

Weekly Focus

14 -21 November 2008

Huge decline in 2y German yields as market prices aggressive ECB cuts



Rally in bonds supported by rapid decline in German business confidence



Strong Danish yield decline in the pipeline



Historical decline in bond yields

The rally in the Euroland bond market has been of a historical magnitude lately. The 2-year German yield has fallen from its summer peak of 4.7% to the current level of 2.25%. This may seem overdone, but the extraordinary move is due to an extraordinary change in the drivers of the bond market:

Growth has continued to surprise on the downside, with increasing evidence that the weakness now extends to all parts of the world and all sectors. Both the IMF and OECD now predict negative growth rates in Euroland next year.

Inflation pressures continue to decline, as oil prices have fallen massively from the highs of USD 150 to the current level of USD 55, which will lead to a rapid decline in inflation over the next 6-9 months.

ECB has shifted to a dovish stance with rate cuts of 50bp two months in a row, and we expect a further 50bp cut in December.

Risk aversion remains high, as equity and credit markets have struggled again lately. This will support government bonds as investors seek safety.

The market is now pricing ECB rates to go to 2%. Even though this is a bit below our own forecast of 2.25% by June 2009, we see further downside for bond yields, as the market will likely price some probability of ECB rates going much lower due to fears of a depression (see [New Yield Forecast](#)). Note that the OECD this week predicted ECB rates would hit 2% in the coming quarters. The decline in yields will increasingly benefit the Danish economy, as we expect the Danish Central Bank to not only follow the ECB lower but also to narrow the rate spread to Euroland. This will lead to substantial declines in Danish bond yields and lend support to the Danish housing market.

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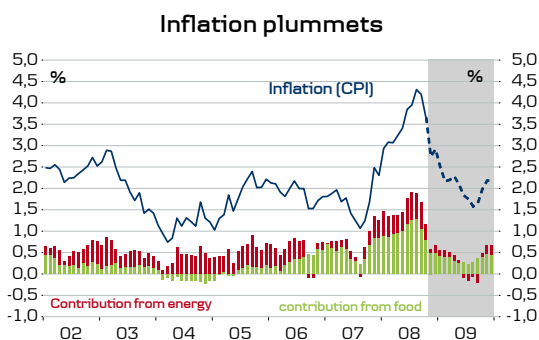
Inflation plummets

The inflation rate dropped sharply to 3.7% in October from 4.2% in September. Energy and food prices in particular have fallen, with food prices down 0.3% on the month and transport prices down 2.3%. Moreover, the sharp rise in prices exactly a year ago helps to pull inflation down now.

Core inflation (headline inflation net of energy and food prices) dropped from 3.3% to 2.9% in October. Going forward, we expect core inflation to ease only slowly, although economic conditions today are very different from those just a year ago. The reason is that the Danish collective bargaining wage agreements include large pay rises over the next couple of years. The high core inflation puts Danish competitiveness under pressure at a time when exports could do with a little help. We expect inflation will fall even more in November – all the way down to 2.8%. This means inflation will have fallen by 1.4 percentage points in just two months, which would be the most pronounced two-month fall since early 1990.

Indeed the fall in November could also be the largest monthly fall in inflation since January 1990. Inflation will continue to drop and could go all the way down to around 2% in 2009. This means there is the prospect of very handsome real wage growth next year. Wages are set to rise by around 4.4% in 2009, so real wages will grow by almost 2.5% next year. On top of this will come the expected tax cuts. Hence, the outlook is for a pretty decent increase in disposable incomes despite the economic slowdown. The big question then is will an increase in real wages of 2.5% be enough to spark a spending spree in Denmark. Danish households have just lost DKK 400bn on equity markets and DKK 170bn on the housing market, so there is some doubt. However, the sharp fall in inflation will help support private consumption, meaning next year should see modest, but nevertheless positive, consumption growth.

The past two weeks have been good for the Danish krone, and we have reason to believe that the Danish central bank (Nationalbanken) has had its FX reserves expanded somewhat. However, there was no rate cut this week, as the bank apparently wants to be completely sure that the turmoil around the krone has fully subsided before it begins to narrow the rate spread. We will continue to monitor Nationalbanken every Friday, and we expect that the rate spread will be cut from 1.75% to 1.25% within three months.



