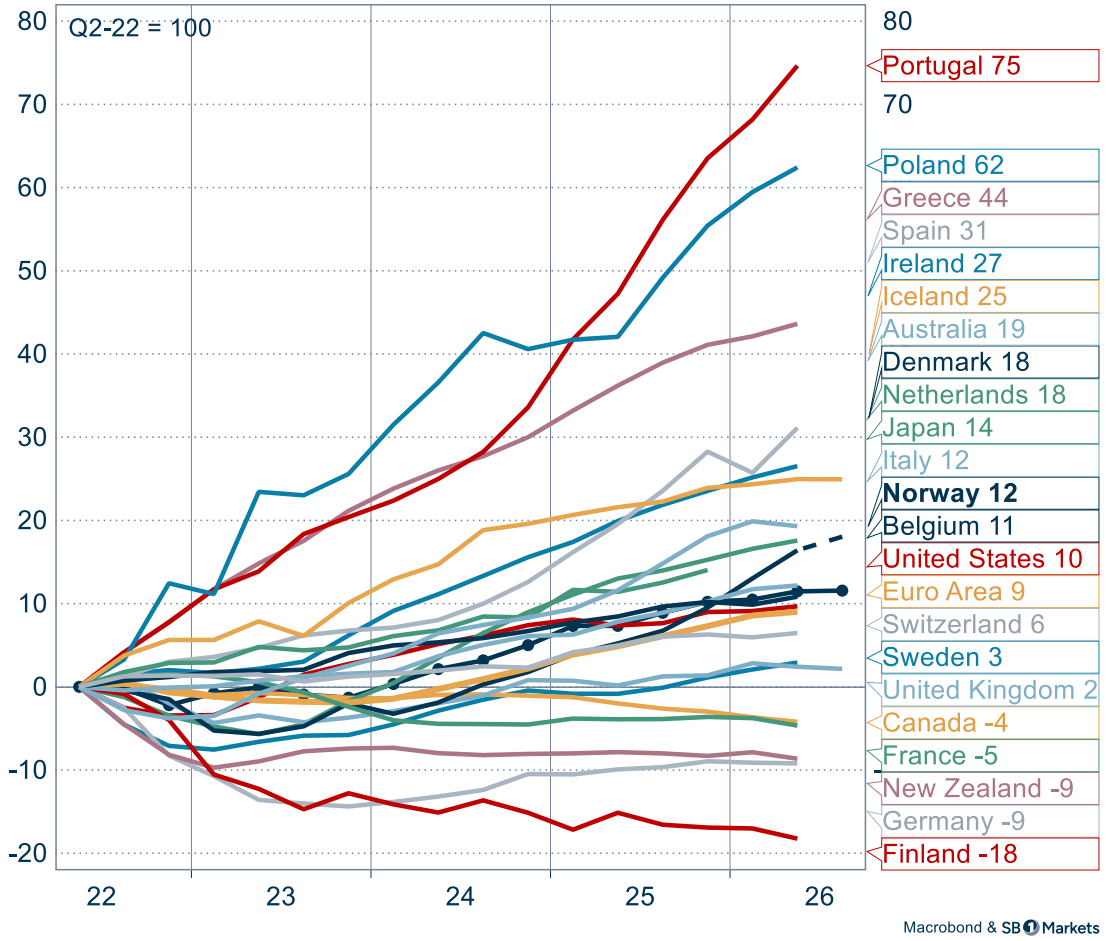
House prices on the way up in most places. Just Canada, Finland and NZ are slipping

However, several countries report 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.

House prices

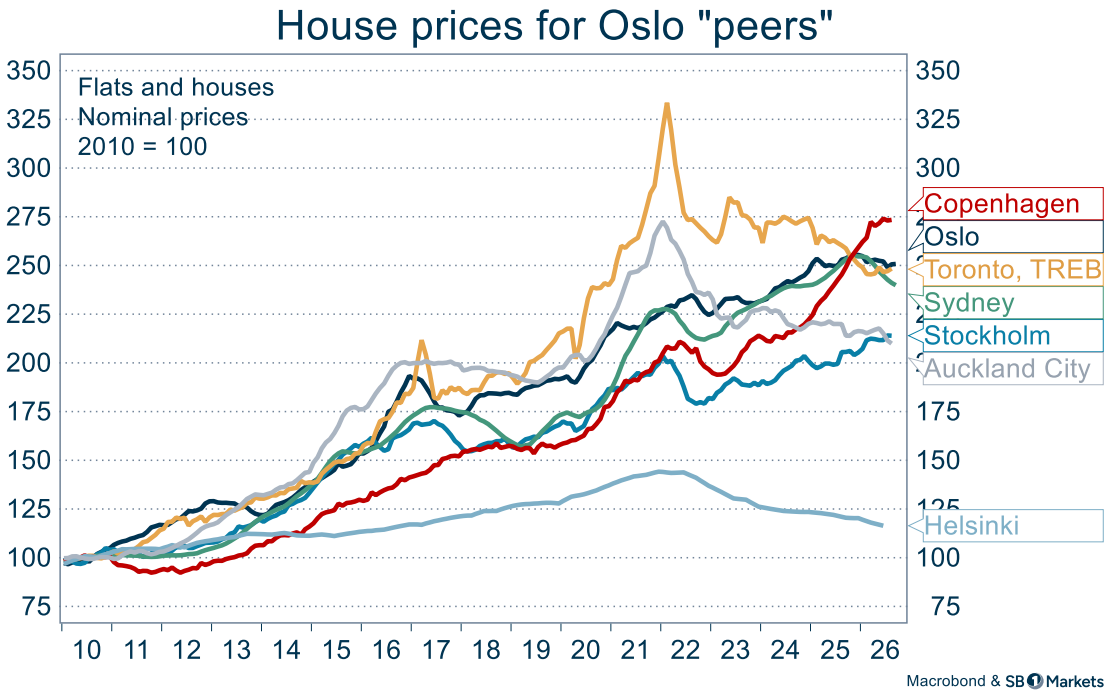


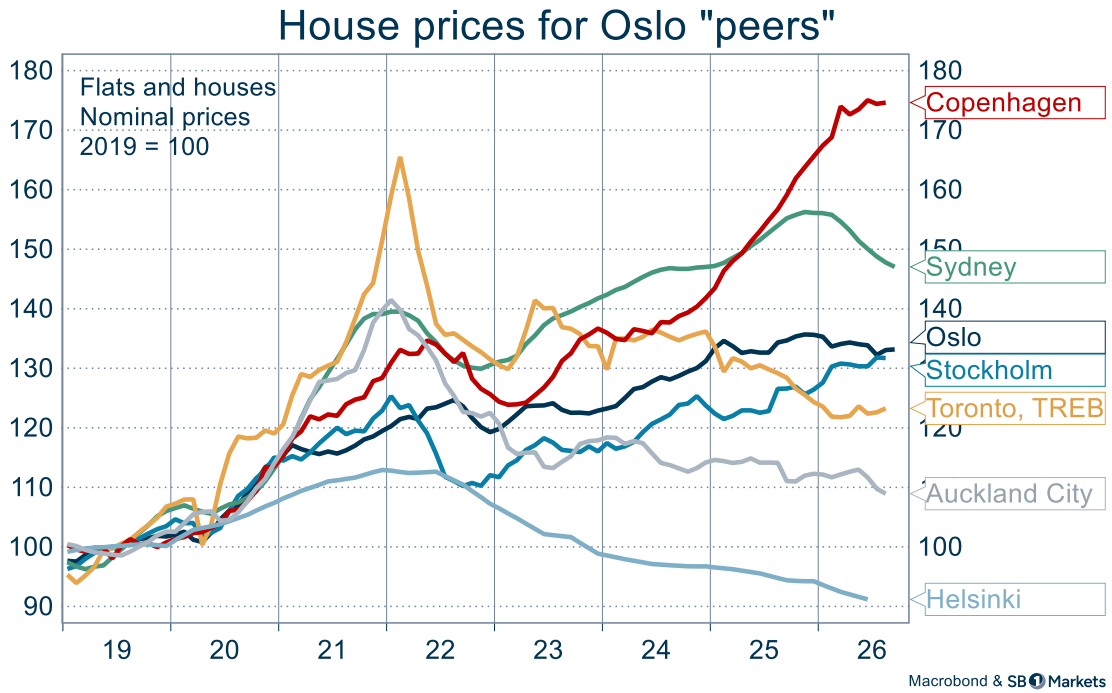
House prices



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%.

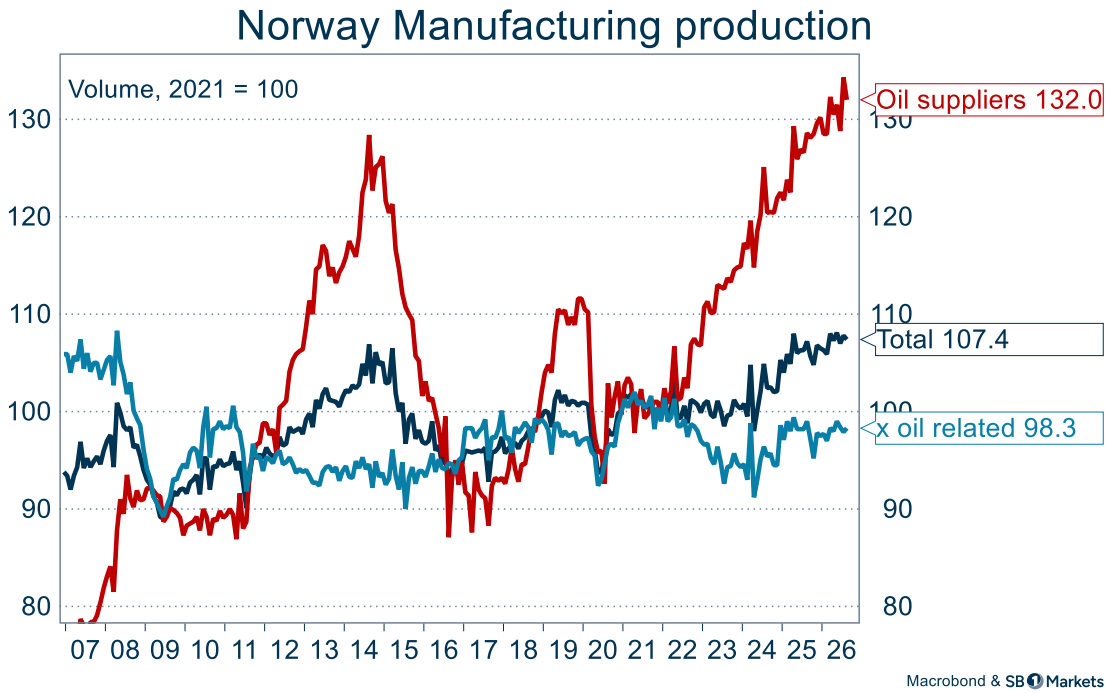


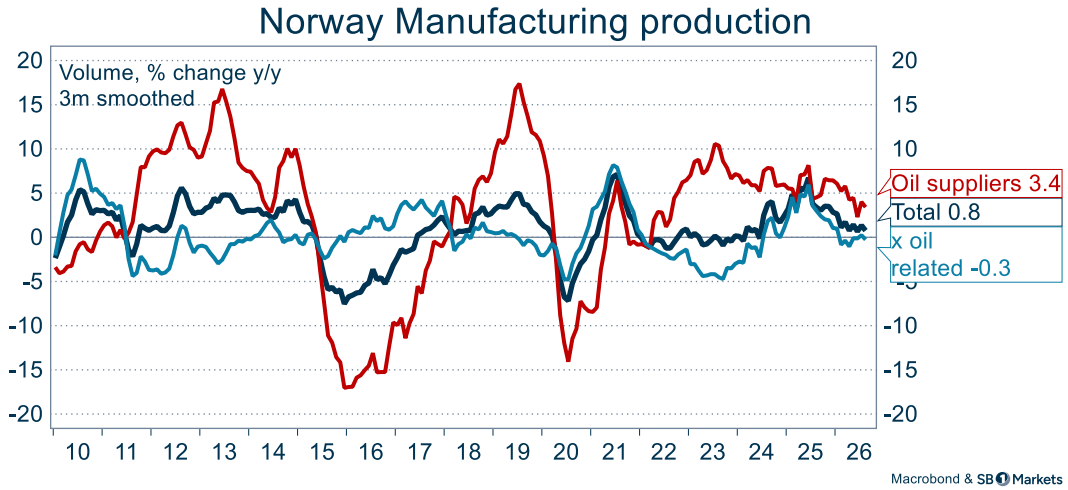


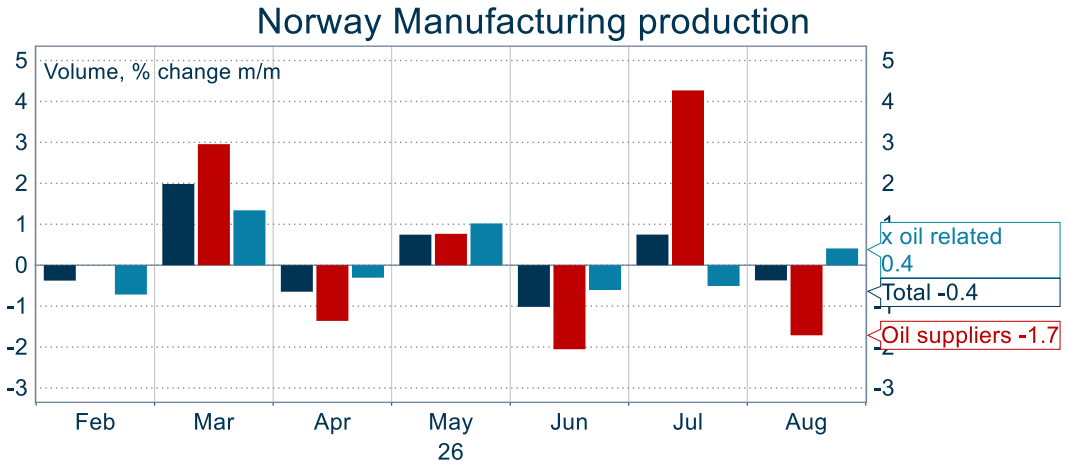
- Copenhagen the big winner in recent years

Manufacturing production: Oil suppliers contracted in August, a small lift elsewhere

Manufacturing production declined 0.4% in August, following the 0.7% lift in Jul. Oil suppliers reversed almost half of the 4.2% hike in July. Non-oil-related production rose 0.4%. The total has flattened lately.



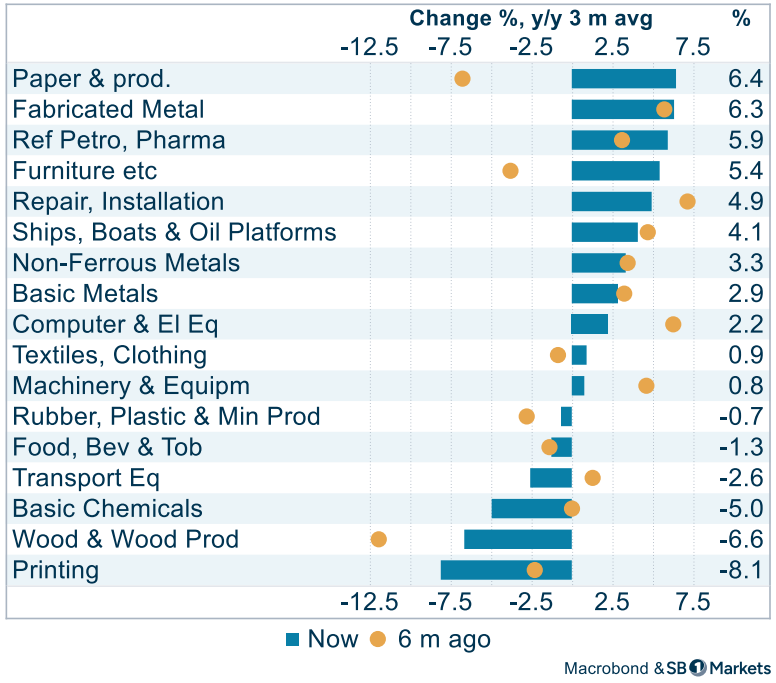




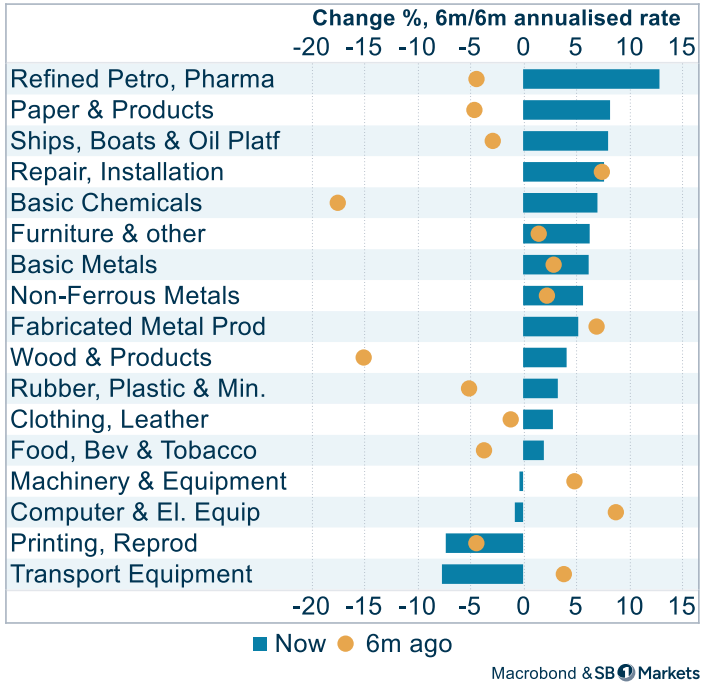
- The longer-term trend for **total production** is up. Production is up 0.8% y/y (3m avg).
- **Oil-related manufacturing production** (suppliers/yards etc. but not refined oil products) is still up 3% y/y.
- **Other sectors** are flat y/y.
- **Manufacturing surveys** on average signal a modest decline in production.

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

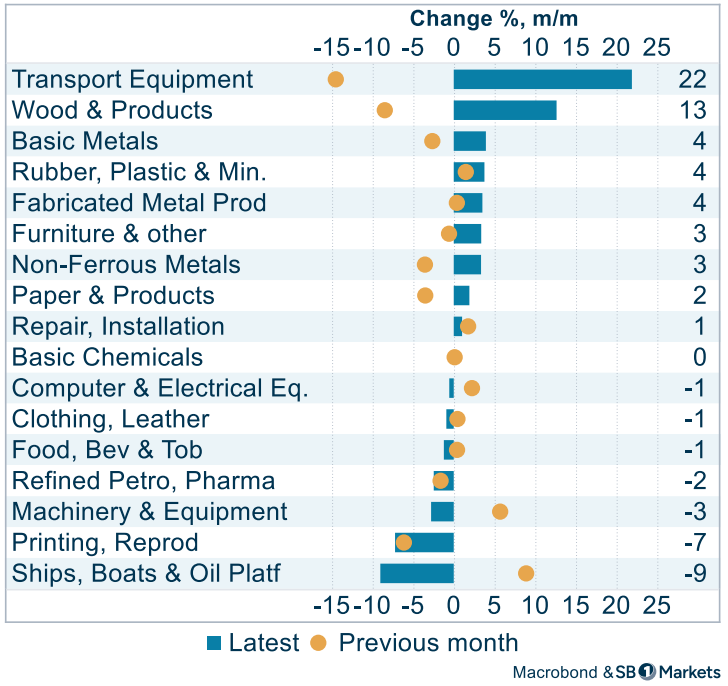
Norway Manufacturing



Norway Manufacturing

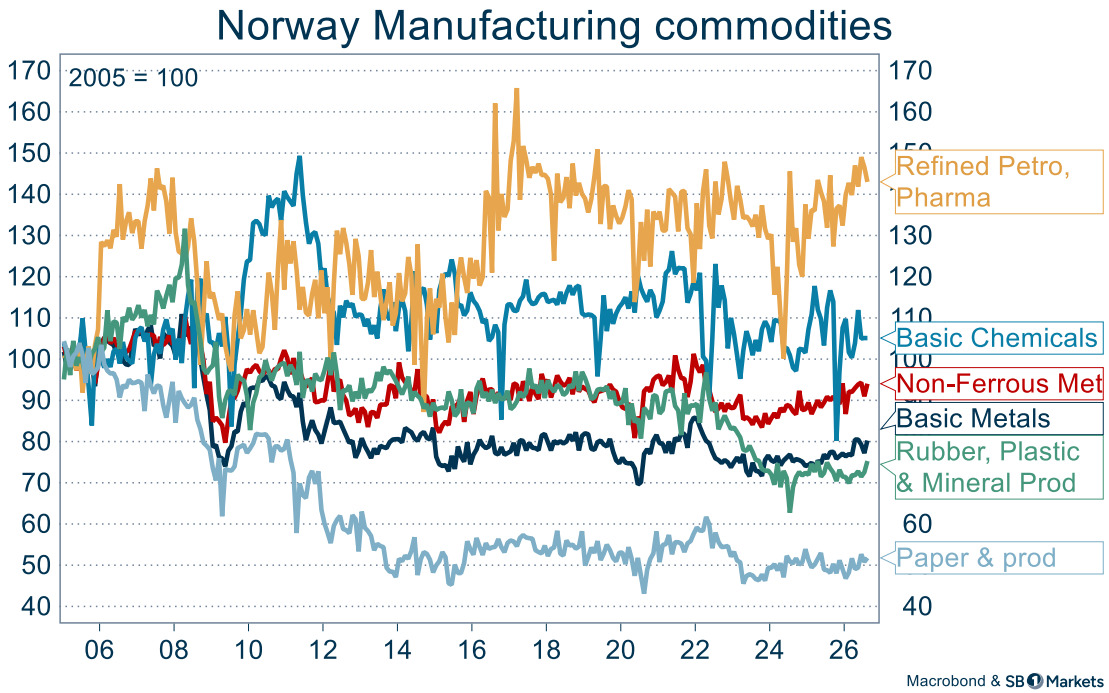


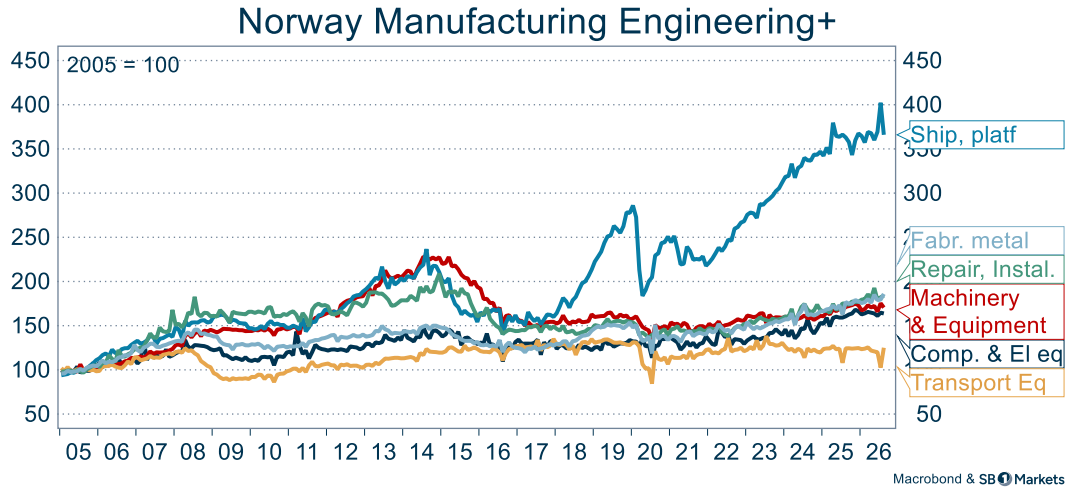
Norway Manufacturing

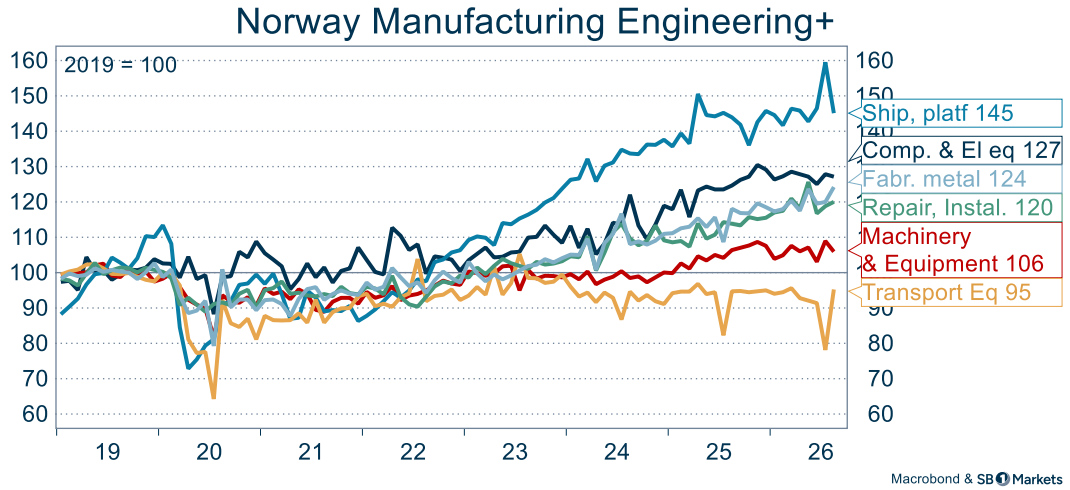


Production of shipbuilding & platforms is peaking?

… 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.

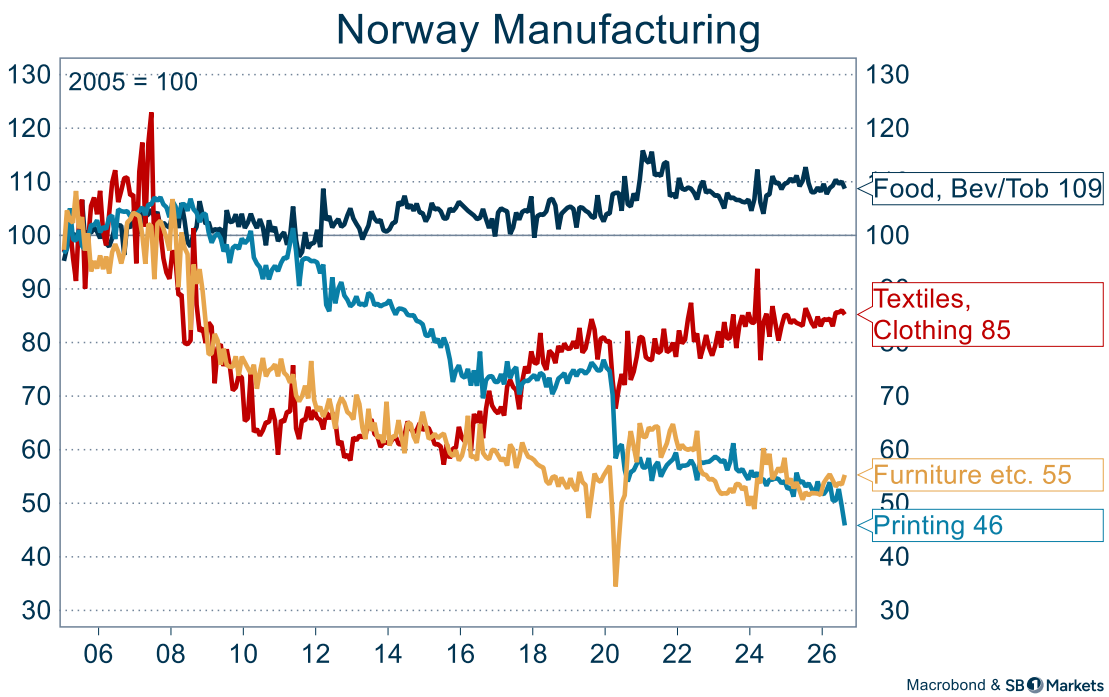






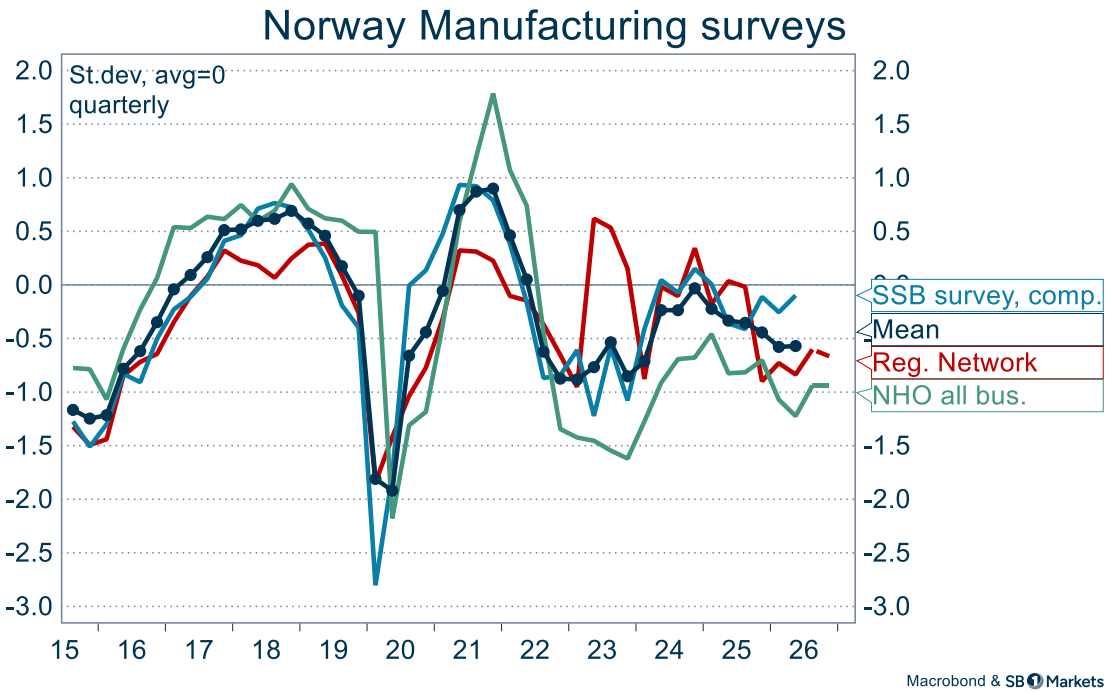
SB1 Markets

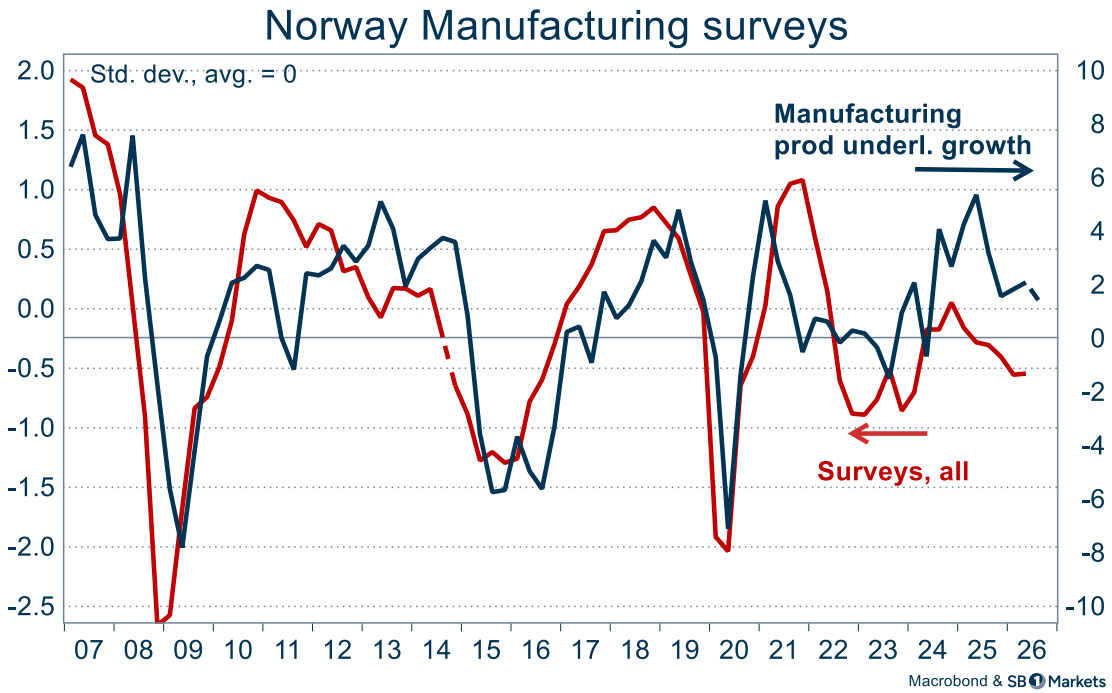
No gains in consumer-related production



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

… which so far has not materialised.





SB 1 Markets



3. Major economies

SB 1 Markets

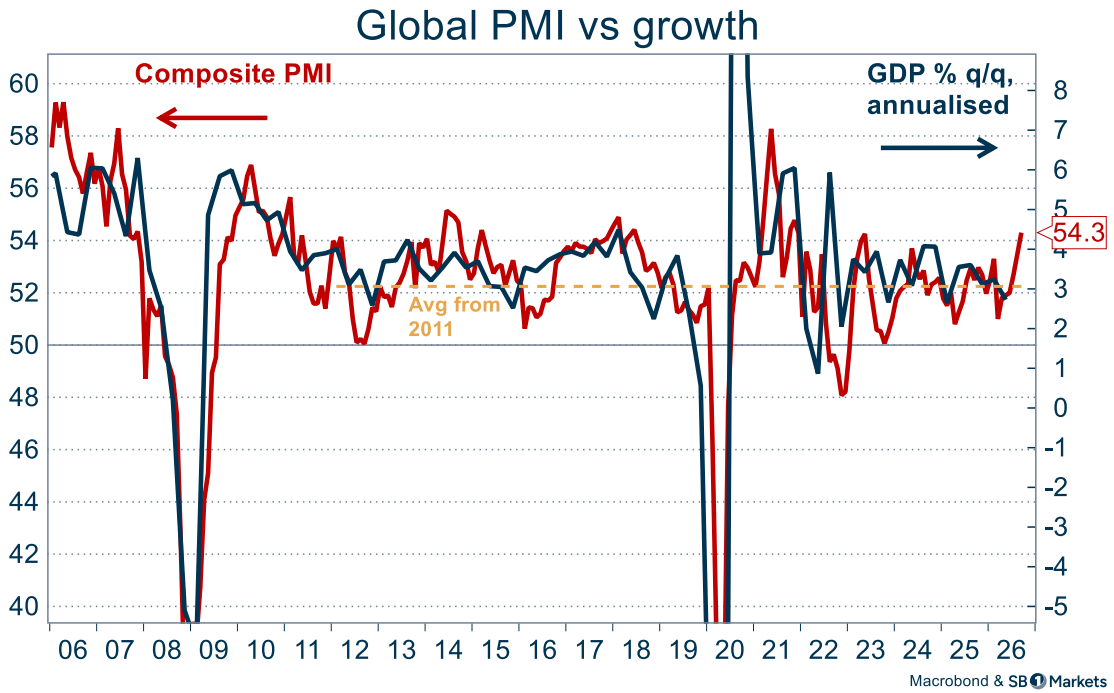


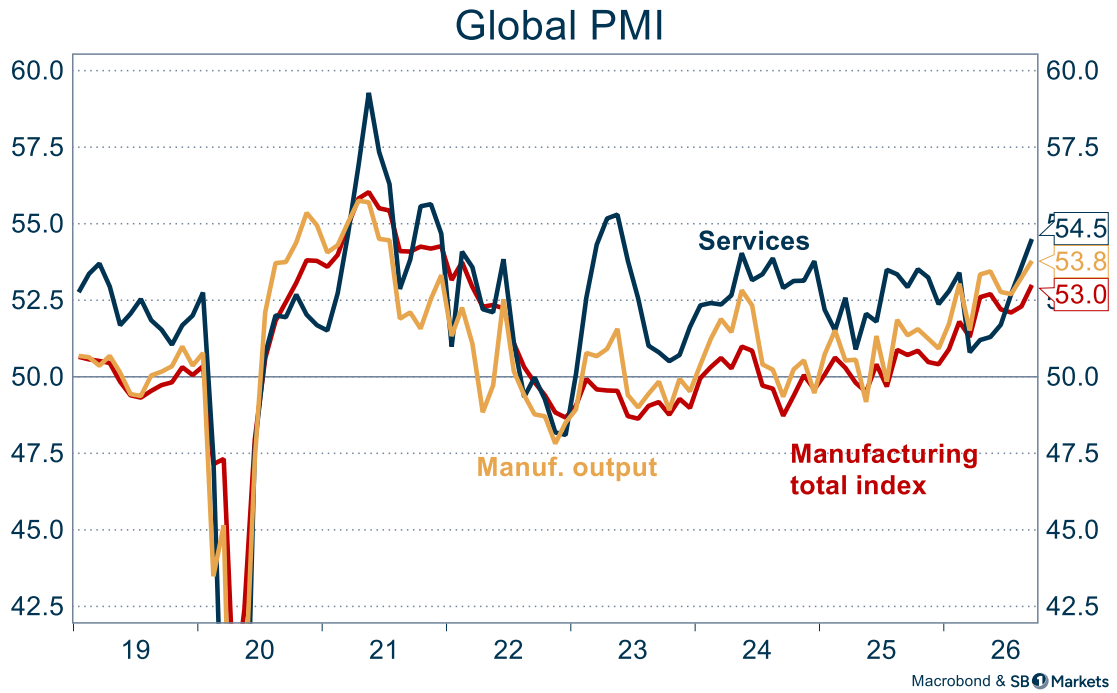
FINAL
PMIs & US ISM

*Picture source: ChatGPT

A strong global PMI print confirmed, +0.8 p to 54.3 best since '21→ *4½% global GDP growth*

6 months ago, in March, companies signalled a 2% global growth rate. Both manufacturing and services contributed, as did a majority of countries, with USA and Sweden in the lead. The global index is the highest since 2021. A well-above-average global growth rate is signalled.

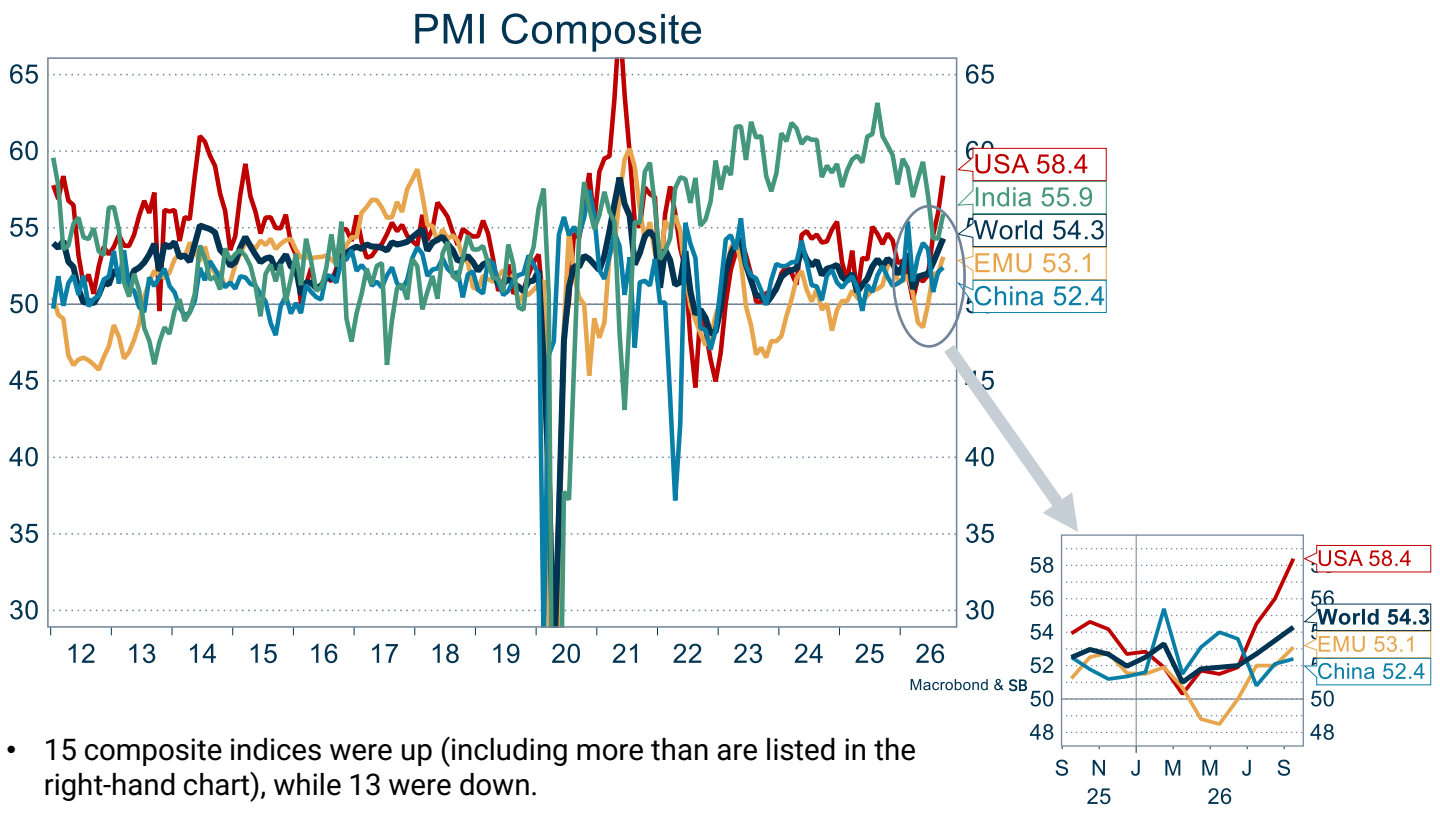


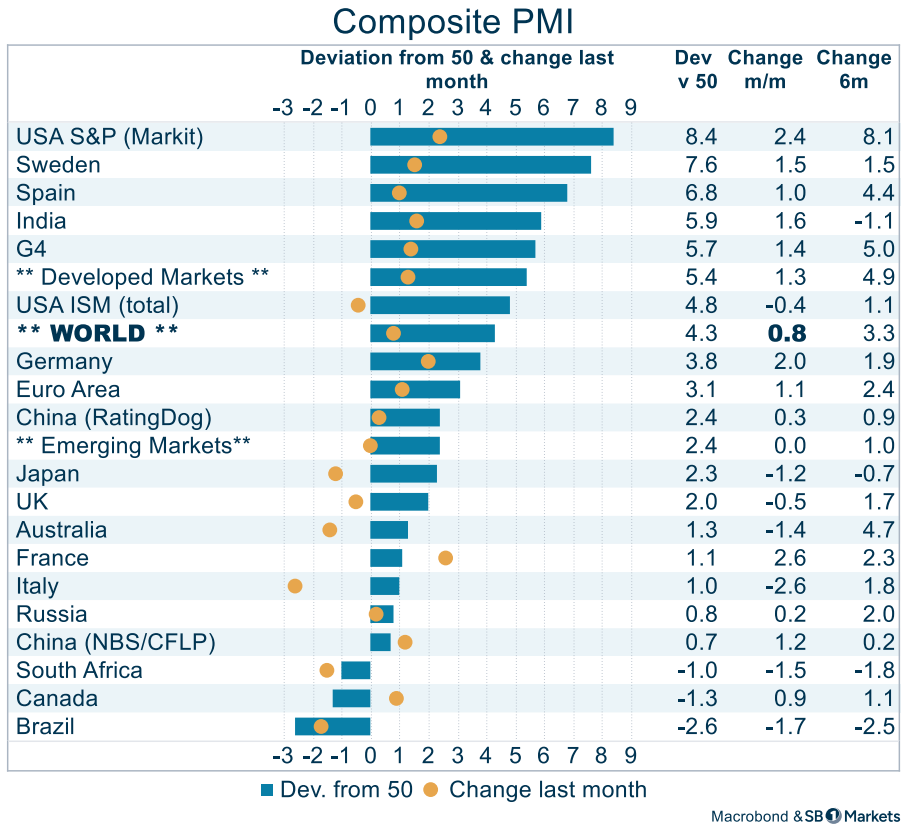


The global services and composite PMIs are our estimates.

PMI: US at the top of the ranking, + 2.4 p to 58.4, ahead of Sweden, Spain and India

The EMU composite PMI was up 1.1 p to 53.1, the best since 2023. Both of the Chinese indices were up more than 1 p. The US ISM indices were marginally down, still high up on the list. Japan also slowed, while the Brazilian index fell sharply, to a low level.

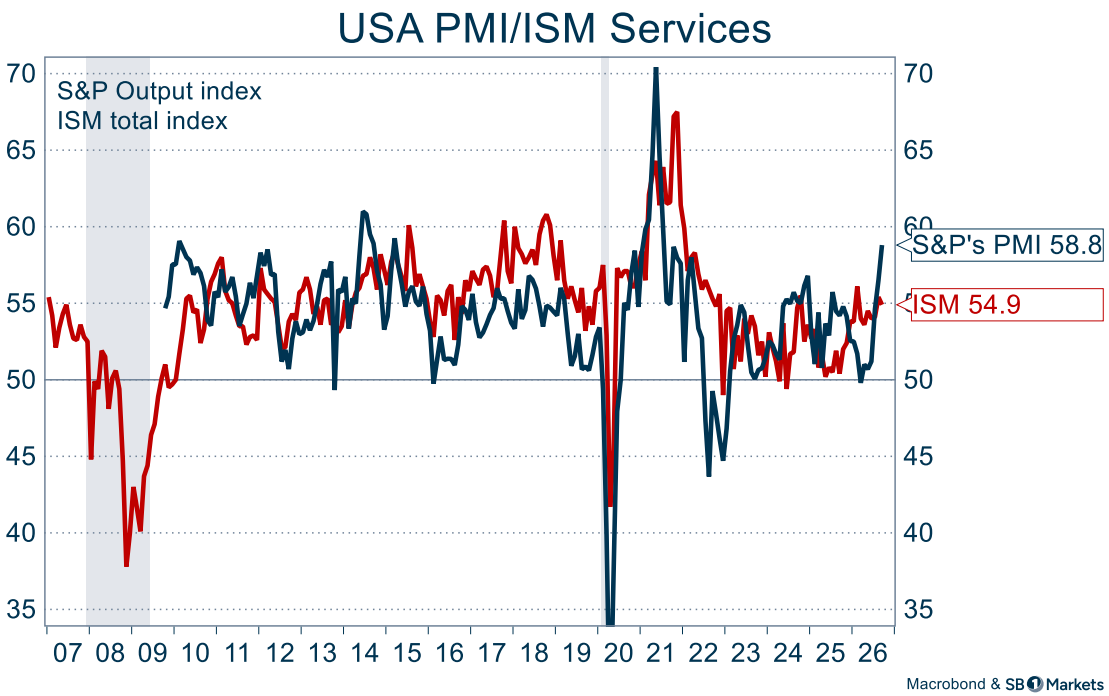


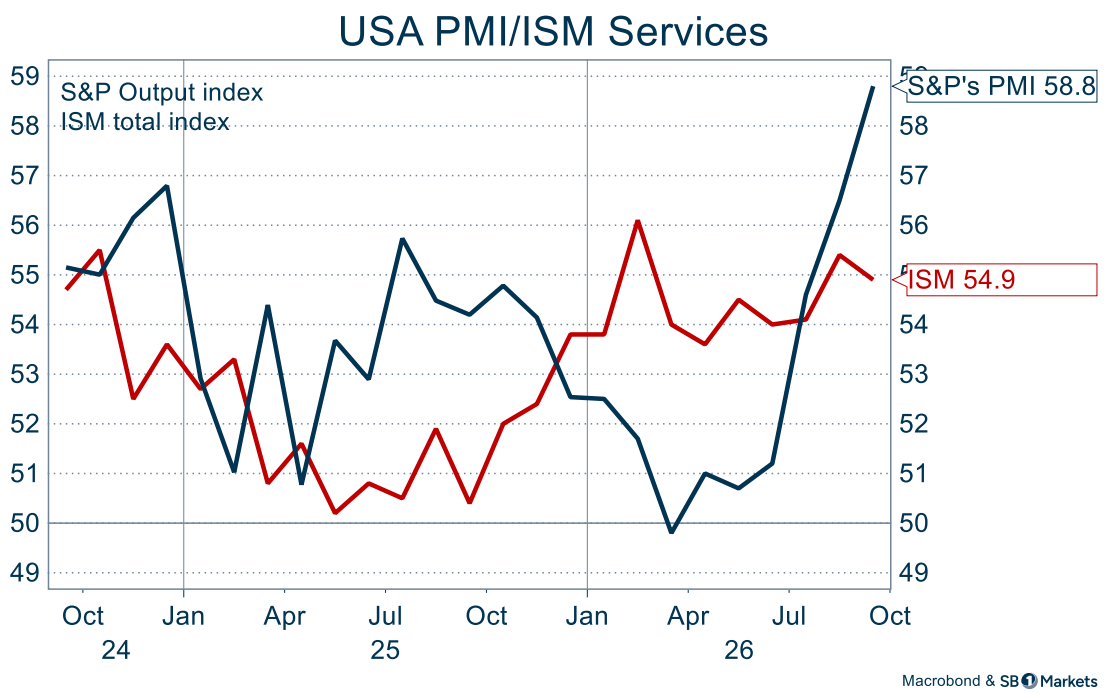


- 15 composite indices were up (including more than are listed in the right-hand chart), while 13 were down.
  - 6 indices were below the 50-line, 1/5 of all composite surveys.
- The top: A **composite ISM** (our calc.) declined by 0.4 p to 54.8, in line with expectations, even if S&P's index rose by 2.4 p to 58.4-
- The **Euro Area index** was up 1.1p to 53.1, well above the level before the Gulf conflict started.
- The **Chinese private sector RatingDog PMI** rose slightly, to 52.4.

Services: S&P's PMI up to a very high level, ISM's remained at an average level

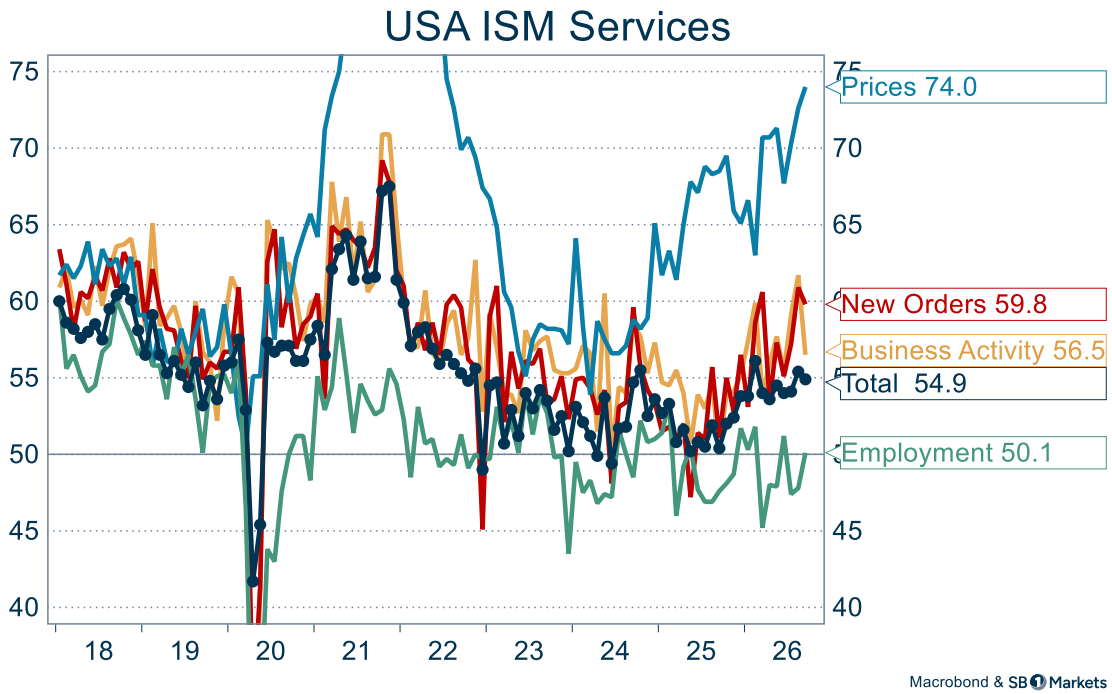
… but above the 3y average. In sum, fast growth in services is signalled

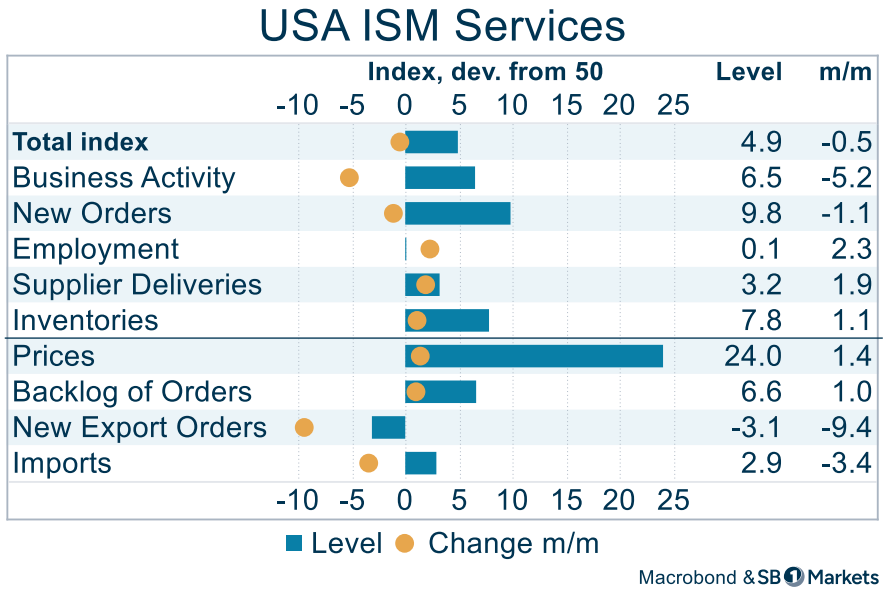




ISM services: mixed sub-indices, and the total index slightly down

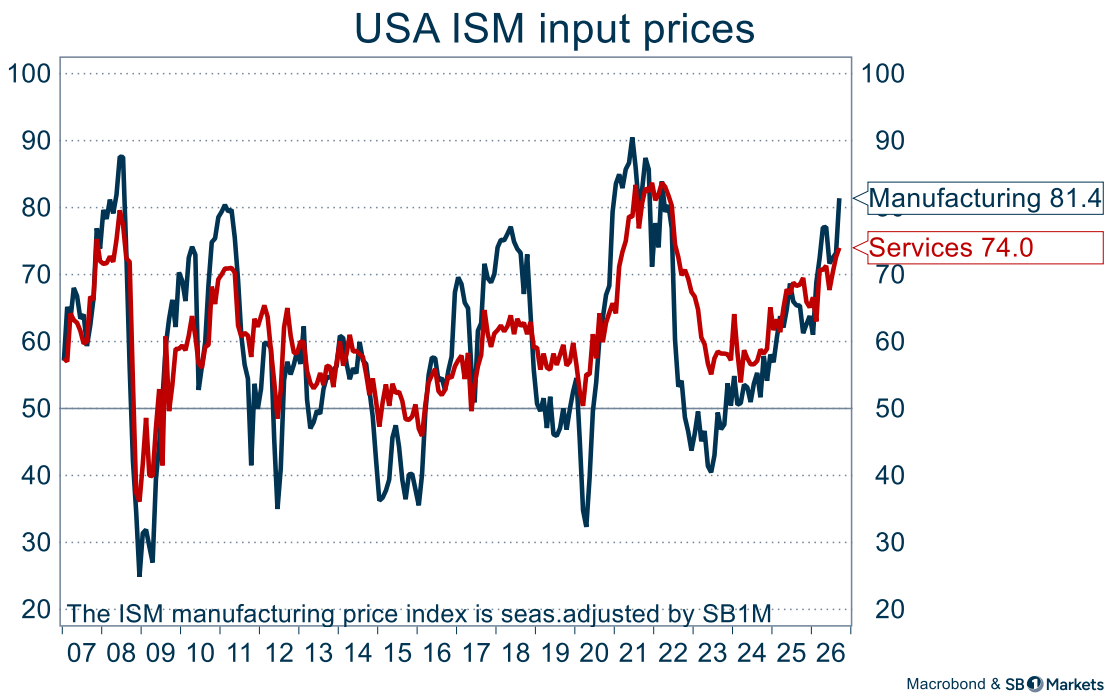
The total (weighted average of 5 main sub-indices) declined 0.5 p to 54.9. Orders are still surging, but not faster and business activity slowed 5.2 p to 56.5. The challenge: the price index rose 1.4 p to 74, the highest level since 2022.

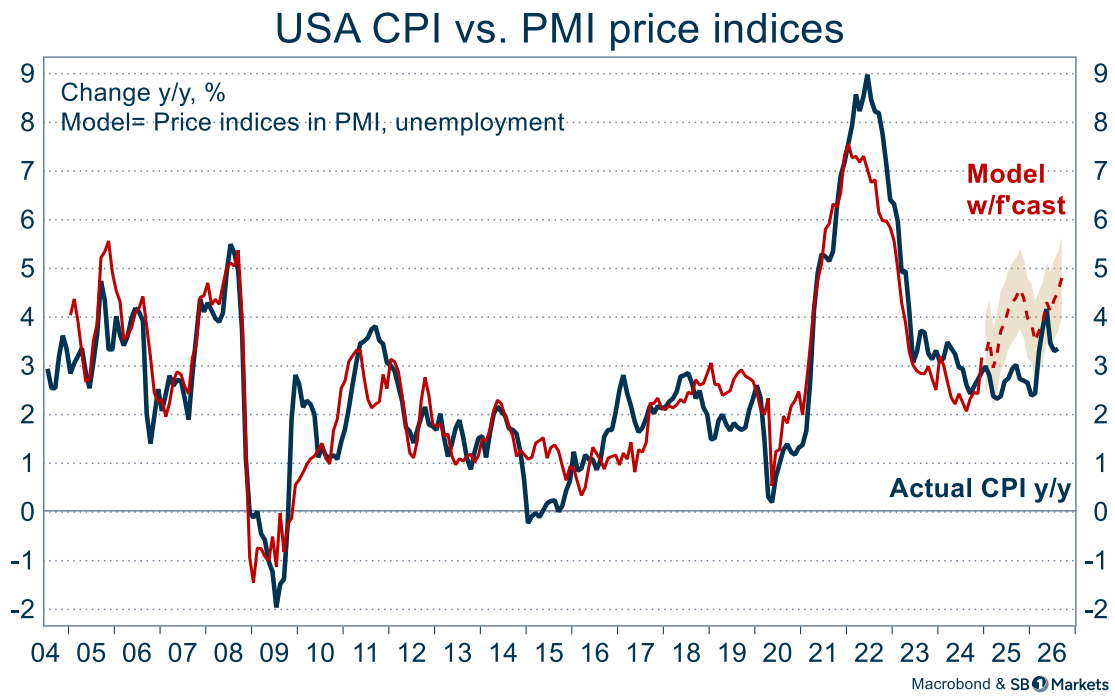




- **Respondent comments were mixed, in sum more upbeat than last month but less upbeat** than the actual index numbers.
  - **Growth remains positive**, but uncertainty and costs are the main headwinds. Businesses generally report solid demand and resilient local economies, but tariffs, geopolitical tensions (especially Iran), and policy uncertainty are raising input costs and complicating planning.
  - **Higher costs and supply constraints are squeezing margins**. Firms cite rising prices for fuel, metals, construction materials and memory chips, while tariffs and supply-chain bottlenecks are forcing larger inventories, dual-sourcing efforts and more cautious investment decisions.
  - **Sector performance is increasingly divergent**. Housing and some healthcare-related markets are weakening due to high mortgage rates, affordability pressures and budget constraints, while electrical distribution, industrial demand and several service sectors continue to report strong activity and expect growth over the next six months.

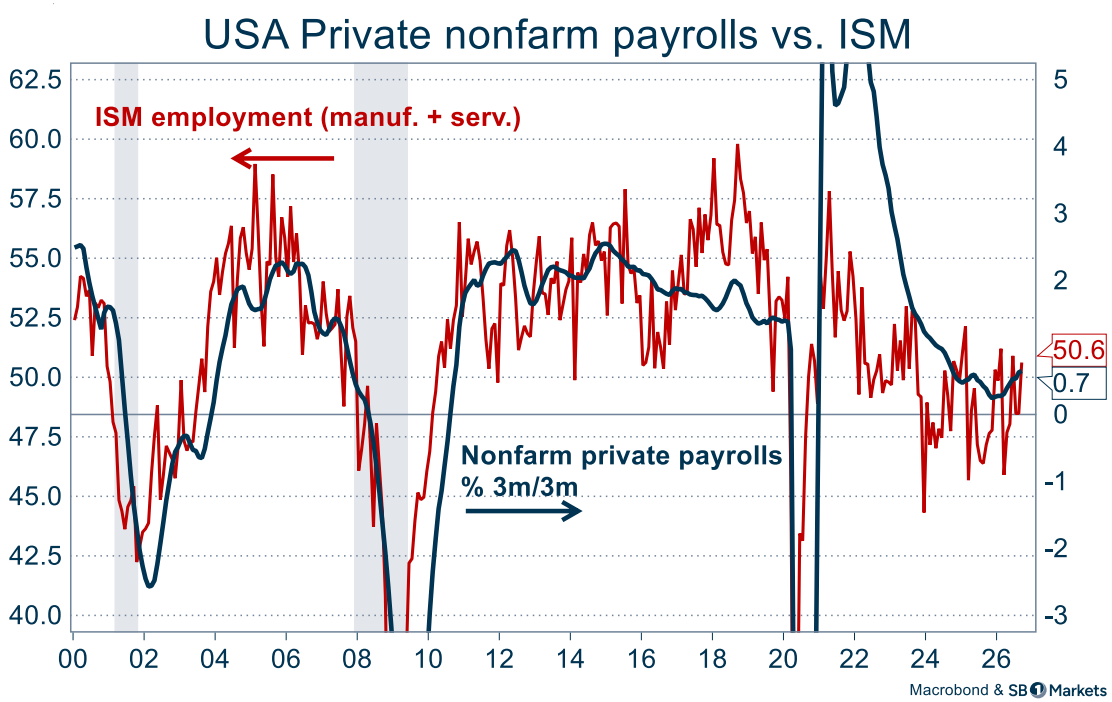
ISM input price indices rose further in September, and signal higher CPI inflation





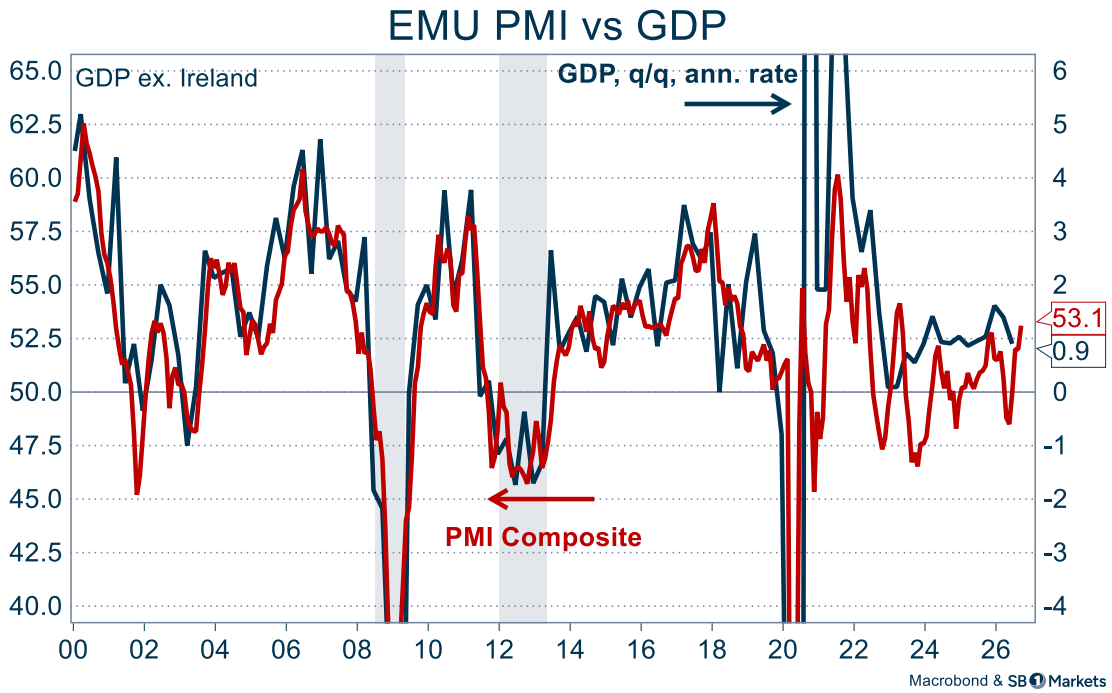
USA: ISM employment indices trend up, signal a balanced labour market

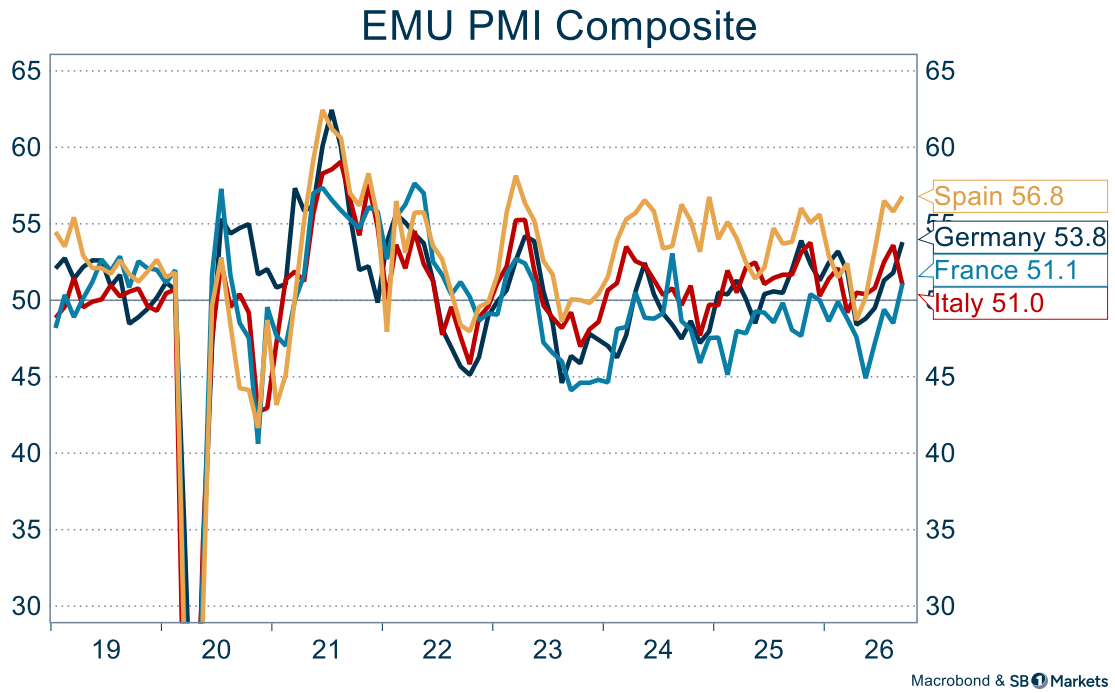
Actual payroll numbers have recovered so far in 2026 as well.



The EMU composite PMI up 1.1 p to 53.1→ *(almost) 1.5% growth is signalled*

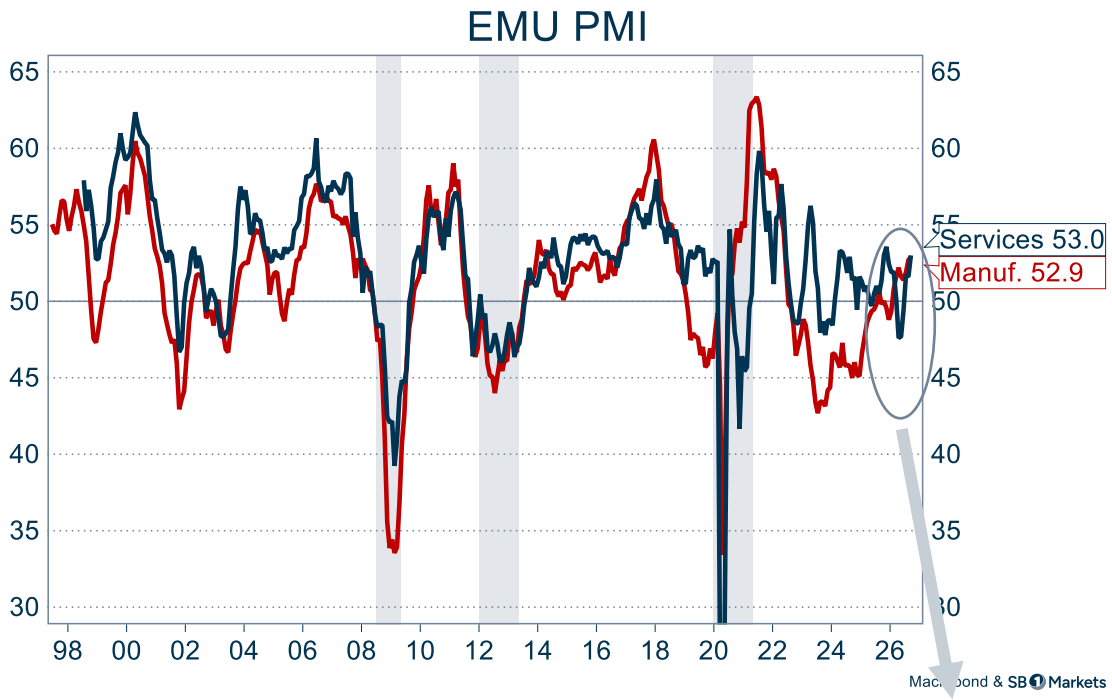
The index level is the best since 2023. All big 4 but Italy reported faster growth, and even Germany reports rather fast growth (but it did so last autumn as well). Spain is in the lead, as it has been virtually every month the past 3½ years – which shows up in the GDP statistics.

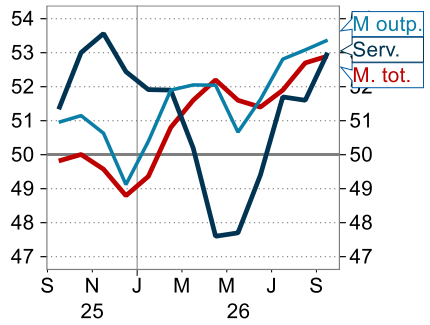


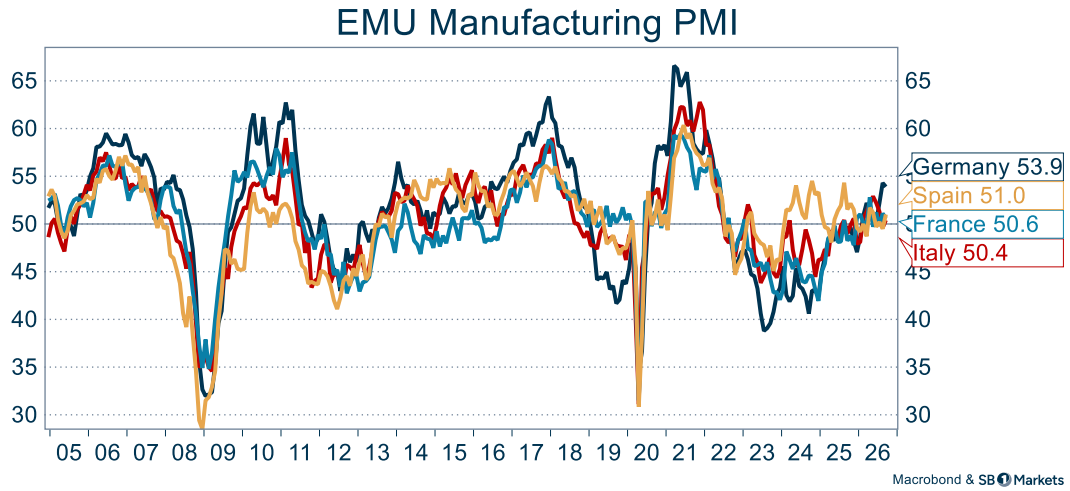


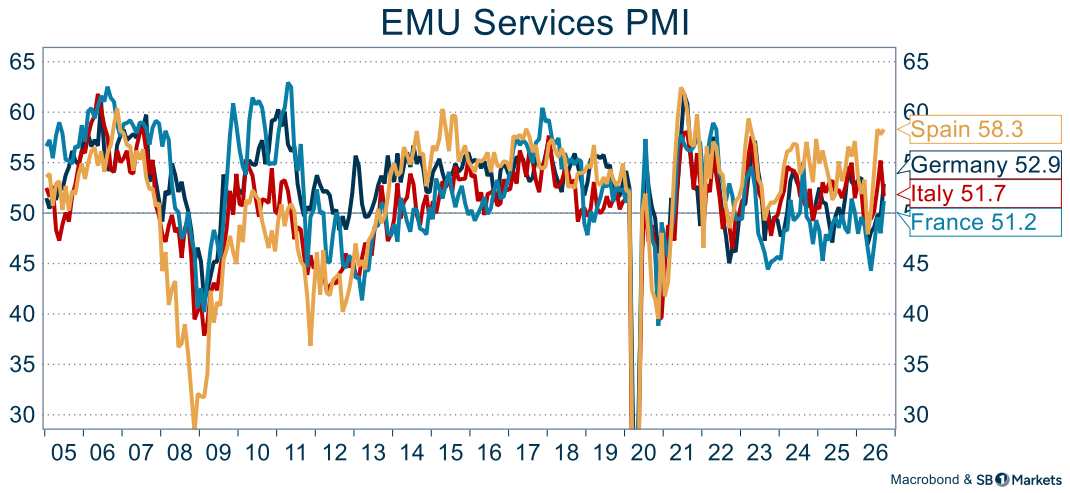
EMU PMI: German manufacturers report the fastest growth in 4 years

The EMU manufacturing index rose 0.2 to 52.9 in September, also the best in 4 years, and the recovery is broad-based. Services were up more than 1 p to 53.0. Spain is at 58.3, the best level since 2023. Germany jumped to 52.9 and France to 51.2.



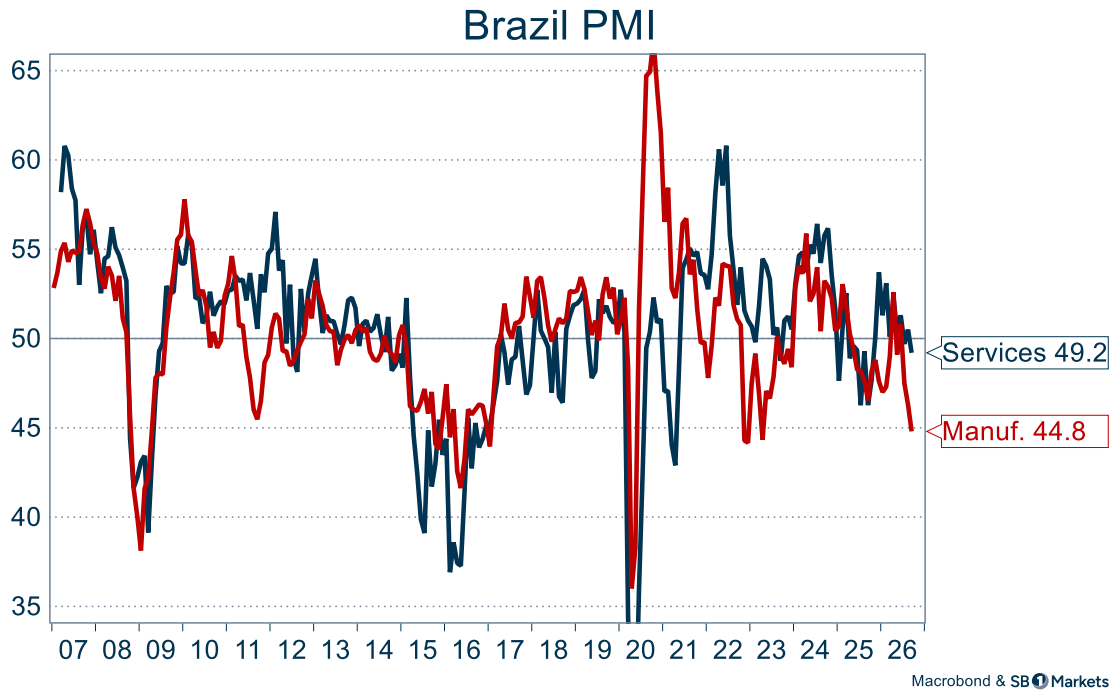


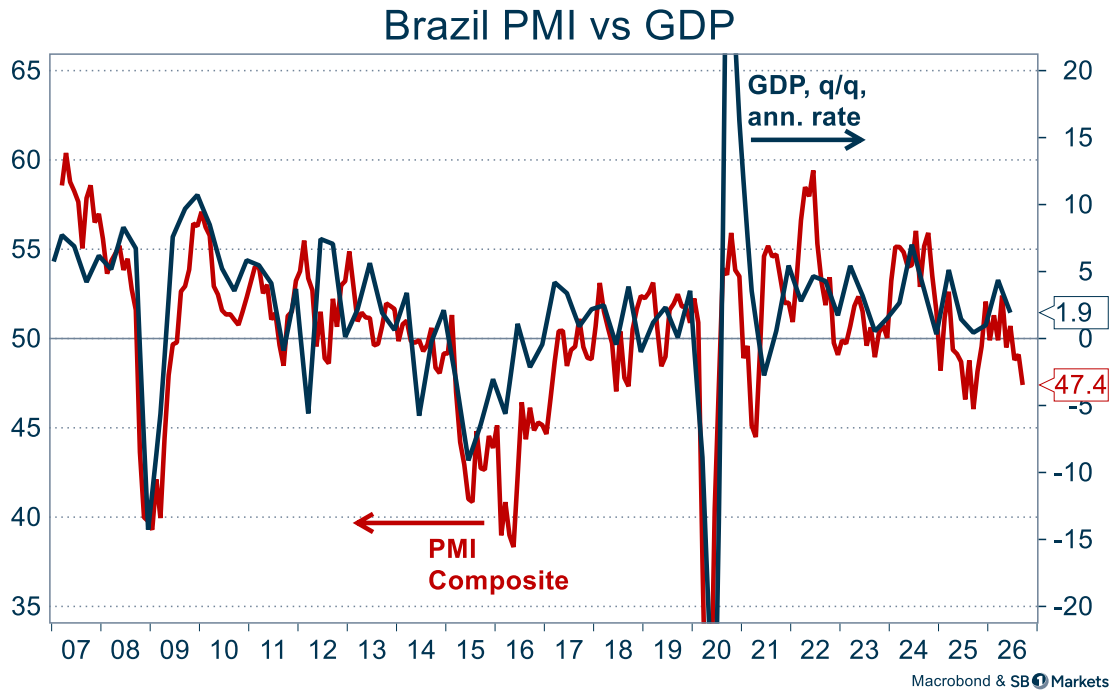




Brazil: both manuf. & services trend down, -1.7 p to 47.4 → *normally a GDP decline*

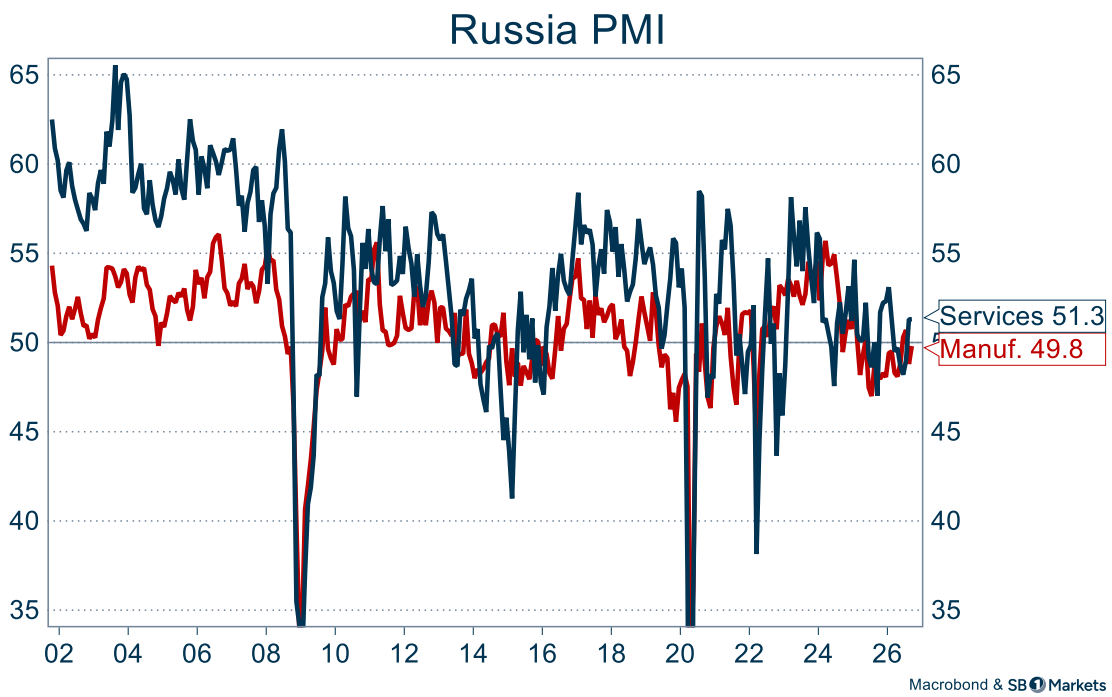
Manufacturing is the weakest link in the chain, at 44.8, a very weak print. The PMIs are volatile and not closely correlated to GDP growth. Still, PMI at low levels, high energy prices and the continued trade debacle with the US are not good news for the Brazilian economy.

