

Weekly Focus

Under pressure

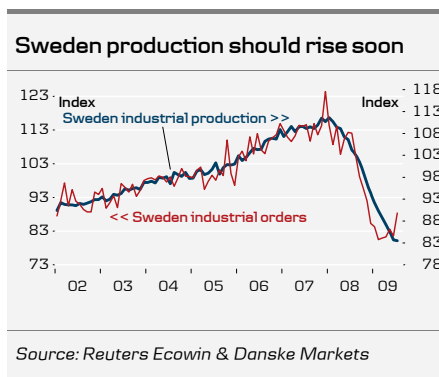
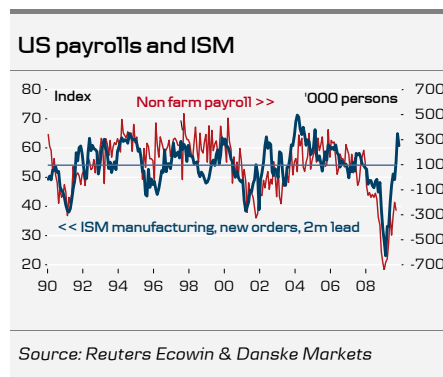
Global Update

- The ISM index disappointed badly this week. While we still believe the trend is up for the economy, it highlights that the direction is likely to be less straightforward, which shifts the burden of proof to the bulls on the economy.
- On a more positive note, US consumer spending and vibrant home sales suggest underlying demand is on the mend.
- Asia still sees robust growth although there are signs that China is slowing down from the breathtaking levels in the first half of 2009.
- Unemployment is still rising in Euroland, but the pace is slowing down. ECB's 12-month auction pointed to improvement in the money market.
- The Danish Nationalbanken has changed focus in the rate set-up and is reducing the deposit rate in order to come closer to a set-up that matches the ECB's.
- Swedish retail sales disappointed.

Market movers ahead

- A very quiet week ahead. Main event in the US is ISM non-manufacturing and a speech by Fed chairman Ben Bernanke.
- In Europe central bank meetings in Euroland and UK are on the agenda on Thursday. We do not expect any new measures from either bank. Factory orders and industrial production in Germany also deserve some attention.
- In Scandinavia inflation is in focus in Norway. Sweden will release industrial production and orders.

Contents	
Global update: Burden of proof shifting	2
Market movers ahead	3
Financial views.....	4
FX: Euro under pressure.....	6
Commodities: Aluminium in focus	7
Denmark: catastrophic growth figures	8
Sweden: A market view on data.....	9
Norway: Leaning against the wind	10
US: Was that it?.....	11
Euroland: Cheap money.....	12
Asia: Growth in China slowing.....	13
Switzerland: ECB money and the franc	14
Macroeconomic forecast	15
Financial forecast.....	16
Calendar	17



Editors

Allan von Mehren
+45 4512 8055
alvo@danskebank.dk

Steen Bocian
+45 45 12 85 31
steen.bocian@danskebank.dk

Global update: Burden of proof shifting

US industrial sector pauses while consumers spend

Financial markets were shaken this week by a disappointing decline in the *US ISM* index. It was not weak as such, as the new orders index still points to robust growth, but the direction was *down* and expectations had been for a much stronger reading. It sent a clear warning that the recovery cannot be taken for granted and it may be that the burden of proof between economic bulls and bears will be shifting for a while with the bears getting more ammunition. Anyway we should probably prepare for a bumpier road when it comes to data after many months of positive surprises. We still expect ISM to continue higher to 55-60 by year-end due to strong forces from the inventory cycle and improving demand, but after eight consecutive increases until September we will probably see a more uneven rise from here.

The disappointing industrial data happened alongside signs that US consumers are spending a bit more – also outside the temporary rise in auto sales due to the ‘cash-for-clunkers’ incentive. A small decline in consumer confidence served as a reminder, though, that US consumers are still in a fragile state and it will be a battle to revive the US consumer on a sustainable growth path. For this to happen, a return of job growth is critical. Friday’s payrolls report showing another job loss of 250k was a reminder that this is still uncertain.

During the past week we received further evidence that a bottoming in US housing is taking place. Most impressive was a 6.4% m/m rise in August, putting the total rise in pending home sales at 29% since it bottomed in February. House prices in August also rose further and stronger than in previous months giving some relief to the beaten-up US households.

On Thursday, the IMF responded to the past months’ improving data by revising higher its global growth forecasts by around 0.5 percentage points for the global economy and now sees 3.1% growth in global output next year. Most notable was an upward revision of German growth of 0.9 percentage points in both 2009 and 2010.

Asia continues decent growth but also signs of cooling

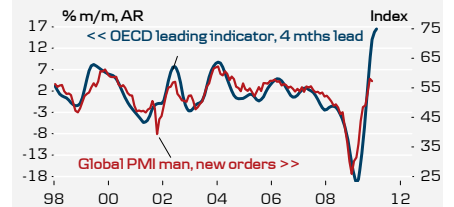
In Asia data is still strong, although not as strong as in the first half of 2009. Japanese industrial production rose further and production plans point to further strong growth in the coming months, but growth rates are levelling off a bit in line with our expectations. The Tankan survey and PMI data also confirmed robust activity. Finally, exports in South Korea – the first country to report September data – showed a continued rise (see chart).

Central banks continue cautious tone – although more mixed

In Euroland the main event was the *12-month tender* which pointed to some improvement in money markets. Demand was only EUR75.2bn whereas estimates had ranged between EUR100bn and EUR200bn. Comments from the ECB this week continued on a cautious note, signalling that it will be a while before exit strategies are brought to the table.

Comments from the Fed are becoming increasingly mixed with the hawks talking more about the need to raise rates earlier this time. But history tells us that you should mainly listen to Chairman Ben Bernanke and Vice Chairman Donald Kohn. Both of them sounded quite cautious and signalled that rates will be kept low for a very long time.

Still more in manufacturing recovery



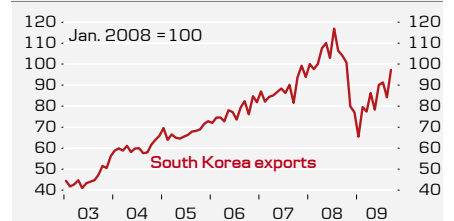
Source: Reuters Ecowin

More sign of life in US consumption



Source: Reuters Ecowin

Exports continued higher in Korea



Source: Reuters Ecowin

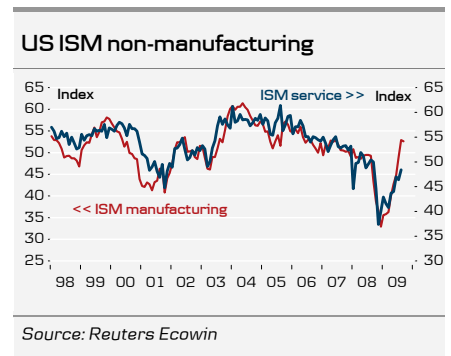
Chief Analyst

Allan von Mehren
+45 4512 8055
alvo@danskebank.dk

Market movers ahead

Global

- Next week will be very quiet in the **US**. ISM non-manufacturing will be released on Monday and we look for a rise to 50.5 as it is expected to catch up with the ISM manufacturing index (see chart). Service spending has also risen recently and the transport sector should benefit from rising production. Fed chairman Bernanke will speak Friday, which might be interesting after the ISM and payroll data. We expect him to sound cautious on the outlook.
- In **Euroland** next week the ECB will hold the refinancing rate unchanged, it will not announce any new measures and it will also not begin to announce future rate hikes. Still the press conference might provide insight in how the ECB interprets this week's 12-month auction and we might get a few more hints about how long the ECB is willing to keep rates at record lows. German production is set to have increased in August (1.8 % m/m) while we expect a small setback in German orders (-0.4 % m/m) since July was artificially high due to a large military order.
- There is a light calendar in **Asia** next week. In Japan focus will be on August machinery orders, which should give us an indication where domestic capital expenditures are heading. In addition the new DPJ coalition government is expected to announce new plans for assistance to small and medium-sized companies by the end of the week. These plans might include a debt moratorium. In Indonesia the central bank is expected to keep its leading interest rate unchanged at this week's monetary meeting. No major releases are planned in China.
- In the FX market all eyes are on the **G7 meeting** during the weekend. The main issue is whether the strong euro (weak dollar) will be discussed. In fact we might not even see a statement this time after the G20 has become more important. All in all we doubt we will see a significant impact on the FX market.



