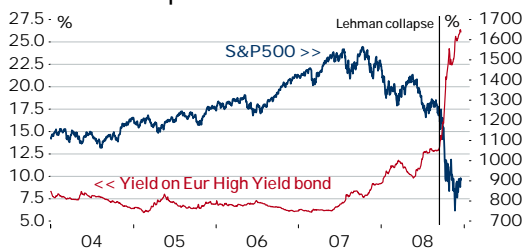


Weekly Focus

19 December 2008 – 9 January 2009

Lehman collapse: From bad to *much* worse



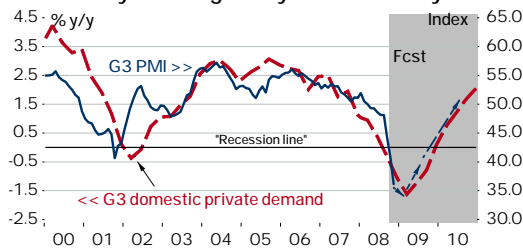
Source: Reuters Ecowin

Lowest US yield in 55 years



Source: Reuters Ecowin

Slowly moving away from the abyss



Source: Reuters Ecowin

All the best for 2009

2008 has indeed been an extraordinary year, with the most severe financial crisis since the Depression in the 1930s. The concept of a pure investment bank has almost ceased to exist in the US, and we have seen events no one had dared imagine for example the bankruptcy of an investment bank Lehman Brothers (founded in 1847). The repercussions of the Lehman default led to a near collapse of financial markets. The paralysis of the financial system has been a major blow to the world economy and led to the steepest economic downturn since WWII.

The rise in commodity prices during the first half of the year led to widespread inflation fears as prices reached 20-year highs around the world. Bond yields soared and we saw several central banks hiking rates to fight inflation (not least ECB and the Riksbank). The rise in inflation contributed to the collapse in consumption growth globally as it eroded purchasing power and as such plays a major role in the downturn we are witnessing now. In the second half of 2009 commodity prices u-turned and inflation fears turned into deflation fears within a few months. The substantial rise in bond yields reversed into significant declines. Government bond yields have now reached historical lows in both US and Euroland at the same time credit bonds have seen the highest yield levels in decades.

So this is where we stand now at the brink of a new year with the global economy in recession and deflation fears widespread. 2009 will indeed be a difficult year also. But we are cautiously optimistic that equity and credit markets will recover and that the combination of massive policy stimulus and a marked decline in commodity prices will take us slowly away from the abyss starting in the US during spring 2009 and followed by Asia in H2. Unfortunately Euroland and Denmark will likely have more adjustments to deal with before recovering in 2010.

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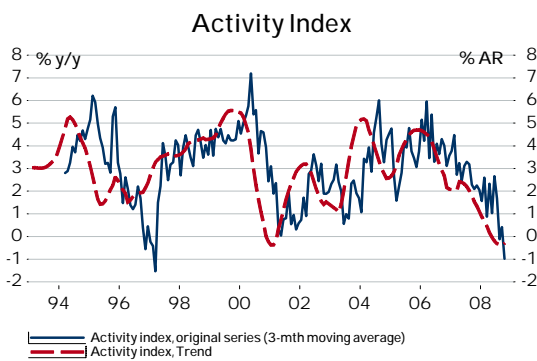
Free fallin'

Our header is not only an old Tom Petty hit, but also the most apt description of the economy in both Sweden and the world. Looking back at statistical outcomes over the past few weeks, they are still tilted towards the downside compared to expectations and expectations are not very optimistic at the current juncture, believe you me.

We would like to be able to say that we see the end of all the doom and gloom, but unfortunately that is not the case. All indicators point in the wrong direction right now with the possible exception of prices. Economic policy has yet to clear the dark waters that the monetary transmission mechanism runs through.

Economic policy will, however, eventually feed through and restore growth on a global scale. It is therefore more a question of when, rather than if, the turnaround will take place. How this will unfold is another pressing issue. Should Asian domestic credit and capital markets begin to function properly in allocating the region's savings surplus, the process might come about sooner than most people think. On the other hand, if the key issue is restoring bank and household balance sheets (mainly in the US), we could be in for a very drawn out stabilisation period in which the upswing in growth will prove to be more of a fizz than a pop.

Global developments will have an immense impact on the small, open Swedish economy. The baseline assumption in our forecasts is for export growth to rebound before end-2009, contributing more than 2 percentage points to GDP growth in 2010. Should this fail to happen well, the result would be quite straightforward, don't you think?



Key events of the weeks ahead

- Producer prices, trade balance, retail sales and industrial data are all expected within the next few weeks. Also, keep an eye on the GDP indicator the Activity Index for signs of a swifter fall in production than is currently expected (around -1 % y/y) by forecasters.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 22	9:15	SEK Consumer confidence	index	Dec	-22	-24.5
Mon 22	9:15	SEK NIER's Business survey, December		Dec	-30	-29
Mon 22	9:30	SEK PPI (incl. export- and importprices)	m/m y/y	Nov	0.0% 3.8%	0.0% 3.8%

Norge

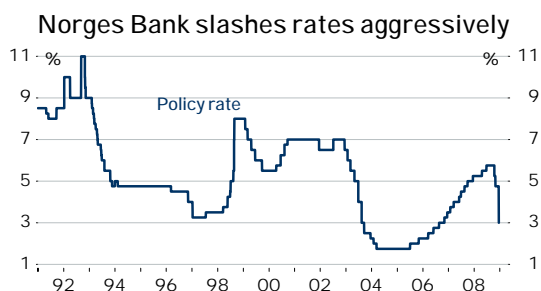
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Norges Bank makes a U-turn

