

# Weekly Focus

7-14 March 2008

## Soaring commodity prices bring shift in global demand

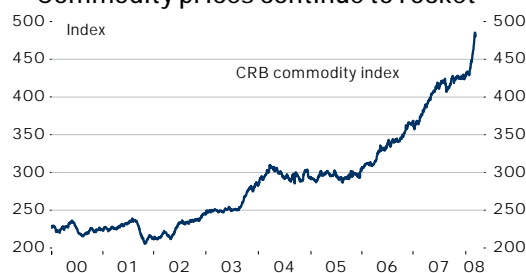
In Europe and the US we are currently very preoccupied with the stagflationary tendencies resulting from the continued upward spiral in commodity and energy prices.

However, there is another effect of soaring commodity prices that must not be underestimated when considering the consequences for the global economy. For countries that export commodities and energy, rising commodity and energy prices are synonymous with rising real income. What we see in the global economy is not just higher inflation, but also a marked redistribution of purchasing power as expressed by movements in the terms of trade.

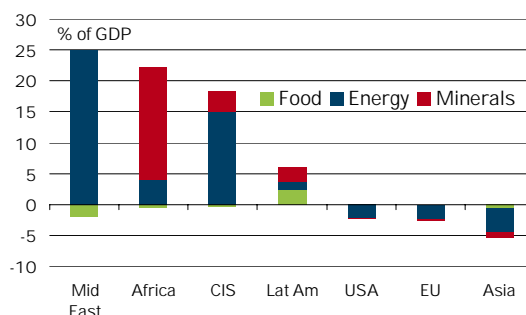
The Middle East, Africa, CIS countries and Latin America have seen massive improvements in their terms of trade at the expense of the EU, the US and Asia. To some extent this is also reflected in global demand. Take Japanese exports, for example. The EU and the US together are no longer contributing to Japanese export growth (see chart). While Asia is still making a healthy contribution, the big change is that the rest of the world is carrying more and more of the load. This group consists mainly of countries which have seen improvements in their terms of trade. In January these countries accounted for almost half of Japanese export growth.

The risk to these countries is, of course, that the global growth picture will deteriorate to the extent that questions will be asked about the high level of commodity prices, but we do not expect this to be a serious threat in the coming months. Read more about our views on commodities in our new report [Commodity Monthly](#), the first edition of which was published during the week.

## Commodity prices continue to rocket

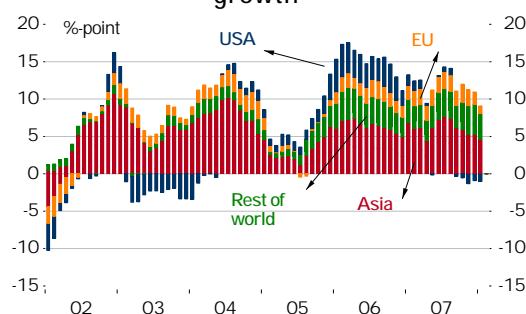


## Indicator of movements in terms of trade



Note: Indicator calculated as net exports of the product group in question relative to GDP.

## Regional contributions to Japanese export growth



Editor in Chief: Chief Economist Steen Bocian, + 45 45 12 85 31, [stbo@danskebank.dk](mailto:stbo@danskebank.dk)

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

# Denmark

Frank Øland Hansen, Senior Economist, +45 45 12 85 26, franh@danskebank.dk

## Budget 2008 passed: tighter rein on local councils

This year's budget has just been passed with help from the Danish People's Party and the New Alliance. The budget is mildly expansionary, having a fiscal impact of 0.2% of GDP. Given the current economic situation - characterised by a shortage of labour - one could be of the opinion that a tighter budget might have been more appropriate. On the other hand, there are a number of signs that the Danish economy is already losing some steam. The shortage of labour is easing, consumer confidence is in the red and export growth has slowed. Hence a tightening of fiscal policy now could well be too late.

Perhaps the most interesting element of the budget is that local councils will now be punished for budget overruns. This measure was prompted by the repeated failure of local authorities to demonstrate sufficient budgetary discipline. Budget overruns will now be balanced by a revision of the "block subsidy" in the following year. Tax hikes at the municipal level have also come under central government scrutiny. Going forward, councils that hike taxes beyond what has been agreed will have much of the hike deducted from the block subsidy. Municipal councils hiked taxes by an overall DKK 2.25bn in 2008, and of this DKK 2bn is from hikes that were in excess of what was agreed.

The budget also includes a seven-point job plan aimed at increasing the supply of labour and employment. It is estimated that the job plan could increase employment by 1,000 persons this year and by 7,000 persons overall in 2012. By way of comparison, the number of people retiring every year will soon be 10,000-15,000 greater than the number of people entering the labour market. In other words, the job plan alone falls far short of countering this demographic drain. The most noteworthy measure in the job plan is a tax cut for those aged 64 who remain in work.

### Public sector employment and consumption



### Key events of the week ahead

- Inflation for February will be released on Monday. We expect a small fall to 2.7%.
- Foreign trade and the current account for January are also due on Monday. We expect a deterioration in the current account to DKK -2.0bn.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 10	9:30	DKK Current account	Jan		0.3	-1.4
Mon 10	9:30	DKK Trade Balance	Jan		2.1	2.0
Mon 10	9:30	DKK CPI	Feb	0.8% 2.7%	1.0% 2.9%	0.3% 2.9%
Mon 10	9:30	DKK HICP	Feb	0.8% 2.8%	0.8% 3.0%	0.3% 3.0%

# Sweden

Michael Grahn, Senior Economist, +46 (0)8 568 805 88, michael.grahn@danskebank.se

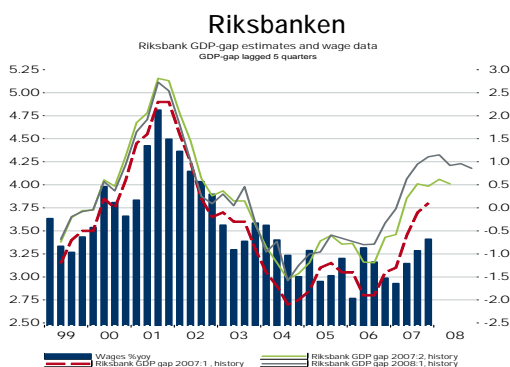
## Will Riksbank reconsider its view on resource utilisation?

The latest wage statistics from the Swedish Mediation Institute (MI) showed that economy-wide wage increases accelerated compared to the previous months to 3.6% y/y in December and that wages rose 3.2% on average in 2007. In the last MPR Riksbank assumed wage increases of 3.6% and 4.2% for 2007 and 2008 respectively. Hence, the 2007 outcome (preliminary) was clearly lower than projected. At the same time, wage gains have to increase to 4.8% y/y by the end of 2008 for the forecast to come true. This appears rather uncertain in our view.

