



Macro Weekly

Week 44 2026

26/10/2026

Harald Magnus Andreassen
Chief Economist

Phone: +47 24 13 36 21
Mobile: +47 91 14 88 31
E-mail: hma@sb1markets.no

Dane Cekov
Strategist

Phone: +47 24 13 36 84
Mobile: +47 45 12 92 23
E-mail: dane.cekov@sb1markets.no

Markets last week: AI worries, in addition to Gulf and French trouble

- **Big picture: risk off**

- **AI equities** remained under pressure, as investors rotated into other sectors. Most equity markets but Oslo Børs were down last week. OSE was supported by a **further rise in oil and European natural gas prices** as the Gulf conflict may escalate. **Bond yields** followed equities down, not energy prices up. Real rates declined, not inflation expectations. In Europe, the **PMIs** were weaker than expected and not just in France and 'le spread' shot up to 169 bps. **Credit spreads** widened further. So, not the best of all worlds...

- **Commodities: European natural gas prices rose to another cycle high, oil price rose**

- ... while oil product (crack, refinery) spreads declined further and partly offset the lift in crude prices. The gasoline spread has fallen from almost USD 60/b to below 18/b, not far above a normal level. However, the forward gasoline spread curve points sharply up. Metal prices rose slightly, while food prices continued downwards.

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

- The global market was down 0.7%, S&P500 0.5%, while Nasdaq was down 'just' 0.8% following the 5.5% drop the previous week. The US market is still dependent on strong earnings growth in the coming years to defend the current multiples. Other markets are not on sale, not Oslo Børs either at P/B 2.39

- **Short-term rates: mixed, USD and NOK rates down, the others up**

- **Energy prices** are heading up, pressing central banks but **data** were in sum on the weak side last week.
- **No Fed hike** is expected this week, but a hike is still rather likely in December, if less than a week ago. Almost 2 more hikes are expected next year. **ECB** is still expected to hike once more in 2026 but the probability fell last week. Two more hikes are expected in 2027. **In UK:** 1½ + 3, as inflation worries; **Sweden** 1+3½. **In Norway:** A hike in December or more likely in Q1. A cut back down to 4.50% is not discounted before late 2027.

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	0.22	0.36	0.16	0.24	0.15
End of 2026 (market)	4.10	4.11	2.66	1.99	4.65
... Change last week	-0.05	0.00	-0.04	0.20	-0.01
Change through 2027	0.44	0.77	0.52	0.90	-0.04
End of 2027 (market)	4.54	4.88	3.18	2.89	4.62
... Change last week	-0.07	0.11	0.01	0.10	-0.04

- **Long-term rates: mostly down**

- **The US 10y bond yield** fell 9 bps to 5.00%. **The 10y TIPS real rate** declined 8 bps, while **inflation expectations** were close to unchanged, even if oil prices rose. Long bond yields fell less in other markets, and in **France** the 10y gov. rate rose by 24 bps, and '**le spread**' vs. Germany rose by 31 bps to 169 bps! The German 10y 'Bund' yields 3.34%. The **NOK 10y gov. bond yield** as well as the 10y swap rate fell 8 bps, the former to 4.35%.

- **FX: the petro-NOK the winner for the 3rd week in a row**

- NOK appreciated 1.4%, supported by higher oil prices, while the rate differential in the short end contributed on the downside. The NOK appreciated more than our models suggested, as has been the case since early 2025. The gap vs. our main model has turned positive, and NOK has almost closed the gap vs. the AUD index, following the steep 'unexplained' NOK depreciation in H1-2023. The NOK is also 2% above Norges Bank's forecast. The relative Norwegian wage cost level may have recovered sufficiently. Anyway, the NOK is now very exposed to oil and gas prices. EUR trends down, even if the rate differential vs. US is narrowing. We assume due to French worries.

- **Credit spreads: up to the highest since April**

- The **US BBB spread** (over 10y vs. US Treasuries) widened 8 bps to 135 bps, and it is up by 25 bps since the local trough in May. The Norwegian bank funding benchmark, bank2 5y, was flat at 63 bps, the highest level since May. Credit spreads are still well below historical averages.

Last week – the economy, I

- **Flash PMIs: a minor October setback**

- ... but somewhat larger in **EMU** (and Australia). We estimate a **0.5 p decline in the global composite PMI, to 53.8, still a high level, which signals 4% global GDP growth**. Both **services and manufacturing** contributed to the decline. French services turned sharply down, and services in Germany slowed – but manufacturing reports strong growth. The composite index fell slightly in the US (services), more in EMU and even more in Australia. The setback in EMU is most likely at least **partly due to the trouble in France, which fell the most, to below the 50-line**. However, higher energy prices and inflation are not good news either. In the US, S&P's PMI and regional Fed manufacturing surveys signal another decline in manufacturing ISM.

- **Norway: in sum strong labour market data**

- **LFS unemployment** was **revised 0.1 pp up to 4.6%** and stayed there in September, expected flat at 4.5%. Both the participation and the employment rate were flat. The **participation rate** trends up, and has been higher just twice, in 2000/02 and 2006/09. The **employment rate** is up from the local bottom in Q4-25, and has not often been higher, but is still well below the local peak in 2023. High employment among the young and those above 55y lifts the average, while the employment rate in the 'prime' groups is not that impressive.
- **Register-based payrolls surprised on the upside**, big time, in September, up 19,000/0.7%. Our correction model suggests 6'/0.3% (and not only due to a suspicious lift in health) – but still growth. August was revised upwards, a tad more than we expected. We assume an **underlying growth** rate at 0.7%, and if so **above growth in the working-age population**. (The final outcome is still uncertain, due to the strange initial September estimate). **Wage growth** has slowed to 3.5%. The slowdown has been broad-based.
- **SSB Manufacturing Q3 survey** was slightly stronger than we expected, as it rose back up to an average level, signalling normal growth in manufacturing production and a 2% growth in Mainland GDP. Oil-related industries are lagging, but the rest report growth, and better than in 4 years. 11 sectors report faster growth, 6 slower. Transport equipment and computers/electronics rule at the top; Ships, boats and platforms remained at the bottom, signalling a sharp decline in production. Average **capacity utilisation** remains well below par, but **supply shortages**, including labour, still **hamper production more than weak demand & competition**. Labour shortages rose slightly in Q3 and are above an average level.
- **Home builders** reported **weak new home sales** in September. SSB has reported somewhat stronger building permits.

- **USA: the weakest housing data in years (and decades)**

- **Home builders' Housing Market Index fell sharply** in October, to **the lowest level in 14 years, by far**. No change was expected.
- **Pending home sales** (signed contracts) **dropped 7%** in September, far below expectations, and the **lowest level ever** (data from 2000).
- **Mortgage banks** reported a steep decline in **applications for new mortgages** last week. Applications have fallen almost 25% since the summer, to **close to the lowest level in 30 years**.
- **Housing starts fell more than expected**, to **close to the lowest level since the pandemic**. The trend is down as well.
- The only bright spot last week: **building permits are still trending flat**. And the **inflow of new jobless claims** fell to the 3rd lowest level ever.

Last week: the economy, II

- **UK: too high CPI and wage inflation**

- **Headline inflation** accelerated more than expected, to 3.5% y/y. Core prices rose 0.34%, underlying growth in recent months rose to above 3%, and the annual rate rose to 2.8%. However, the main challenge for consumers is the 18% lift in energy prices.
- **August payrolls** were revised sharply up, and a large decline disappeared, and they **rose further in September**. The trend is still downwards, but just marginally. The **LFS reports decent employment growth** and its **unemployment rate dropped 0.2 p to 4.7%**, expected unchanged, and trends down. **The claimant count rate** was flat at 4.4% and trends flat. **Wage inflation** has fallen to below 4% but productivity growth is missing and **Unit Labour Cost inflation remains far too high**. **Bank of England** cannot be satisfied.

Week ahead: central banks on hold this week. Q3 GDP data from major economies

Time	Count	Indicator	Period	Forecast	Prior
Monday 26 Oct					
10:00	GE	IFO Business Climate	1	90.0	89.9
13:30	US	National Activity Index	Sep	-0.1	0.0
Tuesday 27 Oct					
13:30	US	Durable Goods Orders	Sep P	1.4%	-0.1%
13:30	US	Cap Goods Orders Nondef Ex Air	Sep P	0.7%	1.6%
14:00	US	CS S&P housing prices, MoM, SA	Aug	0.3%	0.3%
15:00	US	Conf. Board Consumer Confidenc	Oct	80.4	81.9
15:00	US	New Home Sales	Sep	650k	684k
Wednesday 28 Oct					
8:00	NO	C2 Credit Indicator YoY	Sep	4.6%	4.5%
8:00	NO	Retail Sales MoM	Sep	(0.3%)	0.6%
13:30	US	Advance Goods Trade Balance	Sep	-\$129.0b	-\$132.6b
19:00	US	FOMC Rate Decision (Upper Bou	28-Oct	4.00%	4.00%
Thursday 29 Oct					
8:00	SW	Economic Tendency Survey	Oct	--	107.1
8:00	SW	GDP Indicator SA QoQ	3Q	0.3%	1.4%
8:00	SW	Retail Sales MoM	Sep	--	0.8%
11:00	EC	Economic Confidence	Oct	97.5	97.9
13:30	US	Personal Income	Sep	0.3%	0.2%
13:30	US	Personal Spending	Sep	0.6%	0.9%
13:30	US	PCE Price Index YoY	Sep	3.6%	3.4%
13:30	US	Core PCE Price Index YoY	Sep	3.1%	3.0%
13:30	US	Core PCE Price Index MoM	Sep	0.3%	0.2%
13:30	US	GDP QoQ (annualised)	3Q A	3.0%	2.2%
14:15	EC	ECB Deposit Facility Rate	29-Oct	2.5%	2.5%
Friday 30 Oct					
0:50	JN	Retail Sales MoM	Sep	0.3%	-1.2%
0:50	JN	Industrial Production MoM	Sep P	1.2%	-2.4%
8:00	NO	NAV Unemployment Rate SA	Oct		2.0%
10:00	NO	Consumer Confidence, Opinion	Oct		
10:00	NO	Norges Bank Net FX transactions	Nov		NK176m
10:00	GE	GDP SA QoQ	3Q P	0.1%	0.3%
11:00	EC	GDP SA QoQ	3Q A	0.2%	0.6%
11:00	EC	Unemployment Rate	Sep	6.4%	6.4%
13:30	US	Employment Cost Index	3Q	0.8%	0.9%
Saturday 31 Oct					
2:30	CH	Manufacturing PMI. NBS	Oct	50.1	50.1
2:30	CH	Non-manufacturing PMI	Oct		50.2
Monday 02 Nov					
2:45	CH	Manufacturing PMI, RatingDog	Oct		52.1

• Central banks

- **The FOMC will keep the fed funds rate unchanged at 3.75–4.0%**, we believe. There has been some uncertainty about whether the Fed would hike rates again after the September hike, but multiple FOMC members have stated that they are in no rush and wish to gather and see more data before deciding upon further hikes. We and the market expect another rate hike in December. No new rate path or forecasts will be published this week.
- **The ECB will also keep rates on hold after hiking in September to 2.5%.** The Governing Council has been somewhat divided in its view of the pace and need for further hikes, but we believe the consensus-led process will lead to a new hike in December as inflation is too high while economic developments have continued to be better than feared – though with some uncertainty regarding the momentum in October (PMIs were down) and bond market jitters vs. France (and some social unrest).
- **The Bank of Japan will also most likely keep rates unchanged** after hiking to 1.25% in September. A weak JPY and higher wage and price pressures imply that the BOJ will keep on raising rates in December.

• USA

- **Q3 GDP is expected up 3.0%** (the initial uncertain estimate), following the 2.2% growth pace in Q2. Household demand and business investments (read: AI) lift domestic demand rapidly, while net exports fell sharply as imports are surging.
- **PCE inflation is expected to accelerate**, the headline by 0.2 pp to 3.6%, and the core by 0.1 pp to 3.1%. Energy is a main challenge, but not the only one. The Fed is under ‘some’ pressure.
- **The Employment Cost Index has reported a substantial decline** in labour cost inflation, just like other wage indicators. As productivity growth remains decent, Unit Labour Costs growth is well below 2%. Thus, it is the surge in profits that ‘explains’ the high inflation rate.

• EMU

- **Q3 GDP data and the unemployment rate** should show that activity holds up well – at least until September/Q3.

• Norway

- **The NAV unemployment rate surprisingly fell to 2.0% in September**, which was lower than Norges Bank expected. The rate has been falling since last November. Other labour figures last week showed that the labour market remained in balance, even if LFS unemployment was adjusted a tad higher. Payroll growth was most likely decent, even after a likely downward revision in a month’s time.
- **Retail Sales fell through most of H1 but have stabilised lately** and rose in August. Will the positive trend continue even with higher rates?
- **Credit growth remains modest** and below income growth among households, businesses and (finally) local governments.
- **Norges Bank’s NOK sales** will rise somewhat, we believe, in part due to a lower oil-corrected government deficit in 2026. Norges Bank will start buying NOK again in 2027.

• Sweden

- **Economic Tendency Survey, September & Q3 GDP growth and Retail Sales** will all give insights into the latest state of the Swedish economy. So far, growth has been strong, especially in retail sales, and business confidence has signalled further strong growth.

• China

- **The official PMI data** will be out on Saturday and RatingDog’s surveys Monday morning. September PMIs were stronger than expected.

Agenda

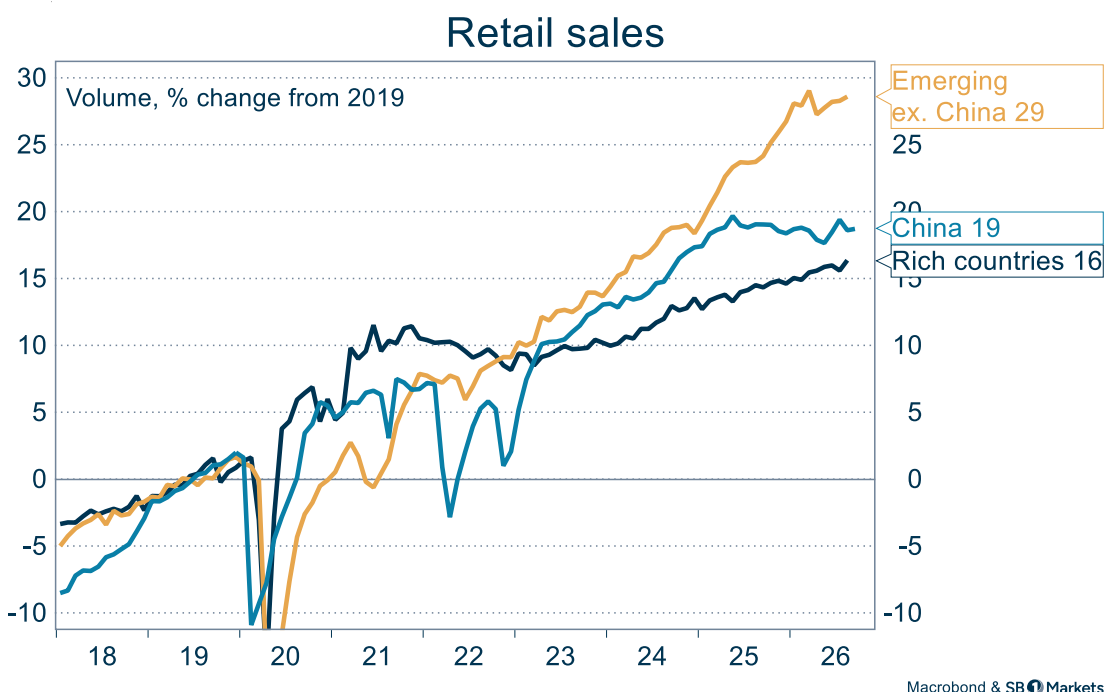
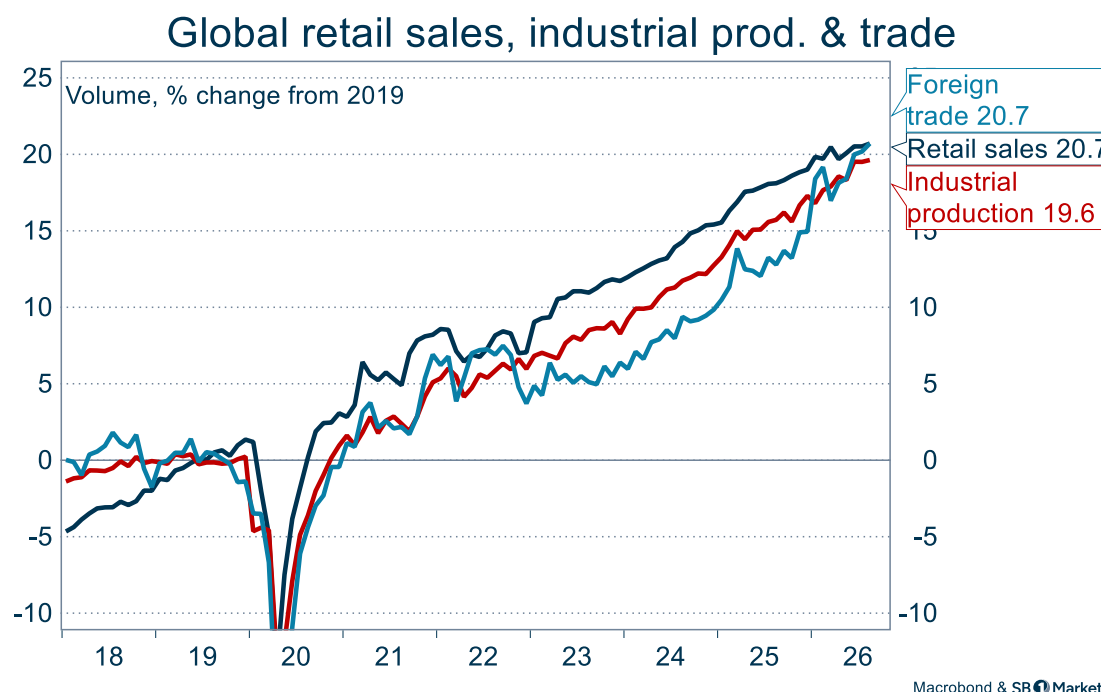
- **Highlights**

- The Norwegian economy
- Major economies
- Financial 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.



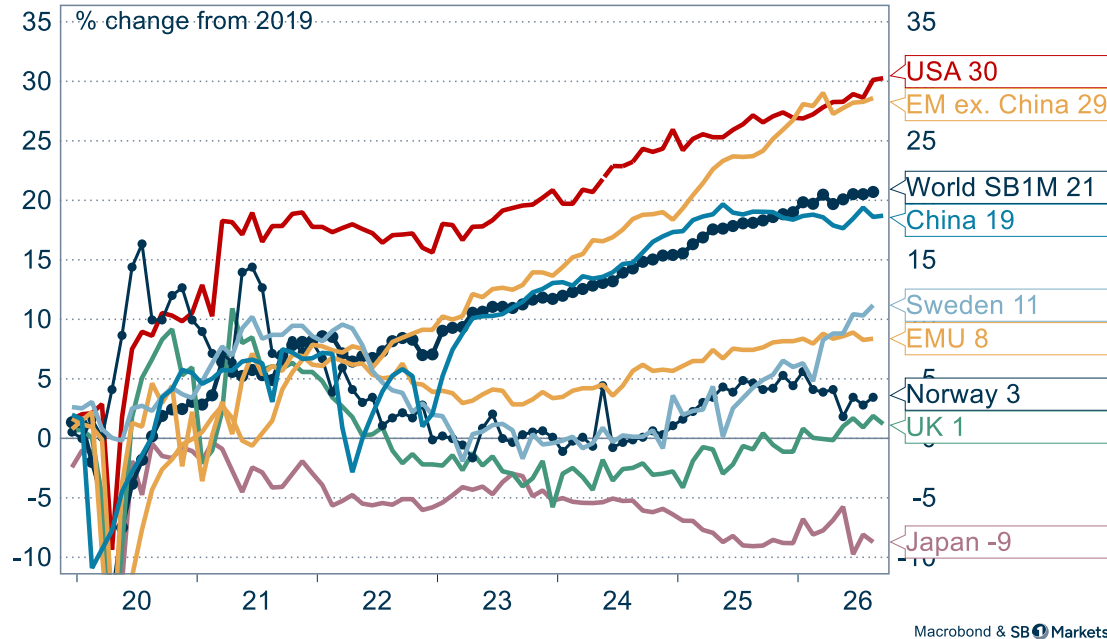
Extremely volatile retail sales data from Thailand have influenced the EM ex. China data series.



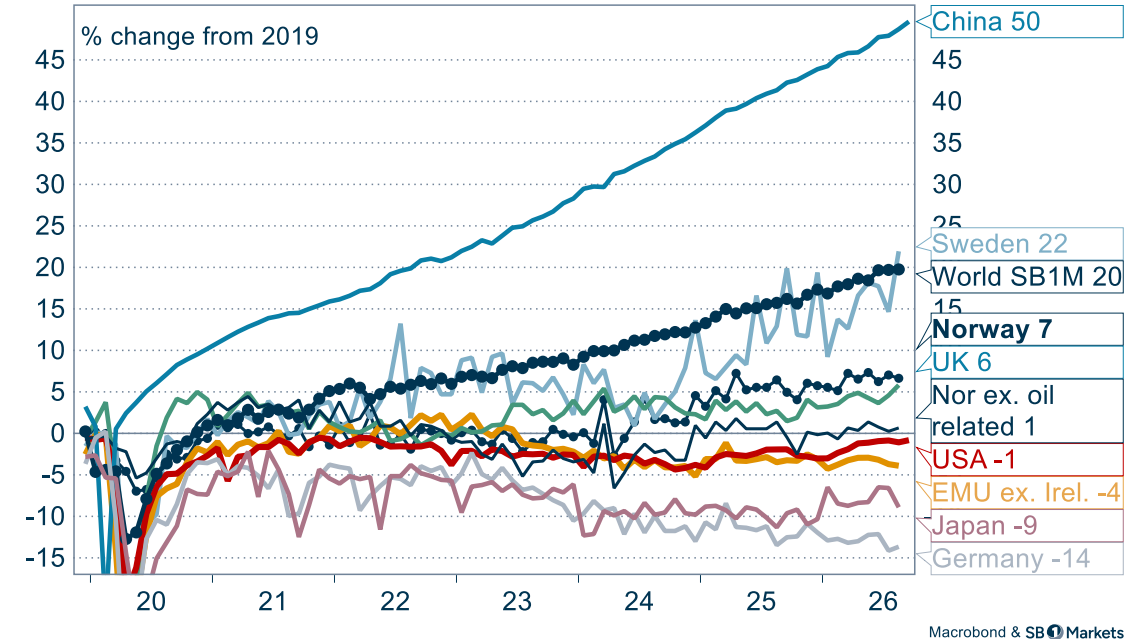
Huge gaps in retail sales and manufacturing production. China leads in manufacturing

... 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 in production, but its retail sales are far weaker. Norway has been the retail trade loser in 2026.

Retail sales volume

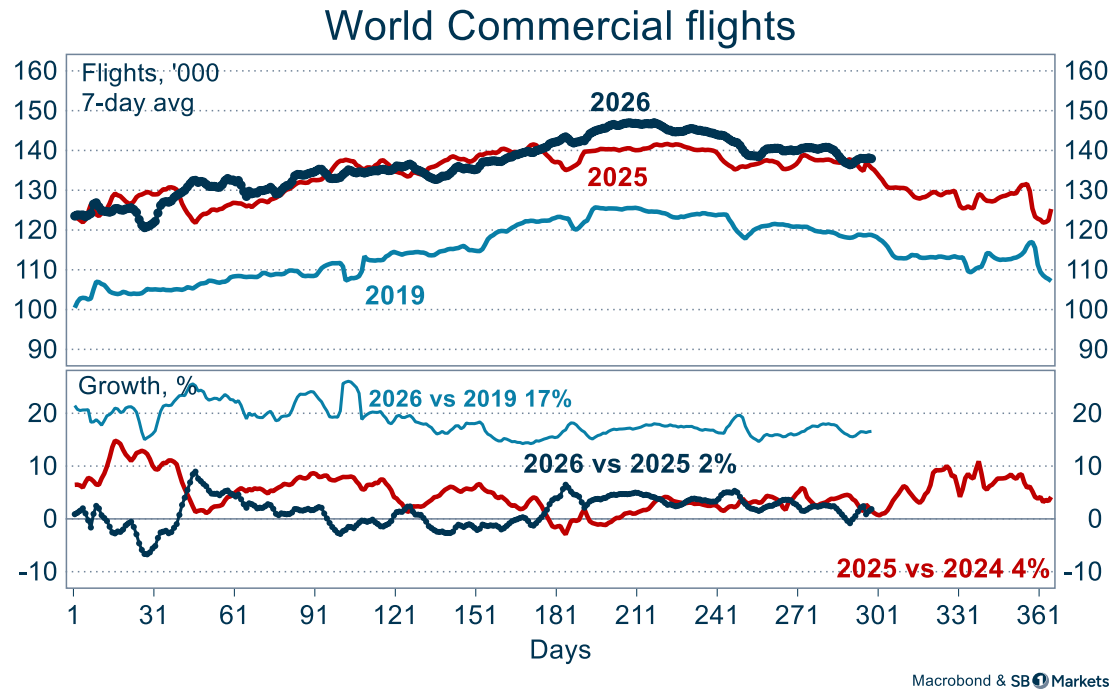
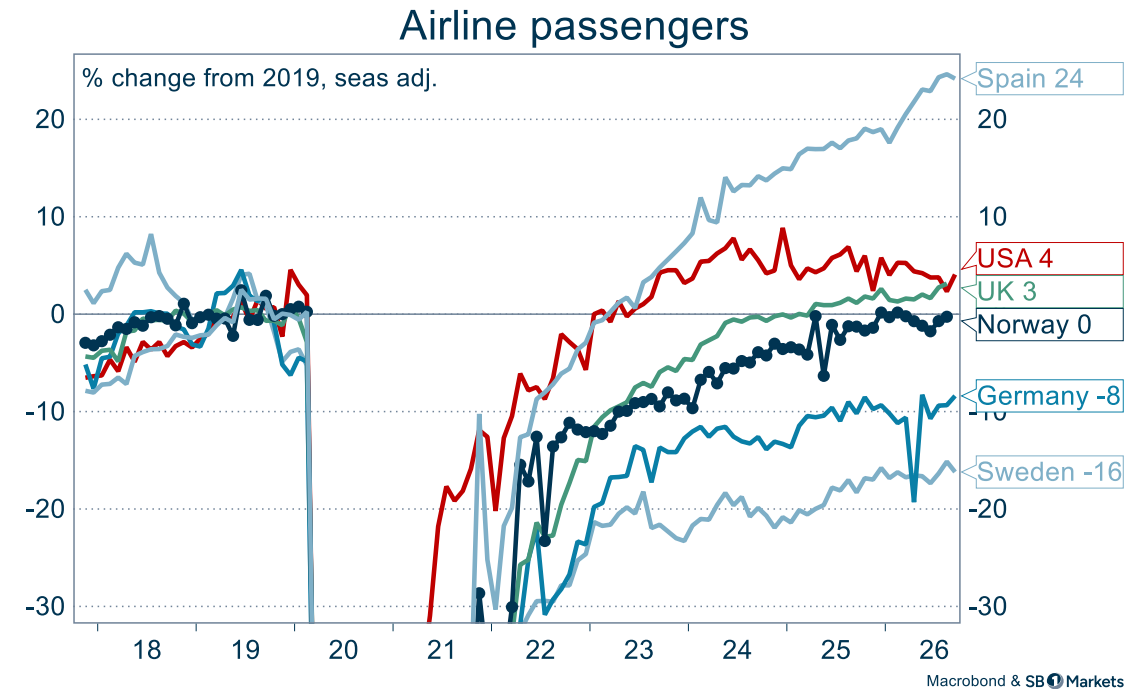


Manufacturing production





Global airline traffic just marginally up y/y

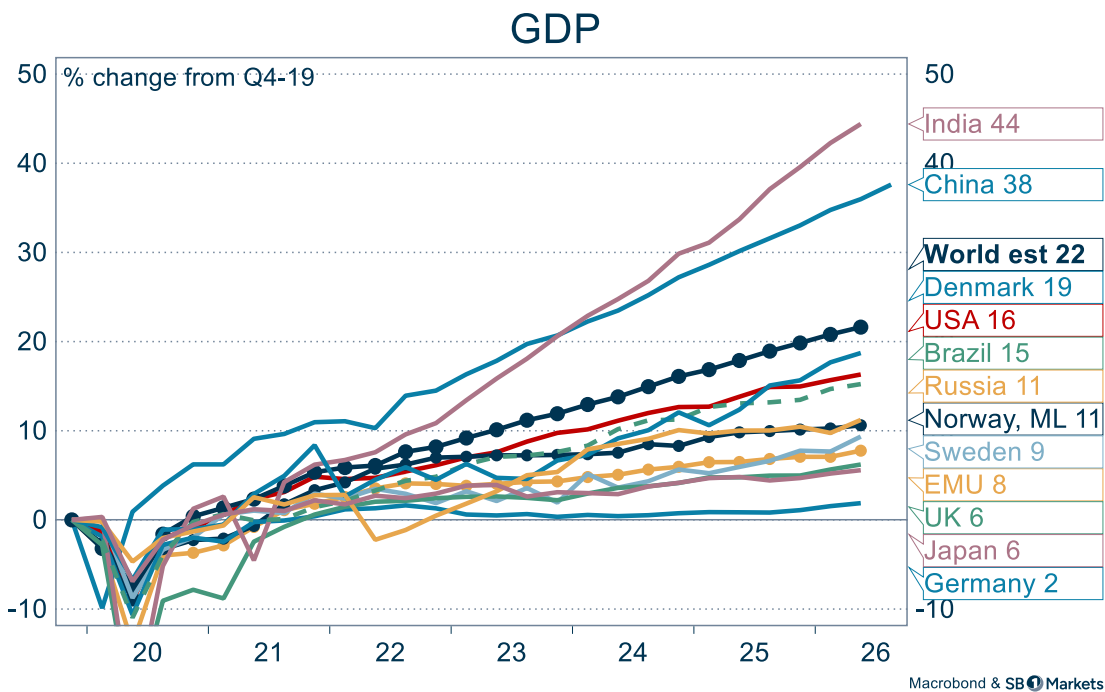
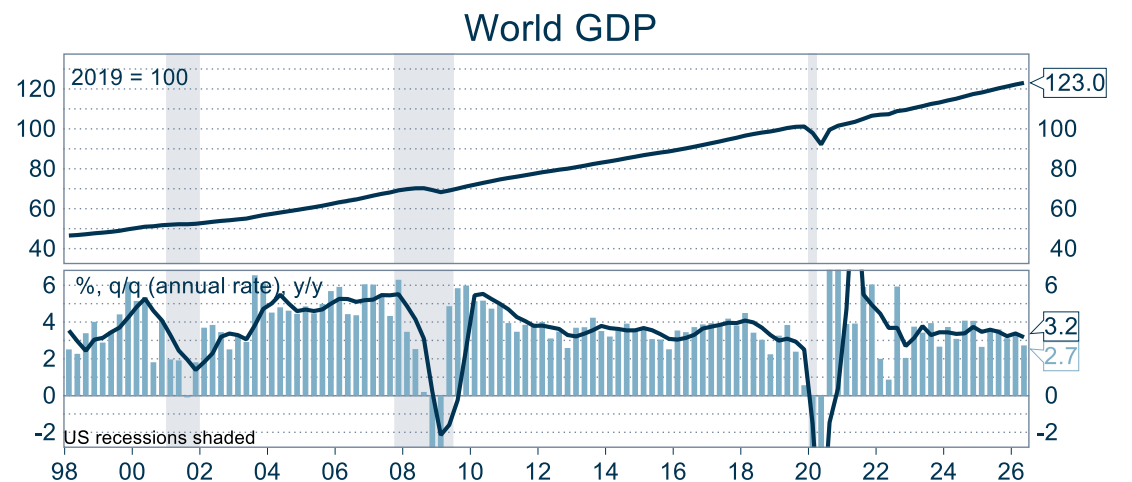
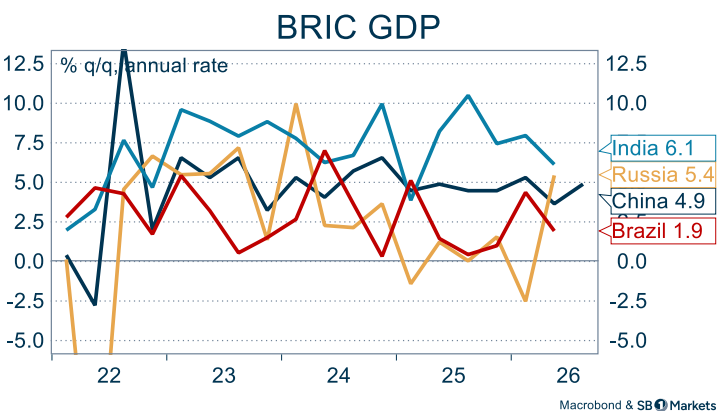


- **Passenger numbers** are recovering in most Western countries, except for the US, where traffic is declining from previously 'high' figures, almost back to the 2019 level. Sweden is well below the 2019 level, by 16%!
- Norway has returned to the 2019 level, but the trend is flat. Spain leads with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

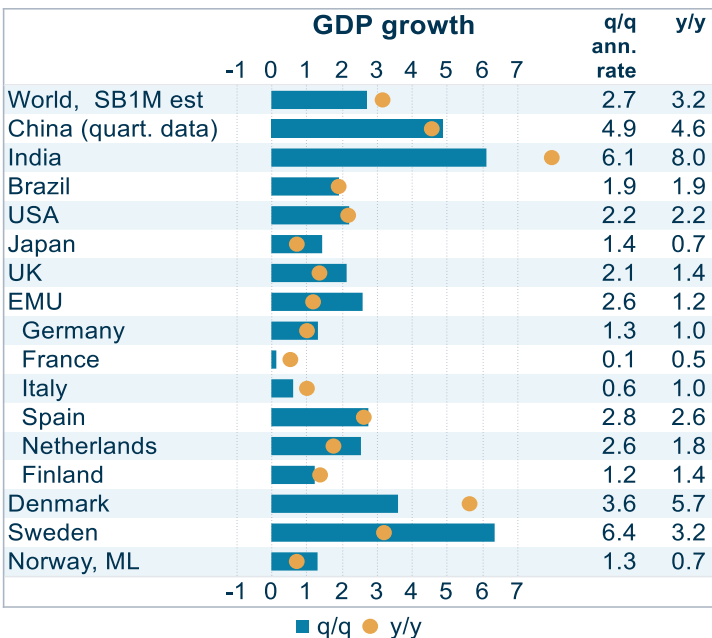


Q2 global GDP growth slowed to 2.7%, still up 3.2% y/y

No doubt, the Gulf war and the rise 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.



- China has reported a 4.9% growth pace in Q3, and GDP is up 4.6% y/y.
- The other countries: Q2 data



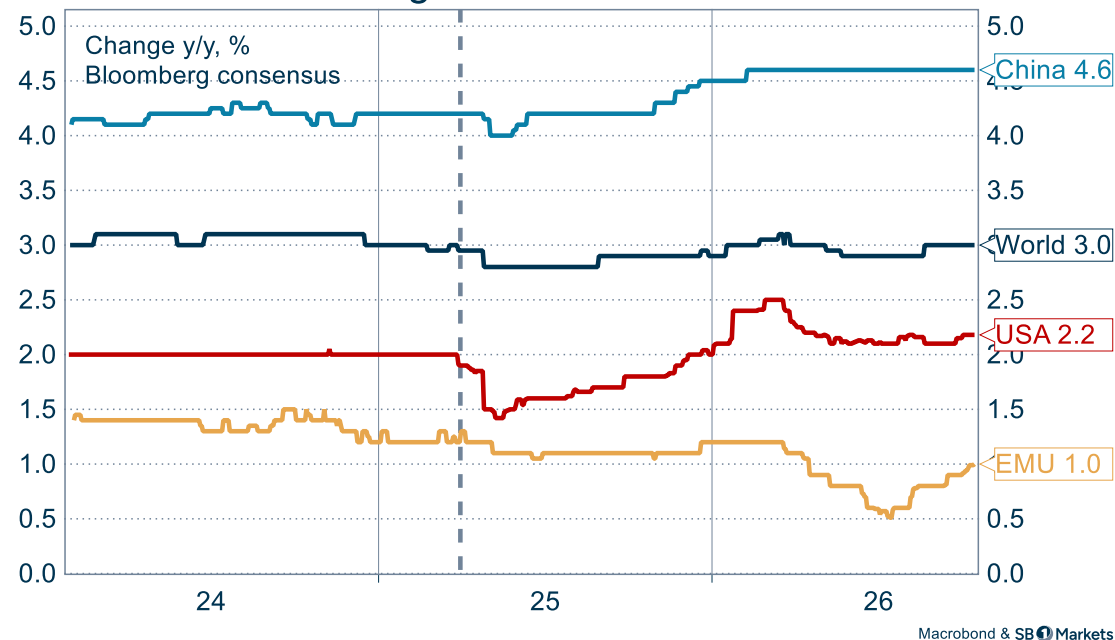
World GDP is estimated by SB1M



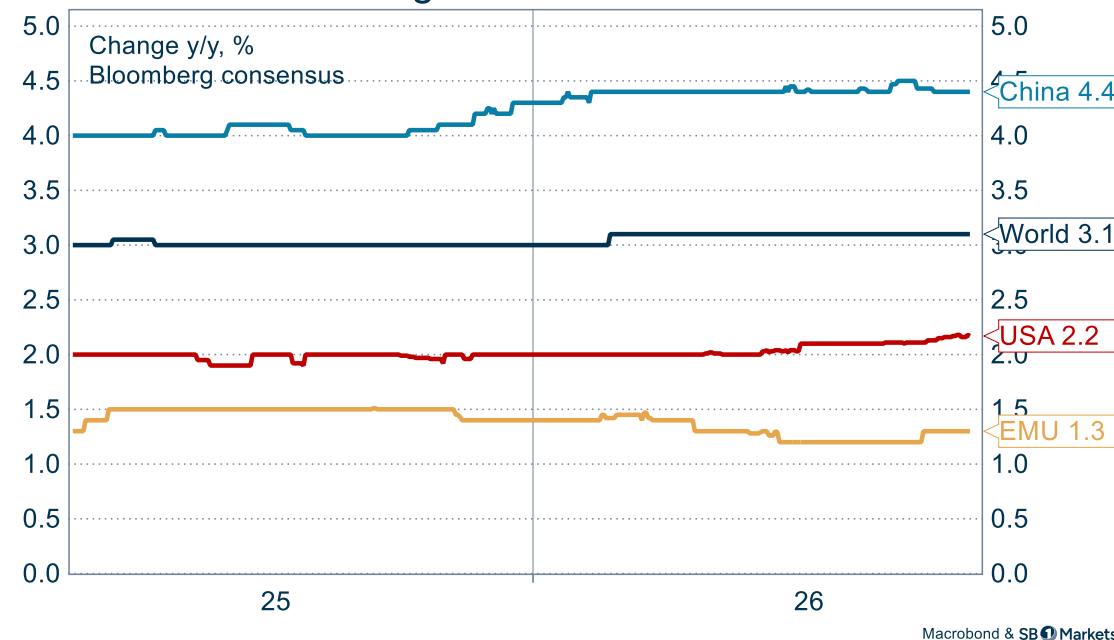
EMU growth forecasts recover. US forecasts remain higher and edge up

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

GDP growth forecasts 2026



GDP growth forecasts 2027

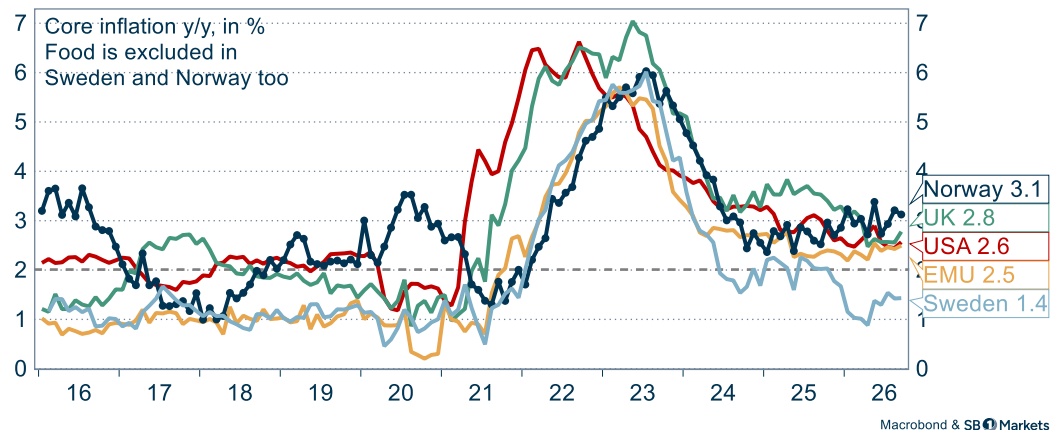




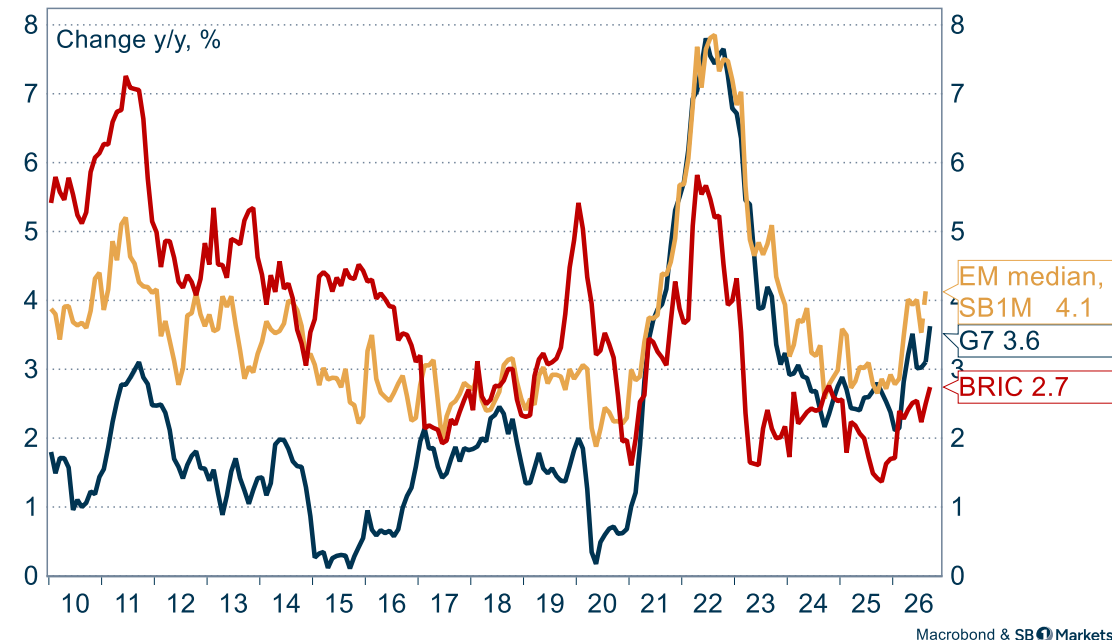
Inflation: underlying core in recent months: UK, US above 3% again. Norway, EMU > 2½%

The momentum in the Swedish core CPI is still below 2%

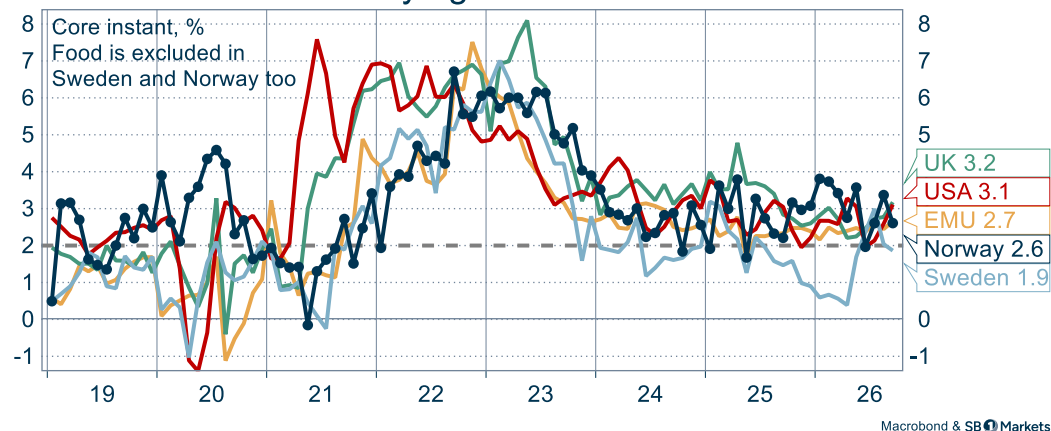
Core CPI Inflation



CPI Inflation



Underlying Core CPI Inflation

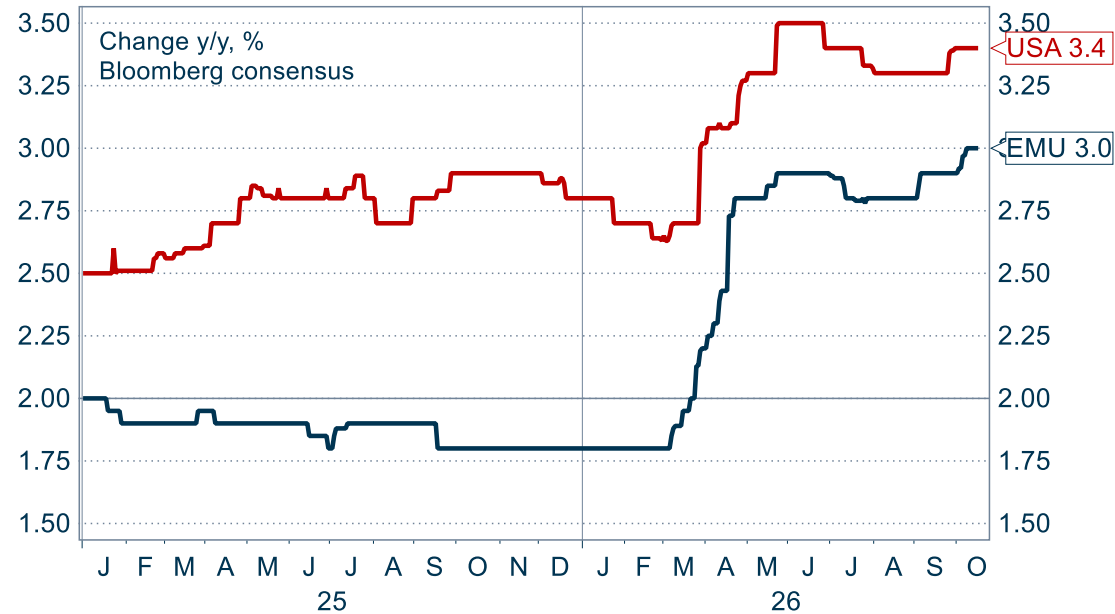




Inflation forecasts are drifting upwards, in both EMU and the US

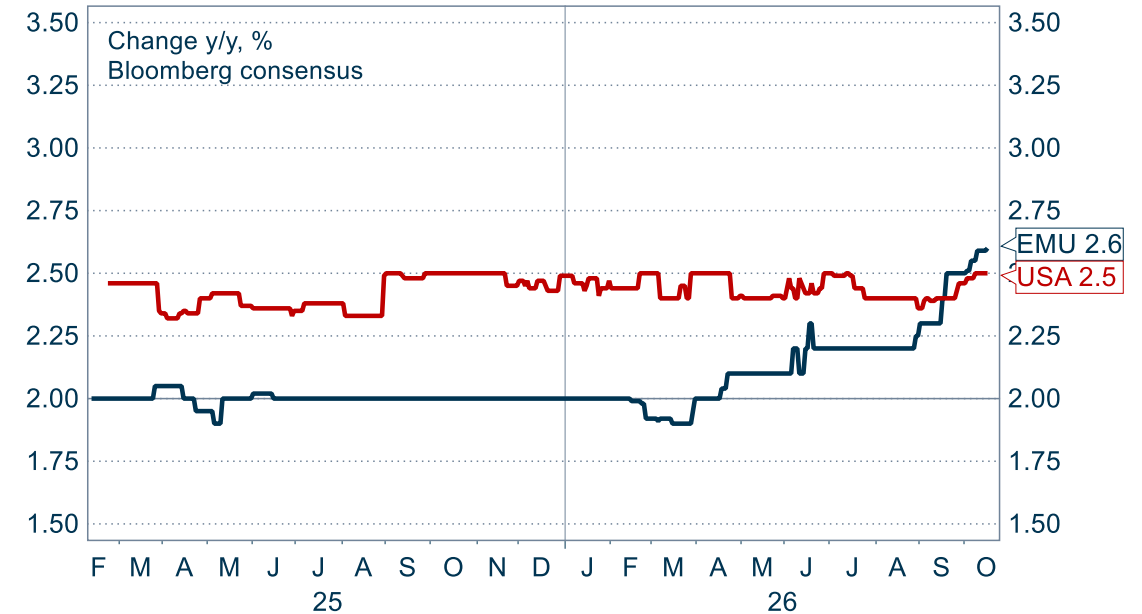
The EMU 2027 HICP f'cast before the Gulf war: 1.9%. Now 2.6%. The US f'cast is unch. at 2.5% vs. before the war, but has inched upwards recently. Natural gas prices probably explain the difference between the US and EMU next year.

2026 CPI forecasts



Macrobond & SB Markets

2027 CPI forecasts

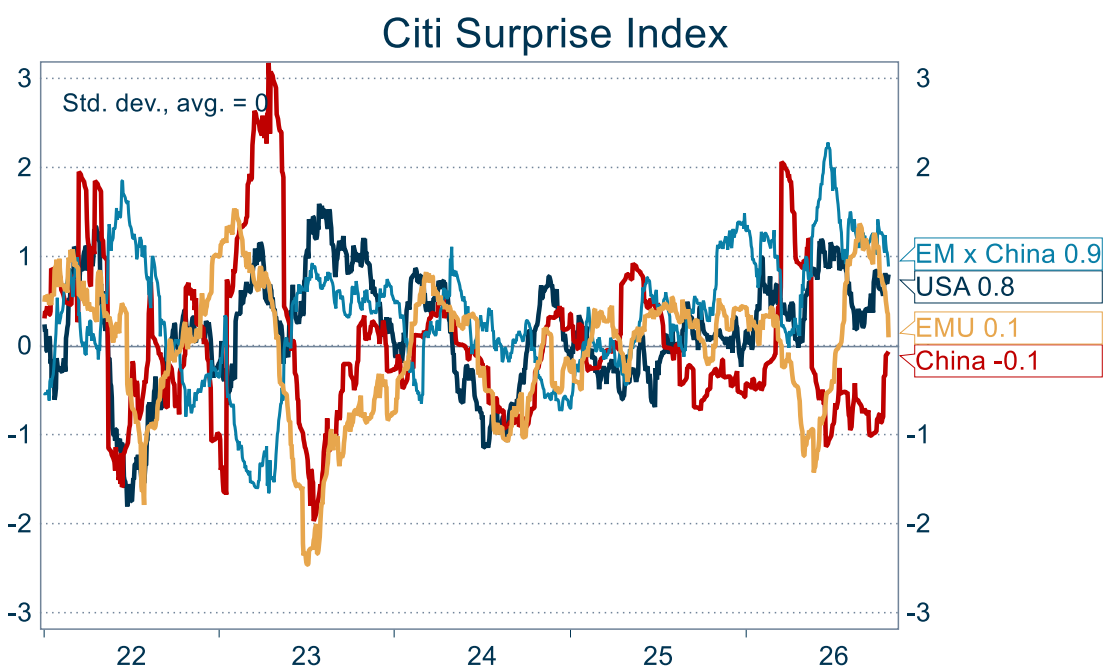
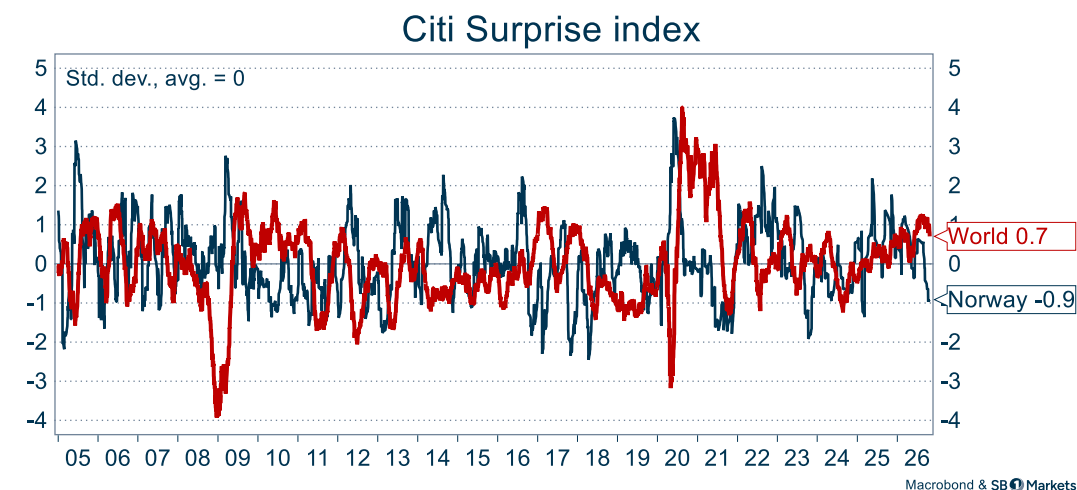
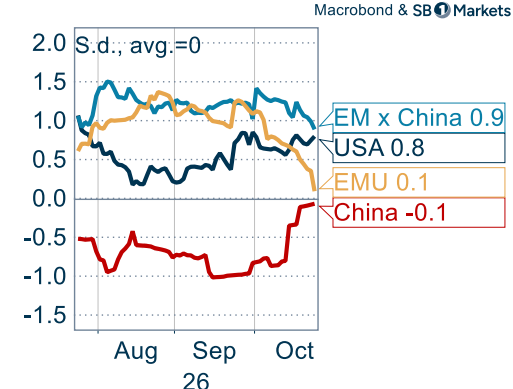
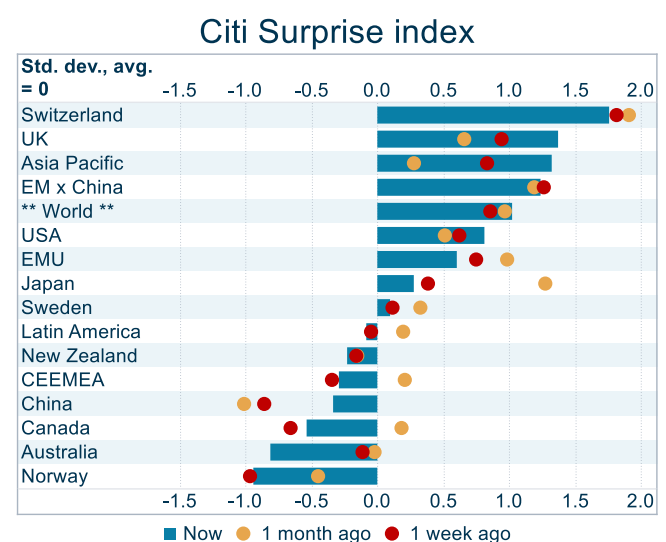


Macrobond & SB Markets



Surprise indices: the PMIs lowered EMU sharply. Sep./Q3 data lifted China. US trends up

Canada, Australia and Norway remain at the bottom of the list. EM ex. China, the UK and (volatile) Switzerland remain at the top of the list.

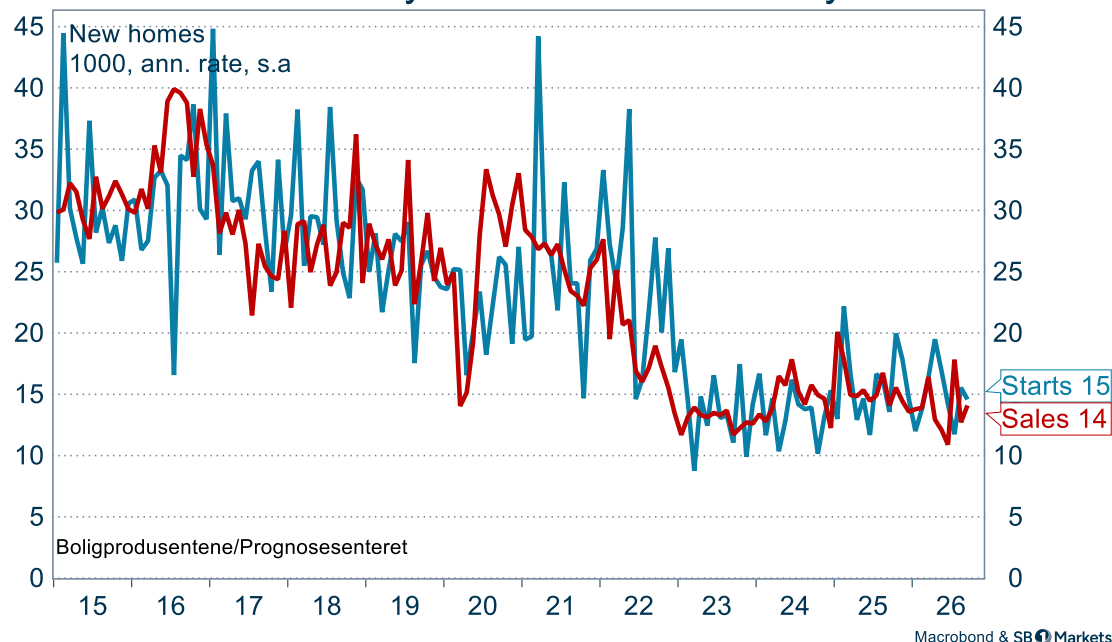


Surprise indices measure the difference between economists' expectations and the actual outcome over a 3-month rolling window, calculated by Citi.

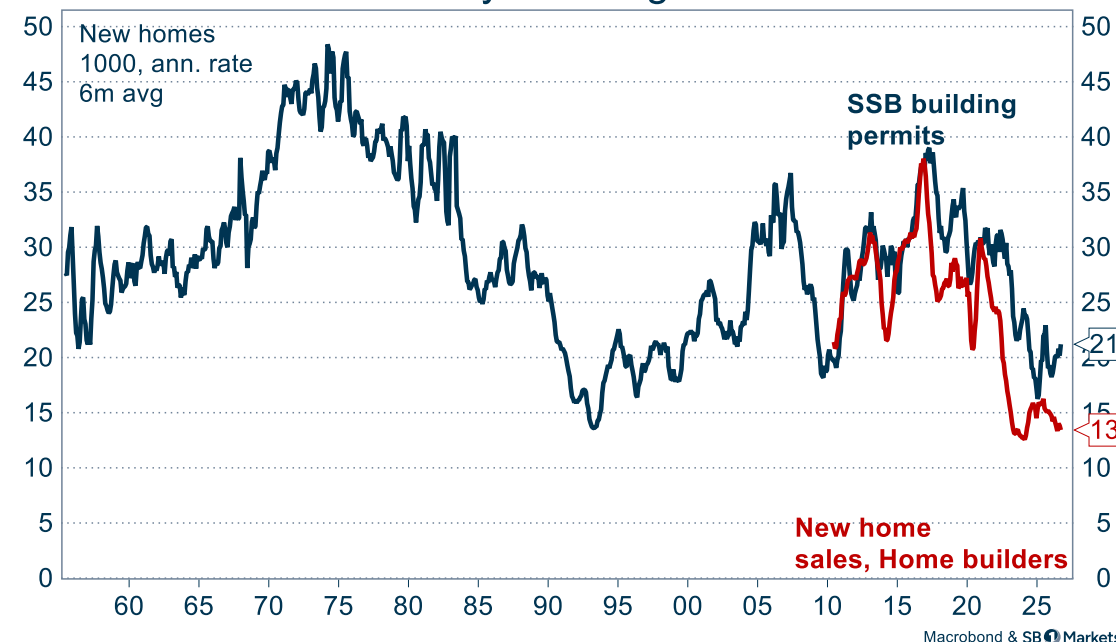
Home builders: New home sales/starts remain at a low level, according to home builders

Sales equalled 14,000 at an annualised rate in Sep., marginally up from Aug., but the trend is not upwards. Starts stay at a low level as well – and below SSB’s building permit stats. SSB has reported a slight increase lately, up to 21’ over the past 6 months, from 16’ at the bottom.

Norway Homebuilders' survey



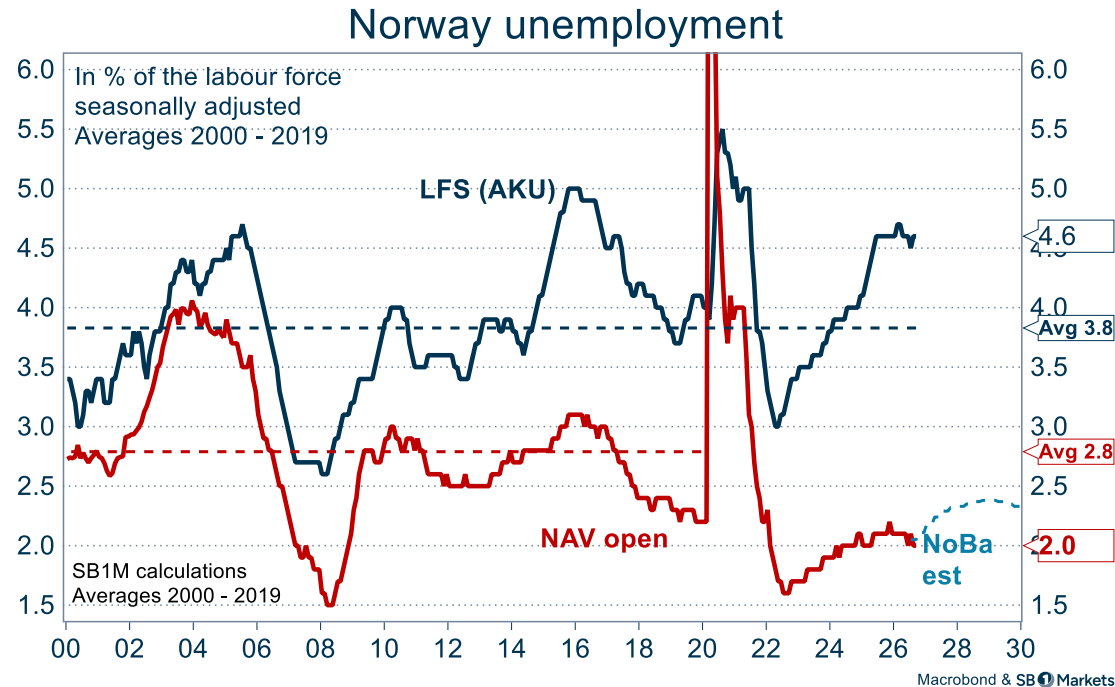
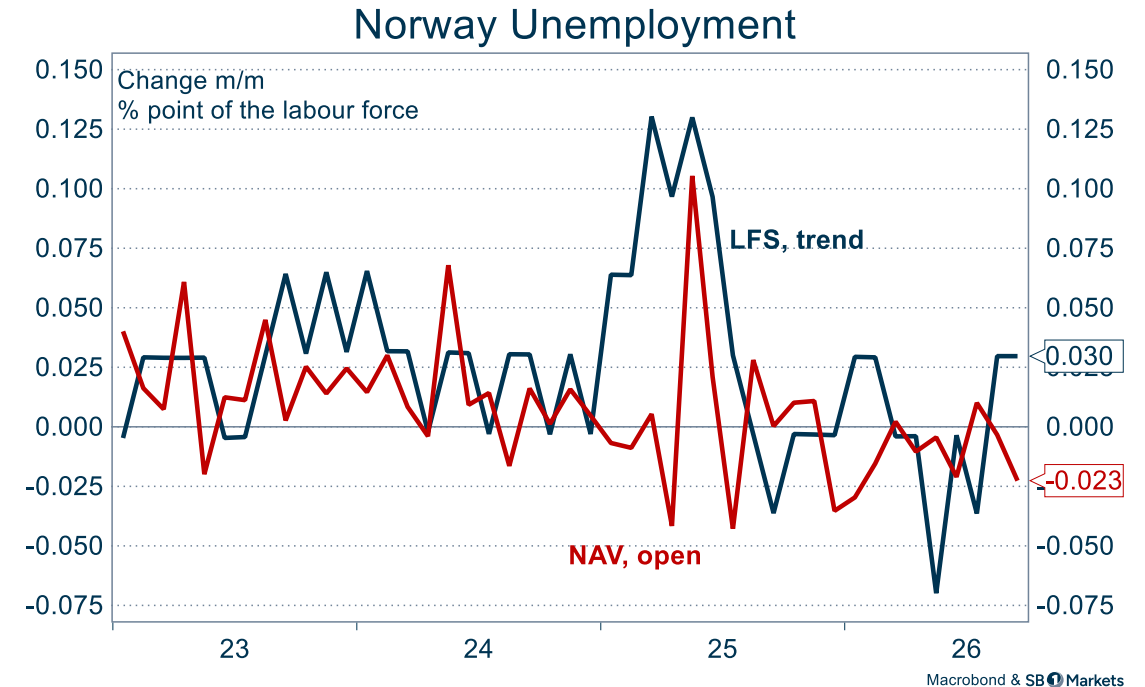
Norway Housing starts



- **SSB reports 21’ building permits** on average over the past 6 months, 4’ above the (6m avg.) estimate of new home starts from Boligprodusentenes forening (home builders association). Student homes and nursing homes are included in SSB’s data but not in the home builders’ stats. SSB’s permits lag new home sales by some 6 months.
 - The gap between home builders’ sales/starts data and SSB’s permits has widened somewhat. Over time, 94% of SSB’s permits are completed, which indicates that permits are ‘for real’.

LFS ('AKU') unemployment: up to 4.6% in September, trends flat

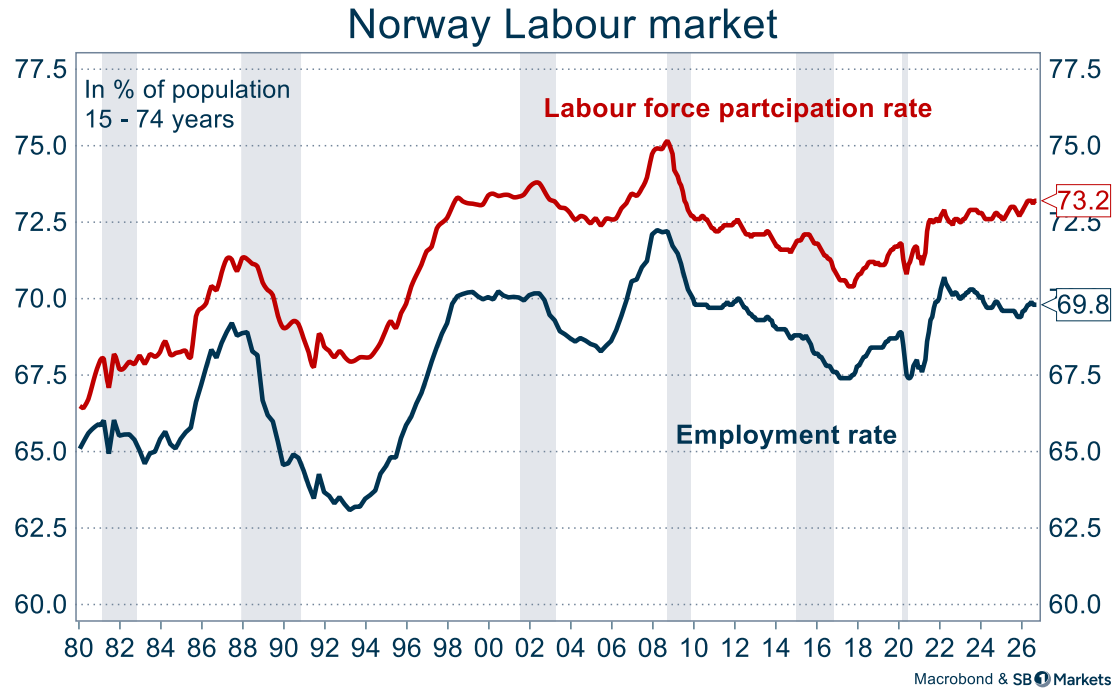
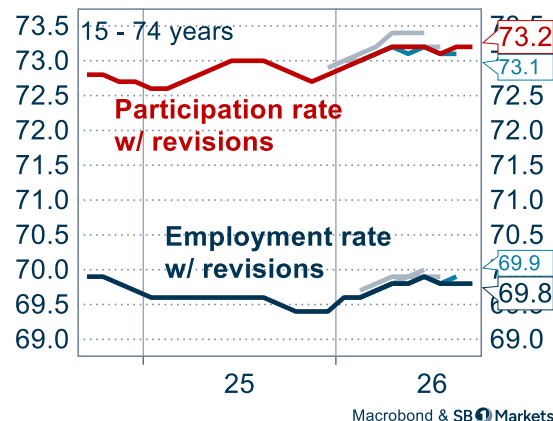
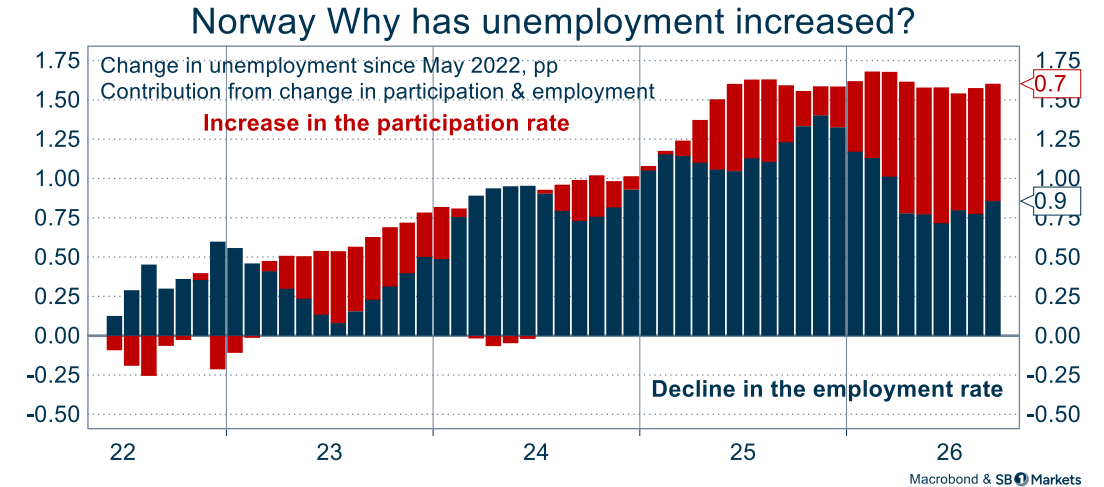
... measured by SSB's trend rate, expected unchanged at previously reported 4.5%. The employment rate was flat but from a 0.1 pp downward-revised Aug. level. The participation rate was revised up, and was unchanged in Sep. **In sum a tad weaker than expected.**



- **Payrolls were far stronger than expected**, and even if we expect a substantial downward revision, underlying growth in payrolls is in line with, or higher than growth in the working-age population.

LFS: the participation rate was revised up, and the employment rate down, both by 0.1 pp

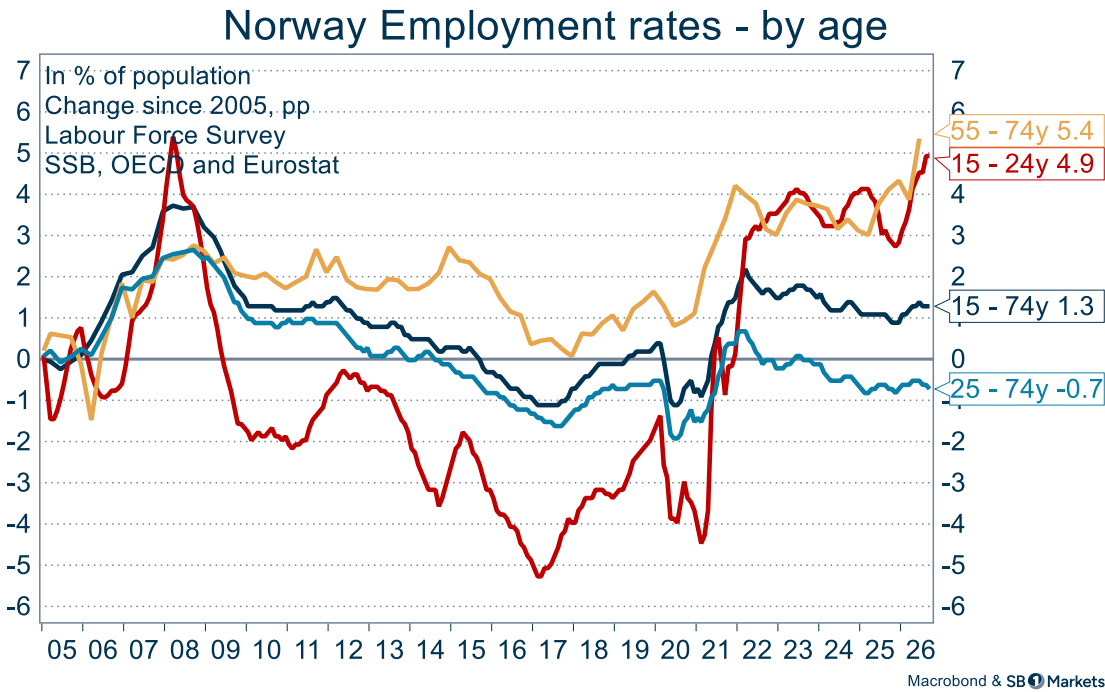
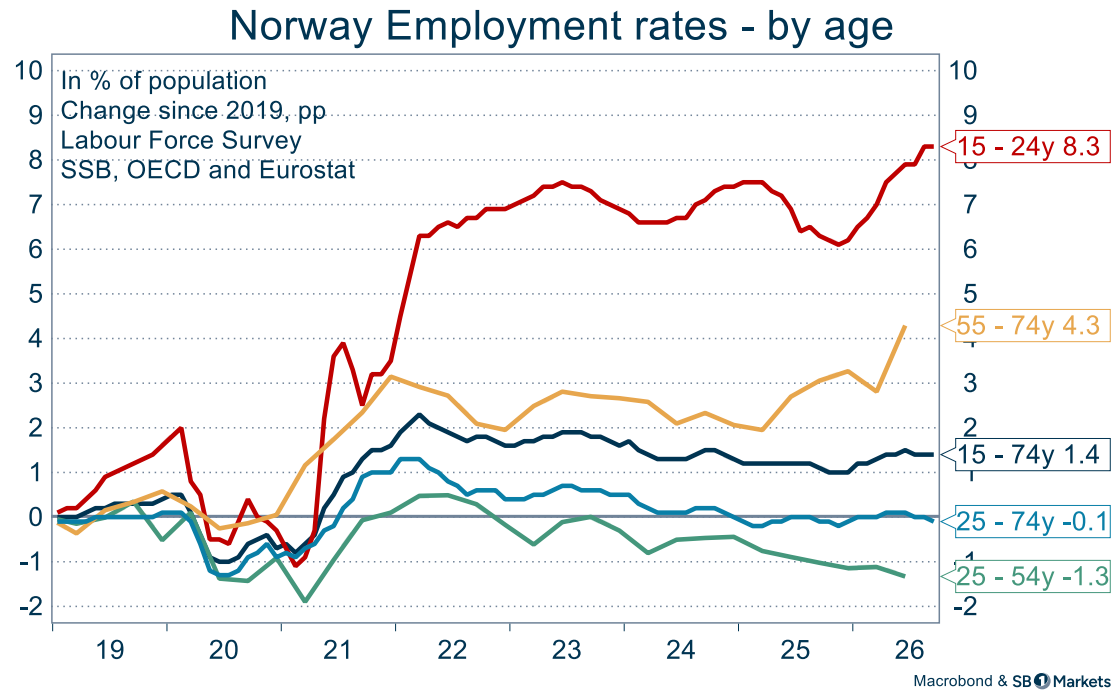
Both rates were unchanged in September, at 73.2% and 69.8% resp. The participation rate is close to the highest level since '09. Almost ½ of the lift in the unempl. rate from 3% in 2022 is due to a lift in the participation rate. However, the employment rate has fallen slightly more.



- **The participation rate** has trended upward since 2017 (after the 'oil crisis'), and has been higher just on two occasions, in 2000/2002 and in 2007/2009. **The long-term trend** since the late 1990s is flat though.
- **The employment rate** trended down from 2022 to late last year and recovered somewhat during H1-26. Since before the summer, the rate has flattened. The rate was at 69.8% in September.
 - **Ahead of the pandemic**, the rate was almost 69% and then fell to 67.4% in early 2021 (equal to the level in 2017, after the 'oil crisis').
 - **At the peak (ATH)** in 2008, the employment rate was 72%. The employment rate in the 25–54y group is down 3.5 pp from the 2008 level but is higher than before the pandemic.
 - **The long-term trend**, since the end of the 1990s, is flat at 70%.
- Growth in the **working-age population** has fallen to 0.5% y/y from up to 1.4% when immigration from Ukraine peaked in 2023.

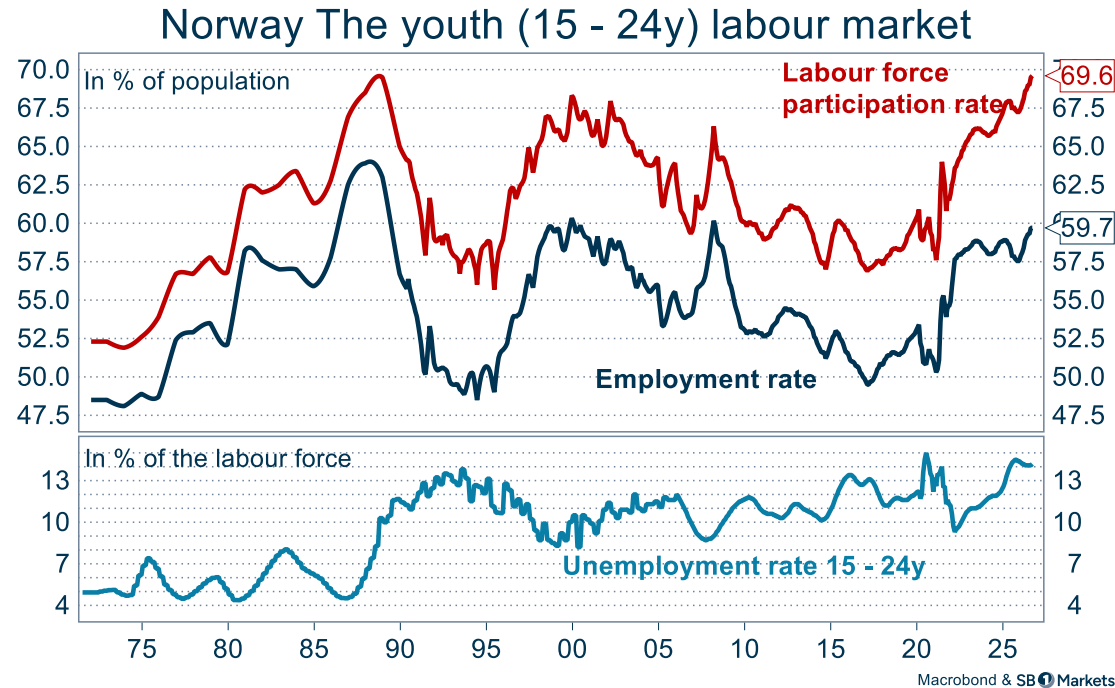
Another close-up: changes in employment rates

The laggards in recent years: the core labour market group, 25–54y segment. **Bad news.** The youths in the lead. And the oldies.

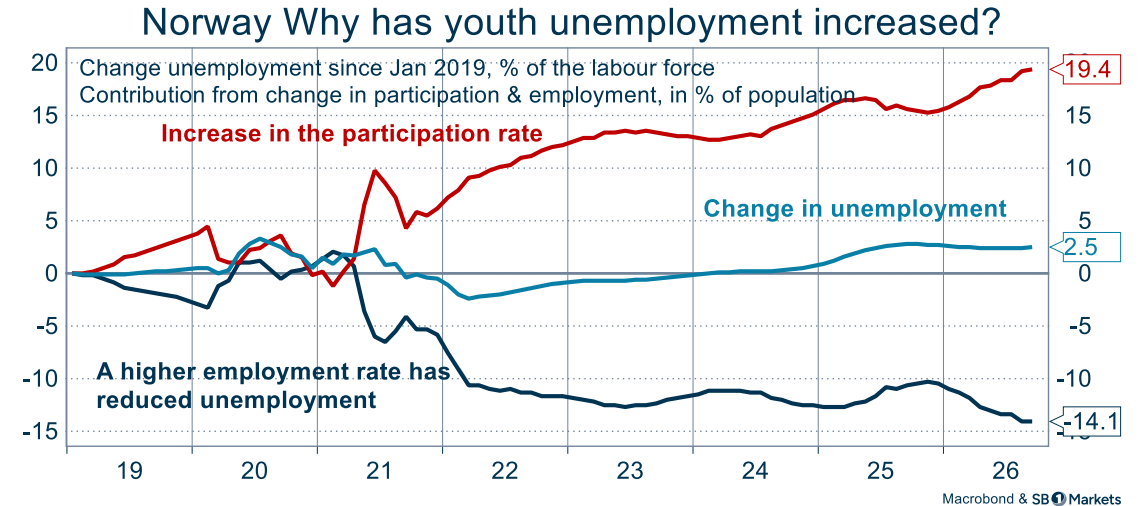
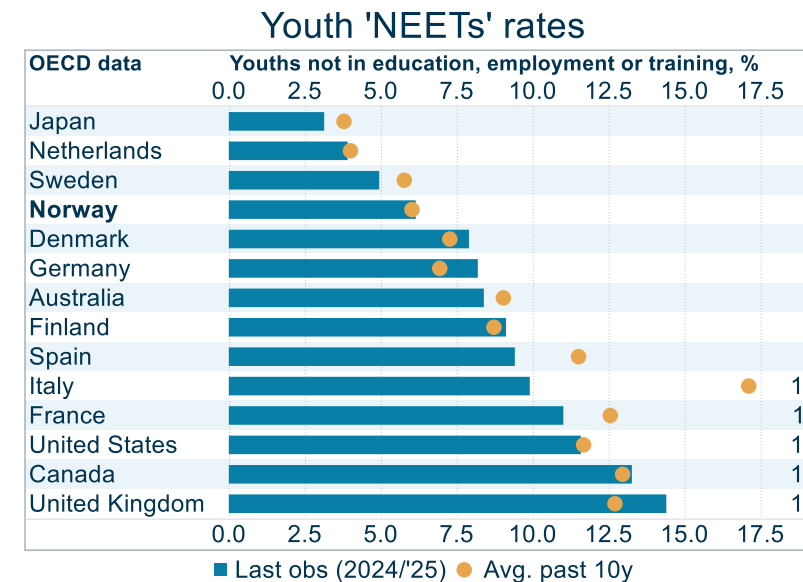


The employment rate among the youth is very high, and **participation is close to ATH!**

The employment rate is **up 8 pp since before the pandemic, participation 11 pp**, and the unemployment rate has increased (but it has flattened since last year). The Norwegian NEET (not in education, employment or training) rate is among the lowest in rich countries.

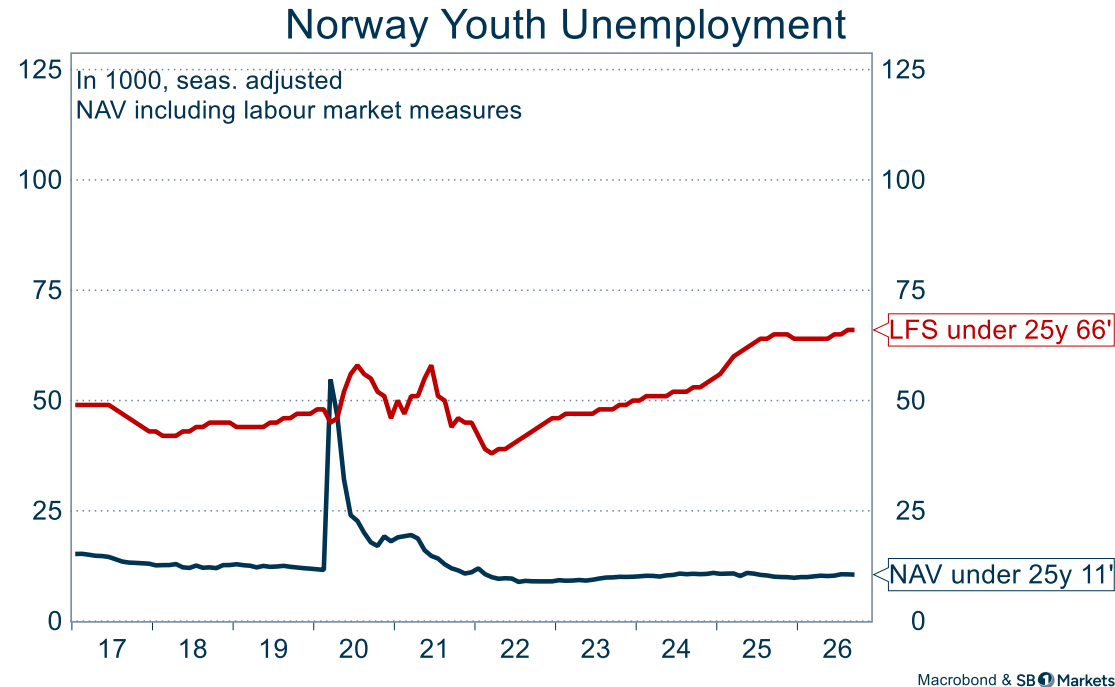
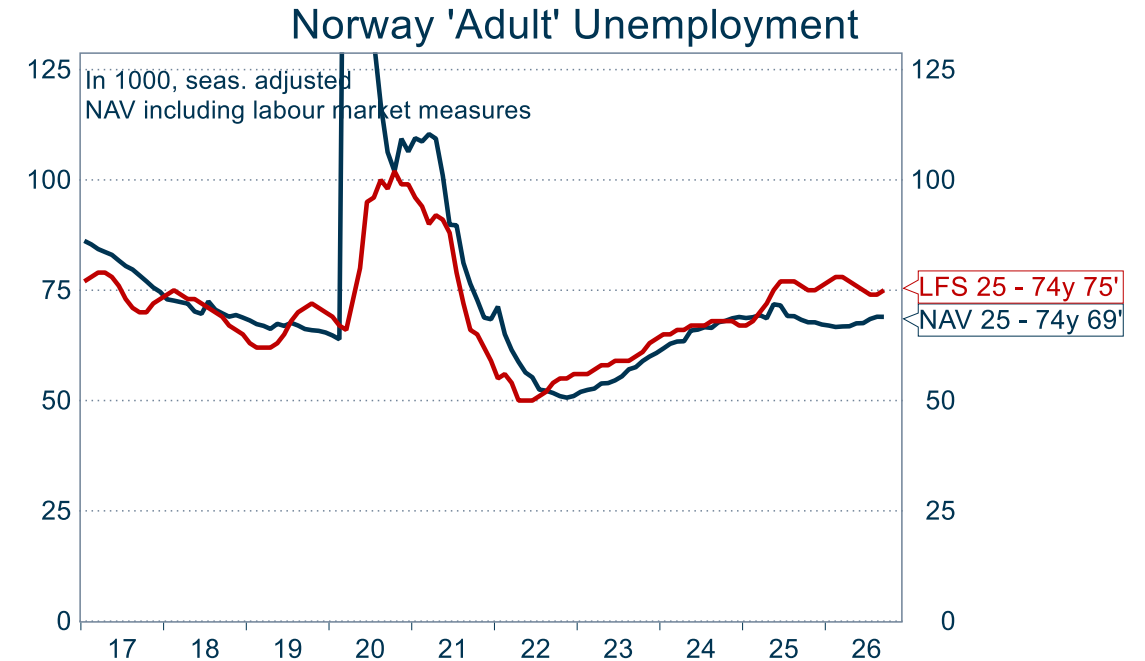


- The **changes in participation and employment rates** since before the pandemic are incredibly large, *check the chart above!*

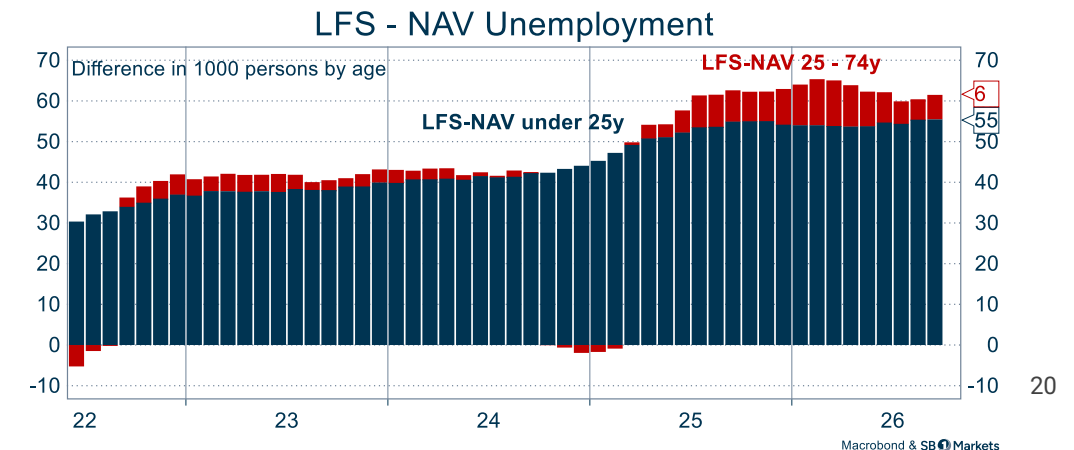


NAV or LFS unemployment? Almost all of the difference is due to youth unemployment

... at least until mid-2025. Following a widening of the gap in the 25–74y segment until early 2026, a narrowing of the gap to NAV again, due to a narrowing in the 25+ group.

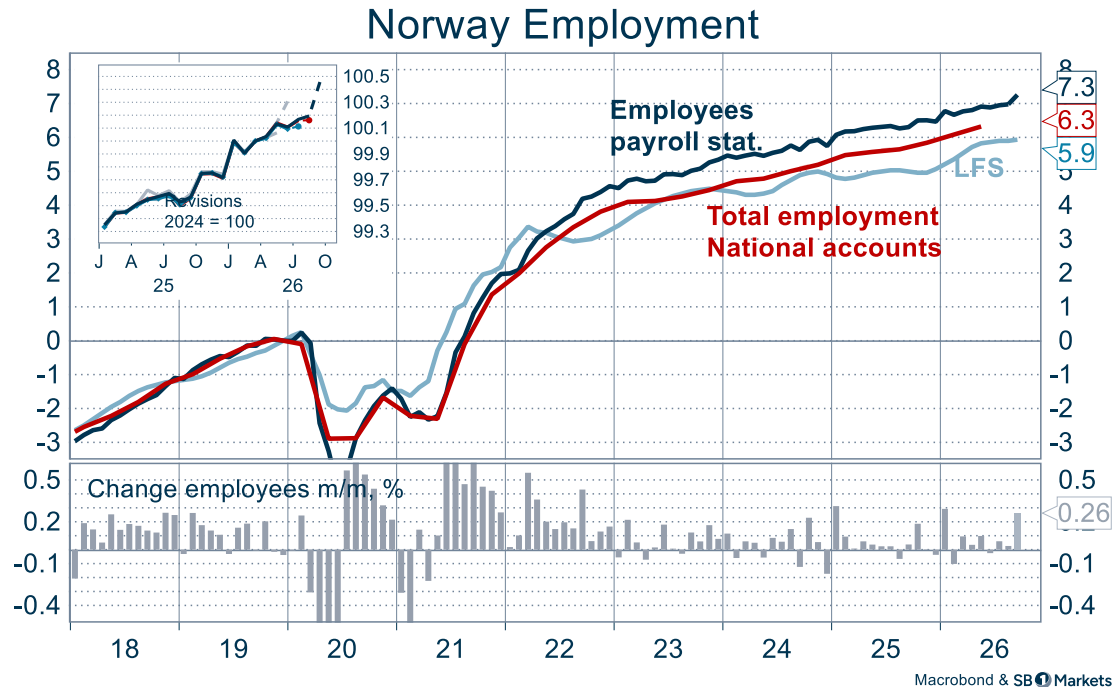
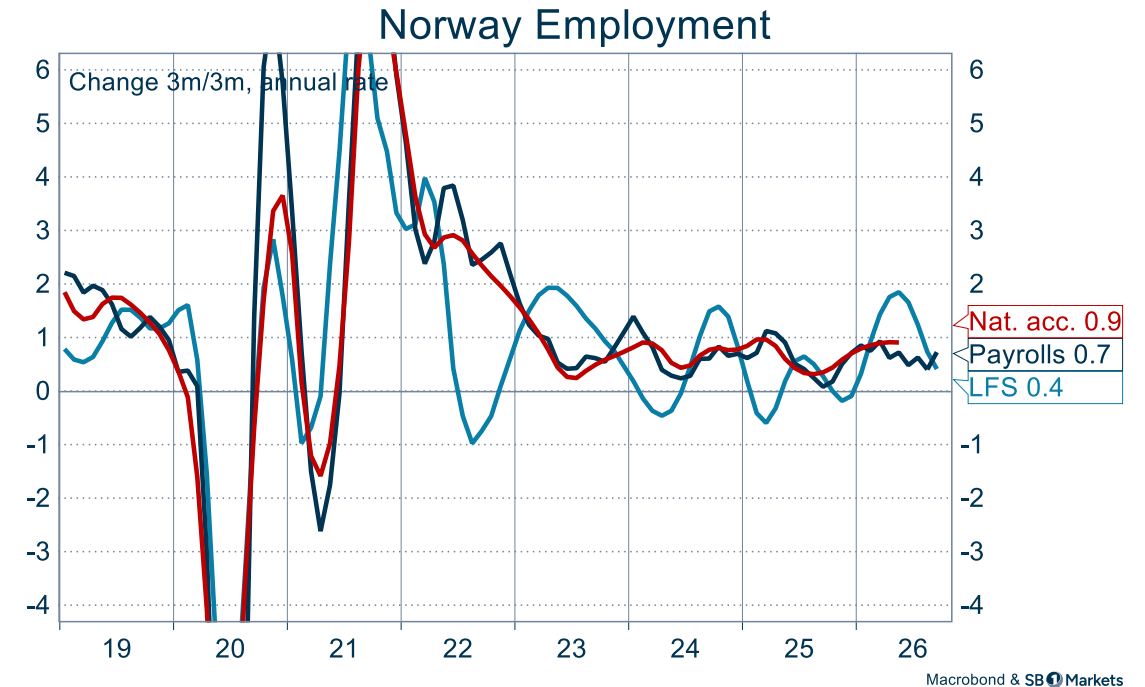


- The effective supply of hours worked for those under 25y is limited (many offer just part-time engagements). In addition, the lift in youth unemployment is not due to a decline in the employment rate; it has increased in recent years. The increase is due to an even larger lift in the participation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



Payrolls: An unusual jump in payrolls in September: will it be revised down?

Preliminary register-based employee stats are regrettably rather volatile and are often substantially revised. Now, data from the health sectors look more than suspicious. Even so, we assume a lift in Sep., and **growth is equal to or higher than population growth.**

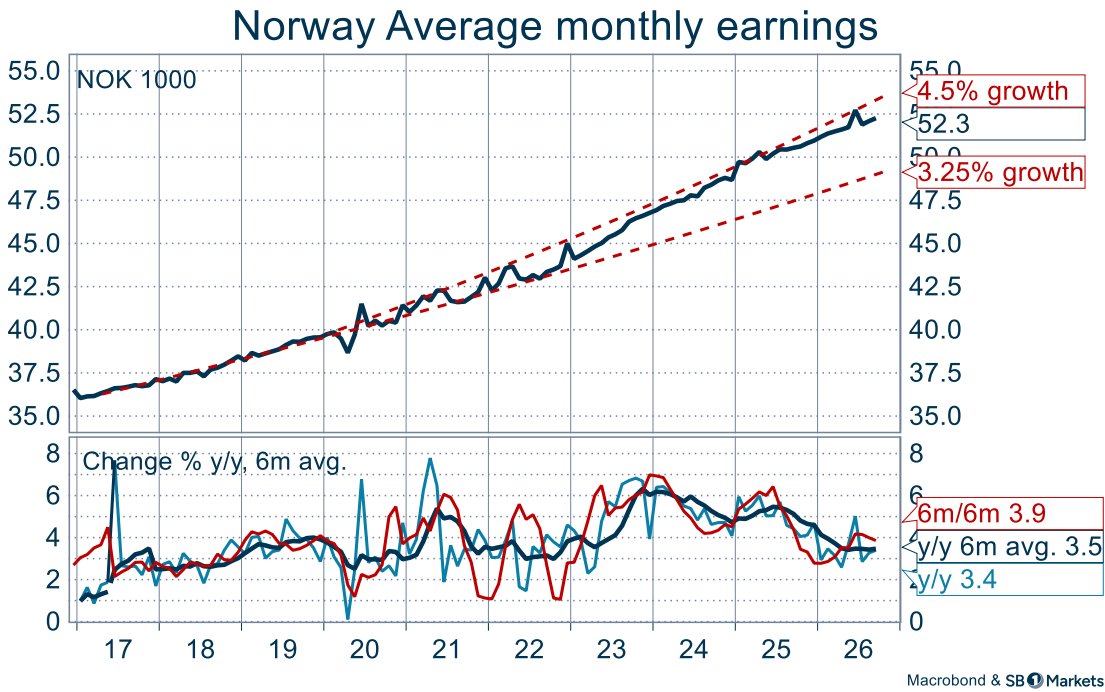
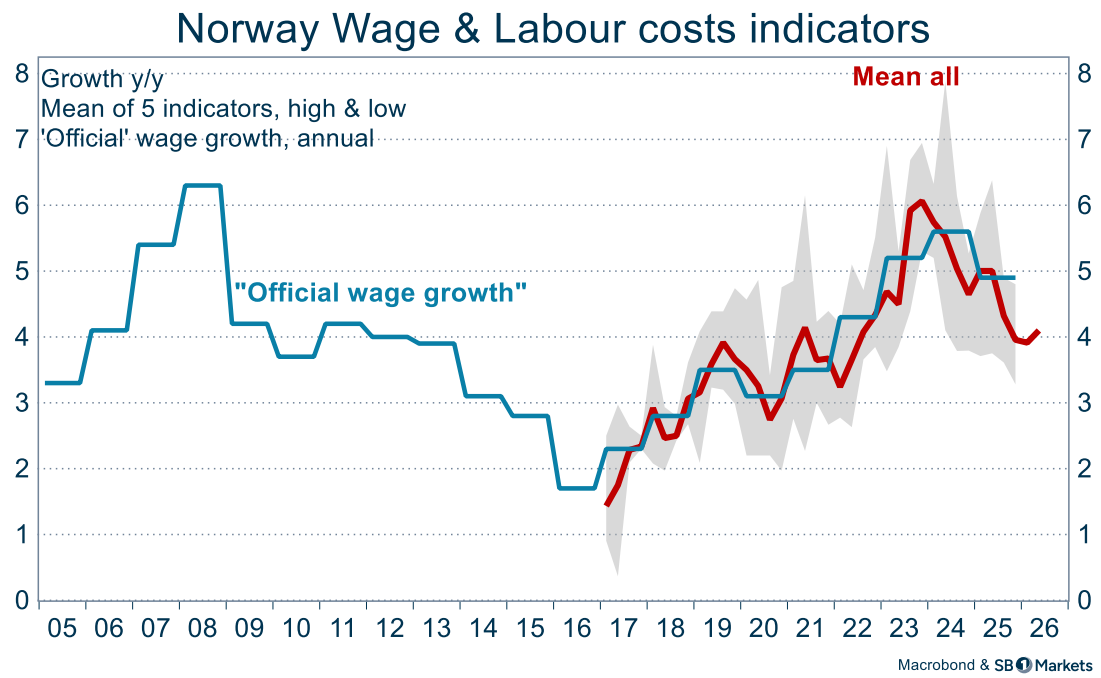


- **SSB's preliminary register-based employee statistics** report a 19,000 m/m, or 0.7% jump in payrolls in September. **Our correction model** assumes a 6'/0.3% lift, which also is a surprisingly strong number. August was revised up to +2' (from -1) even if health was revised down (just as we assumed). Now, an even larger lift in health will very likely be revised down. Employees in education also jumped m/m in September, as did transport and several other sectors, even construction. Several of them will most likely be revised down.
 - Payrolls are up 0.9% y/y (after our downward revision), and the underlying growth rate rose to 0.7% (from 0.4% in August).
- The no. of employees trends up in most sectors, but construction, communication & information, finance and manufacturing head down, com&info at the fastest rate. However, construction may be stabilising. In sum, 'professional services' head down. Other sectors are heading up, and their gains more than offset the declines in weaker sectors.
- **Wage inflation** has slowed to 3.5% y/y, measured by monthly cash earnings, and the slowdown is broad. National accounts reported a faster growth rate in Q2/H1.
- The **LFS** employment data are more volatile medium-term, and now report a 0.4% underlying growth rate, but employment is up 0.9% y/y. National accounts reported a 0.9% growth rate in Q2 (q/q, annualised), as well as y/y in Q2.



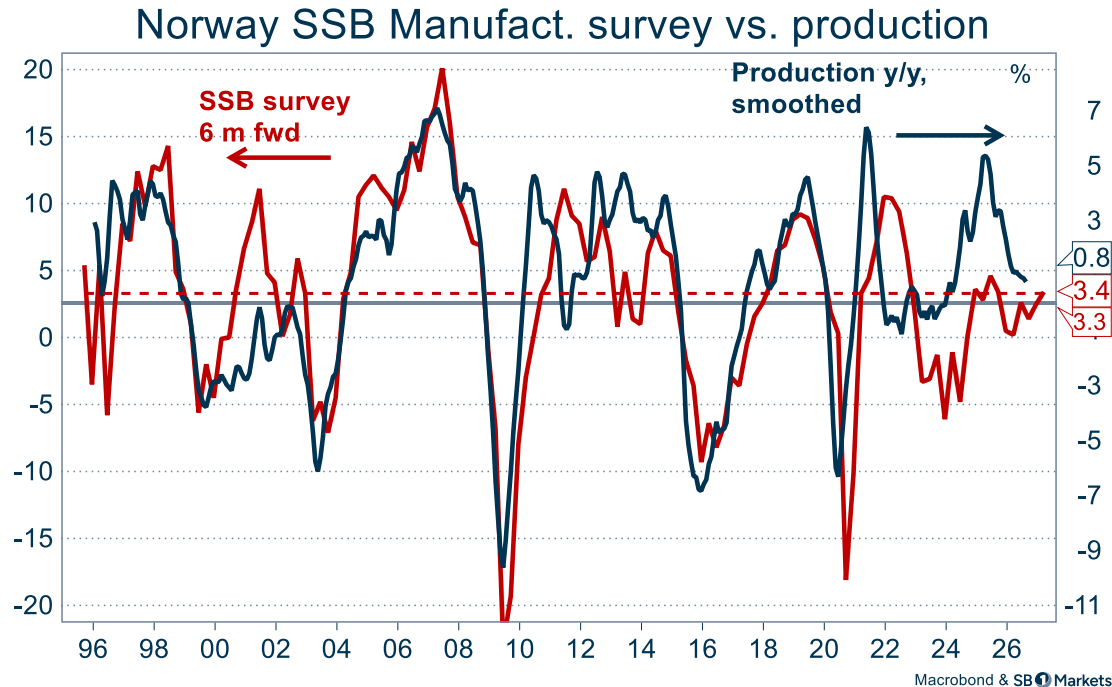
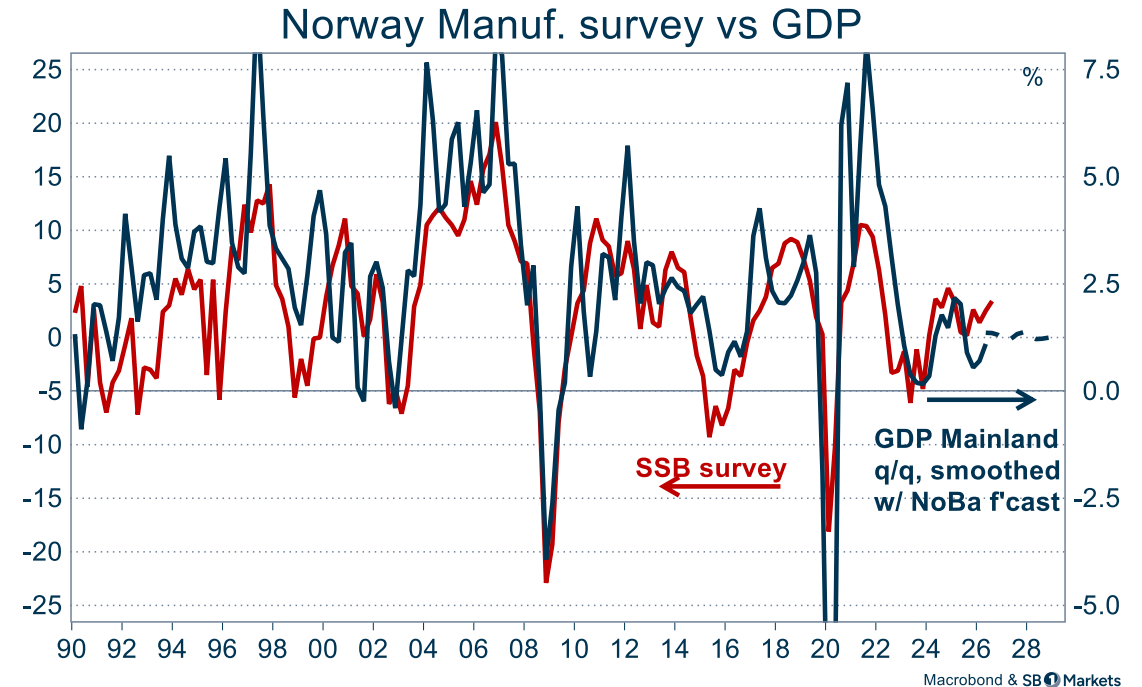
Monthly cash wage inflation has slowed substantially, to around 3.5%

Monthly data based on payrolls stats are volatile, and other wage indicators report faster growth in wages. Still, the average is below Norges Bank's 4.5% 2026 forecast.



SSB's manufacturing survey up to an average level in Q3

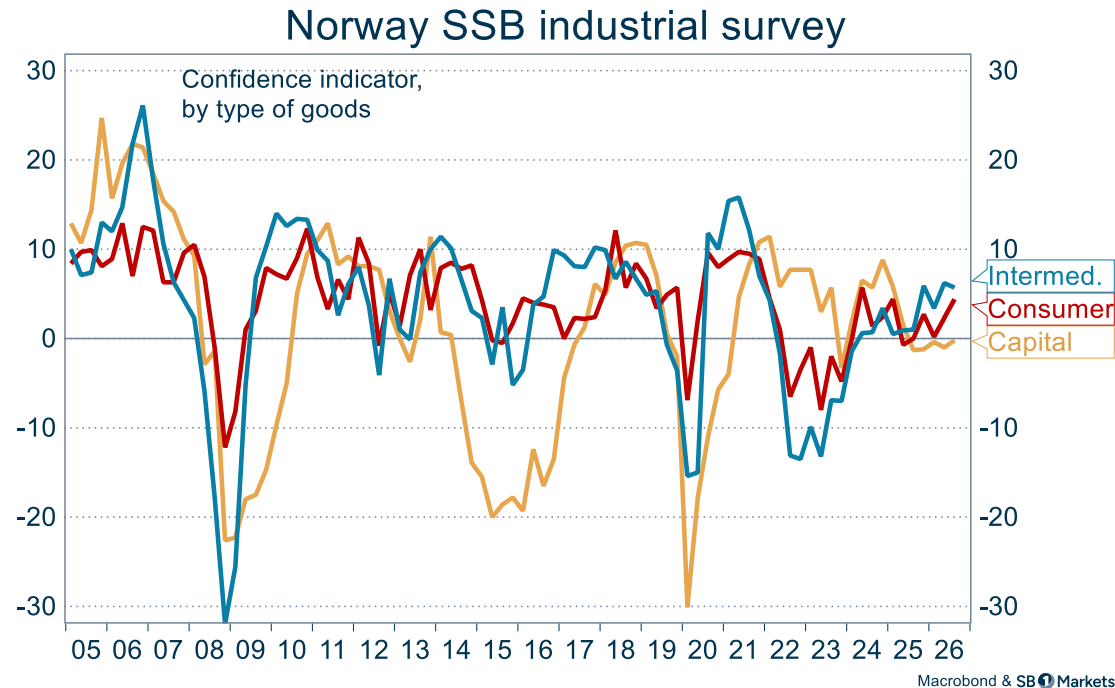
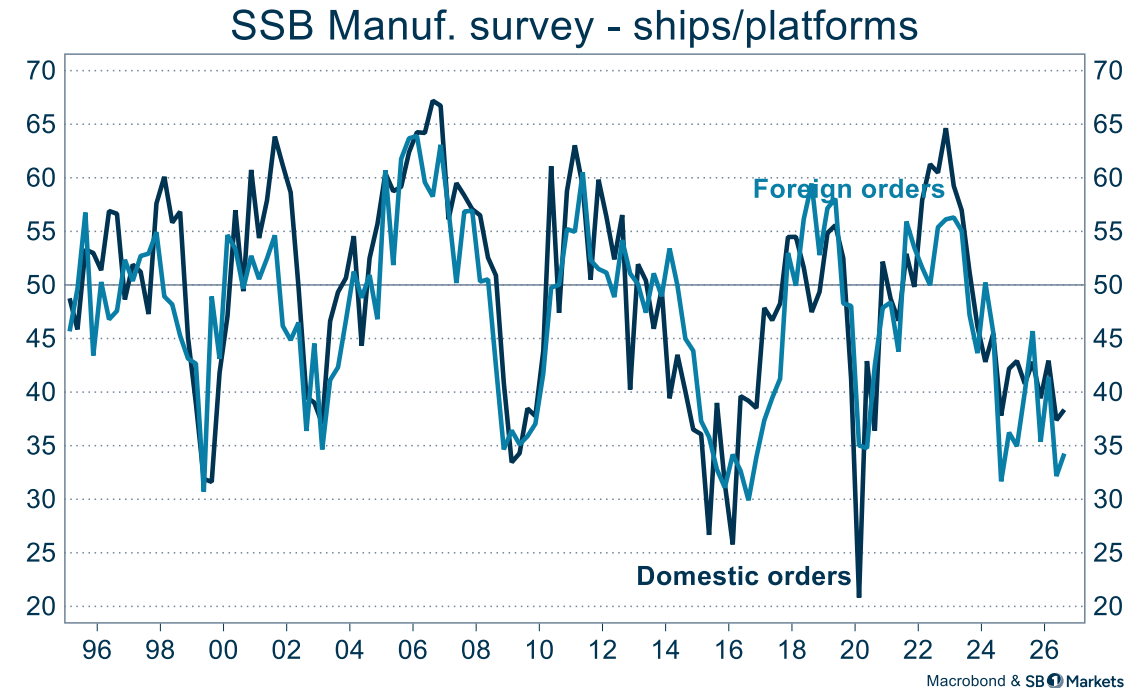
The outlook indicator fell in H1 last year, bottomed in Q3-25, and returned to an average level in Q3, signalling normal (which is low) growth in manufacturing. In addition, a 2% Mainland GDP growth rate is signalled, well above NoBa's f'cast.



- The **composite index** ('outlook indicator') in SSB's manufacturing survey has been too pessimistic vs. actual production (vs. the historical correlation). The recent (modest) recovery should signal growth in overall manufacturing production. This manufacturing survey is also correlated with Mainland GDP growth and now signals growth at some 2%, well above NoBa's forecasts.
 - 11 sectors report faster growth than in Q2, 6 slower. Just 1 reported a significant decline in activity, ships, boats & platforms. Machinery and equipment report just marginal growth. Transport equipment, computer/electronics report the fastest growth. Overall orders are on the way up.
 - However, even if **capacity utilisation** has stabilised lately, it remains well below average (even if actual production has been strong over the past year) and is expected down again in Q4.
- Supply-side factors** are still limiting production more than normal, **demand less than normal**. **Labour shortages rose marginally in Q3** and remain above average.
- In sum: **better than we expected, signalling growth at least in line with Norges Bank's forecasts.**

Capital goods still a laggard but do not signal any downturn. The others are the best in 4y

Ships/platforms: Orders declined rapidly in Q3, as in Q2 – and over the previous quarters.