Kilde: EcoWin

Key events of the week ahead

- No economic data of importance in the week ahead.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 17	9:30	DKK Wholesale prices	Oct			-0.9% 6.9%

Sweden

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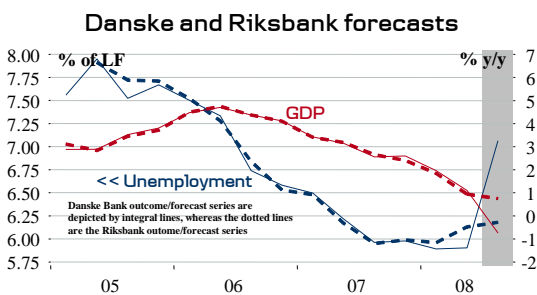
Slowdown might be underestimated

Third quarter inventory data provided important information for GDP in Q3. Businesses seem to have reduced inventories considerably, in fact enough to shave off an entire percentage point from GDP. Retail sales, the trade balance and production data (which are all included in the Activity Index) also point to a marked deceleration. In calendar-adjusted terms, third quarter GDP could be as low as -1% y/y – and given the ongoing turbulence in the financial markets, there is a risk that fourth quarter growth could be even lower. If so, the implications for 2009 growth rates will be substantial, also simply because we would enter next year at a lower GDP level than previously expected, meaning it will be hard to avoid a negative full-year growth rate for 2009.

The Riksbank's current forecast projects positive growth in the second half of this year. In other words, there is an obvious risk that the RB has underestimated the sharp deceleration now taking place (unfortunately so have we). Consequently, there is an equal risk of resource utilisation being overestimated.

That said, we believe that an even more important issue is the politically more sensitive developments in the labour market over the past couple of months. Lay-offs have accelerated at a pace we never expected to see. October lay-offs matched the peaks of the early 1990's crisis and new lay-off announcements have been made on a daily basis since. Unemployment could therefore rise faster than projected by the Riksbank for the remainder of this year to approach 7% by year-end (the Riksbank looks for slightly less than 6.5%). However, the really big problems are likely to show up next year.

It looks increasingly obvious that the Riksbank's main scenario is too optimistic. Even the low growth scenario may be at some risk. If so, unemployment will undoubtedly turn out to be worse than projected. The market is pricing in rate cuts close to the low rate scenario – but will that prove to be enough?



Key events of the week ahead

- Investment survey and production in the service sector will probably not be market moving events. However, they are both interesting from a cyclical perspective, with the investment survey providing the final piece of the GDP puzzle in Q3.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Thu 20	9:30	SEK Service sector production	m/m/y/y	Sep		-.2.1%

Norway

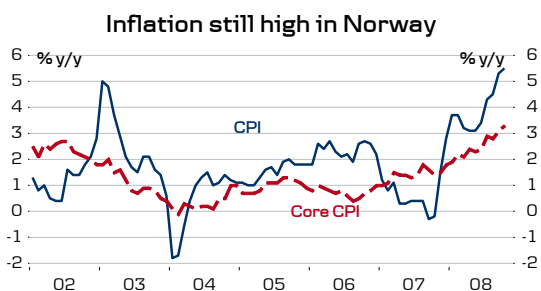
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While we wait

Global events are likely to shape developments in the Norwegian fixed income and FX markets in the coming week, as there are no economic events of importance at home.

That said, we will be monitoring the upcoming speeches by central bank chief Sven Gjedrem and deputy chief Qvigstad. There is little doubt that both the Norwegian and the global economy are rather weak at the moment. One Norwegian example of this is that there have been 20% fewer new home starts compared to the same period last year. On the other hand, inflation remains high in Norway, with underlying inflation increasing to 3.3% and total inflation up to 5.5% in October.

In its latest Monetary Policy Report, Norges Bank maintained its focus on inflation and the inflation risk stemming from the recent weakening of the Norwegian krone. This contrasts with many other central banks, which have been completely ignoring inflation of late. In our view, Norges Bank is not heading in this direction, but if it is there could be new information in the upcoming speeches. Hence it is still our expectation that there will “only” be a 25bp cut in December, though the outlook is for more rate cuts in 2009, and we forecast a policy rate of 3.75% in 12 months’ time. This means the rate spread to the ECB is expected to remain unchanged at 150bp.



Key events of the week ahead

- We will monitor speeches by Norges Bank’s chief and deputy chief.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 17	10:00	NOK Trade balance	Oct			26.7
Wed 19	-	NOK Speech by Sven Gjedrem				
Thu 20	-	NOK Speech by Jan F. Qvigstad				

Euroland

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Recession a statistical reality

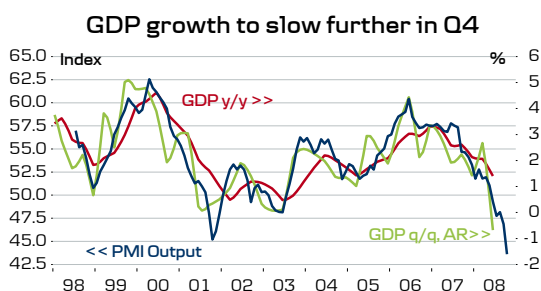
The expected technical recession is now a reality. As anticipated, the flash GDP figures showed a contraction of 0.2% q/q in Q3, which means that we have now had the requisite two successive quarters of falling activity – and there is much to suggest that Q4 will be even worse. Euroland is in a deep recession that is set to last well into 2009.

