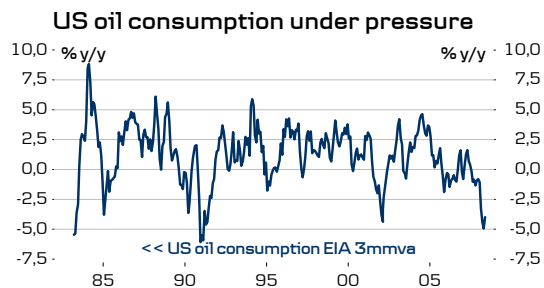
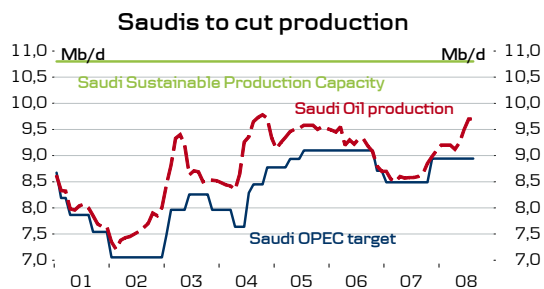
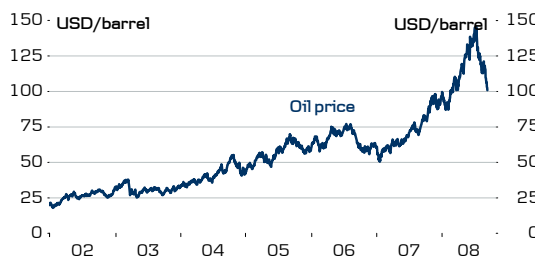


Weekly Focus

12-19 September 2008



More stable prices ahead



OPEC draws a line in the sand at \$100

OPEC surprised the oil market in the past week by announcing a cutback in oil production of roughly half a million barrels a day. Indirectly, OPEC made it clear that the cartel would not accept a price below \$100/bbl. However, there has been a shift of sentiment in the oil market in recent months. The slowdown in the global economy is clearly affecting oil consumption negatively, especially in the US, where oil consumption has been much weaker than the market expected in the spring. At the same time, OPEC, following the lead of Saudi Arabia, has produced more oil than expected. Saudi Arabia had announced in May that it would increase production and exceed its OPEC quota by quite some way. While many doubted this would actually happen, the Saudis did indeed boost production considerably in July – in the middle of a period when US demand, in particular, was weak.

Hence the main reason for the lower oil prices lately is excessive production at OPEC combined with disappointing demand, especially in the US. The question now is whether OPEC is capable of keeping oil at \$100/bbl. The global economy continues to slide, and just as speculative interest presumably contributed to pushing oil prices too high, speculation could just as easily pull in the other direction. Meanwhile, it is a fundamental sign of weakness for oil that OPEC feels the need to lower production, and anyway the cartel has been notoriously bad at cutting back. On the other hand, winter is fast approaching, and with it an increasing demand for heating oil. Furthermore, boosting production outside OPEC is still proving problematic. We therefore expect that oil will trade in the \$90-120/bbl range over the coming six months.

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Denmark

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Inflation may be peaking

Inflation rose to 4.3% in August from 4.0% in July, bucking the trend seen in Germany and Euroland, where inflation fell in August. In terms of the harmonised index of consumer prices, HICP, the Danish inflation rate rose to no less than 4.8%. One of the reasons inflation surged to this very high level is that prices were relatively low in August last year – a so-called base effect.

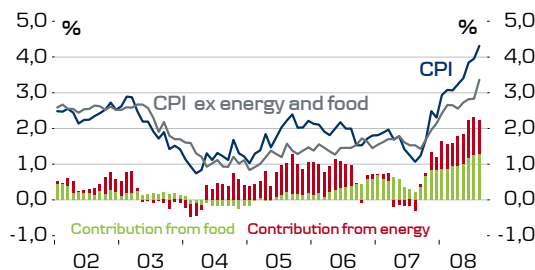
The further, surprising, increase in inflation was largely due to the shortage of labour and the hefty wage increases in Denmark pushing prices significantly higher. Core inflation, which does not include energy and non-prepared food, has risen sharply over the past year, and jumped from 2.8% in July to 3.4% in August. The boost to prices from high wage growth is worrying from the perspective of Danish competitiveness. However, we expect that unemployment will soon bottom out and believe that wage growth is close to peaking, and this will hopefully dampen domestic price pressures in the coming year.

Food price inflation has risen to 10.4% – its highest level since 1984. However, the large increases in food prices seem to be almost over for now. In fact, food prices edged down by 0.1% from July to August. Global rice and corn prices, for example, topped out over the summer and have since fallen significantly. Danish consumers will probably also come to reap the benefits of these price falls. In the last couple of years, food prices have increased more in Denmark than in, for instance, Germany and the euro zone. Hence, one might hope that Danish food prices will now fall more than prices abroad. However, we have no real reason to believe that they will.

Energy prices also fell from July to August. This means that overall transport expenses have fallen 1.4%. Oil prices have recently fallen below \$100/bbl, and this may help pull inflation significantly down by the end of the year.

We see some signs that inflation has peaked for now, and we thus expect that inflation will fall in the coming months, perhaps to around 3.5% by the end of the year. Our forecast is mainly based on the recent fall in the price of oil, but also on signs that food prices have apparently peaked. On the other hand, the rapid strengthening of the dollar will tend to slightly increase import prices and thus inflation.