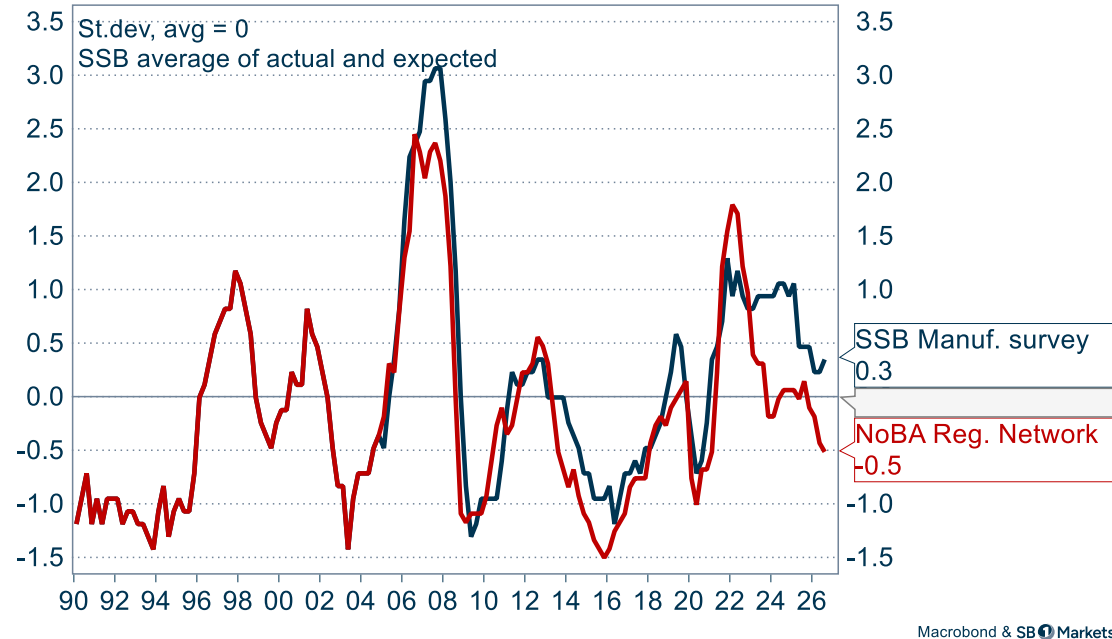


- Capital goods sectors report the weakest overall index, but returned to the zero line in Q3. Oil investments are capital investments, in case you wondered. Thus, other parts of the sector must be in plus.
- Intermediate and consumer goods sectors are both average at 5–7 p.

Labour shortages rose marginally in Q3, manufacturers report. Other surveys OK, on avg.

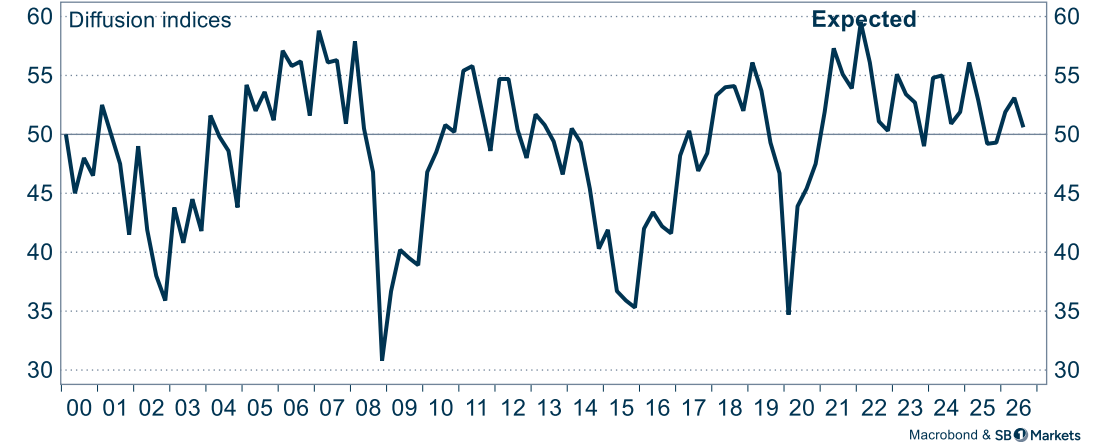
Labour shortages rose 0.1 std. dev., to 0.3 std. dev. above average. The employment plans index declined slightly, but remains above the 50-line. Other surveys are mixed and all taken together are below average and head down. Still **slight growth in employment is signalled**.

Norway Labour shortages

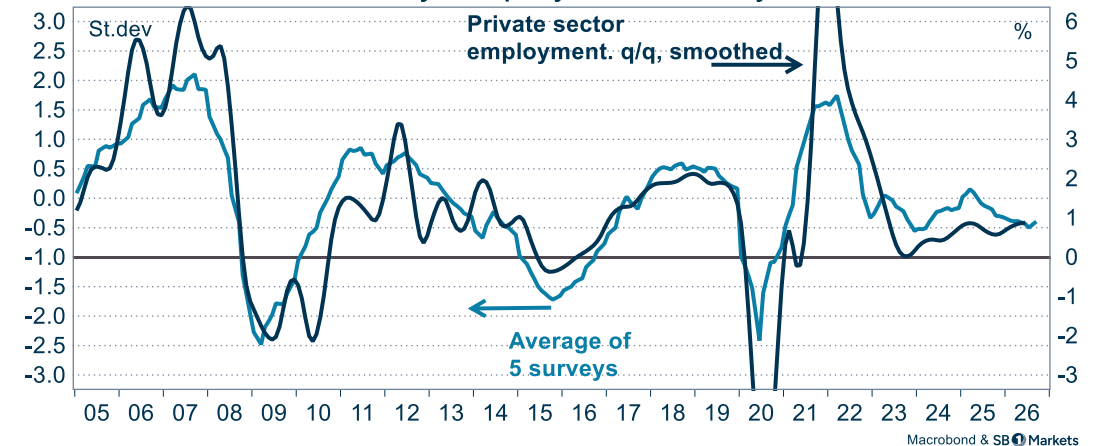


- **Norges Bank's Regional Network** survey reported labour shortages below average in Q3.

Norway Manuf. survey, Employment



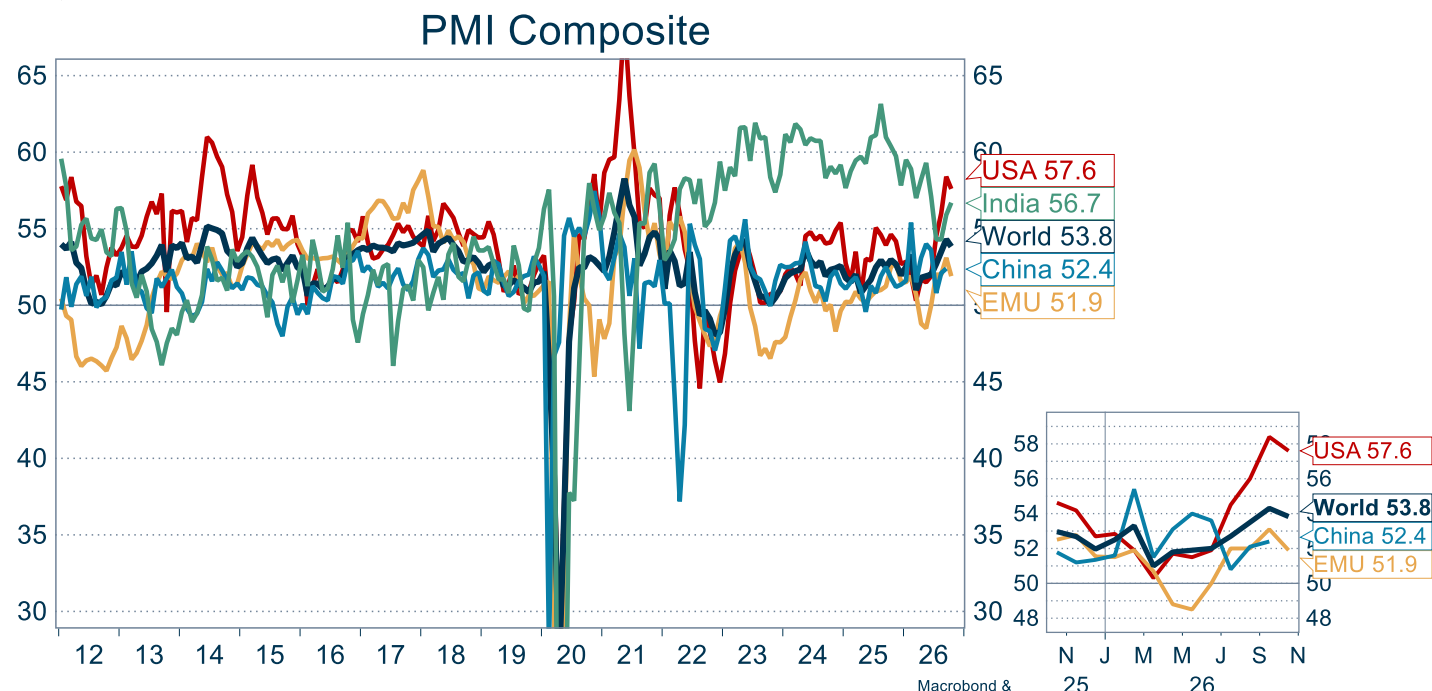
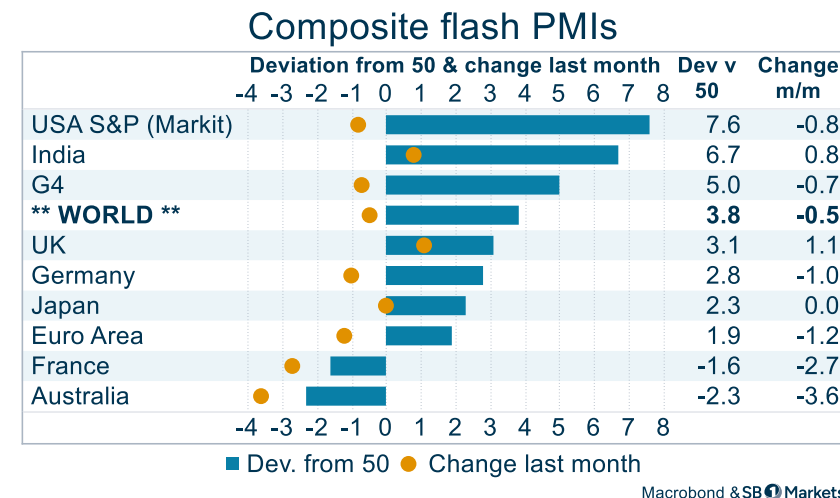
Norway Employment surveys





More PMIs down than up in October; France and Australia the losers, UK the winner

Both US and Germany contributed on the downside as well but US still reports strong growth (the composite is at 57.6). EMU sits at 51.9 following a 1.2 p monthly drop. Higher energy prices/inflation and some turbulence in the bond market (and on some streets) to blame?

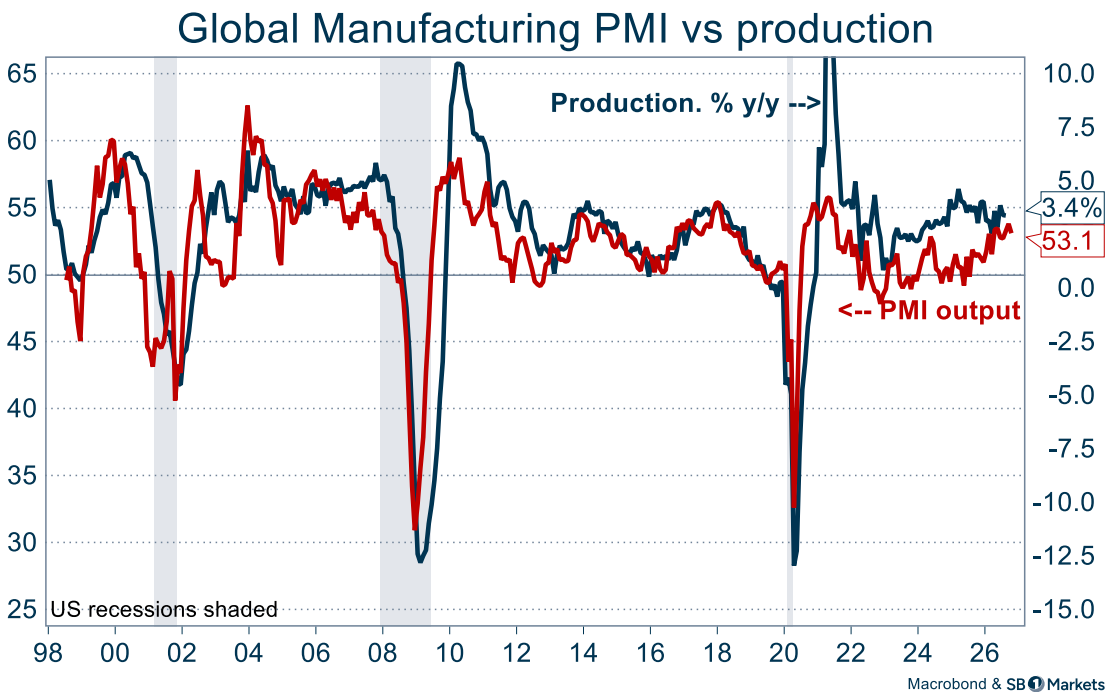
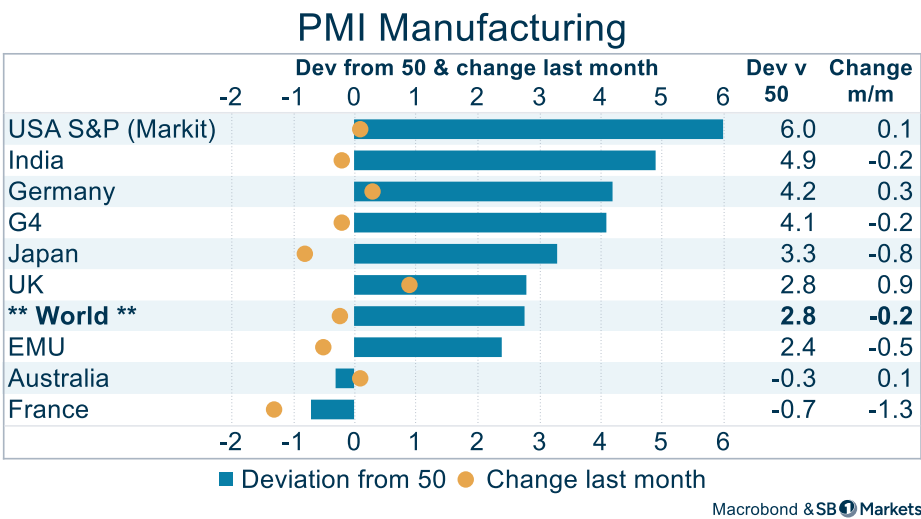


- **China** and most **other emerging markets** have yet to report, except for India. The published data are preliminary estimates, and the final outcomes may deviate visibly in those countries that have reported.



The global manufacturing PMI down 0.1 p to 52.8. The US PMI up 0.1 to 56.0

The EMU index was down 0.5 p to still an OK level at 52.4 (France down to below 50, Germany up to 54.2, a rather strong print). The manufacturing output index probably declined, we assume by some 0.7 p to 53.1, also a rather strong print.

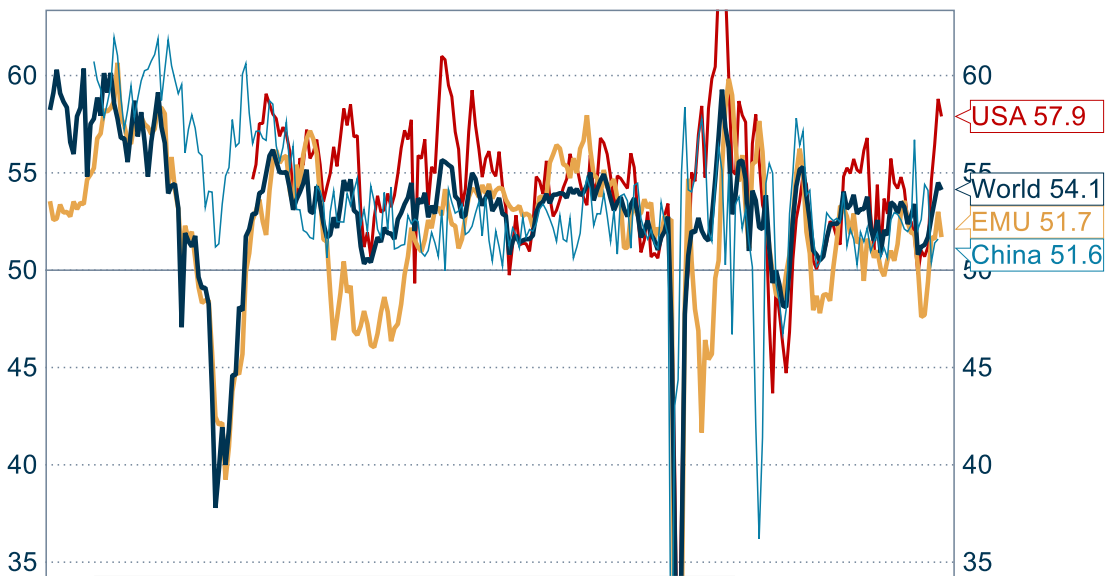




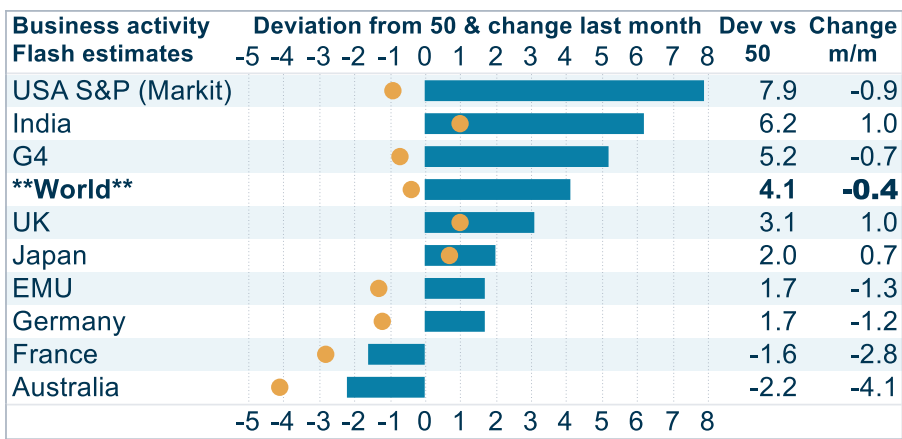
Flash PMI Services: a small setback in October, still at a high level

Most flash surveys were down, France and Australia the most but Germany and US were down as well. The global index fell 0.4 p to 54.1 (our est.) and is still well above the long-term average and even more above the average since the pandemic.

Services PMI



Services PMI



■ Dev. from 50 ● Change last month

Macrobond & SB Markets

Flash PMI Services: a small setback in October, still at a high level
Most flash surveys were down, France and Australia the most but Germany and US were down as well. The global index fell 0.4 p to 54.1 (our est.) and is still well above the long-term average and even more above the average since the pandemic.

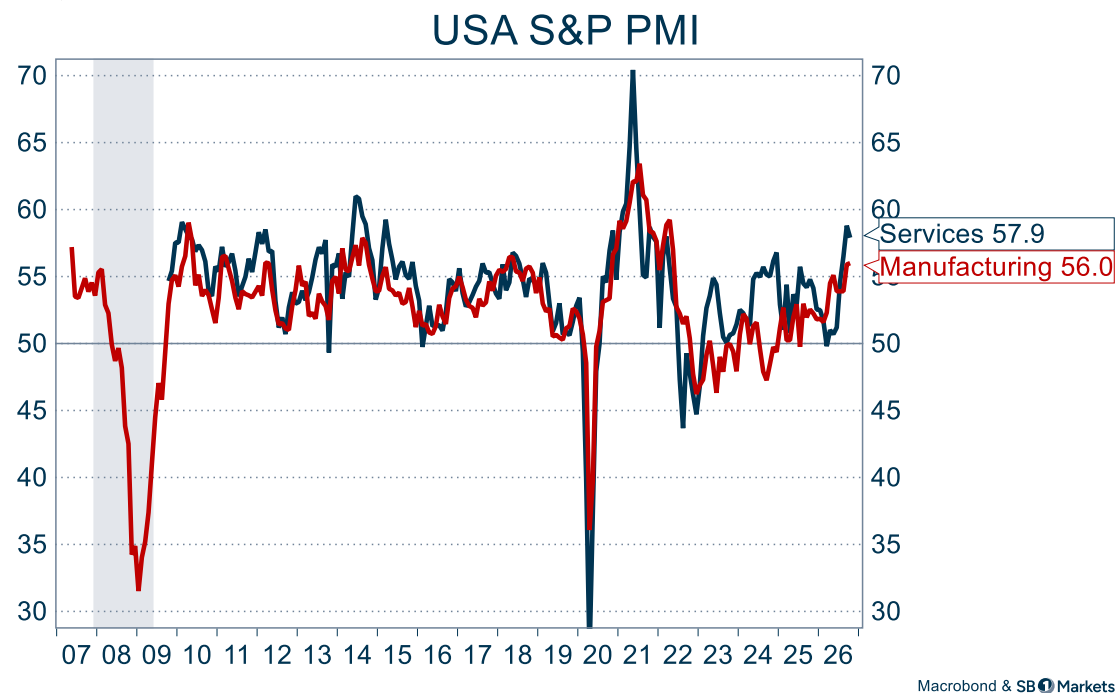
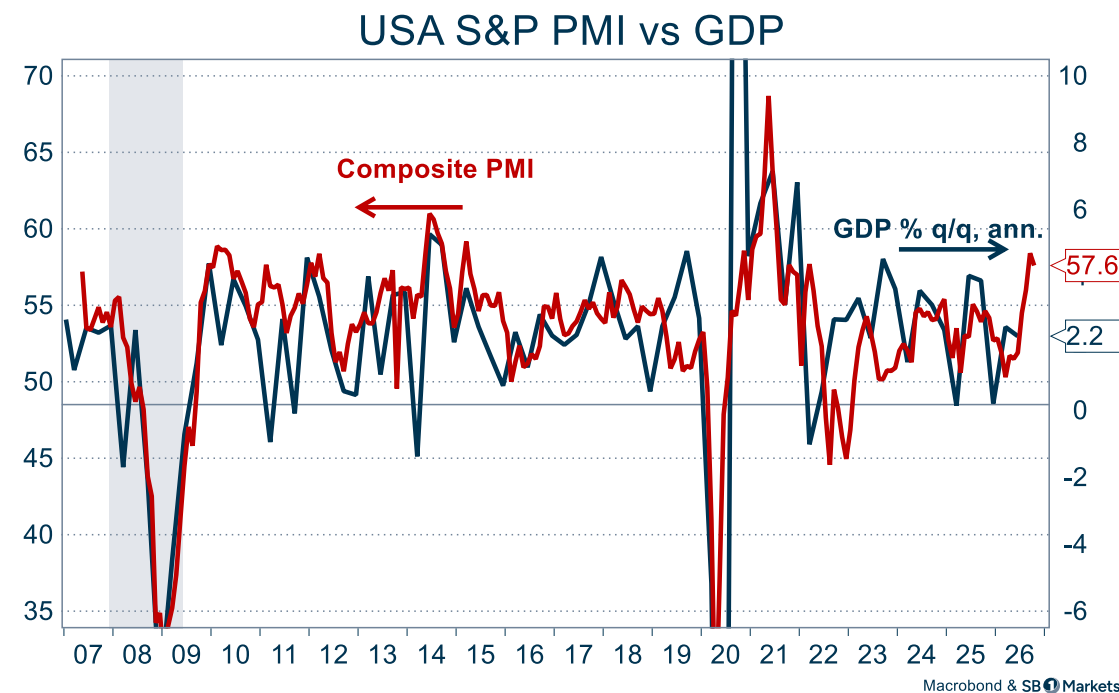


The global PMI is our estimate



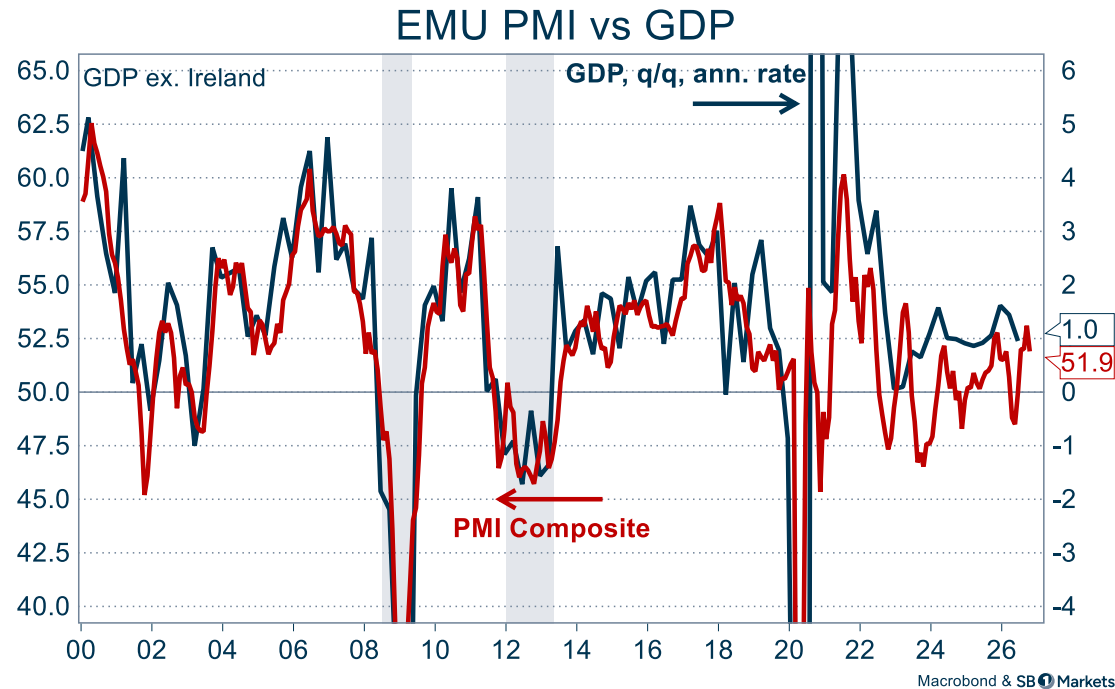
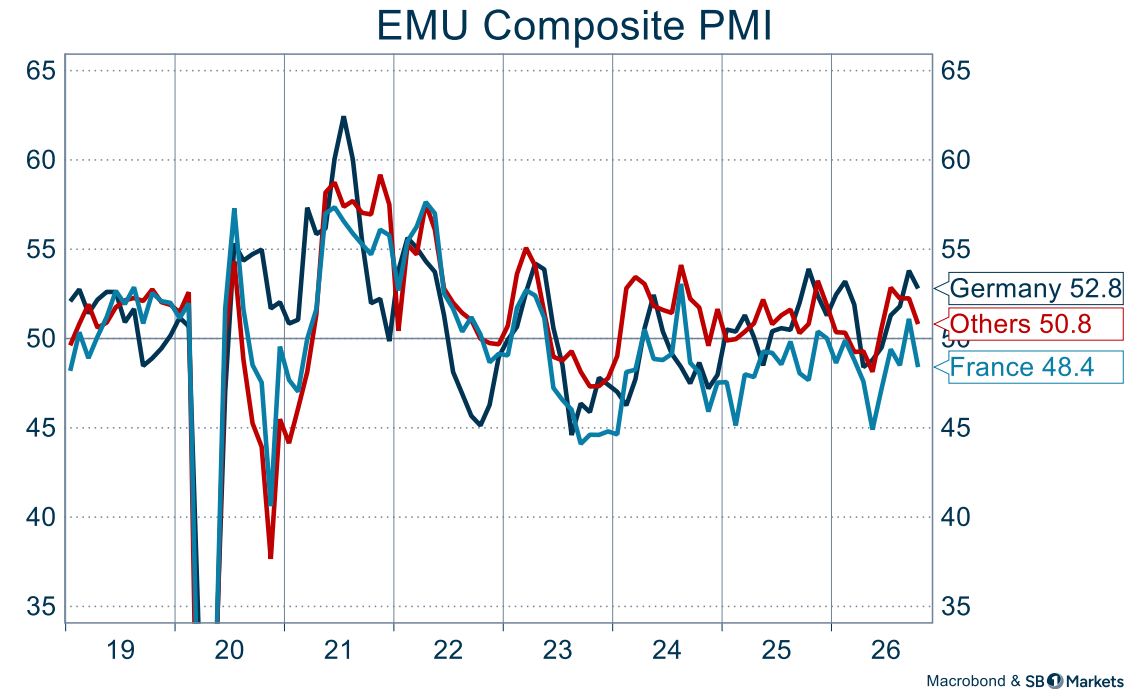
USA composite PMI down 0.8 p to 57.6, still a very high level → 4% GDP growth

The manufacturing index was close to unchanged, while the service sector PMI declined 0.9 p to 57.9.



EMU: the composite PMI down 1.2 p to 51.9 → **less than 1% GDP growth – again**

The composite fell 0.8 p more than expected. France surprised most on the downside, -2.7 p to 48.4, dragged down by services. Germany fell too, by 1 p and 0.6 p more than expected. The EMU level is still OK, and the ECB is most likely not that worried. **However, the momentum slowed.**



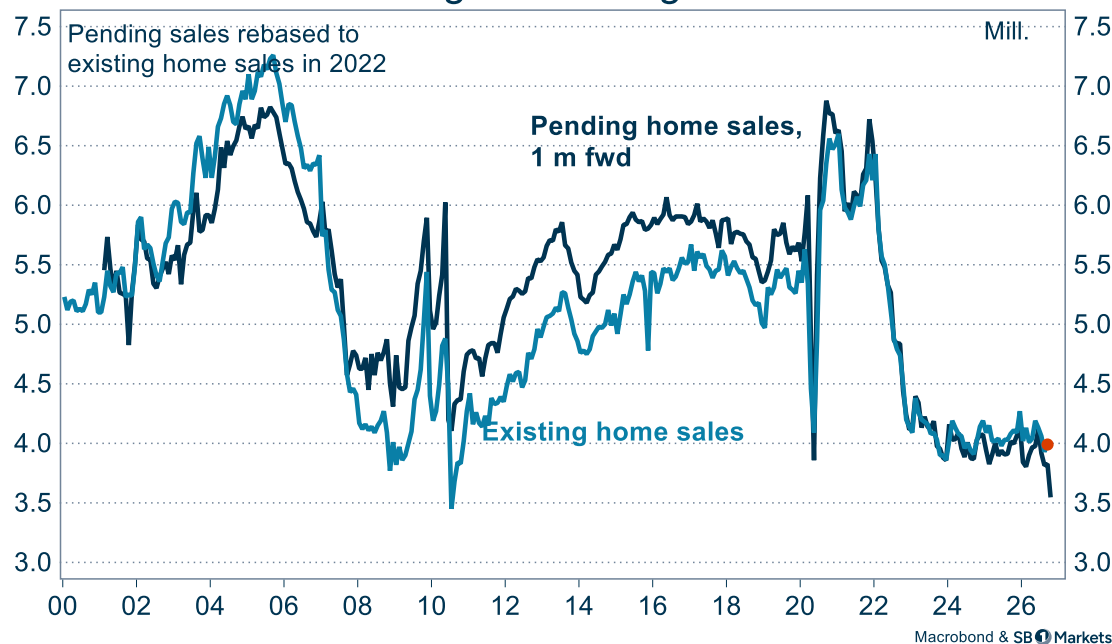
- EMU GDP growth has been **faster than signalled by the PMIs** over the past 2 years.



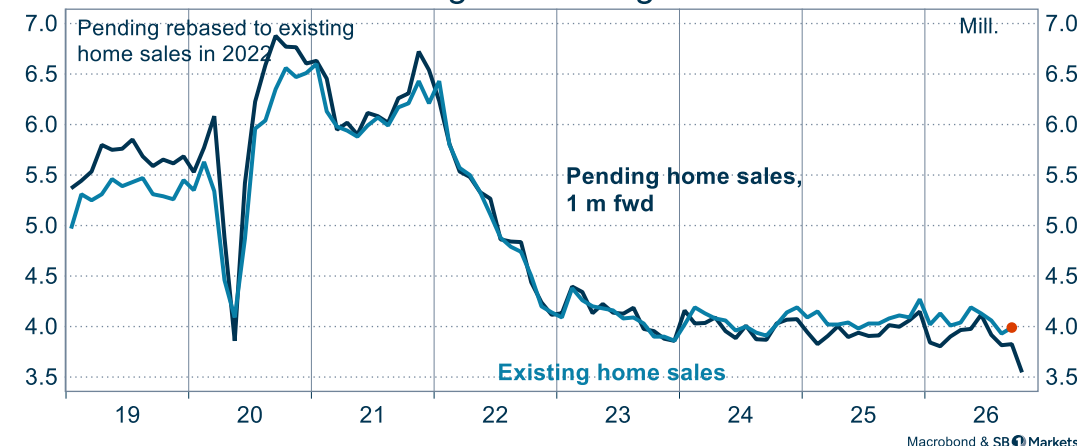
Pending (existing) home sales suddenly fell off a cliff in Sep., **to the lowest level ever**

... though with a 'short' history, back to the year 2000. The number of signed existing home sales fell by 7%, signalling a similar decline in finalised transactions in Oct./Nov. – from an already low level in September. The good news: The inventory of unsold homes is low.

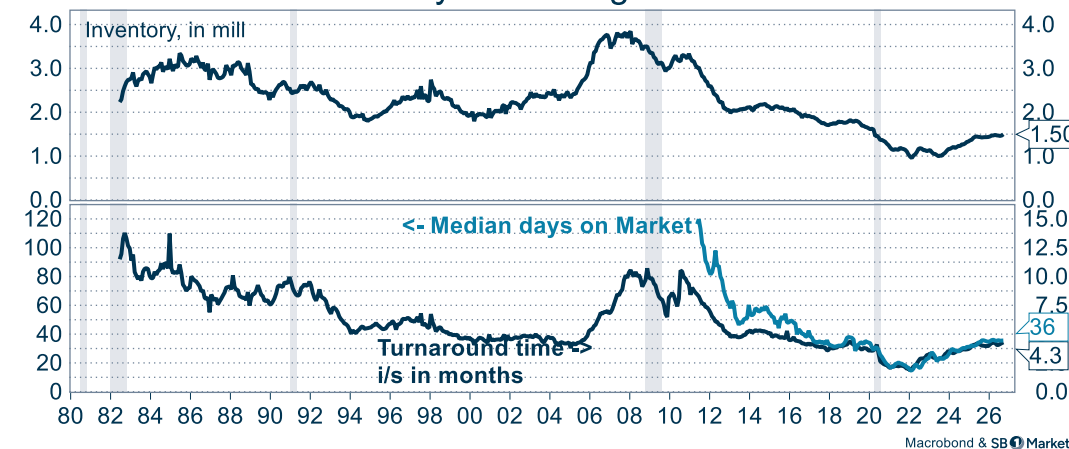
USA Pending vs Existing home sales



USA Pending vs Existing home sales



USA Inventory of existing homes for sale

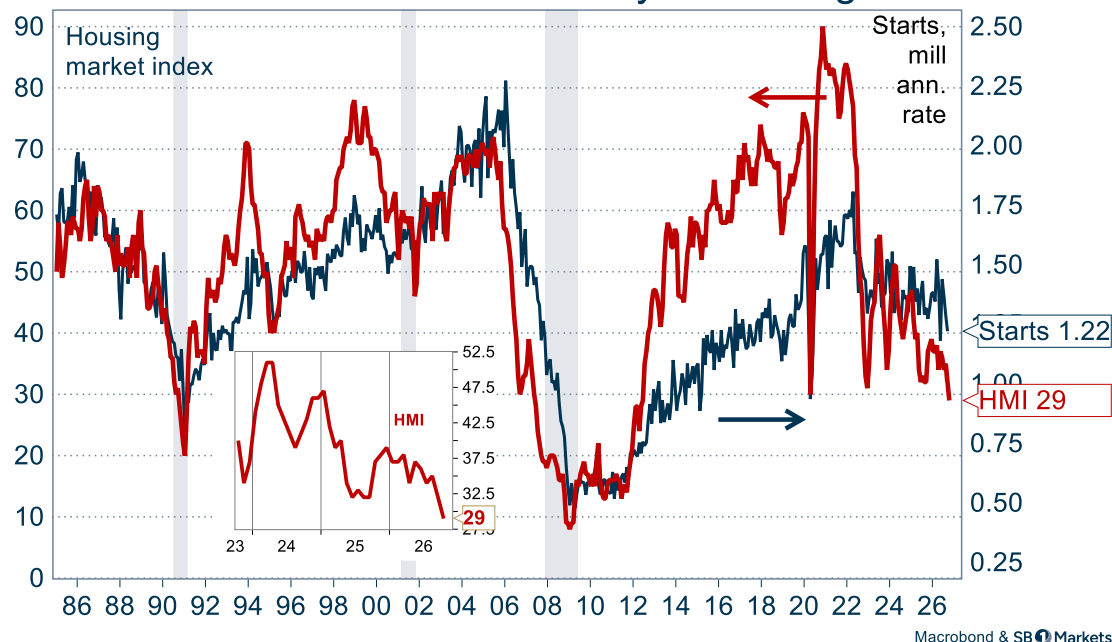




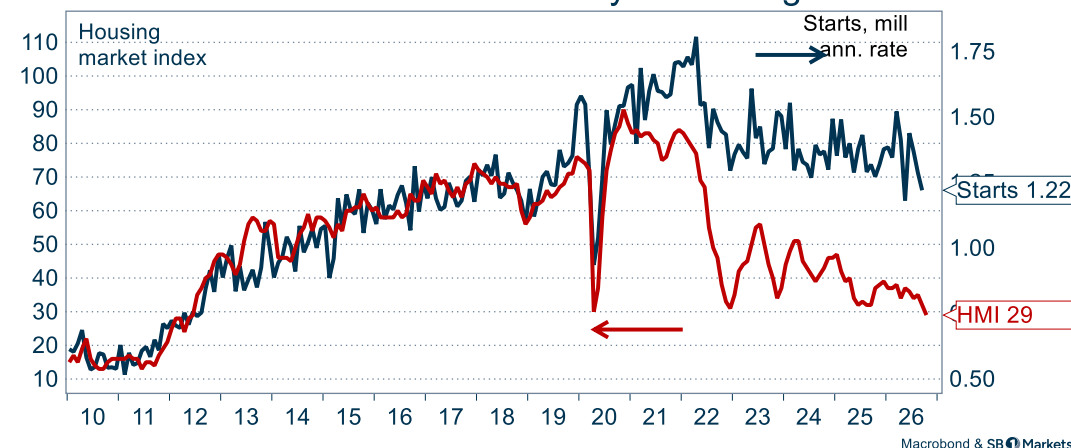
The Home Builders' Housing Market Index down to *the lowest level in 14 years*

The index fell 3 p to 29 p, expected unchanged. No doubt, the surge in mortgage rates has hit parts of the housing market and a decline in housing starts is signalled. The 'sales-now' sub-index fell the least, traffic of prospective buyers and expected sales fell more.

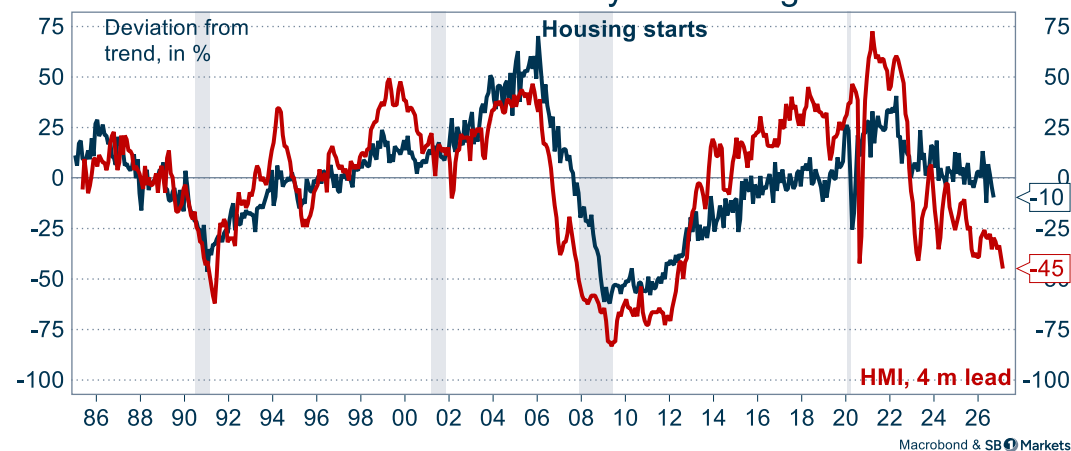
USA Homebuilders' survey & housing starts



USA Homebuilders' survey & housing starts



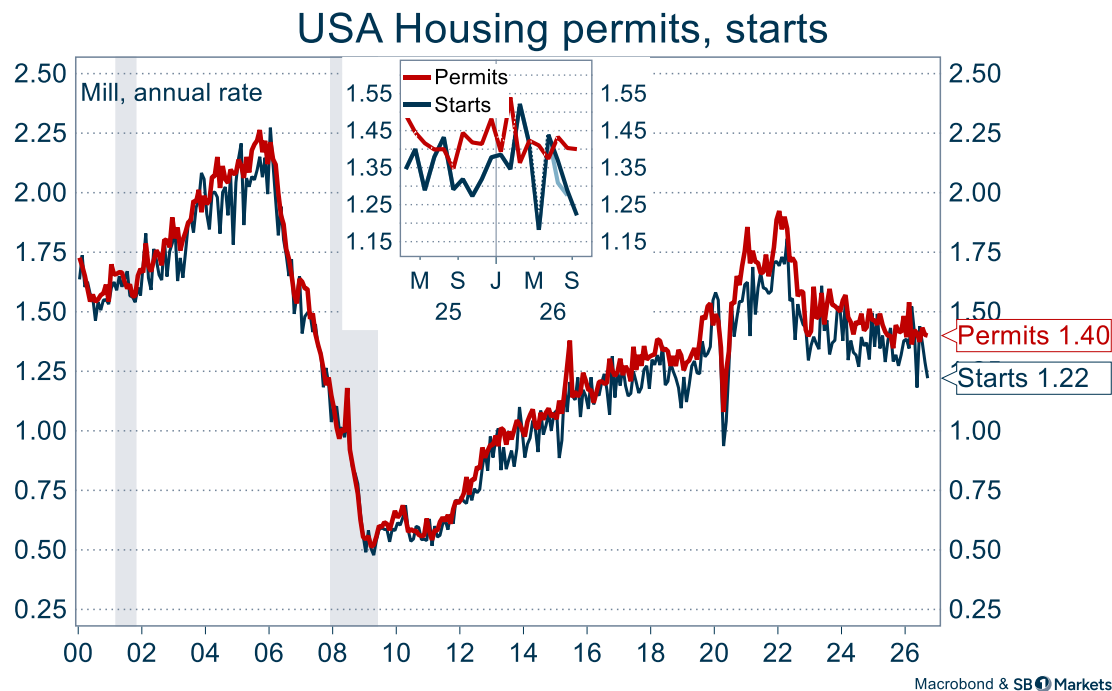
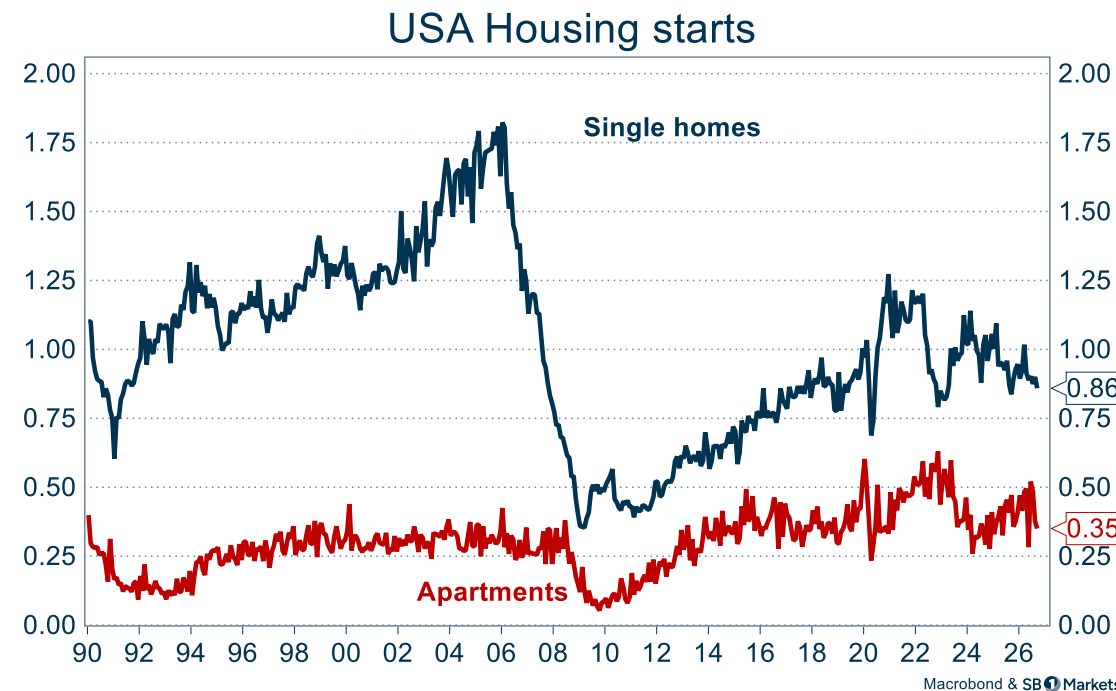
USA Homebuilders' survey & housing starts





US housing starts slip but less volatile permits trend flat

Starts fell slightly to 1.22m in September, the 2nd lowest since the pandemic, expected up to 1.31m. The trend is downwards, especially for single homes. Building permits were flat, at 1.40m, marginally better than expected, and trend flat.

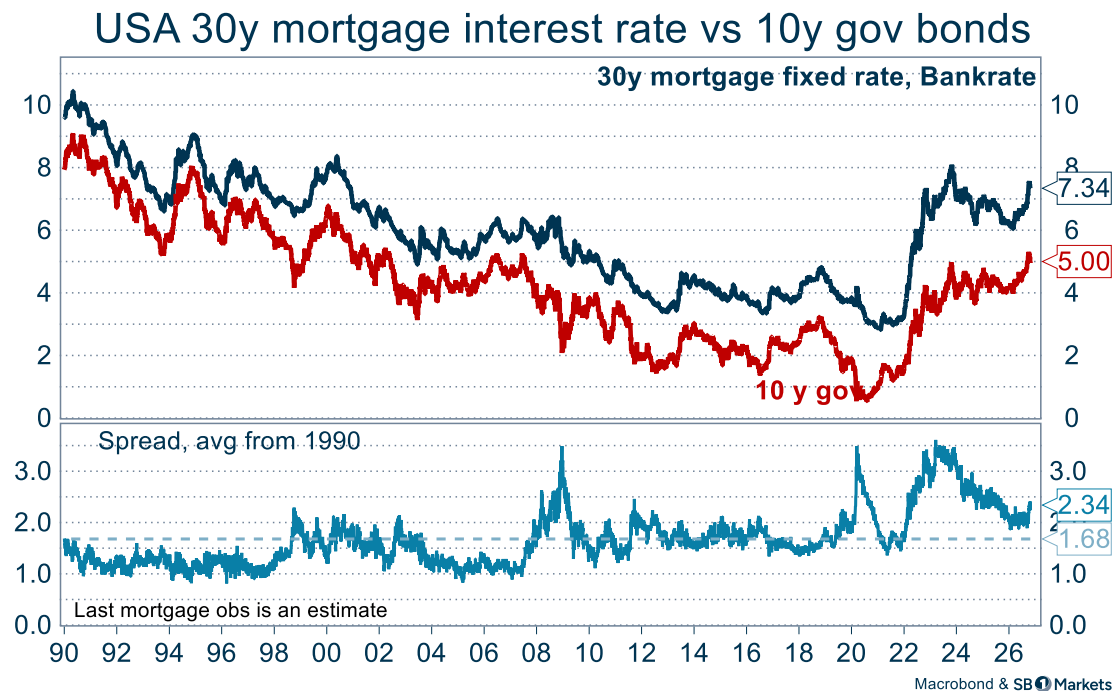
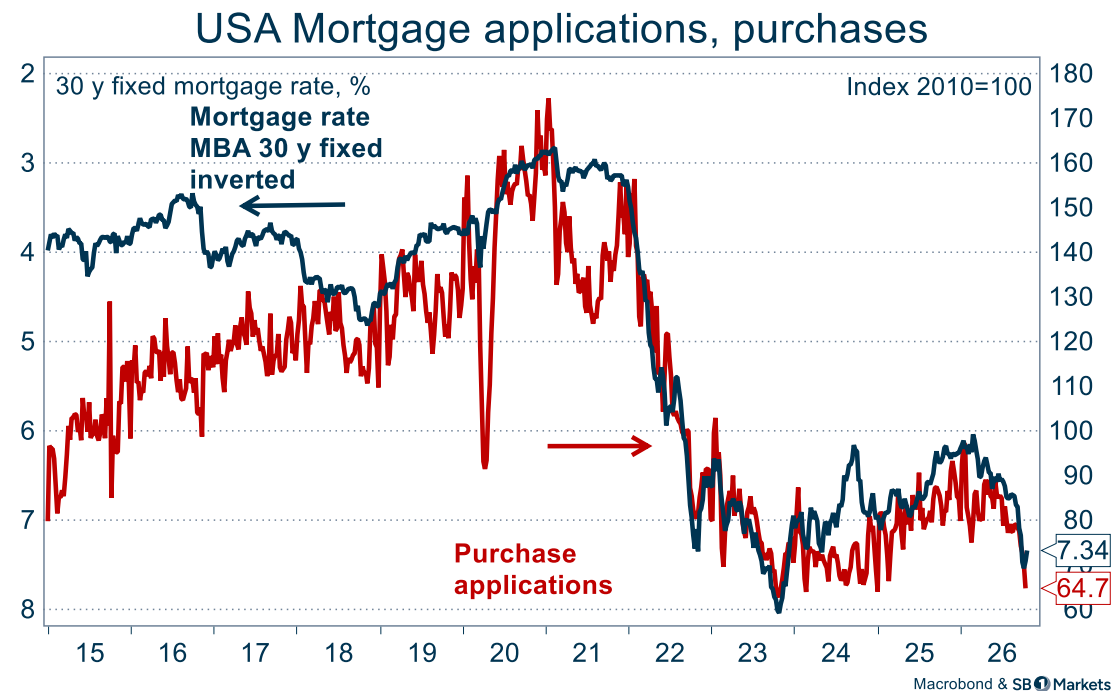


- In modern times, permits have been some 6–8% higher than actual starts. We prefer permits as the most relevant indicator as they are the least volatile. However, permits do not lead starts meaningfully.

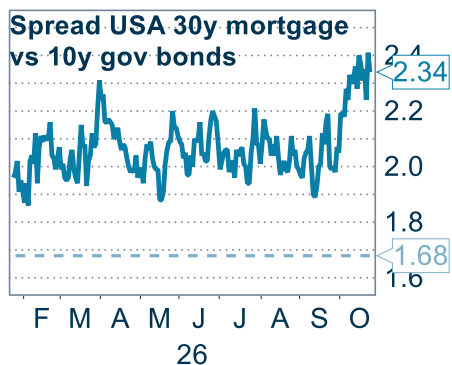
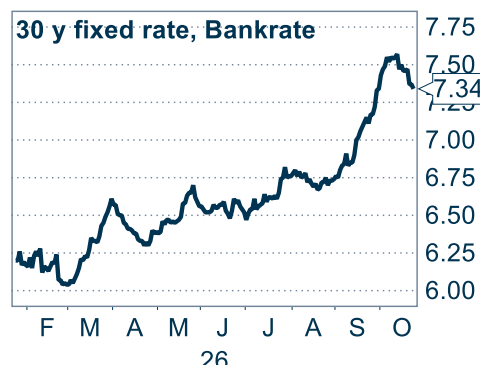


The 30y fixed mortgage rate is up 130 bps since before the war with Iran started, to 7.3%

The mortgage spread vs. the 10y gov. bond yield (the convention) explains 30 bps of the lift. The inflow of purchase mortgage applications has fallen sharply in recent weeks down to 2023–2024 lows –and is almost back to the level in 1996.



- Of course, other factors than the Gulf conflict and the lift in energy prices may have contributed to the lift in bond yields and mortgage rates like AI credit demand or worries about government debt etc.

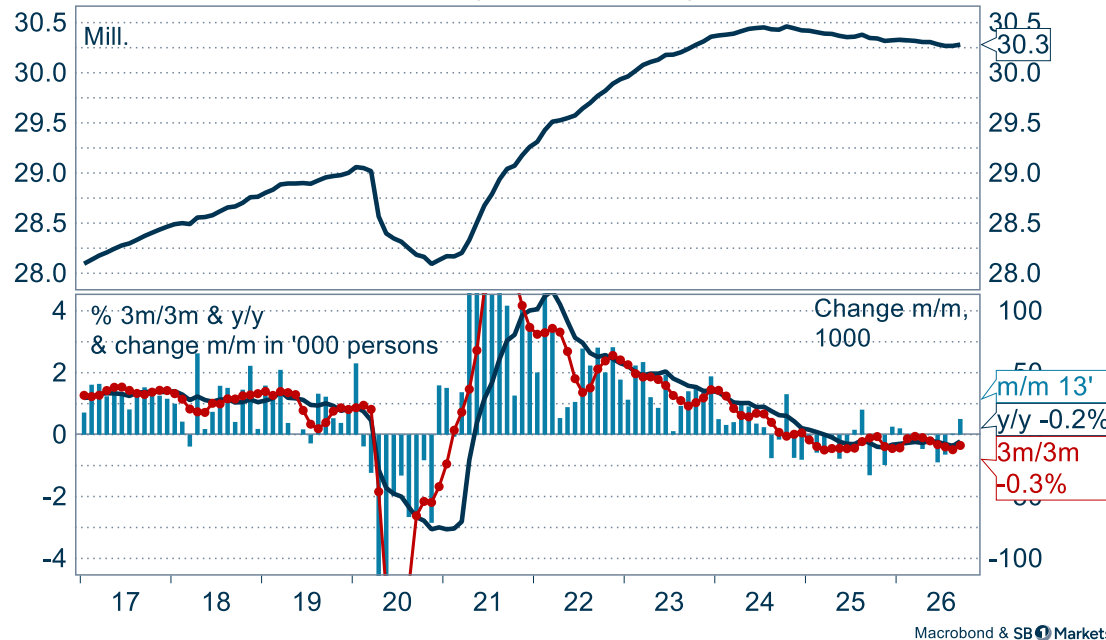




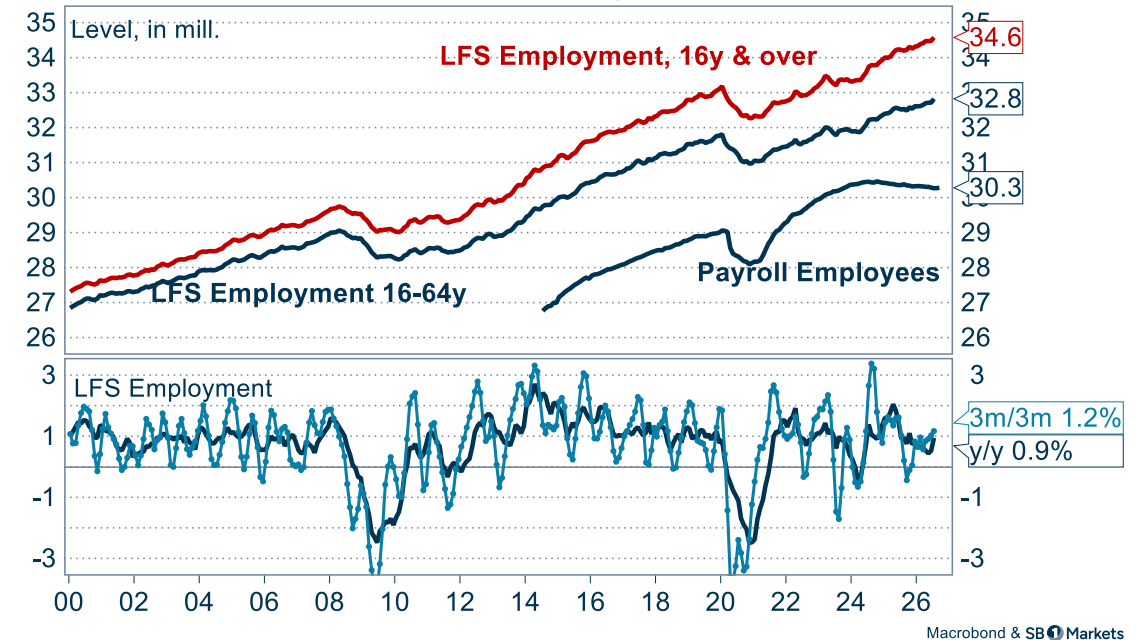
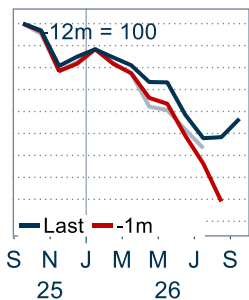
Payrolls revised up, and rose in September, LFS unemployment heads down

Payrolls rose by 13,000 m/m, expected down 9'. In addition, the level in Aug. was revised up by 41', rather unusual. The trend is still down, but just marginally. The employment rate rose, and LFS reports a 1.2% underl. growth rate, and the LFS unemployment rate fell 0.2 pp to 4.7%.

UK Payroll Employees



UK Employment



- **Payrolls** (register-based no. of employees) data are subject to revisions, just like in Norway (or in the US). The upward revision and the current first (and uncertain) September estimate were in sum far better than expected.
- **LFS employment** (employees + self-employed, based on the household survey ('AKU')) is up 0.9% y/y in July (Jun–Aug avg.) and was up more than 100' over the past 3 months. The employment rate gained 0.2 pp to 75.3% (16–64y) but trends flat. These data are also uncertain as response rates have fallen.
- The **LFS unemployment rate** fell 0.2 pp to 4.7% in July, expected unchanged. The rate has fallen from 5.2% in late 2025. The less volatile **register-based claimant counts** trend flat, at 4.4%.
- The **number of unfilled vacancies** ('job openings') still trends marginally down but remains marginally above an average level.
- In sum, the **labour market is probably close to 'balanced'**. **Payrolls are still weak, but unemployment data are in sum declining.**
- **Average weekly wage** growth trends down, the total average weekly pay growth has fallen to below 4%. Regular pay in the private sector is up approx. 3%.
- **National accounts** report 2.5% growth in labour cost per hour in Q2, but as productivity is declining, Unit Labour Costs are up 4.0% y/y. It should have been 2%.

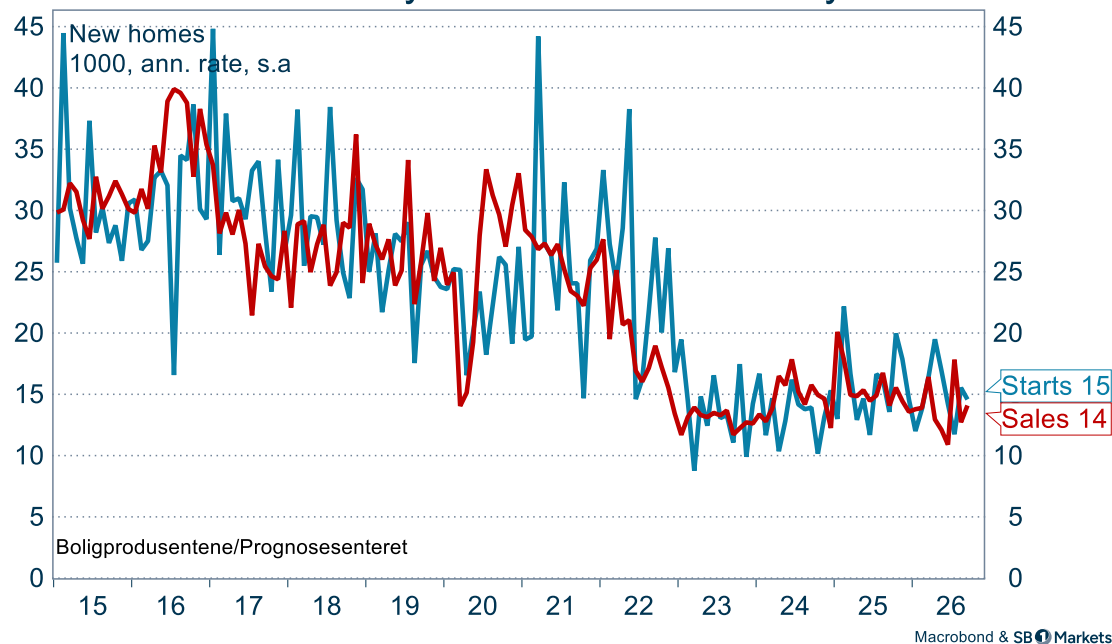


2. Norway

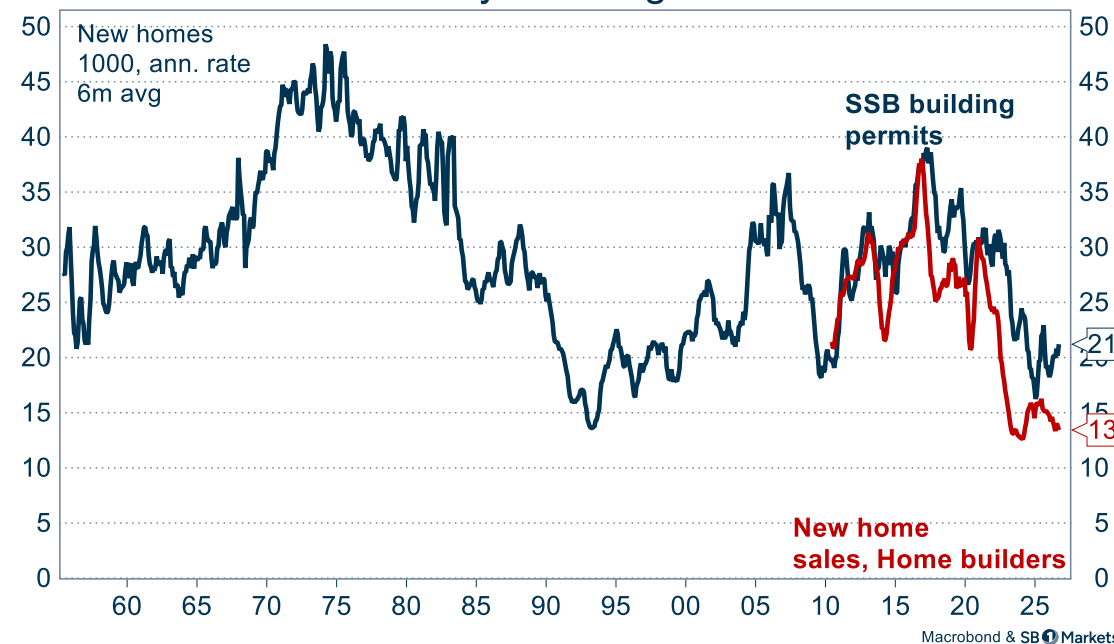
Home builders: New home sales/starts remain at a low level, according to home builders

Sales equalled 14,000 at an annualised rate in Sep., marginally up from Aug., but the trend is not upwards. Starts stay at a low level as well – and below SSB’s building permit stats. SSB has reported a slight increase lately, up to 21’ over the past 6 months, from 16’ at the bottom.

Norway Homebuilders' survey



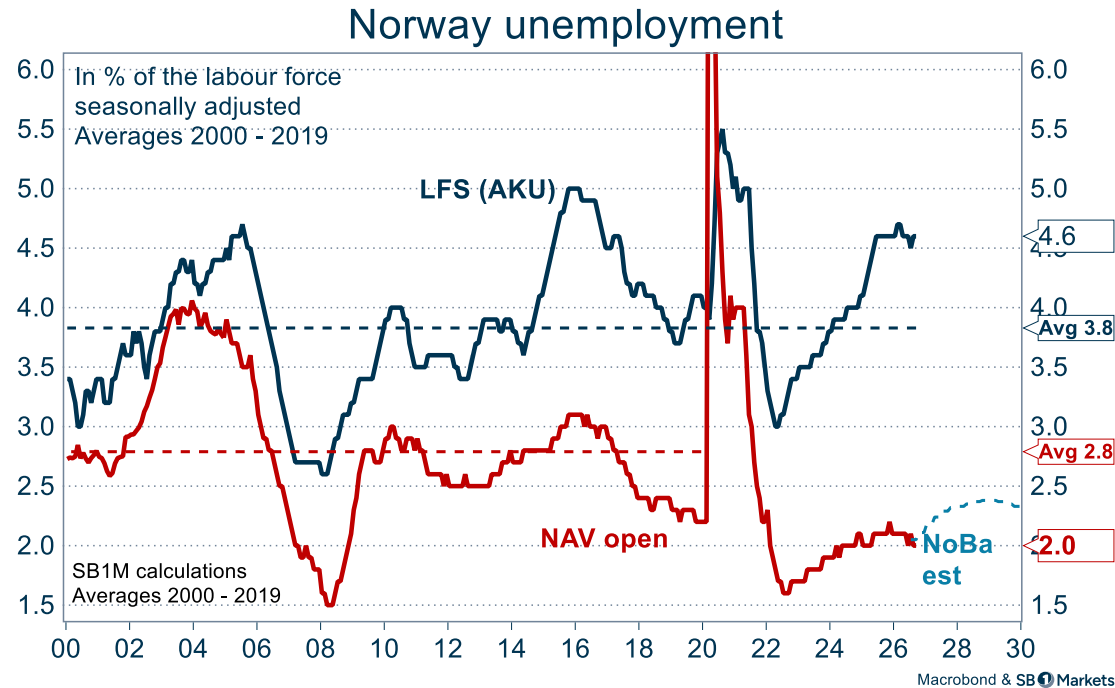
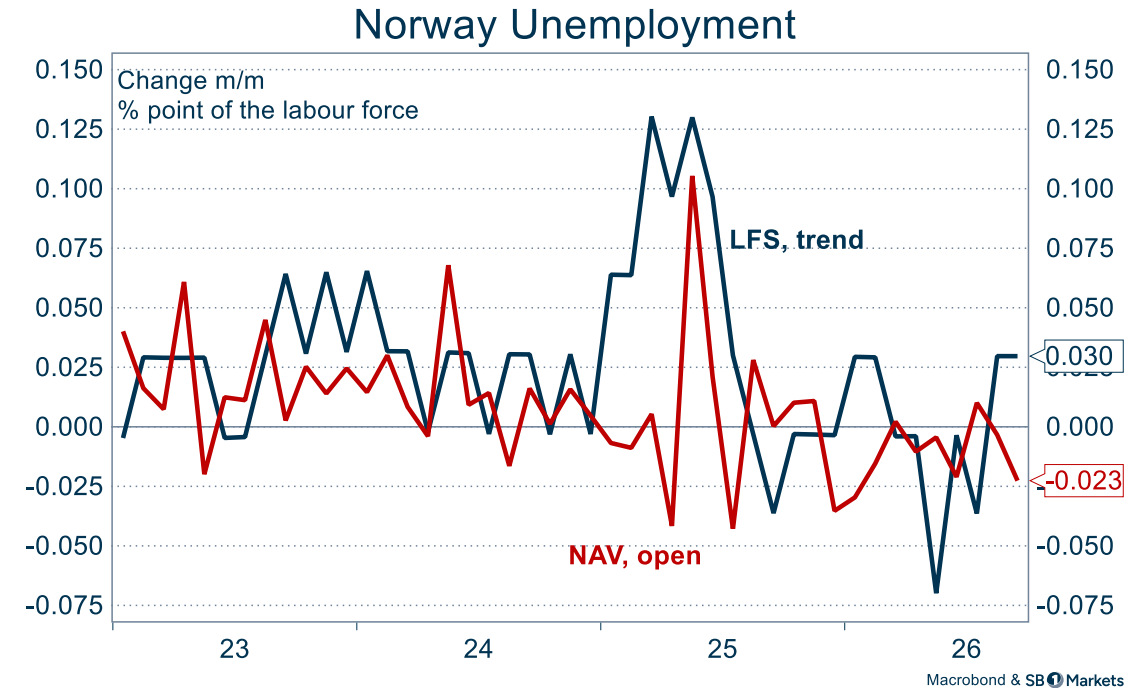
Norway Housing starts



- **SSB reports 21’ building permits** on average over the past 6 months, 4’ above the (6m avg.) estimate of new home starts from Boligprodusentenes forening (home builders association). Student homes and nursing homes are included in SSB’s data but not in the home builders’ stats. SSB’s permits lag new home sales by some 6 months.
 - The gap between home builders’ sales/starts data and SSB’s permits has widened somewhat. Over time, 94% of SSB’s permits are completed, which indicates that permits are ‘for real’.

LFS ('AKU') unemployment: up to 4.6% in September, trends flat

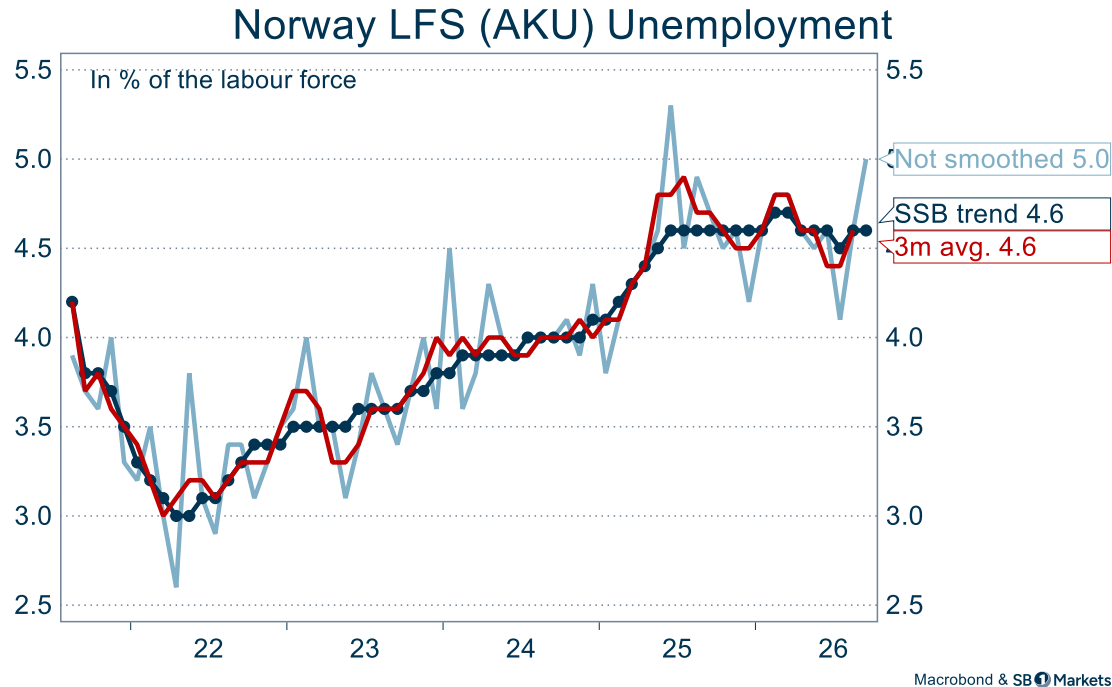
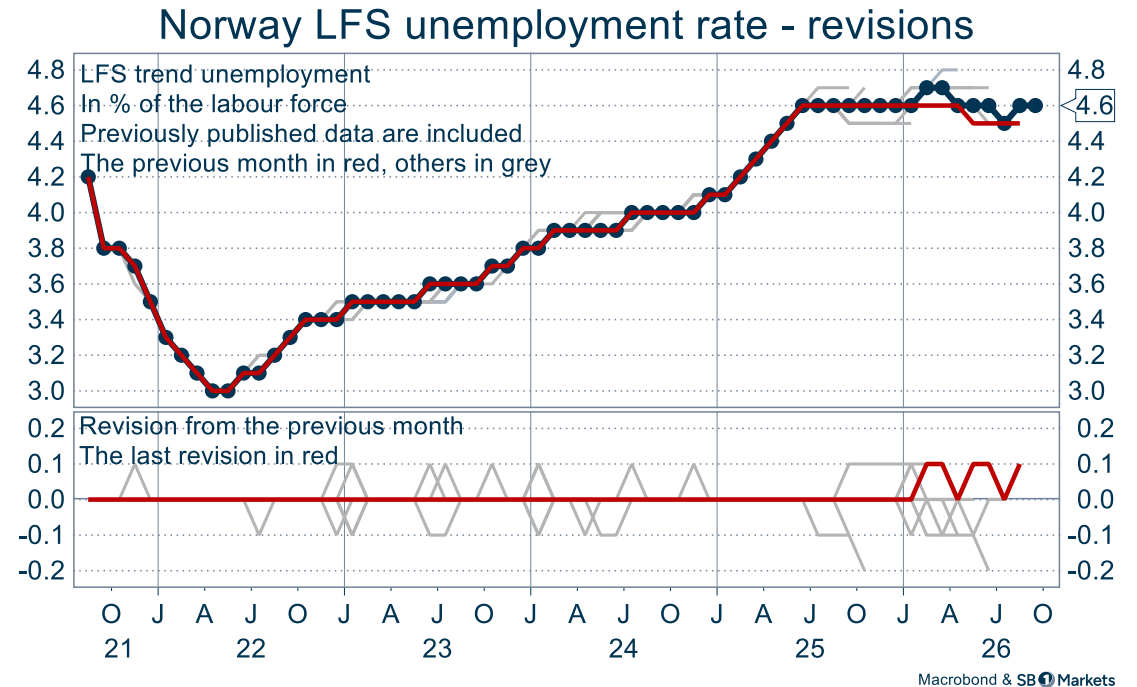
... measured by SSB's trend rate, expected unchanged at previously reported 4.5%. The employment rate was flat but from a 0.1 pp downward-revised Aug. level. The participation rate was revised up, and was unchanged in Sep. **In sum a tad weaker than expected.**



- **Payrolls were far stronger than expected**, and even if we expect a substantial downward revision, underlying growth in payrolls is in line with, or higher than growth in the working-age population.

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

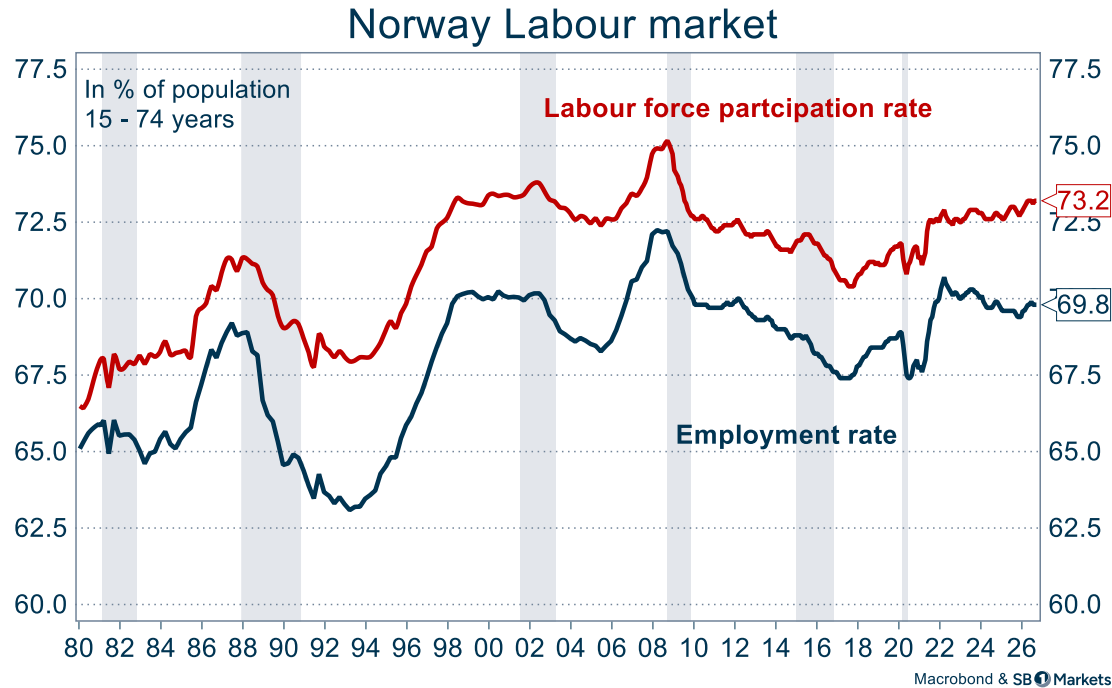
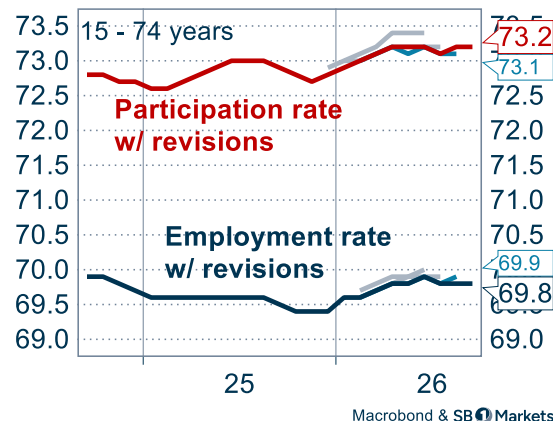
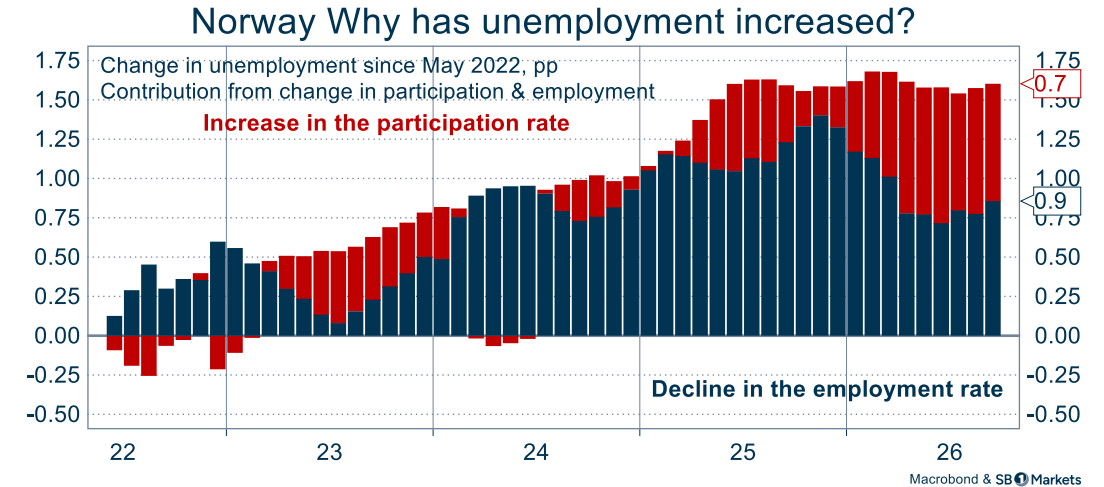
... which often leads to revisions in the 'trend' in the unemployment rate when new data points are added, even if the unsmoothed monthly rate is not revised (and it usually is not). In September, the unsmoothed rate rose 0.4 pp to 5.0%, and the trend was lifted to 4.6% from 4.5%.



- **Monthly unsmoothed** data are far too volatile, and some smoothing is needed. We usually refer to SSB's trend estimate. Even this smoothed measure is often revised, check the chart to the right above. Now, the trend rate was revised up through most of 2025. The trend (in the trend rate) is still flat.
- **The 3-month average LFS unemployment rate**, which is normally not revised, rose to 4.6% from 4.4% in August.
- So, there are good reasons to take the LFS unemployment data with more than **a grain of salt**. What is certain is that the unemployment rate has increased from 3% in early 2022 to 4.6% now – which of course is a substantial lift. However, **LFS unemployment has flattened or fallen slightly since mid-2025.**

LFS: the participation rate was revised up, and the employment rate down, both by 0.1 pp

Both rates were unchanged in September, at 73.2% and 69.8% resp. The participation rate is close to the highest level since '09. Almost ½ of the lift in the unempl. rate from 3% in 2022 is due to a lift in the participation rate. However, the employment rate has fallen slightly more.

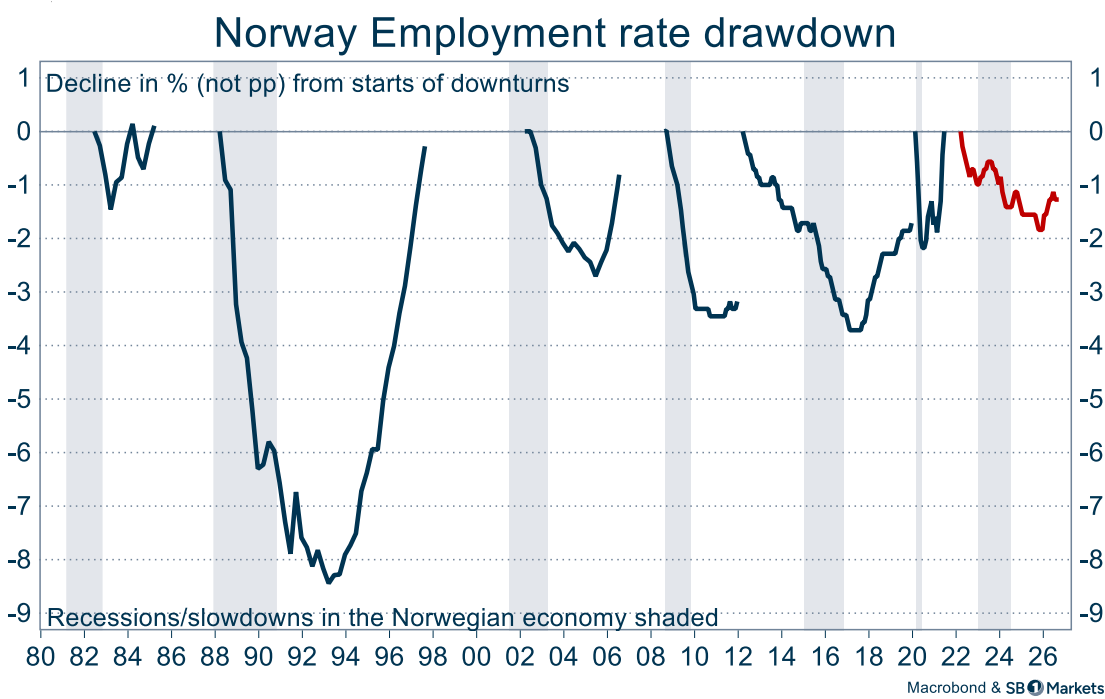


- **The participation rate** has trended upward since 2017 (after the 'oil crisis'), and has been higher just on two occasions, in 2000/2002 and in 2007/2009. **The long-term trend** since the late 1990s is flat though.
- **The employment rate** trended down from 2022 to late last year and recovered somewhat during H1-26. Since before the summer, the rate has flattened. The rate was at 69.8% in September.
 - **Ahead of the pandemic**, the rate was almost 69% and then fell to 67.4% in early 2021 (equal to the level in 2017, after the 'oil crisis').
 - **At the peak (ATH)** in 2008, the employment rate was 72%. The employment rate in the 25–54y group is down 3.5 pp from the 2008 level but is higher than before the pandemic.
 - **The long-term trend**, since the end of the 1990s, is flat at 70%.
- Growth in the **working-age population** has fallen to 0.5% y/y from up to 1.4% when immigration from Ukraine peaked in 2023.



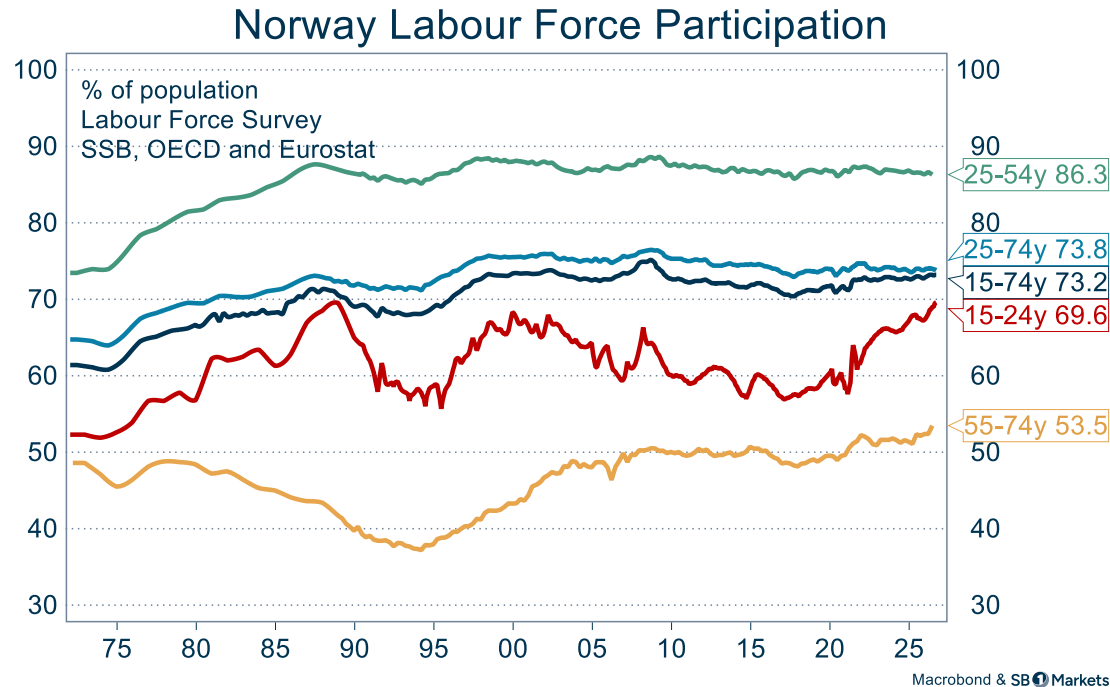
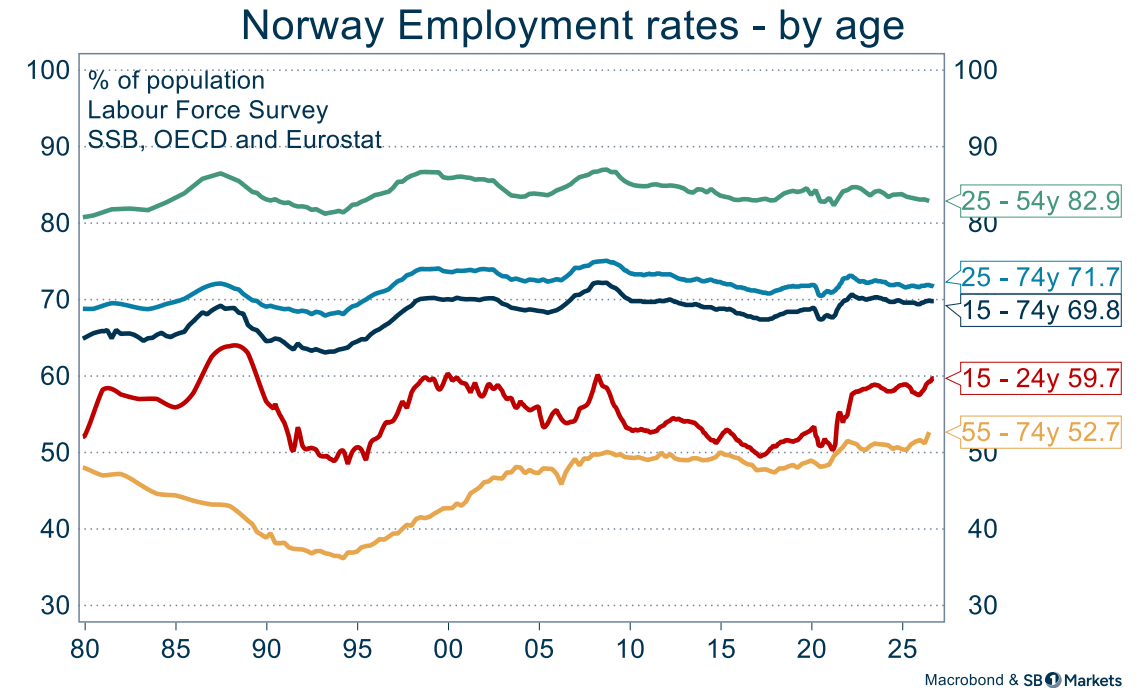
The employment rate took a substantial hit in 2022–25. Now it has recovered somewhat!

In addition, the last slowdown was both less steep and less deep than the previous 5 downturns.



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

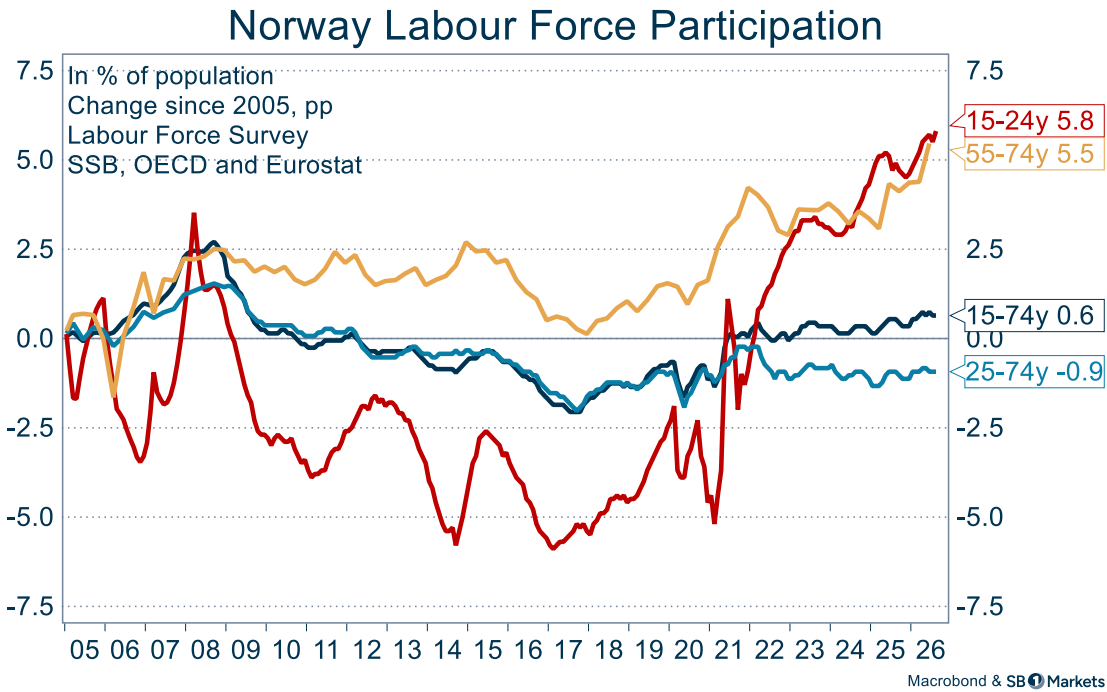
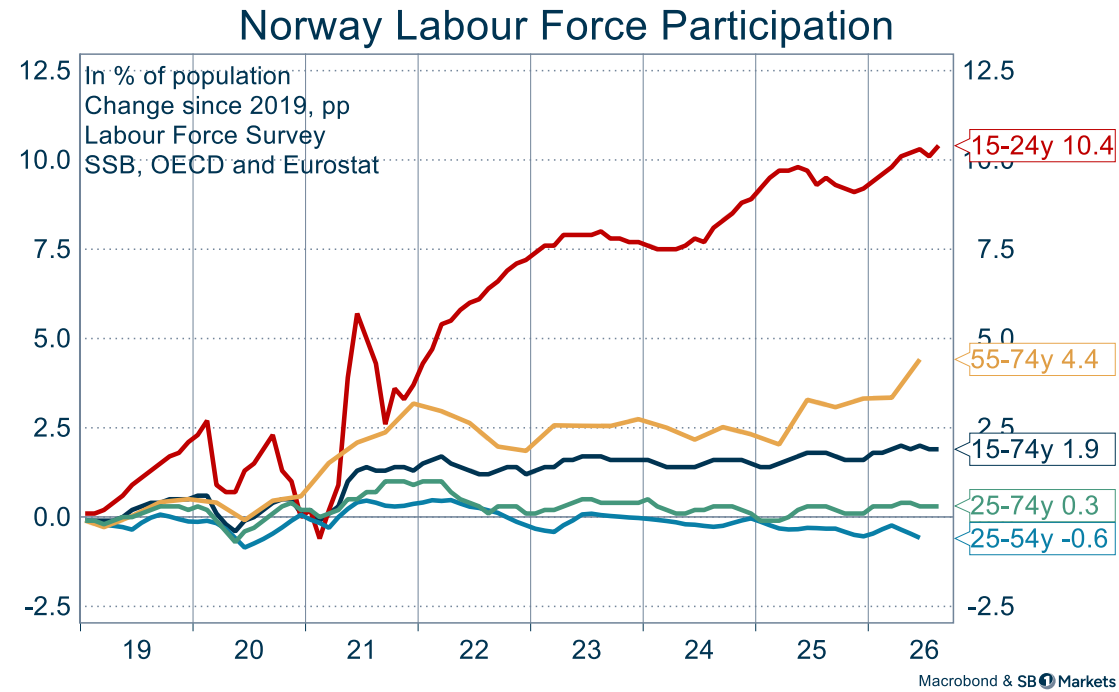
The youth (15–24y) employment rate increased to the highest since 1988, while the participation rate is close to a record high. The employment rate in the core age group (25–54y) trends down though. Participation & employment rates among those above 55y have never been higher.



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

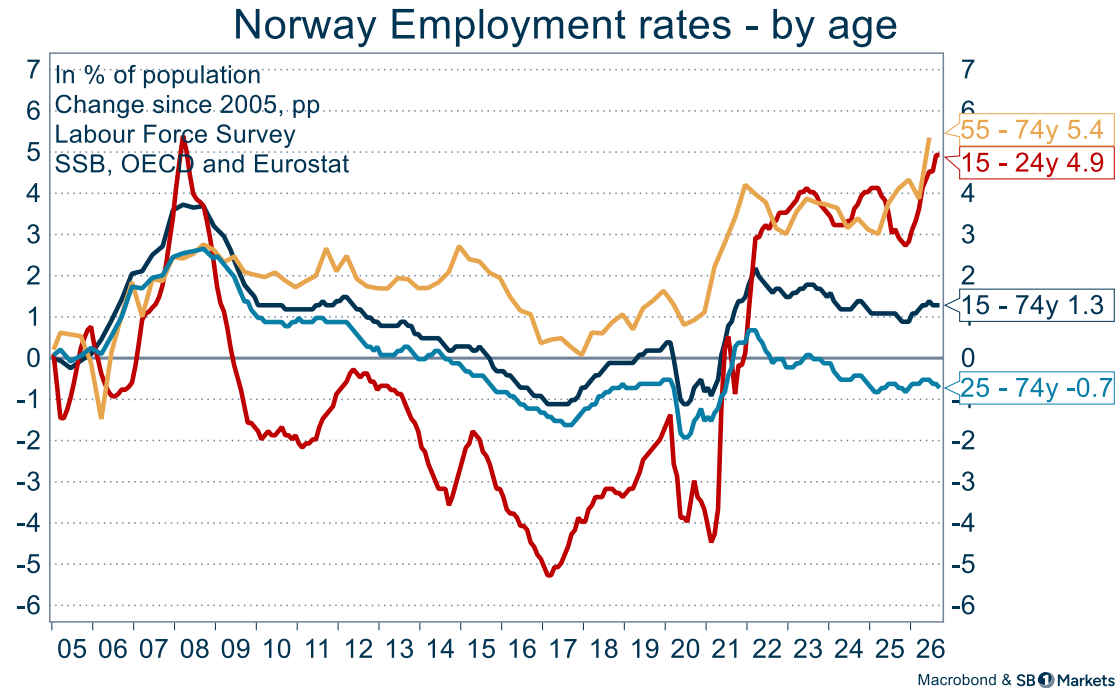
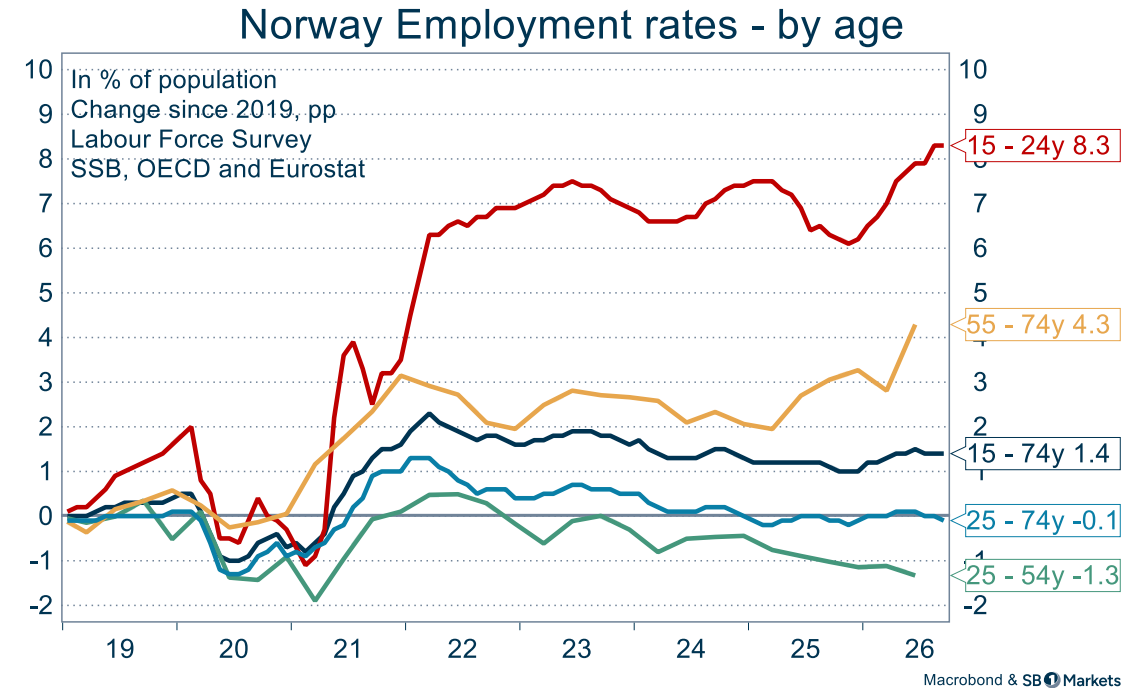


A close-up: changes in (mostly upward-drifting) participation rates



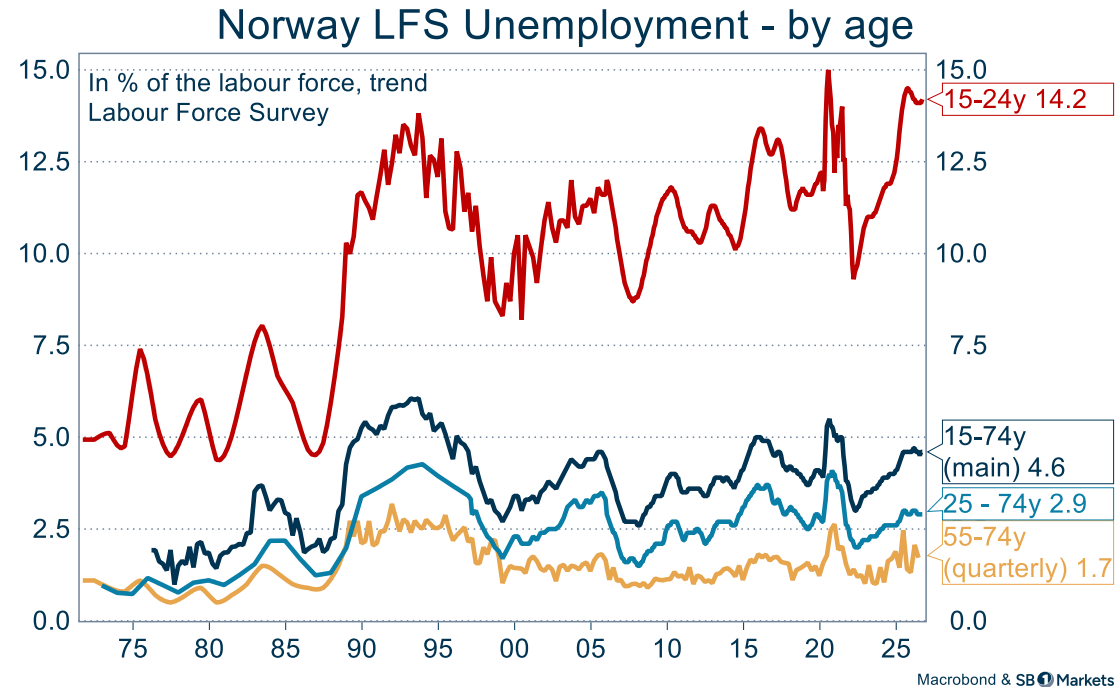
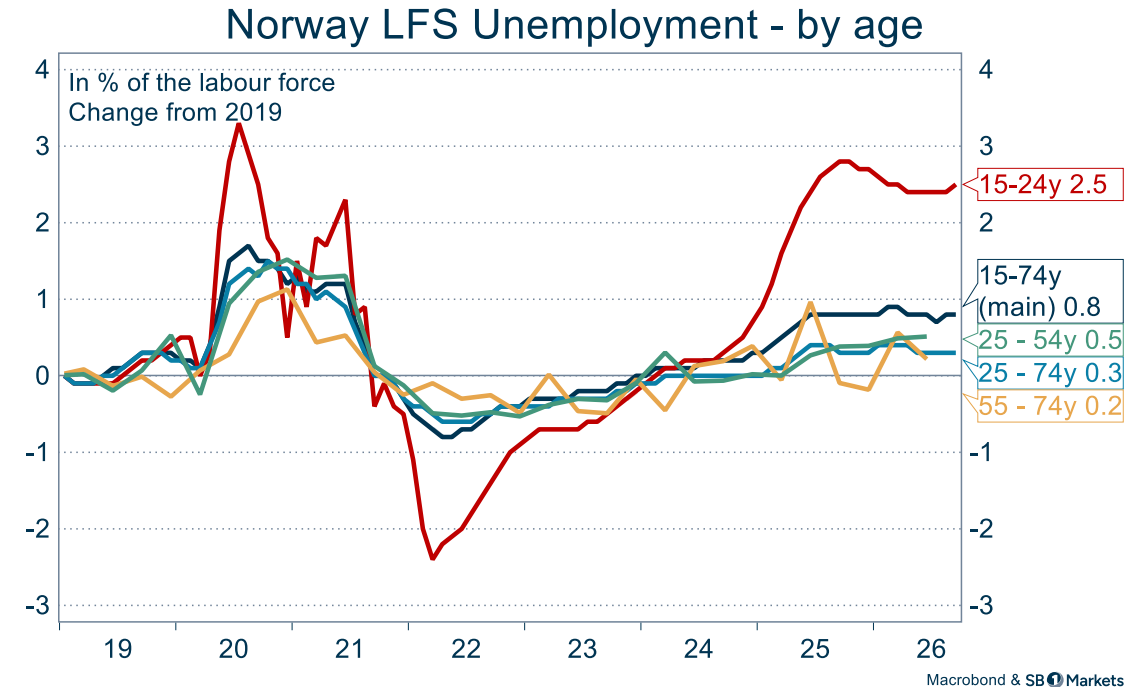
Another close-up: changes in employment rates

The laggards in recent years: the core labour market group, 25–54y segment. **Bad news.** The youths in the lead. And the oldies.



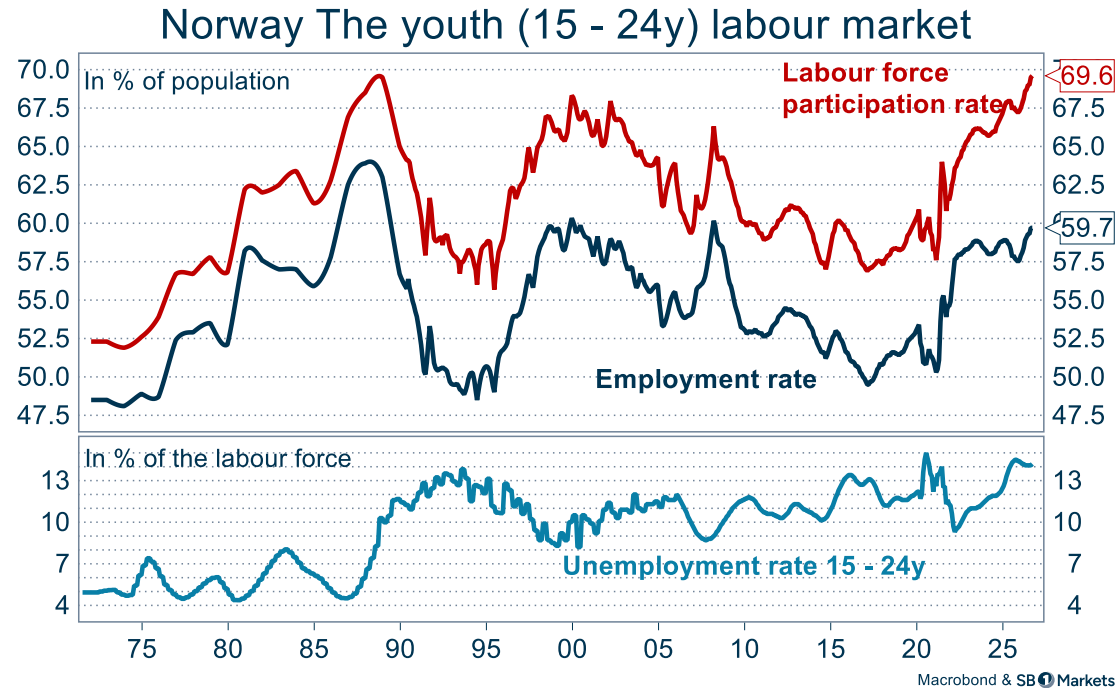
Unemployment has increased among all age groups; the most among the youngest

... due to the 'exploding' participation rate. In 2026, a small decline. Unemployment in the 'core' group, the 25–54y segment, is up as well, but far less than the lift in the overall rate.

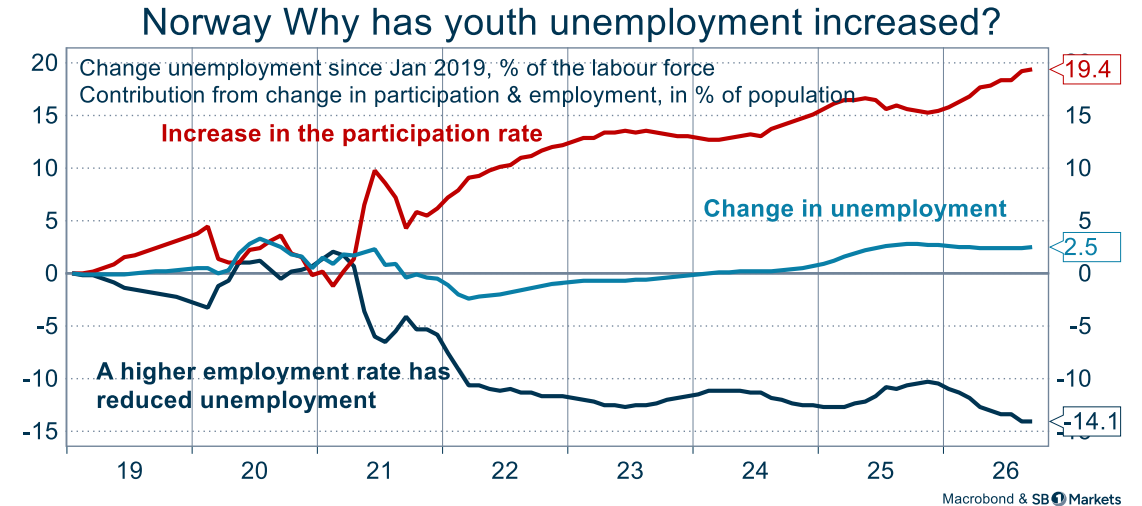
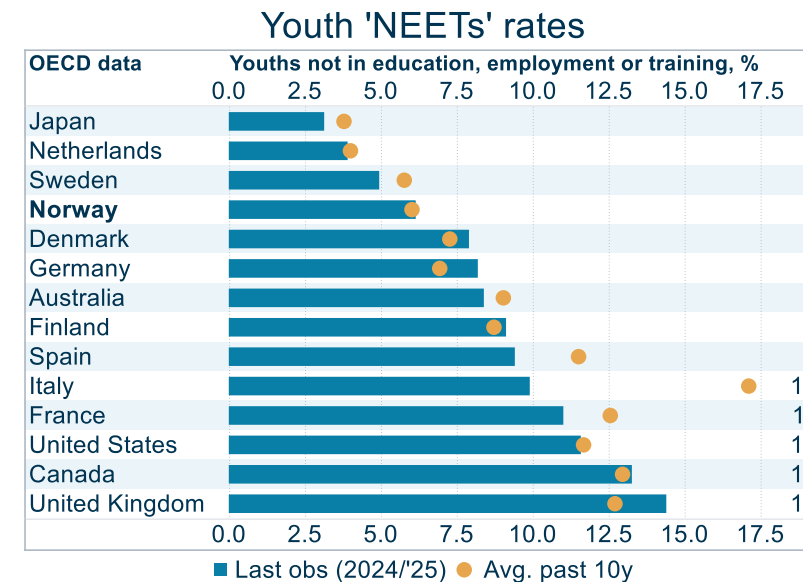


The employment rate among the youth is very high, and **participation is close to ATH!**

The employment rate is **up 8 pp since before the pandemic, participation 11 pp**, and the unemployment rate has increased (but it has flattened since last year). The Norwegian NEET (not in education, employment or training) rate is among the lowest in rich countries.