Scandi

- Industrial orders and production are on the agenda in **Sweden**. It is likely to be more important than usual as production should soon start to rise following in the footsteps of rising orders and stronger PMI data.
- In **Norway** attention turns to inflation that is expected to trend lower from August.

Market movers ahead

Global movers			Event	Period	Danske	Consensus	Previous	
Mon	05-Oct	16:00	USD ISM non-manufacturing	Index	Sep	50.5	50.0	48.4
Wed	07-Oct	12:00	DEM Factory orders	m/m y/y	Aug	-0.4%	1.1% -19.9%	3.5% -19.8%
Thu	08-Oct	12:00	DEM Industrial production	mm ly/y	Aug	1.8%	1.5% -16.7%	-0.9% -17.0%
		13:00	GBP BoE rate announcement	%		0.50%	0.50%	0.50%
		13:45	EUR ECB Announces Interest Rates	%		1.00	1.00	1.00
	14:30	EUR Trichet Speaks at ECB Monthly News Conference						
Fri	09-Oct	1:00	USD Fed's Bernanke (voter, neutral) speaks					
Scandi movers			Event	Period	Danske	Consensus	Previous	
Thu	08-Oct	9:30	SEK Industrial production	m/m y/y	Aug	1.0%		-0.5% -19.9%
Fri	09-Oct	10:00	NOK Consumer prices	m/m y/y	Sep	0.3% 0.7%	0.5% 0.9%	-0.2% 1.9%

Source: Bloomberg and Danske Markets

Financial views

Equities

- We expect global equity markets to continue to move higher in coming months based on further strength in the global recovery. Our fear that global deflation could adversely affect a recovery in earnings despite a volume rebound has receded with higher PPI data last week. Increasing production volumes and subdued wages appear to be improving corporate profitability, rendering us positive on Q3 earnings.

Fixed Income

- Global: Our medium-term view is still for higher yields on positive economic surprises, strong risk appetite, high supply and the phasing-out of the Fed's Treasury purchase programme.
- Intra-Euro: We are neutral on peripherals such as Italy, Portugal and Greece but underweight Spain vs. Germany. On longer maturities, we prefer France and Finland to Germany. We close our overweight Italy against Portugal in the 5Y segment.
- Scandi: We maintain our overweight in 10Y Danish government bonds against Euroland and swaps and have just reopened our overweight of 2Y Danish government bonds (DGB 4'12) against Germany or alternatively DKK swaps. We still look for a flatter curve in the 3-10Y segment. In Danish mortgages we are overweight on 30Y callables vs. both swaps and government bonds and remain underweight in non-callables vs. government bonds apart from 4'10 and 4'12. We are long 10Y Danish covered bonds. In Sweden we favour receiving the front end of the curve. We look for increased 2-5-10 govy convexity and recommend to be short 10Y bonds vs. Bunds.

Credit

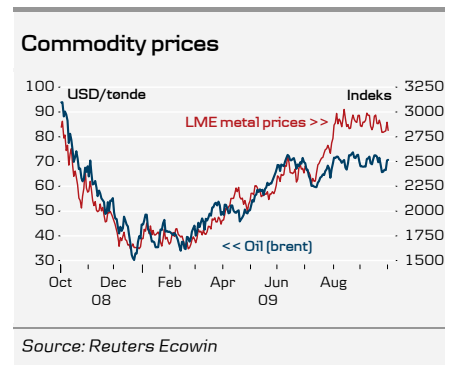
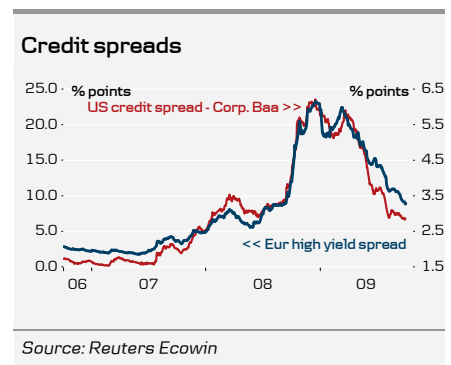
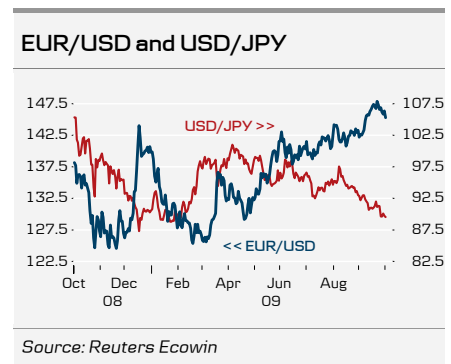
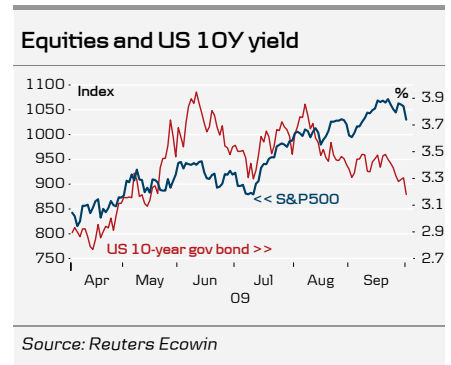
- Both cash and CDS spreads have tightened significantly since winter and in particular the very short end of the credit curve is trading at very tight levels. Due to ample liquidity in the financial system, we think that cash credit will continue to perform. We are cautious on CDS, which lacks the same 'technical bid', and think that CDS will underperform in the event of renewed financial stress. We recommend overweighting cash whereas we have an underweight of CDS (i.e. buy protection). On fundamentals we are still cautious and defaults are yet to peak – in Europe in particular.

FX Outlook

- EUR/USD has retreated somewhat this week as falling risk appetite has haunted the market. However, we still look for a weaker dollar going forward. Higher oil prices, stocks and improving data for coming quarters are the main drivers. Reserve diversification remains a drag on USD. Dovish BoE stance drives EUR/GBP higher but we expect the rise will be temporary and BoE eventually will react to stronger data. Carry and pro-cyclical currencies are expected to perform still, while funding currencies will face headwinds – especially JPY and to a lesser degree CHF.
- We expect EUR/SEK to continue lower on strong activity data despite the dovish message from the Riksbank, but look out for developments in the Baltics. Norwegian krona is expected to perform supported by higher oil prices, strong macro picture and an imminent rate hike. But both currencies are sensitive to changes in risk appetite. The Danish krone remains attractive (e.g. against CHF) due to positive carry.

Commodities

- Oil is still trading in a narrow band around USD70 per barrel. The market is currently worried that the expected tightening of the oil balance will be postponed. However, given our global growth view we still see upside risk for commodities going forward.



Fixed Income: 3M CIBOR-EURIBOR spread narrowing rapidly

The spread between Danish and European money market rates exploded last autumn as a result of pressure on the Danish krone and the Danish central bank (Nationalbanken) hiking the key Danish interest rate. Since then, Nationalbanken has been busy cutting, but Danish money market rates have, nevertheless, struggled to keep up with European rates, as can be seen in the graphs illustrating the spread between the three-month rates.

This is due, in particular, to the ECB's alternative monetary policy, which has flooded the money market with liquidity and pushed overnight rates very far down. A prime example of this is the EUR442.2bn allotted in the 12-month auction in June, which put very strong downward pressure on euro money market rates.

Recently, however, the picture has changed, and money market rate spreads between Euroland and Denmark have narrowed considerably. For example, the spread between the 3M CIBOR and 3M EURIBOR has narrowed by around 15bp over the past week. There are basically two reasons for this. First, Nationalbanken is continuing to cut, and second, demand was not as great as expected at the latest ECB 12-month auction.

Nationalbanken cutting deposit rates

Monday saw Nationalbanken cut current account rates (10bp) and the rate on certificates of deposit (15bp), while it left the lending rate unchanged. This came just days after a traditional cut that shaved 10bp of all rates.

The latest cuts mark a shift, in that Nationalbanken has increased the spread between its deposit and lending rates. This is to avoid the spread between the refi-rate in Euroland and the repo-rate in Denmark becoming too narrow, and at the same time the Danish monetary policy set-up gets to look more like the ECB's – the spread between the ECB's deposit and lending rates is 75bp.

The result of the latest cut has been a significant fall in money market rates. More rate cuts of this type cannot be ruled out if the currency inflow to Nationalbanken continues.