Inflation further up in August



Key events of the week ahead

- No important Danish data.
- Hours worked in 2007 and Q1 and Q2 08 are due on Monday. A significant increase in hours worked is at odds with the low level of economic growth, meaning productivity growth has been very low. Monday's numbers may add further detail to this picture.

Sweden

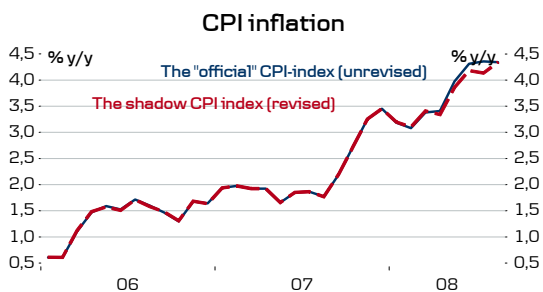
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Better heeled than previously thought

When publishing the August estimate of inflation developments, Statistics Sweden also revealed that it had overestimated inflation going back to the start of the year. All-in-all inflation is now about 0.3 percentage points lower than previously thought. It appears that shoes have generally been of better quality than was previously assumed, and when compiling inflation data this constitutes a deflationary development (ie, better quality for the same price). It is this component, the “quality adjustment” of shoes that has been underestimated, rather than prices being overestimated.

Mistakes happen – and when it comes to economic data we are well aware that quite large revisions are occasionally made (though inflation data are normally very reliable). Nevertheless, the timing, of course, could not have been worse. At a time when the Riksbank has placed tremendous focus on spot inflation (as silly as that may be) and the executive board is split down the middle on the path of monetary policy going forward, Statistics Sweden threw a googly. Speculating about what this would have meant for the Riksbank had it been known is basically a waste of time, but it is of course of some interest to ponder how the revised inflation data will affect the future of monetary policy.

Ceteris paribus, it should mean the interest rate path being revised down by at least 25bp. However, this is not very probable or perhaps even possible, though the Riksbank could very well put forward an interest rate path by October that implies a swifter and deeper interest rate cut than at present (Q3 currently indicated). Of course, *ceteris paribus* is not a valid assumption, but it – further – underscores that the most probable next step from the Riksbank is a cut, not a hike.



Key events of the week ahead

- Minutes from the latest monetary policy meeting will be the main attraction. Expect the 3-3 split from July to continue, with the rift between the “old” members and the “new” members likely to widen even further.
- House prices should not stir financial markets, but are interesting from a household financial perspective. We do not expect any dramatic weakening yet.

Norway

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Don't look to Sweden

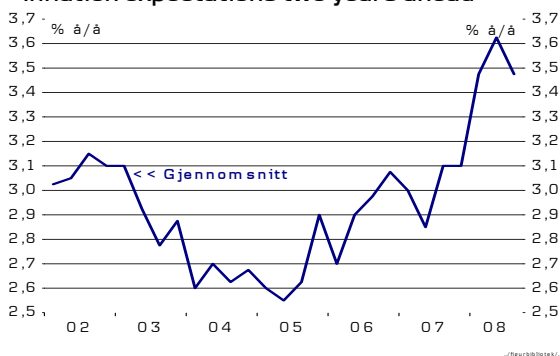
Economic growth is slowing more rapidly than expected, credit problems are worsening, and inflation is rising at a worrying rate. Lower economic growth calls for lower interest rates, while higher inflation calls for higher interest rates. Uncertainty about where interest rates are headed is therefore considerable, as reflected in analysts' widely varying expectations.

A quick look at developments since Norges Bank published its last monetary policy report in June suggests that the interest rate path should be roughly the same today as the one the bank presented back then, or at best marginally lower. However, central banks with an inflation-targeting regime also pay a lot of attention to inflation expectations. What Norges Bank actually makes of them - or, to be more accurate, how it measures them - is another matter. One possible answer is inflation expectations as measured by Norges Bank's own expectations survey. In this case, the figures for Q3 suggest that inflation expectations two years ahead are beginning to fall.

Looking at the slightly bigger picture, one might simply ask: what are the chances of a significant inflation problem in Norway in two to three years' time? There is now little doubt that the Norwegian economy is cooling. The chances of cost inflation accelerating over the next two years are very small. Global commodity prices have also been falling sharply since June, and so the risk of a commodities-driven inflation problem has decreased considerably over the summer.

Given the growing problems in the Norwegian financial sector and the prospect of higher lending rates and falling asset prices, we think there is a greater risk of recession and deflation than galloping inflation in the medium term. The argument that the Riksbank in Sweden nevertheless elected to hike rates will, we hope, fall on deaf ears at Norges Bank, as this was hardly an advert for good monetary policy.

Inflation expectations two years ahead



Key events of the week ahead

- No events of major importance in the Norwegian market in the coming week.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 15	10:00	NOK Trade balance	Aug			37.4
Tue 16	11:00	NOK Speech by Norge Bank's Gjedrem				

Euroland

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Inflation decreasing in Euroland

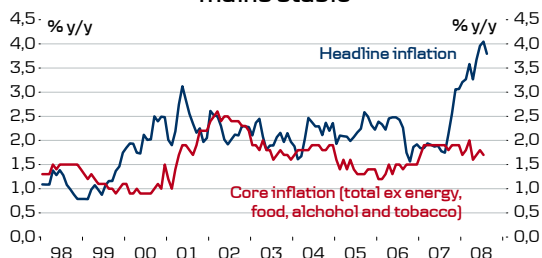
The past week has been relatively quiet, with only a few new numbers for the Euroland economy. Most importantly, industrial production fell by “just” 0.3% m/m due to a relatively strong figure for France (increase of 1.2% m/m).