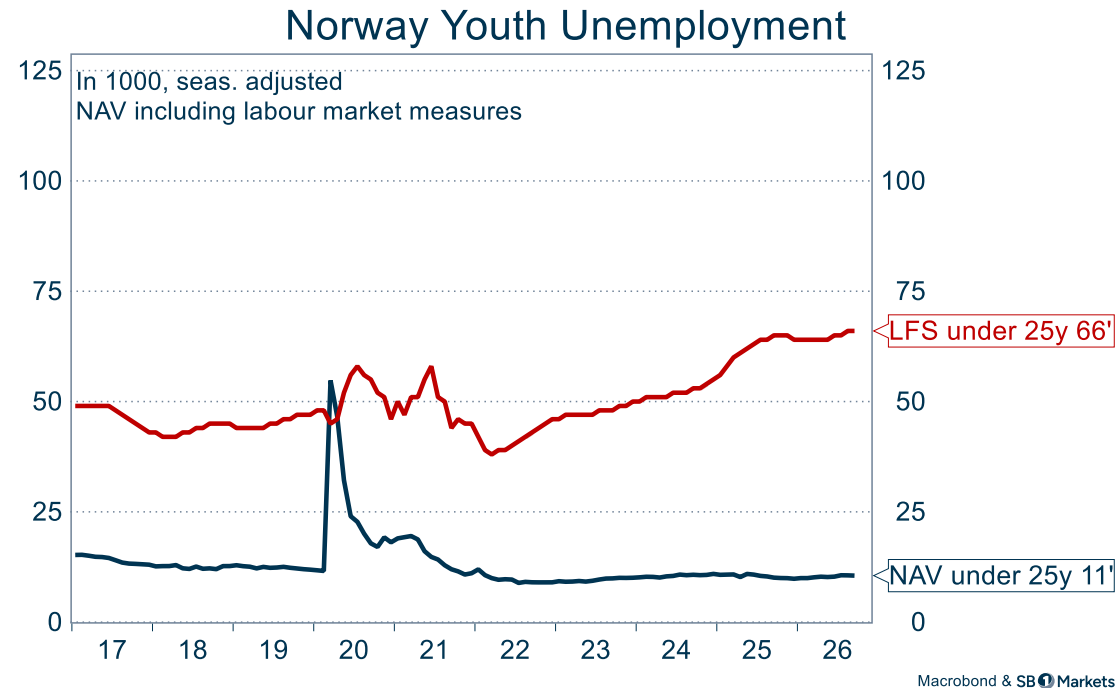
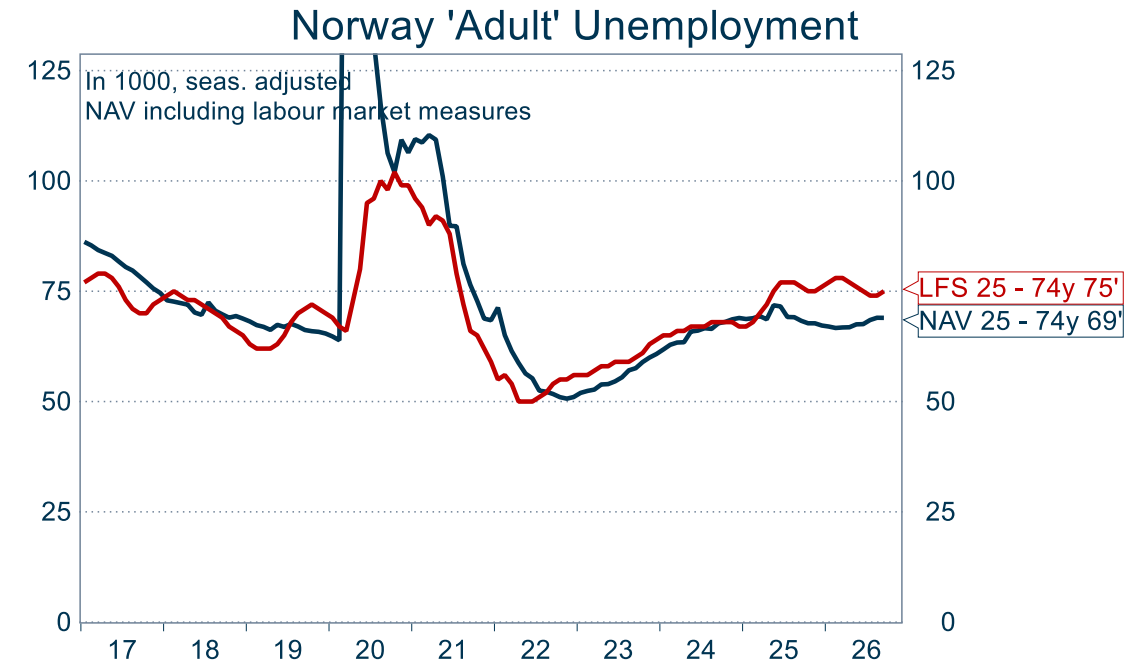
- The **changes in participation and employment rates** since before the pandemic are incredibly large, *check the chart above!*



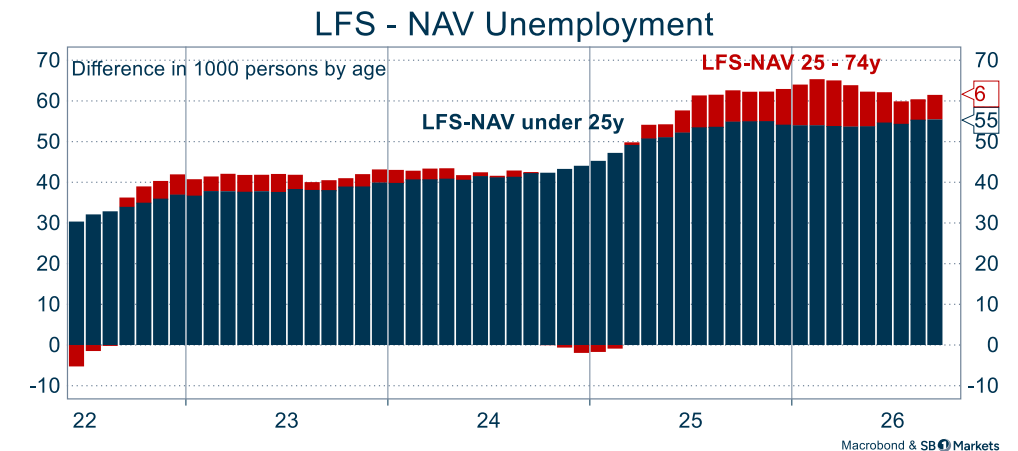


NAV or LFS unemployment? Almost all of the difference is due to youth unemployment

... at least until mid-2025. Following a widening of the gap in the 25–74y segment until early 2026, a narrowing of the gap to NAV again, due to a narrowing in the 25+ group.



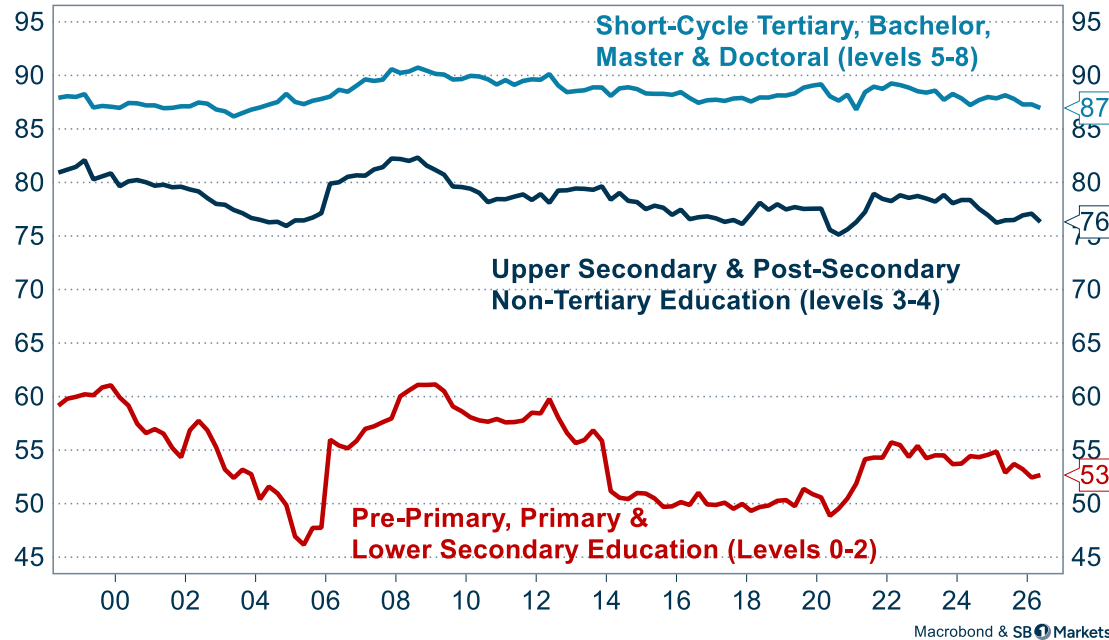
- The effective supply of hours worked for those under 25y is limited (many offer just part-time engagements). In addition, the lift in youth unemployment is not due to a decline in the employment rate; it has increased in recent years. The increase is due to an even larger lift in the participation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



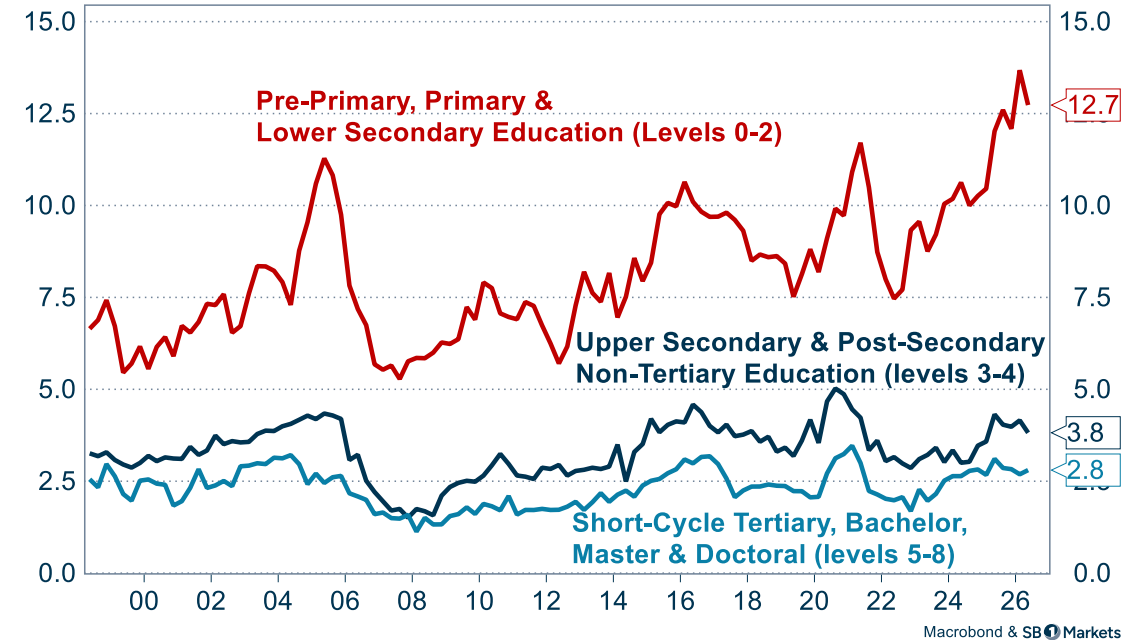
Employment rates fall across education groups, unemployment has increased

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

Norway LFS Employment vs. education



Norway LFS Unemployment vs. education

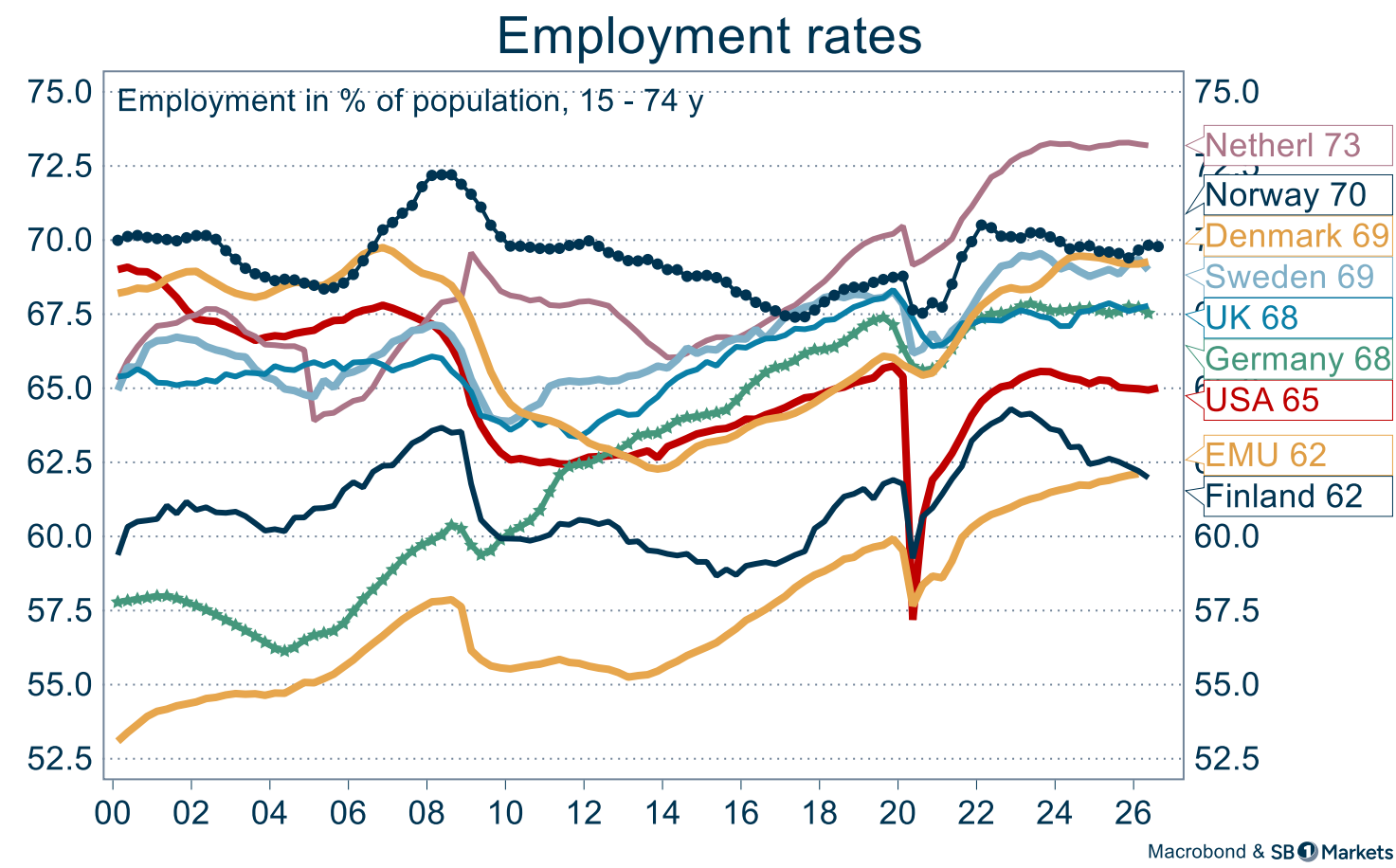
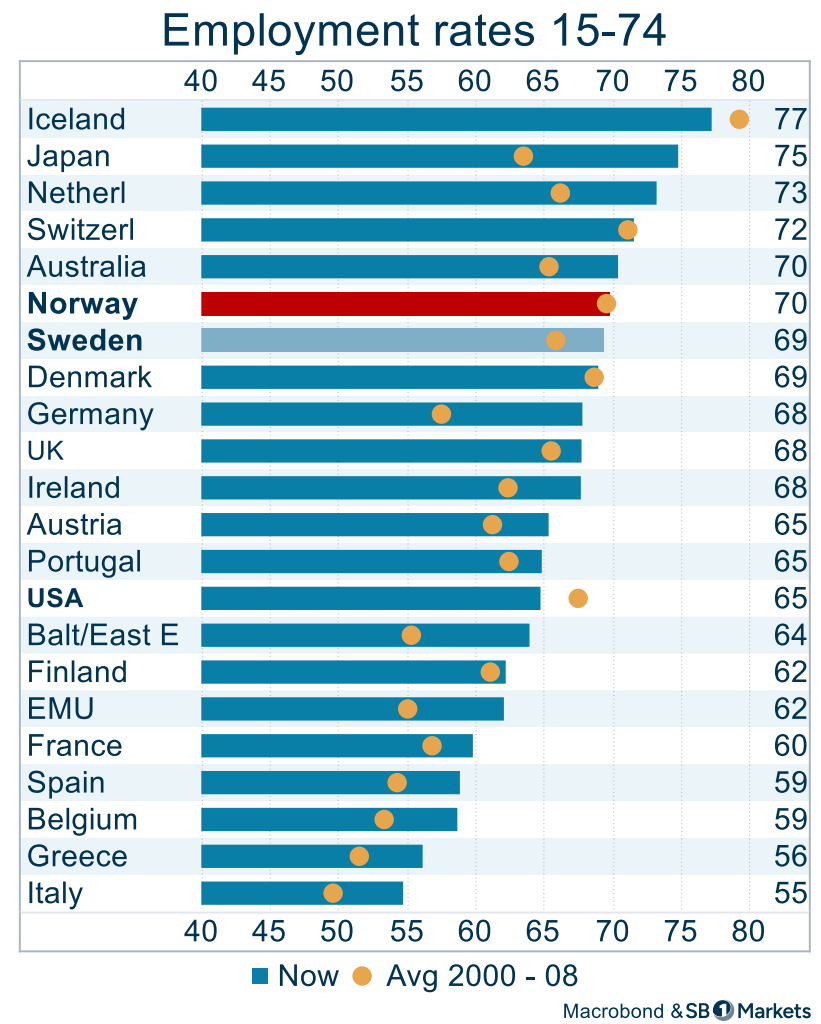


- The normal pecking order is intact: Employment is higher and unemployment is the lowest among those with the highest level of education, and it is at a normal level vs. overall unemployment. Unemployment among those with low education is the highest since the early 90s.



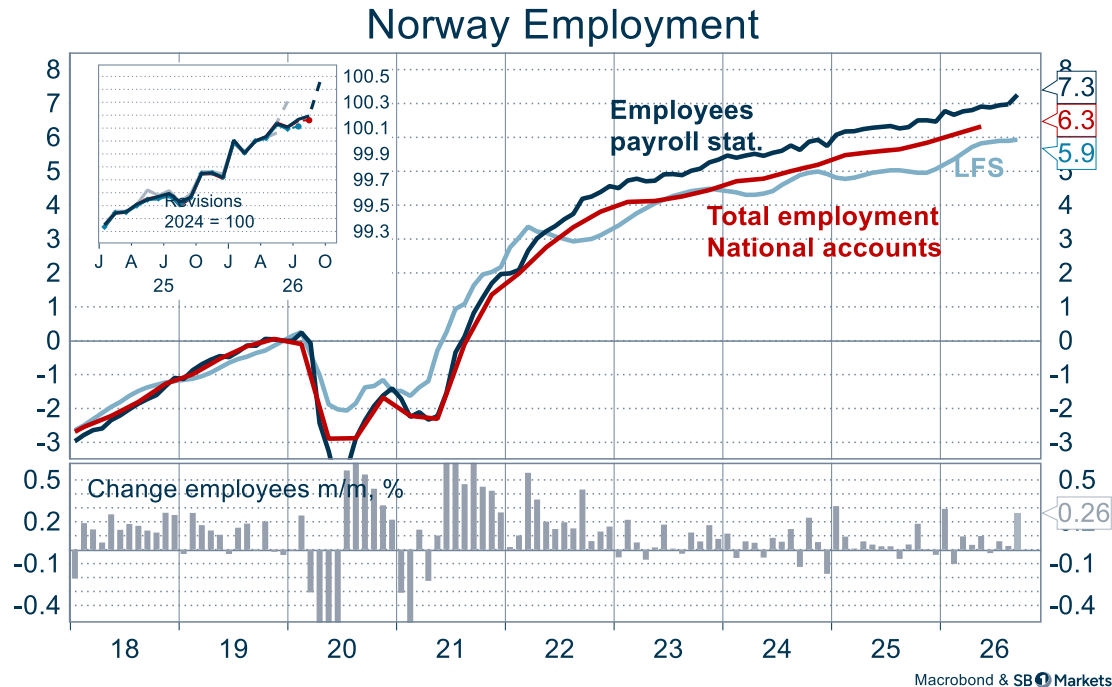
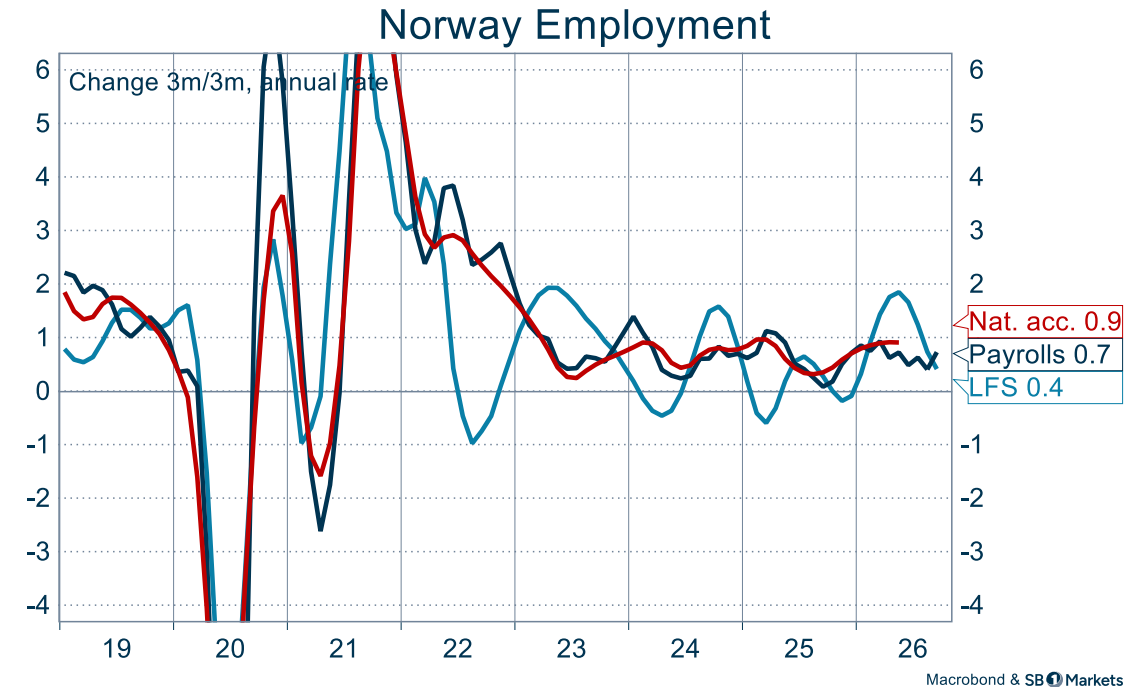
The Norwegian employment rate is not that low

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



Payrolls: An unusual jump in payrolls in September: will it be revised down?

Preliminary register-based employee stats are regrettably rather volatile and are often substantially revised. Now, data from the health sectors look more than suspicious. Even so, we assume a lift in Sep., and **growth is equal to or higher than population growth.**

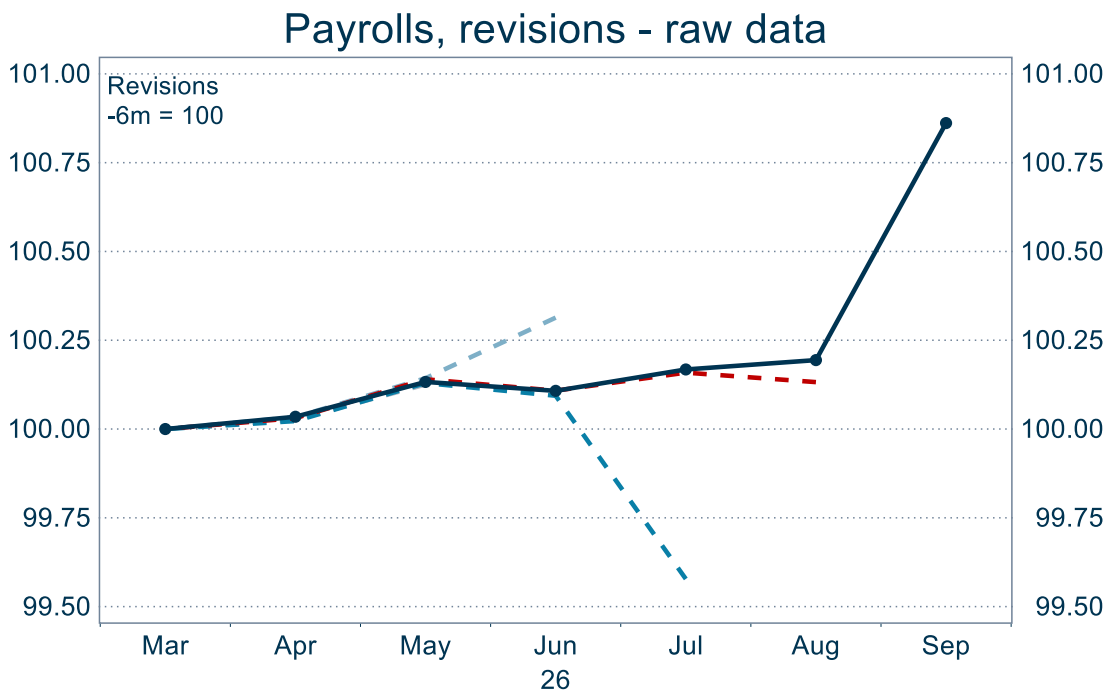
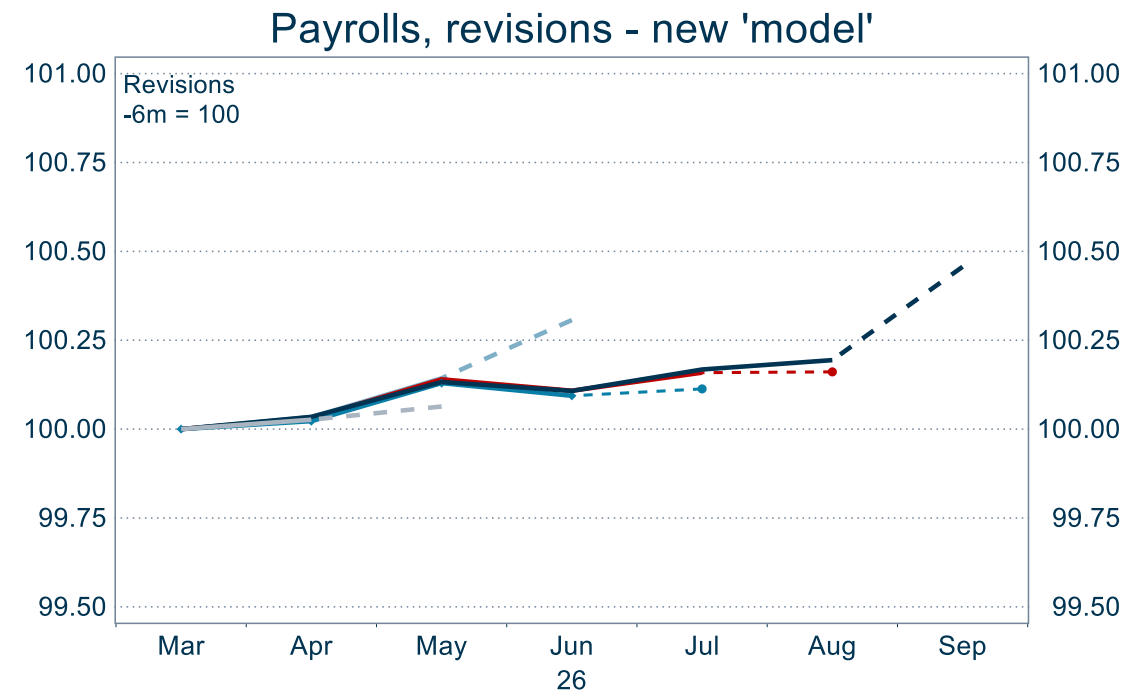


- **SSB's preliminary register-based employee statistics** report a 19,000 m/m, or 0.7% jump in payrolls in September. **Our correction model** assumes a 6'/0.3% lift, which also is a surprisingly strong number. August was revised up to +2' (from -1) even if health was revised down (just as we assumed). Now, an even larger lift in health will very likely be revised down. Employees in education also jumped m/m in September, as did transport and several other sectors, even construction. Several of them will most likely be revised down.
 - Payrolls are up 0.9% y/y (after our downward revision), and the underlying growth rate rose to 0.7% (from 0.4% in August).
- The no. of employees trends up in most sectors, but construction, communication & information, finance and manufacturing head down, com&info at the fastest rate. However, construction may be stabilising. In sum, 'professional services' head down. Other sectors are heading up, and their gains more than offset the declines in weaker sectors.
- **Wage inflation** has slowed to 3.5% y/y, measured by monthly cash earnings, and the slowdown is broad. National accounts reported a faster growth rate in Q2/H1.
- The **LFS** employment data are more volatile medium-term, and now report a 0.4% underlying growth rate, but employment is up 0.9% y/y. National accounts reported a 0.9% growth rate in Q2 (q/q, annualised), as well as y/y in Q2.



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

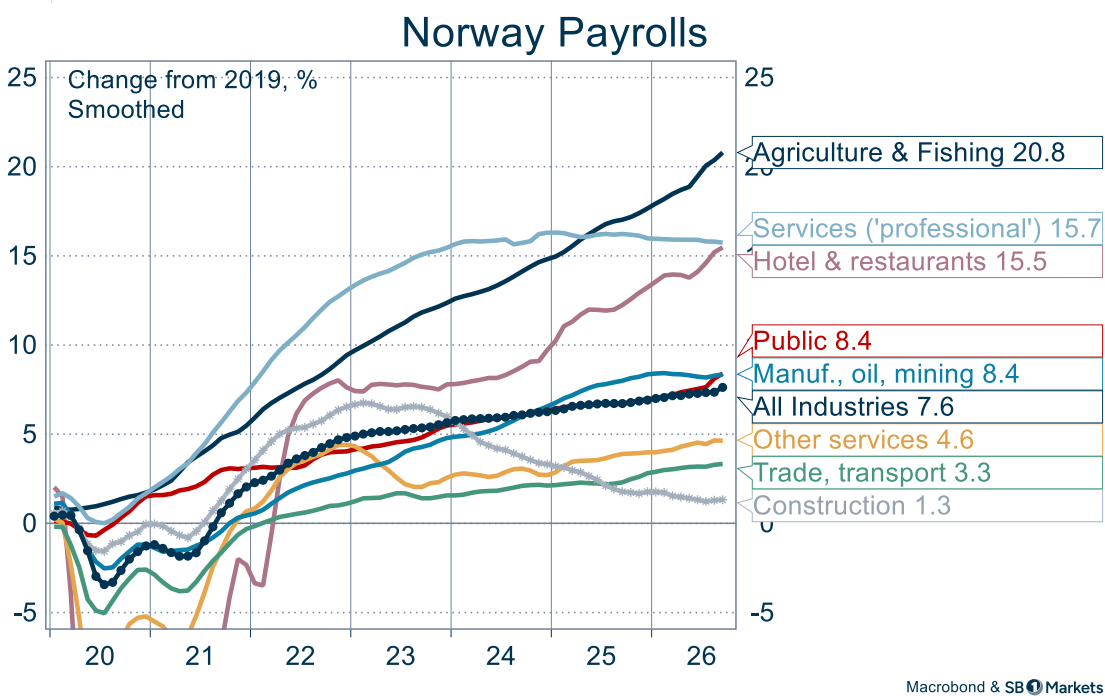
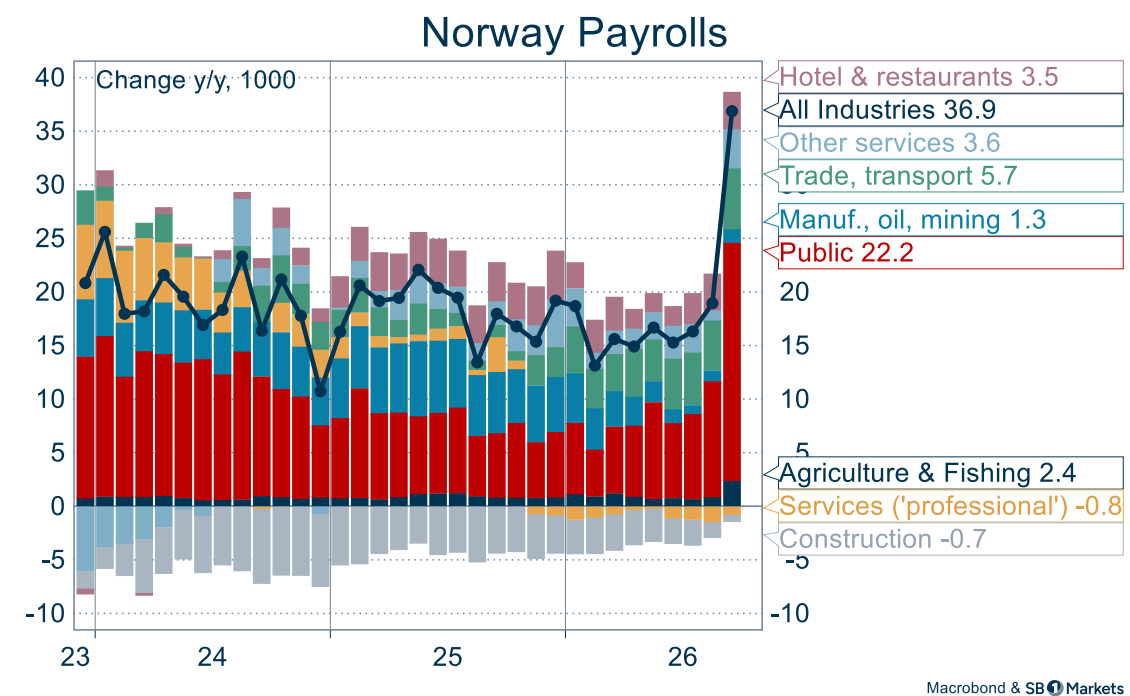
The preliminary data are volatile and final data may deviate substantially. Our error correction model has yielded far better estimates of monthly changes than SSB's 'raw' data – so we stick to it. Our model suggests a small lift in September, not a huge jump.





A surge in public (health) employment will be revised down. Construction is bottoming?

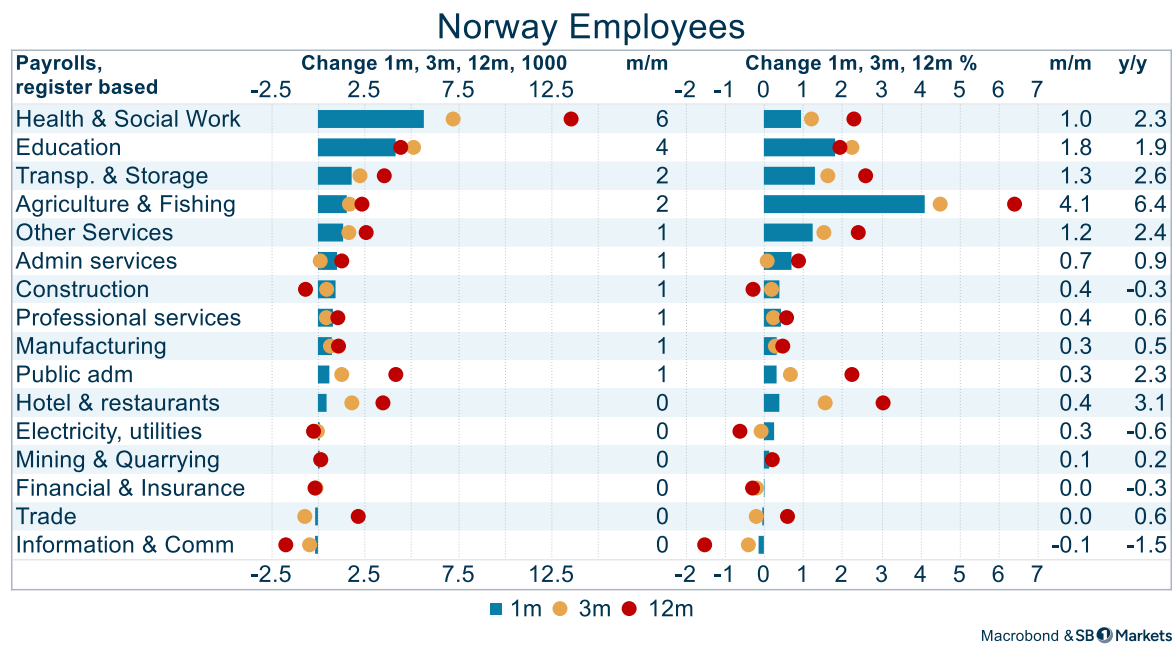
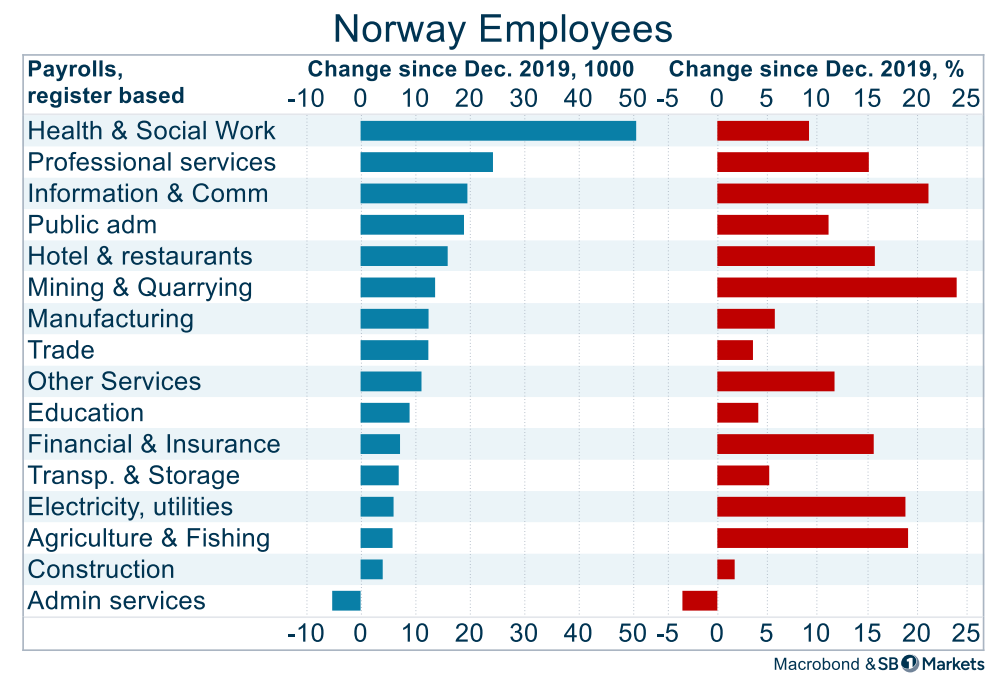
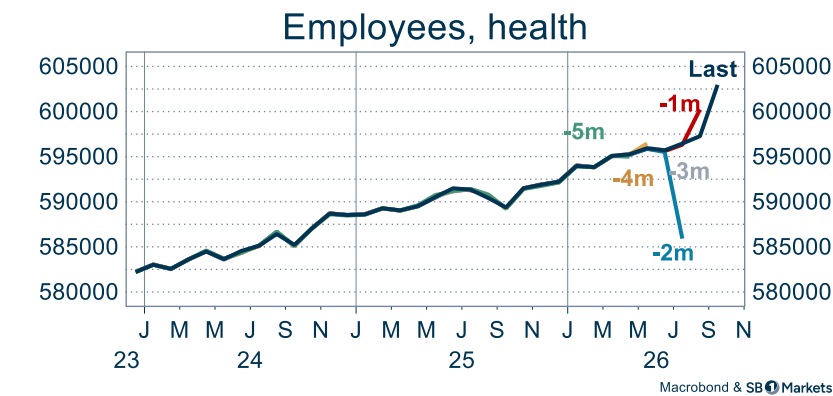
Professional services are heading slowly down, while other sectors trend upwards. Hotels and restaurants grow at a fast pace.





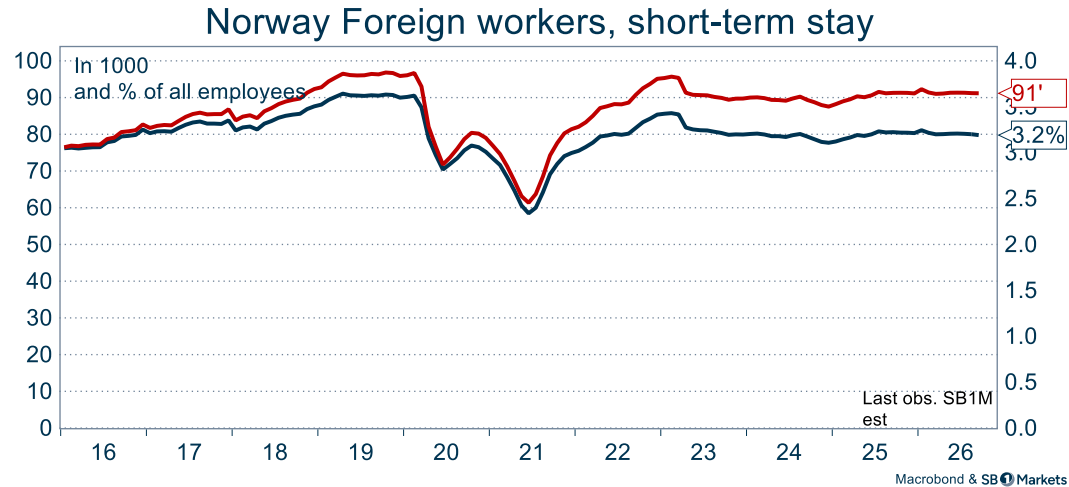
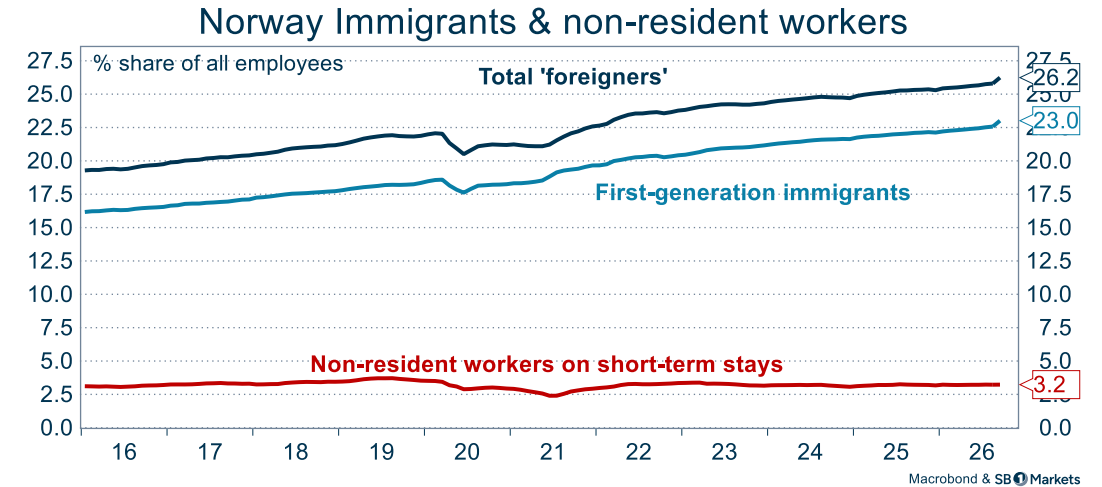
For the nerds: as we assumed, the lift in health in August was a ‘fake’

However, in September, the preliminary data suggest another large lift in the health sector, by 5,600 persons or almost 1%. We stick to our assessment from a month ago: this lift will be revised down. However, even after a likely revision, underlying growth is decent.

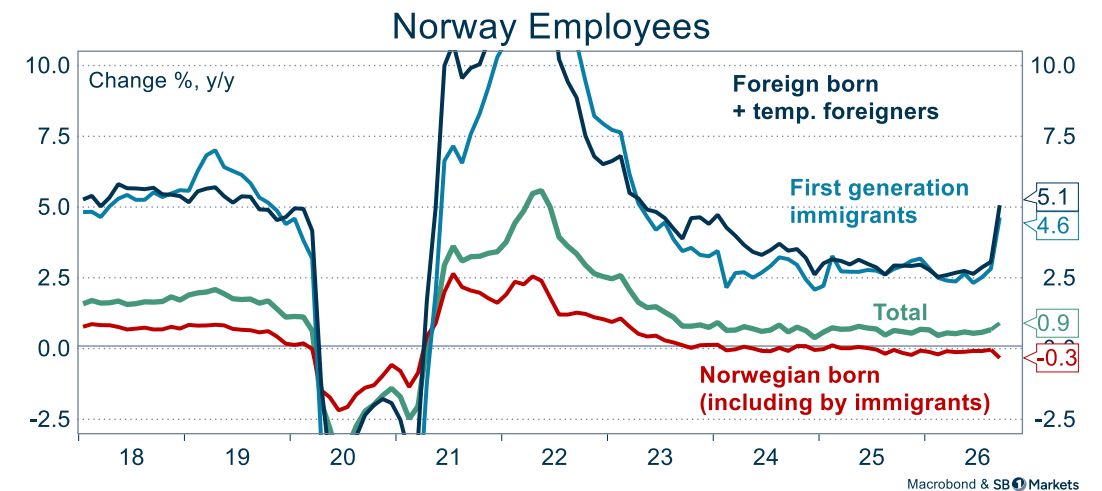


A strange 2% lift in first-generation employment in September

Most likely, a downward revision will follow.

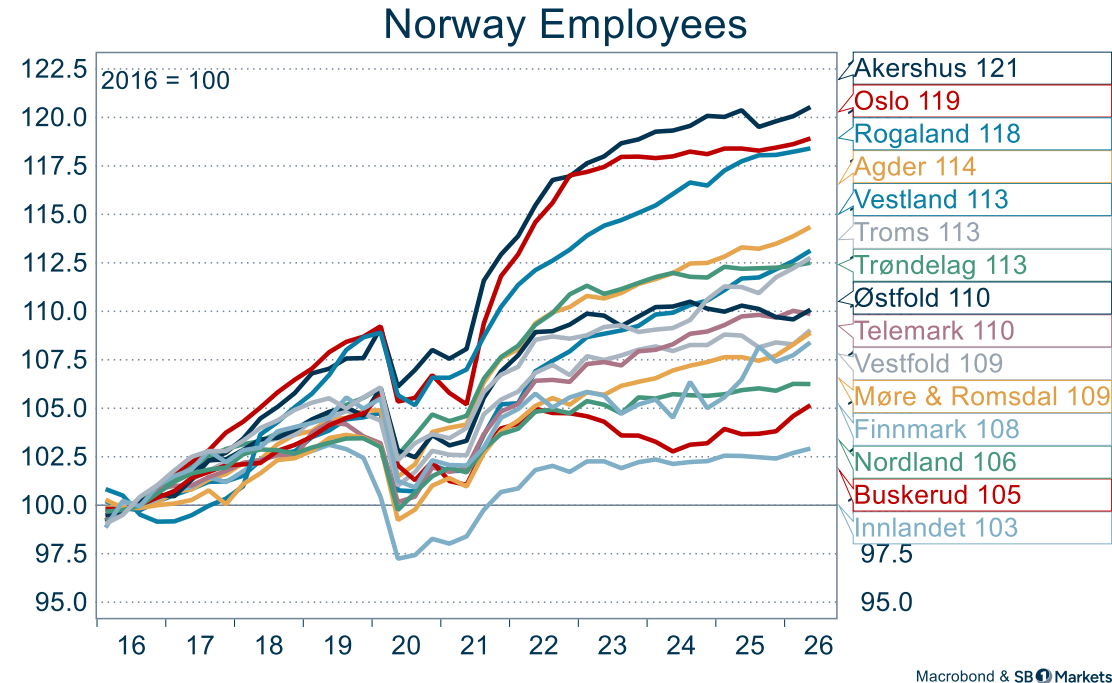
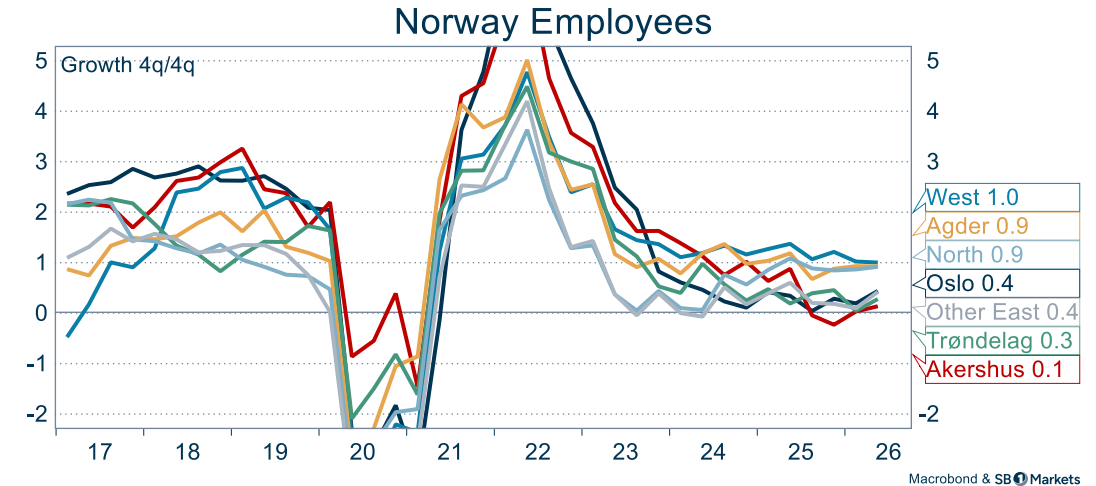
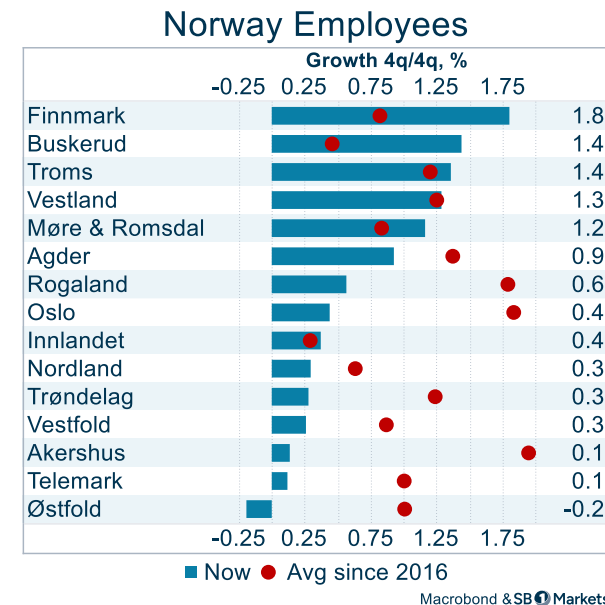


- The share of **foreigners on short-term stays** has flattened at some 3.2% of total payrolls, slightly down from the 3.6% peak in 2019.
- The share of **first-generation immigrants** in payrolls equals 23% of all employees and has trended up by some 0.4 pp per year (more than 20' persons per year). The September number will most likely be revised down.
- Payrolls among **Norwegian-born residents** trend close to flat, and fell in September (but will be revised up?). Since 2019, a 2% lift (at least it was, in August).
- The **total number of employees** is up 7.7% from 2019, of which ¾ is due to the lift in first-generation immigrants.



Payrolls: East is still the laggard, but just Østfold heads down. Finnmark is in the lead!

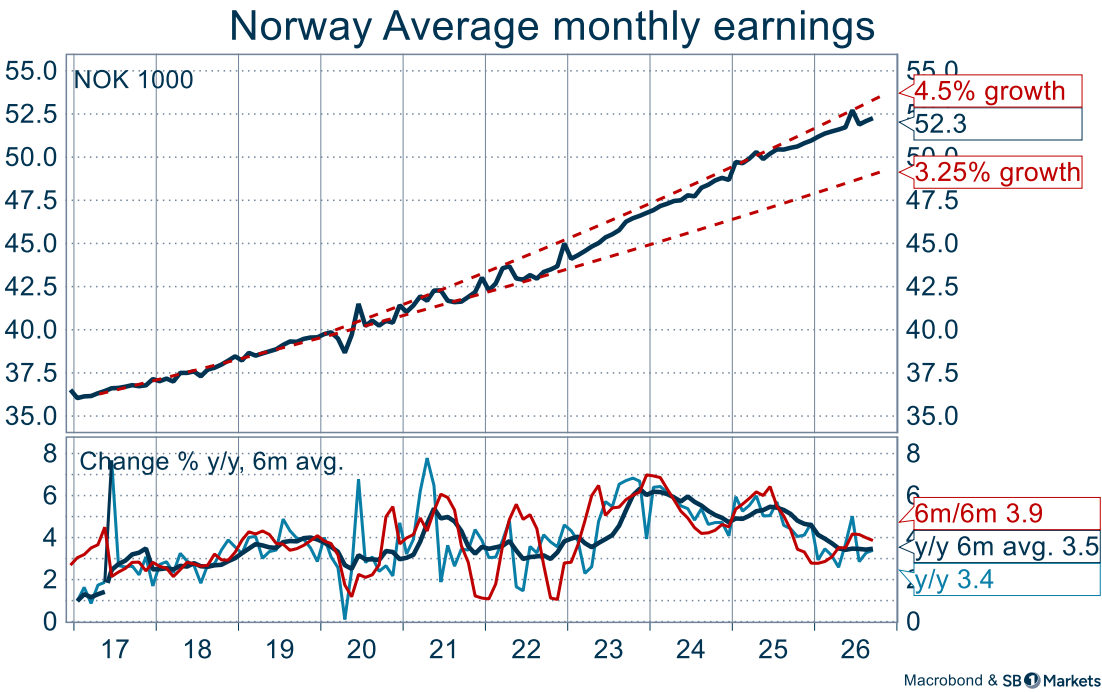
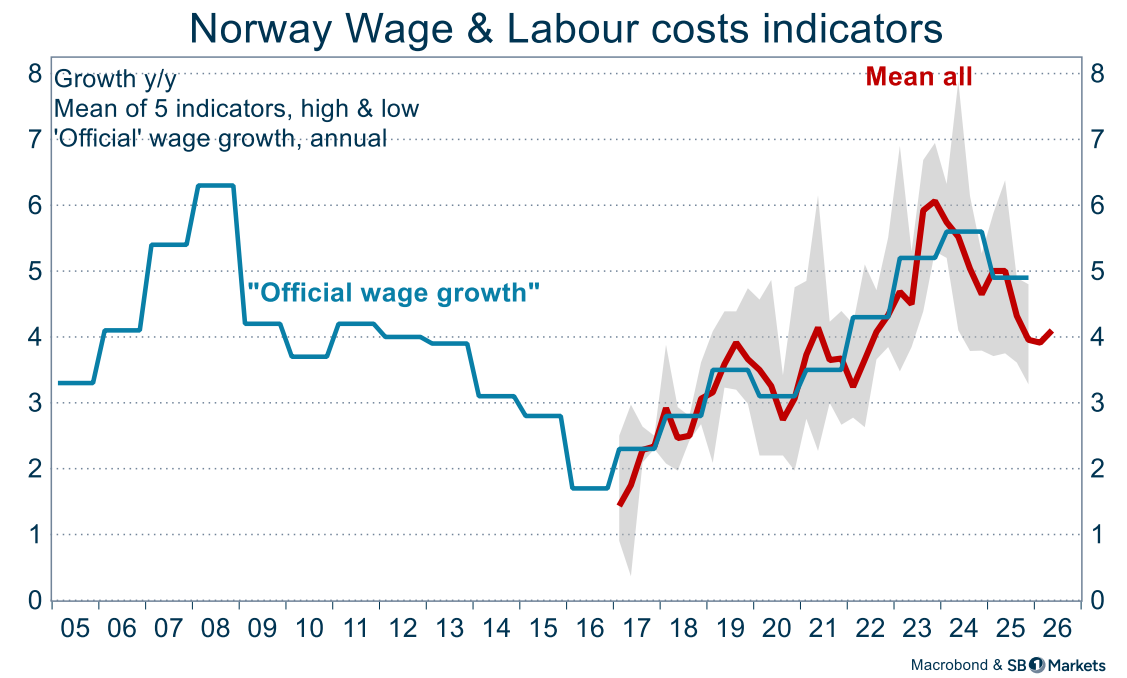
All counties but Telemark reported growth q/q in Q2. All but Østfold are up 4q/4q. West, south and north trend up 0.9–1%. Oslo and Akershus have turned up recently, up 0.4% and 0.1% resp. (4q/4q). Longer-term: Buskerud and Innlandet at the bottom. O/A, Rog. at the top.



- Quarterly data, the last is Q2–26.

Monthly cash wage inflation has slowed substantially, to around 3.5%

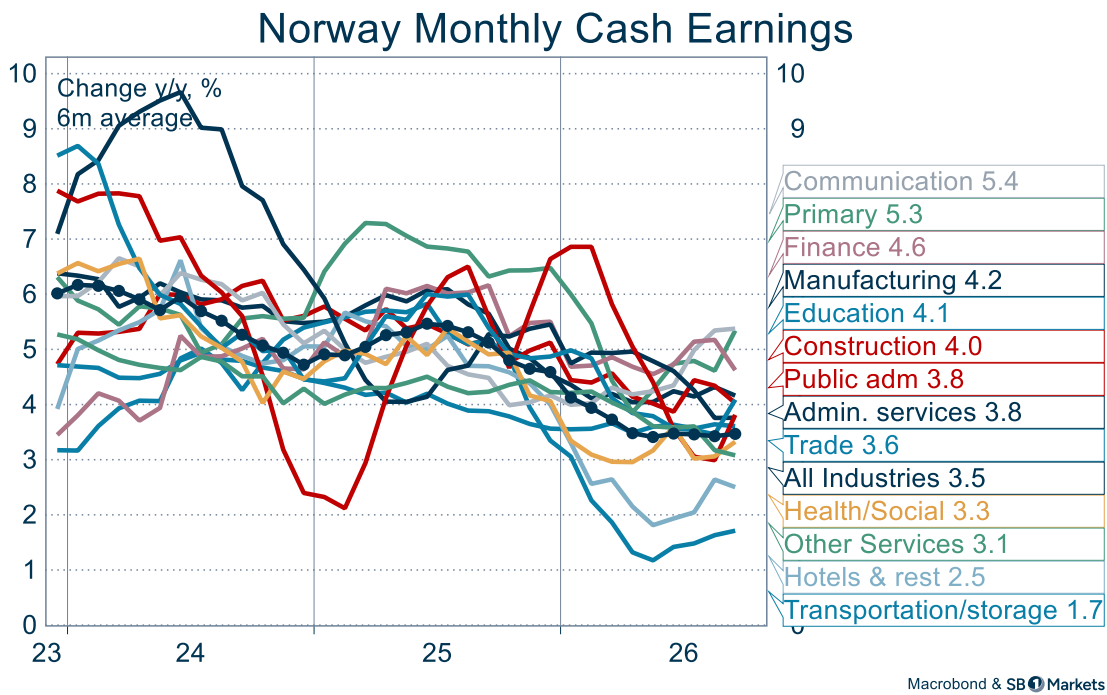
Monthly data based on payrolls stats are volatile, and other wage indicators report faster growth in wages. Still, the average is below Norges Bank's 4.5% 2026 forecast.





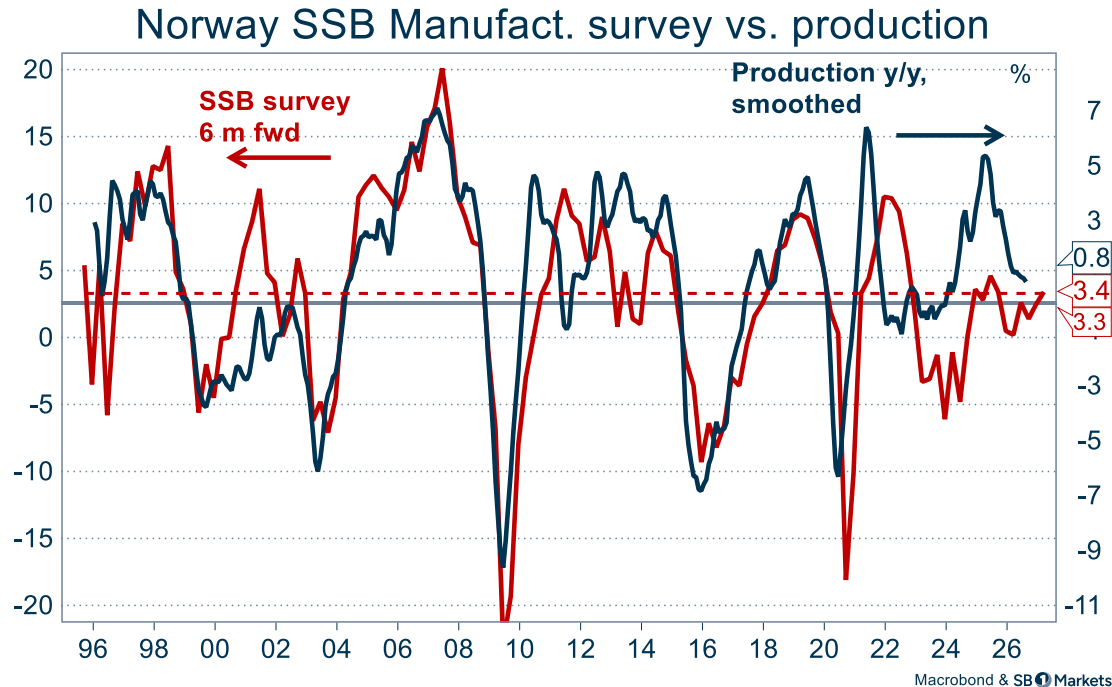
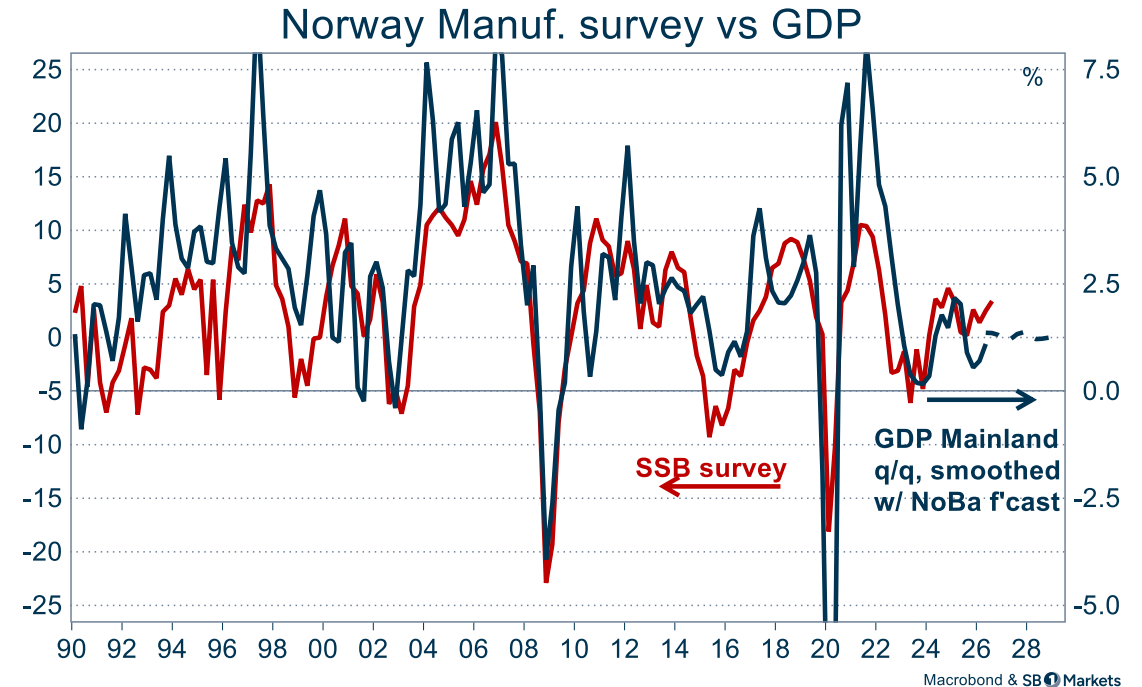
The slowdown in wage inflation is broad

All sectors but communication are down vs. the annual growth rate a year ago. All but 3 sectors report lower growth than Norges Bank's 4.5% f'cast.



SSB's manufacturing survey up to an average level in Q3

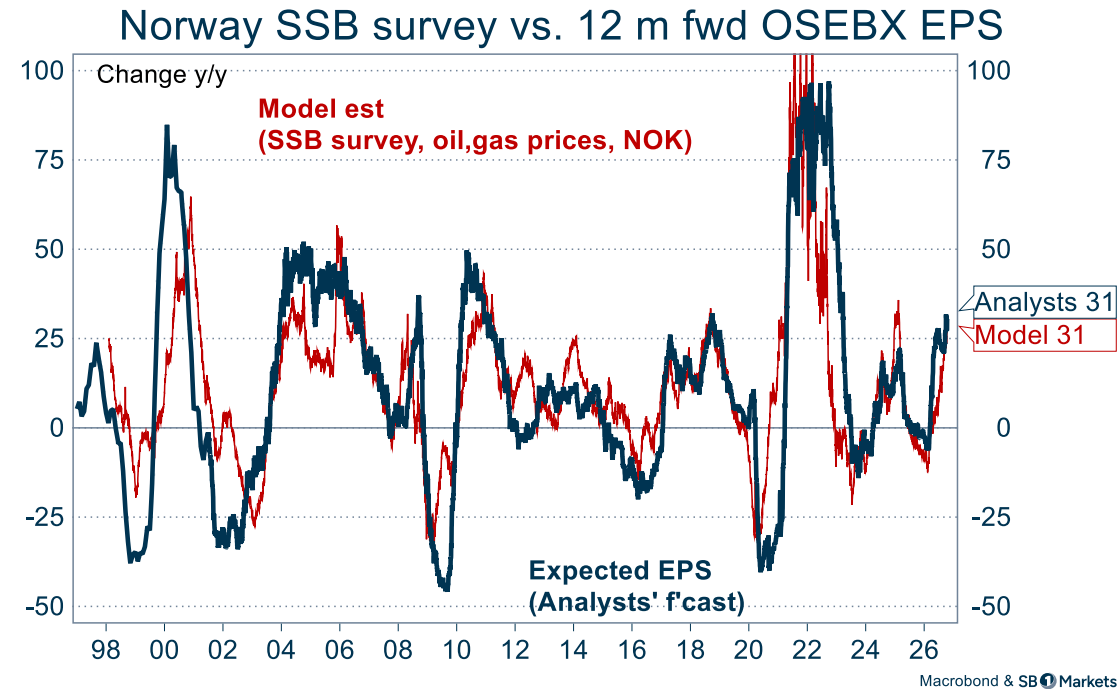
The outlook indicator fell in H1 last year, bottomed in Q3-25, and returned to an average level in Q3, signalling normal (which is low) growth in manufacturing. In addition, a 2% Mainland GDP growth rate is signalled, well above NoBa's f'cast.



- The **composite index** ('outlook indicator') in SSB's manufacturing survey has been too pessimistic vs. actual production (vs. the historical correlation). The recent (modest) recovery should signal growth in overall manufacturing production. This manufacturing survey is also correlated with Mainland GDP growth and now signals growth at some 2%, well above NoBa's forecasts.
 - 11 sectors report faster growth than in Q2, 6 slower. Just 1 reported a significant decline in activity, ships, boats & platforms. Machinery and equipment report just marginal growth. Transport equipment, computer/electronics report the fastest growth. Overall orders are on the way up.
 - However, even if **capacity utilisation** has stabilised lately, it remains well below average (even if actual production has been strong over the past year) and is expected down again in Q4.
- Supply-side factors** are still limiting production more than normal, **demand less than normal**. **Labour shortages rose marginally in Q3** and remain above average.
- In sum: **better than we expected, signalling growth at least in line with Norges Bank's forecasts.**

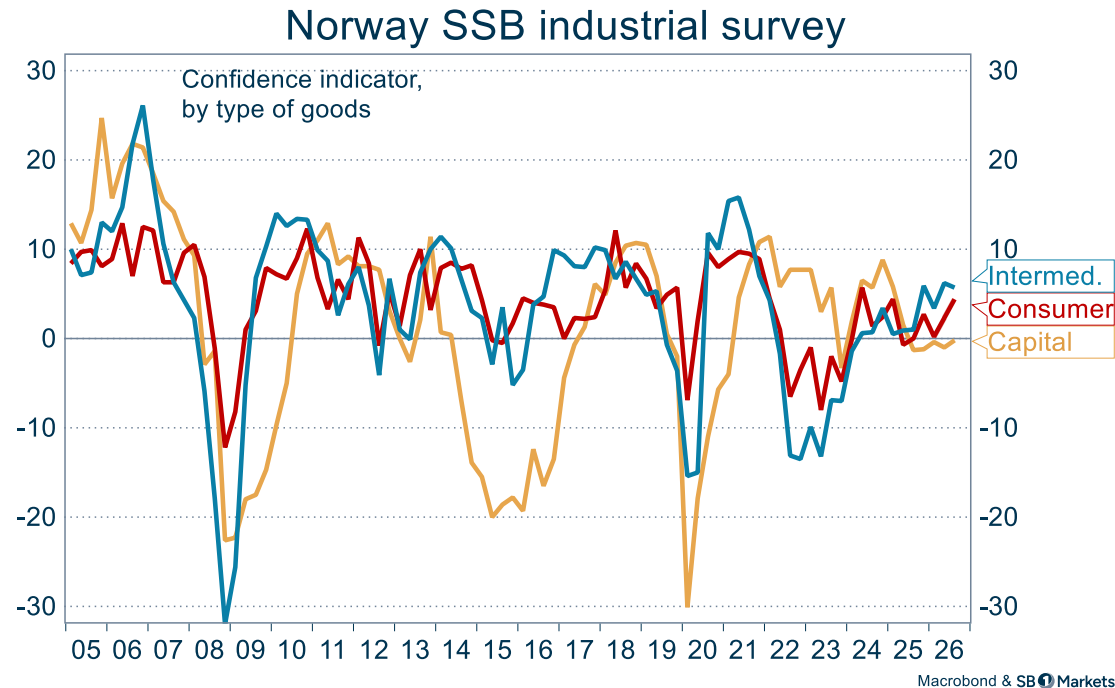
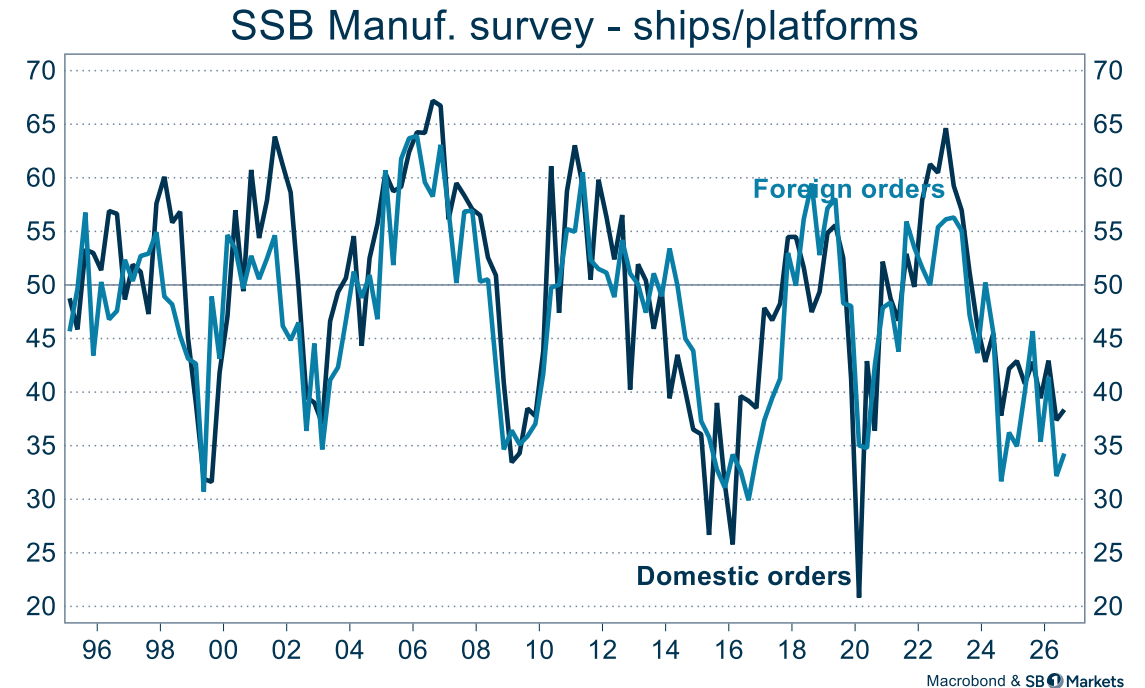
SSB manufacturing survey + oil & gas prices + NOK → 31% growth in 12m fwd OSE EPS

By luck and accident, analysts expect a 31% growth rate as well 😊



Capital goods still a laggard but do not signal any downturn. The others are the best in 4y

Ships/platforms: Orders declined rapidly in Q3, as in Q2 – and over the previous quarters.

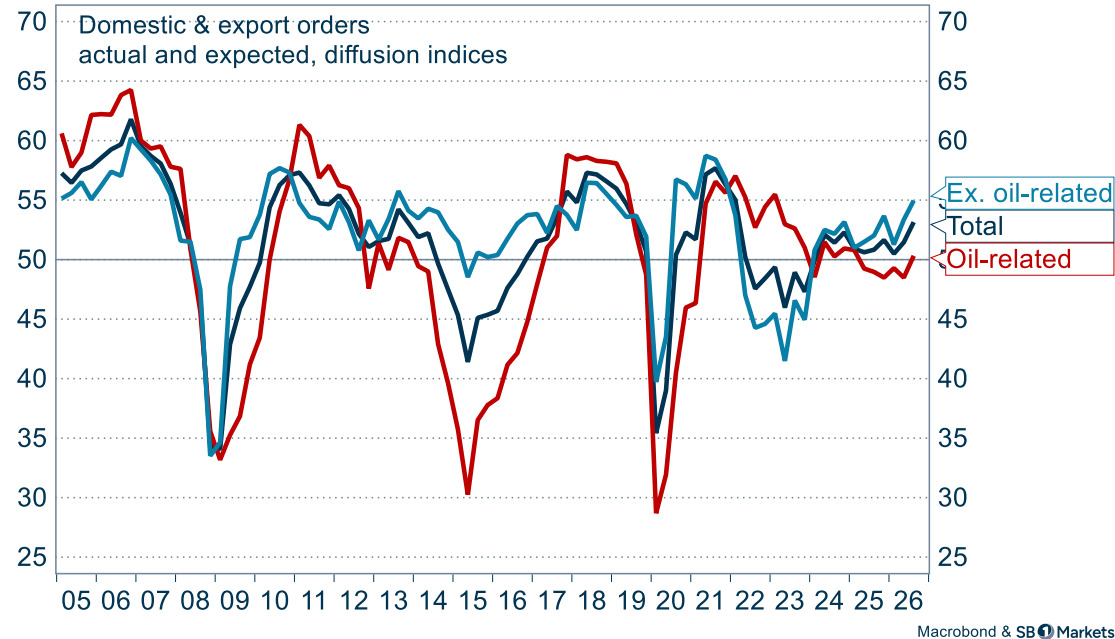


- Capital goods sectors report the weakest overall index, but returned to the zero line in Q3. Oil investments are capital investments, in case you wondered. Thus, other parts of the sector must be in plus.
- Intermediate and consumer goods sectors are both average at 5–7 p.

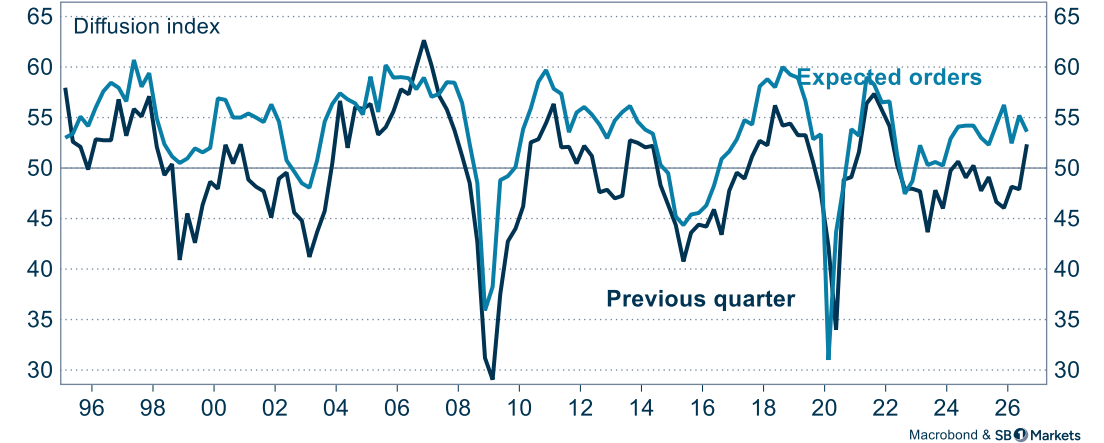
Order inflow: has turned up, even in oil-related industries!

Order inflow in other sectors is signalled to rise rapidly.

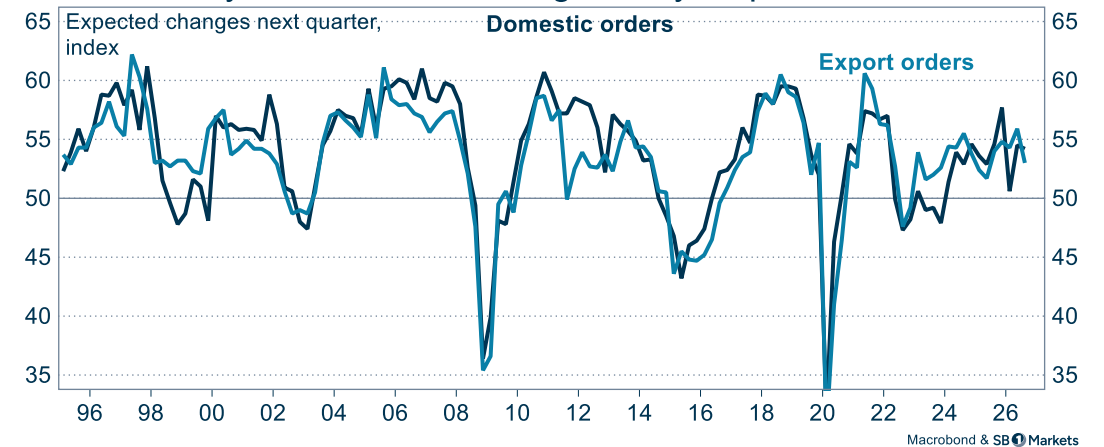
Norway SSB Manufacturing survey, orders



Norway SSB Manufacturing survey, orders



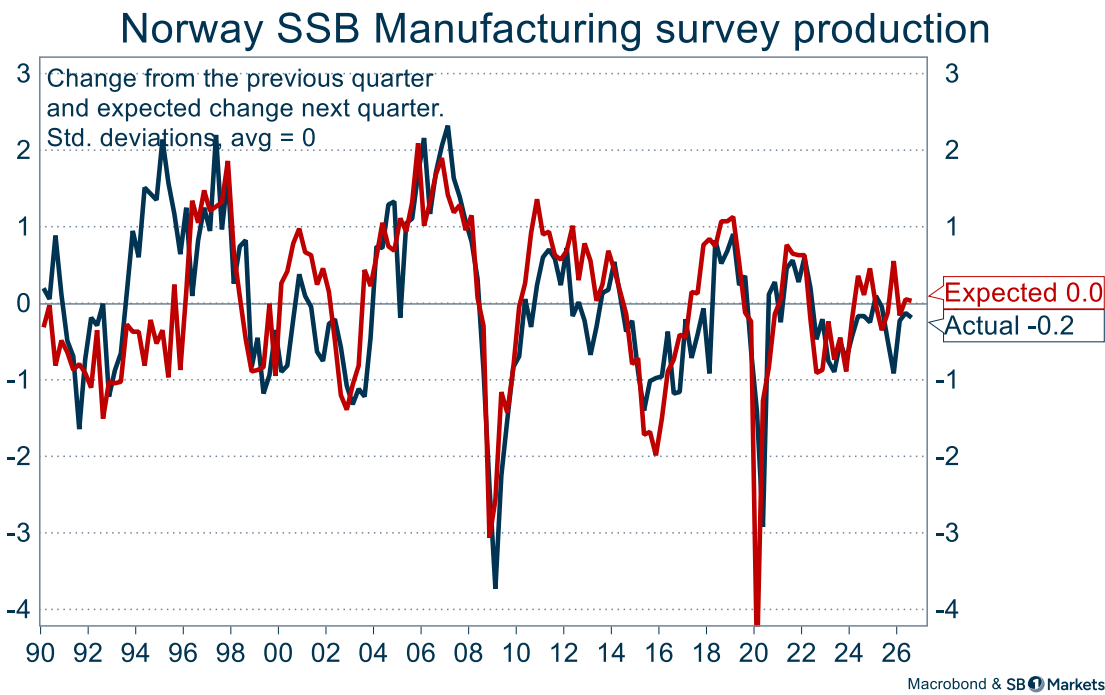
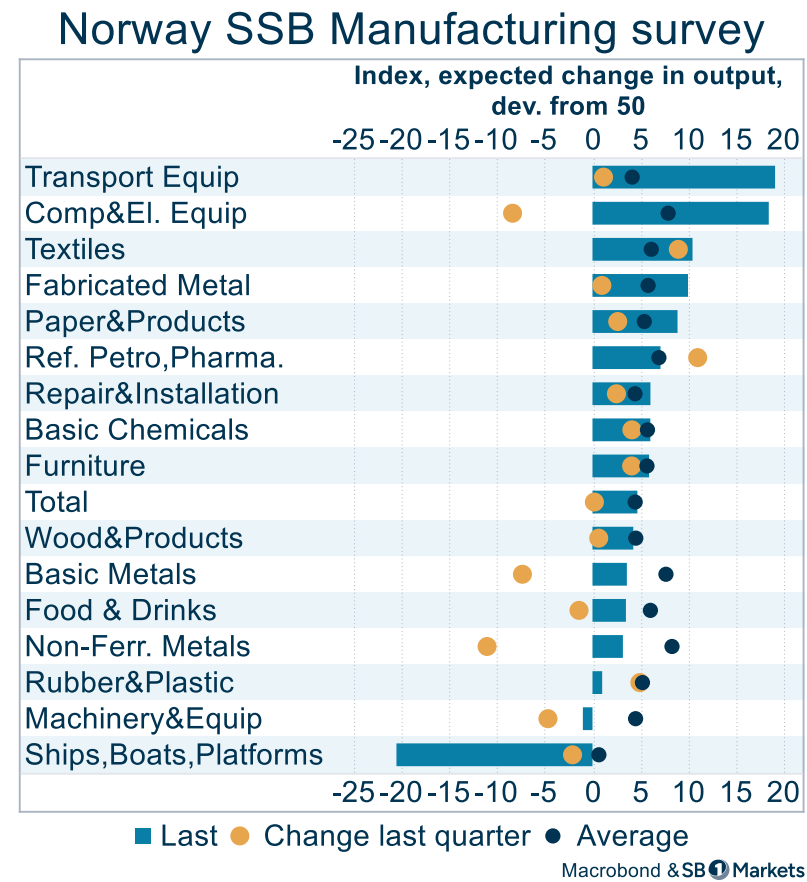
Norway SSB Manufacturing survey, expected orders





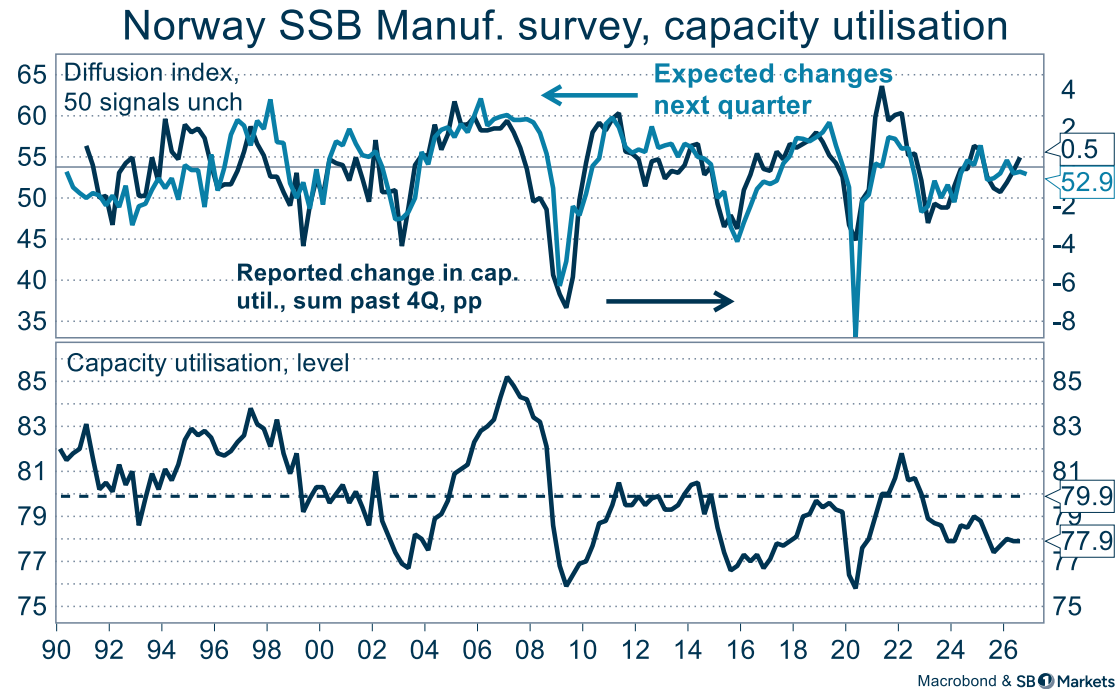
Sectors: 6 down in Q3, 11 up. Just 1 expects a steep decline: oil-related

5 sectors expect faster growth than normal, with transport and computer/electrical equipment in the lead. The decline in ships, boats and platforms is tough, but not much steeper than in Q1. Machinery & equipment is weak as well, very likely also due to the decline in oil invest.



Capacity utilisation has flattened at a level well below average

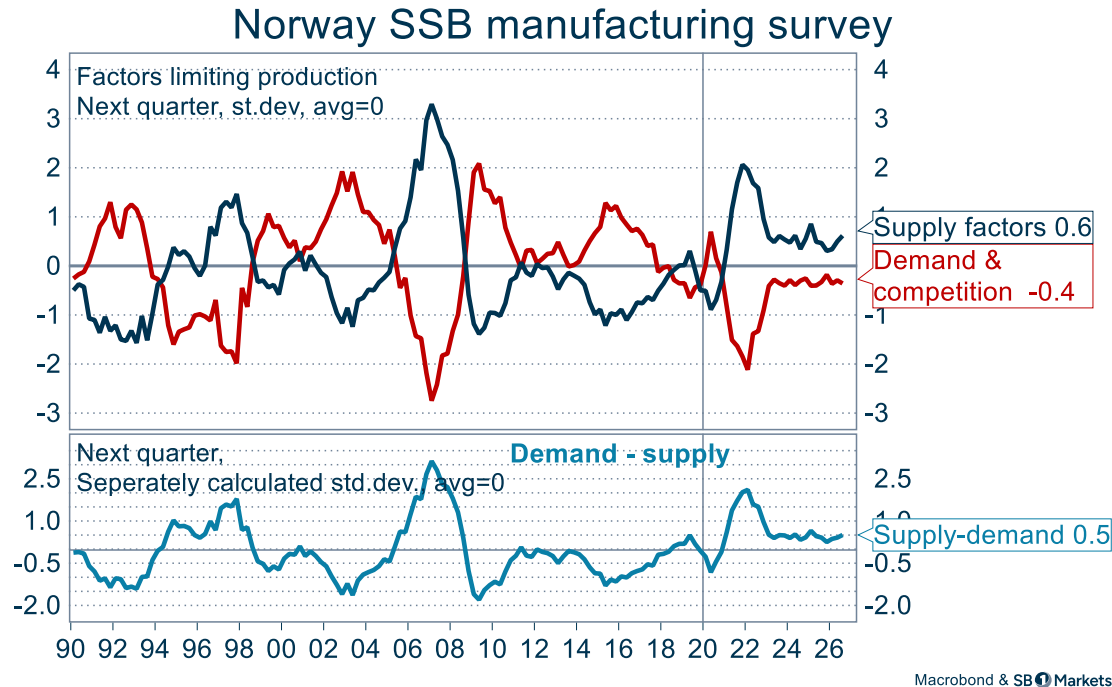
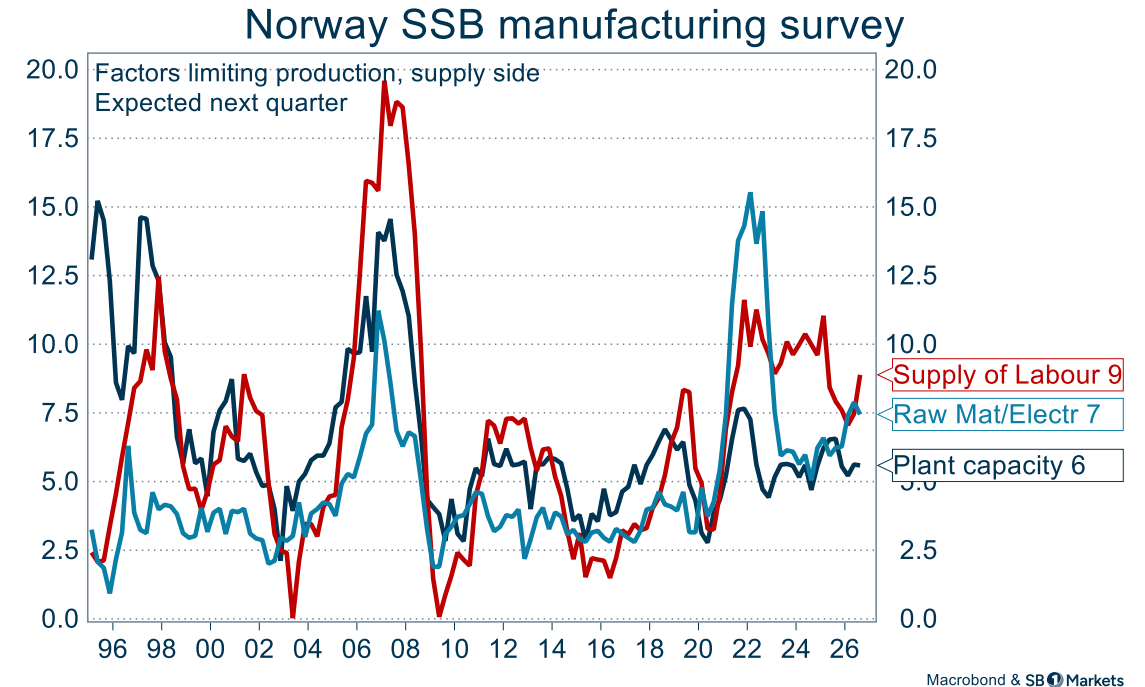
The longer-term trend is still down but utilisation has stabilised over the past year.



- ... while actual production has increased at a decent pace over the past year.

Limiting output: Demand is less of a problem than normal, supply factors more

Constraints on the supply side remain above average, including labour shortages. Shortages of raw materials and electricity have increased somewhat in recent quarters but declined slightly in Q3.



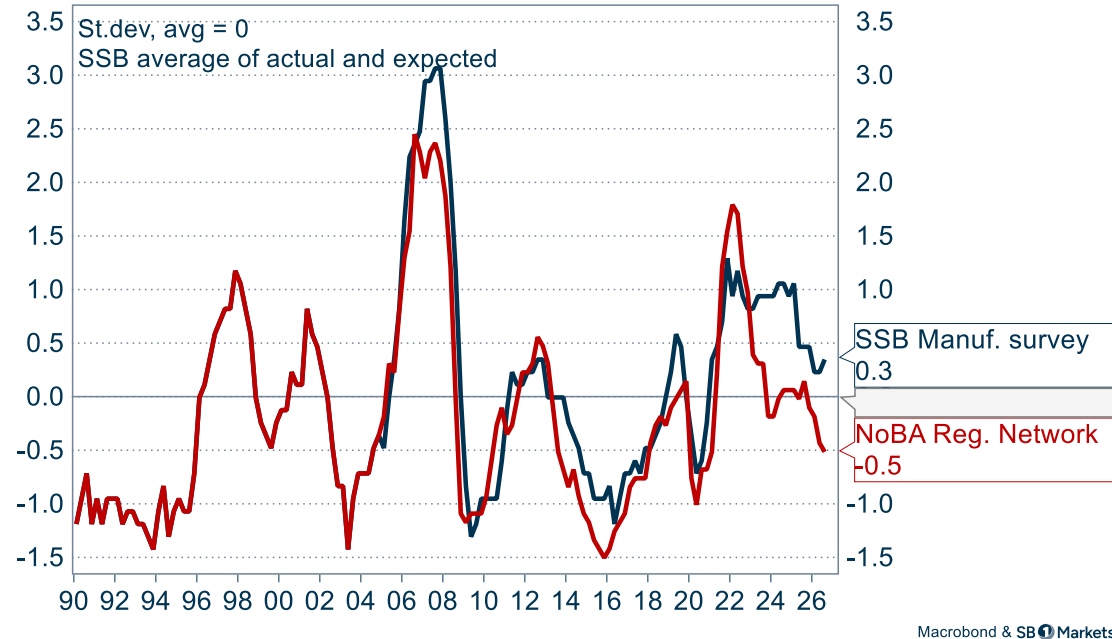
- **Labour shortages** rose in both Q2 and Q3 and are above average but are lower than a year ago.
- The share of companies reporting **constraints from plant capacity** was unchanged in Q3 and is below average.
- 7% of companies now indicate a **shortage of raw materials or electricity**, marginally down from the previous quarter. While this remains above average, it is considerably lower than during peak periods.
- **Overall, supply-related issues** rose to 0.6 standard deviations above the average.
- The proportion of companies identifying **lack of demand** or competition as limiting factors decreased slightly in Q4, with the level at 0.5 standard deviations above average.



Labour shortages rose marginally in Q3, manufacturers report. Other surveys OK, on avg.

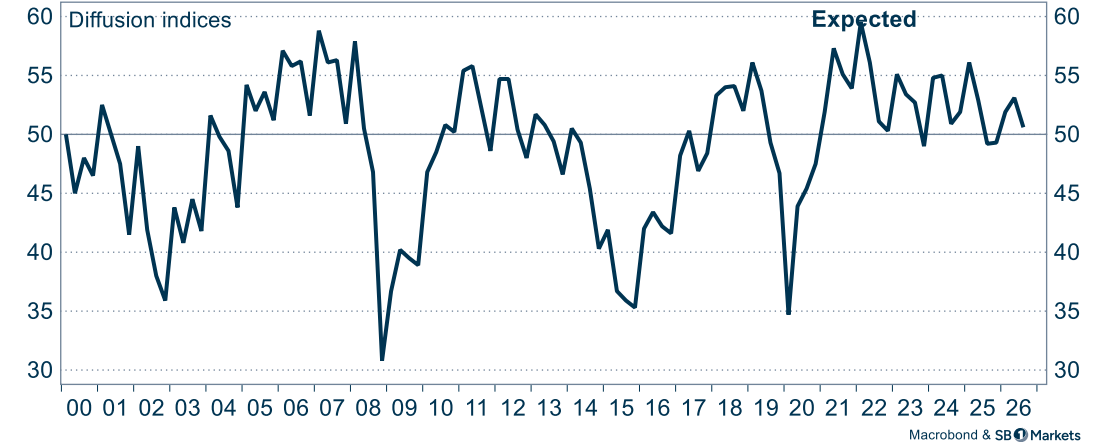
Labour shortages rose 0.1 std. dev., to 0.3 std. dev. above average. The employment plans index declined slightly, but remains above the 50-line. Other surveys are mixed and all taken together are below average and head down. Still **slight growth in employment is signalled**.

Norway Labour shortages

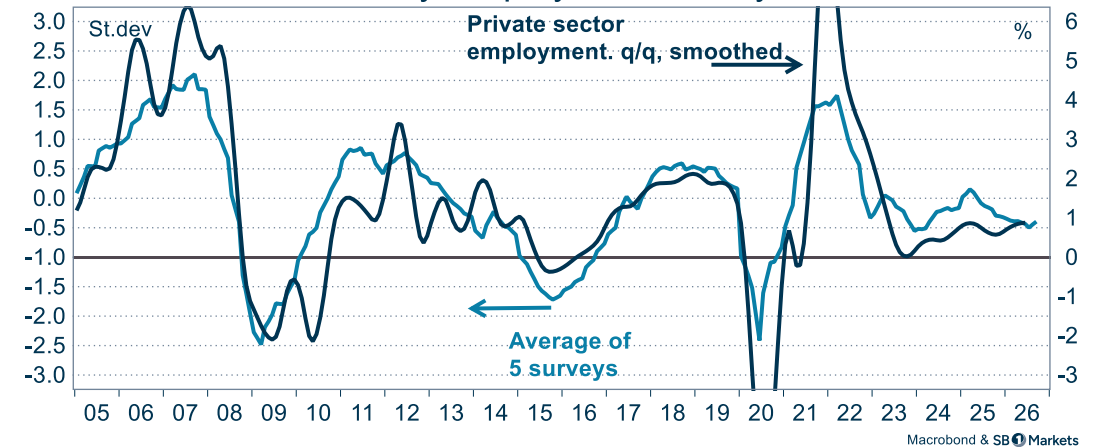


- **Norges Bank's Regional Network** survey reported labour shortages below average in Q3.

Norway Manuf. survey, Employment



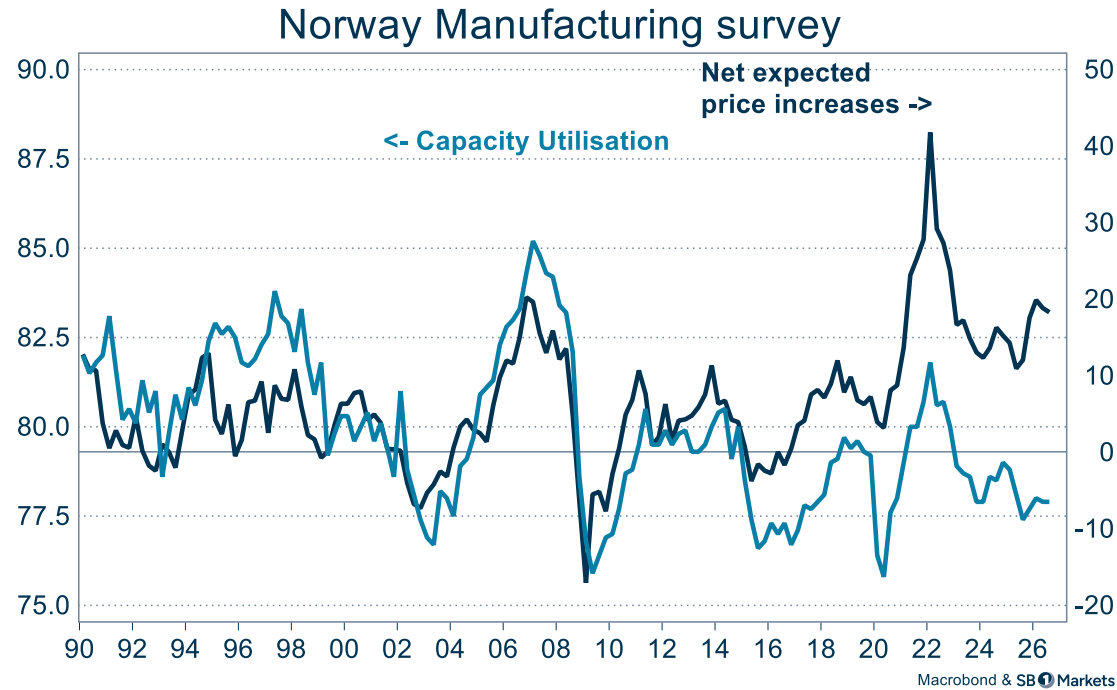
Norway Employment surveys





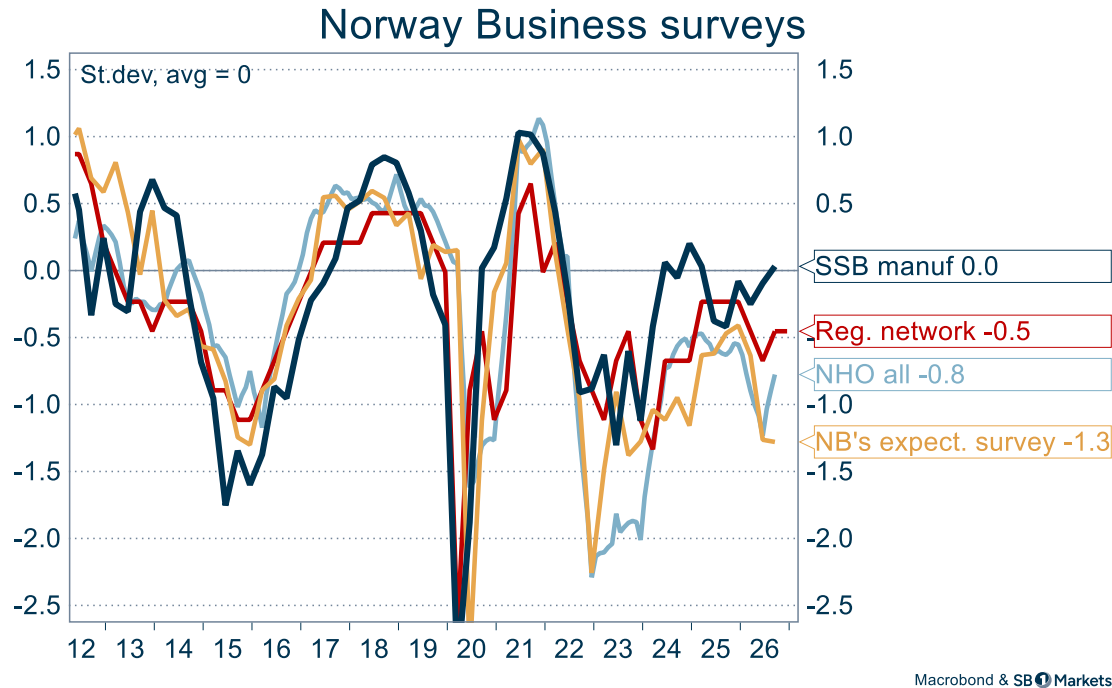
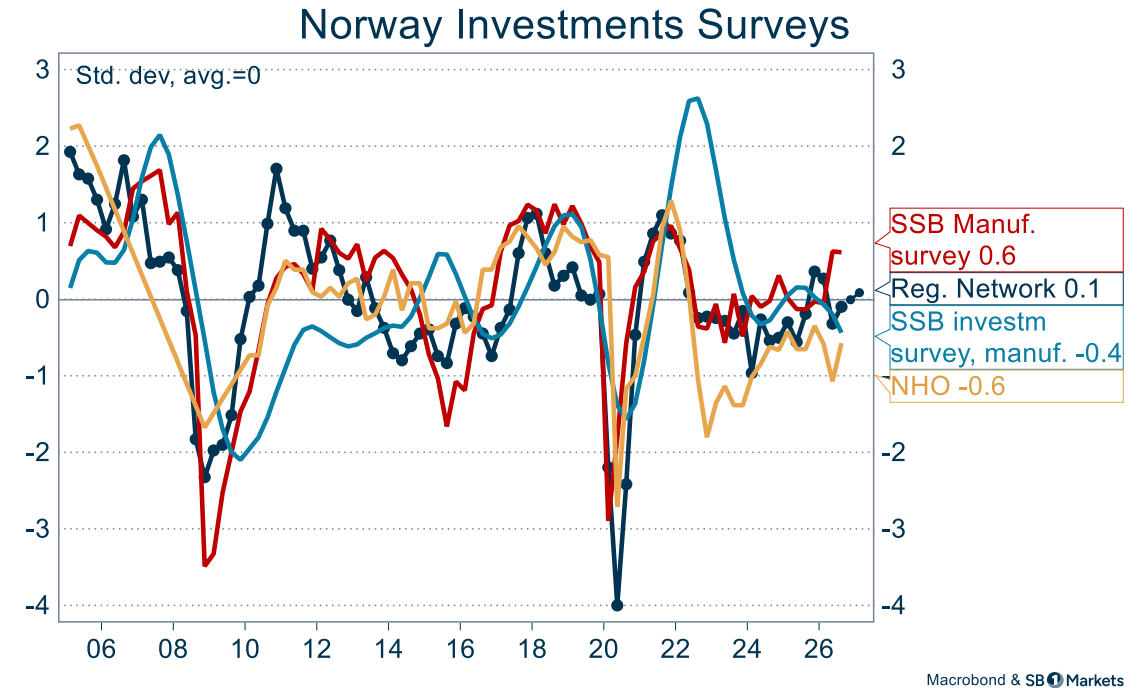
Manufacturers still expect faster price increases than normal but not faster

... even though capacity utilisation remains below average. A weak NOK may at least partly explain the 'gap', which has widened in recent years (but now the gap should have narrowed as the NOK has strengthened).



Business surveys on average remain below par but have turned up?

The 'headline' in these surveys points more up than down. SSB's survey leads the pack. Investment plans are also slightly better (and best in last week's SSB Q3 manufacturing survey).





3. Major economies

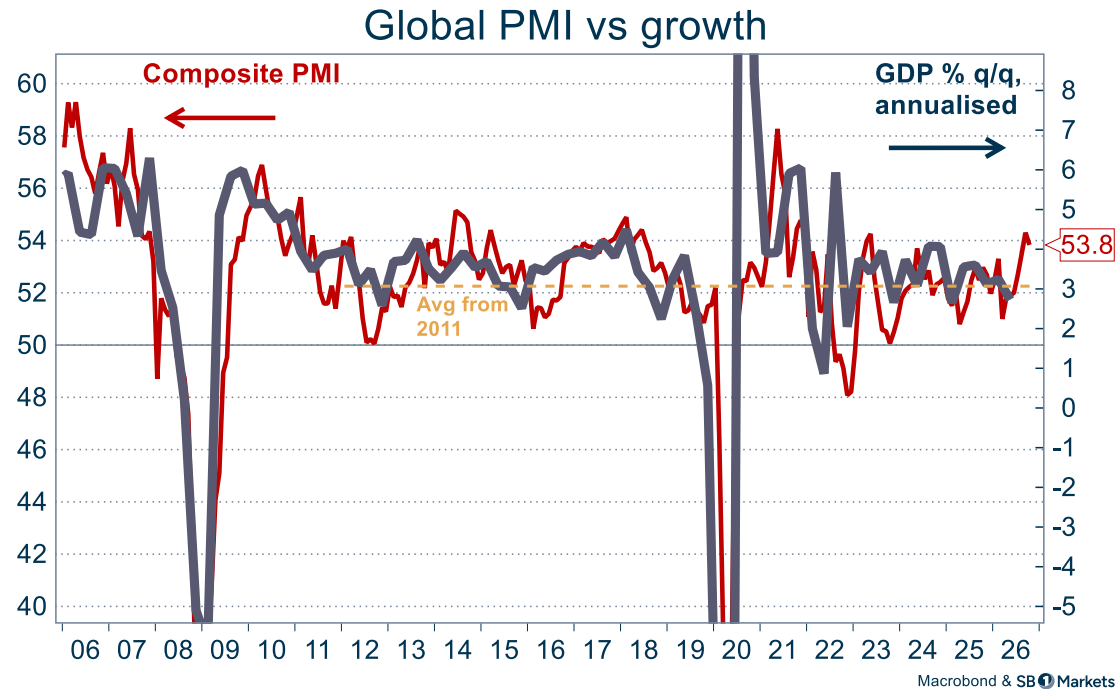
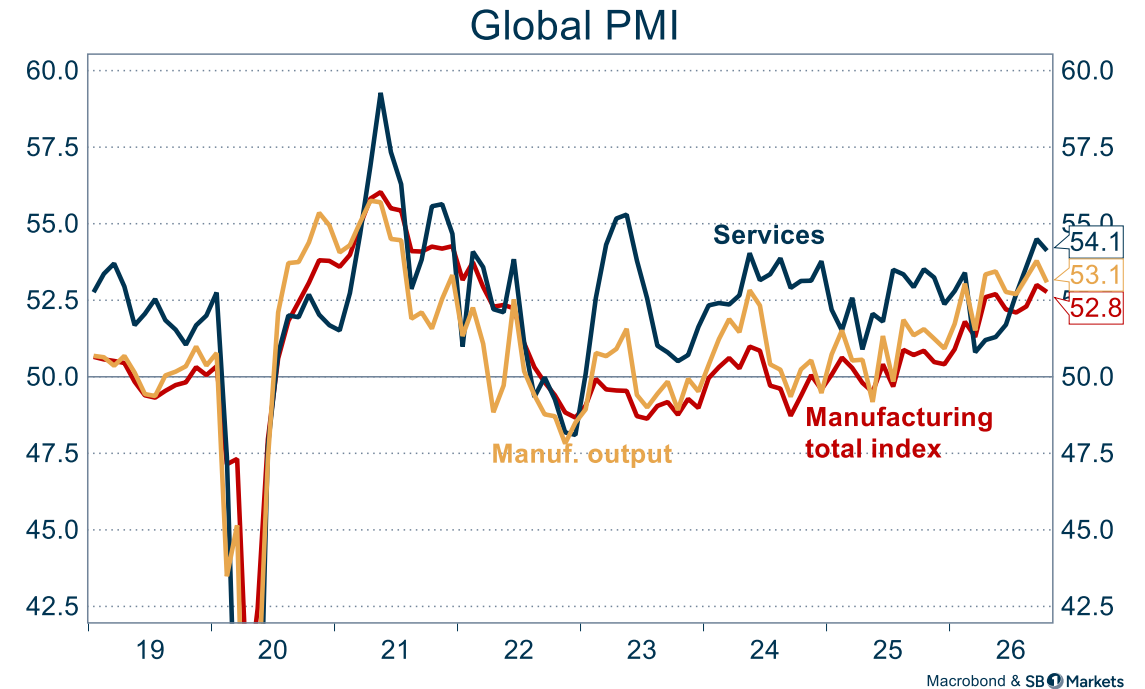


FLASH PMI



The global PMI down 0.5 p to 53.8, still a high level → **4% global GDP growth**

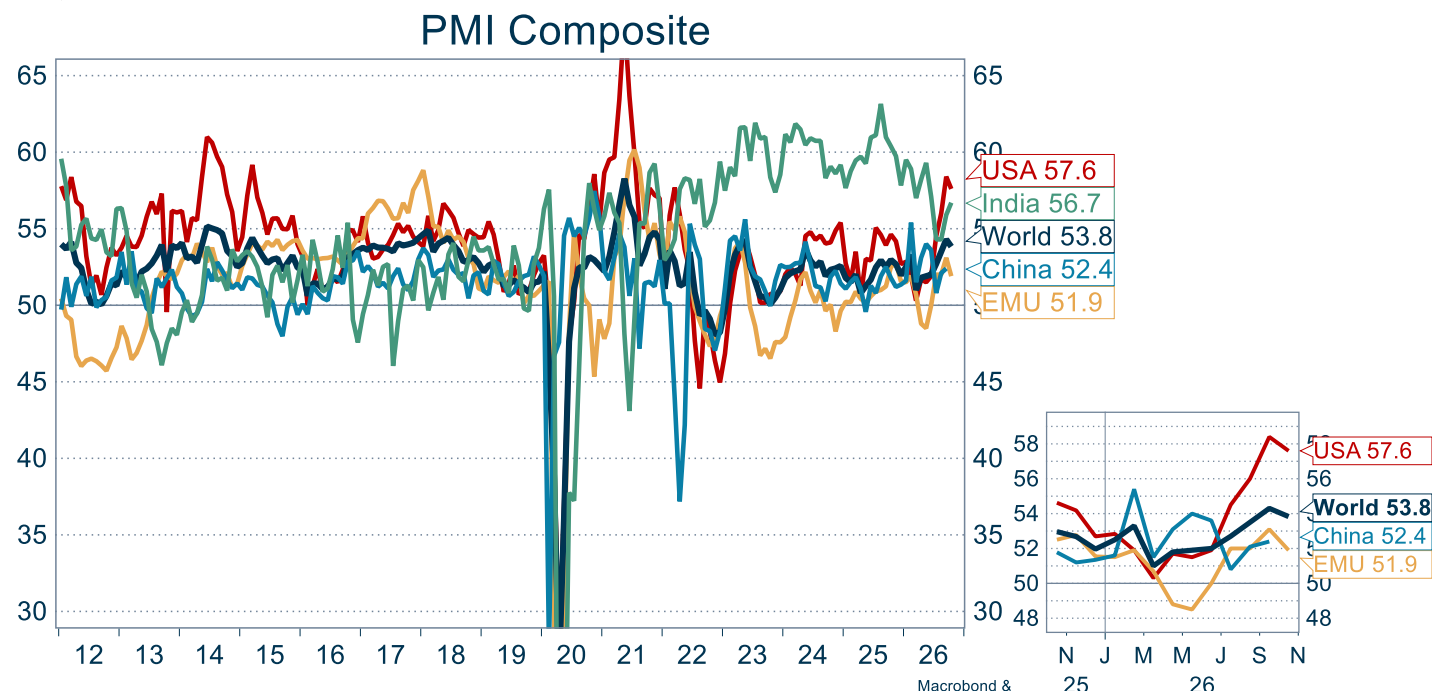
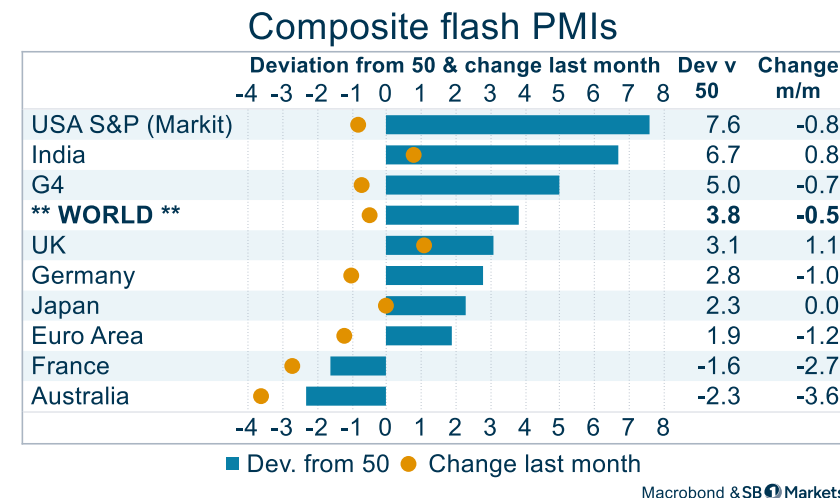
Both services and manufacturing contributed on the downside, services in France the most, down to below the 50-line again.