Relatively small 12-month auction from the ECB

Bids were made for just EUR75.2bn at last week's 12-month auction from the ECB compared with EUR442.2bn in June. This was far below expectations, and indicates that the financial system is now in a healthier state and that liquidity is ample, which in turn has caused money market rates in Euroland to start rising.

The financial system functioning is a key prerequisite for the ECB to begin rolling back its alternative monetary policy measures in the first half of 2010, which could in fact lead to rate hikes from the ECB next summer.

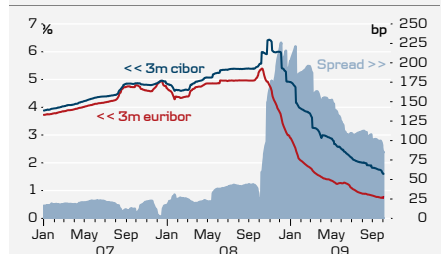
Money market rates influencing government, swap and flex rates

The slightly longer spreads between market yields in Denmark and Euroland have narrowed as a result of money market developments. Shorter Danish swap rates, government and flex loan (non-callable mortgage bonds) yields have fallen considerably in the past week.

Key events of the week

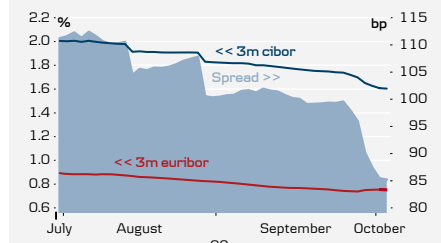
- ECB meeting will dominate the agenda in Euroland – not much on the data front
- Likewise, date will be thin on the ground in the US
- US Treasury will auction 3-, 10- and 30-year bonds this week

Three-month money market rates



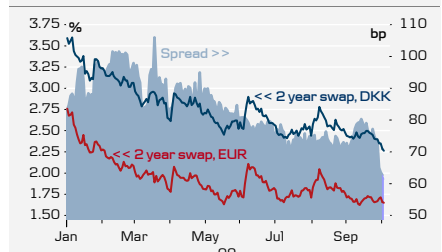
Source: Reuters Ecowin

Three-month money market rates since 1 August



Source: Reuters Ecowin

Two-year swap rates



Source: Reuters Ecowin

FX: Euro under pressure

Euro weakens – relative rates again important

A relatively volatile week on the FX market saw major fluctuations in most of the main crosses. Implied volatility on short options (a measure of the scale of expected fluctuations) is generally trading higher, and has risen on the yen and New Zealand dollar in particular. The euro also had a tough week, weakening against all G10 currencies, but the Swedish krona and the Swiss franc – helped by possible intervention by the SNB (see Switzerland). The euro fared particularly badly against the dollar currencies – EUR/USD has fallen from 1.48 to test 1.45 – but also the Asian currencies appreciated, with the South Korean won and the Philippine pesos considerably higher. Finally, note the turnaround in the rouble, which ended September almost 4% stronger against the euro.

EUR/USD and EUR/JPY trading lower can be ascribed to falling risk appetite – illustrated by falling equity prices during the week – while the rises in CAD, NZD, AUD, NOK and RUB were mainly driven by renewed strength in the commodities market: oil is again trading above USD70/bbl. That said, one should note that the commodity currencies are generally also high-yielding currencies. Chart 2 shows that the correlation between risk-adjusted yield spreads and exchange rates returned to some extent in September, as currencies with a high carry-to-risk (3M yield spread divided by 3M implied volatility) strengthened most. Surprisingly, the Polish zloty, despite a decent yield pick-up, has not strengthened, though we expect this will change, and point to the zloty as the top performer among CEE currencies in the coming months (3M EUR/PLN forecast: 4.10).

RBA talks the AUD stronger – BoE talks the pound weaker

The week ahead will see monetary policy meetings in Australia (RBA, Tuesday), Euroland (ECB, Thursday) and the UK (BoE, Thursday). Despite the expectation of unchanged rates all three meeting has the potential to move the market, as important uncertainties remains regarding the monetary policy outlook. The RBA is facing a cyclical shift, and has clearly signalled that the next move in rates will be up. We do not expect the RBA to beat Norges Bank to the line as the first G10 central bank to hike, but do expect it will indirectly signal an upcoming rise in interest rates. We therefore remain positive on the Australian dollar, which is also benefiting from high export exposure to commodities and Asia, and expect AUD/USD to break above 0.90 in the coming months.

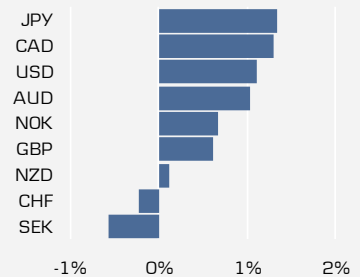
With regard to the ECB meeting, focus will be on how the bank interprets the low demand at Wednesday’s 12-month auction and whether it will tighten its rhetoric. Uncertainty is high, and the ECB meeting will probably entail some volatility in the euro crosses. We still expect a higher EUR/USD – as risk appetite continues to rise – and that EUR/USD will break above 1.50 in the coming months.

The British pound was sold off in the second half of September after several pound-negative statements from BoE governor King. First, the governor noted that two major British banks came close to collapse last autumn, which the market interpreted as the BoE not being keen to tighten financial conditions too fast. Second, King argued that a weak pound is part of the solution to the country’s structural imbalances. Finally, he stated that the BoE is considering cutting the reserve rate. All in all, an unfortunate cocktail for sterling. Despite having problems seeing the BoE much softer than at present, and still viewing the pound as fundamentally undervalued, market sentiment on the pound is currently so negative that we recommend caution. On the other hand, we would still recommend building in potential for a solid strengthening of the pound in the longer term.

Key events of the week

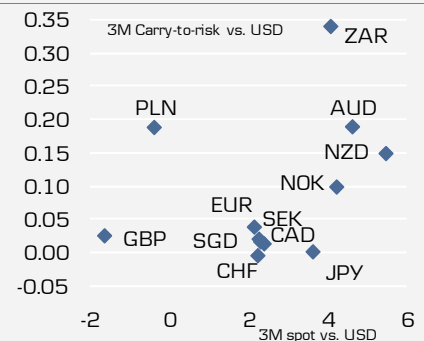
- G7 meeting in Istanbul – focus is on the extent to which Europe will discuss the strong euro (weak dollar), but it is not certain a press release will be issued (weekend)
- RBA rate meeting expected to provide further support to the AUD (Tuesday)
- ECB rate meeting has the potential to give intra-day volatility in the euro crosses (Thursday)
- BoE rate meeting still a significant GBP risk (Thursday)

Chart 1: 1-week change vs EUR



Source: Danske Markets

Chart 2: Carry-to-risk and spot returns



Source: Reuters EcoWin

Analyst

Kasper Kirkegaard
+45 45 13 70 18
kaki@danskebank.dk

Senior Analyst

John Hydeskov
+45 45 12 84 97
johy@danskebank.dk

Commodities: Aluminium in focus

Overview

Commodities are up across the board over the past week, notably steel and zinc have risen markedly. As discussed in our recent *Commodities Monthly* for September, we are, in our view, now moving from a situation where commodity demand was only positive in Asia (China) to a full-fledged global recovery in demand. Overall, we view the current price levels as sustainable and believe that a final leg up in prices is likely to occur late 2009 or early 2010. Looking into 2010, the scope for even higher prices appears limited however.

Energy

The weekly oil inventory report from the EIA generally surprised on the upside. US gasoline inventories fell but stocks of crude oil actually came in higher than expected. Implied demand for gasoline and distillate rose and refinery utilisation fell, both thus contributing to the observed destocking. We still see a chance of oil hitting USD80 before the end of this year as a pick-up in global demand could be underway as reflected by our relatively optimistic macro outlook.

Focus: Aluminium

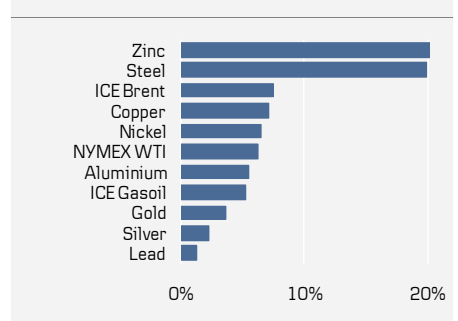
LME stocks of aluminium have surged during the past year and are currently running at record highs. Aluminium prices have, along with prices of other commodities, plummeted since the global recession took off last year. Prices are up almost 25% this year. A range of countries have introduced stimulus packages to support car sales which have helped boost demand for aluminium. Although LME stocks have continued to build over the summer, cancelled warrants on aluminium, i.e. stocks booked for delivery have simultaneously surged. This could partly reflect the effects of Chinese imports but may also be a sign that final demand is picking up.