The coming week will also be rather quiet. Final inflation figures for August are due on Tuesday, and we expect these to confirm the preliminary estimate of 3.8% y/y. Figures for core inflation will be released at the same time. So far core inflation has been contained around 1.7% y/y, and we expect it to remain so this time around. Over the next six months, though, we expect core inflation to climb gradually in response to the earlier increases in commodity prices, including oil.

The German ZEW indicator is also scheduled for Tuesday. After falling quite sharply, the indicator recovered slightly last month due to the drop in oil prices and rising equity prices. Since then, oil prices have fallen further, but equities have tumbled and uncertainty in the financial markets has increased. The consensus is an improvement from -55.5 to -52, but we reckon that concern about the financial turmoil will have a major impact and would not be surprised to see the ZEW unchanged at -55.5.

The week also brings Q2 wage costs for Euroland. In line with the consensus, we expect the relatively high year-on-year growth in Q1 to continue. To be more specific, we expect 3.5% y/y.

Inflation decreasing, while core inflation remains stable



Key events of the week ahead

- Tuesday: Final HICP inflation and core inflation. We expect the flash estimate for HICP inflation of 3.8% y/y to be confirmed, and core inflation to be 1.7% y/y. We expect that the ZEW will be unchanged at -55.5, which is lower than the consensus of -52.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 15	10:00	ITL CPI, final	m/m y/y	Aug	0.1% 4.0%	0.1% 4.0%
Mon 15	10:00	ITL HICP, final	m/m y/y	Aug	0.0% 4.2%	0.0% 4.2%
Mon 15	11:00	EUR Labour cost	y/y	2nd quarter	3.5%	3.3%
Tue 16	8:00	DEM Consumer prices, final	m/m y/y	Aug	-0.3% 3.1%	-0.3% 3.1%
Tue 16	8:00	DEM HICP, final	m/m y/y	Aug	-0.4% 3.3%	-0.4% 3.3%
Tue 16	11:00	EUR CPI	m/m y/y	Aug	-0.2% 3.8%	-0.2% 3.8%
Tue 16	11:00	EUR CPI Core	y/y	Aug	1.7%	1.7%
Tue 16	11:00	DEM ZEW economic sentiment	Index	Sep	55.5	52.0
Wed 17	11:00	EUR Trade Balance	EURbn	Jul		-0.1B

Switzerland

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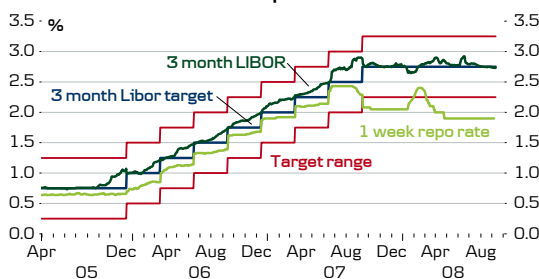
Why the SNB will keep rates unchanged

Topping the agenda in the coming week will be Thursday's monetary policy meeting at Switzerland's central bank (SNB). We expect that the SNB's target for the 3M LIBOR will be kept unchanged at 2.75%, and that the fluctuation band will remain 2.25-3.25%. This is also the consensus call.

The economy has changed markedly since the last policy meeting in June, and we expect that this will be reflected in Thursday's press release. In June's quarterly report, the SNB focused mainly on the rising price of oil and the continuing slowdown in the global economy. Since then the price of oil has fallen from more than \$130/barrel to close to \$100/barrel, which has removed some of the inflationary pressure. Indeed, the SNB argued in June that the sharp increase in inflation would be temporary, and that inflation would fall back to target in 2009. So far, the SNB would appear to be correct, as inflation peaked at 3.1% in July before falling to 2.9% in August. We therefore expect that the SNB will see less uncertainty on inflation going forward, and presumably we can also expect a minor downward adjustment to the SNB's inflation forecast, as it counted on a long-term oil price of \$116 in June and, moreover, the outlook for growth has weakened. While the SNB was already focusing on the global slowdown in June, it also pointed out that Euroland growth was surprisingly strong. However, since June, the data out of Euroland has been particularly weak, and the general growth picture has deteriorated significantly over the past couple of months. Naturally, this is expected to affect the SNB's forecast, and we believe that the growth forecast will be revised down due to the gloomier situation in Euroland - Switzerland's most important export market.

Despite the shift in the economy, we do not, however, expect the SNB to change rates on Thursday. Unchanged rates are also indicated by SNB statements, most recently governing board member Jordan on 2 September, who in a speech in Bern emphasised that the SNB continued to expect inflation to fall below 2% in 2009 and that the current monetary policy was appropriate. If, as expected, rates remain unchanged, Thursday's meeting should not move the markets. There is the risk, though, that the SNB will revise down both its inflation and its growth forecasts more than expected, which could potentially put pressure on yields and the Swiss franc. Overall, however, we still see the financial climate as particularly beneficial for the Swiss franc, and we expect to see a further fall in EUR/CHF (rise in CHF/DKK) in the coming year.

