

Weekly Focus

15-22 August 2008

Market pricing of ECB change over 1 year



German bond yields heading down again



Euro 2-10 curve should steepen further



Weak growth in Euroland set to make its mark on Denmark

Our worst fears were confirmed by the past week's data for the European economy. Growth in Euroland is clearly on the way down, even allowing for some of the high level of activity in Q1 being due to temporary factors (such as good winter weather for the construction industry and stockbuilding) that were partially reversed in Q2.

The euro economies have been weakened by high inflation, the financial crisis, weaker growth in export markets and a strong currency and growth is weak almost right across Euroland. GDP fell by 0.5% from Q1 to Q2 in Germany and by 0.3% in France and Italy, while Spain reported its lowest growth for 15 years of just 0.1%.

Economic indicators have also deteriorated substantially in Euroland. Most notably, Germany now looks set to become the last of the big euro economies to be hit hard. Indicators suggest that the economy is teetering on the brink of recession.

Bad news for the German economy is also bad news for the Danish economy, as Germany is still our largest export market. Although its relative importance has declined somewhat in recent years, there is no doubt that Danish industry will be hurt when Germany comes under pressure, as the German market accounted for 17.5% of Danish goods exports in H1. Danish exports to Germany actually performed surprisingly well in Q2, climbing 14.7% (excluding oil), and have grown by 16.7% over the past year. However, even though exports to Germany are still growing, it is probably only a matter of time before the slowdown in our big neighbour to the south makes its mark at home..

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Denmark

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Exports continue to surprise

Exports are currently one of the few bright spots in the Danish economy. Despite the strong DKK, continued erosion of our competitiveness and increasingly slow growth in our export markets, Danish exports are continuing to grow. Monday brought the figures for June, which means that we now have data for the whole of Q2 and there was a clear positive trend. Exports climbed 4.2% q/q, which is a much faster rate of growth than in Q1. This growth was broad-based, although exports of oil stand out, having benefited from high global energy prices during the quarter to climb almost 15% q/q. But high oil prices do not tell the whole story. Traditional industrial exports grew by 3.5% in Q2, and agricultural exports also increased, so it really is fair to say that it was a broad-based upswing.

Looking at the breakdown by country, it was particularly exports to EU countries that grew in Q2. Companies selling to the USA, on the other hand, had a tougher time, with exports to the USA falling 7% in Q2. Much of this was due to the deterioration in the USD, however, as the foreign trade statistics are compiled in current rather than constant prices.

Another reason why exports can be expected to make a healthy contribution to growth in Q2 is that imports actually fell slightly from Q1 to Q2. There is therefore much to suggest that net exports will help to ensure that the Danish economy moves back out of recession in Q2. This is not to say that the Danish economy is in rude good health but it does show very clearly that the economy has not run completely off the rails.



Key events of the week ahead

- The coming week is relatively quiet in terms of incoming data. The release of consumer credit figures will probably attract the most attention. Consumer credit has been growing rapidly in recent years, and the question is whether the lower rate of consumption growth will also make its mark here, or whether hard-pressed households will increasingly turn to this expensive form of borrowing.

Sweden

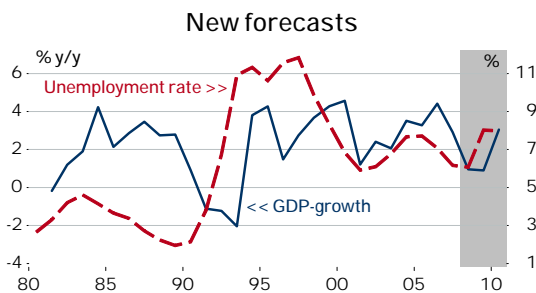
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Revised growth forecast

We have been arguing for the past two years that the ongoing slowdown would worsen into, at least, a recession-like mode. And by most measures we have been on the money. However, it is time to change our forecast, in part because of the unexpectedly low outcome for Q2 GDP, but also because some key assumptions have deteriorated lately. It could be argued that first half growth in the US was stronger than expected, but this was largely due to one-off effects that will not be repeated. US growth will continue on its anaemic path in H2, and more important still, growth prospects in Asia and (especially) Europe have worsened. All in all this will mean lower export growth in the coming quarters.

In addition, domestic demand has plunged, with the National Institute for Economic Research presenting a growth indicator much below normal. This has also been mirrored in other data both survey and hard. Unfortunately, this is still not all. Corporate profits are declining and household balance sheets are weakening on the back of plummeting stock markets and a dire outlook for house prices. And to top it off, banks are tightening credit standards (in addition to the higher interest rates that households and companies face).

