

Weekly Focus

Greece blocks ECB exit

Market Movers ahead

- It is widely expected that the ECB will leave its key monetary rates unchanged at its Governing Council meeting. Further, we expect the ECB to communicate that it will keep full allotment during Q2 auctions.
- February manufacturing and service sector PMIs released across Europe and Asia will provide information about the strength of the recovery. ISM is released in US.
- Labour market reports out of Euro area, US and Japan: Euro area unemployment is expected to rise, while Japanese unemployment is expected to remain unchanged and US unemployment is expected to decline a little.
- Swedish GDP for Q4 09 is due to be released next week. Both consensus and Riksbank forecasts expect it to come in at around 0% y/y. We are more downbeat.

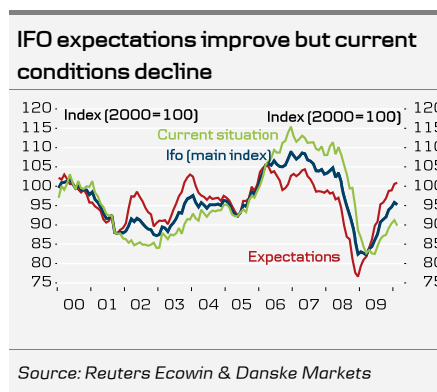
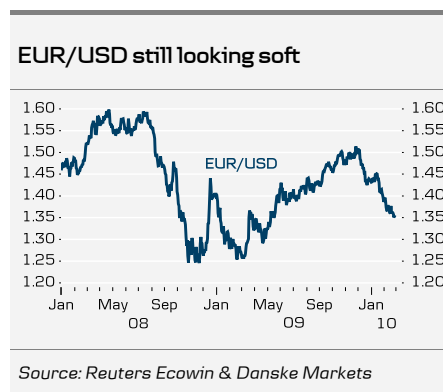
Global Update

- EUR/USD declined and stock markets retreated somewhat as Greece remained on the radar screen due massive private sector strikes on Wednesday and negative statements from rating agencies.
- US Fed chairman Ben Bernanke delivered the semi-annual report on the economy. He reiterated that rates will stay low for an “extended period”, and he emphasised the importance of a credible plan to reduce the budget deficit.
- Data have been soft recently in both Europe and the US resulting in declining interest rates and higher volatility on the stock markets. The softness might partly be due to bad weather keeping consumers at home and affecting weather-sensitive sectors like construction.

Focus

- In this week’s focus article we take a look at general PPP models for G10 currencies in order to assess their valuation. SEK and GBP look undervalued.

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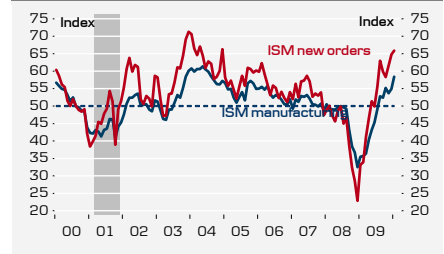
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Market movers ahead

Global

- Following a round of disappointing labour market indicators in the US over the previous two weeks, markets have started to fear that the pace of job growth will not be strong enough to ensure a sustained recovery. The centre of attention next week is therefore the employment report from February. Unfortunately the data are influenced by several distorting factors. First and most important are the distortions from the unusually bad weather with several snowstorms hitting the East coast. Data from previous episodes of snowstorms show that nonfarm payrolls printed significant weakness in the month of the snowstorm followed by an accordingly large rebound in the following month. Rough estimates of the snowstorm effect on February payrolls range from around -150,000 to -100,000. Second, the hiring for the decennial census will distort data over the coming months. The first hiring is likely to show up in the February data although it should be minimal (see *Research US: Census - a springtime hiring shot*). Given the above mentioned factors, our best estimate of payrolls is a decline of 60,000 reflecting a -110,000 effect from the snowstorms and an underlying trend growth in payrolls of +50,000. One should in general be prepared for large fluctuations and severe weakness in February data.
- Furthermore, the ISM indices for February will give an indication of the underlying growth momentum in the US economy. We expect the manufacturing ISM to continue its ascent towards 60 as the new orders index surged in January, indicating more upside on the headline index. The non-manufacturing ISM has been lagging its manufacturing counterpart and we expect to see some catch-up. However, since this activity index covers both the construction sector and retail stores, the snowstorms are likely to lead to some weakness in this index
- The key event in **Euroland** next week will be the monthly ECB's Governing Council meeting. It is widely expected that the ECB will leave its key monetary rates unchanged. We expect the ECB to be dovish at next week's Governing Council meeting. Meanwhile the ECB staff projections for 2010 GDP in the Euro area is likely to be raised from the current very downbeat range of -0.5% - 0.9%. We also expect the ECB to communicate that it will keep full allotment during Q2 at the main refinancing operations (one-week auction) and the long-term refinancing operations (one- and three-month auctions).
- Data wise, we are looking for final February PMI across **Euroland**. We are looking for minor upward revisions of German and French manufacturing PMIs. Market watchers will probably take a close look at Spanish PMIs to judge whether Spain is still decoupling from the Euro area. Greek PMI is also likely to draw some attention.
- Euro area unemployment data for January are due to be released on Monday. Until recently, we had believed that Euro area labour markets would begin to stabilise during Q1; however, that might not happen before mid-2010. We expect unemployment to inch up to 10.1% in January from 10.0% in the previous month.

Further upside in ISM headline but we are close to peak



Source: Ecwin and Danske Markets

Euro area unemployment to inch up

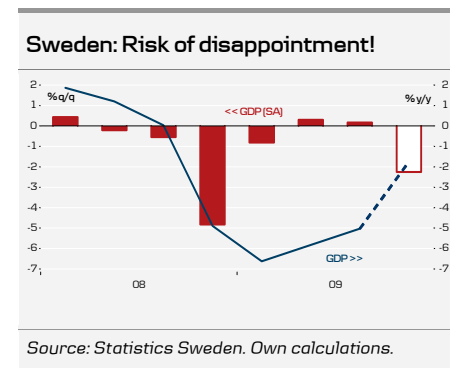
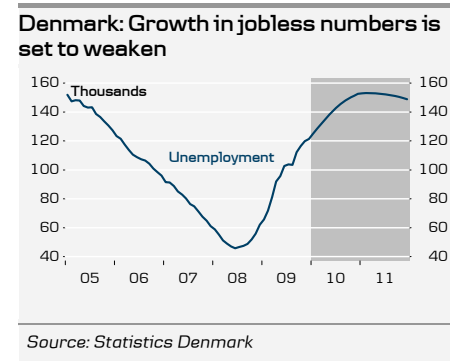


Source: Reuters Ecwin

- In a data compact week, we also look for Euro area retail sales and details on Q4 GDP. Further we anticipate German January factory orders on Friday, which we expect to show some improvement after weak December numbers.
- In **Asia** the main focus in the coming week will be the release of manufacturing PMIs. Overall manufacturing PMIs have been strong in the past two months and in line with recent data for industrial production, and exports suggest that that growth in industrial activity is again accelerating for emerging markets in Asia. Signs of renewed momentum has been most pronounced outside China with countries like India, Indonesia, Thailand and Taiwan again showing very strong momentum. We expect this trend to have continued in February, with manufacturing PMIs probably improving further outside China, while we expect both China's manufacturing PMIs to be largely unchanged in February.
- In **Japan** the main focus will be on the release of the labour market report for January. We expect growth to slow substantially in Q1 10 and hence the pace of the improvement in the labour market is expected to slow versus Q4 09. We expect the unemployment rate to be unchanged at 5.1% in January. In addition, the capital expenditure survey for Q4 will be released next week. This is the most important new information in the first revision of the Q4 GDP figures and hence will give some idea about the direction and size of the first GDP revision. In both Q2 and Q3 the capital expenditure survey resulted in sharp downward revisions of the GDP numbers.

