

Weekly Focus

Mood swings

Global update

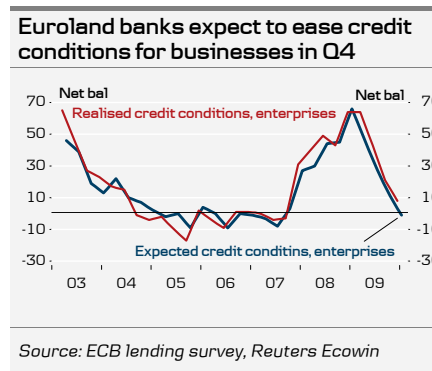
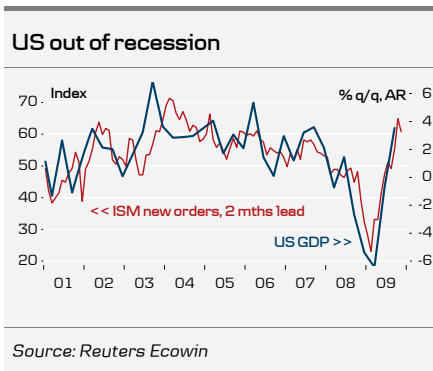
- The rise in the oil price is a cause for concern as it jeopardises the sustainability of US recovery.
- US data was mixed with disappointments in consumer confidence and new home sales while GDP for Q3 posted a positive surprise, rising 3.5% in Q3. Markets tend to change mood frequently at the moment with the prevailing mixed picture.
- Credit constraints are about to thaw in Euroland. According to the ECB’s lending survey banks plan to ease credit to businesses in Q4.
- There are more signs that the German labour market is turning. Is unemployment really falling?
- Norges Bank was first to hike among the central banks in Europe. But it will likely take a while before they are joined by their European colleagues.
- Swedish confidence numbers delivered positive surprises.

Market movers ahead

- A busy week ahead with US ISM and non-farm payrolls taking centre stage. We look for further improvement in both.
- Central bank meetings from the Fed and the ECB will also be in the spotlight. We don’t expect significant changes in signals.
- Only few things on the Scandi agenda. Denmark releases currency reserves and retail sales. Sweden is set to post PMI data while Norway has its credit growth indicator and industrial production on schedule.

Contents

Global update: Beware of the oil price	2
Market movers ahead.....	3
Financial views	4
Fixed Income: range trading.....	5
FX: Positive signs ahead of busy week...	6
Commodities: Chinese buying spree.....	7
Denmark: Jobless rise far from dramatic.....	8
Sweden: A not so brave new world.....	9
Norway: Growth, but no boom.....	10
US: Busy week ahead.....	11
Euroland: In the red zone	12
Asia: BoJ unwinds quantitative easing	13
UK: BoE at a crossroads	14
Switzerland: Continued range trading	15
Macroeconomic forecast.....	16
Financial forecast.....	17
Calendar	18



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Global update: Beware of the oil price

Rising oil price poses risk for US consumer

One of the risks to the sustainability of the US recovery comes from the oil market. As highlighted in *Global Scenarios* (alternative scenario 2) a strong rise in oil prices can add headwind for the US consumer who is already struggling with rising unemployment, falling wage growth, a decline in wealth, credit restraints and a high debt level. The bar is therefore high for a consumer recovery. In our main scenario, the initial growth recovery in the business sector is strong enough to turn the labour market and start job creation in early 2010. This should take some pressure off the consumer and pave the way for a recovery in private consumption to around 2%. However, if oil prices rise too strongly the gain in incomes from employment could be eroded by higher energy cost. This could trigger a deeper slowdown during 2010 than we currently anticipate and would probably shake financial markets and policy makers.

So where is the threshold for the oil price? It is hard to tell as the tolerance for increases also depends on how fast the recovery in labour market comes through. However, in our view a run-up in oil prices to around USD100 early next year would jeopardize sustainability. Our forecast for the oil price (WTI) is USD82 in coming months and for oil prices to stay broadly around this level in 2010. The current momentum in global production and the weaker USD have put upward pressure on prices. However, inventories are high and there is plenty of capacity to increase oil production if needed so oil prices should be kept in check in 2010 – see *Commodities Monthly*.

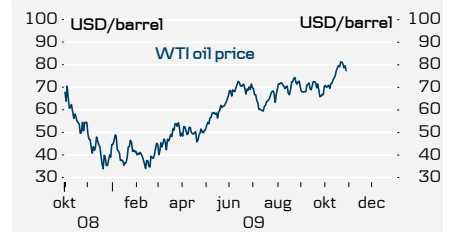
Mixed data in US, Euroland credit to be eased in Q4

The past week again offered a mixed picture on US data. Consumer confidence slipped back for the second month in a row raising some doubts in the markets on the sustainability of the recovery. It may be related to the recent run-up in gasoline prices and serves as a warning of the fragility in consumption. GDP growth, however, surprised to the upside as the US economy grew 3.5% in Q3. As this is clearly above trend growth (2.5%), it should soon translate into a rise in employment. Housing data continued to be mixed with upward surprises in existing home sales and house prices, while new home sales disappointed. In Euroland the most interesting piece of information came from the ECB lending survey that continues to show a decreasing rate of credit tightening and expectations of easing credit standards for businesses in Q4. German unemployment surprised by falling 26k in October suggesting the labour market is starting to improve. In Japan industrial production rose strongly again and production plans point higher still.

Central bank leaders versus laggards

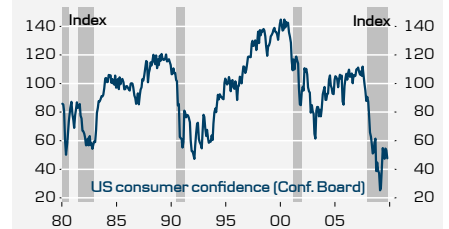
Norges Bank raised rates as expected, being the first country in Europe to take back stimulus. It might take a while before it is followed by other central banks in Europe though, as further stimulus cannot be ruled out from BoE and we don't expect a hike from ECB until June next year. Comments from ECB hawk Axel Weber confirmed that the bar for rate hikes from the ECB is probably lower than it is for the Federal Reserve. Weber said that the ECB won't wait for the labour market to rebound to raise rates and that monetary policy must be ahead of the curve and not behind. The leaders in the global exit from stimulus either come from the growth centre of the world – Asia – or commodity producers (Australia, Norway) that benefit strongly from the rising need for commodities in Asia. In India the central bank is starting to sow the seeds for an increase in rates soon. In China we look for a resumption of the gradual appreciation of the Yuan in mid-2010 and lending quota are likely to be tightened gradually early next year. At the other end of the spectrum we have the laggards that are the US and Japan where we don't foresee rate increases until late 2010 and 2011, respectively.

Rising oil price erodes purchasing power



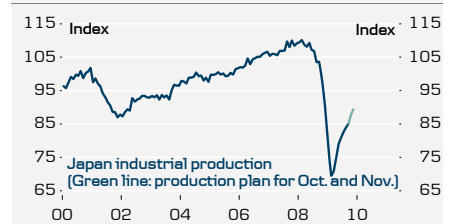
Source: Reuters Ecowin

US consumer confidence still low



Source: Reuters Ecowin

Japan continues to climb higher



Source: Reuters Ecowin

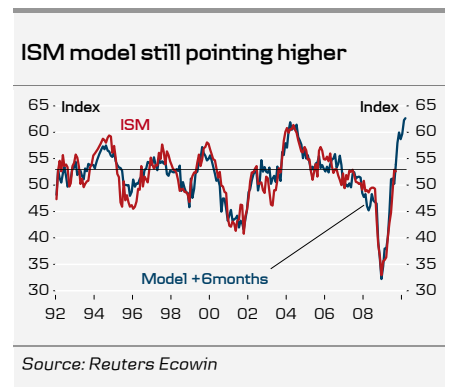
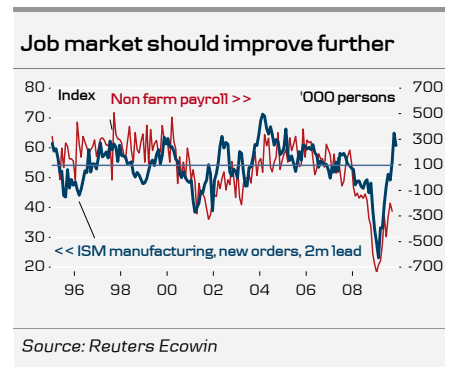
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Market movers ahead

