

Emerging Markets Briefer

March 13, 2009

Investment Research

Ray of light in the darkest hour

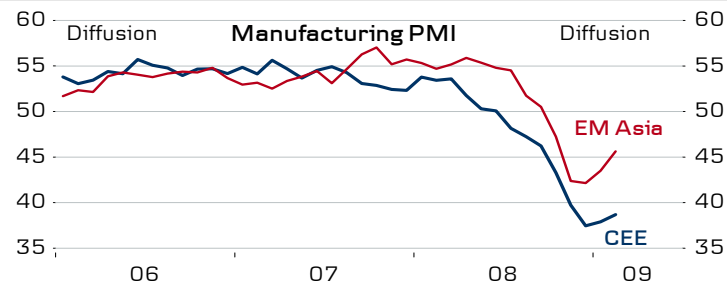
Asia is that light

- x There is no doubt that the global economy is in the midst of the worst downturn since the end of the Second World War. However, there are some signs of improvement in certain parts of the global economy.
- x This is especially the case in Emerging Asia where there are signs that the deterioration in the manufacturing sector is beginning to come to an end.

Dark while the outlook is bleak for CEE

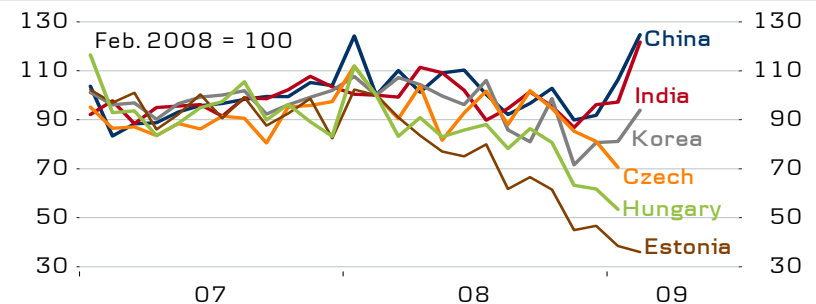
- x Things unfortunately look a lot worse in Central and Eastern Europe (CEE), which is struggling with large external imbalances and large funding needs.
- x In addition, a recovery in CEE will be weak compared with other emerging markets.

Last in, first out for Asia



Source: Ecwin

Passenger car sales



Source: Ecwin

Movers and shakers – last month and in the month ahead

Ray of light in the darkest hour

In [Global Scenarios - March 2009](#) we have revised our forecasts for global growth markedly lower. The global economy and financial markets will take a long time to heal and a continued urgent sense of crisis should be expected to prevail in the coming quarters. However, within this environment, the massive stimulus from economic policy and lower commodity prices is expected to succeed in stabilising global demand from Q2 09 onwards. We expect global manufacturing surveys to recover over the spring and summer quarters.

The US is expected to move out of recession by mid-year 2009. Even though the recession dynamics are strong at the moment, the stimulus kicking in from Q2 is massive. We expect it to provide a sufficient boost for a moderate economic recovery in H2 09. Deleveraging will continue to be a strong headwind, though. In Europe the crisis will draw out for a long time. Trend growth will not return until the end of 2010. CEE is in a very severe downturn and with little ammunition to battle the crisis, the downturn will be long and deep. Substantial event risk for financial markets persists in this region

In emerging markets, growth has slowed sharply in all regions. In Asia the export-dependent economies have been hit hard by the collapse in global demand and exports. In commodity-exporting countries in Latin America, CIS and Middle East, lower commodity prices have turned the main growth engine off. Finally, in CEE in particular, financial stress is increasing as capital inflows have weakened and the domestic banking sector increasingly comes under pressure from the global financial crisis.

The global environment will continue to be a challenge for emerging markets for the rest of 2009. For emerging markets overall we expect stabilisation in Q2 09 albeit at very depressed levels. We expect a slight recovery in H2 09 but we will have to wait until 2010 before the recovery gains a solid footing.

However, with access to external financing becoming more strained and the political status quo increasingly being questioned, there will be considerable downside event risk for emerging markets in the short run. 2009 will probably turn out to be a very busy year for the IMF.

Most vulnerable are emerging markets with current account deficits, weak external liquidity positions and domestic financial institutions dependent on short-term external funding. Hence, we continue to believe that CEE and CIS countries will continue to underperform and there is a real danger that the crisis will intensify in CEE despite signs of stabilisation in other parts of the global economy. In addition, a recovery in CEE will be weak compared with other emerging markets.

Asian currencies have been hammered over the past couple of months on the back of the sharp slow down in growth since September. However, we continue to believe emerging markets in Asia overall will outperform in the coming year, albeit weak global demand remains a major challenge in the short run. Besides strong current account and external liquidity positions, the recent terms of trade gains in the wake of lower commodity prices are a major positive for Asia. In addition, the policy response from both fiscal and monetary policy has been strong in Asia. At the moment, the lead is being taken by the biggest economies – China, India and Indonesia – where domestic demand has proven most resilient, growing around 7% y/y in both India and Indonesia, and even more in China. These countries might be the first major economies to turn around despite being some of the last economies to be severely hit by the global financial crisis.

Invitation to tele/web conference:

[Tele/web conference Outlook for the Emerging Markets - Wednesday March 18 at 14:00 CET](#)

