15 October 2009

Emerging Markets Briefer

Macro: Recovery continues, but some worries emerge

- The global economic recovery continues. However, over the past few months, there have been some negative surprises in the G3 economies. However, the news out of most Emerging Markets continues to be mostly positive.

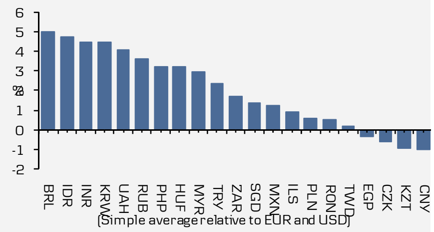
Rates and yield: A mixed picture, but look for higher rates

- It has been a bit of a mixed picture for the Emerging Markets' fixed income markets. While rates and yields have risen sharply in Brazil and South Africa, we have seen the opposite happening in, for example, Hungary, the Czech Republic and Indonesia. We mainly see upside on Emerging Markets' rates and yields going forward as the G3 quantitative easing measures are scaled back and the expectation for rate hikes – for example in Brazil – will raise the bar for rates in Emerging Markets.

FX: Most positive, but CEE FX underperforms

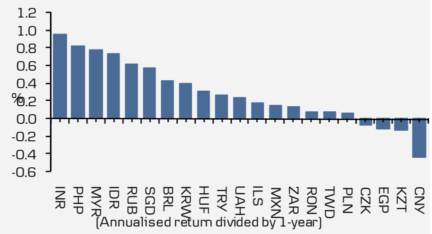
- Most Emerging Markets' currencies have strengthened over the past month. In particular, INR and PHP continue the rally. It is also notable that RUB has continued to strengthen on the back of high oil prices and continued strong risk appetite. Concerns over the Baltic situation, outlook for further monetary easing and political uncertainty in Poland and Romania on the other hand have weighed on the CEE currencies over the past month.

FX change against EUR and USD



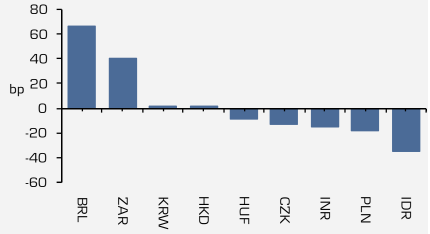
Source: Reuters Ecowin

Risk adjusted FX change against EUR and USD



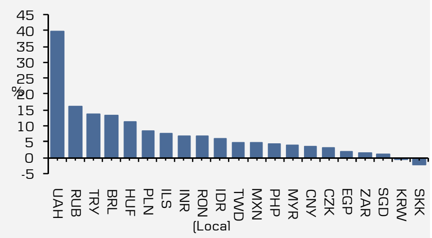
Source: Reuters Ecowin

Change in 2 year swap yield



Source: Reuters Ecowin

Stock market performance



Source: Reuters Ecowin

Contents

Poland

Macro outlook

- The Polish economy is suffering from the global crisis, but Polish growth has been remarkably resilient compared with the development in the rest of Central and Eastern Europe. However, even though the drop in economic activity has been (significantly) less steep in Poland than in other CEE economies, it has been steep compared with 'normal' recessions. The drop in economic activity has primarily been driven by a fall in investments and exports, while private consumption has held up fairly well.

- Looking ahead, we think that growth is likely to bottom out in the coming quarters, but the recovery will be relatively lacklustre. While there are quite clear signs of stabilisation in the manufacturing sector, we are more nervous about the outlook for private consumption. With real wage growth turning negative over the next couple of months, unemployment rising and credit conditions still tight, we expect to see a relatively sharp slowdown in private consumption in the coming quarters, which in our view is the biggest risk to the recovery in the Polish economy. We expect Polish economic growth of 0.2% y/y in 2009 and 0.4% y/y in 2010.

FX and monetary policy

- Inflation dropped sharply in the beginning of 2009 and it looks as if it has stabilised. This should not change in the rest of 2009. We expect inflation to drop within the Polish central bank's (NBP) inflation target of 2.5% y/y +/- one percentage point in H1 10 and inflation at 3.7% y/y in 2009 and down to 3.0% y/y in 2010 due to a base effect and below-trend growth. However, with increasing uncertainty about the budget situation in Poland and because growth seemed to have bottomed out, we now expect the NBP to keep its key policy rate on hold in the coming year.

- In the first half of 2010 there will be a major reshuffle of the NBP's Monetary Policy Council (RPP) when most of the RPP members' terms expire. That could lead to some uncertainty about the monetary policy outlook. Taking into account that there will be presidential elections in Poland in 2010, there is a risk that the appointment of new RPP members will become overly politicised.

Risk factors

- There are increasing signs of tension in the Polish coalition government between Prime Minister Tusk's liberal-reformist Civic Platform (PO) and the junior partner in the coalition, the interventionist Peasant party (PSL). We expect the tension to escalate as we get closer to next year's presidential elections and we are particularly nervous about the debate about the budget for 2010 – with the PO likely to argue for budget cuts, while PSL is likely to argue against a tightening of fiscal policy.

- Recently the Polish finance minister put forward the budget proposal for 2010 which envisages a budget deficit of more than 7% of GDP in 2010. There is clearly a risk that public debt will reach 55% – this is a key limit in Polish budget law which could force the Polish government to put forward measures to tighten fiscal policy during 2010. This could increase political uncertainty during 2010.

PLN

Credit rating:

S&P: A- (stable)

Currency regime:

Free float (Freely convertible)

Inflation target:

2.5% +/- 1%-point

Macro forecasts:

Macro monitor (12 October)

FX forecast

EUR/PLN		
	Danske	Forward
14-Oct	4.21	
+3M	4.10	4.24
+6M	4.05	4.26
+12M	4.00	4.30

USD/PLN		
	Danske	Forward
14-Oct	2.82	
+3M	2.65	2.84
+6M	2.70	2.86
+12M	2.76	2.89

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

National Bank of Poland (NBP)		
Policy rate	3.50	
Next meeting	28 Oct 2009	
Next change	-	Unchanged 2009
Year-end	3.50	

Source: Reuters Ecowin, Danske Markets

Macro forecast

	2008	2009	2010
GDP (% y/y)	5.0	0.2	0.4
Inflation (% y/y)	4.2	3.7	3.0
Unempoyment (%)	9.5	12.0	13.8
Current Account (% of GDP)	-5.4	-1.5	-2.5

Source: Reuters Ecowin, Danske Markets

Czech Republic

Macro Outlook

- The Czech economy contracted 4.5% y/y in Q1 and 5.5% y/y in Q2. The detailed breakdown of the Q2 GDP showed that the main culprits behind the sharp drop in Q2 GDP were slumping investments and inventories. Foreign trade made a slightly negative contribution. Somewhat surprisingly, household consumption continued to contribute positively to Q2 GDP.
- Looking ahead, we believe that the Czech economy is over the worst, although we expect consumer demand to weaken going forward as the stagnation in real wages and rising unemployment puts a lid on consumer spending. We expect the Czech economy to shrink this year by more than 4%.
- Inflation dropped to 0.0% y/y in September. Despite inflation temporarily ticking up at the end of the year, it will remain at very low levels. We expect average inflation this year around 1.1% y/y.

FX & Monetary Policy

- At the monetary policy setting meeting in July, the Czech central bank slashed its key policy rate by 25bp bringing it to all-time low of 1.25%. This is probably not the end of the easing cycle.
- Based on our outlook, which expects Czech inflation to hover well below the CNB's inflation target of 2%, we except the Czech central bank to slash the key policy rate by another 25bp at its monetary policy setting meeting in November. Furthermore, this might not be the end of loosening of monetary conditions as the CNB might introduce some form of quantitative easing in the coming months.
- In the past two weeks EUR/CZK came under sustained pressure as the wording from the CNB turned significantly more dovish aiming to halt the excessive strengthening of CZK. Expectations of easier monetary policy and political jitters in the CEE region argue for further upside risks to CZK.

Risk Factors

- The general elections originally set for October this year were cancelled and will be held in the spring next year. The outcome of next year's elections will again be a very close call between the two biggest parties – the Social Democrats and the centre-right Civic Democrats.
- The interim government led by the Prime Minister Jan Fischer approved the 2010 state budget draft with a deficit of nearly CZK163bn or 5.3% of GDP. The Czech Finance Ministry expects 2010 GDP to contract by 0.5%.

CZK

Credit Rating:

S&P: A (stable)

Currency regime:

Free float (Freely convertible)

Inflation target:

2009: 3% +/- 1%-point

2010: 2% +/- 1%-point

Macro forecasts:

Macro monitor (15 October)

FX forecast

EUR/CZK		
	Danske	Forward
14-Oct	25.86	
+3M	26.20	25.91
+6M	25.70	25.95
+12M	25.40	26.04
USD/CZK		
	Danske	Forward
14-Oct	17.33	
+3M	16.90	17.37
+6M	17.13	17.40
+12M	17.52	17.49

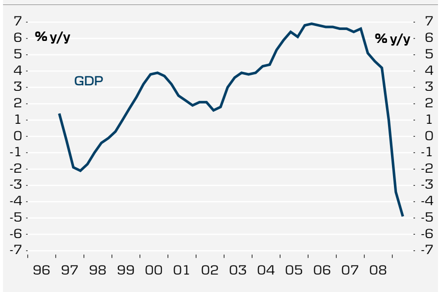
Source: Reuters Ecowin, Danske Markets

Interest rate forecast

Czech National Bank (CNB)		
Policy rate	1.25	
Next meeting	05 Nov 2009	
Next change	- 25 bp	Nov, 2009
Year-end	1.00	

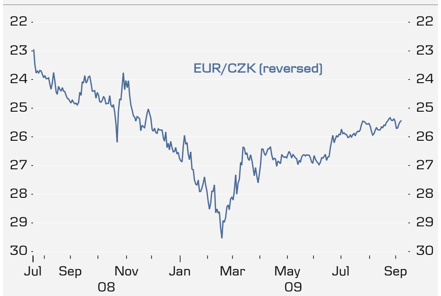
Source: Danske Markets

Sharp drop in economic activity



Source: Reuters Ecowin

Czech koruna has stabilised



Source: Reuters Ecowin

Macro forecast

	2008	2009	2010
GDP (% y/y)	2.6	-4.4	0.1
Inflation (% y/y)	6.4	1.0	0.2
Unempoyment (%)	5.9	9.2	10.7
Current Account (% of GDP)	-4.1	-1.1	0.2

Source: Reuters Ecowin, Danske Markets

Hungary

Macro Outlook

- The Hungarian economy has experienced a significant drop in economic activity over the past couple of quarters. However, this is bottoming out and we expect a slow and gradual recovery in the coming quarters. We expect GDP to contract on average 6.5% y/y in 2009 and 1.8% y/y in 2010.
- The large drop in private consumption played a considerable role in the downturn. However, in Q2 09, private consumption improved slightly and it should continue to improve slowly going forward. July's hike in VAT will, however, slow the recovery of private consumption and consequently economic growth. The hike in VAT has pushed up inflation, which means that real wage growth has turned negative. This will have a negative impact on retail sales and thus private consumption well into 2010.
- The first signs of a recovery in the eurozone will have a positive impact on exports and production. Exports have begun moving up and industrial production should begin to recover by the end of the year. This will further help the recovery of investments.
- Recently the current account situation has improved dramatically. This is good news for Hungary's long-term growth potential.

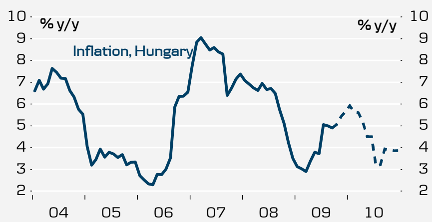
FX & Monetary Policy

- Despite the significant hike in VAT, inflation has remained relatively subdued and with the global environment continuing to improve there is clearly still room for monetary easing and we expect the Hungarian central bank (MNB) to continue to ease monetary policy in the coming months.
- The biggest risk to the inflation outlook and monetary policy is undoubtedly a renewed sell-off of the forint.