Adding it all up, we believe that (calendar adjusted) GDP growth will come in at 1.0% (1.8%) this year and 0.9% (1.8%) next year. It is not until 2010 that fundamentals will kick in more visibly and push growth above the 3% y/y-mark. The unemployment rate should start to rise in H2 this year and peak above 8½% towards winter 2009.



Key events of the week ahead

- Labour force survey will definitely attract some attention. It is a key variable in the Riksbank's policy process and the last observation was quite some way above expectations.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Thu 21	9:30	SEK Statistics Sweden, Unemployment	Jul	5.5	6.2	8.1
Thu 21	15:00	SEK Riksbank speech by Dep Governor Öberg on "The economic situation"				

Euroland

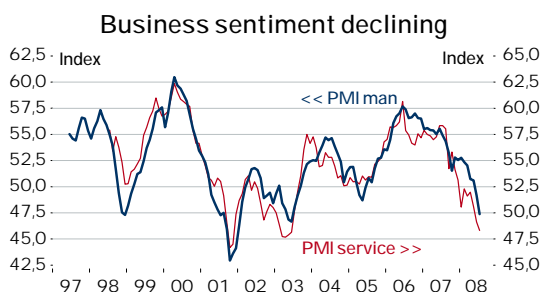
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Slight growth downgrade from the ECB

The final inflation numbers for July saw the preliminary figure revised down from 4.1% to 4.0%. Core inflation remains in check – excluding energy, food, alcohol and tobacco, consumer prices rose 1.7% y/y, which is 0.1 percentage point less than in June. According to the ECB definition (ie, total minus energy and non-processed food), prices increased by 2.5%, which is the same as in June.

Euroland growth is clearly weakening. GDP in Q2 was down 0.2% on Q1. The downturn is in part due to corrections in the wake of temporary effects that boosted growth in Q1 – we estimate that underlying growth in Euroland was 0.2% q/q in Q2. The correction hit all-four Euroland majors: German GDP fell 0.5% relative to the previous quarter, France and Spain saw a fall of 0.3%, and Spain experienced its slowest growth in 15 years – just 0.1%. Thus, the ECB's comment in connection with last week's rate meeting that there is some materialisation of these (downside) risks (to growth) – now clearly applies to the national accounts of the member countries. We expect more weak data in the coming months, and low growth and the risk of recession will remain themes until at least the end of the year.

In the coming week this will be reflected in weaker numbers in Germany, where we expect that manufacturing PMI will fall below 50, ie, indicating contraction. As regards German service PMI, we expect a fall to 51. This marks a resumption of the downturn after the largely sideways movements of recent months. The ZEW indicator is also due, and we estimate it will come out at 64. Thus our view of the German economy is more pessimistic than consensus, and this has had a spill-over effect on our forecast for Euroland PMI, where we also expect greater falls than consensus.



Key events of the week ahead

- Tuesday: Negative outlook for German economy. We expect ZEW indicator at around 64, which is lower than consensus.
- Thursday: PMI for Euroland and Germany. We are slightly more downbeat than consensus. We forecast Euroland manufacturing PMI will fall to 46 and service PMI to 47.5. As regards Germany, we expect manufacturing PMI at 49.5 and service PMI at 51.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 18	8:30	FRF Bank of France, business sentiment	Index		94	95
Mon 18	11:00	EUR Trade Balance	EUR bn			-1.5
Tue 19 - 25	-	DEM Import prices	m/m/y/y			1.5% 8.9%
Tue 19	8:00	DEM PPI	m/m/y/y			0.9% 6.7%
Tue 19	11:00	DEM ZEW economic sentiment	Index	-63.0	-61.8	-63.9
Tue 19	11:00	DEM ZEW current situation	Index	12.0	13.0	17.0
Thu 21	9:30	DEM PMI services, preliminary	Index	51.0	52.0	53.1
Thu 21	9:30	DEM PMI manufacturing, preliminary	Index	49.5	50.5	50.9
Thu 21	9:50	FRF PMI manufacturing, preliminary	Index		47.0	47.1
Thu 21	9:50	FRF PMI service, preliminary	Index		47.5	47.5
Thu 21	10:00	EUR PMI service, preliminary	Index	47.5	48.0	48.3
Thu 21	10:00	EUR PMI manufacturing, preliminary	Index	46.0	47.1	47.4
Fri 22	10:00	EUR Current account	EUR bn			-7.3
Fri 22	11:00	EUR Industrial new orders	m/m/y/y		-1.4%	-3.5% -4.4%
Fri 22	15:00	BEF Business Confidence	Index			-7.6

