

Weekly Focus

May 23-30, 2008

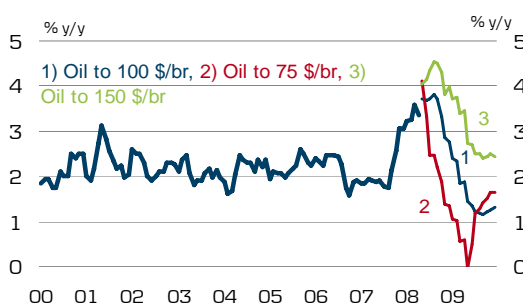
Oil prices – a bad dream that won't go away



Yields up despite lower equity prices as inflation scare hit both markets



Euroland inflation scenarios



Inflation fears ascending

Soaring oil prices and the persistence of high inflation are like a bad dream that won't go away – and it is increasingly affecting prices in bond markets, where yields have risen further this week on the back of a repricing of central bank behaviour. Until very recently, bond yields had been highly correlated with equity markets, as the financial crisis was the dominant factor pushing bond yields up and down. Over the past week, however, bond yields have risen despite lower equity markets. The flip side of higher oil prices is weaker growth, which under normal circumstances would suggest lower yields. But until we see weaker growth come through in a more pronounced way in Euroland (which we think will happen in H2), yields will likely continue to trade on inflation.

Inflation is tolerable up to a certain level. The ECB has so far maintained a neutral stance as a balance between higher inflation and the weaker growth outlook. But markets are becoming uncertain about the proximity of the ECB's pain threshold with respect to what they can accept in terms of higher inflation. Given current oil prices and what is priced into the forward market for oil, inflation could very well reach 4% by the end of summer. This has caused the market's pendulum to swing towards pricing a risk of rate hikes rather than cuts – as was the case until very recently.

We don't think the ECB will hike, but it is important to stress that this is uncharted territory. The situation is new, and therefore we do not know how the ECB will react. Meanwhile, our forecast of ECB cuts in the autumn looks increasingly shaky, and we will therefore take a close look at this at our monthly forecast revision next week.

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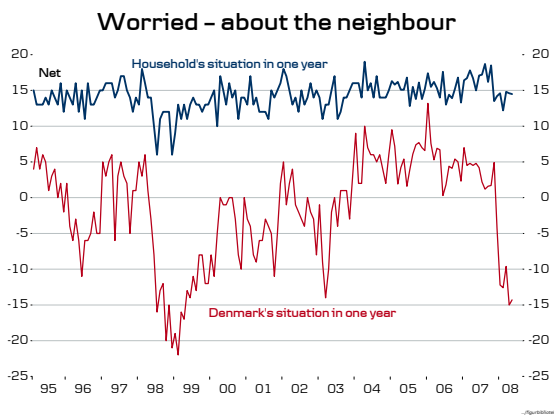
Consumers feel the squeeze

Consumer confidence in Denmark fell in May to its lowest level since 1999. Consumers are coming under fire on more than one front at present. Higher prices, especially for energy and food, are eroding purchasing power, while falling house prices are eroding wealth. There is no doubt that consumption growth is slowing, and it could well turn out to be not that soft a landing, but a downturn on the scale suggested by consumer confidence is not realistic, for several reasons.

First and foremost, the stage is set for a healthy increase in real wages in 2008. We anticipate wage growth of 4.7%, and the situation in the labour market does not suggest that the risk in this estimate is to the downside. On top of this, the vast majority of wage-earners have benefited from a tax cut in the form of a higher tax allowance. Unemployment has continued to fall early in 2008, and although it is likely to tend the other way later in the year this will not be enough to pull down income levels for 2008 as a whole.

Our model family calculations suggest that a typical family with children is still looking at a real increase in disposable income of a good 1.5% in 2008, even after energy costs and even if they are on a variable-rate mortgage hit by higher interest rates.

Looking more closely at the figures for consumer confidence, it does indeed appear that consumers are less optimistic about their own finances than they have been, and that they have become much more worried about inflation. But the decrease in confidence is due above all to concerns about the country's economy. The low consumer confidence, therefore, seems to be more a reflection of all the apocalyptic headlines about recessions and credit crises than a genuine crisis in household budgets.



Key events of the week ahead

- Tuesday brings the latest half-yearly report from the four wise men of the Danish Economic Council.
- Thursday brings unemployment figures for April. We predict another drop, of 500 people, but we really are now approaching rock-bottom.
- Friday brings Statistics Denmark's tendency surveys for manufacturing, construction and service industries. But we will not be getting Q1 GDP figures as previously announced, as they have been put back to 1 July.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Thu 29	9:30	DKK Unemployment, s.a.	K (%)	Apr	52.9 (1.9%)	.(1.9%)

Sweden

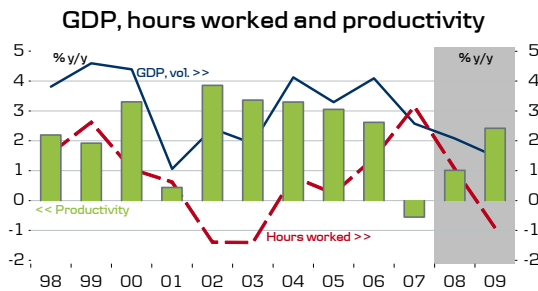
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Productivity starting to rebound?

In the last edition of *Weekly Focus* we tried to estimate - from primary statistics - what Q1 GDP growth might look like. Now that we have received more detailed statistics on the labour market, we are also able to make a rough estimate of hours worked, and hence productivity.

According to [adjusted] hours, which Statistics Sweden compiles together with the labour force survey, hours worked actually fell by a ½ percentage point in Q1. However, given that there are large calendar effects in play (due to the early Easter), “underlying” growth in hours worked might be some 2 pp higher. This means that calendar-adjusted hours worked should come in closer to 1½% y/y. Our GDP growth forecast points to 3% y/y, which means that productivity should also come in around 1½% y/y. This is not very impressive if you compare to trend productivity growth estimates of above 2% y/y, but given the poor productivity growth (and high ULC growth) over the last few quarters, it should provide some relief.

This also fits our forecasts quite well. We expected a moderate rebound in productivity this year, and this should also imply that unit labour cost (ULC) growth has started to recede. Based on the wage statistics, ULC growth should drop at least 2 pp to 2½% y/y in Q1. This is really good news, and runs counter to what, Riksbank Deputy Governor Öberg, among others, is claiming.



Key events of the week ahead

- The agenda is crammed with interesting events this week. Not only are the above-mentioned national accounts data due, retail sales, the trade balance and producer prices will also be published during the week. Most data for April should come in on the strong side.
- Household and business sector confidence also due.
- Finally, one often overlooked survey - the investment survey - is will be released by Statistics Sweden on Friday. Given the current high level of investments, we are eager to see how recent developments have influenced the investment outlook.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 26	9:30	SEK Trade balance	SEK bn Apr	12.0		12.5
Tue 27	9:15	SEK Consumer confidence	Index May	-3	-0.4	0.8
Tue 27	9:30	SEK PPI (incl. export- and importprices)	m/mly/y Apr	1.0% 3.5%		-0.1% 3.1%
Tue 27	9:30	SEK Manufacturing confidence	Index May	-1		2
Wed 28	9:30	SEK Retail sales	m/mly/y Apr	.. 2.5%	-0.1% 3.4%	0.4% 3.9%
Fri 30	9:30	SEK GDP	q/qly/y 1st quarter	.. 3.0%	0.7% 2.7%	0.8% 2.8%
Fri 30	9:30	SEK Current account	SEK bn 1st quarter			80.2

Norway

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Interest rate signals from Norges Bank?

