SB1 Markets



Macro Weekly

Week 45 2026

02/11/2026

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Last week – markets: *still some AI angst. But not any NOK angst!*

- **Big picture:**
  - **AI equities** remained under pressure, as investors rotated into other sectors. Oslo Børs gained 2% and reached a new ATH, with a P/B ratio at 2.43, not a comforting level.
  - The **NOK appreciated further**, and more than oil, gas and other 'fundamentals' normally explains just like over the previous months and quarters. NOK is up 13% so far in 2026 and has fully recovered from the 'unexplained' drop in H1-2023. Macro wise, the ***NOK may have approached a fair level***, vs. relative price (PPP) and wage costs. NOK is 3% stronger than NoBa assumed in September (and above our main model's forecast, after being up to 10% 'too weak' in 2023-24). Technical indicators (14 day RSI) suggest the NOK is overbought against nearly all G10 currencies, and most against EUR. Not a comforting sign. A stronger NOK will dampen wage growth and CPI inflation – and lower NoBa's rate path. A hike this week is unthinkable, and a Dec. hike is rather unlikely as well. We are not even sure of any hike in 2027 either.
- **Commodities:** ***European natural gas prices rose to another cycle high***
  - Oil prices were mixed but in sum slightly up while oil product (crack, refinery) spreads rose slightly, even if diesel spread narrowed (gasoline was up). Metal prices were mixed, while food prices continued downwards.
- **Equity markets:** ***'just' AI worries***
  - The global market was down 0.1%, S&P500 0.6%, while Nasdaq was down 2%. The US market is still dependent on strong earnings growth the coming years to defend the current multiples. Other markets are not on sale either, nor Oslo Børs at P/B 2.43.
- **Short-term rates:** ***USD expectations down, small changes elsewhere***
  - **Central banks** delivered as expected last week. No hike from Fed, ECB nor BoJ while BoC lifted the policy rate by 25 bps to 2.50%.
  - **Fed** is still expected to hike once more in December, and one more hike is discounted next year. ECB is expected to hike 2½ times before end of 2027, the next step probably in December. BoE will hike this week, and another hike in December is not ruled out. In sum, more than 4 hikes before end of next year. Riksbank will probably also hike this week, and most likely 4 times next year. Norges Bank is not expected to hike before Q1 2027, and may cut in Q4 or in Q1 2028.

Policy rates, market exp.	USA	UK	EMU	Sweden	Norway
2024 Peak	5.33	5.25	4.00	4.00	4.50
...Change from peak	*-1.45*	*-1.50*	*-1.50*	*-2.25*	*0.00*
Now	**3.88**	**3.75**	**2.50**	**1.75**	**4.50**
Change until end of 2026	*0.19*	*0.35*	*0.17*	*0.24*	*0.11*
End of 2026 (market)	**4.07**	**4.10**	**2.67**	**1.99**	**4.61**
... Change last week	*-0.03*	*-0.01*	*0.01*	*0.00*	*-0.04*
Change through 2027	*0.35*	*0.73*	*0.50*	*0.89*	*0.04*
End of 2027 (market)	**4.42**	**4.83**	**3.17**	**2.89**	**4.65**
... Change last week	*-0.12*	*-0.05*	*-0.01*	*0.00*	*0.03*

- **Long-term rates:** ***down almost everywhere***
  - **The US 10y bond yield** fell 6 bps to 4.94%, due to a 6 bps decline in the **10y TIPS real rate, to 2.60%**. Long bond yields fell less elsewhere, and were down just 1 bp in Germany, 4 bps in Norway. The French 'Le spread' vs. Germany fell slightly but remains worryingly high (but probably not high enough to create a real wake-up-call in the French political system).
- **FX:** ***NOK the winner, once more***
  - **NOK** appreciated 1.5% last week, followed by our peers **SEK, AUD and CAD**. **EUR** depreciated slightly and is down by 1.5% last month and 4% so far in 2026. Most likely, the trouble in France is to blame.
- **Credit spreads:** ***up to the highest since April***
  - The **US BBB spread** (over 10y vs. US Treasuries) widened 1 bp to 136 bps, and it is up by 25 bps since the local trough in May. The Norwegian bank funding benchmark, bank2 5y, rose 5 bps to 67.5 bps, the highest level since May. Credit spreads are still well below historical averages.

Last week: the economy, I

- **Central banks:** ***3 on hold, 1 hike, as expected***
  - **The FOMC kept the fed funds rate unchanged at 3.75–4.0%,** as widely expected. Two members voted in favour of another hike. Still, a clearly inflation-focused bias was retained. Growth was described as strong, while inflation remained elevated. There was nothing in the communication from Warsh that signalled a December hike was not on the table – which the market still discounts.
  - **The ECB kept the policy rate unchanged**, the main deposit rate 2.5%, as expected. The energy shock lifts inflation but may also hurt growth. Wage inflation remained low, and financial conditions have tightened. Inflation is the bank's main concern. As usual, no forward guidance was given. ECB's president Lagarde will step down early next year, and a new leadership must be established. We think a December hike will happen, but a new leadership may spend more time before deciding the need for further hikes after December.
  - **Bank of Japan also kept the policy rate unchanged, at** 1.25%, as expected. The bank judged underlying inflation to be broadly consistent with the 2% target, while financial conditions are still accommodative. The bank signalled that further hikes are likely. A December hike is in the cards.
  - **Bank of Canada hiked the signal rate by 25 bps to 2.50%,** the first hike in this cycle. A hike was not fully expected, and the short end of the curve rose – but still closed the week down. The inflation outlook had worsened, and the bank expects CPI inflation at above 3% through much of 2027. At the same time, activity data has been better than expected. The policy rate may be hiked further.
- **Norway:** ***unemployment marginally up, still below NoBa's f'cast***
  - **NAV open unemployment** rose marginally in October, but the rate was unchanged at 2.0%. The trend is still down. If labour market measures are added, and part-time unemployed, the total number of jobseekers heads slowly upwards, 3.4%. Unemployment trends flat or down among all occupations, barring engineering and ICT, which is on the way up. Unemployment heads down in almost all counties. The **inflow of new vacancies** rose in October, and it heads slowly upwards.
  - **Retail sales** have flattened, following the decline in H1. Sales fell 0.4% in September, following the 0.6% lift in August, and are flat 3m/3m**. Sales are down 1.1% y/y.**
  - **Domestic credit growth** surprised us on the upside in September, +4.9% y/y, due to strong growth in corporate borrowing, up 5.9% y/y (Mainland corporates 5.7%). Household borrowing is kept in check, and the annual rate trends slowly down, now at 4.5%.
  - **Opinion** reported a marginal decline in **consumer confidence** in October. Rounded, the level was unchanged at 1.7 std. dev. below average. **NBBL's Housing Market Survey** also reported a small decline in October, down to an average level.
  - **Norges Bank did not change its NOK sales** on behalf of the Government in November. We expected an increase. The bank may bridge the need for more selling now by lowering expected NOK buying next year.
- **Sweden:** ***still going strong***
  - **GDP** grew at a 1.8% pace in Q3. Economists expected a 1.2% Q3 growth rate, the Riksbank 0.7%. GDP is up 2.8% y/y, far above growth rates in Norway.
  - **NIER's (KI) business survey** signals ***a 5% GDP growth rate***. All main sectors report growth above normal, with manufacturing in the lead.
  - **Retail sales** fell slightly in September, but the trend is strong, up 5.7% 3m/3m, and 5.6% y/y. Norway is down 1.1% y/y.
- **China:** ***one PMI down, the other not. Rest of Asia slightly down***
  - **NBS' 'official' composite PMI** declined 1 p to 49.7 in October, as both manufacturing and services fell below the 50-line. **RatingDog's manufacturing PMI** did not follow suit, and is at a far above normal level, 52. Actual growth has been in the NBS camp lately, and not far higher than normal, which RatingDog's survey signal.
  - **Other Asian PMIs** were more down than up in October, but the level is still high, in average at some 53.5

Last week: the economy, II

- **USA:** ***decent GDP growth, high inflation***
  - **Q3 GDP** rose 3.4%, in line with Atlanta Fed's nowcast but 0.4 pp above consensus. Growth was supported by a continued very strong growth in AI investments and rapid growth in household demand. Other business investments rose marginally. Private demand was up 4.9%, of which AI-related contributed 1.8 pp. Government demand surged, due to increased defence spending. In addition, inventories contributed on the upside. A surge in imports, much of it AI-related equipment, and a decline in exports subtracted almost 3.6 pp from the growth in the quarter. GDP is up 2.1% y/y, a moderate growth rate. Price inflation slowed from Q2 but remains too high even if wage cost and Unit Labour Cost inflation has slowed. The culprit? The surge in corporate profits. We estimate another 2% (not annualised, 20% y/y) lift in domestic corporate profits, still far too high to keep inflation in check.
    - **Atlanta Fed's first Q4 nowcast** was close to the Q3 outcome, 3.2%.
  - **PCE inflation** accelerated 0.2 pp to 3.6% in September and **the core** 0.1 pp to 3.1%, both as expected. The headline was up 0.5% m/m, lifted by energy prices, but the core was up more than 0.3%. Both core services and rents are up more than 3% y/y, and core goods 2%. The Fed is under 'some' pressure, which the FOMC recognised last week.
  - **The Employment cost index** rose at a 3.2% pace in Q3, and is up 3.4% y/y. The trend is downwards, and given decent productivity growth, ULC growth is 'too low'.
  - **Private consumption** was unchanged in September, in volume terms, a tad weaker than expected. **Real disposable incomes** fell 0.3%. Thus, the **savings rate** declined further, to 3.8%.
  - **New home sales** fell just marginally and the trend in the past 3 years is flat. The **inventory of unsold new homes** trends slowly down but is still among the largest on record. **New (median) prices** are falling as well, at least before adjustment for size, standard and geography. If adjusted, a modest drift upwards.
  - **Case/Shiller's home price index** rose in August, as most other existing home price measures. Prices are up 1–2%. Thus, all real house prices are heading down though – but also vs. wages, from high levels.
  - **Conference Board's consumer confidence** reversed the September decline in October but is 0.2 std. dev. below average and trends down. Expectations are 1.1 std. dev. under water. Even so, home and car buying plans rose to an average level. The labour market is deemed to be somewhat weaker than the current unemployment rate suggests.
  - **Durable orders** are still trending upwards, and most types of goods contribute – barring a flattening in computers and electronics, even in value terms. In sum, investment goods orders are still surging though.
  - The inflow of **new jobless claims** was unchanged at the 3rd lowest level ever, vs. the labour force.
- **EMU:** ***a mixed bag***
  - **GDP** grew at a 1.7% pace in Q3, well above the expected 0.8% (0.2% not annualised), and ECB's 1.2% forecast. However, ex. the volatile, useless Irish data, ***GDP rose just 0.7% q/q (annualised)***. GDP is up 1.2% y/y. French GDP declined, even before the bond market meltdown and the massive demonstrations erupted into street violence. Germany surprised on the upside.
  - **Unemployment** was unchanged at 6.5% in September, ***0.1 pp higher than expected***, following a 0.1 pp upward revision of the August level. The ***trend is slowly upwards***, and a majority of countries report an increase in unemployment in recent months (and over the past year).
  - **Private credit and M3 growth** ***have slowed in recent months***, and annual growth rates in both household and corporate debt have flattened. In addition, in **ECB's Q4 bank survey**, banks report ***weaker demand*** from both groups, and have ***tightened standards*** somewhat.
  - On a positive note, **business sentiment** grew slightly in October, according to EU's survey, and the level is equal to the long-term average, signalling trend growth. Businesses report fewer demand problems and more supply-side constraints. Selling price expectations rose as well.

Week ahead: US Midterms. Riksbank, BoE & RBA will hike while NoBa stays on hold

Time	Count.	Indicator	Period	Forecast	Prior
Monday 02 Nov					
08:30	SW	Manufacturing PMI	Oct		58.1
10:00	EMU	Manufacturing PMI	Oct F	52.4	52.4
10:30	UK	Manufacturing PMI	Oct F	52.8	52.8
15:45	US	Manufacturing PMI, S&P	Oct F	56.0	56.0
16:00	**US**	**ISM Manufacturing**	**Oct**	**54.7**	**54.5**
16:00	US	Construction Spending MoM	Sep	0.4%	0.9%
Tuesday 03 Nov					
08:00	NO	Auto sales	Oct		
16:00	**US**	**JOLTS Job Openings**	**Sep**	**7100k**	**7079k**
	US	Auto sales	Oct	15.93m	15.98m
Wednesday 04 Nov					
02:45	CN	Services PMI, RatingDog	Oct	51.4	51.6
08:00	NO	Hotel guest nights	Sep		
08:30	SW	Services PMI	Oct		57.4
09:30	**SW**	**Riksbank Policy Rate**	**4-Nov**	**2.00%**	**1.75%**
10:00	EMU	Services PMI	Oct F	51.7	51.7
10:00	EMU	Composite PMI	Oct F	51.9	51.9
10:30	UK	Services PMI	Oct F	53.1	53.1
11:00	**NO**	**Housing prices**	**Oct**	**0.3%**	**0.3%**
11:00	**EMU**	**CPI Estimate YoY**	**Oct P**	**4.0%**	**3.8%**
11:00	**EMU**	**CPI Core YoY**	**Oct P**	**2.5%**	**2.5%**
14:30	US	Trade Balance	Sep	-$107.9b	-$105.6b
15:45	US	Services PMI, S&P	Oct F	57.9	57.9
15:45	US	Composite PMI, S&P	Oct F	57.6	57.6
16:00	**US**	**ISM Services**	**Oct**	**54.7**	**54.9**
17:00	WO	Composite PMI	Oct	53.8	54.4
Thursday 05 Nov					
08:00	NO	LFS, Payolls & wages	Q3		
08:00	SW	CPI YoY	Oct P	1.2%	1.1%
08:00	**SW**	**CPIF Excl. Energy YoY**	**Oct P**	**0.5%**	**0.5%**
10:00	**NO**	**Deposit Rate**	**5-Nov**	**4.50%**	**4.50%**
11:30	US	Challenger Job Cuts Total	Oct		43281
13:00	**UK**	**Bank of England Bank Rate**	**5-Nov**	**4.00%**	**3.75%**
14:30	US	Nonfarm Productivity	3Q P	3.0%	1.4%
14:30	US	Unit Labor Costs	3Q P	1.5%	1.2%
14:30	US	Initial Jobless Claims	31-Oct	195k	194k
Friday 06 Nov					
06:00	SW	Housing Prices, Maklarstatistik			
08:00	GE	Industrial Production SA MoM	Sep	-0.2%	2.0%
08:00	NO	Manufacturing prod. MoM	Sep		-0.4%
11:00	EMU	Retail Sales MoM	Sep	-0.1%	0.1%
14:30	**US**	**Change in Nonfarm Payrolls**	**Oct**	**60k**	**29k**
14:30	US	Average Hourly Earnings YoY	Oct	2.9%	3.0%
14:30	**US**	**Unemployment Rate**	**Oct**	**4.2%**	**4.2%**
16:00	US	U. of Mich. Sentiment	Nov P	47.6	48

- **Central banks**
  - **Norges Bank will keep the key rate unchanged at 4.50%.** This week's meeting is without any new forecasts, and Norges Bank will only publish a short statement comparing the latest development vis-à-vis their September forecasts. The main news is the large NOK strengthening, mainly due to a rise in energy prices. The NOK is 3% stronger than Norges Bank pencilled in, which is good news for NoBa as a stronger NOK can curb both imported price and wage growth. Labour market developments and inflation figures for September gave only insignificant surprises. If the NOK remains stronger, it is highly unlikely that Norges Bank will need to hike in December. We are also sceptical of further hikes in 2027 so long as the NOK remains strong(er).
  - **Riksbank will likely hike from 1.75% to 2.00%** as the economic recovery has continued and the latest energy price spike gives upside risks for inflation. Markets price in a 70% probability of a hike this week. **CPIF figures** later this week are expected to show small changes in price growth.
  - **Bank of England will hike the key rate from 3.75% to 4.00%.** This is expected to be the 1st rate hike since August 2023, as higher energy prices have contributed to a reacceleration of inflation.
  - **The Reserve Bank of Australia will hike the key rate from 4.60 to 4.85%,** which will be the 5th rate hike in 2026!
- **Norway**
  - **We expect house prices** to grow by 0.3% in October, as in September, even if Norges Bank lifted the signal rate in September. Our flow-based short-term models suggest an even larger price lift.
- **Final PMIs and US ISMs**
  - **The flash estimates** were weaker than expected, especially in Europe. We doubt final prints will be any better. The US ISM surveys are expected close to unchanged, which may be on the optimistic side, given other surveys published so far.
- **USA**
  - **US Midterm election** will be important for the Trump administration's remaining term, with the Republicans' current slim House and Senate majorities in question.
  - **The October nonfarm payrolls report** is expected to show a rebound to 65,000 while September showed only 29,000 new jobs. The unemployment rate is seen steady at 4.2%. The labour market reports need to be really weak for the Fed not to hike in December, which is unlikely, given the brisk increases in prices.
  - **ISM services and manufacturing** could show somewhat lower growth expectations, as signalled by other surveys published so far.
- **EMU**
  - **Headline CPI** expected to accelerate to 4.0% in October from 3.8% in September, likely driven by energy base effects. Core CPI seen steady at 2.5%. The ECB left rates unchanged last week but kept the door open to a December hike due to the higher inflation outlook.

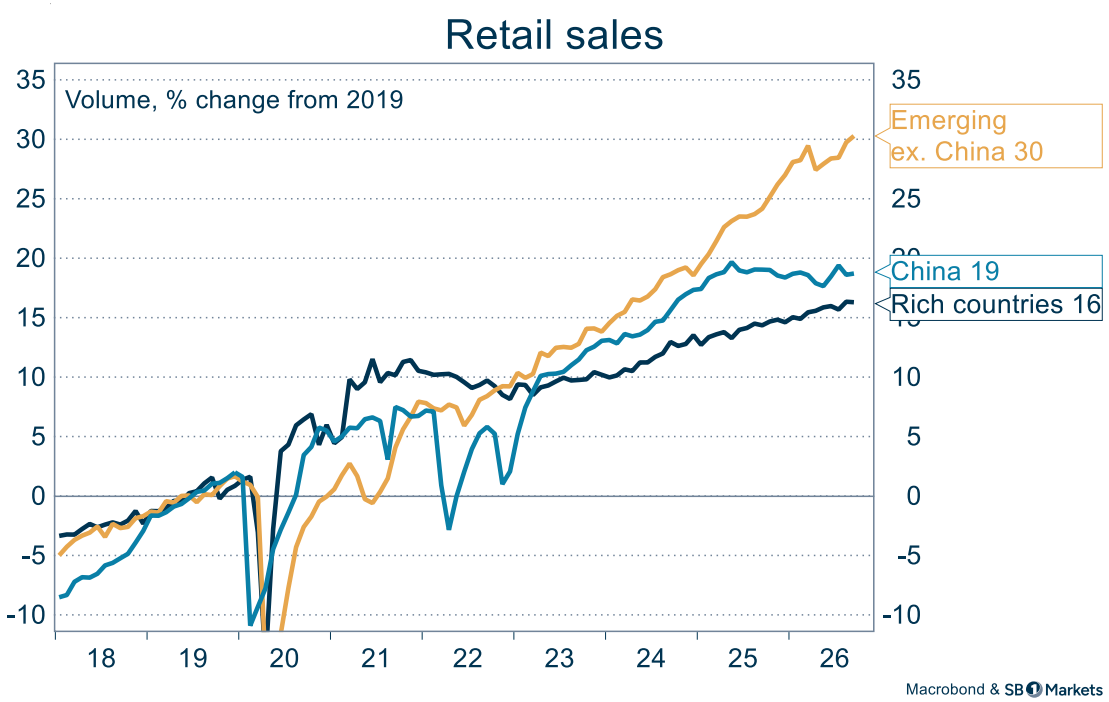
Agenda

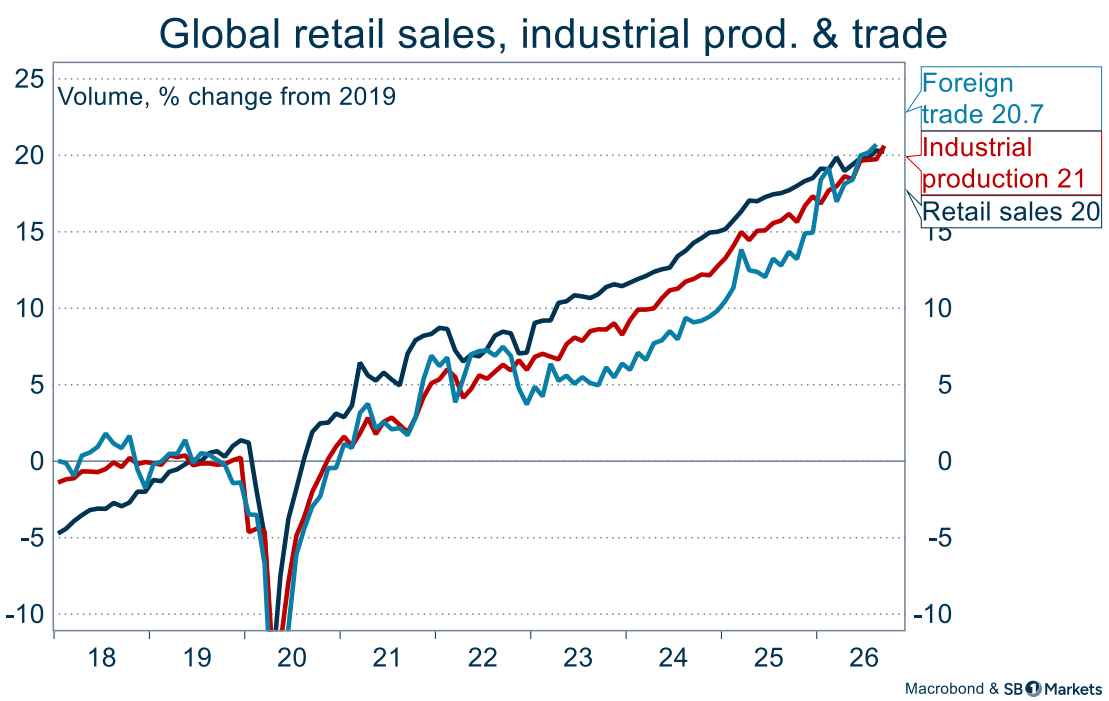
- Highlights
- The Norwegian economy
- Major economies
- Financial markets

SB1 Markets

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

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



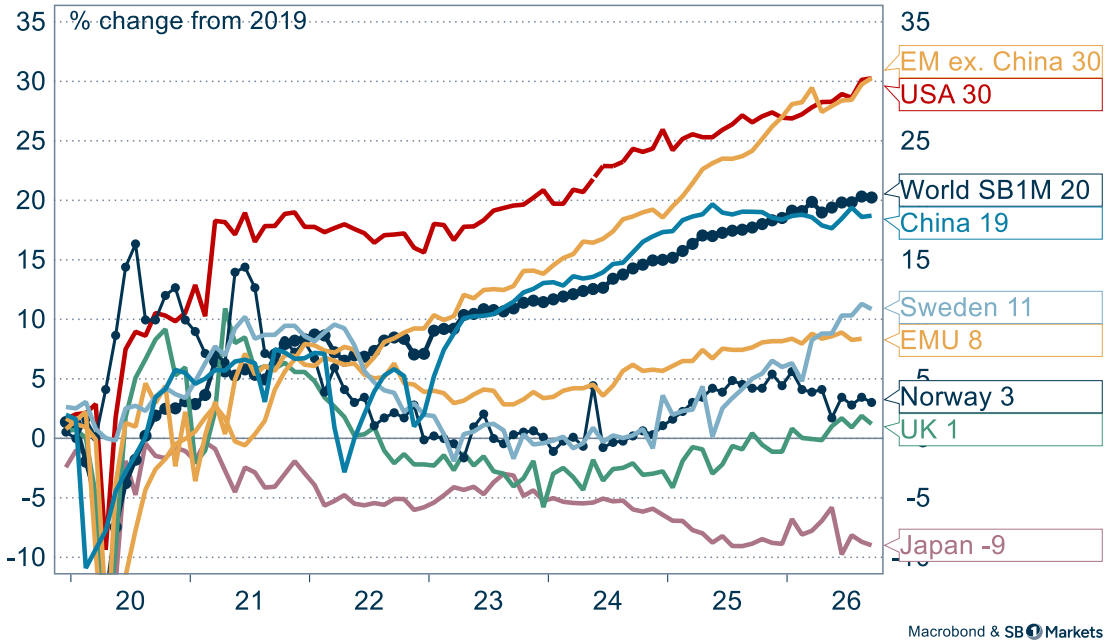


Extremely volatile retail sales data from Thailand have influenced the EM ex. China data series.

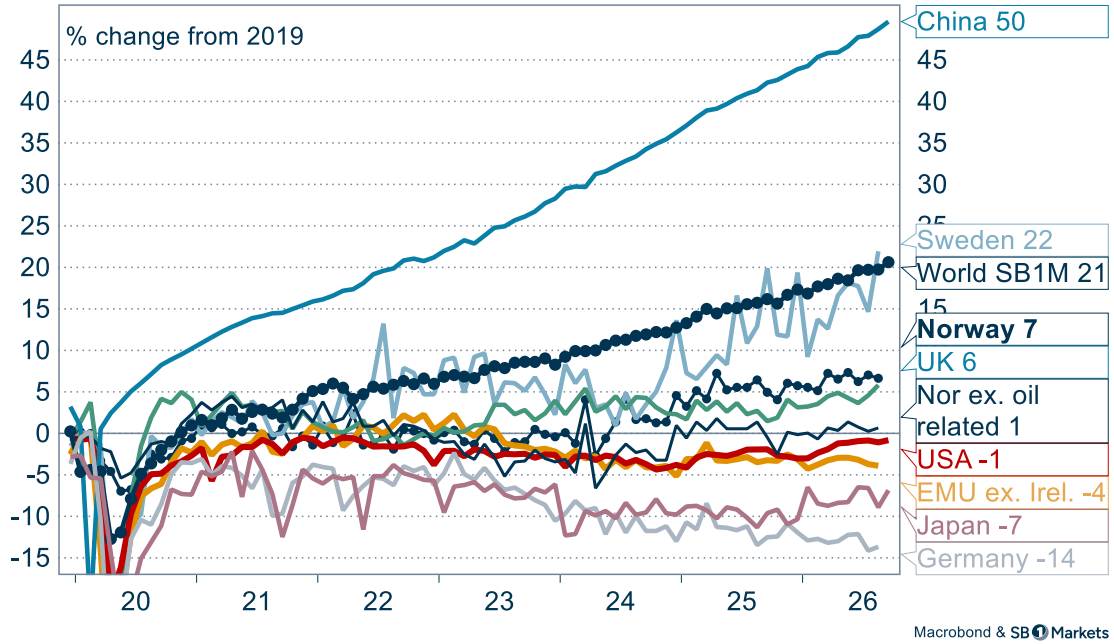
Huge gaps in retail sales and manufacturing production. China leads in manufacturing

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

Retail sales volume

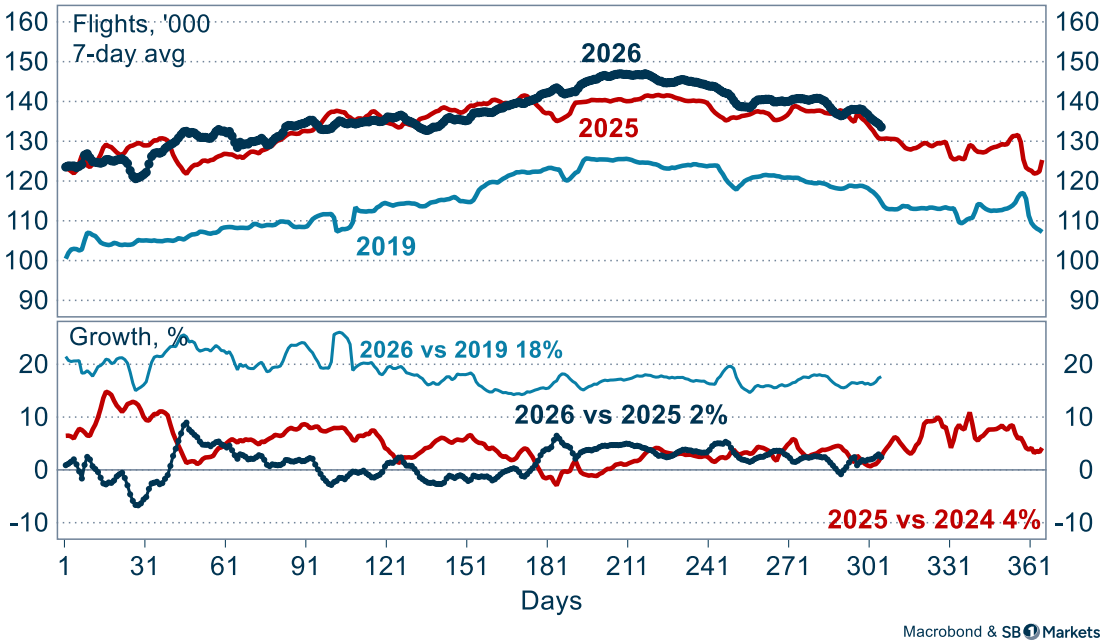


Manufacturing production

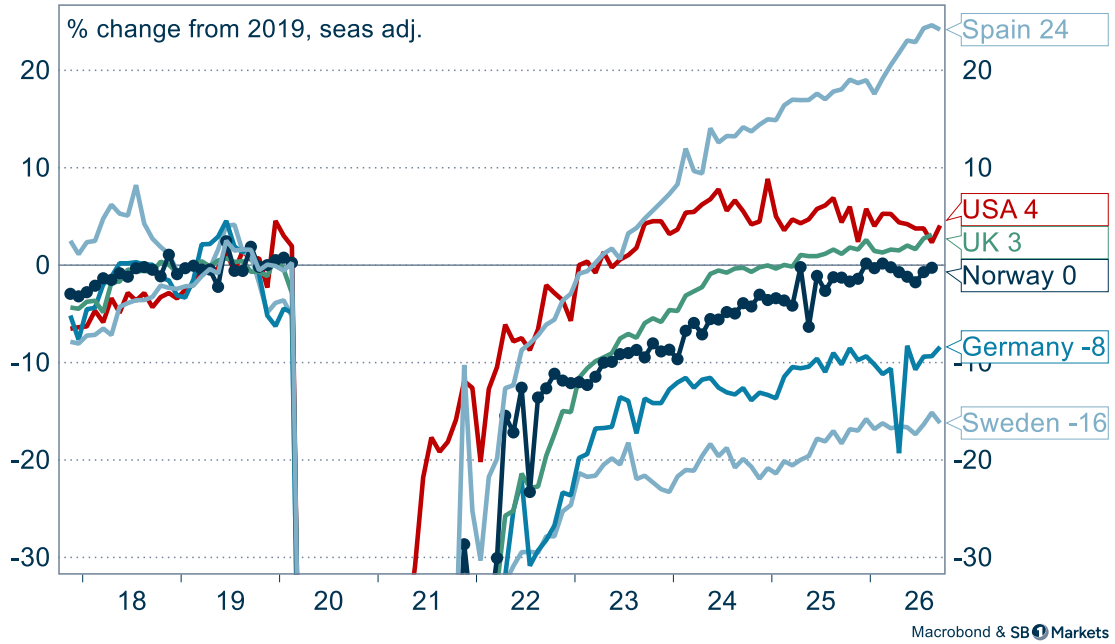


Global airline traffic just marginally up y/y

World Commercial flights



Airline passengers

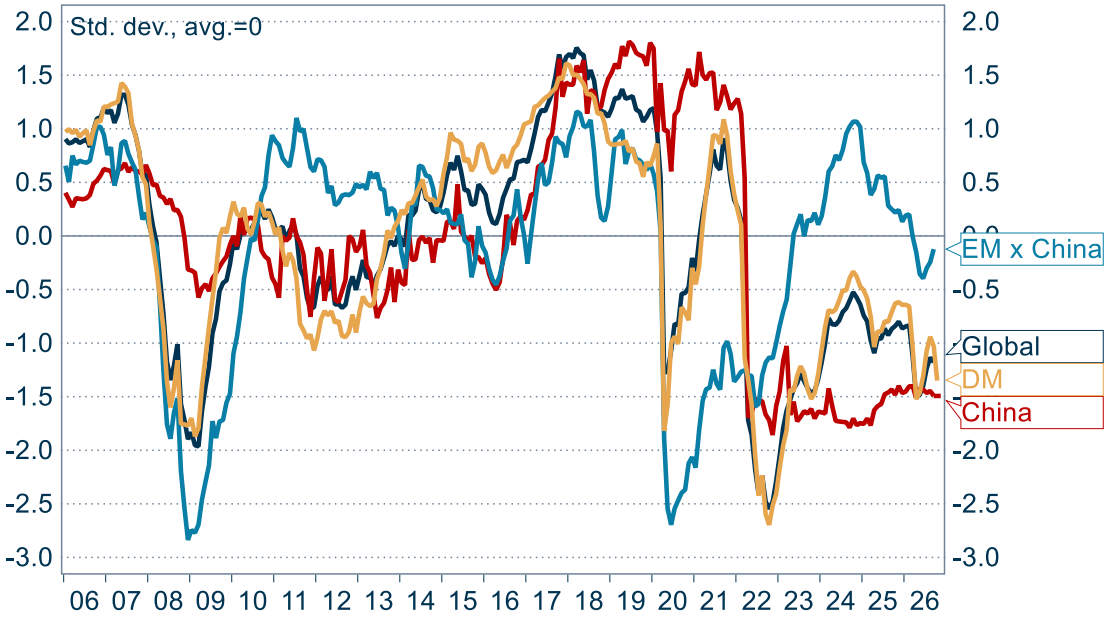


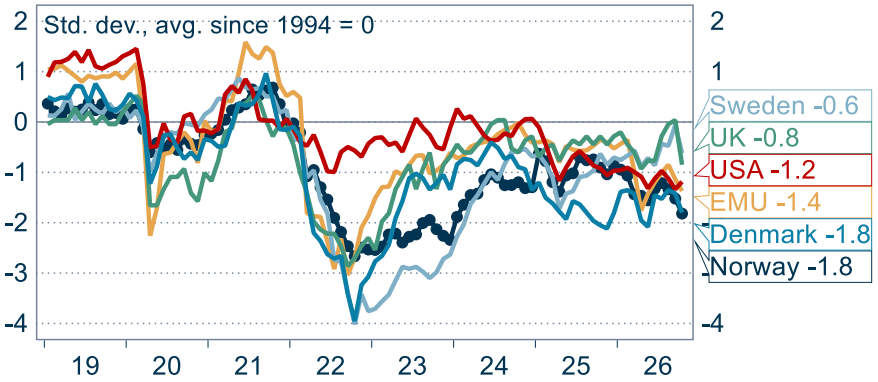
- **Passenger numbers** are recovering in most Western countries, except for the US, where traffic is declining from previously 'high' figures, almost back to the 2019 level. However, most others are still below: Sweden is down 16%. Germany 8%.
- Norway has returned to the 2019 level, but the trend is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

Consumer confidence turns down in DM, up in EM ex. China

Consumer confidence remains weak in most DM; just Spain/Italy are close to an avg. level. EM ex. China heads up again. EMU & US are both below par, China is even weaker. Norway, Canada are close to the bottom

Global consumer confidence



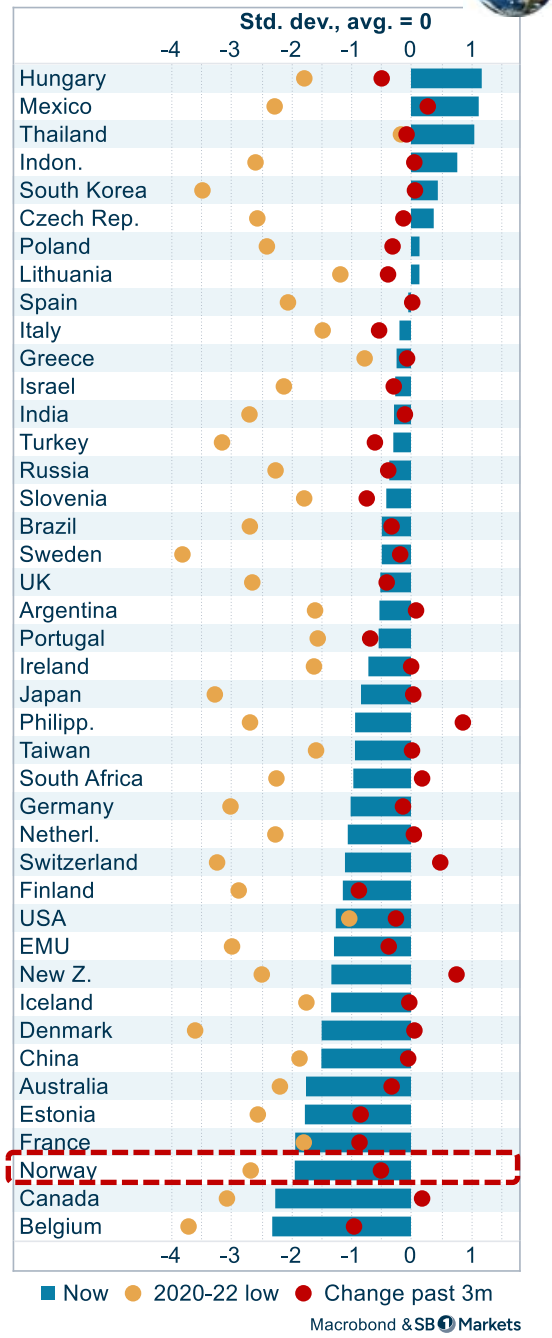


- 24 countries/regions down over the past 3 months, just 11 are up. 7 are close to unchanged.
- Just 8 countries report confidence above average, 1 on par. 35 are below.
- Only the US sits below the 2020-22 pandemic lows.
- EM ex. China is still the 'best' region, and households in many countries are more optimistic than normal. The average is still below par.
- EMU is below average and below the middle of the ranking, as is the US
- Belgium occupies the bottom position, Canada and Norway are the next, from the bottom.

- Memo: Sentiment in each country is measured in standard deviations from the average in each country. (We standardise in order to correct for the 'general mood' in different countries.)

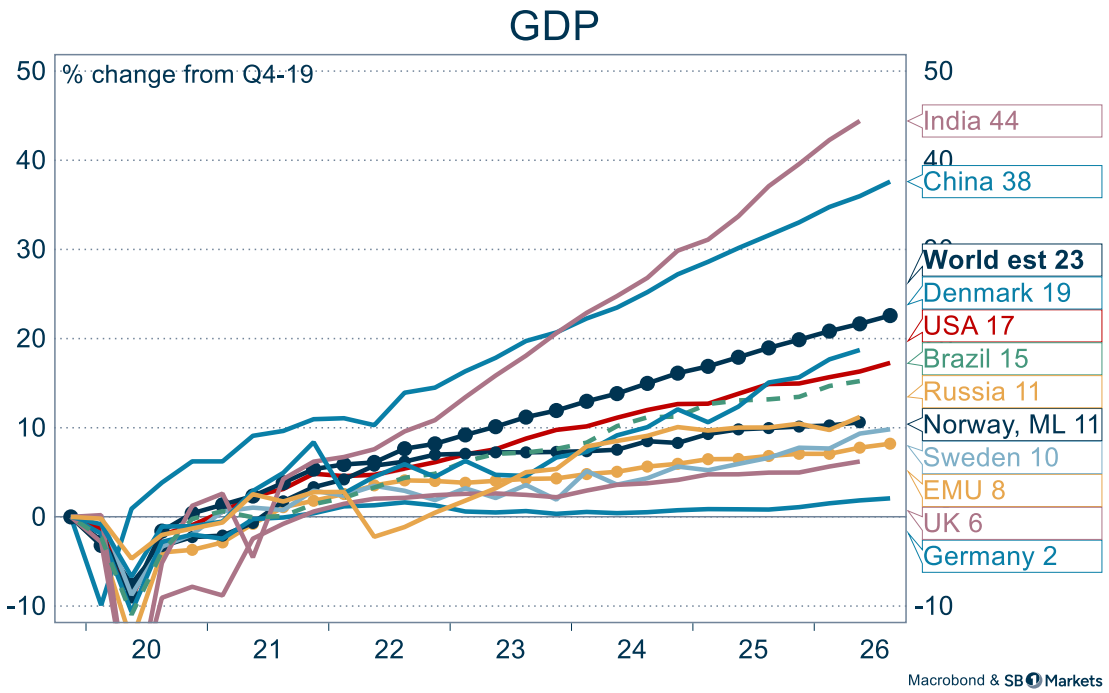
USA: Average of Conference Board and Univ. of Michigan.
Norway: Average of Finans Norge and Opinion.

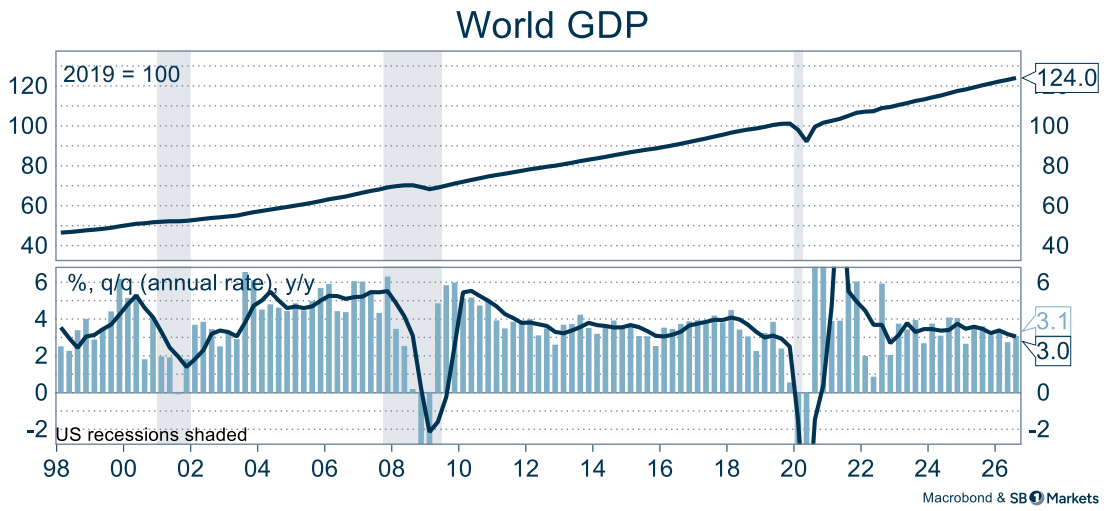
Consumer confidence

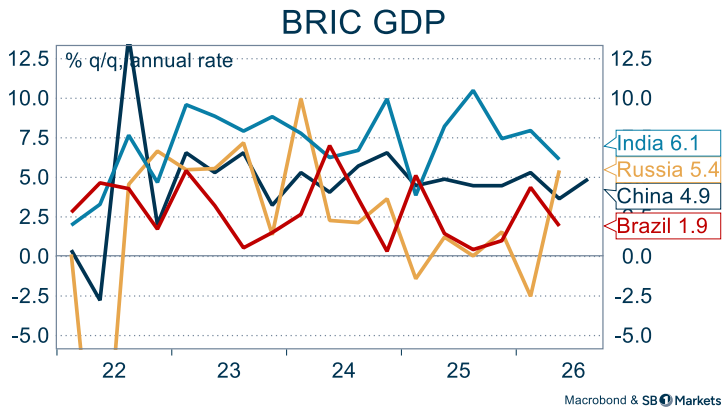


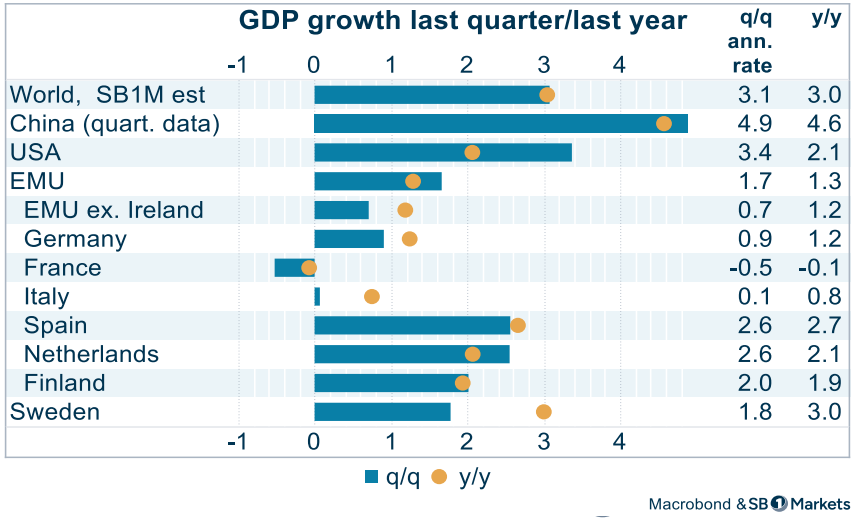
Q3 global GDP growth probably accelerated to above 3%, from 2.7% in Q2

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





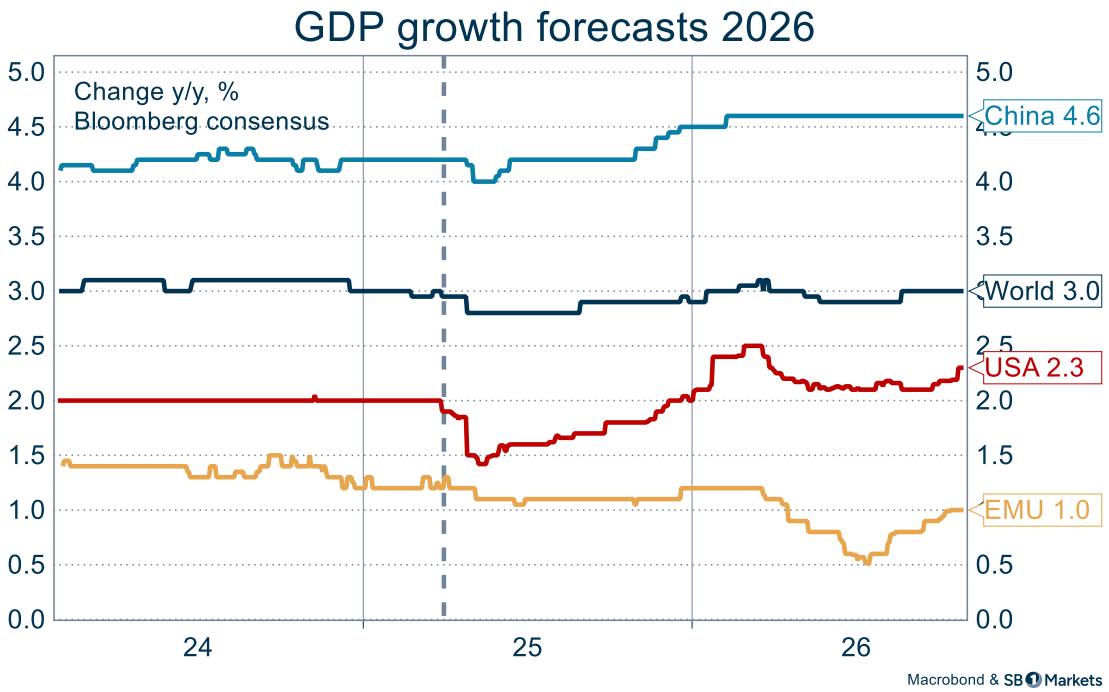


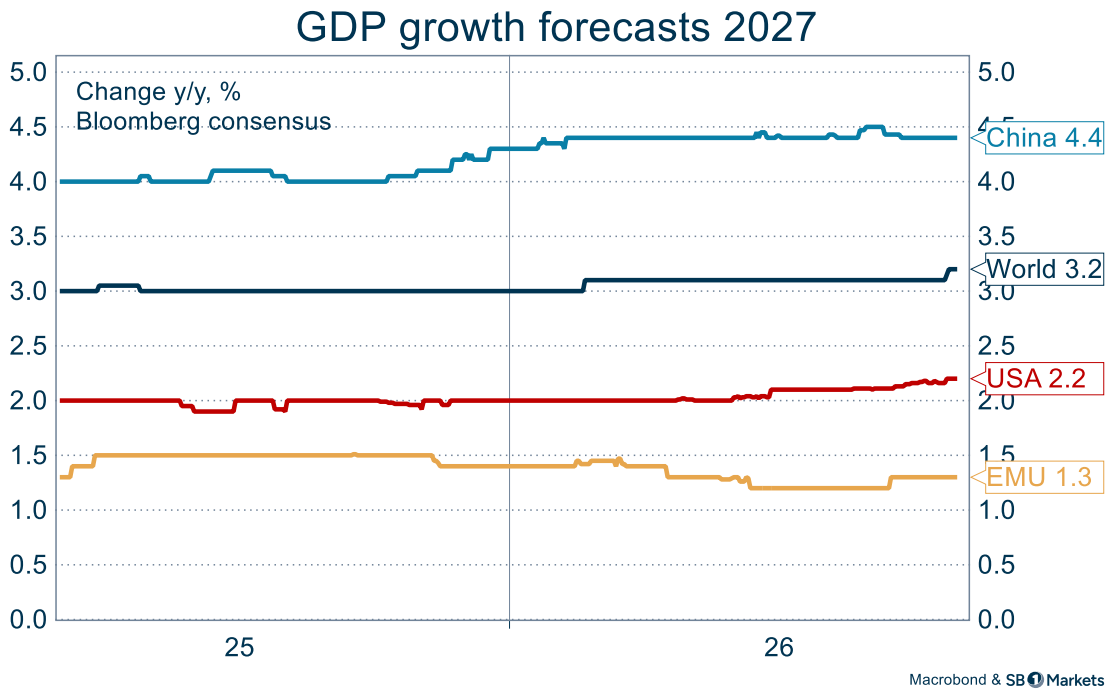


World GDP is estimated by SB1M

EMU and US growth forecasts inch upwards.

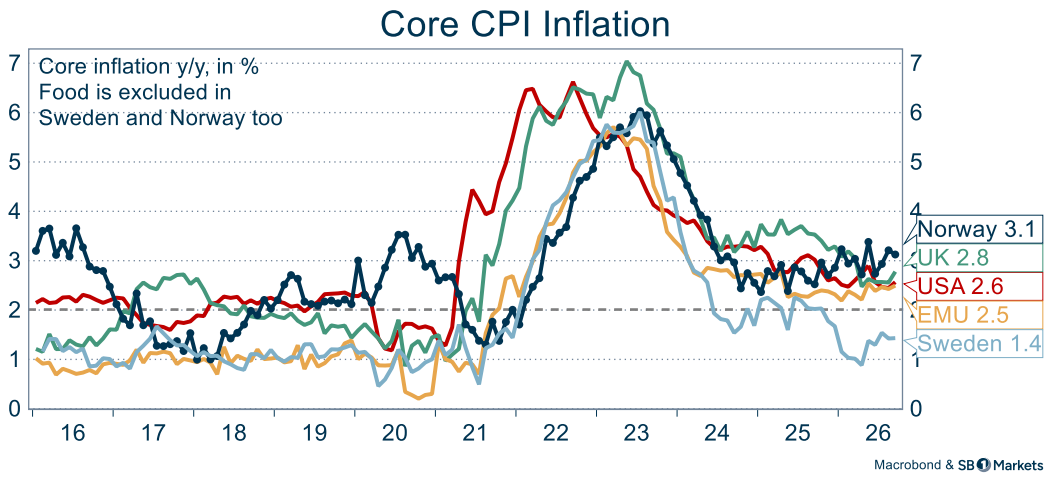
Bloomberg's consensus US '26 GDP forecast is still down 0.2 pp from Feb., to 2.3%. EMU '26 GDP at 1.0% is also down 0.2 pp, but up from 0.5% in July. Boring (flattish) but decent 2027 f'casts (but US inches upwards).

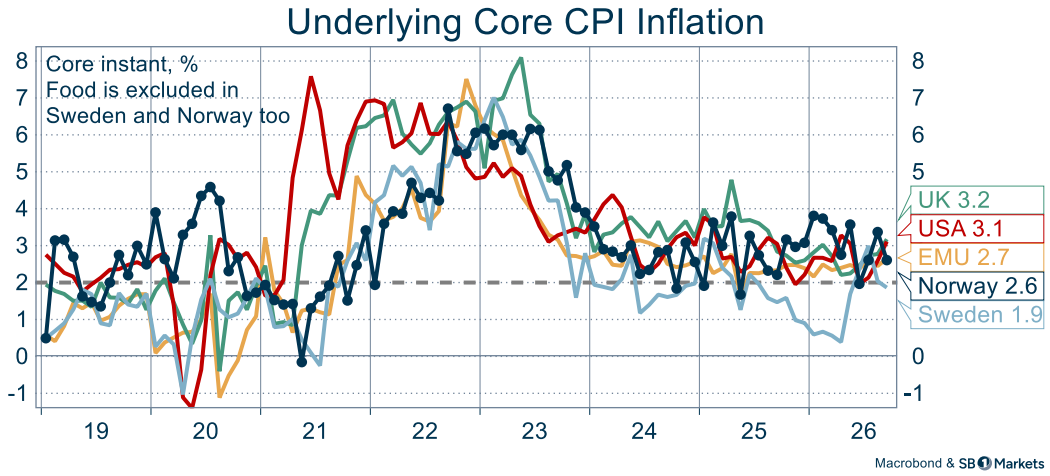


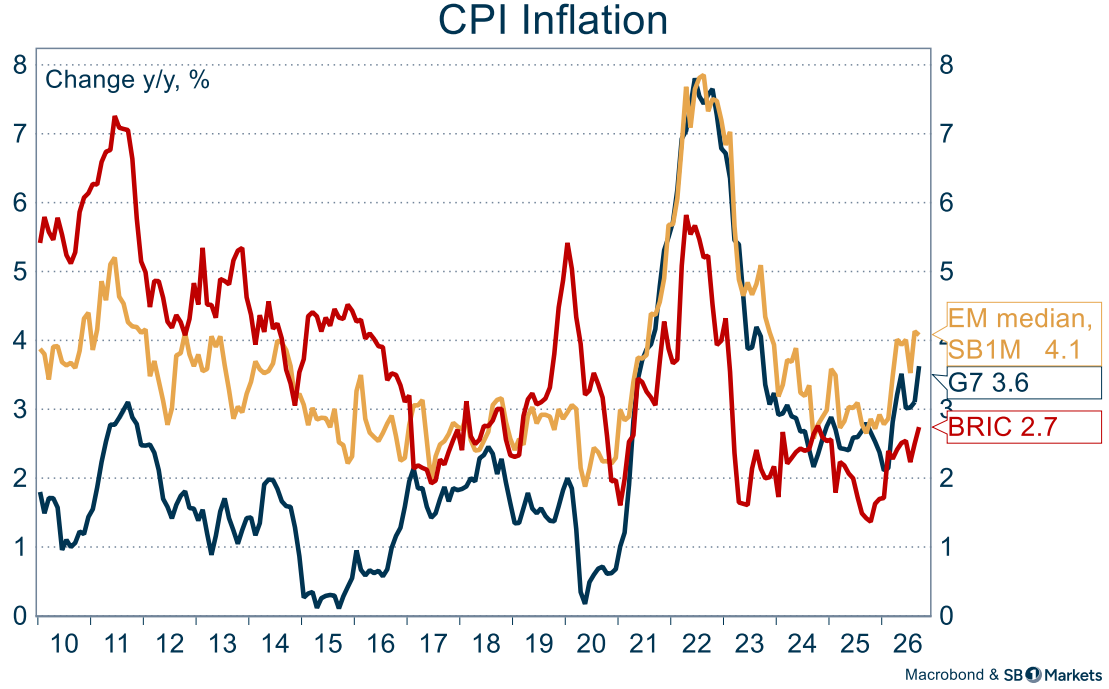


Inflation: underlying core in recent months: UK, US above 3% again. Norway, EMU > 2½%

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



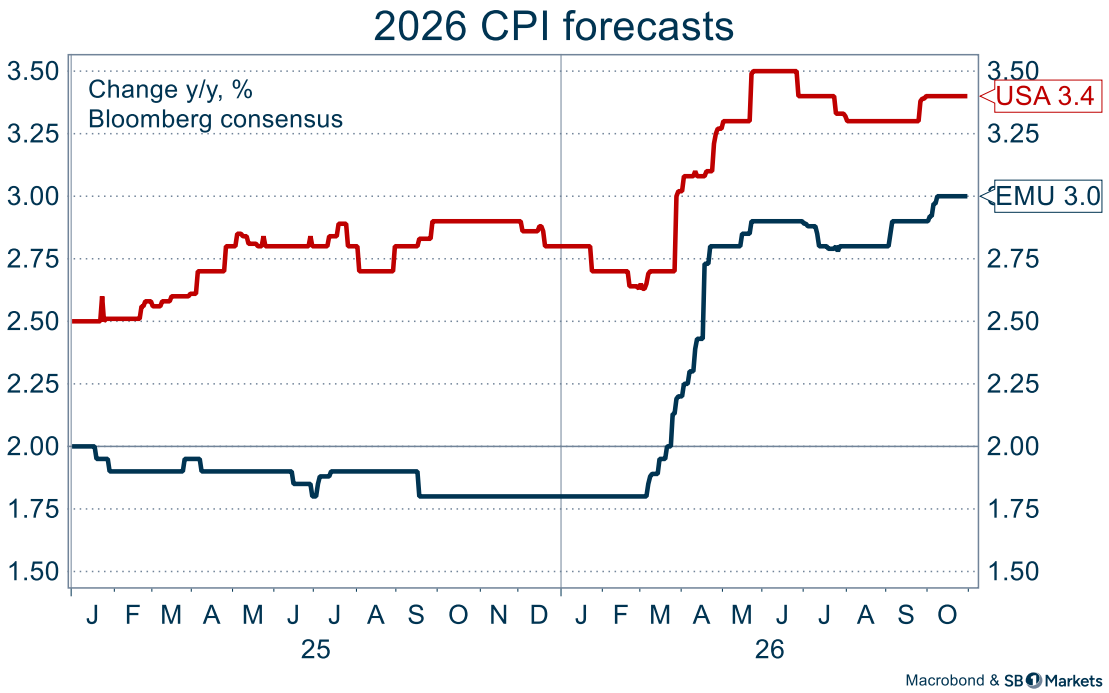


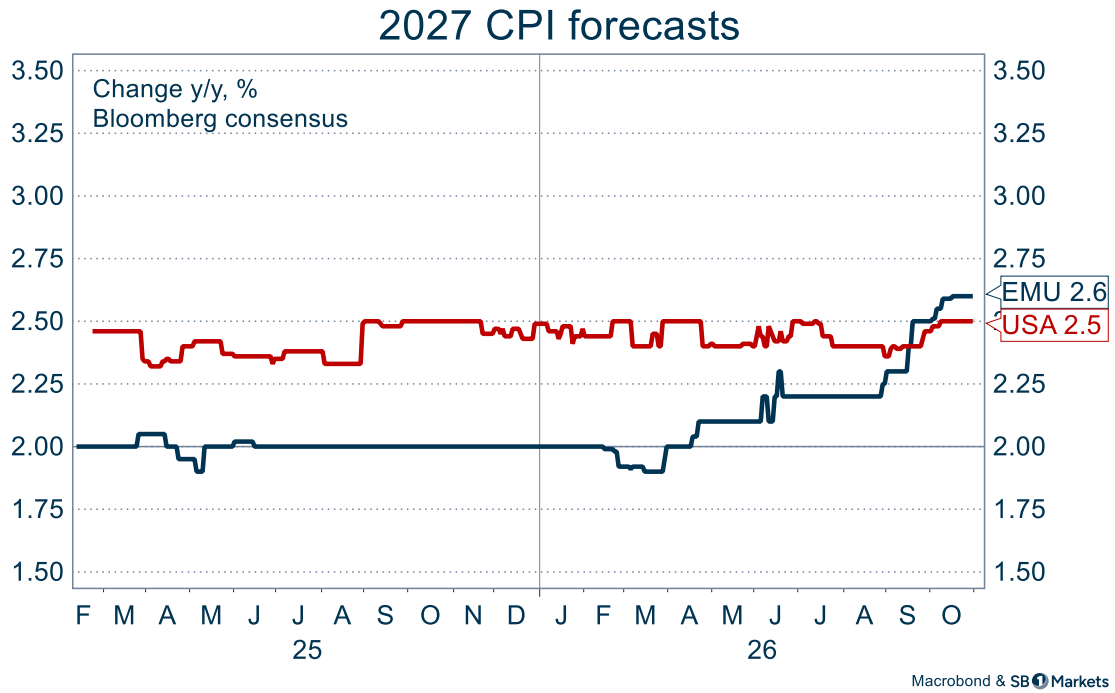


Food is removed from the Norwegian and Swedish 'official' core CPIs.

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

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

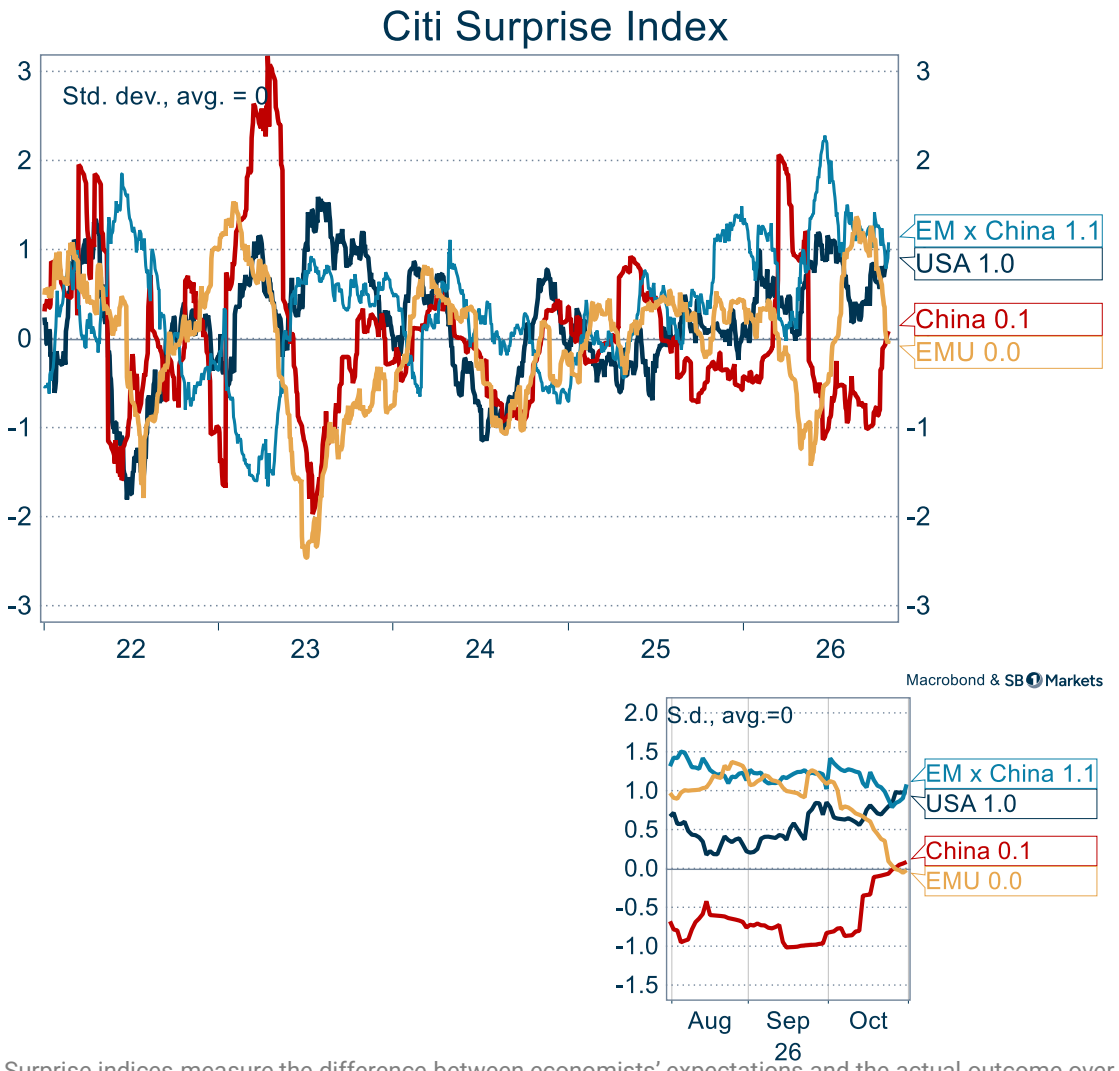


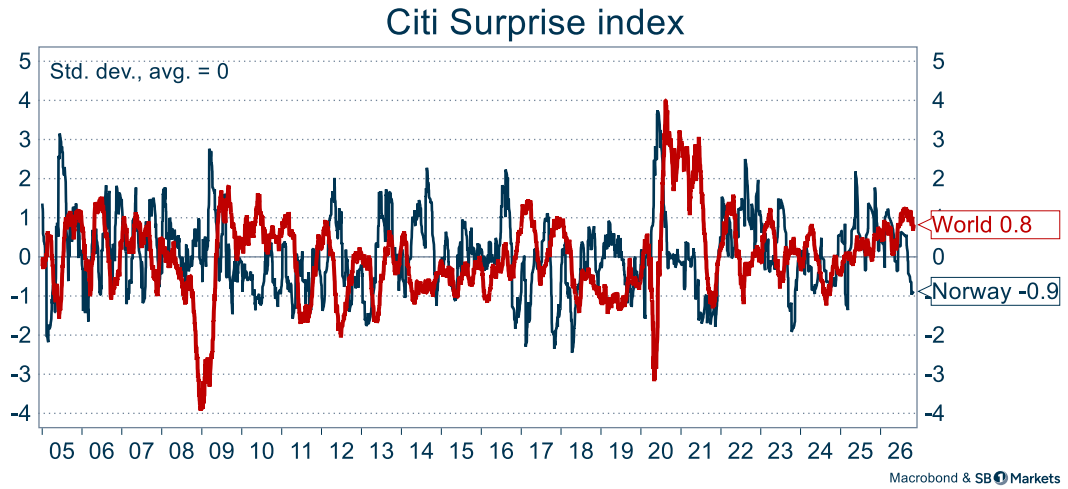


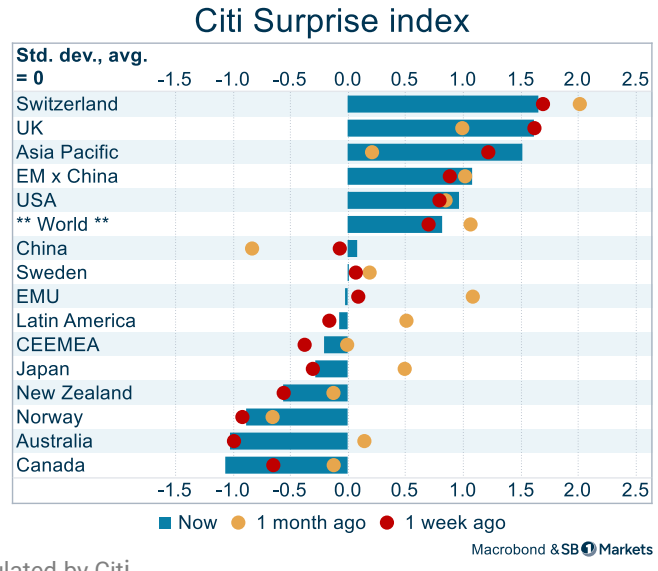
- Natural gas prices probably explain the difference between the US and EMU – both the larger lift in EMU in 2026 and the higher level in EMU in 2027.

Surprise indices: US, EM ex. China surprise more on the upside, China up in plus

EMU has dropped to an average level from +1 std. dev. during October. 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.



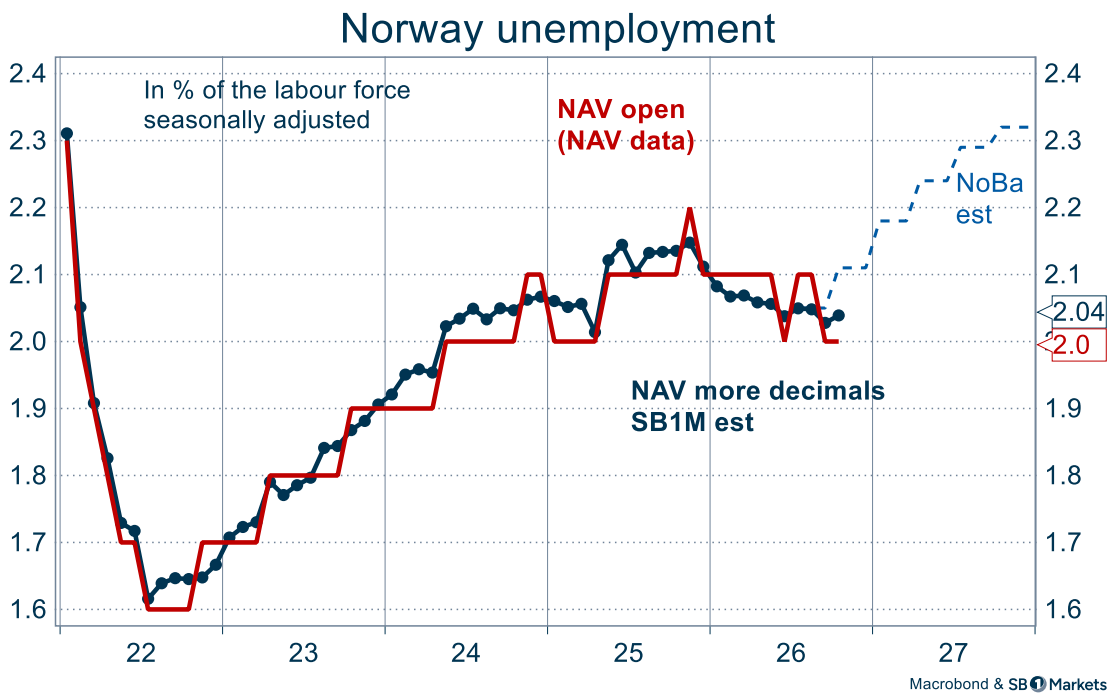




Surprise indices measure the difference between economists' expectations and the actual outcome over a 3-month rolling window, calculated by Citi.

NAV unemployment flat at 2.0% in Oct, 0.1 pp below Norges Bank's forecast, trends down

However, the number of fully unemployed rose by 400 persons, following the 600 drop in Aug. We estimate a 0.01 pp increase to 2.04%. NoBa assumes a 2.11% avg. rate in Q4. Labour market measures were marginally down, but trend up. So does the total no. of job seekers.

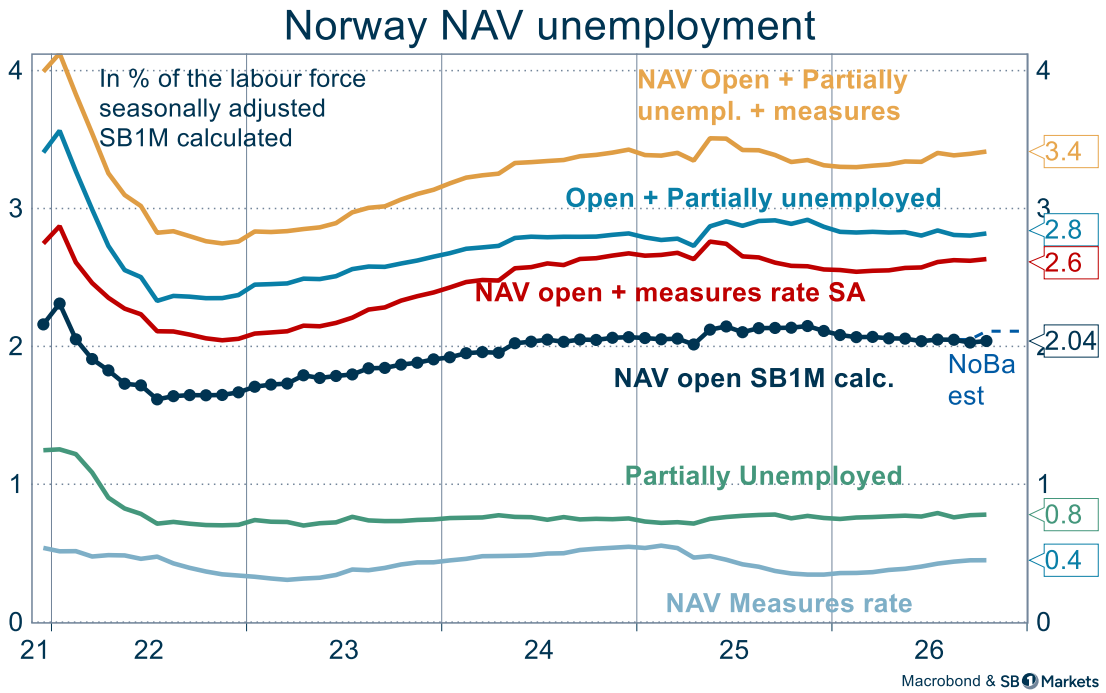


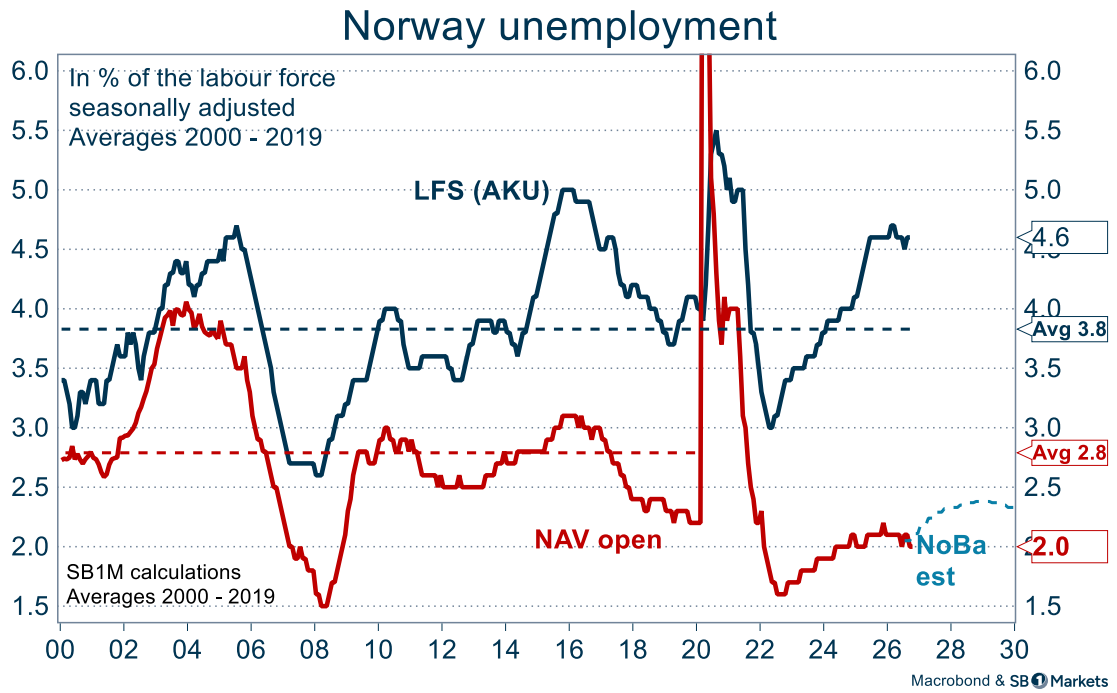
- **NAV open unemployment** still trends down, while Norges Bank expects the rate to turn up.
  - NoBa publishes both one-decimal monthly data and two-decimal quarterly averages. The September and October forecasts were at 2.1%, while the Q3 average was 2.05%, and the outcome was marginally below (our calc). A lift to 2.11% is expected in Q4. ***The actual rate is not moving in that direction.***
  - **Just 2 counties** report an increase in unemployment in the past 6 months, Trøndelag and Nordland.
  - Unemployment in **blue-collar occupations** trends flat or down. Among **'professionals'** just engineering & ICT is still on the way up. Other 'private sector' occupations trend flat, while unemployment among typical public sector occupations heads down.
- If persons on **labour market measures** are added, **total 'full-time' unemployment** was marginally up, but flat at 2.6%, rounded.
  - **If also part-time unemployed** are included, the total number of job seekers rose by 600 persons to 103.6', which equals 3.4% of the labour force. ***The trend is slightly upwards, from 3.3% in early 2026.***

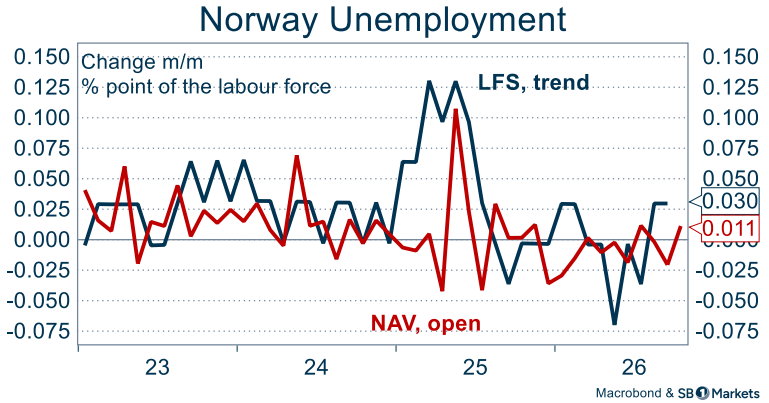
- The **inflow of new jobless claims** rose marginally in October, but trends slowly down. The level is below average, but above the inflow in 'booming times'.
- The **inflow of new vacancies** rose in October, and trends slowly upwards, supported by public services and professional services in the public sector.
- **Released the previous week:**
  - **The LFS unemployment** rate was revised up 0.1 pp to 4.6% in August and stayed there in September. This rate trends flat.
  - **Payrolls** (employees, register-based) rose sharply in September (even corrected for a likely downward revision), and August was revised sharply upwards. Underlying growth is probably above growth in the working-age population.
- **In sum: NAV open unemployment is clearly below NoBa's f'cast, and payrolls trend upwards.**

Total number of job seekers trends slowly up due to a lift in labour market measures

… or more precisely: due to an increase in the number of unemployed engaged in these measures (training etc.).





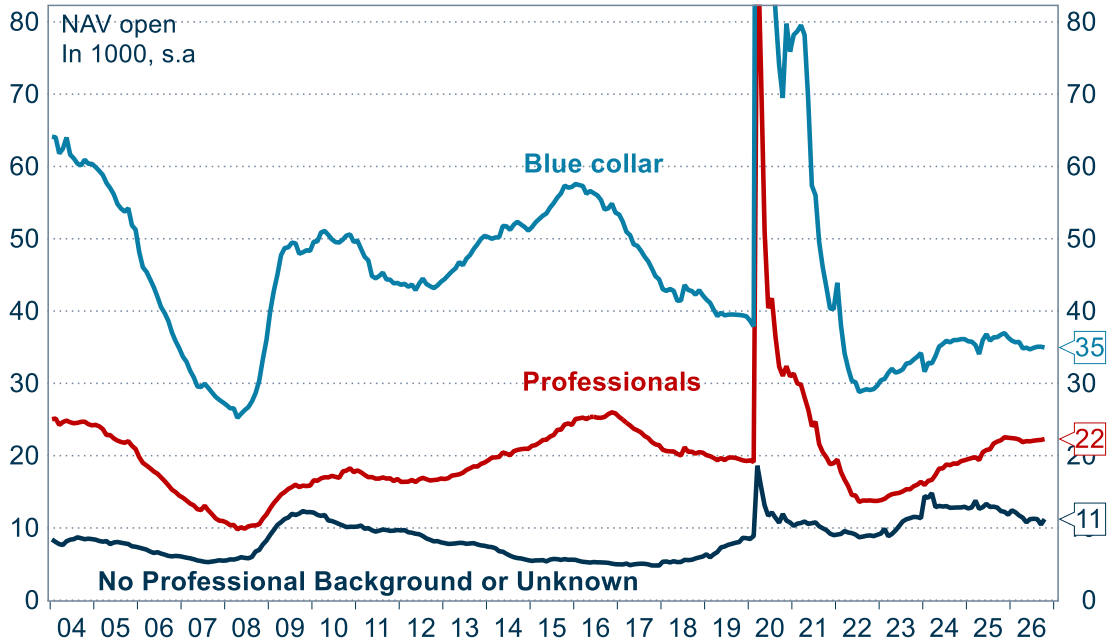


SB1 Markets

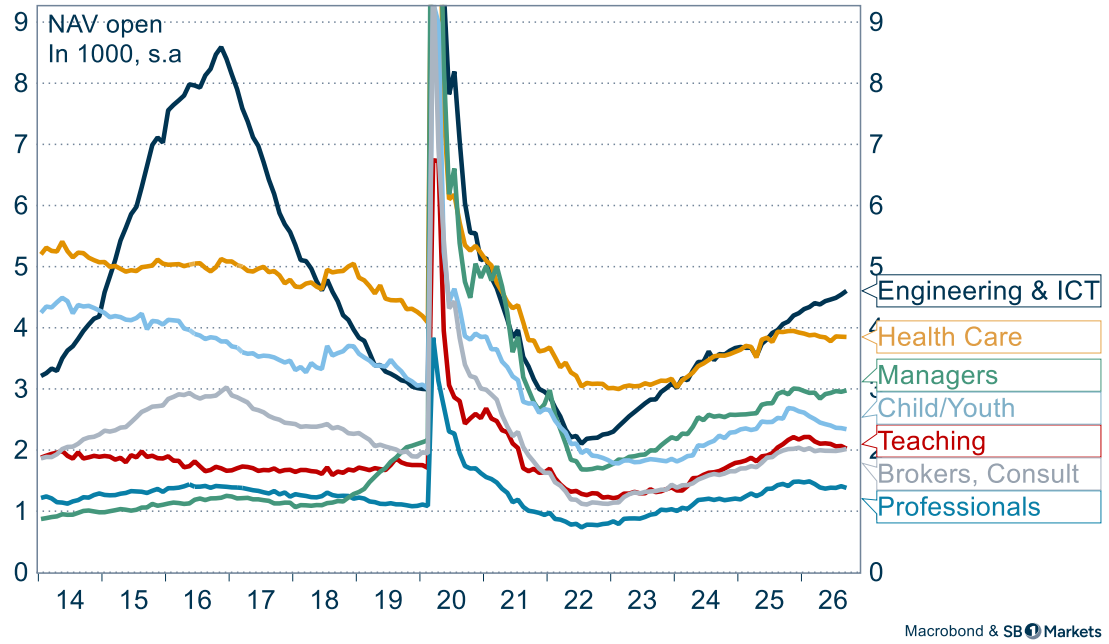
NAV: Unemployment heads down among most occupations, just engineering & ICT up

Unemployment in construction has flattened following a substantial decline; travel & transport trends flat. Other services are down. Among 'professionals' just engineering and ICT head up, while the others trend flat (private sector occupations) or down (public sector occupations).

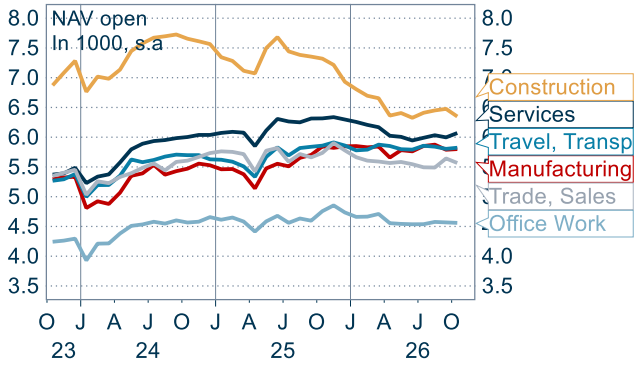
Norway Unemployment by occupation



Norway unemployment, professionals



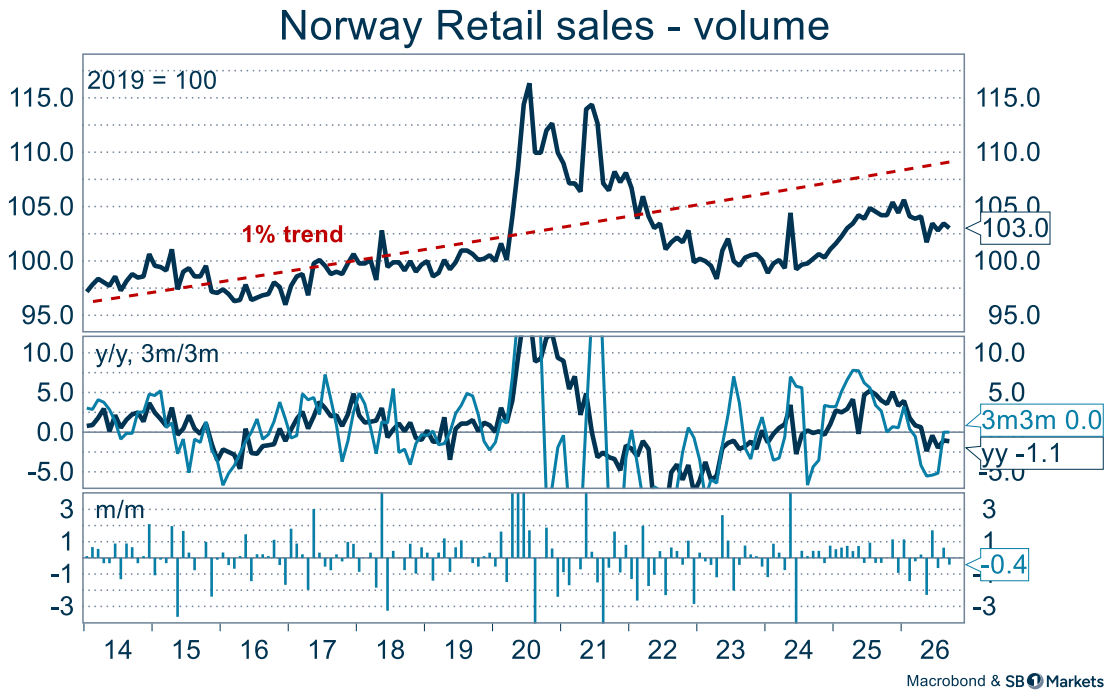
Norway Unemployment, blue collar

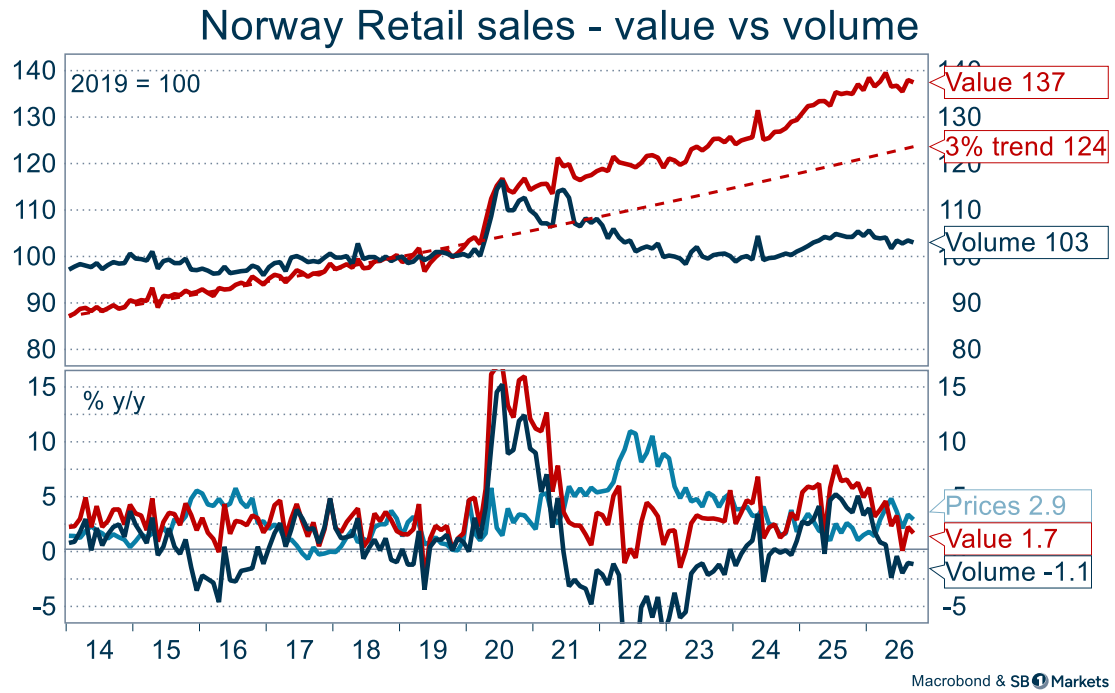


- The lift in unemployment among white-collar workers was broad-based from mid-2022 until H2 last year. We doubt the implementation of AI has had any material impact on demand for professional workers, at least not in health care, teaching or child/youth work or among 'managers'. Now, mixed changes. Engineering & ICT continues upwards, while 'public sector' occupations head down.

Retail sales have stabilised, at a modest level, just up 3% from 2019

Sales declined 0.4% in September, following the 0.6% lift in August. We expected a small increase. Sales are flat 3m/3m, but still down 1.1% y/y, and down 2.5% from January. Even so, the *recent stabilisation is good news*, and in line with Norges Bank's consumption forecasts.

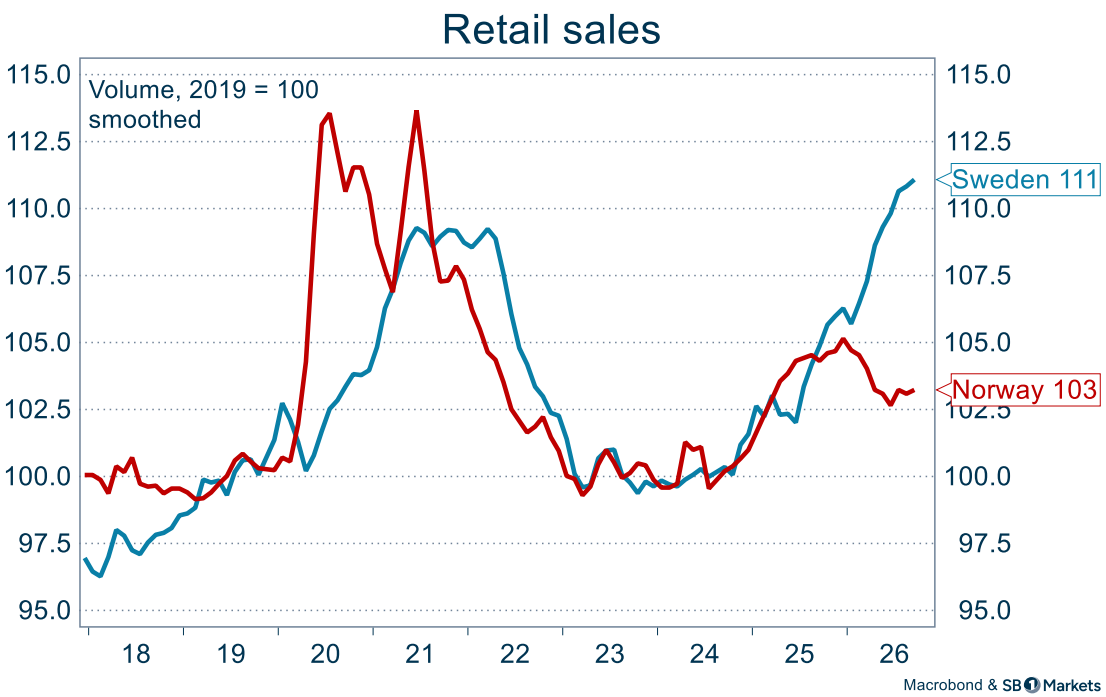




- **Grocery stores** contributed the most on the downside m/m, and the sales level is low, down 3% in volume terms since 2019.
  - The population is up 5.4%. Are sales really down 8% per capita? Is Wegovy really that effective?
  - BTW, grocery sales are up 40% in value terms since 2019. Thus, prices are up 44%.
    - According to CPI, food and beverage prices are up 36% since 2019. A strange divergence – up to almost 7% between the two price indices – occurred in 2021 and into 2022.
- **In value terms, total sales** are up 1.7% y/y. Prices are up 2.9% y/y, which of course is a drag on household (real) demand.
- **Norges Bank** assumes 0.8% growth in **total private consumption** (goods + services), revised down from 1.6% in the June report.

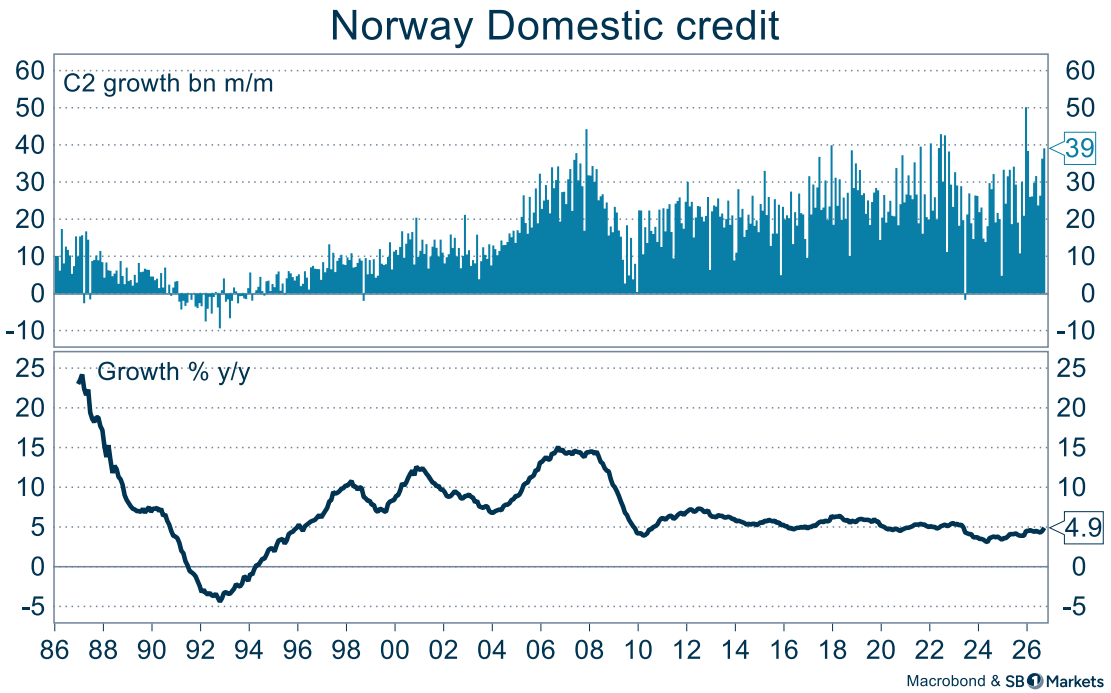
Mind the gap

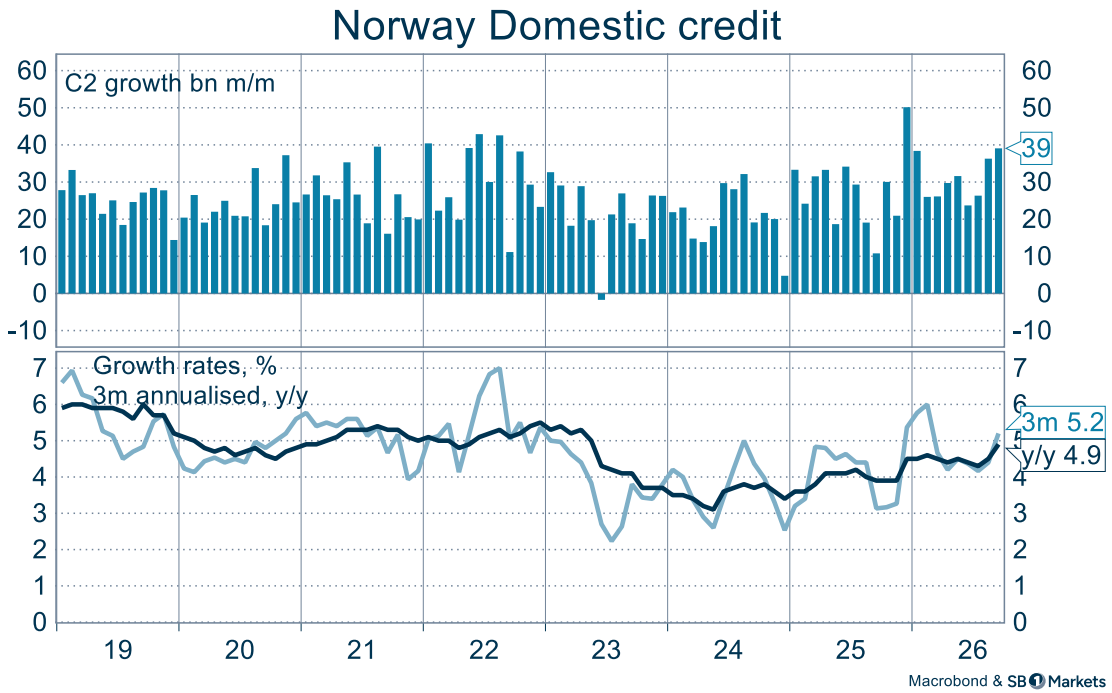
Retail sales in Sweden head up. Not so in Norway. At least not in volume terms so far in 2026. But sales have flattened recently.



Credit growth up in September, to 4.9% y/y; the corporate sector in the lead, up 5.9%

Domestic credit (C2) added NOK 39bn, or a 6.0% annualised pace. The 3m growth pace stands at 5.2%, while the annual growth rate rose 0.4 pp to 4.9% (we expected 4.6%). Household demand remains moderate and the big picture is still: credit growth is *not too hot/not too cold.*

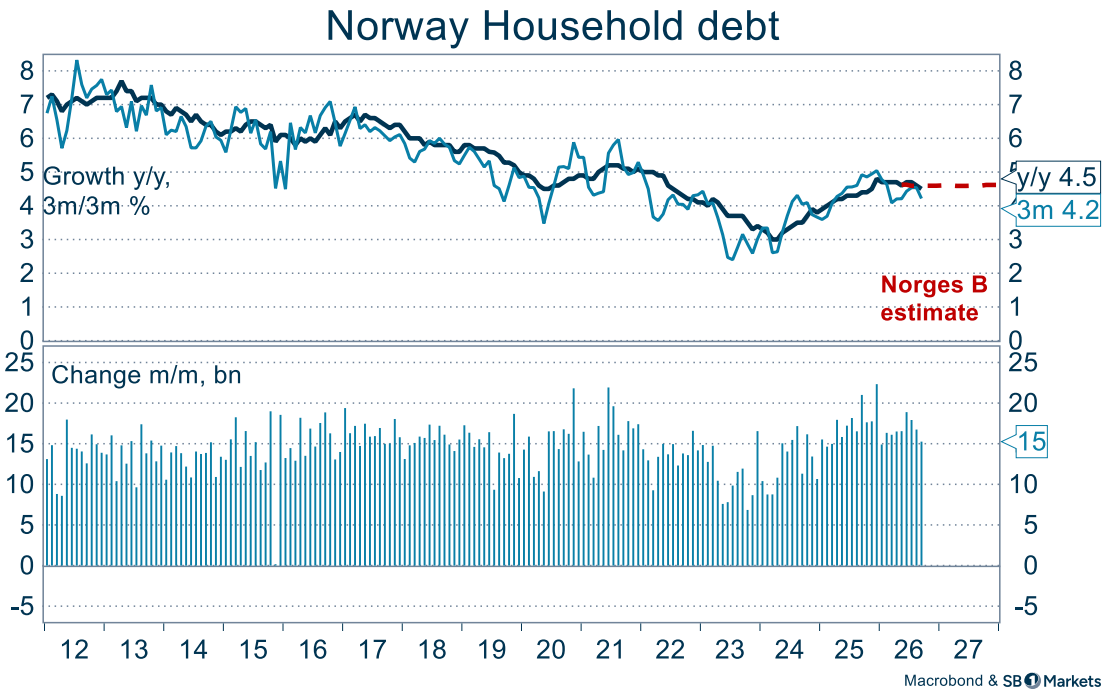


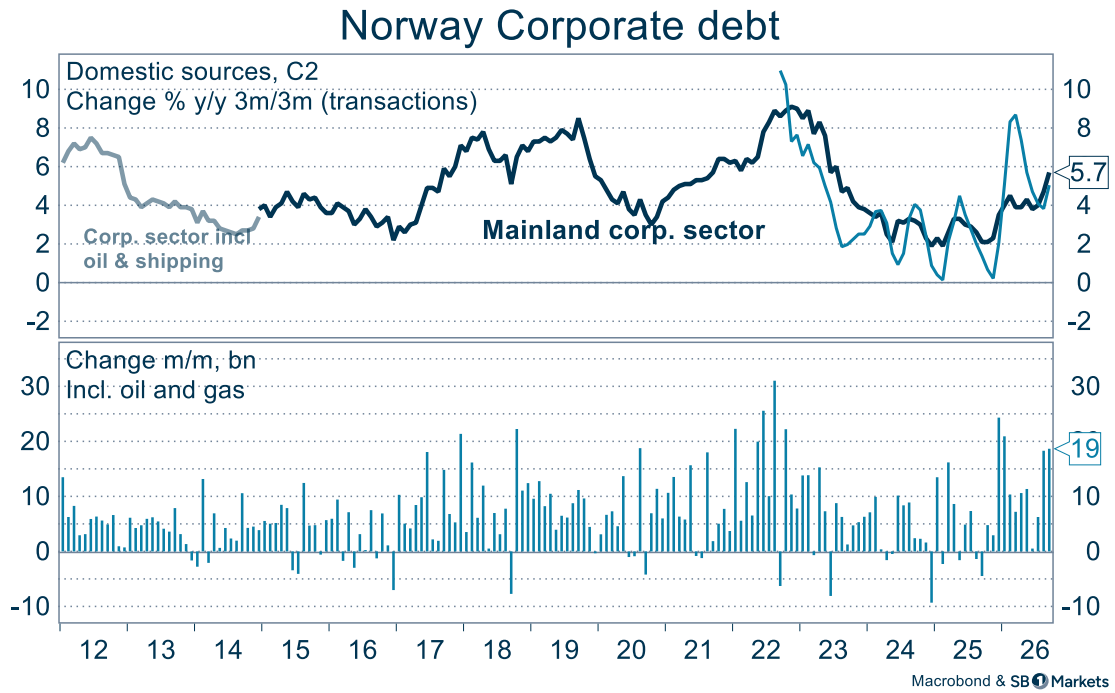


- **Household credit *rose by NOK 15bn in September***, a 3.9% pace, while the y/y rate slowed to 4.5% (as we expected). Debt growth is below household income growth, and the ***LTI ratio is on the way down***, like in ***all other rich countries***.
- **Corporate C2 credit *rose NOK 19bn***, a 9.6% pace. The y/y rate accelerated 1.1 pp to 5.9%. **Mainland businesses' domestic debt** is up 5.7% y/y. If **foreign debt** is included, the ***growth rate in C3 was 5.1%*** in Q2. **Oil & shipping**: up 10% y/y domestically, and including foreign debt 9% (in Q2).
- **Local government *debt increased by NOK 5bn***. The annual rate accelerated 1.4 pp to 4.4%, ***still below their income growth, and their LTI ratio heads down.***
- ***In sum: Credit growth is modest and is not by itself an argument for hiking the signal rate. But far from so low that it is an argument for cutting.***

Household credit growth is stabilising while corporate credit growth is accelerating

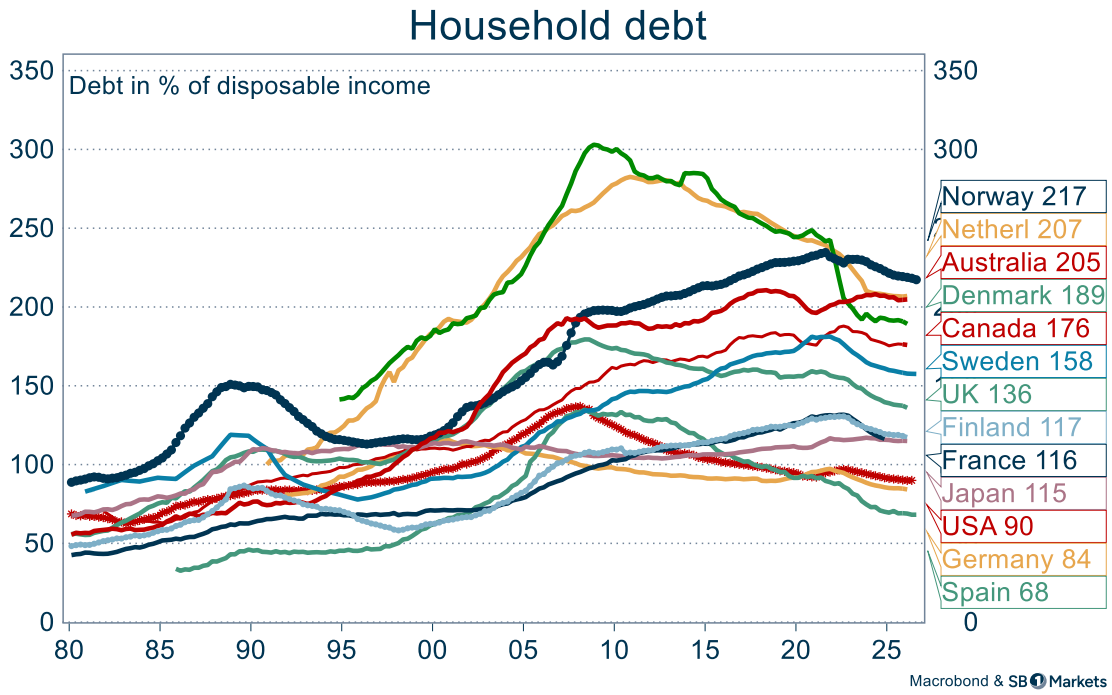
Growth in household debt is close to 4.5%, and if anything, heads down. Growth in Mainland corporate credit is far more volatile, but growth has accelerated lately – and sharply from the 2%-level recorded a year ago, now to 5.7%, signalling higher investments.

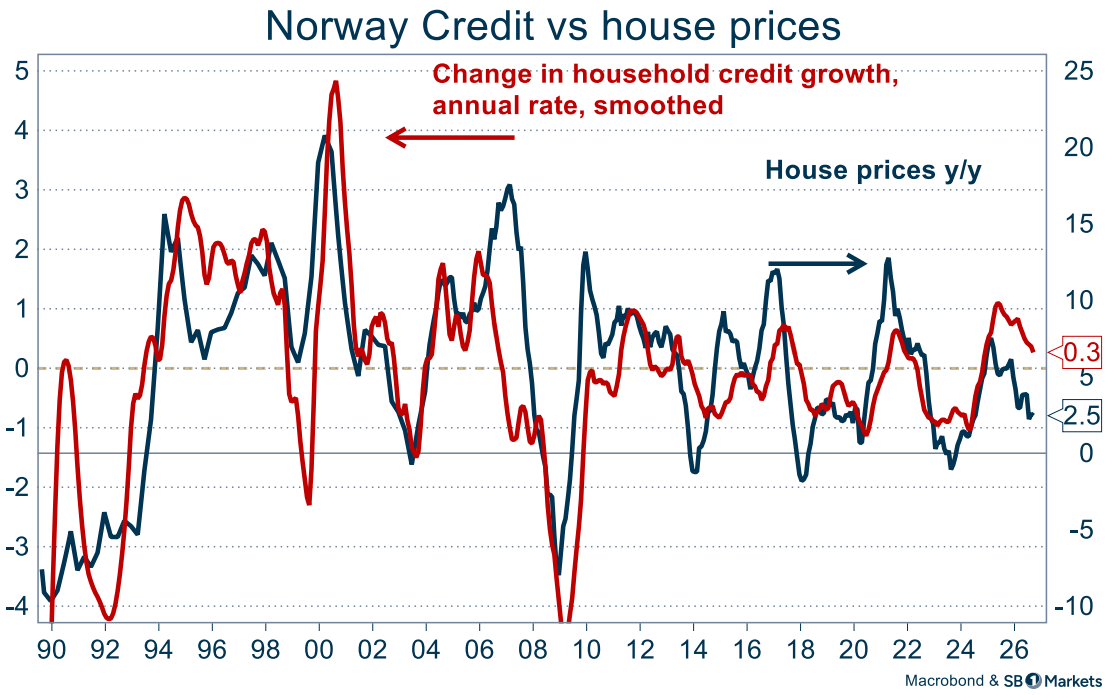




Households' debt/income ratios are falling *everywhere*

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

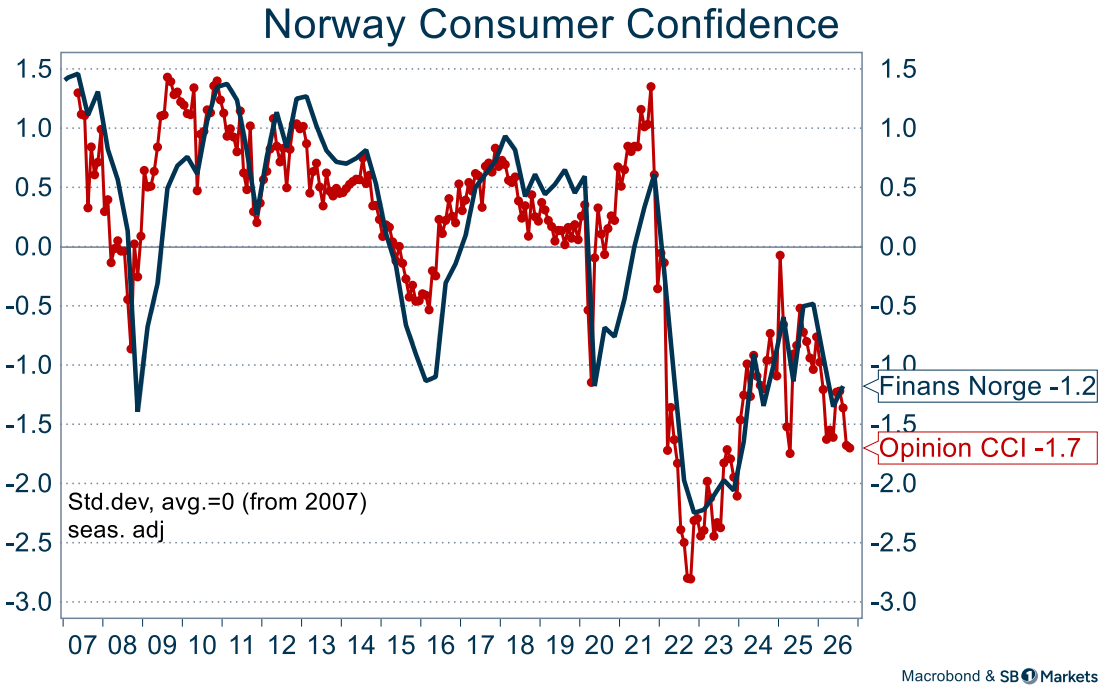


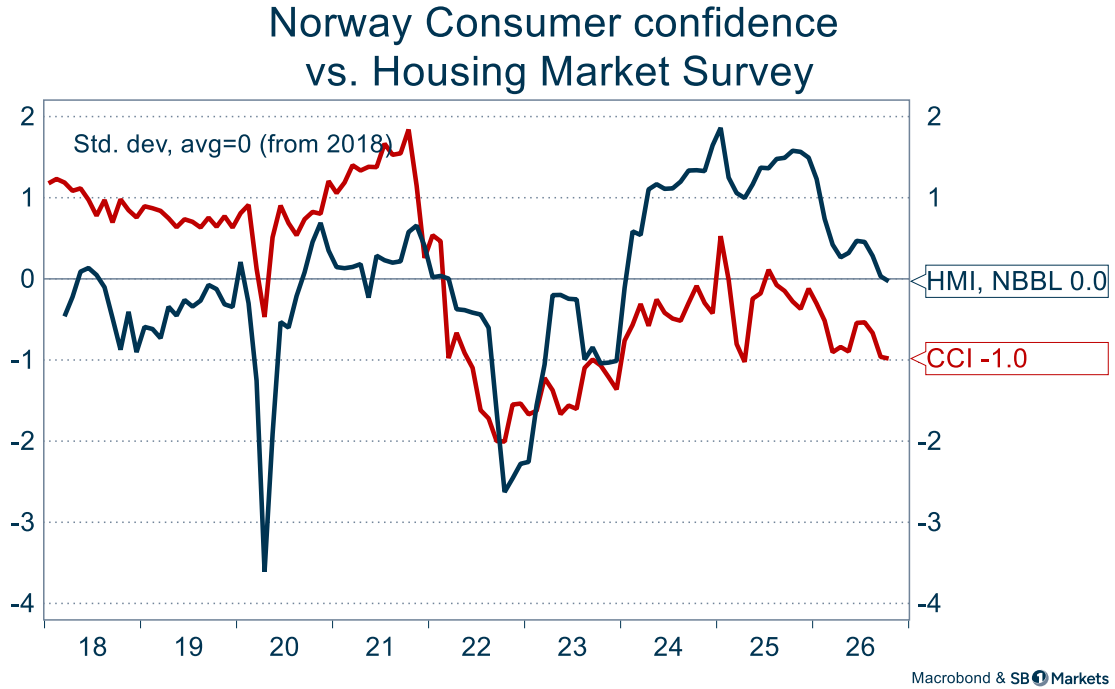


- ***Changes*** in credit **growth** (the 2nd derivative) are usually correlated with economic growth, and asset markets – including ***growth*** (the 1st derivative) in house prices.
  - A gradual retreat in the debt ratio will probably be healthy in the long run, and if managed carefully, it need not be painful – not even for the housing market.
  - If credit growth ***slows by less than 1 pp per year*** (e.g. from 4% growth this year to 3% next year, then down to 2%, etc.), ***house prices should just flatten***. Recently, growth has accelerated by 0.4 pp (though from 1 pp last year).
- **Households' LTI debt ratios** are on the way ***down in all DM countries, and most have been on the way down over the past 15–20 years.***

Consumer confidence trends down and falls slightly in October

Opinion's Consumer Confidence Index has been trending down since mid-2025, and the October level is the lowest since April 2025. The index was 1.7 std. dev. below average, like in September (seasonally adjusted).

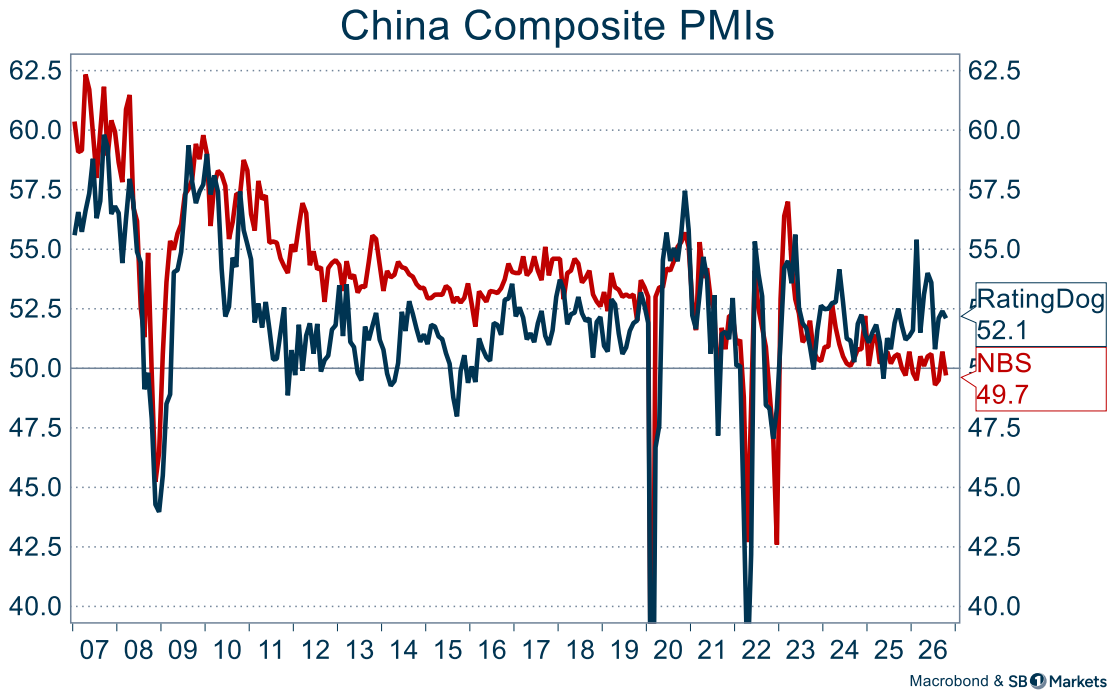


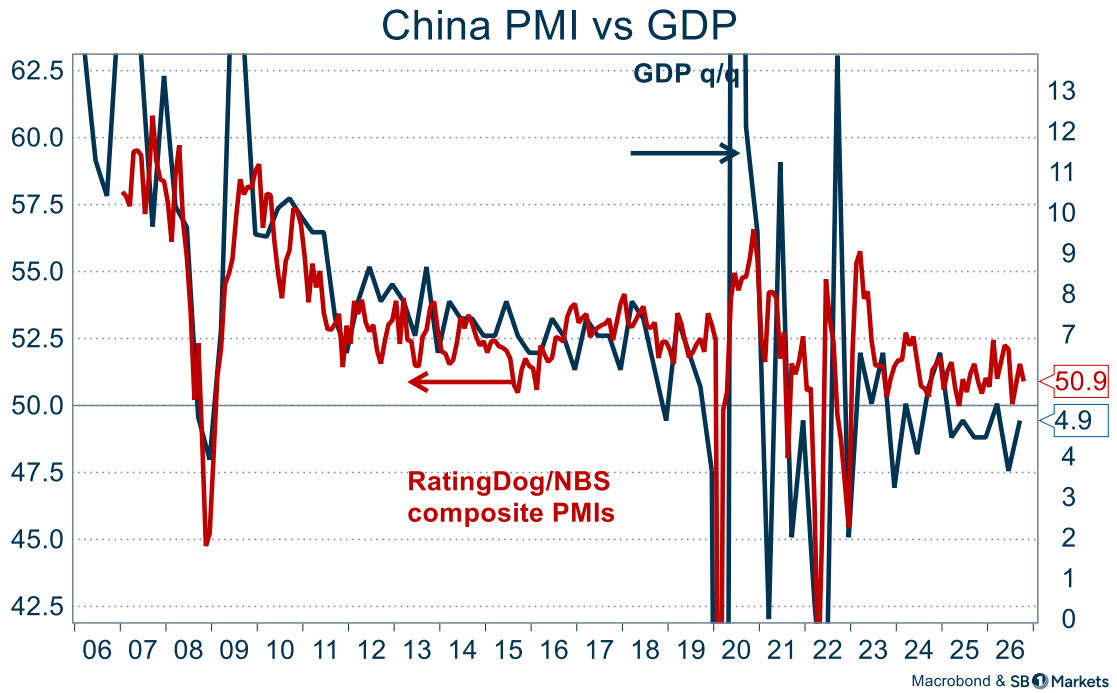


- The CCI is 1.0 std. dev. below the average **since 2018** in the *chart to the right* – to be comparable with NBBL's Housing Market Survey's history (*more next page*). Taking the whole story into account, the CCI is 1.7 std. dev. below average, in the *chart to the left*.

China: the ‘official’ PMI turned down again in October, RatingDog’s manuf. Index still strong

The ‘official’ NBS composite PMI fell 1 p to 49.7, a low level vs. both long-term and short-term averages. Manufacturing slowed the most, but the services PMI fell as well. RatingDog’s ‘private sector’ manufacturing PMI fell just marginally



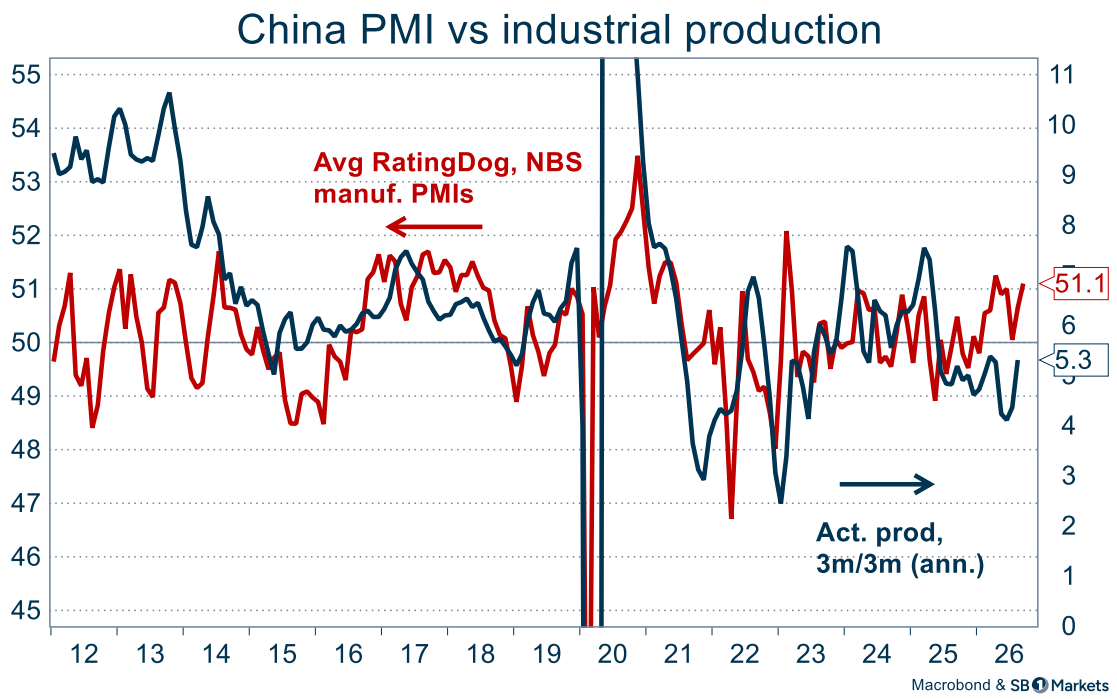


- RatingDog’s PMIs have been far stronger than justified by actual growth over the past year.
- Assuming a modest decline in RatingDog’s service sector index, the composite RD would decline just marginally too.
- The average of the 2 data sets at some 51 would normally signal some 6% GDP growth, but since the pandemic, the PMIs have been stronger than actual growth has turned out to be – and even more recently.
- In Q3, GDP grew at a 4.9% pace, and the PMIs may signal a growth at this level.

China’s manuf. sector PMIs: still two very different stories told

The NBS manufacturing PMI fell 0.8 p to 49.3, close to the low levels seen several times the past 3½ years, and well below average. On the other hand, RatingDog’s ‘private sector’ PMI fell 0.1 p to 52.0, and remained far above average. So far, NBS has been closest to the ball.

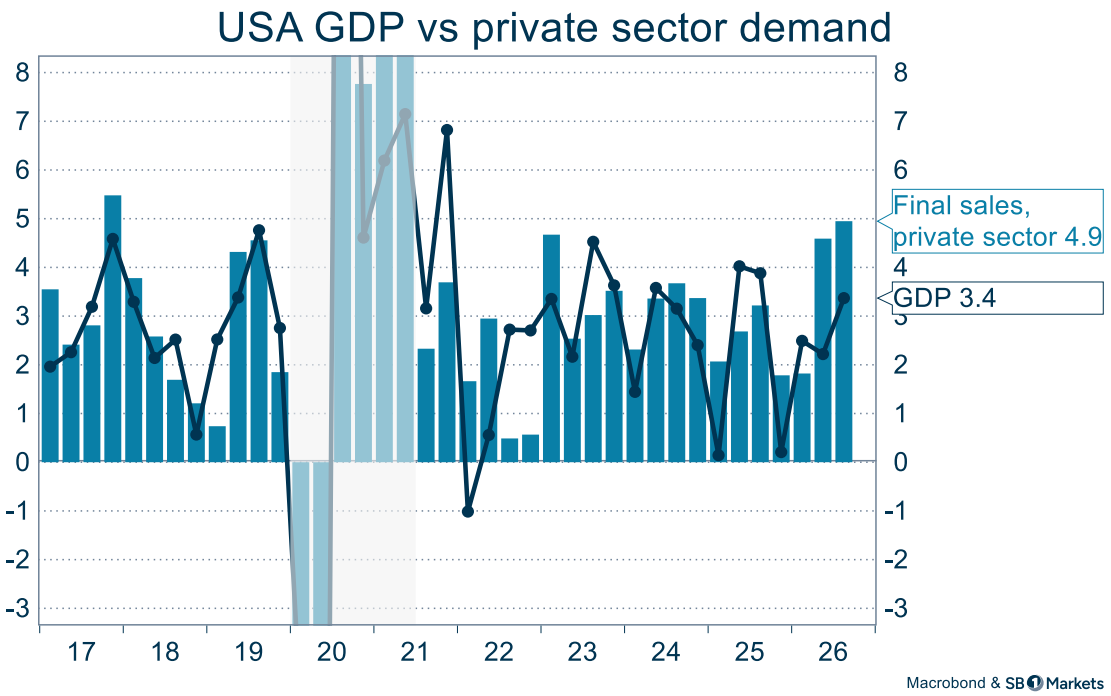




- RatingDog’s PMI has stayed in the 51–52 range in the past 9 months, signalling growth well above trend, while actual growth has been lower than normal.
- For what it is worth, the average of the two surveys at 51.1 seems to be too optimistic as well.

Households and AI investments lifted private domestic demand 4.6 pp of the 4.9% Q3 surge

… which lifted GDP 3.4% in spite of a negative drag from spiralling net imports at 3.6 pp (much of the AI investment stuff was imported). Inventories also contributed, but inventories are still low. Price inflation slowed (energy), and Unit Labour Costs were flat.

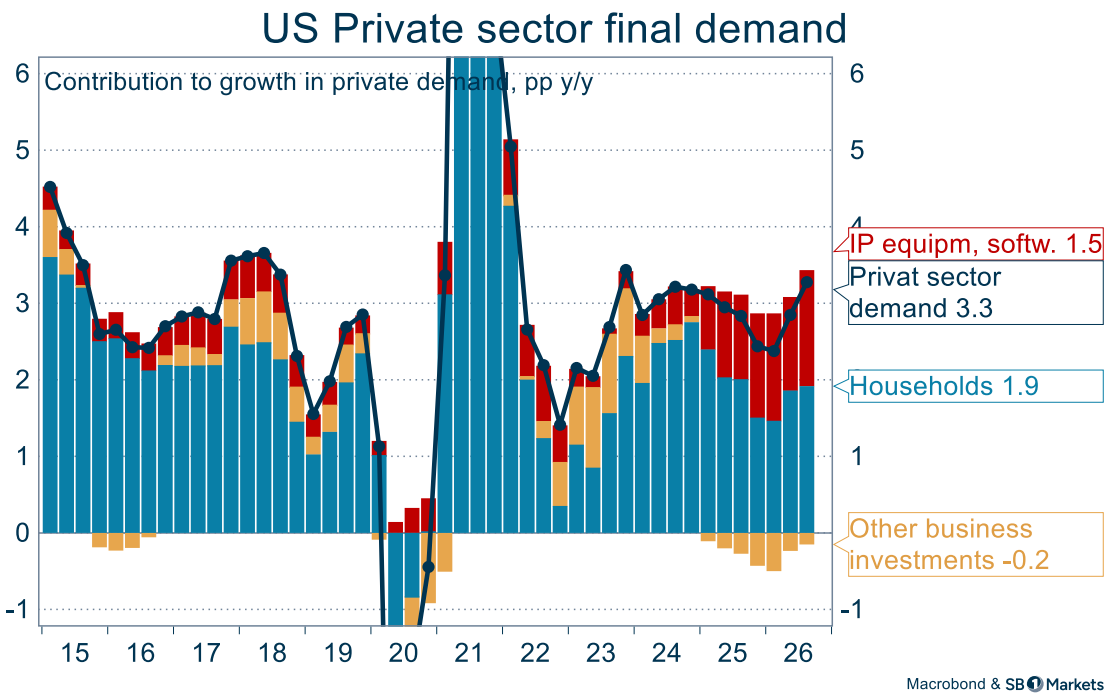


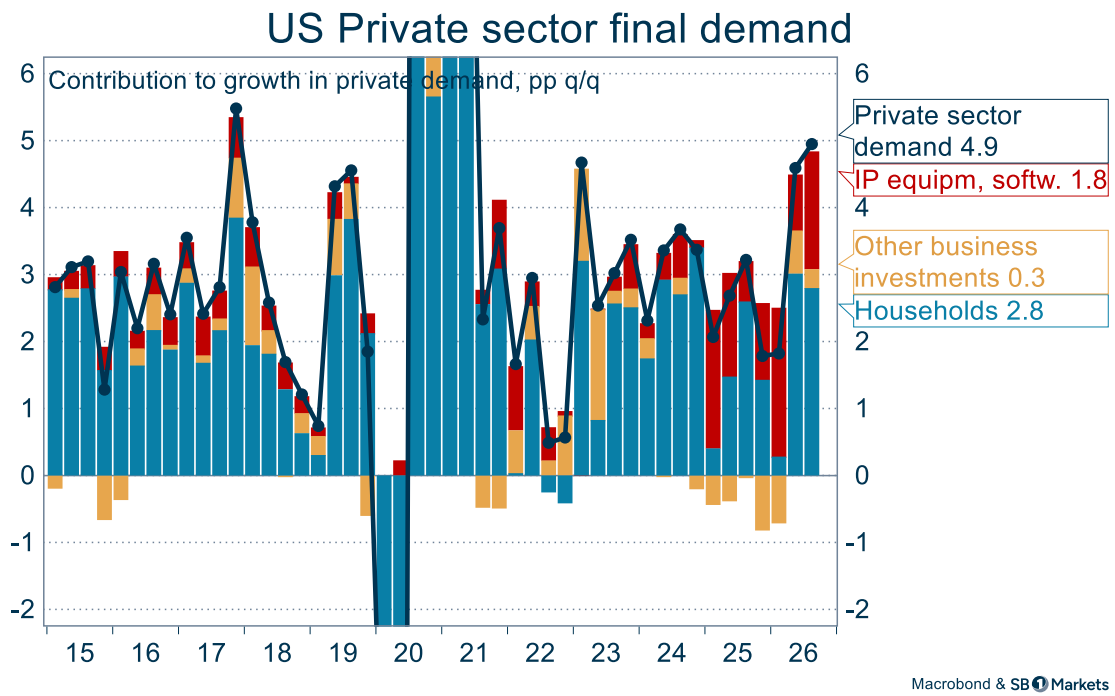
- **The Q3 3.4% GDP** growth rate was in line with Atlanta Fed's nowcaster but 0.4 pp above consensus. GDP was up 2.1% y/y.
- **Final sales** to the private sector rose by 4.9%, up from 4.6% in Q2.
  - **Growth in household consumption** was unchanged at 3.8%, and the savings rate fell 0.3 pp to 4.1%
  - (and 3.8% in September). **Housing investments** fell marginally.
  - **Business investments** rose 13%, even faster than in Q2 (9%). **AI-related investments** (invest. in information processing equipment & software) grew 23%, up from 11% in Q1. These investments are up 21% y/y, equalling 2% of GDP, and now equal 5.6% of (nominal) GDP. A proportion of these investments are imported from abroad, but the net contribution to growth is still substantial. **Other business investments** grew slightly but are still down y/y in real terms.
- **Government demand** shot up 5%, due to a 22% surge in defence spending.
- **Net trade** declined, equalling 3.6% of GDP, as imports rose 20% and exports fell 5%. Those imported goods ended up as AI investments and inventories.

- **Inventories** contributed 1.6 pp but still rose just marginally (they fell in Q2). The inventory level is low vs. GDP.
- All **price deflators** slowed down in Q3, as energy prices contributed on the downside. The total GDP deflator was up 2.2%, the core 2.7%. The core PCE deflator was up at a 2.5% pace, down vs. the previous quarters. Nominal GDP rose at a 5.6% pace.
- **The wage bill** rose by just 3.4%. Thus, **Unit Labour Costs** for the total economy were unchanged q/q and are up 2.4% y/y. No data yet for the business sector, but the annual growth rate is very likely well below 2%, as in Q2.
- **Corporate value added** is not yet published, but we estimate a 2% (9% annualised) growth, and 20% growth y/y. Growth in profits has lifted inflation over the past year.
- ***Growth was a tad higher than expected, supported by strong growth in domestic demand, and price indices are still running too high → not at all arguments against hiking the policy rate further.***

AI (information processing) investments: 45% of domestic private demand y/y, 37% in Q3

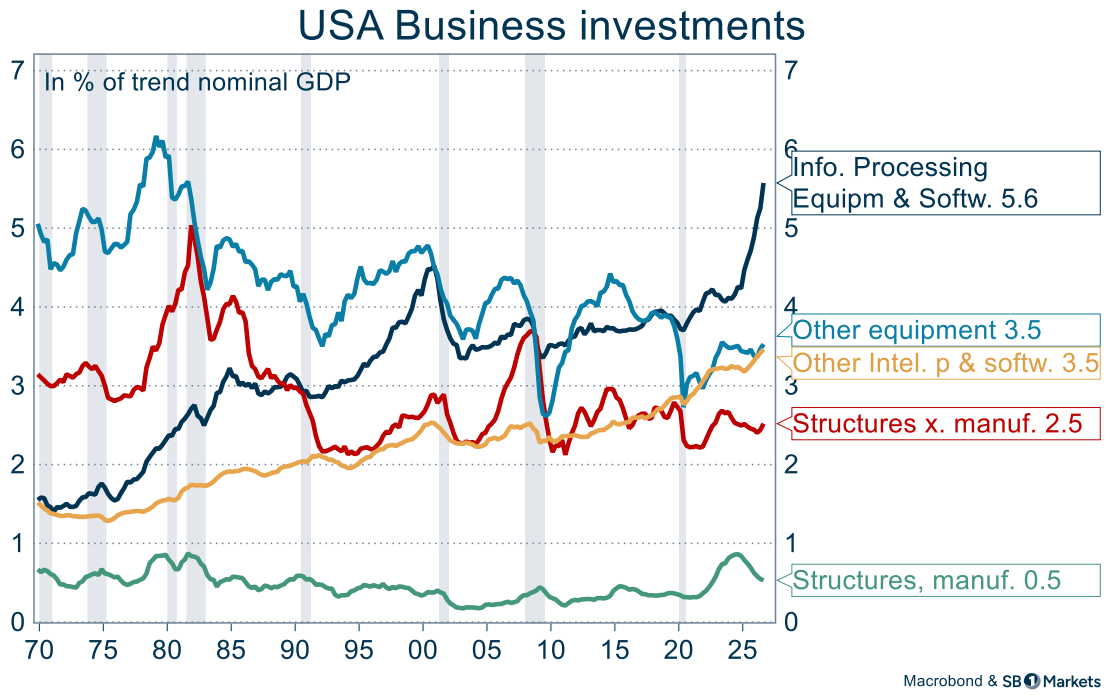
Other business investments are still down y/y, in spite of modest increases in Q2 and Q3. Growth in household demand (consumption + housing investments) was strong both in Q2 and Q3, funded by a further decline in the savings rate.

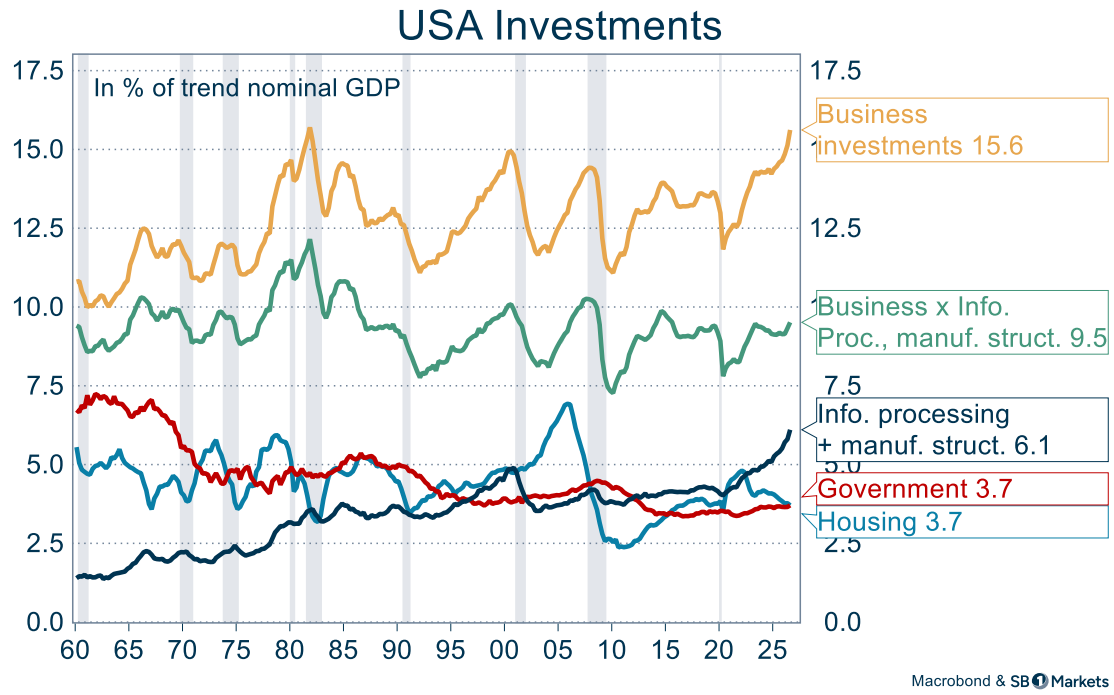




The investment cycles: Information processing the only game in town, up to 5.6% of GDP

… from 4% before the investment boom started. Intellectual property and software (ex. info proc.) slowed in 2024 but have accelerated again. Other equipment has turned too (vs. GDP). In sum, some risks vs. total business investments. Housing investments are at a 'normal' level.

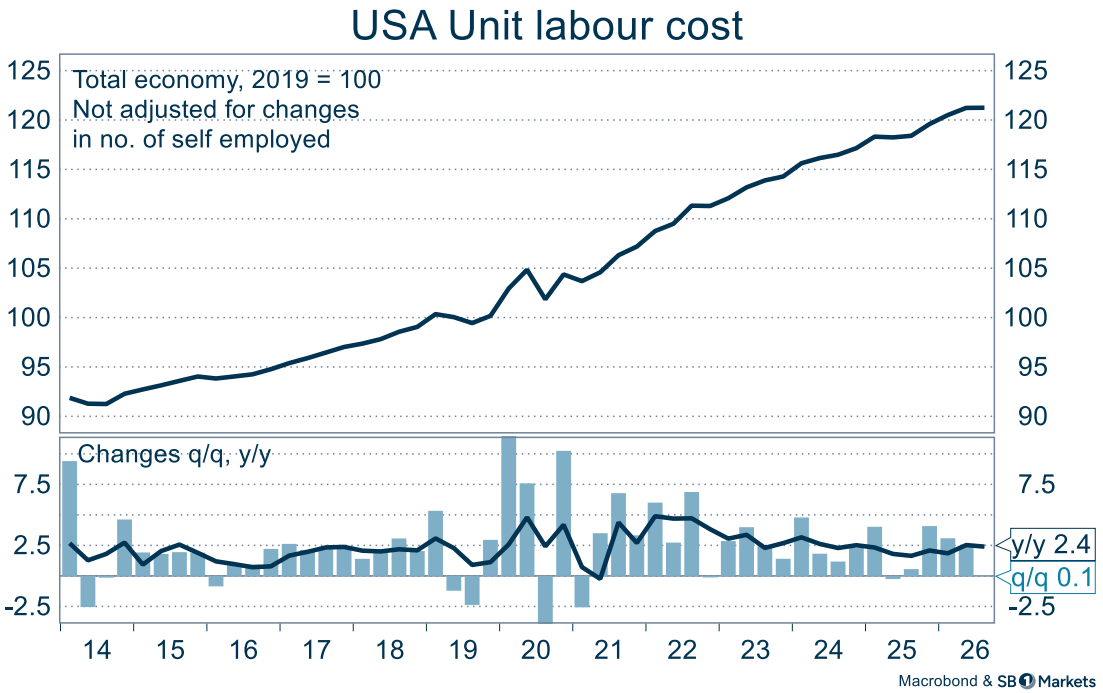


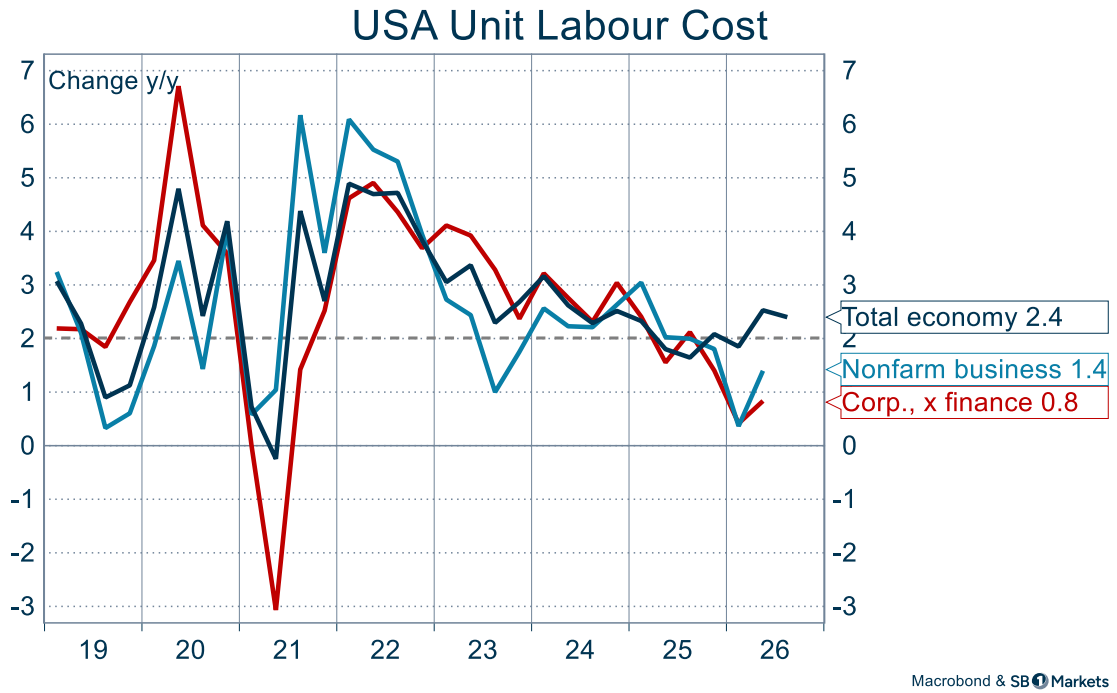


- **Total business investments** have shot up in recent quarters, up to 15.6% of GDP, close to the highest level in modern times (15.7% in Q4-1981, before the recession hit), and well above any reasonable long-term trend. Ex. information processing investments, the trend has been down, but these investments also increased faster than GDP in Q2 and Q3.
  - **Investments in information processing equipment and software** (5.6% of GDP) together with investments in manufacturing structures (0.5% of GDP, supported by the CHIPS ACT, and now by the data centre boom but still on the way down) ***are far above normal levels***. If these investments should slow materially, there would be a ***substantial downside risk to the US economy, even if the lion's share of the equipment is imported***.
  - **Other investments** are ***at a low level*** (like other structures) or at ***a moderate level*** (other equipment than info processing equipment) or have ***proven rather stable*** over time (other investments in intellectual property and software) and would probably ***not be that exposed vs. a normal business cycle downturn***.
- **Housing investments** have declined in recent quarters, and equal 3.7% of GDP, which we deem to be a mid-cycle level, and the downside risk is moderate.
- **Government investments** as a share of GDP have flattened at a modest 3.7% of GDP, following a modest lift in 2022–23.

Total economy Unit Labour Costs were flat in Q3, still up 2.4% y/y

Details are not yet available, but in Q2 growth in ULC in the nonfarm business sector was well below growth in labour costs per unit produced in the overall economy.

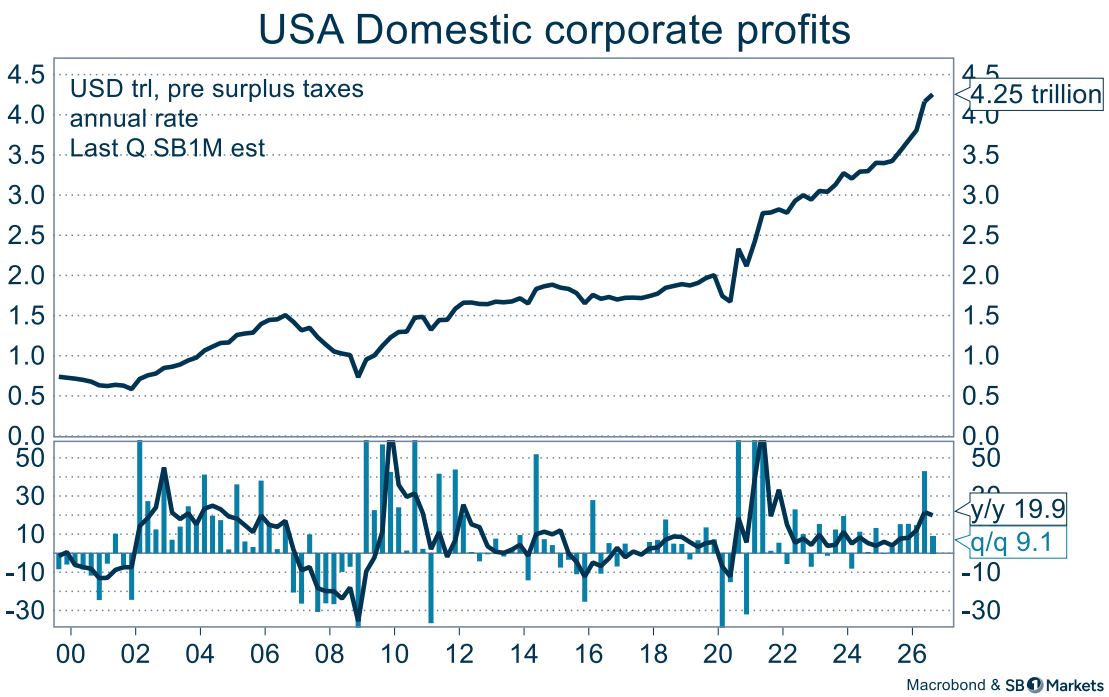


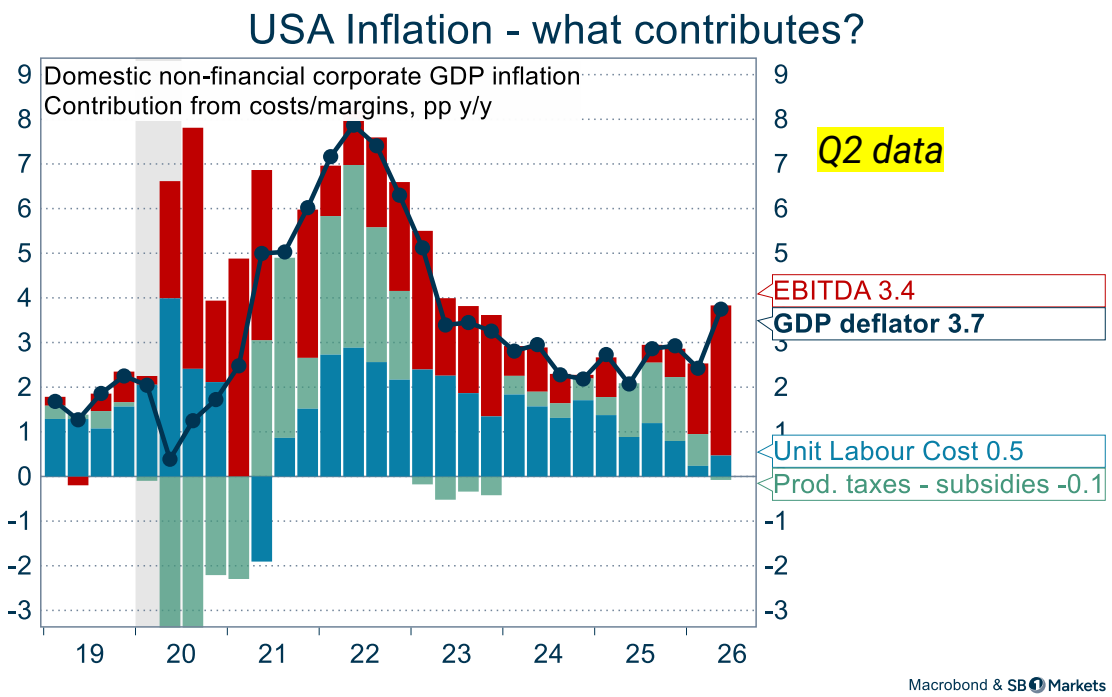


- **GDP** rose by 3.4% in Q3 in real terms, and by ***5.6% in nominal terms***, as the GDP deflator slowed to 2.2% (no further lift in energy prices, following the Q2 'shock').
- The **total wage bill** grew by 3.4% in Q3. Thus, **Unit Labour Cost**s (total economy) were unchanged, and costs are up 2.4% y/y. Very likely, growth in ULC in the business sector will be well below the total-economy rate. Over time, inflation is close to growth in ULC. ***The current ULC growth rate (in the business sector at least) is too low to reach the price target – barring a continued surge in corporate profits.***

Domestic corporate pre-tax profits surge, are up 20% y/y, and growth accelerates

The surge in profits has been the main reason for the recent lift in inflation, not growth in Unit Labour Costs.

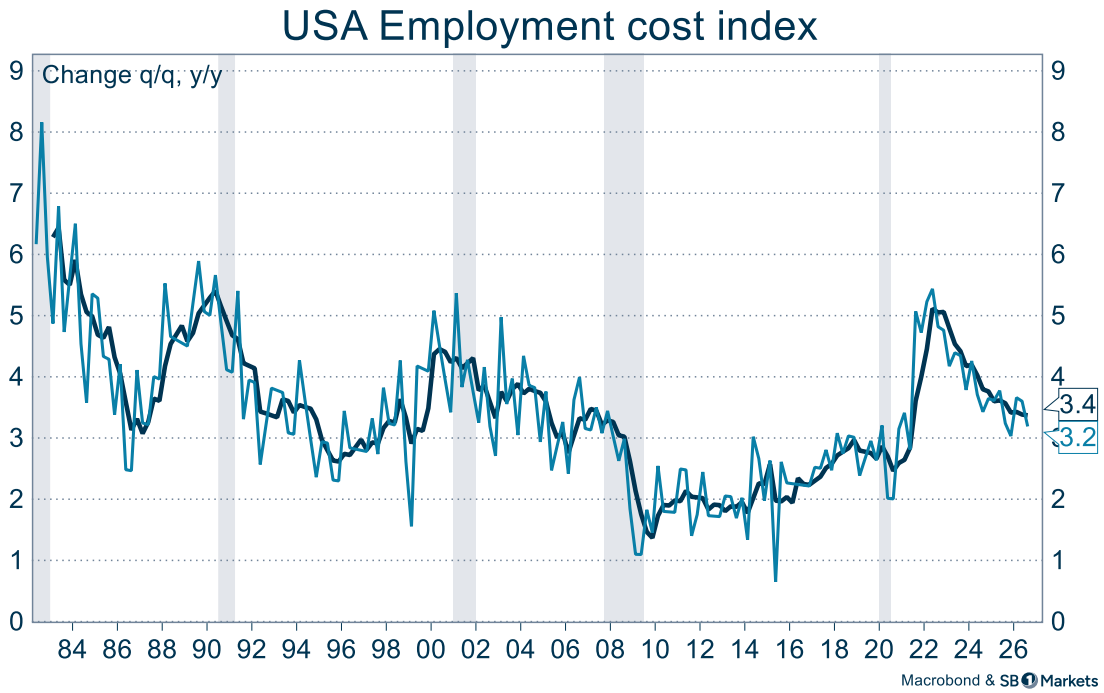


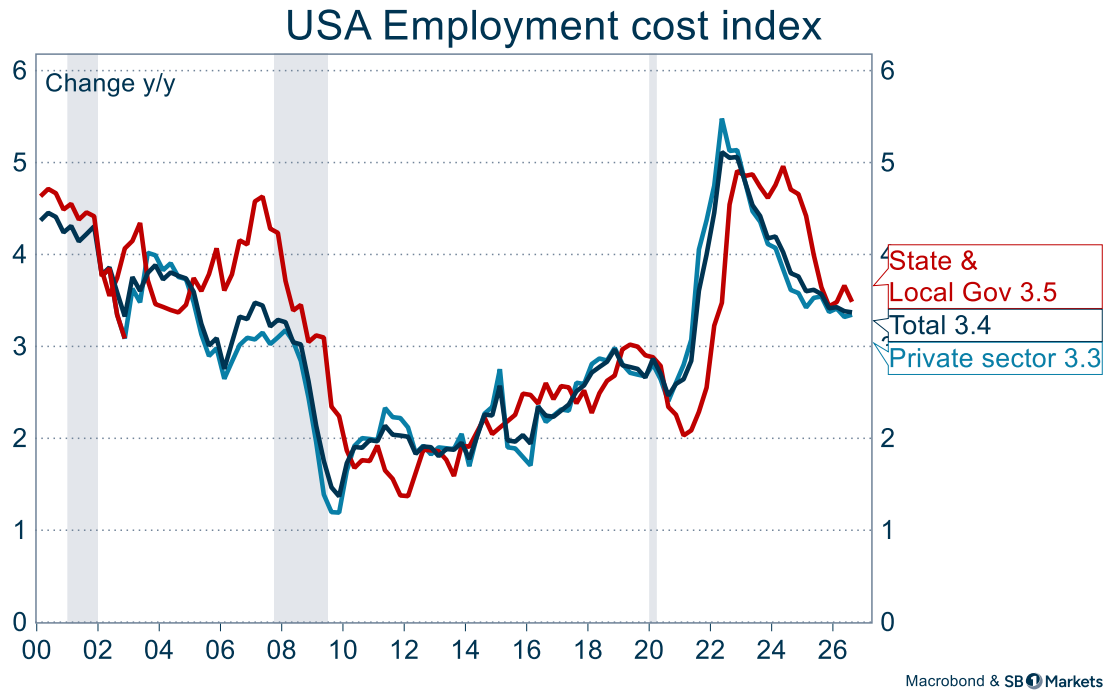


- Aggregate income data are not yet published (gross domestic income, corporate profits, etc.).
- Our estimate: a 2% lift in **domestic corporate profits** (not annualised, 9% annualised, and up 20% y/y!), down from 8% q/q in Q2. The lift in energy prices explained much of the extraordinarily strong quarterly growth in Q2.

