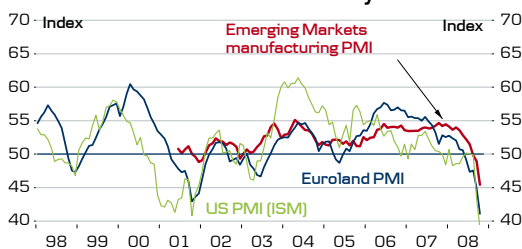


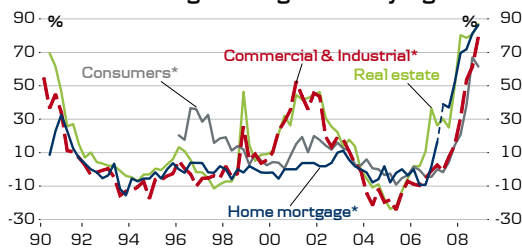
Weekly Focus

7 -14 November 2008

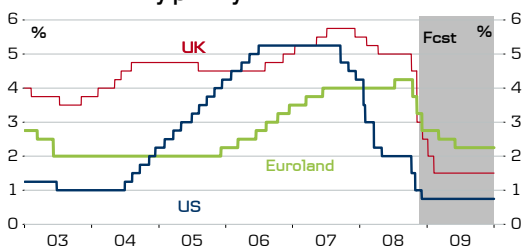
PMI data in free fall everywhere



US senior loan officer survey:
Credit tightening intensifying



Monetary policy to be eased further



Global recession intensifying

Economic news in recent weeks has been dismal. There are clear signs that more or less all countries in the developed world will be in recession in 2009. This is evident from among other things the steep decline in PMI data lately. We also see further indications that Emerging Markets are slowing more rapidly than previously thought. Economic news out of Asia and Central and Eastern Europe has thus been surprisingly negative lately.

The financial crisis is starting to take a very heavy toll on economic developments – in fact heavier than previously anticipated. Credit standards are being tightened significantly everywhere, and we may be close to a credit crunch in many countries. Financing costs have also risen markedly, as corporate bonds have seen sharp sell offs recently. In the US, news on consumer spending has been very downbeat, with, eg, car sales falling to the lowest level in 25 years. Consumer spending now looks set for a fall of 3-4% in Q4

Over the past week the IMF revised down its just one-month-old forecast for the global economy. IMF revised down global growth by 0.8 per. points for 2009, and now sees GDP growth in the US and Euroland at -0.3% and -0.7%, respectively. This is lower than our current forecast (at 0.0 in both US and Euroland), but we will likely revise down our own estimates in the near future. We still expect to see a recovery in 2009, but the current risk is clearly that it comes later and is slower than expected. The deterioration of growth is leading to a rapid easing of monetary policy – a picture we expect to continue in the coming quarters. We also expect to see more fiscal stimulus in the US, and a range of stimulus packages have already been announced in many European countries. The slowdown is pronounced and thus needs a forceful response.

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

Internet: www.danskebank.dk/danskeanalyse

Denmark

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

String of unilateral rate cuts on the cards

As expected, the Danish central bank followed the ECB's lead Thursday, cutting its key interest rates by 0.5%. The rate reductions have left the central bank's lending rate and the rate on certificates of deposit at 5.0%. Hence, the policy rate spread to the euro zone is unchanged at a historically high 1.75%.

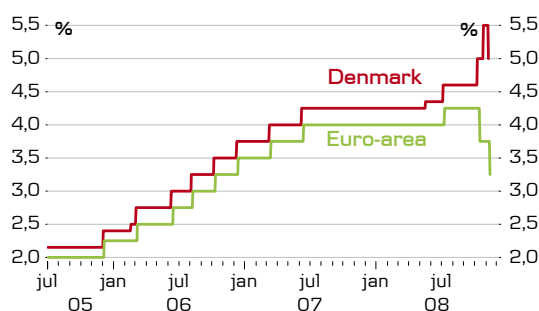
The Danish krone has performed quite well over the past week, which made it possible for the Danish central bank, Danmarks Nationalbank (DN), to track the ECB's rate cut. DN will now bide its time, waiting to make sure that the pressure on the krone has eased and growing the currency reserve a little before beginning to narrow the policy rate spread to Euroland. The rate spread widened from 0.35% to 1.75% in October as the Danish krone came under significant pressure (though it was not the target of an actual speculative attack).

We expect DN to start narrowing the policy rate spread this month. It will probably do so in small steps - most likely cutting by 0.25% at a time, which would make it possible for DN to test the market as it goes along. By beginning to take the policy spread down soon, DN would also signal that the Danish krone is sailing once more in calm waters.

DN will not consider the interests of Danish homeowners with floating-rate loans when deciding when and how much the policy rate spread should be narrowed, though it will take the negative consequences of a large rate spread for the overall housing market and the Danish economy into consideration. As such, DN will probably aim to start reducing the policy spread before the refinancing auctions kick off in December, unless the krone comes under pressure again.

So, we should probably expect a string of unilateral rate cuts. Most interesting will be whether one or more of the expected rate cuts will come before the next refinancing of interest-reset loans is due. Danish rate announcement are unscheduled, so it will probably be worthwhile keeping an eye on DN every Friday at around 10am in the coming weeks, as DN has previously announced unilateral rate cuts around this time.

Policy rate spread remains at 1.75%



Source: EcoWin

Key events of the week ahead

- Monday will see the release of October inflation data. We expect the inflation rate to fall from 4.2% to 3.7%.
- Current account and foreign trade data are also due out Monday.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 10	9:30	DKK Current account	DKK bn	Sep	5.0	6.7
Mon 10	9:30	DKK CPI	m/mly/y	Oct	-0.1% 3.7%	0.4% 4.2%
Mon 10	9:30	DKK Trade Balance	DKK bn	Sep	2.0	2.9

Sweden

Roger Josefsson, Senior Economist, +46 8 56 880 558, roger.josefsson@danskebank.se

Inflation could deliver downside surprise to the market and the Riksbank?

Kicking off with October inflation (due Tuesday), we believe the rate should recede rapidly, partly due to statistical base effects as last year's hefty food price hikes fall out of inflation calculations. Going forward, we have assumed that food prices will follow the normal seasonal patterns from here on – an assumption that might very well prove overly conservative given the very large drop in prices on foodstuffs that are internationally traded.

The expected fall in inflation will also come on the back of swiftly declining fuel prices in the past few months. According to our estimates, fuel prices fell by more than 9% in October alone. And should fuel prices remain on current levels throughout November the result will be another 6% y/y fall in fuel prices, which will lead the inflation rate considerably lower. In October and November 2007, fuel prices rose by 4.5%. The difference compared to now is “inflation-equivalent” to almost a full percentage point drop in headline inflation.

