
17 March 2025

Exponential events cloud the crystal ball

Global key stories

The White House's tariff policy is eroding stock market optimism: conclusions. President Trump's economic policy unpredictability comes with a price tag. Stressed and squeezed US stock markets got some oxygen in Friday's trading with the help of "bargain buyers" who were lured back after 10% falls from their highs. On Friday, the S&P 500 and Nasdaq closed up 2.1% and 2.6%, respectively. However, the tariff war remains like a heavy blanket over growth forecasts, and thus also profit forecasts. Increased risk of [stagflation](#) is a nightmare for the stock markets. In the past three weeks, the US stock markets have [lost about \\$5,280 billion in value](#). German progress towards sharply increased public spending continued to push government yields upwards on Friday. The picture of transatlantic short- and long-term interest rate convergence is growing stronger, providing support for a weaker dollar. In a shaky market, to say the least, [Klarna](#) announced on Friday that it will formally apply for listing on the NYSE, probably in April. That the US again avoided the government shutdown was expected, but has now instead created [a debate of betrayal within the Democrats](#). Asian stock markets early Monday show mostly green numbers; suitable color for [St. Patrick's Day to be celebrated](#). China has unveiled a new [large and broad-based stimulus package to boost growth](#); however, new property data in the morning showed setbacks for the recovery in house prices. Stock market futures are pointing up in Europe but down in the US.

Wobbly steps towards a ceasefire in Ukraine – thoughts. US Secretary of State Rubio surprised on Friday by endorsing the [G7 communiqué](#) with new sanctions threats against Russia. The world is still waiting for the Kremlin's response to the US-Ukraine proposal; Rubio had a reconciliation meeting with Russia's Lavrov this weekend, but it is unclear what the result was. Trump announces that he will speak with Putin tomorrow, Tuesday. After Saturday's [British summit](#), Prime Minister Starmer confirmed that they are now taking [more concrete steps to ensure the fulfillment of an upcoming ceasefire in Ukraine](#); On Thursday, defense chiefs will meet in London to translate political will into concrete military plans.

Continued interest rate policy pause in the US – conclusions. The Fed will keep the policy rate unchanged at **4.50%** according to us and the markets – the normal rate is **3.00%** according to the Fed – when the monetary policy decision and new economic forecasts are released on Wednesday evening. The market expects three cuts this year to 3.75%. The Fed's crystal ball is being clearly clouded right now by **the White House's sweeping policy changes** in four key areas: **(1)** trade policy, **(2)** migration, **(3)** sharp cuts in the public sector and tax cuts, and **(4)** deregulation. The net effects of these – on growth and inflation – determine where the US interest rate is headed. Uncertainty is eroding the US growth prospects. President Trump has brushed aside concerns about recession. As long as the US labour market is strong, the risk of recession is also low. The midterm elections on November 3, 2026 mean that the White House will soon have to [consider the political price of today's uncertain situation](#).

Recommended reading: ["Fed Preview – On hold for now & Fed to continue to forecast two cuts in 2025"](#).

Germany's "what-ever-it-takes-policy": thoughts. Tomorrow, the Bundestag is expected to give the green light to a dramatic reorientation of German fiscal policy. The autumn's political crisis in Berlin was applauded by the economist in a [column in Affärsvärlden](#) on December 9 (in Swedish). However, the fact that incoming Chancellor Merz, and Germany, would so dramatically abandon the debt brake exceeded expectations. On the other hand, the US has contributed to today's outcome by completely – and in an extremely short time – changing the playing field for Europe's security policy situation. But the conclusion is that **finally an overweight piggy bank gets to work**. Germany is estimated to have a total capital surplus of as much as EUR 1,200 billion (2025-2029), and the private sector is therefore expected to participate in co-financing investments. This reduces an expected increased supply of German government bonds. We conclude that the new German situation lifts the country's annual growth by 0.2-0.6 percentage points (all other things being equal). Read more [here](#).

Nordic key stories

"Everyone believes in 2.25%". SEB's policy rate survey shows that investors believes in an unchanged Riksbank policy rate both this Thursday and at the meeting in May. Almost 20% believe that the Riksbank will cut again at the June meeting. Most people see a Riksbank policy rate at the end of next year that is 2.50-2.75%. Read more [here](#).

[Finance Minister Svantesson sees a European modern war economy ahead.](#) In the longer term, she wants to see more stable financing with the help of, among other things, increased growth and the revised fiscal policy framework. She also said that the spring amending budget (15 April) has a proposal and scope for reform of SEK 11.5 billion. **Comment:** We would also like to see a debate on the issue of Sweden's total financial savings surplus, almost SEK 500 billion in 2024, which can be channeled primarily to investments in digital and physical infrastructure – and to the defence of Sweden.

Today's key events

For graphs and analysis of the week's most important data, click [here](#)

Time	Country	Event	Period	SEB forecast	Consensus	Latest
08:00	Norway	Trade balance	Feb	--	--	NOK 94.8 month
13:30	US	Empire manufacturing	Mar	--	-2.0	5.7
13:30	US	Retail sales ex auto ex auto/gas	Feb	--	0.7 0.4 0.5	-0.9 -0.4 -0.5
15:00	US	Business inventories	Jan	--	0.3	-0.2
15:00	US	NAHB housing market index	Mar	--	42.0	42.0

Other: AF publishes labour market statistics (at 12.00). The OECD releases the Interim Economic Outlook (11:00). Norway/US sells Treasury bills (11:00/16:30).