On the face of it, it should not be a problem for the market to satisfy an increase in demand given record-high stocks. However, with the market in contango and thus an incentive to sell aluminium forward, a fair amount of stocked metal may be tied up in financing deals and thus not accessible for instant delivery. This could cause a tightening in cash spreads and thus lead to a flattening of the curve in the near term.

Sooner or later these effects should fade however as deals expire and stocks thus become ready for the market. Lately, prices have capped some of the gains seen earlier this year, and cancelled warrants have witnessed a set-back. This could be a worrying sign given the bulky inventories. Other indicators of demand have been mixed recently: this week's releases showed that Asian PMIs generally remained strong in September, but although the ISM indicator remained above 50, it was down slightly from August.

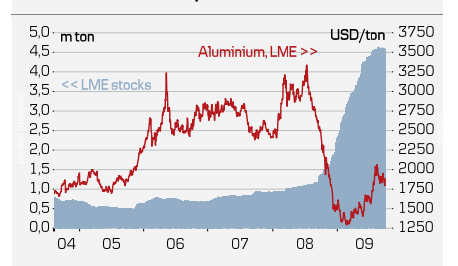
We have recently taken our aluminium forecast up slightly and now see prices averaging USD1,900 in Q4 and USD2,000 in 2010.

Weekly changes



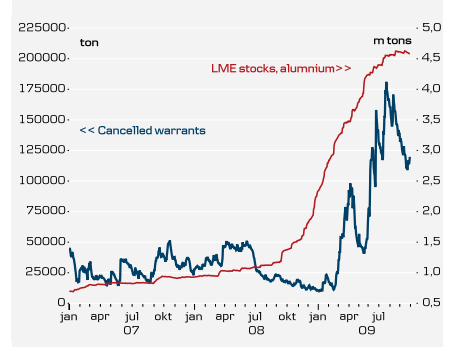
Source: Bloomberg, Danske Markets

LME stocks and prices



Source: EcoWin, Danske Markets

LME stocks and cancelled warrants



Source: EcoWin, Danske Markets

Chief Analyst

Arne Lohmann Rasmussen
 +45 4512 8532
arr@danskebank.dk

Senior Analyst

Christin Kyrme Tuxen
 +45 45137807
tux@danskebank.dk

Denmark: catastrophic growth figures

It has been an eventful week in terms of incoming data, bringing not only GDP figures for Q2 but also unemployment and retail sales for August. These proved a mixed bag, with GDP and retail sales disappointing but unemployment a pleasant surprise. The overall impression, though, is that the crisis was worse than we had feared but that recent months have brought significant economic recovery, supporting the view that the economy will grow again from H2.

Q2 GDP a massive disappointment

On Wednesday Statistics Denmark published its national accounts figures for Q2. We had expected a decrease in GDP of 1.7% q/q, but the statistics revealed a drop of no less than 2.6% q/q, which was much more than we had anticipated. GDP has therefore fallen by 7.2% over the past year, which is a *huge* decrease by historical standards. In particular it was a big drop in business investment that dragged down GDP in Q2. Gross fixed investment fell by 10.3% q/q, while exports decreased by 4.5% q/q. Private consumption, on the other hand, flattened out somewhat, falling by just 0.3% q/q.

These figures show that Denmark has been hit far harder by the global economic and financial crisis than we had feared. There is therefore no doubt that we will be revising down our growth forecast for 2009 when we release our latest projections on Tuesday. For now, it looks like GDP is set to fall by something like 4.5-5% this year. Although Q2 was far worse than we had anticipated, we still expect Denmark to be back on the right track in Q3.

Unemployment a pleasant surprise

While the GDP figures were a disappointment, the opposite applied to the unemployment figures for August. The number of jobless increased by just 700 from July to a total of 103,700, or 3.7% of the labour force.

This was a surprisingly small increase, but needs to be seen in the light of a growing number of people on job creation schemes, which means that the true increase in unemployment was actually larger. Looking at August in isolation, though, the difference was not that big, with the number of people job creation schemes increasing by 900 from July. Another possible factor here is that the summer holidays increase the statistical uncertainty. But the figures were a very pleasant surprise and show that the crisis has eased in both depth and breadth.

Unfortunately we must nevertheless be prepared to see unemployment rise for quite some time to come. We reckon it will be 2011 before we can hope to see a turnaround in the labour market. With the prospect of a return to growth in H2 this year, however, there is reason to expect unemployment growth to be less rapid than we previously assumed. These latest unemployment figures confirm this picture.

Retail sales also disappointed

Finally, Thursday brought retail sales figures for August, which revealed a decrease of 1.3% m/m. This shows that consumers are still worried about their future financial situation and are still holding back. Naturally this is not good news for the economy.

Key events of the week

- We predict growth in industrial production of 1% m/m in August, with the global economic recovery expected to feed through to Danish manufacturing despite reduced competitiveness (Monday)
- We expect the current account surplus to slip from DKK 4.9bn in July to DKK 4.5bn in August

Unemployment levels off



Chief Economist
Steen Bocian
+45 4512 8531
stbo@danskebank.dk

Sweden: A market view on data

The August retail sales numbers last week were weaker than expected. We did warn that the figures were likely to be a bit soft, but we underestimated how much. There has been a lot of talk about to what extent sales data during summer have been boosted by temporary factors and the reading suggests that this to some extent holds true. But we don't think that summer simply represents a blip. The fact is that retail sales turned positive long before summer. Furthermore, confidence data have improved steadily

Consumers' views on their own economic situation have returned to normal levels (actually even slightly above average), the labour market outlook is perceived to have improved and retailers regard business as stronger than normal. A simple "benchmark" for assessing incoming data through the rest of the year is to look for y/y rates in a range of 2.5% and 3.5%. That would represent sales volumes moving sideways on a month-on-month basis. Our guess is that actual figures will be on the high side of that range, say 3–4% y/y representing an average monthly increase of 0.5%. In fact even a sideways development would look pretty decent compared with the way retail sales data in the Euro area have behaved so far. For instance, in Germany, August sales data fell further (-1.5% m/m, -2.7% y/y).

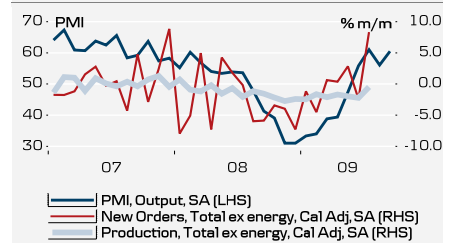
Regarding inflation, we will have to wait for a couple of months before seeing a change. Both September and October are expected to show y/y rates close to -1%, then inflation should move higher. This will probably be a surprise to financial markets, which have pushed inflation into the doldrums.

Industrial production data for August are released next week. These figures normally don't attract much attention but this time we believe they should. We have 18 consecutive months of falling output behind us which as far we know hasn't occurred before. Now, as August is released we are two thirds into the third quarter. This time data must show a positive reading. Orders show some improvement while order books admittedly remain depressed. The PMI-output indicator has been clearly above 50 during the latest four months (the most recent figures is however September). Against that background anything below a 1% m/m outcome would be unimpressive. If however, we get a nineteenth month of falling output, some tough questions need to be asked. Both the rally in equities and recent upward revisions of GDP forecasts have to a considerable degree been based on the assumption of the unwinding of inventories coming to an end already in Q3 (perhaps even a correction higher) and hence a push higher in output. If this view isn't confirmed now, the story will be questioned at least in the sense that markets and forecasters might have been too optimistic from a timing perspective. Of course, such an outcome would also be a problem for a case of higher rates. So this is why we believe that next week's data deserve more attention than normally is the case.

Key events of the week

- Industrial (Thu 09.30 CET) and service production (Tue 09.30 CET) are more interesting than usual.
- In addition, industrial orders and the GDP-indicator, the Activity index (both Thu 09.30 CET), will be published.