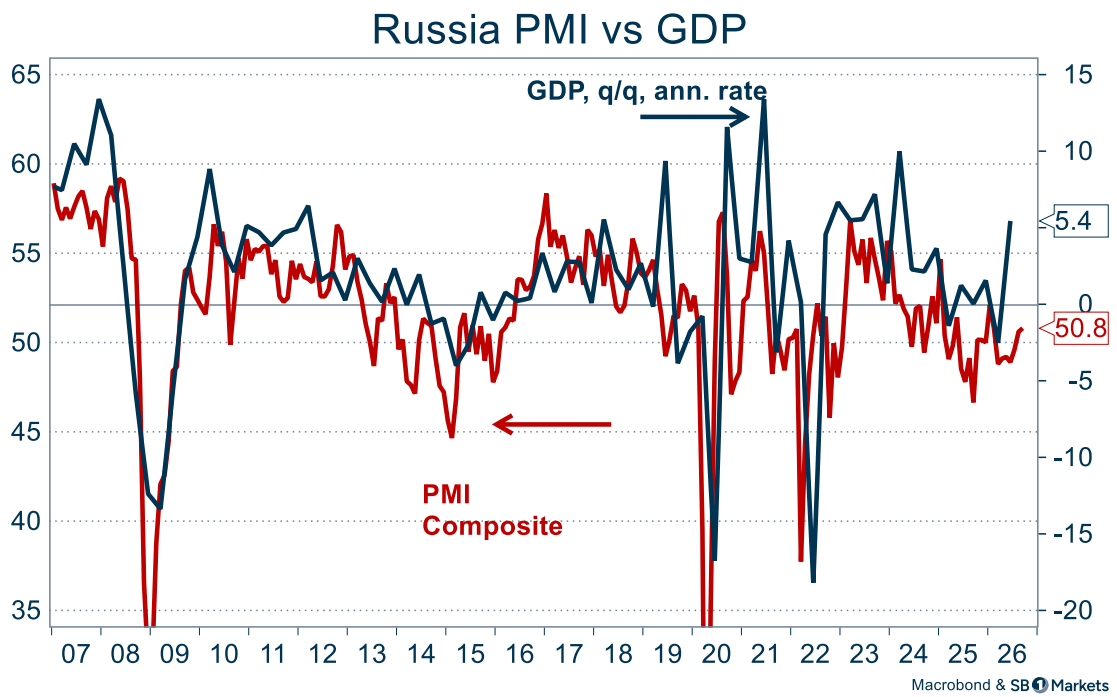




Russia: the composite PMI further up, to 50.8 → *still a GDP contraction?*

… at least vs. the normal (but modest) correlation between the two. In Q2, GDP shot up at a 5.4% rate though. Both manufacturing and services contributed on the upside in September

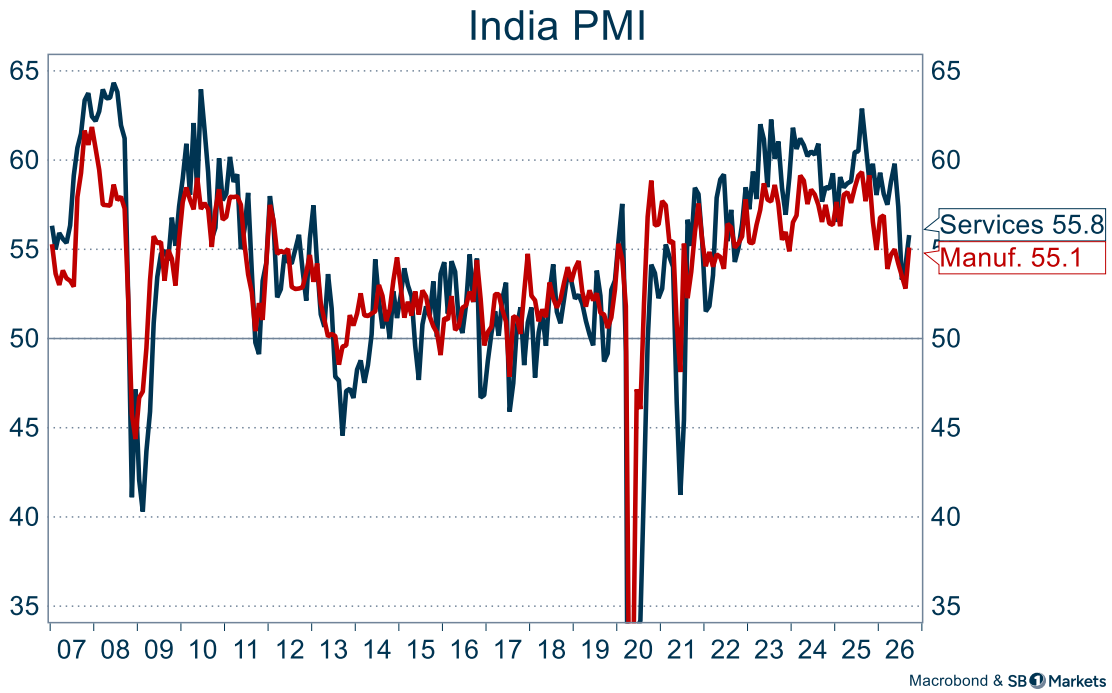


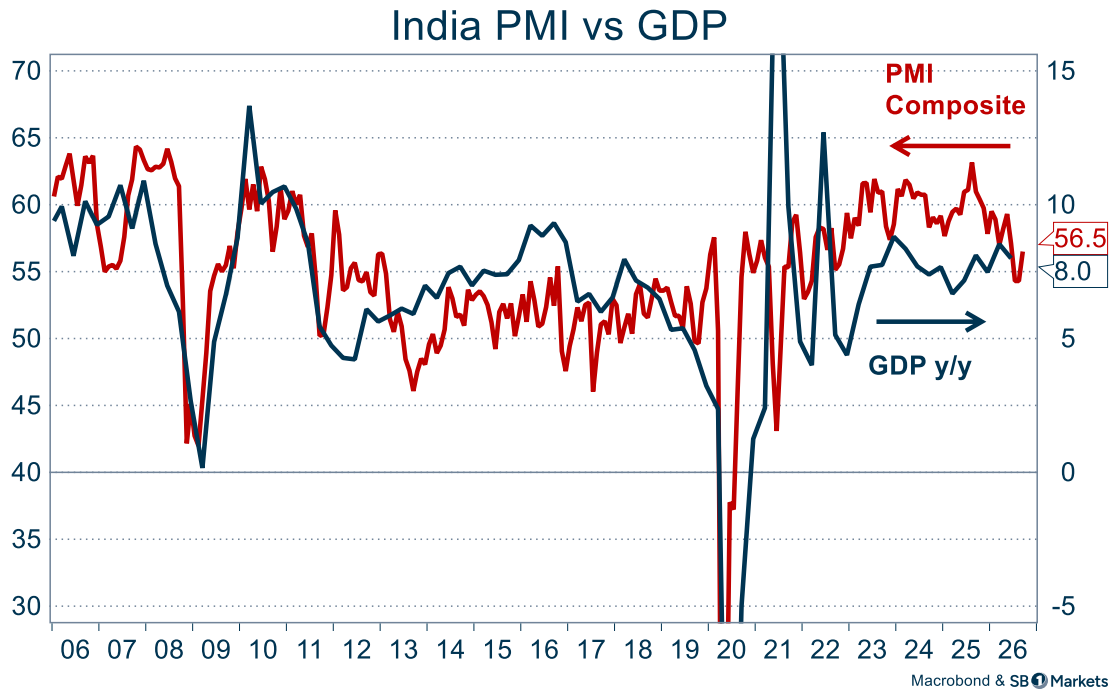


- **The correlation** to actual GDP growth is not very tight, and reported growth has been higher than the PMI has signalled since the pandemic. Even so, GDP is not unrelated to the PMIs.

India: The composite PMI confirmed up but still at a 'low' level → *slower growth signalled*

The PMI has fallen from above 60 to the current 56.5 level. Growth has been lower than 'normal' vs. the PMI the past 4 years and the PMI is well below the 4y average – but the correlation is weak.

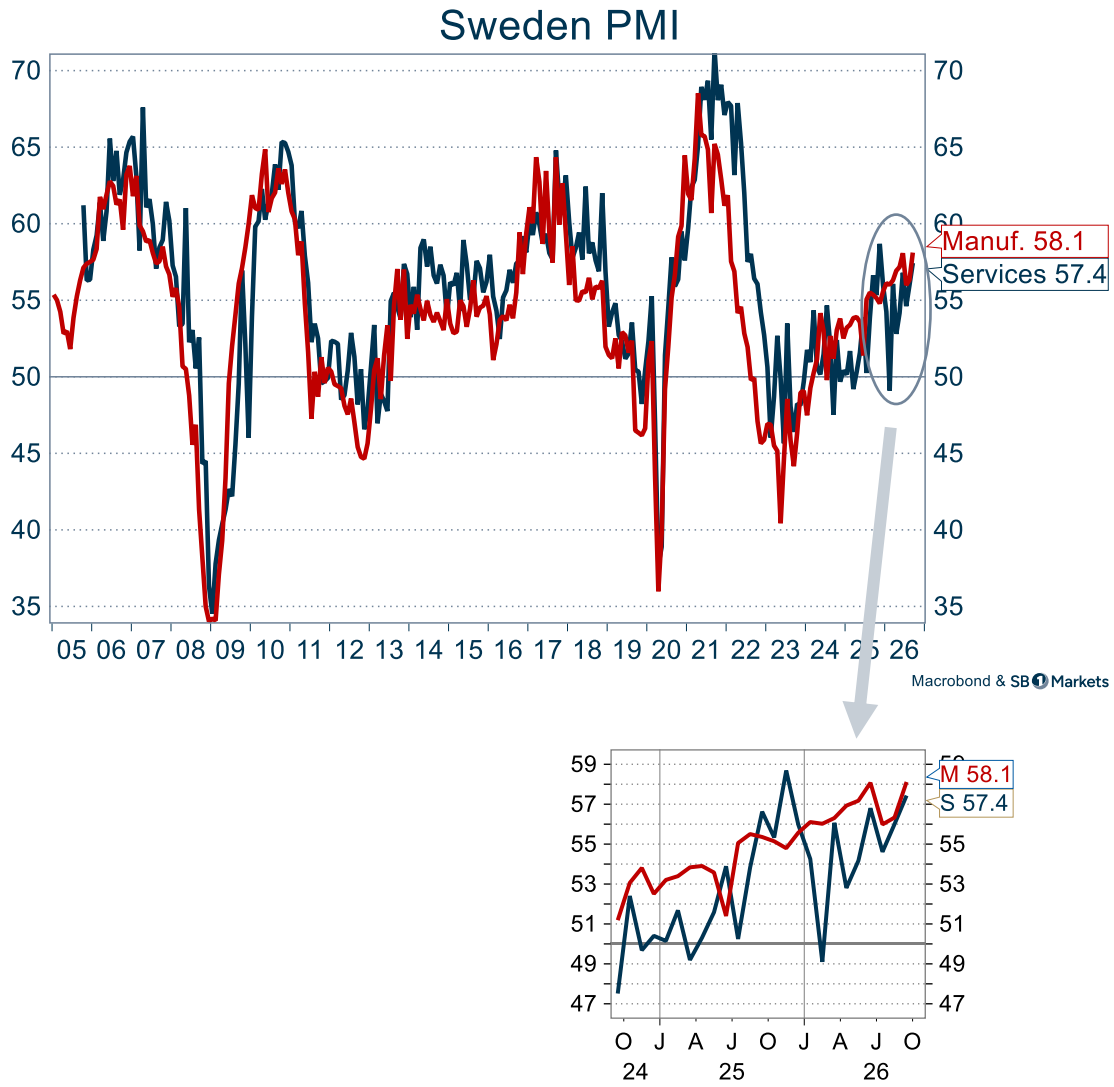


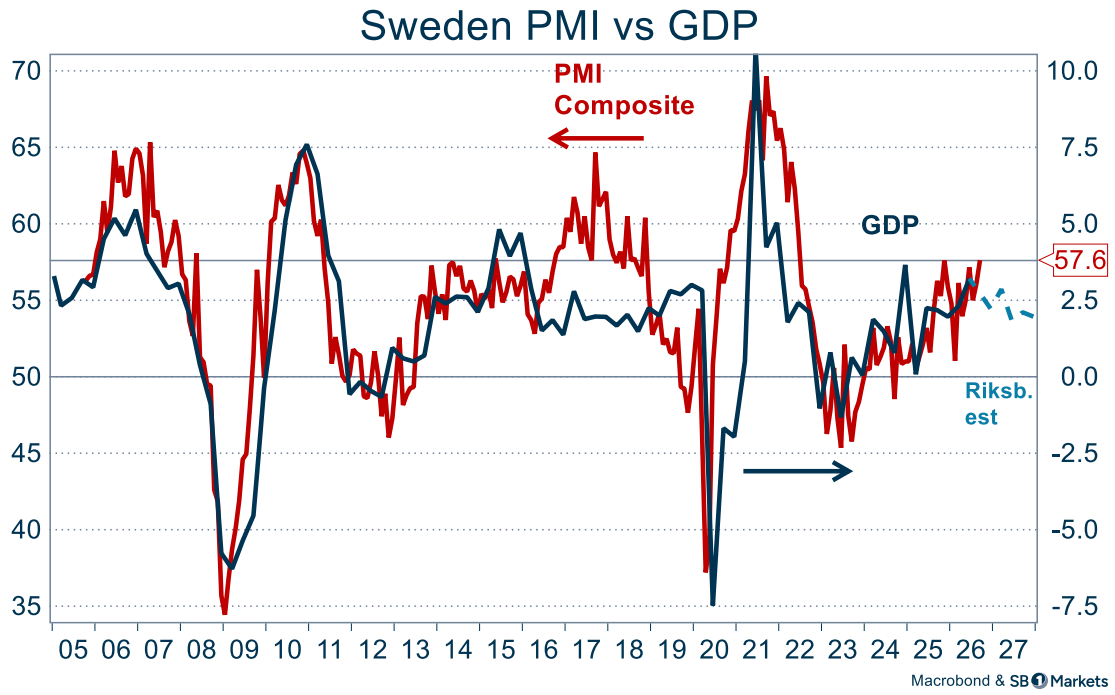


- **Actual GDP** grew at a 6.1% pace in Q2 (but is still up 8.0% y/y), by far the best among major countries.

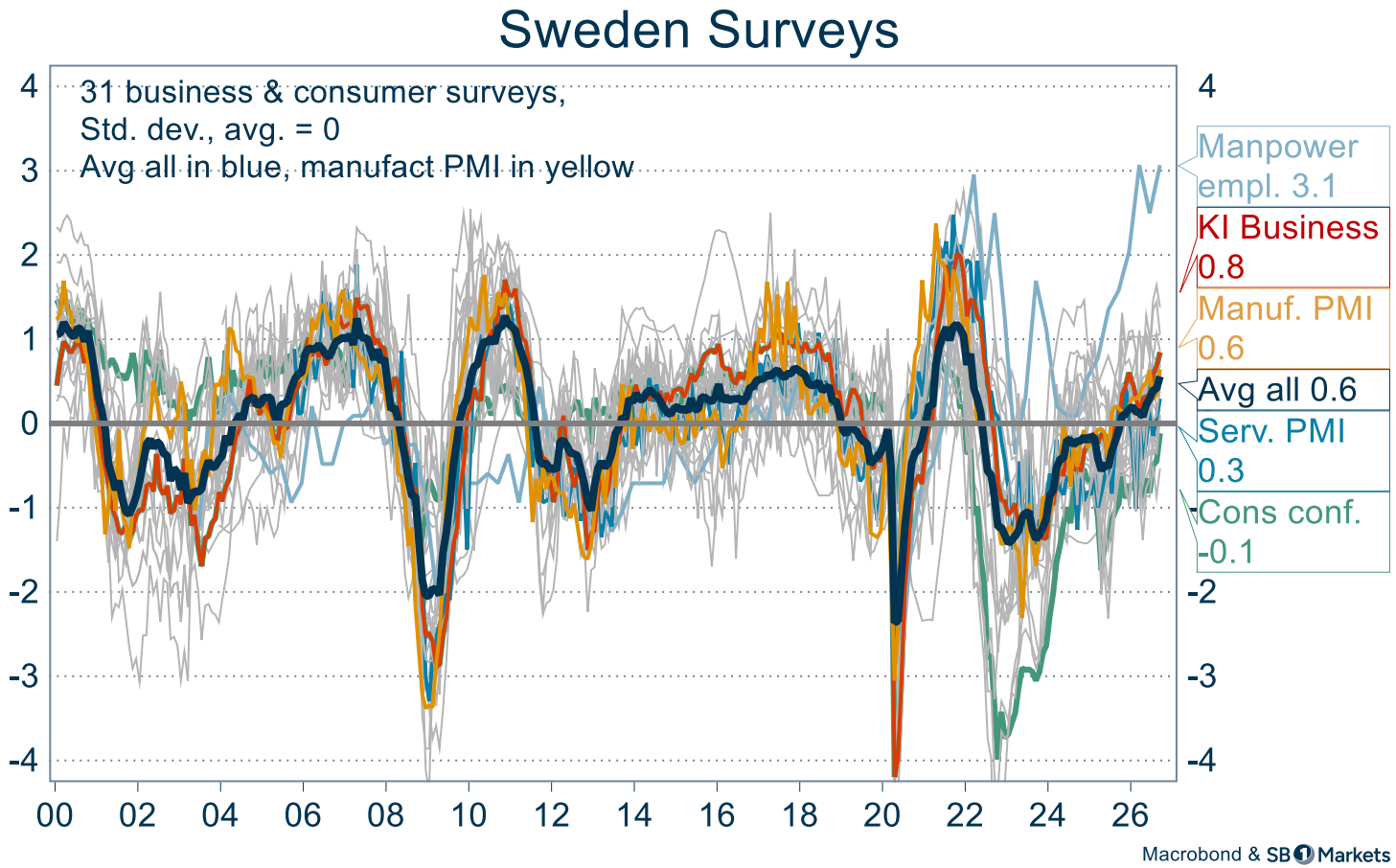
Sweden: manuf. & services up in Sep., comp +1.5 p to 57.6 → *3–4% GDP growth*

Both manufacturing and services PMIs trend up, and both are well above average – but far from record highs.

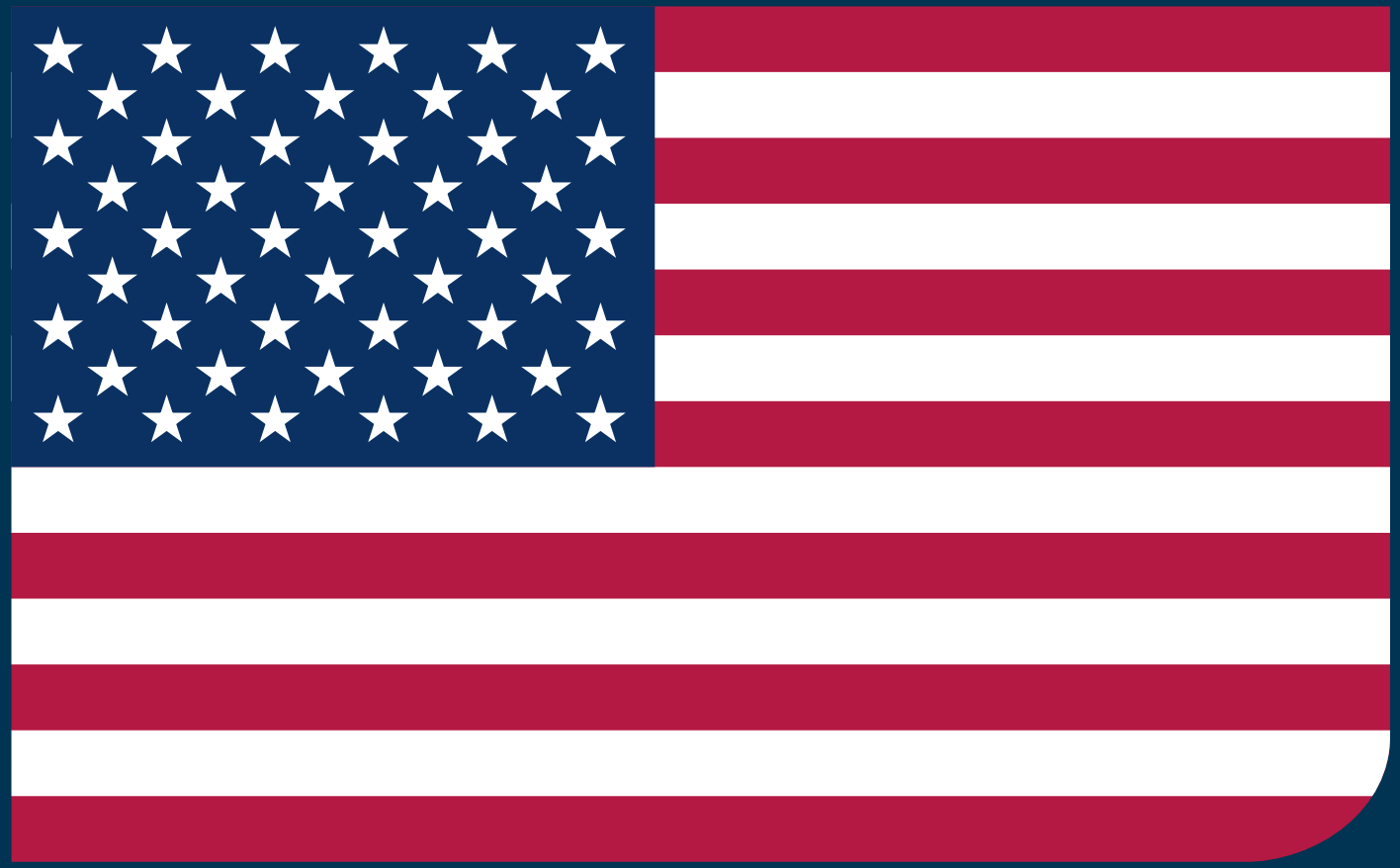




Sweden: surveys up to 0.6 std. dev. above par in September



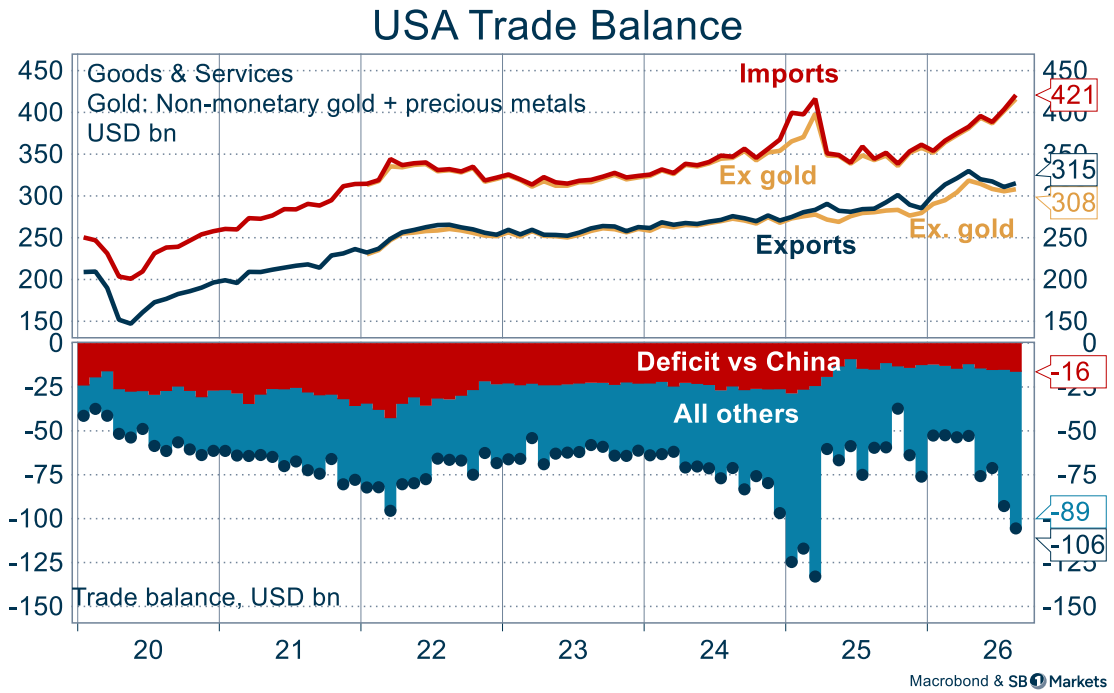
SB 1 Markets

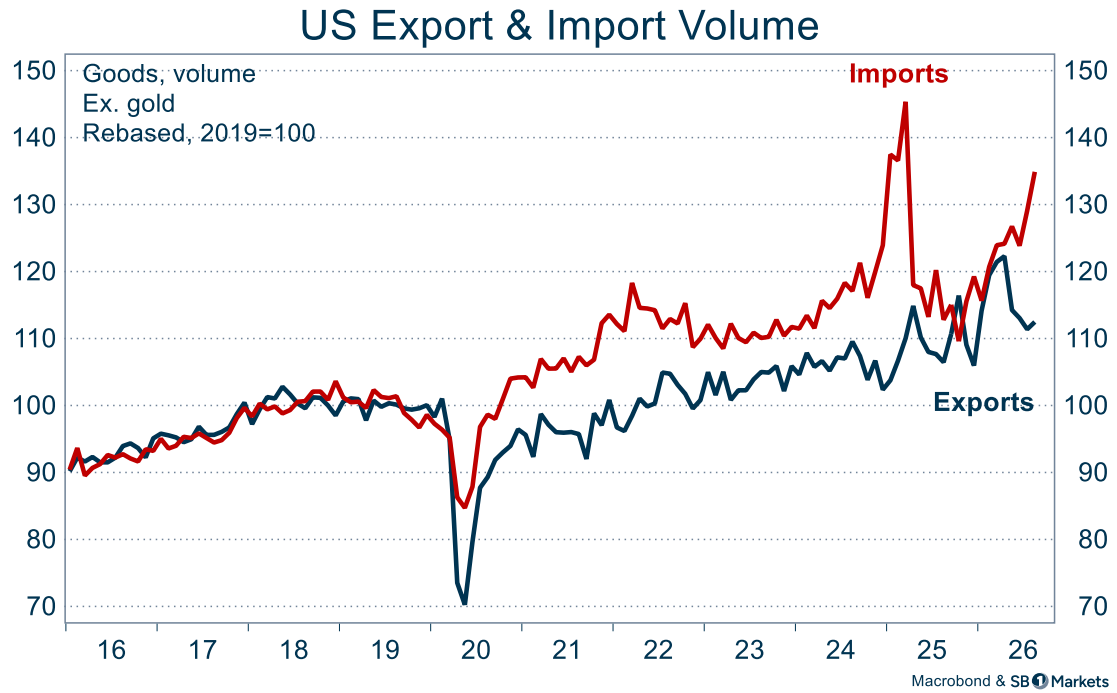


United States

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

… at least in value terms. The deficit widened to USD 106bn in August, from 93bn in July, as signalled by the preliminary goods data.

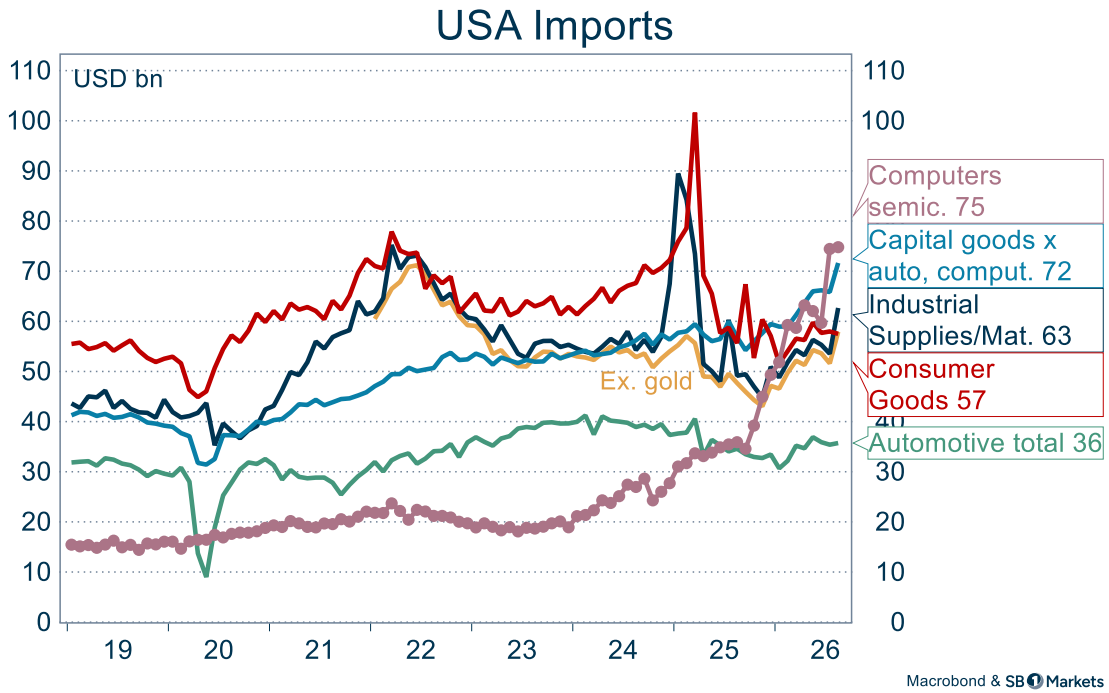


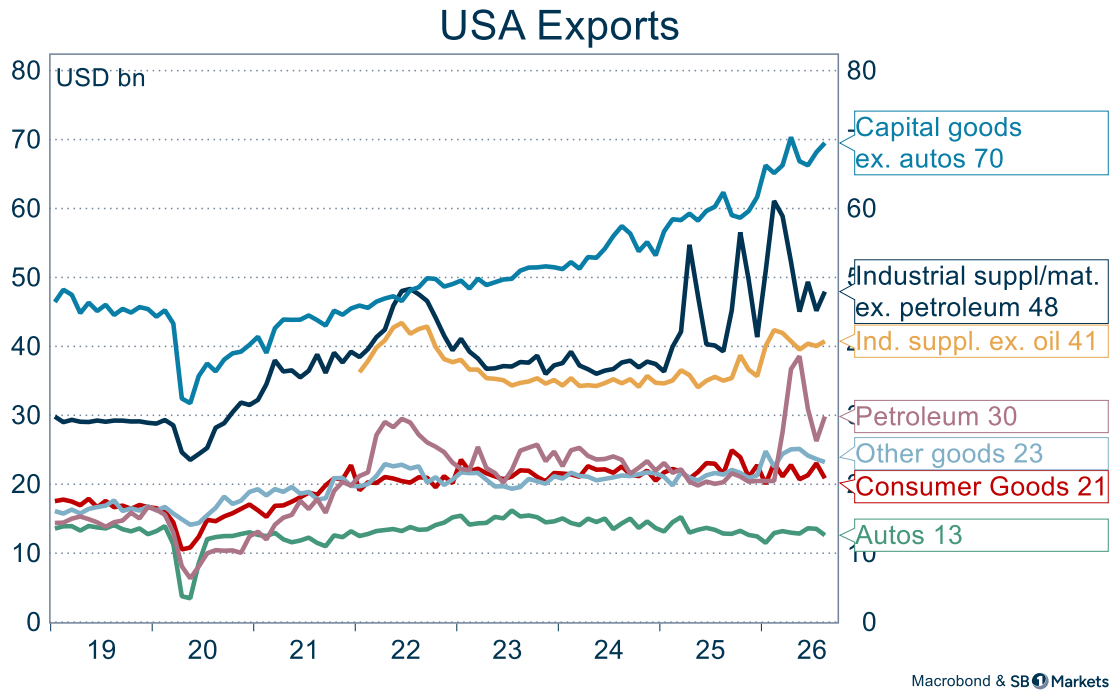


- Net gold exports have fallen to almost a normal level and do not influence trade figures by much anymore.

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

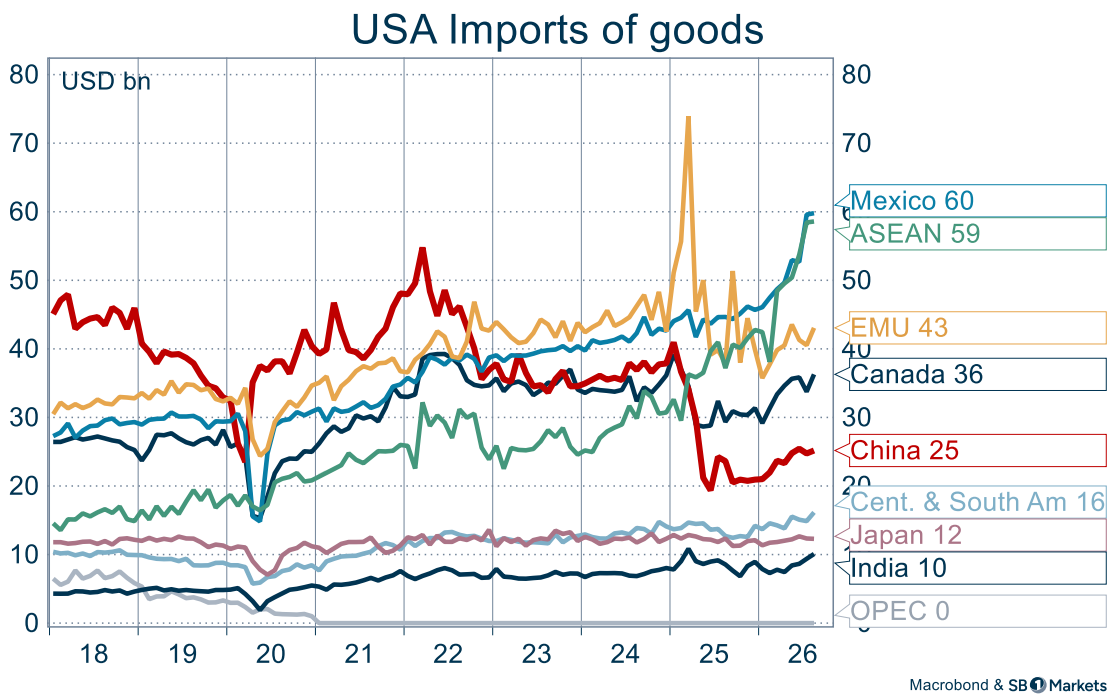
Imports of semiconductors/computers are up more than USD 40bn since last autumn, or more than 2x.
Exports: Petroleum exports as well as other material exports have been volatile lately. Capital goods ex. autos trend steadily up.

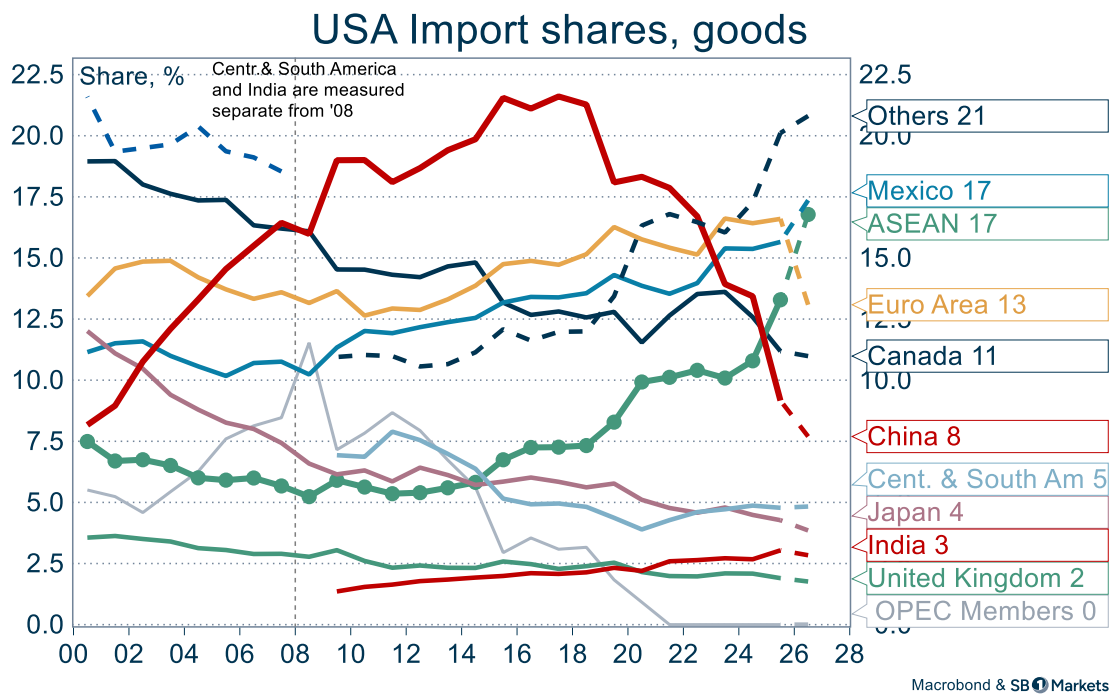




Imports from China are creeping into the US (both directly and through other countries)

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. *Check next page*.



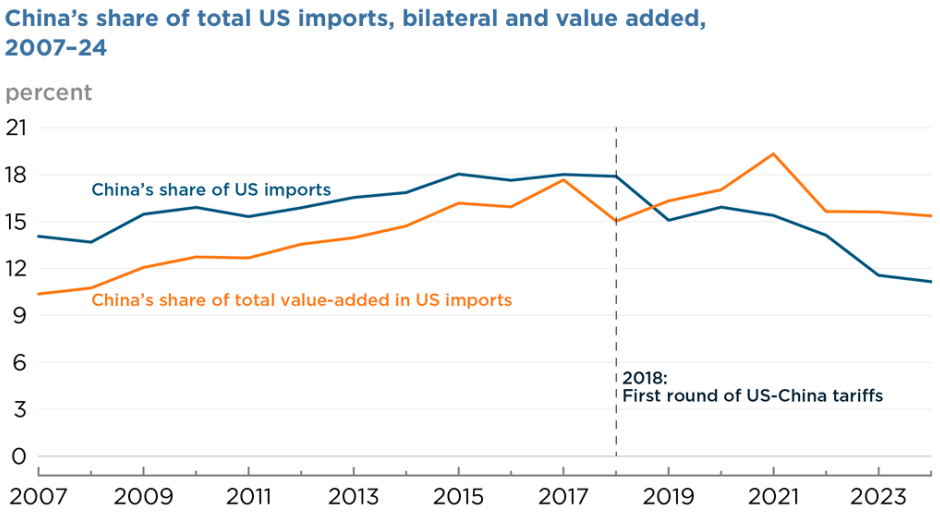


- Long-term trends
  - EMU, Mexico and ASEAN hold the highest import shares. Canada has dropped to no. 4, from the pole position 25 years ago

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

The real Chinese share of US imports is the same as before?

China has rerouted some of its US exports through other Asian countries and Mexico.
At least, that's the conclusion in the PIIE report, based on detailed Asian and US trade data.

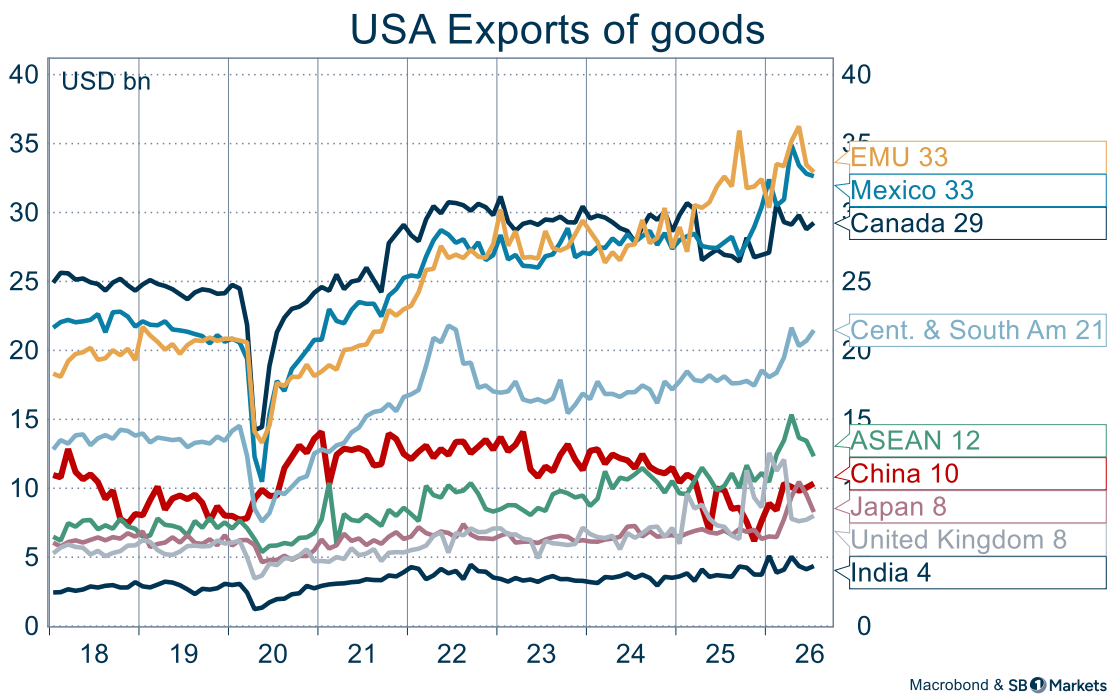


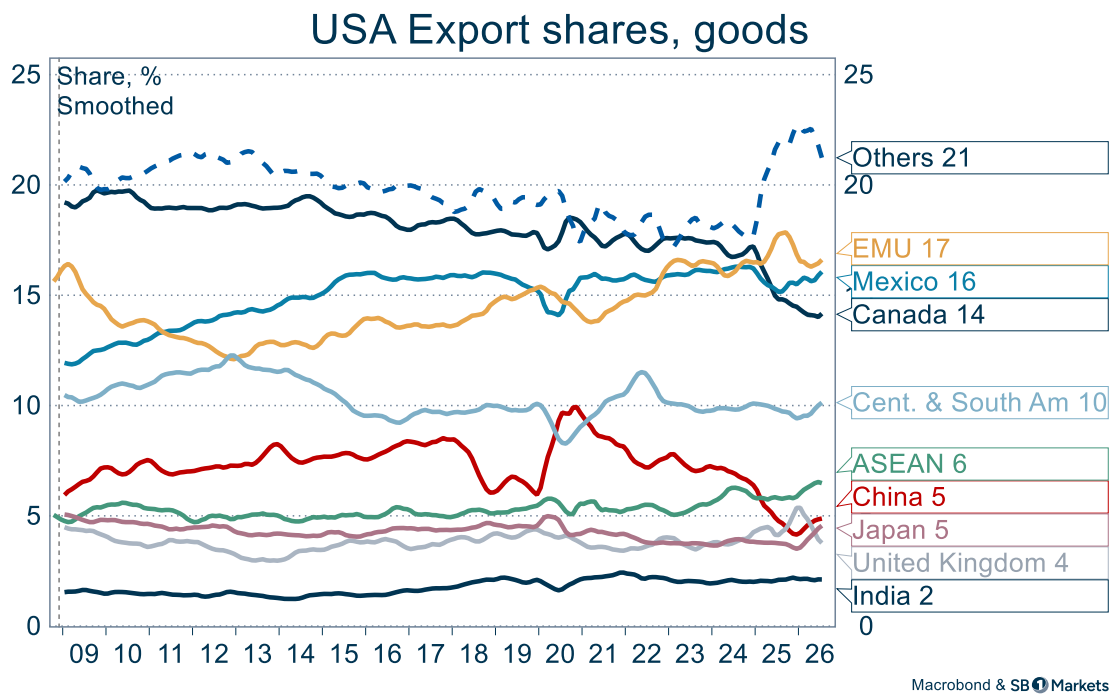
Source: Authors' calculations using ADB MRIO tables and Bureau of Economic Analysis data. China's share of total value added in US imports is calculated as value added originating in China divided by total value added embodied in US imports. China's share of total US imports is calculated as US bilateral imports from China divided by total US imports from the world, including goods and services trade, using data from the Bureau of Economic Analysis.

PIIE 26-12. Made with China: Global supply chains and the limits of US decoupling | PIIE

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.

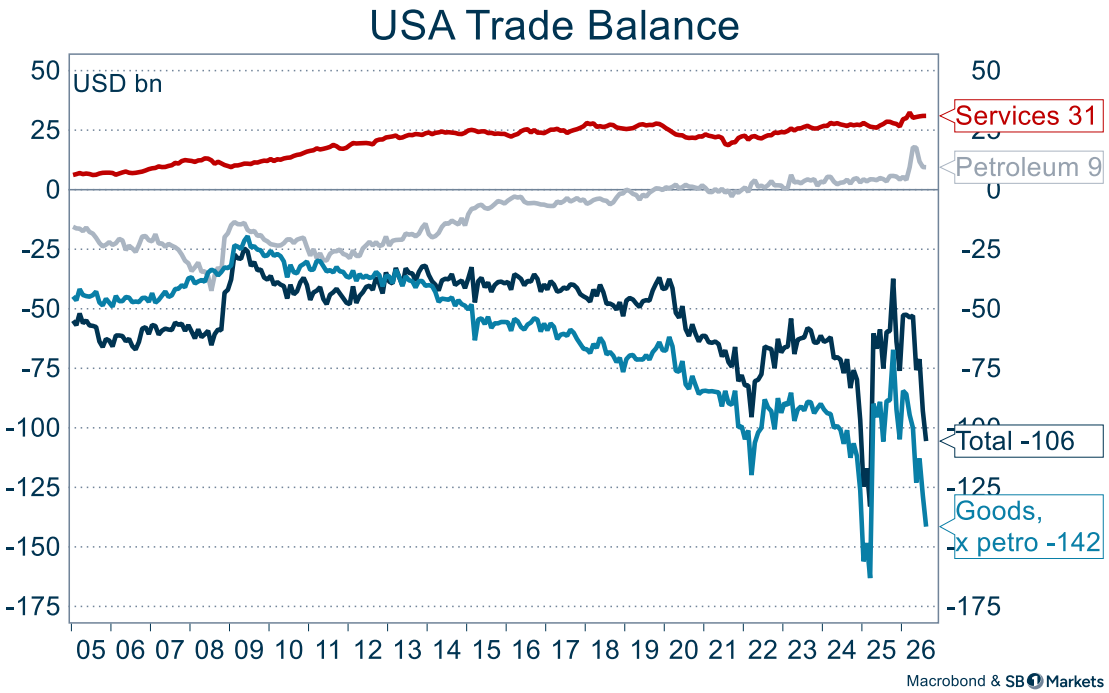


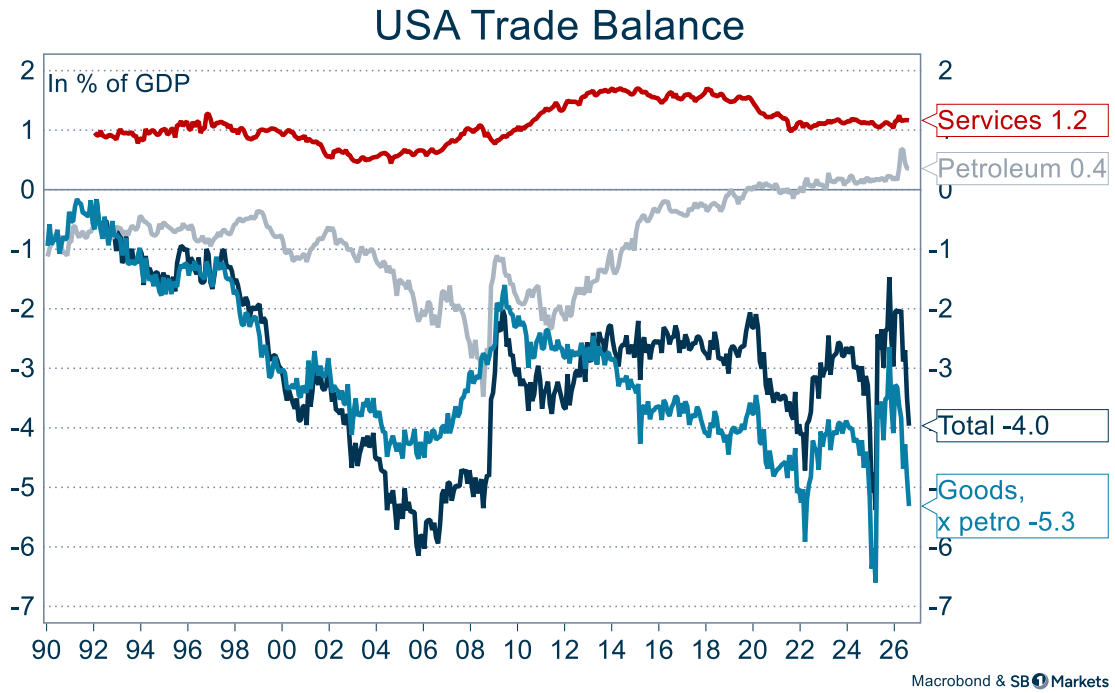


ASEAN: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

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 July, up from less than 0.2% in February.
The trade surplus in services has increased slightly (now to 1.2% of GDP) but is still well below the level before the pandemic.

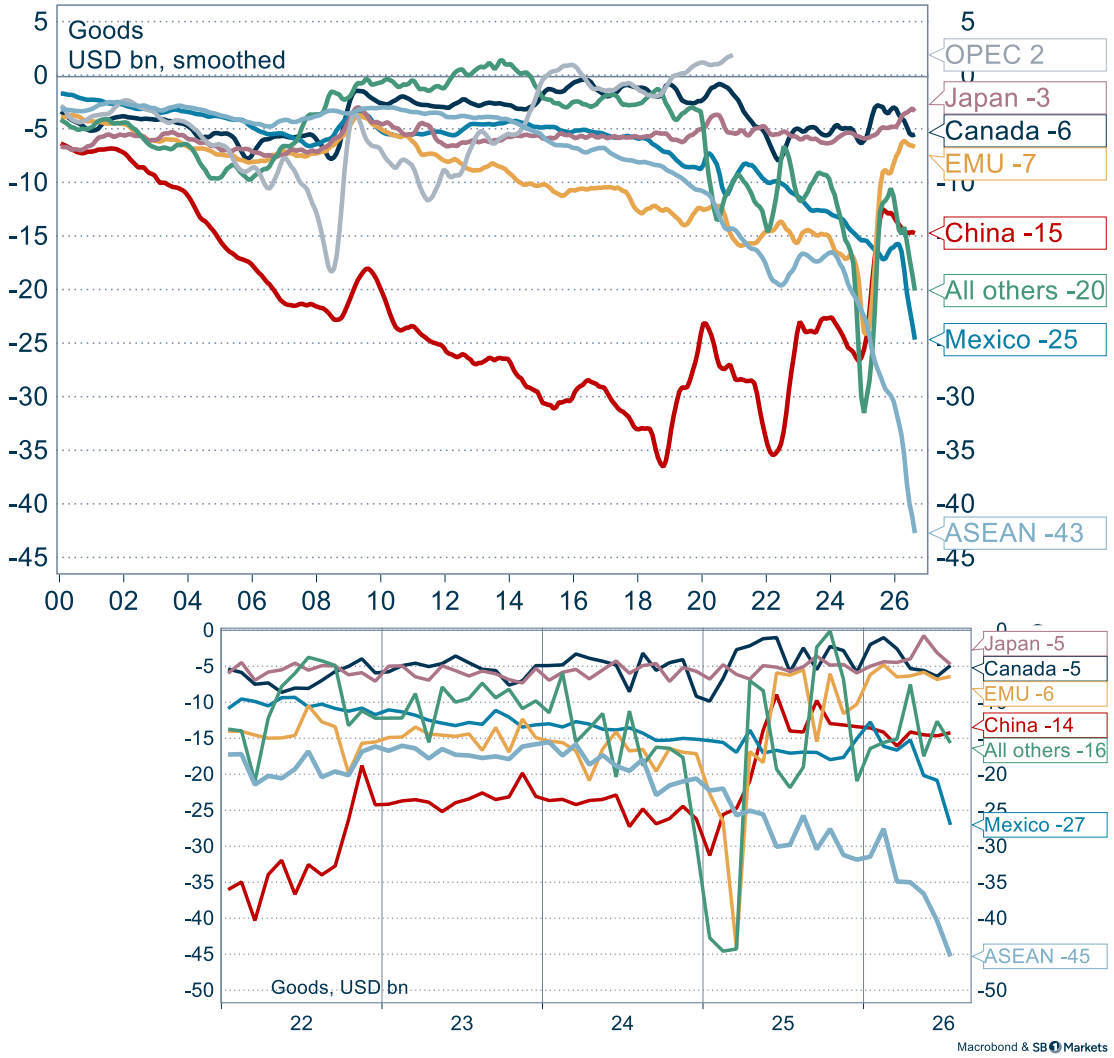




The deficit versus China is likely permanently lower; it is too early to judge the rest

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.

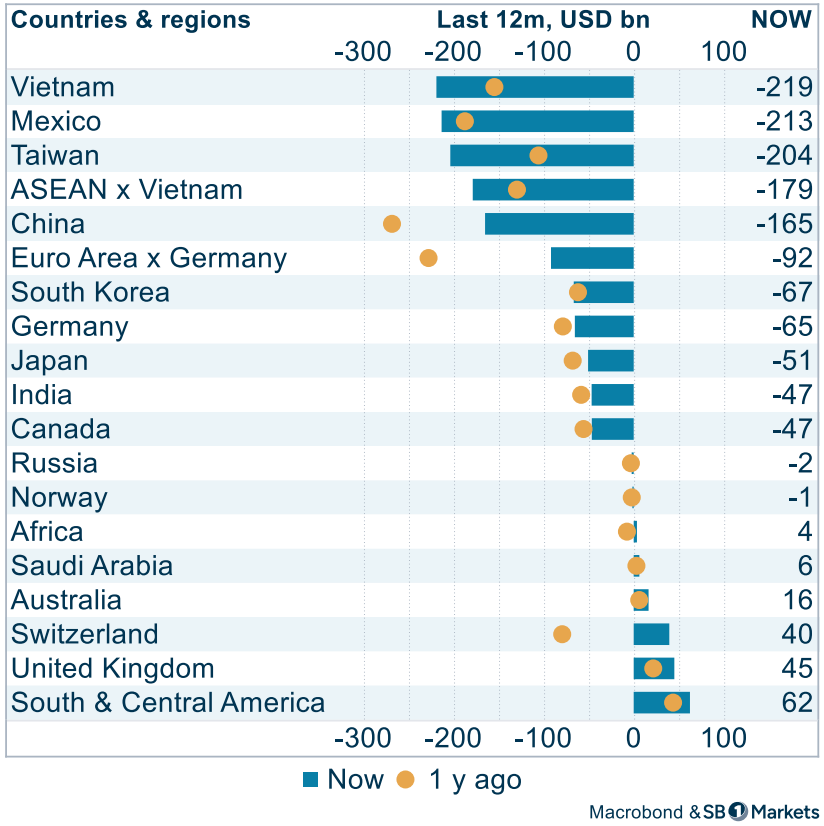
USA Trade Balance



US deficits:

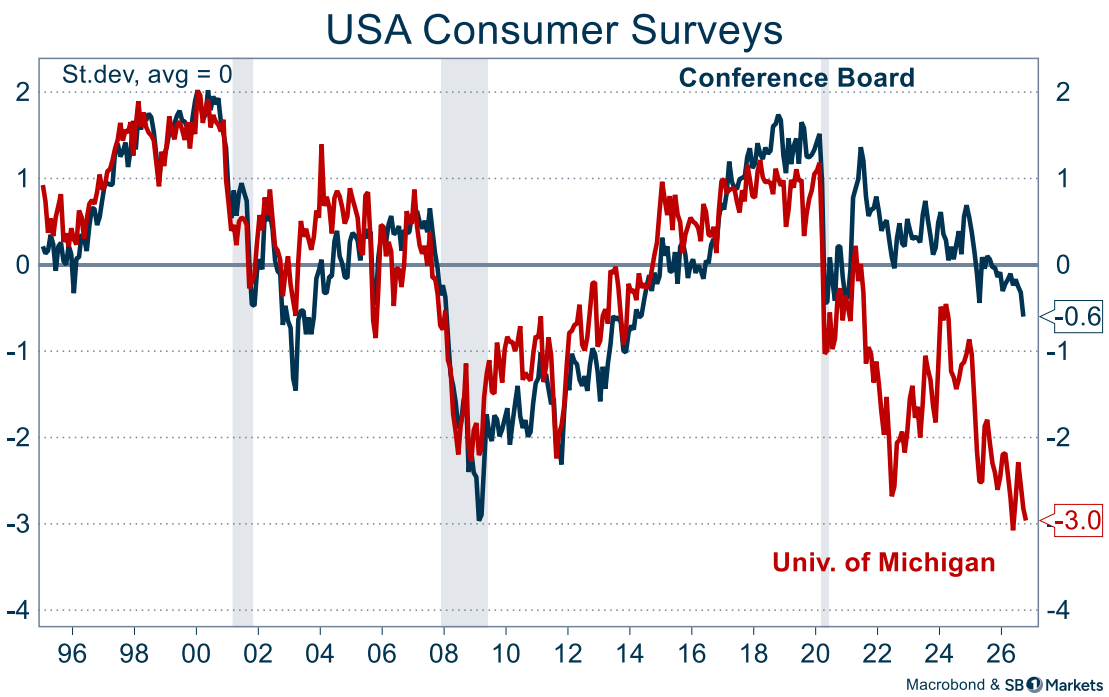
- Vietnam and Mexico at the top with Taiwan before China!

USA Trade Balance goods

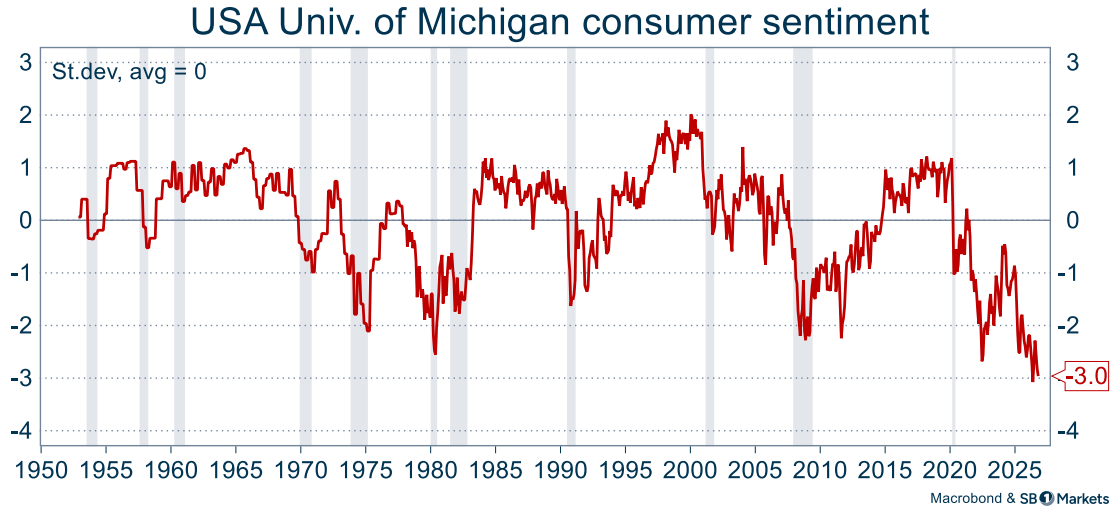


Univ. of M. consumer sentiment the 2nd worst ever; Just May even weaker (data from 1953)

UM sentiment fell 0.1 std. dev. to -3.0 std. dev. below average. Households say the current situation is the worst ever – which of course is completely BS. Expectations have been even weaker just in 1979/80, when the gasoline bill was far, far higher than today. Still, they spend!

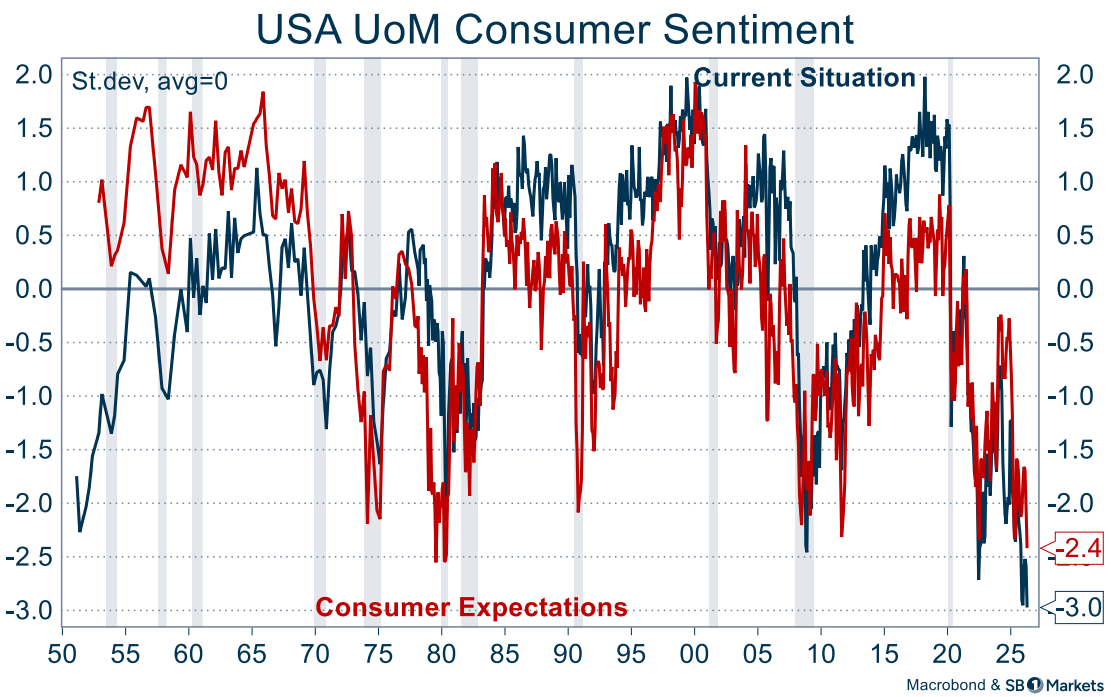


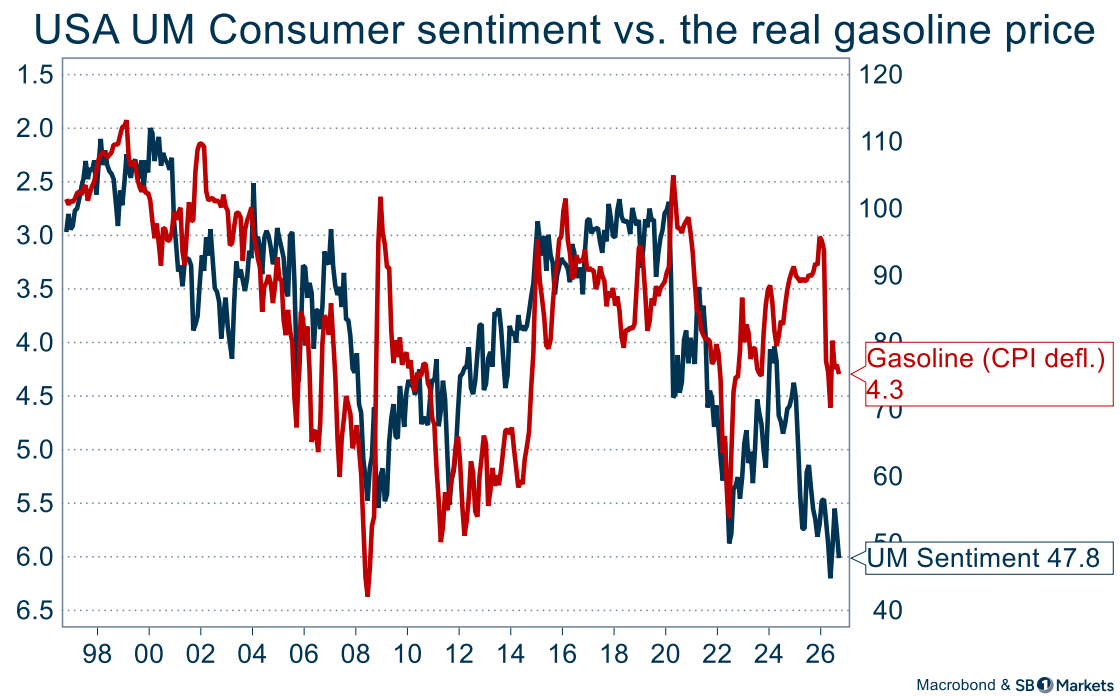
- **The UM consumer sentiment index** fell almost 4 p to 47.8, well below expectations (51.0)
- **The problem:** Households are asked about their own economic situation, which of course may be disconnected from the overall status in the US economy. However, the 'spread' between the 'micro' assessment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



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

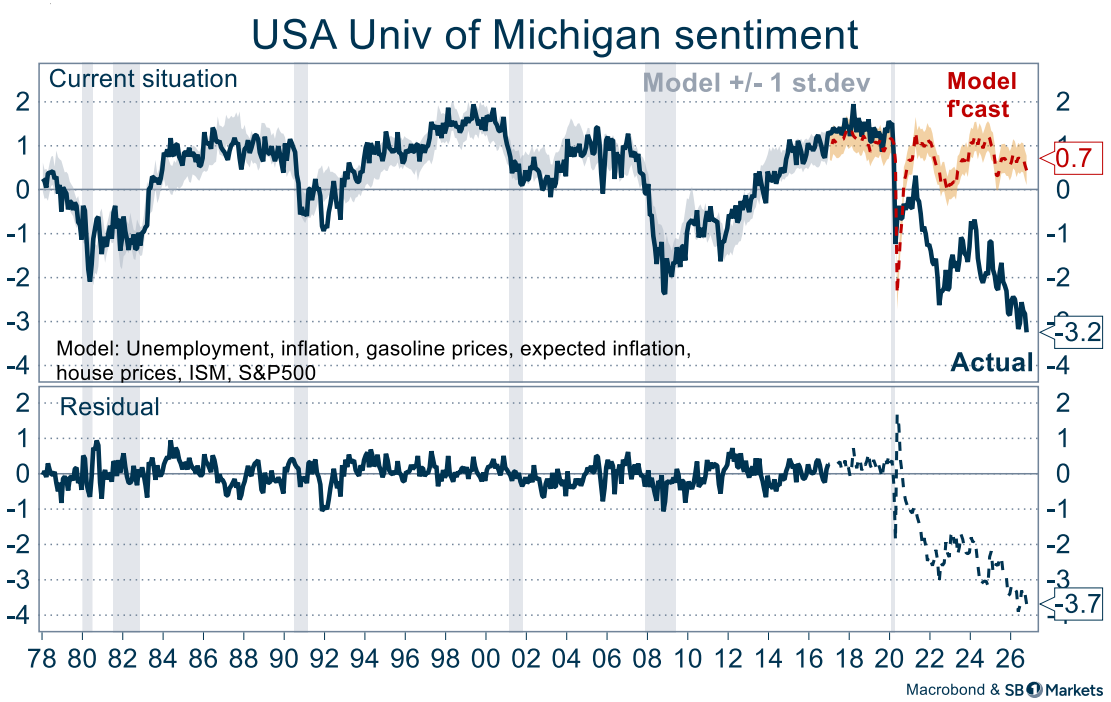
The cost of gasoline might account for some of the complaints, but the overall economy is actually in decent shape. Expectations are the weakest since 1980. *See the following page for more details.*

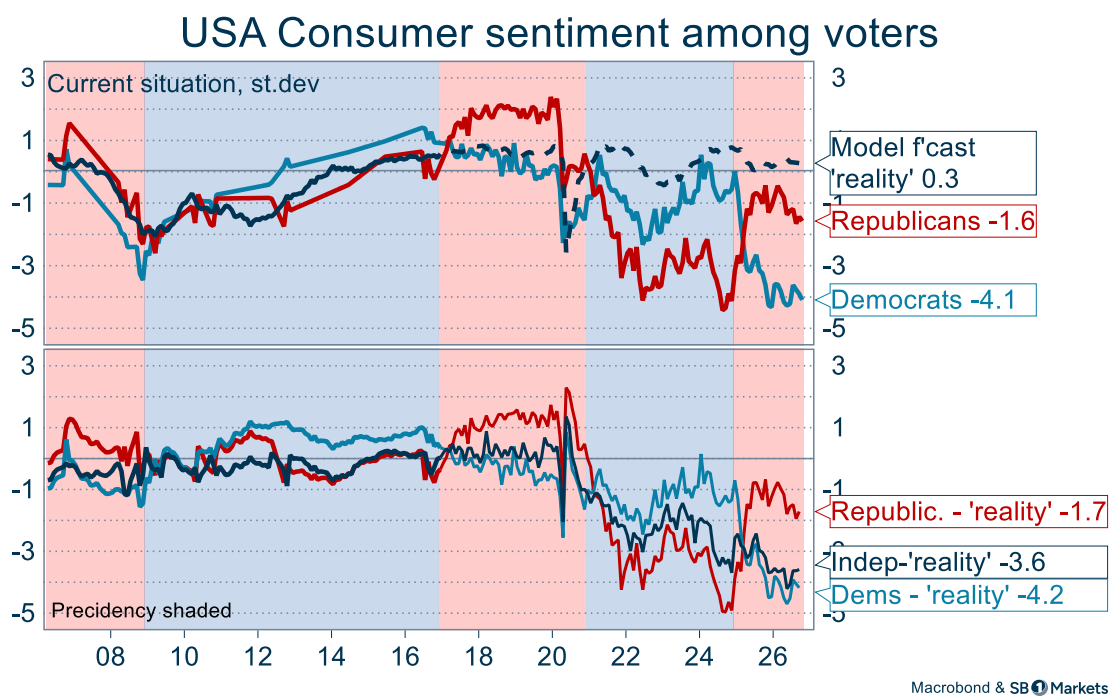




UM Sentiment: households deem the current situation the worst ever. Very likely, it isn't

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.

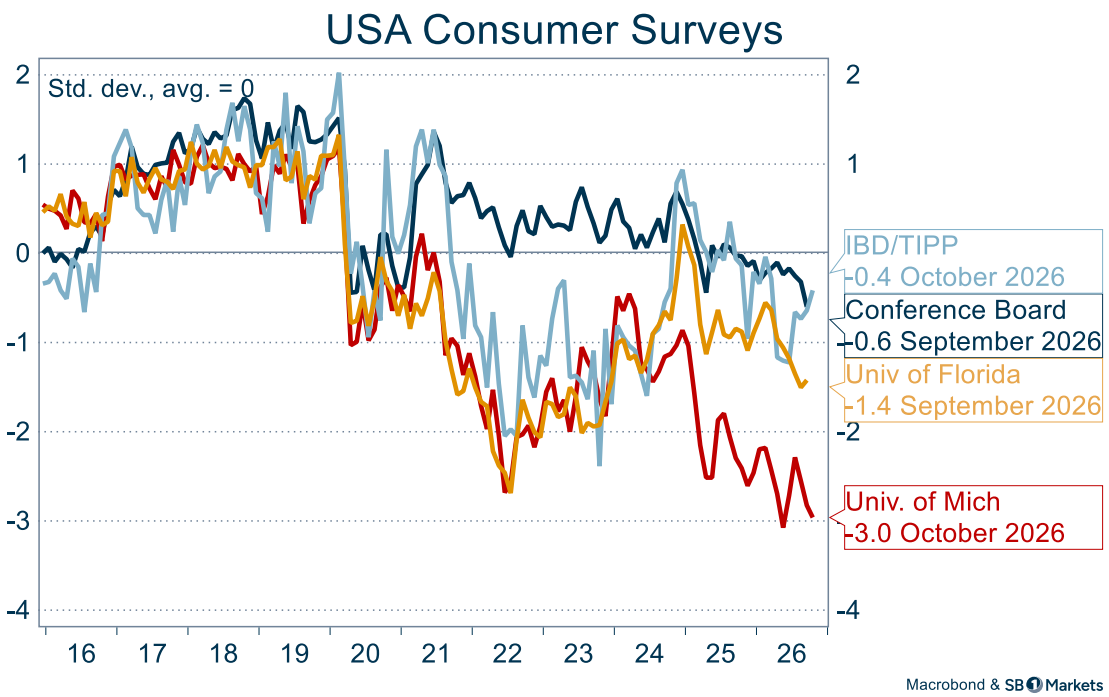


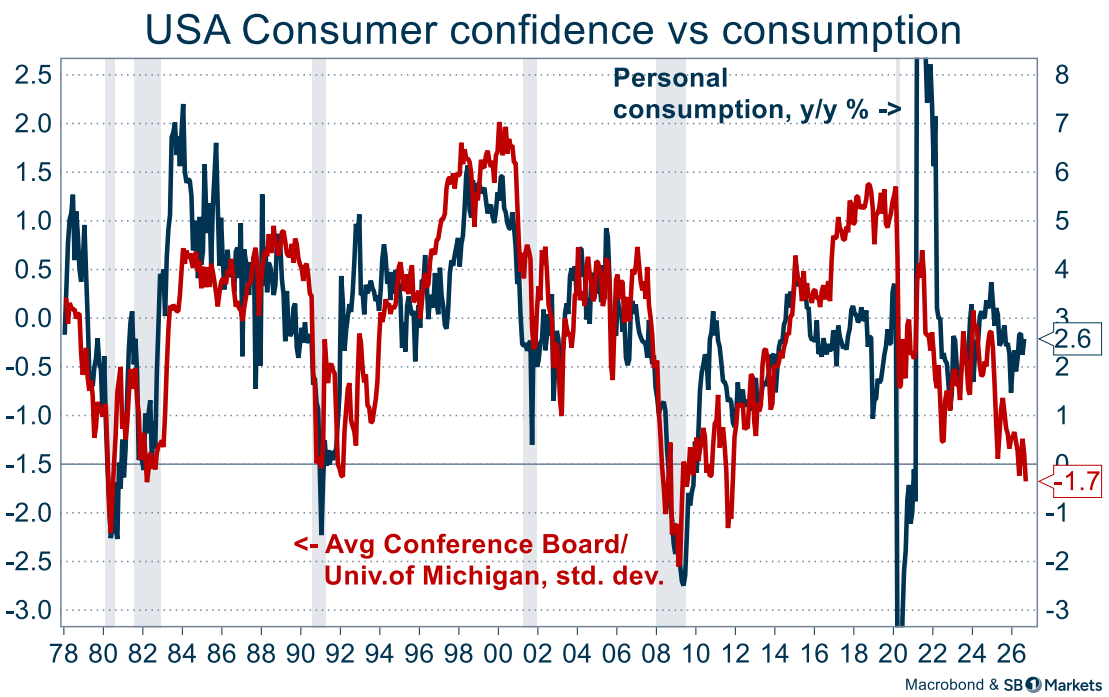


- During the Biden administration, our models indicated that Republican voters were largely out of touch with reality in their assessment of the current situation. The 'Republican negative sentiment' accounted for most of the discrepancy in our sentiment model. The gap was closed as soon as Trump was re-elected in 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 as 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 it current situation is 4.2 s.d. 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 are below par but not like the UM survey

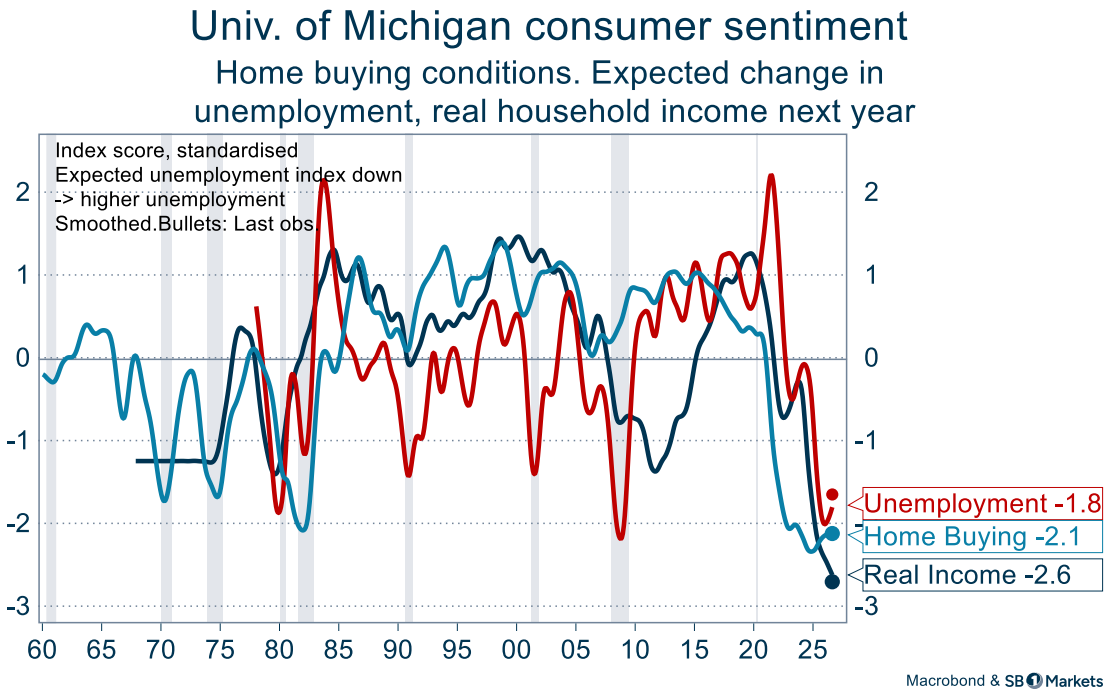
Conference Board's survey is still close to zero. Other surveys are also below an average level, but not like the UM survey. Actual consumption is closely correlated to confidence, if not leading. The current sentiment signals some risks.

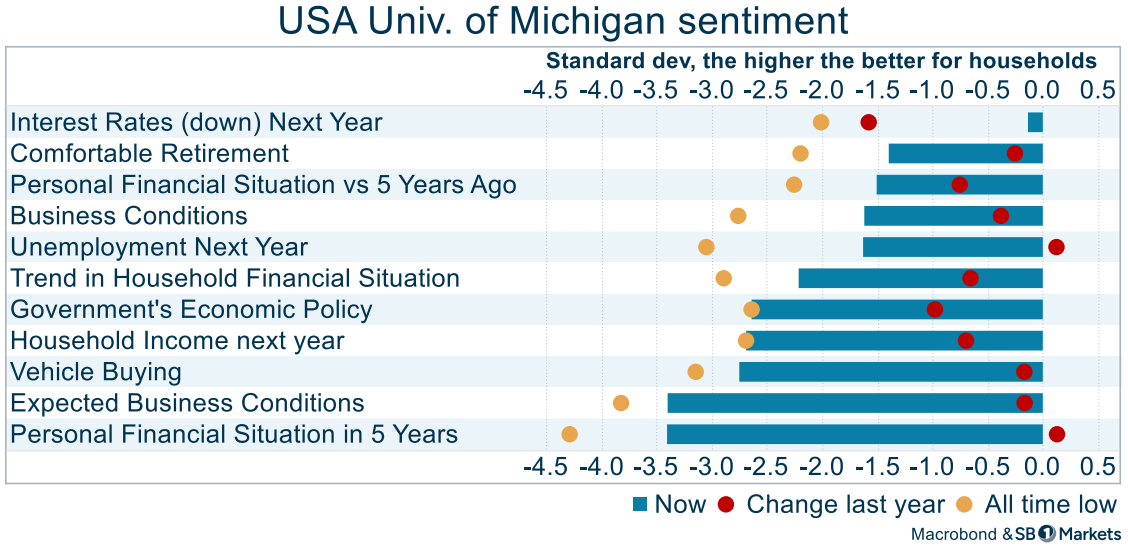




UM Sentiment: expectations are among the worst ever; Buying plans are extremely weak

… as are income expectations. Almost all components are down the past year.



