

# Weekly Focus

## Mixed data, broader recovery

### Global update

- Global manufacturing production data was more mixed, but did on balance improve. With regard to orders, data point to improvement in most areas.
- The service PMI improved consistently indicating a broader-based recovery in developed countries.
- In the US improving US claims and chain store sales data added some optimism about the state of the consumer.
- In the UK the lift-off in house prices continues. This will probably keep the BoE from launching further easing measures.
- The ECB and the BoE kept policy measures unchanged. Signs of increasing optimism were seen from Jean-Claude Trichet at the press conference.

### Market movers ahead

- In Sweden the main event is September CPI.
- US retail sales are expected to be dragged into the red by a negative payback from the “clunkers” programme, but the report is expected to show underlying improvement.
- Germany ZEW and regional US indicators are expected to indicate further optimism.
- FOMC minutes will provide interesting detail about FOMC thinking and updated economic projections.
- Speeches from the Fed’s Kohn and Dudley and a speech by the ECB’s Trichet will be important events.
- Euroland and US inflation data will take a back seat.
- In Asia, the Bank of Japan is expected to keep its target rate unchanged, but quantitative easing (QE) measures could be cut back.

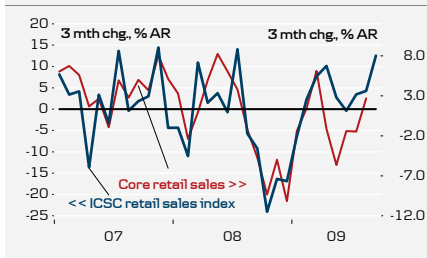
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### Service sector back in expansion



### US core retail sales to improve further



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# Global update

## Manufacturing mixed, service improves

This week the flow of data from global manufacturing turned more mixed adding to the lukewarm message from the US manufacturing ISM last week. While German orders continued to rise, manufacturing production in the UK and Sweden disappointed badly. Also in Denmark the tentative signs of stabilisation failed to sustain, with a renewed setback in production.

Although this is disappointing we believe that hard data will show a turnaround during Q4. Order data, which usually are a couple of months ahead, have either stabilised or are on the rebound in most countries. We believe that the manufacturing recovery has more legs and that the global PMI will continue up for the remainder of the year. That said, the road is likely to be somewhat more bumpy from here.

While manufacturing did not meet expectations, there was good news from the service sector, with the PMI/ISM surveys surprising consistently on the upside. In Germany, France, the UK and the US the service sector is now back in expansion mode. Further weekly claims and chain store sales data provided good news suggesting that the recovery is now becoming more broadly based globally. Indeed this provides a more robust backdrop for the global economy when the boost from stimulus and inventories fades, in turn reducing the risk of a double-dip setback.

## Lift-off in UK house prices continues

UK house prices from Halifax showed a further decent increase in September. In line with other UK house price measures this provided further evidence that UK housing continues to recover. The rise in house prices has come as a surprise, but it is becoming harder to discount as noise as more data and survey point in the same direction. The very low interest rates and short mortgage funding in UK are most likely the main drivers behind this development. If this continues it will be an important signal for BoE not to accommodate monetary policy any further.

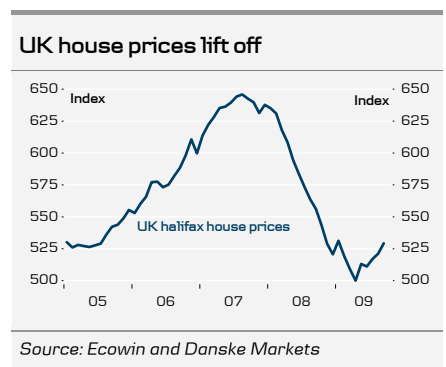
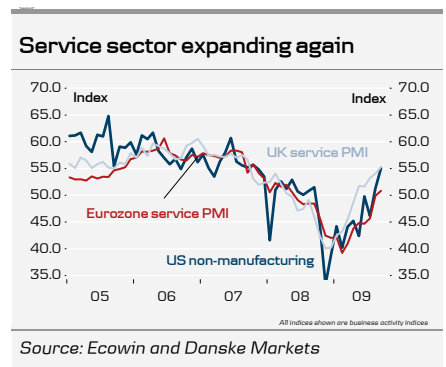
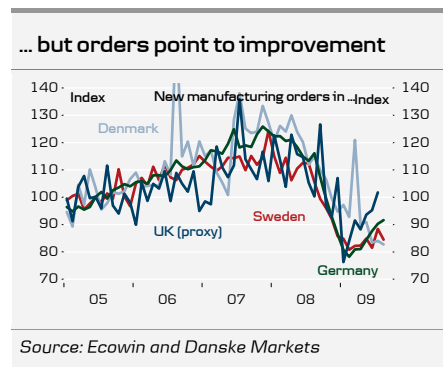
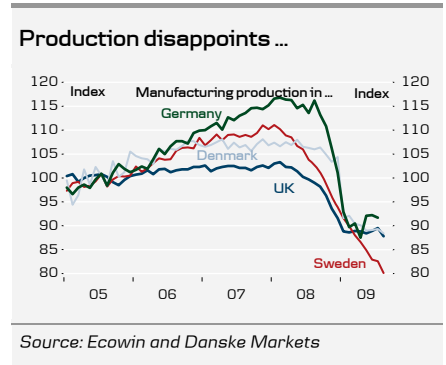
## Central banks keep the pedal down

The monetary policy meetings in ECB and BoE this week brought very little news. BoE did not change its policy rate nor its asset purchase target. Ahead of the meeting there had been some speculation that BoE would lower its discount rate, but it decided not to. However, the central bank seems to remain biased toward further easing. We do not know much about the decision, and will have to wait until the minutes are published on 21 October for more details.

The ECB left its policy unchanged and turned slightly more positive on growth. Although downside risk remains Trichet also noted several upside risks to the economic outlook, but has no concern about inflation. There was no specific information on the exit strategy. We continue to expect that the 12-month tender in December will be the last with unlimited allotment and that it will come with a spread on the refi rate.

The divide between the central members (the Board and New York Fed) and some of the local Fed presidents continues. While some of the local Fed presidents have expressed concerns about a too late and too slow exit, the central members remain concerned about deflation risks. With the majority in the FOMC belonging to the latter group, the hawkish comments from the local Fed presidents should be taken with a grain of salt.

Generally this week's news on monetary policy suggests that rate hikes from the major Western central banks remain something for the remote future.



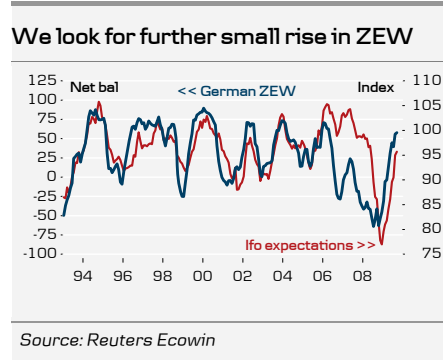
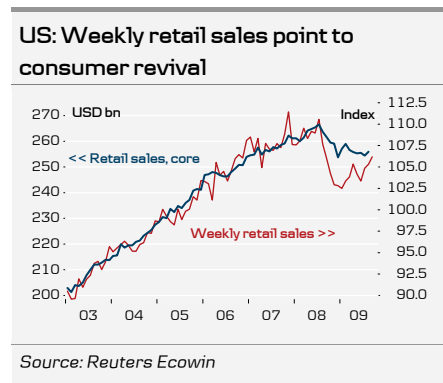
# Market movers ahead

## Global

- Following the continuous flow of Fed speeches in the **US** over the recent weeks, it will be interesting to read the FOMC minutes. These are likely to reflect the widely divergent views within the FOMC. Next week will also see speeches by two of the more important FOMC members, NY Fed president Dudley and vice chairman Kohn. On the data front, the most important release is retail sales. The headline will be dragged down by a pay-back in auto sales, but data for chain-store sales suggest that last month's improvement in underlying private consumption extended into September. Finally, the first regional PMI indexes for October are due. These will be watched more closely than usual following the disappointment in September's ISM.
- In **Euroland** the ZEW will be of main interest to the markets. We look for a small rise from the already high levels. Euroland industrial production and final inflation numbers are also on the agenda but unlikely to move markets unless they deviate strongly from consensus.
- In **Asia** main focus will be on the Bank of Japan(BoJ) monetary meeting on Tuesday and Wednesday. There has been some speculation in the press that BoJ might announce the termination of its purchase of commercial paper and corporate bonds. In China main focus will on foreign trade data for September on Wednesday and Foreign Exchange reserves and bank lending, both to be released sometime during the week

## Scandi

- In **Sweden** focus will be on the crisis in Latvia. Will it comply with the loan agreement and is its non-recourse loan law proposal seriously intended? These are questions that the market need answers to. As far as macro data are concerned we will see CPI and house price data for September.
- There are no market movers due in Norway or Denmark.



