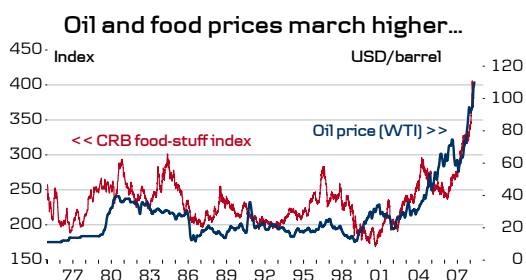


# Weekly Focus

April 11 - 18, 2008



World growth revised down by IMF

IMF GDP fcst, %	2008	2009
World	3.7 (4.2)	3.8 (4.4)
US	0.5 (1.5)	0.6 (1.8)
Euro	1.4 (1.6)	1.2 (1.9)
Japan	1.4 (1.5)	1.5 (1.7)
China	9.3 (10.0)	9.5 (10.0)

Note: Previous fcst in paranthesis

## The challenges are many

The IMF is having its spring meetings this week, and this weekend G7 finance ministers and central bank heads meet in Tokyo. There is plenty for policy makers around the world to discuss. We highlight below some of the current economic challenges:

- **Growth-inflation trade off:** Commodity prices have risen at the strongest pace in 30 years and added to inflation pressures, but at the same time pulled down economic growth. How should central banks respond? Are inflation targets set too low? Will inflation targeting be put to question?
- **Food prices:** Food price inflation is increasingly leading to instability in Emerging Markets. Policy moves to get food prices down is on the agenda.
- **Financial crisis:** The IMF has estimated that total losses related to the crisis may be as high as USD 1,000bn. What is the economic impact and what should the response be? Is more regulation the answer? Should "victims" of the crisis be bailed out or be allowed to feel the full loss. Could we see more coordinated efforts to ease up money markets?
- **Asset prices role in central bank policy:** Should house prices be part of central bank policy framework? There is rising evidence that the housing cycle is having a strong impact on the economic cycle and financial stability.
- **Strong move in currencies:** The dollar has weakened substantially and G7 policy makers are faced with the question of intervention to stem some of this move. Dollar-peggers with an inflation problem could choose to leave the dollar-peg.

We are in uncharted territory in many areas, and it adds uncertainty to projections - especially for monetary policy. We are indeed dealing with many Black Swans at the moment!

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# Denmark

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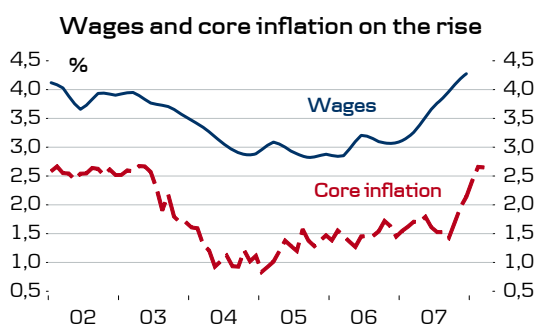
## Big pay rises pushing core inflation up

Inflation was unchanged in March, at 3.1%. There are no signs of inflation having topped out just yet. We do not expect that to happen until summer 2008, when the inflation rate should hit about 3.5%. Next year, inflation should edge down to roughly 2.4%, which is still a high level; not least considering that Denmark's fixed-exchange-rate policy links the Danish central bank's aim of stable prices with the ECB's inflation target of 2% for the euro-zone.

While higher inflation is driven, not least, by a steep increase in energy and food prices, the large wage increases in Denmark are also beginning to push price levels upwards. There are no signs of energy prices beginning to fall at this time. On the contrary, the price of oil hit a new record of USD 112 dollar in the past week. Food prices have surged by no less than 7.6% during the past year. This is the biggest increase in food prices since 1984, when Denmark's fixed-exchange-rate policy was only two years old and prices were still in a phase of stabilisation. We expect food prices to cool a little over the next year or so, although prices will probably keep rising at a rate of 4-5% in the coming years.

While the high energy and food prices are unfortunate, what gives rise to concern is the increase in domestic Danish inflation. Big pay increases are pushing the prices of Danish goods upwards, which is hurting competitiveness. This is unfortunate at a time when the economy is on the brink of a slowdown - not least, because it often takes a long time for the rate of the wage increases to edge back down, even if the economy and the labour market should run out of steam. Hence, we might find ourselves in a situation where the prices of goods produced in Denmark could be increasing at a faster rate than the prices of goods produced outside Denmark, thus putting further pressure on competitiveness at a time when the economy could be slowing. Naturally, a continued weakening of the dollar would further squeeze Danish competitiveness.

The core consumer price index, which excludes food and energy, has moved up by 2.7% during the past year, which is the biggest increase since 2003. Domestic price pressures are also reflected in services prices, which have moved up by 2.8% over the last year, rising at their fastest rate since 2004.



### Key events in the week ahead

- No important indicators due out in the coming week.

# Sweden

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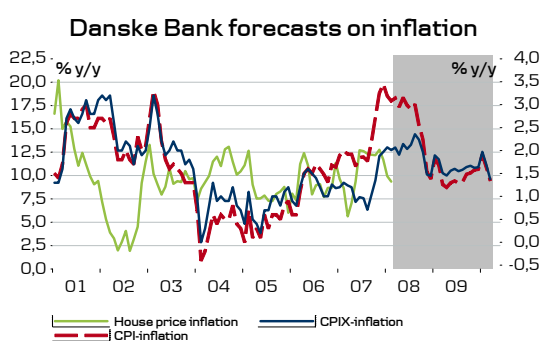
## We will focus on inflation in the next few months

Our forecasts point to an above 50% chance of a cut in interest rates in September. This is founded on continued deterioration of international demand growth, slower exports (and domestic demand) growth and a clearly weaker labour market than the Riksbank is expecting. In addition, we believe that inflation will continue to come in a notch or two below the Riksbank's forecast.