Industrial production a key variable



Source: Statistics Sweden

Chief Economist Sweden

Roger Josefsson
+46 8 568 80558
roger.josefsson@consensus.se

Norway: Leaning against the wind

The autumn has brought a debate in Norway too on the future orientation of monetary policy. Many have argued that Norges Bank should take more account of movements in house prices and credit growth when setting interest rates. Governor Svein Gjedrem discussed this problem at a seminar during the week, and particularly caught our attention on three points:

1. *"Should central banks also set explicit targets for asset prices? In our judgement, the answer is no..."*

We believe this means that it is not appropriate to set concrete targets for house prices/credit growth. No surprises here – this means only that it is not appropriate to set interest rates at 4-5% "now".

2. *"... but we should probably apply a fairly long horizon for achieving the [inflation] target so that we seek to take account of any imbalances that might disturb activity and inflation further ahead."*

This is more interesting. Does this mean that Norges Bank can see itself taking account of inflation beyond the current "1-3 years" when setting interest rates? If so, this would indicate a greater willingness to "lean against the wind" – in other words, to take greater account of developments in asset markets and credit growth since these can result in imbalances in the real economy and inflation further ahead.

This is a key element in our interest rate forecast for 2010-2011, where interest rates rise rapidly even though inflation is trending down. This is, moreover, something we are seeing from a number of other central banks, and would mean a break with 2004-2006 monetary policy.

3. *"So-called "leaning against the wind" would not require adjustments to Norges Bank's approach, bearing in mind our reaction function which already gives weight to asset price movements and credit growth."*

If we have interpreted point 2 correctly, Norges Bank is saying here that such a scenario would not require any change in its mandate, that the current rules allow such an approach to monetary policy. We feel that this reference to formalities suggests that the decision to change course has already been made.

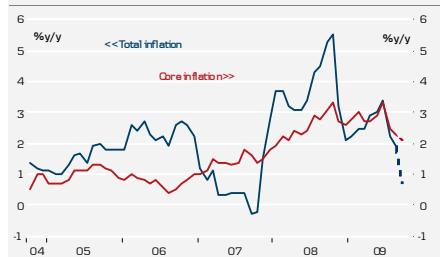
Inflation

Underlying inflation fell surprisingly to 2.3% in August, partly as a result of big drops in prices for food and air travel. Although we anticipate a slight increase in these prices, we expect underlying inflation to slip further to 2.1% in September, partly due to base effects from the major price increases in 2008. But, as ever, there is considerable uncertainty associated with Norwegian inflation figures, and September is no exception. Clothing, food and air travel are just some of the "difficult" components. Headline inflation is expected to fall from 1.9% to a modest 0.7% y/y due primarily to a big drop in electricity prices.

Key events of the week

- Inflation
- Industrial production probably rose a moderate 0.3% m/m in August (Wednesday)

PMI: Fact or fiction?



Source: Reuters EcoWin, Danske Bank

Chief Economist
Frank Jullum
+47 8540 6540
fju@danskebank.dk

US: Was that it?

After eight consecutive increases, the closely watched *ISM index* shook the markets as it slipped back in September disappointing expectations of a further rise – not least our own expectations. ISM declined from 52.9 in August to 52.6 in September whereas consensus was looking for 54 and we were looking for an even stronger reading of 55. The details were on the soft side as well as the most leading part – the new orders index – which fell by four points.

Taking a step back, the number is still quite strong, albeit not as strong as expected. At 60.8, the new orders index still points to growth close to 4%. But the number may shift the ‘burden of proof’ for a while between bulls and bears on the economy. Markets normally don’t care so much about levels as they do about direction. Fears of the economy rolling over when the inventory cycle has run its course are just beneath the surface and numbers like this may tip sentiment in the short run.

The number is also a warning that it may be a bumpier ride from here. We have had many positive surprises and the bar is high for continuing that stream of data. Temporary factors boosting some sectors will also fade over the coming quarters. This goes for the car incentive (cash-for-clunkers) and the tax credit for first-time buyers of homes which has boosted home sales but will expire in November (more on this below).

Although more bumpy we still look for further improvement in the underlying economy over the coming quarters. The inventory cycle is far from over in our view and the consumer will get much needed support from an improving labour market and stabilisation in housing.

Consumers slowly coming out of the cave

Ironically the softer ISM came just as consumers had started to come out of the cave – something the markets have been longing for for quite some time. Private spending surprised to the upside in August and although it was boosted by a temporary rise in car sales it also revealed a broader pick-up in spending outside the auto sector. This suggests that the rise in income from the tax cuts this spring might have been saved initially but is slowly coming out of the pockets of the US households. This is much needed for the recovery to take hold – and therefore encouraging. However, one swallow does not make a summer and this needs to be confirmed in the coming months. No doubt consumption will fall back in September as car sales ‘normalise’ but what is important is to watch the underlying trend. And that seems to be improving – at last.

Home sales rising rapidly now

Pending home sales rose fiercely in August by 6.4% adding to a 3.2% rise in July. This points to a strong rise in existing home sales in the coming months. Part of the rise is most likely related to the tax credit expiring in November which has pushed forward some house buyers. But it is still positive as it suggests that sentiment is shifting. After all, who would buy a house just because of a tax credit, if they weren’t going to buy a house to begin with? The pent-up demand may be showing up faster now due to the low interest rates, signs that houses might not get cheaper (as suggested again this week by the rise in Case/Shiller house prices) and the incentive from the government. The turn in home sales will support residential construction as inventories of especially new houses are depleting fast at the moment (see also *Research US – Gauging the potential from a turn in housing*).

Key events of the week

- ISM non-manufacturing to rise further (Tuesday)

ISM slipping but still points to robust growth



Source: Reuters Ecowin

Consumer spending up in Q3 – and it's not just cars



Source: Reuters Ecowin

Strong rebound in home sales



Source: Reuters Ecowin

Chief Analyst
Allan von Mehren
+45 4512 8055
alvo@danskebank.dk

Euroland: Cheap money

ECB meeting might give a few new insights

The ECB Governing Council meeting next week is likely to hold the refinancing rate unchanged, and is unlikely to announce any new measures or future rate hikes. Still it might be interesting to follow the press conference. We might get insights into how the ECB interprets this week's 12-month auction (see below) and we might get a few more hints about how long the ECB is willing to keep rates at record lows.

ECB LTRO at just EUR75bn

ECB's 12-month long-term refinancing operations (LTRO) this week had plenty of bidders (589 participants), but the total amount allotted was much smaller than at the June auction. Just EUR 75.2bn was allotted at the auction (which had full allotment) compared to EUR442bn to 1,121 bidders in June. This was below consensus expectations (although it must be said that expectations have been very diverse). We expected EUR100-200bn.

The relatively low amount requested at this week's LTRO reflects that market rates have fallen to very low levels and thus the auction is not as attractive as the one in June. This was already taken into account in our EUR100-200bn estimate. The low demand is also an indication that the market has plenty of liquidity as it is and is functioning better.

The low demand paves the way for the ECB to commence down the exit path along the lines highlighted in recent speeches. The first formal step may well be to add a spread at the December 12-month tender. Possibly 25 bp. This is slightly cheaper than the market pricing – the market is currently pricing in 12 month at about 30bp above two weeks. This will clear the way for a further phasing out of non-standard monetary policy measures during the first half of 2010, which may ultimately lead to the first hike from the ECB next summer.

Forecasts for the refinancing rate at end-2010 in a Reuters poll range from 0.5% to 2.5% with a median expectation of 1.5%. We expect the refi rate to hit 2.0% at end-2010.

Unemployment climbing higher

Unemployment in the euro area increased from 9.5% to 9.6% in August, which was in line with expectations. The three-month increase in unemployment peaked in March and is quickly declining. Euroland composite PMI indicate that the pace of unemployment growth will decline further in the coming months and that unemployment could peak in Q4 2009. The composite PMI index has a particularly good track record in foreseeing turning points and the speed of unemployment changes.

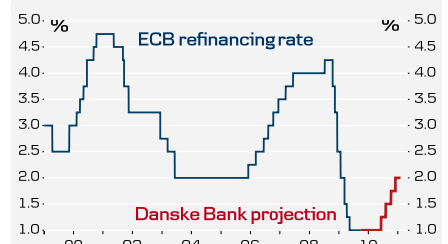
German unemployment has proved more resilient and even declined to 8.2% in September from 8.3% the previous month. The decline is however the result of special effects from new labour market policy instruments. Without the special effects, unemployment would have risen by 10,000 on a seasonally adjusted basis instead of declining by 12,000. Employment declined 0.1% seasonally adjusted.