UK

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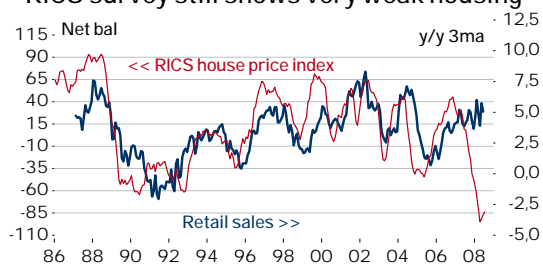
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Bank of England softer than expected

The Bank of England (BoE) released its August Inflation Report on Wednesday 13 Aug. As expected, the BoE revised its growth path downwards and the inflation path upwards compared to the May Inflation Report. Although such revisions were generally expected, markets were surprised by how negative the report was and also how downbeat BoE Governor Mervyn King was at the press conference afterwards. Market reaction to the Inflation Report was quite strong: EUR/GBP rose from 0.7860 to 0.7930, before falling slightly back, and the yield on the 2Y UK gilt dropped around 15bp to 4.52%. These movements were significant, as reaction to the May report, which also had a concerned tone and some controversial content, was rather limited. In our view, the Inflation Report depicts a pretty fair picture of the challenges confronting UK policymakers. Growth prospects are unusually bleak due to the downturn in house prices threatening to suppress consumption, but the BoE cannot justify resuming the easing cycle while inflation is soaring. However, as soon as inflation has peaked and starts coming down to more tolerable levels, the BoE can again cut rates. Accordingly, we expect the BoE to lower the base rate to 4% by end-09 (base rate currently 5%) to stimulate the economy and to ensure that inflation does not undershoot its target. Our outlook of GBP underperformance remains intact. We expect EUR/GBP will return to territory above 0.80 (GBP/DKK below 9.32), though higher (lower) levels cannot be ruled out when the magnitude of the slump in the UK economy becomes clearer.

In the past week we also had numbers for housing in terms of the RICS survey. The survey rebounded a bit and was better than expected. However, it is still at a very low level, highlighting the current weakness of the UK housing market (see chart). Unemployment data showed a stronger than expected rise of 20.1k (consensus 17.1k). Finally, inflation jumped to a new high of 4.4% (consensus 4.2%), highlighting the dilemma for the Bank of England. Core inflation rose to 1.9% from 1.6% last month.

RICS survey still shows very weak housing



Key events of the week ahead

- Monday: Rightmove house price index. Has shown pronounced declines recently.
- Wednesday: Minutes from the latest Bank of England meeting. Focus on how the votes were cast this time. We go for a 7-1-1 decision.
- Wednesday: CBI industrial trends should weaken.
- Thursday: Retail sales will give more information on the state of the UK consumer. We see downside risks to the number.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 18	1:01	GBP Rightmove House Prices	m/m/y/y	Aug		-1.8% -2.0%
Wed 20	10:30	GBP Public Finances (PSNCR)	bn. GBP	Jul	-9.0	15.5
Wed 20	10:30	GBP M4 Money Supply, preliminary	m/m/y/y	Jul		1.8% 11.4%
Wed 20	10:30	GBP Minutes from MPC meeting				
Wed 20	12:00	GBP CBI Industrial Trends		Aug		
Thu 21	10:30	GBP Retail Sales	m/m/y/y	Jul	-0.2% 2.0%	-3.9% 2.2%
Fri 22	10:30	GBP GDP, preliminary	q/q/y/y	2nd quarter	0.2% 1.6%	0.3% 1.6%
Fri 22	10:30	GBP Index of services	3m/3m	Jun		0.4%

Switzerland

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New interest and exchange rate forecasts

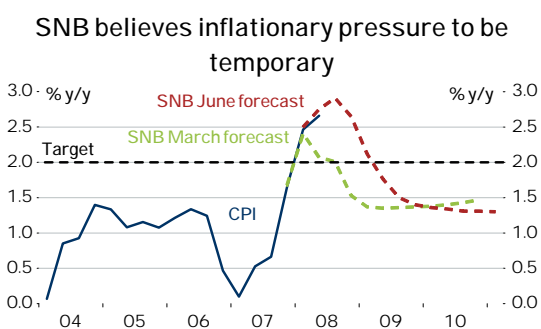
As a consequence of the current development in economic data and at the financial markets we have revised our view of the Swiss National Bank (SNB). As the growth forecasts for Europe have worsened and inflation have spiked we don't see any changes for interest rate hikes within the next 12 months.