Emerging Market performance over the past month

Chart 1: FX change against EUR and USD

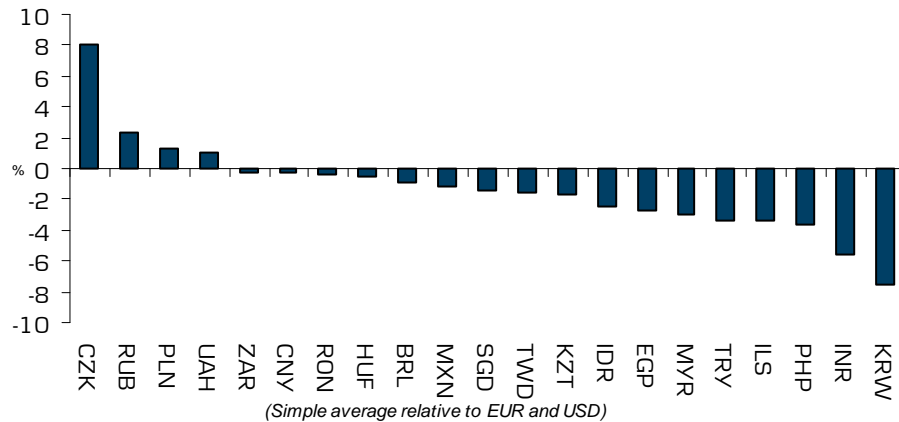


Chart 2: Risk adjusted FX change against EUR and USD

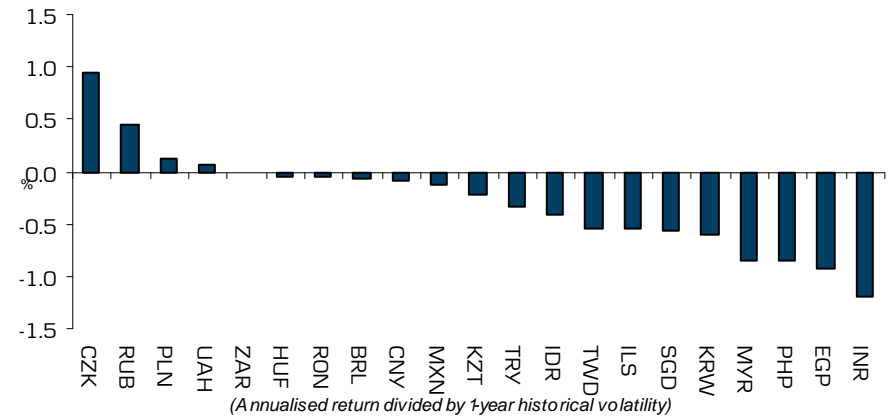


Chart 3: Change in 2 year swap yield

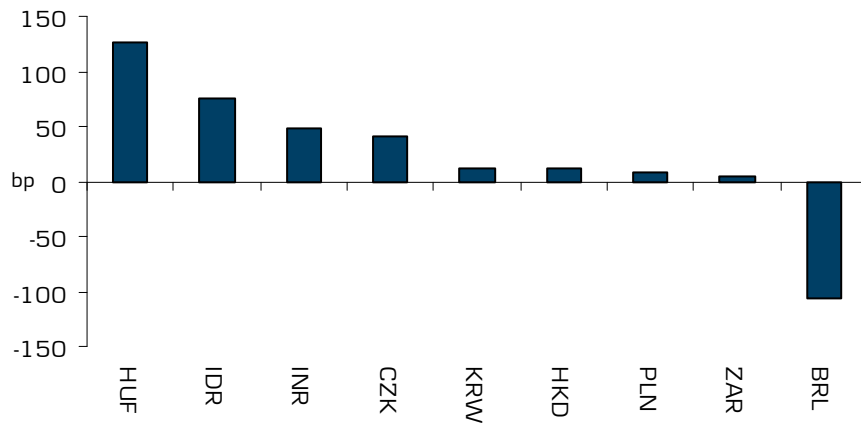
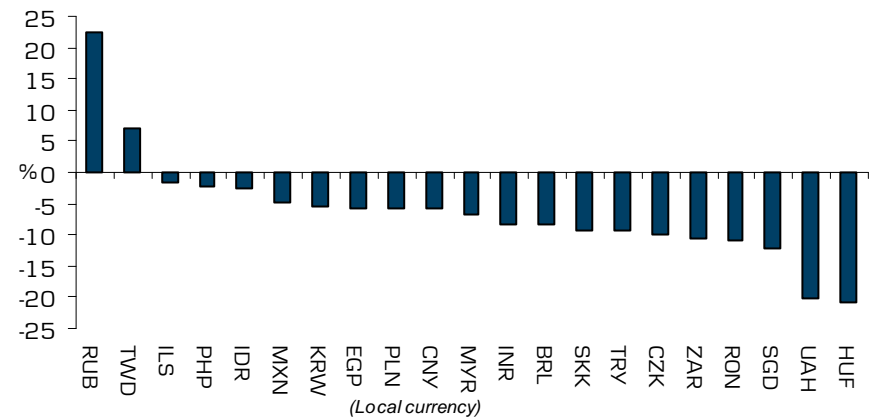

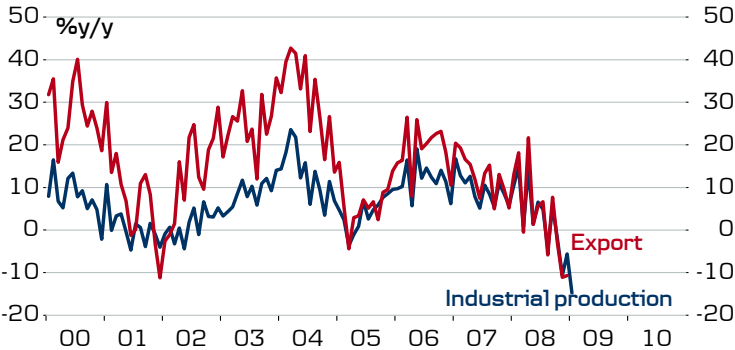



Chart 4: Stock market performance



Poland	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>PLN</p> <p>Currency regime:</p> <p>Free float</p> <p>Inflation target:</p> <p>2.5% +/- 1%-point</p>	<ul style="list-style-type: none"> x After growing strongly for some years, the Polish economy is now slowing sharply. x In recent months industrial production has dropped sharply in Poland, which has been the major driver of the slowdown. However, we expect domestic demand to slow sharply during 2009. 	<ul style="list-style-type: none"> x Inflation has come down significantly and this has opened the door for monetary easing from the Polish central bank (NBP). x However, despite the NBP maintaining an “easing bias” on the back of slowing inflation and a sharp drop in economic activity, the continued weakening of the zloty is clearly making the NBP more cautious in terms of monetary easing and we expect only a very gradual further easing of monetary policy. 	<ul style="list-style-type: none"> x The Polish zloty has weakened sharply during recent months and the depreciation has accelerated since New Years. x The significant weakening of the zloty is increasing concerns of household and corporate loans in foreign currency. x The Polish government’s plans to join the euro in 2012 now seem increasingly unrealistic. 																																			
<p>FX forecast</p> <table border="1"> <thead> <tr> <th colspan="3">EUR/PLN</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>4.48</td> <td></td> </tr> <tr> <td>+3M</td> <td>4.80</td> <td>4.50</td> </tr> <tr> <td>+6M</td> <td>4.90</td> <td>4.50</td> </tr> <tr> <td>+12M</td> <td>4.95</td> <td>4.50</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="3">USD/PLN</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>3.49</td> <td></td> </tr> <tr> <td>+3M</td> <td>3.87</td> <td>3.48</td> </tr> <tr> <td>+6M</td> <td>4.08</td> <td>3.48</td> </tr> <tr> <td>+12M</td> <td>4.06</td> <td>3.48</td> </tr> </tbody> </table>	EUR/PLN				Danske	Forward	12-Mar	4.48		+3M	4.80	4.50	+6M	4.90	4.50	+12M	4.95	4.50	USD/PLN				Danske	Forward	12-Mar	3.49		+3M	3.87	3.48	+6M	4.08	3.48	+12M	4.06	3.48	<p><i>Export and production is falling sharply</i></p>  <p>Source: Ecowin</p>	<p><i>Zloty rebounds moderately</i></p>  <p>Source: Ecowin</p>
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Czech Republic **Macro Outlook** **FX & Monetary Policy** **Risk Factors**



CZK

Currency regime:

Free float

Inflation target:

2%-4%

- x The highly export-dependent Czech economy has been hard hit by a sharp drop in eurozone demand - the main Czech export market. The economy is in recession and GDP growth could contract by more than 2% this year.
- x Dampening economic activity has a negative impact on the labour market. Unemployment continues to rise at fast pace and it is very likely to climb over 8% this year.
- x Inflation continues to decelerate but it might not fall quite as fast as previously expected - mainly due to a weaker Czech koruna.

- x The Czech central bank is concern about the CZK weakness. As long as the CZK remains on the weak side, the CNB will continue to intervene verbally and will perhaps halt the easing cycle.
- x Due to the currency weakness, it is very possible that the CNB will keep interest rates on hold with the key policy rate at 1.75%.
- x The Czech koruna remains very volatile and is driven by global risk aversion against CEE currencies and by the development of the global stock market.

- x The Czech EU presidency is a big challenge for the Czech government.

