

Weekly Focus

August 3-10, 2007

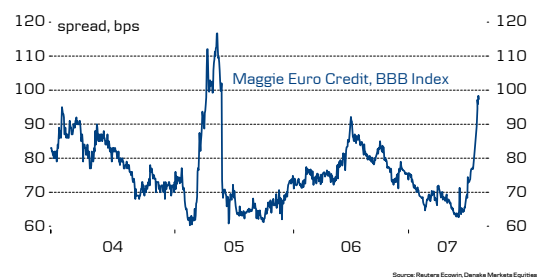
Fear of credit crunch in risk assets

Whenever a market professional has problems understanding and not the least explaining to clients what is going on, 'liquidity-driven' is often used as a fallback phrase. This time, however, there is in our view more fundamental truth in the expression than usual. Global central banks and commercial banks are now joining forces to remove 'cheap money' from households and companies. While central banks have been raising interest rates since 2004, commercial banks have only recently started to tighten credit conditions. Following a period in which the global financial system experienced no loan losses and hence eased credit standards, tighter central bank credit conditions are now claiming their first victims - among them US sub-prime borrowers. In general, tighter liquidity standards will help normalise the performance of both risk assets and the global economy after the 'boom' of recent years.

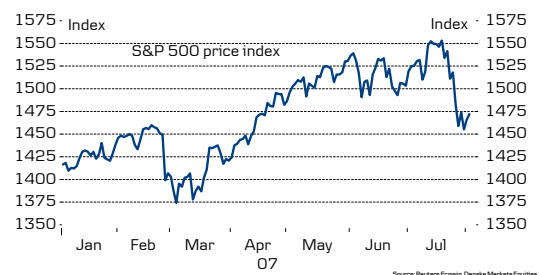
Sub-prime investments appear at present to be a worldwide business. Fears that sub-prime risk has spread globally have hit the high-yield corporate debt market hard in recent weeks. The latter has in fact very little to do with mortgage debt, but fears of credit losses in hedge funds and various CLO structures appear to be the transmission mechanism.

In our view, the situation in the high-yield credit market will have to improve before both equities and emerging markets calm down. We expect the situation will improve within weeks, as both corporate and global macro fundamentals are, as we see it, simply not bad enough to trigger a credit crunch in the high-yield market. An LTCM-like key financial institution would need to be in financial distress before the credit market stays closed in the autumn: A nightmare that we believe will remain in dreamland.

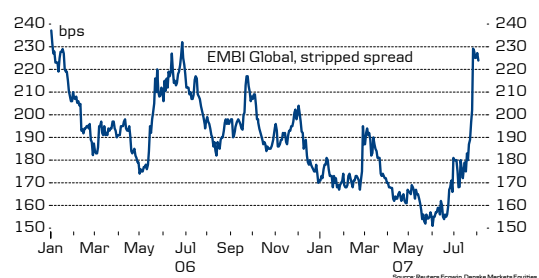
Credit market turbulence



..affecting equities



..and emerging markets' credit



Editor in Chief: Chief Economist Carsten Valgreen, + 45 45 12 85 22, cval@danskebank.dk

Web: <http://www.danskebank.com/danskeresearch>

Denmark

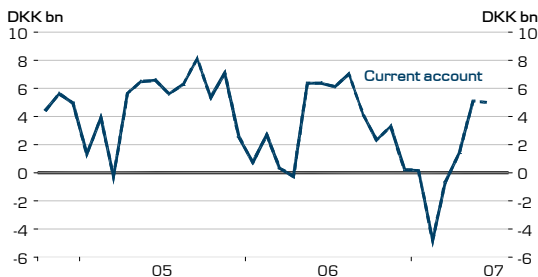
Steen Bocian, Chief Analyst, +45 45 12 85 31, stbo@danskebank.dk

Mixed messages about private consumption

The past week has sent rather mixed messages about private consumption. Monday's figures for consumer confidence revealed a slight decline to 8.4 in July from 9.3 in June. Since this cannot be put down to normal seasonal variations, it has to be said that the signals from consumer confidence are slightly less favourable than they were just a few months ago. On the other hand, Wednesday's figures for retail sales revealed strong growth of 2.4% from May to June, which was much higher than anticipated.

When consumer confidence is falling but retail sales are rising, it can be hard to tell just what is going on with private consumption. But if we look more closely at the data, it is not actually that difficult to reach a conclusion. The strong growth in retail sales in June was due primarily to very weak retail sales in May. Looking at Q2 as a whole, retail sales were actually down on Q1. Thus the June figures are not so much an expression of strong growth as a sign that consumption is not in as bad a way as retail sales in April and May might have suggested. The decline in consumer confidence actually expresses this trend closely. After hitting record highs in 2006, consumer confidence has been on the wane, but there is still plenty of optimism to be found among Danish consumers. This ties in very well with the overall trend in private consumption. After a couple of exceptional years with very high rates of consumption growth, growth is now on the way down, but there is little to suggest that the consumer boom is set to end in tears. The strong labour market is stopping the economy from being undermined by rising interest rates and a more vulnerable housing market, and so means that we are talking about a soft rather than a hard landing for consumption. And a soft landing translates into consumption actually continuing to grow, just more slowly.