Risk factors

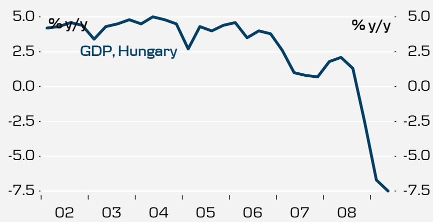
- Hungary has secured a USD25bn rescue package from the IMF, the World Bank and the EU and there now seems to be some stability in the Hungarian markets. However, risks still loom large given Hungary's external financing needs, significant currency mismatch in the household sector and fragile public finances.
- A key risk factor is the political situation. The Socialist government remains hugely unpopular and is likely to lose next year's parliamentary elections to the Conservative Fidesz party. There is a risk that the extremist Jobbik party will have a strong showing at the parliamentary elections.

VAT hike pushes up inflation



Source: Reuters Ecowin, Danske Markets

Crisis deepens in Q2



Source: Reuters Ecowin

HUF

Credit rating:

S&P: BBB- (stable)

Currency regime:

Free float (Freely convertible)

Inflation target:

3% (medium term)

Macro forecasts:

Macro monitor (12 October)

FX forecast

EUR/HUF		
	Danske	Forward
14-Oct	266.86	
+3M	275.00	270.48
+6M	280.00	273.29
+12M	280.00	278.92
USD/HUF		
	Danske	Forward
14-Oct	178.75	
+3M	177.42	181.28
+6M	186.67	183.30
+12M	193.10	187.30

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

Hungarian Central Bank (MNB)	
Policy rate	7.50
Next meeting	19 Oct 2009
Next change	- 50 bp Oct, 2009
Year-end	7.00

Source: Reuters Ecowin, Danske Markets

Macro forecast

	2008	2009	2010
GDP (% y/y)	0.7	-6.5	-1.8
Inflation (% y/y)	6.1	4.5	5.0
Unempoyment (%)	8.4	10.3	11.1
Current Account (% of GDP)	-7.6	-4.1	-4.3

Source: Reuters Ecowin, Danske Markets

Romania

Macro outlook

- The Romanian economy has gone from boom to bust as economic activity has collapsed and GDP might drop as much as 10% in 2009. The recovery is likely to be weak and fragile.
- The sharp drop in economic activity is broadly based, but we are especially concerned about the outlook for private consumption and investments. In recent years, we have seen a credit-driven boom in private consumption. However, this boom is now turning into a bust as credit conditions are being tightened dramatically and labour market conditions worsen.

FX and monetary policy

- Inflation continues to inch downwards in Romania and with economic activity in freefall, the door should be wide open for further monetary easing. However, Romania's large external imbalances and the risk of a massive sell-off in the Romanian leu significantly limit the scope for monetary easing.
- The Romanian leu has been remarkably stable during this year's increased concerns about the situation in the CEE region. However, this calm might not last forever and we are especially concerned about 'Baltic contagion'.

Risk factors

- Romania has secured a EUR20bn aid package from the IMF, which offers some support for the economy. This is good news, but the package also comes with strict conditions on fiscal austerity.
- In recent weeks, the Romanian coalition government has collapsed and the Democrat-Liberal party is now the sole party in the government and is in a minority in parliament. With a weak minority government, it will be hard to implement the measures promised to the IMF as part of Romania's Standby Agreement.

RON

Credit rating:

S&P: BB+ (negative)

Currency regime:

Free float (Freely convertible)

Inflation target:

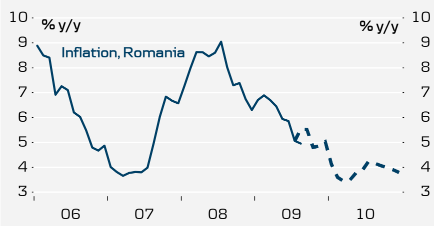
2009: 3.5% +/- 1%-point

FX forecast

EUR/RON		
	Danske	Forward
14-Oct	4.29	
+3M	4.35	4.39
+6M	4.45	4.47
+12M	4.60	4.62
USD/RON		
	Danske	Forward
14-Oct	2.88	
+3M	2.81	2.94
+6M	2.97	3.00
+12M	3.17	3.10

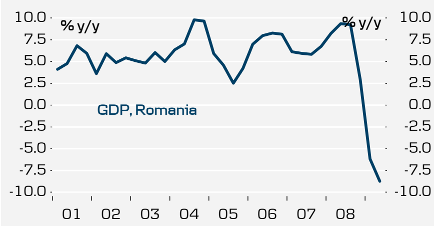
Source: Reuters Ecowin, Danske Markets

Inflation set to ease further



Source: Reuters Ecowin, Danske Markets

Deep recession continues in Q2



Source: Reuters Ecowin

Interest rate forecast

National Bank of Romania (NBR)	
Policy rate	8.00
Next meeting	03 Nov 2009
Next change	- 25 bp Nov, 2009
Year-end	7.50

Source: Reuters Ecowin, Danske Markets

Bulgaria

Macro outlook

- The Bulgarian economy has gone from boom to bust and economic activity has dropped sharply in the past couple of quarters.
- Given Bulgaria's large external imbalances and the country's significant refinancing needs, it is difficult to imagine a 'soft landing' for the Bulgarian economy and the main scenario most now be a 'Baltic style' drop in economic activity during 2009.
- The drop in economic activity is broadly based, but the real estate market that has become extremely overheated is likely to take the worst beating, which could lead to a further sharp drop in investment activity. Furthermore, with labour market conditions worsening and credit conditions being tightened significantly, the drop in private consumption is likely to be steep.

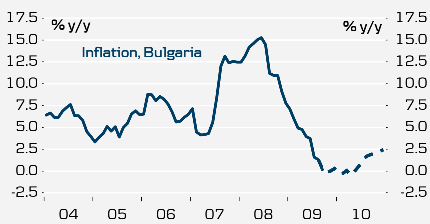
FX and monetary policy

- The Bulgarian central bank continues to conduct its monetary policy within the framework of a currency board system.
- Liquidity and credit conditions remain very tight and the present situation is not sustainable in the long run as the tight credit conditions hamper economic activity.
- The concerns about a possible Latvian devaluation have increased speculation about Bulgaria. We would certainly not rule out that a devaluation in a Baltic country could spark devaluation fears in Bulgaria.

Risk factors

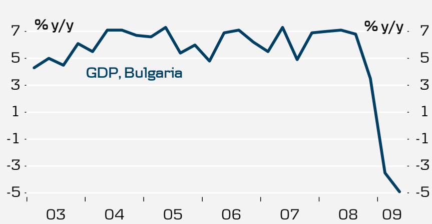
- The Bulgarian property market bubble has burst, which could threaten financial stability going forward.
- On 5 July the centre-right GERB party won a landslide victory over the governing Socialist party that was punished by voters over the economic crisis and the failure to combat corruption. Outgoing mayor of Sofia, Boiko Borisov, has been appointed prime minister in a new GERB government. GERB does not have a majority in parliament, but has more than 40% of the seats, and it will not have a problem commanding a majority with the help of the other right-wing parties.
- Borisov and his Finance Minister Simoen Djankov face serious economic challenges as the economic crisis deepens day by day and public finances have deteriorated dramatically. The new government has already said that it might have to go to the IMF for financial support. This will most likely happen at the end of 2009 or early 2010.

Deflationary trends



Source: Reuters Ecowin, Danske Markets

Boom-BUST



Source: Reuters Ecowin

BGN

Credit rating:

S&P: BBB (negative)

Currency regime:

Currency board

Inflation target:

No inflation target due to the currency board regime

FX forecast

EUR/BGN		
	Danske	Forward
14-Oct	1.96	
+3M	1.96	-
+6M	1.96	-
+12M	1.96	-
USD/BGN		
	Danske	Forward
14-Oct	1.31	
+3M	1.26	-
+6M	1.30	-
+12M	1.35	-

Source: Reuters Ecowin, Danske Markets

Estonia

Macro Outlook

- Estonian GDP dropped by 16.1% y/y in Q2 09, down from a 15.1% y/y decline in Q1 09. As expected, the slowdown in Estonia was broad-based but the main driver was domestic demand: private consumption fell by 21% y/y and investment by 39% y/y.
- We expect some recovery in Estonian growth next year, but it is likely to be very fragile. In general, we think only a more positive external demand outlook could result in a more buoyant recovery process. We expect GDP to contract up to 15% this year and up to 2.7% y/y in 2010 .
- Deflationary pressure is likely to continue in the H209 and in 2010: average deflation is expected to be around 0.1% y/y and 0.8 % y/y accordingly. There is some upside risk to our forecasts mainly related to the expected rise in excise duties and upside swing in global oil prices. However, we think the downside from the weak domestic demand performance outweighs most of the upside effects**.**
- The deterioration in the labour market continues: the unemployment rate jumped to 13.5% in Q2 09. However, as the labour market usually reacts with a lag to deterioration of economic activity, we expect the unemployment rate to jump up to 20% in 2010.
- The current account recorded a surplus in Q2 09 on the back of the sharp deceleration in domestic demand. We expect it to remain in surplus in H2 09.

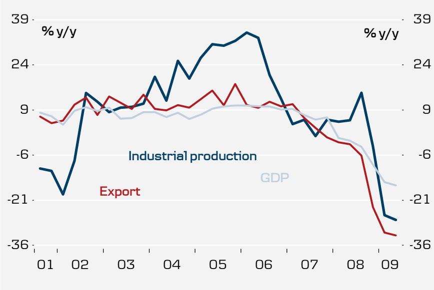
FX & monetary policy

- The Estonian kroon (EEK) is pegged to the euro through ERM II. To date, Estonia's currency board has functioned well and has not been questioned, but increasing concerns over the deteriorating global environment have increased uncertainty.
- Estonia's government is expected to speed up plans to move into the eurozone by 2011. However, Estonia's fiscal deficit widened to EEK 9.3bn in the H109, putting at risk the scope to meet euro adoption criterion.
- The ratings agency, Standard & Poor's, downgraded Estonia's rating by one notch. This downgrade mainly reflects concerns about the delay of Estonia's Economic and Monetary Union entry plans.

Risk factors

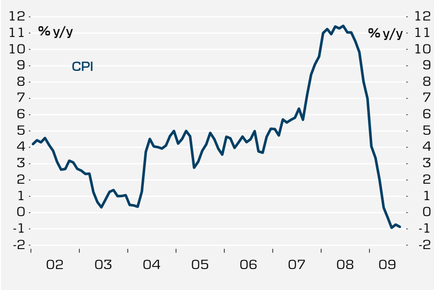
- We think Estonia is in a better financial position than the other Baltic States. However, despite recently implemented fiscal tightening, the risk of breaching 3% of GDP budget deficit in 2009-10 is significant.
- The Estonian government hopes to be in line with 3% of GDP target mostly due to additional dividend income. However, Eurostat might classify this as extraordinary income and exclude it from the deficit calculation.