FX forecast

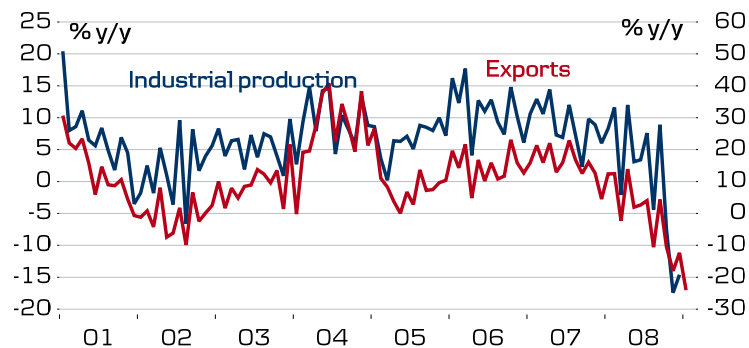
EUR/CZK

	Danske	Forward
12-Mar	26.35	
+3M	29.40	26.38
+6M	29.50	26.41
+12M	29.50	26.50

USD/CZK

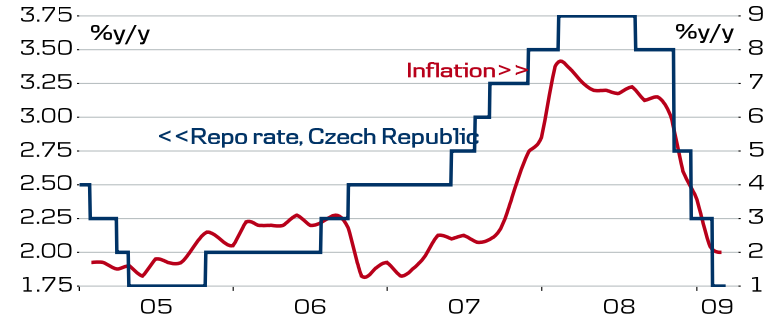
	Danske	Forward
12-Mar	20.44	
+3M	23.71	20.43
+6M	24.58	20.43
+12M	24.18	20.47

Exports are plummeting


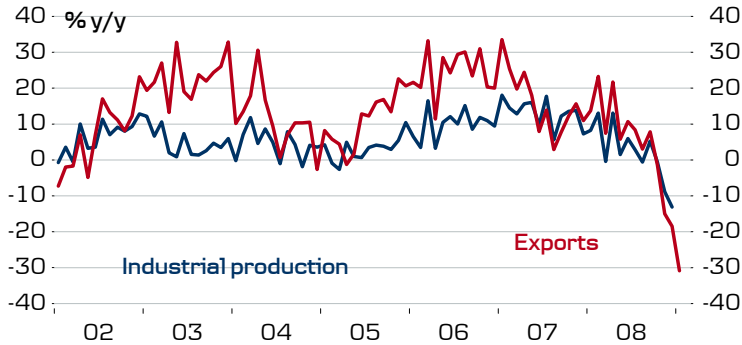




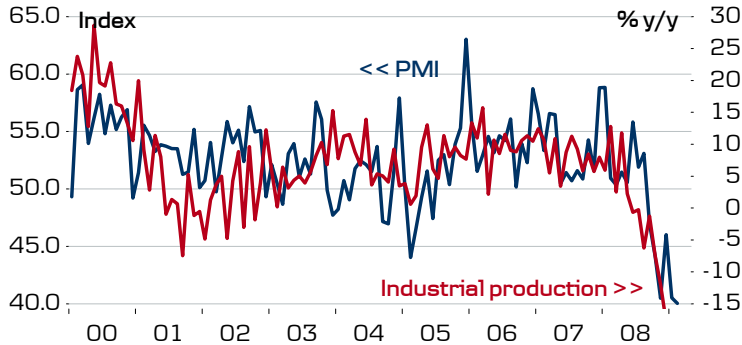
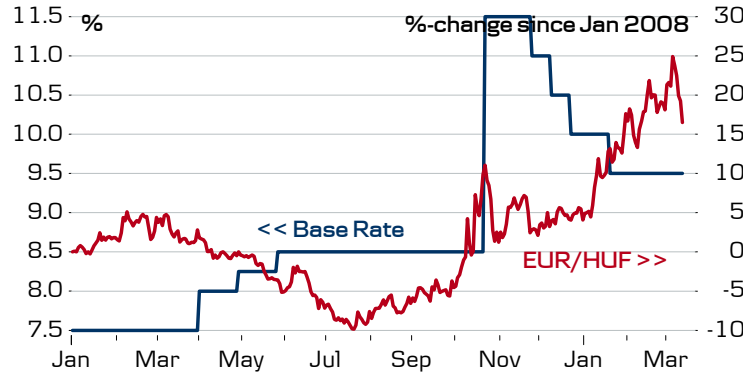
Source: Ecwin


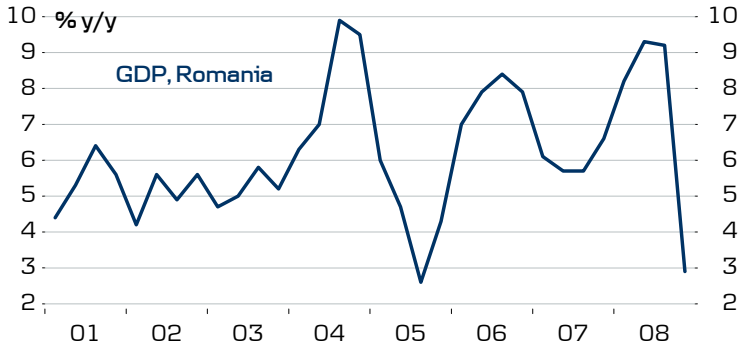

Weak CZK might halt monetary easing


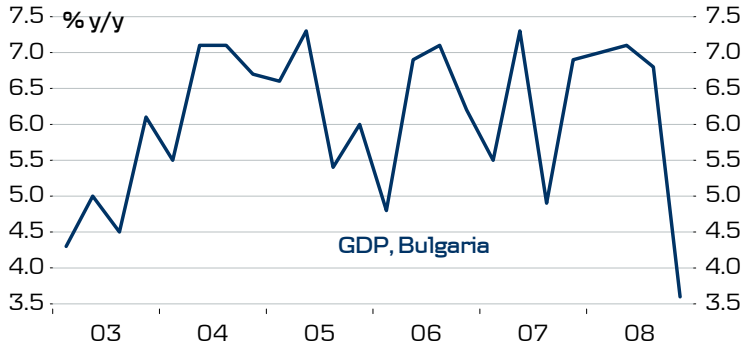
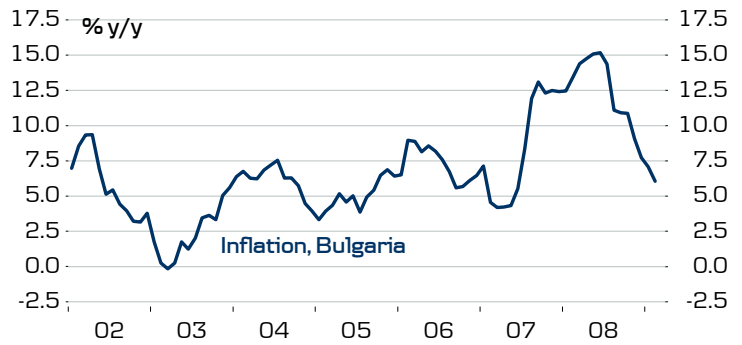