German GDP fell sharply by 0.5% q/q in Q3, which means that Germany too is in technical recession, and we expect its economy to contract further in the coming quarters. Key features of Q3 were weak exports and stockbuilding. Stocks need to come down sooner or later, and exports will weaken further in the wake of the escalation of the financial crisis and its impact on key markets in Central and Eastern Europe.

According to the final figures, which were unchanged from the flash estimate, Euroland inflation slowed further from 3.6% y/y in September to 3.2% y/y in October, due mainly to falling energy and food prices. Core inflation (which excludes energy, food, tobacco and alcohol) was unchanged at 1.9% y/y. We expect headline inflation to fall further through to next summer. Just how far depends partly on what happens to oil prices, but there is no doubt that it will drop well below the ECB's target of just below 2% in the medium term, and somewhere in the region of 1% y/y in summer 2009 is definitely not out of the question.

Otherwise it was a relatively quiet week with few new numbers for the Euroland economy. The German ZEW indicator, which is a good gauge of sentiment in financial markets, climbed from -63 to -53.5, cancelling out almost half of the sharp drop in October. However, we still think that the outlook for Euroland and Germany is bleak.

The coming week is also rather quiet. The most important economic data for Euroland are the flash PMI figures for Germany, France and Euroland on Friday. We expect the underlying downward trend to continue, with the manufacturing index falling from 41.1 to 40.2 and the service sector index from 45.8 to 45.0. This is a little more pessimistic than the consensus expectations of 40.5 and 45.2 respectively.



Key events of the week ahead

- Friday: Euroland manufacturing sector PMI to fall from 41.1 to 40.2, and service sector PMI from 45.8 to 45.0 (consensus 40.5 and 45.2 respectively).

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Sun 16 - 25	-	BEF Business Confidence	Index	Nov		
Tue 18	11:00	ITL Current Account	EUR m	Sep		-2886.0
Wed 19	9:00	ESP GDP, final	q/q/y/y	3rd quarter		
Wed 19	9:00	ESP GDP	q/q/y/y	2nd quarter		-0.2% 0.9%
Thu 20	8:00	DEM PPI	m/m/y/y	Oct	-0.7% 7.2%	0.3% 8.3%
Fri 21	9:00	FRF PMI Manufacturing, preliminary	Index	Nov	39.7	39.9
Fri 21	9:00	FRF PMI Services, preliminary	Index	Nov	46.5	46.6
Fri 21	9:30	DEM PMI Manufacturing, annualized	Index	Nov	41.9	42.0
Fri 21	9:30	DEM PMI Services, annualized	Index	Nov	47.5	47.8
Fri 21	10:00	EUR PMI Manufacturing, annualized	Index	Nov	40.2	40.5
Fri 21	10:00	EUR PMI Services, annualized	Index	Nov	45.0	45.2
Fri 21	10:00	EUR PMI Composite, annualized	Index	Nov		42.5
						43.6

Switzerland

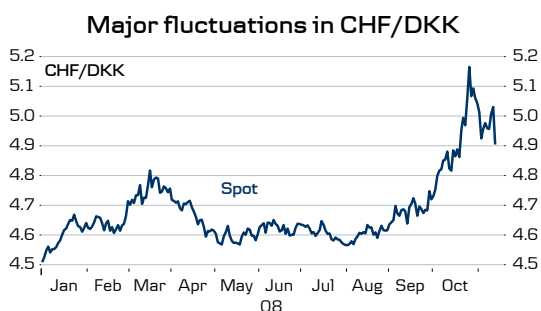
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Swiss franc volatility remains historically high

Data were rather thin on the ground in the past week and there was not much new information on the Swiss economy. Consumer confidence continues to slide, with the SECO Consumer Climate indicator showing a slightly larger fall in October than the market expected. Consumer confidence has, however, not yet reached the lows of either the 2001 recession or the slump of the early 1990s. Producer and import prices fell for yet another month, with the October figures down 0.6% from September. As in Denmark, inflation is falling fast, helped by falls in global food and energy prices, lower interest rate costs, and a pronounced strengthening of the Swiss franc. As the inflation outlook is improving and inflation is now expected to rapidly reach target, inflation as a theme is slipping down the agenda of both the market and the Swiss National Bank (SNB).