Employment cost inflation heads down, the ECI up at a 3.2% pace in Q3, 3.4% y/y

… which was in line with expectations, down from 3.6% (to 0.8% from 0.9%, not annualised).

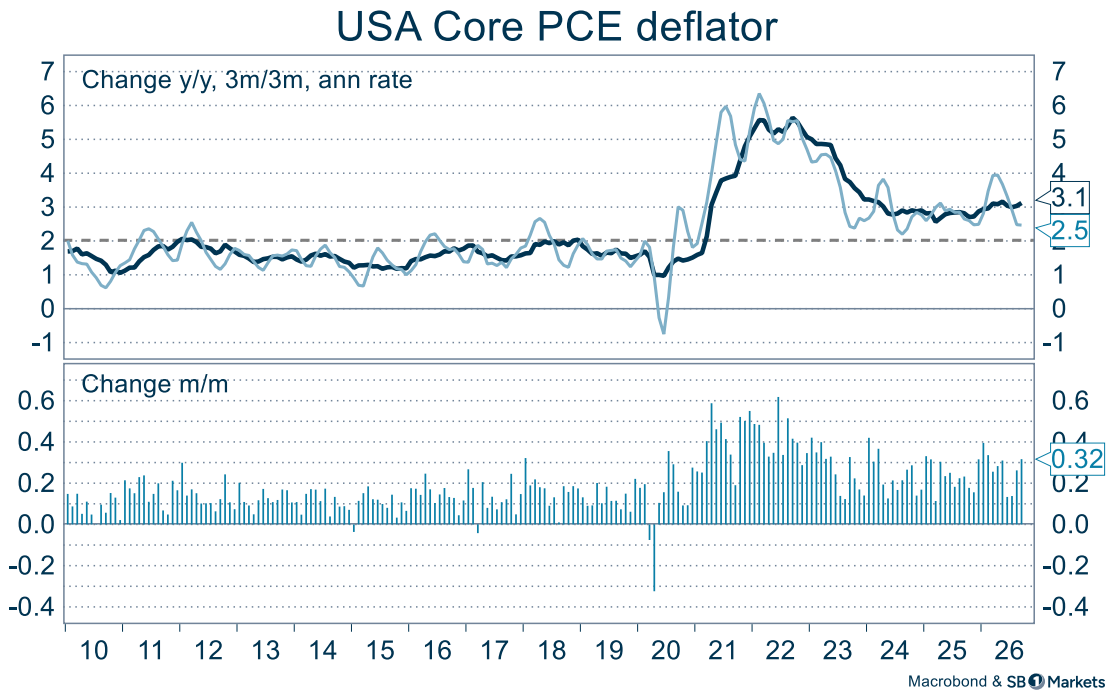


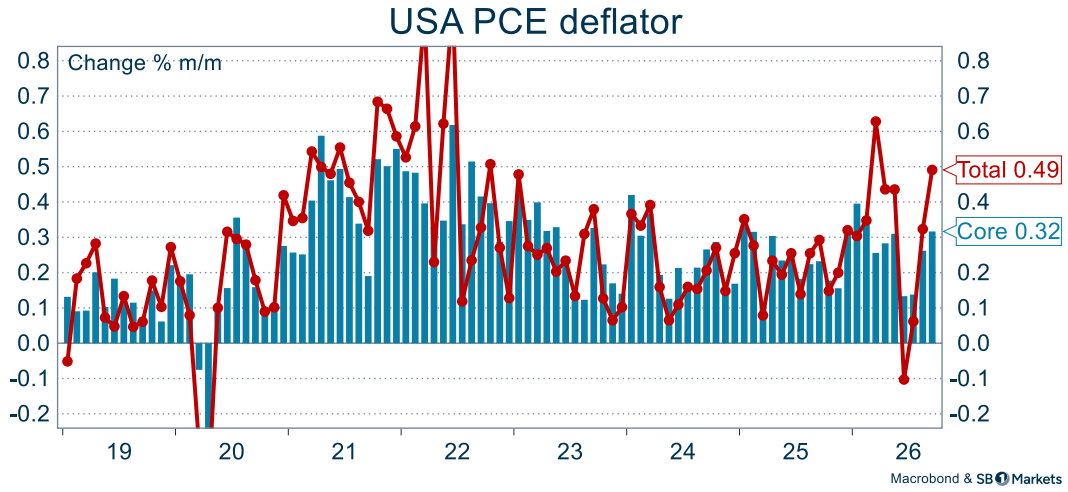


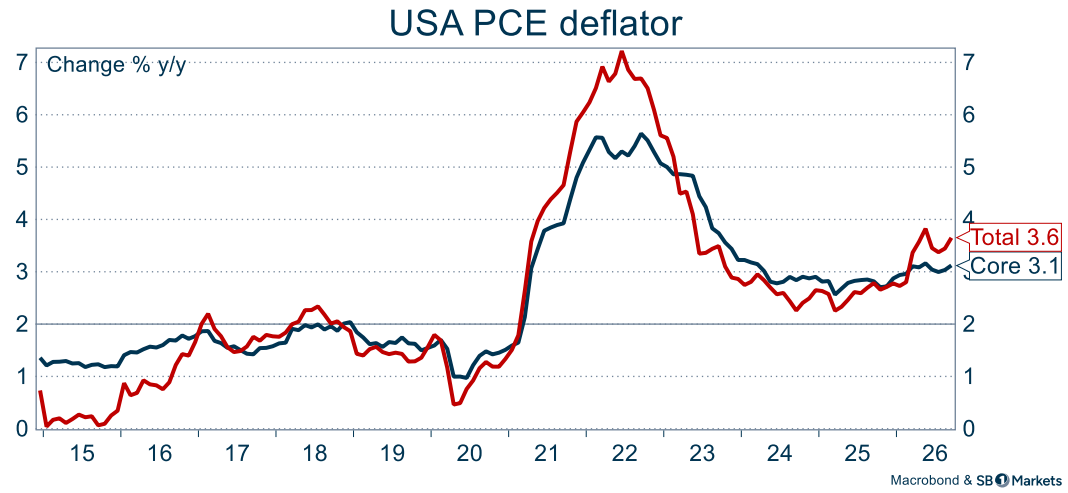
- The **Employment cost index for all civilian workers**, which measures wages and other wage costs for the same types of jobs (and is not influenced by changes in employment between sectors/type jobs), rose by 0.8% q/q in Q3 (3.2% annualised), as expected.
- In the **private sector** employment costs also grew 0.8% (3.3% annualised). Annual growth was unchanged at 3.3%.
  - In the **public sector** +0.6% (2.5% annualised), and 3.5% y/y
- **ECI inflation** trends down but remains above the normal wage growth before the pandemic
- However, as **productivity growth** is higher than before the pandemic, at some 2%, the current growth in employment costs may lead to too low Unit Labour Cost and price inflation over time.

PCE inflation inched up, as expected; the headline to 3.6%, core to 3.1% in September

Core prices rose 0.3% for the 2nd month in a row, 'supported' by both services and goods. Most of our underlying measures of core inflation turned up, but if the whole PCE is taken into account, some signs of slowing, even if prices rose 5.5% in September.







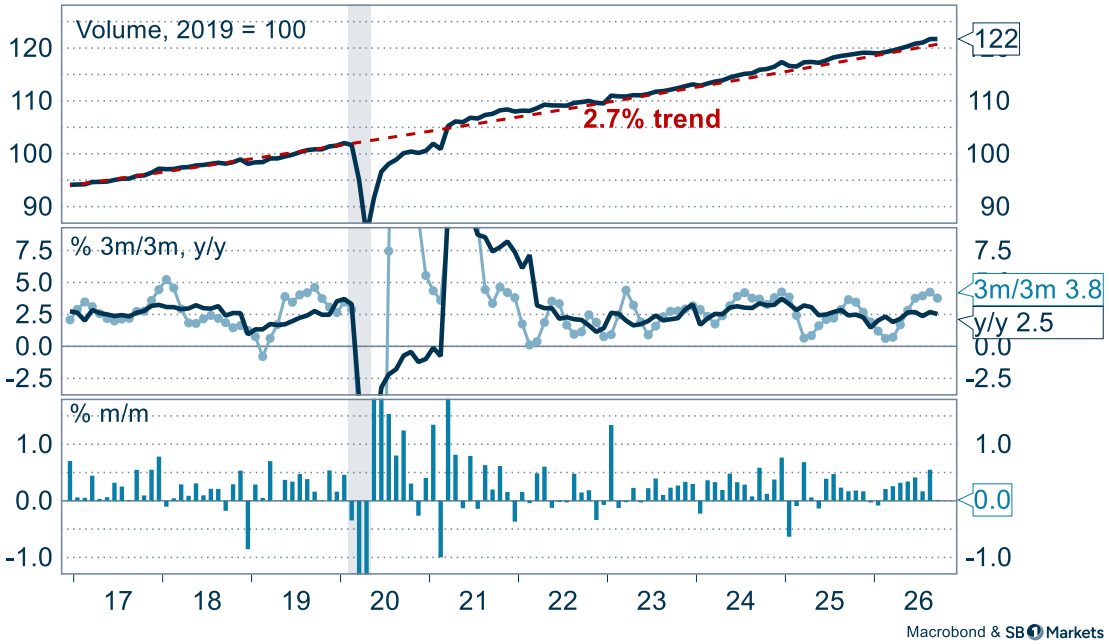
- **Core services** inflation runs above 3%, **rents** are up slightly above 3% and core goods are up 2.0% y/y. **Food prices** are up less than 2%. However, **energy prices** are up 22%!
- **The core PCE** was revised down a month ago, and the annual rate fell to 0.35 pp below the FOMC's assumed path. However, monthly growth in both August and September was higher than the implied FOMC forecast.

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

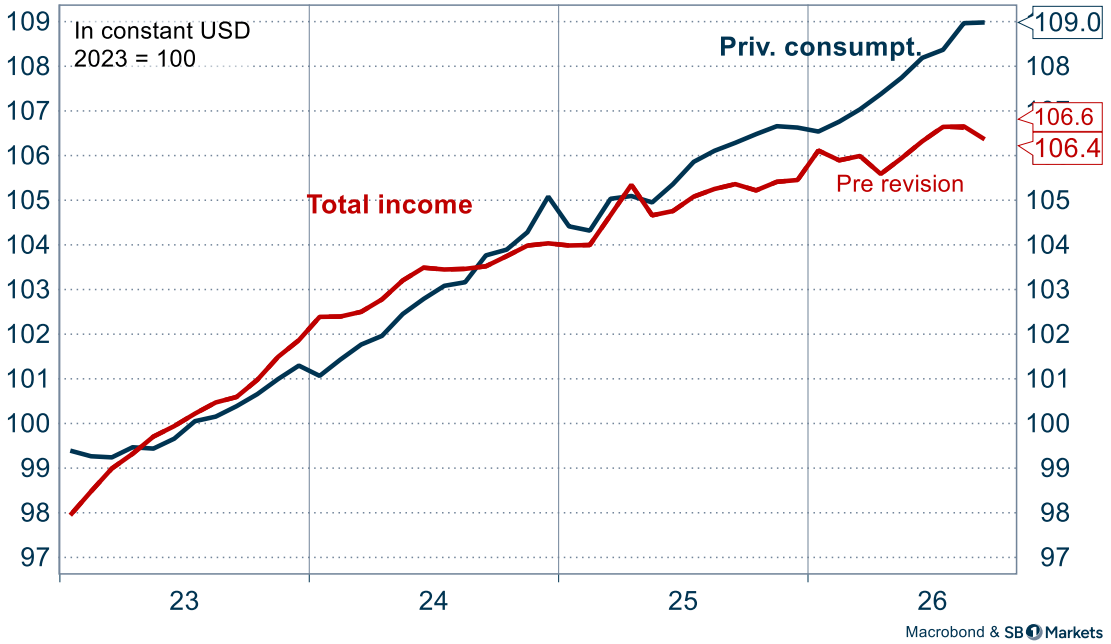
Consumption flattened in September as prices made a 0.5% dent in real income

Spending rose 0.5% in nominal terms, 0.1 pp less than expected. Pre- and post-tax income rose 0.2%, also 0.1 pp less than expected. In real terms, disposable income fell by 0.3% as prices rose 0.5% m/m. Underlying growth in real spending is still strong, up 3.8% 3m/3m (=Q3).

USA Private consumption

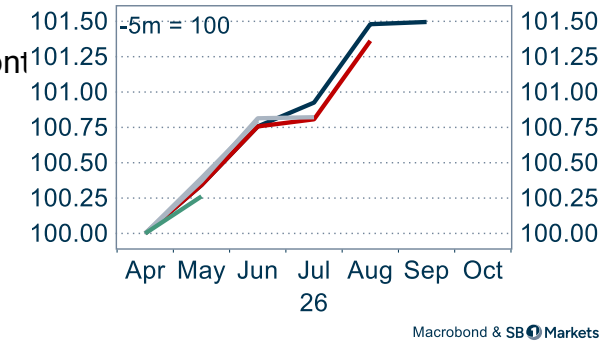


USA Household income & spending



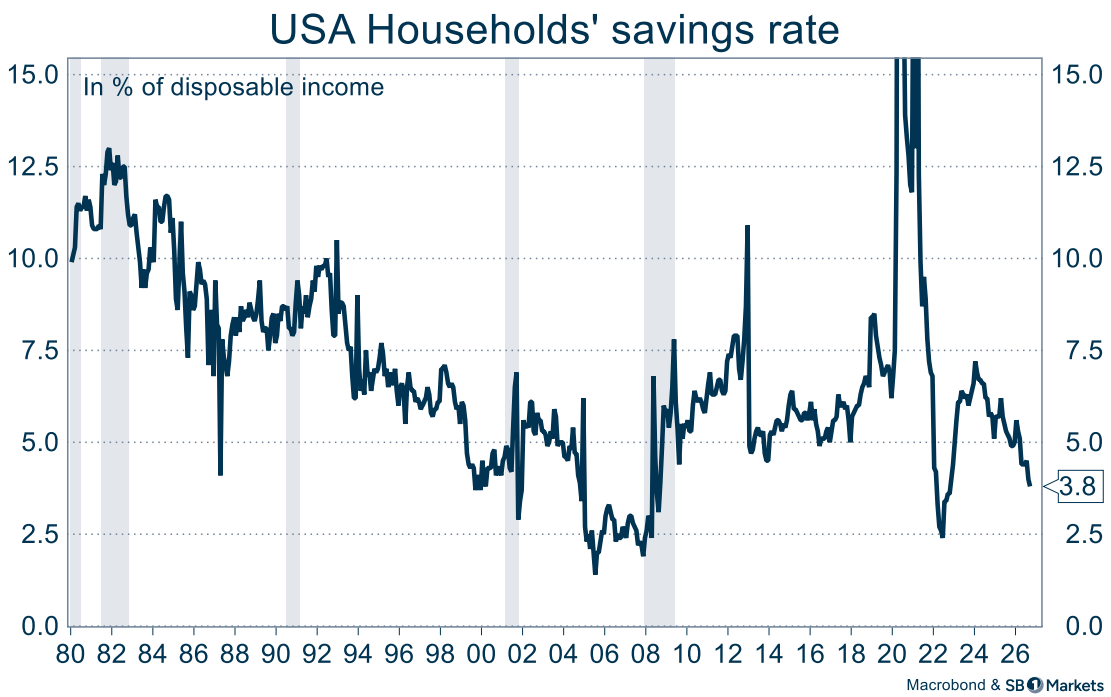
- **Consumption** shows no sign of weakness following the slowdown in early 2026.
- **The savings rate** fell again in September – as in Q3. The level is on the low side, even after an upward revision last mont in the savings rate has funded more than 50% of the lift in consumer spending.

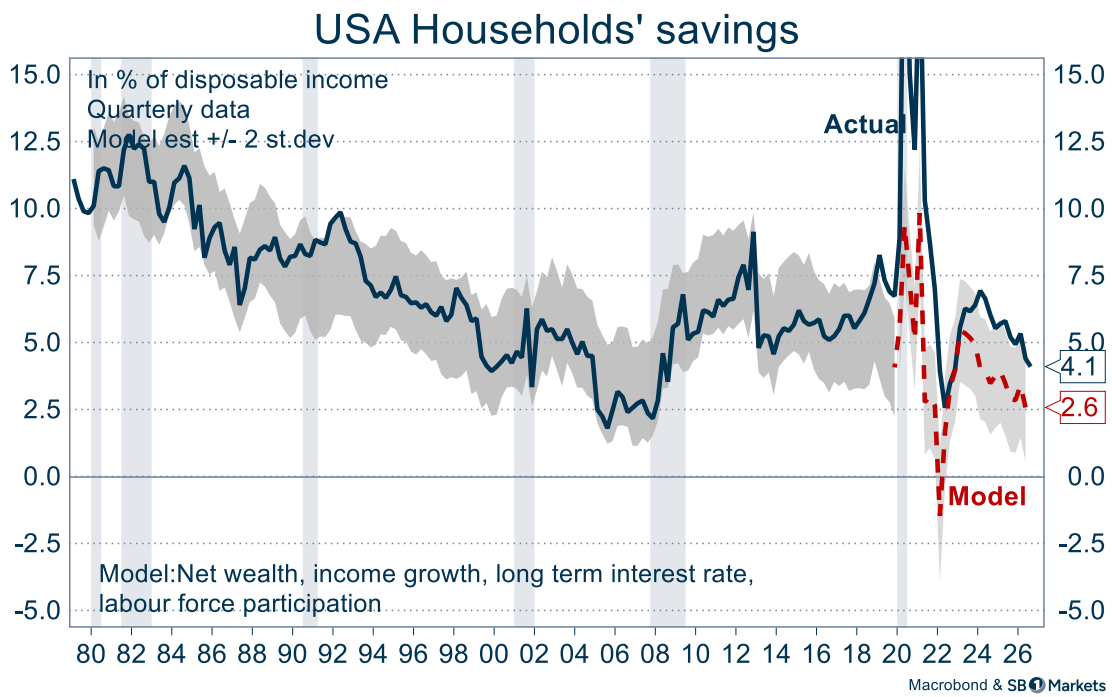
Consumption volume



The savings rate heads down, now to 3.8%

A falling savings rate has funded almost half of the lift in consumption over the past year.

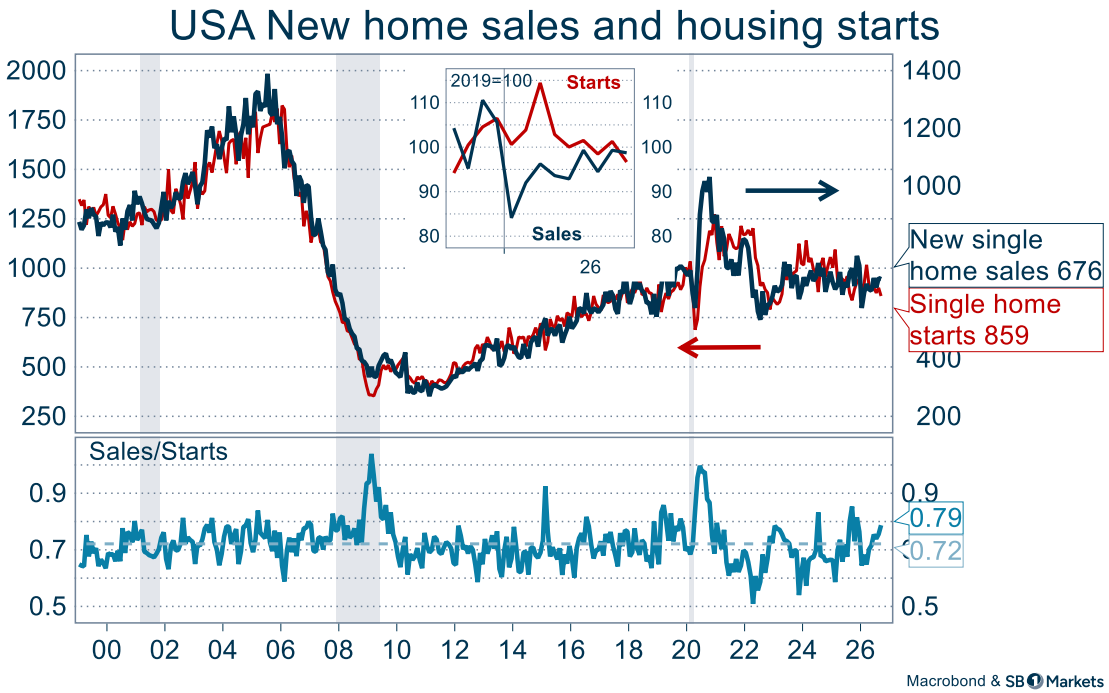


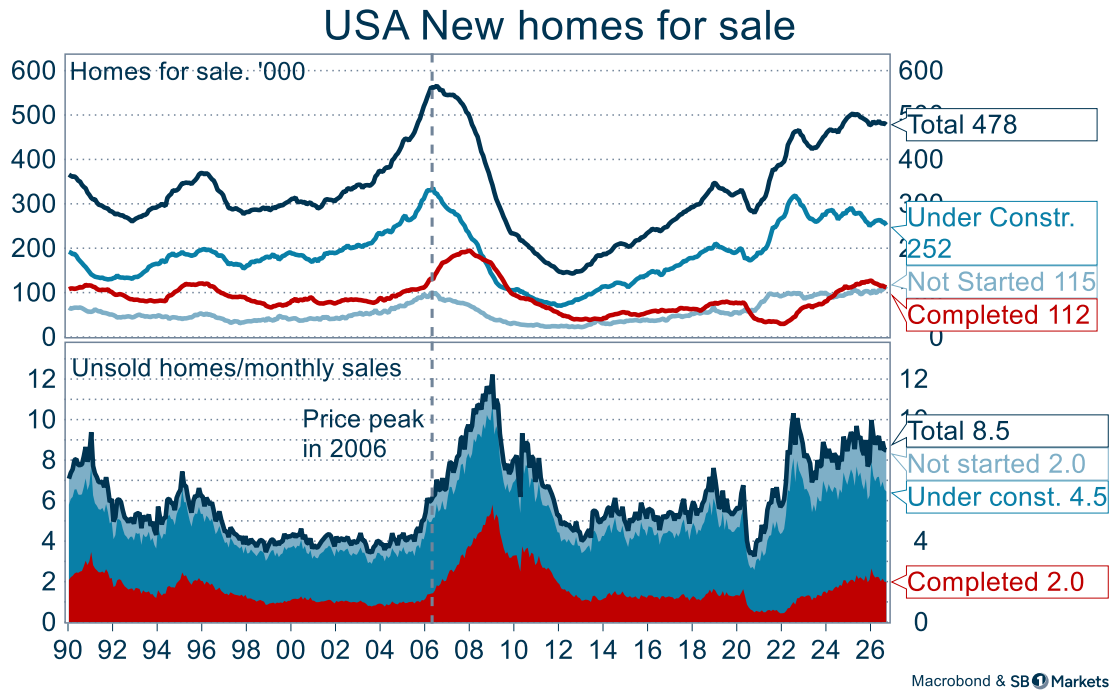


- Even so, the savings rate is above our model forecast.
- The decline in our model estimate is mostly driven by the strong equity market.

New home sales are still holding up

Sales of new single-family homes were unchanged in September, expected slightly down. Sales have moved upwards so far in 2026, from a low starting point. The longer-term trend (from 2023) is close to flat. The inventory of unsold new homes heads down, but so are prices too.



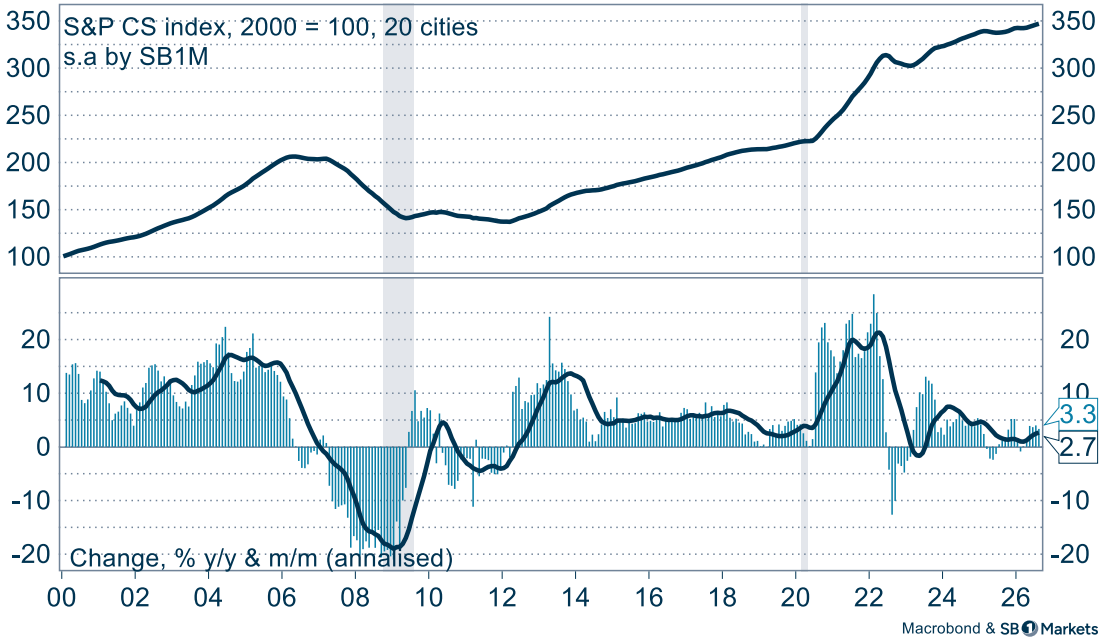


- The **inventory of unsold new homes** has been falling slowly since the local peak last spring due to a decline in the number of unsold completed homes and unsold homes under construction. The number of unsold homes not yet started (the prospects), the least 'potent' part of the supply, still trends upward.
  - The inventory is still very high, just surpassed by the record-high levels before the housing bubble burst in 2006. The inventory equals 8.5 months of sales, also a high level.
- **The new home median price,** a volatile and 'simple' measure (not adjusted for standard/size etc.), has been falling since the peak in 2022. The pace of decline is still some 3–4%, which implies a rather steep decline, in real terms. The real price is down almost 25% from the peak in 2022.
- However, **construction costs** (adjusted for standard/size) and the total **sales price**, including the cost of land, are trending upwards (but slower than CPI inflation).
- ***In sum:*** ***better than feared***. Will the lift in mortgage rates in recent months hurt this market? Home builders say so.

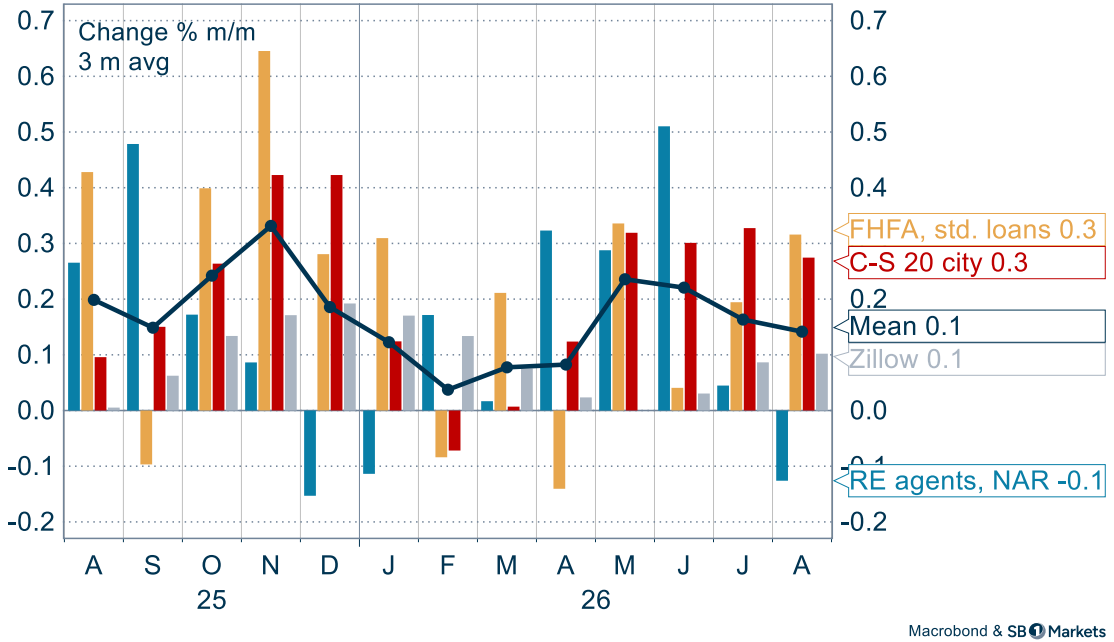
Existing home prices still on the way up (at least until July–September)

The Case/Shiller index gained 0.3% in August, for the 4th month in a row (at least after our extra seasonal adjustment). Other price indices are mixed, and an average of 4 stats is up by 0.1% on average over the past 3 months. Prices are up 1.2–2.7% y/y, well below CPI inflation.

USA Case-Shiller house price index



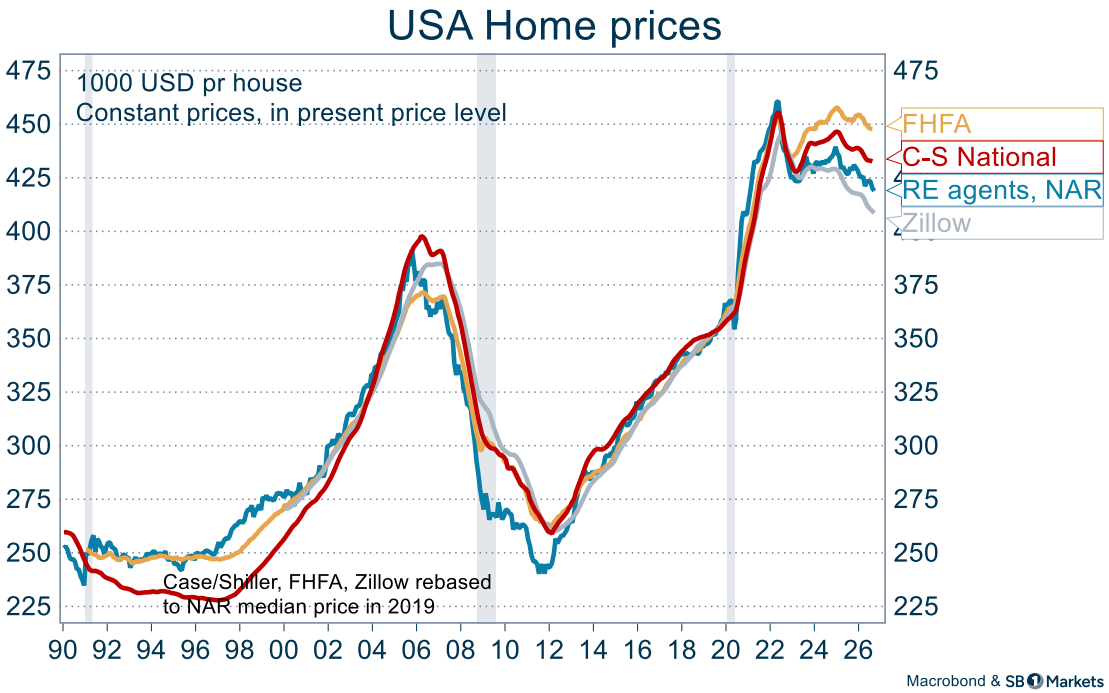
Existing home prices

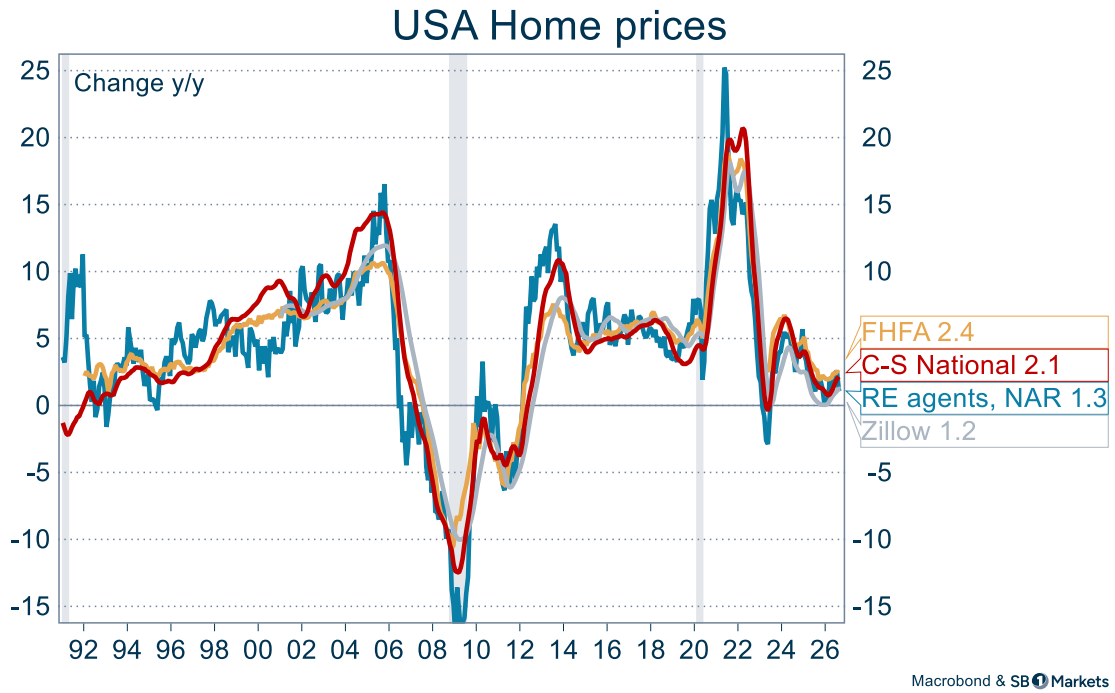


- **S&P's Case/Shiller's 20 cities** price index rose 0.3% in July (July–September avg.), as expected. Prices are up 2.7% y/y. The **C/S national index** is up 2.4% y/y.
- **The FHFA** (Federal Housing Financing Agency) price index, which covers homes with loans guaranteed by the government-sponsored Fannie Mae or Freddie Mac ('Husbankene'), rose just marginally, by 0.3% in August (3m avg.)
- **Zillow** reported a 0.1% price lift in August (3m centred avg.) and prices were just up 1.2% y/y. **NAR** (realtors) reported a 0.1% price decline (3m avg.) and prices are up 1.3% y/y.
- **The average** of our 4 price indices was up 0.1% m/m. Prices are on average up 1.8% y/y, which is well below CPI/PCE and wage inflation.

Will house prices find a safe footing up here?

Were real house prices too low before the pandemic (14% below the current level)? Probably not. Can they fall back? Not impossible. However, adjusted for construction costs, second-hand prices are on the way down (*check next page*).



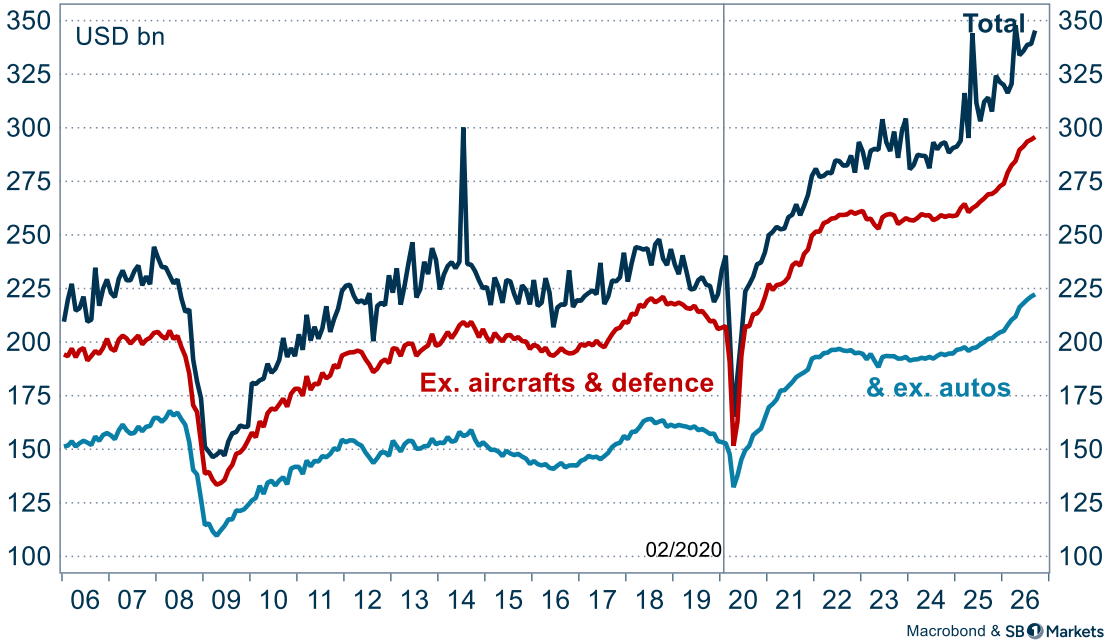


- **Real prices** are down from the May 2022 peak (barring the FHFA index), but all deflated indices are far ***above the pre-financial crisis level, and far above the pre-pandemic level.***
- There are still substantial differences vs. the mid-2000s housing bubble – ***and a bubble burst is far from certain:***
  - **Housing starts** are at a lower level and the **inventory of second-hand homes** for sale remains low. However, the **inventory of new homes** for sale has climbed to a high level – strange if there really is a house shortage at the current price level.
  - **Construction costs** have risen much faster than the CPI for almost 10 years (check next page), which underpins existing home prices.
  - Households' average **debt/income ratio** has fallen sharply since the peak before the financial crisis, and their aggregate cash positions have soared (on average) to above their aggregate debts. ***However, housing affordability is the worst since the mid-80s (or not far below the worst ever (some quarters ago), if Atlanta Fed's calculation is to be believed)***.
  - The **savings rate/net financial investment rates** have fallen to well below the pre-pandemic level – but the ***ratios are far above their respective levels in 2005.***

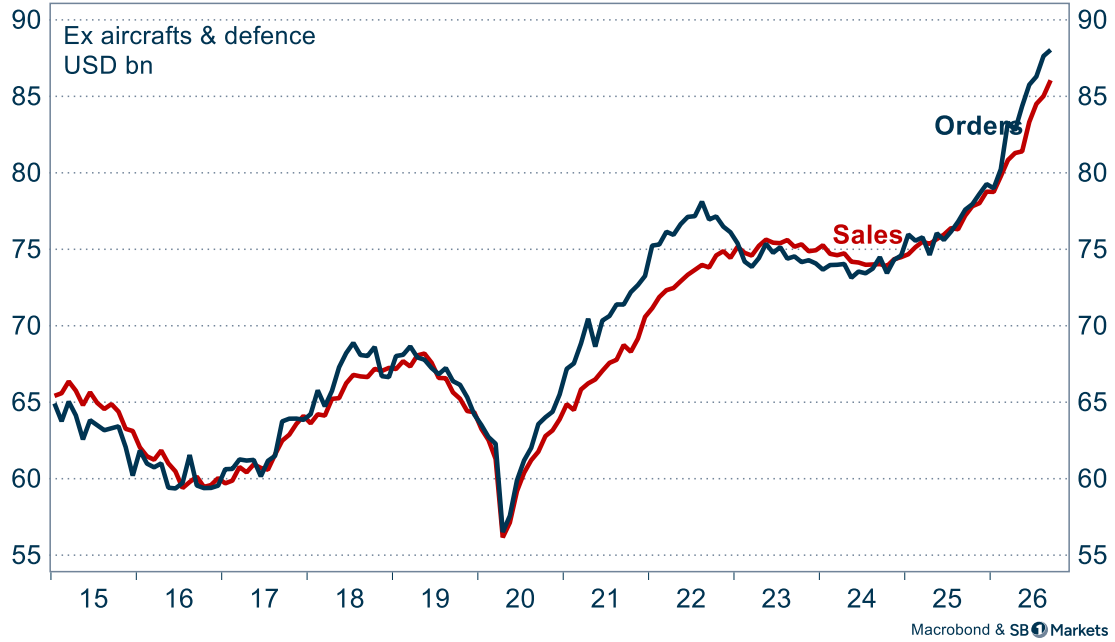
Durable orders are still going strong, especially core capital orders (ex. computers & electr.)

Durable goods orders rose 1.8%, expected 1.4%. The underlying trend is still strong. Core orders, ex. aircraft & defence, grew 0.4%, and if autos are excluded, 0.5%. Core capital goods orders were up 0.5% (exp. 0.7%) and grow at a 15% pace 3m/3m, nominally. In volume, 10%.

USA Durable orders

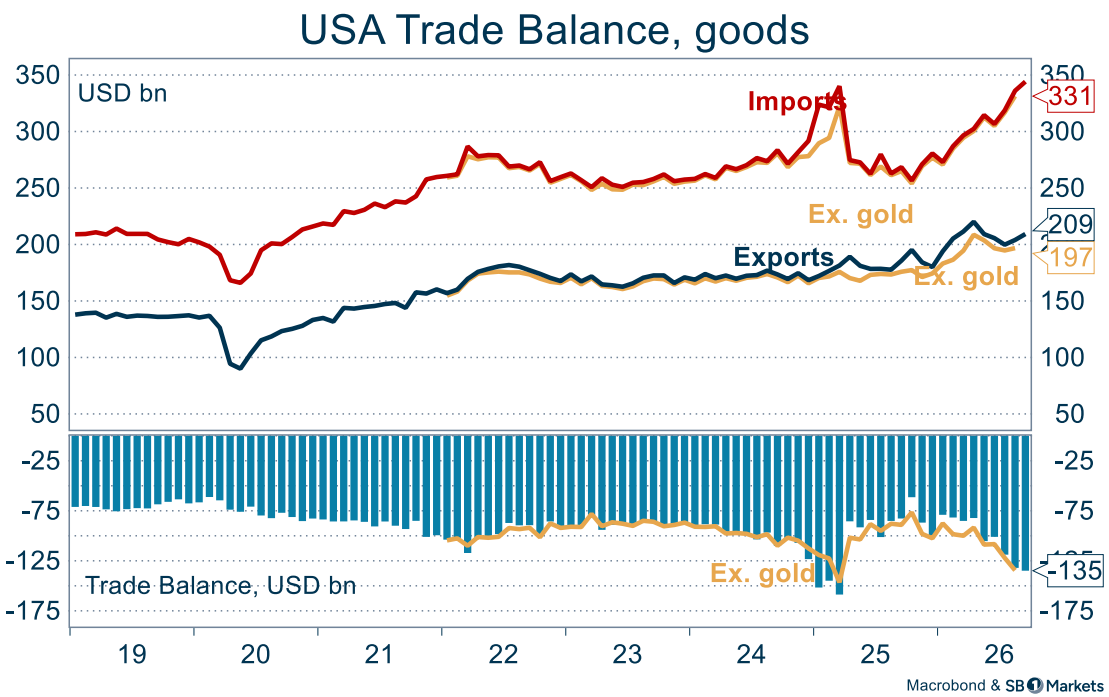


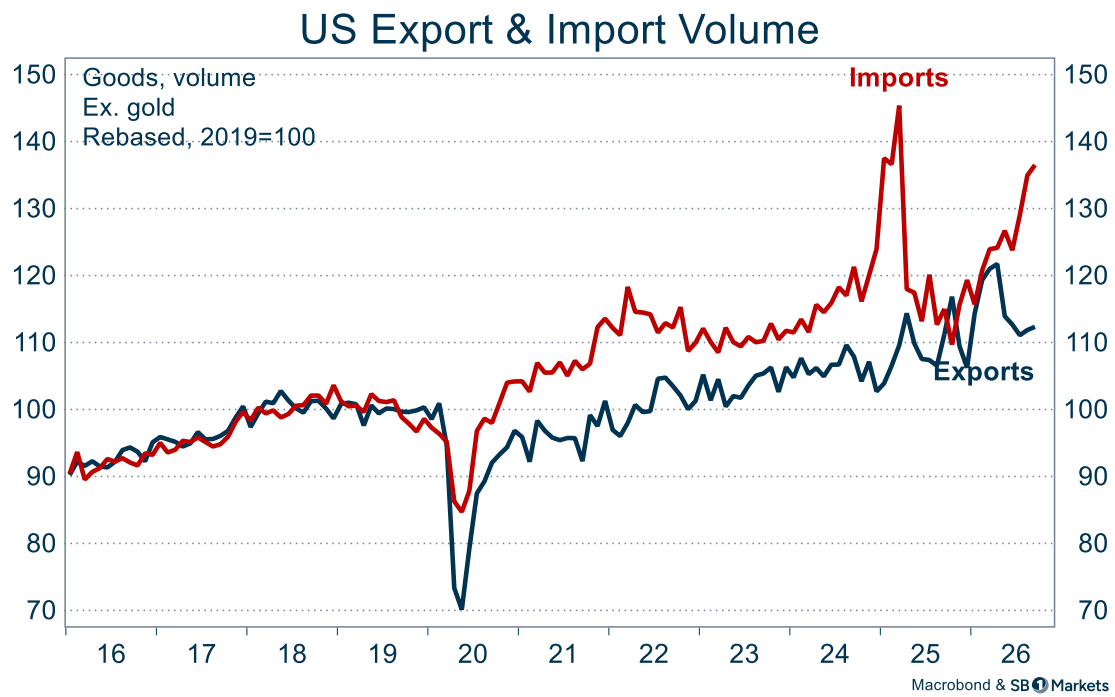
USA Investment goods orders



The trade deficit (in goods) remained high in September

The trade deficit rose to USD 135bn from 133bn, expected down to 129bn. The deficit is well above the level before the tariff war started. Capital goods imports (read AI inputs) are surging, while other imports are well behaved. Exports trend up, but far slower than imports.

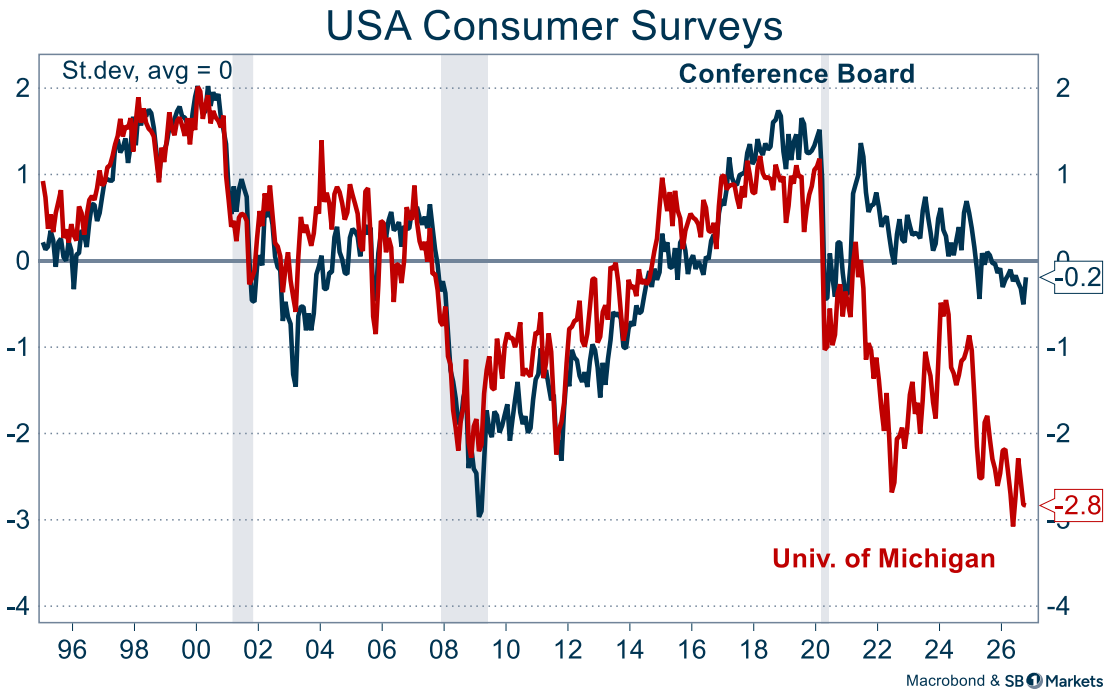




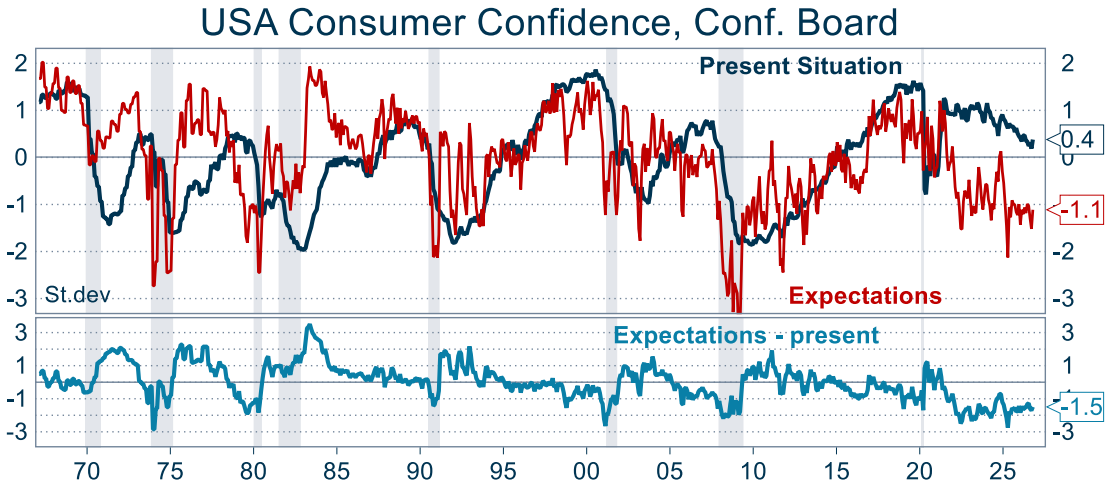
- … but not the decline in export volumes.

Conference Board's consumer confidence surprised on the upside in Oct., up to -0.2 std. dev.

… due to a 0.4 std. dev. lift, slightly more than the 0.3 s.d. decline in Sep. The trend is still down. In index terms, a 7.5 p lift to 91.5, expected down to 80.4! Both the assessment of the present situation and expectations trend down, but expectations are weaker than normal, at -1.1 std. dev.

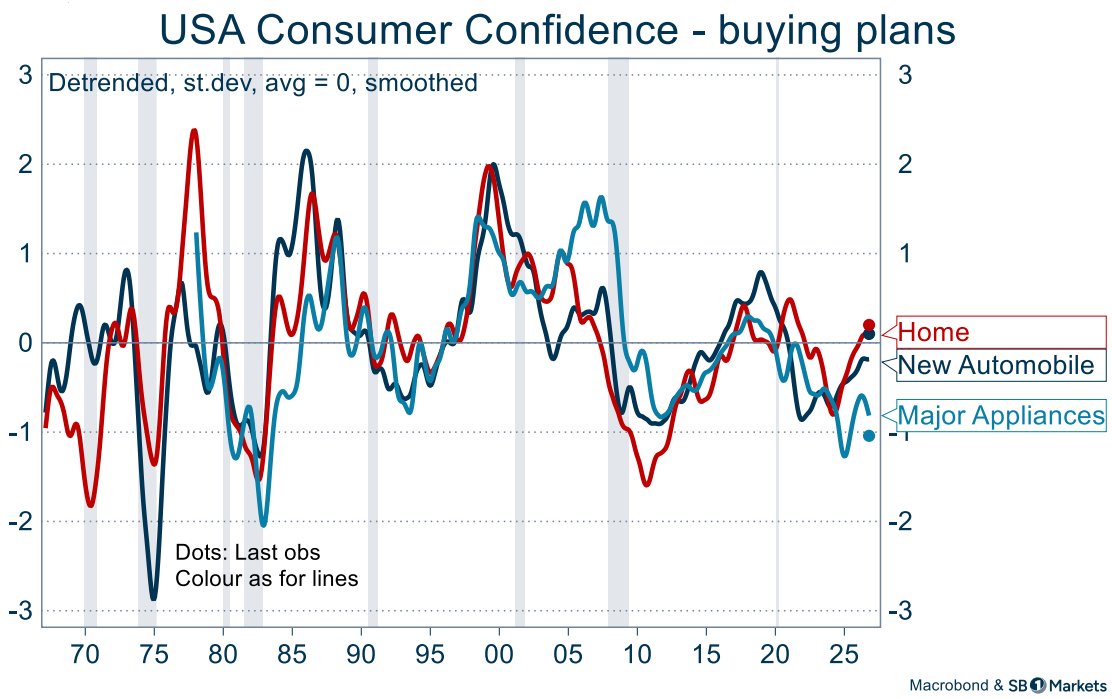


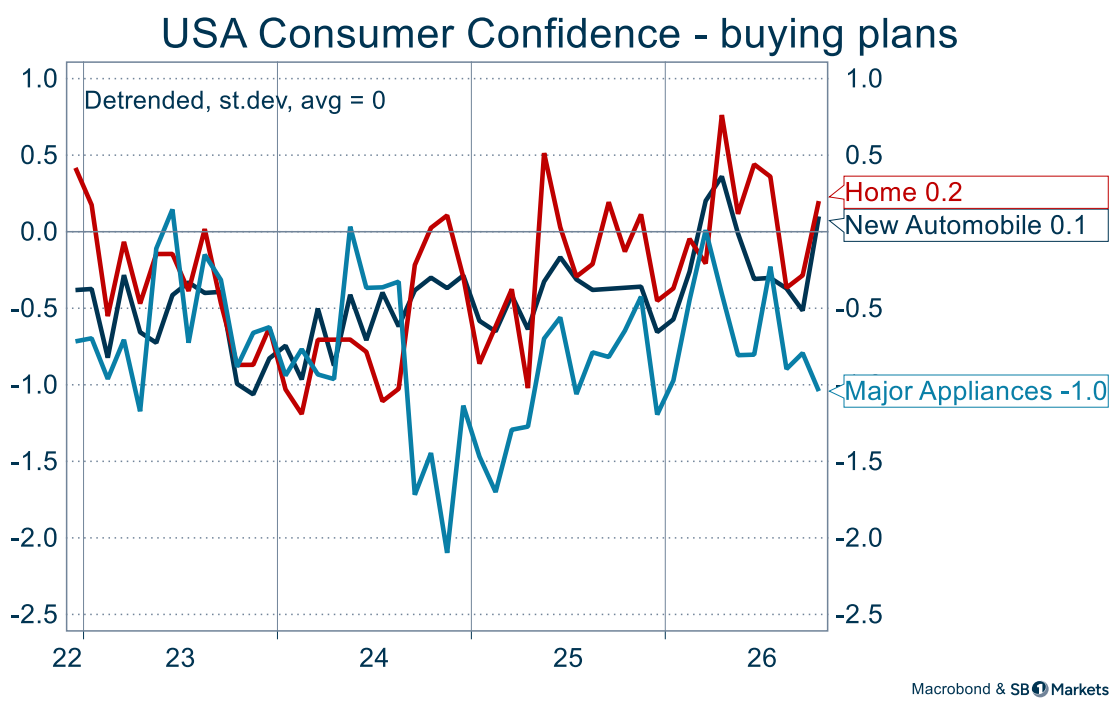
- **In Conference Board's survey, households report that the current situation** trends steadily down, but it is still marginally above average. **Expectations are way below average, at -1.1 std. dev.**
- **Spending plans** were revised down and are well below average. Households report that jobs are a tad harder to get, which signals a higher unemployment rate than the current rate. Inflation expectations are edging upwards.
- Will households cut spending? Time will show. So far, they have not.



Spending plans further recovered in October, at least regarding homes and autos

Major appliances fell further out of favour though.

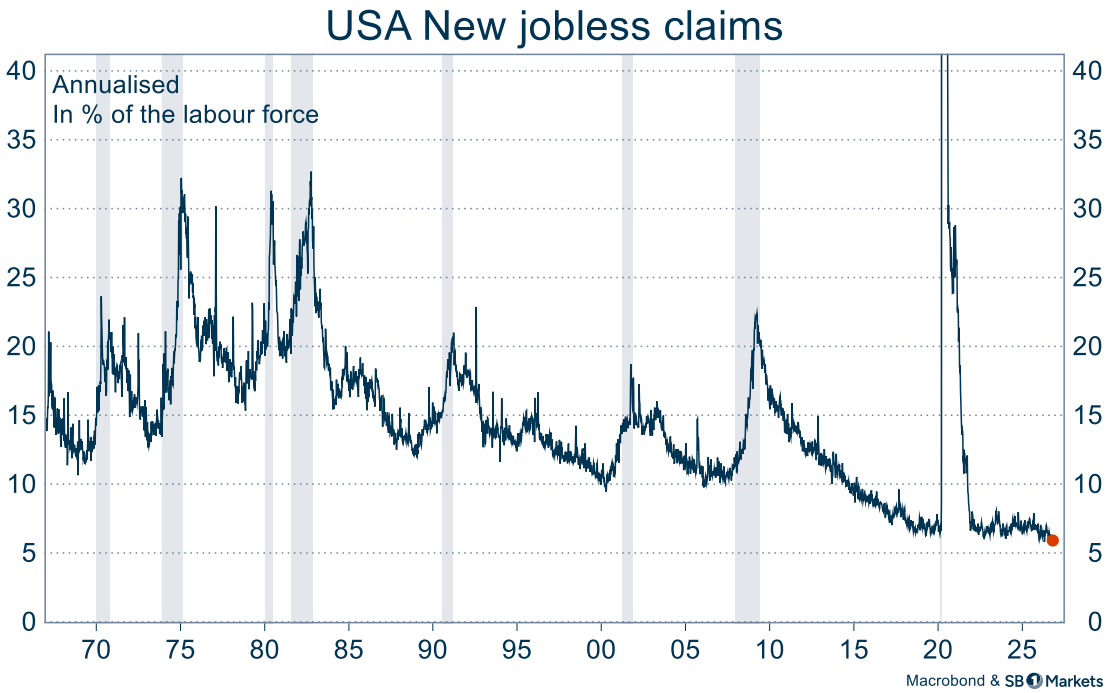


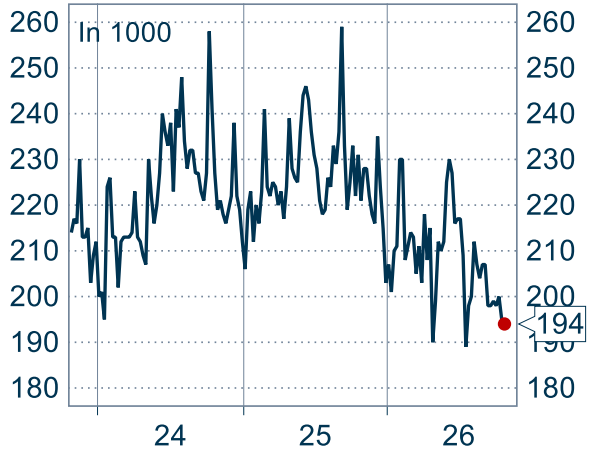


Source: Conference Board

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

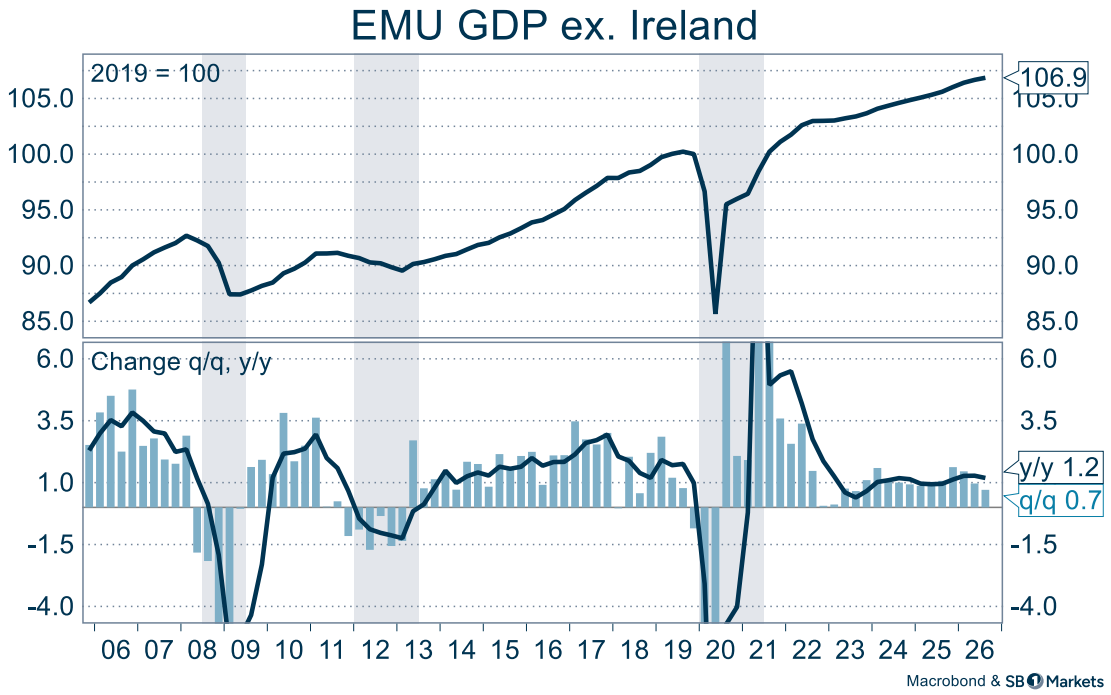
194,000 new claims, equalling 6% of the labour force, annualised. The lowest print ever, before the pandemic, 7%. Before 2028, the inflow at the best bottomed at 10%.

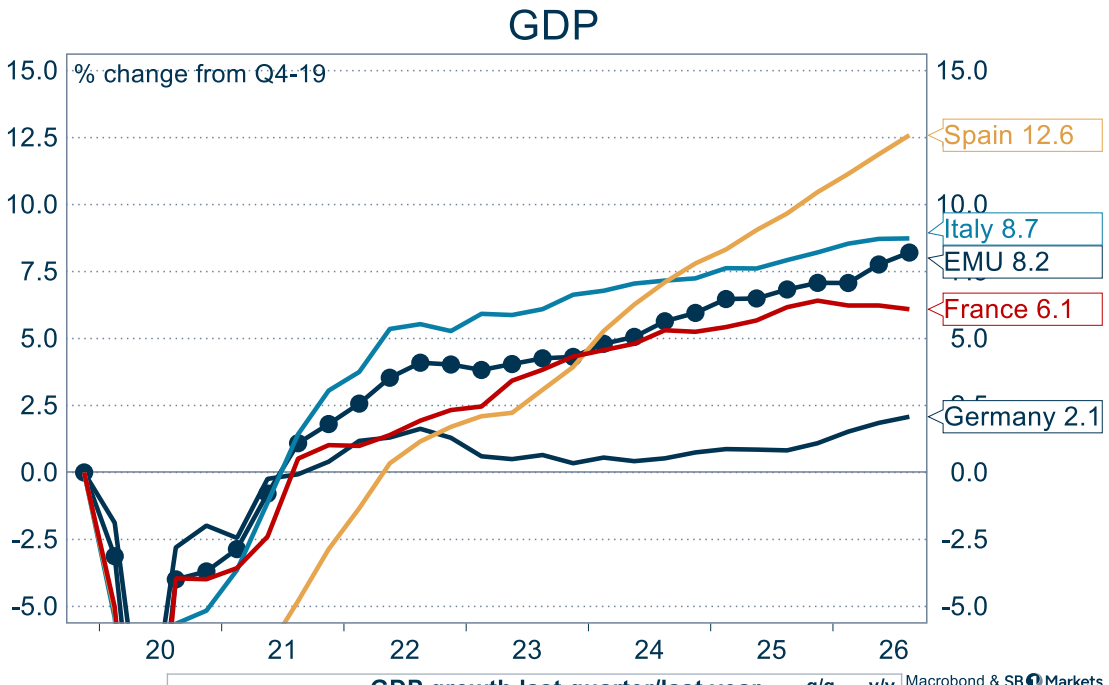


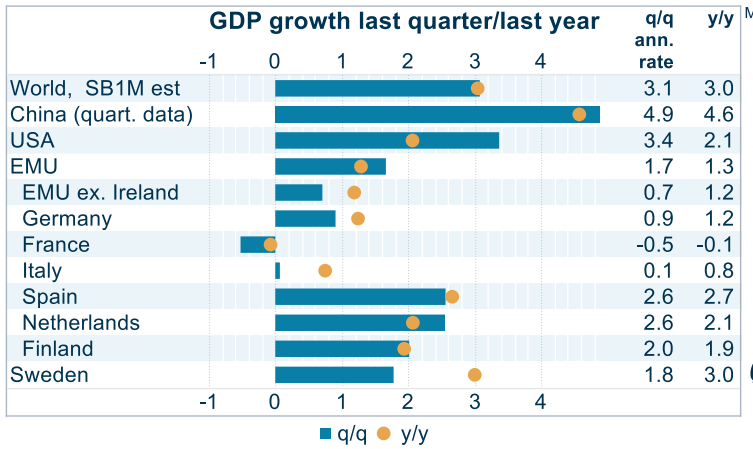


GDP (ex. Ireland) slowed to 0.7% q/q, close to consensus but below ECB's 1.2% f'cast

Total EMU GDP grew at a 1.7% pace, or 0.4% not annualised (expected 0.2%) and above ECB's 0.3% forecast. However, a 5.5% (not ann.) jump in Irish GDP was not for real, and 'core' EMU GDP was up 0.2% (0.7% a.r.). France was the laggard (-0.5%), Spain was in the lead, again (+2.6%).



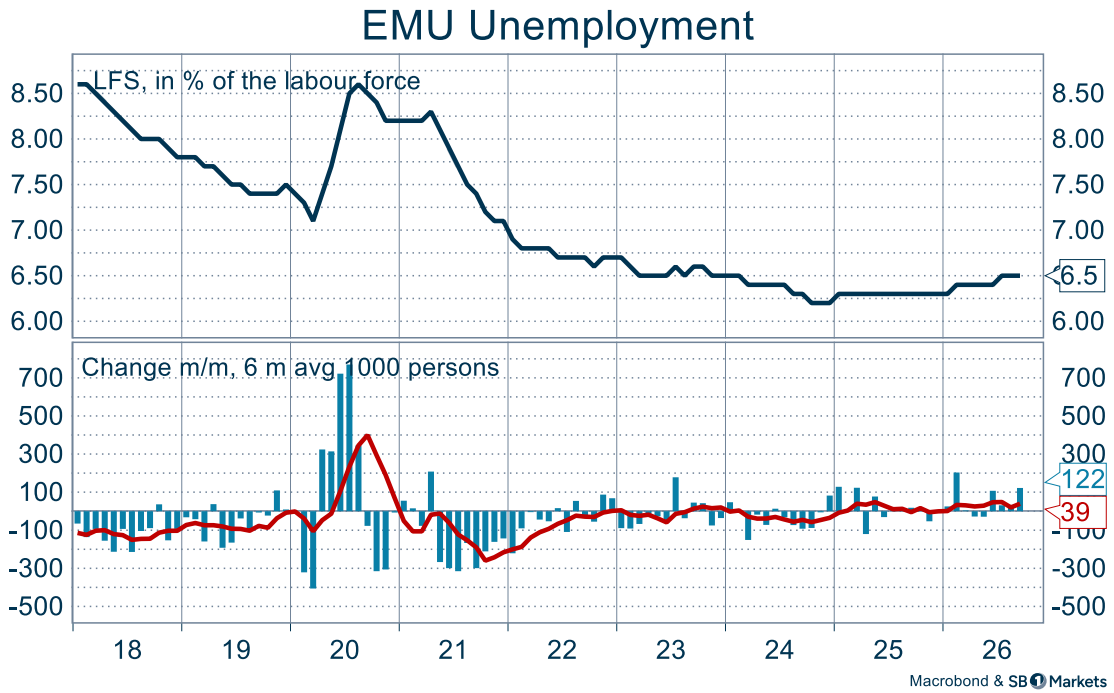


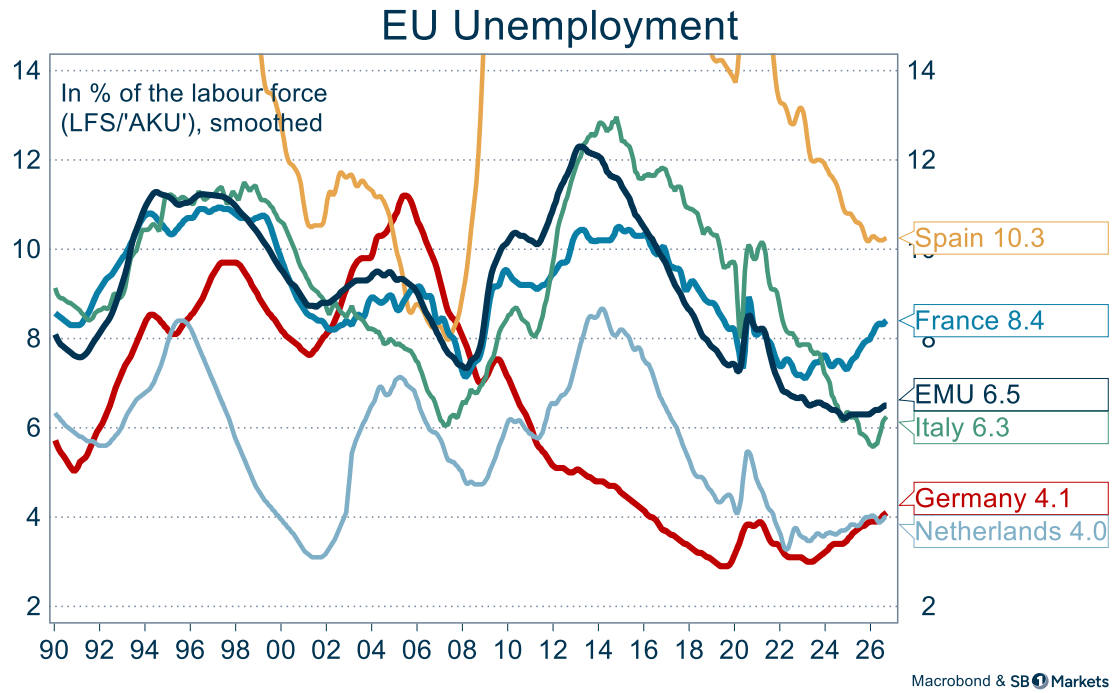


The **extremely volatile and mostly irrelevant Irish data** are playing games with the whole EMU region (*check next page*).

EMU LFS unemployment is slowly increasing, up to 6.5%, 0.1 pp above expectations

Once again, an upward revision, up 0.1 pp to 6.5% in August, and the rate stayed there in September. The number of unemployed rose by 122,000 and is up by 39'/m over the past 6m. Unemployment is up in a majority of countries, including the big 4 ex. Spain.

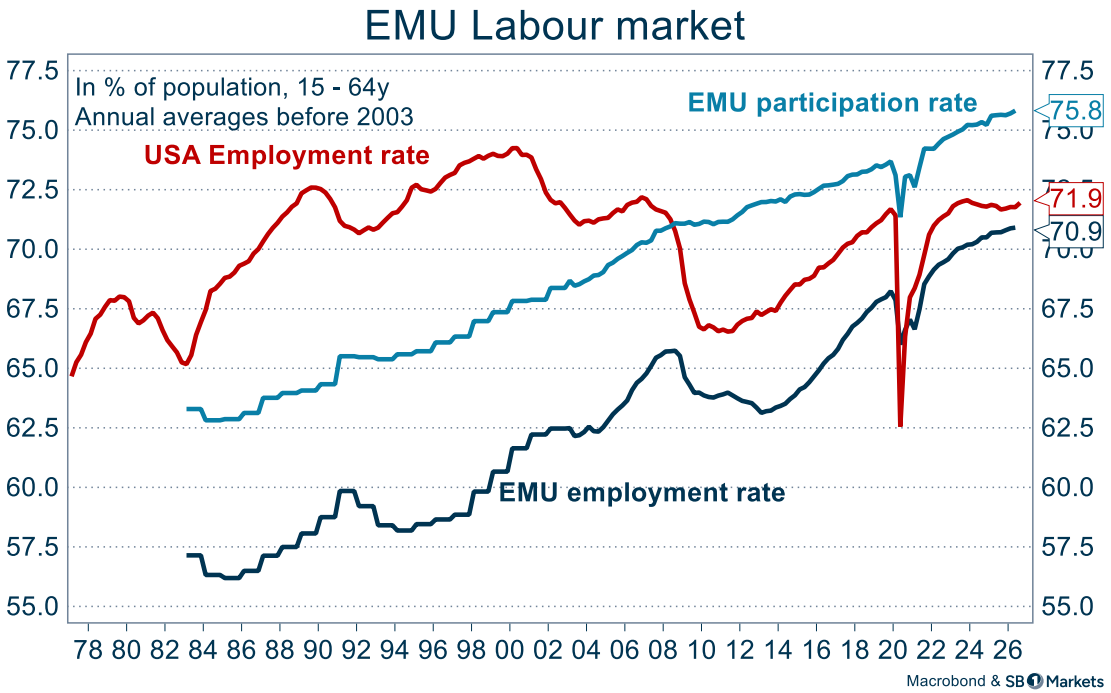


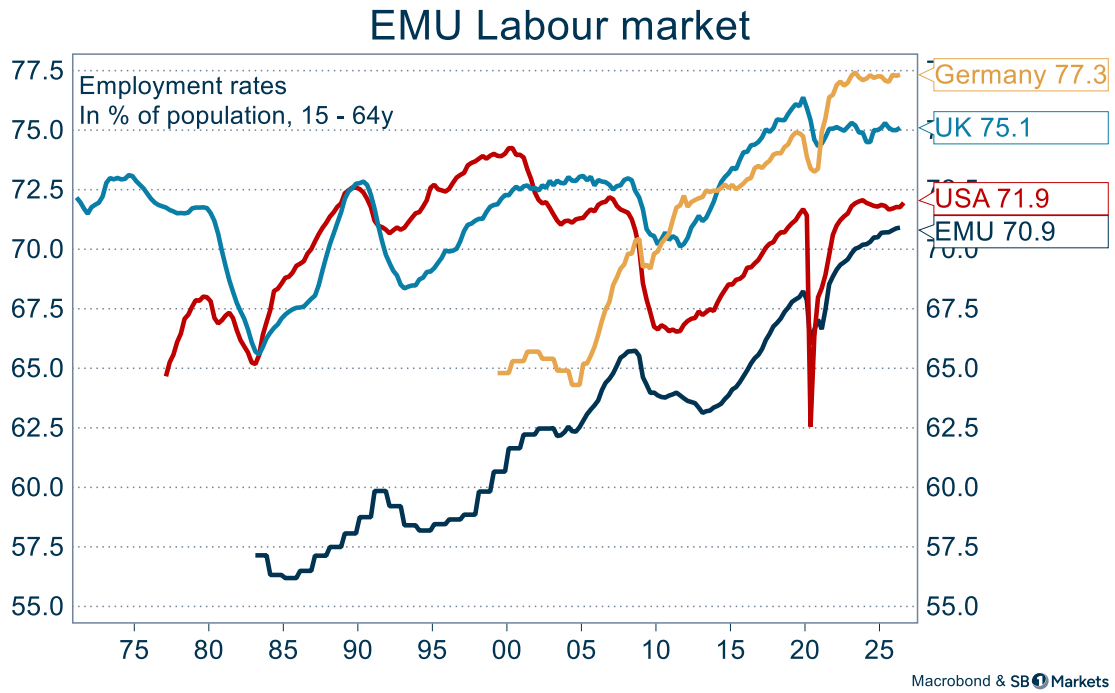


- **Employment** rose at a 0.4% pace in *Q2*, and is up 0.5% y/y, still faster than growth in the working-age population.

Record-high EMU participation and employment rates – and the trends have been incredible!

The employment rate gap between the US and EMU has narrowed to 1.0 pp, from almost 12 pp 25y ago. Will EMU overtake the US? Not unlikely (check the charts below). *Germany did so 15y ago* and is now 5 pp above the US (from more than 10 pp below 25y ago!)

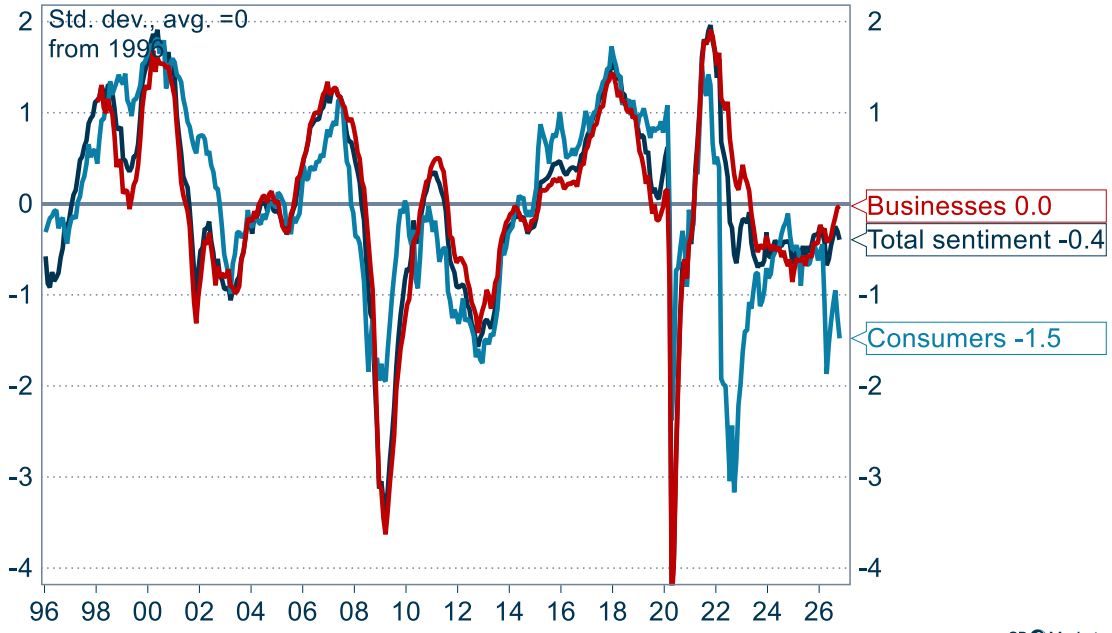


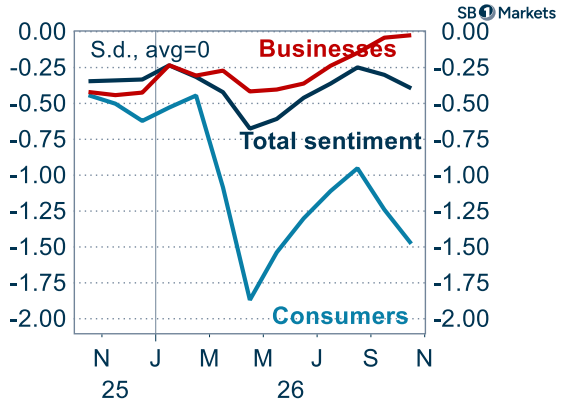


EU survey: business confidence up to an average level in Oct. → *1%+ growth signalled*

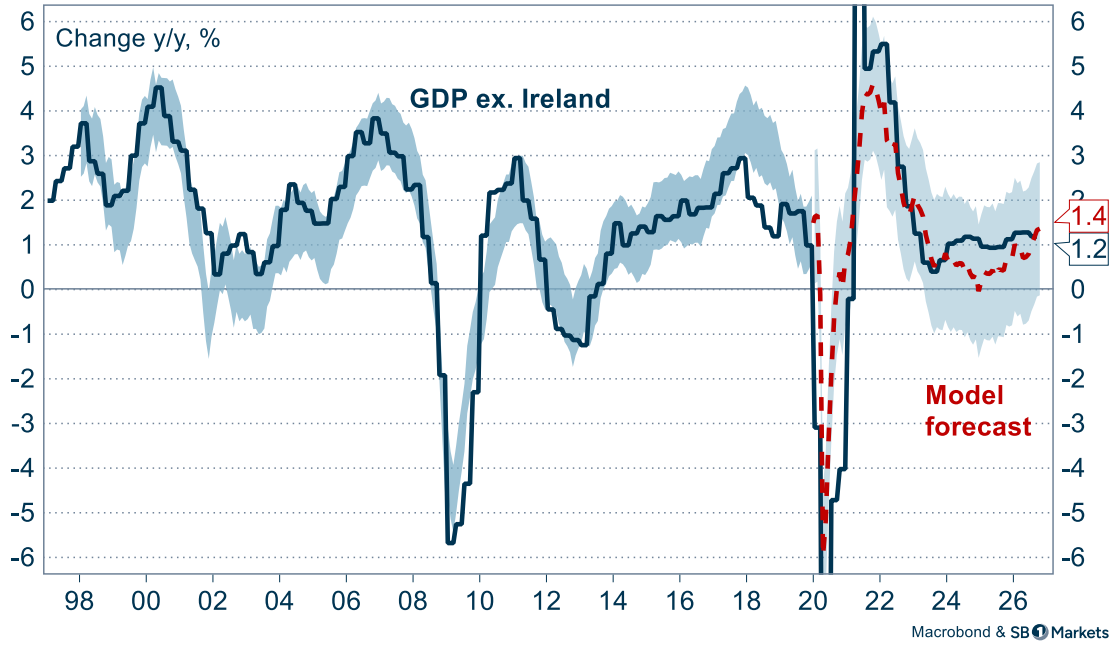
The total sentiment fell 0.1 std. dev. due to a decline in consumer confidence, to -1.5 std. dev. However, business sentiment rose marginally, up to an average level following a 0.2 std. dev. upward revision of the Sep. level. The survey signals growth close to trend – where it is, at 1.3% y/y.

EMU Economic sentiment





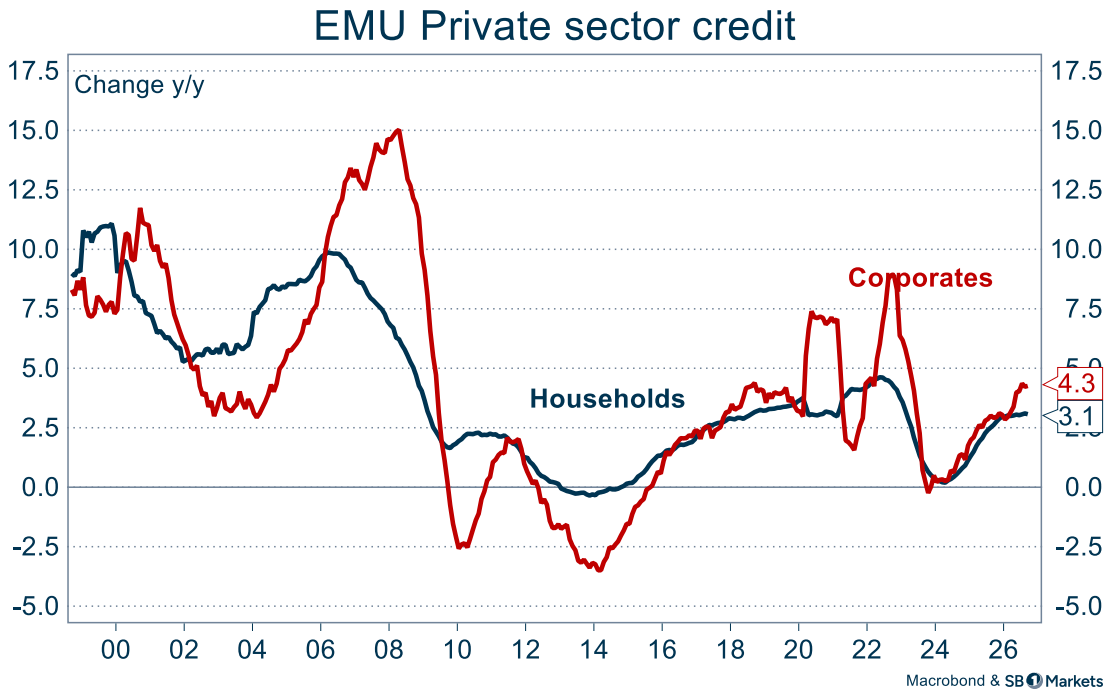
EMU Business sentiment vs. GDP

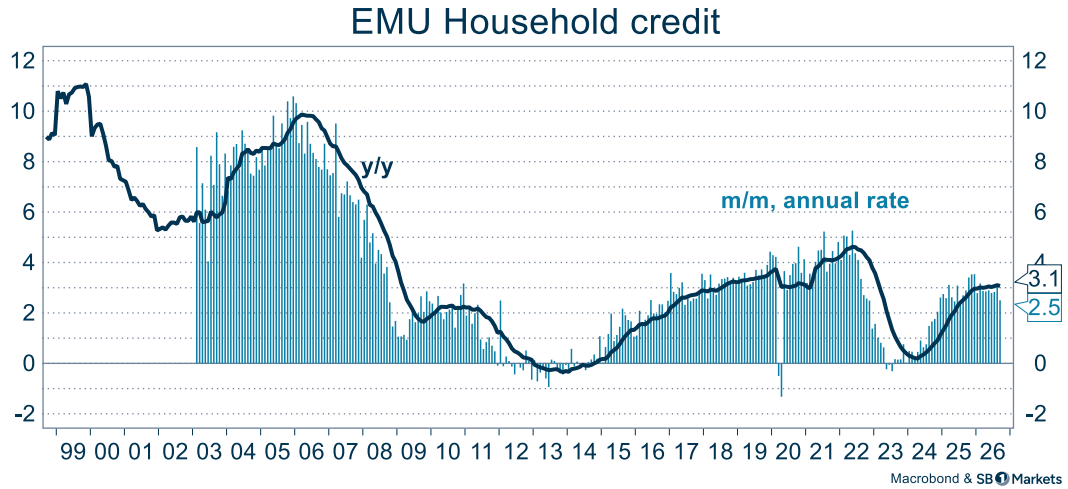


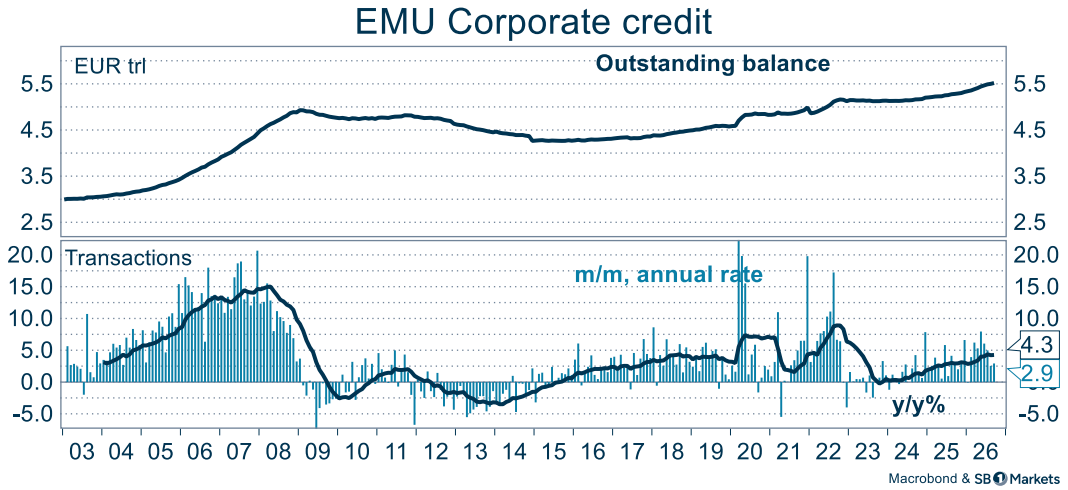
- **Consumers** are still on the pessimistic side, 1.5 std. dev. below average, just as consumers were in the early phase of the Ukraine war and gas price shock in 2022. However, actual spending has held up better than the confidence suggested.
- **Actual GDP growth** has also been a tad higher than this business survey has indicated.

Growth in household debt slows, as probably does growth in corporate debt

Growth may have peaked at 3 and 4% respectively.
Banks reported weaker credit demand both from households and enterprises, according to the Q4 survey, and are tightening standards slightly



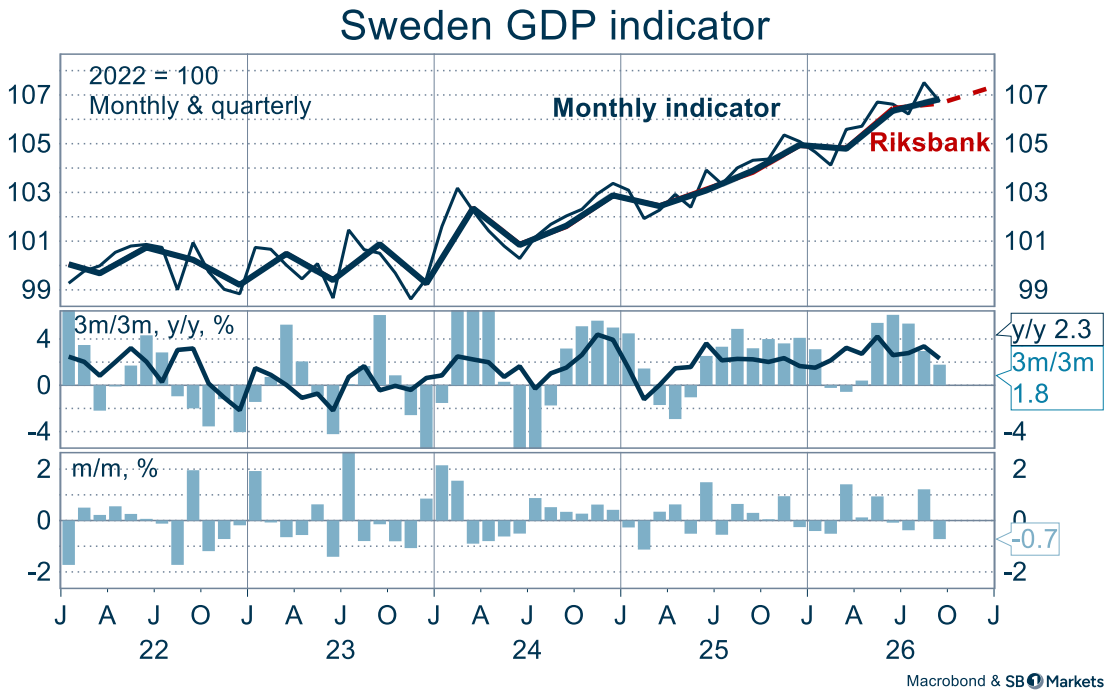


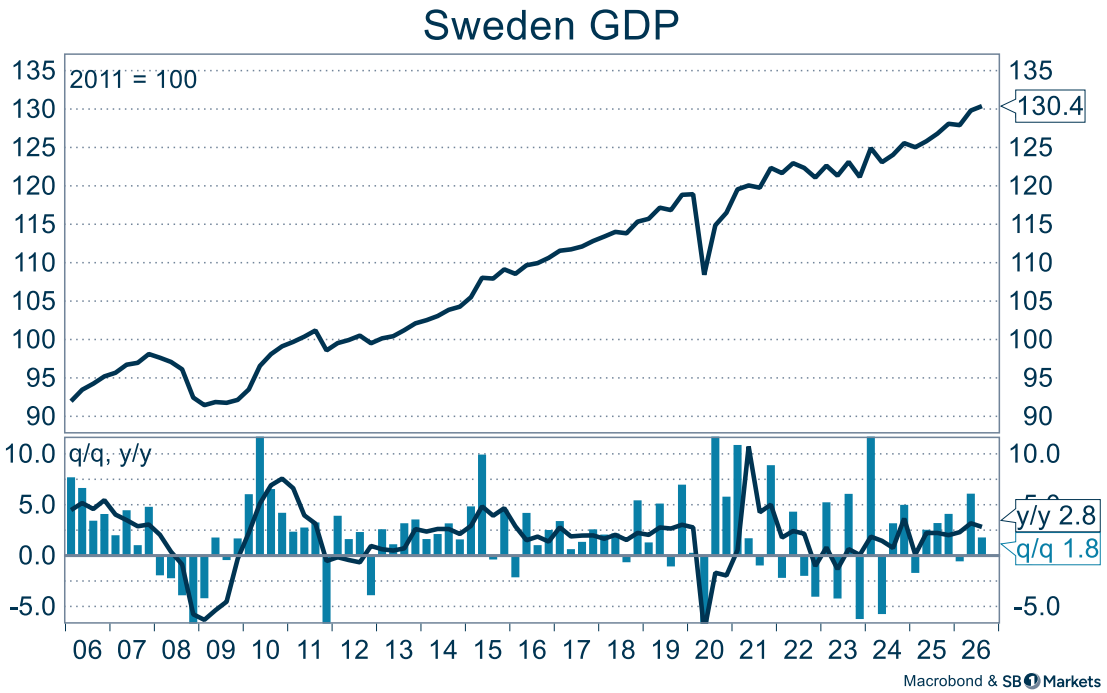


- **Growth in M1 and M3** has slowed somewhat in recent months too
- In the ECB's Q4 banking survey, banks report weak demand for credit from businesses. In addition, credit standards were substantially eased in Q3.

GDP fell 0.7% in September, but still grew at a 1.8% pace in Q3, up 2.8% y/y

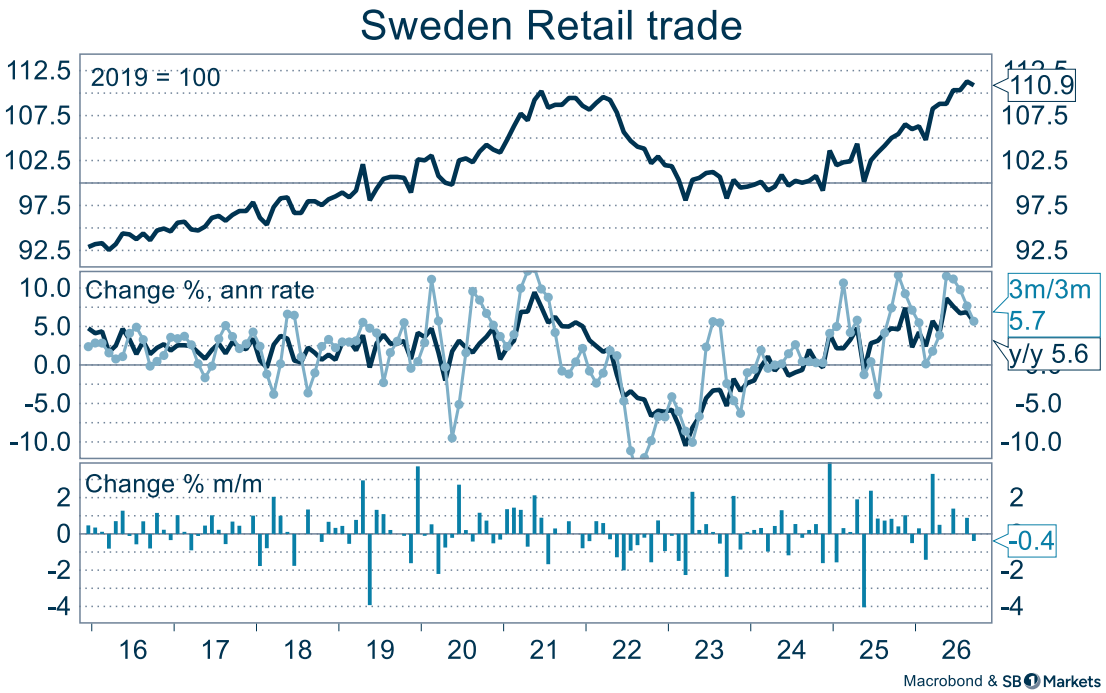
While growth was far higher than expected in Q2, Q3 was more moderate, but still above market expectations (0.4% vs. 0.3%, not annualised). Riksbank expected a 0.2% growth rate (0.7% annualised pace). Business surveys indicate even faster growth in activity.

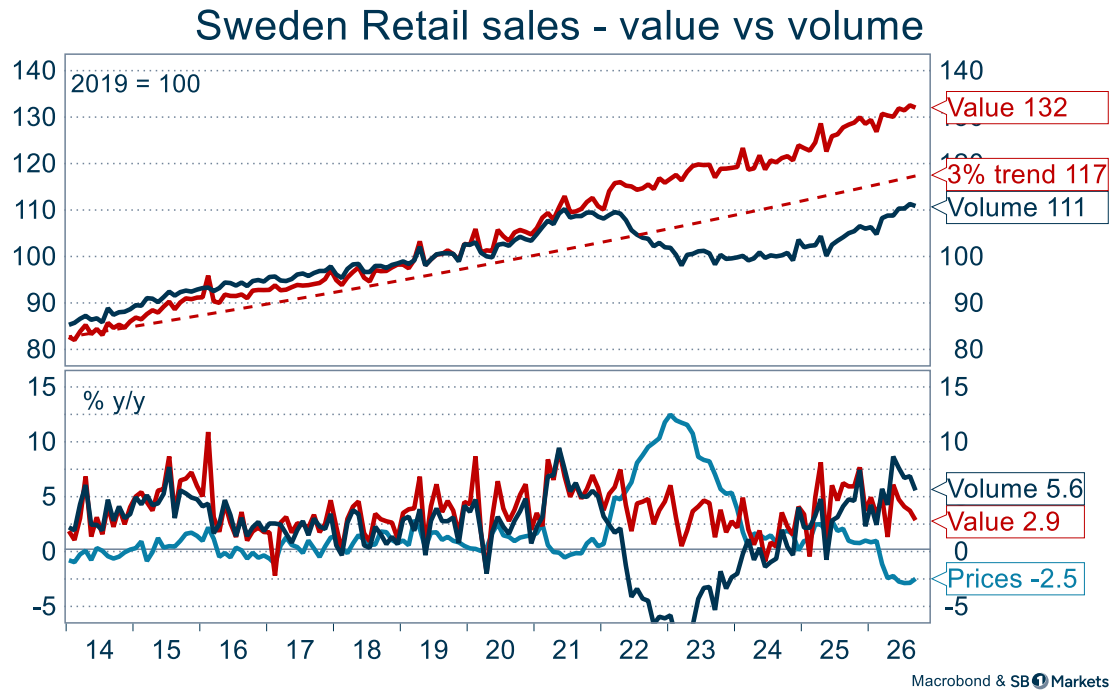




Retail sales fell 0.4% in September, but the trend is amazing, up at a 6% pace

Nothing more to add, really. Besides that, prices are down 2.5% y/y due to the cut in the food VAT rate.

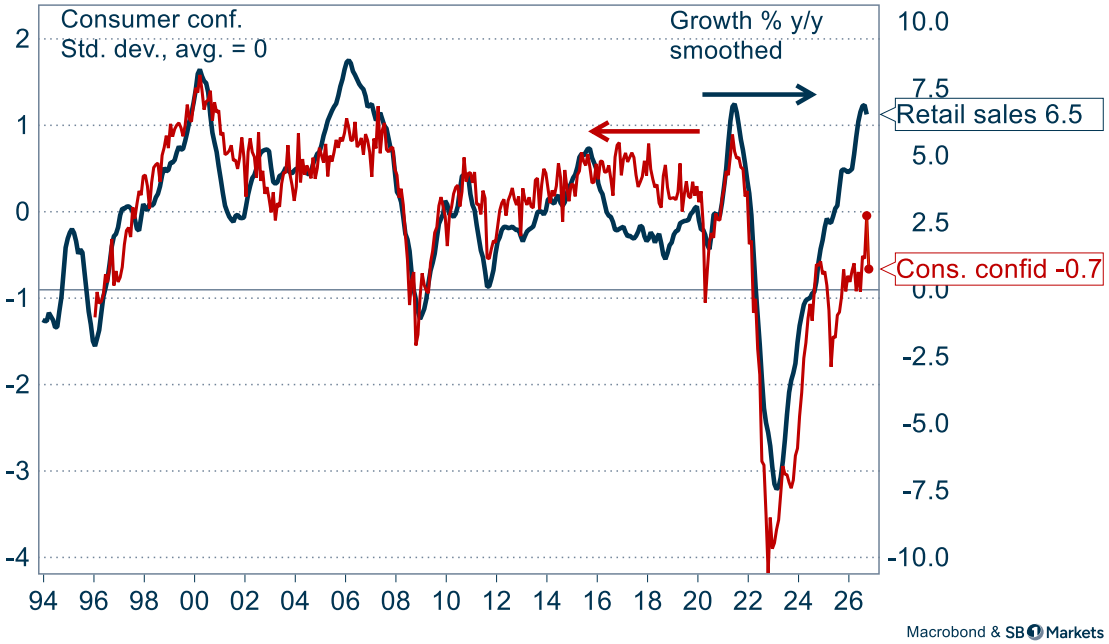




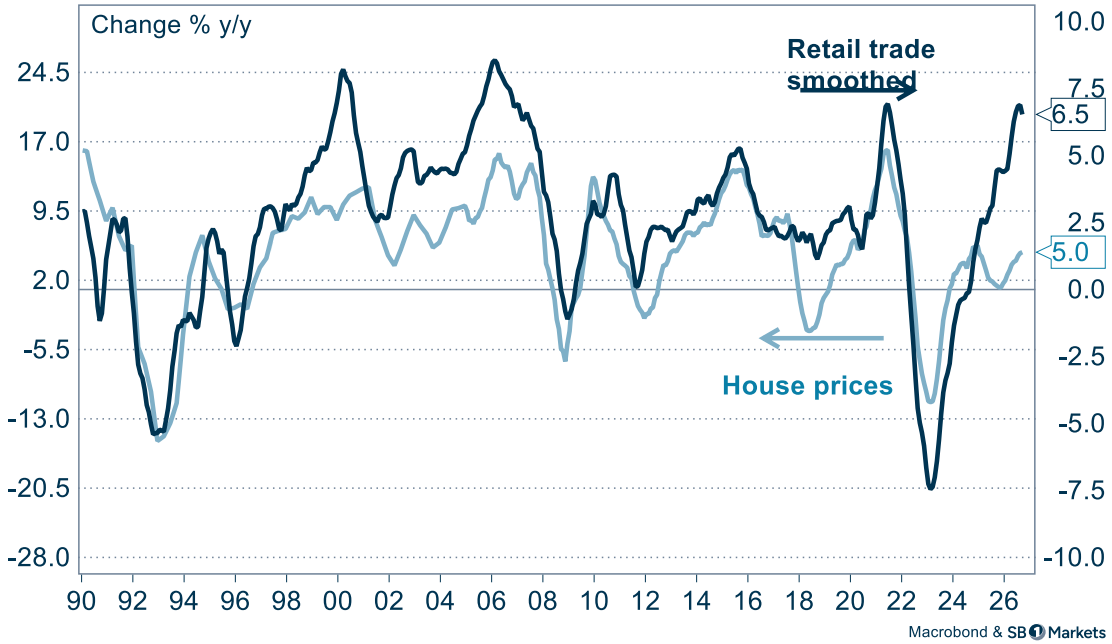
Consumer confid. down 0.6 std. dev., to -0.7. But who cares, spending has been strong

… even when sentiment has been at the current level, or lower. The housing market is recovering as well.

Sweden Consumer confidence vs retail sales



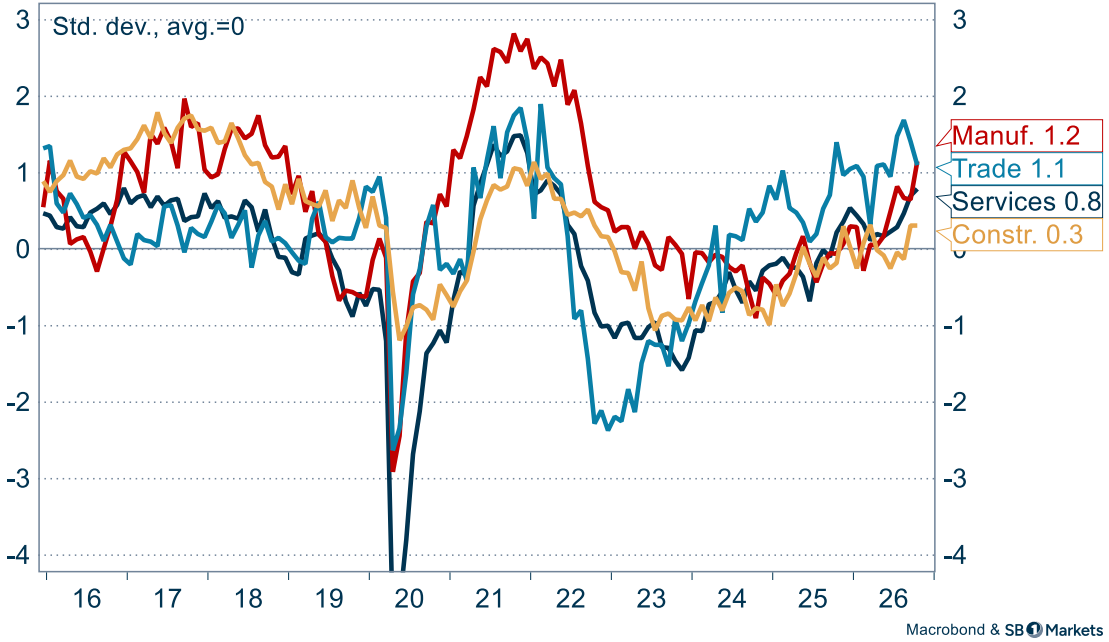
Sweden retail trade vs. house prices

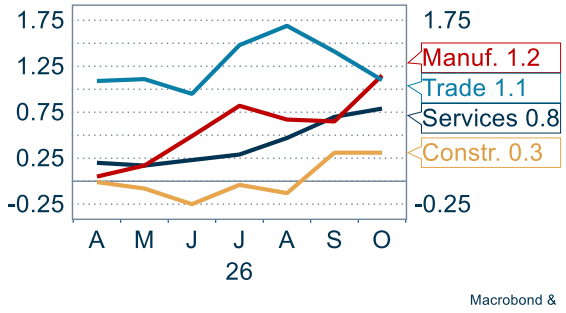


Business sentiment further up in Oct., best since ‘22 → *5% GDP growth signalled*

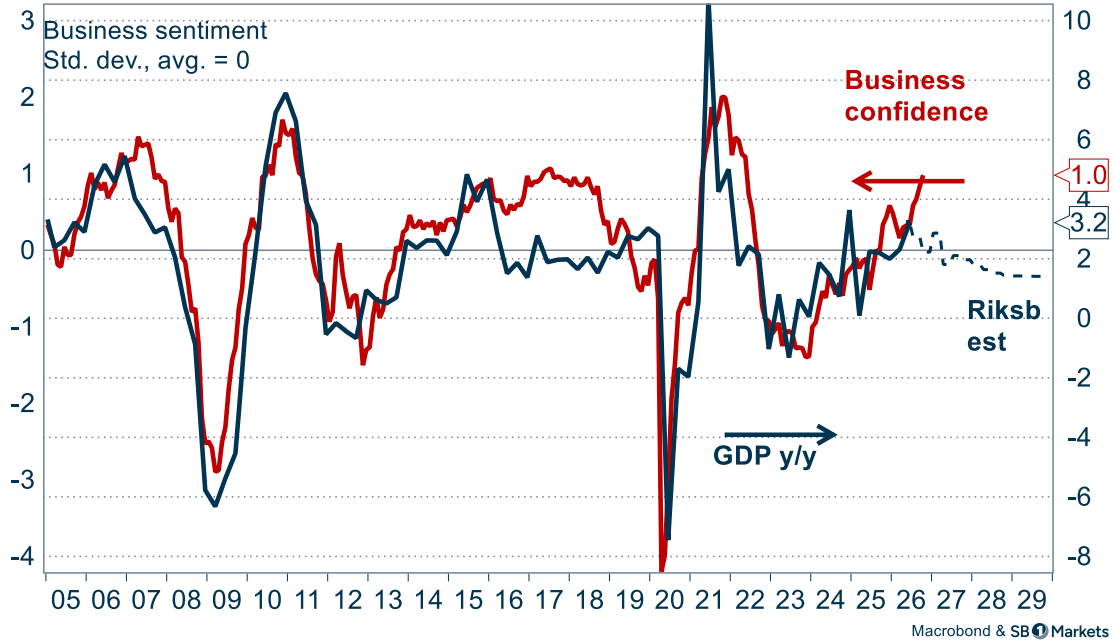
Confidence in all main sectors is above average, with manufacturing in the lead at 1.2 std. dev. above average. Trade has slowed in the past 2 quarters, but is still strong, at 1.1 std. dev. The total business indicator was up 0.2 std. dev. to +1.0, normally (but not always) signalling strong growth.

Sweden KI business confidence



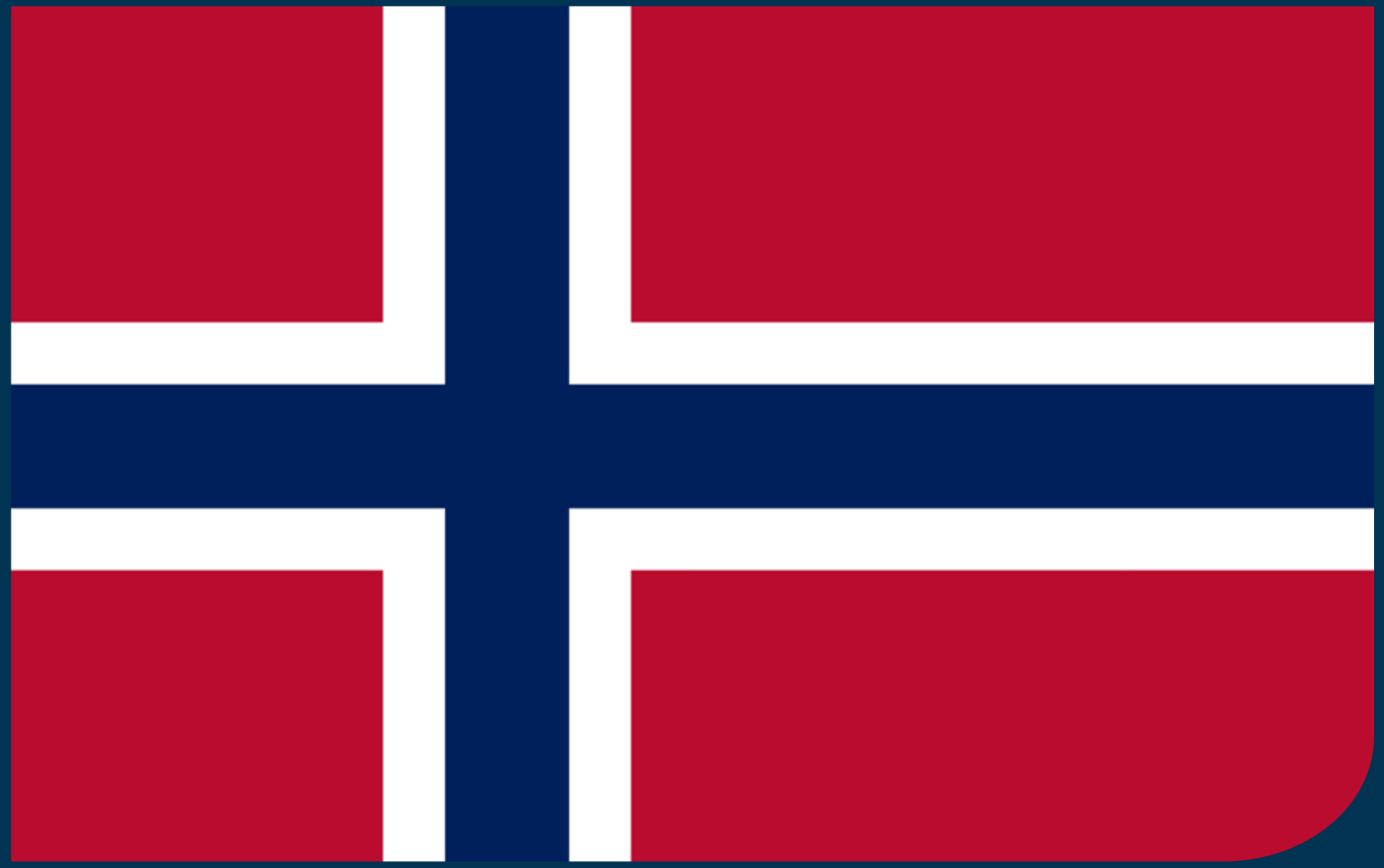


Sweden NIER (KI) business sentiment vs GDP



- **Services** report steady growth, and even **construction** has moved above an average level over the past 2 quarters.

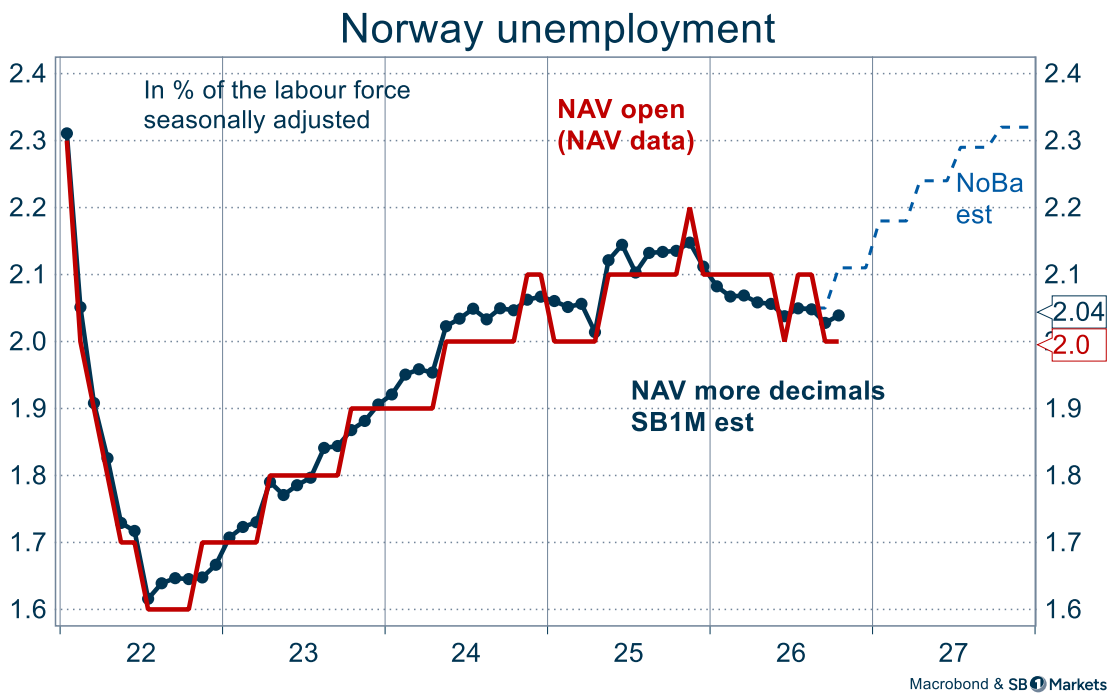
SB 1 Markets



2. Norway

NAV unemployment flat at 2.0% in Oct, 0.1 pp below Norges Bank's forecast, trends down

However, the number of fully unemployed rose by 400 persons, following the 600 drop in Aug. We estimate a 0.01 pp increase to 2.04%. NoBa assumes a 2.11% avg. rate in Q4. Labour market measures were marginally down, but trend up. So does the total no. of job seekers.

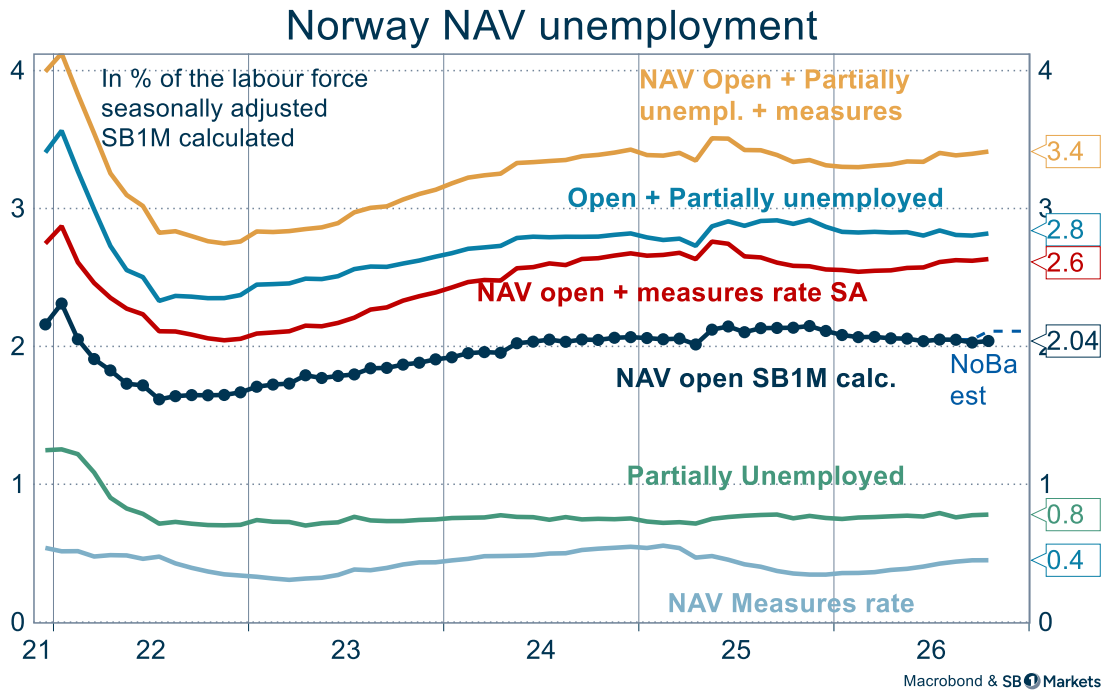


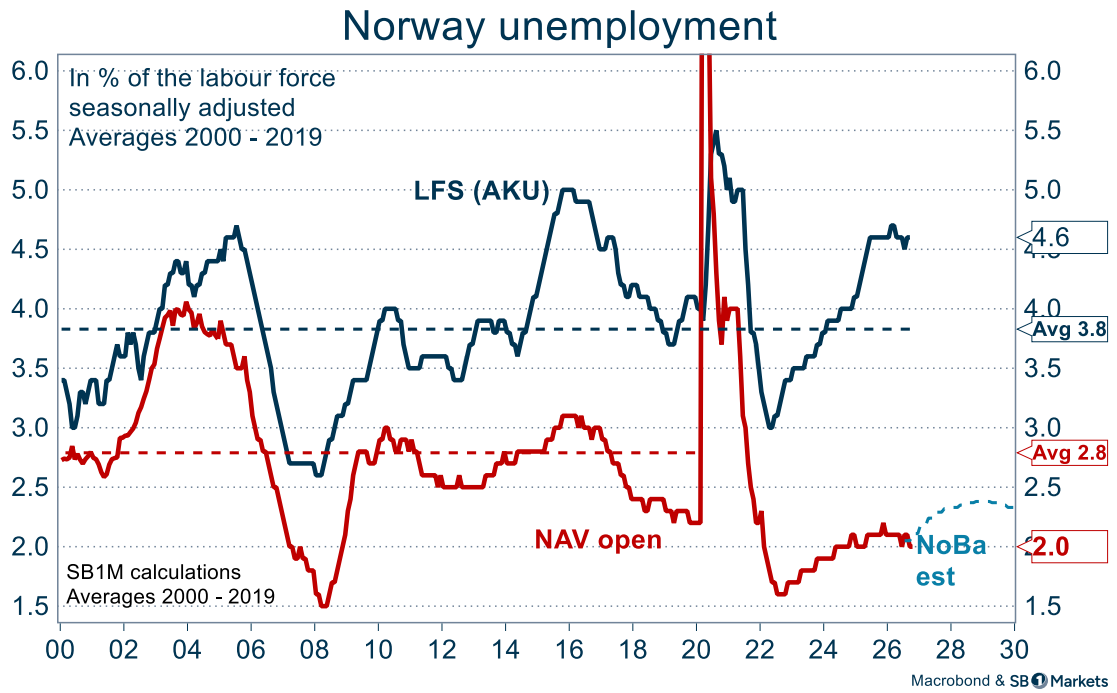
- **NAV open unemployment** still trends down, while Norges Bank expects the rate to turn up.
  - NoBa publishes both one-decimal monthly data and two-decimal quarterly averages. The September and October forecasts were at 2.1%, while the Q3 average was 2.05%, and the outcome was marginally below (our calc). A lift to 2.11% is expected in Q4. ***The actual rate is not moving in that direction.***
  - **Just 2 counties** report an increase in unemployment in the past 6 months, Trøndelag and Nordland.
  - Unemployment in **blue-collar occupations** trends flat or down. Among **'professionals'** just engineering & ICT is still on the way up. Other 'private sector' occupations trend flat, while unemployment among typical public sector occupations heads down.
- If persons on **labour market measures** are added, **total 'full-time' unemployment** was marginally up, but flat at 2.6%, rounded.
  - **If also part-time unemployed** are included, the total number of job seekers rose by 600 persons to 103.6', which equals 3.4% of the labour force. ***The trend is slightly upwards, from 3.3% in early 2026.***

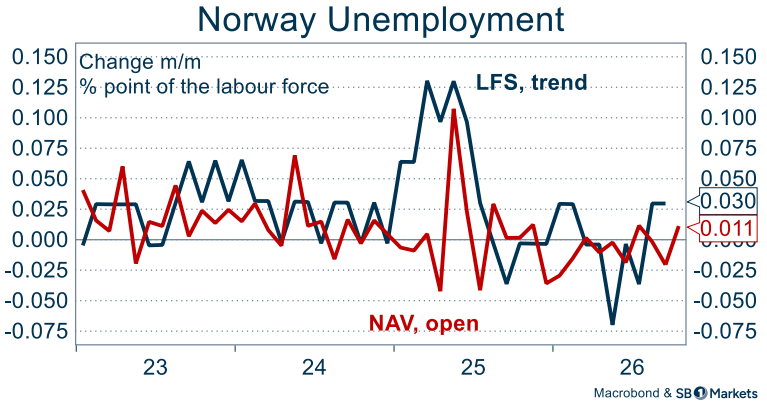
- The **inflow of new jobless claims** rose marginally in October, but trends slowly down. The level is below average, but above the inflow in 'booming times'.
- The **inflow of new vacancies** rose in October, and trends slowly upwards, supported by public services and professional services in the public sector.
- **Released the previous week:**
  - **The LFS unemployment** rate was revised up 0.1 pp to 4.6% in August and stayed there in September. This rate trends flat.
  - **Payrolls** (employees, register-based) rose sharply in September (even corrected for a likely downward revision), and August was revised sharply upwards. Underlying growth is probably above growth in the working-age population.
- **In sum: NAV open unemployment is clearly below NoBa's f'cast, and payrolls trend upwards.**

Total number of job seekers trends slowly up due to a lift in labour market measures

… or more precisely: due to an increase in the number of unemployed engaged in these measures (training etc.).



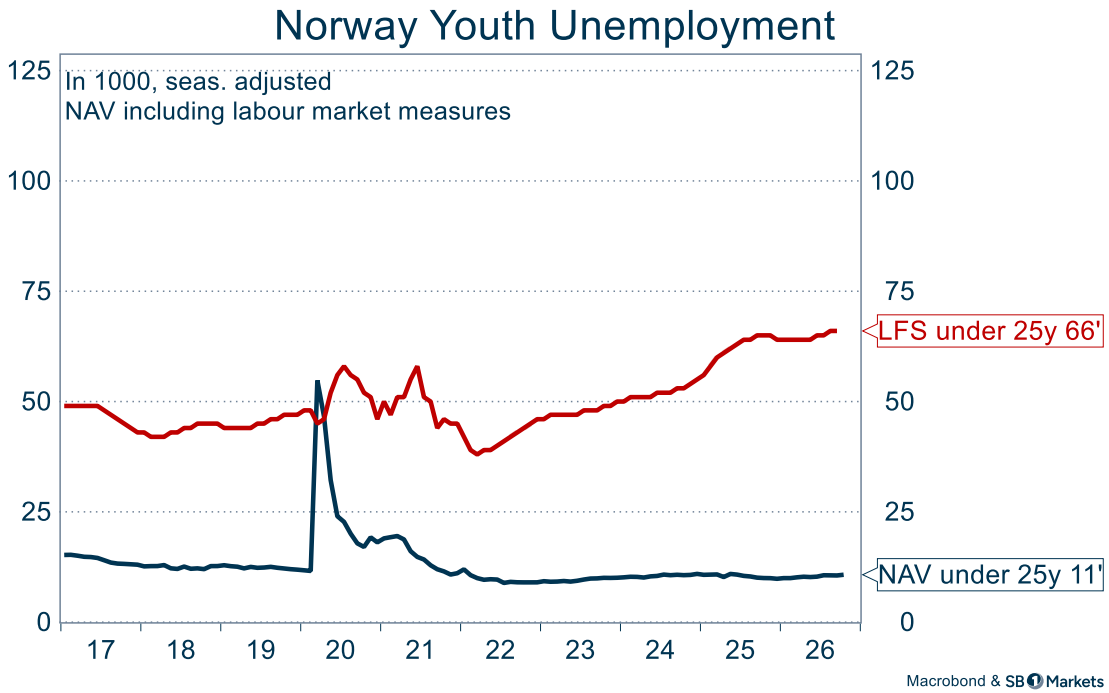


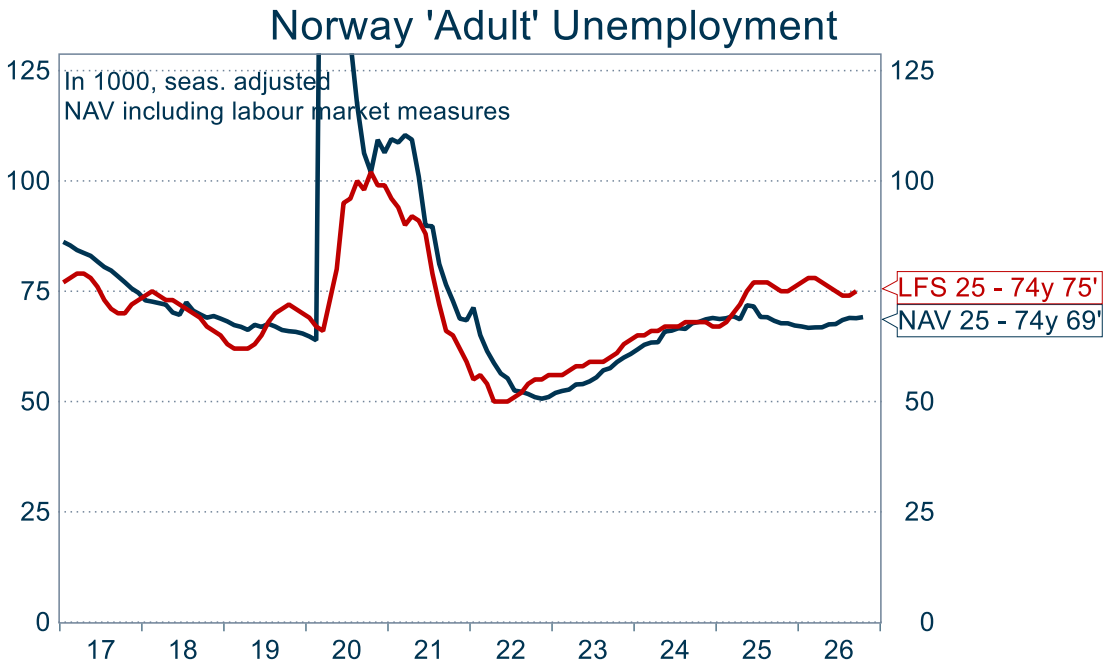


SB1 Markets

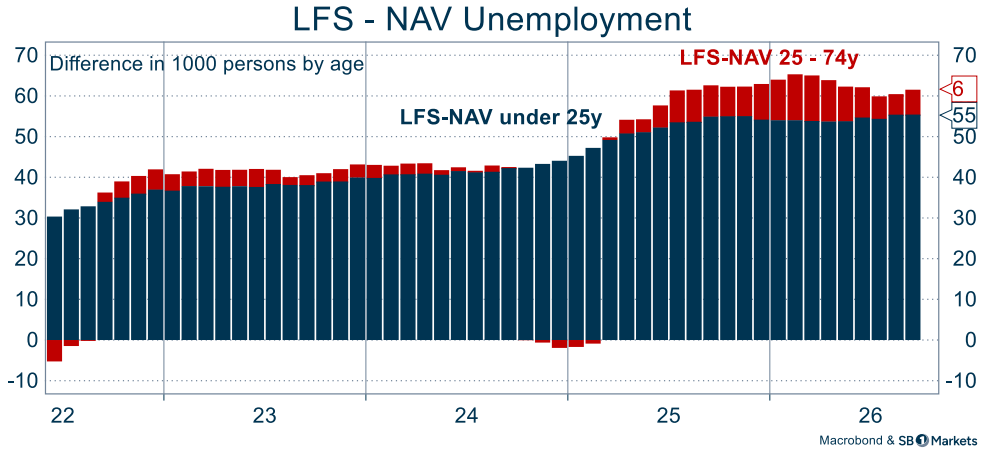
NAV or LFS unemployment? Almost all of the difference is due to youth unemployment

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



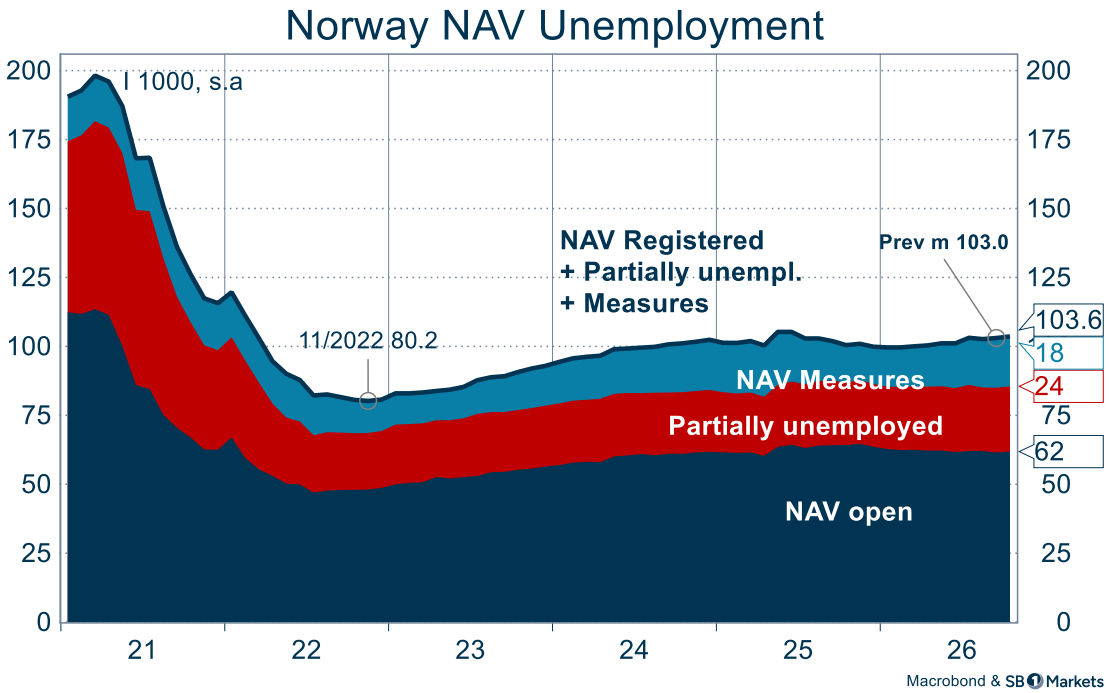


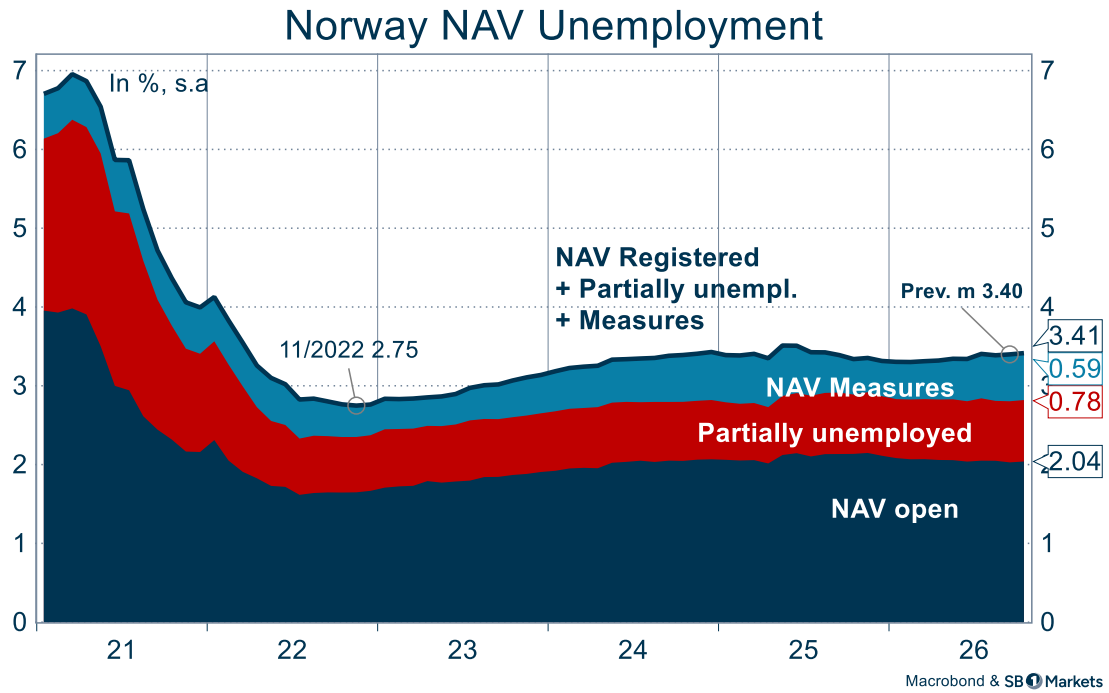
- The effective supply of hours worked for those under 25y is limited as many offer just part-time engagements. In addition, the lift in youth unemployment is not due to a decline in the employment rate; it has increased in recent years. The increase is due to an even larger lift in the participation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



Total number of job seekers has flattened at 3.4%

The sum of the number of open, full- and part-time unemployed has flattened in recent months, following a minor lift before the summer. The level is lower than last summer. However, if persons engaged on labour market measures are added, *a small uplift through 2026.*

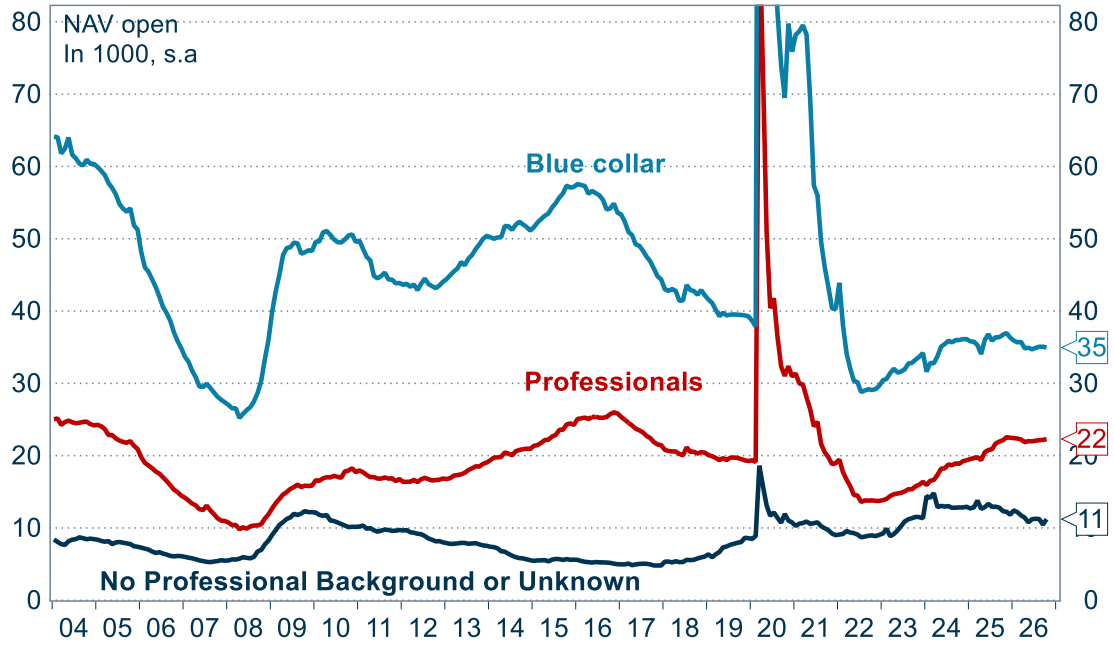




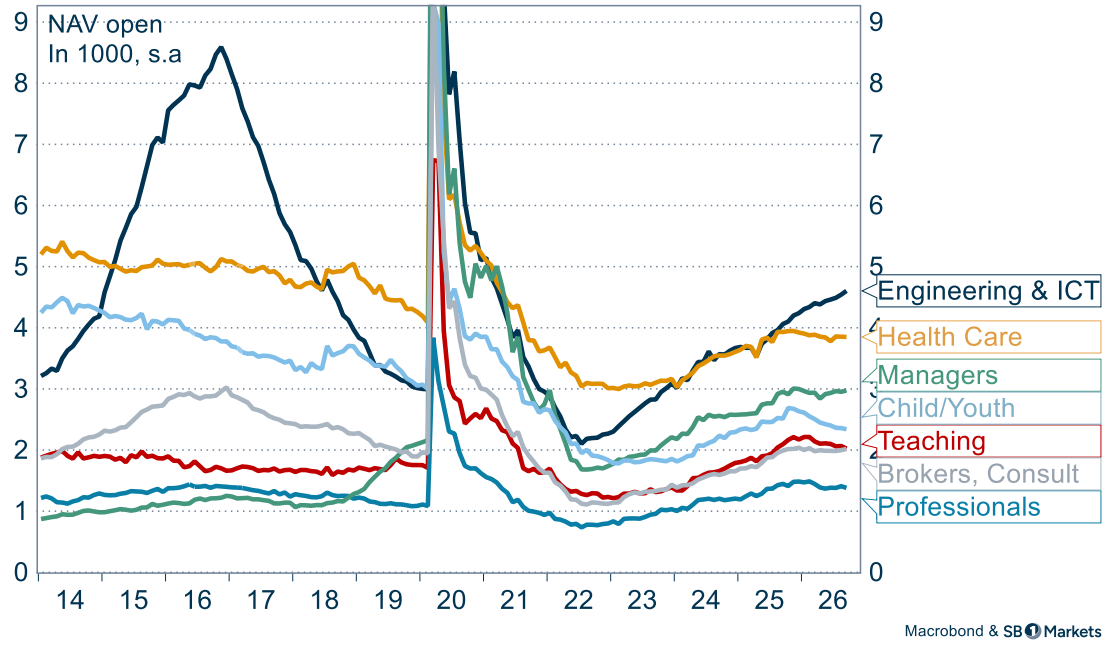
NAV: Unemployment heads down among most occupations, just engineering & ICT up

Unemployment in construction has flattened following a substantial decline; travel & transport trends flat. Other services are down. Among 'professionals' just engineering and ICT head up, while the others trend flat (private sector occupations) or down (public sector occupations).

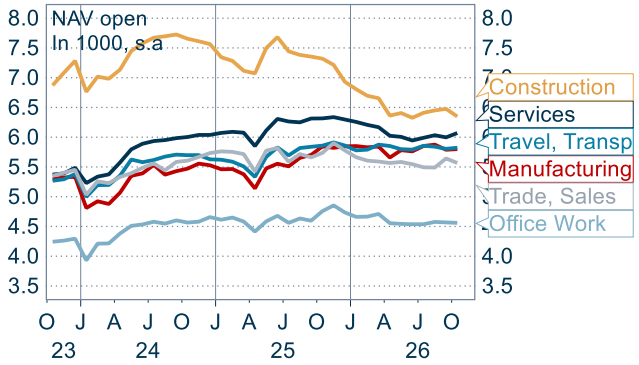
Norway Unemployment by occupation



Norway unemployment, professionals

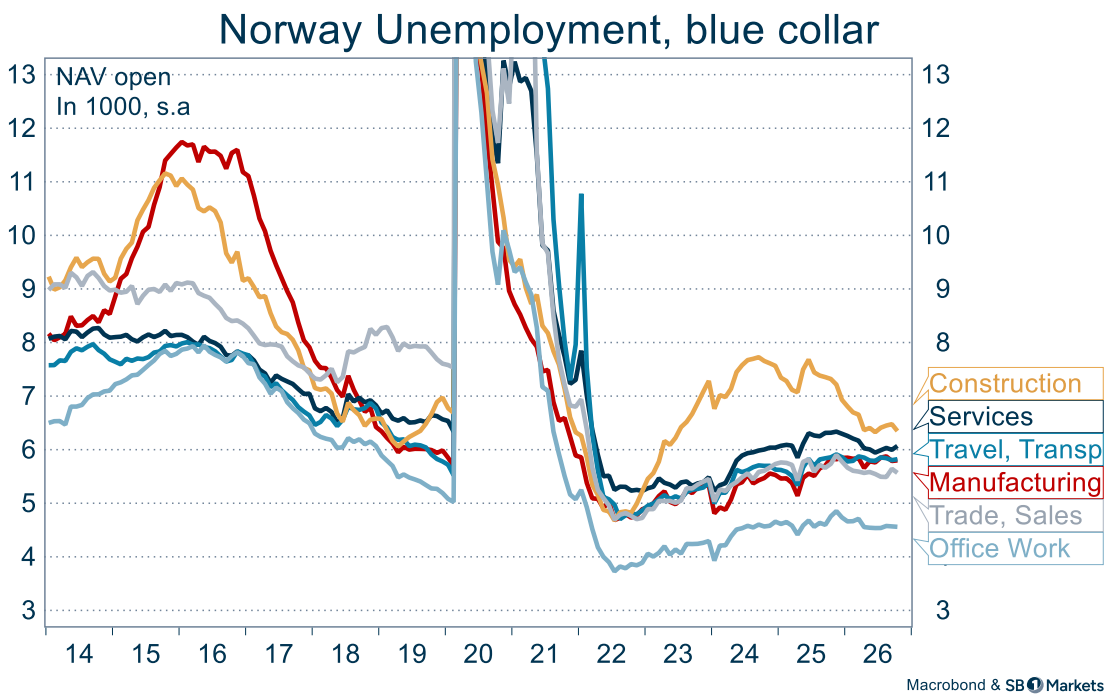


Norway Unemployment, blue collar



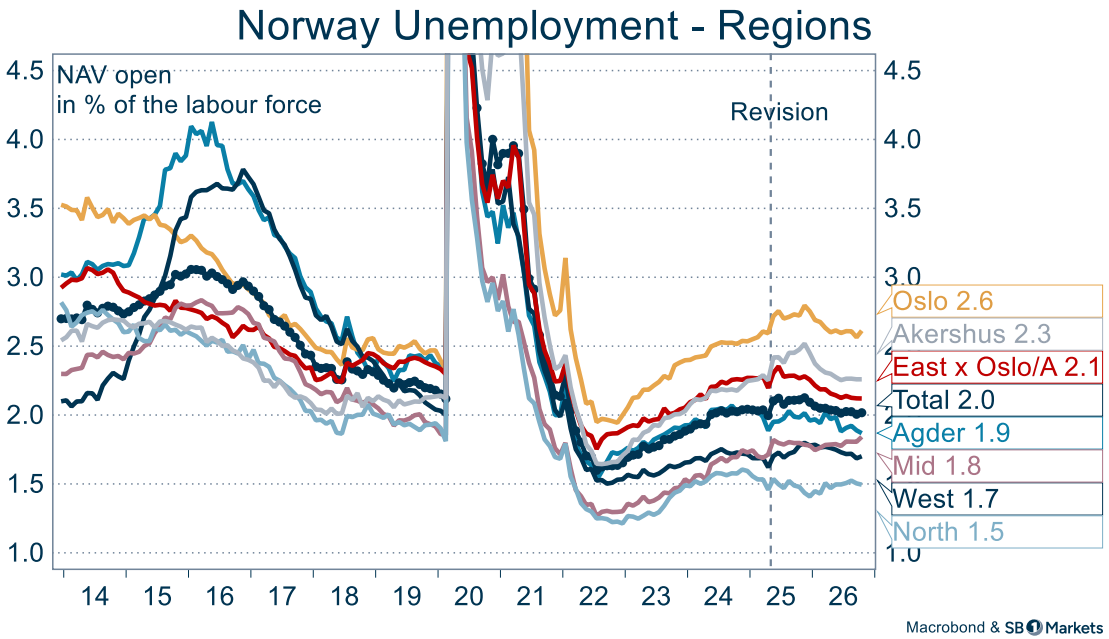
- The lift in unemployment among white-collar workers was broad-based from mid-2022 until H2 last year. We doubt the implementation of AI has had any material impact on demand for professional workers, at least not in health care, teaching or child/youth work or among 'managers'. Now, mixed changes. Engineering & ICT continues upwards, while 'public sector' occupations head down.

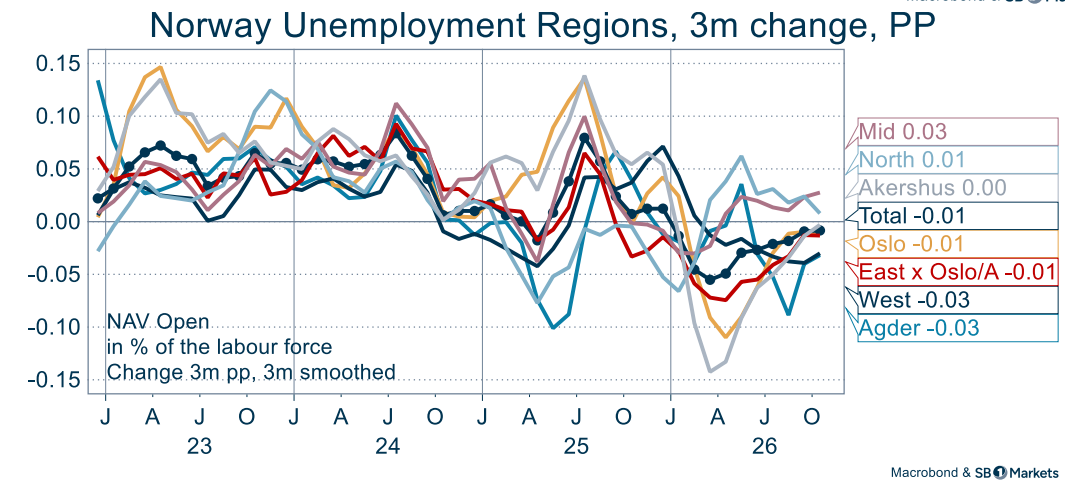
NAV unemployment: A crisis in the construction sector?

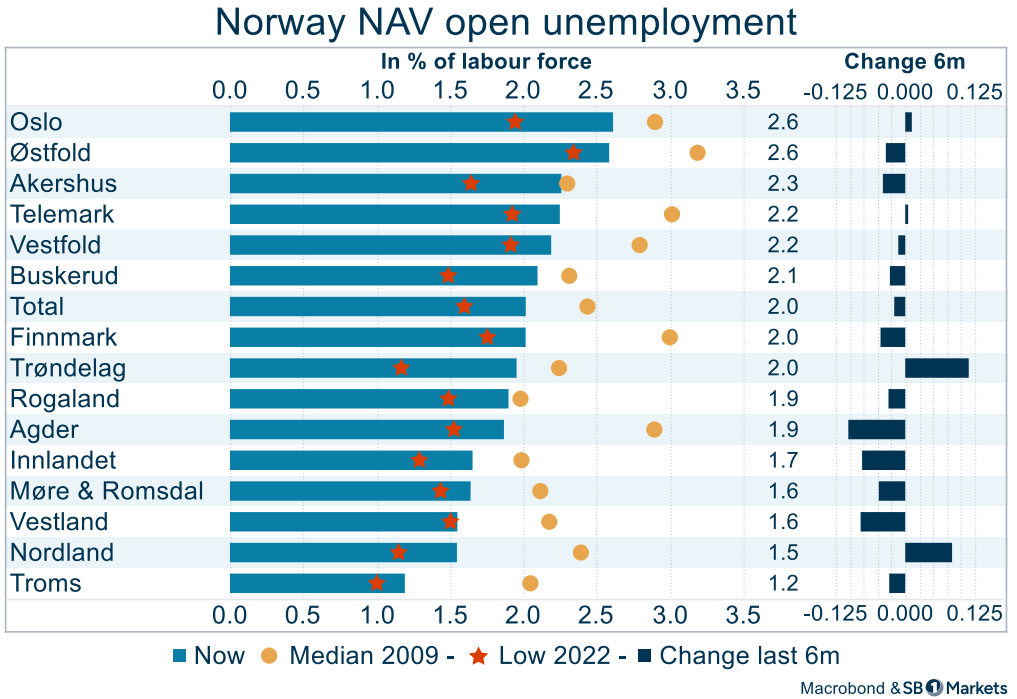


In the past 6 months, unemployment is down in 12 of 15 counties, and just 2 visibly up

Nordland and Troms report the lowest unemployment rates, while Oslo, Østfold and Akershus are at the top (or the bottom??) of the ranking. Just Nordland and Trøndelag report an increase in unemployment in the past 6 months. Agder reports the fastest decline.



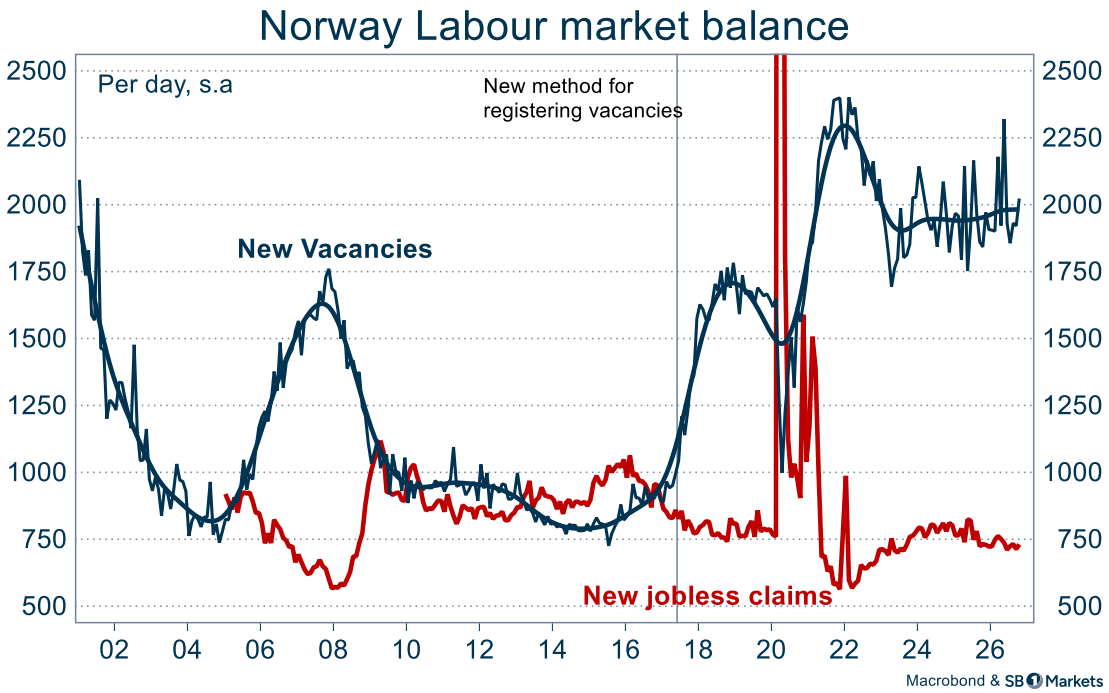


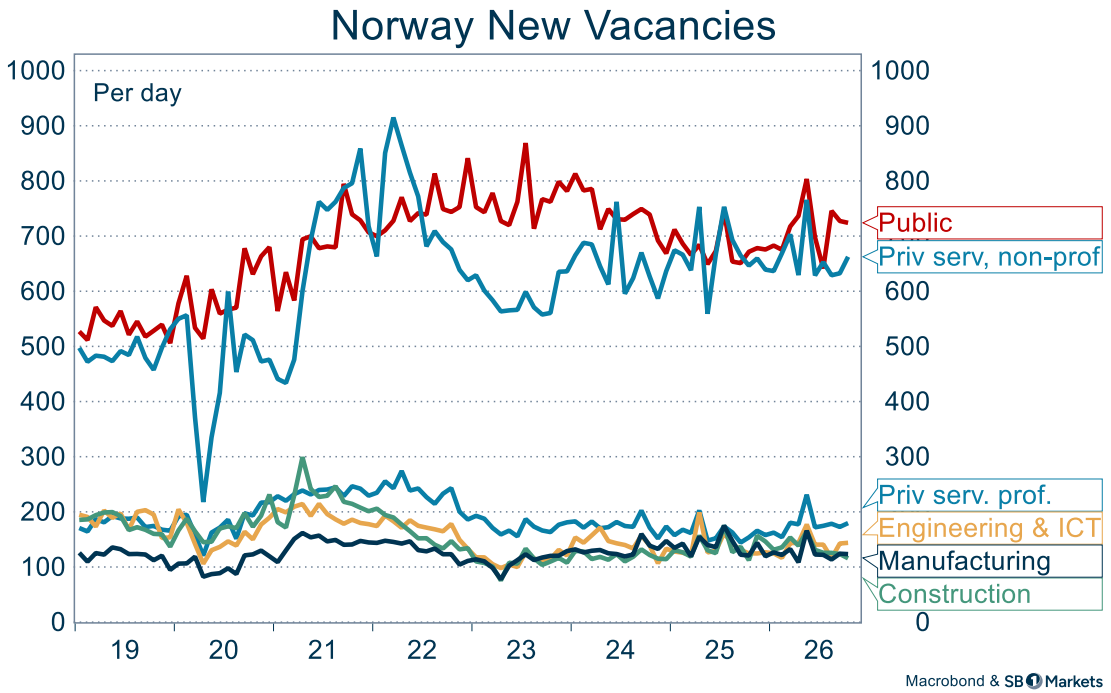


- Unemployment is lower than the past 15 years' average in all counties (but just barely in Akershus). Unemployment is up in all counties from the 2022 lows; the least in the North and West, and the most in **Oslo, Akershus and Buskerud**, followed by **Trøndelag**.