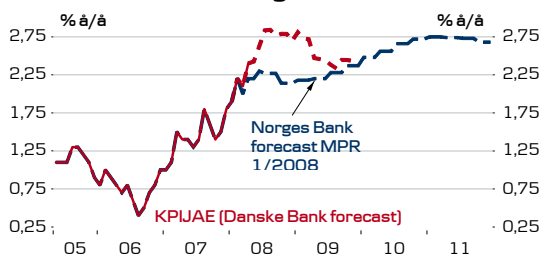
The highlight of the week in the Norwegian market is the rate-setting meeting at Norges Bank on Wednesday. Like the market we expect the policy rate to be left unchanged, which is in line with the strategy set out in the last monetary policy report.

Attention will therefore centre on whether there are any new interest rate signals in the press statement or the subsequent press conference. We reckon that the bank will retain its relatively hawkish rhetoric. Inflation has surprised on the upside in recent months, and Norwegian food prices can be expected to climb by up to 2% on 1 July when the outcome of the settlement with farmers feeds through to prices. Global interest rate and inflation expectations have also risen quite sharply in the last month, with interest rate increases now expected in Europe and the US in the late autumn.

We do not think that Norges Bank will rule out the possibility of fresh interest rate hikes this year, but it is worth noting that governor Svein Gjedrem made it clear during the week that high money market rates are to some extent doing the bank's job for it.

Anyone in the fixed income market hoping for a signal of an interest rate hike as early as the June meeting may well be disappointed. We are convinced that the conclusion will be "business as usual" at Norges Bank. This may disappoint the market slightly, but do not expect any major movements. Either way, we doubt that the meeting will affect our interest rate forecast. We are fairly sure that when Norges Bank publishes its next monetary policy report in June, it will be forced to revise its inflation path up by as much as 0.5pp. This could mean that the bank raises its key rate as early as June, but we think it more likely that the bank will be happy just to signal that a hike is on the cards at the following meeting in August.

Norwegian inflation headed past 2.5% target



Key events of the week ahead

- Norges Bank is expected to leave its policy rate unchanged at 5.5%.
- Registered unemployment is expected to be unchanged at 1.6%.
- Retail sales are expected to climb 0.7% m/m.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Wed 28	1400	NOK Norges Banks monetary policy meeting	%	5.50	5.50	5.50
Thu 29	1000	NOK Unemployment nsa. (Aetat)	%	1.6	1.6	1.6
Thu 29	1000	NOK Retail sales, s.a.	m/mly/y	0.7%..	0.9% 4.1%	-0.4% 3.3%
Fri 30	1000	NOK Norges Bank purchase of foreign currency	mn.	750		500
Fri 30	1000	NOK Wage index	y/y			0.7%

Euroland

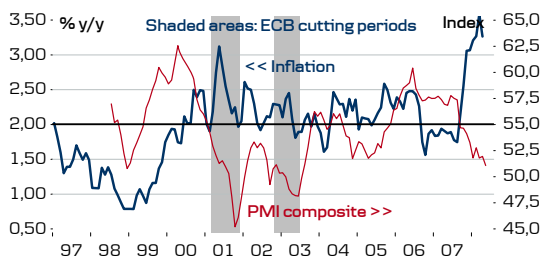
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Falling PMI but high inflation – the ECB’s dilemma in a nutshell

It has been an eventful week with some important indicators of economic growth in Euroland. The German Ifo index for May showed a surprising increase which largely made up for the fall in April. This means that the index has been practically horizontal since autumn 2007, but below the average for 2007 as a whole. Together with the general downward trend in the sub-index for expectations for the next six months, this confirms the impression of a German economy set to slow in the coming months. The German PMI figures confirmed this pattern. On the other hand, French consumption data for April were relatively weak, and the French PMI figures for May also pointed downwards, with the PMI now at its lowest level since 2003. For Euroland as a whole, the data indicate that growth will slow as expected in the coming months, as the strong headwinds (still strong EUR, slower global growth, high oil and food prices, and credit tightening) impact on the economy. The downturn looks set to be sharpest in southern Europe, where the as yet unpublished figures for May are likely to show further deterioration.

The coming week brings detailed GDP data for Germany which will give us a better basis for assessing the outlook for the coming months. There will also be figures for M3 money supply, which will give us an idea of credit growth in Euroland. Friday also brings inflation figures for Euroland. Historically the ECB has kept a close eye on PMI data and has been willing to lower interest rates even in periods of relatively high inflation. Whether or not this is the case now is very difficult to judge because we have not previously been in a situation like this with very high inflation and falling PMIs close to the historical cutting zone.

The ECB’s dilemma: high inflation and low PMI



Key events of the week ahead

- Thursday brings M3 for April.
- Friday brings the flash CPI for Euroland. We expect inflation to rise to 3.5% y/y.
- The week also brings detailed GDP data and inflation figures for Germany, and consumer and business confidence indicators for Euroland.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 26	-	DEM CPI - EU Harmonised, preliminary	m/mly/y	May	0.4% 2.8%	-0.2% 2.6%
Tue 27	8:00	DEM GDP	q/qly/y	1st quarter	1.5% 2.6%	1.5% 2.6%
Tue 27	8:10	DEM Gfk Consumer Confidence	Index	Jun	5.9	5.9
Tue 27	8:45	FRF Business Confidence Indicator	Index	May	105	106
Tue 27	8:50	FRF GDP	q/qly/y	1st quarter		-0.4% 2.1%
Tue 27	9:30	ITL Business confidence	Index	May	87.0	86.9
Wed 28	8:00	DEM Import prices	m/mly/y	Apr	0.6% 5.7%	0.4% 5.7%
Wed 28	8:45	FRF Consumer confidence	Net bal.	May	-37	-37
Wed 28 - 30	9:15	ESP CPI - EU Harmonised, preliminary	y/y	May		4.2%
Wed 28	10:00	EUR Balance of payments	EUR bn	Mar		5.0
Thu 29	8:00	DEM ILO Unemployment rate	%	Apr		7.3
Thu 29	9:55	DEM Unemployment rate	%	May	7.8	7.9
Thu 29	9:55	DEM Unemployment, change	'000	May		-7
Thu 29	10:00	EUR M3 Money supply	y/y	Apr	10.3%	10.3%
Fri 30	11:00	EUR CPI Flash estimate	y/y	May	3.5%	3.3%
Fri 30	11:00	EUR Unemployment	%	Apr	7.1	7.1
Fri 30	11:00	ITL HICP, preliminary	m/mly/y	May	0.4% 3.5%	0.6% 3.6%
Fri 30	11:00	EUR Consumer confidence	Net balanc	May	-12	-12
Fri 30	11:00	EUR Economic Confidence	Index	May	96.6	97.1
Fri 30	11:00	EUR Business confidence	Net balanc	May	-3	-2

UK

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Strong divergence between retail sales and surveys

The past week has brought new figures for retail sales in the UK, and once again they surprised on the upside - despite strong indications from surveys of a sharp downshift in private consumption growth (see chart). We also saw further increases in price expectations in CBI's monthly industrial trends survey, where the price index climbed to its highest level in 13 years. Combined with fresh price increases in the oil market, this has led to growing inflation fears and helped to push UK yields up further.