In the June 2007 MPR Riksbank suggested that the higher-than-expected outcome in the wage round was an indication that resource utilisation in the labour market was higher than normal and higher than thought in the February report. Riksbank also came to the conclusion that resource utilisation in the economy as a whole was higher and it revised up not only its estimate of the GDP-gap momentarily, but also last year's development by some 0.5 percentage points. In the latest MPR in February 2008, the GDP-gap was raised by another 0.5 percentage points compared to the June 2007 report.

However, since wage data during the fall did not show wage increases to the extent expected, there is reason to raise the question whether this may be an indication that resource utilisation is not as high as thought after all. A glimpse at the chart below shows that there is a strong relationship between resource utilisation and wage increases with a lag of about 4-5 quarters. It is striking that last year's wage developments have been clearly lower than what the historical relationship suggests, ie, if Riksbank's latest assessment of resource utilisation is correct, wage increases ought to be about 1 percentage point higher than what MI's figures suggest.

One can, however, turn the argument around. Since resource utilisation is not a directly observable variable, but has to be estimated (there are several ways to do it) there is reason to believe that the weaker-than-expected wage development could imply that it is the estimated level of resource utilisation that is wrong. Even if we are aware that wage statistics will be revised up in the coming months, it seems unlikely that it will be done to an extent that is compatible with Riksbank's latest estimate of resource utilisation. The February 2007 estimate is the one that adheres most closely to wage developments so far. Hence, there is reason to believe that Riksbank may have to reconsider its stance on the output gap.



### Key events of the week ahead

- January industrial production and orders to soften
- Food and energy to push up February inflation slightly
- February labour data may show slowing employment growth

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 10	9:30	SEK Industrial production	m/mly/y	Jan		0.1% 1.2%
Mon 10	9:30	SEK Industrial orders	m/mly/y	Jan		7.4% 1.3%
Tue 11	9:30	SEK CPI	m/mly/y	Feb	0.6% 3.2%	-0.8% 3.2%
Tue 11	9:30	SEK Underlying inflation, UND1X	m/mly/y	Jan	0.5% 2.2%	-0.8% 2.1%
Tue 11	9:30	SEK Activity index	Index	Jan		123.3
Thu 13	9:30	SEK Statistics Sweden, Unemployment	%	Feb	5.9	6.4

# Norway

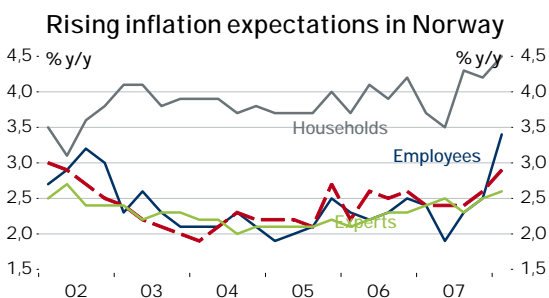
Arne Lohmann Rasmussen, Senior Analyst, +45 33 42 85 32, arne.lohmann@danskebank.dk

## Big week ahead

The stage is set for quite an exciting week in the Norwegian market, with both inflation figures and an interest rate meeting. Starting with inflation, we expect core inflation to be unchanged at 1.9% in February and headline inflation to fall from 3.7% to 3.4% due to lower electricity prices. However, the first sets of inflation figures each year are always associated with considerable uncertainty due to so many prices changing during the period. The figures are also relatively sensitive to changes in the level of cut-price sales of items like clothing and footwear from month to month. There will be a particular focus on the inflation figures this time around, as Norges Bank made it clear at its last rate-setting meeting that inflation in January and February would be particularly important. Inflation surprised on the downside in January, but we expect prices to climb again in February. For one thing, the global surge in food prices has yet to impact on Norwegian food prices to the same extent as elsewhere. Nevertheless, a significant base effect (prices climbed sharply a year ago) means that core inflation will not rise year-on-year. We do feel, though, that the risk is on the upside due to food prices.

The other big event is the interest rate meeting at Norges Bank on Thursday. In line with consensus we expect an unchanged policy rate. The focus will therefore be on the new monetary policy report. We expect the bank to retain the interest rate path from its last meeting, which indicated a 50/50 chance of a fresh hike in Q2. We reckon that the report will generally be rather hawkish. We are also fairly convinced that the inflation path will be adjusted upwards. In our view, Norges Bank is currently underestimating inflationary pressures in 2008 and 2009. We also reckon that Norges Bank will be upwardly revising the pressures on the economy in terms of wages, the output gap, employment, unemployment and growth. Why, then, does the bank not just say that interest rates will have to rise when there appear to be so many arguments in favour of this? The answer must be sought in the uncertain global and financial situation. To this we must add the fact that Norway has been particularly hard hit in the money markets. NIBOR fixings are currently very high. This means, in principle, that the market is doing the job of tightening credit conditions and raising interest rates on Norges Bank's behalf.

So Norges Bank is expected to leave it very open as to whether the policy rate will rise further. However, we reckon that the "strategy interval" will be raised by 25bp to between 5% and 6%, which - in isolation - points to one further rate hike. But Norges Bank will presumably stress that there is particularly great uncertainty this time around. All in all, though, the markets are expected to conclude that they can more or less forget about rate cuts in Norway this year, and that there is a far greater risk of one last hike after the current pay round. We therefore still predict one more hike at one of the bank's next few meetings - but not at the one this week.



### Key events of the week ahead

- Core inflation is expected to be unchanged at 1.9% in February, but with the risk on the upside.
- Headline inflation is expected to fall to 3.4% due to lower electricity prices.
- Norges Bank is expected to leave the policy rate unchanged but continue to signal that there is a risk of another hike during the spring - but also that there is considerable uncertainty.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 10	10:00	NOK Producer prices, incl oil	m/mly/y			2.5% 20.4%
Mon 10	10:00	NOK Consumer prices	m/mly/y	0.2% 3.4%	0.5% 3.7%	-0.4% 3.7%
Mon 10	10:00	NOK Core inflation(CPI-ATE)	m/mly/y	0.6% 1.9%	0.6% 1.9%	-0.7% 1.9%
Thu 13	14:00	NOK Norges Banks monetary policy meeting	%	5.25	5.25	5.25
Fri 14	10:00	NOK Trade balance	NOK bn			36.4