The past week saw major movements in the FX market and in the Swiss franc. CHF/DKK rose from around 4.95 to a peak on Wednesday of more than 5.05, before falling back again below 5.00. This movement occurred in tandem with movements on the equity market, which saw a major sell-off at the start of the week followed by soaring share prices in late US trade on Thursday. We still see further strength in CHF in the short term, but at the same time expect that volatility (scale of fluctuations) will remain very high. In the longer term, support for CHF is likely to fade as global risk sentiment gradually improves. Meanwhile, money markets have continued to improve, and 3M LIBOR now fixes at just 13bp above the SNB's target. The SNB continues to demonstrate that it is dedicated to getting the policy rate back on target, meaning, for instance, that very short money market rates are being kept very low. If the positive developments in the money market continue, a rate cut (probably 50bp) seems likely at the December meeting.

September's retail sales data is due on Tuesday. Given the negative developments in consumer confidence, a further weakening of private consumption seems inevitable, and indeed the major Swiss research institutes foresee a sharp downturn in consumption growth in their forecasts. This is also our main scenario. Finally, October trade balance figures are due on Thursday.



Key events of the week ahead

- Tuesday 09.15: Retail sales for September (fixed prices).
- Thursday 08.15: Trade balance for October.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Tue 18	9:15	CHF Retail sales (real)	y/y	Sep		0.0%
Thu 20	8:15	CHF Trade balance	B.	Oct		1.44

USA

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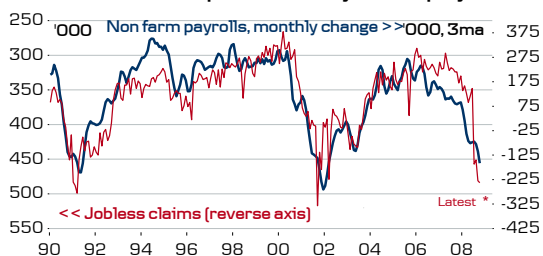
Labour market deteriorating fast – Fed to cut by 50bp in December

The US recession is now increasingly hitting the labour market. On Friday 7 November the labour market report showed an increase in the unemployment rate to 6.5% – the highest level since 1994. During the past week, initial jobless claims rose further to 516k from 484k the previous week. This level corresponds to a decline in monthly payrolls of more than 300k (see chart).

The fall in employment is a further headwind to the US consumer, who is already burdened with a long list of drags: pronounced credit tightening, falling house prices and falling equity prices. This points to another very weak quarter in Q4 for private consumption, with an expected decline of 3.5% (q/q AR) – [see Research USA: Falling Down](#). It is not all bad news for the consumer, though. The rapid decline in commodity prices will lead to a significant decline in inflation and boost purchasing power. Moreover, further tax cuts look to be on the cards for early 2009. This suggests a gradual recovery in 2009. Uncertainty is very high, though, as the effects of the drags on the consumer are difficult to quantify due to our lack of historical experience of such a large shock combo.

We now expect the Fed to cut by 50bp at its December meeting. The economy currently needs all the stimulation it can get, and concern that the recession could be prolonged is growing. The Fed is also faced with a transmission mechanism that is working very poorly and hence it has to take rates even lower to compensate for this.

Jobless claims point to very weak payrolls



Key events of the week ahead

- Monday: Empire index and industrial production look set to fall again from low levels.
- Tuesday: PPI will show steep decline. NAHB housing index expected unchanged at low level.
- Wednesday: CPI to decline 0.8% m/m as energy pulls down. This will be the largest m/m decline since 1949! Housing starts to fall further. Fed minutes will provide some insight into growth concerns at the Fed.
- Thursday: Philly Fed expected to fall further.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 17	14:30	USD Empire Manufacturing	m/m		-27.0	-24.6
Mon 17	15:15	USD Industrial production	m/m	-0.2%	-0.2%	-2.8%
Mon 17	15:15	USD Capacity utilization	m/m		76.4%	76.4%
Tue 18	14:30	USD PPI	m/mly/y	-1.8% 6.2%	-1.8% 6.2%	-0.4% . .
Tue 18	14:30	USD PPI core	m/mly/y	0.1% 4.0%	0.1% 4.0%	0.4% 4.0%
Tue 18	19:00	USD NAHB Housing Market Index	Index	14	14	14
Wed 19	13:00	USD MBA Mortgage Applications	Index			11.9%
Wed 19	14:30	USD CPI	m/mly/y	-0.8% 4.1%	-0.8% 4.1%	0.0% 4.9%
Wed 19	14:30	USD CPI ex. food & energy	m/mly/y	0.2% 2.4%	0.2% 2.4%	0.1% 2.5%
Wed 19	14:30	USD Housing starts	m	780	780	817
Wed 19	14:30	USD Building Permits	m		775	805
Thu 20	14:30	USD Initial jobless claims	1000			
Thu 20	16:00	USD Philadelphia Fed.	Index	-35.0	-35.0	-37.5
Thu 20	16:00	USD Leading indicator	m/m		-0.6%	0.3%