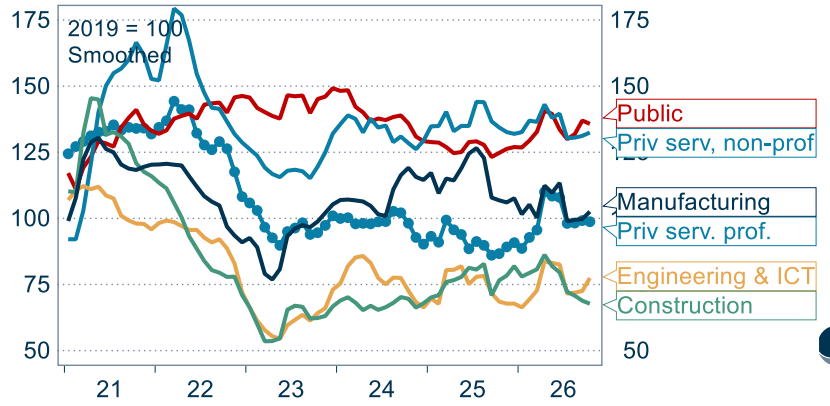
The inflow of new vacancies rose marginally, and trends slowly upwards

The inflow of new vacancies has trended slowly upwards since 2023, led by private services (both professional and non-professional), and recently also by public sector occupations. New jobless claims trend slowly downwards, from a below-average level.



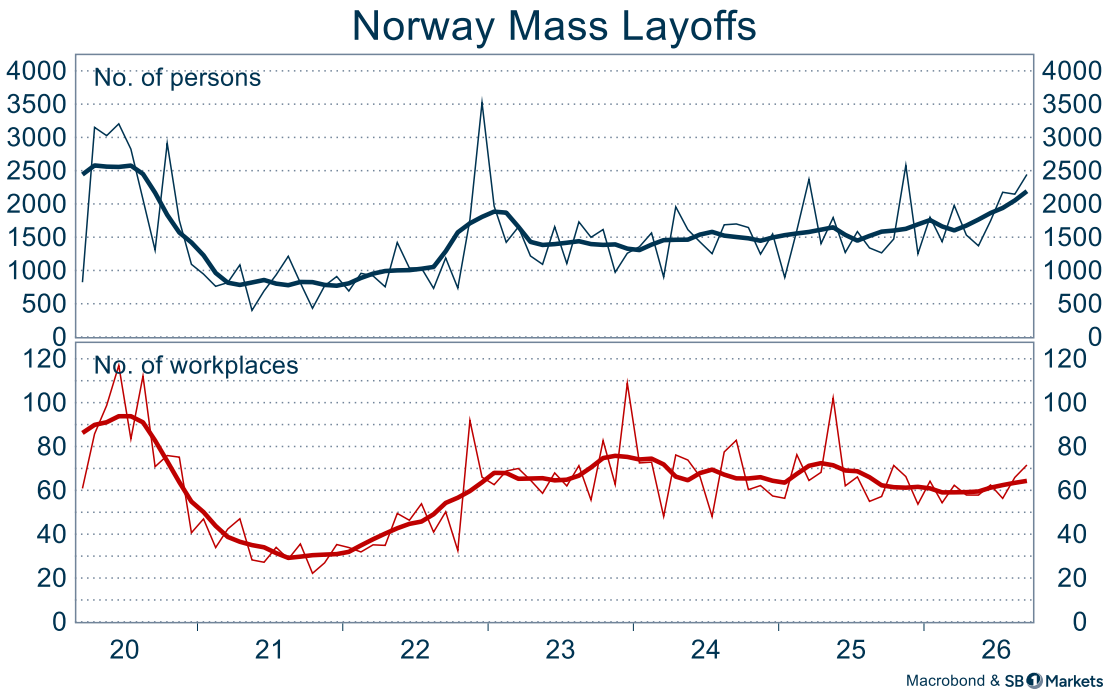


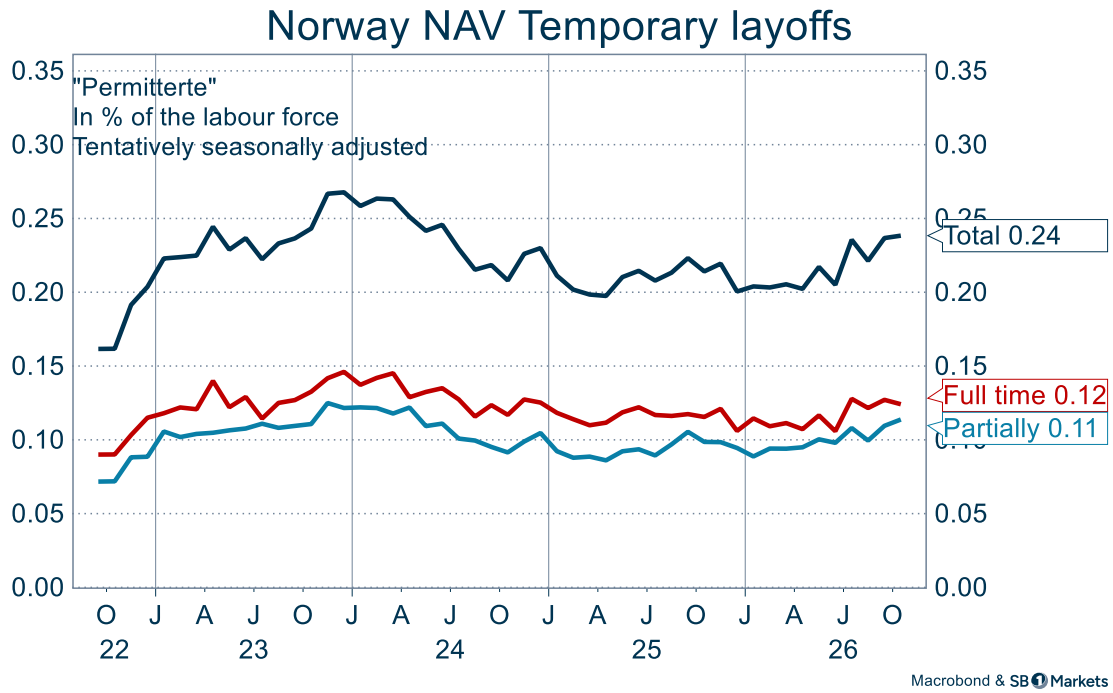
- Sector-wise, new vacancies in the 'public' sector (kindergartens, health, care and teaching – no data available for 'bureaucrats') have turned up recently. In the private sector, recent months have been mixed, but the total has been supported by professional services.
- The inflow of **new jobless claims** rose marginally in October, but the ***trend is slowly downwards, which does not signal a weakening labour market***.



New method for registering vacancies

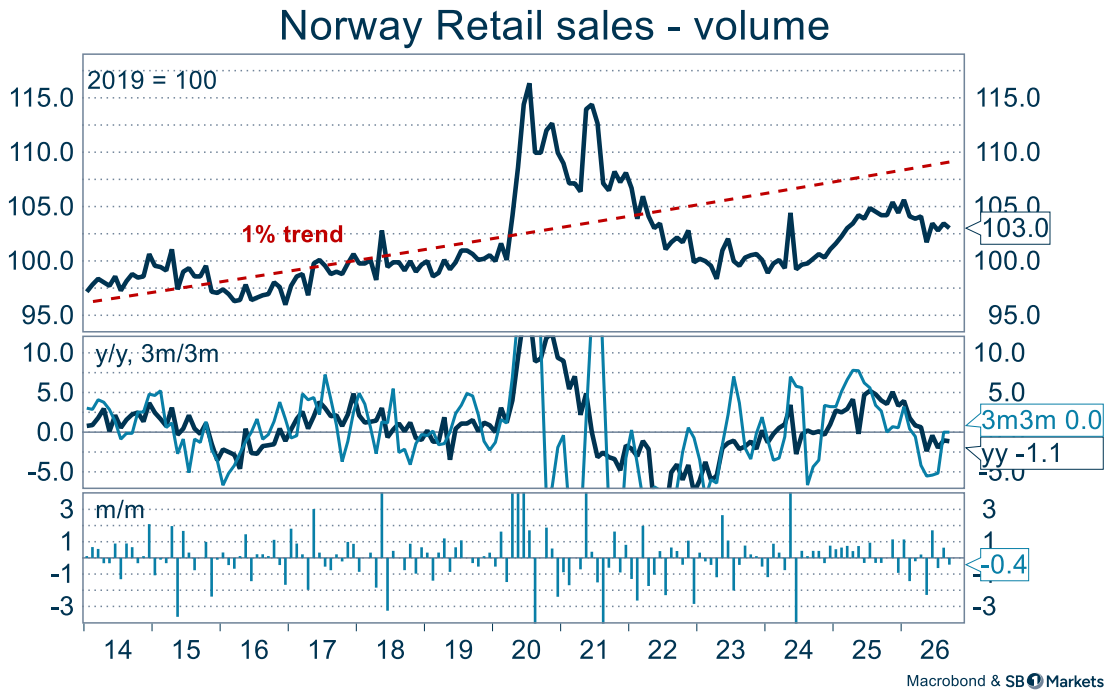
Another cross-check: mass layoffs trend slightly upwards, temporary layoffs as well

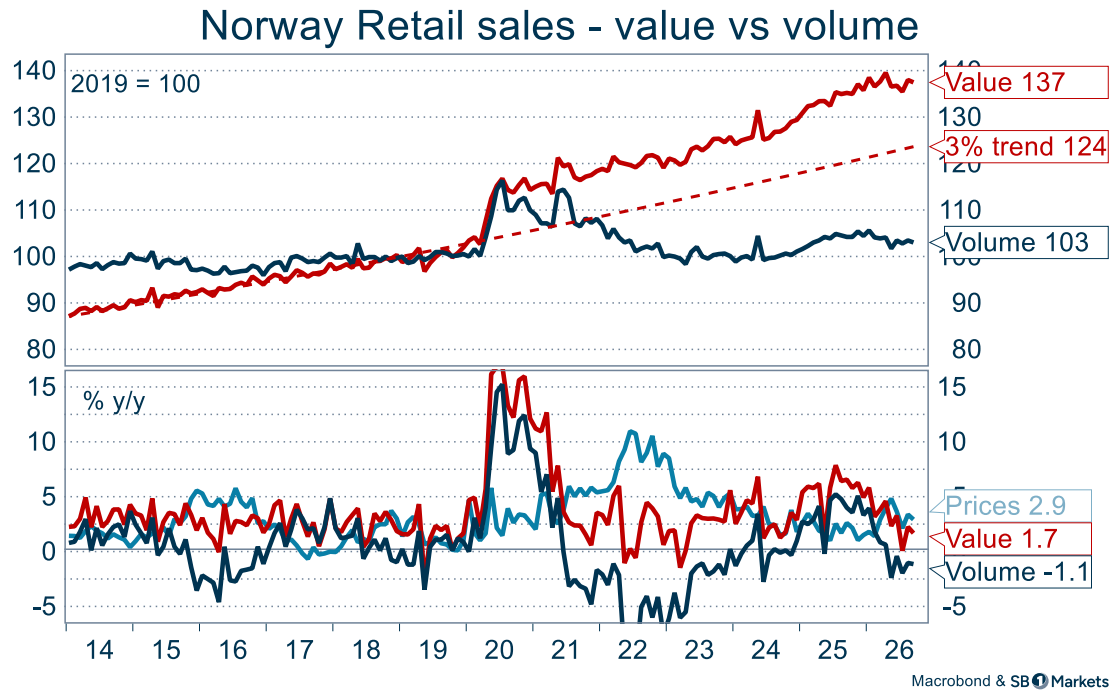




Retail sales have stabilised, at a modest level, just up 3% from 2019

Sales declined 0.4% in September, following the 0.6% lift in August. We expected a small increase. Sales are flat 3m/3m, but still down 1.1% y/y, and down 2.5% from January. Even so, the *recent stabilisation is good news*, and in line with Norges Bank's consumption forecasts.

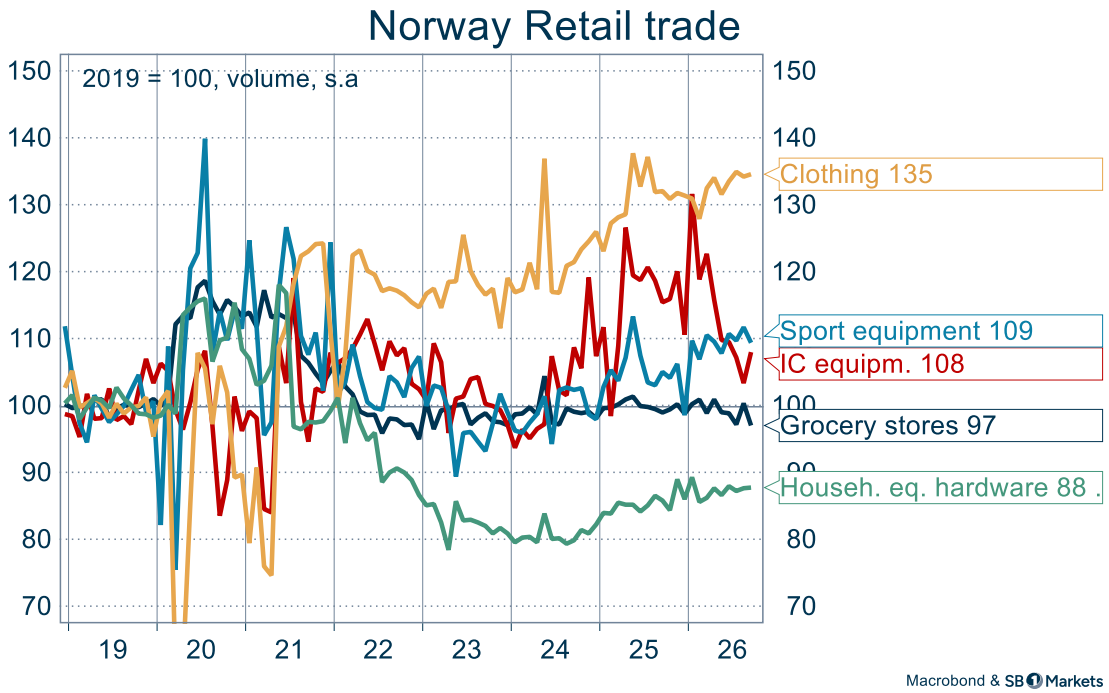


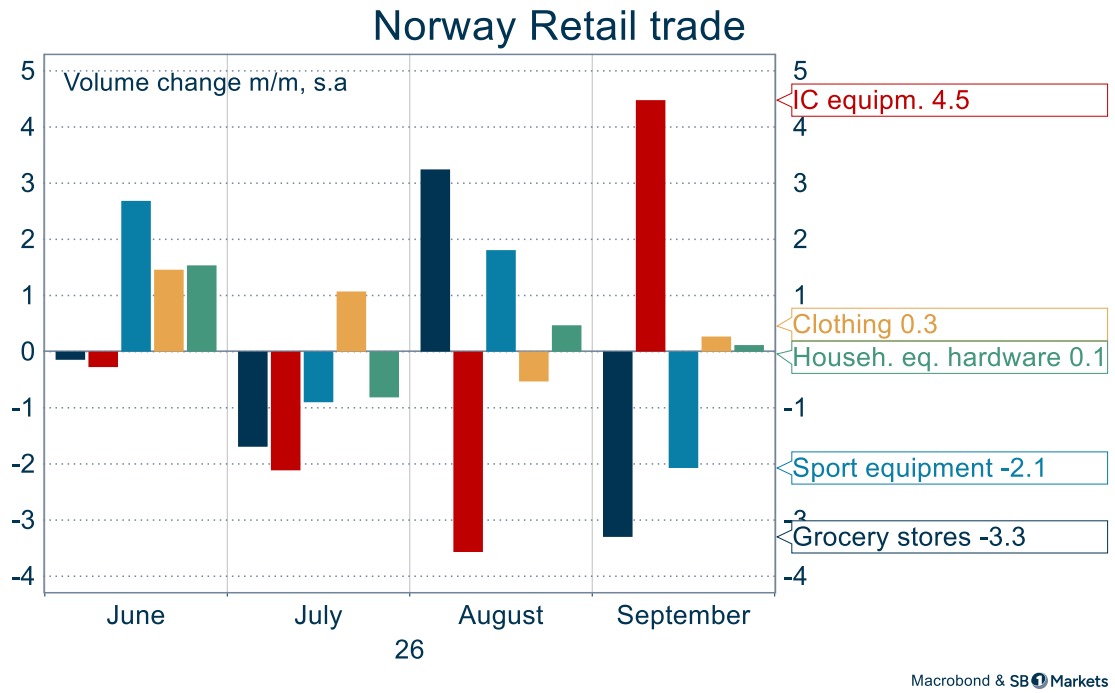


- **Grocery stores** contributed the most on the downside m/m, and the sales level is low, down 3% in volume terms since 2019.
  - The population is up 5.4%. Are sales really down 8% per capita? Is Wegovy really that effective?
  - BTW, grocery sales are up 40% in value terms since 2019. Thus, prices are up 44%.
    - According to CPI, food and beverage prices are up 36% since 2019. A strange divergence – up to almost 7% between the two price indices – occurred in 2021 and into 2022.
- **In value terms, total sales** are up 1.7% y/y. Prices are up 2.9% y/y, which of course is a drag on household (real) demand.
- **Norges Bank** assumes 0.8% growth in **total private consumption** (goods + services), revised down from 1.6% in the June report.

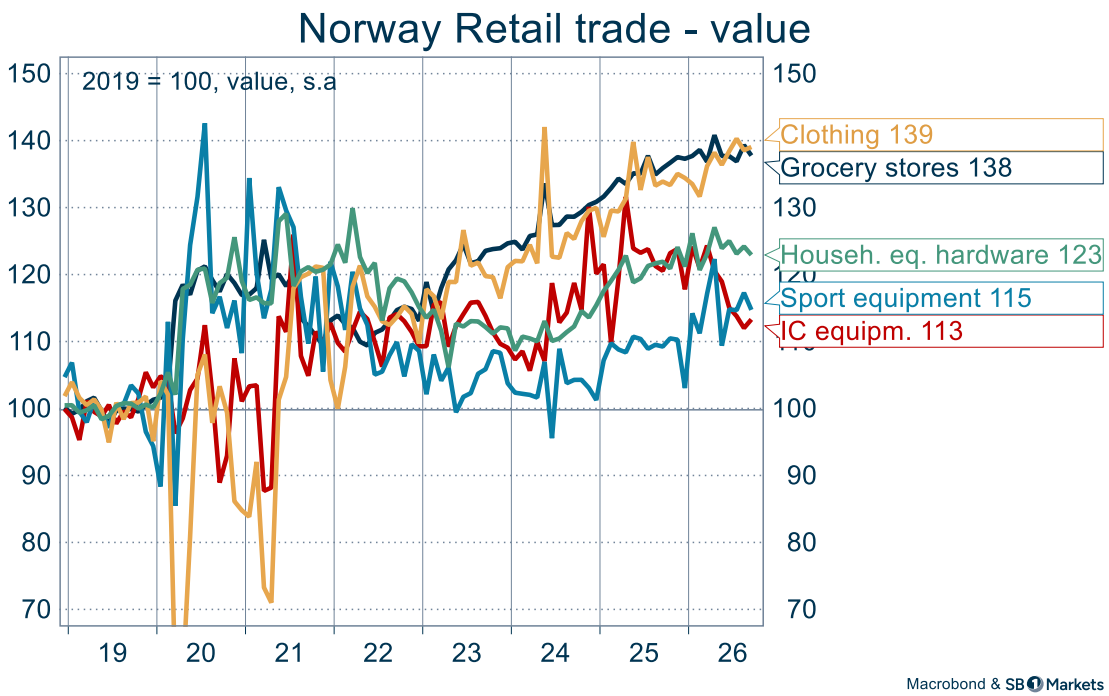
Groceries down 3% in September, sport equipment 2%, IC equipment sales rose 4%

Grocery stores (35% of total sales) trend flat; clothing sales (5%) have increased so far in 2026; Household equipment & hardware (17%) have also flattened since last autumn. IC equipment (just 1% of the total) is volatile, and down lately.



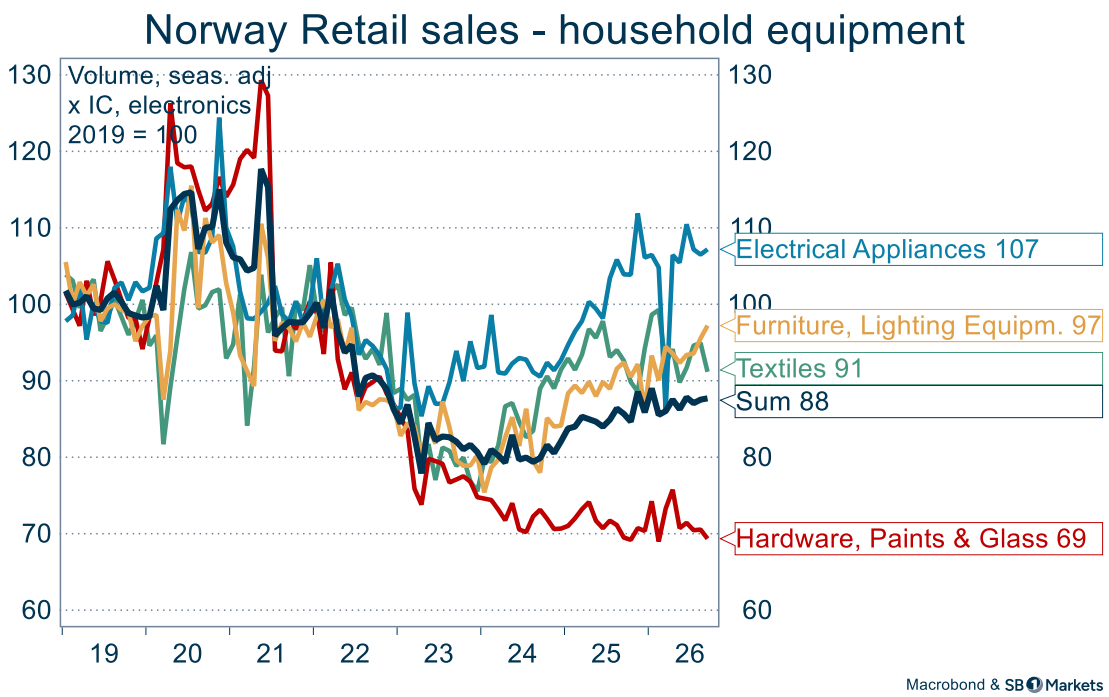


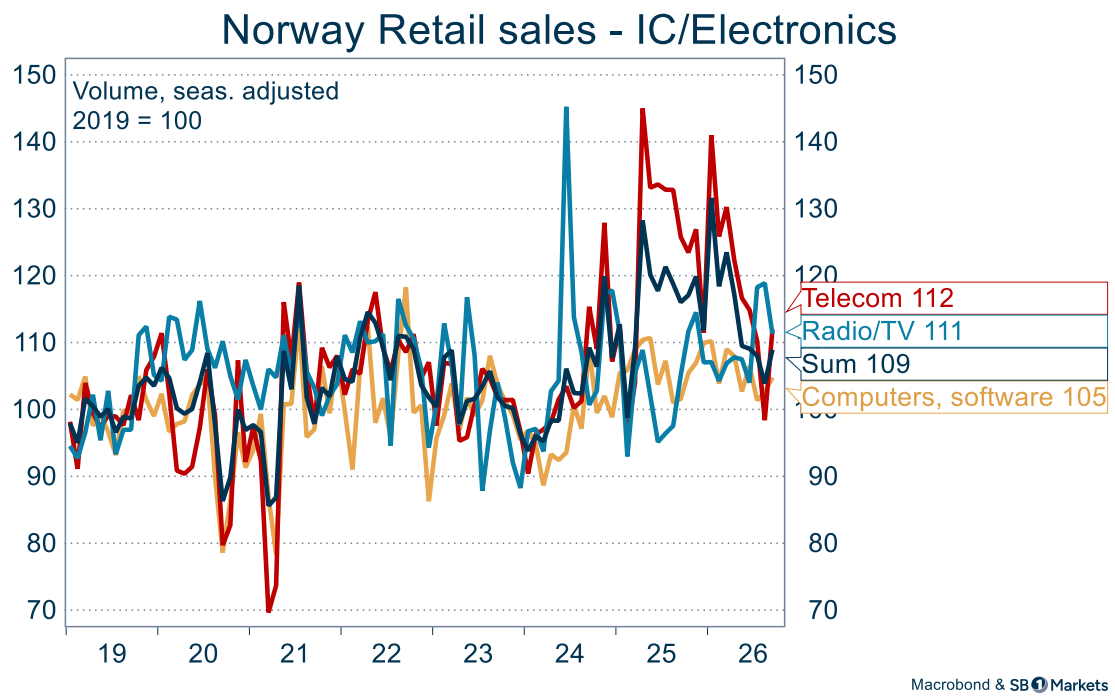
Spot the difference: here are sales in *value terms*



Sales of hardware/building materials have bottomed, at a low level, down 30% vs. 2019

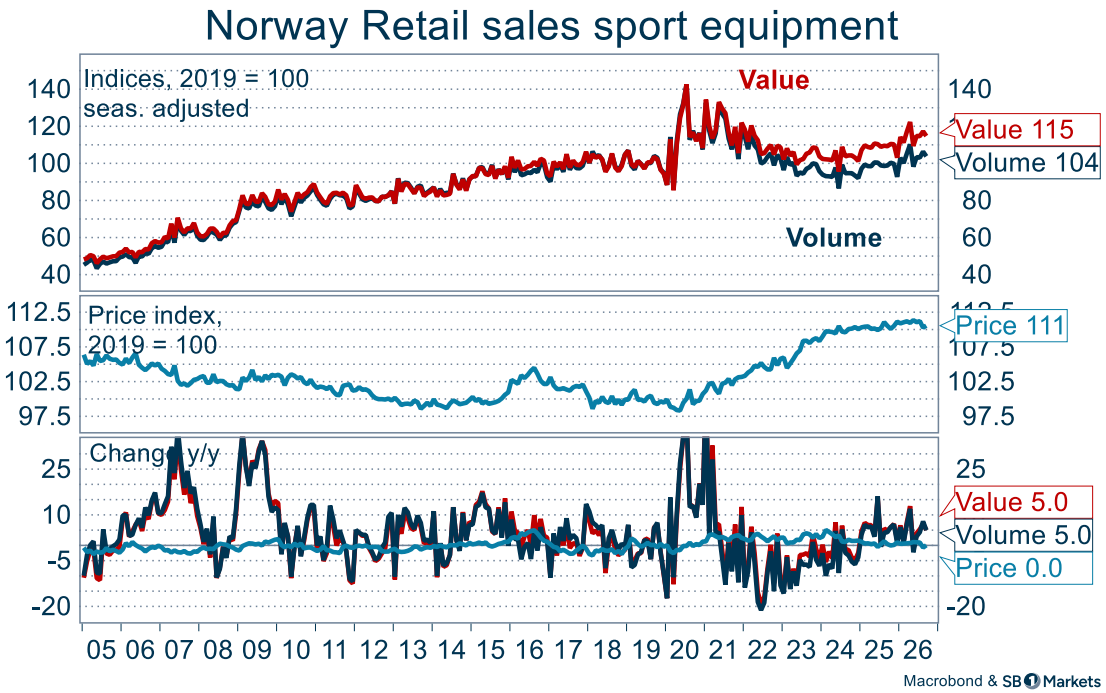
Electrical appliances trend up, as do furniture etc. sales – which are almost back to the same level as in 2019.
Sales of telecom equipment (mobile phones) have fallen in recent months, and the long-term trend (past years) is now flattish.

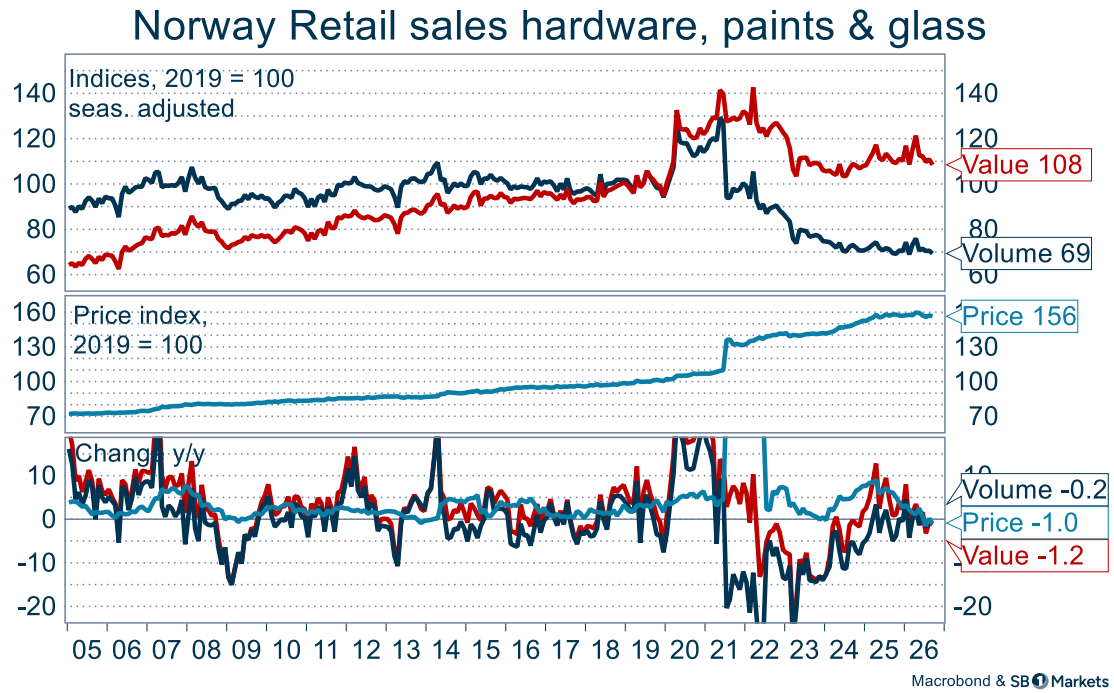




Sales of sport equipment have turned up again, +10% from 2019

Sales of building materials have flattened, in volume. And now even in value, as the price index has flattened as well.

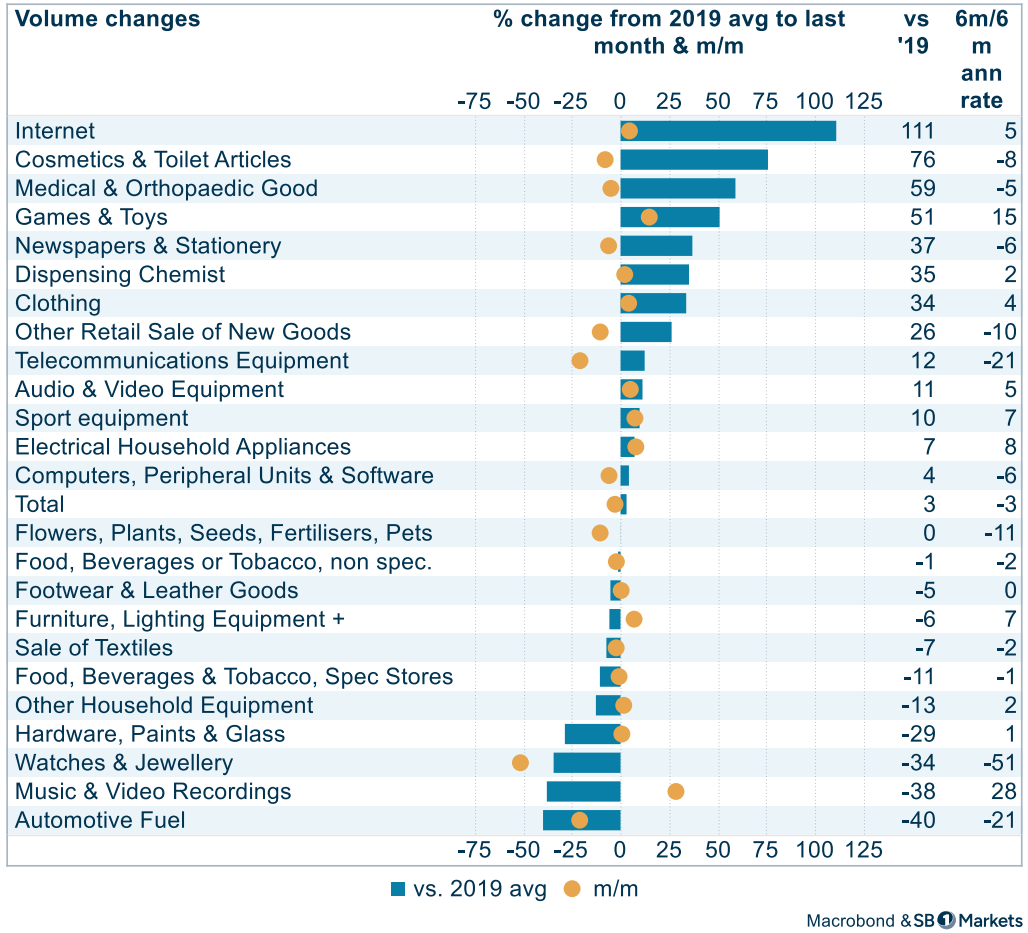




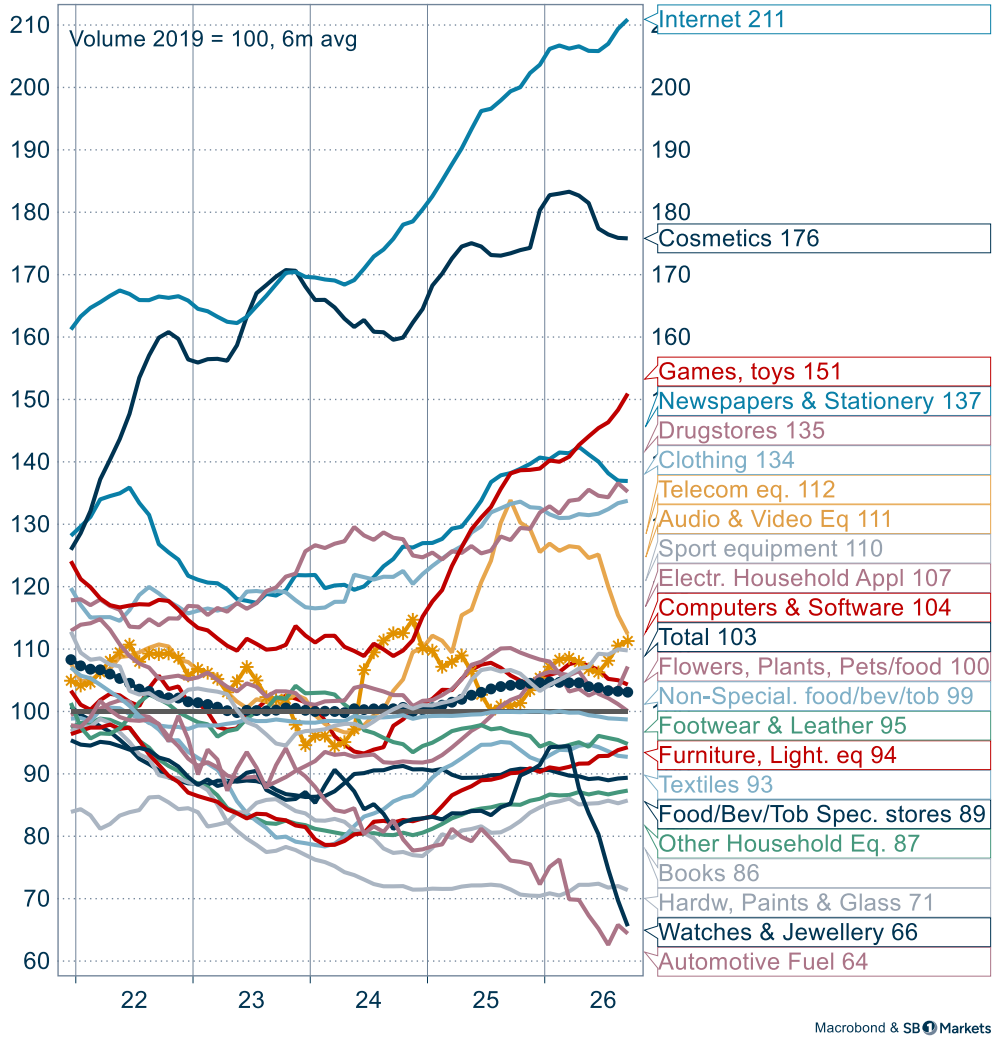
A broad slowdown: 13 sectors are heading down 6m/6m, 11 are up

Since before the pandemic: incredible sectoral differences in *sales volumes*. Hardware, paints and glass are down 29% (but have bottomed). Cosmetics +76% (in volume terms!). Domestic internet sales have more than doubled, +111%.

Norway Retail Sales

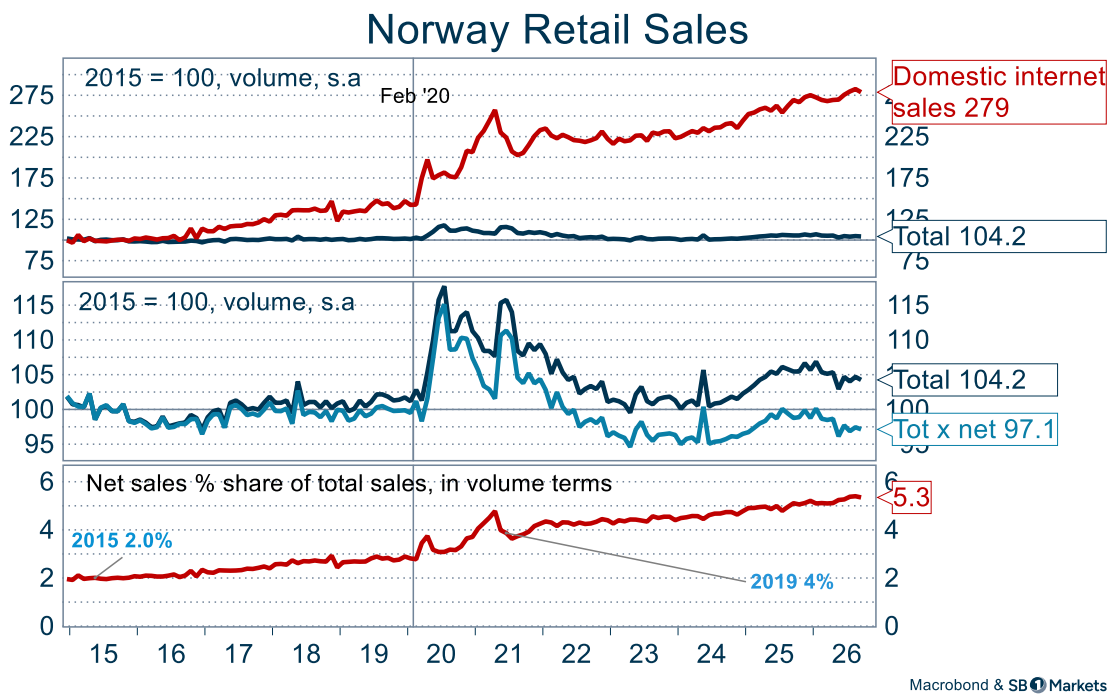


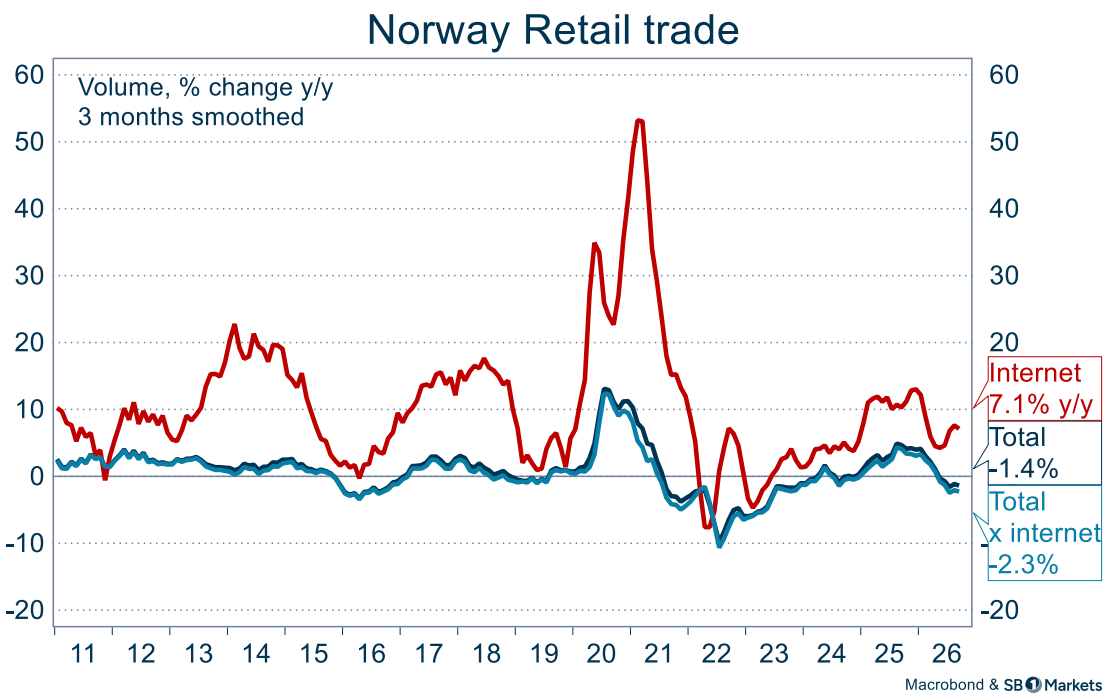
Norway Retail trade



Domestic internet sales on the way up again, +7% y/y, the rest -2% (smoothed)

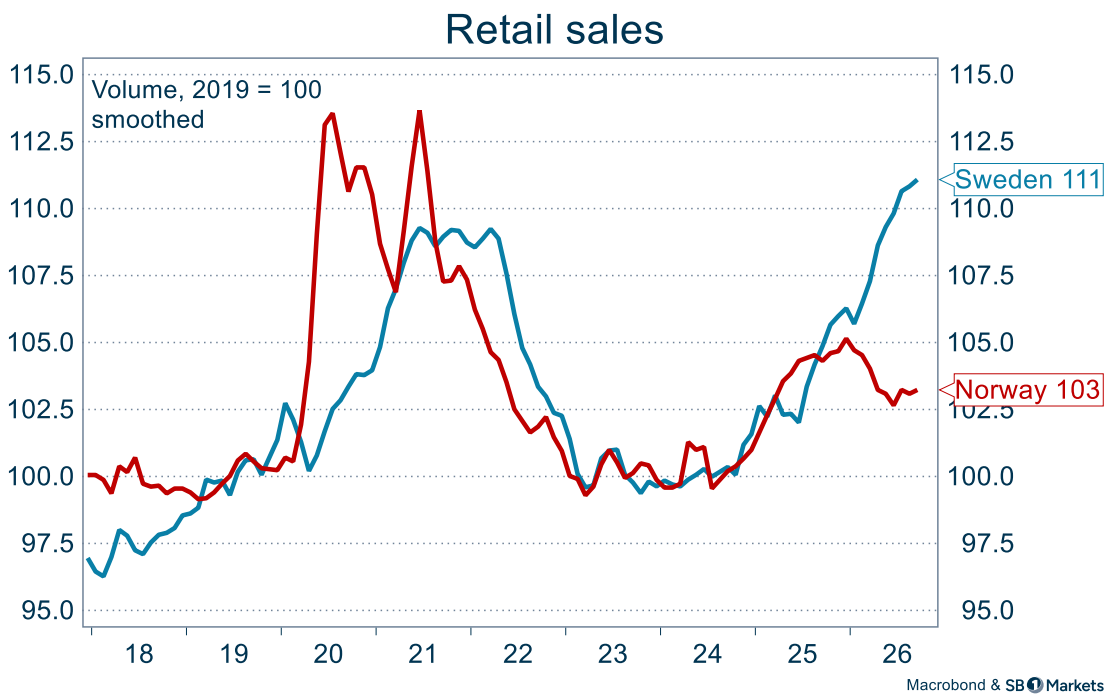
Internet sales are up 2.8x from 2015, or 10% p.a., in volume terms. Total retail sales are up just 4% from 2015. Sales ex. internet sales: down 3% since 2015, in volume terms.





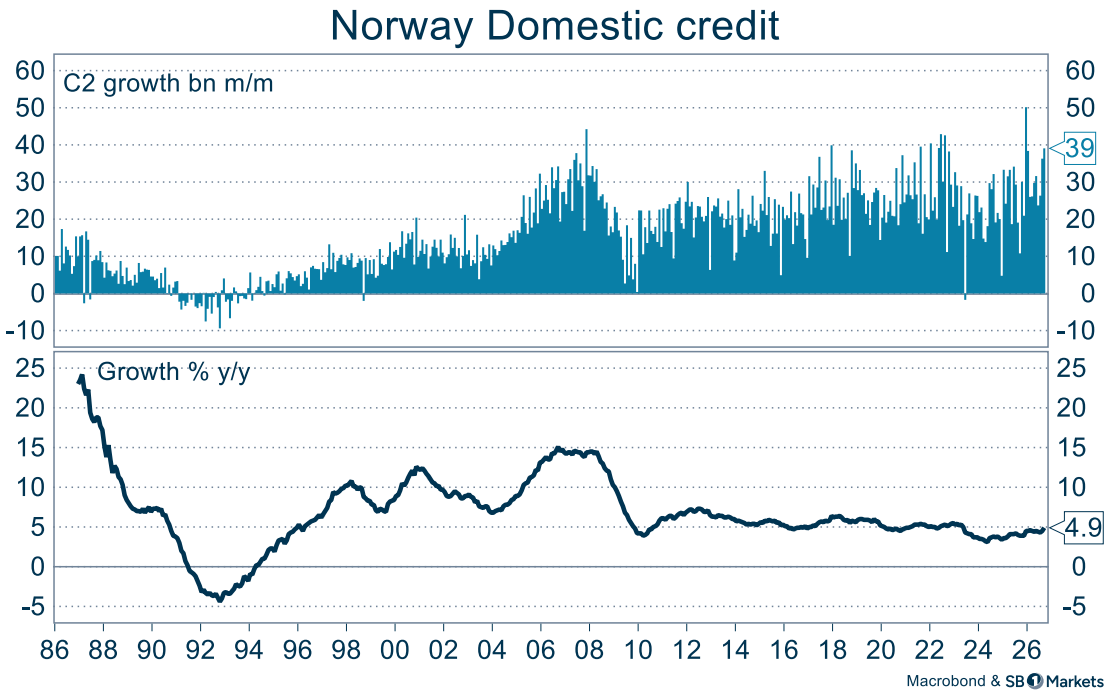
Mind the gap

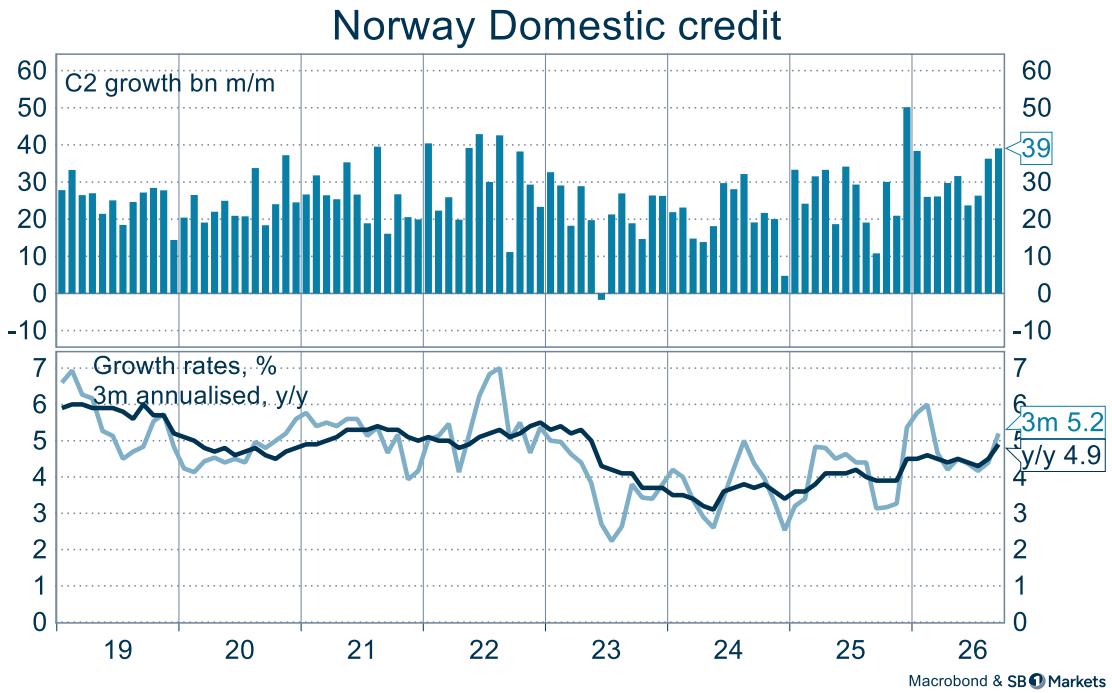
Retail sales in Sweden head up. Not so in Norway. At least not in volume terms so far in 2026. But sales have flattened recently.



Credit growth up in September, to 4.9% y/y; the corporate sector in the lead, up 5.9%

Domestic credit (C2) added NOK 39bn, or a 6.0% annualised pace. The 3m growth pace stands at 5.2%, while the annual growth rate rose 0.4 pp to 4.9% (we expected 4.6%). Household demand remains moderate and the big picture is still: credit growth is *not too hot/not too cold.*

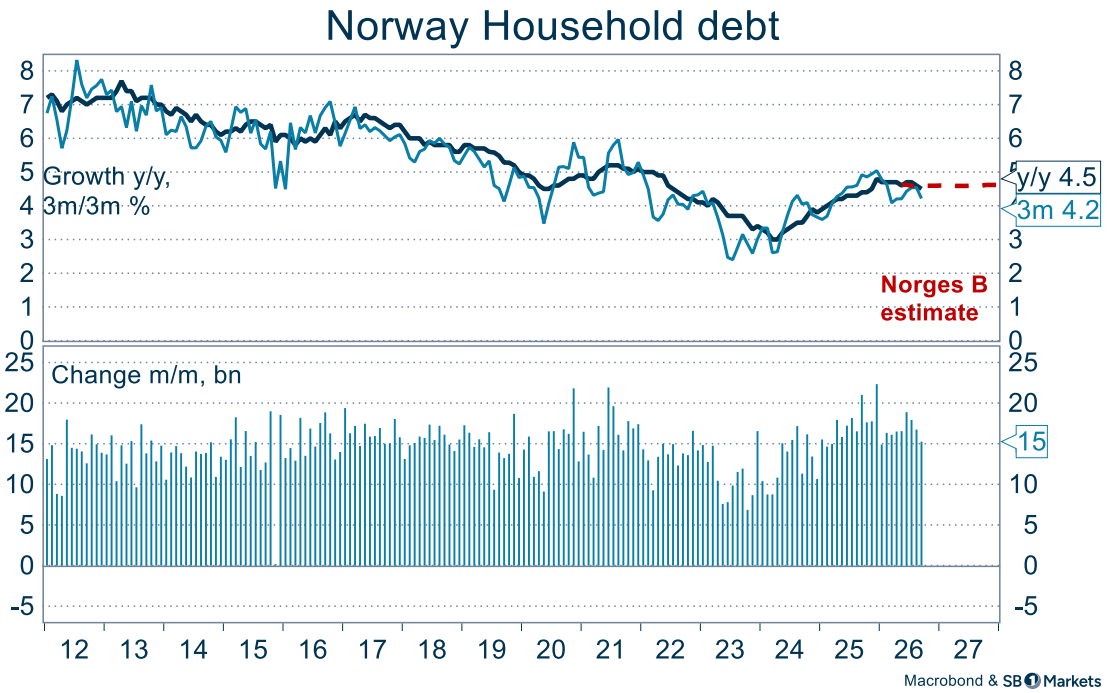


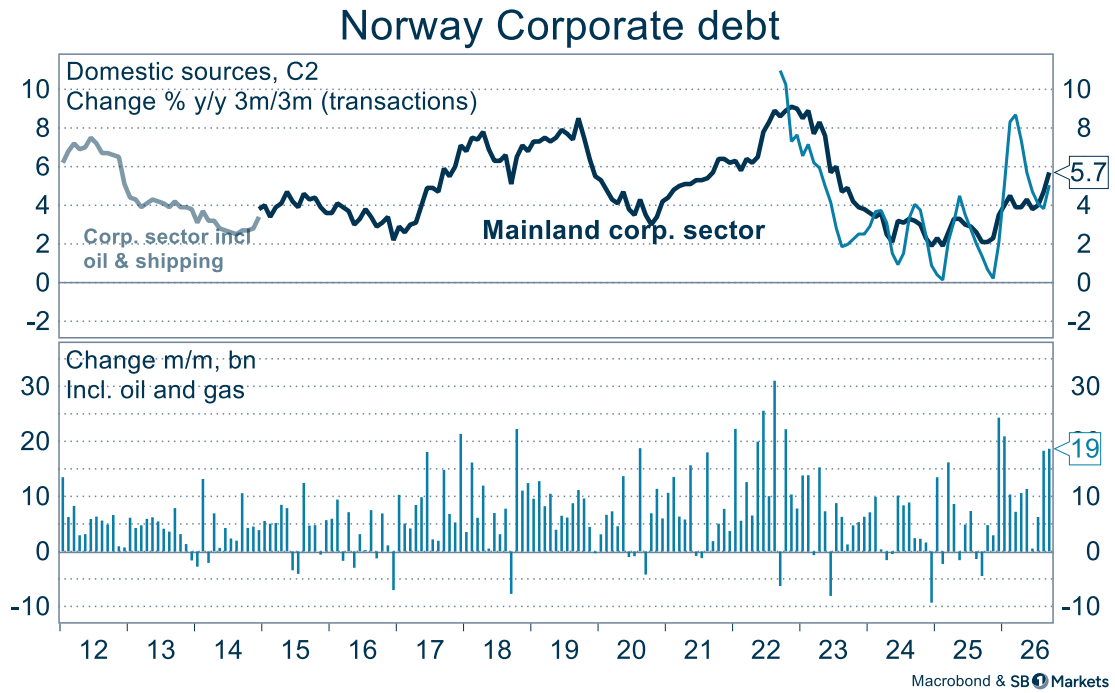


- **Household credit *rose by NOK 15bn in September***, a 3.9% pace, while the y/y rate slowed to 4.5% (as we expected). Debt growth is below household income growth, and the ***LTI ratio is on the way down***, like in ***all other rich countries***.
- **Corporate C2 credit *rose NOK 19bn***, a 9.6% pace. The y/y rate accelerated 1.1 pp to 5.9%. **Mainland businesses' domestic debt** is up 5.7% y/y. If **foreign debt** is included, the ***growth rate in C3 was 5.1%*** in Q2. **Oil & shipping**: up 10% y/y domestically, and including foreign debt 9% (in Q2).
- **Local government *debt increased by NOK 5bn***. The annual rate accelerated 1.4 pp to 4.4%, ***still below their income growth, and their LTI ratio heads down.***
- ***In sum: Credit growth is modest and is not by itself an argument for hiking the signal rate. But far from so low that it is an argument for cutting.***

Household credit growth is stabilising while corporate credit growth is accelerating

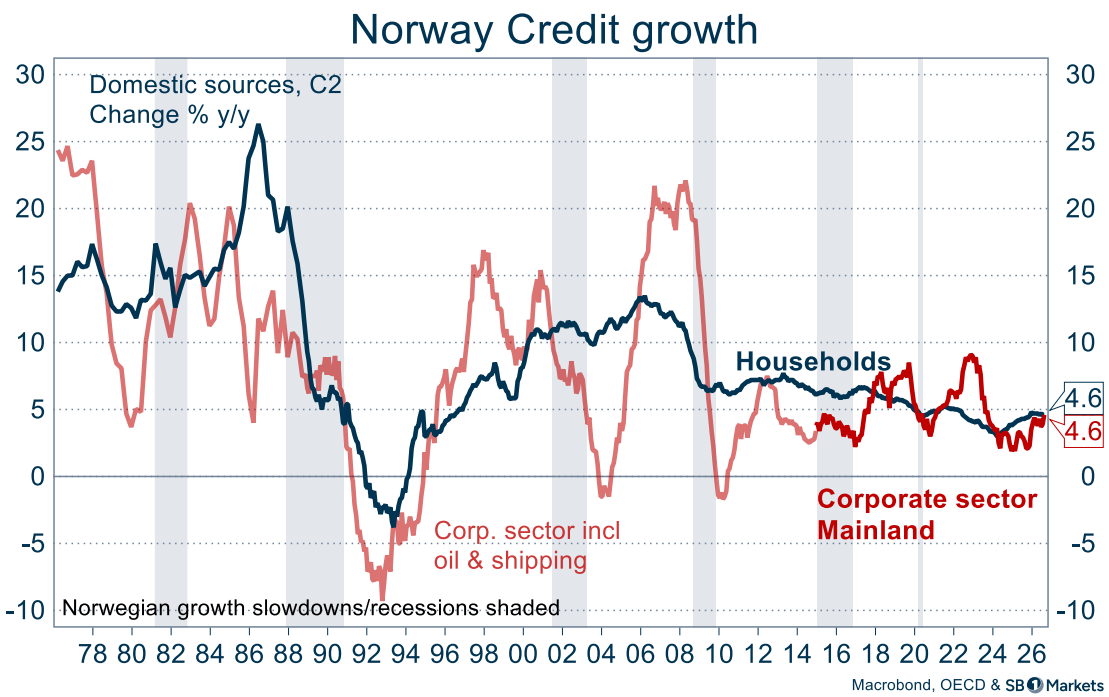
Growth in household debt is close to 4.5%, and if anything, heads down. Growth in Mainland corporate credit is far more volatile, but growth has accelerated lately – and sharply from the 2%-level recorded a year ago, now to 5.7%, signalling higher investments.

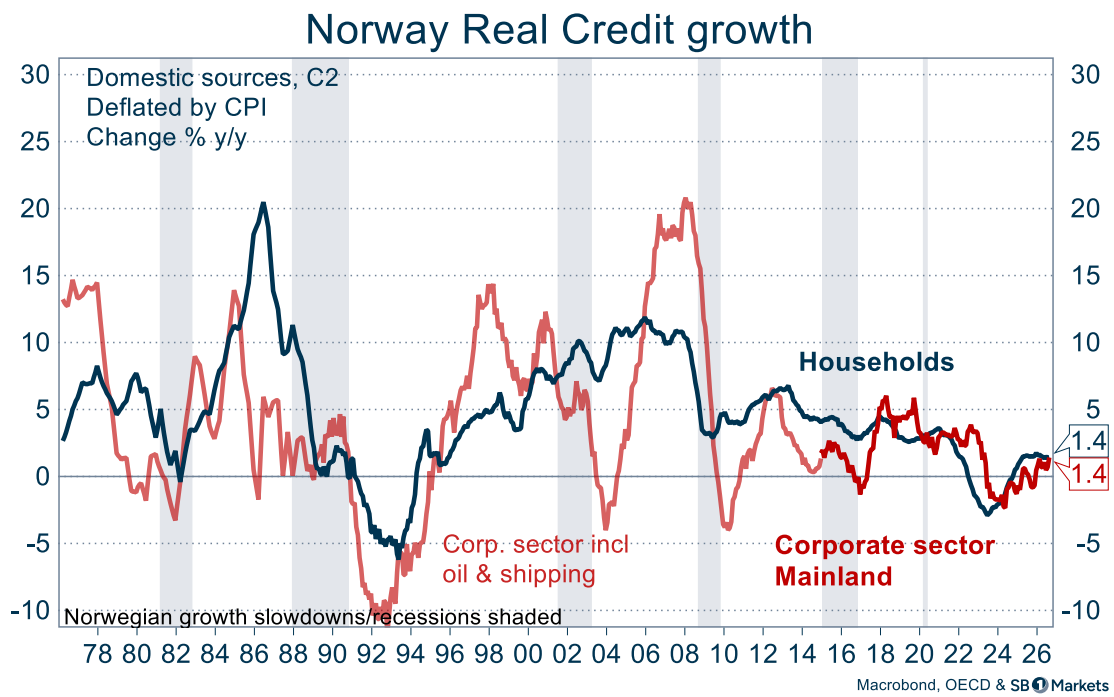




Nominal credit growth remains modest, and debt is growing slowly in real terms

… but it is growing again!

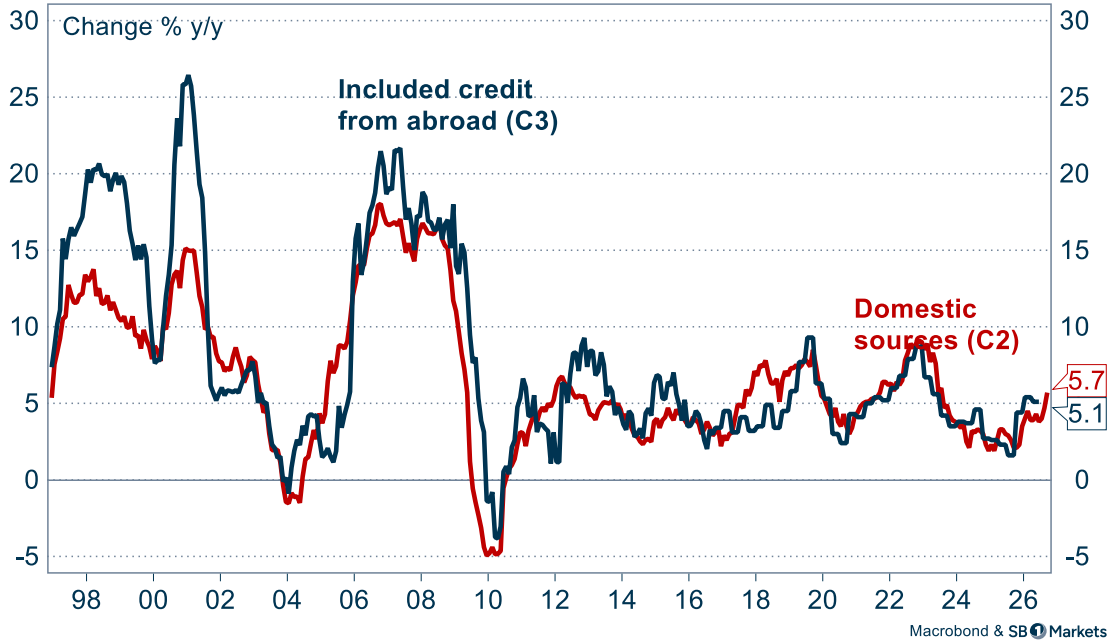




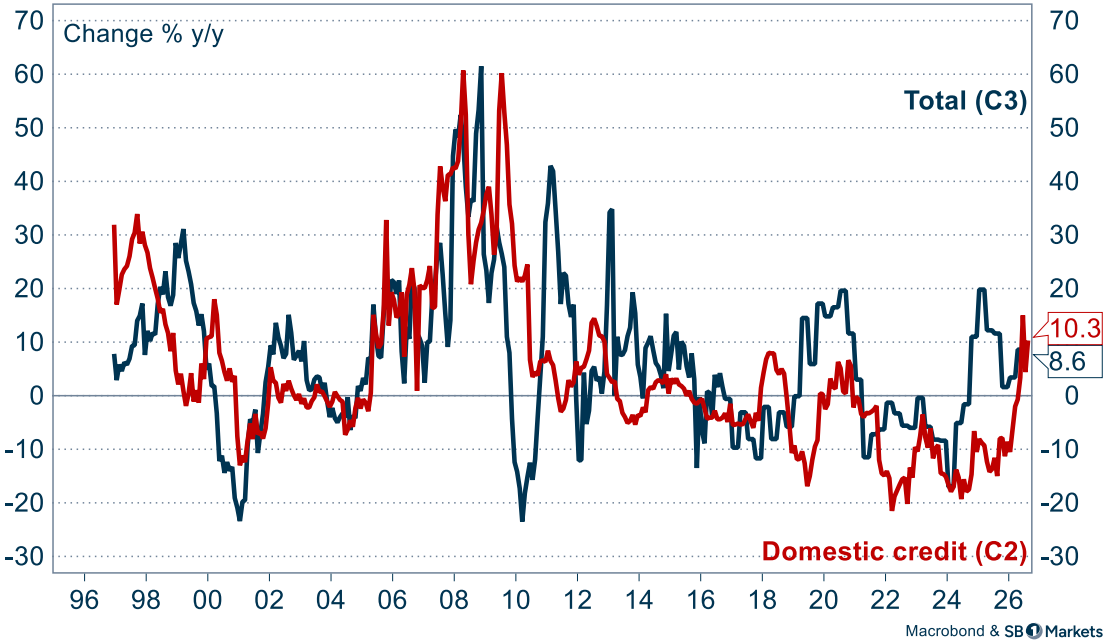
Mainland corporates increased their total debt (C3, incl. foreign credit) by 5.1% in Q2

In September, their domestic debts were up 5.7%.
Oil & shipping total debt was up 9% in Q2 (and is up 10% from domestic sources in September).

Norway Mainland (ex oil/shipping) corp credit

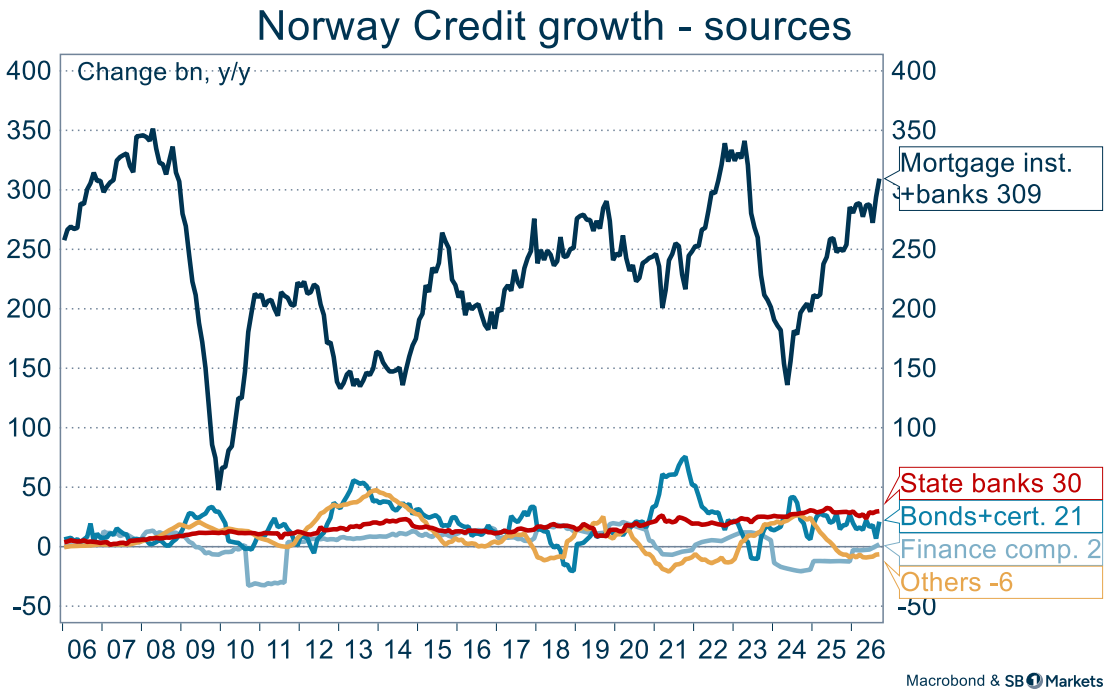


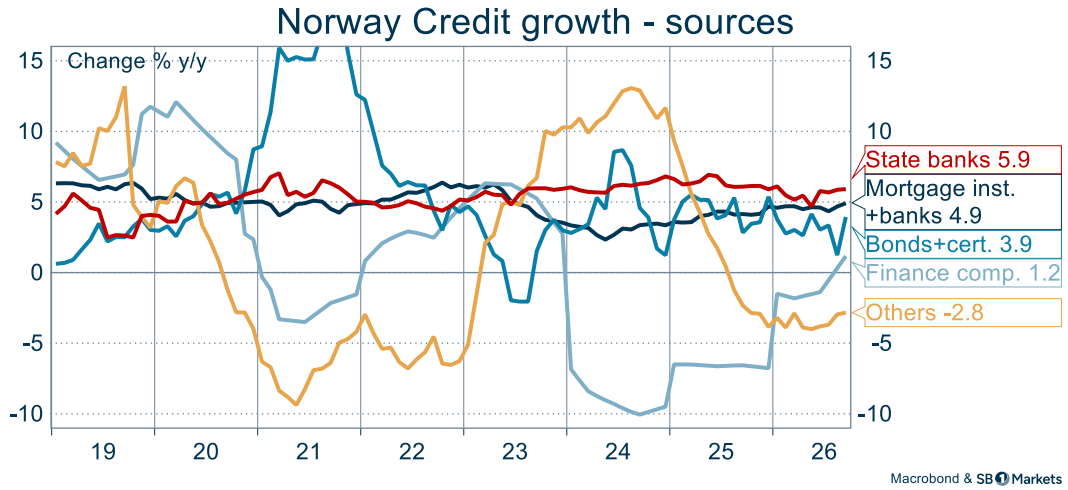
Norway Credit growth, Oil & Shipping

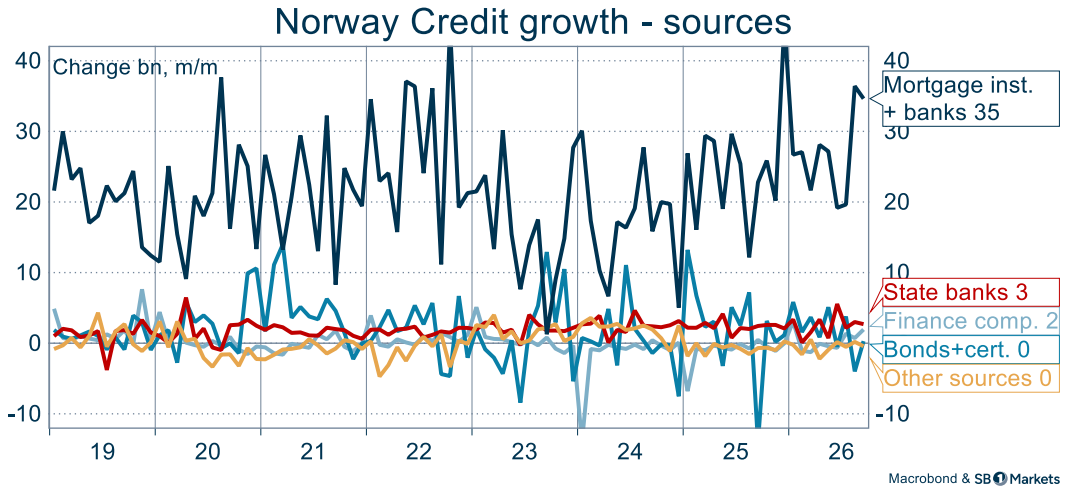


Growth in bank/mortgage companies' loans on the way up again. Now +4.9% y/y

Private sector banks & their mortgage companies totally dominate the credit market.



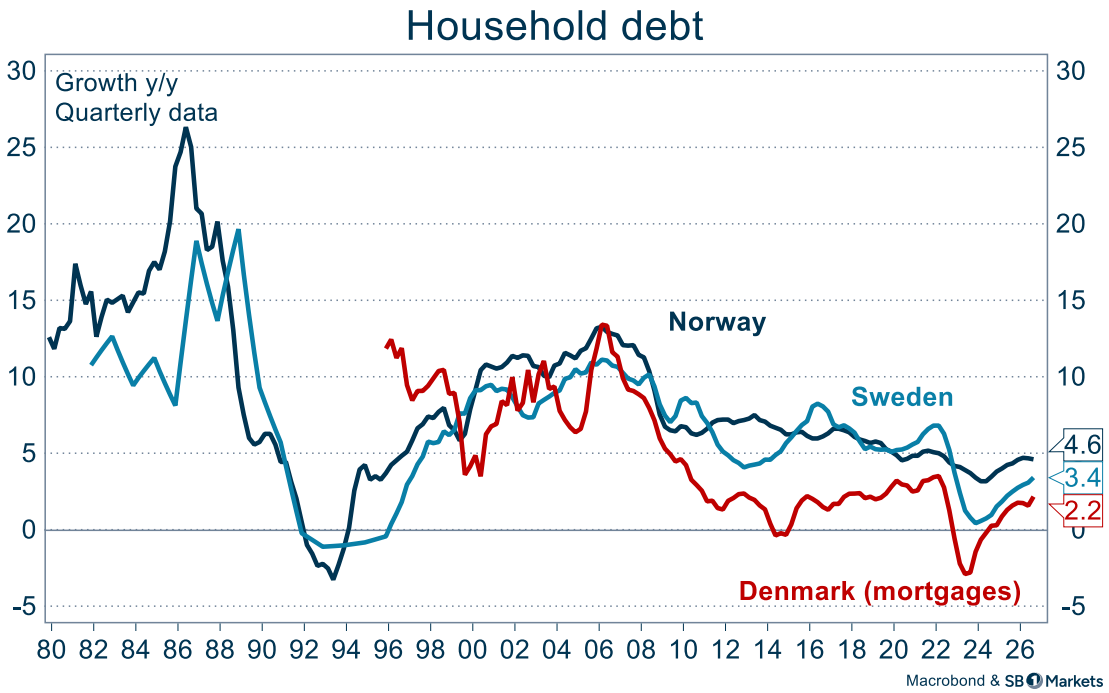




- Loans from **banks/mortgage companies** were up NOK 309bn y/y in September. The annual growth rate rose to 4.9%, from 4.7%.
- Net issuance of bonds (+ bills, to the non-financial sector) is at NOK 21bn in the last 12m, or 3.9%. No net increase last month.
- Credit from **finance companies** is close to zero y/y (and m/m).
- Loans from **state-owned banks** are up NOK 30bn, or 5.9%, and are still the leader of the pack, in percentage terms.
- **All 'others'** have reduced their lending by NOK 6bn, or down 2.8% y/y.

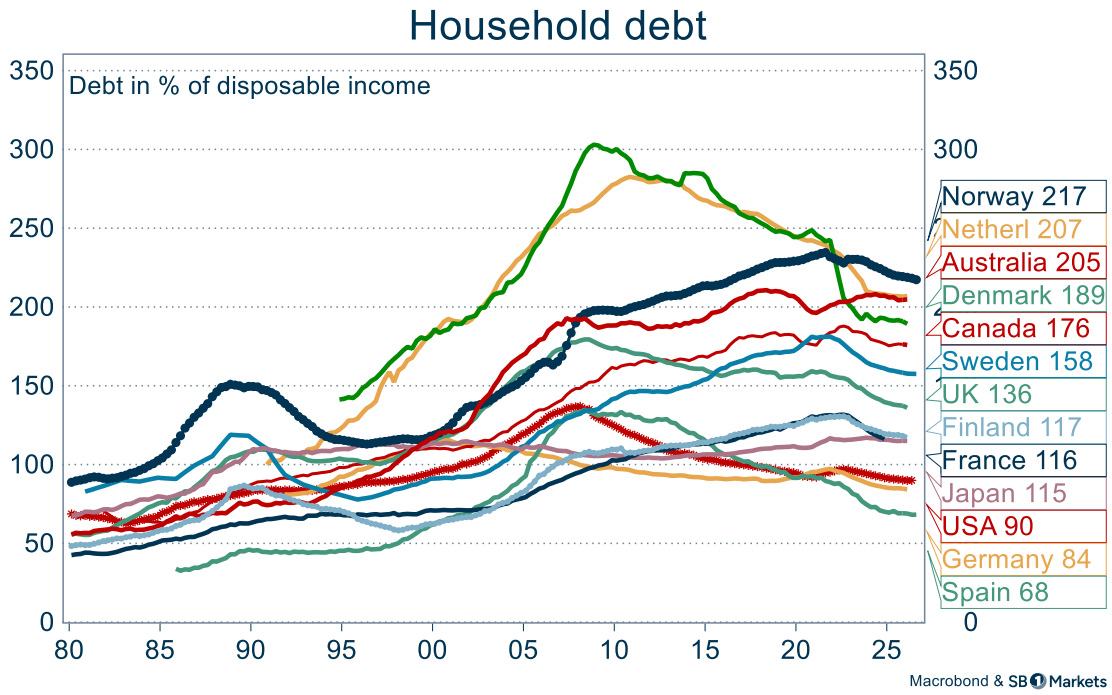
The seasonally adjusted 'sum of the parts' credit supply does not exactly equal changes in the total C2 seasonally adjusted. Consumer banks are included in 'banks and mortgage companies'.

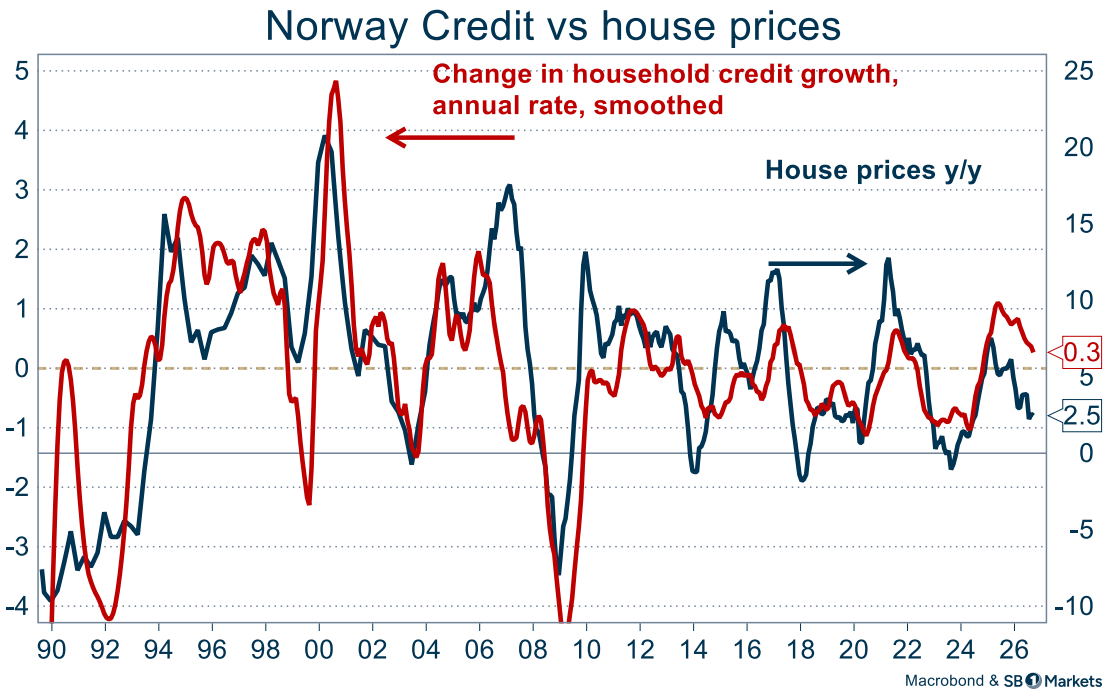
The Scandics: Slow growth in household debt – but it is slowly accelerating again!



Households' debt/income ratios are falling *everywhere*

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

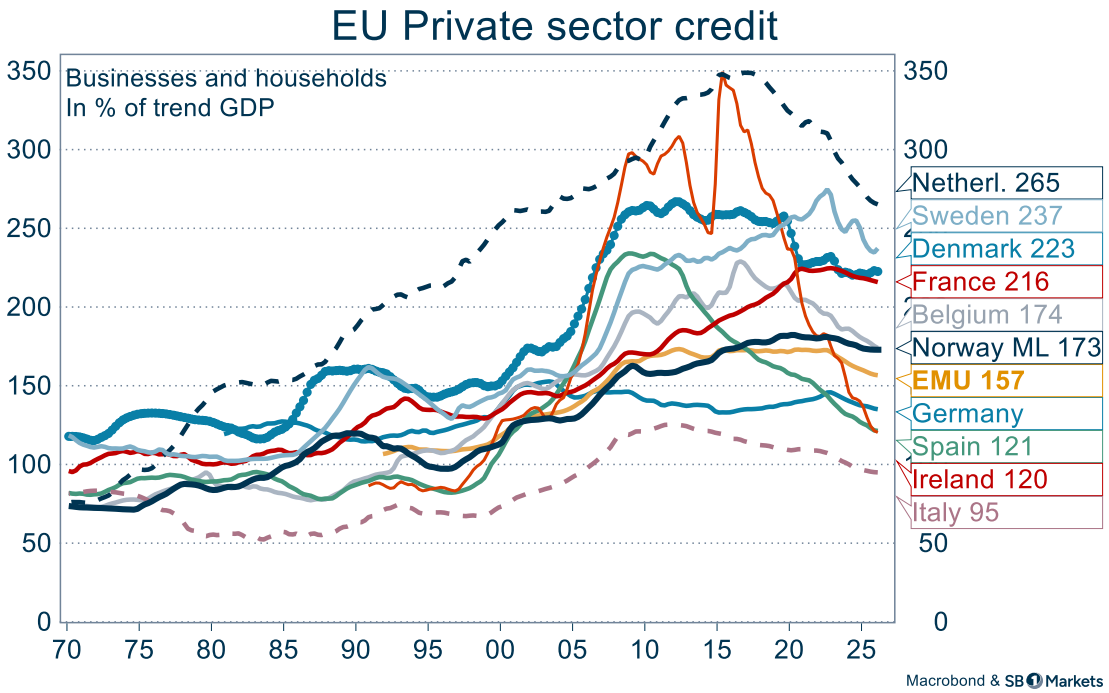


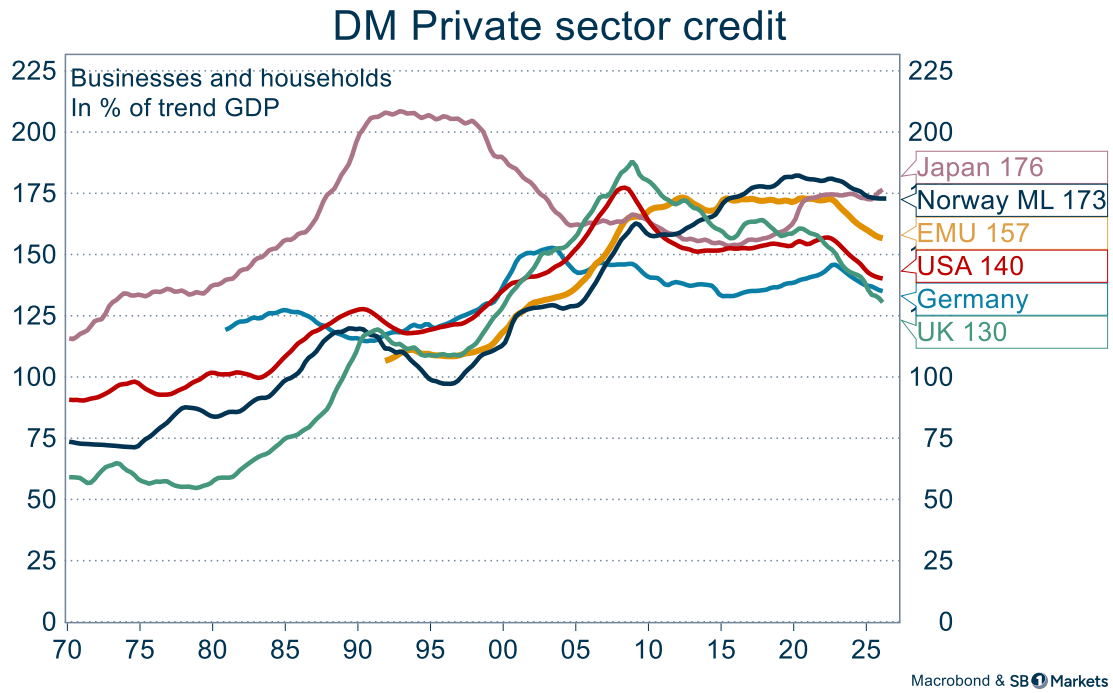


- ***Changes*** in credit **growth** (the 2nd derivative) are usually correlated with economic growth, and asset markets – including ***growth*** (the 1st derivative) in house prices.
  - A gradual retreat in the debt ratio will probably be healthy in the long run, and if managed carefully, it need not be painful – not even for the housing market.
  - If credit growth ***slows by less than 1 pp per year*** (e.g. from 4% growth this year to 3% next year, then down to 2%, etc.), ***house prices should just flatten***. Recently, growth has accelerated by 0.4 pp (though from 1 pp last year).
- **Households' LTI debt ratios** are on the way ***down in all DM countries, and most have been on the way down over the past 15–20 years.***

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

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



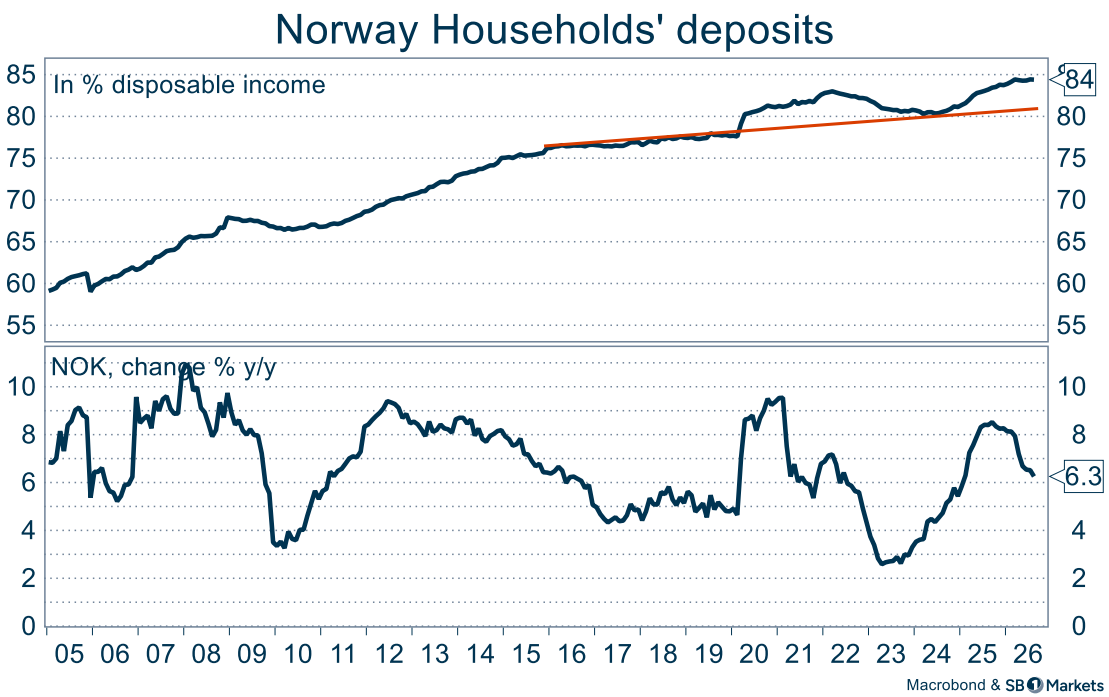


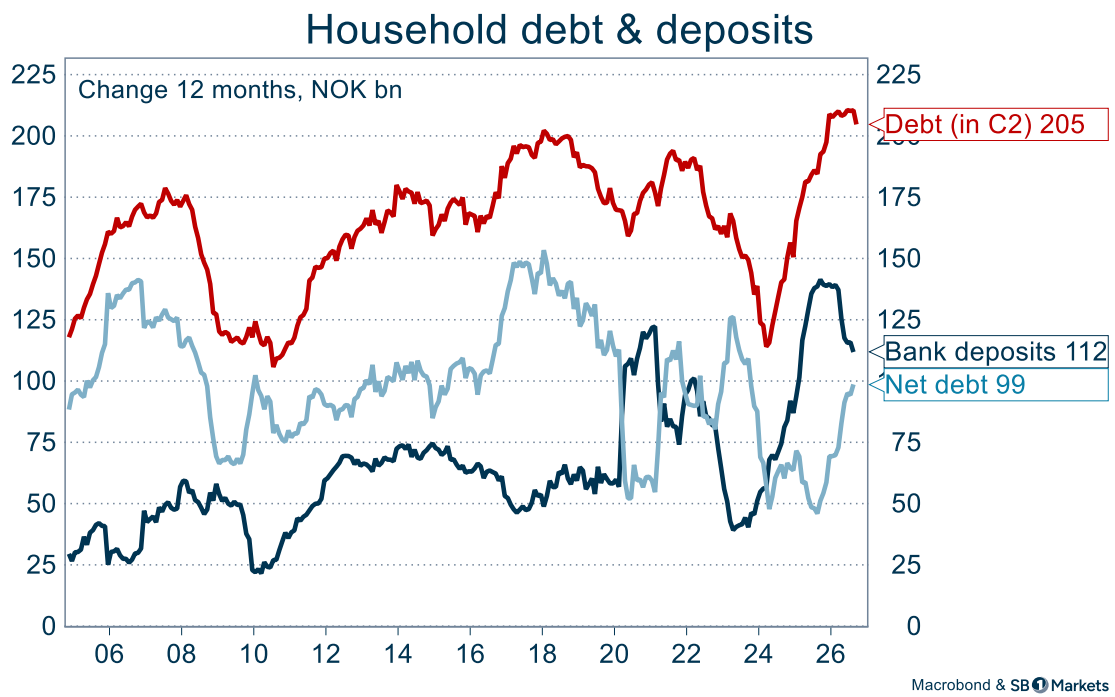
- The household sector has reduced debt-to-income ratios almost everywhere over the past 15–20 years – with some exceptions: Norway, Sweden and Canada started just a few years ago when interest rates were normalised, and Australia joined last year. So now, we are on the way down!
  - Private sector debt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

Sources: BIS, SSB, OECD and SB1 Markets.

Growth in households' bank deposits slows, now down to 6.3%

Deposit growth, measured in %, is still higher than growth in disposable income, as well as growth in household debt. Debt growth is still faster measured in NOK, but less than 'normal'. Now, growth in net debt is accelerating again.

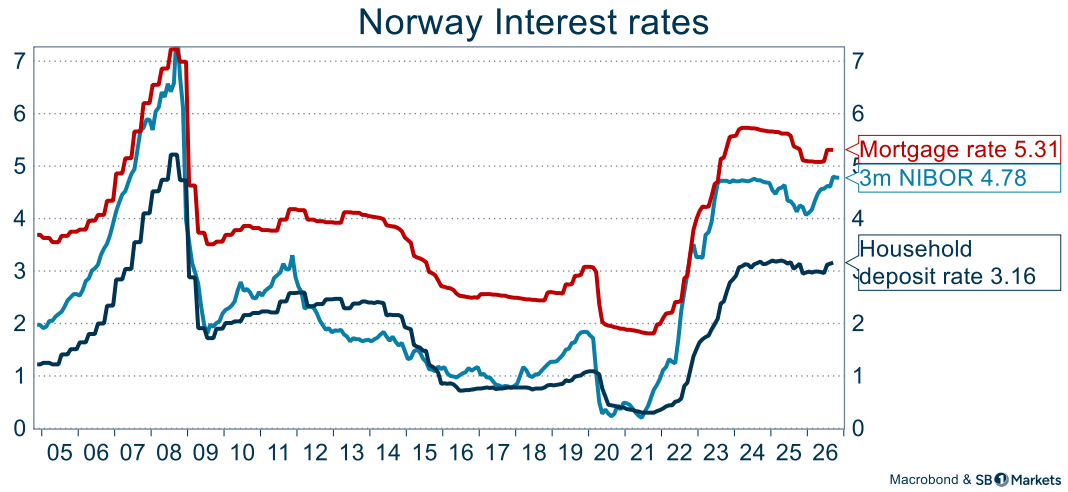


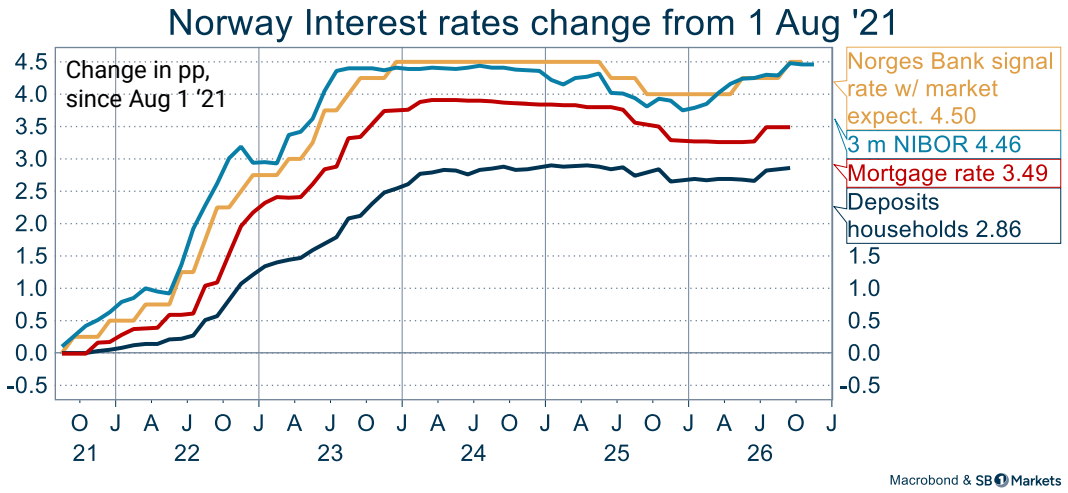


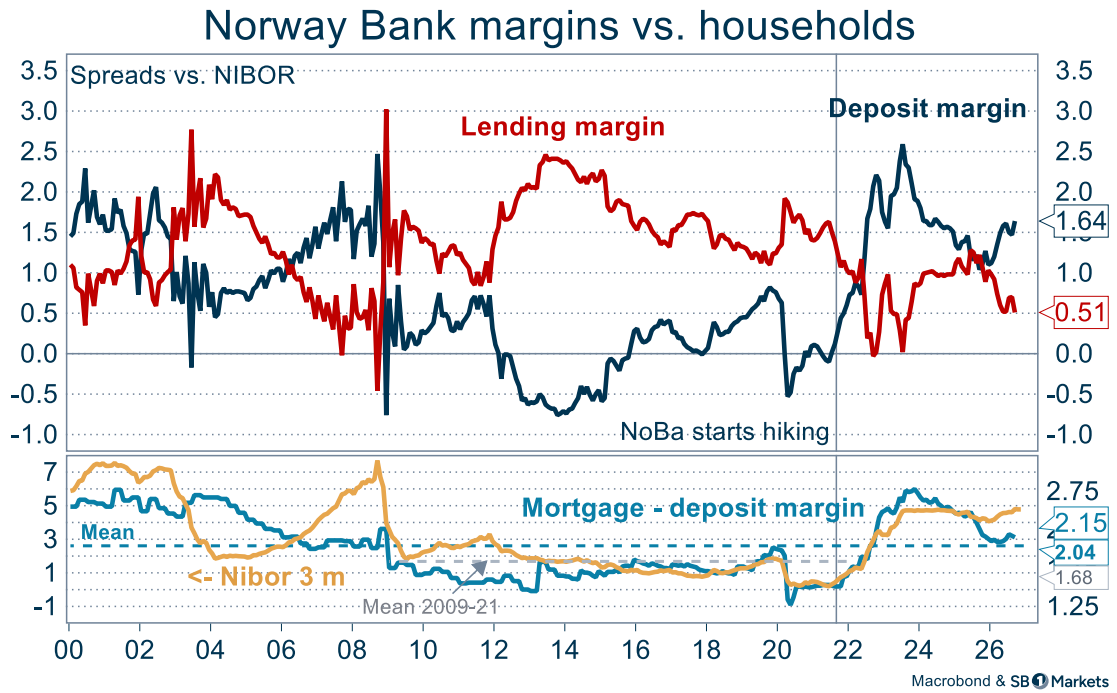
- **Households' total deposits** were up 6.3% y/y in August, down from 8.5% at the local peak last September but still well up from 3% at the bottom in 2023.
  - Deposits are still well ***above a normal level*** vs. household incomes, due to the rapid increase in savings during the pandemic and the drag from higher net interest payments over the past two years. Now, deposits are climbing faster than normal growth in household income again, without any external 'trigger' (besides higher interest rates).
- In addition to their 'investments' in deposits, households have also increased their investments in other financial assets like pension funds, mutual funds, equities etc.
- **Households' debt** is growing faster than deposits, measured in NOK, and the gap has widened again slightly in recent months. Households are investing in other financial assets, like pension funds, mutual funds, equities etc.

(Almost) no change in lending or deposit rates in Sep. The next move is up, of course

The average mortgage lending rate was flat at 5.31% (outstanding loans); the average deposit rate (households) was up 2 bps to 3.16%. The lending margin vs. NIBOR is very low, after falling 19 bps to 51 bps, while the deposit margin rose to 164 bps





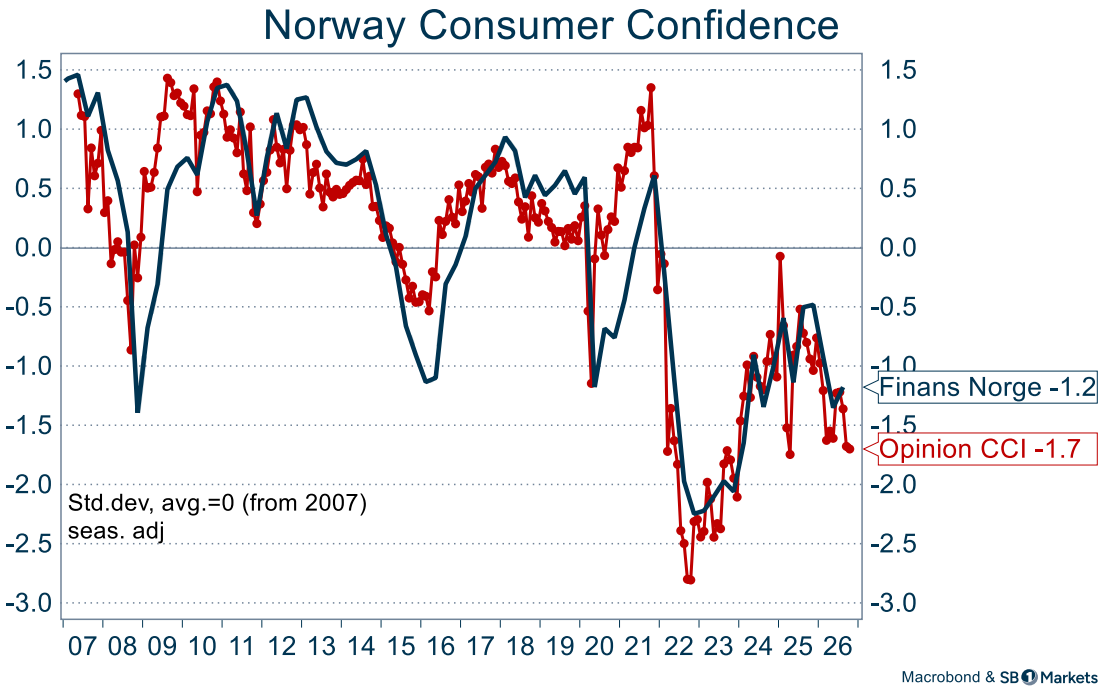


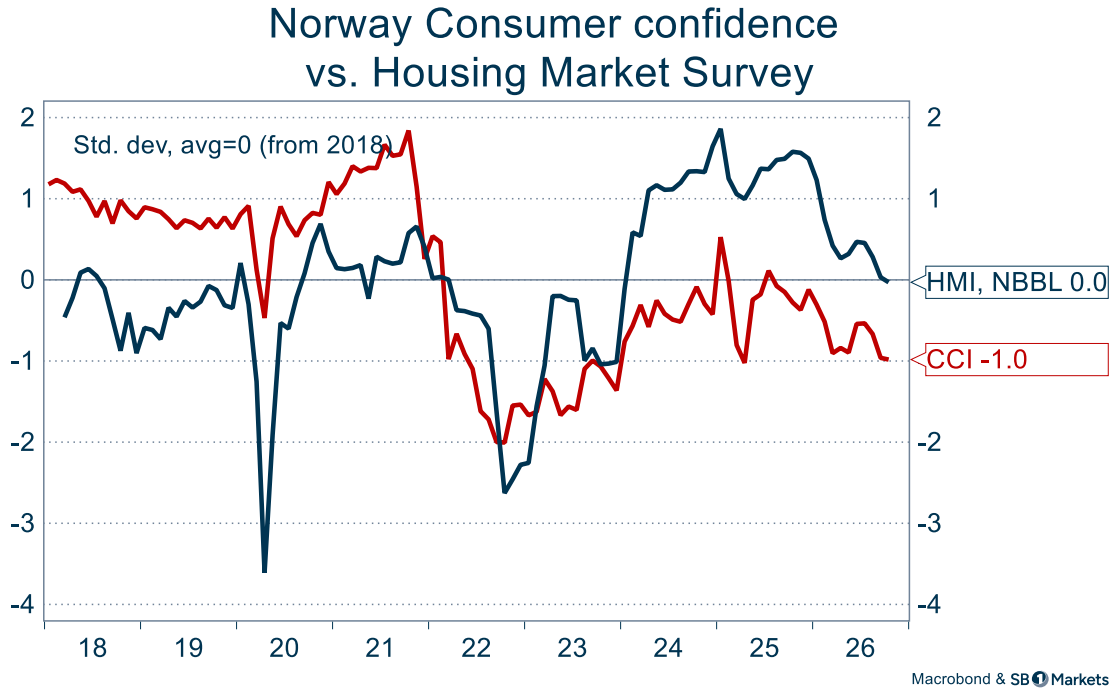
- **The mortgage-deposit margin** at 2.04 pp is marginally above the average level since 2000, but well above the level in the 'low-rate era', at 168 bps.
- Since before NoBa started its hiking cycle in September 2021, the signal rate was up by 4.5 pp per September (from zero).
  - The 3m NIBOR was up 4.47 pp.
  - The average mortgage rate was up 3.49 pp.
  - The deposit rate was up 2.86 pp.
  - Modification: The lending margin was higher than normal in August 2021, and the deposit margin was negative! The mortgage-deposit margin was way below normal, at 150 bps.

End of month data

Consumer confidence trends down and falls slightly in October

Opinion's Consumer Confidence Index has been trending down since mid-2025, and the October level is the lowest since April 2025. The index was 1.7 std. dev. below average, like in September (seasonally adjusted).

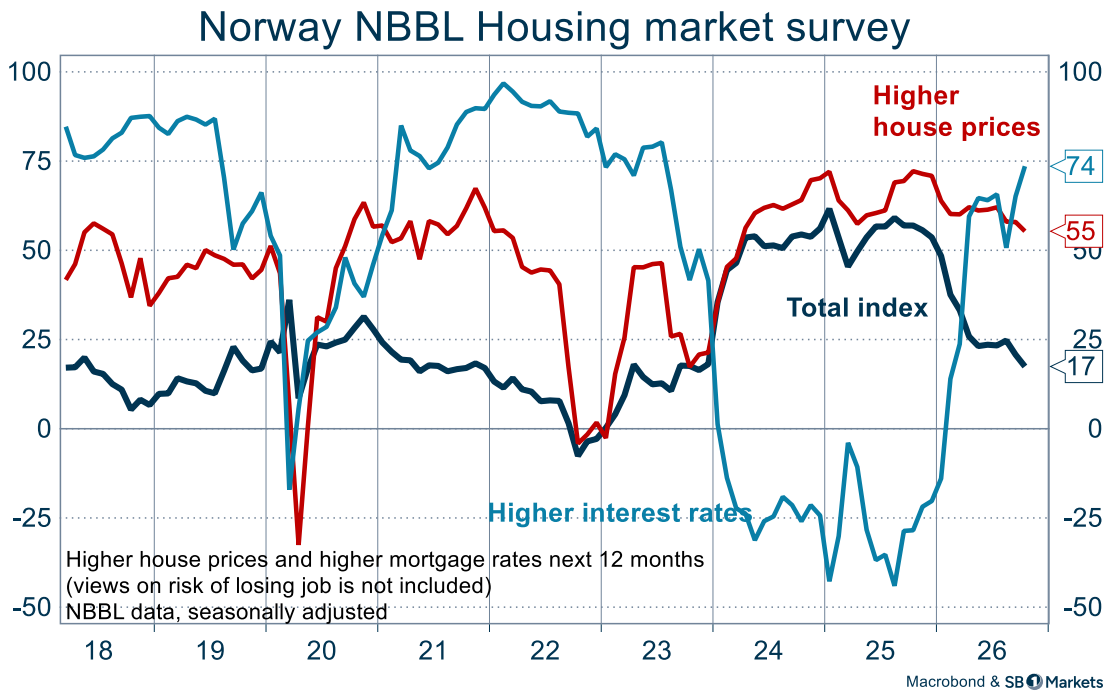


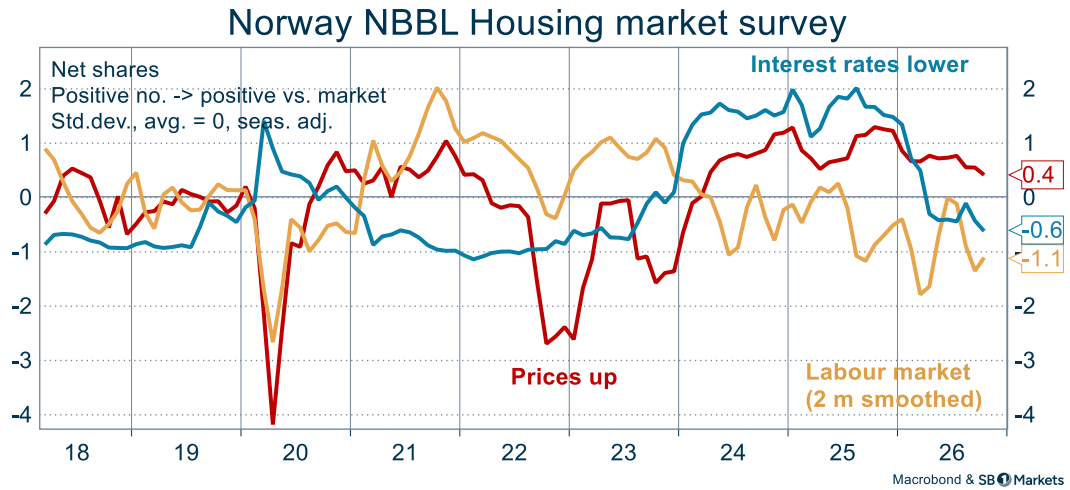


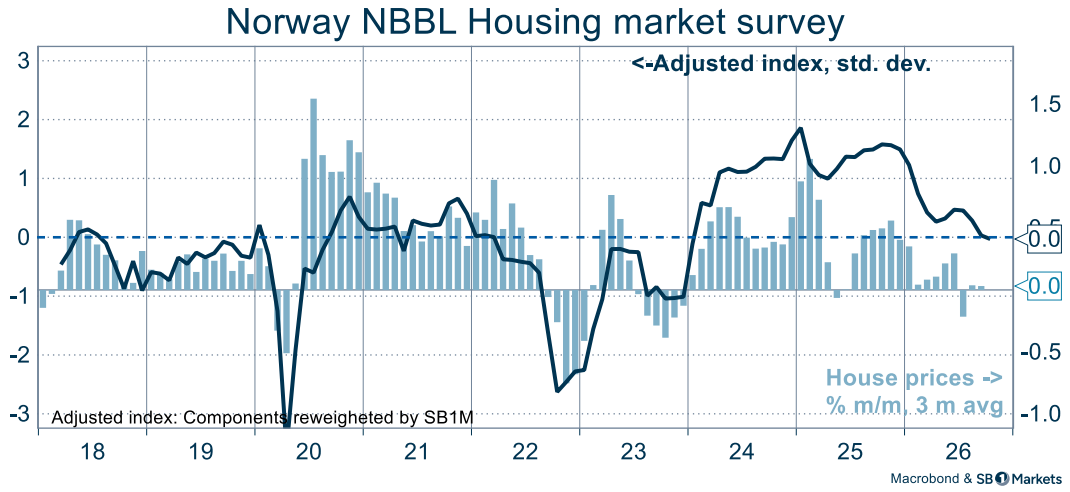
- The CCI is 1.0 std. dev. below the average **since 2018** in the *chart to the right* – to be comparable with NBBL's Housing Market Survey's history (*more next page*). Taking the whole story into account, the CCI is 1.7 std. dev. below average, in the *chart to the left*.

NBBL Housing Market Survey: down to an average level in October

Rate fears rose and fewer households expect house prices to increase (but still more than normal). The assessment of the labour market remains below par. Our index aggregate would normally suggest higher prices, but the index has been too positive since 2024.







- The change in the **rate outlook** started in late Q3 last year, and now households expect higher rates, and more than normal.
- The assessment of **the labour market** deteriorated further and is below avg.
- Households expect **house prices** to increase faster than normal, but less so in recent months.
- **Our adjusted headline index** (*in the lower right chart*) fell 0.1 std. dev. to an average level in October, the lowest level since early 2024.
- The correlation to actual house prices is not impressive, mostly because price inflation has been weaker vs. HMS optimism after 2024 than before.

SB1 Markets

SB 1 Markets

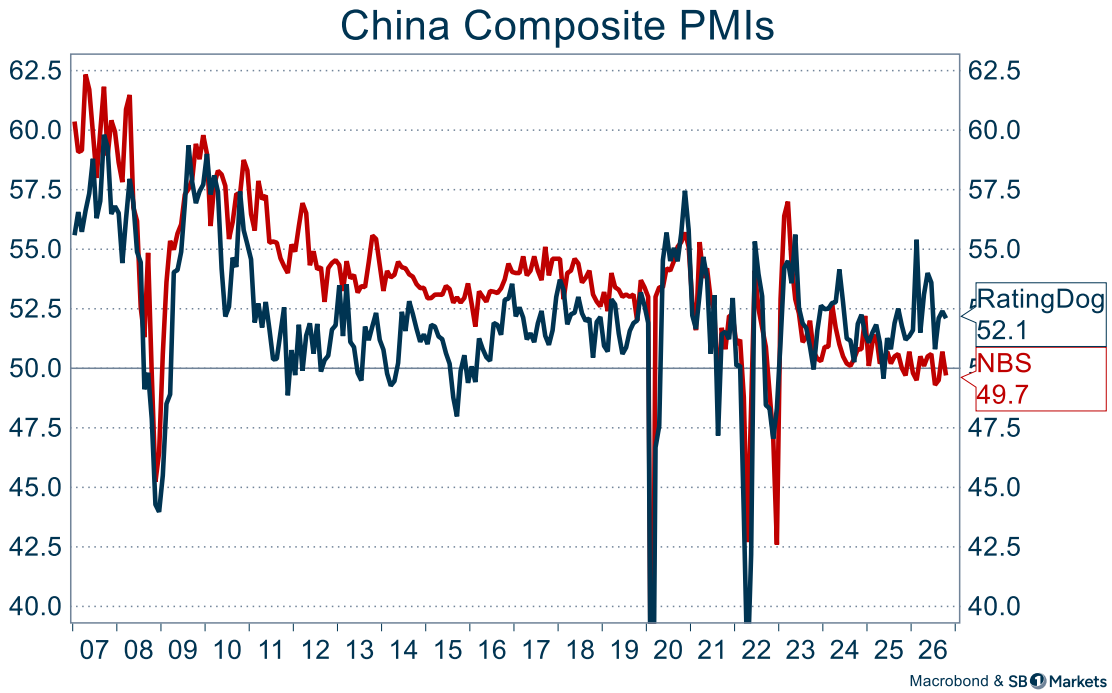


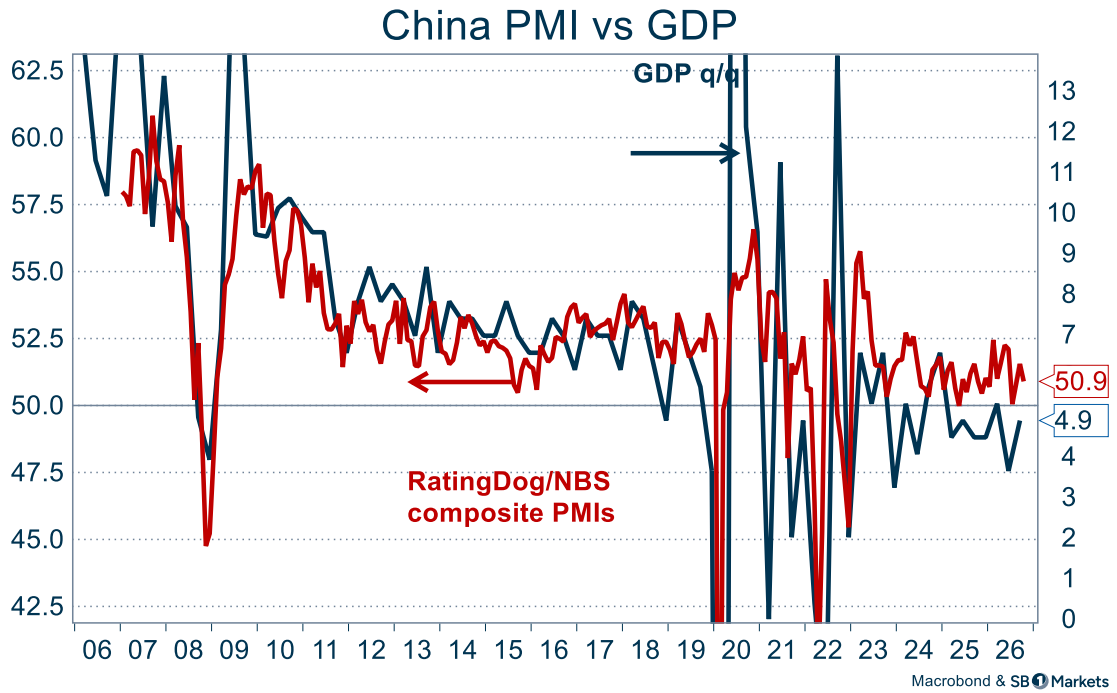
Asian PMIs

*Picture source: ChatGPT

China: the ‘official’ PMI turned down again in October, RatingDog’s manuf. Index still strong

The ‘official’ NBS composite PMI fell 1 p to 49.7, a low level vs. both long-term and short-term averages. Manufacturing slowed the most, but the services PMI fell as well. RatingDog’s ‘private sector’ manufacturing PMI fell just marginally



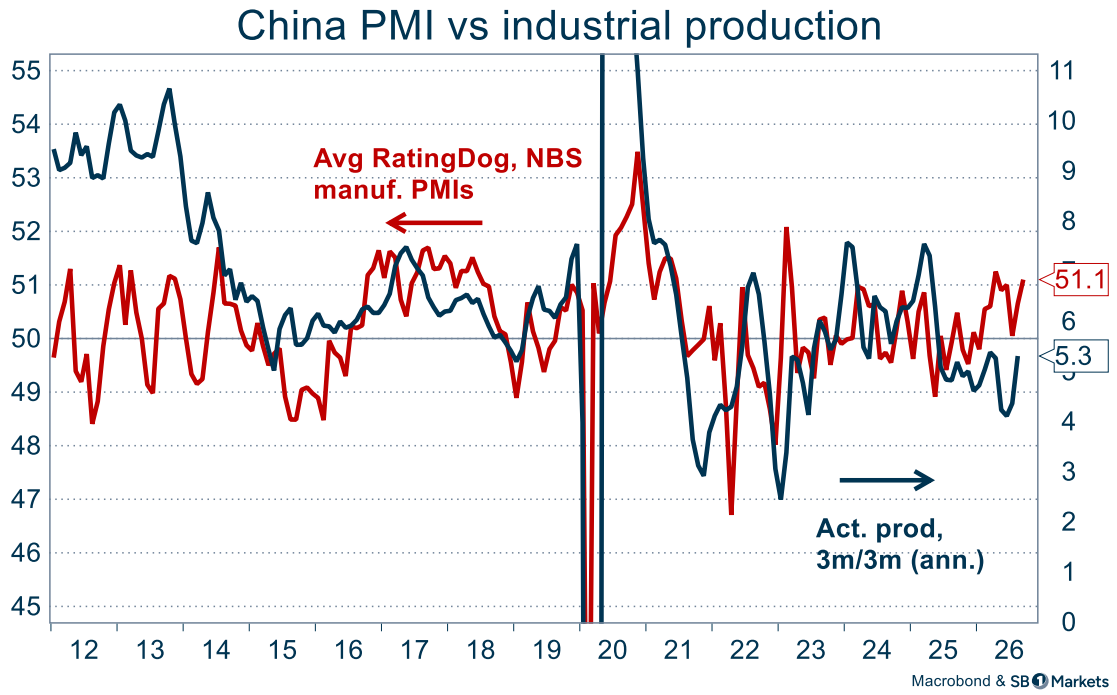


- RatingDog’s PMIs have been far stronger than justified by actual growth over the past year.
- Assuming a modest decline in RatingDog’s service sector index, the composite RD would decline just marginally too.
- The average of the 2 data sets at some 51 would normally signal some 6% GDP growth, but since the pandemic, the PMIs have been stronger than actual growth has turned out to be – and even more recently.
- In Q3, GDP grew at a 4.9% pace, and the PMIs may signal a growth at this level.

China’s manuf. sector PMIs: still two very different stories told

The NBS manufacturing PMI fell 0.8 p to 49.3, close to the low levels seen several times the past 3½ years, and well below average. On the other hand, RatingDog’s ‘private sector’ PMI fell 0.1 p to 52.0, and remained far above average. So far, NBS has been closest to the ball.

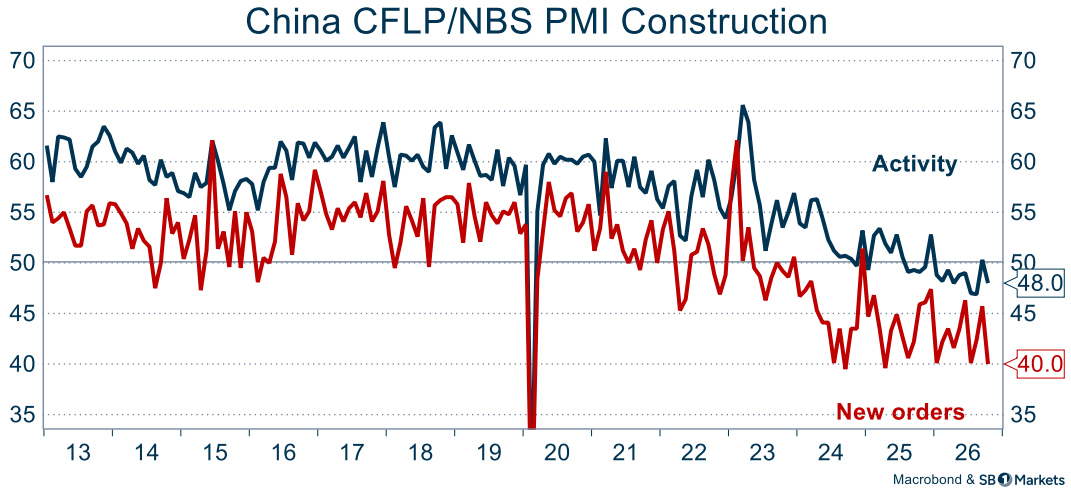


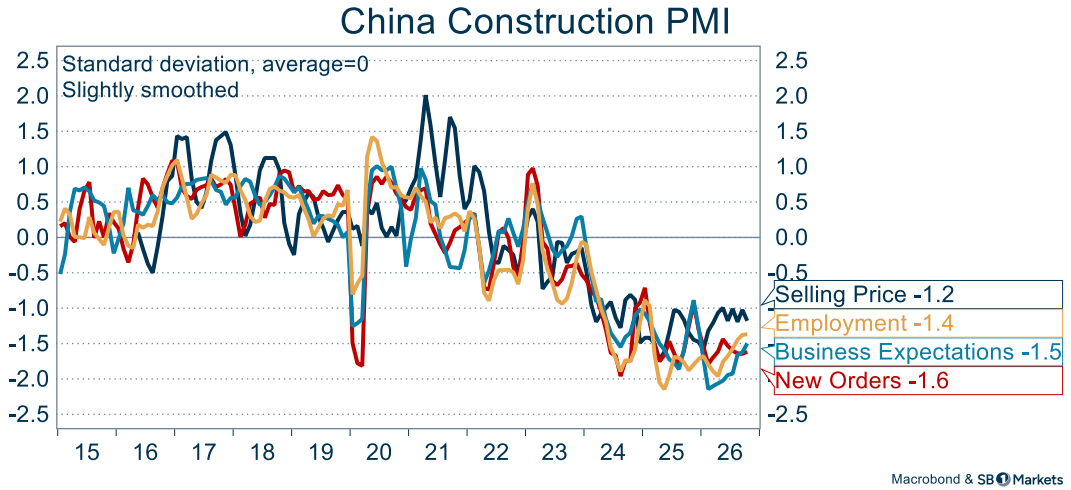


- RatingDog’s PMI has stayed in the 51–52 range in the past 9 months, signalling growth well above trend, while actual growth has been lower than normal.
- For what it is worth, the average of the two surveys at 51.1 seems to be too optimistic as well.

Construction PMI: down again in October, no signal of any recovery (from a very low level)

Both the PMI and various construction surveys show a consistent trend: *activity continues to decrease.*
The positive aspect? *Construction starts remain just 'slightly' above the zero mark, following an 80% decline! But that's all.*



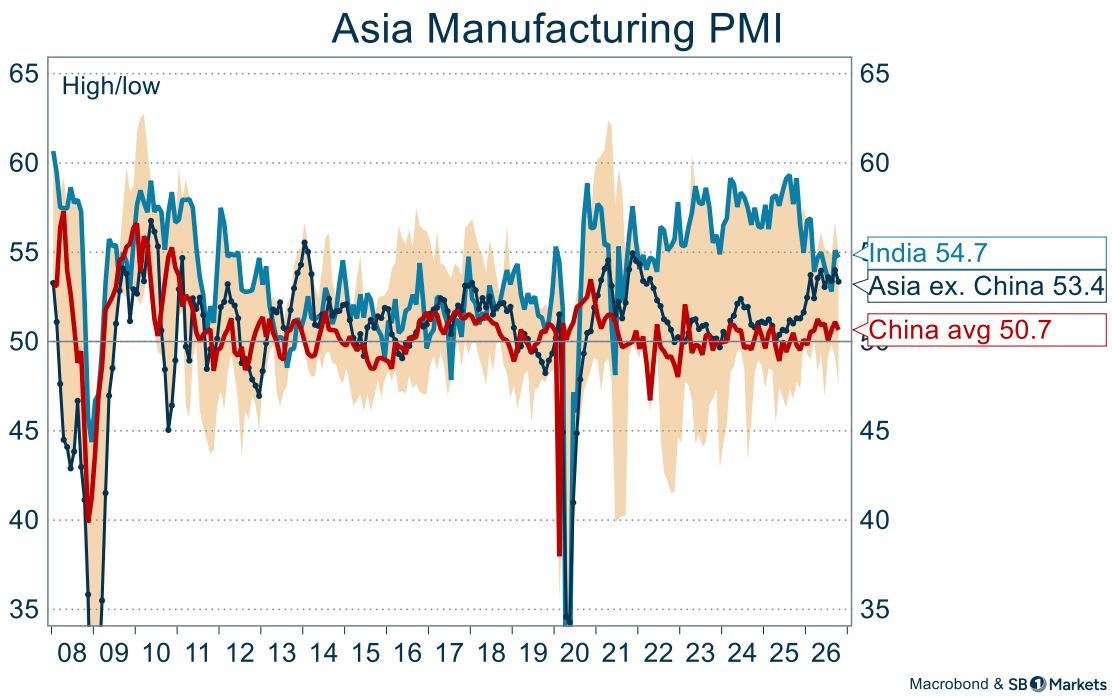


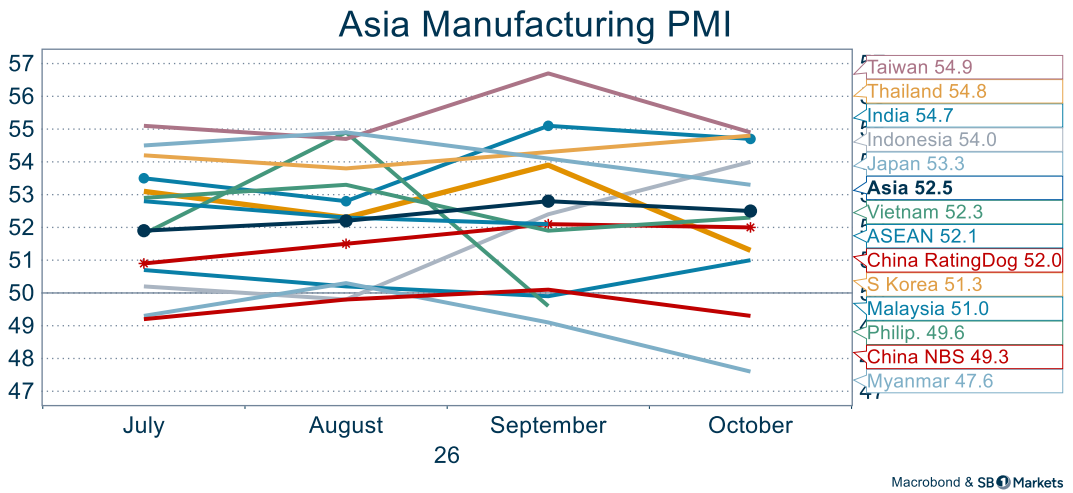


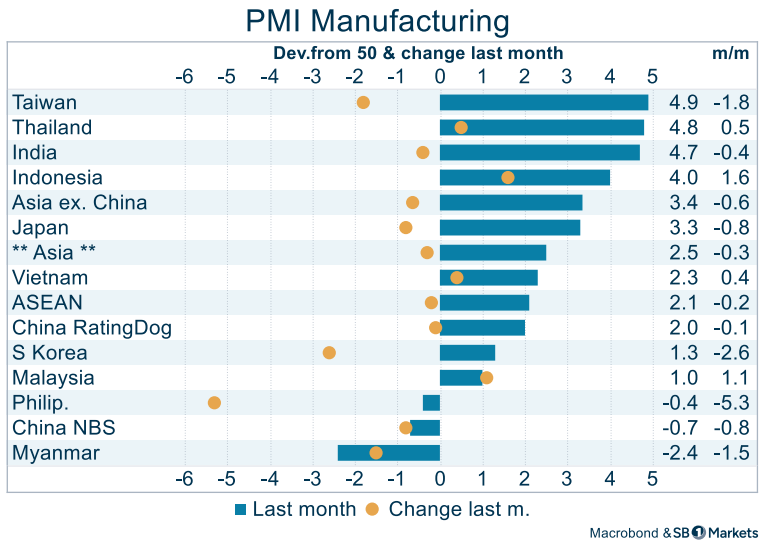
- The PMIs are formally ***growth indices***, not companies' assessments of the level of orders, production etc. However, we suspect companies report a mix of change and level in activity.
- The current PMI does ***not signal any recovery in the sector.***
- On the other hand: the downside in the construction sector is limited, given the 80% decline in construction starts from the peak in 2020. The trend in starts is still down.
- **The steel sector PMI** signals growth above trend, and production has stabilised since last summer.

Asian manufacturing PMIs: more down than up in October

So far, 7 are down 4 are up, and very likely, the Asia aggregate was down too. However, the level is still high, at close to 53.4, and it has been drifting upwards recently. Just 3 surveys are below the 50-line.

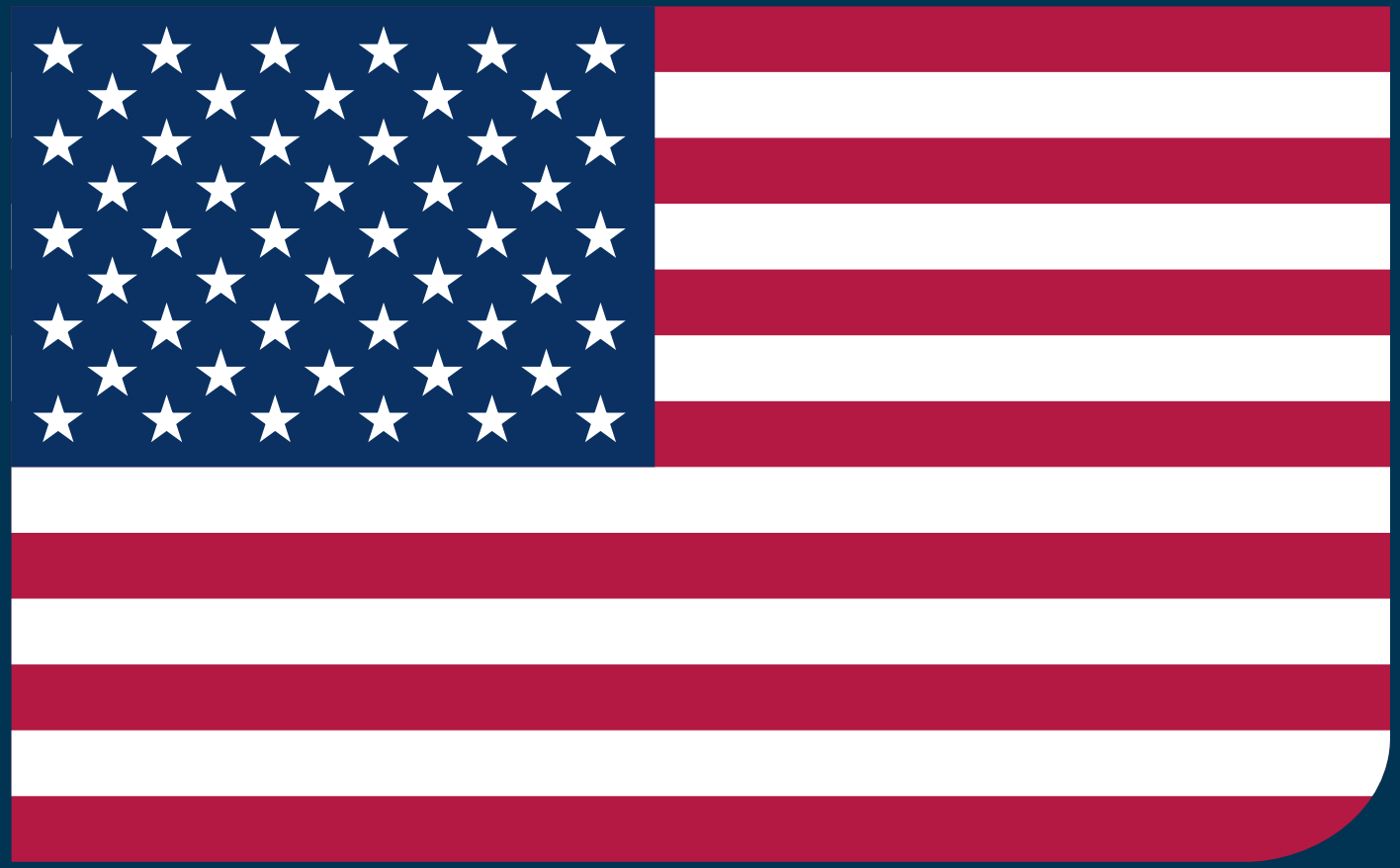






ASEAN: Indonesia, **Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, Cambodia**

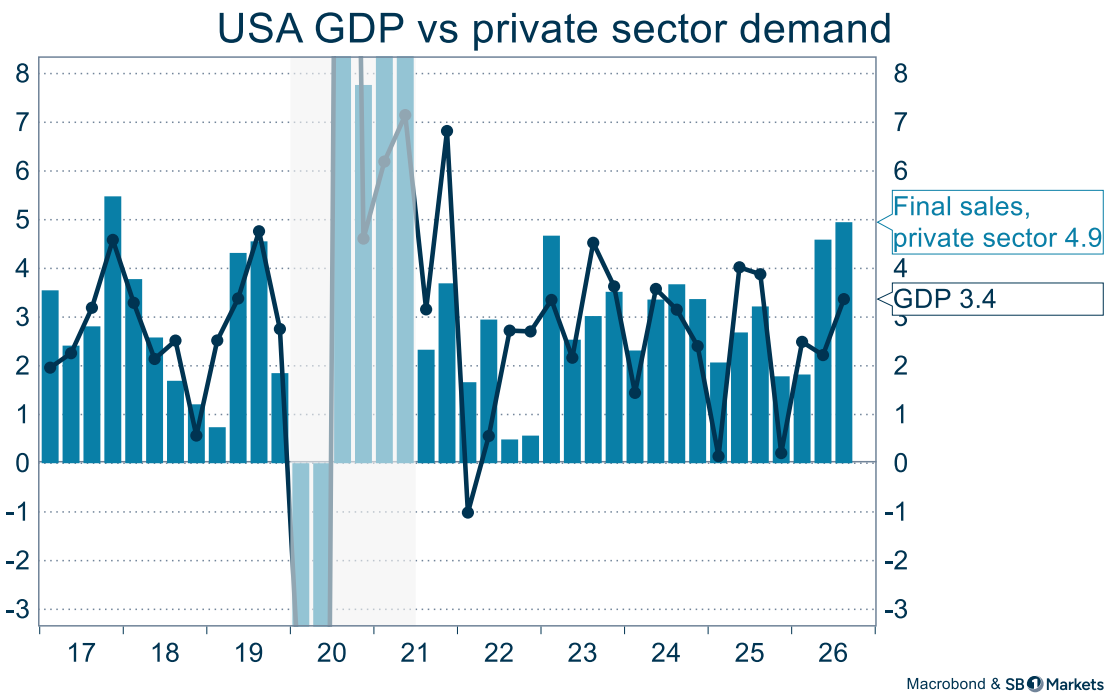
SB 1 Markets



United States

Households and AI investments lifted private domestic demand 4.6 pp of the 4.9% Q3 surge

… which lifted GDP 3.4% in spite of a negative drag from spiralling net imports at 3.6 pp (much of the AI investment stuff was imported). Inventories also contributed, but inventories are still low. Price inflation slowed (energy), and Unit Labour Costs were flat.

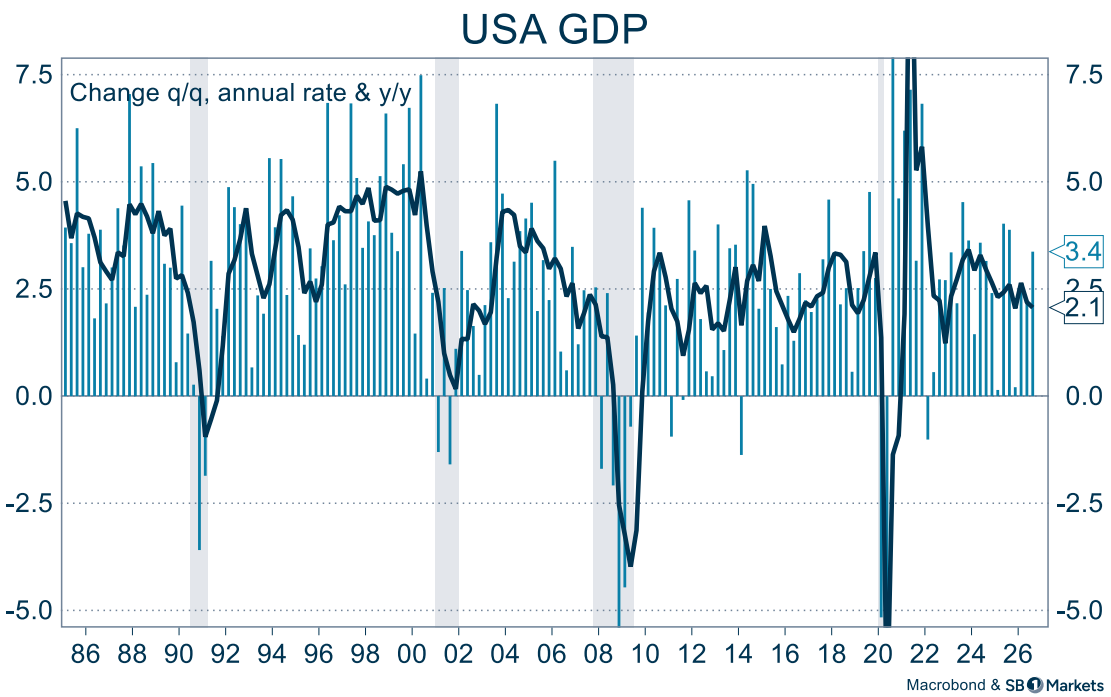


- **The Q3 3.4% GDP** growth rate was in line with Atlanta Fed's nowcaster but 0.4 pp above consensus. GDP was up 2.1% y/y.
- **Final sales** to the private sector rose by 4.9%, up from 4.6% in Q2.
  - **Growth in household consumption** was unchanged at 3.8%, and the savings rate fell 0.3 pp to 4.1%
  - (and 3.8% in September). **Housing investments** fell marginally.
  - **Business investments** rose 13%, even faster than in Q2 (9%). **AI-related investments** (invest. in information processing equipment & software) grew 23%, up from 11% in Q1. These investments are up 21% y/y, equalling 2% of GDP, and now equal 5.6% of (nominal) GDP. A proportion of these investments are imported from abroad, but the net contribution to growth is still substantial. **Other business investments** grew slightly but are still down y/y in real terms.
- **Government demand** shot up 5%, due to a 22% surge in defence spending.
- **Net trade** declined, equalling 3.6% of GDP, as imports rose 20% and exports fell 5%. Those imported goods ended up as AI investments and inventories.

- **Inventories** contributed 1.6 pp but still rose just marginally (they fell in Q2). The inventory level is low vs. GDP.
- All **price deflators** slowed down in Q3, as energy prices contributed on the downside. The total GDP deflator was up 2.2%, the core 2.7%. The core PCE deflator was up at a 2.5% pace, down vs. the previous quarters. Nominal GDP rose at a 5.6% pace.
- **The wage bill** rose by just 3.4%. Thus, **Unit Labour Costs** for the total economy were unchanged q/q and are up 2.4% y/y. No data yet for the business sector, but the annual growth rate is very likely well below 2%, as in Q2.
- **Corporate value added** is not yet published, but we estimate a 2% (9% annualised) growth, and 20% growth y/y. Growth in profits has lifted inflation over the past year.
- ***Growth was a tad higher than expected, supported by strong growth in domestic demand, and price indices are still running too high → not at all arguments against hiking the policy rate further.***

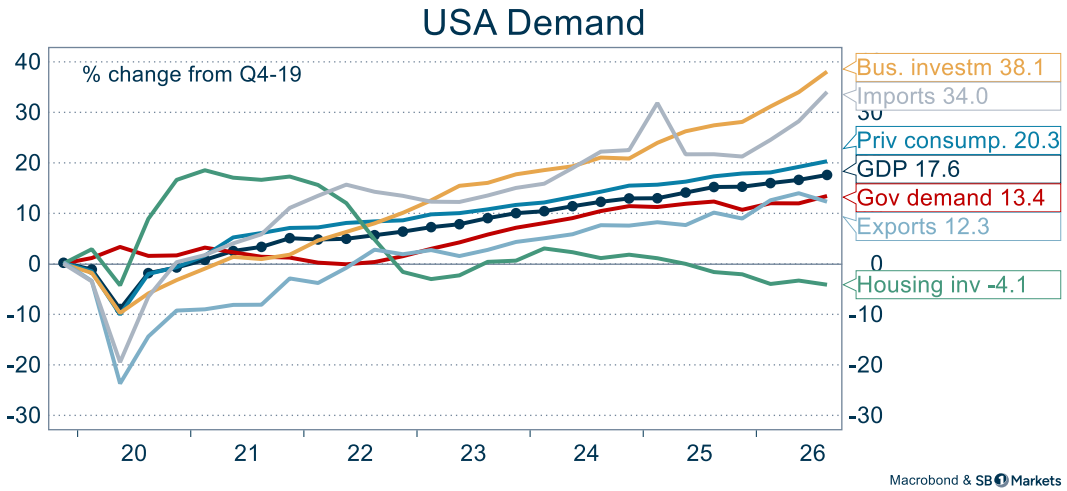
GDP is up just 2.1% y/y, so the Q3 growth rate is (of course) far from outstanding

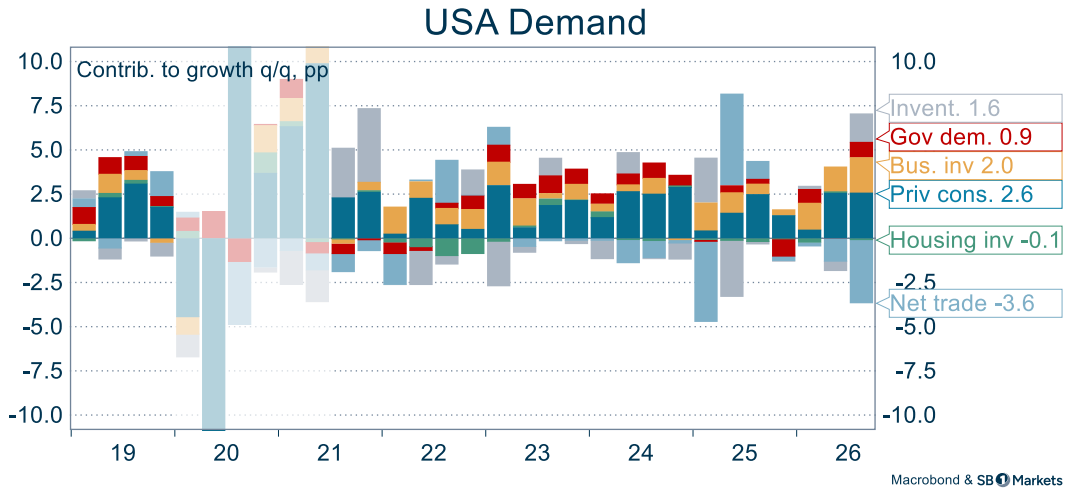
Still, a decent quarter!



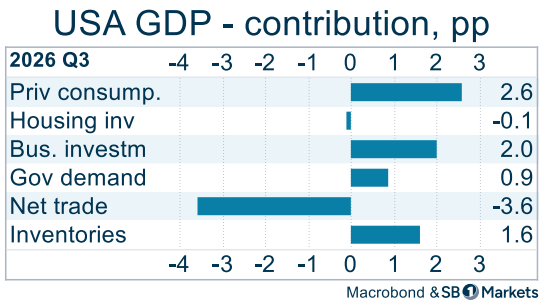
Private consumption and AI investments lifted private demand & GDP. The government too

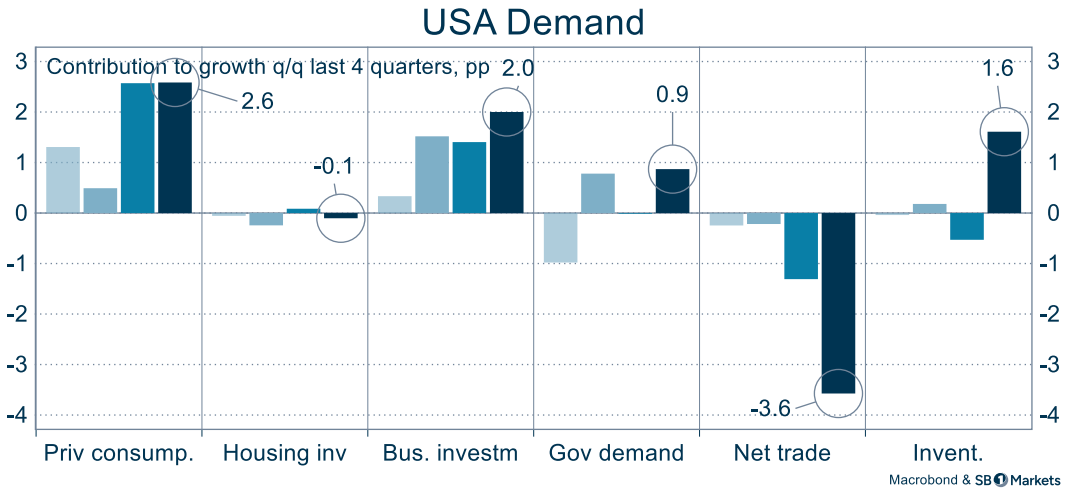
A 3.8% rise in consumption contributed 2.6 pp to GDP growth. Business investments rose 13% (q/q, annualised), and lifted GDP by 2 pp. However, much was imported, a negative net export drag at an unusual 3.6 pp. More was stored as well, equalling 1.6% of GDP.





- The 5.3% lift in **government demand**, lifting GDP by 0.9%, was driven by a 22% (also annualised) surge in 'defence' spending. In and around the Gulf, we assume.

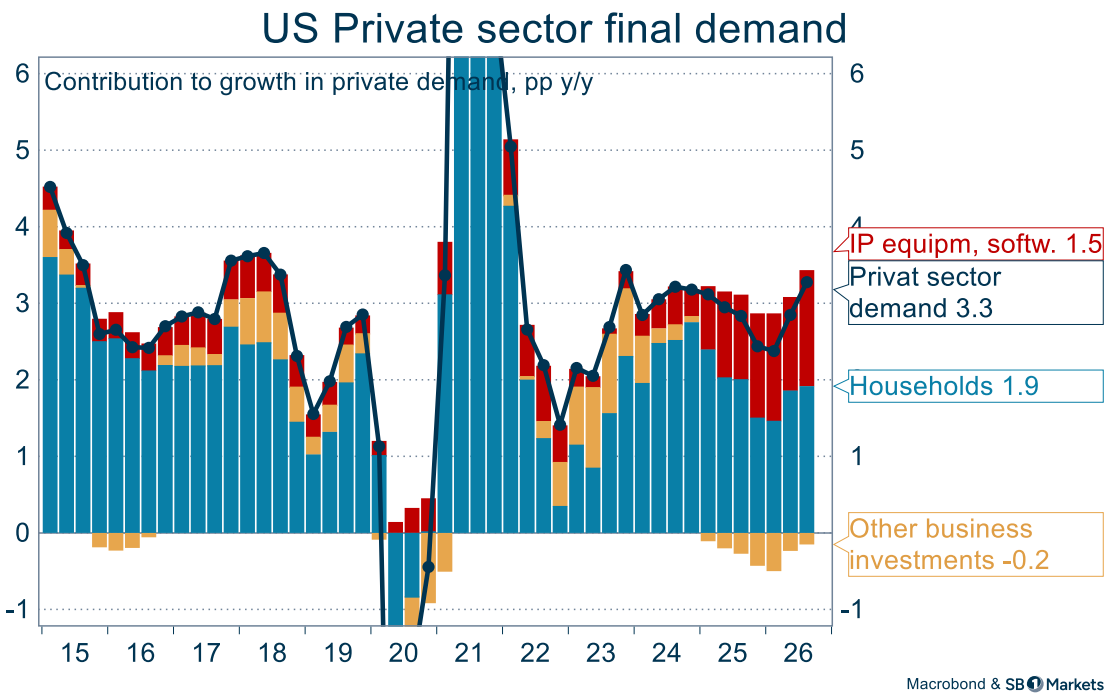


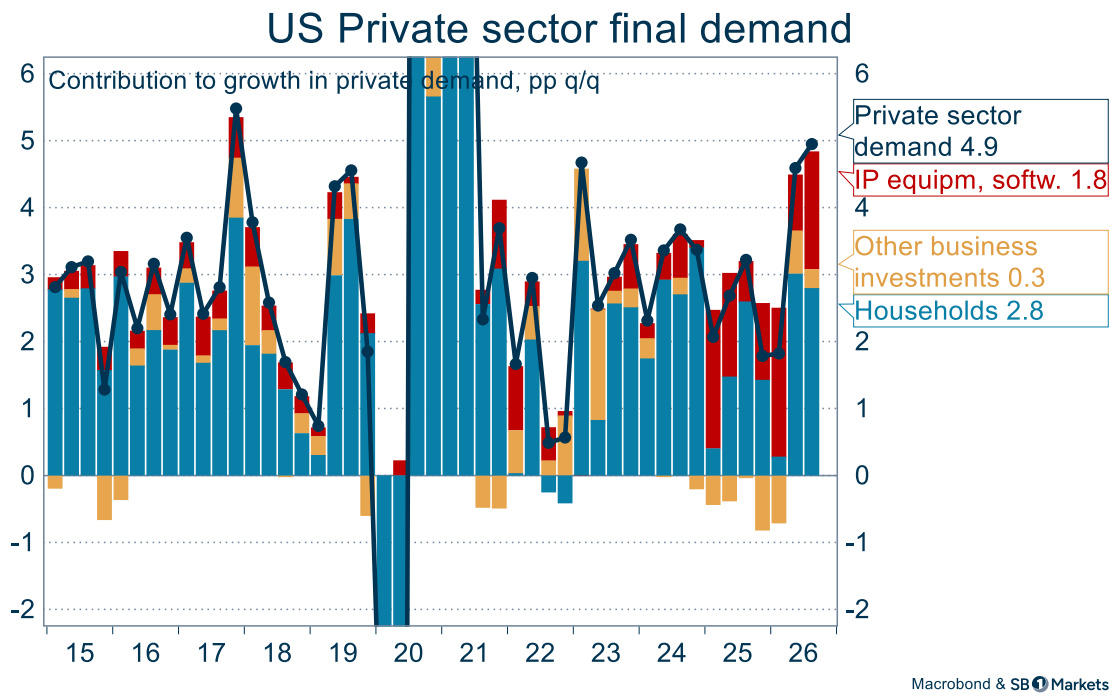


Statistical discrepancies are not included

AI (information processing) investments: 45% of domestic private demand y/y, 37% in Q3

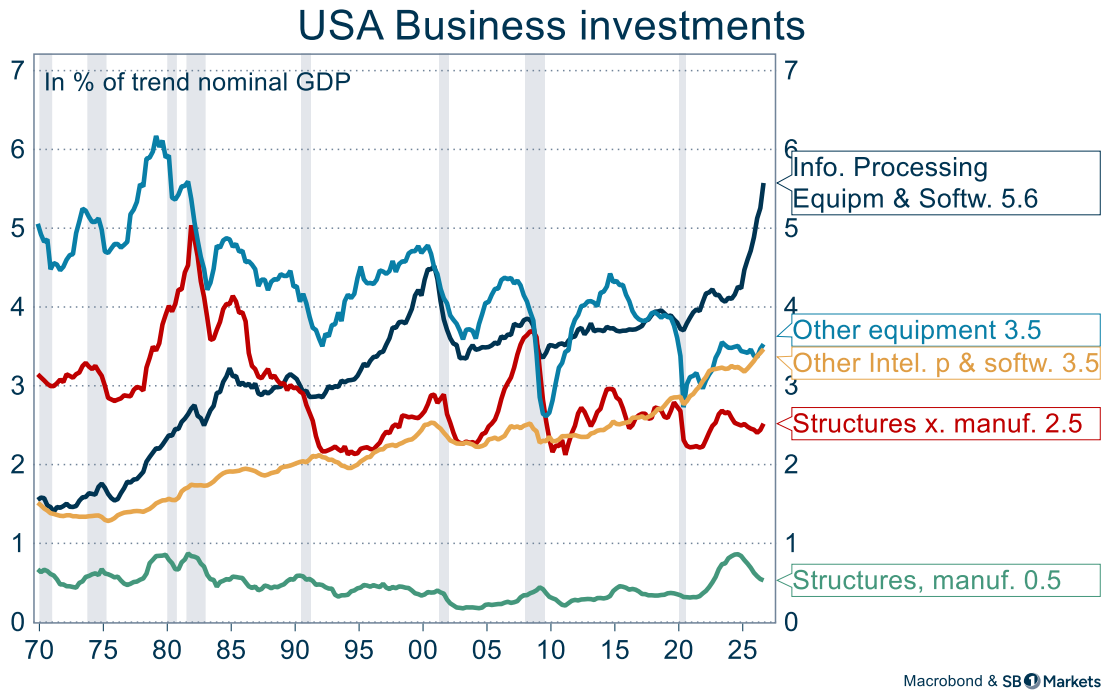
Other business investments are still down y/y, in spite of modest increases in Q2 and Q3. Growth in household demand (consumption + housing investments) was strong both in Q2 and Q3, funded by a further decline in the savings rate.