A change in interest rates does not normally impact fully on the economy for about 18 months. An interest rate hike at the next rate-setting meeting in mid-September would only worsen the outlook for the real economy, which is already facing a downturn. The KOF leading indicator suggests GDP growth of less than 1% y/y in six months time, down from 3.1% y/y in Q1 this year. Furthermore, the recent downward trend in commodity prices, which had hitherto been a major factor in the rise in inflation in Switzerland, suggests that the pressure on inflation is only temporary. In its latest inflation forecast, the SNB forecasts that inflation will move below the target of 2% y/y in Q2 09. Adding these factors together means that we now expect the SNB to leave interest rates alone.

Since the SNB's last rate-setting meeting in June there has been a marked shift in the focus of central banks. At the beginning of June there was a lot of focus on inflation, but now the focus is also on the negative growth outlook – the inflation-obsessed ECB in particular has recently expressed concern about the growth outlook for Euroland. The SNB has not been particularly forthcoming since the June rate meeting, when it put out a relatively neutral press release. There has also been a marked shift in the market's focus. At the time of the June meeting, rate increases of 75bp over the next 12 months were priced into the OIS curve, whereas now just a single 25bp hike is priced in for the next 12 months.

Relative to Euroland the key figures have been better in Switzerland and as we expect this trend to continue in the near future, we still expect to see a stronger CHF vis-à-vis EUR and DKK. A stronger CHF is also consistent with our expectation of an appreciation of JPY, as defensive currencies as usual track each other. Our forecast is still EUR/CHF 1.60, 1.58 and 1.56 in 3, 6 and 12 months, respectively.

The past week has brought consumer confidence data that confirms that Swiss private consumption is beginning to look weaker. The coming week brings producer and import prices. Given recent movements in commodity prices, these figures are expected to mark a provisional peak in inflation. The week also sees retail sales figures for June. The series is highly volatile, but could well surprise on the upside this time around thanks to the EURO 2008 soccer tournament.



Key events of the week ahead

- Monday brings retail sales figures for June, which will naturally be boosted by the EURO 2008 soccer finals.
- Thursday sees the publication of producer and import prices for July.
- Thursday also brings trade figures for July.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 18	9:15	CHF Retail sales	y/y	Jun	3.2%	7.4%
Thu 21	8:15	CHF Trade balance	CHF bn	Jul	2.00	2.41
Thu 21	9:15	CHF Producer & Import prices	m/mly/y	Jul	0.3%/4.6%	0.6%/4.5%

USA

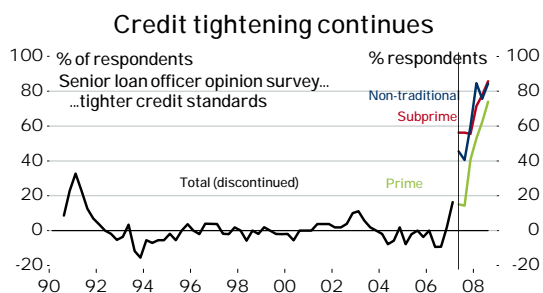
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Housing construction still looks weak

Credit standards are becoming increasingly stringent for a broad range of loan types – something confirmed by the past week's Senior Loan Officer Survey, which is published by the Federal Reserve on a quarterly basis. The survey covers the period from May to July and revealed a clear trend towards further tightening of credit standards for mortgages, consumer loans and business loans. With regard to mortgages, credit tightening has spread in recent quarters from sub-prime and non-traditional loans (typically given to borrowers with a lower credit rating) to also hit borrowers with better credit ratings who would qualify for prime loans (see graph below).

Tighter credit standards will in themselves dampen demand for housing and put downward pressure on prices, but it is difficult to quantify the direct effect on, for example, new housing starts or house prices. However, there is no doubt that the ongoing tightening of credit is a contributing factor to the US housing market remaining weak. In addition, the turmoil surrounding the two largest mortgage institutions in the US, Fannie Mae and Freddie Mac, has added to the upward pressure on US mortgage rates, which again puts additional pressure on the housing market.

Recent months have seen a stabilisation in a number of housing market indicators, such as home sales and new housing starts, which could be the first signs that housing construction has bottomed out. However, there is a risk that tighter credit standards and rising mortgage rates could spark another episode of downward pressure on prices and construction activity. We expect that the coming week's figures for new housing starts and building permits will see a resumption of the downward trend, while we expect that NAHB (builder confidence) will stabilise, but at a level that suggests further negative contributions to GDP from housing construction in the coming quarter.