Decline has reached the bottom



Source: Reuters Ecowin

Deflation slows



Source: Reuters Ecowin

EEK

Credit rating:

S&P: A- (negative)

Currency regime:

Currency board, ERM2 member (Freely convertible)

Inflation target:

None, due to fixed exchange rate

FX forecast

EUR/EEK		
	Danske	Forward
14-Oct	15.64	
+3M	15.65	-
+6M	15.65	-
+12M	15.65	-
USD/EEK		
	Danske	Forward
14-Oct	10.48	
+3M	10.10	-
+6M	10.43	-
+12M	10.79	-

Source: Reuters Ecowin, Danske Markets

Latvia

Macro Outlook

- Latvian GDP declined by 18.7% y/y in Q2, down from an 18.0% y/y decline in Q1 09. The decrease in GDP was influenced by a steep fall in domestic demand: household consumption expenditures drop by 23, private investment – by 39% y/y.
- The development of the Latvian economy in H1 09 was slightly above our base scenario. However, the risk of a deep recession with a fall in GDP of up to 20% y/y on average this year remains high. We do not expect a significant rebound in growth in 2010, and forecast GDP to decline by 5-6% y/y on average.
- The significant drop in domestic demand should help bring inflation down further; our inflation forecasts are 3.2% y/y in 2009 and -0.9% in 2010. An energy shock in Lithuania in 2010 would raise Latvian CPI as well, as Latvia is a net electricity importer – albeit to a much smaller extent than Lithuania.
- One of the major risks for the Latvian economy is the external imbalance which continues to shrink. The current account has continuously recorded a surplus position and we expect a positive current account balance for the year overall**.**
- Unemployment rose further to 14% in Q2 09. We could see massive lay-offs, with an unemployment level up to 18-19% of the labour force in 2009.

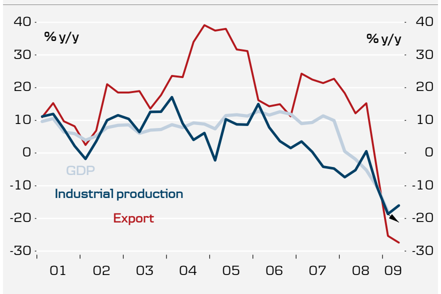
FX & monetary policy

- The Latvian lat (LVL) is pegged to the euro through ERM II, but renewed pressure on the currency should certainly not be ruled out.

Risk factors

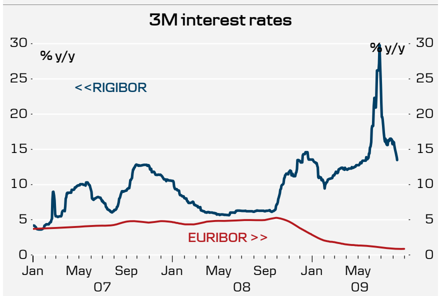
- Standard & Poor's downgraded Latvia's long-term rating to BB, two notches below investment grade. S&P said, "This rating action reflects our view of the political and economic challenges facing Latvia as a result of rapidly contracting nominal and real incomes and the associated pressures on public finances".
- The budget situation for 2010 remains highly uncertain. It seems as if Latvian politicians are still seriously divided about the IMF/EC proposed budget correction for 2010 which included highly unpopular measures on the both revenue and expenditure sides.

GDP is falling sharply



Source: Reuters Ecowin

Risk remains high



Source: Reuters Ecowin

LVL

Credit rating:

S&P: BB (negative)

Currency regime:

Quasi-currency board, ERM2 member (Freely convertible)

Inflation target:

None, due to fixed exchange rate

FX forecast

EUR/LVL		
	Danske	Forward
14-Oct	0.71	
+3M	0.70	-
+6M	0.70	-
+12M	0.70	-
USD/LVL		
	Danske	Forward
14-Oct	0.47	
+3M	0.45	-
+6M	0.47	-
+12M	0.48	-

Source: Reuters Ecowin, Danske Markets

Lithuania

Macro Outlook

- GDP dropped by 20.2% y/y in Q2 09, down from a 13.6% y/y decline in Q1 09. The development of the economy in H1 09 has so far been below our base scenario. Thus, there is a high probability that the economy could contract by up to 19% y/y overall in 2009.
- We believe that a sustained recovery of the economy will happen only after the energy price shock, in 2011. We should then have visibility on how the economy will be able to absorb this shock due to the rise in electricity prices.
- The VAT increase implemented in September is likely to have a one-off upside effect on CPI. Thus, the assessments of price developments for 2009 remain broadly unchanged: average inflation should stand at 4.3%.
- Higher electricity prices from 2010 will push inflation up again, but in H2 10, the upside effect will be mostly outweighed by the economic downturn. Besides, the Lithuanian government initiated some changes in the electricity price setting mechanism, which should somewhat diminish the negative impact of the expected energy price rise. Thus we revised downward our inflation forecast for 2010 to 0.8% on average.
- Unemployment jumped to almost 13.6% in Q2 09. Looking ahead, we project a sharper rise in unemployment to almost 17% in 2009 and up to 20% in 2010.
- As in other Baltic countries, the current account deficit is gradually normalising to a sustainable level. Thus, in the near term, it should not cause stability concerns.

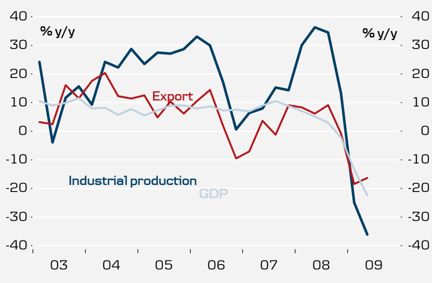
FX & monetary policy

- The Lithuanian litas (LTL) is pegged to the euro through ERM II. The sharp decline in trade, the global economic slowdown and the credit crisis have increased volatility in FX markets.
- Standard & Poor's placed Lithuania's BBB long-term rating on credit watch with negative implication. This reflects rising risks associated with a sharp economic downturn that is pressing Lithuania's public finance position and complicating the government's efforts to control budget deficit.

Risk factors

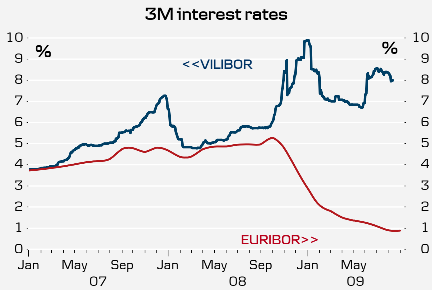
- The very weak Q2 09 GDP numbers have significantly raised uncertainty over the budget deficit target in this year.
- Energy price shocks at the beginning of 2010 would represent downside risk to the medium-term growth outlook.

GDP is falling sharply



Source: Reuters Ecowin

Returning to the downward trend



Source: Reuters Ecowin

LTL

Credit rating:

S&P: BBB (negative)

Currency regime:

Currency board, ERM2 member (Freely convertible)

Inflation target:

None, due to fixed exchange rate

FX forecast

EUR/LTL		
	Danske	Forward
14-Oct	3.45	
+3M	3.45	-
+6M	3.45	-
+12M	3.45	-
USD/LTL		
	Danske	Forward
14-Oct	2.31	
+3M	2.23	-
+6M	2.30	-
+12M	2.38	-

Source: Reuters Ecowin, Danske Markets

Russia

Macro Outlook

- The Russian economy is recovering, but the economic outlook is still fragile. Labour market dynamics and private consumption are still weak. Consequently final demand is expected to remain weak in the coming quarters.
- On a positive note, the industrial sector bottomed out over the summer and new orders are rising gradually. We therefore expect positive economic growth in the last quarter of 2009 and a contraction of 8% y/y for the full 2009.
- The government has stimulated the economy through tax cuts, higher social spending and by boosting strategically important sectors. Meanwhile public revenues have dropped one-fifth during 2009 and the public deficit is likely to reach 8.6% of GDP this year. The deficit will be financed via funds from government reserves, and from next year via issuance of debt.
- The current account balance improved on lacklustre imports and an improved external environment. We now expect a current account surplus worth 3.7% of GDP for 2009. Further capital flows have developed positively recently.

FX & Monetary Policy

- Inflation has been sticky during 2009, but a stable currency and weak demand finally seem to kick in, providing a more benign inflation outlook. In September inflation fell to 10.7% y/y and we expect it to inch down to around 10.0% by year-end and possibly lower in 2010.
- Lower inflation prompted aggressive rate cuts from the Russian central bank (CBR), bringing the refinancing rate down to 10.0%. The CBR is likely to deliver more cuts in the coming months to support growth – especially since the inflation outlook turned more benign and the economy looks soft.
- Higher oil prices, lower inflation and improving global risk appetite have supported Russian markets through improving external balances. The rouble thus appreciated slightly recently, although the CBR intervened in FX-markets to curb the appreciation. Politically there is very little desire to see rouble strengthening.
- Going forward we are likely to see increased volatility in the rouble – especially around the new year when fiscal spending will be accelerated. However, as long as oil prices are high and risk appetite present we do not expect the rouble to weaken significantly. On a medium term horizon we think that the combination of easy fiscal and monetary conditions and an expensive currency, in real terms, could drive the rouble somewhat weaker.

Risk Factors

- A key credit risk for Russia is the banking sector. Impaired loans could increase to 25% of the loan portfolio by end-2009. This would require an additional USD24bn capital injection into the banking sector. Overall the banking system is in a poor state and the actual level of overdue loans is likely to be much higher than official data suggest.

RUB

Credit rating:

S&P: BBB (negative)

Currency regime:

Managed peg versus dual currency basket – 45% EUR and 55% USD (Freely convertible)

Inflation target:

Below 10.0% year-end 2009

FX forecast

EUR/RUB		
	Danske	Forward
14-Oct	43.84	
+3M	45.26	44.53
+6M	45.45	45.27
+12M	46.69	46.78
USD/RUB		
	Danske	Forward
14-Oct	29.37	
+3M	29.20	29.84
+6M	30.30	30.36
+12M	32.20	31.41

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

Bank of Russia (CBR)		
Policy rate	10.00	
Next meeting	Not announced	
Next change	- 50 bp	Nov, 2009
Year-end	9.00	

Source: Danske Markets

Macro forecast

	2008	2009	2010
GDP (% y/y)	6.0	-8.0	1.5
Inflation (% y/y)	14.1	11.9	8.8
Unempoyment (%)	7.7	9.0	9.5
Current Account (% of GDP)	6.2	3.7	2.7

Source: Reuters Ecowin, Danske Markets

Ukraine

Macro Outlook

- The Ukrainian economy has been one of the hardest hit during this crisis. Q2 GDP dropped 17.8% y/y. We expect a full year contraction of 16.0% y/y for 2009.
- Retail sales declined 20.5% y/y (August) in real terms as households face lower wages and rising unemployment. With inflation still relatively high, negative real wage development is expected to be a drag on private spending throughout the year. Public finances are deteriorating due to the slumping economy and weak administration.
- The manufacturing sector was the first part of the economy to be hit by the credit crunch. Industrial production began to contract in Q3 08 as tight liquidity forced production cutbacks. Production is running at about 60-70% capacity and is gradually beginning to stabilise at these levels – but no recovery is seen yet. However, this will not be sufficient to avoid rising unemployment, which we expect to exceed 10% during the year.
- High base effects and limited inflationary pressures help bring down inflation. Money supply growth fell due to the defence of the currency. We expect inflation to decline towards 12-13% y/y, which yields an average for the year of around 16% y/y.

FX & Monetary Policy

- The Ukrainian hryvnia has been fairly stable over the past month, as the central bank intervened to avoid weakening of the currency. However, this is not a well-functioning market and currency transactions can be very challenging as the NBU holds onto its scarce currency reserves.
- Going forward we think that further devaluation is highly likely, since it will become difficult to defend the currency with large external debt refinancing needs. Hence we forecast USD/UAH to move up above 10 over the next 12 months.

Risk Factors

- Ukrainian equity markets surged over the past months – this is unjustified by data!
- The IMF is currently deciding whether to recommend disbursement of a fourth loan tranche to Ukraine as a part of the USD16.4bn standby agreement between the IMF and Ukraine. There are some concerns that the loan may be delayed and/or reduced in size as the government failed to carry out a number of measures agreed with the IMF, due to the political gridlock in parliament ahead of the January 2010 elections.
- For example, an attempt to privatise a major chemical plant collapsed when the government refused to recognize the winner of the auction. Furthermore, Ukraine failed in raising gas prices and passing banking legislation since the last review in June. The gas price rises are important in order to secure the finances of state natural gas company Naftogaz, which announced recently that it had agreed restructuring terms with 92% of note holders on a USD500m Eurobond that matured at the end of September.