An "above 50% chance" may not come across as overly confident, but we do feel confident in our forecasts for the real economy and our views on inflation prospects. What we are less certain about is how the Riksbank will react to outcomes in line with our forecasts (and no, this is not just another stab at the Riksbank's communication policy). We also have to admit that the board's composition has changed quite fundamentally over the last few years and priorities have changed accordingly. For instance, CPI-inflation and inflation expectations have gained weight in the Riksbank's analysis.

We would like to take this opportunity to underline that we previously – and wrongly – thought that the deterioration of demand prospects etc thus far would be sufficient already in February to alter the Riksbank's views on correct monetary policy actions. This risk should also not be underestimated going forward. We, again, believe that a deterioration of demand, labour market etc vis-à-vis the Riksbank forecast will be sufficient to provoke a cut in September. Any deviation from our forecasts over the coming months pointing to stronger demand, labour markets or inflation (expectations), might be sufficient to – again – make us appear "foolishly dovish" on the Riksbank.

Given that the deterioration in the real economy continues to undershoot the Riksbank's expectations, we believe it to be of utmost importance that inflation and inflation expectations do not behave differently from our forecasts. That is, inflation must not rise from these levels (circa 3% y/y) and inflation expectations should preferably come down or at least be stable around current levels (circa 3.5% y/y). Next week's inflation figures will provide the first highly interesting input.



### Key events of the week ahead

- Inflation will of course attract a great deal of attention. Should the gap to the Riksbank's forecast continue or even increase, it would be yet another piece to fit our puzzle.
- Focus on house price inflation has receded considerably over the last year. However, we believe that a continued downward pressure on house prices is necessary if this variable is not to surge in the Riksbank's analysis again...

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 14	9:30	SEK CPI	m/m/y/y	0.7% 3.1%	0.7% 3.2%	0.4% 3.1%
Mon 14	9:30	SEK Underlying inflation, UND1X	m/m/y/y	0.6% 2.1%	0.5% 2.1%	0.4% 2.0%
Wed 16	9:30	SEK House prices	mn. SEK			1.948

# Norway

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## Inflation ticks up

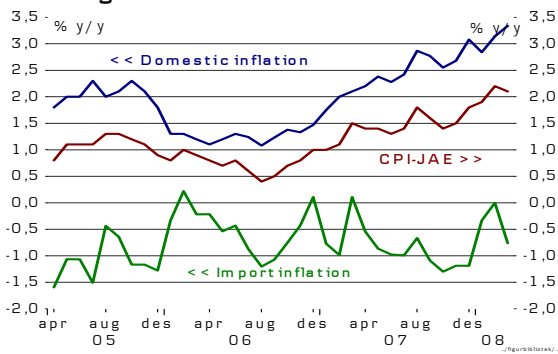
As expected, core inflation was 2.1% y/y in March. Food prices, transport costs and rents rose more than we anticipated, while clothing and footwear prices fell slightly, but the overall picture of Norwegian inflation stands: domestic inflation continues to tick upwards, driven by strong growth in costs and high capacity utilisation (which makes it easier to pass rising costs onto customers). It also appears that the period of imported deflation is drawing to a close. Higher food and commodity prices have pushed up global inflation, and this is also hitting the prices of goods imported into Norway.

The current domestic cost inflation is a result of strong wage growth in 2006 and 2007 (5.4% in 2007). This year's wage growth will be even higher (close to 6%), so there is no reason to assume that domestic inflation is about to fall back, and we expect it to climb above Norges Bank's 2.5% target during the course of the year.

The only way Norges Bank can reverse this trend is to tighten monetary policy so the labour market will weaken sufficiently for wage growth to drop back. There have been no signs to date of this happening. We therefore expect that Norges Bank will raise interest rates at its meeting in April, and that future rate-setting will depend on developments in the financial markets and on how sharply inflation in Norway rises.

Tradition does not suggest that we can expect any new signals from Norges Bank governor Svein Gjedrem in his speech in Sandefjord on Wednesday.

### Leading indicators



### Key events of the week ahead

- Trade balance data for March on Tuesday.
- Norges Bank governor Svein Gjedrem speaks on Wednesday.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Tue 15	10:00	NOK Trade balance	Mar	37.0	37.0	36.1

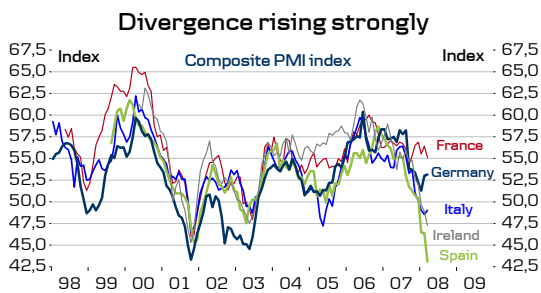
# Euroland

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## Rising divergence

The past week brought little to change the Euroland growth picture. German industrial orders showed tentative signs of slowing in February with the third monthly decline in a row. Overall, the orders point to softer exports but still very strong domestic investment growth. We doubt though that investment growth can continue its strong growth rates. Firstly, investment growth tends to lag the general business cycle by one to two quarters. Second, demand is softening across the board with both weak consumption growth and softening exports. And finally the credit crisis has led to some tightening of lending standards and higher financing costs for many companies. Industrial production data for Germany was also released last week and contrary to orders it continued to show solid rises. This indicates that the first quarter could surprise to the upside. The German newspaper *Zeit* reported that initial estimates of first quarter GDP are in the region of 0.6%-0.7% q/q, higher than consensus at 0.5%. So overall, German GDP growth is holding up, which helps the ECB keep a fairly optimistic view of Euroland growth. The IMF this week, however, released a rather downbeat picture, revising down growth in Euroland to 1.4% in 2008 and 1.2% in 2009.