Market movers ahead									
Global movers			Event	Period	Danske	Consensus	Previous		
Tue	13-Oct	11:00	DEM	ZEW economic sentiment	Index	Oct	60.1	58.0	57.7
		19:15	USD	Fed's Dudley (voter, neutral) speaks					
		19:45	USD	Fed's Kohn (voter, neutral) speaks					
Wed	14-Oct	14:30	USD	Retail sales less autos	m/m	Sep	0.1%	0.2%	1.1%
		20:00	USD	Minutes from FOMC meeting					
Thu	15-Oct	14:30	USD	CPI ex. food & energy	m/m y	Sep	0.2% 1.6%	0.1% 1.4%	0.1% 1.4%
		16:00	USD	Philadelphia Fed.	Index	Oct	17.0	12.0	14.1
Fri	16-Oct	15:15	USD	Industrial production	m/m	Sep	-0.2%	0.1%	0.8%
		16:00	USD	University of Michigan Confidence, prel.	Index	Oct	74.7	73.5	73.5
Scandi movers			Event	Period	Danske	Consensus	Previous		
Tue	13-Oct	9:30	SEK	CPI	m/m y	Sep		0.4% -1.4%	0.2% -0.8%

Source: Bloomberg and Danske Markets

# Financial views

## Equities

- We expect equities to continue to move higher in coming months based on further strength in the global recovery. We anticipate the Q3 reporting season to surprise on the upside as cost cutting initiatives, financial healing and stronger commodities prices are likely to surprise. Our fear is still, that global output price deflationary pressures will continue and that OECD private consumption and capex rebound will be weak. For now, however, it is premature to speculate about 2010 final demand disappointments as risk/reward still favours risk taking on a 3-6 month horizon.

## Fixed Income

- Global: Flow factors weigh heavily on yields at the moment and despite an improving economic outlook yields are flirting with the lows from the spring. Our medium-term view is still of higher yields on a sustainable recovery in the global economy, high supply and the beginning of the phasing-out of central bank measures.
- Intra-Euro: We are neutral on peripherals such as Italy, Portugal and Greece but underweight Spain vs. Germany. On longer maturities, we prefer France and Finland to Germany. We close our overweight Italy against Portugal in the 5Y segment.
- Scandi: We maintain our overweight in 10Y Danish government bonds against Euroland and swaps and have just reopened our overweight of 2Y Danish government bonds (DGB 4'12) against Germany or alternatively DKK swaps. We still look for a flatter curve in the 3-10Y segment. In Danish mortgages we are overweight on 30Y callables vs. both swaps and government bonds and remain underweight in non-callables vs. government bonds apart from 4'10 and 4'12. We are long 10Y Danish covered bonds. In Sweden we favour receiving the front end of the curve. We look for increased 2-5-10 govy convexity and recommend to be short 10Y bonds vs. Bunds.

## Credit

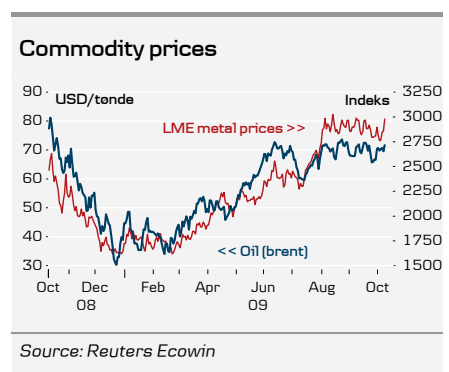
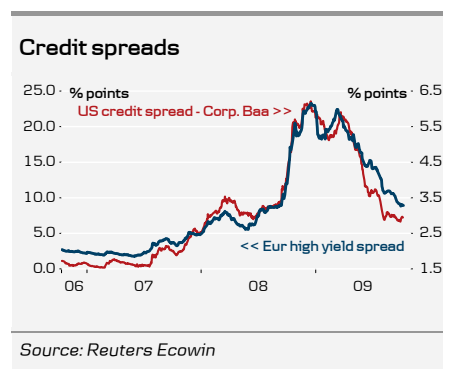
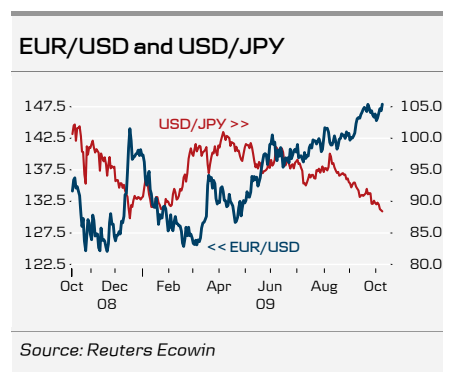
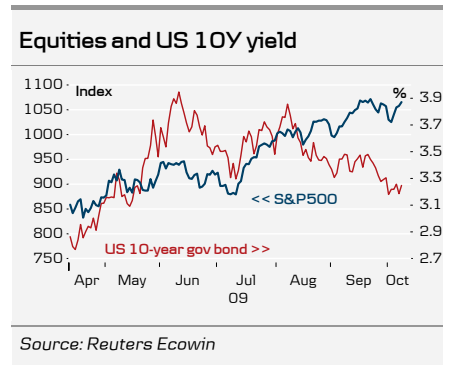
- Both cash and CDS spreads have tightened significantly since winter and in particular the very short end of the credit curve is trading at very tight levels. Due to ample liquidity in the financial system, we think that cash credit will continue to perform. On fundamentals we are still cautious and defaults are yet to peak – in Europe in particular.

## FX Outlook

- USD remains under pressure from higher equity prices and oil prices, low yields and talks on reserve diversification away from USD. The peak in EUR/USD is still ahead of us. Dovish BoE stance drives EUR/GBP higher but we expect the rise to be temporary and that BoE eventually will react to stronger data. JPY has benefitted from a favourable move in relative rates and MoF remarks but the outlook is not good for the already strong Japanese currency. Carry and pro-cyclical currencies can continue to perform well.
- NOK is expected to perform supported by higher oil prices, strong macro picture and an imminent rate hike. SEK comes with a higher risk premium to Swedish banks exposure and is not supported by higher rates, but remains undervalued. Both currencies are sensitive to changes in risk appetite. The Danish krone remains attractive (e.g. against CHF) due to positive carry.

## Commodities

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



# Fixed Income: Huge appetite for bonds

## Bond yields continue to drift lower

The bull trend in bond global bond markets has continued over the past week. Yields on German and US sovereign bond reached levels not seen since April and May, respectively. In the meantime macroeconomic data continue to recover and appetite for risky assets has driven equities toward new year-highs. From this picture it becomes clear that something is going on, and it is generating a huge appetite for bonds as reflected in the very well bid auctions over the past months.

Currently the combination of dovish central banks, abundant liquidity, quantitative easing, deleveraging (more saving, less borrowing) and speculation about regulatory effects (the possibility of increased liquidity buffers) seem to be driving this appetite. On top of this, Asian central banks have been intervening in the FX market to prevent an appreciation of their currencies (see Asia section). A lot of this money is now flowing into US and European sovereign bond markets.