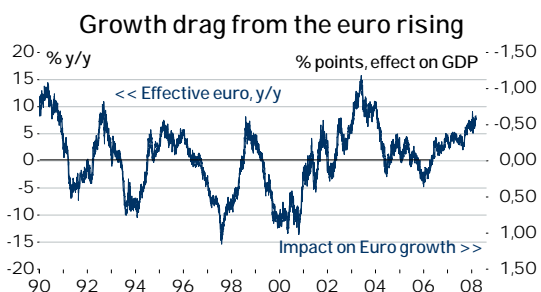
# Euroland

Allan von Mehren, Chief Analyst, +45 4512 80 55, alvo@danskebank.dk

## ECB concerns rising – both on inflation and growth

As expected ECB kept rates unchanged at 4% on Thursday. ECB continues to stress the upside risks to price stability but at the same time points to downside risks to growth. The staff projections also reflected this as the inflation projection was revised markedly higher to 2.9% in 2008 and interestingly to 2.1% for 2009 – so above the inflation objective even next year. This is based on assumptions that forward rates follow market expectations in mid-February when markets were pricing 100bp of cuts over the next year. Euroland growth was revised lower to 1.7% in 2007 and 1.8% in 2008 and risks are still stressed to be on the downside. So concerns are going up regarding both inflation and growth. Trichet increasingly refers to the euro and the strong dollar policy of US indicating some anxiety over the strengthening of the euro. This is revealing its increasing growth concerns as ECB should actually welcome a stronger euro from a pure inflation point of view. ECB wants to keep flexibility due to the very high uncertainty and does not want to send clear signals in any direction. In the Q&A Trichet stressed that it will not underwrite market expectations but added that it never does. We think ECB still overestimates the growth outlook and will cut rates eventually. Our base case is that the first cut will come in June, but it will depend on how fast growth slows down and the risk is skewed to a later cut.

As mentioned the euro is getting more attention as it continues to strengthen. This seems to go hand in hand with a rise in the oil price. From an inflation point of view it is positive that the euro strengthens when oil goes higher because it dampens the oil price rise measured in euro. But from a growth point of view it means one will get hit by both factors – as exports are hurt by the stronger euro and private consumption is slowed by the negative impact on real income from inflation.



### Events this week

- German exports out Monday. We may start to see the negative impact of a stronger euro and weaker external growth
- ZEW sentiment index released Tuesday. Is already very low and should be fairly unchanged
- Euro inflation for February out Thursday. Should be 3.2% as flash estimate showed. Focus on core inflation and any signs of second-round effects here

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 10	8:00	DEM Trade balance	EUR bn	Jan	15.0	10.8
Mon 10	8:45	FRF Industrial production	m/mly/y	Jan	-0.1% 2.1%	0.7% 1.2%
Tue 11	11:00	EUR ZEW economic sentiment		Mar	-40.0	-39.5
Wed 12	8:45	FRF CPI	m/mly/y	Feb	0.4% 3.0%	-0.1% 2.8%
Wed 12	8:45	FRF CPI - EU harmonised	m/mly/y	Feb	0.4% 3.3%	0.0% 3.2%
Wed 12	11:00	EUR Industrial production	m/mly/y	Jan	0.4% 2.6%	-0.2% 1.3%
Thu 13	9:00	ESP CPI core	m/mly/y	Feb		-0.1% 3.1%
Thu 13	9:00	ESP CPI - EU harmonised	m/mly/y	Feb		-0.6% 4.4%
Thu 13	10:00	EUR ECB monthly report		Mar		
Fri 14	8:00	DEM Consumer prices, final	m/mly/y	Feb	0.5% 2.8%	0.5% 2.8%
Fri 14	8:00	DEM HICP	m/mly/y	Feb	0.5% 2.9%	0.5% 2.9%
Fri 14	8:30	FRF Bank of France business sentiment	Index	Feb		107
Fri 14	11:00	EUR CPI	m/mly/y	Feb	0.3% 3.2%	-0.4% 3.2%
Fri 14	11:00	EUR CPI core	y/y	Feb	1.7%	1.7%

# US

Peter Passing Andersen, Analyst, +45 4513 7019 , pa@danskebank.dk  
 Allan von Mehren, Chief Analyst, +45 4512 80 55 , alvo@danskebank.dk

## Consumers under siege

The economic slowdown in the US is no longer merely a housing story. In recent months US consumers have been under considerable pressure and recent data suggest that consumer spending almost stalled around New Year (see [Research US - Consumers under siege](#)). Next week we will get more information on the state of the consumer as retail sales for February will be released and we expect to see a continued subdued picture as the pressures on consumers continue.

Importantly, the slowdown in consumption spending is not only driven by declining house prices. A whole range of negative factors, including high energy and food prices, a softer labour market, declining equity prices and tighter credit conditions have caught up with consumers. Consequently, the underlying pace of consumption has probably slowed to the 1-2% range. Generally, the uncertainty is currently very high and consumers might only be one major shock away from entering a period of protracted retrenchment. However, the most likely scenario is that consumption growth will trough in Q2 and rebound in Q3 as the fiscal stimulus package kicks in and the pressure from energy prices eases off a bit. Despite the tax boost the effect from credit tightening, slowing house prices and a softer labour market is unlikely to dissipate fast. With underlying fundamentals for spending likely to remain soft, there will be a renewed period of widespread weakness in consumer spending around New Year 2008/2009 when the tax rebates lapse.

Overall the outlook is for a bumpy pattern in consumer spending during the next 4-6 quarters. While we do not expect consumer spending to slide into a period of sustained contraction, the situation is set to remain unusually fragile for a prolonged period. US households are not likely to enter shallow waters before mid-2009. Further, the risks remain asymmetric to the downside as a more protracted slowing in the labour market, a sharp decline in asset prices or a sharper credit slowdown could generate a deeper and more sustained slowdown in consumer spending.



### Events this week

- Thursday: Retail sales ex autos are expected to rise 0.2%.
- Friday: CPI is expected to rise 0.3% m/m on the headline and core CPI is expected to rise 0.2% m/m. Headline inflation will stay above 4%.
- Friday: Consumer confidence from University of Michigan probably stays at the current low level.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Tue 11	13:30	USD Trade balance	USD bn Jan		-59.5	-58.8
Wed 12	12:00	USD MBA mortgage applications	%			3.0
Wed 12	19:00	USD Monthly budget statement	USD bn Feb		136.7	120.0
Thu 13	13:00	USD Initial jobless claims	1000			351
Thu 13	13:30	USD Import prices	m/m/y/y Feb		0.8%	1.7% 13.7%
Thu 13	13:30	USD Advance retail sales	m/m Feb		0.3%	0.3%
Thu 13	13:30	USD Retail sales less autos	m/m Feb		0.2%	0.3%
Fri 14	13:30	USD CPI	m/m/y/y Feb		0.3% 4.2%	0.4% 4.3%
Fri 14	13:30	USD CPI ex. food & energy	m/m/y/y Feb		0.2% 2.4%	0.3% 2.5%
Fri 14	15:00	USD University of Michigan Confidence, preliminary	Index Mar		70.9	70.8