Interest rate developments since 2005



Key events of the week ahead

- Monday 09:15: retail sales for July and PPI for August.
- Tuesday 09:15: Q2 industrial production.
- Thursday 14:00: Q3 interest rate decision. We expect that the Libor target will be kept unchanged at 2.75%. Trade figures also due Thursday.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 15	9:15	CHF Retail sales (real)	y/y Jul			0.7%
Mon 15	9:15	CHF Producer & Import prices	m/m/y/y Aug		0.1% 4.6%	0.5% 4.9%
Tue 16	9:15	CHF Industrial production	q/q/y/y 2nd quarter			-9.3% 4.3%
Tue 16	17:00	CHF SNB's Hildebrand holds speech in Lausanne	Sep			
Wed 17	11:00	CHF ZEW	Index Sep			-79.6
Thu 18	8:15	CHF Trade balance	B Aug			2.29
Thu 18	14:00	CHF Monetary policy decision (mid 3-mth Libor target)	3rd quarter	2.75%	2.75%	2.75%

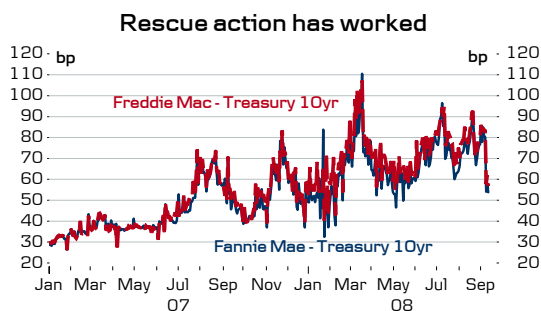
USA

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Housing market gets much-needed helping hand

Focus in the past week shifted back to the credit crisis and the health of the financial sector. On Sunday evening US Treasury Secretary Henry Paulson announced that the government would take over control of mortgage giants Fannie Mae and Freddie Mac. The purpose of the government's intervention is to improve home financing conditions for US homeowners and ensure stability in the mortgage market. The reason for the government takeover was increasing concerns about the ability of the mortgage firms to raise sufficient capital to cover their expected losses arising from the downturn in the housing market. Lack of investor confidence had caused their bond yields to soar and share prices to tumble. Since the intervention, yields on Fannie Mae and Freddie Mac bonds have fallen significantly, and the government-mortgage bond spread has narrowed by more than 25bp, which means that financing costs for a US homeowner with a good credit rating have improved in the past few days. In addition, the two institutions have been allowed to moderately increase their portfolios until the end of 2009, which again implies better financing opportunities for US homeowners. Government intervention was necessary (and was widely expected) to ensure a well-functioning mortgage market, and Sunday's move is also undoubtedly an important step towards stabilising the US housing market. That said, the US housing market remains rather unbalanced, and this will put further downward pressure on house prices in the coming quarters.

In the coming week, all eyes will be on the Fed's monetary policy meeting on Tuesday, when we expect that rates will remain unchanged, making the accompanying statement the focus of interest. The discord among FOMC members has been clear to see in recent months. However, the minutes of the latest meeting showed that the majority of members do not see current monetary policy as accommodative, as there is a considerable spread between the policy rate and the interest rate that consumers and companies pay for financing. Therefore, it will be interesting to see if this week's fall in mortgage rates makes the Fed feel more comfortable about a future interest rate hike. However, we do not expect the Fed to hike until H2 09, as the coming quarters look set to deliver further weakness in both GDP growth and the labour market.



Key events of the week ahead

- Tuesday: We expect core consumer prices to rise 0.2% m/m, but there will be no increase in total CPI
- Tuesday: We expect a small increase in NAHB
- Tuesday: Fed will keep rates unchanged at 2.00%. Focus will be on accompanying statement
- Wednesday: New home starts and building permits will remain at a low level
- Thursday: Philly Fed expected to rise to -9.0

Date	Time	Event	Period	DanskeBank	Consensus	Previous	
Mon 15	14:30	USD Empire Manufacturing	m/m	Sep	0.5	1.5	2.8
Mon 15	14:30	USD CPI	m/mly/y	Aug	0.0% 5.5%	0.0% 5.5%	0.8% 5.6%
Mon 15	14:30	USD CPI ex. food & energy	m/mly/y	Aug	0.2% 2.6%	0.2% 2.6%	0.3% 2.5%
Mon 15	15:15	USD Industrial production	m/m	Aug	-0.1%	-0.3%	0.2%
Mon 15	15:15	USD Capacity utilization	%	Aug		79.6	79.9
Tue 16	19:00	USD NAHB Housing Market Index	Index	Sep	17	17	16
Tue 16	20:15	USD FOMC meeting	%		2.00	2.00	2.00
Wed 17	14:30	USD Current account	USD bn	2nd quarter		-179.5	-176.4
Wed 17	14:30	USD Housing starts	'000	Aug	946	950	965
Wed 17	14:30	USD Building Permits	'000	Aug	937	925	937
Thu 18	14:30	USD Initial jobless claims	1000				445
Thu 18	16:00	USD Philadelphia Fed.	Index	Sep	-9.0	-10.0	-12.7
Thu 18	16:00	USD Leading indicator	%	Aug		-0.2	-0.7
Thu 18	16:00	USD Richmond Fed. - Manufacturing Index	Index	Sep			-16
Sat 20	1:00	USD Fed's Evans (non-voter, neutral) Speaks at Swiss Central Bank Conference					

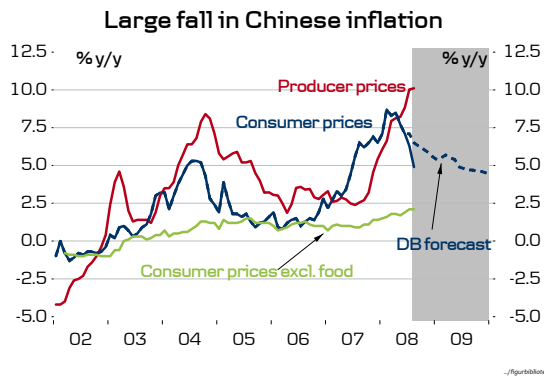
Asia

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Inflation tumble gives China room to manoeuvre