Current account back in the black



Key events of the week ahead

- Thursday brings figures for the current account and foreign trade in June. We expect another healthy current account surplus somewhere around DKK 5bn. The current account is under a certain amount of pressure, but with no immediate danger of a return to the red.
- Inflation was surprisingly tame in July, but we actually expect an even lower level in August.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Thu 09	-	DKK Current account	Jun	5.2		
Fri 10	9:30	DKK CPI	Jul	-0.3%	1.3%	
Fri 10	9:30	DKK Industrial production	Jun	2.1%		

Sweden

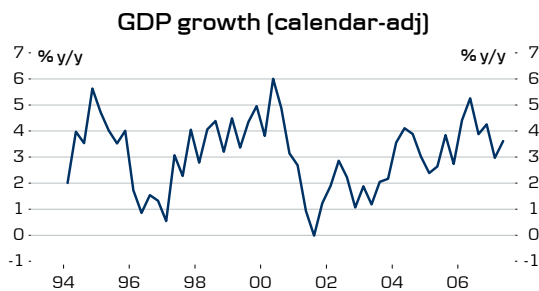
Roger Josefsson, Senior Economist, +45 45 12 85 27, roger.josefsson@danskebank.dk

Stock-building surprise in GDP points to few capacity constraints

Q2 GDP growth came in at 3.6% y/y – considerably stronger than we had expected. The main deviation from our forecast is the – once again – very strong contribution from stock building, which added about 0.5 percentage points to growth, whereas we had expected -0.2pp. This means that a full percentage point of the 3.3% y/y GDP growth in H1 is explained by stock building. In Q1, as we had been expecting strong consumption and exports in Q2, we interpreted this as a sign of strong pipeline demand pressures. Now in Q2 we are not so sure. Yet another quarter of adding to stocks cannot be interpreted as a good thing if it instead points to a lack of demand and cutbacks in production going forward. This interpretation is further supported by the trend towards slower growth in orders over the last few months.

Another interesting aspect is that many forecasters claim that the lower-than-expected growth in H1 is due to capacity constraints, a proposition that seems less and less valid since production is up by much more than demand (the difference being stock building). In addition, the strong growth in investments will serve to increase production capacity further. To put it bluntly, we believe that the advocates of the capacity constraint explanation for lower-than-expected H1 growth will have to think again.

Meanwhile, hours worked increased as expected: 4% y/y overall and almost 5% y/y in the business sector. Productivity growth is thus negative and unit labour costs growth is approaching 5% y/y (in the business sector), which is well above the NIER's calculation of 1.6% y/y being compatible with the inflation target. Thus, in the short term, interest rates are up and the hawks on the Riksbank's executive board have had their expected boost of confidence. But as production and employment growth slows over the coming quarters, we would not be surprised to see a less pronounced focus on cost-push inflation and a more broad-based view of the economy in which resource utilisation would again come into vogue.



Key events of the week ahead

- Inflation data is the only point of interest.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Tue 07	9:30	SEK CPI	m/mly/y	Jul	-0.2% 1.8%	0.2% 1.9%
Tue 07	9:30	SEK Underlying inflation, UND1X	m/mly/y	Jul	.. 1.1%	0.1% 1.0%
Thu 09	10:00	SEK Nat. labour market board, Unemployment	%	Jul	3.9	3.6

Norway

Frank Juillum, Chief Economist +47 85 40 65 40, fju@fokus.no

Inflation to rebound

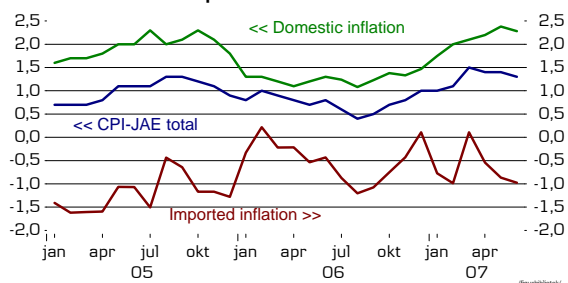
The most important data in the coming week are inflation figures for July. **Core inflation** has been slightly weaker than expected in recent months, but we anticipate a not insignificant rebound in July. Core inflation is expected to climb to 1.4% y/y (-0.3% m/m), due largely to a base effect, as the dip in July last year was larger than usual.

It is also worth noting that it is primarily imported inflation which has surprised on the downside, while there are clear signs that domestically generated inflation is on the way up. Given higher cost growth and lower productivity growth in the wholesale/retail and service sectors, we expect this process to gain momentum during H2.

Strong income growth in the Norwegian economy has given private consumption a real lift so far this year. We have previously attached a lot of weight to private consumption taking over as the growth driver in 2007, resulting in continued strong demand for labour and better pricing power in the consumer goods sector. Based on reports from the wholesale/retail sector, we expect **retail sales** to perform well again in June, climbing 0.4% m/m.

Otherwise the week brings data for April-June from Statistics Norway's AKU labour force survey, which will probably confirm that **unemployment** is bottoming out, due more to bottleneck problems than to reduced demand for labour. The PMI also suggests a slight dip in **industrial output** in June. Healthy order books and reports from Statistics Norway's business tendency survey mean that we expect this to be due more to capacity problems than to decreased demand.