Global

- It is a heavy week in the **US** with ISM, non-farm payrolls and the FOMC meeting on the agenda. We expect ISM to be heading higher although the regional PMIs released so far point to a roughly unchanged ISM this time around. Taking into account the signal from our ISM models, based on various financial and economic data, we expect the ISM to rise to 54. Jobless claims data have trended downwards in recent weeks and we expect that to be reflected in next week's employment report. We look for a decline of 120K in payrolls. Regarding the FOMC meeting, there have been various media reports suggesting a change to the "rates exceptionally low for an extended period" phrase. We think it is too early for such a change, as the communication from central FOMC members has not shifted tune yet.
- Euroland:** The ECB will keep the refinancing rate unchanged at the Governing Council meeting. We expect that the tone at the press conference will be slightly more positive (again). Trichet might hint that the ECB intends to begin to roll back unconventional measures next year, but we do not expect him to announce a master plan or even give an indication of a schedule for the auctions next year. German industrial orders for September will be an important indication of how strong growth will be in Q4. We expect an above-consensus increase.
- In **Asia** focus will be on the release of manufacturing PMI across Asia. Industrial production data for September have so far been strong across Asia suggesting some acceleration in industrial activity in late Q3. In addition there could be some focus on the release of FX reserves for October for several Asian countries including South Korea, Taiwan, Thailand and the Philippines. These data will give some idea of Asian central banks' intervention in the FX markets in October.



Scandi

- In **Denmark** Nationalbanken releases currency reserve data. We expect it to be broadly unchanged.
- It will be a quiet week in **Sweden**. Only number of interest will be PMI October. PMI has risen to a fairly high level already and it will be interesting to see if it can sustain the current level.
- Norway** will release data for the credit indicator, industrial production and PMI. We look for further improvement in industrial data, whereas the credit growth indicator is expected to decline to 5.7%.

Market movers ahead

Global movers		Event	Period	Danske	Consensus	Previous		
Mon	02-Nov	3:30 CNY	HSBC Manufacturing PMI	Index	Oct	55.0		
		16:00 USD	ISM	Index	Oct	54.0		
		16:00 USD	Pending home sales	m/mly/y	Sep	0.4%	6.4% 2.1%	
Tue	03-Nov	-	USD	Total Vehicle Sales	m	Oct	9.8	9.2
Wed	04-Nov	16:00 USD	ISM non-manufacturing	Index	Oct	51.4	51.6	50.9
		20:15 USD	FOMC meeting	%		0.00-0.25	0.00-0.25	0.00-0.25
Thu	05-Nov	13:00 GBP	BoE rate announcement	%	Nov	1.00%	0.50	0.50
		13:45 EUR	ECB Announces Interest Rates	%		1.00%	1.00%	1.00%
Fri	06-Nov	12:00 DEM	Factory Orders	m/mly/y	Sep	1.6%	1.0% -13.7%	1.4% -20.4%
		14:30 USD	Nonfarm payroll	1000	Oct	-120	-175	-263
Scandi movers		Event	Period	Danske	Consensus	Previous		
Mon	02-Nov	8:30 SEK	PMI	Index	Sep		55.9	
		9:30 DKK	Retail sales, volume	m/mly/y	Sep		-1.2% -4.6%	
		10:00 NOK	Credit indicator (C2)	y/y	Sep	5.7%	5.9%	
Tue	03-Nov	16:00 DKK	Currency reserves	DKK bn	Oct		393.8	
Fri	06-Nov	10:00 NOK	Manufacturing Production, nsa.	m/mly/y	Sep	0.3%	0.8% -7.9%	

Source: Bloomberg and Danske Markets

Financial views

Equities

- We keep our positive focus on equities for the next three months on positive surprises in Q3 earnings driven by cost cutting, financial healing and stronger commodities prices. Current data shows strength in the global recovery which so far indicates positive stock markets. Now the market awaits new solid sales and earnings indications for Q4. Our fear is that global output price deflationary pressures will continue and that the OECD private consumption and capex rebound will be weak.

Fixed Income

- Global:** We believe that yields will remain in the current trading range until more solid news regarding economic recovery and the tightening of monetary policy emerges. At the same time commercial and central bank buying continue to support bonds. Our medium-term view is for further increases in yields on a sustainable recovery in the global economy, high supply and the beginning of the phasing-out of central bank measures.
- Intra-Euro:** We take profit on our tactical overweight of high-beta peripherals against Germany in the 10y segment. Relative value wise we still recommend underweighting Spain, and on longer maturities, we prefer France and Finland to Germany.
- Scandi:** We close down our overweight in 3Y Danish government bonds against Euroland and swaps ahead of the DGB auction next week. We look for a flatter curve in the 3-10Y segment for the longer horizon. In Danish mortgages we overweight 30Y callables vs. both swaps and govies and remain underweight in non-callables vs. govies apart from 4'10 and 4'12. We are also long 10Y floaters. In Sweden we favour receiving the front end of the curve. We look for a relatively steeper mortgage curve vs. govies and we like to pay 5y5y fwd swaps against EUR. In Norway we recommend long positions in longer dated govies against either swaps or Bunds.

Credit

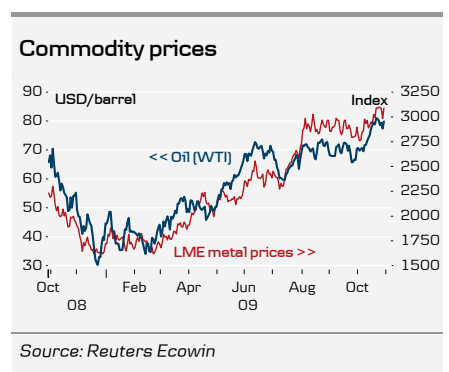
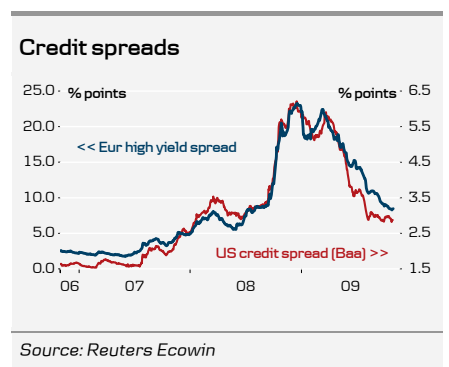
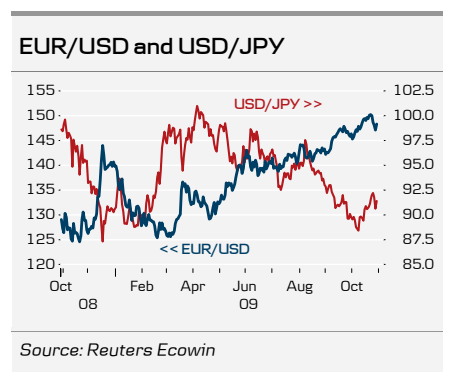
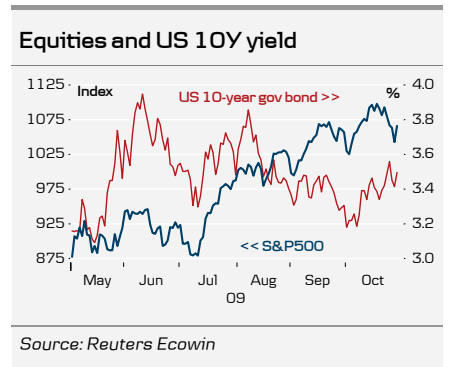
- Both cash and CDS spreads have tightened significantly since winter and the very short end of the credit curve is trading at very tight levels. Due to ample liquidity in the financial system, we think that cash credit will continue to perform. On fundamentals we are still cautious as defaults are yet to peak – in Europe in particular.

FX Outlook

- The peak in EUR/USD is in our view still ahead of us as the dollar-negative factors clearly dominate in the short and medium run. Rising equity and oil and commodity prices are negative for the dollar and the dollar is surrounded by negative sentiment due to the massive US deficit and central bank diversification. GBP has strong potential ahead when the BoE drops its dovish stance, while JPY in our view seems too strong in the current economic upswing. We are positive on high-yielders.
- We expect EUR/SEK to continue lower on strong global activity data, despite the dovish message from the Riksbank, but look out for developments in the Baltics. Norwegian krona is expected to continue its strong performance supported by a high oil price, a strong macro picture and rate hikes.

Commodities

- Global optimism has sent oil higher and given our global growth view we still see upside risk for commodities going forward. We expect a test of USD90 a barrel and USD7,000 a tonne for copper in three months.