Asia

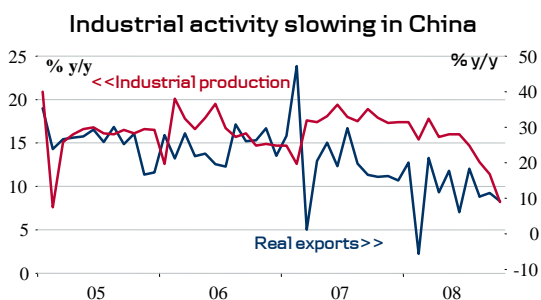
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Growing risk of hard landing in China

Data released during the week suggest that Chinese growth is slowing markedly, with growth in industrial production down sharply from 11.4% y/y in September to 8.2% y/y in October (see [Flash Comment - China: Risk of a hard landing is increasing](#)). It is not only the frail global economy and lower growth in exports that are causing problems for the Chinese economy. Weaker domestic demand, in particular a decline in construction activity, also seems to be a big part of the explanation. This is reflected in the way that growth in industrial production has slowed further than growth in exports in recent months, as can be seen from the chart below. The weak figures for industrial production suggest that GDP growth will be well below 8% y/y in Q4 and may even dip below 7% in Q1 next year. After that, there is hope that the big fiscal stimulus package will begin to have a stabilising effect (see [Flash Comment - China: Massive fiscal stimulus package announced](#)).

In Japan, attention will centre on the release of Q3 GDP figures on Monday and the BoJ's monetary policy meeting on Friday. We expect GDP to edge down 0.1% q/q after dropping no less than 0.7% q/q in Q2. Q3 growth will be dragged down primarily by weaker business investment and exports, and we expect private consumption to rise by just 0.1% q/q. Unfortunately it appears that GDP growth will be even weaker in Q4, and we are now predicting contraction of 0.4% q/q. We do not anticipate any high drama at the BoJ monetary policy meeting, but expect an unchanged key rate of 0.3%. The market currently anticipates an unchanged key rate of 0.3% for the next year, and this is still also our expectation, but we also see a clear risk of an additional 20bp rate cut in the next 3-6 months, which the market may very soon begin to price in.

Otherwise the big highlight is the weekend's G-20 meeting in Washington. In terms of Asia, the most interesting aspect is the financing of the IMF. Japan has already announced its willingness to put USD 100bn in the IMF's coffers, and there will probably be pressure on China to contribute too. On the other hand, there will probably be general demands from Asia that it be given greater influence in the IMF and elsewhere. China, Japan and South Korea are also expected to announce an expansion of their existing bilateral swap arrangements in connection with the summit. This will be particularly good news for South Korea, which has used up a fair chunk of its foreign exchange reserves in recent months defending the KRW.



Key events of the week ahead

- In Japan, Monday sees Q3 GDP, Thursday brings October trade figures, where there will be particular focus on exports, and Friday sees a rate-setting meeting at the BoJ, which is expected to result in unchanged rates.
- In China, no important economic data are due out during the week.
- In the Philippines, Thursday brings a monetary policy meeting, which is expected to result in a 25bp rate cut.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 17	0:50	JPY GDP Deflator	y/y 3rd quarter		-1.7%	-1.5%
Mon 17	0:50	JPY GDP, preliminary	q/q 3rd quarter	-0.1%	0.0%	-0.7%
Mon 17	0:50	JPY Tertiary sector activity	m/m Sep		-0.5%	-1.4%
Tue 18	6:00	JPY Leading Economic Index	index Sep			89.2
Wed 19	0:50	JPY All Industry Activity Index	m/m Oct		-0.1%	-1.8%
Thu 20	0:50	JPY Trade balance	JPY bn Oct		71.8	88.5
Fri 21	-	JPY BoJ Monetary Policy Announcement	%	0.3	0.3	0.3

Foreign exchange

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Time for change? Not yet?

We revised our FX forecasts on 24 October – in between our regular forecast updates (see [Revised FX Forecasts: G10 and EM](#)). Most notably, we raised all our short-term USD forecasts and pencilled in more JPY and CHF strengthening, along with more SEK and NOK short-term weakness. As risk sentiment was deteriorating sharply and no obvious triggers for this to end were in sight, we found it likely that things could worsen further. The rapid rise in risk aversion has stopped – albeit at a high level – and the immediate drivers for further JPY and CHF appreciation have thus faded. Unfortunately, we called off our predicted rise in EUR/GBP too early, as we – in line with most other forecasters – underestimated the amount of negative news already priced into the pound at a time when sterling-denominated assets were heavily sold off.