How long these factors will continue to dominate is difficult to say, but we do not think it will go away overnight – in particular not as long as the central banks are as accommodating as they currently are.

## Limited impact from ECB meeting

The ECB meeting had limited impact on the markets, with the EONIA curve moving only slightly yesterday. That said, the EONIA has started to move higher after last week's lower demand for 12-month liquidity at the unlimited ECB tender. The lower demand has been interpreted as a sign of improvement in the markets, in turn leading to increased expectations that the ECB will add a spread to the refi on 12 December (12-month tender), which is likely to be the last of its kind.

## Focus on retail sales and FOMC minutes next week

While the huge appetite for fixed income will probably not change overnight, a turnaround in the bond markets on a shorter time horizon cannot be entirely ruled out. However, for this to happen the outlook for a sustained recovery needs to improve sufficiently to make central banks more hawkish or to make markets disbelieve the dovish central banks.

That said, it will probably take a consistent range of surprises in the US labour market and consumer data to reach this point. However, one step in that direction could be next week's US retail sales. Although the headline will be driven in red by a negative payback from the clunkers programme, we expect a relatively solid reading on the underlying pace of retail spending. Further, if claims data continue to trend down, the picture of budding recovery in underlying demand could become more evident (see US section).

The FOMC minutes will attract attention (see US section) as the market will be looking for any signs of early exit in the discussion among the committee members. The new economic projections or a comment on the recent trial with small-scale reverse repos could provide some interesting new information in that respect. That said, we expect that the majority of the FOMC continues to be concerned about deflation.

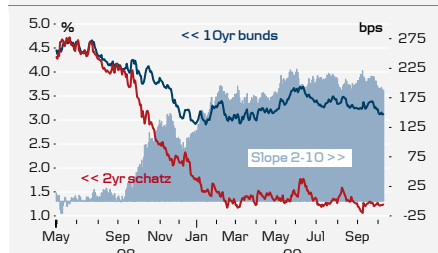
### Key events of the week ahead

- German ZEW (Tuesday)
- US retail sales (Wednesday)
- FOMC minutes (Wednesday)
- US and Eurozone CPI (Thursday)
- US empire and Philadelphia Fed (Thursday)

### US bond yields



### German bond yields



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## FX: Treading carefully

### USD squeezed – AUD soaring – NOK and SEK part company

**The US dollar** started off the past week on the wrong foot. Respected financial journalist Robert Fisk wrote in the UK daily, *The Independent*, that several Middle East oil producers – Saudi Arabia, Abu Dhabi, Kuwait and Qatar – had held “secret meetings” with China, Russia, Japan and France to discuss trading oil with a currency basket consisting of the yen, the Chinese yuan, the euro and gold, among other things, instead of the US dollar. This would mean a reduced need to maintain dollar reserves and definitely diminish the role of the dollar as a transaction currency. The story was dismissed by many as pure fantasy, but there is rarely smoke without fire, and irrespective of how much or little substance there is in the story, it illustrates that the dollar is still shrouded in a degree of negativism.

The dollar lost further ground against the Danish krone during the week, as both equity and oil prices continued to be firm. In theory the slide in the dollar could have been greater had it not been partly countered by intervention from the central banks of South Korea, Taiwan, the Philippines and Thailand, who did not wish to see conditions for their own export sectors deteriorate. The “strong dollar policy” that most central bankers probably back, but which only the US Fed can, in reality, do anything about, is beginning to ring extremely hollow, and the prospect of low US yields well into next year means that the dollar has, in fact, no support. Thus there is probably still more dollar weakening to come.

**Australia** became the first G10 country to hike its key interest rate. The 25bp hike to 3.25% was to some extent expected in the market, and indeed the central bank has long expressed its readiness to tighten monetary policy. Australia has only had to weather a mild recession, and the economic outlook is quite bright. The Australian dollar has strengthened appreciably – a trend we expect will continue as rates are hiked further and commodity prices rise.

**Norway** may be the next G10 country to hike, which could strengthen the Norwegian krone against the euro. That said, NOK has already firmed considerably, and if it strengthens further this could delay rate hikes from Norges Bank.

In **Japan**, rate hikes are a couple of years away due to negative inflation, but the yen is still strengthening against the dollar as a result of the slightly fumbling statements from newly elected finance minister Fujii. Basically our view is that the yen will not strengthen much more, but there may still be a little way to go against the dollar.

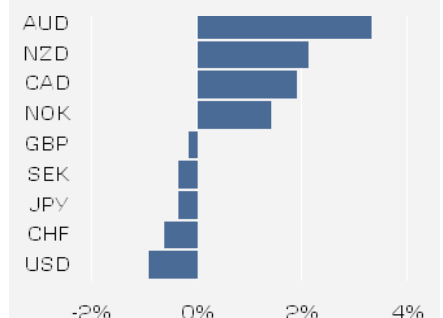
**The Swedish krona** was once again hit by the considerable exposure of Swedish banks to Latvia, which is apparently considering a law that would give Latvian homeowners the option of terminating their mortgage at the market value of their home. The banks could end up being the big losers if this legislation is enacted, and SEK could be weakened. We will monitor the situation and keep a close eye on SEK:

**The week ahead** sees the release of some not especially exciting data such as inflation, which is not getting much attention at the moment; industrial production, which will probably attract more attention; ZEW in Euroland and a number of confidence indicators from the US. More important, however, is that the US earnings season has kicked off, and rising equity prices could still send currencies such as AUD, NZD, SEK, NOK and perhaps GBP higher, while USD, CHF and JPY are likely to be left behind.

#### Key events of the week

- US earnings season has kicked off – positive surprises could mean additional tailwind for AUD, NZD, SEK, NOK and perhaps GBP, while USD, JPY, and CHF might struggle
- Better-than-expected German ZEW, US Philly Fed and University of Michigan could also stoke positive sentiment
- FX markets are currently more sensitive to retail sales and industrial production data, and less affected by inflation data

#### Changes against the euro in past week



Source: Reuters EcoWin

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# Commodities: Oil demand to recover?

## Overview

While base and precious metals alike have rallied, oil and gasoil are down a little on the week (see chart). Most commodities have gained as inflation fears have surfaced on the back of a weaker dollar. Moreover, the situation with loose monetary policy and rising fiscal deficits is coming to a head in many countries.

In our recent *Global Business Cycles Monitor*, we argued that while global leading indicators continue to point to robust growth in coming quarters, the picture was slightly mixed in September. We still see growth peaking in coming quarters before levelling off somewhat during 2010. As a result, we maintain a positive view on commodities in general, albeit with the caveat that the stock situation – notably for oil and aluminium – remains critical.

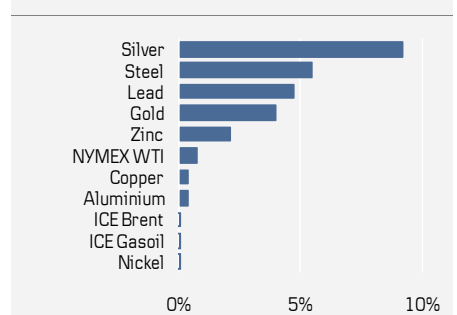
## Oil demand to recover?

A story in the *Independent* earlier this week suggested that Gulf states have had discussions with, among others, Russia and China, about replacing the dollar with a basket of currencies (including the yen, the yuan and the euro) and gold for oil pricing. OPEC officials and a range of ministers later queued up to deny talks about the issue. Nevertheless, speculation spurred a weakening in the dollar which was positive for commodities (see chart).

We view the recurring discussion about dismissing the dollar in settlement of oil contracts as an integral part of the ongoing debate concerning the role of the dollar as a world-reserve currency. Even with practical issues aside, it seems unlikely that the dollar should be ditched for oil trading any time soon. Although bilateral contracts could be agreed upon in another currency, the benchmark would still probably continue to be dollar-denominated contracts such as WTI or Brent.