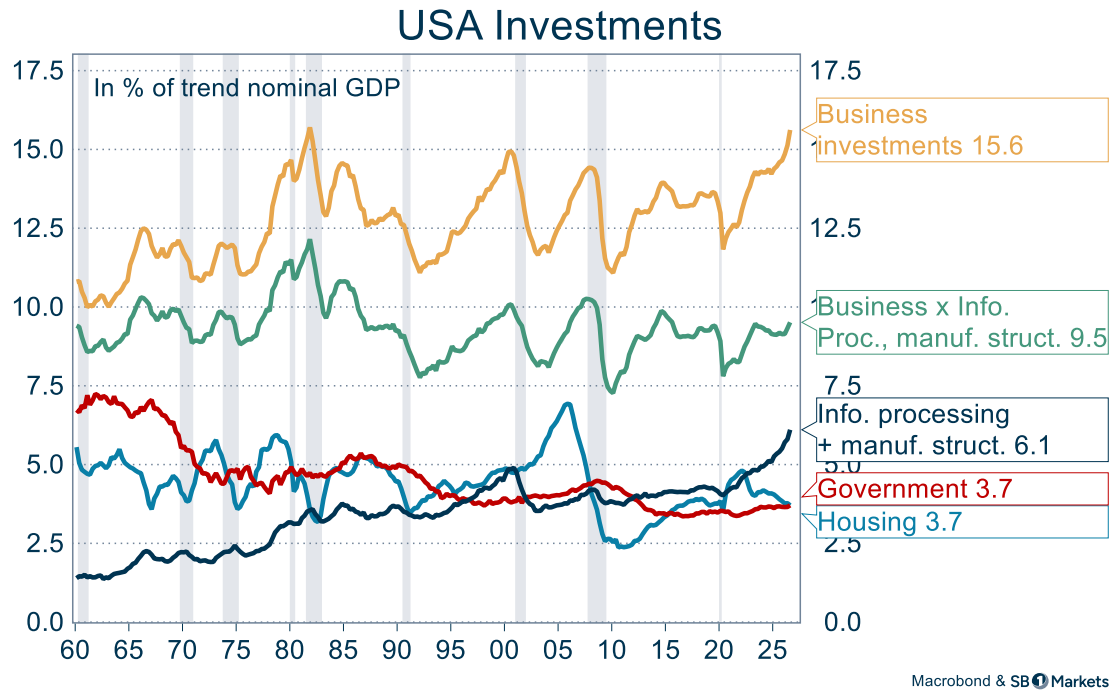




The investment cycles: Information processing the only game in town, up to 5.6% of GDP

… from 4% before the investment boom started. Intellectual property and software (ex. info proc.) slowed in 2024 but have accelerated again. Other equipment has turned too (vs. GDP). In sum, some risks vs. total business investments. Housing investments are at a 'normal' level.

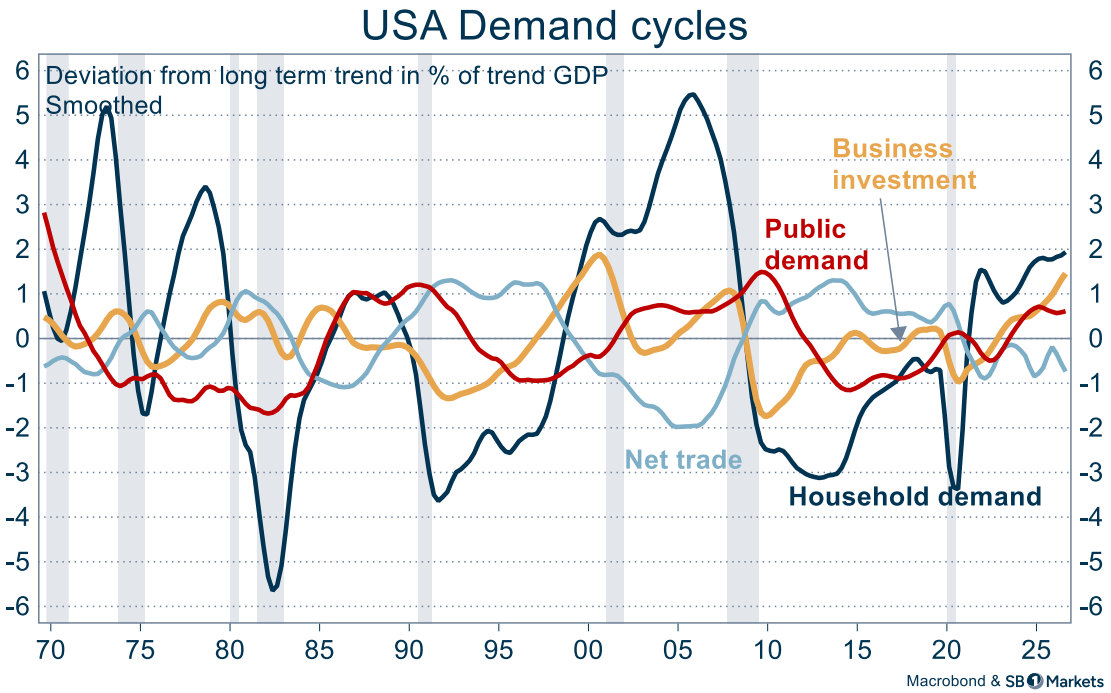


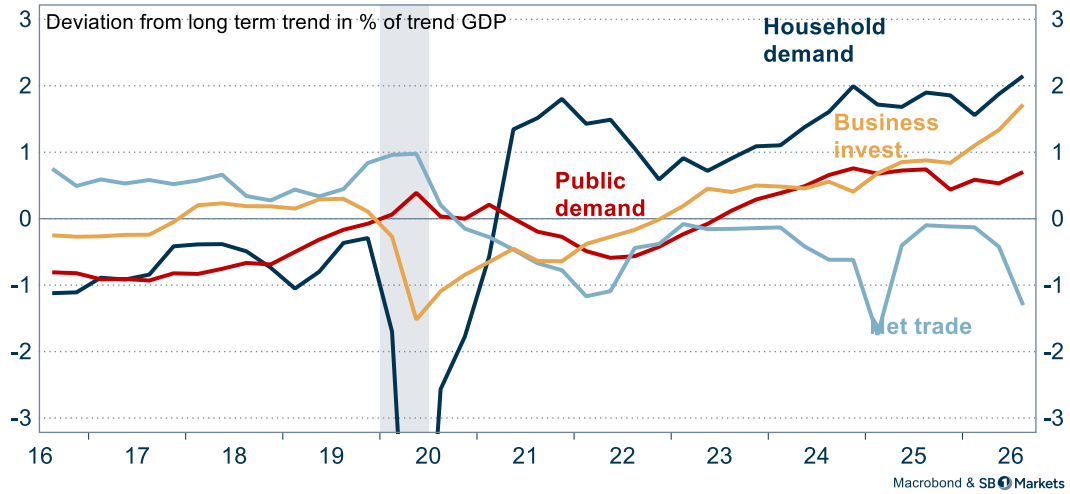


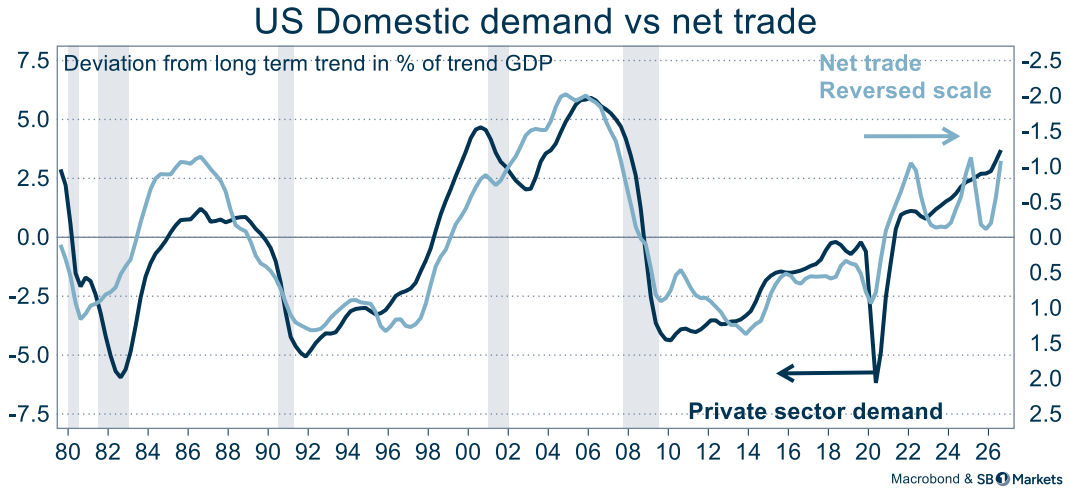
- **Total business investments** have shot up in recent quarters, up to 15.6% of GDP, close to the highest level in modern times (15.7% in Q4-1981, before the recession hit), and well above any reasonable long-term trend. Ex. information processing investments, the trend has been down, but these investments also increased faster than GDP in Q2 and Q3.
  - **Investments in information processing equipment and software** (5.6% of GDP) together with investments in manufacturing structures (0.5% of GDP, supported by the CHIPS ACT, and now by the data centre boom but still on the way down) ***are far above normal levels***. If these investments should slow materially, there would be a ***substantial downside risk to the US economy, even if the lion's share of the equipment is imported***.
  - **Other investments** are ***at a low level*** (like other structures) or at ***a moderate level*** (other equipment than info processing equipment) or have ***proven rather stable*** over time (other investments in intellectual property and software) and would probably ***not be that exposed vs. a normal business cycle downturn***.
- **Housing investments** have declined in recent quarters, and equal 3.7% of GDP, which we deem to be a mid-cycle level, and the downside risk is moderate.
- **Government investments** as a share of GDP have flattened at a modest 3.7% of GDP, following a modest lift in 2022–23.

The cycles: Household demand (housing incl.) has flattened, business investments not

However, household demand strengthened in Q2 and Q3. Growth in business investments has accelerated, mostly due to AI-related demand. Public demand has slowed somewhat. Net trade returned to a 'normal' level, given strong domestic demand.

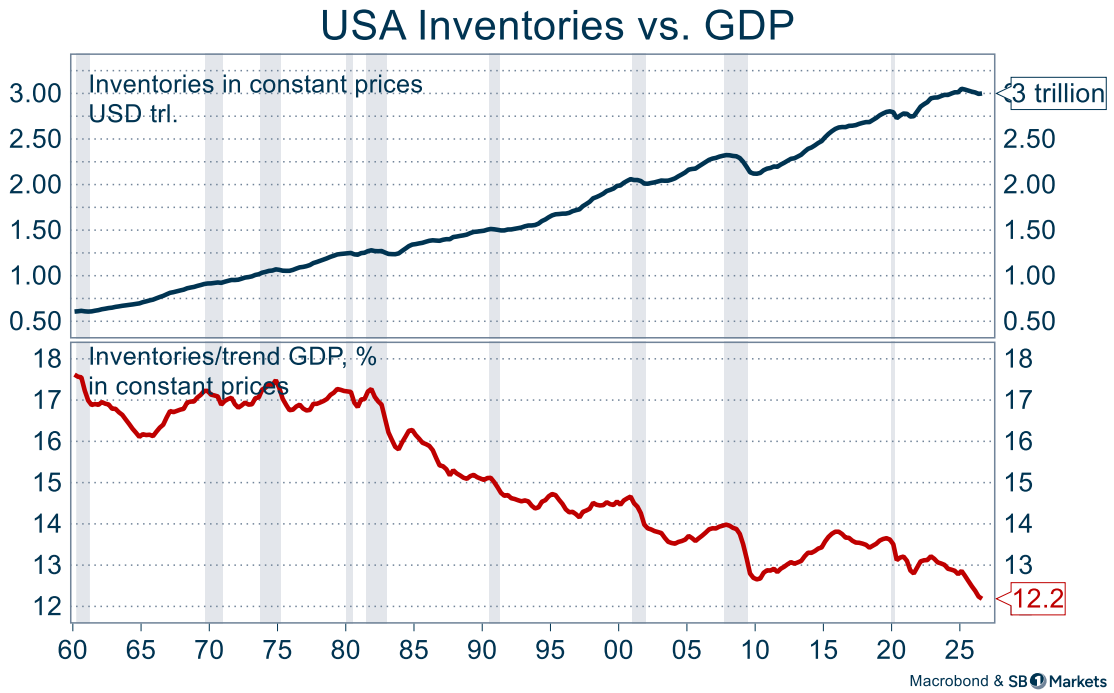


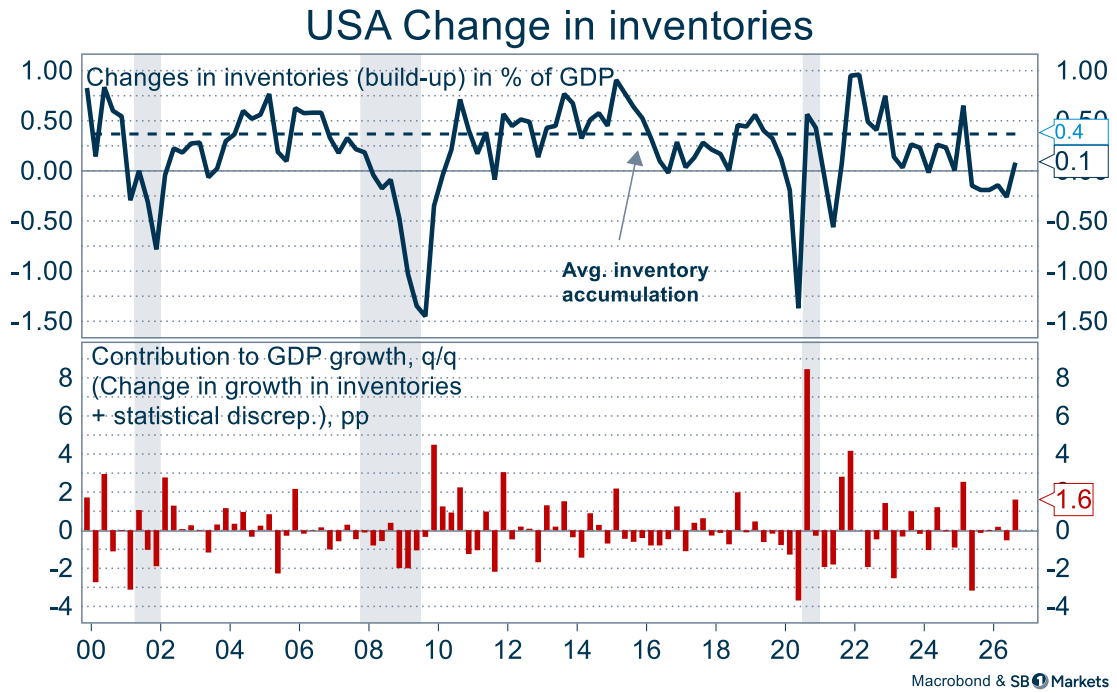




Good news: the inventory level is low, and the lift in Q3 was just marginal

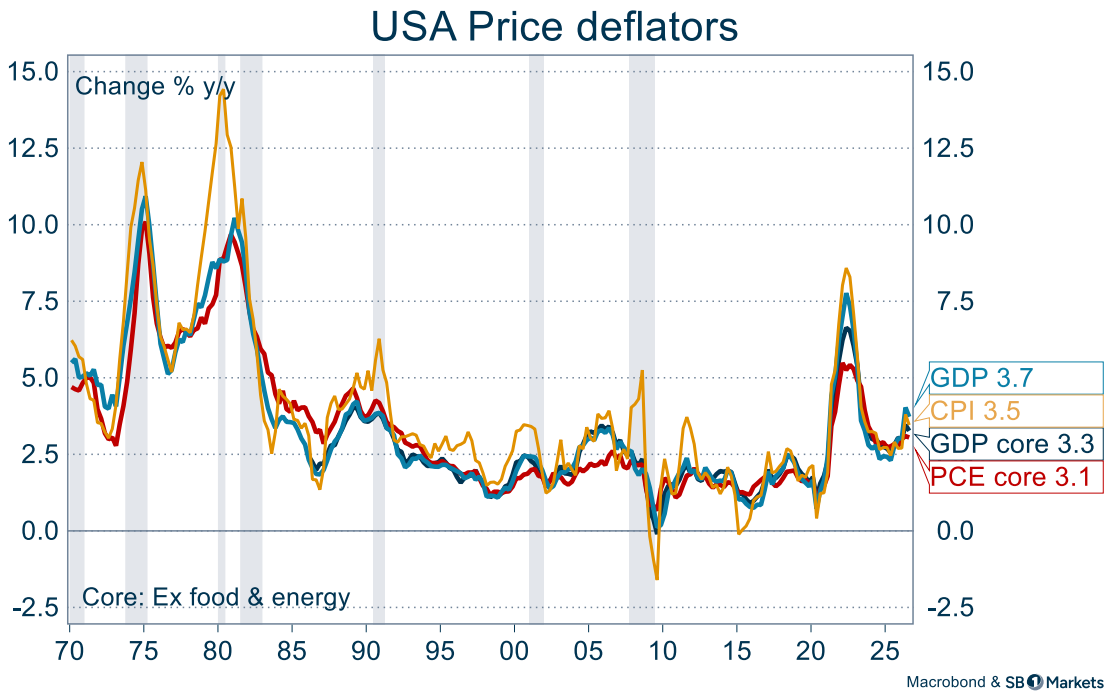
The inventory level is low vs. GDP, here measured in constant prices. Growth in inventories has been lower than normal in the previous 4 quarters – and rose marginally in Q3, yielding a 1.6 pp support to Q3 GDP growth.

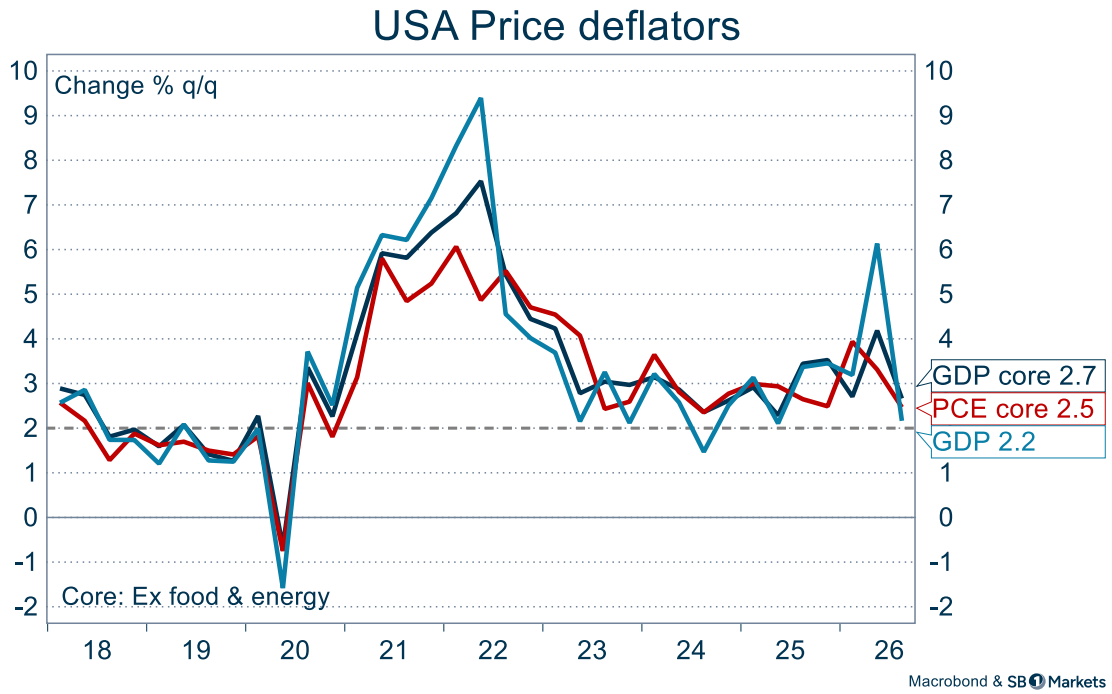




Price deflators returned to almost normal levels in Q3, as energy prices flattened

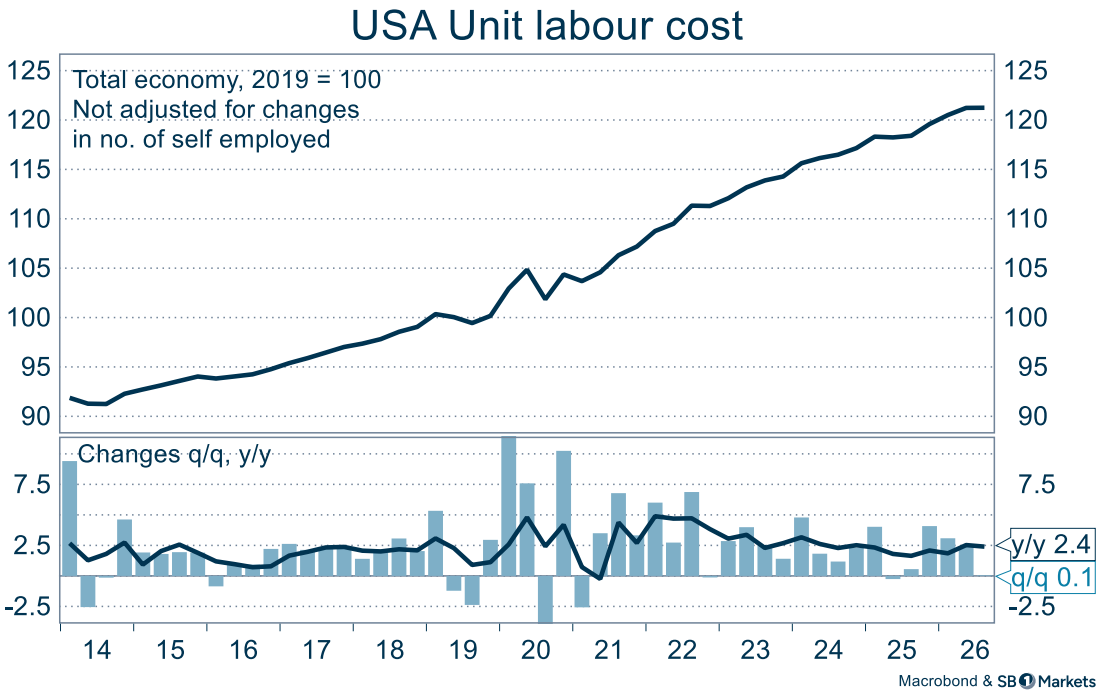
The total GDP deflator rose at a 2.2% pace in Q3, down from above 6% in '21. The core PCE deflator slowed to 2.5%, from 3.2% in Q2 (and almost 4% in Q1). Annual growth rates are still between 3.1 and 3.7%.

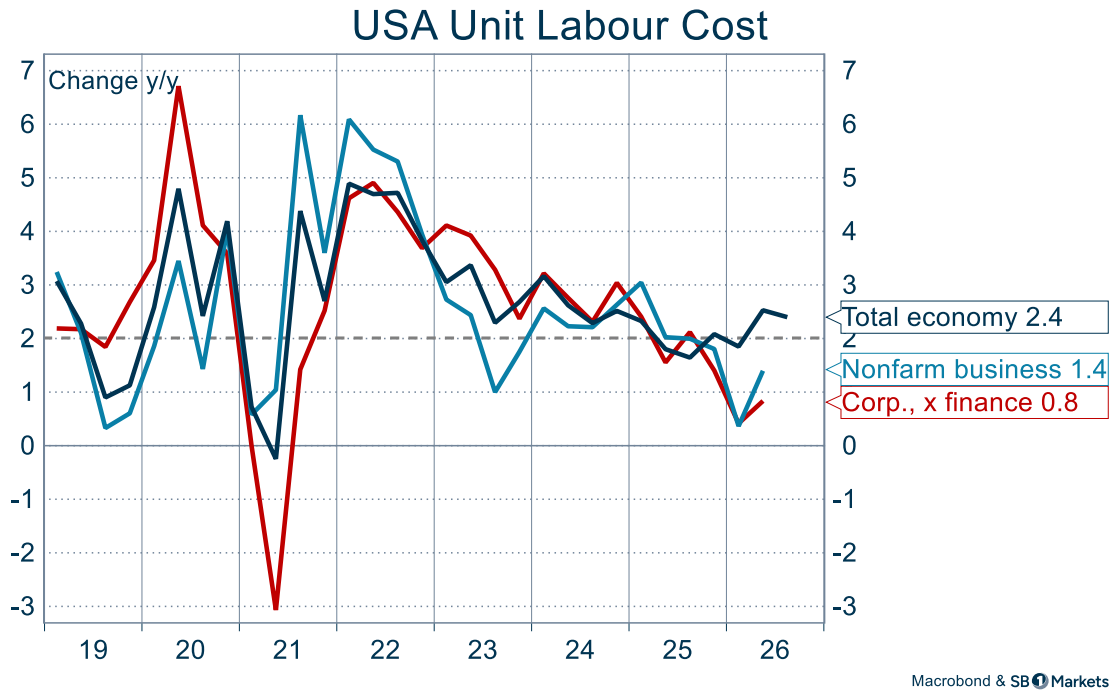




Total economy Unit Labour Costs were flat in Q3, still up 2.4% y/y

Details are not yet available, but in Q2 growth in ULC in the nonfarm business sector was well below growth in labour costs per unit produced in the overall economy.

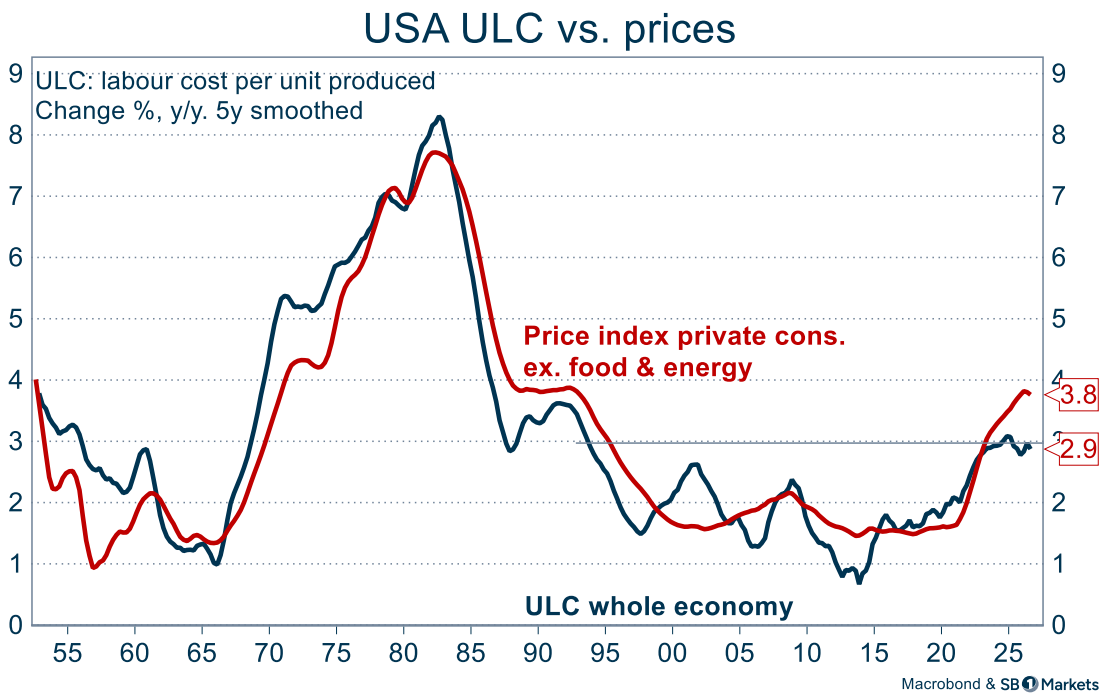


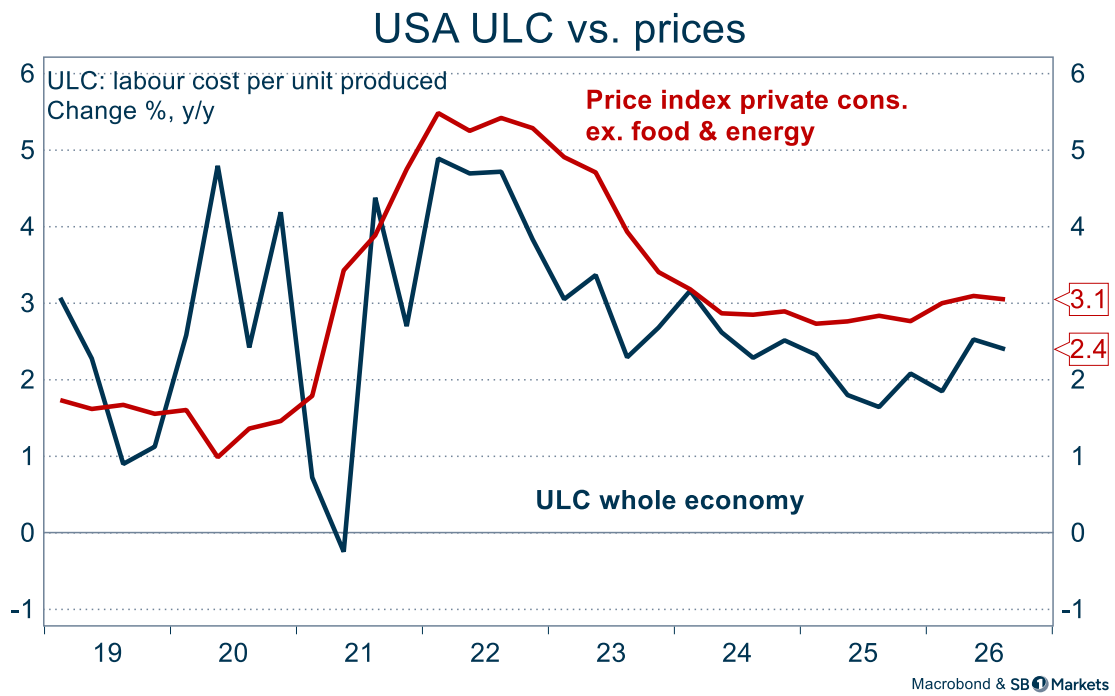


- **GDP** rose by 3.4% in Q3 in real terms, and by ***5.6% in nominal terms***, as the GDP deflator slowed to 2.2% (no further lift in energy prices, following the Q2 'shock').
- The **total wage bill** grew by 3.4% in Q3. Thus, **Unit Labour Cost**s (total economy) were unchanged, and costs are up 2.4% y/y. Very likely, growth in ULC in the business sector will be well below the total-economy rate. Over time, inflation is close to growth in ULC. ***The current ULC growth rate (in the business sector at least) is too low to reach the price target – barring a continued surge in corporate profits.***

Prices vs. labour costs: there is a connection, at least over time

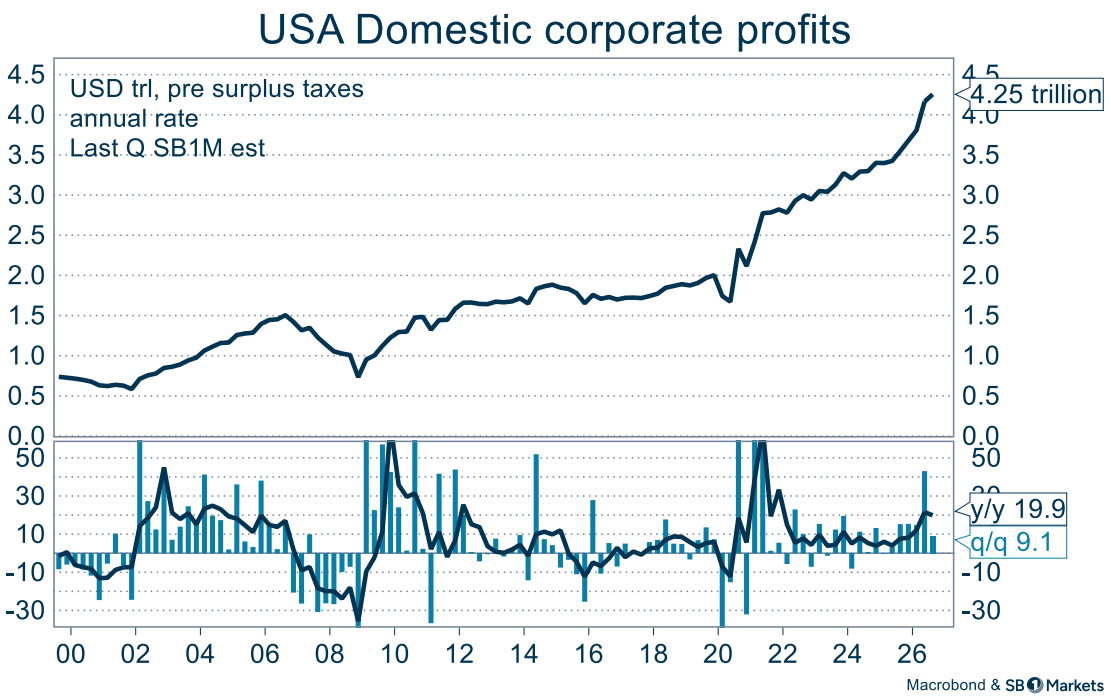
Now, labour cost inflation, at least in the business sector (*check the previous page*), is not to blame for high CPI/PCE inflation.

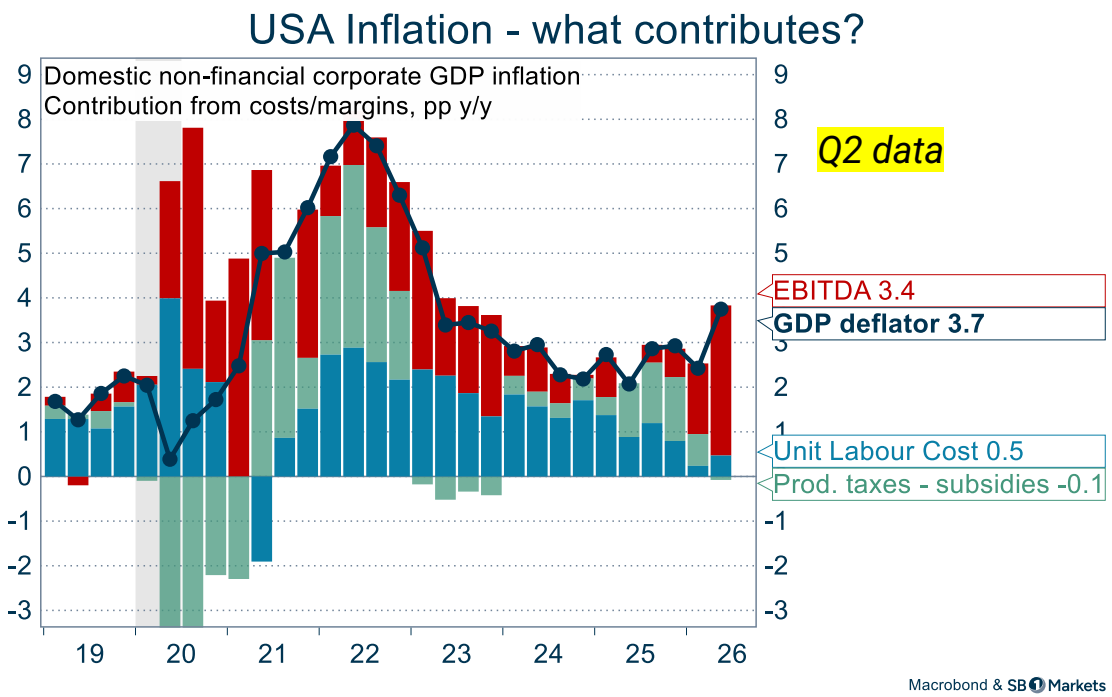




Domestic corporate pre-tax profits surge, are up 20% y/y, and growth accelerates

The surge in profits has been the main reason for the recent lift in inflation, not growth in Unit Labour Costs.

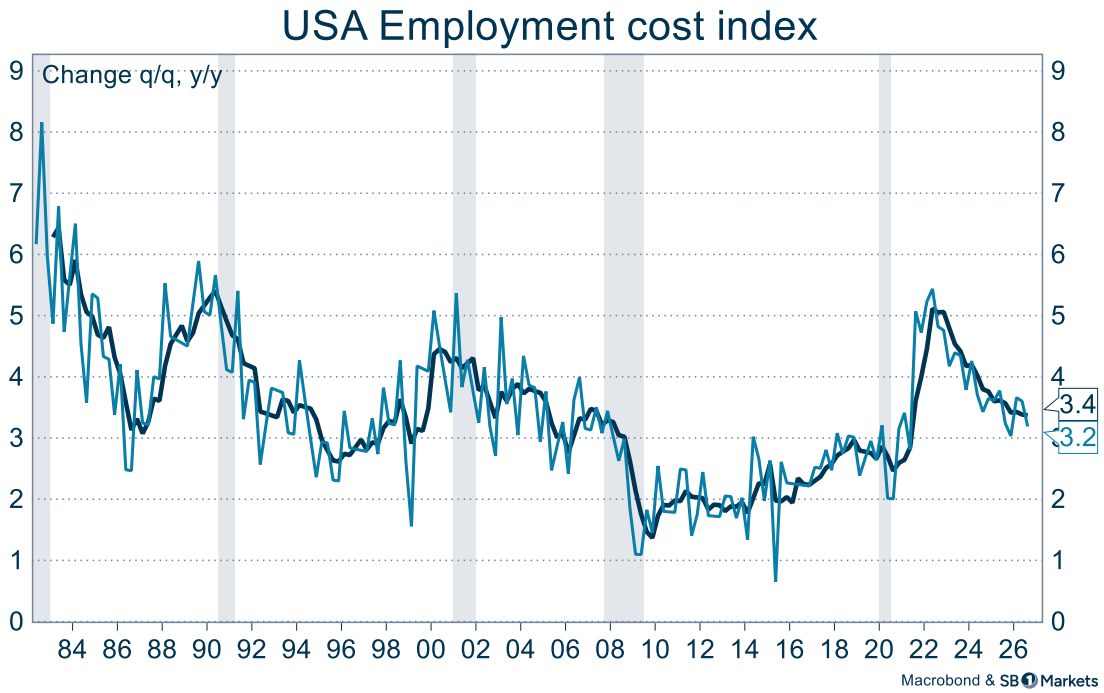


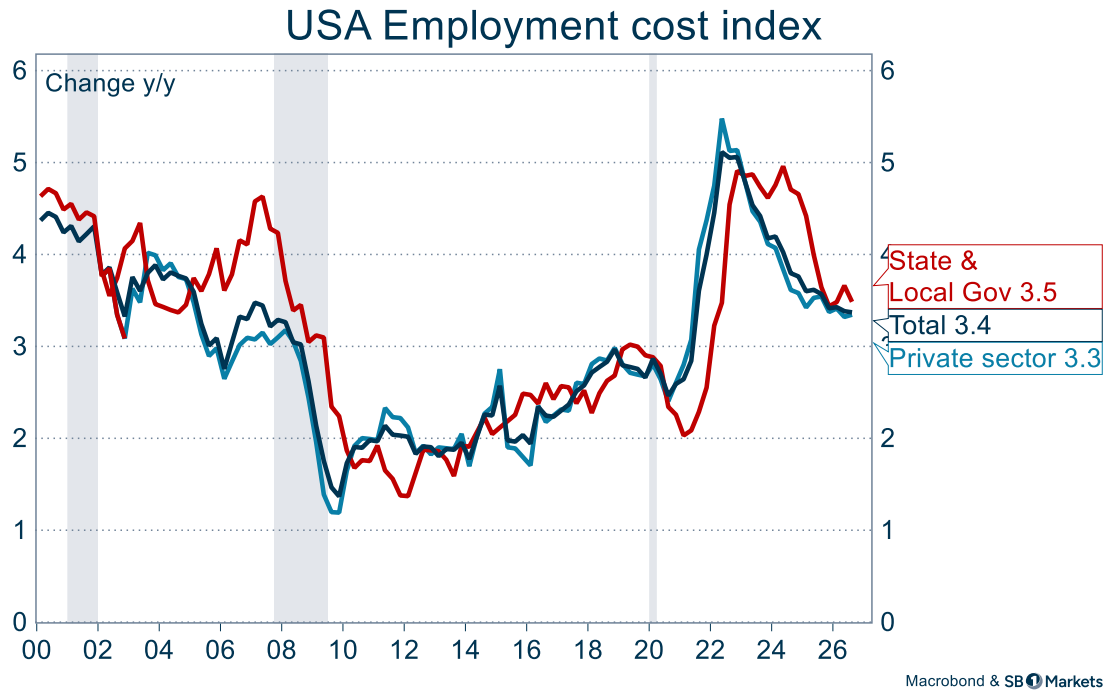


- Aggregate income data are not yet published (gross domestic income, corporate profits, etc.).
- Our estimate: a 2% lift in **domestic corporate profits** (not annualised, 9% annualised, and up 20% y/y!), down from 8% q/q in Q2. The lift in energy prices explained much of the extraordinarily strong quarterly growth in Q2.

Employment cost inflation heads down, the ECI up at a 3.2% pace in Q3, 3.4% y/y

… which was in line with expectations, down from 3.6% (to 0.8% from 0.9%, not annualised).

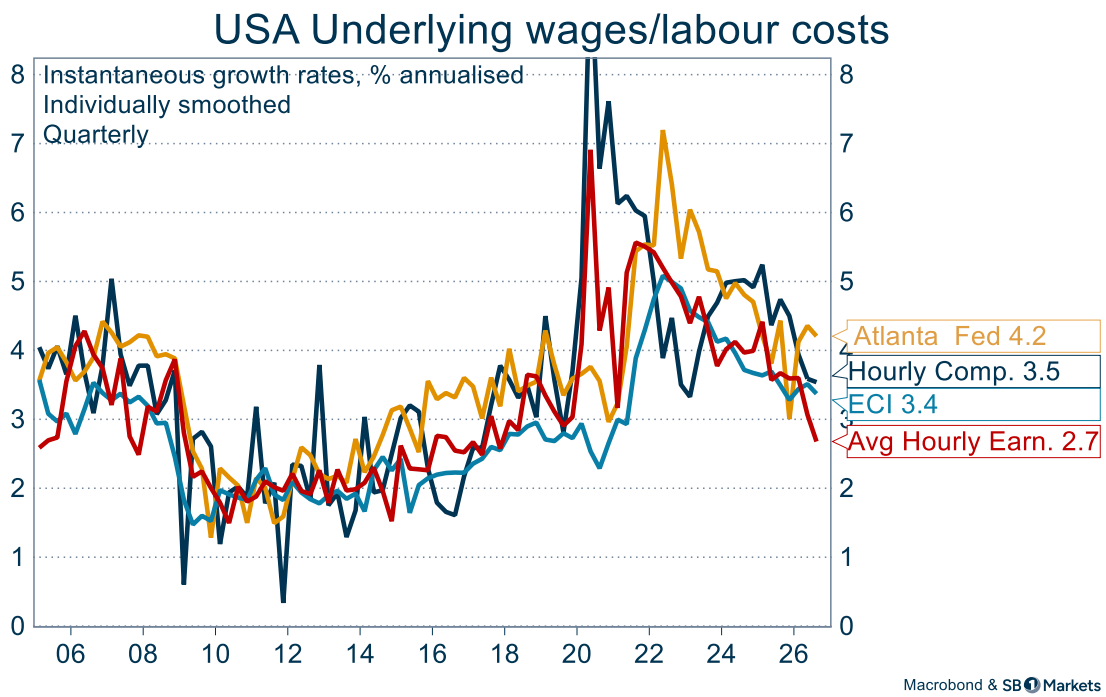


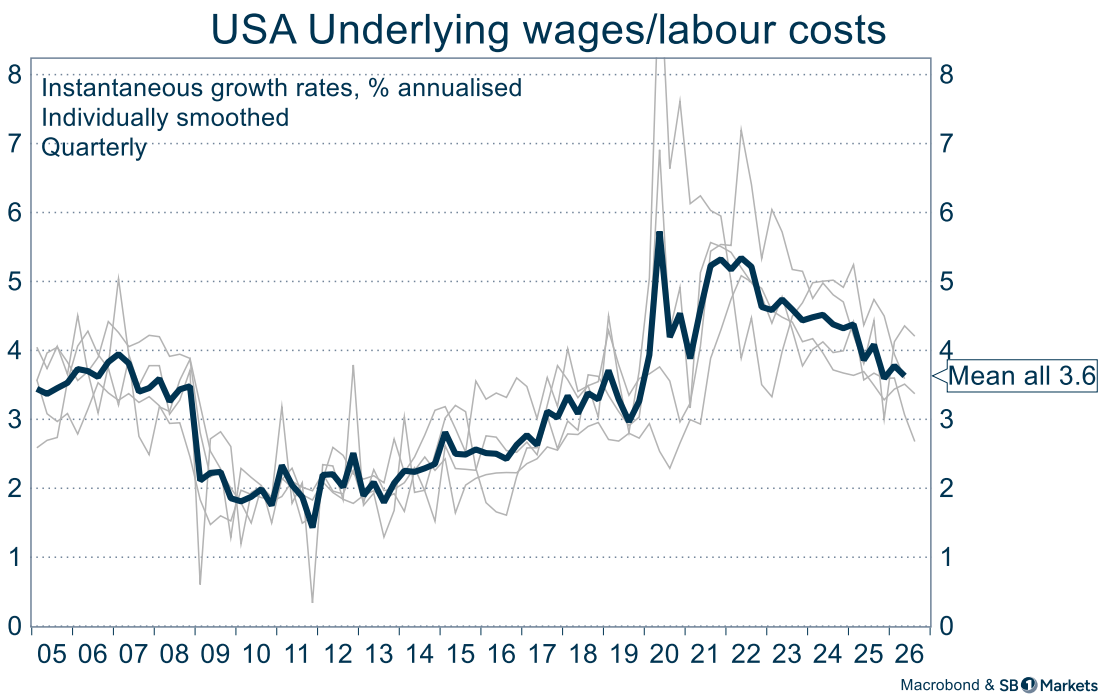


- The **Employment cost index for all civilian workers**, which measures wages and other wage costs for the same types of jobs (and is not influenced by changes in employment between sectors/type jobs), rose by 0.8% q/q in Q3 (3.2% annualised), as expected.
- In the **private sector** employment costs also grew 0.8% (3.3% annualised). Annual growth was unchanged at 3.3%.
  - In the **public sector** +0.6% (2.5% annualised), and 3.5% y/y
- **ECI inflation** trends down but remains above the normal wage growth before the pandemic
- However, as **productivity growth** is higher than before the pandemic, at some 2%, the current growth in employment costs may lead to too low Unit Labour Cost and price inflation over time.

Our basket of wage indicators: wage growth has slowed to approx. 3½%

Which is *on the low side* as productivity trends up by 2–2.5% and Unit Labour Cost inflation has fallen to well below 2%, at least in the business sector.

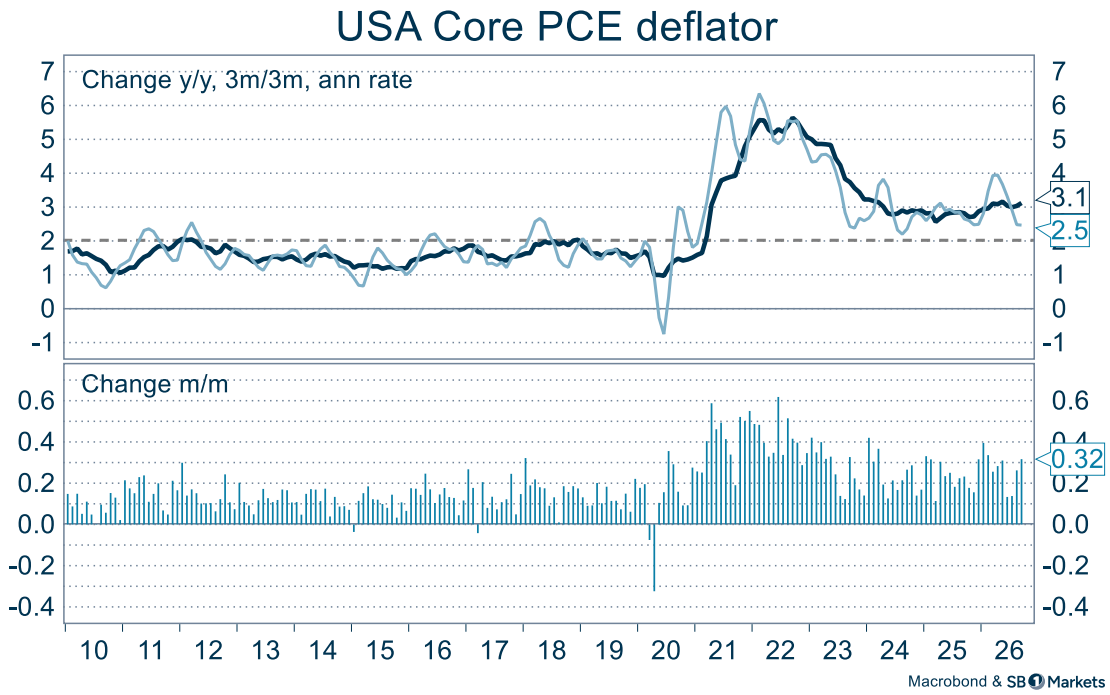


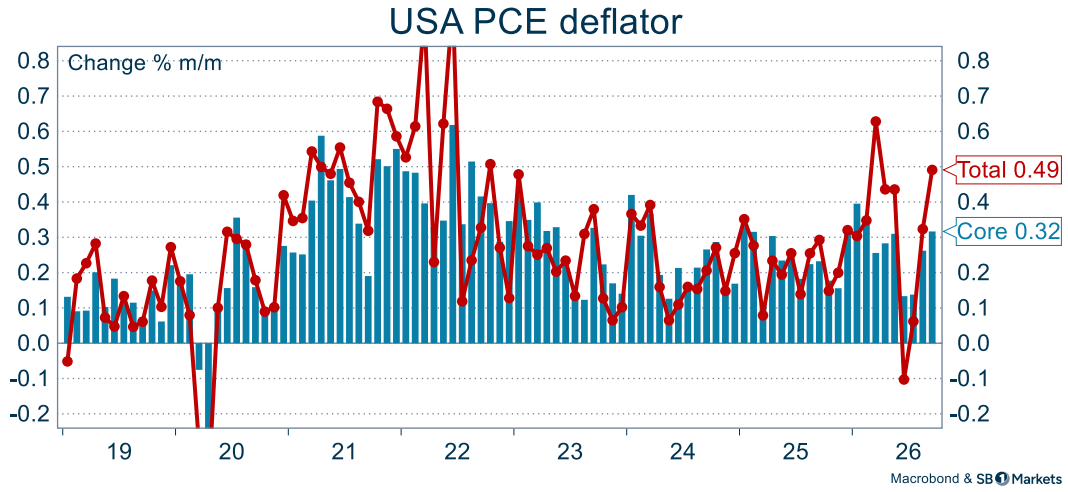


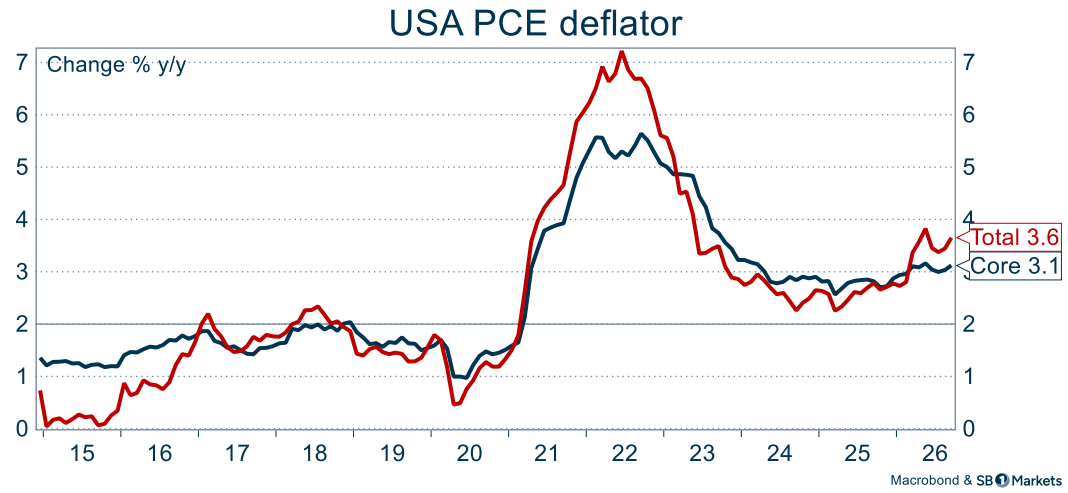
- The data series:
  - Atlanta Fed median wage tracker (monthly). The median wage is now an outlier on the upside.
  - Average wage in the non-farm payroll report (monthly).
  - The Employment Cost Index measures total labour costs for a constant mix of employees (quarterly).
  - Hourly compensation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

PCE inflation inched up, as expected; the headline to 3.6%, core to 3.1% in September

Core prices rose 0.3% for the 2nd month in a row, 'supported' by both services and goods. Most of our underlying measures of core inflation turned up, but if the whole PCE is taken into account, some signs of slowing, even if prices rose 5.5% in September.





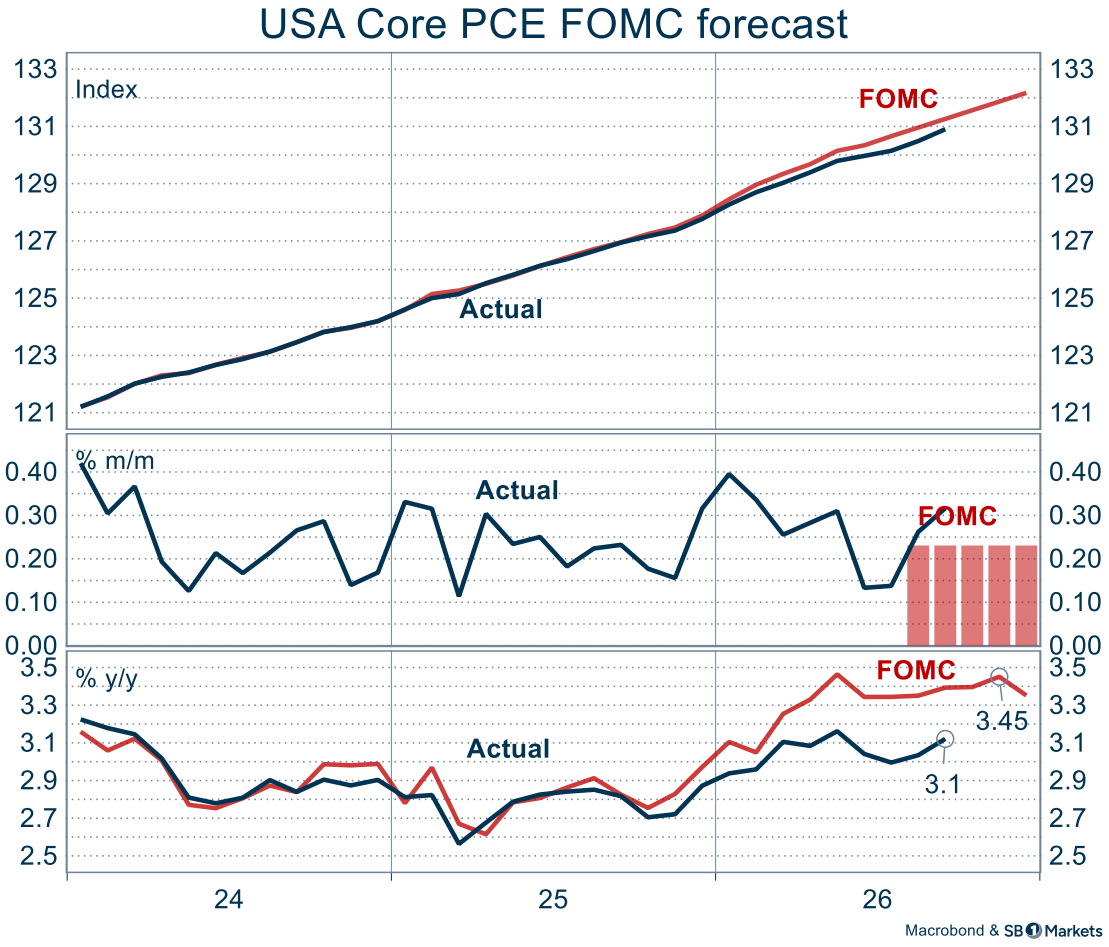


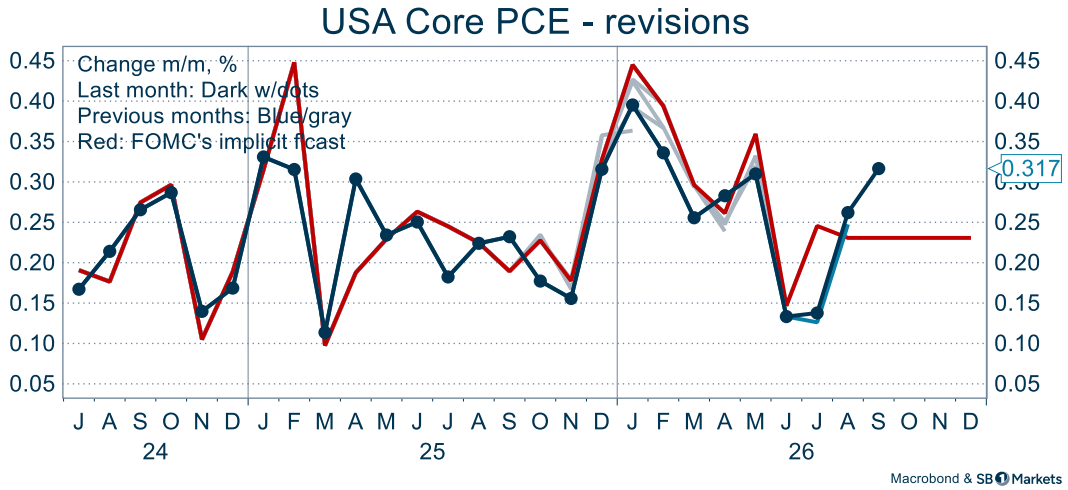
- **Core services** inflation runs above 3%, **rents** are up slightly above 3% and core goods are up 2.0% y/y. **Food prices** are up less than 2%. However, **energy prices** are up 22%!
- **The core PCE** was revised down a month ago, and the annual rate fell to 0.35 pp below the FOMC's assumed path. However, monthly growth in both August and September was higher than the implied FOMC forecast.

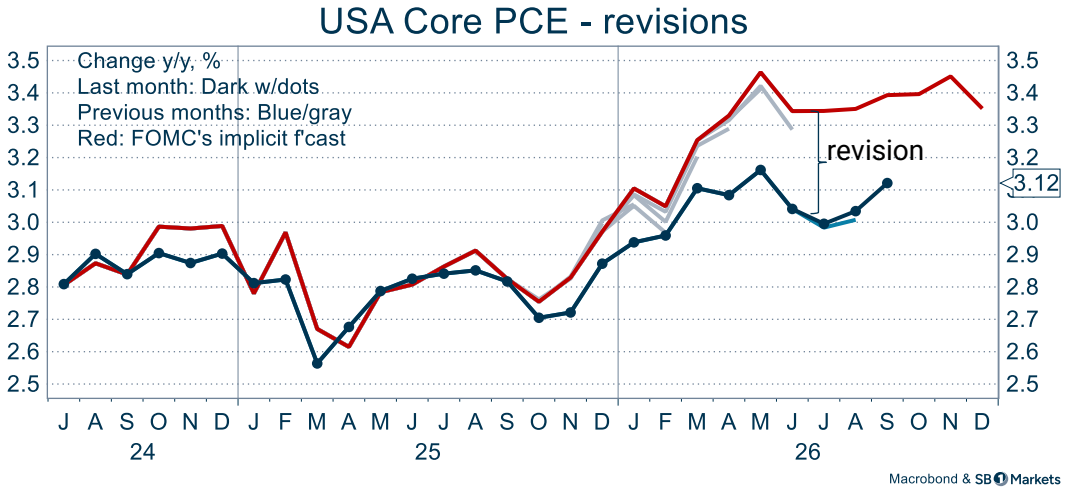
PCE deflator: The price deflator for personal consumption in the National Accounts. Rents have a far smaller weight than in the CPI, health services a much higher weight.

Core PCE inflation higher than the implied FOMC forecast

Growth in the annual PCE growth rate was revised down by some 0.35 pp a month ago. Now, the gap is slightly lower.



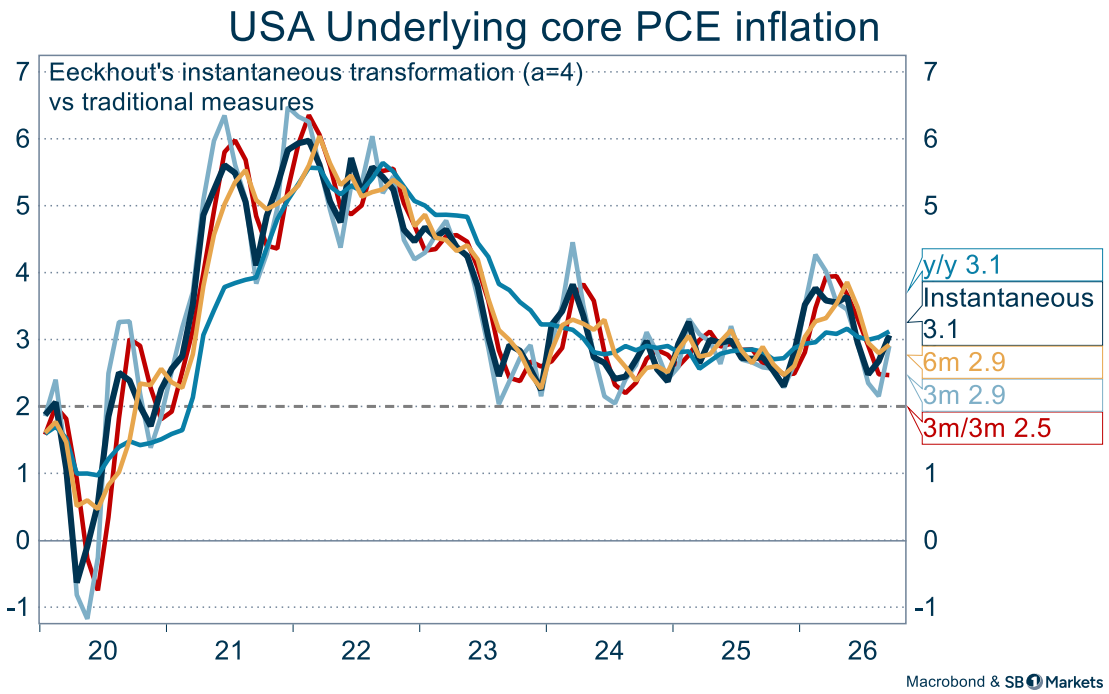


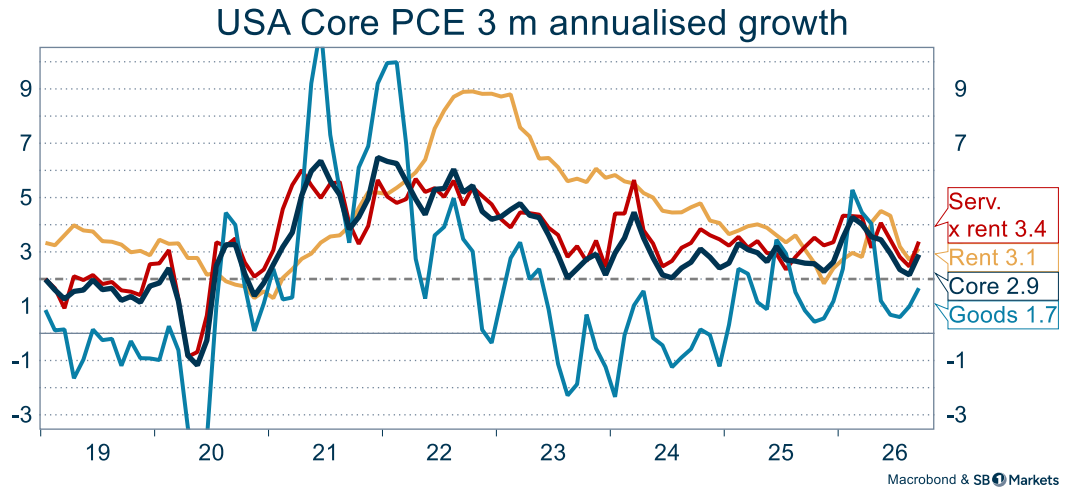


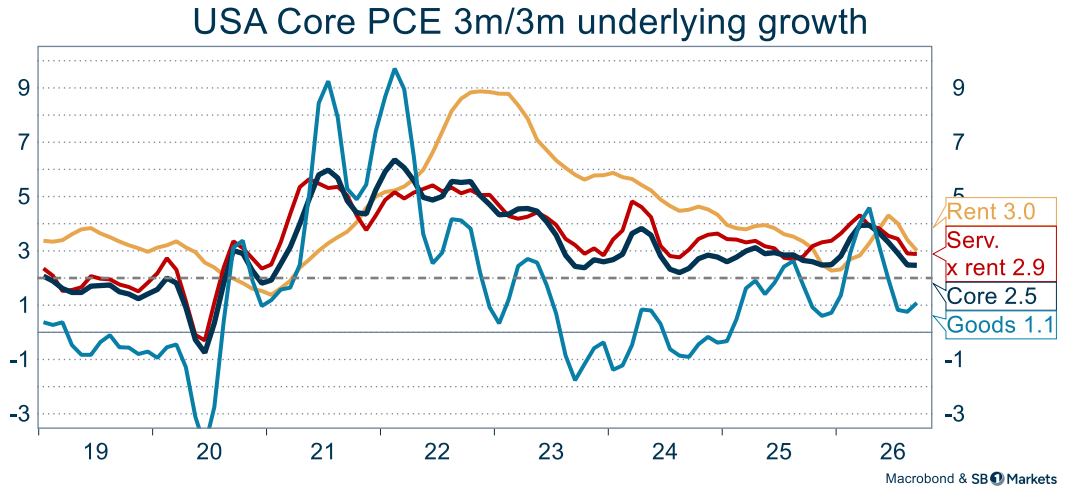
We assume constant monthly price increases through the rest of the year when we construct a 'FOMC' path, based on the annual growth rate in Q4 each year.

Underlying core PCE inflation in recent months in the 2.5–3.1% range, and up in Sep.

Underlying core goods inflation has fallen below 2% (but the annual rate not), while services have cruised at or above 3%.

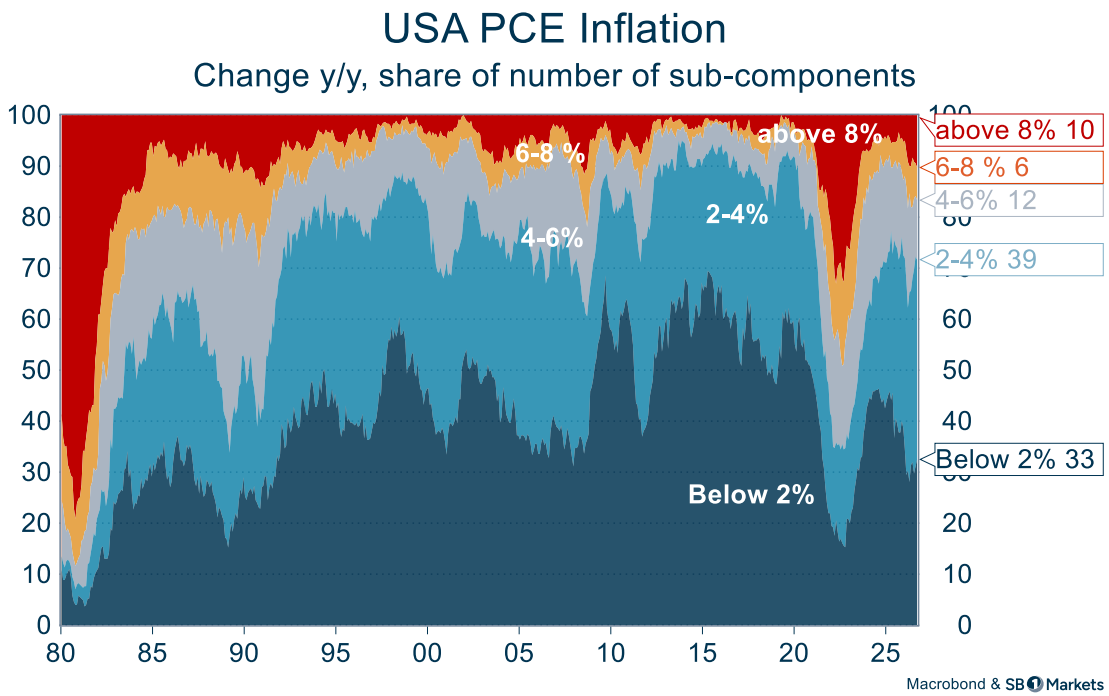


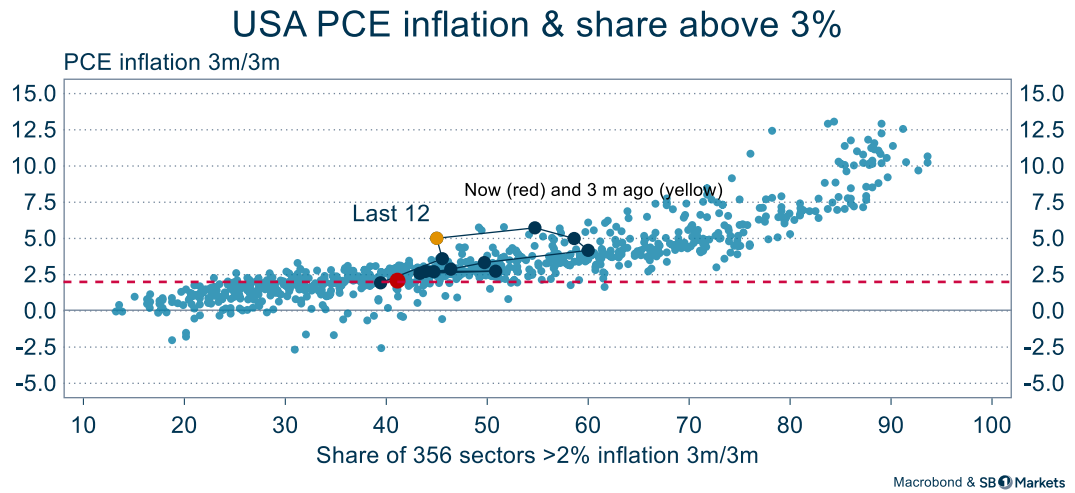


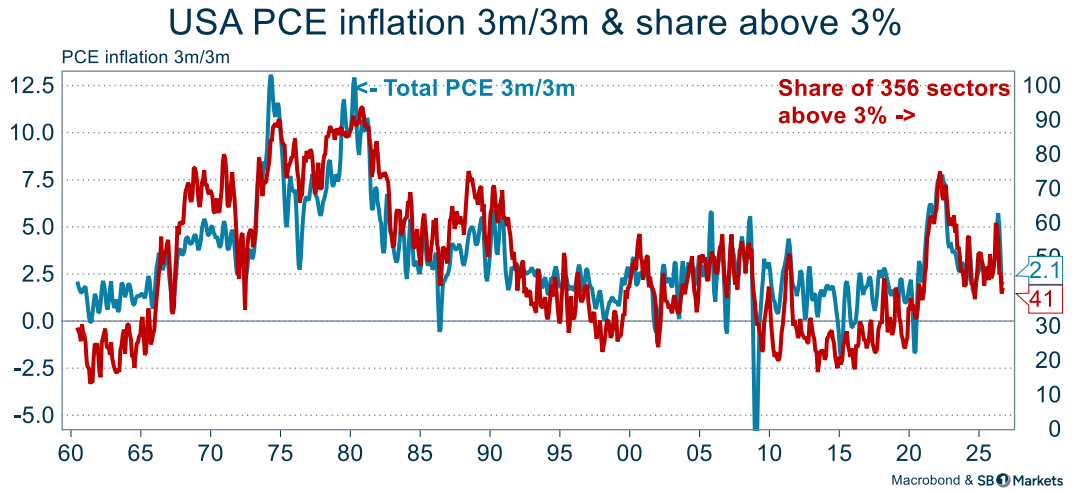


Rapid price increases are narrowing and the headline PCE 3m/3m rate is *at target* ☺

33% of the components in the PCE deflator grow 2% or less y/y – while 28% are up more than 4%, still a large proportion. However, price increases have been slowing lately: 'just' 41% of the components in the total PCE are up more than 3% measured 3m/3m, 59% are below.

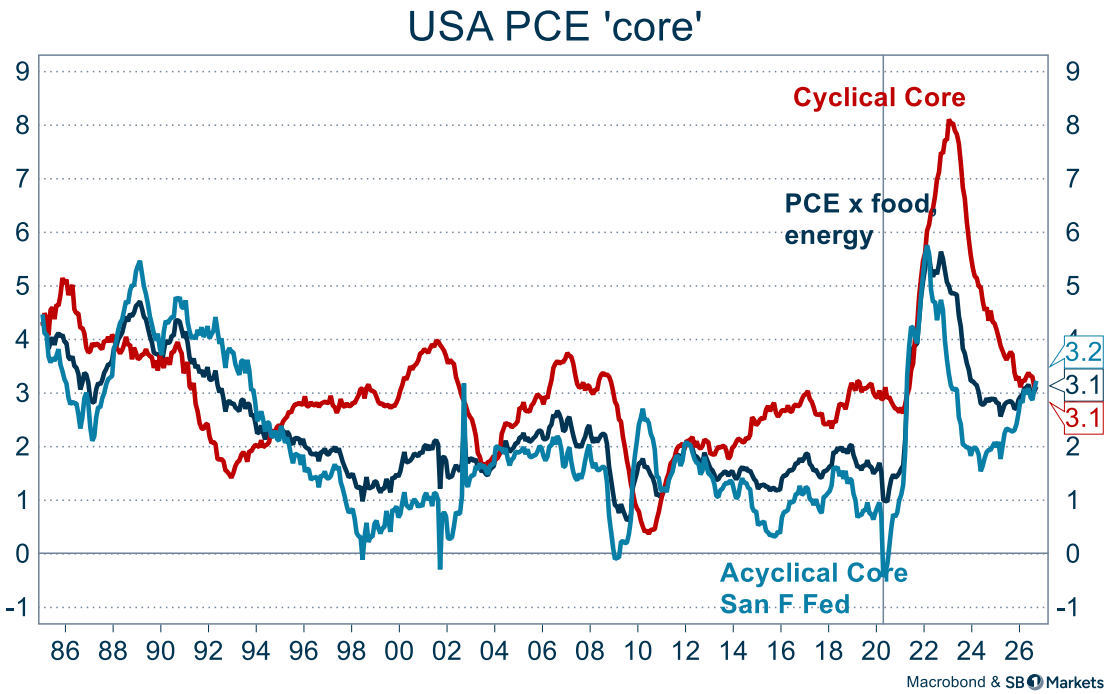


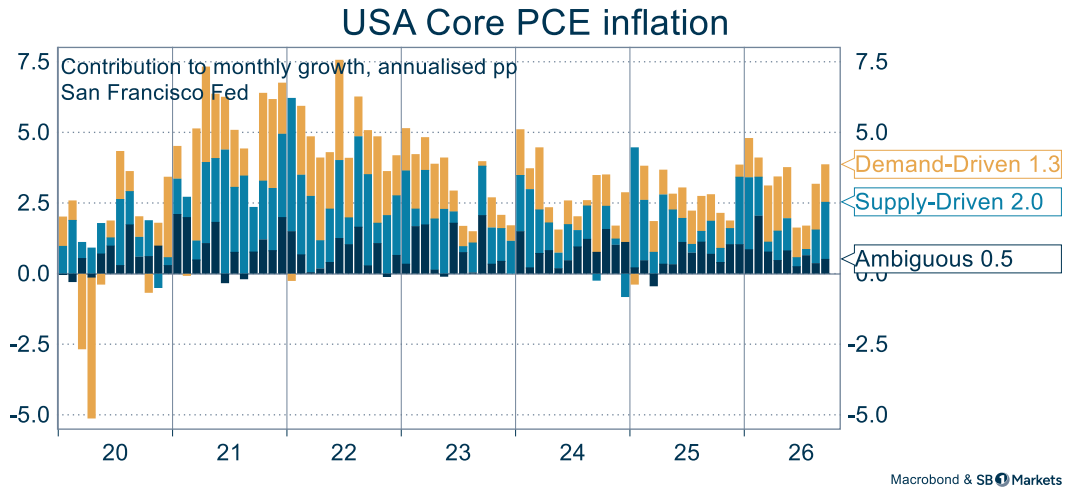


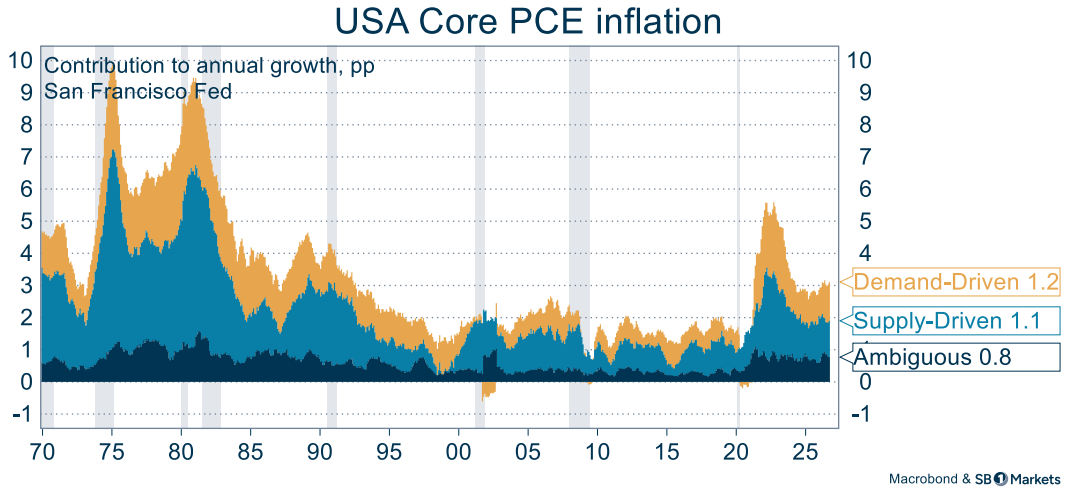


Both the cyclical and the acyclical core PCE remain lofty, at 3.1–3.2% y/y

The cyclical core (37% of the PCE) has trended down but has flattened recently. The acyclical core has been heading upwards and still is. Both supply and demand contribute to inflation, supply more recently, according to a model calculation.





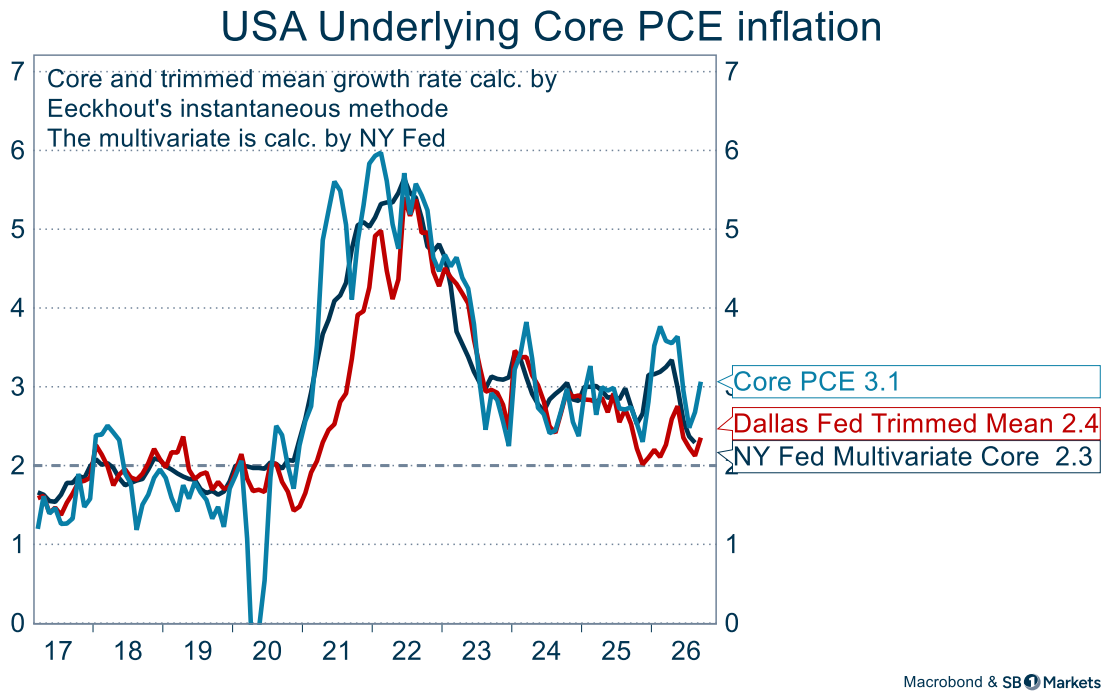


- We have been in doubt regarding the **supply/demand split** for explaining the surge in inflation – but here are the San Francisco Fed's estimates: Over the past year, 1.2 pp is due to strong demand, while supply-side factors have lifted the index by 1.1 pp. The rest, 0.8 pp, is ambiguous. Wages are included in the supply-side component, which is not an obvious model specification in all circumstances.

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

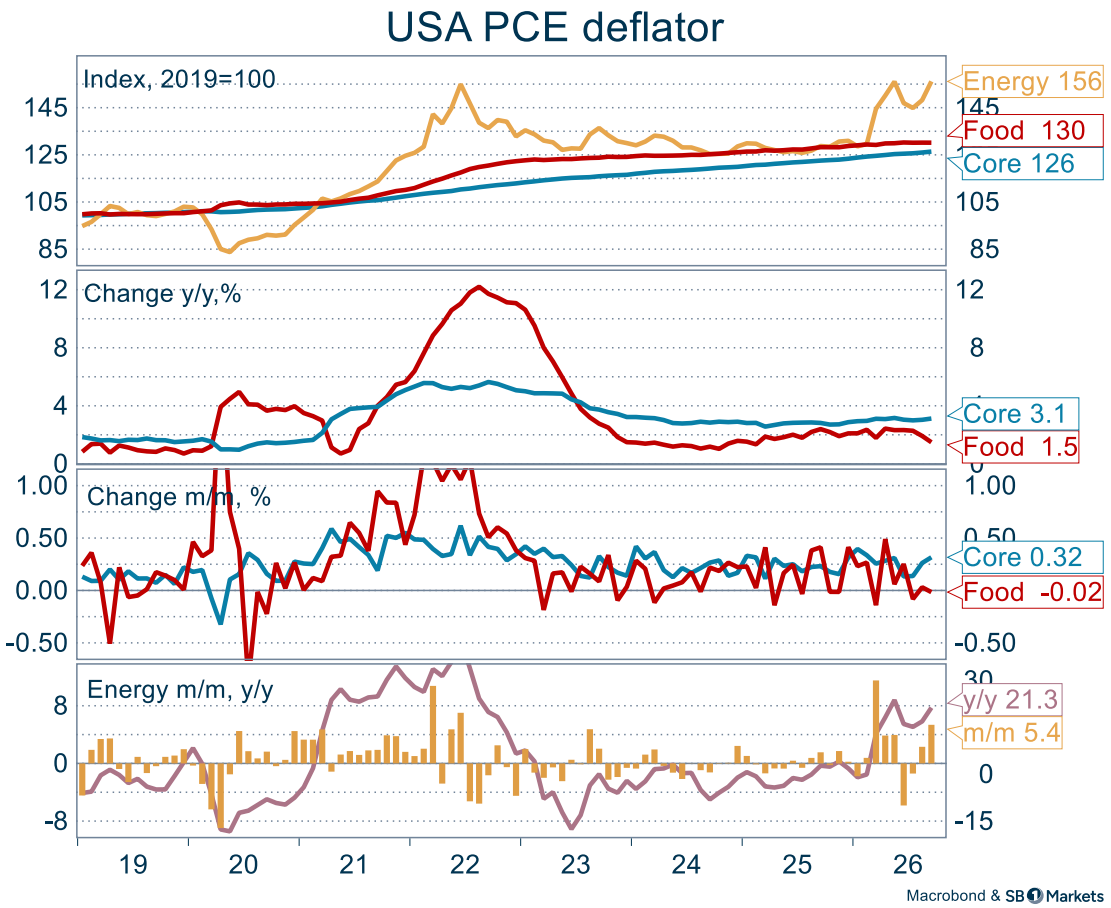
Other measures of underlying inflation: not down to 2% yet

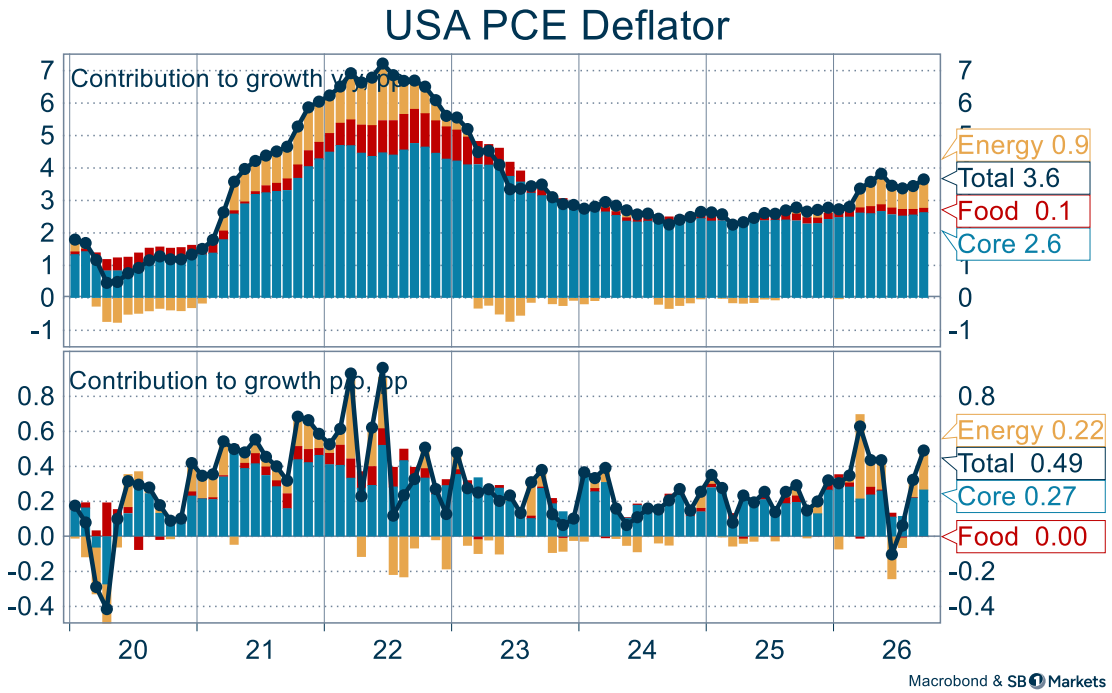
The Dallas Fed's trimmed-mean core PCE inflation has fallen to 2.4%, and NY Fed's multivariate model to 2.3% (September). Other measures of underlying inflation are higher though.



PCE details: Energy up 5% m/m; 21% y/y. Food flat m/m, and just up 1.5% y/y

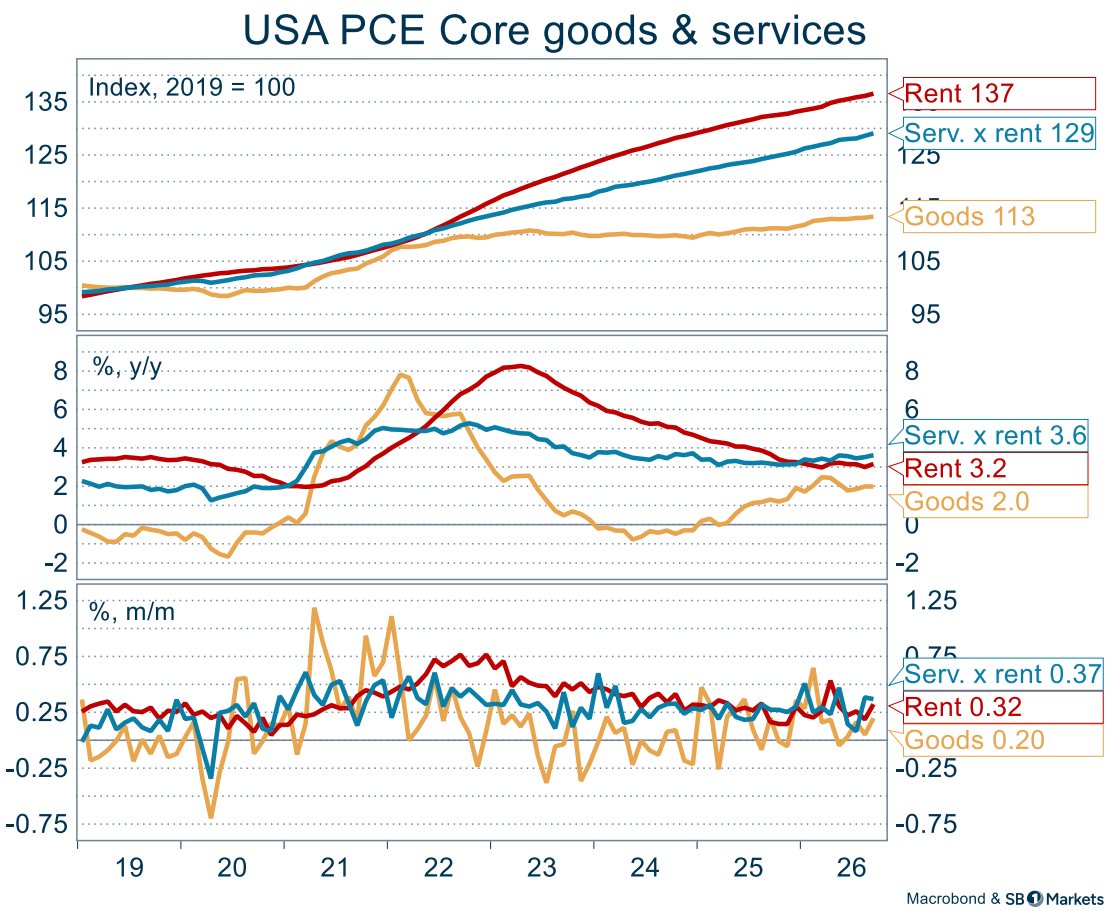
The total PCE index rose 0.5% m/m, and the index is up 3.6% y/y, as expected. Energy contributes 0.9 pp, food just 0.1 pp.

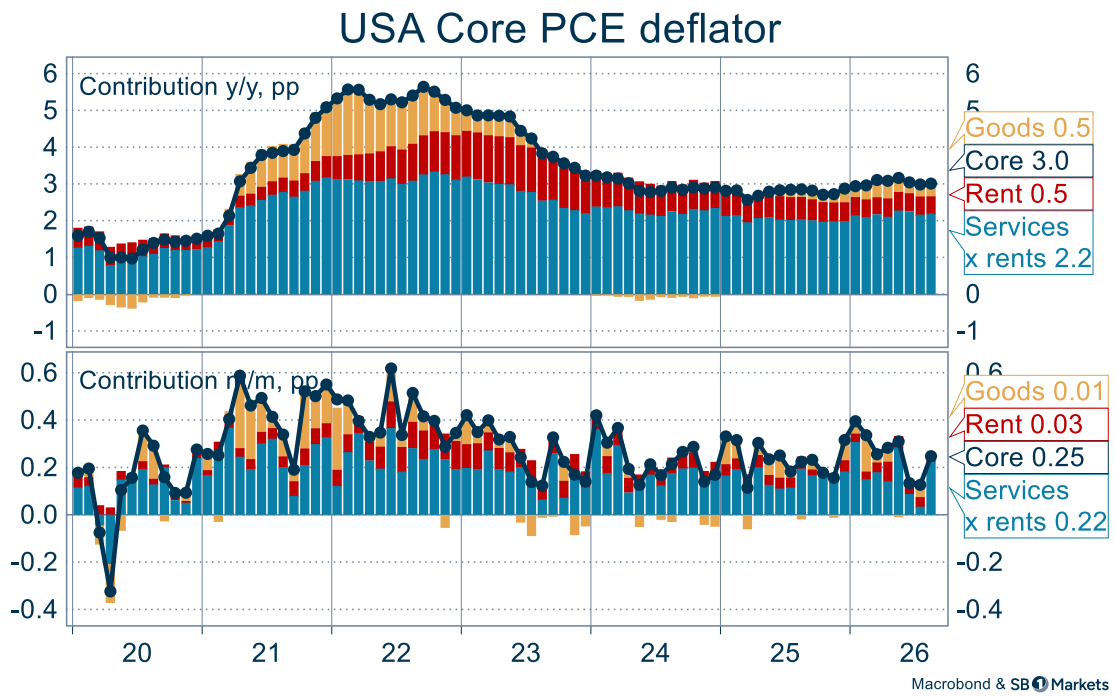




Core PCE details: Services ex. rents rose 0.4% m/m, and are up 3.6% y/y

Rent inflation has flattened at 3%. Core goods rose 0.2%, and are up 2% y/y.

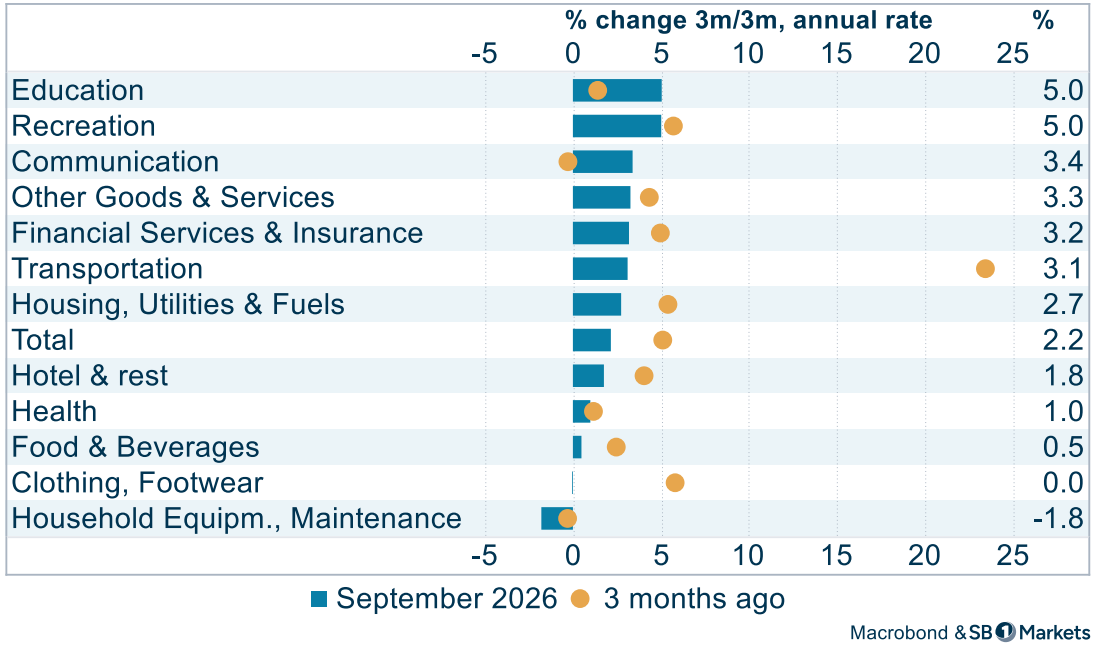




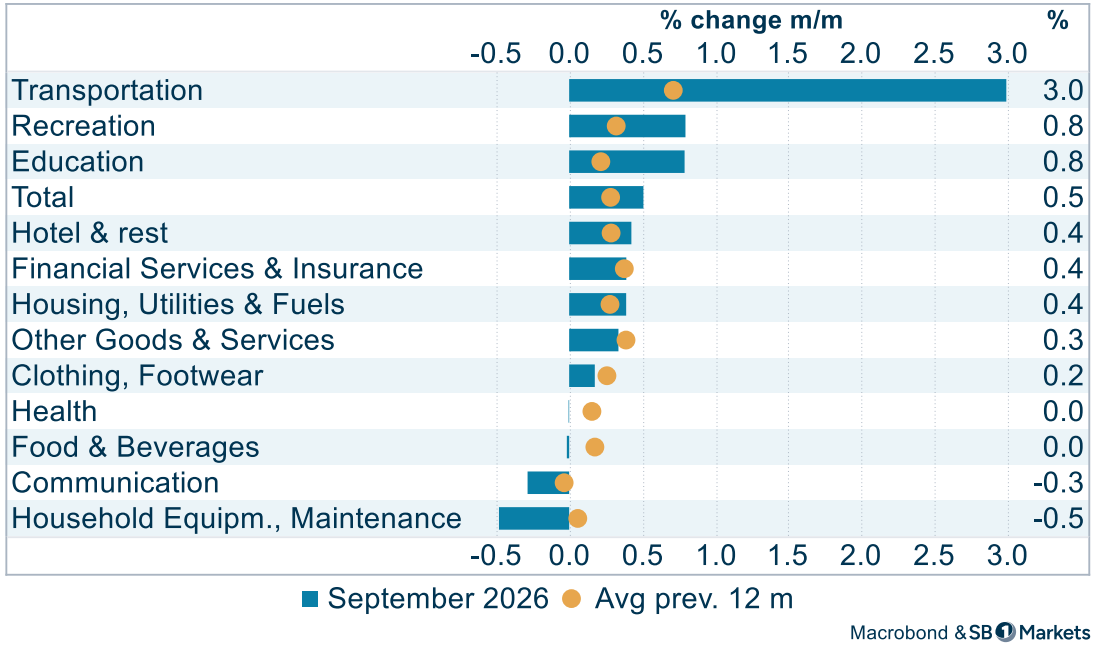
PCE details: Measured 3m/3m, 5 of 12 main sectors report less than 2% inflation, 6 >3%

6 sectors report lower momentum than 3 months ago – 5 faster.
Transportation rose the most m/m.

PCE price index



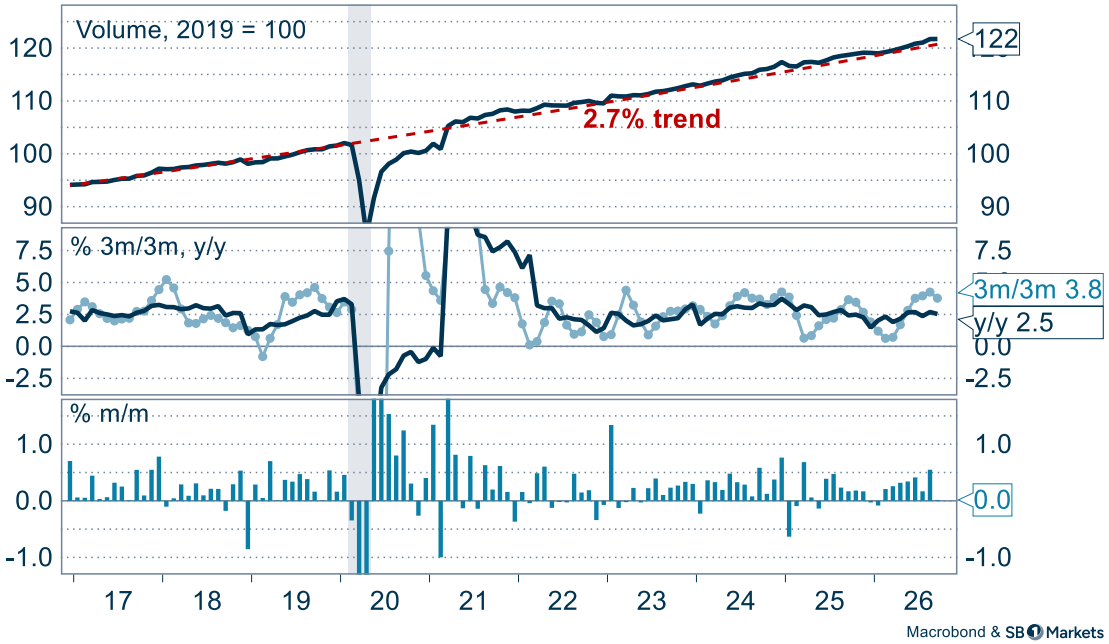
PCE price index



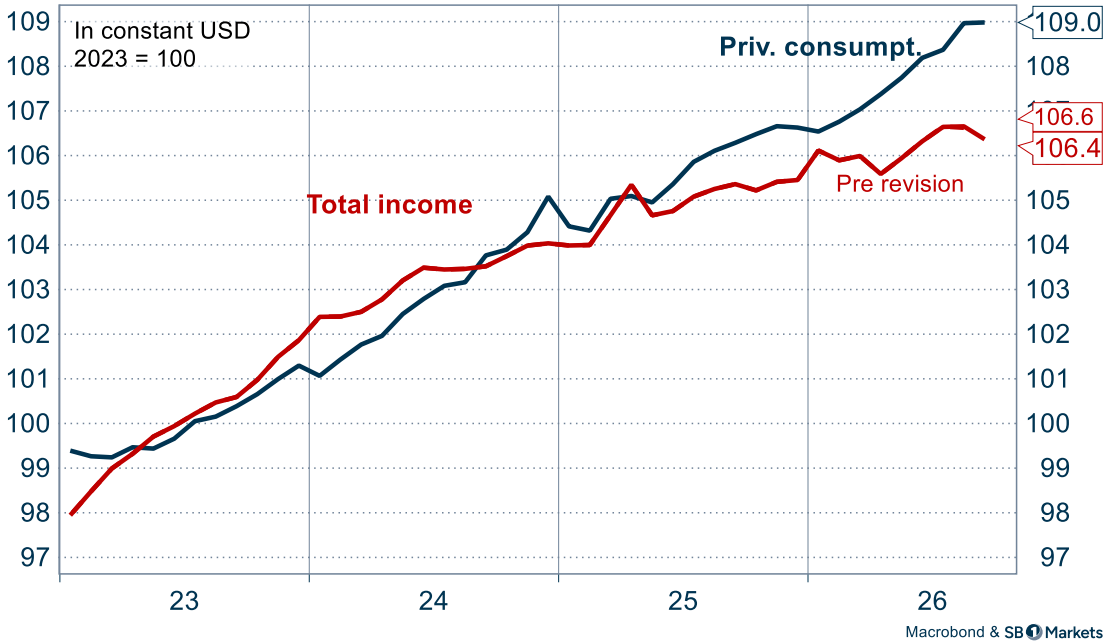
Consumption flattened in September as prices made a 0.5% dent in real income

Spending rose 0.5% in nominal terms, 0.1 pp less than expected. Pre- and post-tax income rose 0.2%, also 0.1 pp less than expected. In real terms, disposable income fell by 0.3% as prices rose 0.5% m/m. Underlying growth in real spending is still strong, up 3.8% 3m/3m (=Q3).

USA Private consumption

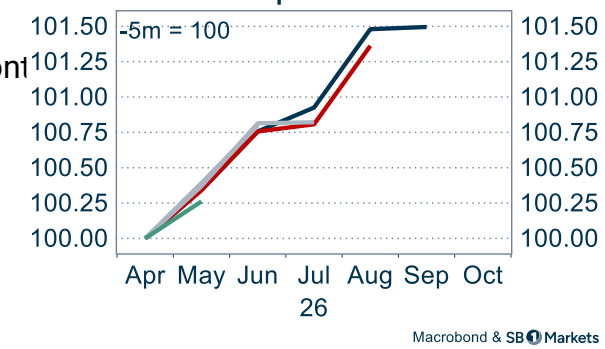


USA Household income & spending



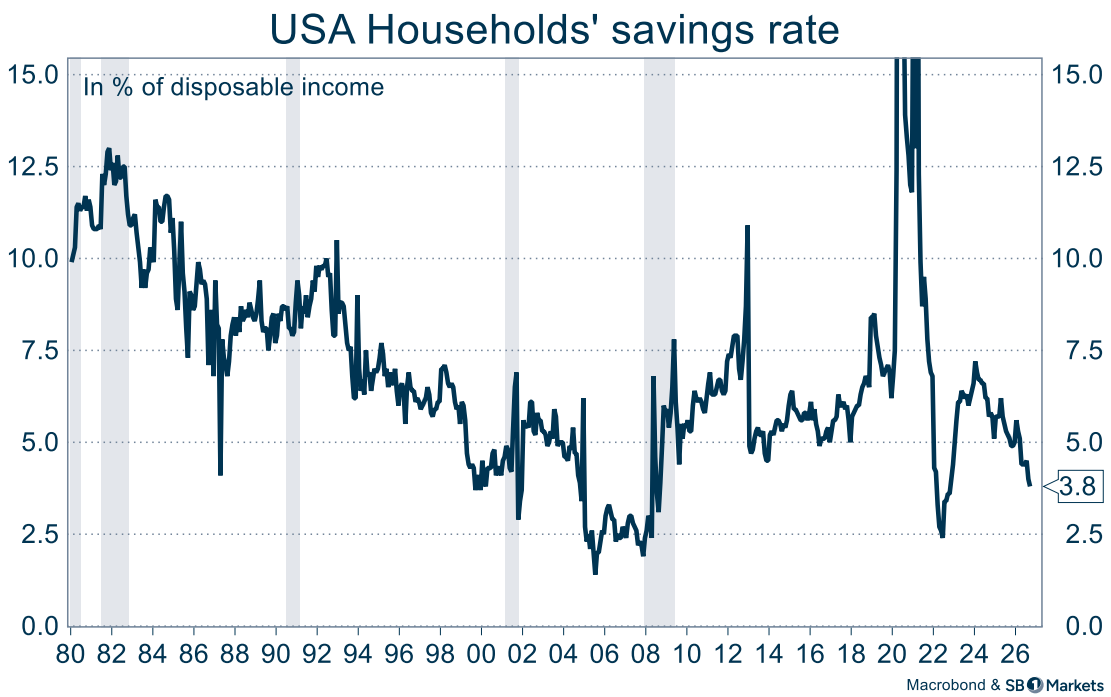
- **Consumption** shows no sign of weakness following the slowdown in early 2026.
- **The savings rate** fell again in September – as in Q3. The level is on the low side, even after an upward revision last mont in the savings rate has funded more than 50% of the lift in consumer spending.

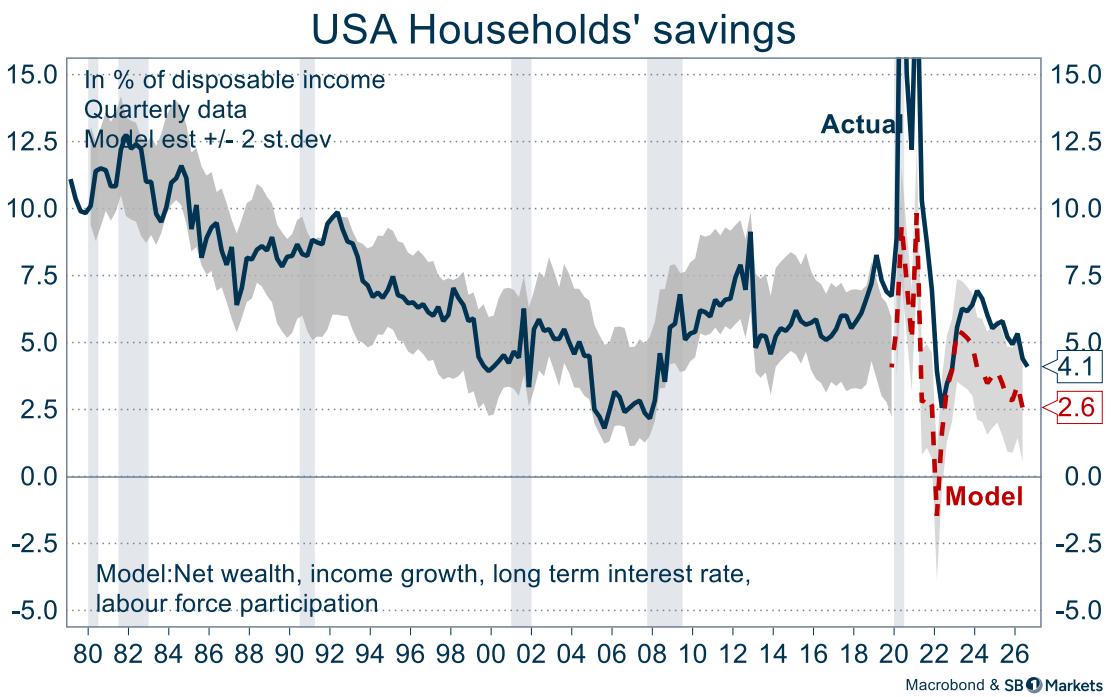
Consumption volume



The savings rate heads down, now to 3.8%

A falling savings rate has funded almost half of the lift in consumption over the past year.

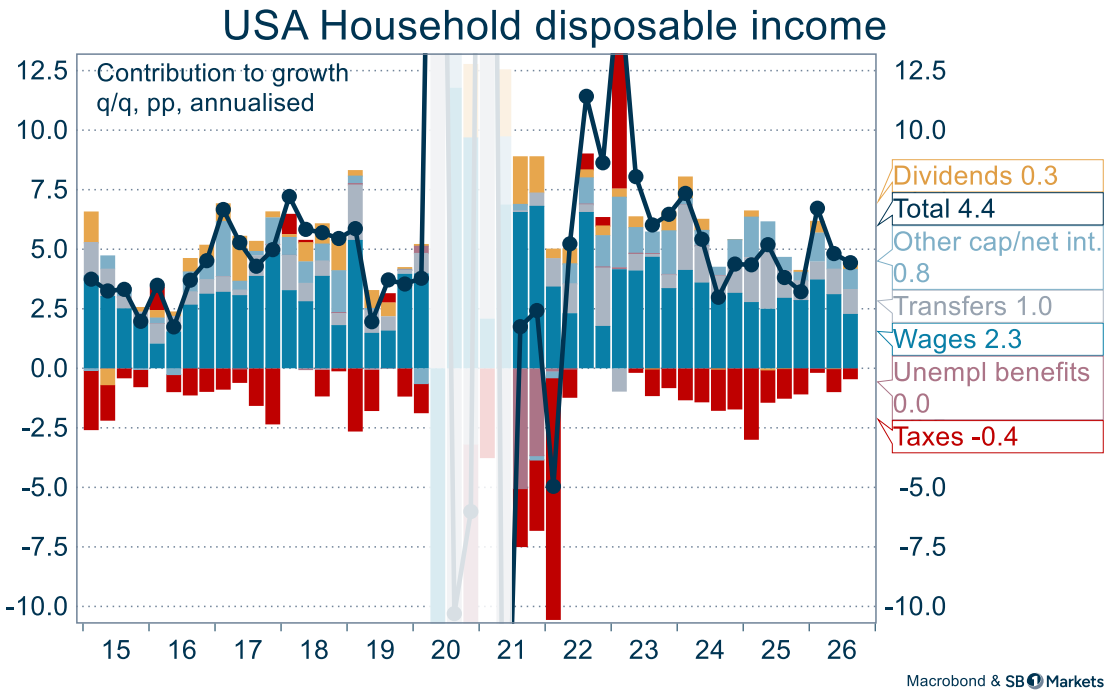


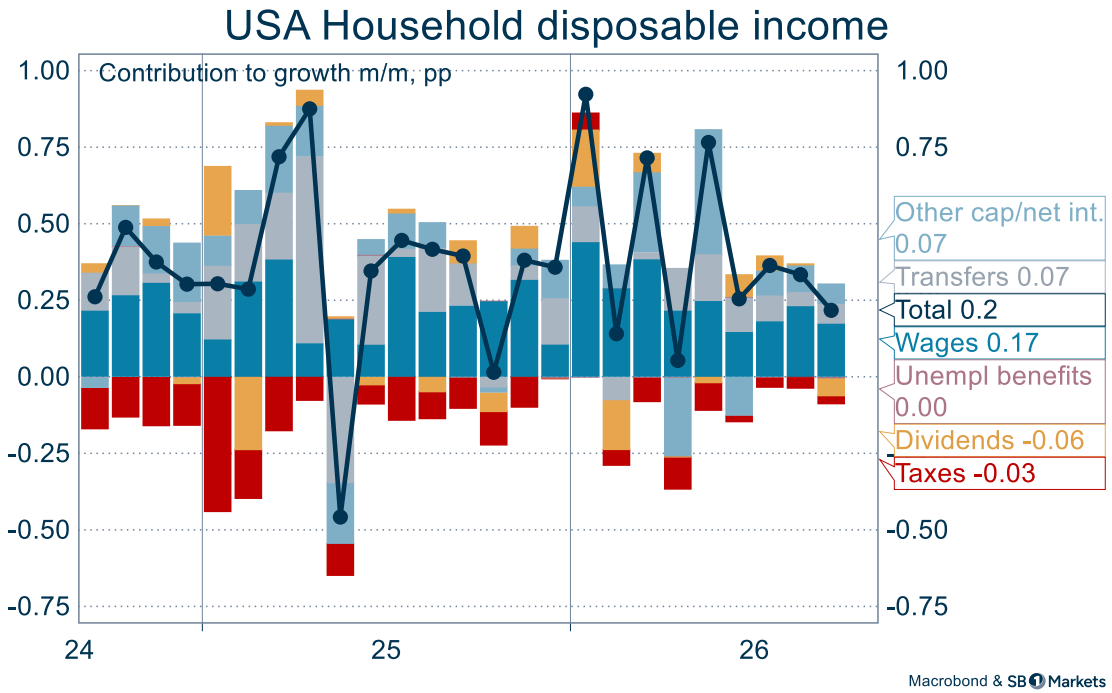


- Even so, the savings rate is above our model forecast.
- The decline in our model estimate is mostly driven by the strong equity market.

Household income: A 0.2% nominal September lift. Slow wage growth, more transfers

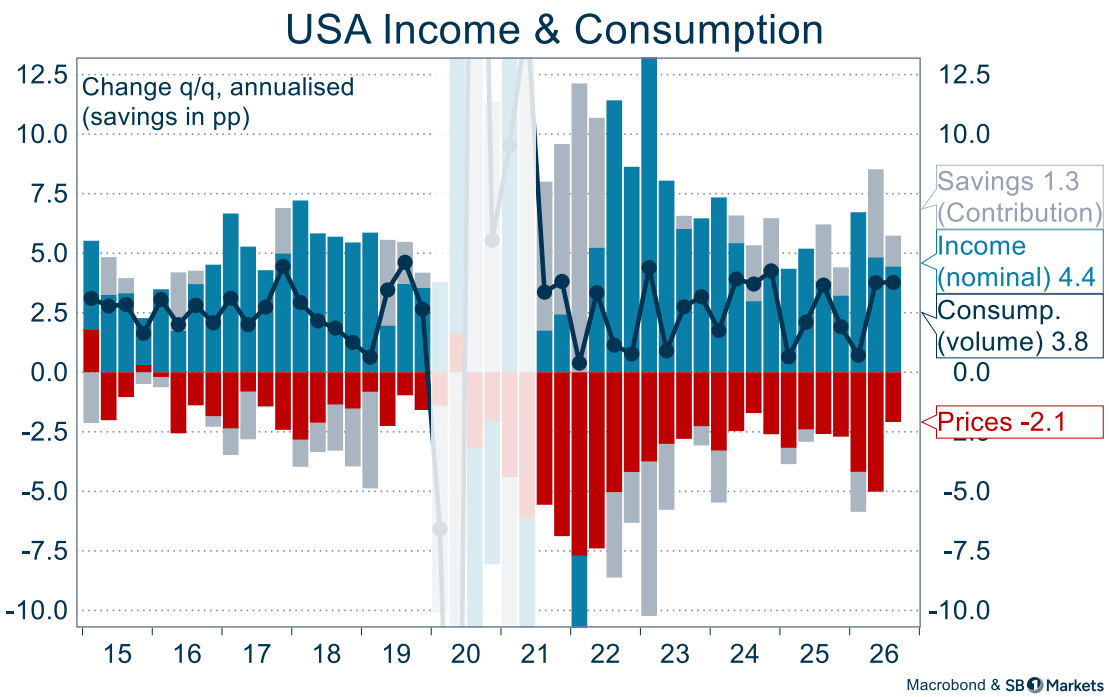
Wage incomes grew at a modest pace, while dividends declined slightly.
In Q3, nominal household disposable income grew at a 4.4% pace, and 2.5% in real terms.

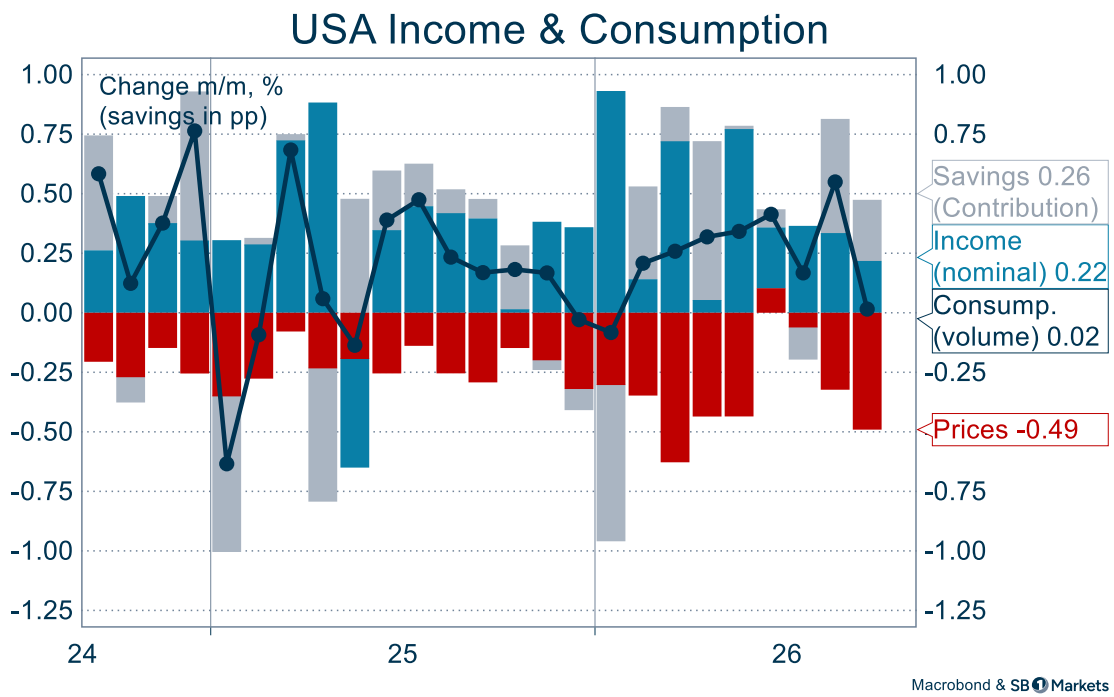




Q3 spending up 3.8%, without any support from Sep., which was hit by a 0.5% price lift

Savings declined 0.26% in September.

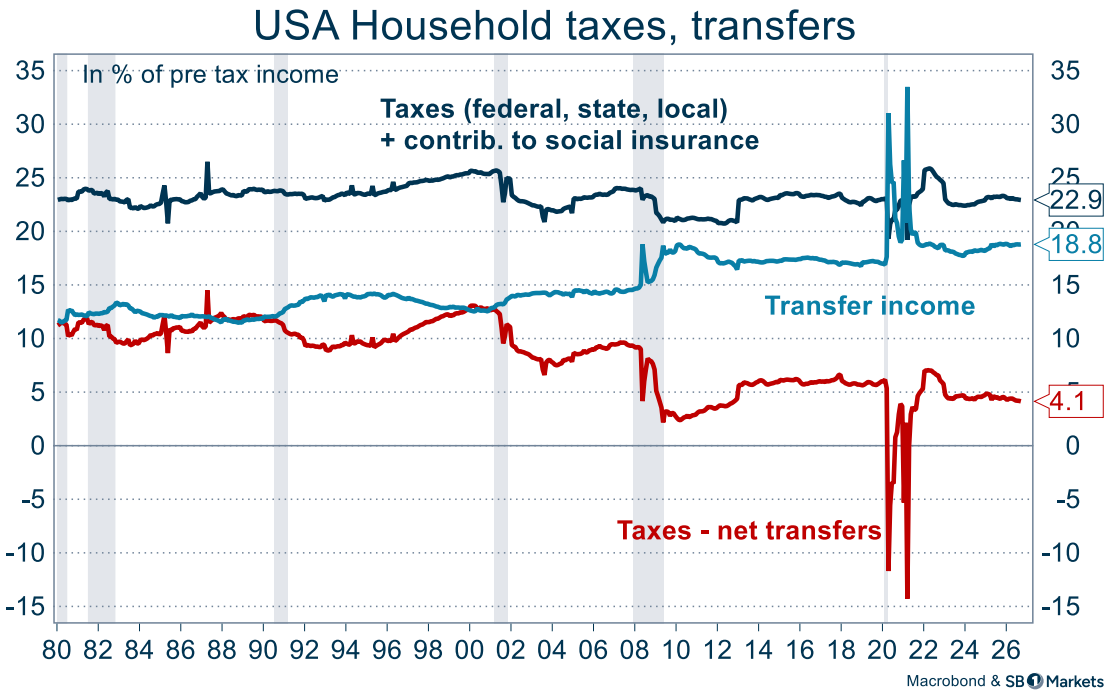


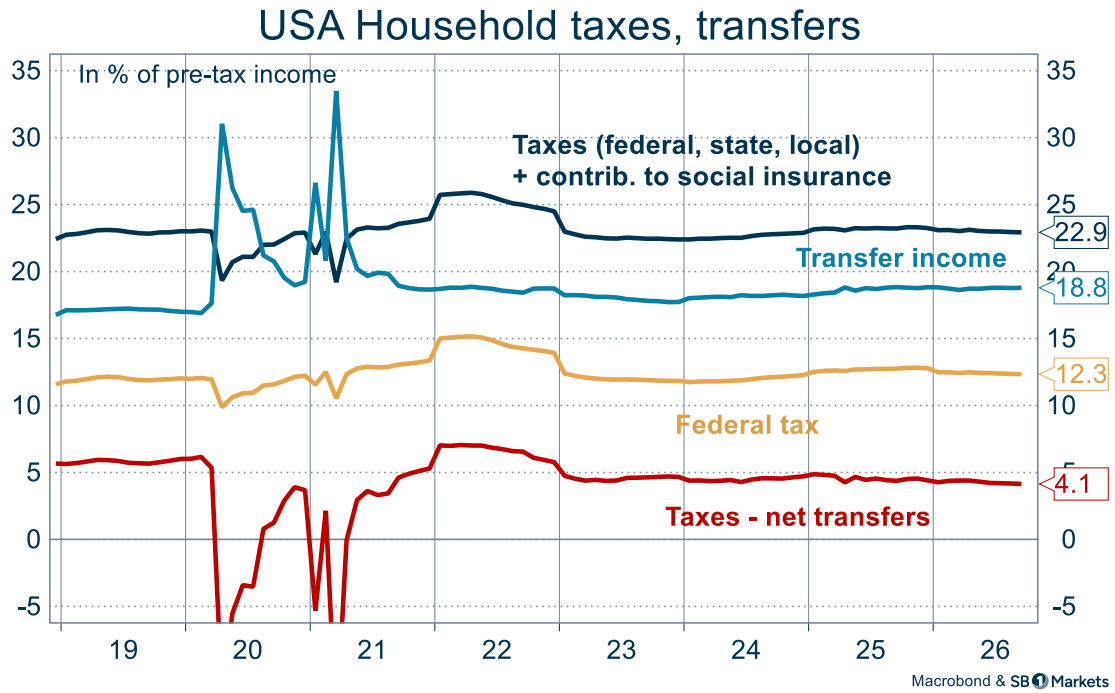


The sum of the stacks in the charts above does not add up to the change in consumption as growth rates are calculated from different levels (consumption and income). A positive savings contribution implies that savings are falling, and thus funding growth in consumption. A negative price contribution implies that prices are increasing.

The net tax rate trends slowly down (which erodes the budget)

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

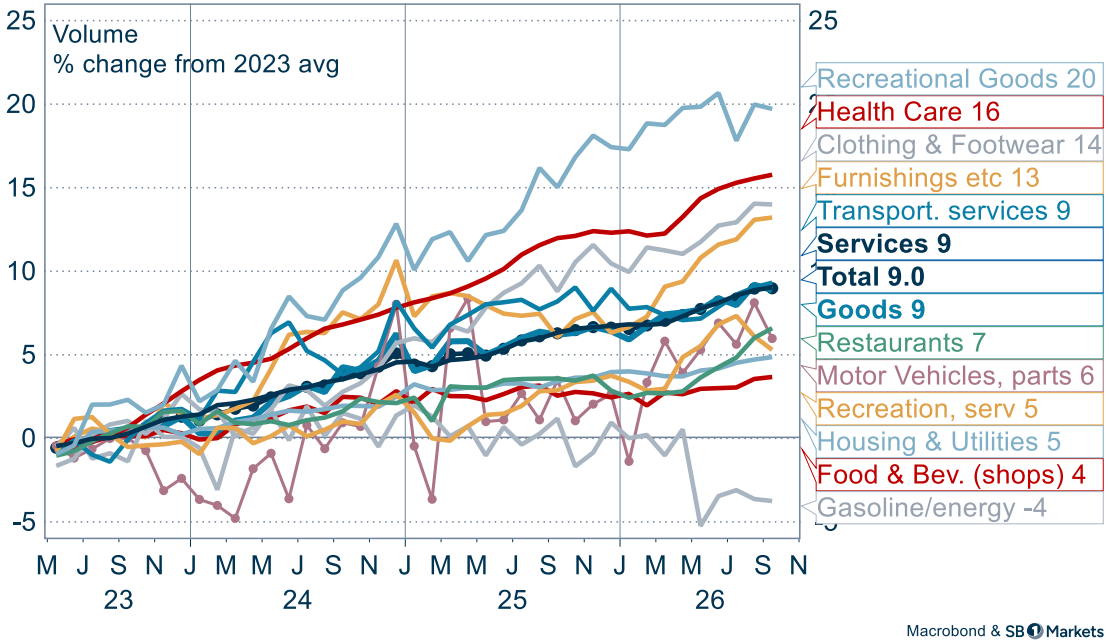




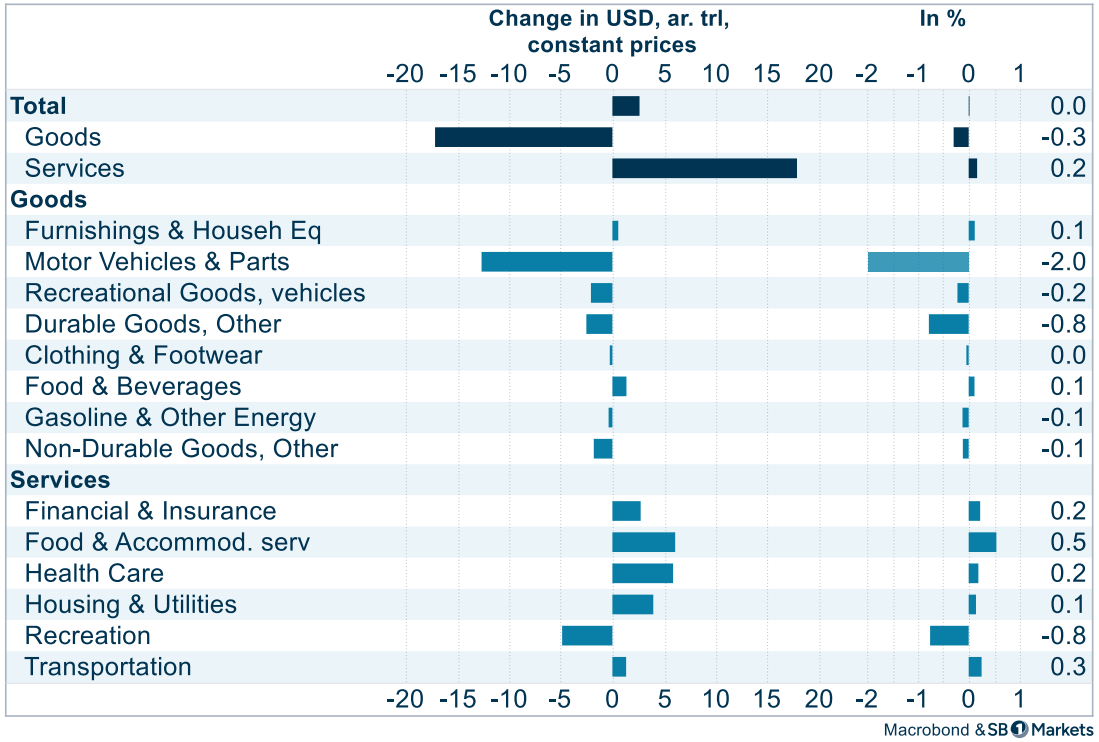
Consumption details: auto sales fell sharply, but goods were mostly down. Services? Up

Goods were down 0.3% in September, services were up 0.2%. The sum was unchanged.

USA Private cons. % change from 2023



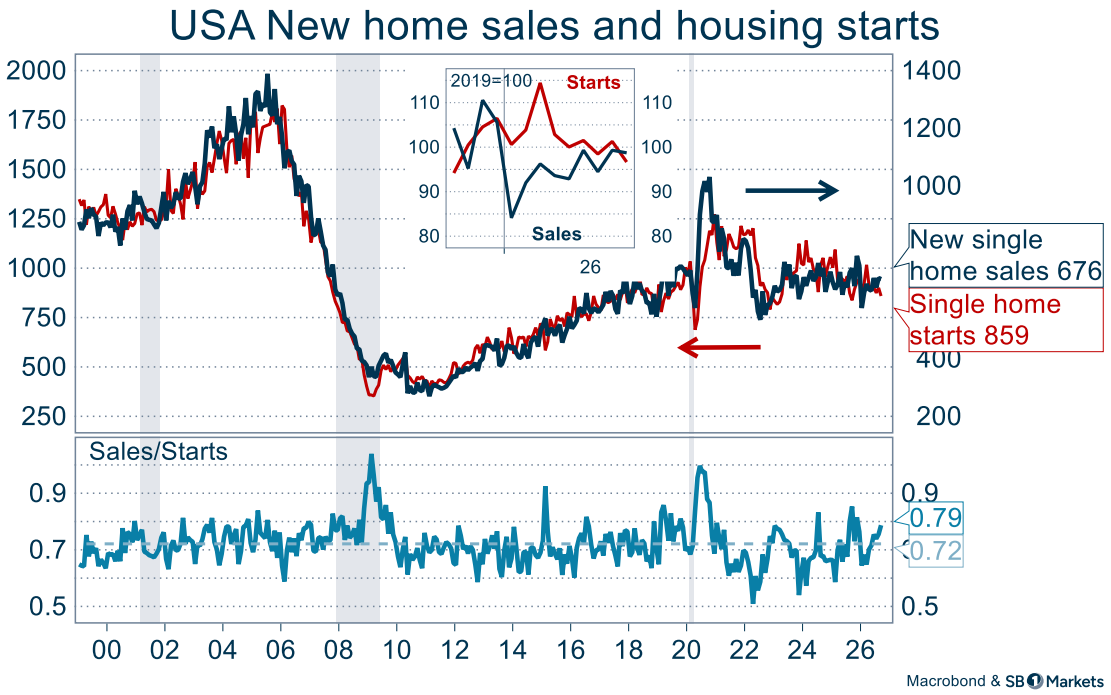
USA Change in consumption, m/m

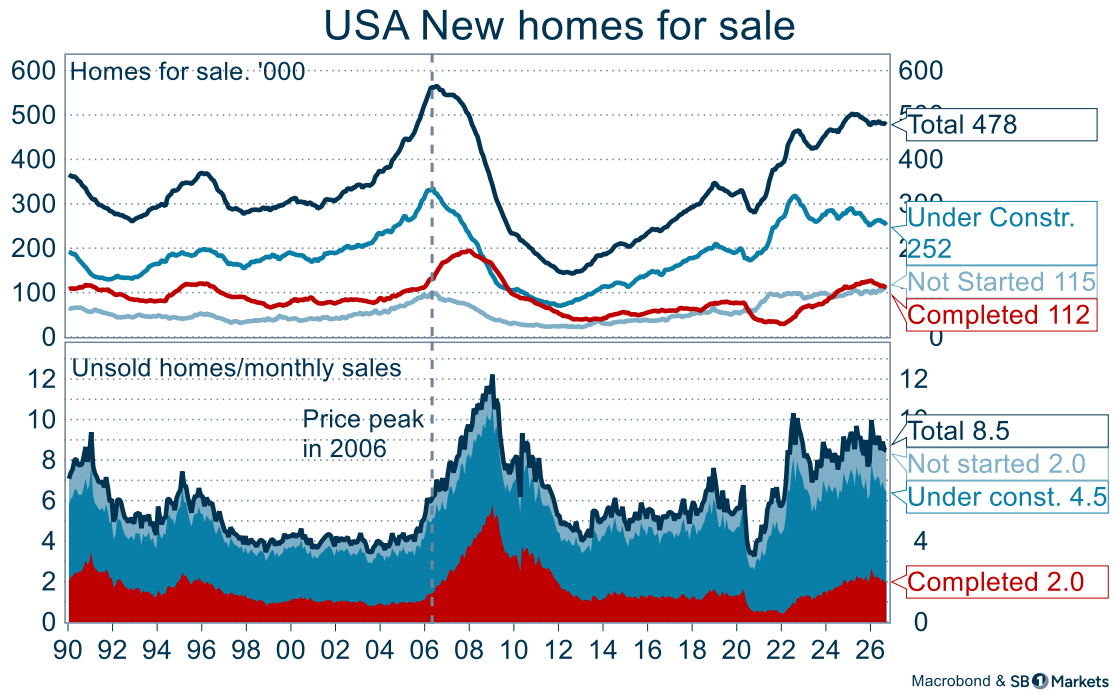


Phones are included in the recreational category

New home sales are still holding up

Sales of new single-family homes were unchanged in September, expected slightly down. Sales have moved upwards so far in 2026, from a low starting point. The longer-term trend (from 2023) is close to flat. The inventory of unsold new homes heads down, but so are prices too.

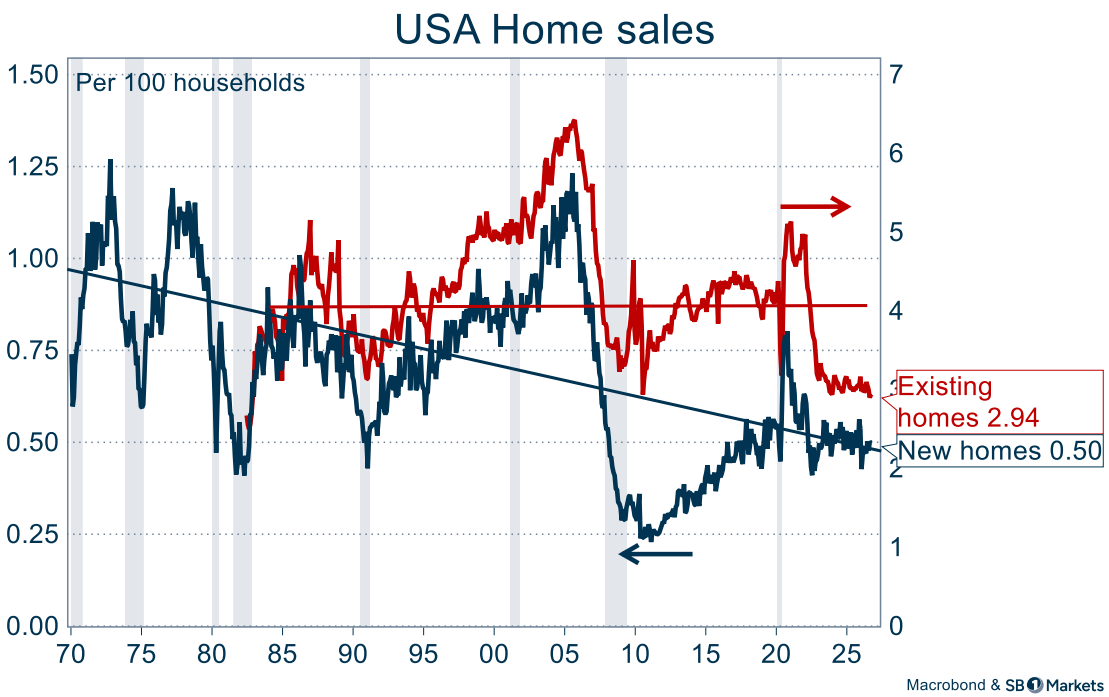


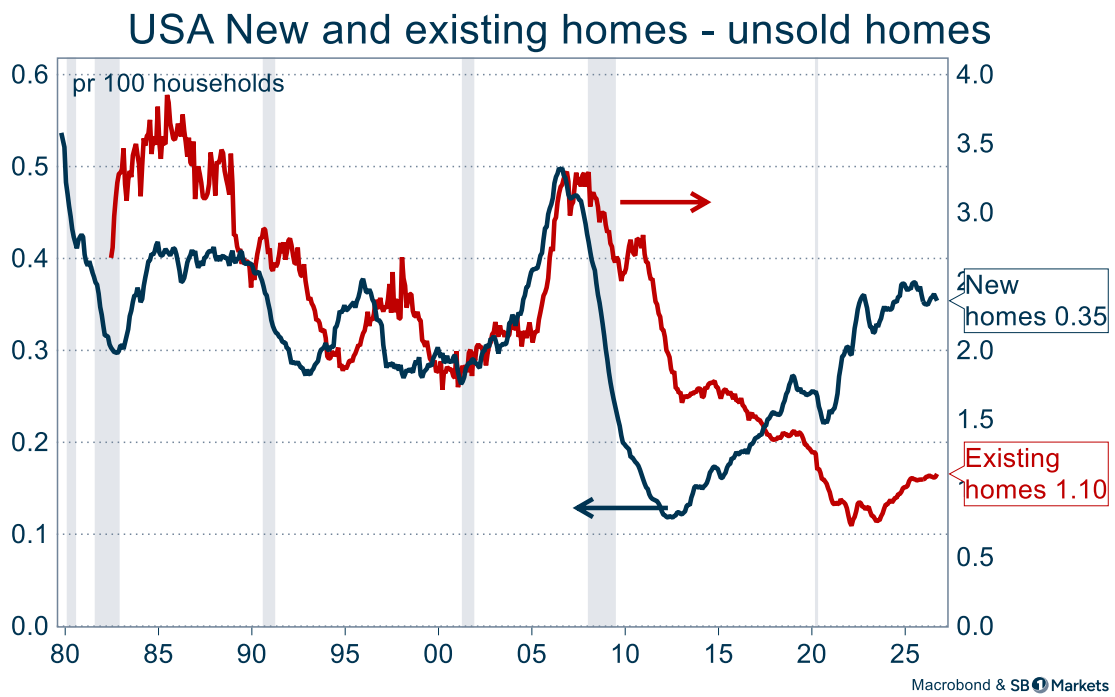


- The **inventory of unsold new homes** has been falling slowly since the local peak last spring due to a decline in the number of unsold completed homes and unsold homes under construction. The number of unsold homes not yet started (the prospects), the least 'potent' part of the supply, still trends upward.
  - The inventory is still very high, just surpassed by the record-high levels before the housing bubble burst in 2006. The inventory equals 8.5 months of sales, also a high level.
- **The new home median price,** a volatile and 'simple' measure (not adjusted for standard/size etc.), has been falling since the peak in 2022. The pace of decline is still some 3–4%, which implies a rather steep decline, in real terms. The real price is down almost 25% from the peak in 2022.
- However, **construction costs** (adjusted for standard/size) and the total **sales price**, including the cost of land, are trending upwards (but slower than CPI inflation).
- ***In sum:*** ***better than feared***. Will the lift in mortgage rates in recent months hurt this market? Home builders say so.

Existing home sales are at a low level, new home sales at a normal level?

The inventory of unsold existing homes trends upwards but is still at a low level. The inventory of new homes for sale is unusually high but is down from the local peak last year. However, a small uptick in recent months.

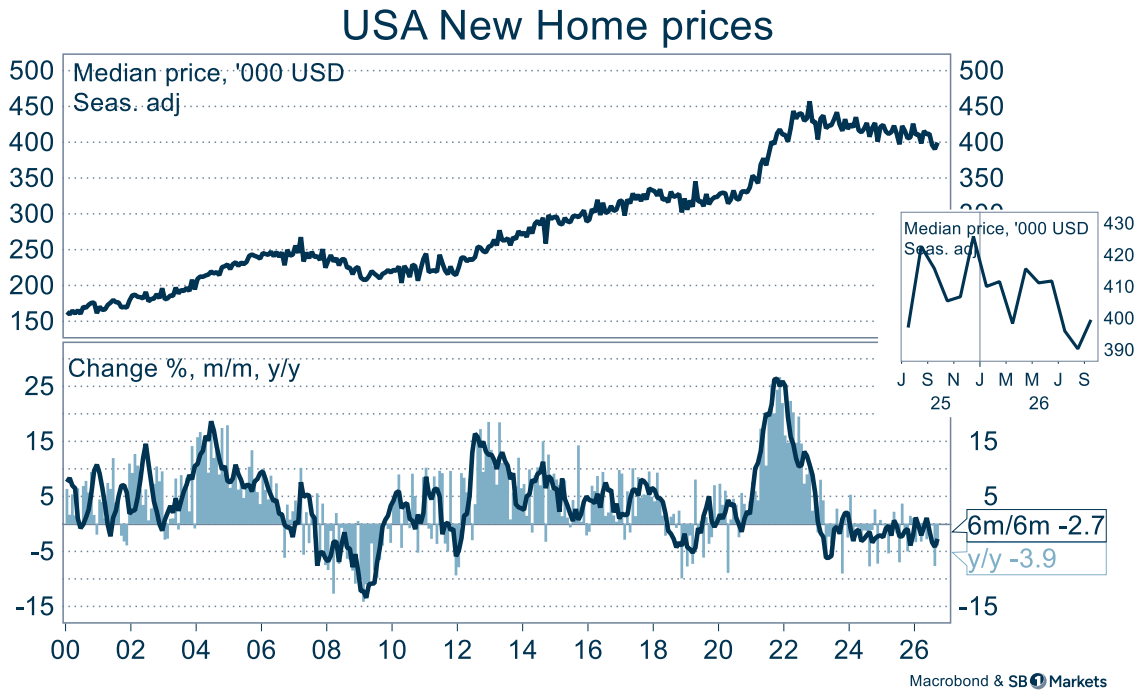


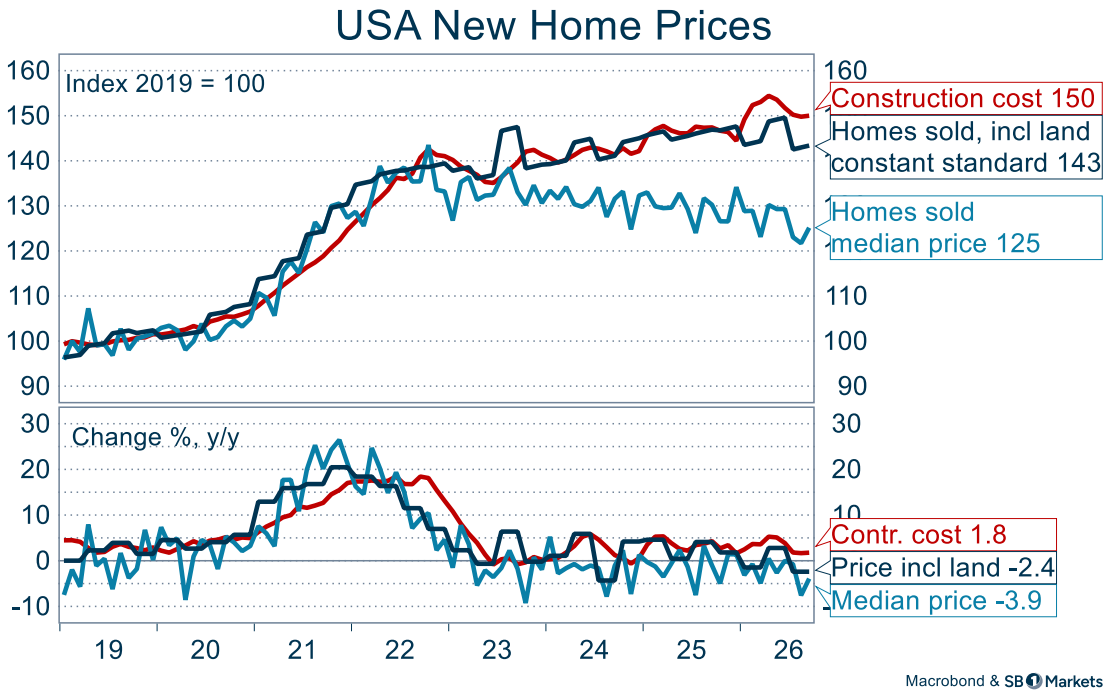


- **Existing home sales** are probably lower than normal while new home sales may be close to trend.
  - **Existing home sales** should over time trend flat vs. the **number of households (*the level*),** if there is sort of a 'normal' transaction rate, like how many times a family moves per generation etc. Current sales are some 30% 'too low'. Low housing mobility partly reflects a mortgage lock-in effect: households that borrowed or refinanced at extremely low rates through 2022 would have to replace their existing mortgage with a new loan at today's much higher rates if they moved.
  - **New home sales** vs. the number of households are most likely trending downwards, long-term, due to **lower population *growth***.

New home median prices are still drifting down, but not standard adjusted

The median price has been trending down from the 2022 peak, now at a 3–4% pace. Construction costs are on the way up though, as is the average price for homes sold, standard adjusted and land included.



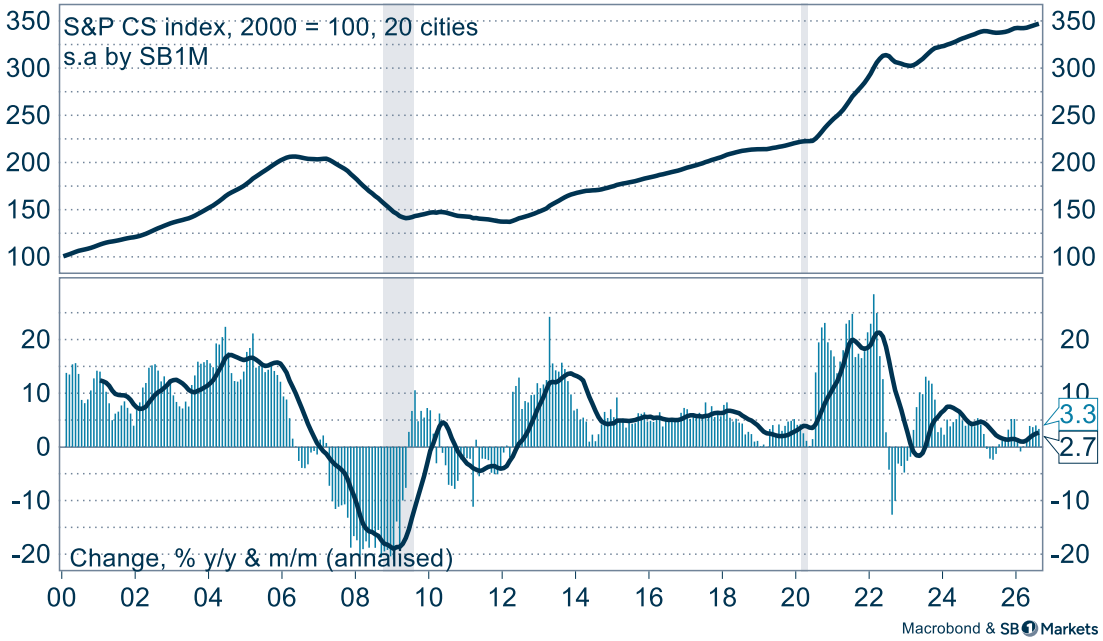


- **Median new home sales prices** are very volatile.
  - Prices are not adjusted for size, standard or area, which may change from month to month, and over time.
- **Construction costs** have been drifting upwards at a 2% pace, following the 40% surge from 2019 to 2022.
- **Including the cost of land, and adjusted for standard/size** etc., the new home **sold (quarterly) price index** (which is a better price measure for new homes than the median price for new homes sold) is trending slowly upwards as well, in line with construction costs.
- **In real terms, all three price measures** are down from their respective 2022 average levels, the median price by almost 25%. The real construction costs and the real homes sold index trend just slowly downwards and are down some 10% from the peak.

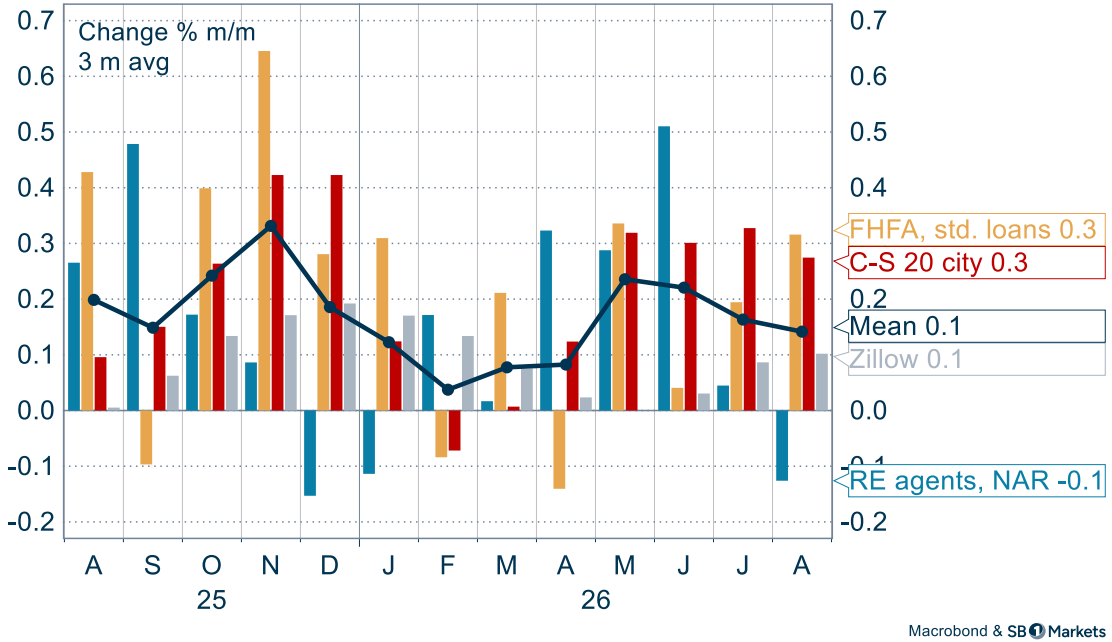
Existing home prices still on the way up (at least until July–September)

The Case/Shiller index gained 0.3% in August, for the 4th month in a row (at least after our extra seasonal adjustment). Other price indices are mixed, and an average of 4 stats is up by 0.1% on average over the past 3 months. Prices are up 1.2–2.7% y/y, well below CPI inflation.