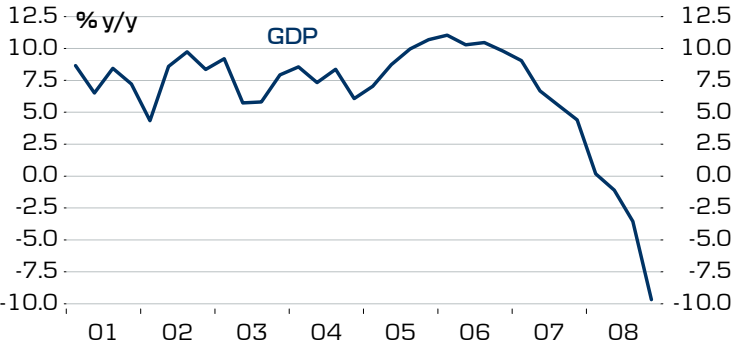

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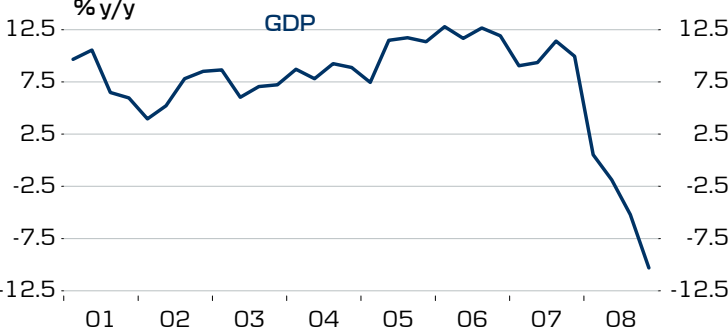
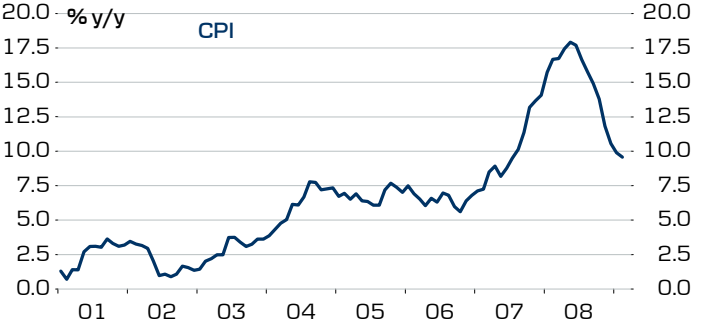
Slovakia	Macro Outlook	FX & Monetary Policy	Risk Factors
 <p>SKK</p> <p>Currency regime:</p> <p>Slovakia has joined the euro</p> <p>Inflation target:</p> <p>As ECB - below 2%</p>	<ul style="list-style-type: none"> x The latest economic data shows that the economic slowdown will be greater than expected. Recession in Western Europe affects the export-heavy Slovak economy hard after the demand for cars, TV sets and other goods collapses. Q1 GDP will be in negative territory. x The Slovak government's 2009 GDP forecast of 2.4% is far too optimistic. x The decline of economic activity is reflected in the sharp rise in unemployment. 	<ul style="list-style-type: none"> x Slovakia joined the euro in January 2009 and monetary policy will therefore 'shadow' the ECB going forward. 	<ul style="list-style-type: none"> x The Slovak government decided to fight the negative impact of the global economic crisis by introducing a stimulus package. That will put pressure on the compulsory 3% GDP budget deficit limit. x The stimulus package is short-sighted: a mixture of populist and lobby measures rather than efficient measures supporting the real economy, also in the longer run.
	<p><i>Exports suffer from weak foreign demand</i></p>  <p>Source: Ecwin</p>	<p><i>Inflation heading downwards</i></p>  <p>Source: Ecwin</p>	


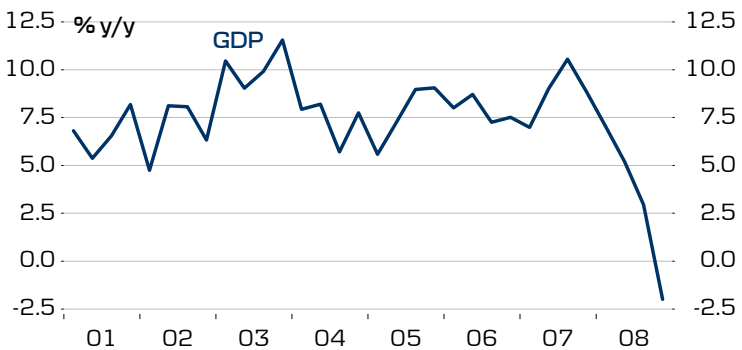
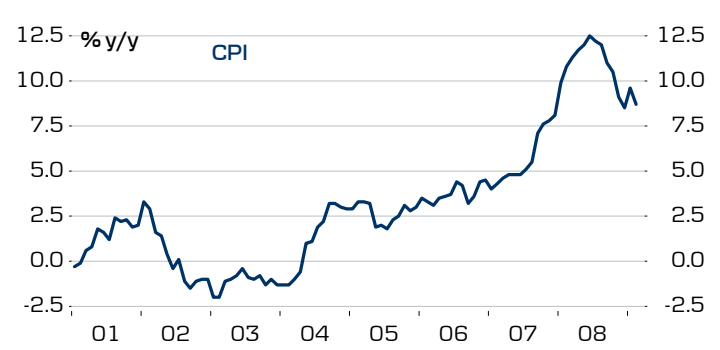
Hungary	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>HUF</p> <p>Currency regime:</p> <p>Free float</p> <p>Inflation target:</p> <p>3% (medium term)</p>	<ul style="list-style-type: none"> x The crisis in the Hungarian economy is worsening and GDP is likely to drop by at least 5% in 2009. x The drop in economic activity is broadly based, but we are especially concerned that private consumption is caving on the back of the continued sell-off in the forint. 	<ul style="list-style-type: none"> x The sharp sell-off in the forint is beginning to “curb” the drop in inflation and limiting the scope for monetary easing. Furthermore, the Hungarian central bank (MNB) is concerned that the sell-off in the forint could further rattle the already fragile Hungarian financial system. Therefore we expect the MNB to maintain a wait-and-see stance in monetary policy for some time to come. 	<ul style="list-style-type: none"> x Hungary has a USD25bn rescue package from the IMF, the World Bank and the EU. This has been helpful, but has not been enough to calm down investors who still focus on the weak fundamentals of the Hungarian economy. x Badly coordinated action by other CEE central banks has had a negative spill-over to the Hungarian markets. This is a key worry for us. 																																			
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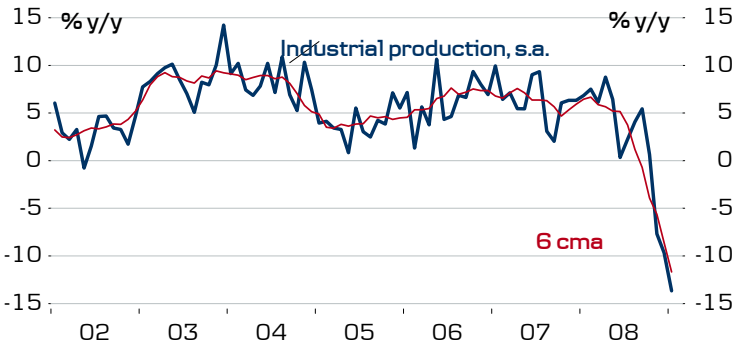