The inflation component that is most troublesome at the moment is clothing prices. These have risen dramatically in the past few months – indeed by much more than what seasonal patterns would suggest and contrary to what the weak clothing sales imply. We are not inclined to believe that these developments are the result of a stronger dollar (current collections are already priced and paid for), it rather seems like clothing companies are taking a chance on an unusually inelastic reaction from consumers – a strategy that could very well prove costly.

To conclude, in our view there is a chance that inflation could come in lower than what the Riksbank expects for the coming few months. The Riksbank expects inflation to fall to 3% by December this year. However, our own forecast points to an inflation rate below 2½% over the same period, and – importantly – we feel there is a good chance for an even more rapid decline.

Inflation forecast path

CPI-forecast	sep-08	okt-08	nov-08	dec-08
Danske	4.4	3.6	2.5	2.4
Riksbanken	4.4	4.0	3.1	3.0

Key events of the week ahead

- Inflation and unemployment – the two key variables that will determine if the Riksbank is to go forward faster – or slower – when conducting monetary policy.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Tue 11	9:30	SEK CPI	m/mly/y	Oct	-0.2% 3.6%	1.0% 4.4%
Tue 11	9:30	SEK Underlying inflation, UND1X	m/mly/y	Oct	-0.1% 2.9%	0.9% 3.4%
Wed 12	10:00	SEK Nat. labour market board, Unemployment	%	Oct	3.2	3.1
Thu 13	9:30	SEK Statistics Sweden, Unemployment	%	Oct	6.0	5.9

Norway

Arne Lohmann Rasmussen, Senior Analyst, +45 45 12 85 32, arne.lohmann@danskebank.dk

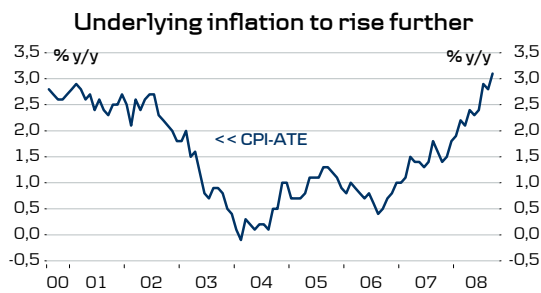
Inflation still high – and not forgotten

Inflation numbers have attracted little attention in recent months, as all eyes have been focused on growth and the sharp slowdown in both the Norwegian and the global economies.

However, in light of the latest monetary policy report one should be wary of believing that Norges Bank has completely forgotten about inflation and is concentrating only on the growth slowdown and the problems in the financial sector. Norges Bank is in fact rather worried about inflation, and in particular the possible consequences on inflation of the weakened Norwegian krone, writing in its report: “Should the krone remain weak for a long period, inflation may remain high.”

And the outlook is for yet another month with underlying inflation considerably above the target rate of 2.5% – Monday’s CPI-ATE inflation number is expected to rise from 3.1% in September to 3.2% in October. The chief culprits behind the rise are likely to be food and transport prices. Shoes and clothing will once again be the joker in the pack, though are expected to rise 2% m/m, as the sales have ended. We do not yet expect to see any impact from the pronounced weakening of the NOK in recent months, as it usually takes up to six months before currency movements have an effect on prices. That said, the feed through could be speedier this time, as the movement has been dramatic and therefore more difficult to absorb at either the wholesale or retail level, which is normally the case with minor currency movements.

Total inflation is, in contrast, expected to fall from 5.3% to 4.8% on the back of lower petrol and electricity prices compared to the previous month. Electricity prices are still substantially higher than a year ago, but falling coal and CO2-quota prices suggest electricity prices will fall further in the coming months.



Key events of the week ahead

- Underlying inflation (CPI-ATE) due on Monday is expected to increase to 3.2% in October from 3.1% in September

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 10	10:00	NOK CPI	m/mly/y	Oct	-0.3% 4.7%	1.5% 5.3%
Mon 10	10:00	NOK Core inflation(CPI-ATE)	m/mly/y	Oct	0.2% 3.2%	1.0% 3.1%

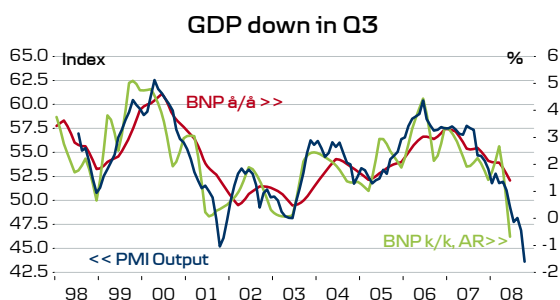
Euroland

Søren Dijohn, Senior Analyst, +45 4512 85 16, srdi@danskebank.dk

ECB cuts with prospect of more to come

As expected, the ECB rate-setting meeting resulted in a 50bp cut in key rates to 3.25%. The ECB also signalled that it is willing to cut rates further as early as in December. ECB President Trichet mentioned, for instance, that a 75bp rate cut had been discussed, but that the bank was unanimous in its decision to “settle for” 50bp. Given this – and the very weak activity data for Euroland recently – we expect the ECB to cut rates by another 50bp in December and 25bp in both March and June 2009. This means that the ECB will likely cut rates faster and more aggressively than anticipated in our previous forecasts of unchanged rates in December and 25bp rate cuts in January, March and June 2009. Among the past week’s very weak economic data for Euroland we find final composite PMI, which showed a decline from 46.9 in September to 43.6. Moreover, new orders in Germany have fallen sharply by 8% m/m, partly because orders for export markets shed a massive 11.4% m/m. This bodes ill for the German and hence the European economy.

Next week will be relatively light on economic data for Euroland. Tuesday will see the release of the German ZEW indicator. Consensus is for a small increase to -62, i.a. due to a rising equity market in the data collection period. Friday brings final HICP for Euroland. We expect confirmation of the preliminary data, which showed an increase of 3.2% y/y, while core inflation remains unchanged at 1.9% y/y. Provisional national accounts data for Euroland are expected to show a decline of 0.2% q/q. Consensus expects a decline of 0.1% q/q.