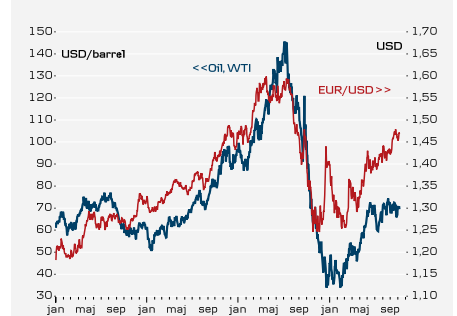
On Friday this week the monthly IEA Oil Market Report will have been published, and on Monday next week we get the corresponding OPEC publication for the month of October. In the September report, the IEA raised its H2 09 and 2010 demand forecast due to stronger-than-expected demand. We look for another upward revision to the demand forecasts in this month's report in light of our view that the IMF forecasts for world demand, upon which the IEA bases its forecasts, may turn out to be overly pessimistic (see chart).

### Weekly changes



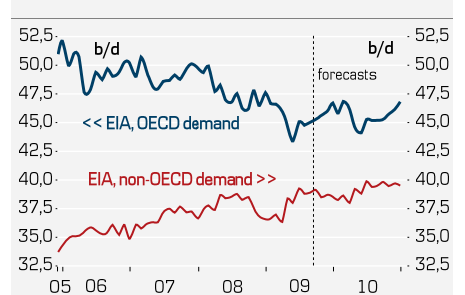
Source: Bloomberg, Danske Markets

### Oil and the dollar



Source: EcoWin, Danske Markets

### EIA demand projections



Source: EcoWin, Danske Markets

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# Denmark: Industrial production disappoints

The past week has brought figures for industrial production, repossessions and bankruptcies. While industrial production fell somewhat disappointingly in August, repossessions continued the more stable trend of recent months.

## Upswing in industrial activity bides its time

Industrial production fell by 0.9% from July to August. We had anticipated an increase of 1% on the back of the recovery now being seen in Denmark's most important export markets.

Unfortunately there is also a great deal to suggest that the marked erosion of Denmark's competitiveness in recent years is continuing to limit manufacturers' export opportunities.

However, it is important to bear in mind that industrial production has generally stabilised in 2009 after a relatively sharp decline towards the end of 2008. There is therefore also much to suggest that manufacturers have put the worst behind them. But we are still to see an actual turnaround in Danish industrial production.

We are relatively optimistic, though, and expect industrial production to grow quite nicely in the coming quarters. This naturally needs to be seen in the light of the continued improvement in sales opportunities in Denmark's key export markets. Equally important, though, is that businesses have chosen to cut back hard on production and sell from stock during the current crisis. This is a natural reaction when crisis strikes, but it also means that, for a time, production has been lower than sales opportunities would warrant. In the current situation where sales opportunities are improving again, production will need to catch up with demand, which means that production may climb quite healthily for a time.

## Bankruptcies and repossessions slow slightly

The number of home repossessions in September was 351, a small decrease of 23 from August (seasonally adjusted). However, this follows a marked increase in August, so effectively we are looking at repossessions stabilising at just over 350 in recent months.

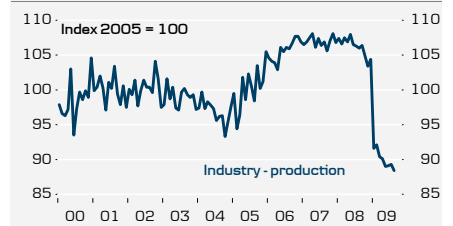
We have to expect a rise in repossessions going forward. Although the economy appears to be growing again, unemployment will climb for some time to come, and so unfortunately it is inevitable that more people will lose their homes. In the circumstances, though, it is positive that numbers are not higher than they are.

The number of bankruptcies also fell in September, from 509 to 488 (seasonally adjusted). Again the decrease was small relative to previous increases, so again we are talking about largely unchanged levels. Unlike repossessions, though, the number of bankruptcies is very high. This is a reflection not only of the severity and suddenness of the economic crisis but also of the tightening of credit standards for business lending. Unfortunately we may see another wave of bankruptcies as the relaxation of the rules on VAT payments comes to an end.

### Key events of the week

- Consumer and net price indices for September (Monday) - we expect CPI inflation of 0.4% m/m and 1.1% y/y
- Employment in the construction sector for Q3 (Friday)

### Industrial production ready to turn



Source: Statistics Denmark

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## Sweden: New indications of a split economy

Swedish consumers are better off than ever before – at least those that still have a job. They are also better placed than consumers anywhere else in the world: extremely low mortgage rates and big income and property tax cuts have bolstered private consumption. Add to that a still weak krona which supports domestic rather than foreign consumption. House prices have turned up quickly and are now rapidly approaching bubble levels.

However, Swedish industries are struggling more than ever. We expected industrial production to show a significant jump in August following an unprecedented 18-month fall. We were wrong. We thought there were good reasons to expect a turnaround in production as new orders had risen significantly in July and as the PMI production component had surpassed 55 (!) in the previous four months. Nonetheless, industrial production dropped for a 19th month, down 2.9% m/m, which is extremely weak. In year-on-year terms, production fell 20.9% and that comparison is still based on a weak outcome last year. Moreover, new orders dropped quite sharply again (-4.2% m/m, export orders down more than 8% m/m) which does not improve the outlook either.

What is really happening out there? New orders suggest that global demand for Swedish products remains weak. This may be explained by the fact that a large part (40%) of Swedish exports is investment goods for which demand is extremely weak as global manufacturing capacity utilisation remains very depressed. Many global industries probably start by switching on idle capacity before they start to think about new investments and this will have a negative impact on Sweden's exports and manufacturing industry. The fact that industrial production continues on a downward trend also suggests that inventory adjustment may not be over yet and that companies are continuing to shed inventories. This may be an indication that the 'inventory rebound' may not be as positive for Q3 GDP as is suggested in some forecasts. Moreover, it raises some concerns that the industry may have to cut costs further, despite the help it got from wage cuts in exchange for reduced lay-offs. If demand does not return soon, there is a risk of more cost cutting, a resurgence of lay-offs and upward pressure on unemployment. In our view, these figures do not give the Riksbank any reason to deviate from its current position.

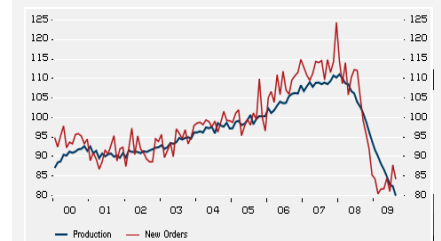
We see no compelling reason for the Riksbank to follow the steps taken by Australia's RBA (rate hikes) unless there are significant changes to the Swedish outlook. Australia might benefit more from the surge in commodity prices (and the proximity to China) and this probably also applies to Norway (via oil prices) where Norges Bank has already signalled that rate hikes are coming. But the Swedish situation appears quite different.

Add to that Latvian worries. Should Latvia fail to adhere to its deal with the IMF and sovereign lenders about the necessary budget cuts, it may find it hard to get any credit at all. In such a scenario, risks for Swedish banks will increase as the economy may be completely overthrown. That seems very unlikely. Nor does it seem very likely that the Latvian coalition government would realise its proposal to introduce a law which lets homeowners drop their keys off at the banks and then let them take the loss instead. Who would like to conduct banking in such a country? The most likely scenario is that the Latvians will swallow the pill, even though it may mean that they will have to live with credit losses in the banking system for several years ahead. In any event, as long as the situation in Latvia is uncertain and poses a potential threat to Swedish banks, it does not seem likely that the Riksbank will reduce revenues and profitability in Sweden by raising the repo rate quickly.