Inflation in China fell surprisingly sharply in August to 4.9% y/y from 6.3% y/y in July (see [Flash Comment - China: Sharp drop in inflation frees government hands to focus on growth](#)). As can be seen in the graph below, the tendency in the past few months has been for inflation to fall more than we expect, and so we will almost certainly be revising down our inflation forecast for China. The inflation tumble is primarily due to the ongoing normalisation of food prices, and if this continues it could shave a further 2-3 percentage points off inflation, making it increasingly likely that inflation will fall some way below 4% y/y by the start of 2009. On the growth side, the picture is of a moderate slowdown, although making an accurate assessment is difficult at the moment due to the "Olympics" effect (see [Flash Comment - China: Olympic games slow industrial production in August](#) and [Flash Comment - China: Export growth slows in August](#)). The recent fall in inflation means that the Chinese authorities now have a relatively free hand to stimulate economic growth if needed. Thus, there appears to be an increasing chance for a soft landing in China despite the steady stream of bad news from the global economy.

In Japan, focus at the moment is on the race to be prime minister. September 22 has been set as the date for the vote to elect a new LDP chairman and thus prime minister. The need for fiscal easing has been a major issue in the internal LDP election, and as Taro Aso has further cemented his front-runner status in the past week it is increasingly likely that additional fiscal easing in the form of tax cuts will soon be on the agenda (see [Flash Comment - Japan: PM resigns - increases likelihood of fiscal easing](#)). Meanwhile, speculation is growing that a snap election to the lower house will be called in November. The Bank of Japan (BoJ) will be holding a monetary policy meeting in the week ahead, and like consensus we expect that the leading rate will remain unchanged. The prospect of fiscal easing has provided the BoJ with a further argument for not cutting rates even though the Japanese economy is currently on the cusp of a recession.



Key events of the week ahead

- Bank of Japan to hold its monetary policy meeting on Wednesday. Leading rate expected to remain at 0.5%. Consumer confidence for August is due on Tuesday.
- A rather quiet week ahead in China with the release of business confidence for the property sector due on Thursday.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Wed 10 - 15	-	CNY Trade balance	USD bn		23.55	25.30
Fri 12 - 18	-	CNY Actual FDI YTD	%			44.50%
Tue 16	7:00	JPY Consumer Confidence	Index			31.6
Wed 17	-	JPY BoJ Monetary Policy Announcement	%	0.50	0.50	0.50
Thu 18	-	CNY Real Estate Climate				102.36
Thu 18	7:00	JPY Bank of Japan Monthly Report				
Fri 19	-	JPY Cabinet Office Monthly Report				
Fri 19	7:00	JPY Coincident Index CI	Index			103.3
Fri 19	8:00	JPY Machine Tool orders, final	m/m			-14.2%

Fixed Income

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Financial crisis rages on

The financial crisis is totally dominating the agenda. Last weekend, the US Treasury came to the rescue of US mortgage giants Fannie Mae and Freddie Mac in a move that effectively nationalises the two companies. The bail-out met with a positive response, boosting risk appetite and reducing demand for government bonds. This prompted a sharp rise in rates and yields Monday morning, but the buoyant sentiment proved short-lived.

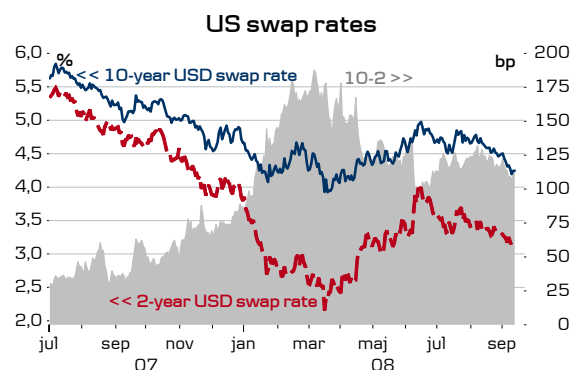
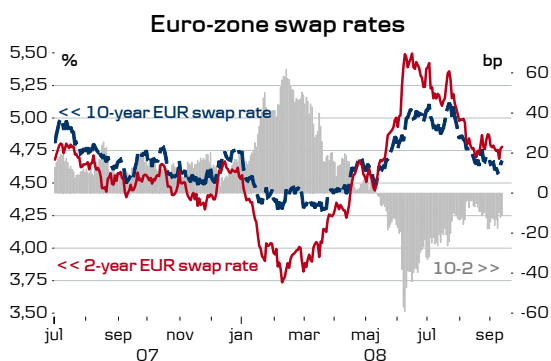
US investment bank Lehman Brothers proved unable to raise new capital and published a very poor earnings report on Tuesday. Although Lehman announced a number of measures to raise new capital, they were far from enough to soothe the financial markets, and increasing risk aversion and falling yields was the result. In recent months, the US central bank, the Federal Reserve, has taken steps to shore up the liquidity of US investment banks. However, while Bear Stearns suffered a liquidity crisis in March, Lehman Brothers is facing a capital crisis.

The financial crisis might well grab the headlines again in the coming week, as attention will continue to focus on rescue attempts at Lehman Brothers, while two other large US investment banks, Goldman Sachs and Merrill Lynch, are due to report Q3 earnings.