Key events of the week ahead

- Tuesday: ZEW sentiment. We share the consensus expectation of a small increase from -63 to -62.
- Friday. Final HICP for Euroland will, in line with the preliminary data, show an increase of 3.2% y/y. Core inflation is expected to remain unchanged at 1.9% y/y. Euroland GDP forecast to have declined by 0.2% q/q.
- Other data this week: Industrial output for Euroland is released on Monday. Thursday: ECB monthly report.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 10	8:45	FRF Industrial production	m/mly/y	Sep	-0.3% -1.6%	-0.4% -2.6%
Mon 10	10:00	ITL Industrial production	m/mly/y	Sep	-1.5% 1.4%	1.4% -14.3%
Tue 11	11:00	DEM ZEW economic sentiment	Index	Nov	-62.0	-63.0
Tue 11	11:00	EUR ZEW economic sentiment	Index	Nov		-62.7
Wed 12	9:00	ESP CPI	m/mly/y	Oct	0.4% 3.6%	0.0% 4.5%
Wed 12	11:00	EUR Industrial production	m/mly/y	Sep	-1.5% -0.7%	1.1% 0.7%
Thu 13	8:00	DEM GDP, preliminary	q/qly/y	3rd quarter	-0.1%	-0.5% 1.7%
Thu 13	8:45	FRF CPI, EU Harmonized	m/mly/y	Oct	-0.2% 2.9%	0.0% 3.3%
Thu 13	9:00	ESP GDP, preliminary	q/qly/y	3rd quarter		0.1% 1.8%
Thu 13	10:00	ITL HICP, final	m/mly/y	Sep	0.5% 3.6%	0.5% 3.6%
Thu 13	10:00	EUR ECB monthly report		Nov		
Fri 14	8:00	DEM HICP, final	m/mly/y	Oct	-0.3% 2.5%	-0.3% 2.5%
Fri 14	8:45	FRF GDP	q/qly/y	3rd quarter		-0.3% 1.1%
Fri 14	11:00	EUR HICP core	m/mly/y	Sep	1.9%	1.9%
Fri 14	11:00	EUR HICP	m/mly/y	Oct	3.2%	3.6%
Fri 14	11:00	EUR GDP, s.a., preliminary	q/qly/y	3rd quarter	-0.2%	-0.2% 1.4%
Sun 16 - 25	-	BEF Business Confidence	Index	Nov		

Switzerland

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

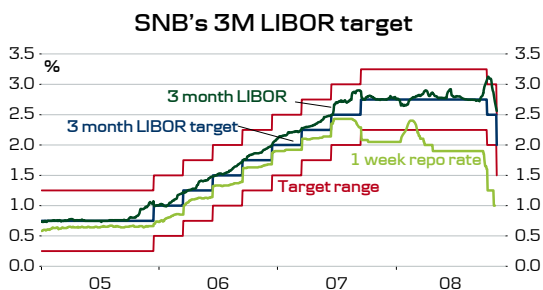
SNB cuts by 0.5 pct. point to 2.00%

The key event of the past week was the extraordinary half percentage point interest rate cut to 2.00% by the Swiss National Bank (SNB) on Thursday. The target band for the 3M LIBOR is thus now 1.50-2.50%. The cut came between the planned quarterly meetings, but following intense pressure to cut in recent weeks and on the same day as the ECB cut by the same amount. Thursday's cut means the SNB has lowered rates by 75bp over the past month.

The Swiss money market has seen considerable improvement over the past three weeks. The 3M LIBOR has fallen by more than 50bp, fixing on Wednesday just 10bp above the previous rate target of 2.50%, which paved the way for Thursday's cut. The SNB has probably been wanting to ease monetary policy for some time, and would presumably have preferred to cut by more than the 25bp it delivered in connection with the globally coordinated rate cut on 8 October. However, it has been held back by the LIBOR rate remaining stubbornly above target. Nevertheless, the opportunity to cut materialised last week as the money market continued to ease, meaning the SNB could react with greater credibility to the recent pronounced deterioration in the outlook for growth and the strengthening of the Swiss franc.

The press release following the rate decision was briefer than normal. The SNB stated the reason for the rate cut was the deterioration in the global growth outlook and the subsequent impact on Switzerland's economy. The SNB wrote that overall growth in 2009 risked being negative - presumably signalling a significant downward revision of the SNB forecast. Going forward, we expect the SNB to ease monetary policy further and we have put a total of 75bp of interest rate cuts into our forecast, with the first rate cut expected at the December meeting. However, focus must initially be on ensuring that the LIBOR rate trades down around target. The coming weeks will show whether or not the SNB will be successful on that count. The SNB also explicitly referred to the Swiss franc for the first time in some months in that it reported that the central bank would keep a watchful eye on currency developments. Thus if the Swiss franc strengthens substantially from current levels, one should consider the possibility of yet another extraordinary cut.

Market reaction to the rate cut was modest. Government bond yields fell slightly, especially at the long end, though yields remain higher than a couple of weeks ago. The Swiss franc remained stable against the Danish krone, as both the ECB and the Danish central bank also cut by 50bp. CHF/DKK is now trading just below 5 krona after having fallen back somewhat from last week's peak on the back of an equity market that was firming until a couple of days ago.



Key events of the week ahead

- Monday 07.45: SECO Consumer Climate
- Thursday 09.15: Producer and import prices for October
- Thursday 11.00: ZEW (expectations)

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Thu 13	9:15	CHF Producer & Import prices	m/m/y	Oct	-0.5%	-0.5% 3.7%
Thu 13	11:00	CHF ZEW	Index	Nov		-91.1

UK

Allan von Mehren, Chief Analyst, +45 45 12 80 55, alvo@danskebank.dk

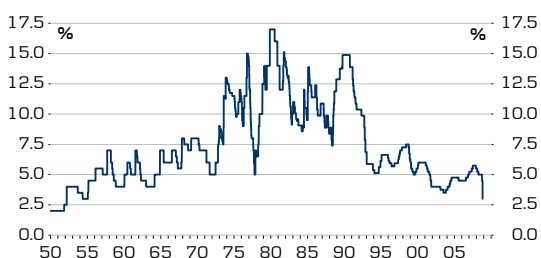
Bank of England takes unprecedented step

In *Weekly Focus* last week we wrote that the UK needed rate cuts, and the sooner the better. It would seem the Bank of England (BoE) agreed with us. By cutting the Bank Rate 150bp in the past week, the BoE took an unprecedented step in fighting the economic slowdown. The rate cut took the Bank Rate from 4.5% to 3.0%. Consensus (and our forecast) was a cut of 50bp. Hence, the BoE's move was a major surprise and indicates that central banks are ready to take extraordinary measures to fight the global slowdown.

The BoE referred to "a substantial downward shift in the prospects for inflation" due to a marked deterioration of economic activity and a sharp fall in commodity prices. It is maybe worth noting that inflation in the UK is still 5.2% (!), which clearly underlines how seriously the BoE judges the economic and financial crisis. BoE describes the financial crisis as the "most serious disruption for almost a century... money and credit conditions have tightened sharply". Formally, the BoE argues that without a significant reduction in the Bank Rate there would be a substantial risk of undershooting the 2% target in the medium term.