### Key events of the week

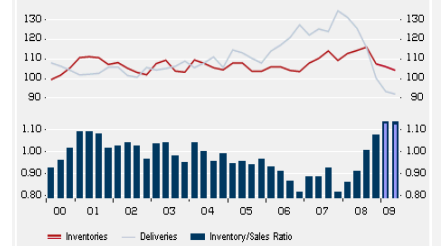
- The situation in Latvia will be main issue to watch. We continue to see high risks
- CPI (Tuesday)

### Down, down deeper and down



Source: Reuters Ecowin

### Inventory correction really over?



Source: Reuters Ecowin

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## Norway: Strong with weak spots

The outlook for the Norwegian economy is mixed at the moment. Generally there are clear signs of improvement, particularly in the retail trade and the housing market, whilst there are more mixed signals from manufacturing and construction.

The week ahead will see the publication of the conclusions of Norges Bank's regional network. The report from this network is published two weeks before the presentation of the monetary policy report, and plays an important role in the executive board's assessment of the state of the Norwegian economy.

The impression from the last report was that production as a whole was stabilising and that businesses were expecting a gradual improvement over the following six months. In the light of incoming data over the summer, we believe that the tendency towards improvement will hold. There is little doubt that private consumption has improved, which will make retailers more upbeat. We also believe that the outlook for construction is slightly brighter, after several months of higher house prices and signs of a turnaround in orders.

The big question mark is over manufacturing, where orders are proving to be a challenge in large parts of the shipbuilding industry. Given the excess capacity in parts of the shipping market, this means that a rapid turnaround in the offshore market is needed if capacity reductions are to be avoided.

On the other hand, the upswing in the global economy is beginning to have a positive impact on exports. At the same time the industrial production figures may now be indicating a tentative upturn in timber and timber products. Most importantly, perhaps, overall industrial production is now rising, which would indicate that these forces are currently stronger than the pull in the opposite direction from shipbuilding.

Overall, we therefore believe that the regional network will be sufficiently positive to justify an interest rate hike in October. At the same time, we believe that some of the details will be sufficiently weak to raise doubts as to whether the upswing in the Norwegian economy will be as strong as the fixed income market currently seems to think.

### Key events of the week

- Report from Norges Bank's regional network (Wednesday)
- Foreign trade figures for September (Thursday)

### Regional network – production



Source: Norges Bank

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# USA: Disunity in the FOMC

## Fed speeches send mixed signals

A string of speeches from members of the US Federal Reserve's monetary policy committee in recent weeks reveals an FOMC that is far from united. At the start of the week, New York Fed president Dudley and the president of the Dallas Fed, Fisher, delivered speeches peppered with very soft comments. Both are concerned that the large gap between actual and potential GDP, and the similarly large gap between actual and natural unemployment will push underlying inflation down to a worryingly low level.

In the other camp are a number of FOMC members who worry that monetary policy will be tightened too slowly: meaning the massive liquidity in the economy risks causing an explosion in credit growth that would be followed by rising inflation expectations. Hoening, who resides in this camp, noted in a speech this week that even with interest rates of 1-2%, monetary policy would remain accommodative, and in his opinion monetary policy should be tightened as quickly as possible.

What can we conclude from these mixed signals? One should mainly concentrate on communication from the inner circle of the monetary policy committee. This chiefly consists of Bernanke, vice chairman Kohn and the president of the New York Fed, Dudley. Here, there is no doubt that focus at the moment is on the huge amount of unused resources in the economy and the fear of deflation. This means that rate hikes are not just around the corner, and the Fed may well maintain its soft tone until very clear signs emerge that the current improvement in the economy is turning into a sustainable upswing. That said, one should recognise that even the smallest shift in rhetoric from the members of the inner circle could result in a marked reaction in the market's expectations on interest rates.

This makes two events particularly worth watching in the coming week. Both Kohn and Dudley are scheduled to speak on Tuesday, and the minutes of the latest FOMC meeting, which will probably reflect the disunity of the committee's members, are to be published on Wednesday.

## Coming week: consumers in the spotlight

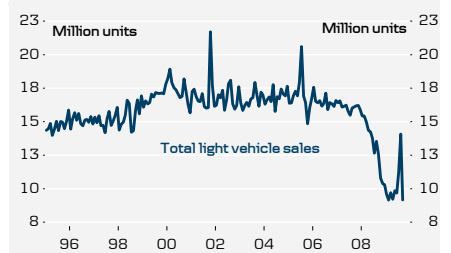
The most important data in the coming week are retail sales for September. The latest private consumption data hinted at an improvement in underlying demand. While overall retail sales are set to look weak due to a retreat in car sales, focus will be on whether the recovery in underlying retail sales is continuing. Looking at retail chain sales data, it would seem that core retail sales continued to trend upwards in September. The first consumer confidence numbers for October are also scheduled for the coming week and we expect to see a slight rise.

Following the disappointing September ISM for the manufacturing sector, the regional PMIs for October will attract considerable attention, and the first numbers will be released in the week ahead. Finally, consumer prices for September are due, and we expect a minor increase in both overall consumer prices and in core CPI for the month.

### Key events of the week

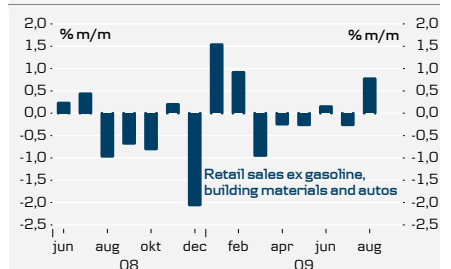
- Retail sales (Tuesday)
- Kohn and Dudley speak (Tuesday)
- FOMC meeting minutes (Wed.)
- Consumer prices (Thursday)
- Empire PMI (Thursday)
- Philly Fed (Thursday)
- Industrial production (Friday)
- Consumer confidence (Friday)

### Overall retail sales dragged down by car sales...



Source: Ecwin and Danske Markets

### ...but focus will be on the underlying trend



Source: Ecwin and Danske Markets

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# Euroland: Germany bounces back

## Germany is rebounding

German orders and industrial production rose further in August. We had expected a decline in orders in August as the previous month's strength was reported to be due to temporary military orders. We did see a big decline in domestic capital goods orders reflecting this, but total orders still increased 1.4 % m/m driven by a 4.6% m/m increase in export orders, emphasizing that the German export rebound story, which we have been pushing for some time, remains on track

Total orders are now up 17.1% (not annualised) from the bottom in February. This is the strongest growth rate since 1976 and underpins our expectation of strong German growth in Q3 and Q4. At face value, the orders point to annualised growth in Germany of 7.5% q/q.

Industrial production increased by 1.7% in August following a 1.0% decline in July. Industrial production is now up 6.3% since its bottom in March. The strong orders indicate that we should see further increases in production in the coming months. The prospects of tax cuts from the new government may strengthen this trend. Even if production remains unchanged in September industrial production will still be up 2.2% q/q in Q3. Given weakness elsewhere in the economy we expect growth of c. 1.0% q/q in Q3. We expect German growth to remain strong in Q4.

## Euroland about to rebound too

Next week is set to be rather calm, but we will get industrial production data for the whole euro area. With industrial production up 1.7% m/m in Germany, 1.8 % in France, 1.1% in Spain and a questionable 7.0% in Italy this is likely to be a rather strong figure. Our model indicates that we should expect 1.4% m/m industrial production growth in August. We expect further increases in industrial production in September, but in the absence of this we should see 1.6% q/q growth in industrial production in Q3.

The German ZEW indicator's expectation component is projected to increase from 57.7 to 60.1. This week the Sentix indicator increased to the highest level in 15 months, but the increase was driven primarily by an improvement in the assessment of the current conditions while expectations only increased slightly. A similar pattern is likely to be seen in the ZEW components.

