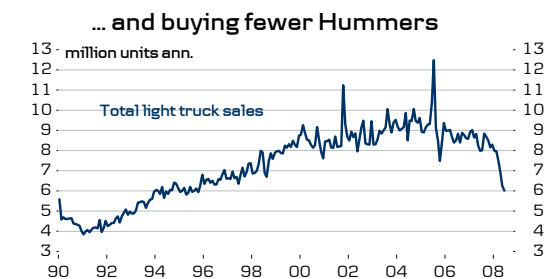
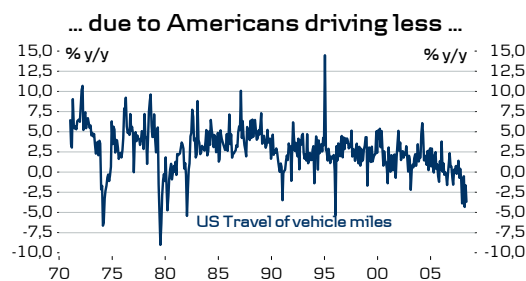
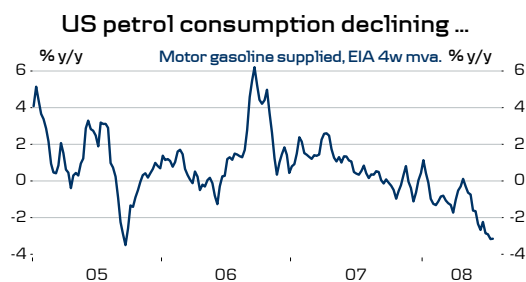
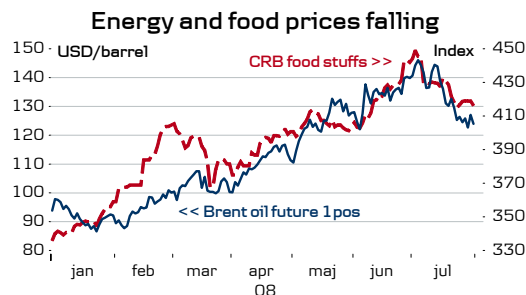


Weekly Focus

1-8 August 2008



Commodity correction

Commodities have come under broad pressure in the past couple of weeks. Oil prices in particular have been facing headwinds, and have fallen from \$147/bbl to \$125/bbl, but metal and food prices have also corrected. Corn, for example, has fallen almost 20% from its peak in late June. Lower commodity prices are good news for the world's central banks, not least the ECB and Sweden's Riksbank, which have been heavily focused on headline inflation.

Oil is the commodity benchmark – and sentiment has shifted. The players in the oil market have suddenly realised that the global economy is starting to react to elevated oil prices. Not only has the economic slowdown deepened in the US, it has also spread across the Atlantic to Euroland. The US is still the world's largest consumer of oil, but US petrol consumption is now 3% down on a year ago and the number of kilometres driven has fallen 3.7% y/y. Airlines have cancelled routes and grounded planes. However, the clearest illustration of how expensive oil has affected behaviour is probably large pick-up and SUV sales – which are down a whopping 30% compared to six months ago. Americans are beginning to react to the hefty hikes in oil prices by buying smaller more fuel-efficient cars and travelling less.

This “demand destruction” will probably continue in the coming months, and oil prices could well fall further. Looking ahead to 2009, however, this does not alter the picture of a still rather tight oil market. Demand for oil remains buoyant in Asia and the Middle East, supply still has problems keeping up, and prices probably do not have to sink much further before OPEC begins to consider cutting back production. Nevertheless, the fact that demand is now being affected by the higher prices means that one can confidently dismiss the doomster prophecies of oil at \$200 or higher in the coming year.

Editor in Chief: Chief Economist Steen Bocian, + 45 45 12 85 31, stbo@danskebank.dk

Internet: www.danskebank.dk/danskeanalyse

Danske Bank

Denmark

Tore Damgaard Stramer, Economist, +45 45 12 80 61, tosts@danskebank.dk

Housing prices still falling – but much regional variation

The Association of Danish Mortgage Banks (Realkreditrådet) has just published house price statistics for Q2 08. The figures show house, apartment and leisure property prices continuing to fall.

House prices are falling faster – down 3.9% from Q2 07 to Q2 08 – and so are prices for leisure property, which fell 3.3% over the same period. In contrast, apartment prices appear to be falling more slowly than before – down 8.6%.

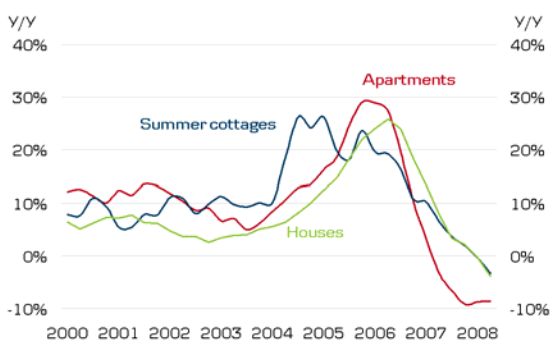
The above statistics mask great regional variation, however, with the largest house price falls concentrated in and around the capital. Two municipalities just outside the capital topped the list with price falls of 22%.

That the greatest falls occurred in or close to Copenhagen is no great surprise. The rocketing prices seen here before the market turned could hardly be explained by underlying economic developments, and thus it is natural that the negative price correction is more pronounced here compared to the rest of the country.

We still believe that the house market generally faces a soft landing – we expect to see prices fall by 3% overall in 2008, and a further 3 % in 2009.

Apartment prices have fallen by around 13% since Q3 06 – but the pace of decline still appears to be slowing. This could indicate that a bottom is approaching. However, we still expect that apartment prices will fall by around 5-10 % in the next couple of years.