Mixed inflation picture



Key events of the week ahead

- We expect core inflation to climb to 1.4% y/y in July, due mainly to base effects.
- AKU unemployment probably stabilised at 2.7% in May (April-June).
- Industrial output is expected to fall 0.5% m/m (rise 6.5% y/y) in June.
- Retail sales probably climbed 0.4% m/m, driven by strong income growth in the Norwegian economy.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 06	10:00	NOK Unemployment s.a. (LFS)	%	May	2.7	2.7
Tue 07	10:00	NOK Industrial Production	m/mly/y	Jun		-4.1% -3.9%
Tue 07	10:00	NOK Manufacturing Production, nsa.	m/mly/y	Jun	-0.5% 6.0%	1.1% 5.2%
Thu 09	10:00	NOK Retail sales, s.a.	m/mly/y	Jun	0.4% 6.5%	-0.2% 4.9%
Fri 10	10:00	NOK Consumer prices	m/mly/y	Jul		-0.2% 0.5
Fri 10	10:00	NOK Core inflation(CPI-ATE)	m/mly/y	Jul	-0.3% 1.4%	-0.1% 1.3%
Fri 10	10:00	NOK Producer prices, incl. Oil	m/mly/y	Jul		2.0% 0.3%

Euroland

Niels-Henrik Bjørn, Senior Analyst, +45 45 12 85 24, niesre@danskebank.dk

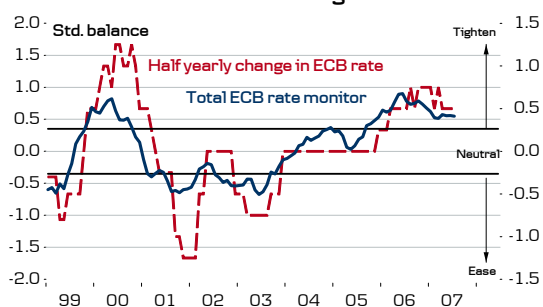
ECB signals September hike

As expected, the European Central Bank kept interest rates unchanged at Thursday's meeting. However, at an unscheduled press conference ECB chief Trichet made it clear that the bank is aiming to hike in September – only a major surprise in the data or panic in the financial markets could prevent it. In general, Trichet's comments were pretty much in line with what he said after the July meeting, and so the ECB still appears to see the inflation risk as too great. On the other hand, there is no doubt that monetary policy has become more data-dependent and that not much more is required to stop the ECB.

We are thus maintaining our forecast of an interest rate hike in September, and we then expect two further hikes – in December and March. The last two hikes will probably require that business confidence remains at current levels or increases a little. And indeed this is our main scenario, as global industry seems to have bottomed out in the spring and will increasingly support growth in Euroland.

Besides the ECB's monthly report, the week ahead will see Italian GDP figures for Q2, which look set to disappoint. We foresee just modest growth, as most of the data out of Italy in recent months have come in below expectations. German industrial orders and production numbers are also scheduled, and these will provide a hint of how the third quarter will start. We are looking for a small increase after the large fall in April and the major increase in May.

Our ECB monitor: Pointing to more hikes



Key events of the week ahead

- ECB monthly report. The introduction will be particularly important for deducing whether the ECB is considering a hike in September or if they will play it by ear.
- Italian GDP growth for Q2. We expect just modest growth, as Italy is probably one of the worst-performing euro countries in Q2 given the disappointing numbers from industry.
- German industrial data. We are expecting orders and production to rise slightly after the good outcome in May.

Date	Time	Event	Period	Danske Bank	Consensus	Previous	
Mon 06	10:00	ITL Industrial production	m/mly/y	Jun	0.1% 1.1%	0.4% 1.4%	0.9% 0.9%
Mon 06	12:00	DEM Factory Orders	m/mly/y	Jun	0.2% 11.2%	-0.6% 10.4%	3.2% 7.5%
Tue 07	12:00	DEM Industrial production	mm/ly/y	Jun	0.2% 4.5%	0.5% 5.1%	1.9% 4.6%
Wed 08	8:00	DEM Trade balance	EUR bn	Jun		17.5	17.5
Thu 09	10:00	EUR ECB monthly report		Aug			
Fri 10	8:45	FRF Industrial production	m/mly/y	Jun	0.3% 0.2%	0.2% 0.1%	0.4% -0.3%
Fri 10	9:15	ESP CPI	m/mly/y	Jul	-0.7% 2.4%	-0.7% 2.4%	0.2% 2.4%
Fri 10	11:00	ITL CPI F	m/mly/y	Jul	-0.4% 1.9%	-0.4% 1.9%	-0.4% 1.9%

USA

Peter Possing Andersen, Analyst, +45 45 13 70 19 pa@danskebank.dk

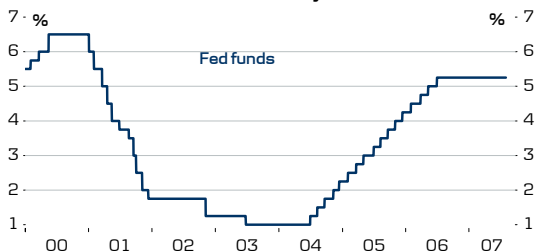
What are the implications for the Fed of the financial turbulence?

The US Fed's interest-rate meeting is set for the coming week. As far as the actual interest-rate decision is concerned (due to be published Tuesday at 8:15pm), the consensus is that the Fed will leave interest rates unchanged at 5.25% for the ninth consecutive meeting - and we fully endorse this assessment.