However, other parts of Euroland are suffering. Composite PMI data for Spain, Italy and Ireland point to a significant weakening of activity over the last two quarters. France is slightly harder hit than Germany in manufacturing but the service sector is still strong and holding the composite PMI up. Spain and Ireland are being hit from all sides. The cooling in housing that was already underway has been exacerbated by the credit crisis and there is increasing risk of a quite hard landing for construction. In addition, these countries are hit by the same headwinds as in other countries, which are a very strong currency, slowing growth on export markets and high oil and food prices. Germany and, to some extent, France hold the key to any easing from the ECB. As long as Germany looks strong, the ECB can stay off the hook. But we think Germany will slow down as well in the coming quarters and this will leave the Euro economy quite vulnerable, hence leading to rate cuts from the ECB during the autumn.



## This week's events

- Final inflation numbers are out Wednesday with details on core inflation
- There will be little news on the growth picture
- Euroland industrial production is released Monday but will not add anything new.
- ZEW is released Tuesday but it has been a very poor predictor over the last two years
- Look out for the ECB's lending survey, which may come this week (no release date).

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 14	11:00	EUR Industrial production, s.a.	m/m	Feb	0.2%	0.9%
Tue 15	8:45	FRF CPI	m/m y/y	Mar	0.6% 3.0%	0.2% 2.8%
Tue 15	11:00	EUR ZEW economic sentiment	Index	Apr		-35.0
Tue 15	11:00	DEM ZEW economic sentiment	Index	Apr		-32.0
Tue 15	11:00	DEM ZEW current situation	Index	Apr		32.1
Wed 16	11:00	EUR CPI	m/m y/y	Feb	↓3.5%	0.9% 3.5%
Wed 16	11:00	EUR CPI core	y/y	Mar		2.2%
Fri 18	8:00	DEM PPI	m/m y/y	Mar		0.7% 3.8%

# US

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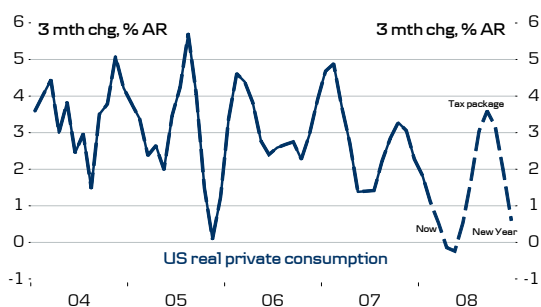
## More worrying data in prospect

There was little in the way of optimism to be found in the minutes of the last FOMC meeting published on Tuesday evening (see also *Flash Comment - FOMC: More doom and gloom*). The Federal Reserve has revised its growth expectations markedly downwards since the beginning of the year. Both the Fed staff and several members of the FOMC now anticipate negative growth in the first two quarters, followed by a gentle upswing in the second half. Although the Fed is sticking to its main scenario of economic growth returning to just above trend during the course of 2009, a number of FOMC members have begun to fear a longer-lasting downturn.

On the other hand, other members are expressing growing concern about inflation, as illustrated by two members voting against the 75bp rate cut. In other words, there are the beginnings of a split within the FOMC over whether to focus solely on growth or also keep half an eye on the high rate of inflation. As we wrote last week, this may put a limit on how much further monetary policy can be eased. However, given the prospect of a continued stream of weak activity data in the coming months, we still reckon that the fed funds rate will be cut by 50bp in April and 25bp in June, which means that it will hit 1.50% before the Fed goes on hold.

The coming week brings a variety of interesting data, none of which are likely to alleviate either inflation or growth fears. Monday brings figures for retail sales in March, which we expect to edge up 0.1% m/m overall. Given the current rate of inflation, this equates to a drop in real private consumption of 0.2% m/m. This means that growth in real private consumption will fall to 0.5% q/q AR in Q1 from 2.3% q/q AR in Q4. The week also brings figures for homebuilding and inflation, and again there is no prospect of encouragement. The homebuilding figures are expected to show a continued decline, while inflation will once again be affected by the sharp rise in energy and food prices. Finally, the week brings the Beige Book, which will probably just confirm that economic growth has more or less ground to a halt.

While we await the tax cuts



## Key events of the week ahead

- Soft retail sales figures expected for March.
- Producer prices will climb 0.8% m/m in March, while the core index is expected to be surprisingly low, edging up 0.1% m/m.
- Housing market data will show a continued slide in construction activity in March and low homebuyer confidence in April.
- Consumer prices will climb 0.4% m/m and 0.2% m/m ex food and energy.
- The Beige Book will paint a bleak picture of the economy.
- The local confidence indices for April may pick up a tad, but will still be in negative territory.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 14	14:30	USD Retail sales	m/m ly/y	0.1%   2.1%	0.0%   .	-0.6%   2.6%
Mon 14	14:30	USD Retail sales less autos	m/m ly/y	0.3%   3.8%	0.2%   .	-0.2%   4.4%
Mon 14	20:30	USD Fed's Warsh (voter, dove) speaks				
Tue 15	14:30	USD PPI	m/m ly/y	0.8%   6.2%	0.6%   5.9%	0.3%   6.4%
Tue 15	14:30	USD PPI core	m/m ly/y	0.1%   2.6%	0.2%   2.6%	0.5%   2.4%
Tue 15	14:30	USD Empire Manufacturing Index	Index		-17.0	-22.2
Tue 15	19:00	USD NAHB Housing Market Index	Index	20	20	20
Wed 16	13:00	USD MBA Mortgage applications				
Wed 16	14:30	USD CPI	m/m ly/y	0.4%   4.0%	0.3%   4.0%	0.0%   4.0%
Wed 16	14:30	USD CPI ex. food & energy	m/m ly/y	0.2%   2.4%	0.2%   2.4%	0.0%   2.3%
Wed 16	14:30	USD Housing starts	1 000		1 025	1 065
Wed 16	14:30	USD Building Permits	1 000		973	978
Wed 16	15:15	USD Industrial production	m/m	0.0%	-0.1%	-0.5%
Wed 16	15:15	USD Capacity utilization	%		80.3	80.9
Wed 16	17:45	USD Fed's Yellen (non-voter, dove) speaks				
Wed 16	18:30	USD Fed's Plosser (voter, hawk) speaks				
Wed 16	20:00	USD Beige Book				
Thu 17	14:30	USD Initial jobless claims	1 000			
Thu 17	15:45	USD Fed's Kohn (voter, neutral) speaks				
Thu 17	16:00	USD Philadelphia Fed.	Index	-12.0	-15.0	-17.4
Thu 17	16:00	USD Leading indicator	Mar	0.0%	0.1%	-0.3%
Thu 17	19:45	USD Fed's Fisher (voter, neutral) speaks				
Fri 18	14:30	USD Fed's Lacker (non-voter, hawk) speaks				