Fixed Income: range trading

Dovish central banks vs. improving economic data

ECB and Fed meetings are on the agenda next week. We do not expect many changes from the last meetings. It is probably too early for the ECB to announce any thoughts or changes in its liquidity providing operations – that will be done at the all-important 3 December meeting – and we do not expect the tone to be altered much either. This may disappoint some hawkish observers and will certainly not be an argument for higher rates.

With both leading central banks expected to be dovish, it will be quite a task for economic data to drive up yields. A couple of bellwether releases like ISM and non-farm payrolls are due in the next couple of weeks, but we believe they will have a difficult time topping the effects from the relatively dovish central banks plus there is a risk of disappointing numbers. At the same time, there appears to be some risk of a correction in risky asset markets – at the very least a lot of good news has been priced in.

US labour market is key – ISM is important too

The US labour market remains a focal point. While the weekly initial jobless claims data are interesting, the big potential market mover are the non-farm payrolls. The early consensus estimate is an decent improvement of about 100,000 to -166,000, but the uncertainty surrounding the non-farm payroll data is always significant.

We expect ISM to head higher in the coming months, but the regionally released PMI surveys point to a roughly unchanged ISM this time around. However, we would not rule out a decent move higher in ISM following last time's disappointment.

Rates will move higher in the longer term

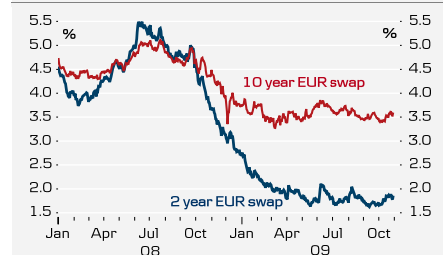
We believe that yields will remain in the current trading range until more solid news regarding the economic recovery and the tightening of monetary policy emerges. We doubt this will happen over the coming weeks. At the same time a number of structural factors supporting bonds remain in place – namely commercial and central bank buying.

Our long-term view remains unchanged: We expect economic data to continue to chip away at the W-story and point to a more sustained recovery in economic activity. Coupled with our expectation for temporary policy measures being phased out in Euroland, we maintain our view that yield increases are on the horizon.

Key events of the week

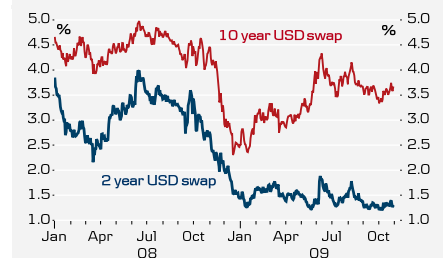
- ECB meeting
- FOMC meeting
- ISM and non-farm payrolls

EUR swap rates



Source: ReutersEcowin

USD swap rates



Source: ReutersEcowin

FX: Positive signs ahead of busy week

US out of recession

While the start of the reporting season – and the positive surprises that it brought – was able to further boost risk appetite in the market, exchange rate movements in the past week have indicated that the market has a real need to see further improvements in economic activity data if it is to maintain the positive trend. The week started badly, with disappointing data for the US housing market and consumer confidence, which led to pro-cyclical currencies (e.g. AUD, NZD, CAD and Scandies) coming under pressure. Later in the week, however, we got data that showed the US economy was again growing, so clearly there are signs that the global economy is pulling out of its deep recession. The positive numbers meant the week ended on a more upbeat note, and the pro-cyclical currencies firmed. It is worth noting that the dollar continues to react negatively to positive surprises in the US data. This is due to the negative correlation between market risk appetite and the dollar. While we expect this correlation to gradually normalise, with relative developments across countries gaining greater importance, there is clearly no sign of this happening as yet.

Looking at the options market on the other hand, there are signs of a shift in sentiment. While the dollar continues to trade at weakened levels, the cost of insuring against the dollar strengthening has risen markedly over the past two weeks. This is noteworthy, as such a shift generally happens against the backdrop of a preceding strong currency movement in the same direction, though the shift may be due to the market beginning to discount the possibility of an upcoming change in US central bank rhetoric. We, however, expect that the dollar will weaken further in the coming months and that this will, if anything, lead to an increase in the cost of insuring against further USD weakness.

A second G10 central bank hikes interest rates

In the past week, Norges Bank became the second G10 bank to “pull the trigger”. However, the announcement did not support NOK in the way that AUD was supported when Australia hiked. As we wrote last week, this should be seen in light of the significant difference in central bank rhetoric, as Norges Bank is clearly concerned about the strong krone. While the “soft” rhetoric offset a potential strengthening of NOK in the short term, we doubt that Norges Bank can seriously dampen the downward trend in EUR/NOK – the Norwegian economy simply looks too strong.

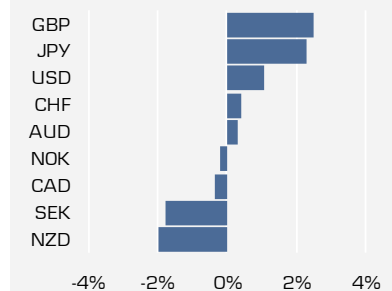
Eventful week ahead

The positive US GDP number provided respite for a nervous market, but attention will turn to the coming week’s leading activity indicators and the release of US employment numbers. We expect to see further improvement in the data, and that the correction in the risk-sensitive currencies will prove temporary. The underlying trend of a weakening dollar appears intact, and the potential positive surprise in US job numbers will not alter this picture. We expect the “abnormality” in the market to continue, i.e. dollar weakening on the back of good US figures – a positive surprise of 100,000 jobs tends to lift EUR/USD by 0.2% in the first 10 minutes. The FX market is increasingly beginning to price in the differences in monetary policy outlook. Central bank meetings will show whether differences in monetary policy outlook will become even clearer. In Australia, we will probably see another hike and further support for AUD; in the US, a soft Federal Reserve will presumably not lend support to USD; in Europe, it will be interesting to see if the ECB mentions the strong EUR; and in the UK, the market will hold its breath and wait to see if the BoE again obstructs the pound.

Key events of the week

- Rate meetings in Australia (Monday), US (Wednesday), UK (Thursday) and ECB (Thursday). See more in the country sections.
- PMI data for US (Monday), EU (Monday), UK (Tuesday), Norway (Tuesday) and Canada (Thursday)
- Minutes of latest Riksbank meeting (Wednesday)
- US jobs report (Friday)

1 week's spot changes against EUR



Source: Reuters EcoWin

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Commodities: Chinese buying spree

Overview

The commodities segment witnessed broad-based declines this week; only steel has held up reasonably well (see chart). Risk appetite has retreated as equity markets have seen noteworthy set-backs in the past week and the dollar has strengthened against the euro.

This week we published our October Commodities Monthly. With this, we have incorporated into our commodities forecast profiles the view of our economists that a soft patch in global growth from mid 2010 is a growing risk. In our view, commodities could thus peak momentarily in Q1 and stay flat-lined until late 2010 when a new leg higher may be seen. We still see some upside potential in oil and have lifted our 3M WTI oil target to USD 90 a barrel. We doubt however that this level will be supported for long and see WTI averaging USD 83 in 2010. Regarding base metals, we forecast aluminium and copper to trade at USD 2,000 and USD 6,900 on average in 2010.

Chinese buying spree

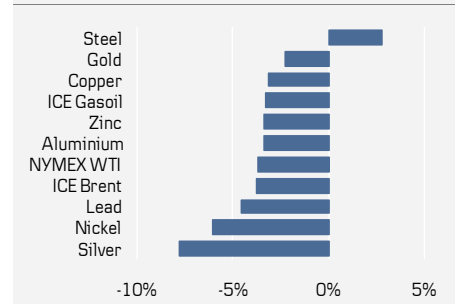
The global recession has entailed a significant dampening of trade as consumer demand and trade credits alike came to an abrupt halt last year. Chinese net trade has recovered fast and both imports and exports soared in September (see chart); see also *Flash Comment – China: Soaring exports and imports ease slowdown fears.*

An important theme for commodities in future months (and years) is likely going to be the level of Chinese net imports of metals: China's imports of aluminium and copper increased markedly over the summer but have lately fallen back somewhat (see chart). Notably, copper imports rebounded considerably in September. The table below shows Chinese levels of copper imports: all copper products gained in September and while waste and scrap are down on the year, notably the two-year growth in refined and alloys as well as in ore were in triple digits.