Norges Bank slashed rates by 175bp to 3.0% last week. It took the market by surprise as Norges Bank had given very few signals of this U-turn in its communications with the market. Norges Bank also presented new interest and inflation forecasts, coming just six weeks after the October 31 monetary policy report. It now sees policy rates in the 2-3% range in the period up to the publication of the next monetary policy report on March 25. Hence, we should expect at least another 50bp rate cut at the February meeting. But given the weak numbers that are likely to continue to flow from both the global and the Norwegian economies during the next six weeks, another huge rate cut of e.g. 100bp is a definite option. We look for two rate cuts of 50bp at both the February and March meeting.

When we look at the interest rate forecast for 2009, Norges Bank called a bottom of 2% for the policy rate. However, as today's announcement indicates, this is based on information available currently. There is a clear risk that the economy will deteriorate more than expected. Hence, rates below 2% are a definite possibility. We look for rates bottoming out at 1.75%. The vice governor was in fact asked at the press briefing if zero rates were an option. He confirmed this, but added that the probability for such an outcome was low. We share this view, but note that the Norwegian economy could face some tough headwinds if the investment cycle in oil collapses, if e.g. the oil price continues to drop at the current speed. In such a scenario, investment would be a severe drag on the economy going forward. But again we note that Norway can afford to have a very expansive fiscal policy.

Norges Bank sees a gradual strengthening of the NOK going forward. We agree with the central bank's view on the NOK medium term. But short term the NOK might continue to be under pressure. It seems that global risk appetite is driving the NOK at the moment. The U-turn by Norges Bank together with the lower oil price pushed EUR-NOK higher in the aftermath of the monetary policy meeting. The moves are being exaggerated in the very thin December FX market. Short term it certainly cannot be ruled out that we will see the magic 10 level against EUR. But looking through short-term jitters there is little doubt that NOK is undervalued on almost all accounts. Our forecast for EUR/NOK is 920, 880 and 850 on a 3, 6 and 12M horizon, respectively.



Ugens vigtigste begivenheder

- Inflation numbers to drop further
- Weaker credit, retail sales and unemployment numbers

Euroland

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Winding down for Christmas – except at the ECB

The Euroland PMI surprised on the upside during the week. The composite index did fall to a new record-low of 38.3 from 38.9 in November, but this was slightly better than expected: the consensus estimate was 37.8. It was primarily the service sector index that exceeded expectations, with a modest decrease from 42.5 to 42.0 (consensus 41.2), while the manufacturing index dropped from 35.6 to 34.5 (consensus 34.3). That said, both hit new record lows. Meanwhile the German Ifo index dropped from 85.8 to 82.6, which was further than expected (consensus 84.0, Danske Bank 83.5). However, it was encouraging that the expectations index, which is a good indicator of output three months ahead, fell quite modestly from 77.6 to 76.8, which was less than expected (consensus 76.6, Danske Bank 76) and suggests that we are close to bottom.

The big question is whether these soft indicators are sufficiently bad for the ECB to lower its leading rate as far as we expect at its meeting on 15 January. We predict a 50bp cut. The signals from members of the ECB's governing council are mixed: the hawks are saying that the remaining room for manoeuvre is very limited following the recent 175bp interest rate decrease, while the doves are saying openly that rapidly falling inflation expectations, and in some areas deflation risks, together with the impossibility of lowering rates below zero, pose the most challenging test for the effectiveness of monetary policy (Mario Draghi on 16 December). There was already disagreement on the governing council at the meeting on 4 December, with Jean-Claude Trichet saying at the press conference that there was a consensus to decrease the leading rate by 75bp, whereas he normally talks of a unanimous decision. Trichet himself, who typically sits about midway between the two camps, is now talking of a need to concentrate on getting what we have already decided operational – in other words, getting the 175bp interest rate decrease to impact on the real economy – consumers and businesses. The ECB has announced a normalisation of the relationship between the so-called deposit rate and the rate on the marginal lending facility and the policy rate (which is currently 2.5%) from 21 January. The aim is to encourage banks to lend to each other to a greater extent than at present (see [Research Euroland: ECB reverses course and widens ratecorridor](#)). Also being discussed is a clearing house to support the interbank lending market. The idea is to counter the lack of trust between banks by having the ECB guarantee loans.

Things are now winding down for Christmas on the release front, and there will be a relatively quiet start to the new year, with just the final PMI for the Euroland manufacturing sector on 2 January. Like the final PMI for the service sector due out on 6 January, this is expected to confirm the flash estimate. Also coming up are German factory orders and industrial production on 8 and 9 January respectively, as well as CPI data for the German provinces and retail sales for Germany and Euroland.