# Asia

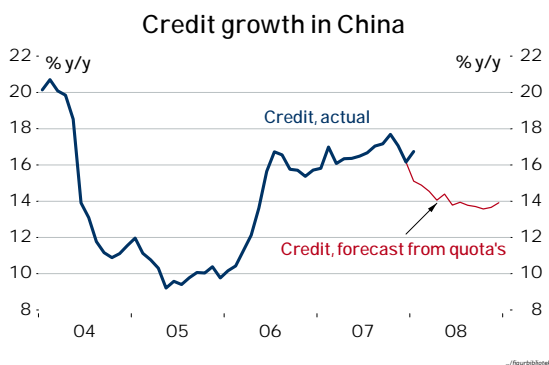
Flemming J. Nielsen, Senior Analyst, +45 4512 8535, flemm@danskebank.dk

## Muto nominated for governorship of Bank of Japan

As expected, the Bank of Japan (BoJ) left its key rate unchanged at the monetary policy meeting on Friday, and it did not put out any significant new signals. If everything goes to plan, it was also the last monetary policy meeting to be chaired by current governor, Toshihiko Fukui, who will formally step down on 19 March. The Japanese government has now finally nominated current deputy governor, Toshiro Muto, as his successor. However, this has been done without reaching agreement with the opposition on his candidacy, and so we cannot rule out the possibility of his appointment being blocked and the Japanese government ending up in the extraordinary situation of having to temporarily reinstate Fukui.

Japan's Q4 GDP growth is set to be adjusted sharply downwards in the first revised estimate due out in the coming week. In concrete terms, we expect Q4 growth to be cut to 0.5% q/q from 0.9% q/q in the preliminary estimate. This sharp downward revision is because the finance ministry published very weak figures for business investment in Q4 during the week. According to these figures, business investment in machinery and equipment fell by 7.3% y/y. We have already expressed some scepticism about the very high GDP growth in the original estimate, as it is difficult to reconcile this with the clear slowdown in the Japanese labour market at the end of 2007. However, the downward revision in itself will not mean anything for monetary policy in Japan. Growth was slightly above potential growth in Q4 and will probably fall to slightly below potential growth in Q1, which means that the BoJ will stay on hold for now.

In China, the National People's Congress is in full swing. Prime minister, Wen Jiabao, signalled in his address that fighting inflation has top priority, and that the ambitious plans to control credit growth stand. The government has announced quarterly credit quotas in a bid to bring credit growth down significantly during the course of 2008 (see chart). There had otherwise been speculation that the Chinese government would ease back slightly on its ambitions in the light of the uncertainty about the global economy and the chaos in the wake of the recent snowstorms. If the Chinese government does stick to its tough targets for credit, this could hit investment hard in the coming months.



### Key events of the week ahead

- Revised Japanese GDP figures for Q4 are due on Thursday. We expect a sharp downward revision (see above).
- It will be interesting to see what happens in terms of the Japanese government's nomination of Toshiro Muto for the BoJ governorship.
- In China, the National People's Congress is ongoing, and a new government is expected to be appointed during the week.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 10 - 13	-	CNY Total Export	y/y	Feb	19.2%	26.7%
Mon 10 - 13	-	CNY Total Import	y/y	Feb	27.4%	27.6%
Mon 10 - 13	-	CNY Trade balance	USD bn	Feb	22.50	19.49
Mon 10	0:50	JPY Machine orders	m/m/y/y	Jan	2.7% -4.5%	-3.2% -3.3%
Mon 10	0:50	JPY Money supply M2+CD	y/y	Feb	2.1%	2.1%
Mon 10	0:50	JPY Broad liquidity	y/y	Feb	3.5%	3.6%
Mon 10	0:50	JPY Bank Lending incl trusts	y/y	Feb	0.4%	0.4%
Mon 10	3:00	CNY PPI	y/y	Feb	6.9%	6.1%
Tue 11	3:00	CNY CPI	y/y	Feb	7.9%	7.1%
Tue 11	7:00	JPY Machine tool orders final	y/y	Feb		-0.7%
Wed 12	0:50	JPY BoJ Board Minutes				
Wed 12	0:50	JPY GDP, final	%	4th quarter	0.5	0.9
Wed 12	0:50	JPY GDP Deflator	y/y	4th quarter	-1.3%	-1.3%
Wed 12	0:50	JPY Domestic CGPI	m/m/y/y	Feb	0.3% 3.3%	0.2% 3.0%
Wed 12	0:50	JPY Current Account Total	JPY bn	Jan	1249.5	1697.2
Wed 12	0:50	JPY Trade balance - BOP basis	JPY bn	Jan	73.1	1013.4
Wed 12	3:00	CNY Retail sales value	y/y	Feb	20.7%	20.2%
Wed 12	6:00	JPY Consumer confidence	Index	Feb		37.9
Thu 13 - 17	-	CNY Money supply M2	%	Feb	17.8	18.9
Thu 13 - 17	-	CNY Money Supply M1	%	Feb		20.7
Thu 13 - 21	-	CNY Wholesale prices	%	Feb		8.4
Thu 13	3:00	CNY Industrial production	y/y	Feb	16.5%	17.4%
Thu 13	5:30	JPY Industrial production	m/m/y/y	Jan		-2.0% 2.5%
Thu 13	5:30	JPY Capacity utilization	m/m	Jan		1.7%
Sat 15 - 21	-	JPY Tokyo Dept. store sales	y/y	Feb		-1.6%
Sun 16 - 21	-	JPY Nationwide dept. store sales	y/y	Feb		-2.1%

# Fixed Income

Jesper Fischer-Nielsen, Senior Analyst, +45 45 12 85 18, jfis@danskebank.dk

## Another week at the mercy of equity markets

The yield curve in the US has continued to steepen in recent weeks, while it has flattened in Euroland. US 10-year rates look like they are having difficulty falling further: they are very low compared to historical levels, inflation and short rates. In contrast, 2-year US rates have continued to fall as more and more has been priced in from the Fed. Should one wish to position for lower rates in the US, it should be far into the curve or, even better, as steeper positions.