The market has markedly revised its expectations of the Bank of England. Only two months ago the market was discounting a 100bp decrease in interest rates, whereas now it is pricing in a 25bp increase over the next year! The GBP has strengthened slightly on better economic data and the repricing of monetary policy.

We still expect the BoE to end up easing monetary policy further due to a substantial deterioration in the growth outlook. In the short term, though, the bank's hands are tied by the high rate of inflation. Inflation has risen to 3% and is still climbing, which means that the bank will have to write to the Chancellor explaining why inflation is above 3% as it did last year. The minutes of the rate-setting meeting published on Tuesday did not bring any major surprises. The BoE is increasingly worried about inflation, but that was already clear from the inflation report the previous week. Only one member of the MPC, David Blanchflower, voted in favour of cutting interest rates, but he is a dove to the core and leans consistently on the soft side.

Retail sales stronger than surveys indicate



Key events of the week ahead

- Nationwide house prices, which are expected to show further falls.
- The CBI distributive trades survey, an indicator of retail sales, which has fallen sharply in recent months (see chart).
- BBA figures for mortgage approvals.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Tue 27 - 30	-	GBP Nationwide House Prices	m/mly/y	May	-0.5% -1.9%	-1.1% -1.0%
Tue 27	10:30	GBP BBA loans for house purchase	Apr			35417
Thu 29	12:00	GBP CBI Distributive Trades Report	May			
Fri 30	1:01	GBP Gfk Consumer confidence	Index	May	-25	-24

Switzerland

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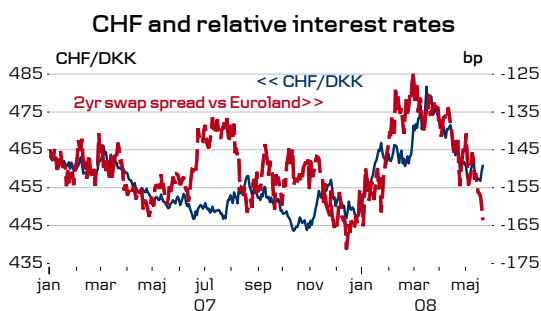
Interest rate spread to Euroland widens further

While Swiss consumer confidence weakened in April, business confidence showed a slight improvement in May. The sliding consumer confidence was reflected in March's retail sales data, which continued to paint a picture of weakening private consumption. That said, it is no easy task to interpret the March data, due to the early Easter this year: real retail sales fell 2.5% y/y in non-adjusted terms, but rose 9.7% y/y when adjusted for the number of working days. Confused? This questionably high figure does highlight the potential risk of this method, and one can wonder why the Swiss franc strengthened on the release. An alternative approach is simply to adjust for when Easter fell the year before. Using this method, retail sales showed a more modest 2.2% y/y increase in March, which is slower than the pace of growth in February.

Inflation data were also released in the past week. The producer and import price index increased more than expected in April - driven higher by both components. Thus there is some sign that external price pressures have moved further down the value chain. However, the increase in the PPI was not passed on to consumer prices, and all of SNB's core inflation measures fell slightly in April.

At the end of April we wrote about the rising yields in both Switzerland and Euroland, and argued that the widening of the interest rate spread could prove overdone. Since then, yield curves have moved even higher and the spread widened further, such that the difference between the respective 2-year swap rates is now 160bp. As a consequence (and with rising equity markets and falling volatility acting as catalysts) the Swiss franc has weakened against EUR, and CHF/DKK has slipped from 4.63 to just below 4.56 over the past two weeks, although some strength has returned to CHF in recent days on the back of retreating equity markets. In our view, the rate spread to Euroland remains excessive, and we continue to expect CHF to strengthen against DKK this year, although the potential has presumably diminished.

Next week's calendar includes several important data releases. Trade balance figures will be released on Tuesday along with UBS's consumer indicator. Thursday sees the publication of the quarterly employment report, and it will be interesting to see if this will show any sign of a turnaround in the labour market. Finally, the KOF leading indicator is due on Friday. There was no significant market reaction to the substantial negative surprise last month, which suggests that market focus is elsewhere at the moment. We expect that KOF will continue its slide. However, there is a chance that the fall will not be as large as last month given the recently published confidence indicators from the Eurozone.



Key events in the week ahead

- Trade balance and consumer indicator due Tuesday
- Q1 employment report due Thursday
- KOF on Friday

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Tue 27	8:15	CHF Trade balance	CHF bn	Apr		1.25
Tue 27	10:00	CHF UBS consumption indicator	Index	Apr		2.289
Thu 29	9:15	CHF Employment	y/y (mn)	1st quarter		2.7% (3883)
Fri 30	11:30	CHF KOF Swiss leading indicator	Index	May	1.07	1.20

USA

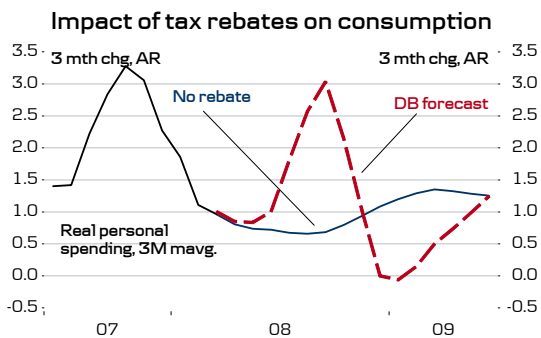
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Watch the rebates

A little more than three weeks ago, the Internal Revenue Service (IRS) began the transfer of USD 106bn in tax rebates to US consumers. So far almost a quarter of the rebate payments have reached consumers, and the remaining transfers should be completed by mid-July. With the rebates being paid from early May, some impact should be visible, if not in the May, then in the June data. While there are major uncertainties around the timing and size of the impact of this stimulus package, we believe the most likely outcome is that the rebates will provide a significant boost to consumer spending over the coming three to four months. Although higher energy and foods prices will take out some of the effect, the rebate payments are much too big to be completely neutralised.

The reacceleration in consumer spending will have a spin-off effect on US industry. While industrial indicators are set to weaken further in the next couple of months, the scale-up in demand at a time when inventories are very lean is likely to spark a temporary rebound in the manufacturing sector in the autumn. Generally, the vast bulk of the GDP effect from the rebates is expected to arrive in Q3. However, around New Year 2009, the positive impact from the rebates is likely to peter out, resulting in renewed softness in consumer spending, as the underlying economy will still be relatively weak at that time. We do not expect consumers to be on track for a sustained recovery before some way into 2009.

In the short term, though, it is crucial to keep track of high-frequency indicators, such as monthly and weekly consumer confidence and retail spending, to monitor consumer response. This is likely to be a determinant of market sentiment over the summer. If the stimulus package finds traction in the economy, it could support some of the current optimism about the economic outlook in the markets. However, if the tax rebates fail to jumpstart consumption in the next few weeks and months, this could potentially spark serious concerns. Read more in our recent report [Research USA: A rebate update](#), May 21.



Key events of the week ahead

- Tuesday - New home sales expected to drop by another 3% in April to 510K.
- Thursday - Preliminary national account estimates will show Q1 GDP growth at 0.9% q/q AR, up from the advance estimate of 0.6% q/q AR.
- Friday - Nominal personal spending will rise by 0.2% m/m in April. Core PCE deflator up by 0.2% m/m.
- Friday - Chicago PMI will increase to 49 from 48.3.
- Watch Fed speakers Tue, Wed, Thu and Fri.