Housing price growth



Key events of the week ahead

- Wednesday sees the numbers for bankruptcies and repossessions for July. We expect a largely unchanged figure for bankruptcies and a minor increase in the number of repossessions.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 04	16:00	DKK Currency reserves	DKK bn	Jul		2.7

Sweden

Roger Josefsson, +46 8 568 805 58, roger.josefsson@danskebank.se

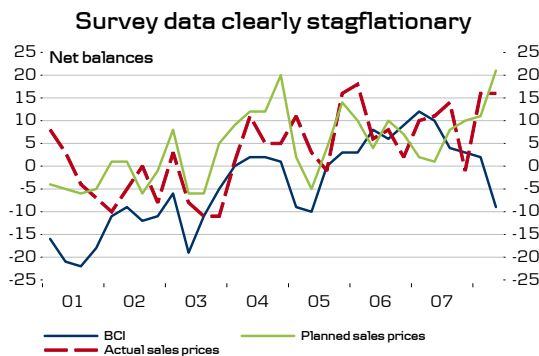
Stagflationary survey data

The National Institute for Economic Research's (NIER) business survey (BCI) is among the most closely watched indicators at the Riksbank and the other major institutions. It is probably the most thorough survey of the Swedish business sector and contains information on most topics of interest for a policymaker.

Overall, the recent survey accentuates the stagflationary developments we have seen over the last few quarters and adds to the Riksbank's current dilemma.

Looking in more detail, we are somewhat surprised to see that the only sector surprising on the upside is the construction sector, where companies have actually become more satisfied over the past quarter. Apart from the construction sector, there is actually nothing else that has improved. Capacity utilisation is down, stock levels have become more dissatisfactory, production and employment plans have dropped, while all price indicators – inflation expectations, actual and planned sales prices – are up.

This is a toxic cocktail that we believe will provoke the "hawks" on the executive board more than it will calm the doves. Slower growth will probably not inhibit the more conservative elements on the board, but rather be taken as a positive sign that previous interest rate hikes are having the effects sought after.



Key events of the week ahead

- Inflation data is expected to confirm the rather hawkish stance of the majority of the Riksbank's executive board members.
- The Swedish National Debt Office (SNDO) will re-release statistics on central government borrowing needs.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Thu 07	9:30	SEK CPI	m/m/y/y	Jul	-0.1% 4.3%	0.5% 4.3%
Thu 07	9:30	SEK Underlying inflation, UND1X	m/m/y/y	Jul		0.4% 3.2%

Norway

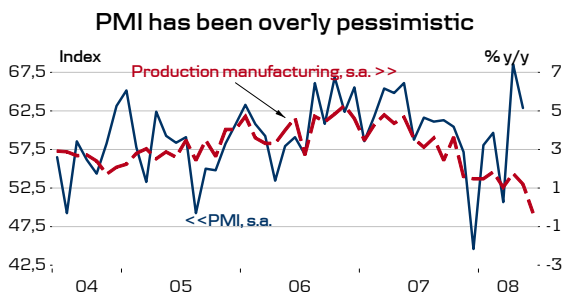
Arne Lohmann Rasmussen, Senior Analyst, +45 45128532, arne.lohmann@danskebank.dk

Industry in better shape than PMI suggests

The coming week brings PMI data and figures for manufacturing output in June.

The Norwegian PMI has fallen sharply in recent months and dropped below the 50-mark to 49.3 in June. However, in our opinion, this indicator is currently overestimating how bad things are in the Norwegian economy, and we expect a rebound to 50.1 in July.

Nor is the picture anywhere near as bleak when we look at actual output in the manufacturing sector, which climbed 5.6% y/y in May and was 4% higher in January-May this year than in the same period last year. It is primarily the production of investment goods that is leading the way, growing by no less than 15.1% y/y in May, thanks not least to full order books in oil-related industries. According to the latest business tendency survey from Statistics Norway, released during the week, Norwegian industrial managers expect an increase in output in industries such as shipbuilding and offshore fabrication. Manufacturing output is expected to climb 0.8% m/m in June after falling 0.7% m/m in May.



Key events of the week ahead

- Norwegian PMI is expected to get back above the 50-mark in July.
- Fresh growth in manufacturing output is expected in June after the m/m decrease in May.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 04	9:00	NOK PMI	Jul	50.1		49.3
Thu 07	10:00	NOK Industrial Production, sa.	Jun			1.6% 2.8%
Thu 07	10:00	NOK Ind. Production manuf., sa.	Jun			-0.7% 5.6%

Euroland

Peter Passing Andersen, Senior Analyst, +45 4513 7019, pa@danskebank.dk

Niels Blomquist, Assistant Analyst, + 45 4512 8157, niblo@danskebank.dk

ECB will wait and see

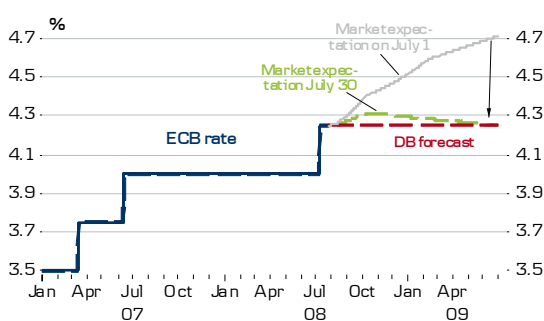
Data released since the previous publication of *Weekly Focus* generally indicate that Europe is heading for a slowdown – a slowdown that could become a recession if business confidence continues to slide (see [Euroland: Surveys smell of recession](#)). Annualised inflation, meanwhile, does not appear set to ease anytime soon, as the recent fall in the price of oil will take some time to feed through. June saw consumer prices rise by 4% y/y, and the first estimates of the July number indicate an increase to 4.1 % y/y. We expect that inflation will hit a peak of 4.2% y/y in the course of Q3.