Looking ahead, two events in particular could compete with the financial crisis for the market's attention in the coming week: US inflation data and the policy meeting at the Federal Reserve. We expect a flat CPI reading compared with the month before, ie, an inflation rate of 5.5%. The Fed will no doubt stay on hold, so the focus will be on the accompanying statement. Will the Fed soften its inflation stance and/or has its concern about the growth outlook and the financial crisis increased?

Major events are sparse on the ground in Euroland in the week ahead, and European fixed income markets will probably be dominated by developments in US yields and, not least, movements in global risk appetite.

Meanwhile, the hurricane season continues in the Gulf of Mexico, and although oil prices are no longer affecting fixed income markets as much as earlier, they still play an important part. A further decline in oil prices would point towards lower yields.



Foreign exchange

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Seven years of lean?

This note is being written on the seventh anniversary of the terrorist attacks on the USA on 11 September 2001. A moment to reflect on the human cost of this tragedy on the day itself and in the years following might be appropriate. We will not dwell on the political implications of the war on terror here, but there is perhaps reason to again reflect on the huge economic and financial changes that have occurred in the world since that day. Although the US was already in the process of easing monetary policy, fears of a downward economic spiral after 9/11 contributed to rates being cut to as low as 1%. Other central banks followed suit, and this extraordinary easing of the liquidity cycle had a decisive impact on the expansion of the financial gearing that is now being frantically dismantled. The other great trend of the period is "globalisation", which we have put inside speech marks because the term is broad and (mis)used indiscriminately. China's entry into the WTO in December 2001 boosted the process of expanding the circle of market economies in which the newcomer typically contributes to sinking the market price of basic products. The effect on inflation is well known. At the same time, the tendency of Asian nations, in particular, to peg to the USD, and thus the monetary easing in the US, contributed to accelerating the liquidity cycle further.

All this is now history. Since 2007, investors the world over have been focused on divesting risky assets. This process is called deleveraging, and we do not believe it has run its full course yet. According to Bloomberg, banks around the world have written off some USD 510bn in losses in the past year, while USD 359bn of capital has been raised. The difference of USD 151bn has to be deducted from bank balance sheets, and given the system with which banks operate, this means the liquidity available for lending will be reduced by considerably more. The IMF reckons we are about halfway in the process of writing off losses in the financial sector, but it seems that it is getting increasingly difficult to recapitalise the banking sector, most recently illustrated by Freddie Mac, Fannie Mae, Lehman Bros and, in Denmark, Roskilde Bank. Thus it would seem that access to credit will be tightened further. Exacerbating the situation of course is the fact that investors the world over are losing money on most asset classes, including equities, bonds (apart from government bonds), property and FX carry-trades. Hence it will become increasingly difficult to cover debt-financed investments, which in turn could lead to further sales of financial assets. The turnaround is dependent on a new type of investor stepping up to the plate. This has not happened yet and those who tried in 2007 are now sitting with significant losses. We thus remain in what is termed a [Minsky moment](#). Our being positive on JPY and CHF given the above will probably not surprise our readers. On top of this we have to consider the impact of a significant slowdown in the global economy that will take us to the edge of a recession globally and into recession locally, including, more than likely, in Euroland.

On 11 September 2007, EUR/USD was trading at 1.38, a little more than a figure below today's level. One simple way to view the past year is to see it first as a giant shock to both the US economy and financial sector, and later as a similar shock to other countries, including Euroland. We believe EUR/USD will fall further in the coming year, not least because the euro is overvalued and because USD normally performs well at this stage of the economic cycle, even though we are of course somewhat surprised about just how fast things have moved lately. As a matter of interest, EUR/USD was trading at 1.27 on 11 September 2006 and 0.91 on 11 September 2001. We will publish new forecasts on 15 September, and reckon on lowering our expectations on EUR/USD.

Macroeconomic forecast

Macroforecast, Scandinavia													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2007	1,7	2,3	1,6	5,9	-0,3	1,9	3,8	1,7	2,8	4,8	27	1,2
	2008	1,0	1,7	1,6	0,5	-0,1	3,4	4,1	3,4	1,8	4,5	22	1,0
	2009	0,8	0,8	1,7	0,1	0,0	3,1	3,4	2,6	2,1	3,3	18	0,6
Sweden	2007	2,9	3,1	1,3	8,2	0,7	6,2	9,9	2,2	6,2	3,5	42	8,4
	2008	1,0	1,2	-1,2	1,2	0,1	2,9	2,6	3,7	6,1	2,4	37	7,7
	2009	0,9	0,8	1,6	-2,9	-0,3	0,6	-1,4	2,1	8,0	2,3	35	8,6
Norway	2007	3,7	6,5	3,6	9,5	-0,3	2,7	8,8	0,7	2,5	8,0	26	18,1
	2008	3,1	2,8	3,2	3,2	1,1	3,1	5,9	3,8	2,6	12,0	26	23,5
	2009	2,7	2,8	2,8	4,6	0,0	3,5	4,8	2,7	2,7	13,9	26	22,4