Date	Time	Event	Period	Danske Bank	Consensus	Previous	
Mon 26	-	USD Memorial Day - Market closed					
Tue 27	14:15	USD Fed's Kroszner (voter, neutral) speaks					
Tue 27	15:00	USD Consumer confidence	Index			62.3	
Tue 27	16:00	USD New home sales	1000 (m/m)	510 (-3.0%)	524 (-0.8%)	526 (-8.5%)	
Tue 27	17:50	USD Fed's Yellen (non-voter, dove) speaks					
Wed 28	13:00	USD MBA mortgage applications	%			-7.8	
Wed 28	14:30	USD Durable goods orders	m/m		-0.7%	-0.3%	
Wed 28	18:50	USD Fed's Stern (voter, hawk) speaks					
Thu 29	3:00	USD Fed's Fisher (voter, neutral) speaks					
Thu 29	14:30	USD Initial jobless claims	1000				
Thu 29	14:30	USD GDP, preliminary	q/q ann.	1st quarter	0.9%	0.9%	0.6%
Thu 29	14:30	USD Personal Consumption, preliminary	q/q ann.	1st quarter	1.0%		1.0%
Thu 29	14:30	USD GDP Core Price Deflator, preliminary	q/q	1st quarter	2.2%	2.2%	2.2%
Thu 29	15:00	USD Fed's Geithner (voter, neutral) speaks					
Thu 29	20:30	USD Fed's Bernanke (voter, neutral) speaks					
Fri 30	0:15	USD Fed's Kohn (voter, neutral) speaks					
Fri 30	14:30	USD Personal income	m/m	Apr	0.1%	0.2%	0.3%
Fri 30	14:30	USD Personal spending	m/m	Apr	0.2%	0.2%	0.4%
Fri 30	14:30	USD PCE core - deflator	m/m/y/y	Apr	0.2% 2.1%	0.1% 2.1%	0.2% 2.1%
Fri 30	15:45	USD Chicago PMI	Index	May	49.0	48.8	48.3
Fri 30	18:30	USD Fed's Rosengren (non-voter, dove) speaks					

Asia

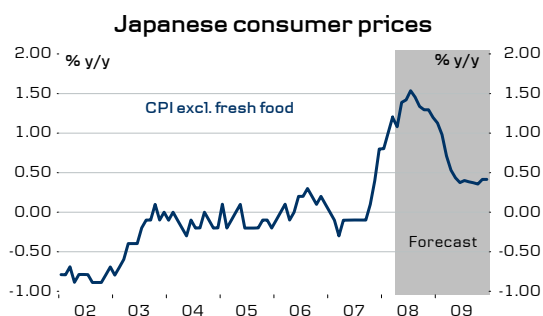
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Rising oil prices becoming serious problem for Asia

Oil prices went above \$135/barrel in the past week, and are now beginning to be a serious problem for many of the Asian countries. First of all, expensive oil is beginning to have an impact on current accounts, as many Asian countries are heavily dependent on imported oil and oil products. The three most vulnerable countries are India, South Korea and Japan, where energy imports comprise 40%, 28% and 27% of total imports, respectively. By way of comparison, China's energy imports account for just around 11% of total imports, and China is in fact one of the countries in Asia whose current account is the least sensitive to rising energy prices. Given that India and South Korea are two of the few Asian countries that already carry a deficit on their current accounts, these two countries are extra vulnerable to increasing oil prices. The Korean won and the Indian rupee have also been among the Asian currencies that have weakened the most over the past couple of months.

Second, rising oil prices are of course having an impact on inflation in Asia. It is important to emphasise, however, that the rising level of inflation in Asia (apart from in countries like Japan and South Korea) has so far largely been the result of soaring food prices. This is due to energy prices being regulated in many Asian countries, and energy's "weight" in consumer price baskets generally being lower in developing countries compared to food prices, which have a very high weight. In the US, for example, energy prices have a weight of around 8% in the basket of consumer prices, while the weight of energy in China is only around 4%. Further, due to energy prices being regulated, the full impact of higher oil prices has not yet been felt in countries such as China, Indonesia and India. The price of more expensive oil has, though, been an explosion in the cost of subsidies, and intense pressure on public finances (total subsidies in Indonesia, for example, can add up to 6% of GDP). Meanwhile, China is in the unsustainable position whereby Chinese oil companies faced with regulated prices are forced to sell their refined oil products at a loss. Given the latest increase in oil prices, the point is probably fast approaching where some sort of political action will be needed. Indonesia has already aired the possibility of hiking petrol prices by 30% in June, and rumours are rife in the financial markets that Chinese oil companies may soon be allowed to raise their prices.

Thus it seems that the coming months will see rising energy prices boost inflation in Asia, which may bring the third negative consequence of rising oil prices into play - the political risk of intervention. Indonesian politicians probably remember only too well that it was petrol price hikes in 1998 that brought the people onto the streets and unseated the dictator, Suharto.



Key events of the week ahead

- Japanese consumer prices in April scheduled for Friday. Expect a fall from 1.2% y/y to 1.1% y/y due to the temporary abolition of the duty on petrol in April (see graph).
- Friday will also see unemployment and industrial production data. Unemployment is expected to rise to 3.8%, and industrial production to fall a little.
- Nothing of importance out of China.

Date	Time	Event	Period	Danske Bank	Consensus	Previous
Mon 26 - 30	7:00	CNY Leading indicator	Index	Apr		103.22
Wed 28	7:00	JPY Small Business Confidence	Index	May		43.1
Thu 29	1:50	JPY Retail trade	m/m/y/y	Apr	-0.5% 0.5%	0.5% 1.1%
Fri 30	1:15	JPY Nomura/JMMA Manufacturing PMI	Index	May		48.6
Fri 30	1:30	JPY Jobless Rate	%	Apr	3.9	3.8
Fri 30	1:30	JPY Job-to-applicant ratio		Apr	0.94	0.95
Fri 30	1:30	JPY Household spending	y/y	Apr	-0.7%	-1.6%
Fri 30	1:30	JPY CPI - Tokyo	y/y	May	0.8%	0.6%
Fri 30	1:30	JPY CPI - National	y/y	Apr	1.0%	0.9%
Fri 30	1:30	JPY Industrial production, preliminary	m/m/y/y	Apr	-0.5% 1.6%	-3.4% -0.7%
Fri 30	1:30	JPY CPI - National Ex. Fresh Food	y/y	Apr	1.1%	1.2%
Fri 30	7:00	JPY Housing starts	y/y	Apr		-15.6%

Foreign exchange

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Oil and currencies

Oil prices surged again in the past week, with the contract for July deliveries trading above USD 135 per barrel for the first time ever. Oil prices are up by more than 30% since New Year despite a budding slow-down in the global economy. This has prompted a debate on whether we are now entering a new oil regime where the traditional models can no longer explain prices in the energy market. Irrespective of whether one views the latest price surge as evidence of a bubble in the oil market, or as explainable by fundamentals, one has to include the risk of further price rises. This will, naturally, also affect pricing on FX markets.

Indeed, the causality between oil prices and exchange rates is far from trivial. First of all, the majority of commodities, including oil, are traded in dollars, which means that a change in the price of oil will affect the dollar exchange rate, and vice versa. Secondly, some countries are net importers of oil, while others are net exporters, which means that a change in the oil price will affect their respective terms of trade. Furthermore, energy prices have varying impacts on consumer price baskets in different countries and, finally, and not least, central banks react differently to energy-driven inflation.