USA Case-Shiller house price index



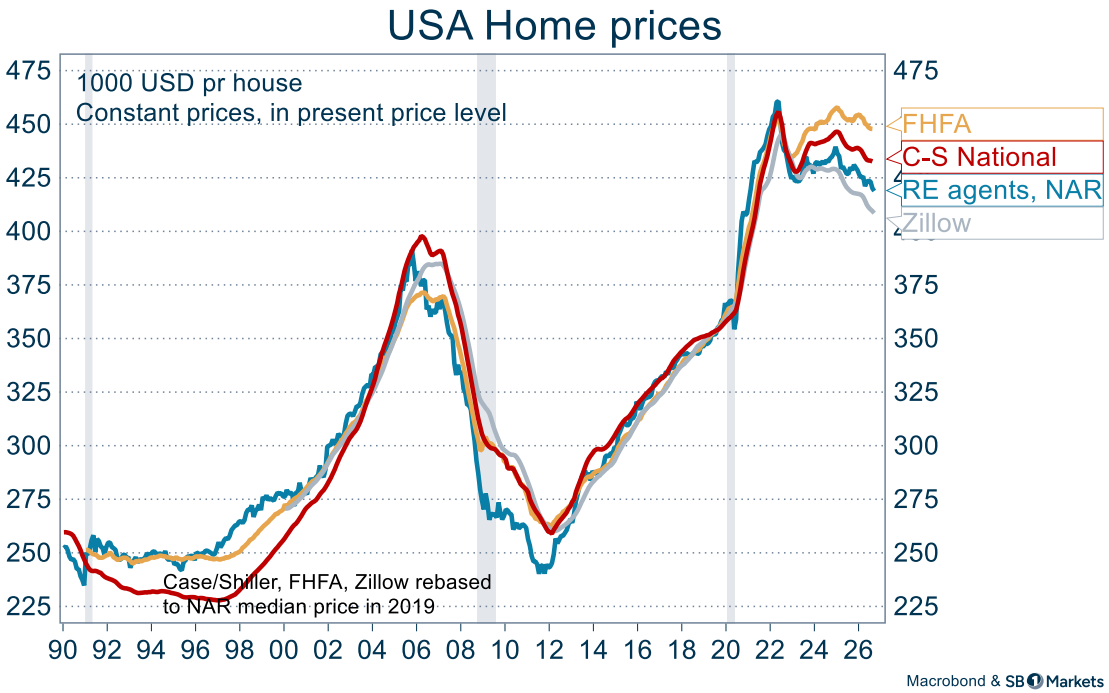
Existing home prices

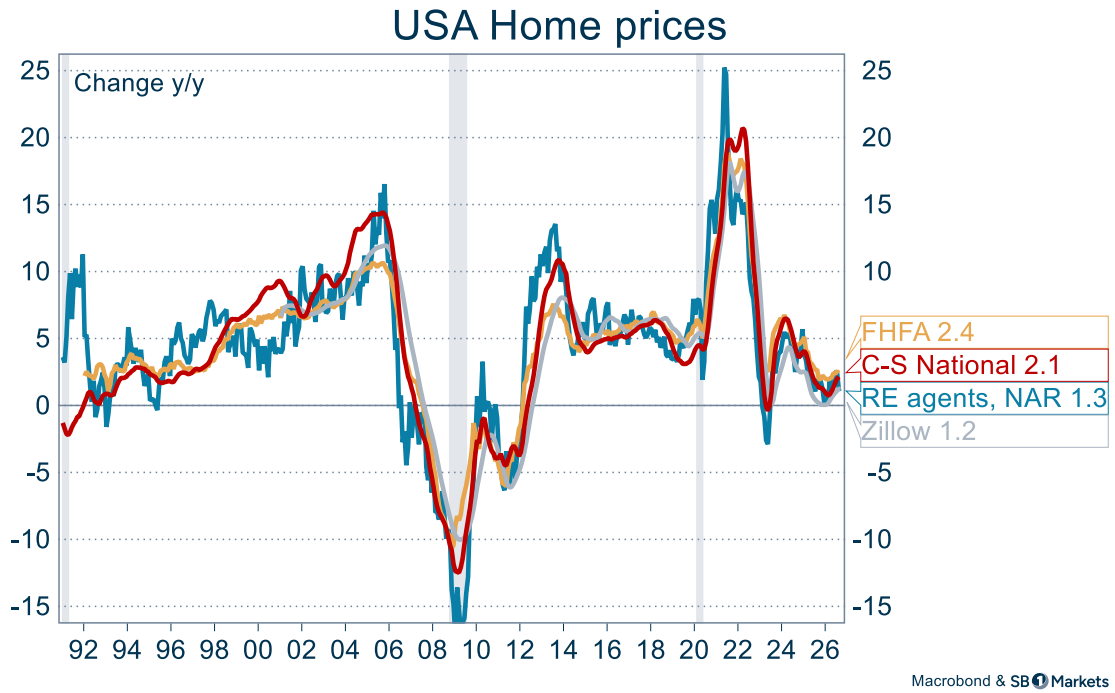


- **S&P's Case/Shiller's 20 cities** price index rose 0.3% in July (July–September avg.), as expected. Prices are up 2.7% y/y. The **C/S national index** is up 2.4% y/y.
- **The FHFA** (Federal Housing Financing Agency) price index, which covers homes with loans guaranteed by the government-sponsored Fannie Mae or Freddie Mac ('Husbankene'), rose just marginally, by 0.3% in August (3m avg.)
- **Zillow** reported a 0.1% price lift in August (3m centred avg.) and prices were just up 1.2% y/y. **NAR** (realtors) reported a 0.1% price decline (3m avg.) and prices are up 1.3% y/y.
- **The average** of our 4 price indices was up 0.1% m/m. Prices are on average up 1.8% y/y, which is well below CPI/PCE and wage inflation.

Will house prices find a safe footing up here?

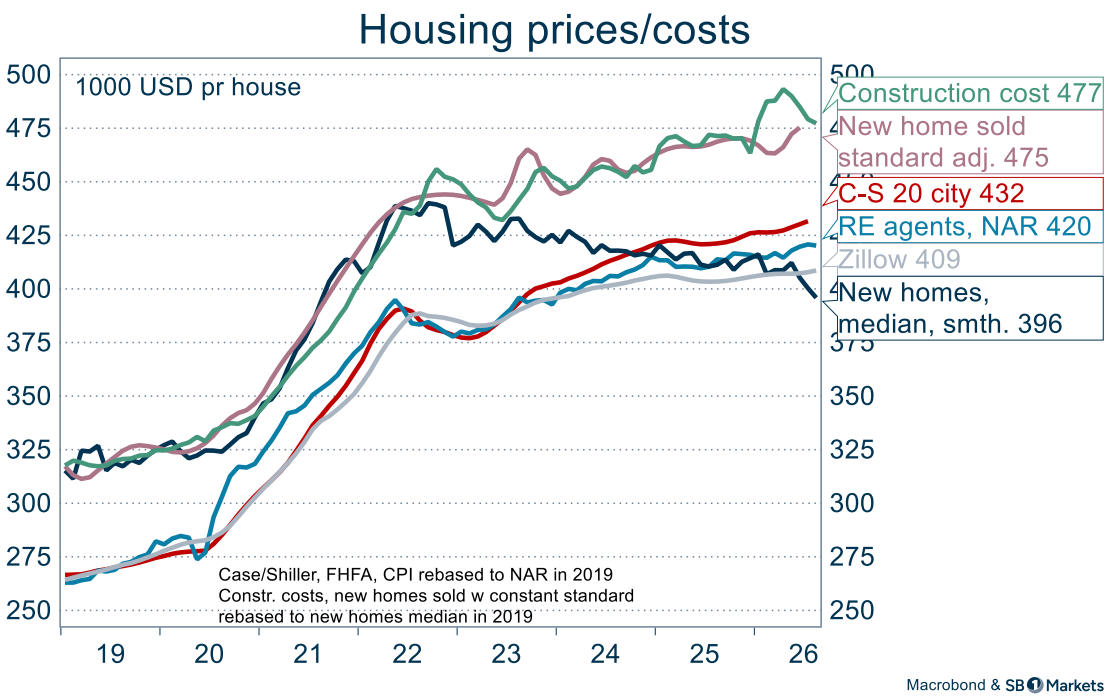
Were real house prices too low before the pandemic (14% below the current level)? Probably not. Can they fall back? Not impossible. However, adjusted for construction costs, second-hand prices are on the way down (*check next page*).

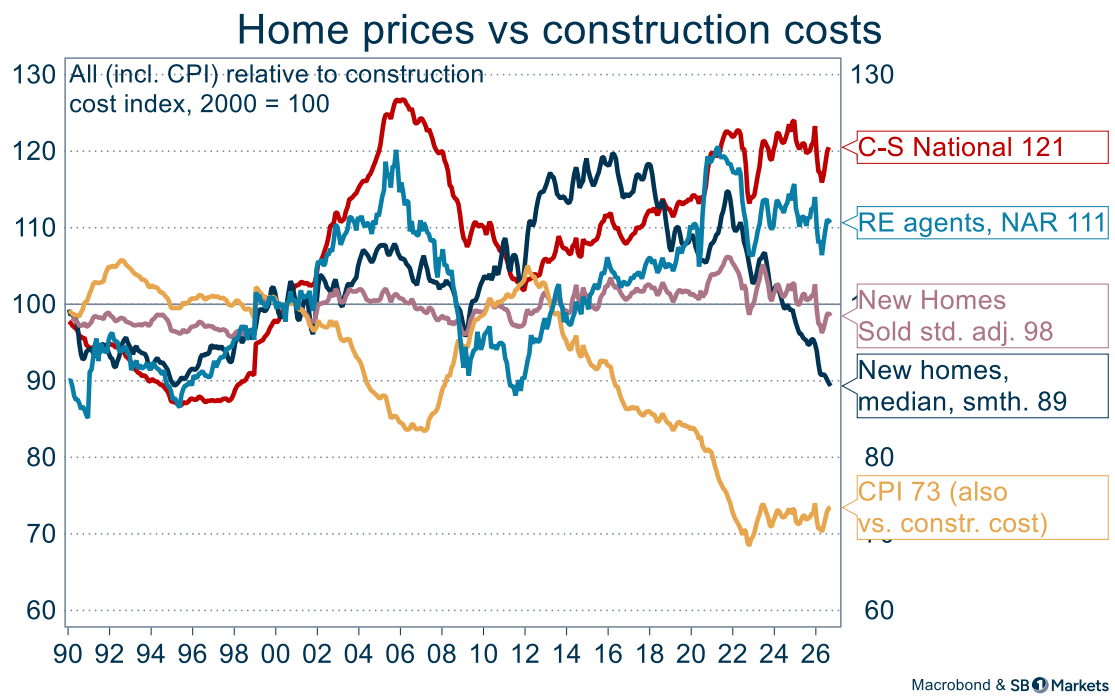




- **Real prices** are down from the May 2022 peak (barring the FHFA index), but all deflated indices are far ***above the pre-financial crisis level, and far above the pre-pandemic level.***
- There are still substantial differences vs. the mid-2000s housing bubble – ***and a bubble burst is far from certain:***
  - **Housing starts** are at a lower level and the **inventory of second-hand homes** for sale remains low. However, the **inventory of new homes** for sale has climbed to a high level – strange if there really is a house shortage at the current price level.
  - **Construction costs** have risen much faster than the CPI for almost 10 years (check next page), which underpins existing home prices.
  - Households' average **debt/income ratio** has fallen sharply since the peak before the financial crisis, and their aggregate cash positions have soared (on average) to above their aggregate debts. ***However, housing affordability is the worst since the mid-80s (or not far below the worst ever (some quarters ago), if Atlanta Fed's calculation is to be believed)***.
  - The **savings rate/net financial investment rates** have fallen to well below the pre-pandemic level – but the ***ratios are far above their respective levels in 2005.***

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

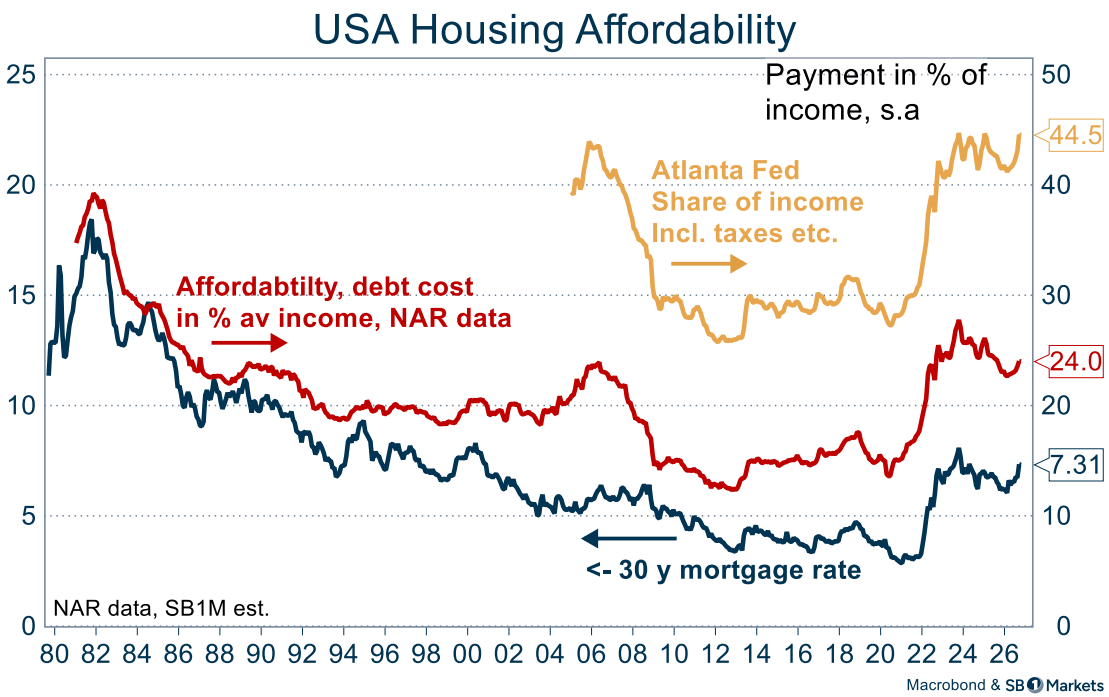




- **The new home sold price index** (standard adjusted and including land) has increased ***in line with construction costs*** over time – with a 5% relative 'boom' during the pandemic, and a retreat thereafter – suggesting land prices have fallen somewhat since the pandemic.
  - **The median price for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

Affordability remains a major challenge

1) House prices are much higher vs. wages than before.
2) Mortgage rates are much higher than during the 2009–21 period.

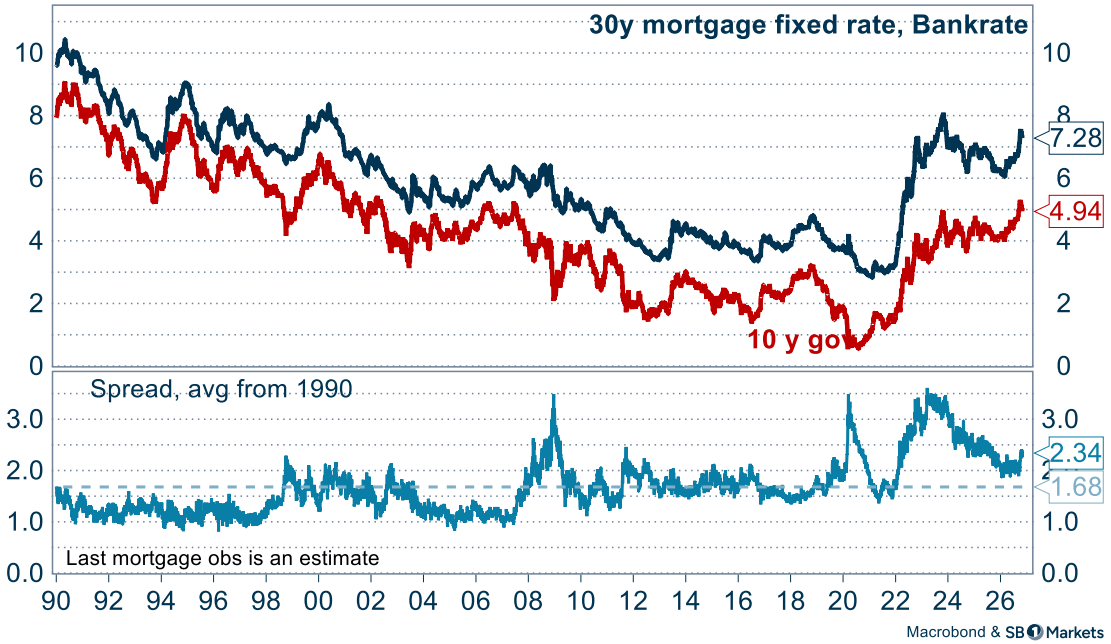


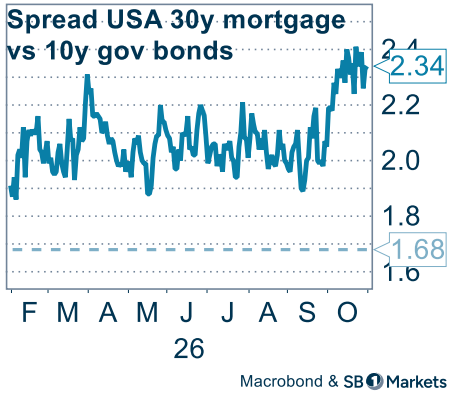
- **NAR's affordability index, interest rate and amortisation** with 80% LTV in % of income for a typical home buyer is above 24% of their income (the last observation is our calculation).
  - This ratio matches the peak level from 2005–06 before the housing crash and is 9 pp (60%) higher than before the pandemic. However, affordability has strengthened as house prices have fallen vs. income and the mortgage rate is still down from the close to 8% peak in 2023.
- **Atlanta Fed's calculation of the cost of owning a median-priced home vs. median income**, where not only interest payments and amortisation but also property insurance, mortgage insurance and property taxes (which are substantial in the US) are included, is at 44.5%, equal to ATHs in 2023–25.
  - The latest reading is more than 15 pp above the pre-pandemic level.

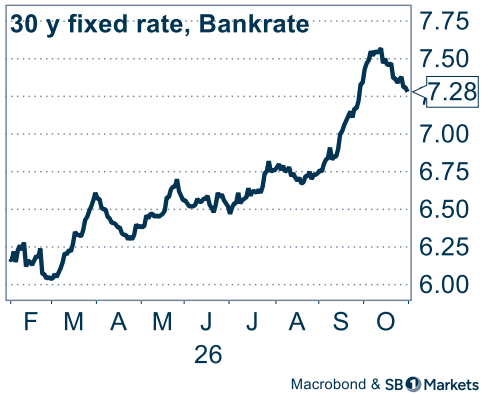
The 30y fixed mortgage rate has peaked but is still ‘high’, up 130 bps from February

The mortgage spread vs. the 10y gov. bond yield (the convention) explains 30 bps of the lift to 7.3%. Barring the 2023 spike, the highest since 2000. The inflow of purchase mortgage applications has fallen to 2023–24 lows. Last week, a minor uptick.

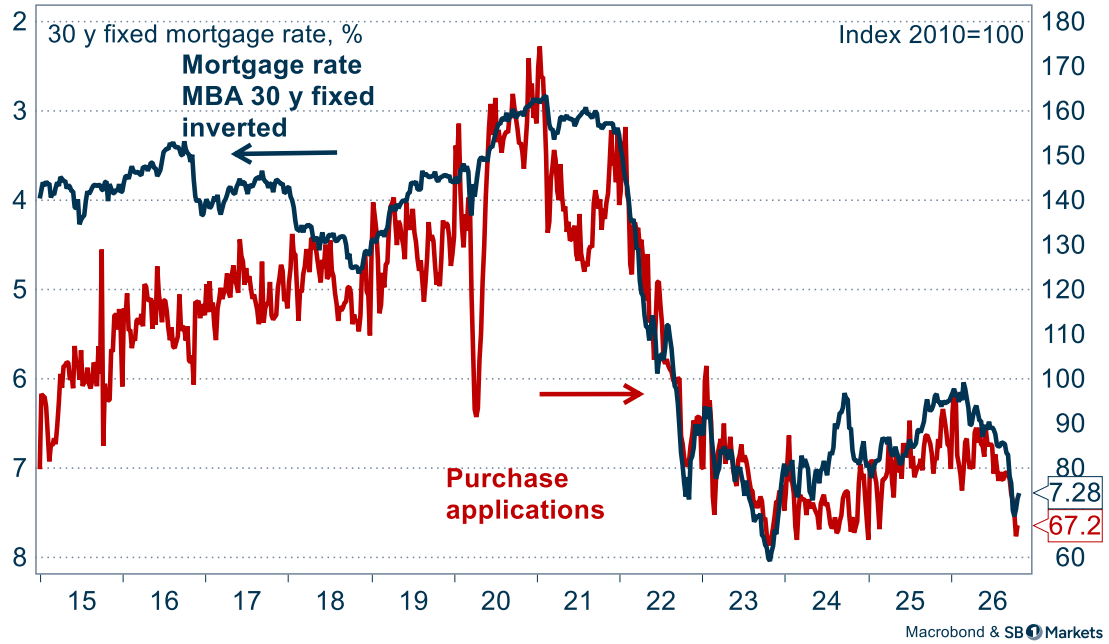
USA 30y mortgage interest rate vs 10y gov bonds







USA Mortgage applications, purchases

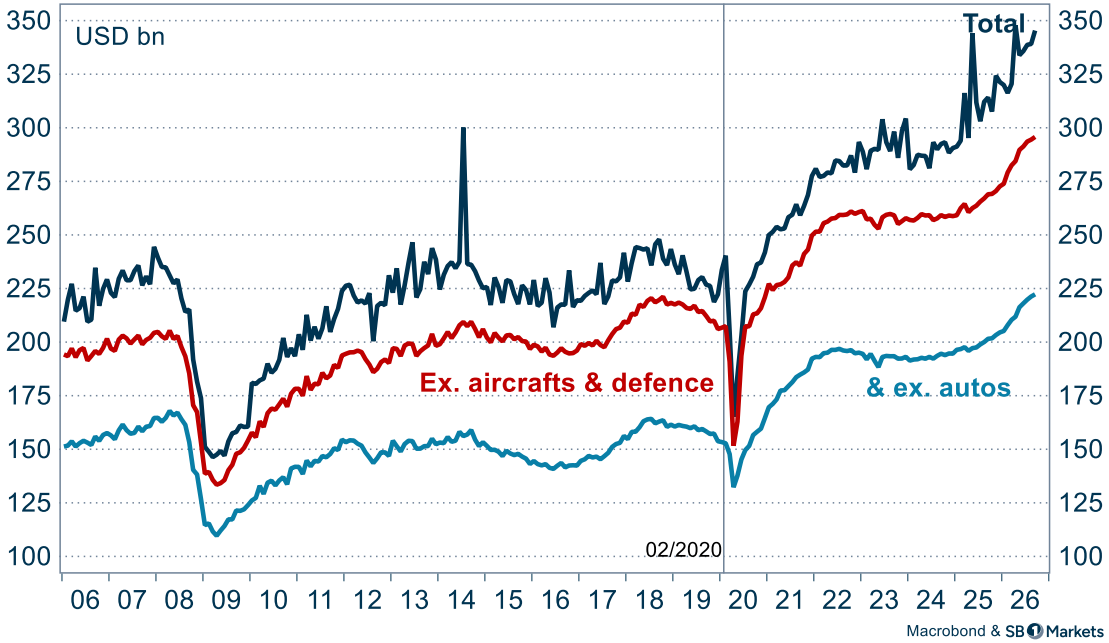


- Of course, factors other than the Gulf conflict and the lift in energy prices may have contributed to the lift in bond yields and mortgage rates, like AI credit demand or worries about government debt, etc.

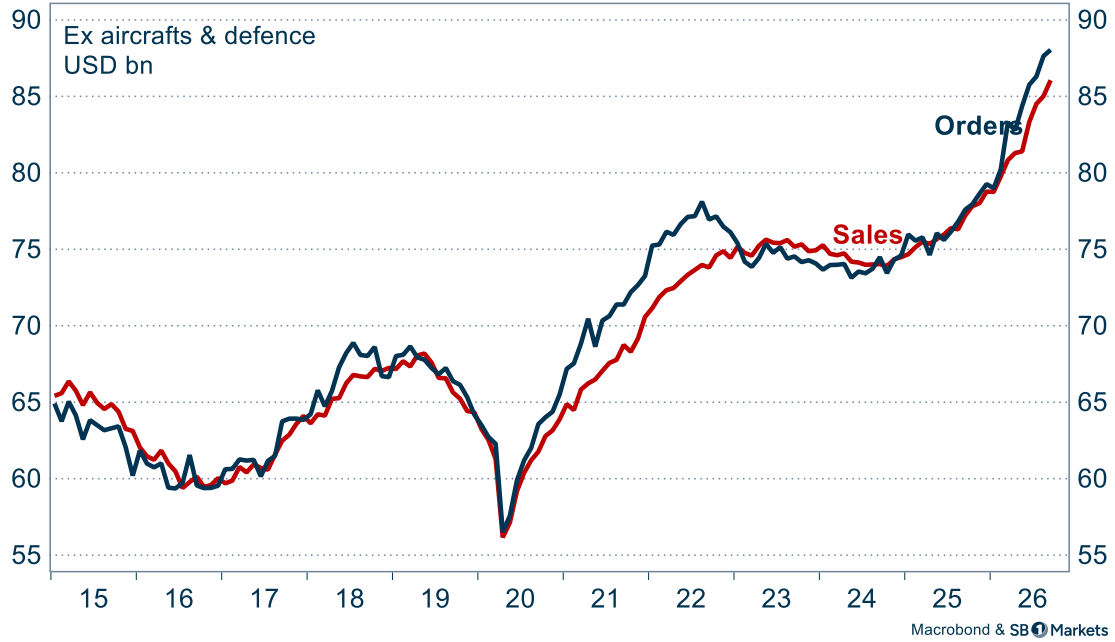
Durable orders are still going strong, especially core capital orders (ex. computers & electr.)

Durable goods orders rose 1.8%, expected 1.4%. The underlying trend is still strong. Core orders, ex. aircraft & defence, grew 0.4%, and if autos are excluded, 0.5%. Core capital goods orders were up 0.5% (exp. 0.7%) and grow at a 15% pace 3m/3m, nominally. In volume, 10%.

USA Durable orders



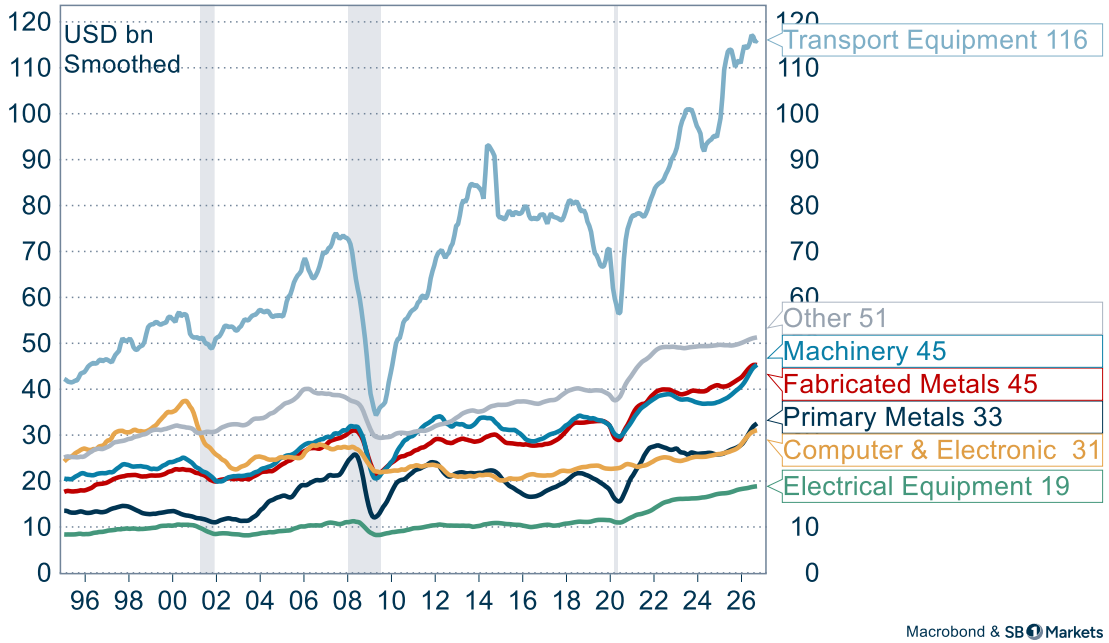
USA Investment goods orders

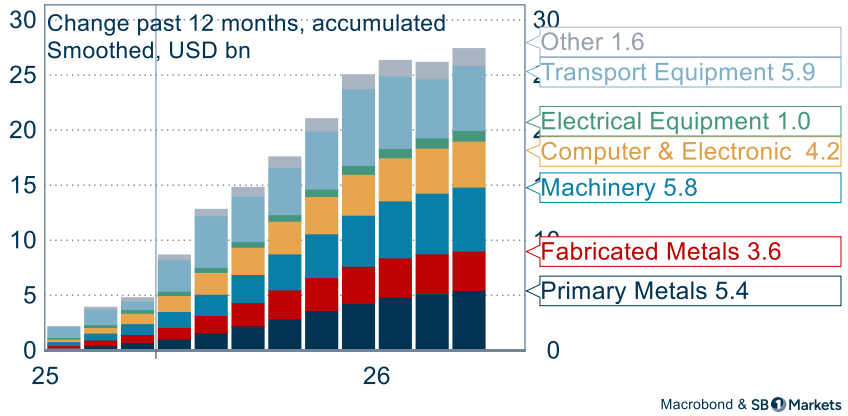


Durable orders are on the way up, broadly, but *high tech has stagnated in the past 3m*

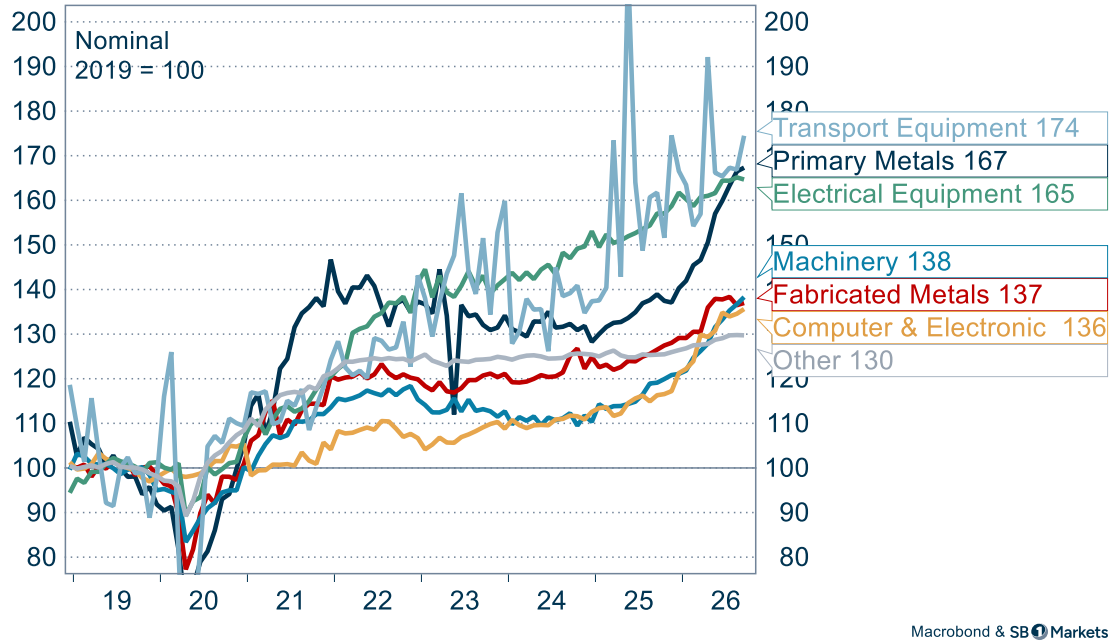
Fabricated metal orders have flattened since before the spring. Primary metals grow at the fastest rate and also contribute the most to the growth in total durable goods orders, with transport equipment. (Computers & electronics have been growing at a fast pace until July).

USA Durable orders





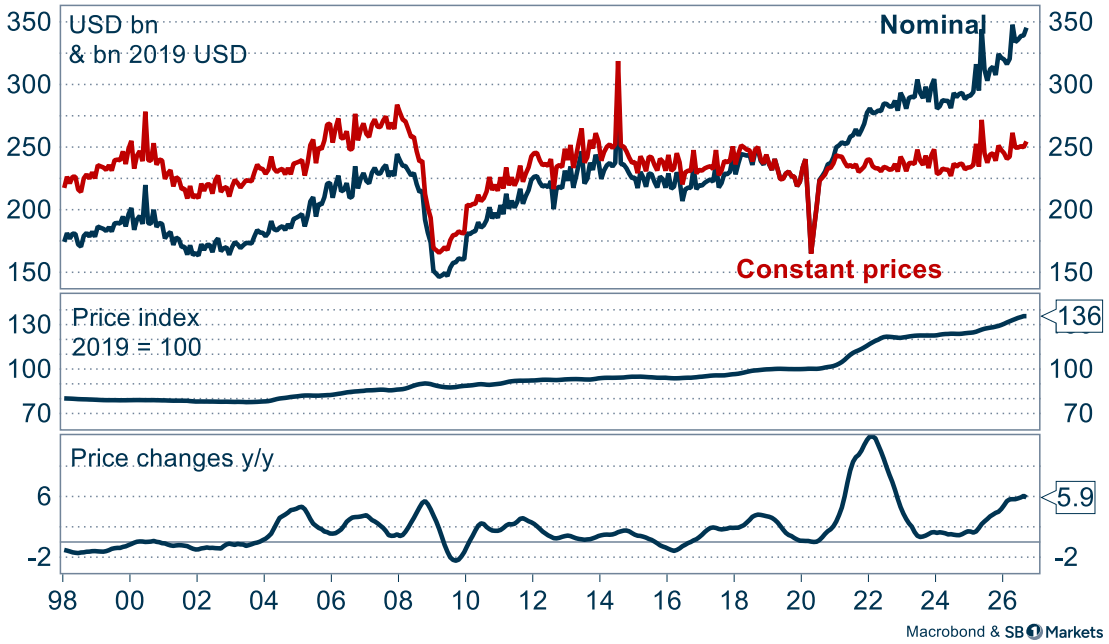
USA Durable orders



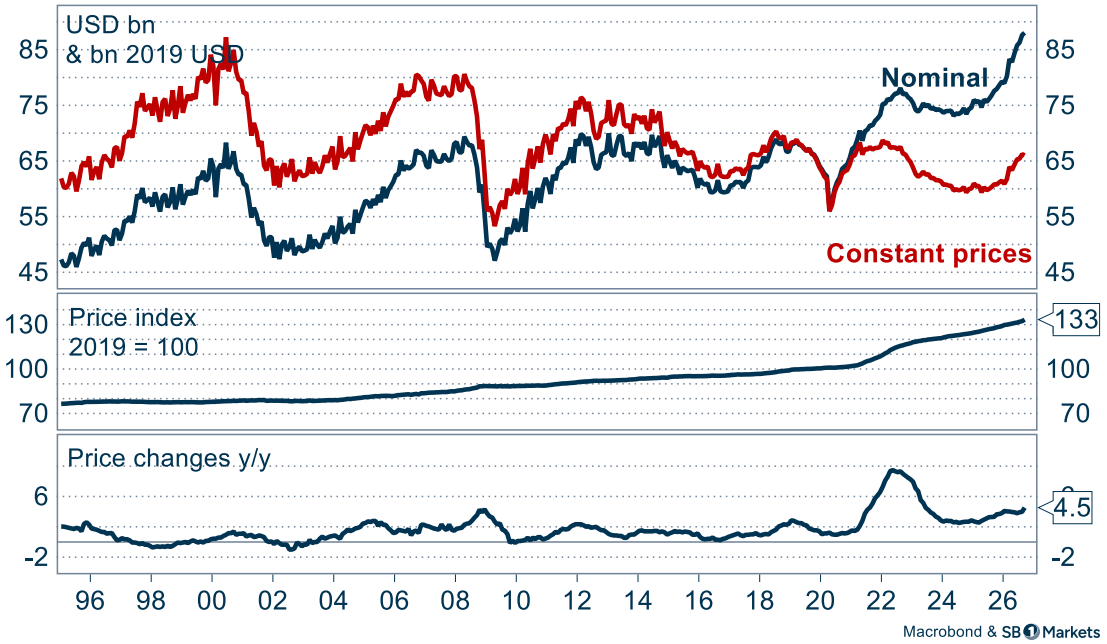
New durable orders: volumes are not that impressive, but trend upwards

Both the total inflow and even more core investment goods orders in volume terms have turned up recently, especially the latter – after being close to flat for a long time. Prices are up 4–6% y/y, driven by tariffs, higher global commodity prices and strong US demand.

USA Durable goods orders



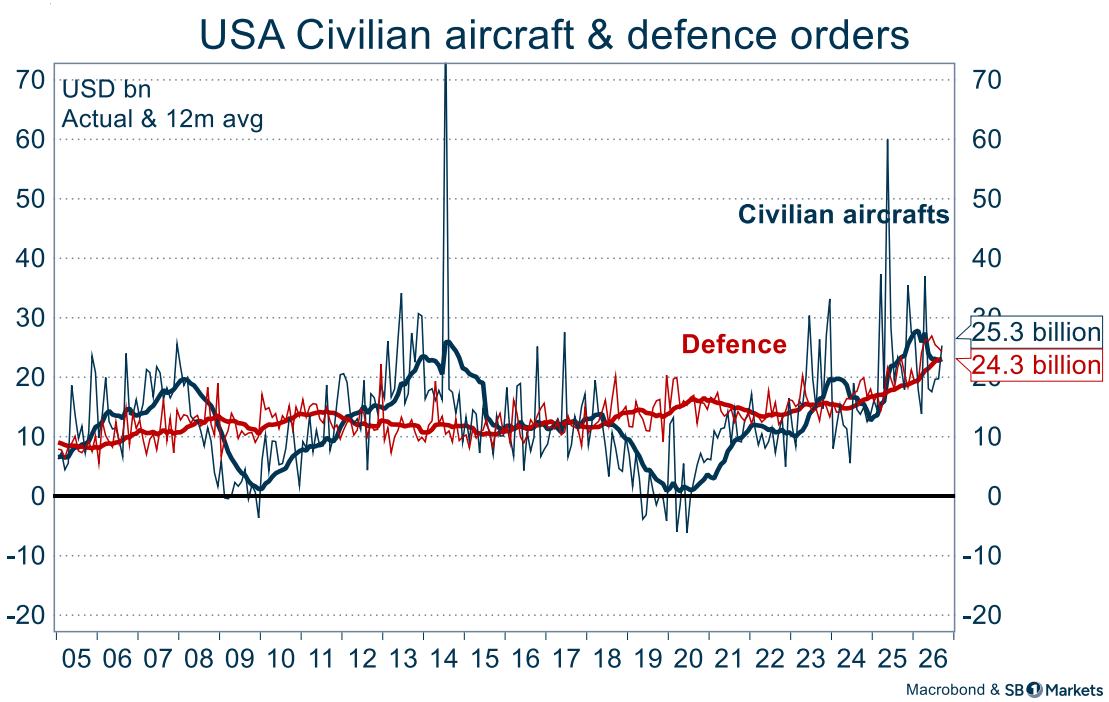
USA Investment good orders x aircraft/defence

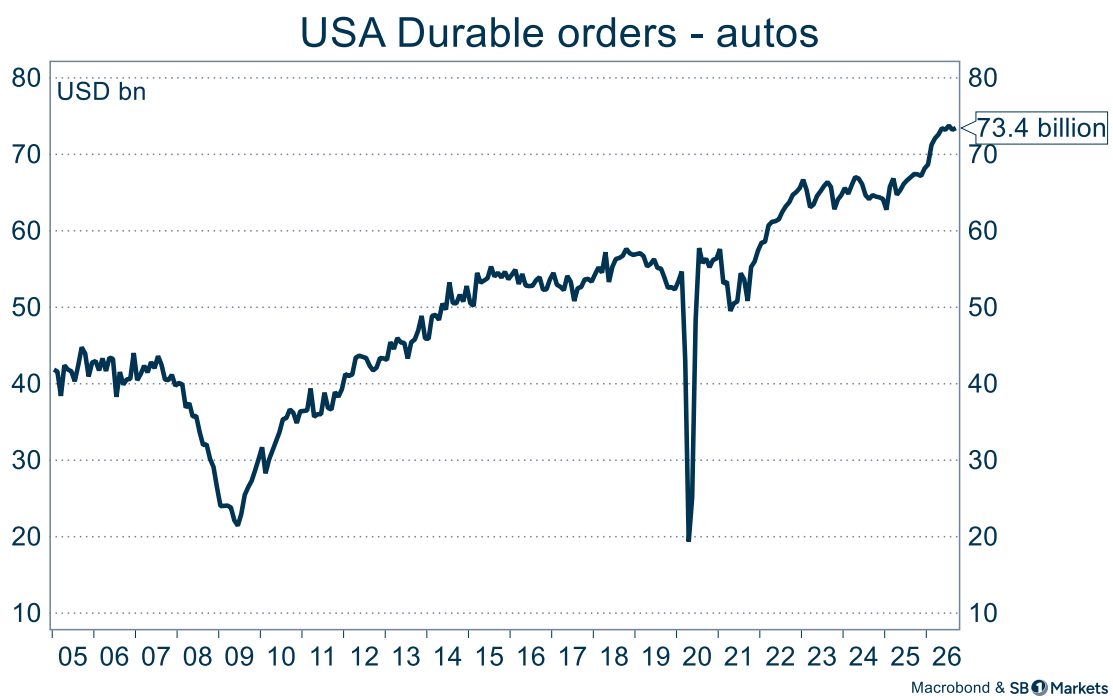


- **Durable order prices** have accelerated somewhat in recent months, and price inflation is higher than average price increases ahead of the out-of-corona surge.

Any wars around? Defence orders have surged recently! Aircraft orders have landed

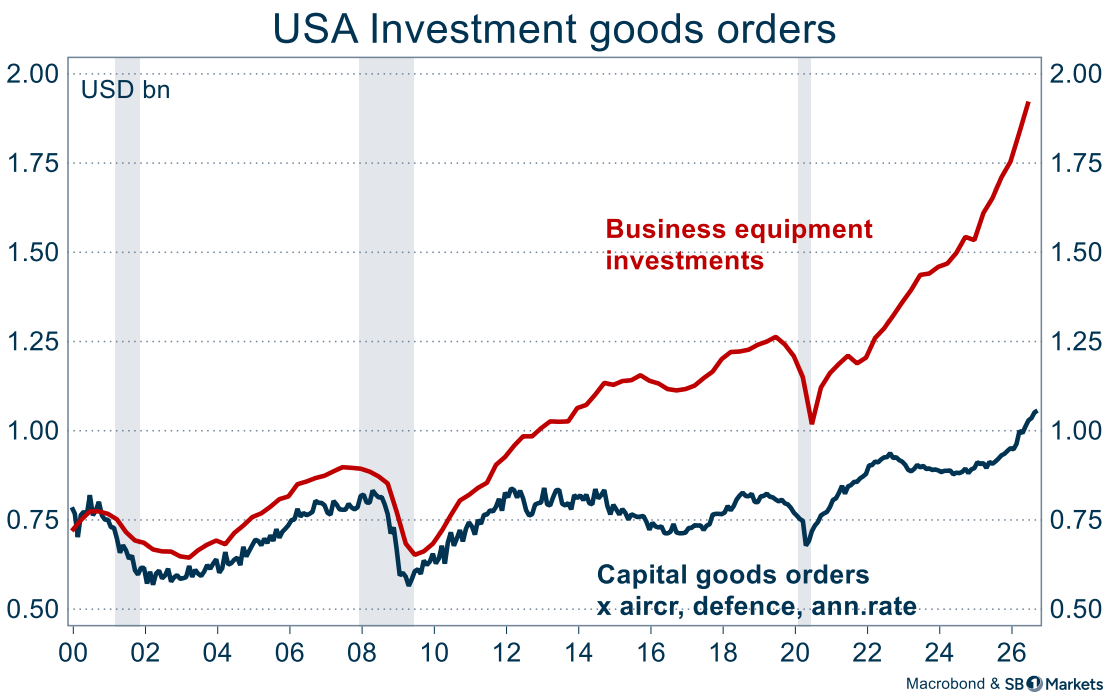
… at a 'normal' level

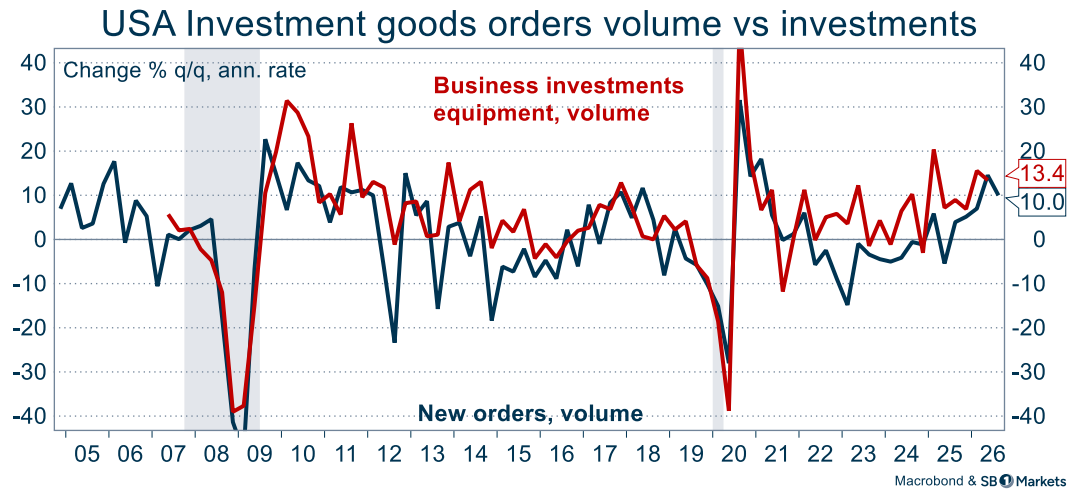


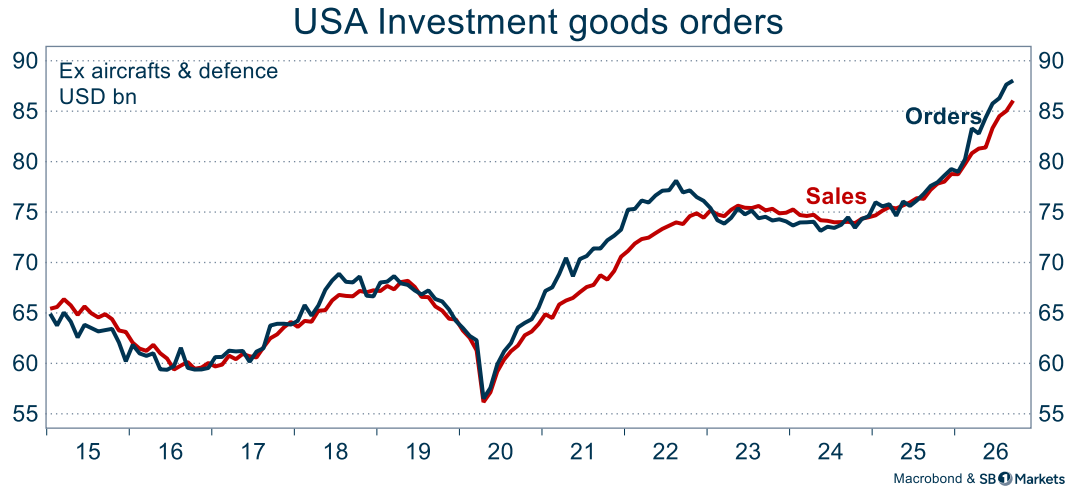


Core capital orders are surging, even in nominal terms

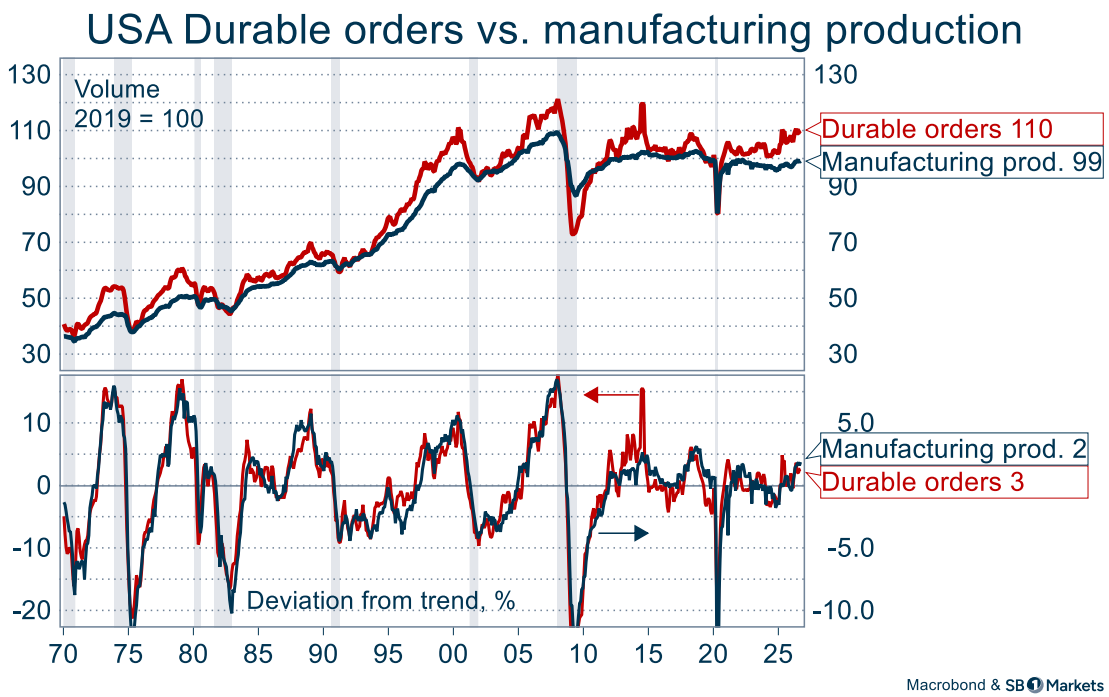
The surge in 'core' investment goods orders in recent months has been strong, at least in value terms. Following a downward revision of prices, volume growth was higher than we assumed, up at a 10% pace in Q3.

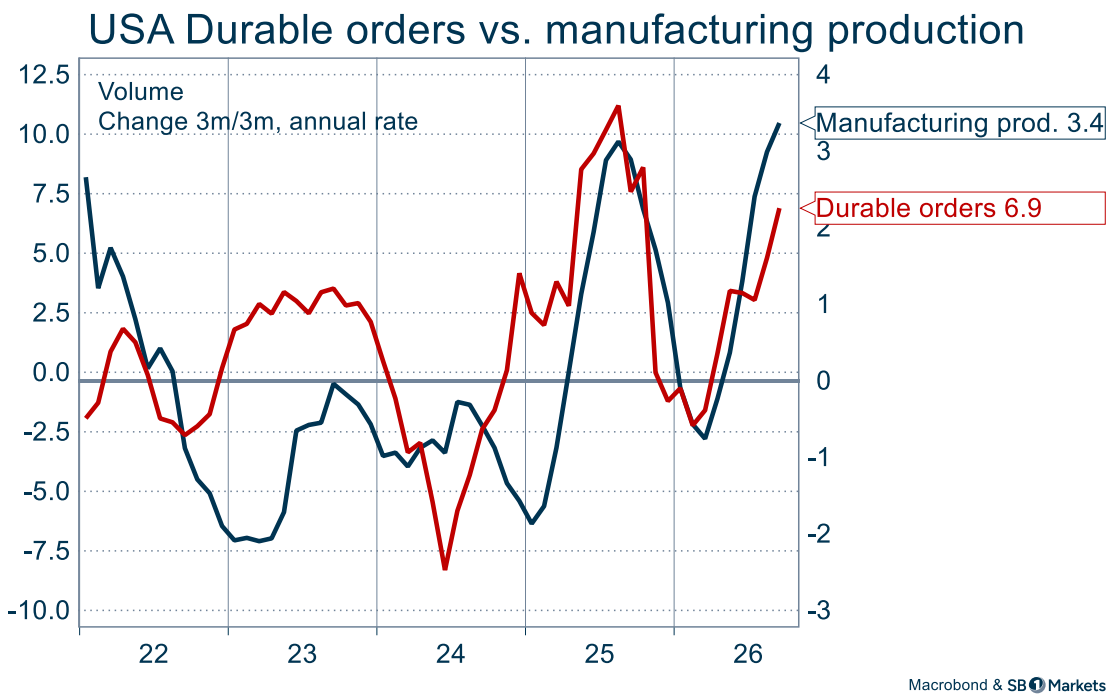






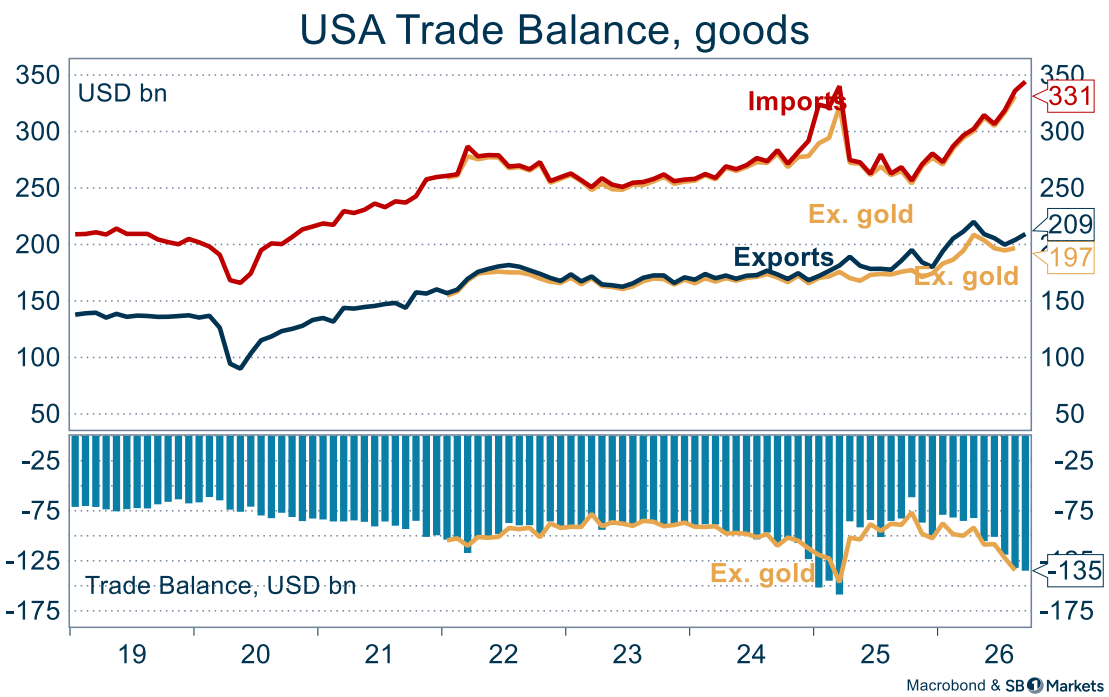
New orders signal continued growth in manufacturing production

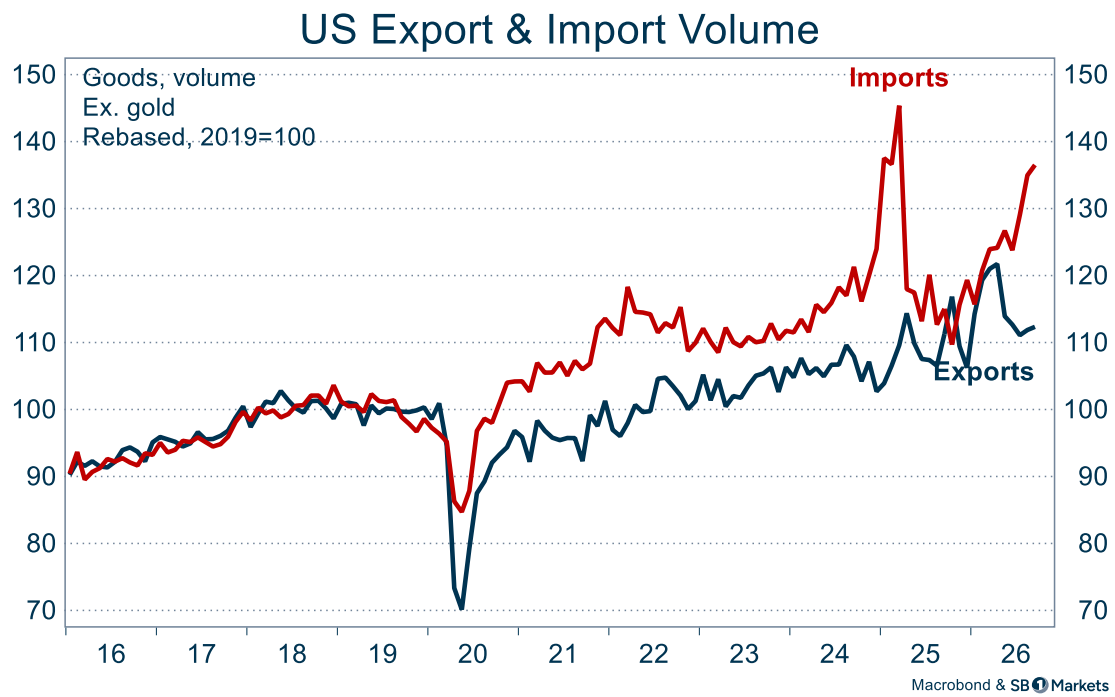




The trade deficit (in goods) remained high in September

The trade deficit rose to USD 135bn from 133bn, expected down to 129bn. The deficit is well above the level before the tariff war started. Capital goods imports (read AI inputs) are surging, while other imports are well behaved. Exports trend up, but far slower than imports.

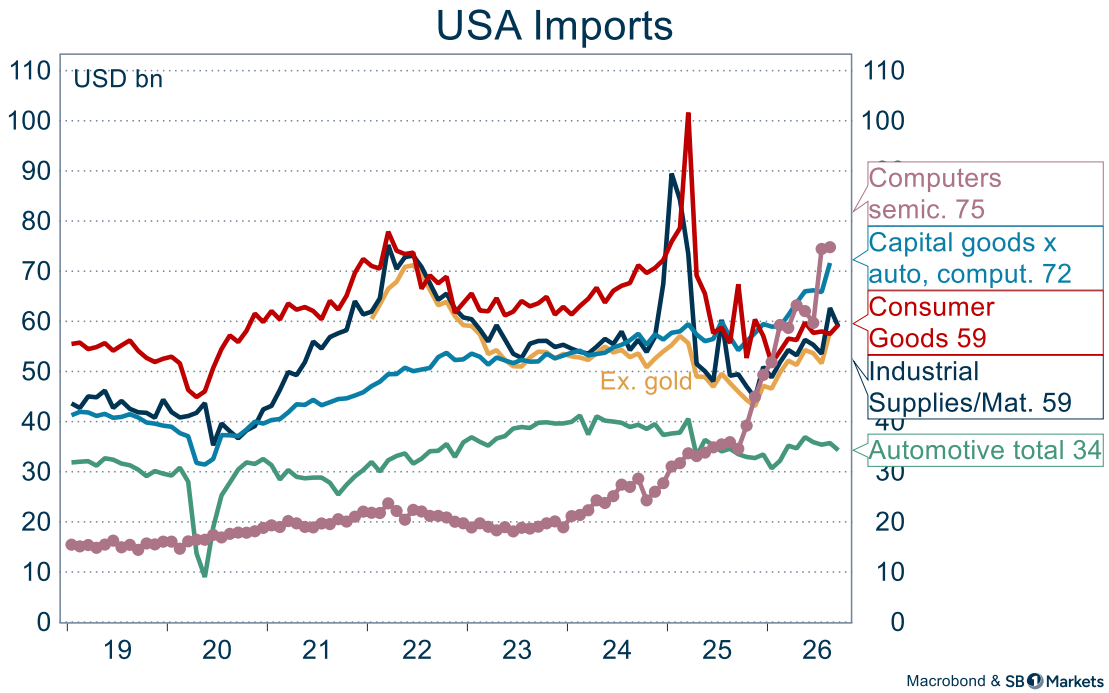


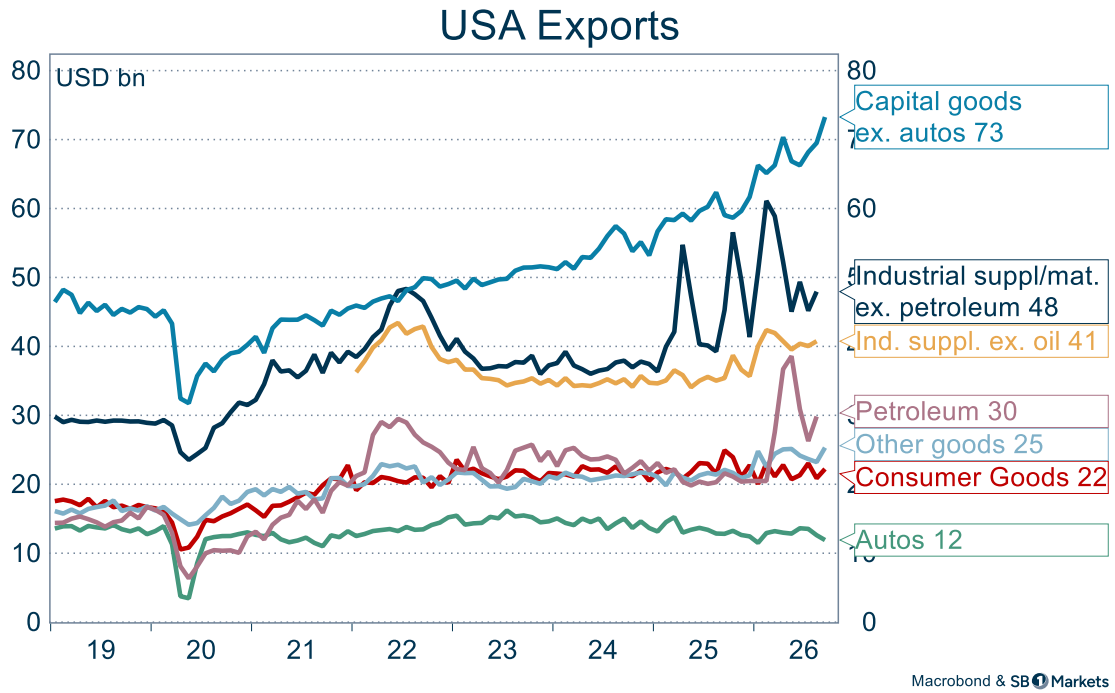


- … but not the decline in export volumes.

The spectacular lift in imports of capital goods continues!

Other imports are less impressive. On the export side: Petroleum exports have boosted industrial supplies & materials in 2026 but not further in recent months.

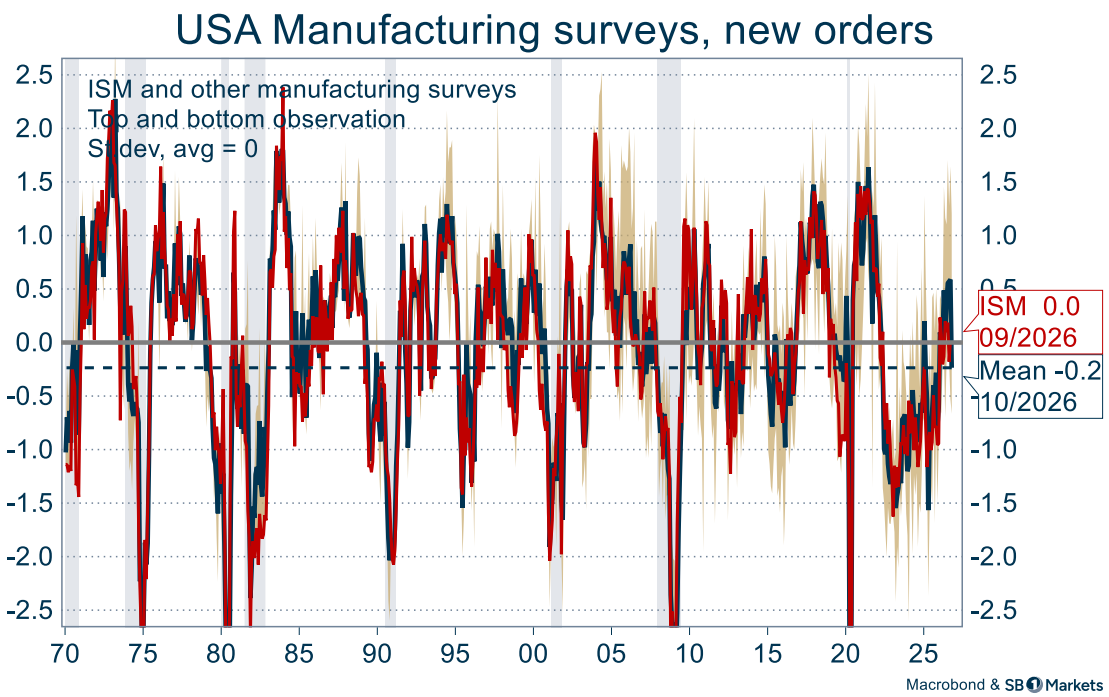


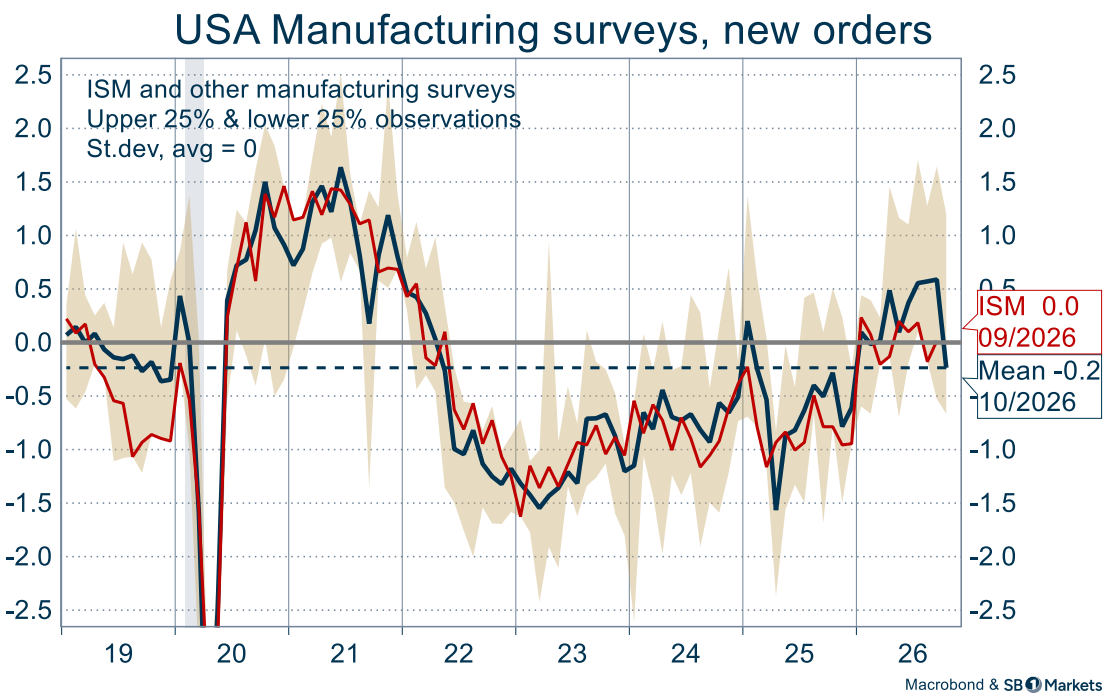


- The surge in imports of capital goods is due to a rapid increase in imports of computers incl. accessories and telecom (investment) equipment. These sectors equal almost half of the capital goods imports, and much more of the growth. Guess why…

Manufacturing surveys report weaker order inflow in October

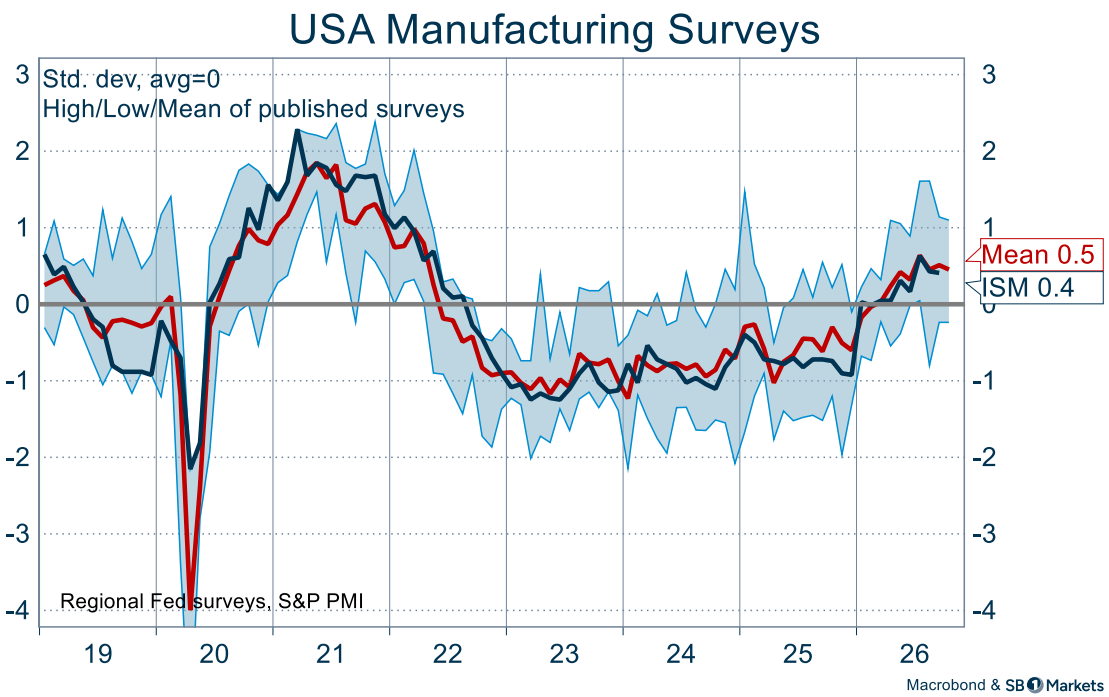
At least the surveys published so far

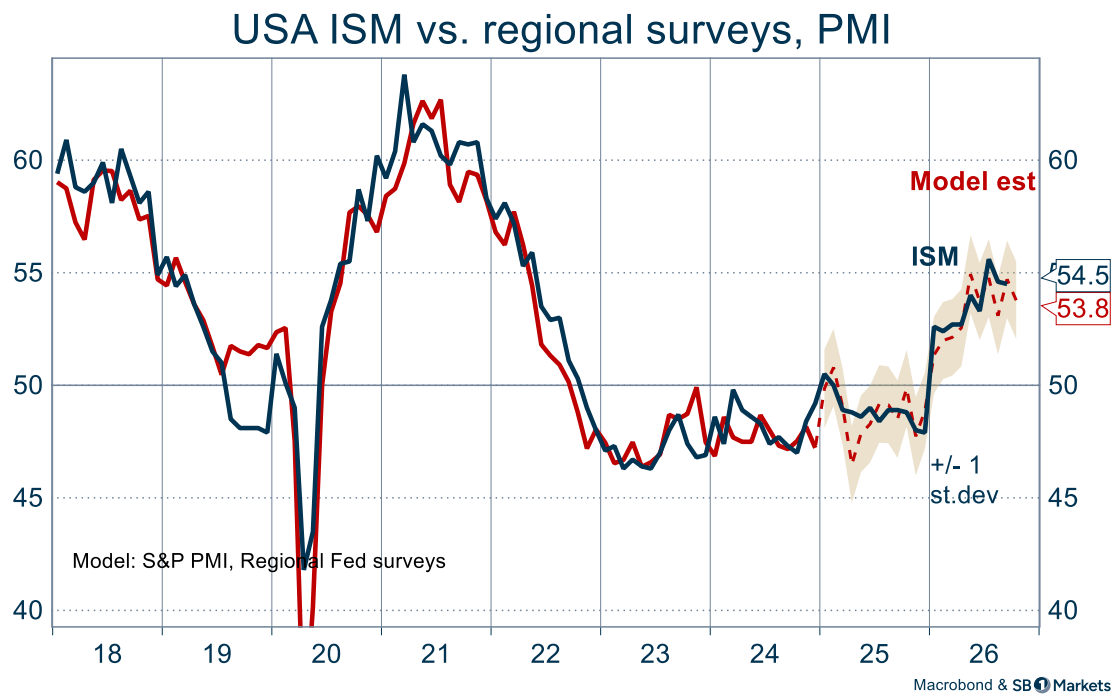




US manufacturing surveys signal a small decline in the ISM index in August

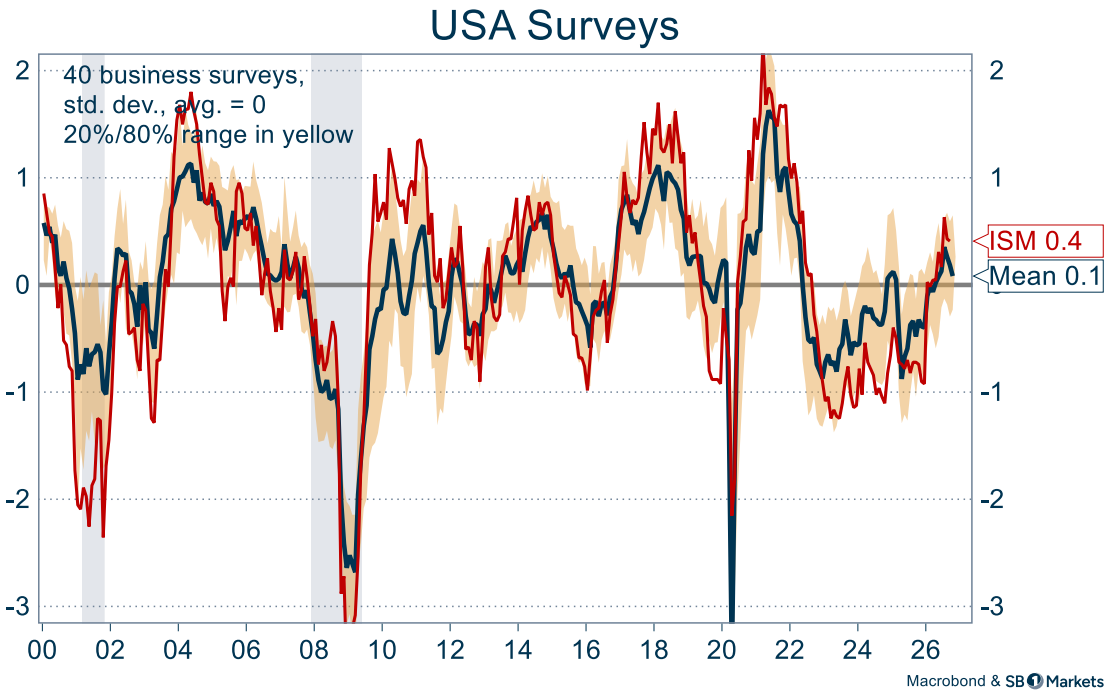
The average of the surveys published so far fell to 0.5 std. dev. above average, from 0.6. Our model suggests a smaller increase in the ISM index.

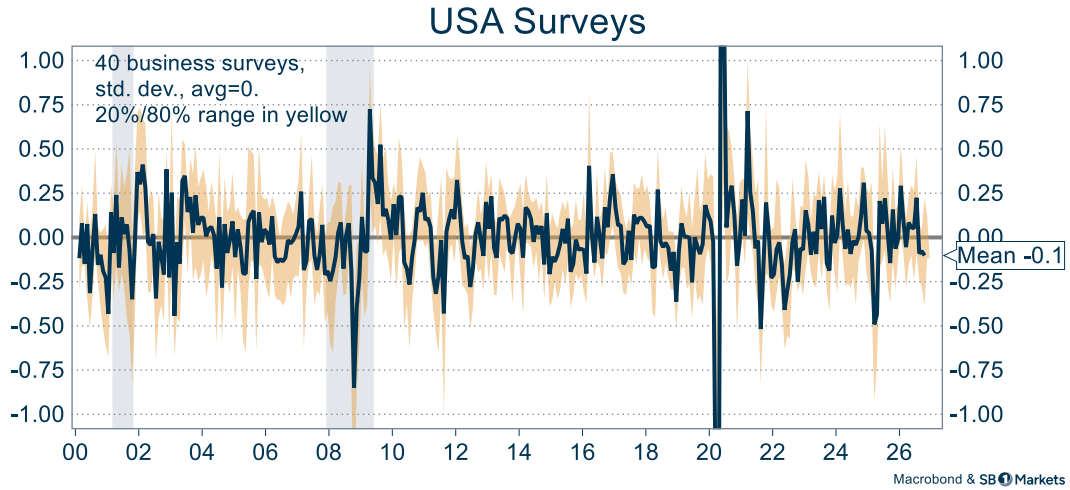


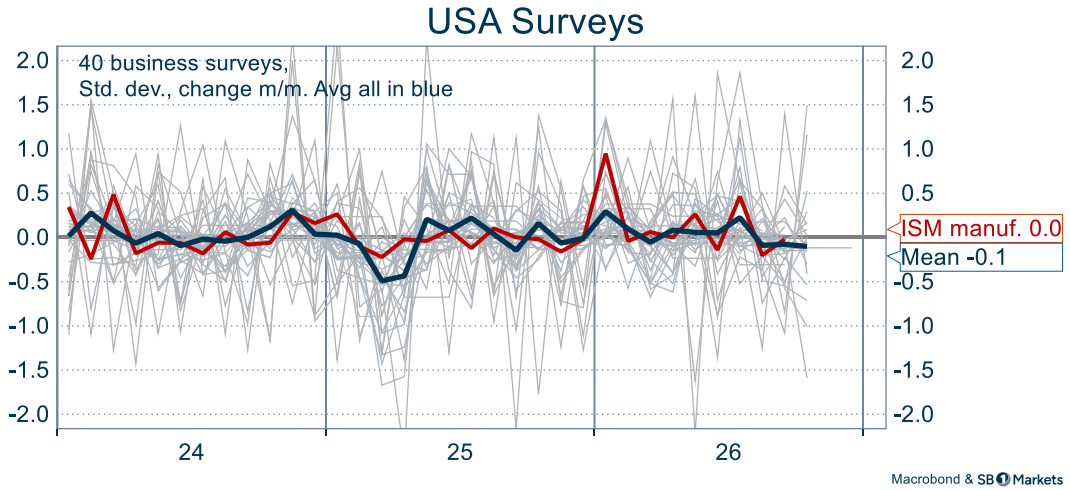


‘All’ US surveys: a small decline in October?

The average of all surveys is so far down 0.1 std. dev. to +0.1 – which still signals growth above trend. Actual growth has been stronger than signalled by surveys over the past 3 years.



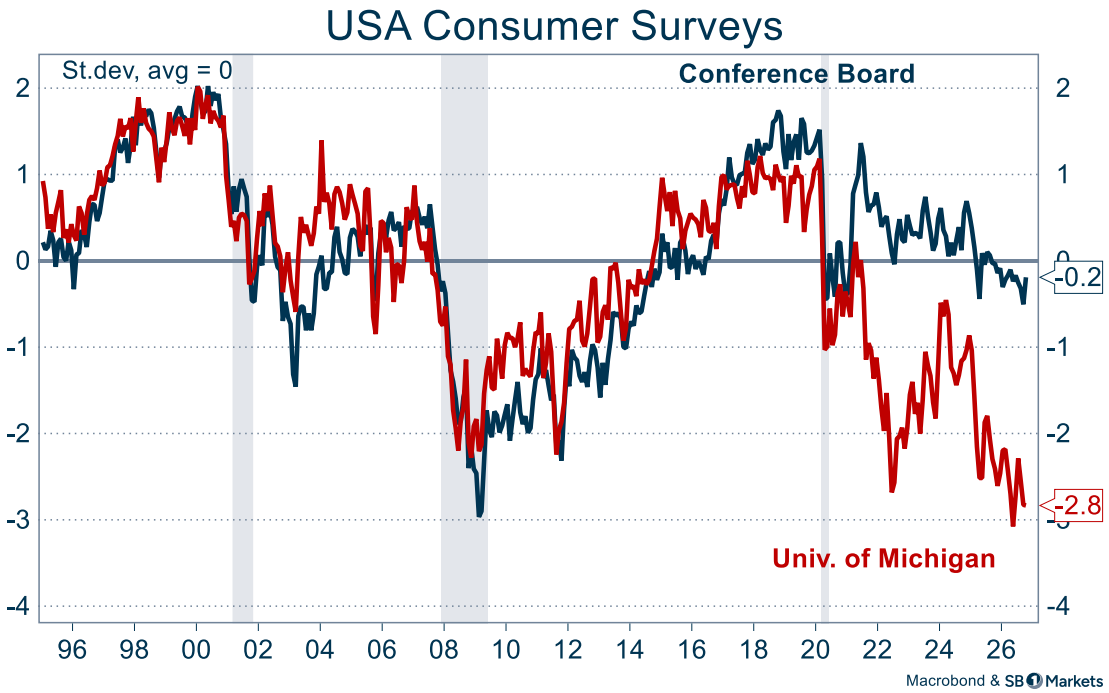




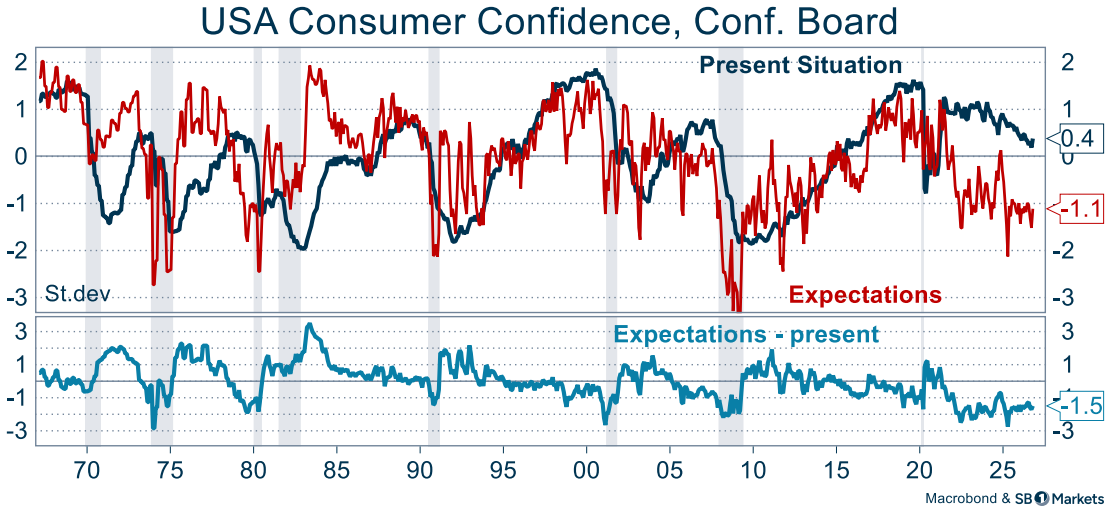
21 business surveys, all standardised

Conference Board's consumer confidence surprised on the upside in Oct., up to -0.2 std. dev.

… due to a 0.4 std. dev. lift, slightly more than the 0.3 s.d. decline in Sep. The trend is still down. In index terms, a 7.5 p lift to 91.5, expected down to 80.4! Both the assessment of the present situation and expectations trend down, but expectations are weaker than normal, at -1.1 std. dev.

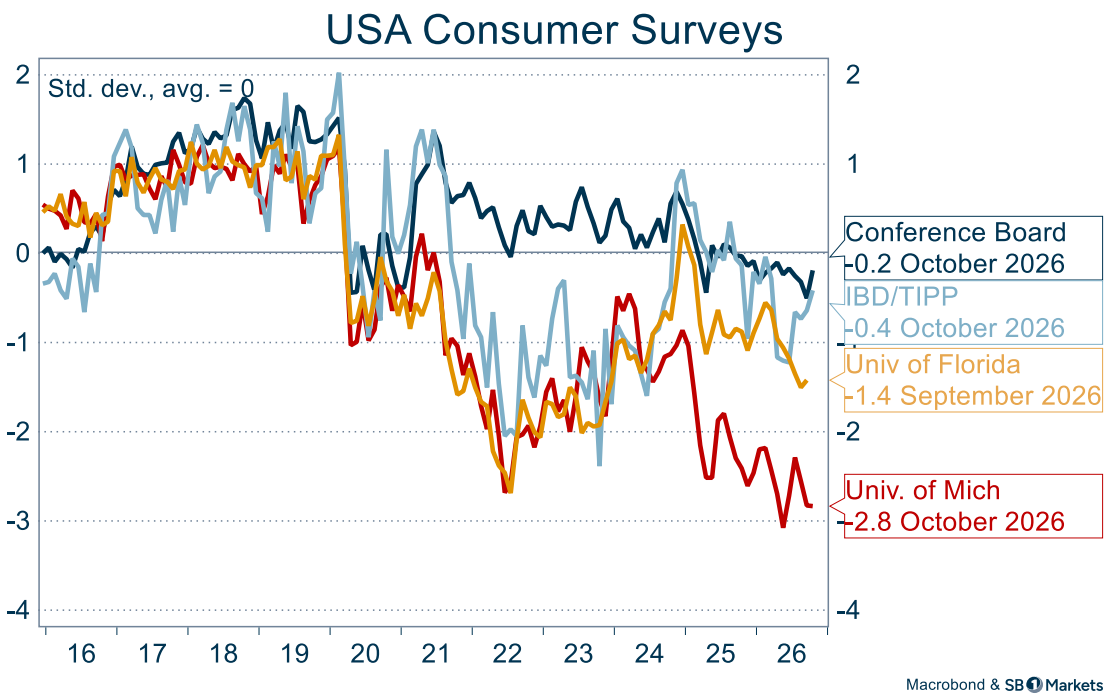


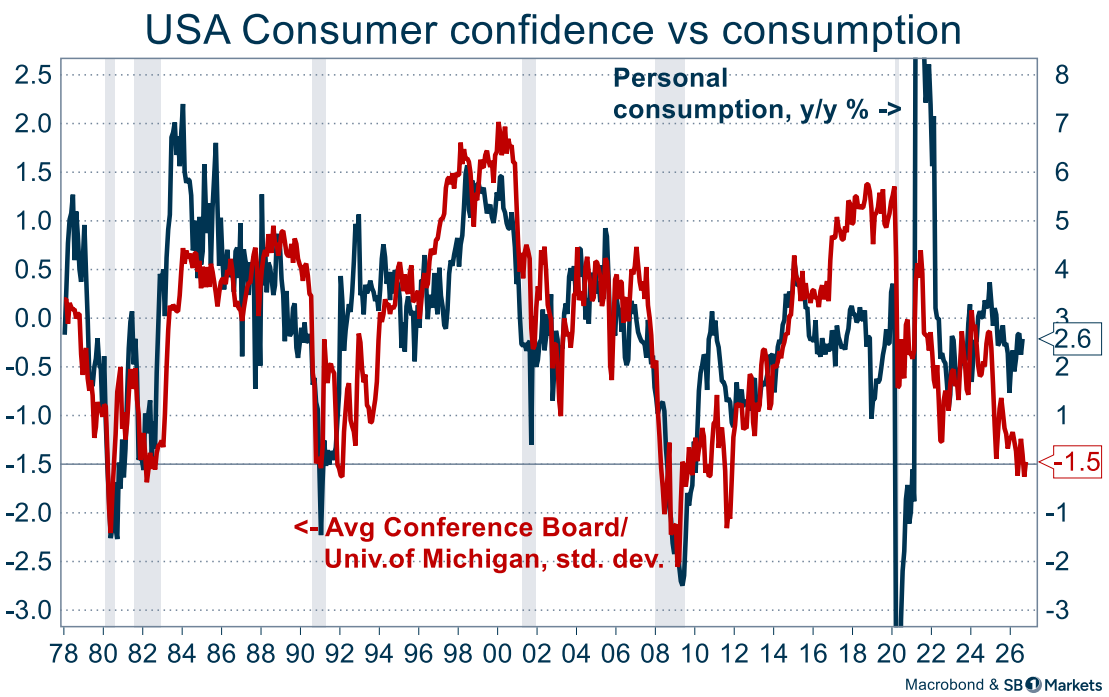
- **In Conference Board's survey, households report that the current situation** trends steadily down, but it is still marginally above average. **Expectations are way below average, at -1.1 std. dev.**
- **Spending plans** were revised down and are well below average. Households report that jobs are a tad harder to get, which signals a higher unemployment rate than the current rate. Inflation expectations are edging upwards.
- Will households cut spending? Time will show. So far, they have not.



Other surveys are below par but not like the UM survey

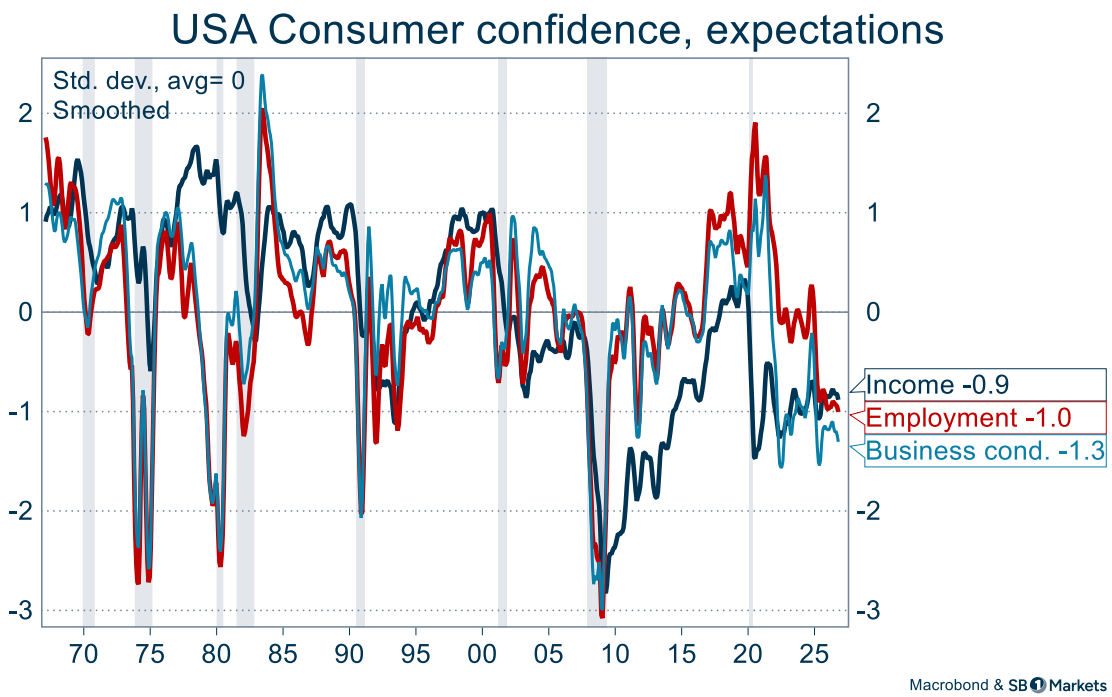
Conference Board's survey leads the pack. Other surveys are between the two 'outliers'. All trend down, but 3 of 4 are up in Sep/Oct. *Actual consumption* is normally closely correlated to confidence, if not leading. The correlation has been weak since 2017.

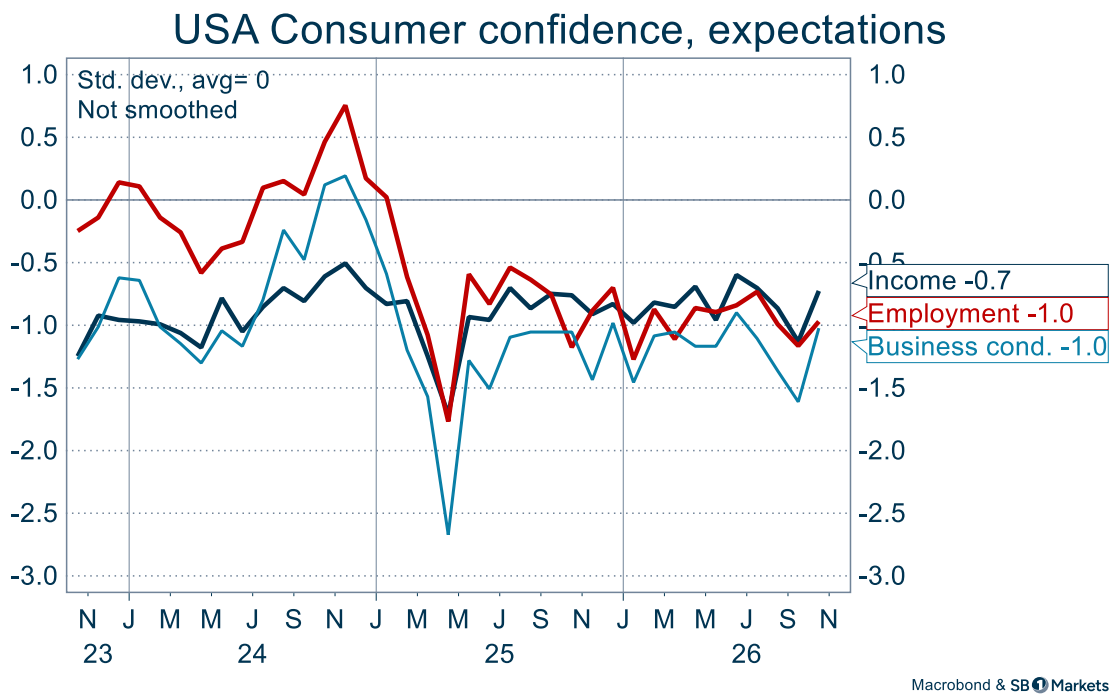




Business conditions, employment and income expectations are weak but rose in October

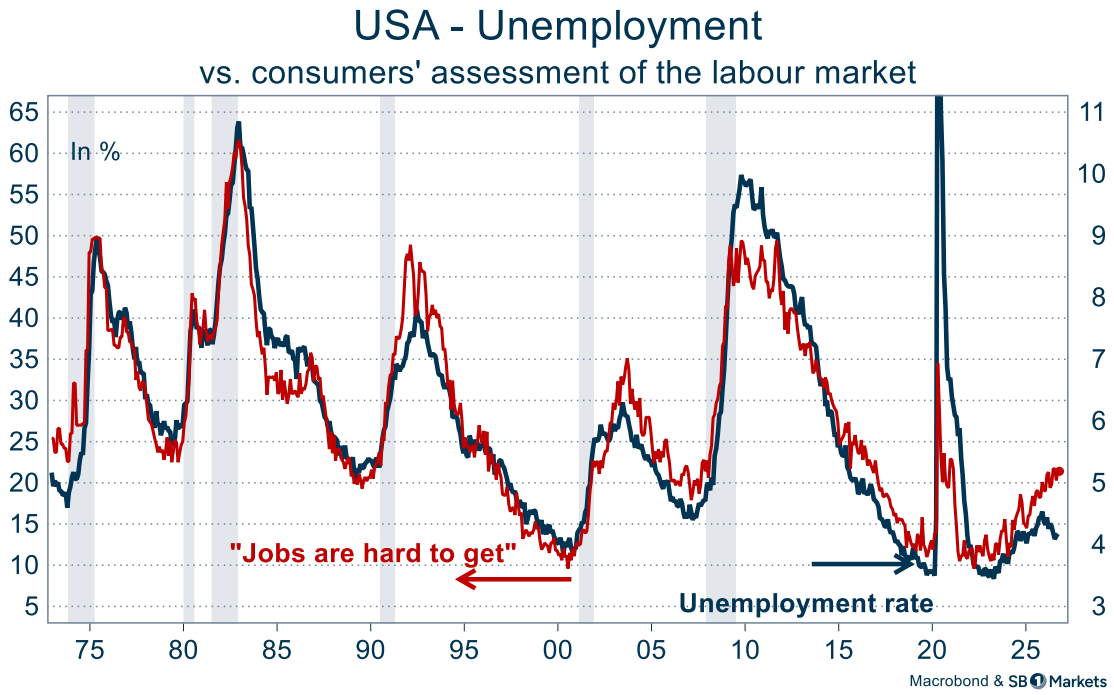
In Conference Board's survey, these expectations are some 1 std. dev. below average. On the other hand, the war and the 'energy shock' have not dampened expectations.





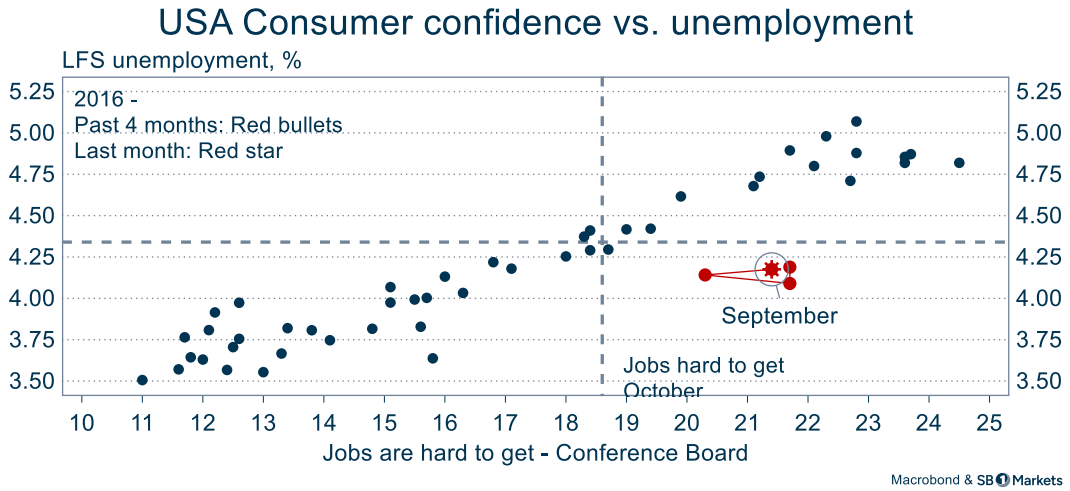
Conference Board: Households report jobs are a tad harder to get, *but not further recently*

The share of households that report that "jobs are hard to get" has flattened since the spring. A 'hard-to-get' rate at this level has normally signalled a higher unemployment rate than the current 4.2% rate.



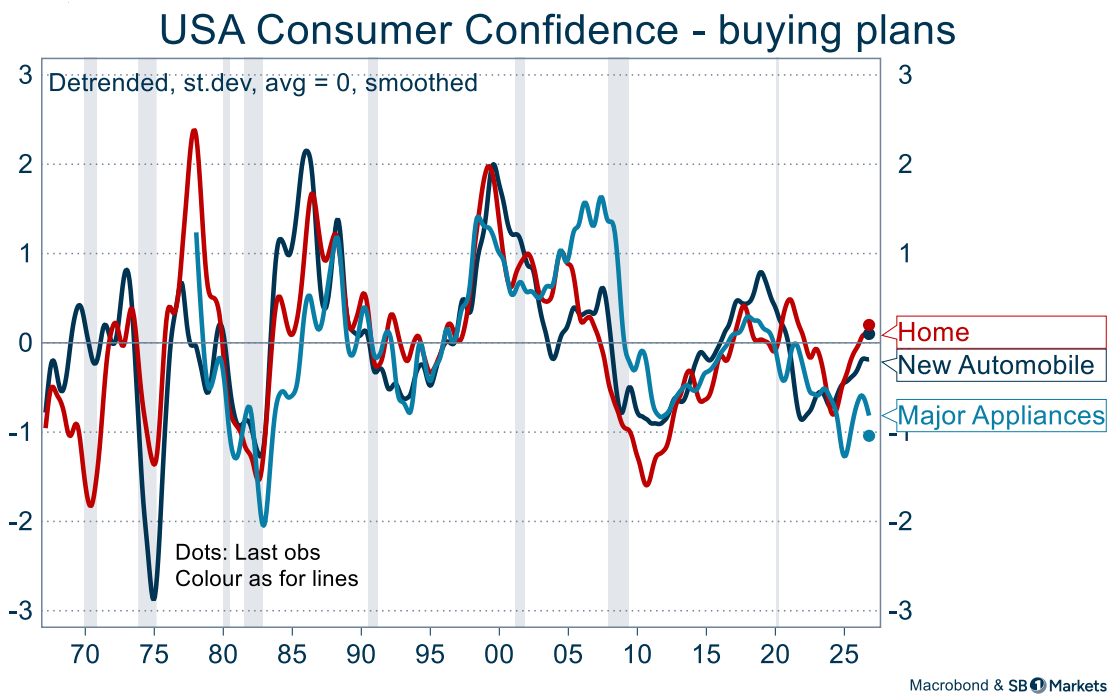
- The current 21% share of households that report jobs are hard to get is still below average, but it is well up from the 10% level at the bottom in 2022–23.

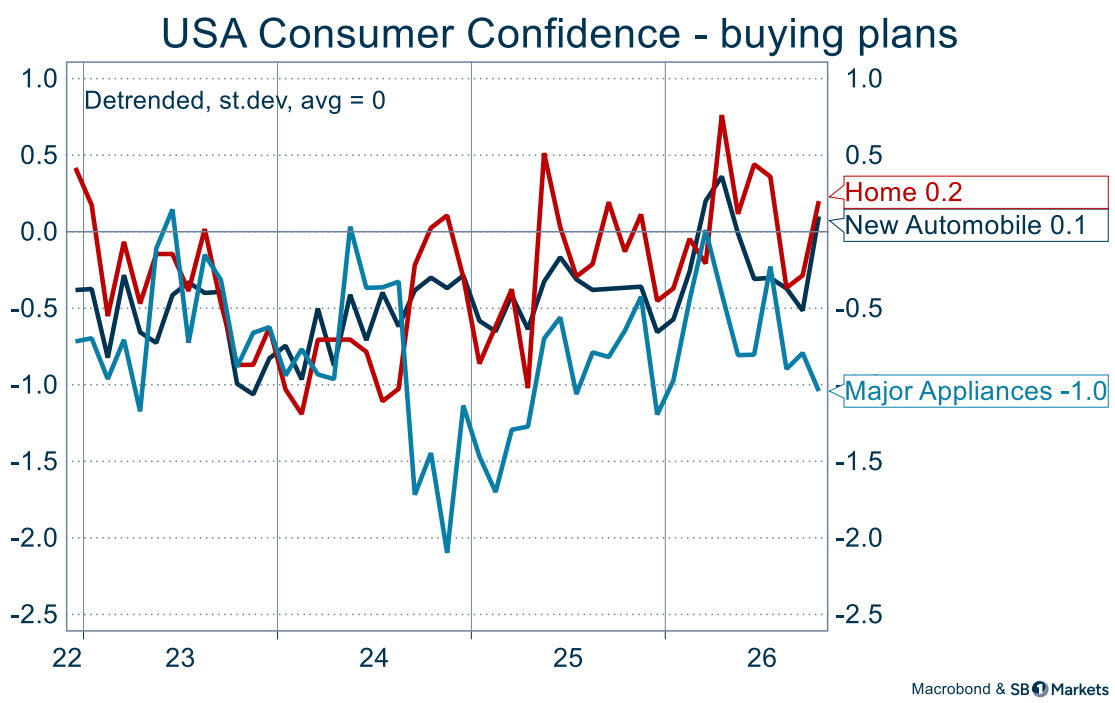




Spending plans further recovered in October, at least regarding homes and autos

Major appliances fell further out of favour though.

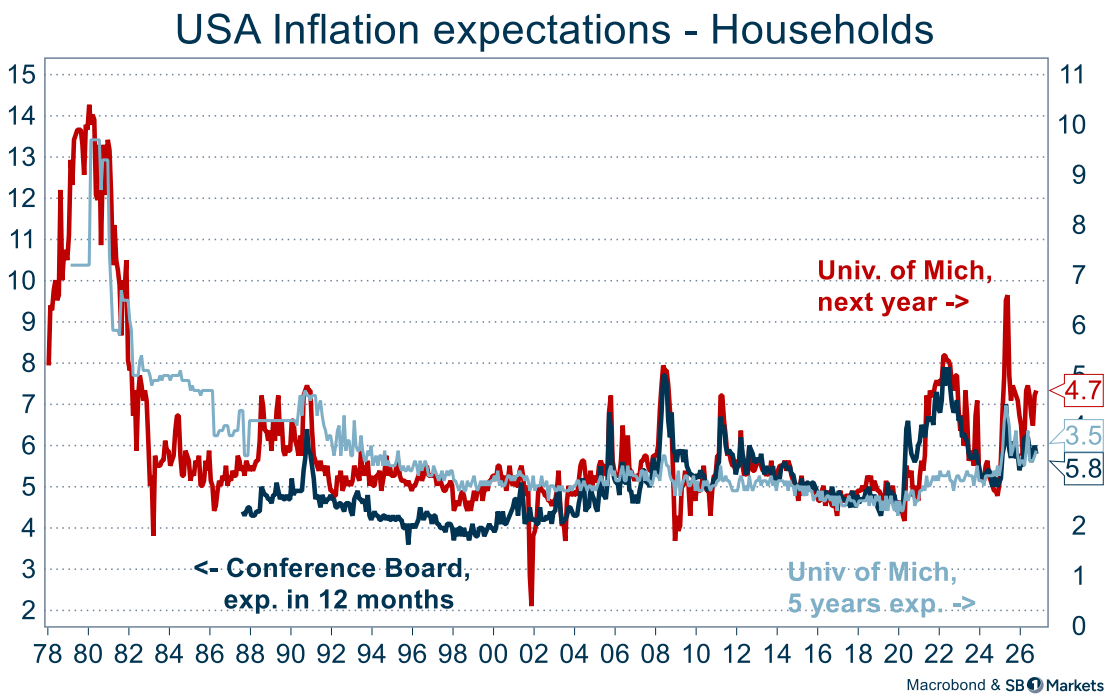


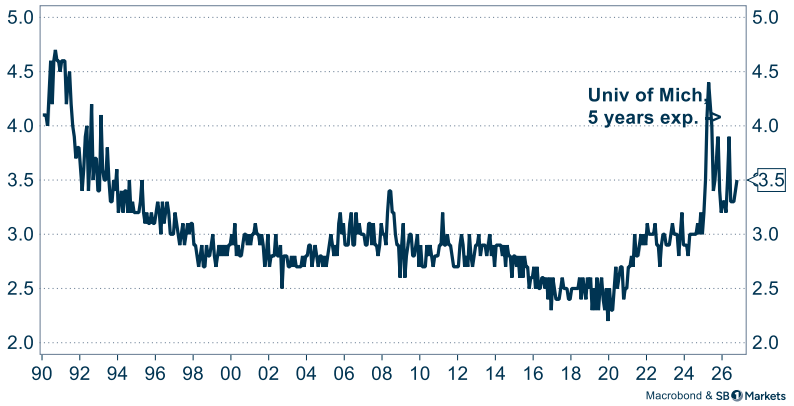


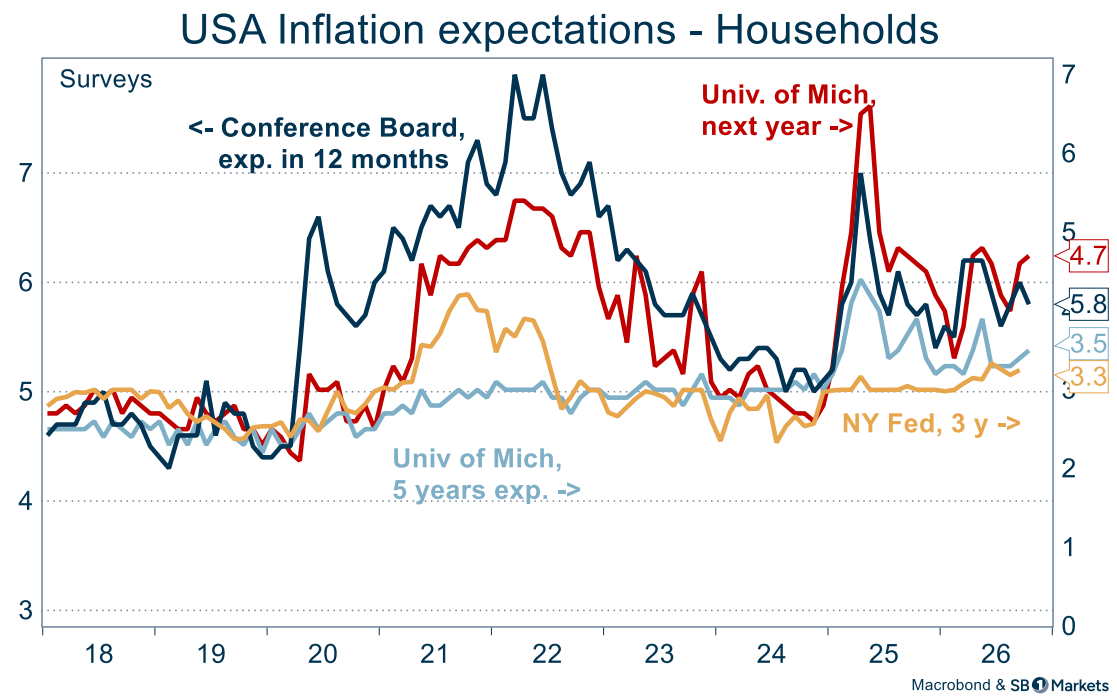
Source: Conference Board

Inflation expectations fell slightly, Conference Board reports – but they remain lofty

No doubt, the tariff shock lifted inflation expectations last spring. Now, the lift in gasoline prices has lifted expectations once more. Expectations remain at (arguably unrealistically) high levels, even for the next 5 years on average (3.5%).

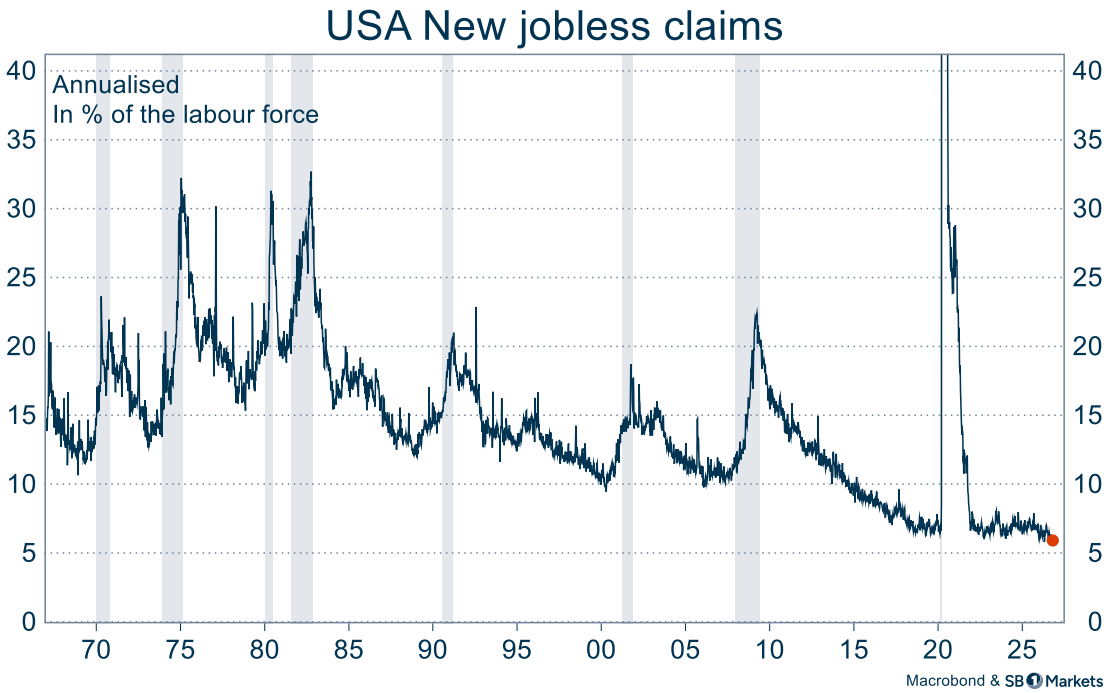


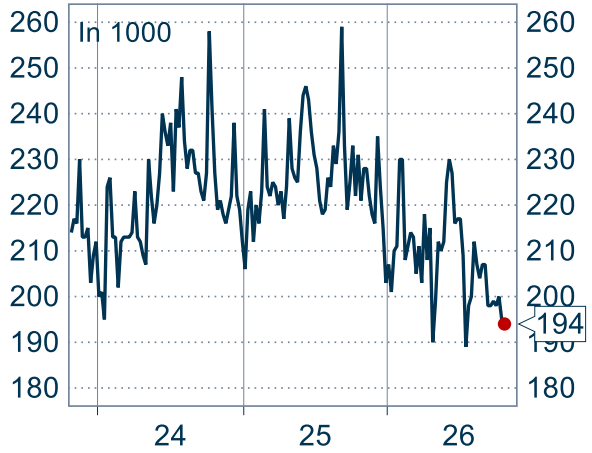




Last week, the inflow of jobless claims remained at the 3rd lowest level ever vs. the labour force

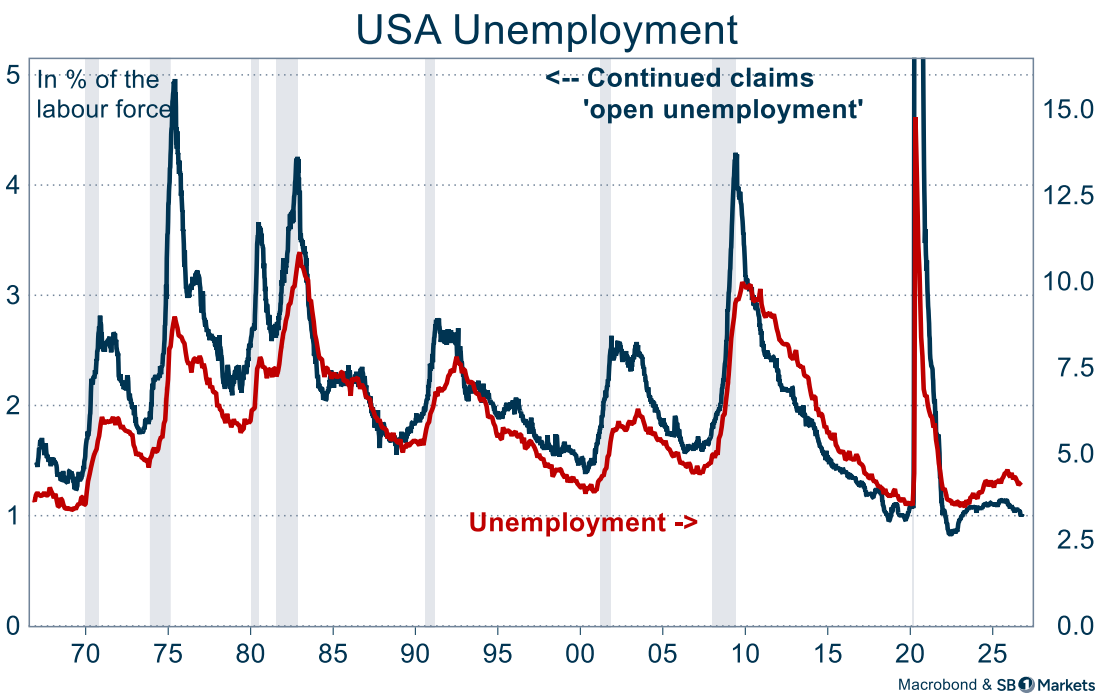
194,000 new claims, equalling 6% of the labour force, annualised. The lowest print ever, before the pandemic, 7%. Before 2028, the inflow at the best bottomed at 10%.

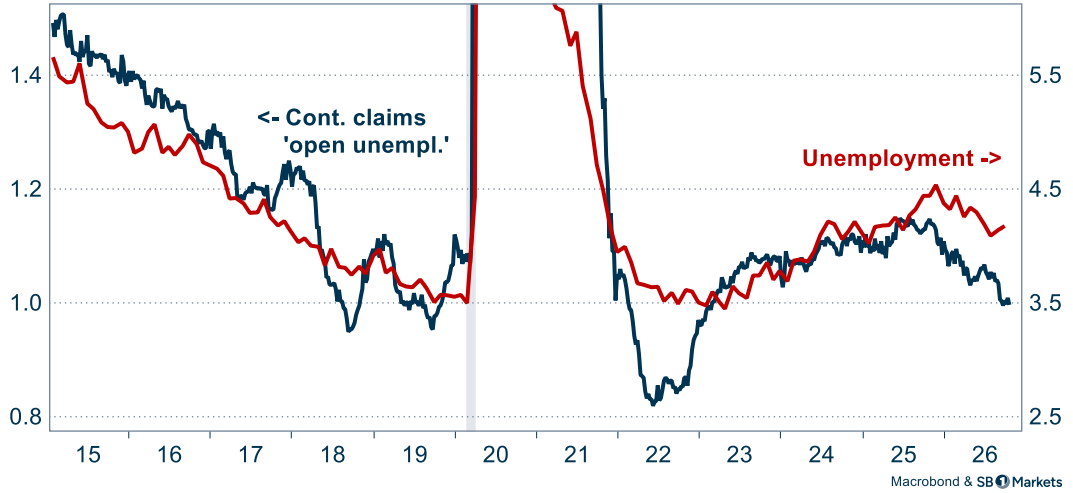


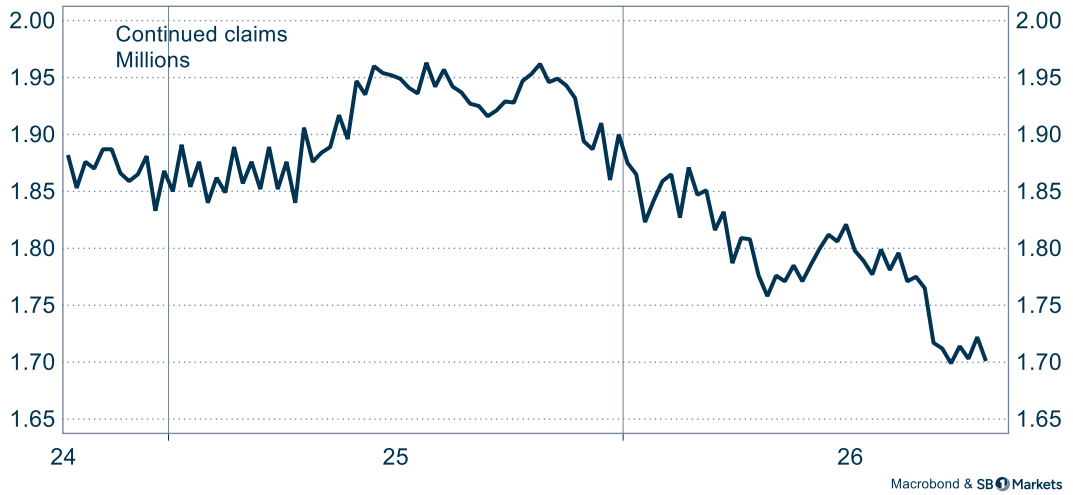


Continued jobless claims remain at a very low level too

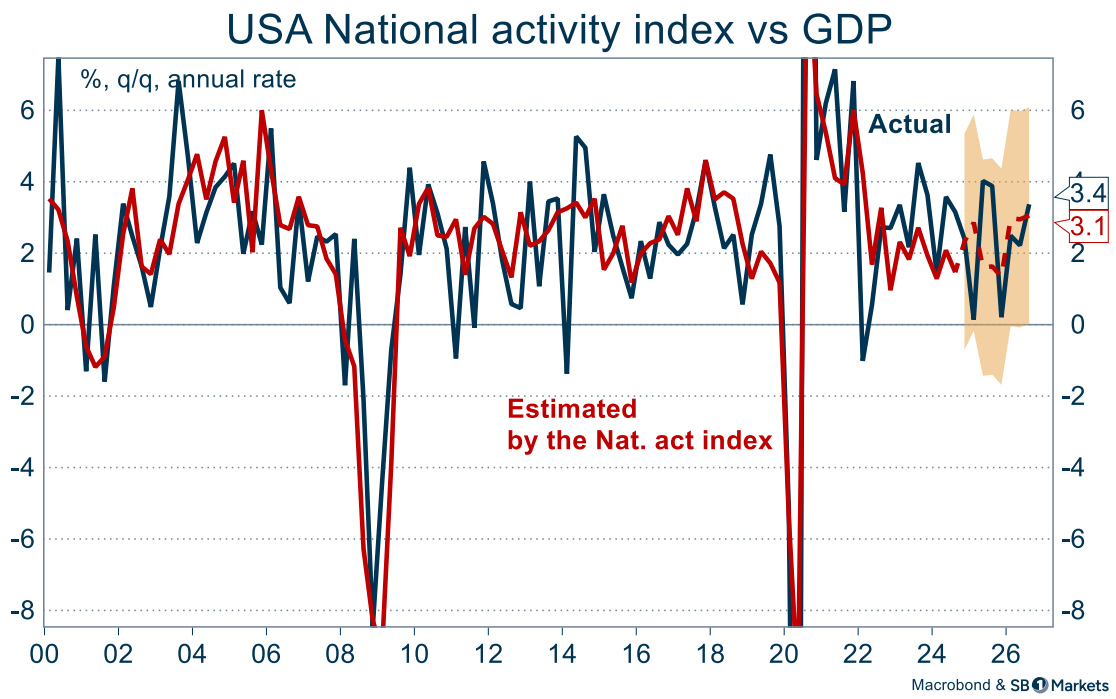
The count of persons receiving unemployment benefits has fallen sharply in 2026 and indicates a decline in the official unemployment rate.

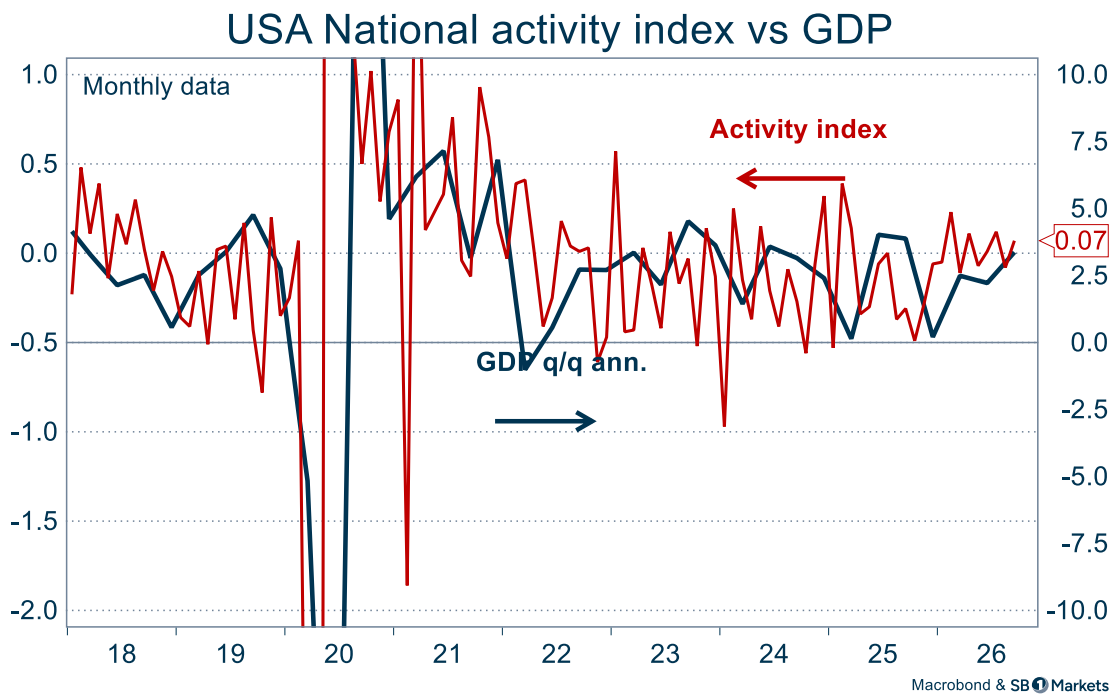






The National Activity Index still signals 3% GDP growth



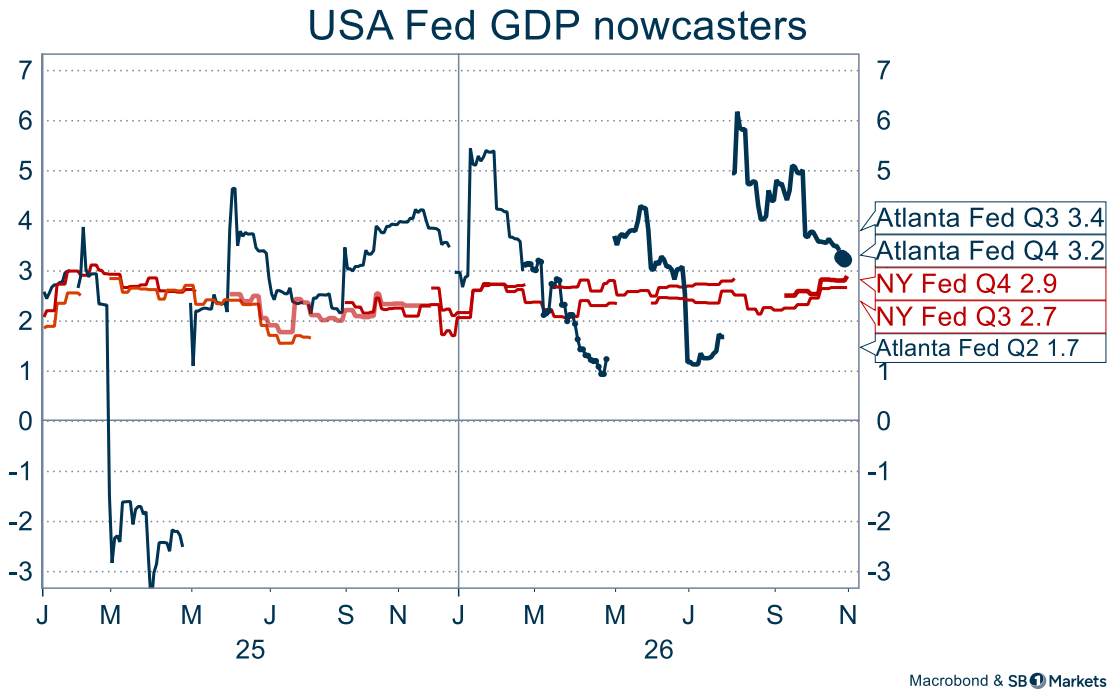


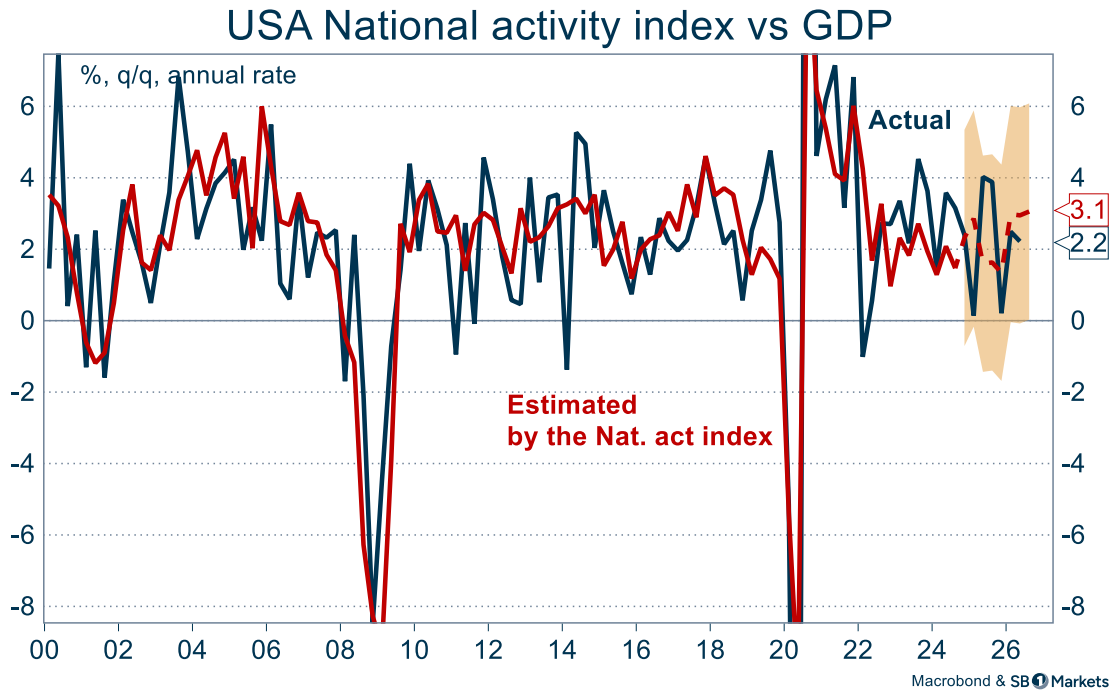
- **The activity index** is normally quite closely correlated to the GDP cycle, just less volatile (on a quarterly basis) than GDP figures. Thus, it is ***perhaps a better gauge for the 'real' activity in the US economy than the quarterly GDP data (check the model-based estimation in the chart to the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

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

Atlanta Fed's nowcaster was spot on for the Q3 (prelim.) outcome. *Q4: 3.2%!*

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





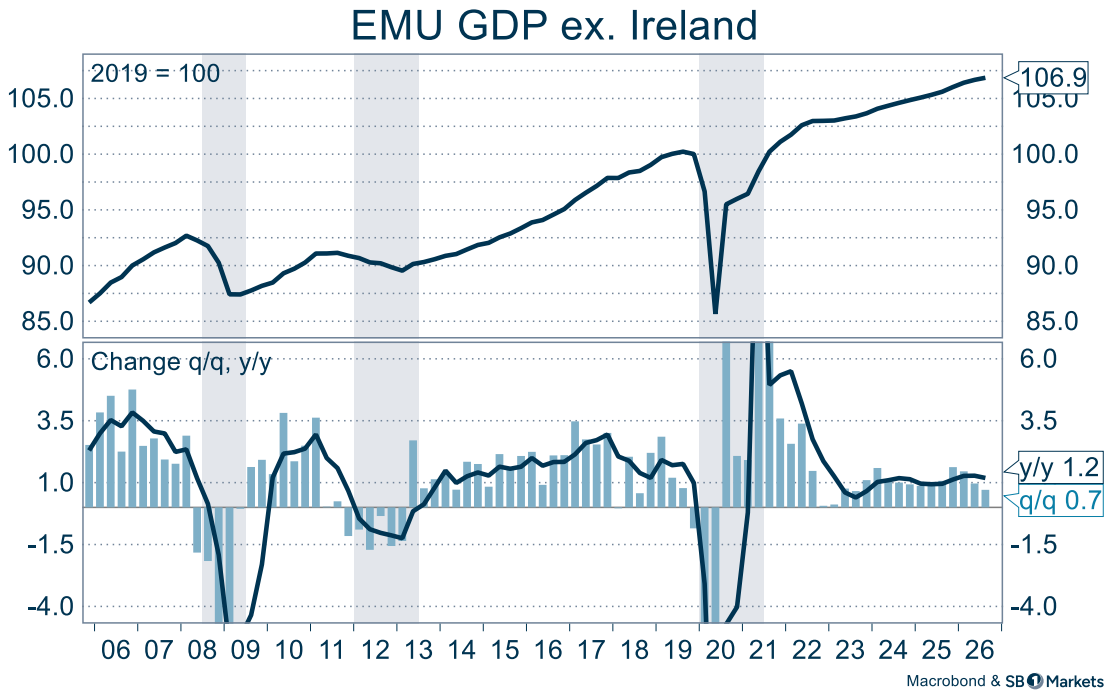
SB 1 Markets

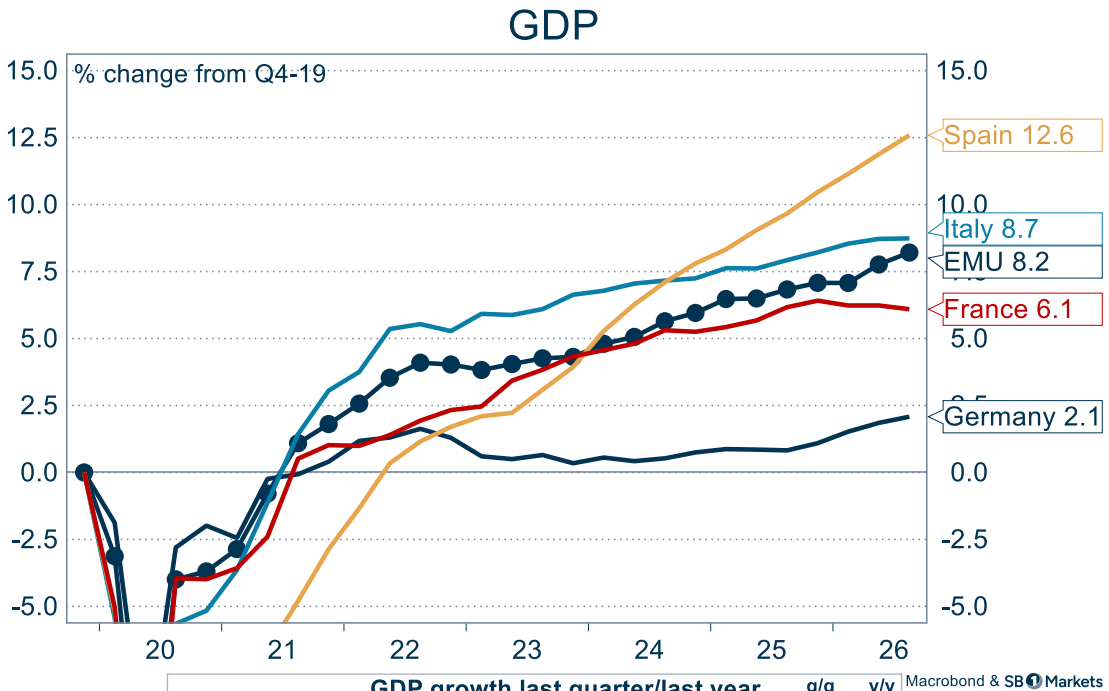


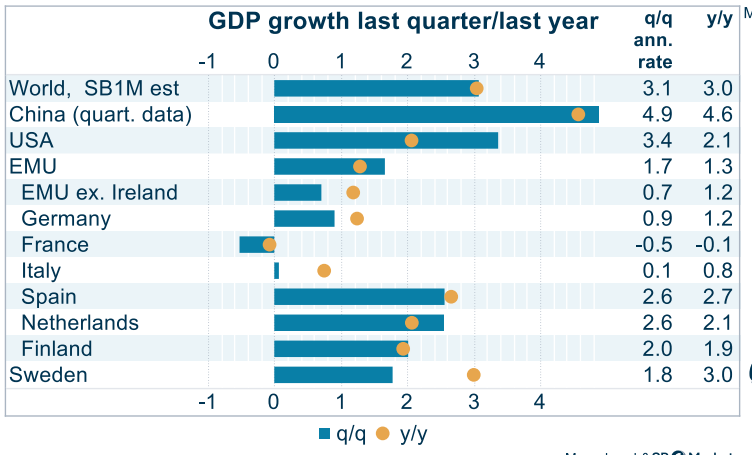
Euro Area

GDP (ex. Ireland) slowed to 0.7% q/q, close to consensus but below ECB's 1.2% f'cast

Total EMU GDP grew at a 1.7% pace, or 0.4% not annualised (expected 0.2%) and above ECB's 0.3% forecast. However, a 5.5% (not ann.) jump in Irish GDP was not for real, and 'core' EMU GDP was up 0.2% (0.7% a.r.). France was the laggard (-0.5%), Spain was in the lead, again (+2.6%).



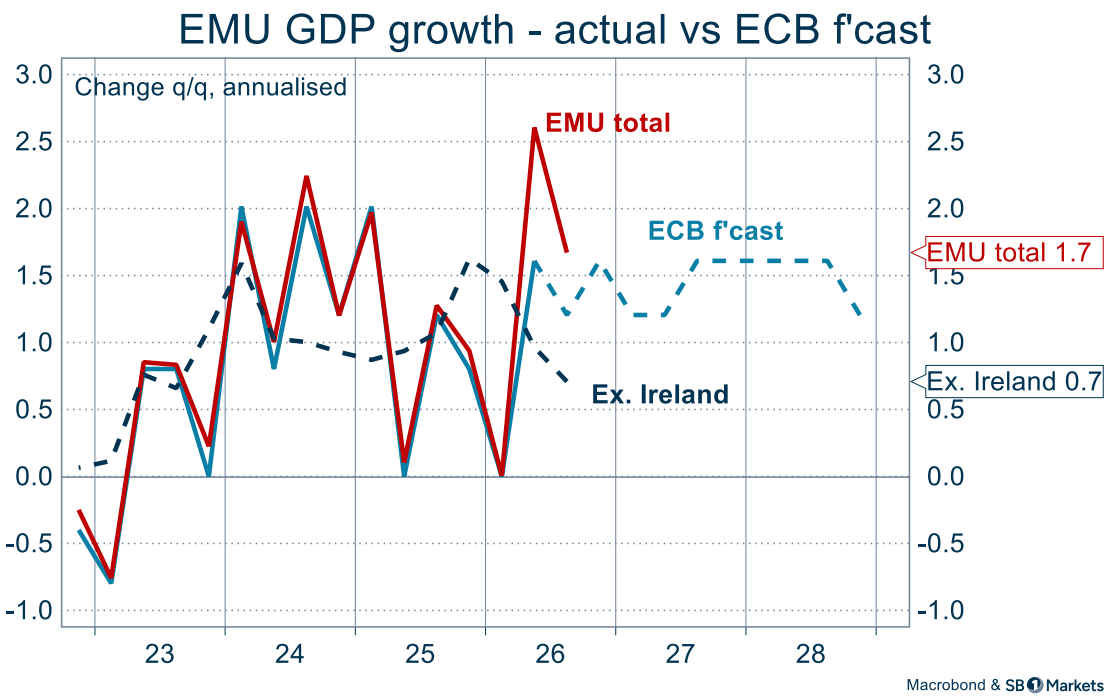


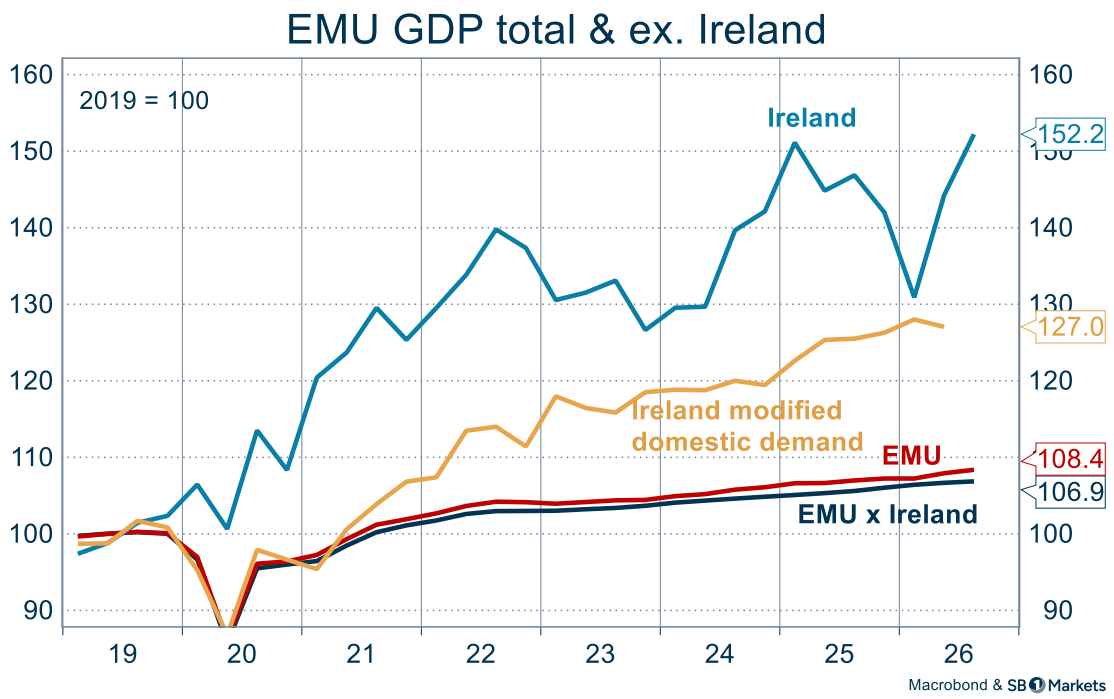


The **extremely volatile and mostly irrelevant Irish data** are playing games with the whole EMU region (*check next page*).

GDP including Ireland grew faster than expected, but ex. Ireland slower

Irish data are completely useless (up at a 24% pace, from +47% in Q1). Thus, the 'real' EMU growth at 0.7% was below ECB's 1.2% forecast. The outcome was close to consensus though, at 0.2% (not annualised).

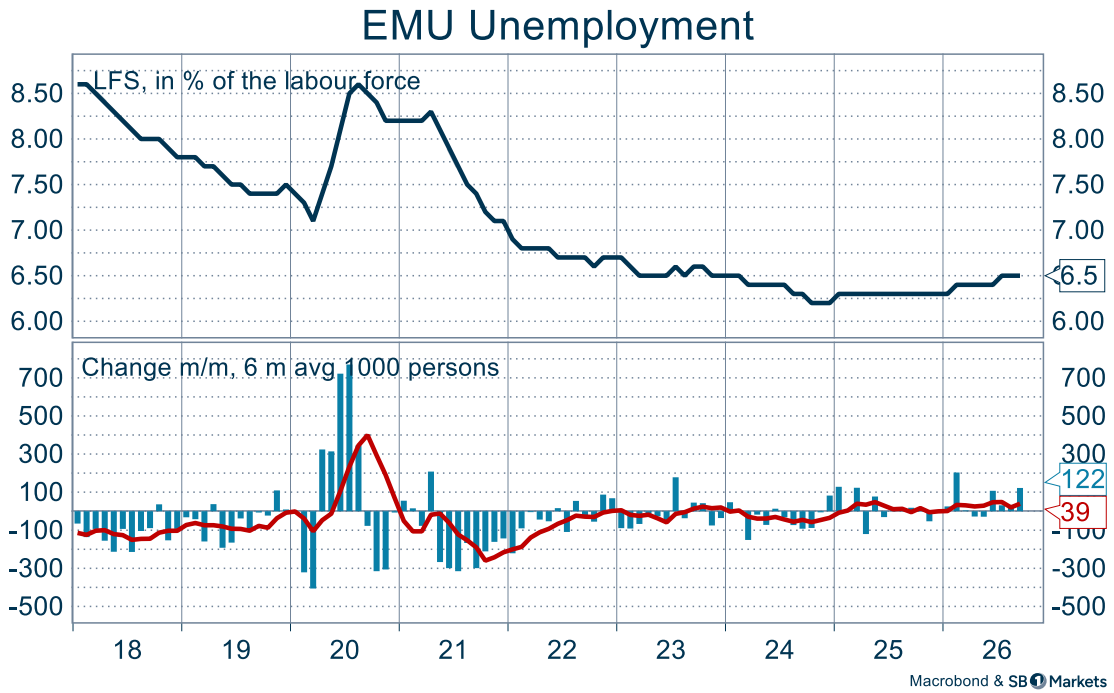


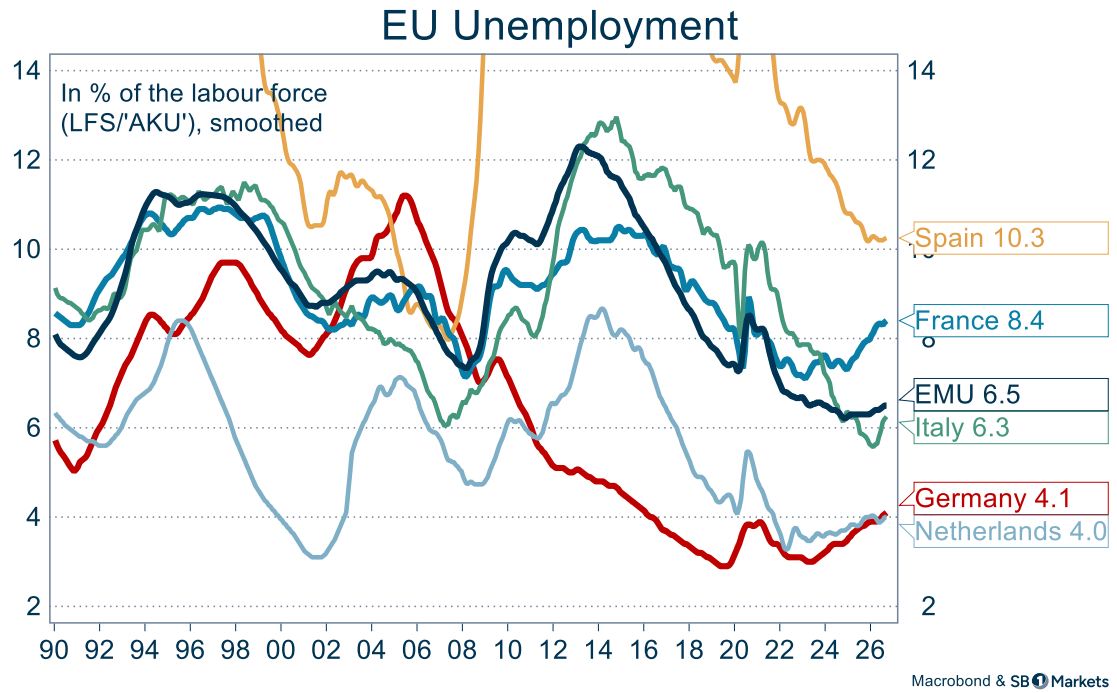


- **Ireland's GDP is heavily inflated by the activities of foreign multinationals**, including intellectual-property assets, aircraft leasing and contract manufacturing, partly impacted by tax-related activities. The **Modified Domestic Demand (MDD)** strips out much of these distortions and therefore gives a better measure of underlying spending and activity in the Irish domestic economy. MDD equals just some 50% of GDP and is much more stable than GDP.

EMU LFS unemployment is slowly increasing, up to 6.5%, 0.1 pp above expectations

Once again, an upward revision, up 0.1 pp to 6.5% in August, and the rate stayed there in September. The number of unemployed rose by 122,000 and is up by 39'/m over the past 6m. Unemployment is up in a majority of countries, including the big 4 ex. Spain.

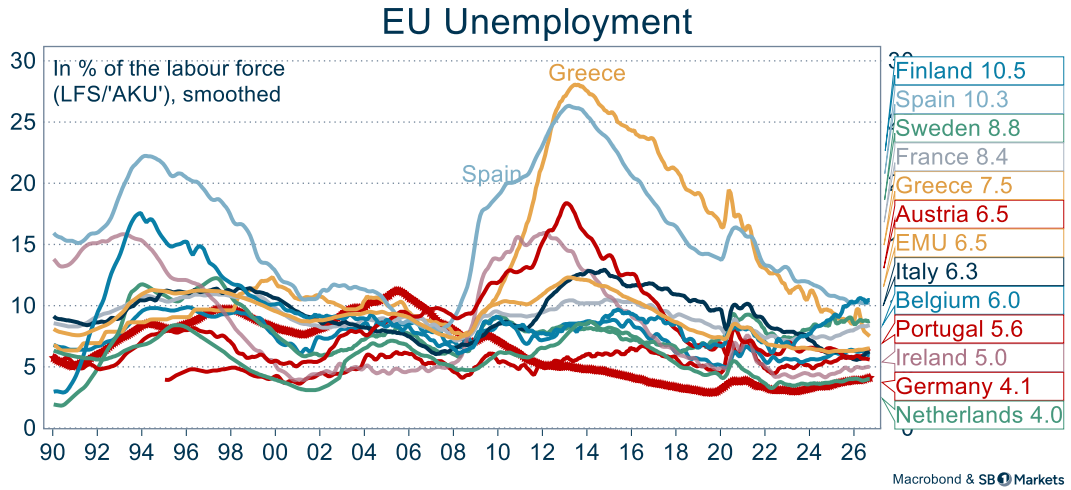


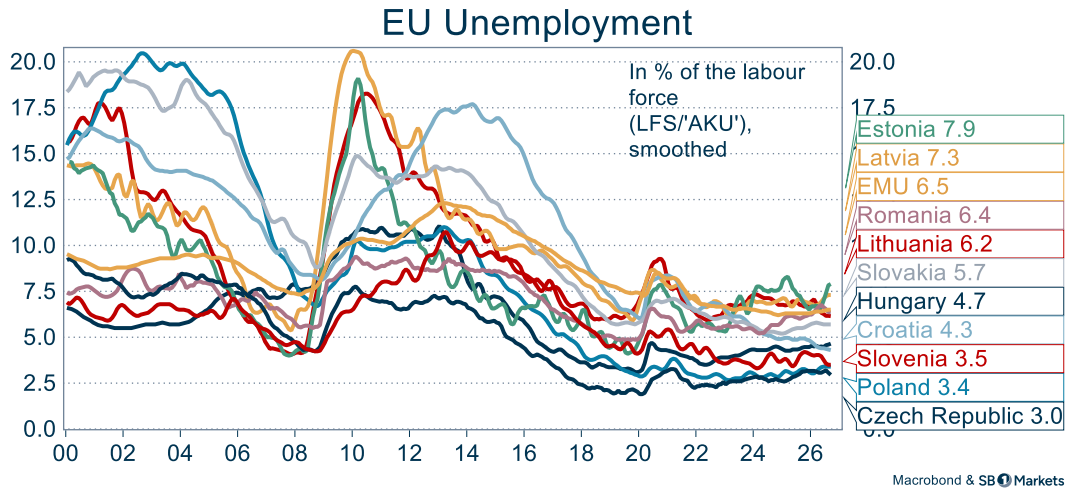


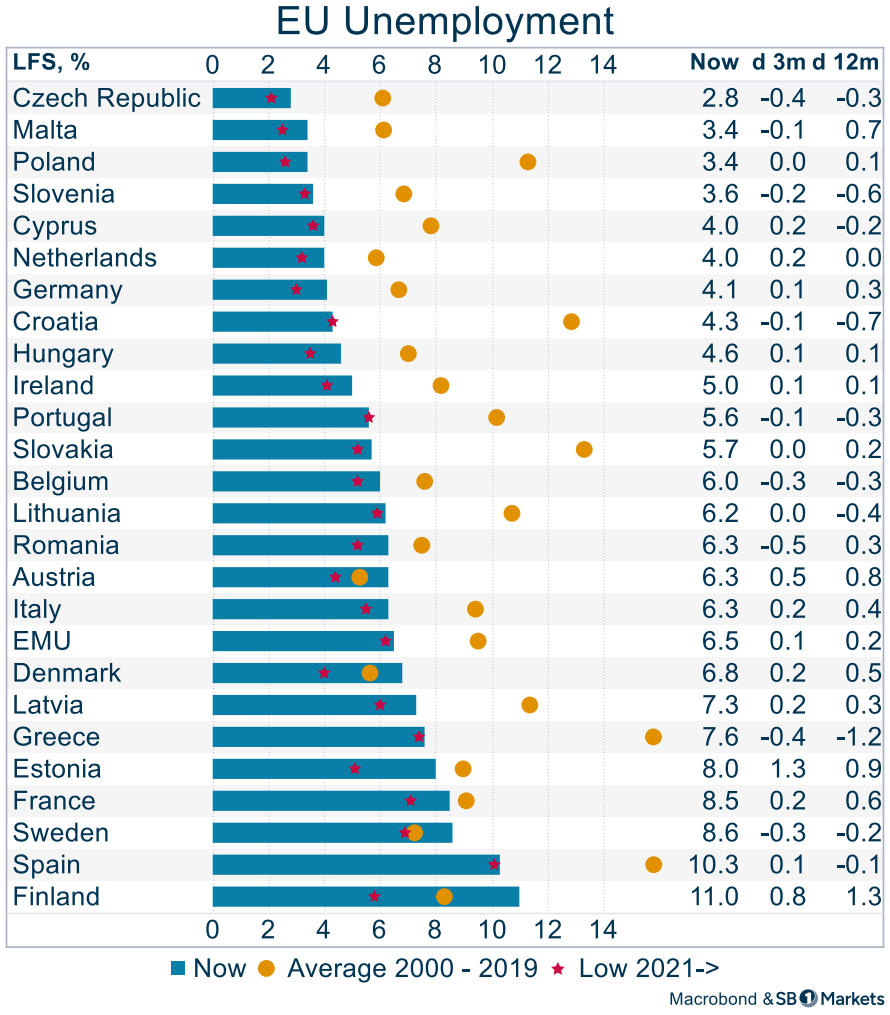
- **Employment** rose at a 0.4% pace in *Q2*, and is up 0.5% y/y, still faster than growth in the working-age population.

EU unemployment lower than normal almost everywhere (ex. Austria, Denm., Sweden, Finl.)

Finland is at the bottom of the ranking at 11%. Sweden has the 3rd highest rate at 8.8%, with Spain in between. In the past 3 months, unemployment has increased in 13 countries (from 11) and has fallen in 9 (12). Last year: 14 are up; 10 are down.