Macroforecast, Euroland													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euroland	2007	2,6	1,6	2,3	4,3	-0,1	6,0	5,2	2,8	7,4	-0,8	67	-0,8
	2008	1,4	0,7	1,2	2,2	0,1	2,9	2,2	3,8	7,2	-1,0	65	-0,5
	2009	1,2	0,9	1,5	0,9	0,1	3,0	2,7	2,5	7,4	-1,2	65	-0,7
Germany	2007	2,7	-0,2	1,9	5,6	-0,1	8,5	5,5	2,9	8,3	-0,5	65	5,8
	2008	1,6	0,6	0,7	1,7	0,2	5,1	3,3	3,1	7,5	-0,5	64	6,5
	2009	1,1	1,1	1,1	0,5	0,0	5,0	3,9	2,2	7,5	-0,2	64	6,3
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	3,5	7,9	-2,7	62	-2,3
	2009	1,4	1,4	1,3	1,5	0,0	2,5	3,9	3,1	7,6	-3,0	62	-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	0,5	0,6	0,7	0,5	0,0	1,5	2,3	3,7	6,2	-2,5	103	-2,4
	2009	0,8	0,8	0,8	0,5	-0,1	2,5	2,8	2,1	6,5	-2,7	102	-2,5
Spain	2007	3,8	3,2	5,1	6,4	-0,4	5,5	6,8	3,4	8,0	1,5	37	-9,0
	2008	1,4	0,5	5,1	0,0	0,0	4,0	3,3	4,5	9,0	0,7	35	-10,0
	2009	2,4	1,1	5,1	-2,5	0,0	4,5	2,8	2,3	9,5	-0,3	35	-10,0
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	5,5	4,8	2,5	6,9	5,3	35	4,1
	2008	2,6	2,7	0,5	3,5	0,0	2,0	1,5	3,8	6,3	4,7	33	3,8
	2009	2,1	2,3	1,0	2,0	0,0	2,5	2,0	2,5	6,2	3,9	31	3,8

Macroforecast, Global													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	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	1,5	1,6	2,4	-4,3	-0,2	6,3	-2,1	4,4	5,4	-3,5	61	-4,5
	2009	1,5	0,8	2,0	-1,2	0,1	7,3	1,3	2,6	6,0	-2,5	61	-3,1
Japan	2007	2,0	1,4	0,7	-0,5	-0,1	8,6	1,8	0,0	3,8	-3,4	180	4,1
	2008	1,5	1,1	0,5	-0,4	0,0	5,9	-0,7	1,7	4,0	-3,4	182	4,0
	2009	1,6	1,2	1,1	0,6	0,0	4,2	1,1	0,8	4,0	-3,3	183	4,2
UK	2007	3,1	3,1	1,9	4,1	0,0	4,2	-2,0	2,3	3,0	-2,5	43	-3,3
	2008	1,4	1,3	2,3	4,2	-0,2	3,8	3,5	3,8	2,8	-2,5	43	-4,1
	2009	0,6	1,3	2,4	3,0	0,0	3,4	3,0	2,8	3,0	-2,5	43	-4,0
Switzer-land	2007	3,1	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	2,8	2,6	0,0	54	13,9
	2009	1,6	1,6	0,6	1,7	0,0	4,7	5,2	1,9	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	12-sep	2,00	3,13	4,25	140,6	-	530,5
	+3m	2,00	3,15	4,55	145	-	514
	+6m	2,00	3,35	4,60	143	-	522
	+12m	2,00	3,75	4,75	140	-	533
EUR	12-sep	4,25	4,78	4,68	-	140,6	745,6
	+3m	4,25	4,45	4,55	-	145	746,0
	+6m	4,25	4,45	4,50	-	143	746,0
	+12m	4,25	4,85	4,70	-	140	746,0
JPY	12-sep	0,50	1,05	1,71	151,2	107,6	4,93
	+3m	0,50	0,75	1,55	155	107	4,81
	+6m	0,50	0,95	1,60	150	105	4,97
	+12m	0,50	1,35	1,75	147	105	5,07
GBP	12-sep	5,00	5,24	5,00	79,7	176,4	935,9
	+3m	5,00	5,05	4,85	82,0	177	910
	+6m	5,00	4,85	4,85	80,0	179	933
	+12m	4,50	4,60	4,90	78,0	179	956
CHF	12-sep	2,75	2,82	3,31	159,7	113,6	466,8
	+3m	2,75	2,60	3,20	160	110	466
	+6m	2,75	2,60	3,20	158	110	472
	+12m	2,75	3,00	3,50	156	111	478
DKK	12-sep	4,60	5,15	4,88	745,6	530,5	-
	+3m	4,60	4,80	4,70	746,0	514	-
	+6m	4,60	4,80	4,65	746,0	522	-
	+12m	4,60	5,00	4,80	746,0	533	-
SEK	12-sep	4,75	4,95	4,73	951,5	676,9	78,4
	+3m	4,75	4,65	4,80	945	652	78,9
	+6m	4,50	4,35	4,65	945	661	78,9
	+12m	4,00	4,30	4,65	930	664	80,2
NOK	12-sep	5,75	6,36	5,52	810,6	576,7	92,0
	+3m	5,75	6,40	5,55	800	552	93,3
	+6m	5,75	6,30	5,50	790	552	94,4
	+12m	5,75	6,40	5,70	780	557	95,6
PLN	12-sep	6,00	6,13	5,48	335,4	238,7	222,3
	+3m	6,00	6,60	6,20	340	234	219
	+6m	6,00	6,50	6,10	340	238	219
	+12m	6,00	6,40	6,00	345	246	216

Equity markets

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

Commodities

	08-sep	2008 - average				Average	
		Q1	Q2	Q3	Q4	2008	2009
ICE Brent	106	97	123	120	118	122	125
Aluminium	2.677	2.779	2.995	2.920	2.900	3.100	3.200
Copper	7.226	7.741	8.309	7.900	7.800	8.100	8.200
Gold	814	924	897	870	850	860	860
CBOT Wheat*	751	1.026	838	790	830	860	880
CBOT Corn*	551	527	630	590	600	630	640

* Note: US\$/bushel

Key data and events (1)