# Asia

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## Bank of Japan gives itself more room to manoeuvre

As expected, the BoJ left its key rate unchanged at the monetary policy meeting during the week. However, the BoJ did slightly soften its view of the Japanese economy in its monthly report (see [Flash Comment - Japan: Unchanged interest rate but softer view on the economy](#)). Although inflation has recently risen sharply by Japanese standards, the central bank reckons that there will be a reasonable balance between supply and demand in the slightly longer term. Previously the bank said that growing pressure on production capacity would probably contribute to an upward trend in inflation in the longer term. In reality, therefore, there has previously been a tightening bias to monetary policy. By shifting from a tightening bias to a neutral bias, the BoJ will naturally have greater monetary policy flexibility, as this means that the next change in interest rates could be either up or down.

We continue to be of the view that Japanese growth in H1 will be stronger than the very weak picture of the Japanese economy painted by most confidence indicators. A number of indicators have also begun to suggest that there will be some support for the Japanese economy in the very near term (see [Flash Comment - Japan: Tentative signs of stabilisation](#)), aided partly by growing construction activity. So we do not think that a rate cut is on the cards from the BoJ.

A new governor was finally found for the bank during the week: Masaaki Shirakawa. He does not represent a major shift from the previous governor, Toshihiko Fukui, but overall the hawks are slightly stronger on the new policy board, although it still requires a second deputy governor (see [Flash Comment - Japan: Unchanged interest rate but softer view on the economy](#)).

It continues to be hard to obtain a clear picture of the developments in the Chinese economy in Q1. Activity was undermined in January and February by unusually harsh winter weather, and was then high in March as many companies tried to make up the ground lost in January and February. Overall, though, we think there was a significant dip in GDP growth from 11.2% y/y in Q4 to 10.3% y/y in Q1. A slowdown of this magnitude is supported by the drop in business confidence in Q1 (see [Flash Comment - China: Business climate plunged in Q1](#)).



### Key events of the week ahead

- Chinese GDP figures for Q1 are expected during the week. We predict a dip in growth to 10.3% y/y.
- Chinese consumer prices for March are also due out during the week. However, it has already been leaked to the press that inflation fell from 8.7% y/y in February to 8.2% in March.
- Monday sees the publication of the minutes of the March monetary policy meeting in Japan.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Fri 11 - 15	-	CNY Trade balance	USD bn	Mar	1425	8.56
Fri 11 - 15	-	CNY Total Export	y/y	Mar	32.0%	6.5%
Fri 11 - 15	-	CNY Total Import	y/y	Mar	29.2%	35.1%
Mon 14	6:00	JPY BoJ Board Minutes for March				
Tue 15 - 18	-	CNY CPI	y/y	Mar	8.2%	8.2%
Tue 15	-	CNY GDP Constant Price	y/y	1st quarter	10.3%	11.2%
Fri 18	6:00	JPY Consumer sentiment survey	Index	Mar		36.4
Fri 18	6:30	JPY Nationwide dep. store sales	y/y	Mar		0.9%

# Equities

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## Earnings season starts with hiccups

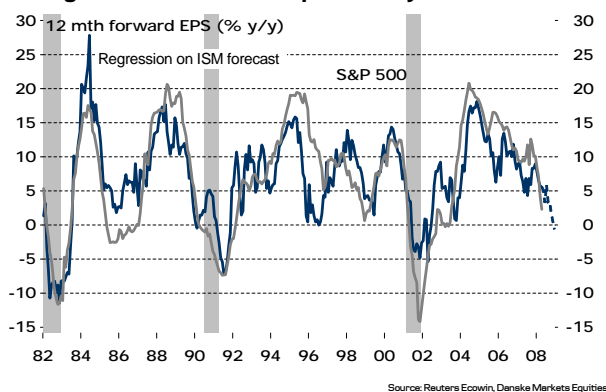
The Q1 08 earnings season unofficially started with Alcoa reporting on 7 April. Alcoa and a few other companies that have reported since then have disappointed analysts slightly, which has created some nervousness in the equity markets whether the current analyst estimates will hold. We are of the opinion that corporate earnings estimates for 2008 are still too high although they have already been revised down by 10.7% since expectations peaked in July 2007.

Assuming that the 2007 earnings per share are now more or less final (maybe with a slight bias to the downside), we will try to determine the 2008 final EPS from a range of macroeconomic parameters that have historically shown a good lead to growth rates in earnings for S&P500 companies. One of those is the ISM Manufacturing index (PMI) and one of our models for US earnings growth is built on exactly this variable.

