

FX Crossroads

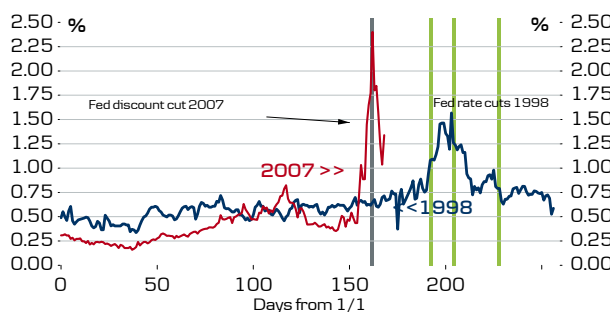
29 August 2007

From this (Minsky) moment on

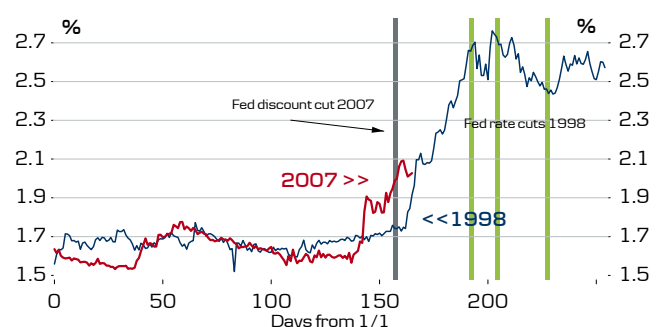
Summary and conclusions

- Two weeks ago we wrote about the textbook pattern of a financial crisis, modelled on work by the late economist Hyman Minsky. If you recall, the pattern is for a market cycle to begin with a positive shock, leading to a boom, and ending with a mania/bubble. The downturn sets in when financial distress spreads, leading to revulsion and finally discredit, where yesterday's favoured assets are no longer good for credit. This is the so-called "Minsky moment". At this point, three things normally happen: 1) prices fall to clear the markets; 2) trading is cut off; 3) a lender of last resort steps into secure liquidity. During the past two weeks we have seen examples of all three. To ignore that we are in the midst of a financial crisis is foolhardy. To believe that we are already beyond the Minsky moment is probably naive.
- In the short term, we suggest keeping risk at low levels as explosive price movements may appear with very little notice. Barring a hard landing scenario, EUR/USD holds more upside, in our view, and the present correction lower should ideally not extend below 1.3440 before rising to new highs. We have closed two recommendations this week (long EUR/USD and NZD/USD).

1998 vs 2007: US TED spread
(3m Libor vs t-bill)



1998 vs 2007: US Baa spread



G10: From this (Minsky) moment on

Teis Knuthsen, Chief Strategist, +45 45 12 84 95, tekn@danskebank.dk

Dead cat bounce?

Two weeks ago we wrote about the textbook pattern of a financial crisis, modelled on work by the late economist Hyman Minsky (please see *FX Crossroads: Manias, Panics, and Crashes*, 15 August 2007). If you recall, the pattern is for a market cycle to begin with a positive shock (displacement), leading to a boom, followed by overtrading and ending with a mania/bubble. The downturn sets in when financial distress spreads, leading to revulsion and finally discredit, where yesterday's favoured assets are no longer good for credit. This is the so-called "Minsky moment". At this point, three things normally happen: 1) prices fall to clear the markets; 2) trading is cut off; 3) a lender of last resort steps into secure liquidity. During the past two weeks we have seen examples of all three. **To ignore that we are in the midst of a financial crisis is foolhardy. To believe that we are already beyond the Minsky moment is naive, in our view.**

We also argued two weeks ago that **exchange rates have yet to fall sufficiently to create value in the fundamental sense.** The positive carry performance during the last week therefore owes a great deal to the belief that central banks will ensure liquidity and stability going forward. Essentially, FX (and equity) markets have stabilised in anticipation of central bank re-starting the cycle with a new displacement. We don't think such an outcome is a given yet.