Key events of the weeks ahead

- 2 January: Final Euroland manufacturing PMI, expected to be unchanged from the flash estimate of 34.5.
- 6 January: Final Euroland services PMI, expected to be unchanged from the flash estimate of 42.0.
- 8 January: German factory orders.
- 9 January: German industrial production.
- CPI data for German provinces and retail sales for Germany and Euroland.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 22	8:10	DEM Gfk consumer confidence	Index		2.0	
Mon 22	15:00	BEF Business Confidence	Index			-23.7
Tue 23	9:30	ITL Consumer confidence	m/m			100.4
Tue 23	10:00	EUR Balance of payments, sa.	EUR bn			-10.6
Tue 23	11:00	EUR Industrial new orders	m/m/y/y	-4.0% -4.0%	-4.0% -4.5%	-3.9% -1.1%

Switzerland

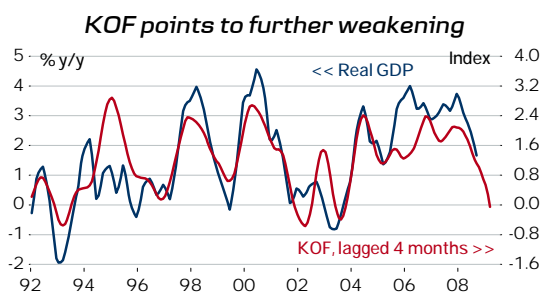
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Continued downturn in Swiss economy, upturn in CHF

The CHF has strengthened considerably in the past week, thus breaking at least temporarily the downward trend that began at the end of October when the CHF/DKK peaked at 5.21. This has come despite an historic appreciation of the EUR (and so the DKK), which underlines the strength of the driving forces behind the CHF at the moment. Part of the explanation for this can be found in the Danish/Swiss policy rate spread beginning to close again after widening considerably since the end of October as the Swiss National Bank cut its policy rate target to the current 0.50%. However, we would also put much of the turnaround in the CHF/DKK down to growing uncertainty in the market, as reflected by a marked increase in volatility in the CHF/DKK cross. We expect the CHF to strengthen further and predict a CHF/DKK of 4.97 in 3M.

Upcoming releases will signal a continued deterioration in the Swiss economy. The KOF leading indicator published on 29 December is expected to drop from -0.05 to -0.25 in December, suggesting weak output through to the summer. CPI inflation is expected to drop from 1.5% y/y in November to 0.6% y/y, pulled down mainly by low energy prices, and all the indications are that this trend will continue through to the middle of next year. Weak economic activity is also making its mark on the labour market, with unemployment expected to climb from 2.7% (seasonally adjusted) to 2.8% in December.



Key events of the weeks ahead

- 29 December: We expect the KOF to continue to trend downwards, dropping to -0.25 in December.
- 8 January: We expect inflation to fall from 1.5% y/y in November to 0.6% y/y, and unemployment to climb from 2.7% (seasonally adjusted) to 2.8% in December.

UK

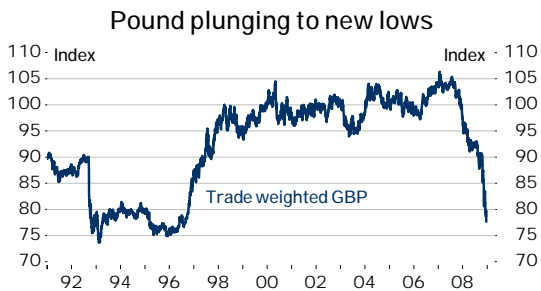
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Pound reaches new lows on speculation of Zero Interest Rate Policy (ZIRP)

The main event over the past week has been the ongoing plunge of GBP as it moved from 90 to 95 against the euro. The trade weighted GBP has fallen 4% this week and is now down 25% from the peak a little over a year ago. The decline happened on the back of Fed's move to ZIRP and market speculation that Bank of England (BoE) may be going in the same direction. This view was fuelled further when Charlie Bean, BoE's deputy governor, said in an interview with the Financial Times published on Thursday that the deteriorating economic outlook could see UK interest rates falling close to zero.

The Bank of England and the Fed have proved to be the most aggressive central banks, while ECB is clearly more reluctant to take extraordinary measures. Hence as long as momentum is down for rates, the weakening pressure on the pound should persist. The comments also led to further sharp declines in UK bond yields with the 2y yield falling to 1.25%. Our central forecast is for BoE to deliver two more cuts of 50bp in January and February but the risk is rising that BoE could opt for another 100bp easing at the January 8 meeting.

Looking into next year we believe there are reasons to expect a recovery of the UK economy around the middle of 2009. The UK economy is in deep recession now but we should not underestimate the amount of stimulus that will arrive in 2009: the effect of massive rate cuts, the substantial weakening of the GBP, a rapid decline in commodity prices and finally fiscal stimulus will combine to provide a historical boost to the British economy. Hence at some point next year the tide in financial markets are likely to change and we should see the GBP strengthen and bond yields rebound. For that to happen, though, we probably have to see some sign that things are stabilising – most likely in the form of rising PMI's and also a turn in the US ISM, which might give hope that the US economy is also moving away from the abyss.



Key events in coming weeks

- The most interesting data over the coming weeks will be credit conditions survey and PMI on Friday 2 January. Look for further tightening of credit standards and a continued weak reading of PMI
- Markets will look ahead to the BoE meeting on 8 Jan where a cut of 100bp cannot be ruled out (our base scenario is 50bp cut)

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 22	10:30	GBP GDP, final	q/qly/y	3rd quarter	-0.5%/0.3%	-0.5%/0.3%
Mon 22	10:30	GBP Current Account	bn. GBP	3rd quarter		-11.0

Asia

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Bank of Japan makes final rate cut

The BoJ cut its policy rate by 20bp to 0.1% on Friday and left the rate it pays on banks deposits unchanged at 0.1%. Thus a solid floor has been put under money market rates at 0.1%, and the BoJ no longer needs to worry about whether it will hit its target of an O/N rate of 0.1%. This means that the BoJ has given itself room to increase liquidity. Although BoJ governor Masaaki Shirakawa was unwilling to admit it at the press conference, this is in reality a step towards quantitative easing of monetary policy, very much like that announced by the Federal Reserve earlier in the week. No concrete targets have been announced for how far liquidity or the BoJ's balance sheet are to grow, but expansion of liquidity and the bank's balance sheet will be a consequence.