It was indeed a very forceful move from the "Old Lady", but the situation is also serious. The UK faces headwinds from every direction, with recession in all neighbouring countries and a credit crunch which is providing an even harder landing for the housing market. Inflation will decline sharply, and hence the BoE can focus on supporting the economy now. And it needs a lot of support! We expect the BoE to take further actions and cut rates by 50bp per month in the coming three months. This is a bit more than the market prices in, and hence we see scope for even lower yields and short sterling rates.

Bank Rate: Lowest level since 1955



Key events of the week ahead

- Monday: PPI will likely show big decline on back of lower commodity prices
- Tuesday: RICS house price indicator expected to stay at very low level
- Wednesday: Unemployment numbers to show further strong increase
- Wednesday: BoE Inflation Report will paint a downbeat picture of growth, with an expectation of a rapid decline

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 10	10:30	GBP PPI - Input	m/mly/y		-2.6% 18%	-1.2% 24.5%
Mon 10	10:30	GBP PPI - Output	m/mly/y		-0.4% 7.4%	-0.3% 8.5%
Mon 10	10:30	GBP PPI - Output Core	m/mly/y		5.1%	-0.1% 5.4%
Tue 11	1:01	GBP RICS House Price Balance	Index			-84.0%
Tue 11	10:30	GBP Trade balance, total	GBP bln.		-4.6	-4.7
Wed 12	10:30	GBP Unemployment rate	%		5.8	5.7
Wed 12	10:30	GBP Average Earnings	3Ms/YoY		3.4	3.4
Wed 12	10:30	GBP Unemployment, change	'000	40	38.0	31.8
Wed 12	11:30	GBP BoE quarterly inflation report				

USA

Signe Roed-Frederiksen, Senior Analyst, +45 45 12 82 29, sroe@danskebank.dk

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

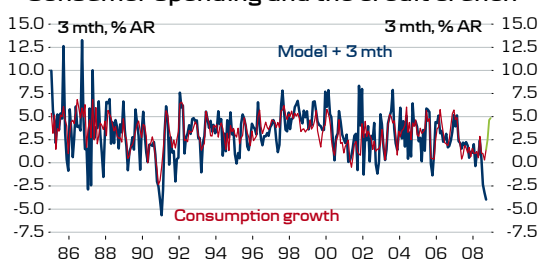
Credit crisis squeezes consumption despite energy boost

Few would disagree that the credit crisis is having a significantly negative impact on consumer spending these days. However, one might be surprised about the magnitude of the impact. We resurrected an old short-term forecasting model for consumer spending based on fundamental values such as income, inflation, house prices, equities, fed funds rate, etc. This model has worked pretty well historically, and currently forecasts around +5% q/q AR for consumer spending in Q4. The reason for such an upbeat estimate is that energy prices are now providing a significant boost to real incomes. Usually this is the most sensitive variable for consumers.

However, what the model does not include is credit effects. Usually this is not necessary, as the credit and the business cycle tend to go hand-in-hand. This time around things are different, however - we are in uncharted territory. Currently, the credit cycle is driving the business cycle. Hence, what the model below provides is an implicit estimate of the magnitude of the negative impact from the credit crunch on consumption. Thus, were it not for the credit crunch following the collapse of Lehman Brothers, consumption would have rebounded strongly by now, according to the model. This also demonstrates how difficult the current environment is to operate in and how difficult it is to exactly quantify the impact of the credit crunch going forward.

Q3 GDP data showed a 3.1% q/q AR contraction in consumer spending (the model predicted an increase of 1.4% q/q AR) and is now tracking very negatively into Q4. Retail sales data for October will be released Friday next week, and we expect it will confirm the very bleak outlook for Q4 consumption growth (see [Research - US: Falling down](#)). We expect overall retail sales to decline 2.5% m/m - as data for auto and same store sales have been very weak - and sales less autos to decline 1.3% m/m. This suggests Q4 real consumer spending is heading for an equally large decline as in Q3, which would make it the worst two-quarter performance since 1980. Other events worth keeping an eye on next week are the release of University of Michigan consumer confidence for November and Bernanke's speech at a conference hosted by the ECB - both are due Friday afternoon.

Consumer spending and the credit crunch



Key events of the week ahead

- Thursday: Trade deficit is likely to have improved in September, driven by the decline in energy prices
- Friday: We expect a 2.5% m/m decline in retail sales in October and a 1.3% m/m decline in sales ex autos
- Friday: Fed chairman Bernanke speaks at an ECB conference
- Friday: We expect University of Michigan consumer confidence to decline to 56.3 in November

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Tue 11	-	USD Veterans' Day - Market closed				
Wed 12	13:00	USD MBA Mortgage Applications	%			-20.3
Wed 12	19:00	USD Minneapolis Fed's Stern (hawkish, voter) speaks				
Thu 13	14:30	USD Trade balance	USD bn	Sep	-57.0	-59.1
Thu 13	14:30	USD Initial jobless claims	1000			
Thu 13	18:00	USD Philadelphia Fed's Plosser (hawkish, voter) speaks on economy				
Thu 13	20:00	USD Minneapolis Fed's Stern (hawkish, voter) speaks				
Thu 13	20:00	USD Budget statement	USD bn	Oct	-89.0	-56.8
Fri 14	14:30	USD Import prices	m/mly/y	Oct	-4.0%	-3.0% 14.5%
Fri 14	14:30	USD Retail sales	m/m	Oct	-2.5%	-1.4%
Fri 14	14:30	USD Retail sales less autos	m/m	Oct	-1.3%	-1.0%
Fri 14	15:00	USD Bernanke and Trichet speak at ECB conference in Frankfurt				
Fri 14	16:00	USD University of Michigan Confidence, preliminary	Index	Nov	56.3	56.0

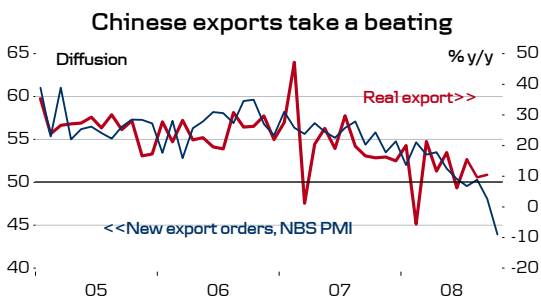
Asia

Flemming J. Nielsen, Senioranalytiker, +45 45 12 85 35, flemm@danskebank.dk

Slowdown intensifying in China

Asia-watchers will be focused on China in the coming week, when the bulk of the key economic data for October are due for release. In our view the numbers will show first and foremost that both export growth and industrial production growth have slowed significantly in October. We have already had an early warning in connection with the release of manufacturing PMIs for October, which showed among other things a pronounced drop in export orders in October (see [Flash Comment - China: Industrial activity slowing - further easing measures announced](#)). As can be seen in the graph below, an actual fall in real exports can no longer be ruled out in the coming months. We expect that industrial production growth will slow to 10.3% y/y in October from 11.4% y/y in September, while industrial production growth for Q4 as a whole now looks set to be single-digit. This means we will be revising down our expectations for GDP growth in Q4. At the moment, GDP growth looks set to fall below 8.5% y/y in Q4 and to below 8.0% y/y in Q1 next year. Hence, China would appear to be heading for a relatively hard landing.