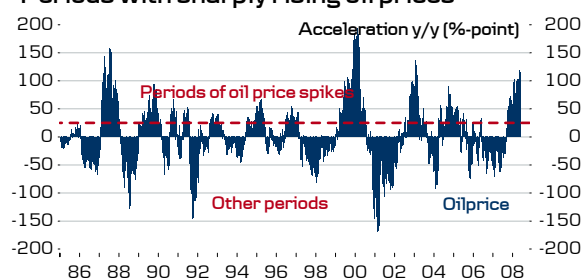
The first step to understanding the correlation between oil prices and exchange rates is to look at the historical data. To make allowance for this correlation presumably being different in periods with high oil inflation relative to other periods (non-linearity), we have looked at how various currencies have traded in periods with steep increases in oil prices. The table below shows the “average” return on G10 effective exchange rates in periods with sharply accelerating oil prices. The table shows that, over the past twenty years, only a few G10 currencies have demonstrated a consistent correlation with oil during periods of steep price increases. AUD, CAD and NZD show the greatest correlations – positive for all three currencies. This result is no surprise given that all three economies are major commodity exporters. On the other hand, it is something of a surprise that a larger positive correlation is not found for the effective NOK exchange rate. This is probably because Norges Bank tries to neutralise the effect of Norway’s oil income by selling NOK against foreign currencies. This missing link can therefore be seen a success for Norges Bank. Nevertheless, there are periods when NOK is positively correlated with oil price increases. In addition, it can be seen that the dollar generally weakens when oil prices accelerate. This is consistent with the fact that USD/DKK tends to fall when oil prices are rising.

Looking at the movements in the FX market in May, when oil has risen by almost USD 20/barrel, it is no surprise that the three best performing G10 currencies against USD have been CAD, NOK and AUD. In contrast, NZD has been a weak performer over the month-to-date, which is, however, due to the market increasingly pricing in a cyclical turnaround in the Kiwi economy. It is difficult to assess if the current oil price is sustainable or if it will climb further or slide. If the oil prices continue to rise, commodity currencies may continue to strengthen, while a stagnation in oil prices will remove this support. A fall in oil prices would most likely presage substantial depreciation pressures. Given that oil prices have already surged to record highs, one of the last two scenarios appears more likely.

Nominal effective currency rates oil

	Daily median return (%)		
	Oil spike periods	Other periods	Diff
AUD	0.06	0.05	0.01
CAD	0.03	-0.01	0.04
EUR	0.01	0.01	0.00
JPY	0.01	-0.03	0.05
NZD	0.04	0.03	0.01
NOK	0.01	0.01	0.00
SEK	0.01	0.01	0.00
CHF	-0.01	-0.01	0.00
GBP	0.02	0.03	-0.01
USD	-0.01	0.01	-0.02

Periods with sharply rising oil prices



Fixed Income

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Highest yields in a long time

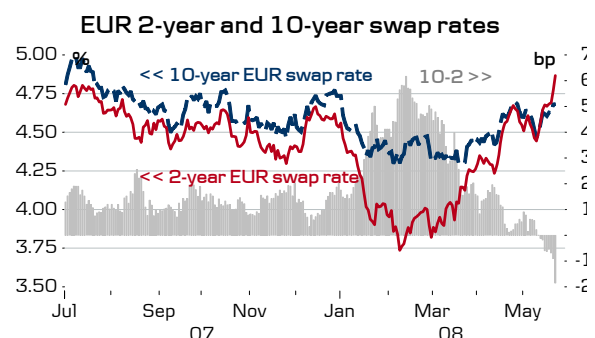
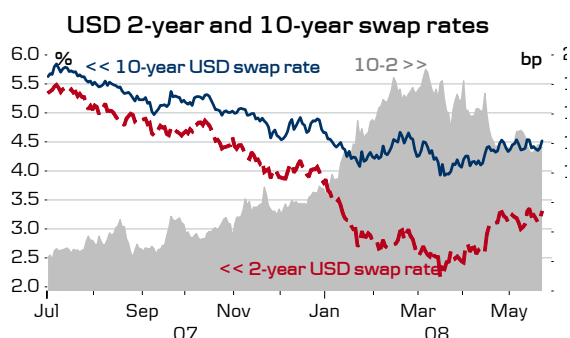
Danish yields continued to rise in the past week, with the 2-year Danish Government bond yield hitting its highest level since 2002, while the 10-year DGB yield reached its highest level since October last year. 2-year yields have, in particular, been driven higher by a shift in Euroland monetary policy expectations. Whereas the market was expecting more than 1 percentage point of cuts in the coming year a few months ago, sentiment has swung around so that the financial markets are now expecting a rate hike sometime in the next couple of quarters. This has also had an effect on 10-year yields, which have also risen as a result of yields increasing in the US as the financial crisis eases and risk appetite returns.

The turnaround in monetary policy expectations is largely due to inflation worries in the wake of rising oil prices. Higher energy prices look set to lift Euroland inflation above 4% in the coming months – double the ECB’s target. It is impossible to predict the course of oil prices in the next few weeks, but further increases can certainly not be ruled out – which could put further pressure on the ECB and send yields even higher.

In our view, the ECB will be very reluctant to hike interest rates when the economic outlook has deteriorated considerably, and parts of Euroland are probably in recession. On the other hand, a potential loss of credit-ability for the ECB’s inflation target in the medium term could prompt the ECB to hike – and the higher inflation goes, the more likely this is to happen. Hence oil prices will be a key factor going forward.

The focus on inflation in Euroland means that there will undoubtedly be extra attention afforded to the regional German inflation figures and flash CPI in the week ahead. Also on the agenda will be the subcomponents of German GDP in Q1. This will provide an opportunity to assess how much of the high growth in Q1 was due to temporary factors. M3 and data on credit growth are the other important releases in Euroland. Surveys indicate a sharp slowdown in credit-giving in Euroland, but this has not been that apparent in the actual data. A further question is how rapidly M3 is slowing.

There is nothing of huge importance among the US data releases in the coming week, and focus will likely remain on oil prices and the developments in financial market risk appetite. Housing market data, orders for consumer durables and the Chicago PMI are, otherwise, the most important numbers.



Commodities

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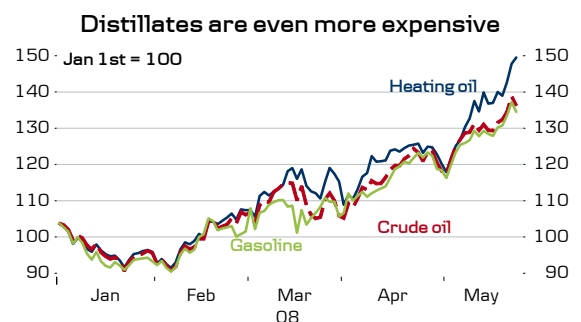
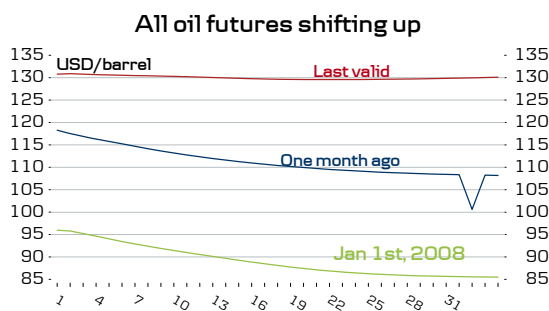
Oil is all

Two weeks ago we wrote in *Weekly Focus* that “The sky is the limit” for oil prices, and that \$150/barrel no longer seemed crazy. That said, we readily admit that the latest increases in the spot price and, not least, long oil prices came as something of a surprise. The first oil future on NYMEX hit more than \$130, while oil for delivery in 2016 approached \$140/barrel.