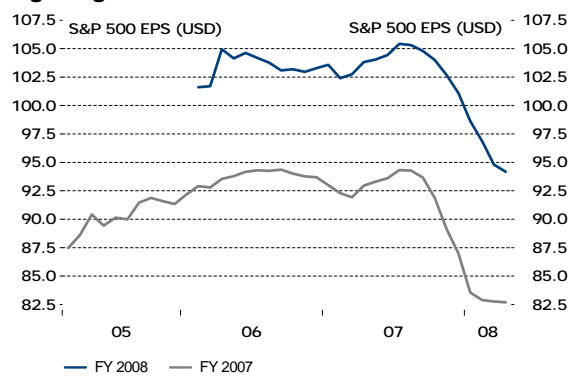
If we use this model to forecast earnings growth, it leaves us with a pattern for US corporate earnings as depicted in the left chart below. Translating this picture into an annual growth rate for earnings in 2008, we are left with 4.0%. As mentioned earnings have already been revised down by 10.7% and in order to reach an annual growth rate in 2008 of 4.0% the estimate has to be revised down by a further 8.6%.

We have recently argued that further earnings revisions around 8.6% still leave room for performance in S&P 500 (and in European indices as well) in 2008 and that earnings revisions like this have already been discounted into valuation, but there are some risks. One of the most important obstacles is that the financial sector might not follow the V-shaped pattern that it is currently expected to do. As earnings in the financial sector make up a significant share of total earnings generated in S&P 500 this is an important obstacle. Other obstacles include increased debt servicing costs, uncertainty about the depth and length of the economic slowdown that could put further pressure on especially cyclical companies, rising input costs stemming from both higher commodity prices and tight labour markets.

**Earnings have been well explained by ISM**



**Large negative revisions since 2007**



# Fixed income

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## Incoming data to provide little support for higher rates

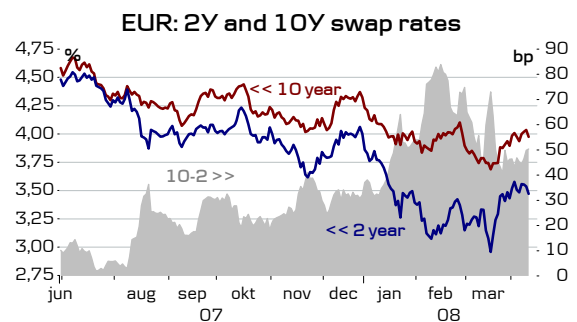
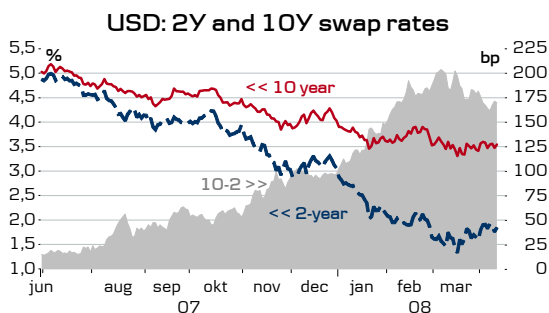
Now that the financial crisis has been put more onto the back burner, there may be a shift of focus to include the economic outlook. But equity markets and risk appetite will still be setting much of the agenda – and could come to monopolise the market's attention again almost without warning should the crisis flare up again.

US data normally grab the spotlight, and this week is no exception. There is the prospect of more weak retail sales, underlining once again the pressure on US consumers. The causes of most of this pressure are also on the agenda during the week. First off, another flurry of weak data is expected from the US housing market, which will not be showing any signs of a turnaround. The second important reason for the very weak spending at the moment is that consumers' purchasing power is being eroded by high inflation. The coming week's CPI data will not change this picture. Headline inflation is likely to be unchanged at 4.0%, while core inflation is expected to creep up to 2.4%.

All in all, we see a greater risk of falling yields stateside in the coming week. Even if the data do not surprise on the downside relative to the consensus, they will confirm a very bleak picture of the US economy. This may prompt the market to shift to expecting a 50bp rate cut from the Fed at the end of April and cause yields to fall.

The economic calendar in Euroland for the coming week does not feature any of the real heavyweights, although the ZEW and final inflation figures may attract some attention. But it will probably be global risk aversion and movements in US yields that set the agenda for European yields.

As mentioned last week, the ECB's bank lending survey will probably be published in the near future. This will be one of the first indicators of credit tightening in Euroland as a result of the financial crisis. Last quarter's edition revealed clear tightening of credit conditions, and we expect an even worse state of affairs this time around. We have not been able to find any specific publication date, but the ECB had the data available at its meeting on 10 April and so the report may well be published during the week.



## Foreign exchange

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### USD/DKK sets new record

Since mid-March the equity markets have seen a relief rally and the implicit volatility in the FX market has dropped back slightly. As was the case in February, this has sparked off renewed debate about whether we have seen the worst of the financial crisis. We reckon that it is too early to position for lower risk aversion in the FX market. This view is supported by the IMF's latest *World Economic Outlook*, which estimates that total losses related to the credit crisis will run to USD 1 trillion (of which we have only seen USD 232 bn) - so we have probably not seen the last of the big write-downs.

The coming week features a somewhat packed economic calendar. Most importantly will be a variety of activity data for the major economies and inflation data for the US and Euroland. Before that, though, we need to get through the weekend's G7 meeting. As we wrote last week, we do not anticipate any coordinated intervention in the FX market on the basis of the meeting. First, it is hard to see which central bank would have any interest in intervention, as the weak USD and strong EUR are buoying US growth and curbing Euroland inflation. Second, we do not think that the source of the current volatility in financial markets is to be found in the FX market, and so it will be more natural for the participants in the G7 meeting to turn their attention to the credit and money markets.