Key events of the week ahead

- Monday: We expect a small increase to 17 in the NAHB housing market index for August
- Tuesday: Data new housing starts and building permits will resume a downward trend
- Tuesday: Fed's Fisher speaks
- Thursday: Philly Fed index expected to rise to -11.4 from -16.3 in July
- Friday: Bernanke to speak on financial stability in Jackson Hole

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Mon 18	19:00	USD NAHB Housing Market Index	Index	Aug	17	16
Tue 19	14:30	USD PPI	m/mly/y	Jul	0.5%/9.0%	1.8%/9.2%
Tue 19	14:30	USD PPI core	m/mly/y	Jul	0.3%/3.2%	0.2%/3.0%
Tue 19	14:30	USD Housing starts	1000	Jul	890	1066
Tue 19	16:00	USD Building Permits	1000	Jul	970	1091
Tue 19	16:00	USD Fed's Fisher (voter, hawk) speaks				
Wed 20	13:00	USD MBA mortgage applications				
Thu 21	14:30	USD Initial jobless claims	1000			
Thu 21	16:00	USD Philadelphia Fed.	Index	Aug	-11.4	-15.0
Thu 21	16:00	USD Leading indicator	%	Jul	-0.2	-0.1
Fri 22	16:00	USD Fed's Bernanke (voter, neutral) speaks				

Asia

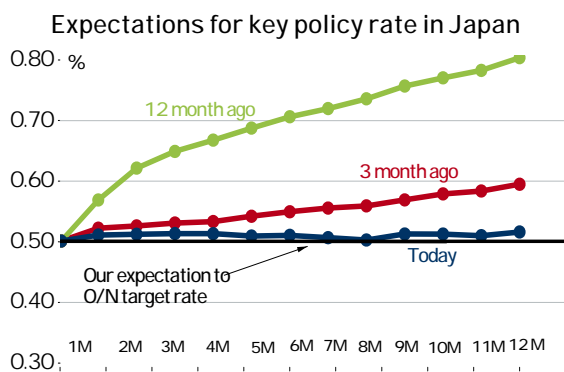
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Japan weakening but rate cut unlikely

GDP numbers for Q2 confirmed that the Japanese economy has seriously deteriorated (see [Flash Comment - Japan: Q2 GDP plunge on weak exports and private consumption](#)). The bulk of the blame lies with private consumption and exports, although the negative contribution from net exports was less than we had estimated due to a greater than expected decline in imports. Also weighing negatively on growth was a surprising fall in housing investments of -3.4% q/q we had counted on a small rise. While there are clear signs that the pressure on the Japanese consumer has spread to the housing market, we reckoned that this would not hit housing investments until Q3.

The Bank of Japan (BoJ) will be holding a monetary policy meeting in the coming week, and like the market we expect that it will keep rates unchanged at 0.5% anything else would be a major surprise. We are still of the opinion that the BoJ will keep its leading rate unchanged for the coming year, which is also the market view (see graph below). Very weak data in recent months has meant the market pricing in a lower probability of a rate hike and increasingly seeing the risks as more symmetrical i.e., the next move in rates could be in either direction. We still believe the next move will be up, but that it will not happen until at least late 2009. The BoJ will, however, presumably soften its tone in the coming months as it adjusts its forecast to reflect the current weakness in growth. This means the market may very well start to price in a greater probability of a rate cut in the coming months, whereas it is less likely that the market will begin to aggressively price in a rate hike in 2009. One reason we do not buy into a rate cut is that we doubt a reduction in rates of 25bp or 50bp would have much effect on the economy. Indeed the discussion in Japan is now increasingly about whether there is a need for fiscal easing.

Chinese economic data have recently has been something of a mixed bag, though mainly positive. Most important was that inflation fell again in July (see [Flash Comment - China: Inflation drops more than expected](#)), which provides more elbow-room to stimulate growth. Exports, however, are gearing down (see [Flash Comment - China: Export growth still slowing despite robust July figure](#)) and this is presumably contributing to slightly weaker growth in industrial production at the moment (see. [Flash Comment - China: Industrial production slows](#)).



Note: Shows Japanese forward O/N rates in the market at various points in time. Can be perceived as the market's expectation for the key policy rate.