Scandi

- **Denmark:** There is an action-packed week ahead for Denmark. Retail sales for January 2010 are due out Monday. We have already received data on January "Dankort" (debit card) transactions, which showed a modest decline and hence surprised slightly on the downside. Therefore, we also expect retail sales to weaken a little, with an expected fall of 0.1% in January. Wednesday will see the release of January unemployment numbers. December 2009 saw a surprisingly modest increase in jobless numbers of 1,500. However, we expect unemployment to have increased somewhat more in January – probably by 3,600. That would take the unemployment rate to 4.5%. The coming week will also bring fresh data on foreclosures and insolvencies. We expect the number of both foreclosures and insolvencies to increase.
- **Sweden:** There are few data sets that have the power to change the Riksbank outlook as much as data on GDP. Next week we receive GDP for Q4 09, which markets and the Riksbank forecasts estimate to come in at, or somewhere just above, 0% y/y. As it is, all available data for Q4 point in a completely different direction. The activity index points towards -3.5% y/y growth and assuming that developments in retail sales, trade balance, industrial production, etc hold for their corresponding national accounts aggregate, we reach -2% y/y, which is also our point estimate. Just to be sure, this would be much below our ex ante forecast, 0.0% y/y, and implies considerable downside potential for our 2009 and 2010 full-year estimates for GDP growth. We will update our forecasts as soon as possible after Statistics Sweden has published the data.



- Norway:** Uncertainty about the strength of the Norwegian recovery has increased in the wake of the surprisingly weak Q4 GDP data. The coming week will bring more indications of the pace of economic activity going into 2010. The largest downside risk is probably attached to the quarterly estimates of oil investment in 2010. Only a continued high level of investment could justify a stronger NOK in a situation with relatively high cost levels in Norway. Further, the week ahead will see the release of data on consumer spending and industrial activity. In spite of indications of healthy underlying growth, with year-on-year consumption growth running at about 4%, January retail sales seem to have been rather weak. On the other hand, we expect both February PMI and January industrial production to show a continued moderate recovery in manufacturing activity. This should remove some of the downside risks to the Norwegian economy. Also, we are looking for credit numbers to show an improvement in business borrowing, as the lending survey from Norges Bank is pointing towards stronger demand and credit easing.

Market movers ahead

Global movers		Event		Period	Danske	Consensus	Previous		
Mon	01-Mar	2:00	CNY	NBS Manufacturing PMI	Index	Feb	55.5	55.2	55.8
		3:30	CNY	HSBC Manufacturing PMI	Index	Feb	57.7		57.4
		16:00	USD	ISM	Index	Feb	60.0	57.9	58.4
Tue	02-Mar	0:30	JPY	Unemployment rate	%	Jan	5.1	5.1	5.1
Wed	03-Mar	-	USD	Beige Book					
		11:00	EUR	Retail sales	m/mly/y	Jan	-0.3% -1.4%	-0.5% -1.7%	0.0% -1.4%
Thu	04-Mar	13:00	GBP	BoE rate announcement		Mar	0.50%	0.50%	0.50%
		13:45	EUR	ECB Announces Interest Rates			1.0%	1.0%	1.0%
		14:30	EUR	ECB's Trichet Speaks at ECB Monthly News Conference					
Fri	05-Mar	12:00	DEM	Factory Orders	m/mly/y	Jan	1.8% ..	1.3% ..	-2.3% 8.4%
		14:30	USD	Nonfarm payroll	1000	Feb	-60	-40	-20
		14:30	USD	Unemployment	%	Feb	9.7	9.8	9.7
Scandi movers		Event		Period	Danske	Consensus	Previous		
Thu	25-Feb	9:30	SEK	GDP	q/qly/y	4th quarter	-2.0% -1.7%		0.2% -5.0%
		10:00	NOK	Retail sales, s.a.	m/mly/y	Jan	0.0% 3.1%	0.0% ..	0.8% 3.9%
Fri	26-Feb	10:00	NOK	Industrial production, manufacturing, sa.	m/mly/y	Jan	0.4% ..	0.2% ..	-0.5% -2.6%

Source: Bloomberg and Danske Markets

Global update

Greece remained on the radar screen as massive private sector strikes on Wednesday and negative statements from rating agencies emphasised the uncertain outlook. Standard & Poor's said late on Wednesday that it might cut Greece's BBB+ rating by one or two notches within a month. This drove EUR/USD down further and weakened stock markets.

Another focus point this week was the semi-annual report on the economy from Fed chairman Ben Bernanke. As expected he did not reveal much new information. He reiterated that rates will stay low for an "extended period", which gave some comfort to the markets, and he emphasised the importance of a credible plan to reduce the budget deficit. We continue to expect the Fed to hold rates steady until November this year.

Data have been soft recently in both Europe and the US, which has resulted in declining interest rates and has added some volatility to the stock markets. Markets became particularly concerned when US consumer confidence declined this week. The softness might partly be due to bad weather, which is keeping consumers at home and is affecting weather-sensitive sectors like construction. Bernanke noted that the bad weather will probably have a temporary impact on employment.

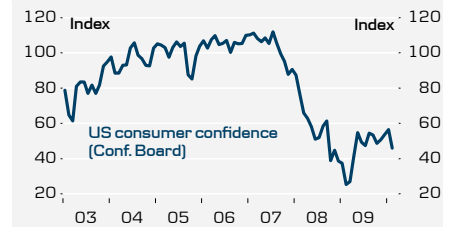
US consumer confidence raises uncertainty over sustainability

The main attention in the US this week was the decline in US consumer confidence in February (see chart). Since the US consumer is critical for sustaining the recovery in the US, this was clearly a disappointment. Consumer confidence is still at a very low level historically and has not yet managed to rise to the trough level of the previous downturn in 2003. The labour market component also slipped a bit although it still points to an overall stabilisation in the unemployment rate. Fortunately *hard* data for the US consumer such as retail sales is looking much better (see *Flash Comment – US: The consumer is not dead*) – and after all it is how much people spend that matters and not what mood they are in. But still it is a bit worrying for the medium-term outlook that confidence is not really improving.

So what could explain this weakness? It is possible that the bad weather has had an influence as it affects job opportunities for people working in weather-sensitive sectors. Also the survey was made during the time when equity prices fell strongly in February. The impact from weather is probably also affecting the weekly jobless claims data. Initial claims again rose more strongly than expected from 474k to 496k despite many other indicators pointing to underlying rising demand for employment such as the indices from the ISM survey and a rapid rise in temporary help workers.

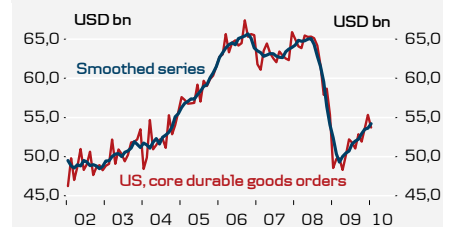
The news from the housing market is increasingly mixed as new home sales fell again and house price statistics were mixed (Case/Shiller rose 0.3% m/m but the FHFA house price index fell 0.4% m/m in December). Fortunately it was not all bad news. Durable goods orders continues to show a rising trend (see chart) which points to a continued pick-up in investment in the US from the very depressed levels in early 2009.

US consumer confidence slipped back from already low level



Source: Reuters Ecowin

US durable goods orders point to investment recovery



Source: Reuters Ecowin

Ifo expectations indicate a strong rebound in Germany



Source: Reuters Ecowin

Another week of mixed data in Euroland signalling soft Q1

The German Ifo index surprised with a decline in current conditions and further increases in expectations. The downturn in current conditions reflects disappointing retail sales in February and might be partly caused by the harsh winter. We would have liked to have seen the slump isolated to Q4 09, but the Ifo institute says we could see negative growth in Q1 10. Our assessment is that this is too negative.

On Thursday the European Commission published its interim forecast with growth in the Euro area unchanged at 0.7% in 2010 from its November forecast. We are more upbeat, but less so after the disappointing Q4 09 GDP data and the mediocre outlook for Q1 10. The same day the ECB published data on monetary developments. The credit developments are still not giving any warning signals of future bubbles and will not give the ECB any reason to 'lean against the wind' and hike rates in the near future.

German GDP data showed that the flat GDP in Q4 resulted from strong net exports and a decline in all domestic demand components. German unemployment remained unchanged at 8.2% in February. On a positive note, Euroland industrial new orders rose by 0.8% m/m in December after a 2.7% m/m increase in November. The increase was driven by strong capital goods orders and very strong French figures, which may partly reflect the French car scrapping scheme, which expired at end-2009. A partial reversal in early 2010 for these components should then be expected.