On the positive side, inflation is falling faster than expected at the moment. We estimate that inflation in October will fall to 4.0% y/y from 4.6% the previous month. While it is still primarily the normalisation of food prices that is pulling inflation down, there are clear signs of inflation falling over a broad front in the wake of declining commodity prices. Administrated petrol prices in China are now higher than world market prices, so China will most likely cut here soon. We will therefore probably also cut our expectations on inflation. Previously, we had not counted on inflation going below 3% y/y in China, but this now looks like it could well be the case in 2009.



Key events of the week ahead

- A raft of numbers in China, including consumer prices (Tuesday), industrial production (Thursday) and trade figures (during the week).
- A relatively quiet week in Japan. Machine orders on Monday and current account on Tuesday.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 10	0:50	JPY Machine orders	m/m/y/y	Sep	5.0% -5.3%	-14.5% -13.0%
Mon 10	3:00	CNY PPI	y/y	Oct	8.0%	9.1%
Mon 10	7:00	JPY Machine Tool orders, preliminary	m/m	Oct		-20.1%
Tue 11 - 14	-	CNY Trade balance	USD bn	Oct	28.70	29.30
Tue 11	0:50	JPY Current Account Total	JPY bn	Sep	1400	988.8
Tue 11	0:50	JPY Trade balance	JPY bn	Sep	236.3	-236.0
Tue 11	3:00	CNY CPI	y/y	Oct	4.0%	4.1%
Thu 13 - 21	-	CNY Wholesale Prices	y/y	Oct		7.0%
Thu 13	0:50	JPY Domestic CGPI	m/m/y/y	Oct	-0.9% 5.5%	-0.4% -1.0%
Thu 13	0:50	JPY Industrial production, final	m/m/y/y	Sep		1.2% 0.4%
Thu 13	3:00	CNY Industrial production	y/y	Oct	10.3%	11.2%
Thu 13	7:00	JPY Machine Tool orders, final	m/m	Oct		11.4%
Fri 14 - 18	-	CNY Money supply M2	%	Oct	15.3%	15.3%
Fri 14	3:00	CNY Fixed assets investments	y/y	Oct	27.5%	27.6%

Foreign exchange

John Hydeskov, Senior Analyst, +45 45 12 84 97, johy@danskebank.com

Kasper Kirkegaard, Analyst, +45 45 13 70 18, kaki@danskebank.com

Sverre Holbek, Analyst, +45 45 14 88 82, holb@danskebank.com

What has the past week taught us?

After depressing activity data from almost all countries, indicating that we are in a global recession, a massive rate cut by the Bank of England, a horrible US employment report, Barack Obama winning the presidential election and the Democrats capturing the majority in Congress, and a few nervous days in the fixed income and equity markets in general, we now close week 45. The currency markets have been without clear direction, with sterling and the Scandinavian currencies under strongest pressure. Now the questions are: should we change our fundamental view on the FX market, and what should we expect in the coming months?

The first question is the easier one to answer: we say no, not really. We stick to our fundamental themes of global recession and a financial crisis with the now familiar ensuing currency implications. It is still too early to establish long carry positions; the currencies that correlate negatively with risk aversion are still under pressure, and fire sales, particularly from hedge funds, will reinforce this effect. Though US job cuts are rapidly deepening and economic growth is likely to remain negative in the coming quarters, the USA has nevertheless chosen the path of change. Amid the world's misery, we still see many good reasons for being short EUR/USD (long USD/DKK) - the defensive qualities of the USD due to repatriation flows being one of the strongest reasons at this junction. Also, CHF and JPY still trade at strong levels, as we cannot yet identify a clear turning point in the financial crisis - perhaps barring the money markets.

The answer to the second question is somewhat more uncertain. While we feel certain that the developed economies overall are in recession or heading for recession and that the remainder of 2008 and at least H1 09 will see the severe economic downturn continue, we are more uncertain about the financial crisis. We expect the sum of the numerous rescue packages combined with the initiatives in the financial sector to ensure "normalisation" in the financial markets over time - though we cannot yet identify a clear turning point. Turn or no turn, we will probably have to live with uncertain financial markets, constraints to credit access, continued financial deleveraging and increased risk premiums for a while. This is obviously reflected in our currency forecast, which - as outlined above - is best described as more of what we have seen in H2 08.

The coming week kicks off with the release of inflation data for Scandinavia (Denmark and Norway on Monday, Sweden on Tuesday) as well as Danish current account data on Monday. Currency implications are limited, as the respective central bank's attention since summer has been more on the slowing pace of growth. Activity data follows on Tuesday with the ZEW indicators for Germany and Euroland, which we expect to reflect a Europe in recession. We also expect European industrial output data (Wednesday) and German GDP (Thursday) to be affected by the slowdown in growth - something underpinned by this week's poor orders data. A similar picture is expected in preliminary GDP estimates for Euroland (Friday). We forecast a 0.2% decline q/q. Euroland data have mostly surprised on the downside and are certainly not a reason to go long EUR. Friday will see US key data. Car sales fell sharply this week, and we expect the remaining retail sales figures to be weak; we forecast a decline of 1.3% m/m (consensus -1.0%, -0.6% last month).

Fixed Income

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

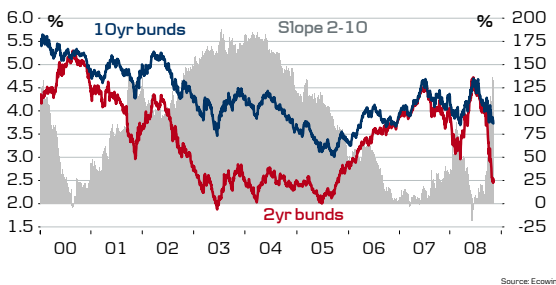
A different kind of fear

Global government bond yields have fallen steadily in recent weeks. However, the reason behind the decline in yields has changed. Three or four weeks ago, investors were scrambling for the safety of government bonds because of fears of a *systemic meltdown* of the financial system. Since then money market conditions have improved – especially in the USA – and the measures introduced by governments and central banks now seem to be having an effect. Reduced concern about a financial meltdown should, as such, encourage investors to move out of government bonds and into more risky credit bonds, which in turn – all else being equal – should pull government bond yields upwards.