Key events of the week ahead

- On Tuesday, the BoJ will announce its rate decision in connection with its monetary policy meeting. We expect an unchanged key rate of 0.5%
- Japanese trade figures for July due Thursday. Focus will be on exports, which fell sharply in Q2.
- Nothing of importance due in China.

Date	Time	Event	Period	DanskeBank	Consensus	Previous
Wed 13 - 18	-	CNY Money supply M2	y/y	Jul	17.1%	17.4%
Wed 13 - 19	-	CNY Wholesale Prices	y/y	Jul		9.5%
Mon 18	7:00	JPY Leading Economic Index, final	Index	Jun		91.2
Mon 18	7:00	JPY Coincident Index, final	Index	Jun		101.7
Wed 20	1:50	JPY All Industry Activity Index	m/m	Jun	-0.9%	0.4%
Wed 20	7:00	JPY Bank of Japan Monthly Report				
Thu 21	1:50	JPY Adjusted merchnds trade balance	bn JPY	Jul	350.5	135.4
Thu 21	1:50	JPY Merchnds Trade Balance, Total	JPY bn	Jun	250.0	138.6 (121.9 rev.)
Thu 21	8:00	JPY Machine Tool Orders, preliminary	y/y	Jul		
Fri 22	1:50	JPY BoJ Board Minutes		Jul		

Foreign Exchange

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EUR/USD turnaround could be slow and bumpy

When we presented our latest FX forecast at the start of July (see [FX Forecast Update: To catch a rising tide](#)), we were quite sure that EUR/USD was set to go higher. This prompted us to revise up our short-term forecast for EUR/USD to 1.60. However, we were not prepared to abandon our expectation of the inevitable halt in the enduring ascent of the euro, and so we kept our 1-year forecast of 1.50 intact. Events have moved fast since then, with EUR/USD already hitting a new high of 1.6038 on 15 July and then tumbling below 1.50 in early August.

To be sure, it is not only the euro that has lost ground to the dollar, which underlines that the main explanation behind the movements of recent weeks is heightened fears of an economic downturn outside the USA. While the economic woes of the USA should definitely not be underestimated, there now appears to be an increasing risk of a global recession, or at least a G7 recession. A rising dollar at this point underlines both the defensive characteristics of the USD and that the USA's problems have been plastered across the front page for rather a long time.

There are three sound reasons why EUR/USD could continue to decline in the coming year. First, the euro is decidedly overvalued relative to historical benchmarks. This can continue as long as the economy is expanding, but in a downturn, with several countries on the brink of recession, it can be difficult to maintain. Second, Euroland has experienced a significant outflow of capital over the past several months (see [EUR: Where's my 75bn?](#)). From a historical perspective, it is rather unusual that the euro has been able to rise at the same time as net capital flows have been outbound. One likely explanation is that while there has been an outflow overall, there has been a significant inflow from the USA. This is a relatively new phenomenon that arose because European investors have been aggressively selling US securities since last summer. However, we do not believe this will continue. Third, one should not underestimate that the USD typically strengthens between 6 and 12 months into a US slowdown.

There are, of course, risks in the other direction, including the significant cyclical and structural problems that lie ahead for the USA just as economic policy targets after the November election are unclear. Overall, though, we believe that EUR/USD could fall further and USD/DKK rise in the coming year, but just as was the case in 2000/2001, the turnaround could be slow in coming.

Fixed Income

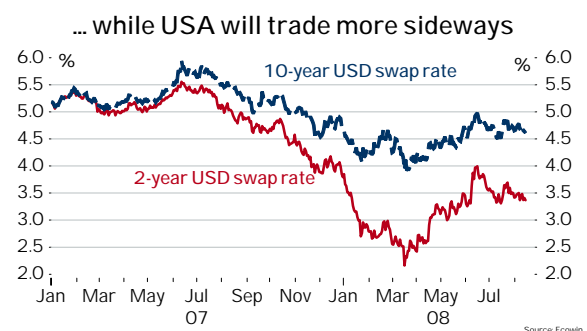
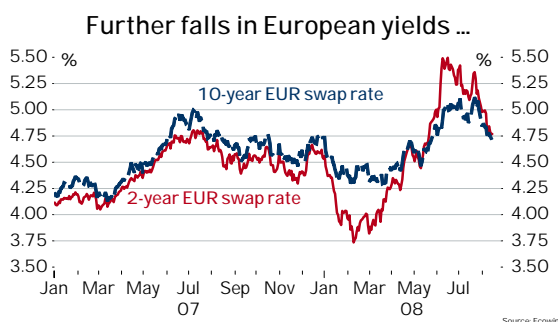
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Yields to continue falling for the rest of the year