When both short and long oil prices increase simultaneously, and increase as sharply as has been the case in the past two weeks, one would think that it would be possible to point to one particular event as the trigger. While there has been a fall in US oil inventories during the week, the volume of oil inventories has not changed significantly over the past month. And while OPEC has continued to defend its current production levels and rejected holding an extraordinary meeting to discuss increased production, Saudi Arabia has promised to open the taps a further 300,000 barrels a day. In our view, it is starting to be difficult to explain why oil prices have risen around \$25 in less than three weeks. Hence, one must conclude that there is a risk that the latest increases are, in fact, driven by speculation. Some players in the market have, according to a number of media reports, been trapped with short positions that they have been forced to close with a loss, which has added to upward price pressures. On the other hand, one must acknowledge that the number of open positions on the US oil exchange has not noticeably increased in the past month.

Overall, however, we expect that the peak is being reached for oil prices in this round, and a correction may very well be brewing. However, it can certainly not be ruled out that prices will again jump in the autumn ahead of increasing demand for the “heating season” in the northern hemisphere, which is much less dependent on the state of the economy than petrol demand during the “driving season”. Oil trading at \$150/barrel seemed crazy just a few months ago, but now it suddenly looks like a level that is set to be broken – it is merely a question of time. In reality there is a risk that the price of oil will continue to climb until the market becomes convinced that demand will be seriously affected.

We would therefore recommend our commercial clients with hedging needs to use any dip below \$120/barrel to lock-in oil prices for the coming 12-24 months.



Equities

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Still some upside left: A valuation update

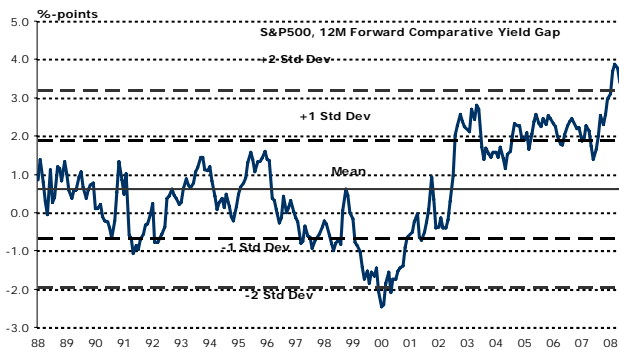
One of the main arguments behind our positive stance on equity markets over the past months has been attractive relative valuation. Since mid-March when we last wrote about relative valuation, risk-free rates have risen, earnings estimates have dropped back and indices have generally gone up by around 10%. Re-viewing our arguments from March reveals that valuation is not as attractive as it was back then, but nonetheless it is still attractive and we continue to see this argument as a positive driver for equities.

All else being equal, the valuation argument leaves less upside for equities than there was a couple of months ago. However, we continue to stay positive on the market, although we are of the conviction that earnings estimates will have to be reduced further by around 7% for the current fiscal year on top of the 14% reduction already made from the peak of earnings expectations. In the two charts below, we depict the earnings yield gap in the US and Europe. As it can be seen from the charts, the yield gap has recently has dropped back slightly as we expected it to do.

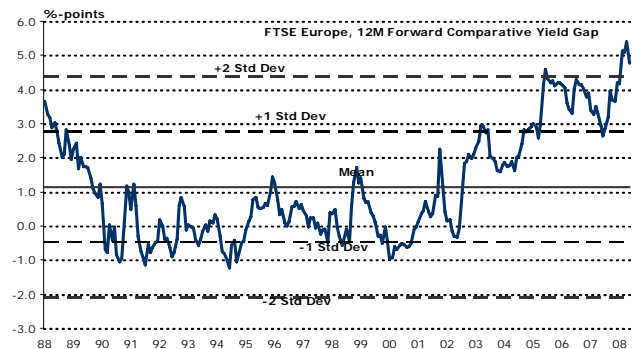
The drop in earnings yield gaps should be seen as a consequence of increasing risk free rates, falling earnings expectations and the positive development in indices. Despite the fact that earnings yield spreads have narrowed, there continues to be much room left to the historic mean since 1988 plus one standard deviation (which is where especially US equities have traded over the past five years). For valuation to move back to these levels, either prices on S&P500 would have to go up by 26% or current earnings estimates would have to decrease by 21%, keeping other things equal. We do not consider either of these scenarios to be very plausible, but expect a mix of the two. In making our forecast, we also take the currently low risk-free rates into consideration.

Although this relative valuation argument is not as strong as it was at its peak a couple of months ago, we continue to see this as a driver for equities despite the weakening macro environment. We continue to stay moderately positive in the sense that we have a target for S&P500 on a three months horizon of 1500. This is also our year-end target.

Earnings yield gap is slowly narrowing in the US ...



... and in Europe as well



Macroeconomic forecast

Makroprognose, Skandinavien													
	år	BNP ¹	Privat-forb. ¹	Off. forb. ¹	Faste inv. ¹	Lager-inv. ²	Eks-port ¹	Import ¹	Infla-tion ¹	Ledig-hed ³	Off. budget ⁴	Off. gæld ⁴	Betal. bal ⁴
Danmark	2007	1.8	2.5	1.7	6.7	-0.2	3.7	6.1	1.7	2.9	4.1	25	1.1
	2008	1.4	2.4	1.7	2.6	-0.1	3.4	4.5	3.1	2.0	3.2	20	0.6
	2009	1.3	1.4	1.6	0.6	0.1	2.8	2.8	2.4	2.5	2.3	17	0.6
Sverige	2007	2.7	3.2	1.0	8.3	0.7	5.8	9.7	2.2	6.2	3.1	42.0	8.3
	2008	1.8	1.7	1.0	3.5	-0.7	5.3	4.5	2.9	6.2	2.9	37.7	8.2
	2009	1.6	1.0	1.8	0.4	-0.4	3.8	2.4	1.5	6.8	2.3	35.5	8.3
Norge	2007	3.5	6.4	3.2	9.6	-1.3	3.2	8.6	0.8	2.5	8.0	26	19.3
	2008	3.5	4.6	2.8	10.9	-0.2	3.7	9.2	4.4	3.3	12.0	26	20.6
	2009	2.9	4.1	2.8	2.6	0.0	3.4	4.8	2.2	3.4	13.9	26	18.2