The reason yields have nonetheless declined is that *fears of a long-lasting and deep economic downturn* have now firmly gripped bond markets. These fears are not entirely unfounded, given that the recent stream of unambiguously poor economic data points towards recession in more or less all major Western economies. Meanwhile, inflation falling rapidly has prompted deflation concerns. Therefore, the markets are pricing in substantial monetary easing over the next 6-12 months, with the ECB expected to cut rates by another 100bp to 2.25%, the BoE expected to cut by 100bp to 2.00% and the Federal Reserve expected to cut by 50bp to 0.50%.

The downward momentum is strong, not least in Europe, and economic data look likely to deteriorate further. This is true, for instance, of the US retail sales data and the European GDP and industrial output data due next week. As such, it is difficult to find an ‘excuse’ for fixed income markets to turn round in the coming week. In other words, we expect to see a further decline in yields going forward.

Government bond yields falling on poor data



Still room for improvement in swap spreads



Equities

Morten Kongshaug, +45 45 12 80 57, mkon@danskebank.dk

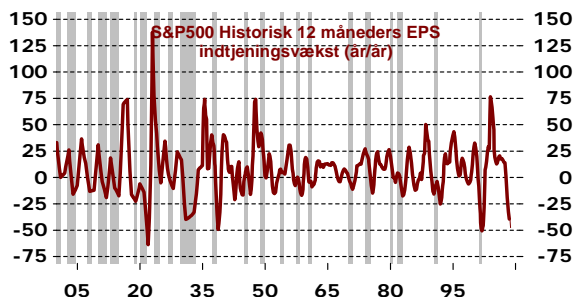
Navigating the minefield

Equity markets remain volatile as fears of a global recession take over from the credit crisis as the main theme. President-elect Obama is expected to present a fiscal stimulus package soon after he takes up residence in the White House on 20 January 2009. However, January seems a long way away given the current problems faced by the equity market. Meanwhile, global monetary policy is being eased, but without the major cuts from the ECB and the BoE in the past week apparently having any positive effect on the market. Our view is very clear. Given current price levels we cannot calculate global equity prices to go lower based on fundamentals, and we recommend that investors buy equities or rebalance equity portfolios with an investment horizon of 12 months or longer.

Both the credit crisis and the economic crisis would have to continue beyond 2009 for there to be a fundamentals-based fall in equities prices, and we do not expect either the USA of the 1930s or Japan of the 1990s to be models for the current crisis. Central bank chiefs and fiscal policy makers are simply so committed to resolving the crisis that it would be extraordinary if the financial system and the global economy do not recover in 2010. Total corporate earnings for the S&P500 have already fallen almost 50% when one includes the collapse in financial sector earnings. An earnings loss of around 50% has only previously been seen in connection with the two world wars, the 1930's depression and the bursting of the tech bubble in 2000-2002, so it is not as if equity markets (SPX -42% from Oct.07) have not reacted to corporate earnings. Is there the prospect of further earnings losses? Of course there is. The late cycle sectors, such as capital goods, energy and basic materials will all contribute negatively in the coming quarters, and indeed the equity market is pricing in non-financial-sector corporate earnings in the US to fall by 30% without financials fully recovering from their collapse in earnings in 2008. In our view, this is a sufficiently negative expectation, and the reason why we believe that the equity market can withstand the fall in earnings of the cyclical sector.

Equity markets are unfortunately very news-driven at the moment, but here are the key factors for investors to watch out for if they wish to follow our "buy" advice but at the same time optimise timing: a) positive shift in consumer, CEO and investor confidence, b) fall in consumer price inflation, c) narrowing of credit spreads, and d) positive shift in corporate investment activities. Of these four factors, a, b and c are where we see particular opportunity - even for short-term positive signals. It is worth keeping in mind that if investors wait for analysts to finish their downward revisions, for job losses to stop, for central bank rate cuts or a turnaround in leading indicators such as ISM or Philly Fed, one will come at the party too late - something we show in a separate analysis that will be published on Monday 10 November.

Few episodes in the past 100 years have seen greater falls in earnings than in 2008



Source: Reuters Ecowin, Danske Markets Equities

CEO confidence in Q3 08 showing signs of stabilising at a weak level. Sign of strength is continued into Q4!



Source: Reuters Ecowin, Danske Markets Equities

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ptym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2007	1,7	2,3	1,6	5,9	-0,3	1,9	3,8	1,7	2,8	4,4	26	1,2
	2008	0,5	1,1	1,7	-0,5	0,0	3,1	3,8	3,5	1,7	4,1	21	1,0
	2009	0,2	0,7	1,8	-1,9	0,0	2,5	1,6	2,1	2,2	3,1	17	1,3
Sweden	2007	2,9	3,1	1,3	8,2	0,7	6,2	9,9	2,2	6,2	3,5	42	8,4
	2008	0,9	1,1	1,0	2,6	-0,6	2,6	2,7	3,5	6,2	2,6	37	7,7
	2009	0,2	0,3	2,2	-3,2	-0,5	-0,4	-1,9	1,3	8,0	-0,8	36	8,2
Norway	2007	3,7	6,4	3,6	9,3	-0,3	2,8	8,7	0,8	2,5	7,0	26	18,7
	2008	2,4	2,1	3,5	4,6	0,7	1,9	5,4	3,6	2,6	8,0	26	16,9
	2009	2,2	2,0	3,2	2,9	-0,1	1,8	2,0	2,6	3,2	12,0	26	25,7