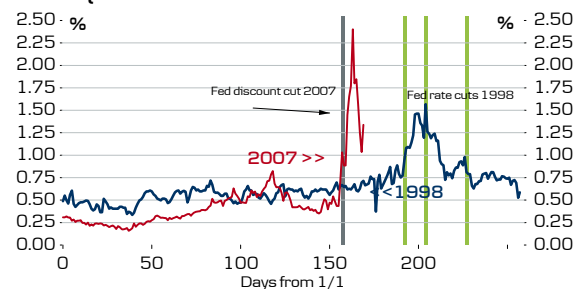
Data have been mixed during the past week. Good news included robust industrial activity from China, South Korea and Singapore, record-high money growth in Euroland, significant retail spending in Sweden and Poland, strong labour markets in Norway and Switzerland, as well as rising orders in the US. On the "good news" side of the ledger we also count a further reduction in speculative carry positions as well as a fall in implied FX vols. However, bad news dominated, mainly in the form of a slowing in forward-looking indicators in Europe, declining consumer confidence and the deteriorating housing sector in the US. The Case/Shiller price index has fallen by 3.5% y/y, the most ever, and the

record-high stock of unsold homes will keep downward pressure on prices going forward. As regards the credit crisis, the latest news flashes have been alarming, reporting losses at tier-1 institutions such as Barclays and StateStreet.

Liquidity or solvency?

Central banks have added liquidity, helping to unblock money markets. However, risk premiums remain substantial, as can be seen from the chart below. The Ted spread rose to an unprecedented 240bp in August, and while it has fallen close to 100bp it remains near the peak of the 1998 crisis.

US Ted spread (3m libor vs tbill) 1998 and 2007
(shaded areas denote Fed rate cuts)



Source: Ecowin, Danske Bank

Further, we still do not know for sure how the leading central banks of the world will handle the crisis going forward. The US markets price three rate cuts by December, and further cuts in 2008. The FED has acknowledged a more downbeat outlook, but it remains to be seen whether it will deliver (next meeting on September 18). The ECB has been unwilling to pre-commit to anything ahead of the September 6 meeting, referring instead to its August 2 statement.

One could ask whether rate cuts would really help at this point or whether the preferred route is to continue to add liquidity. **That question naturally assumes that the problem lies with liquidity and not with solvency** (the latter only being a central bank's responsibility if the entire financial system is at stake).

However, **solvency is a key issue**, be it the solvency of US home owners, home builders, mortgage lenders or banks. This makes popular comparisons with 1998 less relevant since the solvency issue then was related to “far-away countries” (Asia, Russia, Brazil) or a single institution (LTCM) and the main problem was one of liquidity. Further, the shock to Western economies was at least partly positive in the sense that consumers’ spending power rose in line with a rise in real currency rates. This time the crisis is home-made and strikes right at the housing market, suggesting that implications for consumer spending are more serious.

The end of cheap money

In the bigger scheme of things, the crisis unfolding is also a result of the gradual tightening of monetary conditions during the past few years. While the world has been living off a massive monetary expansion since 2003, bringing in its wake an unprecedented contraction in risk premiums and volatility, that cycle has been slowly turning as policy rates have been increased. That increase has been deliberate, of course, as central banks have been losing sleep over inflationary pressures and rising asset prices. Beyond G10 rate hikes, you can throw in for good measure signs that Asian monetary policy has been under change in 2007 as well, implying rising real exchange rates in the region and a reduction in the liquidity flow to mature capital markets. Financial accidents normally surface when liquidity conditions have become “too tight”, the current episode being no exception. Equally, volatility tends to rise in the mature phase of the business cycle. Question is, what happens next? We suggest three scenarios:

- **Liquidity galore.** The FED cuts in line with market pricing, other G7 central banks leave rates on hold indefinitely or even deliver modest rate cuts.
- **Muddling through.** FED adds liquidity, perhaps cuts the discount rate further. ECB pauses in September but hikes in October.
- **No relief.** FED stays on hold, warns on inflation risks, ECB, BOE, BOJ hike.

We are not sure which way the wind will blow, but less than a month from now the FED, the ECB, the BOE and other central banks will have to make up their minds.

Perhaps the most likely scenario lies somewhere between “liquidity galore” (what the market hopes for) and “muddling through” (what central banks may consider appropriate). Rate cuts could work in re-starting the cycle, particularly as regards equity markets and carry trades. Credit markets are likely to suffer a while longer until risk premiums have normalised. However, the global economy must surely follow a lower trajectory going forward than was the best-case before this crisis emerged and a continued economic decoupling in favour of Asia-ex-Japan must be expected. Further, restarting the carry trade in FX markets will quickly leave us at unsustainable valuations once more.