The main event of the coming week will undoubtedly be Thursday's rate decision from the ECB. Like the market, we expect that the ECB will keep interest rates unchanged at 4.25%, after hiking by 25bp at its July meeting on fears of second-round effects on inflation. The ECB now expects that inflation will not moderate towards the central bank's target rate of 2% until 2009.

As we wrote in [Global: Inflation expectations monitor](#), both consumer and market implied inflation expectations are rising in most of Europe. On top of this comes a fear that administered prices will be raised due to the recent increases in commodity prices. This is putting pressure on the ECB to hike rates. That said, help is perhaps at hand in the shape of the commodity market losing some steam – oil prices are down \$24 from \$145/bbl at the start of July, and food prices too have begun to ease. Nor can the ECB have failed to notice the past month's weakness in business confidence, which would again ease the pressure to hike.

We do not expect the ECB to alter its rhetoric from the July meeting. Instead it will wait and see if inflation will start to retreat on the back of the slide in commodity prices. However, a nod in the direction of the weak growth data could be on the cards. Speeches by members of the ECB have been thin on the ground of late, but those that have been given have generally expressed satisfaction with the current level of interest rates. This is also reflected in the markets' expectations, with just a 33% probability of a rate hike before the end of the year priced in.

Limited expectations of rate hikes



Key events in the week ahead

- Thursday's rate decision is event of the week.
- German trade figures on Thursday will reveal if exports are still under pressure.
- Italian GDP is scheduled for Friday, and might give some indication for the direction of Euroland GDP.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 04 - 08	-	EUR ECB Lending Survey				
Mon 04	10:00	ESP Consumer confidence	Index Jul			51.7
Mon 04	11:00	EUR PPI	m/m/y/y Jun		0.9% 7.9%	1.2% 7.1%
Tue 05	9:50	FRF French PMI Services, final	Index Jun	46.8	47.0	47.0
Tue 05	10:00	DEM German PMI Services, final	Index Jul	53.2	53.3	53.3
Tue 05	10:00	EUR PMI service, final	Index Jul	48.2	48.3	48.3
Tue 05	11:00	EUR Retail sales	m/m/y/y Jun		-0.6% ...	1.2% 0.2%
Wed 06	12:00	DEM Factory orders	m/m/y/y Jun		0.3% ...	-0.9% -2.0%
Thu 07	8:00	DEM Trade balance	EUR bn Jun		16.0	14.4
Thu 07	8:00	DEM Imports (SA)	m/m Jun			0.7%
Thu 07	8:00	DEM Exports (SA)	m/m Jun			-3.2%
Thu 07	8:45	FRF Trade Balance	EUR bn Jun		-4.5	-4.7
Thu 07	12:00	DEM Industrial production	m/m/y/y Jun		0.8% 1.9%	0.8% -2.4%
Thu 07	13:45	EUR ECB Meeting	%	4.25	4.25	4.25
Thu 07	14:30	EUR ECB press conference				
Fri 08	10:00	ITL GDP	q/q/y/y 2nd quarter		0.0% 0.3%	0.5% 0.3%

Switzerland

Kasper Kirkegaard, Analyst, +45 4543 7018, kaki@danskebank.dk

Niels Blomquist, Assistant Analyst, +45 4542 8157, niblo@danskebank.dk

A look back at July

It is four weeks since the last issue of *Weekly Focus*, so there is good reason to take a look back at the most important events in the Swiss market over the past month. Macroeconomic data have generally been on the weak side, and a look at how incoming data have compared with consensus expectations (as illustrated by the “surprise index” in the chart below) shows that the market has also generally been disappointed. This was confirmed most recently by an unexpectedly sharp drop in the KOF leading indicator, which fell to 0.90 in July, dragged down by a weak outlook for domestic consumption, whereas the financial sector seems to have stabilised. Besides relatively weak activity data, consumer price inflation in Switzerland remains high, hitting 3.1% y/y in July, the highest rate for almost 15 years. Once again inflation was fuelled by higher prices for energy and other imported goods.

All in all, the data for July confirm our view of the Swiss economy: (i) the economy has peaked and growth is expected to slow significantly; (ii) inflationary pressures have mounted, albeit less markedly than in Euro-land; and (iii) the labour market is still strong but indicating an imminent downturn.

This situation was reflected in the financial markets in July. Swiss yields fell, primarily on instruments with short maturities, and so the yield curve has steepened. The yield spread to Euroland (2Y swap yields) hit a new peak of 198bp the day before the ECB raised its key rate by 25bp on 3 July, but has since narrowed again and is currently at 188bp. This narrowing of the spread is mainly due to the market no longer discounting further interest rate hikes from the ECB. The market is, however, pricing in at least one further 25bp hike from the SNB in the next year, with a 28% chance of the SNB raising its target range by 25bp at its September meeting.

Movements in the FX market have been rather surprising. CHF fell 1.5% against EUR in July, sending CHF/DKK down from 4.63 to 4.57, and was second only to the NZD as the worst-performing G10 currency against EUR over the month. This was a surprise, as there were only comparatively small movements in relative yields, whereas there were broad falls in the stock markets. This should have led to a stronger CHF, as historically the CHF has performed when stock markets fall. However, this was not the case in July, which indicates that the negative correlation between CHF and the stock market has weakened recently.