Euroland yields slid further in the past week, continuing the trend of the late summer. 2-year German government yields have now fallen a little more than 60bp from their peak in July to around 4%, while 10-year yields are down by 47bp to 4.19%. The pronounced fall in yields in Europe has occurred as market focus has shifted from inflation fears to growth concerns. This development has basically been driven by three factors: A sharp turnaround in commodity markets, where prices are now back at spring 2008 levels, further losses and problems in the financial sector, and surprisingly weak European growth data. Falling commodity prices have allowed the ECB a little more room to manoeuvre, and at its latest meeting the central bank shifted from purely inflation worries to a more balanced concern for both inflation and growth. This has had an increasing impact on the markets over the past week, and they are now pricing in almost two rate cuts of 25bp for next year.

We very much expect that the trend of falling market yields will continue in the coming months. First because there is the prospect of further deterioration in the growth data for Euroland, where the risk of a recession is rising. Second, the US economy remains on the cusp of a recession, and the economy will face renewed weakness in H2 as the effects of the tax rebates fade. At the same time, we expect that commodities will stabilise around current prices, meaning that inflation will begin to fall slowly but surely a few months from now. Furthermore, financial market uncertainty remains high, with an elevated risk of more bad news from the financial sector. We estimate that this cocktail will allow market rates to fall further and curves to steepen as a result both in the USA and in Euroland. With renewed weakness in US data on the cards, we expect that the fixed income markets in Europe and the USA will track each other relatively closely in the coming months (see [New yield forecast – growth concerns are back](#), 15 August 2008).

After a couple of weeks packed full of inflation data, growth data will top the agenda in the week ahead among them the first US housing market data for July and the first confidence indicators for August. Greatest attention will presumably be focused on data from Euroland, where PMIs and the ZEW indicator are expected to deliver more bad news. All in all, we expect that this will help cement the trend of falling yields in the markets.



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-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	2,7	3,0	1,1	8,0	0,7	6,0	9,7	2,2	4,6	2,4	42	8,4
	2008	1,8	1,7	0,9	5,2	-1,0	5,8	4,3	3,6	6,2	2,4	37	8,3
	2009	1,6	1,2	1,3	-0,6	-0,2	2,6	0,8	2,1	7,4	2,4	35	9,1
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

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-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

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-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	1,6	1,3	2,3	4,2	-0,2	3,8	3,5	2,6	2,8	-2,5	43	-4,1
	2009	1,6	1,3	2,4	3,0	0,0	3,4	3,0	2,1	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	15-aug	2,00	3,41	4,64	147,4	-	506,2
	+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	15-aug	4,25	4,75	4,69	-	147,4	745,9
	+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	15-aug	0,50	0,99	1,65	162,7	110,4	4,58
	+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	15-aug	5,00	5,36	5,09	79,4	185,7	939,8
	+3m	5,00	5,05	4,85	81,0	179	921
	+6m	5,00	4,85	4,85	80,0	179	933
	+12m	4,50	4,60	4,90	78,0	179	956
CHF	15-aug	2,75	2,85	3,39	162,0	109,9	460,5
	+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	15-aug	4,60	5,17	4,89	745,9	506,2	-
	+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	15-aug	4,50	5,11	4,94	935,2	634,7	79,8
	+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	15-aug	5,75	6,36	5,63	798,8	542,1	93,4
	+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	15-aug	6,00	6,23	5,85	333,3	226,2	223,8
	+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

	14-aug	2008 - average				Average	
		Q1	Q2	Q3	Q4	2008	2009
ICE Brent	112	96	122.7	120	124	113	128
Aluminium	2.776	2.779	2.995	300	3.300	2.344	3.400
Copper	7.385	7.741	8.309	7.900	8.300	8.063	8.600
Gold	791	924	897	870	930	905	900
CBOT Wheat*	868	1.026	838	850	840	889	900
CBOT Corn*	562	527	630	600	600	589	710

* Note: US\$/bushel

Key data and events (1)

Monday, August 18, 2008				Period	Danske Bank	Consensus	Previous
1:01	GBP	Rightmove House Prices	m/mly/y	Aug			-1.8% -2.0%
7:00	JPY	Leading Economic Index, final	Index	Jun			91.2
7:00	JPY	Coincident Index, final	Index	Jun			101.7
8:30	FRF	Bank of France, business sentiment	Index	Jul		94	95
9:15	CHF	Retail sales	y/y	Jun		3.2%	7.4%
11:00	EUR	Trade Balance	EUR bn	Jun			-1.5
19:00	USD	NAHB Housing Market Index	Index	Aug	17	16	16