Keep risk low for now

In the short term, we suggest keeping risk at low levels as explosive price movements may appear with very little notice. Technically, most crosses look range bound for now. Barring a hard landing scenario, **EUR/USD holds more upside**, in our view. The present correction lower should not extent below 1.3440, before rising to new highs. We also think NOK offers fundamental value and prefer being short EUR/NOK. SEK looks cheap, but that currency handles rising risk aversion poorly and Swedish financial institutions are heavily exposed to a possible fall-out in the Baltic region. That said, we prefer being short EUR/SEK and look to add at levels above 9.40. In contrast, EUR/CHF offers little upside here and we suggest taking carry exposure elsewhere, using EUR/CHF shorts as a hedge. We also see little fundamental value in being long GBP vs EUR presently. The outlook for the JPY is mixed. The JPY could easily rally further if the crisis deepens, but Japanese fundamentals do not currently support a sustained rise in the yen. In the very short-term we suggest being short USD/JPY. The near-term direction of CAD, AUD and NZD is neigh impossible to forecast. We suggest being long AUD/NZD, but outright short carry. In terms of outright recommendations, we have closed EUR/USD and NZD/USD longs earlier this week.

G10: The week ahead

Tobias Thygesen, Senior Analyst, +45 45 12 84 97, tth@danskebank.dk

Central banks remain crucial. At the risk of repeating ourselves, the actions and words of central banks remain key to developments in FX markets during the week ahead. Although markets showed a budding inclination to let macro data influence price action during the past week, the severe carry underperformance over the last couple of days highlights that markets are still very nervous indeed. The FED's discount rate cut was the main trigger to restore a sense of calm to financial markets and as a natural consequence, the FOMC decision on September 18 will thus be the main test of whether markets are counting on more than the FED is willing to deliver. However, a whole raft of G10 policy meetings is lined up over the next couple of weeks.

First up is the Bank of Canada (September 5) and given that the centre of the current turmoil lies just south of the border, anything other than unchanged rates would be somewhat surprising.

Next up (September 6) are the big Europeans: the BoE and the ECB. The MPC will not receive any Tier 1 data ahead of their rate decision and **given the financial turmoil and the fact that the BoE was already, for all intents and purposes, "on hold", the base rate should stay at 6% in what promises to be a non-event** (no statement released). In the current environment - and lacking central bank support - GBP should remain vulnerable. As for the ECB, much has been said during the last week or so, following the ECB's "early August still stands" message. **Recent data has been strong enough to warrant a hike but given the current state of affairs, we still believe the ECB will postpone further hikes to Q4, giving itself time to alter course if necessary.** Much will obviously depend on the state of financial markets during the next week. Before the meeting, the ECB will receive the flash CPI estimate (August 31) and Q2 GDP (September 4). While the former is expected to show that inflation remains subdued (we forecast 1.7% y/y, markets are looking for an unchanged reading 1.8% y/y), inflation is still expected to edge up toward 2.5% during Q4.