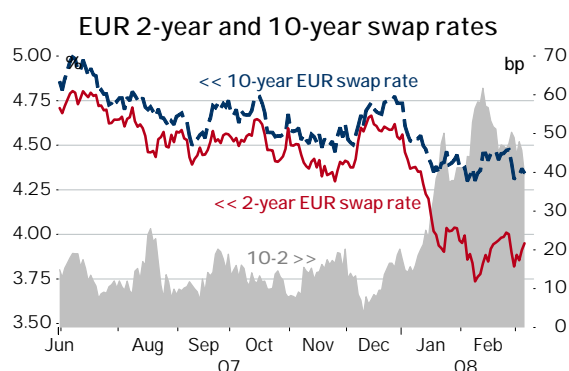
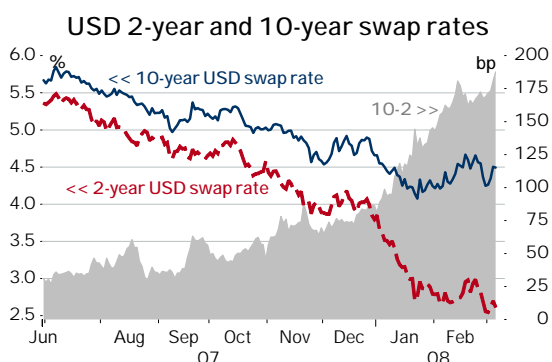
The picture in Euroland is rather different. ECB inflation worries and caution is making it difficult for 2-year rates to fall much further. This would probably require greater market belief in a rate cut being imminent. When this happens, the path will be laid for a renewed steepening of the yield curve in Euroland.

Inflation and retail sales will be the key data in the US in the week ahead. Inflation is high at the moment, and this is eroding consumer spending power. However, this does not necessarily spell weak retail sales, as this is released in current prices. The expectation is for a small rise in retail sales (excl. cars) of 0.2%. Focus will also be directed to the weekly unemployment figures – at what pace will the labour market continue to deteriorate?

In Euroland, the most interesting data will be the ZEW confidence indicator and inflation. In addition, some time will probably also be spent mulling over the ECB decision in the past week (see Euroland section). The flash estimate for inflation showed an unchanged rate of 3.2%, which is also expected to be the final figure. Core inflation is expected to remain modest at 1.7%, but we all know which figure the ECB prefers to focus on. The data in the coming week will likely not have much impact on the financial markets. Developments in Euroland rates and yields will follow developments in the US, which will again probably follow the lead of the equity markets and risk aversion. Hence, another week of dancing to the equity market's tune lies ahead.

Note that the US labour market report will be released after the deadline for this publication on Friday. Traditionally, this report is one of the most important events for the fixed income market, and you can read more about the outcome and the market's reaction to the report in our daily publication, Danske Daily, on Monday, and in a *Flash Comment* late Friday. Both are available on our website:

<http://www.danskebank.com/research>



# Foreign exchange

Teis Knuthsen, Chief Analyst, +45 45128495, tekn@danskebank.dk,

## Is the decline in USD disorderly?

The newsflow makes for scary reading these days. The crisis in the financial markets appears to be escalating again, and the past week has witnessed falling equity prices, ditto bond yields, rising credit spreads and a general increase in risk premiums. Several markets are now in their worst position for the past year despite the not insignificant efforts of the central banks. The economic front looks none too rosy either. In the US, the benchmark ISM industry index fell below 50, and housing foreclosures rose to their highest level ever (data since 1985).

The fallout on the FX market is mostly as could have been predicted. EUR/USD has risen sharply during the week, hitting new highs above 1.54. Only two currencies have performed better than EUR, and they are CHF and NOK. The list of currencies that have performed worse is long, and topped by ZAR, TRY, KRW and ISK. Our three-month target for EUR/USD of 1.55 risks coming into play faster than we expected (see [FX forecast update](#)). Indeed the speed with which the dollar is falling at the moment suggests a certain degree of panic. Back in November we outlined the circumstances under which the decline in the dollar could become disorderly (see [Will the decline in USD become disorderly?](#)). At the time, we concluded that the outlook for the US economy, a deterioration of the financial crisis and a declining tendency to use USD as a reserve currency added up to further falls in USD. All three arguments still appear valid, which is why we still do not believe that EUR/USD has peaked. It also seems premature to believe in intervention from the G3 central banks. At the ECB, monetary policy is still directed to fighting inflationary pressures, while in the US it is attempting to stimulate the economy. So long as this situation continues, the central banks cannot sell EUR/USD. Japan, too, would find it difficult to intervene as long as JPY is generally undervalued. As before, our view is that both an economic slowdown and a financial crisis will benefit currencies such as EUR, JPY and CHF, whereas we expect that carry strategies will continue to underperform.

There will be a monetary policy meeting in **Switzerland** on Thursday, when we expect that the SNB will keep rates unchanged at 2.75%. In many ways the SNB finds itself in the same dilemma as the ECB, as economic growth is on the wane, while inflation is running above the official target. Compared to Euroland, however, the slowdown in growth is less pronounced, while underlying inflation is lower. For now we expect just one rate cut from the SNB this year, compared to three from the ECB. Combined with continuing financial turmoil, we expect CHF to strengthen further in the coming year to 1.54 against EUR.

**Norway's** central bank will also be meeting on Thursday. We expect unchanged rates, but the rhetoric will be skewed towards an interest rate hike in May given rising inflation and solid domestic growth. The former will presumably be confirmed on Monday, with the release of consumer and producer prices for February. The fall in EUR/NOK in the past week is impressive given that risk aversion has increased generally, and we expect to see further NOK strength going forward.

# Commodities

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

## Long-term oil prices up on disappointing supply and costs

As expected, OPEC elected to keep oil production unchanged at its meeting on 5 March. OPEC had been under considerable pressure, not least from the US, to open the taps further in order to slow rocketing oil prices. OPEC's view, however, is that the blame for high oil prices should be laid squarely at the feet of speculators and geopolitical tensions, rather than OPEC production quotas. OPEC has argued that many, including the respected Energy Information Agency (EIA), have overestimated growth in the demand for oil given the uncertain global economic situation.

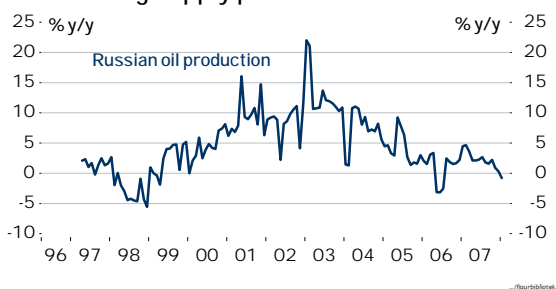
In reality, the story in the market is that speculative interests have bought up oil as a result of increasing inflation fears and dollar weakness, while fundamental supply and demand factors have not warranted an oil price of more than \$100 a barrel. Supporting this notion has been US oil inventories, which have been rising over the past two months, though the past week saw this picture reverse, with stocks falling for the first time in eight weeks.