We remain guided by the dual themes of a financial crisis and a global recession. Recent data has further confirmed the outlook of the global economy falling into recession, and we do not expect global activity to begin expanding until H209. Key data will continue to be depressed and both household and business conditions are likely to worsen further, as access to credit has been severely tightened. Demand for a fiscal stimulus is increasing, but the implications for fiscal sustainability remain unclear. We do not see a significant bettering of financial conditions before well into 2009, and it is still too early to dismiss the possibility of a new wave of financial distress. Accordingly, we still see support to the counter-cyclical currencies CHF, JPY and USD – especially in the short term. However, given the reduced systemic risk since our last forecast update, we have opted to pencil in less CHF and JPY strength, implying higher USD/JPY and EUR/CHF forecast profiles.

On the longer horizon (well into 2009) we anticipate financial conditions will improve gradually – despite global production having likely slumped by around 2-3%, governments having likely presented new rescue packages (this time focussed more on fiscal initiatives), additional private institutions probably de facto nationalised, and those countries most burdened by external deficits and financial distress likely having been brought under the wing of the IMF. We do not expect to see a sharp recovery in risk appetite but rather a slow and cautious normalisation leading to lower but still elevated risk premiums. Price formation will continue to be influenced by ill-functioning markets and most likely also the beginning of increased regulation that will limit the possibility of a repeat of the heydays seen in 2002-2007. We anticipate further USD strength, but that the JPY and CHF will run out of breath.

Our most notable forecast change is for EUR/GBP. We have revised our EUR/GBP forecast upwards across all horizons, but have kept our bias for a stronger pound in the longer run. The Bank of England's recent massive rate cut of 1.5 percentage points and its subsequent readiness to cut rates to 'whatever level needed' have made us revise our base rate forecast downwards (see [BoE cuts 150bp – more to come](#)). The fact that the prospects for consumption, house prices and growth in general have turned even gloomier has convinced us that the pound will find no support in the near term. We believe, however, that the undervalued pound represents good value in the longer term, and that it will benefit from a normalisation of risk sentiment (see [Is GBP still interesting after downbeat Inflation Report?](#)).

Fixed income

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New yield forecast: yields expected to fall further

In recent weeks the nature of the crisis has shifted from fears of a collapse in the financial system to the prospect of global recession. There are early signs of improvement in the money market as a result of all the official support and rescue packages for the bank sector, and we expect this improvement to continue.

Long-term yields have nevertheless continued to nosedive, and monetary policy has been eased. This is down to the very bleak economic outlook, with both the USA and Euroland now in recession. Risk appetite and developments in equity markets are also still setting the agenda for yields, and this will presumably continue in the time ahead.

The Federal Reserve has lowered its key rate to 1%, and we now expect one final cut of 50bp in December. The rapid rise in the supply of government bonds, a central bank that has finished cutting interest rates and already very low yields mean that US Treasury yields will struggle to fall much further. Swap rates, on the other hand, may fall further due to the narrowing of swap spreads. In the long term, yields are expected to bounce back as the economy recovers.

The ECB is expected to cut interest rates by 50bp in December and by 25bp in both Q1 and Q2 next year, taking its key rate down to 2.25%. There is scope for further falls in long-term yields in Euroland in the next couple of quarters, with swap rates in particular expected to drop as a result of continued monetary policy easing, weak economic data and improvements in the money market, along with the resulting decrease in the spread between swap rates and government bond yields. There is the prospect of steeper yield curves in Euroland over the next 3-6 months. In the longer term, the yield curve will level off again slightly. In terms of both monetary policy and economic activity, Euroland is expected to lag behind the USA, which means that Euroland's bond markets will outperform those in the USA.

Here in Denmark, we expect the central bank to gradually reduce the interest rate differential to the ECB, which means that yield spreads between Denmark and Euroland for longer maturities will narrow. Thus there is the prospect of lower yields and steeper yield curves in Denmark too. The combination of lower ECB rates, unilateral Danish rate cuts and improvements in the money market also mean that there is the prospect of a sharp slide in Danish fixing rates in the coming quarters.

International yield forecast (swap)

EUR	Refi rate	2-yr	10-yr
Spot	3.25	3.44	4.25
+3m	2.75	2.90	4.00
+6m	2.50	2.50	3.95
+12m	2.25	2.75	4.10

USD	Fed funds	2-yr	10-yr
Spot	1.00	2.42	4.13
+3m	0.50	1.90	3.90
+6m	0.50	2.25	4.10
+12m	0.50	2.60	4.40

Danish yield forecast

DKK	Repo rate	3m cibor	2-year swap	10-year swap
Spot	5.00	5.99	4.34	4.58
+3m	4.00	4.65	3.50	4.35
+6m	3.25	3.75	3.00	4.20
+12m	2.75	3.10	3.25	4.30
	0.00			