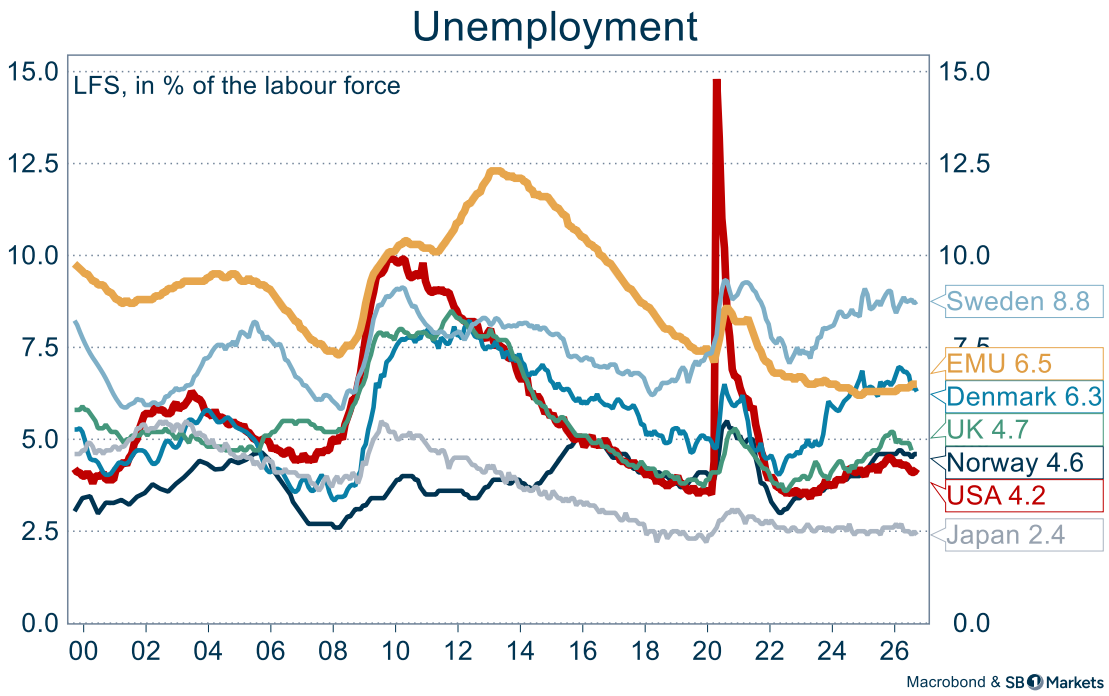


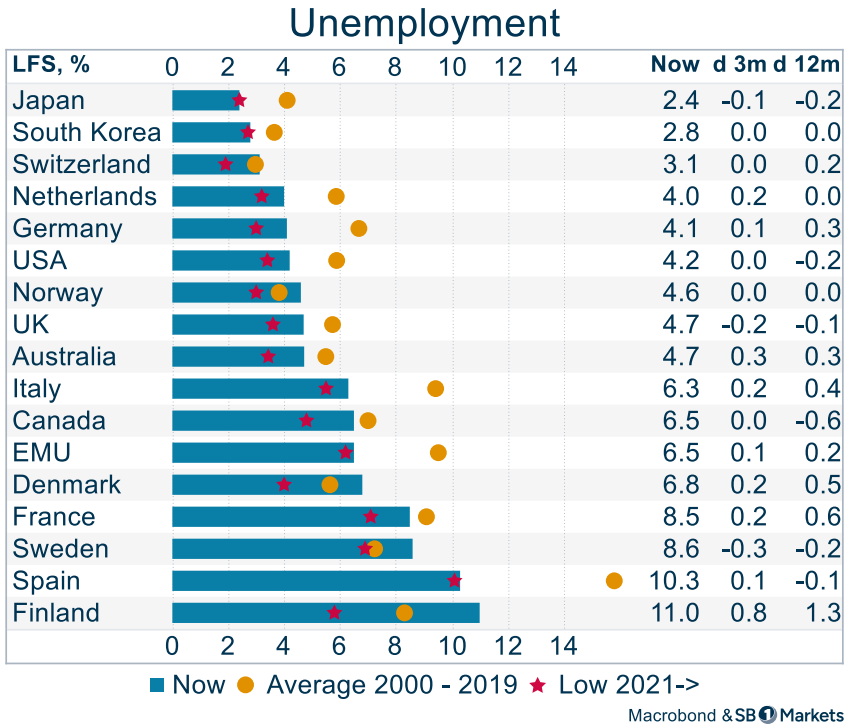




Main DM: unemployment trends slowly up, all but 2 are up from the post-pandemic boom

Past 3m: 9 are up (from 5); 3 are down (from 8). 12 countries report unemployment rates below the 2000–19 average, while just 4 – Denmark, Finland, Norway and Sweden – are above. What do these countries have in common?

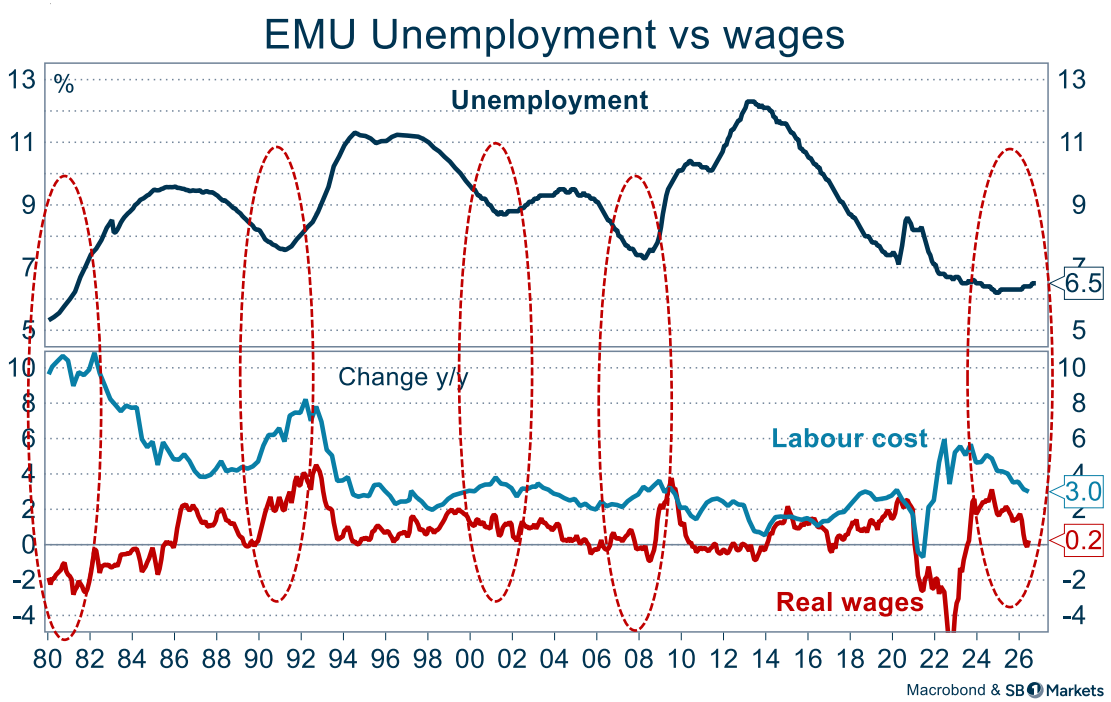


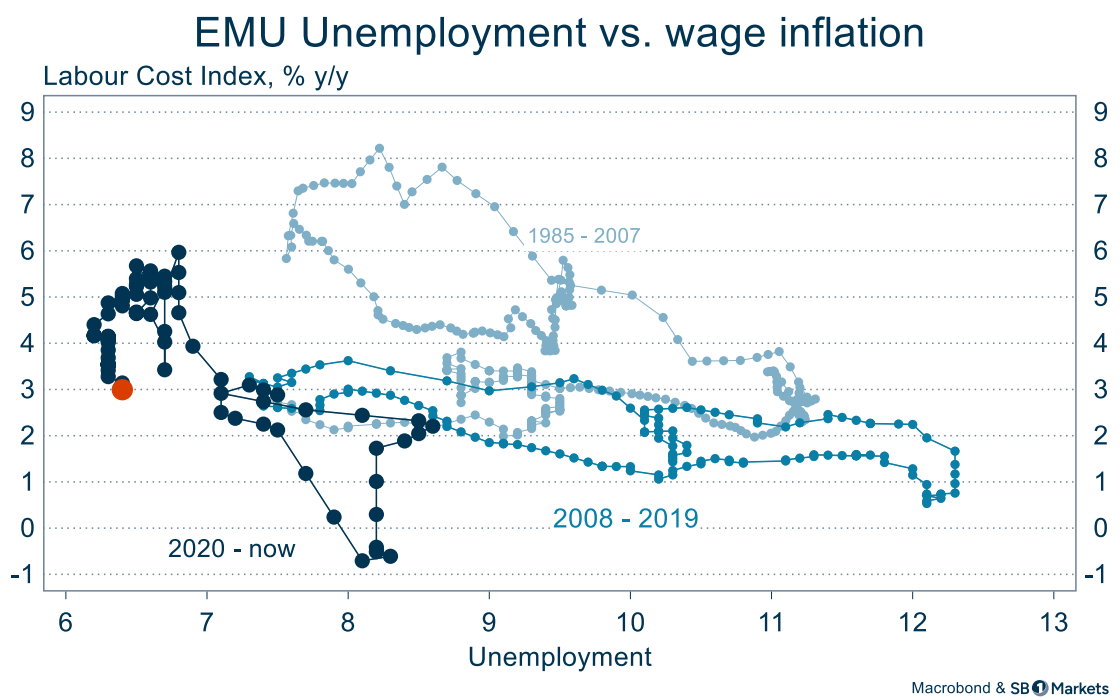


- In several countries, including Denmark, Norway, Sweden and the US, 'open' registered unemployment claims rates (like AF/PES/NAV) are far below LFS (AKU) data.

Unemployment has not been lower since 1981, yet wage inflation has slowed.

Real wages are up 0.2% y/y

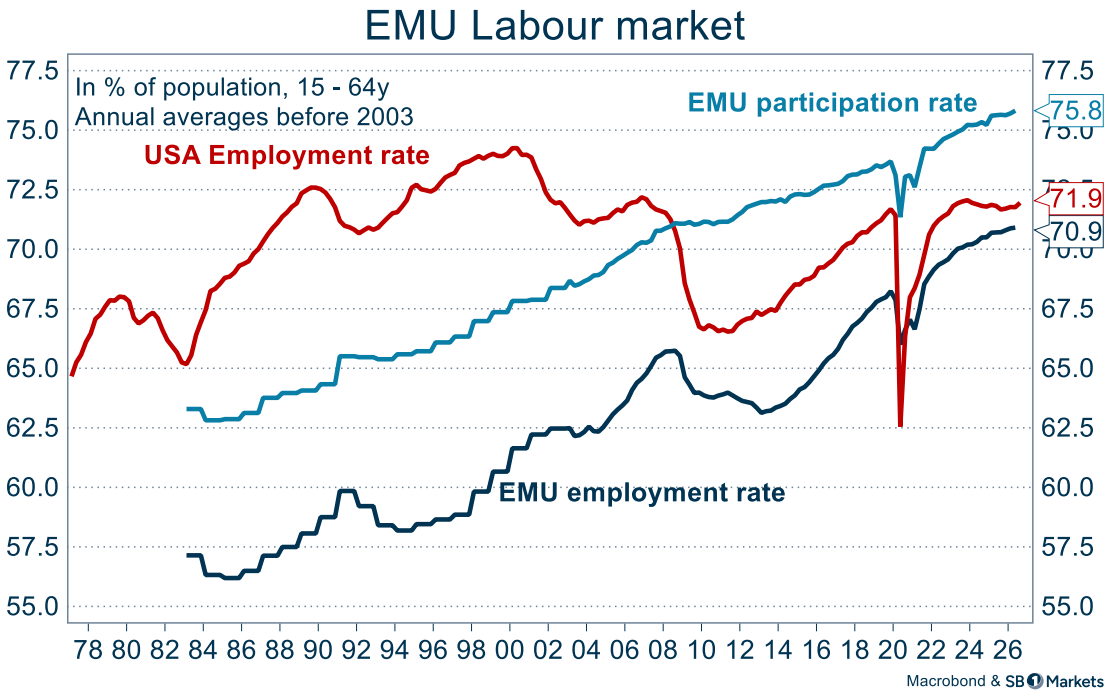


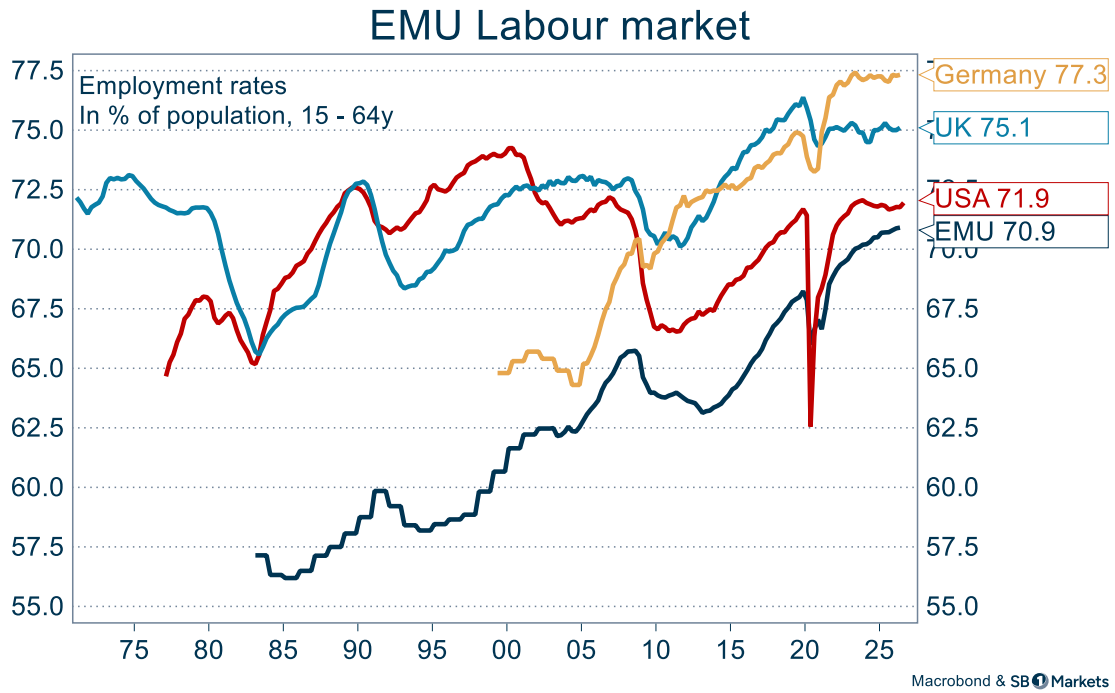


- The simultaneous decline in unemployment and wage inflation seen since 2022 has not been the norm in Europe – even if the Phillips curve was never particularly strong to begin with.

Record-high EMU participation and employment rates – and the trends have been incredible!

The employment rate gap between the US and EMU has narrowed to 1.0 pp, from almost 12 pp 25y ago. Will EMU overtake the US? Not unlikely (check the charts below). *Germany did so 15y ago* and is now 5 pp above the US (from more than 10 pp below 25y ago!)

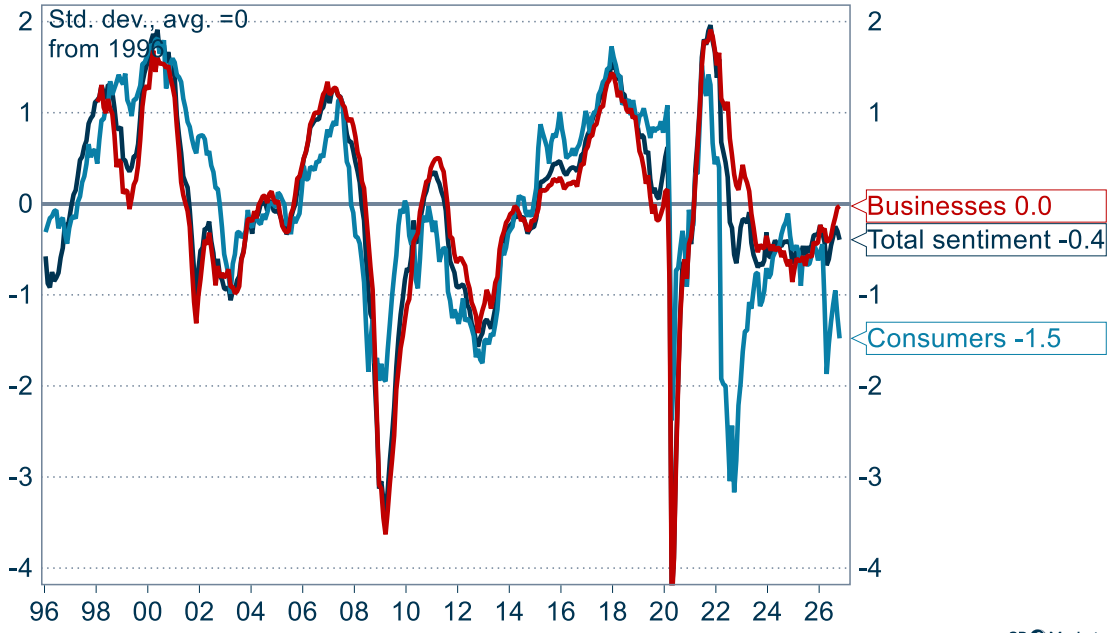


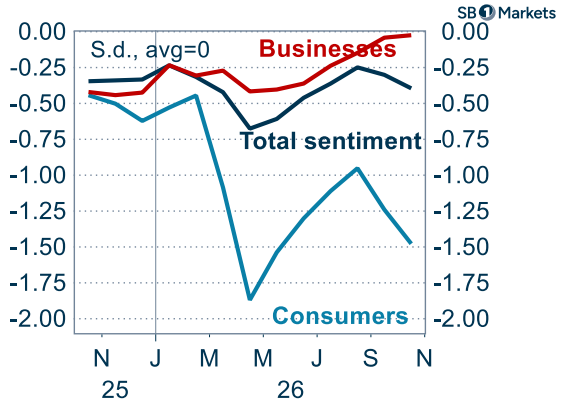


EU survey: business confidence up to an average level in Oct. → *1%+ growth signalled*

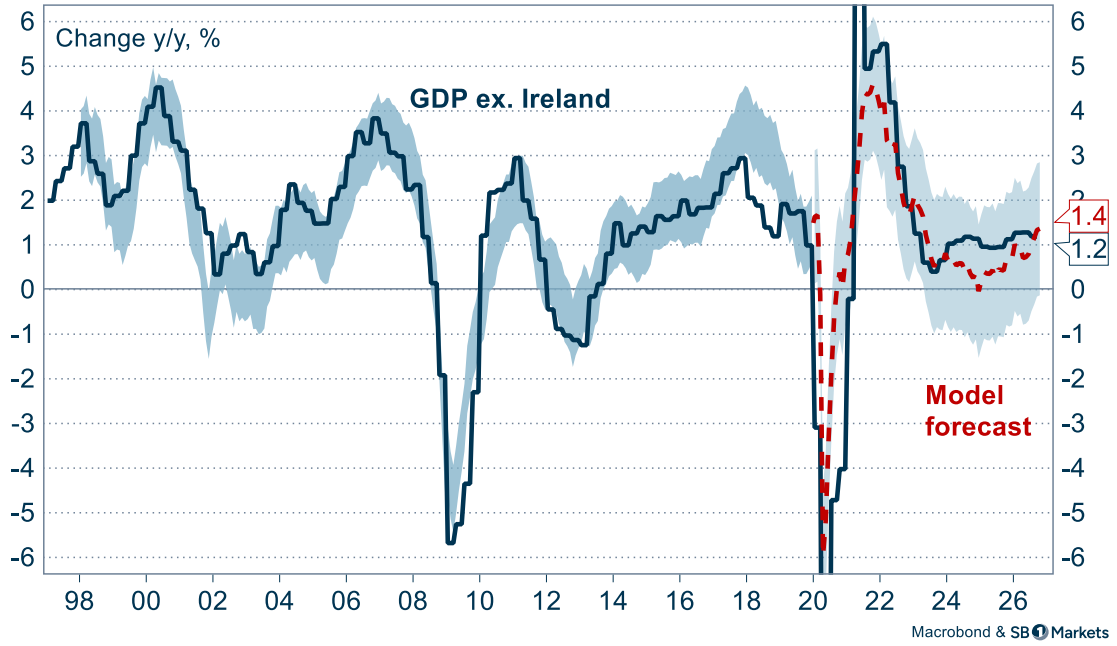
The total sentiment fell 0.1 std. dev. due to a decline in consumer confidence, to -1.5 std. dev. However, business sentiment rose marginally, up to an average level following a 0.2 std. dev. upward revision of the Sep. level. The survey signals growth close to trend – where it is, at 1.3% y/y.

EMU Economic sentiment





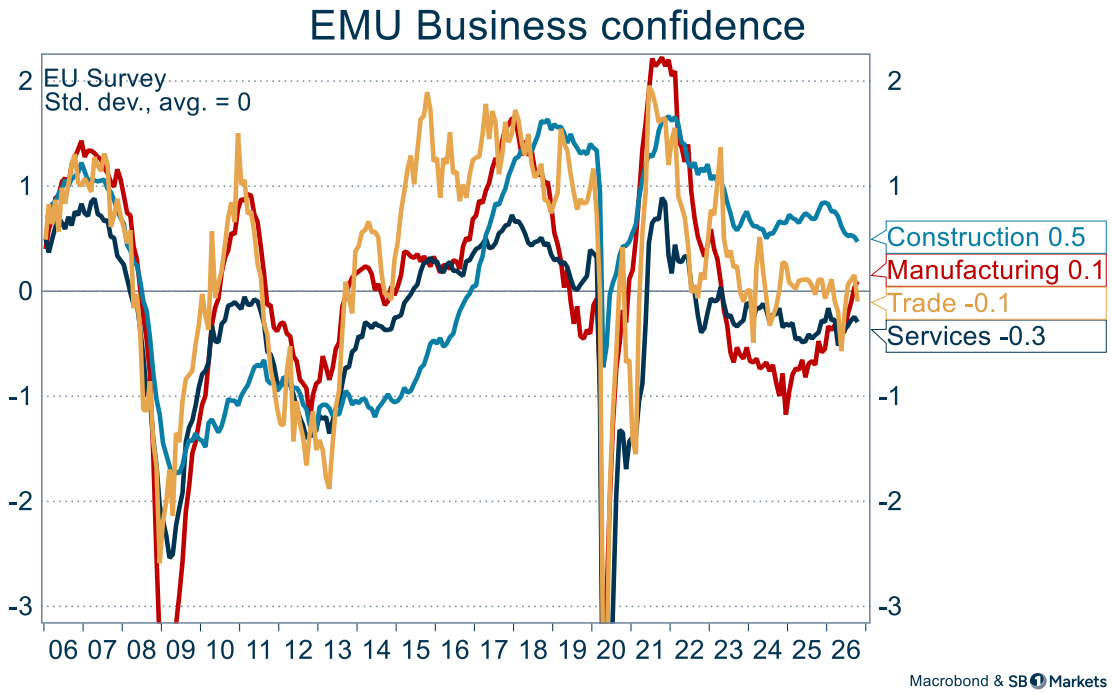
EMU Business sentiment vs. GDP

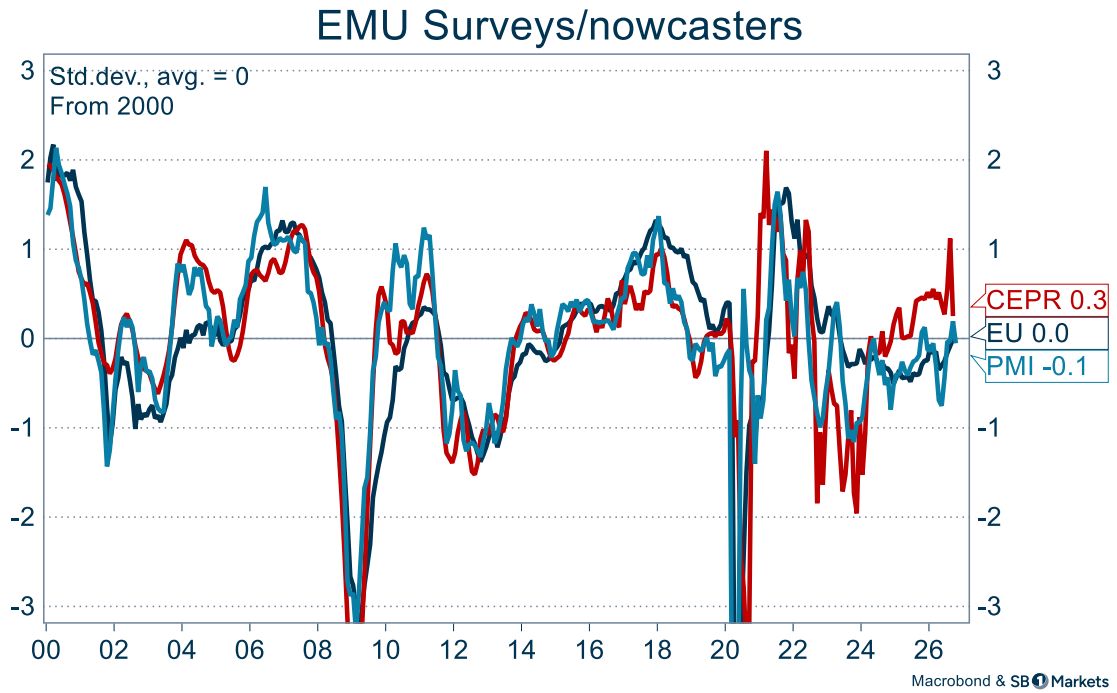


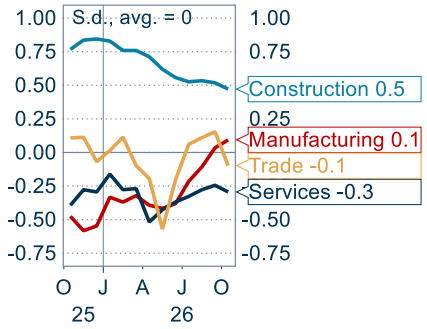
- **Consumers** are still on the pessimistic side, 1.5 std. dev. below average, just as consumers were in the early phase of the Ukraine war and gas price shock in 2022. However, actual spending has held up better than the confidence suggested.
- **Actual GDP growth** has also been a tad higher than this business survey has indicated.

EU's business confidence has been supported by the main sectors; October a mixed bag

Construction and trade contributed on the downside (trade is also included in services). The PMIs are in line with the EU survey, at an average level, while CEPR's GDP nowcaster still reports growth above average.



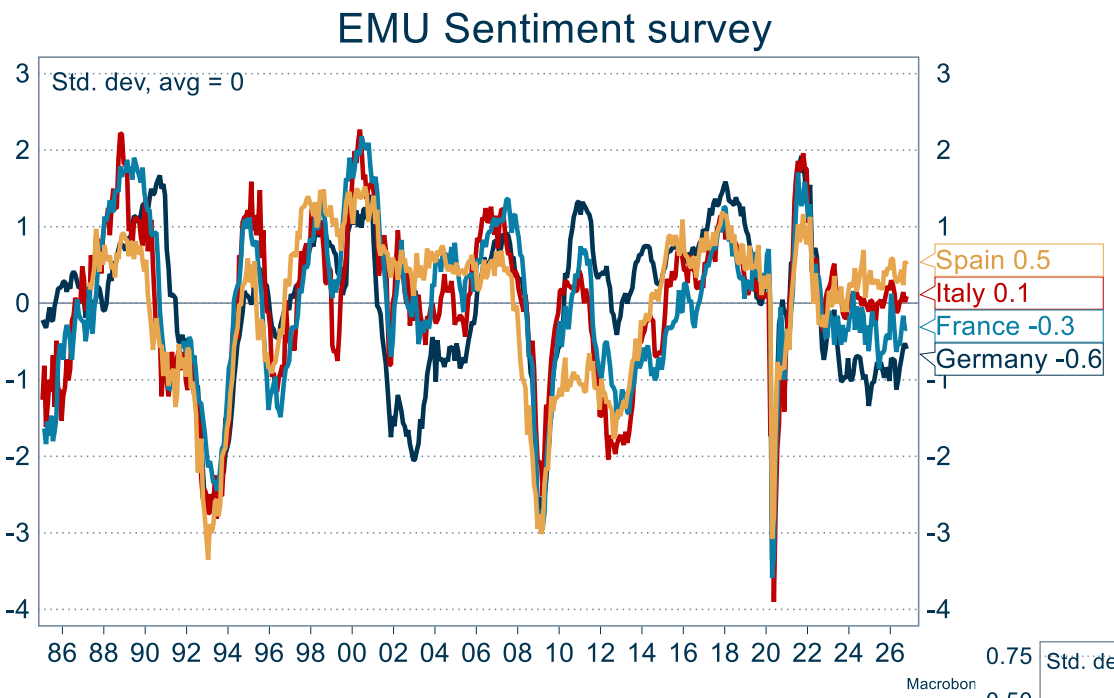


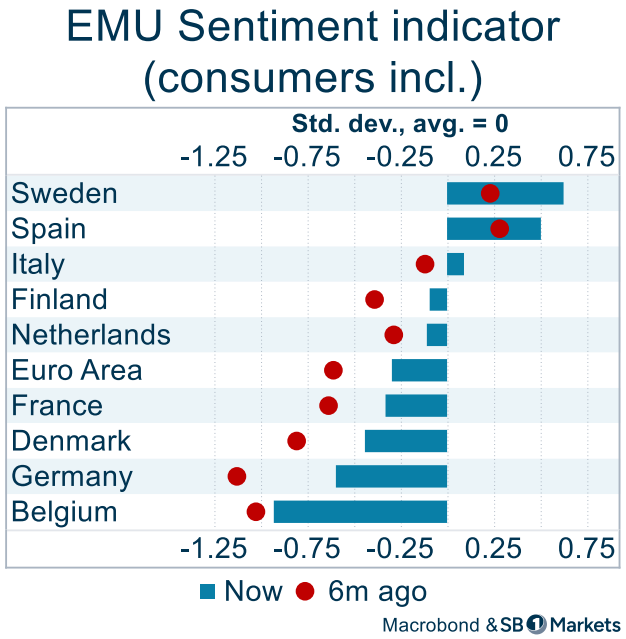


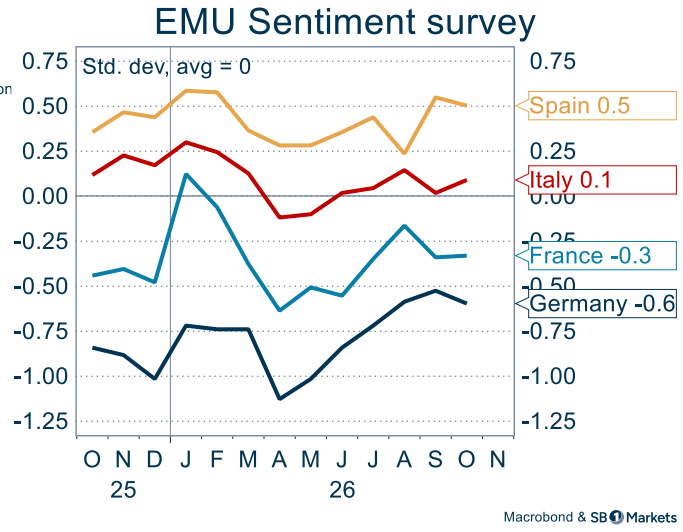
- The big 4: *next page*

Overall sentiment: the laggards up the most in Aug., but France, Germany still < avg

Germany is the weakest link in the Euro Area chain, 0.6 std. dev. below average. Spain at the top, +0.5 std. dev. (Sweden is even better).

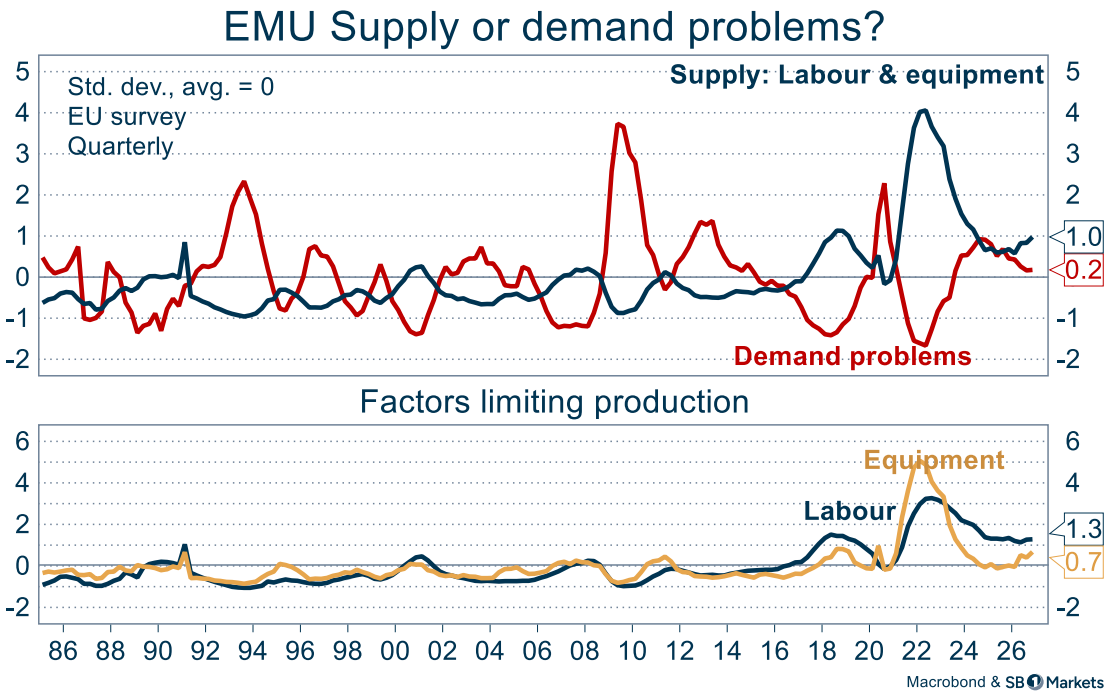


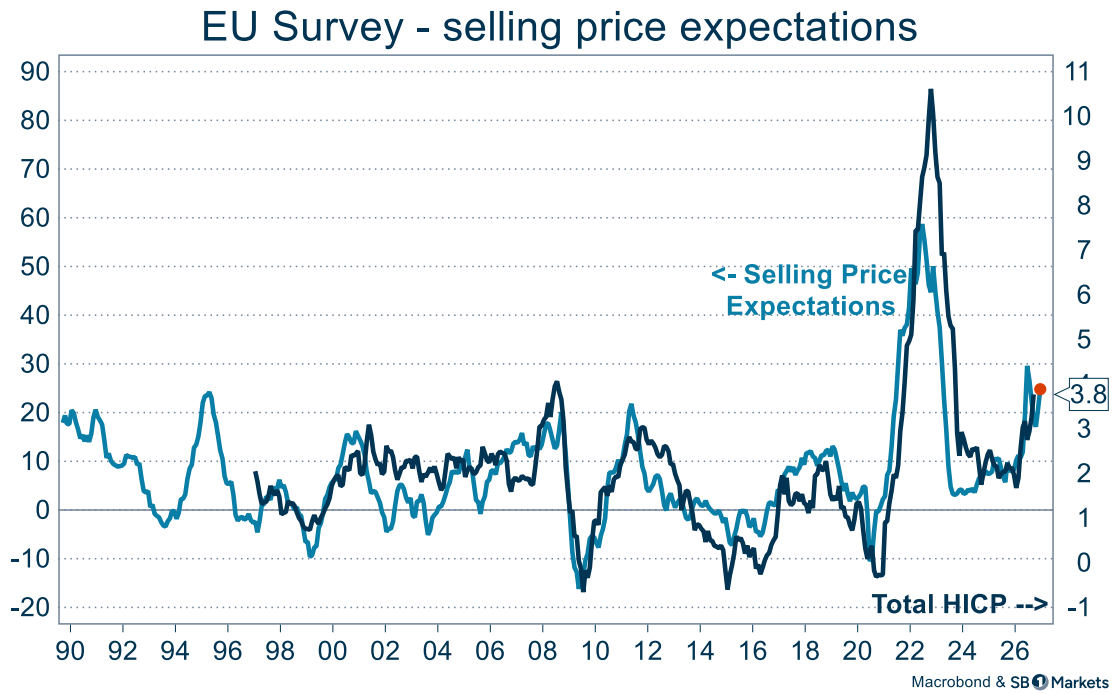




Fewer demand problems, more supply challenges

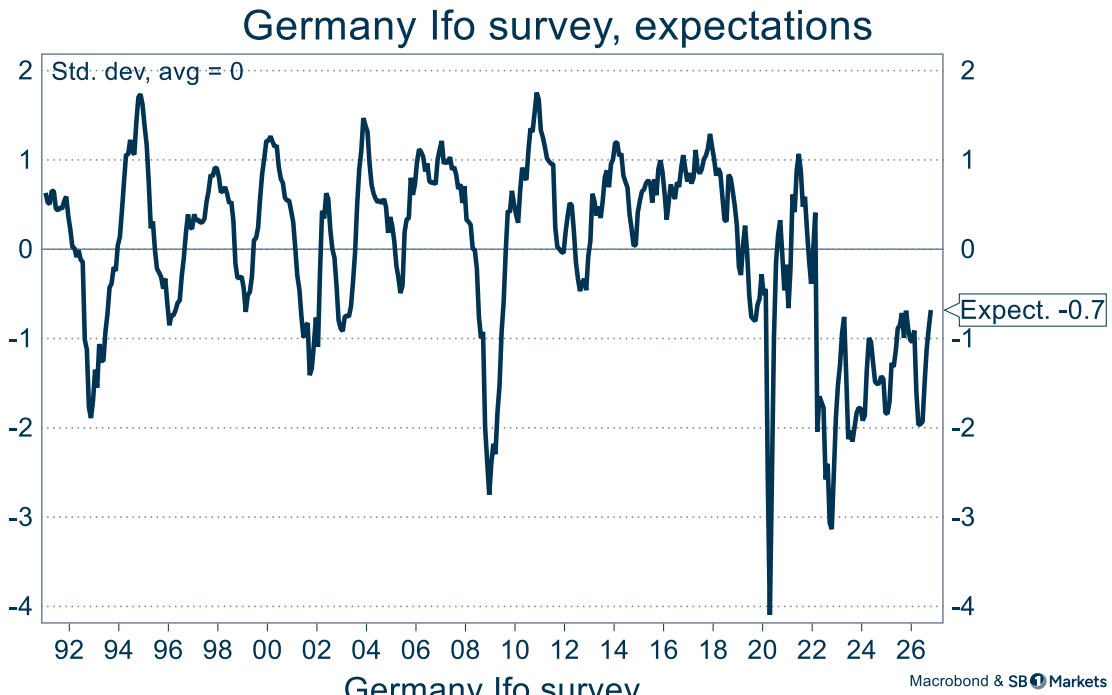
Labour shortages are still above average, equipment shortages as well. Demand is less of a problem than in previous quarters, and approaches an average level. Price expectations accelerated again in Q3, which does not signal lower HICP (CPI) inflation.



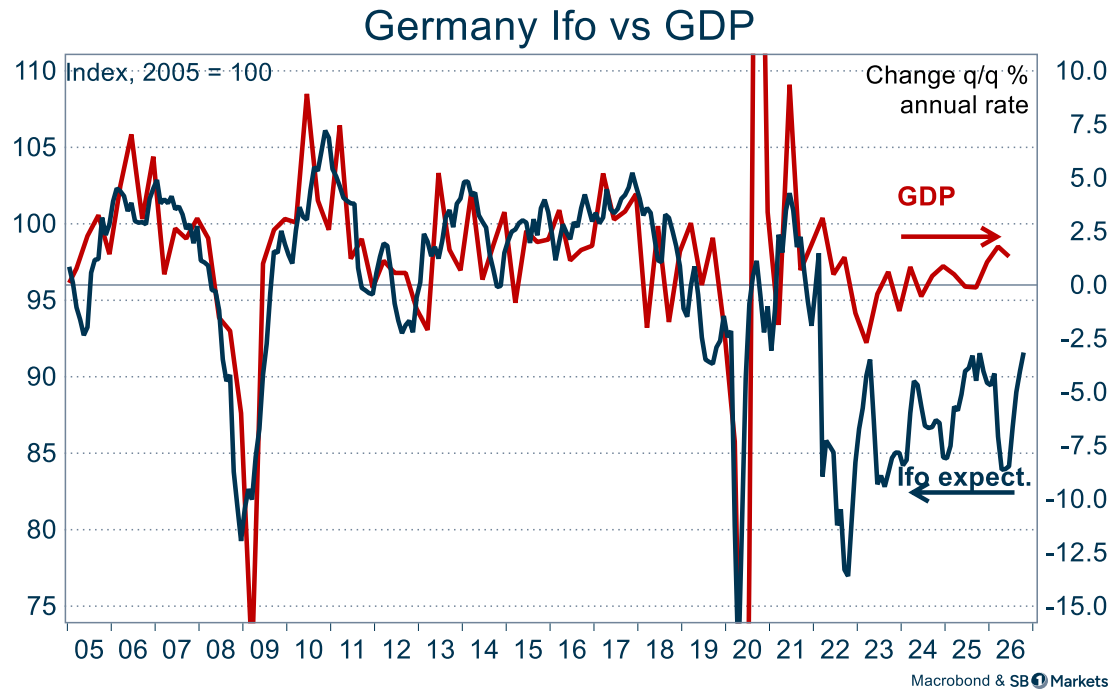


Germany: Ifo expectations rose further in October, to the best level since early 2022

Expectations rose 0.2 std. dev. in October, but are still 0.7 std. dev. below average, which would normally suggest a decline in GDP. However, companies have been far too pessimistic over the past 4 years, and most likely, they indicate growth now.





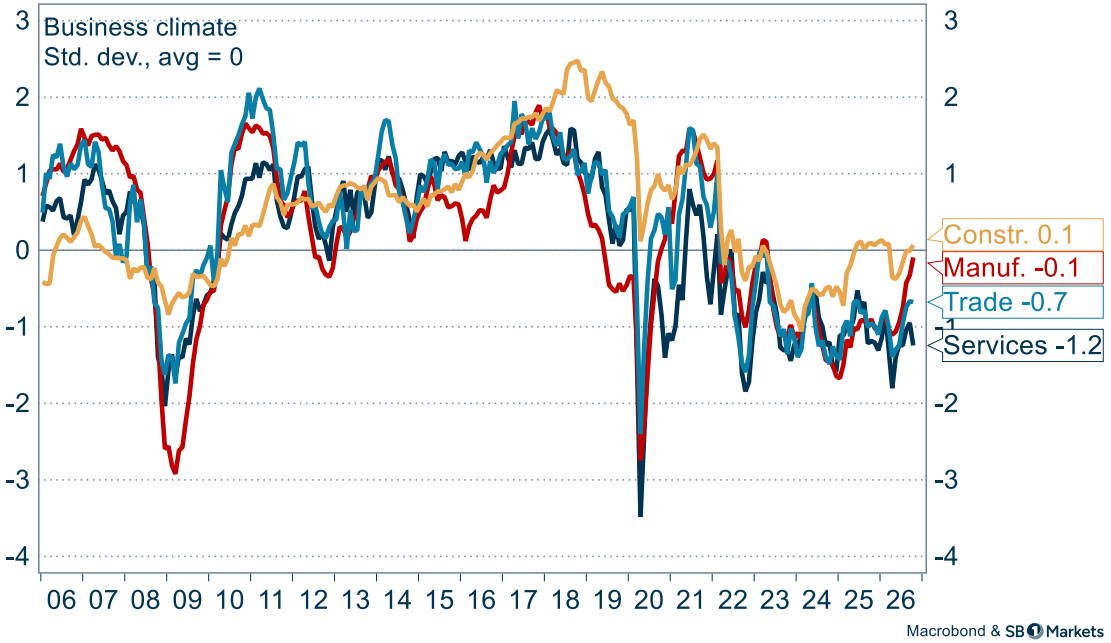


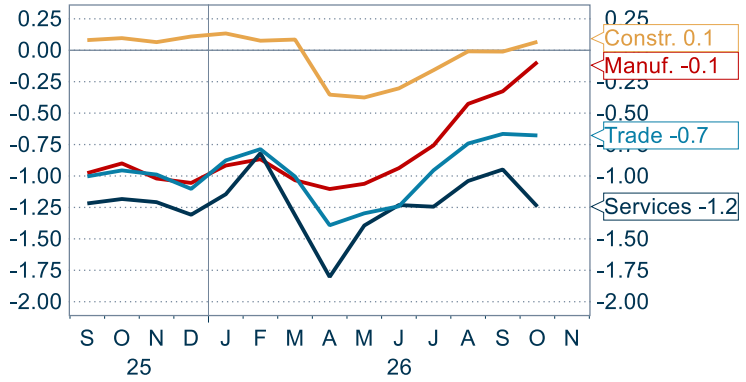
- **The Ifo expectation index** rose 1.2 p to 91.6, expected down to 90.0 (that is, 1.2 std. dev. below average).
- The assessment of the **current situation** fell slightly and is also below par, but just by 0.3 std. dev.
- The **composite climate index** rose modestly.

German Ifo: construction is back to an average level, manufacturing not far below

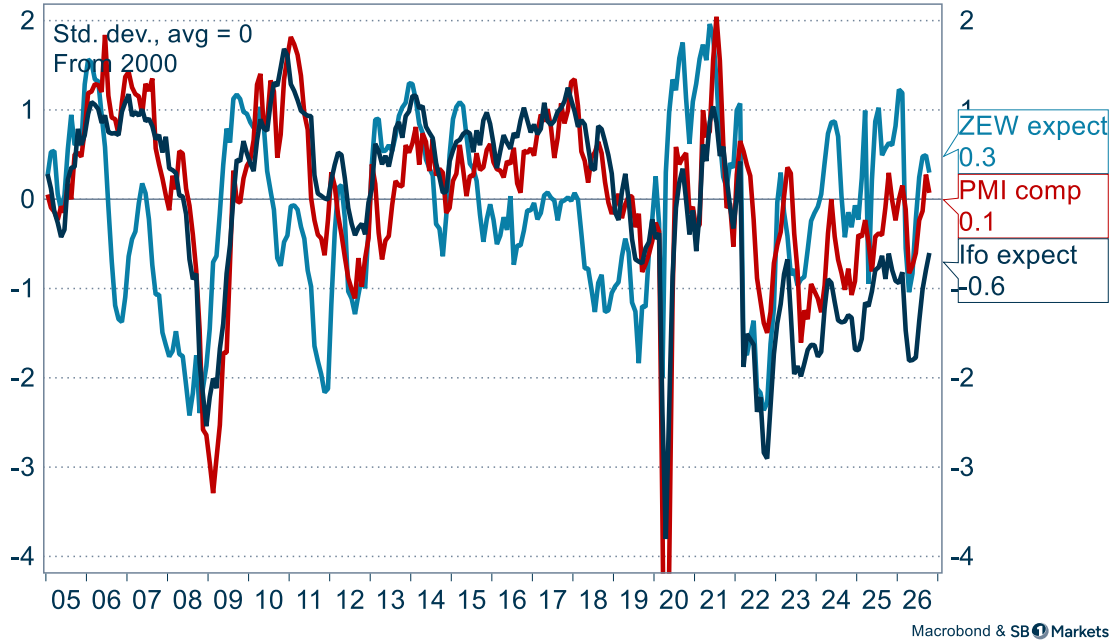
… at the best level since early 2023. Services are still at the bottom of the ranking and fell slightly in the Ifo survey, as in the PMI survey. The ZEW survey among investors and analysts fell a tad in October but is still 0.3 std. dev. above average.

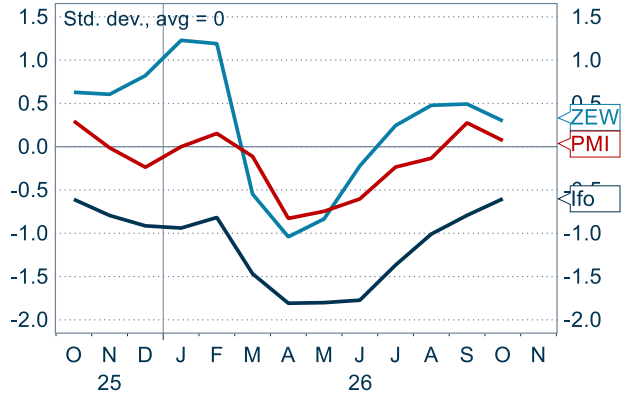
Germany Ifo survey, sectors





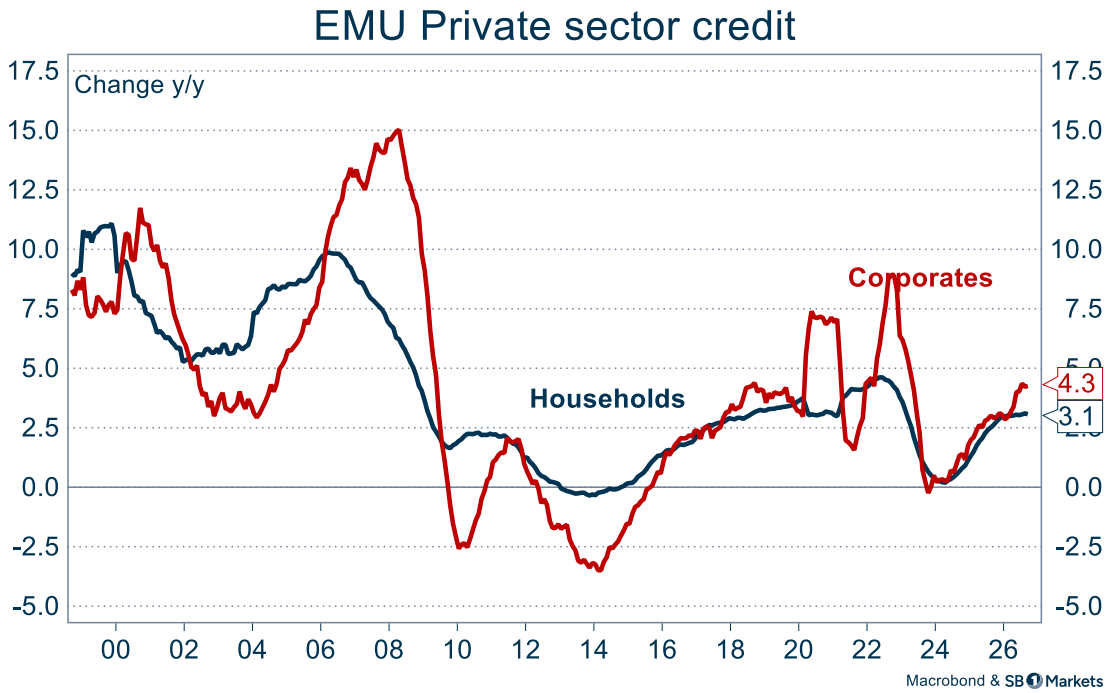
Germany Business surveys

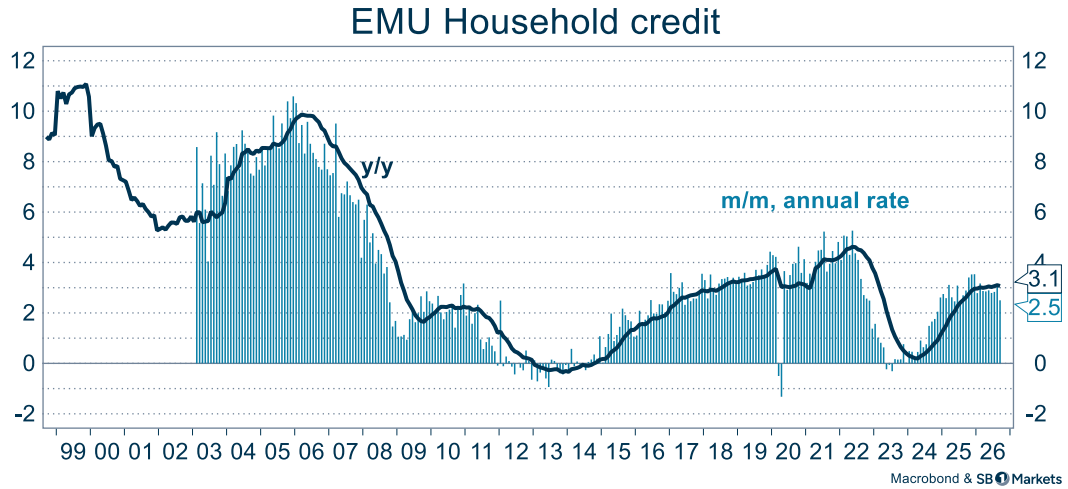


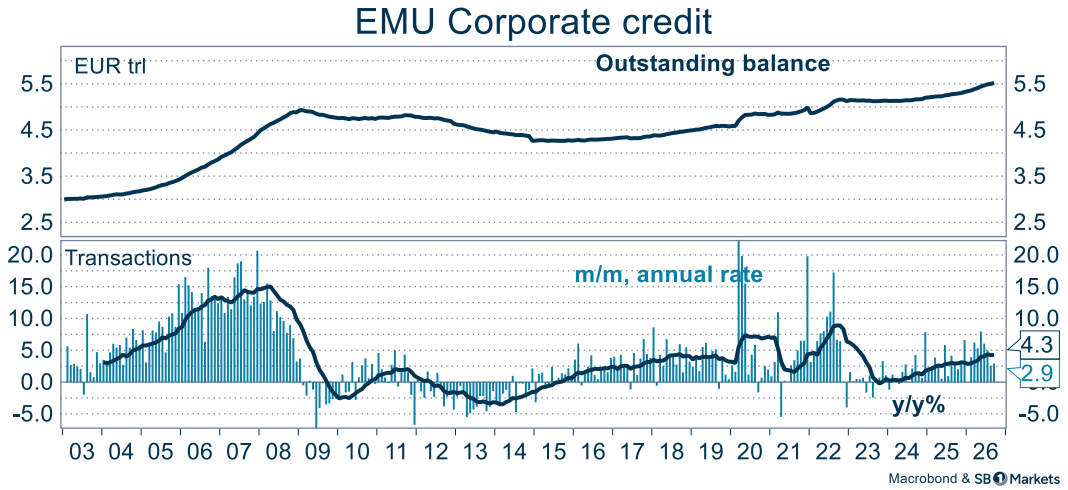


Growth in household debt slows, as probably does growth in corporate debt

Growth may have peaked at 3 and 4% respectively.
Banks reported weaker credit demand both from households and enterprises, according to the Q4 survey, and are tightening standards slightly



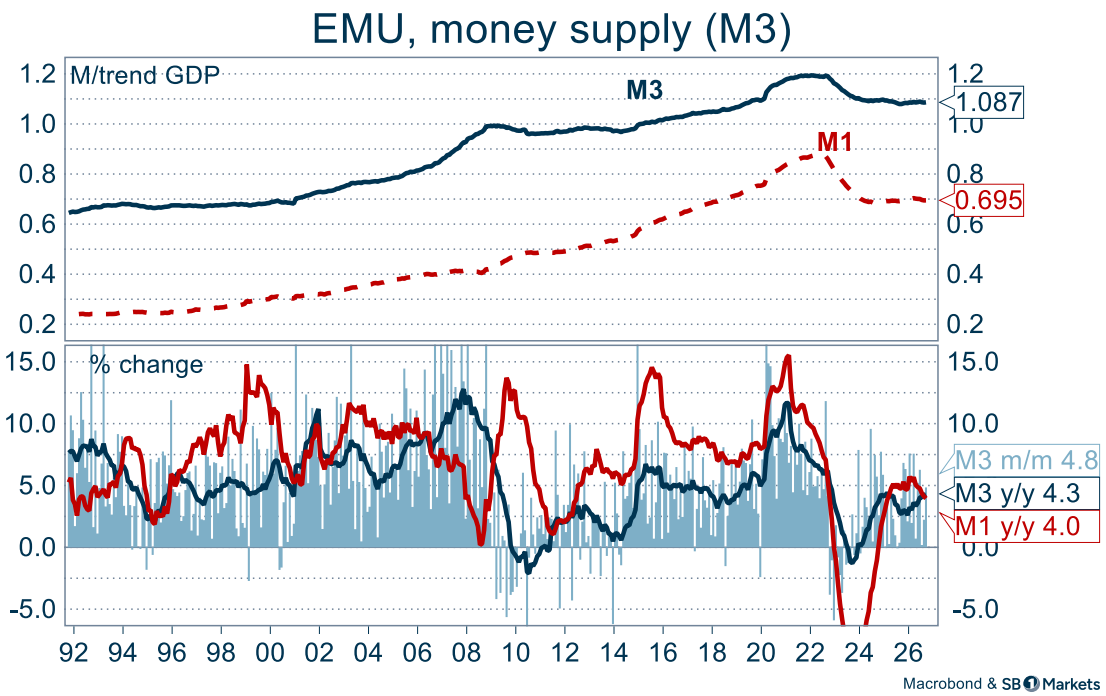


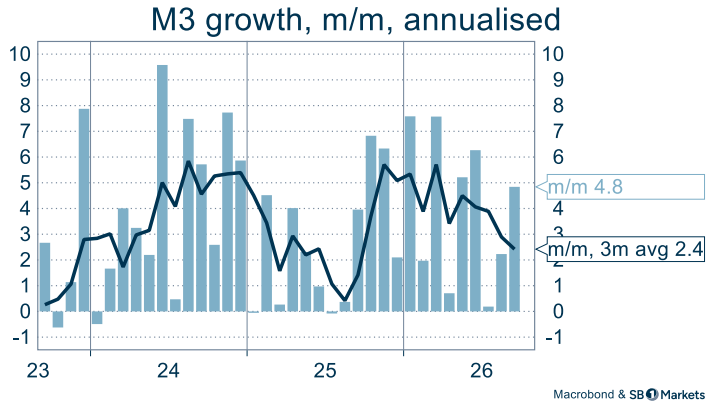


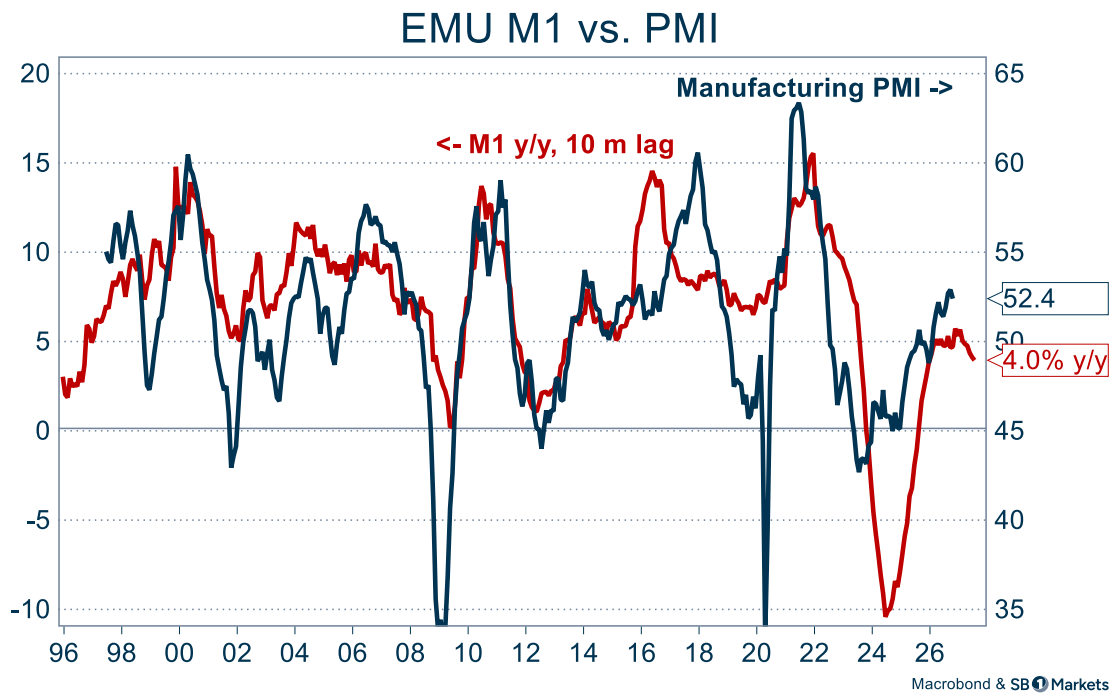
- **Growth in M1 and M3** has slowed somewhat in recent months too
- In the ECB's Q4 banking survey, banks report weak demand for credit from businesses. In addition, credit standards were substantially eased in Q3.

M3 money supply up 4.3% y/y, close to a normal level – *but may be slowing*

M3 growth has been modest the past 3 months. M1 is up 4.0% y/y and is clearly decelerating. M1 & M3/nominal GDP ratios have returned to pre-pandemic levels, but the M1 ratio has yielded recently. M1/M3 growth is probably too low to boost GDP growth.

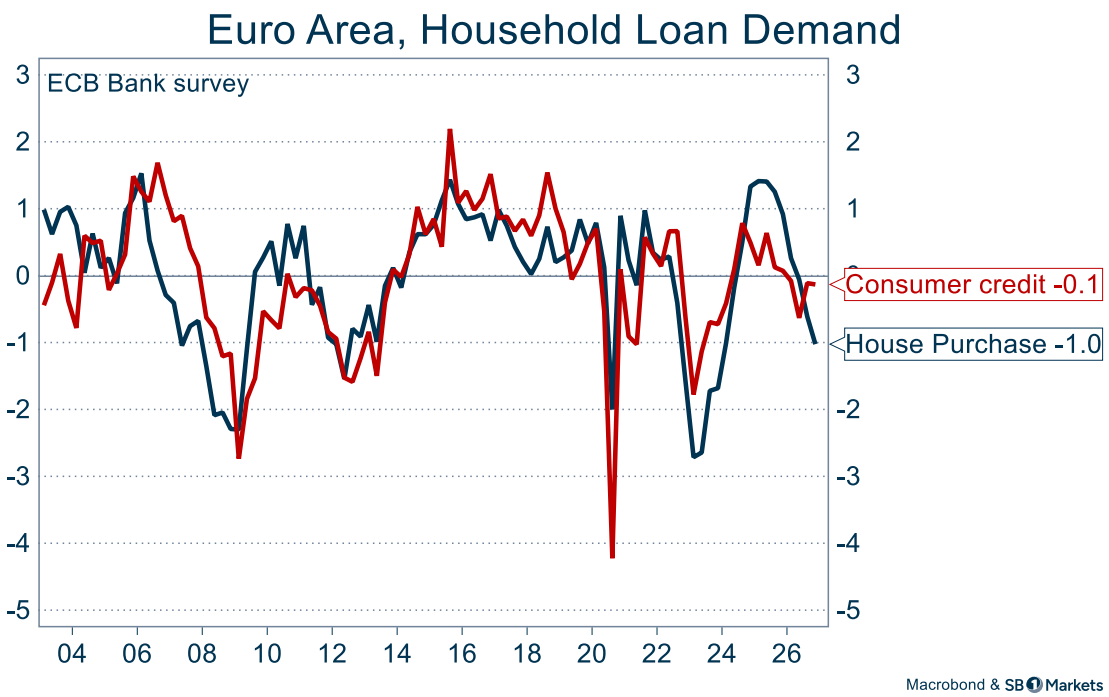


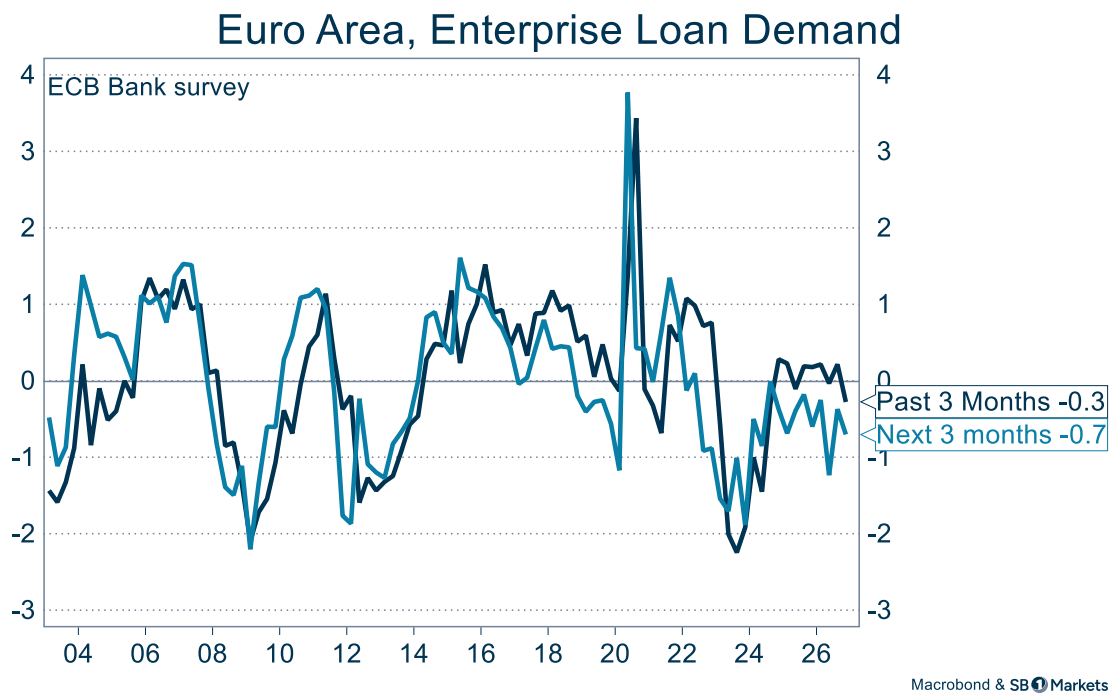




- So what? Moderate growth in monetary aggregates is normally good news vs. the outlook for the real economy
  - … or for assuming that the ECB will lift its signal rate.

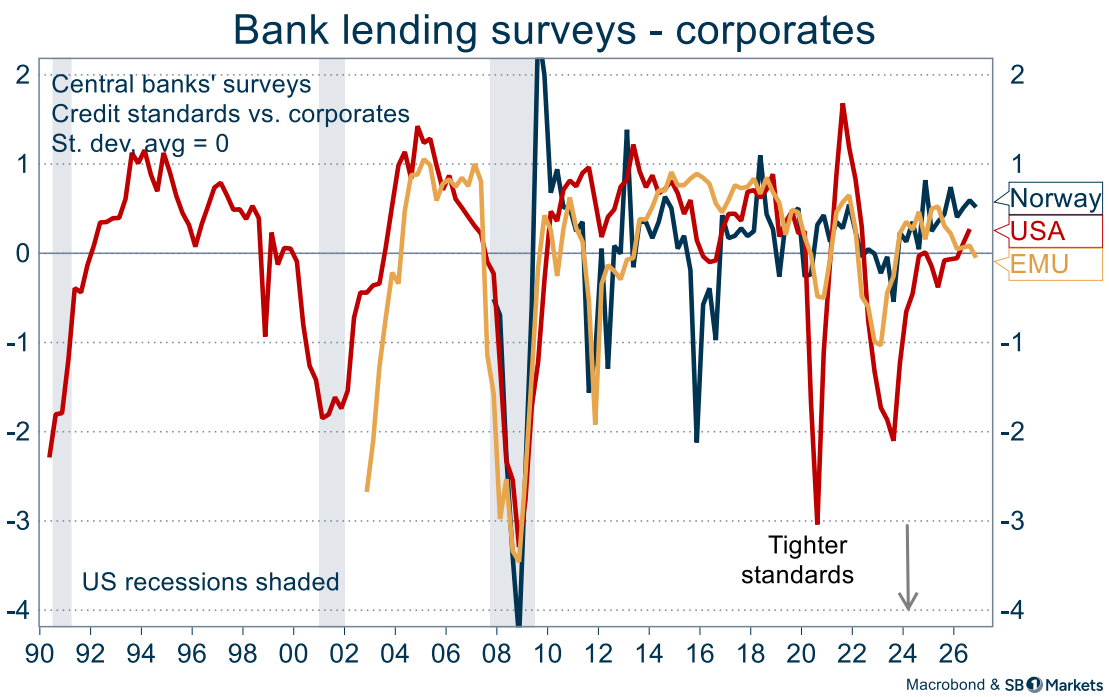
ECB: Banks report weaker demand for credit, both from households and enterprises

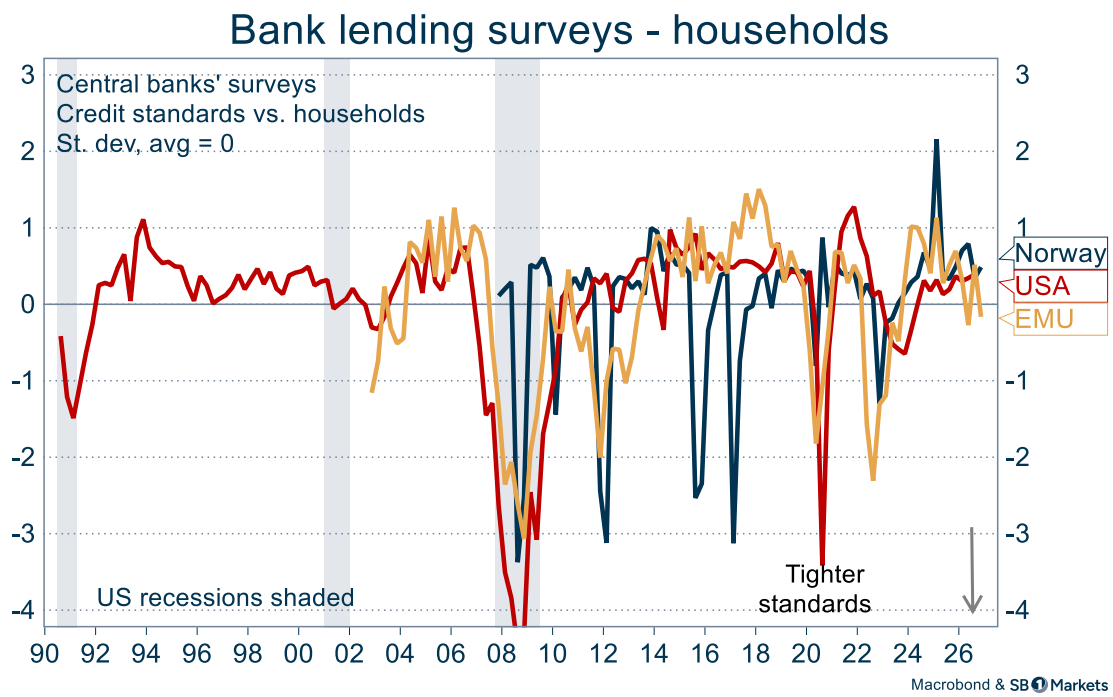




ECB: EMU banks are no longer easing standards vs. both businesses and households

Banks are still in easing mode in the US and Norway.





SB 1 Markets

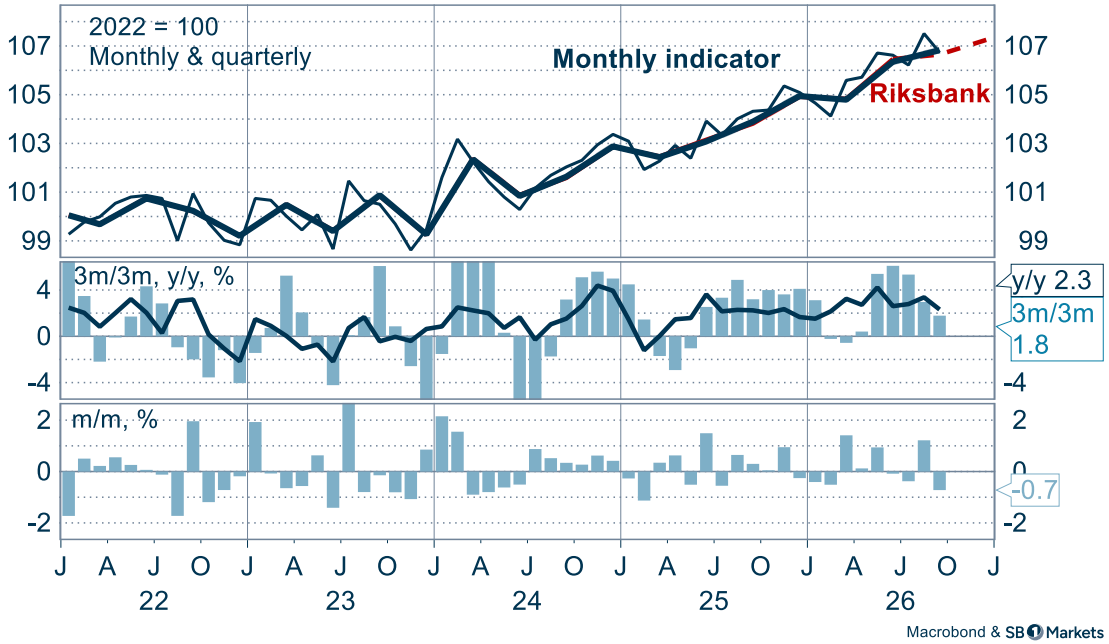


Sweden

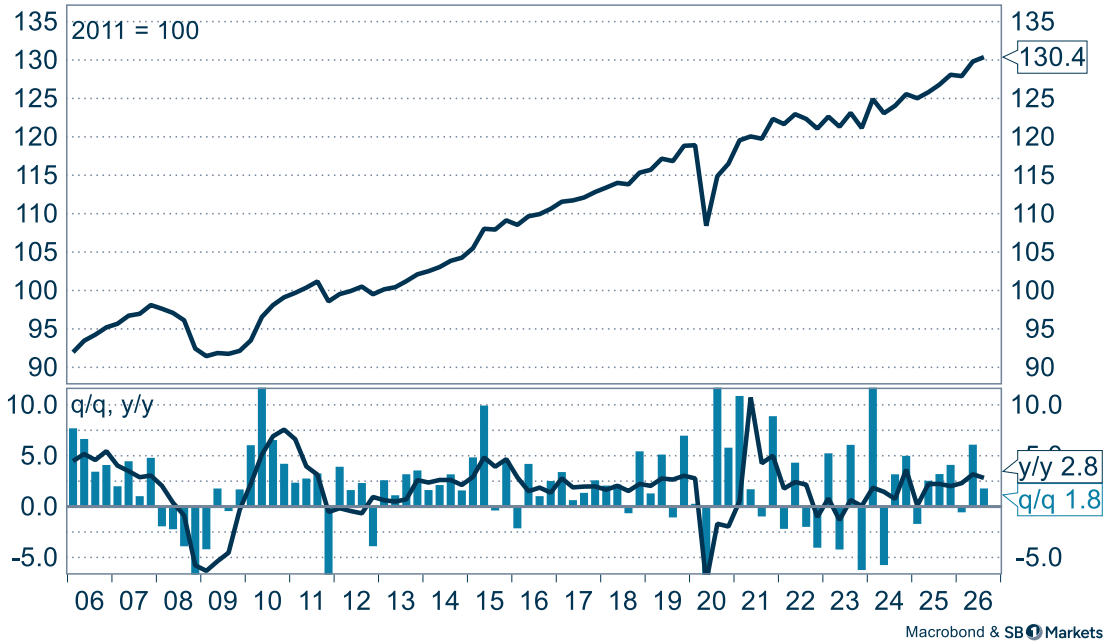
GDP fell 0.7% in September, but still grew at a 1.8% pace in Q3, up 2.8% y/y

While growth was far higher than expected in Q2, Q3 was more moderate, but still above market expectations (0.4% vs. 0.3%, not annualised). Riksbank expected a 0.2% growth rate (0.7% annualised pace). Business surveys indicate even faster growth in activity.

Sweden GDP indicator

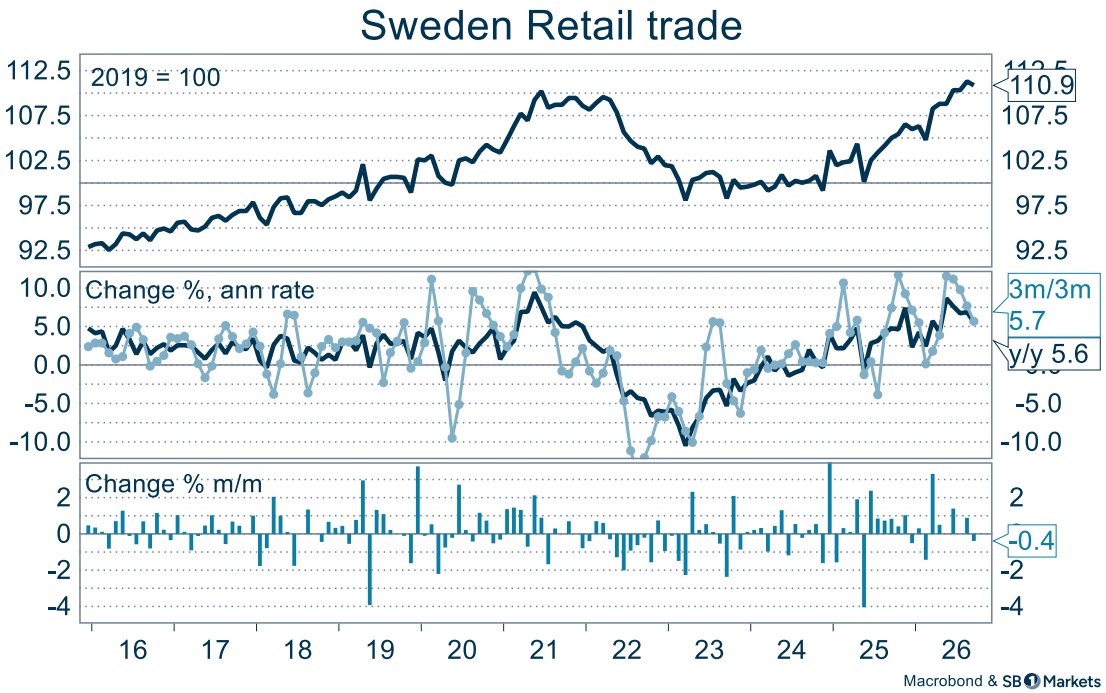


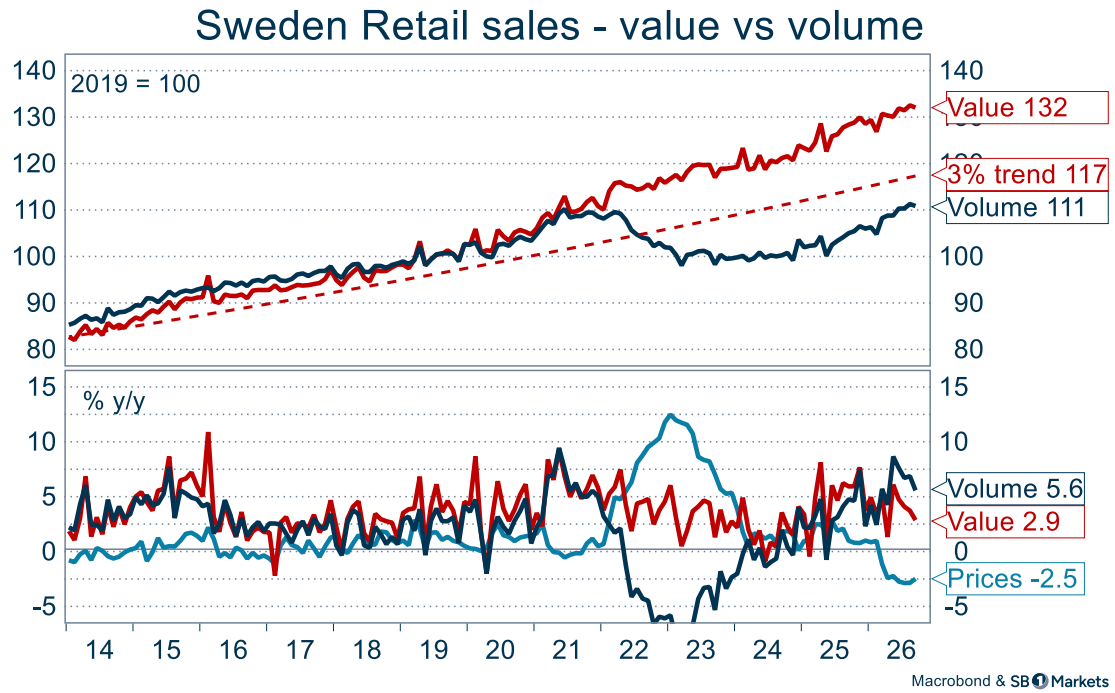
Sweden GDP



Retail sales fell 0.4% in September, but the trend is amazing, up at a 6% pace

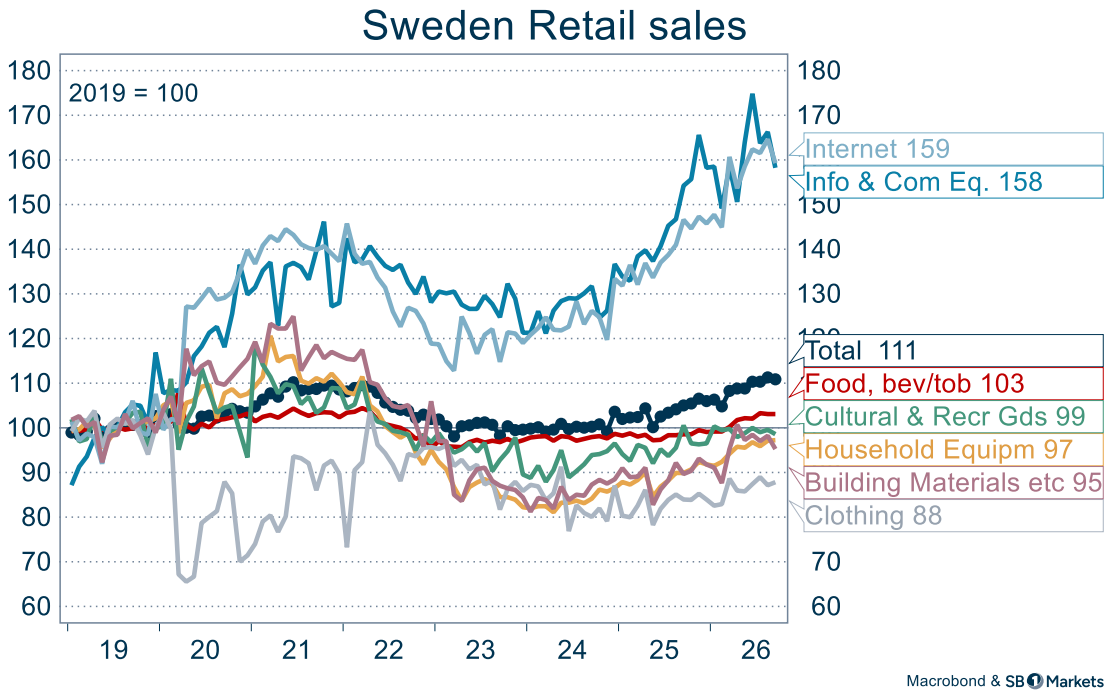
Nothing more to add, really. Besides that, prices are down 2.5% y/y due to the cut in the food VAT rate.

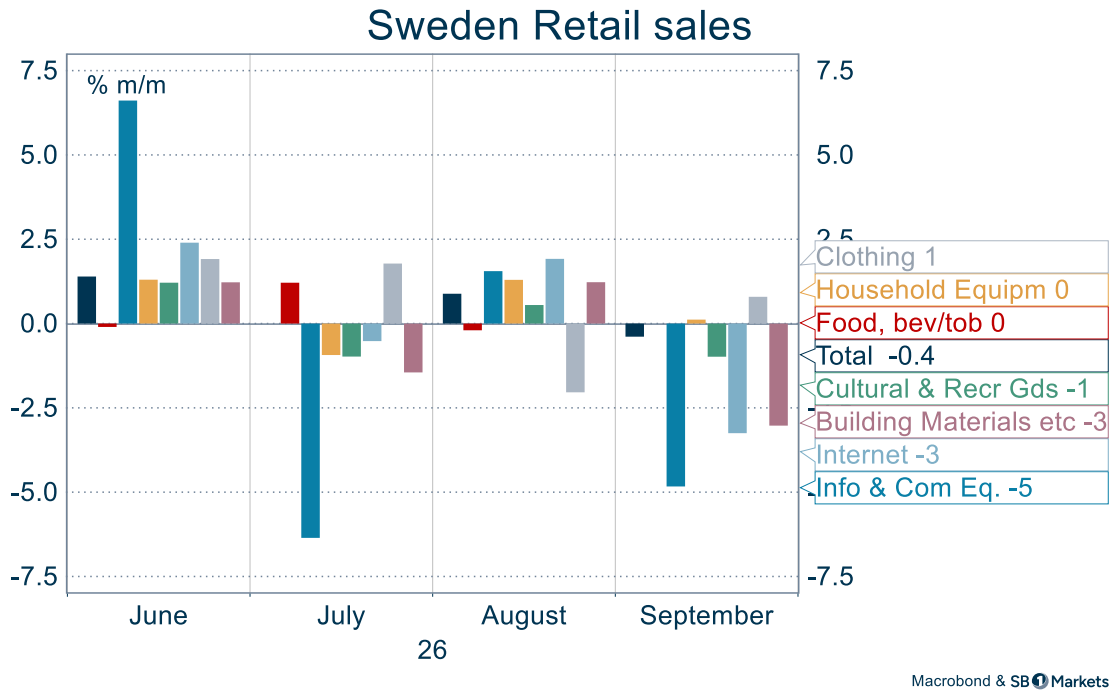




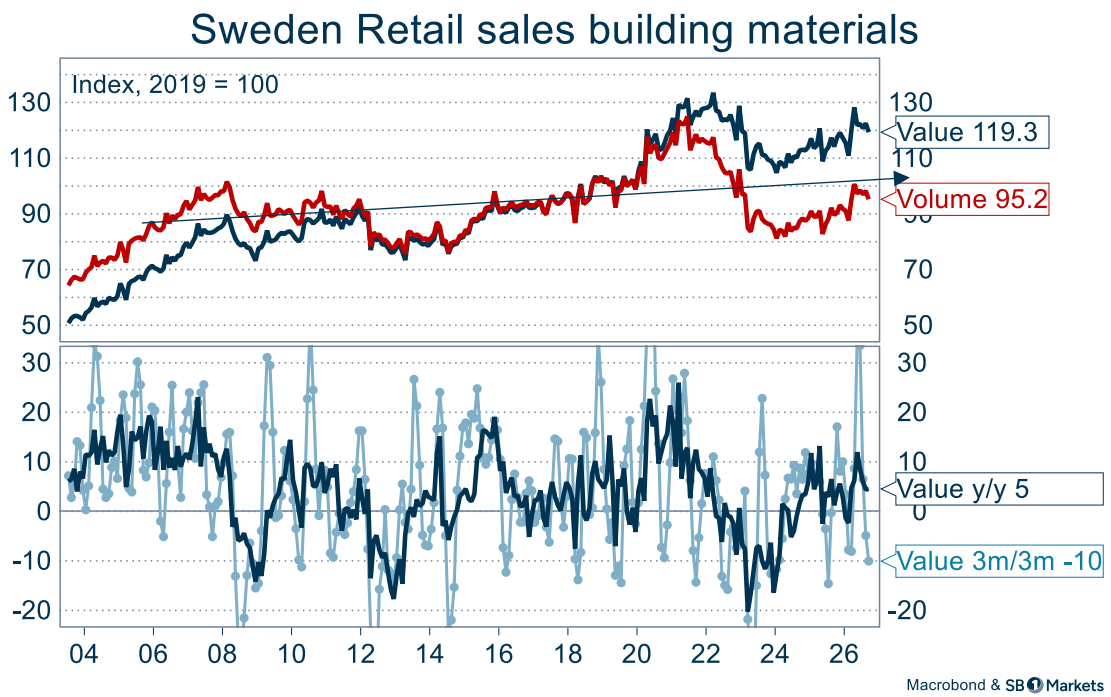
All main sectors trend up, but most contributed to the decline in September

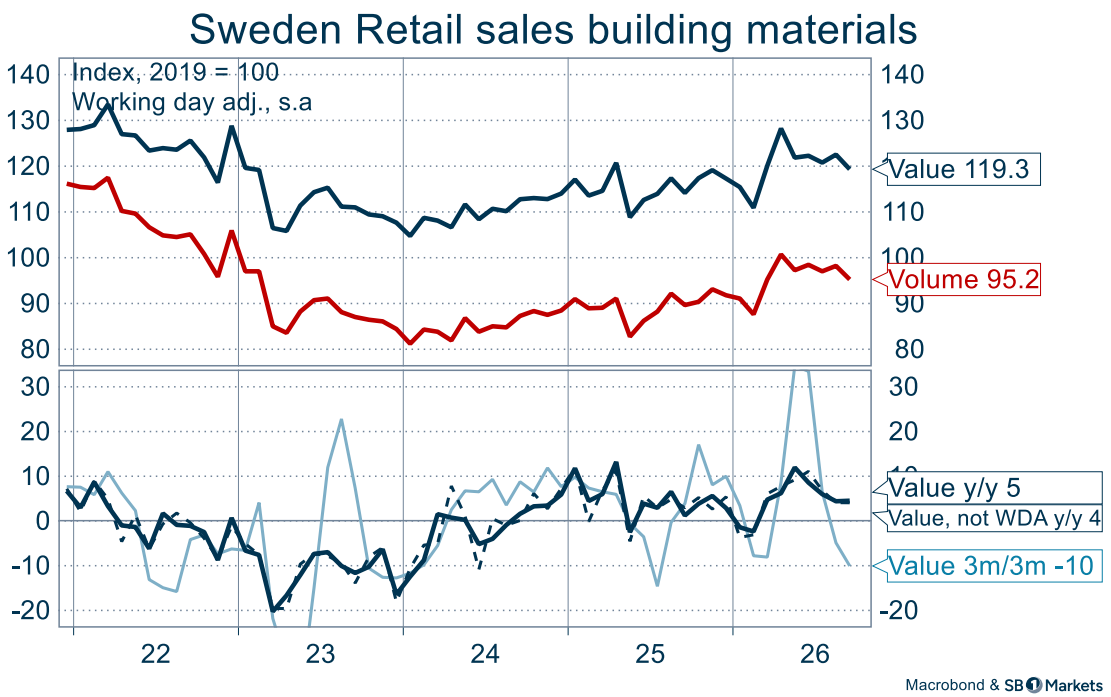
Info & communication equipment (phones, PCs) are in the lead, but sales fell the most in September. Clothing is at the bottom of the ranking (at least in volume terms), but rose marginally last month.





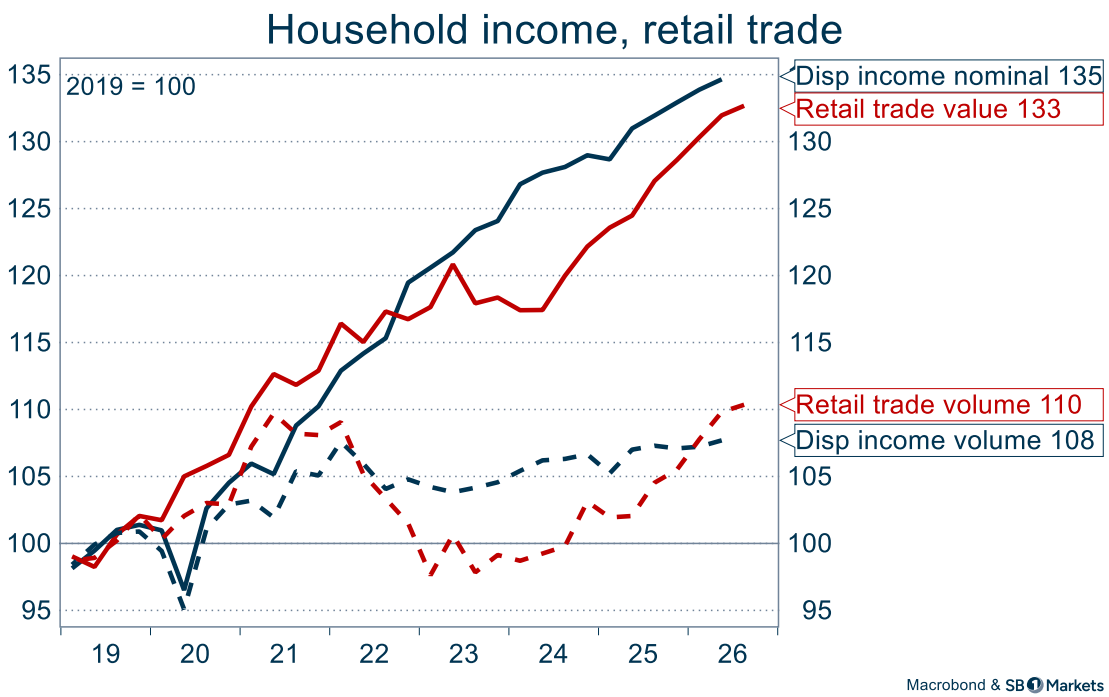
Building materials: sales have flattened since the spring, both in value & volume terms

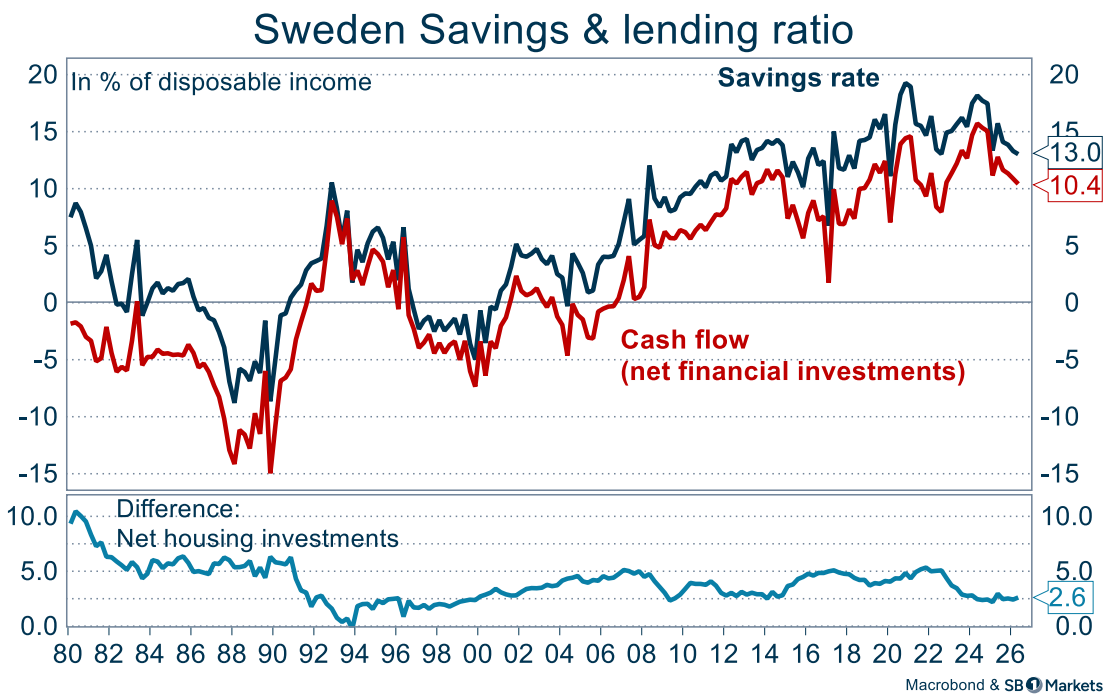




Retail trade & total consumption climb faster than household disposable income

… and the savings rate heads down. However, savings remain at a high level.

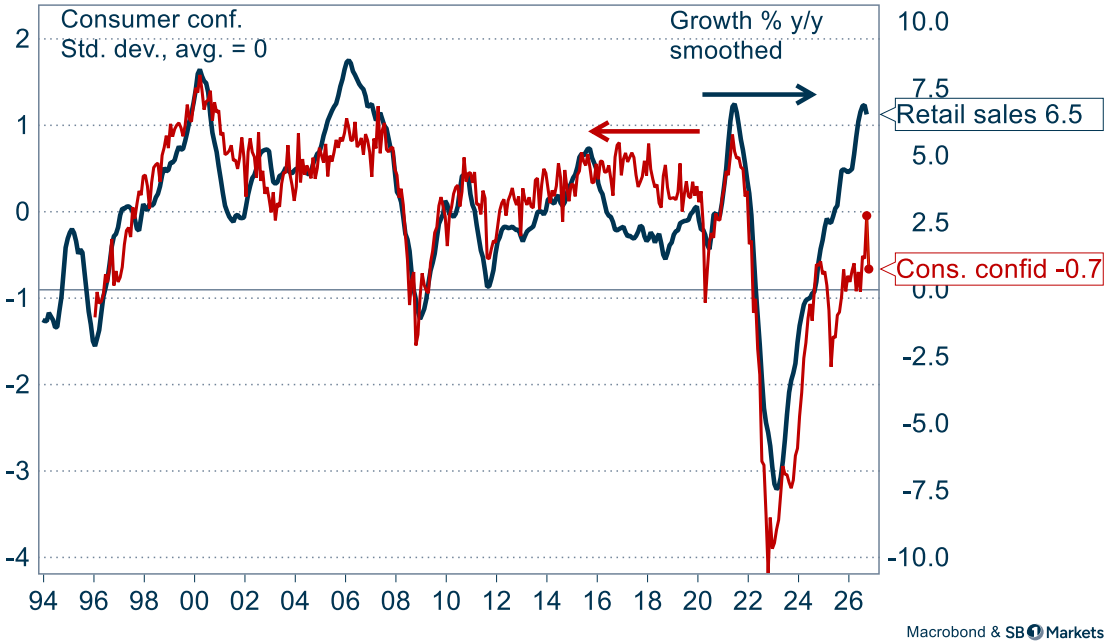




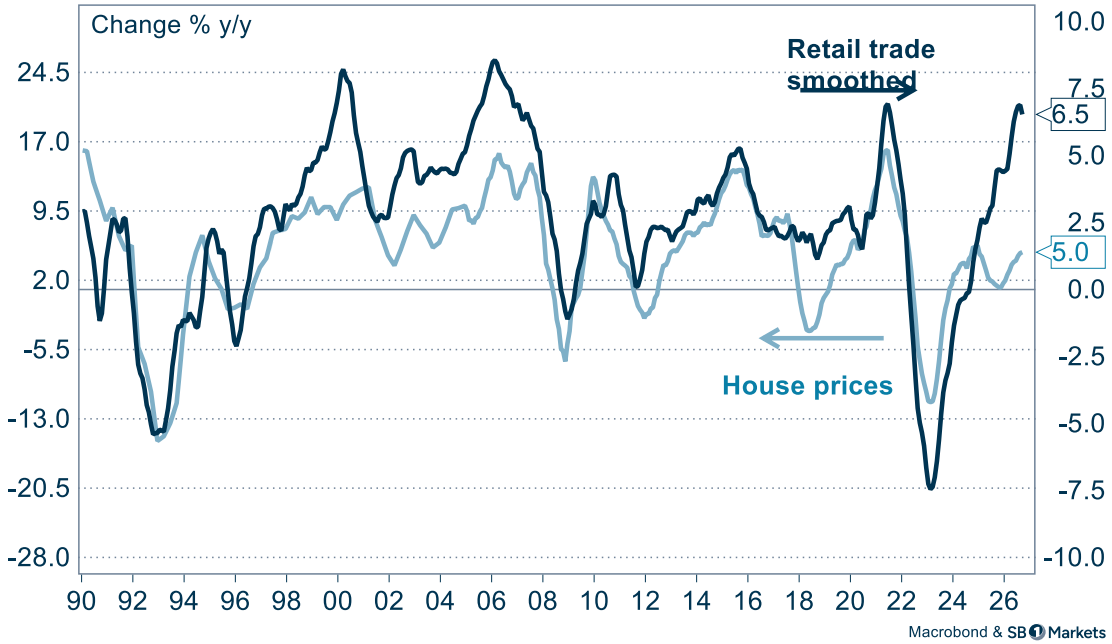
Consumer confid. down 0.6 std. dev., to -0.7. But who cares, spending has been strong

… even when sentiment has been at the current level, or lower. The housing market is recovering as well.

Sweden Consumer confidence vs retail sales



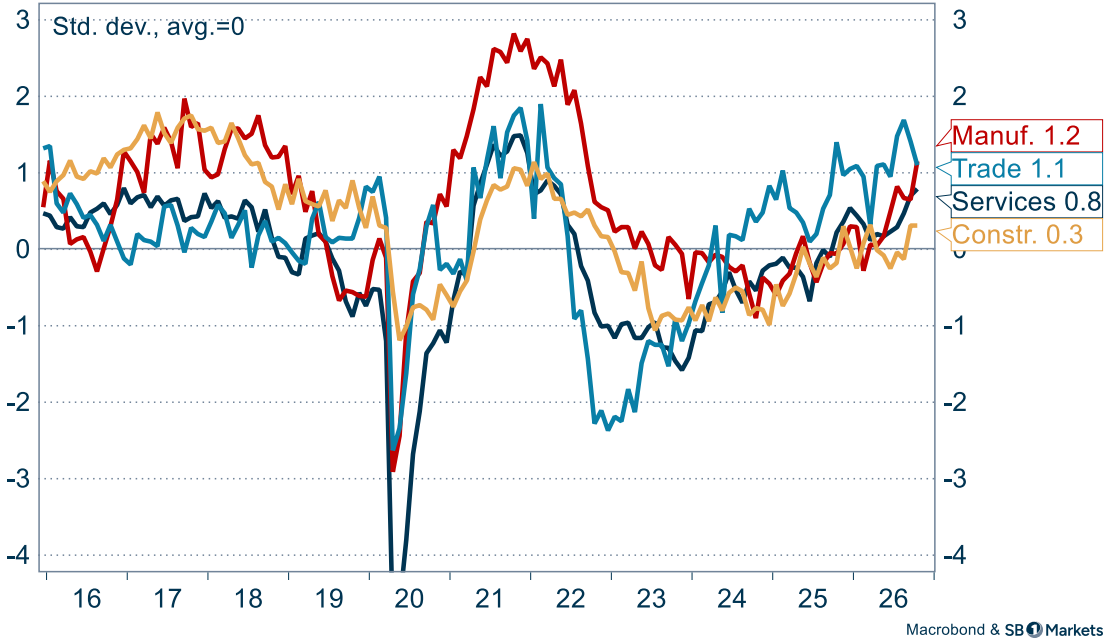
Sweden retail trade vs. house prices

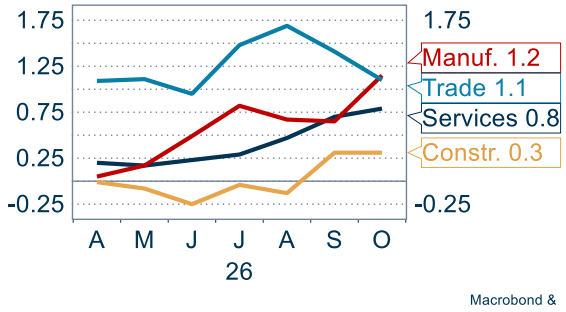


Business sentiment further up in Oct., best since ‘22 → *5% GDP growth signalled*

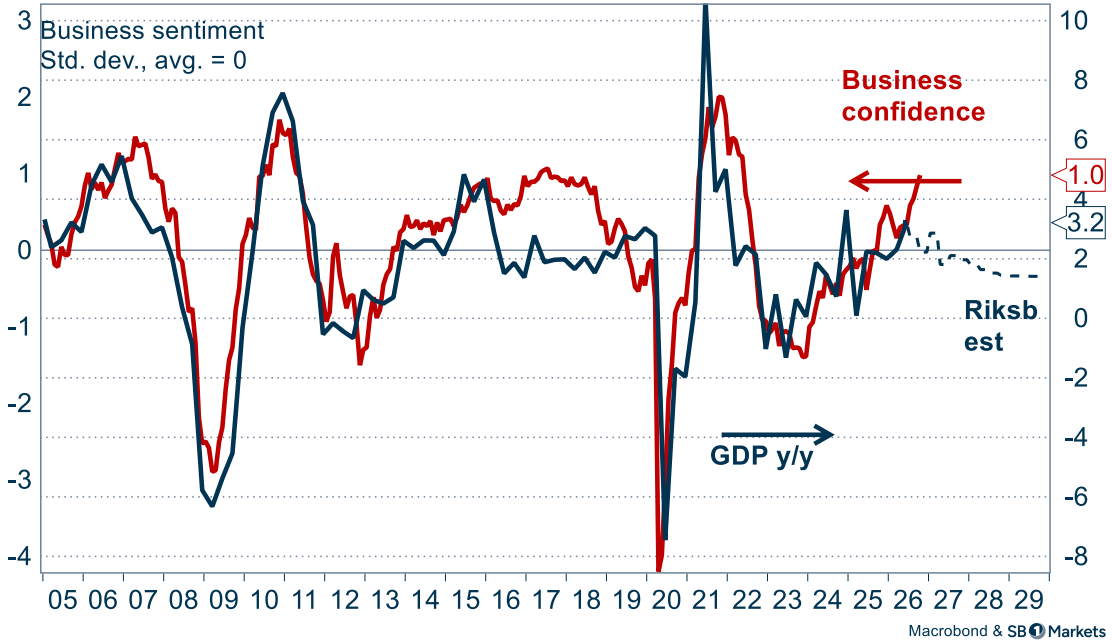
Confidence in all main sectors is above average, with manufacturing in the lead at 1.2 std. dev. above average. Trade has slowed in the past 2 quarters, but is still strong, at 1.1 std. dev. The total business indicator was up 0.2 std. dev. to +1.0, normally (but not always) signalling strong growth.

Sweden KI business confidence





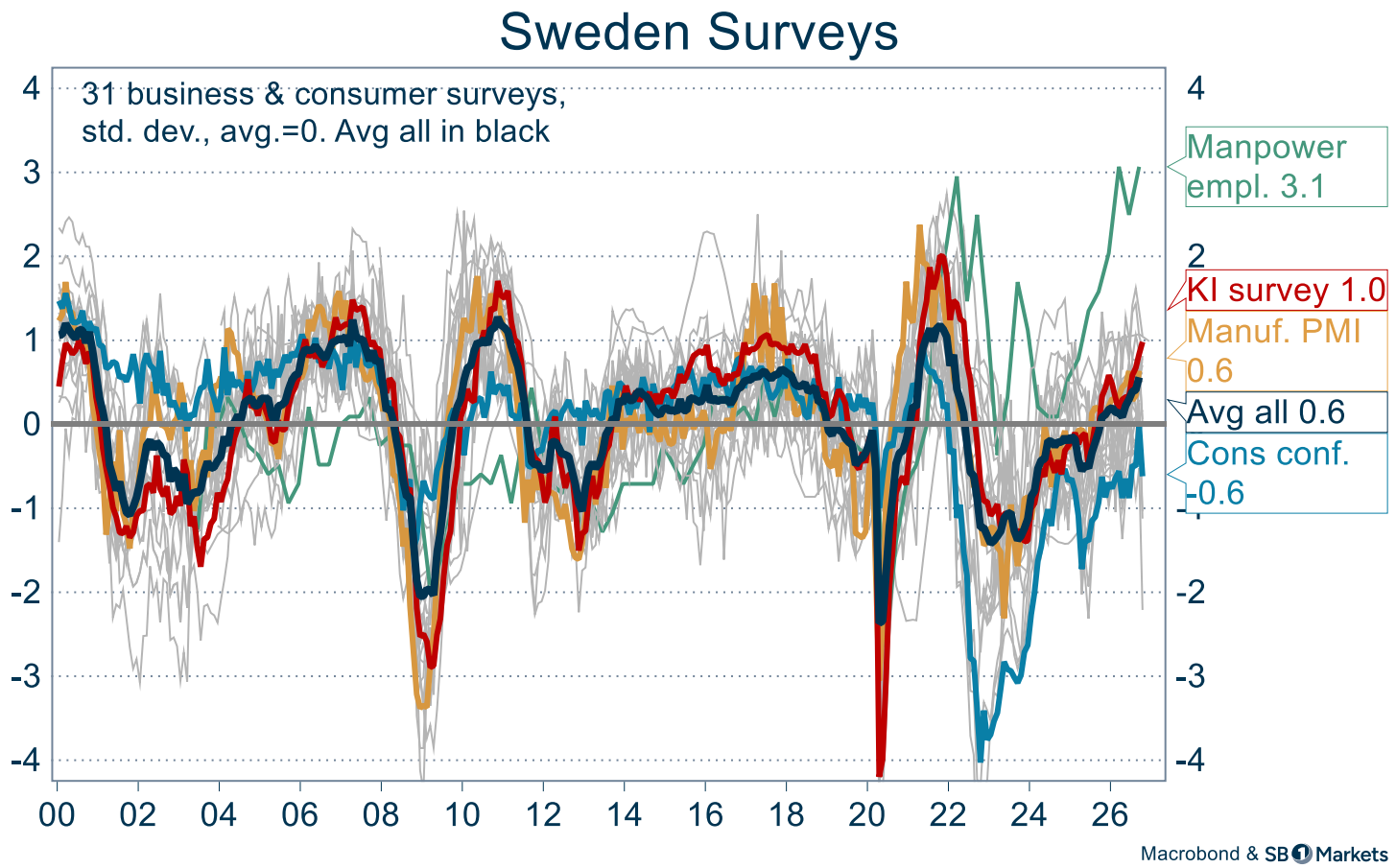
Sweden NIER (KI) business sentiment vs GDP



- **Services** report steady growth, and even **construction** has moved above an average level over the past 2 quarters.

Surveys trend up and are above average – which signals growth above trend

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



SB 1 Markets

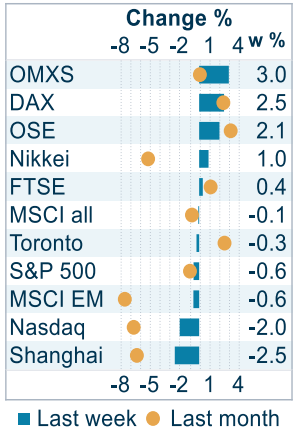


4. Financial Markets

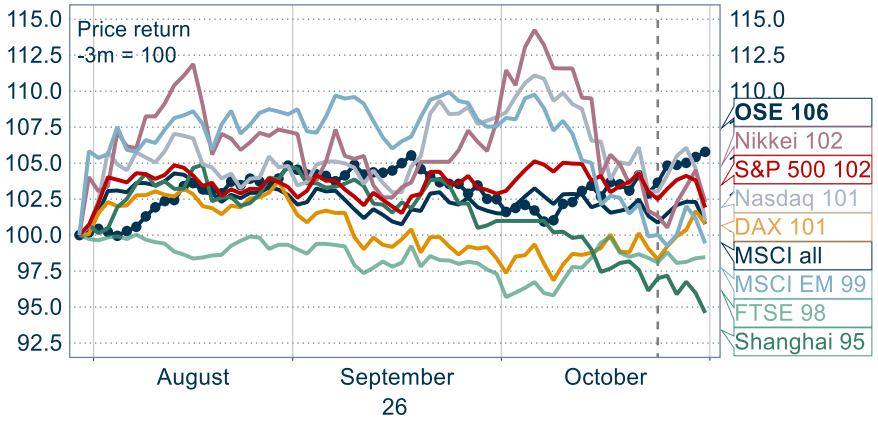
*Picture source: ChatGPT

Mixed stock markets, AI fell further out of favour but the rest is OK. Yields down.

Oil prices rose slightly, European gas prices more. Metals were slightly down. NOK appreciated further, once again more than our models suggested. SEK finally followed suit. EUR is on the way down; France struggles and macro data are somewhat weaker.

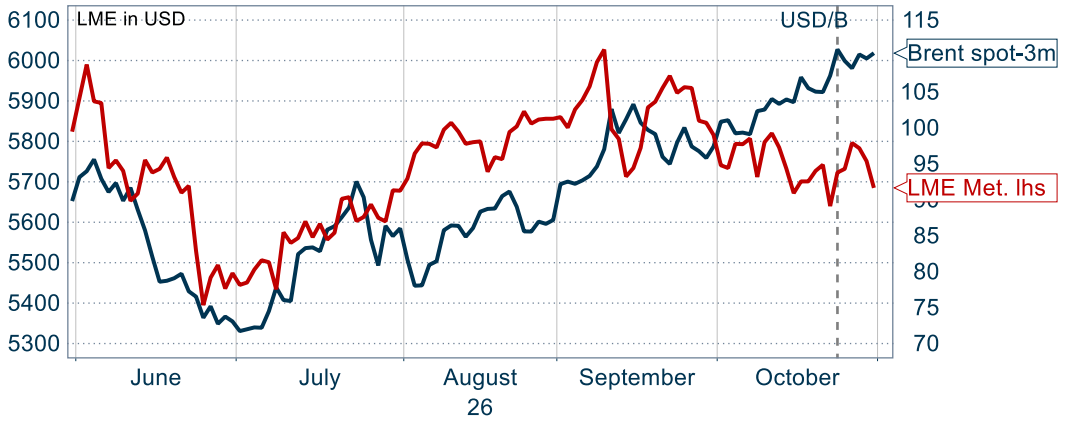


Equity Indices



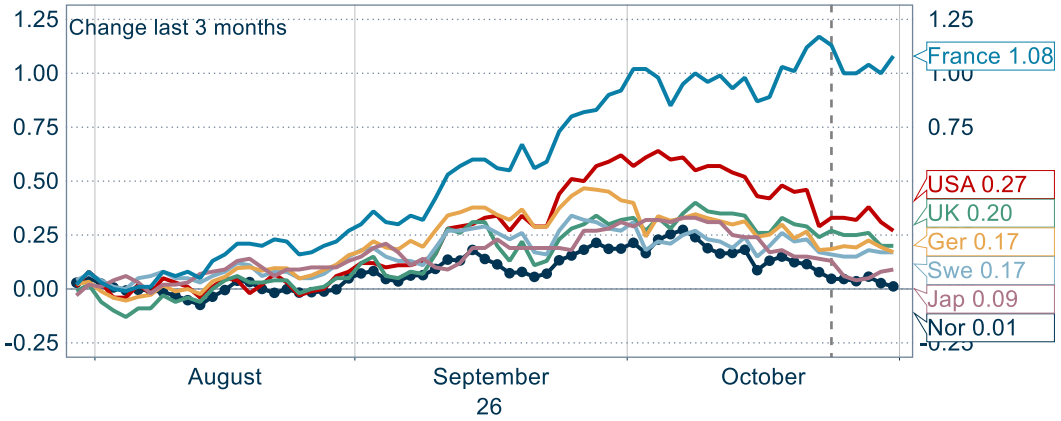
Macrobond & SB1 Markets

Oil vs. metals



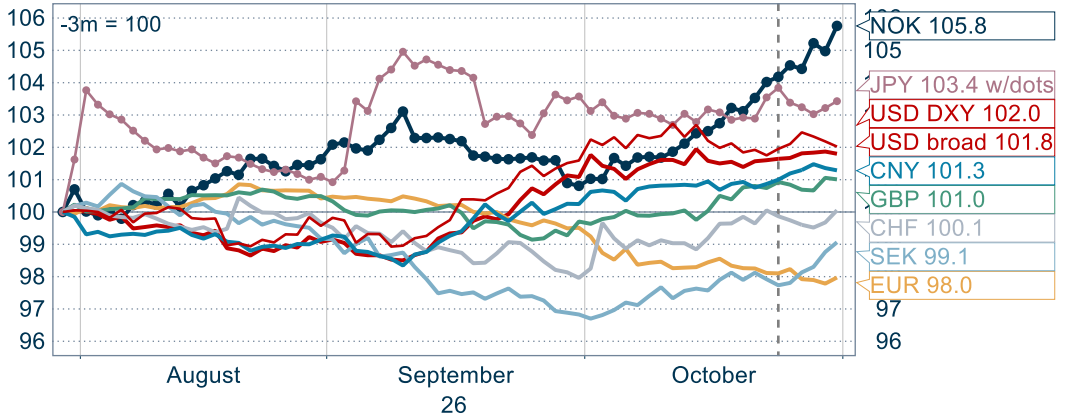
Macrobond & SB1 Markets

10 y Government bond yields



Macrobond & SB1 Markets

Currency indices

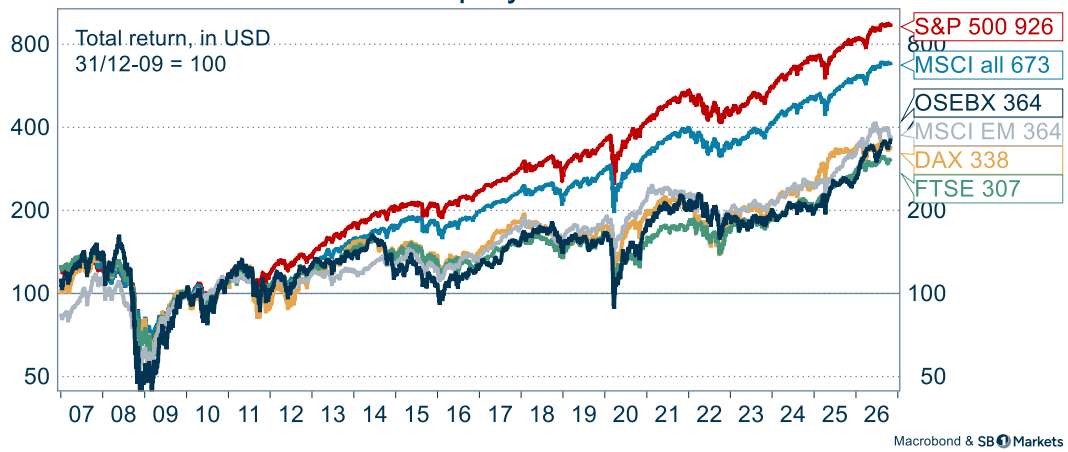


Macrobond & SB1 Markets

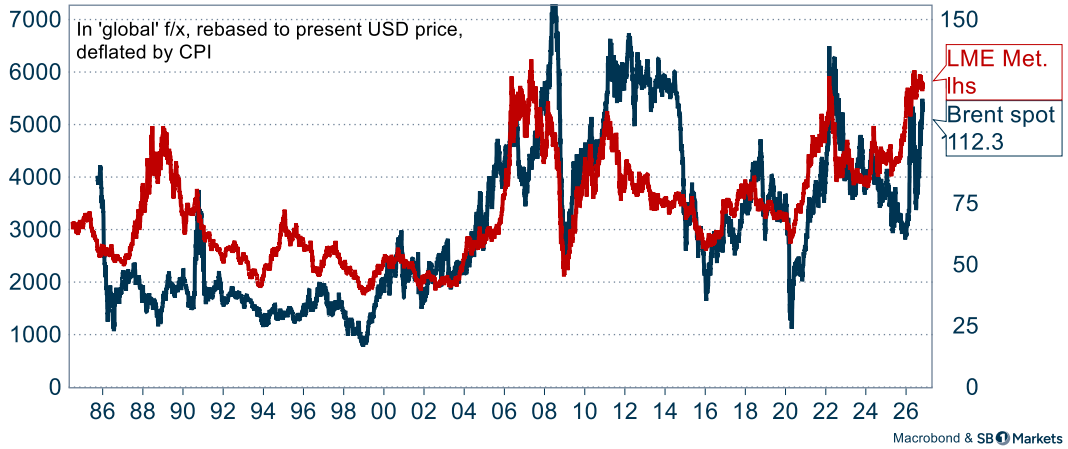
Big picture: Equity markets, bond yields and metal prices are on the way up

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

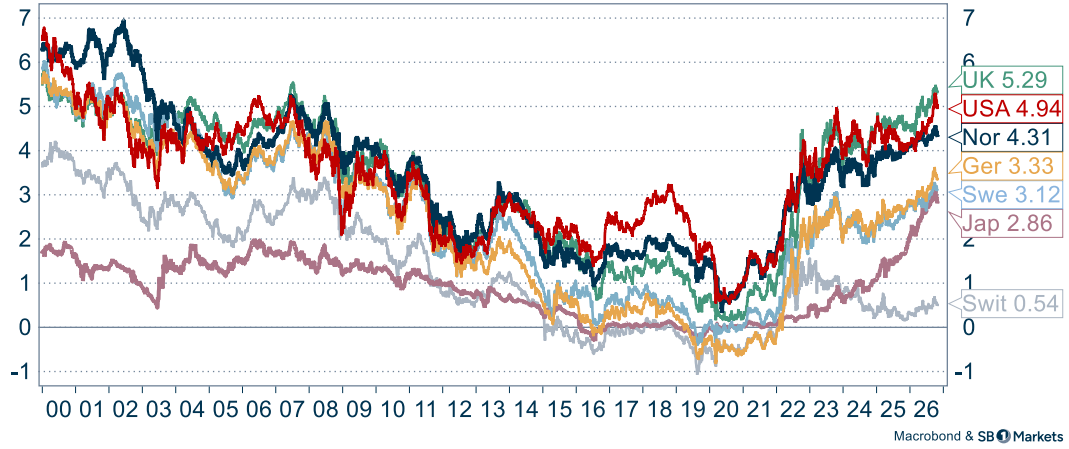
Equity Indices



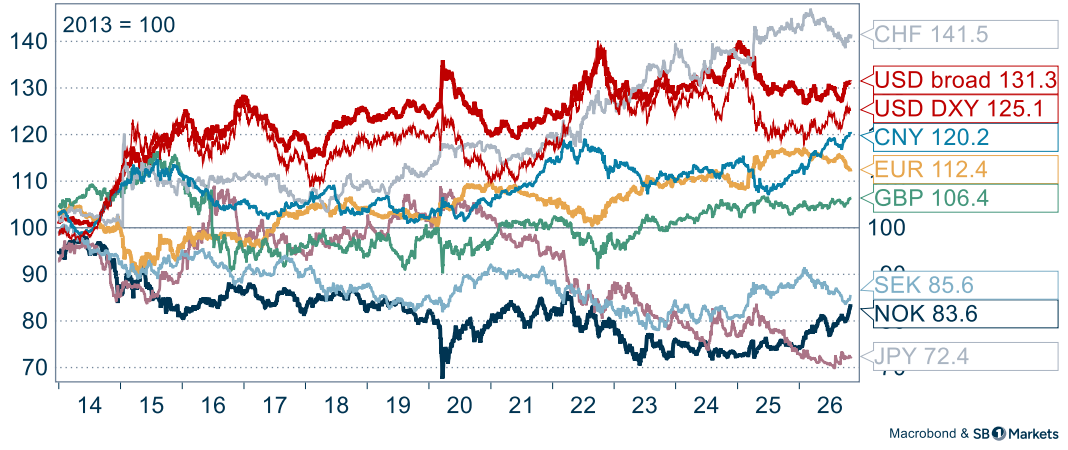
Oil vs. metals



10 y Government bond yields



Currency indices



SB 1 Markets



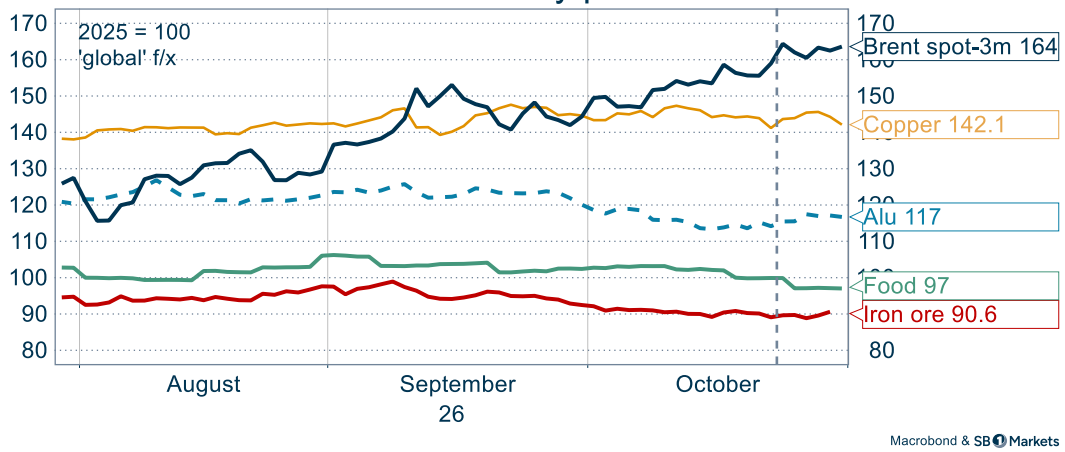
4.1 Commodities

*Picture source: ChatGPT

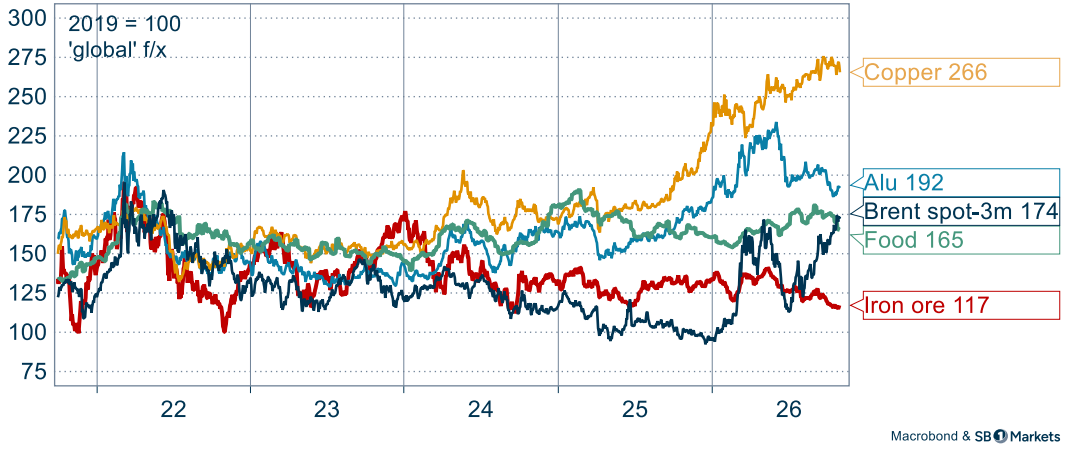
Commodity prices: European gas prices at a new cycle high, oil mixed but in sum up

Food prices continued down, while industrial metal prices were mixed, and precious metals declined further, silver the most (less AI demand?). Bitcoin was hacked down.

Commodity prices



Commodity prices



Commodity prices

In 'global' f/x % change	last w	last m	last y	YTD
Nethl. TTF gas 1st m	10	41	225	254
Nethl. TTF gas 1-12m	4	37	168	197
Nordic electr. spot - 1y	3	11	82	76
Iron Ore 3m fwd	2	-2	-14	-12
Aluminium 3m fwd	1	-3	8	4
Brent spot-12 m	1	11	59	68
USD global f/x	0	0	1	1
Brent 1-6y	0	5	24	29
Brent spot-3m	0	13	73	83
LME 3m fwd	-1	-2	24	12
WTI oil	-1	15	71	79
Copper 3m fwd	-1	-2	31	15
US nat gas 1-12 m	-1	-9	-27	-23
Food	-3	-5	1	3
Wheat	-3	-11	23	26
Brent spot	-5	9	76	86

-20 -10 0 10 20 30 40 50

Last week ● Last month

In 'global' f/x % change	last w	last m	last y	YTD
Baltic dry freight	2	-13	38	45
VLCC tanker 1y TC	-2	39	458	417
Gold	-3	-7	-3	-10
Drewry Container freight	-3	0	145	102
Bitcoin	-5	-8	-28	-11
Silver	-9	-19	1	-31

-20 -10 0 10 20 30 40

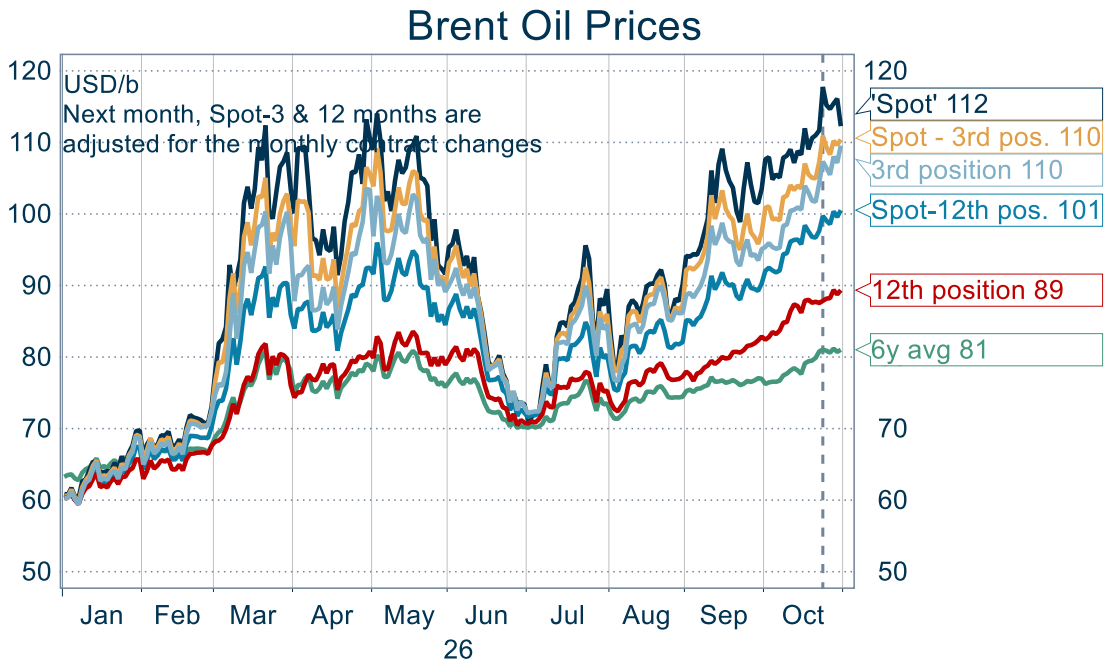
Last week ● Last month

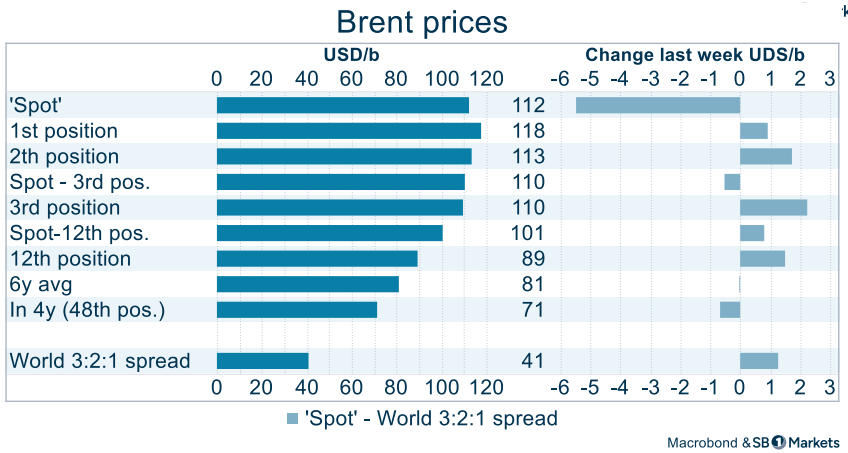
Macrobond & SB1 Markets

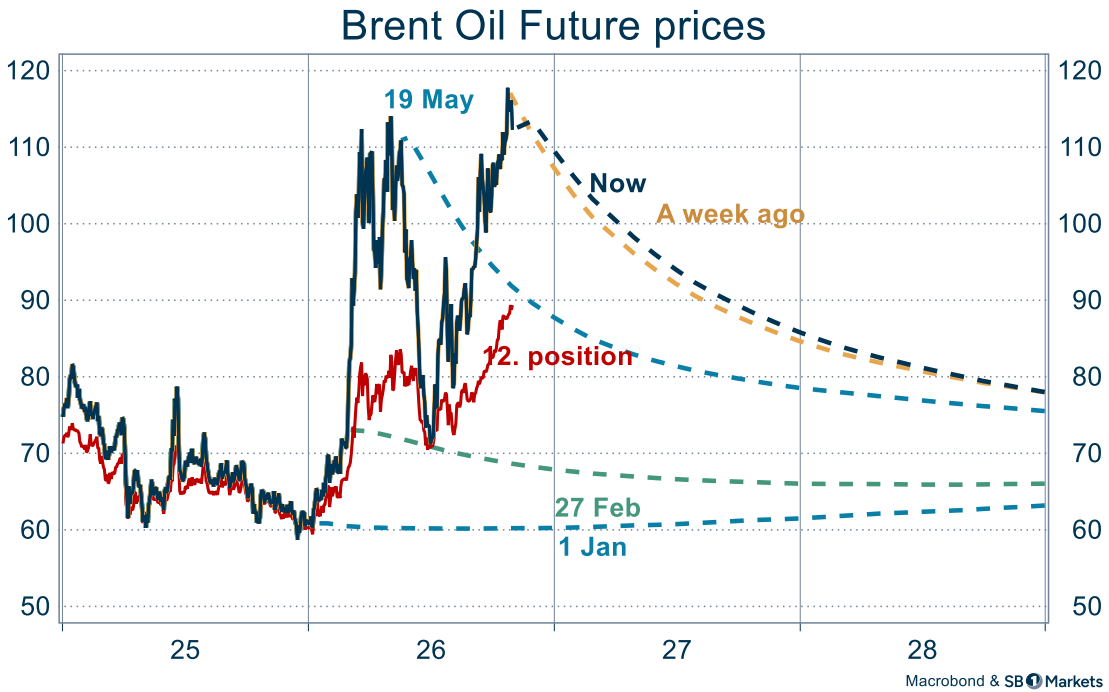
Prices in a 'global' FX measure. We have divided the table on the right into two sections, with the lower part showing the (normally…) most volatile elements. The spot–12m data are the average price for the coming year.

Oil prices mixed, but in sum the curve was up

Since the summer, the short end of the curve has risen some USD 40/b to 110/b – with no sign of stabilising.

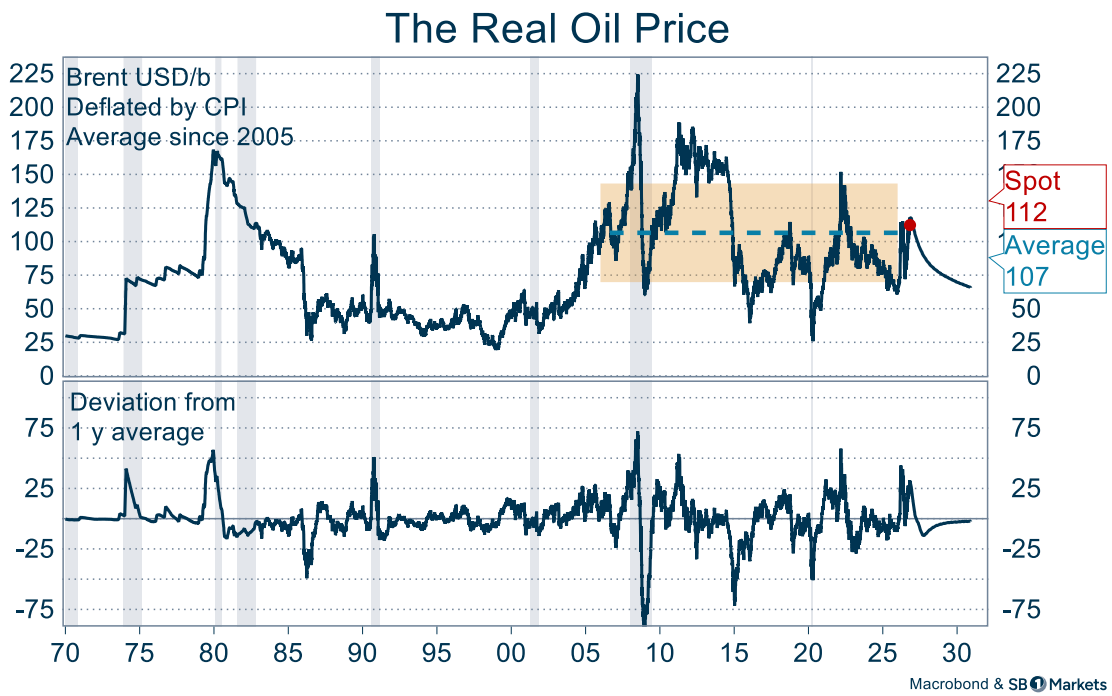


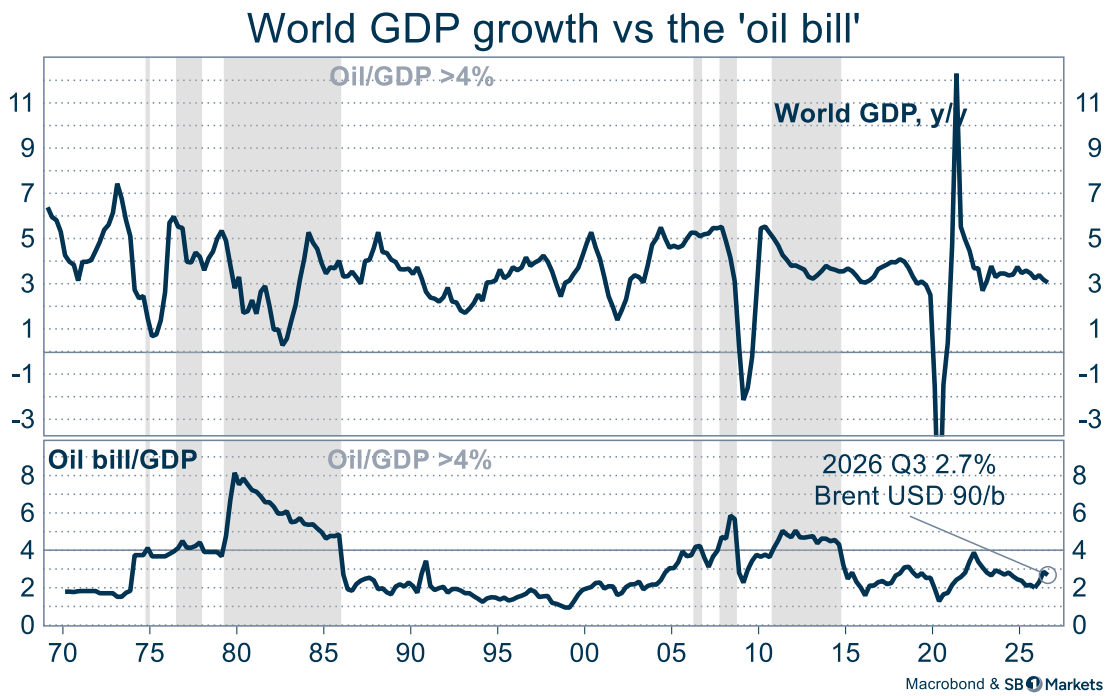




The current crude oil spot price is still *not the problem*

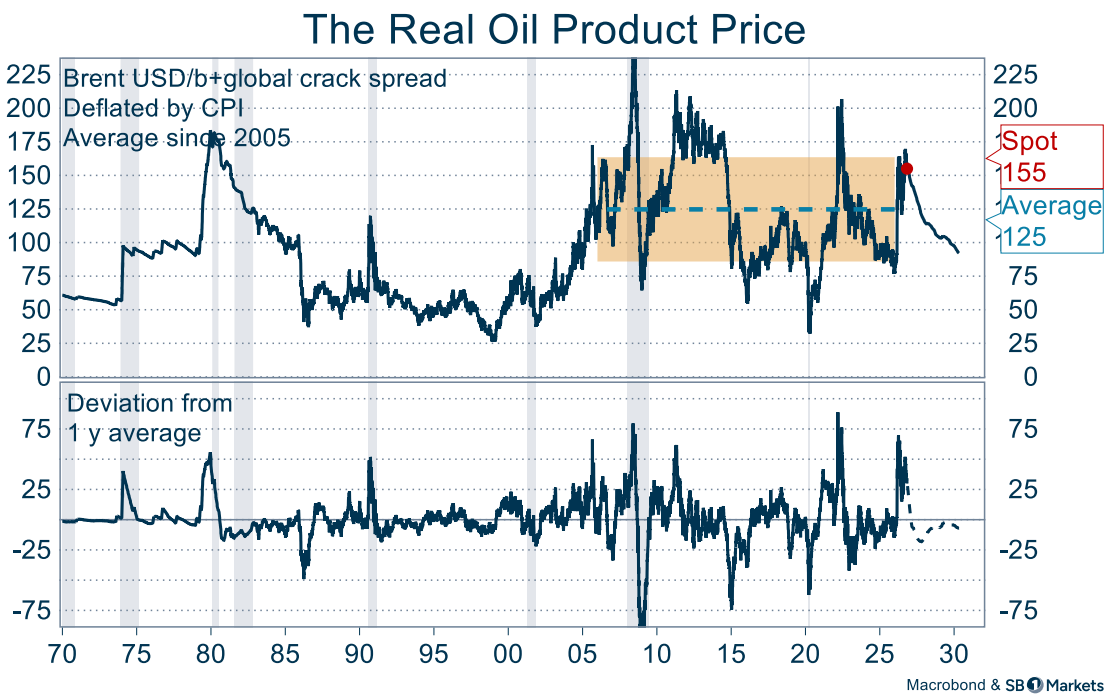
Over the long term, oil consumption has consistently declined relative to GDP, leading to a notable reduction in oil dependence. At current price levels, oil does not pose a significant cost issue.

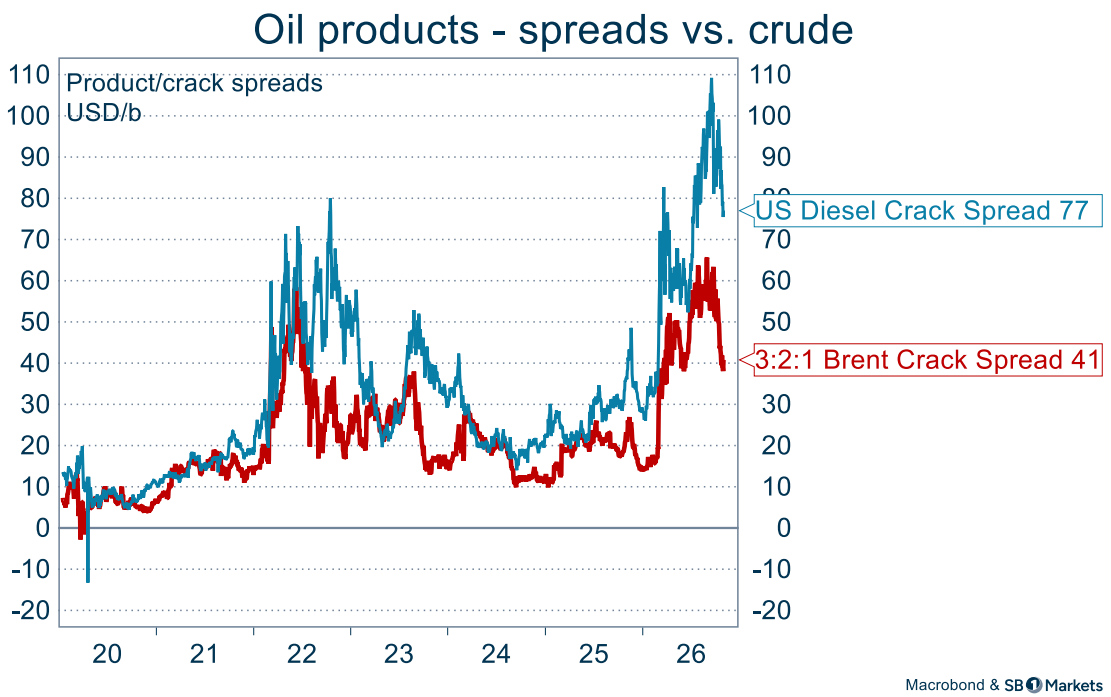




Including product spreads, the oil product prices are 25% above the 20y average

… but still well below the 2011–14 period. Last week the average crack spread widened marginally even if diesel spreads narrowed.
(*More on product spreads on the next page*.)



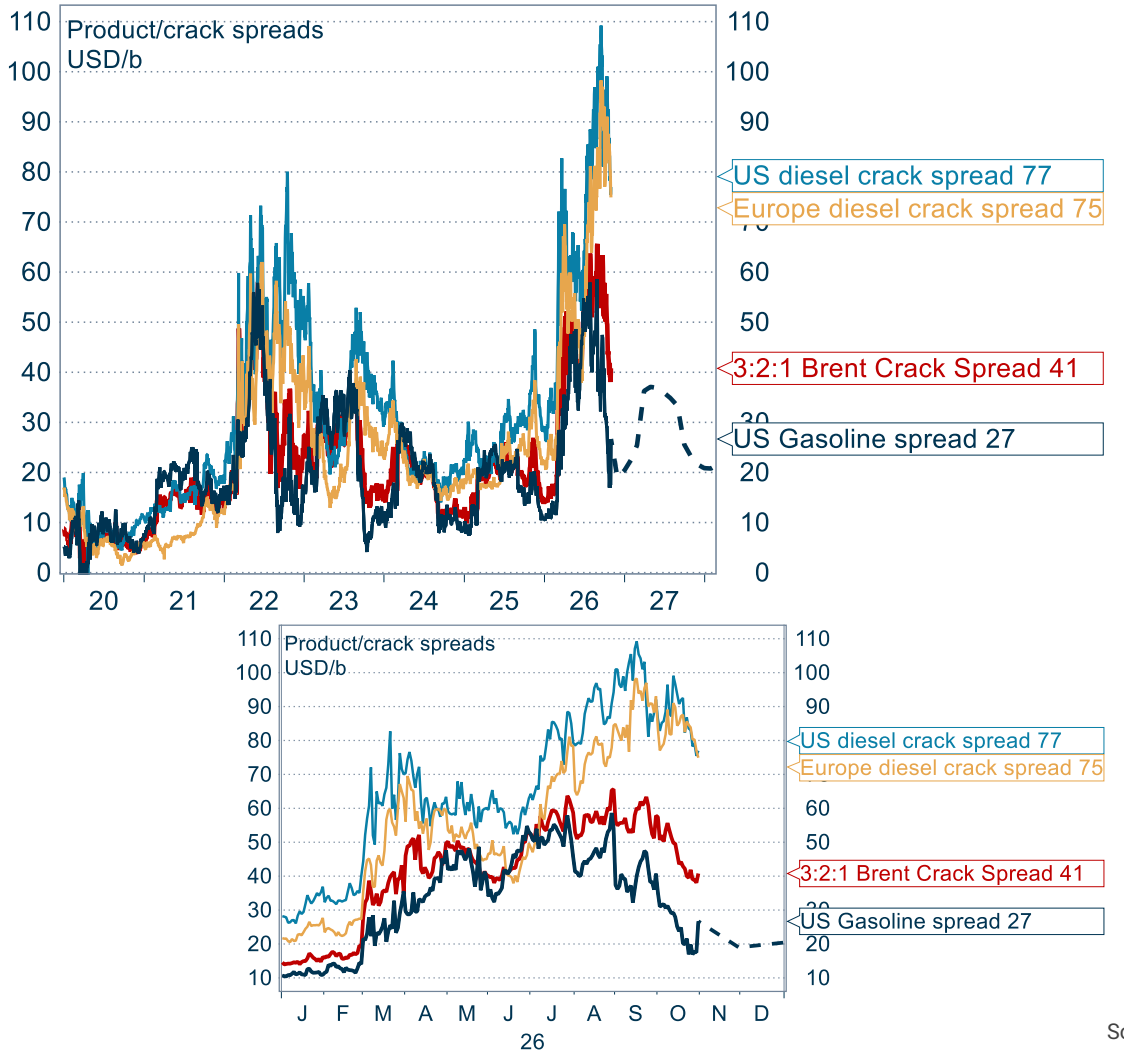


We have added the global average crack spread, the red line in the right-hand chart.

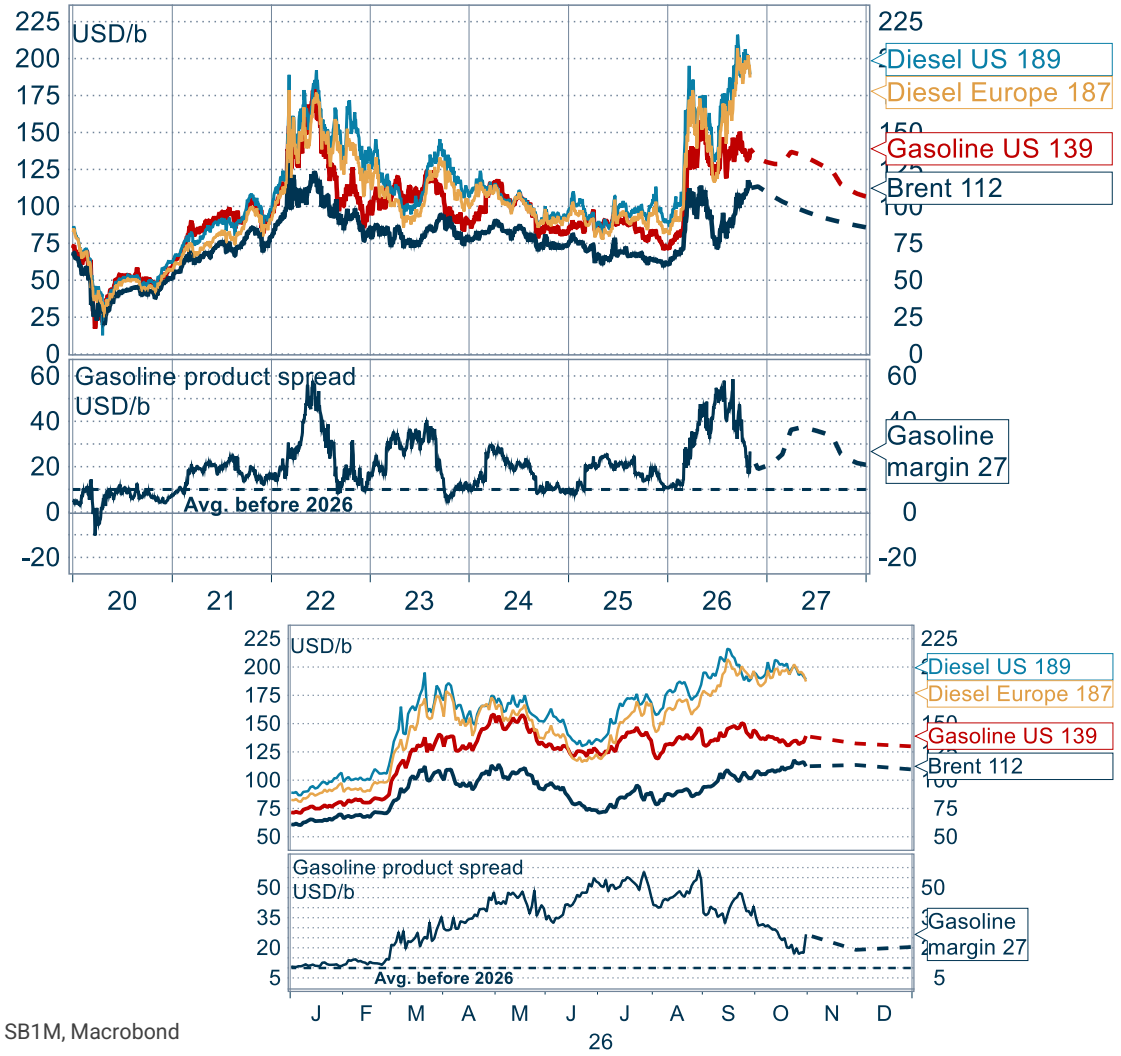
Oil products: spreads mixed last week, US gasoline spread rose

The world avg. spread rose USD 1/b to 41/b. The US gasoline spread shot up USD 9/b to 27/b, reversing the previous week's decline. The trend is still down.