In connection with the monetary policy meeting, the BoJ announced that it will be raising its target for purchases of Japanese government bonds. It has also opened up the possibility of making direct purchases of commercial paper in the market, and further measures may be on the way. We do not yet have details on the extent of the bank's commercial paper purchases, but this is a clear signal that monetary policy in Japan will now increasingly be aimed directly at establishing vital credit flows in the economy. We do not expect the BoJ to lower its policy rate further. Shirakawa has argued vociferously that a zero interest rate could undermine the functioning of the money market.

Asian currencies have bounced back strongly in December in the wake of the slide in the USD (see chart below). Although we are still upbeat about Asian currencies a year ahead, when we expect the global economic climate to be more favourable, we are still urging caution in the short term. For one thing, growth is currently slowing sharply, and we will probably see policy rates in many Asian countries plunge to historically low levels. Although this will help to lay the foundations for stronger growth later in 2009, it will be bad news for the region's currencies in the short term. There is also the possibility that we will see a slightly stronger USD on the back of its recent sharp depreciation.



Key events of the week ahead

- In Japan, the minutes of the 21 November monetary policy meeting will be released on Christmas Day, while Boxing Day will bring figures for manufacturing output, consumer prices and unemployment in November and the manufacturing PMI for December.
- In China, the main focus will be on the publication of the manufacturing PMIs for December on New Year's Day (NBS) and 2 January (CLSA).

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 22	6:00	JPY Bank of Japan Monthly Report				
Thu 25 - 29	-	JPY Business conditions indices small	Index			35.1
Thu 25	0:50	JPY BoJ Board Minutes				
Thu 25	6:00	JPY Housing starts	y/y		9.2%	19.8%
Fri 26 - 29	-	JPY Nomura/JMMA Manufacturing PMI	Index	35		36.7
Fri 26	0:30	JPY Jobless rate	%	4.0	4.0	3.7
Fri 26	0:30	JPY Job-to-applicant ratio		0.77	0.76	0.80
Fri 26	0:30	JPY Household Spending	y/y		-4.0%	-3.8%
Fri 26	0:30	JPY CPI - Tokyo	y/y	0.7%	0.8%	1.1%
Fri 26	0:30	JPY CPI - Tokyo Ex Fresh Food	y/y	0.8%	0.9%	1.1%
Fri 26	0:30	JPY CPI - National Ex. Fresh Food	y/y	0.9%	1.1%	1.9%
Fri 26	0:30	JPY CPI - National	y/y	1.1%	1.3%	1.7%
Fri 26	0:50	JPY Industrial production, preliminary	m/m y/y	-6.0% -14.7%	-6.8% -15.5%	-3.1% -7.1%
Fri 26	0:50	JPY Retail trade	m/m y/y		-1.6%	-0.6% -0.7%
Fri 26	3:00	CNY Industrial profits	y/y			19.4%

Foreign exchange

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Explaining the EUR/USD Christmas rally

Since the beginning of December, we have witnessed one of the sharpest EUR (DKK) appreciations against the USD ever recorded. As a result, EUR/USD (USD/DKK) is now trading at levels not seen since September. Except for relative interest rates, we cannot explain the recent move in EUR/USD in terms of the usual short-term drivers; we have seen neither a rebound in oil price nor a rally in equities during December. In the following we look at drivers which could explain the recent moves.

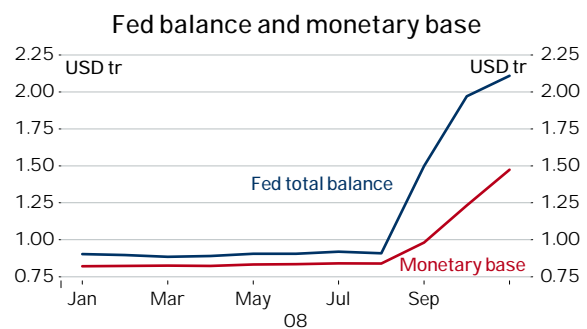
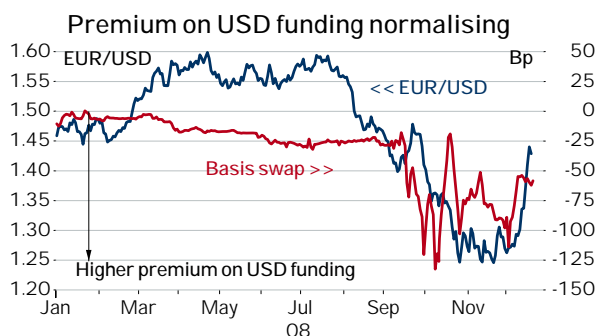
As interbank markets froze in the wake of the Lehman Brothers collapse, it became increasingly difficult for non-US financial institutions to obtain USD funding. Due to unwinding of risky investments funded in USD, a dollar shortage emerged. This created a wedge between the funding costs of those financial institutions which had access to USD liquidity from the Fed and those who did not, i.e. a spread between on-shore and off-shore funding costs. The fact that the Fed has provided USD liquidity to foreign central banks through swap lines means that the dollar shortage has eased significantly in December (cf. figure 1), which could explain part of the move higher in EUR/USD (move lower in USD/DKK).