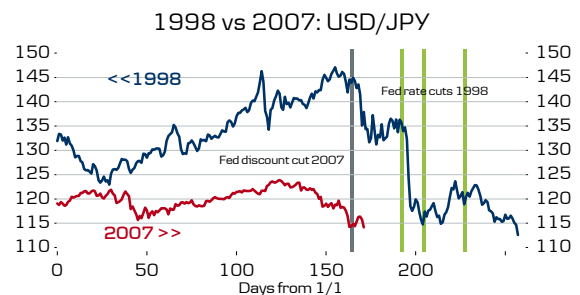
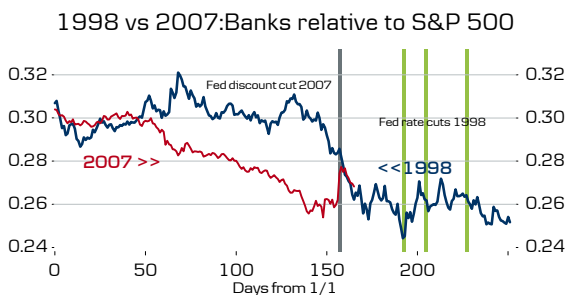
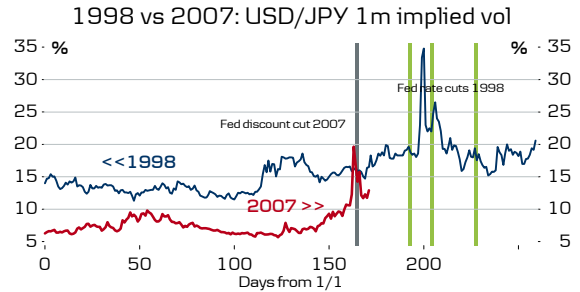
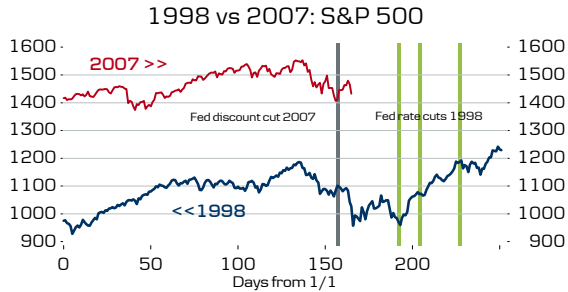
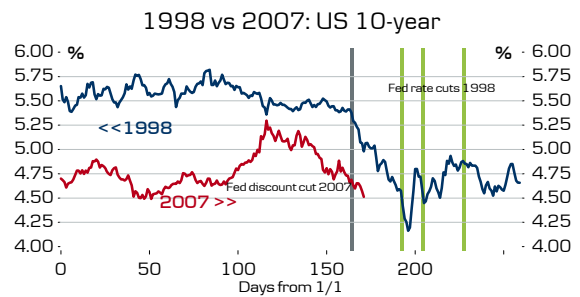
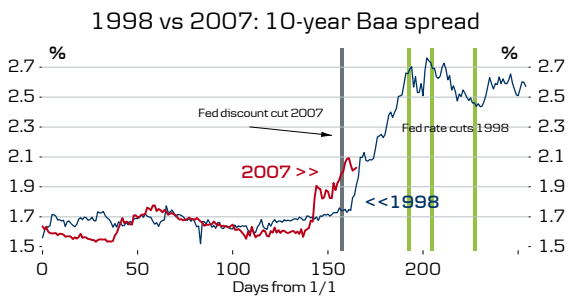
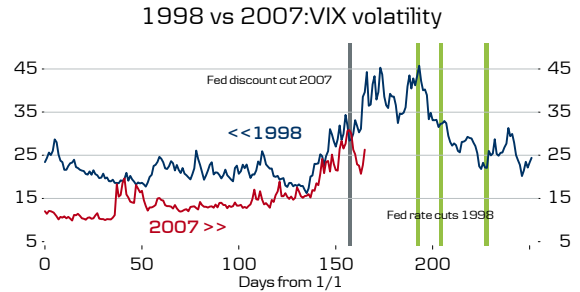
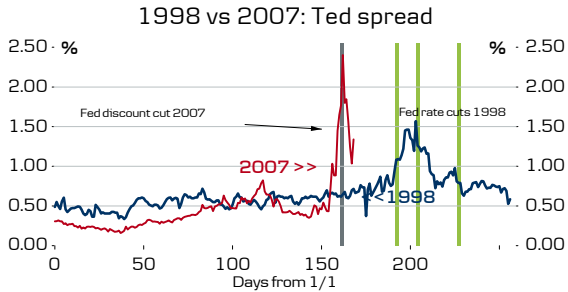
Following hard on the heels of these two is **the Riksbank (September 7), where we continue to expect a hike of 25bp to 3.75%**. Sweden lies at the fringe of the turmoil and economic data remains strong. The Riksbank has not given much guidance, although Lars Svensson did note last week that "Swedish money markets... have been functioning well". In the run-up to the meeting, markets will digest the Activity Index (September 6), giving an indication as to whether the growth slowdown in H1 was temporary. As regards SEK, it suffers badly during bouts of rising risk aversion. Hence, while fundamentals continue to suggest that EUR/SEK should be trading lower, risk sentiment should remain the key driver of the cross.

In Norway, economic data continues to paint a very rosy picture indeed. The coming week brings retail sales (August 30) and unemployment (August 31) and neither should upset that picture too much. Of more interest should be the first speech by an NB official since the August 16 hike. **Deputy Governor Jarle Berge will deliver a speech to ACI Norway on September 6. Norges Bank sounded relatively relaxed about the impact of the financial crisis in mid-August. It remains to be seen whether the latest goings on have made more of an impression.**

Finally, we are facing a busy calendar in the US which, among the highlights, includes Q2 GDP (August 30), the core PCE deflator (August 31) and ISM manufacturing (September 4). **Data is generally expected to come out on the reassuring side**, with Q2 GDP growth expected to print at 4.3% annualised (markets are looking for 4%), the PCE deflator expected to return to 0.2%-2.0% m/m-y/y and the ISM remaining in positive territory at 53. However, as the current state of flux in the financial markets seems more important for the upcoming FOMC decision than (to some extent dated) data, focus could well remain elsewhere. **In fact, the key event of the week should be Bernanke's appearance at Jackson Hole on August 31.** Markets are certainly hoping that the FED chair will confirm "the Bernanke put". Unless Bernanke takes issue with current market pricing, a FED cut in September seems highly likely.