More PMIs down than up in October; France and Australia the losers, UK the winner

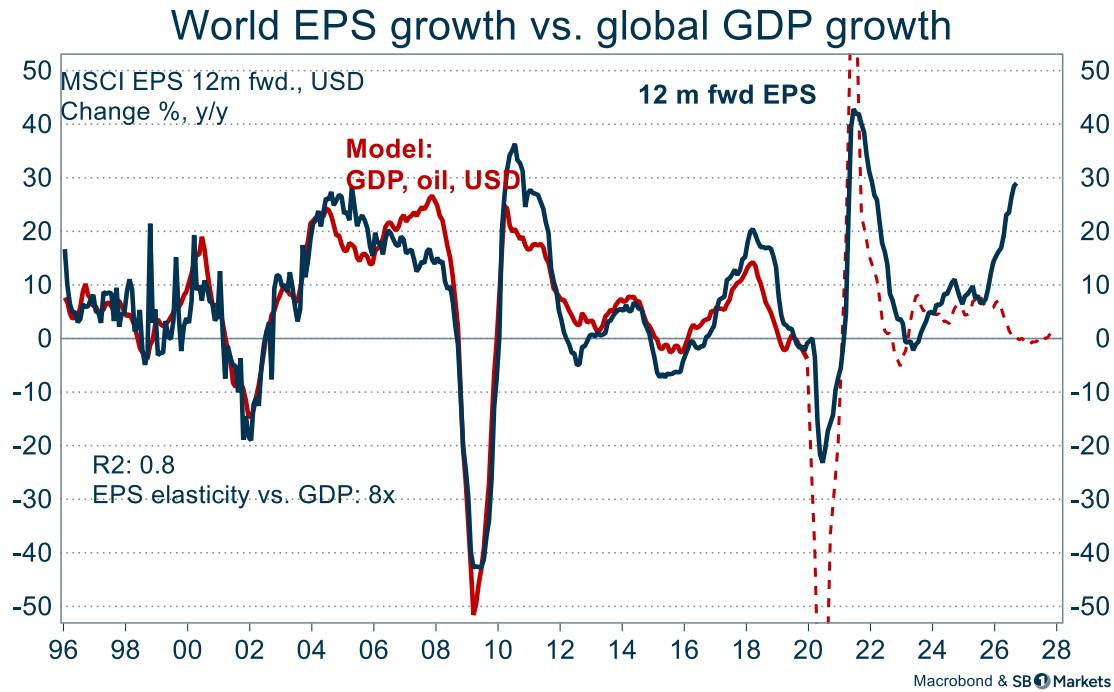
Both US and Germany contributed on the downside as well but US still reports strong growth (the composite is at 57.6). EMU sits at 51.9 following a 1.2 p monthly drop. Higher energy prices/inflation and some turbulence in the bond market (and on some streets) to blame?



- **China** and most **other emerging markets** have yet to report, except for India. The published data are preliminary estimates, and the final outcomes may deviate visibly in those countries that have reported.



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

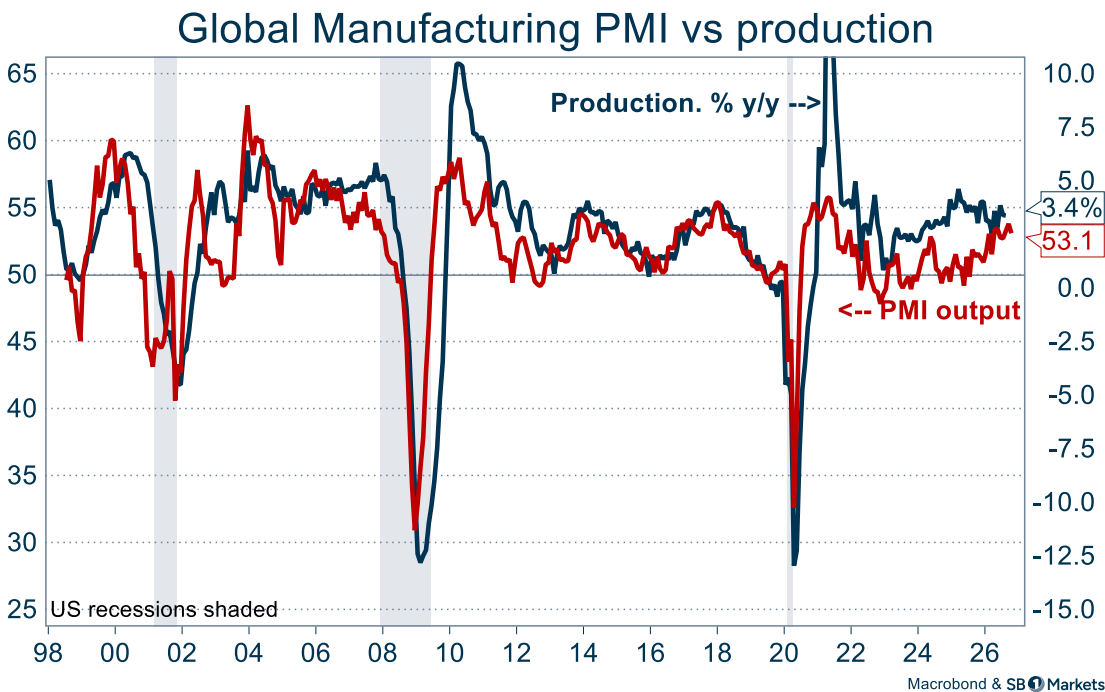
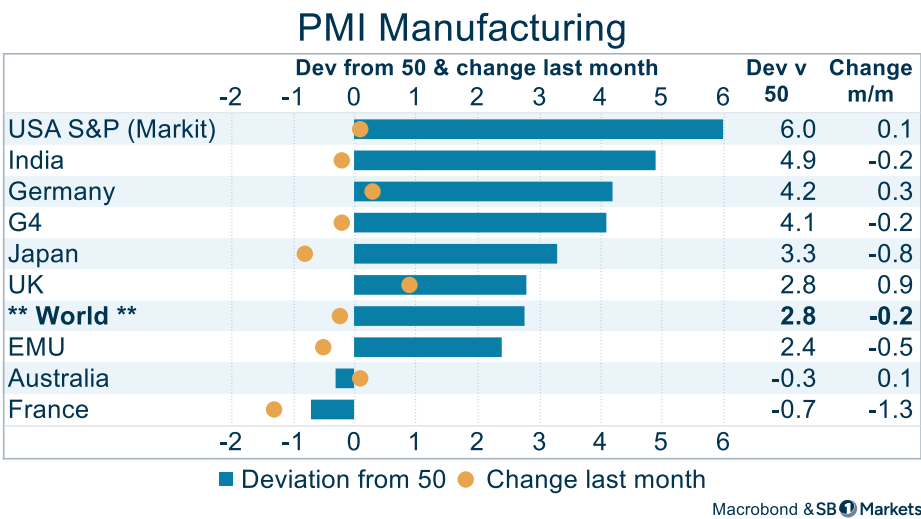


The global PMI is our estimate



The global manufacturing PMI down 0.1 p to 52.8. The US PMI up 0.1 to 56.0

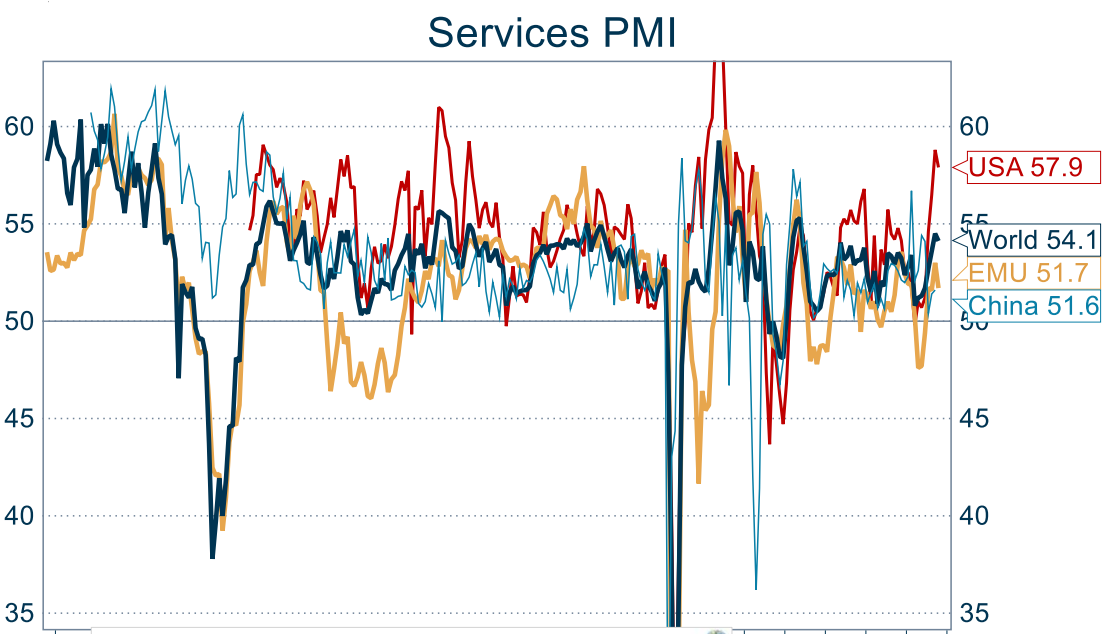
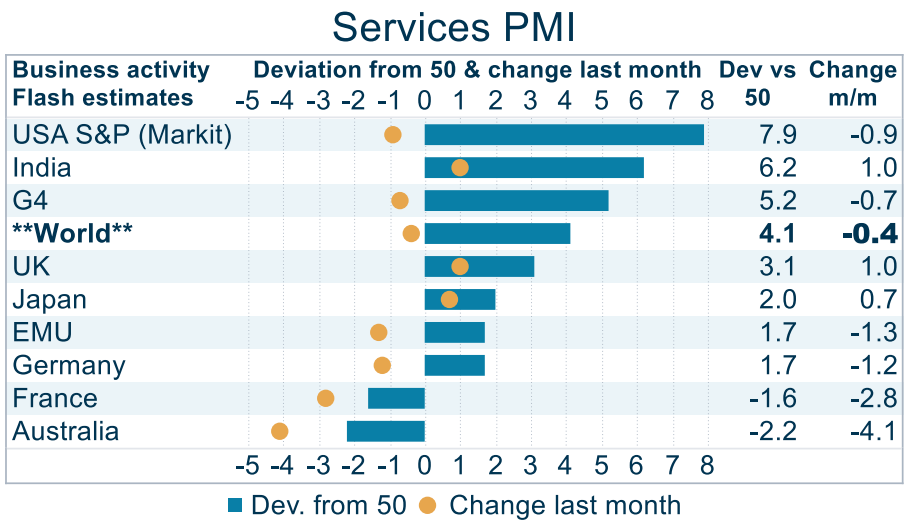
The EMU index was down 0.5 p to still an OK level at 52.4 (France down to below 50, Germany up to 54.2, a rather strong print). The manufacturing output index probably declined, we assume by some 0.7 p to 53.1, also a rather strong print.



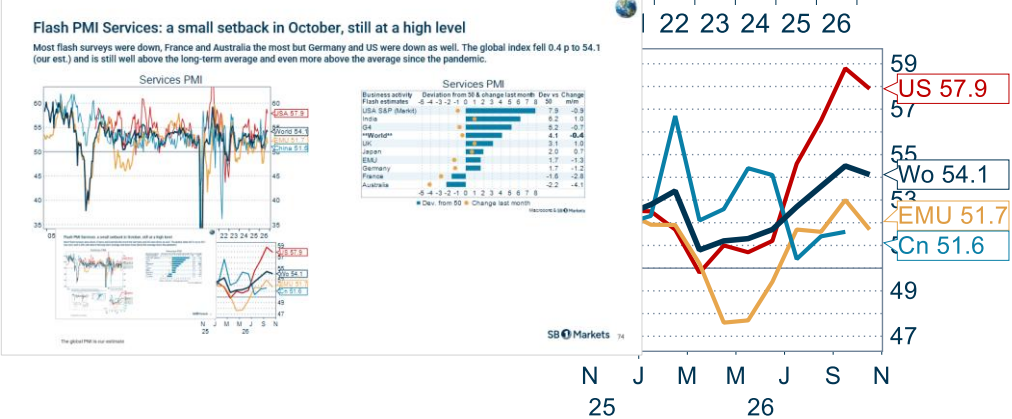


Flash PMI Services: a small setback in October, still at a high level

Most flash surveys were down, France and Australia the most but Germany and US were down as well. The global index fell 0.4 p to 54.1 (our est.) and is still well above the long-term average and even more above the average since the pandemic.



Macrobond & SB Markets

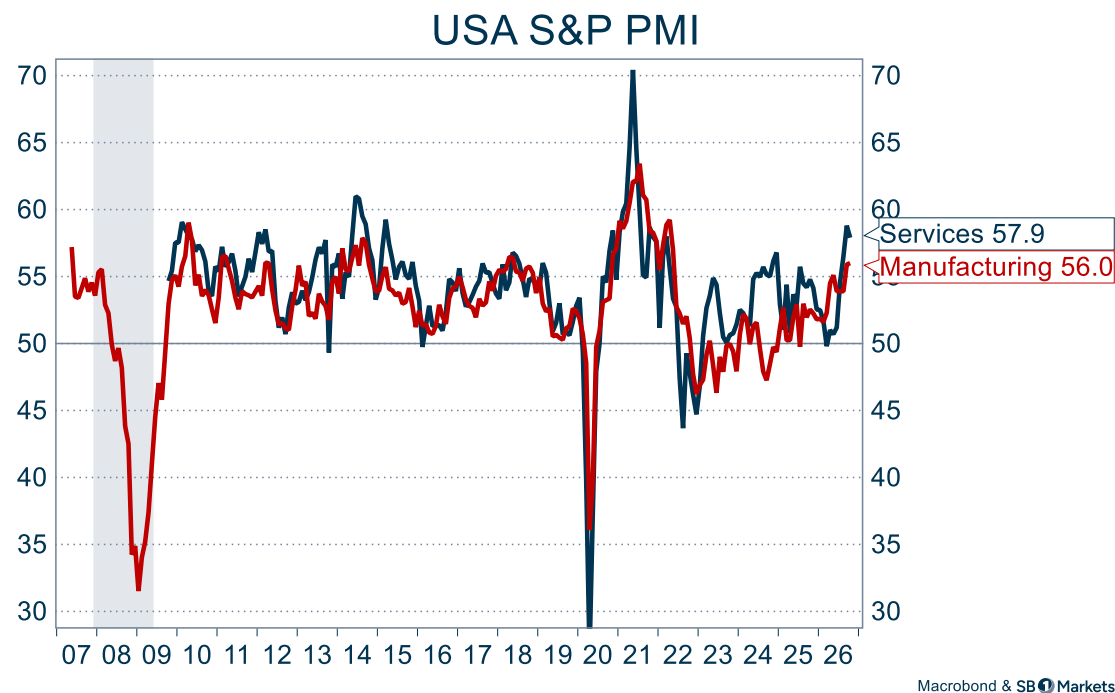
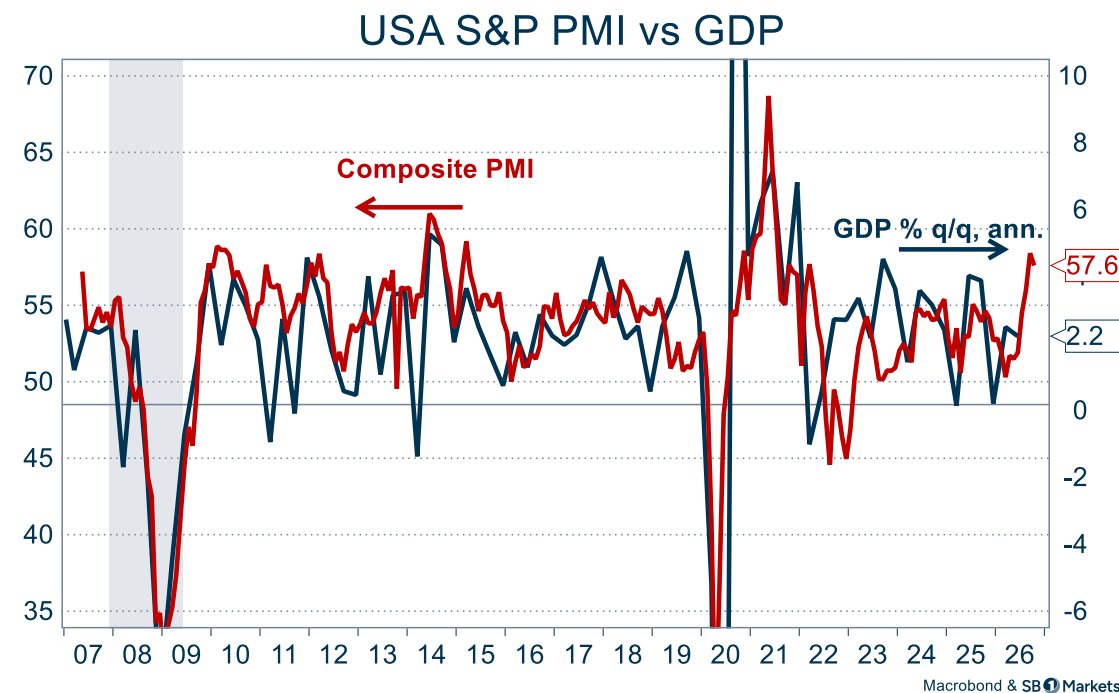


The global PMI is our estimate



USA composite PMI down 0.8 p to 57.6, still a very high level → 4% GDP growth

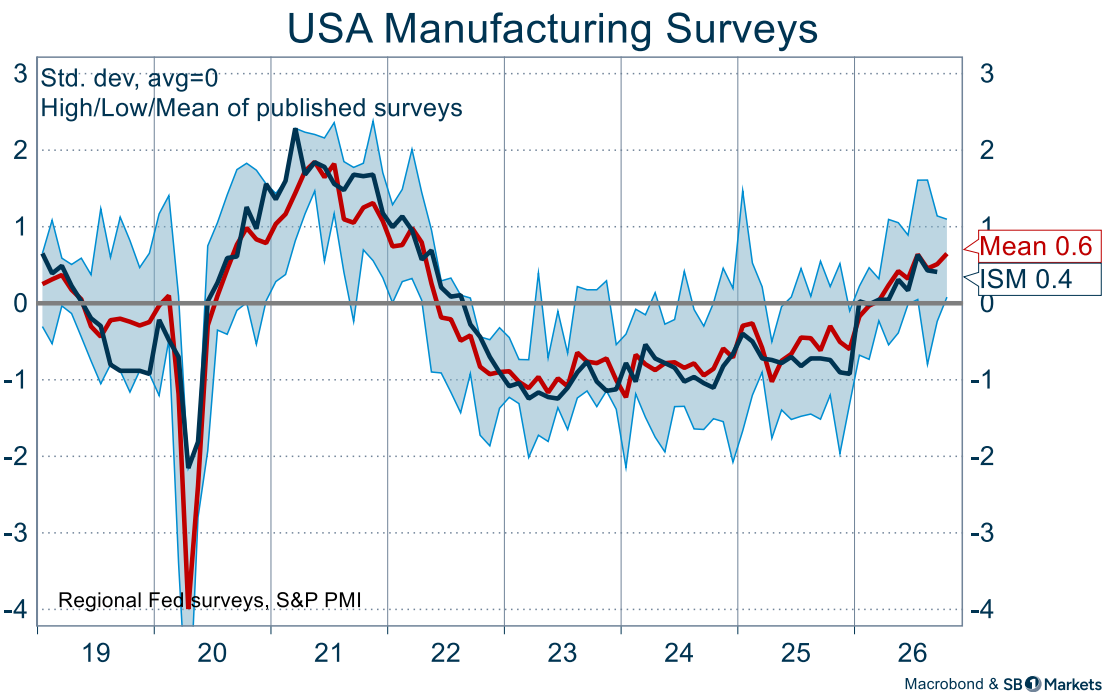
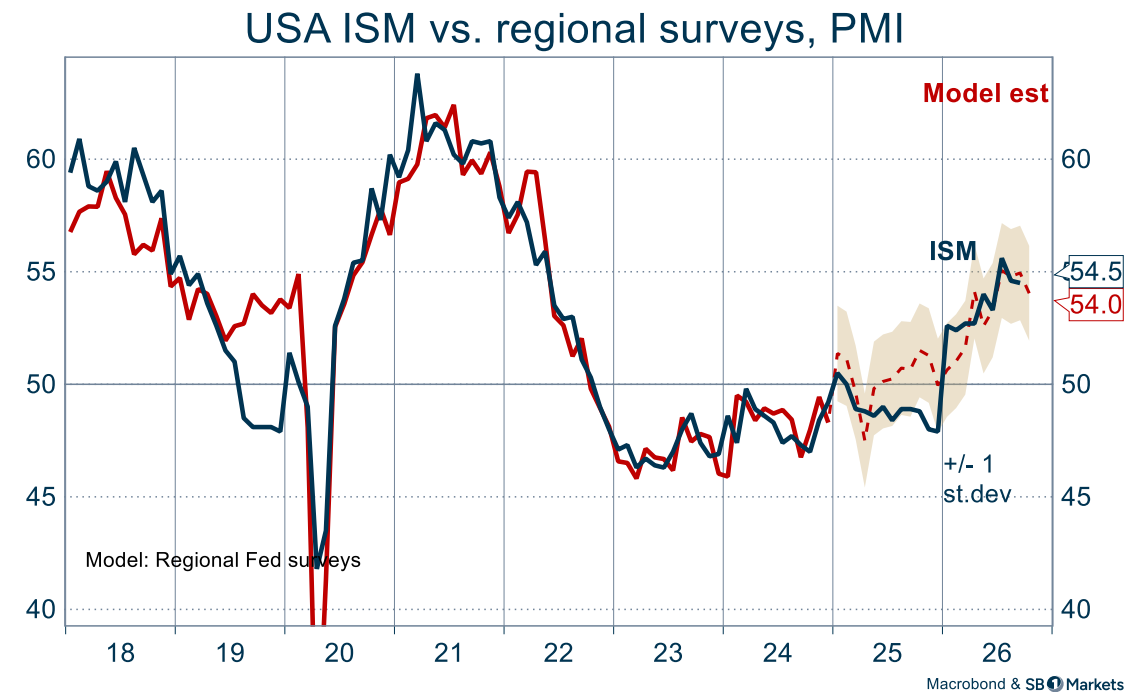
The manufacturing index was close to unchanged, while the service sector PMI declined 0.9 p to 57.9.





Early bird October manufacturing PMIs signal a further decline in the ISM index

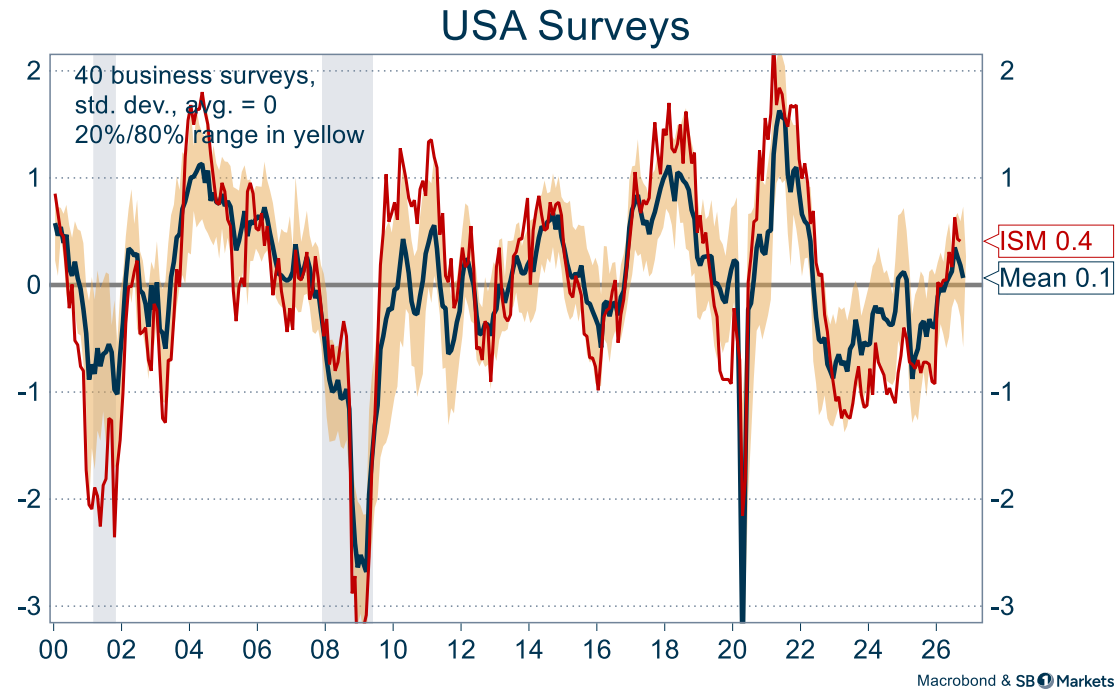
... by just some 1 p to 54.0, still a decent level.



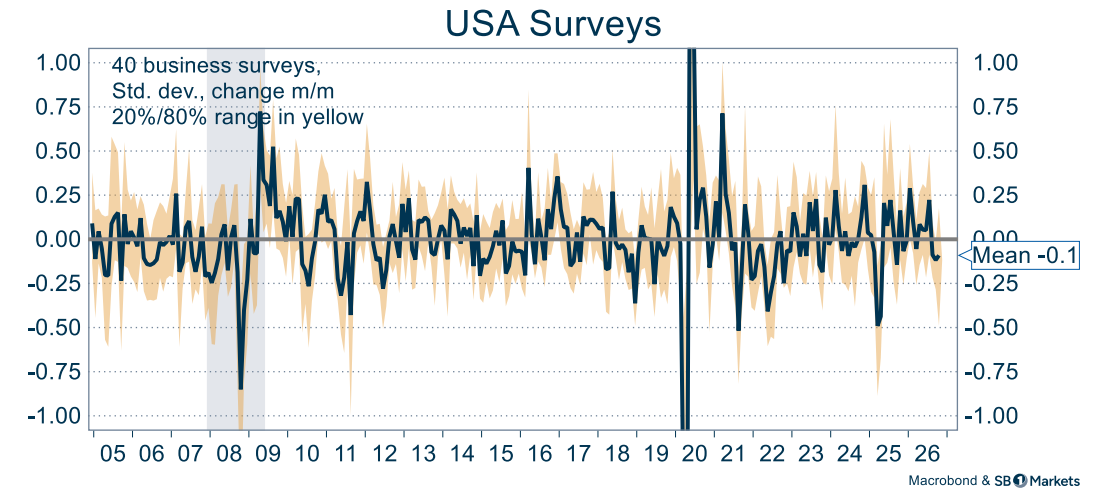
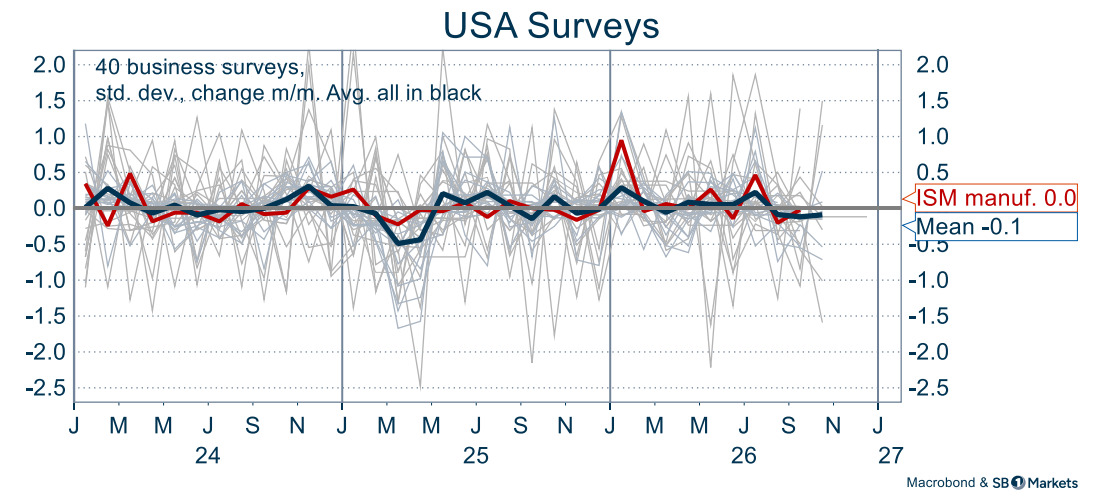


October surveys so far: down for the 3rd month in a row, now at an average level

... based on surveys covering both manufacturing and services.

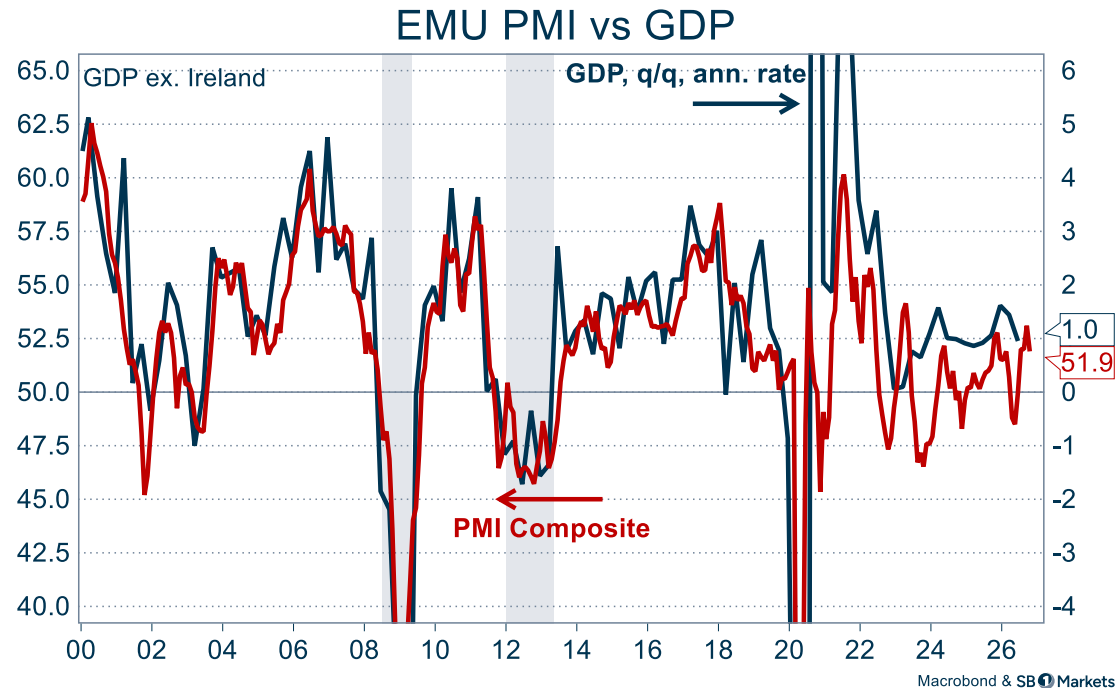
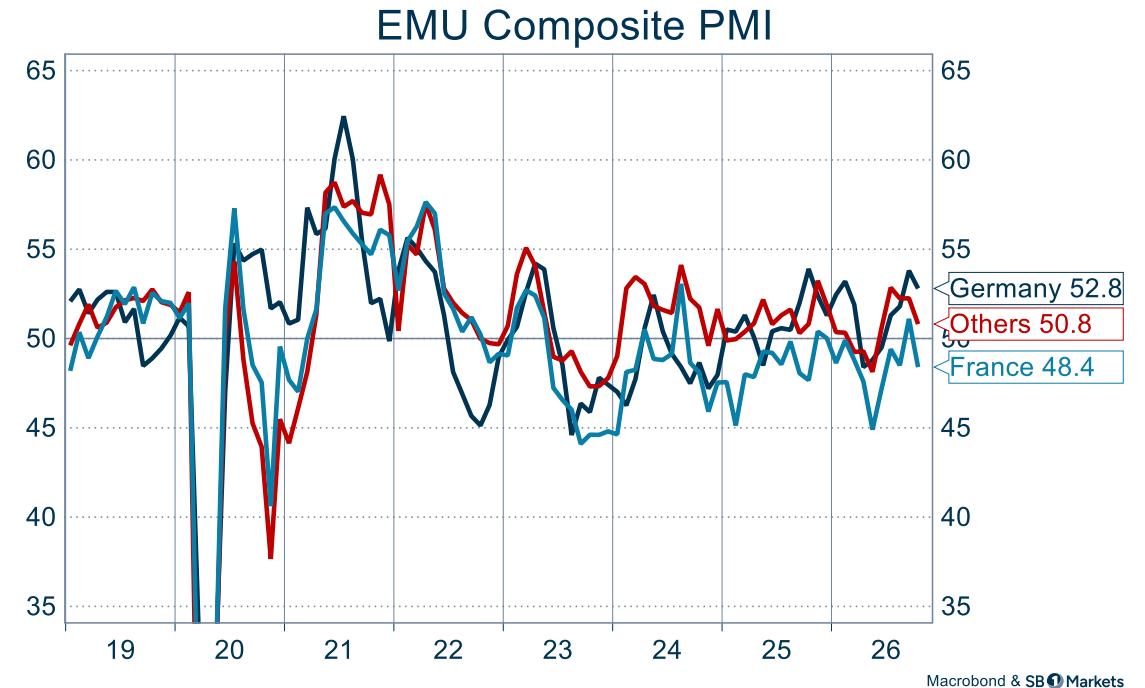


- Some 1/3 of the indices are updated through October or Q4.



EMU: the composite PMI down 1.2 p to 51.9 → **less than 1% GDP growth – again**

The composite fell 0.8 p more than expected. France surprised most on the downside, -2.7 p to 48.4, dragged down by services. Germany fell too, by 1 p and 0.6 p more than expected. The EMU level is still OK, and the ECB is most likely not that worried. **However, the momentum slowed.**



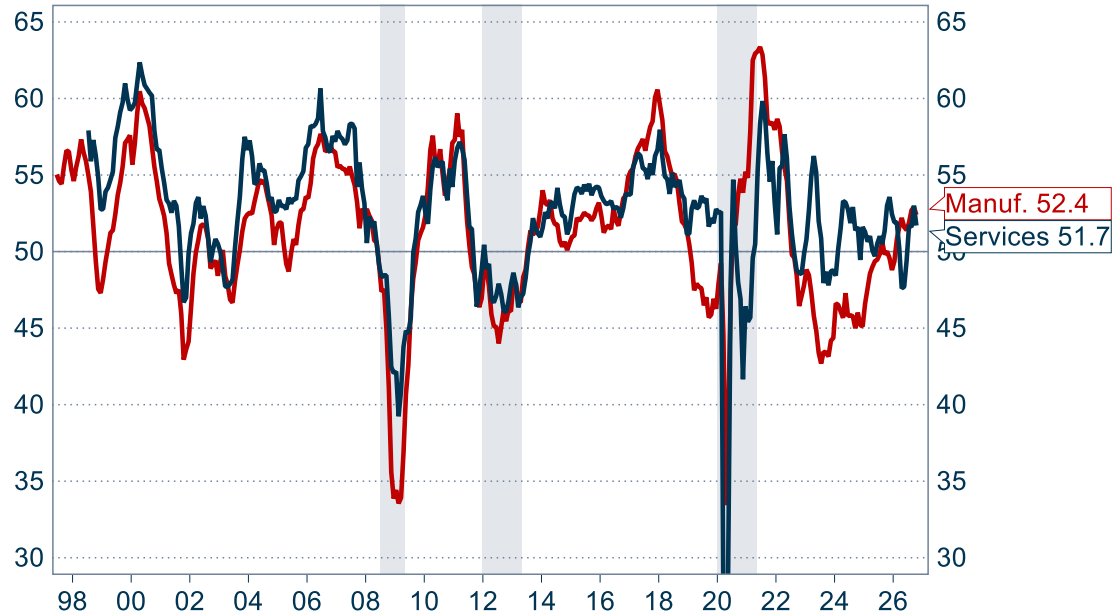
- EMU GDP growth has been **faster than signalled by the PMIs** over the past 2 years.



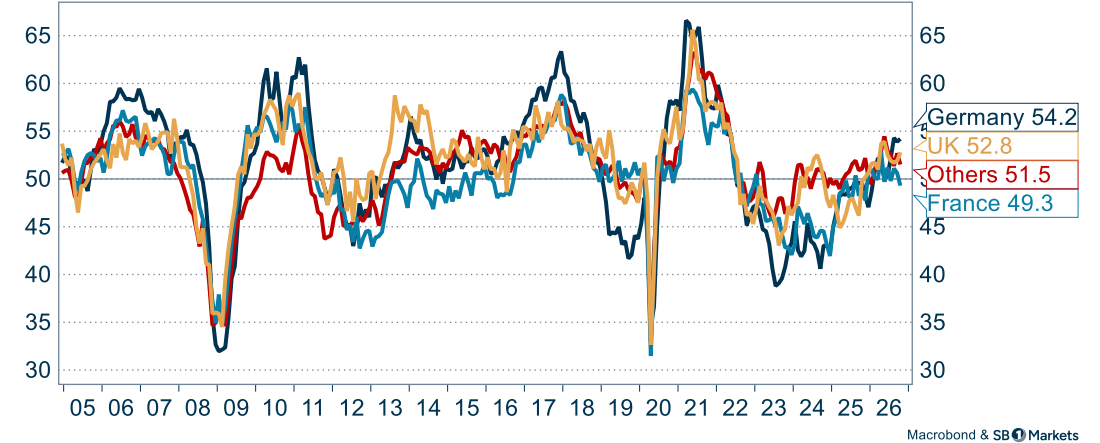
Both EMU manufacturing and services turned down in October, French services the most

Services PMI declined 1.3 p, the manufacturing index declined 0.5 p. Both are still comfortably above the 50-line. The French services PMI declined 2.8 p to 48.4. The others fell less. The German manufacturing PMI rose 0.3 p to 54.2, well > avg. France fell 1.3 p to 49.3.

EMU PMI



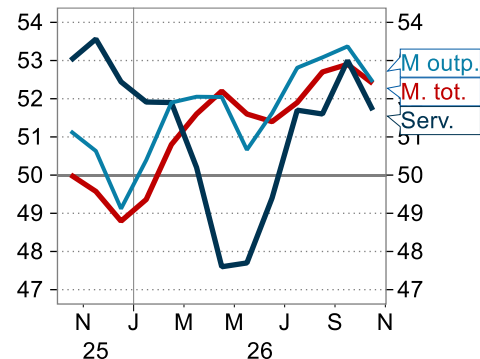
EMU Manufacturing PMI



EMU Services PMI



- The surge in the **French government bond spread** and the **street violence** have most likely not supported business sentiment in France. The PMIs are observations of actual changes in activity etc. from the previous month though. Still some impact?

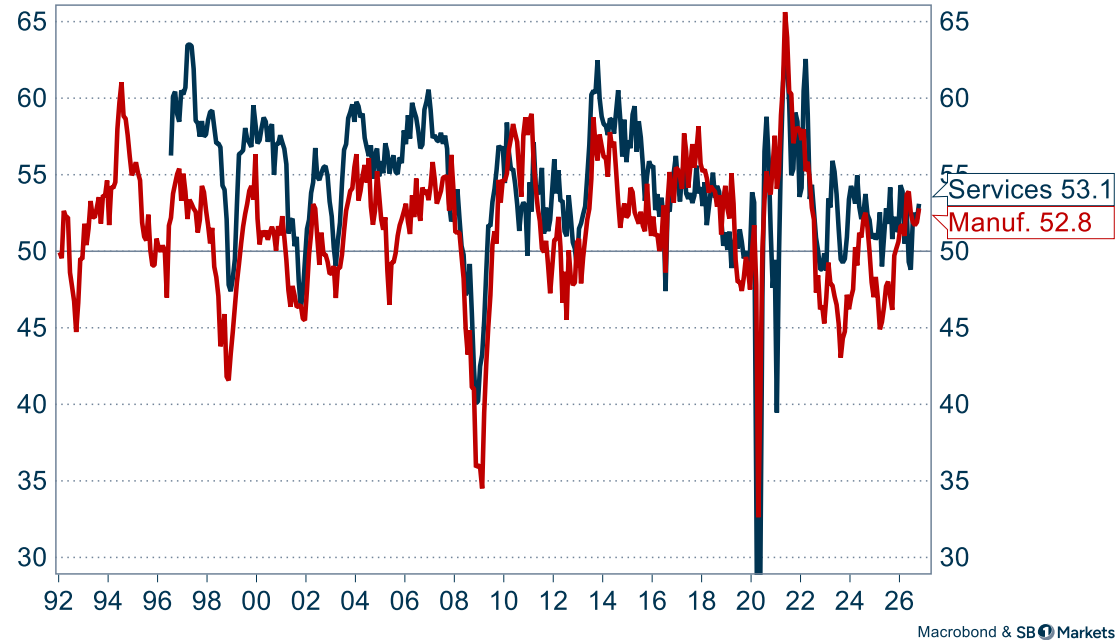




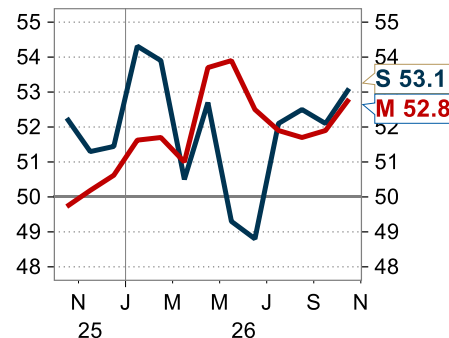
UK: the composite PMI up 1.1 p in October, to 53.1 → **almost 2% GDP growth**

The level is close to the long-term average at 53.5 – which signals growth close to trend. Both manufacturing and services contributed, and both were better than expected. Manufacturing is above average. Services are slightly below and the composite is one of the best in the past 4 years.

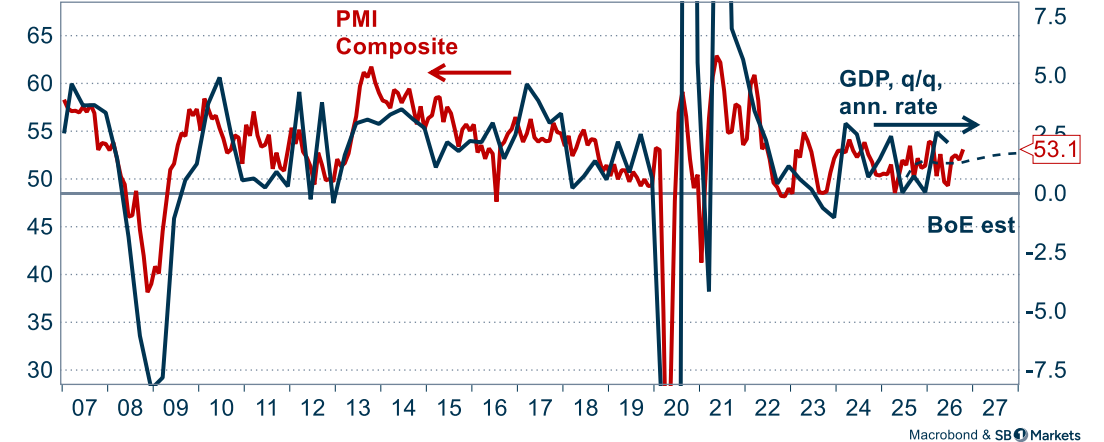
United Kingdom PMI



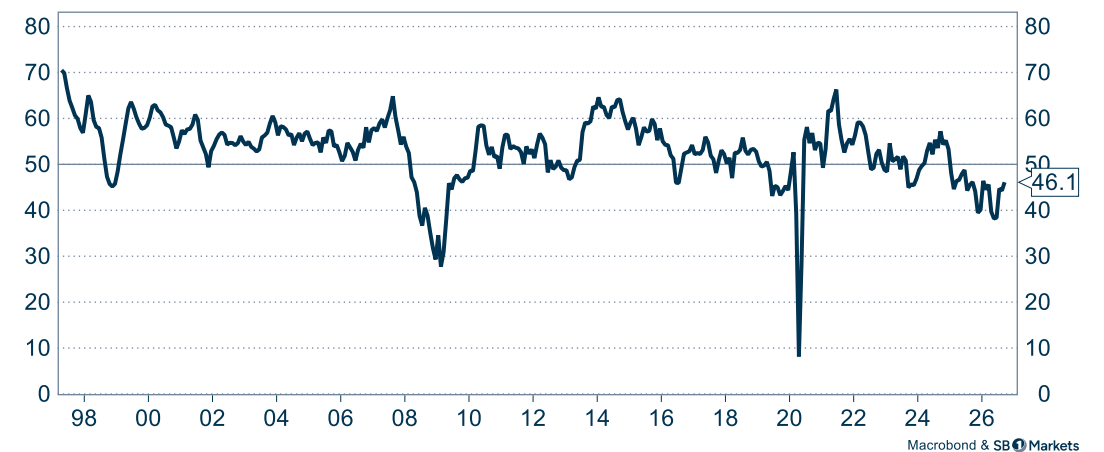
- Construction activity heads south, according to builders, but not faster.



United Kingdom PMI vs GDP



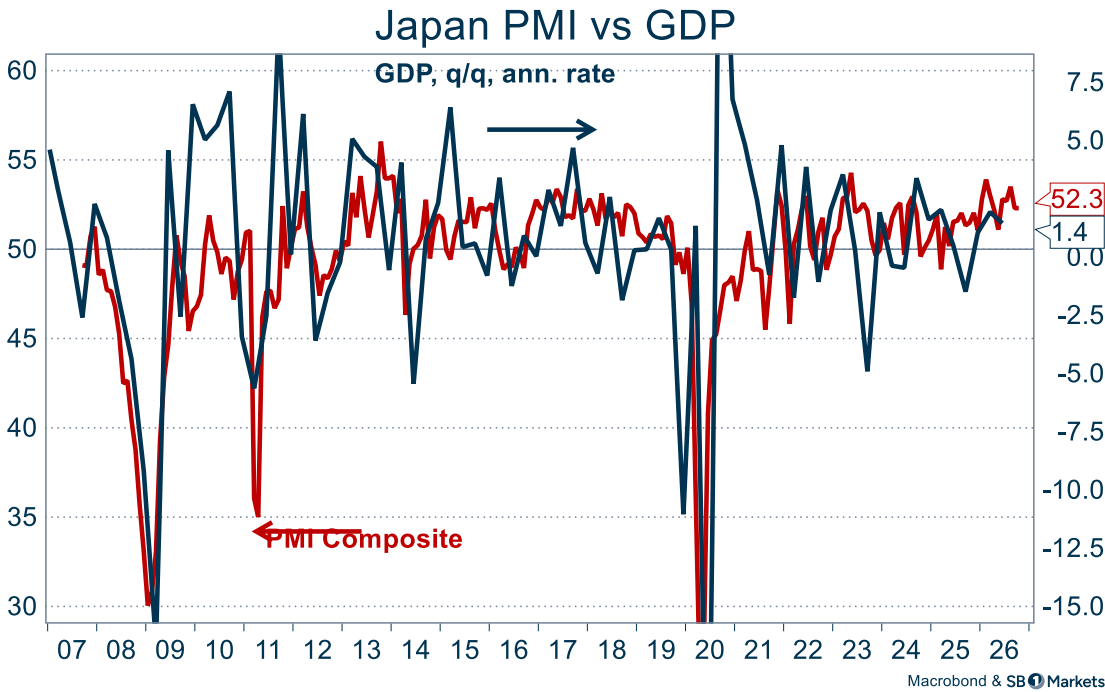
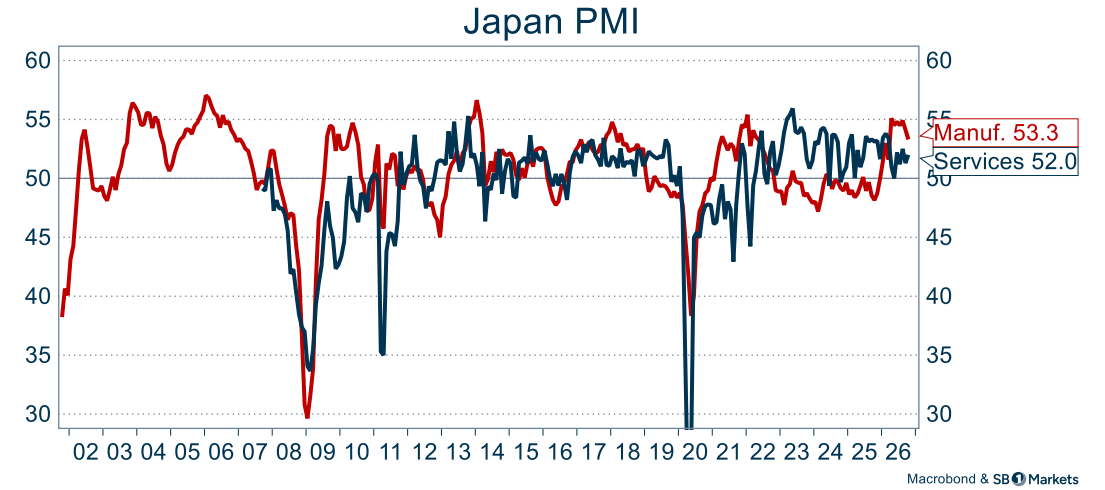
UK Construction PMI



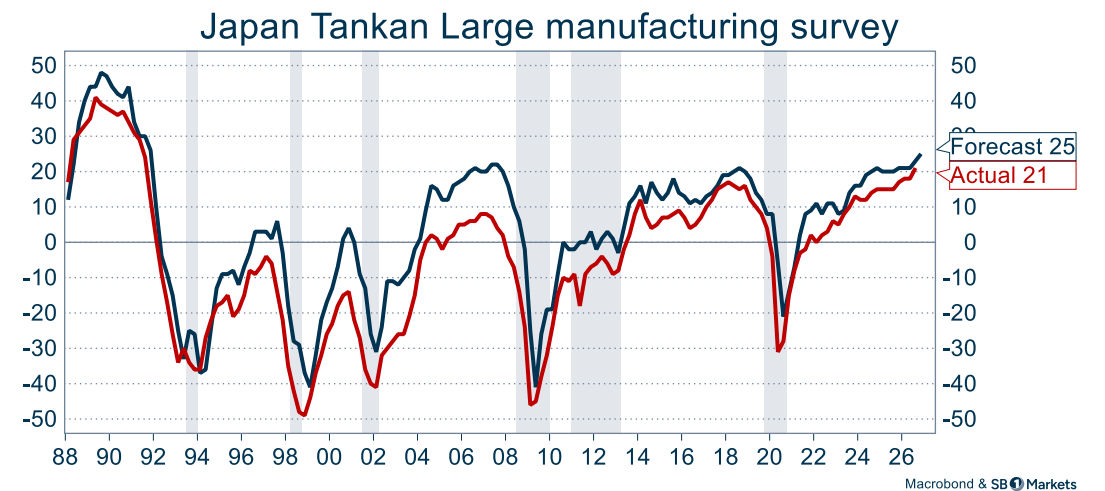


Japan: the composite PMI flat at 52.3 → **almost 2% growth**

The manufacturing index declined slightly, from a high level, while the services index increased, but remains slightly below average. GDP grew at a 1.4% pace in Q2, somewhat lower than the PMIs have signalled lately.

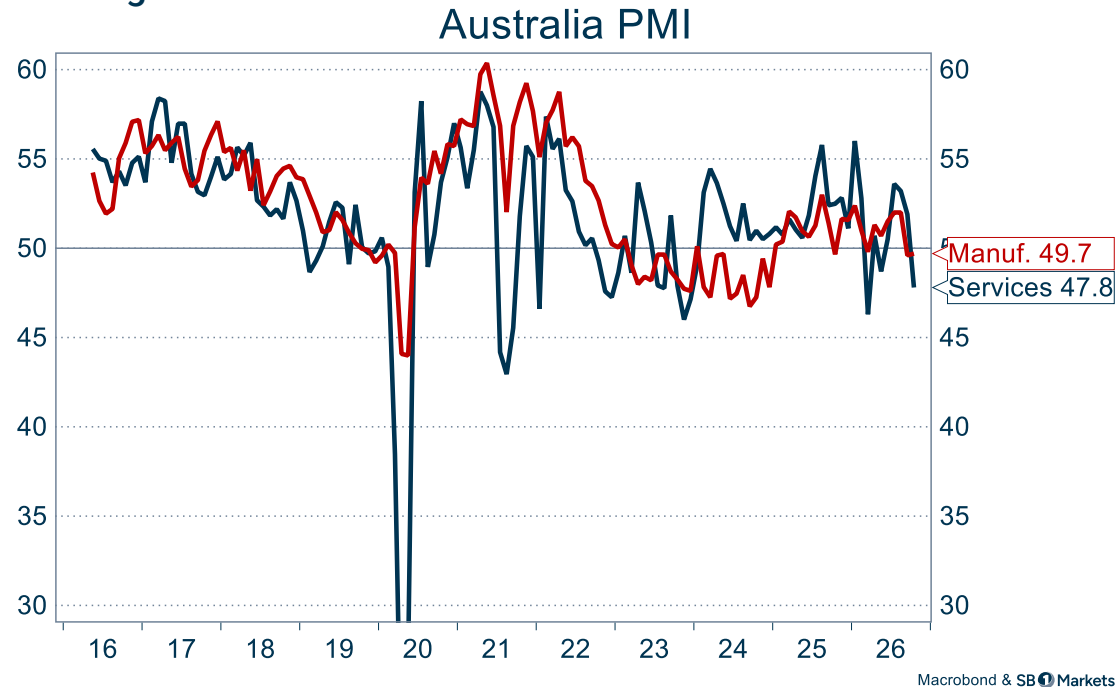
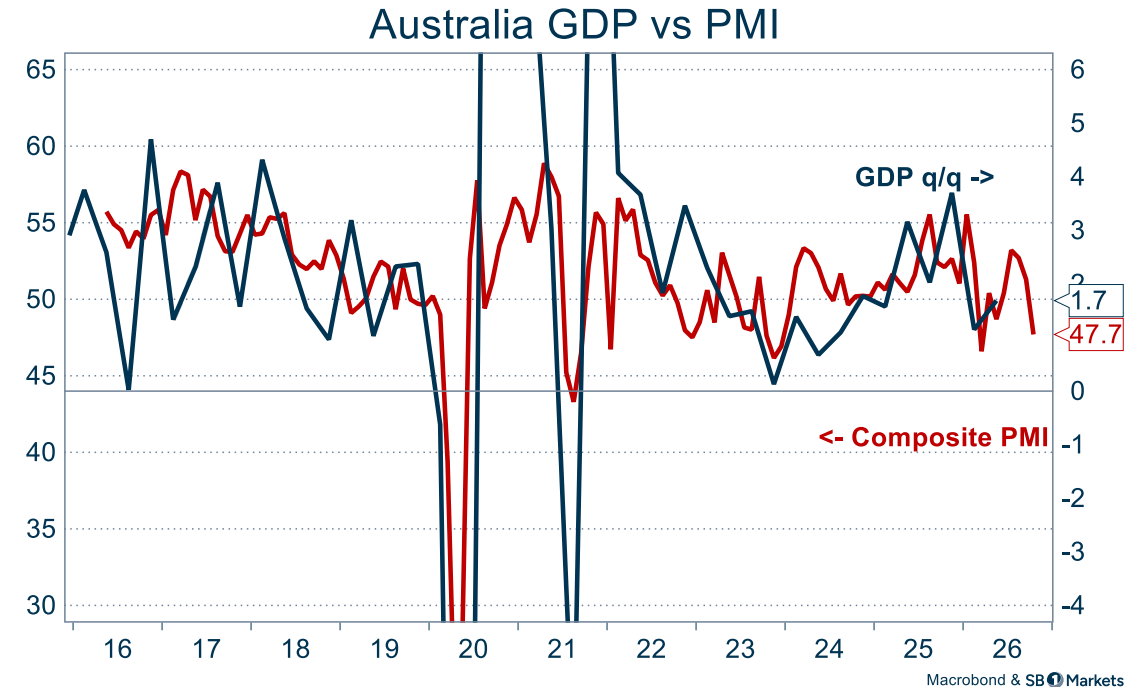


- Other Japanese business surveys, like the Bank of Japan's Tankan survey, also signal decent growth (at least in Japanese terms).



Australia: a 3.6 p drop in the composite index, to 47.7 → 1% GDP growth

Last month the manufacturing survey fell the most, now services have nosedived, by more than 4 p, to a low level. The composite index is still above the March level – but the current print is among the lowest since the pandemic. Are the four 25 bps rate hikes to 4.60% working?



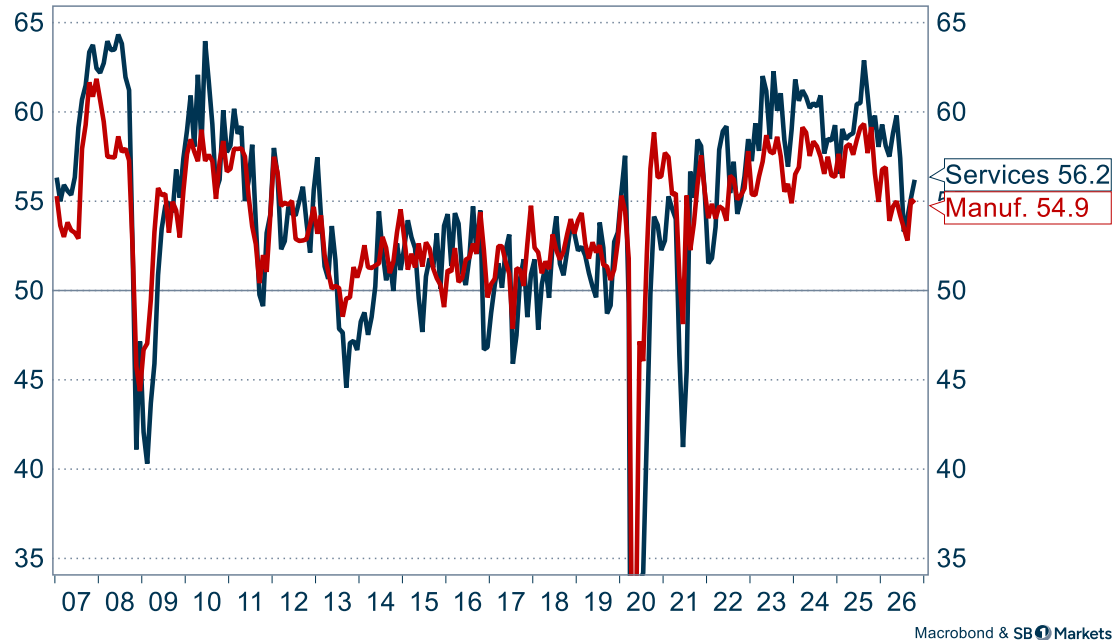
- GDP grew at a 1.7% pace in Q2, in line with the PMI 'signal', up from 1.1% in Q1.



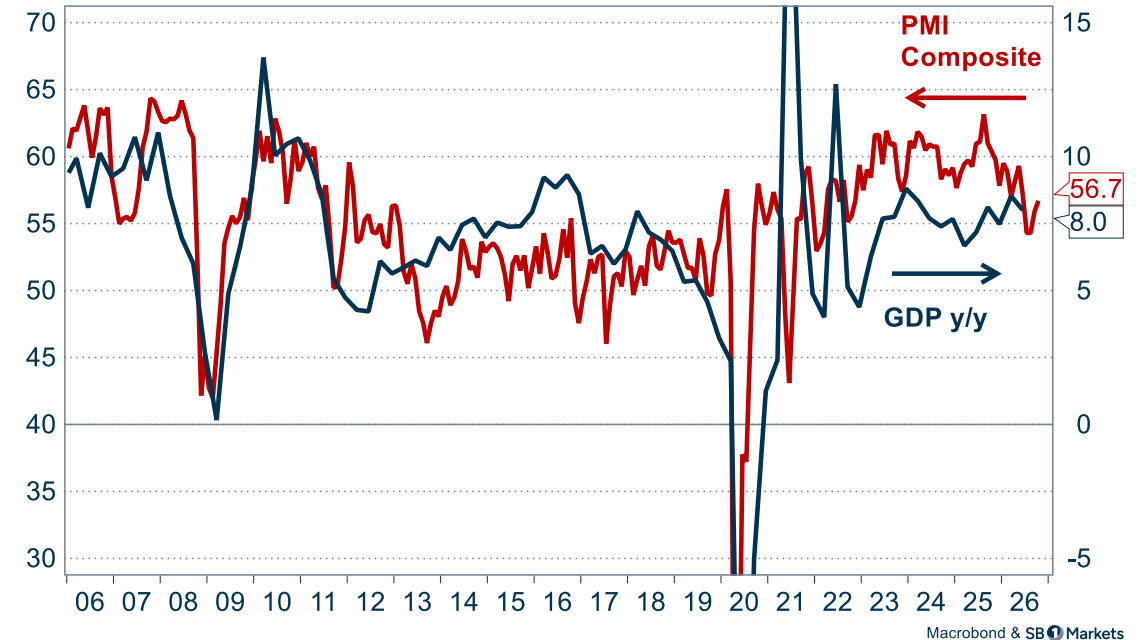
India: a marginal uptick in October, still signals **'modest' growth**

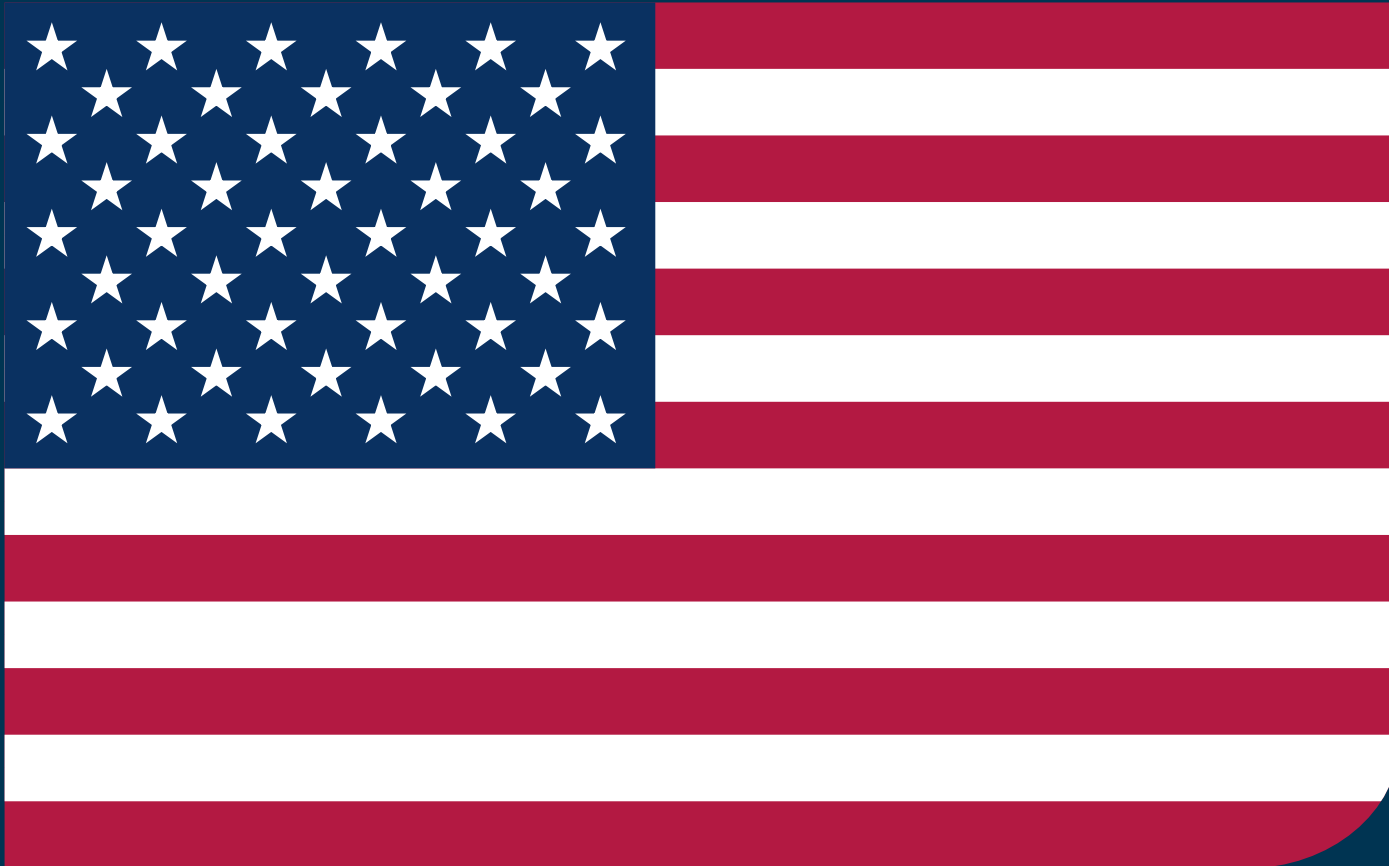
The service sector index rose, and the composite index gained 0.1 p to 56.7. This level is well below the average level from 2023 until the drop during the spring, when energy prices soared. The correlation with reported GDP growth is not impressive though.

India PMI



India PMI vs GDP





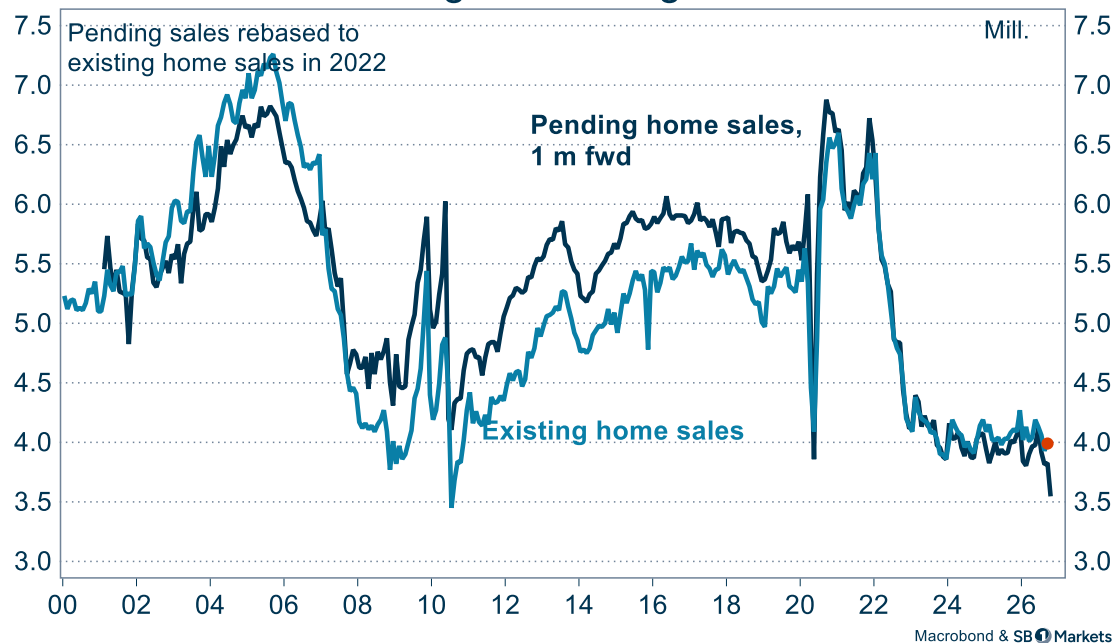
United States



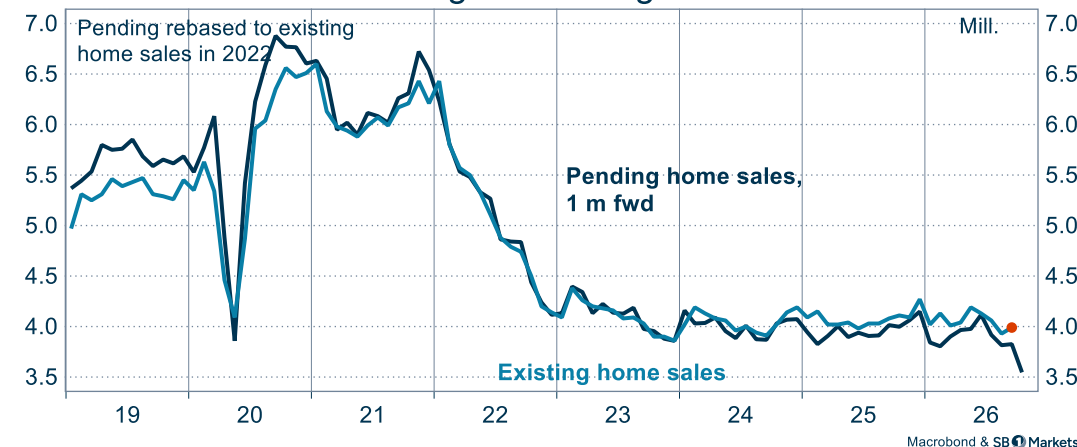
Pending (existing) home sales suddenly fell off a cliff in Sep., **to the lowest level ever**

... though with a 'short' history, back to the year 2000. The number of signed existing home sales fell by 7%, signalling a similar decline in finalised transactions in Oct./Nov. – from an already low level in September. The good news: The inventory of unsold homes is low.

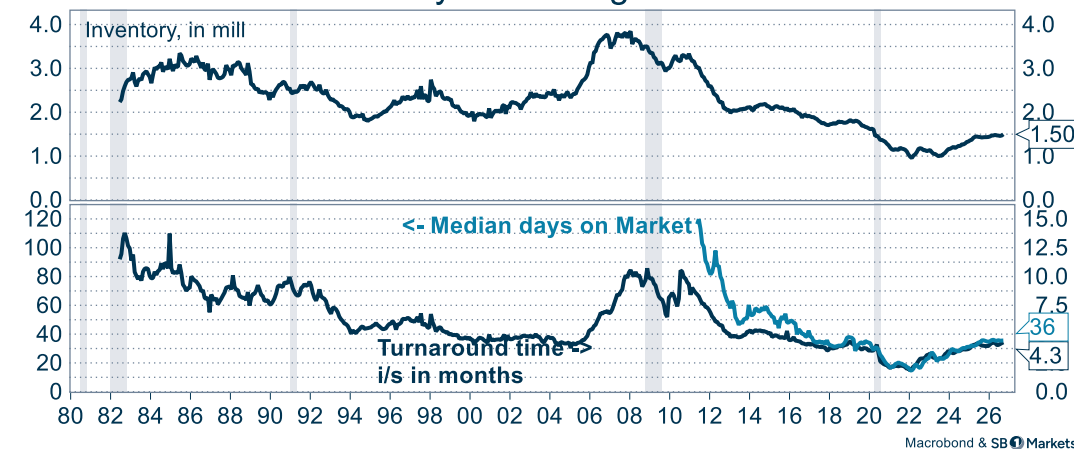
USA Pending vs Existing home sales



USA Pending vs Existing home sales



USA Inventory of existing homes for sale

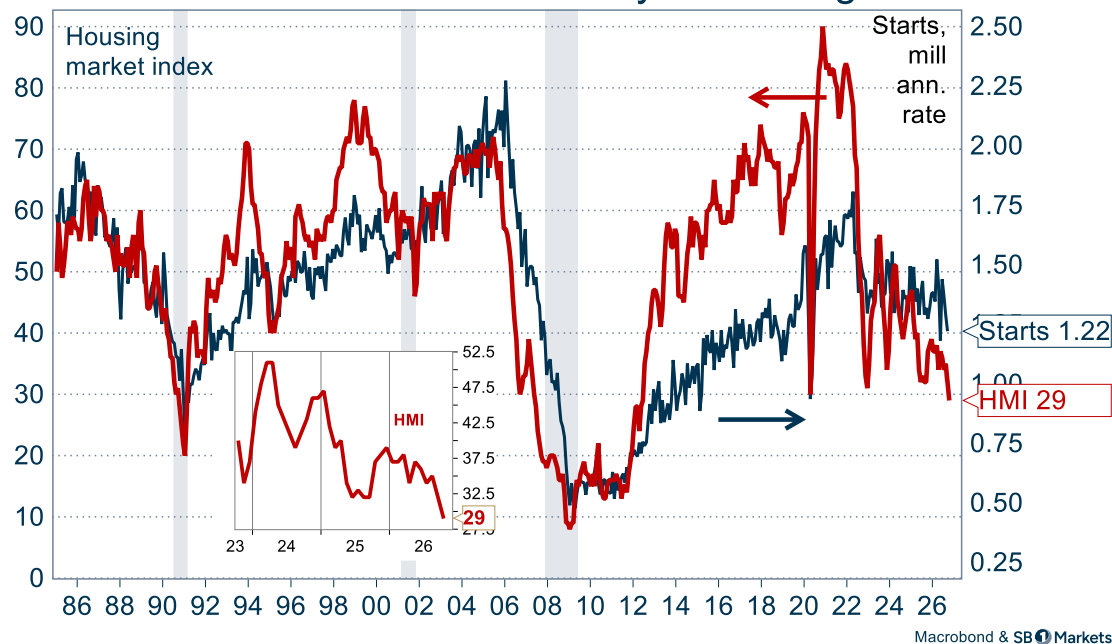




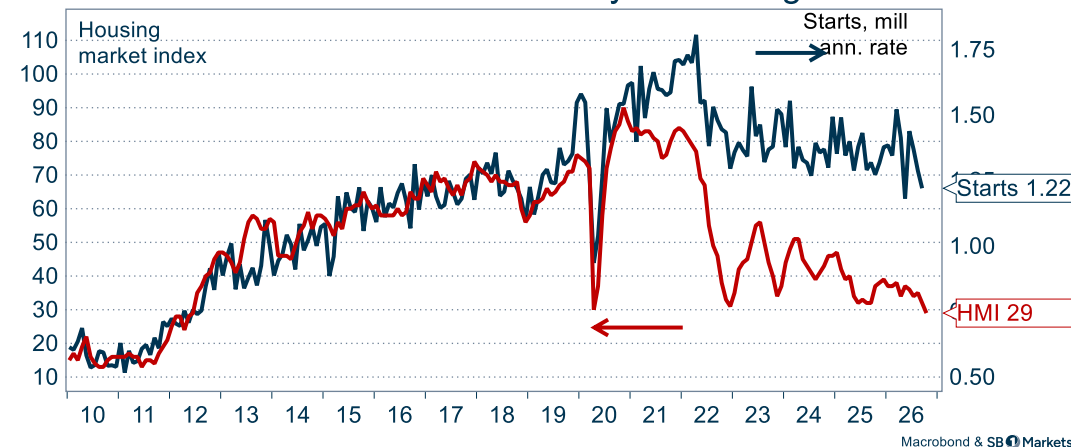
The Home Builders' Housing Market Index down to *the lowest level in 14 years*

The index fell 3 p to 29 p, expected unchanged. No doubt, the surge in mortgage rates has hit parts of the housing market and a decline in housing starts is signalled. The 'sales-now' sub-index fell the least, traffic of prospective buyers and expected sales fell more.

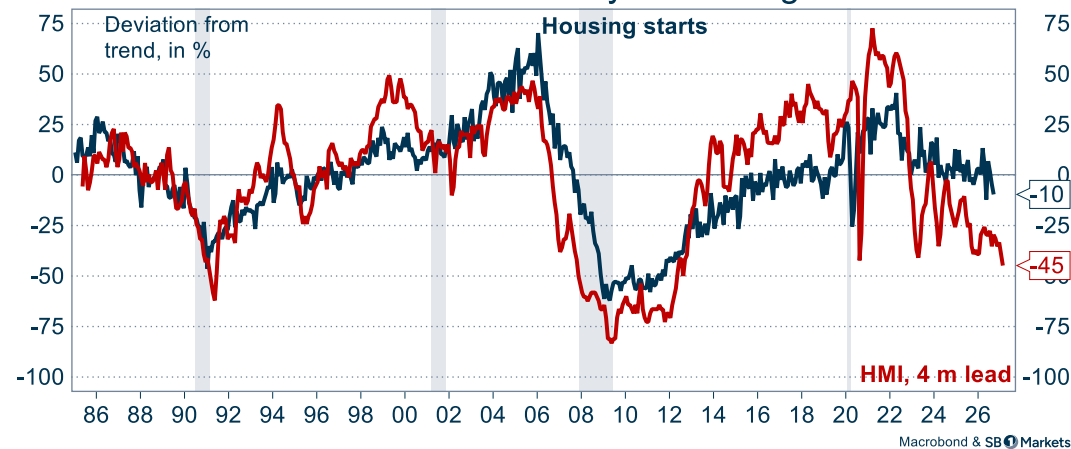
USA Homebuilders' survey & housing starts



USA Homebuilders' survey & housing starts



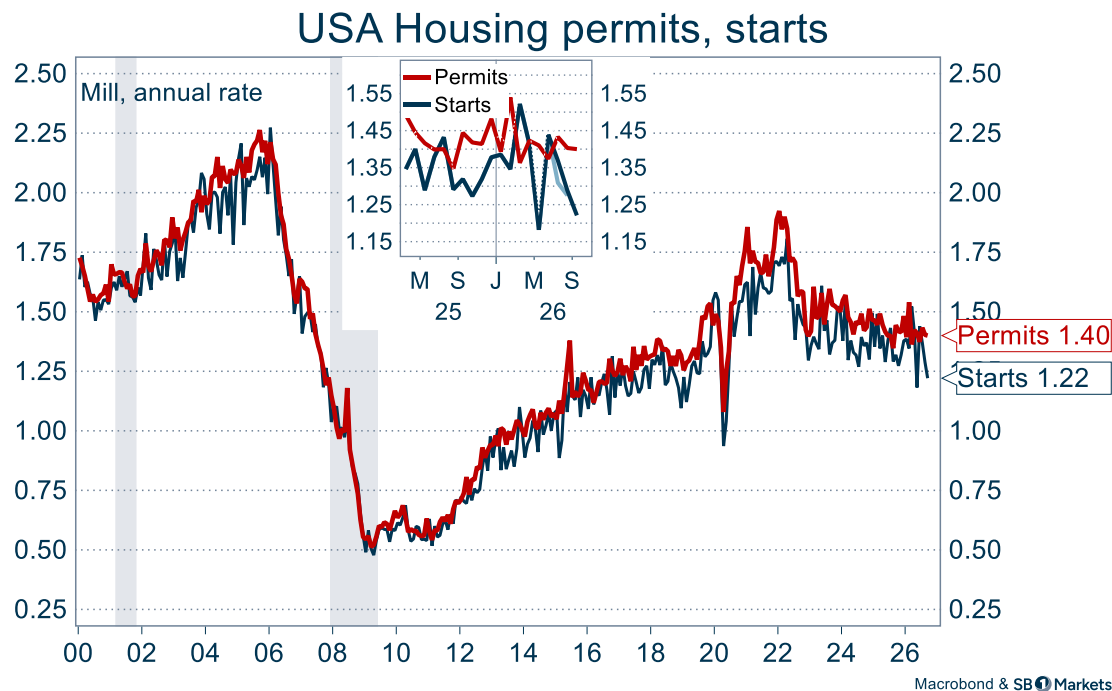
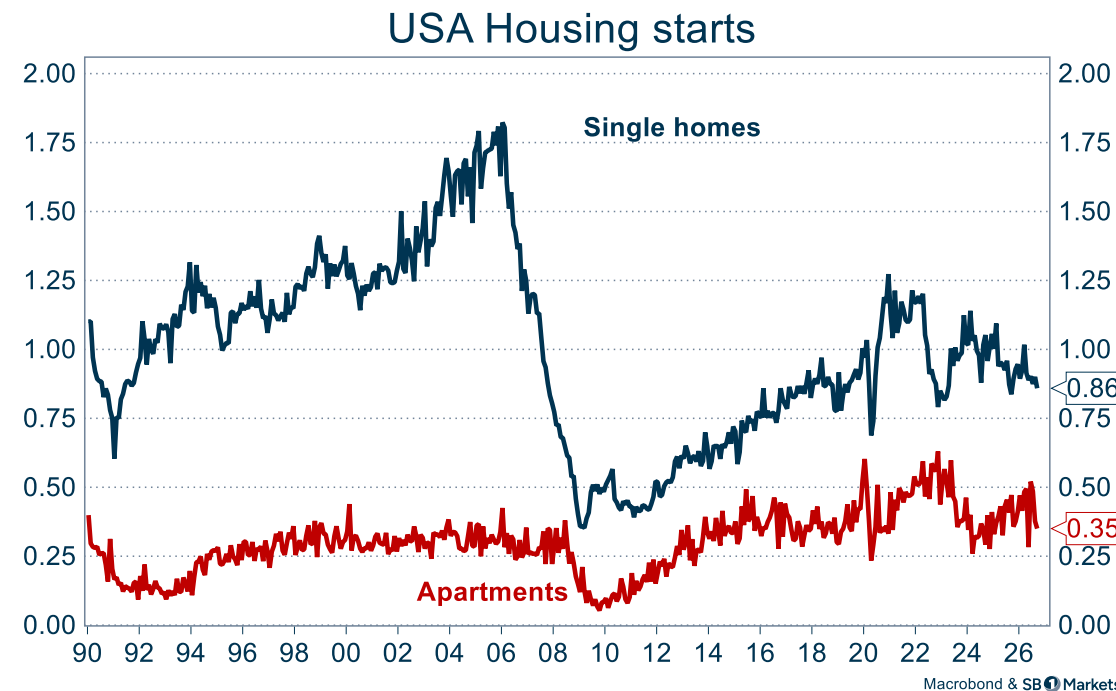
USA Homebuilders' survey & housing starts





US housing starts slip but less volatile permits trend flat

Starts fell slightly to 1.22m in September, the 2nd lowest since the pandemic, expected up to 1.31m. The trend is downwards, especially for single homes. Building permits were flat, at 1.40m, marginally better than expected, and trend flat.

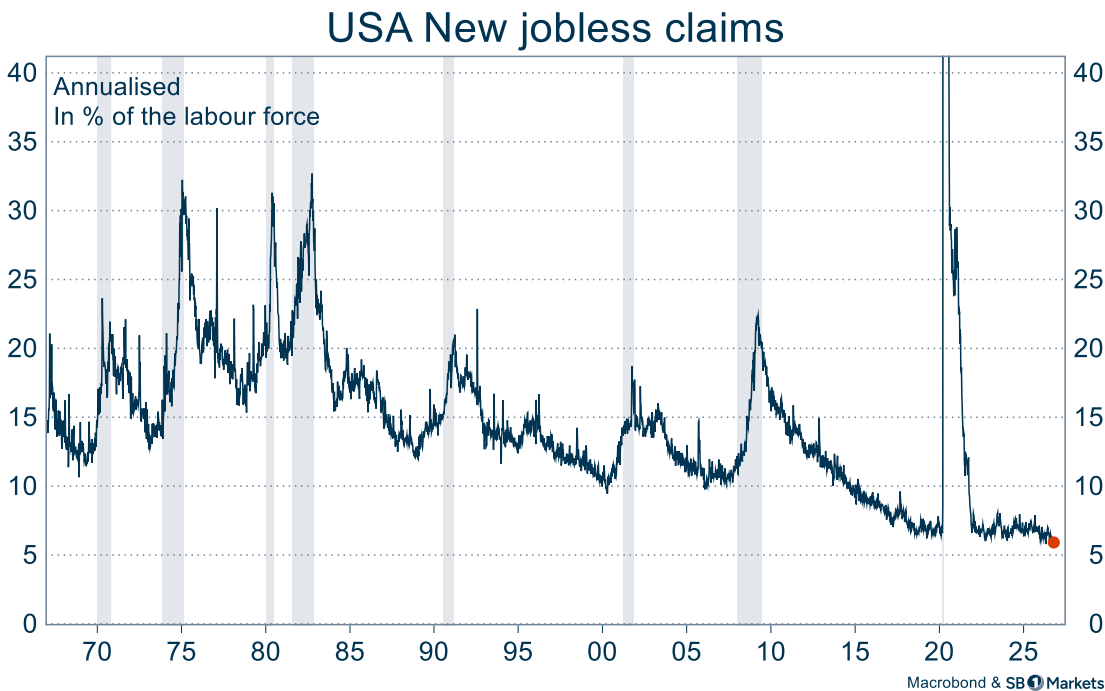
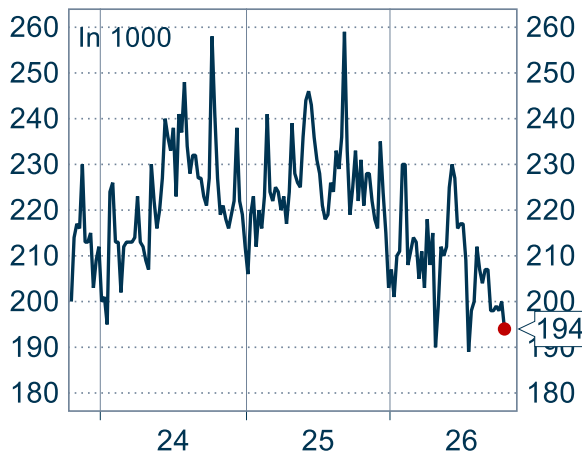


- In modern times, permits have been some 6–8% higher than actual starts. We prefer permits as the most relevant indicator as they are the least volatile. However, permits do not lead starts meaningfully.



Last week, the inflow of jobless claims fell to the 3rd lowest level ever vs. the labour force

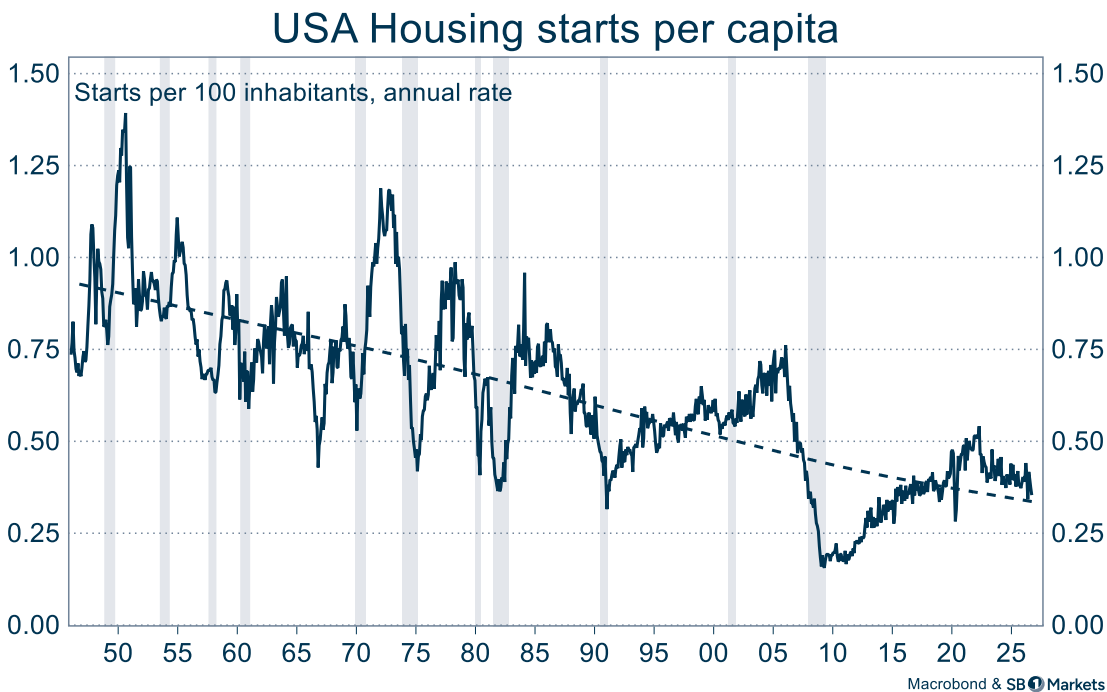
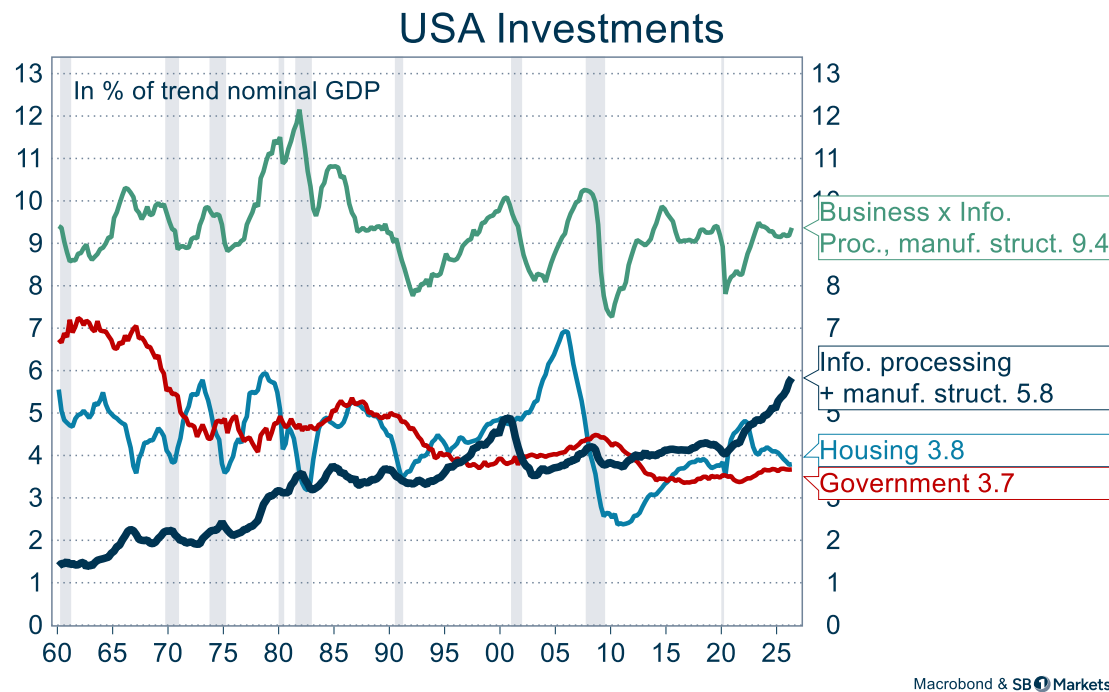
Down to 194,000!





A downturn in housing is not impossible, but it will anyway not be that large

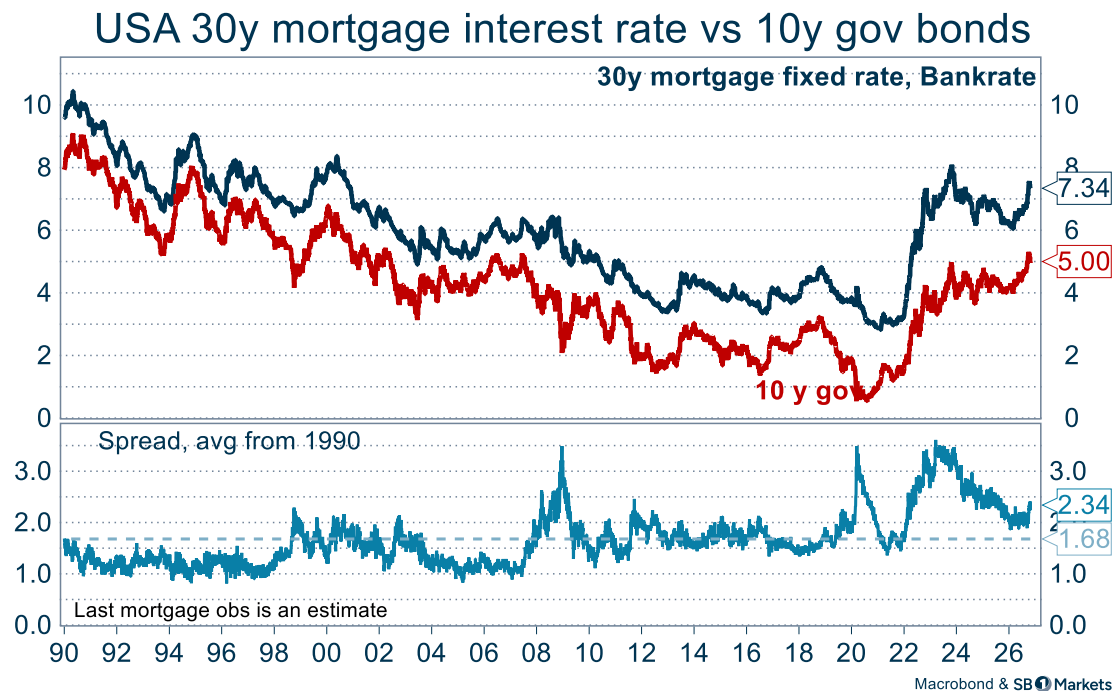
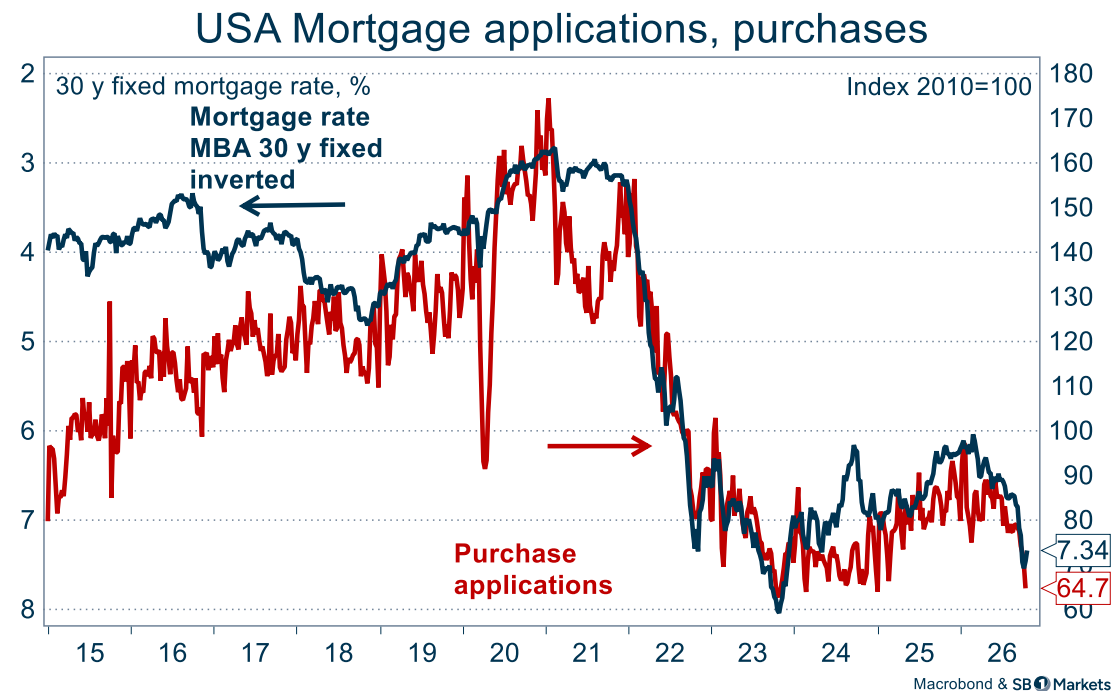
... because the investment level most likely is close to normal. There are probably some other investments that are more exposed...



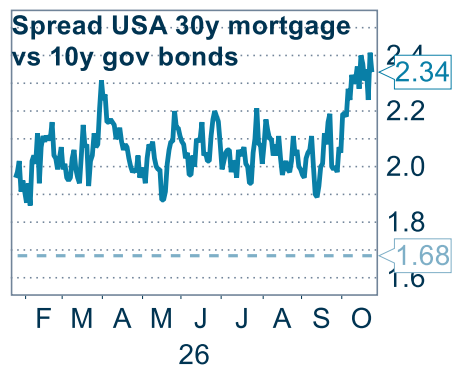
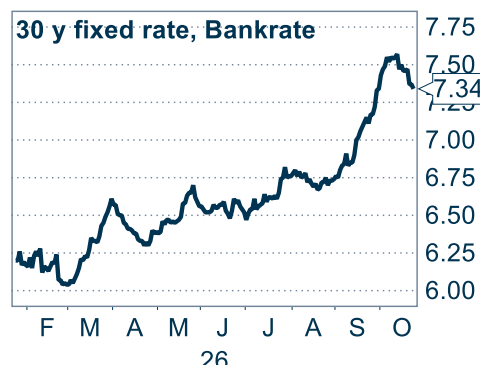


The 30y fixed mortgage rate is up 130 bps since before the war with Iran started, to 7.3%

The mortgage spread vs. the 10y gov. bond yield (the convention) explains 30 bps of the lift. The inflow of purchase mortgage applications has fallen sharply in recent weeks down to 2023–2024 lows –and is almost back to the level in 1996.



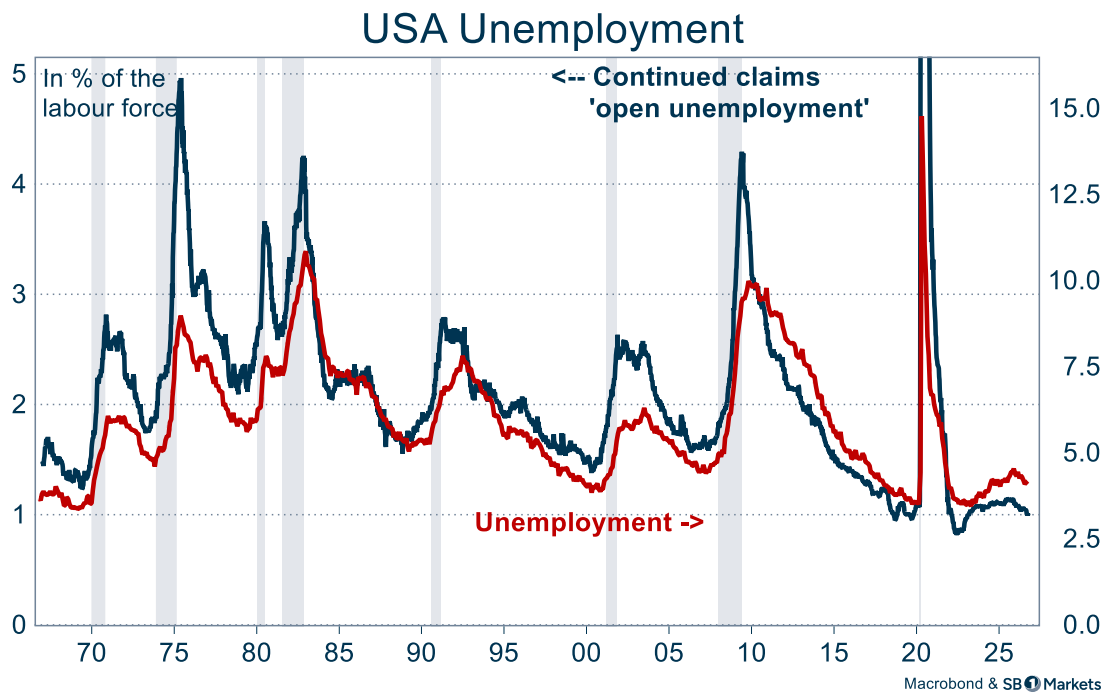
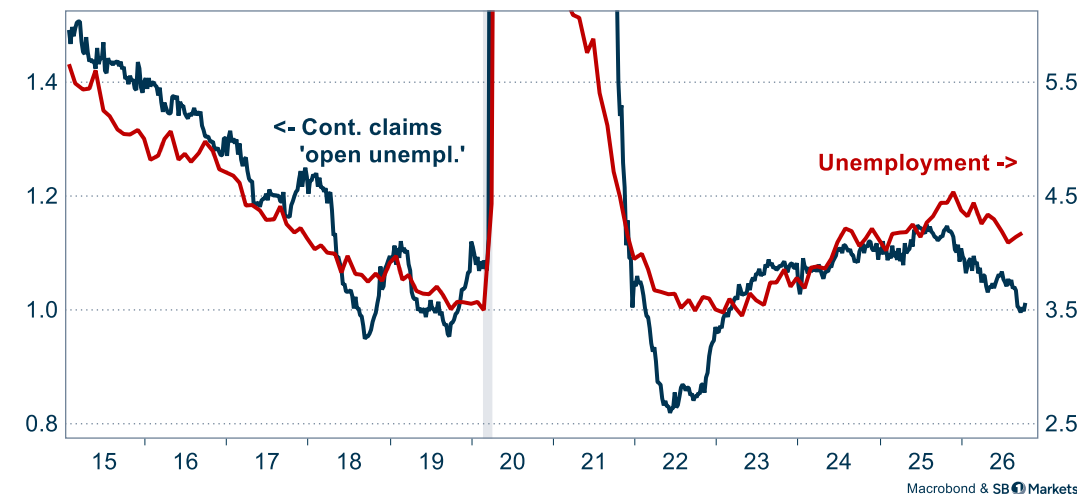
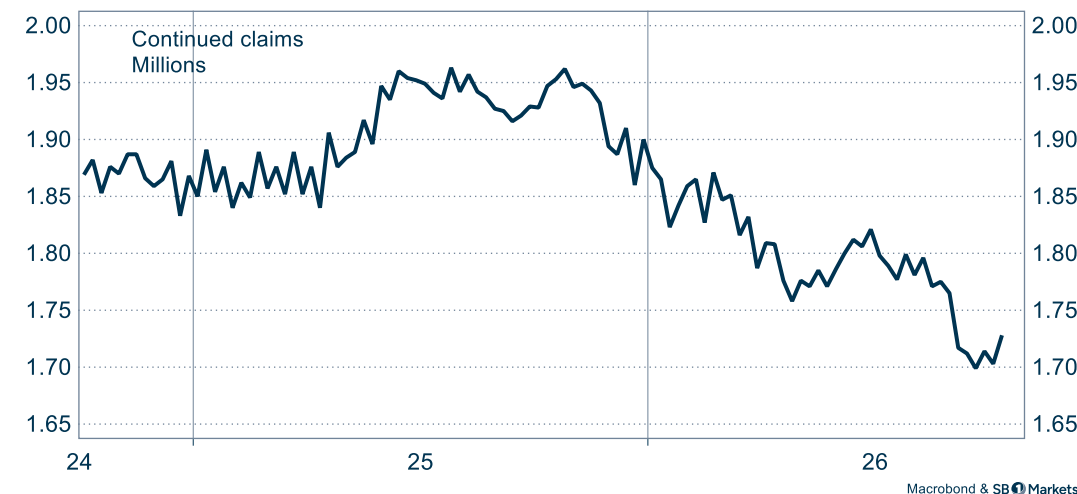
- Of course, other factors than the Gulf conflict and the lift in energy prices may have contributed to the lift in bond yields and mortgage rates like AI credit demand or worries about government debt etc.





Continued jobless claims remain at a very low level too

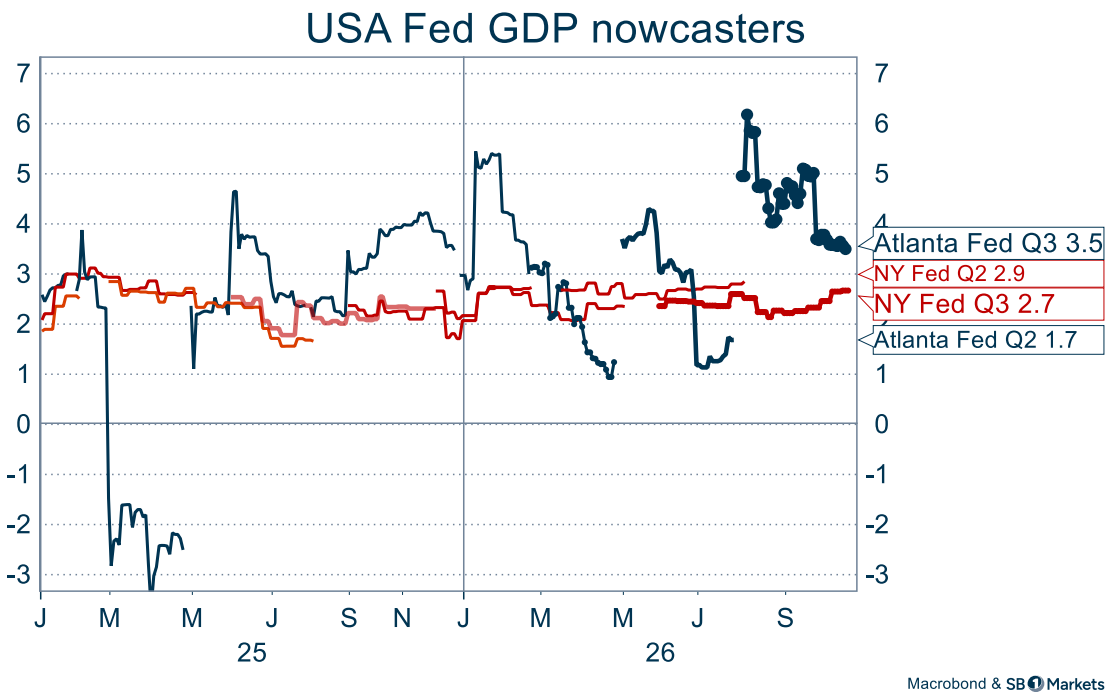
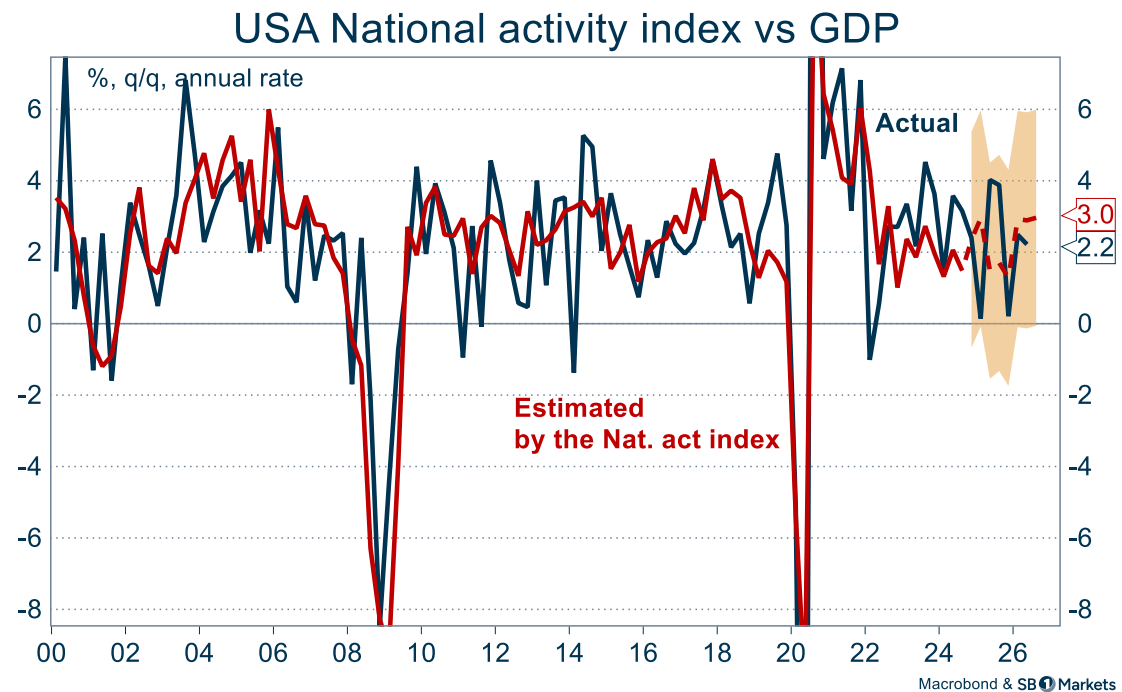
The count of persons receiving unemployment benefits has fallen sharply in 2026 and indicates a decline in the official unemployment rate.





Atlanta Fed's Q3 GDP nowcast still impressive, at 3.5% – before the 1st official GDP release

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



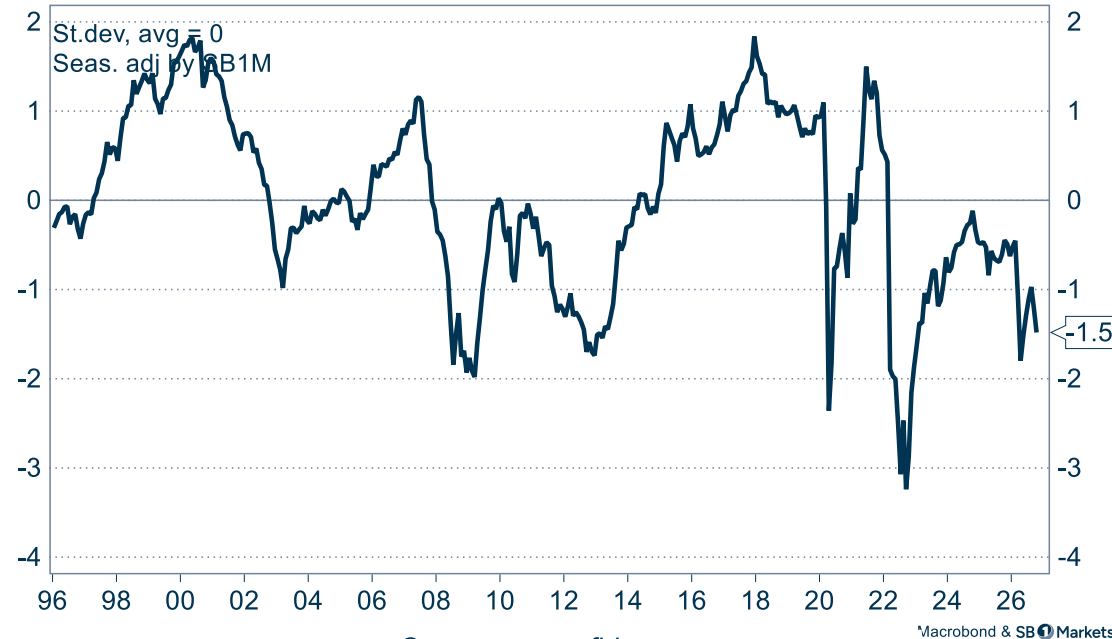


Euro Area

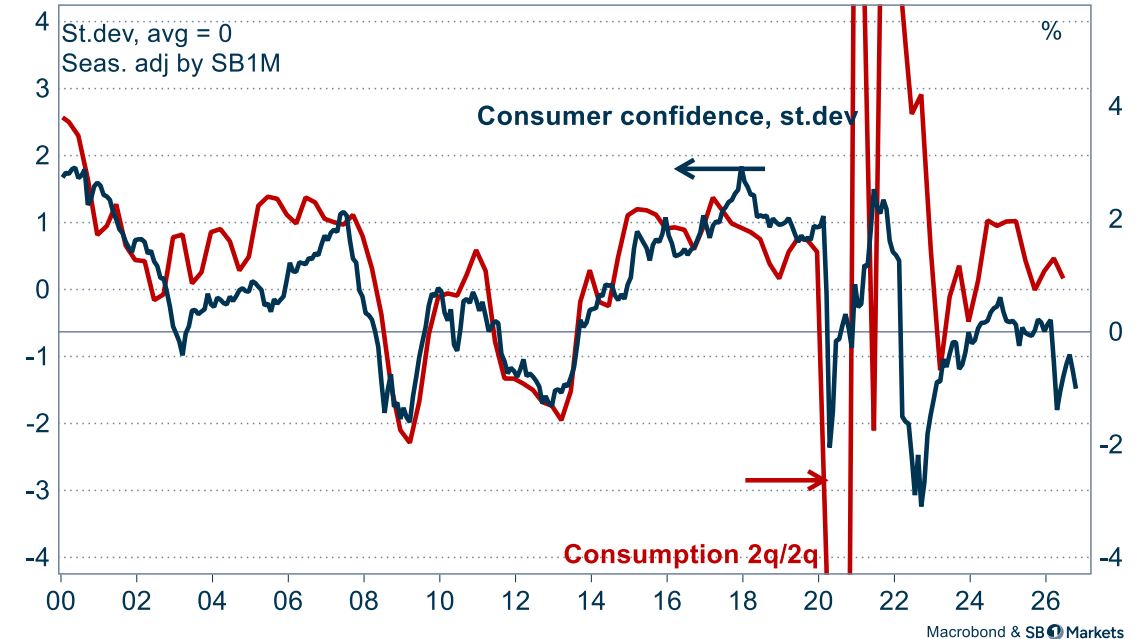
Consumer confidence further down in October, to 1.5 std. dev. below average

Weak consumer confidence normally suggests weak household demand but since the pandemic demand has kept up far better than household sentiment indicated. Still, the decline is not good news.