DKK	Repo rate	2-year gov	10-year gov
Spot	5.00	3.30	4.03
+3m	4.00	2.75	3.95
+6m	3.25	2.35	3.85
+12m	2.75	2.75	4.00

Macroeconomic forecast

Macro forecast, Scandinavia													
	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ptym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2007	1,7	2,3	1,6	5,9	-0,3	1,9	3,8	1,7	2,8	4,4	26	1,2
	2008	0,5	1,1	1,7	-0,5	0,0	3,1	3,8	3,5	1,7	4,1	21	1,0
	2009	0,2	0,7	1,8	-1,9	0,0	2,5	1,6	2,1	2,2	3,1	17	1,3
Sweden	2007	2,9	3,1	1,3	8,2	0,7	6,2	9,9	2,2	6,2	3,5	42	8,4
	2008	0,9	1,1	1,0	2,6	-0,6	2,6	2,7	3,5	6,2	2,6	37	7,7
	2009	0,2	0,3	2,2	-3,2	-0,5	-0,4	-1,9	1,3	8,0	-0,8	36	8,2
Norway	2007	3,7	6,4	3,6	9,3	-0,3	2,8	8,7	0,8	2,5	17,3	26	18,7
	2008	2,4	2,1	3,5	4,6	0,7	1,9	5,4	3,6	2,6	17,9	26	19,4
	2009	2,2	2,0	3,2	2,9	-0,1	1,8	2,0	2,6	3,2	17,1	26	18,6

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

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

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

Financial forecast

Bond and money markets							
		Key int. rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	14-Nov	1.00	2.41	4.13	127.5	-	584.4
	+3m	0.50	1.90	3.90	121	-	616
	+6m	0.50	2.25	4.10	116	-	643
	+12m	0.50	2.60	4.40	116	-	643
EUR	14-Nov	3.25	3.41	4.23	-	127.5	744.9
	+3m	2.75	2.90	4.00	-	121	745.0
	+6m	2.50	2.50	3.95	-	116	746.0
	+12m	2.25	2.75	4.10	-	116	746.0
JPY	14-Nov	0.30	0.86	1.45	123.8	97.1	6.02
	+3m	0.30	0.80	1.50	114	94	6.54
	+6m	0.30	0.75	1.45	114	98	6.54
	+12m	0.30	1.20	1.70	118	102	6.32
GBP	14-Nov	3.00	3.42	4.29	86.0	148.3	866.4
	+3m	1.50	3.00	4.05	86.0	141	866
	+6m	1.50	2.75	3.90	82.0	141	910
	+12m	1.50	3.00	4.05	80.0	145	933
CHF	14-Nov	2.00	2.02	2.98	151.2	118.6	492.7
	+3m	1.50	1.80	2.90	146	121	510
	+6m	1.25	1.65	2.85	148	128	504
	+12m	1.25	1.80	2.90	148	128	504
DKK	14-Nov	5.00	4.31	4.55	744.9	584.4	-
	+3m	4.00	3.50	4.35	745.0	616	-
	+6m	3.25	3.00	4.20	746.0	643	-
	+12m	2.75	3.25	4.30	746.0	643	-
SEK	14-Nov	3.75	3.16	3.84	1000.8	785.1	74.4
	+3m	3.25	2.90	3.85	980	810	76.0
	+6m	2.75	2.60	3.90	970	836	76.9
	+12m	2.25	2.65	4.20	950	819	78.5
NOK	14-Nov	4.75	4.31	4.82	877.2	688.2	84.9
	+3m	4.50	4.90	5.05	850	702	87.6
	+6m	4.00	4.10	4.80	840	724	88.8
	+12m	3.75	4.50	4.90	820	707	91.0
PLN	14-Nov	6.00	5.65	5.43	368.3	288.7	202.3
	+3m	5.50	6.60	6.20	405	335	184
	+6m	5.25	6.50	6.10	400	345	187
	+12m	5.00	6.40	6.00	400	345	187

Equity markets				
Regional	Risk	Price trend 3 mth.	Price trend 12 mth.	Regional recommendations
USA	Low	-5% to +5%	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
Nordics				
Denmark	Average	-5% to +5%	More than +10%	Neutral
Sweden	High	-5% to +5%	More than +10%	Neutral
Norway	High	-5% to +5%	More than +10%	Neutral

Commodities							
	13-Nov	2008 (average)		2009 (average)		Average	
		Q3	Q4	Q1	Q2	2008	2009
ICE Brent	56	118	72	74	80	102	80
Aluminium	1,937	2,850	2,300	2,350	2,500	2,731	2,588
Copper	3,670	7,590	5,200	5,300	5,400	7,210	5,575
Gold	731	870	860	880	880	888	858
CBOT Wheat*	563	789	550	600	620	801	645
CBOT Corn*	381	582	425	450	500	541	519