Comparing 2007 and 1998

Teis Knuthsen, Chief Strategist, +45 45 12 84 95, tekn@danskebank.dk



Global continuity clues

Economic indicators, 22 - 29 August 2007

Good news

- Asia** **China's** leading index rose to 103.90 in July from 103.73. **Japanese** service prices rose by 1.6% y/y, up from 1.5%. **Singapore's** industrial production rose a seasonally adjusted 25.5% in July. **South Korean** industrial production rose by 14.3% y/y in July, up from 7.7%.
- EMEA** **Euroland M3** rose by 11.7% y/y in July, an all-time-high. **UK** business investment rose by 0.8% in Q2. **Swiss** employment rose by 2.4% y/y in Q2, up from 1.8%. **Swedish** PPI rose to 5.5% y/y in July from 5.4%. Retail sales rose by 9.4% y/y, up from 8.6%. **Norwegian** GDP rose by 0.9% in Q2. Unemployment (AKU) fell to 2.5% in June from 2.6%. **Poland's** unemployment fell to 12.2% in July from 12.4%. Retail sales rose by 17.1% y/y, up from 16.2%. The central bank raised interest rates to 4.75% from 4.50%.
- America** **US** durable goods orders rose 5.9% in July. New home sales rose 2.8%. Richmond manufacturing index rose to 7 in August from 4.

Bad news

- Asia** **Japanese** supermarket sales fell 2.8% y/y in July, down from -1.5%. **Australian** construction work slips 1.9% in Q2.
- EMEA** **Euroland's** flash composite PMI fell to 57.2 in August from 57.5. **German** import prices slowed to 0.4% y/y in July from 1.3%. The Ifo survey fell to 105.8 in August, the 3rd consecutive drop. GfK consumer confidence fell to 7.6 in September from 8.5. **Belgian** business confidence fell to 3.3 in August from 4.2. The **Swiss** consumption indicator slowed to 2.261 in July from 2.311. The KOF leading indicator fell to 2.06 in August from 2.09. **Sweden's** consumer confidence fell to 19.7 in August from 21.3. Manufacturing confidence fell to 5 from 9. **Poland's** core CPI slowed to 1.5% y/y from 1.8%. **South African** GDP slowed to 5.0% y/y in Q2 from 5.4% y/y.
- America** **US** weekly mortgage applications fell by 4% following the 5.5% drop in the previous week. Consumer confidence fell to 105.0 in August from 111.9, the sharpest drop in 2 years. Existing home sales fell by 0.2% in July, the fifth consecutive drop. The stock of unsold homes rose to an all-time high. Case-Shiller house prices fell by 3.5% y/y in June, the sharpest drop in the series' 20 years' history.

Note: All changes are m/m unless other wise indicated.

G10 portfolio model¹

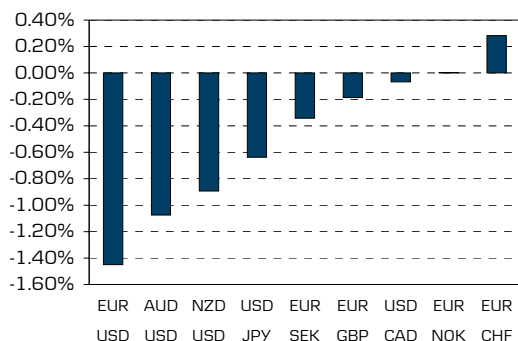
Highlights

- We gained 0.05% during the past week on being long EUR/USD and short EUR/NOK. In contrast, we lost on being short EUR/CHF and long EUR/GBP.
- In a low-risk portfolio, we remain long EUR/USD, long EUR/GBP and short EUR/CHF, as well as short both EUR/NOK and EUR/SEK. We have close to no risk in USD/JPY, or the dollar-block.