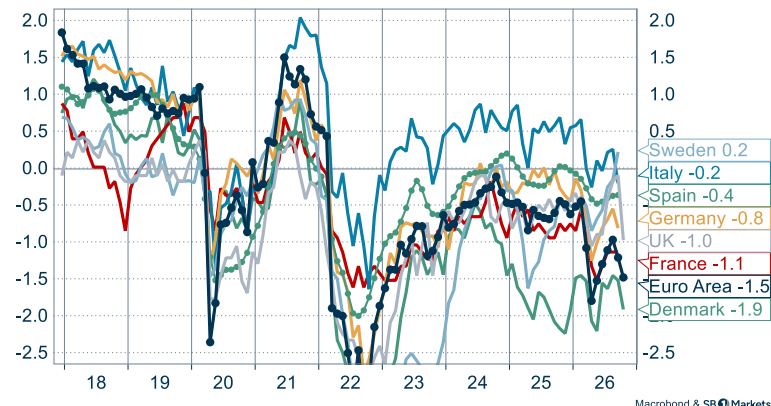
EMU Consumer confidence



EMU Consumer confidence vs consumption



Consumer confidence



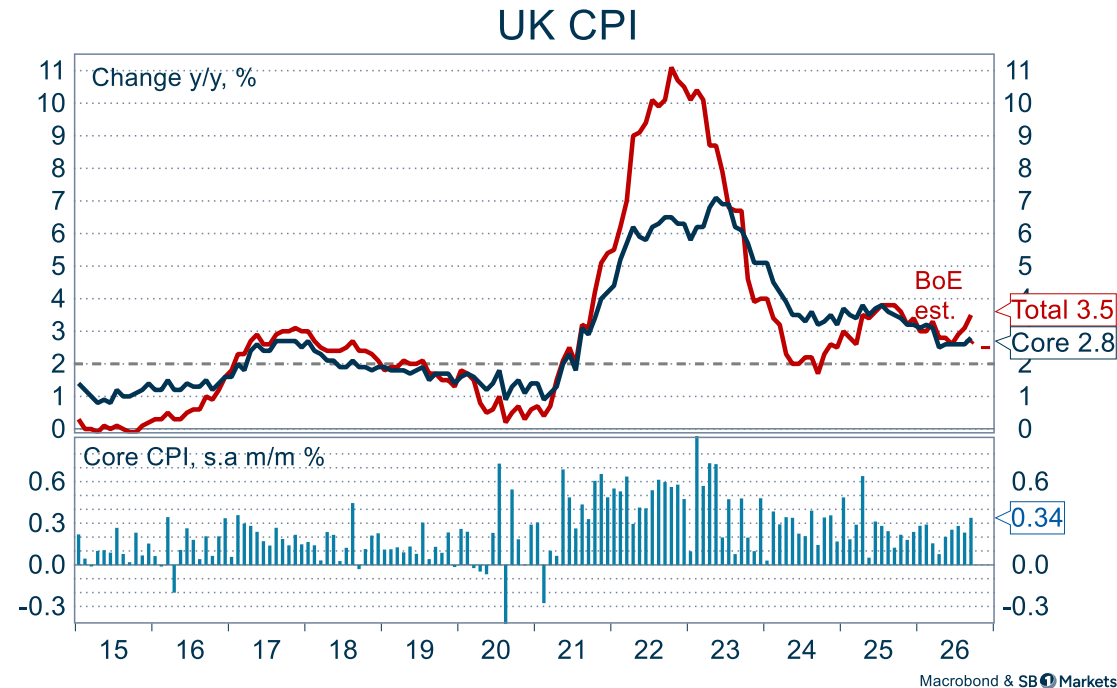
- EMU country data are not yet available but the UK and Denmark both reported a decline in October.



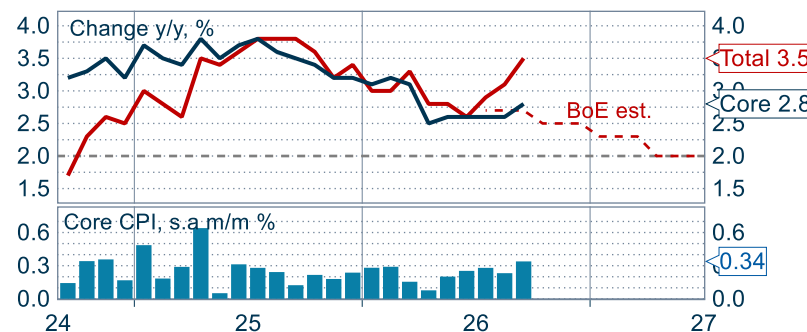
UK

UK inflation up 0.4 pp to 3.5% in September, one tick higher than expected

Headline inflation is some 0.5 pp above the Bank of England's forecast. Energy prices rose 4% m/m and are up 18% y/y, lifting the CPI by 1.0 pp. The core rose 0.34% m/m, and the underlying growth rate in recent months accelerated to 2.8–3.5%. The annual rate rose 0.2 pp to 2.8%.



- **The headline CPI** rose 0.5%, with a 0.2 pp contribution from energy.
- **The Bank of England** assumed a 2.7% CPI growth rate in Q3. Actual inflation is **0.5 pp above**.
 - The Bank expects inflation to slow to 2.5% by the end of 2026, as it assumed oil prices would come down (as the market also assumes). Most likely, 2.5% is out of reach.
- **Annual core inflation** trended down from mid-25 until the spring, then flattened before the 0.2 pp lift in September, which was expected.
- **Wage inflation** is gradually slowing. However, **productivity growth** remains negative, and **Unit Labour Costs** grew 4.0% y/y in Q2. This cost inflation is not compatible with 2% core inflation over time.

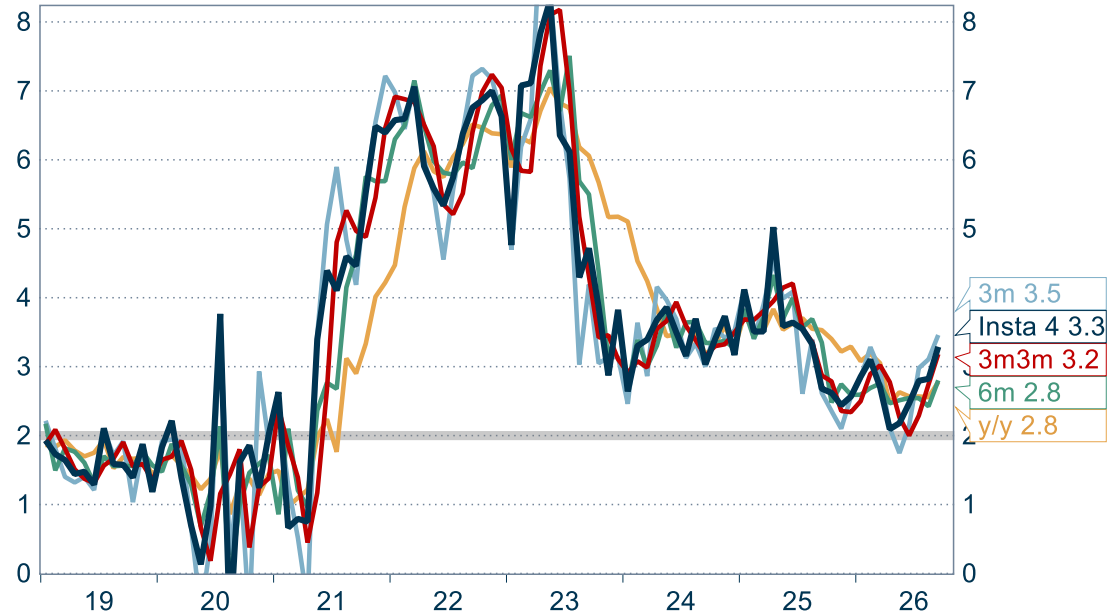




Underlying core inflation has accelerated lately, to 2.8–3.5%

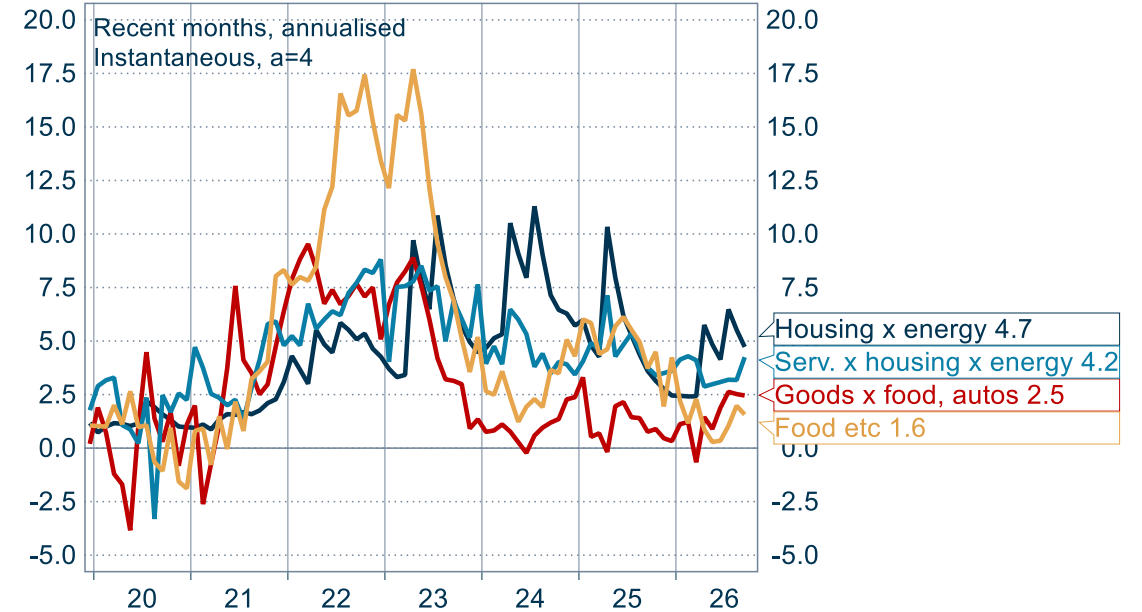
Services are up 4% measured over recent months, housing ex. energy (rents and maintenance) 4.7%, and even core goods are up 2.5%. Food prices have calmed down but are still up at a 1.6% pace (equal to the annual rate).

UK Core CPI - Underlying growth rates



Macrobond & SB Markets

UK Underlying core inflation

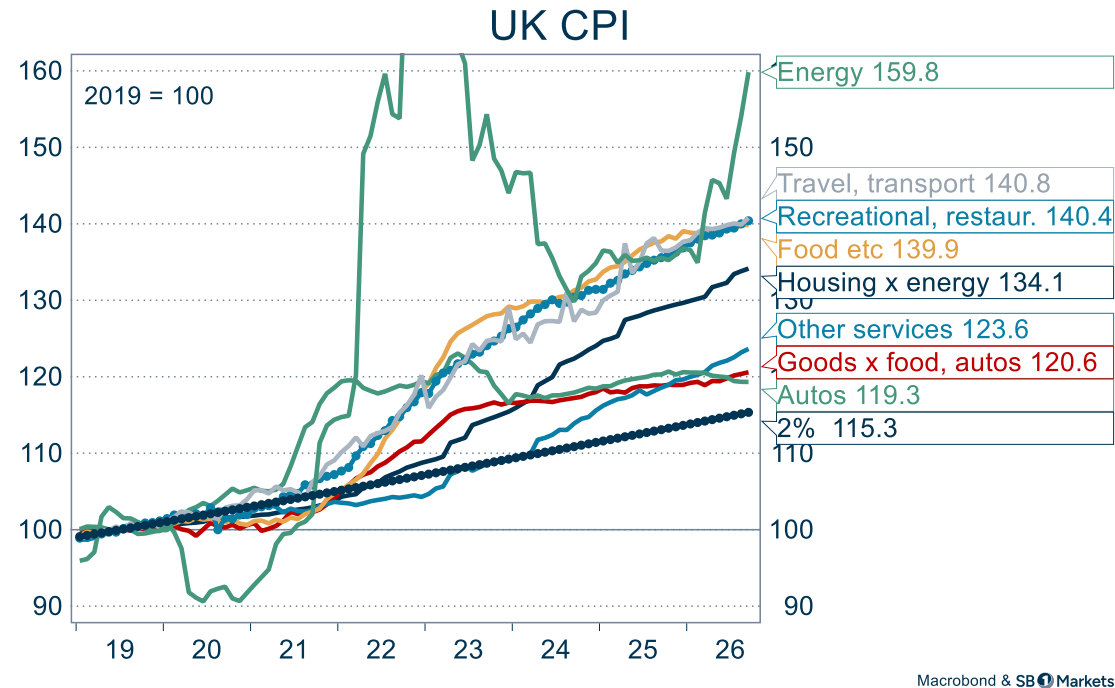
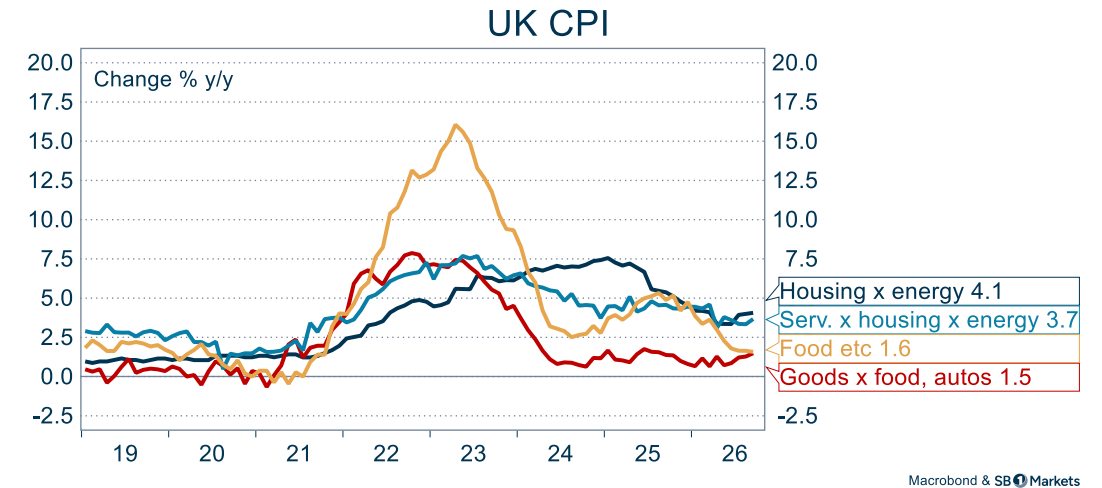
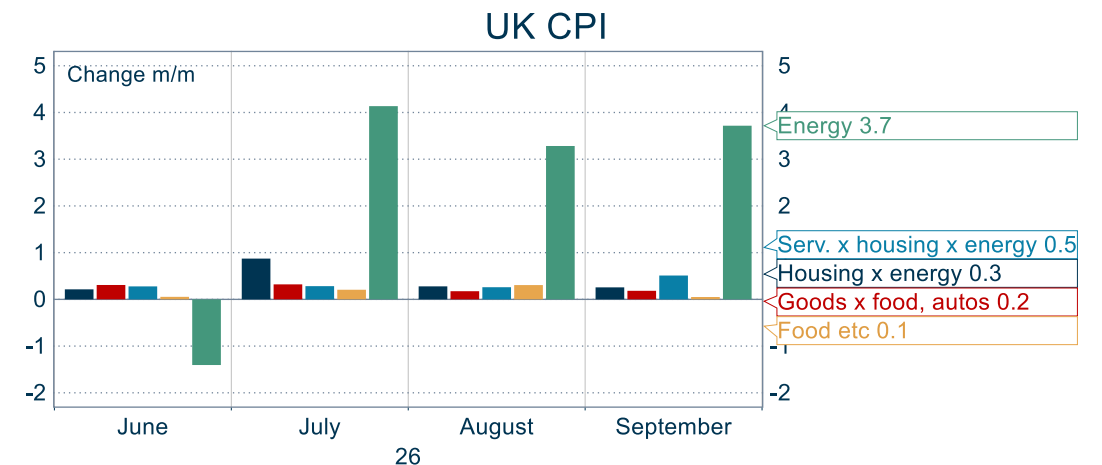


Macrobond & SB Markets



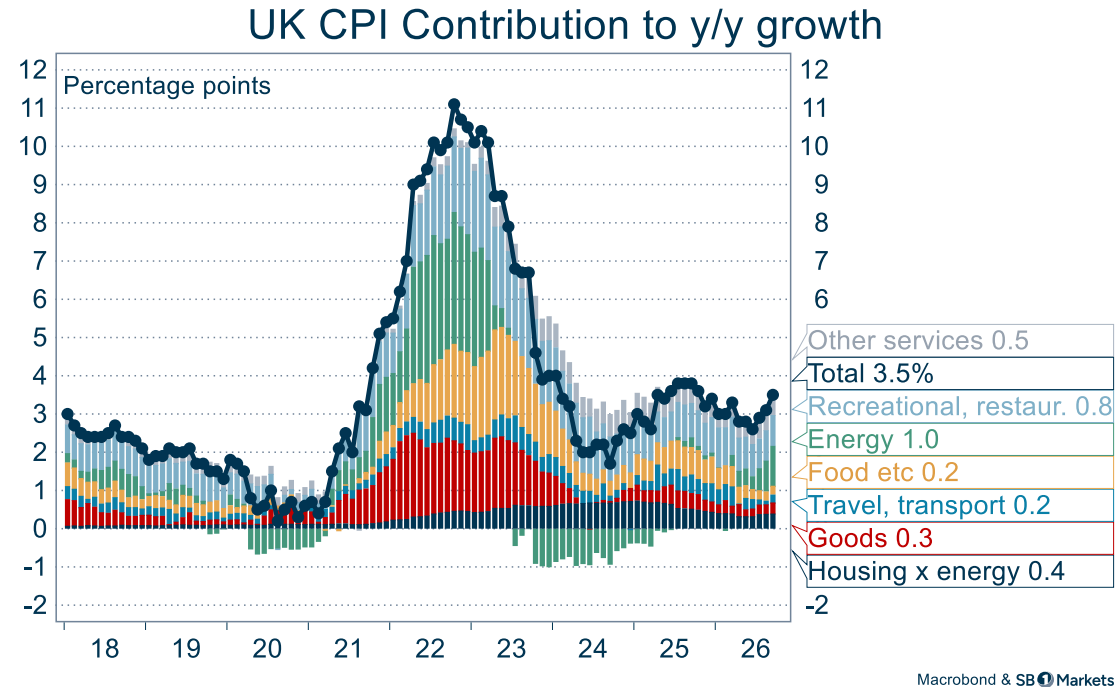
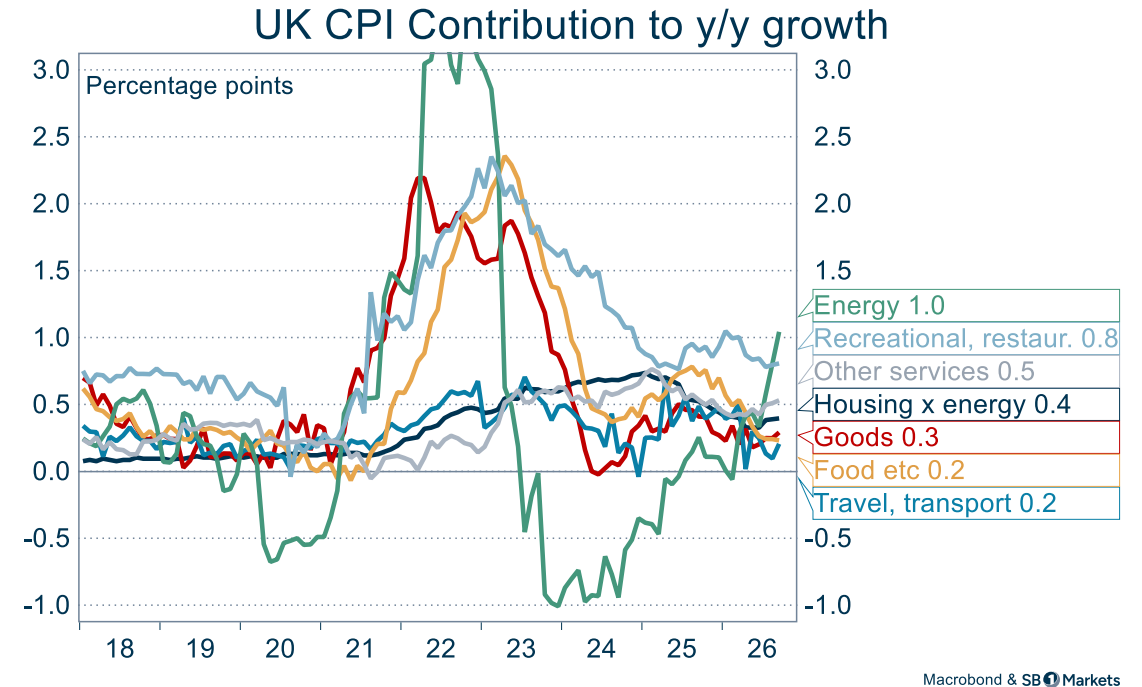
CPI details: Energy prices rose almost 4% in September and are up 18% y/y

The other main segments rose, services ex. housing the most, up 0.5% – and these prices are up 3.7% y/y. Housing ex. energy is up 4.1%. Food price inflation has slowed to 1.6%. In 2023 it was 16%.



CPI details: energy prices the main culprit again, lifting the headline 1.0 pp

Recreation and restaurants contribute 0.8 pp to total inflation as well, other services (ex. transport) 0.5 pp. Goods inflation is low, and lifts the CPI by 0.3 pp.

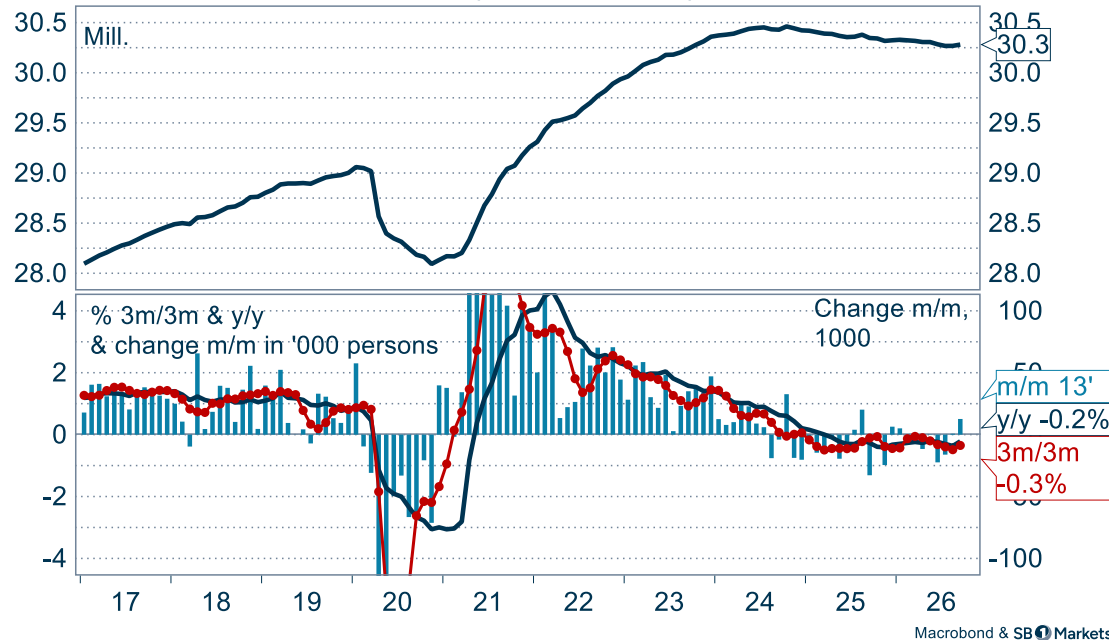




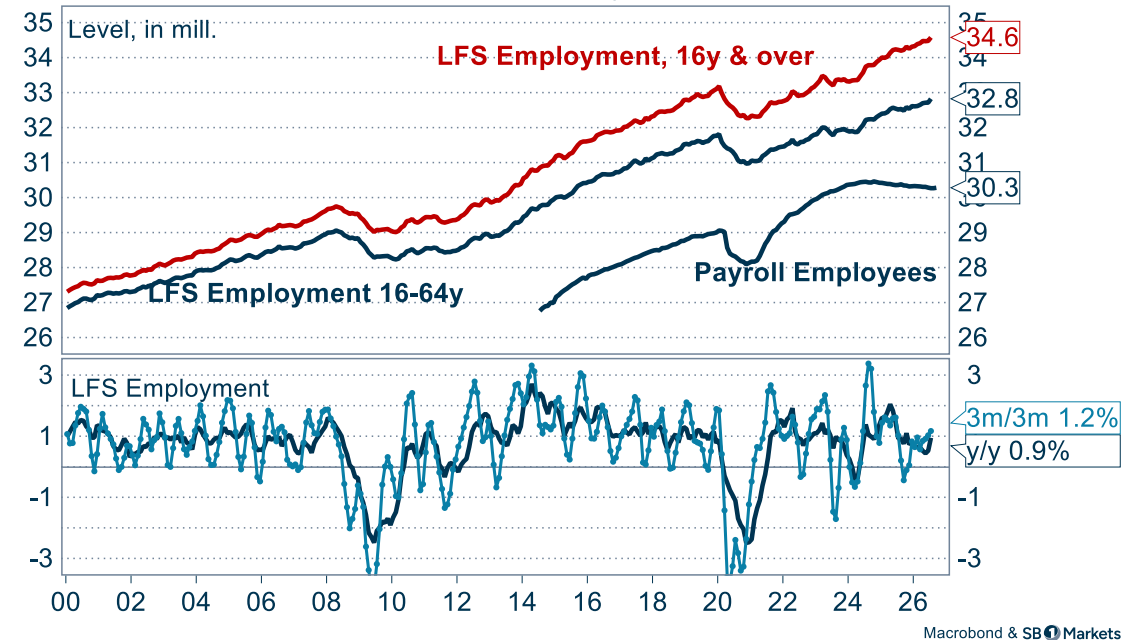
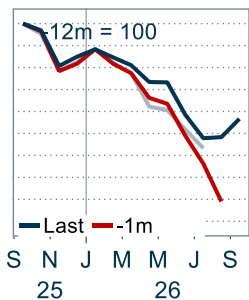
Payrolls revised up, and rose in September, LFS unemployment heads down

Payrolls rose by 13,000 m/m, expected down 9'. In addition, the level in Aug. was revised up by 41', rather unusual. The trend is still down, but just marginally. The employment rate rose, and LFS reports a 1.2% underl. growth rate, and the LFS unemployment rate fell 0.2 pp to 4.7%.

UK Payroll Employees



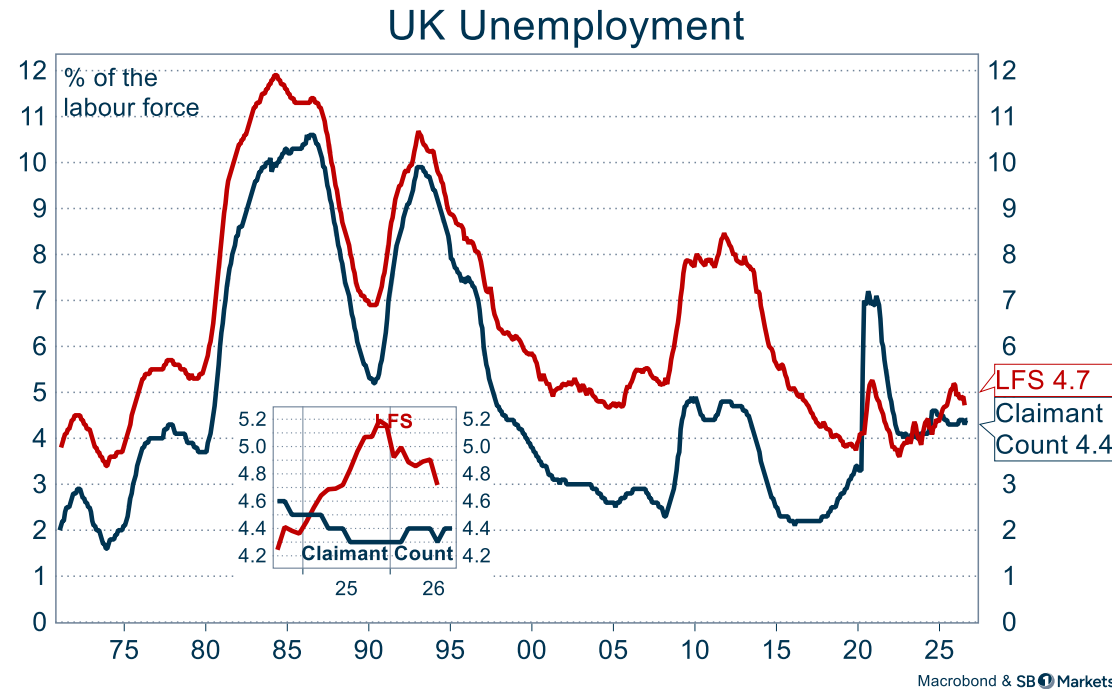
UK Employment



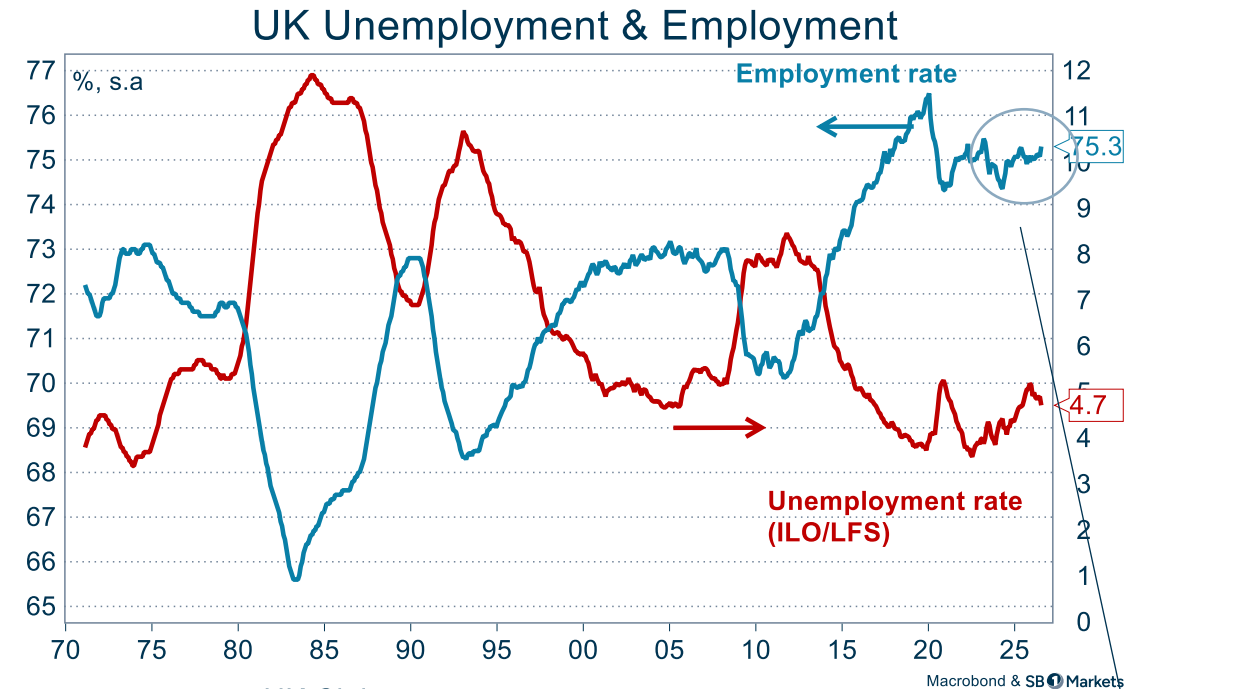
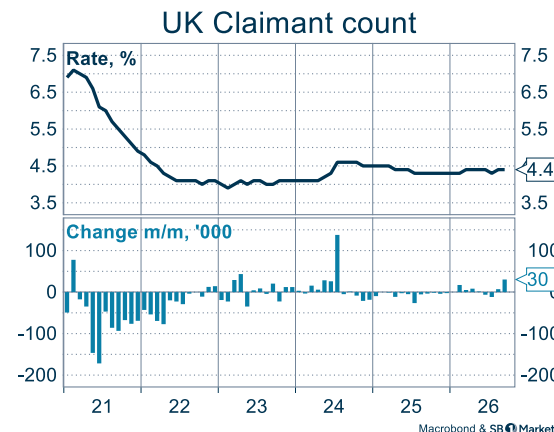
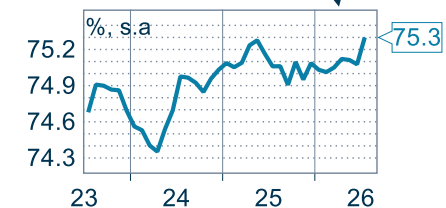
- **Payrolls** (register-based no. of employees) data are subject to revisions, just like in Norway (or in the US). The upward revision and the current first (and uncertain) September estimate were in sum far better than expected.
- **LFS employment** (employees + self-employed, based on the household survey ('AKU')) is up 0.9% y/y in July (Jun–Aug avg.) and was up more than 100' over the past 3 months. The employment rate gained 0.2 pp to 75.3% (16–64y) but trends flat. These data are also uncertain as response rates have fallen.
- The **LFS unemployment rate** fell 0.2 pp to 4.7% in July, expected unchanged. The rate has fallen from 5.2% in late 2025. The less volatile **register-based claimant counts** trend flat, at 4.4%.
- The **number of unfilled vacancies** ('job openings') still trends marginally down but remains marginally above an average level.
- In sum, the **labour market is probably close to 'balanced'**. **Payrolls are still weak, but unemployment data are in sum declining.**
- **Average weekly wage** growth trends down, the total average weekly pay growth has fallen to below 4%. Regular pay in the private sector is up approx. 3%.
- **National accounts** report 2.5% growth in labour cost per hour in Q2, but as productivity is declining, Unit Labour Costs are up 4.0% y/y. It should have been 2%.

LFS unemployment surprisingly fell 0.2 pp to 4.7%, as the employment rate rose 0.2 pp

The LFS unemployment rate peaked at 5.2% late last year and has fallen so far in 2026. The employment rate has been trending flat, at a rather high level. Claimant counts (open registered unemployment) remained flat in September, at 4.4%, which is above average.



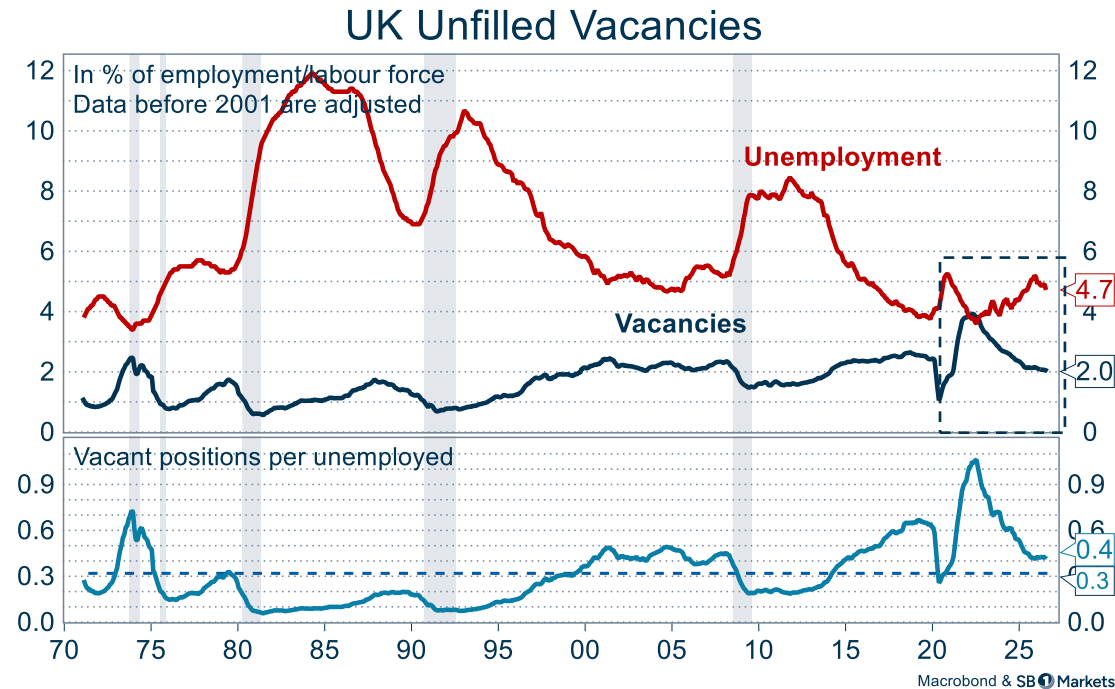
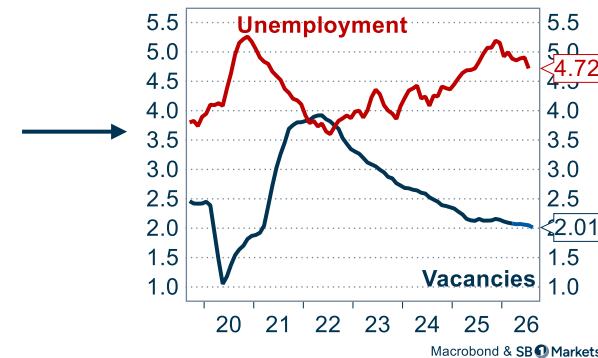
- The **LFS unemployment rate** increased from well below 4% in 2023 to 5.2% in November last year. Thereafter a small decline, to 4.7% in July.
- The **LFS employment rate** (16–64y) rose 0.2 pp to 75.3% in July. The level has flattened since early 2025, and it is not far below the highest ever – just below the peak rate before the pandemic.
- **Claimant counts** rose by 31,000 persons in September, but a similar lift in August was revised to a marginal increase (which has been the norm lately). The rate was flat at 4.4% – and it trends flat, at this level.





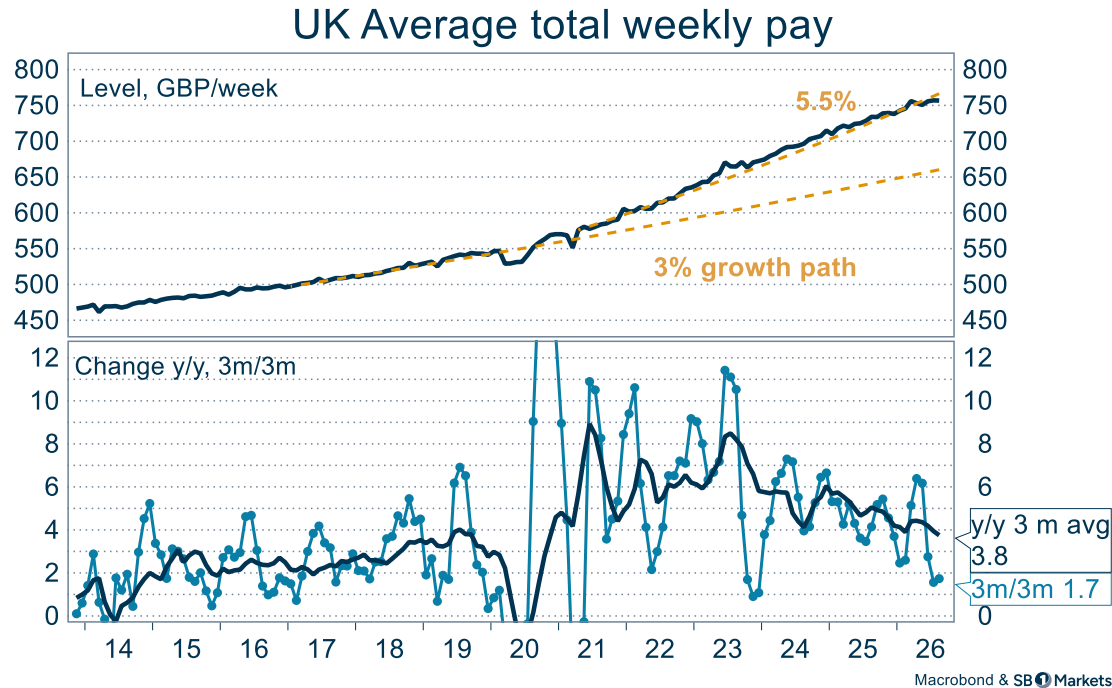
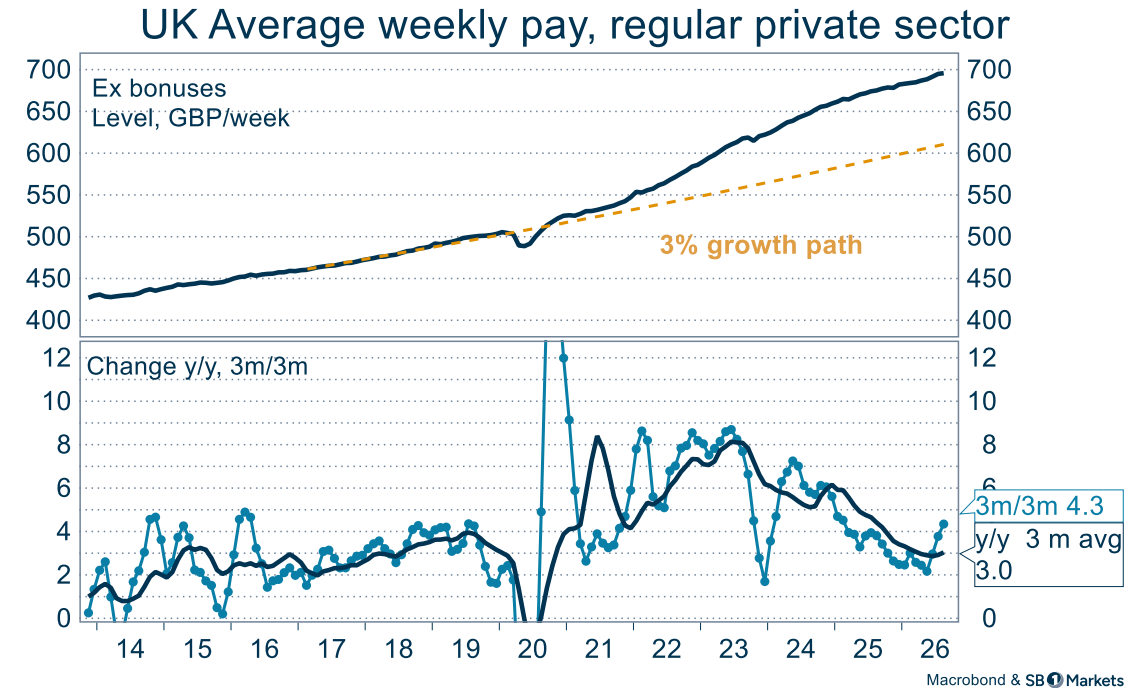
LFS unemployment has fallen slightly lately, but unfilled vacancies head steadily down too

The V/U ratio at 0.4 is not far above the average at 0.3. In sum: **A less tight labour market, but still not a weak labour market.**



Wage inflation has slowed, but may be bottoming at 3% in the private sector

Total weekly wage growth including bonuses fell 0.1 pp to 3.8% in August (3m avg.), as expected, and monthly wage increases have slowed to below a 2% pace recently. Weekly earnings ex. bonuses in the private sector are up just 3.0% y/y. The problem: productivity is declining.



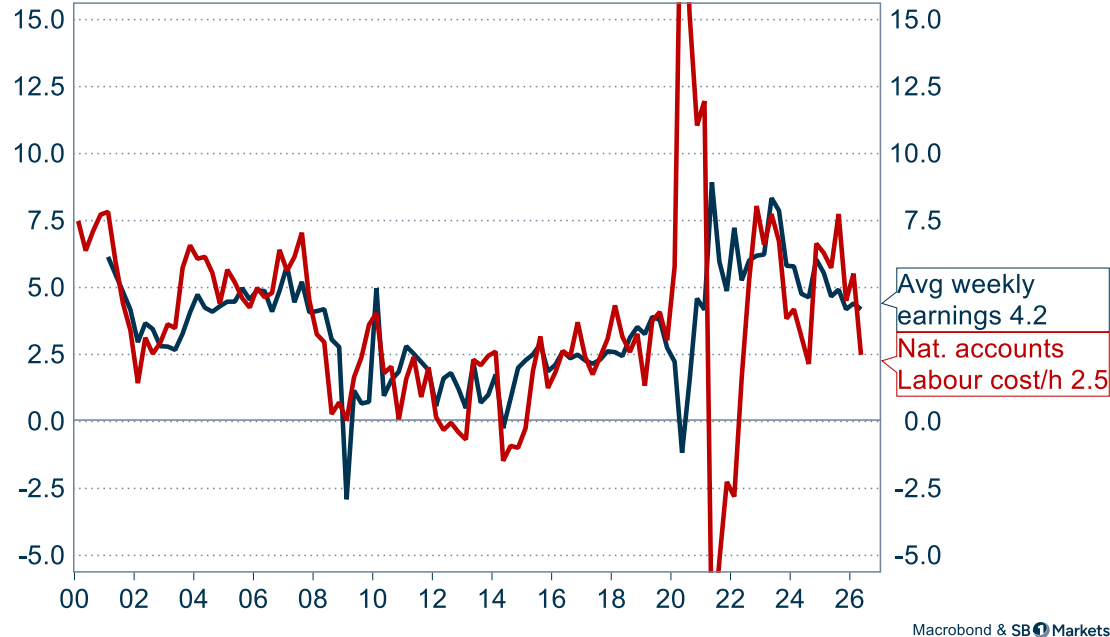
- **The Bank of England's wage survey** reports 3.4% expected wage growth over the next year. A year ago, 3.6% wage growth was expected, which was almost spot on.
- **National accounts reported labour cost inflation** at 2.5% y/y in Q2 (revised down from 4.0%). However, as productivity was down (based on preliminary data), Unit Labour Cost inflation was 4.0% y/y and **far too high to reach 2% inflation over time**.



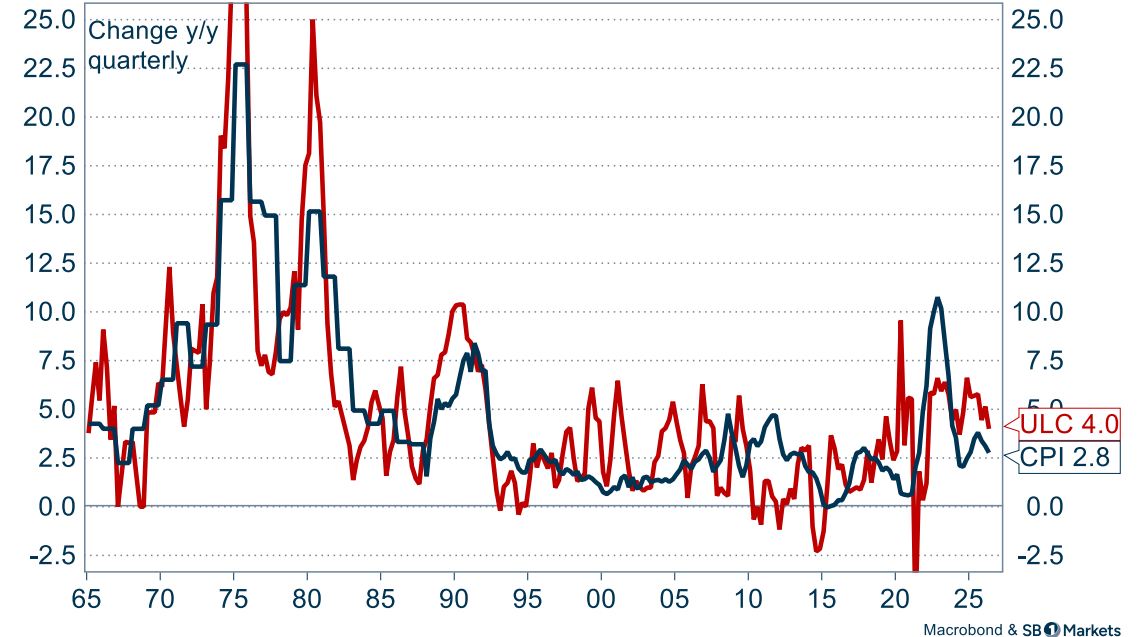
Unit Labour Cost inflation 4.0% in Q2, not the best argument for expecting a CPI at 2%

Labour costs per hour were up 2.5% y/y (revised down from close to 4.0%), but productivity is declining and ULC rose slightly faster.

UK Average weekly earnings vs. hourly labour cost

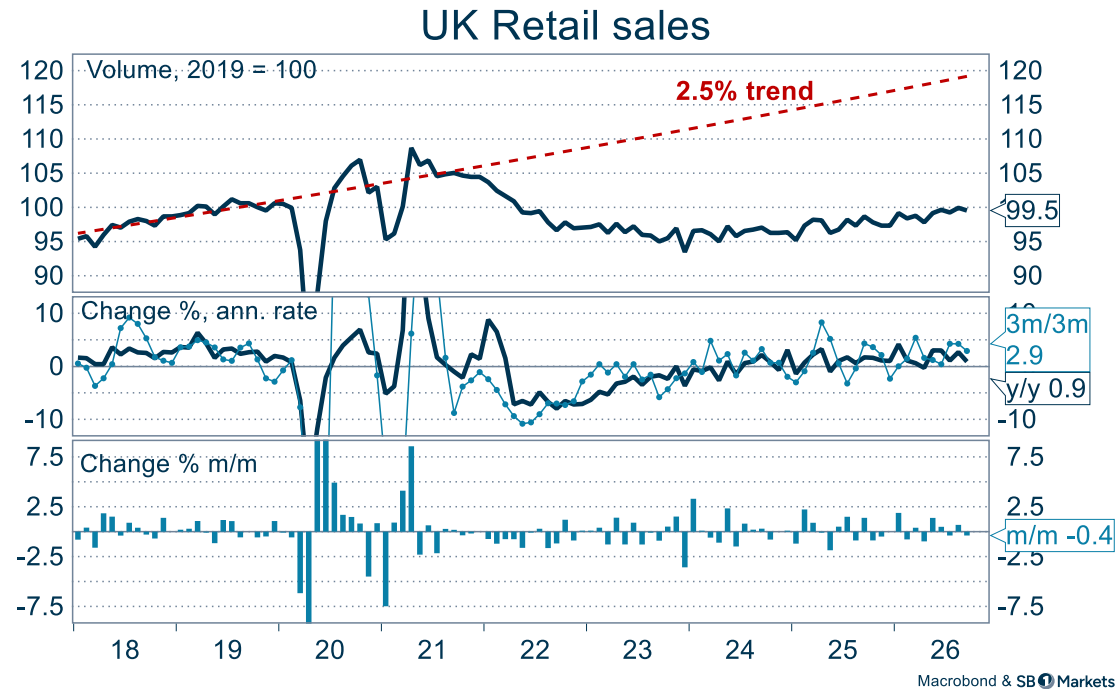
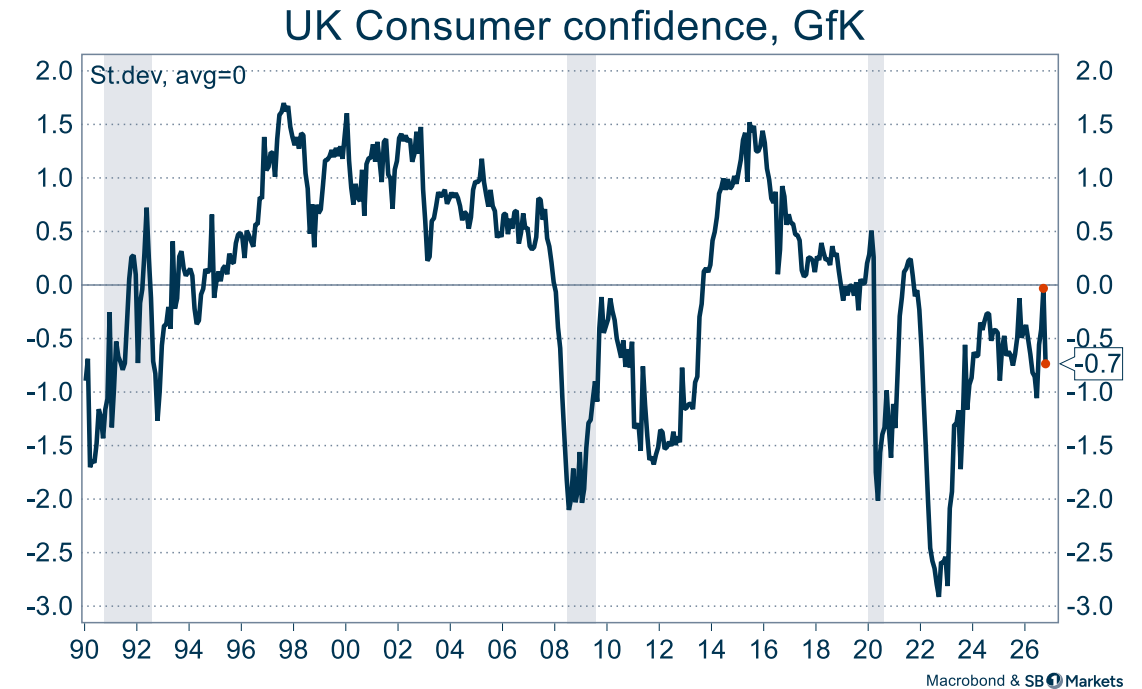


UK Unit Labour cost, CPI inflation



Retail sales growth has slowed, confidence dropped in October

Sales fell 0.4% in September, and while the 3m/3m growth rate is still at 2.9%, it has slowed. Sales are up 0.9% y/y. Confidence dropped from an average level in September to 0.7 std. dev. below average in October. Higher inflation to blame?



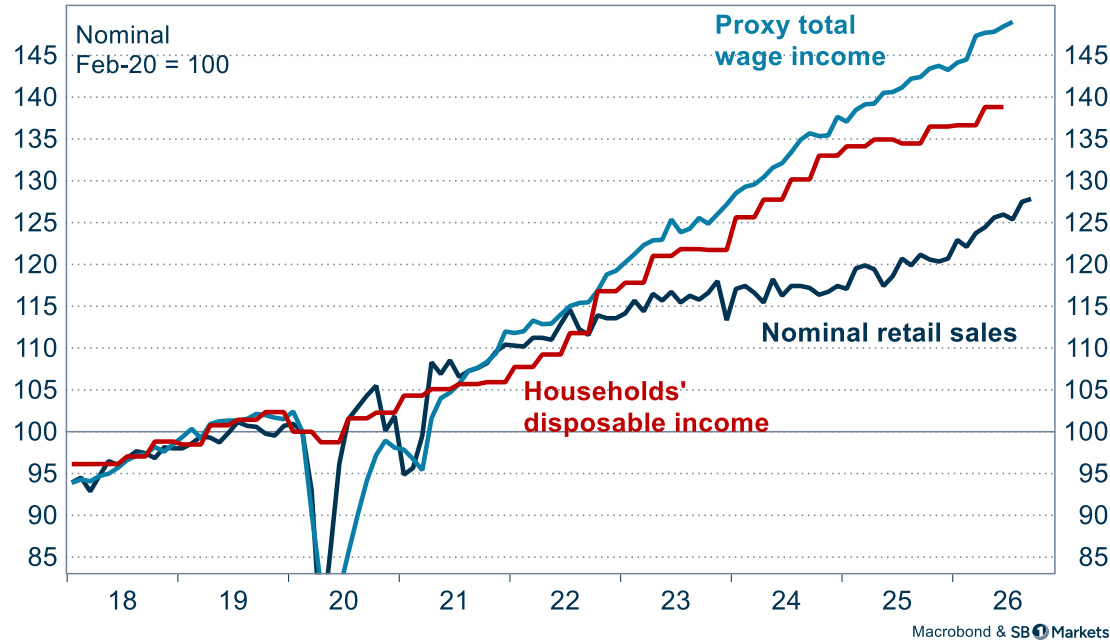
- Sales are equal to the 2019 level and are 16% below the pre-pandemic trend.



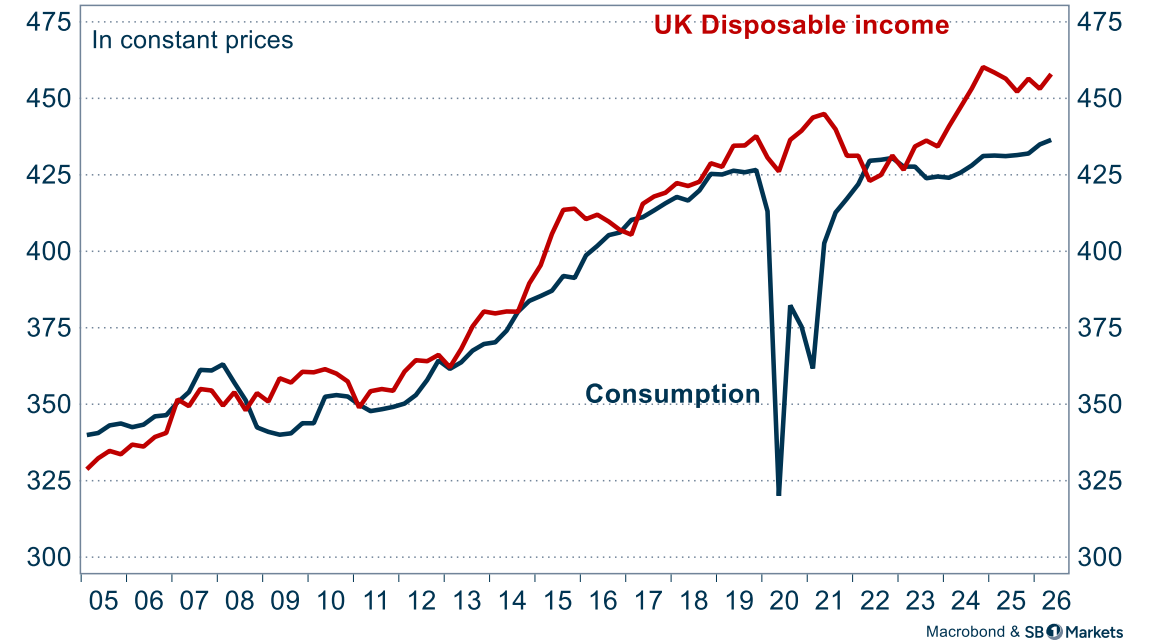
Real disposable income has fallen over the past year, and the savings rate has fallen

... but was still at a decent level in Q2, at 9.0%. Households' debt-to-income ratio heads down, like *everywhere* else.

UK Retail sales vs income



UK Household income & consumption



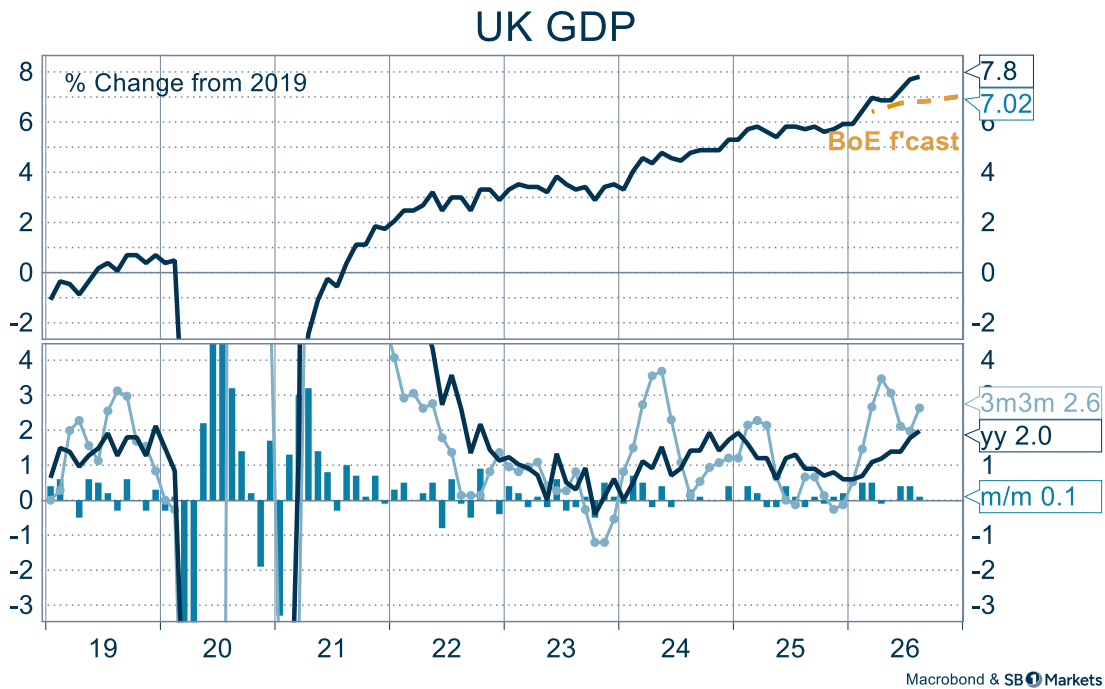
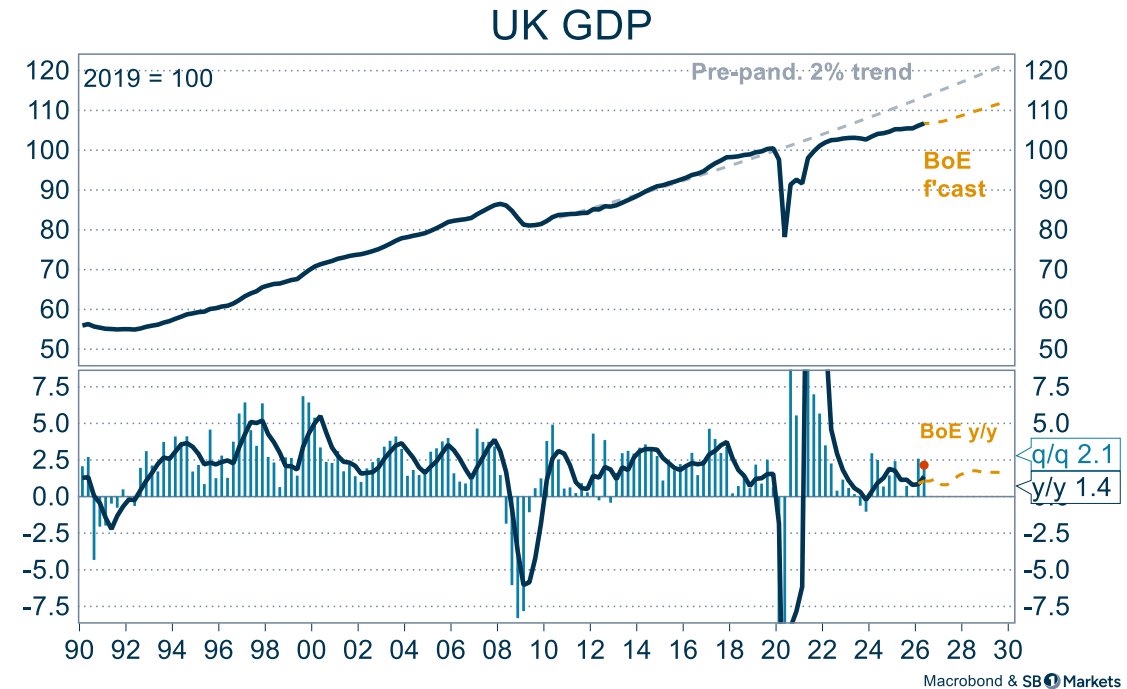
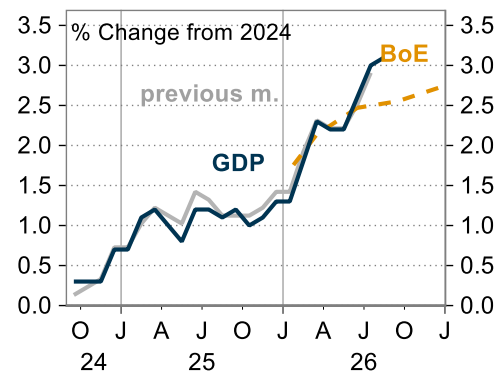
UK Household savings rate





GDP added just 0.1% in August but the growth pace at 2½ % is well above BoE's f'cast

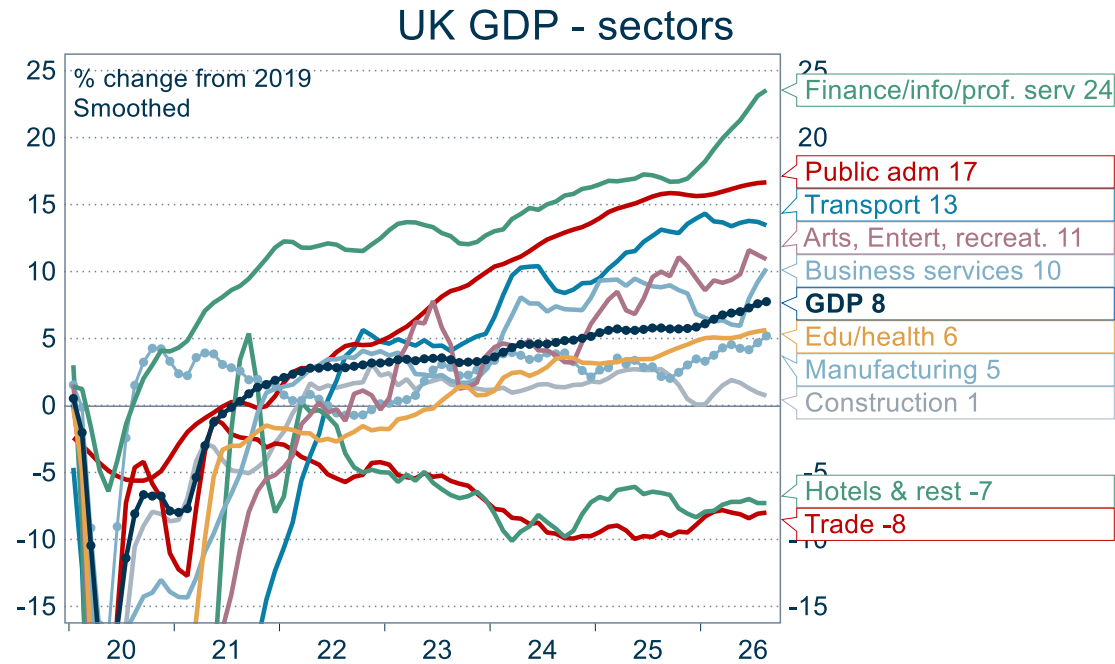
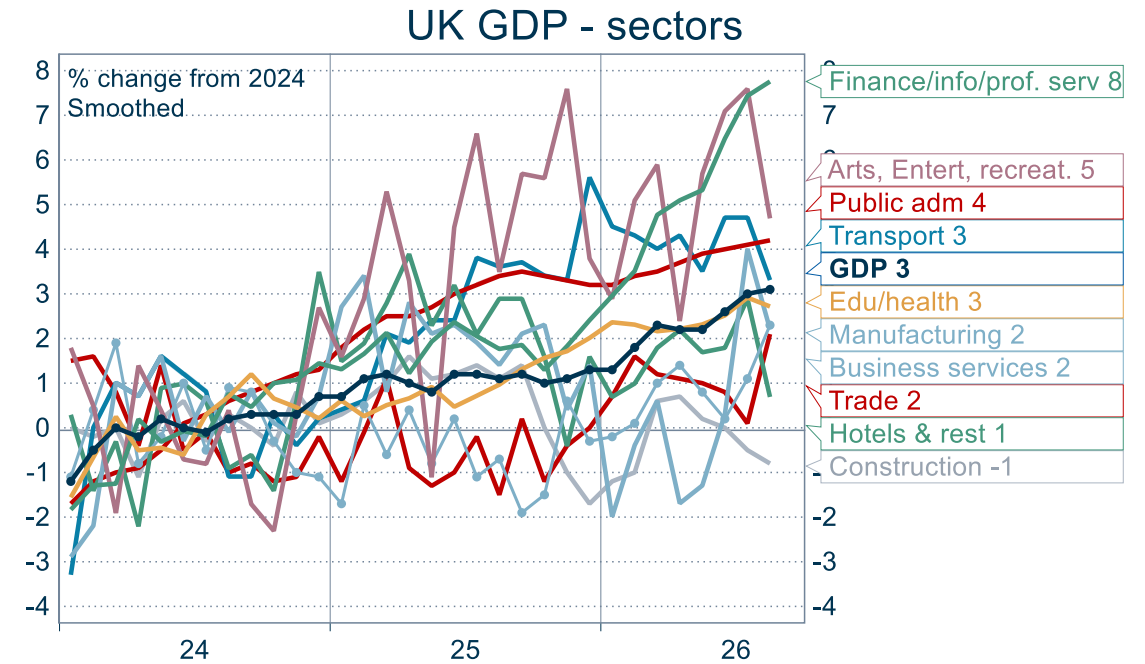
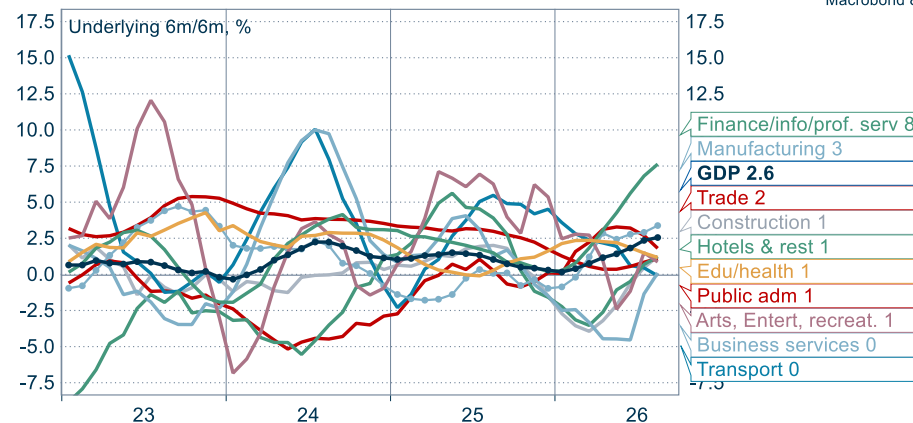
GDP is up 2.0% y/y.





Growth in most sectors, barring construction and transport

Finance/info/professional services report the fastest growth rate. However, manufacturing has turned up as well.



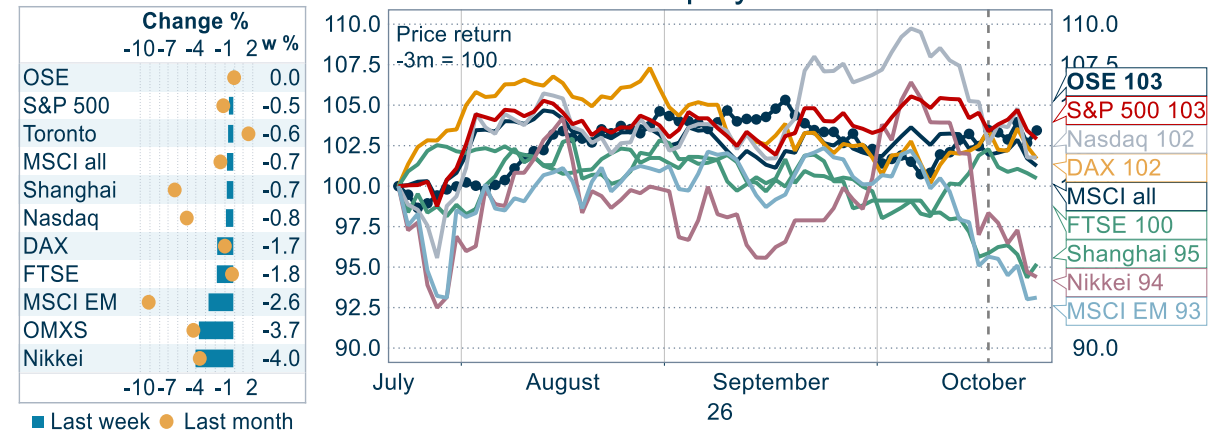


4. Financial Markets

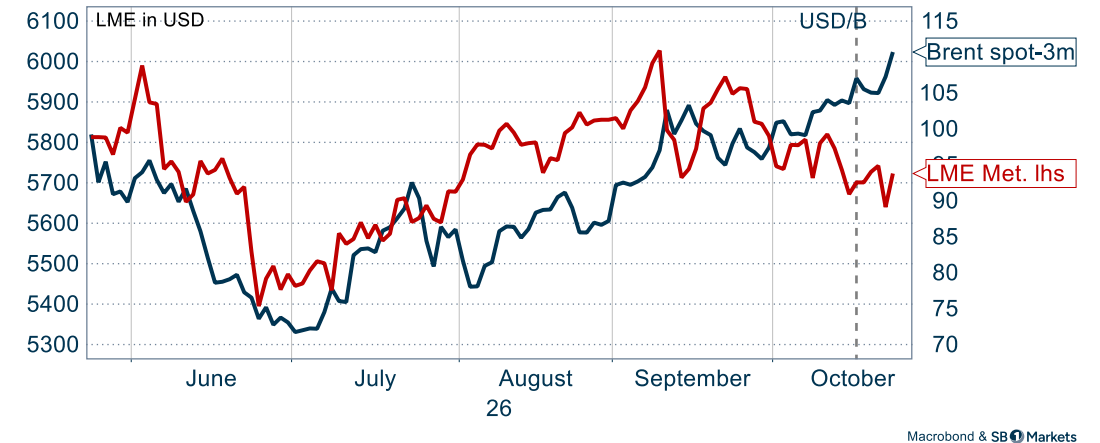
All equity markets but Oslo down, almost all yields but the French down. NOK up, with oil

... and a further lift in European gas prices. Oil product spreads narrowed further and compensated for most of the lift in crude prices. Metal prices rose slightly. The EUR has depreciated 2.5% since late August, of which 0.5% last week as the French spread 'exploded' to 169 bps.

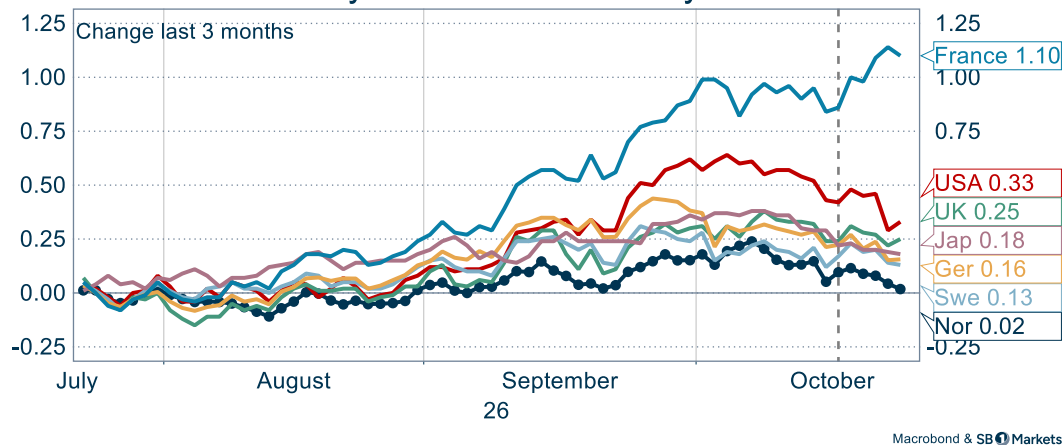
Equity Indices



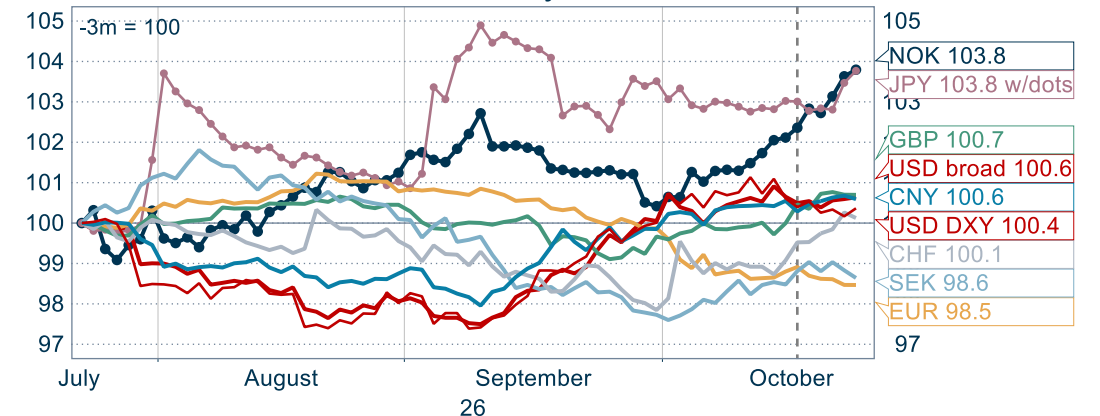
Oil vs. metals



10 y Government bond yields



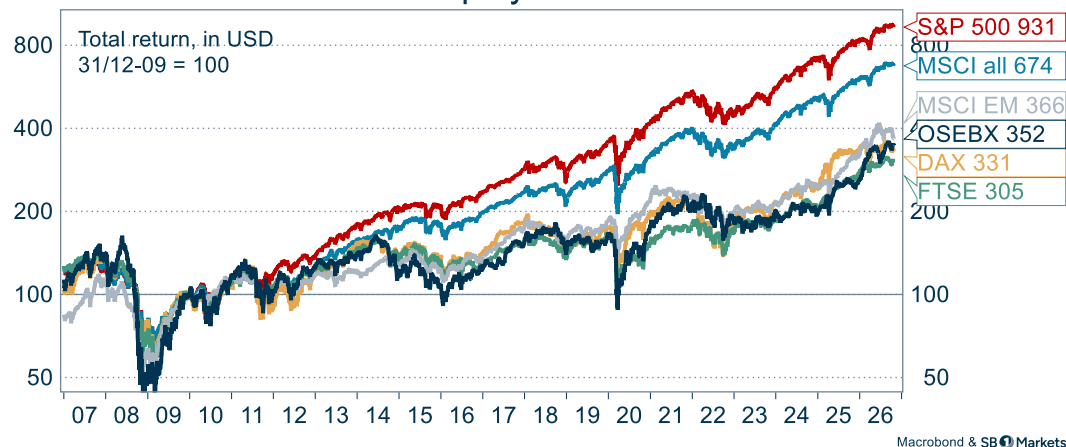
Currency indices



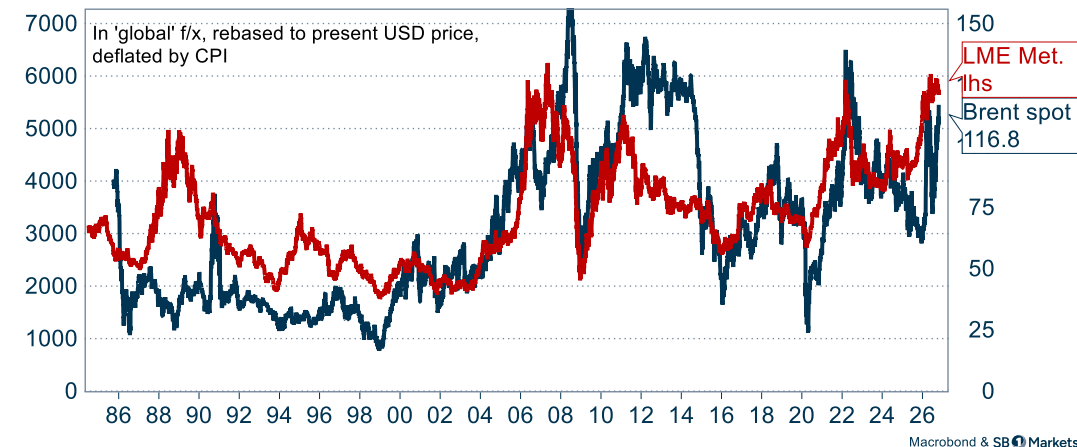
Big picture: Equity markets, bond yields and metal prices are on the way up

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.

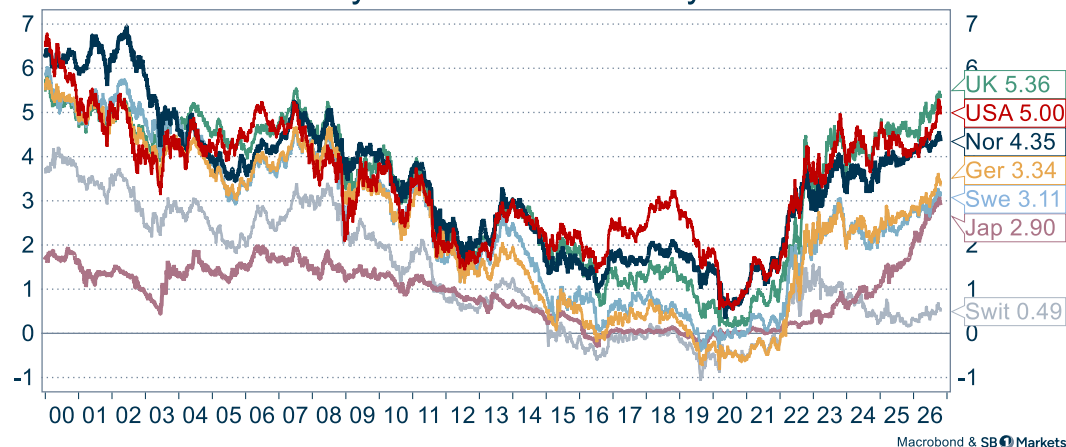
Equity Indices



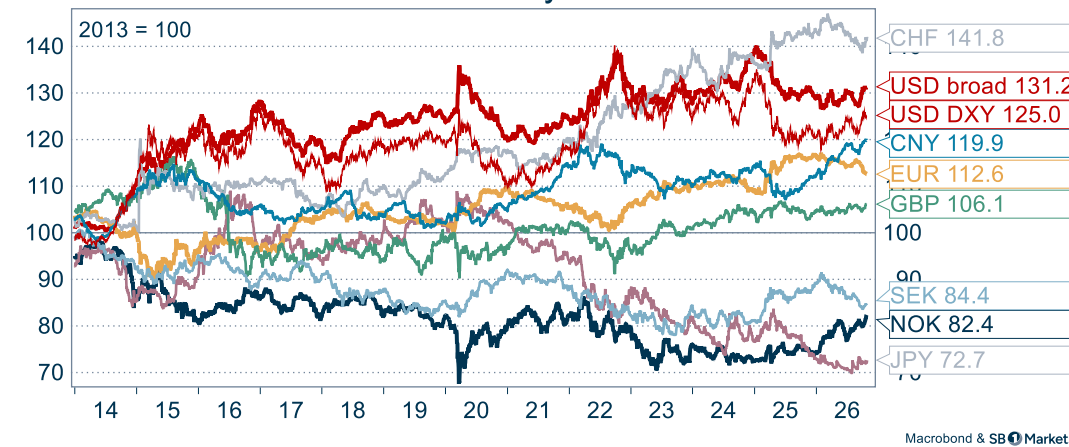
Oil vs. metals



10 y Government bond yields



Currency indices

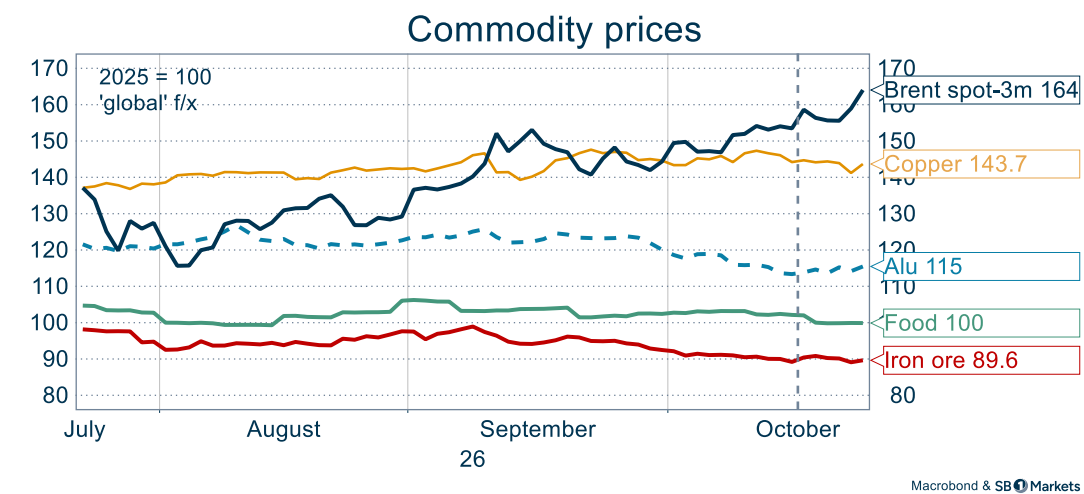
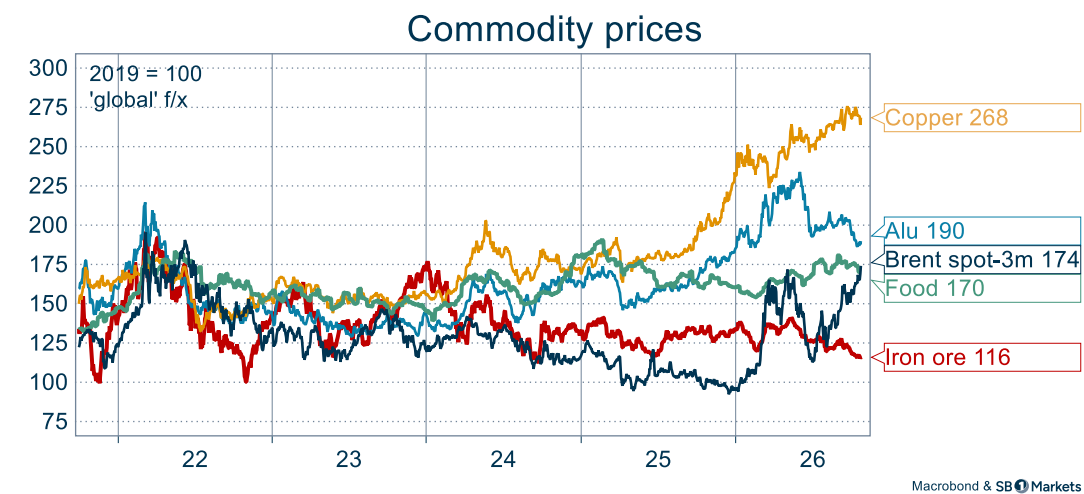
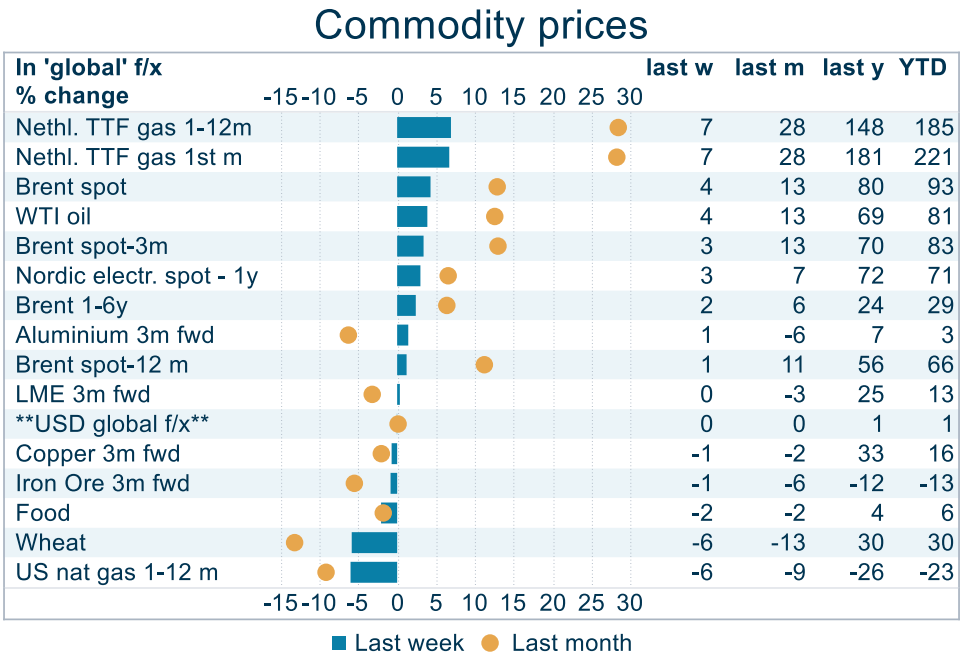
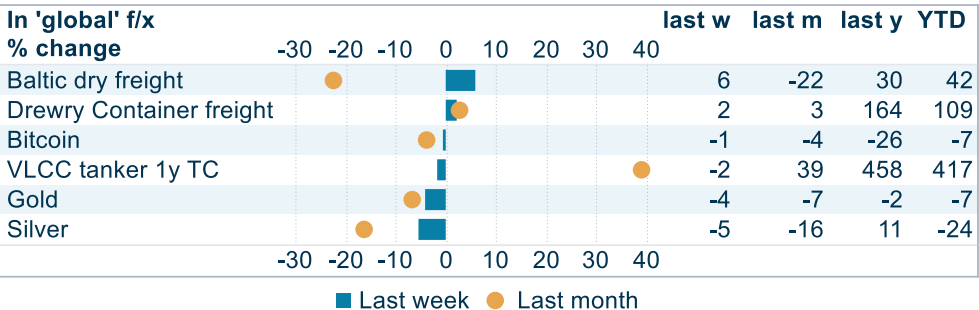




4.1 Commodities

Commodity prices: European gas prices at a new cycle high, oil up (but crack spreads fell)

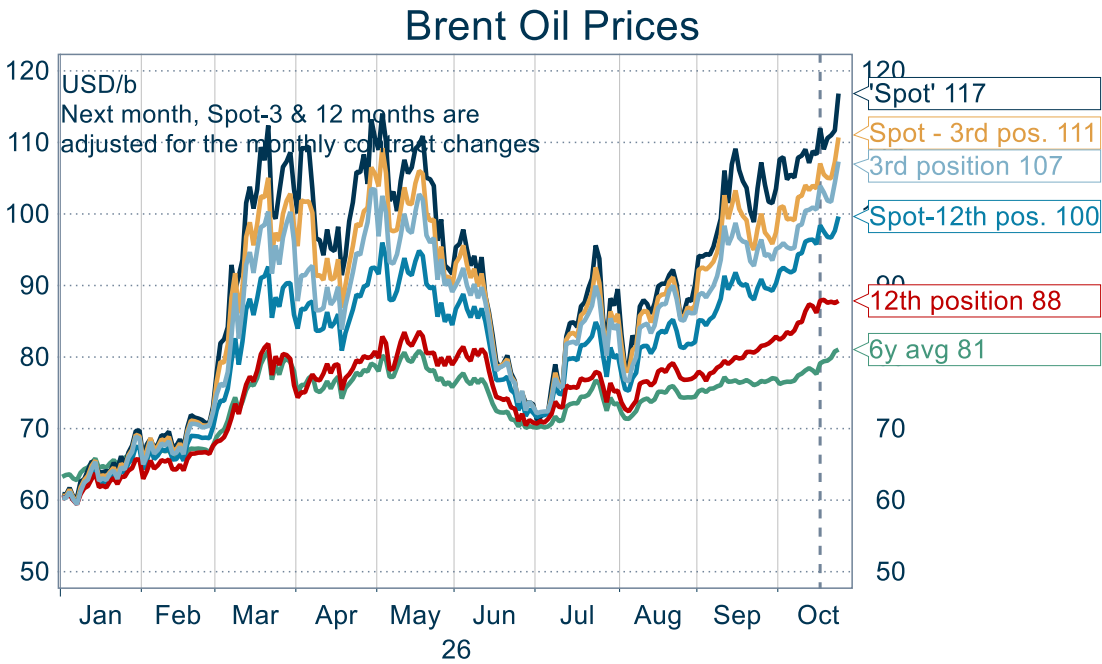
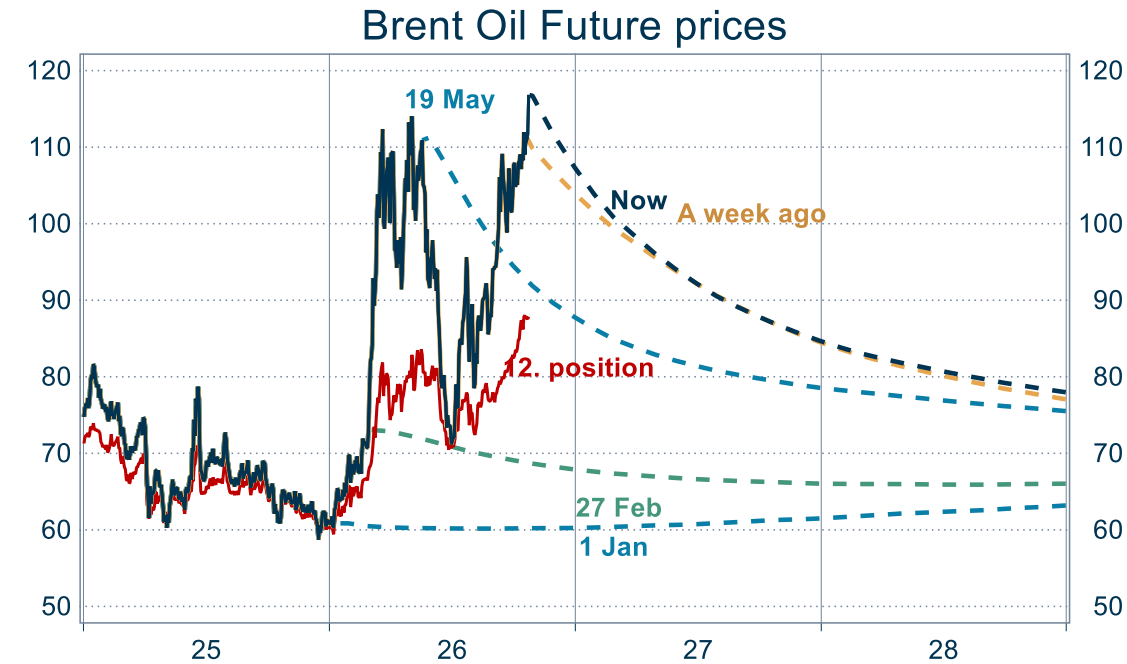
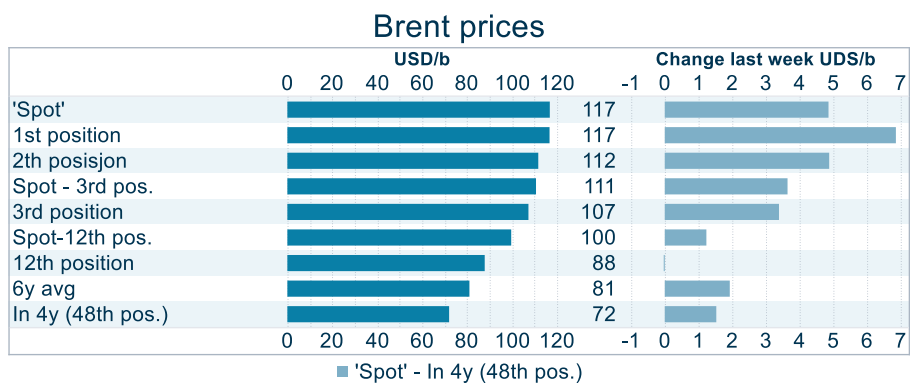
Food prices fell further, while industrial metal prices were mixed (precious metals declined further).
Tanker rates flattened, following a steep increase.



Macrobond & SB Markets

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

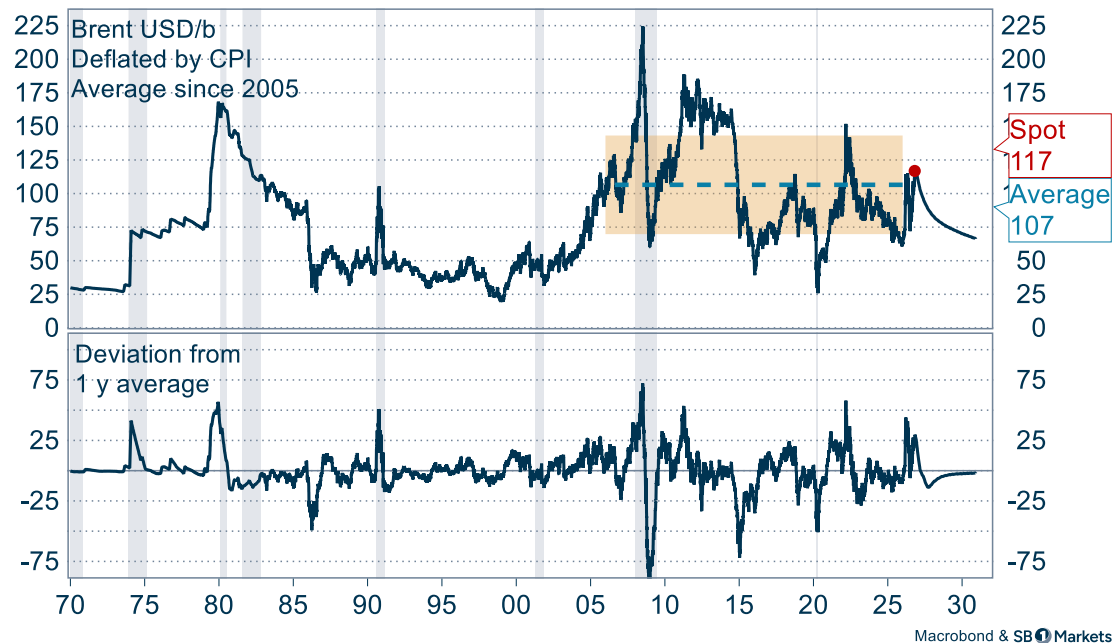
Oil prices further up, to new 2026 peaks



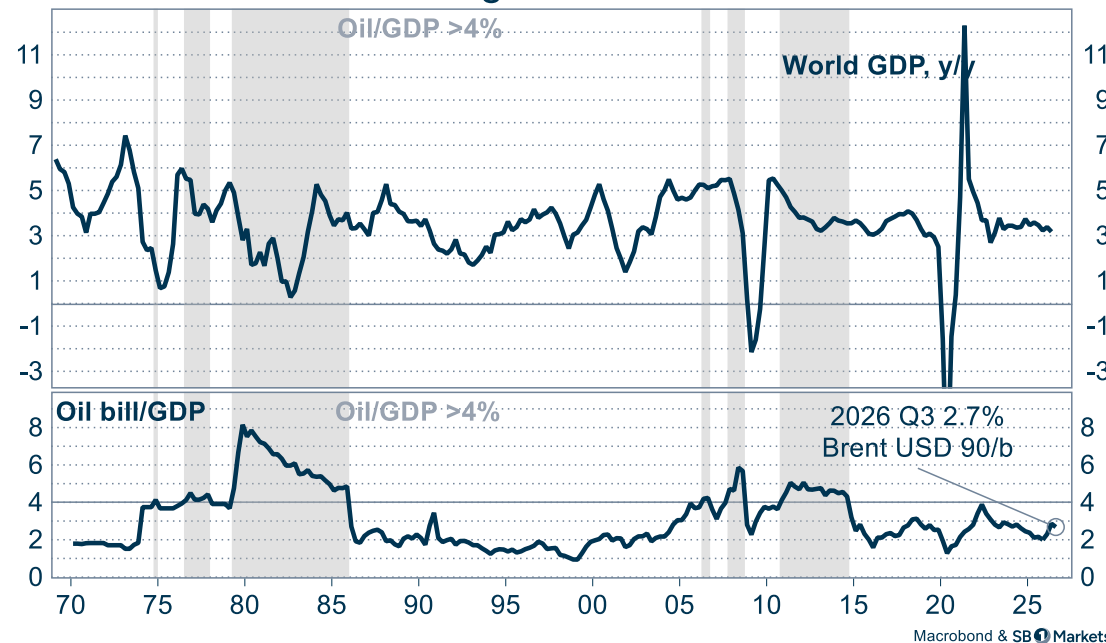
The current oil spot price is *not the problem*

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.

The Real Oil Price

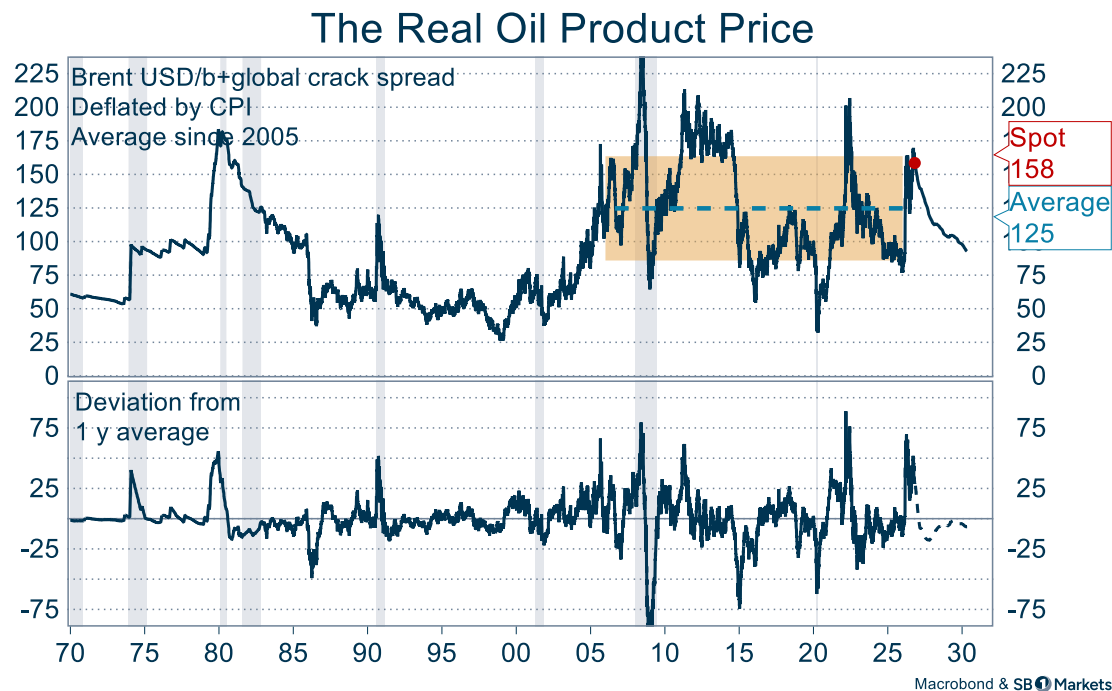
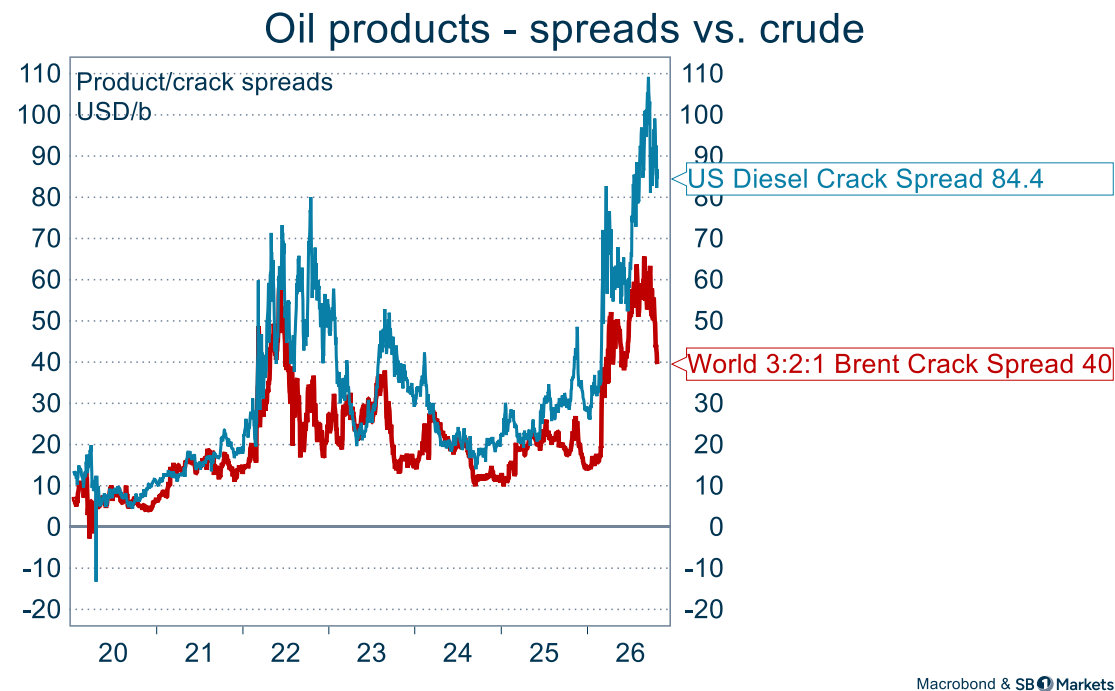


World GDP growth vs the 'oil bill'



Including **product spreads**, the price level is 25% above the 20y average

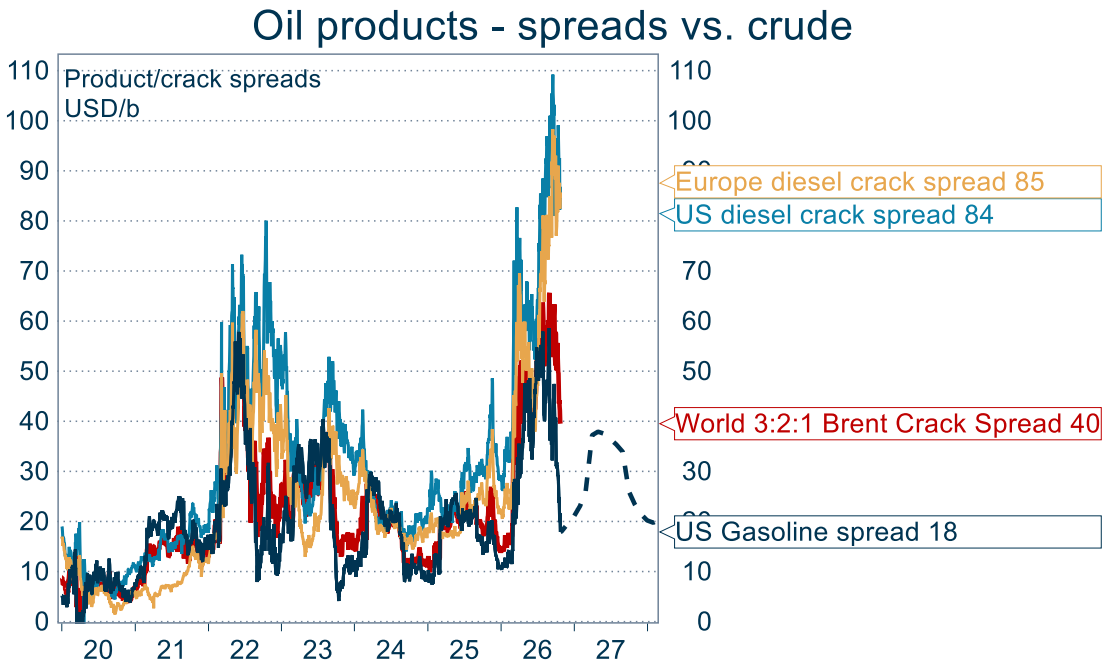
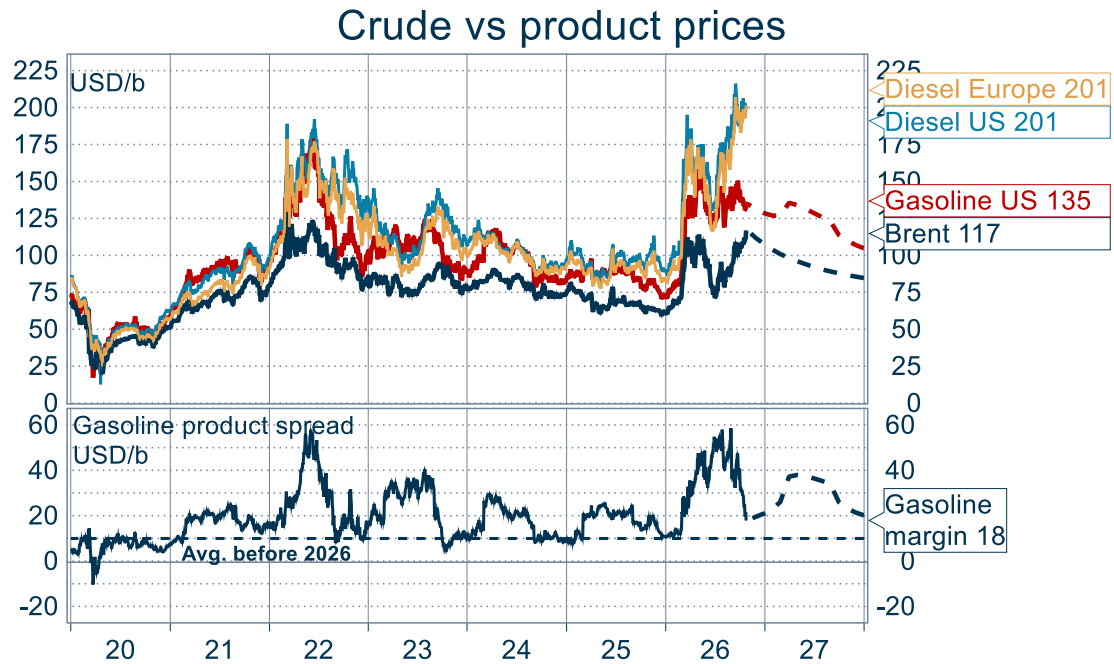
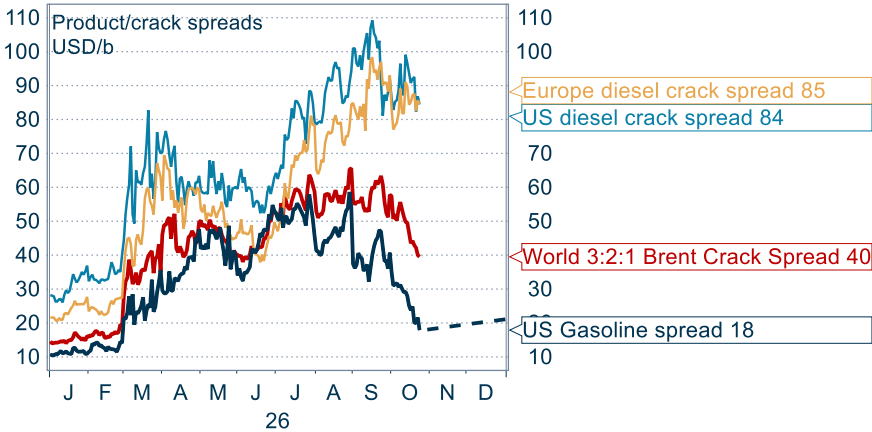
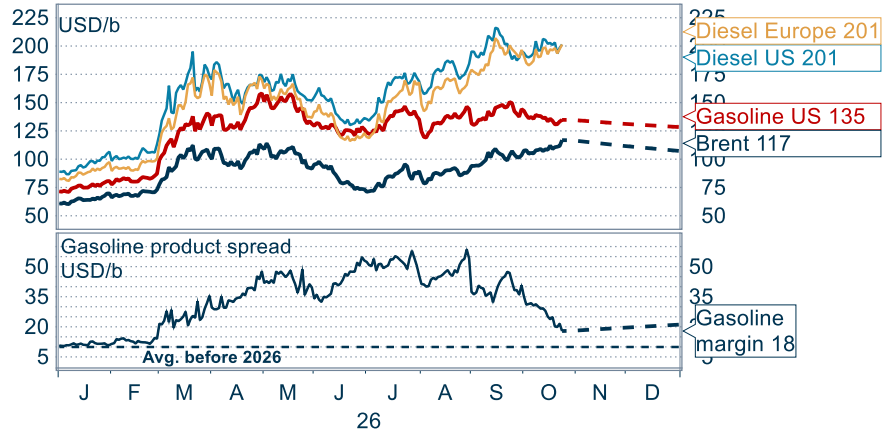
... but still lower than in the 2011–2014 period. Last week, product spreads fell further and dampened the lift in crude prices
(more product spreads on the next page.)