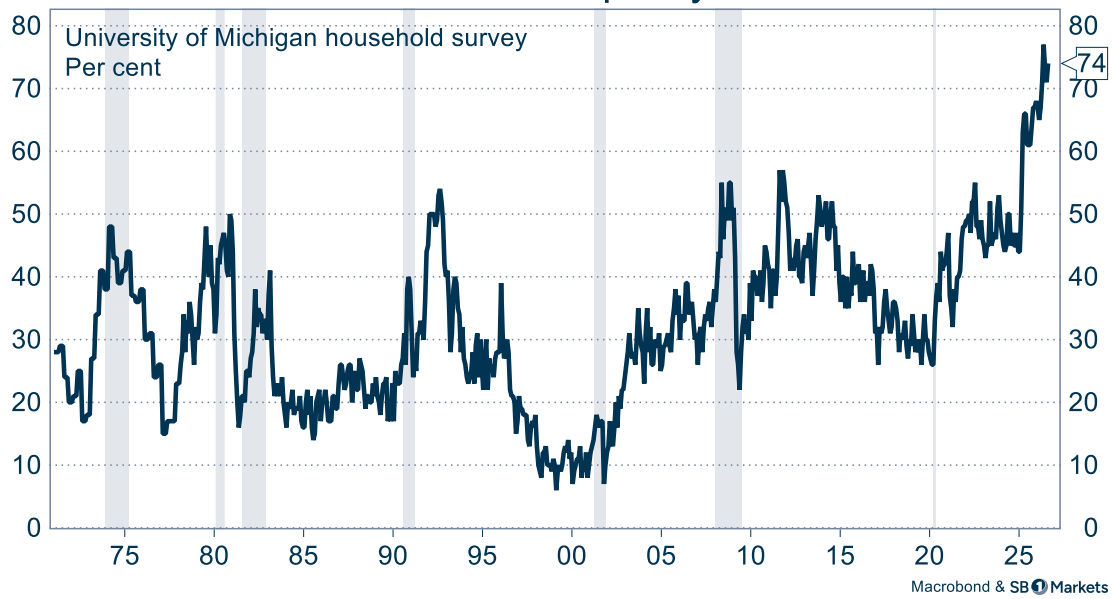


- *Data are updated through July.*

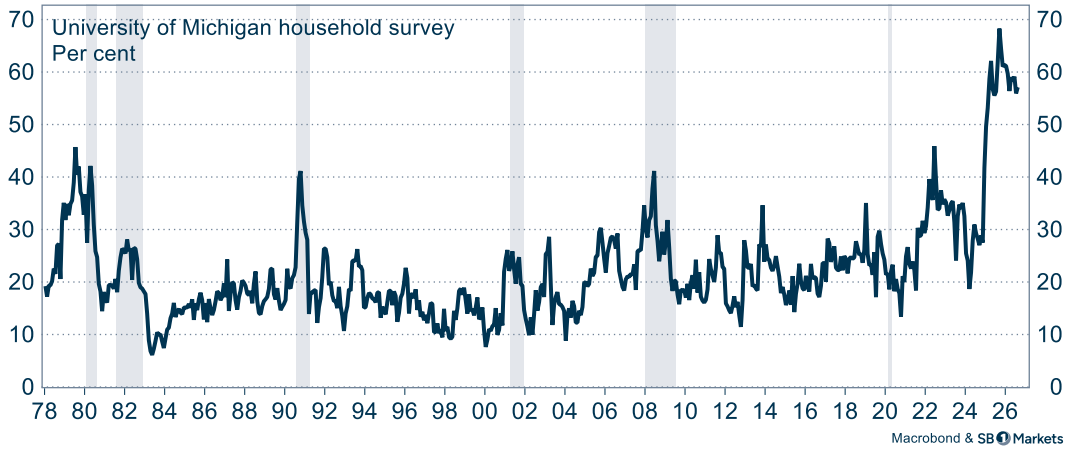
Households: Government’s economic policy is really bad

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

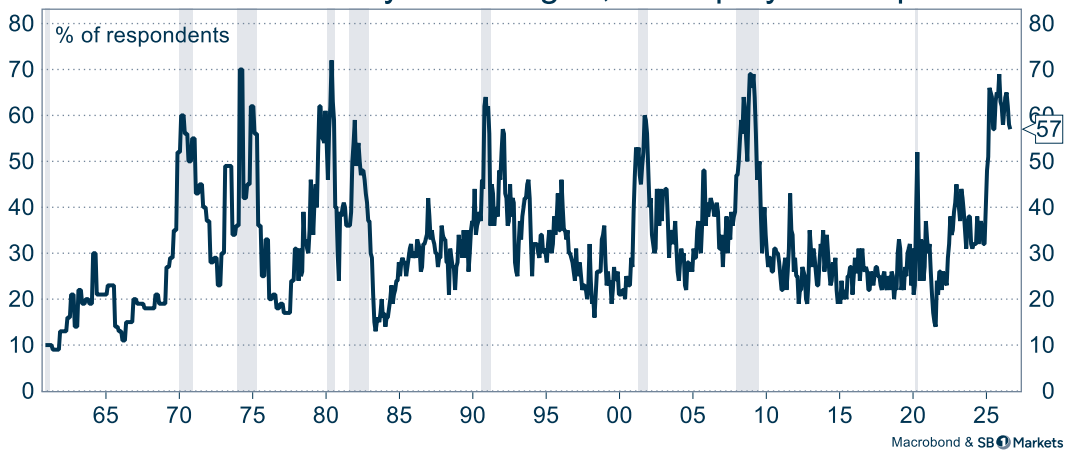
USA Negative opinion of government's economic policy



USA Expected business conditions, worse

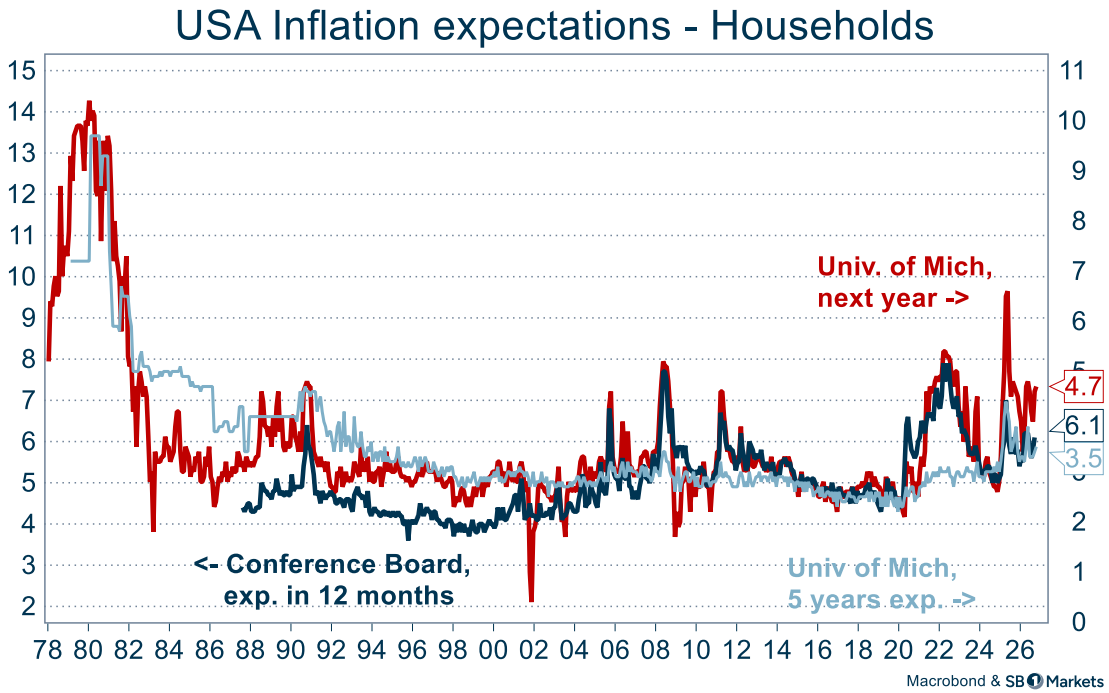


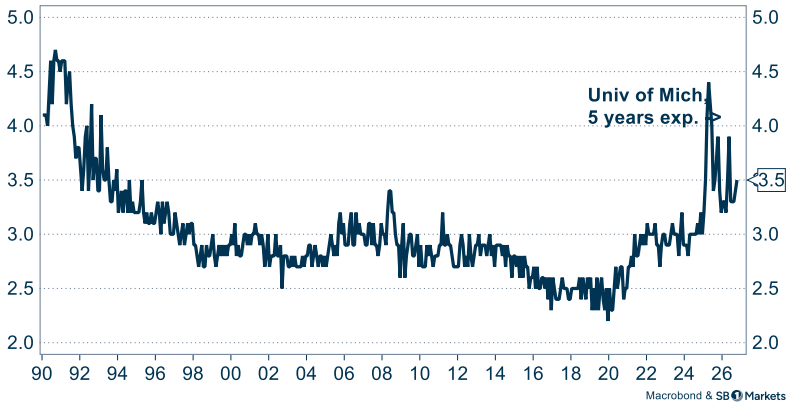
USA Univeristy of Michigan, unemployment up

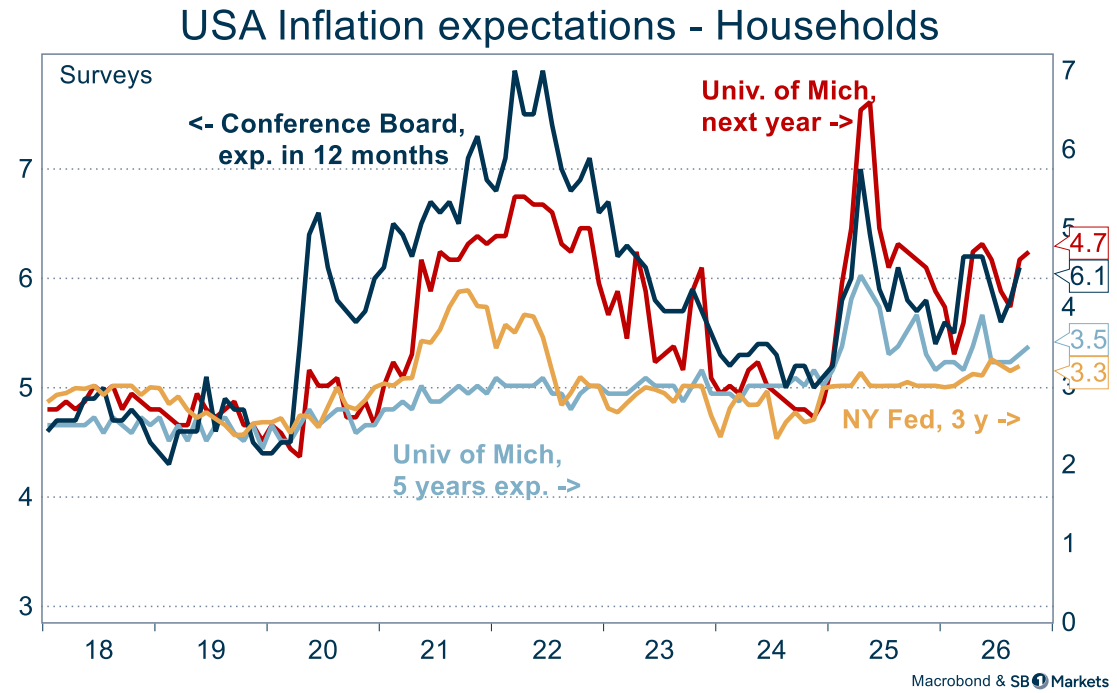


Inflation expectations further up in the first part of October

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.

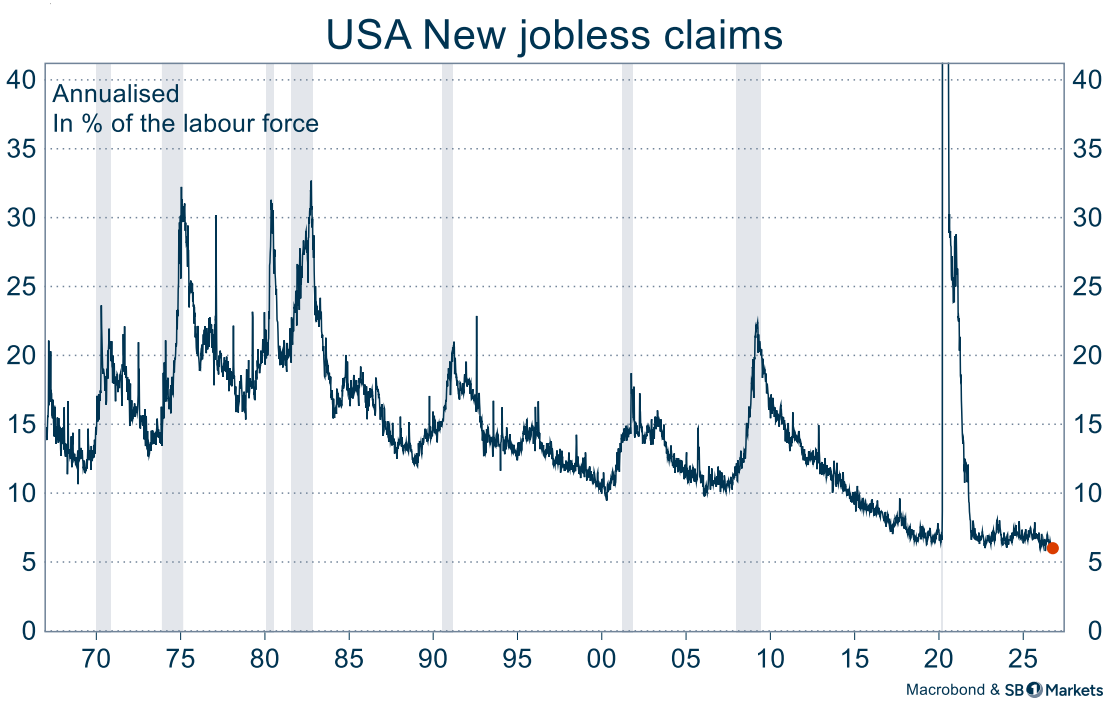


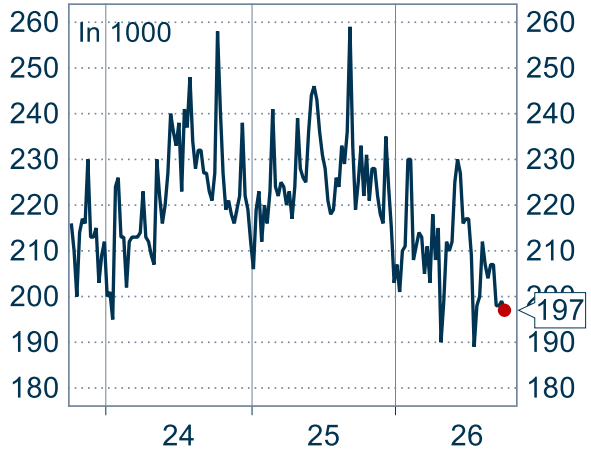




The inflow of jobless claims remains at a very low level

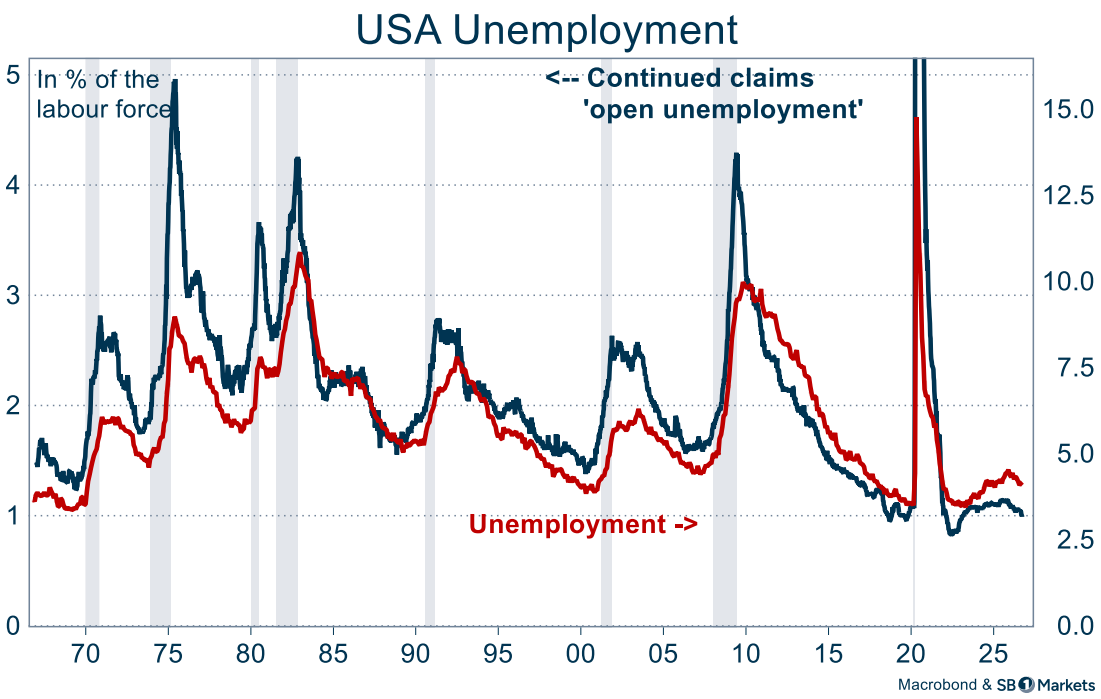
Still at 197,000 last week. One of the lowest prints ever, in % of the labour force.

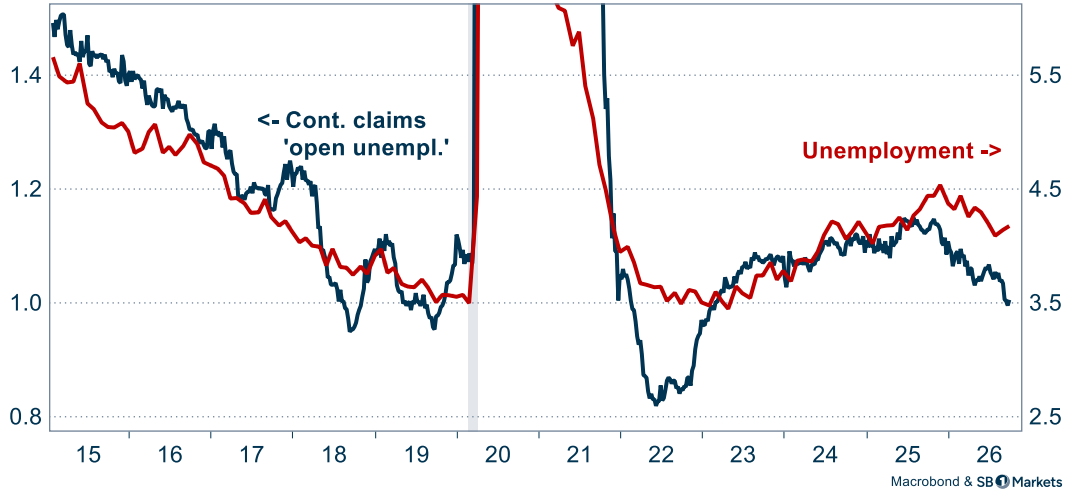




Continued jobless claims remain at a very low level too

The count of persons receiving unemployment benefits fell sharply in the previous week and indicates a decline in the official unemployment rate.

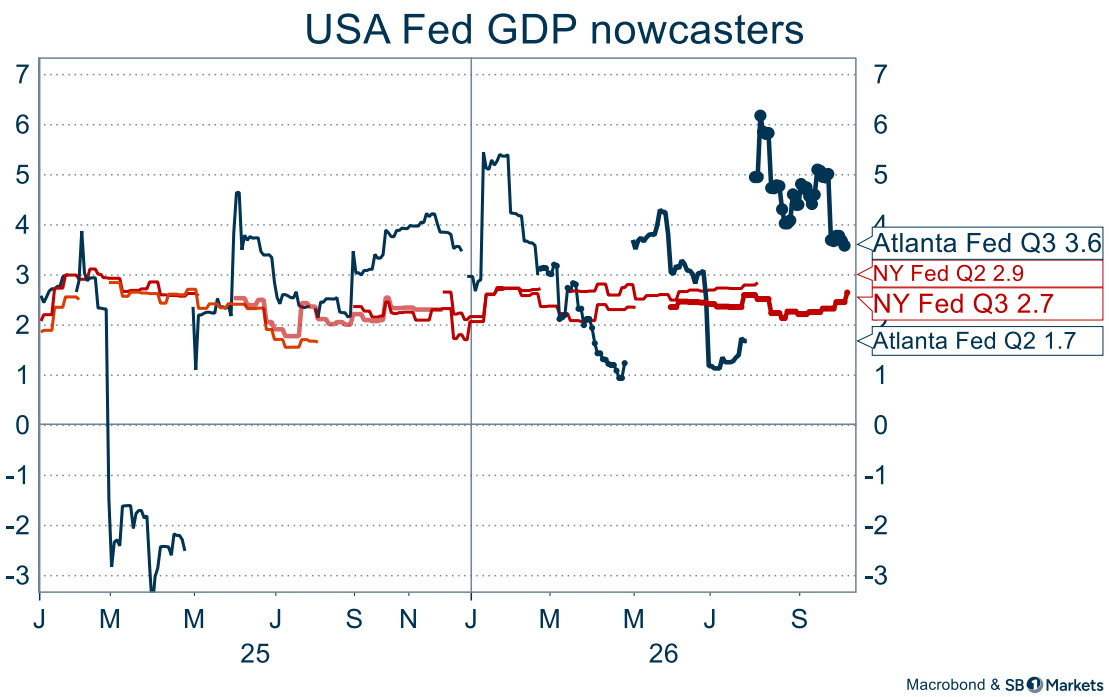


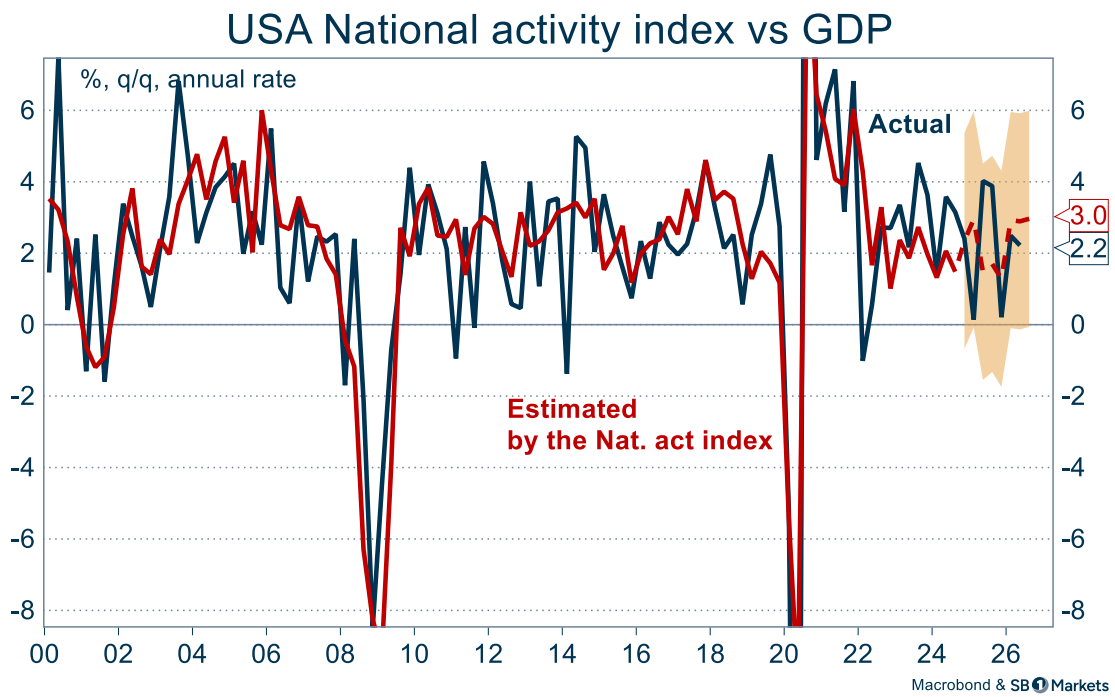




Atlanta Fed's Q3 GDP nowcast still impressive, at 3.6%

Growth is driven by strong growth in consumption as well as in business equipment. Net exports are negative, but inventories are expected to be replenished. The National Activity Index suggests a 3.0% growth pace. Actual Q2 growth was revised up by 0.7 pp to 2.2%.





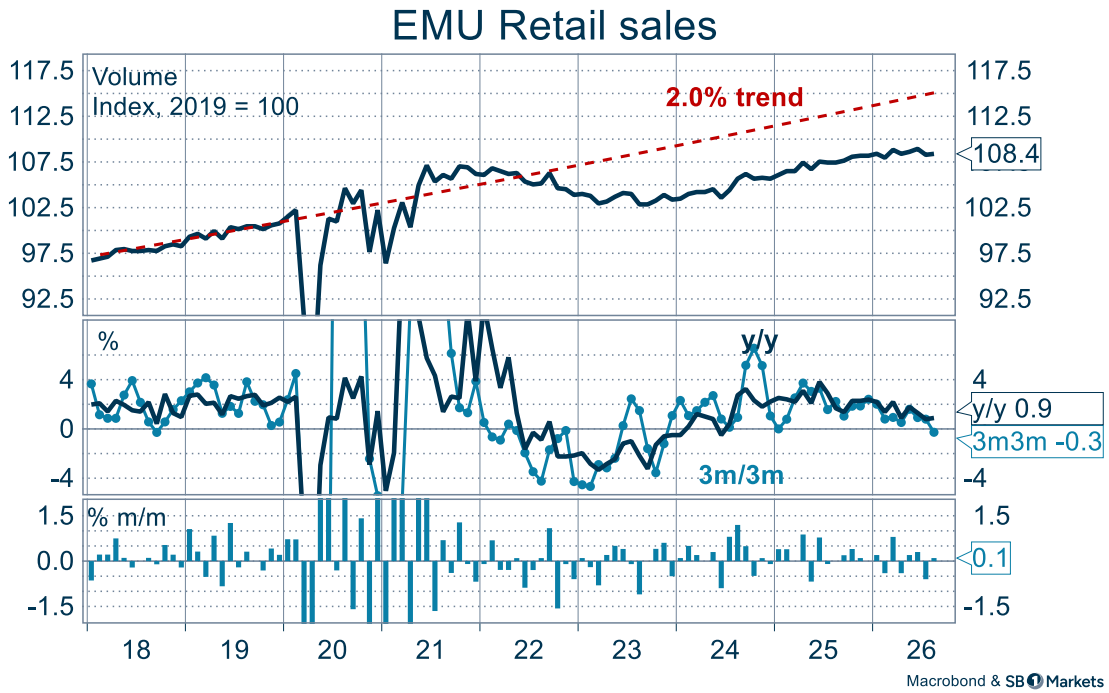
SB 1 Markets

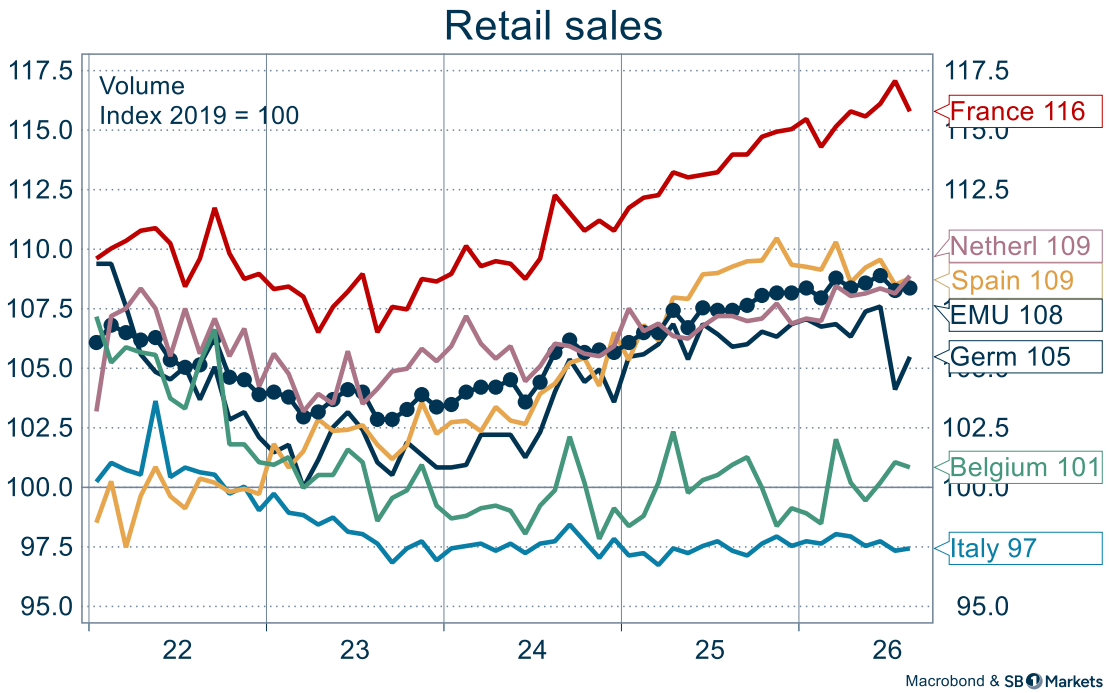


Euro Area

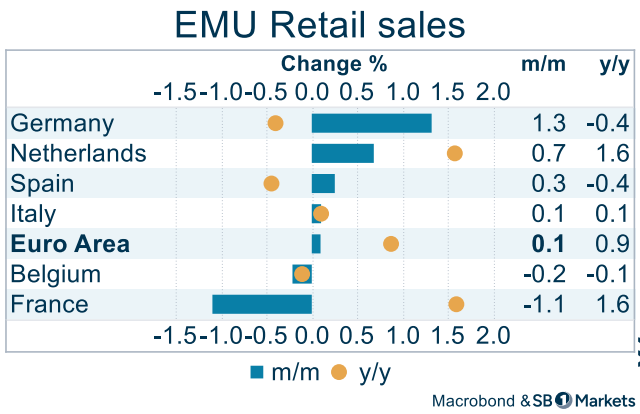
EMU: Retail sales marginally up in August, trend flat

Sales rose 0.1% m/m, and 0.9% y/y, both 0.2 pp below expectations. German sales recovered some of the unusual 3.2% July drop but remain at a low level. In August, French sales fell the most, from a (suspiciously, vs. national accounts data) high level.



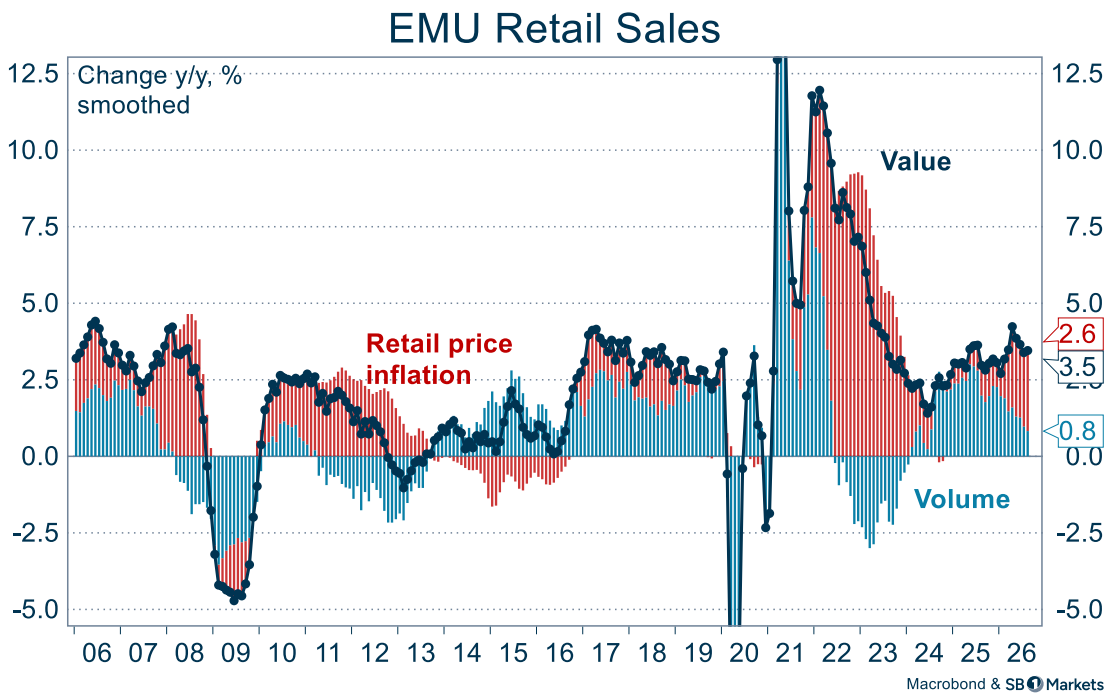


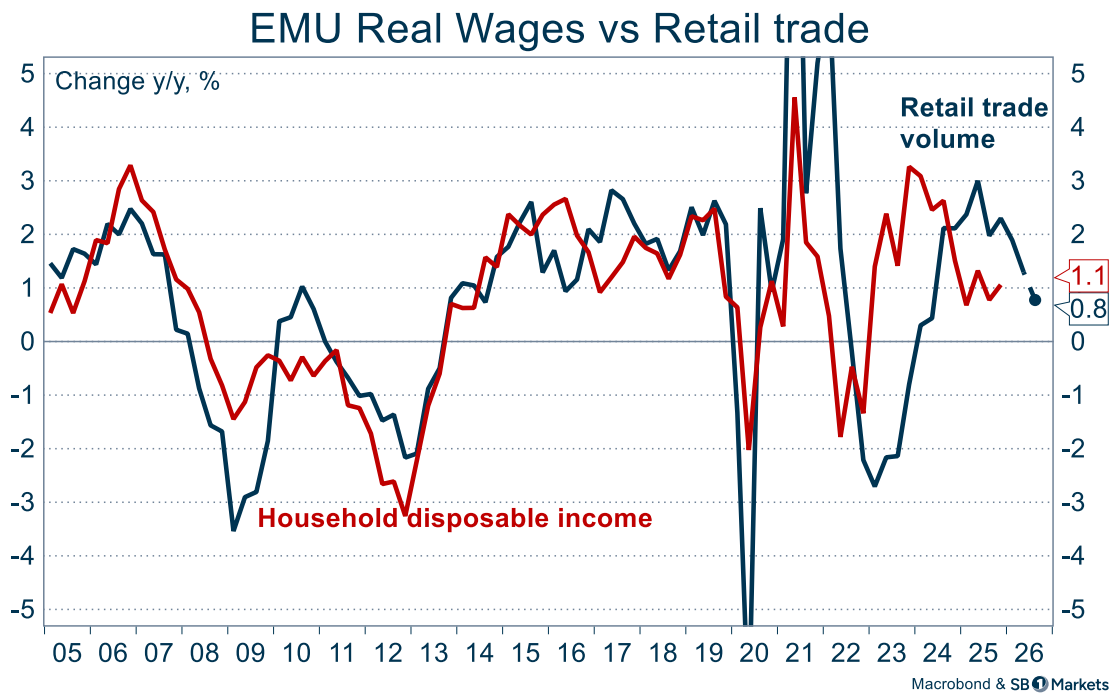
- **Retail price inflation** is 2.5% (*check next page*), and the value growth is 3.8% y/y (both data smoothed), which is in line with growth in total wage revenues.



Price inflation is at 2.6% (gasoline included)

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





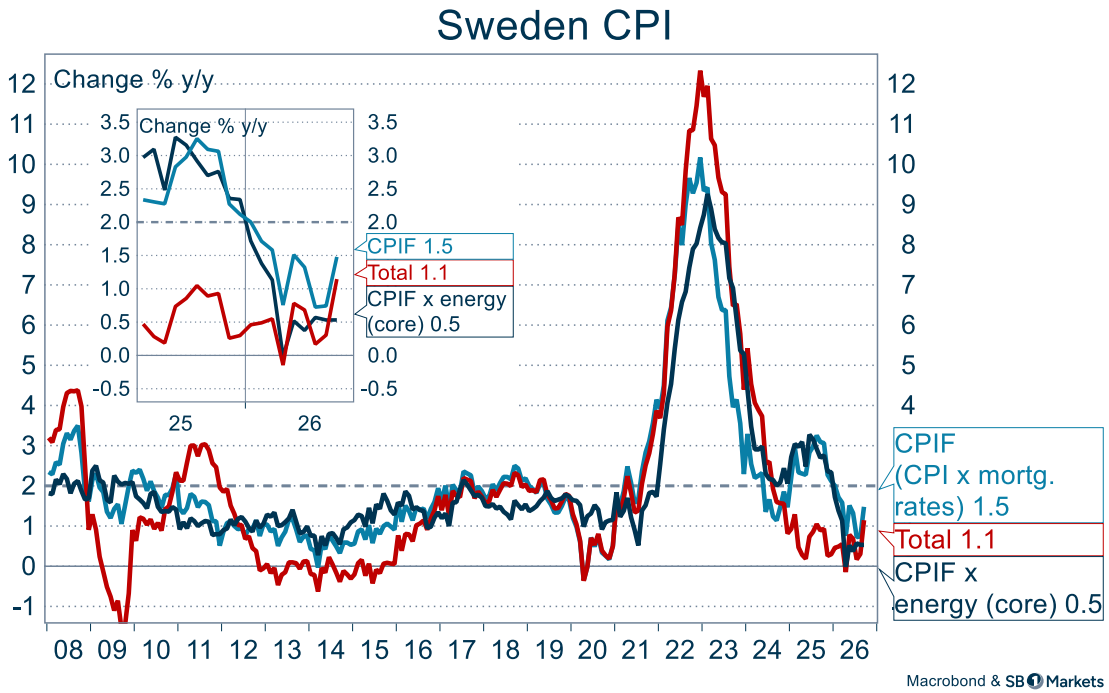
SB 1 Markets

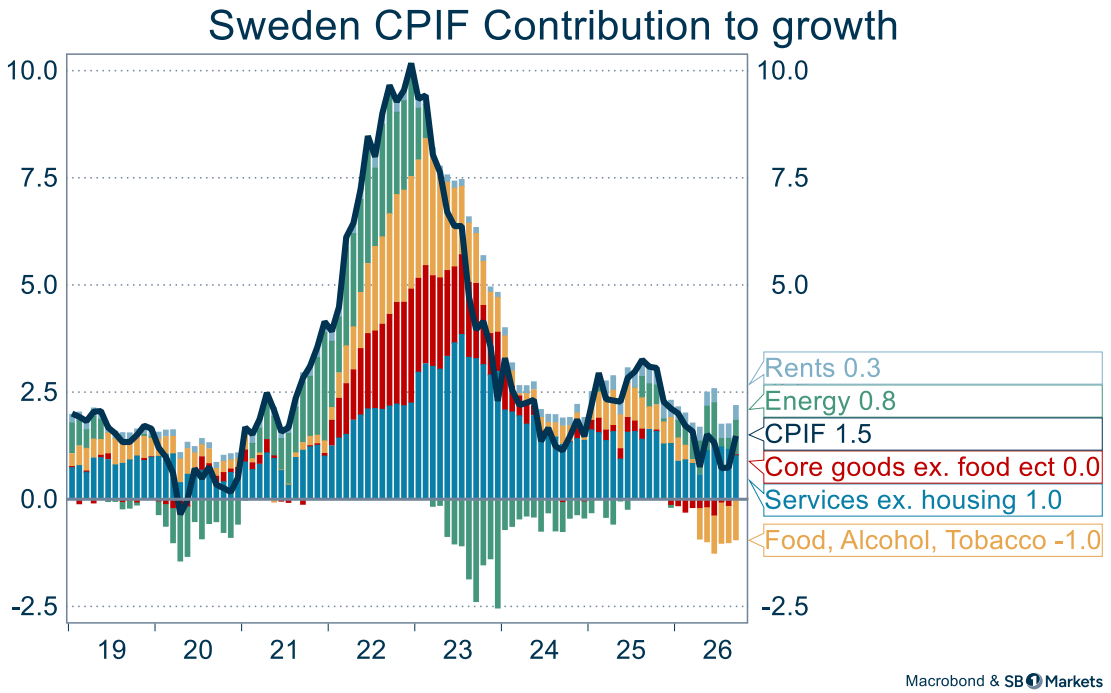


Sweden

Sweden: CPIF core inflation 0.2 pp lower than expected in September, flat at 0.5% y/y

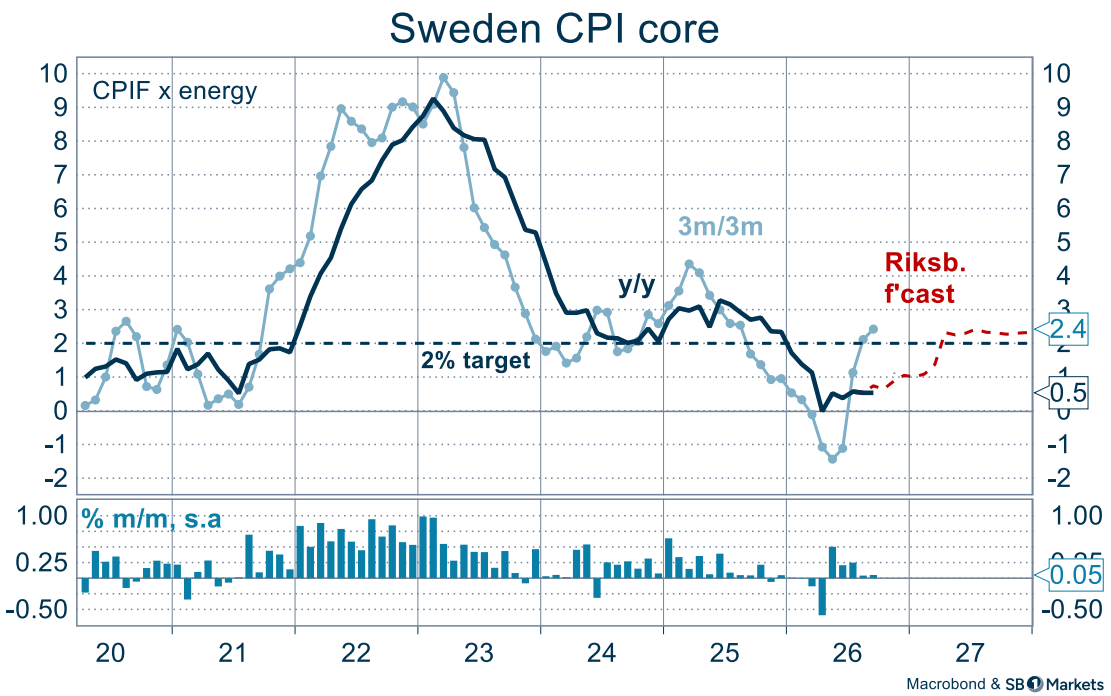
Core prices were close to flat m/m, as in August. However, energy prices rose 12% m/m and are up 17% y/y. CPIF including energy was up 1.5% y/y, as expected, from 0.7% in August. Inflation is still far below target, mostly due to tax cuts, which will lower inflation just temporarily.

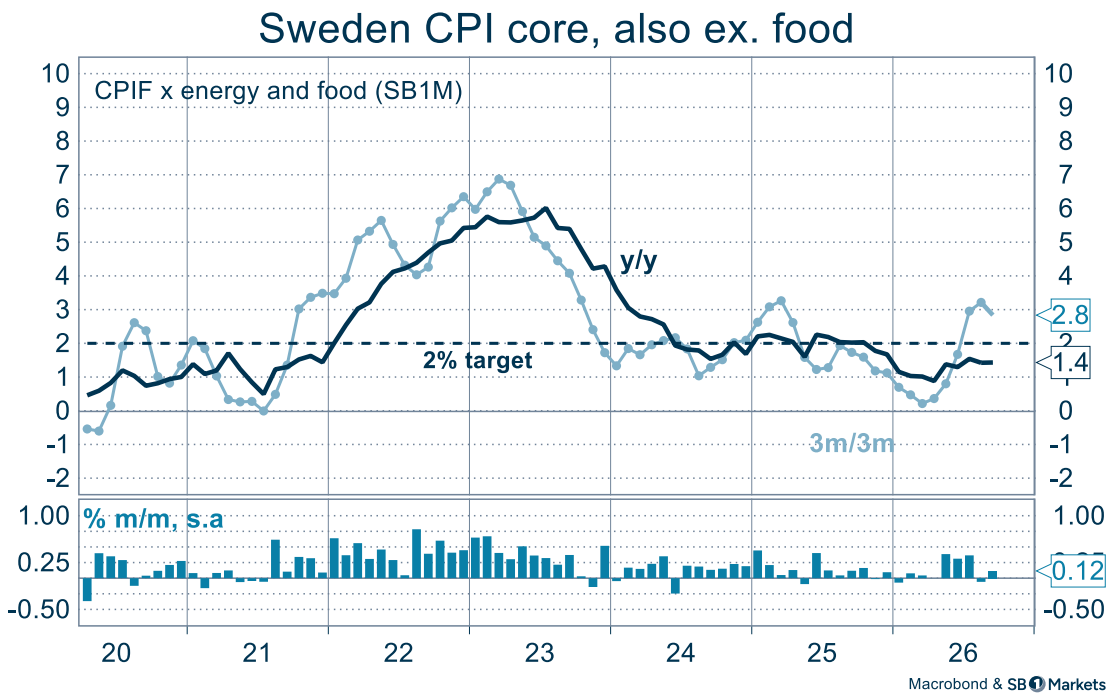




- **The traditional headline CPI inflation** accelerated 0.8 p to 1.1% y/y, 0.1 pp less than expected. Prices rose by 0.6% m/m
- **Mortgage rates** are included in the 'official' CPI and Riksbank's cuts have lowered mortgage rates, and thus the CPI. The negative drag now equals 0.4 pp. Thus, the **CPIF** (CPI x mortgage rates, which is usually referred to as the CPI in Sweden) was up 1.5% y/y, as expected, up from 0.7% in August.
- The **official core, the CPIF excluding energy** (CPIF XE) was close to flat m/m, and the annual rate was unchanged at 0.5%, expected up to 0.7%. The outcome was also below Riksbank's forecast.
- If food is removed as well, to compare with core prices in most other countries, the 'real core' is up 1.4% y/y *(check chart next page)*. ***The underlying growth rate in recent months is at some 2%***
- ***The Riksbank expects annual inflation to accelerate to marginally above 2% next April (food VAT impact) and to stay there. The bank is in no hurry to hike?***

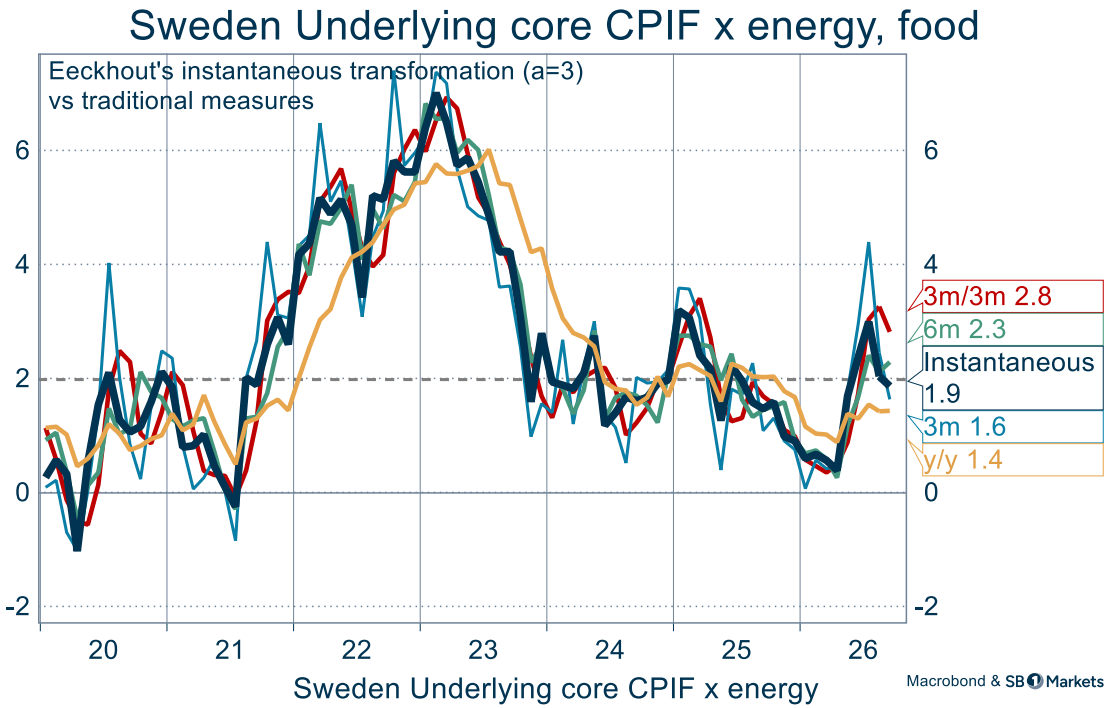
CPI core inflation: 0.5% y/y – but 1.4% if food is also excluded

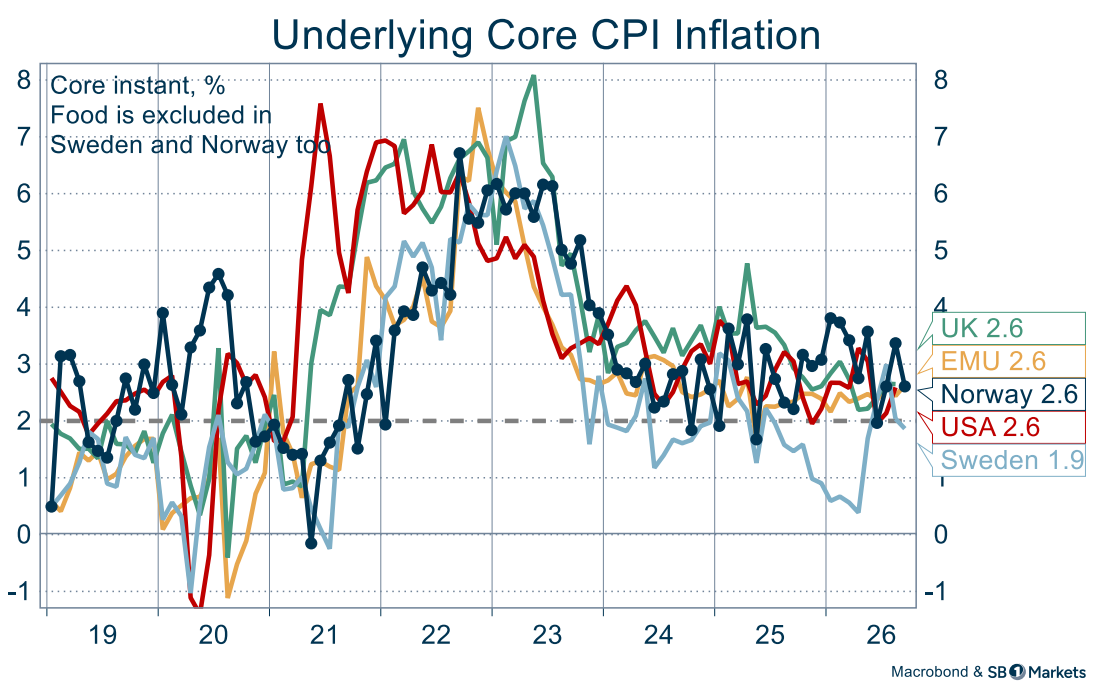


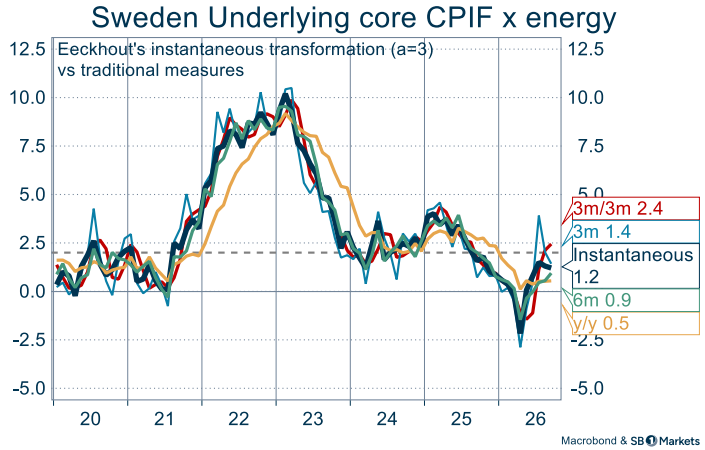


Underlying core inflation: some 2%, if food prices are excluded

Sweden is still an outsider on the downside, also momentum-wise. (All others have gathered at 2.6% in September ☺)



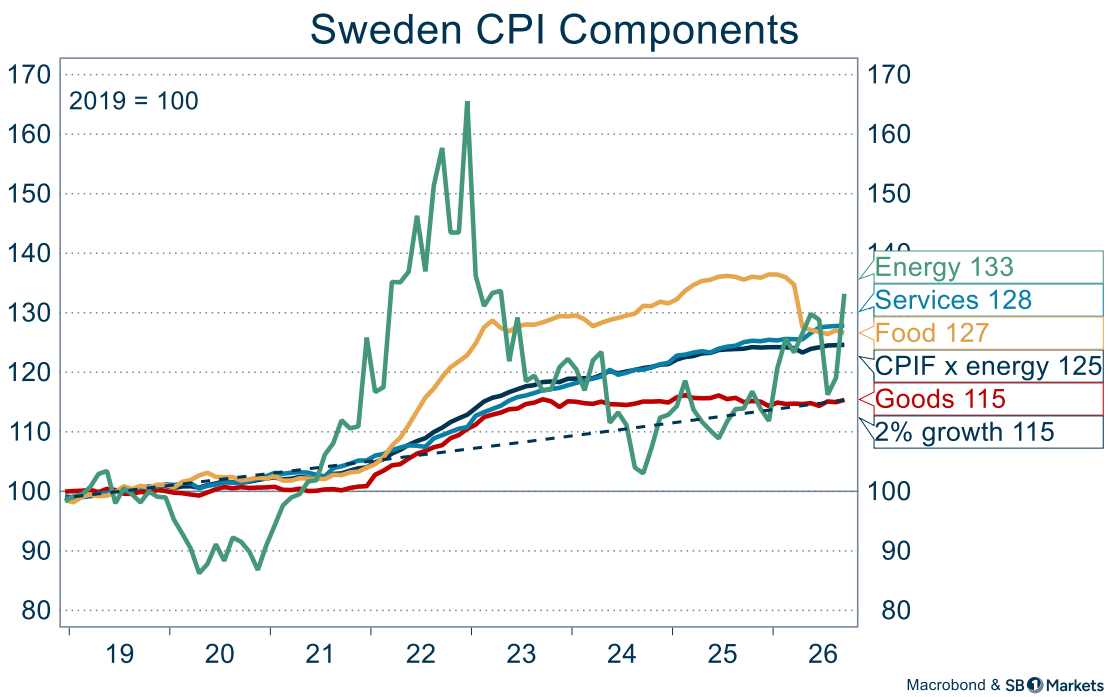


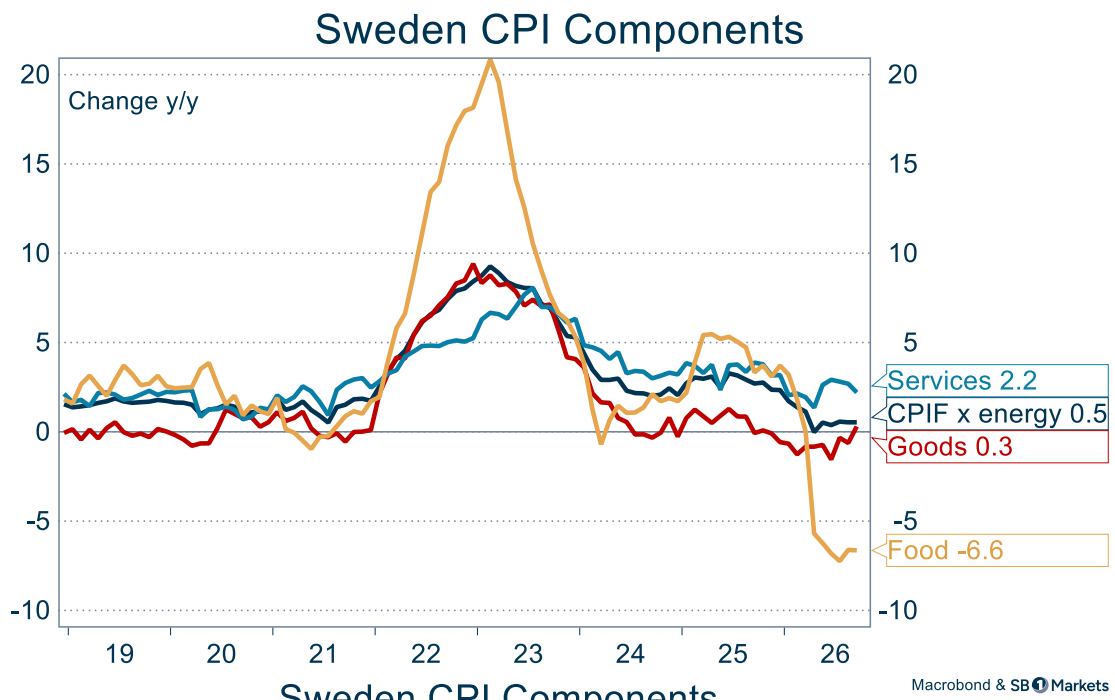


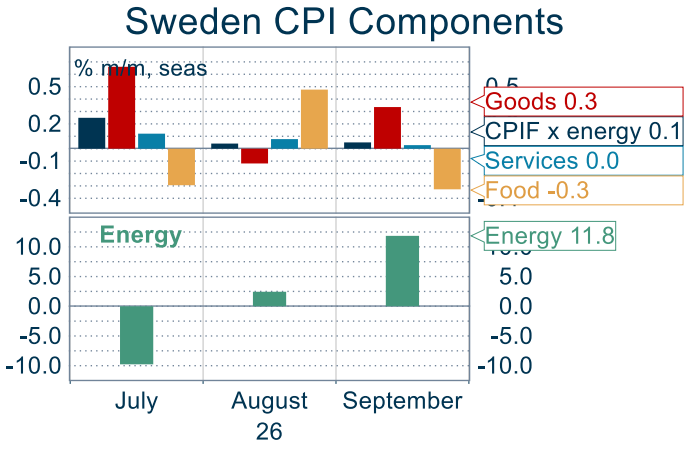
Underlying growth in recent months: Annulised seasonally adjusted growth over 3 – 6 months calculated in different ways to illustrate the momentum in a time series.

Services prices are up 2.2%, core goods ex. food are up 0.3%, food is down 6.6%

Energy prices rose 12% y/y and are up 17% y/y.

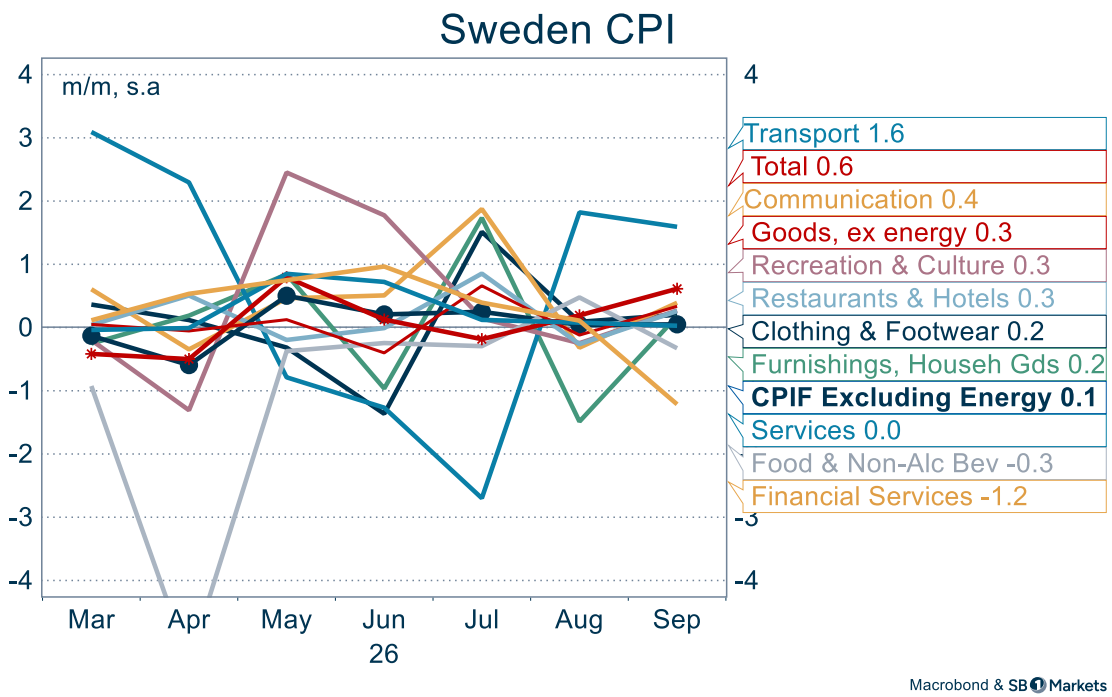


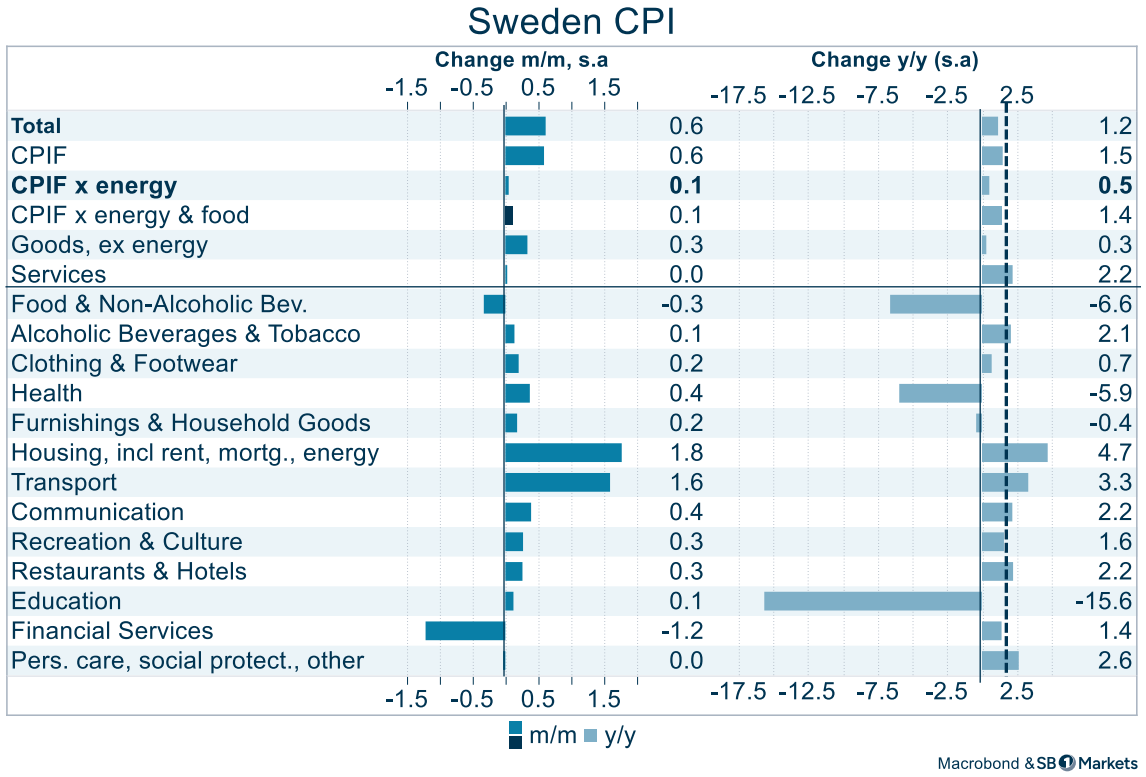




Prices on food, health and education have been cut due to taxes, subsidies

However, several other sectors report slow price increases. 6 sectors are up more than 2% y/y, 7 are below (of which 4 are down y/y, of which 3 are 'subsidised'). In September: Transport in the lead m/m.

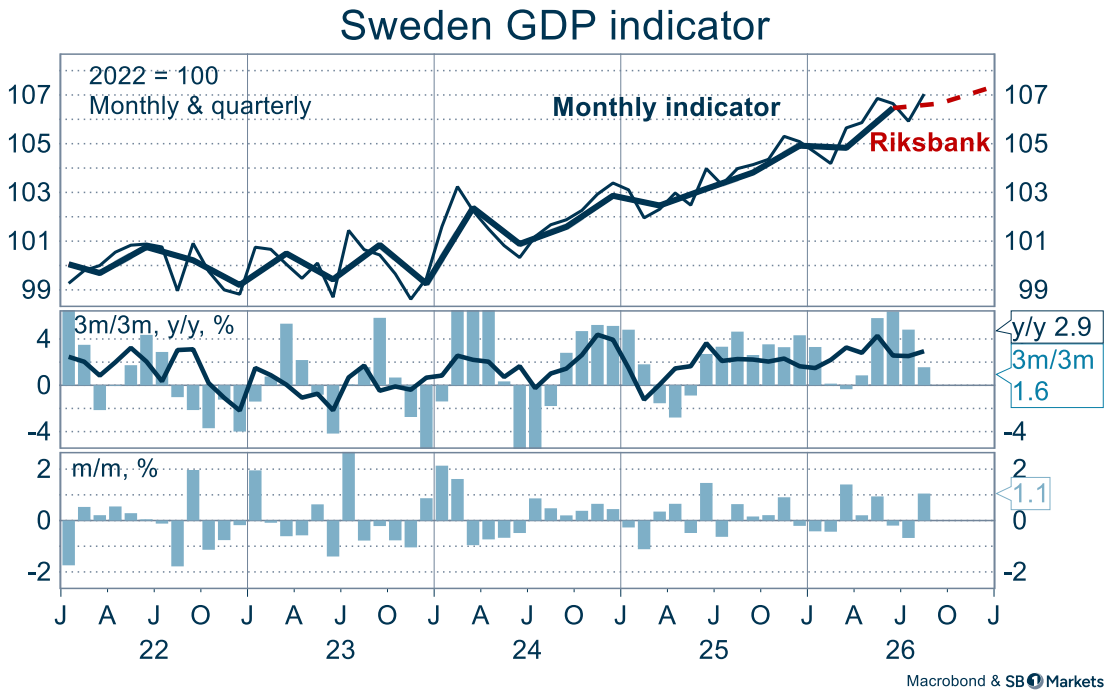


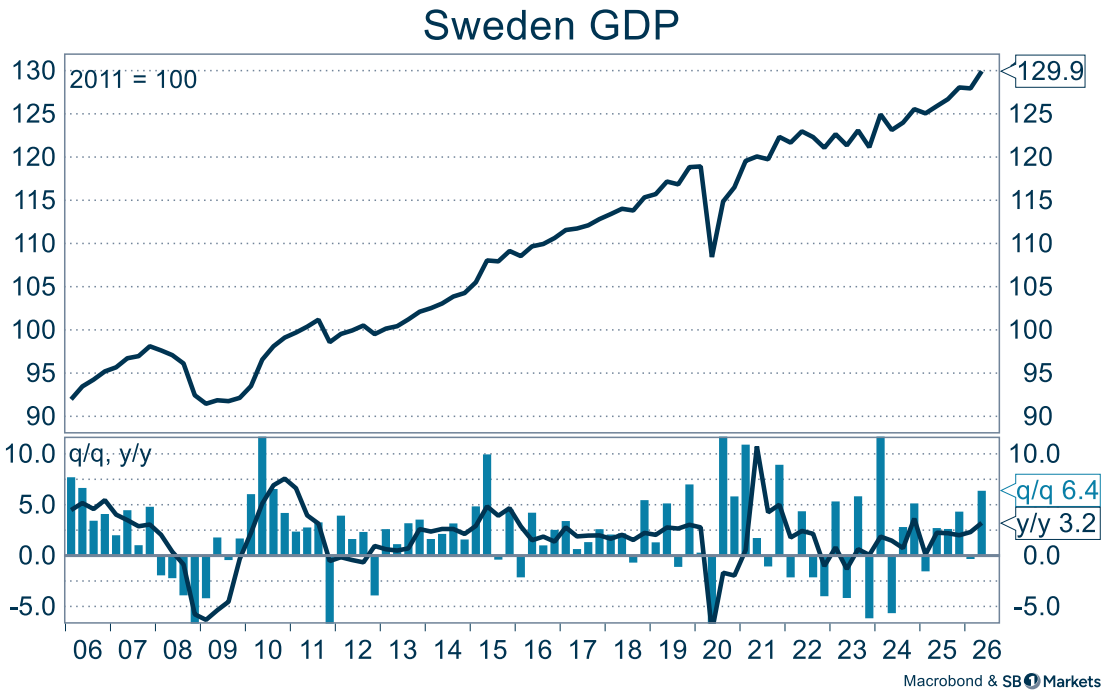


- Financial services are up 1.4% y/y in Sweden. In Norway 7.9%. A remarkable gap.

GDP rose 1.1% in August, and is up 2.9% y/y. Even so, the 3m/3m growth rate is just at 1.6%

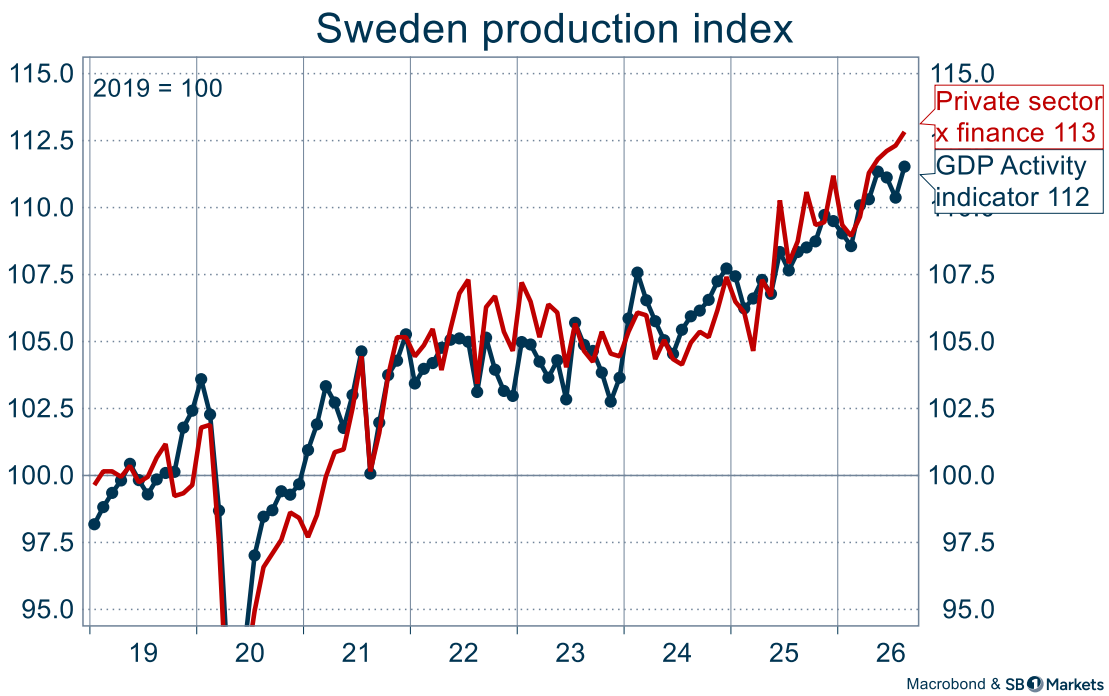
Growth has been far higher than expected earlier in 2026, and the current 'pause' is probably just that. Business surveys indicate strong growth in activity.

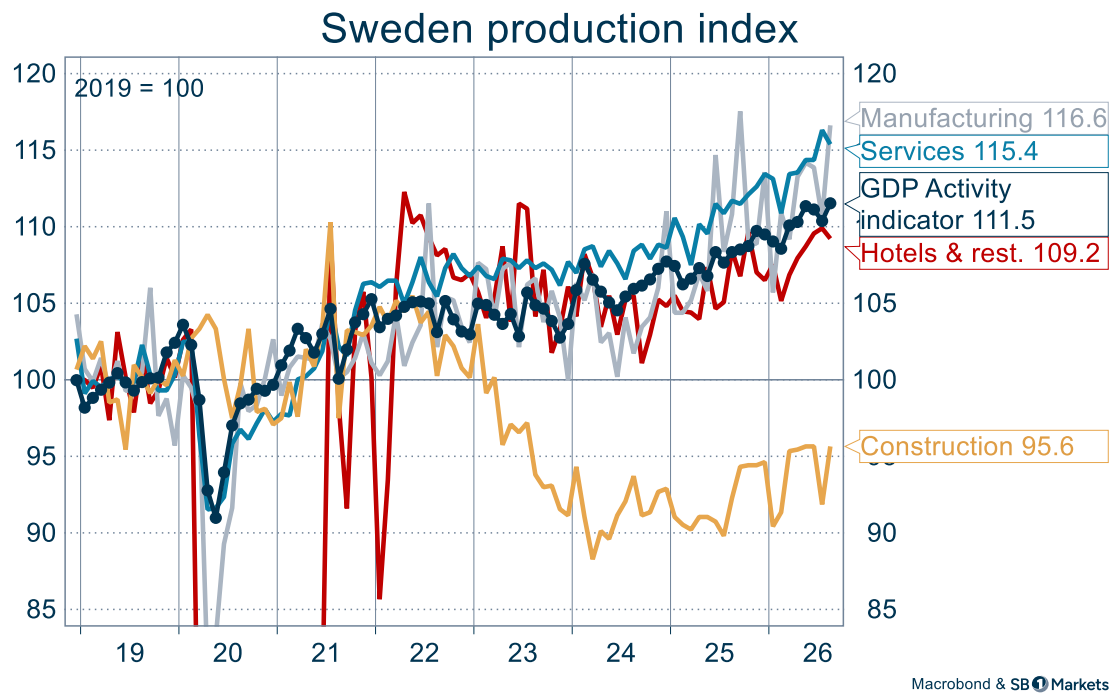




Private sector production is sharply up, both in manufacturing and services

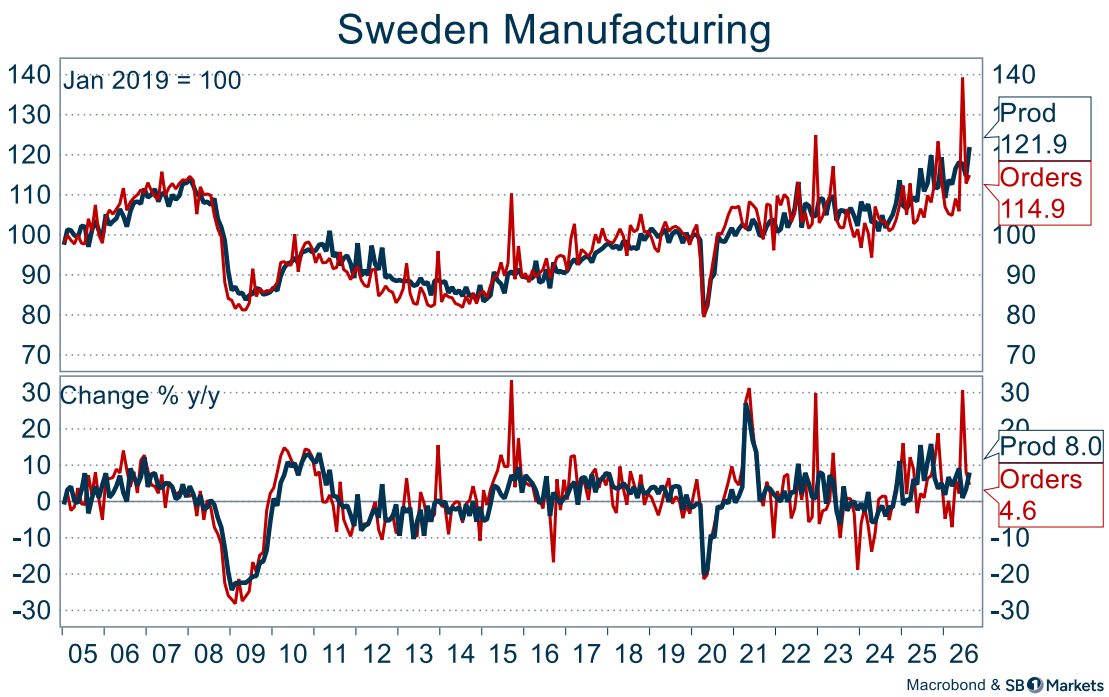
Construction is on the way back but is still 4% below the 2019 level.

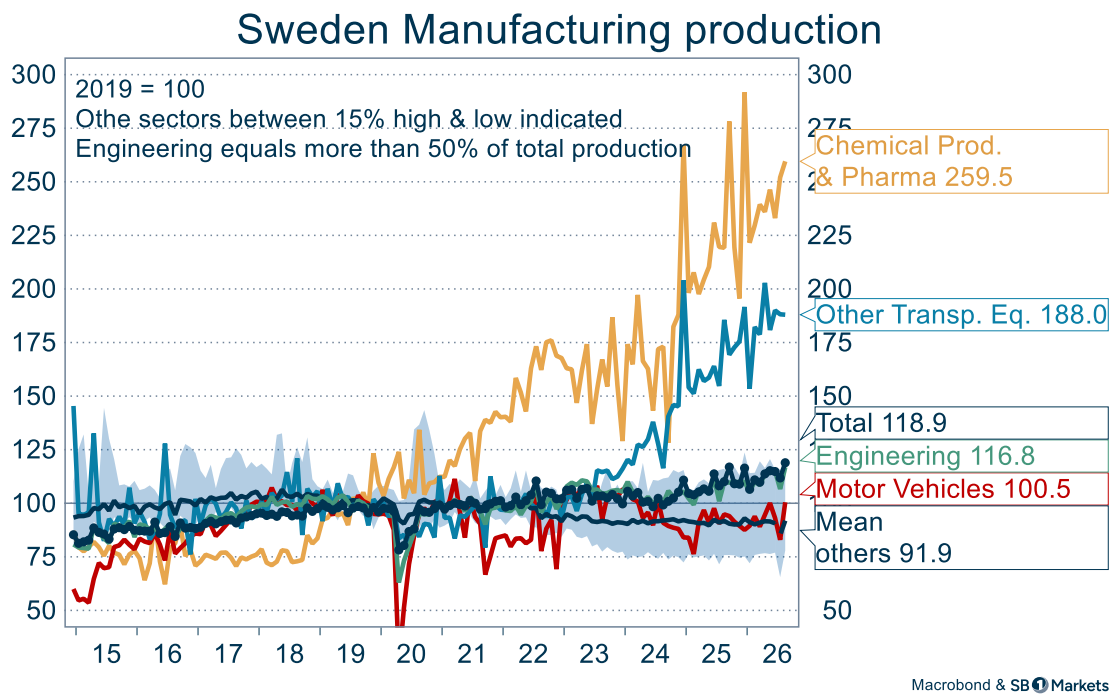




Manufacturing production is up 8% y/y – led by engineering, chemicals

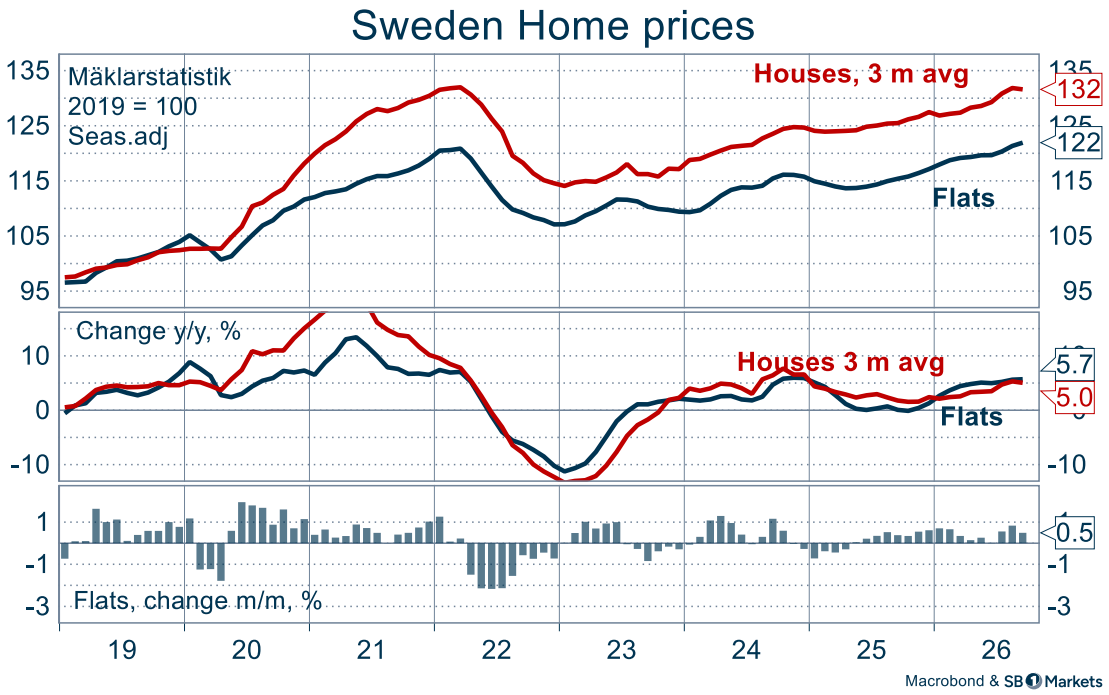
… and transport equipment, ex. motor vehicles.





Housing prices are up 5–6% y/y (at least according to the latest version of the statistics)

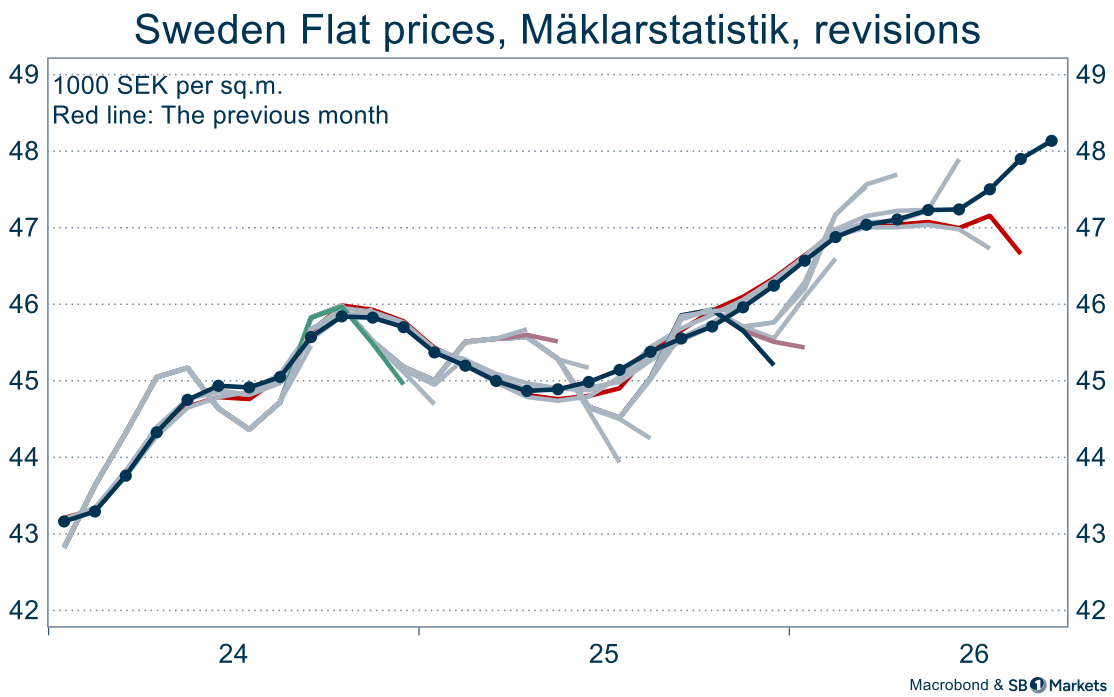
... following a 2½ pp upward revision of the previous months' data. Flat prices rose 0.5% in September, while single-family house prices fell slightly (3m average). Given consumer confidence, the low price level (-16% from '22 in real terms), and low mortgage rates, prices will climb further?