Better-than-expected data in Japan still suggests slower growth in Q1 and resilient deflation

In Asia data released in Japan in the past week was overall better than expected. Industrial production in January increased 2.5% m/m (consensus: 1.0% m/m) on the back of a solid 1.9% m/m increase in December. The strong industrial production figures are in line with the strong export data for January also released in the past week. However, there are signs that the pace of the recovery in industrial activity will slow in coming months. Production plans for February and March were overall weak and new orders in manufacturing PMI declined for the second month in a row.

There were some signs of improvement in domestic demand in Japan in data released on Friday. Retail sales in January beat expectations by increasing 2.6% y/y (consensus: -0.2%), suggesting we will avoid a contraction in private consumption in Q1. Housing starts for January also came in much stronger than expected and there are now clear signs that residential investments will finally start to add to growth. CPI inflation was broadly in line with expectations at -1.3% y/y in January. However, there are no longer signs of easing deflationary pressures as core inflation appears to have stabilised below -1%.

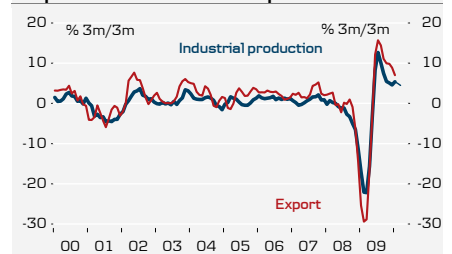
We still believe data is consistent with GDP growth in Japan slowing to just below 2% q/q AR in Q1 10 from 4.6% q/q AR in Q4 09. Growth should accelerate towards 3% q/q AR again in Q2 10 as the impact from another fiscal stimulus package starts to kick in. We expect Japanese data to be mixed in the coming months and Bank of Japan (BoJ) is unlikely to upgrade its view of the economy further in the coming months. It might even start to sound a bit more cautious, not least in light of the increased volatility on financial markets internationally. We cannot completely rule out the possibility that BoJ could step up its non-conventional easing if deflationary pressure persists.

M1 signals slowing industrial production growth in Germany



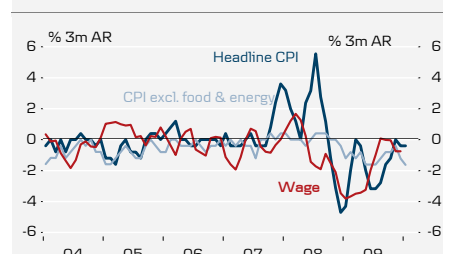
Source: Reuters Ecowin

Recovery in industrial production and exports continues in Japan



Source: Reuters Ecowin

But inflation resilient in Japan



Source: Reuters Ecowin

Scandi update

Denmark: New pointers for economic policy

The focus in Denmark over the past week has been on politics. On Tuesday prime minister Lars Løkke Rasmussen decided to announce the biggest government reshuffle for many years, and on Wednesday it was time for the full details of the reshaped government with the publication of its manifesto. To some extent, of course, this entails a continuation of the economic policy pursued in recent years – for example, the tax freeze lives on – but there are also changes. Most important is that the new manifesto abandons the political contract approach, thus opening the door for surprises during the life of the government, but it nevertheless sets out a number of important pointers.

The government is stressing that it needs to rein in public finances through to 2013, with the budget balanced in 2015, and this is also a key element of the programme published later the same day. The government also stresses, however, that it will not be tightening fiscal policy this year. In 2011-13, on the other hand, it will. How far fiscal policy is tightened next year will depend on the economic climate, but the government is working on the basis of unchanged budgets. This means that the public sector's share of GDP is set to shrink, but that will not stop Denmark from having a very large public sector in relation to the overall economy by both historical and international standards. So although the public sector will be a smaller part of the economy, it will still be a very large part of it. The government has set a target for public spending to decrease from 29.7% of GDP in Q3 09 to 26.5% in 2015.

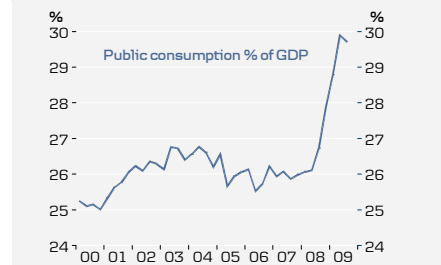
Economic policy will also be tightened through the gradual financing of the tax reform through to 2019.

When it comes to the labour market, the government is preparing an initiative to get young people through the education system faster, reform of the pension and employment schemes for people with disabilities, and a sharper focus on youth and long-term unemployment. There is no doubt that reforms in these areas will help to ensure the long-term sustainability of the Danish welfare state, but the contribution will be relatively limited, so this is far from enough. As the Labour Market Commission showed, it is changes to early retirement pensions and unemployment benefits that make the big difference.

Sweden: Minutes – the devil is in the detail

Although the Riksbank minutes at a glance revealed nothing new, the focus of the minutes was considerably different from the Monetary Policy Report (MPR) and the accompanying policy statement. In the MPR there was only scant comments on developments in housing markets and household credit growth. Nor was there any discussion on Greece or recent developments of data outcomes internationally or domestically. The minutes did undo these flaws of the MPR and the policy statement. There are three issues that stand out. (1) The housing market is discussed at length and the Riksbank executive board does indeed seem more worried than previously indicated. (2) The argument on Greece goes something like: “Greece is too small an economy to have an impact and Sweden is not particularly exposed to Greek financial markets”. This

Record-high public spending



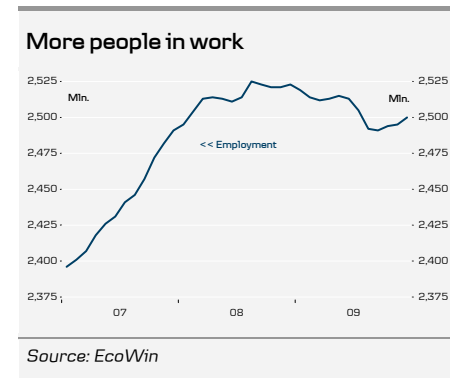
Source: Statistics Denmark

argument has an uncannily familiar ring to it and was last heard in conjunction with the subprime crisis, which according to the Riksbank also was too insignificant to derail the Swedish economy. But enough said, we do not have to dwell on that subject here. Let us just assume that the Riksbank has learnt its lesson. (3) There is a larger degree of consensus among the executive board members (bar Prof. Svensson). The 'hawks' have postponed their hike from Q2 to September without much ado, and the 'doves' have, likewise, put forward their first hike from October to September.

To conclude, the minutes have not been able to sway our expectation of a first hike in September. And the Riksbank, abandoning crisis measures, now feels free to fight other perils, such as a potential housing market bubble.

Norway: Labour market has turned

The LFS data for December (November-January) confirmed the signals we had last month that the Norwegian labour market is turning. Unemployment appears to be stabilising at 3.0-3.5%, which is a fair bit lower than many anticipated a year ago. At the same time, the trend towards higher levels of employment appears to have cemented itself. This provides confirmation that the dynamics of the Norwegian economy are functioning. Higher employment indicates that businesses as a whole are generating higher sales, and means higher growth in household income. After the relatively weak GDP figures, this is very encouraging news for our expectation that interest rate increases will be stepped up in H2.



Focus: Cheap & expensive currencies

How to identify misalignments in the market

A dismal finding on the currency market is that few models are able to explain price movements, and even fewer able to do so persistently over time - one exception being the Purchasing Power Parity (PPP). The PPP roughly states that exchange rates should - on average - reflect relative prices (or rather in its most popular version; relative inflation). In other words, what should the exchange rate be in order for similar goods to trade at the same price across countries when measured in the same currency. While PPP is hardly ever found to hold in the short term (months or even years), there is strong evidence of PPP providing an anchor for exchange rates in the longer term. It therefore serves as an important tool to evaluate fundamental misalignments in the market - i.e. to identify if currencies are trading at highly over - or undervalued levels.

The crisis addressed some imbalances... but also created new

According to PPP analysis, several significant misalignments existed in the market when the financial crisis broke out in 2008. Most notably, the so called commodity currencies, the Australian and New Zealand dollar, were trading at highly overvalued levels, alongside the euro, while especially the Japanese yen, the Swiss franc and the dollar seemed undervalued. These fundamental dislocations in the market were all addressed during the crash of 2008; the commodity currencies saw a hefty sell-off, while the dollar, Swiss franc and Japanese yen all rallied, as investors sought safety in what have historically been safe havens on the currency market.