Data surprised on the downside in July – but not nearly to the same extent as in Euroland



Source: Bloomberg

Key events of the week ahead

- Monday brings the PMI for the manufacturing sector.
- On Friday it will be interesting to see whether there are again early signs of weakness in the Swiss labour market.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 04	9:30	CHF PMI	Index	Jul	53.6	54.9
Fri 08	7:45	CHF Unemployment	% (s.a.)	Jul	2.5	2.5

USA

Peter Passing Andersen, Senior Analyst, +45 4513 7019, pa@danskebank.dk

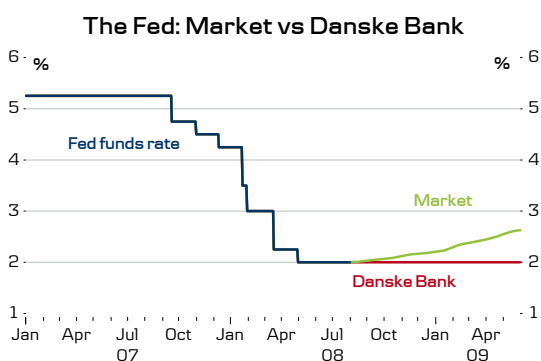
Fed to signal lengthy period on hold

The big event of the week stateside is the FOMC's rate-setting meeting on Tuesday. In line with both the market and the consensus of analysts, we expect the Fed to leave the funds rate unchanged at 2.0%. As the interest rate decision is therefore largely a given, the focus will instead be on the wording of the accompanying press release.

This will make particularly interesting reading in the light of the growing disunity on the FOMC (see [Flash Comment - FOMC: Hawks and doves in bird-fight](#), 17 July). In his semi-annual testimony to Congress in mid-July, Fed chairman Ben Bernanke stepped up the emphasis on growth concerns in the light of the financial crisis (see [Flash Comment - FOMC: Growth concerns return](#), 15 July). However, several of the hawks on the FOMC have since been putting out a very different message, arguing strongly that mounting inflation risks warrant the tightening of monetary policy sooner rather than later. This disunity means that the press release will necessarily end up a compromise between the two camps. That said, it would not come as a surprise if one or more of the hawks vote against the interest rate decision.

However, the doves are still in the majority on the FOMC, which gives good reason to expect a moderate statement sticking relatively closely to the message in Bernanke's testimony. All in all, this means that there will be slightly greater emphasis on the downside risks to growth than after the last FOMC meeting, while inflation concerns will be kept at a high but unchanged level. The FOMC is therefore expected to signal that the current funds rate is appropriate in terms of inflation and growth risks, but that the outlook is subject to considerable uncertainty.

We still expect the Fed to stay on hold well into 2009. Generally speaking, we find it hard to see the Fed normalising monetary policy for as long as unemployment is rising, house prices are falling and financial markets are fragile. The latest drop in commodity prices may also help allay inflation fears in the coming months. Against this background, the market's pricing in of a 30% chance of an interest rate hike in September seems a tad aggressive to us (see also Fixed Income article).



Key events of the week ahead

- The Fed's Senior Loan Officer Opinion Survey on Bank Lending Practices.
- Tuesday: Core PCE deflator will climb 0.3% m/m or 2.3% y/y in June.
- Tuesday: The FOMC will leave the funds rate at 2.0% and deliver a neutral press release.
- Friday: Unit labour costs will climb 1.4% q/q AR or 1.4% y/y in Q2.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 04 - 08	-	USD Senior Loan Officer Opinion Survey				
Mon 04	14:30	USD Personal income	m/m Jun	-0.1%	-0.2%	1.9%
Mon 04	14:30	USD Private consumption expenditure	y/y Jun			3.1%
Mon 04	14:30	USD Personal spending	m/m Jun	0.5%	0.5%	0.8%
Mon 04	14:30	USD PCE core - deflator	m/mly/y Jun	0.3% 2.3%	0.2% 2.2%	0.1% 2.1%
Mon 04	16:00	USD Factory Orders	m/m Jun		0.7%	0.6%
Tue 05	16:00	USD ISM non-manufacturing	Index Jul	49.0	48.0	48.2
Tue 05	20:15	USD FOMC meeting	%	2.00	2.00	2.00
Wed 06	13:00	USD MBA mortgage applications				-14.1%
Thu 07	14:30	USD Initial jobless claims	1000		413	448
Thu 07	16:00	USD Pending home sales	m/m Jun		-1.0%	-4.7%
Thu 07	21:00	USD Consumer credit	bn. USD Jun		6.4	7.8
Fri 08	14:30	USD Unit labour cost, preliminary	q/q 2nd quarter	1.4%	1.2%	2.2%

Foreign exchange

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

No news is good

The economic data in recent weeks have been exceptionally bad, and **almost no matter where one looks, the risk of recession appears to be rising** – a few arbitrary examples include record low consumer and business confidence, falling housing market activity, weakening retail sales and production, and rising inventories. The slowdown is being led by the G3 (USA, Japan and Euroland), though countries such as the UK, Australia and New Zealand also look rather vulnerable. The driving forces of the slowdown should be pretty well known by now: tighter credit, rising energy and food prices, and shrinking wealth due to tumbling equity and house prices. Moreover, there is no reason to expect a turnaround anytime soon. Instead, one should anticipate a significant lowering of expectations for economic growth in the coming months. Emerging Markets too appear to be hitting the brakes, with the noticeable exception of China. Overall, our theme of a global slowdown is still very much alive and kicking and, if anything, recession fears should increase going forward. This also means that markets will probably shift their focus from inflation back to growth.

July saw further **significant underperformance by the finance sector**, and the bank sector seems to throw up new problems almost daily. In a nutshell, the driving force here is a shift in the liquidity and housing market cycles that would appear set to continue for some time yet. Our theme concerning a financial crisis therefore looks likely to be relevant in H2 08 as well.