Romania	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>RON</p> <p>Currency regime: Free float</p> <p>Inflation target: 3.5% end of 2009</p>	<ul style="list-style-type: none"> x The boom is over in the Romanian economy and GDP growth slowed very sharply in Q408. x The global credit crisis has come to Romania and there has been a 'sudden stop' in the funding of Romania's very large current account deficit. This can only lead to a further sharp drop in GDP growth. 	<ul style="list-style-type: none"> x The intensified global credit crisis is putting serious weakening pressure on the Romanian leu. x The continued pressure on the leu is clearly limiting the Romanian central bank's (NBR) possibilities to ease its monetary policy and we therefore expect the NBR to keep its key policy on hold for some time to come. 	<ul style="list-style-type: none"> x Although the newly elected Romanian government initially ruled out an IMF package, it now seems clear a standby agreement between Romania and the IMF will be reached. We view this as positive, but it is likely to lead to a demand from the IMF for a significant tightening of Romanian fiscal policy, which is unlikely to go down well with Romanian voters. 																																			
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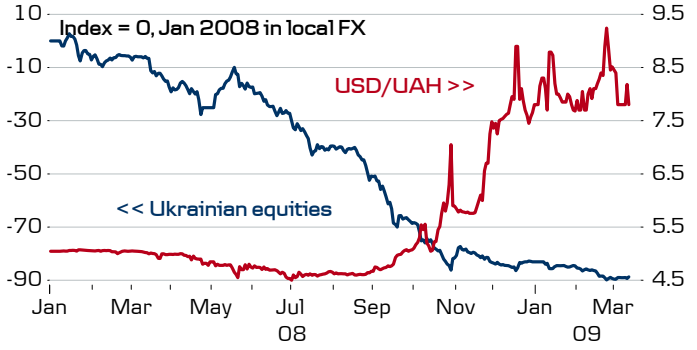
Bulgaria	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>BGN</p> <p>Currency regime:</p> <p>Currency board</p> <p>Inflation target:</p> <p>No inflation target due to the currency board regime</p>	<ul style="list-style-type: none"> x Bulgaria cannot avoid the credit crisis and rising concerns about the imbalances in CEE have hit the Bulgarian economy hard. x The Bulgarian current account deficit has exploded and is now running at 24% of GDP. The Bulgarian economy seems set for a very hard landing during 2009. 	<ul style="list-style-type: none"> x Widening external balances make Bulgaria vulnerable to worsening global credit and liquidity conditions. x The Bulgarian money market has been hit hard by the global credit crisis and the liquidity situation is critical. 	<ul style="list-style-type: none"> x Bulgaria has been very hard hit by the gas dispute between Russia and Ukraine and Bulgarian gas supplies have been seriously reduced. x The Bulgarian property market bubble has burst and the property market is cooling fast. That could threaten financial stability going forward. 																																			
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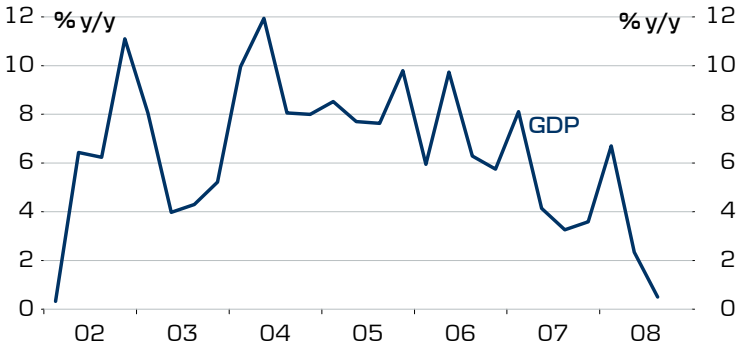