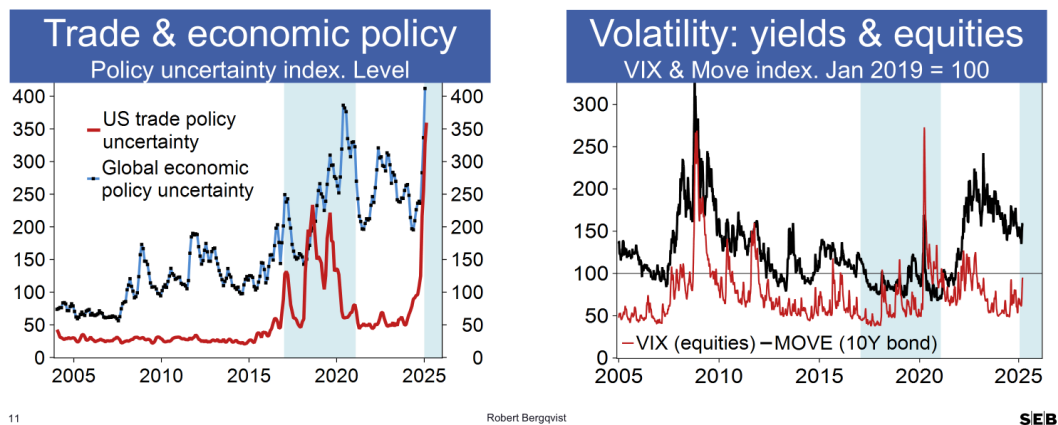
Have a great Monday & week!

Market data

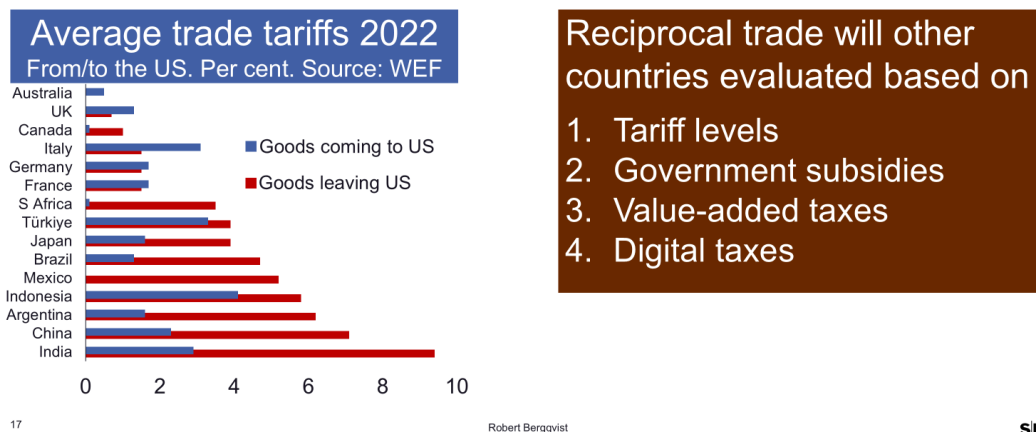
Equities	Index	Future	FX		Commodities	
S&P 500	+2.13%	-0.51%	EUR/SEK	11.01	Brent fut \$/bl	71.18
NASDAQ	+2.61%	-0.55%	USD/SEK	10.13	Gold fut \$/oz	2937
Estoxx 50	+1.42%	+0.17%	NOK/SEK	0.9512		
OMX 30	+1.30%		EUR/NOK	11.57		
Nikkei	+1.23%		EUR/USD	1.0879		
Shanghai	+0.30%		USD/CNY	7.24		

US and Europe indices are change at Friday's close

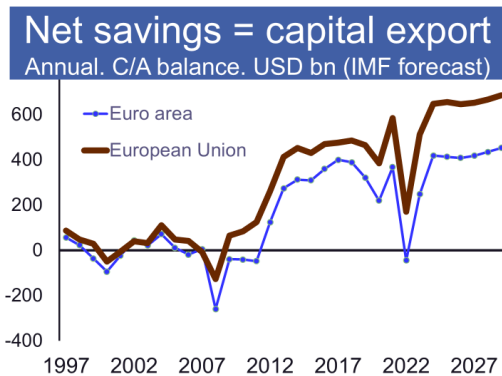
Globally: Policy uncertainty at historic high levels



US: The risk of reciprocal tariffs – from April 2



EU: Where can we find the money 2025-2029?



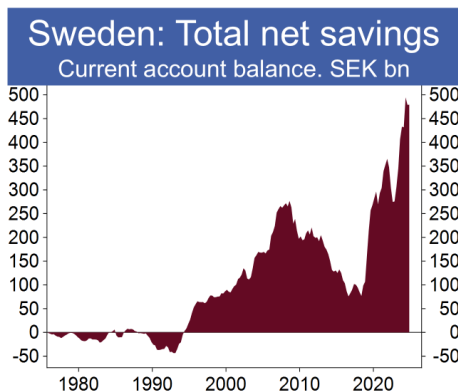
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Robert Bergqvist

SEB



Sweden: Impressive “earnings & balance sheet”



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Capital export 2024: SEK **479bn**

+7.4 % of GDP (benchmark +3%)

Net worth: SEK **8,489bn**

+132% of GDP (benchmark -35%)

2024, % of GDP	Capital export	Net worth
US	-3.3	-81
Euro area	+2.6	+7.4
Sweden	+7.4	+132

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SEB

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