However, the financial crisis not only corrected misalignments that had been built up during the 2003-07 heydays, it also created fresh new dislocations on the market. The relatively illiquid Scandinavian currencies saw a massive sell-off taking both the Norwegian krone and the Swedish krona to historically undervalued levels. Also the British pound faced major headwinds to reach multi-year lows, as it was backed by one of the economies hardest hit by the global demand shock - in part due to its big exposure to the financial sector.

Where we stand today

The return of risk appetite on the financial market during 2009 (as witnessed by the rally on the stock market) has helped the Scandies and Sterling rebound. While having entered 2009 between 20-30 percent undervalued against the euro, all three currencies are now trading more in line with their long-term fair value. This can be seen from table 1 below, which shows current misalignments on the market against the euro and the dollar.

Table 1: PPP misalignments as of 25 February 2010 (+/- ; over/undervaluation)

	EUR	USD	JPY	GBP	CHF	SEK	NOK	AUD	NZD	CAD
EUR	0%	-7%	1%	-17%	2%	-8%	1%	11%	7%	2%
USD	8%	0%	8%	-11%	10%	-1%	9%	19%	16%	10%

Source: Danske Markets

Table 1 shows that the Norwegian krone has rebounded to trade back near its estimated PPP level (8.13), while the Swedish krona and especially Sterling are left trading at a discount against the euro. The table also shows that the past months' euro sell-off has not seen EUR/USD correct all the way back to its estimated PPP level, despite dropping from above 1.50 to below 1.35, but rather that the pair remains 8 percent overvalued.

Key points

- The past year has seen several of the long-term imbalances on the currency market being addressed
- Significant misalignments persist, however, which are likely to drive the currency market during 2010
- Using our generalised PPP model, we find indications that:
 - SEK remains highly undervalued
 - NOK appears to have corrected fully against EUR
 - EUR remains overvalued against USD, despite its recent sell-off
 - GBP remains more than 15 percent undervalued against EUR
 - AUD and NZD have returned to highly overvalued levels against most other G10 currencies

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A generalised approach to PPP analysis

As a tool to screen for longer-term imbalances on the currency market we have introduced a generalised PPP model (see *FX Crossroads*), which offers several advantages against standard models, the two most important being: (i) rather than asking questions such as what level should EUR/USD trade if PPP were to hold between the US and Euroland, we ask what level EUR/USD should trade if PPP were to hold between *all* economies, and (ii) it provides estimates of all 'odd' currency pairs, as shown from the 'PPP matrix' in table 2 below. In example, we are able to estimate the long-term fair-value of non-standard currency pairs such as GBP/JPY – found to be 167.

According to our results the biggest misalignments are currently found in the British pound and the Swedish krona, which are both found to be undervalued against most other G10 currencies. In terms of the most misaligned currency pair out of them all, we find GBP/AUD, which is currently trading 34% below its estimated PPP value of 2.32. Interestingly, NOK/SEK is found to be about 10% overvalued compared with its estimated PPP level of 1.11, indicating that care should be taken in treating the two Scandinavian currencies as the 'same'.

Table 2: PPP estimates as of 31 Jan – first column indicates the base currency

	EUR	USD	JPY	GBP	CHF	SEK	NOK	AUD	NZD	CAD
EUR	1.00	1.25	121	0.73	1.50	9.00	8.13	1.68	2.10	1.45
USD	0.80	1.00	97	0.58	1.20	7.19	6.49	1.34	1.68	1.16
JPY	0.01	0.01	1.00	0.01	0.01	0.07	0.07	0.01	0.02	0.01
GBP	1.38	1.73	167	1.00	2.07	12.4	11.2	2.32	2.90	2.00
CHF	0.67	0.83	80.7	0.48	1.00	6.00	5.42	1.12	1.40	0.97
SEK	0.11	0.14	13.4	0.08	0.17	1.00	0.90	0.19	0.23	0.16
NOK	0.12	0.15	14.9	0.09	0.18	1.11	1.00	0.21	0.26	0.18
AUD	0.59	0.74	72.0	0.43	0.89	5.35	4.83	1.00	1.25	0.86
NZD	0.48	0.60	57.6	0.35	0.71	4.28	3.87	0.80	1.00	0.69
CAD	0.69	0.86	83.3	0.50	1.03	6.20	5.60	1.16	1.45	1.00

Note: First column shows the base currency, whereby the EUR/USD PPP estimate is found to be 1.25, while the USD/EUR estimate is found to be 0.80.

Source: Danske Markets

We expect 2010 to bring a further normalisation

It has been our long-held view that the Scandies and Sterling should strengthen further during 2010. However, we do acknowledge that the Norwegian krone is likely to be further ahead in its normalisation process, which together with the fact that the market is assumedly quite long the krone suggests that further potential is limited compared with the krona and Sterling. We currently forecast EUR/NOK to reach 7.80 in 12 months, which would take the cross slightly below long-term fair value at 8.13, reflecting stronger Norwegian fundamentals.

For the Swedish krona we expect to see a slightly stronger strengthening, taking EUR/SEK to around 9.40 in 12 months – still somewhat above its long-term fair-value. Care should be taken when analysing the Swedish krona, however, as it is one of the only currencies that has persistently deviated from PPP. More precisely, the krona has been on one long depreciation trend since the 1970s, despite inflation not being that much higher in Sweden. As a result, PPP estimates indicates that the krona is highly undervalued, though it might not be. We mitigate this problem by correcting for the so called Balassa-Samuelson effect, which lifts the estimated EUR/SEK fair-value from around 7.50 to around 9.00.

Also for Sterling do we expect 2010 to bring a further normalisation taking EUR/GBP to 0.82, though we see a higher probability of the next big appreciation to materialise during the latter part of 2010 than in the short term. This is not least due to the expectation of the Bank of England remaining relatively dovish.

Equities: low interest rates no panacea for equities

Fed emphasises that fed funds rate will remain close to zero

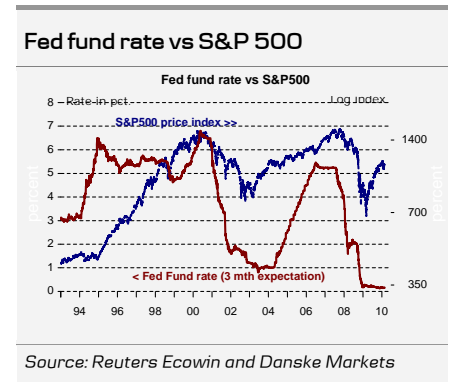
US central bank chief Ben Bernanke's semi-annual monetary policy report to Congress was well received by equity markets. Bernanke dismissed all fears that the Fed's 25bp hike in the discount rate earlier this month was a precursor to hiking the key fed funds rate – which is as such good news. However, the reasons why Bernanke was forced to keep the accommodative monetary policy very firmly in place were rather depressing. Bernanke highlighted three key reasons for continuing the policy: the housing market, the job market and low inflation – in fact the very same reasons why we recommend caution with equity investments at the moment. Neither the US nor the rest of the OECD show – as yet – any sign of increasing household purchasing power via more jobs or a stabilisation of the housing market via new home sales or indeed of increasing corporate purchasing power via higher sales prices on consumer durable and capital goods. Without progress in these areas, the equity market should be grateful for the Fed's assurances that rates will not be raised – in our view a poor trade.

Central bank rates low, but funding rates can still rise

Historically speaking, equities have performed best when interest rates rise (from a low level), not when they fall (from a low level). This correlation is due to falling low rates reflecting a deflationary economy where sales prices are squeezed lower due to, for instance, tougher competition, which in turn forces companies to cut costs (e.g. via salaries and employee numbers) or undertake other productivity-boosting measures to keep company earnings up despite falling sales prices. Many companies are in this position right now – and this constitutes one of the greatest threats to a positive equity market in 2010. Bernanke is very aware of the dangers of deflation, and this is also one of the main reasons for the crystal-clear announcement of a stable, low fed funds rate. That said, there is little to suggest that the economy – in either the US or Europe – will get to reap much benefit from these ultra-low rates. The reason is that the low short rates in the US and the main economies of Europe do not necessarily translate into low rates for periphery states, consumers and companies. One of the disadvantages of having central bank rates as close to zero as they are today is that funding rates then become increasingly determined by a) ability of debtors to pay – look at the rates currently being paid in Greece and other periphery countries in Europe, b) the health of creditors – look at the reluctance of banks to lend, and c) extraordinary initiatives designed to benefit the funding markets – look at the Fed's mortgage bond purchase programme that is set to expire at the end of Q1 2010. In other words, we fear that low policy rates (in the major OECD economies such as the US, Germany and Japan) are indicative of deflation and job and housing market uncertainty, while at the same time companies, governments and households are facing not lower but higher funding rates because of a) to c).