Similarly, both the EIA and the International Energy Agency (IEA) expect that supply from non-OPEC countries will increase considerably in 2008. Both organisations expect supply to be boosted by 0.9 million barrels a day this year compared to last, and 1.5 mb/d in 2009. However, there is much to suggest that 2008 will again be a year of disappointing oil production growth outside of OPEC. Non-OPEC production rose just a modest 0.2 mb/d and 0.5 mb/d in 2006 and 2007, respectively. Compare this to IEA projections of 1.3mb/d (2006) and 1.1mb/d (2007).

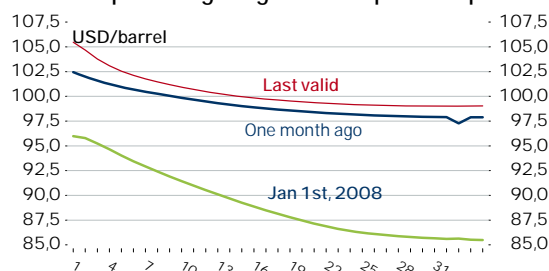
One region that has increased production in recent years has been the former Soviet Union (FSU), where production peaked in 2007. However, this picture masks great national differences, and in recent months the largest producer, Russia, has hugely disappointed. Russian oil production stagnated in H2 07, and production is now actually below the level of a year ago (see graph below-left). One of the reasons for the fall in Russian oil production has been the major problems at the Sakhalin-1 project, where production is expected to be as much as 30% lower this year than in 2007. Furthermore, there is no guarantee that things will not get worse in Russia. Difficult-to-access oil, political uncertainty about ownership and taxation issues are all risk factors. Meanwhile, oil consumption continues to increase rapidly in Russia, meaning oil supplies to the rest of the world are becoming further eroded.

Increasing focus on the lack of supply growth and rising costs are among the reasons that not only spot prices, but also long-term oil prices, have risen sharply this year. In fact, according to the graph below-right, they have risen by more than spot prices, meaning the curve is heading into contango.

Continuing supply problems outside OPEC...



... pressing long-term oil prices up



# Equities

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

## Stagflation – a driver of bear markets

**Stocks reflect the three-in-one crisis.** Global stock markets are still concerned about the shape and depth of the current slowdown in the global economy. They have continued to be bombarded by weak US housing data, which in combination with the credit and financial liquidity problems, create the current three-in-one crisis (see Weekly Focus article from last week) that continues to fuel stock market uncertainty and heightened ex-ante ERPs.

**On the path for stagflation?** In our view, stagflation is one of the ‘sleeping’ market themes, and could easily become active while the central banks are occupied with their current crisis management efforts. We anticipate that global central banks in general will choose growth and financial sector health as policy target areas over inflation; a ‘worst case’ scenario would therefore be one in which policy makers are unable to turn the OECD economy around while inflation is elevated. How bad is this ‘worst case’ scenario for Wall Street? We have examined the stock market’s stagflation performance by looking at historical market and sector performance in the four different stock market environments defined by inflation and real economic growth.

**Testing for stagflation.** We started out by defining a growth proxy and have found that the US OECD LEI has a good lead on US real growth. We then set an inflexion point, above which growth is high and below which it is low. This point is 1.5% y/y (our calculations are based on semi-annual growth rates). With respect to inflation, we use US headline consumer inflation, setting an inflexion point here of 4% y/y (also using 6M/6M percentage changes). These inflexion points enable us to calculate monthly price performance in various scenarios – for example in the ‘stagflation’ case, where growth is low (<1.5% y/y) and headline inflation is high (>4% y/y). We make our calculations for both the S&P500 index and GICS sectors.

**Stagflation: a driver of bear markets.** Since 1955, the S&P500 has performed best in a high-growth, low-inflation environment, with a monthly average return of 1.06%. The stagflation environment is, not surprisingly, the worst environment for US equities, with an average monthly return of -0.21%. Looking at sector resistance under stagflation conditions, historically, Health Care and Consumer Staples have been good sectors in which to hide, with average monthly returns of 2.7% and 2.2%, respectively. Clearly a sector to avoid under such conditions has historically been Consumer Discretionary.

We do not anticipate a prolonged period of stagflation for the US economy, as was seen in 1970, the mid-1970s and around 1980. Globalisation means fewer natural bottlenecks, fewer areas with oligopolistic pricing power and a higher degree of pricing transparency – all factors that keep global inflationary pressures in check. Nevertheless, we see a significant risk that the current three-in-one crisis will be followed by a period of low growth and higher inflation, which may become the new challenge for the stock market when the current financial/housing-led crisis has passed.

### Monthly average returns on S&P500 and sectors under different scenarios

	High Growth - High Inflation	High Growth - Low Inflation	Low Growth - High Inflation	Low Growth - Low Inflation
S&P500 - Health Care	-0.27%	0.93%	2.67%	0.83%
S&P500 - Consumer Staples	-1.28%	0.80%	2.18%	0.78%
S&P500 - IT	1.38%	1.39%	1.37%	0.54%
S&P500 - Utilities	-0.20%	0.66%	0.65%	0.99%
S&P500 - Industrials	0.31%	1.18%	0.37%	0.97%
S&P500 - Energy	1.99%	1.25%	0.23%	0.72%
S&P500 - Financials	-0.66%	1.36%	-0.17%	1.23%
S&P500 - Total	0.79%	1.06%	-0.21%	0.56%
S&P500 - Consumer Discretionary	-0.92%	0.88%	-0.49%	0.84%
S&P500 - Materials	1.28%	0.82%	-0.62%	0.71%
S&P500 - Telecom	-0.65%	0.58%	-0.86%	0.66%

Source: Danske Markets Equities, Reuters Ecowin

Note: High-High measures average monthly performance since 1955 when growth proxy > 1.5% y/y and US headline inflation >4% y/y. High-Low measures average monthly performance since 1955 when growth proxy >1.5% y/y and US headline inflation < 4% y/y. For the Low-High and Low-Low the procedure is the same.

# Macroeconomic forecast

## Macro forecast, Scandinavia

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Denmark	2007	1,8	2,7	1,3	6,7	-0,2	3,7	6,1	1,7	2,8	4,3	25	1,0
	2008	1,5	1,8	1,6	1,3	0,1	3,3	3,5	2,7	1,9	3,5	20	0,8
	2009	1,4	1,4	1,5	2,0	0,0	3,4	3,7	2,2	2,3	2,6	17	0,7
Sweden	2007	3,0	3,1	0,5	8,0	0,8	5,7	8,9	2,2	6,2	2,3	43,8	6,5
	2008	1,9	2,0	0,9	-0,9	-1,2	3,7	-0,4	2,6	7,1	2,3	41,1	7,7
	2009	2,4	1,7	1,4	-2,9	-0,4	5,1	1,3	1,1	7,9	1,7	39,4	9,0
Norway	2007	3,7	6,2	3,2	6,9	-0,4	2,7	6,2	1,0	2,7	12,0	26	17,5
	2008	3,9	4,3	3,1	5,7	0,8	1,6	4,3	2,4	2,6	13,9	24	20,2
	2009	3,2	4,2	3,0	3,6	0,8	1,0	5,3	2,5	2,5	15,0	20	18,1