Oil products - spreads vs. crude



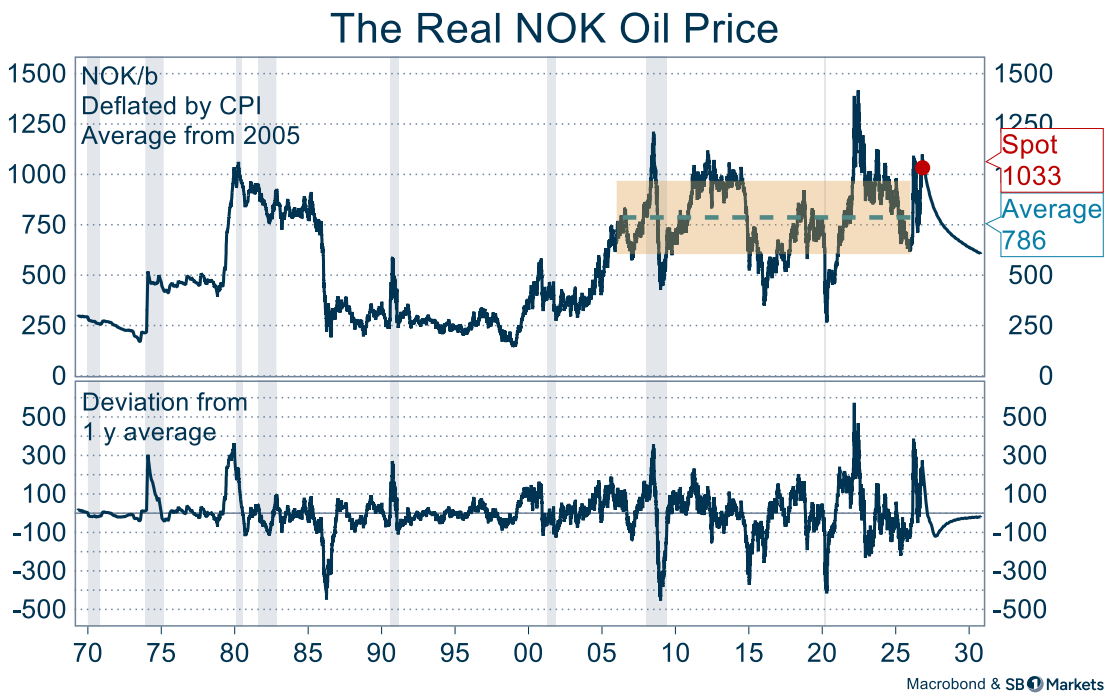
Crude vs product prices

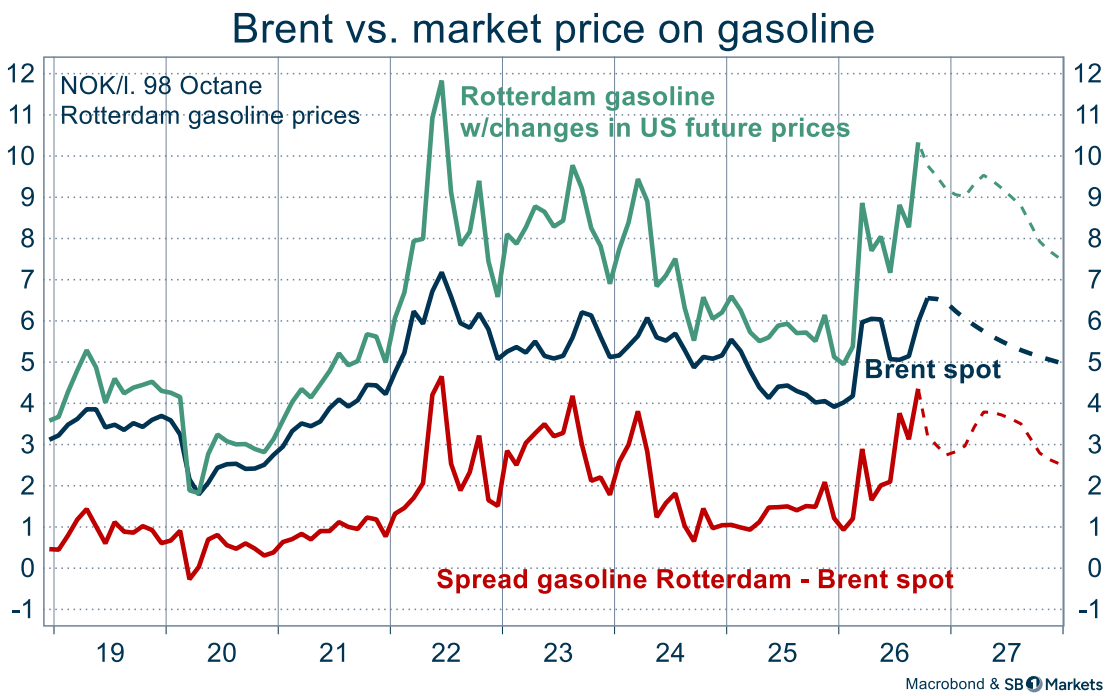


Sources: SB1M, Macrobond

Measured in NOK, the real oil price is 30% above the 20y average

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

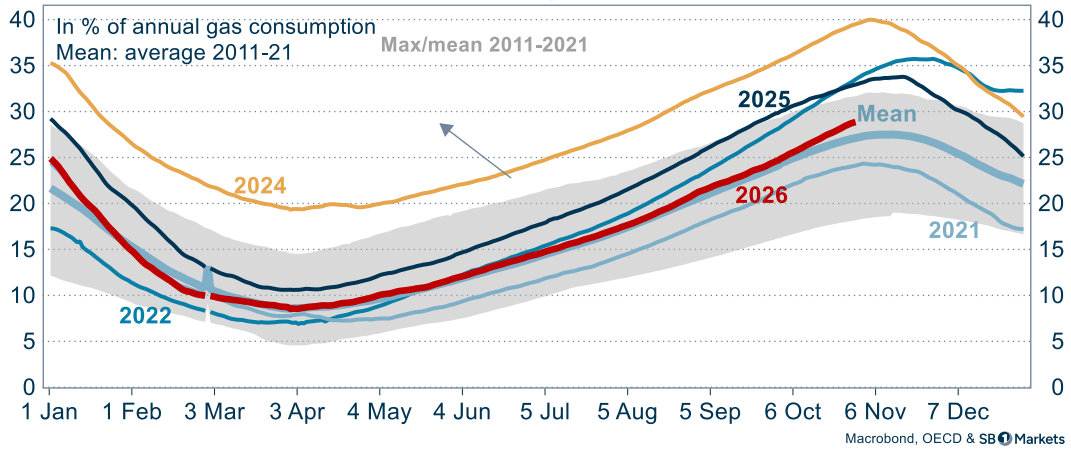




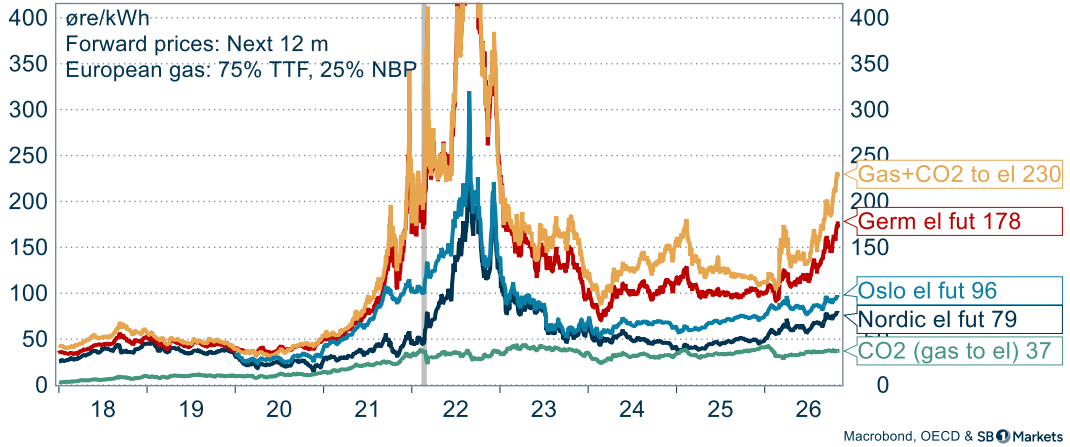
European natural gas stocks are record-low, but not vs. gas consumption (which is down)

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

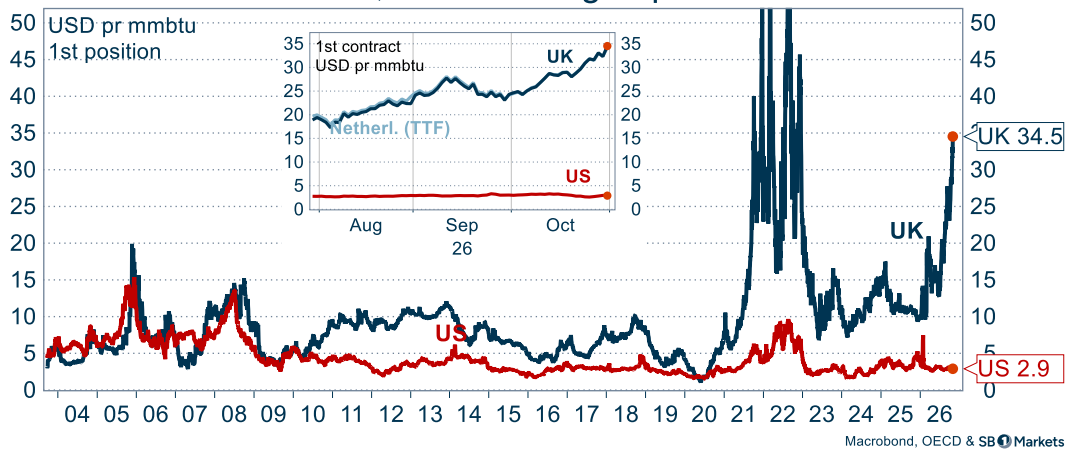
EU natural gas stocks



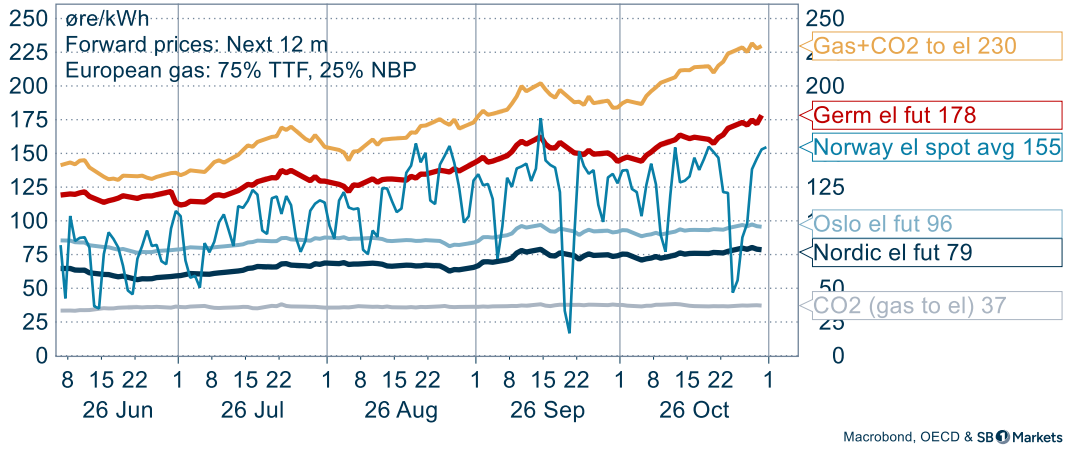
Electricity/gas future prices



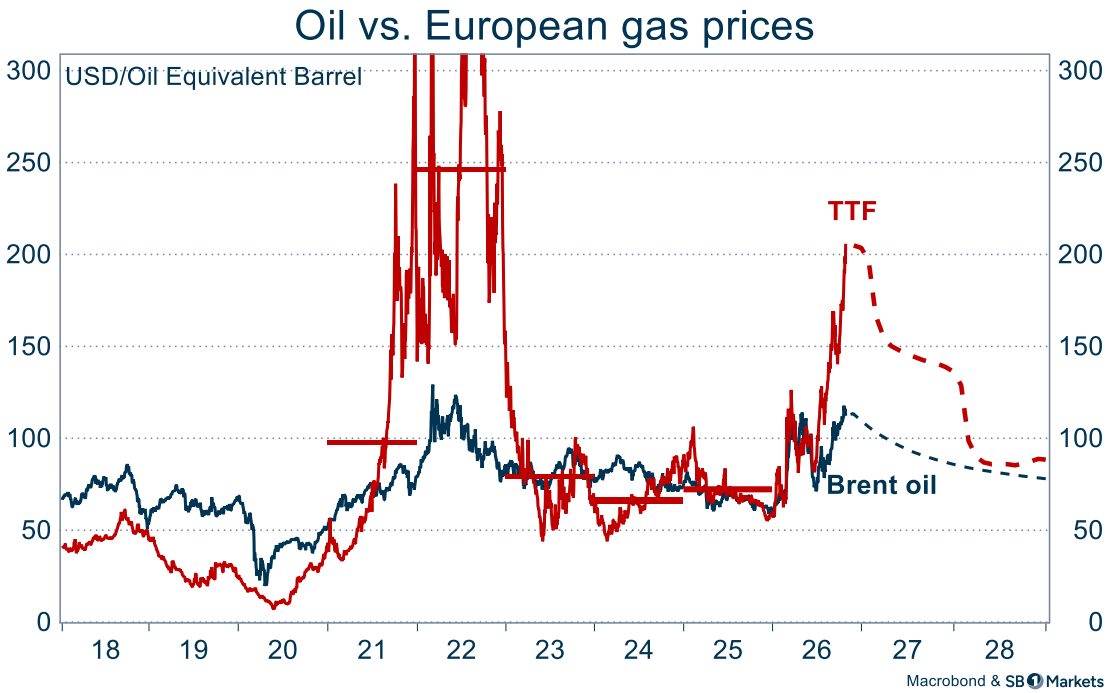
UK, US natural gas prices

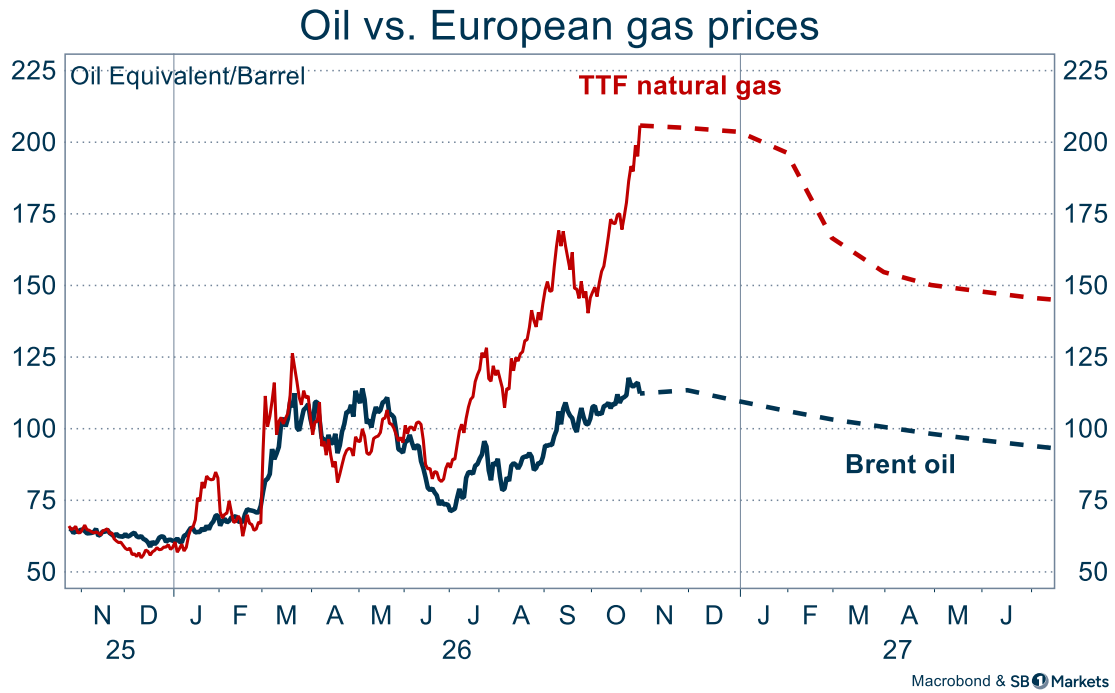


Electricity/gas future prices



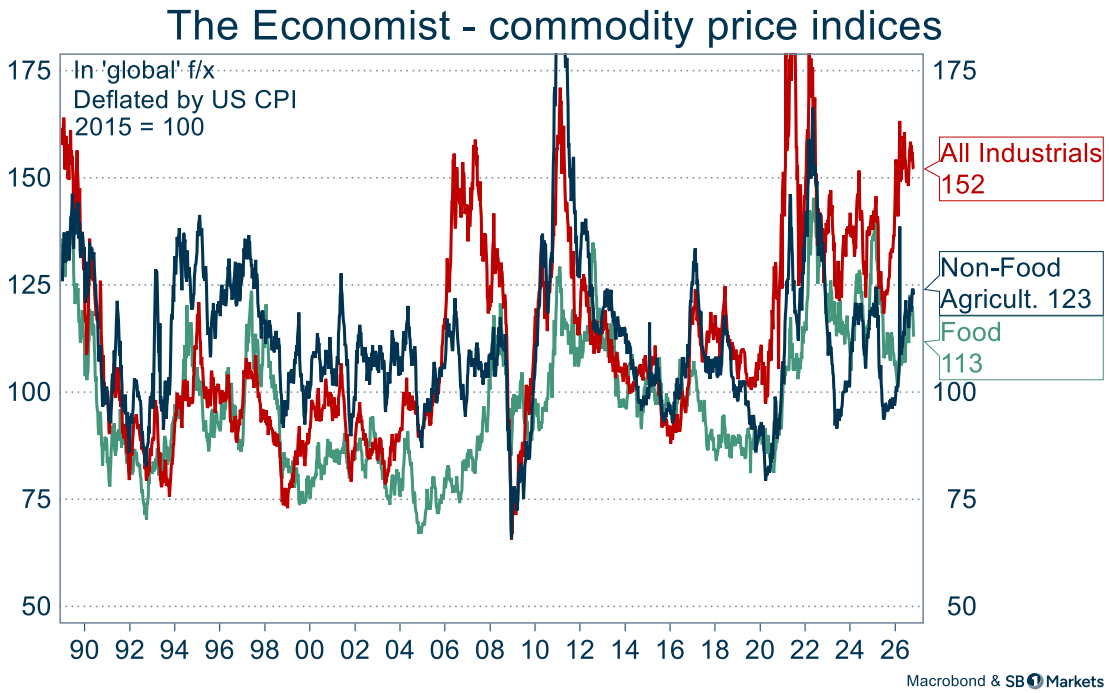
European natural gas prices up to another *cycle high*

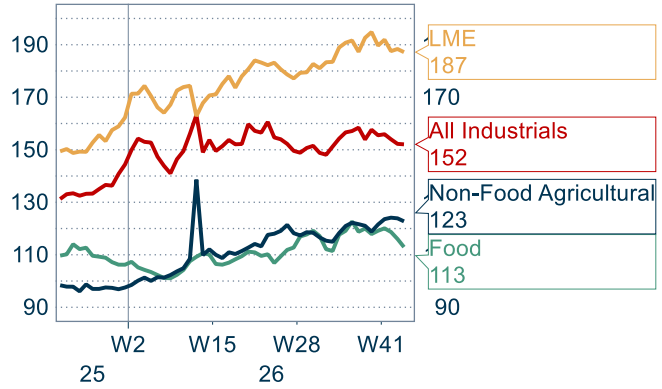


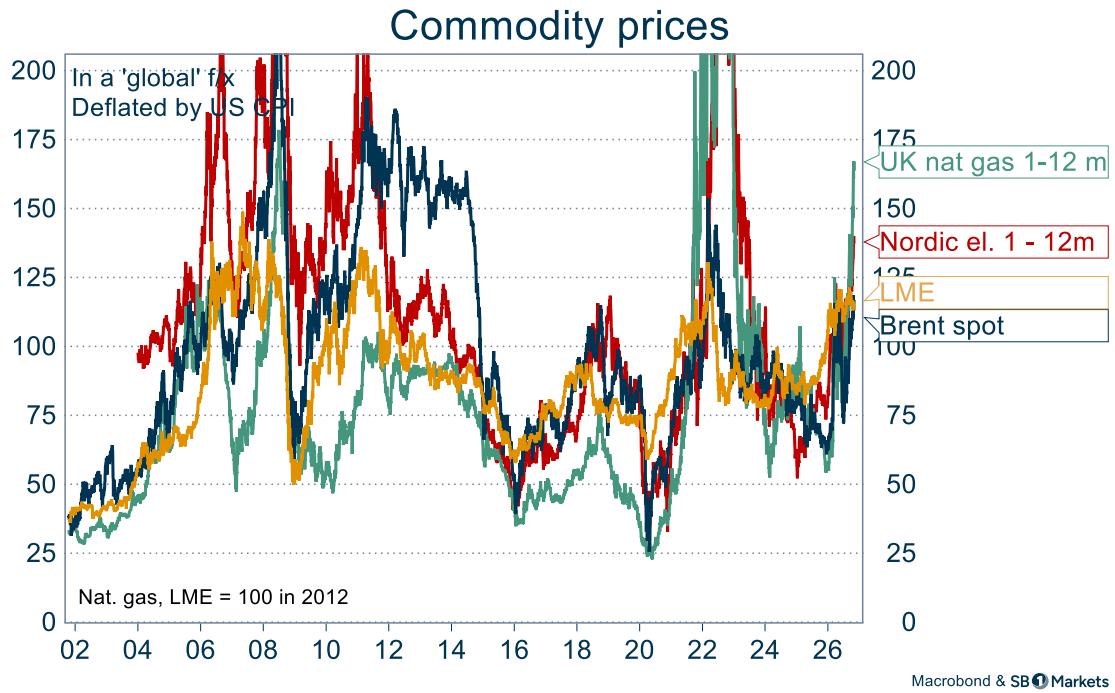


Big picture: industrial commodities far above normal levels, have flattened in 2026

Food prices have been trending down since the war in Ukraine started but are up 3% 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.*

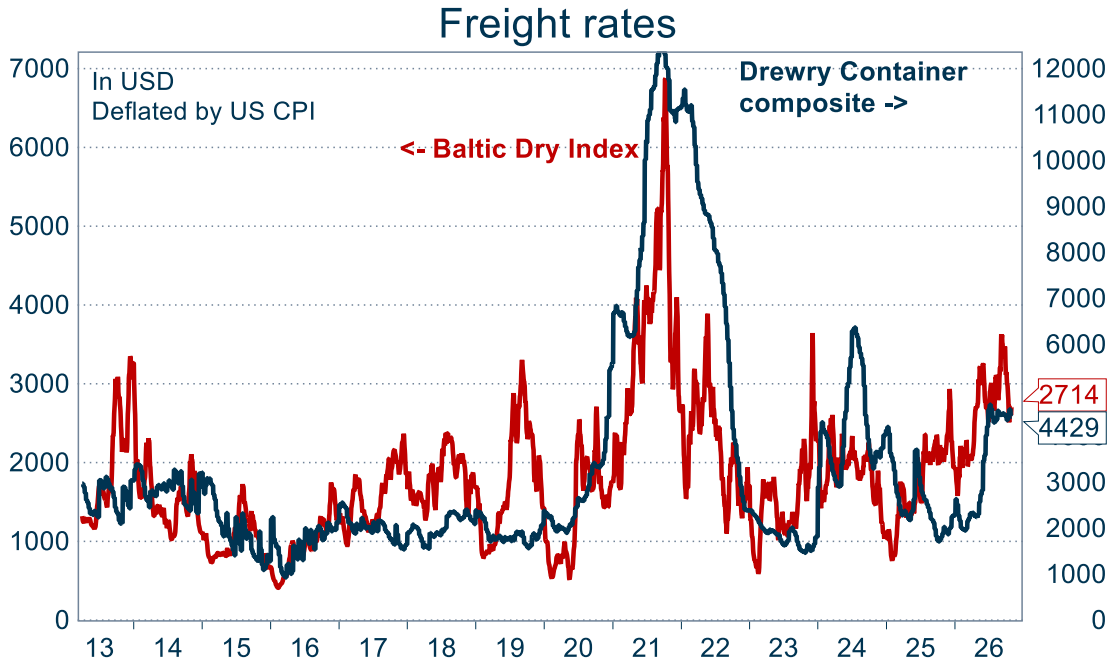


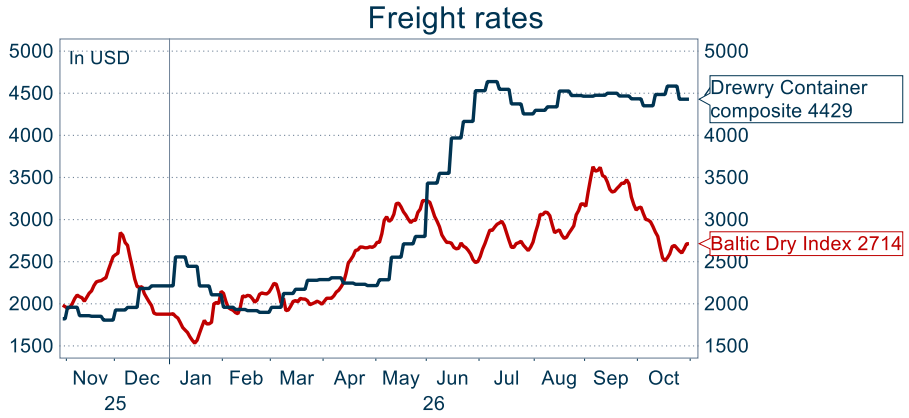


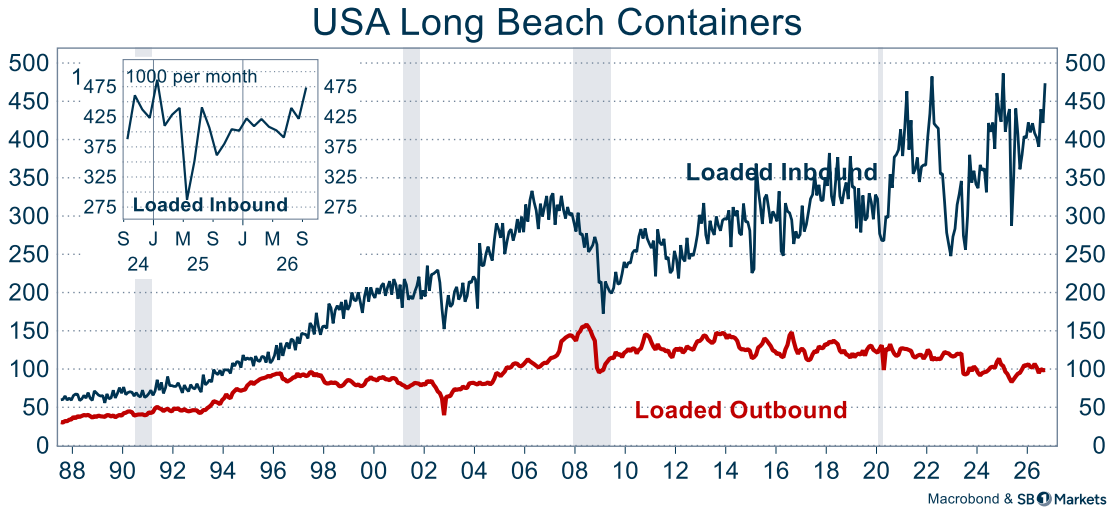


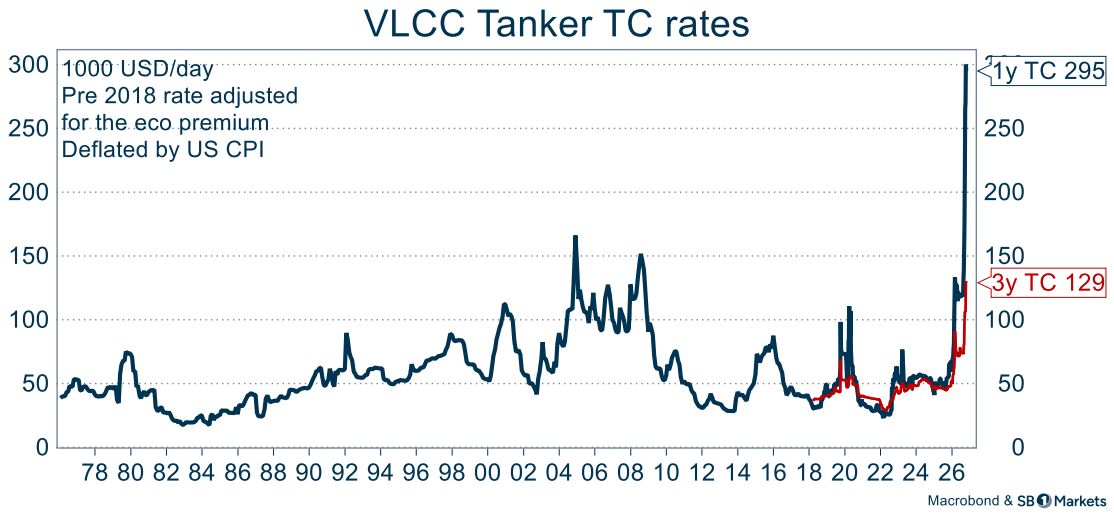
Tanker rates flattened following a wild ride, while dry bulk rates fell through October

Container freight rates have kept up, at a rather high level.
Inbound container traffic on the US west coast does not suggest any weakness in US imports.



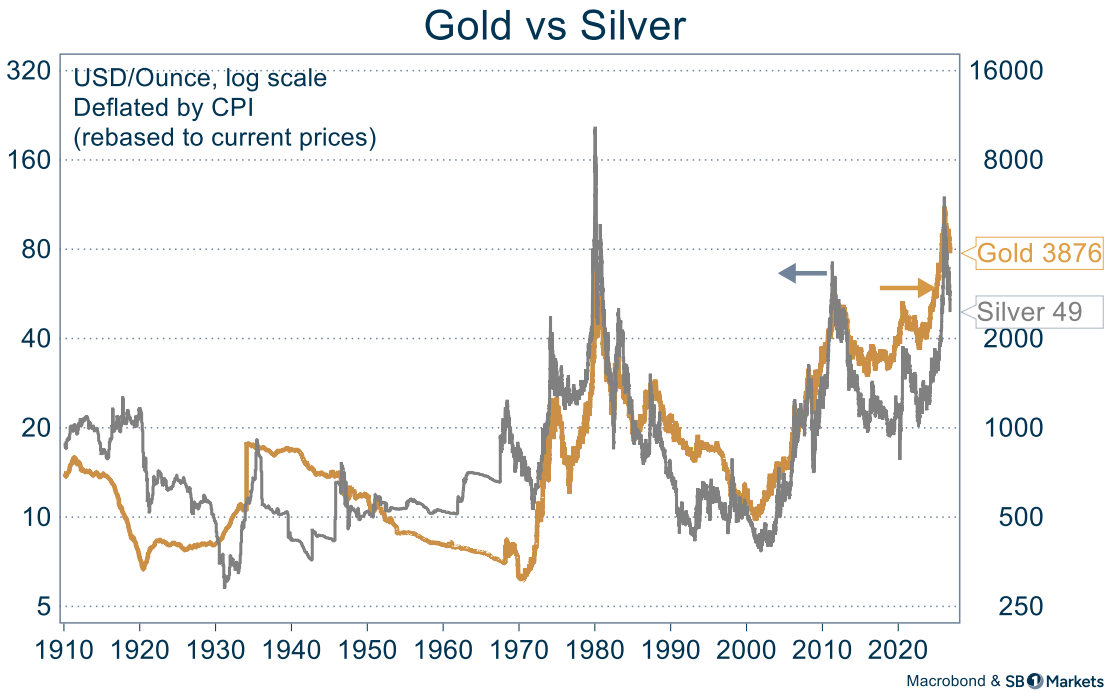






Silver prices fell almost 10% last week, probably due to fear of less AI-related demand

Silver is down almost 60% from the peak in January, but the real price is still at a very high level.
The gold price fell as well last week. Gold also trends down, but has 'just' lost 28% from the ATH in January. The real price is even higher…

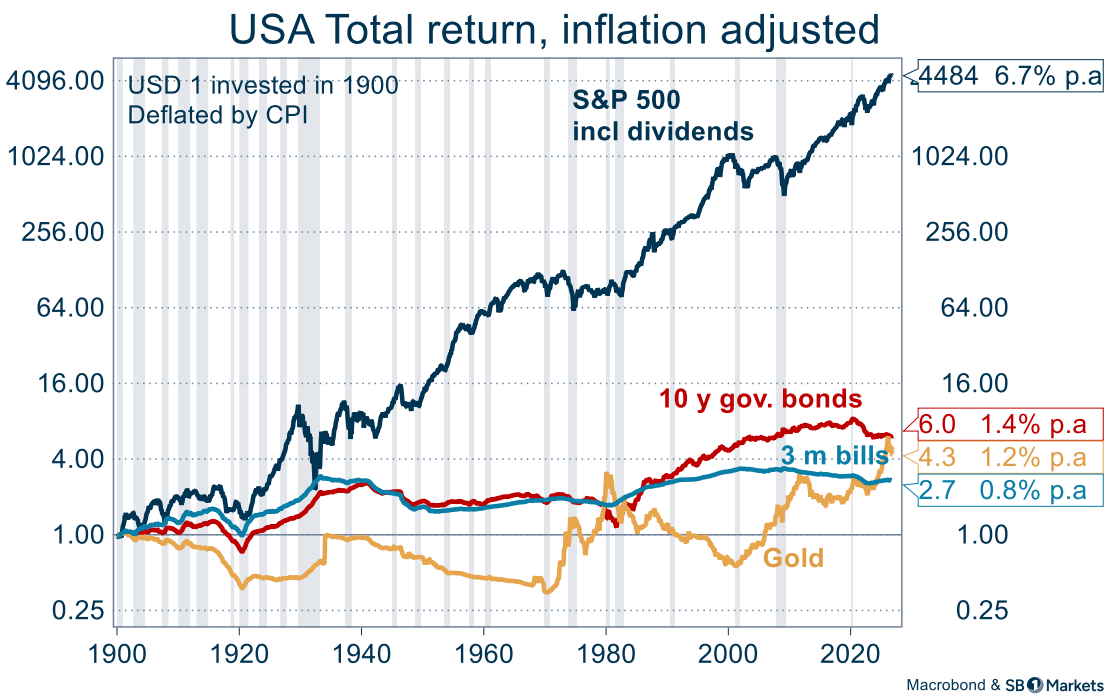


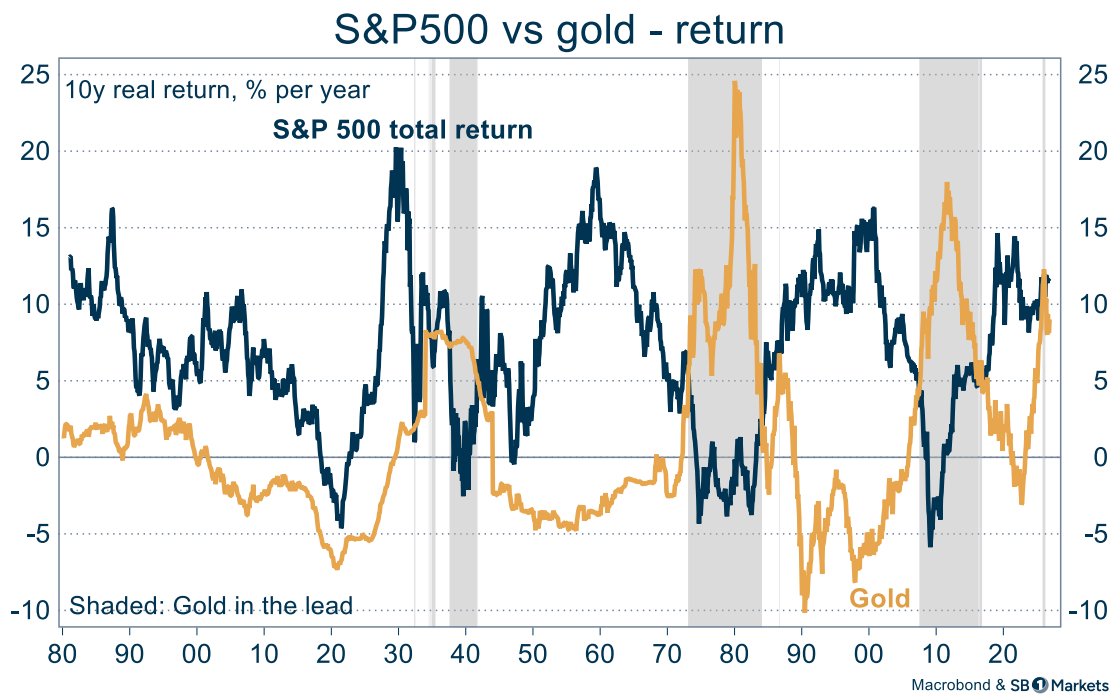


- The downside risk? Check the chart to the left above.

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

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





SB 1 Markets

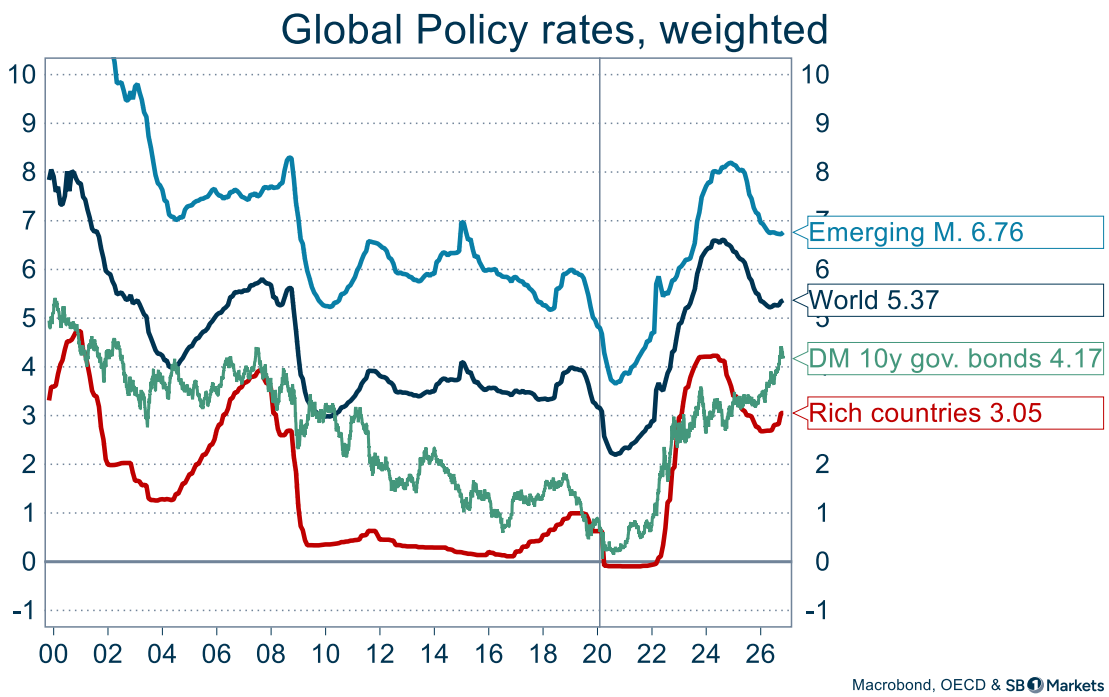


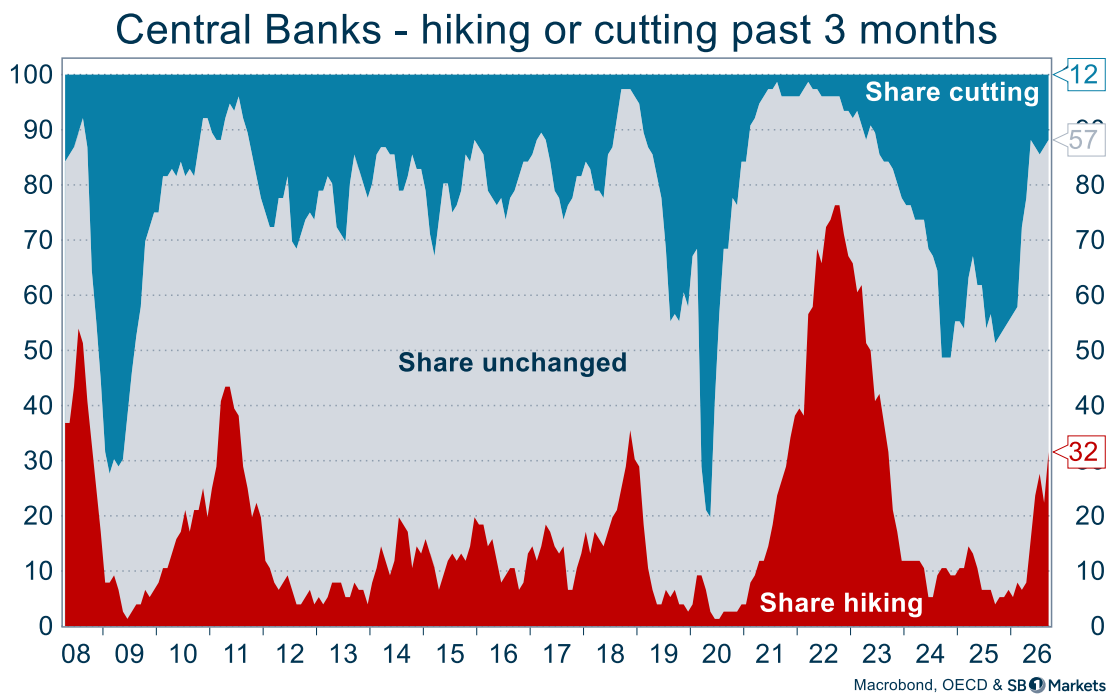
4.2 Interest rates & credit markets

*Picture source: ChatGPT

In the past 3 months, 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 is slightly down from the 24y peak in early October, to 4.17% (the local peak: 4.29%).

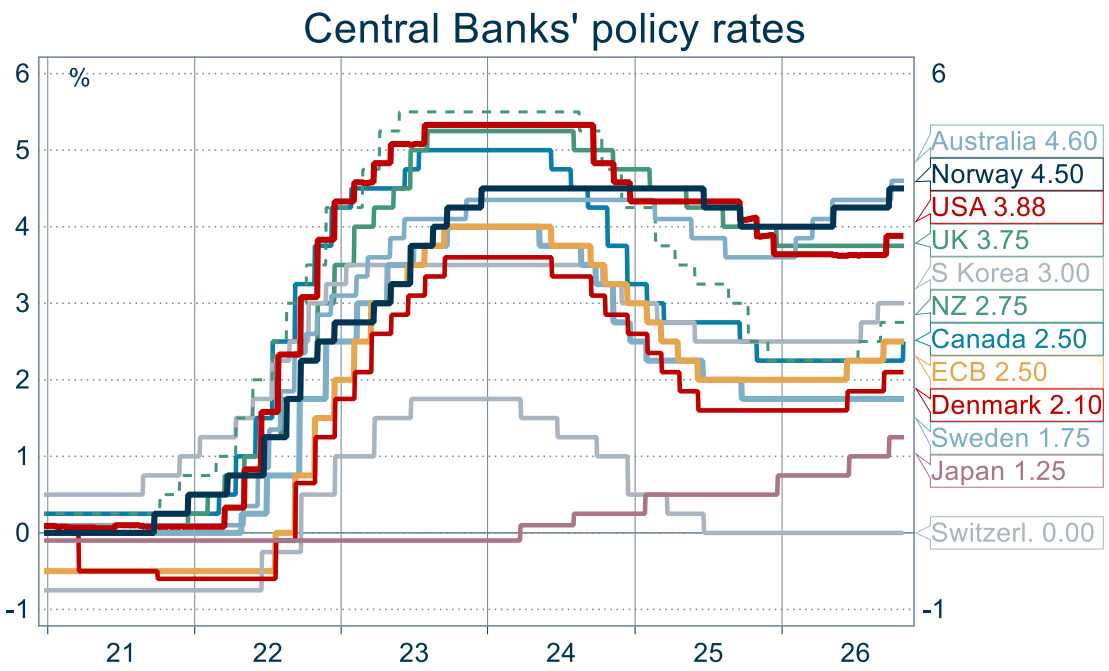


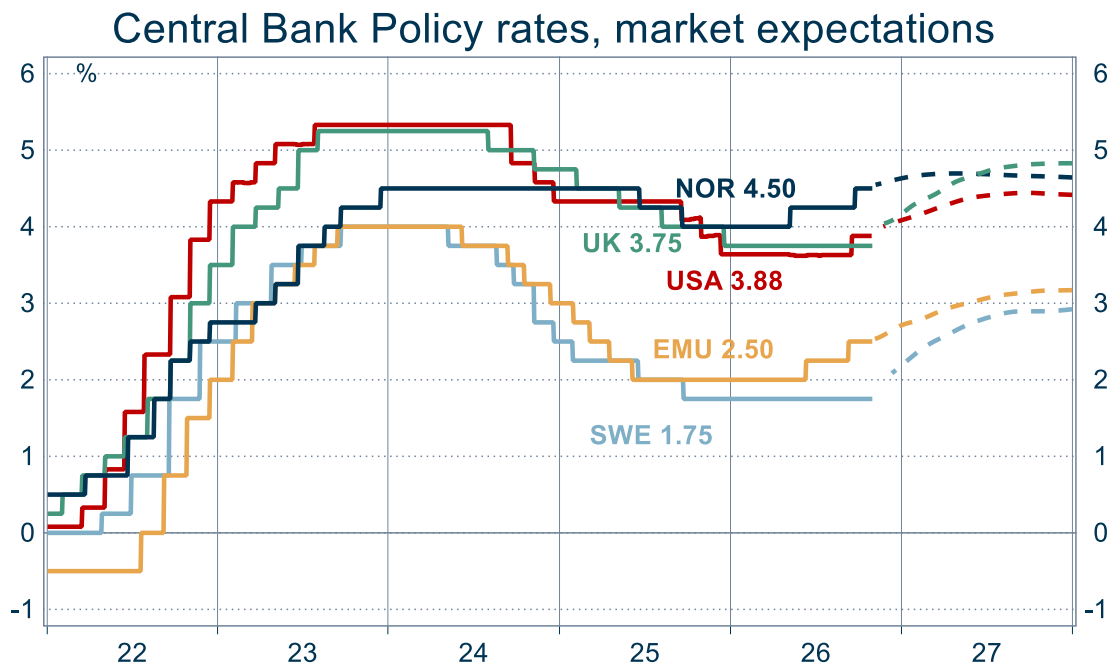


DM 10y government bond yield: a weighted average of US, Japan, UK, Germany, France, Italy, Spain and Canada

Bank of Canada hiked 25 bps to 2.50%. Fed, ECB and BoJ kept rates unchanged, as exp.

Rate expectations fell the most in the US (-12 bps by end of 2027) on AI worries in stock and credit markets. Smaller changes elsewhere. The probability for a NoBa hike before year-end has fallen to below 50%, but a Q1 hike is still more likely than not.





Macrobond, OECD & SB Markets

The short list of cutters, which have not yet hiked

- 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%)

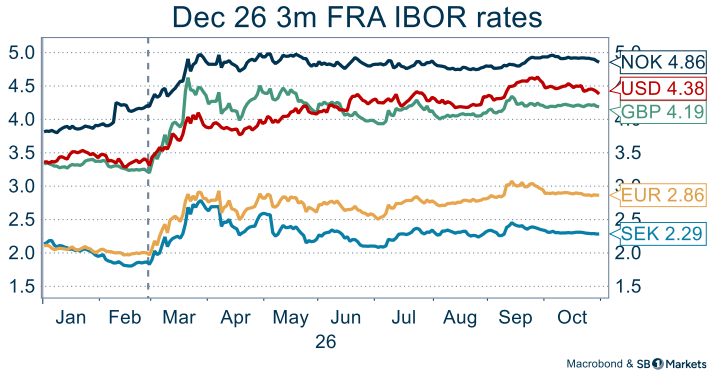
The long list of cutters that have hiked

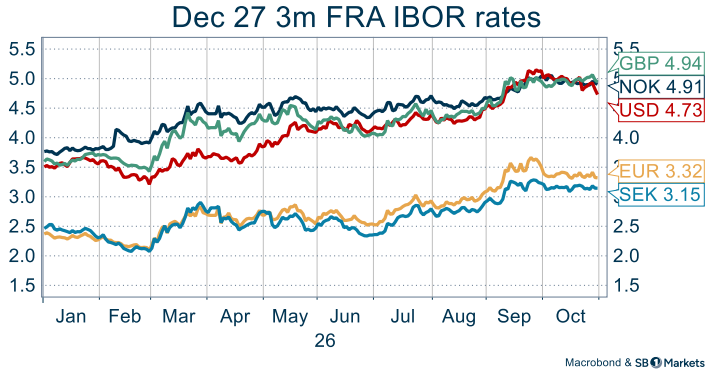
- Australia (+100 bps, to 4.60%)
- Norway (+50 bps, to 4.50%)
- South Korea (+50 bps, to 3.00%)
- EMU (+50 bps, to 2.50%)
- Denmark (+50 bps, to 2.10%)
- US (+25 bps, to 3.88%)
- New Zealand (+25 bps, to 2.75%)
- Canada (+25 bps, to 2.50%)

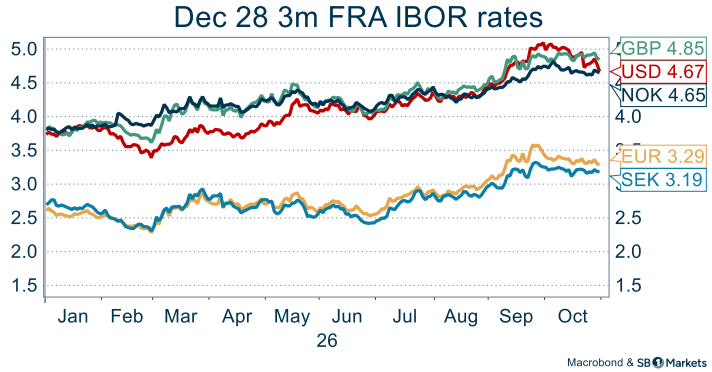
Policy rates, market exp.	USA	UK	EMU	Sweden	Norway
2024 Peak	5.33	5.25	4.00	4.00	4.50
...Change from peak	*-1.45*	*-1.50*	*-1.50*	*-2.25*	*0.00*
Now	**3.88**	**3.75**	**2.50**	**1.75**	**4.50**
Change until end of 2026	*0.19*	*0.35*	*0.17*	*0.24*	*0.11*
End of 2026 (market)	**4.07**	**4.10**	**2.67**	**1.99**	**4.61**
... Change last week	*-0.03*	*-0.01*	*0.01*	*0.00*	*-0.04*
Change through 2027	*0.35*	*0.73*	*0.50*	*0.89*	*0.04*
End of 2027 (market)	**4.42**	**4.83**	**3.17**	**2.89**	**4.65**
... Change last week	*-0.12*	*-0.05*	*-0.01*	*0.00*	*0.03*

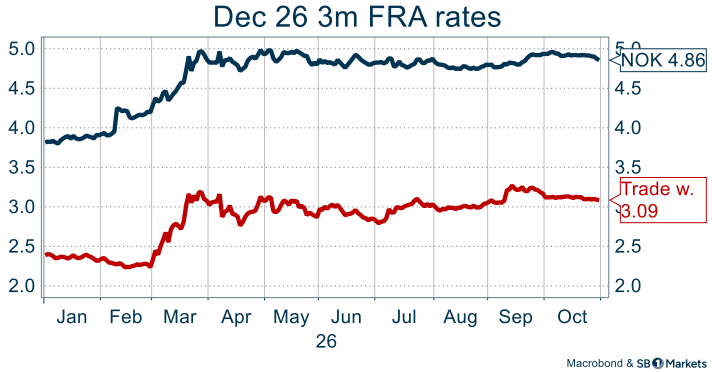
Source: SB1M, Macrobond

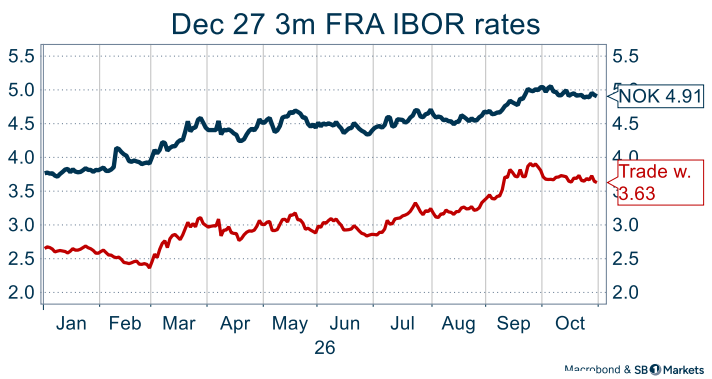
FRAs: USD rates fell the most, NOK and SEK rates rose marginally (if not the Dec-26 contr.)

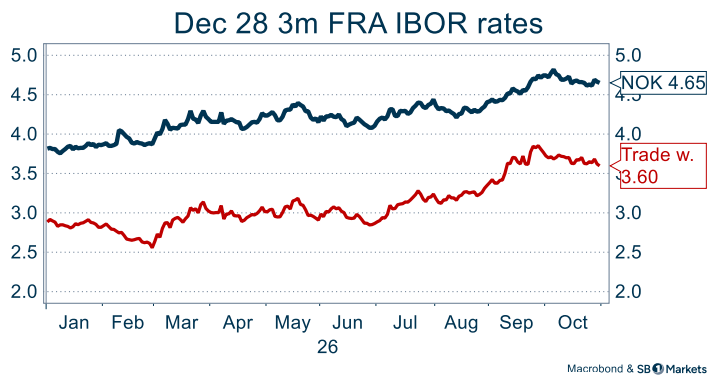












Dec 26 3m FRAs

	Close	1w	1m	YTD
NOK	4.86	-0.06	-0.08	1.04
USD	4.38	-0.05	-0.17	1.02
GBP	4.19	-0.02	-0.02	0.86
EUR	2.86	0.00	-0.09	0.76
SEK	2.29	-0.01	-0.06	0.15

Macrobond & SB1 Markets

Dec 27 3m FRAs

	Close	1w	1m	YTD
GBP	4.94	-0.05	-0.02	1.35
NOK	4.91	0.02	-0.14	1.14
USD	4.73	-0.12	-0.41	1.23
EUR	3.32	-0.01	-0.19	0.95
SEK	3.15	0.01	-0.08	0.68

Macrobond & SB1 Markets

Dec 28 3m FRAs

	Close	1w	1m	YTD
GBP	4.85	-0.06	-0.05	1.05
USD	4.67	-0.10	-0.42	0.94
NOK	4.65	0.03	-0.10	0.84
EUR	3.29	-0.02	-0.17	0.67
SEK	3.19	0.03	-0.07	0.49

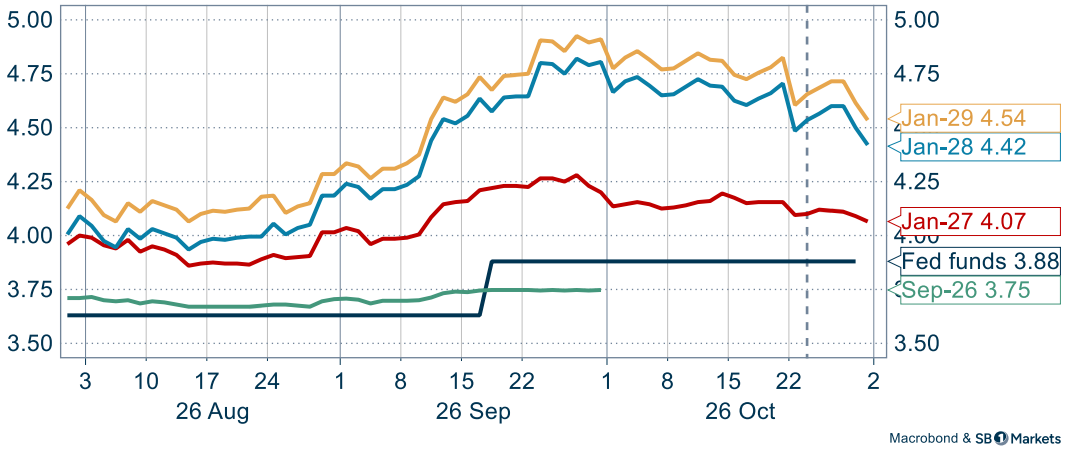
Macrobond & SB1 Markets

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

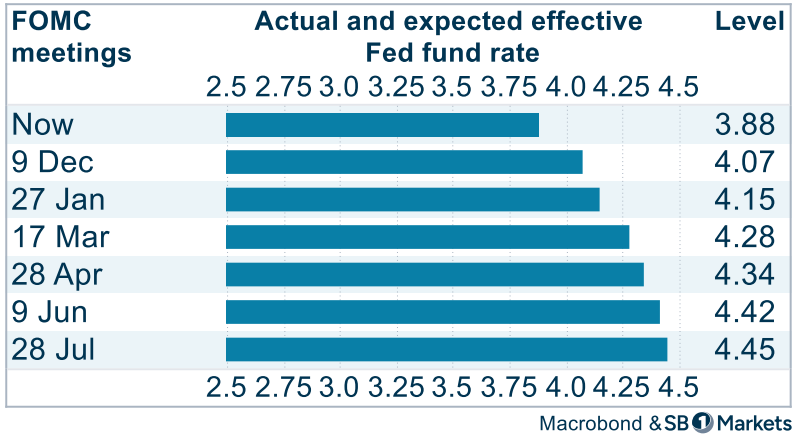
Fed funds: another hike is expected in December – but no more than in sum 'just' 2 hikes

The probability for a December hike fell to 71% last week. A week ago, a 76% chance for a hike last week or in December. Rate expectations have drifted down since late September, when market put a 95% probability for a hike before Christmas.

Fed funds future



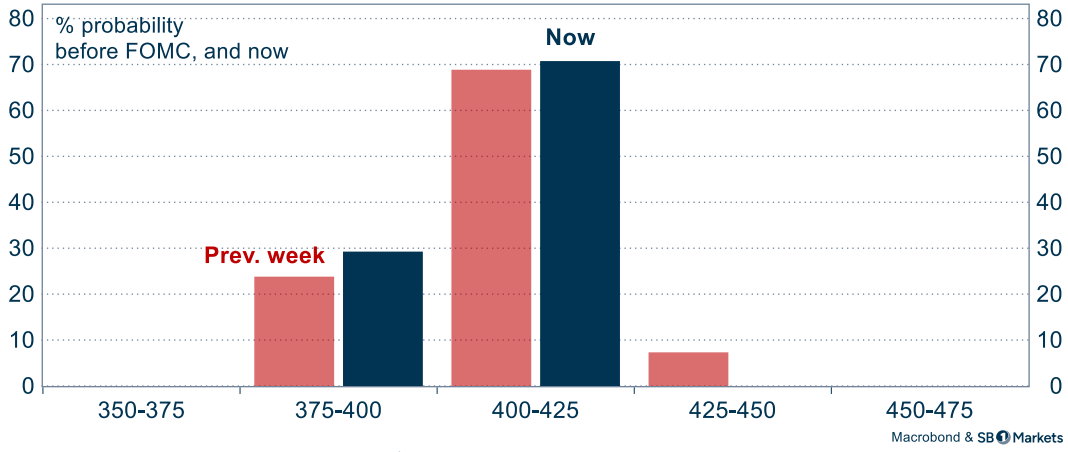
USA Fed funds rate



USA Fed funds - probability 2 hikes in 2026



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

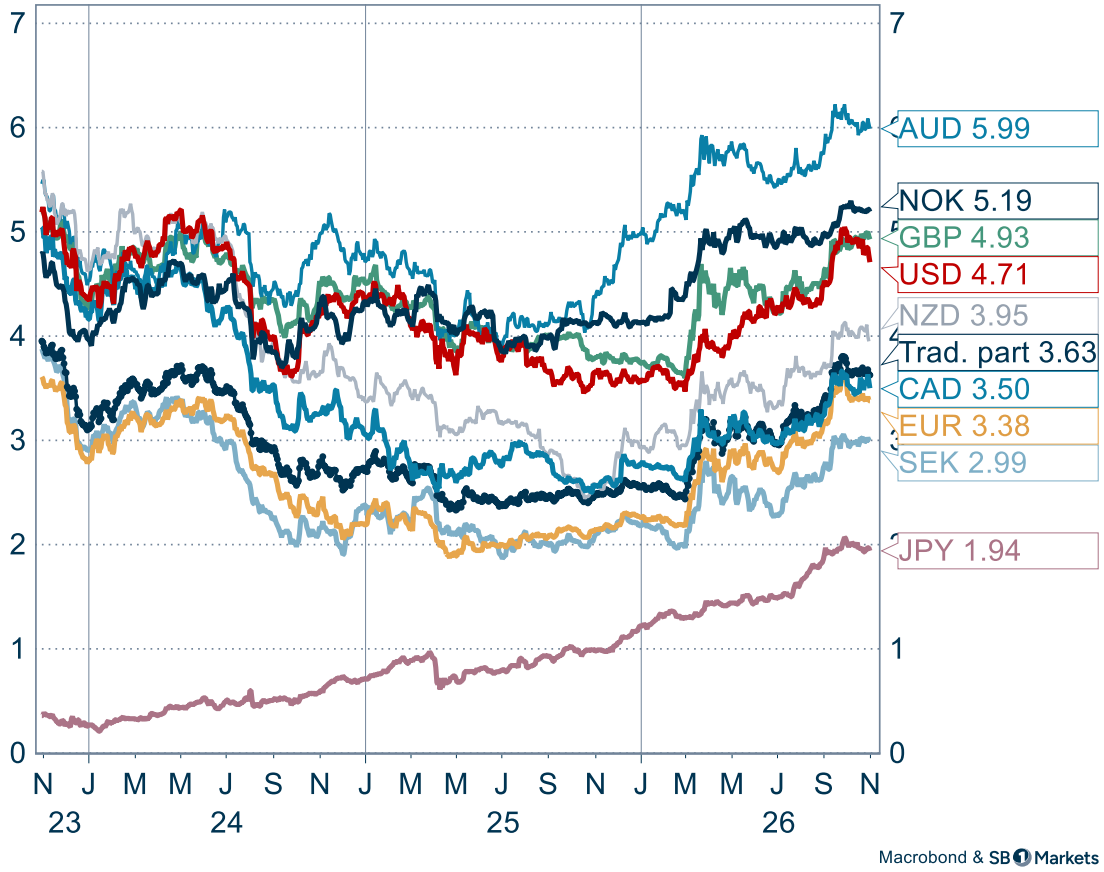


The current Fed funds rate

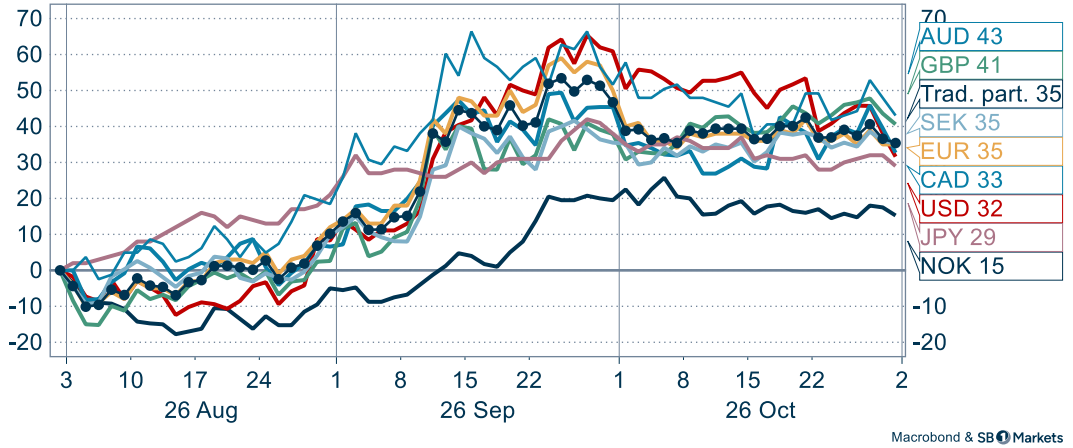
2-year swap rates more down than up

Our trading partners were down 2 bps to 3.63%. The USD was down 9 bps to 4.71%. CAD rates fell, even if BoC hiked. The NOK 2y swap was up 1 bp, to 5.19%.

2y swap rates



2y swap rates - change past 3 months



2y swap rates

	Level	Change in bps -30 -25 -20 -15 -10 -5 0 5	last week	last month	last 3 m	last 12 m
AUD	5.99		1	-9	37	160
SEK	2.99		1	0	40	92
JPY	1.94		1	-9	31	95
NOK	5.19		1	-4	18	105
EUR	3.38		-1	-15	41	124
Trad. part	3.63		-2	-11	41	115
GBP	4.93		-3	3	46	113
CAD	3.50		-5	-13	40	93
USD	4.71		-9	-29	35	106
NZD	3.95		-11	-18	30	137

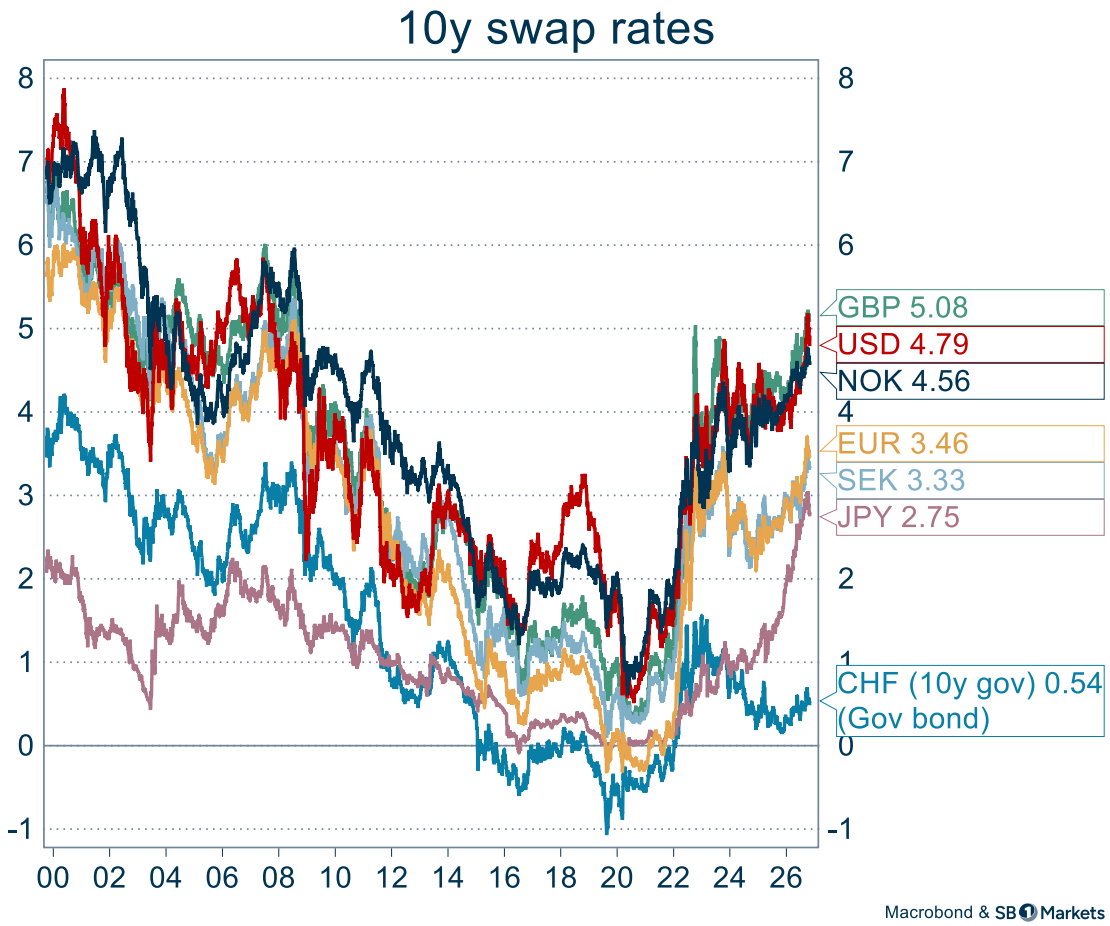
-30 -25 -20 -15 -10 -5 0 5

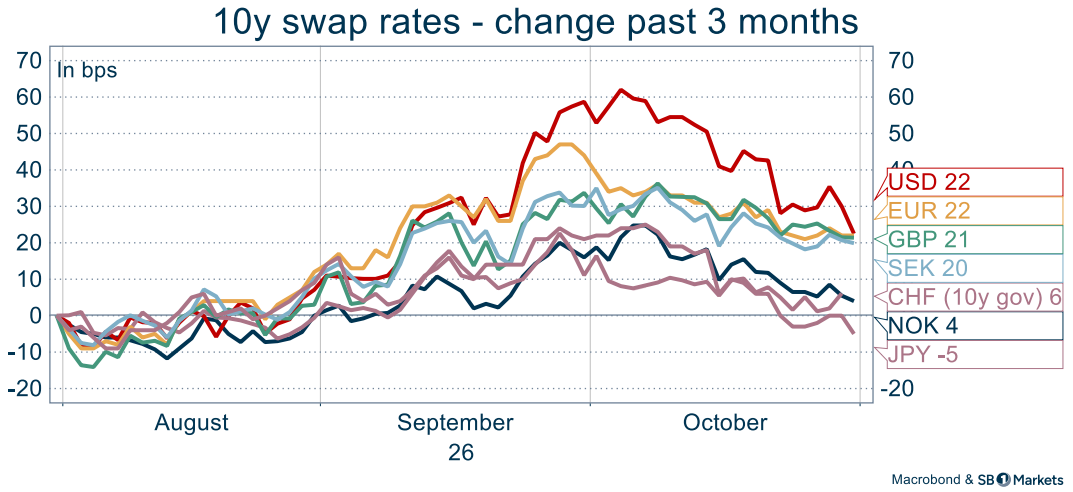
Last week ● Last month

Macrobond & SB1 Markets

10-year swap rates down almost everywhere

Our trading partners were down 1 bp, even if the USD rate retreated 8 bps, as EUR and SEK rates were flat. NOK was down 3 bps. (The French government 10y bond yield fell 5 bps, 4 bps more than the German yield, but the spread remains very high).





10 year swap rates

	Level	Change in bps	last week	last month	last 3 m	last 12 m
CHF (10y gov)	0.54		1	-12	8	36
SEK	3.33		0	-10	23	66
EUR	3.46		0	-22	28	82
Trad. part	3.76		-1	-20	26	82
JPY	2.75		-2	-26	-2	119
NOK	4.56		-3	-12	5	56
GBP	5.08		-4	-12	28	91
CAD	3.88		-4	-22	23	72
AUD	5.31		-6	-16	31	103
USD	4.79		-8	-36	28	87
NZD	4.57		-10	-25	23	94

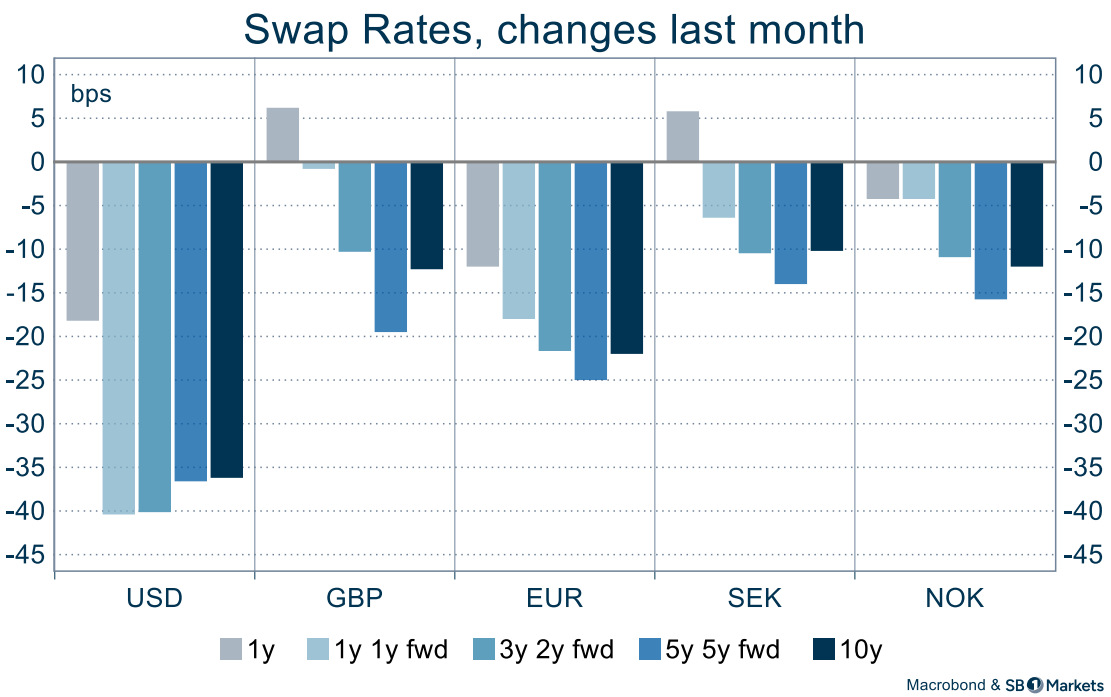
-40 -35 -30 -25 -20 -15 -10 -5 0 5

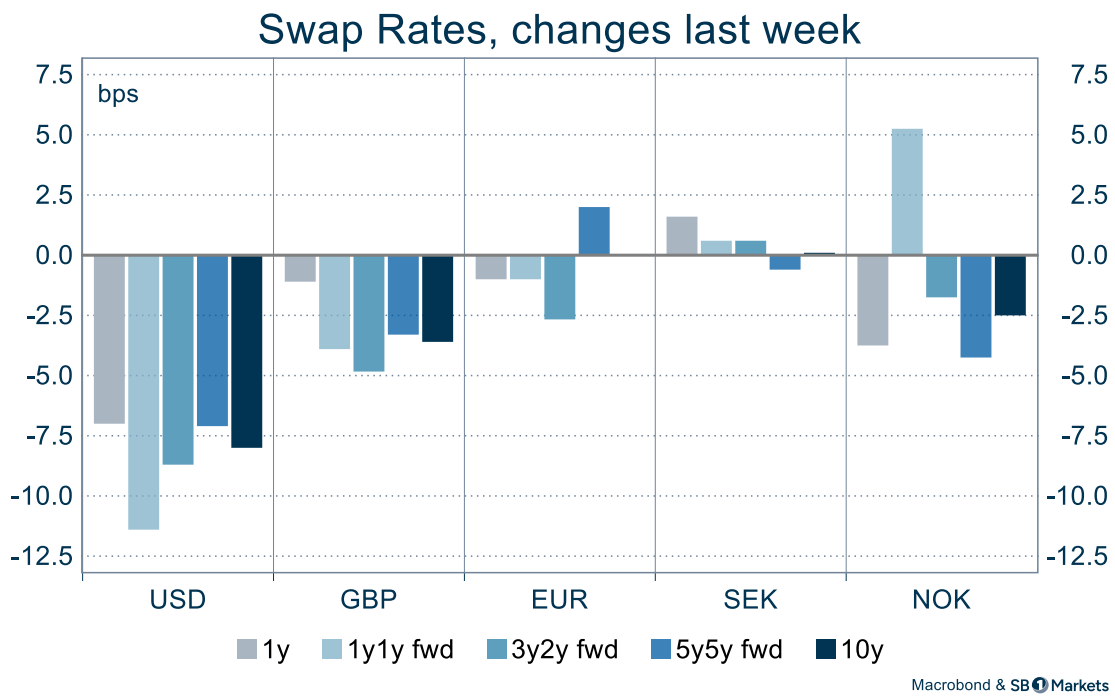
Last week Last month

Macrobond & SB Markets

Swap curves: The USD curve fell further, followed by the GBP curve.

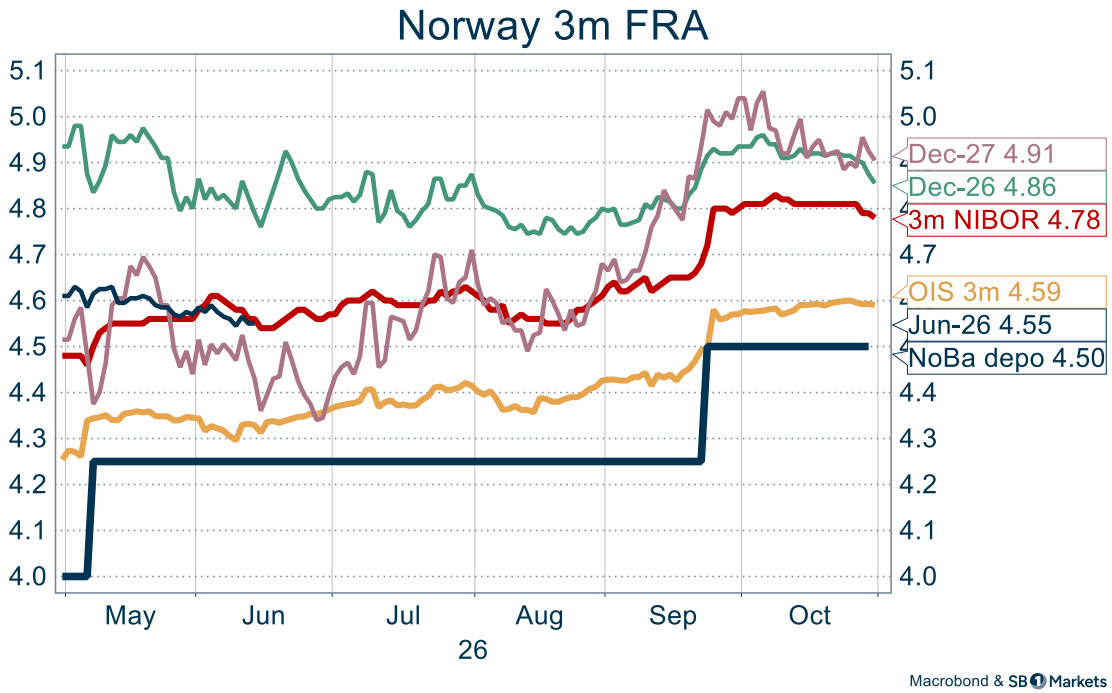
The long end in the NOK curve fell slightly as well.
Last month: EUR and USD rates have fallen the most. Close to identical changes in the GBP, NOK and SEK curves, all down from 2y onward.

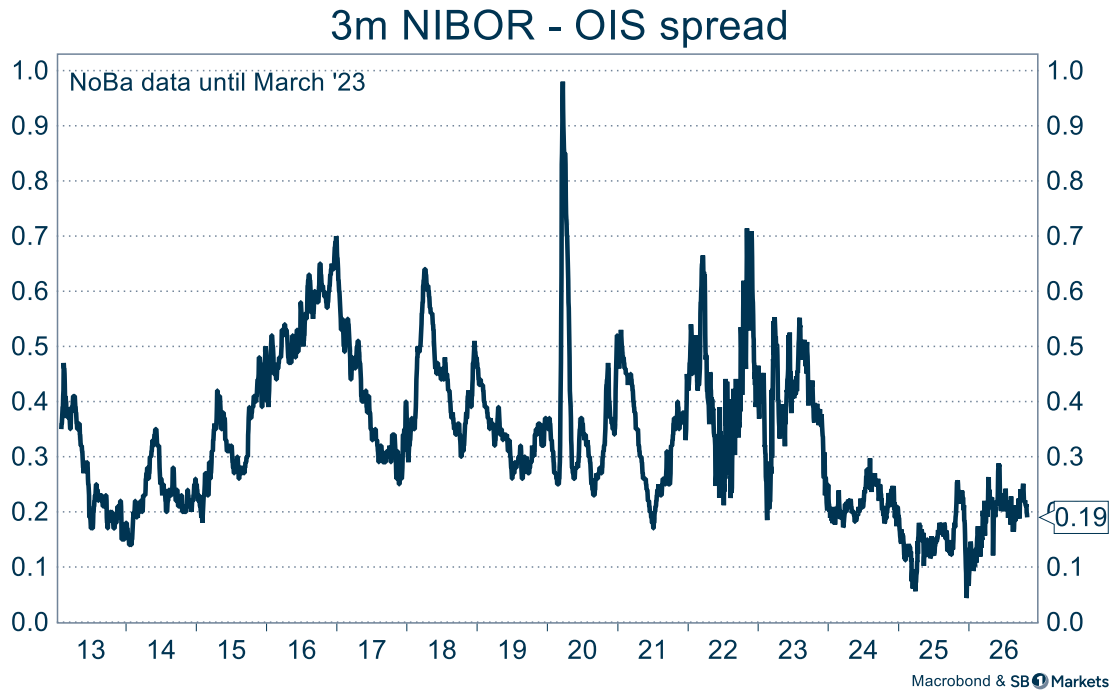




NOK 3m NIBOR: down 3 bps to 4.78%. The NIBOR-OIS spread narrowed 2 bps to 19 bps

Longer-dated FRAs declined further.

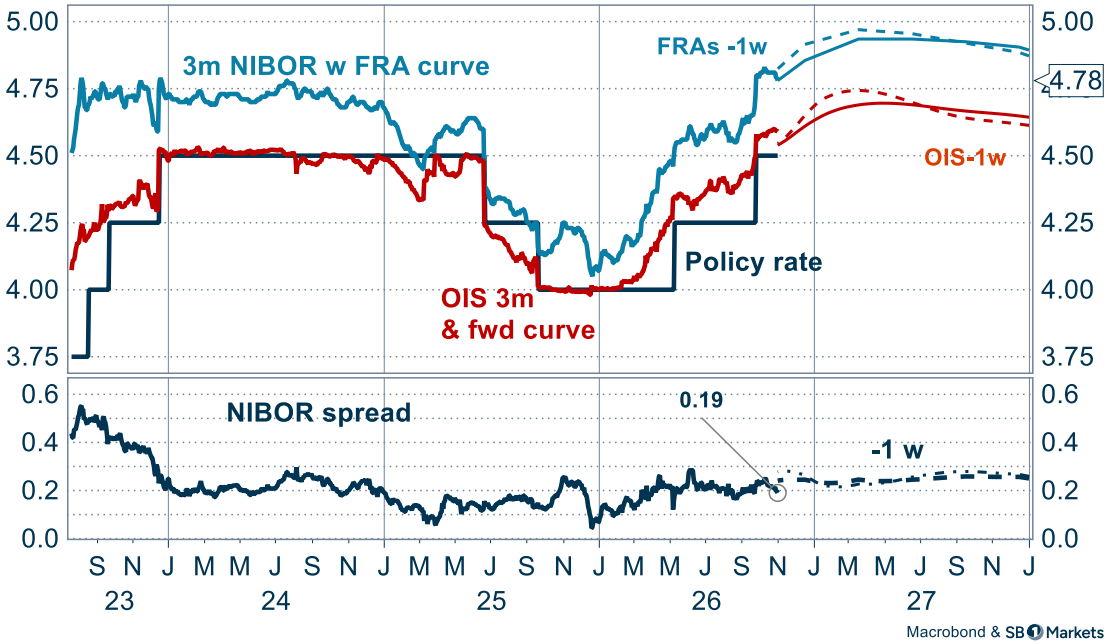




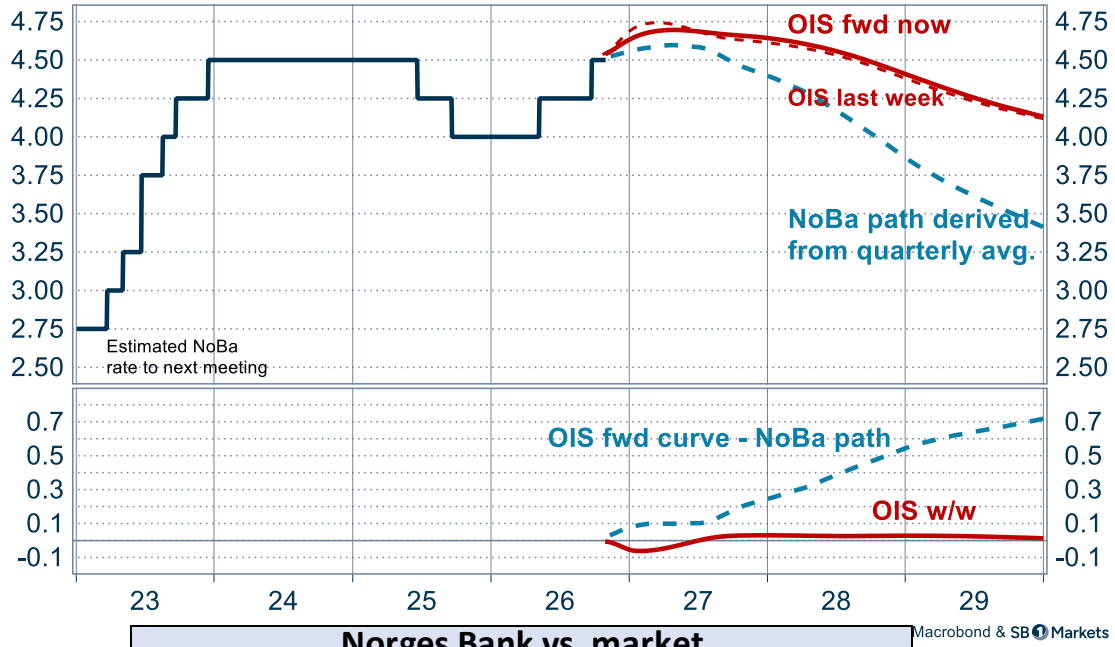
The short end of the curve fell marginally, but marginally up from mid 2027

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.

Norway NIBOR, OIS rates



Norges Bank vs market expectations

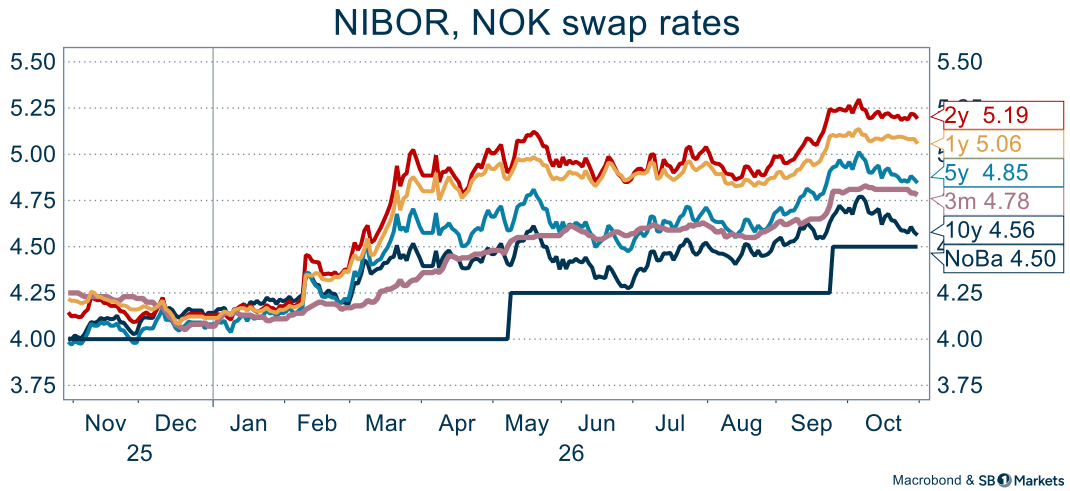


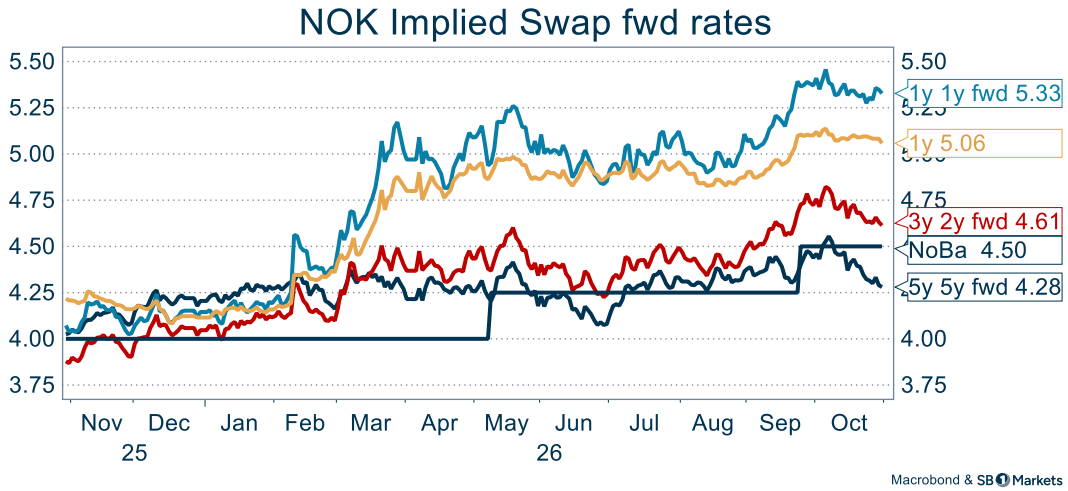
Norges Bank vs. market

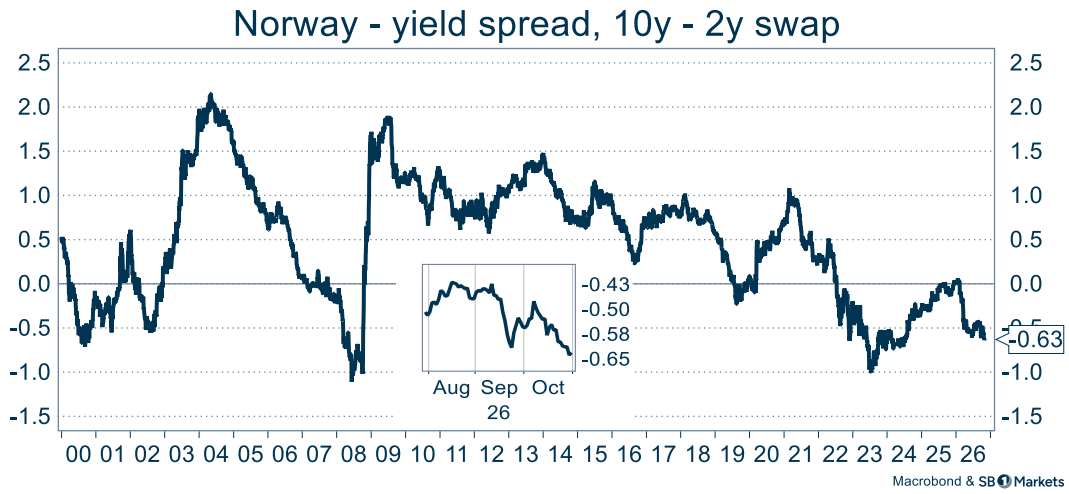
Meeting	NoBa path	OIS fwd	OIS NoBa est.	Alternat. rate	% prob for alt
05-Nov-26	4.50	4.54	4.50	4.75	17%
17-Dec-26	4.50	4.60	4.50	4.75	41%
21-Jan-27	4.50	4.66	4.75	4.50	38%
24-Mar-27	4.50	4.69	4.75	4.50	24%
06-May-27	4.50	4.70	4.75	4.50	22%
17-Jun-27	4.50	4.69	4.75	4.50	24%
12-Aug-27	4.50	4.68	4.75	4.50	30%
23-Sep-27	4.50	4.67	4.75	4.50	34%

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

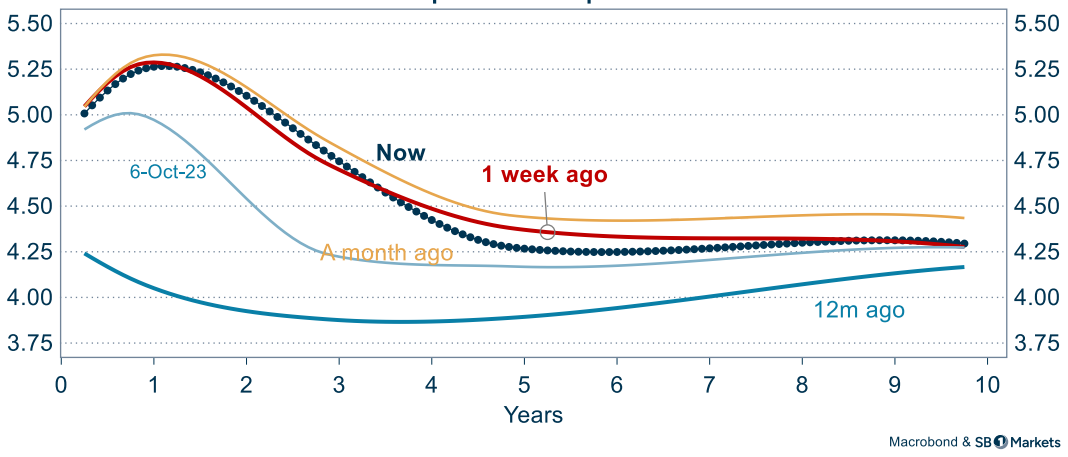
NOK swaps: up in the 2–3y segment, down thereafter, until 8y





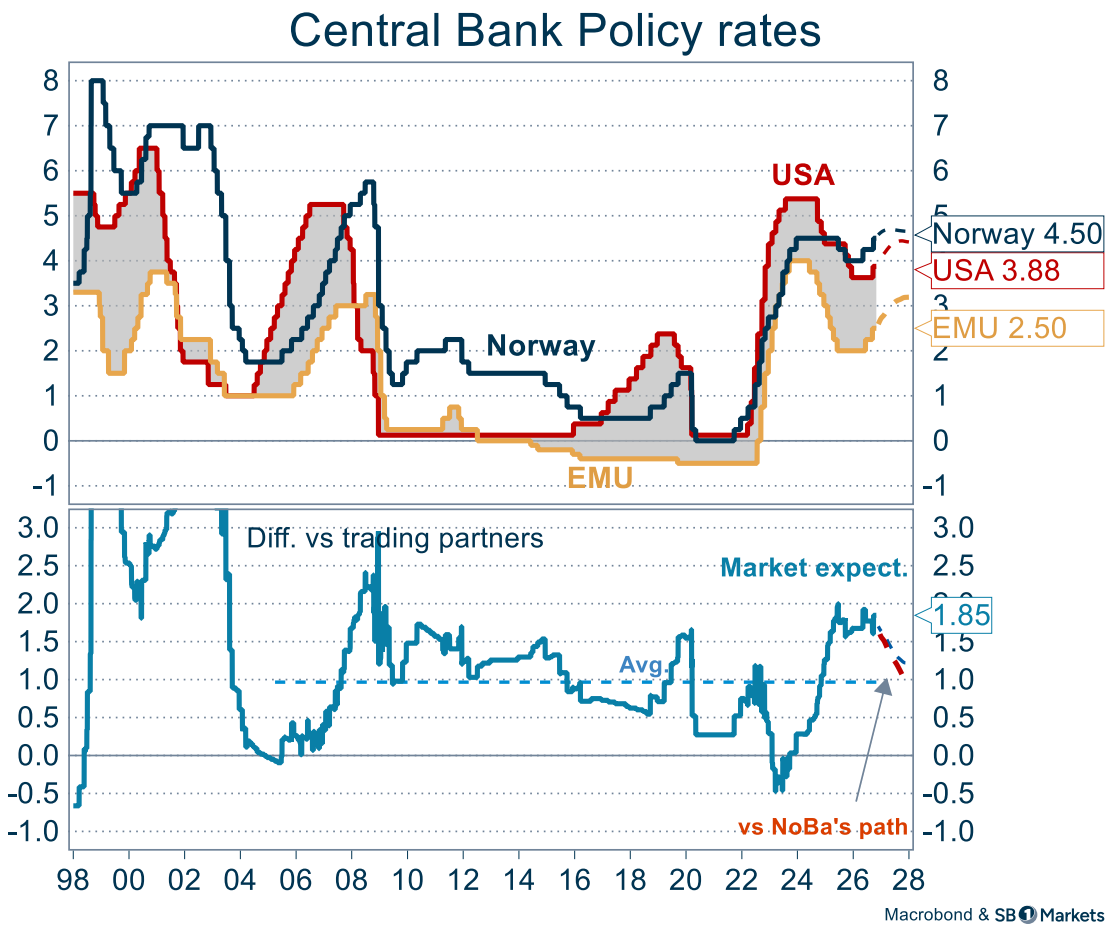


Swap rates are calculated vs. 6m NIBOR, not 3m NIBOR.

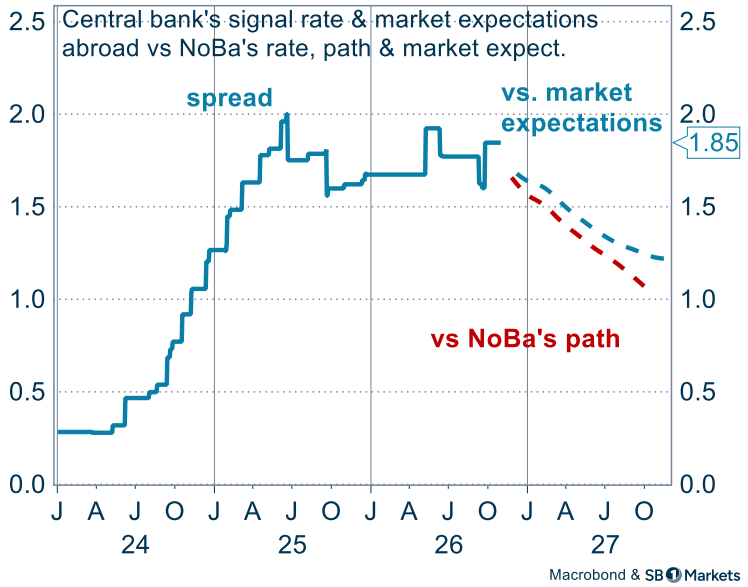


Norges Bank's policy rate: 185 bps above the trading partners' average

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

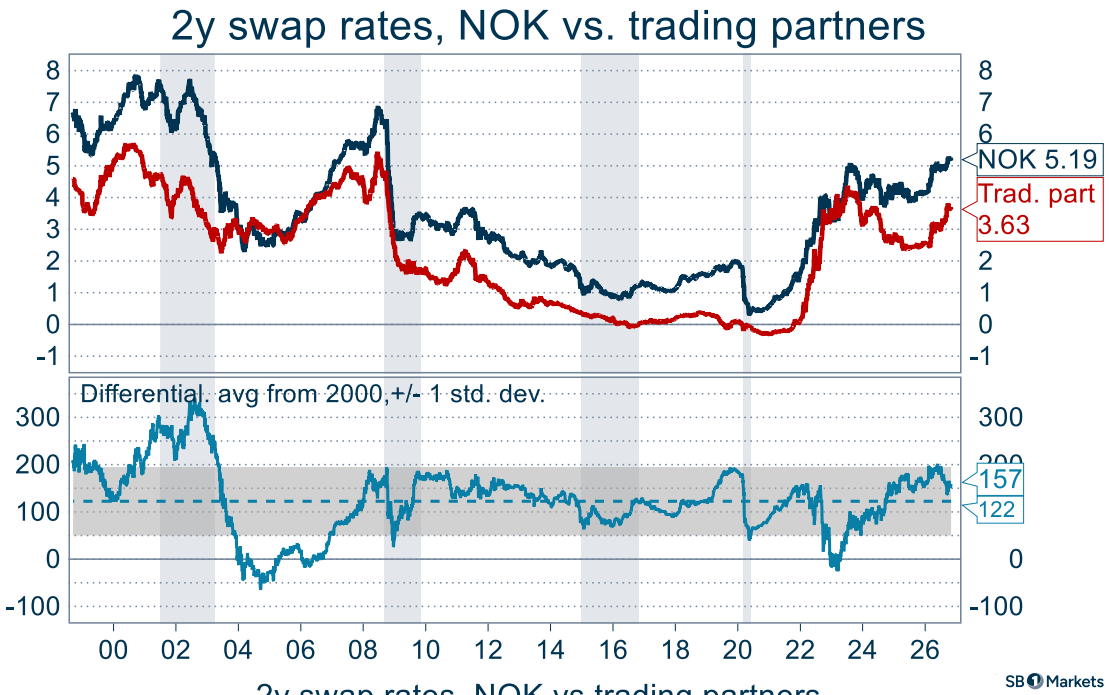


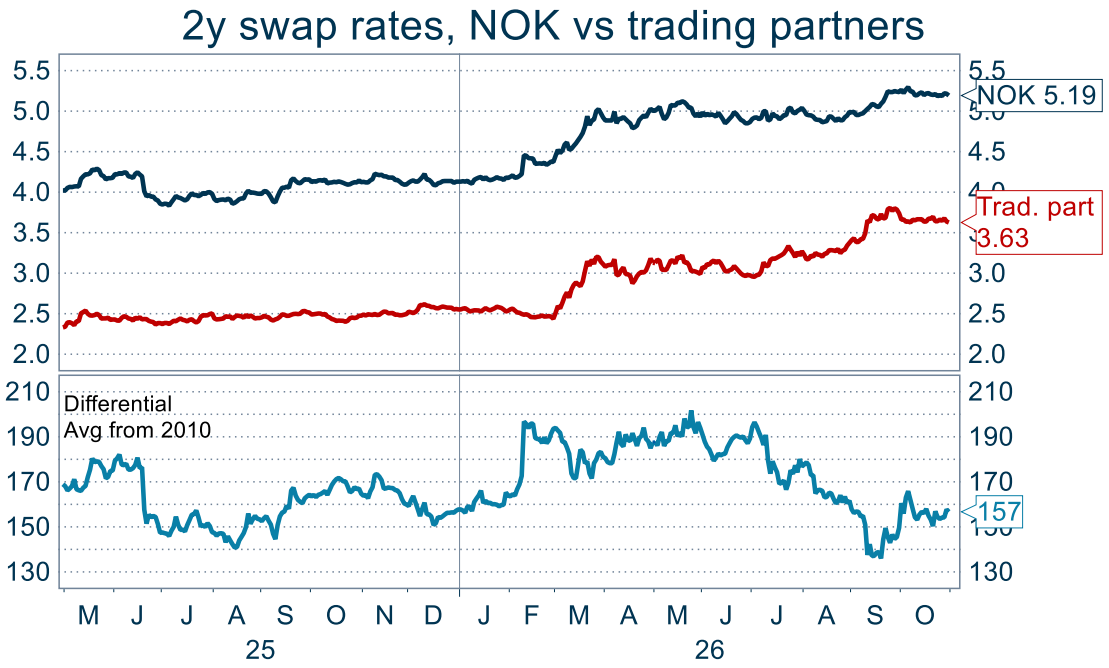
- The peak difference in policy rates over the past 20 years was 225 bps (barring a few days in 2008).
  - In the current cycle, the 2y NOK swap rate has been up to 200 bps above the average rate among our trading partners.
- If **Norges Bank** follows the rate path presented in the MPR, the spread will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

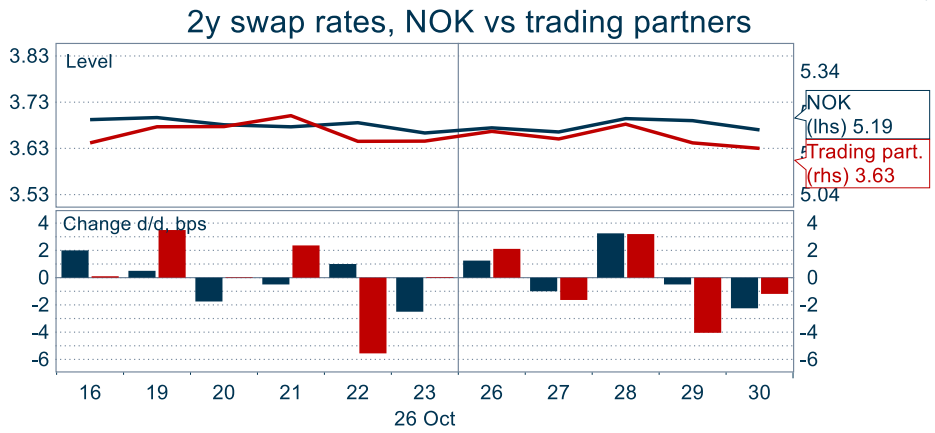


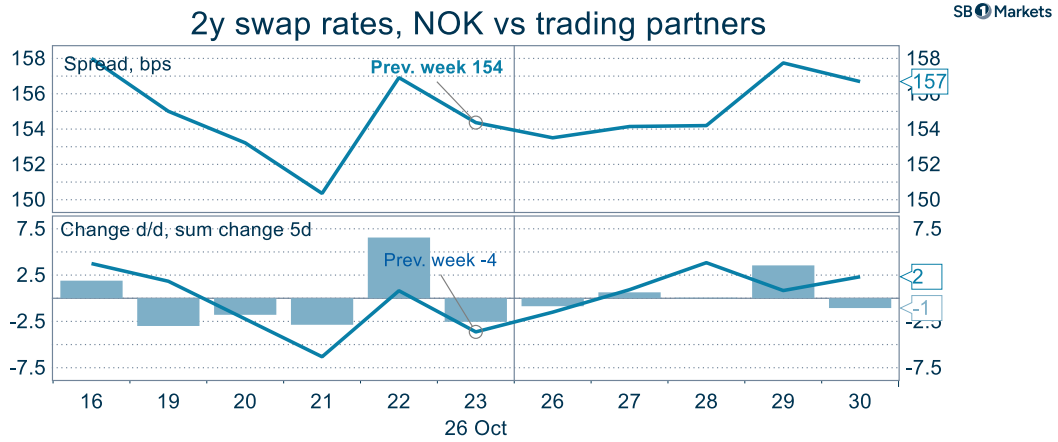
The 2-year NOK swap spread vs. trading partners up 2 bps to 157 bps

The spread has widened by almost 20 bps since mid September but is still down 40 bps from the peak during the summer. It is well above an average level of some 120 bps.



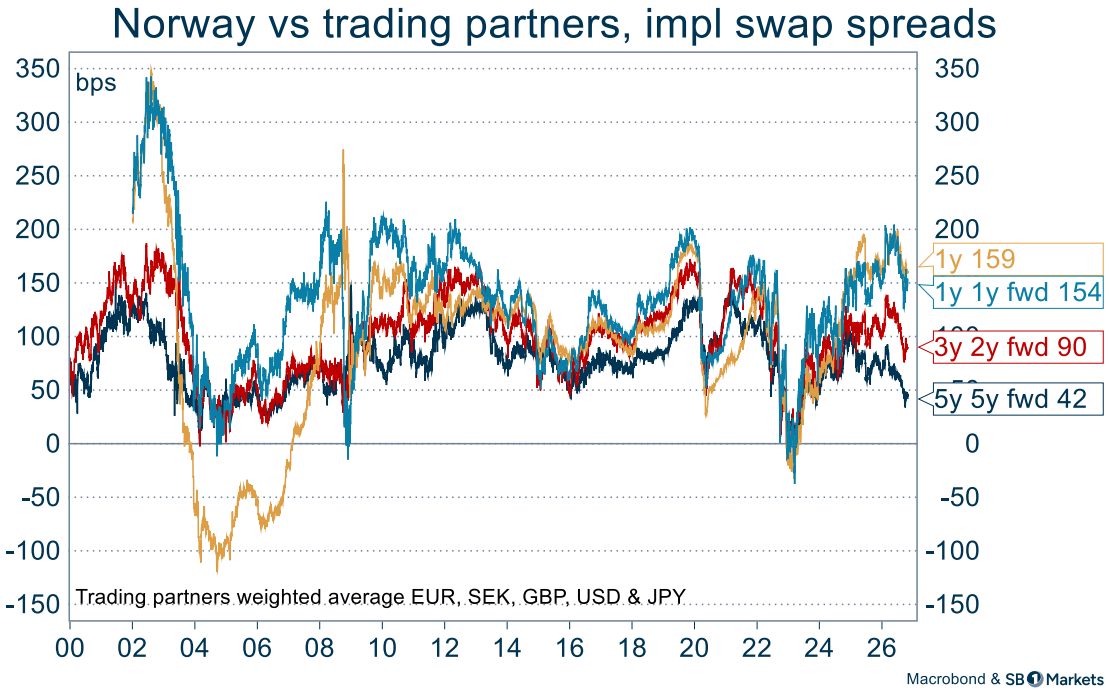


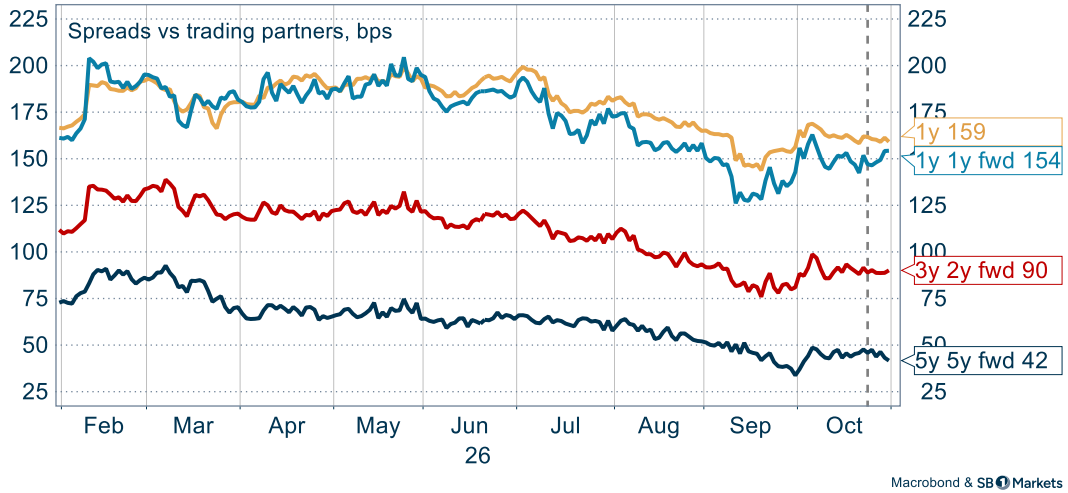


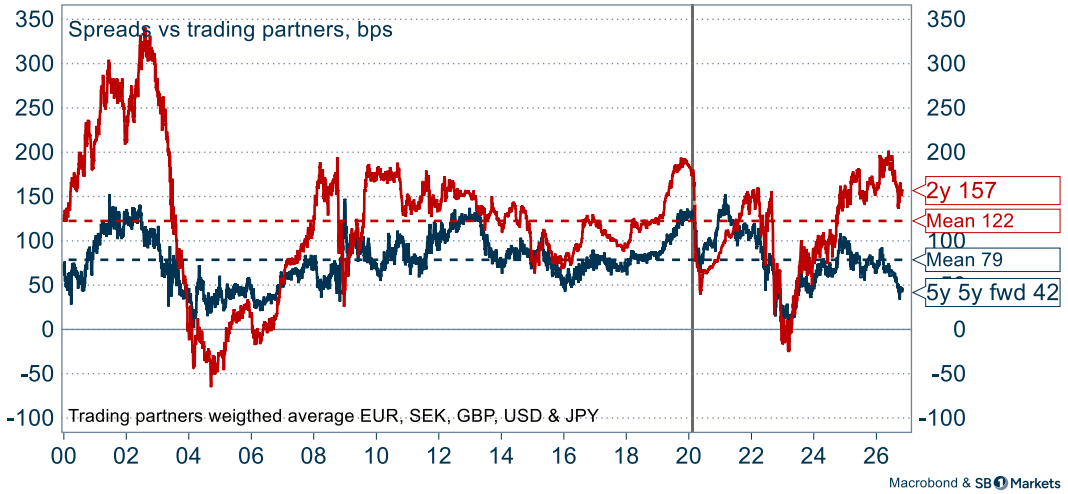


Swap spreads vs. trading partners widened in the short end, narrowed in the long end

The long-end spread is far lower than normal: the 5y 5y fwd is at 42 bps vs. an average of 79 bps since 2000.
In the short end, the spread remains above an average level.

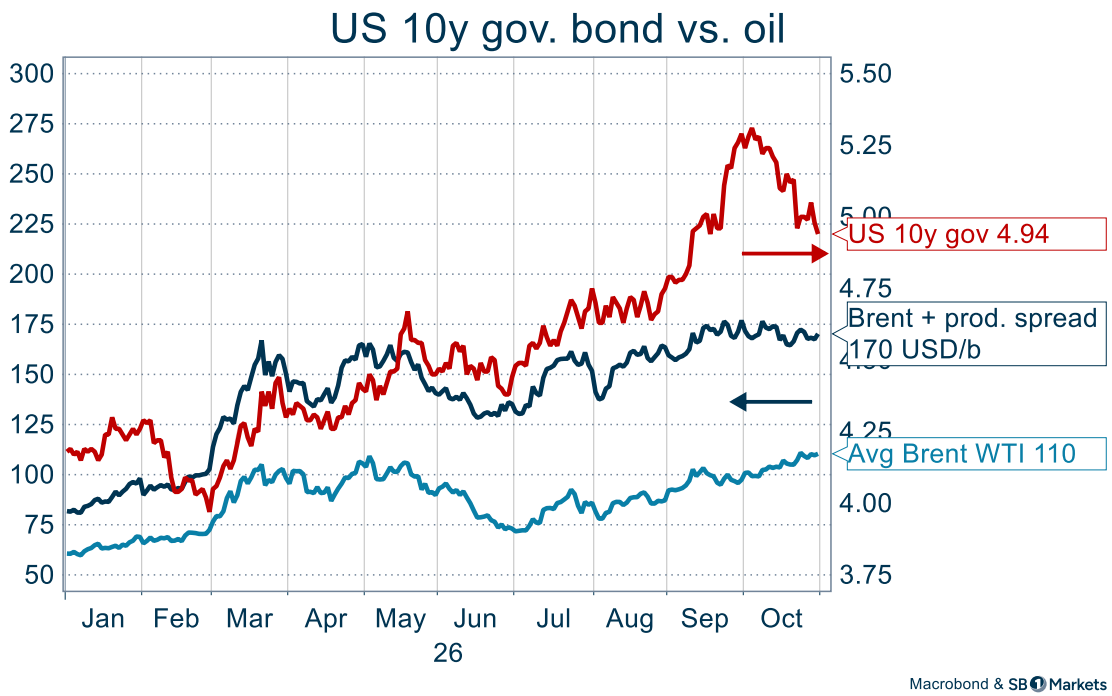


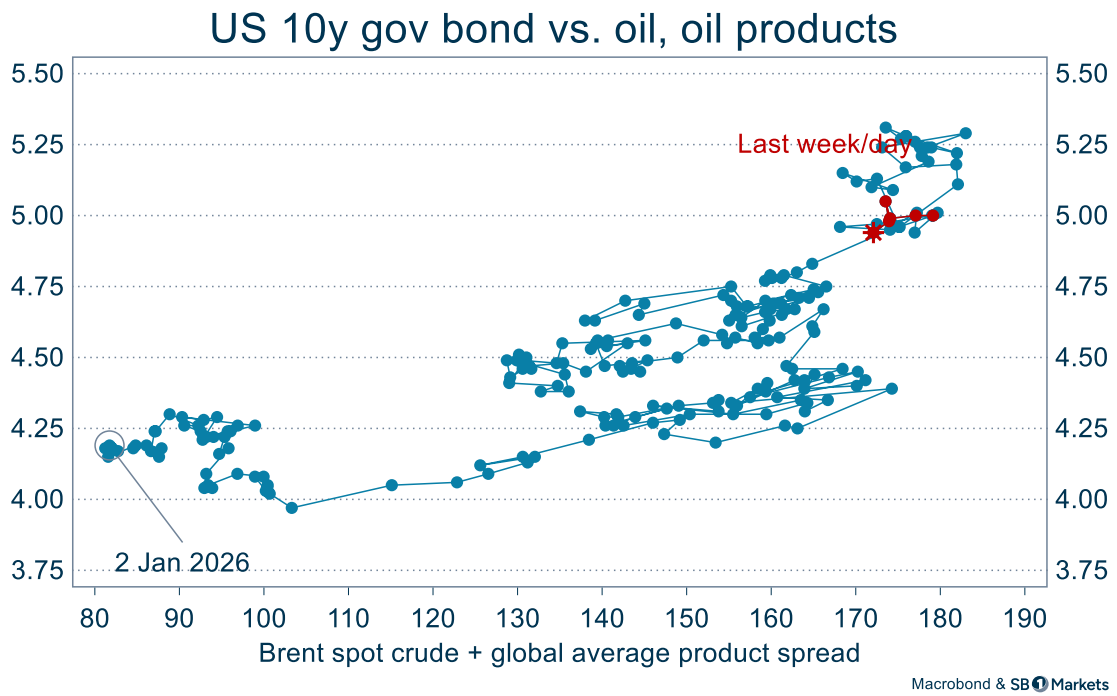




Yields vs. oil & oil products: bond yields declined without much support from oil/products

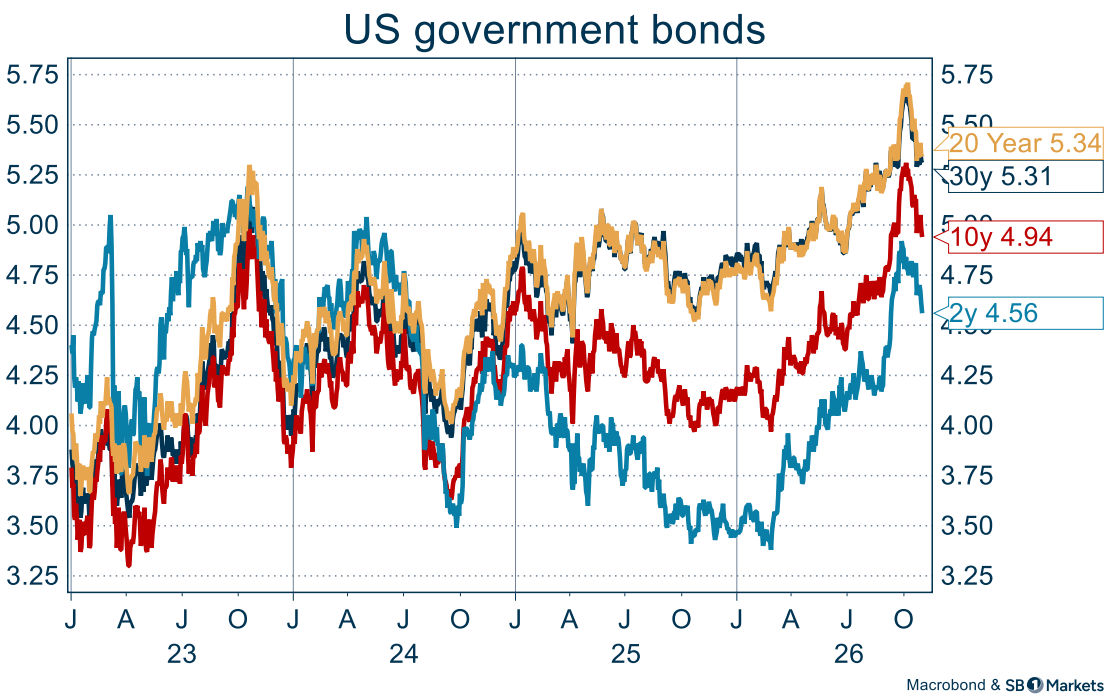
Oil product prices have fallen slightly from the peak in early October as the average crack spread has fallen more than the lift in the crude.

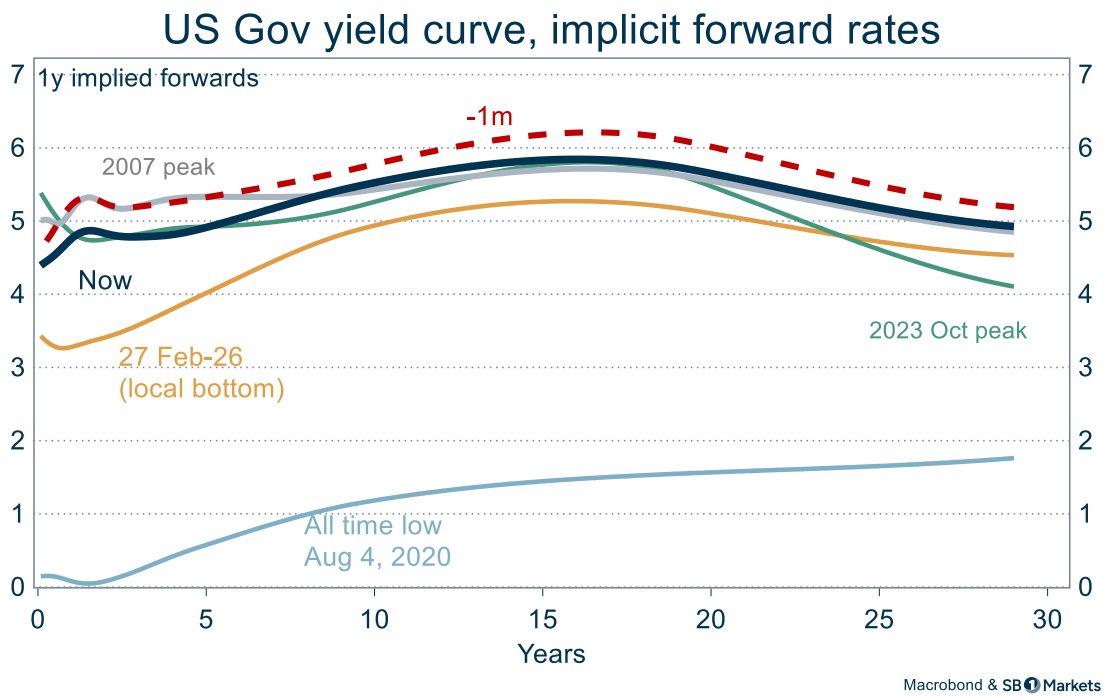




Another step down last week – which was not due to slow growth or low inflation…

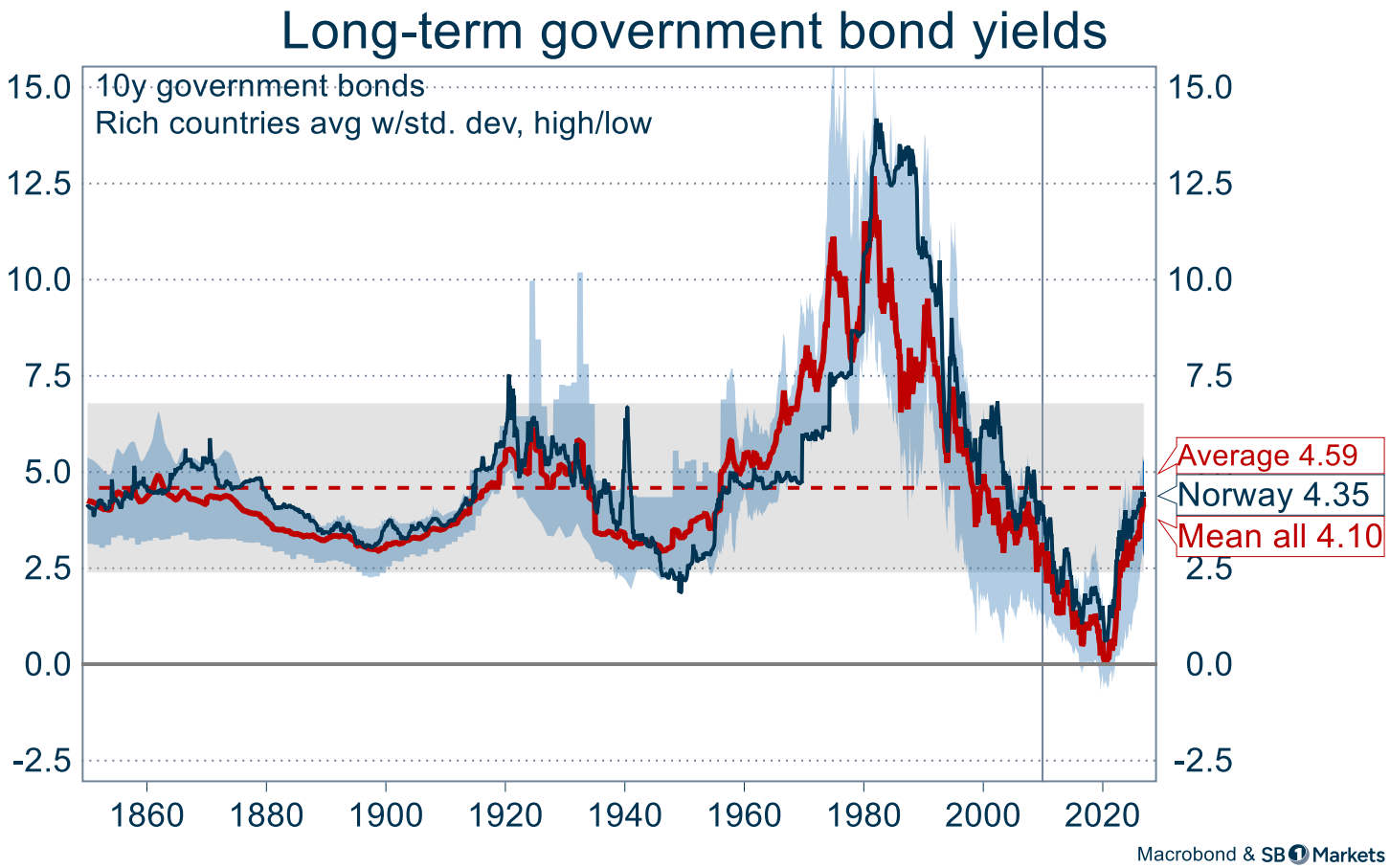
However, parts of the stock market softened…



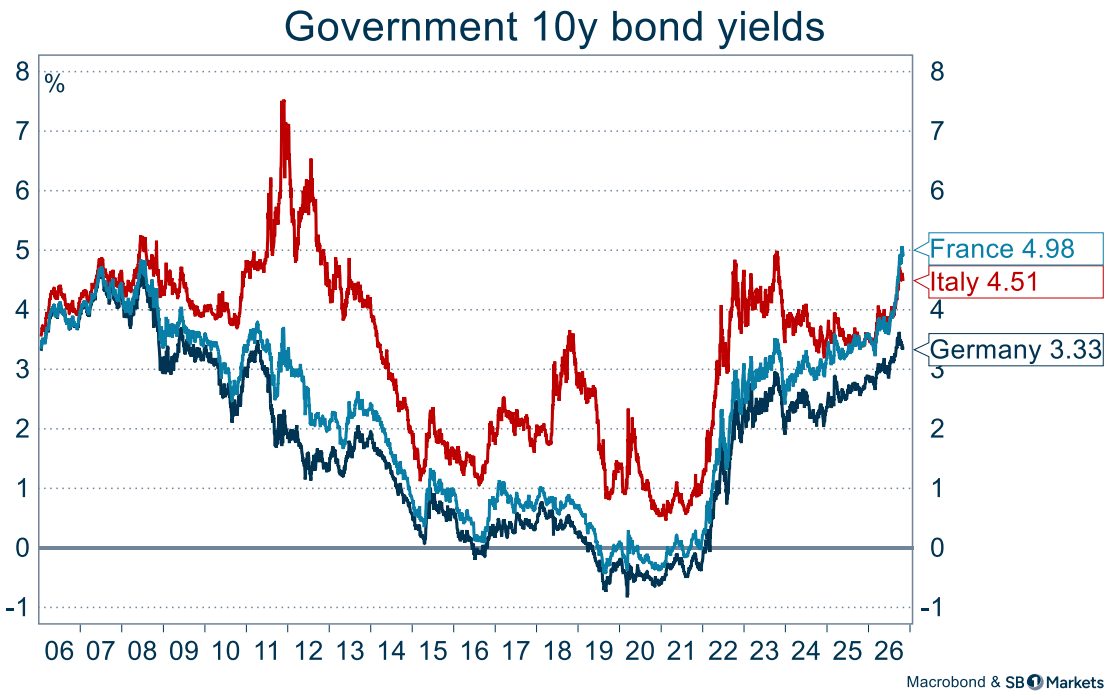


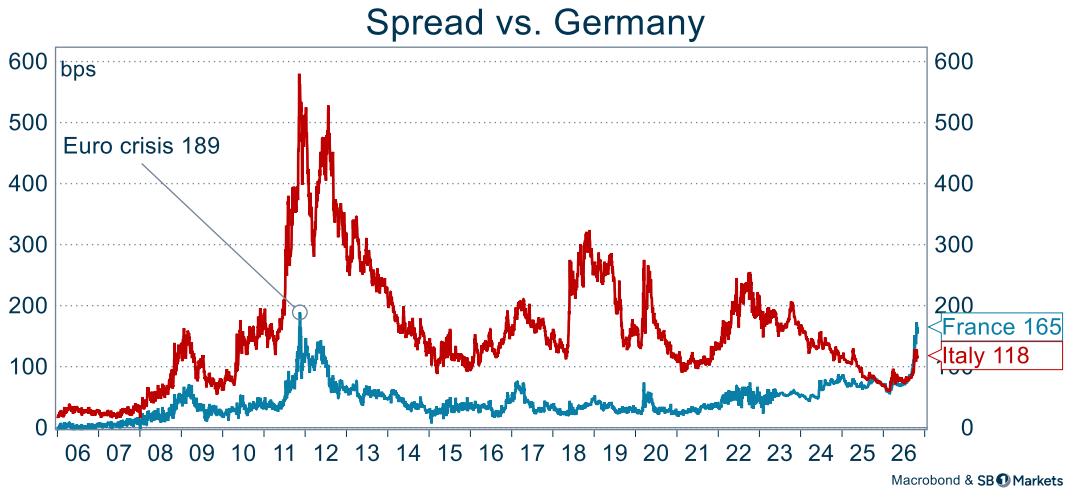
DM: Current 10y bond yields are close to a historical average

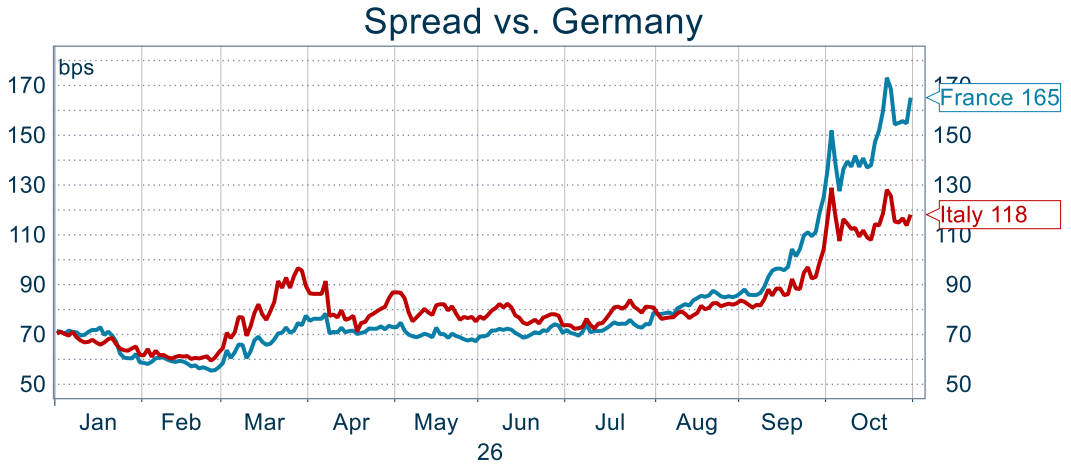
The NOK bond rate is pretty close to the average of rates abroad, as usual



The French gov. bond spread vs. Germany fell last week but remains very high



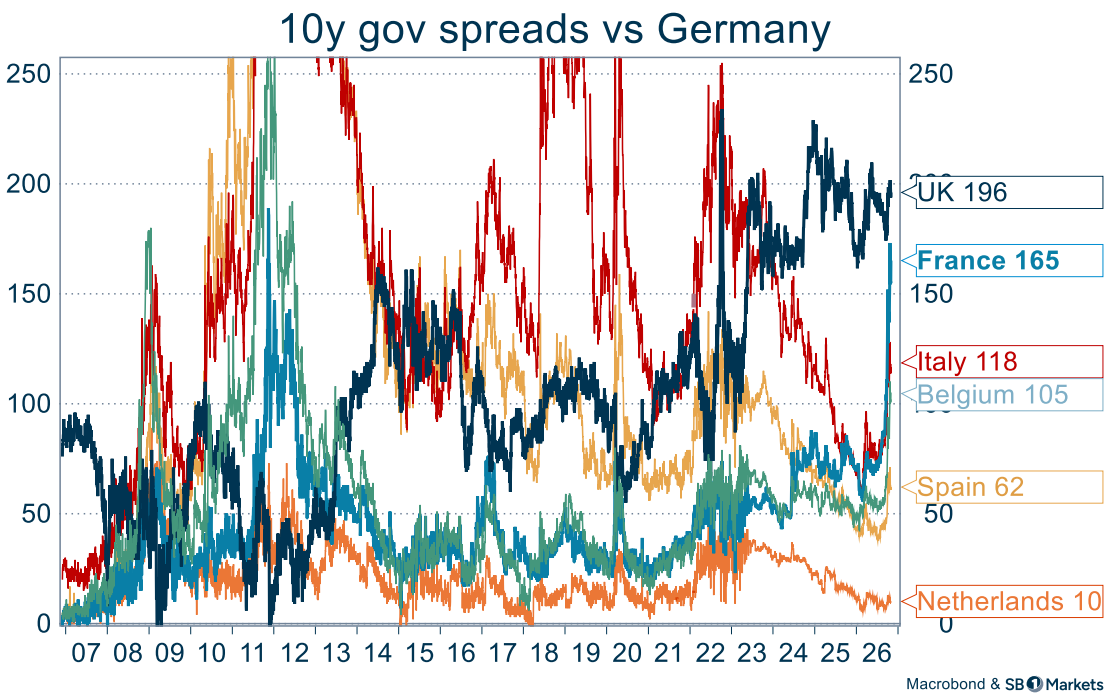


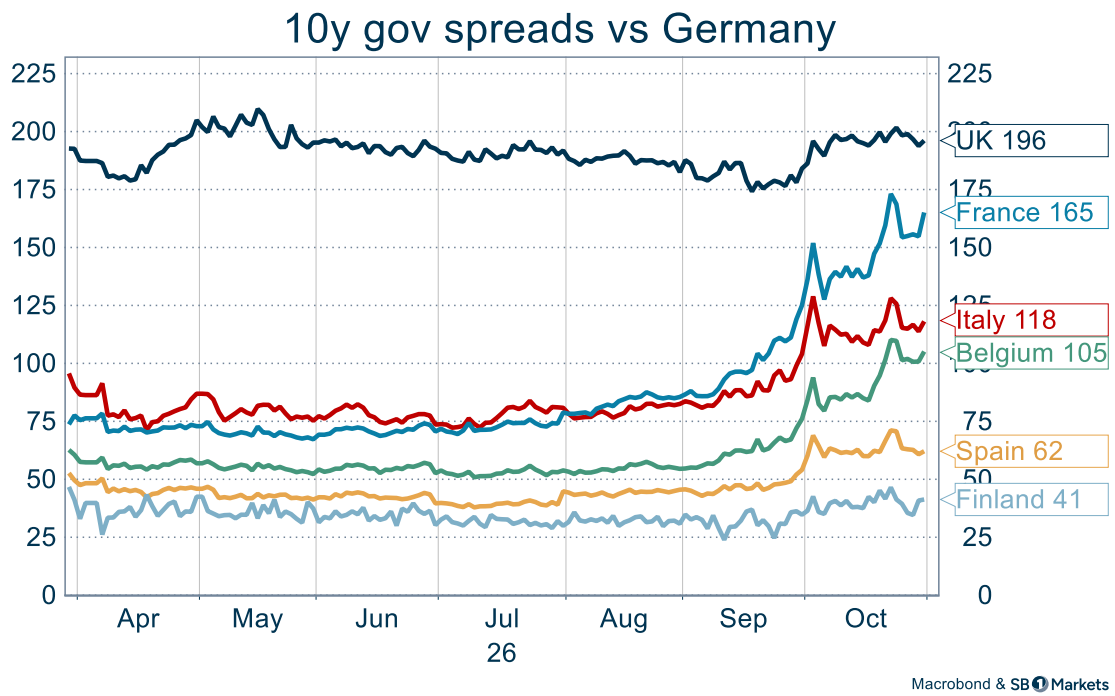


- **The spread between French and German government 10y bonds landed down 4** bps last week, to 165 bps.
- A 'normal' spread has been less than 50 bps. It widened to some 75 bps in March and has roughly doubled recently.
- The recent spread widening is more than worrying, given the fragile French public finances and a challenging political & social situation, to put it mildly.
- The **Italian spread** at 118 bps (down 8 bps last week) is not that high by Italian standards, but still well above the 70-bps level in early 2026.

The other EMU 10y sovereigns: Most spreads have risen in recent weeks – but fell last w.

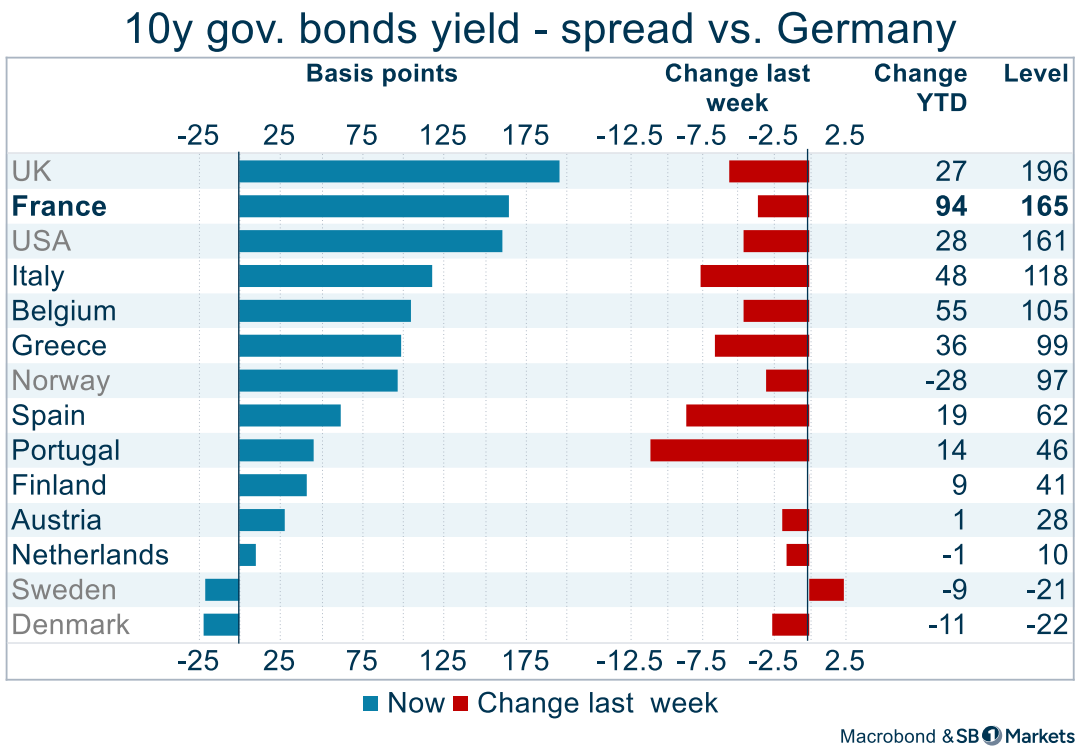
… even if spreads widened on Friday.





France: the outcast within the Euro Area

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

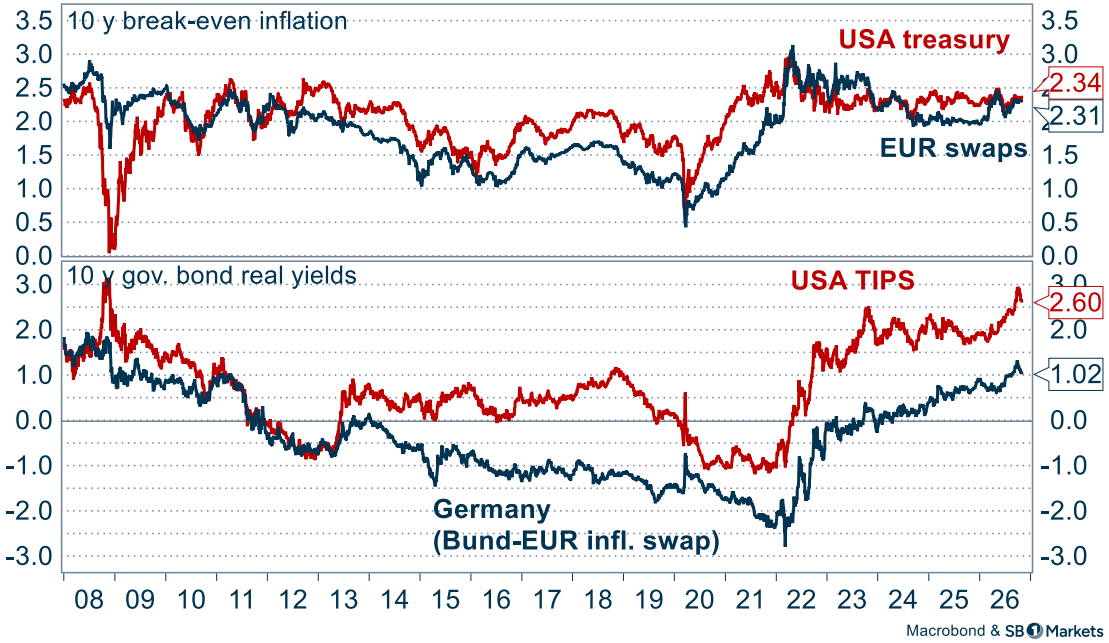


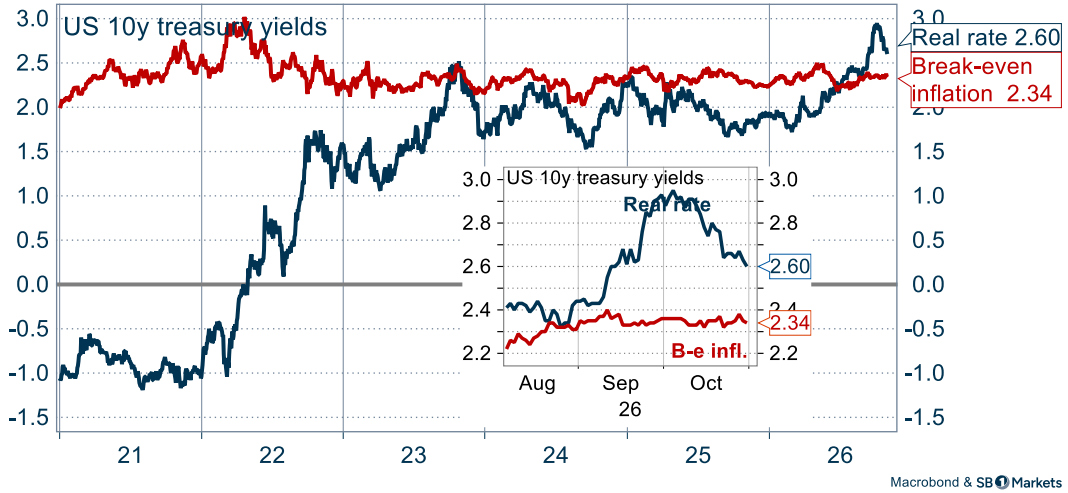
- (US, UK, Denmark, Norway and Sweden are included just as references).

Real bond yields continue downwards, by 3–6 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.

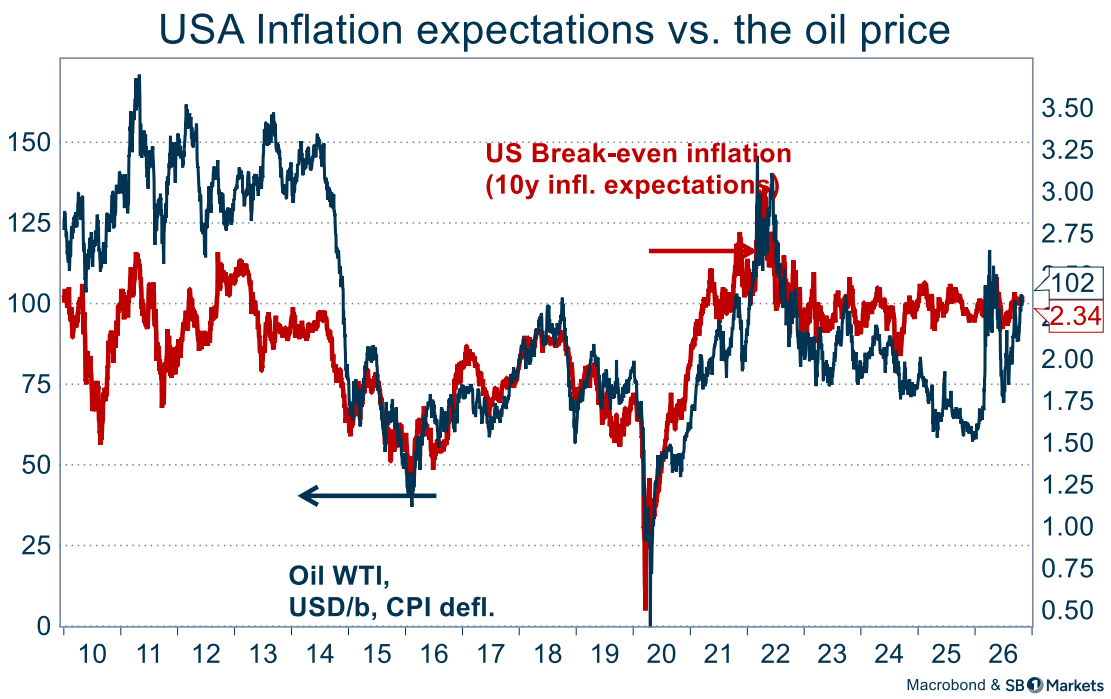
US, Germany real rates, inflation expectations

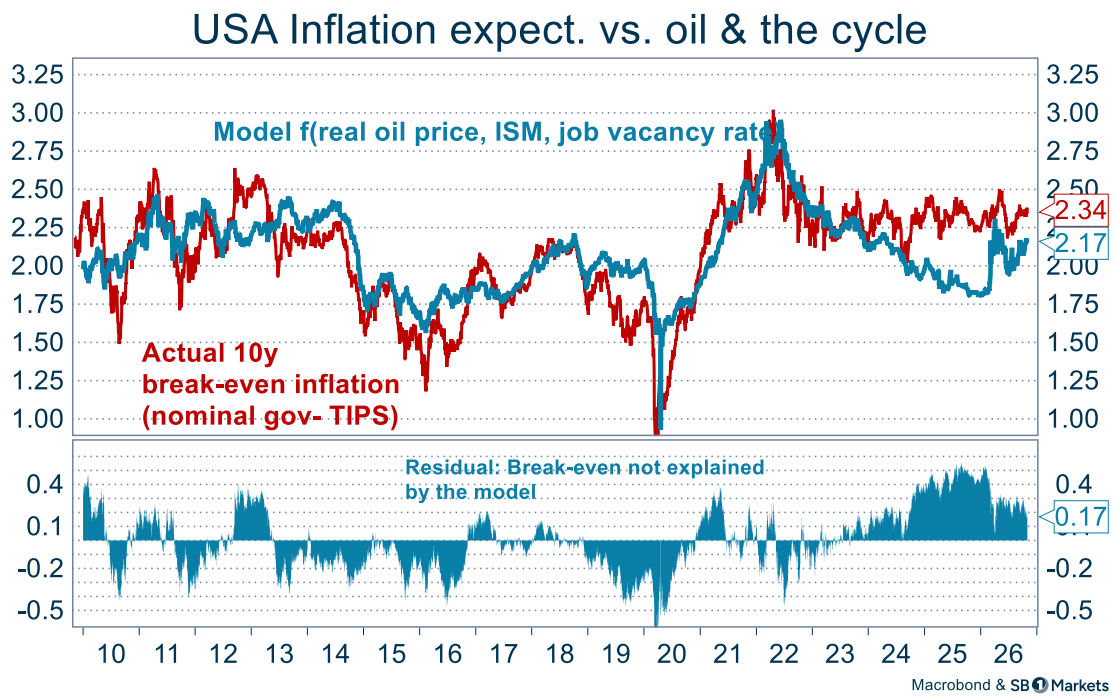
	Yield	Change 1w	Change 1m	YTD	Min since April-20
USA nominal treasury	4.94	-0.06	-0.35	0.76	0.52
.. break-even inflation	2.34	0.00	-0.02	0.09	1.06
.. TIPS real rate	2.60	-0.06	-0.33	0.67	-1.19
Germany 10y gov, bund	3.33	-0.01	-0.24	0.48	-0.65
.. 10y EUR inflation swap	2.31	0.01	0.02	0.36	0.68
.. real rate	1.02	-0.03	-0.26	0.13	-2.79

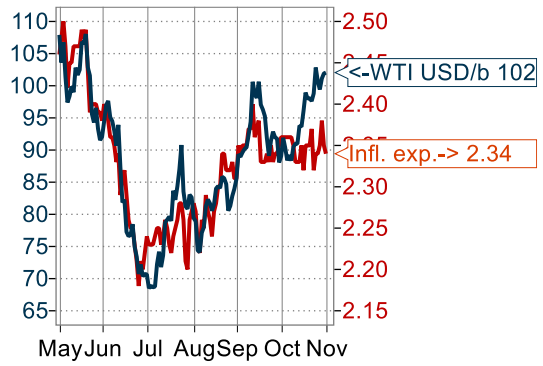
Macrobond & SB1 Markets

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.



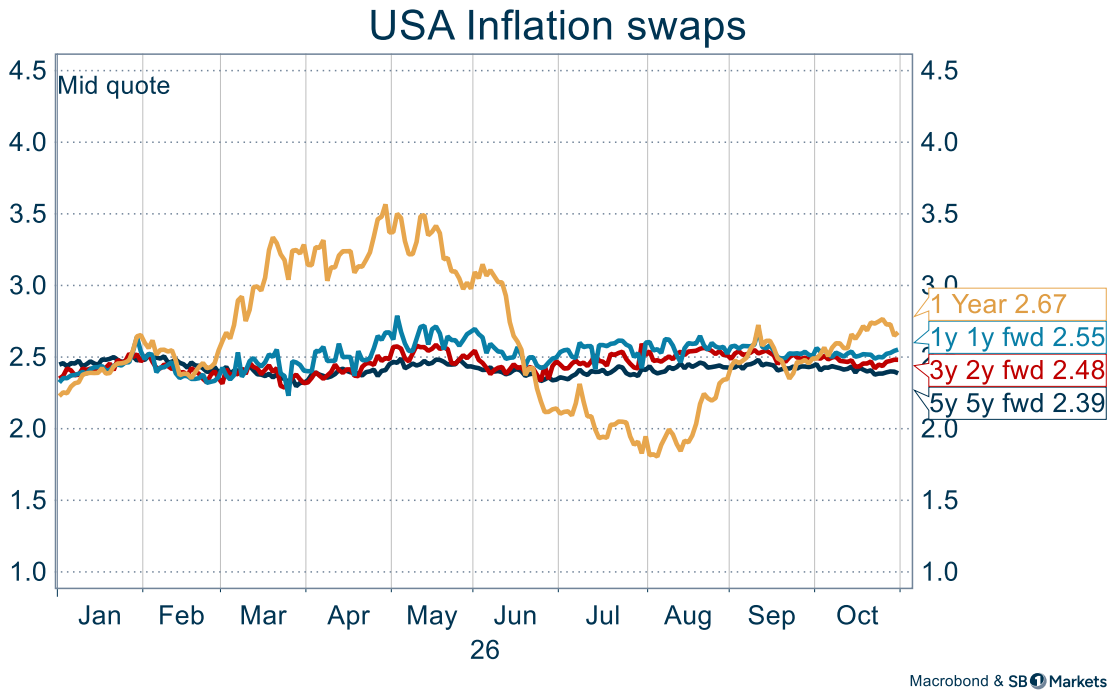


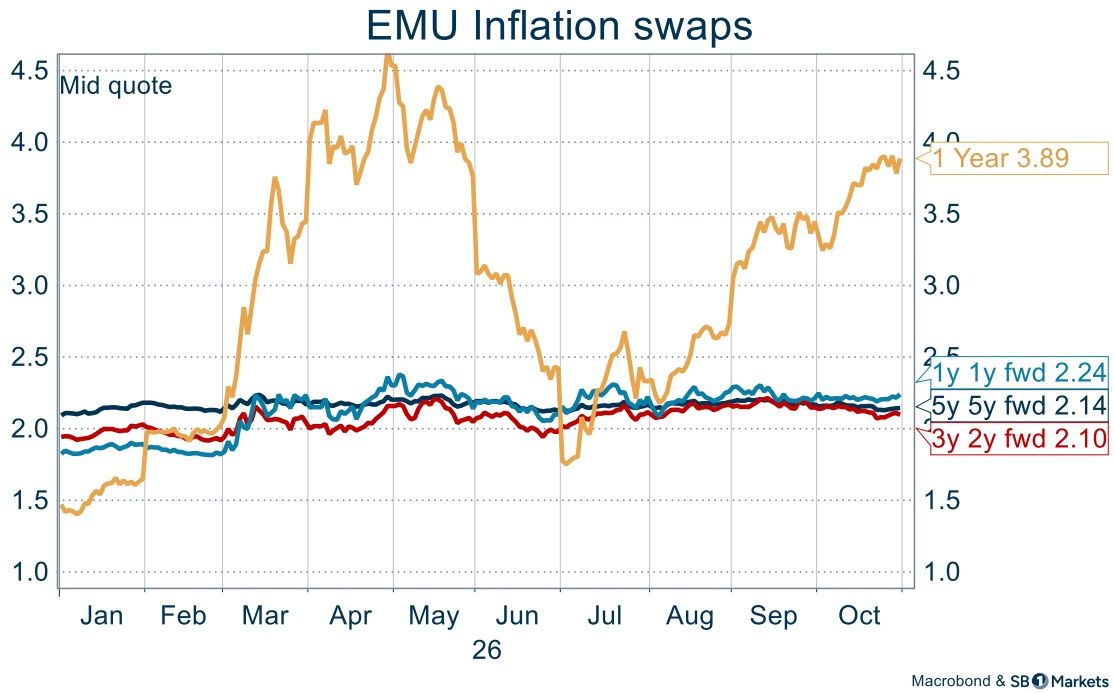


- The main determinant of **long-term inflation expectations** has been the current **spot (!) oil price**. If the current ISM and the current labour market are added, the model works even better.
- Our model's coefficients:
  - USD -10/b: -10 bps (the dominant factor, check the upper left chart).
  - -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 at a moderate level, and fell last week. The mid-segment rose slightly, but is not far above the Fed's 2% inflation target.