The weakest G10 currency in the past month has been NZD, which pretty much matches our forecasts. Last week, New Zealand cut its rates by 25bp to 8.0% – the first cut since 2003. The cut came a couple of months earlier than we had expected, but the direction was no surprise. The kiwi economy is slowing rapidly, and a shift in monetary policy almost always spells trouble for an overvalued currency carrying a significant current account deficit. As NZD is being hit by both the above-mentioned themes, we expect to see further weakness in the coming months.

In our latest forecast update on 4 July (see [FX Forecast Update: To catch a rising tide](#)), we lifted our 3M forecast for EUR/USD to 1.60 (from 1.55) and 6M forecast to 1.55 (from 1.50). The 1.60 target was reached already on 15 July, but has since retreated to 1.56 at the time of writing. Three factors suggest the euro could have peaked for now. First, oil prices have fallen a good 15%. Second, the US has taken further steps to ease the problems plaguing the housing market. Third, economic data out of Euroland have been alarmingly weak. We have no doubt that the outlook for the US in the coming year is troubling – to put it diplomatically. However, relatively speaking, the downward movement in Europe is now clearly more pronounced and the downshift here has only just started. With inflation running at 4.1%, the scope for the ECB to turn soft on its inflation mandate is limited, though a more aggressive pricing of rate cuts in 2009 will probably coincide with a cyclical turning point for EUR/USD. Technically, the pair has been trading within a broad range between 1.53 and 1.60, which has held since March.

Fixed Income

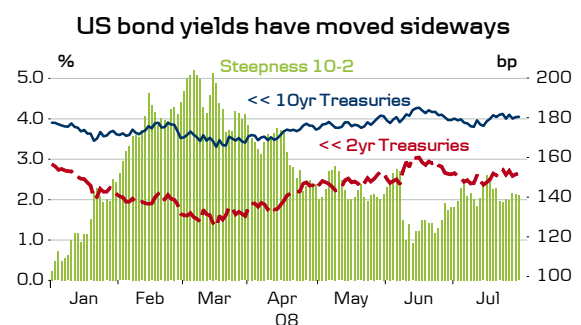
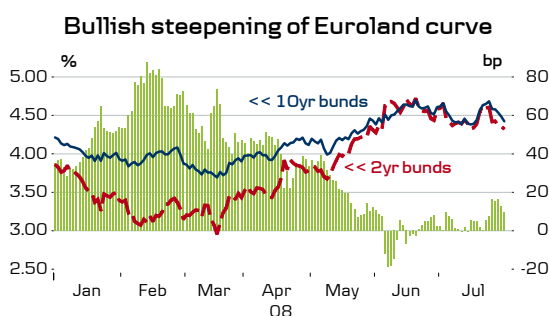
Peter Passing Andersen, Senior Analyst, +45 4513 7019, pa@danskebank.dk

Monetary policy meetings in focus

In Euroland, bond yields have been edging lower and the curve has been steepening over past 3-4 weeks. This largely reflects less concern about the inflation outlook and in turn reduced expectations for further ECB hikes this year. Currently, the market is pricing in around a 15% probability of another ECB hike this year. Given the deteriorating economic outlook and the slowdown in commodity prices, we judge the current pricing as being close to fair. Going forward, the risk is for more steepening and lower bond yields, but the size and speed of such a move will largely depend on ECB rhetoric. Next week's ECB meeting (Thursday) will be the key event in European bond markets. We expect the central bank to keep rates unchanged at 4.25% and to re-iterate inflation concerns but also give a nod to the deteriorating economic data (see Euroland section). With the bulk of the hike expectations already removed, we do not expect the meeting to prompt any major reaction in the market. Hence, as long as the ECB sticks to its inflation-fighting rhetoric, any further declines in bond yields will occur at a slower pace going forward.

While very volatile, the US bond market has basically been moving sideways in July – and this despite Bernanke's reinstatement of significant downside growth risks in his congressional testimony in mid-July. On balance, the economic data have been slightly better than expected, although the outlook for H2 remains pretty negative, as the tax rebate boost to consumers will be fading soon. Moreover, several hawkish speeches from regional Fed governors have helped keep alive market fears of an early monetary policy reversal. Finally, supply concerns in the Treasuries market amidst a deteriorating US budget outlook have kept the curve buoyant – particularly at the long end. We still believe that the current market pricing of a 60% probability of a hike this year is too aggressive. We expect the Fed to keep the policy rate unchanged at 2.00% at Tuesday's FOMC meeting and the statement to closely resemble the message from Bernanke's testimony, ie, that the Fed is firmly on hold. On balance, we think such an outcome could produce some bullish steepening in the US Treasuries curve.

Aside from the ECB and Fed meetings, the rate decision from the Bank of England (Thursday) will also attract attention in the fixed income market. We look for an unchanged policy rate of 5.00%, but continue to expect monetary easing further down the road.



Equities

Mads Hesselholt, +45 45 12 80 47, mhes@danskebank.dk

Q2 US earnings surprising positively

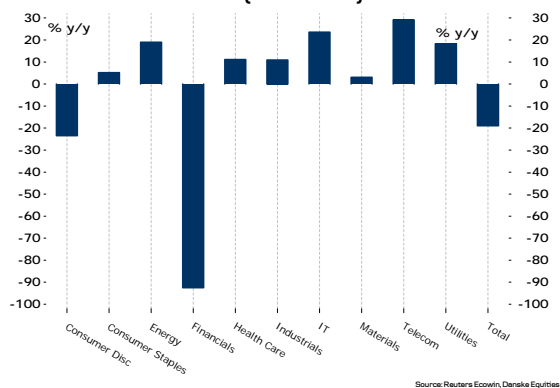
Corporate earnings have been under pressure for a while due to slower global economic growth and a faltering US housing market. In 2007, US earnings fell by 4.3% on the previous year, and European earnings grew only a little. Much of the sluggish growth in 2007 earnings stemmed from the financial sector, where we saw large write-downs - especially in Q3 and Q4 - related to the US housing market. Partly due to these write-downs, earnings growth in the past three quarters has been negative compared with the same quarters the year before.