Equities benefiting from carry/high price of risk-free investment

Fed stability is obviously beneficial to the equity market in the absence of any strong economic upswing. The reasons being that a) it stimulates risk-taking, as the alternatives – low government bond yields – become easier “to beat” in terms of short-term returns, and b) it will continue to give succour to the hard-hit bank sector, as banks can generally raise interest rate margins. This will not be enough for the equity market to embark on a new upswing, though it will probably prevent a new panic attack in Financials, which will continue to be one of the key sectors for equity market trends in 2010.



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Fixed income: Greece back in the limelight

Greece has been the most important reason for the recent slide in yields. There are four main things that have attracted attention during the past week:

- Odd and not especially constructive comments from Greek politicians, which could potentially undermine what is left of the EU's interest in helping them
- Speculation that Greece is about to launch a 10Y issue, possibly in the coming week
- Strikes, which put a question mark over the Greeks' ability to make the promised cuts
- Rating agencies rattling their downgrade sabres: both S&P and Moody's have threatened imminent reductions in Greece's ratings if the promised cuts in public spending do not live up to expectations and are not fully implemented

For as long as the focus on Greece is this intense, and for as long as the questions about Greece are so big, there will be massive downward pressure on short-term yields in Germany and on short swap rates. This is affecting short Danish yields too, but they are struggling to keep up with the fall in German rates.

Although, for example, 2Y bunds look very expensive with a yield below 1%, they could therefore get even more expensive. And the same goes for the pricing of the monetary policy outlook in Euroland. Financial markets do not expect the overnight rate to rise above 1% until spring 2011, while the first actual interest rate hike is not expected until August next year.

We reckon that this is a very soft outlook for Euroland monetary policy, but more clarity about Greece will probably be needed before this can become an issue. The next big deadline is 16 March when the Greeks are to present details of how they will achieve the targets for limiting their public deficits.

Spotlight on ECB, ISM and employment report in the coming week

The week's ECB meeting will be interesting not least because the ECB will be outlining its plans for liquidity in Q2. Thanks to all the turmoil in southern Europe and a series of disappointing economic data, the ECB's appetite for tightening at the present time has largely evaporated. For more on the ECB, see the Euroland section of Market Movers above and the upcoming *ECB Preview*. We do not expect the ECB to spring any major surprises.

In the US, attention will centre on the key data in the ISM and the employment report. US data are currently being affected to a greater or lesser extent by the bad weather on the East Coast. This may impact on the coming week's data, which means increased uncertainty. The labour market is particularly important. The US employment report on Friday, the ECB and Greece will probably therefore be the key drivers for fixed income markets in the week ahead.

Key events of the week

- News about Greece
- ECB meeting
- ISM and employment report in the USA

EUR swap rates



Source: EcoWin

Danish 2Y and 10Y swap rates



Source: EcoWin

FX: EUR/USD risk factors scrutinised

In the article *EUR/USD: Assessing current risk factors* we took a closer look at the factors that might determine whether the downward trend in EUR/USD would be sustained. We wondered whether there are other, more structural factors than the risk premium that the Greek debt situation has attached to the euro that can explain the significant move lower in EUR/USD witnessed since December. If that is the case, we should be cautious in expecting a strong rebound in the euro once the Greek debt situation is solved.

Firstly, we note that the US economy in general has outperformed Euroland since December. US economic data have in general surprised positively, while Euroland economic data have disappointed. A development that can be followed in the so-called surprise indices that track economic surprises in economic key-indicators. This week the market will keep a very close eye on the ISM and the non-farm pay-rolls report to see if this development continues.

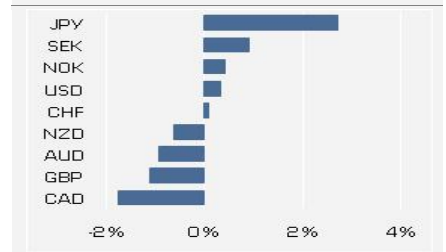
Secondly, we have seen a significant re-pricing in the money market. In 2009 the market priced a high probability of ECB hiking before the Fed, but that picture has now been flipped. The market has postponed the first ECB hike to 2011 and has started to wonder if the ECB will also delay the announced normalisation of the current loose liquidity policy that has overnight rates well below the refi-rate. On the other hand, the Fed has hiked the discount rate and even though Bernanke still sticks to the mantra of keeping rates low for “an extended period” the market is now pricing in a more hawkish Fed relative to the ECB. Therefore the FX market will keep a very close eye on the ECB meeting next week, where no rate change is expected. However, we do expect the ECB to sound more concerned about the economic outlook and to communicate that it will keep full allotment during Q2 at the main refinancing operations. The latter will further underline the structural difference in monetary policy between the ECB and the Fed. Hence, the ECB meeting poses a risk to the downside for EUR/USD. Any comments that Greece should solve its own problems will most likely have the same effect. Short term we forecast a test of 1.33 in EUR/USD.

Swedish GDP might hurt SEK temporarily

The focus on the sustainability of public debt and budget deficits has turned investors’ focus to Sweden and SEK, as the Swedish budget deficit and Swedish public debt are both relatively small. Investors also like SEK as the currency is undervalued from a valuation point of view. Furthermore, the Riksbank has announced that rates will start to rise in either July or September. It is actually hard to come up with any arguments not to buy SEK.

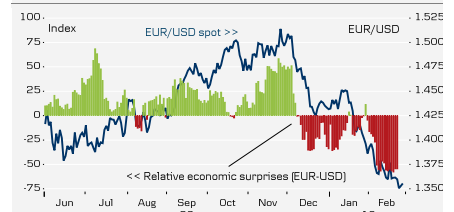
However, on Monday we see downside risks to the SEK, as we expect a quite weak Q4 2009 GDP reading (due 1 March). The Riksbank forecasts an increase of 0.1% y/y while we are clearly more downbeat with a forecast of -2% y/y. If we are right, EUR/SEK is likely to spike higher. The GDP figure is actually a reason why we have argued for a near-term consolidation period expressed by our 1M forecast at 9.90. However, we do not see a weak GDP as a trigger for a trend reversal in EUR/SEK or another U-turn by the Riksbank, although it supports our call for a September rather than a July rate hike.

Weekly changes against EUR



Source: Bloomberg

US economy surprises relative to Euroland



Source: Bloomberg

Strong performance for SEK



Source: Ecwin

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Commodities: Oil marches higher despite stronger dollar

Oil has been performing quite well this week and passed the magic USD80/bbl level. There is growing support in the energy market from fundamentals. The latest API stocks showed that crude oil stocks are now finally declining in the US and we are also still seeing strong numbers out of China. Furthermore, the spell of cold weather that is currently hitting the Northern hemisphere is adding to the bullish sentiment.

The support to oil prices has appeared despite the downward pressure on EUR/USD, and the close correlation between oil and EUR/USD that we saw in 2009 has broken down (in that respect, see *Commodities Research: Five themes to drive the commodity markets this year*). There are several reasons why oil has apparently been able to decouple from EUR/USD. First, the drivers behind EUR/USD have changed. The economic performance in the US has surprised on the upside relative to Euroland and the interest rate spread between Euroland and the US has tightened. Improved US economic performance is, everything equal, positive for oil prices.

Second, we argue that the debt situation in Greece has attached a specific risk premium to the euro – a premium that should not be reflected in other assets. The latter is probably the reason why equities have also been able to perform lately. Therefore, we do not see the latest rally in oil prices as being unjustified despite the drop in EUR/USD. Looking forward, we still see oil prices supported above USD80/bbl despite our expectation that the euro will be under pressure for the next couple of months.