Meanwhile, an interesting question is how the recent financial market turbulence will impact on the Fed's decision? In our view, there is no need for the Fed to panic at present. Fed member William Poole said last Wednesday that the Fed would react only if market movements were radical enough to fundamentally change the macroeconomic outlook or occasion systemic risk - ie, risk of a wider financial collapse. At this stage, it is probably too early to assess the full impact of the credit market turbulence, but we do not believe there is any reason to fear for economic growth or a financial collapse. Thus, the turbulence should not cause the Fed to suddenly change its course - or to make dramatic announcements concerning financial risk.

Following the recent turbulence, one could, however, argue in favour of a slightly more cautious tone in the FOMC's press release this coming Tuesday. In general, we do not expect the FOMC to make significant changes - in our opinion, the recent turbulence should not materially change the Fed's view of either economic growth or inflation. In other words, there is still reason to expect that the Fed will be comfortable with the current level of interest rates and will keep interest rates on hold for the remainder of the year.

Fed to keep interest rates unchanged on Tuesday



Key events of the week ahead

- Tuesday - We expect a 2.2% increase q/q ann. in unit labour costs for Q2, equivalent to 3.4% y/y. Following the latest revision of the national accounts, there is reason to expect an upward revision of historical figures. Such a revision could take the annual growth rate even higher.
- Tuesday - The Fed's monetary policy meeting. We expect interest rates to remain static and no significant changes in signals from the Fed.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Tue 07	14:30	USD Unit labour cost P	q/q AR 2nd quarter	2.2%	1.8%	1.8%
Tue 07	20:00	USD Consumer credit	bn. USD Dec		6.0	12.3
Tue 07	20:15	USD FOMC meeting	Aug	5.25%	5.25%	5.25%
Tue 07	23:00	USD Consumer confidence	Index Aug			-8
Wed 08	13:00	USD MBA Mortgage Applications	Aug			-0.3%
Wed 08	16:00	USD Fed's Stern (non-voter, hawk) speaks	Aug			
Thu 09	14:30	USD Initial jobless claims	1000 Aug		310	307
Thu 09	20:00	USD Fed's Stern (non-voter, hawk) speaks	Aug			
Fri 10	14:30	USD Import prices	m/mly/y Jul		0.9%]	1.0% 2.3%
Fri 10	20:00	USD Budget statement	USD bn Jul		-32.4	-33.2

Asia

Flemming Nielsen, Senior Analyst, +45 45 12 85 35, flemm@danskebank.dk

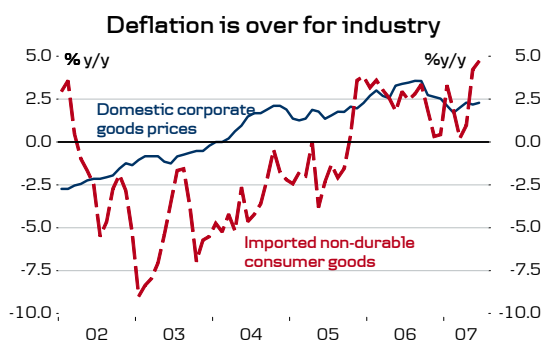
Japan: Government punished at the polls, but PM Abe still in office

The LDP-New Komeito governing coalition suffered, as widely expected, a crushing defeat and lost its majority in the elections to Japan's House of Councillors, or upper house, on 29 July. PM Abe has, however, chosen to remain in office and thus the immediate political implications are limited, as the upper house is relatively weak. However, two slightly more long-term consequences are worth noting.

First, the pace of cutting the budget deficit will probably slow. This is primarily due to the weak government now being unlikely to dare introduce unpopular political measures, such as an increase in the consumption tax, before the next elections to the lower house, which have to be held before September 2009. A slower reduction of the budget deficit could mean that the Bank of Japan may hike interest rates by more than it would otherwise have done a little further down the line.

Second, the new division of power in the upper house has decidedly changed the game of who will be the next central bank chief, as the candidate has to be approved by both houses of parliament. Up to now, the clear favourite has been the current vice governor, Muto, whose appointment to the BoJ policy board was opposed by the largest opposition party, the DJP. Given the shift in power, many now consider Kazuo Ueda to be the front runner. Ueda, who was a member of the policy board from 1998 to 2005, would be an interest-rate dove, voting as he did, for instance, against the lifting of the zero interest rate policy in 2000. Should Ueda be appointed as central bank chief, it might imply that one should tone down expectations of monetary policy tightening in Japan.

We still expect the BoJ to hike rates by 25bp at its board meeting on 23 August despite the current unrest in the financial markets and the recent strengthening of the JPY, especially as it is the BoJ's view that an extended period of low interest rates and a weaker JPY could in fact contribute to increasing financial market volatility. Significant market turbulence around the time of the meeting could, however, prompt the BoJ to postpone its hike to September. The BoJ does not believe in kicking someone when they are down.