Macro forecast, Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ptym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euroland	2007	3,0	1,6	2,3	4,2	-0,1	6,0	5,4	2,8	7,4	-0,6	67	-0,3
	2008	1,1	0,3	1,6	1,5	-0,1	2,9	2,1	3,4	7,3	-1,5	66	-0,5
	2009	0,0	0,3	1,8	-2,5	-0,2	1,3	0,8	2,0	7,8	-2,3	67	-0,3
Germany	2007	2,7	-0,2	1,9	5,6	-0,1	8,5	5,5	2,9	8,3	-0,5	65	5,8
	2008	1,1	0,2	0,6	2,6	0,1	3,2	2,5	3,2	7,8	-0,3	63	6,0
	2009	0,0	0,3	0,7	-0,8	-0,1	1,8	1,1	1,8	8,1	-0,8	63	7,0
France	2007	1,9	1,9	2,0	4,1	-0,2	3,5	6,6	2,0	8,0	-2,3	63	-2,3
	2008	0,8	1,0	1,4	0,5	0,0	1,5	1,8	3,5	7,8	-2,9	65	-2,3
	2009	0,1	0,9	1,5	-0,7	0,1	1,8	1,7	3,1	8,0	-3,9	68	-1,5
Italy	2007	1,8	1,7	0,8	2,8	0,0	2,5	1,8	2,6	5,9	-2,6	105	-1,7
	2008	0,0	-0,6	1,2	-0,3	0,0	0,3	-0,8	3,7	6,2	-2,6	103	-2,4
	2009	-0,3	0,0	1,2	1,5	-0,1	0,4	-0,5	2,2	6,5	-3,2	105	-2,0
Spain	2007	3,8	3,2	5,1	6,4	-0,4	5,5	6,8	3,4	8,0	1,5	37	-9,0
	2008	1,1	1,1	4,0	-1,0	0,0	2,5	1,7	4,5	9,0	-1,6	36	-10,0
	2009	-0,2	0,9	4,0	-5,0	0,0	2,2	1,3	2,3	9,5	-2,9	38	-7,0
Holland	2007	3,0	1,8	3,2	4,8	-0,1	6,0	5,5	2,4	3,3	0,0	60	7,0
	2008	2,3	0,5	1,2	1,0	0,1	2,5	2,0	2,3	3,0	1,2	47	6,5
	2009	1,0	0,6	1,2	0,5	-0,1	2,1	1,8	1,7	3,2	0,7	44	6,5
Finland	2007	4,5	3,2	1,3	8,3	0,1	8,2	6,6	2,5	6,9	5,3	35	5,3
	2008	2,4	2,8	1,0	1,5	0,0	3,0	2,0	4,1	6,3	3,3	30	3,7
	2009	1,5	2,0	1,5	0,5	0,0	1,0	1,5	2,6	6,3	3,1	26	3,6

Macro forecast, Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ptym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2007	2,0	2,8	2,1	-1,8	-0,4	8,4	2,2	2,9	4,6	-1,2	60	-5,3
	2008	1,4	0,5	2,9	-2,9	-0,4	8,0	-2,9	4,3	5,7	-2,9	61	-4,5
	2009	0,0	-0,2	2,6	-5,5	0,1	-0,3	-3,6	2,7	7,5	-6,0	65	-3,2
Japan	2007	2,0	1,4	0,7	-0,5	-0,1	8,6	1,7	0,0	3,8	-3,4	180	4,1
	2008	0,6	0,7	0,4	-2,5	0,0	5,5	0,4	1,5	4,1	-3,6	182	4,0
	2009	0,4	0,5	1,1	-1,3	0,0	0,9	-0,5	0,4	4,2	-4,0	183	4,1
UK	2007	3,1	3,1	1,9	4,1	0,0	4,2	-2,0	2,3	3,0	-2,5	43	-3,3
	2008	1,4	1,3	2,3	4,2	-0,2	3,8	3,5	3,8	2,8	-2,5	43	-4,1
	2009	0,6	1,3	2,4	3,0	0,0	3,4	3,0	2,8	3,0	-2,5	43	-4,0
Switzer-land	2007	3,3	2,1	-1,1	5,7	-1,4	9,4	5,9	0,7	2,8	2,0	44	13,4
	2008	1,7	1,8	-0,6	-0,5	0,4	3,8	3,5	2,5	2,6	0,8	41	9,0
	2009	0,4	0,8	0,8	-1,1	0,4	2,9	3,4	1,5	2,8	0,0	40	9,9

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

Financial forecast

Bond and money markets							
		Key int. rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	07-nov	1,00	2,37	4,11	127,8	-	582,8
	+3m	0,75	2,65	4,45	121	-	617
	+6m	0,75	2,75	4,50	116	-	643
	+12m	0,75	2,85	4,70	116	-	643
EUR	07-nov	3,25	3,56	4,30	-	127,8	744,5
	+3m	2,75	4,10	4,55	-	121	746,0
	+6m	2,50	3,75	4,45	-	116	746,0
	+12m	2,25	4,15	4,65	-	116	746,0
JPY	07-nov	0,30	0,90	1,56	124,7	97,6	5,97
	+3m	0,30	0,90	1,60	109	90	6,84
	+6m	0,30	1,00	1,65	104	90	7,17
	+12m	0,30	1,20	1,70	110	95	6,78
GBP	07-nov	3,00	3,99	4,53	81,3	157,0	915,3
	+3m	1,50	4,30	4,60	80,0	151	933
	+6m	1,50	3,50	4,20	78,0	149	956
	+12m	1,50	3,75	4,30	76,0	153	982
CHF	07-nov	2,00	2,32	3,25	150,1	117,5	496,1
	+3m	1,50	2,60	3,45	142	117	525
	+6m	1,25	2,40	3,35	144	124	518
	+12m	1,25	2,75	3,50	144	124	518
DKK	07-nov	5,00	4,52	4,61	744,5	582,8	-
	+3m	4,00	4,75	4,85	746,0	617	-
	+6m	3,25	4,25	4,60	746,0	643	-
	+12m	2,75	4,50	4,80	746,0	643	-
SEK	07-nov	3,75	3,47	4,07	1003,2	785,2	74,2
	+3m	3,25	3,90	4,20	980	810	76,1
	+6m	2,75	3,60	4,20	970	836	76,9
	+12m	2,25	3,75	4,30	950	819	78,5
NOK	07-nov	4,75	4,35	4,76	876,8	686,3	84,9
	+3m	4,50	4,90	5,05	860	711	86,7
	+6m	4,25	4,90	5,00	840	724	88,8
	+12m	4,25	4,80	5,15	820	707	91,0
PLN	07-nov	6,00	5,67	5,46	363,5	284,5	204,8
	+3m	5,50	6,60	6,20	415	343	180
	+6m	5,25	6,50	6,10	405	349	184
	+12m	5,00	6,40	6,00	400	345	187

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

Commodities							
	06-nov	2008 (average)		2009 (average)		Average	
		Q3	Q4	Q1	Q2	2008	2009
ICE Brent	58	118	72	74	80	102	80
Aluminium	2.039	2.850	2.300	2.350	2.500	2.731	2.588
Copper	3.805	7.590	5.200	5.300	5.400	7.210	5.575
Gold	742	870	860	880	880	888	858
CBOT Wheat*	528	789	550	600	620	801	645
CBOT Corn*	384	582	425	450	500	541	519

* Note: US\$/bushel

Key data and events (1)