Estonia	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>EEK</p> <p>Currency regime:</p> <p>Currency board, ERM2 member</p> <p>Inflation target:</p> <p>None, due to fixed exchange rate</p>	<ul style="list-style-type: none"> x The Estonian economy is showing clear signs of deep contraction. In recent months, retail sales have fallen by 10% y/y and industrial production has slumped by 26.8% y/y. This could indicate that the economy will contract by more than we expect in our base scenario or by up to 10% y/y in 2009. x Inflation is easing sharply and we expect it to decelerate to around 1-2% in 2009. However, if a more pessimistic growth scenario materialises, consumer price development could turn negative. 	<ul style="list-style-type: none"> x The Estonian kroon (EEK) is pegged to the euro through ERM II. Until now, Estonia's currency board has functioned well and has not been questioned, but rising concerns over deteriorating global environment have increased uncertainty. x We continue to see significant risk for the Estonian economy while financial market turbulence persists. 	<ul style="list-style-type: none"> x Estonia is better positioned compared with the other Baltic States, as public deficit will be financed by reserves accumulated during the boom period. x However, a significant tightening of fiscal stance will be needed in this and coming years. Otherwise, Estonia won't be able to join the euro in the near future. 																																			
<p>FX forecast</p> <table border="1"> <thead> <tr> <th colspan="3">EUR/EEK</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>15.65</td> <td>-</td> </tr> <tr> <td>+3M</td> <td>15.65</td> <td>-</td> </tr> <tr> <td>+6M</td> <td>15.65</td> <td>-</td> </tr> <tr> <td>+12M</td> <td>15.65</td> <td>-</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="3">USD/EEK</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>12.12</td> <td>-</td> </tr> <tr> <td>+3M</td> <td>12.62</td> <td>-</td> </tr> <tr> <td>+6M</td> <td>13.04</td> <td>-</td> </tr> <tr> <td>+12M</td> <td>12.83</td> <td>-</td> </tr> </tbody> </table>	EUR/EEK				Danske	Forward	12-Mar	15.65	-	+3M	15.65	-	+6M	15.65	-	+12M	15.65	-	USD/EEK				Danske	Forward	12-Mar	12.12	-	+3M	12.62	-	+6M	13.04	-	+12M	12.83	-	<p><i>The economy is in free fall</i></p>  <p>Source: Ecwin</p>	<p><i>Inflation is coming down fast</i></p>  <p>Source: Ecwin</p>
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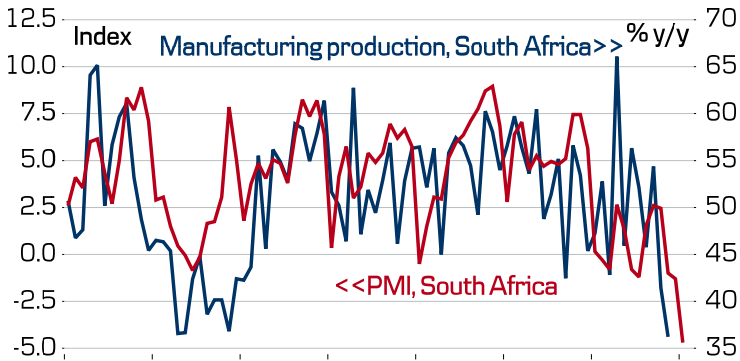
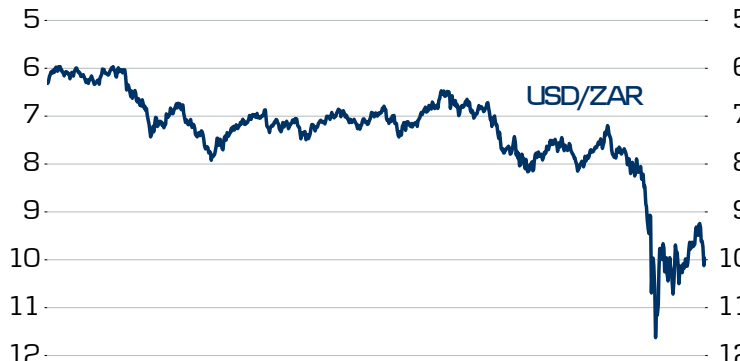
Latvia	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>LVL</p> <p>Currency regime:</p> <p>Quasi-currency board, ERM2 member</p> <p>Inflation target:</p> <p>None, due to fixed exchange rate</p>	<ul style="list-style-type: none"> x The Latvian economy is in freefall, the economy contracted by 10.5% y/y in Q4 08, the sharpest fall in the EU area, as consumer demand collapsed and the external environment deteriorated. We expect GDP growth in 2009 to fall to almost 14% y/y. x Latvia's inflation slowed faster than we expected, but still there are some upside risks mainly related to a rise in excise duty. However, we believe this will be temporary. Looking ahead, we expect inflation to decelerate to 5.0-6.0%, on average, for 2009. 	<ul style="list-style-type: none"> x The Latvian lat (LVL) is pegged to the euro through ERM II, but renewed pressure on the currency should certainly not be ruled out. x Financial risks have risen significantly on the back of the deteriorating situation in global markets and local banking system. x The ratings agency Standard & Poor's downgraded Latvia's rating to 'junk status' 'BB+/B' and maintained its 'negative outlook'. It cannot rule out the possibility of further downgrades in the future if the new government delays in responding to the problems. 	<ul style="list-style-type: none"> x The Latvian government adopted a significant fiscal tightening package of around 7% of GDP. This measure will be painful and highly unpopular. x However, even more fiscal tightening is necessary in order to fulfil the IMF and EC 'rescue package requirement' not to breach 5% of GDP fiscal deficit in 2009. 																																			
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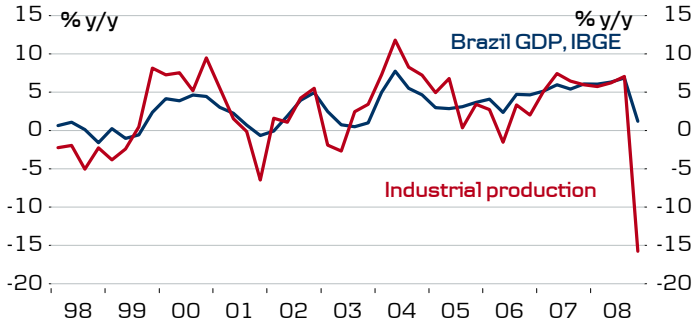
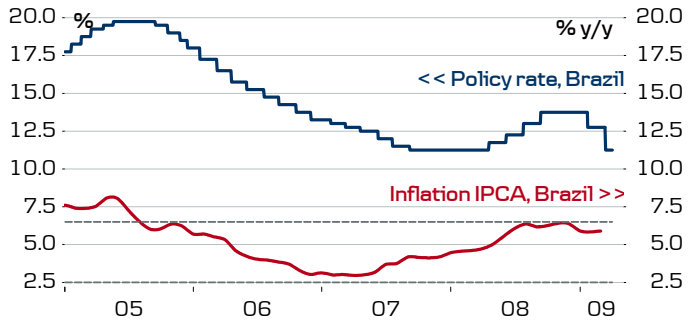
Lithuania	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>LTL</p> <p>Currency regime:</p> <p>Currency board, ERM2 member</p> <p>Inflation target:</p> <p>None, due to fixed exchange rate</p>	<ul style="list-style-type: none"> x Lithuanian GDP growth is slowing very rapidly and the economy is likely to contract to around 5% y/y in 2009. x However, there is a probability of downward revision in the event of more pronounced deterioration in the export markets. x The government intends to implement a fiscal stimulus plan of around 4-5% of GDP. The plan will mainly concentrate on housing renovation and small/medium-sized companies' support. 	<ul style="list-style-type: none"> x The Lithuanian lita (LTL) is pegged to the euro through ERM II. Large imbalances, the global slowdown and the credit crisis have increased volatility in markets. x The easing in inflationary pressure was offset somewhat by the hike in indirect taxes and rise in electricity and gas tariffs. However, we expect the latter impact to be short-lived. We expect inflation to decelerate to 6.0-6.5% for 2009. x A significant jump in electricity tariffs in 2010 up to 2x might hold up the consumer price deceleration process. 	<ul style="list-style-type: none"> x The new government has started significant fiscal tightening, which should help to reduce the imbalances in the economy and support a fixed exchange. x However, the fiscal gap is still unsustainably high and this could lead to even more fiscal tightening (further cuts in public wages, social benefits and even another hike in the VAT rate). x Energy price shocks at the beginning of 2010 would represent significant downside risk to medium term growth outlook. 																																			
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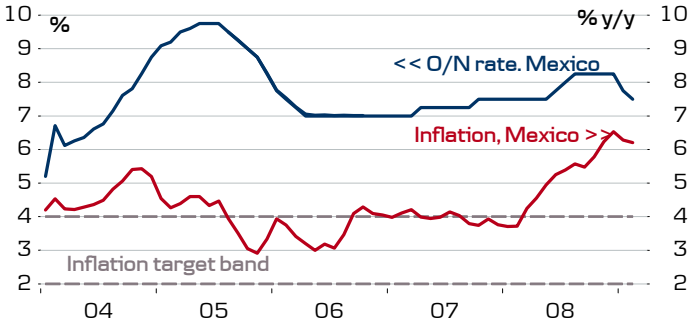