Monday, September 15, 2008				Period	Danske Bank	Consensus	Previous
9:15	CHF	Retail sales (real)	y/y	Jul			0.7%
9:15	CHF	Producer & Import prices	m/mly/y	Aug		0.1% 4.6%	0.5% 4.9%
10:00	NOK	Trade balance	NOK bn	Aug			37.4
10:00	ITL	CPI, final	m/mly/y	Aug		0.1% 4.0%	0.1% 4.0%
10:00	ITL	HICP, final	m/mly/y	Aug		0.0% 4.2%	0.0% 4.2%
11:00	EUR	Labour cost	y/y	2nd quarter	3.5%	3.5%	3.3%
14:30	USD	Empire Manufacturing	m/m	Sep	0.5	1.5	2.8
14:30	USD	CPI	m/mly/y	Aug	0.0% 5.5%	0.0% 5.5%	0.8% 5.6%
14:30	USD	CPI ex. food & energy	m/mly/y	Aug	0.2% 2.6%	0.2% 2.6%	0.3% 2.5%
14:30	CAD	New motor vehicle sales	m/m	Jul		-0.2%	-1.0%
15:15	USD	Industrial production	m/m	Aug	-0.1%	-0.3%	0.2%
15:15	USD	Capacity utilization	%	Aug		79.6	79.9

Tuesday, September 16, 2008				Period	Danske Bank	Consensus	Previous
-	RUB	Industrial production trend	y/y	Aug	4.7%	5.2%	3.2%
3:30	AUD	Reserve Bank's board September minutes		Sep			
7:00	JPY	Consumer Confidence	Index	Aug			31.6
8:00	DEM	Consumer prices, final	m/mly/y	Aug		-0.3% 3.1%	-0.3% 3.1%
8:00	DEM	HICP, final	m/m y/y	Aug		-0.4% 3.3%	-0.4% 3.3%
9:15	CHF	Industrial production	q/qly/y	2nd quarter			-9.3% 4.3%
10:30	GBP	CPI	m/mly/y	Aug		0.5% 4.6%	0.0% 4.4%
11:00	EUR	CPI	m/mly/y	Aug	-0.2% 3.8%	-0.2% 3.8%	-0.2% 3.8%
11:00	EUR	CPI Core	y/y	Aug	1.7%	1.7%	1.7%
11:00	NOK	Speech by Norge Bank's Gjedrem					
11:00	DEM	ZEW economic sentiment	Index	Sep	55.5	52.0	55.5
17:00	CHF	SNB's Hildebrand holds speech in Lausanne		Sep			
19:00	USD	NAHB Housing Market Index	Index	Sep	17	17	16
20:15	USD	FOMC meeting	%		2.00	2.00	2.00

Wednesday, September 17, 2008				Period	Danske Bank	Consensus	Previous
-	JPY	BoJ Monetary Policy Announcement	%		0.50	0.50	0.50
5:20	AUD	RBA Governor Stevens Speaks in Sydney					
10:30	GBP	Minutes from MPC meeting					
10:30	GBP	Average Earnings ex. Bonus	3Ms/YoY	Jul		3.6%	3.7%
10:30	GBP	Average Earnings inc. Bonus	3Ms/YoY	Jul		3.4%	3.4%
11:00	EUR	Trade Balance	EUR bn	Jul			-0.1B
11:00	CHF	ZEW	Index	Sep			-79.6
12:00	GBP	CBI Industrial Trends Survey		Sep			
14:30	USD	Current account	USD bn	2nd quarter		-179.5	-176.4
14:30	USD	Housing starts	'000	Aug	946	950	965
14:30	USD	Building Permits	'000	Aug	937	925	937

Thursday, September 18, 2008				Period	Danske Bank	Consensus	Previous
-	CNY	Real Estate Climate		Aug			102.36
7:00	JPY	Bank of Japan Monthly Report		Sep			
8:15	CHF	Trade balance	B	Aug			2.29
10:30	GBP	Retail Sales	m/mly/y	Aug		-0.4% 1.6%	0.8% 2.1%
14:00	CHF	Monetary policy decision (mid 3-mth Libor target)		3rd quarter	2.75%	2.75%	2.75%
14:30	CAD	Leading indicators	m/m	Aug		0.0%	0.0%
14:30	USD	Initial jobless claims	1000				445
16:00	USD	Philadelphia Fed.	Index	Sep	-9.0	-10.0	-12.7
16:00	USD	Leading indicator	%	Aug		-0.2	-0.7
16:00	USD	Richmond Fed. - Manufacturing Index	Index	Sep			-16

Key data and events (2)

Friday, September 19, 2008				Period	Danske Bank	Consensus	Previous
-	RUB	Real wages	y/y	Aug	11.3%	11.5%	11.6%
-	RUB	Unemployment		Aug	5.4%	5.3%	5.3%
-	RUB	Retail sales	y/y	Aug	13.8%	14.1%	14.5%
-	JPY	Cabinet Office Monthly Report					
0:45	NZD	Current account	NZD bn	2nd quarter		-3.500	-2.160
7:00	JPY	Coincident Index CI	Index	Jul			103.3
8:00	JPY	Machine Tool orders, final	m/m	Aug			-14.2%

During the week				Period	Danske Bank	Consensus	Previous
Wed 10 - 15	CNY	Trade balance	USD bn	Aug		23.55	25.30
Fri 12 - 18	CNY	Actual FDI YTD	%	Aug			44.50%
Sat 20	USD	Fed's Evans(non-voter, neutral) Speaks at Swiss Central Bank Conference					

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