Turning to flow of funds data, we note that foreign demand for US long-term securities near collapsed in October. Although the net-flows into the US remain positive due to strong repatriation by US investors, there are now clear signs that foreign investors are also repatriating. Due to the lagging nature of the data one should not over interpret this, but it does point to a shift in the behaviour of foreign investors. Also, option market positioning currently indicates a slight bias for EUR (DKK) relative to USD.

Following Tuesday's decision by the Fed to lower its target rate to a range between 0 and 0.25%, the EUR-USD interest rate spread widened, adding further pressure on the USD. While the Fed is thus done cutting rates, we expect the ECB to lower rates by another 100bp during Q1 2009 to 1.5%. Also, we foresee a prolonged downturn in Euroland, whereas the US recession is likely to be deep yet short-lived. Hence, relatively speaking, we expect this to put pressure on the EUR throughout H1 2009.

During the autumn the Fed has been adding excess liquidity to the market, thereby keeping the effective Fed funds rate below the target. This has been partly financed by printing money, leading to a significant expansion of the Fed balance and monetary base (cf. figure 2). There has been a gradual move toward quantitative easing, with 25 November marking a key date as the Fed announced its intention to buy USD 600bn in Agency debt. This coincides with the move up in EUR/USD (moved down in USD/DKK).

Thus, a USD shortage, investor flows and quantitative easing have probably been the key drivers recently. Going forward, we expect economic conditions and relative interest rates to weigh on the EUR.



Fixed income

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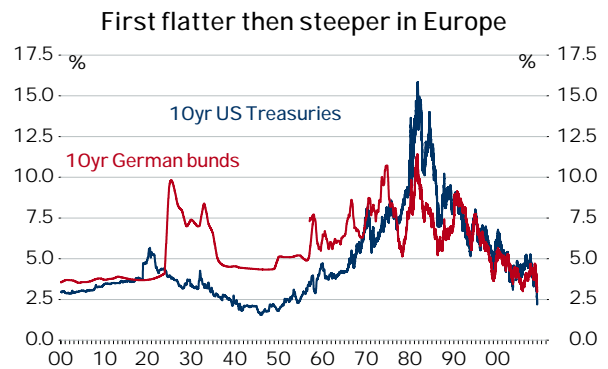
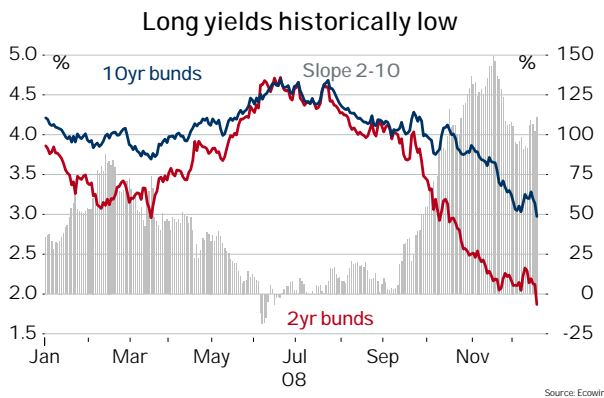
Fed's quantitative easing triggers a sharp fall in yields

The FOMC's decision on Tuesday to cut the fed funds rate to a historically low target range of 0-0.25% and switch to quantitative easing (see USA article) has resulted in a sharp drop in yields during the week on both sides of the Atlantic.

The slide in US yields began after the Fed announced direct purchases of USD 600bn in the MBS market (around 5% of outstanding housing debt) on 24 November to bring down mortgage rates. Then, in a speech on 1 December, Fed chairman Ben Bernanke opened up the possibility of the Fed purchasing long-term Treasuries. The combination of sharp falls in mortgage rates, the threat of the Fed buying up long-term Treasuries and the prospect of the Fed keeping its policy rate at zero for a lengthy period has sent long US Treasury yields down to historically low levels. How far long US yields are from hitting bottom is still uncertain, as this depends on whether the Fed acts on its threats to buy up Treasuries. That said, 10Y Treasury yields are now so low that further decreases can no longer be justified by fundamental factors.

The steep fall in long yields in the USA has fed through to the long end of the curve in Europe. Until Tuesday, this meant a flatter yield curve in Europe, as the ECB had for a while been indicating a degree of reticence in its monetary policy. However, the strong message from the Fed on Tuesday caused the market to reconsider the outlook for the ECB, resulting in a sharp drop in German 2Y yields and fresh steepening of the curve. The market is now in line with our forecast that the ECB will hit 1.50% during the spring.

In the light of recent weeks' events and market movements, we reckon that the risk over Christmas and New Year, especially in Europe, is towards further decreases in yields.



Commodities

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OPEC announces significantly lower production, but the market is doubtful

OPEC last week announced that it will slash oil production by 2.2mb/d effective from 1 January. It will be the third OPEC production cut in just four months and it brings the accumulated cuts to 4.2mb/d or approx. 5% of global oil production. We have long argued that OPEC has learnt the lesson from the Asian crisis and the 2001 experience when oil prices fell dramatically in connection with the significant global growth slow-down. However, it is one thing to cut quotas and another thing to actually implement production cuts. The latter has always been the big issue in OPEC. However, it seems that quota compliance has in fact been better lately. According to the Saudis, current compliance is over 80%. Of course one should take this piece of information with a pinch of salt, but third-party information regarding e.g. cargo loadings also points to high OPEC compliance.