Copper market in surplus in 2009 – but that will not last

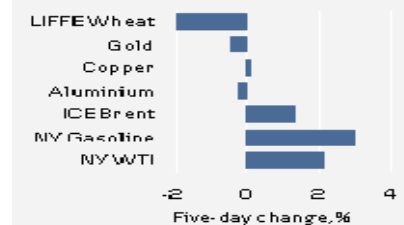
The International Copper Study Group (ICSG) this week released preliminary data for November world copper supply and demand. According to the data, the copper market showed a production surplus of about 144,000 tonnes in the first 11 months of 2009. This compares with a production surplus of around 58,000 in the same period of 2008. However, taking into account the global recession in 2009, this is actually quite a modest surplus and is less than one month of Chinese copper imports. In our view, it is much more important that world usage is estimated by ICSG to have decreased by less than 1% compared with the same period of 2008. Chinese usage, which accounted for 40% of world usage over this period, grew by a stunning 41% and nearly offset a 16% decline in the rest of the world. It is little wonder therefore that the copper market is extremely focused on developments in China and nervous of any news on tighter Chinese monetary policy. Despite the rally in copper prices, global supply rose by just 1.6% in the first 11 months of 2009 compared with the same period in 2008.

Global growth and demand for copper is expected to continue recovering in 2010 with global growth strengthening. At the same time, there is little scope for any significant production growth in 2010. Hence, in our view, there is little doubt that the market is now moving into deficit and that global copper stocks will start to decline later in the year. For this reason we are pretty bullish on the outlook for copper prices in 2010 and 2011.

Key events of the week ahead

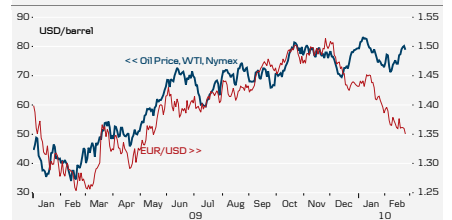
- EIA weekly oil data (Wednesday)
- ISM indicator (Monday)
- Non-farm payrolls (Friday)

Weekly price movements



Source: Bloomberg

EUR/USD and oil is decoupling



Source: Ecwin

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Financial views

Equities

- Equity markets are still in a correction phase and have been since end January. Too many short-term investors add to the risks in a market that has high EPS and business cycle expectations for 2010. Although Q4 so far has shown better-than-expected reports, 2010 guidance has been muted. The key risks for 2010 are: (a) Financials' EPS potential; (b) Global policy tightening; (c) Economic recovery sustainability. Investors should stick with defensives until sufficient risk premium in cyclicals and financials has been re-built.

Fixed Income

- The 2-yr German segment is trading at a fundamentally expensive level. However, as long as the Greek situation remains unresolved, the downward pressure on German yields will persist, keeping the schatz yield very low and the curve directional in bund yields. In the US we see near-term upside to bond yields as well. With the Fed MBS purchase programme ending in March, the 2-10 curve will remain steep.
- Our medium-term global view remains an expectation of higher yields on a sustainable recovery in the global economy, high supply and the beginning of the phasing-out of central bank measures.
- Euroland intra-spreads: we are overweight in Germany, Italy, the Netherlands, Austria and Ireland. We are underweight in France, Spain, Greece and Portugal.
- Scandinavia: we are overweight DGBs and SGBs vs France in the 2Y segment. Furthermore, we are long 10Y DGBs vs France. We are long NOK T-bills on an outright basis with an open currency exposure.

Credit

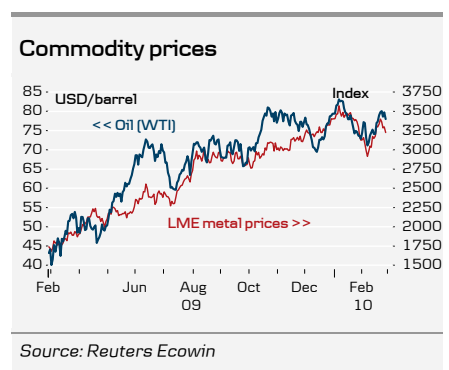
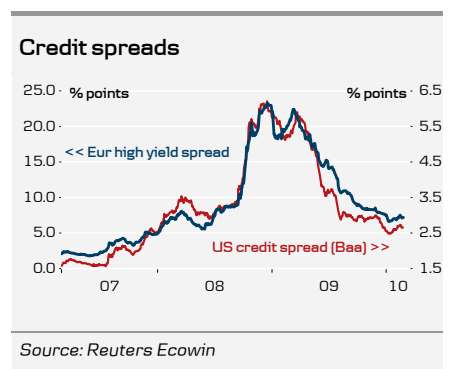
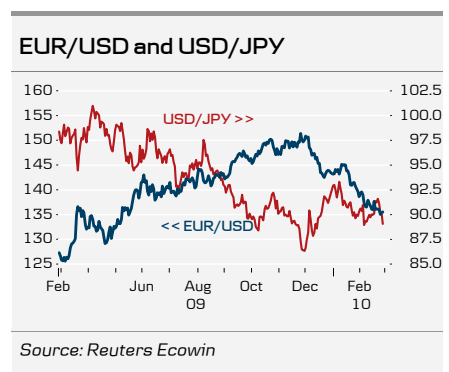
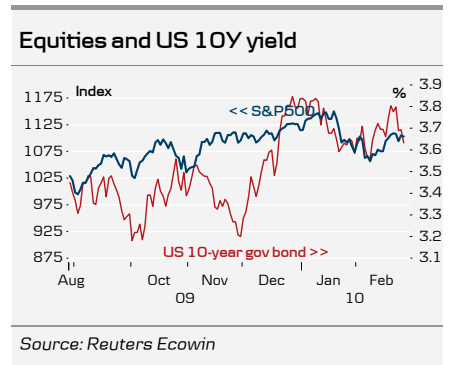
- The credit market is currently undecided on the direction. The weak consumer confidence data in the US caused a significant widening of CDS spreads but cash spreads proved more resilient although liquidity is currently very poor. As long as the Greek – or sovereign debt in general – debt problems linger on, the credit market is likely to remain cautious. This goes in particular for financials.
- Given the wary situation in the market it is unsurprising that activity in the primary market has been relatively subdued.
- We continue to be positive on investment grade cash credit, which we think is priced fairly compared to the fundamental outlook. On high yield we consider risk-reward to be less attractive.

FX Outlook

- We expect the euro to remain under pressure in the short term, as risk sentiment is likely to remain soft, Euroland's debt problems remain unresolved and US economic outperformance is expected to continue. However, in the medium to longer term we expect EUR/USD to remain in overvalued territory (above its 1.20-1.30 PPP level), as we look for a declining EUR risk premium, a loss of momentum in US outperformance, and as crowded short EUR positions cap the downside potential.
- The outlook remains strong for the Scandies, despite the latest rally. The road is likely to be bumpy from here on, however, with focus on central bank action. The undervalued sterling is expected to appreciate significantly during 2010, but the big move looks more likely to come in H2, due to a still quite dovish BoE.

Commodities

- Commodities have fought back recently despite a further strengthening of the dollar. Positive data flow out of the US and Asia has supported risk sentiment and market faith that the Mediterranean debt problems will not derail the global manufacturing recovery. Oil prices are heading back towards the upper end of the USD70-80 range and copper is again trading above USD7,000.



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	2009	-4.8	-4.7	2.2	-12.2	-1.6	-9.5	-13.2	1.3	3.6	-3.0	38.0	3.5
	2010	1.7	2.5	1.4	-5.2	0.7	4.6	4.1	1.5	5.3	-6.1	42.1	2.5
	2011	2.0	2.0	0.9	2.6	0.2	3.5	3.6	1.7	5.7	-4.4	46.4	2.1
Sweden	2009	-4.4	-0.5	1.3	-13.1	-1.4	-12.0	-12.8	-0.3	8.5	-1.3	39.5	7.5
	2010	1.2	1.8	2.0	-1.3	1.2	5.5	6.5	0.9	10.4	-2.4	43.1	7.0
	2011	2.0	1.6	0.7	5.9	0.1	3.8	3.0	2.6	11.2	1.3	46.0	7.7
Norway	2008	2.5	1.1	4.1	0.8	0.5	-2.2	2.3	3.8	2.6	8.0	26.0	19.0
	2009	-1.1	0.1	6.0	-11.2	-1.5	-2.2	-11.2	2.1	3.1	12.0	26.0	24.9
	2010	2.7	4.6	4.3	1.0	0.6	-1.6	3.6	1.7	3.4	13.9	26.0	24.8