Russia	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>RUB</p> <p>Currency regime:</p> <p>Managed peg versus dual currency basket - 45% EUR and 55% USD</p> <p>Inflation target:</p> <p>8.5% year-end 2008</p>	<ul style="list-style-type: none"> x The Russian economy is heading for recession in 2009. The slow down is broad based, but investments and manufacturing are likely to be hardest hit. Private consumption is also slowing and unemployment increasing rapidly. The C/A is turning negative, due to the big drop in oil prices. x Inflation is easing, but only slowly, due to the effect on imported food prices in particular, on the back of a weaker rouble. 	<ul style="list-style-type: none"> x The Russian central bank (CBR) has widened the trading band for the basket/RUB aggressively in the past months. RUB dropped around by 30% against the currency basket since August 2008. x In our view, the rouble is still too expensive in real effective terms. The C/A deficit and capital outflows are likely to increase the pressure on the CBR to take further actions. x We expect the rouble to weaken by another 20% in the coming 12 months, with 10% of this to be delivered in the coming three months. 	<ul style="list-style-type: none"> x A key risk factor for Russia is the large external debt burden among Russian corporates. External debt amounts to more than USD500bn (30% of GDP) in the private sector. Roughly USD100bn has to be refinanced during 2009, and this is likely to add to uncertainties and downward pressures on the rouble. x Moreover, watch the FX-reserves. Further aggressive draining will most likely cause more rating downgrades. Fitch downgraded Russia in January. 																																			
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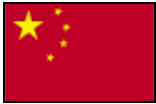
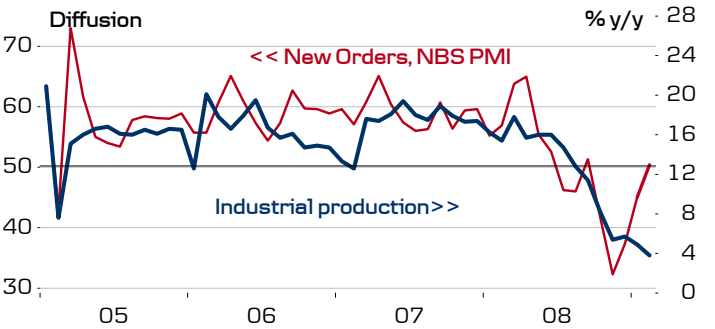
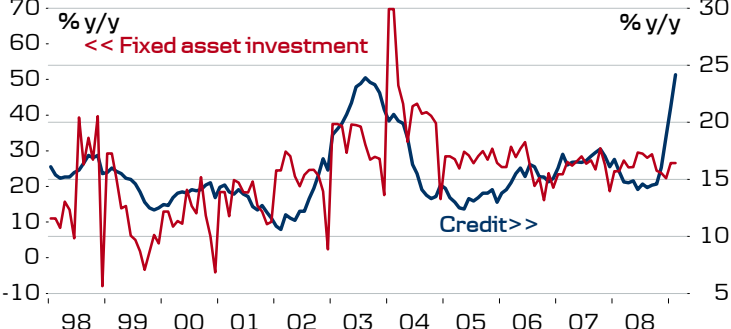
Ukraine	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>UAH</p> <p>Currency regime:</p> <p>Managed peg versus USD</p>	<ul style="list-style-type: none"> x The Ukrainian economy should face a very deep recession in 2009. We expect at least a 10% drop in GDP this year. Industrial production is slumping, retail sales and wage growth rates are decelerating very fast. Furthermore, there is an urgent need for fiscal discipline. x Inflation has eased in recent months but remains above 20% y/y. A weaker currency reduces the pace at which inflation is falling, despite the sharp economic slowdown. 	<ul style="list-style-type: none"> x The Ukrainian central bank (NBU) set the official USD/UAH rate at 7.70, aiming to stabilise the Ukrainian currency. x The NBU said that, temporarily, it will not sell foreign currency to banks carrying out FX-operations at a rate higher than the average market rate. This adds to uncertainties regarding the outlook for the hryvnia, and around whether capital controls will be imposed. x Going forward, anything can happen, and we see more upside for USD/UAH in the coming months. 	<ul style="list-style-type: none"> x A key risk factor is the lack of the political coordination needed to address the severe situation. IMF is calling for a balanced public budget, but the upcoming presidential elections make this difficult. Recently the finance minister resigned, due to disagreements over the budget. x Ukraine has applied to several countries for a USD5bn loan to help cover its budget. x <i>The severity of the situation cannot be stressed enough, and the likelihood of a government default is certainly rising.</i> 																																			
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Turkey	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>TRY</p> <p>Currency regime:</p> <p>Free float</p> <p>Inflation target:</p> <p>7.5% end of 2009</p> <p>6.5% end of 2010</p> <p>5.5% end of 2011</p>	<ul style="list-style-type: none"> x Turkish GDP growth has slowed significantly and negative GDP growth now seems very likely in 2009. The Turkish economy is seeing the strongest slowdown since the painful 2001-02 crisis. x Capacity utilisation has dropped markedly in recent months and is now lower than during the crisis of 2001-02 and in the aftermath of the earthquake of 1999. 	<ul style="list-style-type: none"> x Inflation has surprised on the downside recently and is likely to slow further on the back of very low capacity utilisation. This has led the Turkish central bank (TCMB) to initiate a monetary easing cycle and we expect the TCMB to continue to cut rates despite the fact that inflation remains above the TCMB inflation target. 	<ul style="list-style-type: none"> x Political tensions remain heightened and the so-called Ergenekon case in which over a hundred people have been detained or questioned in connection with a conspiracy to overthrow the Turkish Islamic-oriented government has led to renewed conflict between the government and Turkey's secular elite. x The Turkish government's negotiation with the IMF for a loan agreement continues. We think it likely that a deal will be struck relatively soon. 																																			
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South Africa	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>ZAR</p> <p>Currency regime: Free float</p> <p>Inflation target: 4.5% +/- 1.5%-point</p>	<ul style="list-style-type: none"> x The global economic slowdown has hit the South African economy hard with global and domestic demand for South African goods at a standstill. x Strong drop in exports, combined with frozen consumer spending, means that GDP growth will be negative this year. x The only positive news is that inflation continues to fall and could return to the central bank's inflation target range of 3-6% during H1 09. 	<ul style="list-style-type: none"> x Given recent poor economic data, there has been speculation that the South African central bank might hold an extraordinary MPC meeting and deliver a rate cut before its regular MPC meeting mid-April. No matter if that happens, we expect the SARB to cut by another 100bp to take the key policy rate to 9.50%. x The South African rand, after a period of relative stability, became very volatile again, driven mostly by market risk sentiment and the global stock market. A weak rand might prevent the SARB from holding an extraordinary meeting. 	<ul style="list-style-type: none"> x South African macroeconomic imbalances, especially the high current account deficit, are a key risk to economic and financial stability in South Africa. x General elections scheduled for April are likely to stir nervousness in investors about the outcome and whether the business-friendly policies will be maintained. 																																			
<p>FX forecast</p> <table border="1" data-bbox="152 951 465 1157"> <thead> <tr> <th colspan="3">EUR/ZAR</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>12.80</td> <td></td> </tr> <tr> <td>+3M</td> <td>13.64</td> <td>12.99</td> </tr> <tr> <td>+6M</td> <td>13.50</td> <td>13.23</td> </tr> <tr> <td>+12M</td> <td>14.03</td> <td>13.53</td> </tr> </tbody> </table> <table border="1" data-bbox="152 1161 465 1367"> <thead> <tr> <th colspan="3">USD/ZAR</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>9.87</td> <td></td> </tr> <tr> <td>+3M</td> <td>11.00</td> <td>10.06</td> </tr> <tr> <td>+6M</td> <td>11.25</td> <td>10.24</td> </tr> <tr> <td>+12M</td> <td>11.50</td> <td>10.45</td> </tr> </tbody> </table>	EUR/ZAR				Danske	Forward	12-Mar	12.80		+3M	13.64	12.99	+6M	13.50	13.23	+12M	14.03	13.53	USD/ZAR				Danske	Forward	12-Mar	9.87		+3M	11.00	10.06	+6M	11.25	10.24	+12M	11.50	10.45	<p><i>Manufacturing has been hit hard</i></p>  <p>Source: Ecwin</p>	<p><i>ZAR remains vulnerable</i></p>  <p>Source: Ecwin</p>
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Brazil	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>BRL</p> <p>Currency regime: Free float</p> <p>Inflation target: 4.5% +/- 2%-point</p>	<ul style="list-style-type: none"> x Industrial production dropped further in January and Q4 GDP growth declined to 1.3% y/y from 6.8% y/y in Q3. Brazil is suffering from a steep and persistent decline in aggregate demand, caused by contraction of capital expenditures, net exports and household consumption. GDP is likely to contract in 2009. x Inflation rose slightly to 5.9% y/y in February, and remains stubbornly high. Going forward we expect a gradual decline in inflation rates. 	<ul style="list-style-type: none"> x The central bank (BCB) lowered its benchmark interest rate by 150bp to 11.25% in February. x The Brazilian real (BRL) remained stable over the past couple of months and FX-volatility has decreased, as the BCB intervened to support the currency using its FX reserves. 	<ul style="list-style-type: none"> x The news is not encouraging on the fiscal policy front. The primary surpluses are expected to fall with a substantial decline in revenues. The concept of net public debt has been losing meaning due to the substitution of liquid assets (such as reserves) with illiquid assets. x For political reasons, the government does not accept the slowdown and is tending to abuse counter-cyclical measures. 																																			
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Mexico	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>MXN</p> <p>Currency regime:</p> <p>Free float</p> <p>Inflation target:</p> <p>3.0% +/- 1%-point</p>	<ul style="list-style-type: none"> x Mexico's economy is heading for sharp contraction in Q1, which we expect to continue for the whole of 2009. We look for some stabilisation in late-2009, but much depends on the US economy. Retail sales and industrial production are declining fast now. x We believe inflation has peaked - it dropped to 6.2% y/y in February. However, currency weakness is expected to prolong the period of elevated inflation despite the economic slowdown. During 2009 we expect inflation to gradually fall to c 4.5% y/y. 	<ul style="list-style-type: none"> x The central bank (Banxico) will continue monetary easing and cut its key rate by 25bp to 7.50% in February. However, high inflation - due to the lack of stability in the FX-rate - reduces potential downside for interest rates. Banxico is, however, likely go forward with further cautious monetary easing. x Unlike BRL, The Mexican peso (MXN) has not stabilised yet. We believe that USD/MXN is close to a peak and we look for some recovery in the MXN during the year. 	<ul style="list-style-type: none"> x Mid-term elections are being held on July 5. The combination of an economic downturn and an electoral period is dangerous. This is particularly delicate considering that the 2009 mid-term election will be the first in which the recent electoral reform will be tested. x The Federal Electoral Institute, including a complicated set of rules concerning electronic propaganda, and the media enterprises reluctance to accept the new legislation, may indicate a stormy passage from here to the election date. 																																			
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China	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>CNY</p> <p>Currency regime: Crawling USD peg</p> <p>Inflation target: No official target</p>	<ul style="list-style-type: none"> x There are increasing signs of stabilisation in early 2009. Nevertheless, GDP is expected to slow to around 6% y/y in Q1 on the back of slower exports. Growth should improve later this year as the impact from major fiscal and monetary easing starts to kick in. x Consumer price inflation has turned negative and is no longer a constraint on monetary policy. A deflationary spiral cannot be ruled out, but the sharp acceleration in money supply and credit growth suggests inflation should pick up next year. 	<ul style="list-style-type: none"> x Monetary policy has been aggressively eased. However, recent signs of stabilisation have eased pressure on the People's Bank of China (PBOC) to cut interest rates further. Nonetheless, we expect PBOC to cut the benchmark lending rate by another 81bp within six months. x Despite the plunge in exports, we expect CNY to be unchanged in the short run and to appreciate slightly by about 3% against the US dollar over the next year. Politically it will be too dangerous to allow CNY to depreciate against USD as it might provoke a protectionist response. 	<ul style="list-style-type: none"> x If the government fails to stabilise the Chinese economy and growth remains trapped significantly below 8%, it cannot be ruled out that China would allow CNY to depreciate against the US dollar. x Labour-intensive manufacturing is starting to decline as China moves up the value-added chain and there is cost pressure because of tighter environmental and labour market regulation, along with CNY appreciation. 																																			
<p>FX forecast</p> <table border="1"> <thead> <tr> <th colspan="3">EUR/CNY</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>8.83</td> <td></td> </tr> <tr> <td>+3M</td> <td>8.49</td> <td>8.84</td> </tr> <tr> <td>+6M</td> <td>8.20</td> <td>8.86</td> </tr> <tr> <td>+12M</td> <td>8.05</td> <td>8.89</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="3">USD/CNY</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>6.84</td> <td></td> </tr> <tr> <td>+3M</td> <td>6.85</td> <td>6.85</td> </tr> <tr> <td>+6M</td> <td>6.83</td> <td>6.85</td> </tr> <tr> <td>+12M</td> <td>6.60</td> <td>6.87</td> </tr> </tbody> </table>	EUR/CNY				Danske	Forward	12-Mar	8.83		+3M	8.49	8.84	+6M	8.20	8.86	+12M	8.05	8.89	USD/CNY				Danske	Forward	12-Mar	6.84		+3M	6.85	6.85	+6M	6.83	6.85	+12M	6.60	6.87	<p><i>Signs of stabilisation in industrial production</i></p>  <p>Source: Ecwin</p>	<p><i>Credit growth soaring</i></p>  <p>Source: Ecwin</p>
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Hong Kong **Macro Outlook** **FX & Monetary Policy** **Risk Factors**