UAH

Credit rating:

S&P: CCC+ (positive)

Currency regime:

Managed peg versus USD

FX forecast

EUR/UAH		
	Danske	Forward
14-Oct	12.05	
+3M	13.95	12.63
+6M	15.00	13.10
+12M	15.95	N/A
USD/UAH		
	Danske	Forward
14-Oct	8.19	
+3M	9.00	8.46
+6M	10.00	8.78
+12M	11.00	N/A

Source: Reuters Ecowin, Danske Markets

Turkey

Macro outlook

- The Turkish economy was very hard hit by the global crisis, but in recent months we have seen quite a remarkable rebound, especially in the Turkish manufacturing sector, which gives us reason to be relatively optimistic about continued recovery going into 2010.
- Turkish GDP growth improved to negative 7% y/y in Q2 from negative 14.3% y/y in Q1 (revised down from minus 13.6% y/y) and we expect the Turkish recovery to continue in the coming quarters. We expect GDP to have contracted on average by 6.9% y/y in 2009E and then grow 2.7% y/y on average in 2010E.

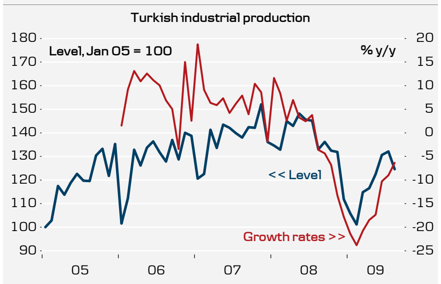
FX and monetary policy

- In recent months inflation has come down surprisingly fast in Turkey and it is currently at an historical low level. We now expect inflation to drop to close to 5% by the end of the year, which keeps the door open for further monetary easing from the Turkish central bank (TCMB).
- The Turkish lira has been fairly stable in the past month. At the moment the biggest risk to lira stability appears to be another spike in global risk aversion.

Risk factors

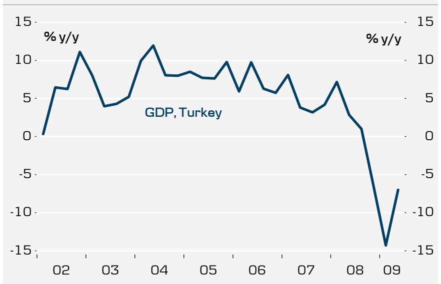
- The domestic political situation in Turkey is a risk factor, where tensions between Islamists and also reformist government and the secular establishment (especially the military and the judiciary) continue to be high.

Manufacturing recovery...



Source: Reuters Ecowin

...helps economic growth up



Source: Reuters Ecowin

TRY

Credit rating:

S&P: BB- (stable)

Currency regime:

Free-float (freely convertible)

Inflation target:

7.5% year-end 2009

6.5% year-end 2010

5.5% year-end 2011

FX forecast

EUR/TRY		
	Danske	Forward
14-Oct	2.15	
+3M	2.20	2.19
+6M	2.15	2.22
+12M	2.10	2.30
USD/TRY		
	Danske	Forward
14-Oct	1.44	
+3M	1.42	1.47
+6M	1.43	1.49
+12M	1.45	1.54

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

C.B. of the Republic of Turkey (TCMB)		
Policy rate	7.25	
Next meeting	15 Oct 2009	
Next change	- 50 bp	Oct, 2009
Year-end	6.50	

Source: Danske Markets

Macro forecast

	2008	2009	2010
GDP (% y/y)	1.1	-6.9	2.7
Inflation (% y/y)	10.4	6.0	5.7
Unempoyment (%)	14.0	14.1	14.7
Current Account (% of GDP)	-5.4	-1.1	-3.2

Source: Reuters Ecowin, Danske Markets

South Africa

Macro Outlook

- South Africa GDP growth dropped 3.0% q/q (seasonally adjusted, annualised) in Q2 09, which confirmed that the pace of contraction in Q2 moderated compared with the 6.4% q/q fall registered in Q1. This year's GDP growth might show contraction of as much as 2%. Next year we might see moderate growth around 2%.
- The South African PMI has been lagging significantly behind its EMEA peers, but September's PMI showed a significant jump to 48.0 from August's 39.3 signalling a recovery in manufacturing sector – the sector hardest hit by the global economic downturn.
- Contrary to improving PMI, hard data from manufacturing production do not point to a recovery in the manufacturing sector yet. The latest manufacturing production for August surprised on the downside when it shrank 15% y/y in August compared to 13.5% y/y contraction in July. Looking ahead we do expect recovery in the manufacturing sector, as foreign demand improves but the recovery will only be moderate.
- Inflation continues to moderate. In August headline inflation dropped to 6.4% y/y, still above the South African central bank's inflation target range of 3-6%. We expect headline inflation to return to the target range in Q1 2010.

FX & Monetary Policy

- We believe that the easing cycle in South Africa has come to an end and we do not expect further monetary easing going forward. We expect the South African key policy rate to be on hold at 7.00% in 3, 6 and 12 months.
- The South African rand (ZAR) continues to be driven by the US dollar development, the stock market and the commodity market, especially the gold prices. The weak US dollar combined with the gold price surging to a new all-time high support ZAR, which has strengthened more than 21% over the last six months.
- The excessively strong ZAR, which clearly undermines the economic recovery, has been a thorn in SARB's side. The central bank admitted that it was buying US dollar to weaken the exchange rate.
- Taking into account South African economic fundamentals and fear over the global recovery, which affects the risk appetite, we do not view further strengthening of the rand as justified.

Risk Factors

- This year's budget deficit will almost certainly exceed the 3.8% of GDP that the Treasury had previously forecast given much lower revenues due to the sharp economic downturn along with no spending cuts to reduce government expenditure.

ZAR

Credit rating:

S&P: BBB+ (negative)

Currency regime:

Free float (Freely convertible)

Inflation target:

3%-6%

FX forecast

EUR/ZAR		
	Danske	Forward
14-Oct	10.80	
+3M	11.63	10.96
+6M	11.70	11.15
+12M	11.60	11.49
USD/ZAR		
	Danske	Forward
14-Oct	7.23	
+3M	7.50	7.34
+6M	7.80	7.48
+12M	8.00	7.72

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

South African Reserve Bank (SARB)		
Policy rate	7.00	
Next meeting	22 Oct 2009	
Next change	-	Unchanged 2009
Year-end	7.00	

Source: Danske Markets

Brazil

Macro Outlook

- Industrial output continues to recover, rising almost 15% since the low seen in December 2008. The industry sector sees rising new orders and as inventory levels have dropped significantly in recent months, there should be some potential for industrial activity to move higher over the coming months.
- Data for retail sales show that consumers are holding up quite well, as monetary and fiscal easing have boosted the economy. Consumption is expected to rise further supported by the recent improvement of consumer confidence.
- We saw positive sequential GDP growth from Q2. The gradual recovery will be supported by consumption rather than investments. Investments are expected to remain lacklustre for another couple of quarters on the back of idle capacity. Politically the government is using fiscal policy to produce growth to maintain the administration's high popularity.
- With a negative output gap, inflationary pressures have abated markedly in recent months and inflation dropped to 4.3% y/y in September – below the official mid-point inflation target of 4.5% y/y. Going forward, inflation is likely to drop further if the currency remains stable, possibly towards 4% y/y around year-end.

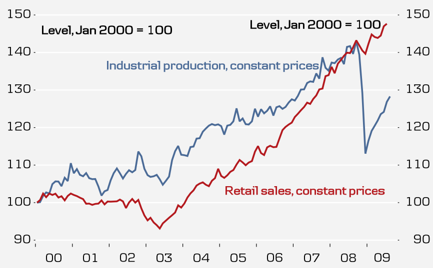
FX & Monetary Policy

- The central bank (BCB) kept its benchmark interest rate unchanged at 8.75% since July. We expect the BCB to remain on hold for the remainder of the year, and we look for several rate hikes going into 2010. Hence we expect the benchmark rate to be lifted to 10.25% by end-2010.
- The Brazilian real (BRL) has seen very strong performance since the beginning of March. It has appreciated almost 40% against the US dollar since then on the back of renewed risk appetite and surging commodity prices. While the real could gain further support from commodity prices in the coming months, we are a little concerned that the currency is beginning to look a little overbought short term.
- However, the balance of payment position improved markedly recently on the back of improved trade balance and rising capital inflows, especially through portfolio investments – that should support the stability of the Brazilian real.

Risk Factors

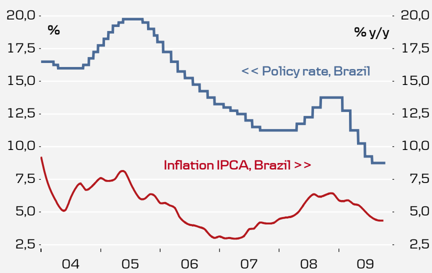
- A correction in commodity prices could put the Brazilian currency under pressure.
- The finance ministry's interference with the central bank's way of conducting monetary policy is worrisome and it increases uncertainty about the monetary policy outlook.

Domestic activity advances



Source: Reuters Ecowin

We expect rate hikes in 2010



Source: Reuters Ecowin

BRL

Credit rating:

S&P: BBB- (stable)

Currency regime:

Free float (Non-convertible)

Inflation target:

4.5% +/- 2%-point

FX forecast

EUR/BRL		
	Danske	Forward
14-Oct	2.54	
+3M	2.71	2.58
+6M	2.55	2.62
+12M	2.39	2.72
USD/BRL		
	Danske	Forward
14-Oct	1.70	
+3M	1.75	1.73
+6M	1.70	1.76
+12M	1.65	1.82

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

Central Bank of Brazil (BCB)		
Policy rate	8.75	
Next meeting	21 Oct 2009	
Next change	-	Unchanged 2009
Year-end	8.75	

Source: Danske Markets

Mexico

Macro Outlook

- Economic activity was lacklustre in H1 09, as the Mexican economy faced a dual shock from the global slowdown and the spread of the H1N1 virus. Hence GDP fell a massive 10.3% y/y in Q2 09. However, in recent months signs have emerged that the economy is beginning to stabilise. Further, rising PMIs in the US and the 'cash-for-clunkers' programme initiated in the US could be supportive for the Mexican manufacturing sector going forward. Exports of vehicles advanced slightly in recent months. However, overall, capacity utilisation is still low.
- Private spending remains sluggish and retail sales show no signs of recovering yet. Looking ahead the outlook for domestic final demand remains weak.
- Inflation was sticky in H1 due to the volatility of the Mexican peso (MXN). However, data show that consumer price growth declined to 4.9% y/y in September. We expect that inflation will only drop towards 4.2% y/y by year-end.

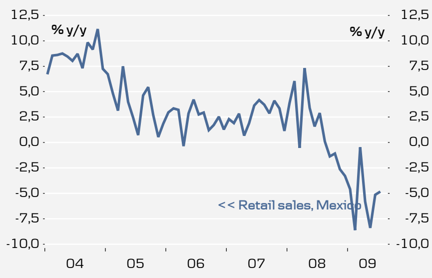
FX & Monetary Policy

- The central bank (Banxico) cut its key (corto) rate by an accumulated 375bp this year to 4.50%, as a response to the slumping economy. Going forward, negative real interest rates will ensure stable rates for the remainder of the year.
- The Mexican peso saw a good run during October, although the currency is still somewhat undervalued from a long-term perspective. On a 12-month horizon, the peso could gradually strengthen a little further against the dollar.