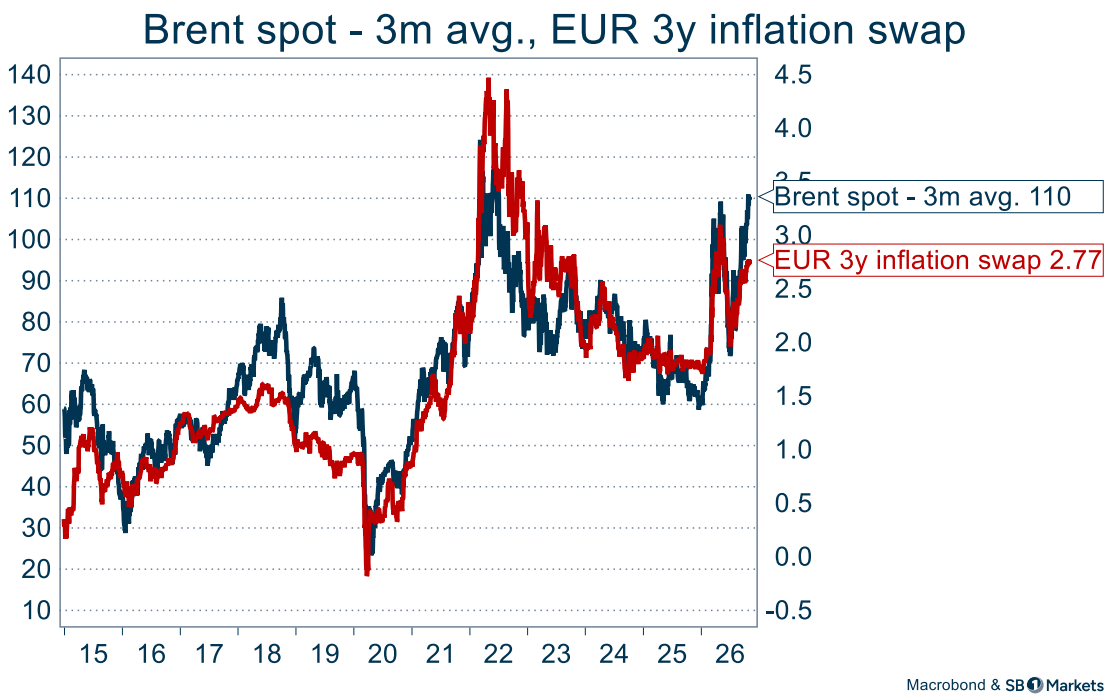


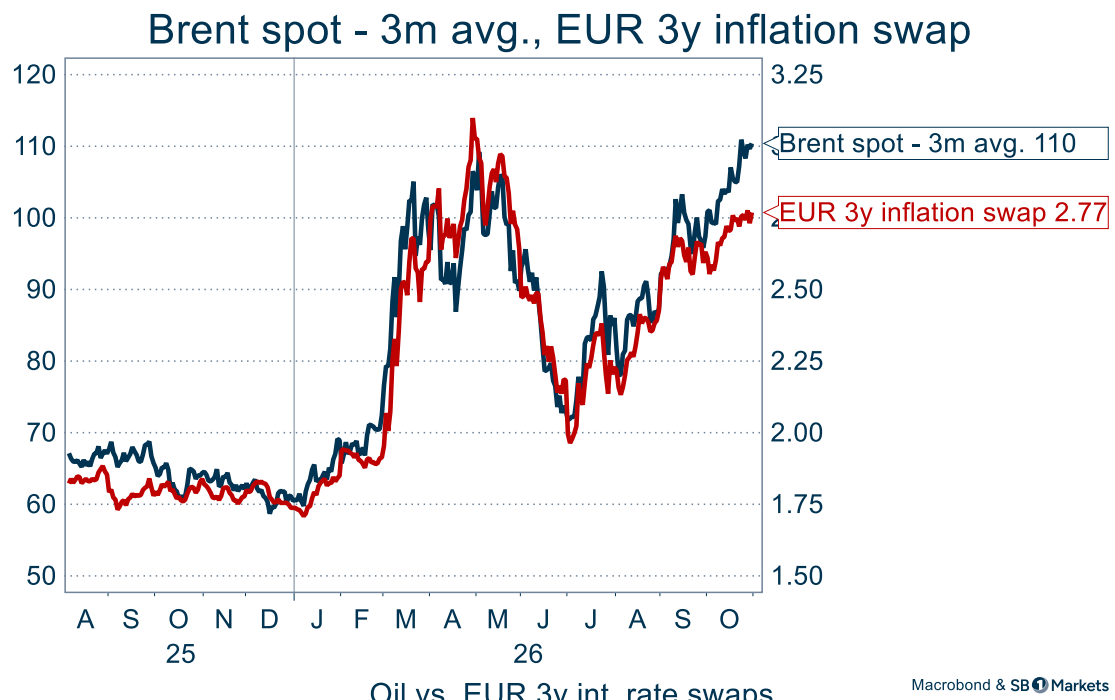


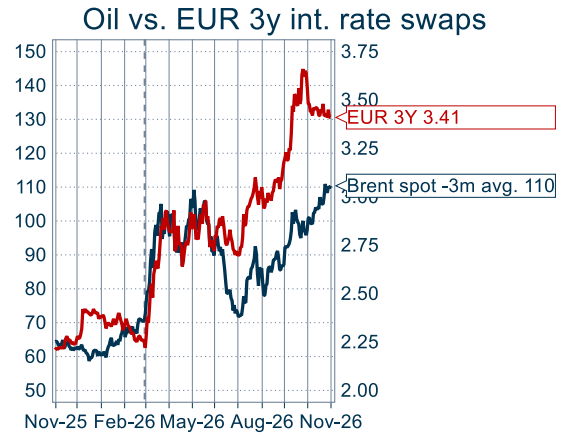
The 1y EUR inflation swap is heavily impacted by the base effect in the y/y HICP inflation rate. Thus, around the change in the front month, the 1y expected inflation rate may shift substantially (check Jan/Feb and then May/June and June/July in the chart above to the right). Further out on the inflation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

EUR short-term inflation expectations did not 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).

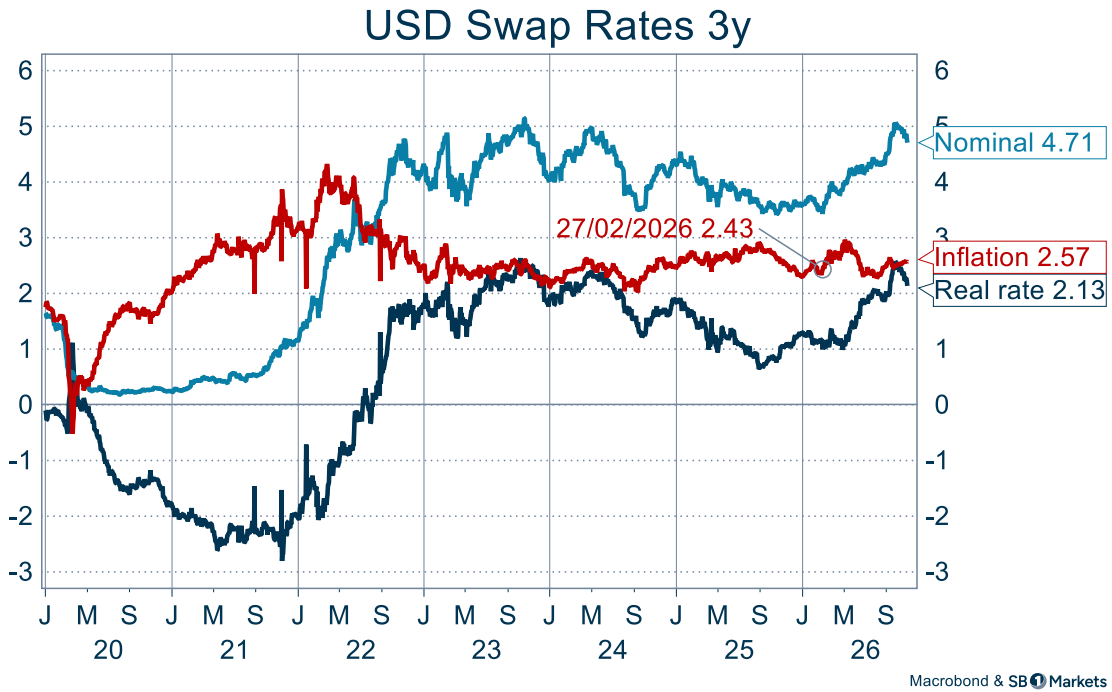


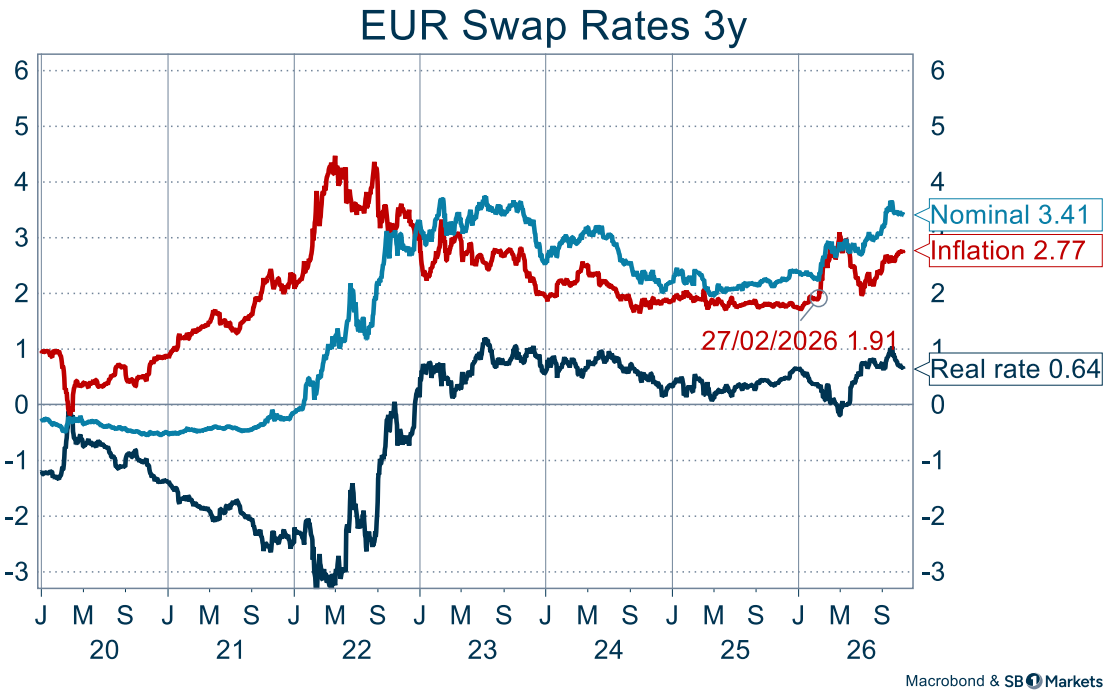


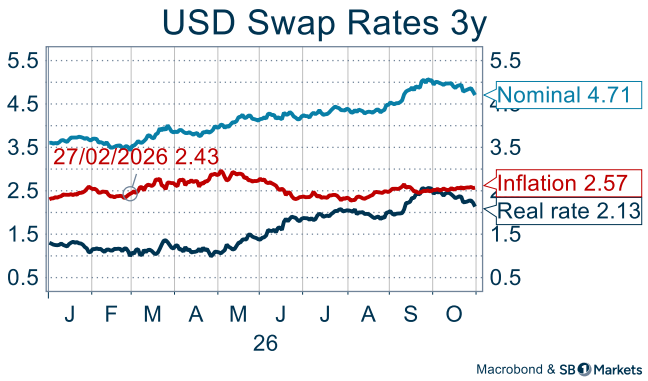


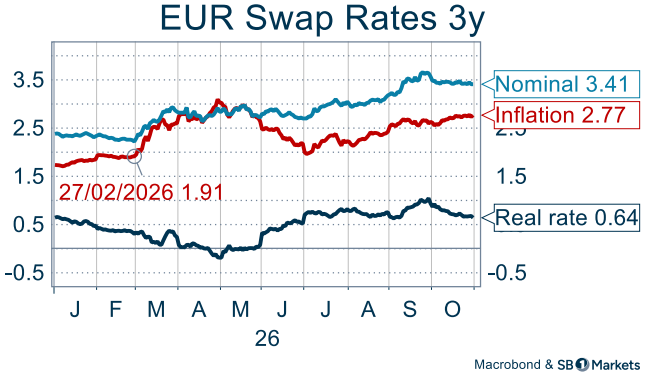
EUR short-term inflation expect. trend up (due to the 1st year), real rates fell in October

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.



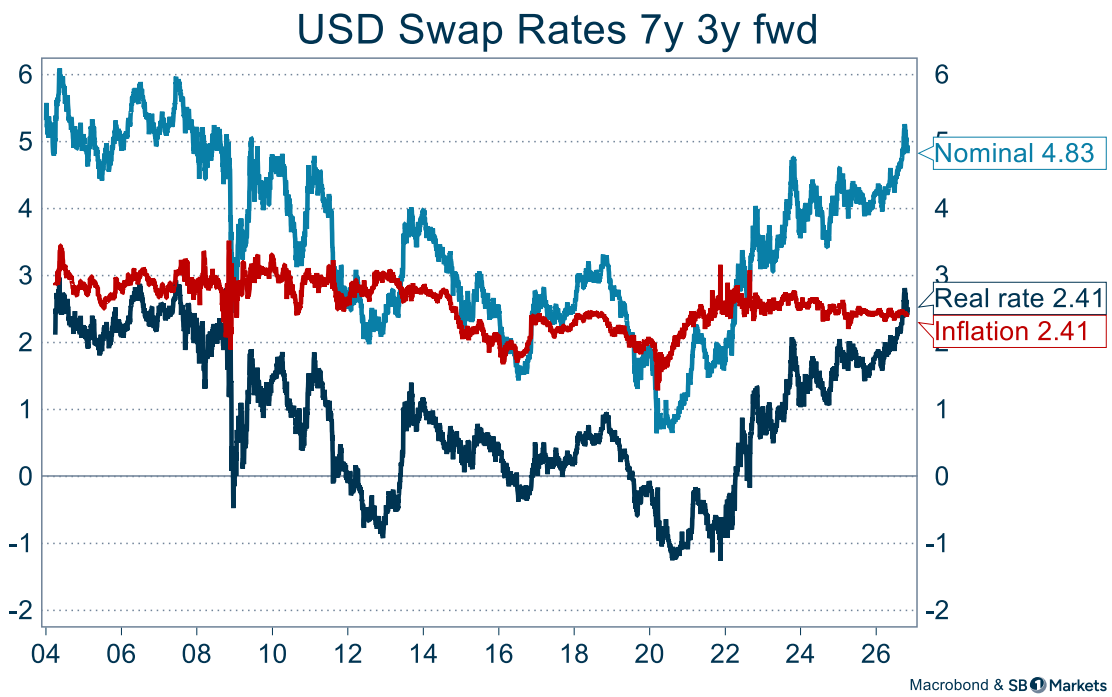


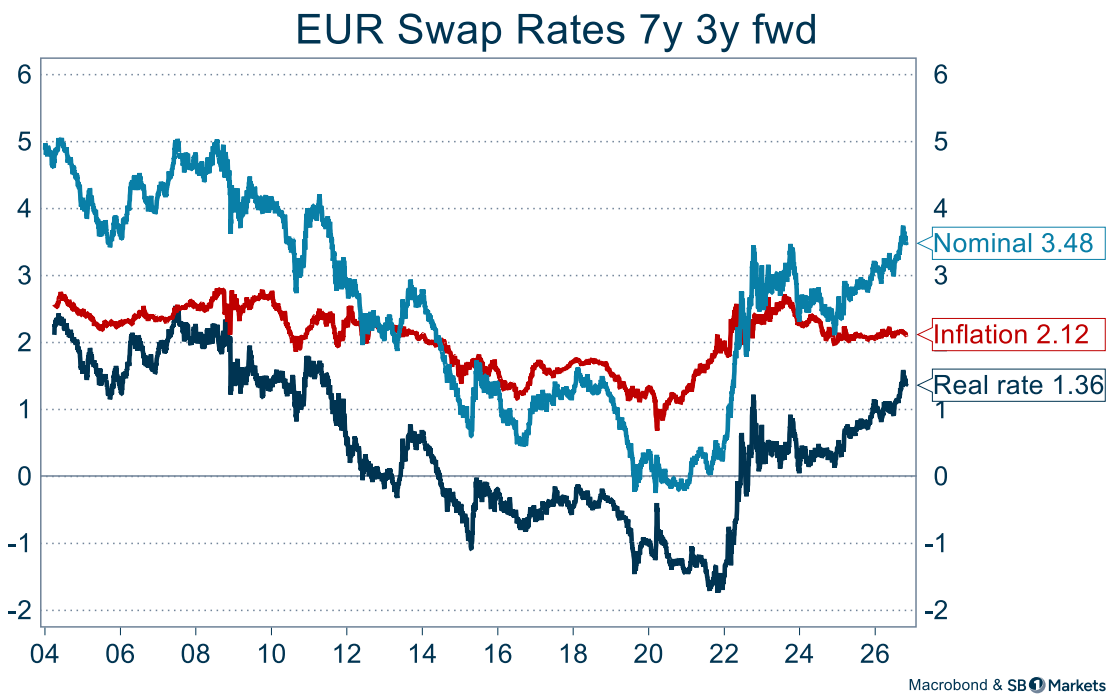


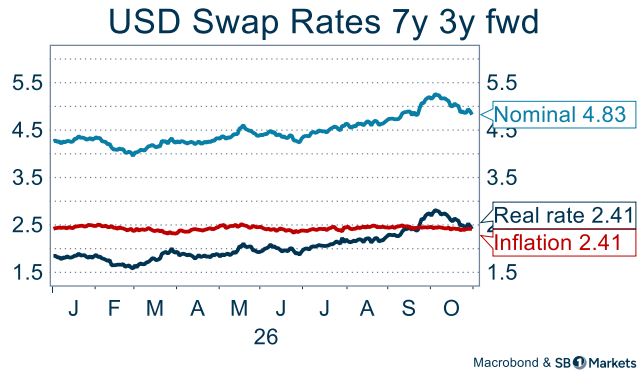


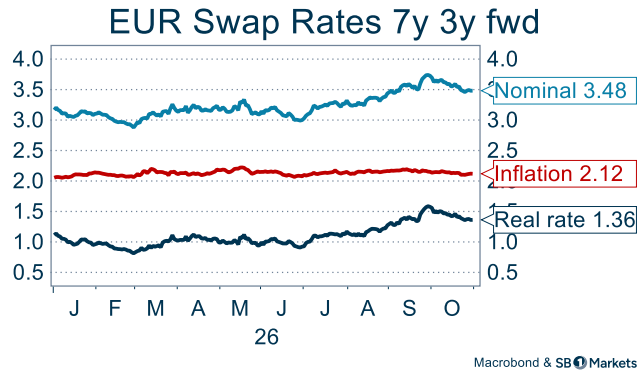
Longer-term real rates declined last week too, in both USD and EUR

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



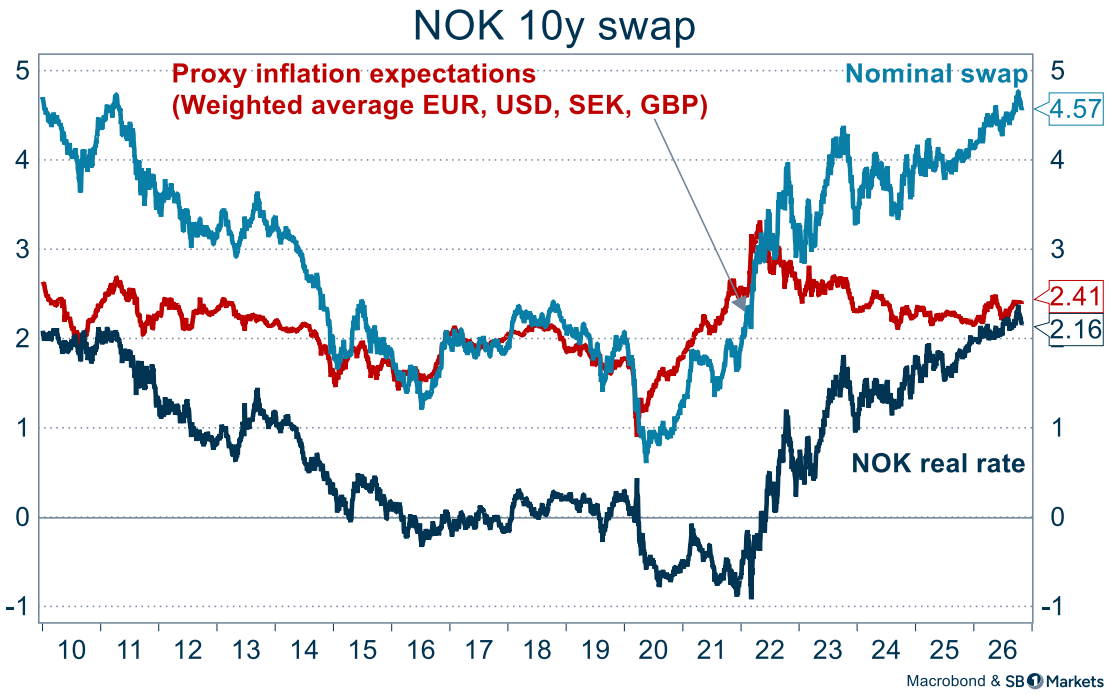


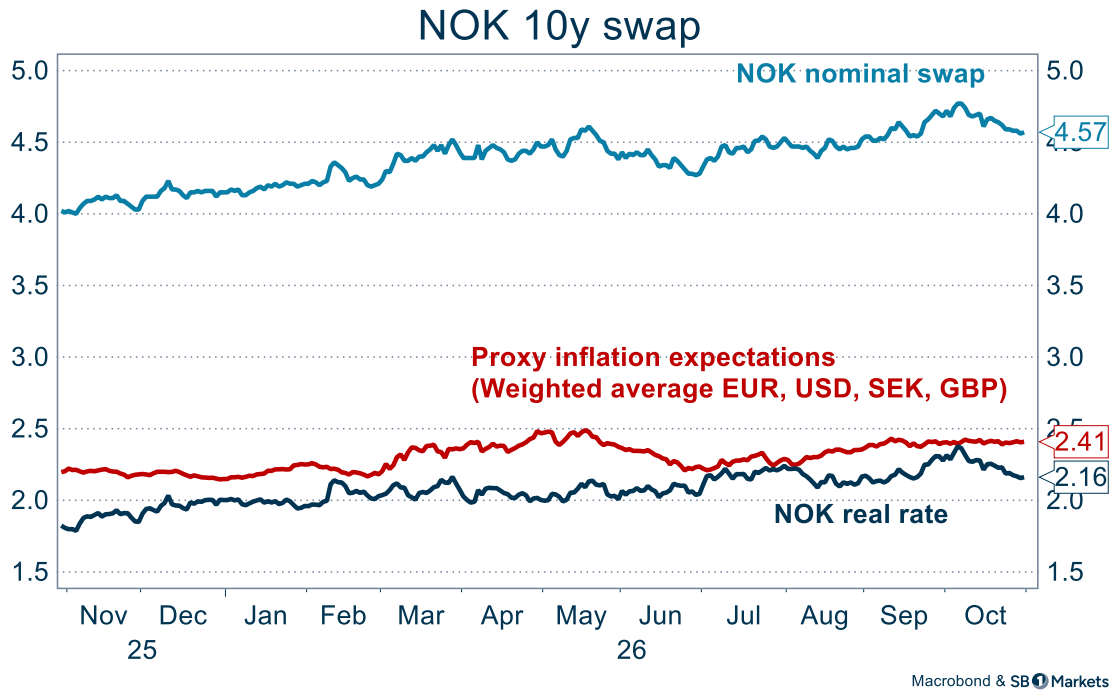




The 10-year NOK real rate (probably) declined last week too, but remains above 2%

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

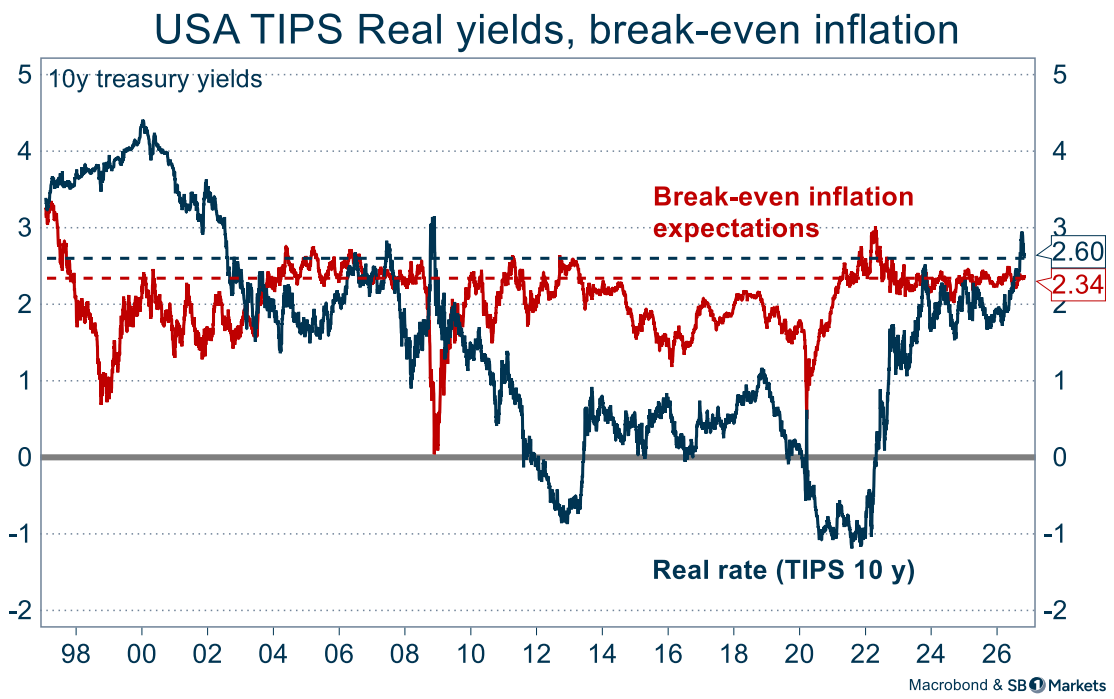


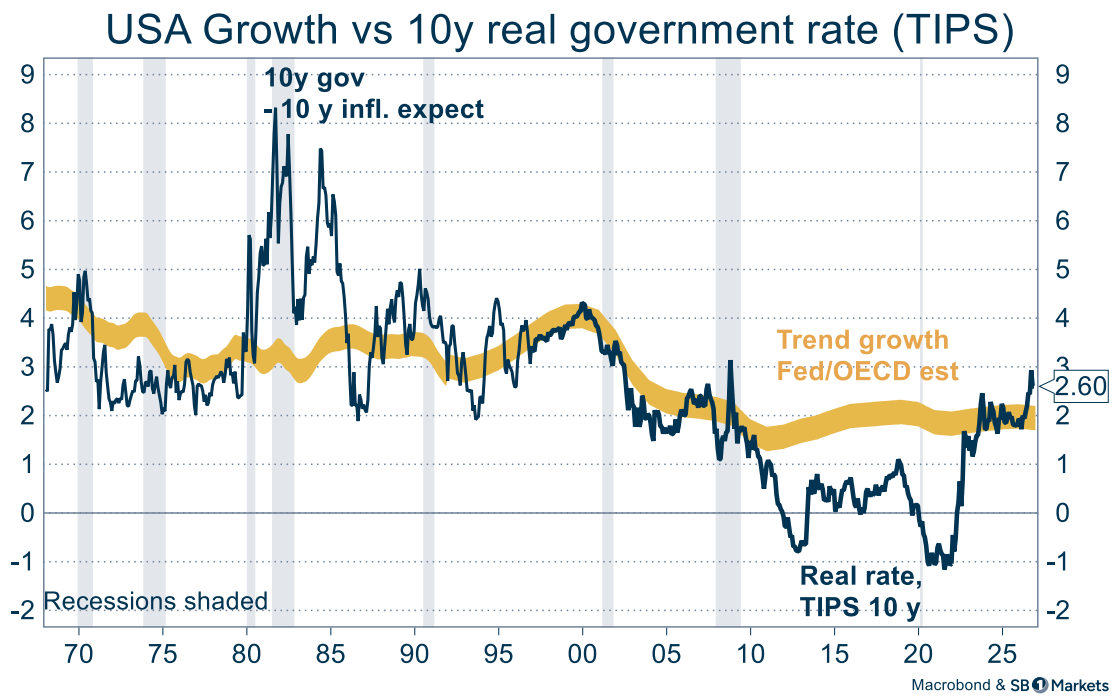


Memo: Our NOK inflation expectations proxy is a weighted average of EUR, SEK, GBP and USD inflation swaps, cross-checked vs. historical inflation differentials and survey-based expectations. The impact of NOK depreciation is not included in the calculation.

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

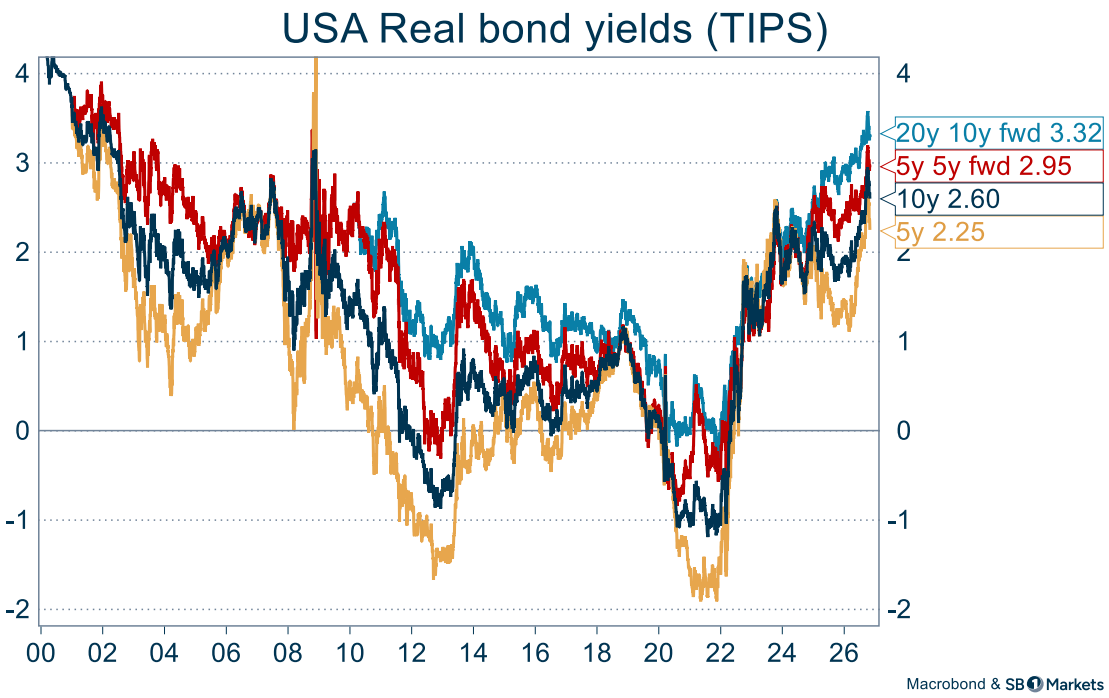
We have said: “*We would NOT bet on a substantial lift from here, unless a ‘Truss moment’ comes along – or there are strong indications that long-term growth will accelerate significantly (e.g. from AI). In an economic downturn: lower long-term real rates are likely*”. No change this week.

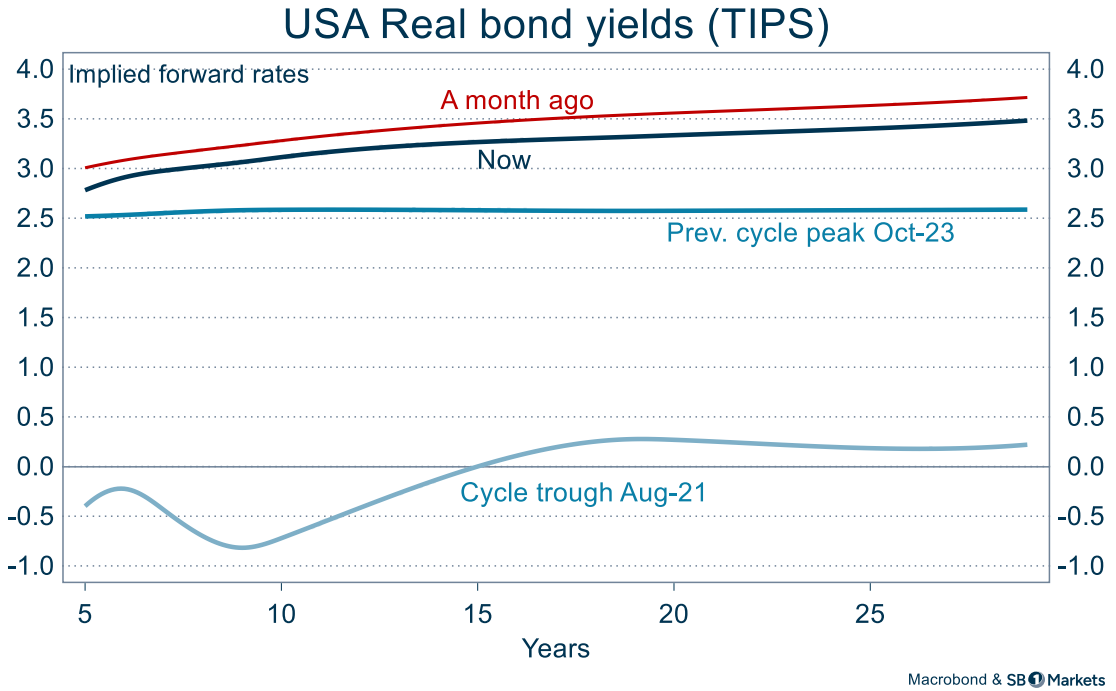


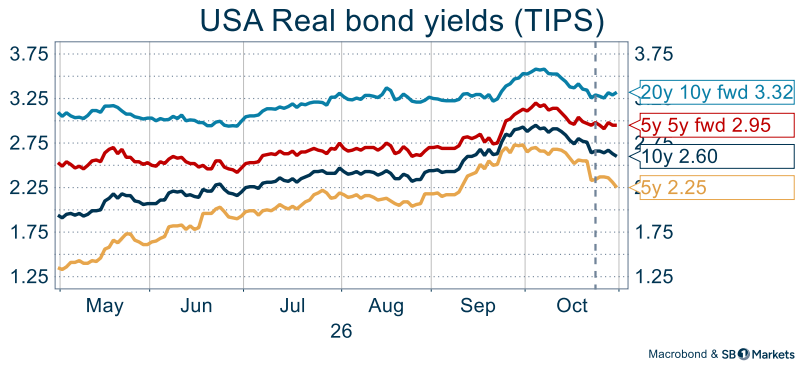


TIPS real yield curve: the September/early October hike is reversed in the long end

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

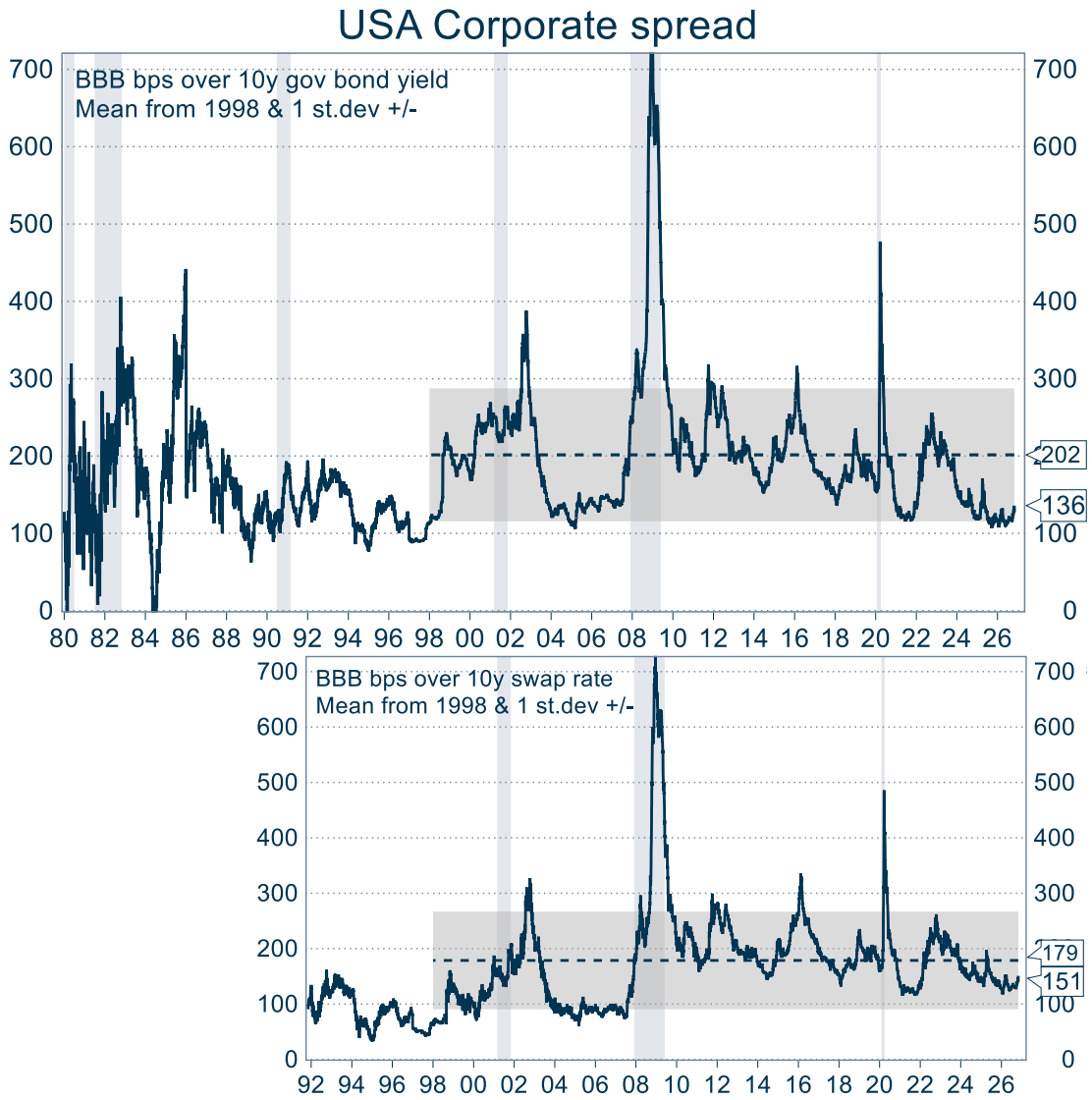






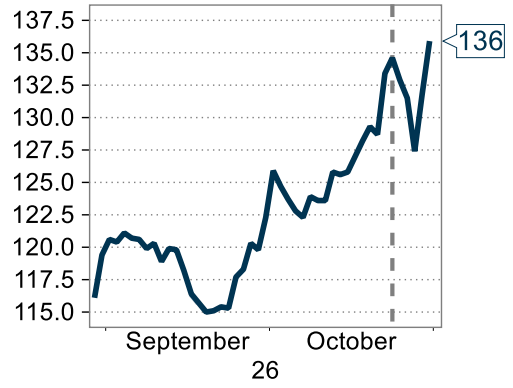
The US BBB corporate spread (vs. 10y gov.) up 1 bp to 136 bps – and *the trend is up*

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



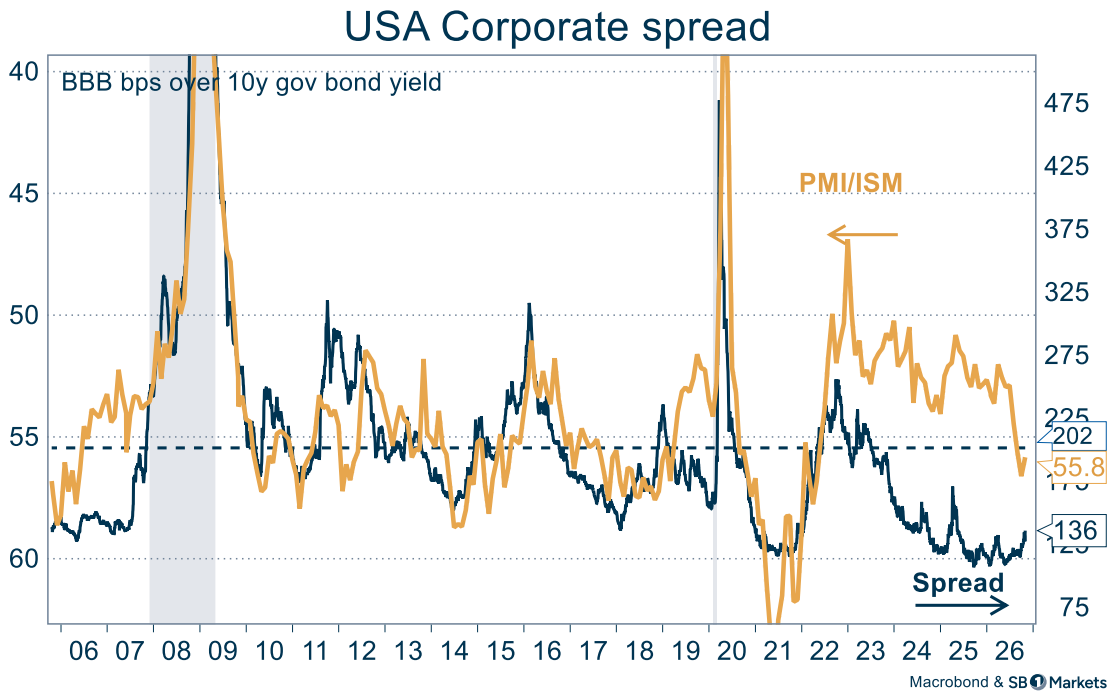


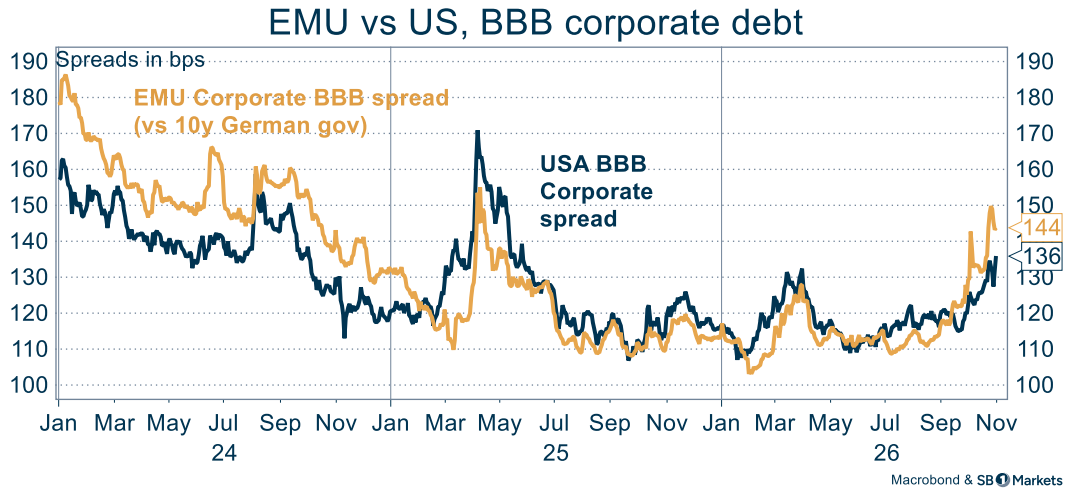
Macrobond & SB Markets

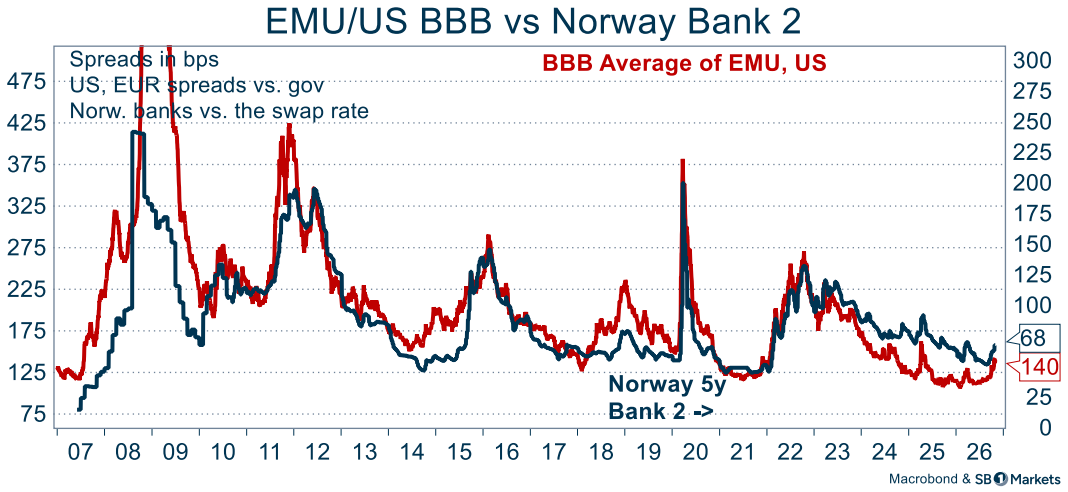


As the economy strengthened over the summer, spreads widened in both US and EMU

Some AI fears may have contributed lately. 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).)



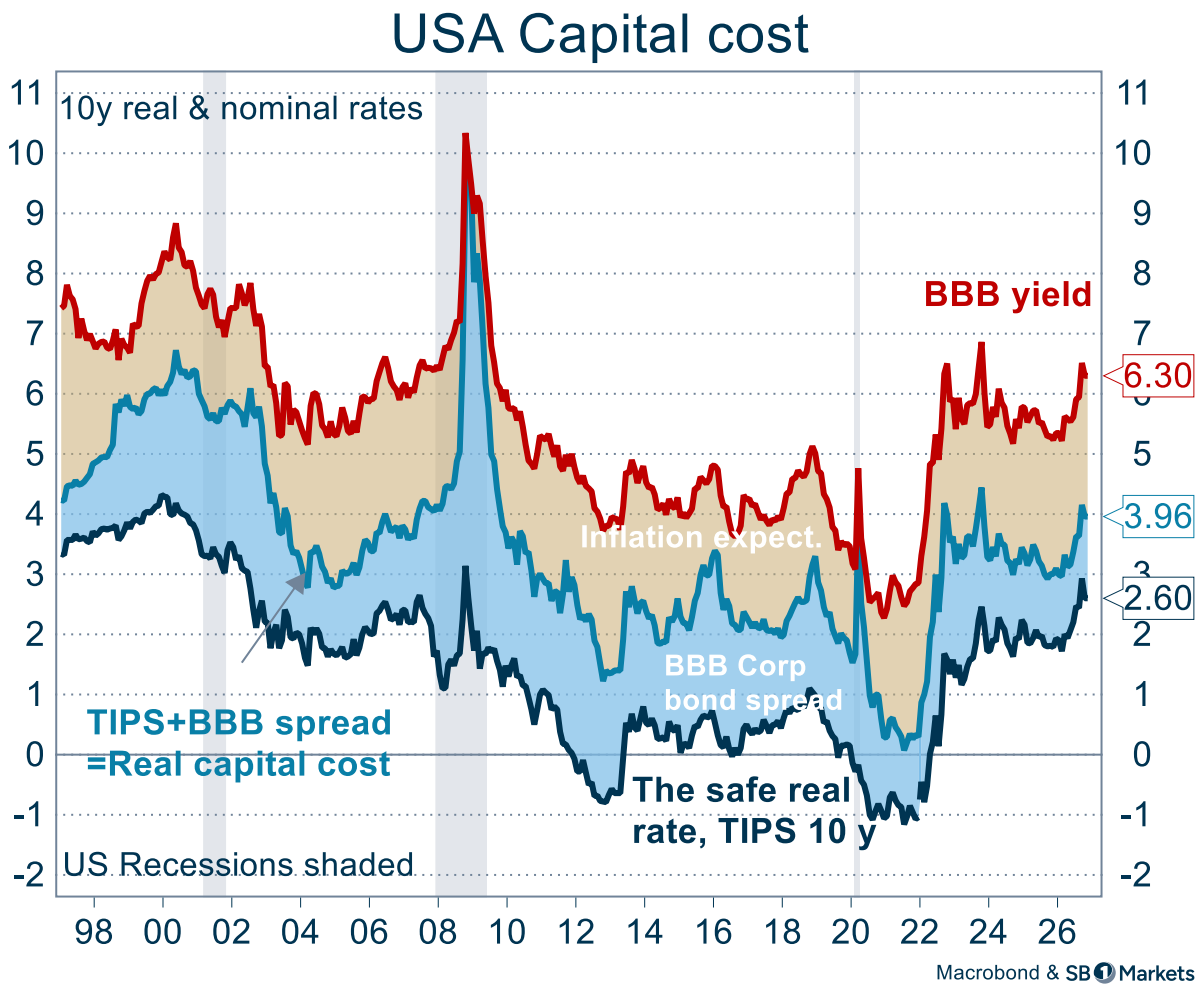




- The main Norwegian bank bond spread (bank 2, 5y senior) widened by 5 bp to 67.5 bps last week, up from 51.5 bps at the bottom in late August. This lift is visible, check the chart to the right.

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

… and a lift in the corporate spread since. In recent weeks, the 10y TIPS real rate has fallen, while the spread has widened further. In sum, a small decline.



- The total **real borrowing cost** for a US BBB investment-grade industrial corporation fell 5 bps to 3.96% last week as the 10y TIPS real rate declined 6 but the corporate bond spread widened by 1 bp.
- Adding in inflation expectations, the nominal borrowing cost fell slightly to 6.30%, still up 90 bps from February

SB 1 Markets

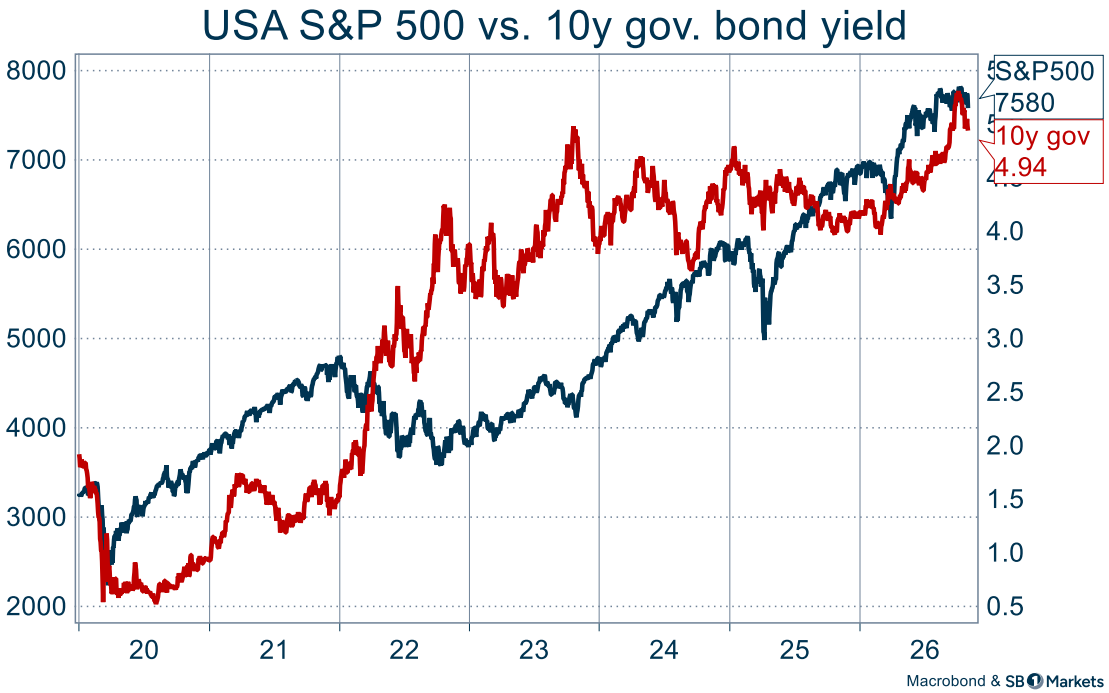


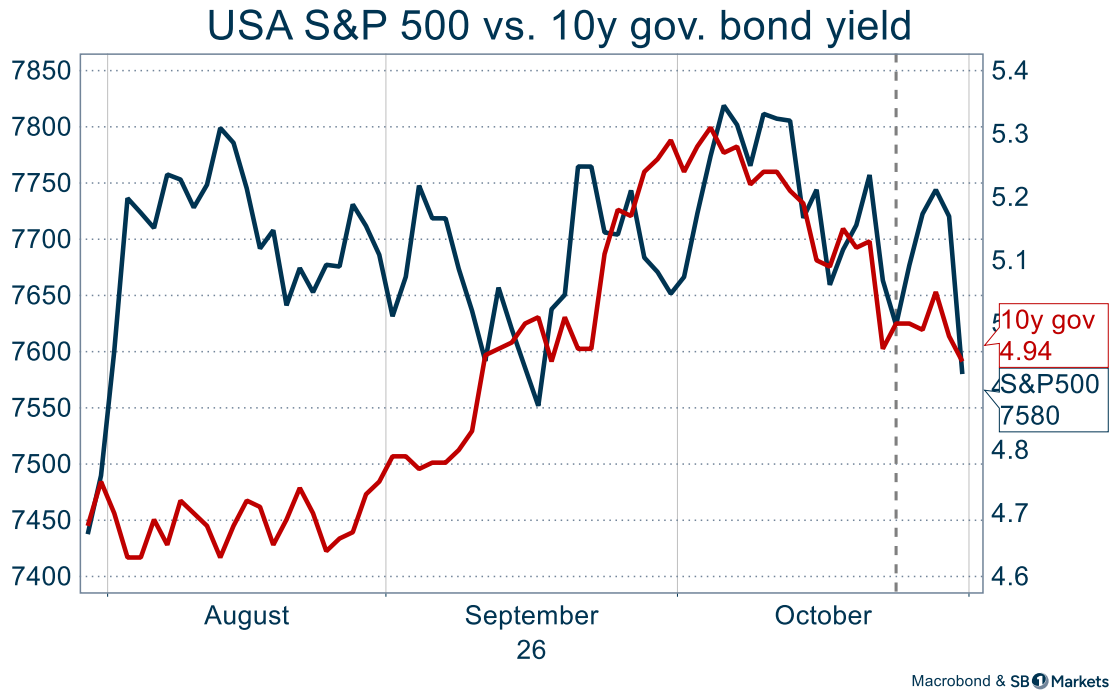
4.3 Equity markets

*Picture source: ChatGPT

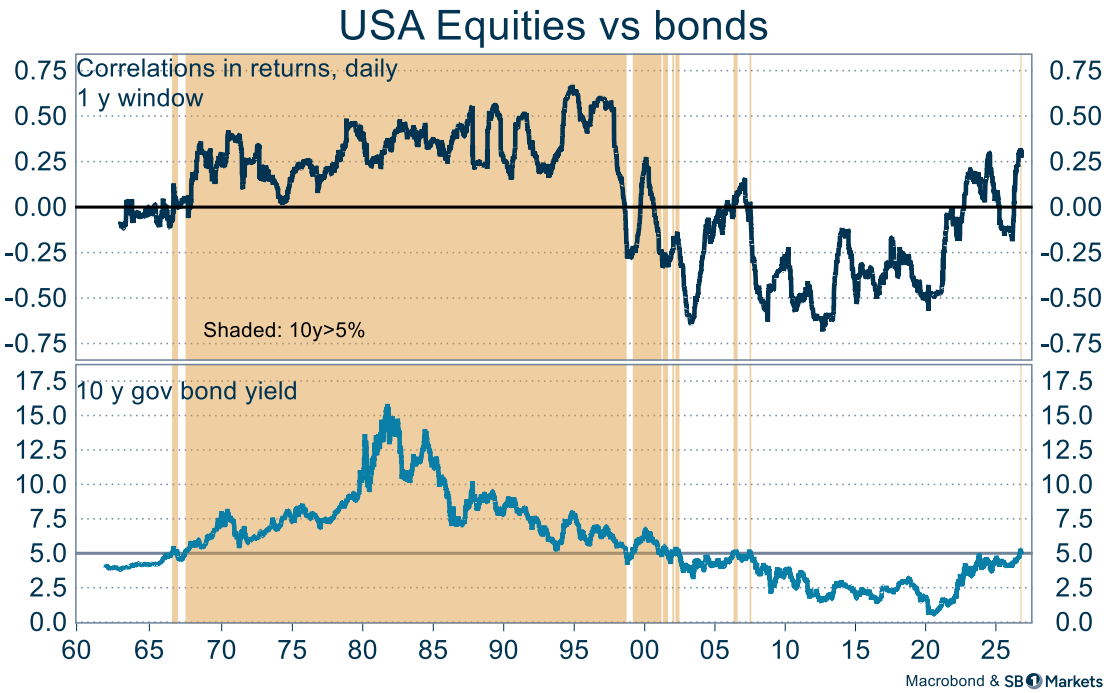
US equities and bond yields fell further last week

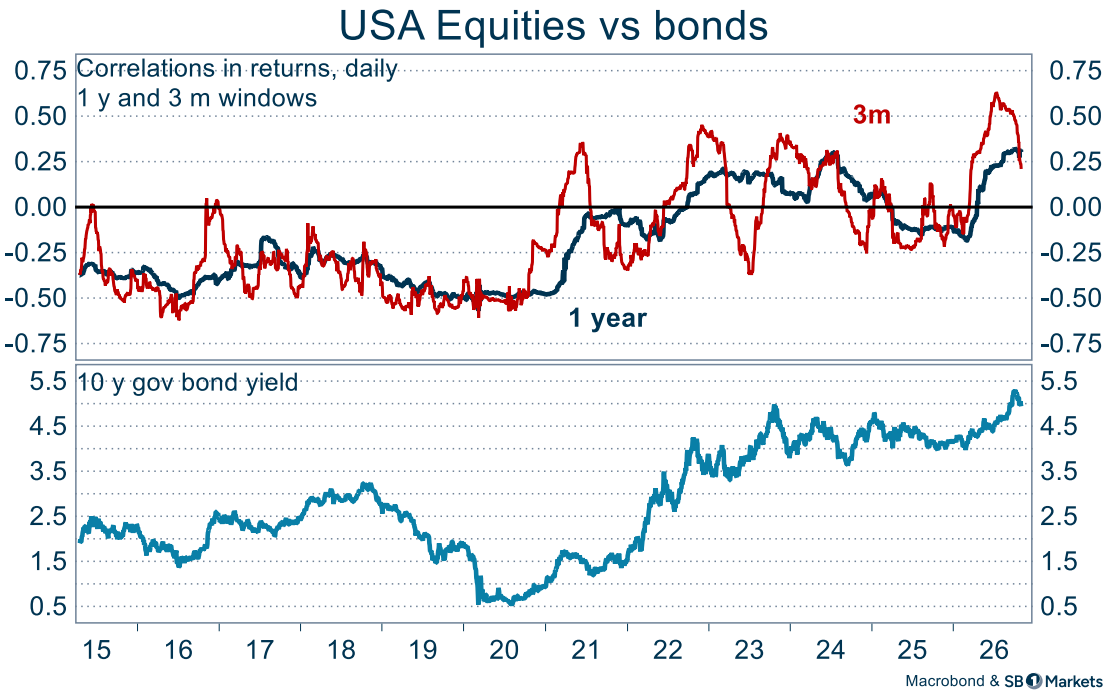
However, the S&P lost just 0.6% (and Nasdaq 2.0%) as investors mostly rotated out of AI-related stocks. The 10y bond yield fell 6 bps to 4.94%.





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

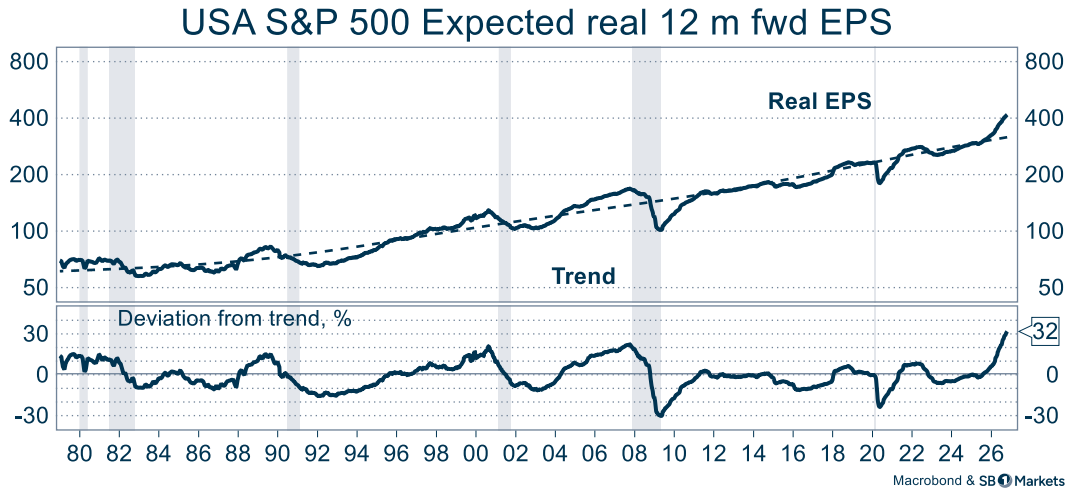


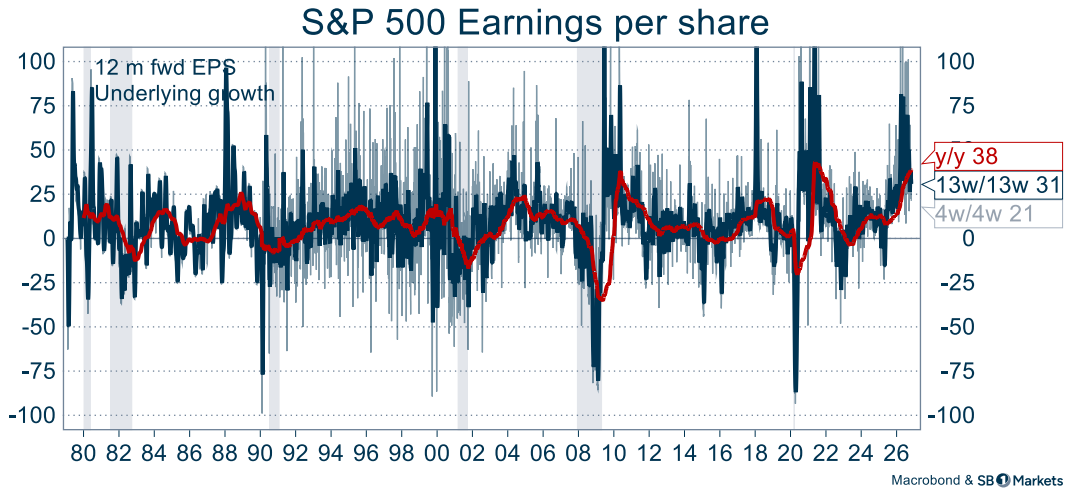


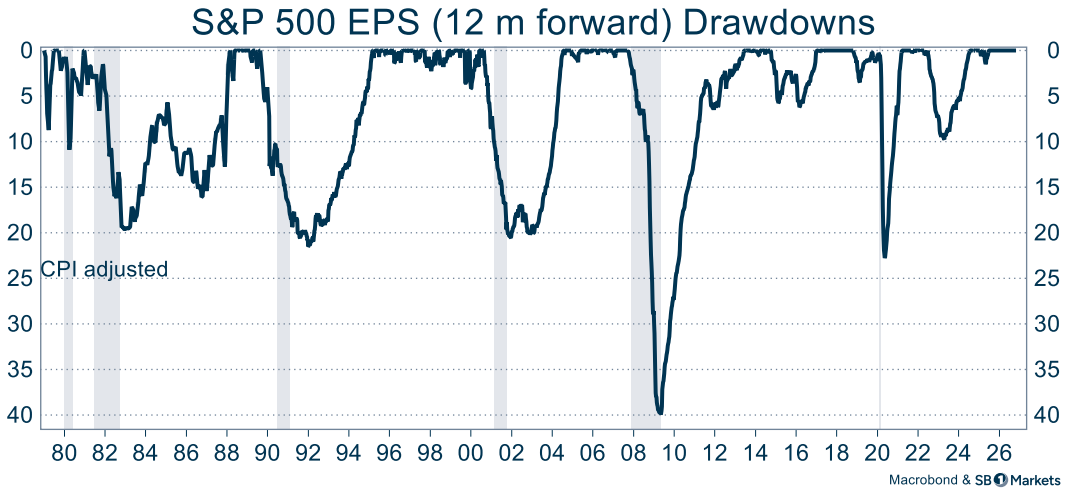
- **Inflation worries** normally lift government bond yields to a 'high' level and are normally not positive for equities: thus, ***a positive correlation*** (in returns).
- **Growth worries produce the *opposite (negative) correlation in returns***: lower yields and a weaker equity market, which we 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

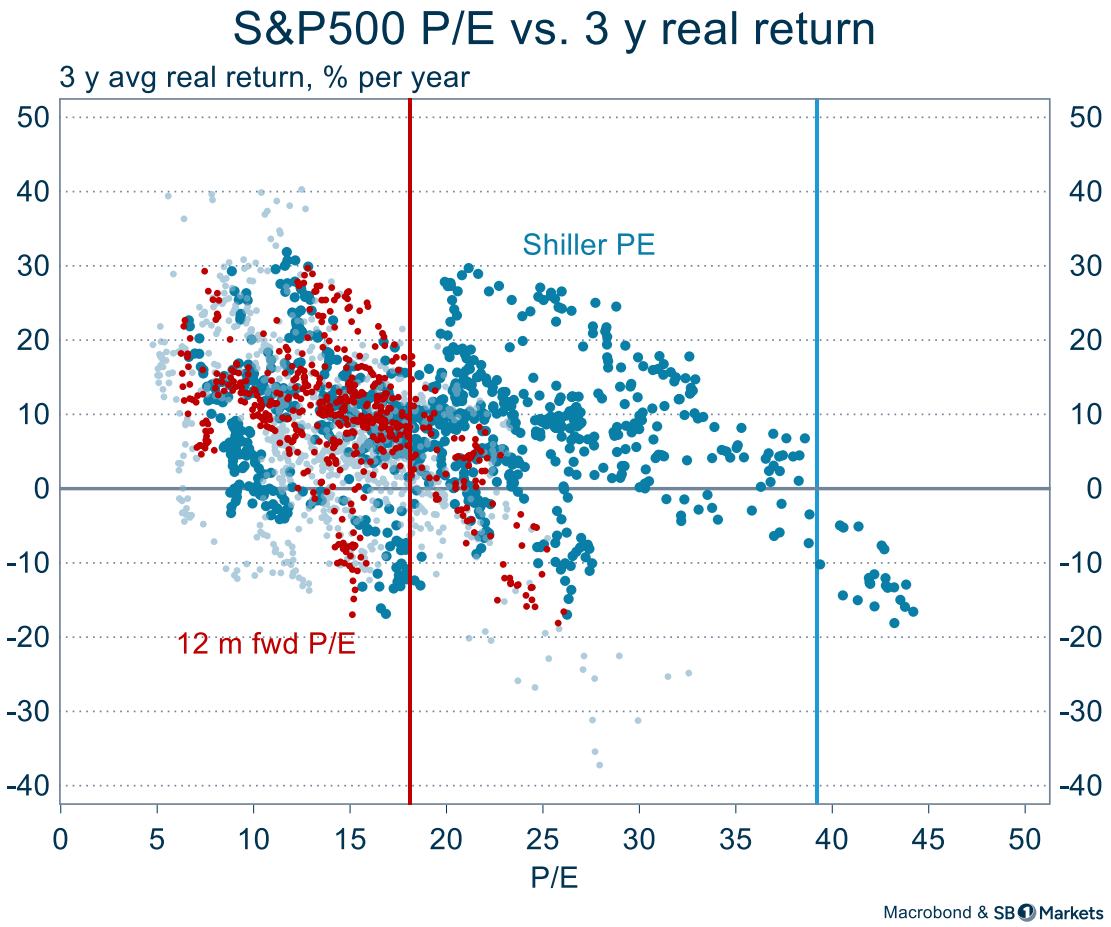
The 12m fwd. expected (CPI-adjusted) S&P 500 EPS is 31% above the long-term real trend path, as the profit share of GDP is booming, to record-high levels (which is why inflation has become too high). *Some downside risk?*

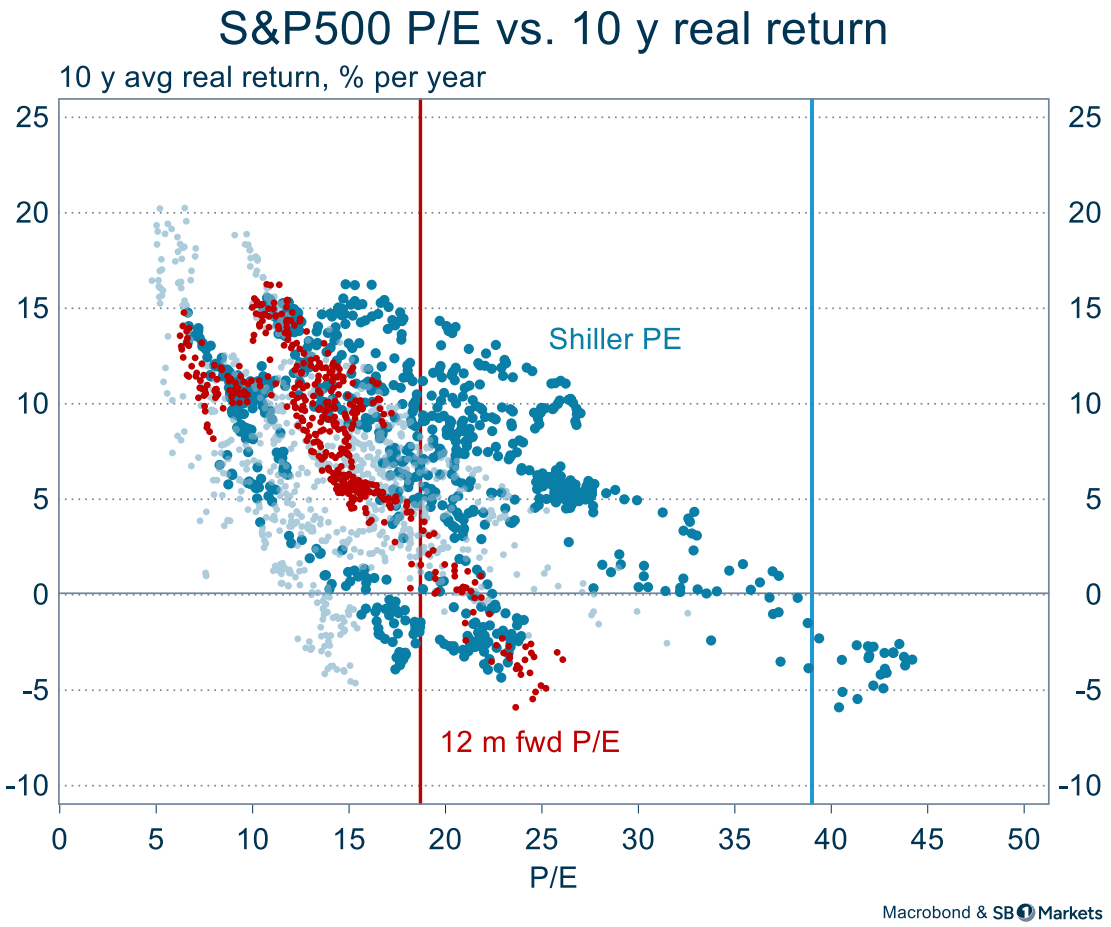






Long-term returns are generally better when you buy cheap ☺

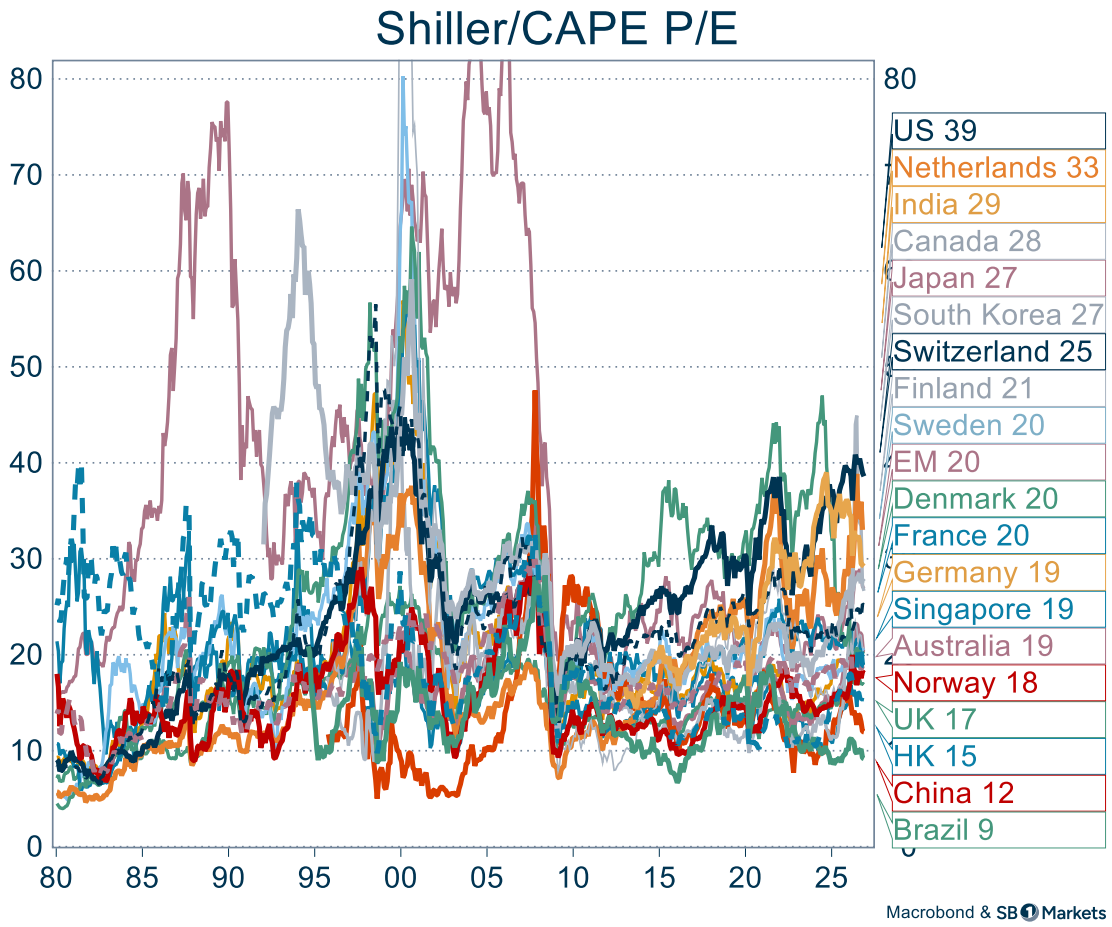


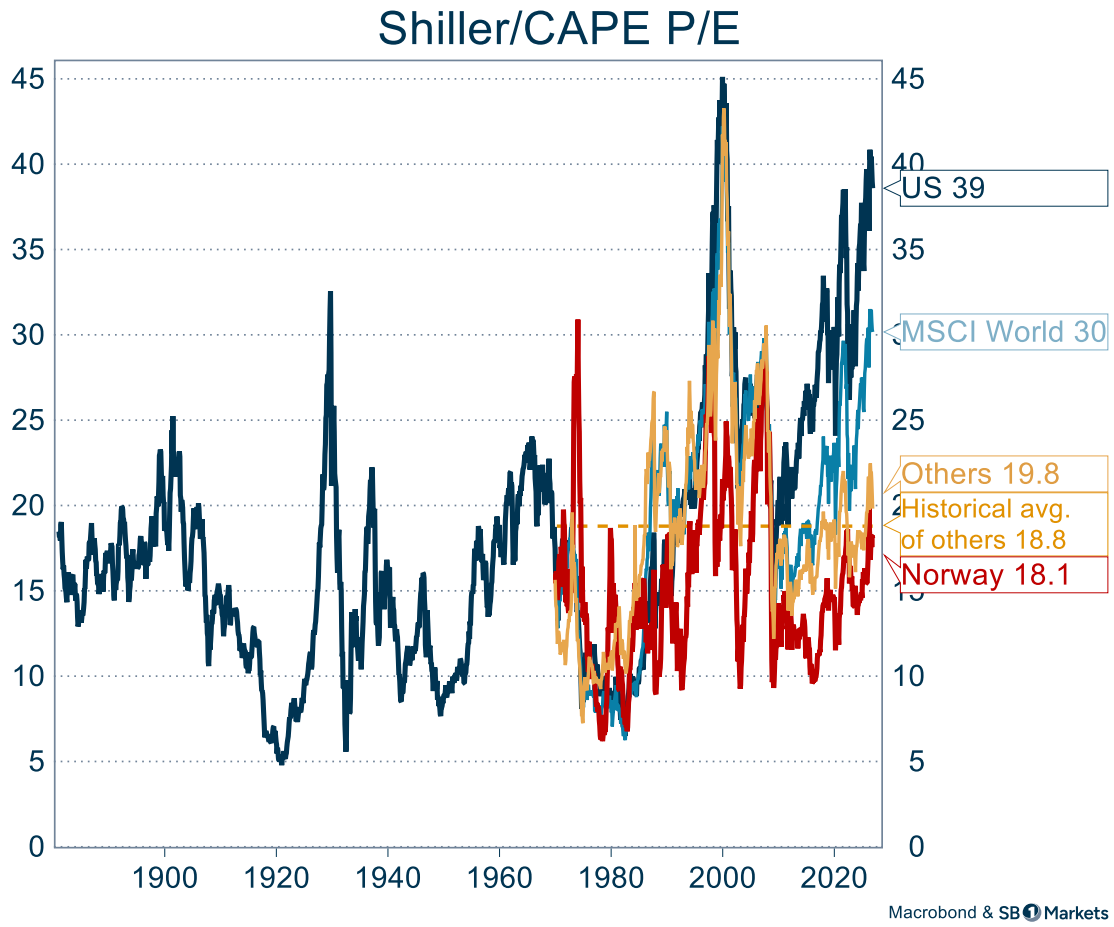


Dark blue dots: Shiller (CAPE) returns from 1953/1960. The light blue dots: returns from 1874/1881.
The 12m fwd. red dots are returns from 1983/1990.

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

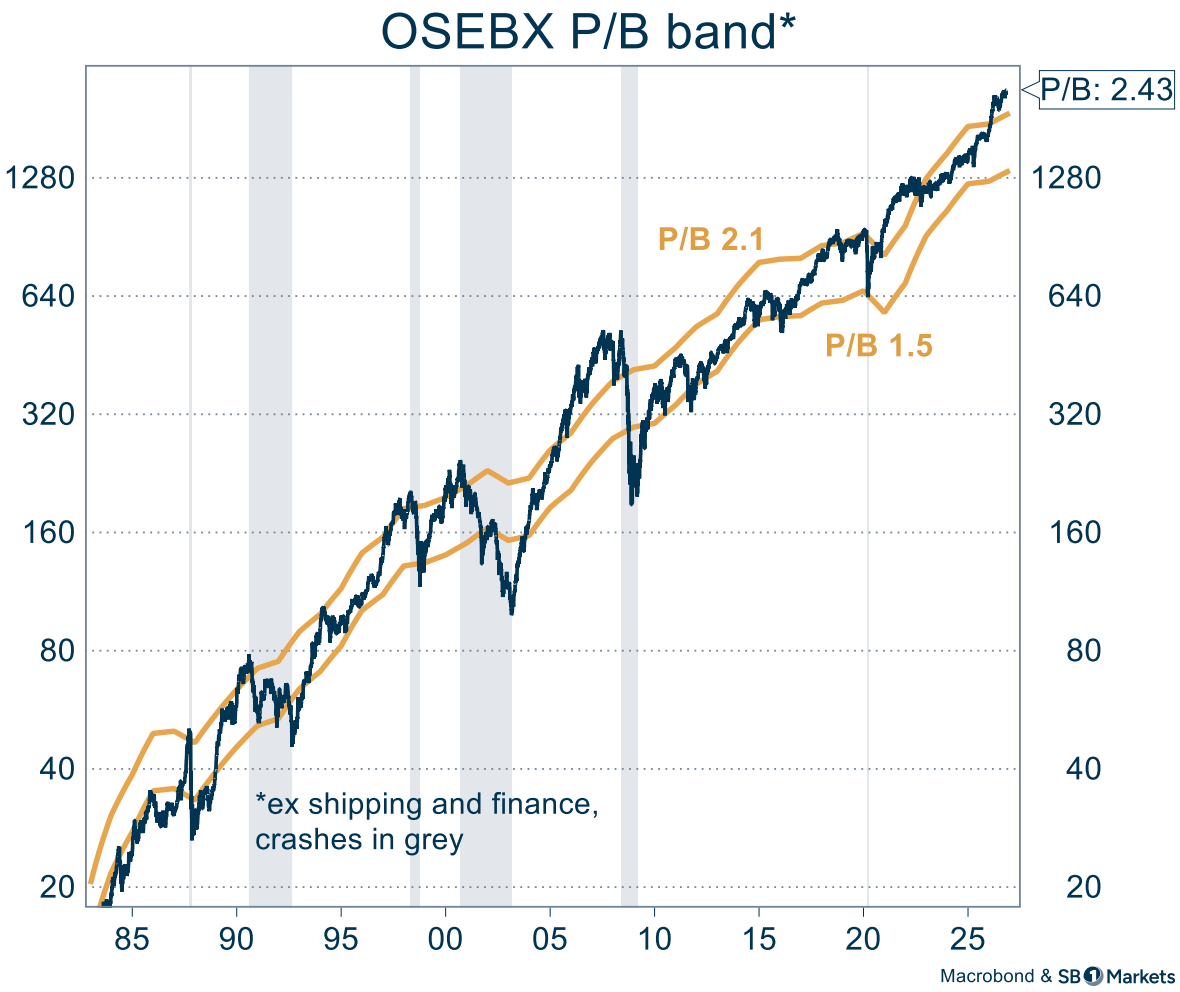
Other markets are on average 5% above an average multiple, at 19.8 vs. 18.8. The OSE sits at 18.1, which is above average (from 1970) but not by that much.

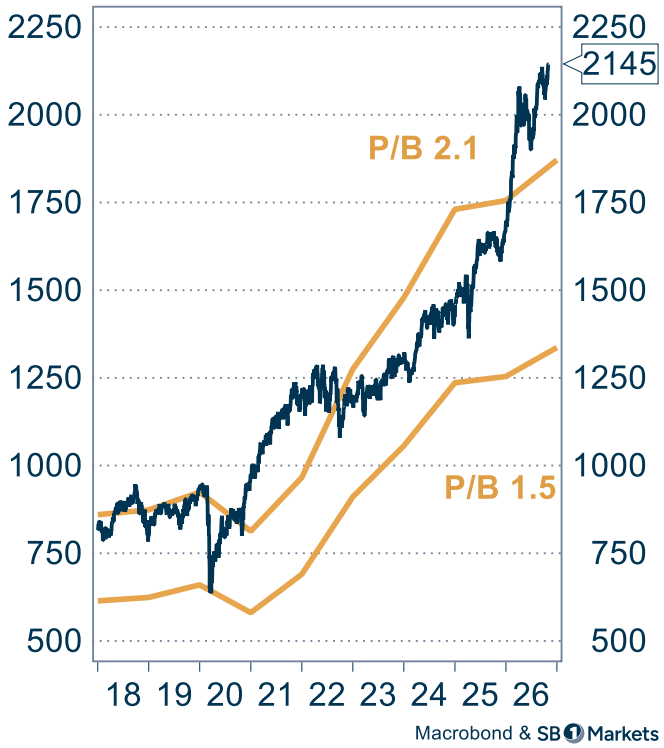




OSE up to ATH, supported by oil and gas prices

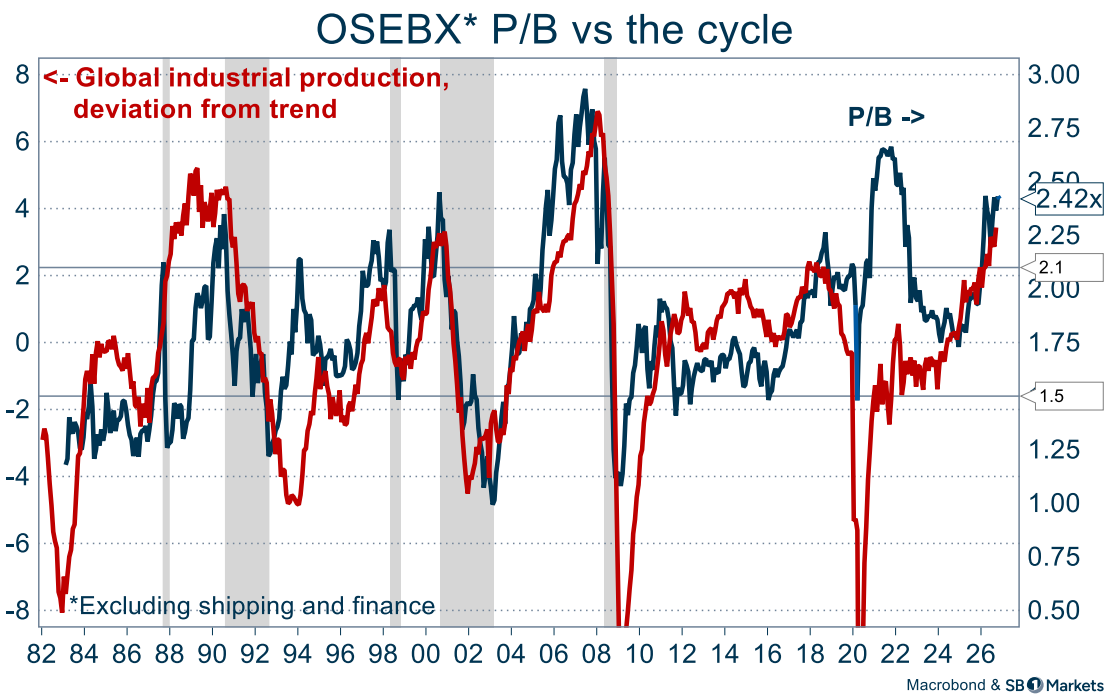
Price-to-book ratio sits at 2.43.

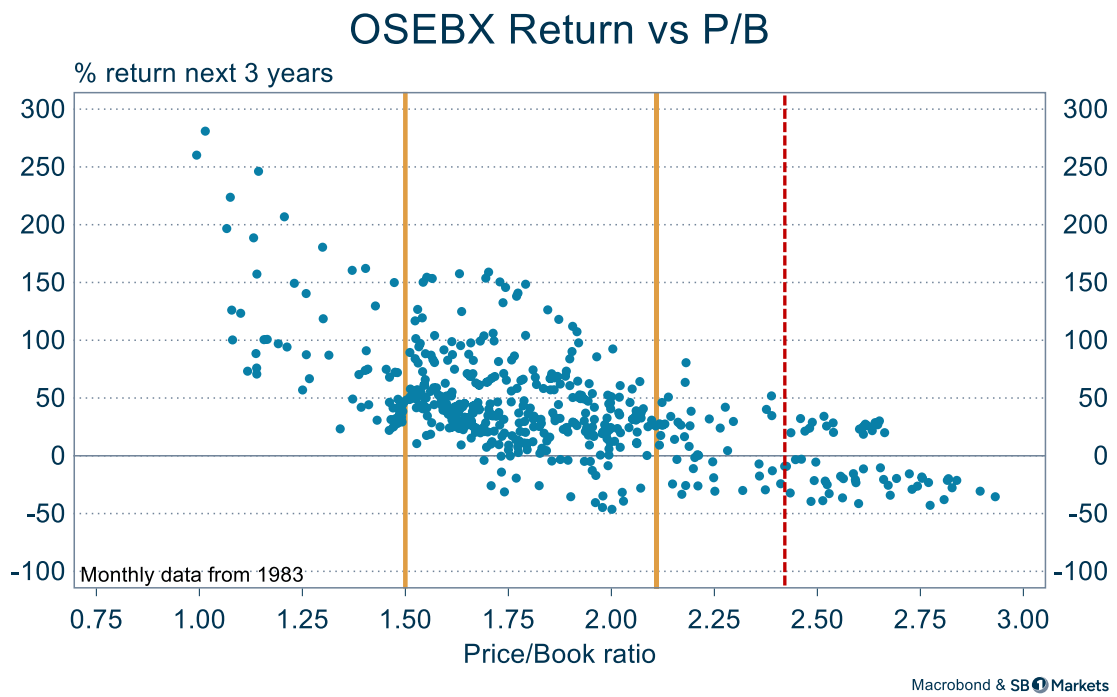




OSE 3-year expected return: not very attractive

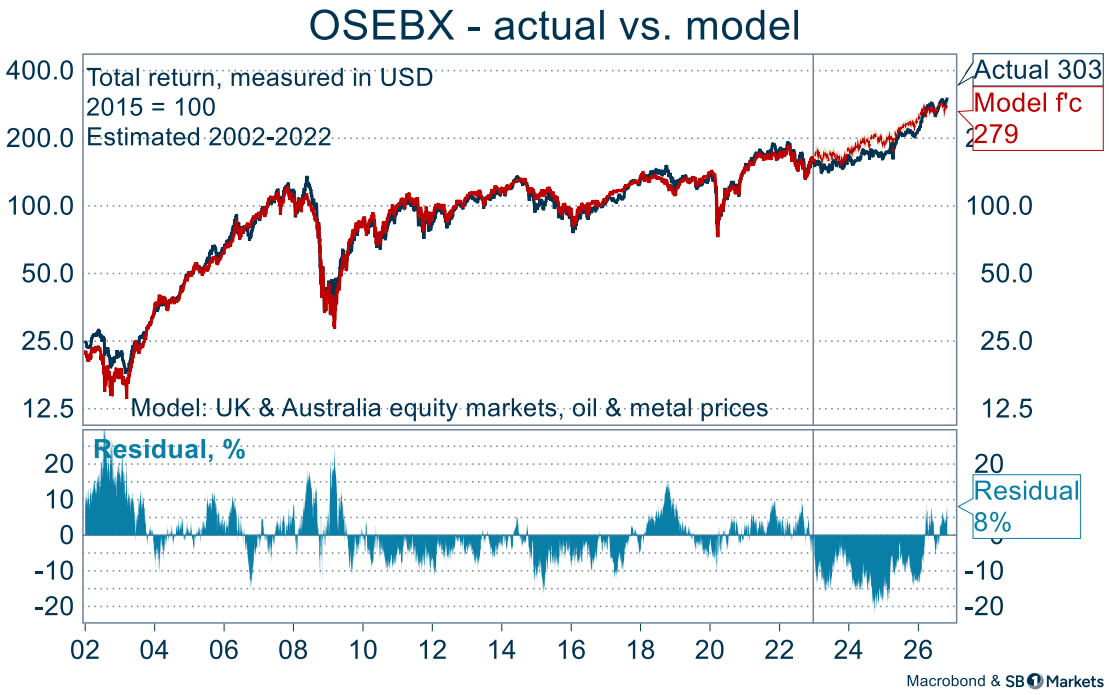
BTW, we know what drives the pricing cycles most of the time: the global economic cycle.



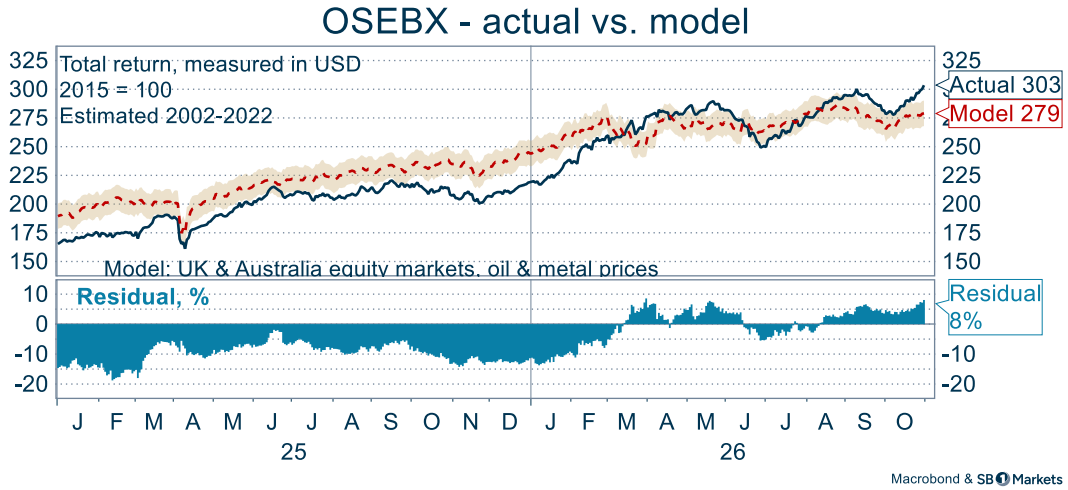


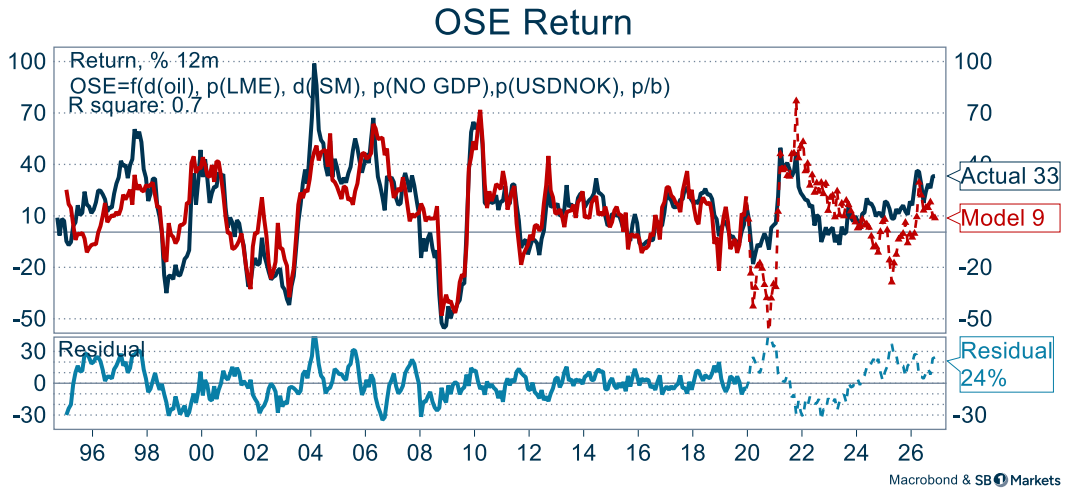
OSE vs. our peer-based level model: 8% above

The OSE is 8% above a model estimate based on FTSE, ASX, oil and metal prices, just as in previous weeks. (Gas prices are not included in the model.) Measured over the past 12 months, the OSE is up 33%, while our y/y 'cycle' model suggests just 9%.



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





NOK the winner last week too, up 1.5%. SEK followed suit, and AUD, CAD not far behind

NOK the winner last month, in recent months and so far in 2026, of course due to higher energy prices. The NOK has been far too cheap vs. long-term models. *Now, gaps have closed. Thus, some risks.* EUR depreciated 0.3% vs. the USD, but just 0.1% trade-weighted.

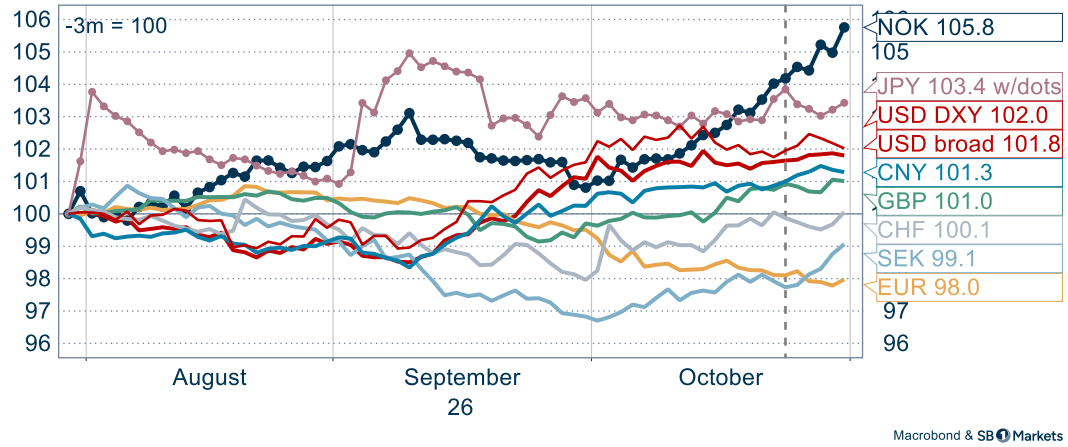
EURUSD



NOK vs EUR & USD



Currency indices



FX markets

f/x broad indices + 4 f/x crosses	Last week	Last month	YTD	Last year
NOKEUR	1.8	6.0	15	13
NOK index	1.5	4.9	13	11
NOKUSD	1.4	4.2	10	9
SEK	1.4	2.3	-4	-2
RUB	1.3	5.8	-1	-1
AUD	0.5	0.8	5	6
CAD	0.4	2.0	-1	0
NOKSEK	0.3	2.5	17	14
CNY	0.3	1.0	7	8
CHF	0.2	2.1	-1	-1
USD broad	0.2	0.7	2	0
GBP	0.1	1.3	2	3
USD DXY	0.1	0.4	4	2
EUR	-0.1	-1.5	-4	-3
EURUSD	-0.3	-1.7	-5	-3
JPY	-0.4	-0.1	-1	-3
MXN	-0.7	-3.8	-5	-2
KRW	-0.8	1.7	8	7

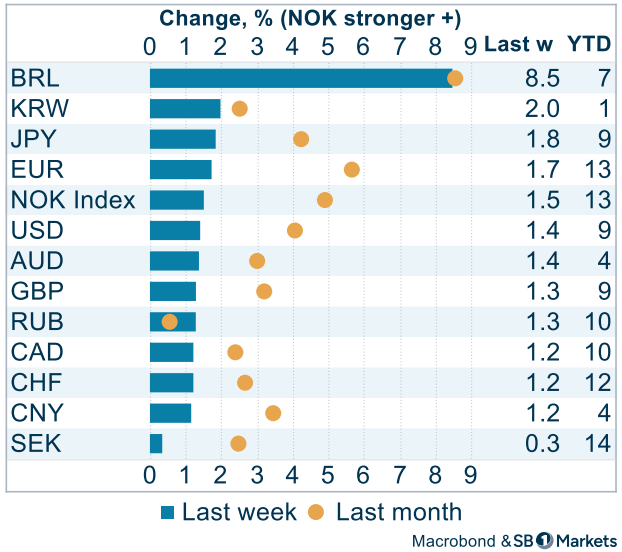
SB1 Markets/BIS/Central Banks/Macrobond SB1 Markets

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

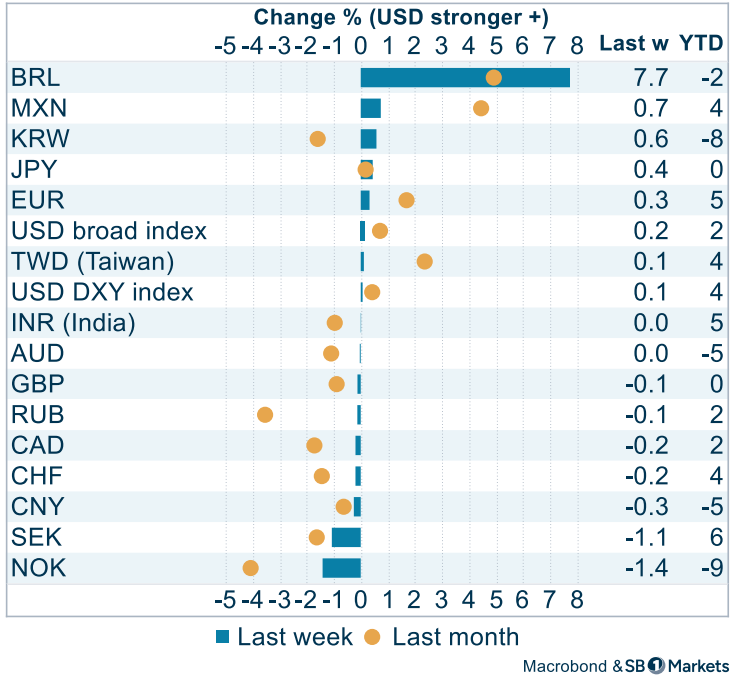
FX: NOK appreciated vs. all. The USD mixed. BRL lost 8% due to the surprising Lula victory

The trade-weighted NOK has appreciated 13% so far in 2026, 14% vs. SEK, 13% vs. EUR and 12% vs. CHF (which is not that common). The USD indices are up 2% (the broad index) to 4% (DXY, vs. rich countries) YTD.

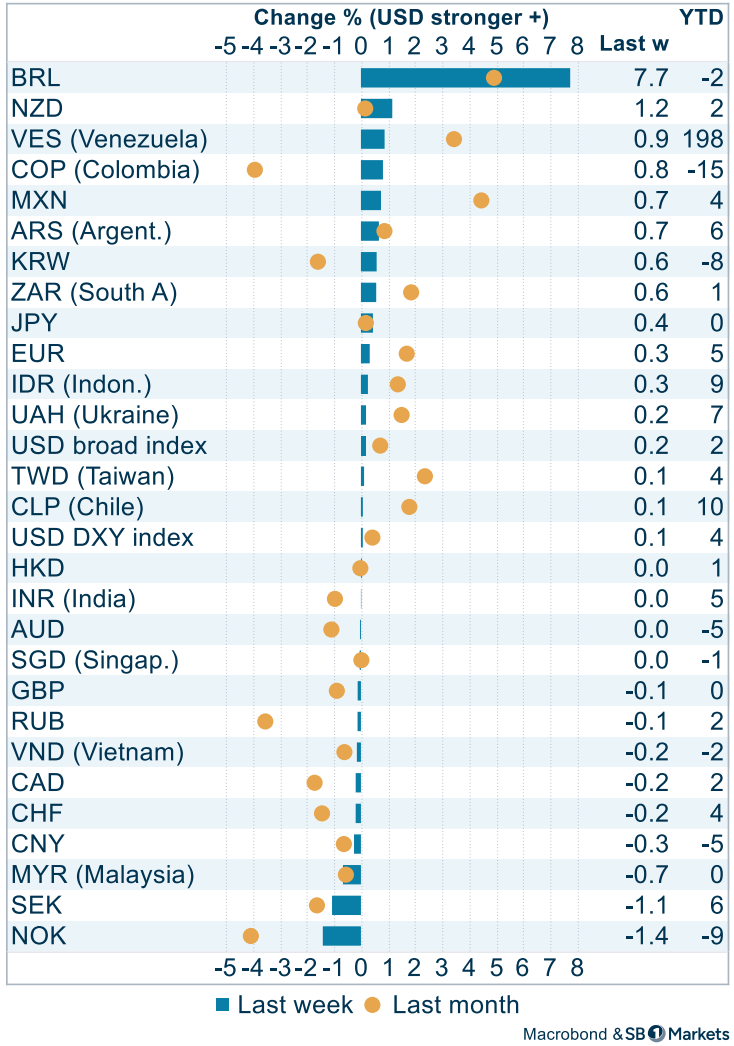
NOK vs. the others



USD vs. the 'Majors'

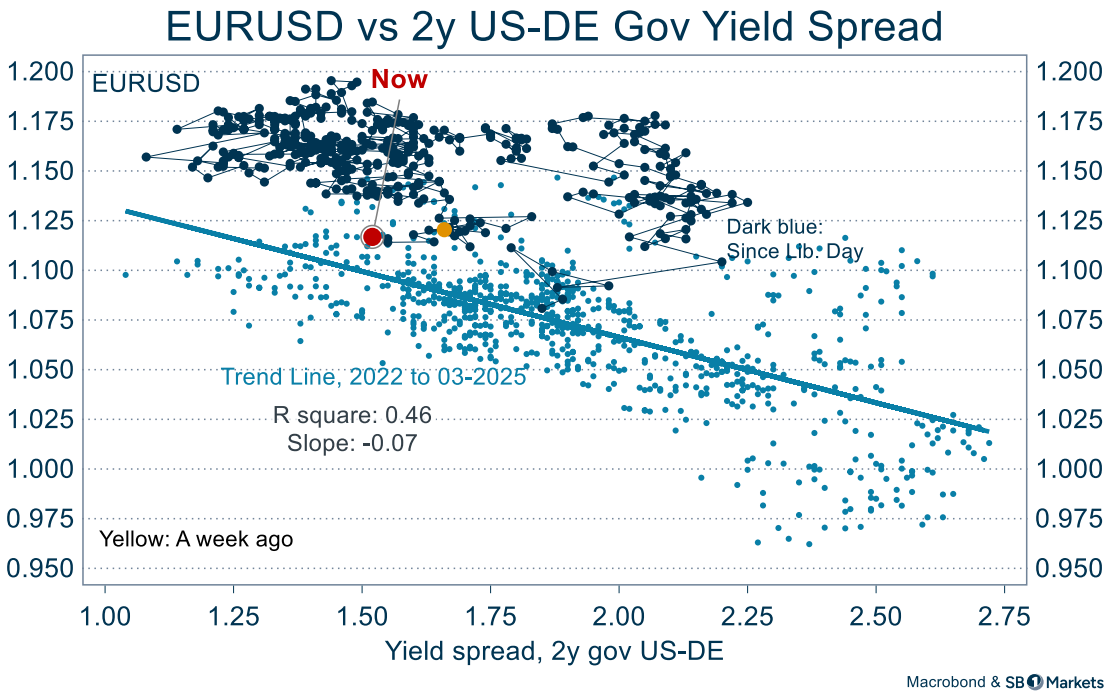


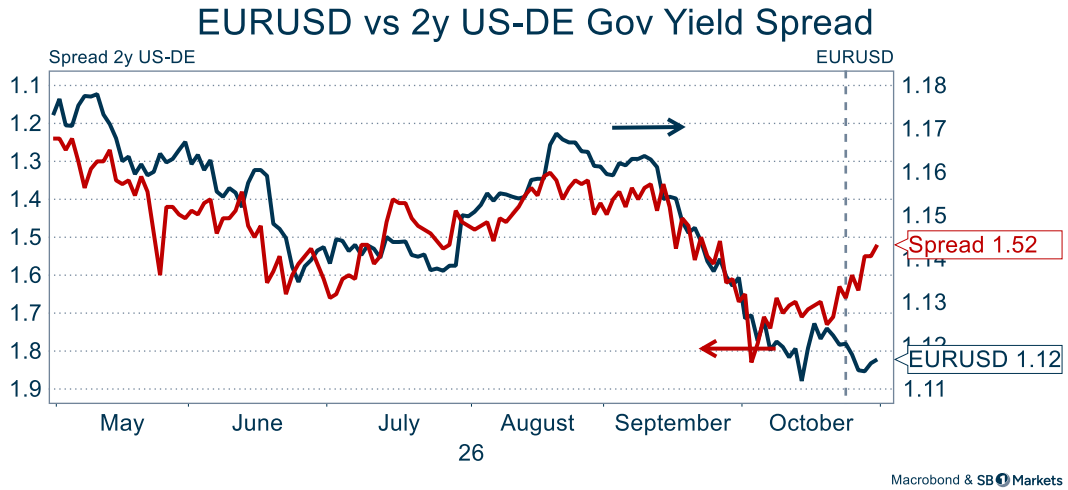
USD vs. 'all'

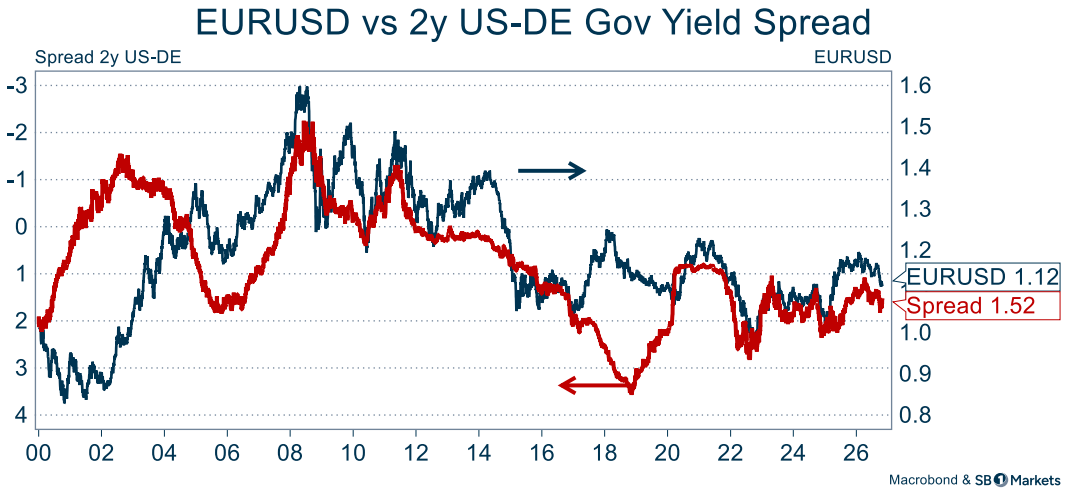


EUR depreciated 0.3% vs. the USD *even if the rate differential narrowed further*

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



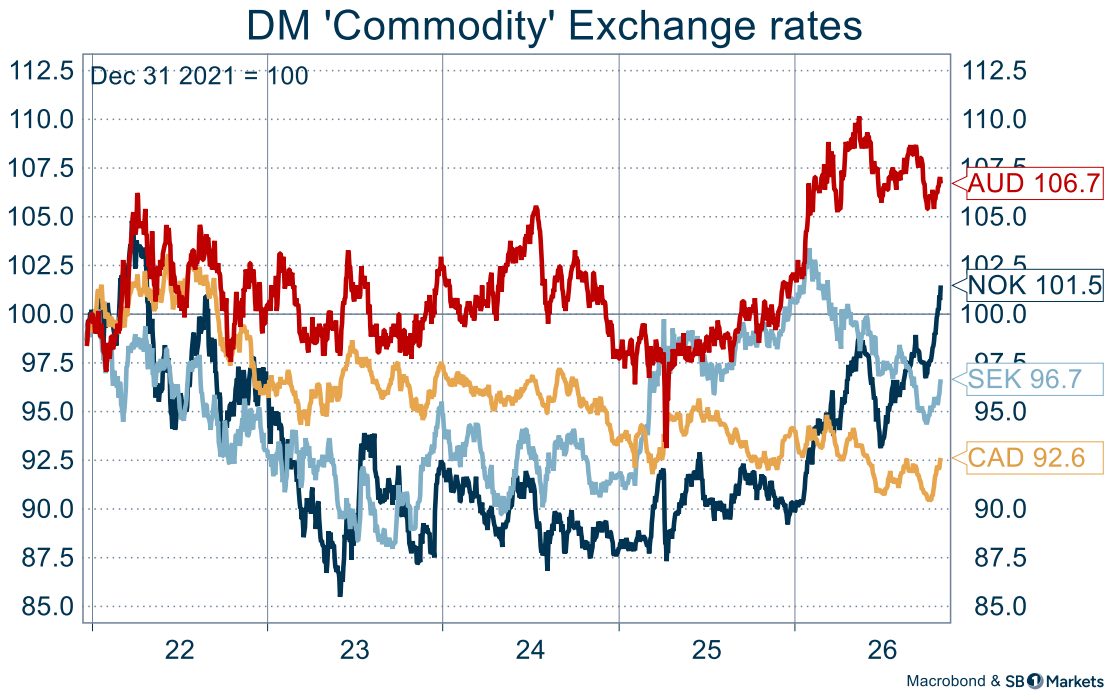


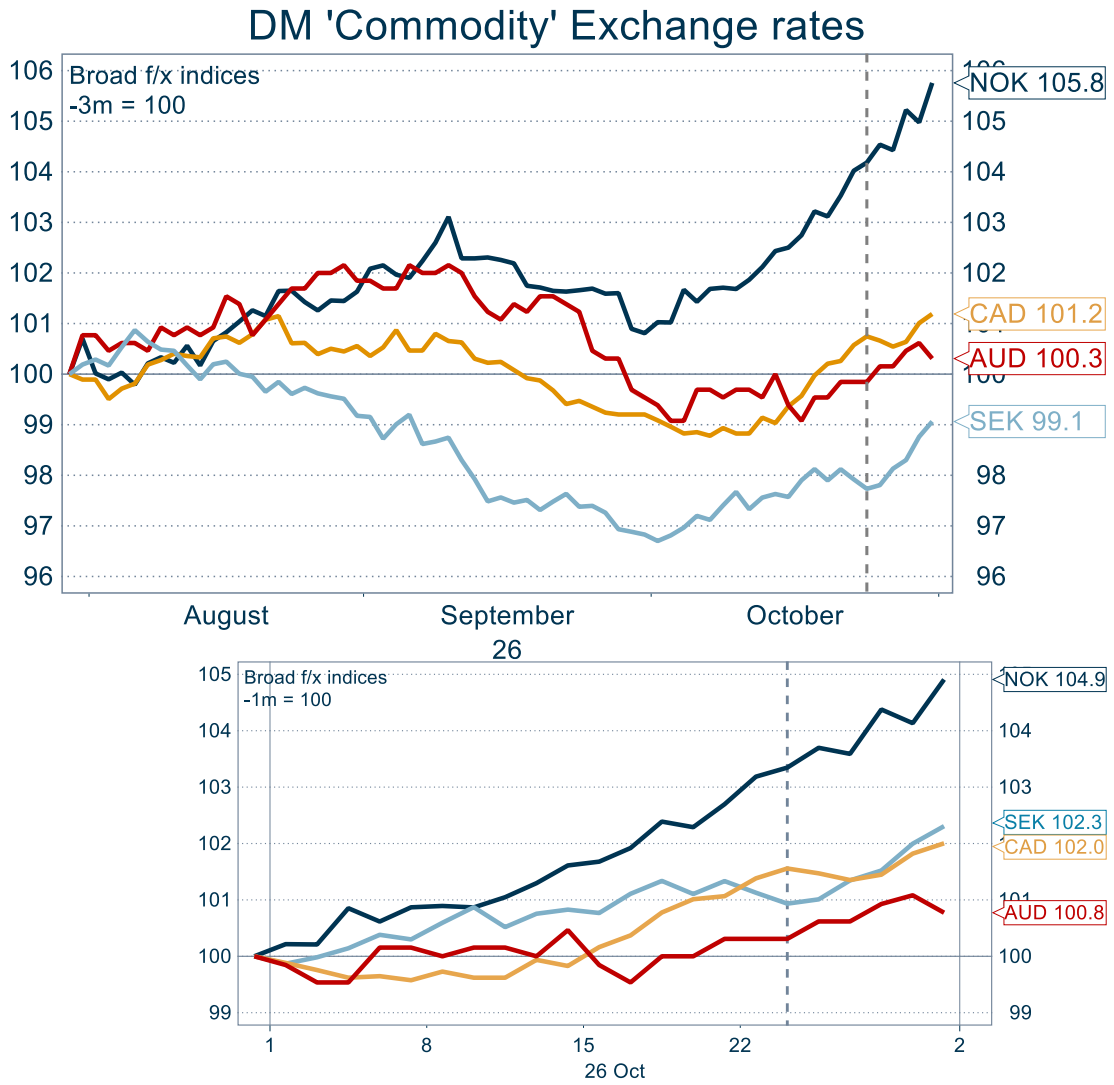


- The 'model', estimated over the previous 3 years of data:
  - 1 pp narrowing of the 2y gov. spread: a 7% EURUSD appreciation.
    - Some 'carry' impact.
    - There may be a reason for changes in the spread, such as changes in the relative growth outlook.
- Over time, the correlation is not tight at 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!

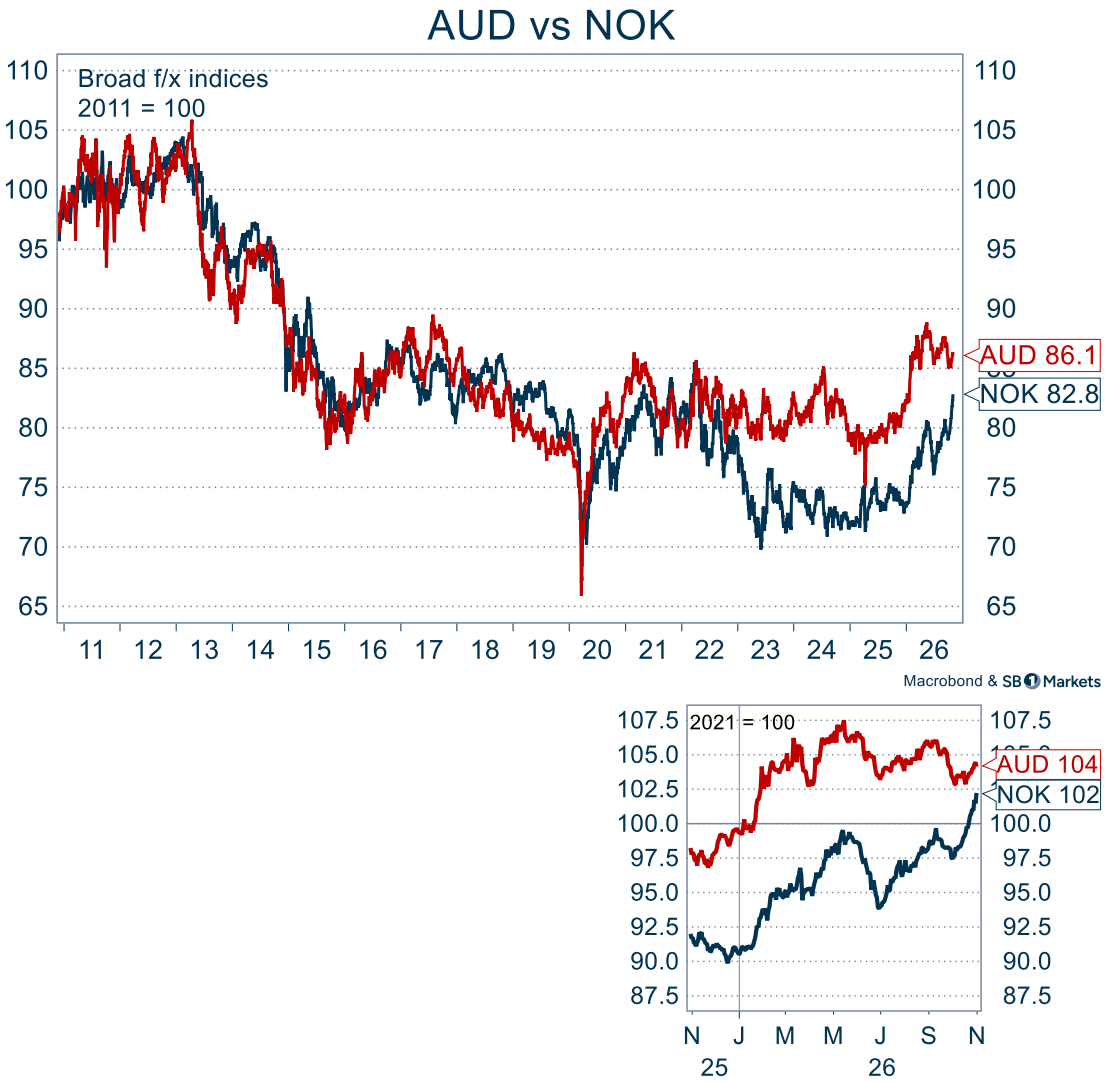
SEK has been the loser so far in 2026 but has recovered slightly recently. Together with AUD and CAD, SEK has depreciated since the spring (while the NOK has appreciated, together with oil and European gas prices).

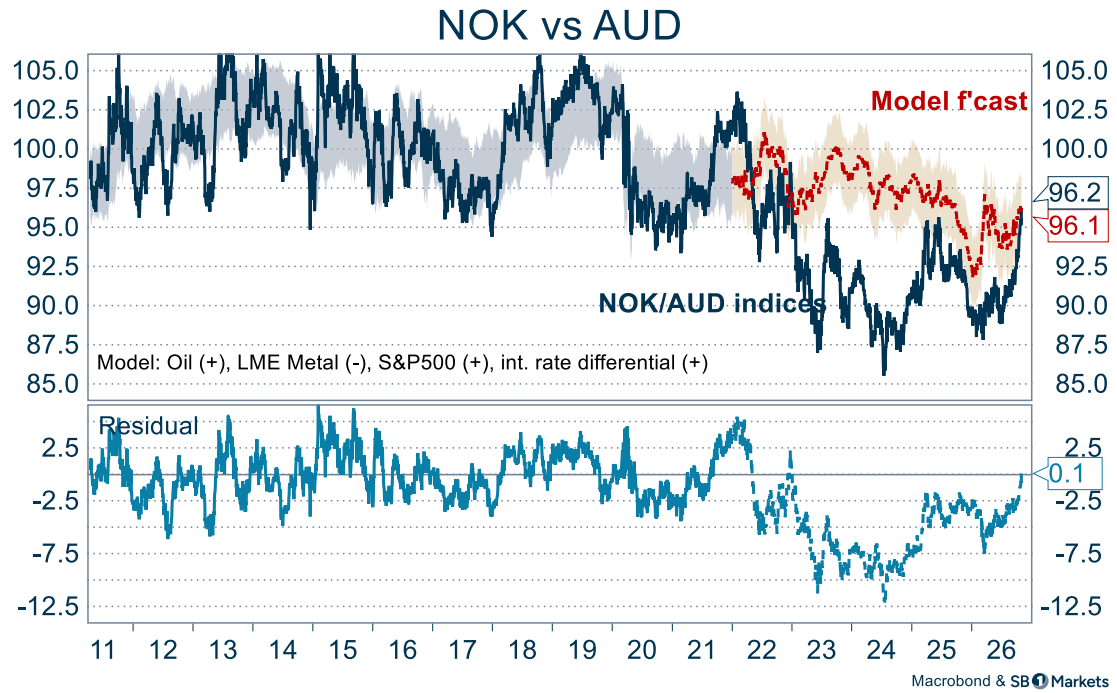




The NOK-AUD gap is ~~almost~~ closed vs. our model estimate

… for the first time since Dec-22.

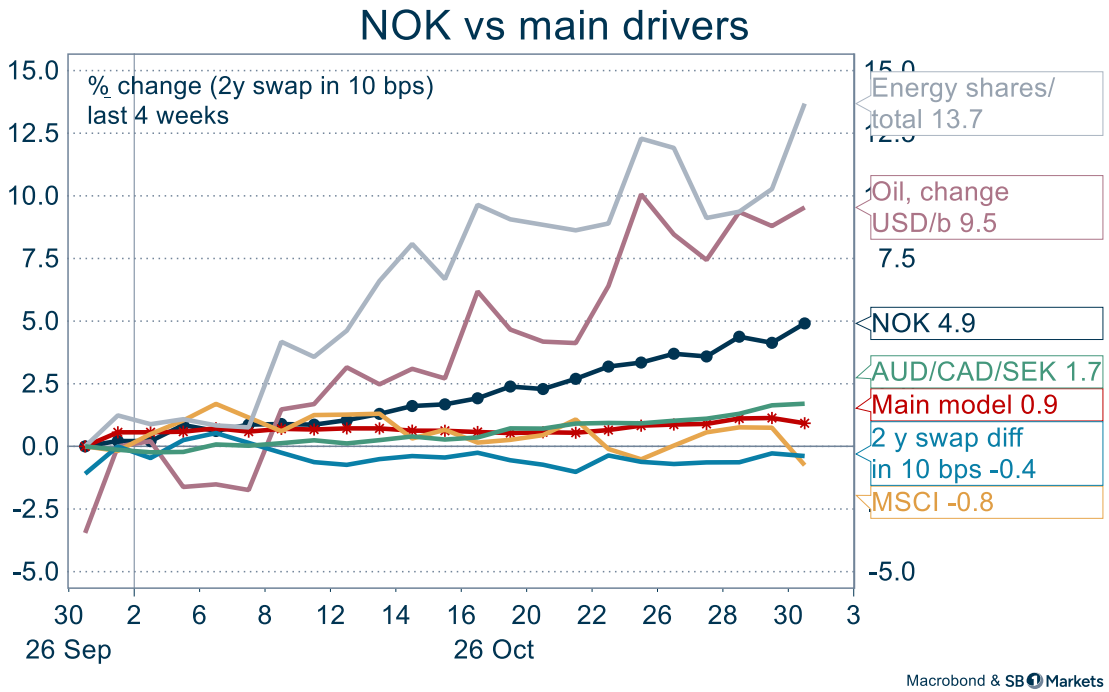


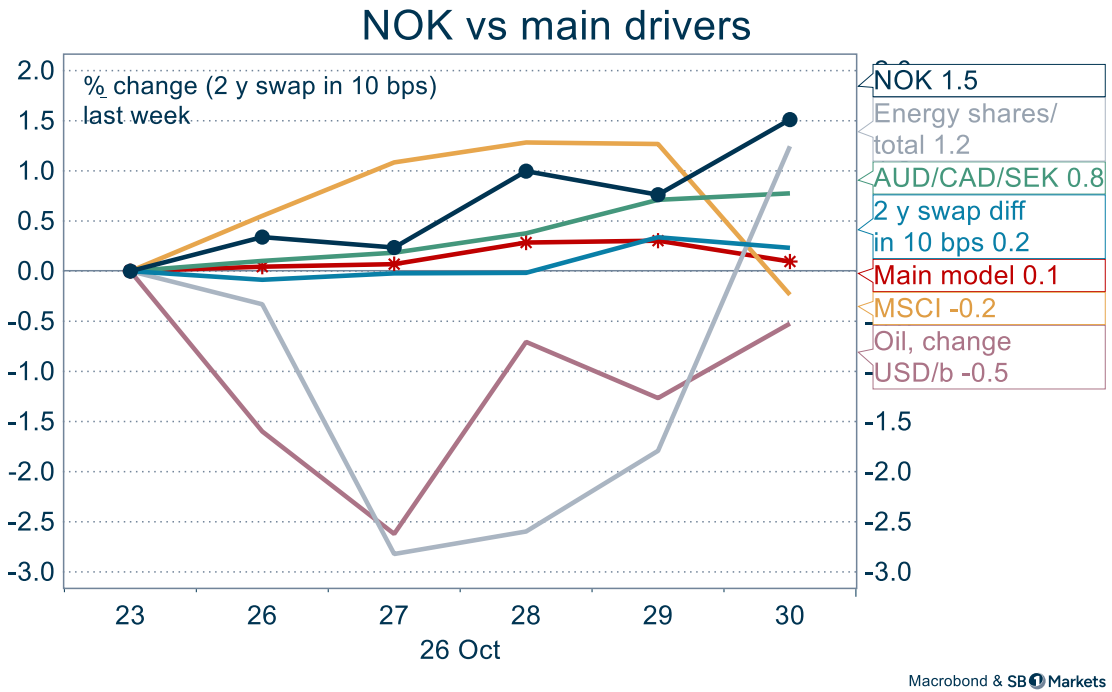


- NOK and AUD, measured by the respective FX indices, were extremely tightly correlated until early 2023, before the NOK dropped 12%, 'by itself'.
- Our NOK/AUD index model explains most of the small differences between the two FX indices. Normally, the NOK index strengthens relative to the AUD index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

NOK 1.5% stronger last week, our model suggested just 0.1%

Last month: NOK has appreciated 4.9%, the model suggested 0.9%, mostly due to a lift in the oil price.

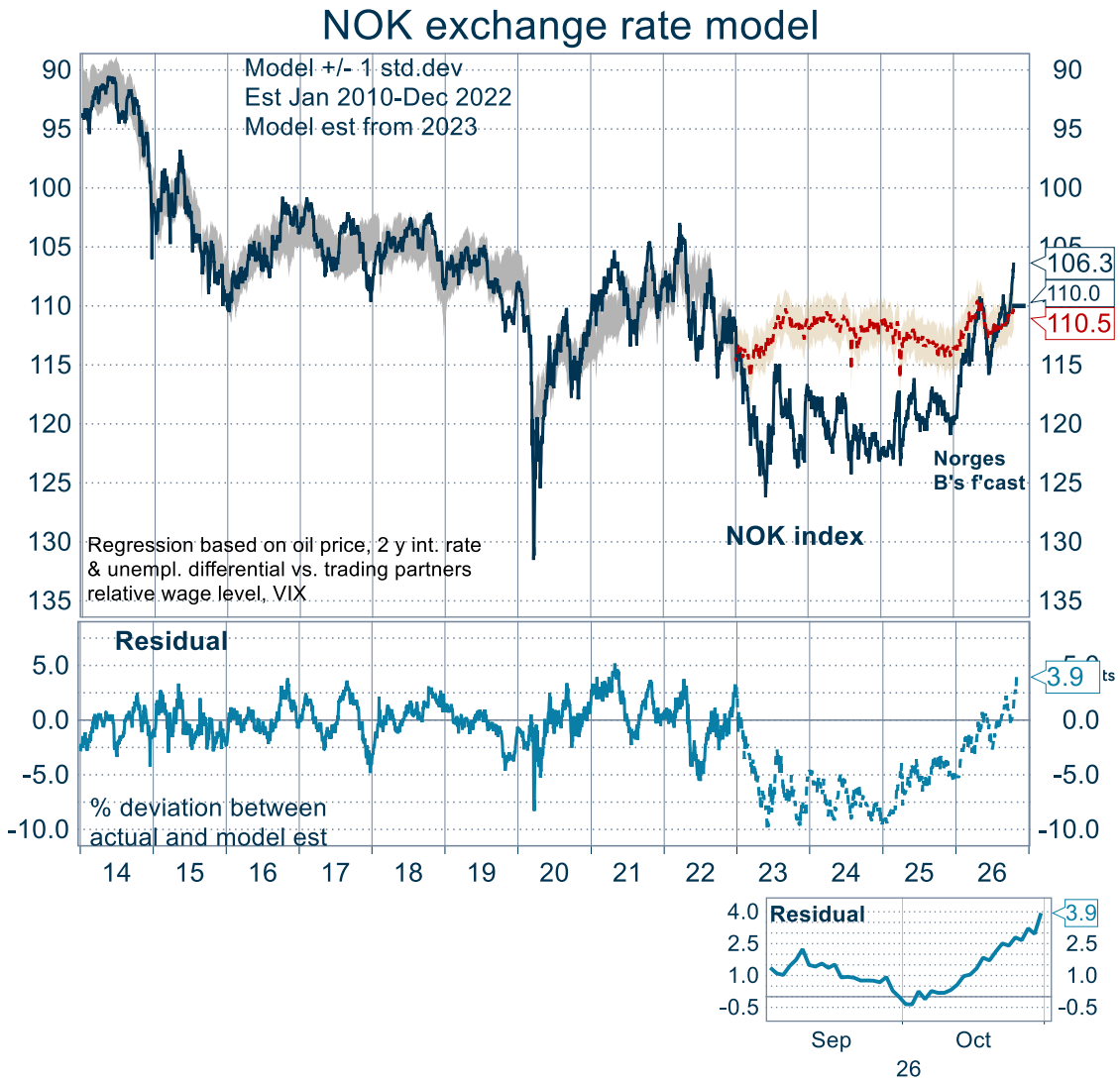


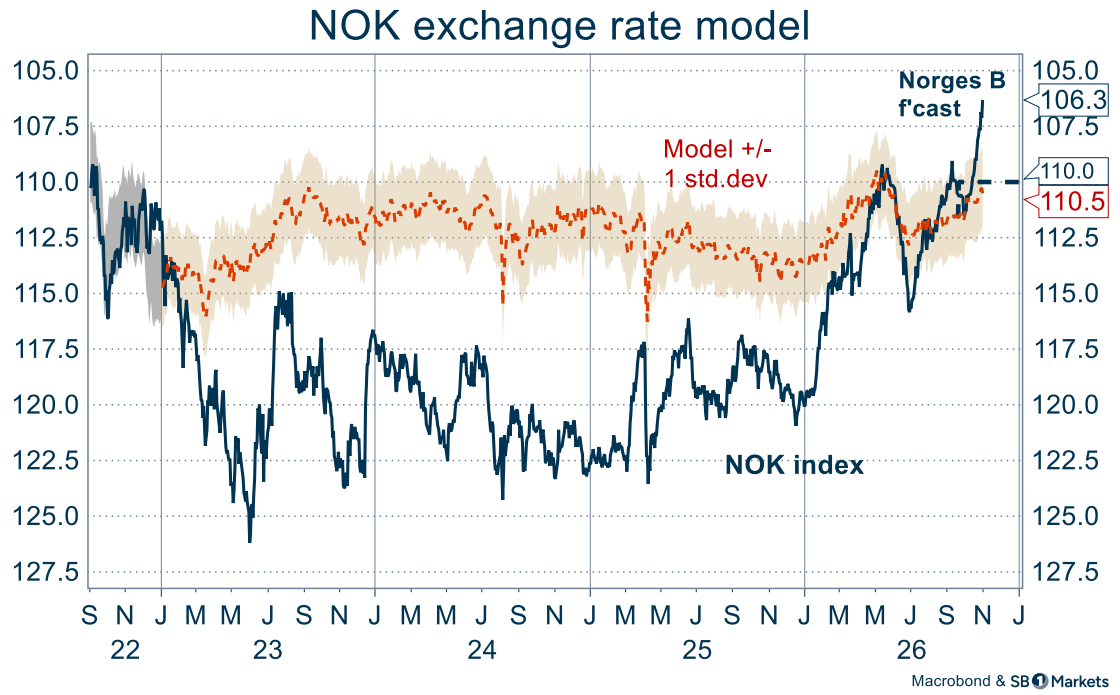


The NOK index: I44, adjusted for end-of-day FX rates relative to NOK. AUD, SEK and CAD are represented by their respective trade-weighted currency indices. The oil price: average spot−3m (rolling positions).

NOK 3.9% above our model forecast – and more than 3% above NoBa's assumtion

The latter lowers NoBa's rate path by some 40 bps (over time). NOK has appreciated 13% more than our model suggests since early 2025, following the 'unexplained' depreciation in H1-2023.

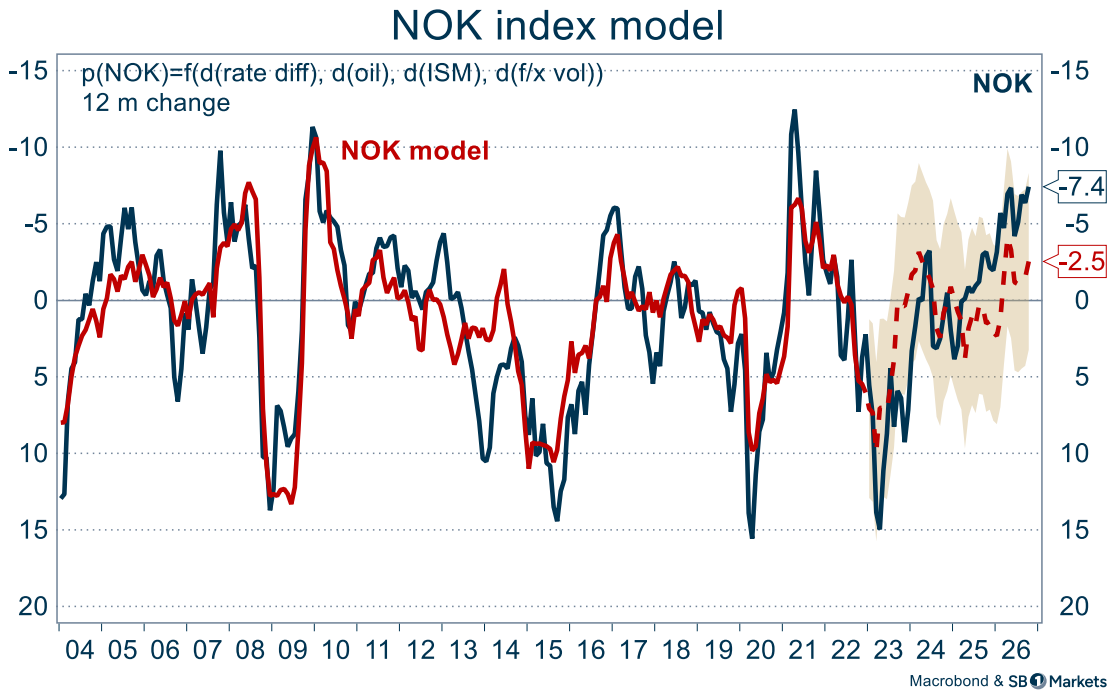


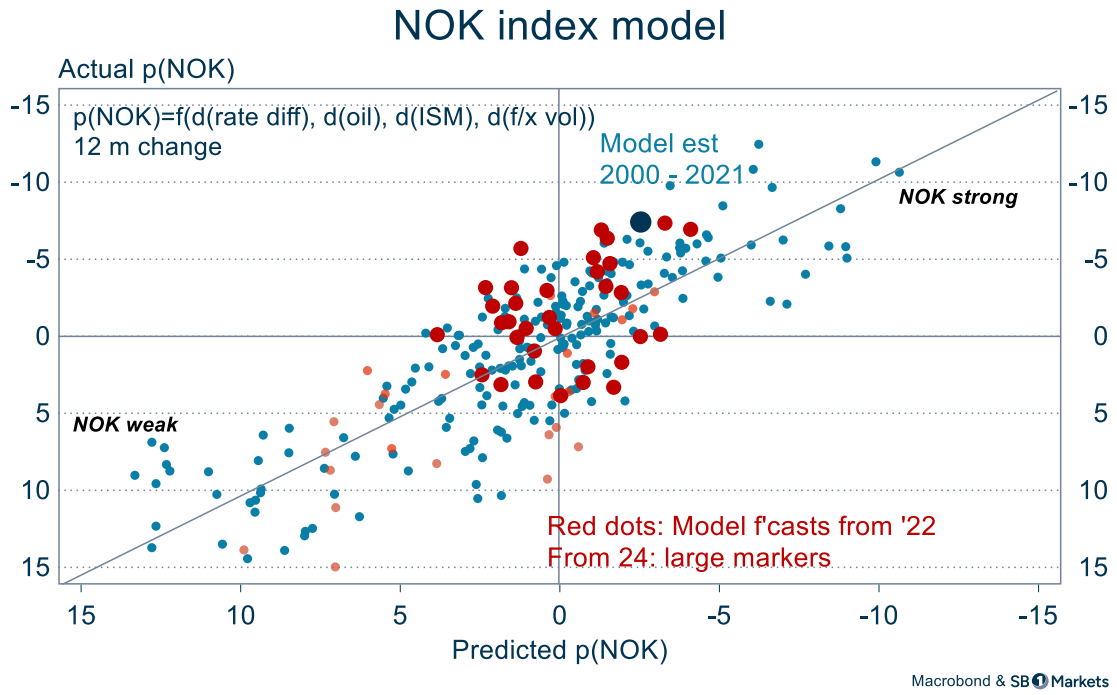


The NOK index: I44, adjusted for end-of-day FX rates relative to NOK.
The oil price in the model: average spot–3m (rolling positions), US CPI-adjusted.

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

Our 'cycle' model suggests a 2.5% NOK appreciation over the past 12 months, while NOK has climbed 7.4%. A higher oil price and a higher rate differential explain most of the estimated strengthening – but most of the appreciation *is due to factors other than the normal 'drivers'*.

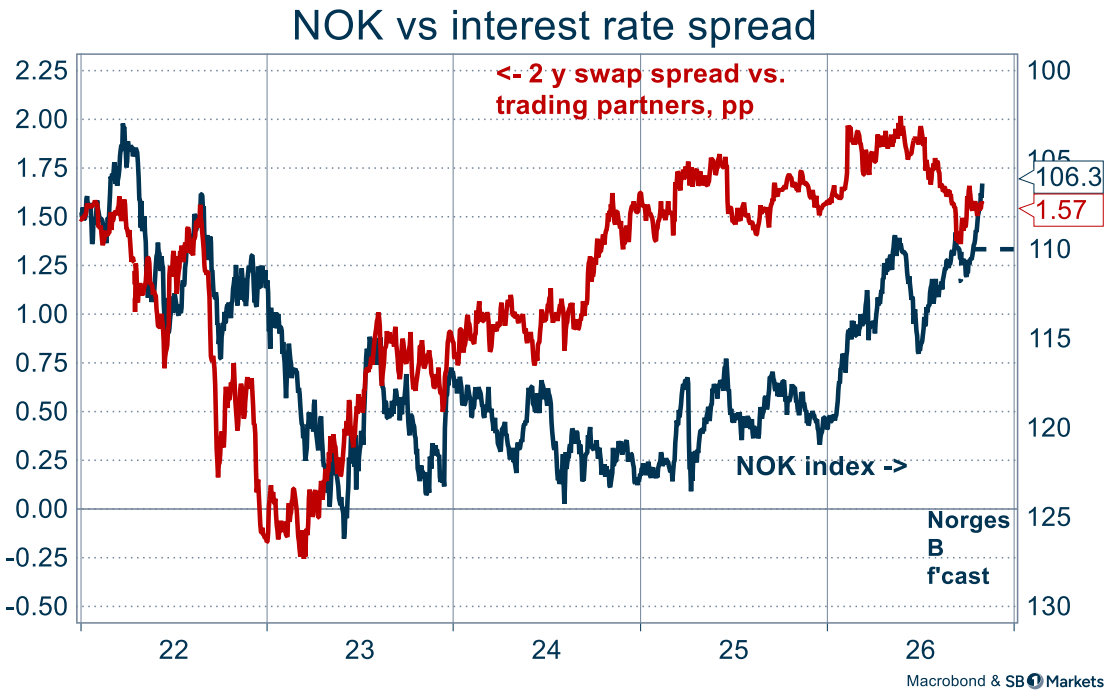


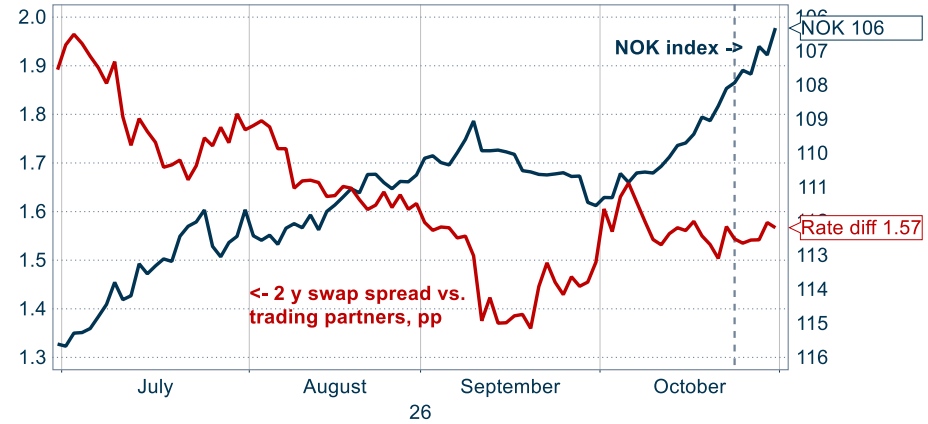


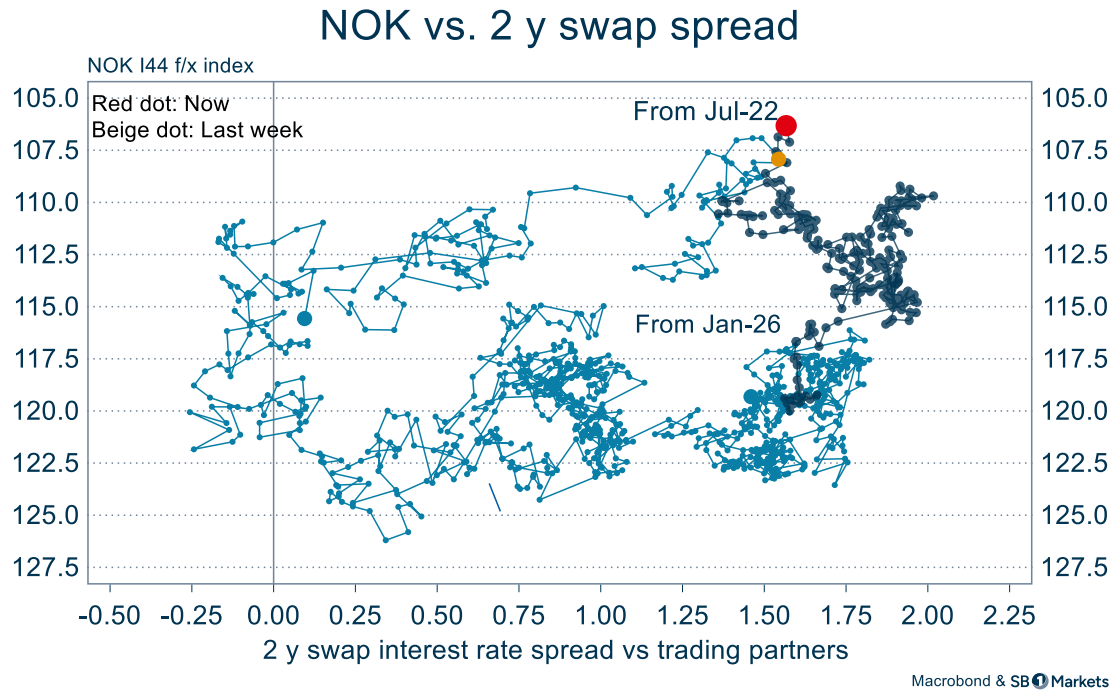
- … which may be seen as a 'real' repricing of NOK, reversing the 'unexplained' NOK depreciation in H1-2023.
- The model: Most of the NOK's ups and downs (if not necessarily the level at all times) are well explained by a few 'macro' variables: the 2y rate differential relative to trading partners, the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

The rate differential widened slightly. The NOK appreciated 'more'

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.







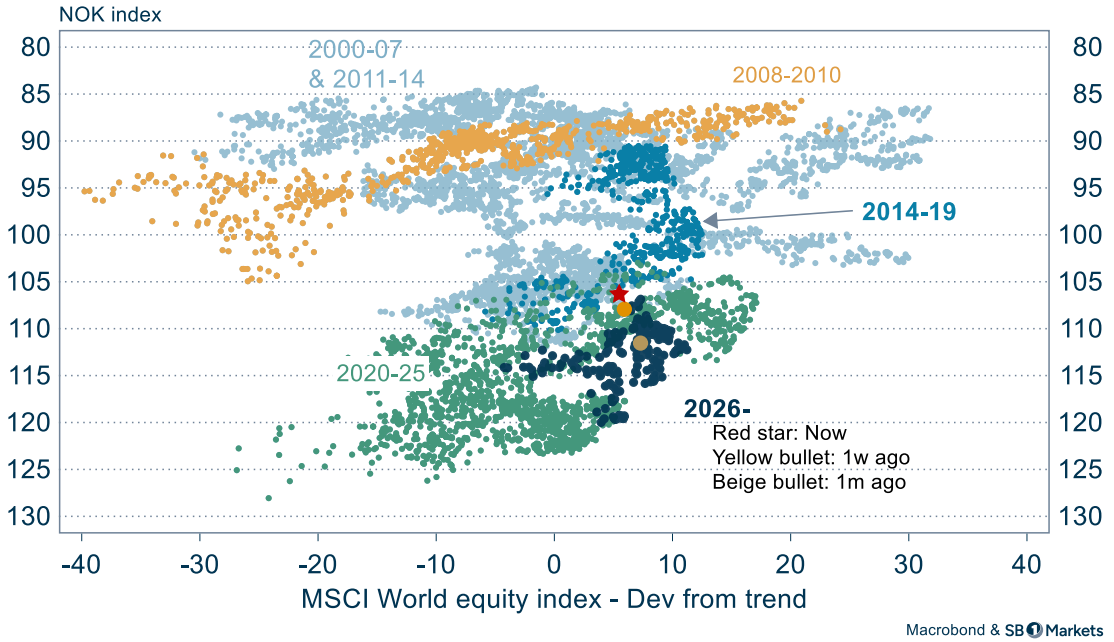
NOK uncorrelated with global equity markets in 2026, and with the wrong sign last week too

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: oil and gas prices, no doubt.

NOK Index vs. global equities

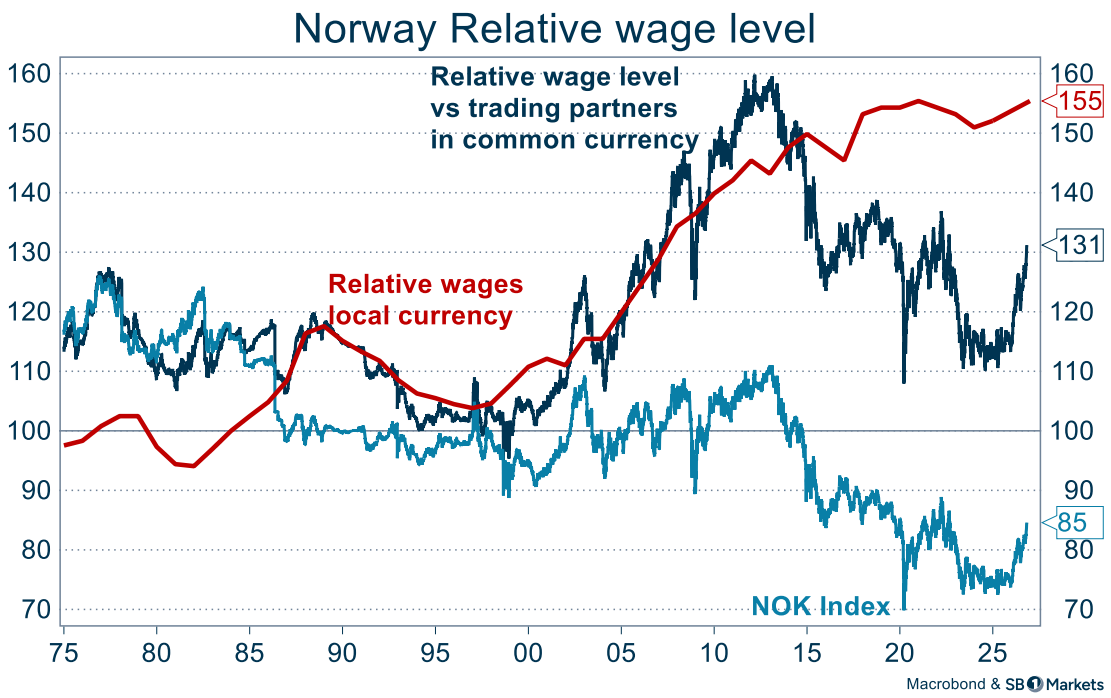


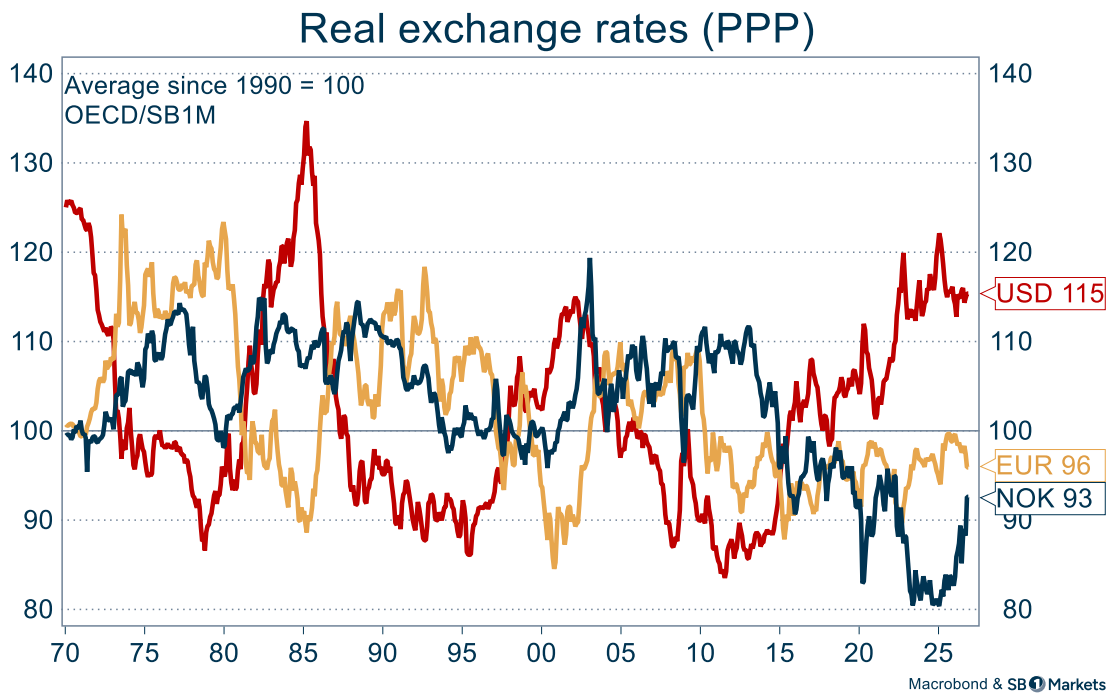
NOK vs. MSCI world index



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

Thus, mixed signals vs. the NOK – but the upside is anyway not 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 31%, 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 7% below the average since 1990, up from 20% below the average late last year. The level may still be too low, ***but this gap has also narrowed substantially***.
- Other currencies:
  - The real USD exchange rate is well above a long-term average level.
  - The real EUR exchange rate is close to an average – or somewhat below. The recent depreciation is most likely due to the uncertainty regarding France.

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