Key events of the week ahead

- 8 August: M2 and CD money supply growth for June. Stronger growth will be yet another clear sign that Japan is on its way out of deflation.
- 10 August: July producer prices [CGPI]. We expect an unchanged annual growth rate due to base effects. The underlying trend is up, in part due to rising import prices.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 06	7:00	JPY Leading Economic Index (preliminary)	Jun		80%	40.9%
Tue 07	1:50	JPY Official Reserve Assets	JPY bn	Jul		913.6
Wed 08	1:50	JPY Machine orders	m/mly/y	Jun	-1.0% -9.0%	5.9% -3.1%
Wed 08	1:50	JPY Money supply M2+CD	y/y	Jul	1.9%	1.8%
Wed 08	1:50	JPY Bank Lending	y/y	Jul		0.7%
Thu 09 - 16	-	CNY Money supply M2	y/y	Jul		17.1 %
Thu 09 - 16	-	CNY Actual FDI	y/y	Jul		12.2 %
Fri 10 - 17	-	CNY Wholesale Prices	y/y	Jul		5.4 %
Fri 10 - 15	-	CNY Trade balance	USD bn	Jul		26.9
Fri 10 - 15	-	CNY Exports	y/y	Jul		27.1 %
Fri 10 - 15	-	CNY Imports	y/y	Jul		14.2 %
Fri 10	1:50	JPY Domestic CGPI	m/mly/y	Jul	0.6% 2.1%	0.1% 2.3%
Fri 10	4:00	CNY PPI	y/y	Jul		2.5 %
Fri 10	6:30	JPY Industrial production (final)	m/mly/y	Jun	1.2% 1.0%	1.2% 1.0%

Fixed income

Peter Lildholdt, Senior Analyst, +45 45 12 85 16, lild@danskebank.dk

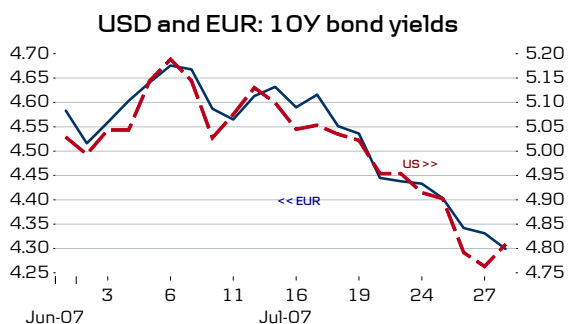
Flight to quality

During July, 2Y government bonds declined by 25bp in the US and by 10 bp in Euroland. At longer maturities, 10Y government bonds fell by 20bp in the US and by 25bp in Euroland. Consequently, the 2Y / 10Y segment of the yield curves flattened in Euroland and steepened in the US. The decline in interest rates during July was probably due to a combination of lower policy rate expectations and a 'flight-to-quality' in the wake of a broad-based re-pricing of credit risk. Government bond yields fell more than swap rates, pushing swap spreads wider due to stronger demand for safe assets such as government bonds.

We do not see any signs that the current bond bullish sentiment is about to disappear. Swap spreads and credit spreads remain wide, and market volatility remains elevated. Markets are nervous in the sense that interest rates react strongly to news. Interest rates might well edge lower at the one-month horizon.

In our view, the long-term macro picture has not changed much. Above-potential growth and tighter resource utilisation will force the Fed to hike the Federal Funds target to 5.50 next year. In Euroland, we maintain our ECB call of three 25bp hikes in September 2007, December 2007 and March 2008, respectively. Elevated oil prices, capacity utilisation pressures, and positive industrial indicators will keep the ECB in hiking mode. Consequently, we forecast rising interest rates at the three-month horizon and beyond. The balance of risks around this rate forecast, though, is clearly skewed to the downside due to recent market turmoil.

On the data front, this week looks pretty thin. FOMC is expected to keep the Federal Funds target rate unchanged at 5.25% at the meeting on August 7, and we expect it to maintain its inflation bias. We have not seen evidence yet that the inflation outlook has improved. However, we acknowledge that there is a risk that it may move towards a neutral bias.



Equities

Morten Kongshaug, Equity Strategist, +45 45 12 80 47, mokon@danskebank.dk

A new confidence crisis to overcome; a new market upturn set to start

The US market has led the recent weeks' sell-off in global stocks. The S&P500 has fallen by around 6.5% from July 19's record level of 1553. This is the strongest pull-back since the last investor confidence crisis in June 2006. We anticipate high volatility in the stock market to last at least another couple of weeks. We see the market set-back (of up to 10%) as a short term correction in global stock markets, rather than an entry of a more serious Bear market.

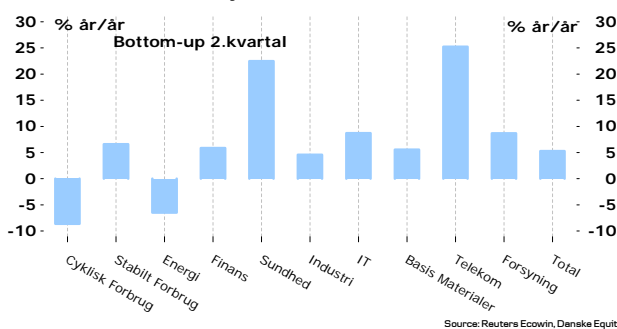
In February 2007 it was the correction in the Shanghai stock market that caused global stock markets to correct. This time it is a new market - the high yield fixed income market - which is leading the way in the market sell-off. In our view, the big invisible common denominator for both market turmoil phases is that 'the end of cheap money' is the driver. Our take on the short-term investor confidence jitters is that the corporate credit market is the market which will lead the way out of the current risk asset correction period. Investors are, according to our Credit Research team, likely to re-start investing in LBO debt in the autumn.