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

Oil products: spreads further down

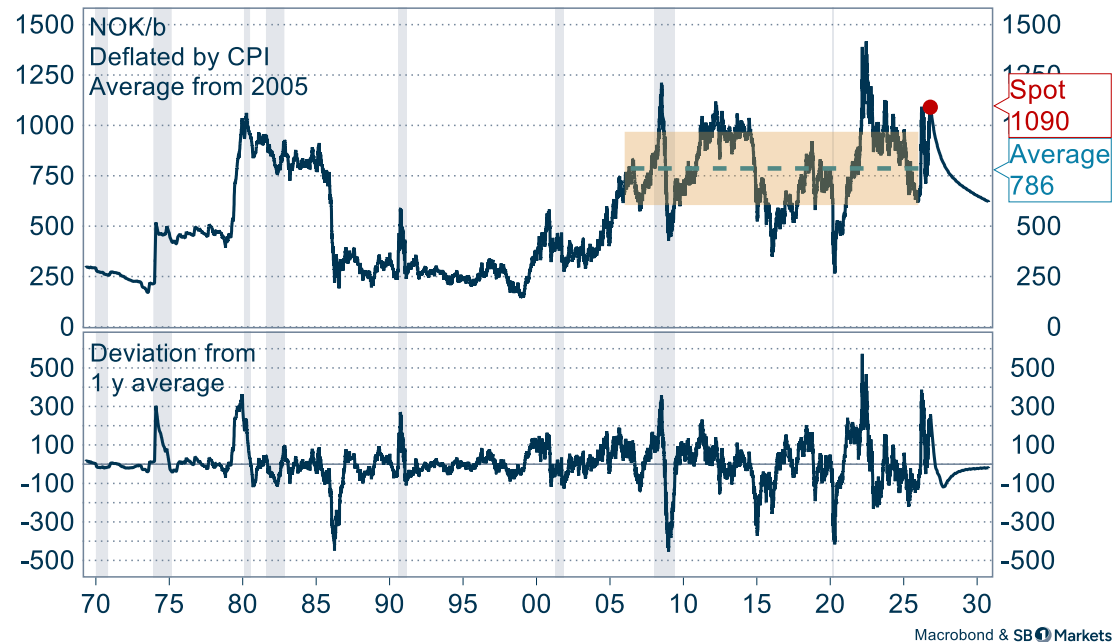
The world avg. spread fell to USD 40/b, from 44/b a week ago and above USD 60/b at the peak. The US gasoline spread has fallen to USD 18/b, from 26/b a week ago and almost USD 60/b at the peak but futures remain lofty. However, crude prices rose substantially...



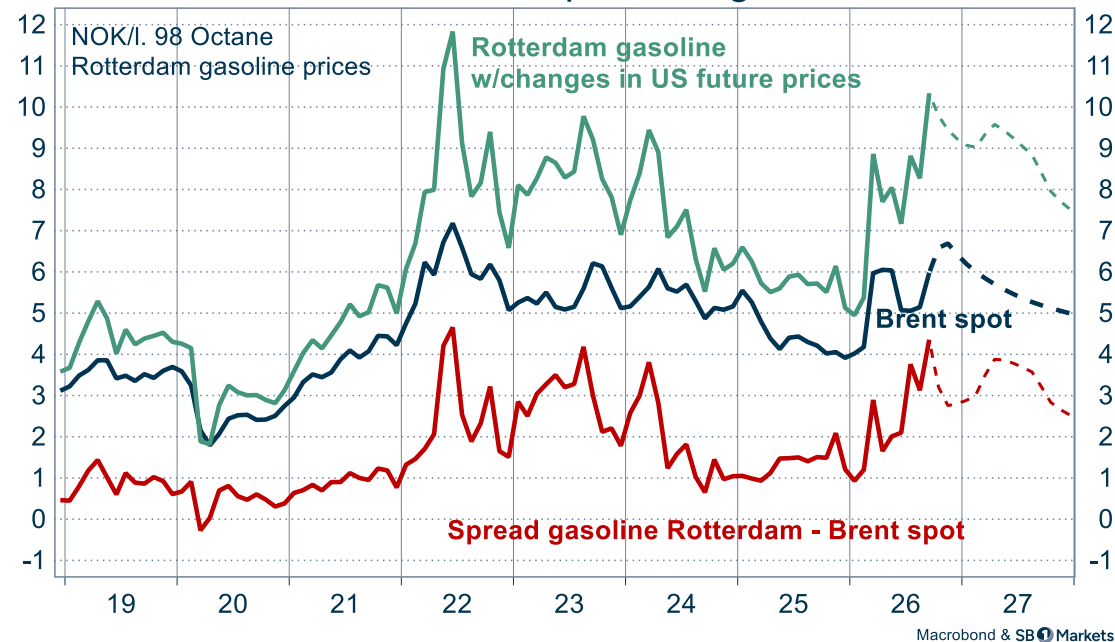
Measured in a weak NOK, the real oil price is 40% above the 20y average

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

The Real NOK Oil Price



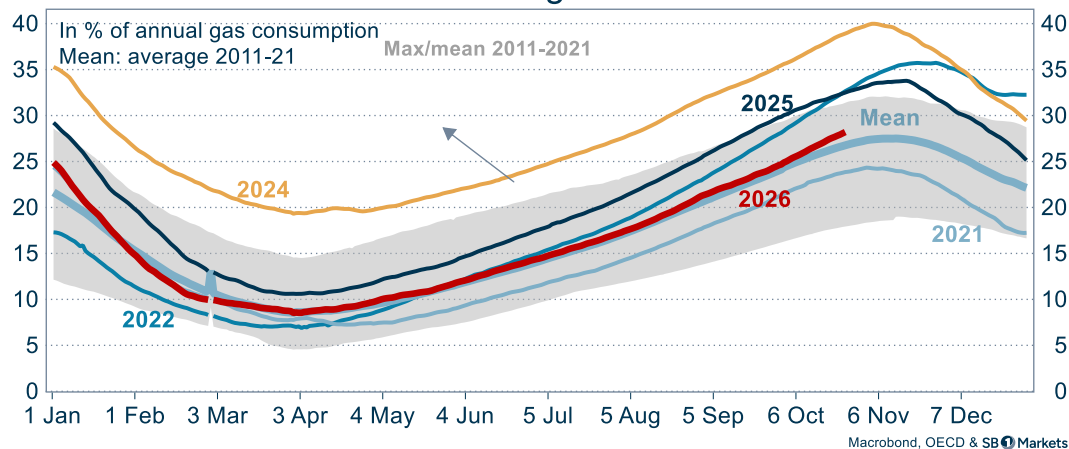
Brent vs. market price on gasoline



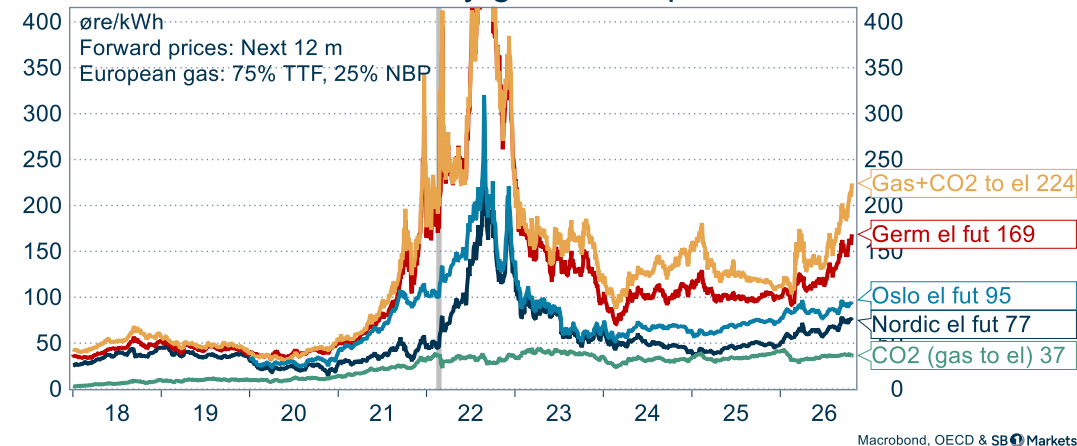
European natural gas stocks are record-low, but not vs. gas consumption (which is down)

The inventory is slightly above average vs. annual gas consumption. However, prices shot up to another cycle high last week.

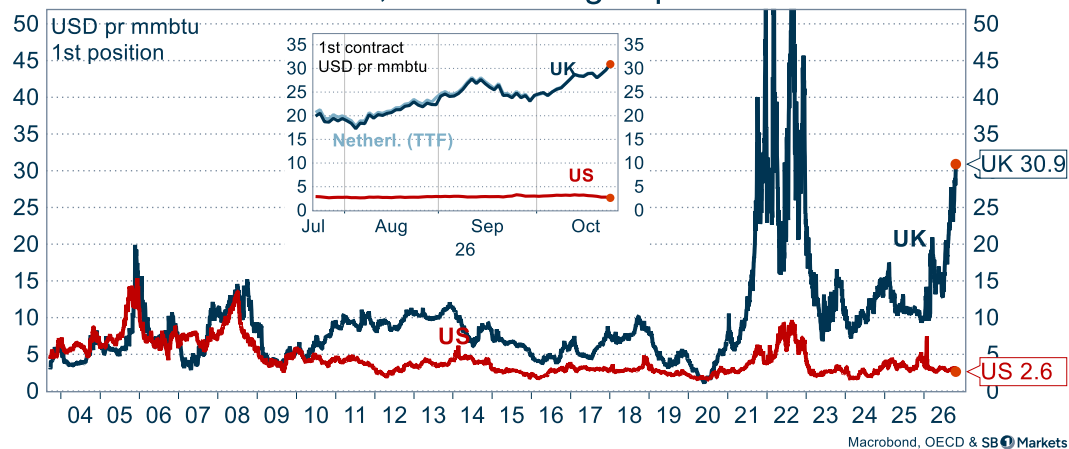
EU natural gas stocks



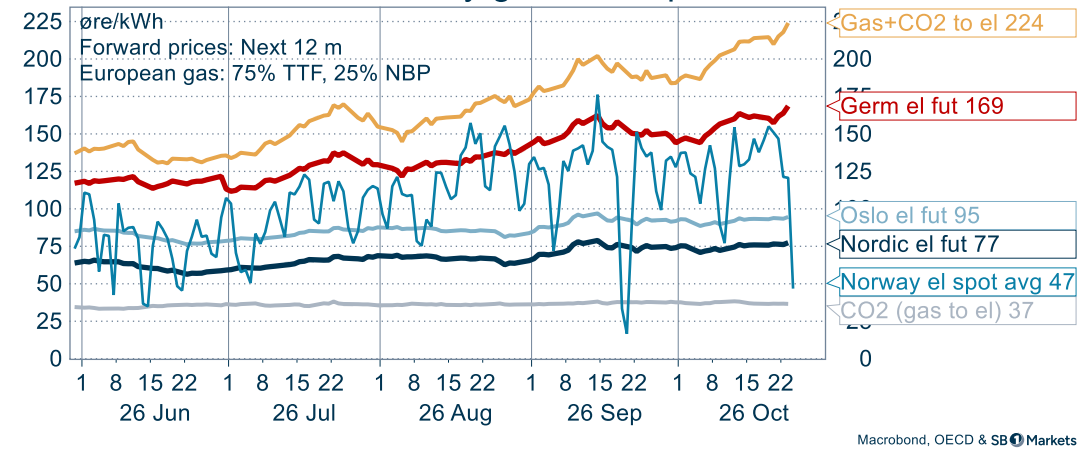
Electricity/gas future prices



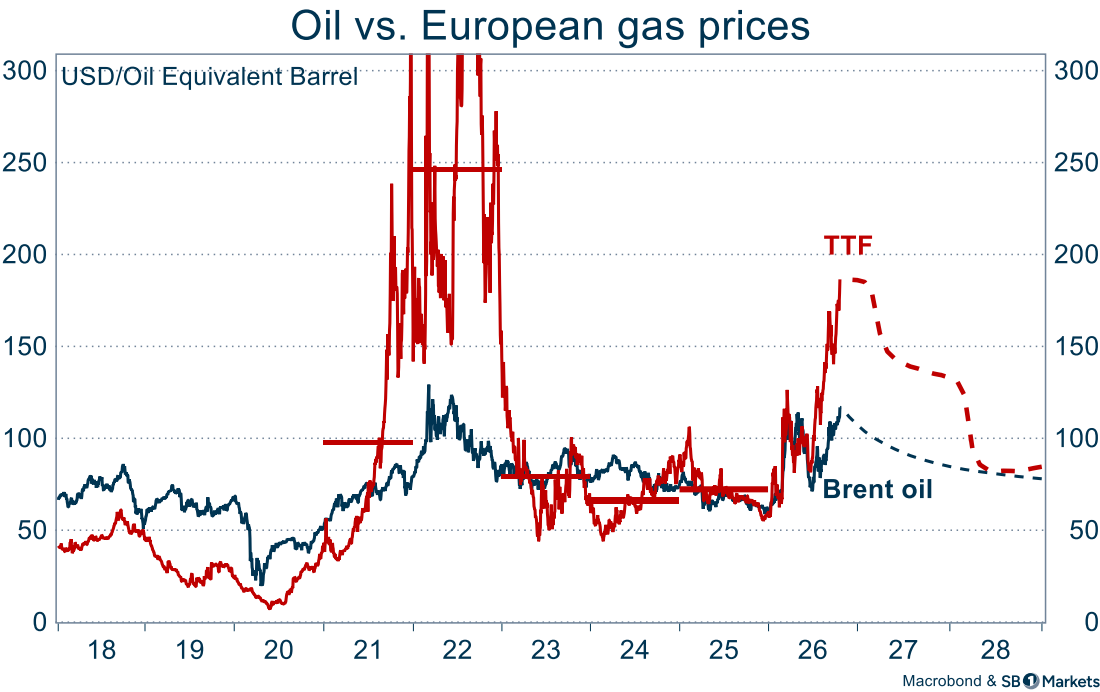
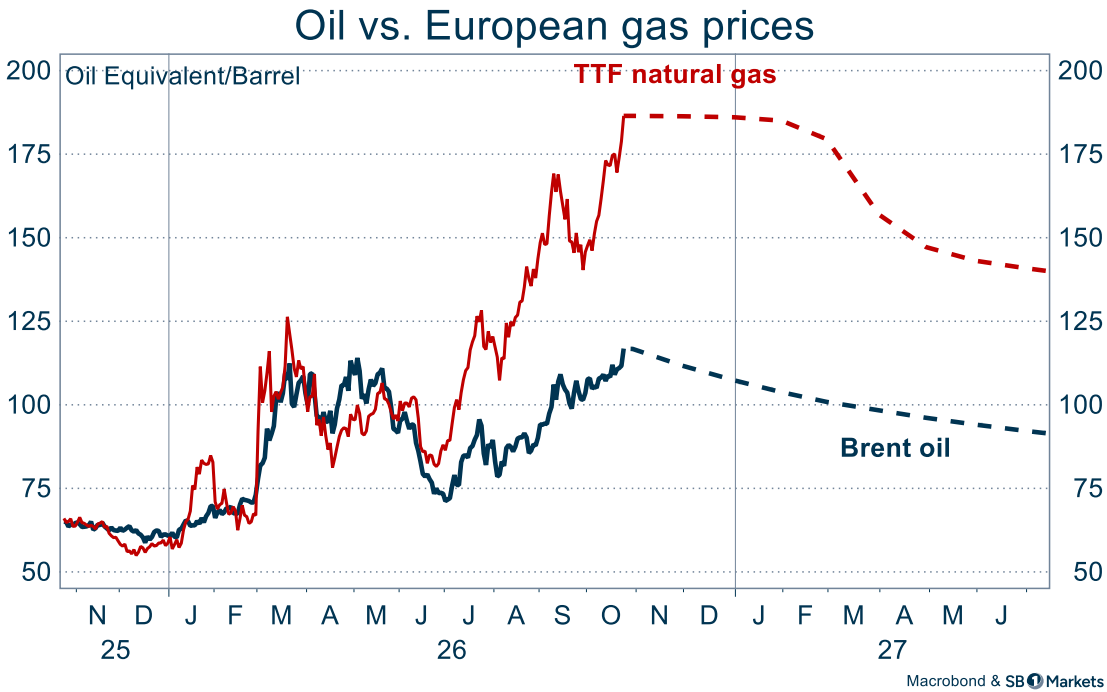
UK, US natural gas prices



Electricity/gas future prices



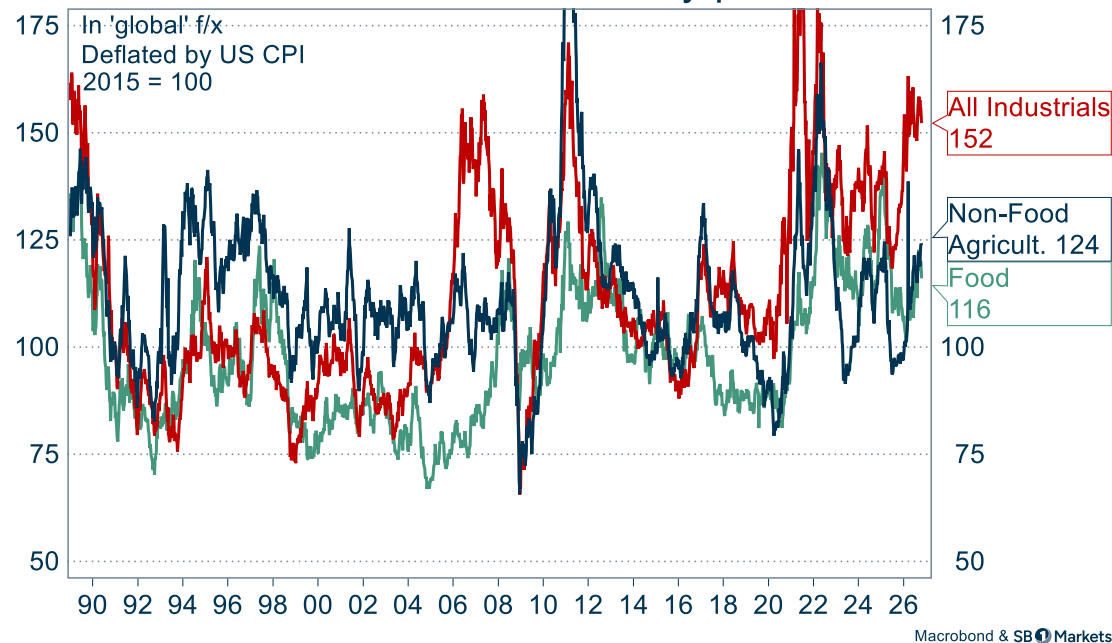
European natural gas prices up to another **cycle high**



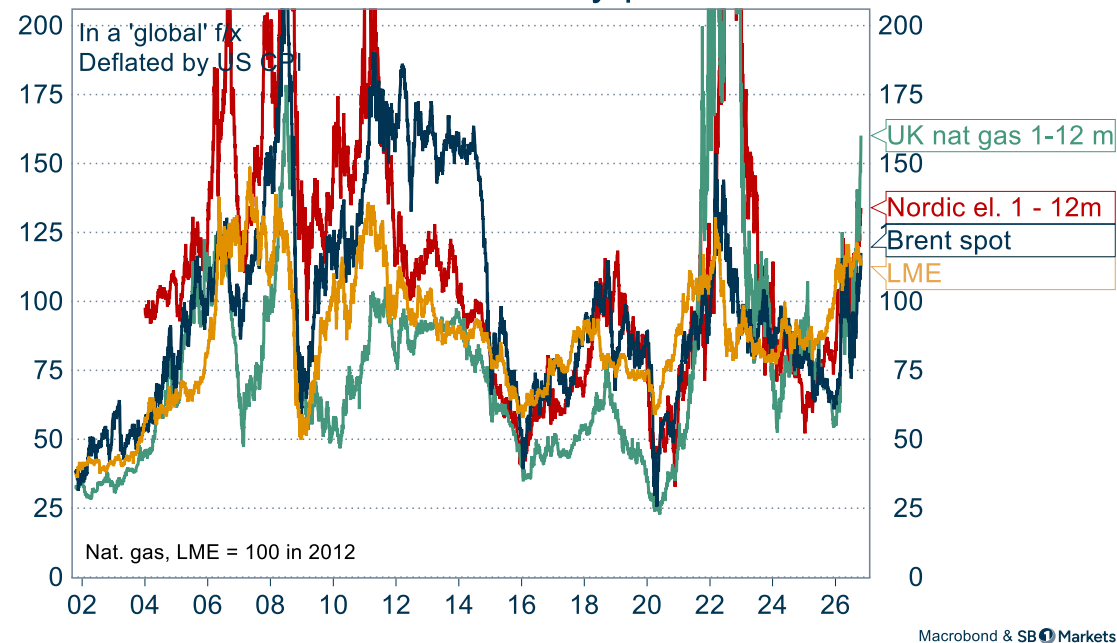
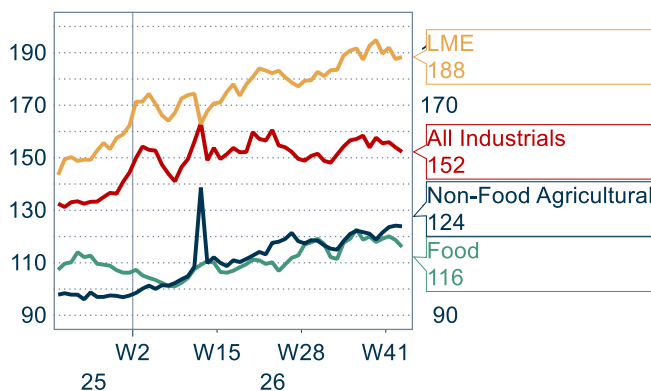
Big picture: industrial commodities far above normal levels, have flattened in 2026

Food prices have been trending down since the war in Ukraine started but are up 10% in 2026. Non-food agricultural prices are up 25%. Industrial material prices are high overall, driven by metals, but have flattened. **Taken together, still some inflationary signals.**

The Economist - commodity price indices

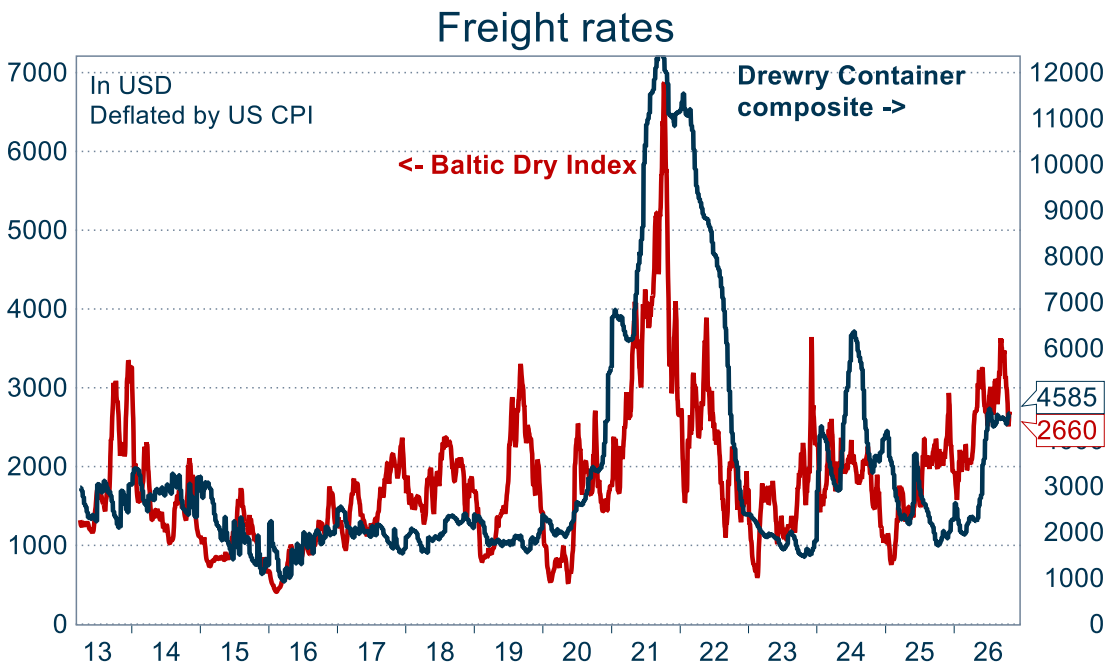
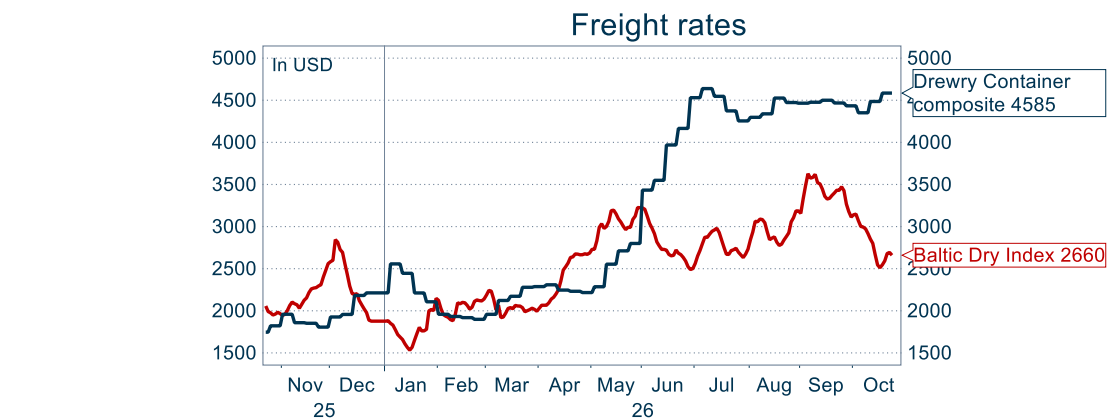
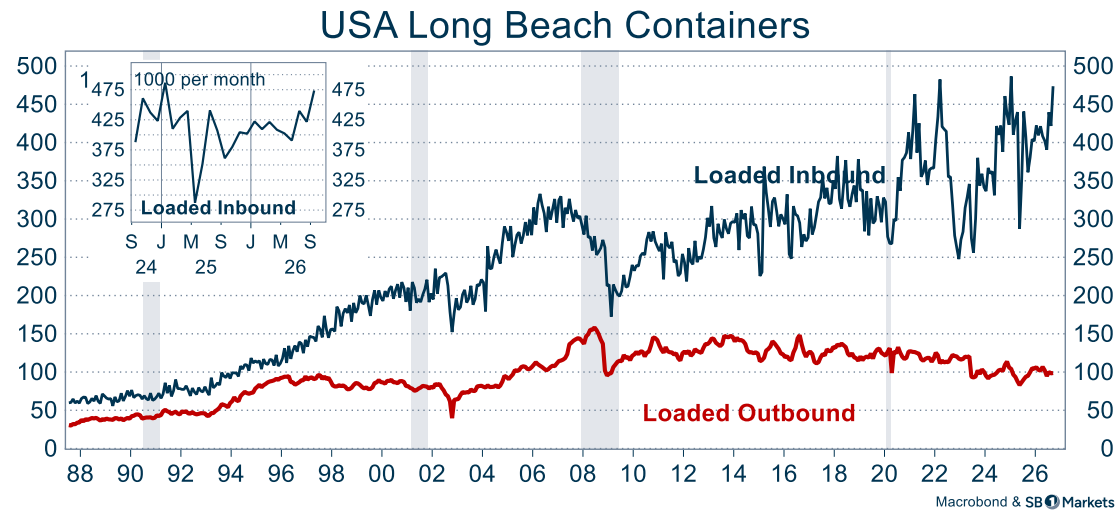
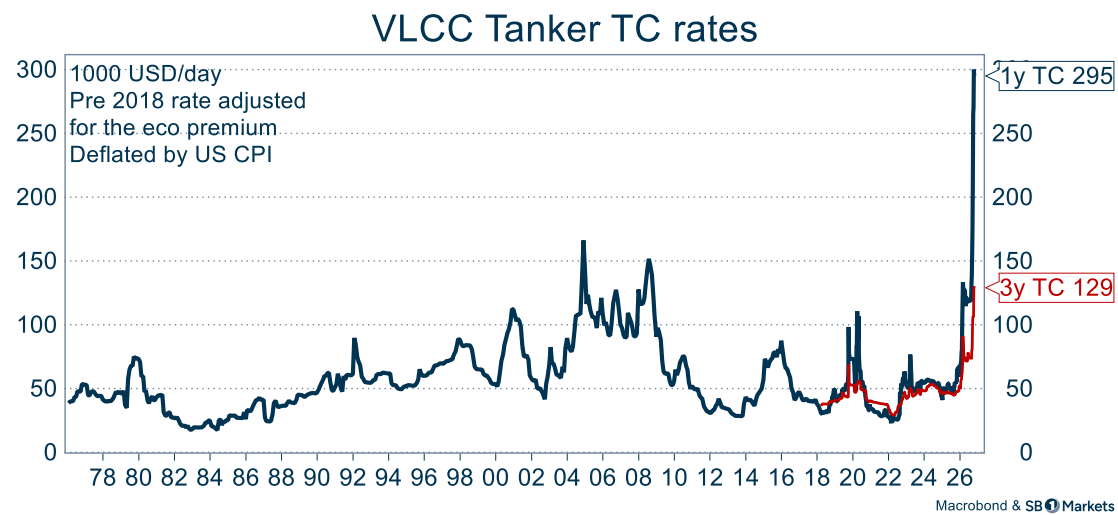


Commodity prices



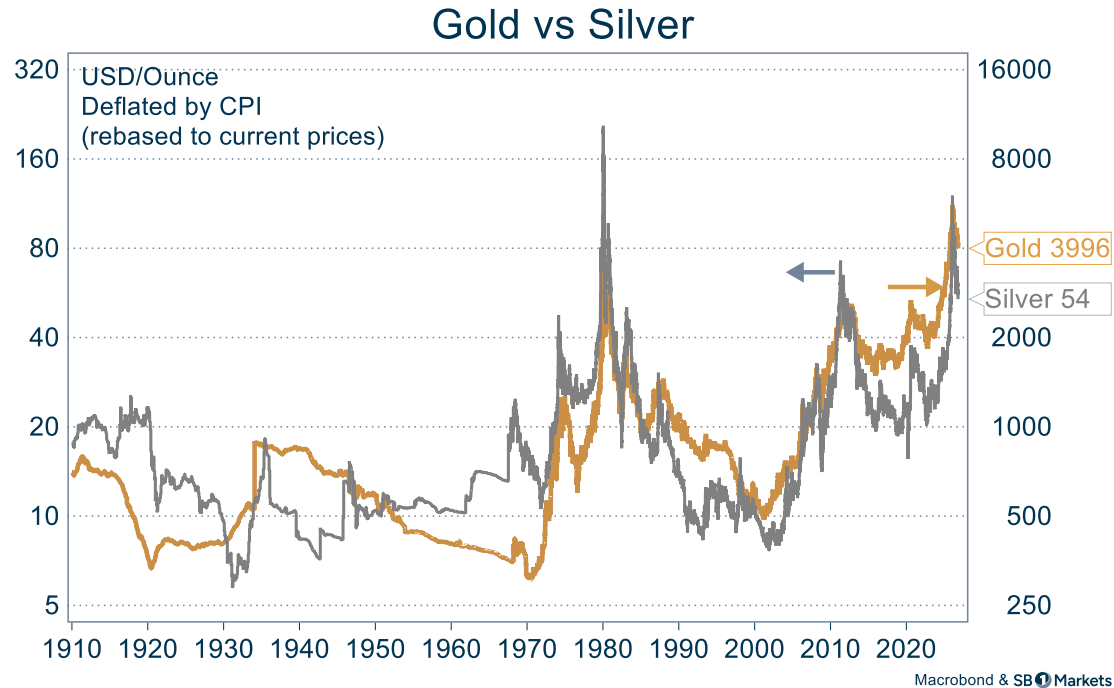
Tanker rates flattened following a wild ride, while dry bulk rates have fallen in recent weeks

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



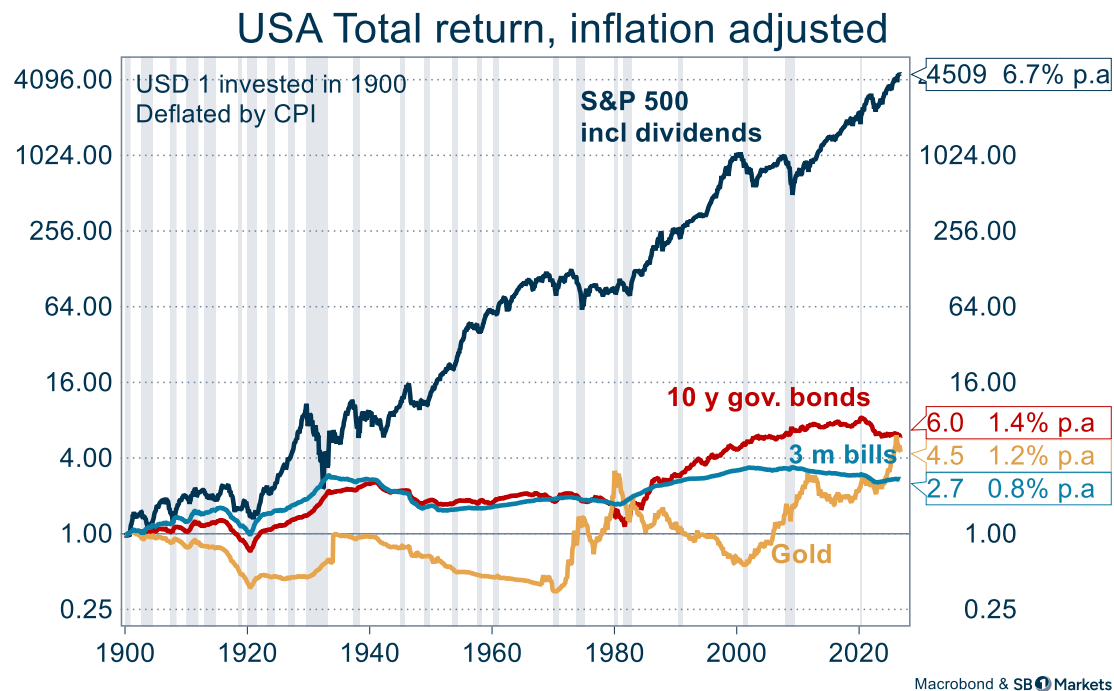
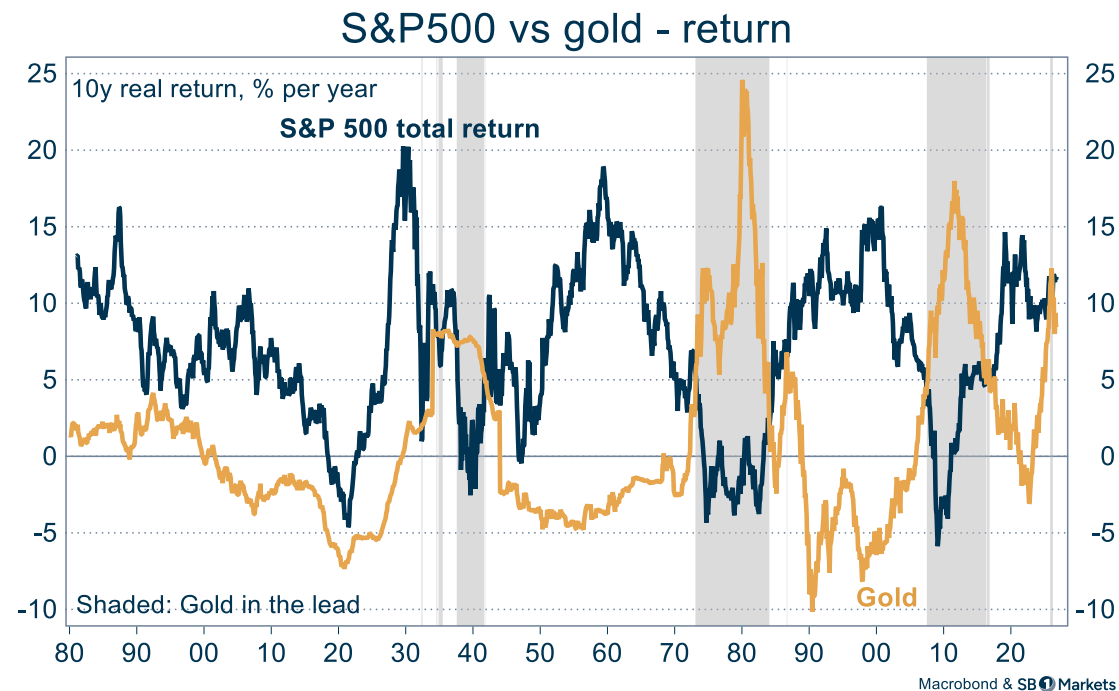
Gold and silver prices are trending down

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.

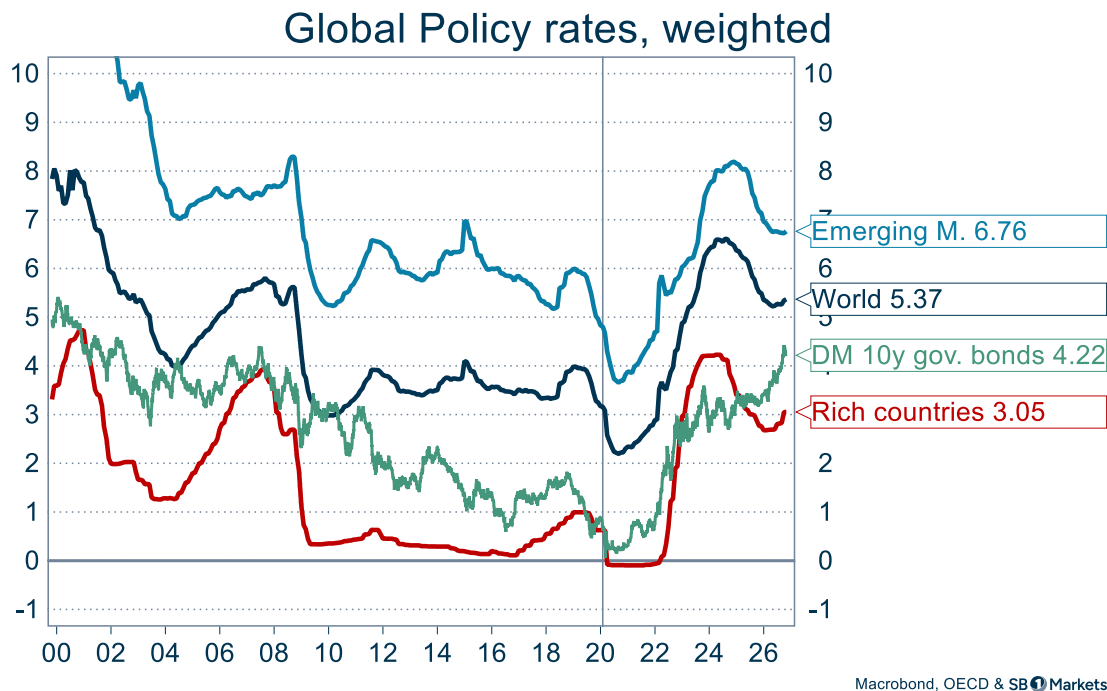
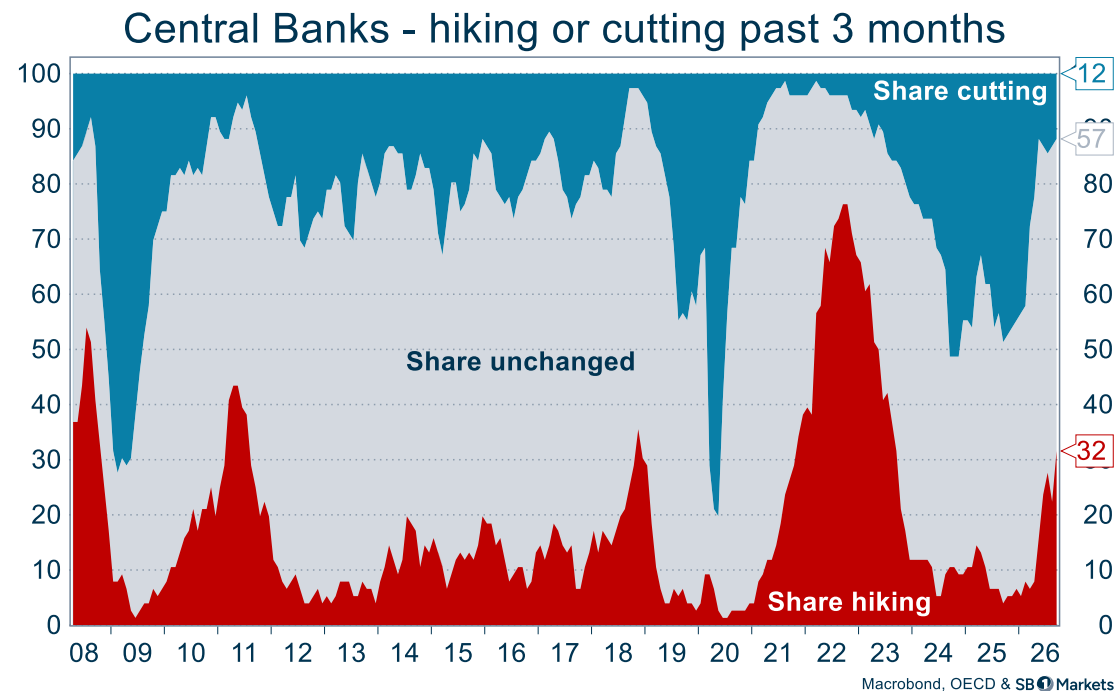




4.2 Interest rates & credit markets

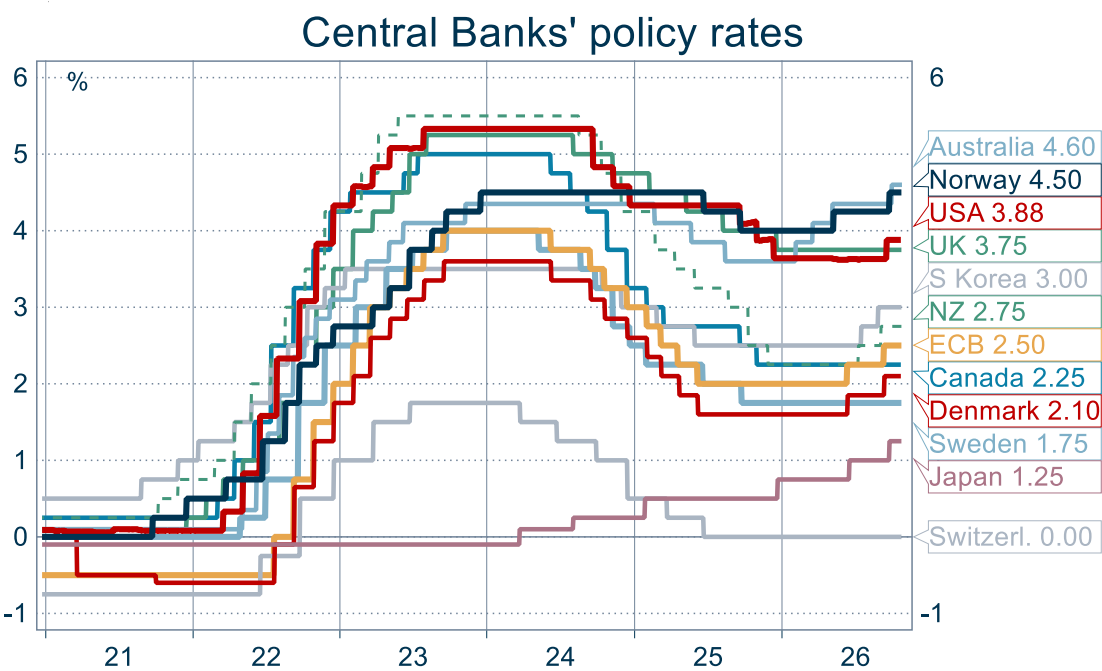
In the past 3 months, 32% of central banks have hiked, while 12% have cut

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 5.4%. In DM, 3.05%. The average DM long-bond yield has trended up to **the highest level since before the Financial Crisis, at 4.26%.**



US rate expectations followed AI share prices down. Mixed elsewhere

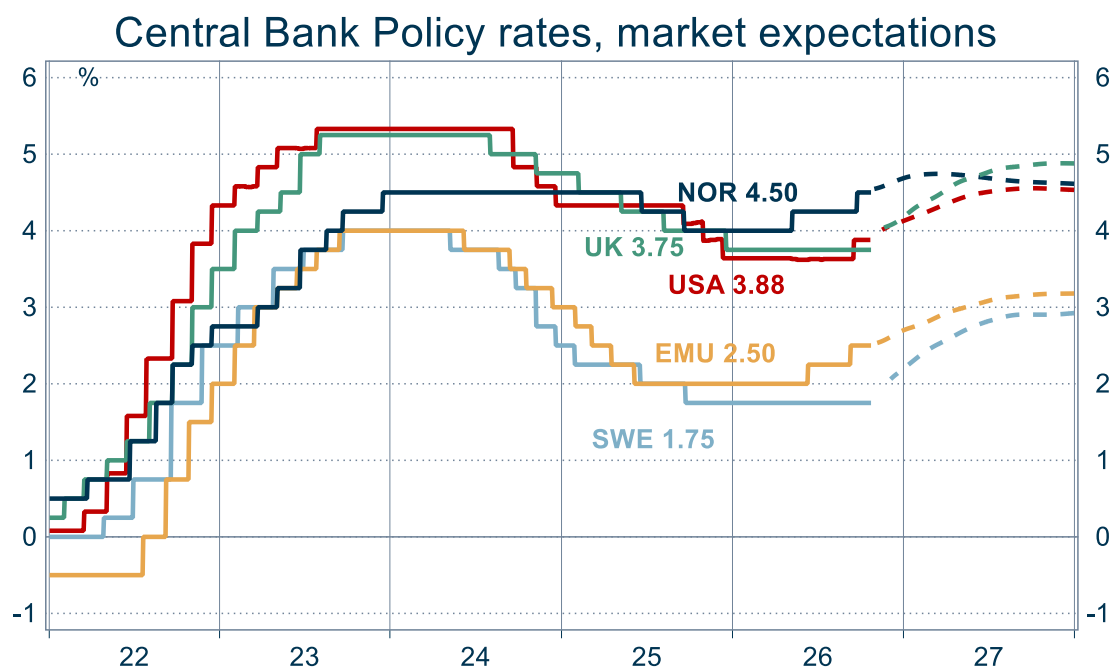
The probability of a 2026 ECB hike has fallen to 2/3. By the end of 2027, in sum 3 hikes. In the US 1+2; UK 1½+3; Sweden 1+3½. In Norway, 60% for another hike in 2026, or 100% in Q1-27. The curve is just marginally down until Q4-27, when a cut becomes likely.



- 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%)

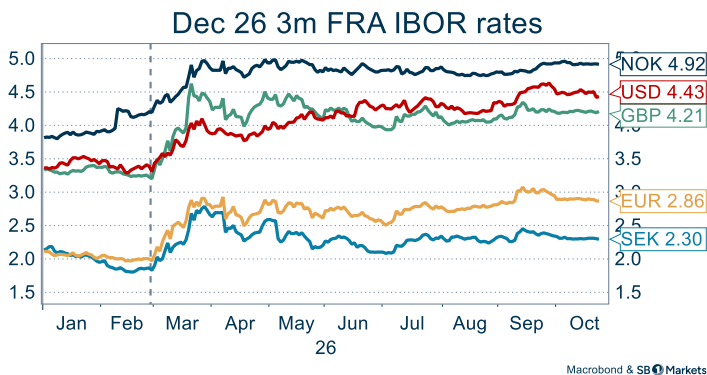
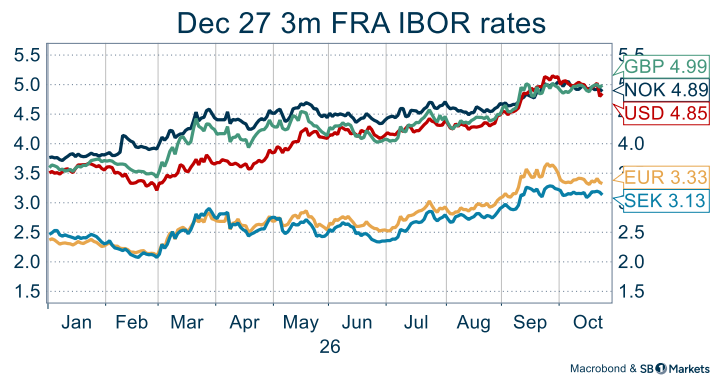
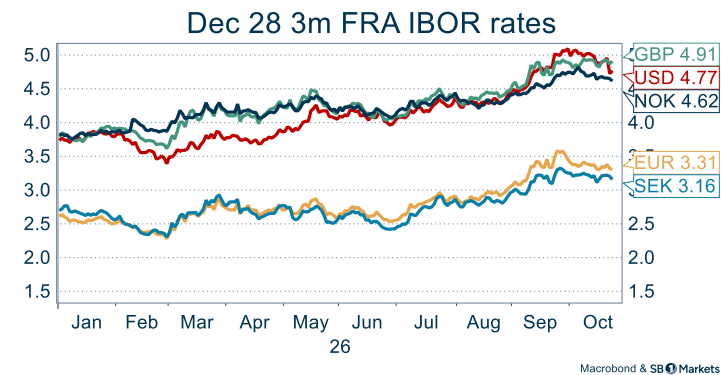
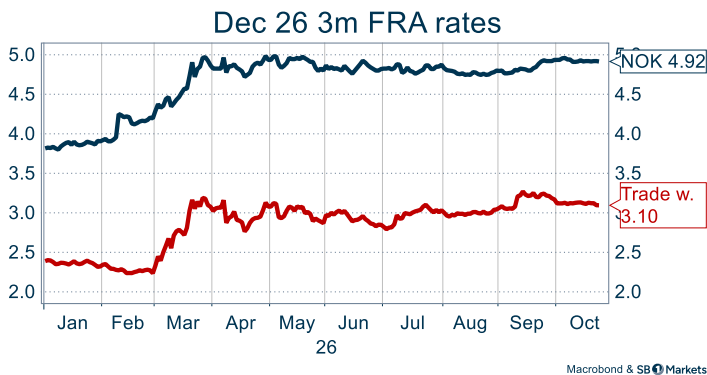
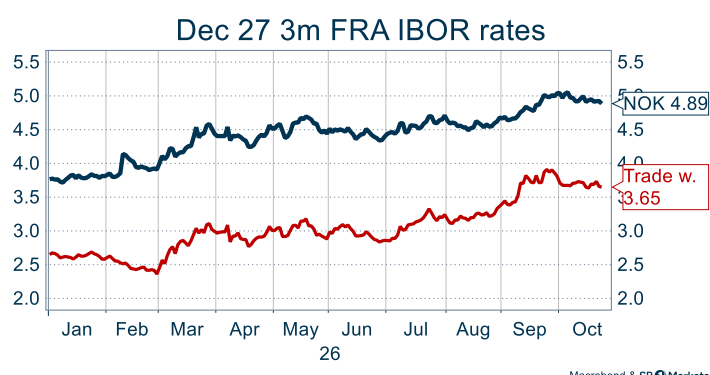
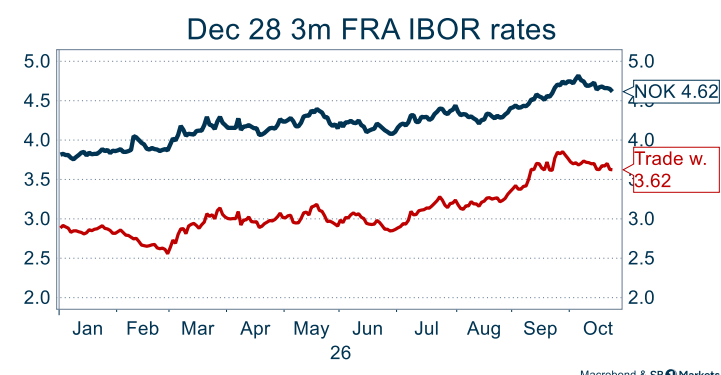
- The list of hikers**
- Japan (+130 bps, to 1.25%)

- 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	0.22	0.36	0.16	0.24	0.15
End of 2026 (market)	4.10	4.11	2.66	1.99	4.65
... Change last week	-0.05	0.00	-0.04	0.20	-0.01
Change through 2027	0.44	0.77	0.52	0.90	-0.04
End of 2027 (market)	4.54	4.88	3.18	2.89	4.62
... Change last week	-0.07	0.11	0.01	0.10	-0.04

FRAs: USD (and NOK) rates down, GBP rates up. EUR & SEK rates close to unchanged



Dec 26 3m FRAs

	Close	1w	1m	YTD
NOK	4.92	0.00	0.00	1.10
USD	4.43	-0.04	-0.18	1.07
GBP	4.21	0.02	-0.03	0.88
EUR	2.86	-0.02	-0.17	0.76
SEK	2.30	-0.01	-0.09	0.16

Macrobond & SB Markets

Dec 27 3m FRAs

	Close	1w	1m	YTD
GBP	4.99	0.11	0.00	1.40
NOK	4.89	-0.05	-0.13	1.12
USD	4.85	-0.06	-0.29	1.35
EUR	3.33	0.02	-0.28	0.95
SEK	3.13	0.01	-0.10	0.67

Macrobond & SB Markets

Dec 28 3m FRAs

	Close	1w	1m	YTD
GBP	4.91	0.09	0.05	1.12
USD	4.77	-0.11	-0.25	1.04
NOK	4.62	-0.05	-0.05	0.80
EUR	3.31	0.01	-0.19	0.70
SEK	3.16	0.00	-0.06	0.46

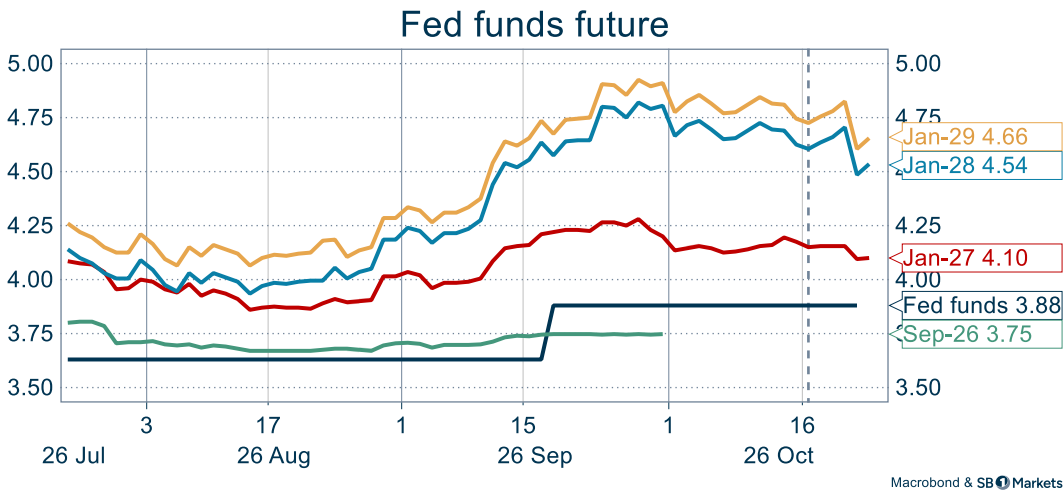
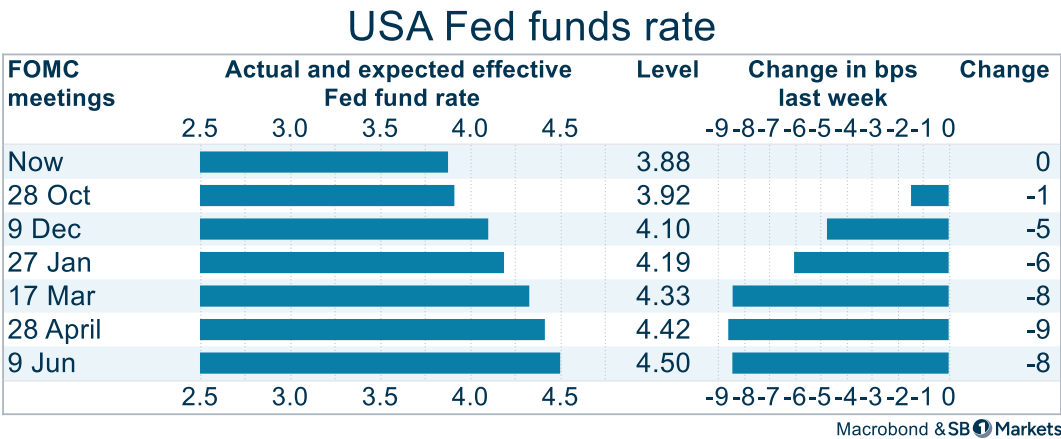
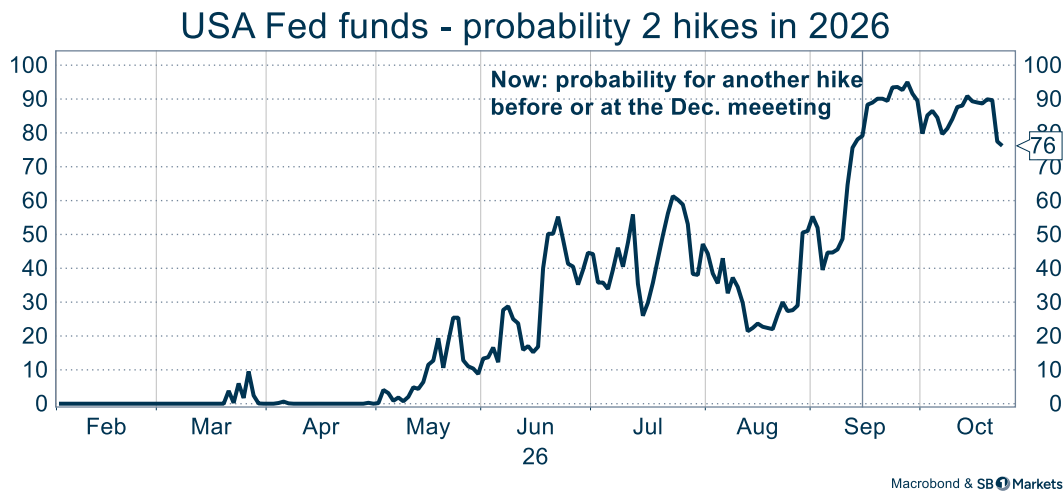
Macrobond & SB Markets

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

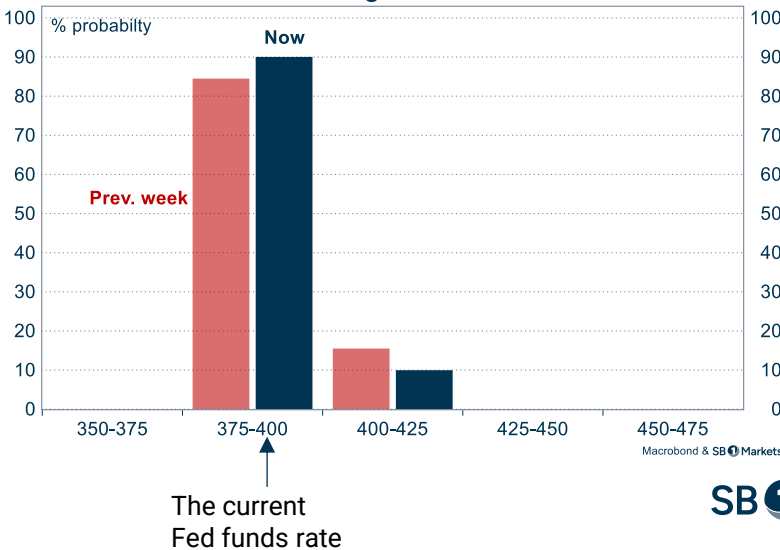


Fed funds: Just a 10% probability of a hike this week

A December 2026 hike is still discounted (in sum 76% of a hike in October or December, down from 89% a week ago).
Next year, two more hikes.

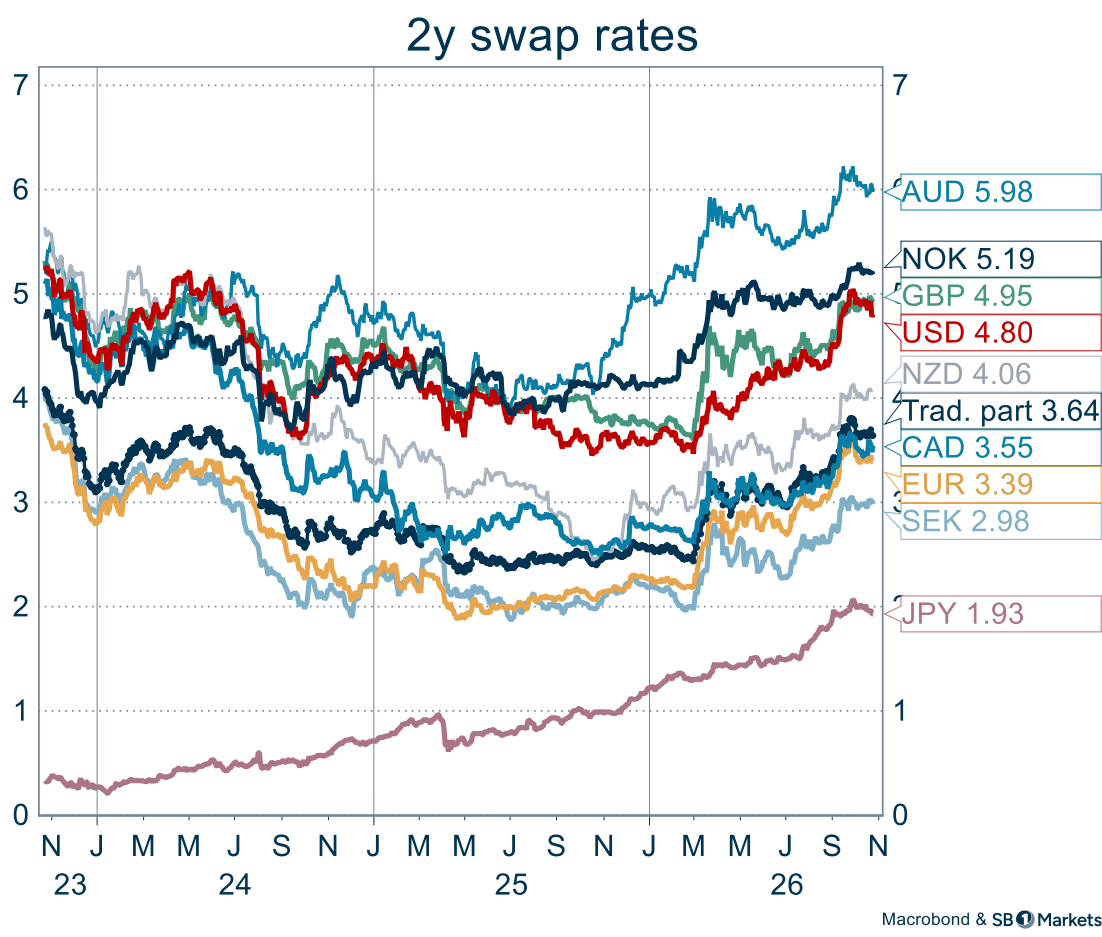
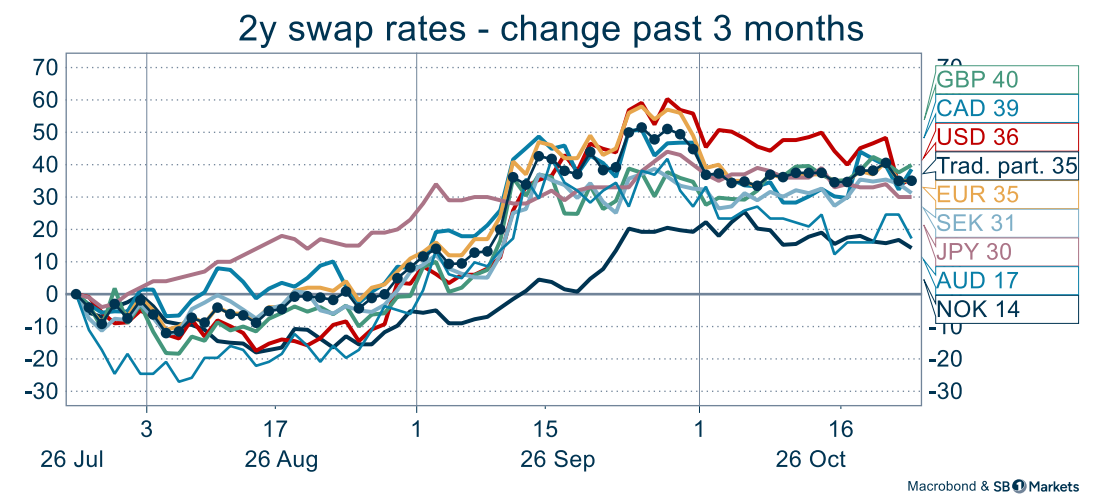
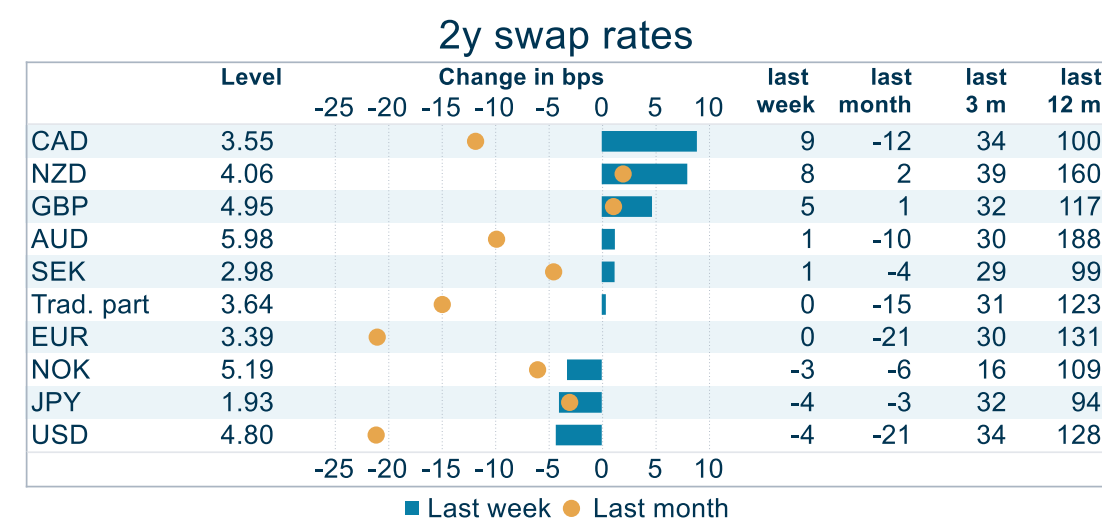


USA Oct-28 FOMC Meeting, Fed Funds Rate, distribution



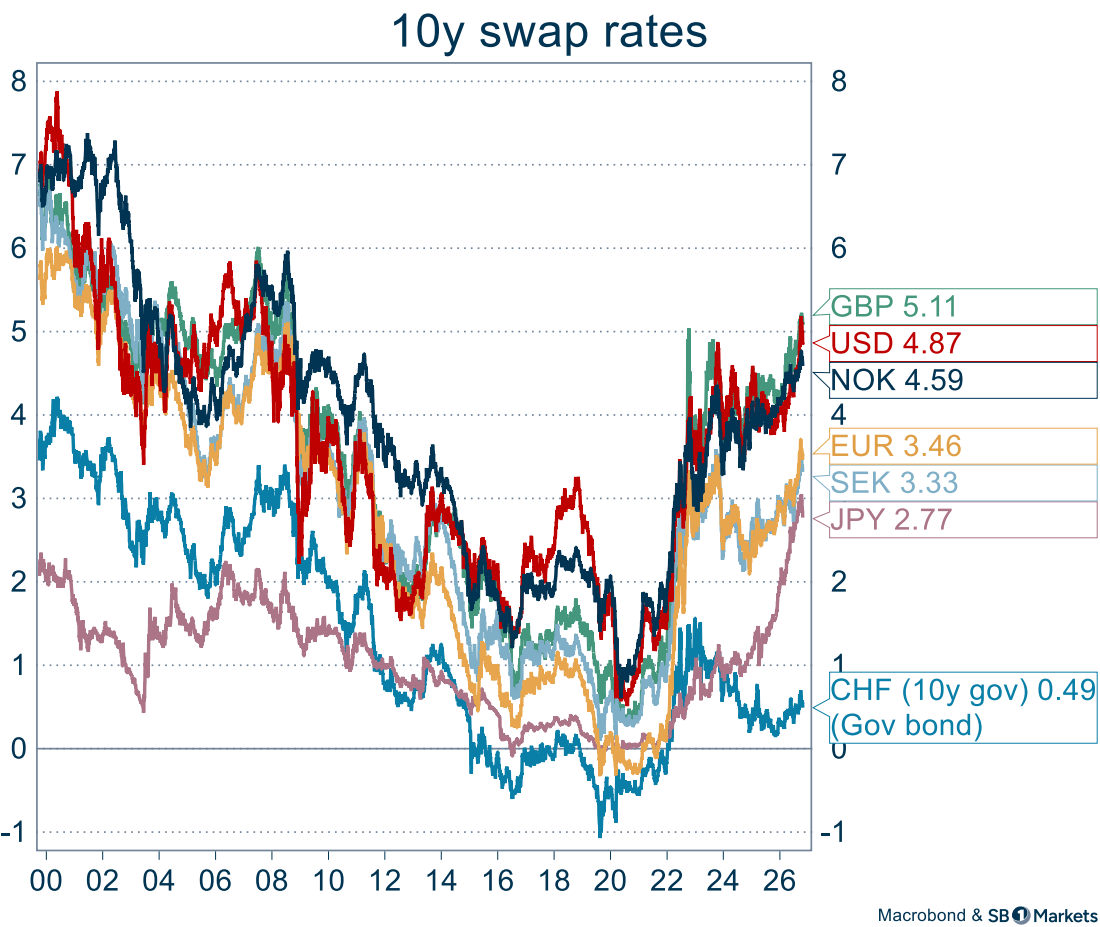
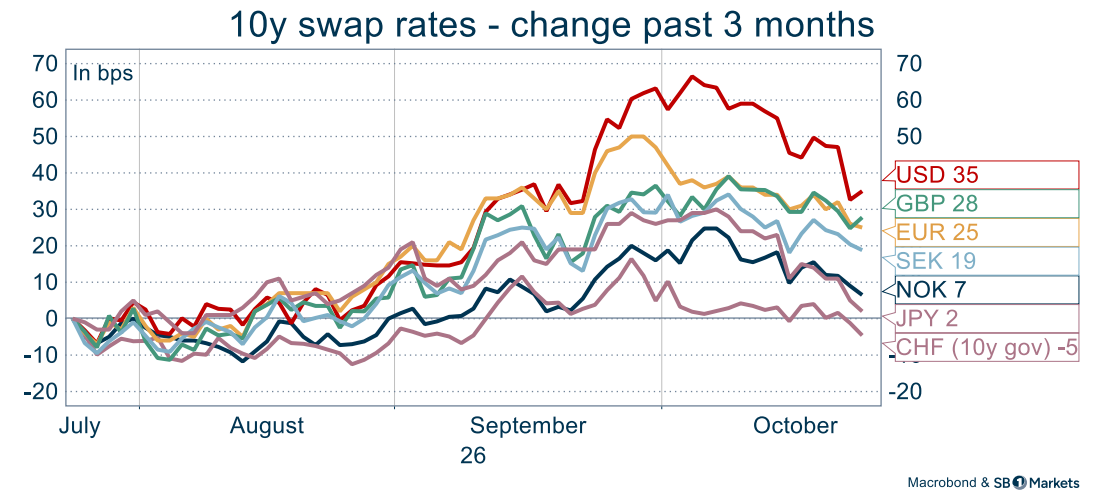
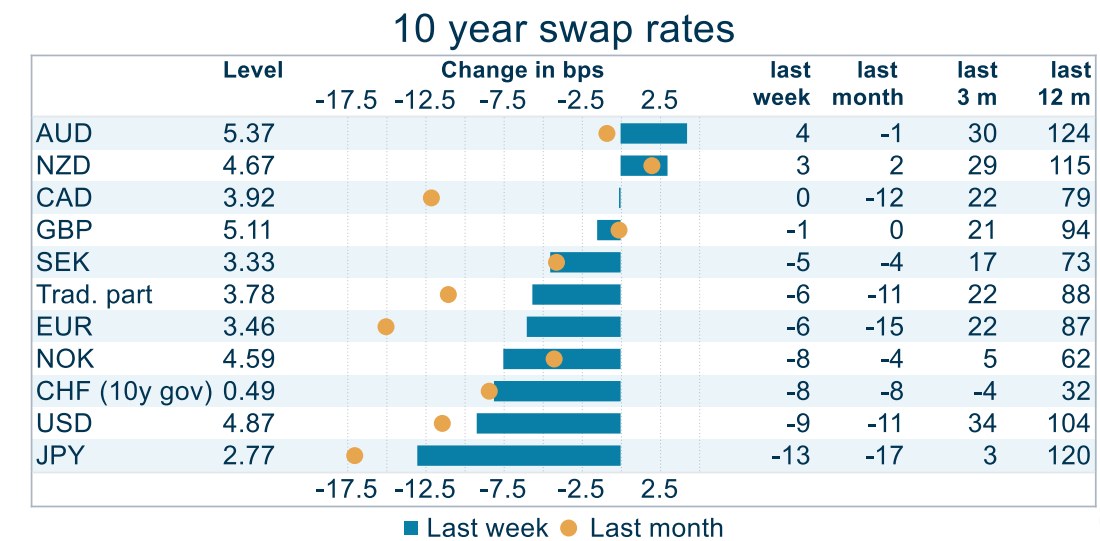
2-year swap rates mixed

Our trading partners were unchanged at 3.64%. The USD was down 4 bps to 4.80%. The NOK 2y swap was down 3 bps, to 5.19%.



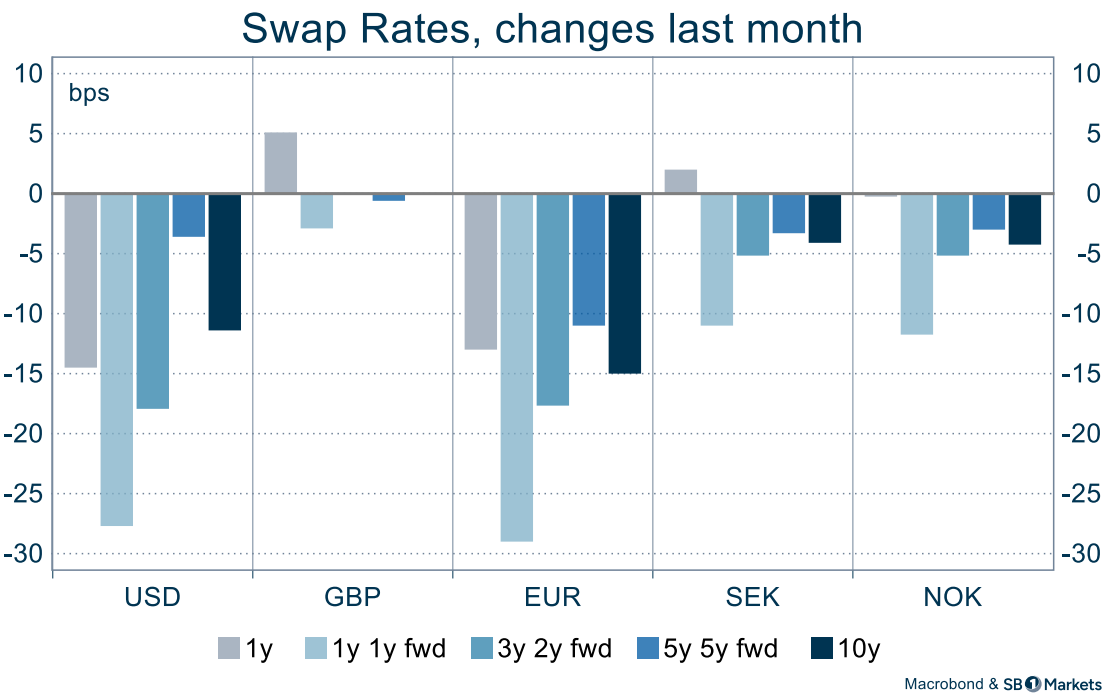
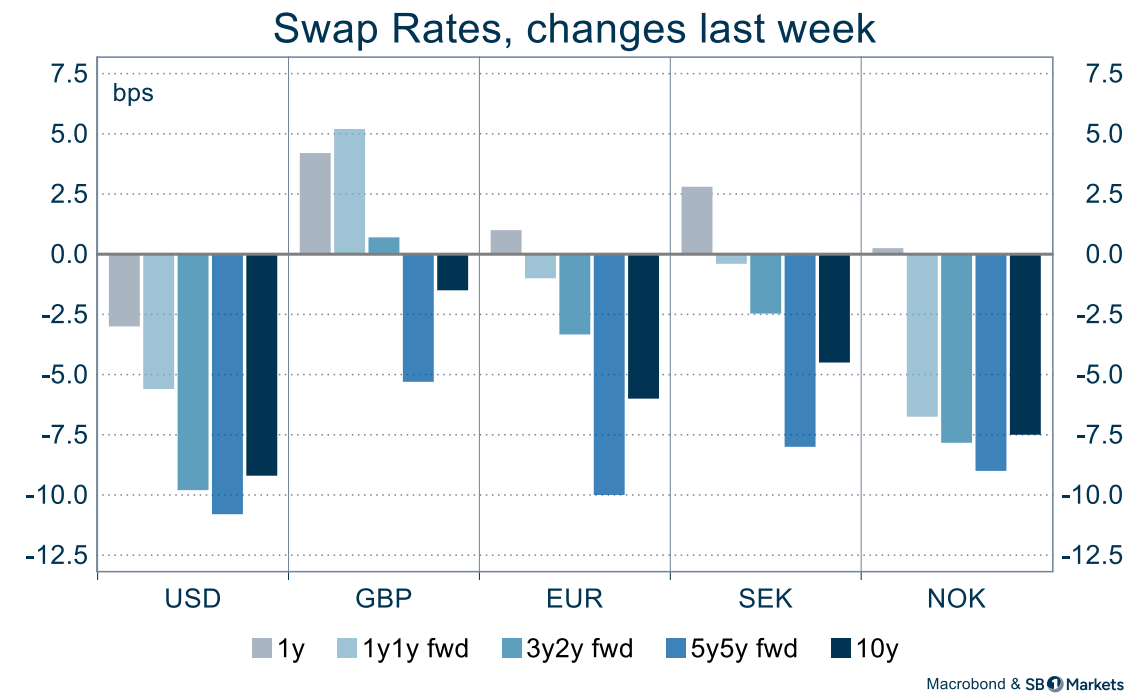
10-year swap rates mostly down last week too

Our trading partners were down 6 bps, like the previous week. EUR was down 6 bps, USD rates -9 bps. The 10y NOK swap rate was down 8 bps, to 4.59%. (The French government bond yield rose sharply, more [here](#)).



Swap curves: Most of the curves were down in Europe, and all of the curve in USD

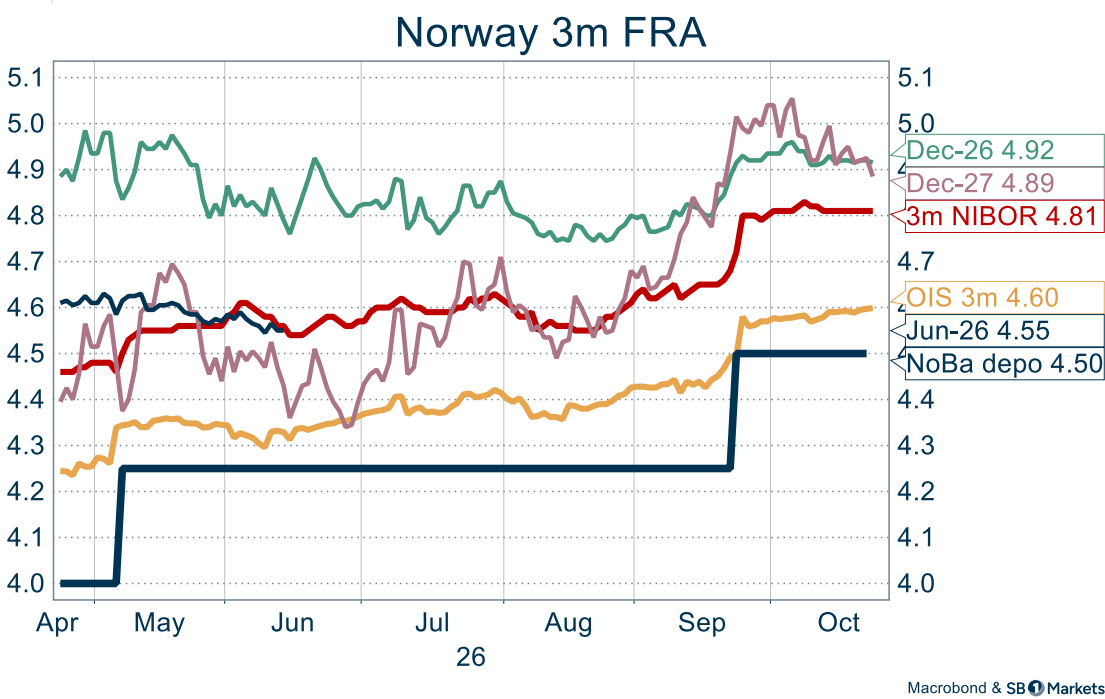
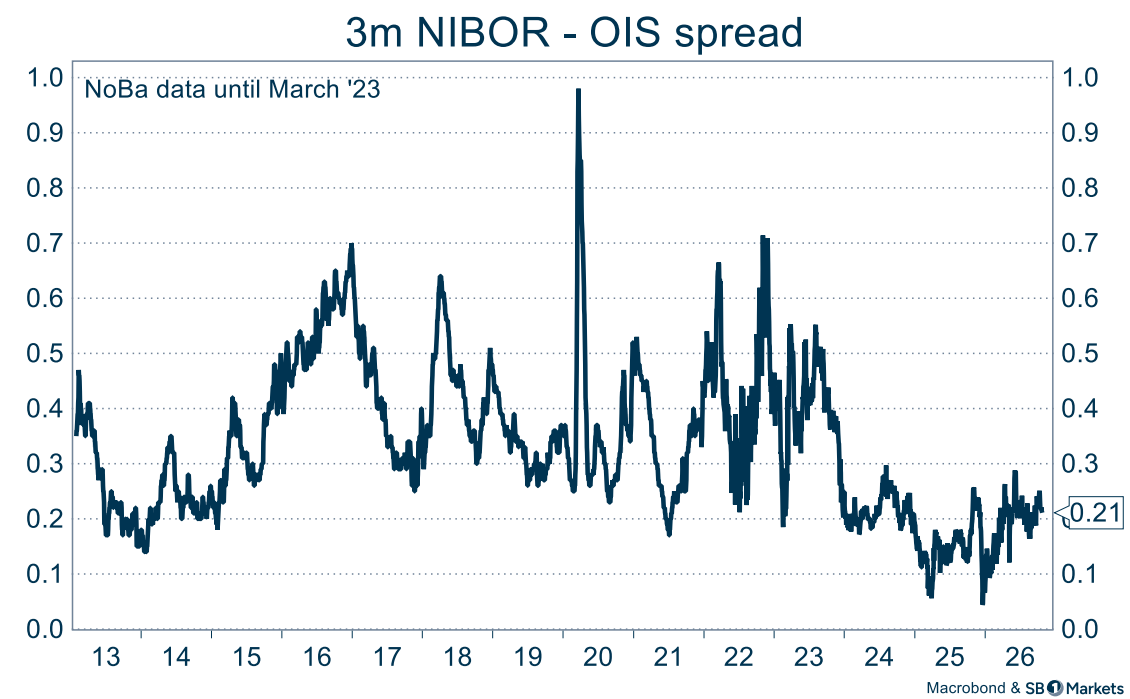
NOK rates fell less than in USD but more than in EUR and SEK.
Last month: EUR and USD rates have fallen the most. GBP rates are unchanged.





NOK 3m NIBOR: unchanged at 4.81%, and the NIBOR-OIS spread down 1 bp to 21 bps

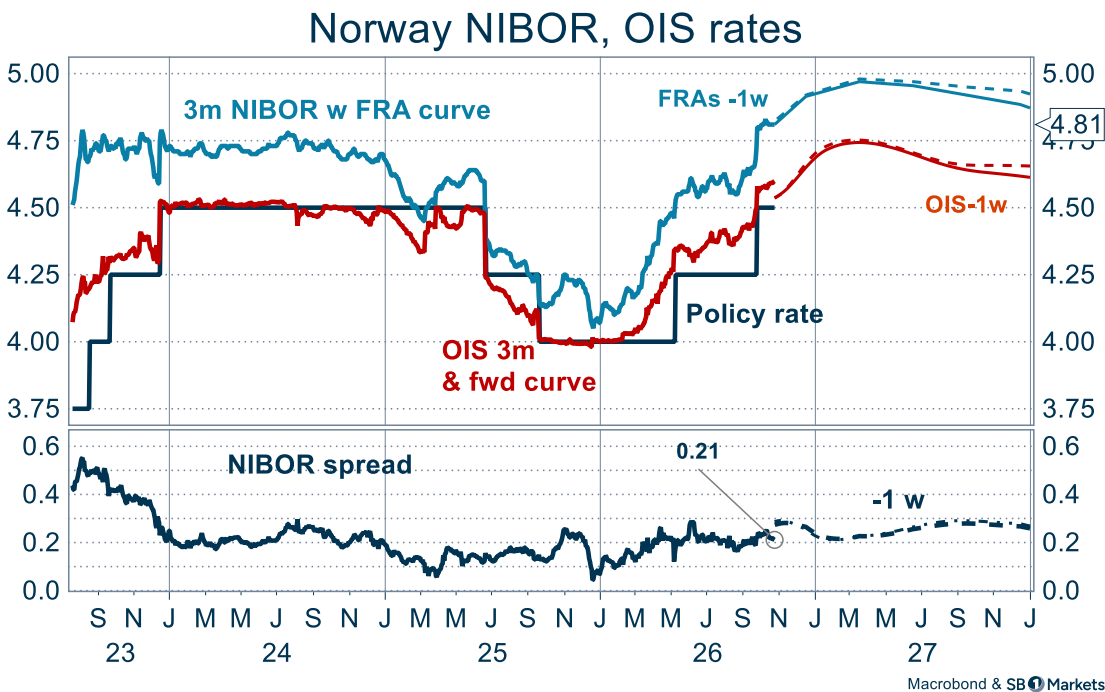
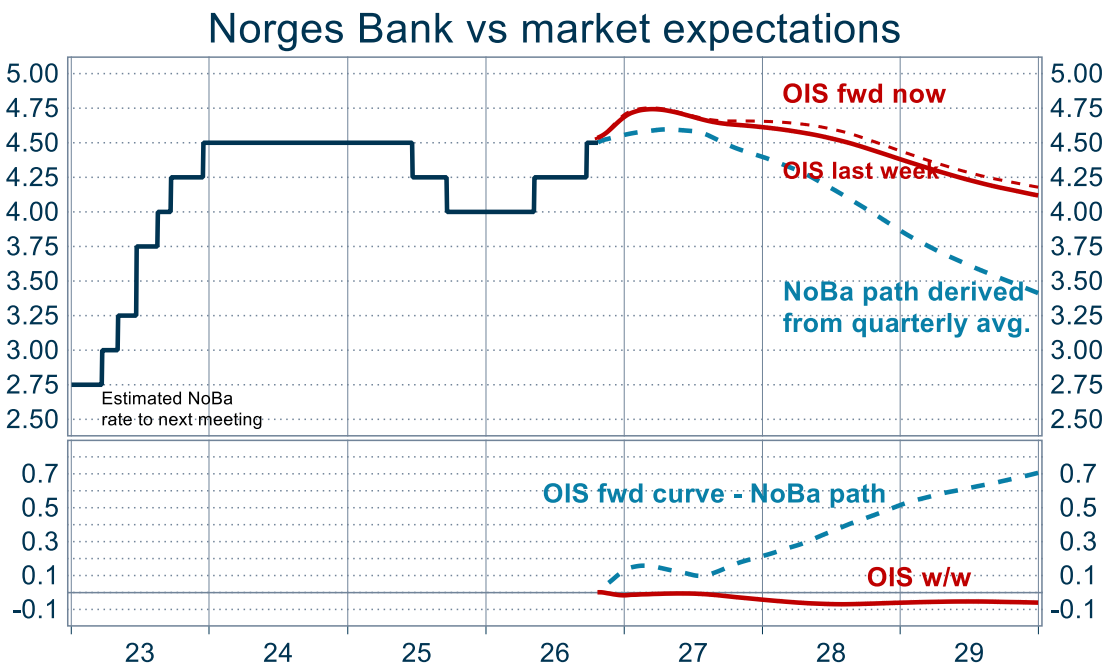
Longer-dated FRAs declined further.





The short end of the curve fell marginally

The market curve still discounts another rate hike in December or more likely in Q1-27, to 4.75%. The curve is pretty flat until Q2-28, and well above Norges Bank's rate path.



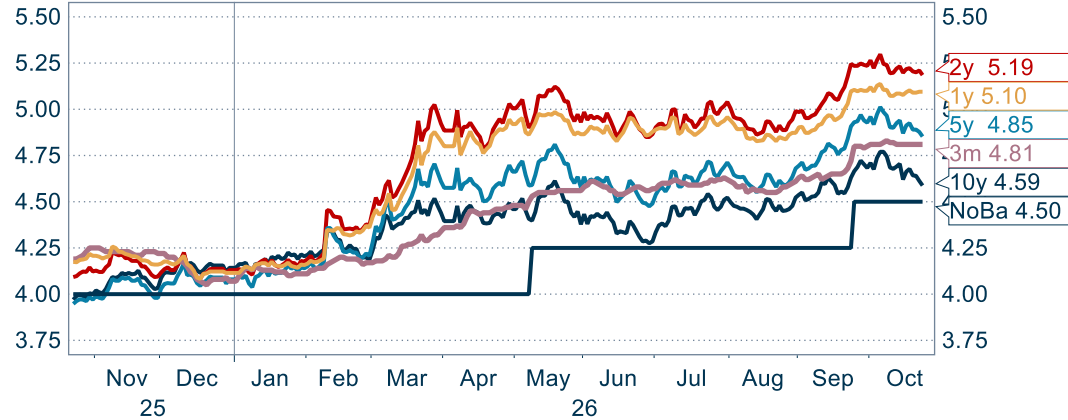
Norges Bank vs. market					
Meeting	NoBa path	OIS fwd	OIS NoBa est.	Alternat. rate	% prob for alt
05-Nov-26	4.50	4.55	4.50	4.75	20%
17-Dec-26	4.50	4.64	4.75	4.50	44%
21-Jan-27	4.50	4.72	4.75	4.50	13%
24-Mar-27	4.50	4.74	4.75	4.50	3%
06-May-27	4.50	4.73	4.75	4.50	9%
17-Jun-27	4.50	4.70	4.75	4.50	20%
12-Aug-27	4.50	4.66	4.75	4.50	37%
23-Sep-27	4.50	4.64	4.75	4.50	45%

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



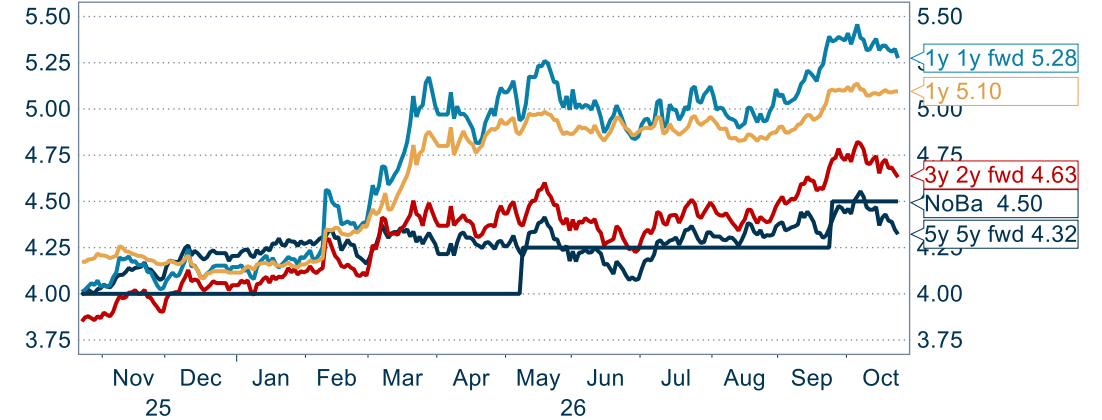
NOK swaps: marginally down all over the curve

NIBOR, NOK swap rates



Macrobond & SB Markets

NOK Implied Swap fwd rates



Macrobond & SB Markets

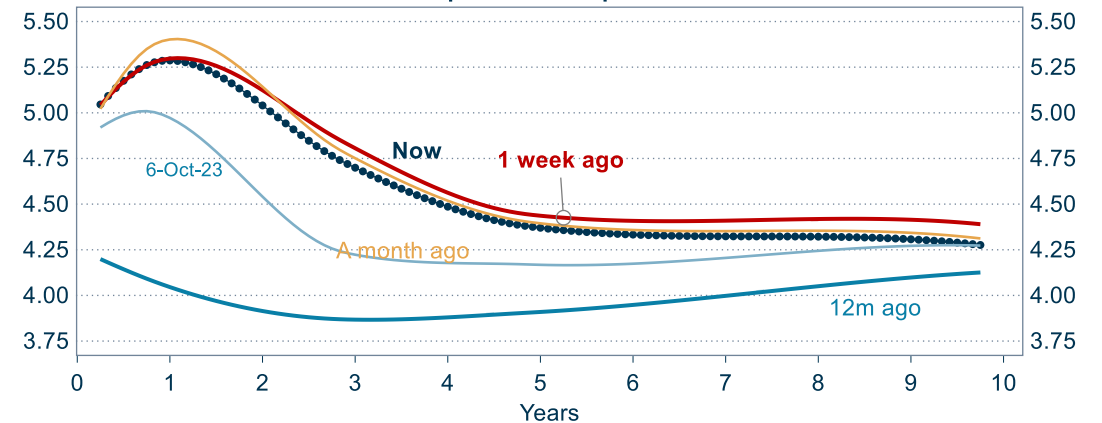
Norway - yield spread, 10y - 2y swap



Macrobond & SB Markets

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

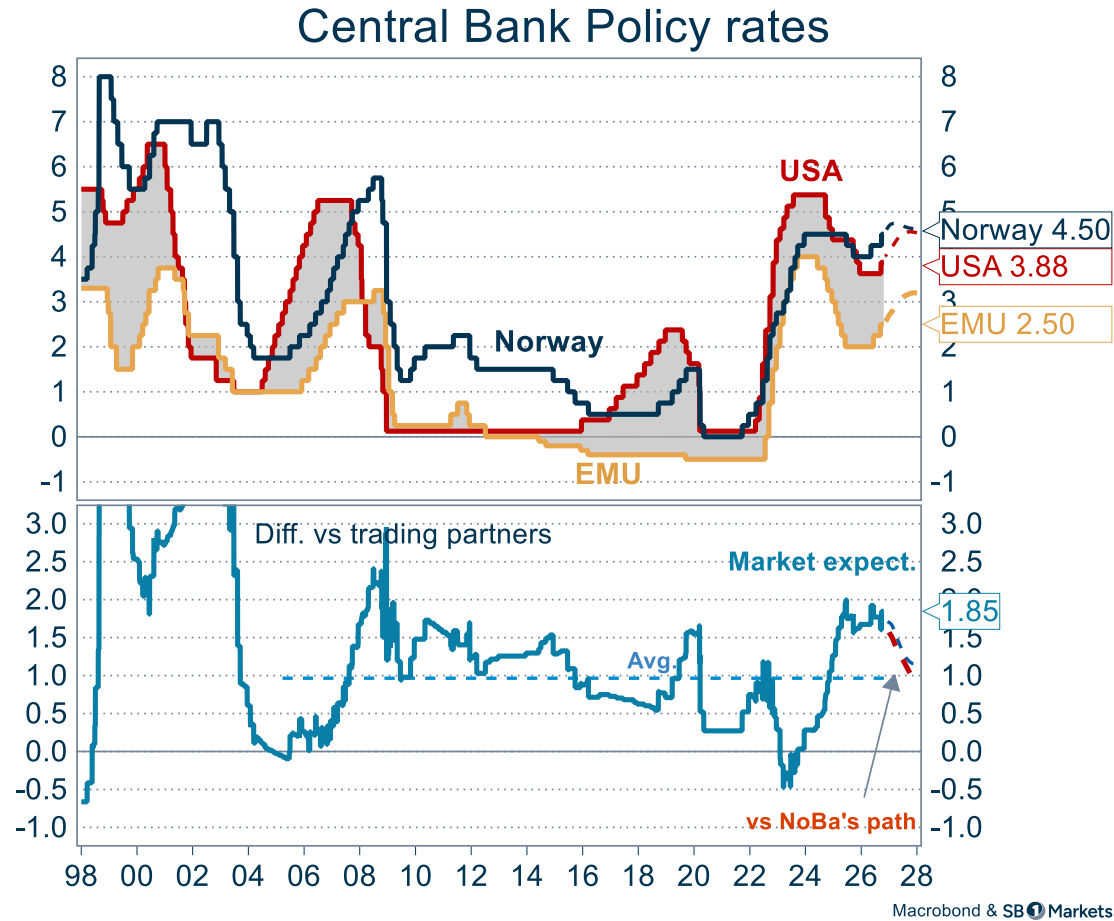
NOK Implied swap forwards



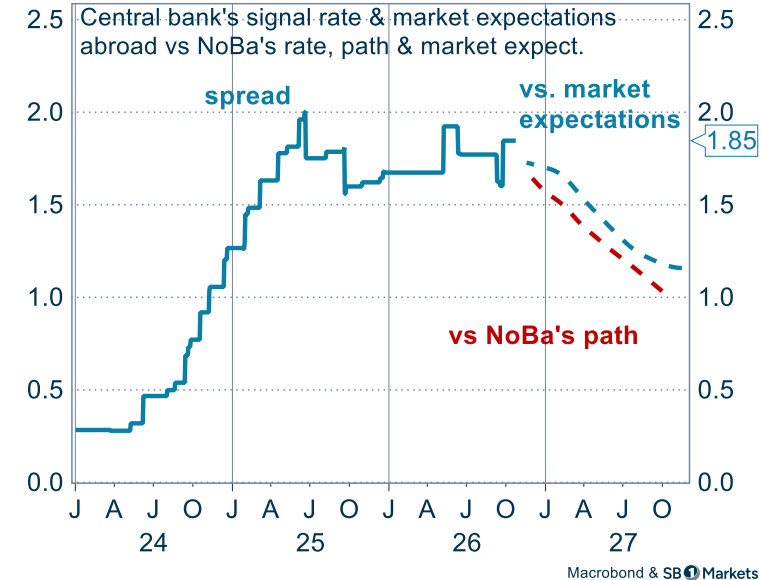
Macrobond & SB Markets

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

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

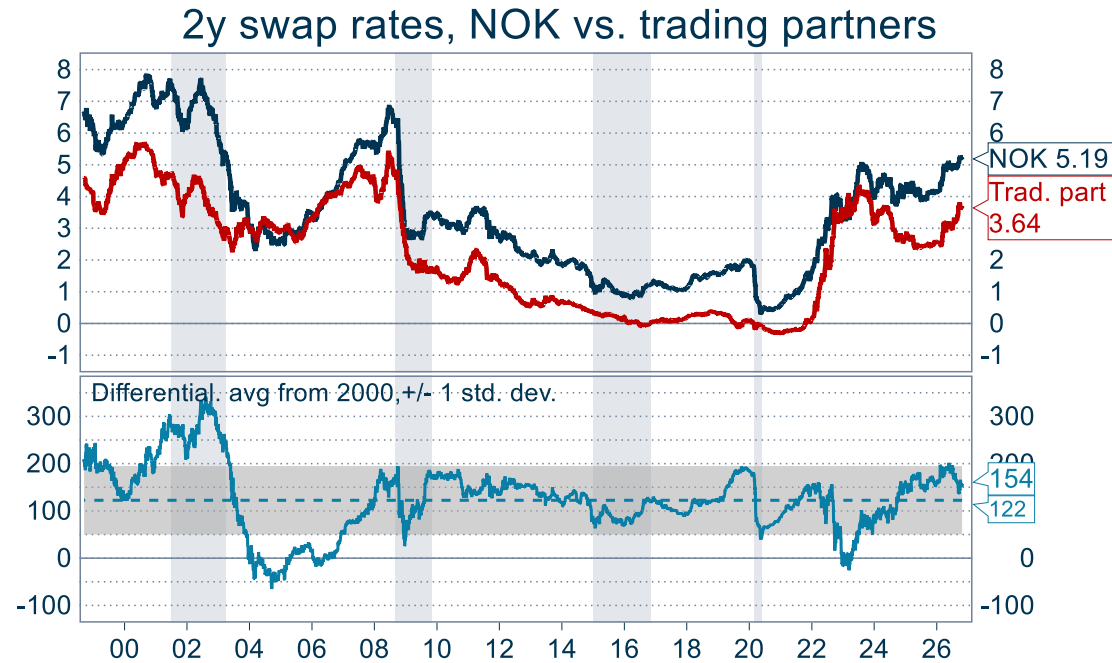
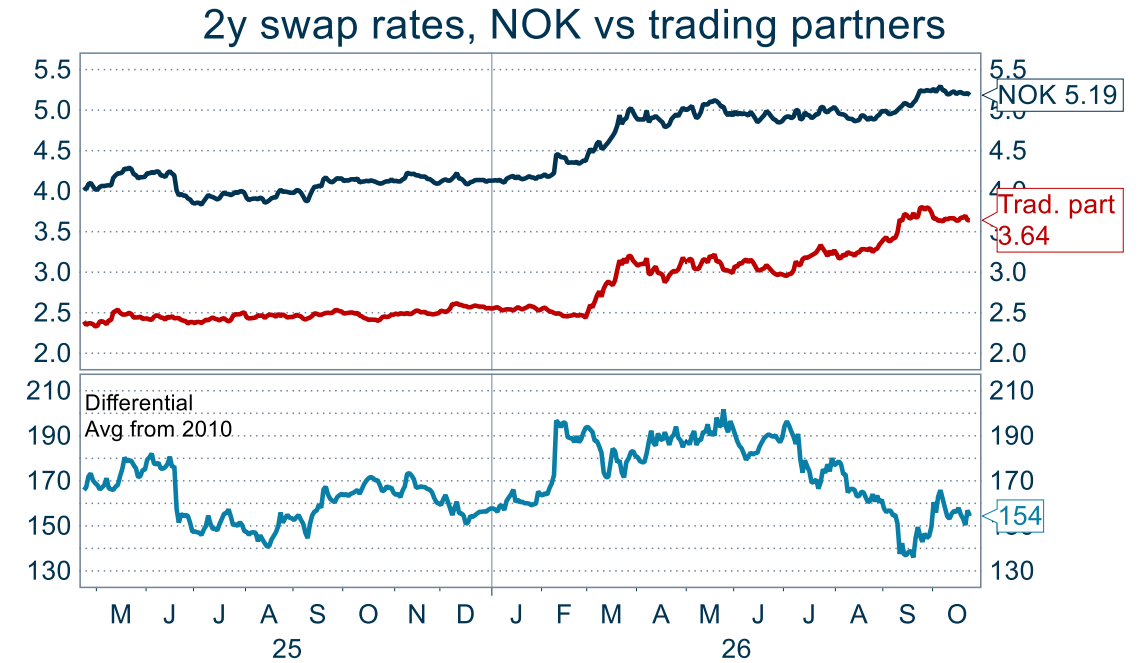
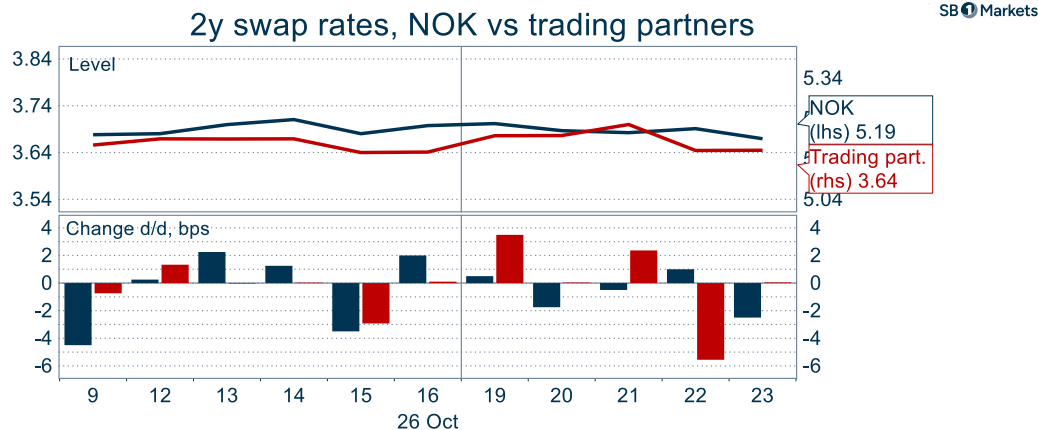
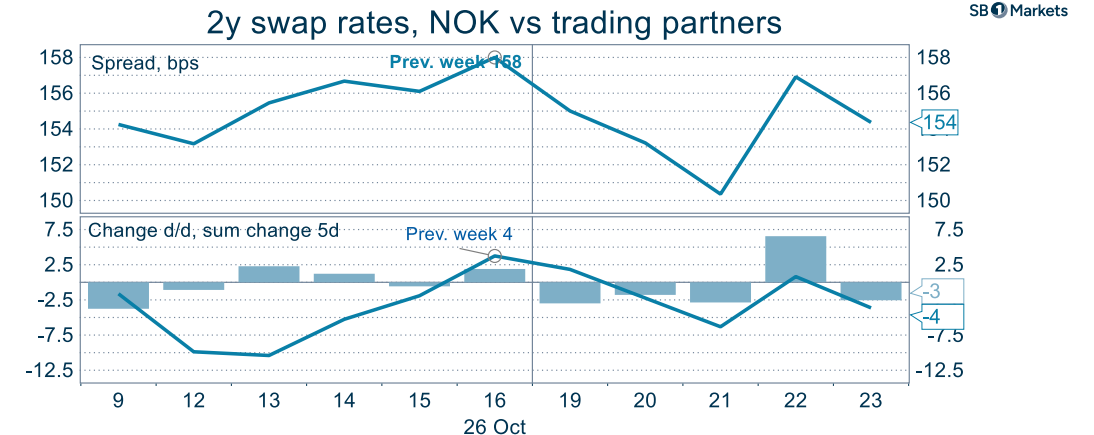


- The peak difference in policy rates over the past 20 years was 225 bps (barring a few days in 2008).
 - In the current cycle, the 2y NOK swap rate has been up to 200 bps above the average rate among our trading partners.
- If **Norges Bank** follows the rate path presented in the MPR, the spread will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



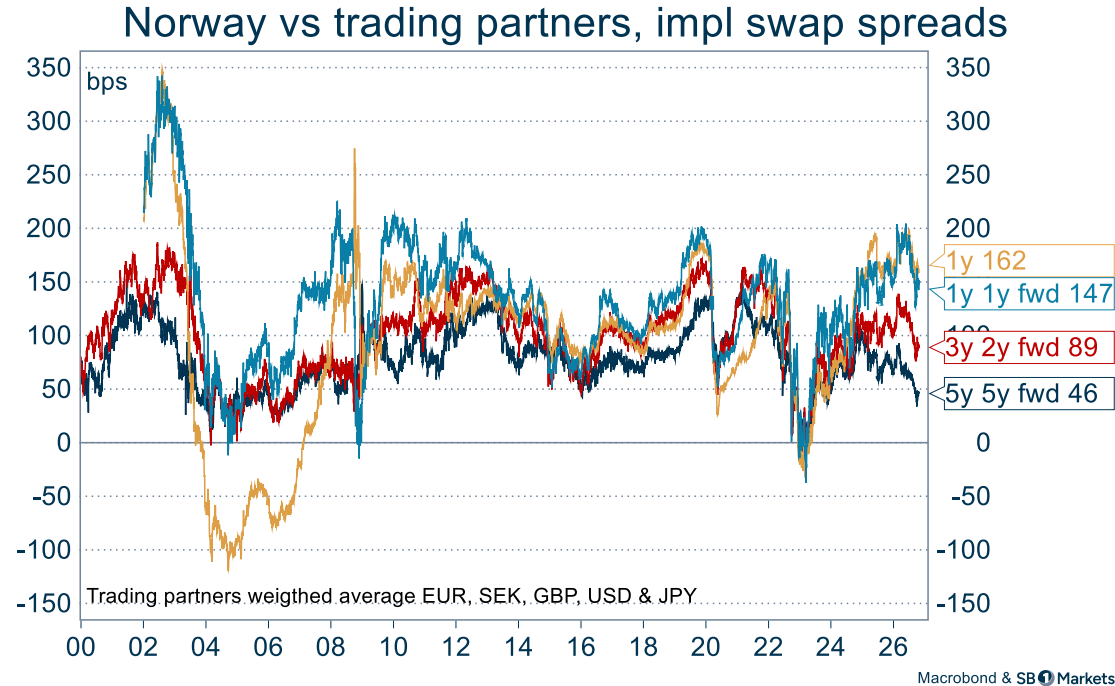
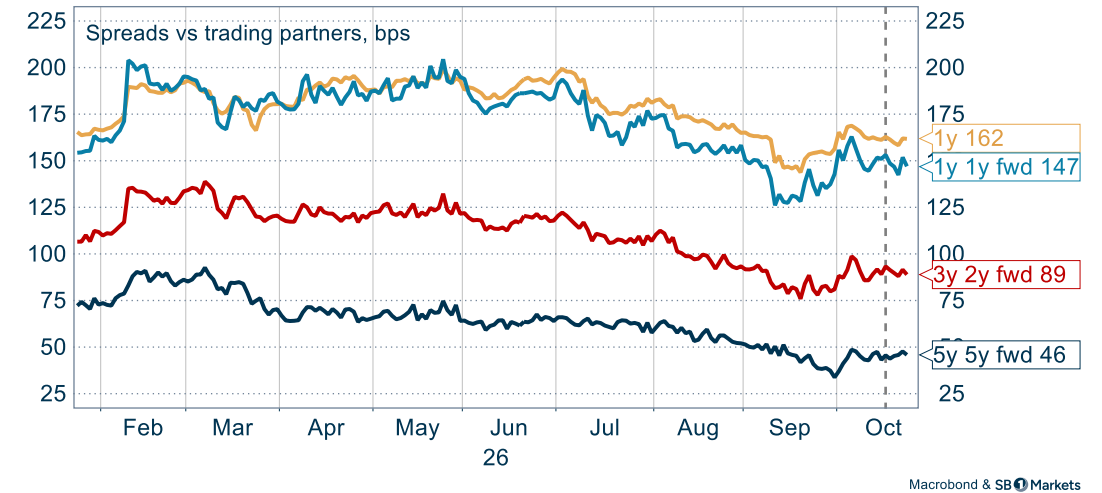
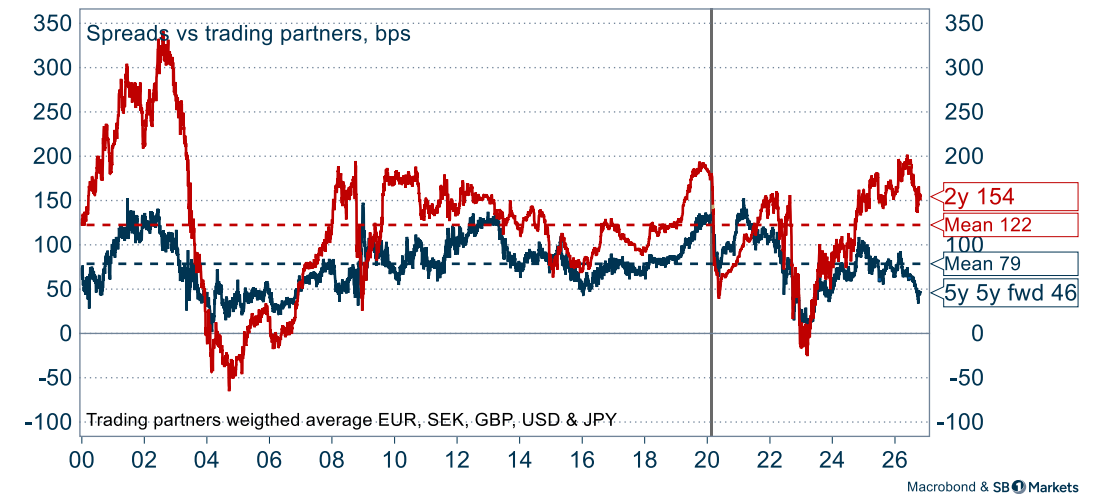
The 2-year NOK swap spread vs. trading partners down 4 bps to 154 bps

The spread is down more than 40 bps from the peak during the summer – still above the historical average.