Risk Factors

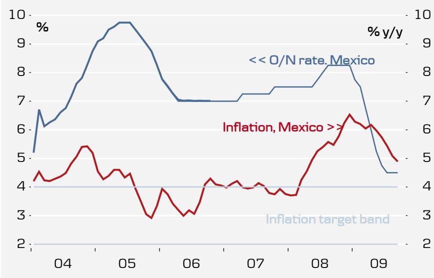
- The eventual impact of the H1N1 virus on tourism-related activity in Mexico as well as the Mexican economy could turn out to be relatively large. The ongoing drug-war is likely to have an effect too.

Private consumption still weak



Source: Reuters Ecowin

No further rate cuts expected



Source: Reuters Ecowin

MXN

Credit rating:

S&P: BBB+ (negative)

Currency regime:

Free float (Freely convertible)

Inflation target:

3.0% +/- 1%-point

FX forecast

EUR/MXN		
	Danske	Forward
14-Oct	19.49	
+3M	20.15	19.72
+6M	19.35	19.97
+12M	18.42	20.49
USD/MXN		
	Danske	Forward
14-Oct	13.06	
+3M	13.00	13.22
+6M	12.90	13.39
+12M	12.70	13.76

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

Bank of Mexico (Banxico)		
Policy rate	4.50	
Next meeting	16 Oct 2009	
Next change	-	Unchanged 2009
Year-end	4.50	

Source: Danske Markets

China

Macro Outlook

- GDP growth has accelerated sharply to around 16% q/q AR in Q2 on the back of aggressive fiscal and monetary easing. Public investment demand was initially the main driver, but private investment and private consumption have recovered substantially in recent months. Exports have stabilised and should start to recover in H2 09. GDP growth should slow slightly, but remain above 10% q/q AR for the rest of the year. We now expect GDP growth for 2009 as a whole to exceed 8%.
- Fiscal easing is expected to boost GDP growth by about 3pp in 2009. The total fiscal deficit is expected to exceed 3% of GDP in 2009, but this still leaves room for further fiscal easing if needed. With growth this year mainly driven by very strong domestic demand, the current account surplus is expected to decline substantially to just 4-5% of GDP.
- Consumer price inflation has turned negative mainly because of lower crude oil and commodity prices and normalisation in domestic food prices. However, with credit and money supply growth accelerating sharply and growth recovering, deflation does not appear to be a major threat. Month-on-month consumer price inflation has turned positive in recent months and the year-on-year rate is expected to turn positive in Q4 09.

CNY

Credit rating:

S&P: A+ (stable)

Currency regime:

Crawling USD peg

Inflation target:

No official target

FX & Monetary Policy

- With a hard landing of the economy looking less likely and credit growth looking extraordinarily strong, the People's Bank of China (PBOC) has started to rebalance monetary policy by removing liquidity from the interbank market and guiding short-term money market rates slightly higher. We do not expect fully fledged monetary tightening (hike in leading interest rates, increase in reserve requirement and possible reintroduction of lending controls) before early next year. With a modest output gap compared with most developed economies, China will be among the first major countries to tighten monetary policy next year.
- External pressure for appreciation of CNY has eased because of the decline in China's current account surplus. With exports still muted and downside risks to the economy remaining, China will keep CNY stable in the short run. In late 2010, we expect China to resume its gradual appreciation policy at some stage, as focus on monetary policy increasingly turns to maintaining price stability. To maintain an independent monetary policy the CNY exchange rate will gradually become more flexible.

FX forecast

EUR/CNY		
	Danske	Forward
14-Oct	10.19	
+3M	10.57	10.19
+6M	10.20	10.14
+12M	9.43	10.05
USD/CNY		
	Danske	Forward
14-Oct	6.83	
+3M	6.82	6.83
+6M	6.80	6.80
+12M	6.50	6.75

Source: Reuters Ecowin, Danske Markets

Risk Factors

- With recent sharp acceleration there is an increasing risk of bubbles in asset markets and bad loans surfacing in the banking sector at some stage. In addition, inflation might prove unsustainable. However, these are medium-term rather than near-term risks.
- Growth might slow substantially, when the impact from aggressive fiscal easing starts to wane later this year.

Interest rate forecast

People's Bank of China (PBOC)		
Policy rate	5.31	
Next meeting	Not announced	
Next change	-25 bp	Q1, 2010
Year-end	5.31	

Source: Reuters Ecowin, Danske Markets

Hong Kong

Macro Outlook

- The economy has experienced the sharpest contraction since the Asian crisis in 1997/98 but is now recovering quickly, supported by a major fiscal stimulus package, monetary easing and not least the strong recovery. Still GDP is expected to contract by more than 2% in 2009.
- Inflation has peaked and is now declining fast partly on the back of temporary government subsidies. It cannot be ruled out that the price development will turn deflationary on the back of slower growth.

FX & Monetary Policy

- Because of the currency board, interest rates are linked to US interest rates. Hence, money market rates are now expected to be unchanged until H2 10. There has been some spill-over from the global credit crisis to the domestic interbank rates and consequently the monetary authorities have increased access to liquidity through the discount window.
- Boost to USD liquidity has strengthened HKD and Hong Kong's Monetary Authority (MA) has been buying USD to keep HKD within trading band.

Risk Factors

- Hong Kong is expected to maintain its US dollar peg for the foreseeable future. That said, in the very long term, the goal is for some kind of linkage to CNY. However, full CNY convertibility is probably a necessary condition for HKD leaving its USD peg. If the Asian business cycle starts to decouple from the US cycle, it will be a major challenge for monetary policy in Hong Kong.
- No change in the political status is expected soon. Direct election of the chief executive and legislature is possible by 2017.
- Major fiscal easing in the 2008/09 budget. Fiscal package is 4.5% of GDP with about 80% one-off for this fiscal year.

HKD

Credit rating:

S&P: AA+ (stable)

Currency regime:

Currency board/USD peg

Inflation target:

No target

FX forecast

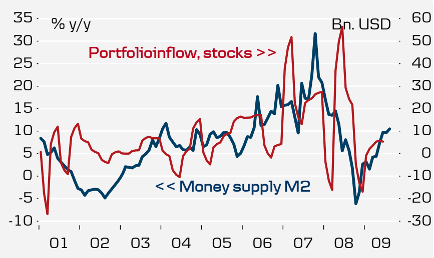
EUR/HKD		
	Danske	Forward
14-Oct	11.57	
+3M	12.01	11.56
+6M	11.66	11.54
+12M	11.31	11.51
USD/HKD		
	Danske	Forward
14-Oct	7.75	
+3M	7.75	7.74
+6M	7.77	7.74
+12M	7.80	7.73

Source: Reuters Ecowin, Danske Markets

Monetary authorities buying USD to keep HKD within band

Source: Ecowin

...and money supply growth has picked up substantially



Source: Ecowin

Interest rate forecast

Hong Kong's Monetary Authority (MA)	
Policy rate	0.50
Next meeting	Not announced
Next change	-25 bp Q4, 2010
Year-end	0.50

Source: Reuters Ecowin, Danske Markets

Taiwan

Macro Outlook

- Taiwan is a very open economy and very dependent on electronics and exports to the US, which renders it sensitive to slower global growth. However, exports and industrial production have recovered strongly in recent months – albeit from very depressed levels. In particular strong exports to China and aggressive fiscal easing have contributed to the recent recovery. Still GDP is likely to contract by more than 3% in 2009.
- Inflation has peaked and is expected to decline below 1% in 2009. It cannot be ruled out that Taiwan will be pushed into deflationary territory in 2009.

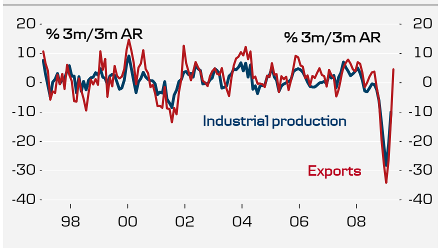
FX & Monetary Policy

- Taiwan's central bank has eased aggressively. However, with signs of a strong recovery, the central bank is unlikely to cut interest rates further. In line with the rest of Asia Taiwan's central bank will start tightening in H1 2010
- TWD remains well supported by a strong current account position and usually performs well in a risk-averse market. TWD has strengthened significantly in recent months on the back of some signs of stabilisation in the global economy and expectations that liberalisation of trade and investment with China will boost capital inflows into Taiwan. The central bank has intervened heavily in the market to prevent too fast appreciation of TWD and has even warned that capital controls might be a useful tool to prevent further appreciation.

Risk Factors

- Ma Ying-jeou from Kuomintang won a landslide victory in the presidential election in March last year. Kuomintang has a majority in the parliament. Political stability is on the cards even though the slowdown is starting to weigh on the government's popularity.
- The political agenda has shifted from independence to an economic agenda including liberalisation of economic ties with Mainland China. Political tensions between Taiwan and China have eased considerably and this is currently a major positive for Taiwan.
- Liberalisation of economic ties with China could be a major positive for Taiwan. Tourism, transport and regulation of foreign direct investments for financial institutions have recently been liberalised. In addition Taiwan and China are expected to start negotiations about a free trade agreement. If concluded this would be a major positive for Taiwan.

Strong recovery in exports



Source: Reuters Ecowin

TWD has recovered slightly

Source: Reuters Ecowin

TWD

Credit rating:

S&P: AA- (negative)

Currency regime:

Free float

Inflation target:

2% medium term

FX forecast

EUR/TWD		
	Danske	Forward
14-Oct	48.12	
+3M	48.05	48.04
+6M	45.00	47.85
+12M	43.50	47.50

USD/TWD		
	Danske	Forward
14-Oct	32.22	
+3M	31.00	32.19
+6M	30.00	32.09
+12M	30.00	31.90

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

Central Bank of Taiwan (CBT)		
Policy rate	1.25	
Next meeting	Not announced	
Next change	-25 bp	Q2, 2010
Year-end	1.25	

Source: Reuters Ecowin, Danske Markets

South Korea

Macro Outlook

- The South Korean economy has recovered remarkably, driven by strong exports and strong domestic demand supported by a major fiscal stimulus package. Despite major inventory cuts, GDP growth accelerated to more than 8% q/q AR in Q2. Industrial production at the end of Q2 was close to pre-crisis levels. Growth is likely to remain above potential for the rest of the year although it is expected to slow from the extraordinarily strong growth in Q2.
- The current account has returned into a substantial surplus on the back of the strong recovery in exports and the terms of trade gains from lower crude oil and commodity prices.
- Inflation has returned within the Bank of Korea's (BOK) inflation target band of 2.5% +/-1pp in 2009 and is expected to remain within this range over the next year. The recent KRW appreciation could push year-on-year inflation towards the lower end of the band in the near term. However, KRW is still undervalued at current levels and hence the recent KRW appreciation is unlikely to have a major deflationary impact.

FX & Monetary Policy

- There has been considerable spill-over from the global credit crisis to the domestic banking sector. The government has guaranteed banks' foreign loans and access to central bank liquidity has been increased. Tensions in the domestic banking sector have eased significantly in recent months and interbank interest rates have declined substantially.
- This was a major drain on FX reserves in early 2009, but FX reserves have improved significantly in recent months on the current account returning to a substantial surplus and BOK apparently now buying foreign exchange to avoid to fast appreciation of KRW. South Korea's external liquidity position is strong and has allowed for considerable policy flexibility despite a vulnerable banking sector.
- With the strong recovery is expected to continue in the coming quarters, BOK is on hold and the leading interest rate will remain at 2.0% for the rest of the year. BOK is expected to start tightening monetary policy in Q2 10.

Risk Factors

- South Korea is one of the Asian countries most sensitive to the current credit crisis because of its banks' dependence on short-term wholesale foreign funding.
- The domestic political environment is stable. Lee Myung-bak from the right-wing GNP party is the current president and GNP has an absolute majority in the parliament.
- Geopolitical risks are increasing on concerns over the health of North Korean leader Kim Yung Il and transition to a new leadership in North Korea.