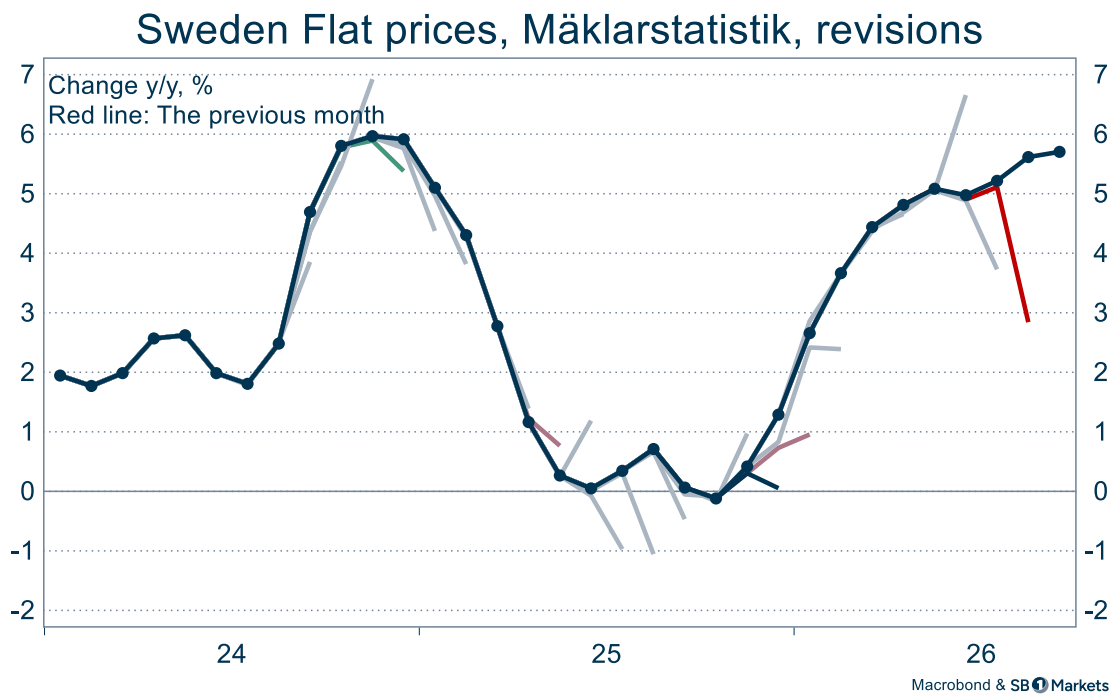


- **Housing prices** have been trending up since early 2023, but not in a straight line – and they are often heavily revised.
- **Flat prices** are up 5.0% y/y, the best in almost 2 years.
- **Single-family house prices** are still trending up, but fell in August, even measured as a 3m average.
- Taken together, **housing prices** rose 0.3%, measured as a 3m average, and are up 5.0% y/y.
  - **Nominal prices** are down 0.5% from the early 2022 peak. **In real terms**, deflated by CPI, ***prices are down 16%*** – and they are back to the 2016 level – even if mortgage rates have fallen substantially from the 2023 peak
    - **Norwegian** real housing prices are down 5% from the peak.
- **Transaction volumes** have recovered to a normal level.
- **The inflow of existing homes for sale** has been trending down and is at a record low level.
- **The inventory of unsold homes** heads down but remains ***above normal levels***.

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

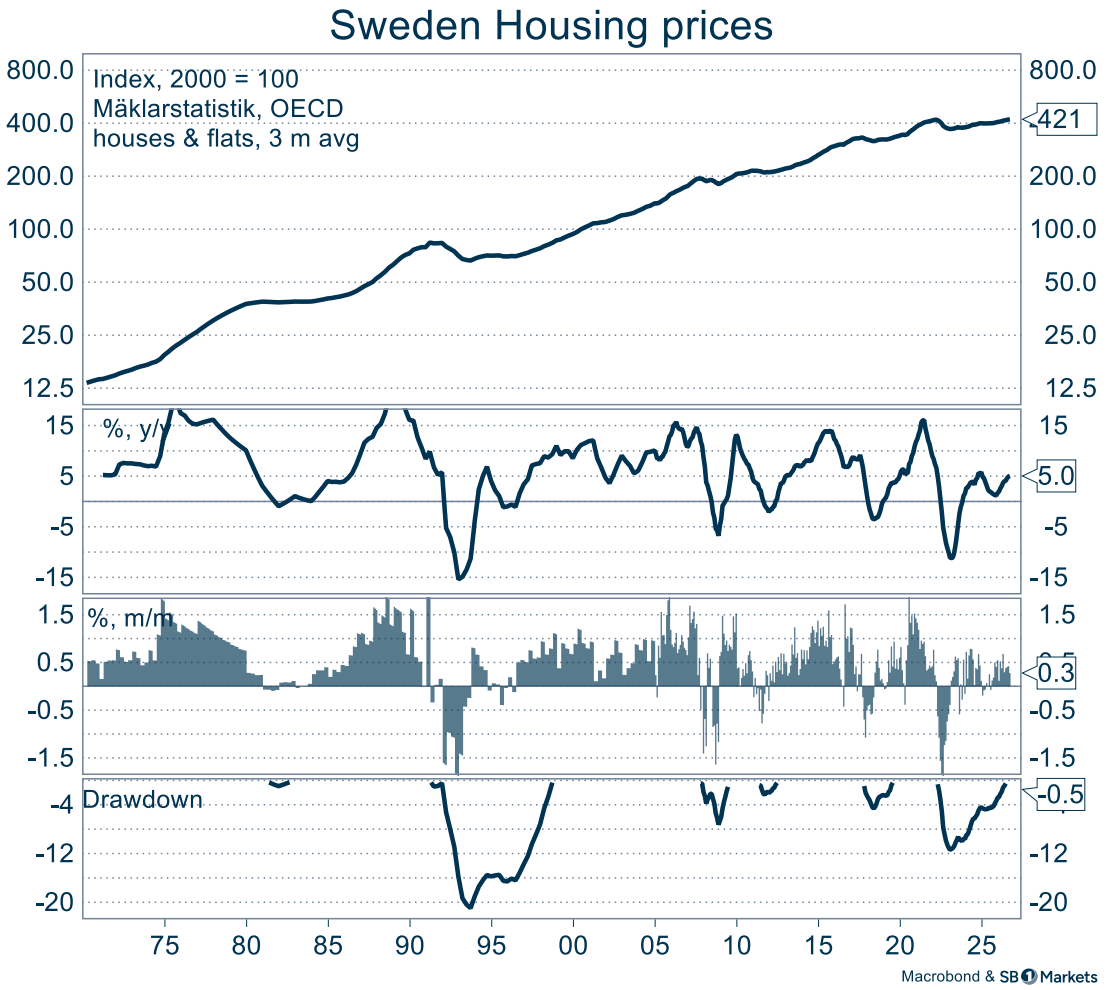
Pretty large revisions are not unusual, especially around turning points.

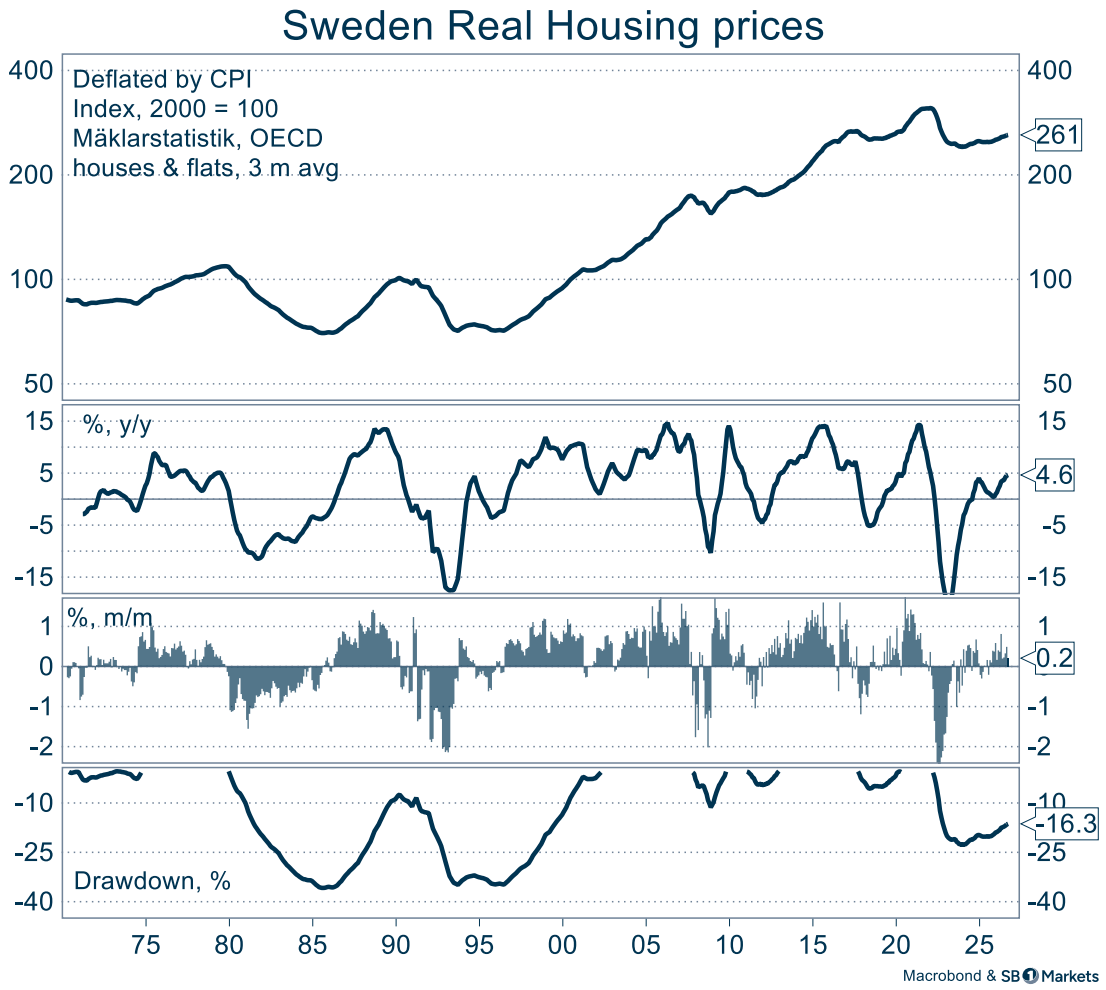




Nominal housing prices almost back to the 2022 peak. *In real terms, -16%!*

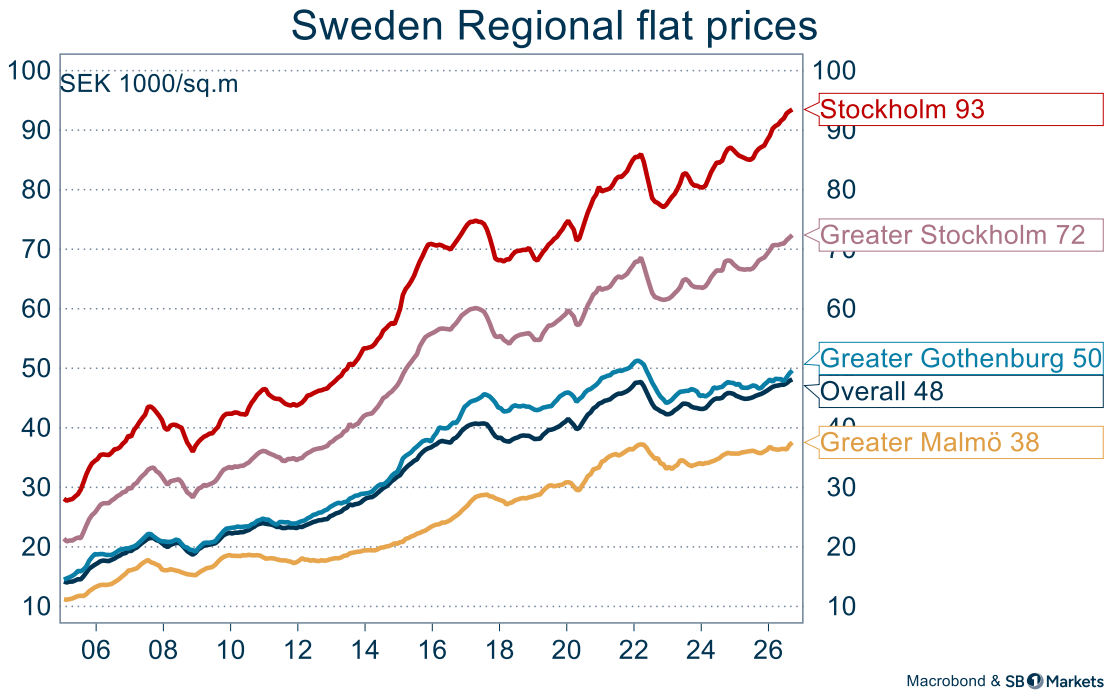
Real prices are the same as in 2016. This downturn is the 2nd largest in nominal terms, and the 3rd largest in real terms since 1970.

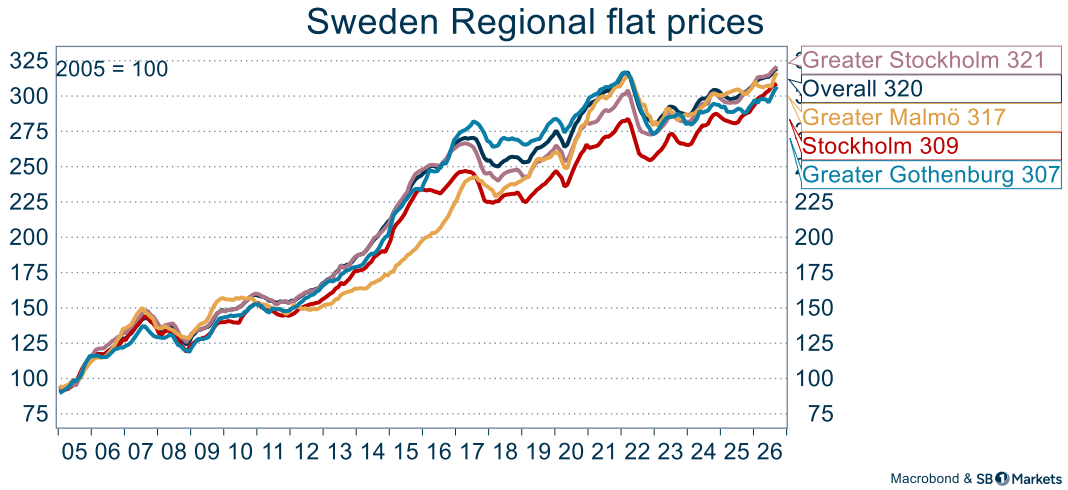


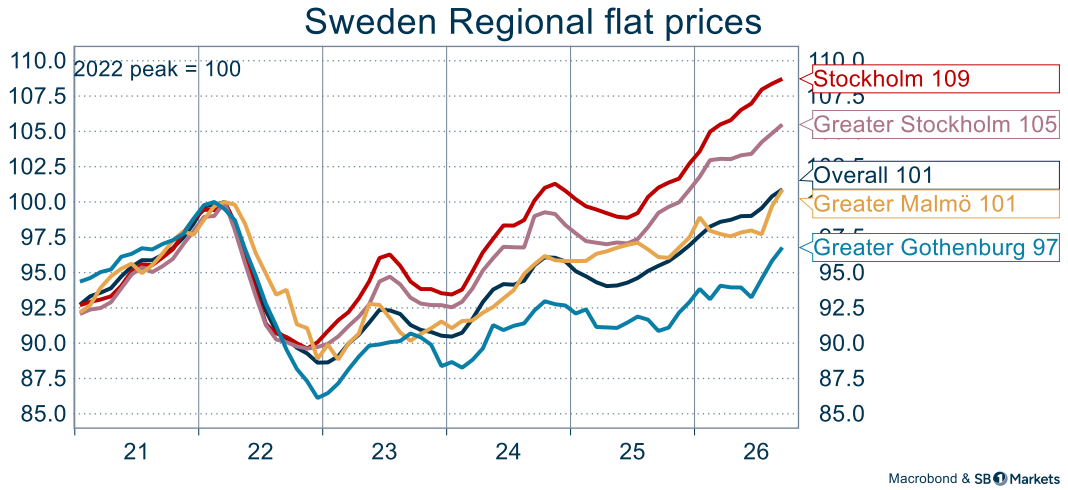


Stockholm prices are steadily rising, now Gothenburg and Malmö climb rapidly

Gothenburg is still below the 2022 peak. Stockholm is 9% above. 2 of 21 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 than 25% in real terms.



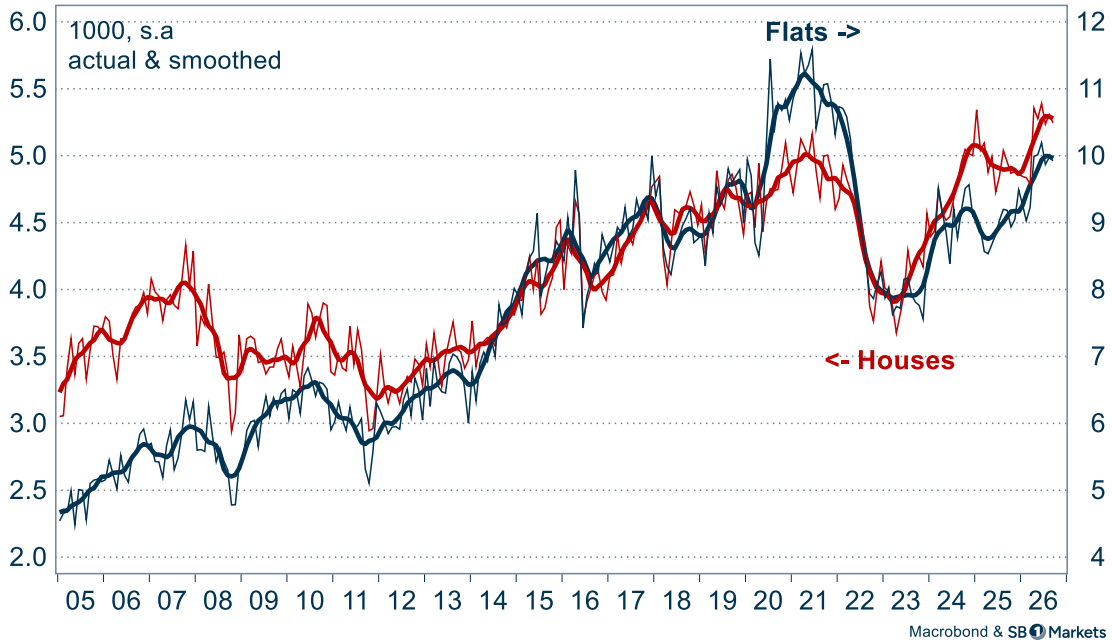




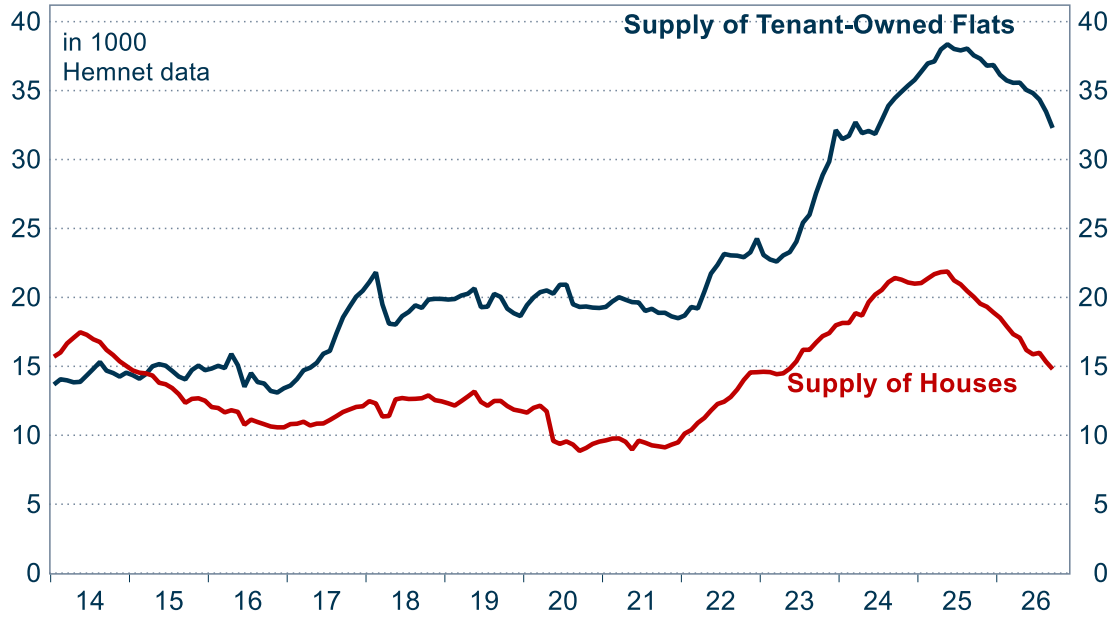
Sales volumes are surging, and the inventory is declining. *Good news*

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

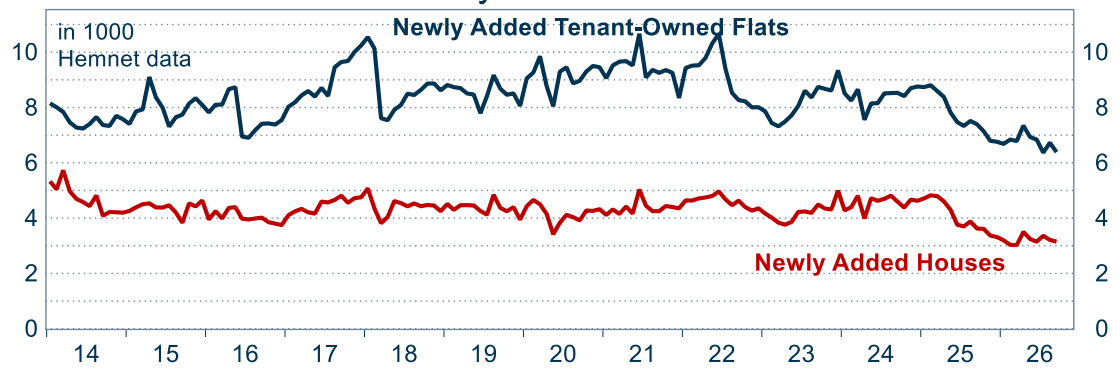
Sweden Real Estate Transactions



Sweden Existing homes for sale

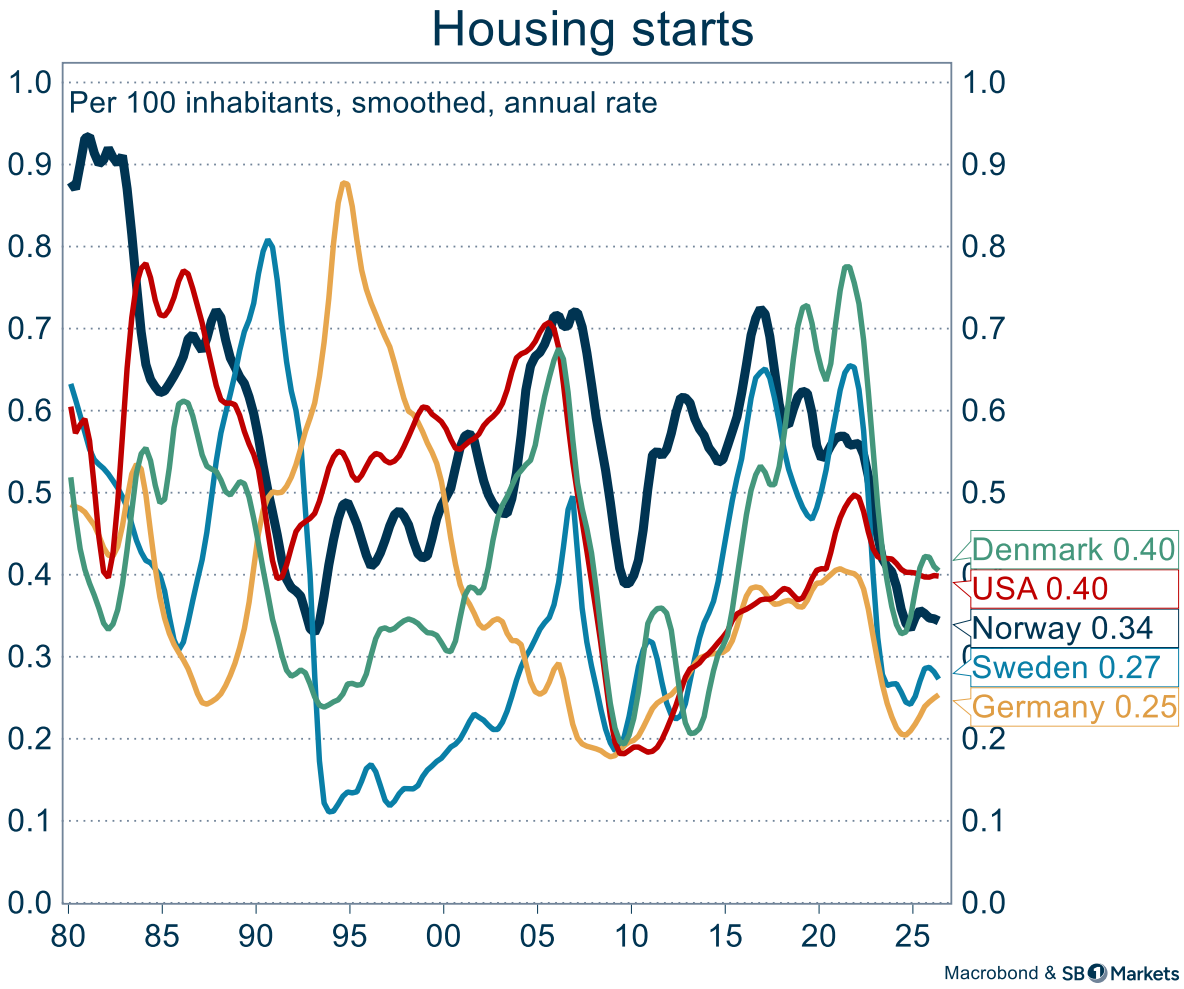


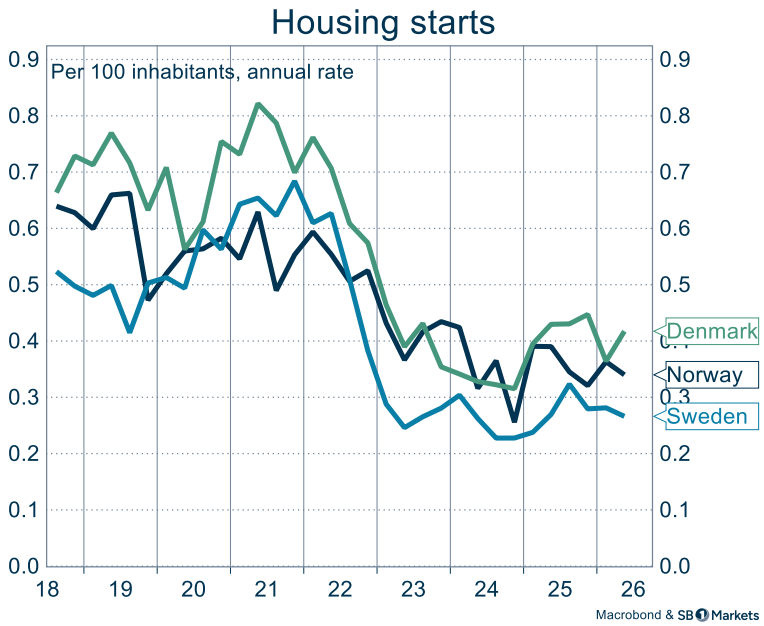
Sweden Newly added homes for sale



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

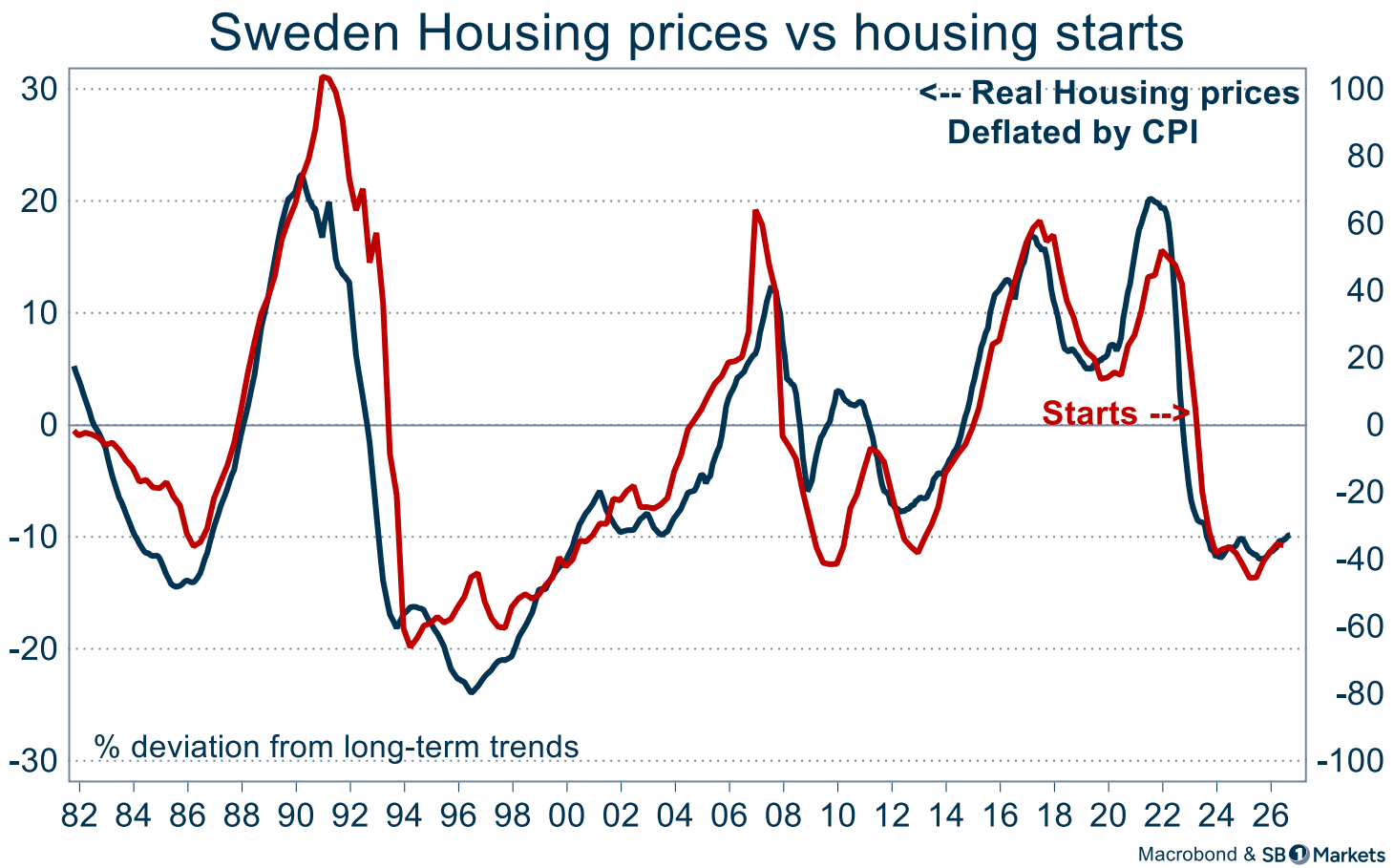
Starts are up from the bottom in Denmark as well. Norwegian starts have just flattened. The setback was larger in both Denmark and Sweden than in Norway.





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

Starts lag prices by some 6 months.



SB 1 Markets

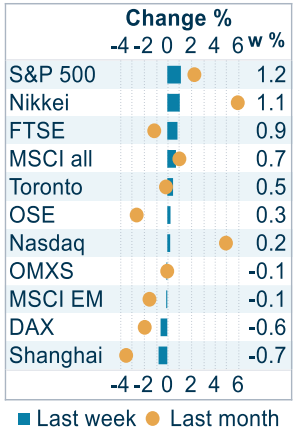


4. Financial Markets

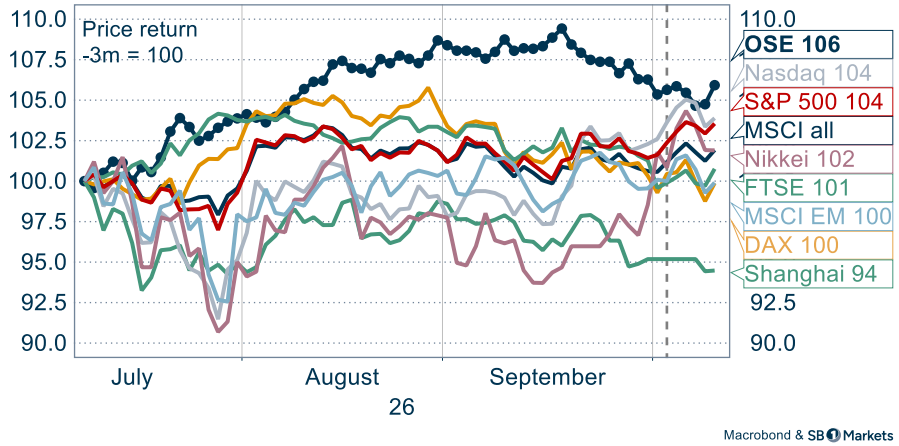
*Picture source: ChatGPT

Equity markets, oil mostly up; Rates/bonds stabilised; Metals fell. NOK, SEK FX winners

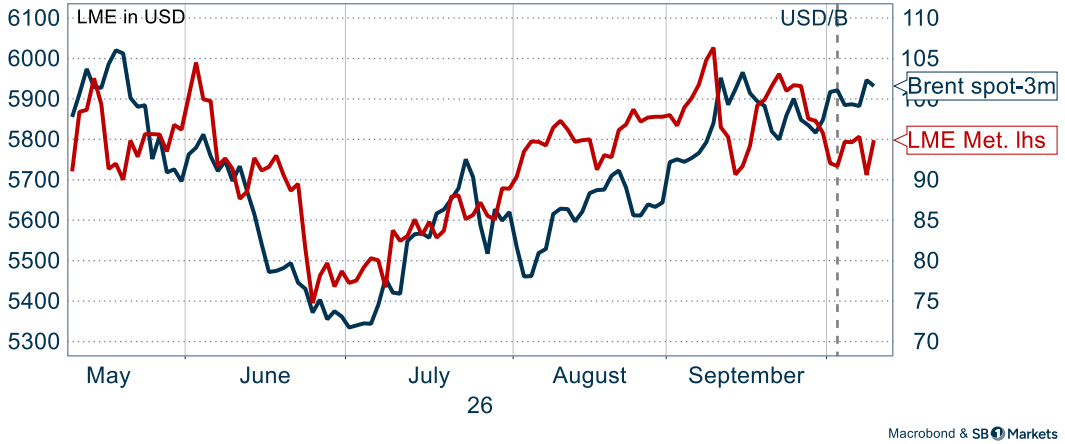
Bond markets calmed down, following steep rises. Even the 'French spread' narrowed slightly. Most of the oil curve rose further.



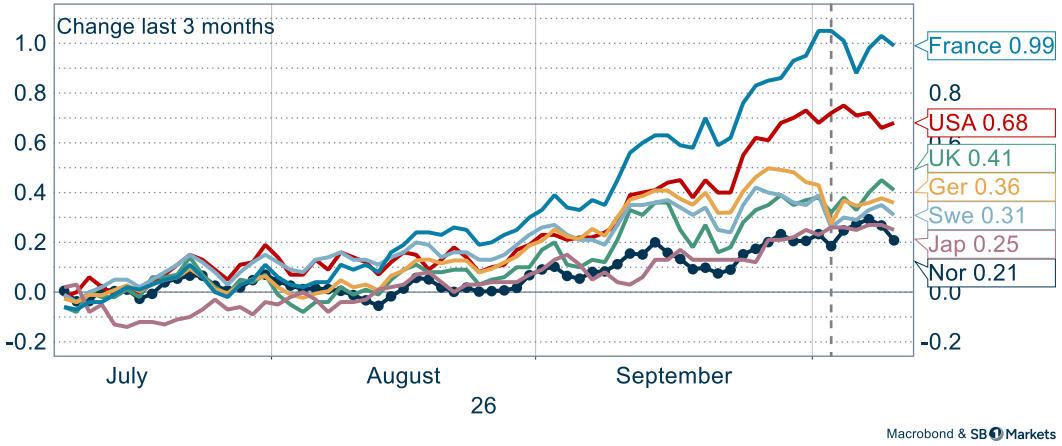
Equity Indices



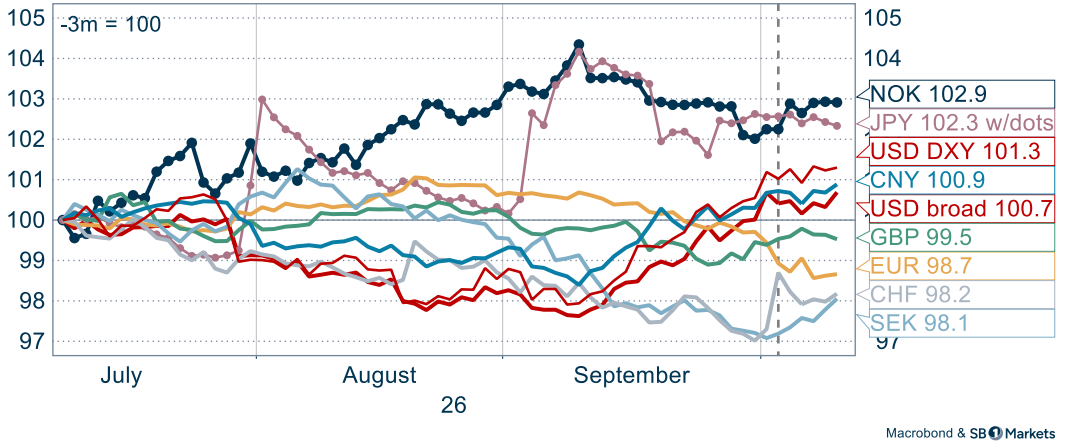
Oil vs. metals



10 y Government bond yields



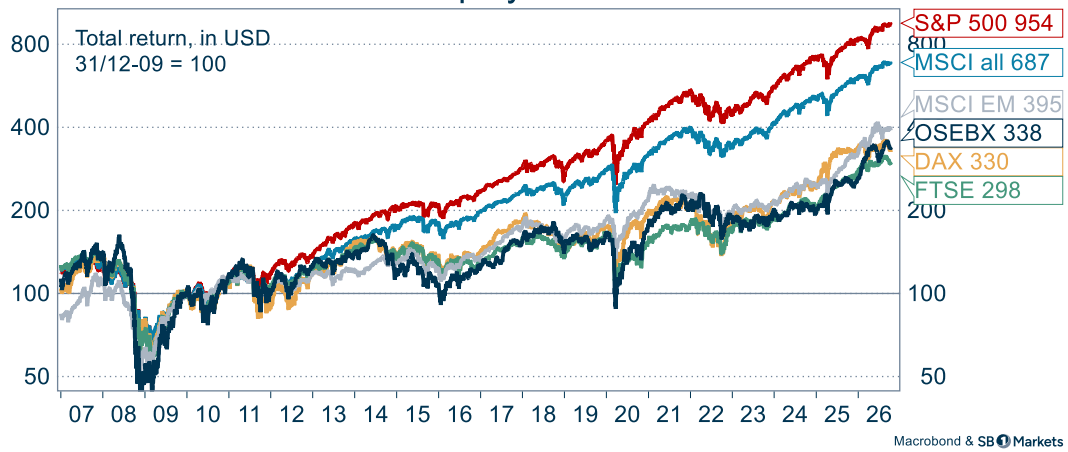
Currency indices



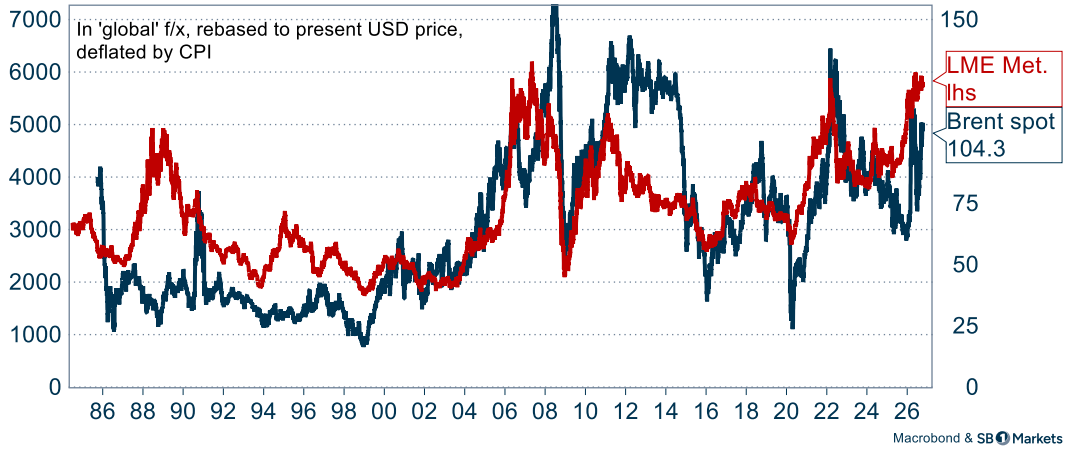
Big picture: Equity markets, bond yields and metal prices are on the way up

JPY is the main FX loser, and the USD was the winner until early 2025 (with the CHF, which is one of the big losers in 2026). NOK has recovered substantially so far in 2026. The oil price is at a normal (real) level.

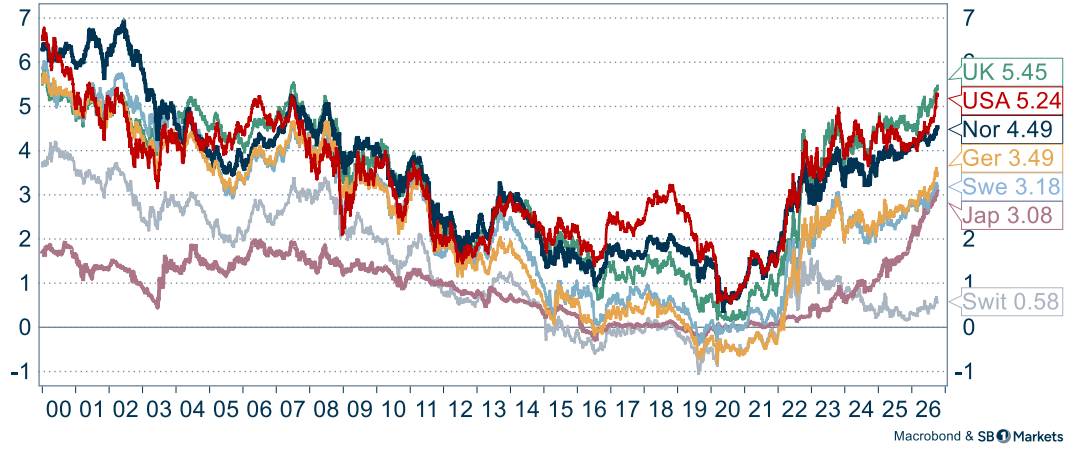
Equity Indices



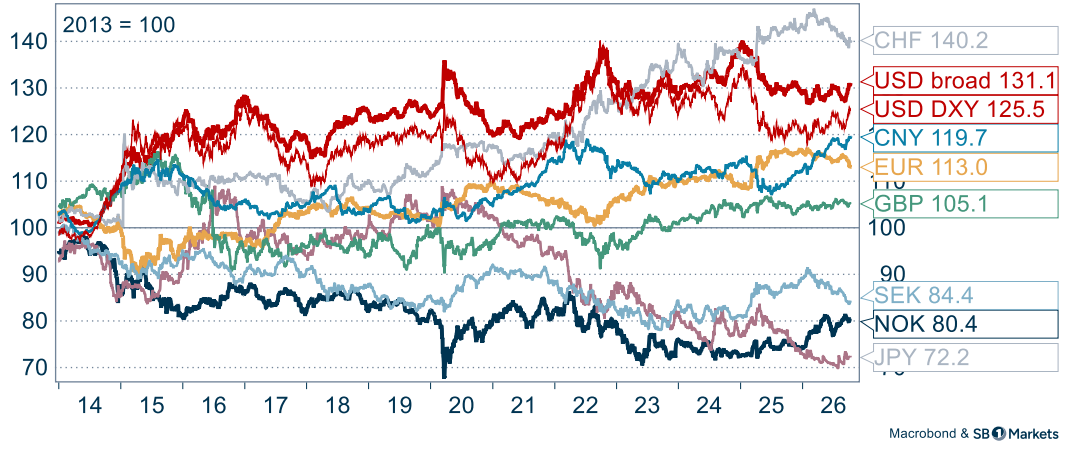
Oil vs. metals



10 y Government bond yields



Currency indices



SB 1 Markets

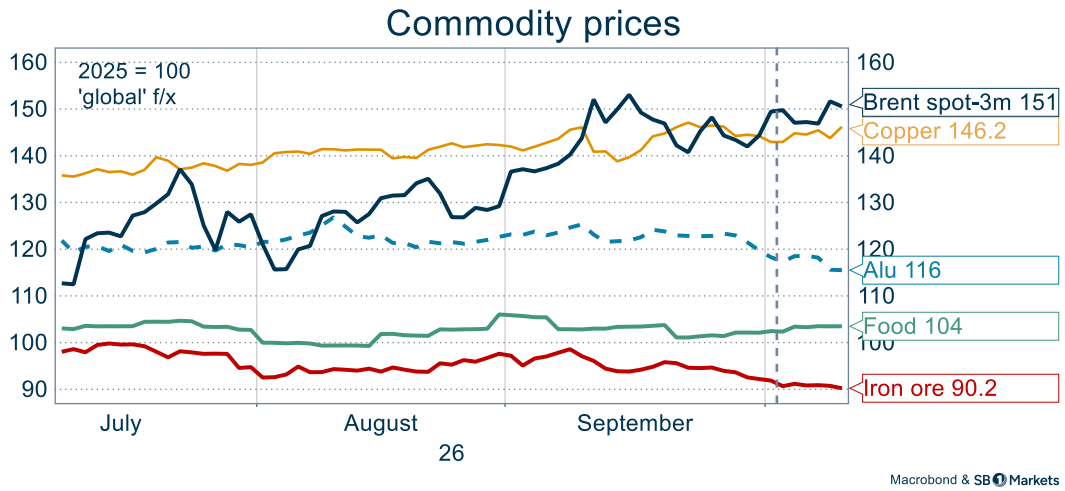


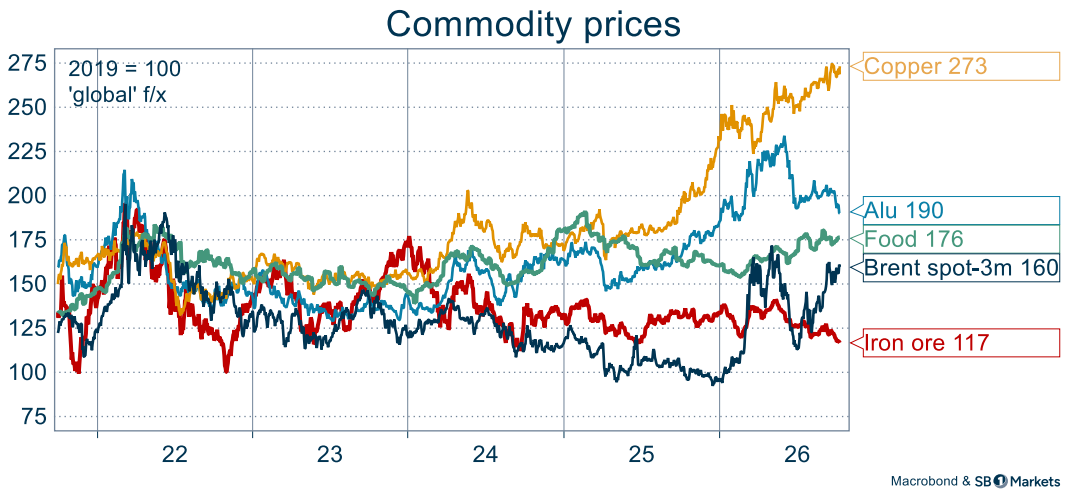
4.1 Commodities

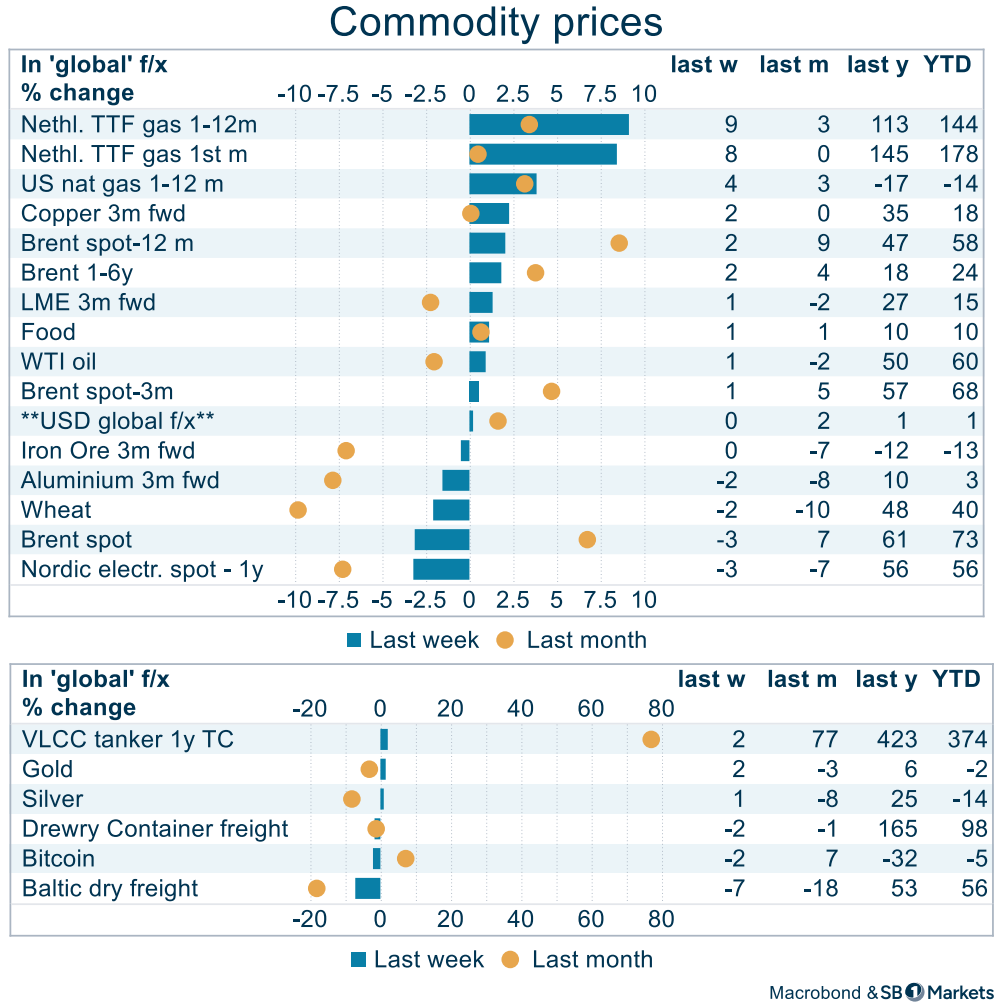
*Picture source: ChatGPT

Commodity prices: European nat. gas prices up again, oil mostly up; Metals, food up too

Aluminium prices are declining, while copper is still surging, no doubt explained by strong demand for copper from the AI++ sector. Tanker rates are booming



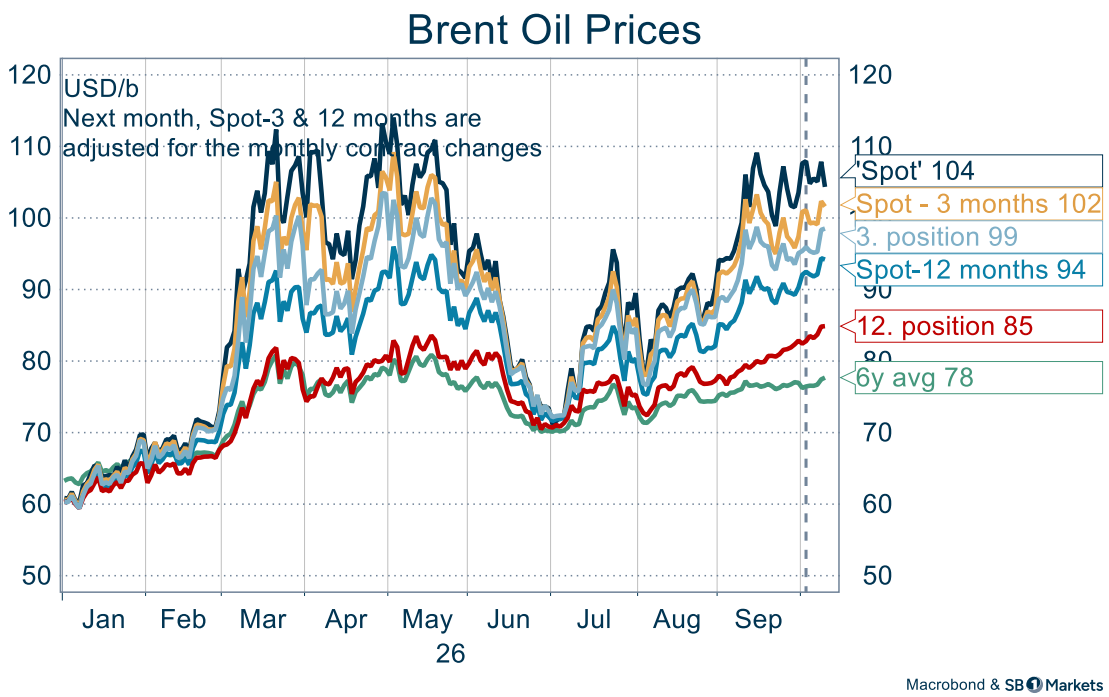


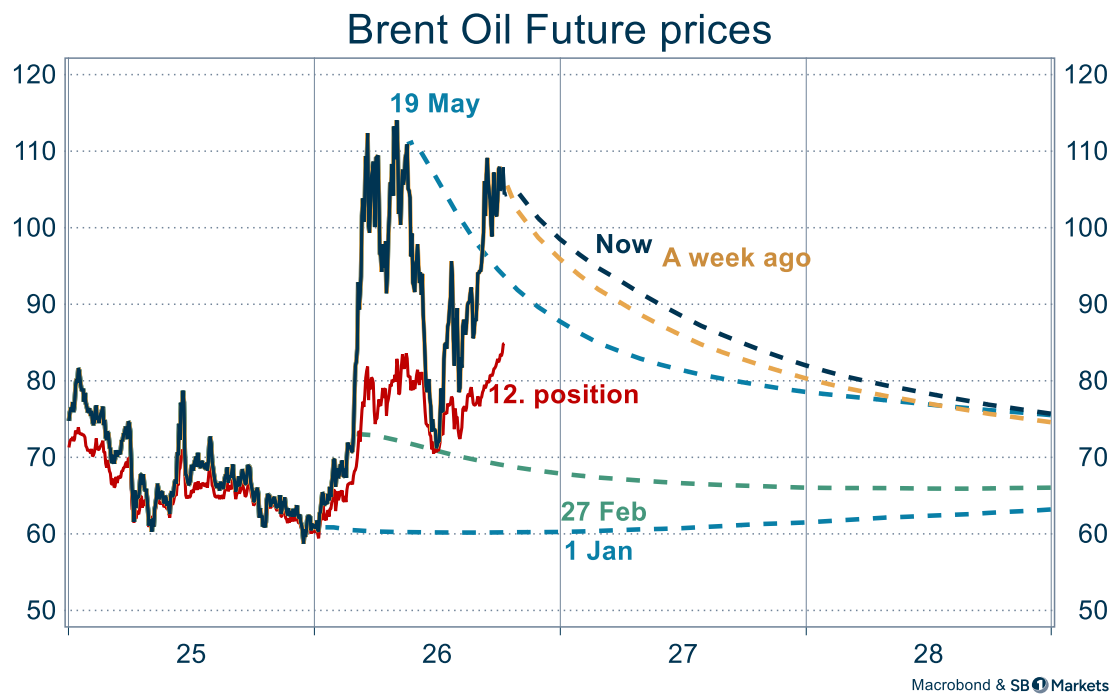


Prices in a 'global' FX measure. We have divided the table on the right into two sections, with the lower part showing the (normally…) most volatile elements. The spot–12m data are the average price for the coming year.

Oil prices: The very short end of the price curve declined, the rest was up

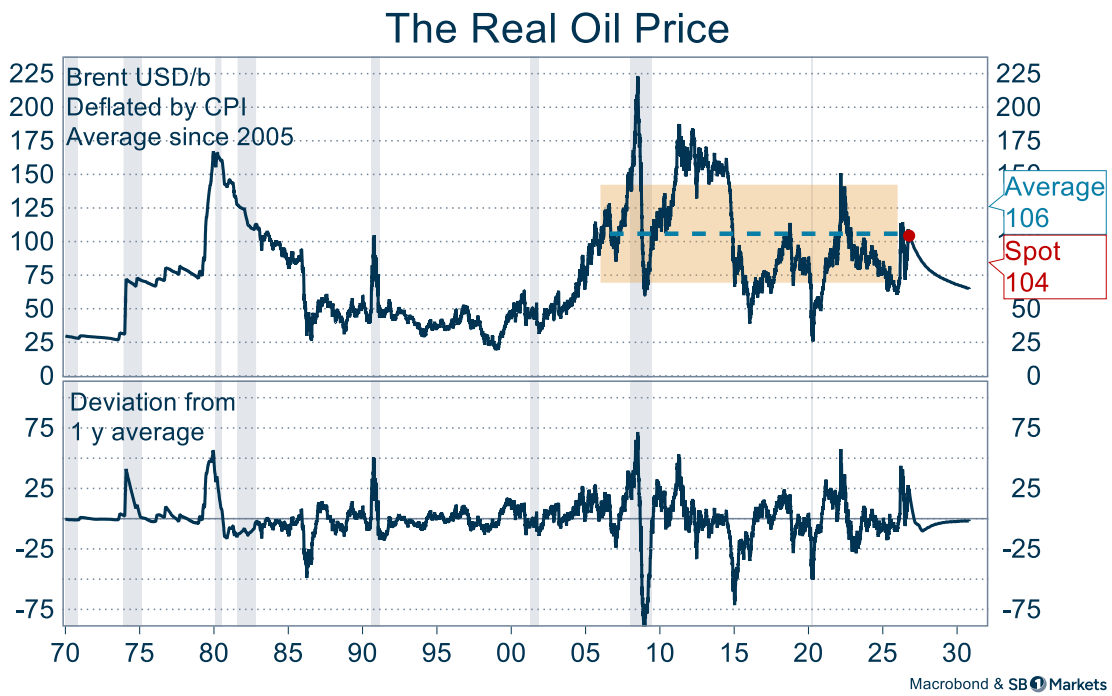
… and longer dated contracts trend up, check the 12th (month) position on the charts below.

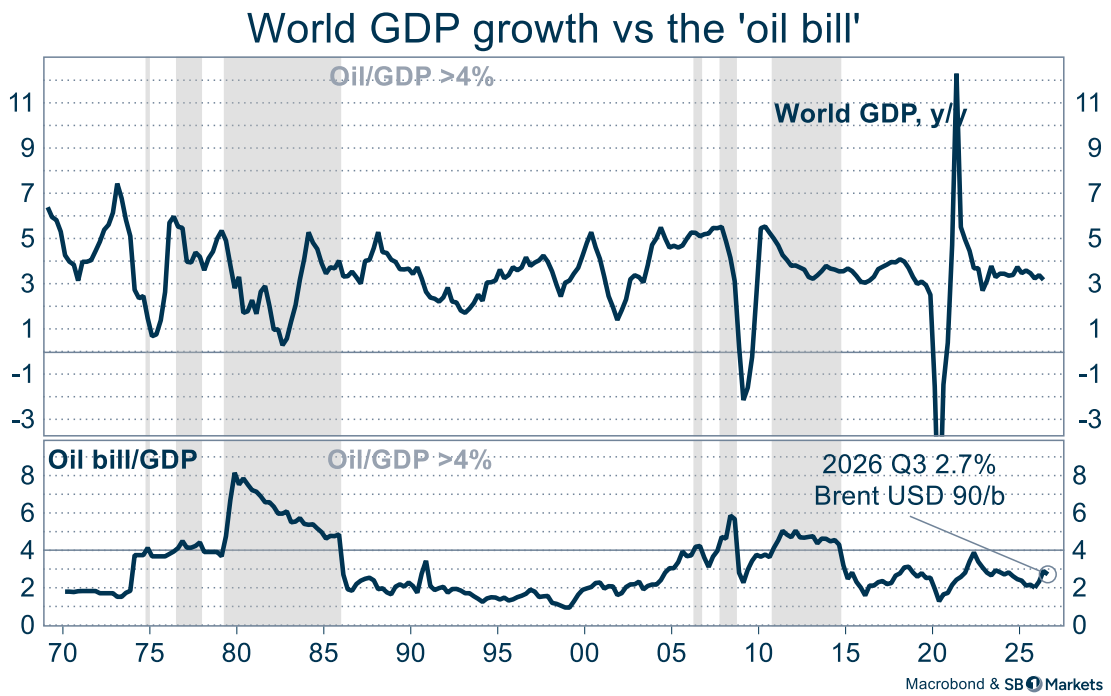




The current oil spot price is *not the problem*

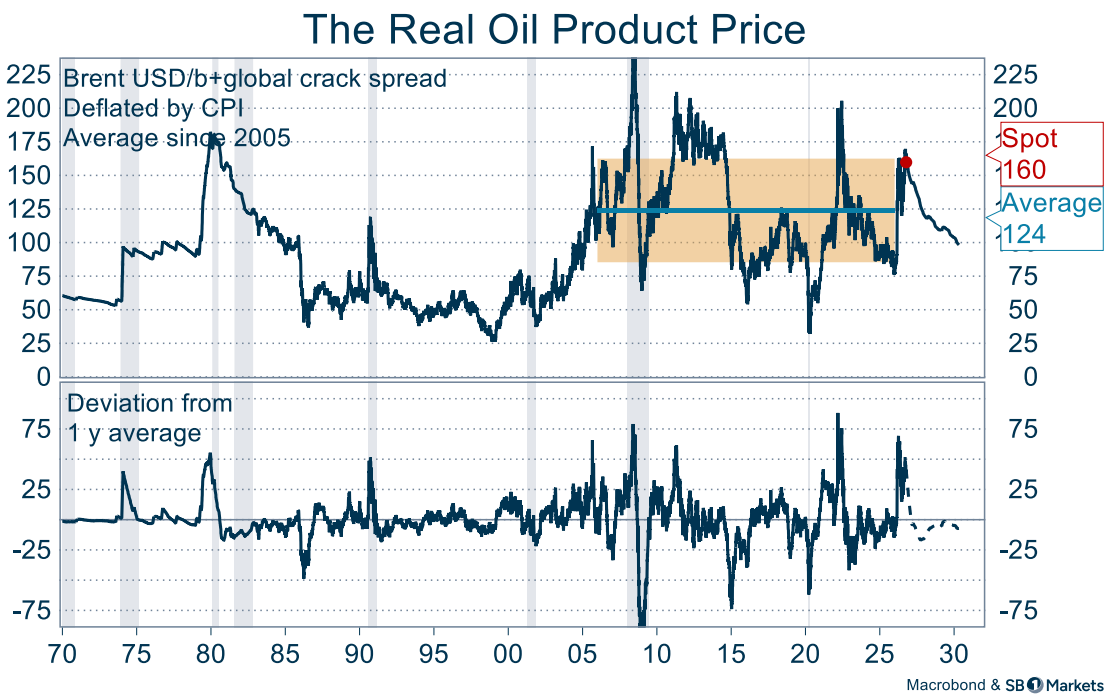
Over the long term, oil consumption has consistently declined relative to GDP, leading to a notable reduction in oil dependence. At current price levels, oil does not pose a significant cost issue.

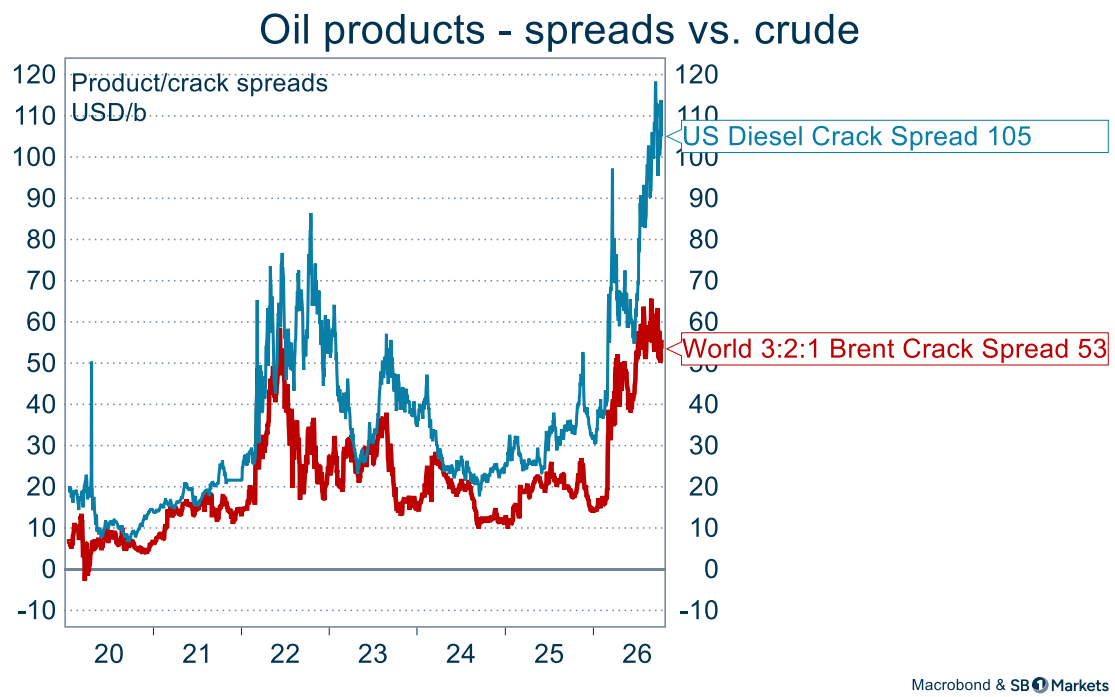




Including product spreads, the price level is 30% above the 20y average

… but still lower than in the 2011–2014 period. And well below the spring 2022 level. (*More product spreads next page*).



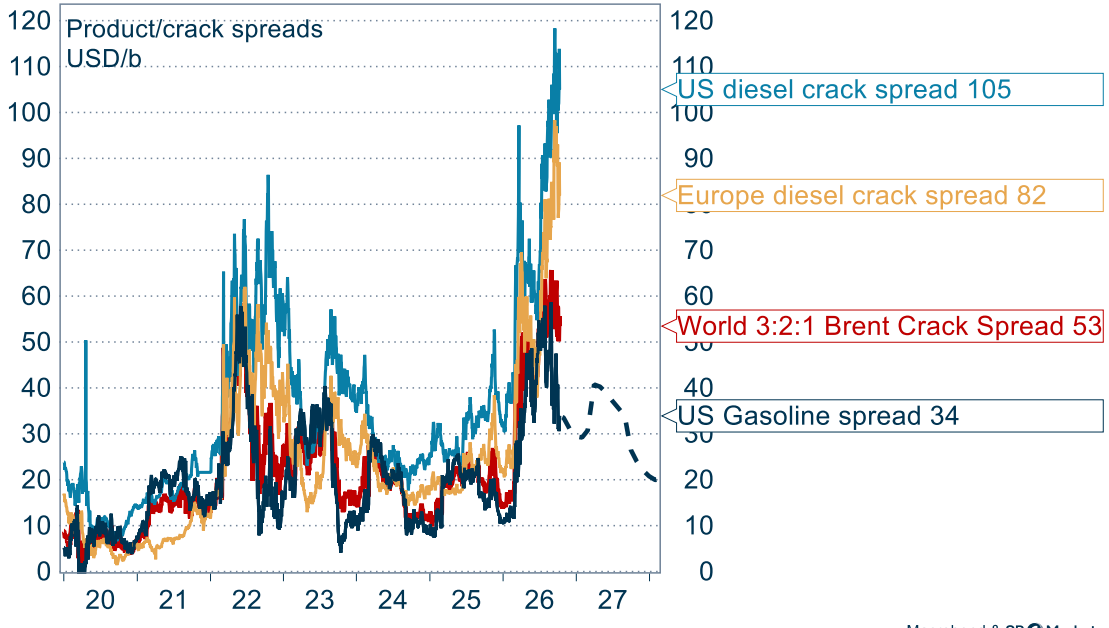


We have added the global average crack spread, the red line in the right-hand chart.

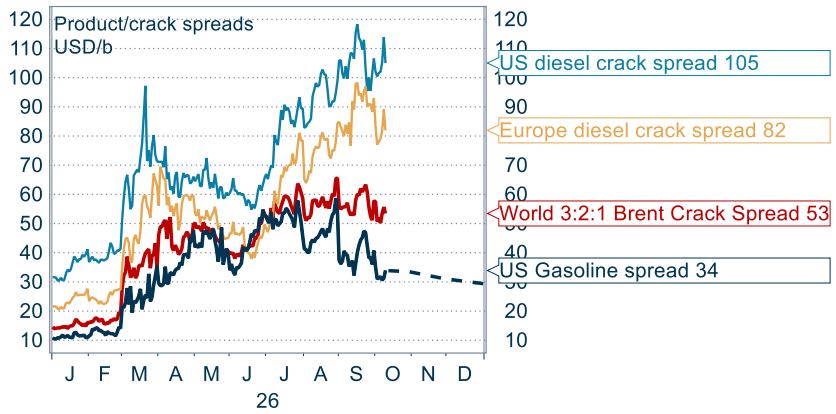
Oil products: spreads widened last week but trends down from a very high level

The US NYMEX gasoline spread above Brent rose to USD 34/b last week (it peaked at 59/b). The world avg. crack spread has narrowed from the peak as well – but remains very high, at USD 53/b. The US/Russian deal on Russian diesel is very likely irrelevant, volumes are very limited.

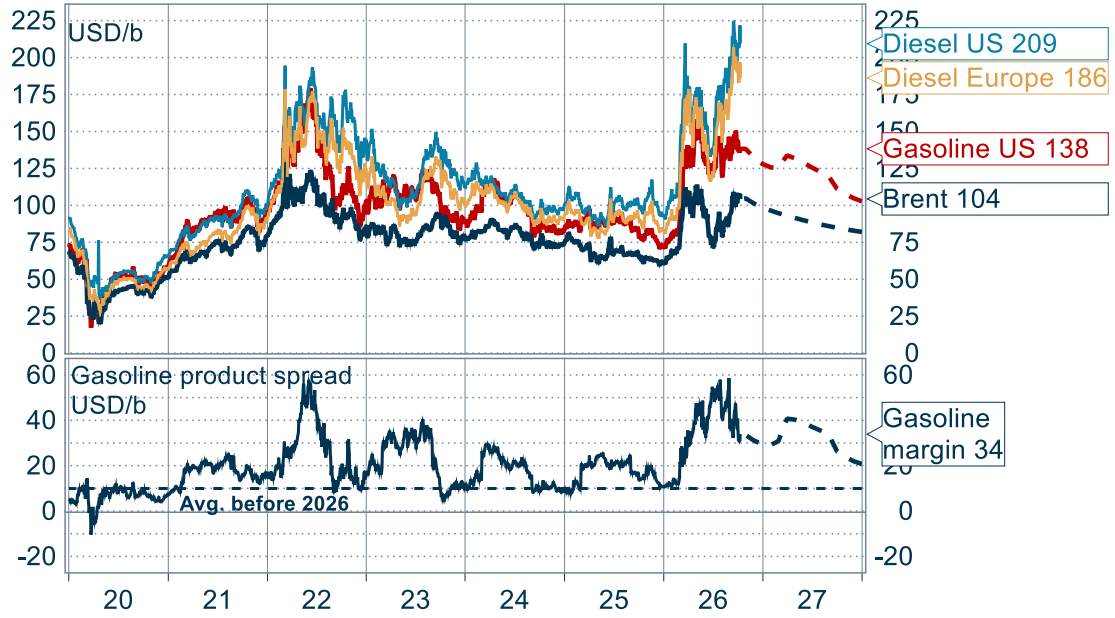
Oil products - spreads vs. crude



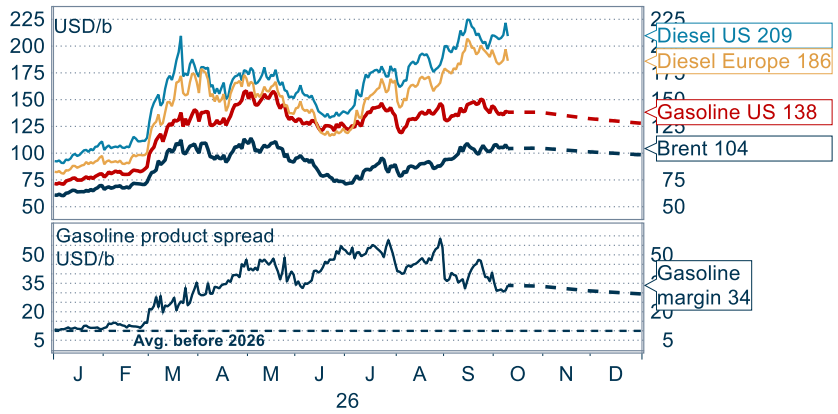
Macrobond & SB Markets



Crude vs product prices

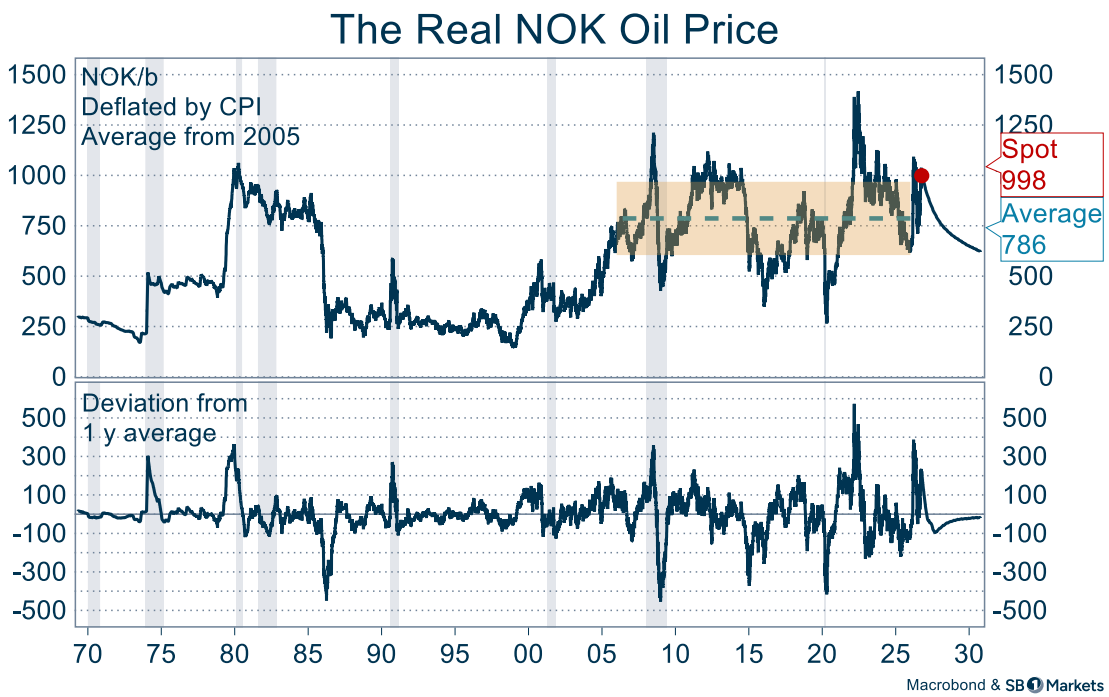


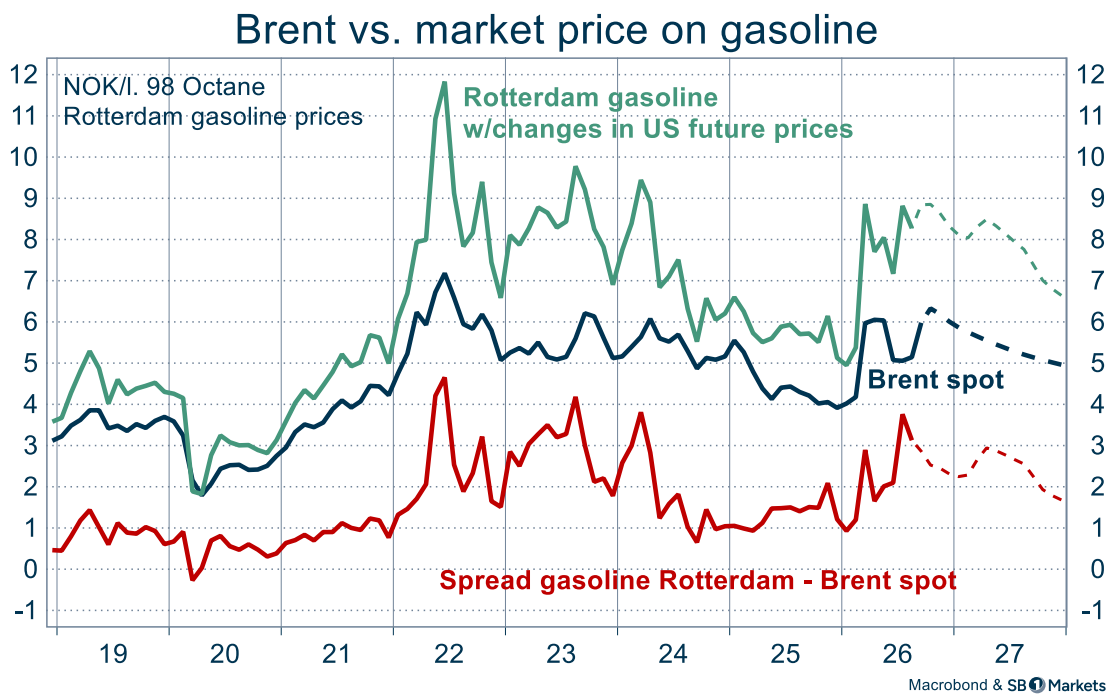
Macrobond & SB Markets



Measured in a weak NOK, the real oil price is 25% above the 20y average

Gasoline prices (fob refineries) are higher vs. the long-term average, as refinery ('crack') margins are wider than normal (and some product spreads are higher than the gasoline spread). However, futures prices point towards lower prices towards the end of the year.

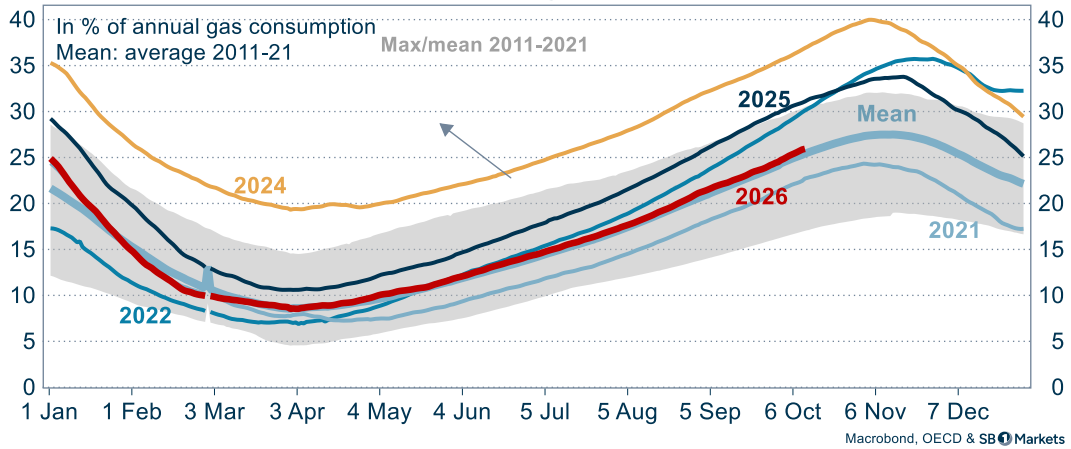




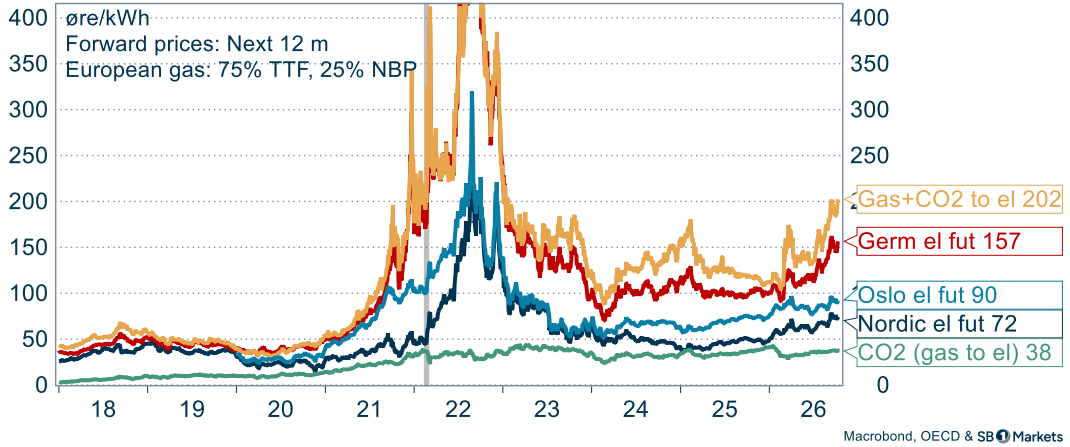
European natural gas stocks are record-low, but not vs. gas consumption

The inventory is at an average level vs. annual gas consumption. However, prices are trending up again.