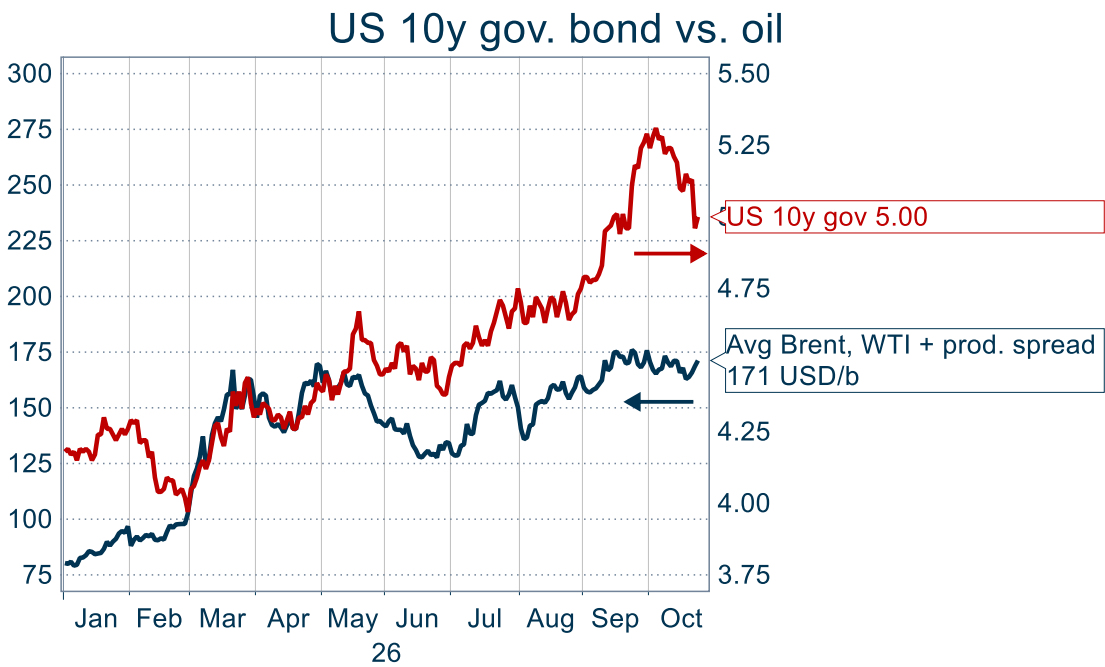
Swap spreads vs. trading partners narrowed in the short end, widened in the long end

The long-end spread is far lower than normal: the 5y 5y fwd is at 46 bps vs. an average of 79 bps since 2000. In the short end, the spread remains above an average level.

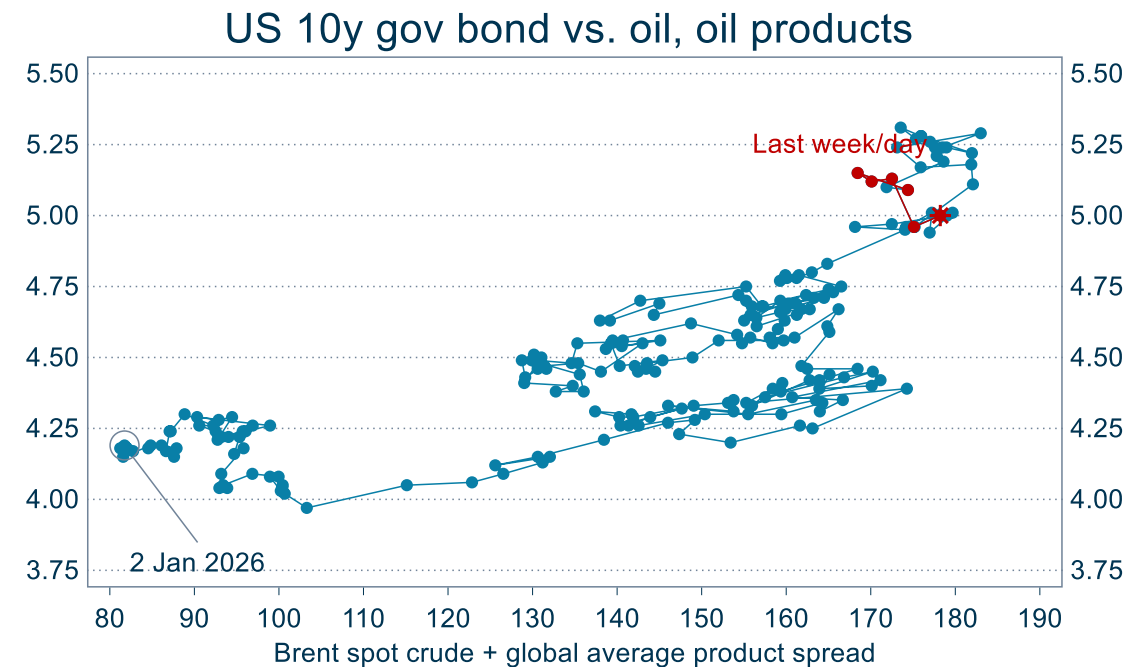


Yields vs. oil products: bond yields declined even as oil/oil product prices rose

Oil product prices have fallen slightly from the peak in early October but are still higher than at the peak in late April.

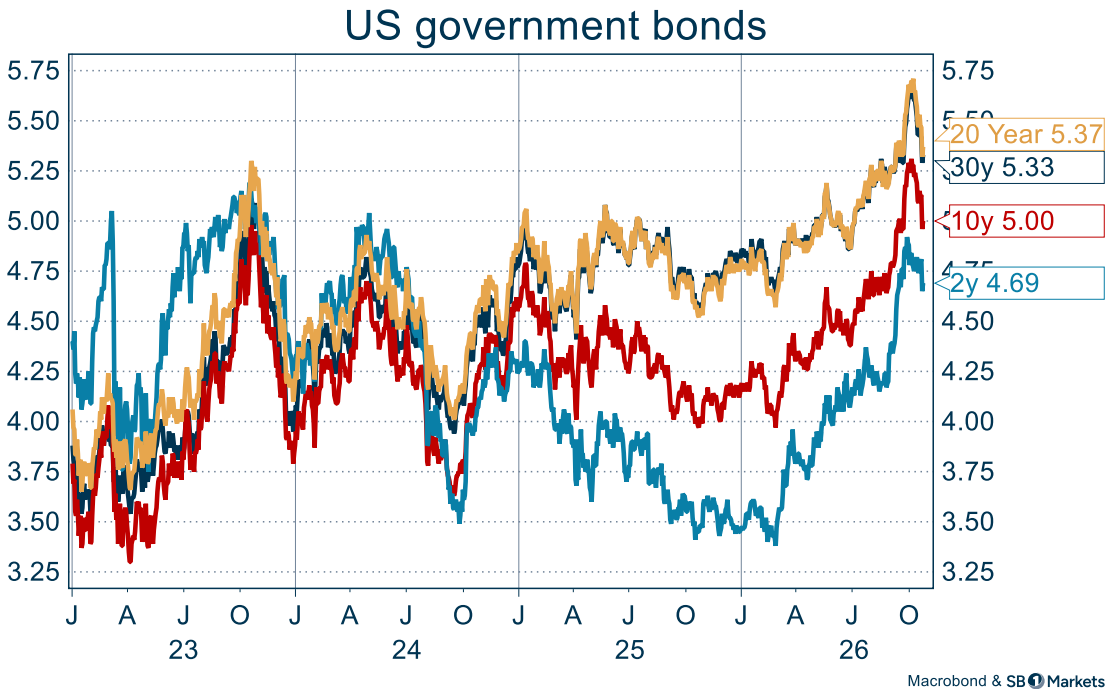
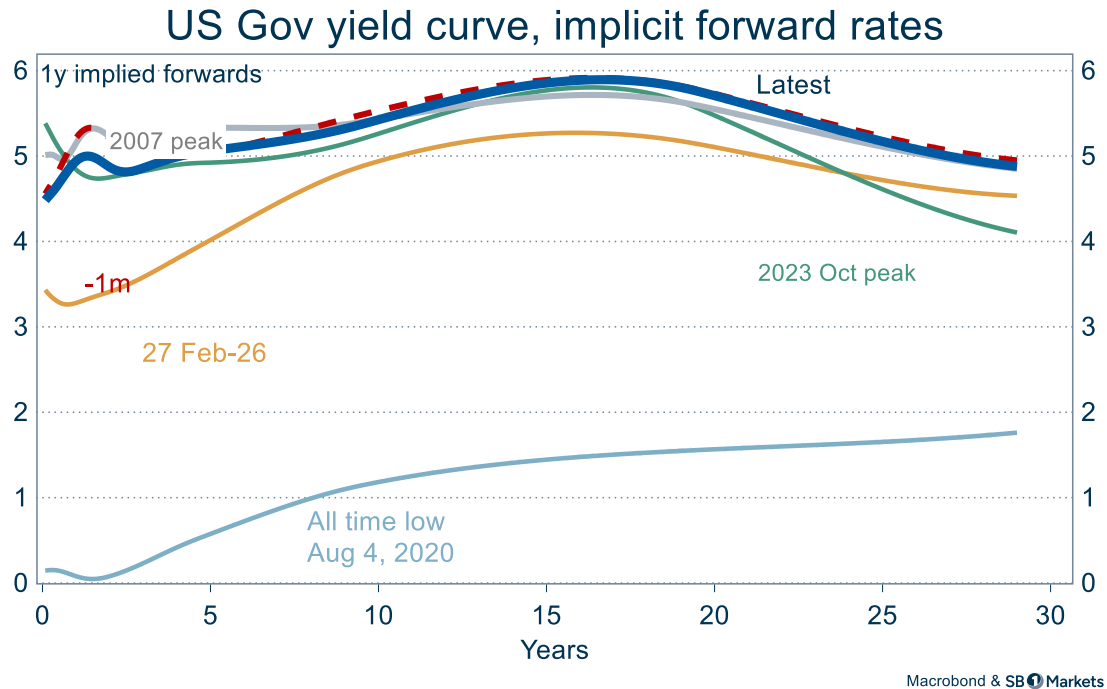


Macrobond & SB Markets



Macrobond & SB Markets

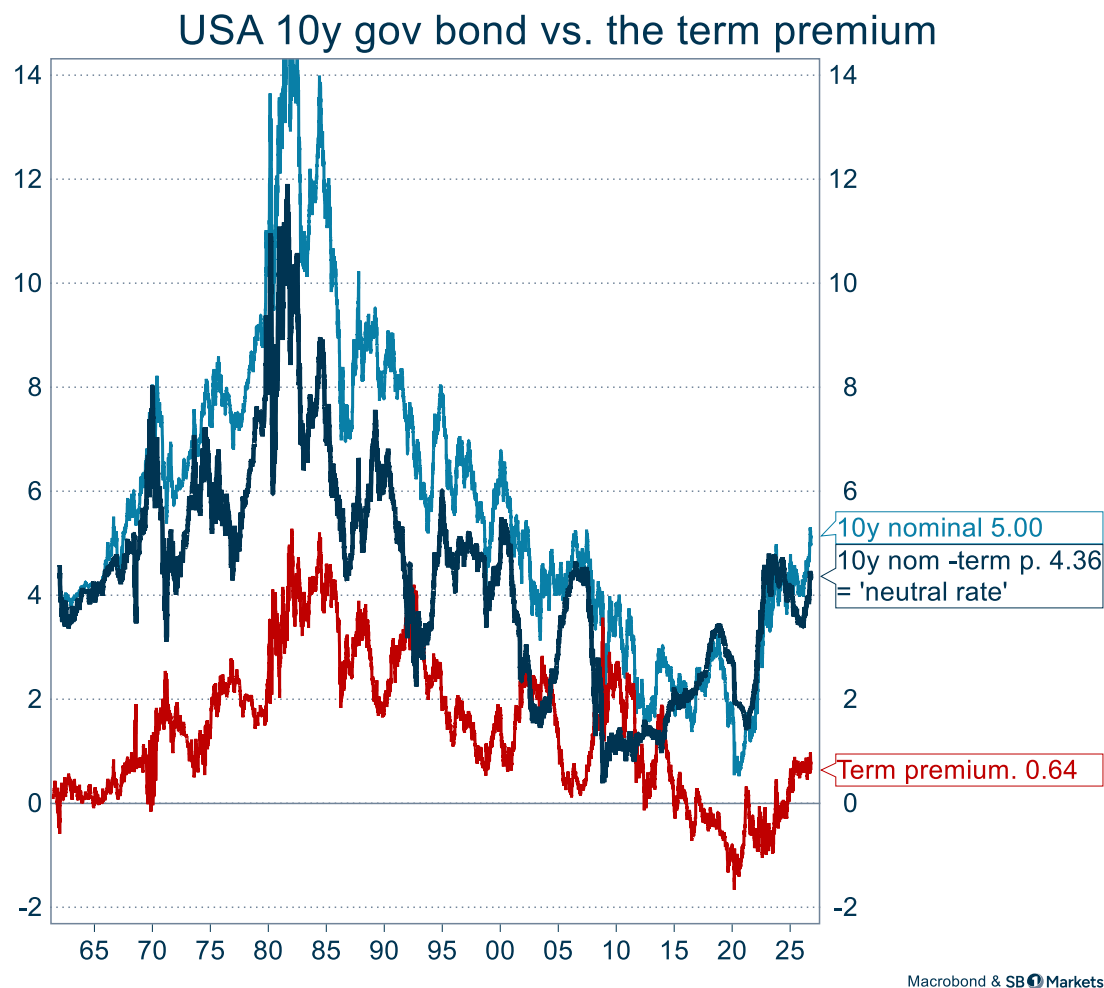
Another step down last week – on AI uncertainty and some soft US housing data





A further decline in the US bond yield term premium 'explained' the drop in the nom. yield

Looking back, the lift in bond yields in recent months is not due to a lift in the term premium but **to expectations of a higher 'normal' Fed funds rate.**

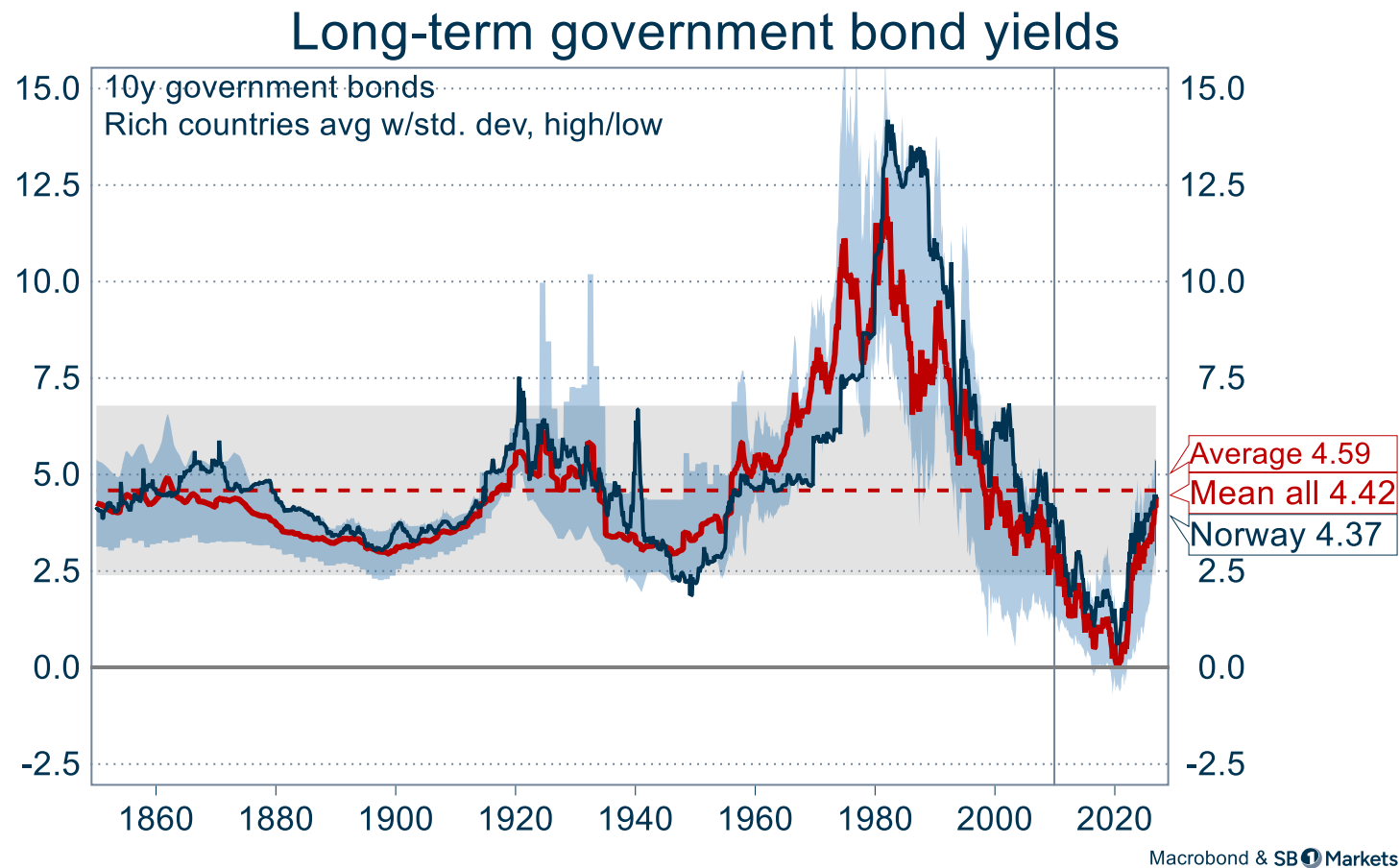


- **The term premium:** The excess yield that investors require to hold a long-term bond instead of a series of shorter-term bonds
 - The actual 10y nominal bond yield
 - the 10y term premium
 - = expected short-term rates over the next 10 years (the blue lines on the charts on this page)
- There is 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 yields.
 - Still, the term premium is probably a relevant indicator when interpreting the implications 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.



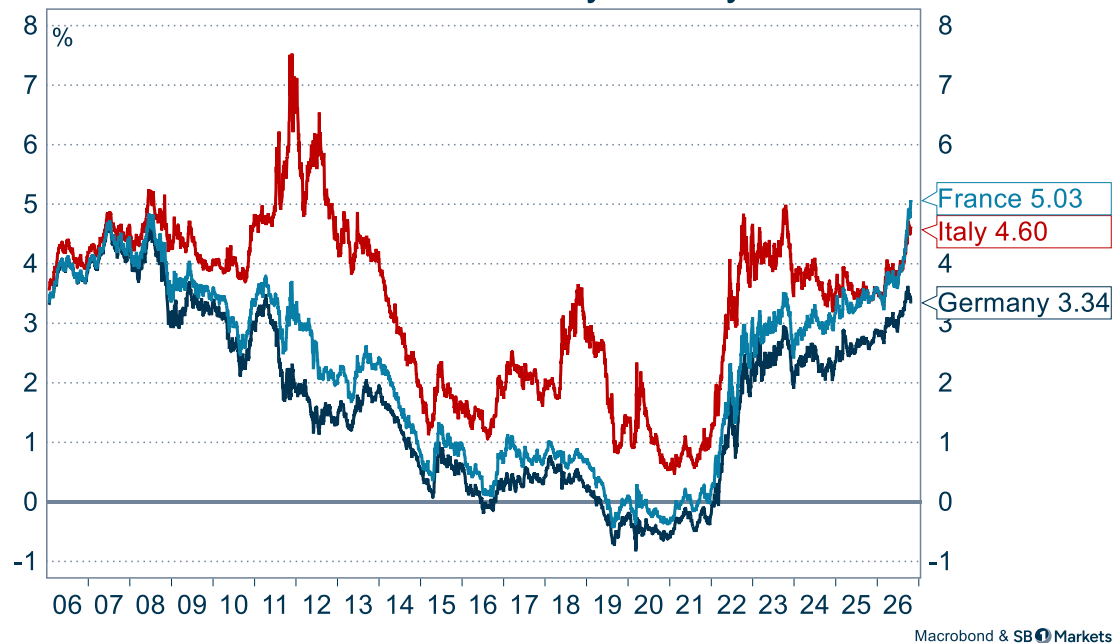
DM: Current 10y bond yields are close to a historical average

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



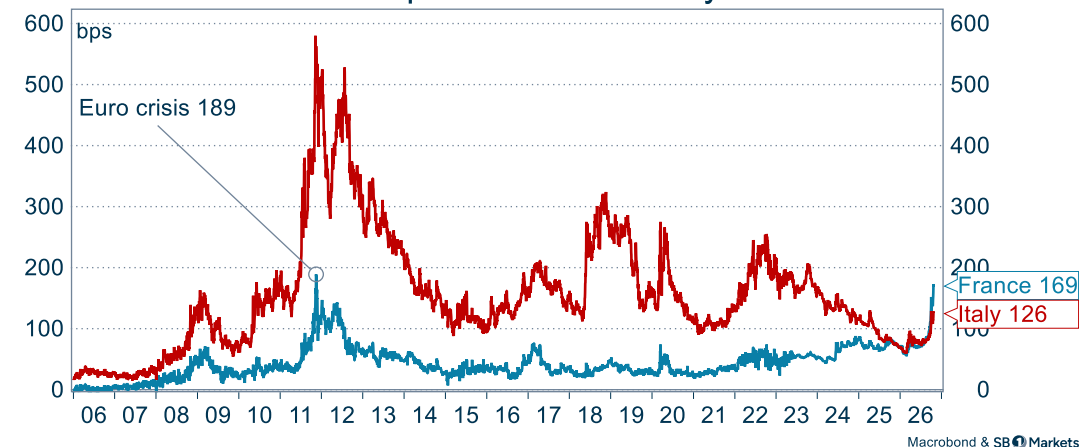
'Blood' in the French streets lifted 'Le spread' by more than 30 bps to 169 bps

Government 10y bond yields

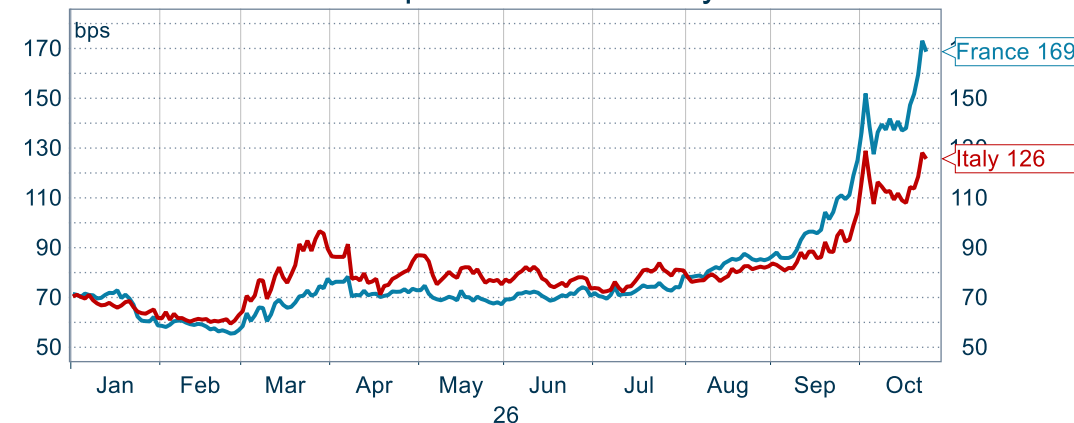


- The spread between French and German government 10y bonds shot up to 169 bps last week. This spread was the highest ever, barring a few days at the peak of the Euro crisis in November 2011.
- A 'normal' spread has been less than 50 bps. It widened to some 75 bps in March and has roughly doubled recently.
- The recent spread widening is more than worrying, given the fragile French public finances and a challenging political & social situation, to put it mildly.
- The **Italian spread** at 126 bps (up 17 bps last week) is not that high by Italian standards, but still well above the 70-bps level in early 2026.

Spread vs. Germany

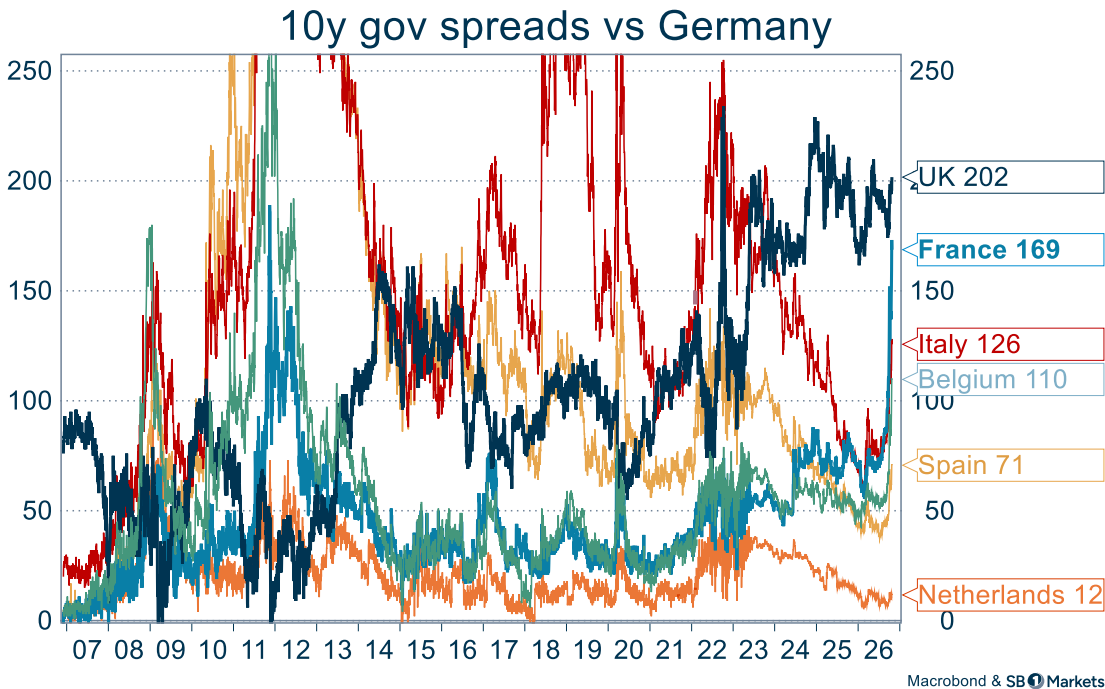
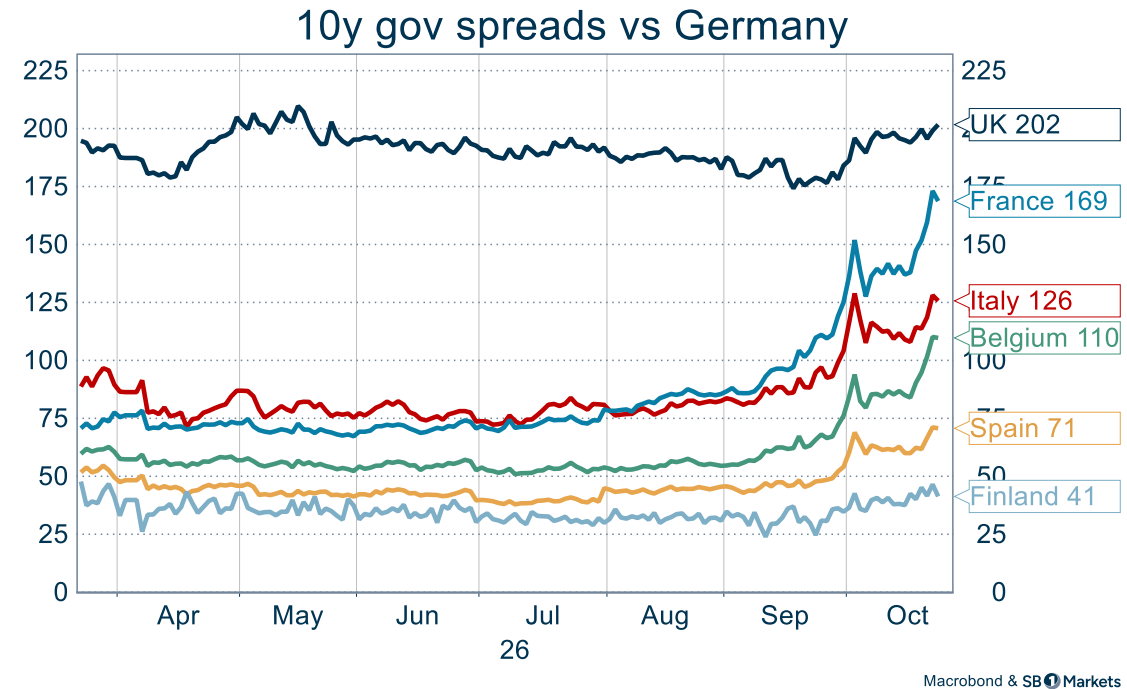


Spread vs. Germany

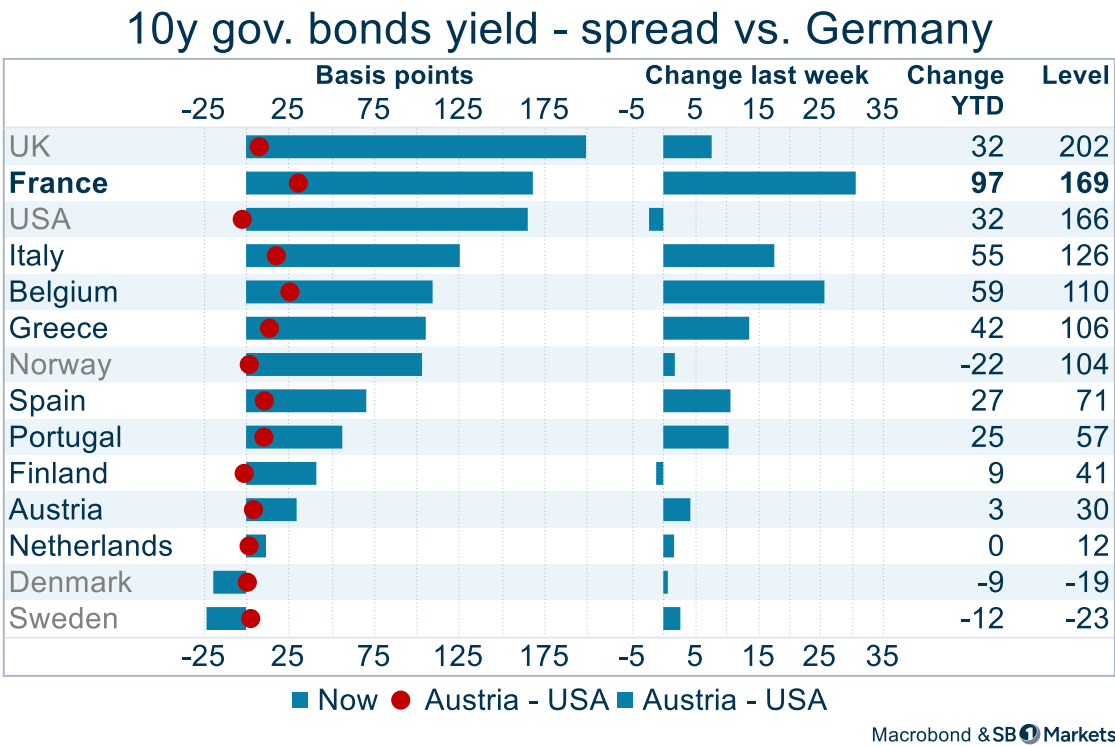


Macrobond & SB Markets

The other EMU 10y sovereigns: Most spreads have risen in recent weeks – and last week



France: the outcast within the Euro Area

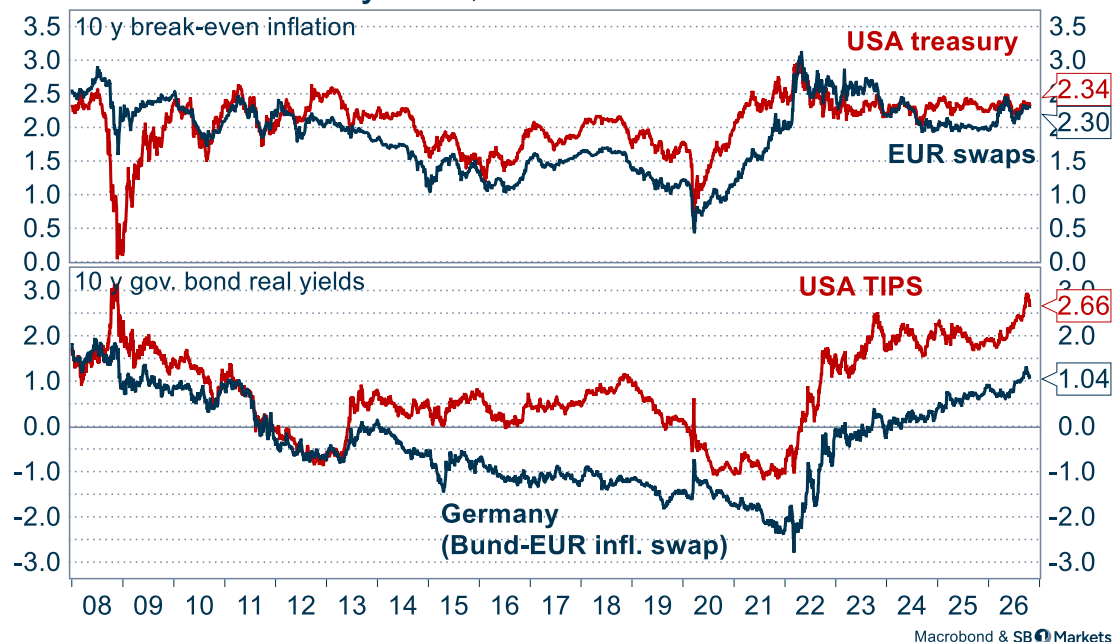


- (US, UK, Denmark, Norway and Sweden are included just as references.)

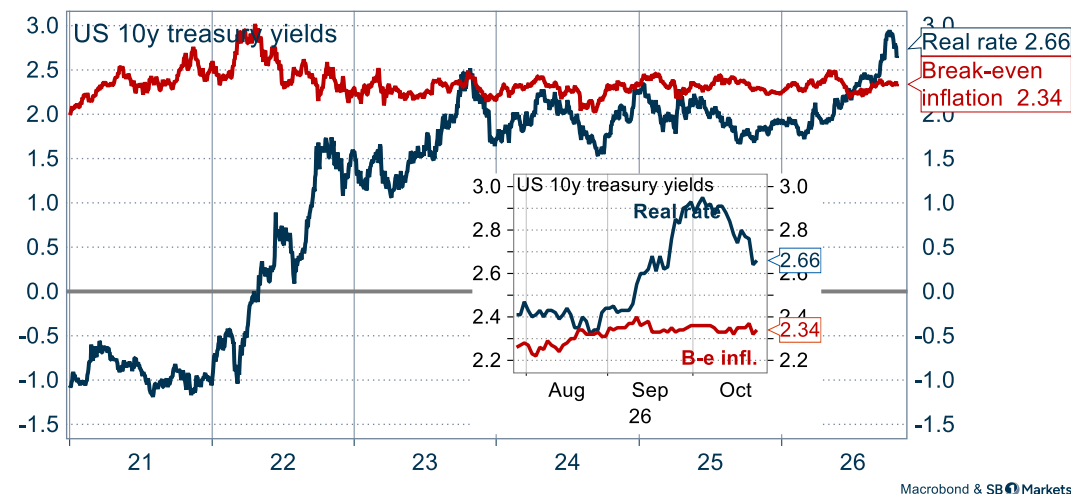
Real bond yields continue downwards, by 6–8 bps in Germany and the US

The AI 'crash' lowers long-term growth expectations. Even short-term growth expectations may be cut, both due to lower AI investments and a possible wealth effect, should the overall stock market be hurt. Demand for credit would ease as well. In EMU, flight to (German) quality?

Real yields, break-even inflation



- The **US 10y break-even CPI inflation** at 2.34% 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 they are up from marginally below 2.00% in early 2026, before the conflict in the Gulf started.



US, Germany real rates, inflation expectations

	Yield	Change 1w	Change 1m	YTD	Min since April-20
USA nominal treasury	5.00	-0.09	-0.11	0.82	0.52
.. break-even inflation	2.34	-0.01	-0.01	0.09	1.06
.. TIPS real rate	2.66	-0.08	-0.10	0.73	-1.19
Germany 10y gov, bund	3.34	-0.07	-0.19	0.50	-0.65
.. 10y EUR inflation swap	2.30	-0.01	0.01	0.34	0.68
.. real rate	1.04	-0.06	-0.20	0.16	-2.79

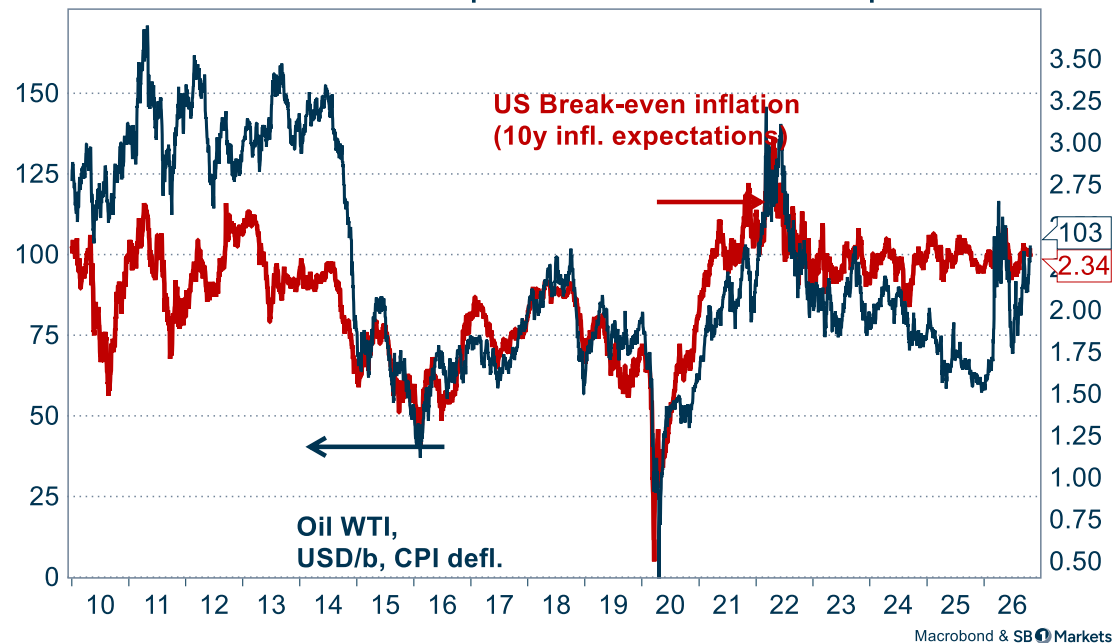
Macrobond & SB Markets



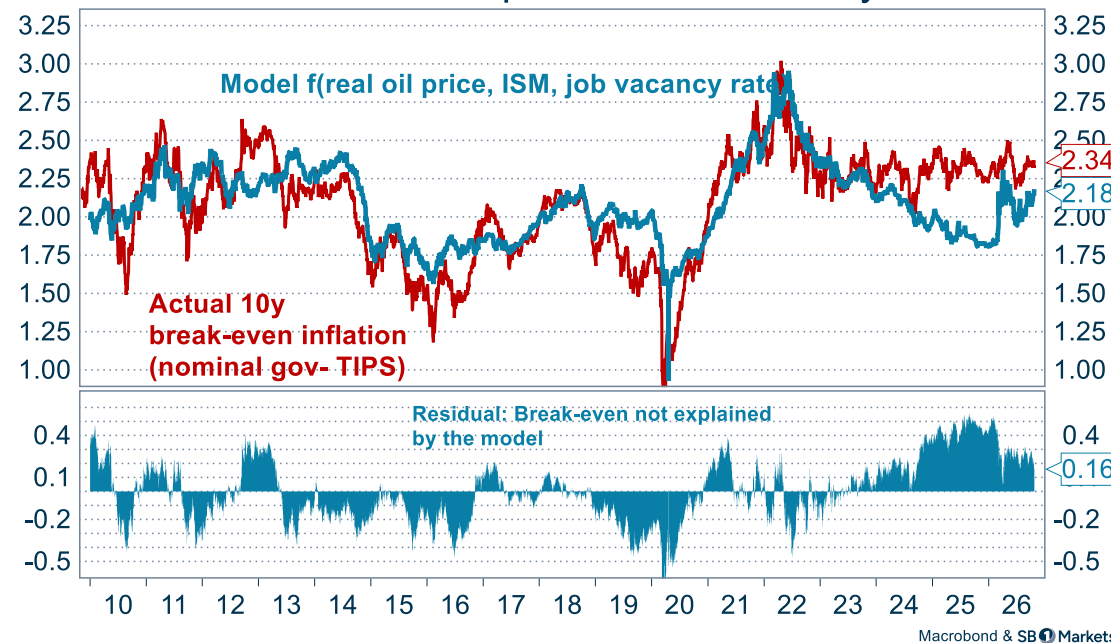
US inflation expectations did not follow the oil price up

... and our old break-even inflation model forecast has narrowed the distance to the actual break-even.

USA Inflation expectations vs. the oil price



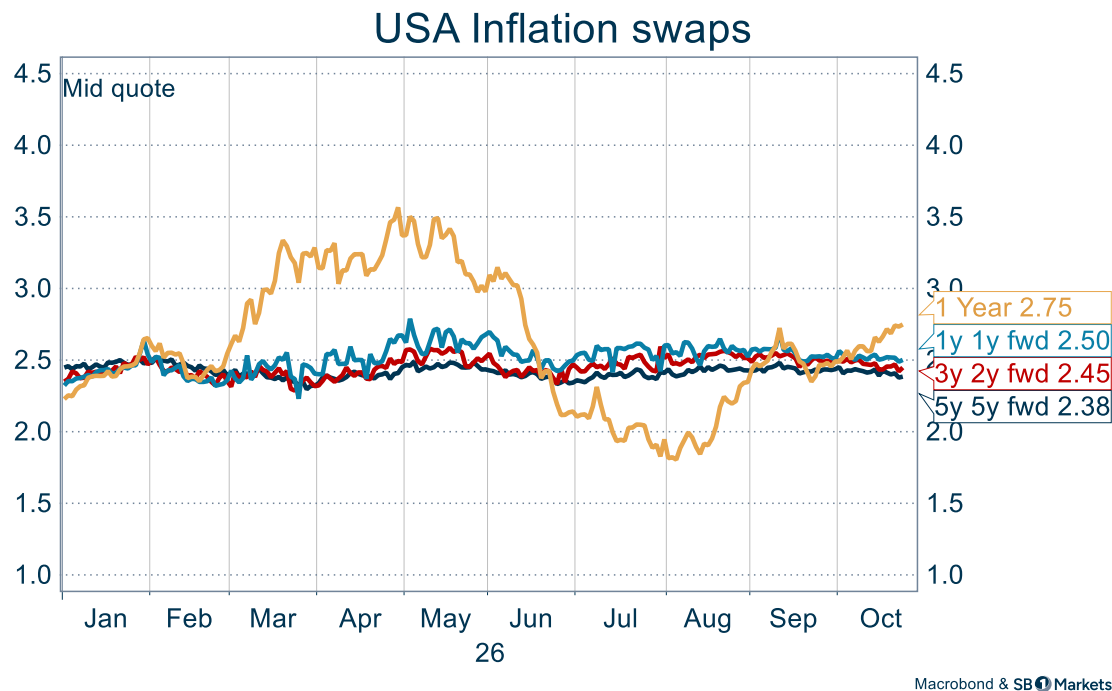
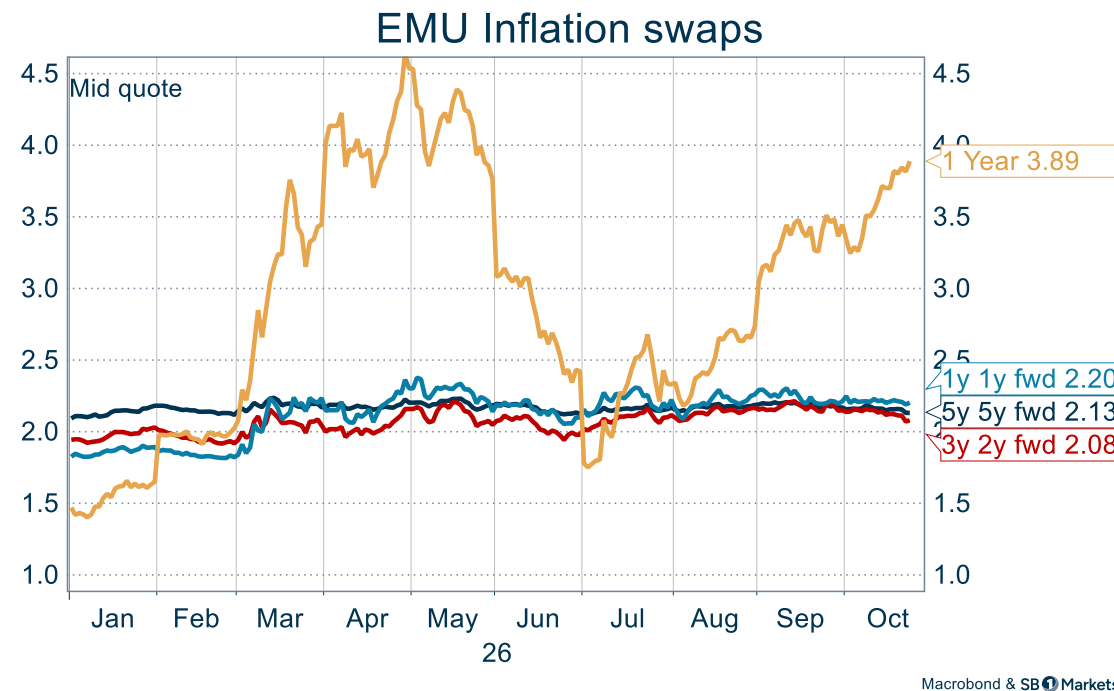
USA Inflation expect. vs. oil & the cycle



- 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:
 - USD -10/b: -10 bps (the dominant factor, check the upper left chart).
 - -1 pp in the labour market vacancy rate (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 *not much of a problem thereafter*

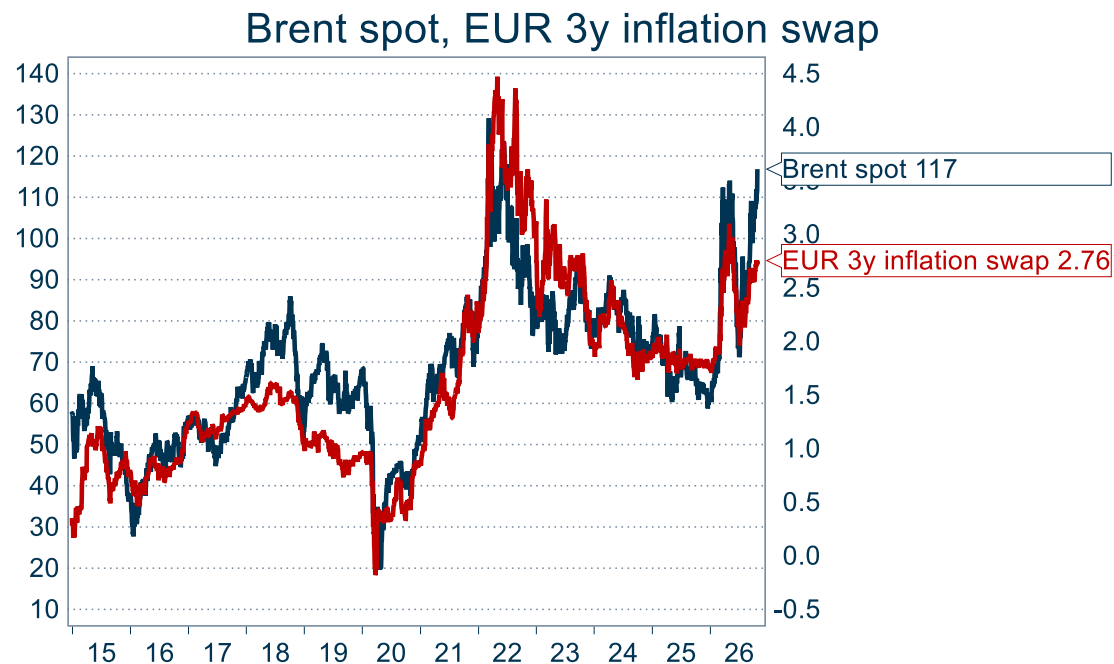
In the US, 1y inflation expectations are crawling upwards but that's all, here too



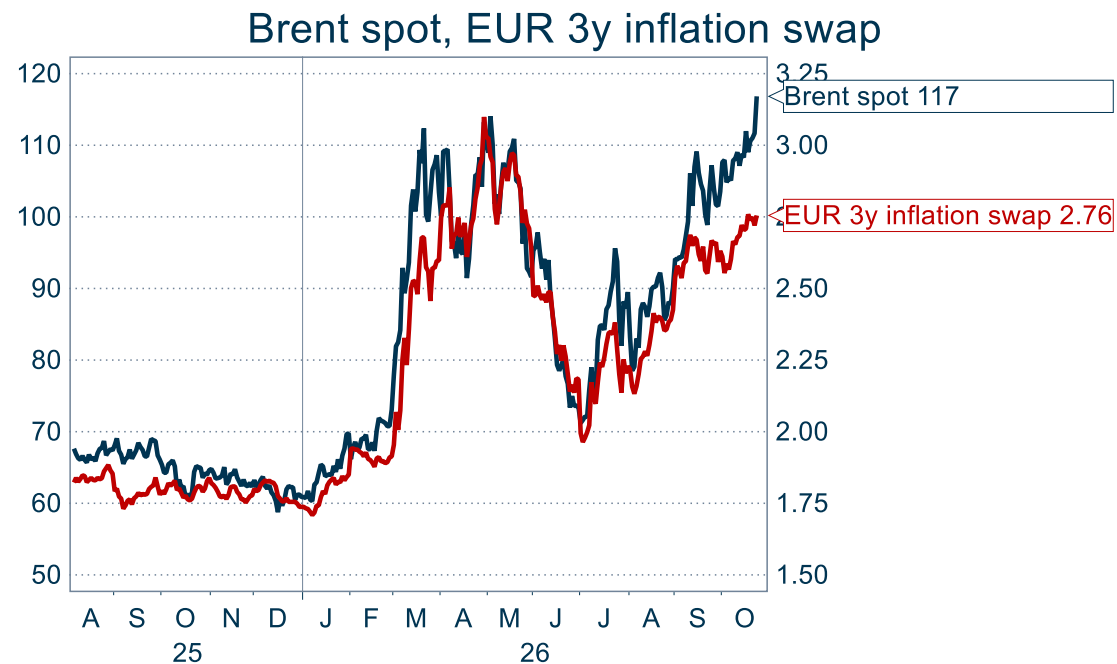
The 1y EUR inflation swap is heavily impacted by the base effect in the y/y HICP inflation rate. Thus, around the change in the front month, the 1y expected inflation rate may shift substantially (check Jan/Feb and then May/June and June/July in the chart above to the right). Further out on the inflation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

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

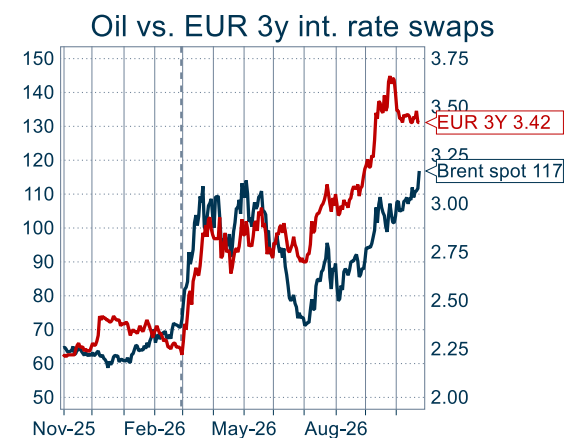
However, since the summer, nominal rates have climbed more, of course because real rates have shot up (until the past 2 weeks).



Macrobond & SB Markets

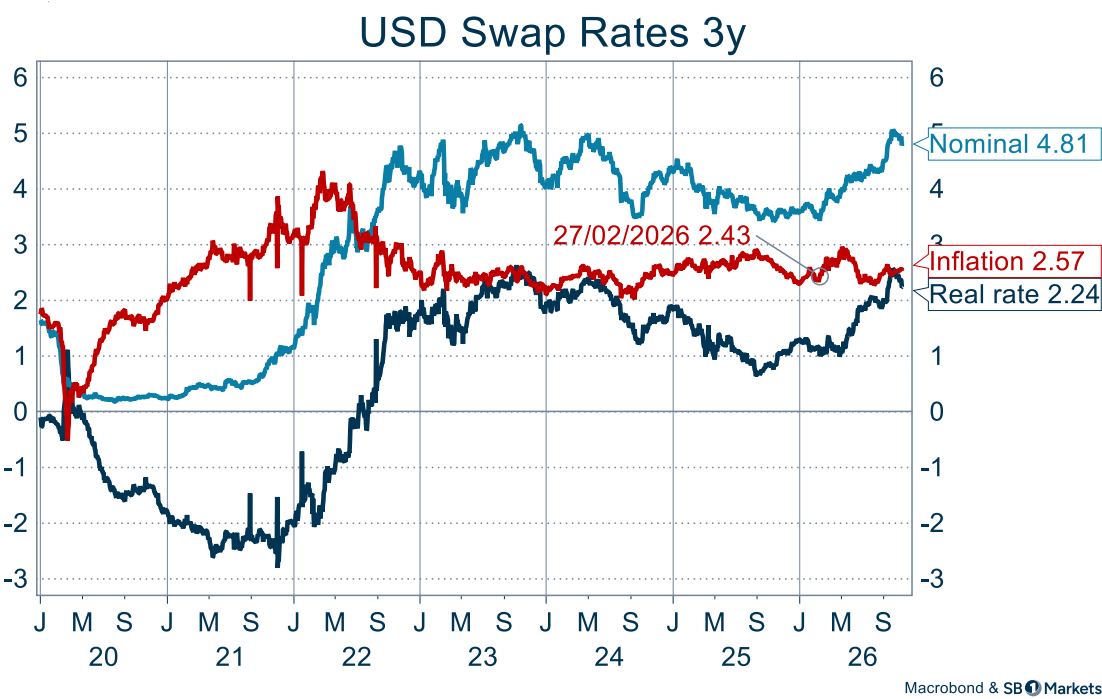
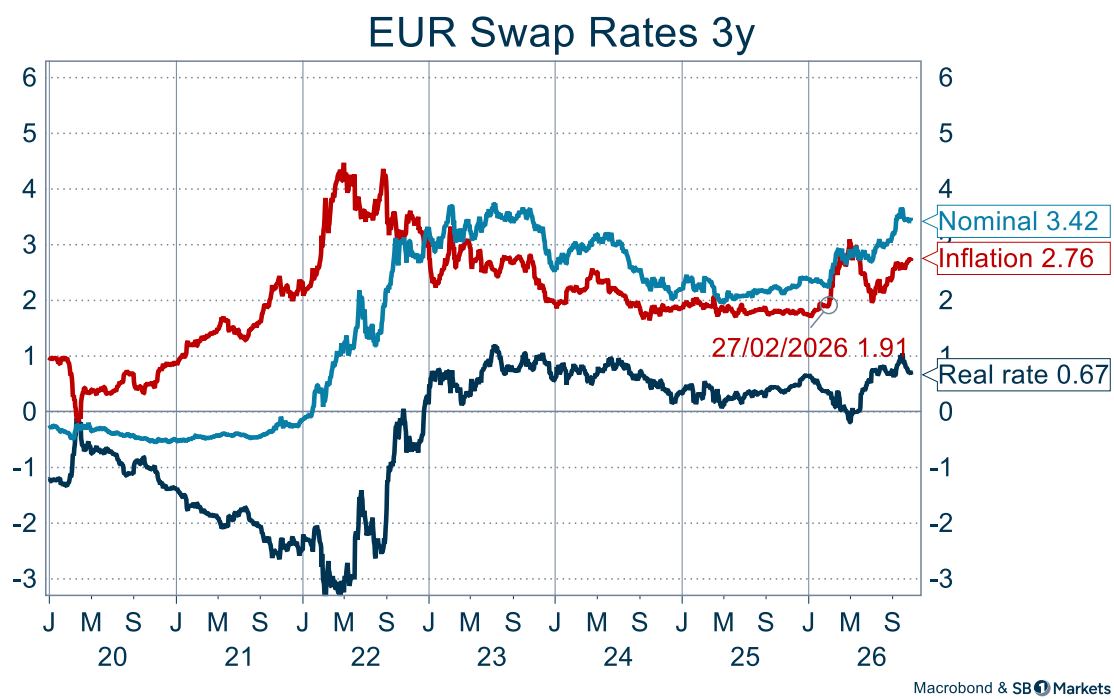
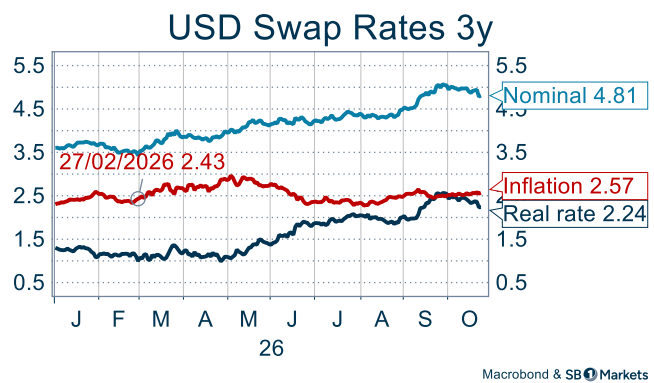
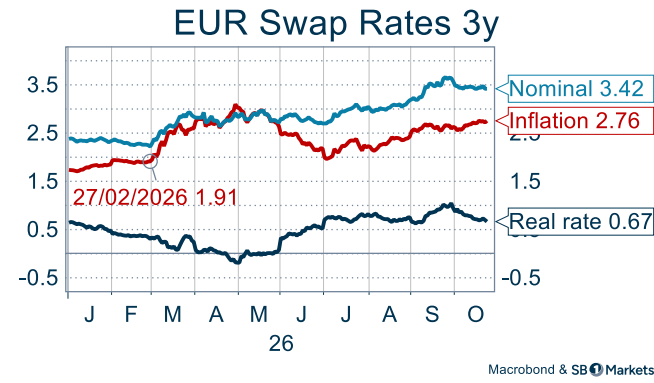


Macrobond & SB Markets



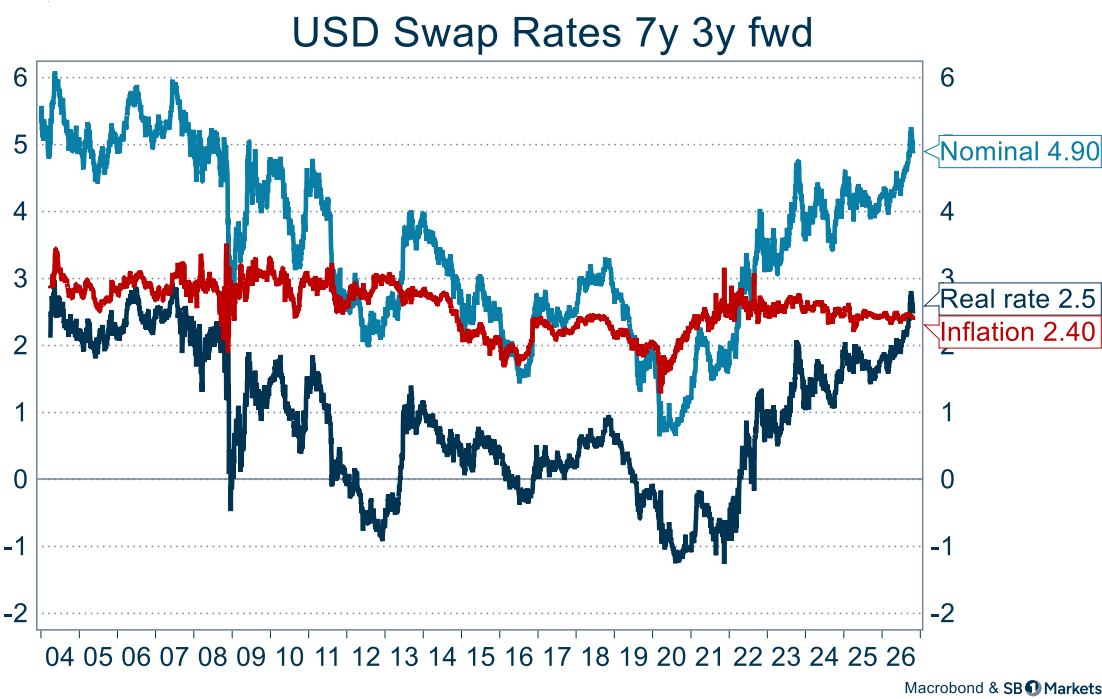
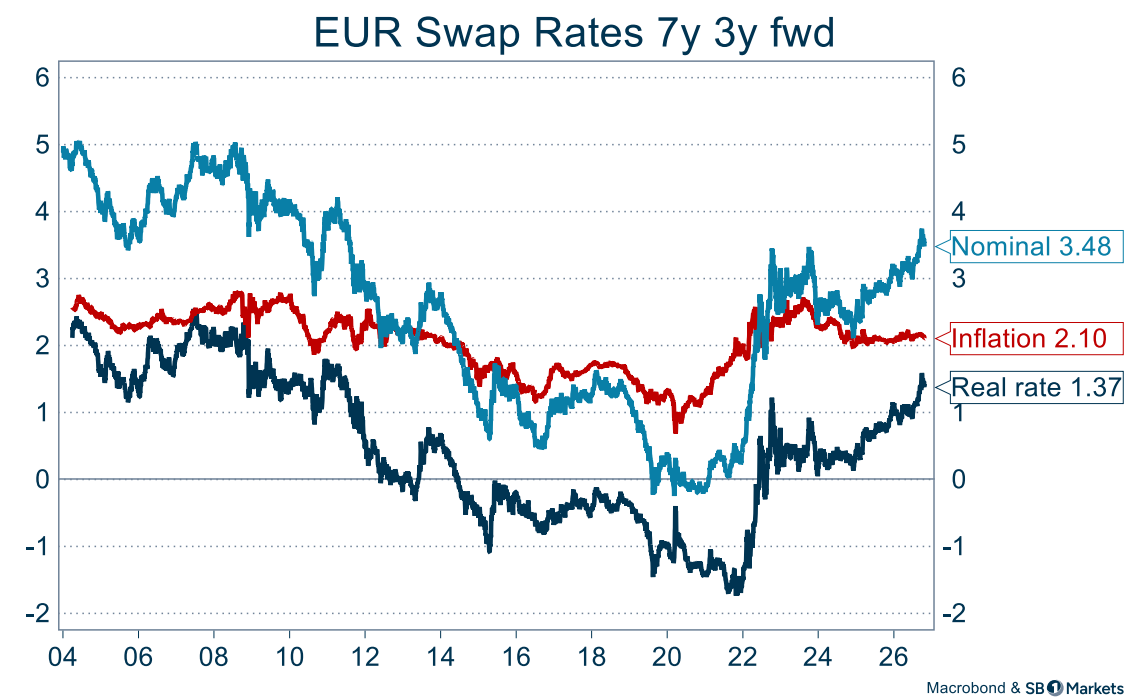
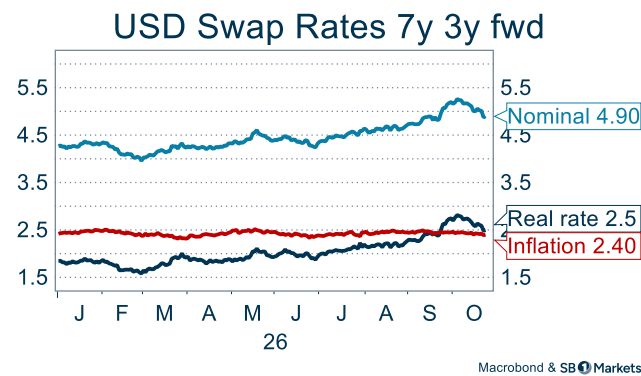
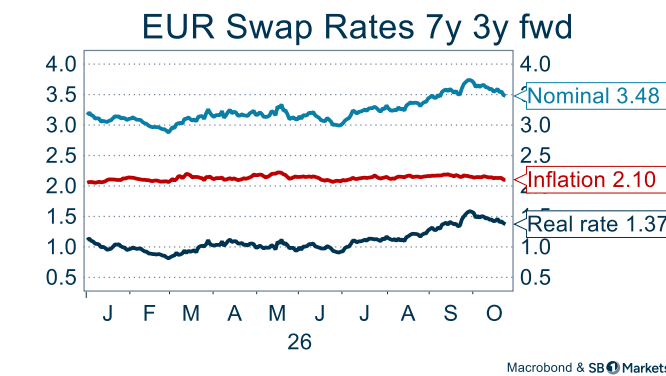
EUR short-term inflation expect. trend up (due to the 1st year), real rates have fallen in Oct.

In US, short-term inflation expectations are close to flat, and are below those in EUR, while real rates have come down here too, following the surge in September.



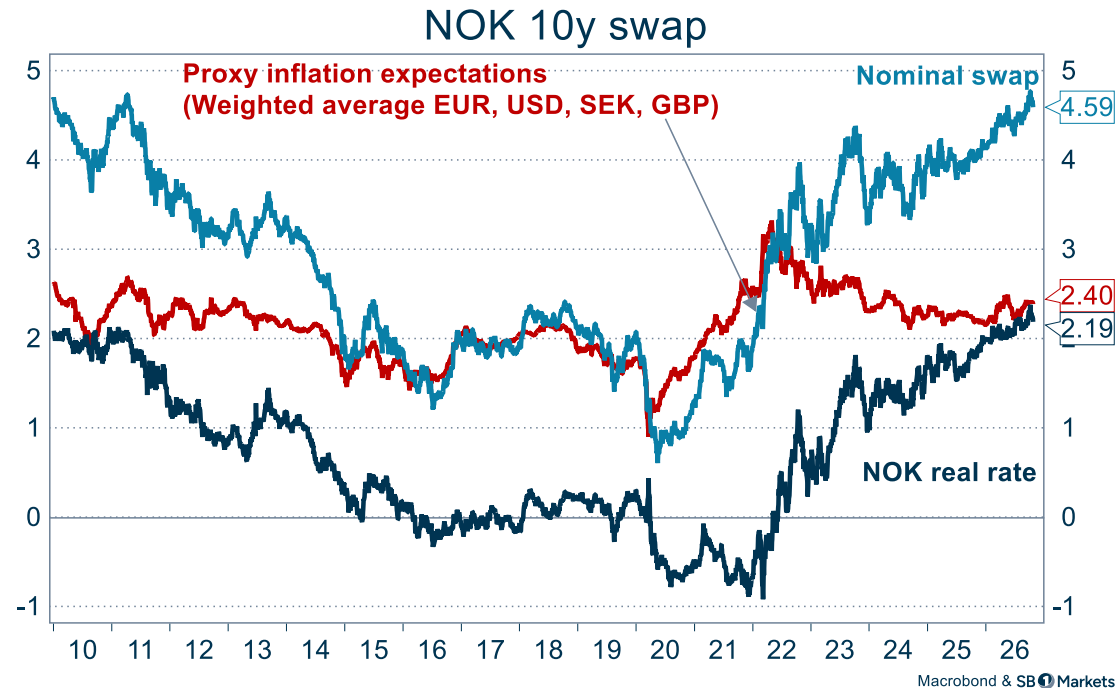
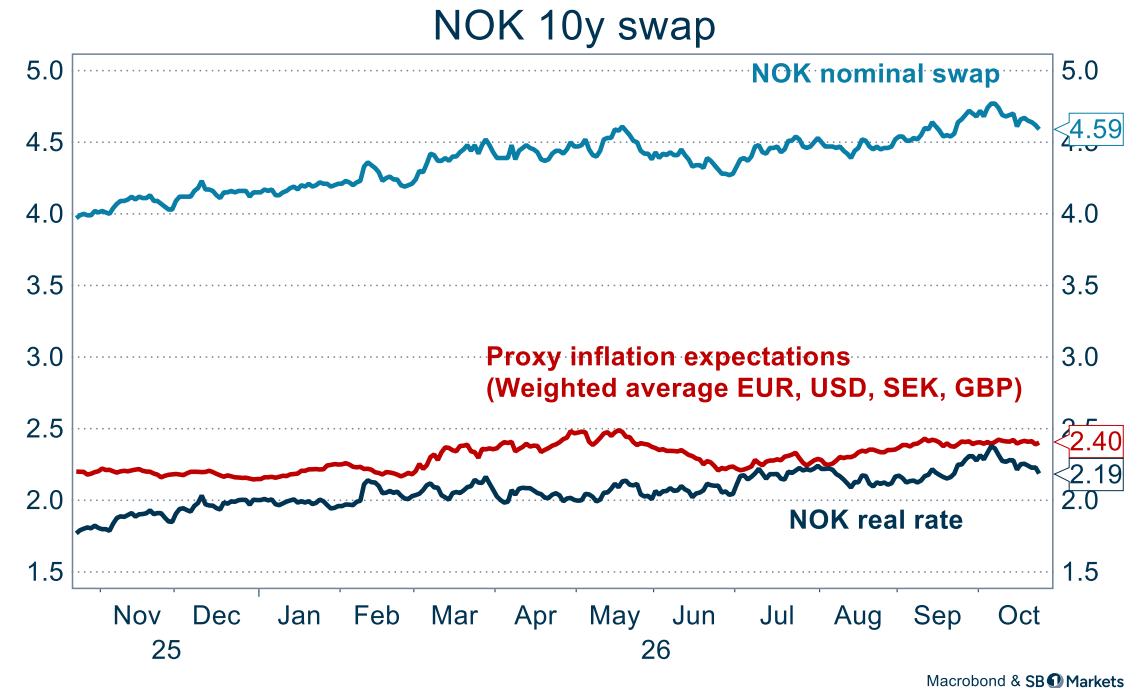
Longer-term real rates declined last week too, in both USD and EUR

... following the surge in real rates since March (USD) and June (EUR). Inflation expectations are boringly flattish, at OK levels.



The 10-year NOK real rate (probably) declined last week too, but remains 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. The implied real rate has not been stable!

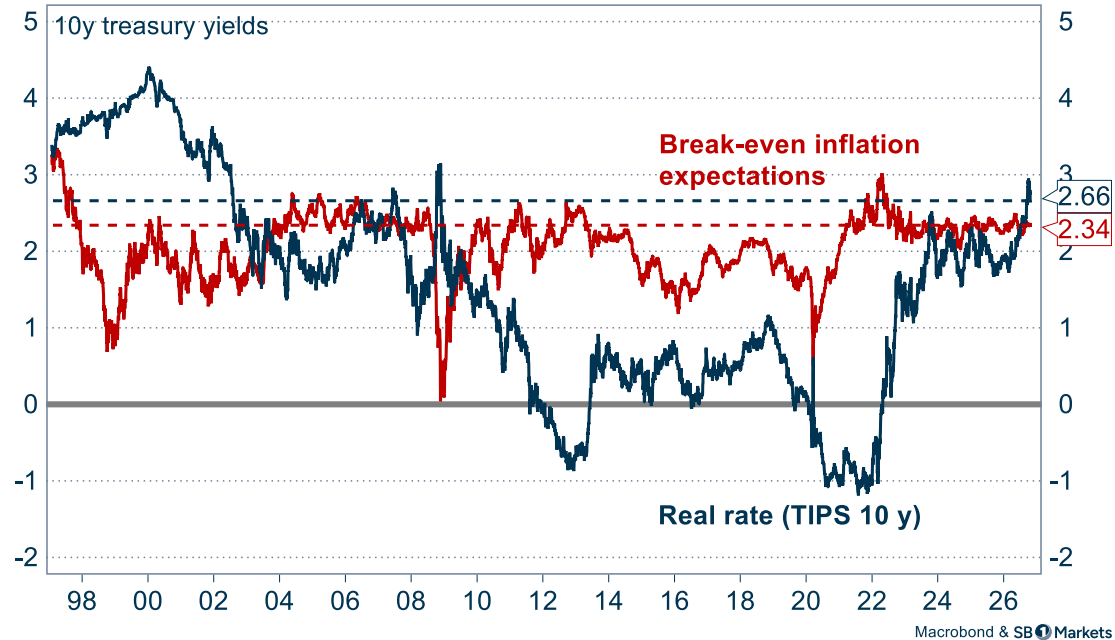




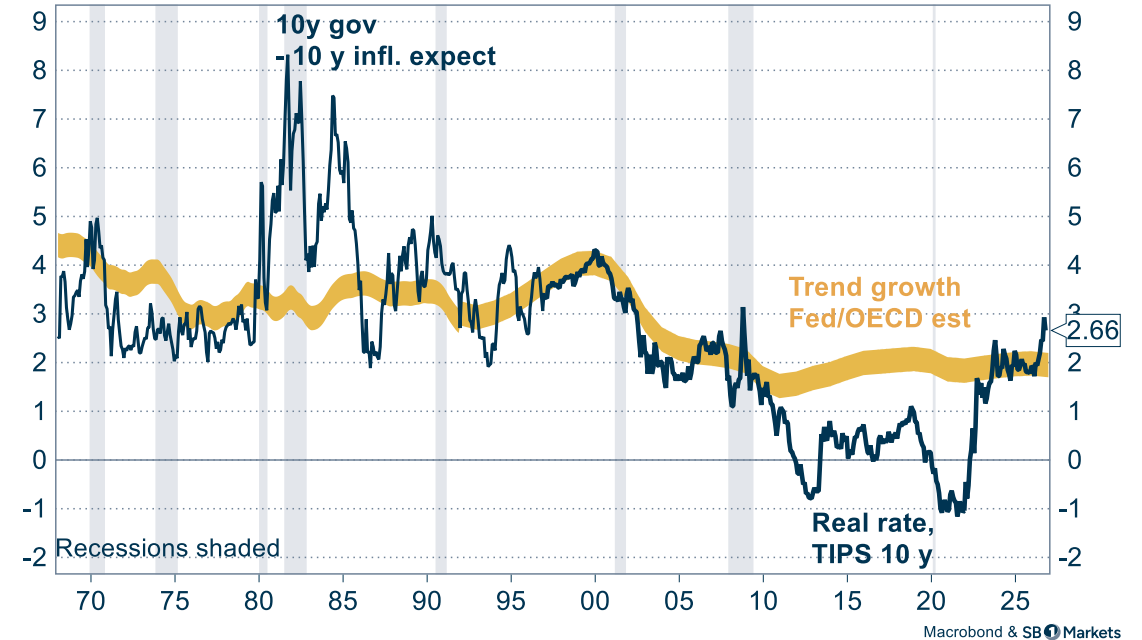
US real rates vs. growth expectations: above the upper part of the 'growth corridor'

We have said: "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 (e.g. from AI). In an economic downturn: lower long-term real rates are likely". No change this week.

USA TIPS Real yields, break-even inflation

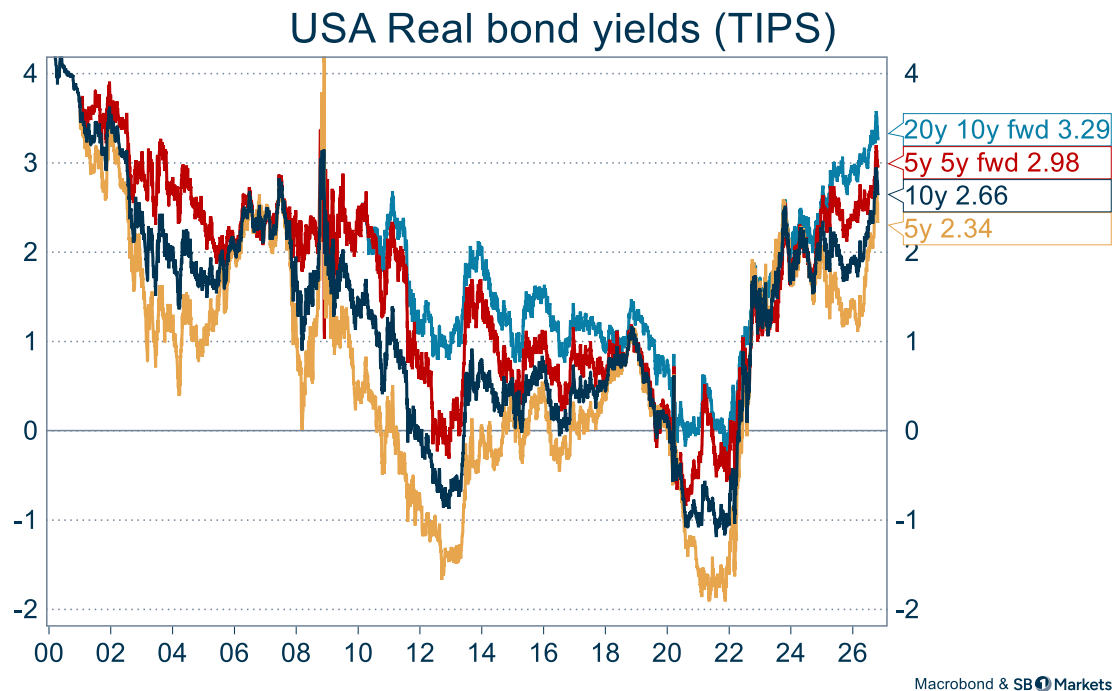
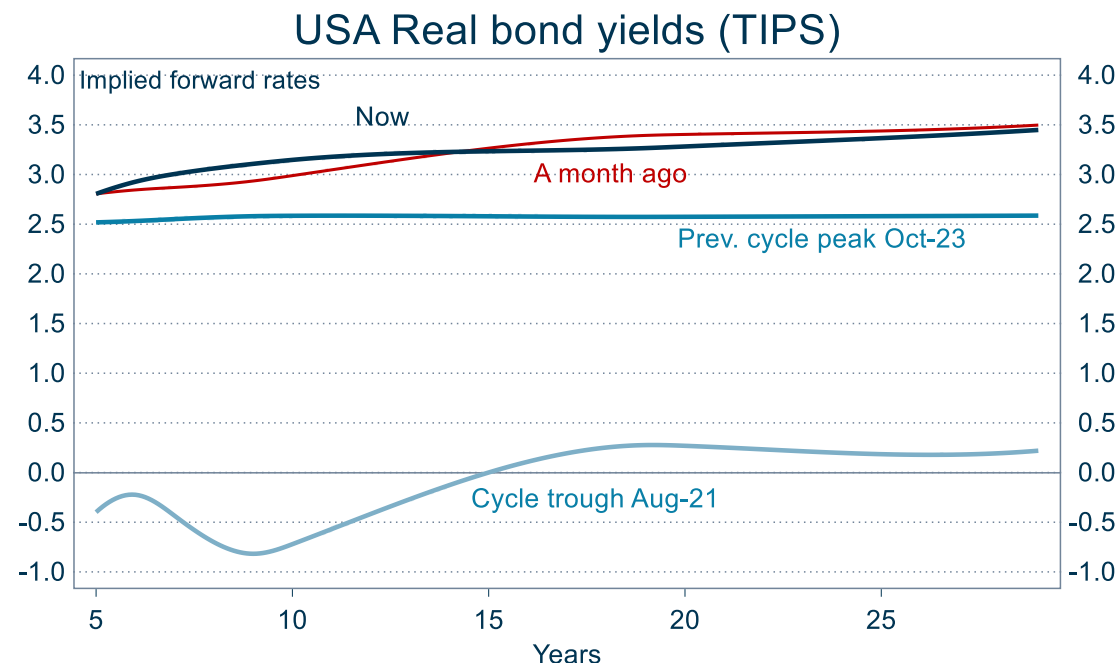
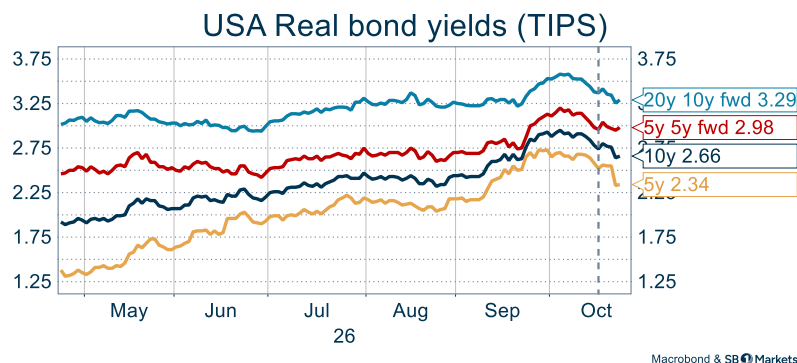


USA Growth vs 10y real government rate (TIPS)



TIPS real yield curve: the September/early October hike is partially reversed

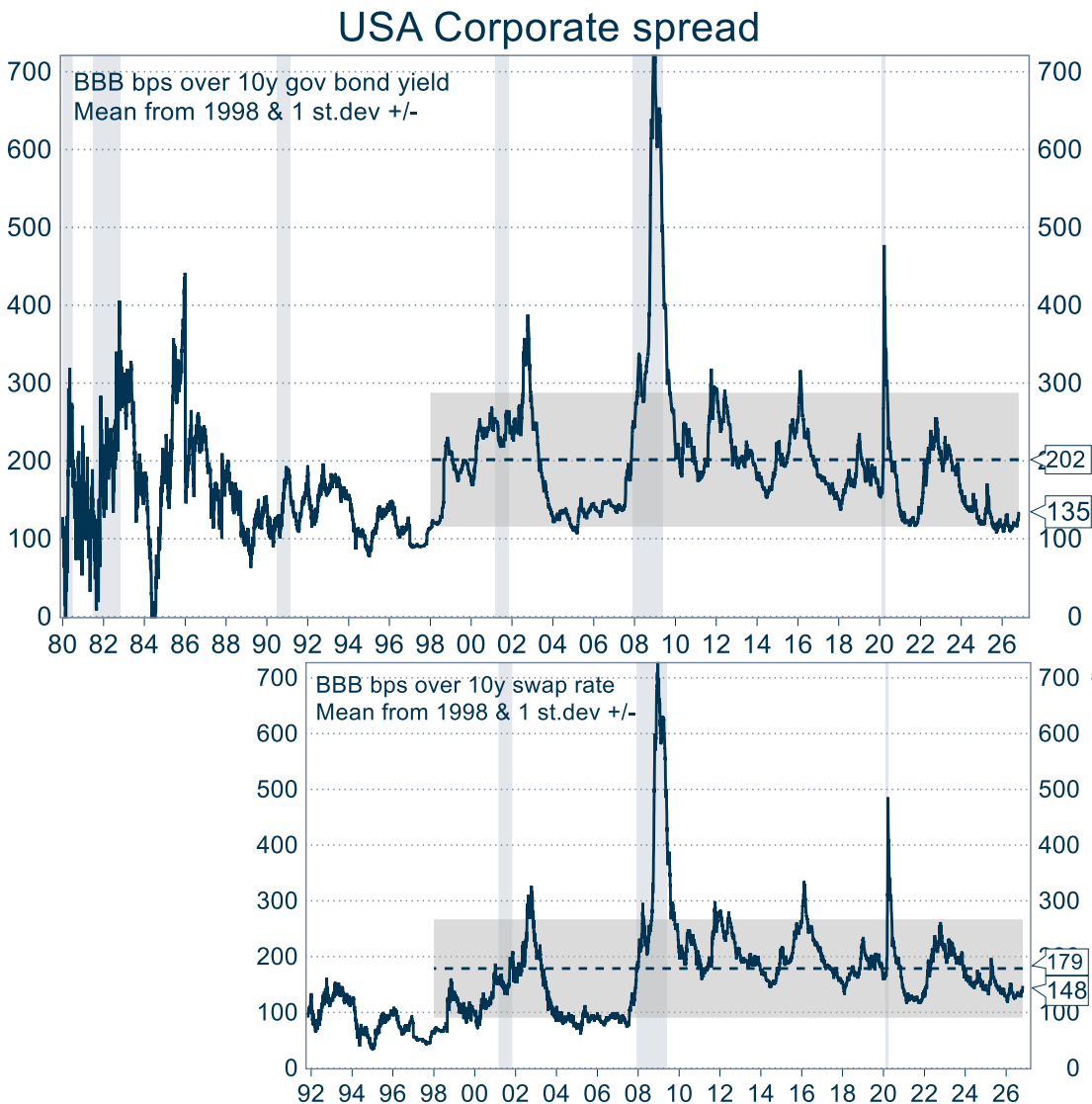
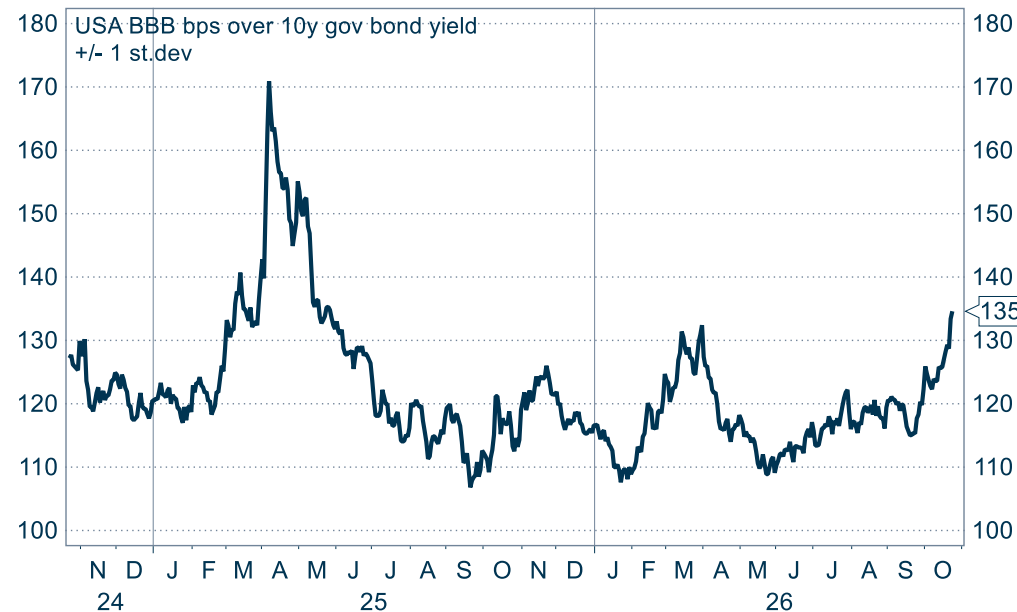
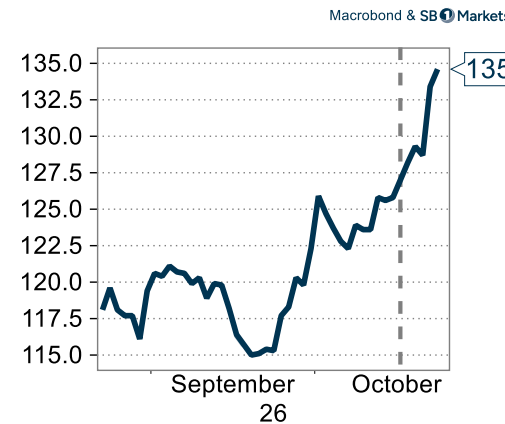
TIPS rates are still close to their highest since the brief spike during the market turmoil in October 2008. Before that, similar levels were last seen in 2002.





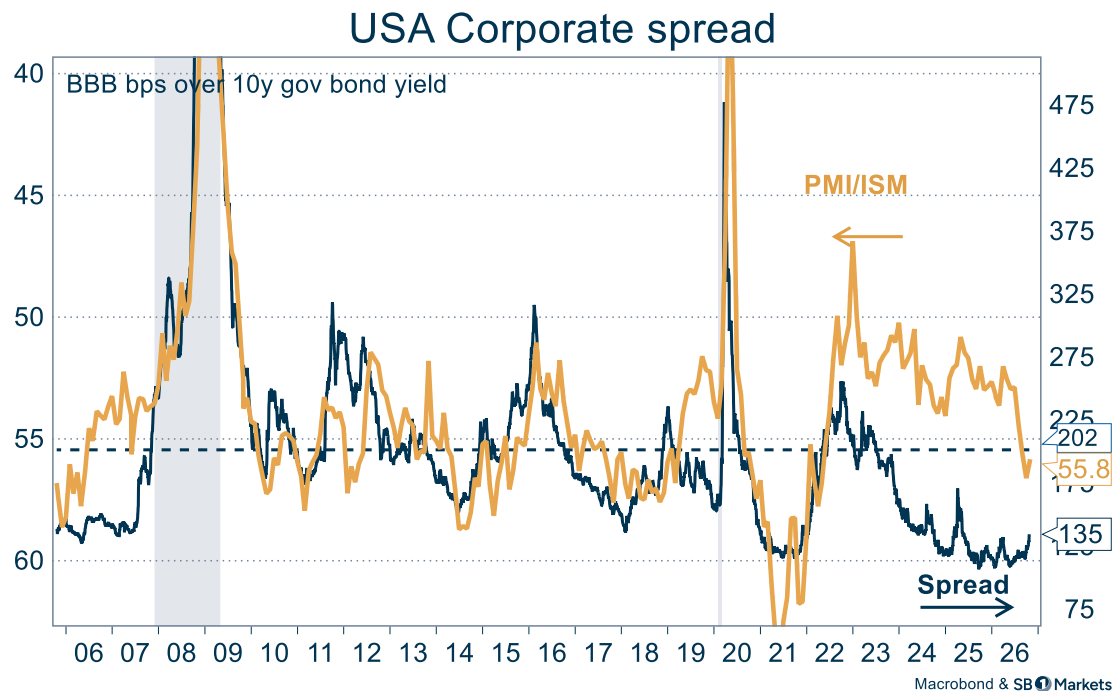
The US BBB corporate spread (vs. 10y gov.) up 8 bps to 135 bps – and *the trend is up*

The spread has widened by 25 bps since May, but the level is anyway very low, at least vs. history.

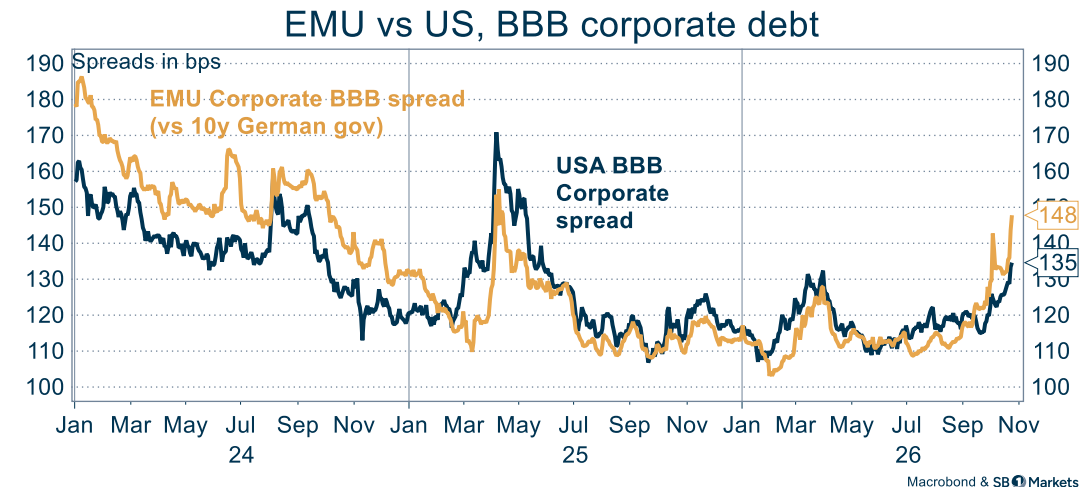
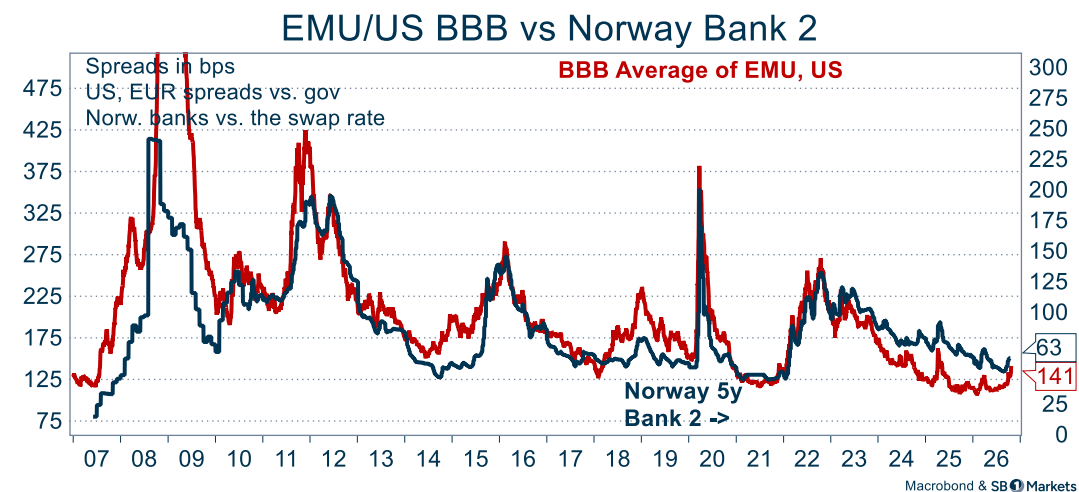


As the economy strengthened over the summer, spreads widened in both US and EMU

Recently, the EMU corporate spread vs. the German government bond yield widened sharply as the gov. bond yield declined. (The EMU corporate spread has not widened vs. the weakest links in the European gov. bond chain (French bonds)).



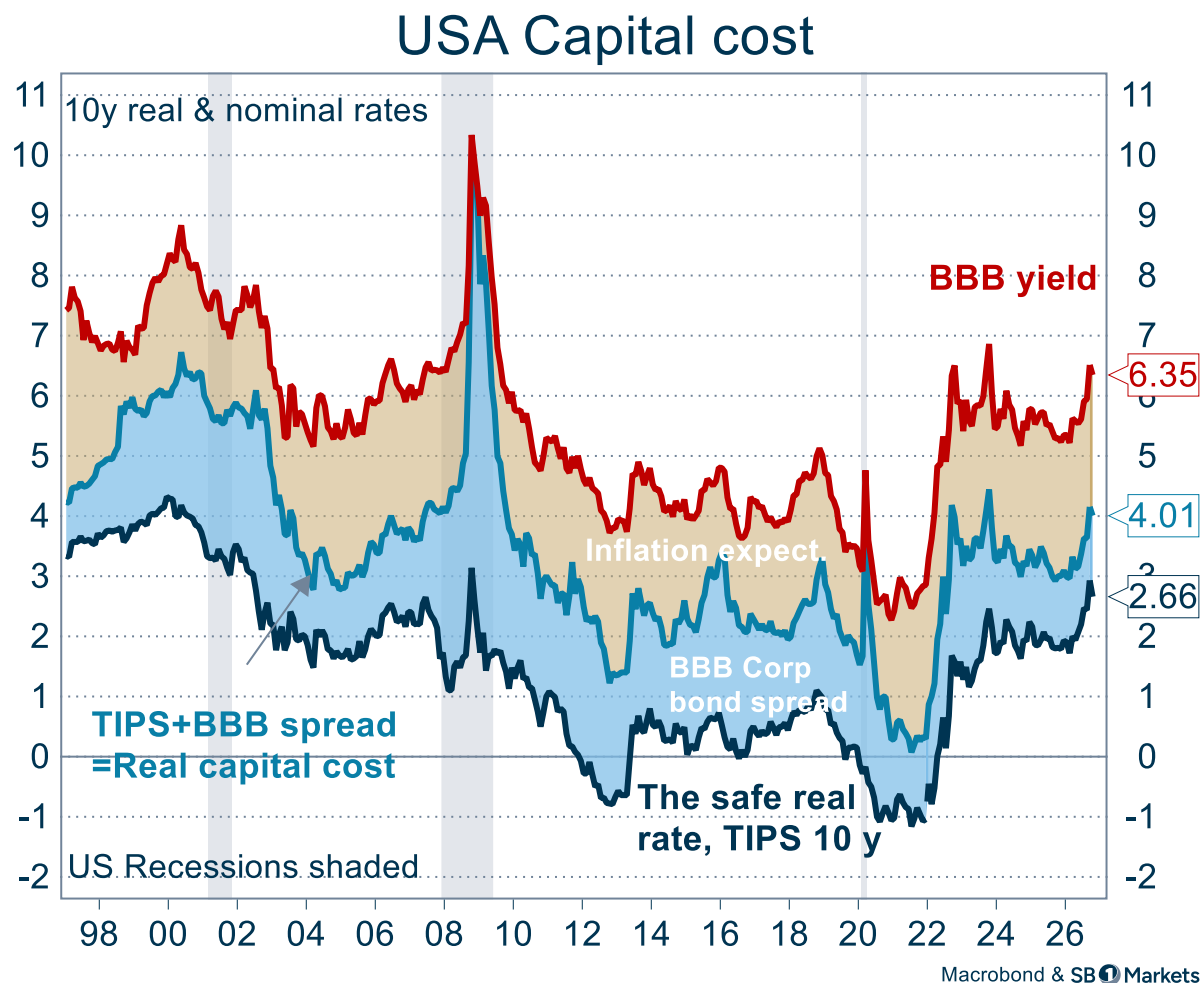
- The main Norwegian bank bond spread (bank 2, 5y senior) was flat at 63 bps last week, up from 51.5 bps at the bottom in late August.





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

And in recent months also due to a wider corporate spread. Inflation expectations (break-evens) have been stable.



- The total **real borrowing cost** for a US BBB investment-grade industrial corporation was flat at 4.01% as the 10y TIPS real rate declined but the corporate bond spread widened by the same amount.
- Adding in inflation expectations, the nominal borrowing cost was also close to unchanged at 6.35%, up more than 90 bps from February – just due to a lift in the TIPS rate, and since May also due to the lift in corporate spreads.

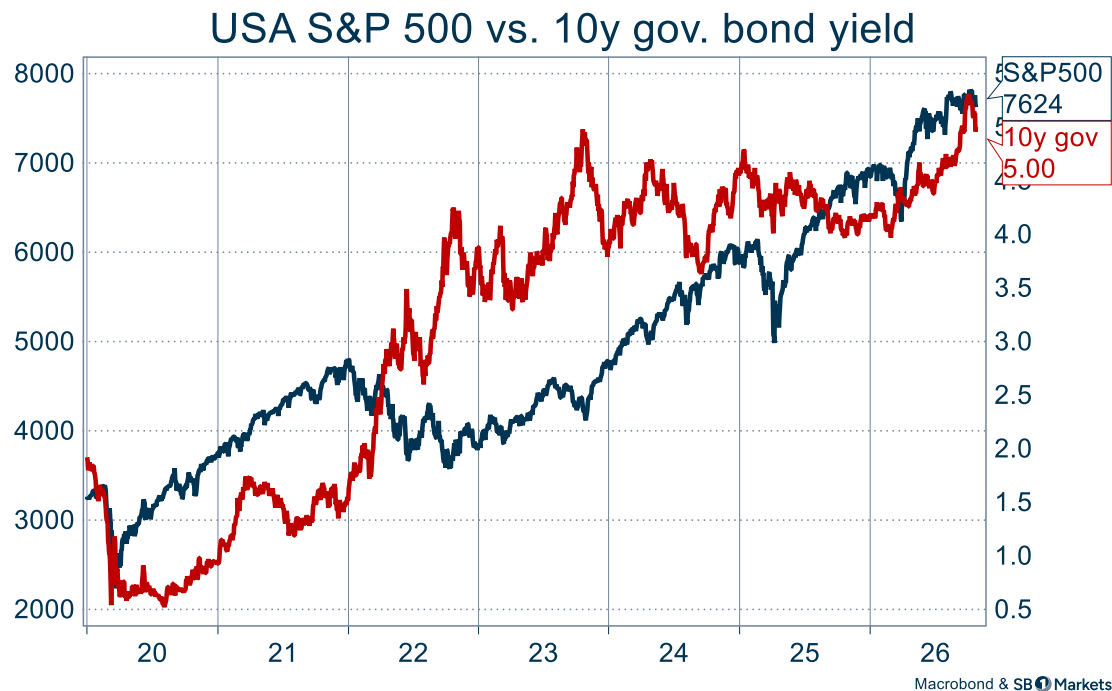
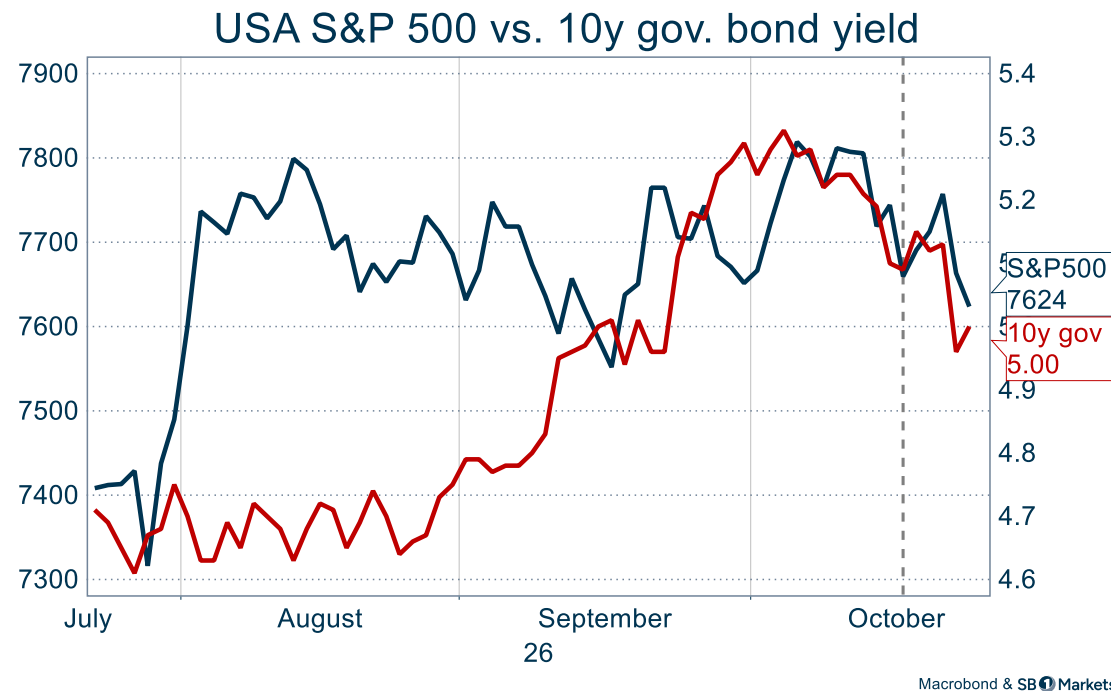


4.3 Equity markets



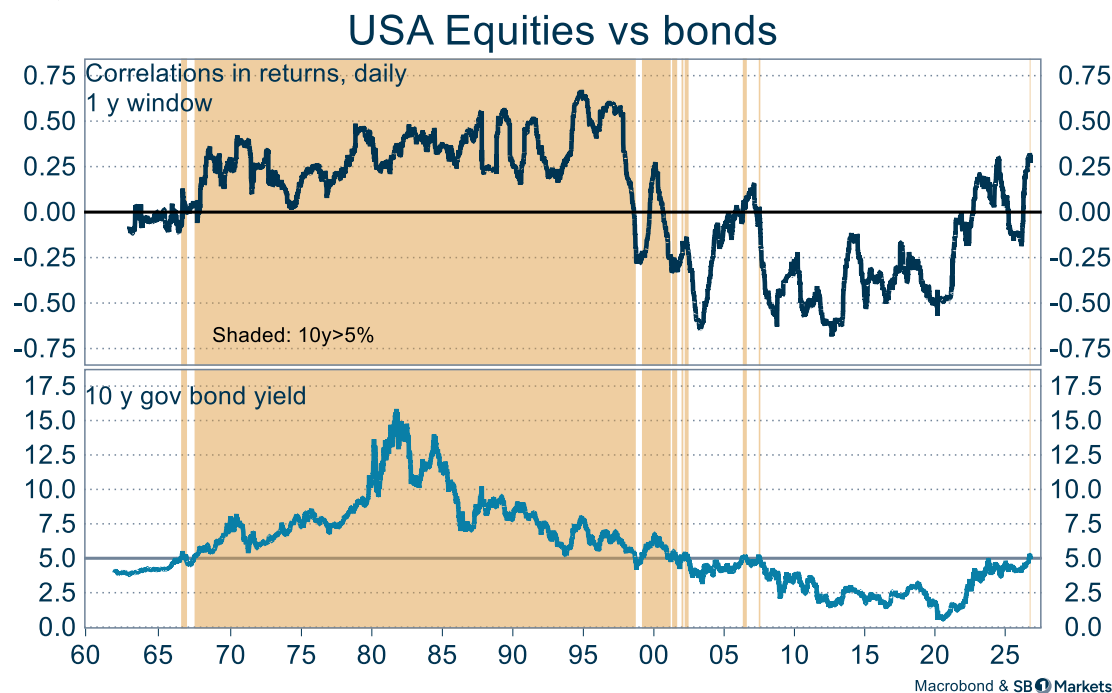
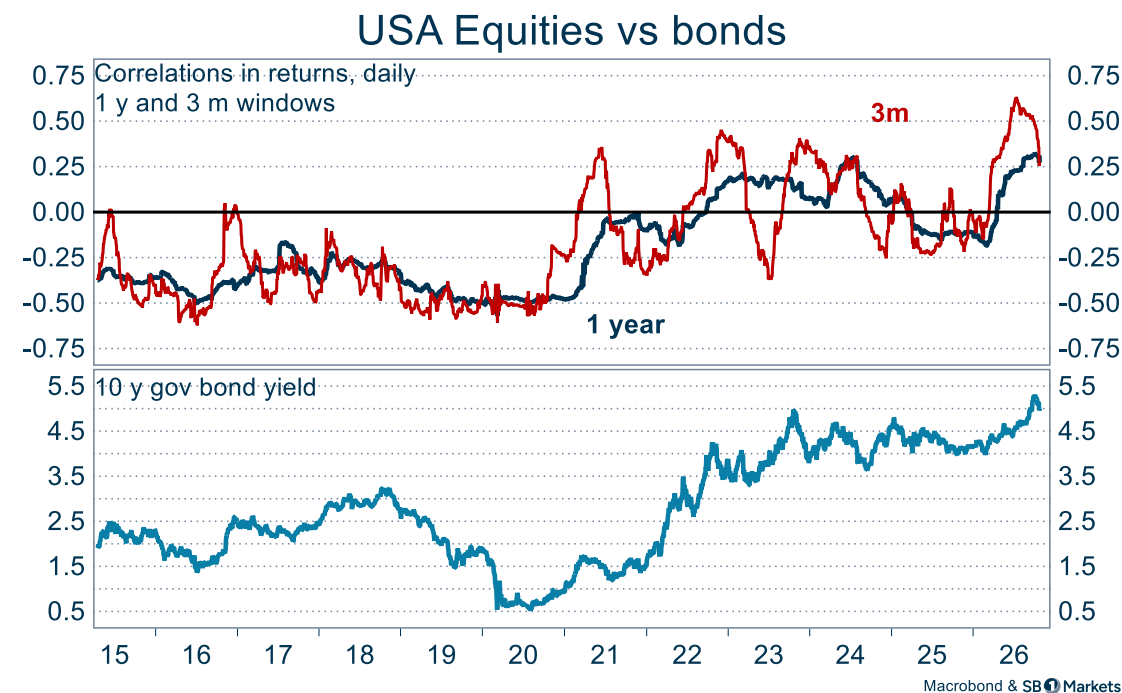
Equities and bond yields fell further last week

However, the S&P lost just 0.5% (and Nasdaq 0.8%) as investors mostly rotated out of AI-related stocks. The 10y bond yield fell 9 bps to 5.00%. Day-by-day, bond yields have fallen (or corrected up) in tandem with the stock market (and returns have been negatively correlated).