KRW

Credit rating:

S&P: A (stable)

Currency regime:

Free float

Inflation target:

2.5% +/- 1%-point

FX forecast

EUR/KRW		
	Danske	Forward
14-Oct	1727.57	
+3M	1666.25	1732.32
+6M	1500.00	1734.01
+12M	1450.00	1737.85
USD/KRW		
	Danske	Forward
14-Oct	1157.50	
+3M	1075.00	1161.00
+6M	1000.00	1163.00
+12M	1000.00	1167.00

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

Bank of Korea (BOK)	
Policy rate	2.00
Next meeting	12 Nov 2009
Next change	-25 bp Q1, 2010
Year-end	2.00

Source: Reuters Ecowin, Danske Markets

Thailand

Macro Outlook

- The very open Thai economy has been hit hard by the collapse in global demand. However, in line with other Asian economies, it has started to recover substantially in Q2 on the back of a strong turnaround in exports. Political uncertainty to weigh on domestic demand and important tourist earnings The government has approved a substantial fiscal stimulus of 2-3% of GDP although the timing is uncertain due to opposition obstruction. GDP is expected to be substantially above potential growth in the coming months.
- The current account surplus soared in early 2009 on the back of weak domestic demand, some recovery in exports and lower crude oil prices. The government budget deficit is likely to reach 6% of GDP because of fiscal stimulus and weaker growth.
- Headline inflation has declined sharply into negative territory, partly because of the introduction of some subsidies. Inflation is currently not a constraint on monetary policy.

FX & Monetary Policy

- In 2008 the last remaining restrictions on capital inflows were removed and onshore and offshore exchange have converged. The Thai government has recently started to liberalise capital outflows further to stem the recent appreciation pressure on THB.
- With clear signs that the economy is recovering, the Bank of Thailand (BOT) is not expected to cut its leading interest rate further and thus should keep rates on hold for the rest of the year. Given modest inflation, we do not expect BOT to start hiking its leading interest rate until mid-2010.
- THB has appreciated sharply in recent months on the back of the sharp improvement in the current account and improved risk sentiment internationally and Thailand's central bank has intervened to stem the currency apprciation. Concerns about the health of Thailand's King have most recently weakened THB. However, Thailand's external liquidity position is very strong and there is limited downside risk to THB despite considerable political uncertainty.

Risk Factors

- The political scene is dominated by conflict between pro- and anti-Thaksin parties. The Democratic party has formed a government with a slim majority in the parliament and party leader Abhisit Vejjajiva as new prime minister. With only a slim majority, the government remains weak and the opposition has delayed the implementation of part of the government's fiscal easing. On the positive side, a lot of Thais seem to be fed up with the political turmoil and political tensions appear to have eased at least at the street level.
- Thailand is a constitutional democracy with the monarchy wielding considerable political influence. The Thai king is extremely popular but he is believed to be sick and his accession is a major political uncertainty that could exarcebate current political turmoil.

THB

Credit rating:

S&P: BBB+ (negative)

Currency regime:

Free float

Inflation target:

0%-3%

FX forecast

EUR/THB		
	Danske	Forward
14-Oct	49.76	
+3M	50.38	49.84
+6M	47.25	49.78
+12M	46.40	49.75

USD/THB		
	Danske	Forward
14-Oct	33.34	
+3M	32.50	33.40
+6M	31.50	33.39
+12M	32.00	33.41

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

Bank of Thailand (BOT)		
Policy rate	1.25	
Next meeting	21 Oct 2009	
Next change	- 25 bp	Q3, 2010
Year-end	1.25	

Source: Reuters Ecowin, Danske Markets

Malaysia

Macro Outlook

- Malaysia is an extremely open economy and has been hit hard by the global financial crisis despite massive government fiscal stimulus. In line with other Asian economies, there are signs of recovery although the recovery has so far been relatively weak. GDP growth is likely to be slightly negative in 2009.
- A major fiscal easing has been implemented and the budget deficit will increase sharply.
- Inflation has increased sharply on the back of higher food prices and the June hike in regulated energy prices. However, inflation has peaked and declined substantially in 2009.

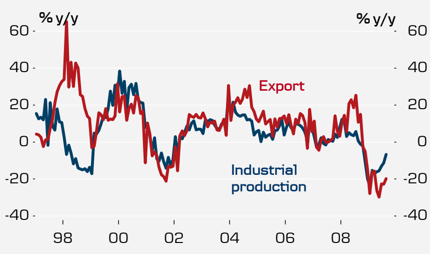
FX & Monetary Policy

- The central bank has finished easing and might start to tighten monetary policy by mid 2010.
- The currency is supported by a current account surplus of 15% of GDP. In line with other Asian countries we expect MYR to strengthen against USD as the global economy gradually recovers.

Risk Factors

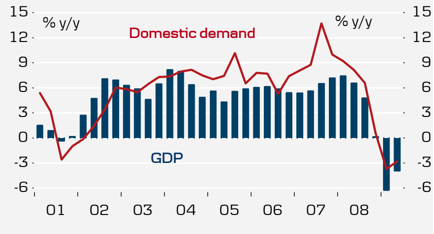
- Although the governing Barisan Nasional (BN) coalition won a majority in the general election in March last year, it was regarded as a defeat because it lost its two-thirds majority and power in several provinces. However, it is doubtful if there is a credible political alternative to BN at present. In a planned transfer of power, PM Abdullah resigned in March and the former finance minister Najib became the new prime minister, as Najib even more than Abdullah has a vested interest in the ruling UMNO party
- While Malaysia has a stable regulatory environment it has been lagging other Asian countries on governance reforms and economic liberalisation in recent years. That said, the new Prime Minister has just announced some liberalisation of foreign direct investment rules easing requirements for co-Malay ownership.

Industrial activity has started to recover



Source: Ecowin

Domestic demand has weakened



Source: Ecowin

MYR

Credit rating:

S&P: A- (stable)

Currency regime:

Free float

Inflation target:

No official target

FX forecast

EUR/MYR		
	Danske	Forward
14-Oct	5.03	
+3M	4.96	5.04
+6M	4.88	5.06
+12M	4.79	5.07
USD/MYR		
	Danske	Forward
14-Oct	3.37	
+3M	3.20	3.38
+6M	3.25	3.39
+12M	3.30	3.40

Source: Reuters Ecowin, Danske Markets

Interest rate policy

Central Bank of Malaysia (BNM)	
Policy rate	2.00
Next meeting	28 Oct 2009
Next change	- 25 bp Q3, 2010
Year-end	2.00

Source: Reuters Ecowin, Danske Markets

Philippines

Macro Outlook

- GDP growth is expected to slow below 2% on the back of slower export growth and the inflation shock to domestic demand earlier in the year. The current account surplus has declined, but will soon start to improve due to lower crude oil and food prices.
- Inflation has declined substantially below the central bank's target range of 4-5% – mainly on the back of lower energy and food prices. However, recently inflation has declined less than expected and it should soon start to pick up as the base impact from lower energy prices last year starts to wane.

FX & Monetary Policy

- With growth improving and inflation currently no major restraint on monetary policy, we expect monetary policy to remain on hold until mid 2010.
- The Philippines have very strong FX reserves and basic balance flows remain very healthy. For that reason we still see some recovery in PHP on a 12M horizon.

Risk Factors

- Domestic political tensions are increasing due to disagreements about possible changes in the constitution. By allowing foreign ownership of land, the main purpose of the constitutional change is to attract foreign investment. The opposition fears that the purpose is to allow president Arroyo to extend her leadership beyond the next 2010 presidential election.
- The government has postponed its goal of balancing government budget from 2008 to 2010.

PHP

Credit rating:

S&P: BB- (stable)

Currency regime:

Free float

Inflation target:

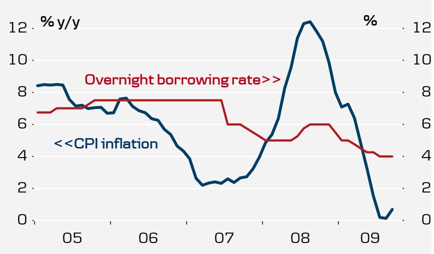
4%-5%

FX forecast

EUR/PHP		
	Danske	Forward
14-Oct	69.13	
+3M	68.20	69.46
+6M	66.00	69.55
+12M	62.35	69.90
USD/PHP		
	Danske	Forward
14-Oct	46.31	
+3M	44.00	46.55
+6M	44.00	46.65
+12M	43.00	46.94

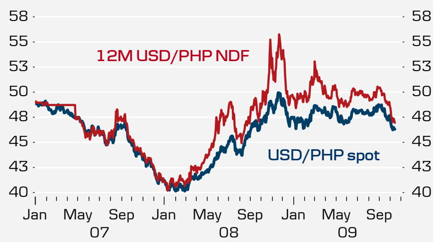
Source: Reuters Ecowin, Danske Markets

Inflation at record low



Source: Ecowin

PHP has not benefitted from improved risk sentiment



Source: Ecowin

Interest rate forecast

Central Bank of Philippines (BSP)	
Policy rate	4.00
Next meeting	05 Nov 2009
Next change	-25 bp Q2, 2010
Year-end	4.00

Source: Reuters Ecowin, Danske Markets

Indonesia

Macro Outlook

- Indonesia is a comparatively closed economy and hence has been hit less than other Asian countries by the global financial crisis. Growth has remained resilient on the back of robust domestic demand and, in common with other parts of Asia, growth has gained pace in Q2. Still for 2009 as a whole GDP growth is expected to slow to around 4% mainly due to slower export growth and weakness in domestic demand in early 2009.
- The current account turned into a minor deficit in late 2008 partly due to resilient domestic demand and lower commodity prices. However, the current account has improved in 2009 on the back of both weaker domestic demand in early 2009 and a significant pick-up in exports of commodities.
- Inflation has finally started to decline – partly because the government has started to cut administered energy prices and partly because the recent strong IDR appreciation should put downward pressure on inflation in the coming months. However, underlying inflationary pressure remains a worry because of strong domestic demand.

FX & Monetary Policy

- With growth improving, the Bank of Indonesia (BI) will probably not cut its leading interest rates further. BI is expected to start tightening mometary policy in Q2 2010. There has been a considerable spill-over from the global credit crisis into the domestic banking sector and BI has reduced the reserve requirement ratio and eased access to liquidity. There are signs that pressure on the banking sector is easing.
- Global risk sentiment has improved and portfolio inflows have returned. Together with an improved current account position, this has contributed to renewed growth in FX reserves. Longer-term basic balance of payment flows and carry will remain supportive for IDR. The potential for further IDR appreciation is now limited by BI's FX purchase.

Risk Factors

- Indonesia has a strong liquidity position (little short-term debt and strong FX reserves). However, as a carry currency, it remains very sensitive to portfolio flows and risk sentiment in global financial markets.
- President Yudhoyono was re-elected in June and his Democratic party improved its position considerably in connection with the general election. Yudhoyono is reform minded and has signalled his intention to continue fiscal consolidation. The re-election of Yudhoyono and the peaceful elections underline that despite the recent terror attacks the favourable political development in Indonesia continues with particularly Muslim fundamentalism becoming increasingly marginalised politically.