Overall, the September trade data suggests that China's appetite for base metals is largely intact. This has spurred guesswork that Chinese buying could continue to hold up demand until orders from the rest of the world start to rise. The question remains however whether the recent spree is due to extraordinary stockpiling or whether it is in fact reflective of underlying end-use demand. Speculation regarding "hidden" or "invisible" stocks have been fuelled accordingly. But, Chinese activity data have showed strength lately, e.g. industrial production came in higher than expected in September, which hints that the imported metal may in fact be needed for actual production.

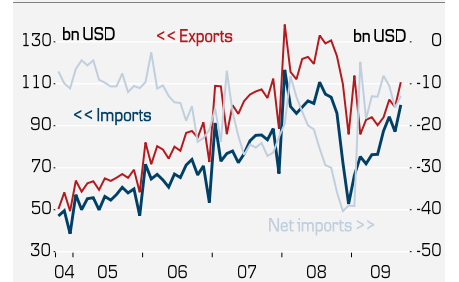
While we favour copper over aluminium - the fundamental picture has deteriorated further in the latter with idle production capacity being re-started in a period of elevated stocks - we see all base metals going higher in 2010 as the global recovery is consolidated.

Weekly changes



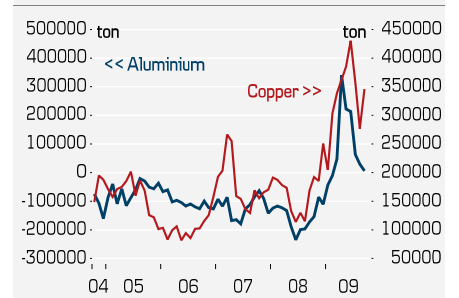
Source: Bloomberg, Danske Markets

Chinese trade bounces back



Source: EcoWin, Danske Markets.

Chinese net imports of base metals



Source: EcoWin, Danske Markets.

Chinese imports of copper				
	Sep-2009	m/m	y/y	2y-chg
Refined copper and alloys	289,432 ton	28%	149%	168%
Copper waste and scrap	411,696 ton	5%	-20%	-27%
Copper ore	561,997 ton	6%	22%	107%

Source: Bloomberg, Danske Markets

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Denmark: Jobless rise far from dramatic

Large but expected increase in unemployment

Statistics Denmark published its unemployment figures for September during the week. These were hotly anticipated, as the summer months had seen a slowdown in unemployment growth. September, however, brought a fairly sharp increase of 9,200 in the number of jobless, taking the total to 113,500.

We had predicted an increase of 7,000 from August to September, so it came as no surprise that unemployment surged in September. This needs to be seen in the light of the holiday period always resulting in a degree of uncertainty in the estimation of unemployment over the summer; the September figures are always much more valid. If we ignore developments during the summer, the increase in unemployment becomes more moderate. Viewed since May, the number of jobless has risen by an average of 4,300 a month, which paints a truer picture of the underlying trend. In other words, the September figures should not be viewed as an acceleration but merely as confirmation that the slowdown in unemployment growth during the summer months was just a mirage – and we never believed it to be anything but.

Unemployment has climbed furthest in western Jutland

Looking at the breakdown by region, unemployment is on the up nationwide. Since bottoming out last year, it has climbed furthest in western Jutland, where it has gone up by 3.3pp. At the other end of the scale is northern Zealand, where unemployment has gone up by “only” 1.5pp. All in all, unemployment has climbed much further in Jutland and on Funen than on Zealand.

Looking at the breakdown by industry, unemployment has risen furthest in the construction sector. Joblessness among members of the unemployment insurance fund of the TIB trade union climbed by 7pp from September last year to September this year. There was also a huge increase in unemployment among metalworkers of 5.5pp over the same period.

160,000 jobless at the end of 2010

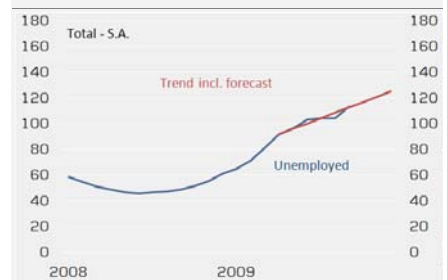
We expect unemployment to continue to climb for a long time to come, even though we believe that the economy is out of recession. Businesses need to rebuild productivity after a record decline, and so the very modest economic growth predicted for the coming quarters will not be enough to stabilise the labour market. We expect the number of jobless to hit 125,000 at the end of this year, which translates into continued growth of around 4,000 people a month in Q4. Unfortunately there is the prospect of further growth in 2010, and we expect the number of jobless to be up at 160,000 at the end of 2010.

It is important to stress that although the September figures are disappointing at first glance, in reality they are not and we will not change our view of unemployment on the basis of these data. The chart on the right shows very clearly that the September figures tie in very well with our view of the underlying jobless trend.

Key events of the week

- September retail sales (Monday) – we predict a decrease of 0.3%
- October bankruptcies and repossessions (Thursday)
- September provisional industrial production and new orders (Friday)

Unemployment to climb further



Source: Statistics Denmark, Danske Research

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Sweden: A not so brave new world

Forecasts have become more uncertain

Despite others saying differently, we believe that we are in the business of *telling stories*. Thanks to an ongoing and arduous process of testing and challenging our ideas we have been (at least we like to think so) able to produce a synthesis that not only makes sense, but also has been robust and unbiased enough to make us point in directions other than what simple mean reversion and/or market consensus indicate.

But now, to put it straight, our current case for Sweden does *not* hold water. It is more of a rusty old bucket full of holes. The main holes, or rather weaknesses, in our line of reasoning are the following: We have seen an unmatched drop in actual growth over the last year. Consequently, resource utilisation has plummeted, which is why ours and others' estimates of the output gap are about as deep as the Mariana Trench. Even with very strong growth rates over the coming few years we would not reach balanced resource utilisation until 2013, at the earliest. Hence, inflation is no more and the Riksbank should not hike rates until sometime around the Apocalypse. Despite this, our forecasts imply a swift and strong normalisation of interest rates. Why is that?

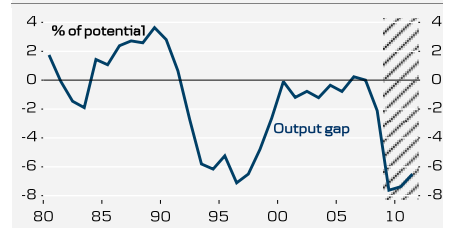
- Well, resource utilisation (output gap or GDP-gap when you quantify it) is basically the ratio of actual and potential GDP. Actual GDP has plummeted, potential GDP has not. At least that is what our calculations tell us. This is where our stomachs start to stir. We believe that a large part of the Swedish business sector has been driven by a consistently weak Krona and inflated demand for typically Swedish export products (input and investment goods) from developed economies such as the US, the UK etc. – we must ask ourselves: will that environment really return? i.e., will the potential of the Swedish economy remain unscathed by the crisis?
- There is a risk that consumption growth and possibly also investment growth in several of Sweden's "developed export markets" will fall short of pre-crisis levels. In such a scenario, the demand curve for Swedish export goods would shift lower and the slope be reduced. Hence, a part of the Swedish capital stock would in such a scenario become obsolete and probably also parts of the labour force due to ageing/demographics and poor education making the transition into more productive and/or advanced work tasks considerably more difficult. In short, the potential of the Swedish economy would be lower. (This also raises the question as to what level long-term neutral rates should be hiked and why the Riksbank has to hike *that* much, but we will dwell on that subject next week.)

Unfortunately, we cannot conjure up a statistical model or framework to quantify these negative effects on potential GDP, which is why our output gap calculations remain every bit as bad as those of our peers. We will not hold it against you if you choose to rely on more hands-on quantifications of resource utilisation. However, because of the above mentioned drawbacks of potential estimates, we have chosen not to. Inflation might very well pick up earlier and stronger than what the currently complacent Riksbank expects.

Key events of the week

- The Riksbank minutes (Wed 09.30 CET) and PMI data (Mon 08.30 CET) are about the only things of interest

A case of false consciousness?



Sources: Statistics Sweden and National Institute for Economic Research. Danske Bank calculations

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Norway: Growth, but no boom

Norwegian economic data have been more mixed of late. Key industrial indicators, such as PMI and the Business Tendency Survey (Konjunkturbarometeret) suggest a gradual pick-up in activity, but probably a more modest one than many had expected. It would appear that flagging order growth in certain sections of the offshore industry is a particular problem.