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

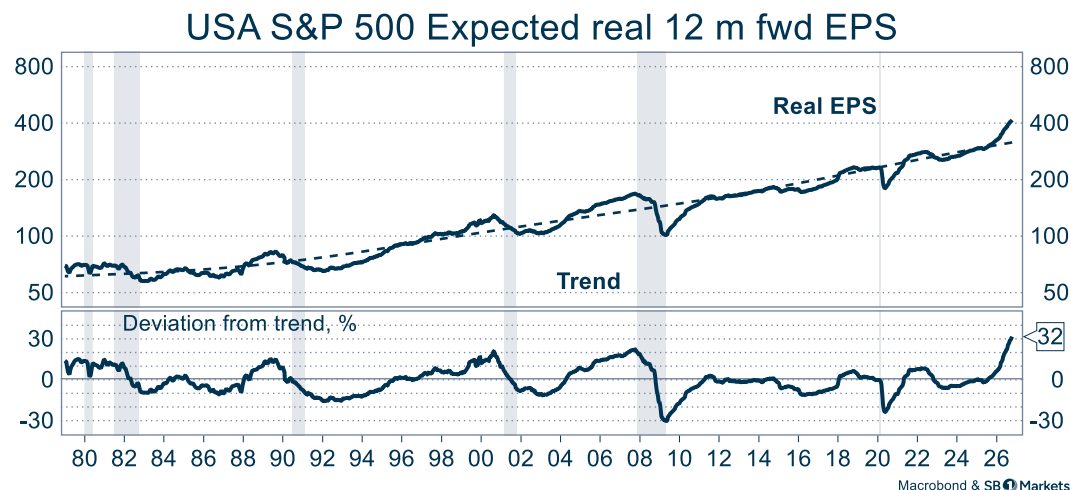
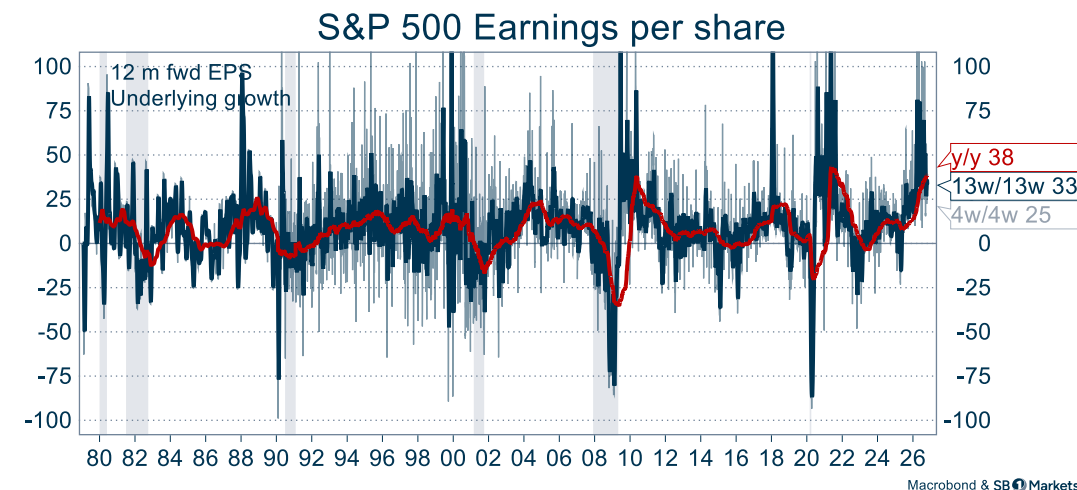
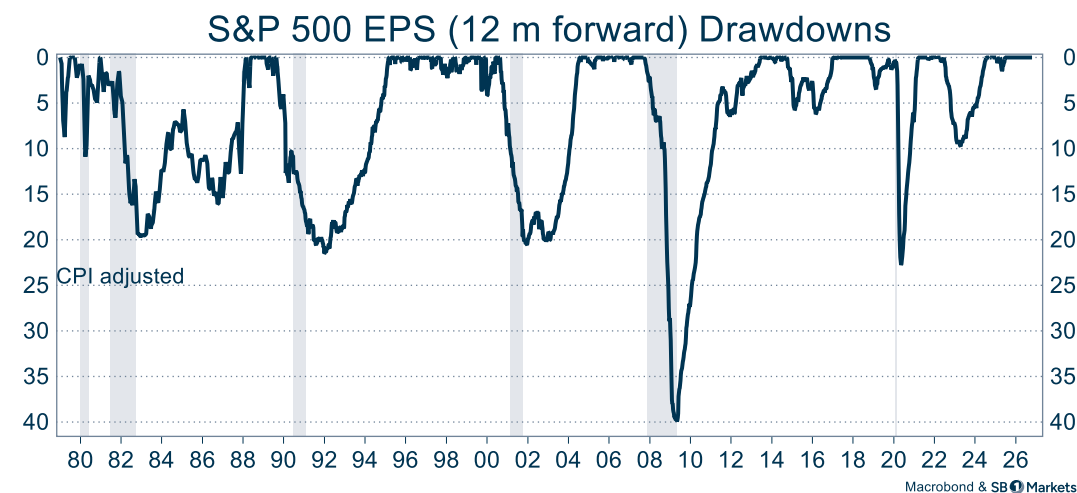


- **Inflation worries** normally lift government bond yields to a 'high' level and are normally not positive for equities: thus, **a positive correlation** (in returns).
- **Growth worries produce the opposite (negative) correlation in returns**: lower yields and a weaker equity market, which we have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



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

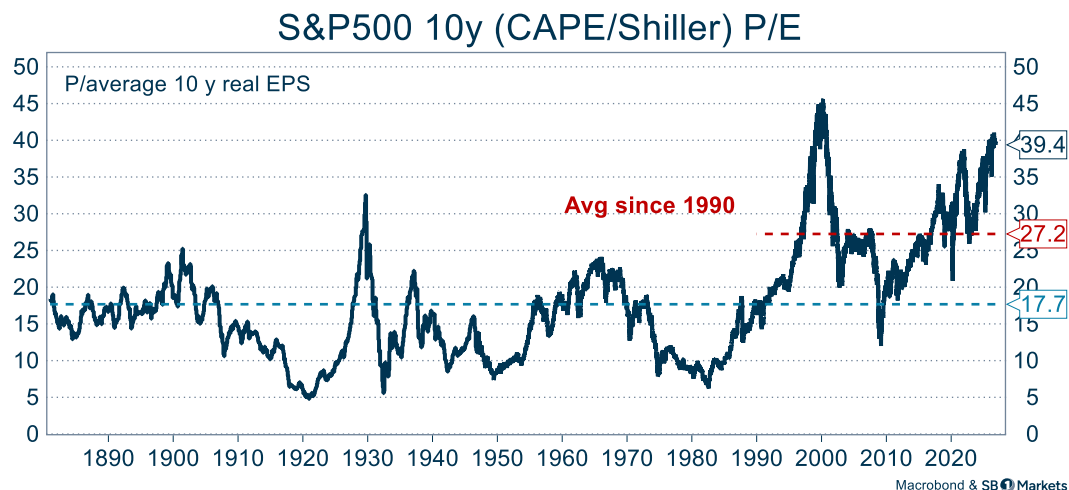
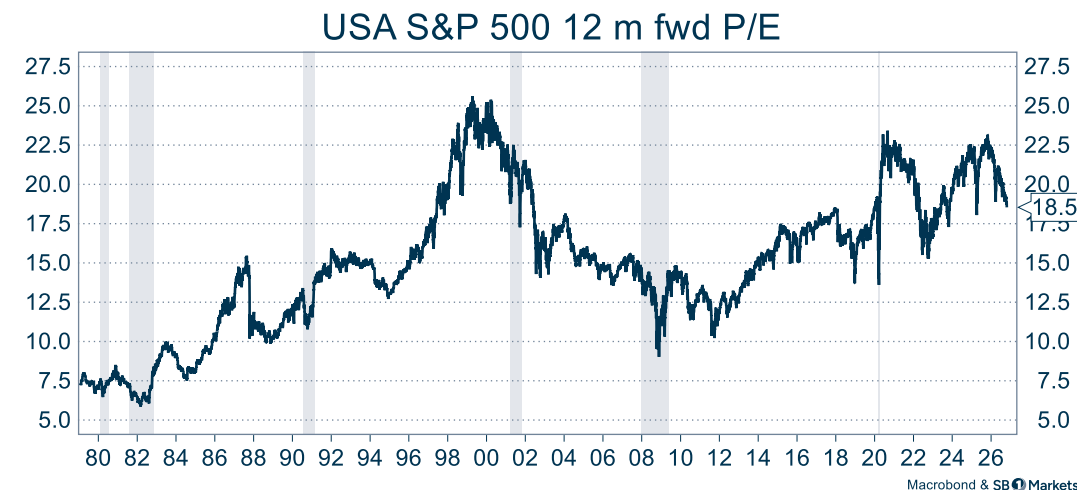
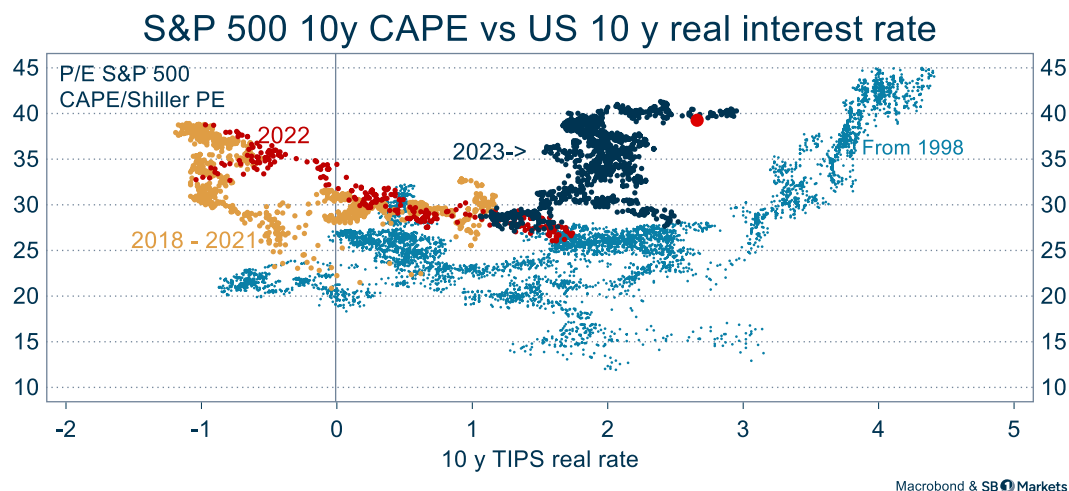
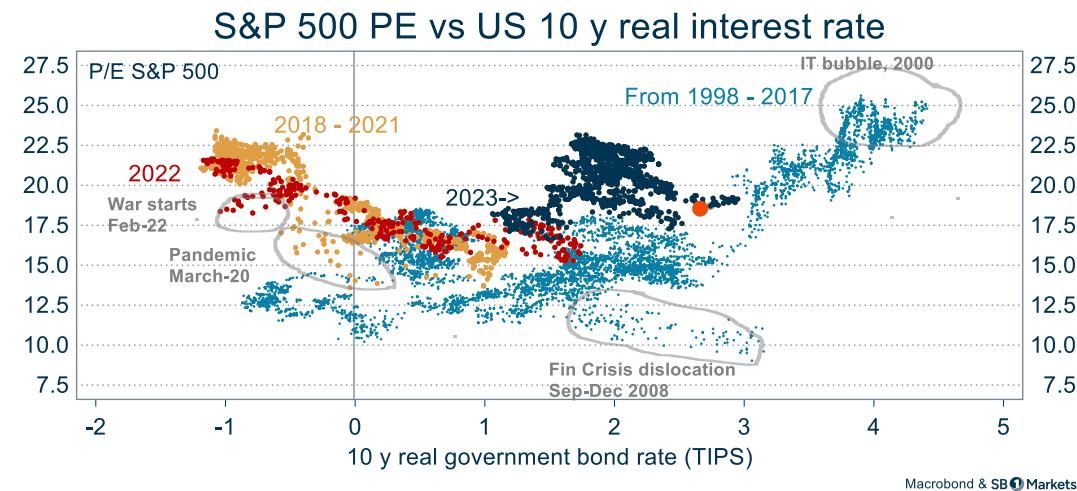
The 12m fwd. expected (CPI-adjusted) S&P 500 EPS is 31% above the long-term real trend path, as the profit share of GDP is booming, to record-high levels (which is why inflation has become too high). **Some downside risk?**



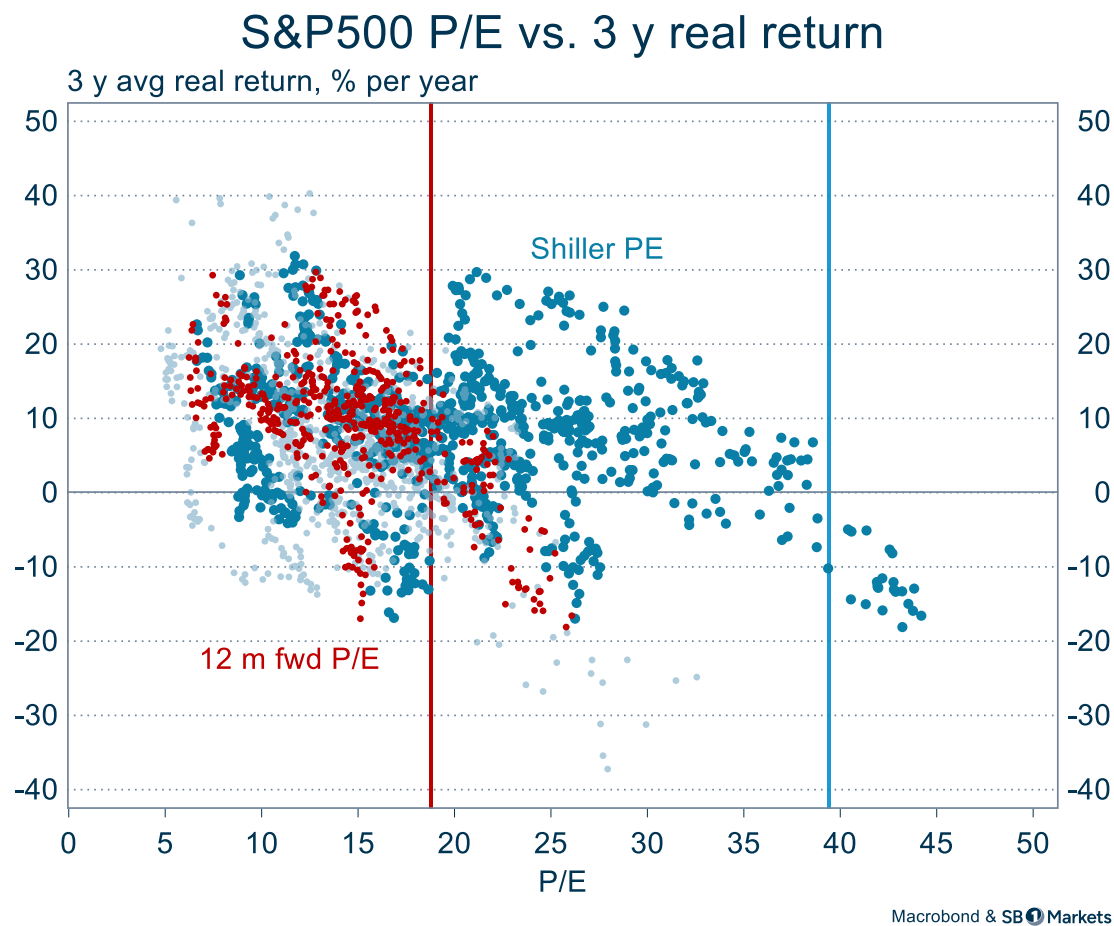
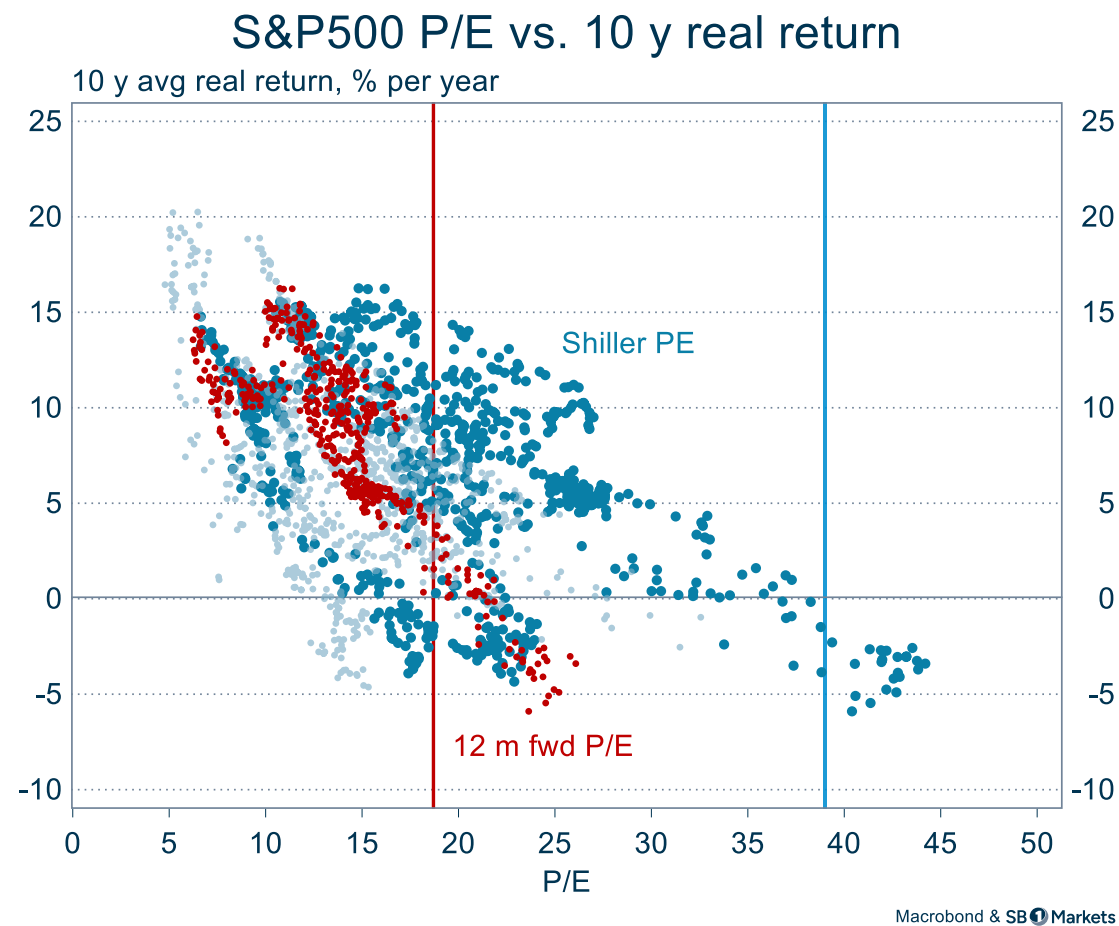


US P/Es are still high, but **rapid earnings growth** lowers the 12m fwd. P/E. And now the P...

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 in 2026.



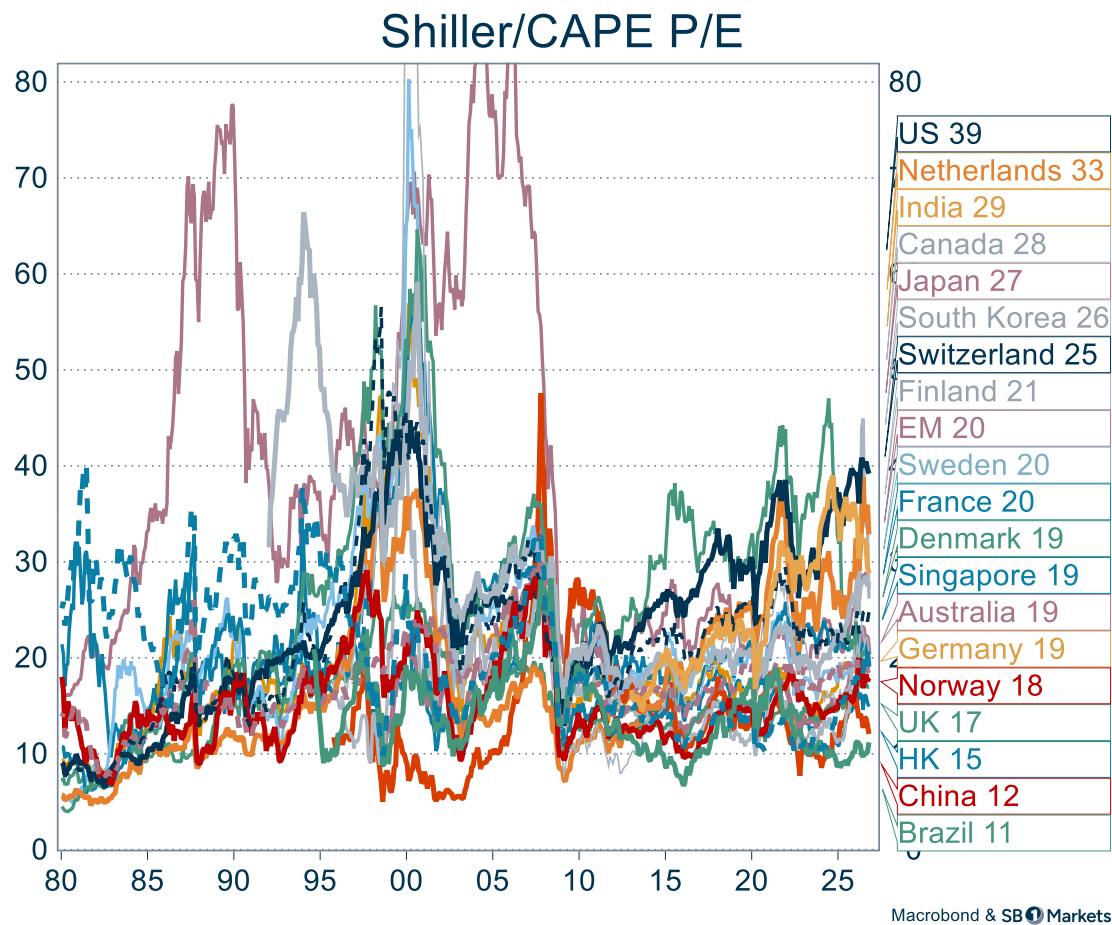
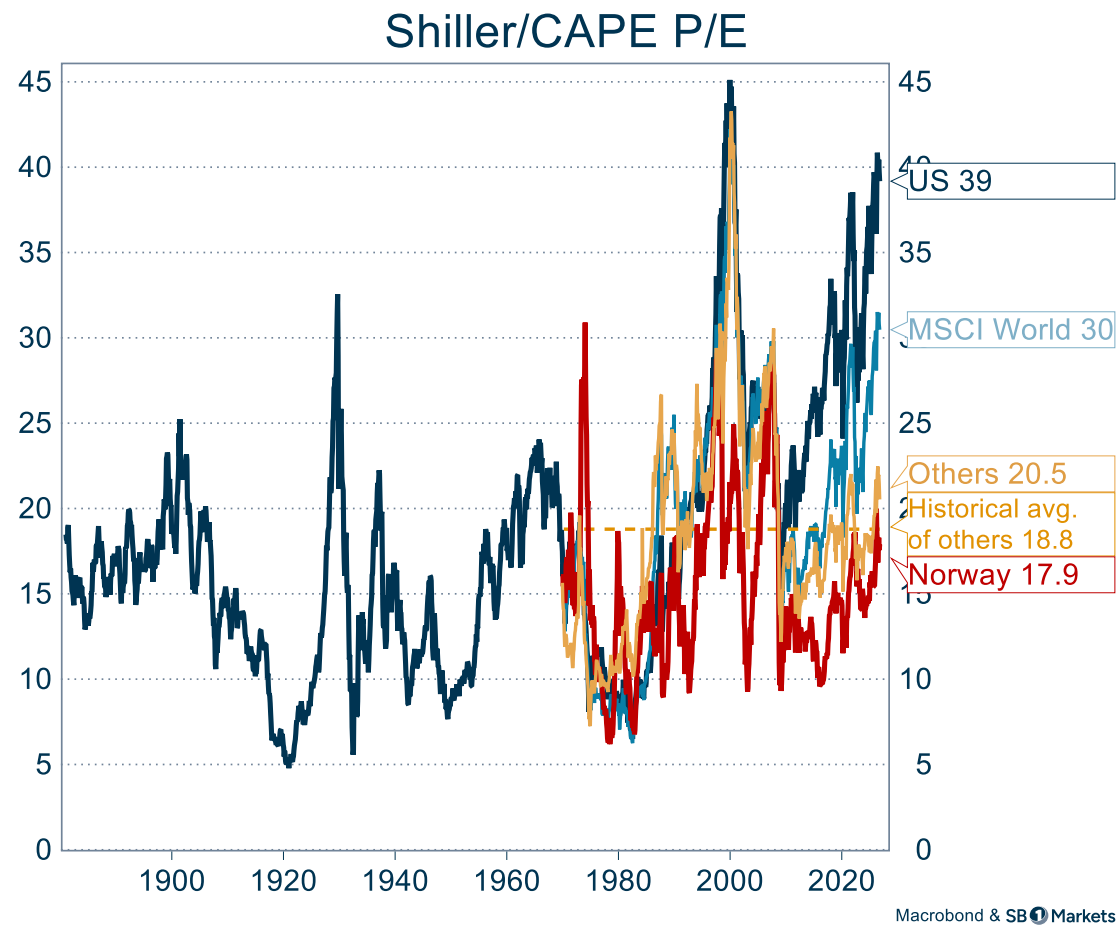
Long-term returns are generally better when you buy cheap 😊



Dark blue dots: Shiller (CAPE) returns from 1953/1960. The light blue dots: returns from 1874/1881.
The 12m fwd red dots are returns from 1983/1990.

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

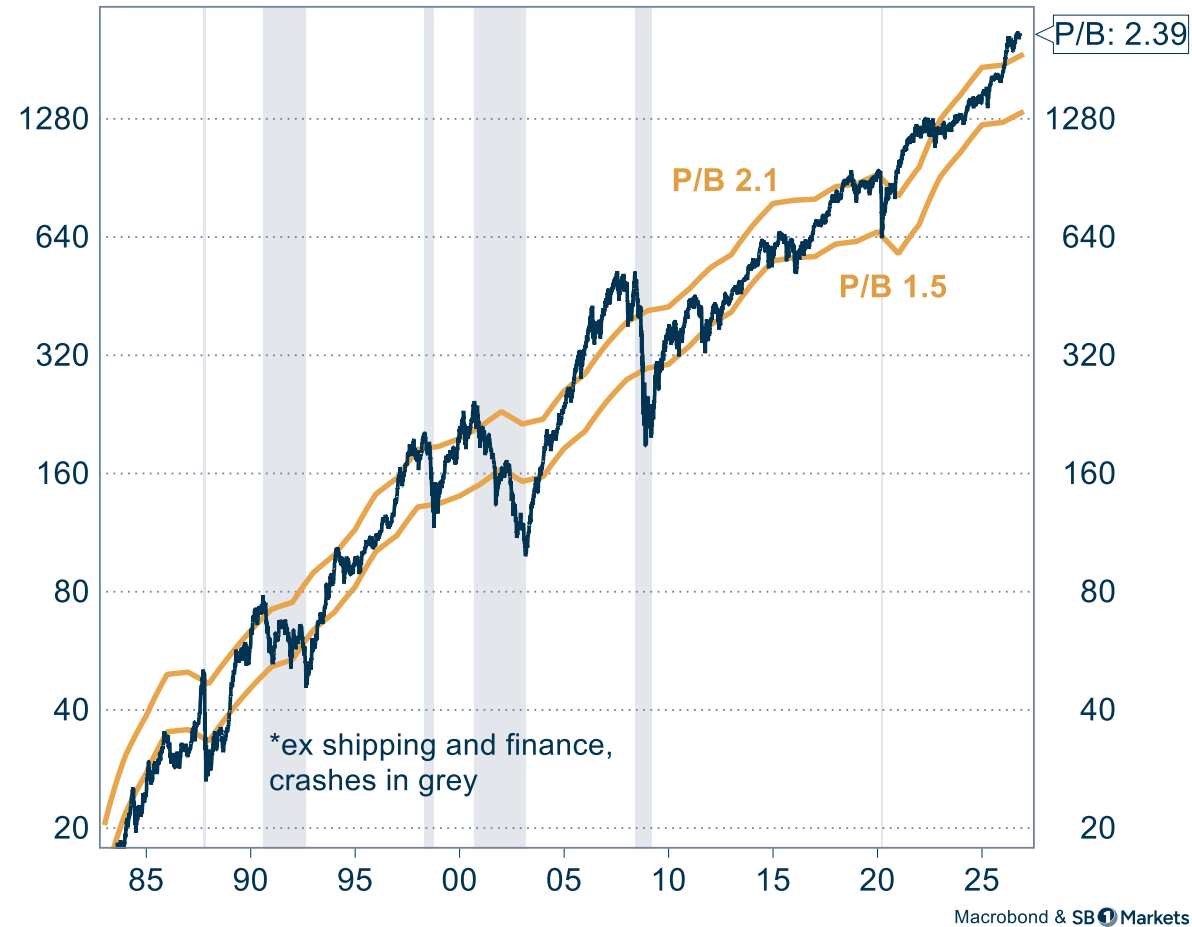
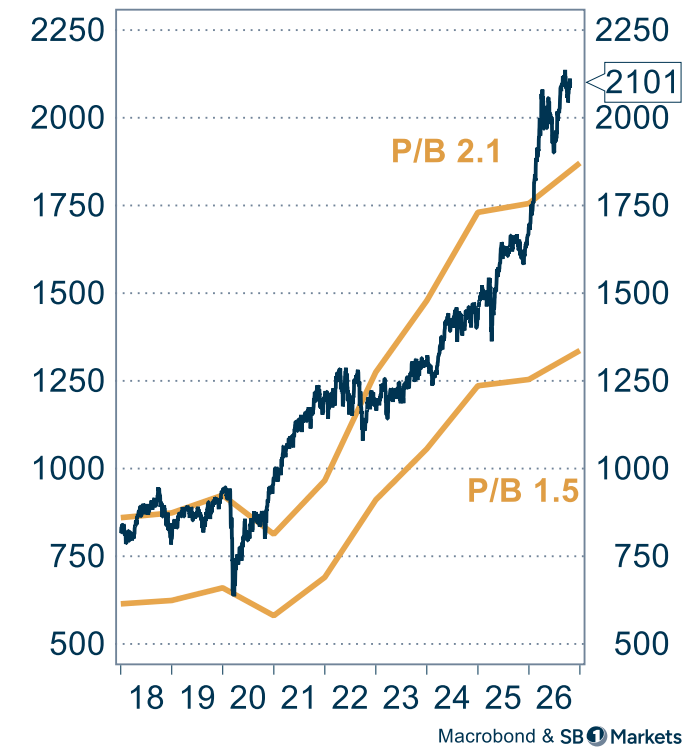
Other markets are on average 9% above an average multiple, at 20.5 vs. 18.8. The OSE sits at 17.9, which is above average (from 1970) but not by that much.



OSE flat last week, and not far below ATH, supported by oil and gas prices

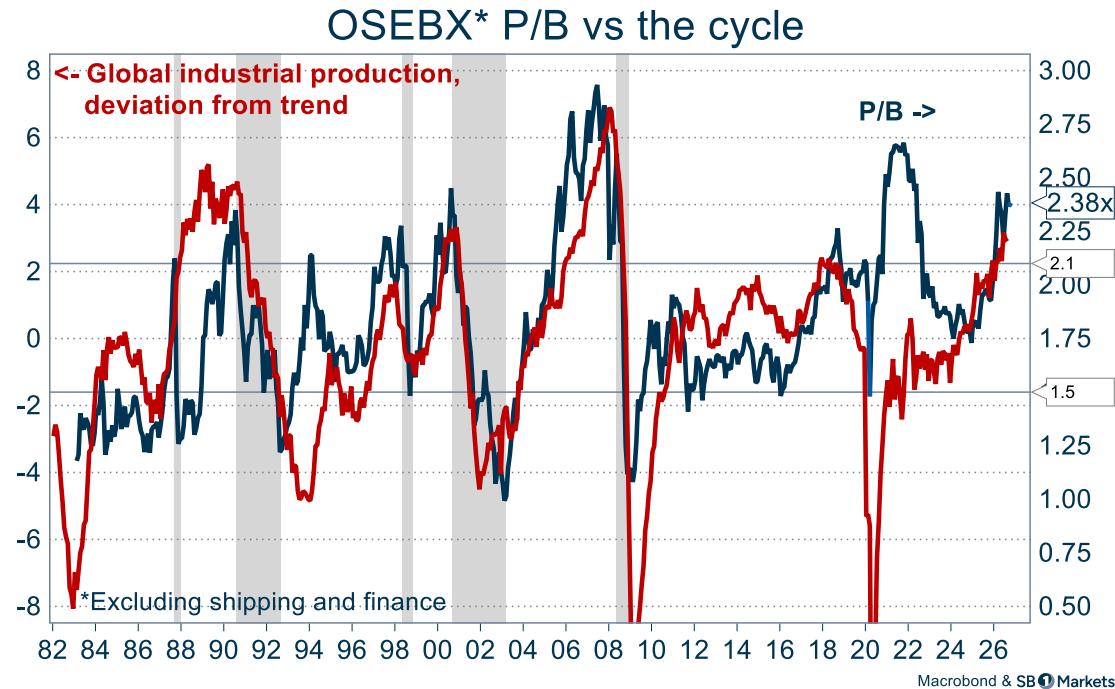
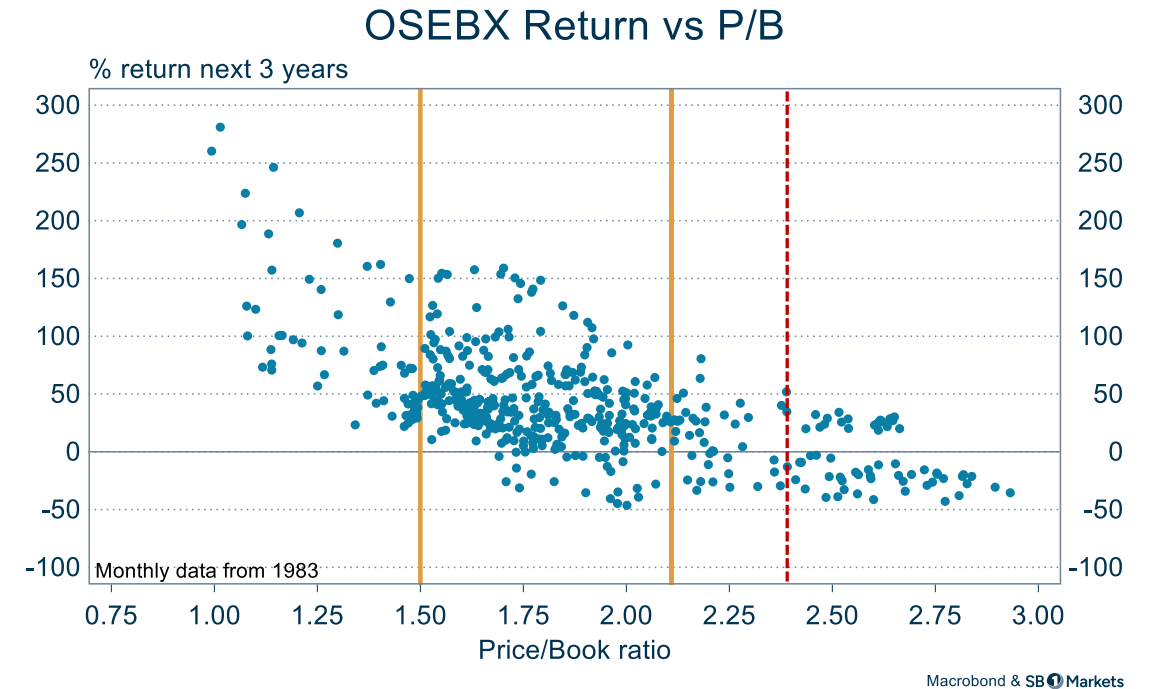
Price-to-book ratio sits at 2.39.

OSEBX P/B band*



OSE 3-year expected return: not very attractive

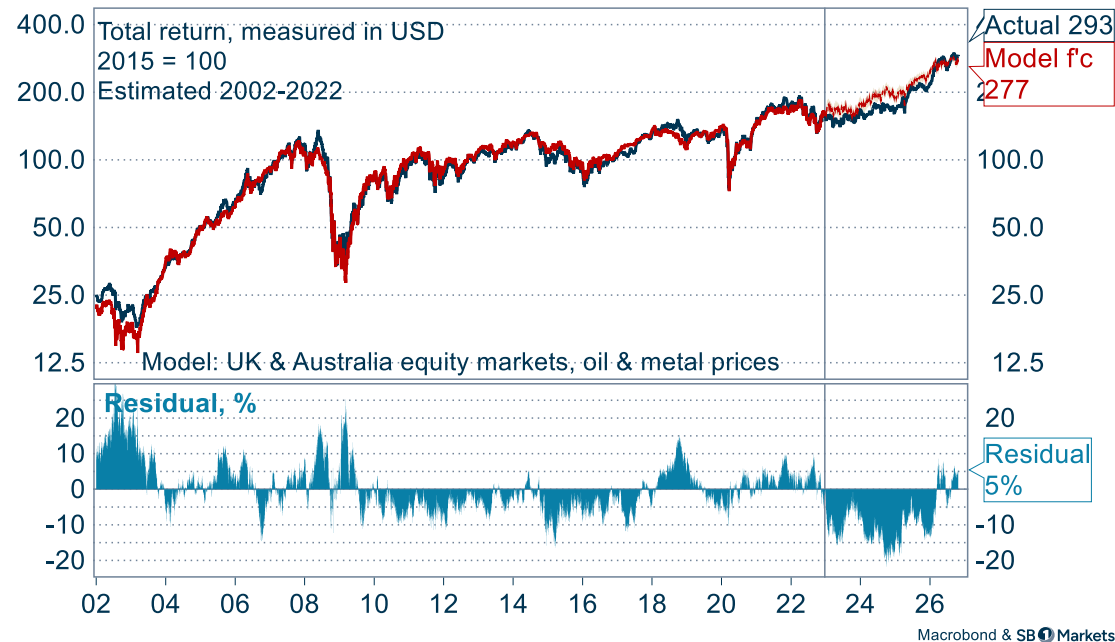
BTW, we know what drives the pricing cycles most of the time: the global economic cycle.



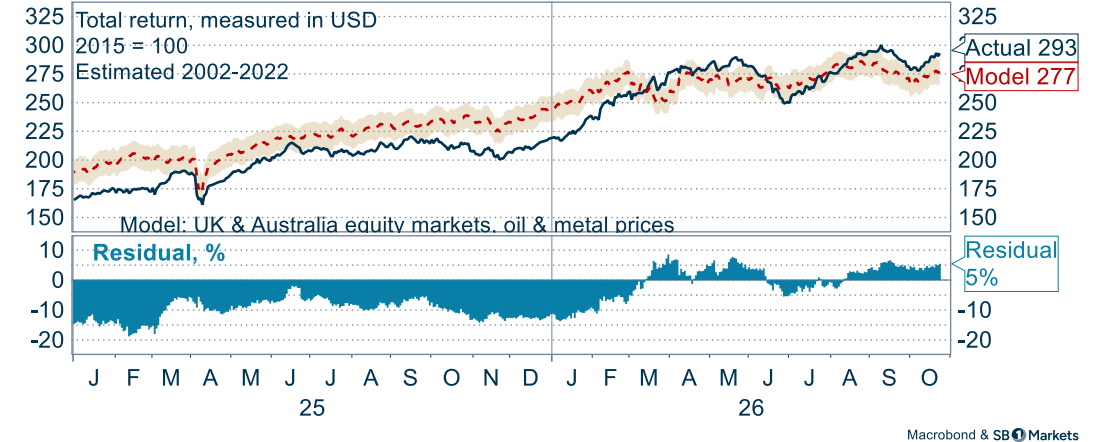
OSE vs. our peer-based level model: a tad above

The OSE is 5% above a model estimate based on FTSE, ASX, oil and metal prices, just as in previous weeks. Measured over the past 12 months, the OSE is up 30%, while our y/y 'cycle' model suggests just 10%.

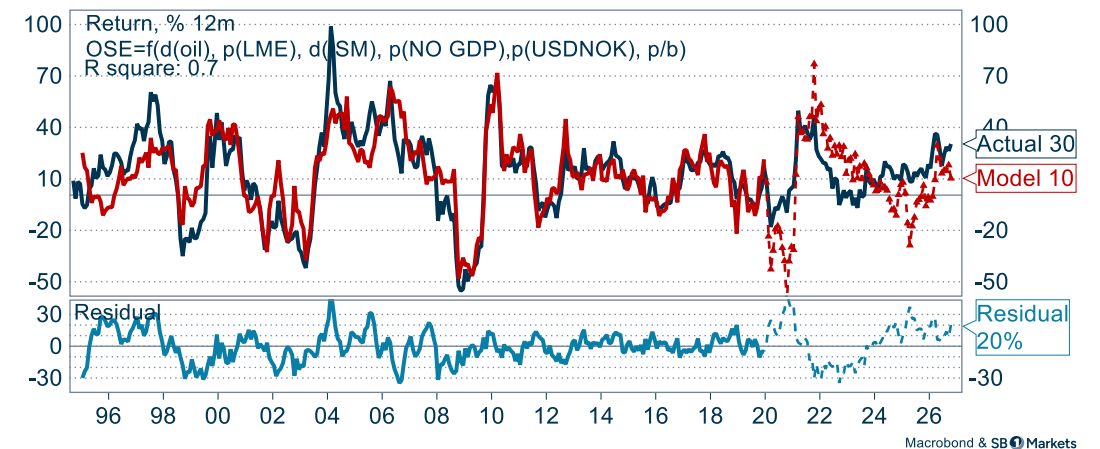
OSEBX - actual vs. model



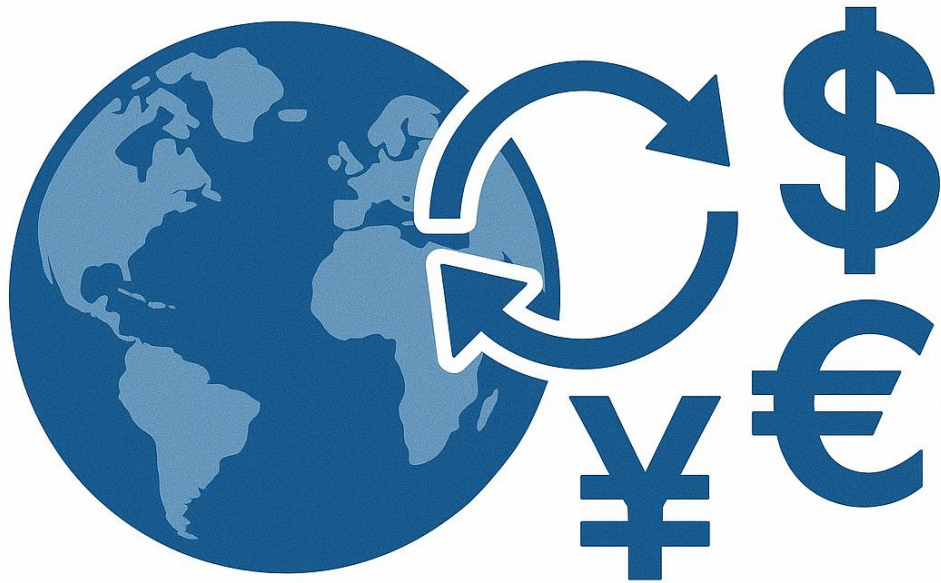
OSEBX - actual vs. model



OSE Return



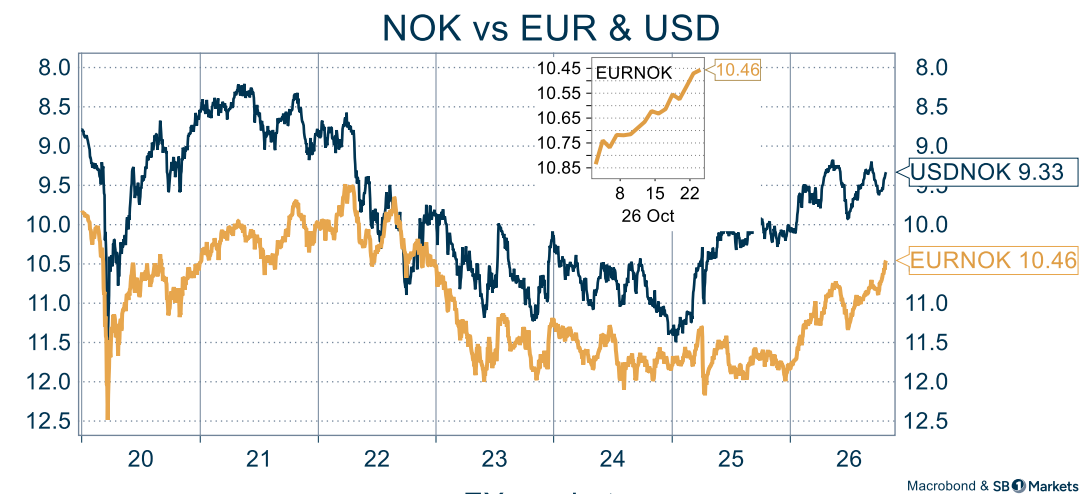
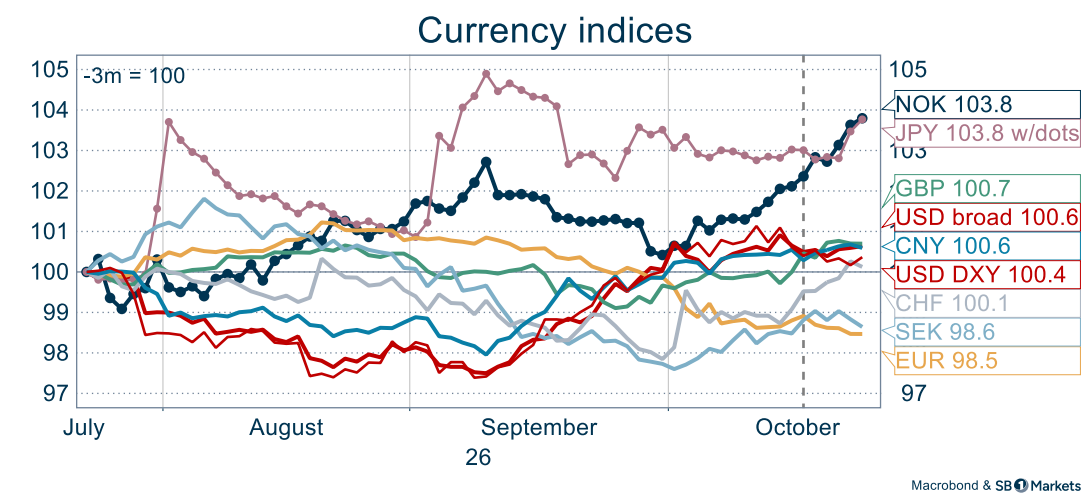
- The OSE y/y 'cycle' model: Oil and metal prices, US manufacturing ISM, Norwegian Mainland GDP growth, USDNOK and p/b (a year ago).



4.4 FX markets

NOK the winner last week too (well, again behind RUB), up 1.4%. EUR the loser, with MXN

CAD and AUD also appreciated, but SEK still depreciated. The USD indices were unchanged. EUR depreciated 0.4% vs. the USD, and 0.5% trade-weighted, even if the rate differential narrowed further. French streets to blame?



Macrobond & SB Markets

FX markets

f/x broad indices	% change										Last week	Last month	YTD	Last year
+ 4 f/x crosses	-7	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5	
RUB														3.5 4.3 -3 1
NOKEUR														1.5 3.4 13 11
NOKSEK														1.4 1.9 16 13
NOK index														1.4 2.5 11 9
CAD														1.2 1.3 -2 0
NOKUSD														1.1 1.7 8 7
AUD														0.8 -1.4 4 7
JPY														0.7 1.1 0 -4
CHF														0.6 1.2 -1 -1
KRW														0.4 3.3 9 8
CNY														0.3 1.0 7 8
GBP														0.2 1.5 2 2
USD broad														0.1 1.3 2 1
USD DXY														0.0 0.7 4 3
SEK														-0.2 0.4 -5 -4
EURUSD														-0.4 -1.7 -5 -4
EUR														-0.5 -1.6 -3 -3
MXN														-1.6 -6.9 -4 -3

■ Last week ● Last month

SB1 Markets/BIS/Central Banks/MacrobondSB Markets

1 Markets 169

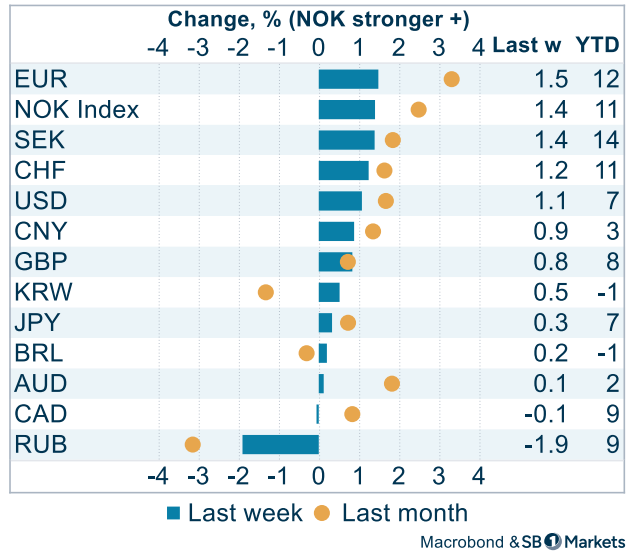
In the table, we present both the Fed's broad USD index and the standard DXY index, where the USD is measured relative to a few DM currencies.



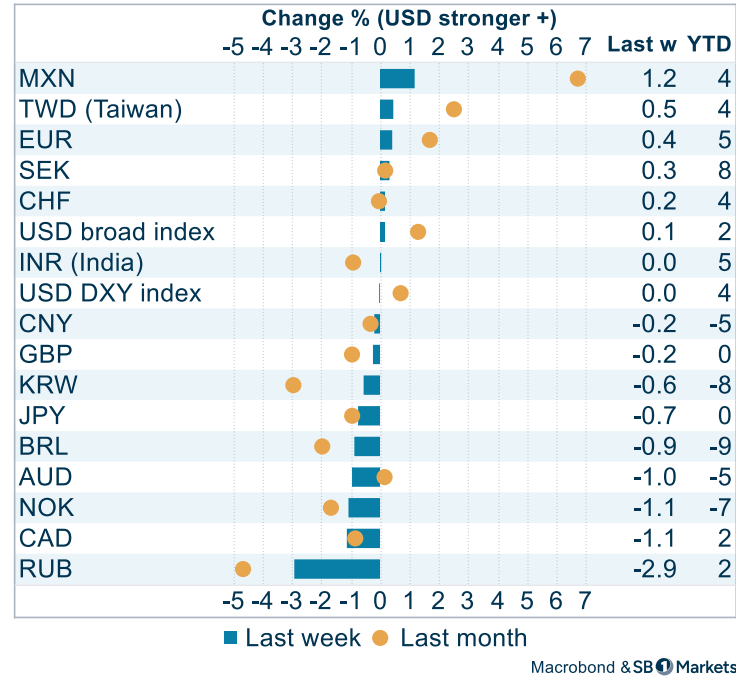
FX: NOK appreciated vs. all but RUB and CAD. The USD mixed

The trade-weighted NOK has appreciated 11% so far in 2026, 14% vs. SEK, 12% vs. EUR and 11% vs. CHF (which is not that common). The USD indices are up 2% (the broad index) to 4% (DXY, rich countries) YTD. The Venezuelan VES is still in free fall.

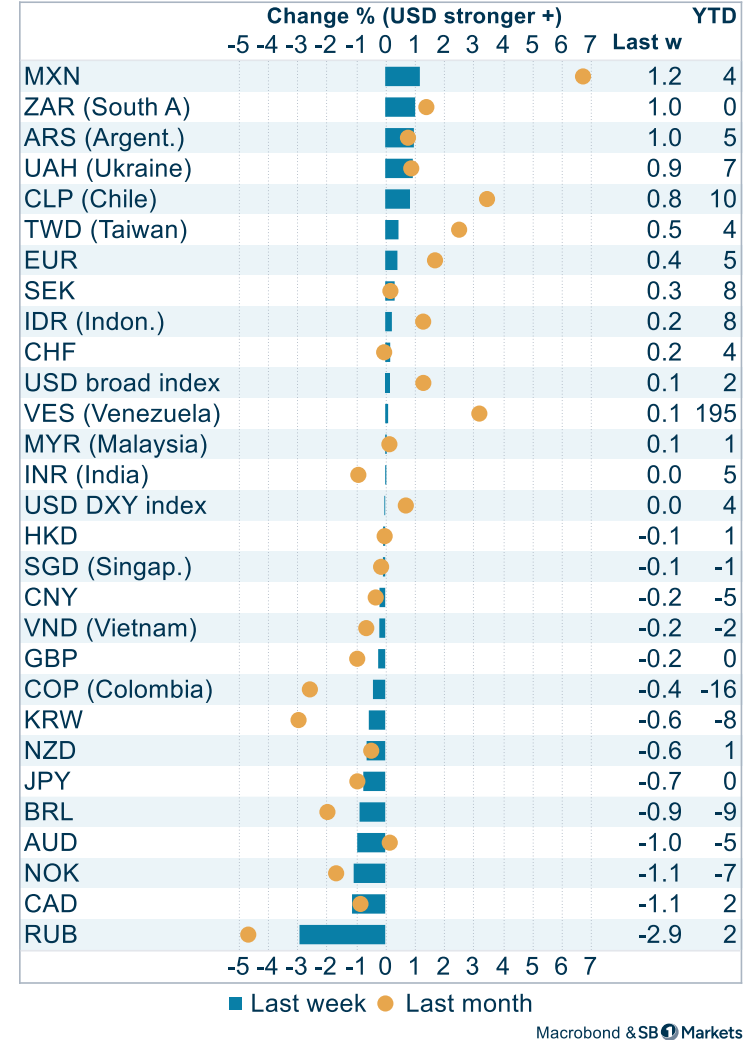
NOK vs. the others



USD vs. the 'Majors'

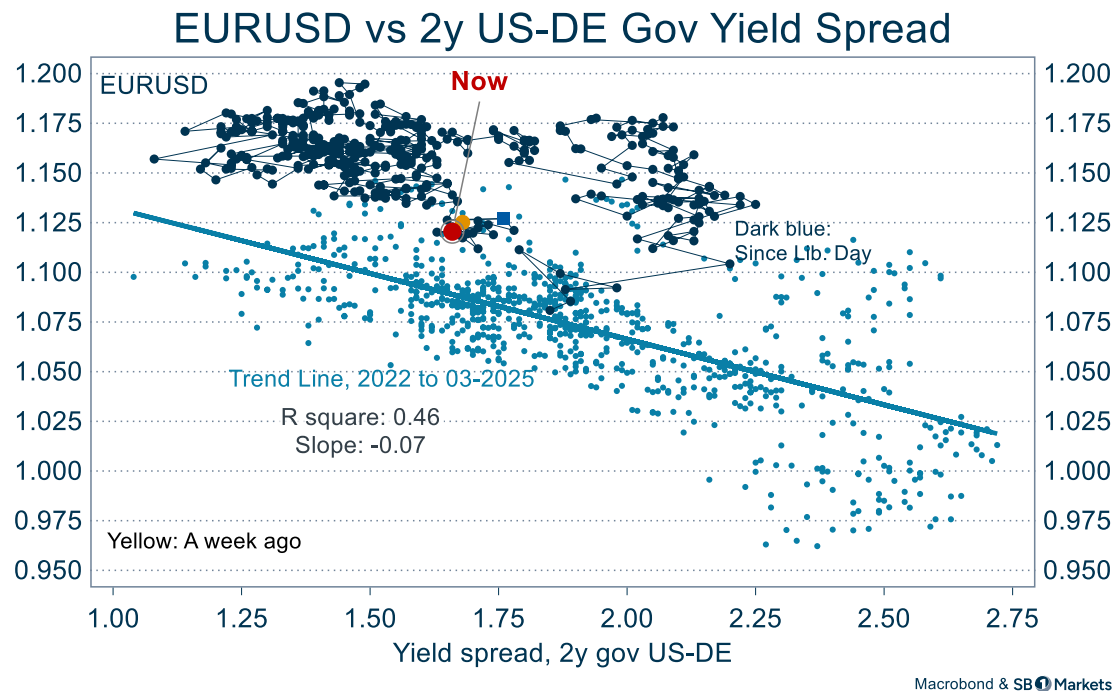


USD vs. 'all'

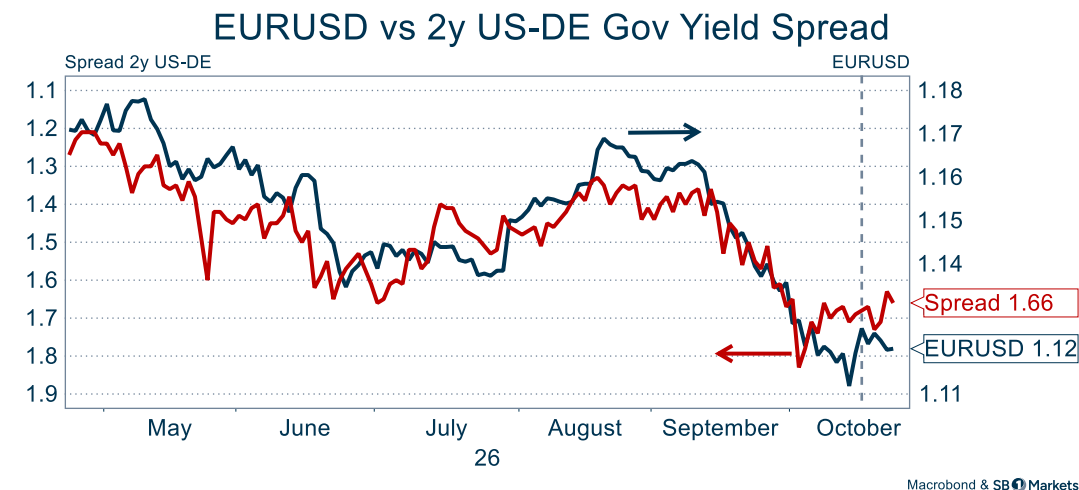
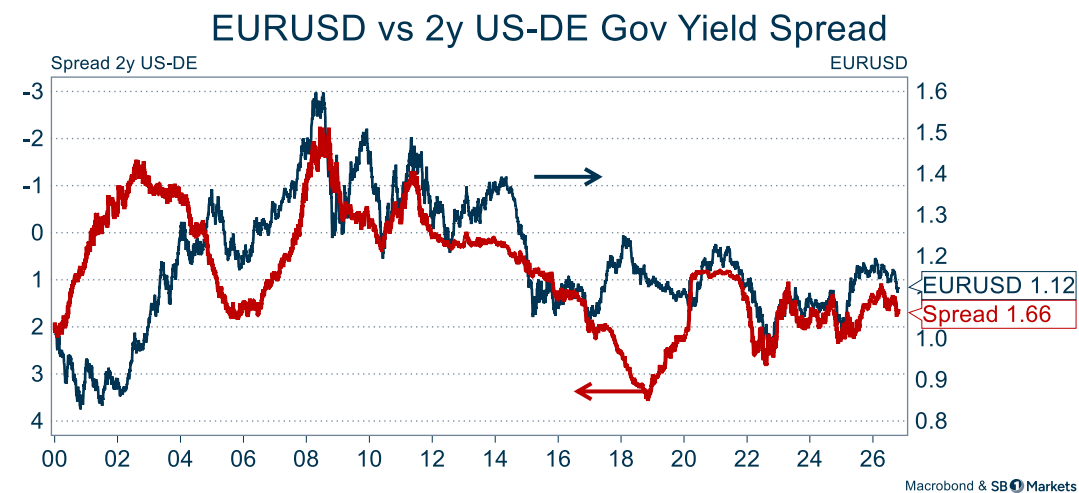


EUR depreciated 0.4% vs. the USD even if the rate differential narrowed

The USD 2y gov. bond yield fell more than the German 2y yield.

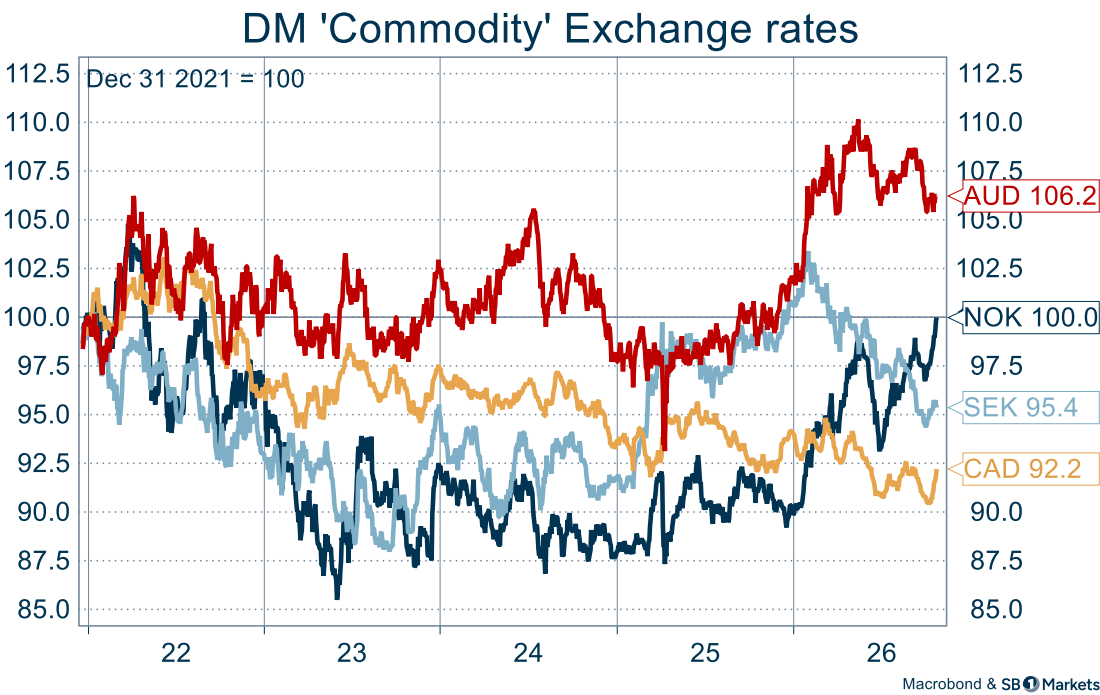
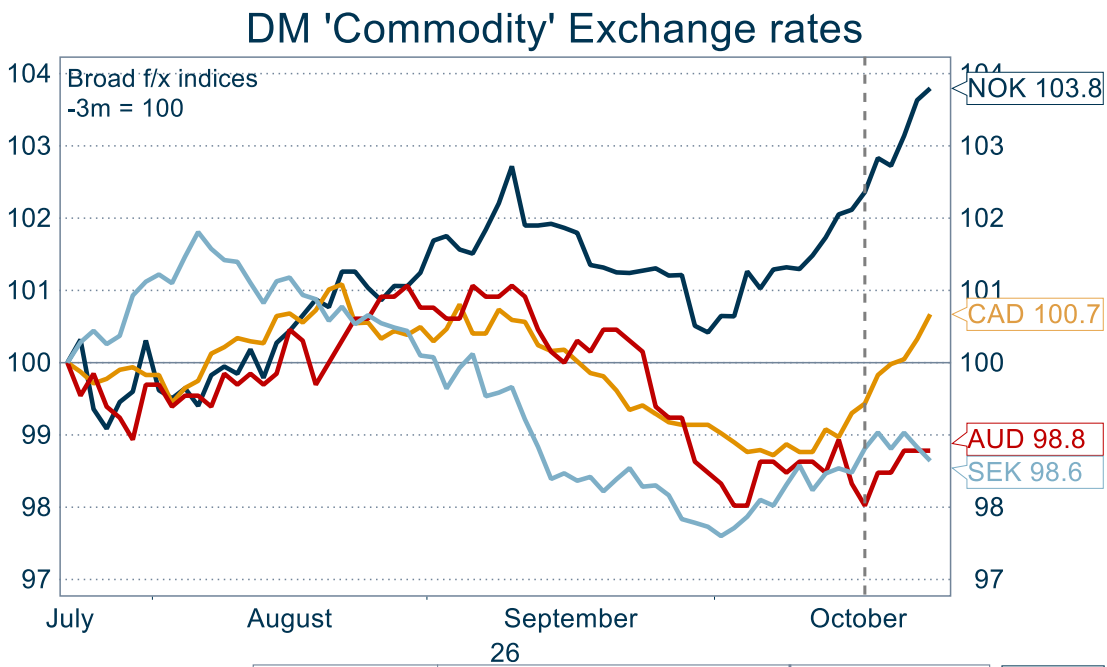
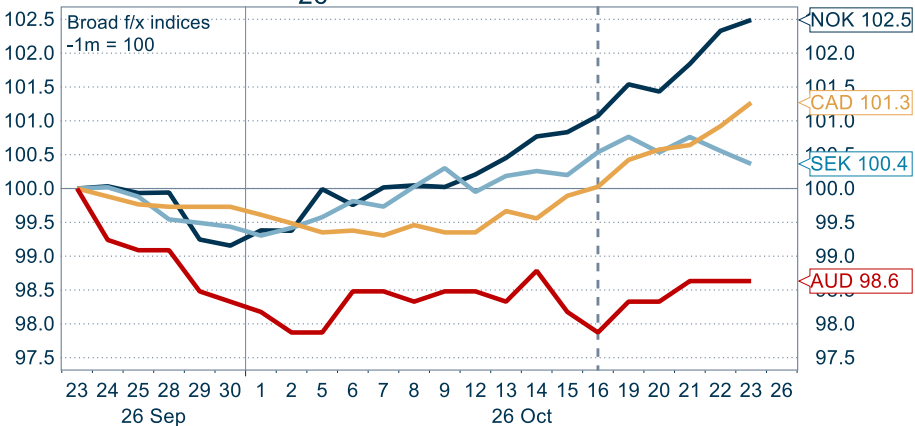


- The 'model', estimated over the previous 3 years of data:
 - 1 pp narrowing of the 2y gov. spread: a 7% EURUSD appreciation.
 - Some 'carry' impact.
 - There may be a reason for changes in the spread, such as changes in the relative growth outlook.
- Over time, the correlation is not tight at all.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



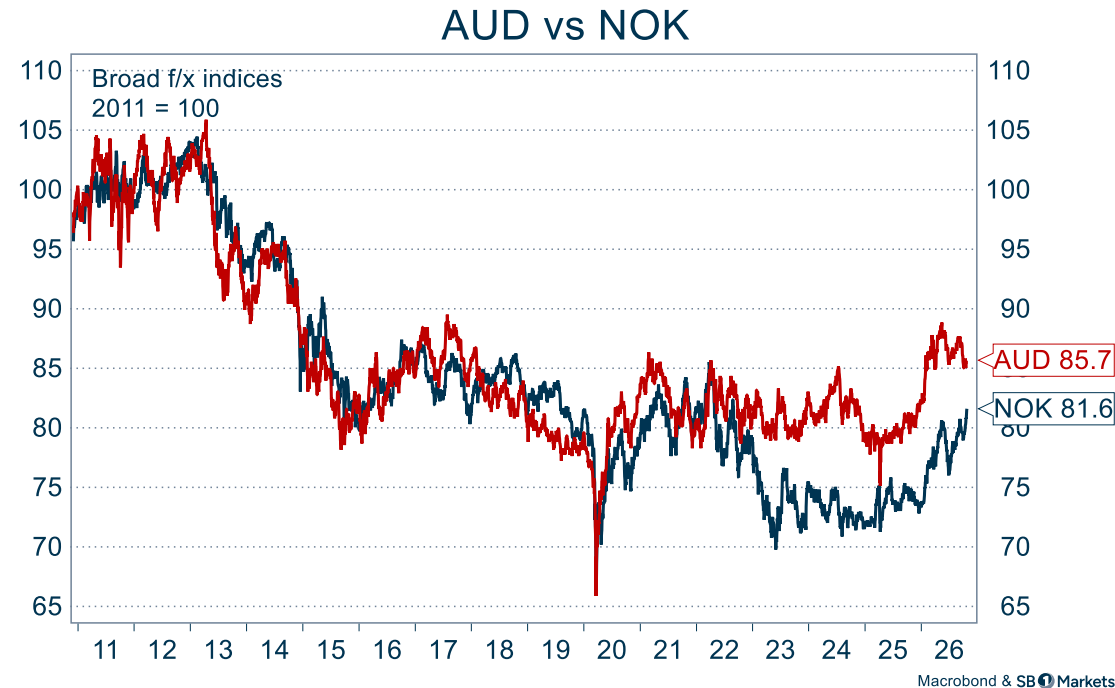
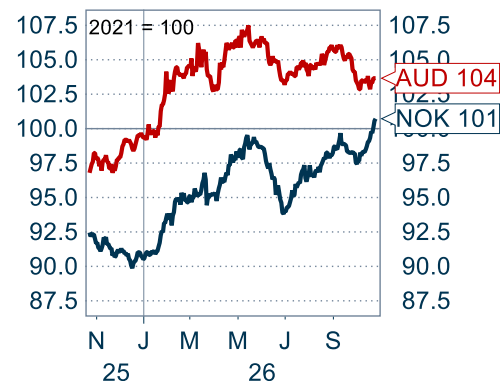
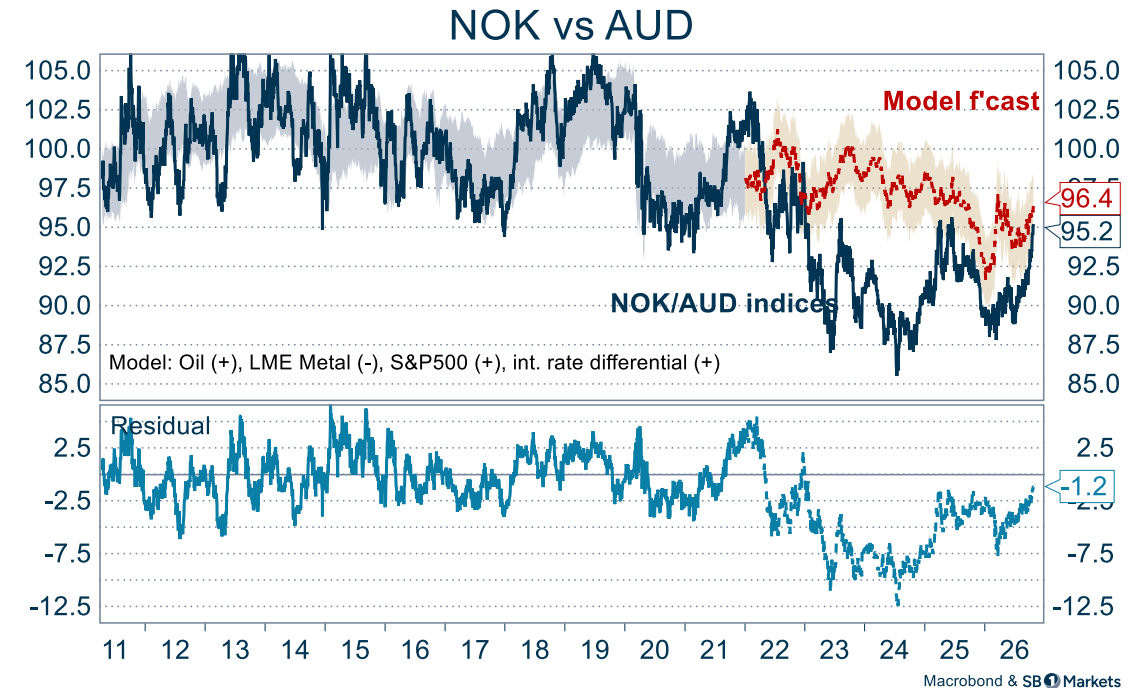
'Commodity' FX: NOK the winner over 1w, 1m & 3m!

SEK has been the loser so far in 2026, but not last month. The AUD has struggled recently.



The NOK-AUD gap is almost closed vs. our model estimate

... and is not that large anymore, at just 1.2%, from up to 10% in 2024.

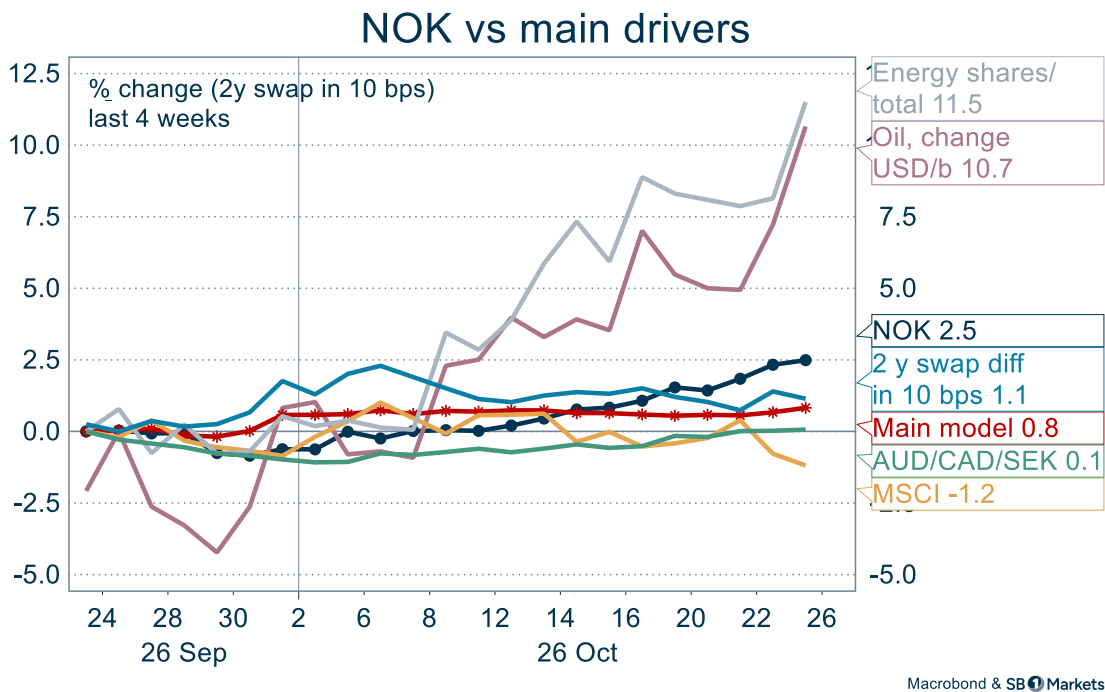
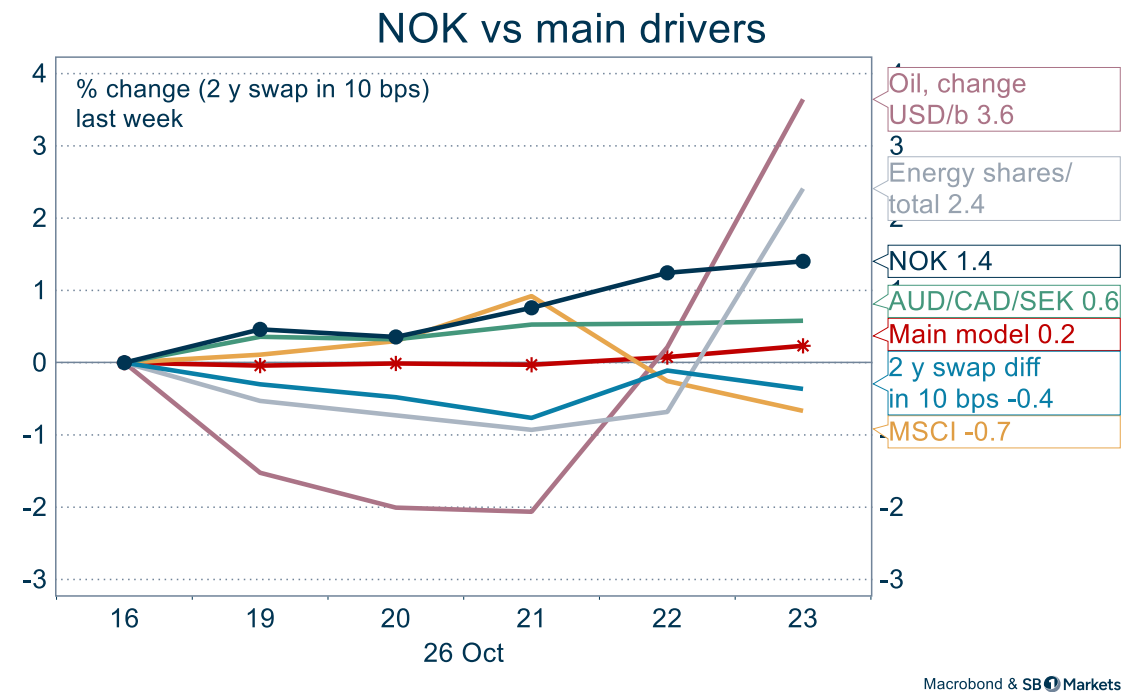


- NOK and AUD, measured by the respective FX indices, have been very closely correlated over the past 15 years, at least until early 2023.
- Our NOK/AUD index model explains most of the small differences between the two FX indices. Normally, the NOK index strengthens relative to the AUD index when the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



NOK 1.4% stronger last week, our model suggested just 0.2%, even if the oil price rose

Last month: NOK has appreciated 2.5%, the model suggested 0.8%, mostly due to a lift in the oil price.

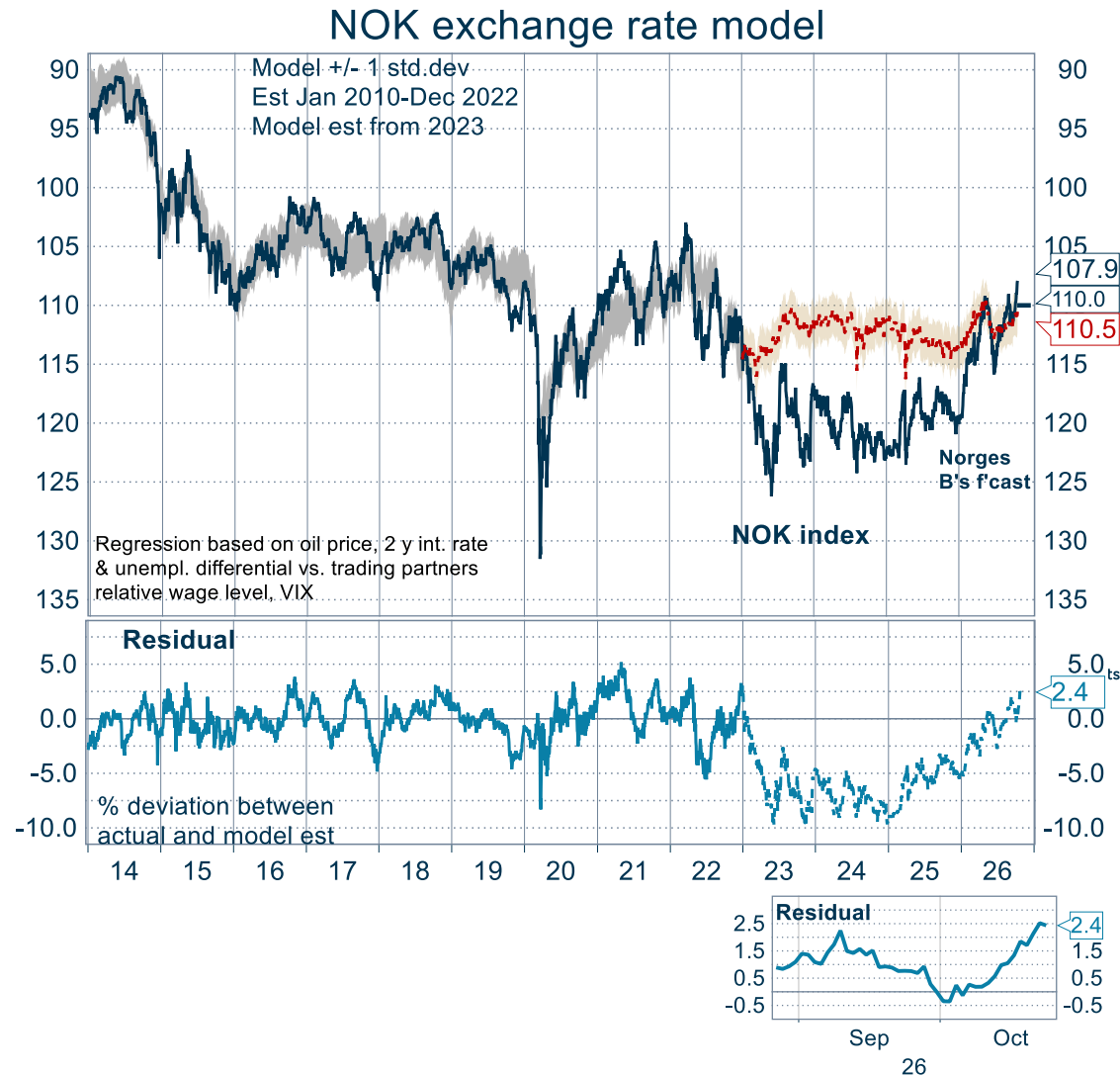
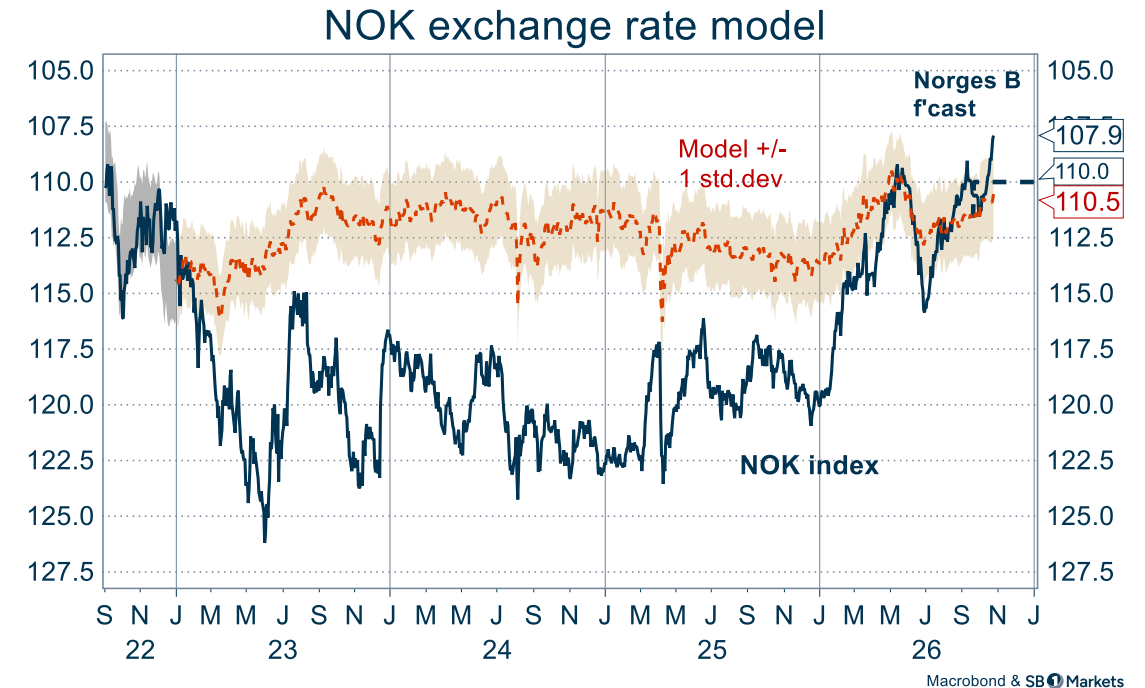


The NOK index: I44, adjusted for end-of-day FX rates relative to NOK. AUD, SEK and CAD are represented by their respective trade-weighted currency indices. The oil price: average spot-3m (rolling positions).



NOK 2.4% above our model forecast – and 2% above NoBa's path!

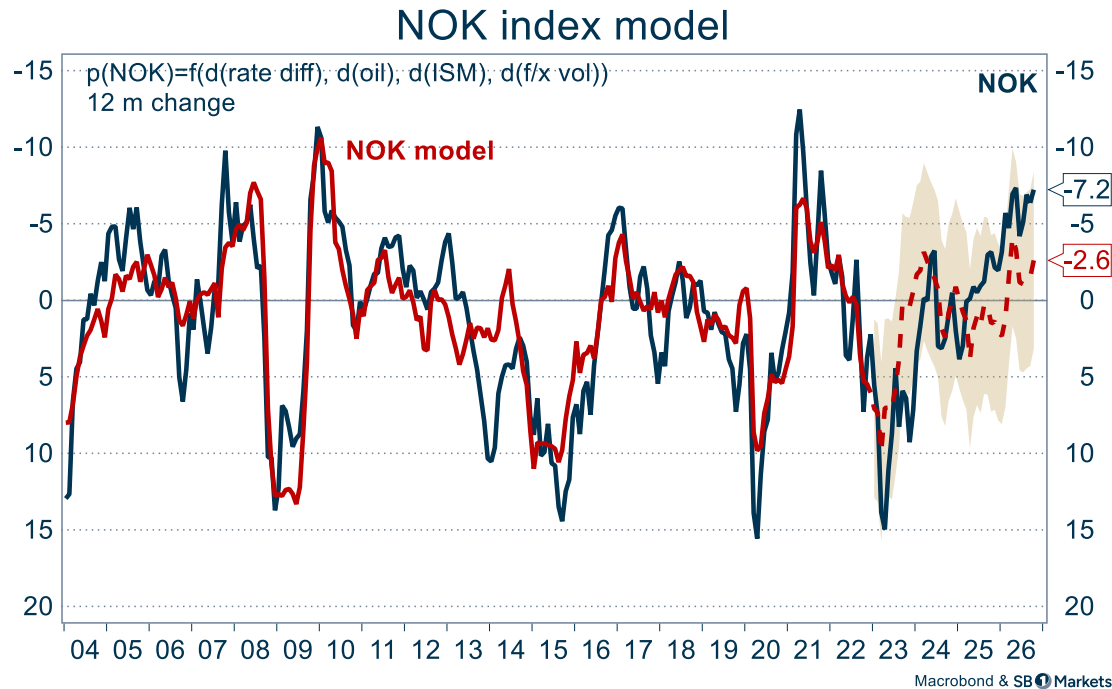
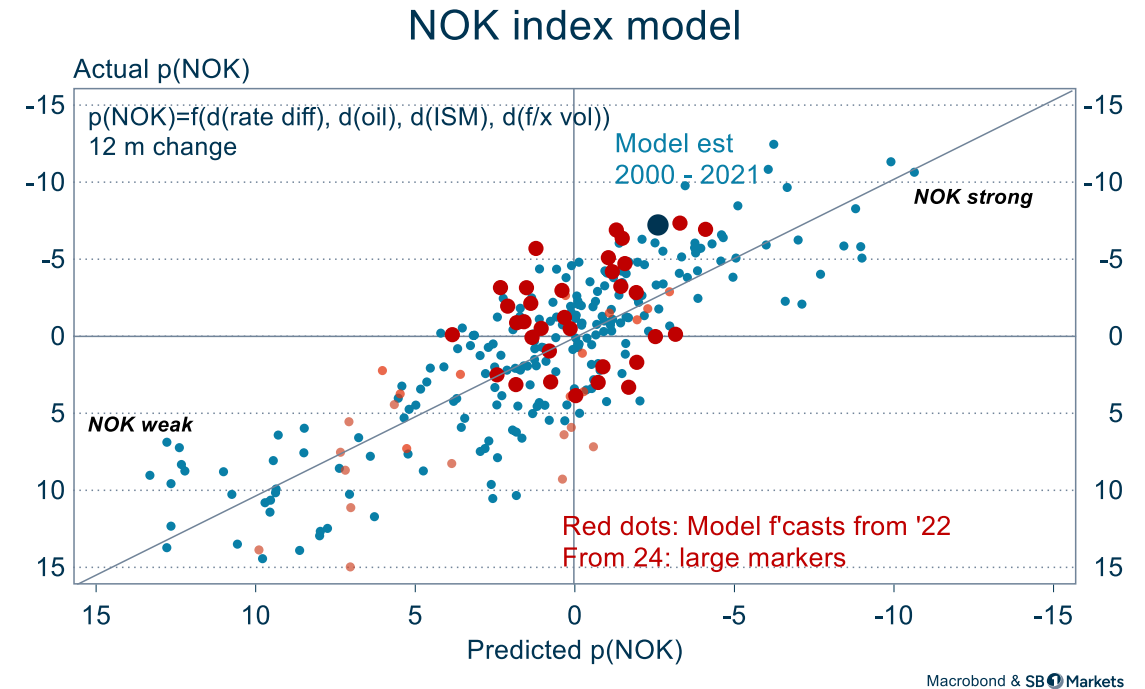
The latter lowers NoBa's rate path by some 25 bps (over time). NOK has appreciated 10% more than our model suggests since early 2024, following the 'unexplained' depreciation in H1-23.



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

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

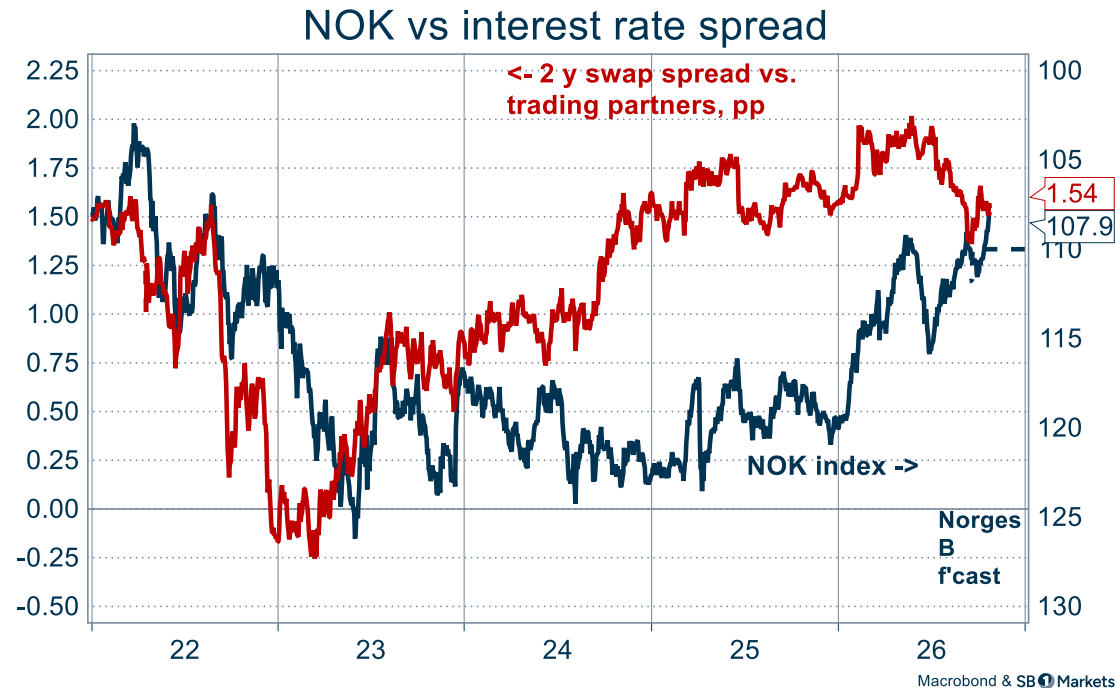
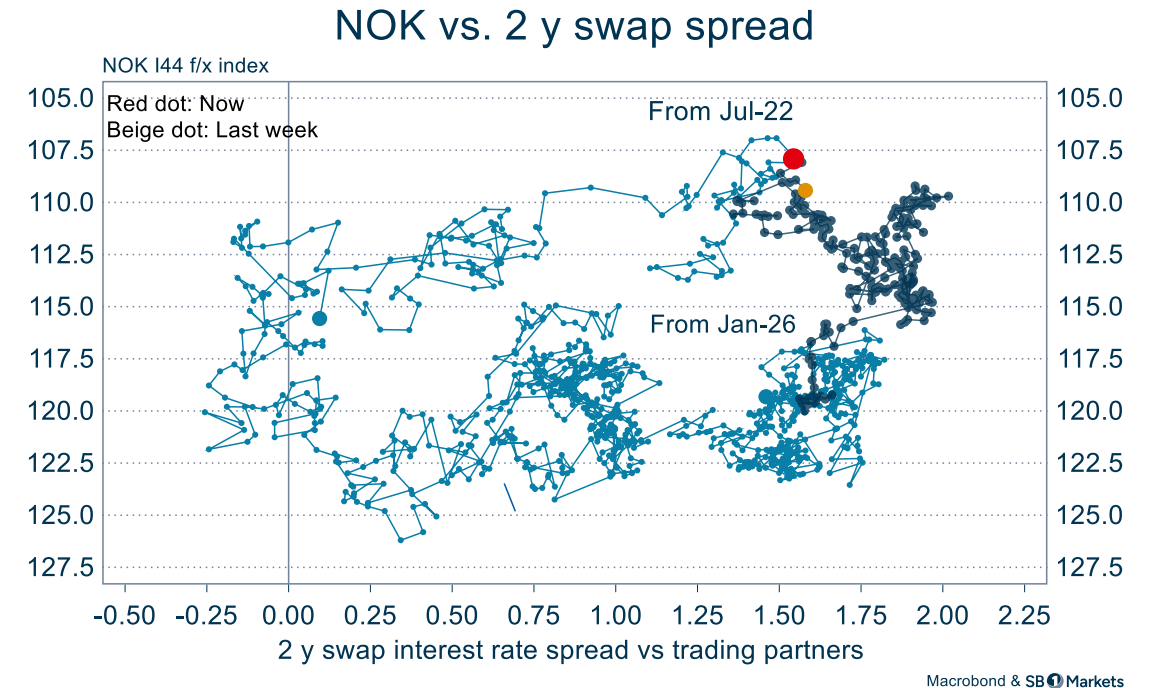
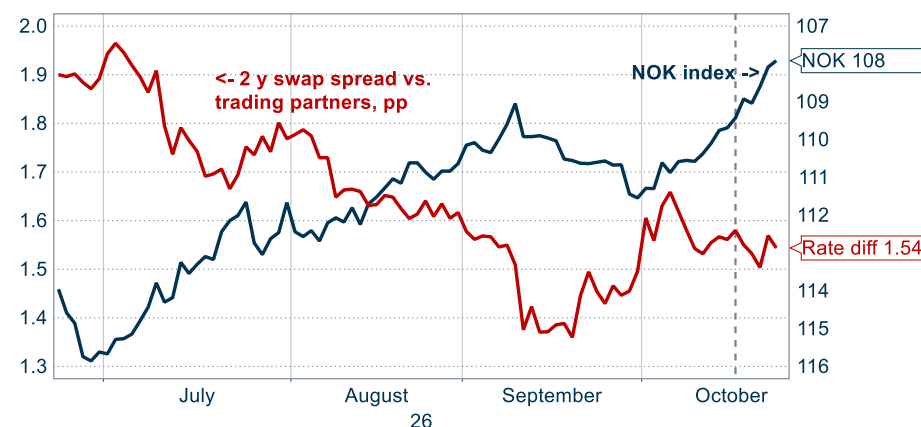
Our 'cycle' model suggests a 2.6% NOK appreciation over the past 12 months, while NOK has climbed 7.2%. A higher oil price and a higher rate differential explain most of the estimated strengthening – but most of the appreciation **is due to factors other than the normal 'drivers'**.



- ... 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

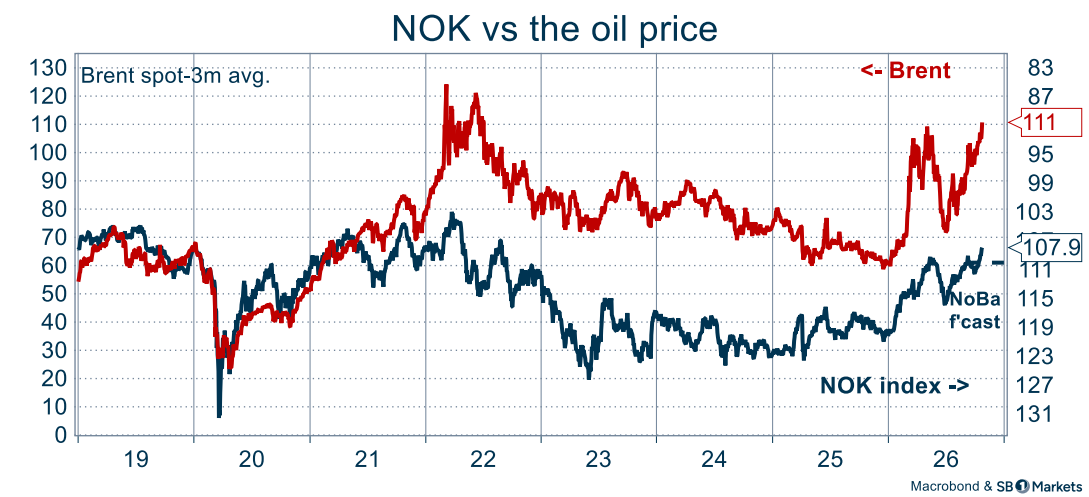
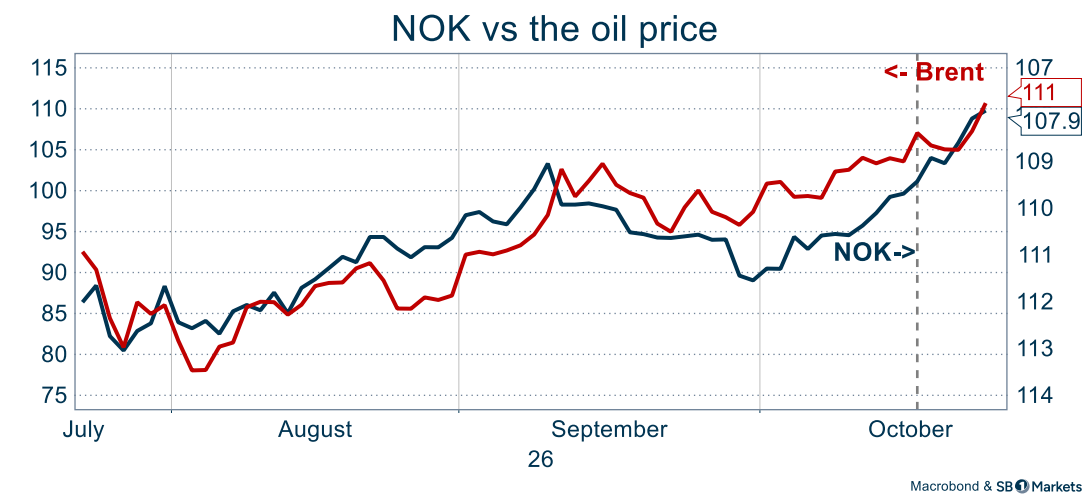
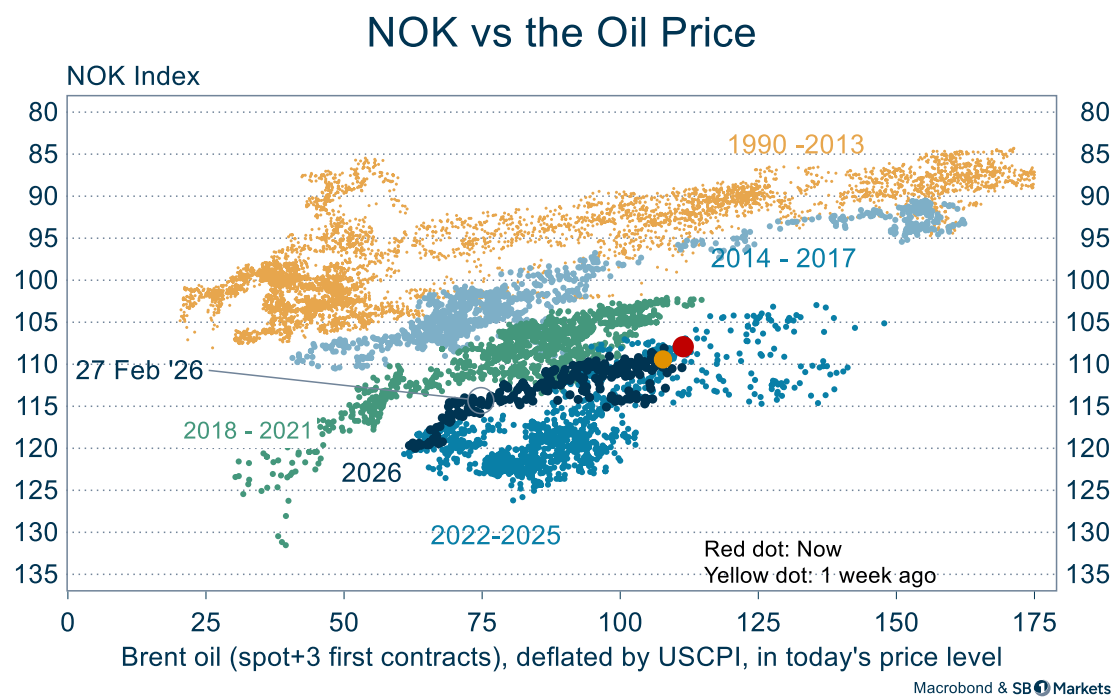
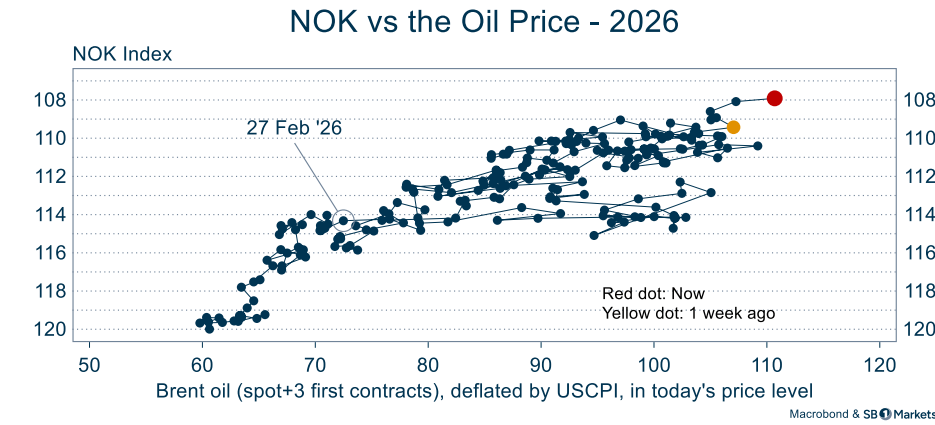
From mid-June, the correlation between the rate differential and the NOK has been mostly 'wrong' – but the correlation is anyway not tight, even if the sign is 'correct' over time.





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

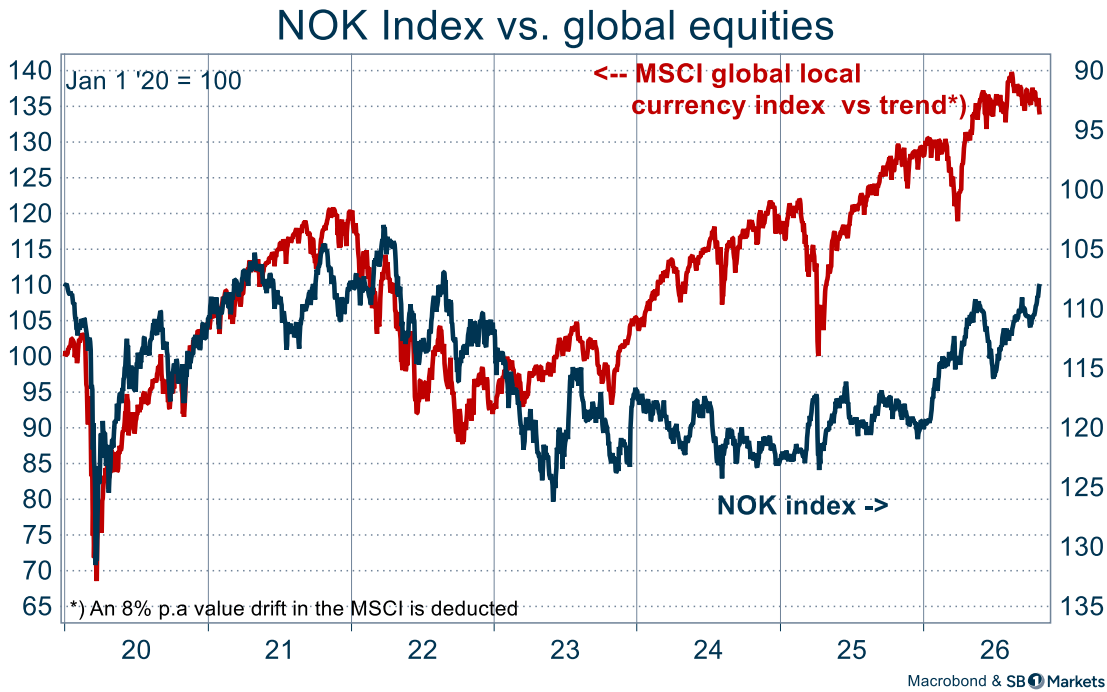
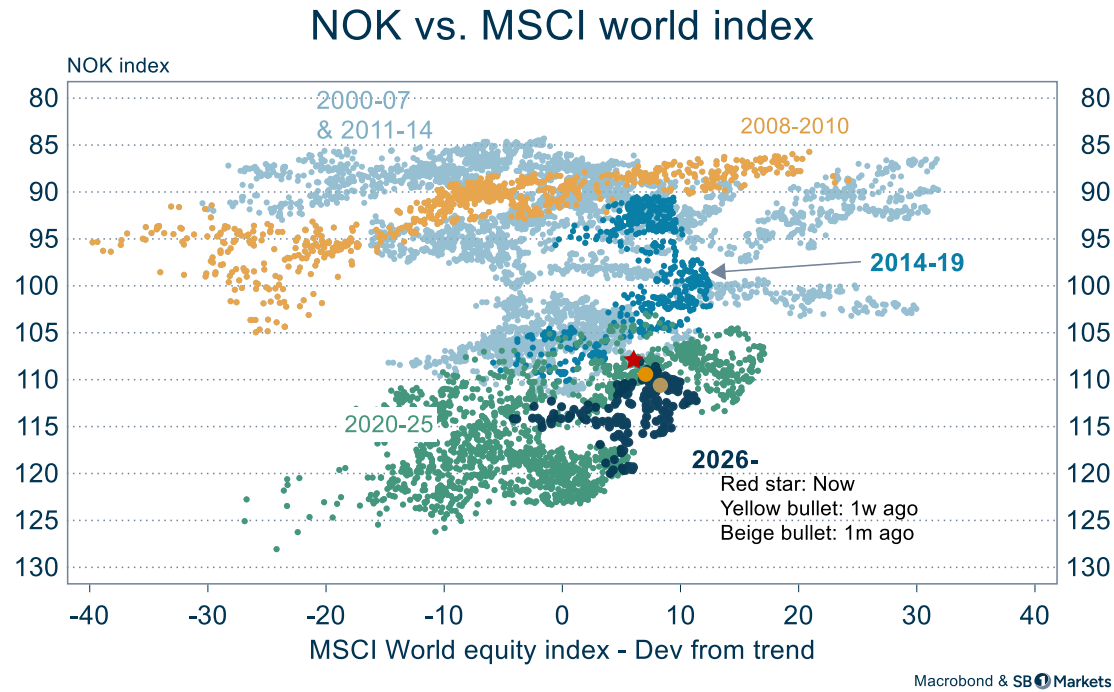
The NOK is on the strong side vs. the oil price, compared with the relationship in recent years (from 2022, the darker blue and black dots in the upper-right chart).





NOK uncorrelated with global equity markets in 2026, and with the wrong sign last week too

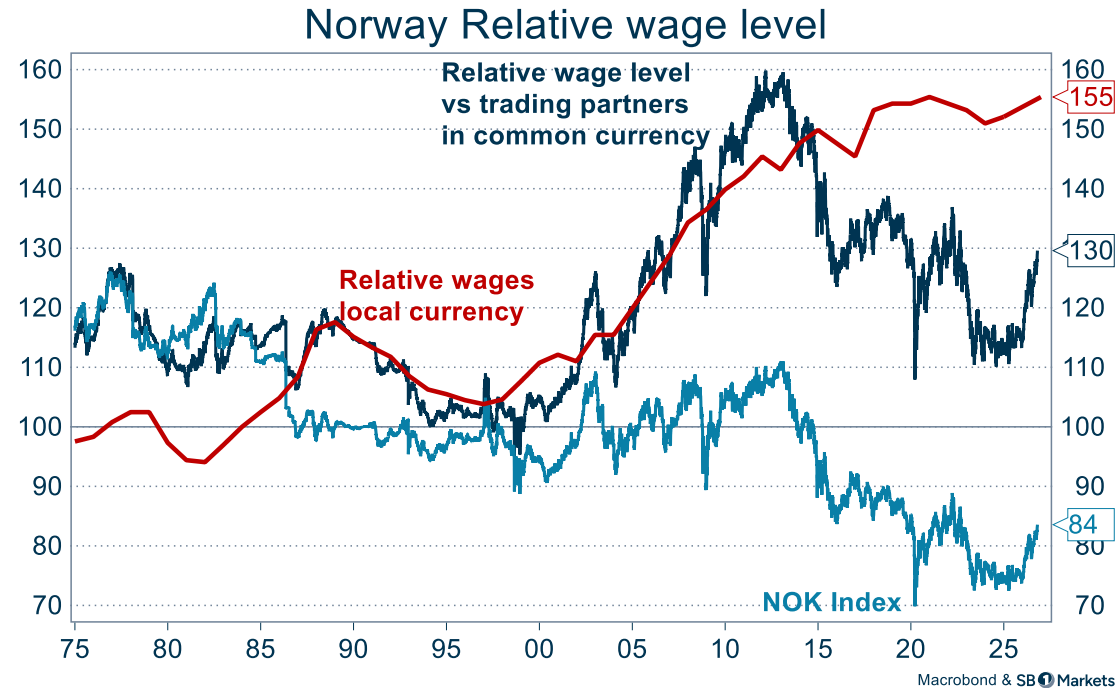
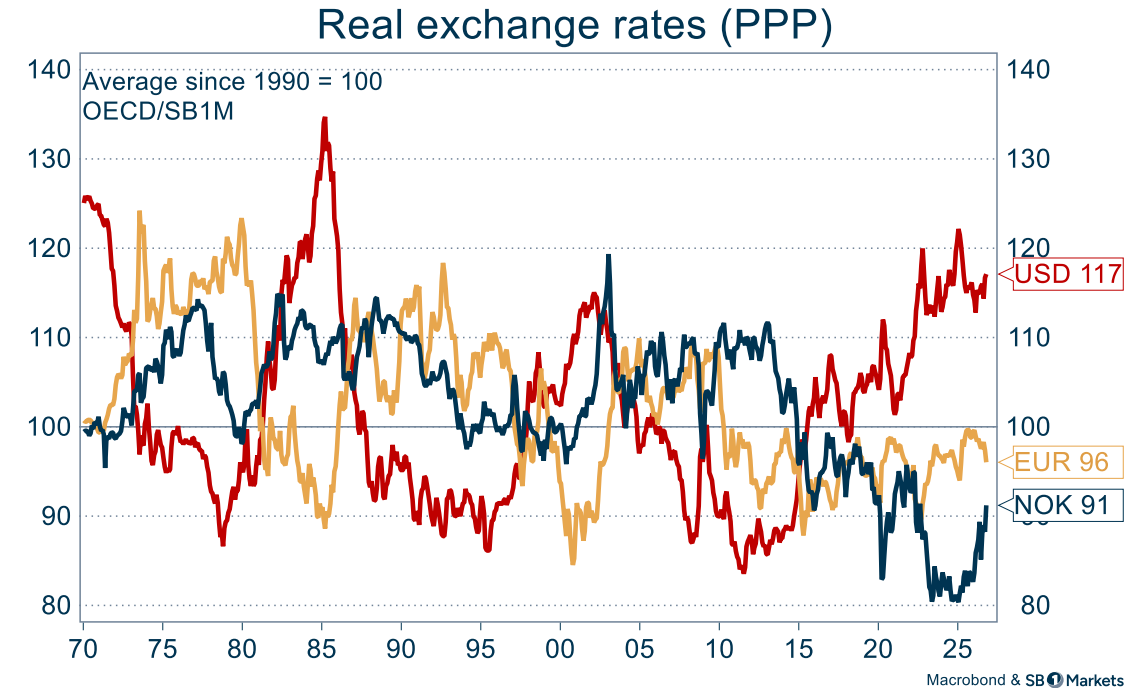
Normally, a stronger stock market has been supportive of the NOK – and vice versa. The pattern has not been that evident in 2026. The culprit: the oil price, of course 😊





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 30%, 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 9% below the average since 1990, up from 20% below the average late last year. The level may still be too low, **but this gap has also narrowed substantially.**
- Other currencies:
 - The real USD exchange rate is well above a long-term average level.
 - The real EUR exchange rate is close to an average – or somewhat below. The recent depreciation is most likely due to the uncertainty regarding France.

**SB1 Markets
Oslo**

Olav Vs gate 5
N-0161 Oslo, Norway
Tel: + 47 24 14 74 00
Fax: +47 24 13 36 01
www.sb1markets.no

**SB1 Markets
Stavanger**

Christen Tranes Gate 35
N-4007 Stavanger, Norway
Tel: + 47 24 14 74 00
Fax: +47 24 13 36 01
www.sb1markets.no

**SB1 Markets
Trondheim**

Søndre gate 4
N-7011 Trondheim, Norway
Tel: + 47 24 14 74 00
Fax: +47 24 13 36 01
www.sb1markets.no

**SB1 Markets
Bergen**

Kringelkroken 1
N-5014 Bergen, Norway
Tel: + 47 24 14 74 00
Fax: +47 24 13 36 01
www.sb1markets.no

**SB1 Markets
Ålesund**

St Olavs plass 1
N-6002 Ålesund, Norway
Tel: + 47 24 14 74 00
Fax: +47 24 13 36 01
www.sb1markets.no

**SB1 Markets
Tromsø**

Storgata 65
N-9008 Tromsø, Norway
Tel: + 47 24 14 74 00
Fax: +47 24 13 36 01
www.sb1markets.no