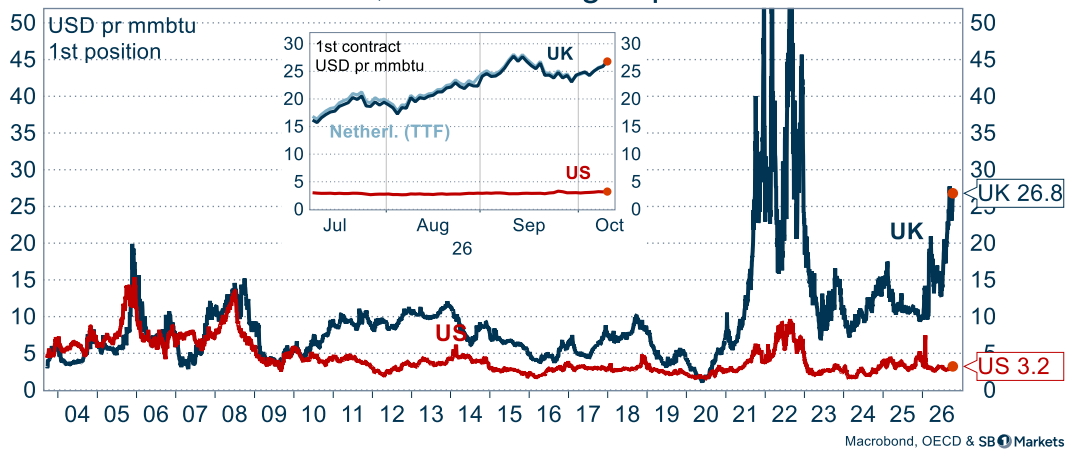
EU natural gas stocks



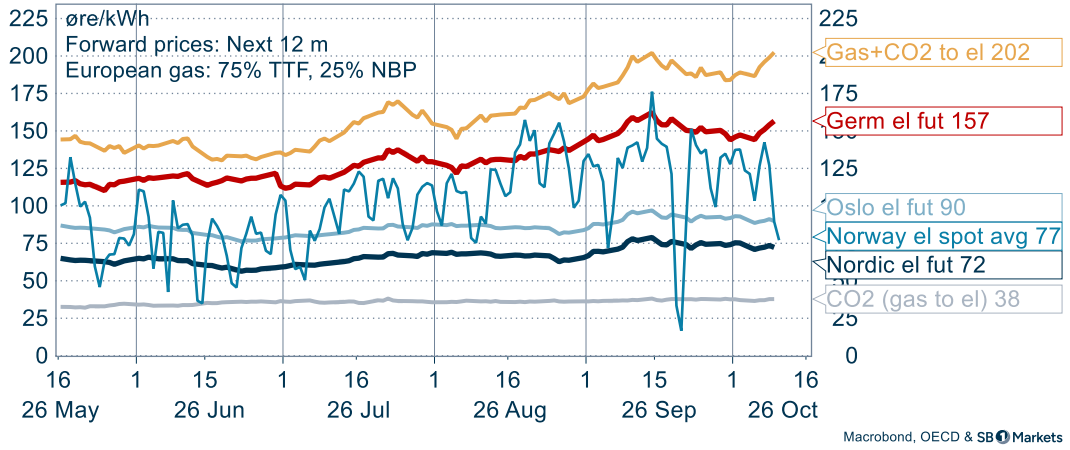
Electricity/gas future prices



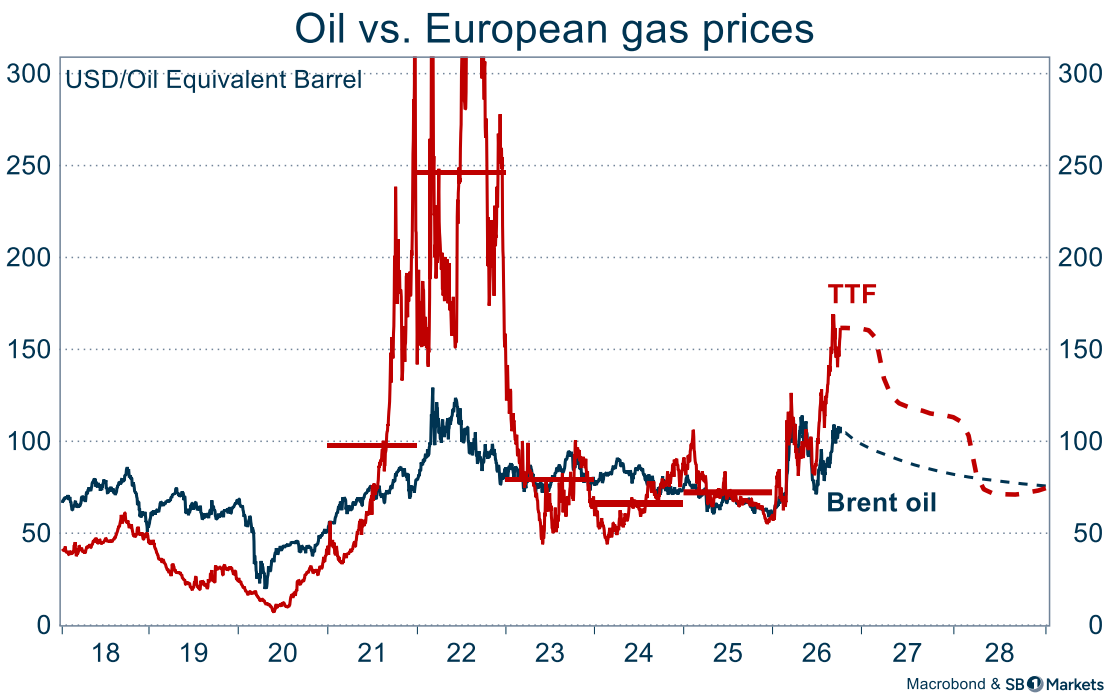
UK, US natural gas prices

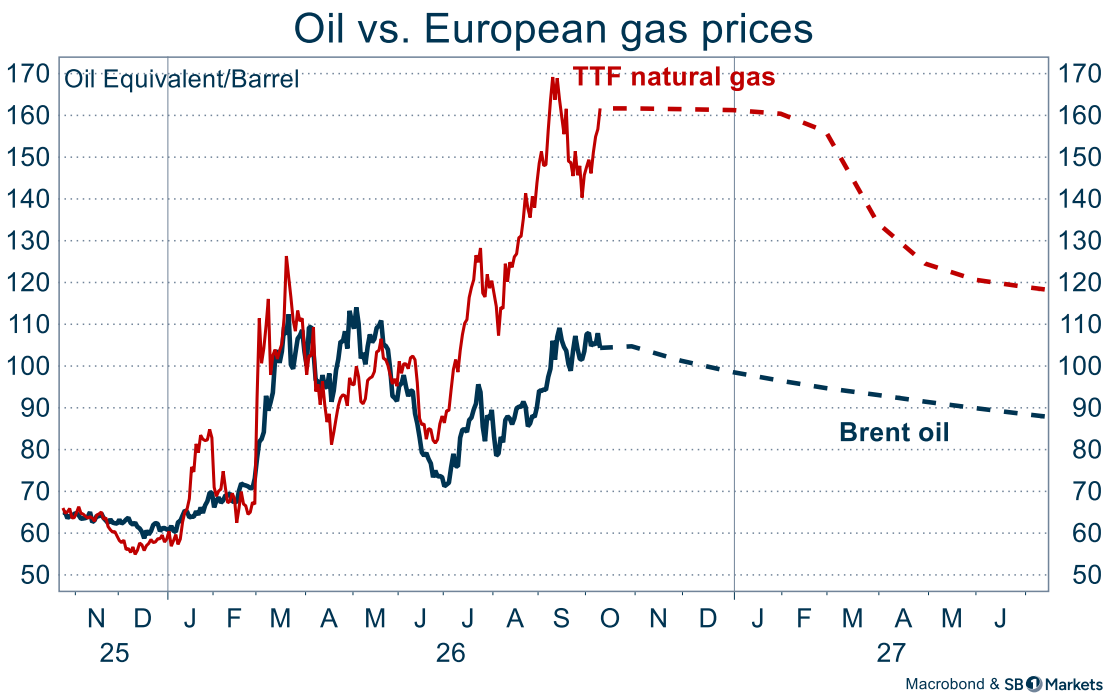


Electricity/gas future prices



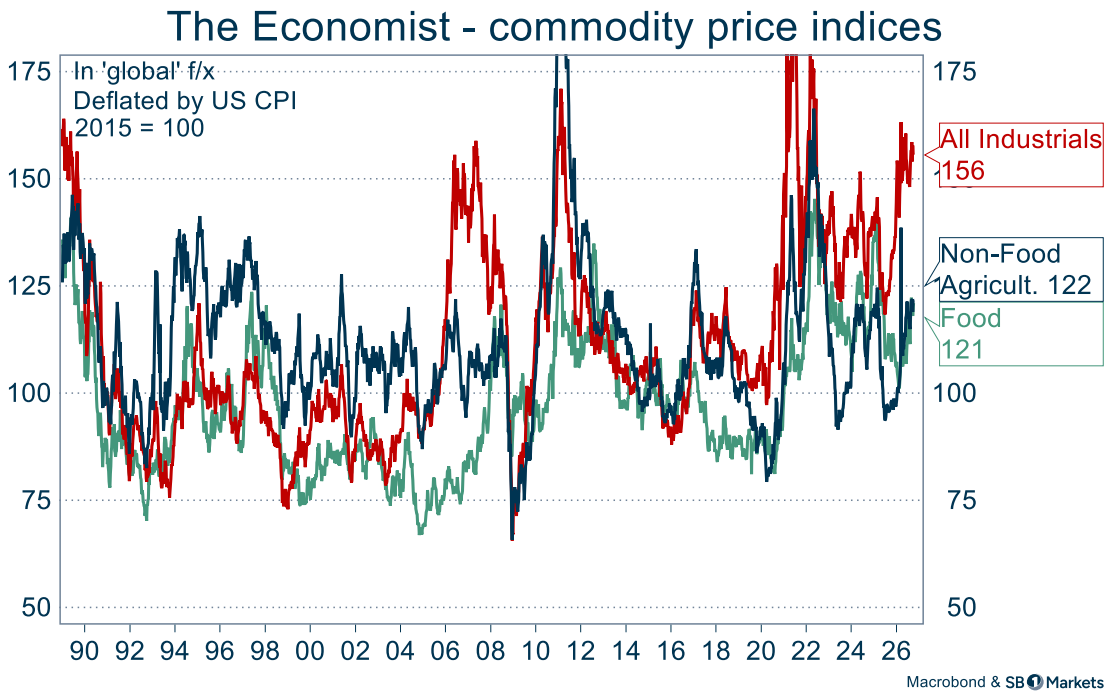
European natural gas prices turned up again, almost back to the Sep. local peak

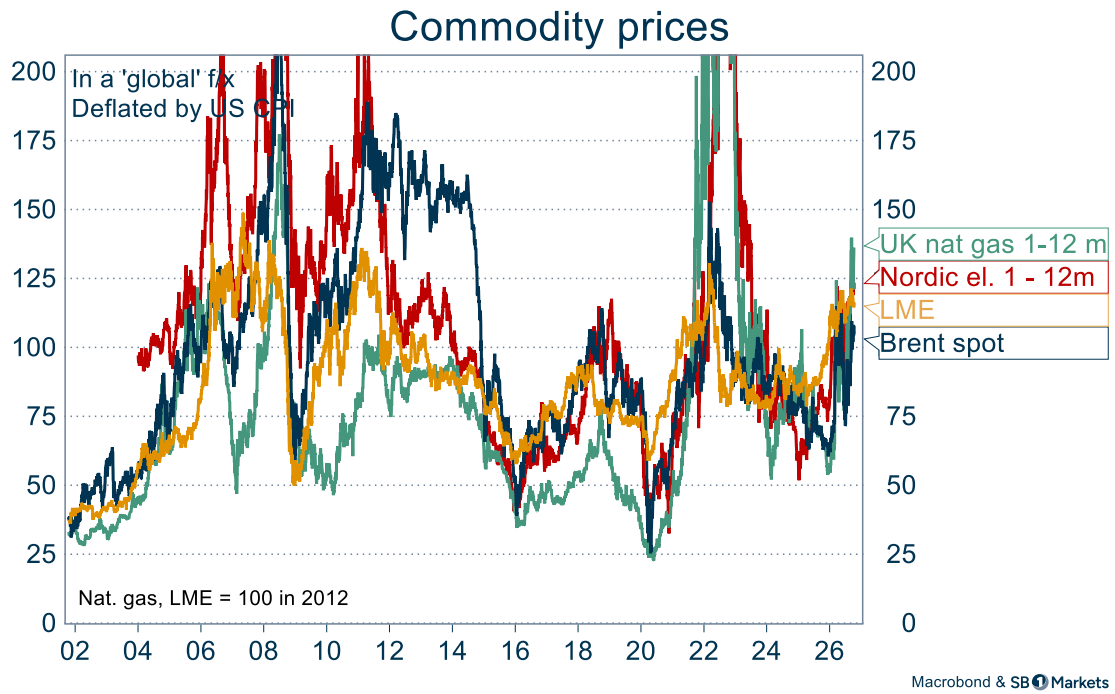


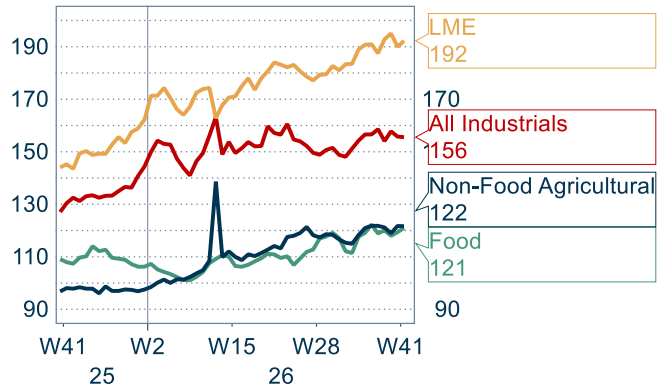


Big picture: industrial commodities far above normal levels, have flattened in 2026

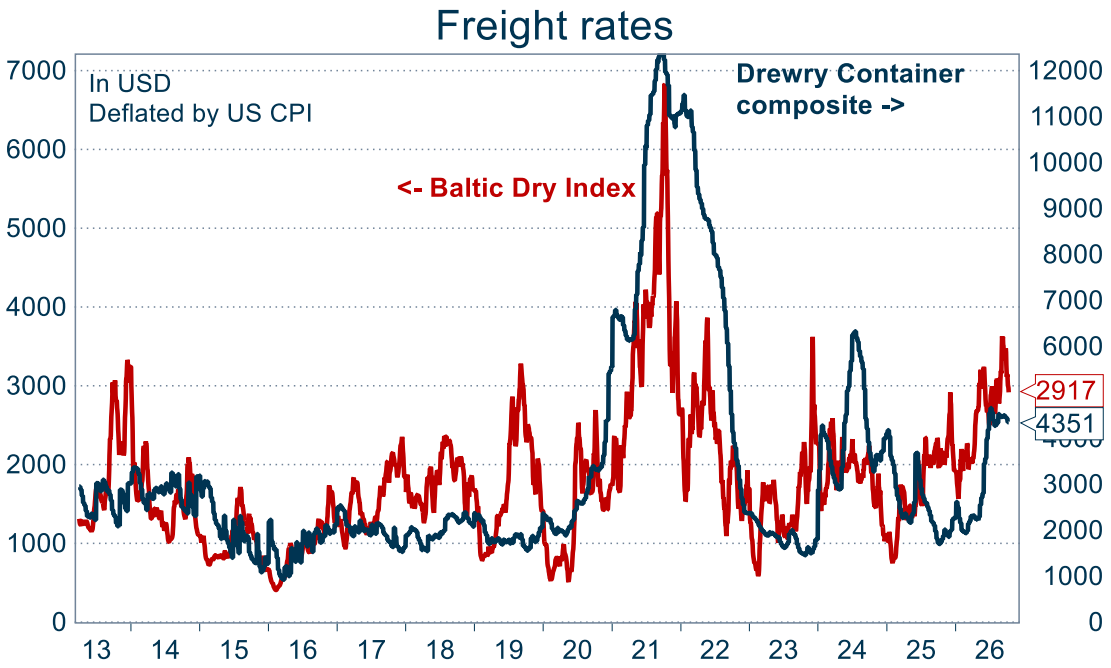
Food prices have been trending down since the war in Ukraine started but are up 5% since the Gulf war started. Non-food agricultural prices are up 20% so far in 2026. Industrial materials are in total at a high level, driven by metals. *Taken together, still some inflationary signals.*

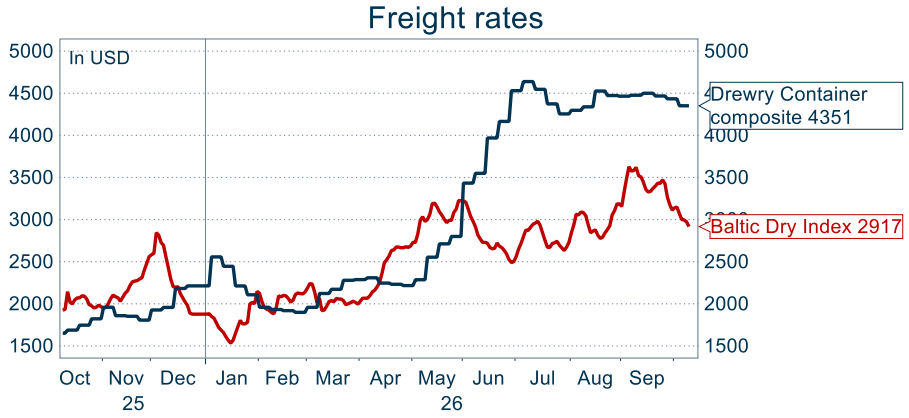


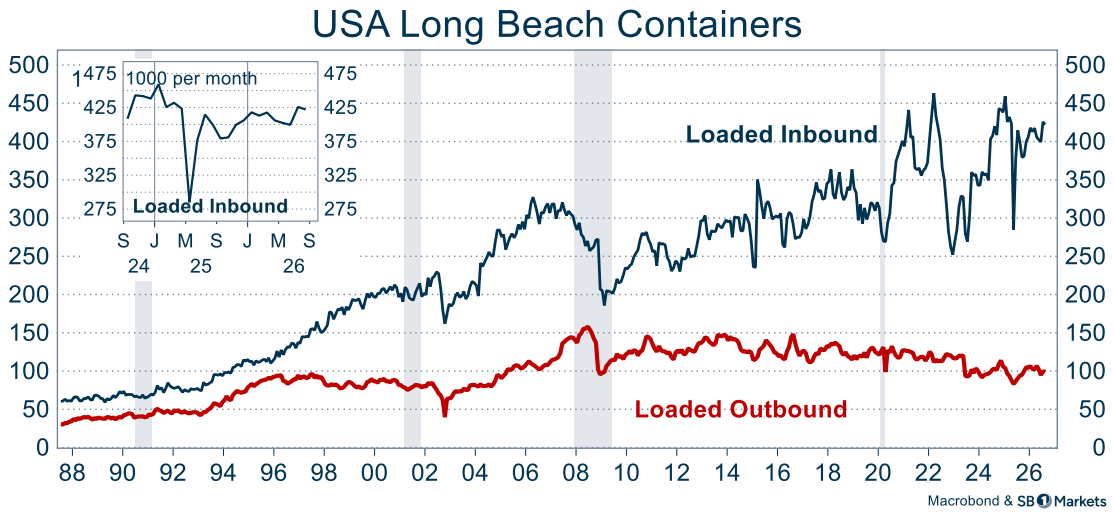


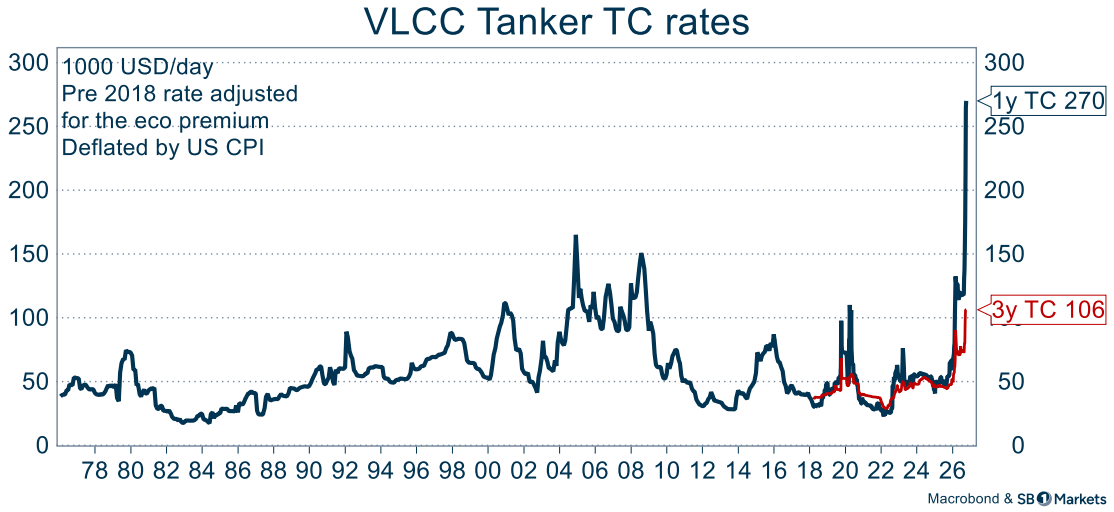


Tanker rates are surging, while container and dry bulk rates have fallen in recent weeks



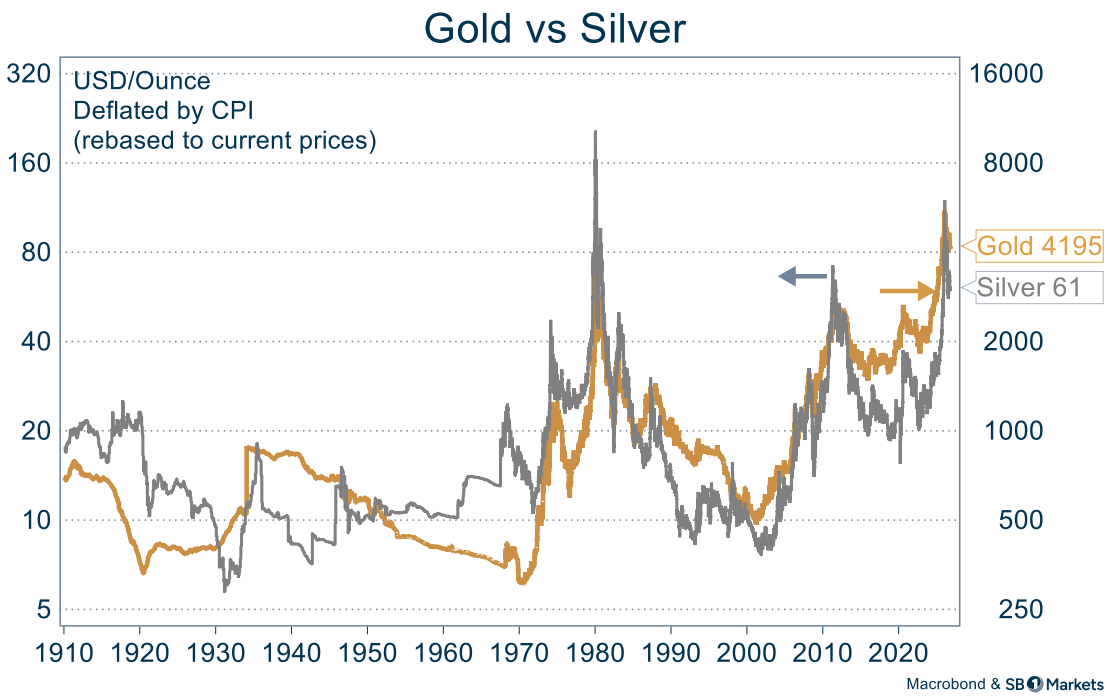


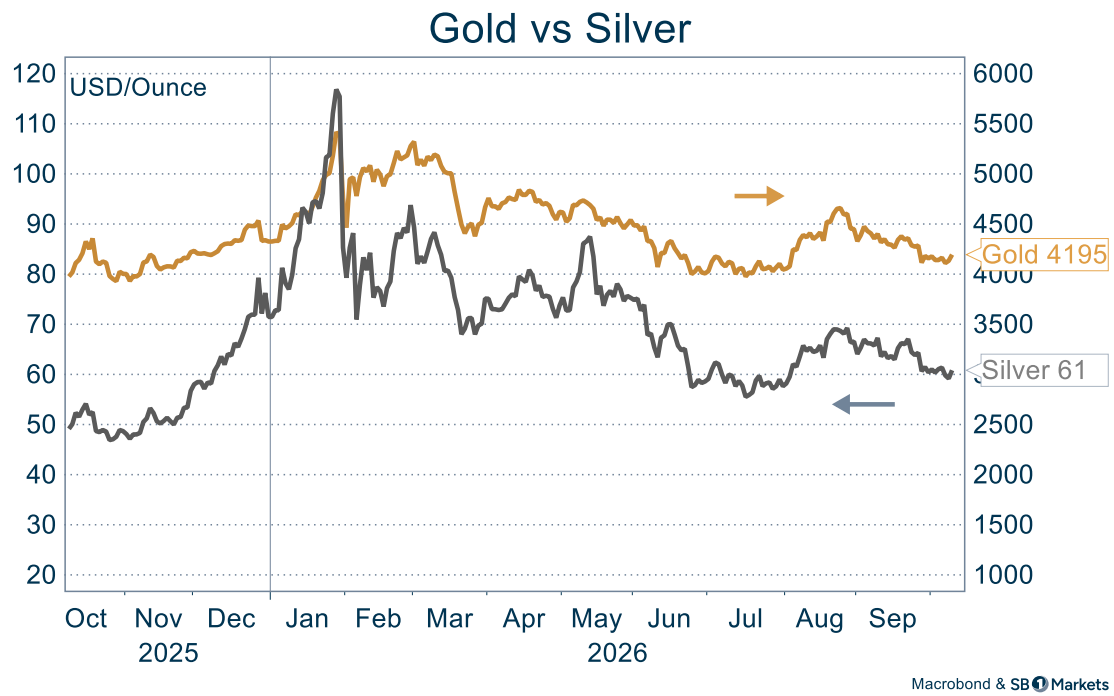




Gold and silver prices are trending down

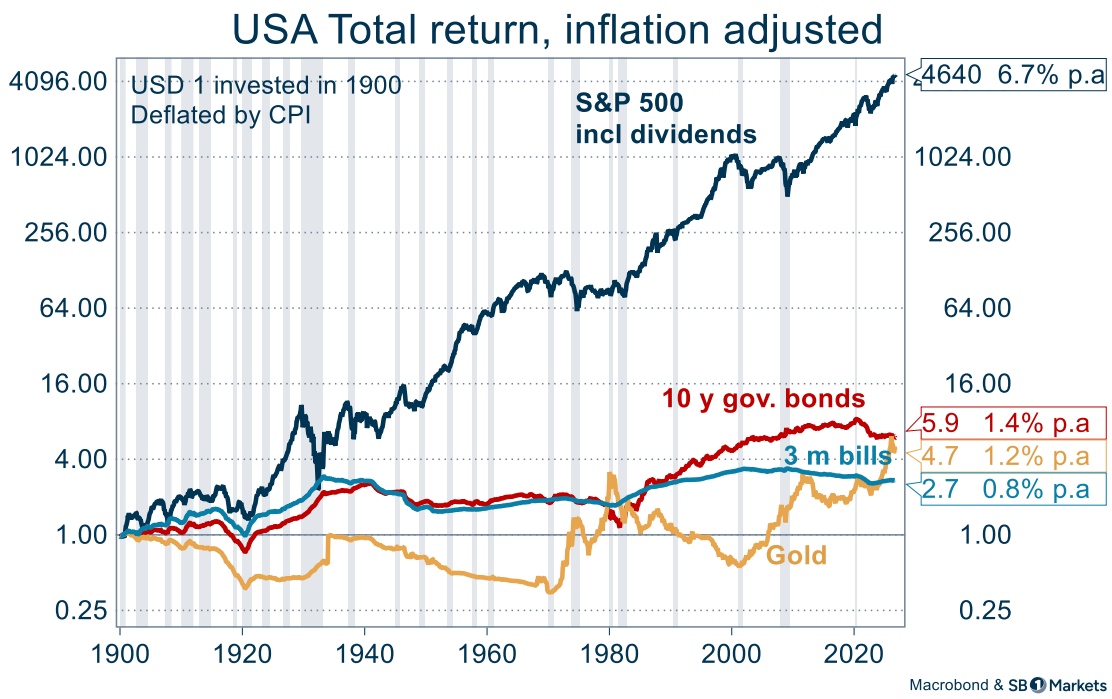
Real prices are still very high vs. historical averages.

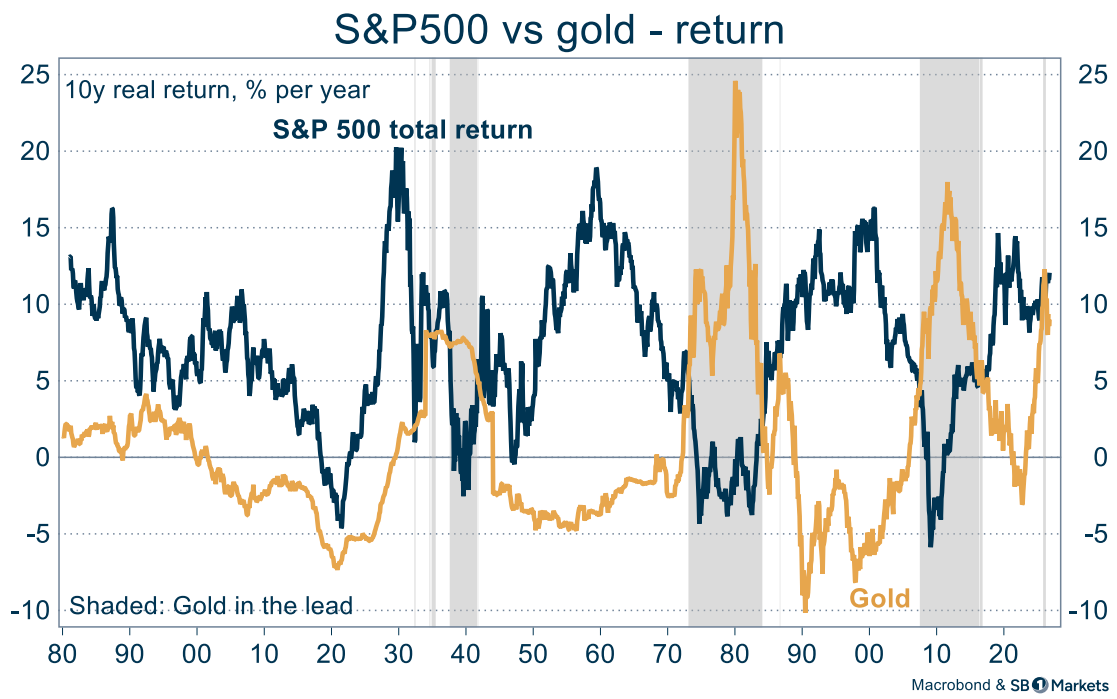




Gold and equities rising together – not seen since the ’30s (at least not over a longer period)

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

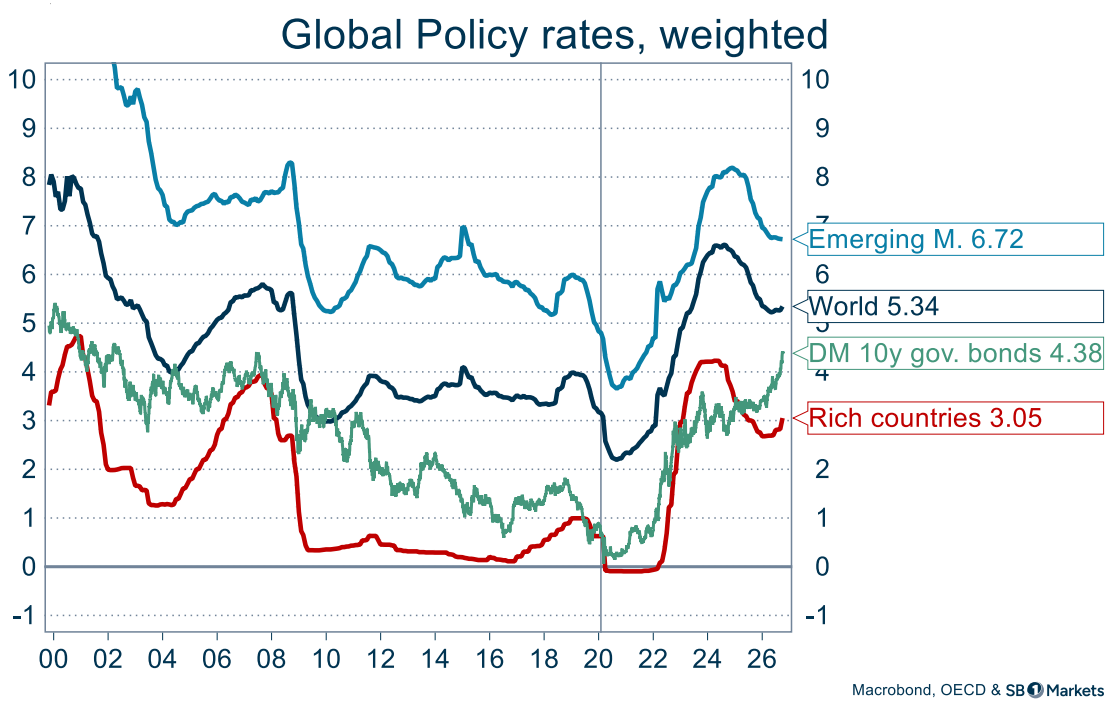


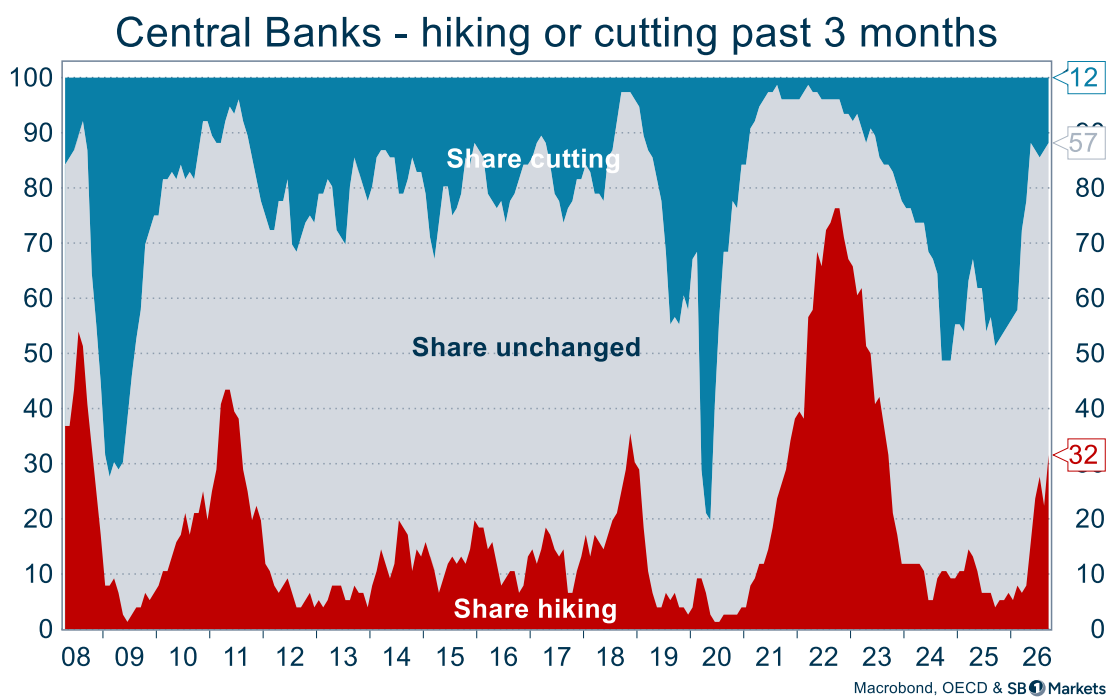
4.2 Interest rates & credit markets

*Picture source: ChatGPT

In the past 3 months, 32% 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 5.3%. In DM, 3.05%. The average DM long-bond yield has trended up to the highest level since before the Financial Crisis, at 4.39%.

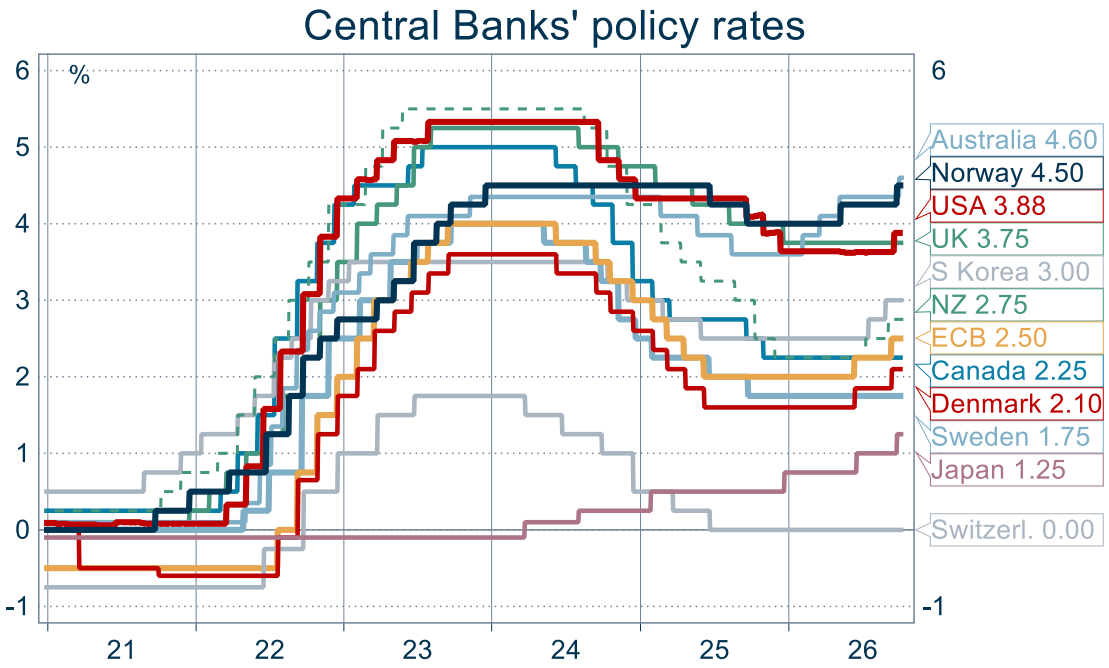


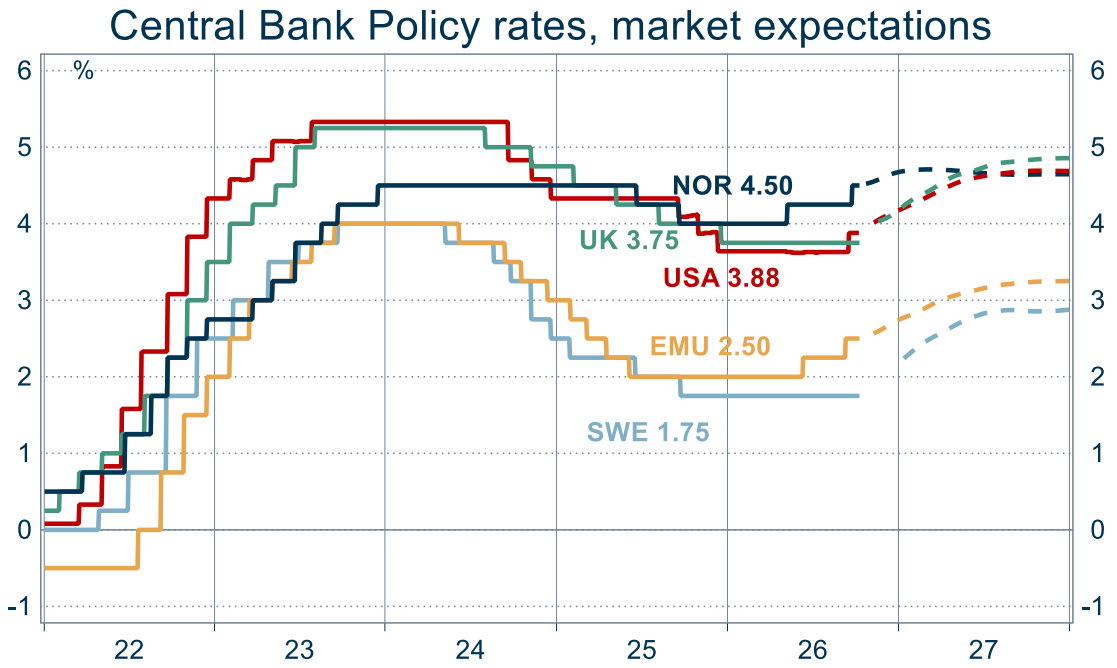


DM 10y government bond yield: a weighted average of US, Japan, UK, Germany, France, Italy, Spain and Canada

Finally, a calm week in the short end of the curves, at least ex. in the UK

One more ECB hike in 2026 to 2.75% is most likely. By end of 2027, 2 more hikes. In the US 1+2; UK 1½+3; Sweden 1+almost 4. In Norway, 60% for another hike in 2026, or 80% in early 2027 (but end of 2027 expectations declined last week).





The list of cutters

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

The list of hikers

- Japan (+130 bps, to 1.25%)

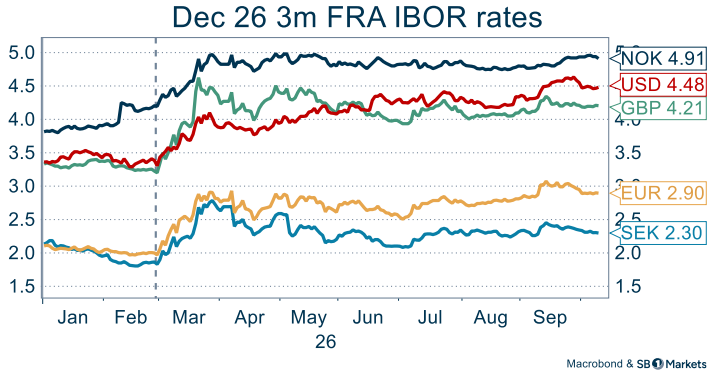
The list of cutters that have hiked

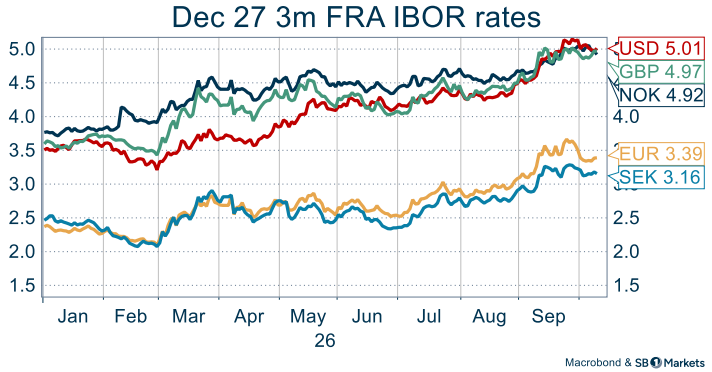
- Australia (+100 bps, to 4.60%)
- Norway (+50 bps, to 4.50%)
- South Korea (+50 bps, to 3.00%)
- EMU (+50 bps, to 2.50%)
- Denmark (+50 bps, to 2.10%)
- USA (+25 bps, to 3.88%)
- New Zealand (+25 bps, to 2.75%)

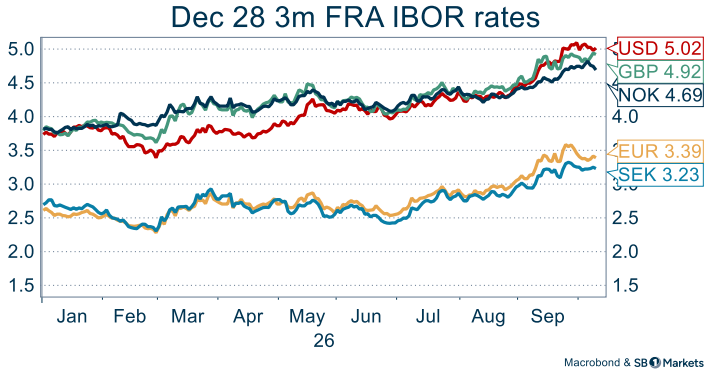
Policy rates, market exp.	USA	UK	EMU	Sweden	Norway
2024 Peak	5.33	5.25	4.00	4.00	4.50
...Change from peak	*-1.45*	*-1.50*	*-1.50*	*-2.25*	*0.00*
Now	**3.88**	**3.75**	**2.50**	**1.75**	**4.50**
Change until end of 2026	*0.26*	*0.36*	*0.19*	*0.25*	*0.15*
End of 2026 (market)	**4.14**	**4.11**	**2.69**	**2.00**	**4.65**
... Change last week	*0.00*	*0.02*	*0.00*	*0.01*	*-0.01*
Change through 2027	*0.55*	*0.74*	*0.56*	*0.90*	*0.00*
End of 2027 (market)	**4.69**	**4.86**	**3.25**	**2.89**	**4.65**
... Change last week	*-0.02*	*0.11*	*0.03*	*0.03*	*-0.07*

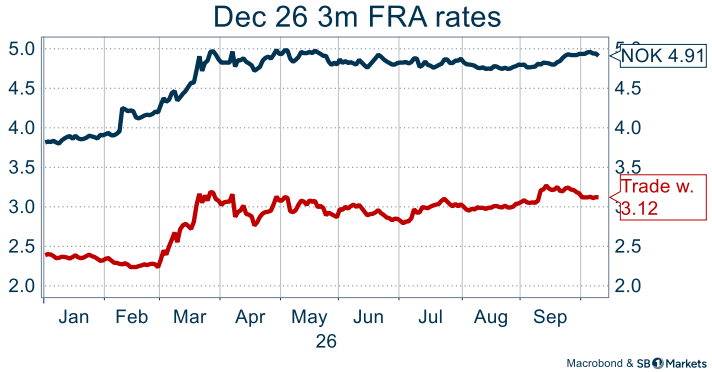
Source: SB1M, Macrobond

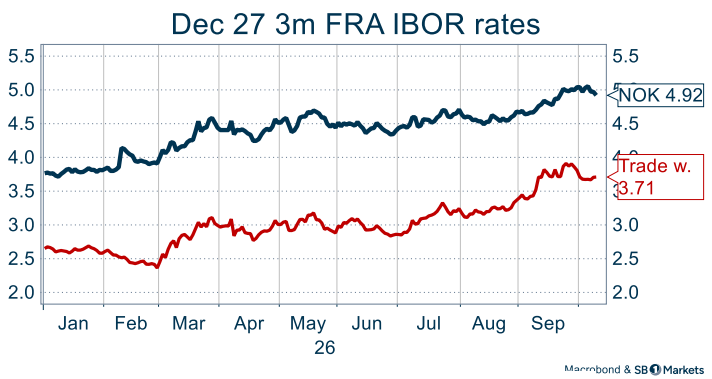
FRAs: all unchanged in the very short end. UK up in 2027 & ‘28. NOK rates slightly down

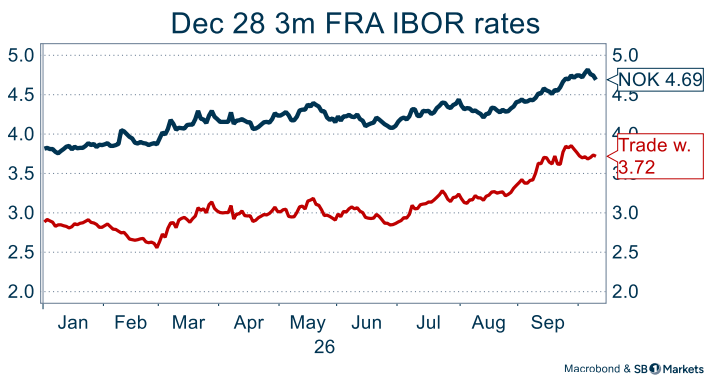












Dec 26 3m FRAs

	Close	1w	1m	YTD
NOK	4.91	-0.03	0.10	1.10
USD	4.48	0.00	0.15	1.12
GBP	4.21	0.02	0.05	0.88
EUR	2.90	0.00	0.02	0.79
SEK	2.30	-0.01	0.02	0.17

Macrobond & SB1 Markets

Dec 27 3m FRAs

	Close	1w	1m	YTD
USD	5.01	-0.05	0.41	1.51
GBP	4.97	0.12	0.25	1.38
NOK	4.92	-0.05	0.22	1.16
EUR	3.39	0.03	0.13	1.02
SEK	3.16	0.03	0.20	0.69

Macrobond & SB1 Markets

Dec 28 3m FRAs

	Close	1w	1m	YTD
USD	5.02	-0.04	0.45	1.28
GBP	4.92	0.11	0.24	1.13
NOK	4.69	-0.03	0.23	0.88
EUR	3.39	0.02	0.16	0.78
SEK	3.23	0.02	0.22	0.54

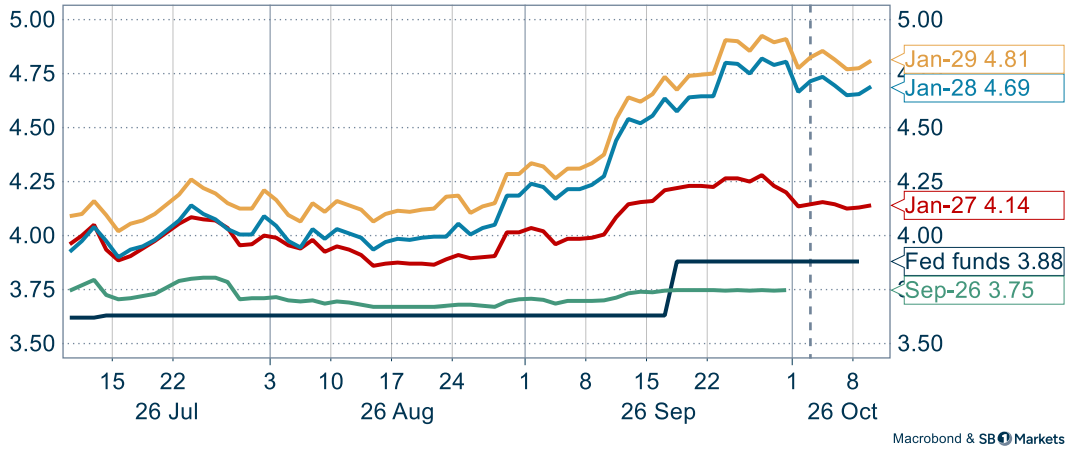
Macrobond & SB1 Markets

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: no change last week

Another hike in 2026 is still discounted, and at least two more hikes next year.

Fed funds future



USA Fed funds rate

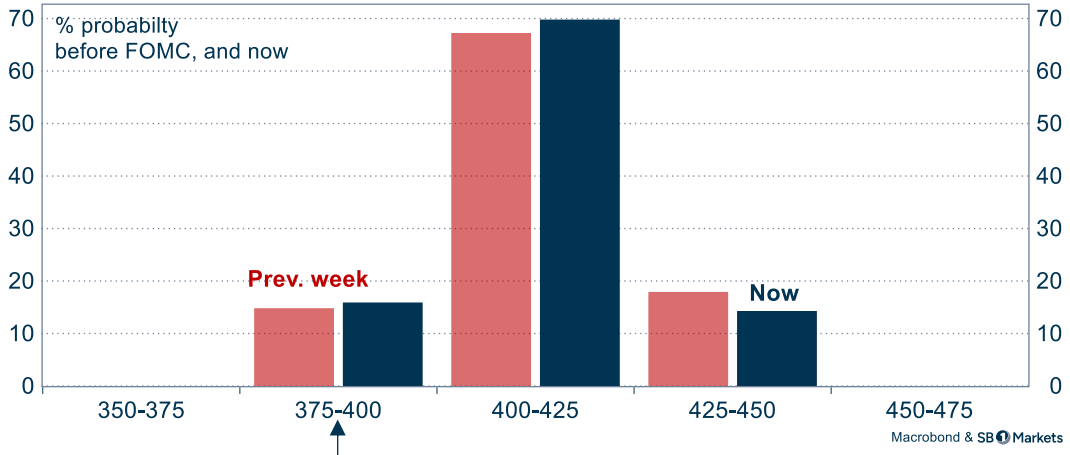
FOMC meetings	Actual and expected effective Fed fund rate (2.5 3.0 3.5 4.0 4.5)	Level	Change in bps last week (-2.5 -1.5 -0.5)	Change
Now		3.88		0
28 Oct		3.93		-1
9 Dec		4.14		0
27 Jan		4.25		0
17 Mar		4.42		0
28 April		4.52		-1
9 Jun		4.62		-2

Macrobond & SB1 Markets

USA Fed funds - probability 2 hikes in 2026



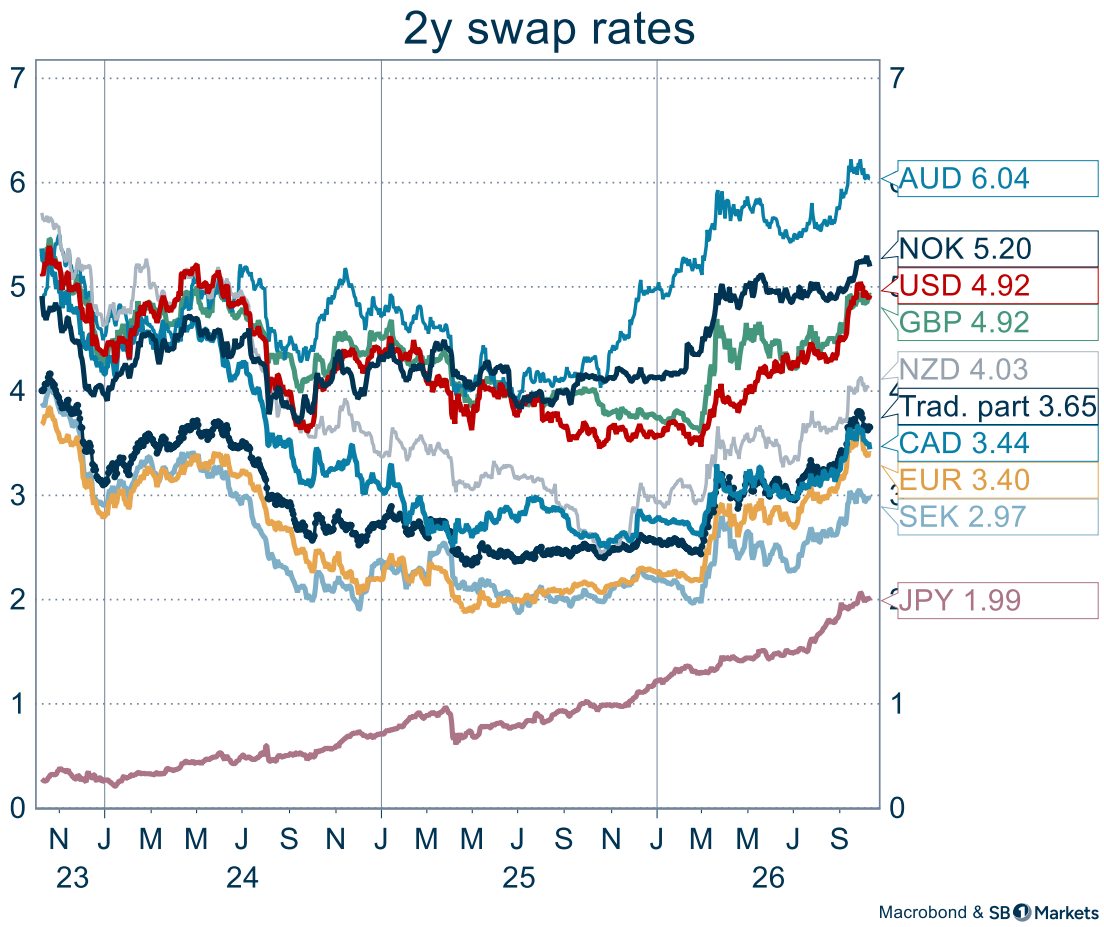
USA 12 Dec-26 FOMC Meeting, Fed Funds Rate, distribution

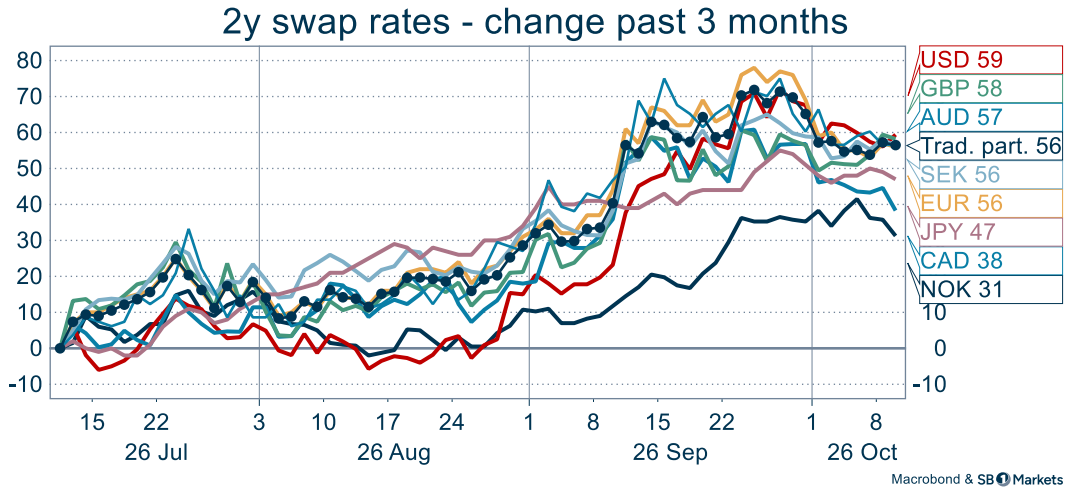


The current Fed funds rate

2-year swap rates mostly down

Our trading partners were down just 1 bp, held up by GBP and SEK rates, while EUR was down 4 bps, USD -3 bps. The NOK 2y swap was down 3 bps.





2y swap rates

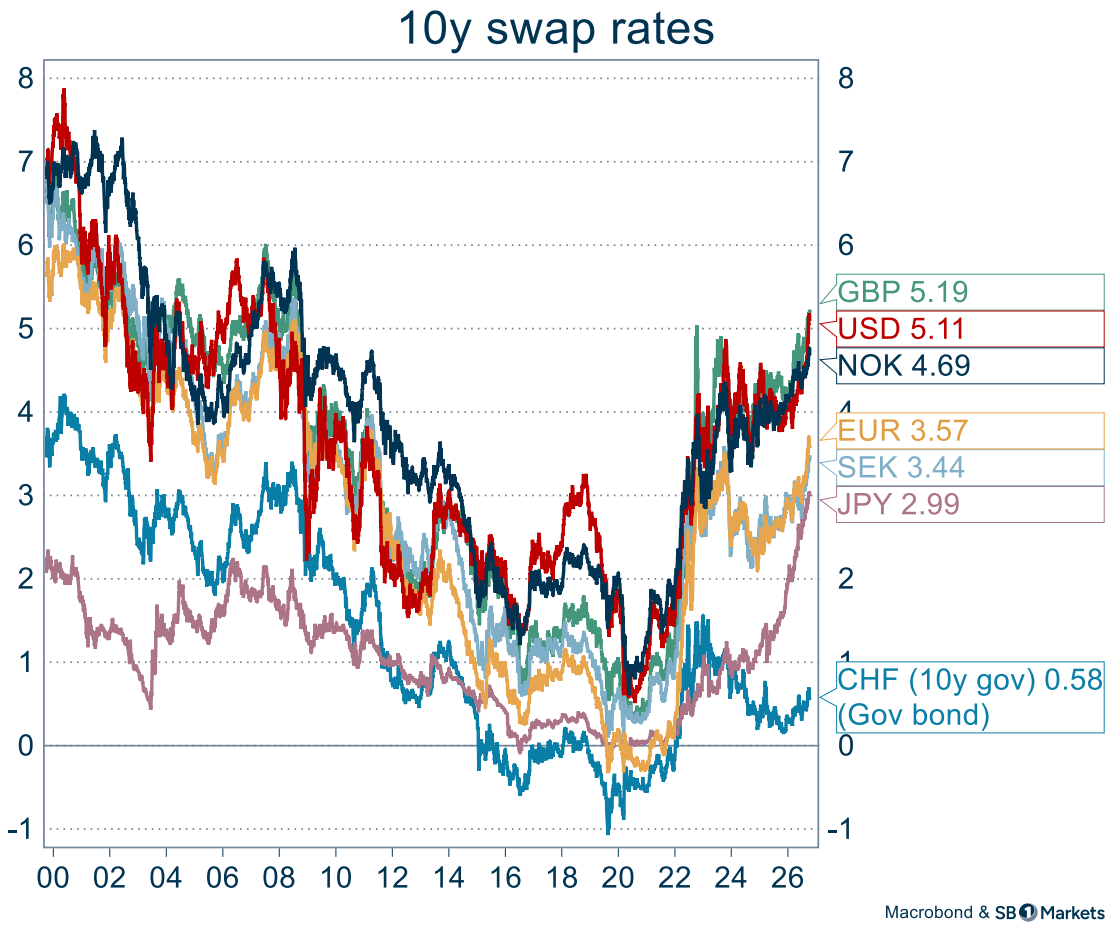
	Level	Change in bps -10 -5 0 5 10 15 20 25 30 35 40	last week	last month	last 3 m	last 12 m
GBP	4.92		7	20	57	89
SEK	2.97		4	18	53	94
JPY	1.99		1	7	46	100
AUD	6.04		0	10	52	172
Trad. part	3.65		-1	16	56	115
NOK	5.20		-3	20	20	104
USD	4.92		-3	36	63	129
EUR	3.40		-4	12	56	126
NZD	4.03		-5	33	64	147
CAD	3.44		-8	2	41	82

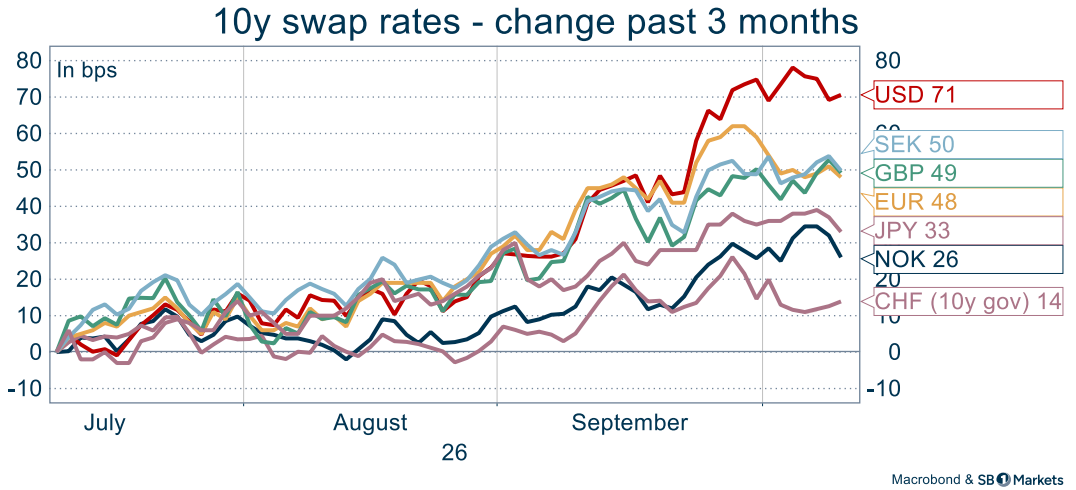
Last week ● Last month

Macrobond & SB Markets

10-year swap rates mixed, but no big changes

Our trading partners were up 1 bp. GBP & SEK rates contributed on the upside. EUR and USD rates were marginally down. NOK +1 bp.





10 year swap rates

	Level	Change in bps	last week	last month	last 3 m	last 12 m
GBP	5.19		7	16	47	76
SEK	3.44		4	17	46	73
NOK	4.69		1	14	21	58
CHF (10y gov)	0.58		1	9	15	33
Trad. part	3.90		1	14	48	88
EUR	3.57		-1	9	46	88
NZD	4.81		-1	35	65	112
AUD	5.54		-2	26	61	126
USD	5.11		-3	40	72	118
JPY	2.99		-3	15	21	140
CAD	3.97		-7	5	41	77

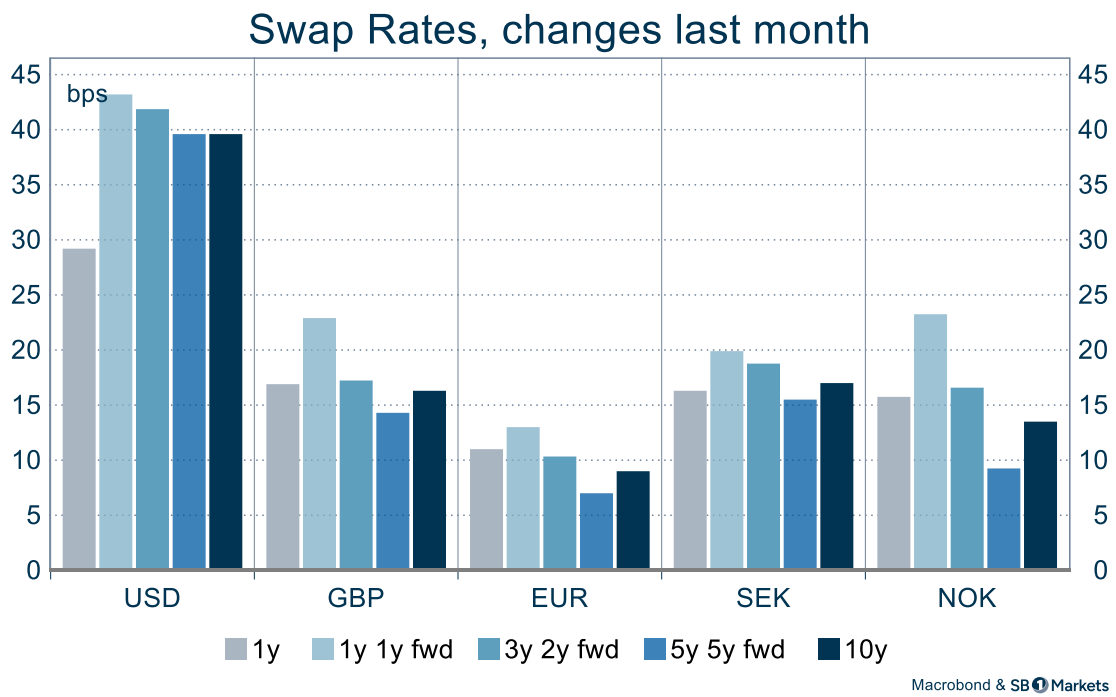
-10 -5 0 5 10 15 20 25 30 35 40

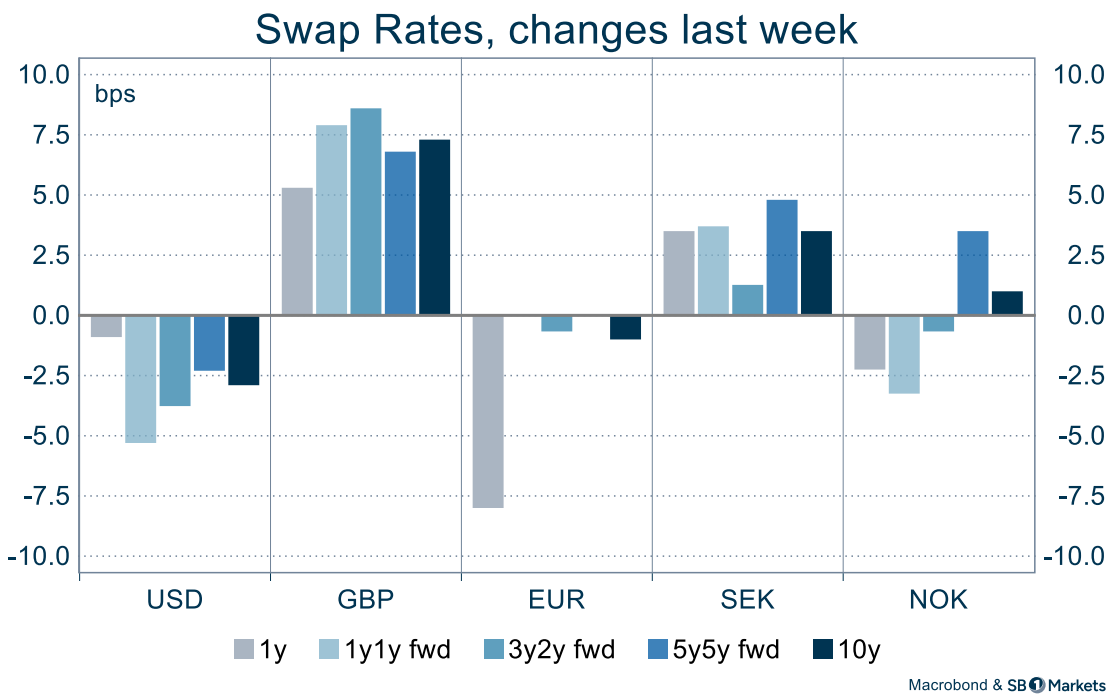
Last week Last month

Macrobond & SB Markets

Swap curves: GBP up, minor changes elsewhere

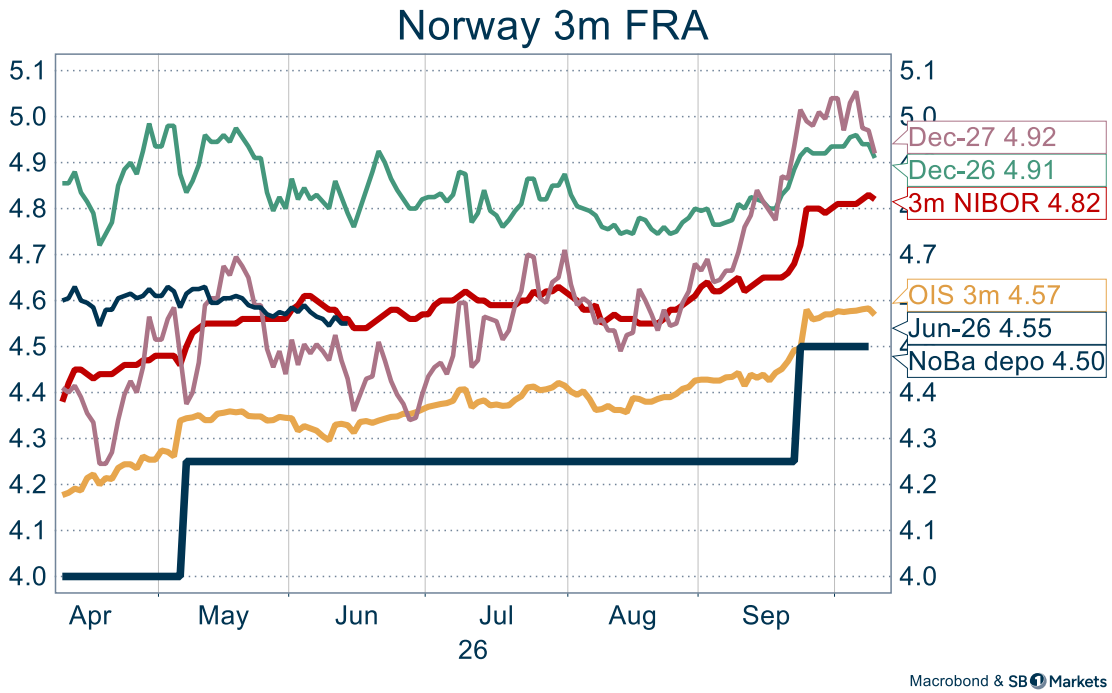
Last month: USD the 'winner', rate wise. Changes elsewhere were remarkably similar, up 10–20 bps.

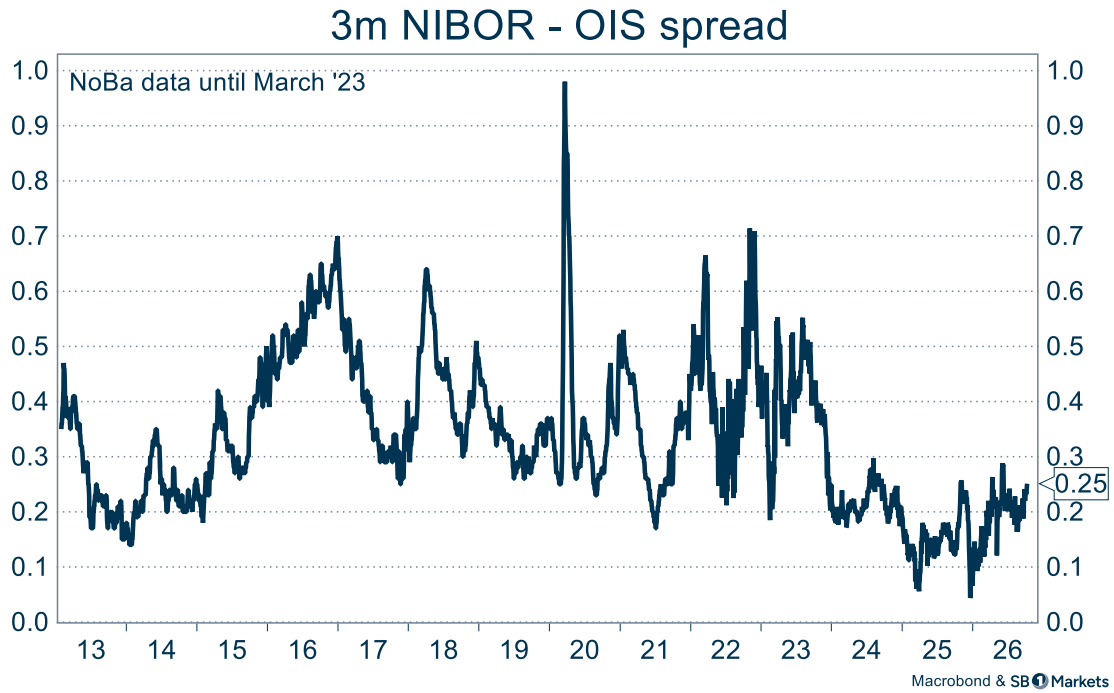




NOK 3m NIBOR: +1 bp to 4.82%, and the NIBOR-OIS spread up 1 bp to 25 bps

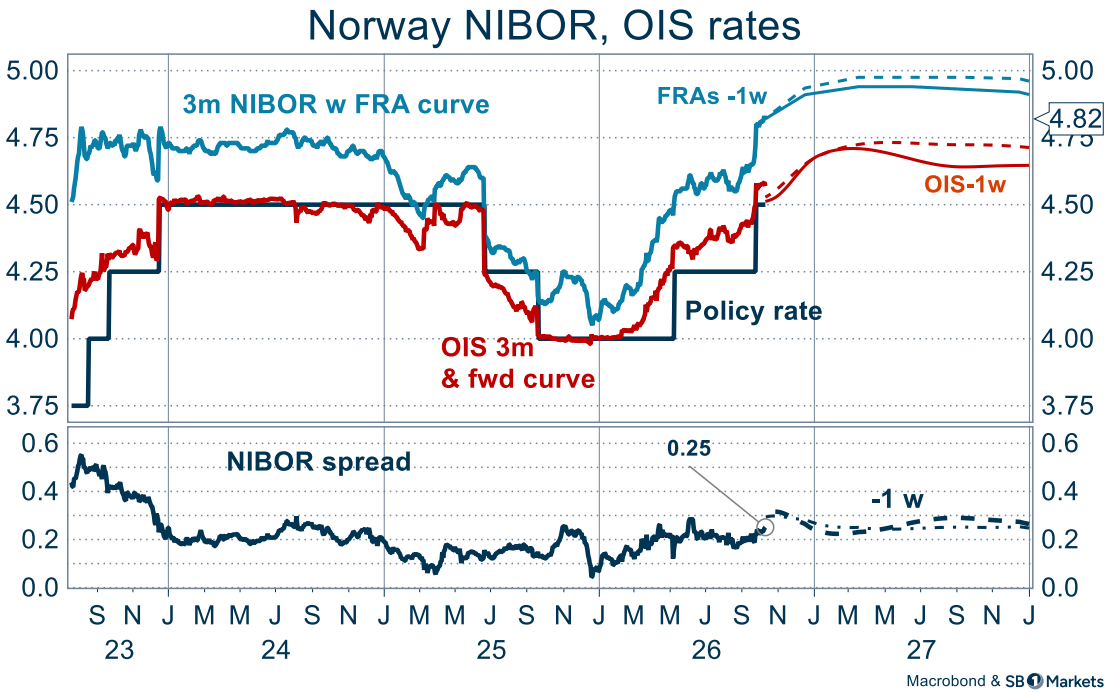
Longer dated FRAs declined, but just by 5 bps from the previous Friday.

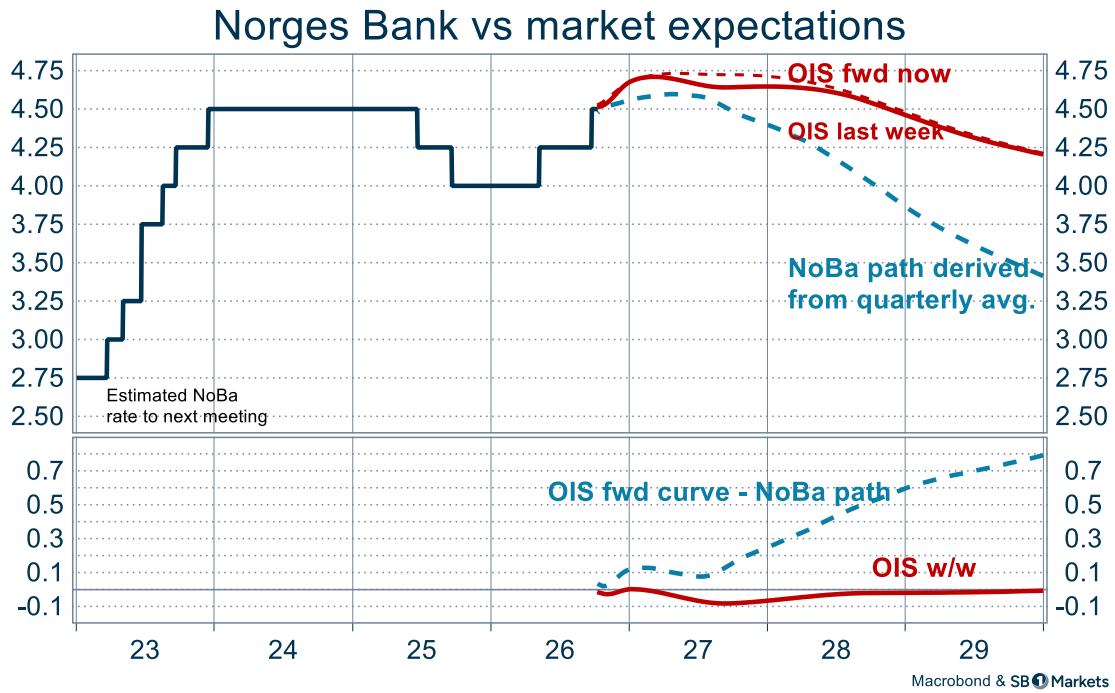




The short end of the curve down by up to 10 bps in Q3-27

The market curve still discounts another rate hike in December, to 4.75% – but not for sure. Q1-27 is a more likely alternative, now with an 80% probability.