The first cuts are by nature relatively easy to implement. The new cut will take a lot more effort to agree on and implement. However, again we argue that OPEC is aware of the seriousness of the current situation. Hence, we think we will see a relatively high compliance also in connection with this cut. Contrary to the first two production cuts, the Saudis will take a minor part of the sacrifice this time. This fact will make it more difficult to implement the new reduction.

We forecast Q4 2008 and Q1 next year to be very weak in relation to global growth and therefore oil demand. Hence, we forecast a final OPEC quota cut of 1mb/d in Q1. The next scheduled meeting by OPEC is in March. However, we would not be surprised to see an extraordinary meeting in February. A further cut would bring aggregated quota cuts to approx. 5mb/d, in line with the quota cuts in 2001. In 2002 the top non-OPEC producers including Russia, Mexico and Norway supported OPEC reductions. But in reality these countries primarily gave verbal support and did not implement much when it came to actual production. This time Russia – the top exporter after Saudi Arabia – has attracted a lot of attention. Russia certainly needs a higher oil price to make ends meet in the current price environment. Russia attended the OPEC meeting with a high-ranking delegation, but the producer has declined on an official production cut. In reality Russia might already be slashing production. A combination of high export taxes and financial issues has put production and oil exports under severe pressure over the past couple of months. In terms of investments, Russian oil production could also suffer in 2009/10.

We generally believe that OPEC can at most stabilise the oil price, but not push it significantly higher in the coming months. Hence, we stick to our forecast of a price around USD50/bbl for the coming six months. Looking further ahead to the end of next year, we still see prices rising somewhat, as an improving growth outlook combined with steep cutbacks in many oil companies' investment plans suggest a tighter market in H2 09. This forecast will, however, require that OPEC does its share; otherwise prices could slump as low as USD30/bbl if OPEC fails to cut production.

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	2008	-0,8	0,7	0,3	-1,7	0,3	3,5	5,8	3,4	1,8	3,0	30	1,7
	2009	-0,7	-1,1	1,6	-3,5	0,0	-0,3	-0,6	1,5	2,4	-0,5	29	1,4
	2010	0,5	1,5	1,6	-1,5	0,1	1,4	2,3	1,9	3,8	-1,0	27	1,6
Sweden	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
	2010	3,4	1,7	2,2	1,6	0,1	5,4	2,8	1,3	7,4	0,9	33	9,5
Norway	2008	1,5	1,8	3,4	3,3	0,9	0,5	5,5	3,8	2,6	8,0	26	16,2
	2009	-0,3	0,1	4,0	-3,7	-0,1	0,3	1,4	2,3	3,7	12,0	26	26,9
	2010	1,8	1,9	4,3	0,8	0,0	1,6	2,3	2,7	4,1	13,9	26	27,0

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	2008	1,0	0,3	1,5	1,5	-0,1	3,0	2,6	3,3	7,5	-1,8	67	-0,4
	2009	-0,7	0,5	2,0	-3,7	-0,4	-1,5	-1,1	0,9	8,5	-3,0	68	-0,1
	2010	1,2	1,1	1,8	-0,2	0,2	1,8	1,8	1,9	9,0	-3,1	68	0,0
Germany	2008	1,3	-0,6	1,9	2,6	0,1	3,5	5,5	2,9	7,4	-0,5	63	6,4
	2009	-0,8	0,2	1,9	-4,0	-0,4	0,2	2,5	0,5	8,1	-1,5	63	6,0
	2010	1,2	1,2	1,9	1,5	0,2	4,0	4,5	1,3	8,7	-1,3	63	6,1
France	2008	0,8	0,8	1,4	0,5	0,0	2,0	1,8	3,3	7,8	-2,9	66	-1,6
	2009	-0,4	-0,4	1,6	-3,8	-0,3	-0,3	-0,4	0,7	8,2	-4,2	69	-1,4
	2010	1,5	1,6	1,4	2,1	0,2	2,9	2,9	1,6	8,7	-4,1	69	-1,6
Italy	2008	-0,3	-0,6	1,2	-1,5	0,0	0,3	-1,5	3,6	7,0	-2,6	103	-2,6
	2009	0,6	0,2	1,2	-4,8	-0,3	-0,6	-0,9	1,0	8,2	-3,6	105	-2,1
	2010	0,6	0,3	1,0	2,0	0,2	2,0	2,4	1,9	8,5	-3,7	103	-2,5
Spain	2008	1,2	1,1	4,0	-2,5	0,0	3,2	0,7	4,4	11,0	-1,6	36	-10,0
	2009	-0,9	-0,4	4,5	-9,0	-0,4	3,5	-2,0	1,7	14,4	-2,9	38	-7,0
	2010	0,8	0,2	3,5	-3,0	0,2	5,5	2,5	2,3	15,0	-5,5	38	-6,0
Holland	2008	2,3	1,8	1,0	6,0	0,1	4,0	5,0	2,3	3,0	-2,9	45	7,2
	2009	-0,2	0,0	2,0	-2,0	-0,4	1,0	1,0	0,8	3,8	-3,3	47	7,0
	2010	0,9	0,5	1,7	2,0	0,2	3,5	3,2	1,7	4,2	-3,0	45	6,5
Finland	2008	2,2	3,2	1,5	0,0	0,0	4,5	2,0	4,0	6,3	3,2	33	3,0
	2009	0,3	2,0	1,7	-2,0	-0,1	2,1	2,4	1,4	7,0	2,4	32	2,5
	2010	1,5	1,8	1,3	1,7	0,0	4,8	5,0	1,6	7,0	1,9	32	2,5