## Fiscal exit strategies

It is almost a reflex for central bankers to ask for prudent fiscal policies, but ECB President Trichet's tone on fiscal policy is slowly becoming more harsh. At the press conference following this week's ECB Governing Council meeting in Venice, Trichet said that "the need for ambitious and realistic fiscal exit and consolidation strategies is becoming increasingly pressing. It's vital that governments put in place concrete structural measures and convincingly communicate that they are committed to ensuring the sustainability of public finances".

Trichet was also more specific than usual when he outlined that consolidation efforts should be stepped up in 2011 and will need to exceed significantly the benchmark of 0.5% pa of GDP set in the Stability and Growth Pact. He then specifically recommended that, in countries with high deficit and/or debt ratios, the annual structural adjustment should reach at least 1% of GDP.

### Key events of the week

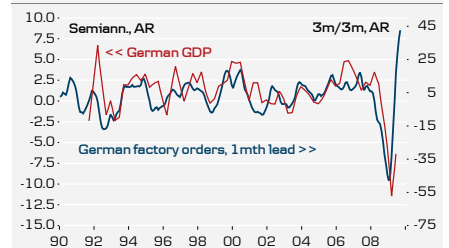
- German ZEW in October (Tuesday) is projected to show a modest increase.
- Industrial production increased strongly in August (Wednesday) as already seen in National data
- Inflation in September (Thursday) is expected to be confirmed at -0.3 %. Core inflation could show additional softness

### Germany rebounds



Source: Reuters Ecowin

### Positive signals



Source: Reuters Ecowin

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# Asia: Old habits die hard

## Asian central banks intervene

Asian currencies are continuing to strengthen, and in the past week a large number of Asian central banks appear to have intervened significantly in the FX market to stem the tide. Only a few, such as the Bank of Thailand, have explicitly confirmed intervention. Japan has not been involved, and although new finance minister Hirohisa Fujii is still keeping his options open, his comments do not suggest that intervention is imminent.

It was largely the Reserve Bank of Australia's surprise rate increase during the week which pushed the appreciation of Asian currencies up a gear, drawing attention to how Asian central banks will be tightening monetary policy earlier and further than those in the US and Europe. The strengthening of Asian currencies is also fully in line with the global 'rebalancing' agreed at the G20 meeting in Pittsburgh, although there was no explicit mention of stronger Asian currencies in the closing statement. For as long as growth remains fragile, most Asian countries will not be keen to see their currencies appreciate. The potential for appreciation in the short term will therefore presumably be limited by central bank intervention. The big surge in Asia's currencies will not come until the focus of monetary policy shifts more from growth to inflation, as will be the case when the Asian central banks begin to put up interest rates. We do not expect this to happen to any notable extent until H1 next year.

## Chinese exchange rate policy unsustainable in the longer term

Besides monetary policy tightening, the CNY will be key to both when and how far Asian currencies strengthen. The current trend underlines how unsustainable China's exchange rate policy is for the global economy in the longer term. As China is currently holding its exchange rate against the USD largely unchanged, the effective Chinese exchange rate has actually fallen significantly in recent months. This is naturally one of the reasons why the rest of Asia is reluctant to allow its currencies to appreciate against the USD. As China is also one of the economies that fared best during the financial crisis, it is ultimately also China that has the least need for its currency to appreciate. A change in China's exchange rate policy and a stronger CNY are therefore absolutely essential for global rebalancing. We believe that there will be a shift in China's exchange rate policy next year with a return to gradual appreciation against the USD and/or the CNY being allowed to 'float' more freely.

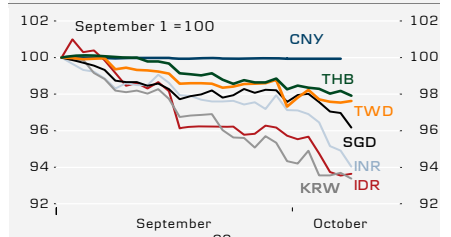
## Bank of Japan could phase out some quantitative easing

The coming week will see a spotlight on the monetary policy meeting at the Bank of Japan. There has been speculation in the press that the bank is to end its purchases of corporate bonds and commercial paper. These programmes are now so small in size that it is difficult to see them having any major influence on either the market or companies' funding opportunities. All in all, Japanese quantitative easing has been very modest relative to that in the US and Europe, so the BoJ's exit from these programmes will be far less problematic and will probably not, in itself, have any great impact on the markets.

### Key events of the week

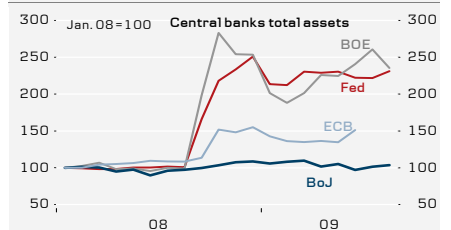
- Singapore first to release Q3 GDP (Monday)
- Monetary policy meeting at Bank of Japan (Wednesday)
- Chinese trade figures (Wednesday)
- Chinese FX reserves and bank lending for September

### Asian currencies gaining against USD



Source: Reuters EcoWin

### Japanese quantitative easing only modest



Source: Reuters EcoWin

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# UK: Production spoiled the fun

Most UK data surprised positively. Halifax house prices showed yet another strong monthly increase providing further evidence that the housing market is indeed bottoming out. Service PMI beat estimates and rose further to 55.3 in September from 54.1 in August signalling clear expansion in the service sector. Car registrations rose 11.4% y/y up from 6.0% y/y in August. Finally, nationwide consumer confidence surprised to the upside rising to 71 in September from 65 in August.

However, industrial production declined 2.5% m/m in August contrary to expectations of a small rise. This casts some doubt over the improvement in manufacturing signalled in a range of other surveys such as PMI new orders that has been above the 50 line for the past three months pointing to expansion in production. A spokesman from the ONS said there had been anecdotal evidence of production shutdowns in August, which might explain some of the decline. If this holds true we should see a strong rebound in September.

## Bank of England hands off

Bank of England (BoE) refrained from adding to the current asset purchase programme and did not lower the deposit rate either, which was in line with expectations. BoE kept the door open for further easing though, and the November meeting is likely to be the big one as it will have a new inflation report to chew on and the asset purchase programme will most likely be completed. With the current overall improvement in data – and with an expected rebound in September production – we believe BoE will stay away from further easing measures.

## Bond market supported by new FSA liquidity standards

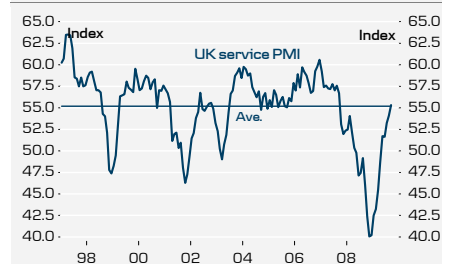
As the first country in G20 the UK will impose new strong liquidity requirements on UK banks. This is likely to strongly increase demand for government bonds from UK banks and may alleviate some of the upward pressures on bond yields when Bank of England needs to exit and get rid of its government bond holdings again. Under the new rules banks and investment firms might have to increase holdings of easily saleable assets by GBP370bn or cut reliance on short-term funding by 80% and boost cash and bonds by GBP170bn. The plans will not be implemented though, before regulators are confident the economy is out of the recession.

The announcement added to declines in UK bond yields and bonds have outperformed peers in Euroland and US. On top of this bonds have been supported by deleveraging and a dovish BoE. However, with data improving we believe BoE will gradually change bias and hence bond yields are expected to turn higher in the medium term. In the short term demand for bonds has proven high though, and there are no clear signs this is about to end.