Next week we anticipate seeing German production increase in August while we expect a small setback in German orders since July was artificially high due to a large military order. A 1.5 % m/m decline in German retail sales in August would not be a good sign.

Key events of the week

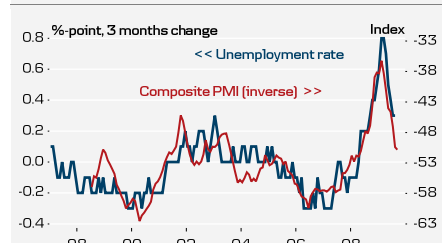
- Retail sales in August (Monday) is expected to show a 0.2 % decline
- Revised GDP in Q2 (Wednesday) is expected to confirm 0.1 % decline
- German industrial orders in August(Wednesday) is expected to show a 0.4 % decline
- German industrial production in August (Thursday) is expected to increase 1.8%
- ECB keeps rates unchanged (Thursday)
- German exports in August (Friday) continue to rise (1.7 % m/m)

ECB hiking path



Source: Reuters Ecowin

Unemployment growth has peaked



Source: Reuters Ecowin

Senior Economist

Frank Øland Hansen
0045 45 12 85 26
franh@danskebank.dk

Asia: Growth in China slowing

Chinese manufacturing PMIs for September suggest growth in the manufacturing industry is slowing slightly. True, the official Chinese PMI (NBS) rose marginally from 54.0 to 54.3, but in our view this hides an underlying fall, as there are seasonal distortions in the data series. We have therefore carried out our own seasonal adjustment of the NBS PMI, and this has proved better at catching developments in Chinese industrial production (see figure). Our own seasonally adjusted NBS PMI shows a fall from 54.6 to 52.5 in September, and could thus indicate that NBS PMI has peaked for now and that industrial production growth is on the wane.

It would be only natural for growth in China to slow a little after the almost explosive pace in Q2 this year. Our current forecast has GDP growth falling from more than 16% q/q AR in Q2 to around 10% q/q AR in Q4. Of course, this opens the possibility that the data might, for a time, again be more of a mixed bag, and doubt may arise as to the strength of both the global and the Chinese upswing. The more mixed numbers from China, which include lower lending and investment growth, have eased the pressure on the Chinese authorities to tighten monetary policy. And indeed the Chinese government has lately been more categorical in its rejection of the need for a tighter policy.

G20 views China as a growth locomotive

At the recent G20 meeting in Pittsburgh, US, China was indirectly allotted the role of global growth locomotive in the G20 countries' attempt to coordinate a rebalancing of the global economy. However, the weakness in the G20 plan is that it will increase demand in China, where there is least free production capacity. In contrast to the US and Europe, the Chinese economy experienced a relatively soft landing in the wake of the global financial crisis. Thus there will be a limit to how long China can act as the locomotive for the global economy, and it may prove difficult for China to assume the role without at the same time allowing its currency to strengthen. While there was no criticism of the Chinese exchange rate policy at the G20 meeting, we expect the policy to again climb significantly higher up the agenda next year. Hence, we continue to believe that an appreciation of CNY is on the cards for next year.

Tankan indicates decent growth in Japan

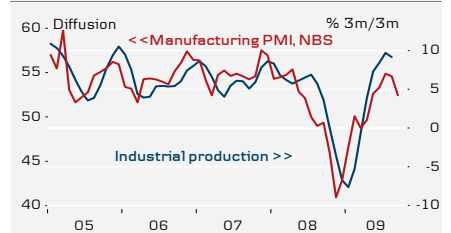
While the Tankan business confidence survey was received with some disappointment by the financial markets, the main message was that Japan, at least in the short term, is set to enjoy a high rate of growth, even if this will gradually slow a little (see [Flash Comment - Japan: Tankan suggests strong recovery](#)). As can be seen in the figure, the Tankan would seem to suggest growth of around 5% in Q3, and just moderately less in Q4.

The main reason for the market's disappointment was that the survey showed weak investment plans from most companies for the current fiscal year. However, in our view, this mainly indicates that investment was weak in the early part of the fiscal year, and a bottom for business investment may already have been reached in Q2. This is, at any rate, what developments in domestic machinery orders have suggested in recent months. The week ahead will see machinery order data for August, which may provide a more solid indication of whether this is the case.

Key events of the week

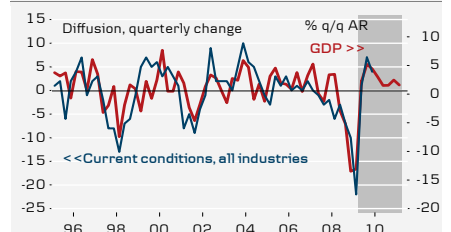
- Monetary policy meeting at Indonesia's central bank. We expect rates to be kept on hold at 6.5% (Monday)
- Taiwan is set to publish foreign trade figures for September (Wednesday)
- Japanese current account for August (Thursday)
- Japanese machinery orders for August (Friday)

Industrial production in China slows



Source: Reuters Ecowin and own calculations

Tankan indicates high growth in Japan



Source: Reuters Ecowin and Danske Markets

Senior Analyst
 Flemming J. Nielsen
 +45 45128535
 flemm@danskebank.dk

Switzerland: ECB money and the franc

ECB provides long-term funding as franc weakens

Thursday saw another volatile session for the Swiss franc coinciding with long-term liquidity provisions by the ECB. Following the allotment in the ECB 12-month auction EUR/CHF drifted to an intraday low of 1.5079, also helped lower by a very strong KOF indicator, before large-scale franc selling lifted EUR/CHF to trade briefly above 1.52. The SNB once again declined to comment on the price move, but there is a strong suspicion in the market that a Swiss-based supra-national acted on behalf of the SNB. What is most interesting about Thursday's price action is that it once again coincided with an ECB 12-month auction. Also on 24 June, the day of the first ever 12-month auction, did the SNB allegedly intervene. So why do we see this pattern? There are two possible explanations: (i) the pressure on EUR interest rates may have added enough downside pressure on EUR/CHF to trigger an SNB response, (ii) there is still a funding deficit in Swiss franc outside the Swiss market. Regardless of the explanation markets will undoubtedly watch the SNB on 16 December, the scheduled time for the next 12-month auction.

We continue to look for range-trading in EUR/CHF (1.5050-1.5350'ish) during the coming months, as the SNB appears committed to capping the downside and as a re-coupling between the franc and risk is not expected anytime soon – i.e. also the upside appears capped for now.

Record-breaking KOF

Indicators out of Switzerland in the past week confirmed the positive outlook and even surpassed our expectations. The PMI rose to 54.3 from 50.2 in August, and the KOF indicator again surged at a record-breaking month-on-month rate, jumping from -0.04 to 0.85. This is the first time since October last year that KOF's leading indicator signals positive growth in the economy. Taken at face value the latest increase in the KOF even indicates that the Swiss economy will be growing at 1% y/y by the year-end.

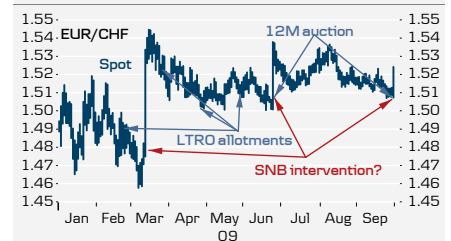
Limited potential for further spread narrowing

During the financial crisis, the 2Y swap rate spread between the eurozone and Switzerland has narrowed from 200bp in early September 2008 to about 90bp. As long as long-term yields are heading lower globally the spread narrowing could have further to run. Not least since it is also fundamentally fuelled by Swiss government finances being in better shape than the eurozone's, implying a relatively smaller supply of government bonds in Switzerland. However, we believe that long yields will soon begin to pick up, which has historically coincided with a wider spread. This also fits well with our expectation of the ECB hiking rates earlier – and more – than the SNB going into 2010.