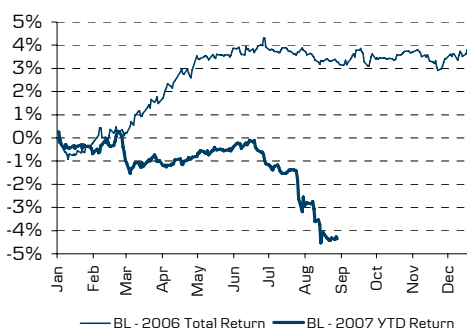
Portfolio composition and performance

| | Portfolio weights | Previous weights | 1-week return | 4-week return | YTD 2007 return |
|------------|-------------------|------------------|---------------|---------------|-----------------|
| EUR/CHF | -5% | -16% | -0.07% | -0.03% | 0.28% |
| EUR/GBP | 12% | 8% | -0.03% | -0.04% | -0.19% |
| EUR/NOK | -9% | -21% | 0.07% | 0.03% | 0.00% |
| EUR/SEK | -5% | -4% | 0.00% | -0.28% | -0.34% |
| AUD/USD | 0% | 0% | 0.00% | -0.44% | -1.07% |
| USD/CAD | 0% | 0% | 0.00% | -0.26% | -0.07% |
| EUR/USD | 4% | 8% | 0.08% | -0.59% | -1.45% |
| USD/JPY | -2% | -1% | 0.00% | 0.00% | -0.64% |
| NZD/USD | -1% | -1% | 0.00% | 0.20% | -0.89% |
| Return | | | 0.05% | -1.41% | -4.37% |
| Volatility | | | 0.22% | 1.15% | 2.33% |

YTD return for individual currency pairs



Total return



¹ Our portfolio model is a qualitative overlay model based on a Black-Litterman setup. For further details please see "FX Crossroads: Introducing the Danske Bank portfolio model, October 3, 2006"

Trading recommendations and G10 central bank overview

Directional trades

| | Date | Start | Now | Target | Stop | P/L (incl carry) |
|-------------------------|--------------|-------------------------|--------------|---------------|--------------|------------------|
| Open | | | | | | |
| No open recommendations | | | | | | |
| Recently closed | | | | | | |
| Sell JPY/SEK | 08/08/07 | 09/08/07 | 5.7 | 5.5 | 5.72 | -1.34 |
| Buy NZD/USD | 17/08/07 | 27/08/07 | 0.72 | 0.72 | 0.7008 | 5.62 |
| Buy EUR/USD | 16/08/2007 | 27/08/07 | 1.37 | 1.3727 | 1.3514 | 1.69 |
| P/L 2007 | 16.4% | Open | 0.00% | Closed | 16.4% | |
| # of trades * | 76 | # of trades 2007 | 24 | | | |
| - average net gain | 0.38% | - average net gain | 0.68% | | | |
| - batting average | 0.51 | - batting average | 0.58 | | | |

* Since 17 November 2005

Central bank overview

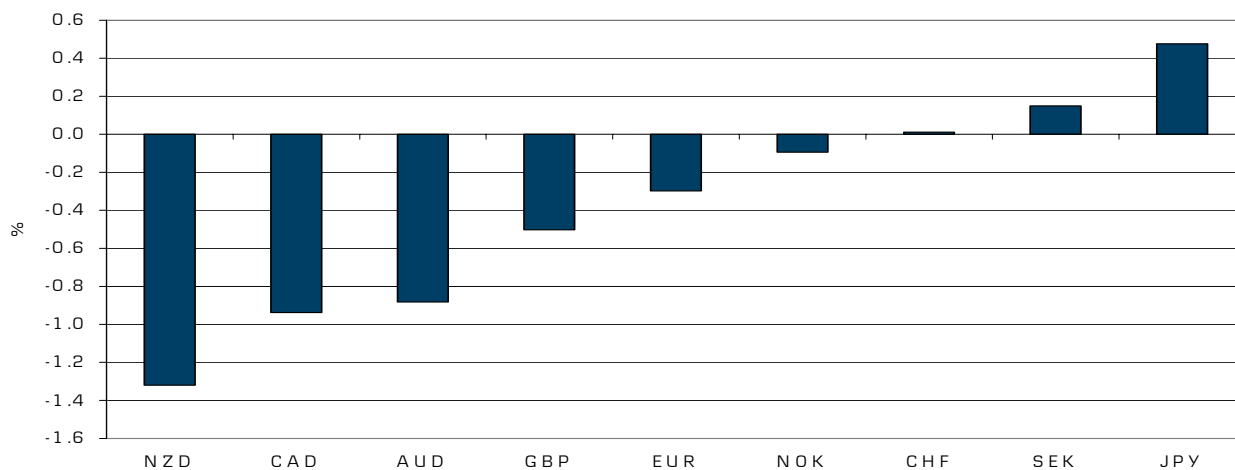
| Country | Official interest rate | Policy rate | Next decision* | Last change |
|----------------|------------------------|-------------|----------------|--------------------|
| United States | Federal funds rate | 5,25 | 18 Sep (unch) | 29 June 06 (+25bp) |
| Euroland | Minimum bid rate | 4,00 | 6 Sep (unch) | 6 June (+25bp) |
| Japan | Overnight call rate | 0,50 | 19 Sep (unch) | 21 Feb (+25bp) |
| United Kingdom | Base rate | 5,75 | 6 Sep (unch) | 5 July (+25bp) |
| Switzerland | 3-month Libor | 2,50 | 13 Sep (+25bp) | 14 June (+25bp) |
| Canada | Overnight rate | 4,50 | 5 Sep (unch) | 10 July (+25bp) |
| Australia | Cash rate | 6,50 | 5 Sep (unch) | 8 Aug (+25bp) |
| New Zealand | Cash rate | 8,25 | 13 Sep (unch) | 25 July (+25bp) |
| Sweden | Repo rate | 3,50 | 7 Sep (+25bp) | 20 June (+25bp) |
| Norway | Sight deposit rate | 4,75 | 26 Sep (+25bp) | 15 Aug (+25bp) |