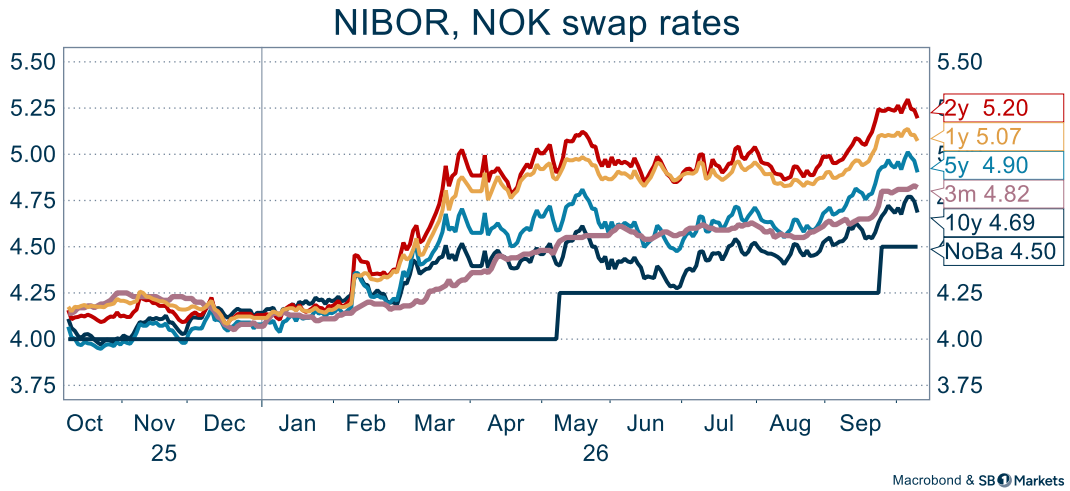


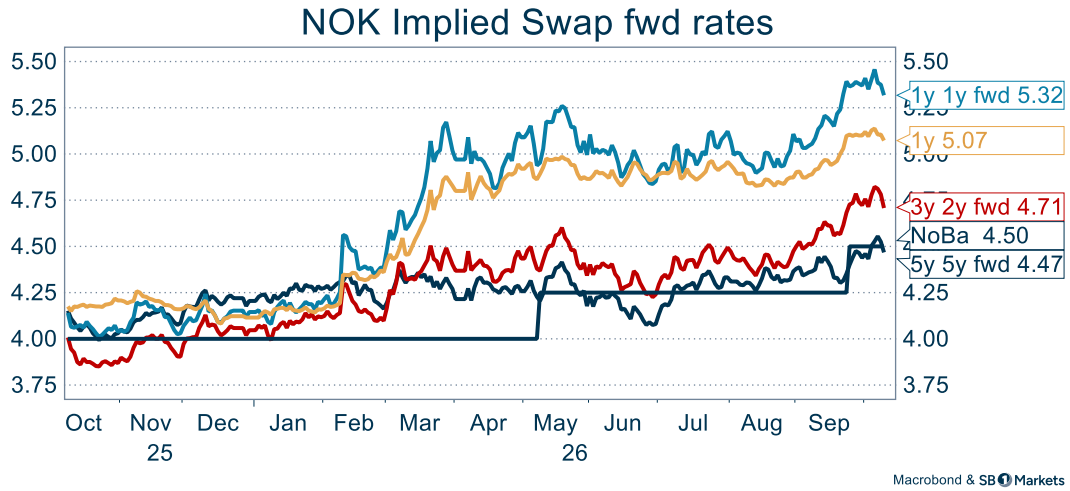
Norges Bank vs. market

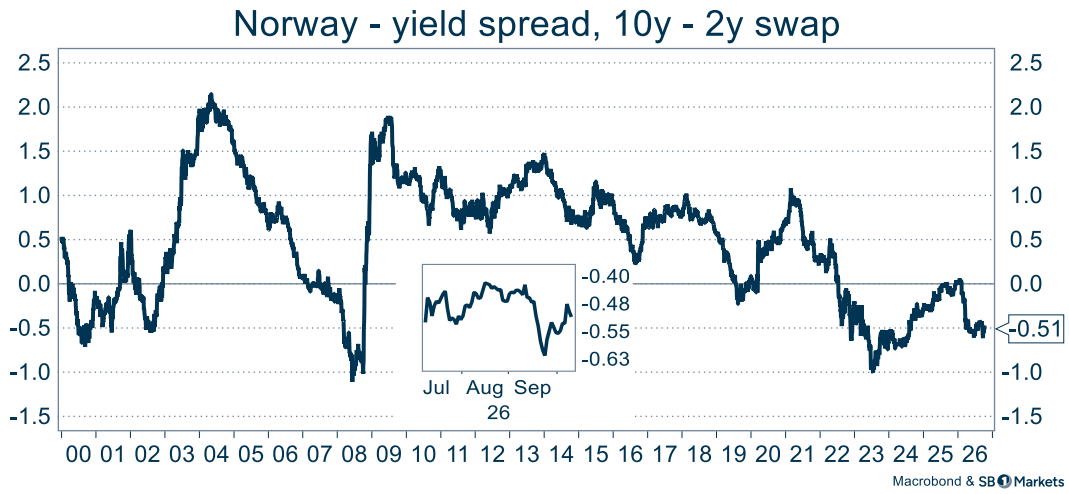
Meeting	NoBa path	OIS fwd	OIS NoBa est.	Alternat. rate	% prob for alt
05-Nov-26	4.50	4.54	4.50	4.75	15%
17-Dec-26	4.50	4.64	4.75	4.50	45%
21-Jan-27	4.50	4.69	4.75	4.50	22%
24-Mar-27	4.50	4.71	4.75	4.50	17%
06-May-27	4.50	4.69	4.75	4.50	23%
17-Jun-27	4.50	4.67	4.75	4.50	32%
12-Aug-27	4.50	4.65	4.75	4.50	42%
23-Sep-27	4.50	4.64	4.75	4.50	44%

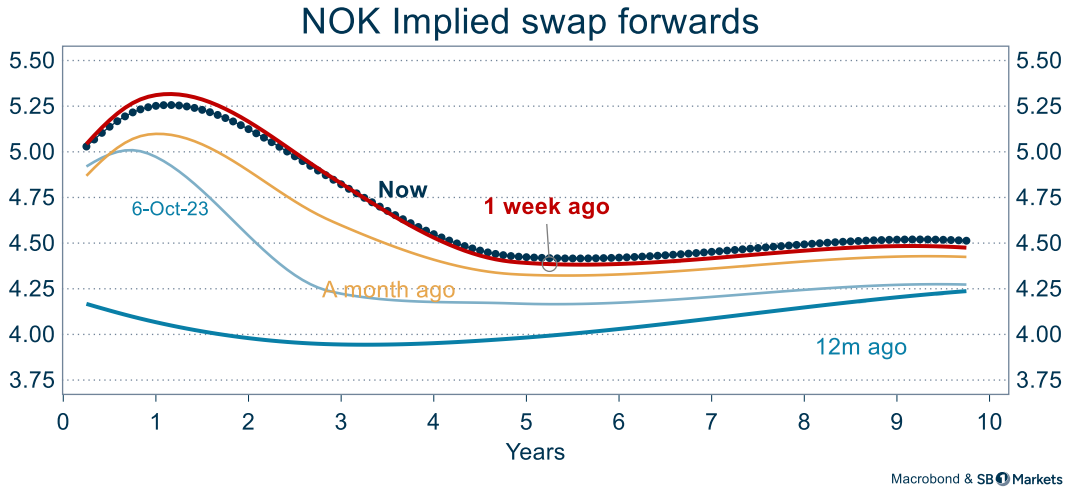
Yellow cells: Norges Bank cut (none now...)
Red cells: Norges Bank hike
Sources: Norges Bank, Macrobond, Infront, SB1M

NOK swaps: marginally down in the short end, just as marginally up in the long end





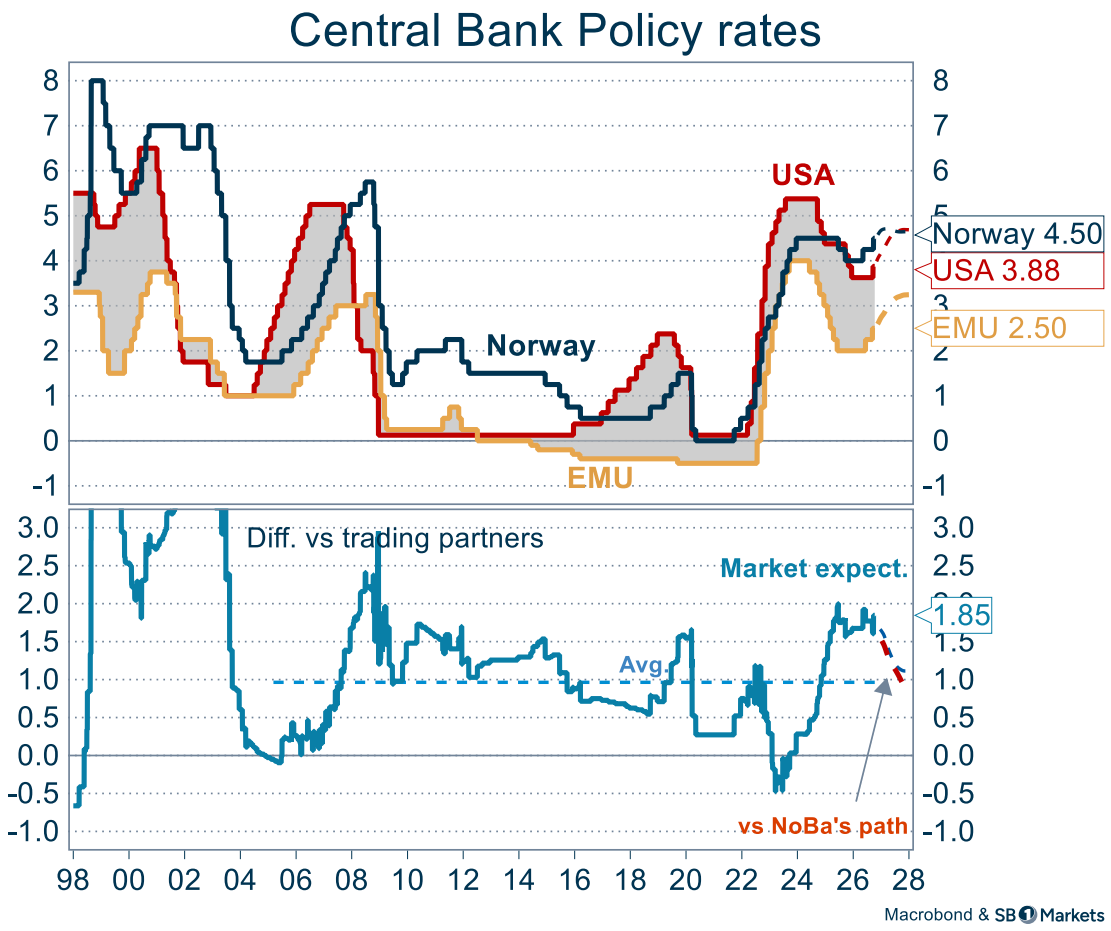




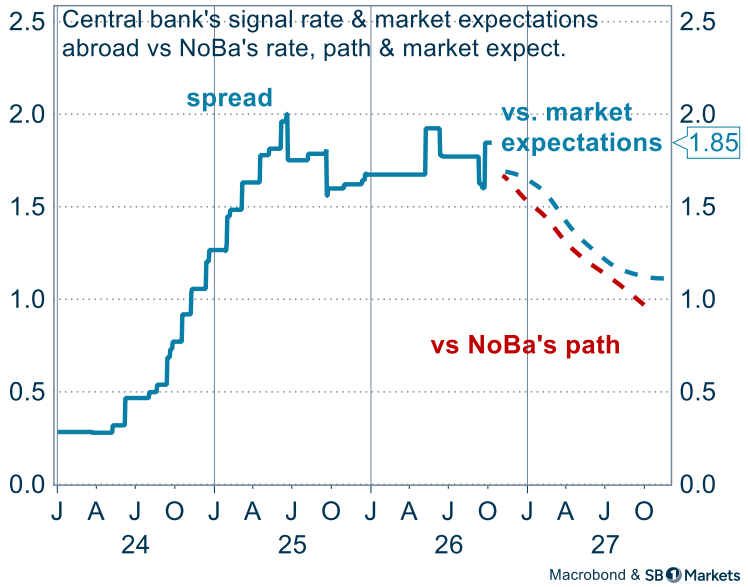
Swap rates are calculated vs. 6m NIBOR, not 3m NIBOR.

Norges Bank's policy rate: 185 bps above the trading partners' average

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

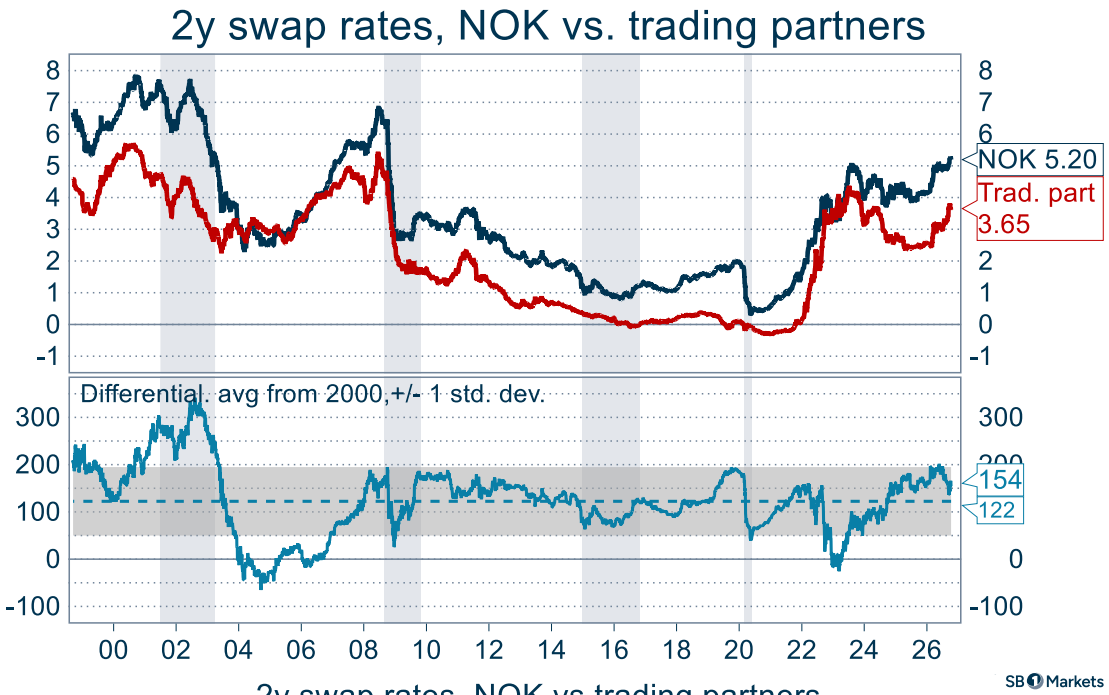


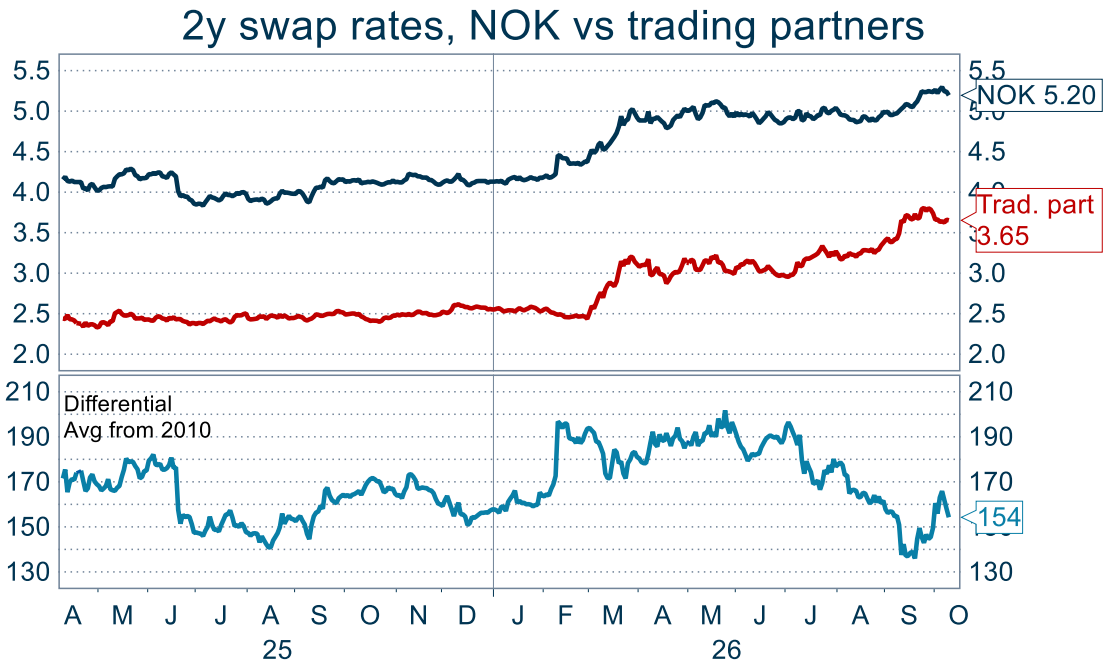
- The peak difference in policy rates over the past 20 years was 225 bps (barring a few days in 2008).
  - In the current cycle, the 2y NOK swap rate has been up to 200 bps above the average rate among our trading partners.
- If **Norges Bank** follows the rate path presented in the MPR, the spread will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

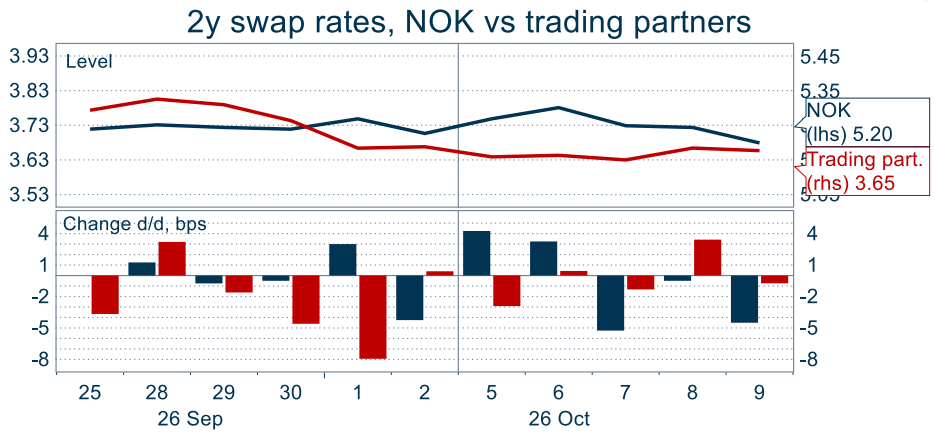


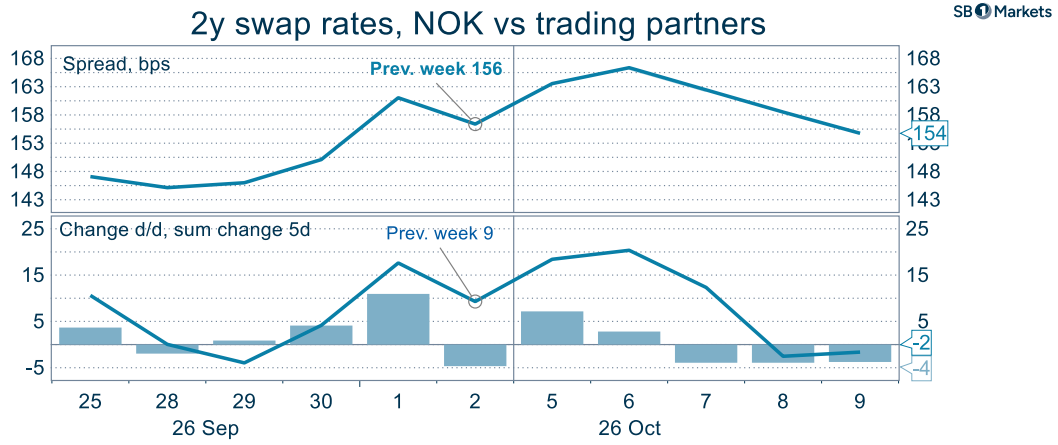
The 2-year NOK swap spread vs. trading partners down by 2 bps to 154 bps

(following an initial lift, then a decline as the budget may have been more neutral than expected, and CPI was a tad lower than feared). The spread has widened almost 20 bps in recent weeks but is down some 45 bps since the local peak in May-June.



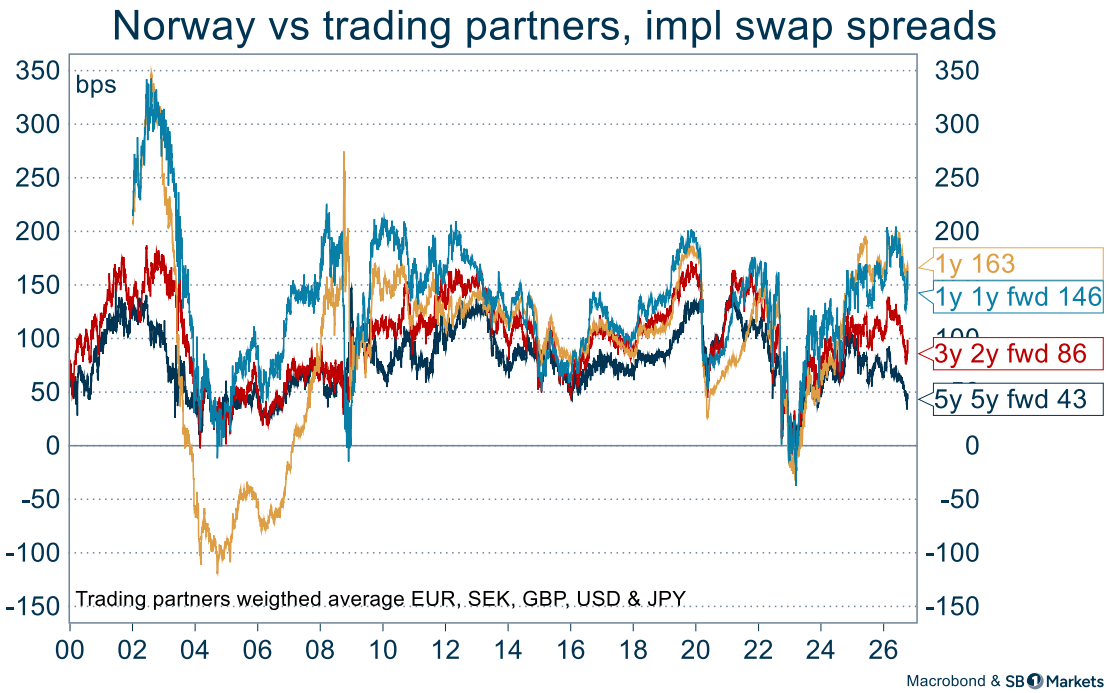


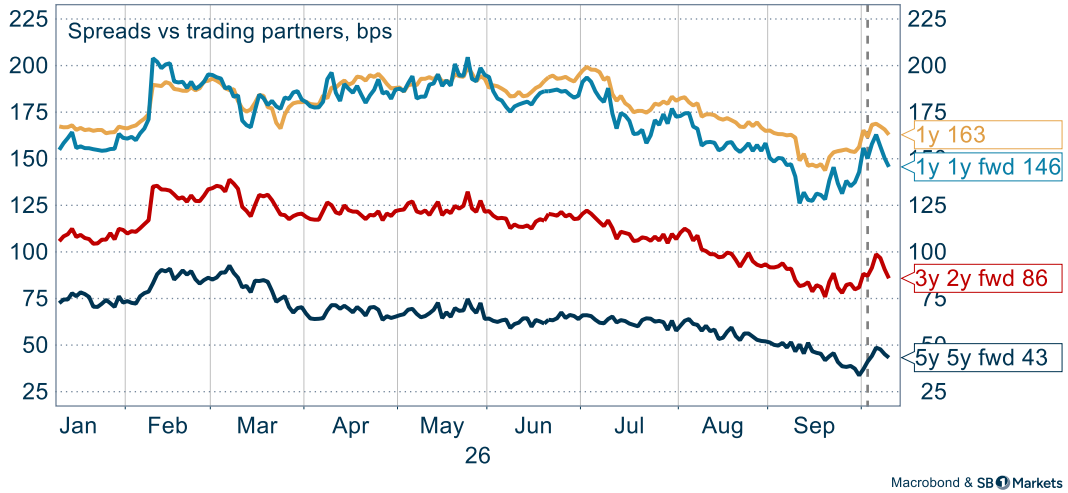


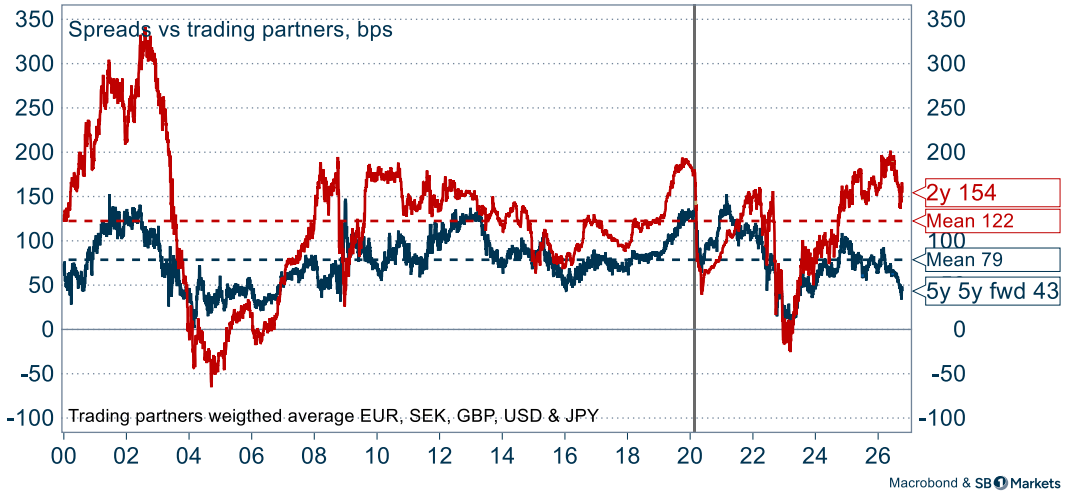


Swap spreads vs. trading partners narrowed in the short end, widened in the long end

The spread in the long end is still far lower than normal. In the short end, the spread remains above an average level.

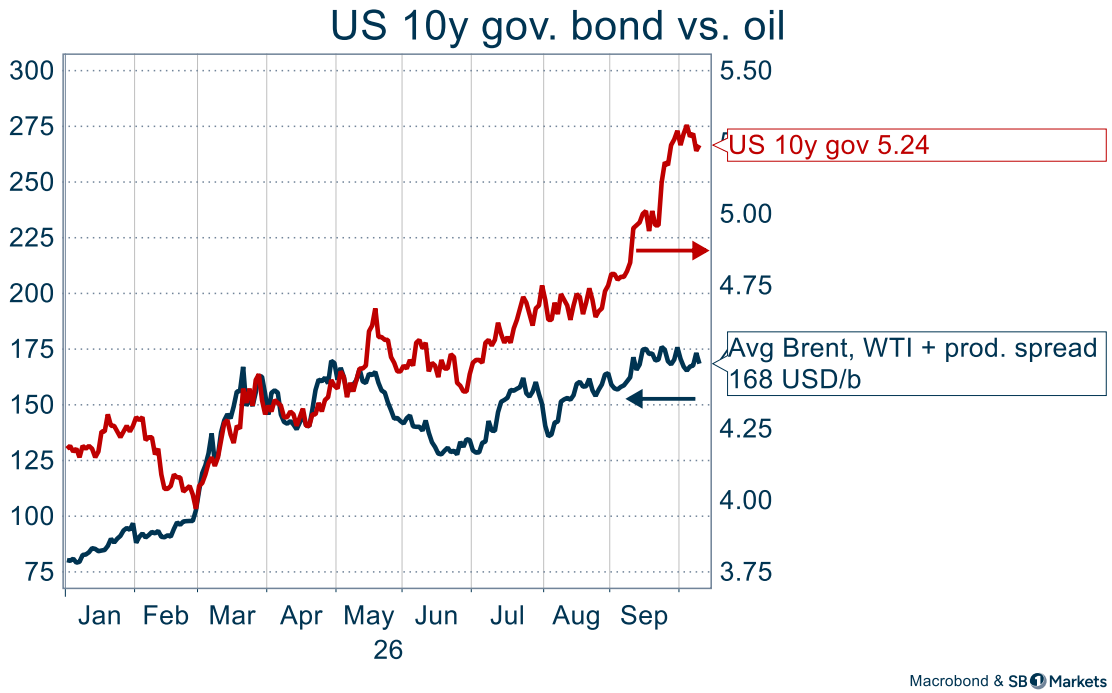


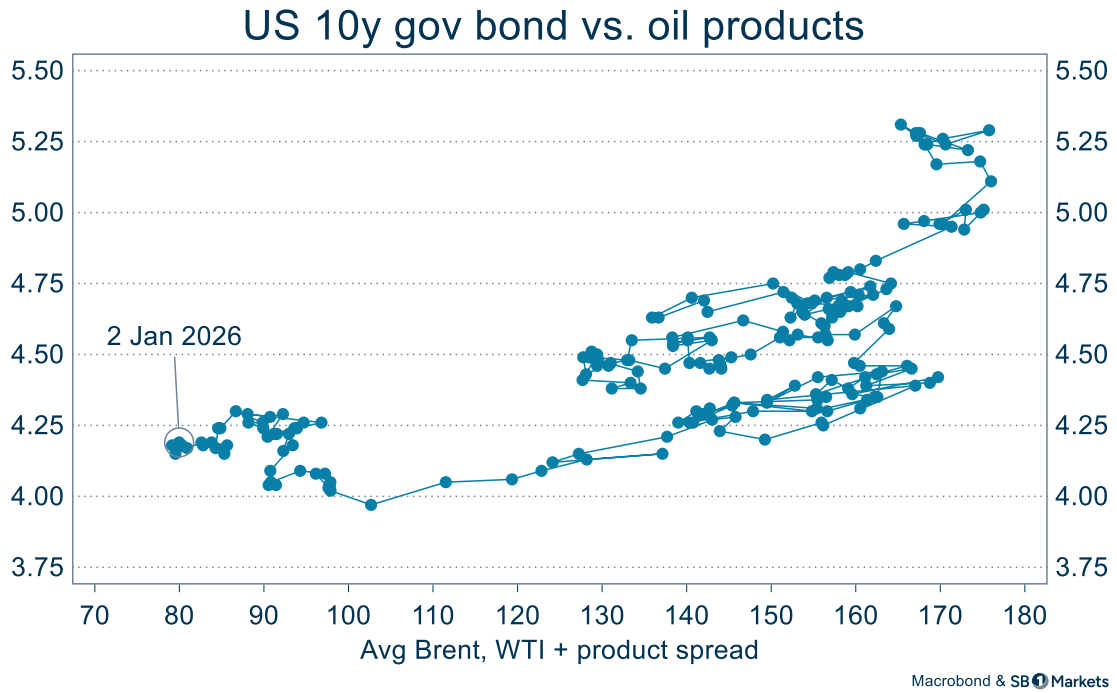




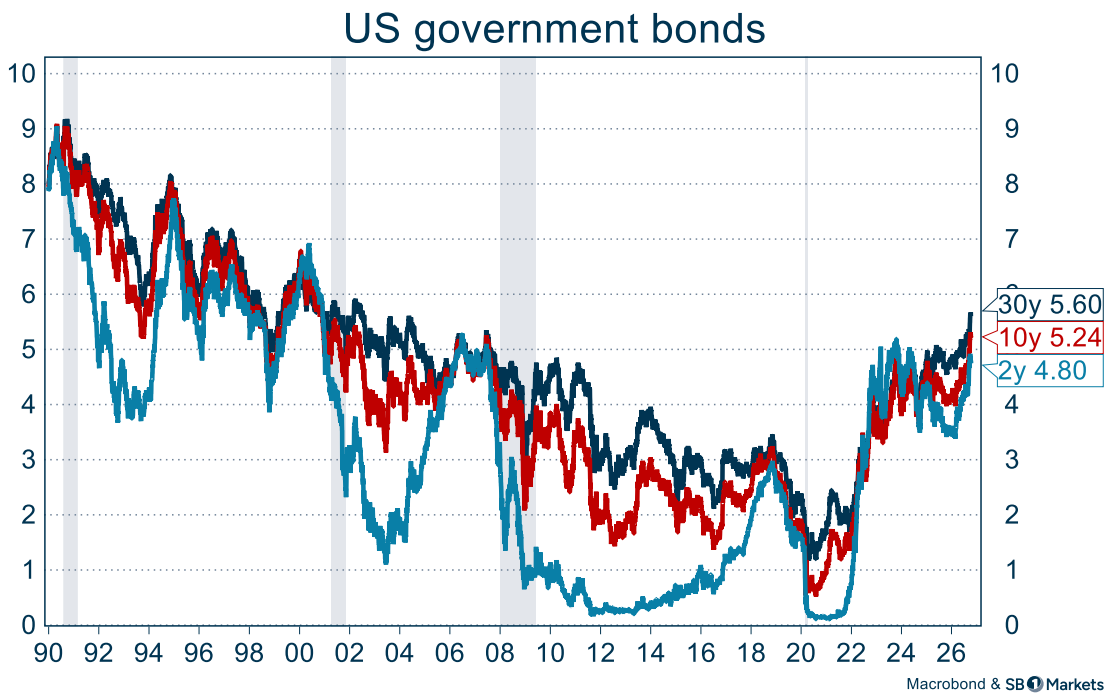
The yield shock: Oil (or oil products) not mostly to blame

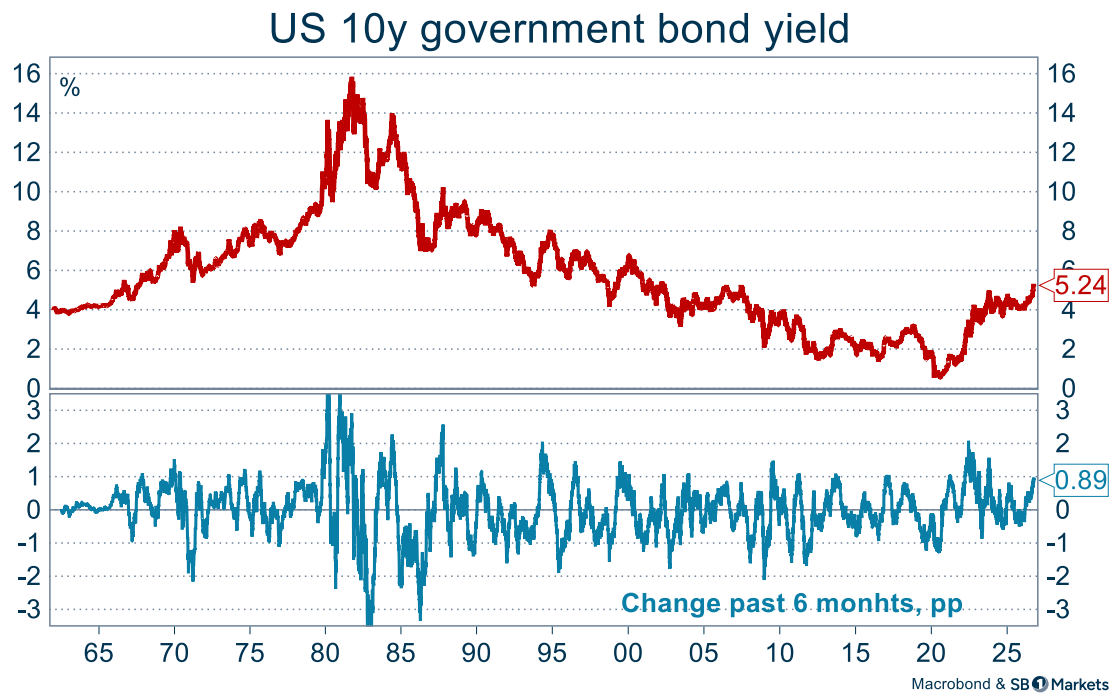
Oil/product prices were almost just as high in April as now, while the US 10y government bond yield is 75 bps higher. Still, it has something to do with oil prices.



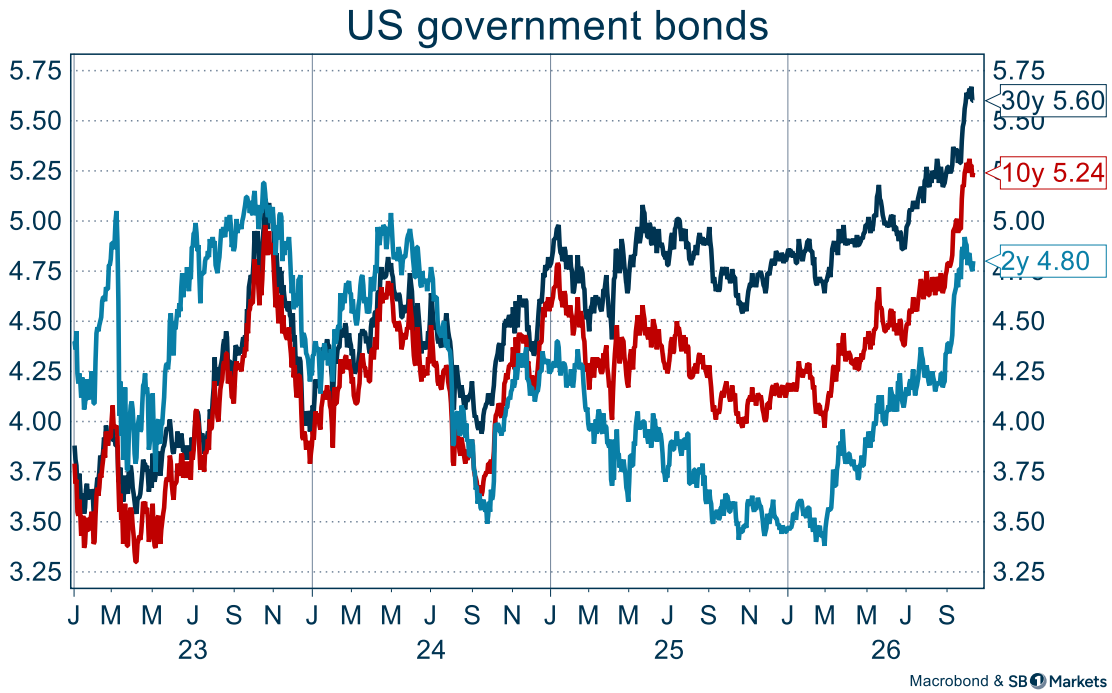


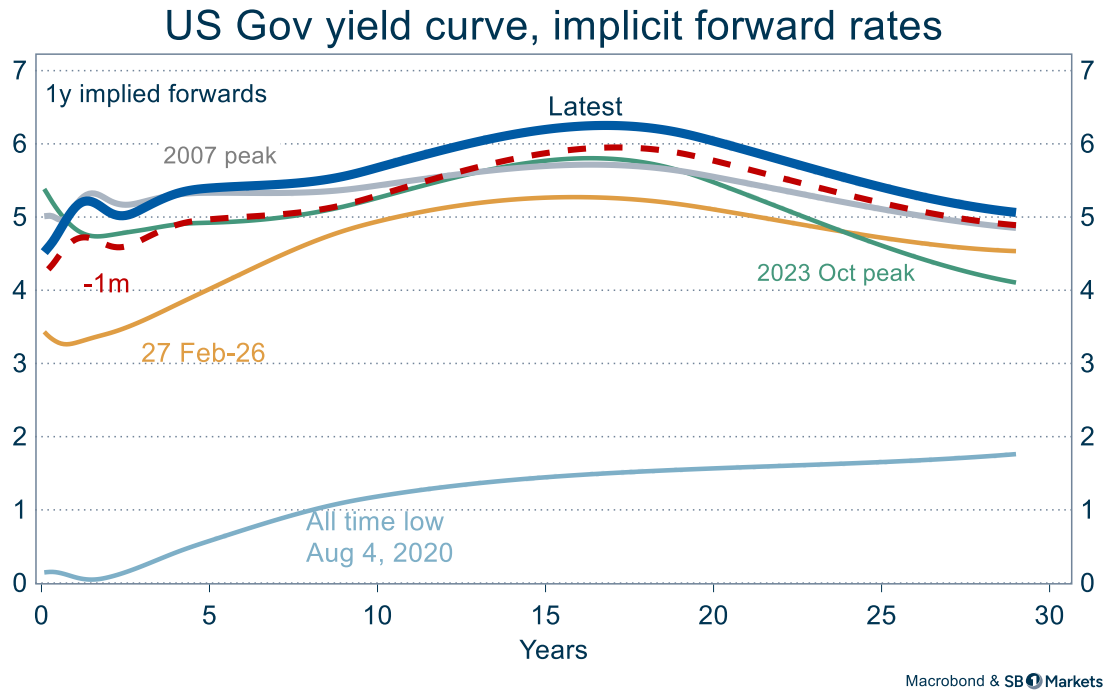
Yes, bond yields are climbing but not in a spectacular way, at least not yet





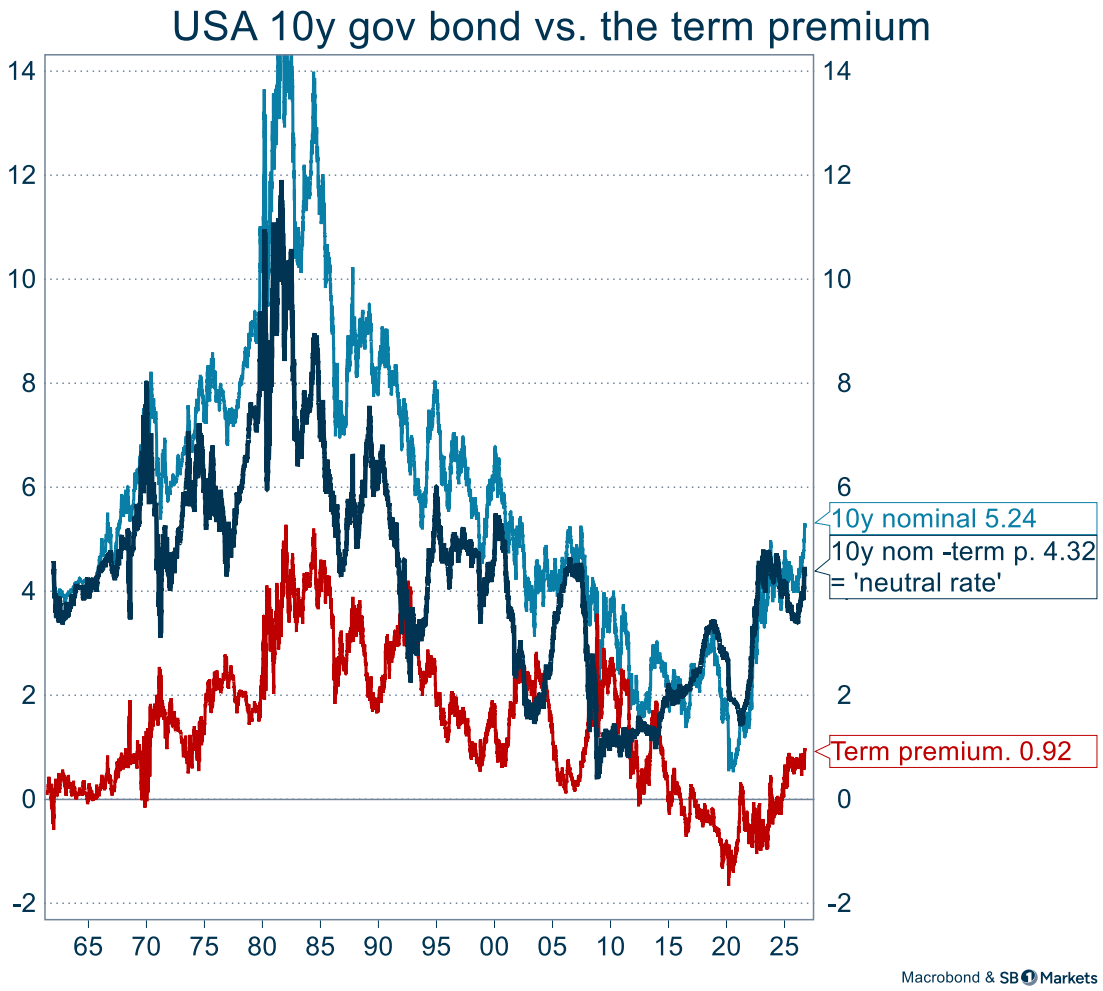
Almost all of the curve is higher than at the local peak in October 2023.





The US bond yield term premium slightly up in recent weeks, but it is still not high

The lift in bond yields in recent months is not due to a lift in the term premium but *expectations of a higher 'normal' Fed funds rate. The past 3 weeks, the term premium has moved upward, and reached the highest level since 2024. Even so, the initial conclusion stands, it's not the term p.*



- **The term premium:** The excess yield that investors require to hold a long-term bond instead of a series of shorter-term bonds

  The actual 10y nominal bond yield
  – the 10y term premium
  = expected short-term rates over the next 10 years
  (the blue lines on the charts on this page)

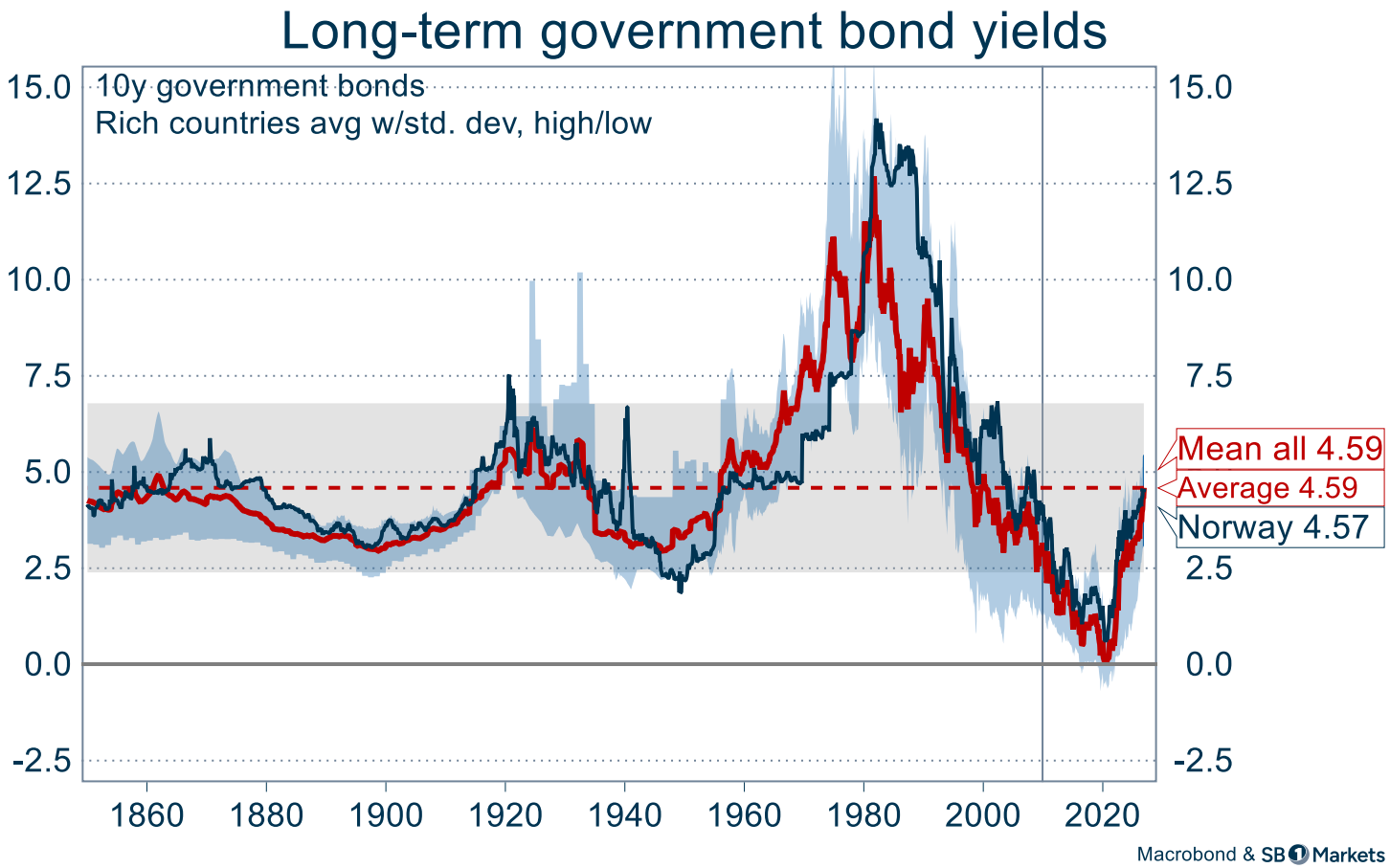
- There is no precise way to estimate the term premium. Here we present the estimate from the **Fed's ACM model.**

- We are somewhat sceptical as to whether this or other term premium models really deliver what they claim to.
  - The term premium is basically **just a function of the short and long end of the curve**. Thus, expected future short-term rates are just a function of the current short- and long-term yield.
  - Still, the term premium is probably a relevant indicator when interpreting the implication of changes in long-term bond yields. The current level does not signal any stress in the bond market. In addition, inflation expectations are flat, the asset swap spread has not widened by much and CDS premia are stable. .



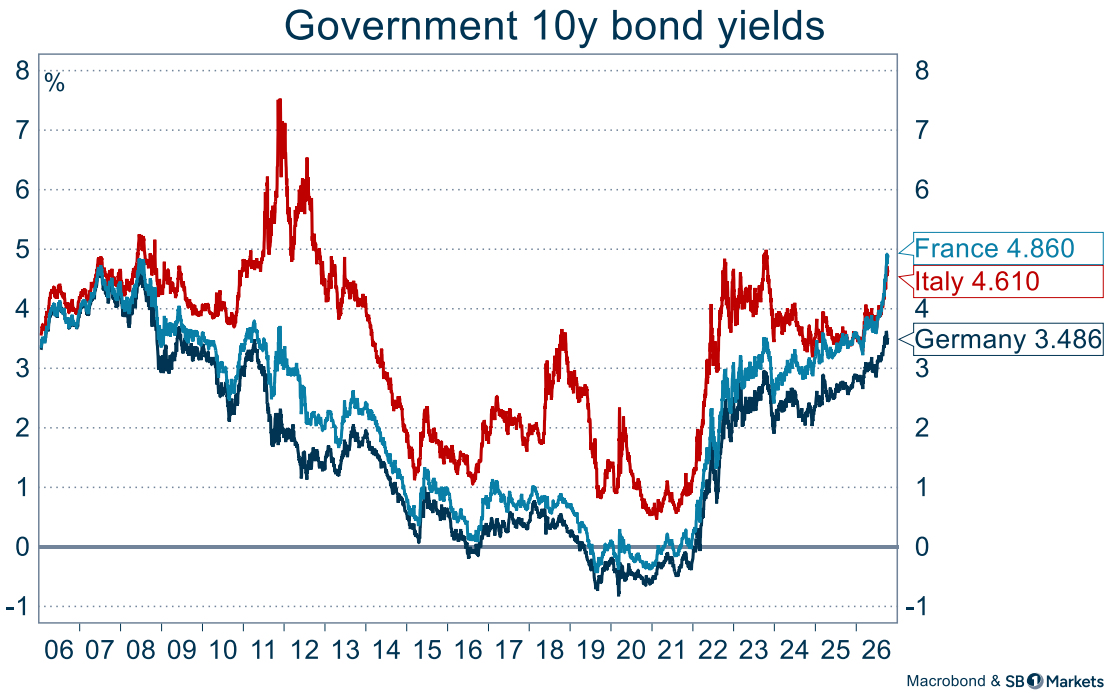
DM: Current 10y bond yields are spot on an historical average. Check the chart ☺

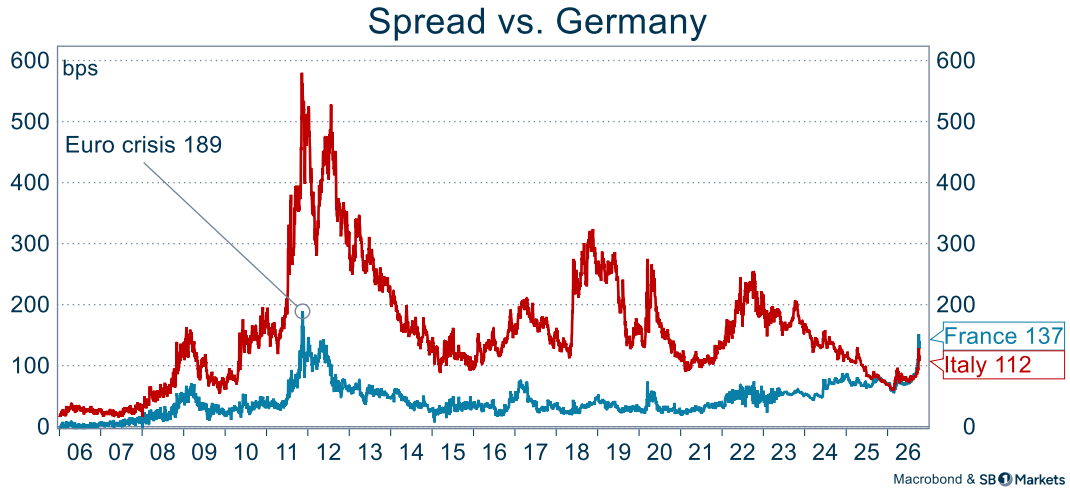
And the NOK bond rate is pretty close to the average of rates abroad, as usual

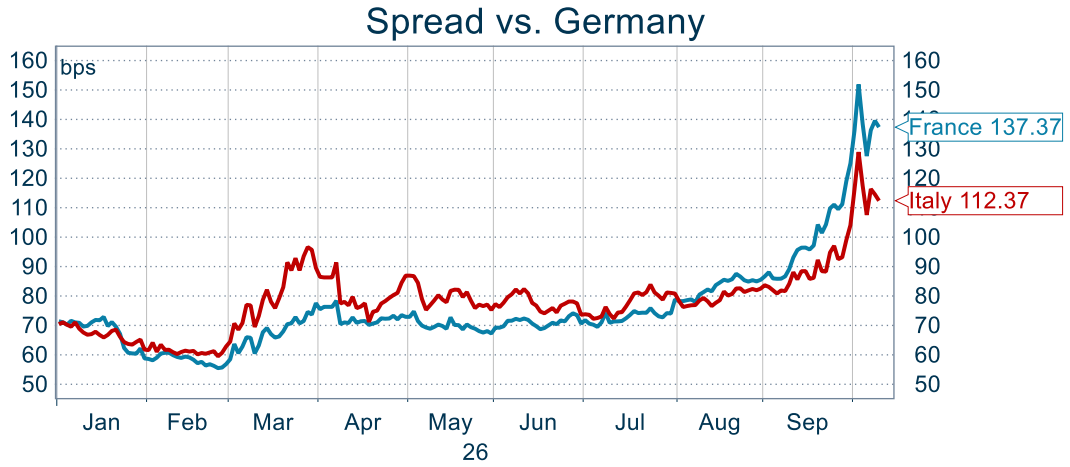


Something ~~is~~ may by rotten in the Republic of France. And in the Italian Republic as well?

Markets calmed down last week, but EMU bond spreads remain far higher than normal, especially the French spread

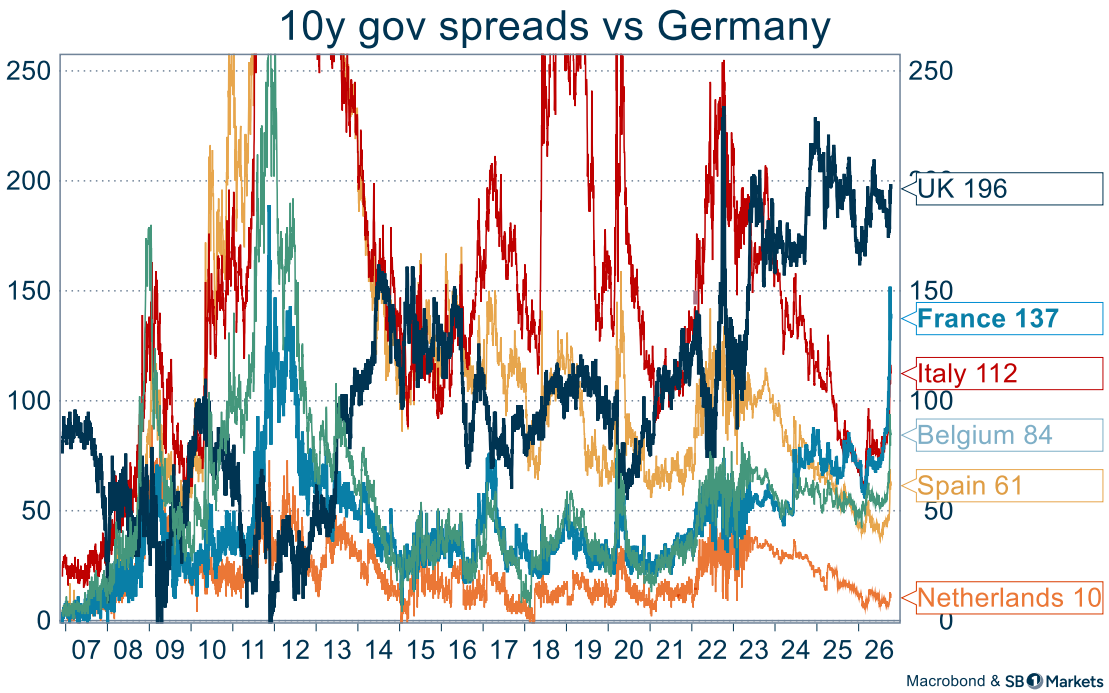


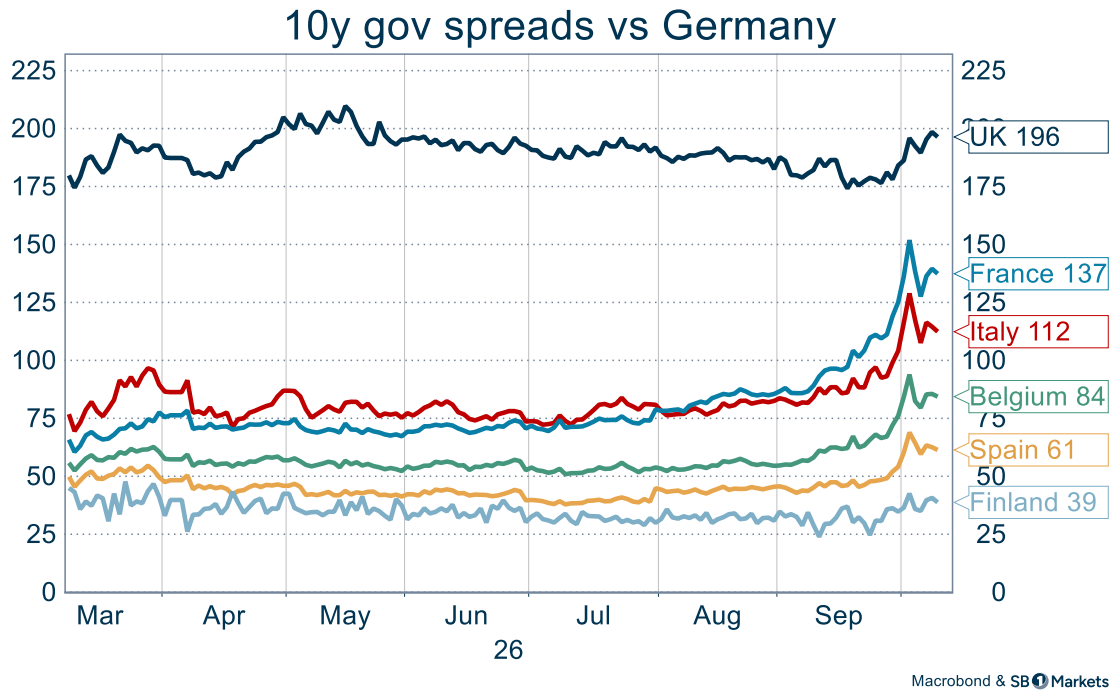




- **The spreads between French and German government 10y bonds** shot up by 42 bps last week, to 152 bps. This spread is the highest ever, barring two weeks at the peak of the Euro crisis in November 2011.
- A 'normal' spread has been less than 50 bps and widened to some 75 bps in March – and recently a doubling.
- The recent spread widening is more than worrying, given the fragile French public finances and a challenging political situation, to put it mildly.
- The Italian spread rose 36 bps to 129 bps, still a modest level, according to local standards, check the upper right chart.

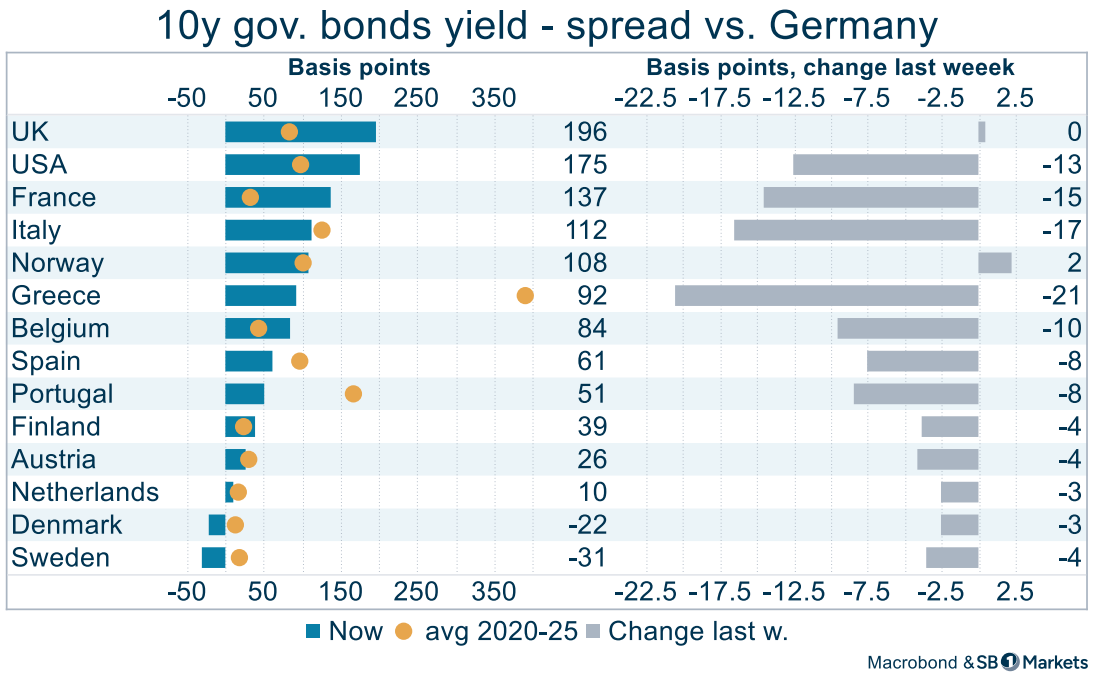
The other EMU 10y sovereigns: All spreads are up in recent weeks, but narrowed last week





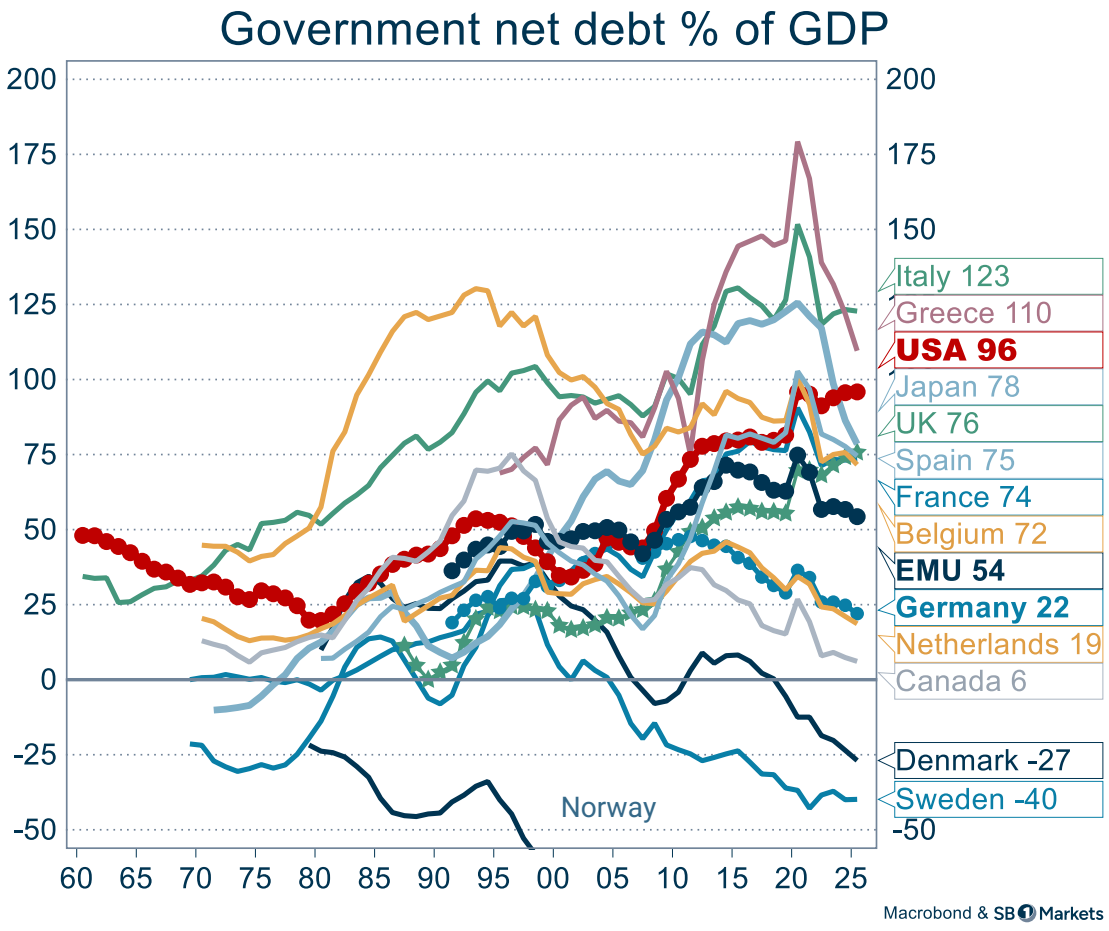
10y government bond spreads vs. Germany narrowed last week

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

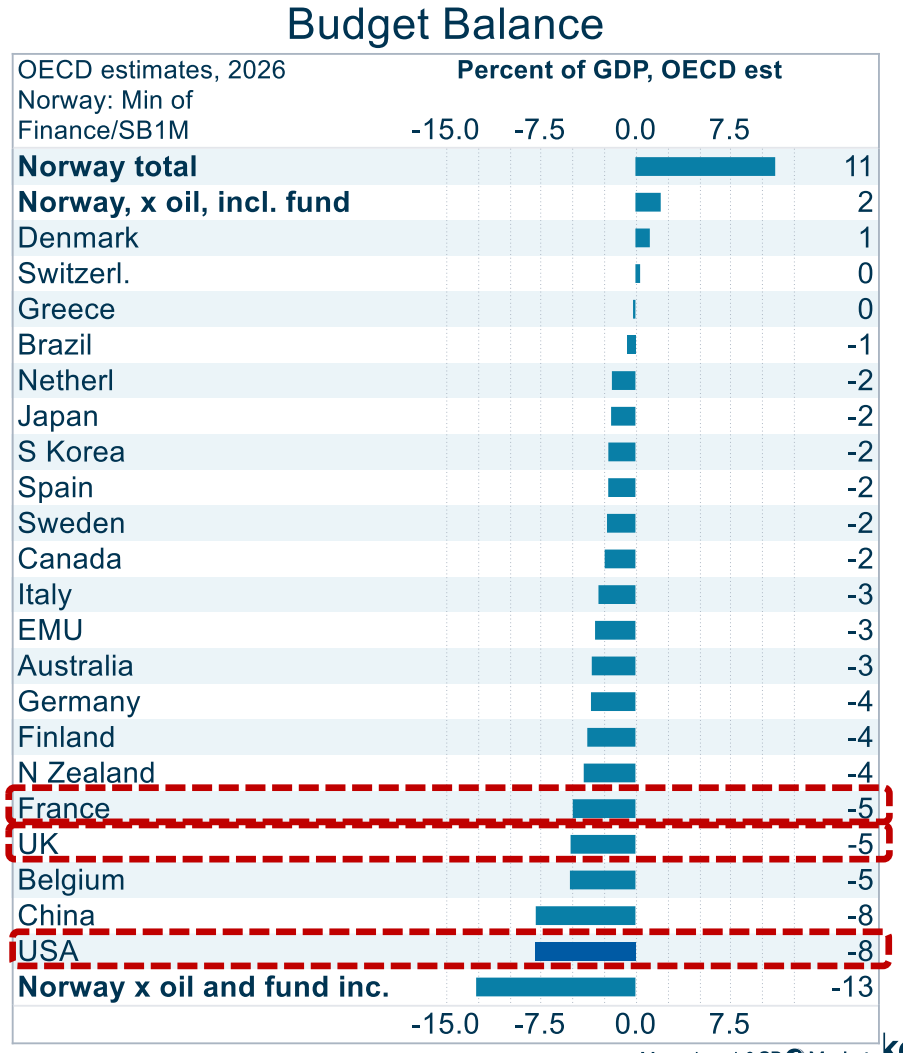


Some countries surely have some deficit and debt challenges

USA, UK and France. But not that bad elsewhere!



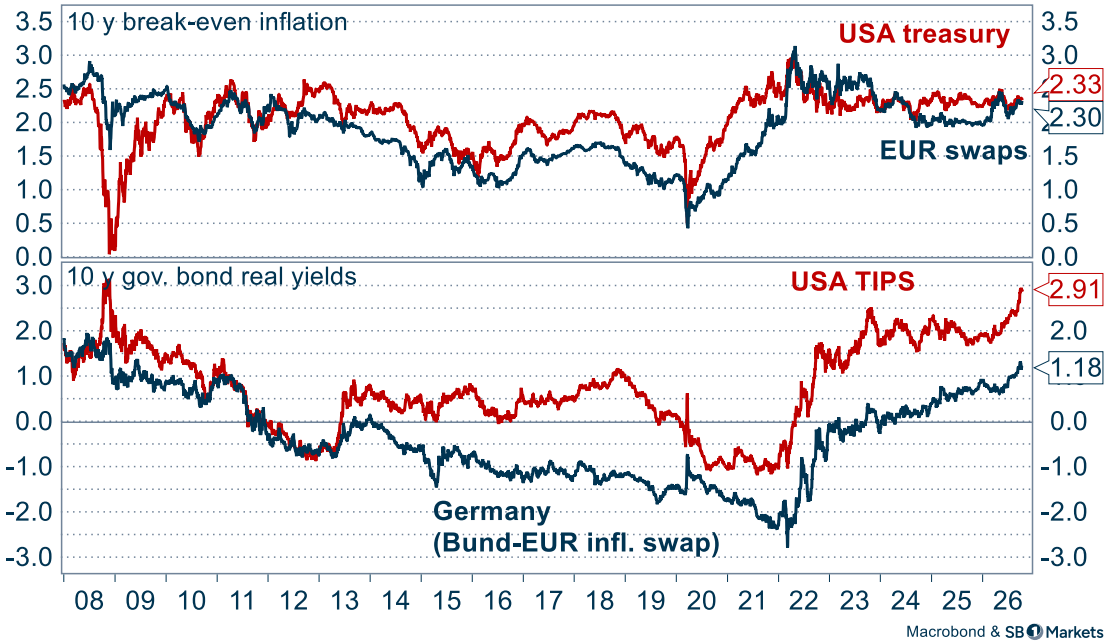
Norway -450

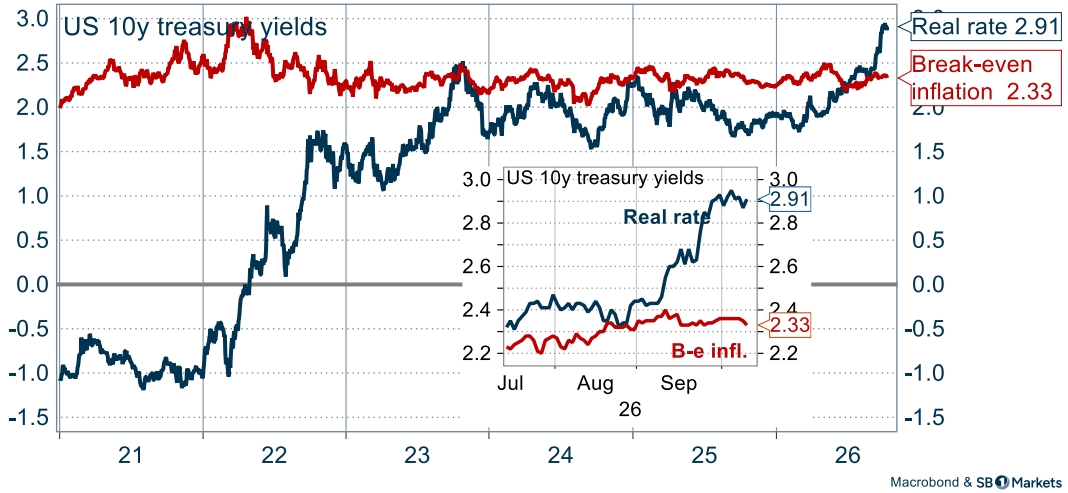


No changes in real rates/inflation expectations in the US. In Germany, both components up

A German real rate (10y gov. – the 10y EUR inflation swap) recovered some of the previous week's decline and is up last month, and the trend is steadily upwards. The US real rate has shot up 98 bps so far in 2026.

Real yields, break-even inflation





- The **US 10y break-even CPI inflation** at 2.33% is in line with the PCE target at 2.0% (PCE inflation is on average lower than inflation measured by the CPI, if not now).
- **10y EUR inflation expectations** (inflation swap) at 2.30% are slightly on the high side, and it is up from 2.00% in early 2026, before the conflict in the Gulf started.

US, Germany real rates, inflation expectations

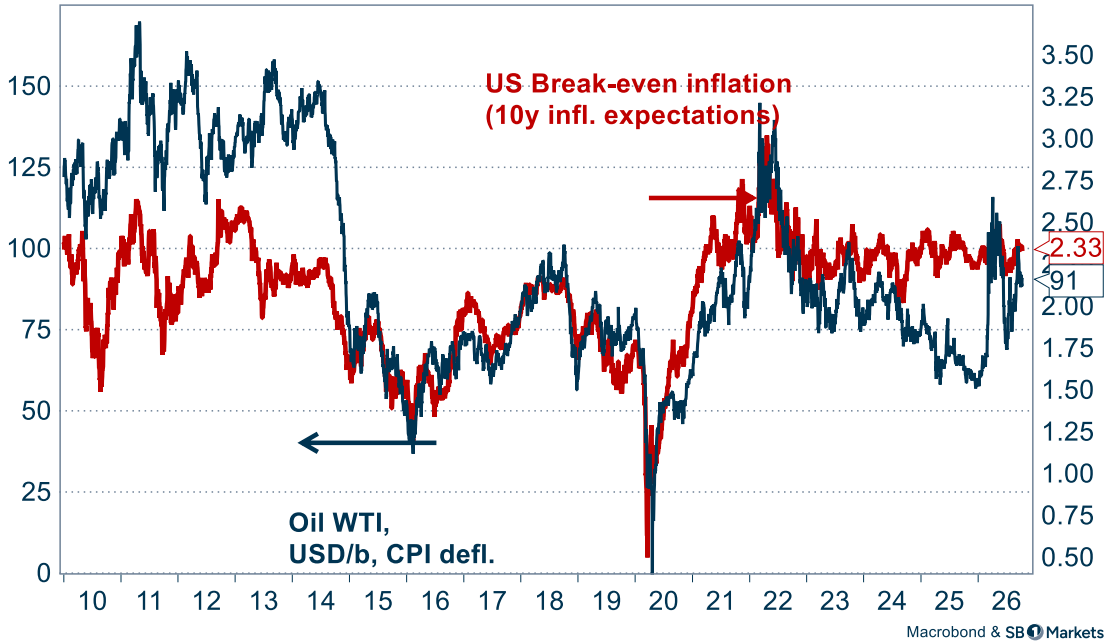
	Yield	Change 1w	Change 1m	YTD	Min since April-20
USA nominal treasury	5.24	-0.04	0.41	1.06	0.52
.. break-even inflation	2.33	-0.03	-0.04	0.08	1.06
.. TIPS real rate	2.91	-0.01	0.45	0.98	-1.19
Germany 10y gov, bund	3.49	0.09	0.06	0.64	-0.65
.. 10y EUR inflation swap	2.30	0.04	-0.01	0.35	0.68
.. real rate	1.18	0.05	0.07	0.30	-2.79

Macrobond & SB1 Markets

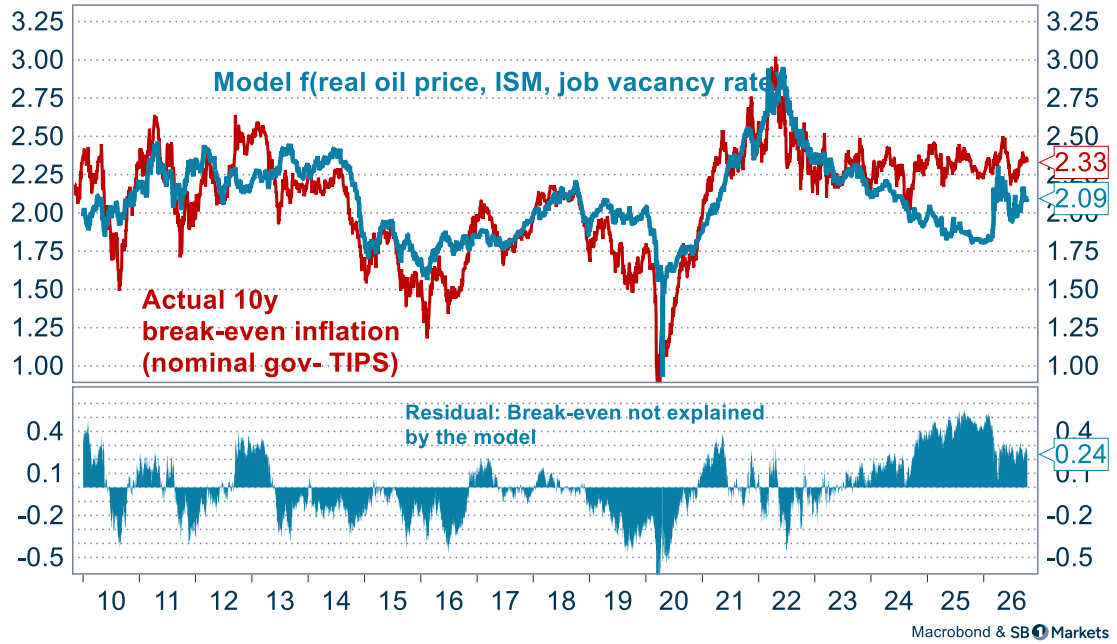
US inflation expectations are still correlated to the oil price

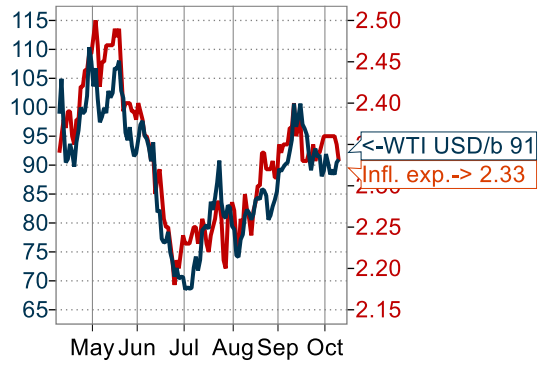
… but the impact has been less than normal during the recent oil turbulence.
Inflation expectations are still high vs. our model forecast but the residual has narrowed in 2026.

USA Inflation expectations vs. the oil price



USA Inflation expect. vs. oil & the cycle

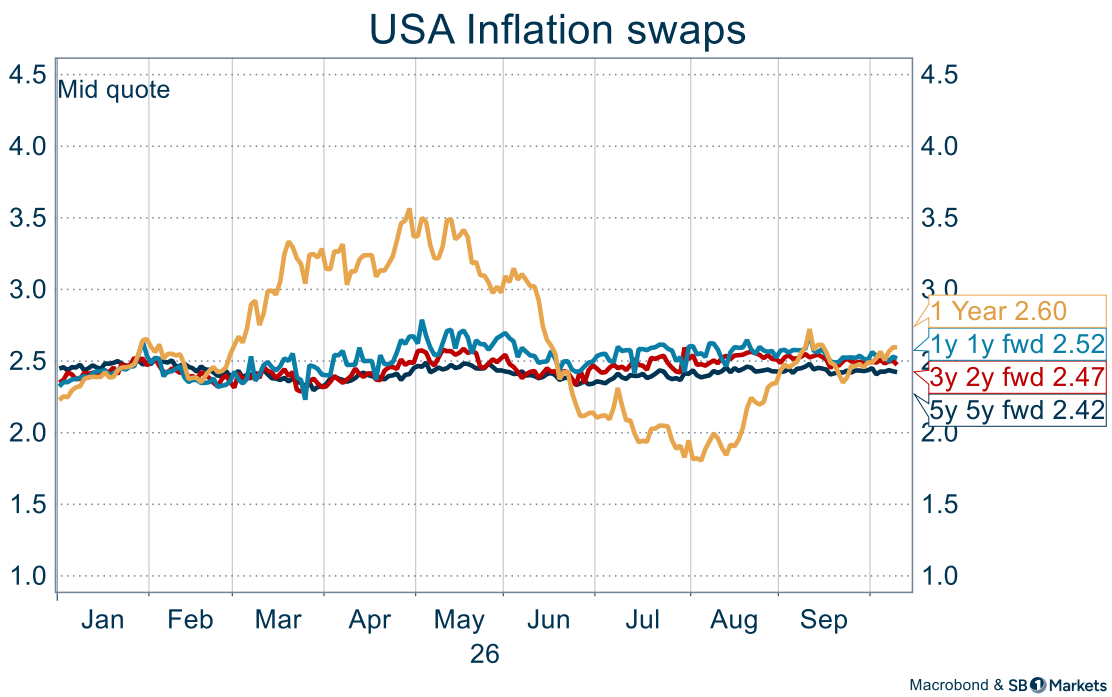


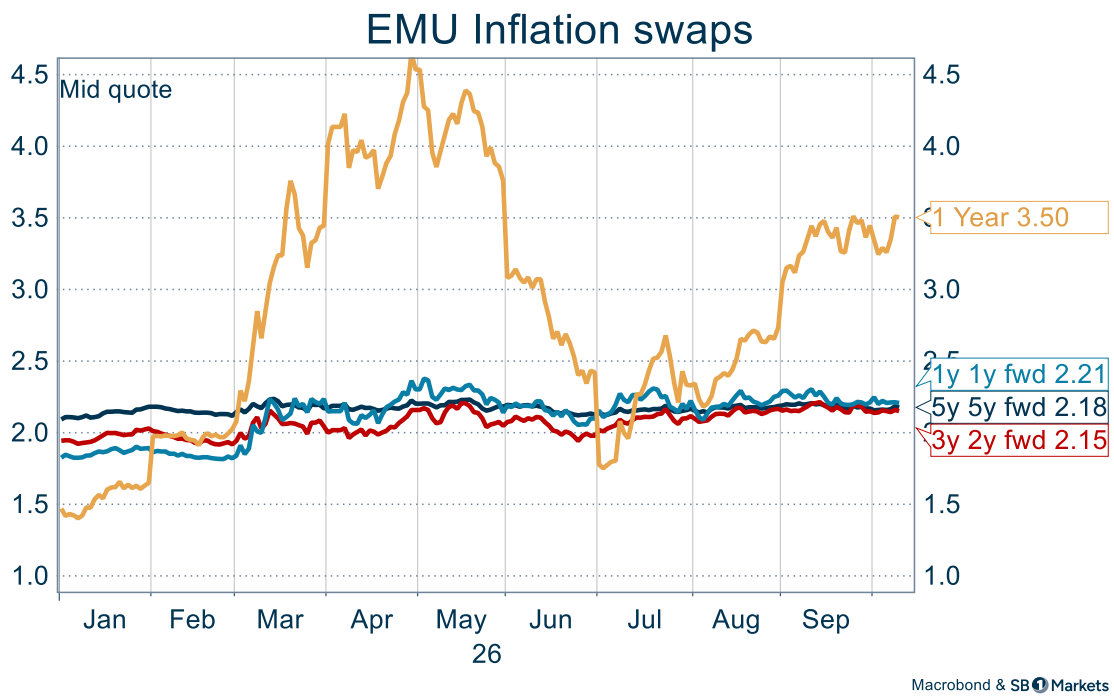


- The main determinant of **long-term inflation expectations** has been the current **spot (!) oil price**. If the current ISM and the current labour market are added, the model works even better.
- Our model's coefficients:
  - -10 USD/b: -10 bps (the dominant factor, check the upper left chart).
 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

1y EUR inflation expectations remain very high but no problem thereafter

In the US, inflation expectations are stable all over the curve.