Our fair value model for global stocks (MSCI World) has since the end of May suggested that the global stock market was performing too well compared to top-down fundamentals such as earnings growth and central bank liquidity. This market overshooting has now been removed.

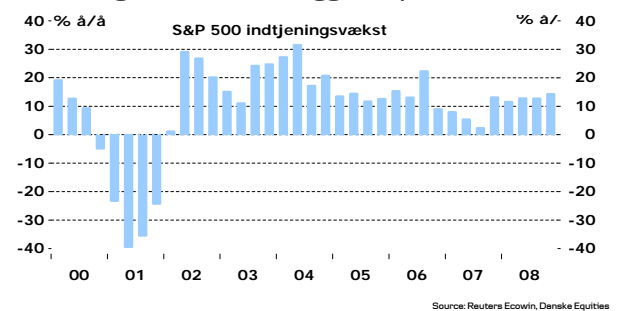
The ongoing correction is hence a natural consequence of the mature stage that global stock markets have entered in 2007 compared to the years since 2003. Volatility seems higher than last year, also a new factor investors should expect characterises the stock market in the less liquid stock market environment we have now entered. Nevertheless, we anticipate the stock market to regain strength in the coming months backed by (a) the return of investor confidence especially in the credit market; (b) limited global economic recession risk; and (c) continued attractive earnings and overall market valuation. See our more detailed research note on the market situation [Another confidence crisis to overcome, of July 30, 2007](#).

As a consequence of the sell-off, we now revise upwards our three months' forecasts for global and Nordic stocks. We are raising our three months' outlook from an expected price performance of -5% to +5% to now +5% to +10%. This applies to all markets - global as well as local.

Correction since July 19th's Wall Street record



Q2 earnings season has triggered positive revisions



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	2006	3,2	3,4	1,2	11,2	0,6	9,6	14,0	1,9	4,5	4,5	32	2,6
	2007	2,1	2,0	1,3	5,9	0,1	6,3	7,5	1,9	3,8	3,7	26	1,8
	2008	1,6	1,5	1,1	2,8	-0,1	5,0	5,1	2,1	3,9	3,4	22	2,0
Sweden	2006	4,4	2,8	1,8	8,2	0,0	9,1	7,8	2,0	5,4	2,2	47	7,0
	2007	2,8	4,1	1,1	6,1	0,5	5,0	8,5	1,5	4,8	2,0	45	6,3
	2008	2,6	3,0	0,6	0,5	-0,5	4,8	2,4	1,7	5,3	1,8	45	7,4
Norway	2006	2,8	4,4	3,3	7,3	0,5	1,6	8,1	2,3	3,5	8,0	26	33,0
	2007	2,9	4,8	3,5	5,6	-0,1	2,5	6,2	0,6	2,6	12,0	26	15,9
	2008	3,4	3,6	3,2	5,3	0,5	1,7	4,3	2,1	2,5	13,9	26	16,1

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	2006	2,8	1,8	2,0	5,0	0,2	8,5	7,9	2,1	7,8	-2,8	65	-0,3
	2007	2,8	2,2	2,0	6,0	-0,3	8,5	7,5	2,1	7,1	-2,8	65	-0,8
	2008	2,5	2,6	2,4	4,0	-0,2	6,0	6,0	2,2	6,8	-2,5	65	-0,3
Germany	2006	2,7	0,8	1,8	5,8	0,3	11,0	10,1	1,7	10,8	-1,7	68	4,7
	2007	2,9	1,0	1,5	7,5	-0,1	9,0	7,0	1,9	9,0	-0,5	65	5,6
	2008	2,5	2,2	1,5	4,0	0,0	7,0	7,0	1,2	8,5	0,0	64	5,7
France	2006	2,1	2,6	1,9	3,8	-0,3	7,9	8,1	1,9	9,0	-2,5	64	-2,0
	2007	2,4	2,7	1,9	3,5	-0,2	7,0	6,0	1,3	8,1	-2,2	63	-2,3
	2008	2,2	2,0	1,7	3,0	0,0	6,0	5,0	1,5	7,5	-1,8	62	-2,0
Italy	2006	1,9	1,5	-0,3	2,5	0,1	5,7	4,2	2,1	7,0	-4,4	107	-2,0
	2007	1,9	1,5	0,7	3,5	0,0	6,0	5,1	1,8	6,5	-2,6	105	-1,5
	2008	1,6	1,7	1,3	3,0	0,0	5,0	5,0	1,9	6,0	-2,0	103	-1,5
Spain	2006	3,9	3,7	4,4	6,0	-0,1	6,0	8,6	3,9	8,4	1,8	40	-8,5
	2007	3,7	3,5	4,5	6,0	-0,4	6,0	8,2	2,7	8,0	1,5	37	-9,0
	2008	3,5	3,5	4,5	5,0	0,0	5,0	8,0	2,5	7,8	1,5	35	-9,5
Holland	2006	2,9	-1,2	8,6	6,7	0,0	7,0	6,8	1,8	4,4	49,0	57	10,0
	2007	2,8	1,7	2,2	4,0	-0,1	6,0	6,0	1,5	4,0	48,0	60	9,0
	2008	2,6	2,5	2,0	4,0	-0,1	5,0	6,0	1,5	3,5	46,0	59	9,0
Finland	2006	5,5	3,6	0,5	6,7	-0,3	10,9	6,0	1,6	7,8	3,3	39	4,8
	2007	3,2	3,0	1,5	5,5	0,3	7,0	8,0	1,6	7,1	3,0	37	4,5
	2008	3,0	3,0	1,8	5,0	0,0	8,0	7,0	1,3	7,2	2,0	38	6,0