Tuesday, August 19, 2008				Period	Danske Bank	Consensus	Previous
-	JPY	BoJ Monetary Policy Announcement	%		0.50	0.50	0.50
11:00	DEM	ZEW economic sentiment	Index	Aug	-64.0	-61.8	-63.9
11:00	DEM	ZEW current situation	Index	Aug	12.0	13.0	17.0
14:30	USD	PPI	m/mly/y	Jul	0.5% 9.0%	0.5% 9.5%	1.8% 9.2%
14:30	USD	PPI core	m/mly/y	Jul	0.3% 3.2%	0.2% 3.2%	0.2% 3.0%
14:30	USD	Housing starts	1000	Jul	890	960	1066
16:00	USD	Building Permits	1000	Jul	970	970	1091
16:00	USD	Fed's Fisher (voter, hawk) speaks					

Wednesday, August 20, 2008				Period	Danske Bank	Consensus	Previous
1:50	JPY	All Industry Activity Index	m/m	Jun		-0.9%	0.4%
7:00	JPY	Bank of Japan Monthly Report					
10:30	GBP	Minutes from MPC meeting					
10:30	GBP	Public Finances (PSNCR)	bn. GBP	Jul		-9.0	15.5
10:30	GBP	M4 Money Supply, preliminary	m/mly/y	Jul			1.8% 11.4%
12:00	GBP	CBI Industrial Trends		Aug			
13:00	USD	MBA mortgage applications					

Thursday, August 21, 2008				Period	Danske Bank	Consensus	Previous
1:50	JPY	Adjusted merchnds trade balance	bn JPY	Jul		350.5	135.4
1:50	JPY	Merchnds Trade Balance, Total	JPY bn	Jun		250.0	138.6 (121.9 rev.)
8:00	JPY	Machine Tool Orders, preliminary	y/y	Jul			
8:15	CHF	Trade balance	CHF bn	Jul		2.00	2.41
9:15	CHF	Producer & Import prices	m/mly/y	Jul		0.3% 4.6%	0.6% 4.5%
9:30	SEK	Statistics Sweden, Unemployment	%	Jul	5.5	6.2	8.1
9:30	DEM	PMI services, preliminary	Index	Aug	51.0	52.0	53.1
9:30	DEM	PMI manufacturing, preliminary	Index	Aug	49.5	50.5	50.9
9:50	FRF	PMI manufacturing, preliminary	Index	Aug		47.0	47.1
9:50	FRF	PMI service, preliminary	Index	Aug		47.5	47.5
10:00	EUR	PMI service, preliminary	Index	Aug	47.5	48.0	48.3
10:00	EUR	PMI manufacturing, preliminary	Index	Aug	46.0	47.1	47.4
10:00	NOK	GDP (mainland)	q/q	2nd quarter	0.0%	0.7%	0.2%
10:00	NOK	GDP (total)	q/q	2nd quarter			0.2%
10:30	GBP	Retail Sales	m/mly/y	Jul		-0.2% 2.0%	-3.9% 2.2%
14:30	USD	Initial jobless claims	1000				
15:00	SEK	Riksbank speech by Dep Governor Öberg on "The economic situation"					
16:00	USD	Philadelphia Fed.	Index	Aug	-11.4	-15.0	-16.3
16:00	USD	Leading indicator	%	Jul		-0.2	-0.1

Key data and events (2)

Friday, August 22, 2008			Period	Danske Bank	Consensus	Previous
1:50	JPY	BoJ Board Minutes				
10:00	EUR	Current account	EUR bn			-7.3
10:00	LTL	Industrial production	y/y			4.2%
10:30	GBP	Index of services	3m/3m			0.4%
10:30	GBP	GDP, preliminary	q/q y/y	2nd quarter	0.2% 1.6%	0.3% 1.6%
11:00	EUR	Industrial new orders	m/m y/y		-1.4% .	-3.5% -4.4%
15:00	BEF	Business Confidence	Index			-7.6
16:00	USD	Fed's Bernanke (voter, neutral) speaks at Jackson Hole				

During the week			Period	Danske Bank	Consensus	Previous
Wed 13 - 18	CNY	Money supply M2	y/y		17.1%	17.4%
Wed 13 - 19	CNY	Wholesale Prices	y/y			9.5%
Tue 19 - 25	DEM	Import prices	m/m y/y			1.5% 8.9%

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