## Macro forecast, Euroland

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Euroland	2007	2,6	1,5	2,0	4,7	-0,1	6,5	5,7	2,1	7,4	-0,8	67	-0,8
	2008	1,6	1,4	2,0	2,5	-0,1	4,0	4,0	2,5	7,0	-0,8	65	-0,3
	2009	1,8	1,7	1,9	2,0	0,1	5,5	5,0	2,0	6,8	-0,8	64	-0,5
Germany	2007	2,7	-0,1	1,8	5,5	-0,1	9,0	6,0	2,2	9,1	-0,5	65	5,8
	2008	1,8	0,8	1,5	2,5	0,0	6,0	4,0	1,6	8,3	0,2	64	5,8
	2009	1,7	1,3	1,5	2,0	0,0	6,5	4,0	1,5	8,0	0,4	64	6,0
France	2007	1,9	2,0	1,9	4,0	-0,2	4,0	7,1	1,3	8,0	-2,3	63	-2,3
	2008	1,8	1,8	1,7	3,0	0,0	4,0	4,7	1,5	7,7	-2,2	62	-2,3
	2009	1,8	2,0	1,7	2,5	0,0	4,0	4,0	1,5	7,5	-2,3	61	-2,3
Italy	2007	1,8	1,8	0,7	2,7	0,0	3,0	2,3	1,9	5,9	-2,6	105	-1,7
	2008	1,2	1,1	1,3	1,7	0,0	2,0	3,0	2,0	5,7	-2,0	103	-1,7
	2009	1,2	1,1	1,2	1,7	0,0	2,0	2,5	1,9	5,7	-2,2	102	-1,7
Spain	2007	3,9	3,5	5,2	6,3	-0,4	6,0	7,3	2,7	8,0	1,5	37	-9,0
	2008	2,9	2,5	4,0	4,5	0,0	4,5	5,0	2,9	8,2	1,0	35	-9,5
	2009	2,7	2,0	3,5	3,0	0,0	4,0	4,0	2,3	8,8	0,0	35	-9,0
Holland	2007	3,0	1,9	3,1	4,7	-0,1	6,5	6,0	1,7	3,3	0,0	60	7,0
	2008	2,4	1,9	1,4	4,0	-0,1	5,5	5,5	2,0	2,9	0,0	59	6,5
	2009	2,2	2,0	0,8	3,3	0,0	5,0	5,5	1,8	2,8	0,0	60	6,5
Finland	2007	4,2	3,0	1,4	4,6	0,3	9,0	4,0	2,5	6,6	4,0	38	6,0
	2008	3,0	2,5	1,6	3,3	0,0	6,0	5,5	2,6	6,3	4,4	37	6,0
	2009	2,7	2,3	1,8	2,5	0,0	5,0	4,0	2,0	6,1	4,2	36	6,0

## Macro forecast, Global

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
USA	2007	2,2	2,9	2,1	-1,8	-0,3	7,9	2,0	2,9	4,6	-1,2	60	-5,6
	2008	1,8	1,8	2,5	-2,9	-0,1	8,5	1,7	3,1	5,1	-2,6	60	-4,3
	2009	2,4	2,2	2,0	1,6	0,1	6,7	3,7	2,3	5,4	-1,5	59	-4,2
Japan	2007	2,1	1,4	0,8	-3,1	-0,2	7,8	1,8	0,1	3,8	-2,7	179	5,0
	2008	1,6	1,5	0,9	3,0	0,1	5,5	4,2	0,4	3,6	-3,0	178	5,0
	2009	2,1	1,9	1,2	3,4	0,0	5,7	5,3	0,7	3,3	-2,7	178	4,8
UK	2007	3,0	3,1	1,9	5,5	0,3	-4,0	-2,0	2,8	3,0	-2,5	43	-3,3
	2008	2,2	2,1	2,1	2,0	0,0	6,0	5,0	3,0	3,2	-2,5	43	-4,1
	2009	2,3	2,1	2,1	3,0	0,0	5,0	5,0	2,3	3,3	-2,5	43	-4,0
Switzer-land	2007	2,7	1,9	-0,5	3,8	0,1	10,1	9,8	1,1	3,3	-0,2	55	16,0
	2008	2,4	2,3	0,1	2,7	0,0	7,5	6,6	0,5	2,7	0,0	54	16,5
	2009	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.



## Key data and events (1)

Monday, March 10, 2008				Period	Danske Bank	Consensus	Previous
-	LVL	Unemployment	%	Feb			5.0%
0:50	JPY	Machine orders	m/mly/y	Jan		2.7% -4.5%	-3.2% -3.3%
0:50	JPY	Money supply M2+CD	y/y	Feb		2.1%	2.1%
0:50	JPY	Broad liquidity	y/y	Feb		3.5%	3.6%
0:50	JPY	Bank Lending incl trusts	y/y	Feb		0.4%	0.4%
3:00	CNY	PPI	y/y	Feb		6.9%	6.1%
8:00	EEK	Gross domestic product		4th quarter			
8:00	DEM	Trade balance	EUR bn	Jan		15.0	10.8
8:45	FRF	Industrial production	m/mly/y	Jan		-0.1% 2.1%	0.7% 1.2%
9:30	SEK	Industrial production	m/mly/y	Jan			0.1% 1.2%
9:30	SEK	Industrial orders	m/mly/y	Jan			7.4% 1.3%
9:30	DKK	Current account	DKK bn	Jan		0.3	-1.4
9:30	DKK	Trade Balance	DKK bn	Jan		2.1	2.0
9:30	DKK	CPI	m/mly/y	Feb	0.8% 2.7%	1.0% 2.9%	0.3% 2.9%
9:30	DKK	HICP	m/mly/y	Feb	0.8% 2.8%	0.8% 3.0%	0.3% 3.0%
10:00	NOK	Consumer prices	m/mly/y	Feb	0.2% 3.4%	0.5% 3.7%	-0.4% 3.7%
10:00	NOK	Core inflation(CPI-ATE)	m/mly/y	Feb	0.6% 1.9%	0.6% 1.9%	-0.7% 1.9%
10:00	NOK	Producer prices, incl oil	m/mly/y	Feb			2.5% 20.4%
10:30	GBP	PPI - Input	m/mly/y	Feb		1.5% 18.2%	2.6% 19.1%
10:30	GBP	PPI - Output	m/mly/y	Feb		0.6% 6.0%	1.0% 5.7%
10:30	GBP	PPI - Output core	m/mly/y	Feb		0.4% 3.2%	0.8% 3.1%
10:30	GBP	Industrial Production	m/mly/y	Jan		0.1% 0.5%	-0.1% 0.6%
10:30	GBP	Manufacturing production	m/mly/y	Jan		0.2% 0.3%	-0.2% 0.0%
12:00	LVL	CPI	y/y	Feb	17.1%	16.5%	15.8%
12:00	LVL	Gross domestic Product	y/y	4th quarter			9.6%