The week also saw USD set another record on Thursday when USD/DKK briefly dropped below 4.69, its lowest level yet, and there is nothing in the coming week's calendar to suggest that pressure on the USD will ease. The focus in terms of economic data will once again be on the US, with the publication of the Beige Book and figures for construction, retail sales and inflation. All in all, we expect these data to paint the picture of a US economy which has virtually come to a standstill, while inflationary pressures mount further as a result of rising energy and food prices. Things are different on this side of the Atlantic, where the coming week's final CPI data for Euroland will likely show mounting inflationary pressures, but where industrial production figures will show that economic growth has not yet seriously lost momentum. This divergence was clearly illustrated during the week, when the minutes of the latest FOMC meeting supported expectations of further interest rate cuts, but the ECB left its rates unchanged at the week's monetary policy meeting. Given this divergence in monetary policy, coupled with a midweek dip in equity prices, it was not surprising to see USD/DKK set a new record on Thursday. We expect the USD to remain under pressure in the coming months.

We will also be getting inflation data from the UK and Sweden during the week, and we expect inflationary pressures to have mounted there as well. This will no doubt cause a few wrinkled brows at both the BoE and the Riksbank, but while the last rate change in Sweden was up, the BoE decided - as expected - to cut the base rate by 25bp on Thursday. We still expect economic growth to slow sufficiently for the BoE to cut rates by another 25bp during this quarter. The GBP has fallen almost 5% against the DKK in the last month, and we expect the GBP to remain under pressure, with GBP/DKK hitting 9.10 during the summer.

Our fundamental view of the FX market is therefore unchanged. We still expect the economic slowdown in the US to keep the USD under pressure, and the current (albeit temporary) decoupling of Euroland to lend support to EUR/USD. Furthermore, the final chapter of the financial crisis has probably yet to be written, which suggests that global risk appetite will remain subdued. We therefore still reckon that we have yet to see the worst of USD/DKK or the best of the CHF and JPY.

# Macroeconomic forecast

Macro forecast, Scandinavia													
	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Denmark	2007	1.8	2.7	1.3	6.7	-0.2	3.7	6.1	1.7	2.8	4.1	25	1.1
	2008	1.4	2.4	1.7	2.6	-0.1	3.4	4.5	3.1	1.9	3.2	20	0.6
	2009	1.3	1.4	1.6	0.6	0.1	2.8	2.8	2.4	2.3	2.3	17	0.6
Sweden	2007	2.7	3.2	1.0	8.3	0.7	5.8	9.7	2.2	6.2	3.1	42.0	6.4
	2008	1.8	1.9	1.1	3.2	-0.5	4.8	4.3	2.6	6.2	2.9	37.7	6.7
	2009	1.8	1.5	2.4	-1.0	-0.2	1.6	0.1	1.4	6.8	2.3	35.5	7.5
Norway	2007	12.2	8.7	4.7	14.9	-0.7	19.9	10.2	0.2	2.6	8.0	26	19.3
	2008	3.5	4.6	2.8	10.9	-0.2	3.7	9.2	4.4	3.3	12.0	26	20.6
	2009	2.9	4.1	2.8	2.6	0.0	3.4	4.8	2.2	3.4	13.9	26	18.2

Macro forecast, Euroland													
	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Euroland	2007	2.6	1.4	2.1	4.8	-0.1	6.0	5.2	2.8	7.4	-0.8	67	-0.8
	2008	1.4	1.2	1.2	1.7	0.1	3.1	3.3	2.8	7.0	-0.8	65	-0.3
	2009	1.5	1.5	1.5	1.5	0.0	4.0	4.9	1.9	6.8	-0.8	64	-0.5
Germany	2007	2.7	-0.2	1.9	5.6	-0.1	8.5	5.5	2.9	9.1	-0.5	65	5.8
	2008	1.6	0.6	0.7	1.7	0.2	5.1	3.3	1.9	8.3	0.2	64	5.8
	2009	1.4	1.1	1.1	1.5	-0.1	5.0	3.9	1.4	8.0	0.4	64	6.0
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	1.6	1.6	0.9	2.2	0.2	3.1	4.0	1.8	7.7	-2.2	62	-2.3
	2009	1.5	1.8	1.3	2.0	-0.1	2.5	3.9	1.4	7.5	-2.3	61	-2.3
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	1.0	0.9	0.5	0.9	0.2	1.1	2.3	2.3	5.7	-2.0	103	-1.7
	2009	0.9	0.9	0.8	1.2	-0.1	0.5	2.4	1.8	5.7	-2.2	102	-1.7
Spain	2007	3.9	3.4	5.3	6.4	-0.4	5.5	6.8	3.4	8.0	1.5	37	-9.0
	2008	2.7	2.3	3.2	3.7	0.2	3.6	4.3	3.2	8.2	1.0	35	-9.5
	2009	2.4	1.8	3.1	2.5	-0.1	2.5	3.9	2.3	8.8	0.0	35	-9.0
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	2.2	1.7	0.6	3.2	0.1	4.6	4.8	2.3	2.9	0.0	59	6.5
	2009	1.9	1.8	0.4	2.8	-0.1	3.5	5.4	1.7	2.8	0.0	60	6.5
Finland	2007	4.4	3.7	0.8	7.6	0.1	4.8	4.1	2.5	6.9	5.3	35	4.6
	2008	2.6	2.5	1.5	3.0	0.0	2.5	2.0	3.3	6.5	4.7	33	4.5
	2009	2.5	2.5	1.5	2.0	0.0	3.0	2.5	2.2	6.2	3.9	31	4.5