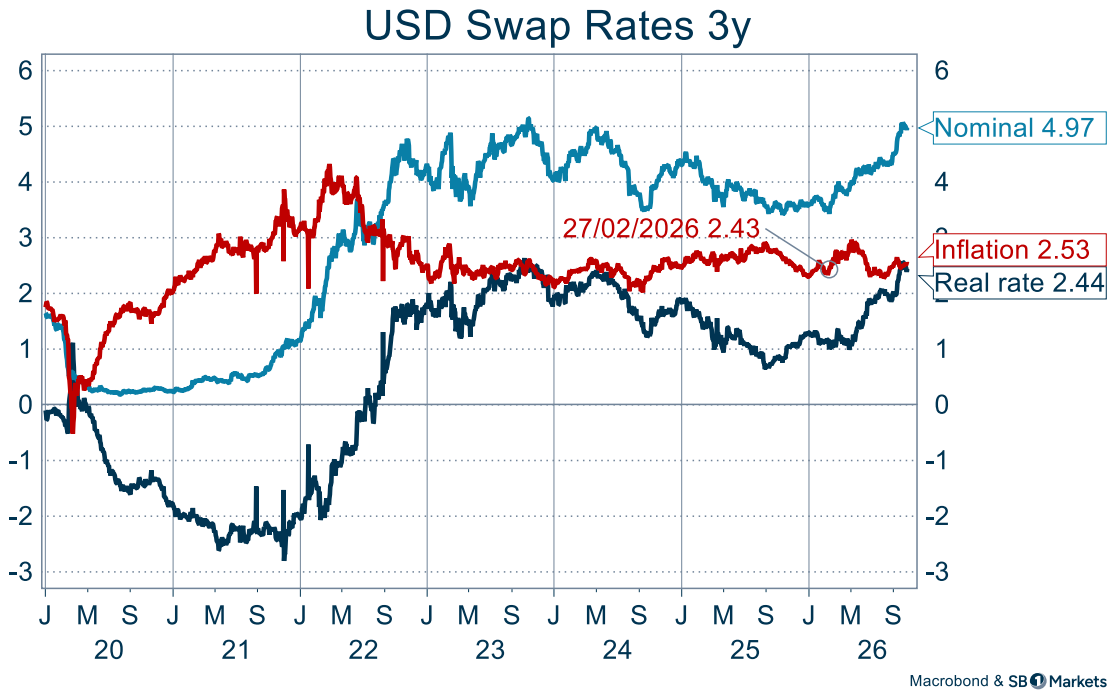


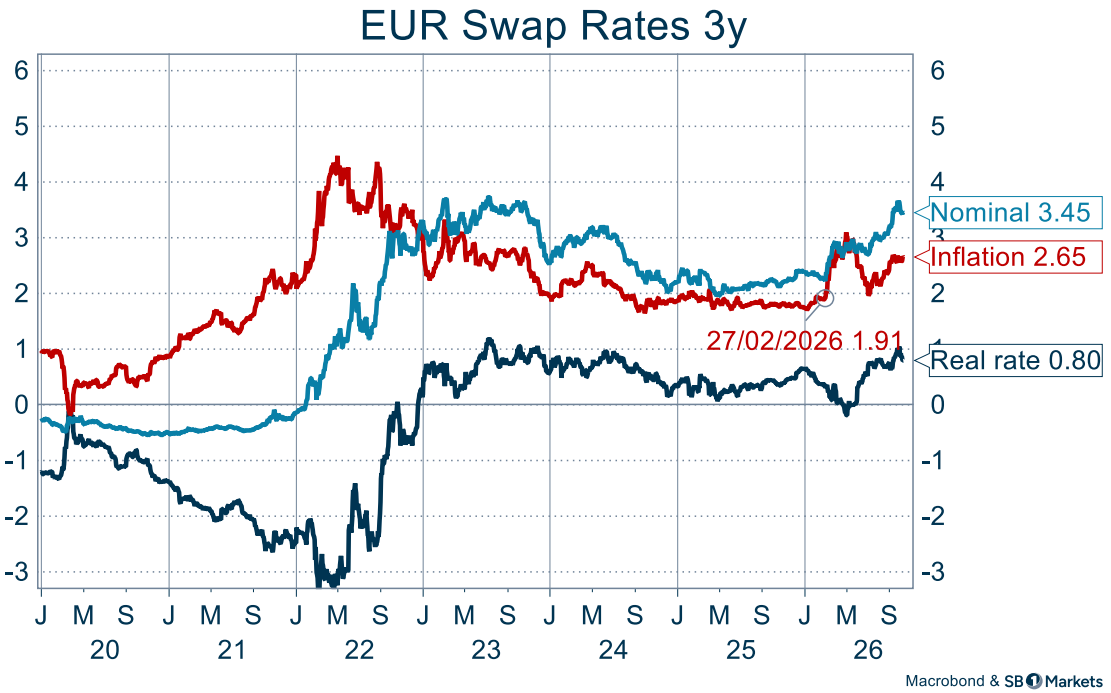


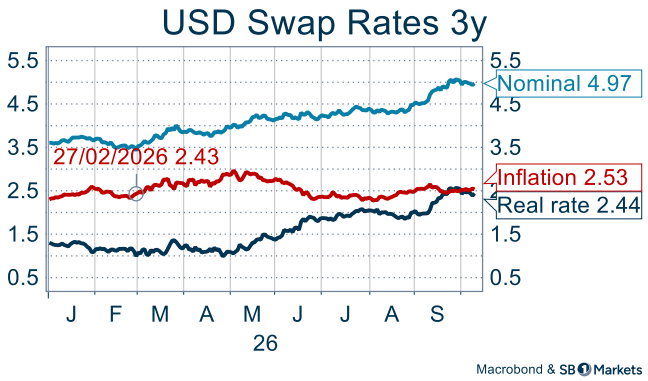
The 1y EUR inflation swap is heavily impacted by the base effect in the y/y HICP inflation rate. Thus, around the change of front month, the 1y expected inflation rate may shift substantially (check Jan/Feb and then May/June and June/July in the chart above to the right). Further out on the inflation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

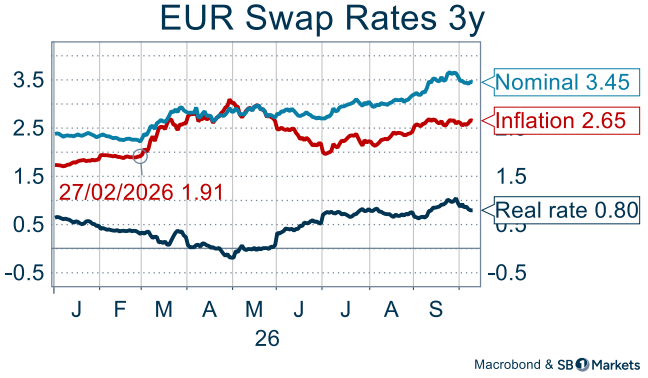
EUR short-term real rates fell last week but hardly visibly vs. the lift in previous months

EUR inflation expectations have flattened the last month. The USD short-term real rate has flattened the past 2 weeks, but the trend is straight up.



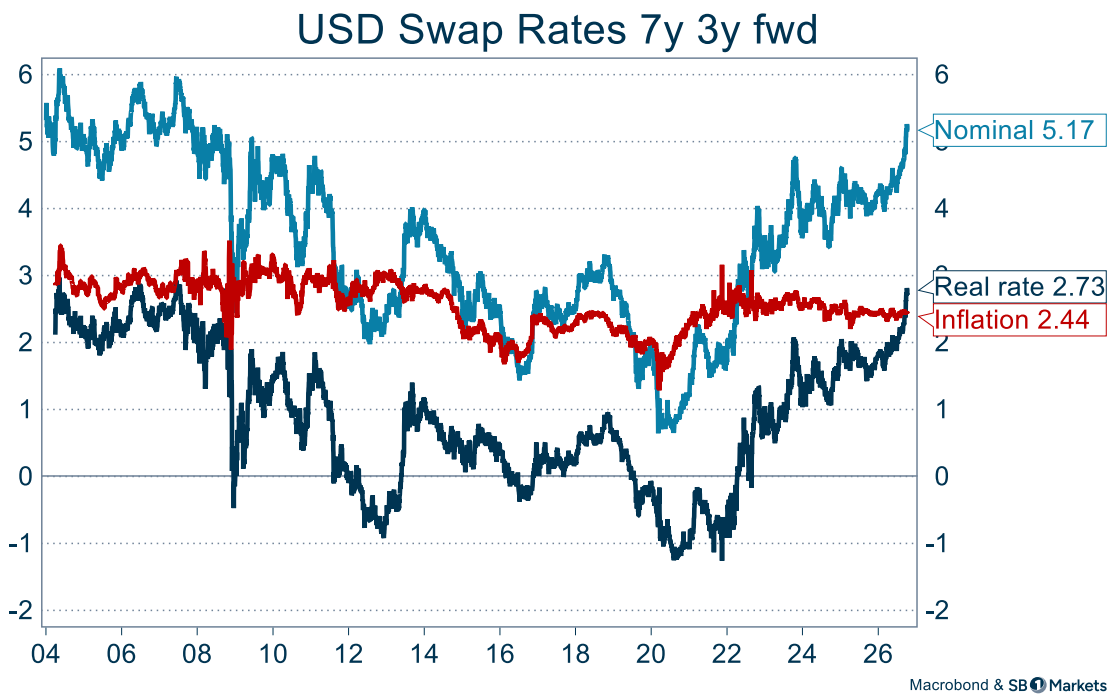


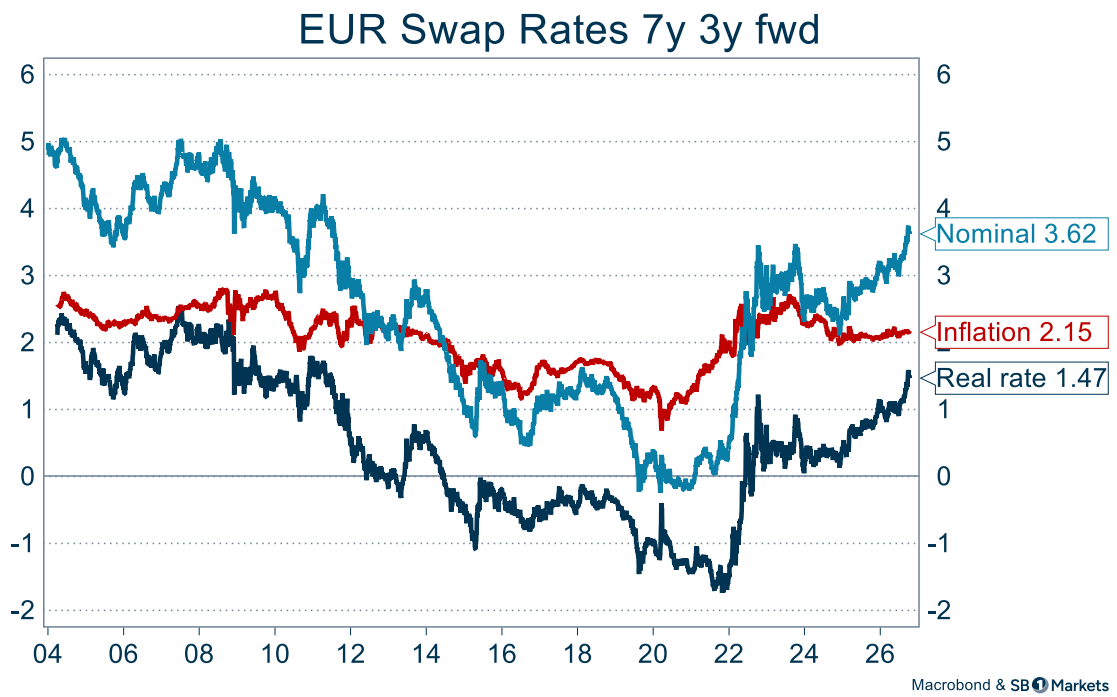


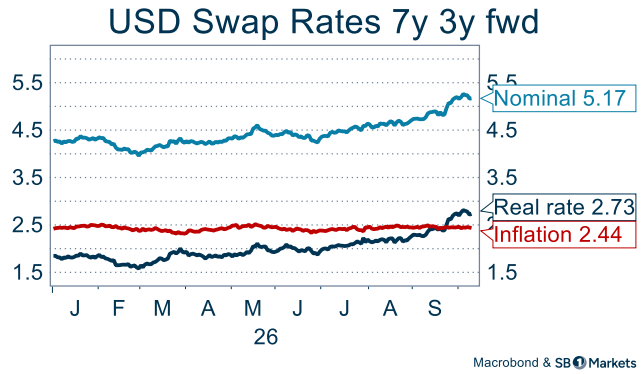


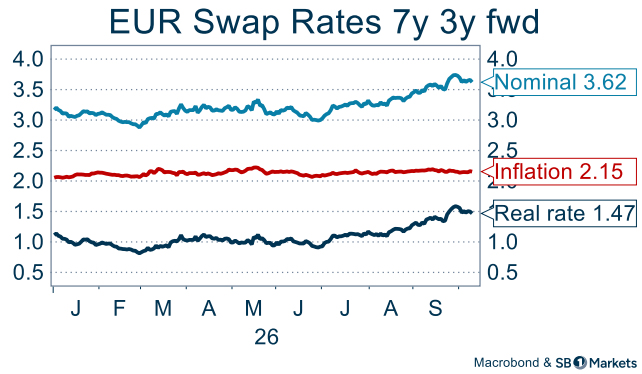
Stable longer-term EUR & USD inflation expectations and real rates

… following the surge in real rates since March (USD) and June (EUR)



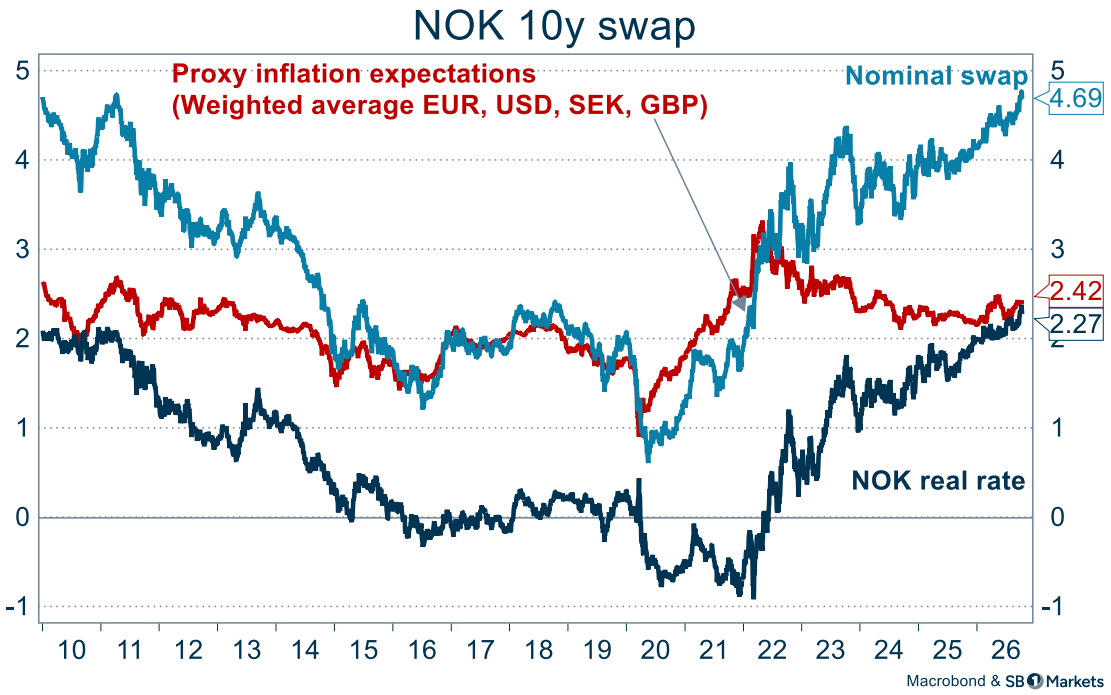


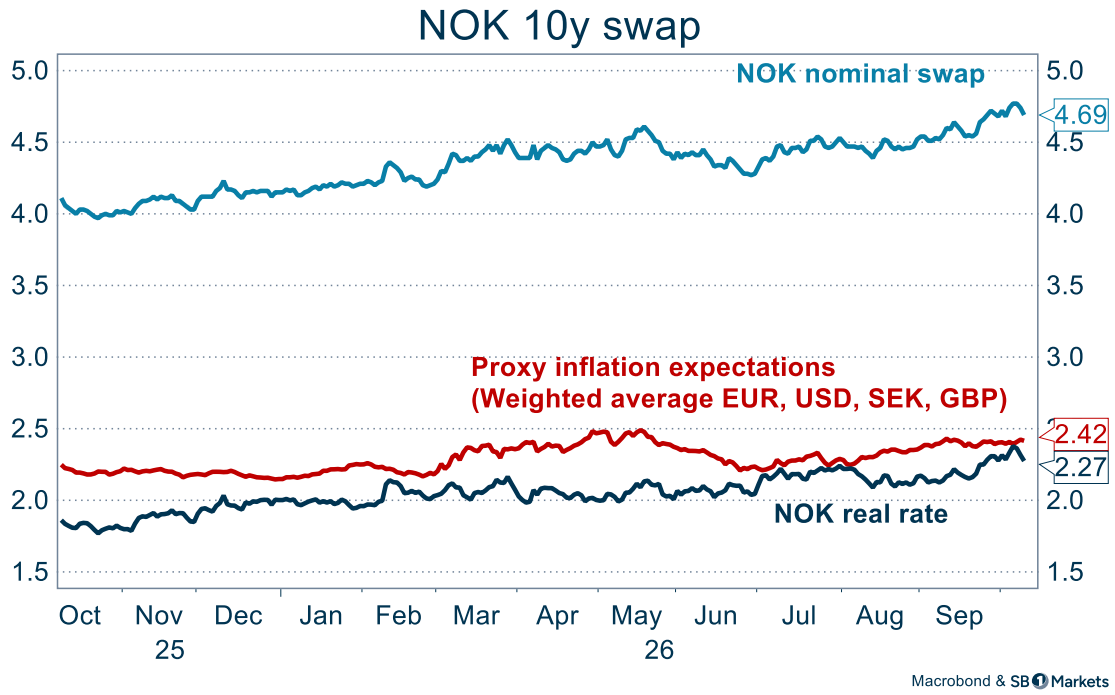




The 10-year NOK real rate is (probably) well above 2%

… 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.

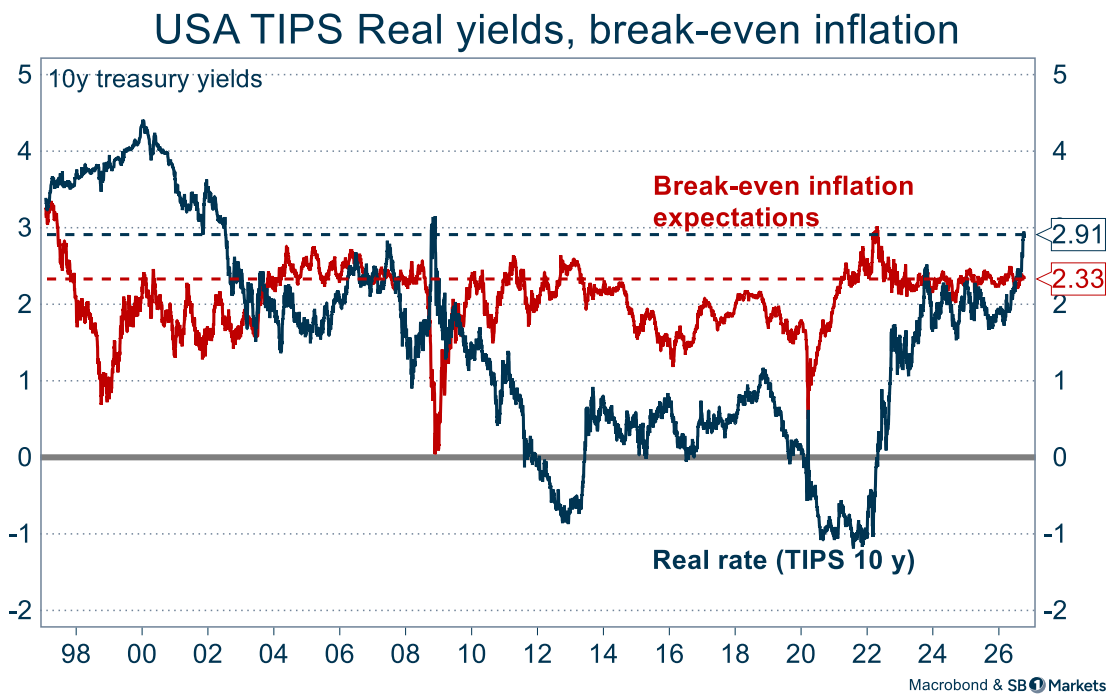


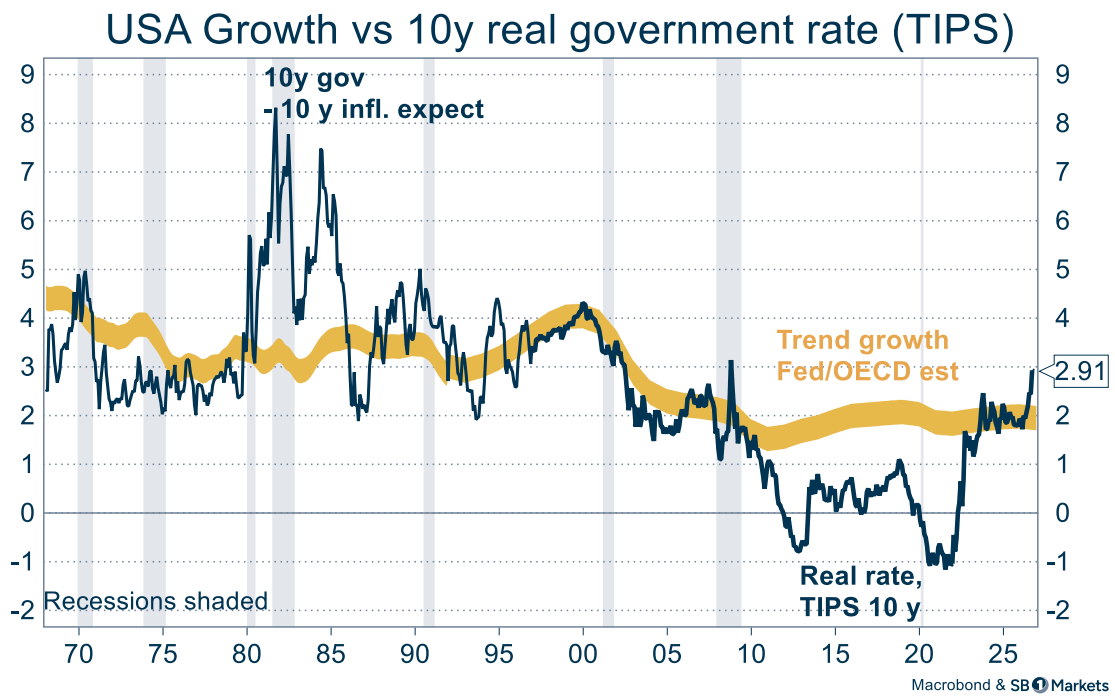


Memo: Our NOK inflation expectations proxy is a weighted average of EUR, SEK, GBP and USD inflation swaps, cross-checked vs. historical inflation differentials and survey-based expectations. The impact of NOK depreciation is not included in the calculation.

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

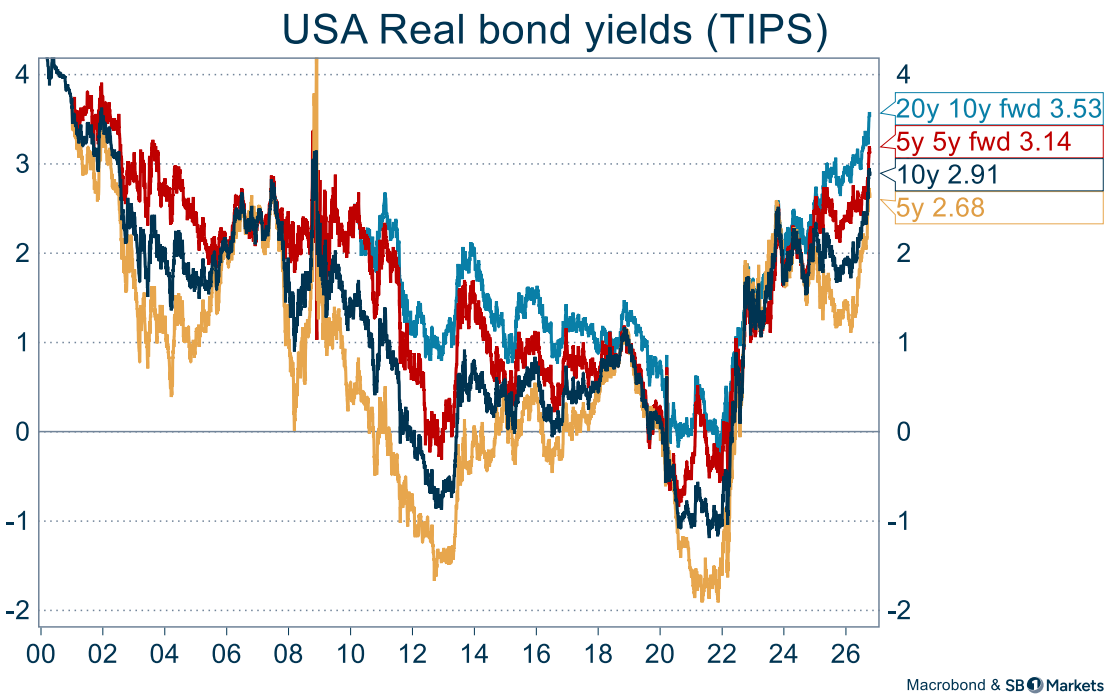
We would NOT bet on a substantial lift from here, unless a ‘Truss moment’ comes along – or there are strong indications that long-term growth will accelerate significantly (like from AI). In an economic downturn: lower long-term real rates are likely. Inflation expectations are stable.

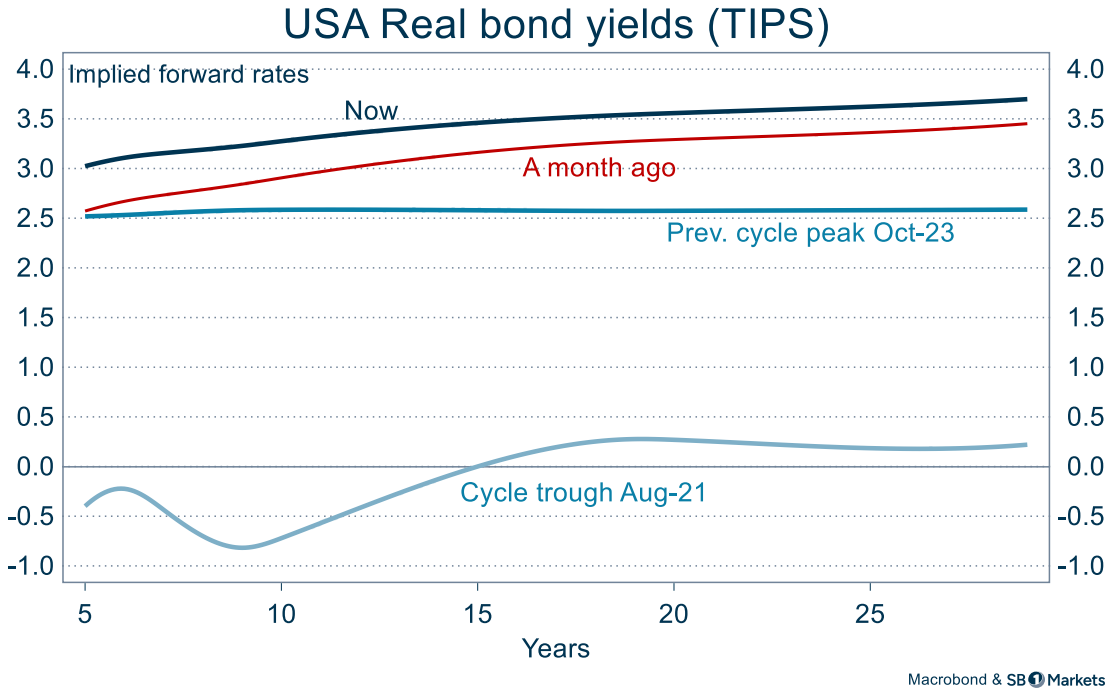


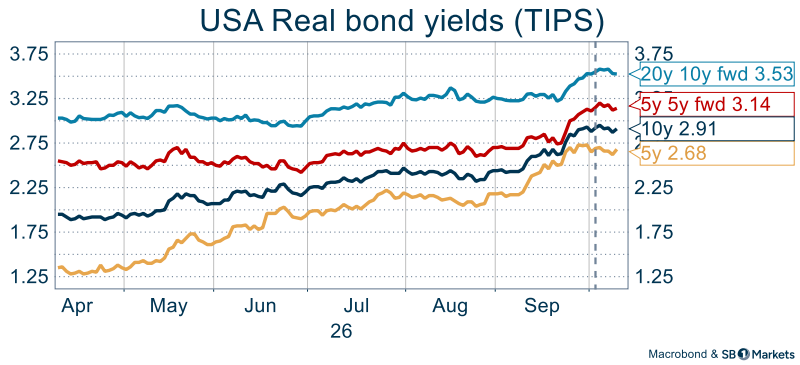


TIPS real yield curve: unchanged following a sharp increase

TIPS rates are the highest since a few days in 2008 (during the market turmoil in October that year) – and before that back to the 2002 level.

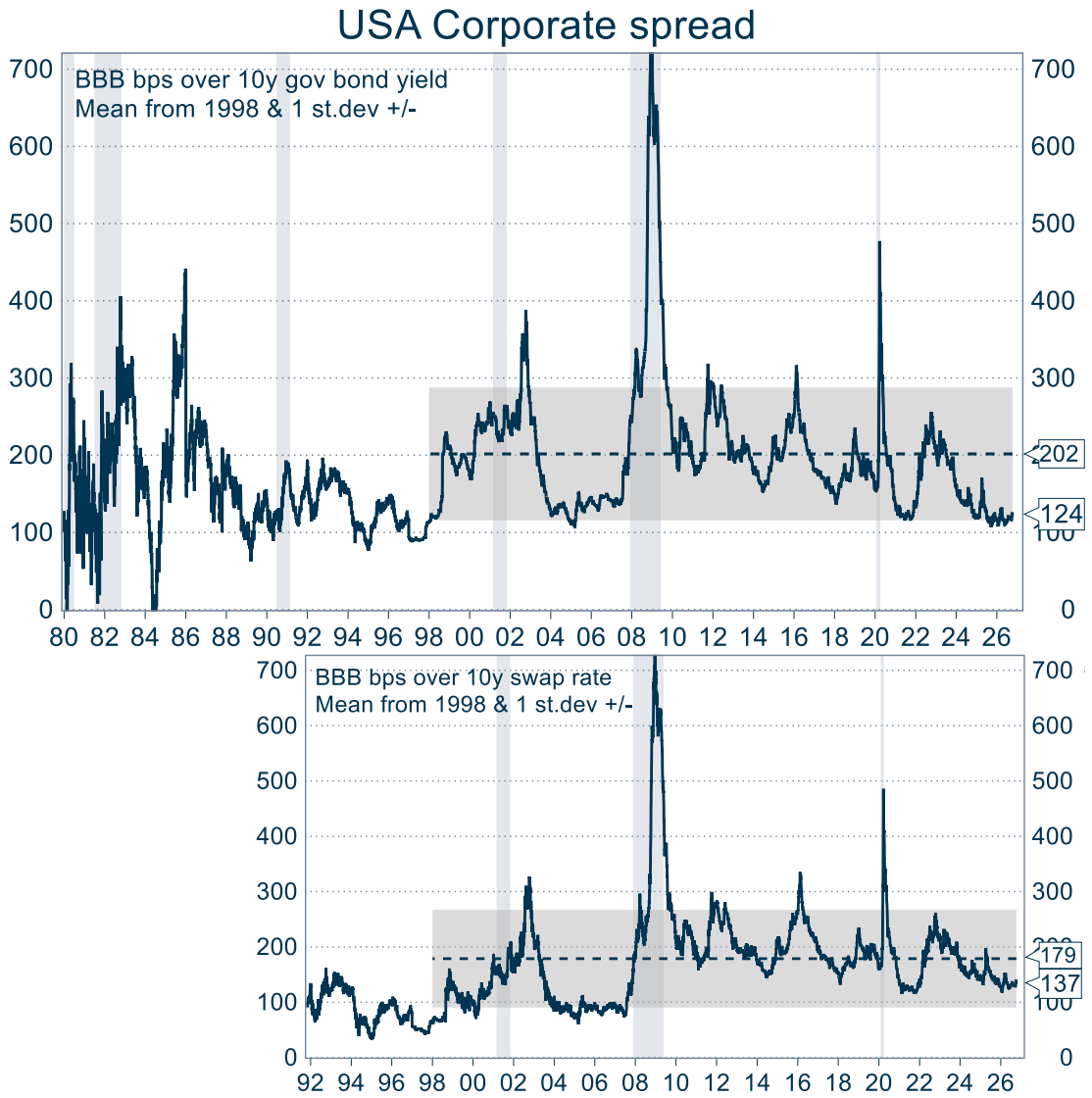




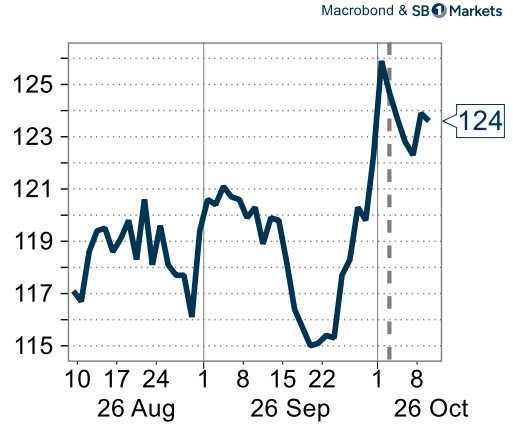


The US BBB corporate spread (vs. 10y gov.) down 1 bp to 124 bps

The trend the past year is flat, but it has widened some 25 bps since May. The level is anyway very low.

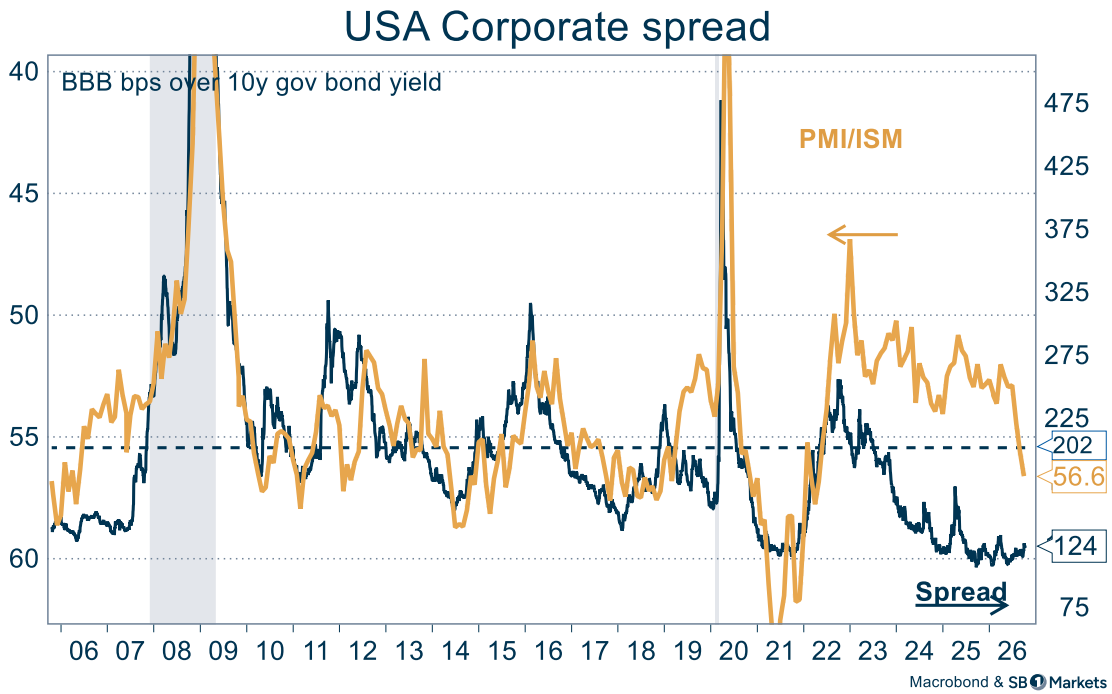


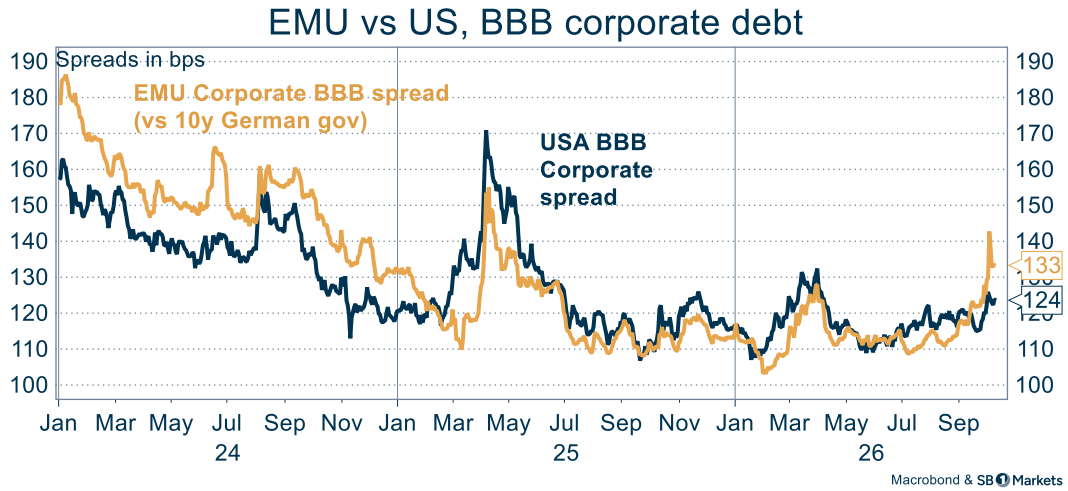


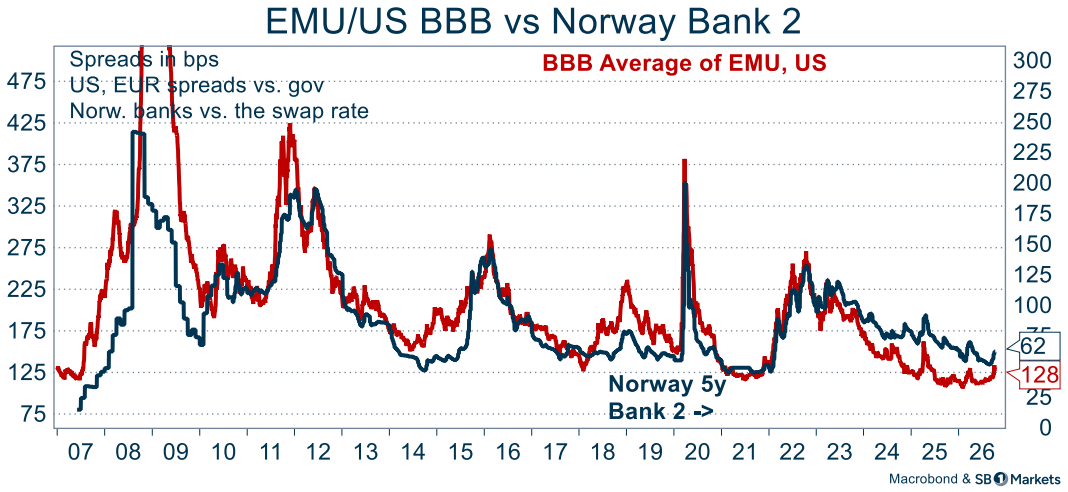


As the economy strengthened over the summer, spreads started to widen

The EMU corporate spread vs. the German government bond yield widened as the bond rate declined sharply (but not much vs. other Euro Area government bonds or vs. the EUR swap rate)



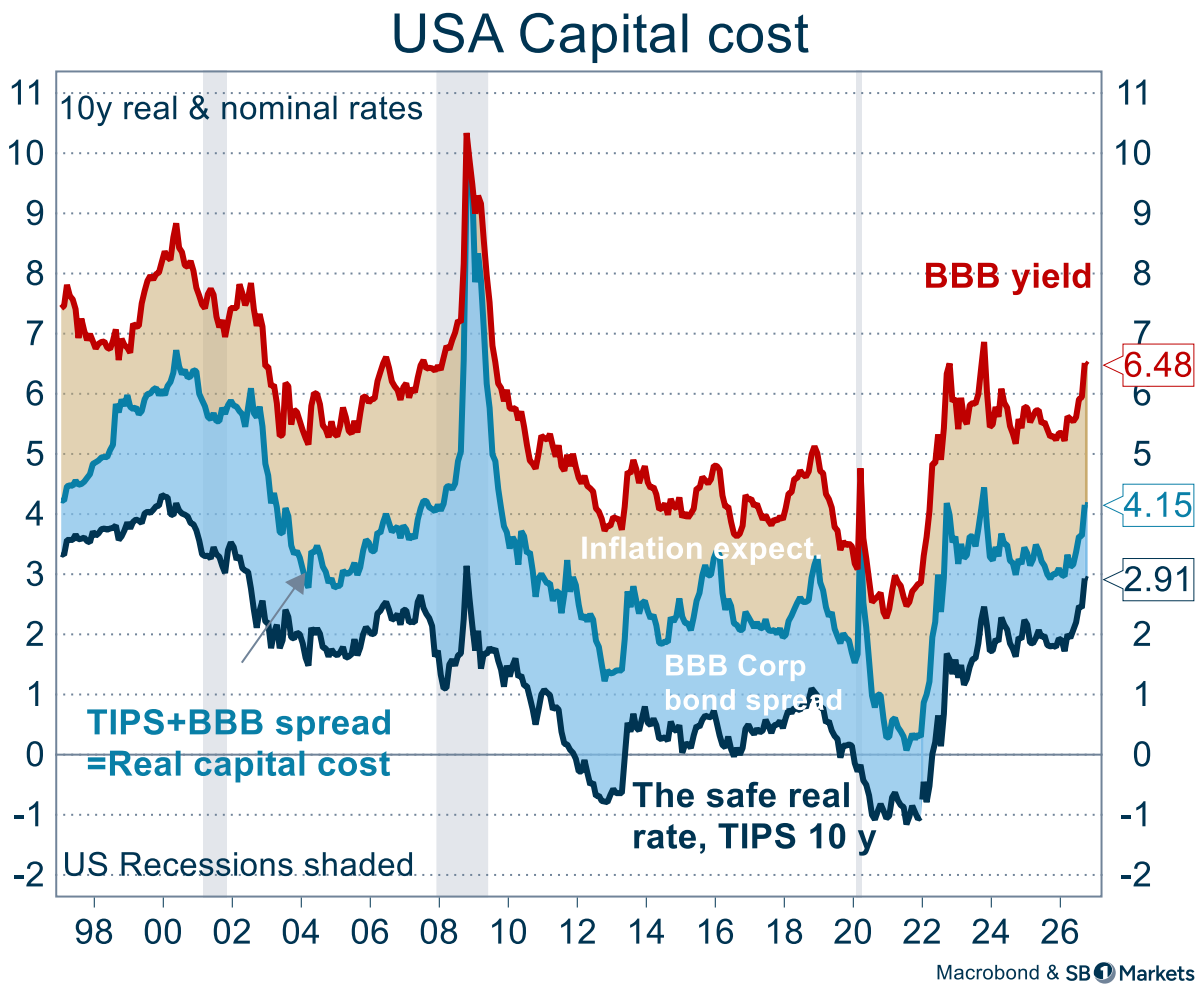




- The main Norwegian bank bond spread (bank 2, 5y senior) widened 2 more bps to 62 last week.

Corporate borrowing costs up 100+ bps in recent months, due to a higher TIPS real rate

The credit spread is close to unchanged, while inflation expectations trend flat.



- The total **real borrowing cost** for a US BBB investment-grade industrial corporation is at 4.15%, following the lift in the 10y TIPS recent weeks.
- Adding in inflation expectations, the nominal borrowing cost has increased in recent months, now to 6.48%, up more than 100 bps from February.
  - The 'all in' is still below the close to 7% at the local peak in 2023 – but up from the below 3% rate at the bottom in 2020/21.

SB 1 Markets

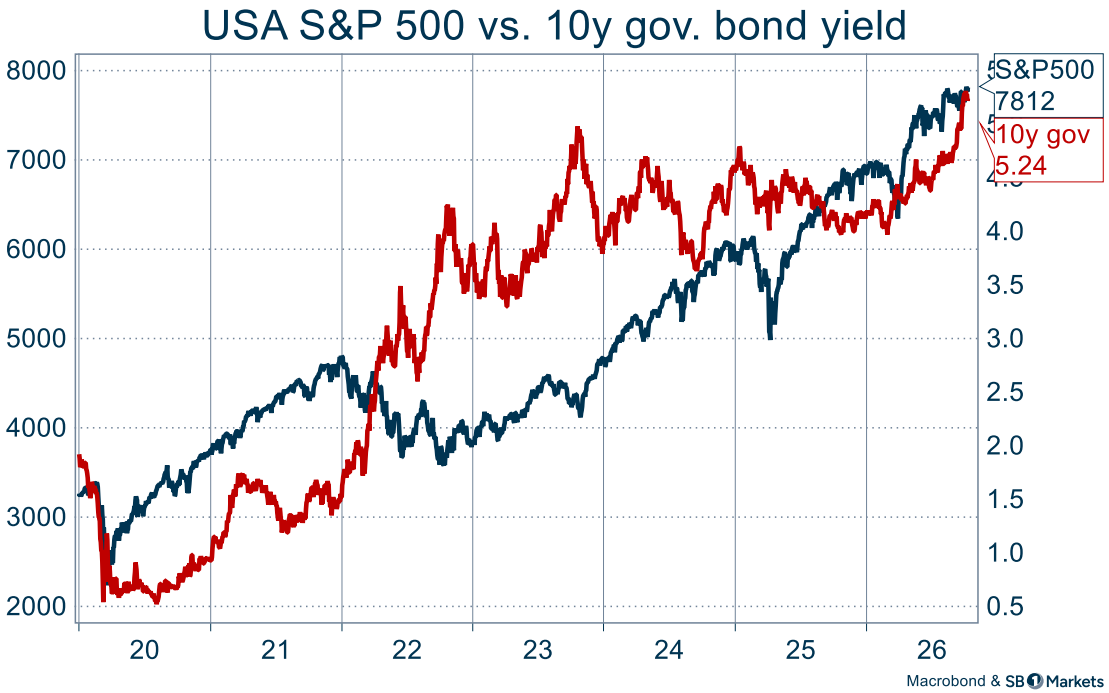


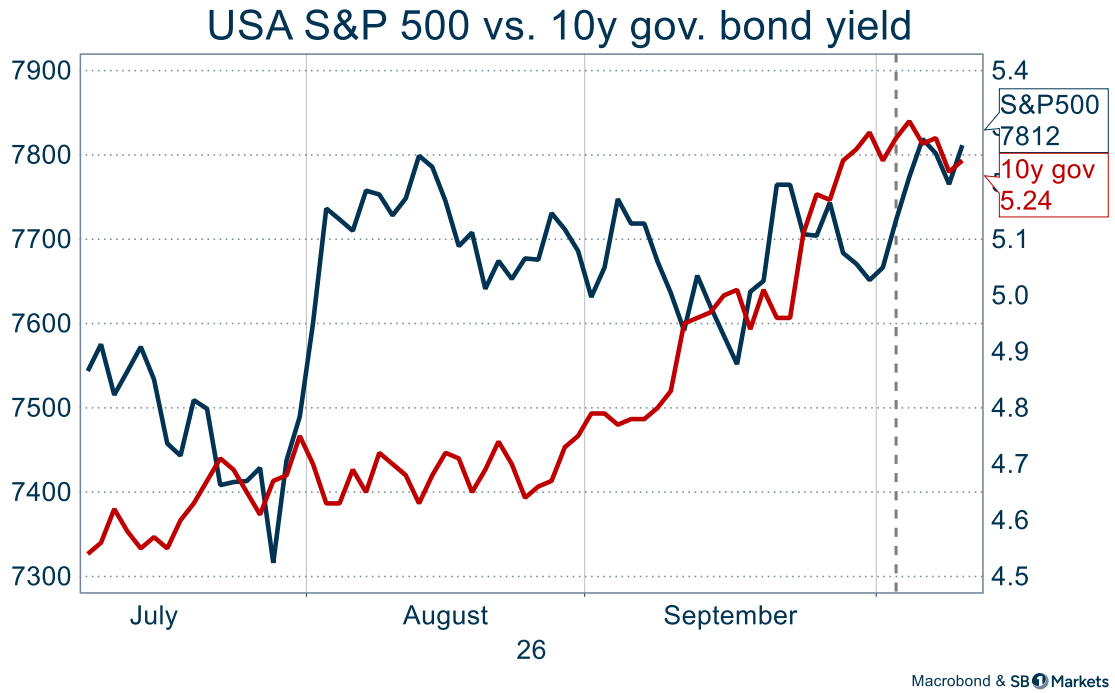
4.3 Equity markets

*Picture source: ChatGPT

S&P up 1.2% last week and recorded a new ATH (on Tuesday) as bond yields stabilised

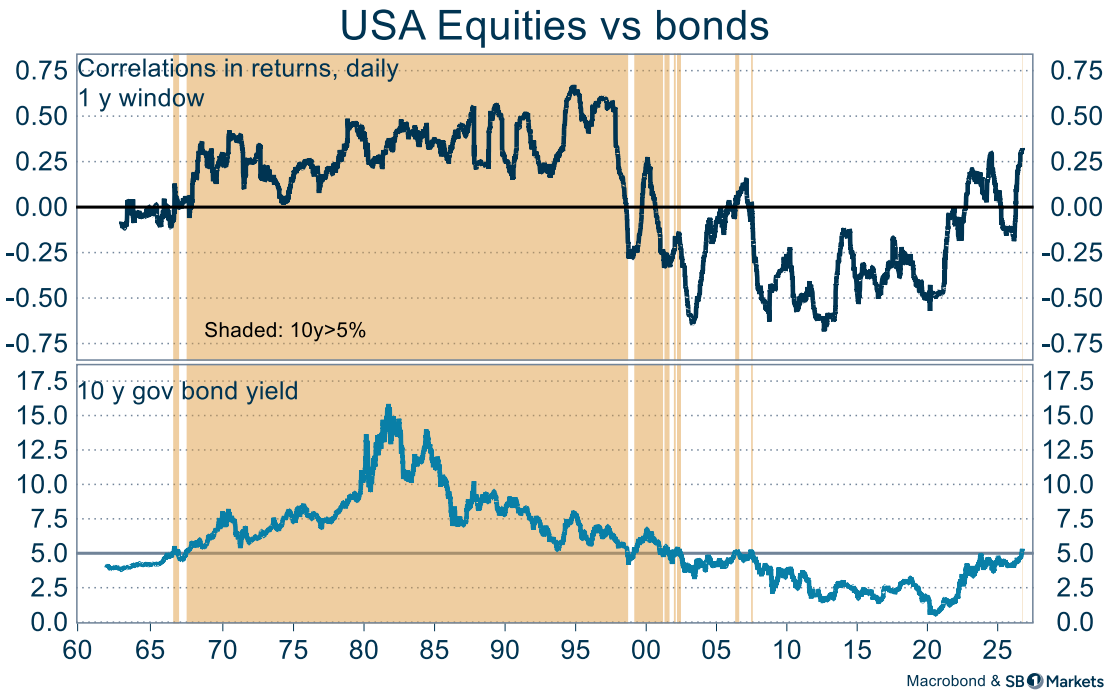
The 10y government bond yield declined 4 bps to 5.24%.

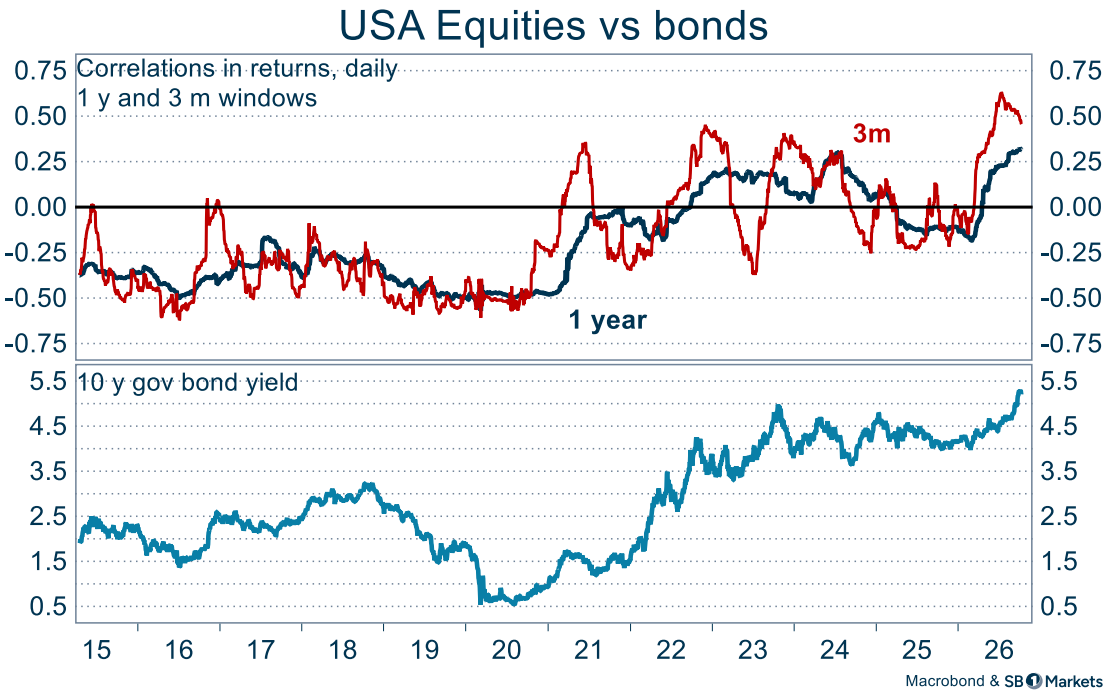




Equity–bond return correlation remains positive

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

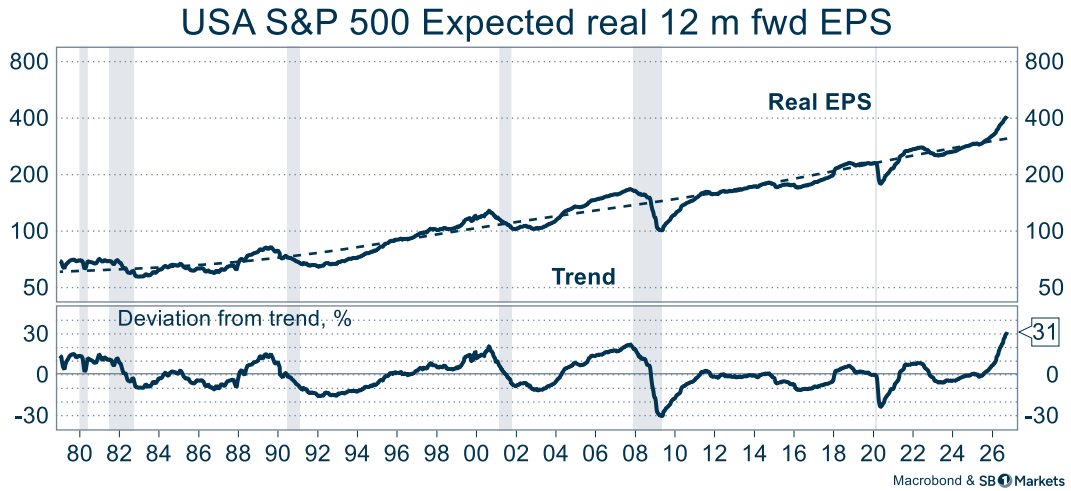


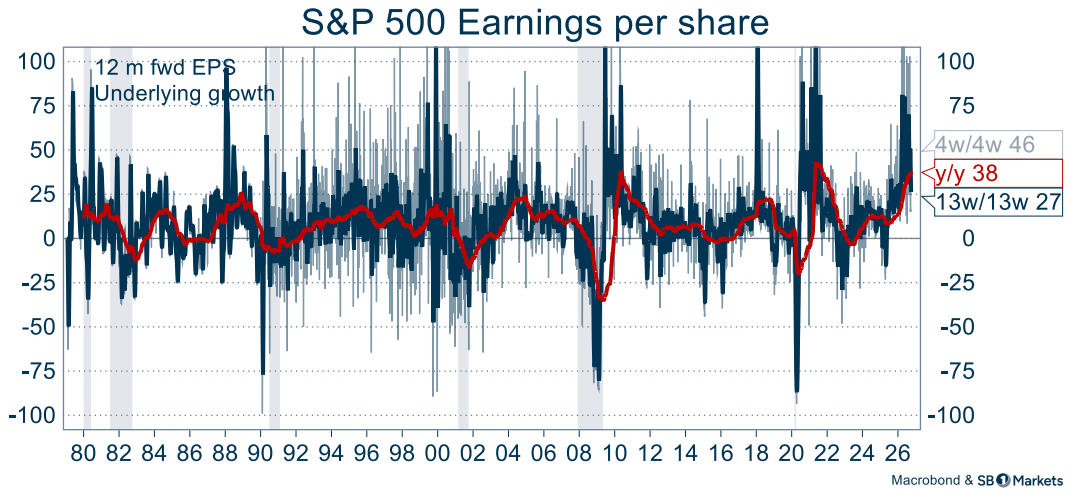


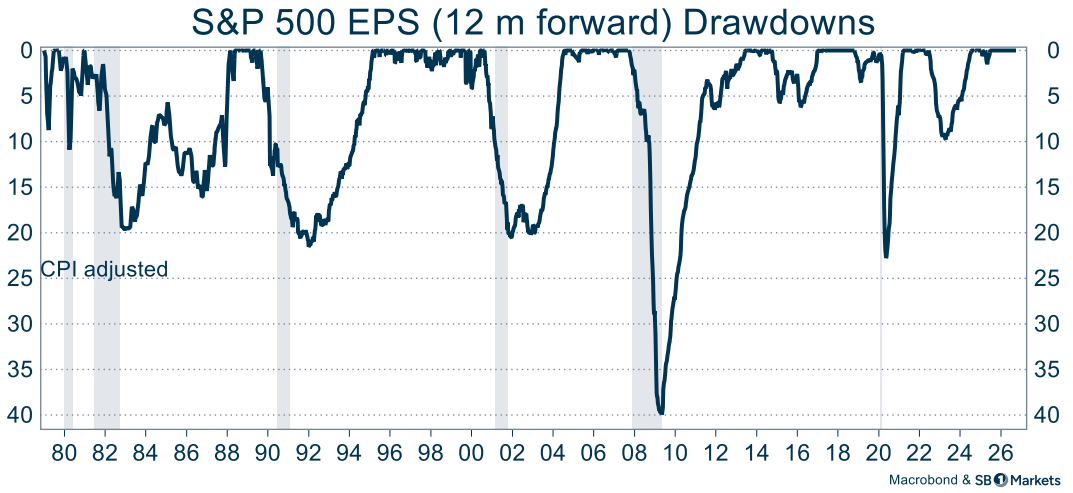
- **Inflation worries** normally lift government bond yields to a 'high' level and are normally not positive for equities: thus, a positive correlation (in returns).
- **Growth worries produce the opposite (negative) correlation in returns: lower yields and a weaker equity market.**
- **The threshold**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

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

The 12m fwd. expected (CPI-adjusted) S&P 500 EPS is 31% 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?*



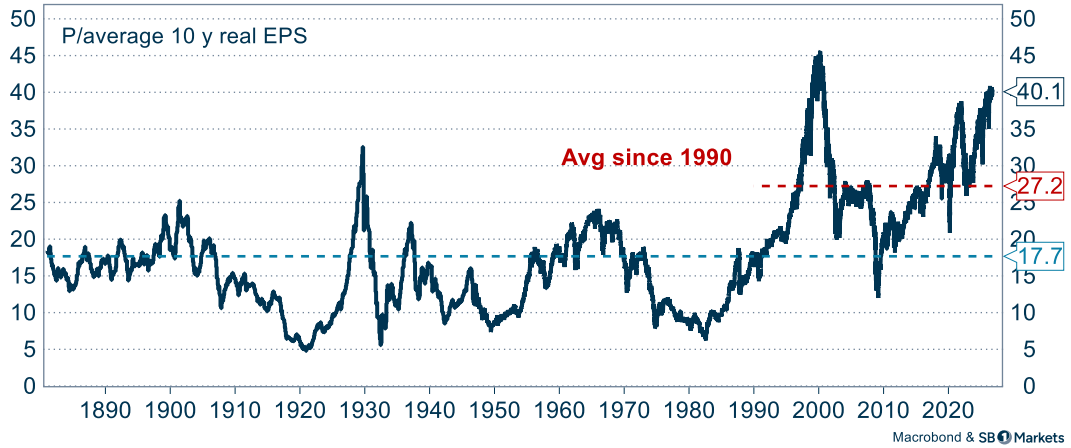




US P/Es are still high, but rapid earnings growth lowers the 12m fwd. P/E

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 TIPS US real rate has increased sharply.

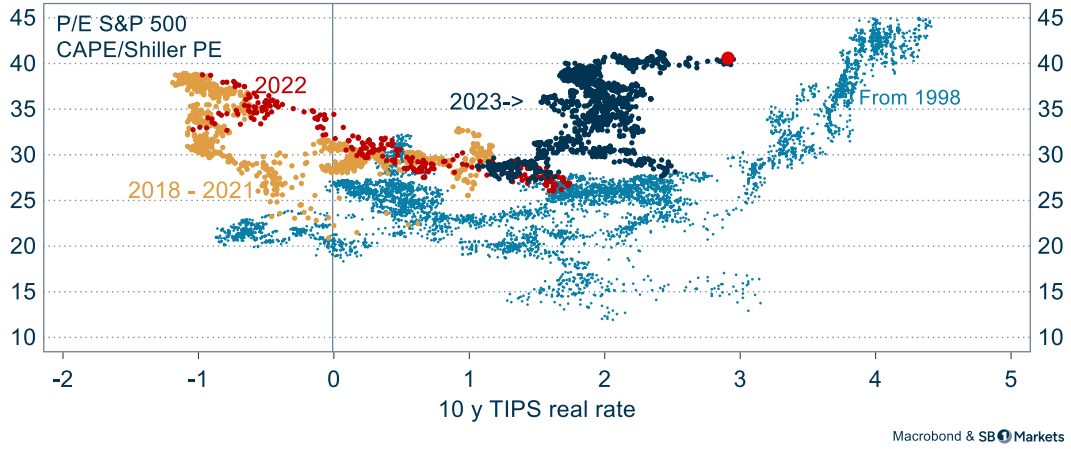
S&P500 10y (CAPE/Shiller) P/E



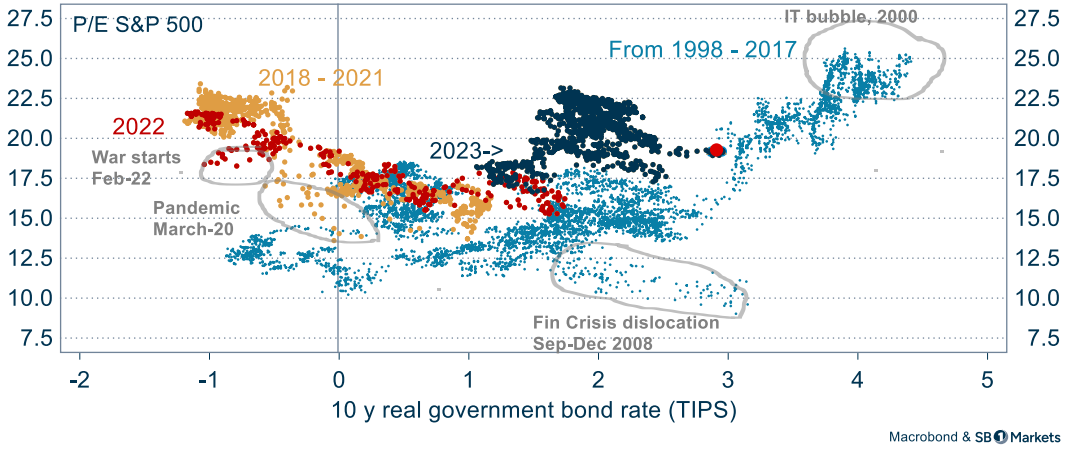
USA S&P 500 12 m fwd P/E



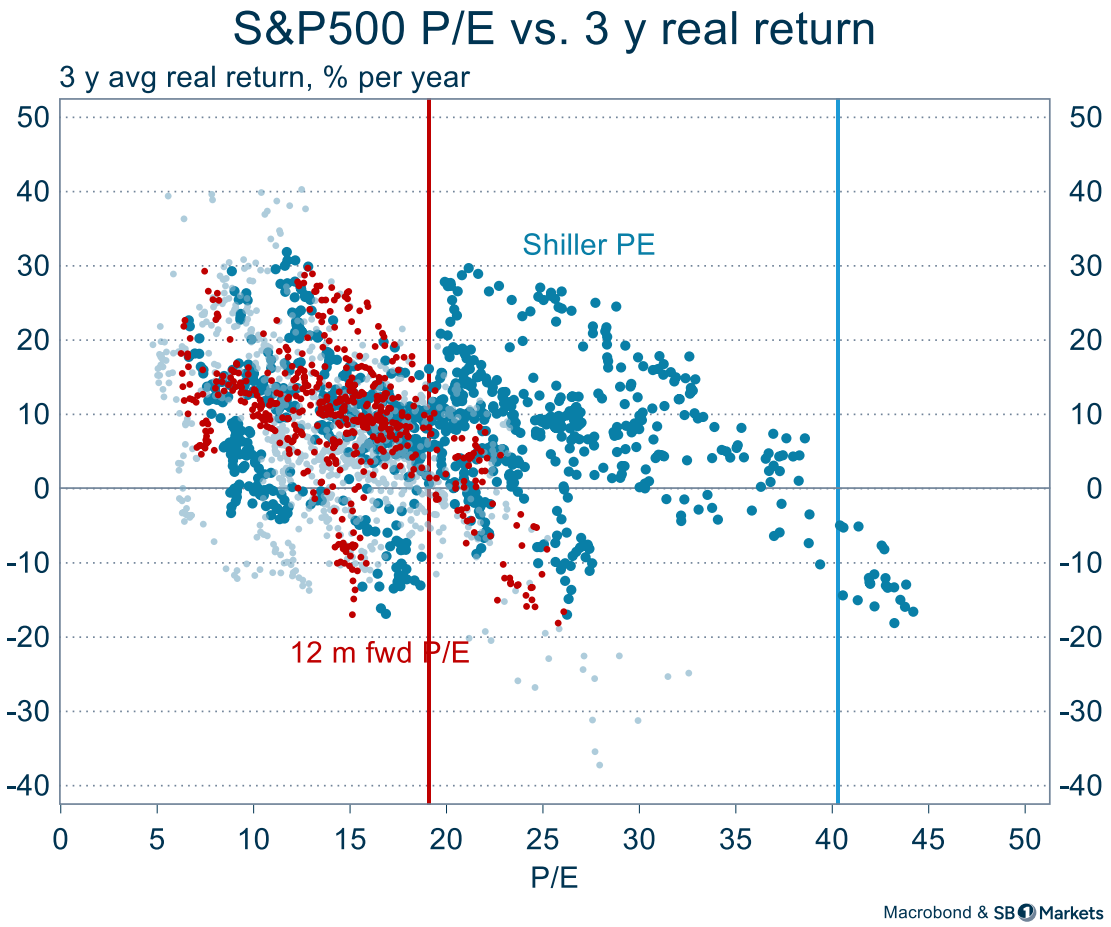
S&P 500 10y CAPE vs US 10 y real interest rate

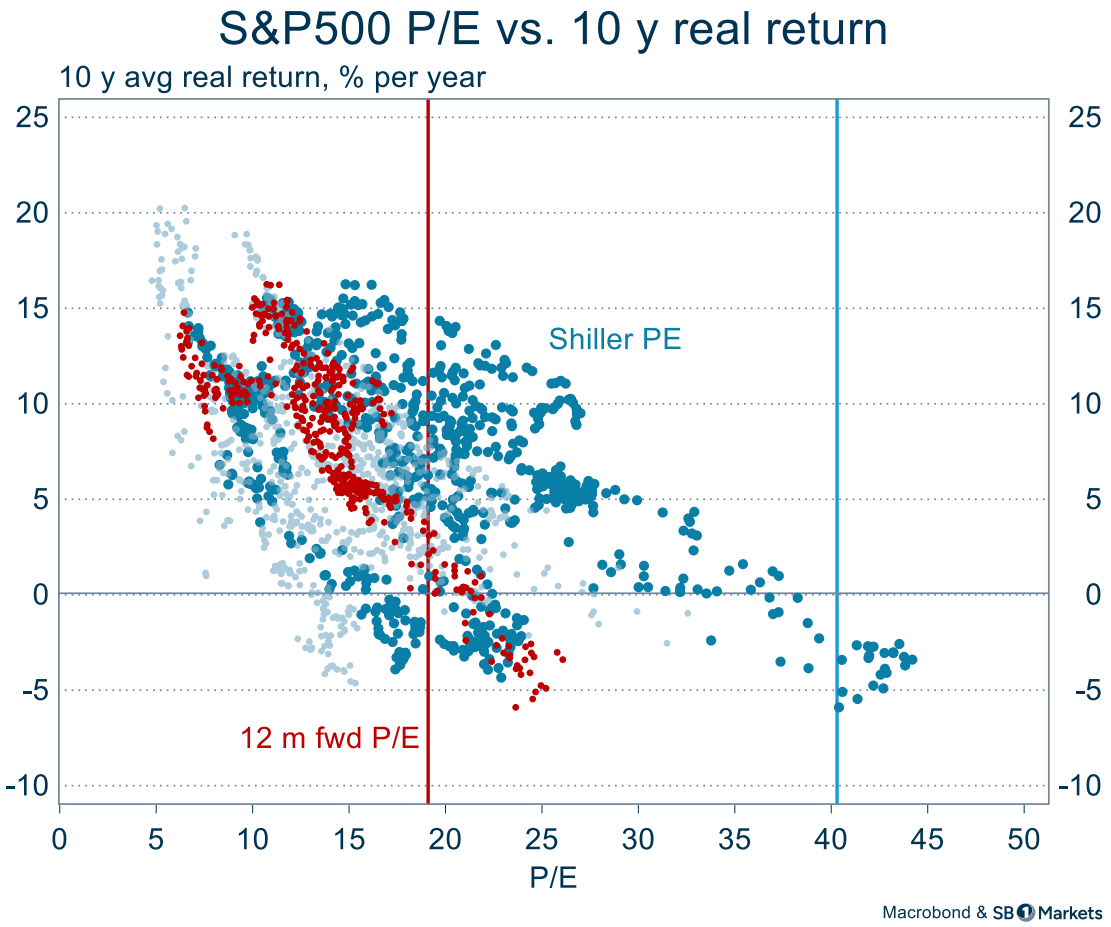


S&P 500 PE vs US 10 y real interest rate



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

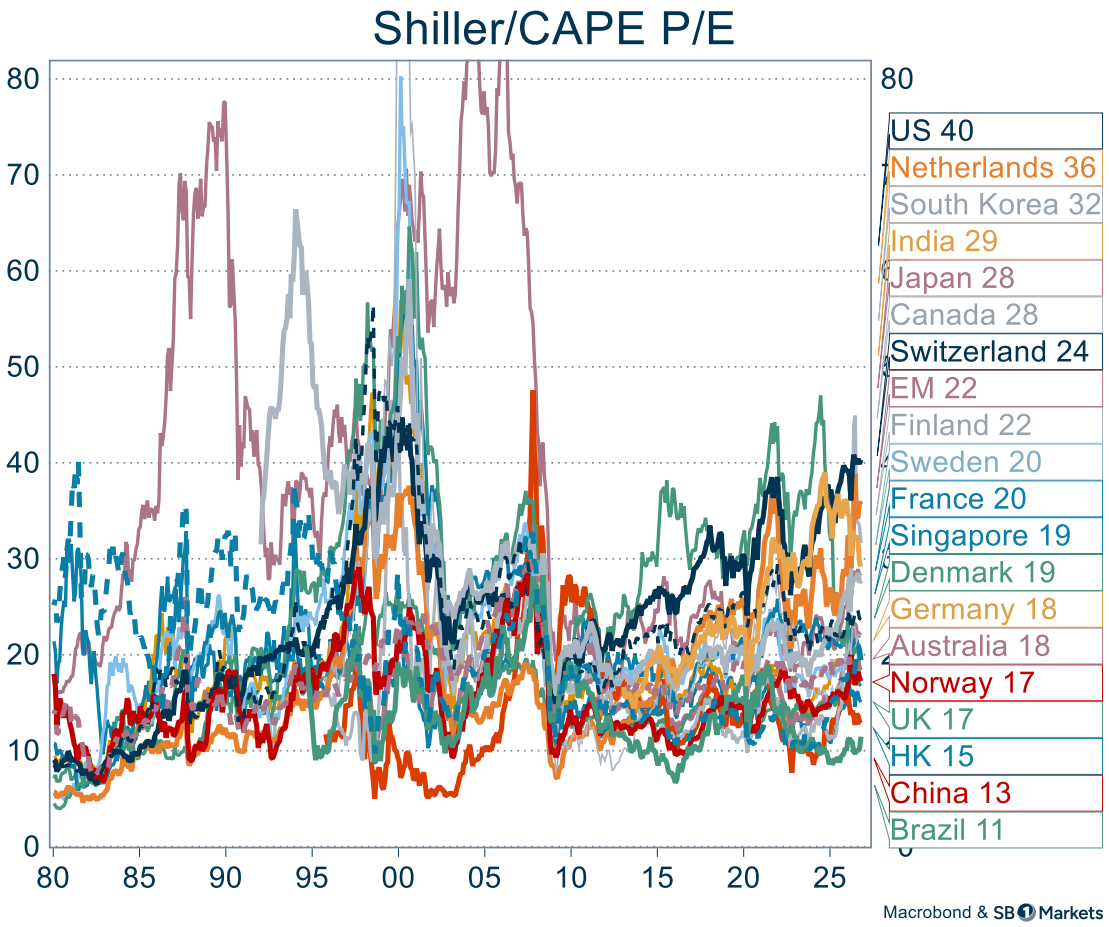


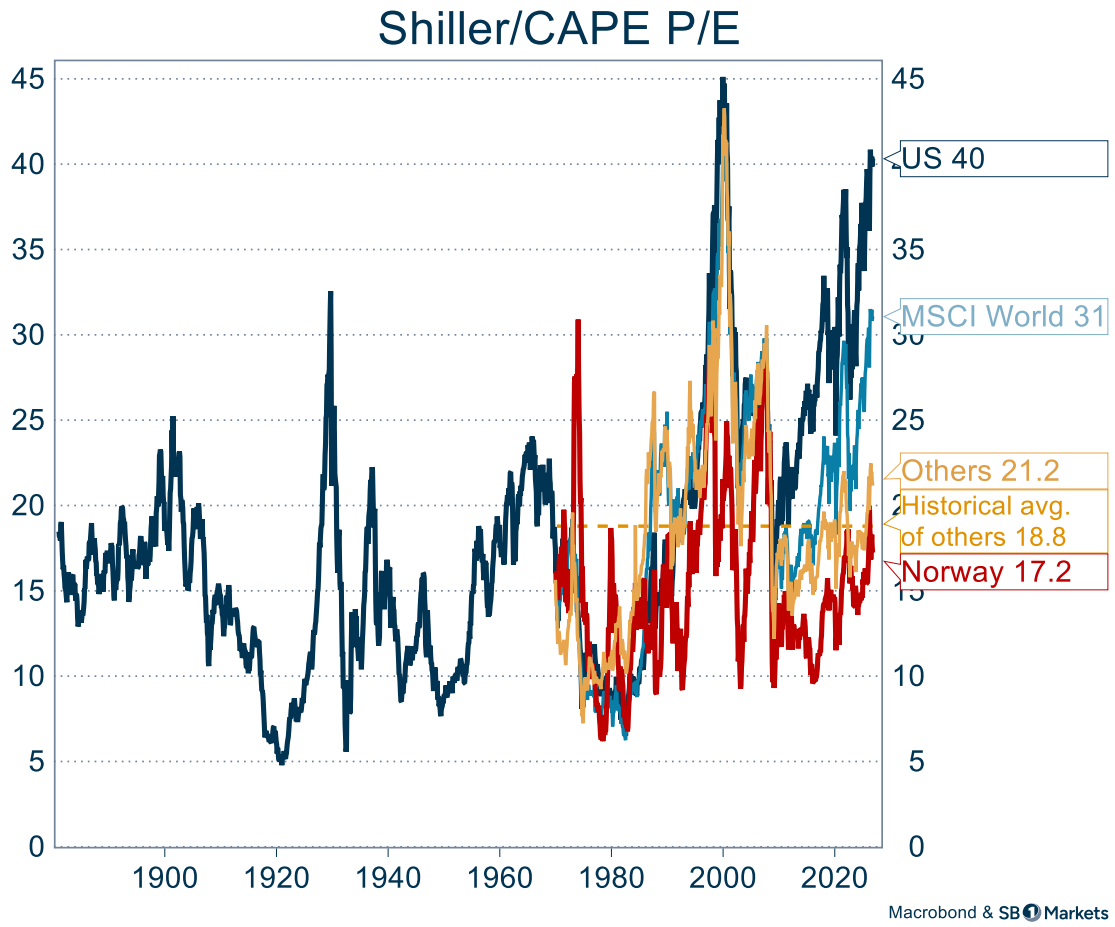


Dark blue dots: Shiller (CAPE) from 1950. The 12m fwd is from 1980, and return from 1983 and 1990.

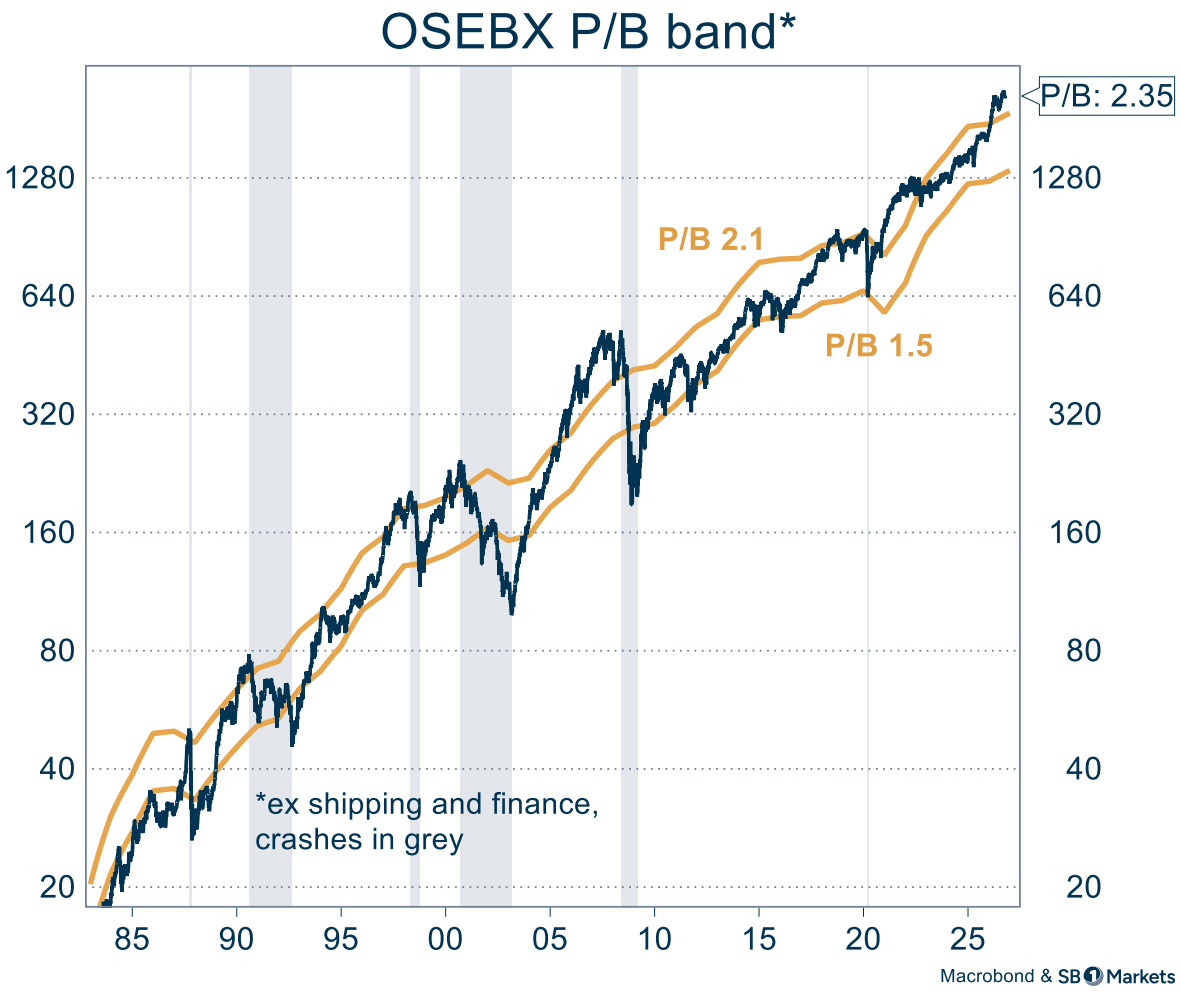
The US market at the 2nd highest vs. the Shiller CAPE ever, and few markets are cheap

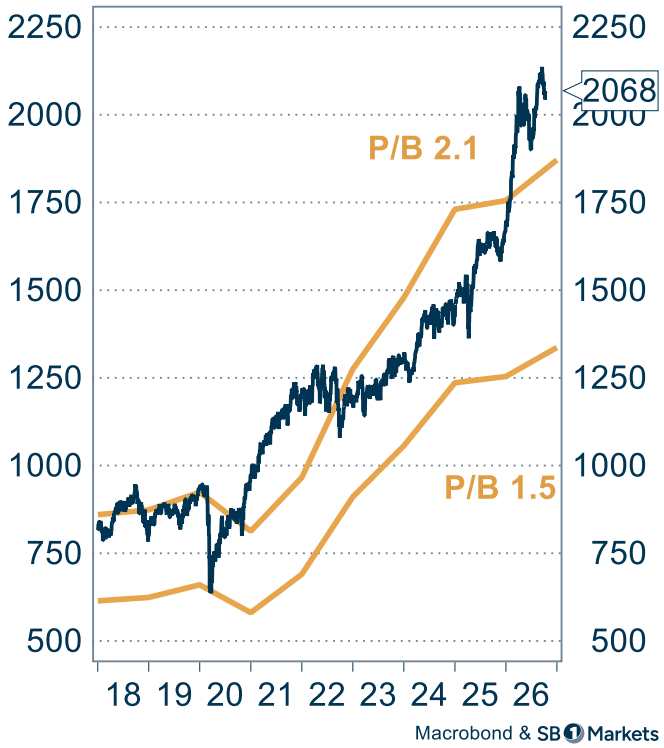
Other markets are on average 13% above an average multiple, 21.1 vs. 18.8. The OSE sits at 17, which is above average (from 1970) but not by that much.