Tuesday, March 11, 2008				Period	Danske Bank	Consensus	Previous
1:01	GBP	NIESR GDP Estimate	%	Feb			0.5
1:01	GBP	BRC Sales Monitor February		Feb			
3:00	CNY	CPI	y/y	Feb		7.9%	7.1%
7:00	JPY	Machine tool orders final	y/y	Feb			-0.7%
9:30	SEK	CPI	m/mly/y	Feb		0.6% 3.2%	-0.8% 3.2%
9:30	SEK	Underlying inflation, UND1X	m/mly/y	Jan		0.5% 2.2%	-0.8% 2.1%
9:30	SEK	Activity index	Index	Jan			123.3
10:30	GBP	DCLG House Prices	y/y	Jan		7.5%	9.1%
11:00	EUR	ZEW economic sentiment		Mar		-40.0	-39.5
13:30	USD	Trade balance	USD bn	Jan		-59.5	-58.8
16:30	GBP	Leading Indicator Index	m/m	Jan			0.4%
16:30	GBP	Coincident indicator index	m/m	Jan			0.1%

Wednesday, March 12, 2008				Period	Danske Bank	Consensus	Previous
0:50	JPY	BoJ Board Minutes					
0:50	JPY	GDP, final	%	4th quarter	0.5	0.6	0.9
0:50	JPY	GDP Deflator	y/y	4th quarter		-1.3%	-1.3%
0:50	JPY	Domestic CGPI	m/mly/y	Feb		0.3% 3.3%	0.2% 3.0%
0:50	JPY	Current Account Total	JPY bn	Jan		1249.5	1697.2
0:50	JPY	Trade balance - BOP basis	JPY bn	Jan		73.1	1013.4
3:00	CNY	Retail sales value	y/y	Feb		20.7%	20.2%
6:00	JPY	Consumer confidence	Index	Feb			37.9
8:45	FRF	CPI	m/mly/y	Feb		0.4% 3.0%	-0.1% 2.8%
8:45	FRF	CPI - EU harmonised	m/mly/y	Feb		0.4% 3.3%	0.0% 3.2%
10:00	LTL	CPI	y/y	Feb	10.4%	10.6%	9.9%
10:30	GBP	Visible trade balance	GBP m.	Jan		-7500	-7574
10:30	GBP	Trade balance non-EU	GBP m.	Jan		-4150	-4085
10:30	GBP	Total trade balance	GBP m.	Jan		-4550	-4723
11:00	EUR	Industrial production	m/mly/y	Jan		0.4% 2.6%	-0.2% 1.3%
12:00	USD	MBA mortgage applications	%				3.0
13:30	GBP	UK Chancellor of the Exchequer makes budget statement					
19:00	USD	Monthly budget statement	USD bn	Feb		136.7	120.0
22:45	NZD	Retail sales		Jan			0.1%

## Key data and events (2)

Thursday, March 13, 2008				Period	Danske Bank	Consensus	Previous
-	RUB	Exports	bn. USD	Jan	31.0	31.7	38.7
-	RUB	Imports	bn. USD	Jan	15.5	15.4	25.0
1:30	AUD	Unemployment rate		Feb		4.2%	4.1%
3:00	CNY	Industrial production	y/y	Feb		16.5%	17.4%
5:30	JPY	Industrial production	m/mly/y	Jan			-2.0% 2.5%
5:30	JPY	Capacity utilization	m/m	Jan			1.7%
9:00	ESP	CPI core	m/mly/y	Feb			-0.1% 3.1%
9:00	ESP	CPI - EU harmonised	m/mly/y	Feb			-0.6% 4.4%
9:30	SEK	Statistics Sweden, Unemployment	%	Feb		5.9	6.4
9:30	CHF	Monetary policy decisions, Target band	%		2.75	2.75	2.75
10:00	EUR	ECB monthly report		Mar			
13:00	USD	Initial jobless claims	1000				351
13:30	USD	Advance retail sales	m/m	Feb		0.3%	0.3%
13:30	USD	Retail sales less autos	m/m	Feb		0.2%	0.3%
13:30	USD	Import prices	m/mly/y	Feb		0.8%	1.7% 13.7%
14:00	NOK	Norges Banks monetary policy meeting	%		5.25	5.25	5.25
14:00	PLN	Current account	Euro mil	Jan			-1944

Friday, March 14, 2008				Period	Danske Bank	Consensus	Previous
8:00	DEM	Consumer prices, final	m/mly/y	Feb		0.5% 2.8%	0.5% 2.8%
8:00	DEM	HICP	m/m   y/y	Feb		0.5% 2.9%	0.5% 2.9%
8:30	FRF	Bank of France business sentiment	Index	Feb			107
10:00	NOK	Trade balance	NOK bn	Feb			36.4
11:00	EUR	CPI	m/mly/y	Feb		0.3% 3.2%	-0.4% 3.2%
11:00	EUR	CPI core	y/y	Feb		1.7%	1.7%
13:30	USD	CPI	m/mly/y	Feb		0.3% 4.2%	0.4% 4.3%
13:30	USD	CPI ex. food & energy	m/mly/y	Feb		0.2% 2.4%	0.3% 2.5%
14:00	PLN	CPI	y/y	Feb	4.6%		4.3%
15:00	USD	University of Michigan Confidence, preliminary	Index	Mar		70.9	70.8

During the week				Period	Danske Bank	Consensus	Previous
Sun 09 - 14	GBP	RICS House Price Balance	%	Feb			-54.7
Mon 10 - 13	NZD	REINZ house sales		Feb			-31.5%
Mon 10 - 13	CNY	Total Export	y/y	Feb		19.2%	26.7%
Mon 10 - 13	CNY	Total Import	y/y	Feb		27.4%	27.6%
Mon 10 - 13	CNY	Trade balance	USD bn	Feb		22.50	19.49
Thu 13 - 17	CNY	Money supply M2	%	Feb		17.8	18.9
Thu 13 - 17	CNY	Money Supply M1	%	Feb			20.7
Thu 13 - 21	CNY	Wholesale prices	%	Feb			8.4
Sat 15 - 21	JPY	Tokyo Dept. store sales	y/y	Feb			-1.6%
Sun 16 - 21	JPY	Nationwide dept. store sales	y/y	Feb			-21.1%

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 and Norwegian 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.*