Macro forecast, Global													
	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
USA	2007	2.2	2.9	2.0	-1.8	-0.3	8.0	1.9	2.9	4.6	-1.2	60	-5.5
	2008	1.2	1.4	2.4	-6.1	-0.4	7.2	-2.2	3.9	5.3	-3.5	61	-3.0
	2009	1.5	1.2	2.0	-2.8	0.0	7.4	1.0	2.2	6.0	-2.5	61	-1.2
Japan	2007	2.1	1.4	0.8	-3.1	-0.2	7.8	1.8	0.0	3.8	-3.3	180	5.0
	2008	1.4	1.1	0.9	2.0	0.1	5.0	3.8	0.6	3.8	-3.8	182	4.8
	2009	1.7	1.5	1.2	2.5	0.0	5.4	4.4	0.4	3.6	-3.5	183	5.0
UK	2007	3.0	3.1	1.9	5.5	0.3	-4.0	-2.0	2.8	3.0	-2.5	43	-3.3
	2008	2.2	2.1	2.1	2.0	0.0	6.0	5.0	3.0	3.2	-2.5	43	-4.1
	2009	2.3	2.1	2.1	3.0	0.0	5.0	5.0	2.3	3.3	-2.5	43	-4.0
Switzer-land	2007	3.1	2.1	0.1	2.7	0.1	10.0	5.2	0.7	2.8	-0.2	55	15.1
	2008	1.7	1.8	0.5	0.4	0.0	3.8	4.5	1.9	2.6	0.0	54	13.9
	2009	1.6	1.6	0.6	1.7	0.0	4.7	5.2	1.1	2.7	0.0	53	14.9

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	11-Apr	2.25	2.64	4.17	158.3	-	471.4
	+3m	1.50	2.25	4.05	160	-	466
	+6m	1.50	2.40	4.15	158	-	472
	+12m	1.50	2.85	4.50	150	-	497
EUR	11-Apr	4.00	4.29	4.48	-	158.3	746.0
	+3m	4.00	4.00	4.30	-	160	746.0
	+6m	3.75	3.75	4.20	-	158	746.0
	+12m	3.25	3.30	4.10	-	150	746.0
JPY	11-Apr	0.50	0.93	1.55	161.1	101.8	4.63
	+3m	0.50	0.90	1.45	155	97	4.81
	+6m	0.50	1.00	1.50	152	96	4.91
	+12m	0.50	1.20	1.60	150	100	4.97
GBP	11-Apr	5.00	5.08	5.05	80.1	197.5	931.1
	+3m	4.75	4.90	4.90	80.0	200	933
	+6m	4.50	4.80	4.80	82.0	193	910
	+12m	4.25	4.50	4.60	78.0	192	956
CHF	11-Apr	2.75	2.91	3.43	158.7	100.3	470.2
	+3m	2.75	2.85	3.40	154	96	484
	+6m	2.75	2.70	3.30	152	96	491
	+12m	2.25	2.40	3.20	150	100	497
DKK	11-Apr	4.25	4.49	4.59	746.0	471.4	-
	+3m	4.25	4.20	4.45	746.0	466	-
	+6m	4.00	3.90	4.30	746.0	472	-
	+12m	3.50	3.45	4.20	746.0	497	-
SEK	11-Apr	4.25	4.50	4.71	938.6	593.1	79.5
	+3m	4.25	4.30	4.60	940	588	79.4
	+6m	4.00	3.95	4.45	935	592	79.8
	+12m	3.50	3.40	4.30	925	617	80.6
NOK	11-Apr	5.25	5.99	5.32	792.3	500.6	94.2
	+3m	5.50	5.60	5.40	780	488	95.6
	+6m	5.50	5.40	5.30	775	491	96.3
	+12m	5.50	5.20	5.30	775	517	96.3
PLN	11-Apr	5.75	6.28	5.78	341.7	215.9	218.3
	+3m	6.25	6.20	5.60	360	225	207
	+6m	6.25	5.90	5.75	360	228	207
	+12m	6.25	7.05	6.85	365	243	204

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

Commodities							
	10/04/2008	2008 - average				Average	
		Q1	Q2	Q3	Q4	2008	2009
ICE Brent	108	96	100	100	95	98	90
Aluminium	3,082	2,779	3,150	2,850	2,850	2,907	2,700
Copper	8,630	7,741	8,600	8,600	8,500	8,360	8,700
Gold	925	924	1,000	1,050	950	981	1,000
CBOT Wheat*	937	1,026	975	1,025	1,050	1,019	1,200
CBOT Corn*	595	527	600	650	675	613	700

\* Note: US\$/bushel

# Key data and events – 1

Monday, April 14, 2008				Period	Danske Bank	Consensus	Previous
-	LVL	Unemployment		Mar			5.0%
0:45	NZD	Retail sales	m/m	Feb		0.0%	0.3%
3:30	AUD	Home loans	m/m	Feb		0.5%	2.3%
6:00	JPY	BoJ Board Minutes for March					
9:30	SEK	CPI	m/mly/y	Mar	<b>0.7%</b>   <b>3.1%</b>	0.7% 3.2%	0.4% 3.1%
9:30	SEK	Underlying inflation, UND1X	m/mly/y	Mar	<b>0.6%</b>   <b>2.1%</b>	0.5% 2.1%	0.4% 2.0%
10:30	GBP	PPI - Input	m/mly/y	Mar		1.7% 19.0%	1.7% 19.4%
10:30	GBP	PPI - Output	m/mly/y	Mar		0.5% 5.6%	0.3% 5.7%
10:30	GBP	PPI - Output core	m/mly/y	Mar		0.4% 3.0%	0.2% 3.0%
11:00	EUR	Industrial production, s.a.	m/m	Feb		0.2%	0.9%
14:30	USD	Retail sales	m/mly/y	Mar	<b>0.1%</b>   <b>2.1%</b>	0.0% .1.	-0.6% 2.6%
14:30	USD	Retail sales less autos	m/mly/y	Mar	<b>0.3%</b>   <b>3.8%</b>	0.2% .1.	-0.2% 4.4%
20:30	USD	Fed's Warsh (voter, dove) speaks					