Key events of the week ahead

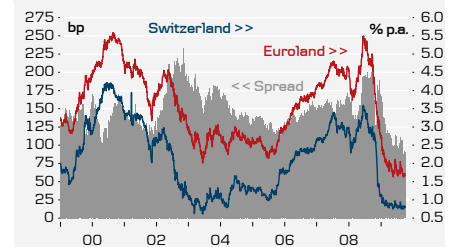
- CPI numbers should confirm that there are still no inflationary pressures to be found (Tuesday)
- Unemployment is expected to continue its upwards trend (Wednesday)

EUR/CHF and ECB auctions



Source: Danske Markets

Yields spread has narrowed



Source: Reuters EcoWin

Analyst

Kasper Kirkegaard
+45 45 13 70 18
kaki@danskebank.dk

Assistant Analyst

Niels Blomquist
+45 45 12 81 57
nbl@danskebank.dk

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-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2008	-1.2	-0.1	1.5	-5.0	0.2	2.3	3.5	3.4	1.8	3.6	33.3	2.2
	2009	-3.5	-3.7	1.7	-11.1	-1.5	-6.1	-9.0	1.3	3.6	-1.5	38.4	1.8
	2010	0.8	2.7	1.6	-2.6	0.2	2.1	3.7	1.9	5.0	-3.8	43.2	1.7
Sweden	2008	-0.8	-0.2	1.5	2.7	-0.6	1.9	3.0	2.2	4.6	2.5	37.5	8.3
	2009	-6.1	-6.1	0.9	-16.9	-1.2	-15.7	-16.1	-0.2	6.2	-1.3	39.6	6.3
	2010	1.1	1.1	1.5	-5.7	0.0	1.8	-0.3	1.3	10.0	-2.7	43.5	6.4
Norway	2008	2.1	1.2	3.8	3.8	0.7	1.3	4.4	3.8	2.6	8.0	26.0	19.0
	2009	-0.3	0.5	5.9	-6.7	-0.1	-5.8	-8.0	2.2	3.5	12.0	26.0	24.9
	2010	2.5	3.6	5.1	2.8	-0.2	0.7	2.3	2.3	4.0	13.9	26.0	24.8

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-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euroland	2008	0.6	0.3	2.2	-0.7	0.1	1.1	1.1	3.3	7.6	-1.9	69.3	-0.8
	2009	-3.7	-0.3	2.3	-9.5	-0.7	-13.5	-11.9	0.3	9.4	-4.7	77.1	-1.7
	2010	2.2	0.6	2.1	3.2	0.3	6.1	4.9	1.2	10.0	-5.2	82.1	-1.5
Germany	2008	1.3	-0.6	1.9	2.6	0.1	3.5	5.5	2.9	7.4	-0.5	63.0	7.1
	2009	-4.8	0.2	1.9	-4.0	-0.4	0.2	2.5	0.3	8.2	-3.5	67.0	5.2
	2010	2.6	1.2	1.9	1.5	0.2	4.0	4.5	1.1	8.5	-5.5	72.0	5.4
France	2008	0.8	0.8	1.4	0.5	0.0	2.0	1.8	3.3	7.8	-2.9	66.0	-1.6
	2009	-1.8	-0.4	1.6	-3.8	-0.3	-0.3	-0.4	0.4	8.6	-5.0	71.0	-1.4
	2010	2.1	1.6	1.4	2.1	0.2	2.9	2.9	1.3	9.1	-6.0	78.0	-1.6
Italy	2008	-0.3	-0.6	1.2	-1.5	0.0	0.3	-1.5	3.6	7.0	-2.6	103.0	-2.6
	2009	-4.5	0.2	1.2	-4.8	-0.3	-0.6	-0.9	0.8	8.5	-4.0	107.0	-2.1
	2010	1.7	0.3	1.0	2.0	0.2	2.0	2.4	1.9	9.1	-4.5	111.0	-2.5
Spain	2008	1.2	0.1	5.3	-3.0	0.0	0.7	-2.5	4.1	11.3	-3.8	38.0	-10.0
	2009	-3.5	-4.7	3.4	-12.0	-0.2	-19.0	-21.0	0.0	18.9	-9.5	47.0	-6.0
	2010	0.3	-1.0	2.0	-2.4	0.1	10.8	4.1	1.4	21.0	-9.0	56.0	-6.0
Finland	2008	0.9	2.0	1.7	1.3	-0.6	-1.1	-1.3	4.1	6.4	4.2	33.4	2.0
	2009	-5.5	-2.5	1.0	-13.5	0.0	-21.0	-19.0	0.3	8.6	-0.5	41.0	0.6
	2010	1.0	0.5	1.5	-2.9	0.0	4.0	2.0	1.0	9.5	-3.5	46.0	1.4

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-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2008	0.4	-0.2	3.1	-5.1	-0.3	5.4	-3.2	3.8	5.8	-3.2	69.0	-4.9
	2009	-2.3	-0.8	2.2	-18.0	-0.6	-11.9	-16.1	-0.3	9.2	-11.2	81.0	-2.7
	2010	3.2	1.5	2.8	8.2	0.8	5.5	5.8	2.2	9.6	-9.6	87.0	-2.9
Japan	2008	-0.7	0.6	0.8	-5.1	-0.2	2.0	0.9	1.5	4.0	-5.6	196.0	3.3
	2009	-5.3	-1.2	0.7	-12.0	-0.4	-24.5	-15.8	-1.2	5.2	-9.8	212.0	2.4
	2010	3.0	1.4	0.9	1.7	0.2	18.2	1.1	-0.5	5.2	-8.0	220.0	3.6
UK	2008	0.7	1.7	3.3	-4.0	0.0	0.5	1.2	3.7	2.8	-2.5	50.1	-3.6
	2009	-2.7	-0.3	1.5	-0.3	0.0	-3.6	0.0	2.3	5.0	-8.8	60.0	-3.4
	2010	1.0	1.6	2.0	2.2	0.0	4.6	4.9	1.5	6.4	-9.6	68.0	-2.9
Switzer-land	2008	1.6	1.7	0.0	-1.7	-0.4	2.3	-0.2	2.4	2.6	0.9	42.0	9.2
	2009	-2.7	0.2	2.3	-6.4	1.2	-11.7	-7.4	-0.5	3.9	-1.5	40.7	7.6
	2010	1.0	0.5	1.5	-0.5	-0.2	1.3	-1.1	0.7	5.1	-2.5	43.5	8.1

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	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	02-Oct	0.13	0.28	1.21	3.30	145.5	-	511.7
	+3m	0.13	0.30	1.70	4.10	152	-	490
	+6m	0.13	0.30	2.10	4.40	150	-	497
	+12m	0.13	0.40	2.30	4.50	145	-	514
EUR	02-Oct	1.00	0.75	1.65	3.40	-	145.5	744.5
	+3m	1.00	1.00	2.00	3.80	-	152	745.0
	+6m	1.00	1.20	2.25	4.00	-	150	745.0
	+12m	1.50	1.80	2.80	4.25	-	145	746.0
JPY	02-Oct	0.10	0.35	0.56	1.38	130.2	89.5	5.72
	+3m	0.10	0.35	0.55	1.55	143	94	5.21
	+6m	0.10	0.30	0.65	1.65	145	97	5.14
	+12m	0.10	0.30	1.00	1.90	148	102	5.04
GBP	02-Oct	0.50	0.54	1.75	3.79	91.3	159.4	815.8
	+3m	0.50	0.75	2.30	4.50	84.0	181	887
	+6m	0.50	0.75	2.60	4.75	82.0	183	909
	+12m	1.00	1.20	3.20	5.00	78.0	186	956
CHF	02-Oct	0.25	0.29	0.79	2.49	151.4	104.0	491.8
	+3m	0.25	0.30	0.95	2.65	152	100	490
	+6m	0.25	0.40	1.10	2.75	154	103	484
	+12m	0.50	0.60	1.45	2.90	156	108	478
DKK	02-Oct	1.25	1.61	2.27	3.67	744.5	511.7	-
	+3m	1.25	1.70	2.60	4.05	745	490	-
	+6m	1.25	1.80	2.75	4.25	745	497	-
	+12m	1.75	2.30	3.25	4.55	746	514	-
SEK	02-Oct	0.25	0.52	1.66	3.53	1025.0	704.4	72.6
	+3m	0.25	0.60	1.90	3.95	1000	658	74.5
	+6m	0.25	0.60	2.60	4.35	980	653	76.0
	+12m	1.00	0.75	3.40	4.75	960	662	77.7
NOK	02-Oct	1.25	1.97	3.49	4.65	847.1	582.2	87.9
	+3m	1.50	2.10	3.75	4.50	840	553	88.7
	+6m	1.75	2.35	4.25	4.70	820	547	90.9
	+12m	2.25	3.45	4.80	4.90	820	566	91.0
PLN	02-Oct	3.50	4.09	4.93	5.54	427.0	293.4	174.3
	+3m	3.50	4.10	5.00	5.85	410	270	182
	+6m	3.50	4.10	5.20	6.10	405	270	184
	+12m	3.50	4.10	5.80	6.35	400	276	187