* Expected decision in brackets

Exchange rate forecasts

| | Spot | Forecast | | | | Forecast vs forward outright, % | | | |
|------------------------------|--------|----------|-------|-------|-------|---------------------------------|------|------|-------|
| | | +1m | +3m | +6m | +12m | +1m | +3m | +6m | +12m |
| Exchange rates vs EUR | | | | | | | | | |
| USD | 1.363 | 1.36 | 1.36 | 1.38 | 1.30 | -0.3 | -0.4 | 0.9 | -5.1 |
| JPY | 156.64 | 155 | 152 | 160 | 156 | -0.8 | -1.8 | 4.0 | 3.0 |
| GBP | 0.677 | 0.680 | 0.685 | 0.685 | 0.685 | 0.2 | 0.7 | 0.2 | -0.6 |
| CHF | 1.637 | 1.63 | 1.61 | 1.63 | 1.63 | -0.3 | -1.2 | 0.5 | 1.2 |
| DKK | 7.45 | 7.45 | 7.45 | 7.45 | 7.45 | 0.1 | 0.1 | 0.1 | 0.0 |
| NOK | 7.96 | 7.95 | 8.00 | 7.80 | 7.80 | -0.2 | 0.3 | -2.4 | -2.9 |
| SEK | 9.40 | 9.35 | 9.20 | 9.10 | 9.10 | -0.5 | -1.9 | -2.9 | -2.8 |
| PLN | 3.84 | 3.85 | 3.90 | 3.90 | 3.95 | 0.2 | 1.5 | 1.3 | 2.1 |
| CZK | 27.65 | 27.30 | 27.20 | 27.20 | 27.20 | -1.2 | -1.3 | -1.0 | -0.6 |
| HUF | 257 | 266 | 270 | 275 | 275 | 3.1 | 4.2 | 5.4 | 4.1 |
| TRY | 1.81 | 1.95 | 2.00 | 2.05 | 2.05 | 6.8 | 7.3 | 6.8 | 0.6 |
| Exchange rates vs USD | | | | | | | | | |
| JPY | 115.0 | 114 | 112 | 116 | 120 | -0.5 | -1.4 | 3.0 | 8.3 |
| GBP | 2.01 | 2.00 | 1.99 | 2.01 | 1.90 | -0.5 | -1.1 | 0.7 | -4.4 |
| CHF | 1.20 | 1.20 | 1.18 | 1.18 | 1.25 | 0.0 | -0.8 | -0.5 | 6.5 |
| DKK | 5.47 | 5.48 | 5.48 | 5.40 | 5.73 | 0.4 | 0.5 | -0.9 | 5.3 |
| NOK | 5.84 | 5.85 | 5.88 | 5.65 | 6.00 | 0.1 | 0.8 | -3.3 | 2.3 |
| SEK | 6.90 | 6.88 | 6.76 | 6.59 | 7.00 | -0.1 | -1.5 | -3.8 | 2.3 |
| CAD | 1.06 | 1.07 | 1.10 | 1.08 | 1.08 | 0.9 | 3.9 | 2.1 | 2.2 |
| AUD | 0.82 | 0.81 | 0.78 | 0.75 | 0.70 | -0.9 | -4.3 | -7.5 | -12.6 |
| NZD | 0.70 | 0.69 | 0.65 | 0.62 | 0.60 | -1.3 | -6.5 | -9.9 | -11.0 |
| ZAR | 7.24 | 7.65 | 7.70 | 7.75 | 7.80 | 5.3 | 5.1 | 4.4 | 2.0 |
| BRL | 2.00 | 2.15 | 2.15 | 2.10 | 2.05 | 7.4 | 6.8 | 3.4 | -1.2 |
| MXN | 11.10 | 11.30 | 11.35 | 11.30 | 11.25 | 1.6 | 1.7 | 0.7 | -1.2 |
| CNY | 7.55 | 7.56 | 7.48 | 7.25 | 7.00 | 0.3 | -0.1 | -1.9 | -2.6 |