Makroprognose, Euroland													
	år	BNP ¹	Privat-forb. ¹	Off. forb. ¹	Faste inv. ¹	Lager-inv. ²	Eks-port ¹	Import ¹	Infla-tion ¹	Ledig-hed ³	Off. budget ⁴	Off. gæld ⁴	Betal. bal ⁴
Euroland	2007	2.6	1.4	2.1	4.8	-0.1	6.0	5.2	2.8	7.4	-0.8	67	-0.8
	2008	1.4	1.2	1.2	1.7	0.1	3.1	3.3	2.8	7.1	-0.8	65	-0.3
	2009	1.5	1.5	1.5	1.5	0.0	4.0	4.9	1.9	7.4	-0.8	64	-0.5
Tyskland	2007	2.7	-0.2	1.9	5.6	-0.1	8.5	5.5	2.9	9.1	-0.5	65	5.8
	2008	1.6	0.6	0.7	1.7	0.2	5.1	3.3	1.9	8.3	0.2	64	5.8
	2009	1.4	1.1	1.1	1.5	-0.1	5.0	3.9	1.4	8.0	0.4	64	6.0
Frankrig	2007	1.9	1.9	2.0	4.1	-0.2	3.5	6.6	2.0	8.0	-2.3	63	-2.3
	2008	1.6	1.6	0.9	2.2	0.2	3.1	4.0	1.8	7.7	-2.2	62	-2.3
	2009	1.5	1.8	1.3	2.0	-0.1	2.5	3.9	1.4	7.5	-2.3	61	-2.3
Italien	2007	1.8	1.7	0.8	2.8	0.0	2.5	1.8	2.6	5.9	-2.6	105	-1.7
	2008	1.0	0.9	0.5	0.9	0.2	1.1	2.3	2.3	5.7	-2.0	103	-1.7
	2009	0.9	0.9	0.8	1.2	-0.1	0.5	2.4	1.8	5.7	-2.2	102	-1.7
Spanien	2007	3.9	3.4	5.3	6.4	-0.4	5.5	6.8	3.4	8.0	1.5	37	-9.0
	2008	2.7	2.3	3.2	3.7	0.2	3.6	4.3	3.2	8.2	1.0	35	-9.5
	2009	2.4	1.8	3.1	2.5	-0.1	2.5	3.9	2.4	8.8	0.0	35	-9.0
Holland	2007	3.0	1.8	3.2	4.8	-0.1	6.0	5.5	2.4	3.3	0.0	60	7.0
	2008	2.2	1.7	0.6	3.2	0.1	4.6	4.8	2.3	2.9	0.0	59	6.5
	2009	1.9	1.8	0.4	2.8	-0.1	3.5	5.4	1.7	2.8	0.0	60	6.5
Finland	2007	4.4	3.7	0.8	7.6	0.1	4.8	4.1	2.5	6.9	5.3	35	4.6
	2008	2.6	2.5	1.5	3.0	0.0	2.5	2.0	3.3	6.5	4.7	33	4.5
	2009	2.5	2.5	1.5	2.0	0.0	3.0	2.5	2.2	6.2	3.9	31	4.5

Makroprognose, Global													
	år	BNP ¹	Privat-forb. ¹	Off. forb. ¹	Faste inv. ¹	Lager-inv. ²	Eks-port ¹	Import ¹	Infla-tion ¹	Ledig-hed ³	Off. budget ⁴	Off. gæld ⁴	Betal. bal 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	1.2	1.4	2.4	-6.1	-0.4	7.2	-2.2	3.9	5.3	-3.5	61	-3.7
	2009	1.5	1.2	2.0	-2.8	0.0	7.4	1.0	2.2	6.0	-2.5	61	-2.0
Japan	2007	2.1	1.4	0.8	-3.1	-0.2	7.8	1.8	0.0	3.8	-3.3	180	5.0
	2008	1.4	1.1	0.9	2.0	0.1	5.0	3.8	1.2	3.8	-3.8	182	4.8
	2009	1.7	1.5	1.2	2.5	0.0	5.4	4.4	0.6	3.6	-3.5	183	5.0
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
Schweiz	2007	3.1	2.1	0.1	2.7	0.1	10.0	5.2	0.7	2.8	-0.2	55	15.1
	2008	1.7	1.8	0.5	0.4	0.0	3.8	4.5	1.9	2.6	0.0	54	13.9
	2009	1.6	1.6	0.6	1.7	0.0	4.7	5.2	1.1	2.7	0.0	53	14.9

Kilde: OECD og Danske Bank. 1) % å/å. 2)%-bidrag til BNP-vækst. 3) % af arbejdsstyrken. 4) % af BNP.

Financial forecast

Penge-, obligations- og valutamarkedet							
		Ledende rente	2-års swap rente	10-års swap rente	Valuta over for EUR	Valuta over for USD	Valuta over for DKK
USD	23-May	2.00	3.30	4.50	157.3	-	474.3
	+3m	1.75	2.80	4.30	155	-	481
	+6m	1.75	2.85	4.30	150	-	497
	+12m	1.75	3.25	4.50	150.0	-	497
EUR	23-May	4.00	4.85	4.68	-	157.3	746.0
	+3m	4.00	4.20	4.45	-	155	746.0
	+6m	3.75	3.95	4.30	-	150	746.0
	+12m	3.25	3.50	4.10	-	150	746.0
JPY	23-May	0.50	1.21	1.92	163.3	103.8	4.57
	+3m	0.50	1.05	1.80	158	102	4.72
	+6m	0.50	1.15	1.85	150	100	4.97
	+12m	0.50	1.30	2.00	150	100	4.97
GBP	23-May	5.00	5.93	5.36	79.6	197.7	937.7
	+3m	5.00	5.40	5.00	82.0	189	910
	+6m	4.75	5.30	4.90	80.0	188	933
	+12m	4.50	5.10	4.80	75.0	200	995
CHF	23-May	2.75	3.15	3.54	161.8	102.9	460.9
	+3m	2.75	2.85	3.40	158	102	472
	+6m	2.75	2.70	3.30	156	104	478
	+12m	2.25	2.40	3.20	152	101	491
DKK	23-May	4.35	5.20	4.84	746.0	474.3	-
	+3m	4.35	4.45	4.55	746.0	481	-
	+6m	4.10	4.10	4.40	746.0	497	-
	+12m	3.50	3.60	4.15	746.0	497	-
SEK	23-May	4.25	5.11	4.96	930.1	591.3	80.2
	+3m	4.25	4.40	4.60	925	597	80.6
	+6m	4.25	4.25	4.45	920	613	81.1
	+12m	3.75	3.70	4.30	920	613	81.1
NOK	23-May	5.50	6.39	5.59	791.3	503.1	94.3
	+3m	5.75	6.35	5.40	780	503	95.6
	+6m	5.75	6.20	5.30	775	517	96.3
	+12m	5.75	6.00	5.30	775	517	96.3
PLN	23-May	5.75	6.41	5.91	340.9	216.7	218.8
	+3m	5.75	6.20	5.60	350	226	213
	+6m	5.75	5.90	5.75	355	237	210
	+12m	5.75	7.05	6.85	360	240	207

Aktiemarkedet

Regioner	Risiko	Pris trend 3 mdr.	Pris trend 12 mdr.	Anbefaling
USA	Lav	+5% til +10%	+5% til +10%	Neutral
Japan	Høj	+5% til +10%	+5% til +10%	Neutral
Emerging markets (USD)	Høj	+5% til +10%	+5% til +10%	Undervægt
Europa (EUR)	Lav	+5% til +10%	+5% til +10%	Overvægt
Nordiske				
Danmark	Middel	+5% til +10%	+5% til +10%	Neutral
Sverige	Høj	+5% til +10%	+5% til +10%	Overvægt
Norge	Høj	+5% til +10%	+5% til +10%	Neutral

Råvarer

		2008 - gennemsnit				Gennemsnit	
22/05/2008		Q1	Q2	Q3	Q4	2008	2009
ICE Brent	125	96	114	117	114	110	105
Aluminium	2,875	2,779	3,000	3,025	3,050	2,964	3,100
Kobber	8,300	7,741	8,600	8,700	8,800	8,460	8,900
Guld	883	924	880	900	910	904	930
CBOT hvede*	839	1,026	830	870	900	907	1,050
CBOT majs*	639	527	610	630	650	604	660