### Key events of the week

- RICS house price survey (Tuesday). Look for further improvement
- Inflation (Tuesday). Should decline but has proved more sticky than expected
- Unemployment (Wednesday). More job losses expected but pace may moderate further

### Service back at trend growth



Source: Reuters Ecowin

### Ups, production slipped in August



Source: Reuters Ecowin

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# Switzerland: Zero inflation

## Still no price pressures in the Swiss economy

The latest consumer price data confirm the picture has formed since the Swiss economy entered recession – there are no price pressures in the economy. Inflation was -0.9% in September, and while the bulk of the fall in prices was due to the collapse in energy prices last autumn, core inflation measures, which correct for this, continue to move lower. Overall, core measures indicate inflation at just above 0%, which fits well with the fact that there is still significant spare capacity in the economy, and that increasing unemployment continues to dampen wage pressures. Thus it is still too early to completely ignore the risk of deflation, which is also the reason why the Swiss National Bank decided in September to maintain the emergency monetary policy measures that were introduced in March. Activity data does, however, continue to show signs of improvement, and as the economy returns to positive growth rates, deflationary pressures can be expected to ease.

## Risk appetite gradually regaining importance

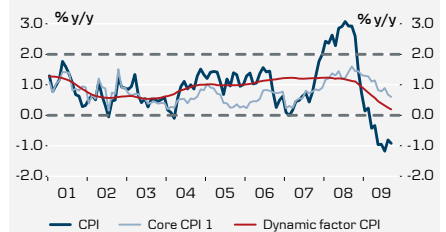
Since EUR/CHF tested, but failed to break below, 1.5083 – just above the level at which the SNB presumably intervened last week – the cross has gradually traded higher. The weakening of the franc has occurred in tandem with a general improvement in risk appetite (rising equity markets) and without any help from economic data. Although the correlation between the franc and risk almost collapsed in the first half of the year, exchange rate movements in the past week illustrate the trend that has been apparent since July – the correlation has gradually strengthened again. Thus risk appetite (equity price movements) tends to explain a substantial portion of the exchange rate movements in EUR/CHF within the narrow 1.5077-1.5244 range of recent weeks.

Given our expectation of additional support to equity markets from further improvements in global activity data and positive earnings reports, it looks like we will see EUR/CHF test the upper of its narrow range in the coming weeks. However, we do not expect to see a break out of the broader 1.5008-1.5380 (post April) range anytime soon.

### Key events of the week

- PPI (Tuesday)
- ZEW (Thursday)
- Retail sales (Friday)

### Still no price pressures in Switzerland



Source: Reuters EcoWin and SNB

### EUR/CHF spot rate



Source: Reuters EcoWin

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## 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	2008	-1.2	-0.1	1.5	-5.0	0.2	2.3	3.5	3.4	1.8	3.6	33.3	2.2
	2009	-4.5	-5.0	2.2	-12.9	-1.5	-10.0	-13.6	1.5	3.5	-2.6	38.3	1.4
	2010	1.6	2.3	1.4	-2.1	0.7	2.8	5.0	2.1	5.2	-5.2	45.1	1.0
Sweden	2008	-0.4	-0.2	1.5	2.7	-0.6	1.9	3.0	2.2	6.1	2.5	37.5	8.3
	2009	-5.1	-1.2	1.0	-17.2	-1.2	-14.7	-16.3	3.4	8.7	-1.3	39.6	7.0
	2010	0.8	1.3	1.0	-6.3	0.0	2.4	-0.5	-0.3	11.4	-2.7	43.5	7.6
Norway	2008	2.1	1.2	3.8	3.8	0.7	1.3	4.4	3.8	2.5	8.0	26.0	19.0
	2009	-1.0	0.1	6.1	-4.1	-1.3	-7.6	-11.5	2.0	3.3	12.0	26.0	24.9
	2010	3.3	3.8	4.8	2.7	0.8	0.2	2.8	1.4	3.7	13.9	26.0	24.8

### 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	2008	0.6	0.3	2.2	-0.7	0.1	1.1	1.1	3.3	7.6	-1.9	69.3	-0.8
	2009	-3.7	-0.3	2.3	-9.5	-0.7	-13.5	-11.9	0.3	9.4	-4.7	77.1	-1.7
	2010	2.2	0.6	2.1	3.2	0.3	6.1	4.9	1.2	10.0	-5.2	82.1	-1.5
Germany	2008	1.3	-0.6	1.9	2.6	0.1	3.5	5.5	2.9	7.4	-0.5	63.0	7.1
	2009	-4.8	0.2	1.9	-4.0	-0.4	0.2	2.5	0.3	8.2	-3.5	67.0	5.2
	2010	2.6	1.2	1.9	1.5	0.2	4.0	4.5	1.1	8.5	-5.5	72.0	5.4
France	2008	0.8	0.8	1.4	0.5	0.0	2.0	1.8	3.3	7.8	-2.9	66.0	-1.6
	2009	-1.8	-0.4	1.6	-3.8	-0.3	-0.3	-0.4	0.4	8.6	-5.0	71.0	-1.4
	2010	2.1	1.6	1.4	2.1	0.2	2.9	2.9	1.3	9.1	-6.0	78.0	-1.6
Italy	2008	-0.3	-0.6	1.2	-1.5	0.0	0.3	-1.5	3.6	7.0	-2.6	103.0	-2.6
	2009	-4.5	0.2	1.2	-4.8	-0.3	-0.6	-0.9	0.8	8.5	-4.0	107.0	-2.1
	2010	1.7	0.3	1.0	2.0	0.2	2.0	2.4	1.9	9.1	-4.5	111.0	-2.5
Spain	2008	1.2	0.1	5.3	-3.0	0.0	0.7	-2.5	4.1	11.3	-3.8	38.0	-10.0
	2009	-3.5	-4.7	3.4	-12.0	-0.2	-19.0	-21.0	0.0	18.9	-9.5	47.0	-6.0
	2010	0.3	-1.0	2.0	-2.4	0.1	10.8	4.1	1.4	21.0	-9.0	56.0	-6.0
Finland	2008	1.0	1.9	2.0	0.3	-0.6	7.3	7.0	4.1	6.4	4.2	33.4	2.4
	2009	-6.2	-2.8	1.0	-12.0	0.0	-23.0	-20.0	0.0	8.9	-2.8	41.5	0.6
	2010	1.0	0.2	0.0	-3.0	0.0	5.0	2.5	1.2	10.0	-4.2	49.0	1.1

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

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

# Financial forecast

## Bond and money markets

		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	09-Oct	0.13	0.28	1.26	3.42	147.3	-	505.5
	+3m	0.13	0.30	1.70	4.10	152	-	490
	+6m	0.13	0.30	2.10	4.40	150	-	497
	+12m	0.13	0.40	2.30	4.50	145	-	514
EUR	09-Oct	1.00	0.74	1.73	3.38	-	147.3	744.4
	+3m	1.00	1.00	2.00	3.80	-	152	745.0
	+6m	1.00	1.20	2.25	4.00	-	150	745.0
	+12m	1.50	1.80	2.80	4.25	-	145	746.0
JPY	09-Oct	0.10	0.34	0.57	1.41	131.4	89.2	5.67
	+3m	0.10	0.35	0.55	1.55	143	94	5.21
	+6m	0.10	0.30	0.65	1.65	145	97	5.14
	+12m	0.10	0.30	1.00	1.90	148	102	5.04
GBP	09-Oct	0.50	0.55	1.73	3.70	91.9	160.3	810.2
	+3m	0.50	0.75	2.30	4.50	84.0	181	887
	+6m	0.50	0.75	2.60	4.75	82.0	183	909
	+12m	1.00	1.20	3.20	5.00	78.0	186	956
CHF	09-Oct	0.25	0.29	0.76	2.49	151.8	103.1	490.3
	+3m	0.25	0.30	0.95	2.65	152	100	490
	+6m	0.25	0.40	1.10	2.75	154	103	484
	+12m	0.50	0.60	1.45	2.90	156	108	478
DKK	09-Oct	1.25	1.59	2.32	3.68	744.4	505.5	-
	+3m	1.25	1.70	2.60	4.05	745	490	-
	+6m	1.25	1.80	2.75	4.25	745	497	-
	+12m	1.75	2.30	3.25	4.55	746	514	-
SEK	09-Oct	0.25	0.51	1.63	3.45	1029.5	699.1	72.3
	+3m	0.25	0.60	1.90	3.95	1000	658	74.5
	+6m	0.25	0.60	2.60	4.35	980	653	76.0
	+12m	1.00	0.75	3.40	4.75	960	662	77.7
NOK	09-Oct	1.25	2.02	3.49	4.62	835.1	567.2	89.1
	+3m	1.50	2.20	3.75	4.50	840	553	88.7
	+6m	2.00	2.60	4.25	4.70	820	547	90.9
	+12m	2.75	3.35	4.80	4.90	820	566	91.0
PLN	09-Oct	3.50	4.08	4.88	5.49	424.5	288.2	175.4
	+3m	3.50	4.10	5.00	5.85	410	270	182
	+6m	3.50	4.10	5.20	6.10	405	270	184
	+12m	3.50	4.10	5.80	6.35	400	276	187