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	2008	1,3	0,3	2,8	-3,1	-0,3	7,5	-3,3	4,0	5,7	-3,2	62	-4,2
	2009	-0,5	-0,8	2,7	-7,3	0,1	-5,7	-7,7	0,2	8,0	-7,0	69	-2,4
	2010	2,4	2,4	2,8	3,5	0,3	2,4	5,8	2,4	8,5	-6,5	73	-4,7
Japan	2008	0,1	0,8	0,5	-3,8	0,0	4,9	0,6	1,6	4,1	-1,4	182	3,8
	2009	-0,7	0,7	0,8	-2,3	-0,1	-3,4	0,9	-0,6	4,4	-3,3	183	4,3
	2010	0,4	0,9	1,6	0,9	0,0	1,9	1,0	-0,5	4,4	-3,8	183	3,9
UK	2008	0,9	1,8	2,0	-3,3	-0,2	0,5	0,6	3,7	2,8	-2,5	50	-2,8
	2009	-0,9	-0,2	2,0	-0,2	0,0	-2,4	-0,5	1,7	3,8	-5,6	55	-2,6
	2010	1,2	1,6	1,0	2,2	0,0	3,6	4,3	1,9	5,0	-6,5	60	-1,8
Switzer-land	2008	1,8	1,9	-0,8	-0,2	-0,6	4,7	2,5	2,6	2,5	1,1	41	8,3
	2009	0,1	0,9	1,0	-2,7	0,4	1,4	2,9	1,3	2,9	0,1	40	9,4
	2010	1,4	1,2	1,3	1,3	0,1	3,3	3,7	1,3	3,3	-0,3	40	10,6

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	19-dec	0,125	1,52	2,29	139,8	-	533,0
	+3m	0,125	1,50	2,50	125	-	596
	+6m	0,125	1,65	3,40	122	-	611
	+12m	0,125	2,10	4,10	128	-	583
EUR	19-dec	2,50	2,82	3,81	-	139,8	745,0
	+3m	1,50	2,30	3,50	-	125	745,0
	+6m	1,50	2,30	3,60	-	122	746,0
	+12m	1,50	2,75	3,90	-	128	746,0
JPY	19-dec	0,10	0,78	1,26	124,9	89,3	5,97
	+3m	0,10	0,80	1,40	110	88	6,77
	+6m	0,10	0,75	1,35	112	92	6,66
	+12m	0,10	1,20	1,60	123	96	6,07
GBP	19-dec	2,00	2,78	3,64	93,4	149,7	797,8
	+3m	1,00	2,30	3,55	92,0	136	810
	+6m	1,00	2,30	3,70	92,0	133	811
	+12m	1,00	2,75	4,15	86,0	149	867
CHF	19-dec	0,50	1,12	2,52	154,3	110,4	482,9
	+3m	0,50	1,15	2,50	150	120	497
	+6m	0,50	1,30	2,45	150	123	497
	+12m	0,50	1,60	2,70	152	119	491
DKK	19-dec	3,25	3,69	4,06	745,0	533,0	-
	+3m	2,50	2,90	3,65	745,0	596	-
	+6m	2,25	2,90	3,75	746,0	611	-
	+12m	2,00	3,15	4,05	746,0	583	-
SEK	19-dec	2,00	2,23	3,28	1094,9	783,3	68,0
	+3m	1,50	2,00	3,25	1050	840	71,0
	+6m	1,00	1,60	3,05	1010	828	73,9
	+12m	1,00	2,20	3,50	960	750	77,7
NOK	19-dec	3,00	2,84	4,42	985,5	705,0	75,6
	+3m	2,50	2,50	3,90	920	736	81,0
	+6m	1,75	2,50	4,10	880	721	84,8
	+12m	1,75	2,90	4,50	850	664	87,8
PLN	19-dec	5,75	4,60	4,55	407,7	291,7	182,7
	+3m	4,50	6,60	6,20	405	324	184
	+6m	4,00	6,50	6,10	410	336	182
	+12m	3,50	6,40	6,00	410	320	182

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				
Sweden	Average	-5% to +5%	More than +10%	Neutral
Norway	High	-5% to +5%	More than +10%	Neutral
Denmark	High	-5% to +5%	More than +10%	Neutral

Key data and events (1)