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	2006	3,3	3,2	2,1	3,4	0,2	8,9	5,8	3,2	4,6	-2,3	61	-6,4
	2007	2,4	3,4	2,1	-1,6	-0,2	5,9	2,9	2,5	4,4	-1,3	59	-6,3
	2008	3,0	3,0	2,1	3,2	0,1	8,2	5,6	2,4	4,2	-0,8	57	-5,9
Japan	2006	2,2	0,9	0,9	6,5	0,1	9,6	4,5	0,2	4,1	-5,5	170	3,9
	2007	2,3	1,2	1,0	7,0	-0,1	12,0	10,0	0,5	3,7	-5,5	169	2,8
	2008	1,9	1,0	1,0	6,0	-0,1	10,0	8,0	0,8	3,5	-5,5	169	2,8
UK	2006	2,8	2,0	2,4	6,5	0,4	11,6	11,8	2,3	3,0	-2,5	44	-2,6
	2007	2,8	3,1	2,6	4,1	0,0	2,5	4,1	2,8	3,0	-2,5	43	-3,3
	2008	2,7	2,7	2,3	4,2	-0,2	3,8	3,5	2,4	3,0	-2,5	43	-4,1
Switzer-land	2006	2,7	1,9	-0,5	3,8	0,1	10,1	9,8	1,1	3,3	-0,2	55	16,0
	2007	2,4	2,3	0,1	2,7	0,0	7,5	6,6	0,5	2,7	0,0	54	16,5
	2008	1,9	1,9	0,0	3,3	0,0	4,7	4,5	1,1	2,5	0,0	53	17,0

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	03-aug	5,25	5,11	5,49	137,0	-	543,3
	+3m	5,25	5,70	5,95	140	-	532
	+6m	5,25	6,00	6,15	138	-	540
	+12m	5,50	6,20	6,25	130	-	573
EUR	03-aug	4,00	4,65	4,74	-	137,0	744,2
	+3m	4,25	4,75	4,90	-	140	745,0
	+6m	4,50	4,90	5,15	-	138	745,0
	+12m	4,75	5,05	5,20	-	130	745,0
JPY	03-aug	0,50	1,13	1,98	163,1	119,1	4,56
	+3m	0,75	1,30	2,15	171	122	4,36
	+6m	0,75	1,40	2,25	173	125	4,31
	+12m	1,25	2,00	2,65	163	125	4,57
GBP	03-aug	5,75	6,20	5,78	67,3	203,6	1106,2
	+3m	5,75	6,25	6,00	67,5	207	1104
	+6m	6,00	6,20	6,10	67,5	204	1104
	+12m	6,00	6,10	5,90	67,5	193	1104
CHF	03-aug	2,50	3,23	3,53	165,1	120,5	450,8
	+3m	2,75	3,30	3,70	168	120	443
	+6m	3,00	3,40	3,80	166	120	449
	+12m	3,00	3,50	3,85	165	127	452
DKK	03-aug	4,25	4,80	4,88	744,2	543,3	-
	+3m	4,50	4,95	5,05	745,0	532	-
	+6m	4,75	5,10	5,25	745,0	540	-
	+12m	5,00	5,25	5,35	745,0	573	-
SEK	03-aug	3,50	4,60	4,89	921,3	672,6	80,8
	+3m	4,00	4,80	5,10	910	650	81,9
	+6m	4,25	4,90	5,30	910	659	81,9
	+12m	4,50	5,10	5,50	910	700	81,9
NOK	03-aug	4,50	5,77	5,68	793,7	579,4	93,8
	+3m	5,00	6,00	5,95	790	564	94,3
	+6m	5,25	6,10	6,00	780	565	95,5
	+12m	6,00	6,40	6,15	780	600	95,5
PLN	03-aug	4,50	5,50	5,62	378,4	276,3	196,7
	+3m	4,75	5,60	5,80	385	275	194
	+6m	5,00	5,90	6,20	385	279	194
	+12m	5,25	6,15	6,40	385	296	194

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

Key data and events (1)

Monday, August 6, 2007			Period	Danske Bank	Consensus	Previous
7:00	JPY	Leading Economic Index (preliminary)	Jun		80%	40.9%
10:00	NOK	Unemployment s.a. (LFS)	May		2.7	2.7
10:00	ITL	Industrial production	Jun	0.1% 1.1%	0.4% 1.4%	0.9% 0.9%
10:30	GBP	Manufacturing production	Jun		0.1% 0.9%	0.4% 1.0%
10:30	GBP	Industrial Production	Jun		0.1% 0.8%	0.6% 0.5%
12:00	DEM	Factory Orders	Jun	0.2% 1.2%	-0.6% 0.4%	3.2% 7.5%