The Norwegian labour market remains in a better state than in many other countries, and certainly better than many had feared – nevertheless, unemployment will doubtless continue to increase. In fact, Thursday's NAV (National Insurance Institution) numbers showed that the overall number of unemployed persons rose by 2,900 in October, the weakest figure since April. Meanwhile there were also surprisingly weak data for retail sales in September, with a fall of 1.2% m/m.

We are, nonetheless, sticking to our forecast of mainland GDP falling by just under 1% in 2009, and rising more than 3% next year. Unless employment declines dramatically, household disposable income should increase by almost 5% this year and around 4% next year. Furthermore, low interest rates and the strengthening housing and labour markets combined with relatively low unemployment mean that we view the savings rate as having peaked for now. This paves the way for significant growth in private consumption going forward.

While we maintain our relatively optimistic view, market uncertainty on the Norwegian economy has increased. This, combined with a central bank that continues to place much emphasis on the exchange rate, helped push NOK lower in the past week.

Industrial data interesting

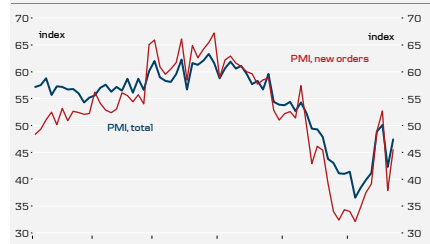
The week ahead will bring the PMI for October and industrial production numbers for September. The upward trend in the PMI came to a halt after the summer, while actual industrial production has increased for two months in a row. This could indicate that it is concerns about the significant fall in orders that are affecting the PMI, while actual production is rising as a result of the upswing in the global and domestic economies.

The details in the industrial numbers also illustrate how complex the picture is for Norwegian industry. Activity levels in the shipbuilding and machinery industries are high, though the trend is down. In contrast, production has fallen substantially in, for example, the metal and timber industries. However, there are signs here of a significant upswing driven by greater global demand for commodities and nascent signs of recovery in the construction sector.

Key events of the week

- Annual growth in credit indicator C2 is expected to ease to 5.7% (Monday).
- PMI probably rose to 49.0 in October (Tuesday).
- We believe industrial production rose 0.3% m/m in September (Friday).

Uncertain industrial sentiment



Source: Reuters EcoWin, Danske Bank

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US: Busy week ahead

Solid growth in Q3

US GDP grew 3.5% q/q AR in Q3, taking the growth rate back into positive territory. Consumer spending rose by 3.4%, partly driven by a significant boost from spending on cars. Car sales have been supported by the auto rebate programme, “cash-for-clunkers”, which ended in Q3. On the other hand, this means it will be payback time in Q4.

However, we also saw positive momentum outside consumer spending. Housing construction jumped by 23% q/q AR, making a positive contribution to GDP growth for the first time since 2005. Another positive factor was inventory building, which lifted growth by 0.9 percentage points in Q3. We expect the inventory cycle, home construction and business investment outside corporate construction to continue to support the economy in coming quarters. Thus, we expect healthy growth rates of around 4% q/q AR over the next couple of quarters, while the outlook is more uncertain as we move further into 2010. By then, underlying demand will hopefully take over from temporary growth drivers.

Warm-up has started

While there is broad agreement that the time is not yet ripe for adjusting policy rates, this does not, in any way, mean that the FOMC committee of the Federal Reserve is set for a trivial policy meeting in the coming week. There has been quite some media talk about a change of the key sentence of the FOMC statement about the Fed keeping rates low “for an extended period”. A possible change of the “extended period” language, e.g. into “for some time yet”, would be interpreted as hawkish and could prompt significant market reaction.

However, we believe that it is yet too early for such a change. Particularly two factors support this view. Firstly, recent speeches by Bernanke and Kohn have indicated no changes and, secondly, the most heavily debated article in the *Financial Times* suggests that the Fed will likely prepare the markets via speeches, etc., before making any substantial changes to its policy statement.

That said, the Fed has no doubt started warming up for rate hikes that could come in H2 2010, so forthcoming Fed speeches will be interesting to follow.

Progress continues on several fronts

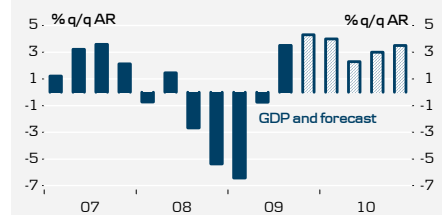
The coming week will be packed with data releases, with both the ISM index and the employment report due out. Regional PMIs, which have been a mixed bag until now, generally point to an unchanged ISM index. However, our models, which are based on a large number of financial and real economic variables, point towards a sharp improvement in the ISM, so we expect an increase in the index to 54 for October.

The employment report will be at least as interesting to read as the FOMC statement. Jobless claims have trended slightly down recently, and this will likely be reflected in October employment data. We expect employment to decline by 120,000 in October, which is a significant slowdown of the labour market weakening from September’s decline of 263,000, and the first reports about positive job growth are likely to emerge around the New Year. A turnaround in the labour market in the coming 3-6 months is vital for a continued sustainable recovery in 2010.

Key events of the week

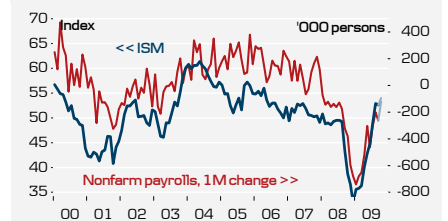
- Manufacturing ISM (Monday)
- Car sales (Tuesday)
- ADP employment estimate (Wednesday)
- FOMC meeting (Wednesday)
- Service ISM (Wednesday)
- Employment report (Friday)
- Fed’s Evans and Duke due to speak (Friday)

US economy grew at solid rate in Q3



Source: Reuters Ecowin

Look for improvement in both ISM and employment numbers



Source: Reuters Ecowin

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Euroland: In the red zone

Deep into the red zone

Euroland budgets are diving deeper into the red zone. Since last Friday a German coalition government has been formed between CDU/CSU and FDP and the coalition deal includes a EUR24bn (about 1% of GDP) slash in income taxes despite a huge budget deficit. The tax cuts are scheduled to be introduced primarily in 2011 and no later than 2013. The tax cut is less than the EUR35bn the FDP had campaigned for, but more than Angela Merkel wanted (EUR15bn). For 2010 an income tax cut worth about EUR10bn was already passed in May and the new deal includes a streamlining of the corporate tax code (a net cut of EUR2.3bn), a reduction in the VAT rate for hotels and restaurants (worth about EUR4.5bn), and increased child benefits of close to EUR5bn per year. The German government budget deficit is thus likely to reach 6% next year.

The loose fiscal policy in Germany may have ripple effects as it makes it more difficult for the European Commission to pressure other countries. The Commission will no longer be able to contrast e.g. lax French fiscal policy with German discipline. Sarkozy has already presented a budget for 2010 with an expected deficit of 8.4% of GDP.

But this is not the only event bringing Euroland deeper into the red zone. Greek budget figures are increasingly questioned and new figures reported to Eurostat indicate that the deficit in 2008 is much higher than previously reported. The outlook for the Greek budget has also deteriorated further. We have seen Greek figure-fiddling before and the renewed skepticism from Eurostat leads us to question the Greek GDP figures too. We don't really believe that Greece never got into recession during this crisis.

German unemployment in surprise decline

German unemployment declined to 8.2% in October from 8.3% in September. This follows five months of relatively stable unemployment and is a bit of a surprise. Labour sharing has helped to keep the unemployment rate "low" in Germany, but we would not have expected it to drive unemployment down. There have also been rumours that big-scale firing would only take place after the German elections, but that has not happened.

Unemployment declined by 26,000 persons s.a. (consensus expected a 20,000 increase) following a 12,000 person decline last month and it is thus tempting to make the call that German unemployment has peaked - but we dare not do that yet.

We see strong German growth in both Q3 and Q4 (above 2% q/q annualized), but with widespread labour sharing and plenty of free capacity we would not expect this to be enough to stabilize the labour market so quickly. However, several confidence indicators, which normally correlate well with unemployment, actually do project a peak in German unemployment in late 2009 and history tells us that a peak in Q4 09 is to be expected.

The German story is rather special due to the widespread labour sharing and the limited labour market flexibility. We can thus not transfer it to the rest of Euroland. Nevertheless both indicators and history tell us that we could see a peak in Euroland unemployment as early as Q1 2010, which will give important support to consumption growth.