Monday, November 10, 2008				Period	Danske Bank	Consensus	Previous
0:50	JPY	Machine orders	m/m/y/y	Sep		5.0% 5.3%	-14.5% -13.0%
1:30	AUD	Reserve Bank of Australia Quarterly Monetary Policy Statement		4th quarter			
3:00	CNY	PPI	y/y	Oct		8.0%	9.1%
7:00	JPY	Machine Tool orders, preliminary	m/m	Oct			-20.1%
8:45	FRF	Industrial production	m/m/y/y	Sep		-0.3% -1.6%	-0.4% -2.6%
9:30	DKK	Current account	DKK bn	Sep	5.0		6.7
9:30	DKK	CPI	m/m/y/y	Oct	-0.1% 3.7%		0.4% 4.2%
9:30	DKK	Trade Balance	DKK bn	Sep	2.0		2.9
10:00	ITL	Industrial production	m/m/y/y	Sep		-1.5% 1.4%	1.4% -14.3%
10:00	NOK	CPI	m/m/y/y	Oct	-0.3% 4.7%		1.5% 5.3%
10:00	NOK	Core inflation(CPI-ATE)	m/m/y/y	Oct	0.2% 3.2%		1.0% 3.1%
10:30	GBP	PPI - Input	m/m/y/y	Oct		-2.6% 18%	-1.2% 24.5%
10:30	GBP	PPI - Output	m/m/y/y	Oct		-0.4% 7.4%	-0.3% 8.5%
10:30	GBP	PPI - Output Core	m/m/y/y	Oct		5.1%	-0.1% 5.4%

Tuesday, November 11, 2008				Period	Danske Bank	Consensus	Previous
0	USD	Veterans' Day - Market closed					
0:50	JPY	Current Account Total	JPY bn	Sep		1400	988.8
0:50	JPY	Trade balance	JPY bn	Sep		236,3	-236.0
1:01	GBP	RICS House Price Balance	Index	Oct			-84.0%
1:30	AUD	NAB Business Confidence	Indeks	Oct			-8
3:00	CNY	CPI	y/y	Oct	4.0%	4.1%	4.6%
9:30	SEK	CPI	m/m/y/y	Oct	-0.2% 3.6%		1.0% 4.4%
9:30	SEK	Underlying inflation, UNDI1X	m/m/y/y	Oct	-0.1% 2.9%		0.9% 3.4%
10:30	GBP	Trade balance, total	GBP bln.	Oct		-4.6	-4.7
11:00	EUR	ZEW economic sentiment	Index	Nov			-62.7
11:00	DEM	ZEW economic sentiment	Index	Nov	-62.0	-62.0	-63.0

Wednesday, November 12, 2008				Period	Danske Bank	Consensus	Previous
1:30	AUD	Consumer Confidence	Index	Nov			-11.0%
9:00	ESP	CPI	m/m/y/y	Oct		0.4% 3.6%	0.0% 4.5%
10:00	SEK	Nat. labour market board, Unemployment	%	Oct	3.2		3.1
10:30	GBP	Unemployment rate	%	Sep		5.8	5.7
10:30	GBP	Average Earnings	3Ms/YoY	Sep		3.4	3.4
10:30	GBP	Unemployment, change	'000	Sep	40	38.0	31.8
11:00	EUR	Industrial production	m/m/y/y	Sep		-1.5% -0.7%	1.1% 0.7%
11:30	GBP	BoE quarterly inflation report					
13:00	USD	MBA Mortgage Applications	%				-20.3
19:00	USD	Minneapolis Fed's Stern (hawkish, voter) speaks					
22:45	NZD	Retail sales	m/m	Sep			0.4%

Thursday, November 13, 2008				Period	Danske Bank	Consensus	Previous
0:50	JPY	Domestic CGPI	m/m/y/y	Oct		-0.9% 5.5%	-0.4% -1.0%
0:50	JPY	Industrial production, final	m/m/y/y	Sep			1.2% 0.4%
3:00	CNY	Industrial production	y/y	Oct	10.3%	11.2%	11.4%
7:00	JPY	Machine Tool orders, final	m/m	Oct			
8:00	DEM	GDP, preliminary	q/q/y/y	3rd quarter	-0.1% .	-0.1% 1.0%	-0.5% 1.7%
8:45	FRF	CPI, EU Harmonized	m/m/y/y	Oct		-0.2% 2.9%	0.0% 3.3%
9:00	ESP	GDP, preliminary	q/q/y/y	3rd quarter			0.1% 1.8%
9:15	CHF	Producer & Import prices	m/m/y/y	Oct		-0.5% .	-0.5% 3.7%
9:30	SEK	Statistics Sweden, Unemployment	%	Oct	6.0		5.9
10:00	EUR	ECB monthly report		Nov			
10:00	ITL	HICP, final	m/m/y/y	Sep		0.5% 3.6%	0.5% 3.6%
11:00	CHF	ZEW	Index	Nov			-91.1
14:30	USD	Trade balance	USD bn	Sep		-57.0	-59.1
14:30	USD	Initial jobless claims	1000				
18:00	USD	Philadelphia Fed's Plosser (hawkish, voter) speaks on economy					
20:00	USD	Minneapolis Fed's Stern (hawkish, voter) speaks					
20:00	USD	Budget statement	USD bn	Oct		-89.0	-56.8

Key data and events (2)

Friday, November 14, 2008				Period	Danske Bank	Consensus	Previous
3:00	CNY	Fixed assets investments	y/y	Oct		27.5%	27.6%
8:00	DEM	HICP, final	m/m y/y	Oct		-0.3% 2.5%	-0.3% 2.5%
8:45	FRF	GDP	q/q y/y	3rd quarter		-0.1% 0.4%	-0.3% 1.1%
11:00	EUR	HICP core	m/m y/y	Sep	-1.9%	-1.9%	-1.9%
11:00	EUR	HICP	m/m y/y	Oct	-3.2%	0.1% 3.2%	0.2% 3.6%
11:00	EUR	GDP, s.a., preliminary	q/q y/y	3rd quarter	-0.2%..	-0.1% 0.7%	-0.2% 1.4%
14:30	USD	Import prices	m/m y/y	Oct		-4.0%	-3.0% 14.5%
14:30	USD	Retail sales	m/m	Oct	-2.5%	-1.4%	-1.2%
14:30	USD	Retail sales less autos	m/m	Oct	-1.3%	-1.0%	-0.6%
15:00	USD	Bernanke and Trichet speak at ECB conference in Frankfurt					
16:00	USD	University of Michigan Confidence, preliminary	Index	Nov	56.3	56.0	57.6

During the week				Period	Danske Bank	Consensus	Previous
Tue 11 - 14	CNY	Trade balance	USD bn	Oct		28.70	29.30
Thu 13 - 21	CNY	Wholesale Prices	y/y	Oct			7.0%
Fri 14 - 18	CNY	Money supply M2	%	Oct		15.3%	15.3%
Sun 16 - 25	BEF	Business Confidence	Index	Nov			

The editors do not guarantee the accurateness of figures, hours or dates stated above
 For further information, call +45 33 44 05 30.

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.