Tuesday, August 7, 2007			Period	Danske Bank	Consensus	Previous
-	RUB	CPI	Jul	1.1%	1.0%	1.0%
1:01	GBP	NIESR GDP Estimate	Jul			0.7%
1:01	GBP	BRC July Retail Sales Monitor	Jul			
1:50	JPY	Official Reserve Assets	Jul			913.6
8:00	EEK	CPI	Jul	5.8%		5.8%
9:30	SEK	CPI	Jul		-0.2% 1.8%	0.2% 1.9%
9:30	SEK	Underlying inflation, UND1X	Jul		.. 1.1%	0.1% 1.0%
10:00	NOK	Industrial Production	Jun			-4.1% -3.9%
10:00	NOK	Manufacturing Production, nsa.	Jun	-0.5% 6.0%		1.1% 5.2%
10:00	LTL	PPI	Jul	4.0%		4.9%
12:00	DEM	Industrial production	Jun	0.2% 4.5%	0.5% 5.1%	1.9% 4.6%
14:30	USD	Unit labour cost P	2nd quarter	2.2%	1.8 %	1.8 %
20:00	USD	Consumer credit	Dec		6.0	12.3
20:15	USD	FOMC meeting	Aug	5.25%	5.25%	5.25%
23:00	USD	Consumer confidence	Aug			-8

Wednesday, August 8, 2007			Period	Danske Bank	Consensus	Previous
1:50	JPY	Machine orders	Jun		-1.0% -9.0%	5.9% -3.1%
1:50	JPY	Money supply M2+CD	Jul		1.9%	1.8%
1:50	JPY	Bank Lending	Jul			0.7%
7:45	CHF	Unemployment	Jul		2.7	2.7
8:00	DEM	Trade balance	Jun		17.5	17.5
10:00	LTL	CPI	Jul	4.2%		4.8%
11:30	GBP	Inflation report	2nd quarter			
12:00	LVL	CPI	Jul	8.6%	8.5%	8.8%
13:00	USD	MBA Mortgage Applications	Aug			-0.3%
16:00	USD	Fed's Stern (non-voter, hawk) speaks	Aug			

Thursday, August 9, 2007			Period	Danske Bank	Consensus	Previous
-	DKK	Current account	Jun	5.2		
10:00	NOK	Retail sales, s.a.	Jun	0.4% 6.5%		-0.2% 4.9%
10:00	EUR	ECB monthly report	Aug			
10:00	SEK	Nat. labour market board, Unemployment	Jul		3.9	3.6
10:30	GBP	Visible Trade balance	Jun		-6600	-6291
10:30	GBP	Trade balance non EU	Jun		-3650	-3481
10:30	GBP	Total Trade balance	Jun		-3900	-3511
12:00	LVL	GDP	2nd quarter	9.9%	10.0%	11.2%
14:30	USD	Initial jobless claims	Aug		310	307
20:00	USD	Fed's Stern (non-voter, hawk) speaks	Aug			

Friday, August 10, 2007			Period	Danske Bank	Consensus	Previous
-	RUB	Exports	Jun	29.2	28.8	30.3
-	RUB	Imports	Jun	20.4	19.2	17.6
1:50	JPY	Domestic CGPI	Jul		0.6% 2.1%	0.1% 2.3%
4:00	CNY	PPI	Jul			2.5 %
6:30	JPY	Industrial production (final)	Jun		1.2% 1.0%	1.2% 1.0%
8:45	FRF	Industrial production	Jun	0.3% 0.2%	0.2% 0.1%	0.4% -0.3%
9:15	ESP	CPI	Jul	-0.7% 2.4%	-0.7% 2.4%	0.2% 2.4%
9:30	DKK	CPI	Jul	-0.3% 1.3%		
9:30	DKK	Industrial production	Jun	2.1%		
10:00	NOK	Consumer prices	Jul		-0.2% 0.5	-0.1% 0.4
10:00	NOK	Core inflation(CPI-ATE)	Jul	-0.3% 1.4%	.. 1.5%	-0.1% 1.3%
10:00	NOK	Producer prices, incl. Oil	Jul			2.0% 0.3%
11:00	ITL	CPI F	Jul	-0.4% 1.9%	-0.4% 1.9%	-0.4% 1.9%
14:30	USD	Import prices	Jul		0.9% .	1.0% 2.3%
20:00	USD	Budget statement	Jul		-32.4	-33.2

Key data and events (2)

During the week			Period	Danske Bank	Consensus	Previous
Sun 05 - 08	LVL	Industrial production				
Thu 09 - 16	CNY	Actual FDI	y/y			12.2 %
Thu 09 - 16	CNY	Money supply M2	y/y			17.1 %
Fri 10 - 17	CNY	Wholesale Prices	y/y			5.4 %
Fri 10 - 15	CNY	Trade balance	USD bn			26.9
Fri 10 - 15	CNY	Exports	y/y			27.1 %
Fri 10 - 15	CNY	Imports	y/y			14.2 %

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

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 Association.

*Financial models and/or methodology used in this report
Calculations and presentations in this report are based on standard econometric tools and methodology as well as publicly available statistics for each individual country. Documentation can be obtained from the above named authors upon request.*

*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.*

*Disclaimer
This publication has been prepared by Danske Bank for information purposes only. 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. Danske Bank's research analysts are not permitted to invest in securities under coverage in their research sector.*

This publication is not intended for private customers in the UK or any person in the US. Danske Bank A/S is regulated by the FSA for the conduct of designated investment business in the UK and is a member of the London Stock Exchange.

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