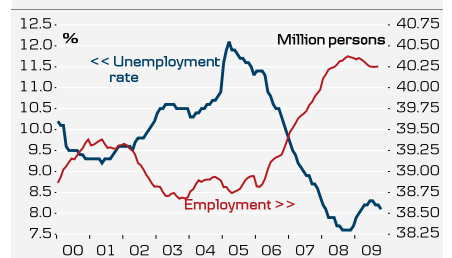
ECB meeting - listen carefully

We expect that the tone at next week's press conference will be slightly more positive (again). Nevertheless, we will have to wait for the December meeting to get any major new insights on the ECB's plans for embarking on its exit strategy.

Key events of the week

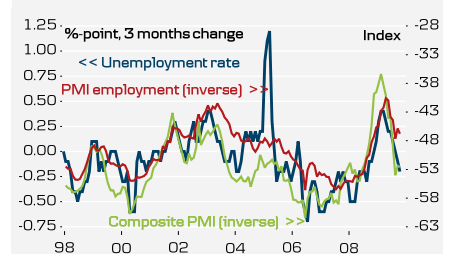
- Manufacturing PMIs (Monday) and service PMIs (Wednesday) will tell how uniform the Euroland recovery really is.
- The ECB Governing Council meeting (Thursday) will give an indication of whether the ECB is slowly becoming more hawkish
- Retail sales (Thursday) are expected to have increased slightly in September
- German industrial orders (Friday) for September will give an important indication of how strong growth we can expect in Q4

German unemployment peak



Source: Reuters Ecowin

German PMI confirms stabilisation



Source: Reuters Ecowin

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Asia: BoJ unwinds quantitative easing

BoJ announces plan for ending non-conventional easing

The Bank of Japan (BoJ), at Friday's monetary meeting, announced plans to terminate most of its non-conventional easing measures. The BoJ's purchase of corporate bonds and commercial paper will not be extended beyond 2009. The special lending facility to facilitate corporate financing will be extended until March 2010. This lending facility gives unlimited access to three-month liquidity against corporate debt collateral at the target O/N call rate (currently 0.1%).

However, the expansion in the range of eligible collateral over the past year will remain in effect until the end of 2010. In addition the BoJ will maintain its purchase of government bonds at the current level (JPY1.8 trillion) as this is regarded as a normal monetary policy instrument.

Deflation to prevail well into 2011

In addition, the BoJ today published its new macroeconomic forecast including its first forecast for fiscal 2011 (ending March 2012). Overall there were surprisingly few changes in the BoJ's forecast in light of its recent upgrades in its view of the economy. The BoJ forecasts for the economy remains very benign and, if it is right, the output gap in Japan will close only very slowly. The BoJ expects the deflationary environment to prevail well into fiscal 2011, when it expects inflation to be -0.4%.

Interest rate hike in Japan is still far off

The BoJ's plan to terminate its non-conventional easing measures comes as no surprise. The size of corporate bond and commercial paper purchases are negligible and for that reason should have little impact on credit markets. Overall the scale of the BoJ's non-conventional easing has been modest compared with the ECB, the Fed and the BoE and should be much easier to pull back (see chart).

Although the BoJ's removal of its non-conventional easing measures suggests increasing confidence in the economy an interest rate change is still far off. In its policy statement the BoJ stressed that monetary policy will remain very accommodative for the time being. The BoJ, in our view, is unlikely to hike interest before the year-on-year inflation rate again turns positive. Its -0.4% inflation forecast for fiscal 2011 suggests that the BoJ expects consumer prices to continue declining well into 2011. For that reason it appears that the BoJ does not expect to start tightening monetary policy until late-2011.

This is very much in line with current market expectations. 1-year and 2-year O/N forwards are currently trading at 0.14% and 0.21% (mid-price) suggesting the market sees little risk that the BoJ will raise its leading interest rate before H2 11.

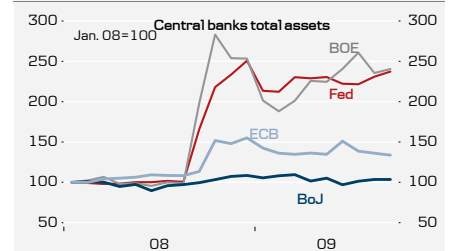
In our view this is far too pessimistic, although we agree that the BoJ will lag the ECB and the Fed in the monetary tightening cycle. The recovery in Japan, so far, has been at least as strong as in the US and Europe and the unexpected decline in unemployment in Japan in August and September underlines that the Japanese labour market is stabilising much faster than expected. At the moment this does not look like a long-term deflationary scenario for Japan. We expect the year-on-year inflation rate to turn positive as soon as late-2010 suggesting the BoJ may hike in late-2010 or early-2011.

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Key events of the week

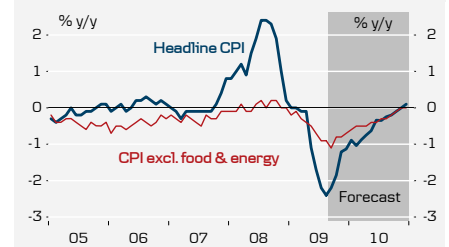
- NBS manufacturing PMI in China (Sunday).
- Manufacturing PMIs in China, India, South Korea and Taiwan (Monday).
- Monetary policy meeting in Indonesia (Wednesday).
- Minutes from October 15 monetary meeting of Bank of Japan (Thursday).
- October FX reserves in South Korea, Philippines, Indonesia, Taiwan and Thailand (during the week).

Quantitative easing has been modest in Japan



Source: Reuters Ecowin

Deflation to prevail for some time and interest rate hike still far off



Source: Reuters Ecowin and Danske Markets

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UK: BoE at a crossroads

GBP surprises on the upside

After many weeks under pressure, GBP made a strong comeback during the week. Few would have bet on this what with the Bank of England having spent weeks talking down GBP with dovish rhetoric and the publication of dismal growth figures for Q3 which confounded analysts' expectations by showing that the UK is still deep in recession. But GBP remains quite weak, and few would argue that it does not have considerable potential even after the past week's rally as financial and economic conditions continue to normalise. Our forecast assumes significant GBP strengthening in the slightly longer term.

Bank of England at (another) crossroads

The big question ahead of the BoE's meeting on 5 November is not whether the bank rate will be raised from its current record-low 0.5% (because it won't be), but whether the BoE will expand its already huge programme of asset purchases (mainly UK gilts) in order to keep interest rates down and so stimulate the economy beyond what would be possible with traditional monetary policy means.

The BoE has already expanded its asset purchase programme twice, each time by GBP50bn, and on neither occasion was the move anticipated. Both times UK yields fell sharply and GBP weakened. Although the global economy has incontrovertibly improved over the past six months, it is by no means a given that the BoE is as confident in the sustainability of the upswing as investors are, which means that there is still a not insignificant risk of the programme being expanded.

We reckon that the BoE could well see its way to expanding the programme. Recent purchases have taken it close to the limit for the current mandate of GBP175bn, and the BoE will not by any means want to see rising interest rates stifling the beginnings of recovery. However, it is important to stress that this is only a matter of conjecture: the MPC members never comment on the BoE's asset purchase plans, focusing instead on anything but in their occasional speeches.

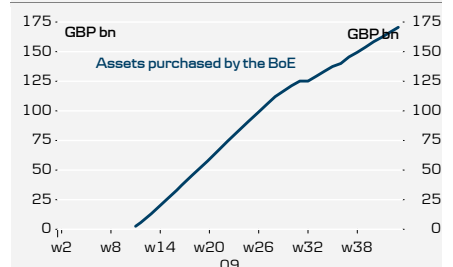
This does not mean that we would agree with such a decision by the MPC. Relative to other central banks' balance sheet expansion, the quantitative easing in the UK has been quite extreme, and the BoE now holds more than a quarter of all UK gilts. To our mind, this is unhealthy, and this approach may also prove highly inflationary, although this is not attracting much attention at the moment.

If the MPC decides *not* to expand the programme at the coming week's meeting (in other words, to end it or put it on hold for now), this will send a very strong signal to the market that the BoE no longer sees a need for extraordinary stimuli. This would immediately remove a substantial risk premium from GBP and take away the support for UK gilts, causing yields to rise. We therefore believe that such a decision would be far more significant than further expansion of a programme that will have to come to an end sooner or later.