* Note: US\$/bushel

Key data and events

Key Data and Events in Week 47

Monday, November 17, 2008				Period	Danske Bank	Consensus	Previous
0:50	JPY	GDP Deflator	y/y	3rd quarter		-1.7%	-1.5%
0:50	JPY	GDP, preliminary	q/q	3rd quarter	-0.1%	0.0%	-0.7%
0:50	JPY	Tertiary sector activity	m/m	Sep		-0.5%	-1.4%
1:01	GBP	Rightmove House Prices	m/mly/y	Nov			1.0% -4.9%
9:30	DKK	Wholesale prices	m/mly/y	Oct			-0.9% 6.9%
10:00	NOK	Trade balance	NOK bn	Oct			26.7
14:30	USD	Empire Manufacturing	m/m	Nov		-27.0	-24.6
15:15	USD	Industrial production	m/m	Oct	-0.2%	-0.2%	-2.8%
15:15	USD	Capacity utilization	m/m	Oct		76.4%	76.4%
Tuesday, November 18, 2008				Period	Danske Bank	Consensus	Previous
1:30	AUD	RBA November Minutes					
6:00	JPY	Leading Economic Index	index	Sep			89.2
9:15	CHF	Retail sales (real)	y/y	Sep			0.0%
10:30	GBP	CPI/HICP Inflation	m/mly/y	Oct		0.1% 4.9%	0.5% 5.2%
11:00	ITL	Current Account	EUR m	Sep			-2886.0
14:30	USD	PPI	m/mly/y	Oct	-1.8% 6.2%	-1.8% 6.2%	-0.4% .1
14:30	USD	PPI core	m/mly/y	Oct	0.1% 4.0%	0.1% 4.0%	0.4% 4.0%
19:00	USD	NAHB Housing Market Index	Index	Nov	14	14	14
Wednesday, November 19, 2008				Period	Danske Bank	Consensus	Previous
-	NOK	Speech by Sven Gjedrem					
0:50	JPY	All Industry Activity Index	m/m	Oct		-0.1%	-1.8%
9:00	ESP	GDP	q/qly/y	2nd quarter			-0.2% 0.9%
9:00	ESP	GDP, final	q/qly/y	3rd quarter			
9:30	AUD	RBA Governor Stevens speaks					
10:30	GBP	Minutes from MPC meeting					
13:00	USD	MBA Mortgage Applications	Index				11.9%
14:30	USD	CPI	m/mly/y	Oct	-0.8% 4.1%	-0.8% 4.1%	0.0% 4.9%
14:30	USD	CPI ex. food & energy	m/mly/y	Oct	0.2% 2.4%	0.2% 2.4%	0.1% 2.5%
14:30	USD	Housing starts	m	Oct	780	780	817
14:30	USD	Building Permits	m.	Oct		775	805
Thursday, November 20, 2008				Period	Danske Bank	Consensus	Previous
-	NOK	Speech by Jan F. Qvigstad					
0:50	JPY	Trade balance	JPY bn	Oct		71.8	88.5
8:00	DEM	PPI	m/mly/y	Oct		-0.7% 7.2%	0.3% 8.3%
8:15	CHF	Trade balance	B.	Oct			1.44
9:30	SEK	Service sector production	m/mly/y	Sep			-2.1%
10:30	GBP	Retail Sales	m/mly/y	Oct		-0.8% 1.5%	-0.4% 1.8%
14:30	USD	Initial jobless claims	1000				
16:00	USD	Philadelphia Fed.	Index	Nov	-35.0	-35.0	-37.5
16:00	USD	Leading indicator	m/m	Oct		-0.6%	0.3%
Friday, November 21, 2008				Period	Danske Bank	Consensus	Previous
-	JPY	BoJ Monetary Policy Announcement	%		0.3	0.3	0.3
9:00	FRF	PMI Manufacturing, preliminary	Index	Nov	39.7	39.9	40.6
9:00	FRF	PMI Services, preliminary	Index	Nov	46.5	46.6	47.5
9:30	DEM	PMI Manufacturing, annualized	Index	Nov	41.9	42.0	42.9
9:30	DEM	PMI Services, annualized	Index	Nov	47.5	47.8	45.8
10:00	EUR	PMI Manufacturing, annualized	Index	Nov	40.2	40.5	41.1
10:00	EUR	PMI Services, annualized	Index	Nov	45.0	45.2	45.8
10:00	EUR	PMI Composite, annualized	Index	Nov		42.5	43.6
13:00	CAD	CPI	m/mly/y	Oct		-0.2% 3.4%	0.1% 3.4%
During the week				Period	Danske Bank	Consensus	Previous
Sun 16 - 25	BEF	Business Confidence	Index	Nov			

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