Tuesday, April 15, 2008				Period	Danske Bank	Consensus	Previous
-	RUB	Industrial production	y/y	Mar	<b>6.1%</b>	6.0%	7.5%
-	CNY	GDP Constant Price	y/y	1st quarter	<b>10.3%</b>	10.4%	11.2%
0:45	NZD	CPI	q/qly/y	1st quarter		0.8% 3.5%	1.2% 3.2%
1:01	GBP	RICS House Prices	y/y	Mar			-64.1%
1:01	GBP	BRC March Retail Sales Monitor					
4:40	AUD	RBA's Glenn Stevens gives speech in Canberra		Apr			
8:45	FRF	CPI	m/mly/y	Mar		0.6% 3.0%	0.2% 2.8%
10:00	NOK	Trade balance	NOK bn	Mar	<b>37.0</b>	37.0	36.1
10:30	GBP	CPI	m/mly/y	Mar		0.6% 2.6%	0.7% 2.5%
10:30	GBP	CPI core	y/y	Mar		1.3%	1.2%
10:30	GBP	RPI Inflation	m/mly/y	Mar		0.5% 3.9%	0.8% 4.1%
10:30	GBP	RPI ex mort int payments	y/y	Mar			3.7%
10:30	GBP	DCLG House Prices	y/y	Mar			8.0%
11:00	EUR	ZEW economic sentiment	Index	Apr			-35.0
11:00	DEM	ZEW economic sentiment	Index	Apr		-30.0	-32.0
11:00	DEM	ZEW current situation	Index	Apr		33.0	32.1
14:00	PLN	Employment	y/y	Mar	<b>5.9%</b>	5.9%	5.9%
14:00	PLN	CPI	y/y	Mar	<b>4.2%</b>	4.2%	4.2%
14:30	USD	PPI	m/mly/y	Mar	<b>0.8%</b>   <b>6.2%</b>	0.6% 5.9%	0.3% 6.4%
14:30	USD	PPI core	m/mly/y	Mar	<b>0.1%</b>   <b>2.6%</b>	0.2% 2.6%	0.5% 2.4%
14:30	USD	Empire Manufacturing	Index	Apr		-17.0	-22.2
15:00	LVL	Current Account	mn. LVL	Feb			-225.3
19:00	USD	NAHB Housing Market Index	Index	Apr	<b>20</b>	20	20

Wednesday, April 16, 2008				Period	Danske Bank	Consensus	Previous
9:30	SEK	House prices	mn. SEK	Mar			1.948
10:30	GBP	Claimant count rate	%	Mar		2.5	2.5
10:30	GBP	Jobless claims change	'000	Mar		-2.8	-2.8
10:30	GBP	Average Earnings inc bonus	3Ms/YoY	Feb			3.7%
10:30	GBP	Average Earnings ex bonus	3Ms/YoY	Feb			3.7%
10:30	GBP	ILO Unemployment rate	%	Feb			5.2
10:30	GBP	Manufacturing unit wage cost	q/y	Feb			1.7%
11:00	EUR	CPI	m/mly/y	Feb	<b>.3.5%</b>	0.9% 3.5%	0.3% 3.3%
11:00	EUR	CPI core	y/y	Mar		2.2%	1.8%
13:00	USD	MBA Mortgage applications					
14:30	USD	CPI	m/mly/y	Mar	<b>0.4%</b>   <b>4.0%</b>	0.3% 4.0%	0.0% 4.0%
14:30	USD	CPI ex. food & energy	m/mly/y	Mar	<b>0.2%</b>   <b>2.4%</b>	0.2% 2.4%	0.0% 2.3%
14:30	USD	Housing starts	1000	Mar		1025	1065
14:30	USD	Building Permits	1000	Mar		973	978
15:15	USD	Industrial production	m/m	Mar	<b>0.0%</b>	-0.1%	-0.5%
15:15	USD	Capacity utilization	%	Mar		80.3	80.9
17:45	USD	Fed's Yellen (non-voter, dove) speaks					
18:30	USD	Fed's Plosser (voter, hawk) speaks					
20:00	USD	Beige Book					

## Key data and events - 2

Thursday, April 17, 2008					Period	Danske Bank	Consensus	Previous
11:00	CHF	ZEW (expectations)	Index	Apr				-71.7
13:00	CAD	CPI	m/mly/y	Mar		0.3%	1.4%	0.4% 1.8%
14:30	USD	Initial jobless claims	1000					
15:45	USD	Fed's Kohn (voter, neutral) speaks						
16:00	USD	Philadelphia Fed.	Index	Apr	-12.0	-15.0		-17.4
16:00	USD	Leading indicator		Mar	0.0%	0.1%		-0.3%
19:45	USD	Fed's Fisher (voter, neutral) speaks						

Friday, April 18, 2008					Period	Danske Bank	Consensus	Previous
6:00	JPY	Consumer sentiment survey	Index	Mar				36.4
6:30	JPY	Nationwide dep. store sales	y/y	Mar				0.9%
8:00	DEM	PPI	m/mly/y	Mar		0.5%	4.0%	0.7% 3.8%
10:30	GBP	Public Finances (PSNCR)	GBP bn	Mar				2.9
10:30	GBP	Public sector net borrowing	GBP bn	Mar				2.7
10:30	GBP	Broad money M4, preliminary	m/mly/y	Mar				
10:30	GBP	M4 Sterling lending, preliminary	GBP bn	Mar				
14:00	PLN	Producer prices	y/y	Mar	3.1%	3.1%		3.2%
14:30	USD	Fed's Lacker (non-voter, hawk) speaks						

During the week					Period	Danske Bank	Consensus	Previous
Fri 11 - 15	CNY	Trade balance	USD bn	Mar		14.25		8.56
Fri 11 - 15	CNY	Total Export	y/y	Mar		32.0%		6.5%
Fri 11 - 15	CNY	Total Import	y/y	Mar		29.2%		35.1%
Tue 15 - 18	CNY	CPI	y/y	Mar	8.2%	8.2%		8.7%
Thu 17 - 22	CHF	Producer & Import prices	m/mly/y	Mar				0.2% 3.6%
Thu 17 - 23	CHF	Retail sales, Nominal	y/y	Feb				1.3%

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