Equity markets

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

Commodities

	02-Oct	2009				2010				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010
ICE Brent	69	46	60	69	76	76	76	78	80	63	78
Aluminium	1,858	1,401	1,526	1,834	1,900	1,900	1,900	2,100	2,100	1,665	2,000
Copper	5,985	3,478	4,685	5,830	6,500	6,300	6,300	6,400	6,600	5,123	6,400
Zinc	1,913	1,204	1,503	1,765	2,000	2,000	2,000	2,200	2,200	1,618	2,100
Gold	1,000	909	923	957	1,000	1,030	1,050	1,000	980	947	1,015
CBOT Wheat*	450	614	620	516	550	600	600	600	600	575	600
CBOT Corn*	340	417	431	332	360	400	400	400	400	385	400

Source: Danske Markets

Calendar

Key Data and Events in Week 41

Monday, October 5, 2009			Period	Danske Bank	Consensus	Previous	
-	G7	G7 meeting and IMF and World Bank Annual meeting					
9:45	ITL	PMI Service	Index	Sep	47.6	47.1	46.4
9:50	FRF	PMI Services, final	Index	Sep	52.4	52.2	52.2
9:55	DEM	PMI Services, final	Index	Sep	52.2	52.2	52.2
10:00	EUR	PMI Composite	Index	Sep	50.9		50.8
10:00	EUR	PMI Services, final	Index	Sep		50.6	50.6
10:30	GBP	PMI Service	Index	Sep		54.5	54.1
11:00	EUR	Retail sales	m/mly/y	Aug	-0.2% .	-0.4% .	-0.2% -1.8%
16:00	USD	ISM non-manufacturing	Index	Sep	50.5	50.0	48.4
Tuesday, October 6, 2009			Period	Danske Bank	Consensus	Previous	
0:30	USD	Fed's Dudley (voter, neutral) speaks					
2:30	AUD	Trade balance		Aug		-900M	-1556M
5:30	AUD	RBA monetary policy meeting		Oct	3.00%	3.00%	3.00%
9:15	CHF	CPI	m/mly/y	Sep			0.1% -0.8%
9:30	SEK	Service production	y/y	Aug			-5.0%
9:30	DKK	Industrial production	m/mly/y	Aug			0.3% 8.1%
10:30	GBP	Industrial Production	m/mly/y	Aug		0.1% -8.8%	0.5% -9.3%
10:30	GBP	Manufacturing production	m/mly/y	Aug		0.3% -9.3%	0.9% -10.1%
10:30	GBP	NIESR GDP Estimate	q/qly/y	Sep			0.2%
16:00	CAD	lvey PMI	index	Sep			55.7
Wednesday, October 7, 2009			Period	Danske Bank	Consensus	Previous	
1:01	GBP	Nationwide Consumer confidence	Index	Sep			63
1:50	JPY	Offical Reserve Assets	USD bn	Sep			
3:45	USD	Fed's Hoenig (non-voter, hawk) speaks					
7:00	JPY	Leading Economic Index CI, preliminary	Index	Aug		83.3	82.5
7:45	CHF	Unemployment	%	Sep			4.0
9:30	SEK	Budget Balance	SEK bn	Oct			11.8
10:00	NOK	Manufacturing Production, sa.	m/mly/y	Aug	0.3% .	0.6% -8.9%	0.5% -8.9%
11:00	EUR	GDP, s.a. final	q/qly/y	2nd quarter	-0.1% -4.7%	-0.1% -4.7%	-0.1% -4.7%
12:00	DEM	Factory orders	m/mly/y	Aug	-0.4% .	1.1% -19.9%	3.5% -19.8%
13:00	USD	MBA mortgage applications	%				-2.8
21:00	USD	Consumer credit	bn. USD	Aug		-10.0	-21.6

Source: Danske Markets

Calendar - continued

Thursday, October 8, 2009			Period	Danske Bank	Consensus	Previous
1:50	JPY	Current Account Total	JPY bn (s.a.)	Aug	1148.0	1265.6 (1159.0)
2:30	AUD	Employment change		Sep	-10.0k	-27.1k
7:00	JPY	Eco watchers: Current	Index	Sep	42.5	41.7
7:00	JPY	Eco watchers: Outlook	Index	Sep		44.0
8:45	FRF	Trade Balance	EUR bn	Aug	-2.5	-1.3
9:30	SEK	Industrial production	m/m y/y	Aug	1.0% .	-0.5% -19.9%
9:30	SEK	Industrial orders	m/m y/y	Aug		8.3% -16.5%
9:30	SEK	Activity index	%	Aug		101.5
12:00	DEM	Industrial production	mm/y/y	Aug	1.8% .	1.5% -16.7%
13:00	GBP	BoE Asset Purchase Target	GBP bn		175	175
13:00	GBP	BoE rate announcement	%		0.50	0.50
13:45	EUR	ECB Announces Interest Rates	%		1.00	1.00
14:30	EUR	Trichet Speaks at ECB Monthly News Conference				
14:30	USD	Initial jobless claims	1000		541	551

Friday, October 9, 2009			Period	Danske Bank	Consensus	Previous
1:00	USD	Fed's Bernanke (voter, neutral) speaks				
1:50	JPY	Machine orders	m/m y/y	Aug	4.0% .	2.2% -25.4%
2:45	USD	Fed's Hoenig (non-voter, hawk) speaks				-9.3% -34.8%
8:00	DEM	Export	m/m	Sep	1.7%	3.0%
8:00	DEM	Imports	m/m	Sep	0.9%	0.0% (rev. -0.2%)
8:00	DEM	Trade balance	EUR bn	Sep		12.4
8:00	DEM	HICP, final	m/m y/y	Sep		-0.4% -0.4%
8:45	FRF	Industrial production	m/m y/y	Aug	0.8% .	0.4% -13.3%
8:45	FRF	Manufacturing production	m/m y/y	Aug		0.1% -13.0%
9:30	ITL	Industrial production	m/m y/y	Aug		4.4% .
9:30	DKK	Current account	DKK bn	Aug		4.9
10:00	NOK	Consumer prices	m/m y/y	Sep	0.3% 0.7%	0.5% 0.9%
10:00	NOK	Consumer prices core	m/m y/y	Sep	0.8% 2.1%	0.7% 2.0%
10:30	GBP	PPI - Input	m/m y/y	Sep		-1.0% -7.0%
10:30	GBP	PPI - Output	m/m y/y	Sep		0.1% -0.2%
10:30	GBP	Trade balance	GBP bln.	Aug		-2300
13:00	CAD	Unemployment rate		Sep		8.8%
13:00	CAD	Net change in employment		Sep		10000
14:30	USD	Trade balance	USD bn	Aug		-32.9
16:30	CAD	BoC Senior Loan Officer Survey		3rd quarter		-32.0

During the week			Period	Danske Bank	Consensus	Previous
Mon 05 - 09	GBP	Halifax house prices	m/m q/y	Sep		0.8% -10.1%
Wed 07 - 16	USD	Budget statement	USD bn	Sep		45.7

The editors do not guarantee the accurateness of figures, hours or dates stated above
 For further information, call (+45) 45 12 85 22.

Source: Danske Markets

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. Danske Bank Research departments are organised independently from and do not report to other Danske Bank business areas. 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 Associations.

Financial models and/or methodology used in this report

Risk warning

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

First date of publication

Please see the front page of this research report.

Expected updates

This report is updated on a weekly basis

Disclaimer

This publication has been prepared by Danske Markets for information purposes only. It has been prepared independently, solely from publicly available information and does not take into account the views of Danske Bank's internal credit department. It is not an offer or solicitation of any offer to purchase or sell any financial instrument. 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 services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives), of any issuer mentioned herein. The Equity and Corporate Bonds analysts are not permitted to invest in securities under coverage in their research sector. This publication is not intended for retail customers in the UK or any person in the US. Danske Markets is a division of Danske Bank A/S. Danske Bank A/S is authorized by the Danish Financial Supervisory Authority and is subject to provisions of relevant regulators in all other jurisdictions where Danske Bank A/S conducts operations. Moreover Danske Bank A/S is subject to limited regulation by the Financial Services Authority (UK). Details on the extent of our regulation by the Financial Services Authority are available from us on request. Copyright (C) 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.