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	2009	-3.9	-0.5	2.5	-9.8	-0.5	-14.2	-12.1	0.3	9.4	-6.1	78.0	-0.8
	2010	2.2	0.8	2.1	2.8	0.3	6.1	5.1	1.1	9.9	-6.5	83.5	-0.4
	2011	2.1	1.9	1.7	4.4	0.0	5.1	5.8	1.5	9.6	-5.9	87.3	-0.6
Germany	2009	-5.0	0.5	2.5	-12.3	0.4	-14.5	-8.5	0.2	7.5	-3.5	73.0	4.0
	2010	2.8	0.7	1.7	5.7	0.1	8.9	7.5	1.0	8.1	-5.0	76.5	3.7
	2011	2.3	2.1	1.4	5.5	0.0	6.4	7.4	1.2	7.6	-3.0	79.0	3.2
France	2009	-2.4	0.6	1.6	-7.0	-1.6	-10.7	-9.8	0.1	9.4	-8.3	78.0	-2.3
	2010	2.0	0.8	1.7	1.5	0.5	7.5	5.5	1.2	10.0	-8.5	82.0	-2.5
	2011	1.8	1.2	1.0	3.5	0.3	6.2	6.2	1.5	9.7	-7.0	87.0	-2.2
Italy	2009	-4.8	-1.6	1.6	-13.1	-0.3	-19.2	-15.2	0.7	7.8	-5.3	114.6	-2.2
	2010	1.5	0.9	1.3	0.1	0.2	8.0	6.0	1.9	8.6	-5.0	116.0	-2.0
	2011	2.2	1.0	1.0	5.2	0.1	8.4	7.2	2.0	8.3	-4.5	117.5	-1.7
Spain	2009	-3.7	-5.1	5.0	-15.5	0.0	-12.0	-18.2	-0.3	18.1	-11.2	54.3	-5.2
	2010	-0.9	-0.5	1.8	-5.6	0.0	7.2	4.6	0.9	20.1	-10.0	66.0	-4.1
	2011	0.9	0.7	0.2	0.2	0.0	6.1	4.1	1.9	19.8	-8.5	73.0	-3.2
Finland	2009	-7.2	-2.5	1.0	-15.0	0.0	-25.0	-21.0	0.0	8.4	-3.4	43.0	0.6
	2010	1.5	0.2	0.0	-4.0	0.0	6.0	2.0	1.2	10.2	-4.6	49.5	1.1
	2011	2.5	1.0	0.5	3.5	0.0	7.0	3.5	2.0	9.2	-4.6	53.5	1.5

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	2009	-2.5	-0.6	2.2	-18.3	-0.7	10.0	-13.8	-0.3	9.3	-14.0	82.8	-4.9
	2010	3.2	2.0	2.4	5.4	0.9	10.8	10.4	2.4	10.3	-9.0	88.4	-2.7
	2011	3.0	2.4	0.2	10.5	0.1	8.7	8.0	1.6	9.4	-6.0	90.5	-2.9
Japan	2009	-5.1	-0.8	1.0	-14.6	-0.2	-24.2	-17.1	-1.3	5.2	-9.8	212.0	1.9
	2010	-5.1	1.9	1.5	-1.2	0.1	18.7	1.1	-1.3	4.8	-8.0	220.0	2.0
	2011	2.9	1.6	1.0	3.7	0.0	5.1	4.7	-0.7	-	-	-	2.5
UK	2008	0.7	1.7	3.3	-4.0	0.0	0.5	1.2	3.7	2.8	-2.5	50.1	-3.6
	2009	-2.7	-0.3	1.5	-0.3	0.0	-3.6	0.0	2.3	5.0	-8.8	60.0	-3.4
	2010	1.0	1.6	2.0	2.2	0.0	4.6	4.9	1.5	6.4	-9.6	68.0	-2.9
Switzer-land	2009	-1.4	1.3	2.1	-1.5	1.3	-10.9	-6.4	-0.5	3.7	-0.7	39.3	8.7
	2010	1.6	1.2	1.4	1.5	-1.0	5.2	2.9	0.5	4.8	-2.4	41.9	10.2
	2011	1.7	1.4	0.7	1.0	0.1	4.1	3.7	0.9	4.6	-2.9	41.0	10.9

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	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	26-Feb	0.13	0.25	1.06	3.72	135.8	-	548.1
	+3m	0.13	0.30	1.50	4.00	135	-	551
	+6m	0.13	0.50	1.80	4.20	138	-	540
	+12m	1.00	1.15	2.30	4.40	140	-	533
EUR	26-Feb	1.00	0.66	1.45	3.37	-	135.8	744.3
	+3m	1.00	0.75	1.85	3.55	-	135	744.0
	+6m	1.00	1.20	2.10	3.75	-	138	745.0
	+12m	1.50	1.80	2.60	4.05	-	140	746.0
JPY	26-Feb	0.10	0.25	0.47	1.40	121.2	89.3	6.14
	+3m	0.10	0.30	0.50	1.45	122	90	6.10
	+6m	0.10	0.30	0.65	1.65	133	96	5.60
	+12m	0.10	0.30	1.00	1.90	145	104	5.14
GBP	26-Feb	0.50	0.64	1.54	3.90	88.7	153.0	838.6
	+3m	0.50	0.65	1.65	4.05	86.0	157	865
	+6m	0.50	0.75	1.85	4.15	85.0	162	876
	+12m	1.00	1.50	2.45	4.60	82.0	171	910
CHF	26-Feb	0.25	0.25	0.68	2.34	146.3	107.8	508.6
	+3m	0.25	0.25	0.85	2.50	146	108	510
	+6m	0.25	0.25	1.10	2.65	144	104	517
	+12m	0.75	0.75	1.55	2.90	150	107	497
DKK	26-Feb	1.05	1.40	1.99	3.64	744.3	548.1	-
	+3m	1.05	1.40	2.30	3.85	744	551	-
	+6m	1.05	1.65	2.55	4.00	745	540	-
	+12m	1.55	2.05	2.95	4.25	746	533	-
SEK	26-Feb	0.25	0.48	1.61	3.40	971.8	715.6	76.6
	+3m	0.25	0.50	1.60	3.60	970	719	76.7
	+6m	0.25	0.50	1.70	3.70	960	696	77.6
	+12m	1.75	2.00	3.30	4.20	940	671	79.4
NOK	26-Feb	1.75	2.30	3.14	4.37	805.7	593.3	92.4
	+3m	2.00	2.60	3.95	4.75	800	593	93.0
	+6m	2.50	3.15	4.40	4.90	790	572	94.3
	+12m	3.50	4.15	5.20	5.20	780	557	95.6
PLN	26-Feb	3.50	4.04	4.94	5.70	398.1	293.2	187.0
	+3m	3.50	4.10	5.00	5.85	405	300	184
	+6m	3.50	4.10	5.20	6.10	405	293	184
	+12m	3.75	4.10	5.80	6.35	410	293	182

Equity markets					
		Risk	Price trend 3 mth.	Price trend 12 mth.	Regional recommendations
Regional					
USA		Low	-5% to +5%	0% to +10%	Underweight
Japan		High	-5% to +5%	0% to +10%	Neutral
Emerging markets (USD)		High	-5% to +5%	0% to +10%	Overweight
Pan-Europe (EUR)		Low	-5% to +5%	0% to +10%	Neutral
Nordics					
Sweden		Average	-5% to +5%	0% to +10%	Neutral
Norway		High	-5% to +5%	0% to +10%	Neutral
Denmark		High	-5% to +5%	0% to +10%	Neutral

Commodities											
	26-Feb	2010				2011				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2010	2011
NYMEX WTI	78	80	80	82	84	85	86	87	88	82	87
ICE Brent	76	79	79	81	83	84	85	86	87	81	86
O,00	0	0	0	0	0	0	0	0	0	0	0
Aluminium	2,086	2,200	2,200	2,300	2,200	2,300	2,350	2,400	2,450	2,225	2,375
Copper	6,999	7,400	7,500	7,700	7,900	8,100	8,200	8,300	8,400	7,625	8,250
Nickel/1000	2,116	2,300	2,300	2,350	2,400	2,450	2,500	2,550	2,550	2,338	2,513
Precious Metals:	0	0	0	0	0	0	0	0	0	0	0
Matif Mill Wheat	0	0	0	0	0	0	0	0	0	0	0
CBOT Wheat	0	0	0	0	0	0	0	0	0	0	0
CBOT Corn	123	123	119	119	118	119	119	120	120	120	120
CBOT Soybeans	506	500	490	495	500	505	505	510	510	496	508