The Q2 08 US earnings season has been running for some time now, with more than half of the US companies in the S&P 500 index having reported. Consensus expectations indicate that earnings growth in Q2 will be -21.6% y/y - making Q2 08 the fourth consecutive quarter of negative earnings growth. However, if one excludes financials from the S&P 500, earnings growth would so far have been 9.2% y/y. This large difference can largely be explained by the nearly USD 70bn of losses in the US financial sector in Q2. Apart from Financials and Consumer Discretionary, all other sectors in the S&P 500 are expected to stay in positive earnings growth territory in Q2.

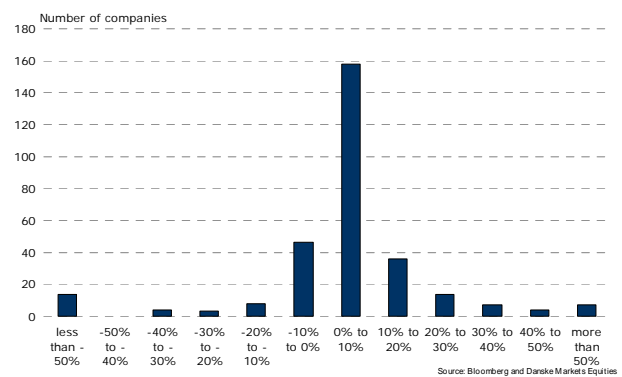
With 325 companies having reported, the results so far have been biased to the positive side relative to what Wall Street analysts expected - 228, or 70%, of the companies that have reported have surprised to the positive side relative to consensus expectations. While it is not unusual that companies are generally surprising to the positive side, the share of positive surprises this quarter is at the high end of the scale. It should be noted though that the positive surprises are concentrated in the 0% to 10% range.

The recent fall in oil prices combined with better-than-feared earnings has been supportive for equity prices, and our year-end target for the S&P 500 remains unchanged at 1500, as we expect a move from the current negative "disruption agenda" in, for example, the business cycle and market liquidity to a "fundamental value agenda".

Most sectors still delivering positive growth in Q2 EPS (S&P500)



Distribution of earnings surprises in S&P500



Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ptym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2007	1.7	2.3	1.6	5.9	-0.3	1.9	3.8	1.7	2.8	4.8	27	1.2
	2008	1.0	1.7	1.6	0.5	-0.1	3.4	4.1	3.4	1.8	4.5	22	1.0
	2009	0.8	0.8	1.7	0.1	0.0	3.1	3.4	2.6	2.1	3.3	18	0.6
Sweden	2007	2.7	3.0	1.1	8.0	0.7	6.0	9.7	2.2	4.6	2.4	42	8.4
	2008	1.8	1.7	0.9	5.2	-1.0	5.8	4.3	3.6	6.2	2.4	37	8.3
	2009	1.6	1.2	1.3	-0.6	-0.2	2.6	0.8	2.1	7.4	2.4	35	9.1
Norway	2007	3.7	6.5	3.6	9.5	-0.3	2.7	8.8	0.7	2.5	8.0	26	18.1
	2008	3.1	2.8	3.2	3.2	1.1	3.1	5.9	3.8	2.6	12.0	26	23.5
	2009	2.7	2.8	2.8	4.6	0.0	3.5	4.8	2.7	2.7	13.9	26	22.4

Macro forecast, Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ptym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euroland	2007	2.6	1.6	2.3	4.3	-0.1	6.0	5.2	2.8	7.4	-0.8	67	-0.8
	2008	1.4	0.7	1.2	2.2	0.1	2.9	2.2	3.8	7.2	-1.0	65	-0.5
	2009	1.2	0.9	1.5	0.9	0.1	3.0	2.7	2.5	7.4	-1.2	65	-0.7
Germany	2007	2.7	-0.2	1.9	5.6	-0.1	8.5	5.5	2.9	8.3	-0.5	65	5.8
	2008	1.6	0.6	0.7	1.7	0.2	5.1	3.3	3.1	7.5	-0.5	64	6.5
	2009	1.1	1.1	1.1	0.5	0.0	5.0	3.9	2.2	7.5	-0.2	64	6.3
France	2007	1.9	1.9	2.0	4.1	-0.2	3.5	6.6	2.0	8.0	-2.3	63	-2.3
	2008	1.6	1.6	0.9	2.2	0.2	3.1	4.0	3.5	7.9	-2.7	62	-2.3
	2009	1.4	1.4	1.3	1.5	0.0	2.5	3.9	3.1	7.6	-3.0	62	-2.3
Italy	2007	1.8	1.7	0.8	2.8	0.0	2.5	1.8	2.6	5.9	-2.6	105	-1.7
	2008	0.5	0.6	0.7	0.5	0.0	1.5	2.3	3.7	6.2	-2.5	103	-2.4
	2009	0.8	0.8	0.8	0.5	-0.1	2.5	2.8	2.1	6.5	-2.7	102	-2.5
Spain	2007	3.8	3.2	5.1	6.4	-0.4	5.5	6.8	3.4	8.0	1.5	37	-9.0
	2008	1.4	0.5	5.1	0.0	0.0	4.0	3.3	4.5	9.0	0.7	35	-10.0
	2009	2.4	1.1	5.1	-2.5	0.0	4.5	2.8	2.3	9.5	-0.3	35	-10.0
Holland	2007	3.0	1.8	3.2	4.8	-0.1	6.0	5.5	2.4	3.3	0.0	60	7.0
	2008	2.2	1.7	0.6	3.2	0.1	4.6	4.8	2.3	2.9	0.0	59	6.5
	2009	1.9	1.8	0.4	2.8	-0.1	3.5	5.4	1.7	2.8	0.0	60	6.5
Finland	2007	4.4	3.7	0.8	7.6	0.1	5.5	4.8	2.5	6.9	5.3	35	4.1
	2008	2.6	2.7	0.5	3.5	0.0	2.0	1.5	3.8	6.3	4.7	33	3.8
	2009	2.1	2.3	1.0	2.0	0.0	2.5	2.0	2.5	6.2	3.9	31	3.8