Monday, December 29, 2008			Period	Danske Bank	Consensus	Previous
8:45	FRF	GDP, final	q/qly/y	3rd quarter		-0.3%
9:30	ITL	Business confidence	Index	Dec		72.2
Tuesday, December 30, 2008			Period	Danske Bank	Consensus	Previous
-	DEM	HICP, preliminary	m/m y/y	Dec		0.3% -0.6%
9:30	SEK	Retail sales	m/mly/y	Nov		-0.6% -0.7%
9:30	SEK	Trade balance	SEK bn	Nov		10.0
10:00	EUR	M3 Money supply	y/y	Nov		8.7%
10:00	CHF	Consumption Indicator		Nov		
15:45	USD	Chicago PMI	index	Dec		33.0 33.8
16:00	USD	Consumer confidence	Index	Dec	42.4	45.0 44.9
Wednesday, December 31, 2008			Period	Danske Bank	Consensus	Previous
1:30	AUD	Private sector credit	m/mly/y	Nov		0.6% 9.7%
13:00	USD	MBA mortgage applications				
14:30	USD	Initial jobless claims	1000			
Thursday, January 1, 2009			Period	Danske Bank	Consensus	Previous
2:00	CNY	Manufacturing PMI	Index	Dec		38.8
Friday, January 2, 2009			Period	Danske Bank	Consensus	Previous
3:30	CNY	CLSA Manufacturing PMI	Index	Dec		40.9
8:30	SEK	PMI	Index	Dec		33.1
9:50	FRF	PMI Manufacturing, final	Index	Dec		
10:00	EUR	Euroland PMI manufacturing, final	Index	Nov	34.5	34.5 34.5
10:30	GBP	Net Consumer Credit	GBP bn	Nov		0.8
10:30	GBP	PMI, manufacturing	Index	Dec		34.0 34.4
11:00	DKK	Danish PMI	index	Dec		42.7
16:00	DKK	Currency reserves	DKK bn	Dec		40.4
16:00	USD	ISM prices paid	Index	Dec		19.0 25.5
16:00	USD	ISM Manufacturing	Index	Dec	35.4	35.1 36.2
During the week			Period	Danske Bank	Consensus	Previous
Thu 25 - 29	JPY	Business conditions indices small	Index	Dec		35.1
Fri 26 - 29	JPY	Nomura/JMMA Manufacturing PMI	Index	Nov	35	36.7
Mon 29 - 31	ESP	Inflation (HICP), preliminary	m/mly/y	Nov		
Mon 29 - 30	CHF	KOF Swiss leading indicator		Dec	-0.25	-0.25 -0.05
Mon 29 - 31	GBP	Nationwide House Prices	m/mly/y	Dec		-1.5% -14.6% -0.4% -13.9%
Sat 03	USD	Fed's Bullard (Neutral, non-voter) speak on Economic Panel				
Sat 03	USD	Fed's Kroszner (Neutral, voter) leads panel discussion on government guarantees				
Sat 03	USD	Fed's Bullard (neutral, non-voter), Evans (neutral, non-voter) and Fisher (hawkish, voter) speaks				

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Key data and events (2)

Mandag den 29. december 2008					Periode	Danske Bank	Konsensus	Seneste
8:45	FRF	BNP, endelig	k/k å/å	3. kvartal				-0.3%
9:30	ITL	Erhvervstillid	Indeks	dec				72.2
Tirsdag den 30. december 2008					Periode	Danske Bank	Konsensus	Seneste
-	DEM	HICP, foreløbig	m/m å/å	dec			0.3%	-0.6%
9:30	SEK	Detailsalg	m/m å/å	nov				-0.6% -0.7%
9:30	SEK	Handelsbalancen	mia. SEK	nov				10.0
10:00	EUR	M3 Pengemængde	å/å	nov				8.7%
10:00	CHF	Forbrugsindikator		nov				
15:45	USD	Chicago PMI	indeks	dec			33.0	33.8
16:00	USD	Forbrugertillid	Indeks	dec	42.4		45.0	44.9
Onsdag den 31. december 2008					Periode	Danske Bank	Konsensus	Seneste
1:30	AUD	Kreditgivning til den private sektor	m/m å/å	nov				0.6% 9.7%
13:00	USD	MBA mortgage applications						
14:30	USD	Ansøgere til arb.løs.understøttelse	1000					
Torsdag den 1. januar 2009					Periode	Danske Bank	Konsensus	Seneste
2:00	CNY	Fremstillings PMI	Indeks	dec				38.8
Fredag den 2. januar 2009					Periode	Danske Bank	Konsensus	Seneste
3:30	CNY	CLSA Fremstillings PMI	Indeks	dec				40.9
8:30	SEK	PMI	Indeks	dec				33.1
9:50	FRF	PMI Fremstilling, endelig	Indeks	dec				
10:00	EUR	Euroland PMI fremstilling, endelig	Indeks	nov	34.5		34.5	34.5
10:30	GBP	Forbrugercredit	mia. GBP	nov				0.8
10:30	GBP	PMI, fremstilling	indeks	dec			34.0	34.4
11:00	DKK	Dansk PMI	indeks	dec				42.7
16:00	DKK	Valutareserven	mia. DKK	dec				40.4
16:00	USD	ISM prisindeks	Indeks	dec			19.0	25.5
16:00	USD	ISM Fremstilling	Indeks	dec	35.4		35.1	36.2
I løbet af ugen					Periode	Danske Bank	Konsensus	Seneste
Tor 25 - 29	JPY	Erhvervstillid små	Indeks	dec				35.1
Fre 26 - 29	JPY	Nomura/JMMA fremstillings PMI	Indeks	nov	35			36.7
Man 29 - 31	ESP	Forbrugerpriser (HICP), foreløbig	m/m å/å	nov				
Man 29 - 30	CHF	KOF ledende indikator		dec	-0.25		-0.25	-0.05
Man 29 - 31	GBP	Nationwide huspriser	m/m å/å	dec			-1.5% -14.6%	-0.4% -13.9%
Lør 03	USD	Fed's Bullard (Neutral, ikke-stemmeret) taler på Economic Panel						
Lør 03	USD	Fed's Kroszner (Neutral, stemmeret) leder panel debat om stats garantier						
Lør 03	USD	Fed's Bullard (neutral, ikke stemmeret, Evans (neutral, ikke stem) and Fisher (høj, stemmeret) taler						

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