Source: Danske Markets

Calendar

Key Data and Events in Week 9

Monday, March 1, 2010				Period	Danske Bank	Consensus	Previous
2:00	CNY	NBS Manufacturing PMI	Index	Feb	55.5	55.2	55.8
3:30	CNY	HSBC Manufacturing PMI	Index	Feb	57.7		57.4
9:00	NOK	PMI sa.		Feb	50.5	50.5	50.1
9:15	ESP	PMI Manufacturing	Index	Feb			45.3
9:30	SEK	GDP	q/qly/y	4th quarter	-2.0% -1.7%		0.2% -5.0%
9:30	DKK	Retail sales, volume	m/mly/y	Jan		-0.1% .	0.4% 0.7%
9:30	CHF	PMI	Index	Feb		56.8	56.0
9:45	ITL	PMI Manufacturing, Final	Index	Feb	51.7	52.2	51.7
9:50	FRF	PMI Manufacturing, Final	Index	Feb	54.7	55.0	54.6
9:55	DEM	PMI Manufacturing, Final	Index	Feb	57.2	57.1	57.1
10:00	EUR	PMI Manufacturing, Final	Index	Feb	54.2	54.1	54.1
10:00	NOK	Retail sales, s.a.	m/mly/y	Jan	0.0% 3.1%	0.0% .	0.8% 3.9%
10:30	GBP	Mortgage Approvals	1000	Jan		49	59
10:30	GBP	Broad money M4	m/mly/y	Jan			0.6% 5.1%
10:30	GBP	PMI Manufacturing		Feb		56.3	56.7
11:00	EUR	Unemployment	%	Jan	10.1	10.1	10.0
14:30	CAD	GDP	m/m	Dec		0.4%	0.4%
14:30	CAD	GDP	q/q ann.	4th quarter		4.5%	0.4%
14:30	USD	Personal income	m/m	Jan	0.5%	0.4%	0.4%
14:30	USD	Personal spending	m/m	Jan	0.4%	0.4%	0.2%
14:30	USD	PCE core - deflator	m/mly/y	Jan	0.0% 1.3%	0.0% 1.4%	0.1% 1.5%
14:30	USD	Private consumption expenditure	m/mly/y	Jan	0.2% 2.1%		0.2% 2.1%
15:45	USD	Fed's Lacker (non-voter, hawk) speaks					
16:00	USD	ISM	Index	Feb	60.0	57.9	58.4
16:00	USD	ISM prices paid	Index	Feb	70.0	68.0	70.0
16:00	USD	Construction spending	m/m	Jan		-0.5%	-1.2%
Tuesday, March 2, 2010				Period	Danske Bank	Consensus	Previous
-	USD	Total Vehicle Sales	m	Feb		10.5	10.82
0:30	JPY	Household Spending	y/y	Jan		2.5%	2.1%
0:30	JPY	Unemployment rate	%	Jan	5.1	5.1	5.1
0:30	JPY	Job-to-applicant ratio		Jan	0.47	0.47	0.46
0:50	JPY	Monetary Base	y/y	Feb			4.9%
1:30	AUD	Retail sales	m/m	Jan		0.5%	-0.7%
4:30	AUD	Reserve Bank of Australia (cash rate target decision)		Mar	4.00%	4.00%	3.75%
7:45	CHF	Real GDP	q/qly/y	4th quarter		0.4% -0.5%	0.3% -1.3%
10:30	GBP	PMI Construction		Feb		49	48.6
11:00	EUR	CPI Flash estimate	y/y	Feb		1.0%	1.0%
11:00	EUR	Euroland PPI	m/mly/y	Jan			0.1% -2.9%
11:00	ITL	Inflation (HICP), Preliminary	m/mly/y	Feb		0.2% 1.3%	-1.5% -1.3%
15:00	CAD	Bank of Canada Rate			0.25%	0.25%	0.25%
16:00	DKK	Currency reserves	DKK bn	Feb			415.4
19:00	USD	Fed's Kocherlakota (non-voter, neutral) speaks					
Wednesday, March 3, 2010				Period	Danske Bank	Consensus	Previous
-	USD	Beige Book					
1:01	GBP	Nationwide Consumer Confidence		Feb		71	73
1:30	AUD	GDP		4th quarter		0.9% 2.4%	0.2% 0.5%
2:30	JPY	Wages	y/y	Jan		-1.2%	-6.1%
9:15	ESP	PMI Services	Index	Feb			48.8
9:45	ITL	PMI Services, Final		Feb		50.8	50.9
9:50	FRF	PMI Services	Index	Feb	54.7	56.2	54.7
9:55	DEM	PMI Services, Final	Index	Feb	51.7	51.7	51.7
10:00	EUR	PMI Services, Final	Index	Feb	52.0	52.0	52.0
10:00	EUR	PMI Composite, Final	Index	Feb	53.7		53.7
10:30	GBP	PMI Service		Feb		54.8	54.5
11:00	EUR	Retail sales	m/mly/y	Jan	-0.3% -1.4%	-0.5% -1.7%	0.0% -1.4%
13:00	USD	MBA mortgage applications	%				-8.5
16:00	USD	ISM non-manufacturing	Index	Feb	51.3	51.0	50.5
16:00	DKK	Change in Currency reserves	DKK bn	Feb			20.8
19:00	USD	Fed's Lockhart (non-voter, neutral) speaks					

Source: Danske Markets

Calendar - continued

Thursday, March 4, 2010			Period	Danske Bank	Consensus	Previous
0:50	JPY	Capital Spending	%	4th quarter	-18.4	-24.8
8:45	FRF	Unemployment		4th quarter	9.9%	9.5%
9:30	DKK	Unemployment, s.a.	K (%)	Jan	125.000 (4.5%)	121.400 (4.3%)
9:30	DKK	Bankruptcies (s.a.)		Feb		511
9:30	DKK	Enforced sales (s.a.)		Feb		479
11:00	EUR	GDP, s.a.	q/qly/y	4th quarter	0.1% -2.1%	0.1% -2.1%
13:00	GBP	BoE rate announcement		Mar	0.50%	0.50%
13:45	EUR	ECB Announces Interest Rates			1.0%	1.0%
14:30	EUR	ECB's Trichet Speaks at ECB Monthly News Conference				
14:30	USD	Unit labour cost, final	q/q	4th quarter	-4.4%	-4.4%
14:30	USD	Non-farm productivity, final	q/q	4th quarter	6.2%	6.2%
14:30	USD	Initial jobless claims	1000		475	496
16:00	USD	Factory Orders	m/m	Jan	1.2%	1.0%
16:00	USD	Pending home sales	m/m	Jan	1.5% .	1.0% 10.5%
16:00	CAD	Ivey PMI	index	Feb	55	50.8
19:00	USD	Fed's Evans (non-voter, neutral) speaks				

Friday, March 5, 2010			Period	Danske Bank	Consensus	Previous
9:30	NOK	Monthly Balance sheet		Jan		
9:30	SEK	Budget Balance	Bn.	Feb		19.8
9:30	DKK	Construction cost index	Index	Jan		120.1
10:00	NOK	Industrial production, manufacturing, sa.	m/mly/y	Jan	0.4% .	0.2% .
10:00	NOK	Industrial Production, sa.	m/mly/y	Jan		-0.5% -2.6%
10:30	GBP	PPI - Input	m/mly/y	Feb		0.0% 7.5%
10:30	GBP	PPI - Output	m/mly/y	Feb		0.2% 4.0%
12:00	DEM	Factory Orders	m/mly/y	Jan	1.8% .	1.3% .
14:30	USD	Nonfarm payroll	1000	Feb	-60	-40
14:30	USD	Unemployment	%	Feb	9.7	9.8
14:30	USD	Average hourly earnings, non-farm	m/mly/y	Feb		0.2% 2.2%
21:00	USD	Consumer credit	bn. USD	Jan		-3.8

During the week			Period	Danske Bank	Consensus	Previous
Mon 01 - 05	DEM	Import prices	m/mly/y	Jan	0.7% 0.4%	0.5% -1.0%
Tue 02 - 06	GBP	Halifax House Price	m/mly/y	Feb	0.2% .	0.6% 3.6%

Source: Danske Markets

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