Macro forecast, Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ptym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2007	2.2	2.9	2.0	-1.8	-0.3	8.0	1.9	2.9	4.6	-1.2	60	-5.5
	2008	1.5	1.6	2.4	-4.3	-0.2	6.3	-2.1	4.4	5.4	-3.5	61	-4.5
	2009	1.5	0.8	2.0	-1.2	0.1	7.3	1.3	2.6	6.0	-2.5	61	-3.1
Japan	2007	2.0	1.4	0.7	-0.5	-0.1	8.6	1.8	0.0	3.8	-3.4	180	4.1
	2008	1.5	1.1	0.5	-0.4	0.0	5.9	-0.7	1.7	4.0	-3.4	182	4.0
	2009	1.6	1.2	1.1	0.6	0.0	4.2	1.1	0.8	4.0	-3.3	183	4.2
UK	2007	3.1	3.1	1.9	4.1	0.0	4.2	-2.0	2.3	3.0	-2.5	43	-3.3
	2008	1.6	1.3	2.3	4.2	-0.2	3.8	3.5	2.6	2.8	-2.5	43	-4.1
	2009	1.6	1.3	2.4	3.0	0.0	3.4	3.0	2.1	3.0	-2.5	43	-4.0
Switzer-land	2007	3.1	2.1	0.1	2.7	0.1	10.0	5.2	0.7	2.8	-0.2	55	15.1
	2008	1.7	1.8	0.5	0.4	0.0	3.8	4.5	1.9	2.6	0.0	54	13.9
	2009	1.6	1.6	0.6	1.7	0.0	4.7	5.2	1.1	2.7	0.0	53	14.9

Source: OECD and Danske Bank. 1) % y/y. 2) % contribution to GDP growth. 3) % of labour force. 4) % of GDP.

Financial forecast

Bond and money markets							
		Key int. rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	01-Aug	2.00	3.42	4.66	155.7	-	479.1
	+3m	2.00	3.20	4.60	160	-	466
	+6m	2.00	3.05	4.50	155	-	481
	+12m	2.00	3.40	4.60	150	-	497
EUR	01-Aug	4.25	4.98	4.85	-	155.7	746.0
	+3m	4.25	5.15	4.95	-	160	746.0
	+6m	4.25	5.00	4.80	-	155	746.0
	+12m	4.25	4.80	4.65	-	150	746.0
JPY	01-Aug	0.50	1.09	1.74	167.3	107.5	4.46
	+3m	0.50	1.15	1.80	168	105	4.44
	+6m	0.50	1.15	1.80	155	100	4.81
	+12m	0.50	1.30	1.90	150	100	4.97
GBP	01-Aug	5.00	5.60	5.25	78.9	197.4	945.9
	+3m	5.00	5.90	5.50	82.0	195	910
	+6m	5.00	5.50	5.40	80.0	194	933
	+12m	4.50	5.00	5.10	78.0	192	956
CHF	01-Aug	2.75	3.06	3.47	163.1	104.7	457.4
	+3m	3.00	3.30	3.70	160	100	466
	+6m	3.00	3.10	3.55	158	102	472
	+12m	3.00	2.90	3.40	156	104	478
DKK	01-Aug	4.60	5.41	5.05	746.0	479.1	-
	+3m	4.60	5.55	5.15	746.0	466	-
	+6m	4.60	5.30	5.00	746.0	481	-
	+12m	4.60	5.05	4.85	746.0	497	-
SEK	01-Aug	4.50	5.27	5.10	943.9	606.1	79.0
	+3m	4.75	6.15	5.75	925	578	80.6
	+6m	4.75	5.75	5.75	920	594	81.1
	+12m	4.50	5.15	5.40	920	613	81.1
NOK	01-Aug	5.75	6.58	5.80	800.2	513.8	93.2
	+3m	5.75	6.70	5.80	790	494	94.4
	+6m	5.75	6.60	5.65	775	500	96.3
	+12m	5.75	6.40	5.50	775	517	96.3
PLN	01-Aug	6.00	6.46	5.99	321.6	206.5	232.0
	+3m	6.25	6.60	6.20	340	213	219
	+6m	6.25	6.50	6.10	340	219	219
	+12m	6.25	6.40	6.00	345	230	216

Equity markets				
Regional	Risk	Price trend 3 mth.	Price trend 12 mth.	Regional recommendations
USA	Low	-5% to +5%	+5% to +10%	Overweight
Japan	High	-5% to +5%	+5% to +10%	Neutral
Emerging markets (USD)	High	-5% to +5%	+5% to +10%	Underweight
Pan-Europe (EUR)	Low	-5% to +5%	+5% to +10%	Neutral
Nordics				
Denmark	Average	-5% to +5%	+5% to +10%	Neutral
Sweden	High	-5% to +5%	+5% to +10%	Overweight
Norway	High	-5% to +5%	+5% to +10%	Neutral

Commodities							
	31-Jul	2008 - average				Average	
		Q1	Q2	Q3	Q4	2008	2009
ICE Brent	123	96	122.7	140	134	123	128
Aluminium	2,979	2,779	2,995	3,300	3,300	3,094	3,400
Copper	8,055	7,741	8,309	8,500	8,600	8,288	8,900
Gold	909	924	897	910	930	915	900
CBOT Wheat*	785	1,026	838	830	890	896	950
CBOT Corn*	603	527	630	670	690	629	710