IDR

Credit rating:

S&P: BB- (stable)

Currency regime:

Free float

Inflation target:

5%-7% in 2008

FX forecast

EUR/IDR		
	Danske	Forward
14-Oct	13976	
+3M	14260	14227
+6M	13500	14440
+12M	13050	14959
USD/IDR		
	Danske	Forward
14-Oct	9365	
+3M	9200	9535
+6M	9000	9685
+12M	9000	10045

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

Bank Indonesia (BI)		
Policy rate	6.50	
Next meeting	04 Nov 2009	
Next change	- 25 bp	Q1, 2010
Year-end	6.50	

Source: Reuters Ecowin, Danske Markets

India

Macro Outlook

- India has not been hit as hard by the global financial crisis as other Asian economies as it is a comparatively closed economy with little financial depth. Growth is recovering, supported by fiscal and monetary easing and stabilisation in the global economy. However, drought has hit major parts of India and it is expected to subtract 1pp from GDP growth this year. Still GDP growth should be close to 6% in 2009.
- Inflation has declined sharply to record lows in recent months on the back of lower energy and commodity prices. Headline inflation is negative and hence should be comfortably below RBI's medium-term target of 3%. However, the drought will add to food price inflation in coming months and inflation should pick up significantly next year to above 4%.
- The current account deficit has deteriorated sharply due to much slower export growth and resilient domestic demand. So far the current account deficit has been covered by strong foreign investments. The current account position should improve significantly in H1 09 but remains a significant concern.

FX & Monetary Policy

- The Reserve Bank of India (RBI) has eased monetary policy aggressively by cutting both interest rates and the reserve requirement (RRR). The cut in the RRR has mainly been done to ease liquidity pressure on domestic banks. However, with growth recovering fast and consumer prices rising again, we expect RBI to start tightening monetary policy early next year.
- INR remains vulnerable to the current account deficit and possible lower portfolio and FDI inflows in a global deleveraging scenario. However, INR has recently appreciated sharply on the back of improved risk sentiment, capital inflows into the stock market and improvement in the current account. Longer term, INR will be underpinned by continued strong FDI inflows.

Risk Factors

- The Congress party became the biggest party in connection with the May general elections. The Congress party will continue to rule in a coalition government dependent on support from a couple of smaller regional parties. Compared to its previous rule, the Congress government is now in a much stronger position in parliament and it is expected to accelerate economic liberalisation on several fronts. Access to FDI is expected to be eased and privatisation of state-owned companies could be stepped up.
- Overall, India's economic balances have deteriorated in recent years. Growth is now taking priority over continued fiscal consolidation. Including off-balance items, the public budget deficit will probably exceed 10% of GDP because of fiscal easing.

INR

Credit rating:

S&P: BBB- (negative)

Currency regime:

Free float

Inflation target:

5% for fiscal 08/09

3% medium term

FX forecast

EUR/INR		
	Danske	Forward
14-Oct	68.66	
+3M	69.75	69.14
+6M	66.00	69.66
+12M	63.80	70.70
USD/INR		
	Danske	Forward
14-Oct	46.00	
+3M	45.00	46.33
+6M	44.00	46.72
+12M	44.00	47.48

Source: Reuters Ecowin, Danske Markets

Interest rate forecast

Researve Bank of India (RBI)		
Policy rate	3.25	
Next meeting	27 Oct 2009	
Next change	- 25 bp	Q1, 2010
Year-end	3.25	

Source: Reuters Ecowin, Danske Markets

FX Forecast

Core-Major

Core Majors		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
EUR	14-Oct			1.49		744.4		1030.0		826.2	
	+3M			1.55	1.49	745.0	745.3	1010.0	1029.3	820.0	829.4
	+6M			1.50	1.49	745.0	745.7	980.0	1028.6	810.0	832.3
	+12M			1.45	1.49	746.0	746.6	960.0	1026.8	800.0	839.3
USD	14-Oct	1.49				498.5		690.5		553.5	
	+3M	1.55	1.49			480.6	499.5	651.6	689.9	529.0	555.8
	+6M	1.50	1.49			496.7	500.1	653.3	689.9	540.0	558.2
	+12M	1.45	1.49			514.5	501.3	662.1	689.5	551.7	563.6
JPY	14-Oct	133.5		89.4		5.58		7.72		6.19	
	+3M	143.0	133.3	93.0	89.4	5.21	5.59	7.06	7.72	5.73	6.22
	+6M	145.0	133.2	96.0	89.3	5.14	5.60	6.76	7.72	5.59	6.25
	+12M	148.0	132.5	101.0	88.9	5.04	5.64	6.49	7.75	5.41	6.34

Source: Reuters EcoWin, Danske Markets

Wider CEE

Wider CEE		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
PLN	14-Oct	4.21		2.82		176.8		244.6		196.2	
	+3M	4.10	4.24	2.65	2.84	181.7	175.9	246.3	243.0	200.0	195.8
	+6M	4.05	4.26	2.70	2.86	184.0	175.1	242.0	241.5	200.0	195.4
	+12M	4.00	4.30	2.76	2.89	186.5	173.4	240.0	238.5	200.0	195.0
HUF	14-Oct	266.9		178.8		2.79		3.86		3.10	
	+3M	275.0	270.5	177.4	181.3	2.71	2.76	3.67	3.81	2.98	3.07
	+6M	280.0	273.3	186.7	183.3	2.66	2.73	3.50	3.76	2.89	3.05
	+12M	280.0	278.9	193.1	187.3	2.66	2.68	3.43	3.68	2.86	3.01
CZK	14-Oct	25.86		17.33		28.78		39.83		31.95	
	+3M	26.20	25.91	16.90	17.37	28.44	28.76	38.55	39.73	31.30	32.01
	+6M	25.70	25.95	17.13	17.40	28.99	28.74	38.13	39.64	31.52	32.08
	+12M	25.40	26.04	17.52	17.49	29.37	28.67	37.80	39.44	31.50	32.23
RON	14-Oct	4.29		2.88		173.4		239.9		192.5	
	+3M	4.35	4.39	2.81	2.94	171.3	169.7	232.2	234.4	188.5	188.8
	+6M	4.45	4.47	2.97	3.00	167.4	167.0	220.2	230.3	182.0	186.3
	+12M	4.60	4.62	3.17	3.10	162.2	161.5	208.7	222.1	173.9	181.5
BGN	14-Oct	1.96		1.31		380.7		526.7		422.5	
	+3M	1.96	-	1.26	-	381.1	-	516.6	-	419.4	-
	+6M	1.96	-	1.30	-	381.1	-	501.3	-	414.3	-
	+12M	1.96	-	1.35	-	381.6	-	491.0	-	409.2	-

Source: Reuters EcoWin, Danske Markets

CIS

CIS		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
RUB	14-Oct	43.84		29.37		16.98		23.49		18.84	
	+3M	45.26	44.53	29.20	29.84	16.46	16.74	22.32	23.12	18.12	18.62
	+6M	45.45	45.27	30.30	30.36	16.39	16.47	21.56	22.72	17.82	18.38
	+12M	46.69	46.78	32.20	31.41	15.98	15.96	20.56	21.95	17.13	17.94
UAH	14-Oct	12.05		8.19		61.8		85.5		68.6	
	+3M	13.95	12.63	9.00	8.46	53.4	59.0	72.4	81.5	58.8	65.7
	+6M	15.00	13.10	10.00	8.78	49.7	56.9	65.3	78.5	54.0	63.5
	+12M	15.95	N/A	11.00	N/A	46.8	N/A	60.2	N/A	50.2	N/A

Source: Reuters EcoWin, Danske Markets

Baltics

Baltics		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
EEK	14-Oct	15.64		10.48		47.59		65.85		52.82	
	+3M	15.65	-	10.10	-	47.60	-	64.54	-	52.40	-
	+6M	15.65	-	10.43	-	47.60	-	62.62	-	51.76	-
	+12M	15.65	-	10.79	-	47.67	-	61.34	-	51.12	-
LTL	14-Oct	3.45		2.31		215.6		298.3		239.3	
	+3M	3.45	-	2.23	-	215.9	-	292.8	-	237.7	-
	+6M	3.45	-	2.30	-	215.9	-	284.1	-	234.8	-
	+12M	3.45	-	2.38	-	216.2	-	278.3	-	231.9	-
LVL	14-Oct	0.71		0.47		1051.6		1455.0		1167.1	
	+3M	0.70	-	0.45	-	1064.3	-	1442.9	-	1171.4	-
	+6M	0.70	-	0.47	-	1064.3	-	1400.0	-	1157.1	-
	+12M	0.70	-	0.48	-	1065.7	-	1371.4	-	1142.9	-

Source: Reuters EcoWin, Danske Markets

MEA

MEA		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
TRY	14-Oct	2.15		1.44		345.5		478.1		383.5	
	+3M	2.20	2.19	1.42	1.47	338.6	340.0	459.1	469.6	372.7	378.4
	+6M	2.15	2.22	1.43	1.49	346.5	335.7	455.8	463.1	376.7	374.7
	+12M	2.10	2.30	1.45	1.54	355.2	325.1	457.1	447.2	381.0	365.5
ZAR	14-Oct	10.80		7.23		69.0		95.4		76.5	
	+3M	11.63	10.96	7.50	7.34	64.1	68.0	86.9	94.0	70.5	75.7
	+6M	11.70	11.15	7.80	7.48	63.7	66.9	83.8	92.3	69.2	74.7
	+12M	11.60	11.49	8.00	7.72	64.3	65.0	82.8	89.4	69.0	73.1
ILS	14-Oct	5.53		3.70		134.7		186.4		149.5	
	+3M	5.74	5.53	3.70	3.70	129.9	134.9	176.1	186.3	143.0	150.1
	+6M	5.48	5.52	3.65	3.70	136.1	135.0	179.0	186.3	147.9	150.7
	+12M	5.29	5.52	3.65	3.71	141.0	135.3	181.4	186.0	151.2	152.1
EGP	14-Oct	8.17		5.48		91.1		126.0		101.1	
	+3M	8.53	8.31	5.50	5.57	87.4	89.7	118.5	123.9	96.2	99.8
	+6M	8.33	8.47	5.55	5.68	89.5	88.0	117.7	121.4	97.3	98.2
	+12M	8.12	8.60	5.60	5.77	91.9	86.9	118.2	119.5	98.5	97.6

Source: Reuters EcoWin, Danske Markets

LATAM

LATAM		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
BRL	14-Oct	2.54		1.70		293.3		405.9		325.6	
	+3M	2.71	2.58	1.75	1.73	274.7	289.1	372.4	399.3	302.3	321.8
	+6M	2.55	2.62	1.70	1.76	292.2	284.9	384.3	393.0	317.6	318.0
	+12M	2.39	2.72	1.65	1.82	311.8	274.8	401.3	377.9	334.4	308.9
ARS	14-Oct	5.70		3.82		130.6		180.7		144.9	
	+3M	6.20	5.83	4.00	3.91	120.2	127.7	162.9	176.4	132.3	142.2
	+6M	6.75	5.98	4.50	4.01	110.4	124.7	145.2	172.0	120.0	139.2
	+12M	6.67	6.40	4.60	4.30	111.8	116.6	143.9	160.4	119.9	131.1
MXN	14-Oct	19.49		13.06		38.19		52.84		42.39	
	+3M	20.15	19.72	13.00	13.22	36.97	37.78	50.12	52.19	40.69	42.05
	+6M	19.35	19.97	12.90	13.39	38.50	37.35	50.65	51.51	41.86	41.68
	+12M	18.42	20.49	12.70	13.76	40.51	36.43	52.13	50.11	43.44	40.96