Key events of the week

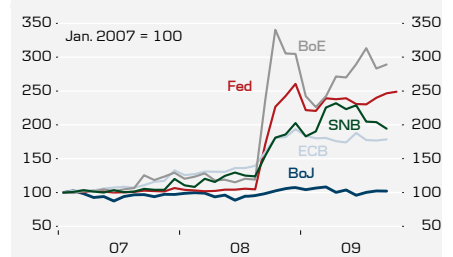
- PMI for manufacturing sector (Monday)
- Nationwide consumer confidence (Wednesday)
- PMI for service sector (Wednesday)
- Industrial production (Thursday)
- BoE rate decision and decision on asset purchases (Thursday)

BoE asset purchases



Source: Danske Markets

Central banks' balance sheet expansion – BoE clear leader



Source: Danske Markets

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Switzerland: Continued range trading

CHF continues to trade in narrow range

EUR/CHF continues to move sideways within the narrow interval that has held since mid-August. Dwindling risk appetite and falling stock markets at the beginning of the week did lift demand for CHF, and EUR/CHF has pushed back below 1.50 and down towards the bottom of the band. The late-September low of 1.5073/76 still seems to be a strong technical support level, but given the uncertainty about monetary policy and the big price swings in the stock market, we do not expect this narrow interval to hold once we look ahead a couple of months.

Drug exports overtake investment goods

Recent years have seen a structural shift in the Swiss export sector. While chemicals and consumer goods, including pharmaceuticals, have enjoyed strong export growth, exports of investment goods, raw materials and semi-finished goods have generally performed less well than exports as a whole. As a result, the Swiss export sector has become far less dependent on global investment growth and more exposed to less cyclical sectors such as pharmaceuticals. This has played a major role in staving off the negative shock to exports from the global recession, and the structural shift in the Swiss export basket has actually accelerated during the financial crisis, as can be seen from the chart on the right.

With two thirds of its exports heading to the EU, Switzerland is naturally very dependent on how the recovery in Europe turns out. We expect growth in Euroland in the coming quarters to be driven primarily by contributions from inventory adjustments and net exports, whereas private consumption will not take off until 2010 once the labour market stabilises. Thus there are no signs of any imminent end to the current trend in the Swiss export basket.

Key events of the week

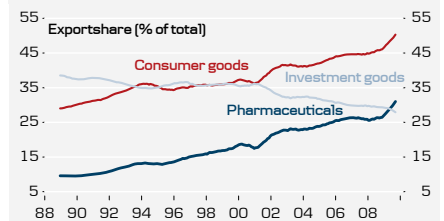
- PMI (Monday)
- UBS Q3 results (Tuesday)
- CPI (Thursday)
- Unemployment (Friday)

CHF



Source: Reuters EcoWin

Swiss export basket



Source: Reuters EcoWin

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Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2008	-1.2	-0.1	1.5	-5.0	0.2	2.3	3.5	3.4	1.8	3.6	33.3	2.2
	2009	-4.5	-5.0	2.2	-12.9	-1.5	-10.0	-13.6	1.5	3.5	-2.6	38.3	1.4
	2010	1.6	2.3	1.4	-2.1	0.7	2.8	5.0	2.1	5.2	-5.2	45.1	1.0
Sweden	2008	-0.4	-0.2	1.5	2.7	-0.6	1.9	3.0	2.2	6.1	2.5	37.5	8.3
	2009	-5.1	-1.2	1.0	-17.2	-1.2	-14.7	-16.3	-0.2	8.7	-1.3	39.6	7.0
	2010	0.8	1.3	1.0	-6.3	0.0	2.4	-0.5	1.4	11.4	-2.7	43.5	7.6
Norway	2008	2.1	1.2	3.8	3.8	0.7	1.3	4.4	3.8	2.5	8.0	26.0	19.0
	2009	-1.0	0.1	6.1	-4.1	-1.3	-7.6	-11.5	2.0	3.3	12.0	26.0	24.9
	2010	3.3	3.8	4.8	2.7	0.8	0.2	2.8	1.4	3.7	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	2008	0.6	0.3	2.2	-0.7	0.1	1.1	1.1	3.3	7.6	-1.9	69.3	-0.8
	2009	-3.7	-0.3	2.3	-9.5	-0.7	-13.5	-11.9	0.3	9.4	-4.7	77.1	-1.7
	2010	2.2	0.6	2.1	3.2	0.3	6.1	4.9	1.2	10.0	-5.2	82.1	-1.5
Germany	2008	1.3	-0.6	1.9	2.6	0.1	3.5	5.5	2.9	7.4	-0.5	63.0	7.1
	2009	-4.8	0.2	1.9	-4.0	-0.4	0.2	2.5	0.3	8.2	-3.5	67.0	5.2
	2010	2.6	1.2	1.9	1.5	0.2	4.0	4.5	1.1	8.5	-5.5	72.0	5.4
France	2008	0.8	0.8	1.4	0.5	0.0	2.0	1.8	3.3	7.8	-2.9	66.0	-1.6
	2009	-1.8	-0.4	1.6	-3.8	-0.3	-0.3	-0.4	0.4	8.6	-5.0	71.0	-1.4
	2010	2.1	1.6	1.4	2.1	0.2	2.9	2.9	1.3	9.1	-6.0	78.0	-1.6
Italy	2008	-0.3	-0.6	1.2	-1.5	0.0	0.3	-1.5	3.6	7.0	-2.6	103.0	-2.6
	2009	-4.5	0.2	1.2	-4.8	-0.3	-0.6	-0.9	0.8	8.5	-4.0	107.0	-2.1
	2010	1.7	0.3	1.0	2.0	0.2	2.0	2.4	1.9	9.1	-4.5	111.0	-2.5
Spain	2008	1.2	0.1	5.3	-3.0	0.0	0.7	-2.5	4.1	11.3	-3.8	38.0	-10.0
	2009	-3.5	-4.7	3.4	-12.0	-0.2	-19.0	-21.0	0.0	18.9	-9.5	47.0	-6.0
	2010	0.3	-1.0	2.0	-2.4	0.1	10.8	4.1	1.4	21.0	-9.0	56.0	-6.0
Finland	2008	1.0	1.9	2.0	0.3	-0.6	7.3	7.0	4.1	6.4	4.2	33.4	2.4
	2009	-6.2	-2.8	1.0	-12.0	0.0	-23.0	-20.0	0.0	8.9	-2.8	41.5	0.6
	2010	1.0	0.2	0.0	-3.0	0.0	5.0	2.5	1.2	10.0	-4.2	49.0	1.1

Macro forecast, Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2008	0.4	-0.2	3.1	-5.1	-0.3	5.4	-3.2	3.8	5.8	-3.2	69.0	-4.9
	2009	-2.3	-0.8	2.2	-18.0	-0.6	-11.9	-16.1	-0.3	9.2	-11.2	81.0	-2.7
	2010	3.2	1.5	2.8	8.2	0.8	5.5	5.8	2.2	9.6	-9.6	87.0	-2.9
Japan	2008	-0.7	0.6	0.8	-5.1	-0.2	2.0	0.9	1.5	4.0	-5.6	196.0	3.3
	2009	-5.3	-1.2	0.7	-12.0	-0.4	-24.5	-15.8	-1.2	5.2	-9.8	212.0	2.4
	2010	3.0	1.4	0.9	1.7	0.2	18.2	1.1	-0.5	5.2	-8.0	220.0	3.6
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	2008	1.6	1.7	0.0	-1.7	-0.4	2.3	-0.2	2.4	2.6	0.9	42.0	9.2
	2009	-2.7	0.2	2.3	-6.4	1.2	-11.7	-7.4	-0.5	3.9	-1.5	40.7	7.6
	2010	1.0	0.5	1.5	-0.5	-0.2	1.3	-1.1	0.7	5.1	-2.5	43.5	8.1