* Note: US\$/bushel

Key data and events

Monday, August 4, 2008					Period	Danske Bank	Consensus	Previous
-	LVL	Unemployment	y/y	Jul				4.9%
9:00	NOK	PMI	Index	Jul	50.1			49.3
9:30	CHF	PMI	Index	Jul		53.6		54.9
10:00	ESP	Consumer confidence	Index	Jul				51.7
10:30	GBP	PMI construction	Index	Jul		37.3		38.8
11:00	EUR	PPI	m/m y/y	Jun		0.9% 7.9%		1.2% 7.1%
12:00	LVL	Industrial production, WDA	y/y	Jun				-8.5%
14:30	USD	Personal income	m/m	Jun	-0.1%	-0.2%		1.9%
14:30	USD	Private consumption expenditure	y/y	Jun				3.1%
14:30	USD	Personal spending	m/m	Jun	0.5%	0.5%		0.8%
14:30	USD	PCE core - deflator	m/m y/y	Jun	0.3% 2.3%	0.2% 2.2%		0.1% 2.1%
16:00	USD	Factory Orders	m/m	Jun		0.7%		0.6%
16:00	DKK	Currency reserves	DKK bn	Jul				2.7

Tuesday, August 5, 2008					Period	Danske Bank	Consensus	Previous
-	RUB	CPI	y/y	Jul	15.0%	14.9%		15.1%
9:50	FRF	French PMI Services, final	Index	Jun	46.8	47.0		47.0
10:00	EUR	PMI service, final	Index	Jul	48.2	48.3		48.3
10:00	DEM	German PMI Services, final	Index	Jul	53.2	53.3		53.3
10:30	GBP	Industrial Production	m/m y/y	Jun		0.2% -1.1%		-0.8% -1.6%
10:30	GBP	PMI services	Index	Jul		46.7		47.1
10:30	GBP	Manufacturing production	m/m y/y	Jun		0.2% -0.5%		-0.5% -0.8%
11:00	EUR	Retail sales	m/m y/y	Jun		-0.6% ...		1.2% 0.2%
16:00	USD	ISM non-manufacturing	Index	Jul	49.0	48.0		48.2
20:15	USD	FOMC meeting	%		2.00	2.00		2.00

Wednesday, August 6, 2008					Period	Danske Bank	Consensus	Previous
1:01	GBP	NIESR GDP Estimate	%	Jul				0.2
1:01	GBP	Nationwide consumer confidence	Index	Jul		57		61
7:00	JPY	Leading Economic Index, preliminary	%	Jun		91.1		92.9
7:00	JPY	Coincident Economic Index, preliminary	%	Jun		101.7		103.3
11:30	GBP	BRC July shop price index		Jul				
12:00	DEM	Factory orders	m/m y/y	Jun		0.3% ...		-0.9% -2.0%
13:00	USD	MBA mortgage applications						-14.1%

Thursday, August 7, 2008					Period	Danske Bank	Consensus	Previous
7:00	JPY	Machine orders	m/m y/y	Jun		-9.5% 2.6%		10.4% 5.1%
8:00	EEK	CPI	y/y	Jul	12.2%			11.4%
8:00	DEM	Trade balance	EUR bn	Jun		16.0		14.4
8:00	DEM	Imports (SA)	m/m	Jun				0.7%
8:00	DEM	Exports (SA)	m/m	Jun				-3.2%
8:45	FRF	Trade Balance	EUR bn	Jun		-4.5		-4.7
9:30	SEK	CPI	m/m y/y	Jul	-0.1% 4.3%			0.5% 4.3%
9:30	SEK	Underlying inflation, UND1X	m/m y/y	Jul				0.4% 3.2%
10:00	NOK	Industrial Production, sa.	m/m y/y	Jun				1.6% 2.8%
10:00	NOK	Ind. Production manuf., sa.	m/m y/y	Jun				-0.7% 5.6%
12:00	DEM	Industrial production	m/m y/y	Jun		0.8% 1.9%		0.8% -2.4%
13:00	GBP	BoE rate announcement	%		5.00	5.00		5.00
13:45	EUR	ECB Meeting	%		4.25	4.25		4.25
14:30	USD	Initial jobless claims	1000			413		448
14:30	EUR	ECB press conference						
16:00	USD	Pending home sales	m/m	Jun		-1.0%		-4.7%
21:00	USD	Consumer credit	bn. USD	Jun		6.4		7.8

Friday, August 8, 2008					Period	Danske Bank	Consensus	Previous
1:50	JPY	Money supply M2+CD	y/y	Jul		2.4%		2.3%
7:00	JPY	Eco Watchers Survey: Outlook	Index	Jul				32.1
7:00	JPY	Eco Watchers Survey: Current	Index	Jul				29.5
7:45	CHF	Unemployment	% (s.a.)	Jul		2.5		2.5
10:00	ITL	GDP	q/q y/y	2nd quarter		0.0% 0.3%		0.5% 0.3%
10:00	LTL	CPI	y/y	Jul	12.5%			12.5%
12:00	LVL	CPI	y/y	Jul	17.3%			17.7%
12:00	LVL	GDP(Constant prices), A	y/y	2nd quarter	0.1%			3.3%
14:30	USD	Unit labour cost, preliminary	q/q	2nd quarter	1.4%	1.2%		2.2%

During the week					Period	Danske Bank	Consensus	Previous
Mon 04 - 08	GBP	HBOS House Prices	m/m q/y	Jul		-1.5% -8.6%		-2.0% -6.1%
Mon 04 - 08	EUR	ECB Lending Survey						
Mon 04 - 08	USD	Senior Loan Officer Opinion Survey						

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