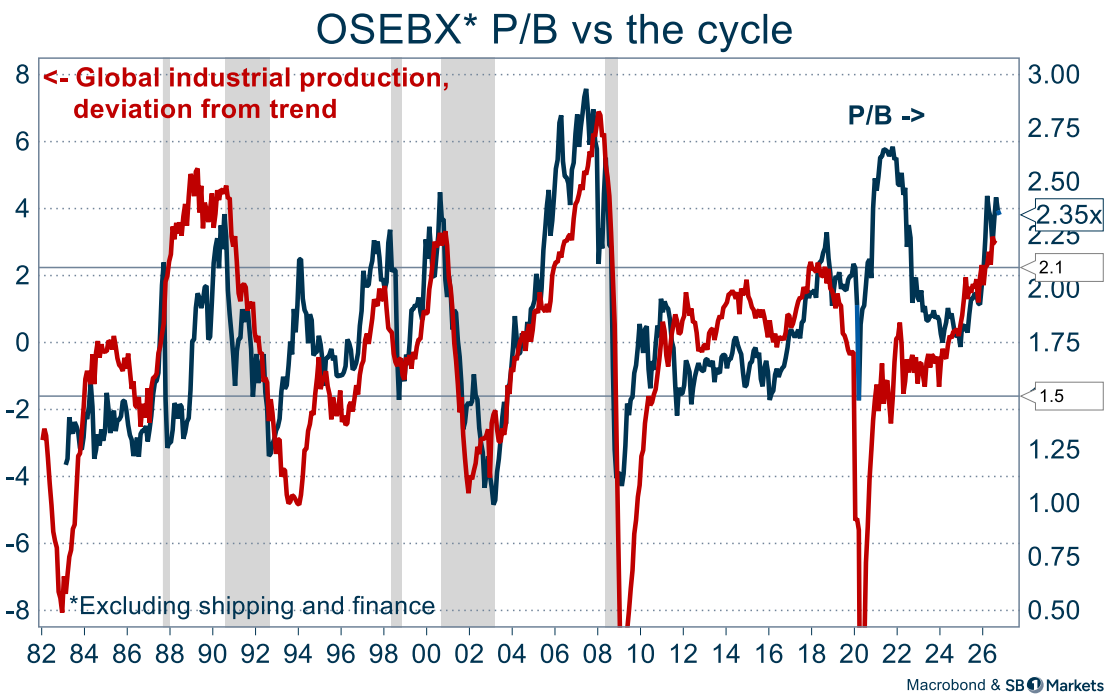
OSE down 1.0%, Price/Book ratio at 2.35

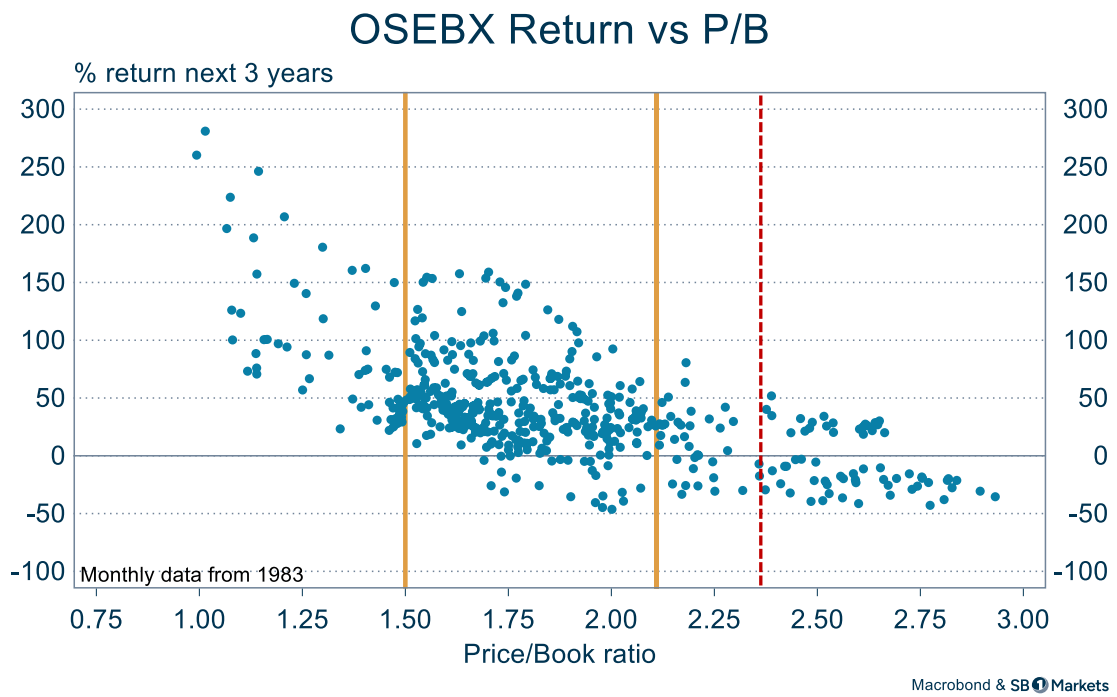




OSE 3-year expected return: not very attractive

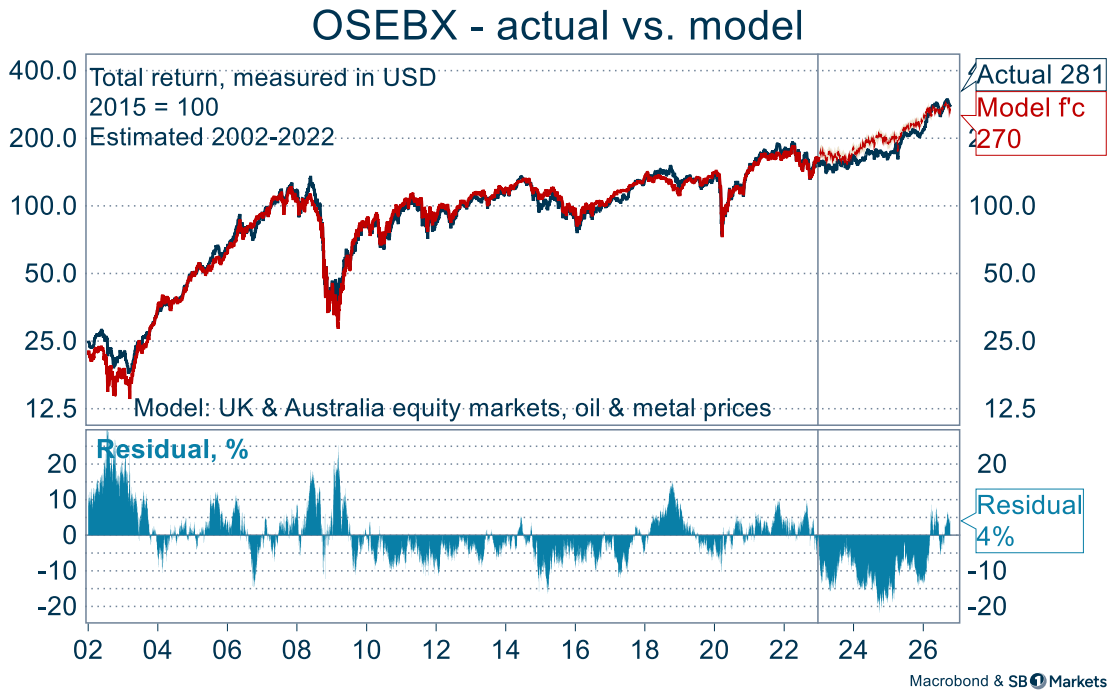
BTW, we know what drives the pricing cycles most of the time: the global economic cycle.

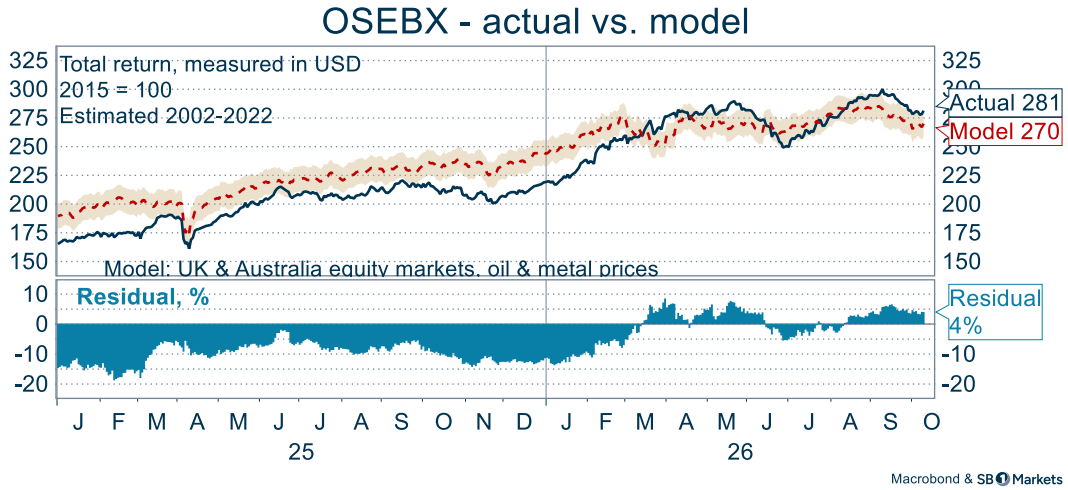


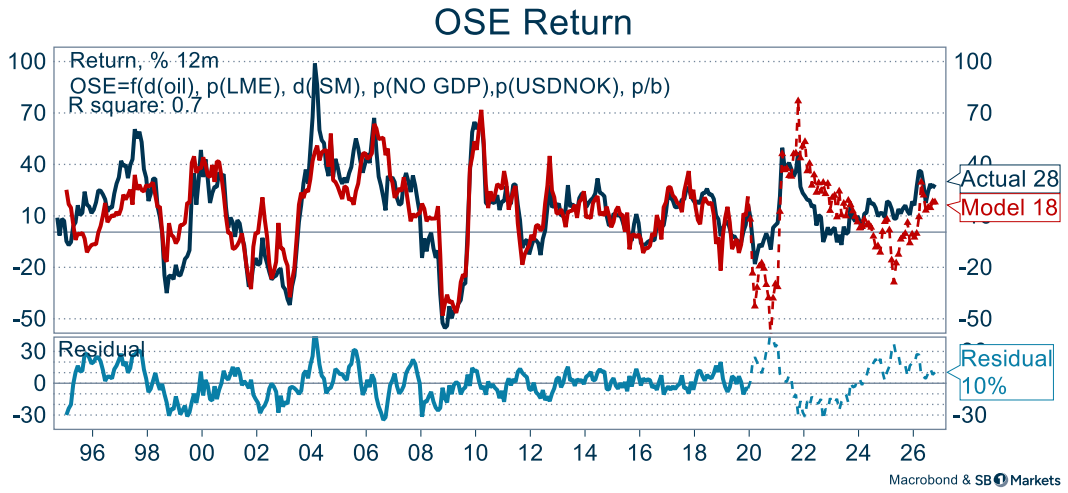


OSE vs. our ‘peers’-based level model: a tad above

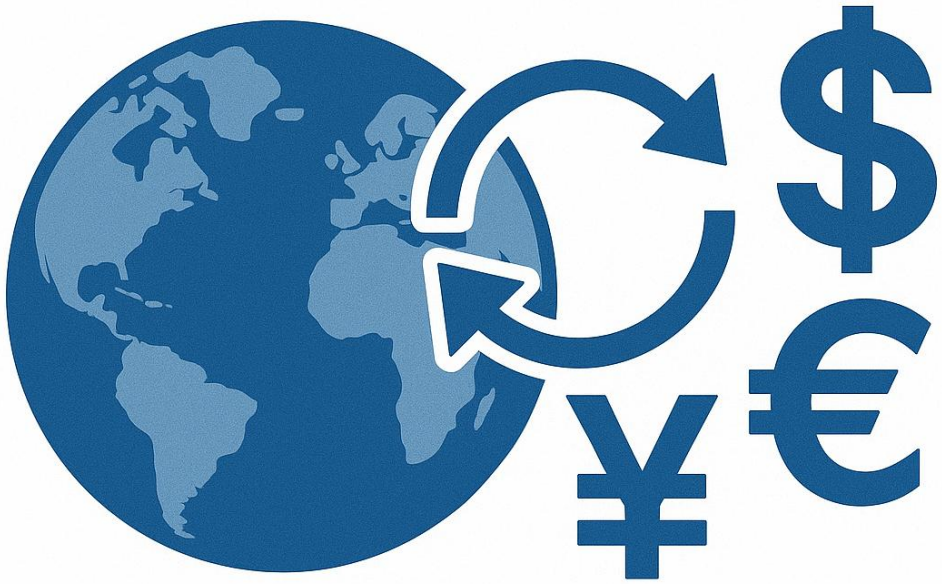
The OSE is 4% above a model estimate based on FTSE, ASX, oil and metal prices.
Measured over the past 12 months, the OSE is up 28%, while our y/y model suggests 18%.







SB 1 Markets



4.4 FX markets

*Picture source: ChatGPT

SEK and NOK last week's winners, with AUD. The USD slightly stronger, EUR weaker

EUR depreciated 0.6% to 1.120 vs. the USD, the weakest since May 2025.

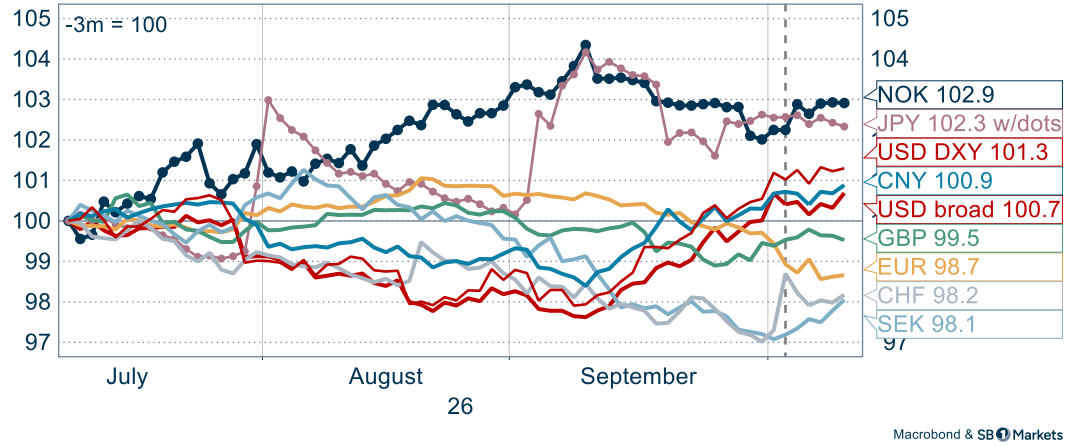
EURUSD



NOK vs EUR & USD



Currency indices



FX markets

f/x broad indices + 4 f/x crosses	% change -8 -7 -6 -5 -4 -3 -2 -1 0 1 2 3 4 5	Last week	Last month	YTD	Last year
NOKEUR		1.1	-0.1	10	9
SEK		0.9	-1.1	-5	-3
NOK index		0.6	-1.4	9	7
AUD		0.6	-2.4	4	5
NOKUSD		0.5	-3.9	5	5
KRW		0.4	1.1	8	5
USD broad		0.3	3.1	2	0
USD DXY		0.3	3.4	4	3
CNY		0.2	2.5	7	8
NOKSEK		0.2	0.2	14	10
GBP		0.0	-0.3	1	1
CAD		-0.2	-2.1	-4	-3
JPY		-0.2	-1.8	-1	-4
EUR		-0.3	-2.0	-3	-3
CHF		-0.5	-0.3	-2	-2
EURUSD		-0.6	-3.8	-5	-3
MXN		-1.4	-7.5	-3	-1
RUB		-1.7	4.3	-7	-3

Last week ● Last month

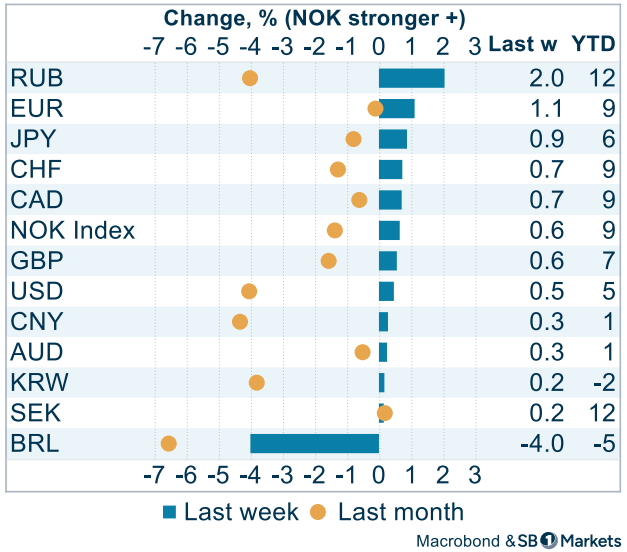
SB1 Markets/BIS/Central Banks/Macrobond SB1 Markets

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.

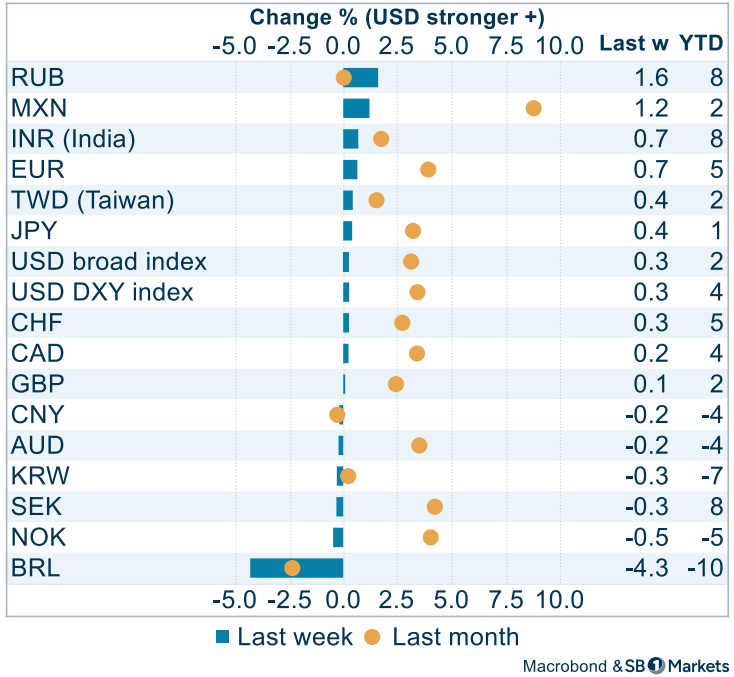
FX: NOK appreciated vs. most others, while the USD was mixed. Lula's loss lifted the BRL

The trade-weighted NOK has appreciated 9% so far in 2026, 12% vs. SEK and 9% vs. CAD and CHF (!). The USD indices are up 2–4% YTD.

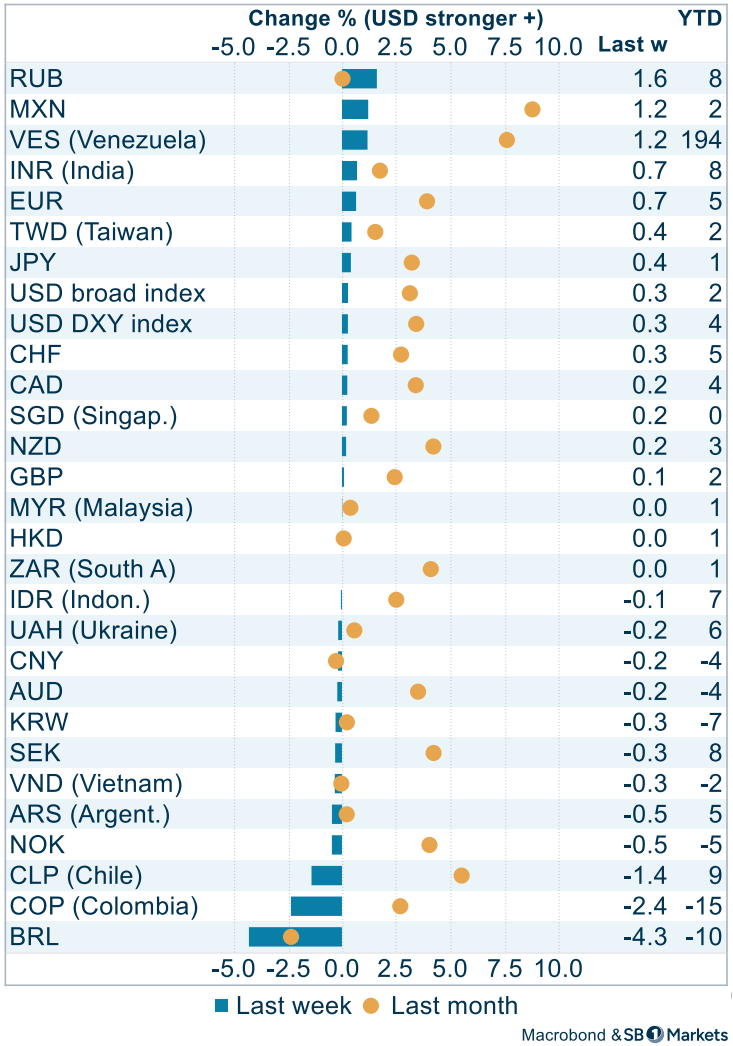
NOK vs. the others



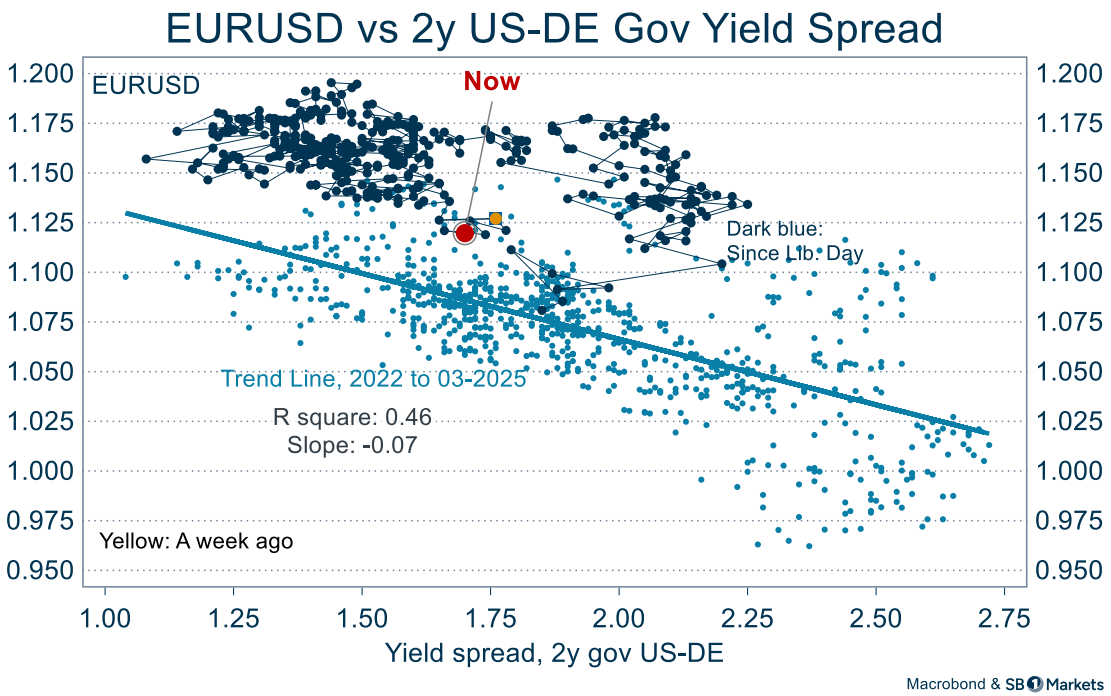
USD vs. the 'Majors'

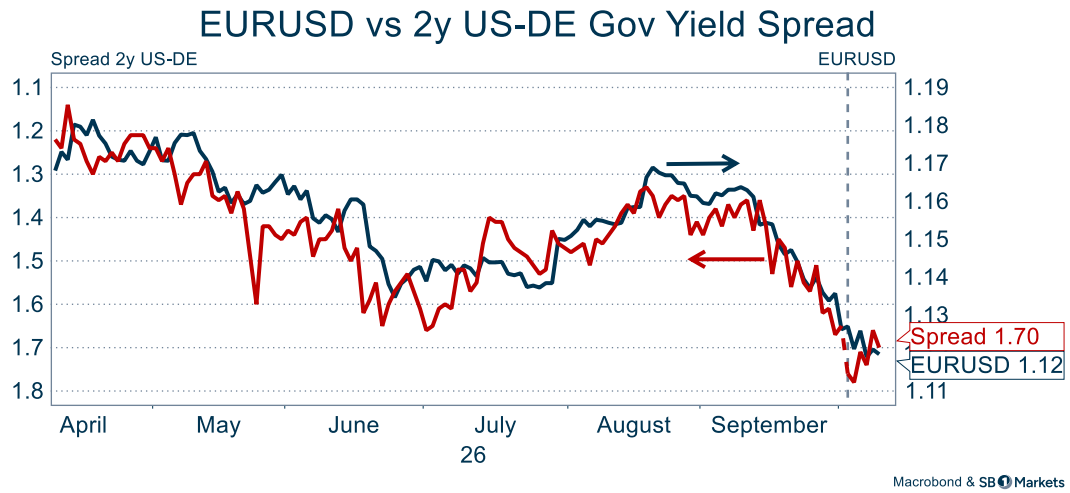


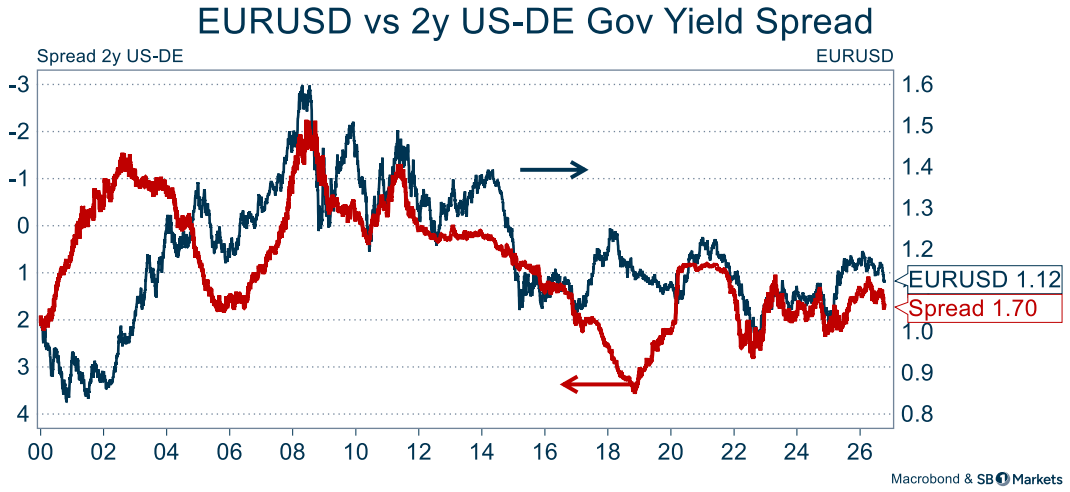
USD vs. 'all'



The USD appreciated 1.1% vs. EUR without support from the rate differential



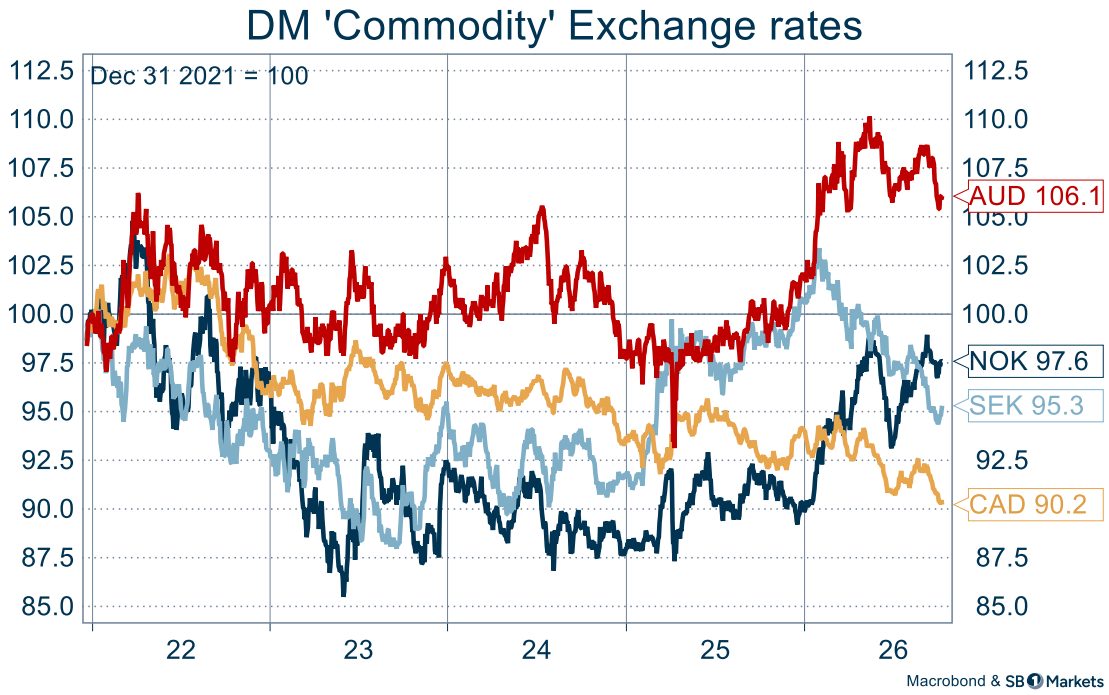


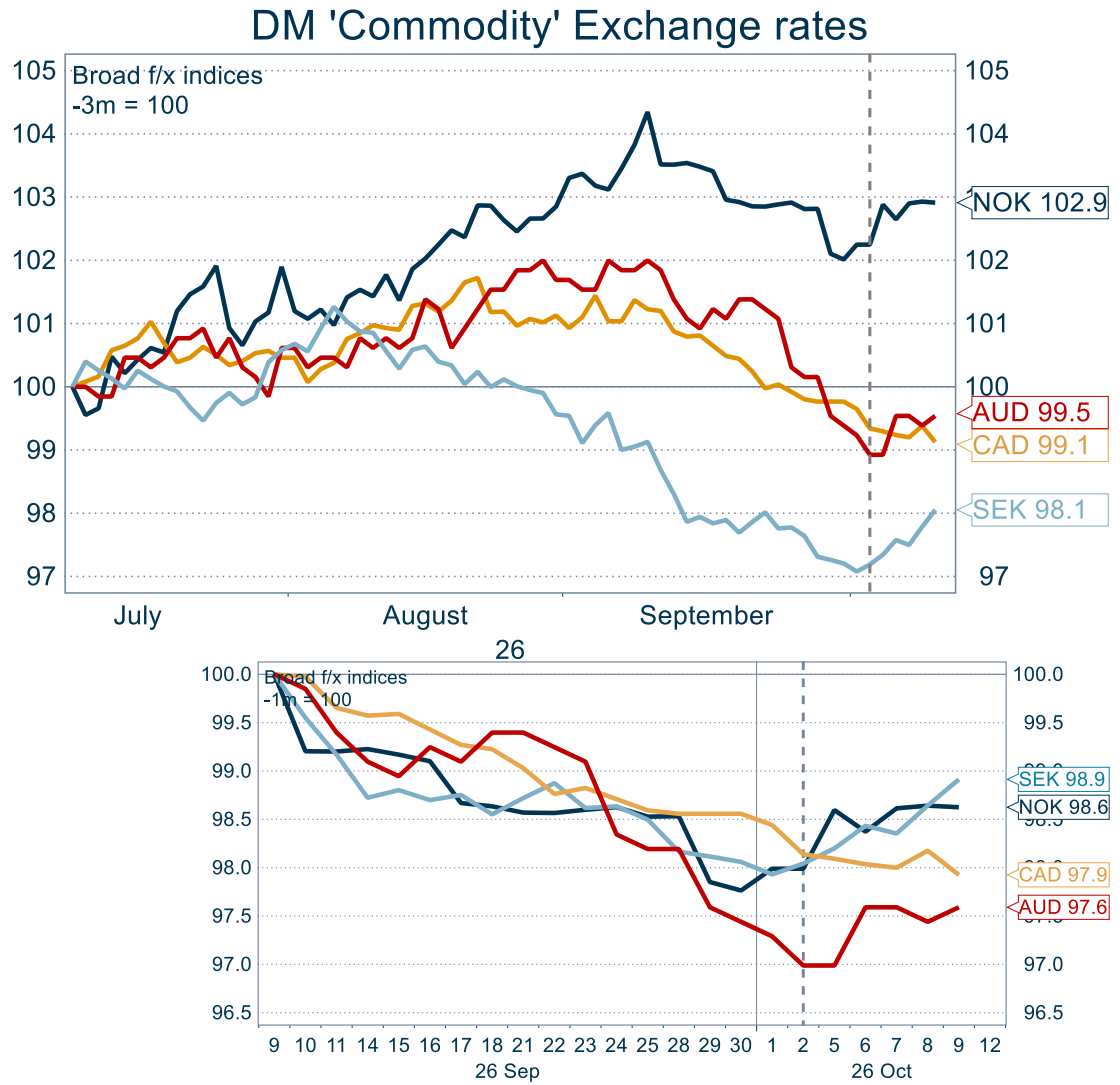


- The 'model', estimated over the previous 3 years of data:
  - 1 pp narrowing of the 2y gov. spread: a 7% EURUSD appreciation.
    - Some 'carry' impact.
    - There may be a reason for changes in the spread, such as changes in the relative growth outlook.
- Over time, the correlation is not tight at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

‘Commodity’ FX: CAD weaker last month, the others stronger, SEK the most

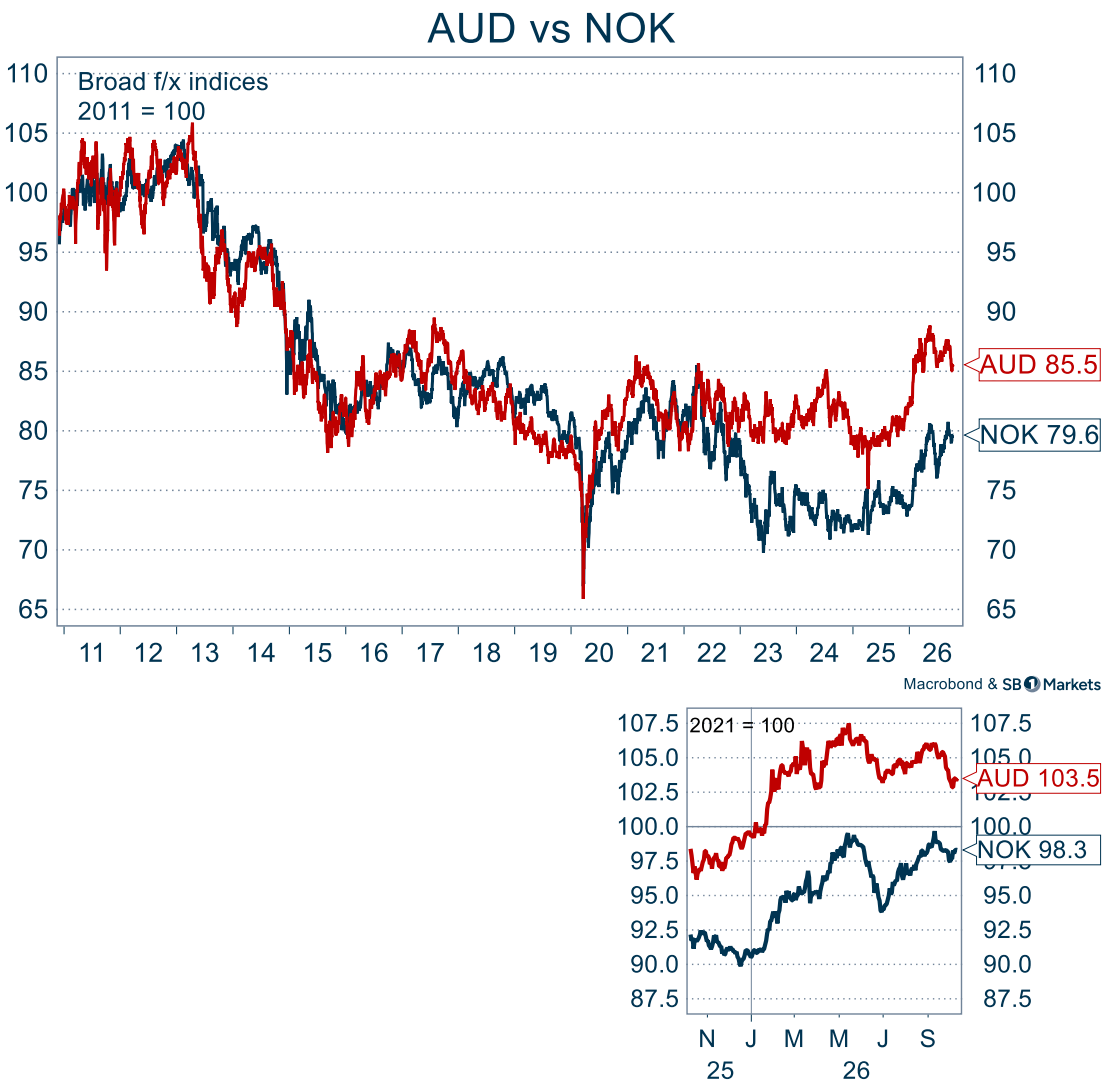
All are down the past month, NOK the least. The past 3 months, NOK is the only one on the upside. SEK has been the loser.

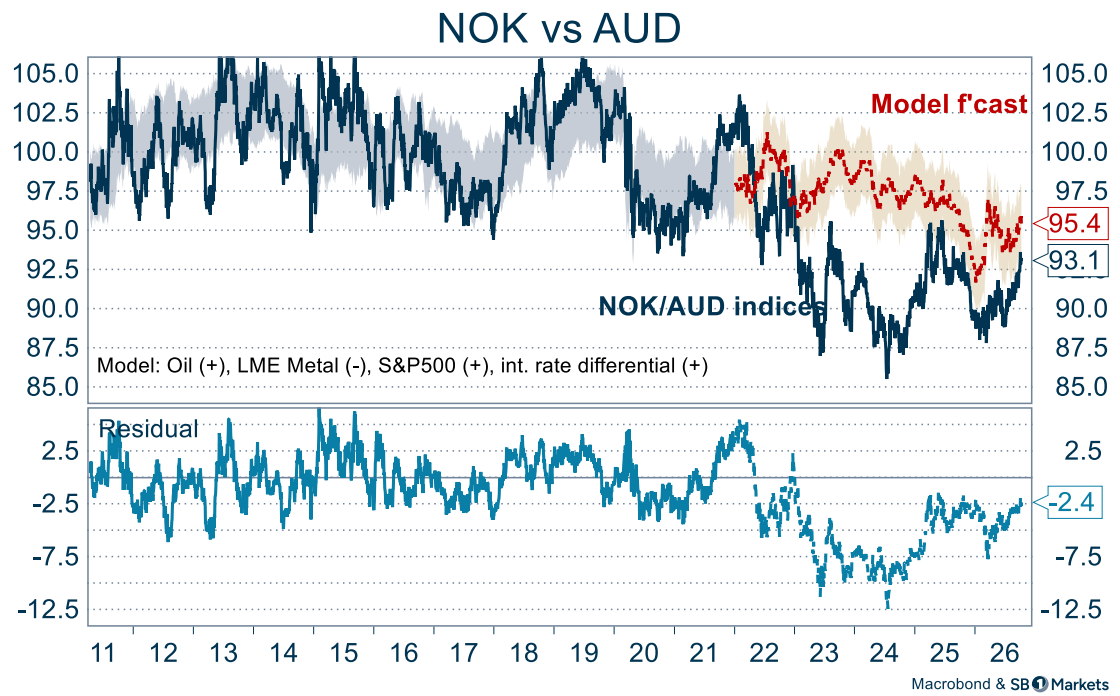




NOK weaker relative to AUD than our model suggests, but the gap has narrowed slightly

… and is not that large anymore, at just 2.4%.

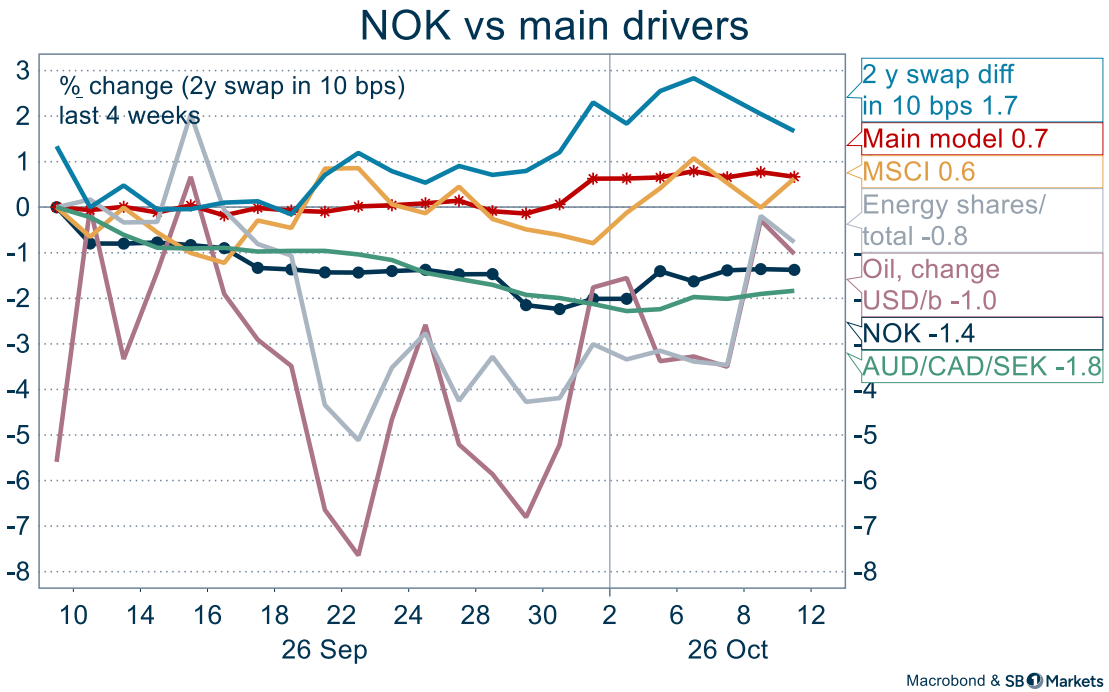


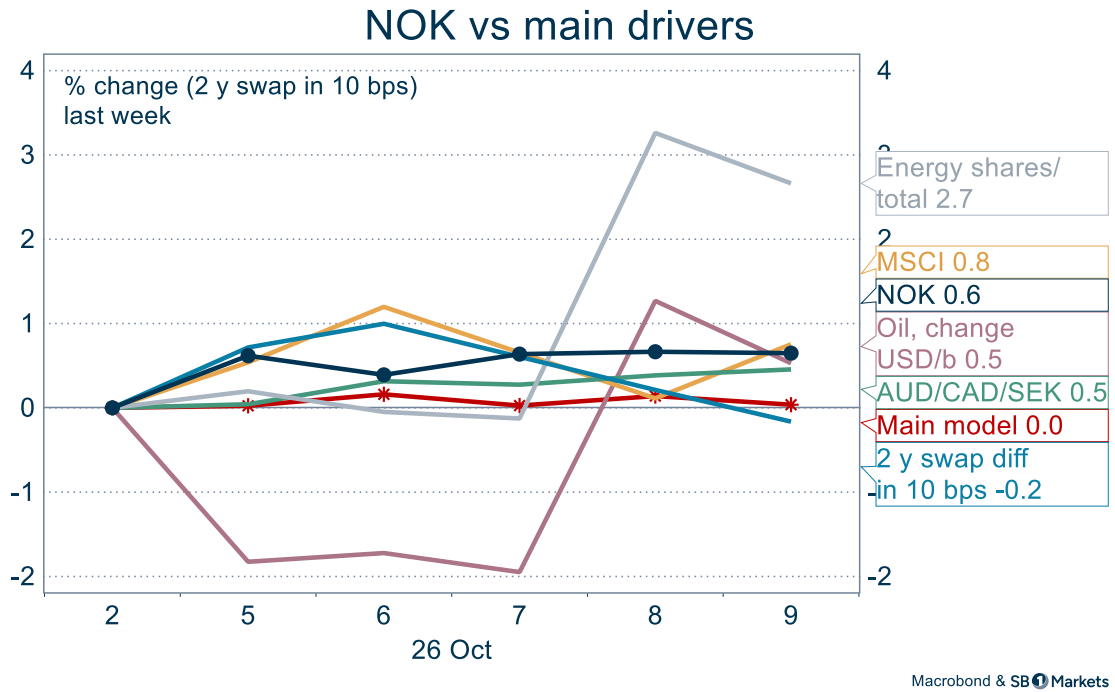


- NOK and AUD, measured by the respective FX indices, have been very closely correlated over the past 15 years, at least until early 2023.
- Our NOK/AUD index model explains most of the small differences between the two FX indices. Normally, the NOK index strengthens relative to the AUD index when the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

NOK 0.6% stronger last week, our model suggested no change

Last month: NOK has depreciated 1.1%, the model suggested a 0.6% appreciation, mostly due to a lift in the oil price.

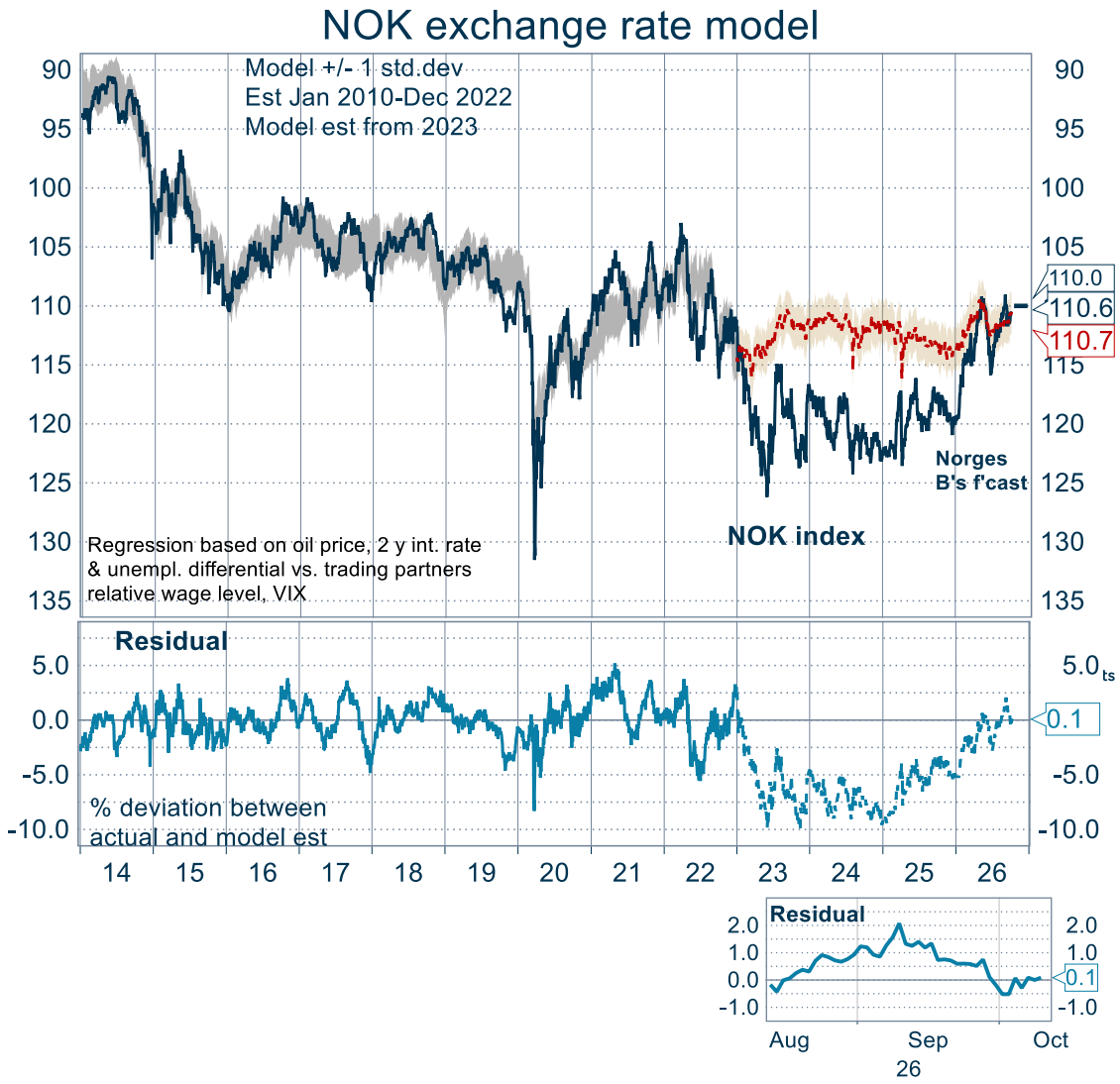


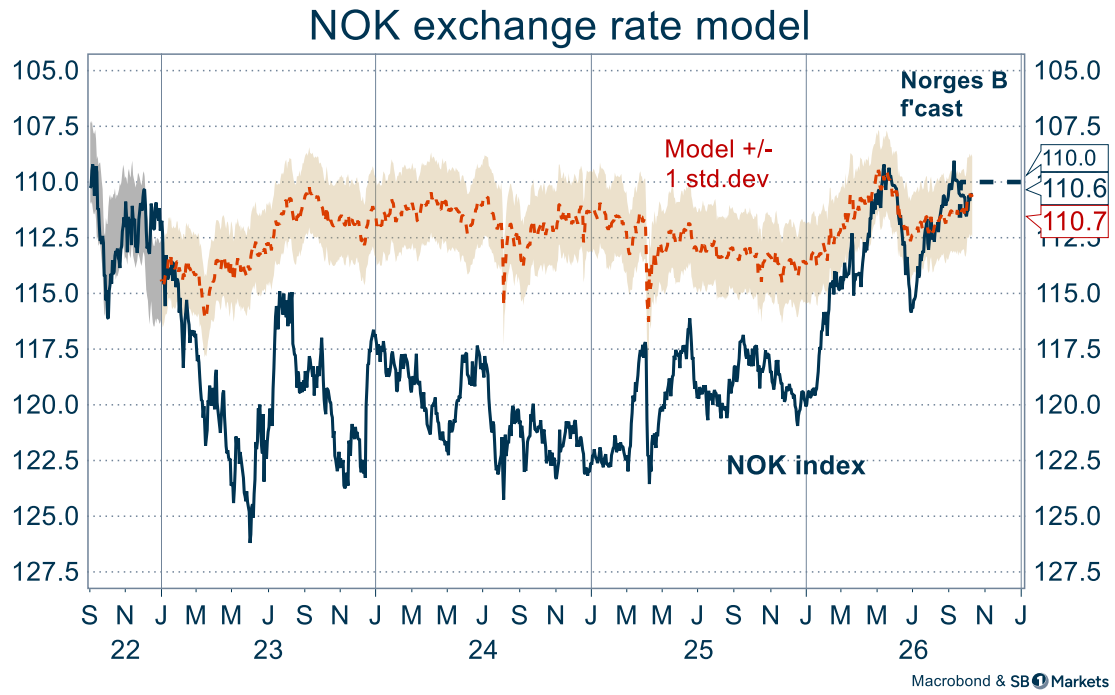


The NOK index: I44, adjusted for end-of-day FX rates relative to NOK. AUD, SEK and CAD are represented by their respective trade-weighted currency indices. The oil price: average spot−3m (rolling positions).

NOK strengthened, and is close to our model forecast

NOK is 0.6% below Norges Bank's estimate.

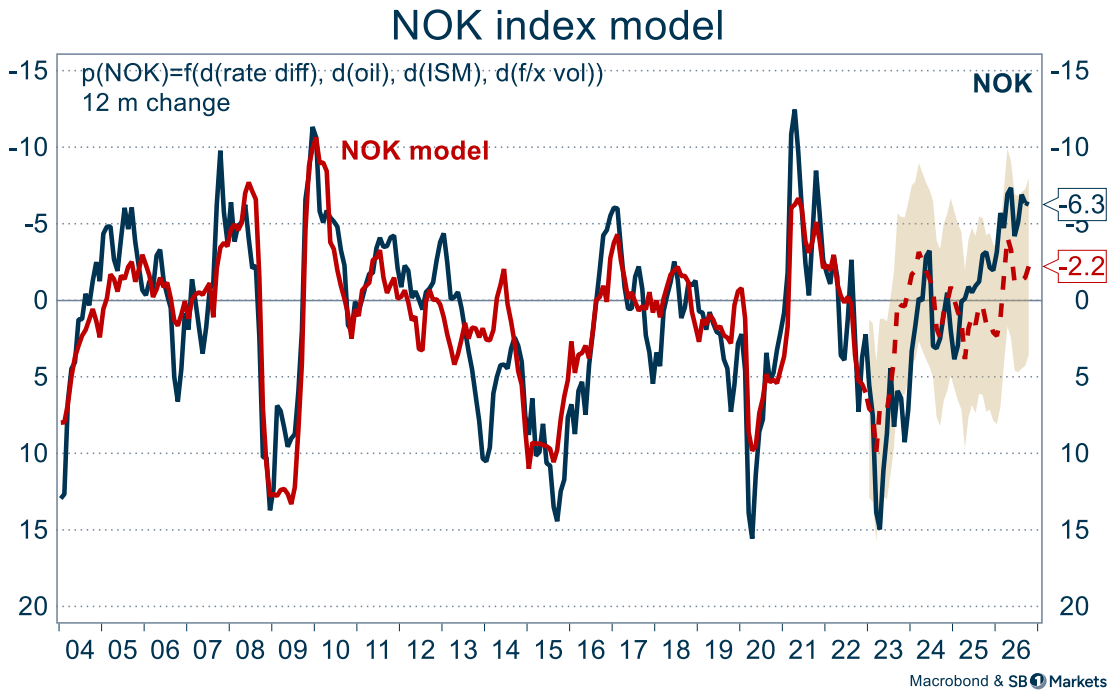


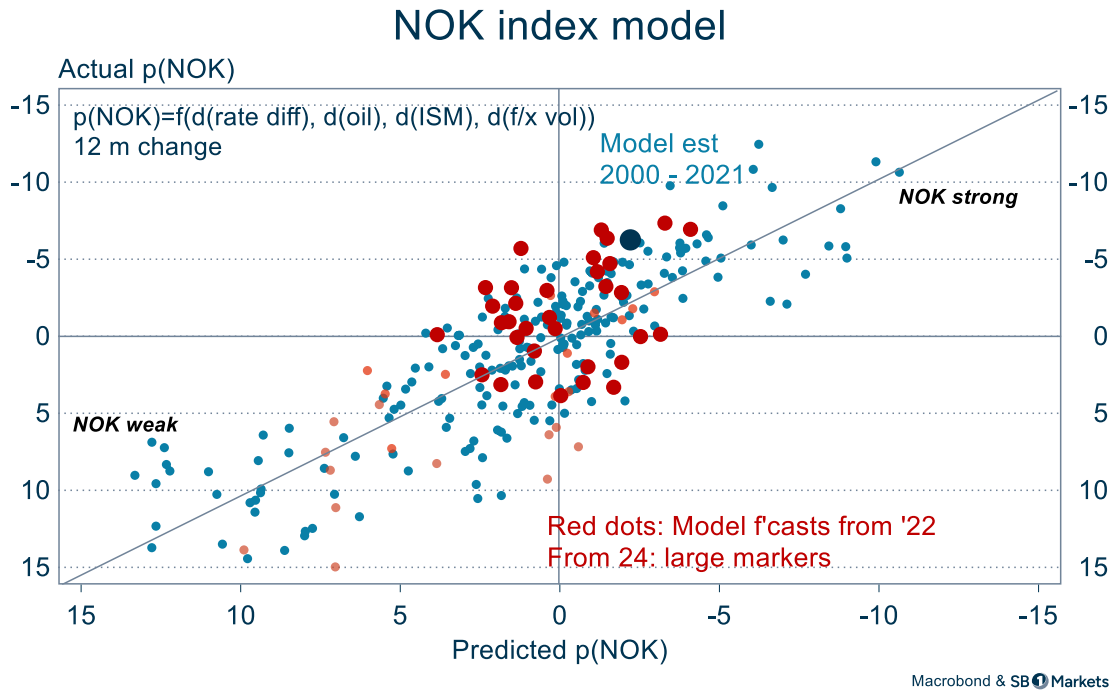


The NOK index: I44, adjusted for end-of-day FX rates relative to NOK.
The oil price in the model: average spot−3m (rolling positions), US CPI adjusted.

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

Our model suggests a 2.2% NOK appreciation over the past 12 months, while NOK has climbed 6.3%. A higher oil price and a higher rate differential explain most of the estimated strengthening – but most of the appreciation *is due to factors other than the normal 'drivers'*.

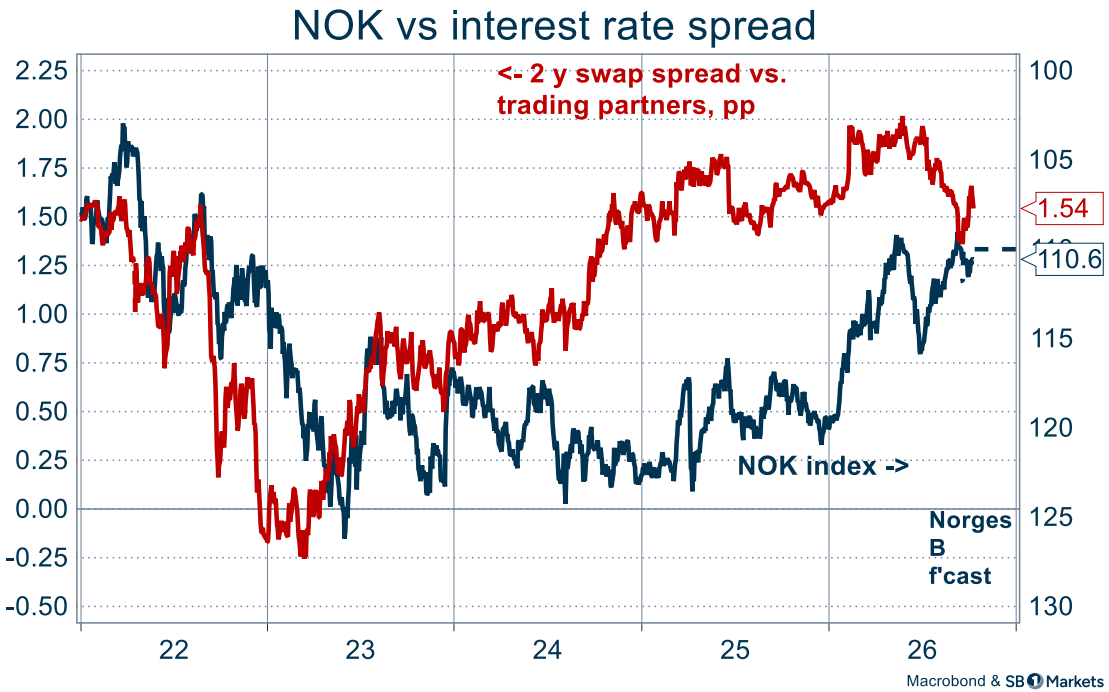


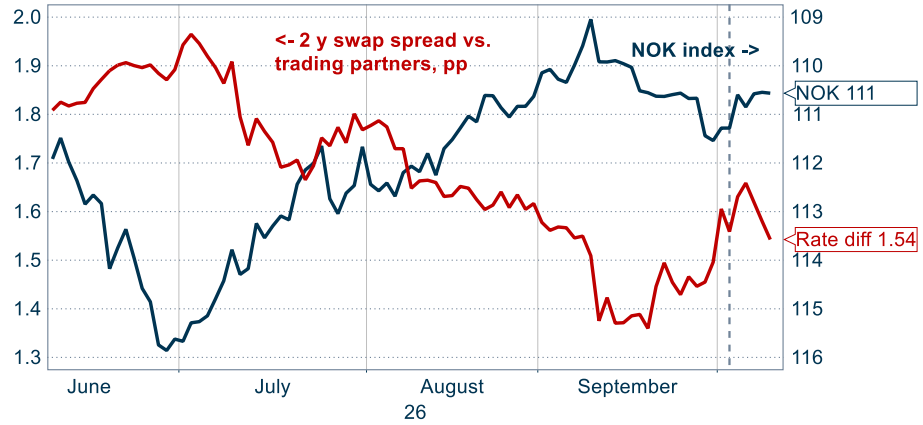


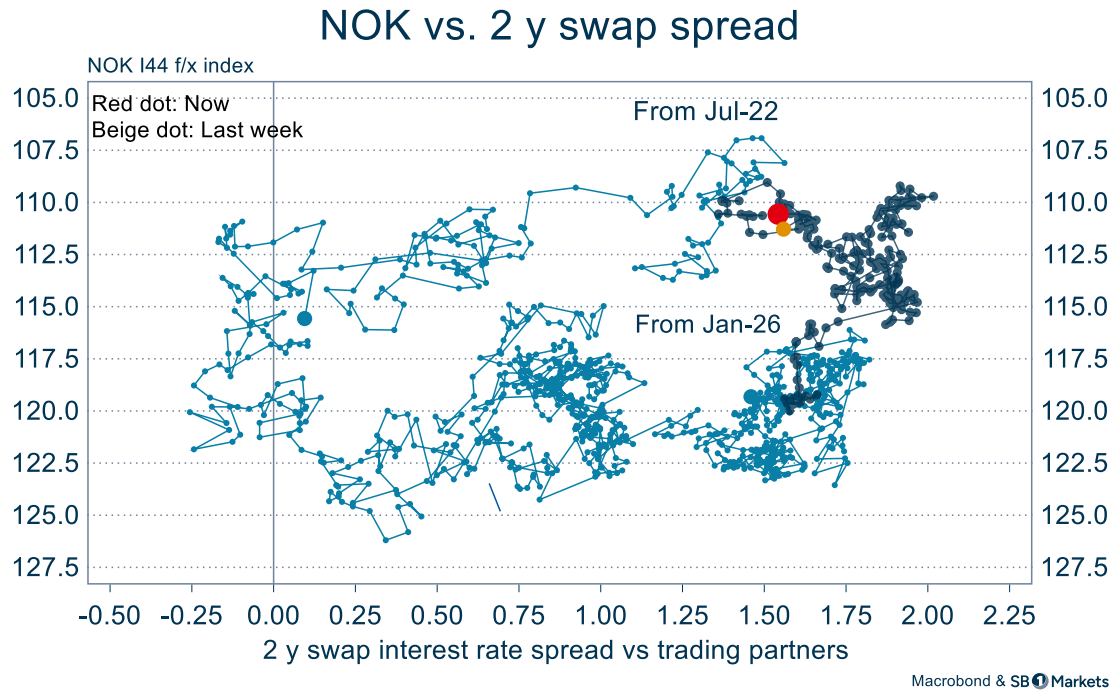
- … which may be seen as a 'real' repricing of NOK, reversing the 'unexplained' NOK depreciation in H1 2023.
- The model: Most of the NOK's ups and downs (if not necessarily the level at all times) are well explained by a few 'macro' variables: the 2y rate differential relative to trading partners, the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

The rate differential narrowed slightly. Still, the NOK appreciated

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

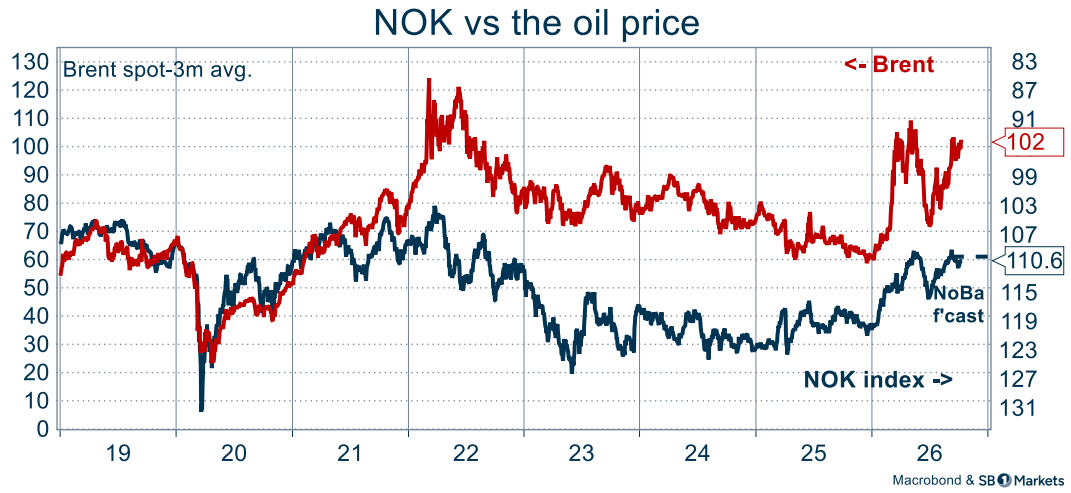


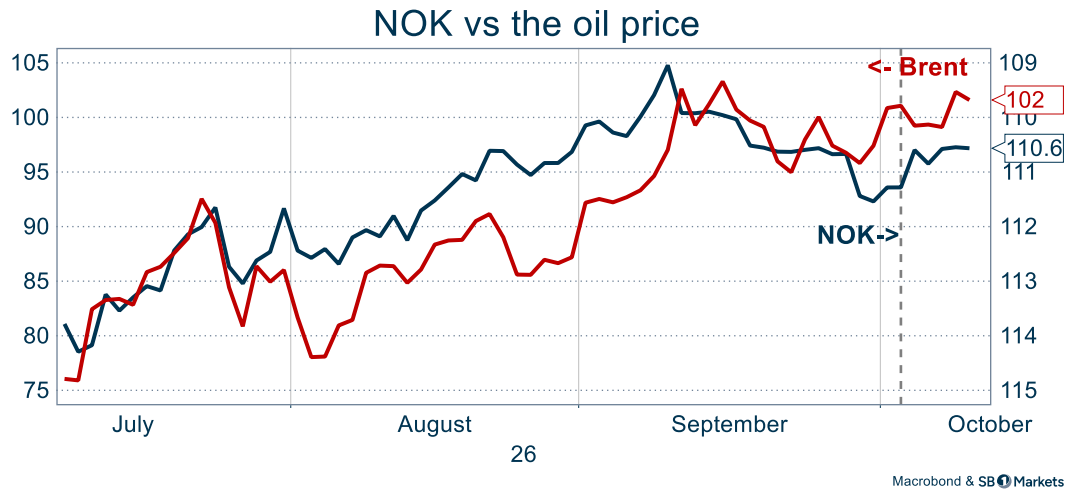


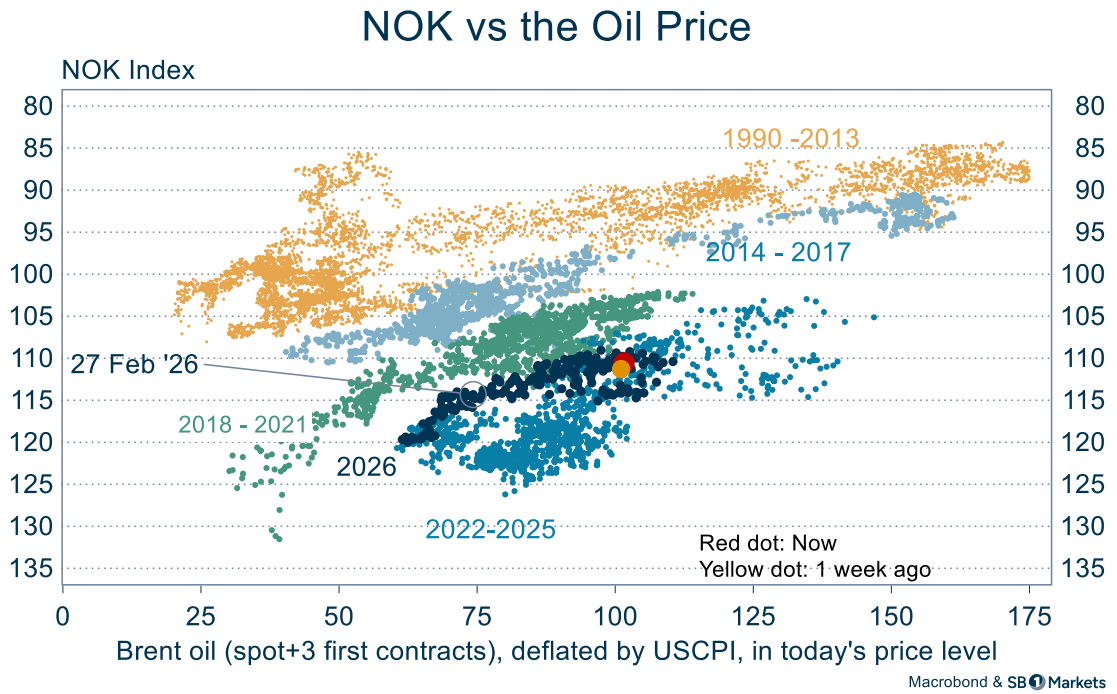


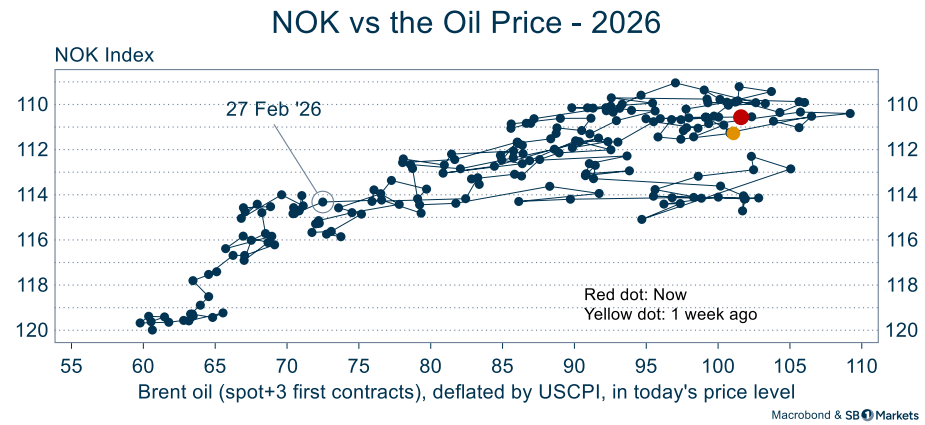
NOK has followed the oil price quite closely in recent months – and both up last week

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).



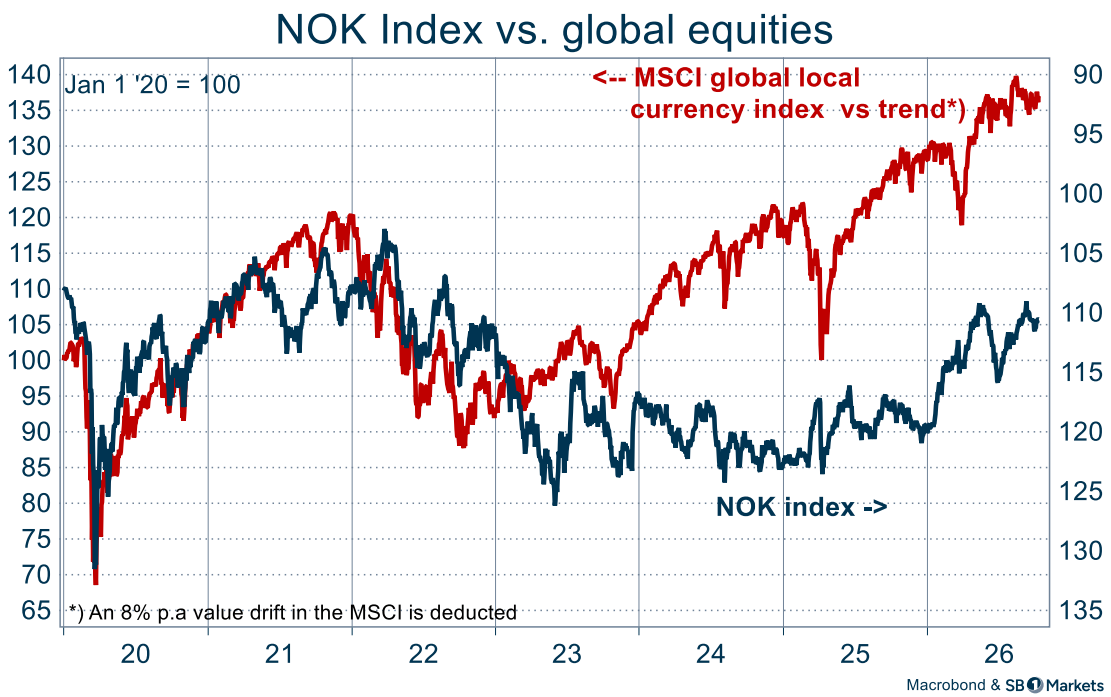


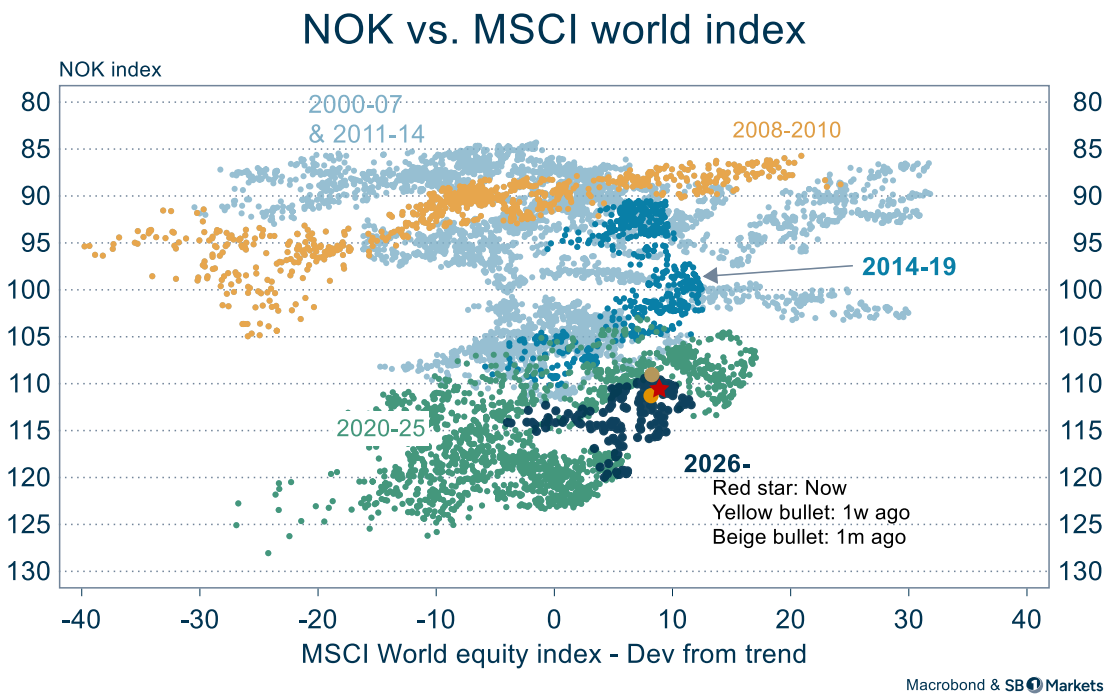




NOK uncorrelated to global equity markets in 2026 but both recovered last week

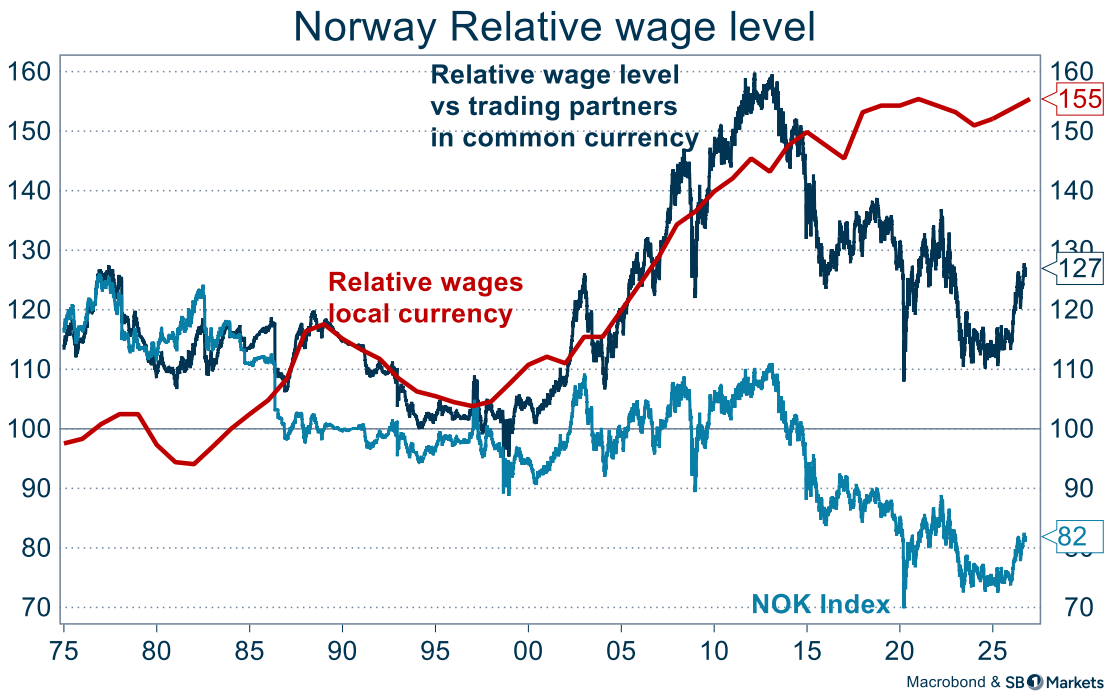
Normally, a stronger stock market has been supportive of the NOK – and vice versa. The pattern has not been that evident in 2026.

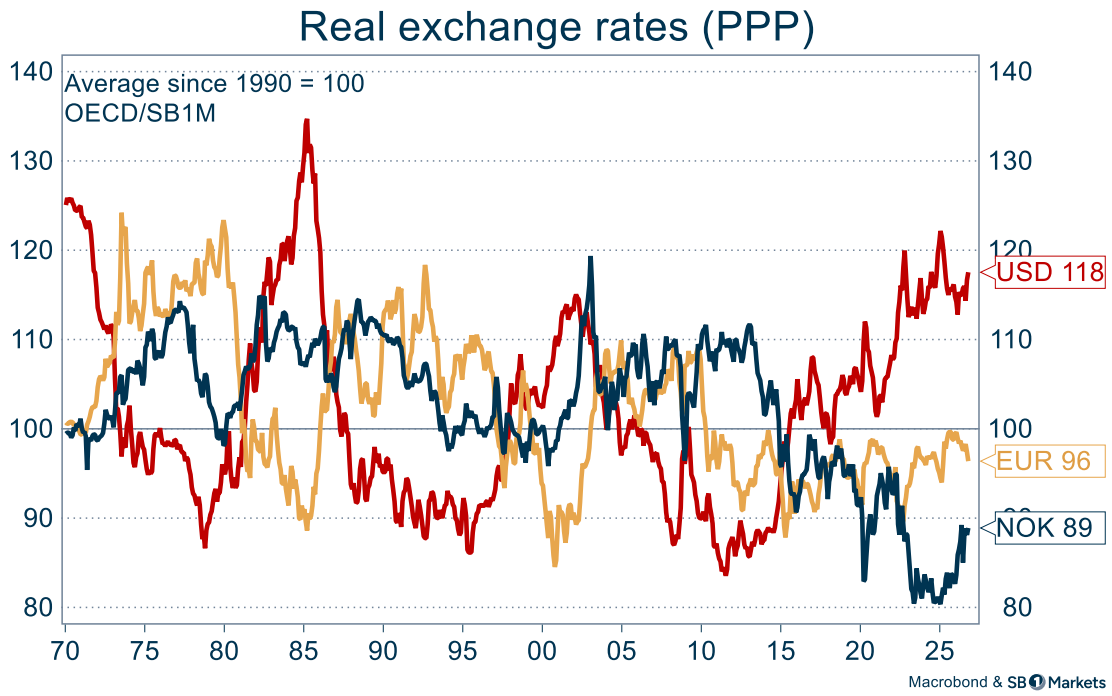




The relative cost position may be at a reasonable level. The price level is still rather low.

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





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

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