## Equity markets

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

## Commodities

	09-Oct	2009				2010				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010
ICE Brent	69	46	60	69	76	76	76	78	80	63	78
Aluminium	1,910	1,401	1,526	1,834	1,900	1,900	1,900	2,100	2,100	1,665	2,000
Copper	6,330	3,478	4,685	5,830	6,500	6,300	6,300	6,400	6,600	5,123	6,400
Zinc	2,084	1,204	1,503	1,765	2,000	2,000	2,000	2,200	2,200	1,618	2,100
Gold	1,049	909	923	957	1,000	1,030	1,050	1,000	980	947	1,015
CBOT Wheat*	470	614	620	516	550	600	600	600	600	575	600
CBOT Corn*	363	417	431	332	360	400	400	400	400	385	400

\* Note: US\$/bushel

Source: Danske Markets

# Calendar

## Key Data and Events in Week 42

Monday, October 12, 2009				Period	Danske Bank	Consensus	Previous
9:30	DKK	CPI	m/mly/y	Sep	0.4% 1.1%		0.3% 1.1%
18:15	USD	NEC's Summers speaks					
19:15	USD	Treasury's Kreuger Speaks					
23:45	NZD	Retail sales	m/m	Aug		0.5%	-0.5%

Tuesday, October 13, 2009				Period	Danske Bank	Consensus	Previous
-	OTH	Earnings - Intel					
1:01	GBP	BRC Sales Monitor		Sep			
1:01	GBP	RICS House Price Balance	Index	Sep		15.0	10.7
1:50	JPY	Money supply M2+CD	y/y	Sep		2.9%	2.8%
2:30	AUD	NAB business confidence	Index	Sep			18
8:45	FRF	Inflation (HICP)	m/mly/y	Sep		0.0% -0.3%	0.6% -0.2%
9:15	CHF	Producer & Import prices	m/mly/y	Sep		0.1% -4.8%	0.1% -5.5%
9:30	SEK	CPI	m/mly/y	Sep		0.4% -1.4%	0.2% -0.8%
10:30	GBP	CPI	m/mly/y	Sep		0.2% 1.3%	0.4% 1.6%
11:00	DEM	ZEW economic sentiment	Index	Oct	60.1	58.0	57.7
11:00	DEM	ZEW Current Situation	Index	Oct	-69.5	-67.1	-74.0
11:30	EU	ECP's Tumbel-Gugereil Speaks in Brussels					
14:30	USD	White House's Romer speaks					
19:15	USD	Fed's Dudley (voter, neutral) speaks					
19:45	USD	Fed's Kohn (voter, neutral) speaks					

Wednesday, October 14, 2009				Period	Danske Bank	Consensus	Previous
-	CNY	Total Export	y/y	Sep		-21.0%	-23.4%
-	CNY	Total Import	y/y	Sep		-15.0%	-17.0%
-	CNY	Trade balance	USD bn	Sep		17.00	15.70
-	JPY	BoJ Monetary Policy Announcement	%		0.10	0.10	0.10
-	OTH	Earnings - JP Morgan, Morgan Stanley					
1:50	JPY	Domestic CGPI	m/mly/y	Sep		0.1% -7.9%	0.0% -8.5%
7:00	JPY	Consumer sentiment survey	Index	Sep		41.3	40.4
9:00	ESP	Inflation (HICP), final	m/mly/y	Sep			0.4% -1.0%
10:30	GBP	Jobless Claims Change	1000	Sep		25.0	24.4
10:30	GBP	Average Earnings	3Ms/YoY	Sep		1.9%	2.2%
11:00	EUR	Industrial production	m/mly/y	Aug	1.4%	1.0% -15.8%	-0.3% -15.9%
13:00	USD	MBA mortgage applications					
14:00	NOK	Regional network report (Norge's Bank)					
14:30	USD	Import prices	m/mly/y	Sep		0.2% -11.6%	2.0% -15.0%
14:30	USD	Retail sales	m/m	Sep	-3.0%	-2.1%	2.7%
14:30	USD	Retail sales less autos	m/m	Sep	0.1%	0.2%	1.1%
15:15	DEM	ECB's Bini Smaghi Speaks in Freiburg					
20:00	USD	Minutes from FOMC meeting					
20:30	USD	Fed's Tarullo (voter, neutral) testifies at Senate panel					
23:30	NZD	Business PMI	Index	Sep			48.7
23:45	NZD	CPI	q/qly/y	3rd quarter		0.8% 1.1%	0.6% 1.9%

Source: Danske Markets

Calendar - continued

Thursday, October 15, 2009			Period	Danske Bank	Consensus	Previous
-	OTH	Earnings - Nokia, CitiGroup, Goldman Sachs, IBM				
1:30	AUD	RBA Governor Stevens speaks in Perth				
2:30	AUD	RBA foreign exchange transactions	Sep			576M
6:30	JPY	Industrial production, final	Aug			1.8% 18.7%
7:00	JPY	Bank of Japan Monthly Report				
10:00	NOK	Trade balance	Sep			24.9
10:00	ITL	Inflation (HICP), final	Sep			0.6% 0.3%
11:00	EUR	Core Inflation	Sep	1.2%	1.2%	1.3%
11:00	CHF	ZEW survey (expectations)	Oct			58.0
13:25	DEM	ECB's Trichet Speaks on 'lessons from Crisis', Frankfurt				
14:30	USD	CPI	Sep	0.1% 1.4%	0.2% 1.4%	0.4% 1.5%
14:30	USD	CPI ex. food & energy	Sep	0.2% 1.6%	0.1% 1.4%	0.1% 1.4%
14:30	USD	Initial jobless claims			525	521
14:30	USD	Empire Manufacturing	Oct		18.00	18.88
15:45	USD	Fed's Bullard (non-voter, neutral) speaks				
16:00	USD	Philadelphia Fed.	Oct	17.0	12.0	14.1

Friday, October 16, 2009			Period	Danske Bank	Consensus	Previous
-	JPY	Cabinet Office Monthly Report				
-	OTH	Earnings - General Electric, Bank of America + Merrill Lynch				
9:15	CHF	Retail sales, real	Aug			1.0%
13:00	CAD	CPI	Sep		0.1% 0.8%	0.0% 0.8%
13:00	CAD	CPI - BoC core rate	Sep		0.2% 1.4%	0.1% 1.6%
15:00	USD	TICS international capital flow, Net inflow	Aug			-97.5
15:15	USD	Industrial production	Sep	-0.2%	0.1%	0.8%
15:15	USD	Capacity utilization	Sep		69.7	69.6
16:00	USD	University of Michigan Confidence, prel.	Oct	74.7	73.5	73.5

During the week			Period	Danske Bank	Consensus	Previous
Wed 07 - 16	USD	Budget statement	Sep			45.7
Sun 11 - 15	CNY	Foreign Exchange Reserves	Sep			2131.61
Mon 12 - 14	CNY	Money supply M2	Sep		28.5%	28.5%
Tue 13 - 16	CNY	Actual FDIC Cumulative	Sep		-14.35%	-17.50%

Source: Danske Markets

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