Source: Reuters EcoWin, Danske Markets

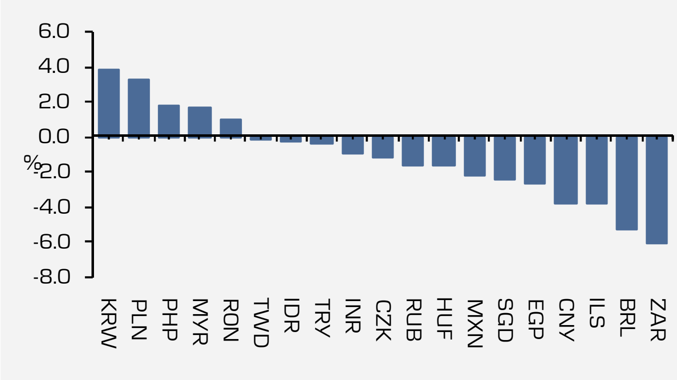
EM Asia

EM Asia		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
CNY	14-Oct	10.19		6.83		73.1		101.1		81.1	
	+3M	10.57	10.19	6.82	6.83	70.5	73.2	95.5	101.0	77.6	81.4
	+6M	10.20	10.14	6.80	6.80	73.0	73.5	96.1	101.4	79.4	82.1
	+12M	9.43	10.05	6.50	6.75	79.2	74.3	101.9	102.2	84.9	83.5
KRW	14-Oct	1728		1158		0.43		0.60		0.48	
	+3M	1666	1732	1075	1161	0.45	0.43	0.61	0.59	0.49	0.48
	+6M	1500	1734	1000	1163	0.50	0.43	0.65	0.59	0.54	0.48
	+12M	1450	1738	1000	1167	0.51	0.43	0.66	0.59	0.55	0.48
THB	14-Oct	49.8		33.3		15.0		20.7		16.6	
	+3M	50.4	49.8	32.5	33.4	14.8	15.0	20.0	20.7	16.3	16.6
	+6M	47.3	49.8	31.5	33.4	15.8	15.0	20.7	20.7	17.1	16.7
	+12M	46.4	49.8	32.0	33.4	16.1	15.0	20.7	20.6	17.2	16.9
SGD	14-Oct	2.07		1.39		359		497		398	
	+3M	2.12	2.07	1.37	1.39	351	359	476	496	386	400
	+6M	2.03	2.07	1.35	1.39	368	360	484	496	400	402
	+12M	1.96	2.07	1.35	1.39	381	361	490	496	409	405
HKD	14-Oct	11.57		7.75		64.4		89.0		71.4	
	+3M	12.01	11.56	7.75	7.74	62.0	64.5	84.1	89.1	68.3	71.8
	+6M	11.66	11.54	7.77	7.74	63.9	64.6	84.1	89.1	69.5	72.1
	+12M	11.31	11.51	7.80	7.73	66.0	64.8	84.9	89.2	70.7	72.9
MYR	14-Oct	5.03		3.37		148.1		204.9		164.4	
	+3M	4.96	5.04	3.20	3.38	150.2	147.7	203.6	204.1	165.3	164.4
	+6M	4.88	5.06	3.25	3.39	152.8	147.4	201.0	203.4	166.2	164.6
	+12M	4.79	5.07	3.30	3.40	155.9	147.3	200.6	202.6	167.2	165.6
PHP	14-Oct	69.1		46.3		10.77		14.90		11.95	
	+3M	68.20	69.46	44.00	46.55	10.92	10.73	14.81	14.82	12.02	11.94
	+6M	66.00	69.55	44.00	46.65	11.29	10.72	14.85	14.79	12.27	11.97
	+12M	62.35	69.90	43.00	46.94	11.96	10.68	15.40	14.69	12.83	12.01
IDR	14-Oct	13976		9365		0.053		0.074		0.059	
	+3M	14260	14227	9200	9535	0.052	0.052	0.071	0.072	0.058	0.058
	+6M	13500	14440	9000	9685	0.055	0.052	0.073	0.071	0.060	0.058
	+12M	13050	14959	9000	10045	0.057	0.050	0.074	0.069	0.061	0.056
INR	14-Oct	68.66		46.00		10.84		15.00		12.03	
	+3M	69.75	69.14	45.00	46.33	10.68	10.78	14.48	14.89	11.76	12.00
	+6M	66.00	69.66	44.00	46.72	11.29	10.70	14.85	14.76	12.27	11.95
	+12M	63.80	70.70	44.00	47.48	11.69	10.56	15.05	14.52	12.54	11.87
TWD	14-Oct	48.12		32.22		15.47		21.41		17.17	
	+3M	48.05	48.04	31.00	32.19	15.50	15.51	21.02	21.43	17.07	17.27
	+6M	45.00	47.85	30.00	32.09	16.56	15.58	21.78	21.49	18.00	17.39
	+12M	43.50	47.50	30.00	31.90	17.15	15.72	22.07	21.62	18.39	17.67

Source: Reuters EcoWin, Danske Markets

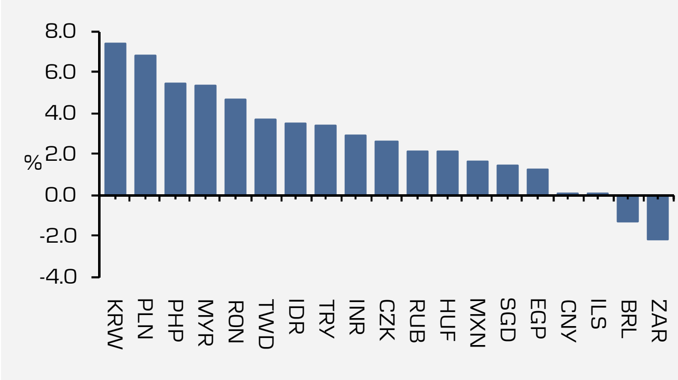
Forecasts vs. Forwards

3m – base currency EUR



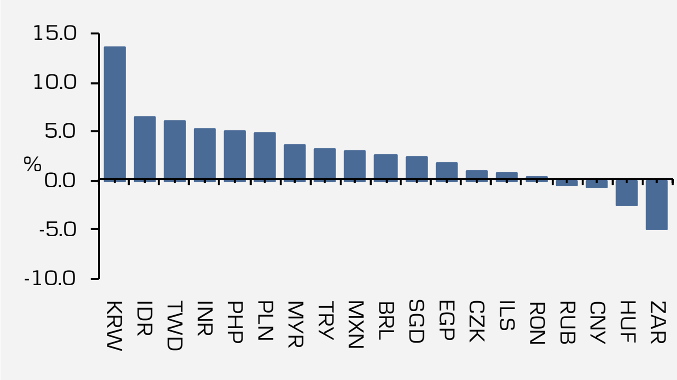
Source: Reuters EcoWin, Danske Markets

3m – base currency USD



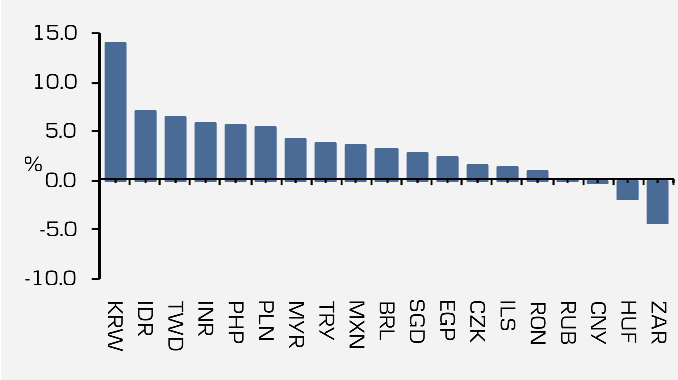
Source: Reuters EcoWin, Danske Markets

6m – base currency EUR



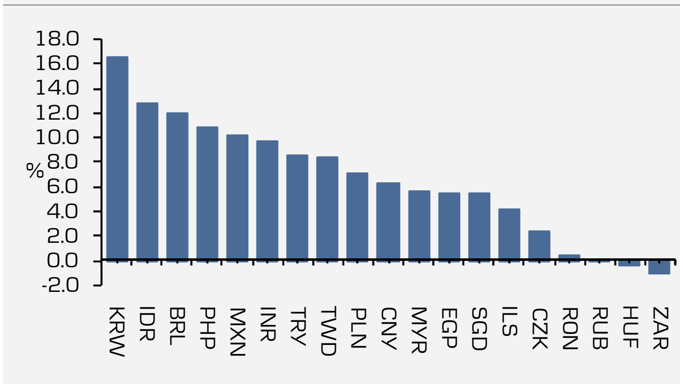
Source: Reuters EcoWin, Danske Markets

6m – base currency USD



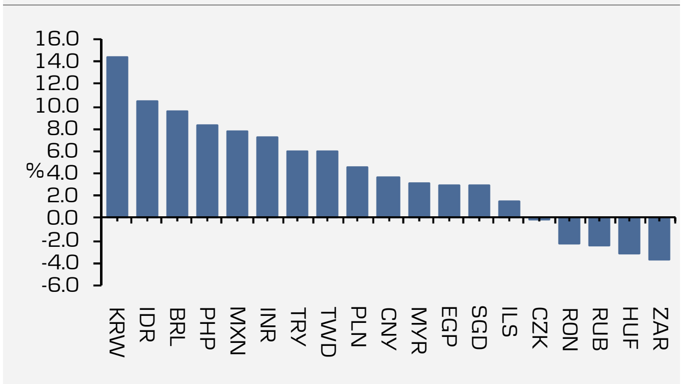
Source: Reuters EcoWin, Danske Markets

12m – base currency EUR



Source: Reuters EcoWin, Danske Markets

12m – base currency USD



Source: Reuters EcoWin, Danske Markets

Monetary Policy Calendar

Calendar

	Policy Rate (%)	Latest Change		Next Change		Next Meeting	Year-end (%)
	15 October 2009						
Wider CEE							
PLN	3.50	- 25 bp	Jun, 2009	-	Unchanged 2009	28 Oct 2009	3.50
HUF	7.50	- 50 bp	Sep, 2009	- 50 bp	Oct, 2009	19 Oct 2009	7.00
CZK	1.25	- 25 bp	Aug, 2009	- 25 bp	Nov, 2009	05 Nov 2009	1.00
RON	8.00	- 50 bp	Aug, 2009	- 25 bp	Nov, 2009	03 Nov 2009	7.50
TRY	7.25	- 50 bp	Sep, 2009	- 50 bp	Oct, 2009	15 Oct 2009	6.50
CIS							
RUB	10.00	- 25 bp	Sep, 2009	- 50 bp	Nov, 2009	Not announced	9.00
MEA							
ILS	0.75	+ 25 bp	Aug, 2009	+ 25 bp	Q3, 2009	16 Oct 2009	1.00
ZAR	7.00	- 50 bp	Aug, 2009	-	Unchanged 2009	22 Oct 2009	7.00
LATAM							
BRL	8.75	- 50 bp	Jul, 2009	-	Unchanged 2009	21 Oct 2009	8.75
MXN	4.50	- 25 bp	Jul, 2009	-	Unchanged 2009	16 Oct 2009	4.50
EM Asia							
CNY	5.31	- 27 bp	Dec, 2008	- 25 bp	Q1, 2010	Not announced	5.31
KRW	2.00	- 50 bp	Feb, 2009	- 25 bp	Q1, 2010	12 Nov 2009	2.00
THB	1.25	- 25 bp	Apr, 2009	- 25 bp	Q3, 2010	21 Oct 2009	1.25
HKD	0.50	- 100 bp	Dec, 2008		Q4, 2010	Not announced	0.50
MYR	2.00	- 50 bp	Feb, 2009	- 25 bp	Q3, 2010	28 Oct 2009	2.00
PHP	4.00	- 25 bp	Jul, 2009	- 25 bp	Q2, 2010	05 Nov 2009	4.00
IDR	6.50	- 25 bp	Aug, 2009	- 25 bp	Q1, 2010	04 Nov 2009	6.50
INR	3.25	- 25 bp	Apr, 2009	- 25 bp	Q1, 2010	27 Oct 2009	3.25
TWD	1.25	- 25 bp	Feb, 2009	- 25 bp	Q2, 2010	Not announced	1.25

Source: Reuters EcoWin, Danske Markets

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All EM research is available on Bloomberg DDEM

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First date of publication

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