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	30-Oct	0.13	0.28	1.30	3.65	148.3	-	502.0
	+3m	0.13	0.30	1.50	3.80	155	-	481
	+6m	0.13	0.30	1.70	4.20	150	-	497
	+12m	0.13	0.50	2.30	4.40	145	-	514
EUR	30-Oct	1.00	0.72	1.82	3.55	-	148.3	744.3
	+3m	1.00	0.90	1.90	3.55	-	155	745.0
	+6m	1.00	1.20	2.10	3.70	-	150	745.0
	+12m	1.50	1.80	2.80	4.05	-	145	746.0
JPY	30-Oct	0.10	0.33	0.60	1.55	135.0	91.1	5.51
	+3m	0.10	0.35	0.60	1.55	143	93	5.21
	+6m	0.10	0.30	0.65	1.65	145	96	5.14
	+12m	0.10	0.30	1.00	1.90	148	101	5.04
GBP	30-Oct	0.50	0.59	1.95	3.92	89.6	165.5	831.0
	+3m	0.50	0.65	1.90	3.85	90.0	172	828
	+6m	0.50	0.75	2.05	4.00	86.0	174	866
	+12m	1.00	1.40	2.70	4.45	80.0	181	933
CHF	30-Oct	0.25	0.26	0.85	2.56	151.0	101.9	492.9
	+3m	0.25	0.30	0.90	2.60	152	98	492
	+6m	0.25	0.30	1.15	2.70	152	101	490
	+12m	0.50	0.60	1.45	2.85	156	108	478
DKK	30-Oct	1.25	1.56	2.45	3.85	744.3	502.0	-
	+3m	1.25	1.60	2.60	3.80	745	481	-
	+6m	1.25	1.80	2.70	3.95	745	497	-
	+12m	1.75	2.30	3.25	4.35	746	514	-
SEK	30-Oct	0.25	0.48	1.64	3.56	1039.4	701.0	71.6
	+3m	0.25	0.60	1.80	3.80	1010	652	73.8
	+6m	0.25	0.60	1.95	4.15	980	653	76.0
	+12m	1.00	0.75	2.80	4.65	960	662	77.7
NOK	30-Oct	1.50	1.99	3.44	4.64	839.0	565.9	88.7
	+3m	1.50	2.25	3.80	4.75	820	529	90.9
	+6m	2.00	2.50	4.20	4.90	810	540	92.0
	+12m	2.75	3.50	5.00	5.25	800	552	93.3
PLN	30-Oct	3.50	4.08	4.98	5.64	424.2	286.1	175.5
	+3m	3.50	4.10	5.00	5.85	410	265	182
	+6m	3.50	4.10	5.20	6.10	405	270	184
	+12m	3.50	4.10	5.80	6.35	400	276	187

Equity markets

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

Commodities

	30-Oct	2009				2010				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010
ICE Brent	78	46	60	69	73	77	81	82	82	99	65
Aluminium	1,952	1,401	1,526	1,836	1,894	1,900	1,900	2,000	2,000	2,624	1,711
Copper	6,665	3,478	4,685	5,856	6,236	6,500	6,700	6,800	6,900	6,897	5,351
Zinc	2,270	1,204	1,503	1,780	2,038	2,000	2,100	2,200	2,200	1,770	1,705
Gold	1,048	909	922	961	1,047	1,050	1,075	1,050	1,000	872	978
CBOT Wheat*	504	614	620	511	495	550	575	600	600	804	558
CBOT Corn*	377	417	431	332	373	375	400	425	425	580	386

Source: Danske Markets

Calendar

Key Data and Events in Week 45

Monday, November 2, 2009			Period	Danske Bank	Consensus	Previous
-	OTH	Earnings: TNT NV, Ford Motors				
-	CNY	NBS Manufacturing PMI	Index		54.0	
3:30	CNY	HSBC Manufacturing PMI	Index	55.0		55.0
8:30	SEK	PMI	Index			55.9
9:30	DKK	Retail sales, volume	m/mly/y			-1.2% -4.6%
9:30	CHF	PMI	Index			54.3
9:45	ITL	PMI Manufacturing, Final	Index	49.2	48.8	47.6
9:50	FRF	PMI Manufacturing, Final	Index		55.3	55.3
9:55	DEM	PMI Manufacturing, Final	Index	51.2	51.1	51.1
10:00	EUR	PMI Manufacturing, Final	Index	50.8	50.7	50.7
10:00	NOK	Credit indicator (C2)	y/y	5.7%		5.9%
10:30	GBP	PMI manufacturing	Index		50.0	49.5
11:00	DKK	Danish PMI	Index			38.0
16:00	USD	ISM	Index	54.0	53.0	52.6
16:00	USD	ISM prices paid	Index	63.6	64.0	63.5
16:00	USD	Pending home sales	m/mly/y		0.4%	6.4% 12.1%
16:00	USD	Construction spending	m/m		-0.3%	0.8%
16:30	EUR	ECB's Noyer to Testify on Bank Regulation in Paris				
Tuesday, November 3, 2009			Period	Danske Bank	Consensus	Previous
-	USD	Total Vehicle Sales	m		9.8	9.2
-	OTH	Earnings: UBS, BMW				
9:00	NOK	PMI	Index	49.0		47.4
15:00	EUR	ECB's Merch and Weber to Speak in Luxembourg				
16:00	DKK	Currency reserves	DKK bn			393.8
16:00	USD	Factory Orders	m/m		1.0%	-0.8%
18:00	EUR	ECB's Weber Speaks in Luxembourg				
20:00	EUR	ECB's Constancio Speaks in Lisbon				
Wednesday, November 4, 2009			Period	Danske Bank	Consensus	Previous
-	USD	Quarterly refunding announcement				
-	OTH	Earnings: Societe Generale, Carlsberg, Cisco Systems				
0:50	JPY	Monetary Base	y/y			4.5%
1:01	GBP	Nationwide consumer confidence	Index		70	71
9:30	SEK	Riksbank Minutes				
9:45	ITL	PMI Services, Final	Index	51.0		48.5
9:50	FRF	PMI Services, Final	Index		57.8	57.8
9:55	DEM	PMI Services, Final	Index	50.9	50.9	50.9
10:00	EUR	PMI Services, Final	Index	52.4	52.3	52.3
10:00	EUR	PMI Composite, Final	Index	53.1	53.0	53.0
10:30	GBP	PMI service	Index		55.2	55.3
11:00	EUR	Euroland PPI	m/mly/y		-0.4% -7.7%	0.4% -7.5%
13:00	USD	MBA mortgage applications	%			-12.3
16:00	USD	ISM non-manufacturing	Index	51.4	51.6	50.9
20:15	USD	FOMC meeting	%	0.00-0.25	0.00-0.25	0.00-0.25

Source: Danske Markets

Calendar - continued

Thursday, November 5, 2009			Period	Danske Bank	Consensus	Previous
-	OTH	Earnings: Toyota, Commerzbank, Starbucks				
-	JPY	BoJ Board Minutes				
9:15	CHF	CPI	m/mly/y	Oct		0.0% 0.9%
10:30	GBP	Industrial Production	m/mly/y	Sep	1.3% 10.2%	-2.5% -11.2%
10:30	GBP	Manufacturing production	m/mly/y	Sep	1.0% 9.9%	-1.9% -11.3%
11:00	EUR	Retail sales	m/mly/y	Sep	0.1%	0.4% -2.1%
13:00	GBP	BoE rate announcement	%	Nov	0.50	0.50
13:45	EUR	ECB Announces Interest Rates			1.00%	1.00%
14:30	USD	Unit labour cost, preliminary	q/q	3rd quarter	-5.4%	-3.8%
14:30	USD	Initial jobless claims	1000		520	530
14:30	EUR	Trichet Speaks at ECB Montly News Conference				
16:00	CAD	Ivey PMI	index	Oct		61.7
Friday, November 6, 2009			Period	Danske Bank	Consensus	Previous
-	OTH	Earnings: BNP Paribas, British Airways				
-	G7	G20 Finance Ministers, Central Bankers Meet in Scotland				
6:00	JPY	Leading Economic Index, preliminary	Index	Sep		83.2
7:45	CHF	Unemployment	%	Oct		4.1
9:30	DKK	Industrial production	m/m	Sep		-0.9%
10:00	NOK	Manufacturing Production, nsa.	m/mly/y	Sep	0.3%	0.8% -7.9%
10:30	GBP	PPI - Output	m/mly/y	Oct	0.4% 1.9%	0.5% 0.4%
12:00	DEM	Factory Orders	m/mly/y	Sep	1.6%	1.0% -13.7%
13:00	CAD	Unemployment rate		Oct	8.4%	8.4%
13:00	CAD	Net change in employment		Oct	10000	30600
14:30	USD	Nonfarm payroll	1000	Oct	-120	-175
14:30	USD	Unemployment	%	Oct	9.9	9.8
14:30	USD	Average hourly earnings, non-farm	m/mly/y	Oct	0.1% 2.3%	0.1% 2.5%
15:45	USD	Fed's Evans (voter, neutral) speaks				
17:30	EUR	ECB's Paramo Speaks in London				
21:00	USD	Fed's Duke (voter, neutral) speaks				
21:00	USD	Consumer credit	bn. USD	Sep	-10.0	-12.0
During the week			Period	Danske Bank	Consensus	Previous
Mon 02 - 09	JPY	Official Reserve Assets	USD bn	Oct		1053.0
Mon 02 - 06	GBP	Halifax house prices	m/mly/y	Oct	0.7% -4.8%	1.6% -7.4%

Source: Danske Markets

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First date of publication

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