* Note: US\$/bushel

Key data and events

Monday, May 26, 2008					Period	Danske Bank	Consensus	Previous
-	DEM	CPI - EU Harmonised, preliminary	m/mly/y	May		0.4% 2.8%	-0.2% 2.6%	
-	USD	Memorial Day - Market closed						
9:30	SEK	Trade balance	SEK bn	Apr	12.0			12.5
Tuesday, May 27, 2008					Period	Danske Bank	Consensus	Previous
3:00	NZD	Business confidence	Index	May				-54.8
4:00	NZD	RBNZ 2yr inflation expectations	y/y	2nd quarter				2.7%
8:00	DEM	GDP	q/qly/y	1st quarter		1.5% 2.6%	1.5% 2.6%	
8:10	DEM	Gfk Consumer Confidence	Index	Jun		5.9	5.9	
8:15	CHF	Trade balance	CHF bn	Apr				1.25
8:45	FRF	Business Confidence Indicator	Index	May		105	106	
8:50	FRF	GDP	q/qly/y	1st quarter				-0.4% 2.1%
9:15	SEK	Consumer confidence	Index	May	-3	-0.4	0.8	
9:30	SEK	PPI (incl. export- and importprices)	m/mly/y	Apr	1.0% 3.5%			-0.1% 3.1%
9:30	SEK	Manufacturing confidence	Index	May	-1		2	
9:30	ITL	Business confidence	Index	May		87.0	86.9	
10:00	CHF	UBS consumption indicator	Index	Apr				2.289
10:30	GBP	BBA loans for house purchase		Apr				35417
14:15	USD	Fed's Kroszner (voter, neutral) speaks						
15:00	USD	Consumer confidence	Index	May	58.0	61.0	62.3	
16:00	USD	New home sales	1000 (m/m)	Apr	510 (-3.0%)	524 (-0.8%)	526 (-8.5%)	
17:50	USD	Fed's Yellen (non-voter, dove) speaks						
Wednesday, May 28, 2008					Period	Danske Bank	Consensus	Previous
-	PLN	Monetary Policy Council meets				5.75%	5.75%	5.75%
7:00	JPY	Small Business Confidence	Index	May				43.1
8:00	DEM	Import prices	m/mly/y	Apr		0.6% 5.7%	0.4% 5.7%	
8:45	FRF	Consumer confidence	Net bal.	May		-37	-37	
9:30	SEK	Retail sales	m/mly/y	Apr	-2.5%	-0.1% 3.4%	0.4% 3.9%	
10:00	EUR	Balance of payments	EUR bn	Mar				5.0
13:00	USD	MBA mortgage applications	%					-7.8
14:00	NOK	Norges Banks monetary policy meeting	%		5.50	5.50	5.50	
14:30	USD	Durable goods orders	m/m	Apr		-0.7%	-0.3%	
18:50	USD	Fed's Stern (voter, hawk) speaks						

Key data and events

Thursday, May 29, 2008				Period	Danske Bank	Consensus	Previous
1:50	JPY	Retail trade	m/mly/y	Apr		-0.5% 0.5%	0.5% 1.1%
3:00	USD	Fed's Fisher (voter, neutral) speaks					
3:30	AUD	Private capital expenditure		1st quarter		3.0%	5.1%
8:00	DEM	ILO Unemployment rate	%	Apr			7.3
9:15	CHF	Employment	y/y (mn)	1st quarter			2.7% [3.883]
9:30	DKK	Unemployment, s.a.	K (%)	Apr	52.9 (1.9%)		..(1.9%)
9:55	DEM	Unemployment rate	%	May		7.8	7.9
9:55	DEM	Unemployment, change	'000	May			-7
10:00	EUR	M3 Money supply	y/y	Apr		10.3%	10.3%
10:00	NOK	Unemployment nsa. (Aetat)	%	May	1.6	1.6	1.6
10:00	NOK	Retail sales, s.a.	m/mly/y	Apr	0.7% .	0.9% 4.1%	-0.4% 3.3%
12:00	GBP	CBI Distributive Trades Report		May			
14:30	USD	Initial jobless claims	1000				
14:30	USD	GDP, preliminary	q/q ann.	1st quarter	0.9%	0.9%	0.6%
14:30	USD	Personal Consumption, preliminary	q/q ann.	1st quarter	1.0%		1.0%
14:30	USD	GDP Core Price Deflator, preliminary	q/q	1st quarter	2.2%	2.2%	2.2%
15:00	USD	Fed's Geithner (voter, neutral) speaks					
20:30	USD	Fed's Bernanke (voter, neutral) speaks					

Friday, May 30, 2008				Period	Danske Bank	Consensus	Previous
0:15	USD	Fed's Kohn (voter, neutral) speaks					
1:01	GBP	Gfk Consumer confidence	Index	May		-25	-24
1:15	JPY	Nomura/JMMA Manufacturing PMI	Index	May			48.6
1:30	JPY	Jobless Rate	%	Apr	3.9	3.9	3.8
1:30	JPY	Job-to-applicant ratio		Apr		0.94	0.95
1:30	JPY	Household spending	y/y	Apr		-0.7%	-1.6%
1:30	JPY	CPI - Tokyo	y/y	May		0.8%	0.6%
1:30	JPY	CPI - National	y/y	Apr	1.0%	0.9%	1.2%
1:30	JPY	Industrial production, preliminary	m/mly/y	Apr		-0.5% 1.6%	-3.4% -0.7%
1:30	JPY	CPI - National Ex. Fresh Food	y/y	Apr	1.1%	1.0%	1.2%
3:30	AUD	Private sector credit	m/mly/y	Apr		0.8% 14.5%	0.8% 14.9%
7:00	JPY	Housing starts	y/y	Apr			-15.6%
9:30	SEK	GDP	q/qly/y	1st quarter	-3.0%	0.7% 2.7%	0.8% 2.8%
9:30	SEK	Current account	SEK bn	1st quarter			80.2
10:00	PLN	Gross domestic product	y/y	1st quarter	5.6%	5.8%	6.1%
10:00	NOK	Wage index	y/y	1st quarter			0.7%
10:00	NOK	Norges Bank purchase of foreign currency	mn.	Jun	750		500
11:00	EUR	CPI Flash estimate	y/y	May	3.5%	3.5%	3.3%
11:00	EUR	Unemployment	%	Apr		7.1	7.1
11:00	ITL	HICP, preliminary	m/mly/y	May		0.4% 3.5%	0.6% 3.6%
11:00	EUR	Consumer confidence	Net balanc	May		-12	-12
11:00	EUR	Economic Confidence	Index	May		96.6	97.1
11:00	EUR	Business confidence	Net balanc	May		-3	-2
11:30	CHF	KOF Swiss leading indicator	Index	May		1.07	1.20
14:30	USD	PCE core - deflator	m/mly/y	Apr	0.2% 2.1%	0.1% 2.1%	0.2% 2.1%
14:30	USD	Personal income	m/m	Apr	0.1%	0.2%	0.3%
14:30	USD	Personal spending	m/m	Apr	0.2%	0.2%	0.4%
14:30	CAD	GDP	Ann.	1st quarter		0.6%	0.8%
15:45	USD	Chicago PMI	Index	May	49.0	48.8	48.3
18:30	USD	Fed's Rosengren (non-voter, dove) speaks					

During the week				Period	Danske Bank	Consensus	Previous
Mon 26 - 30	CNY	Leading indicator	Index	Apr			103.22
Tue 27 - 30	GBP	Nationwide House Prices	m/mly/y	May		-0.5% -1.9%	-1.1% -1.0%
Wed 28 - 30	ESP	CPI - EU Harmonised, preliminary	y/y	May			4.2%

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