Expected change in USD vs forwards, 1 m



Head of FX Research

| | | | |
|---------------|-----|-----------------|--------------------|
| Teis Knuthsen | G10 | +45 45 12 84 95 | tekn@danskebank.dk |
|---------------|-----|-----------------|--------------------|

FX Research

| | | | |
|--------------------|--------------------|------------------|--------------------|
| Rene Kallestrup | AUD, NZD, CAD | +45 45 12 84 98 | reka@danskebank.dk |
| Stefan Mellin | SEK | +46 8 568 805 92 | mell@danskebank.se |
| Tobias Thygesen | DKK, CHF, NOK, SEK | +45 45 12 84 97 | tth@danskebank.dk |
| Thomas Andersen | Hedging strategies | +45 45 12 84 96 | tpa@danskebank.dk |
| Klaus lkast | Technical analysis | +45 45 12 84 99 | kik@danskebank.dk |
| Kim Cramer Larsson | Technical analysis | +45 45 12 85 01 | kimn@danskebank.dk |

Currency overlay and modelling

| | | | |
|----------------|----------------|-----------------|---------------------|
| Martin Richter | Senior Analyst | +45 45 12 85 40 | mrirc@danskebank.dk |
| Thomas Busch | Analyst | +45 45 12 85 42 | tbus@danskebank.dk |

Disclosure

This report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank is under supervision by the Danish Financial Supervisory Authority.

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high quality research based on research objectivity and independence. These procedures are documented in the Danske Bank Research Policy. Employees within the Danske Bank Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and to the Compliance Officer. Research analysts are remunerated in part based on the over-all profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Danske Bank research reports are prepared in accordance with the Danish Society of Investment Professionals' Ethical rules and the Recommendations of the Danish Securities Dealers Association.

Financial models and/or methodology used in this report

Recommendations and opinions in this research are formed based on a combination of Danske Bank's regression models using macroeconomic fundamentals and financial variables as input and a general market assessment. Various statistical methods are used to evaluate the market. Standard option pricing models are used in respect with derivatives.

Risk warning

Major risks connected with recommendations or opinions in this report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

FX Crossroads is updated every week.

Disclaimer

This publication has been prepared by Danske Bank for information purposes only. It is not an offer or solicitation of any offers to purchase or sell any securities, currency or financial instrument. The evaluations, calculations, opinions and recommendations of the publication should not replace the making of own opinions about whether to make any such transaction. Whilst reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and no liability is accepted for any loss arising from reliance on it.

Danske Bank, its affiliates or staff may perform business services, hold, establish, change or cease to hold positions in any securities, currency or financial instrument mentioned in the publication. Additional and/or updated information is available from Danske Bank. This publication is not intended for private customers in the UK or any person in the US. Danske Bank is regulated by FSA for the conduct and investment business in the UK and is a member of the London Stock Exchange.

Copyright © Danske Bank A/S. All rights reserved. This publication is protected by copyright and may not be reproduced in whole or in part without permission.

This report has been prepared by the correspondent of Auerbach Grayson & Company Incorporated ("AGC") named above on the date listed above. We are distributing this report in the U.S. and any U.S. person receiving this report and wishing to effect transactions in any security discussed herein, should do so only with a representative of Auerbach Grayson & Company Incorporated. Additional information on recommended securities is available on request.