HKD

Currency regime:

Currency board/USD peg

Inflation target:

No target

x The economy is likely to experience the sharpest contraction since the Asian crisis in 1997/1998 despite a major fiscal stimulus package. GDP is expected to contract more than 2% in 2009.

x 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 and the recent USD appreciation.

x Because of the currency board interest rates are linked to US interest rates. Hence, money market rates will decline in line with US interest rates. In recent months there has been increased spill over from the global credit crisis to the domestic interbank rates. For that reason the monetary authorities have increased access to liquidity through the discount window

x Boost to USD liquidity has strengthened HKD and Hong Kong's Monetary Authority (MA) has been buying USD to keep HKD within trading band.

x HK 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.

x No change in the political status is expected soon. Direct election for the chief executive and legislature is possible by 2017.

x Major fiscal easing in the 2008/09 budget. Fiscal package is 4.5% of GDP with about 80% one-off for this fiscal year

FX forecast

EUR/HKD

	Danske	Forward
12-Mar	10.01	
+3M	9.61	10.00
+6M	9.32	10.01
+12M	9.52	10.02

USD/HKD

	Danske	Forward
12-Mar	7.75	
+3M	7.75	7.75
+6M	7.77	7.74
+12M	7.80	7.74

Monetary transmission is starting to work


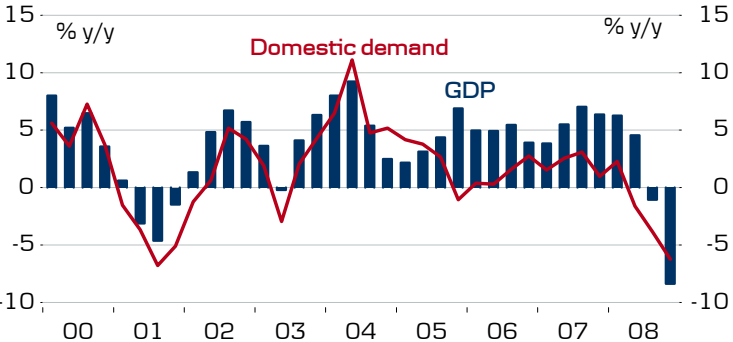
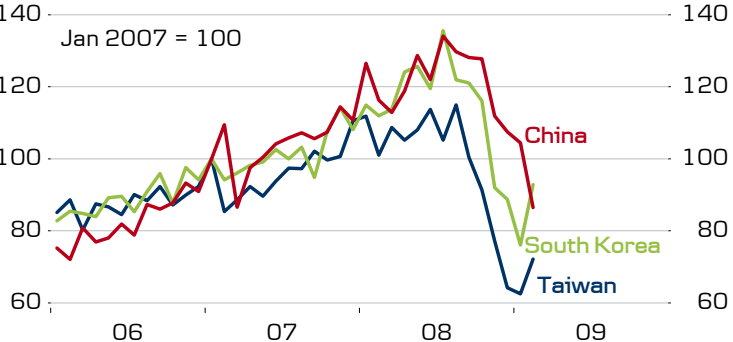


Source: Ecwin

MA buying USD to keep HKD within band



Source: Ecwin

Taiwan	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>TWD</p> <p>Currency regime:</p> <p>Free float</p> <p>Inflation target:</p> <p>2% medium term</p>	<ul style="list-style-type: none"> x Taiwan is a very open economy, which renders it sensitive to slower global growth. Exports are plunging and GDP is likely to contract by close to 5% in 2009. However, there are tentative signs that exports have started to stabilise at very depressed levels. x 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. 	<ul style="list-style-type: none"> x Taiwan's central bank has eased aggressively and is expected to cut by at least another 25bp to 1%. In addition, the government has eased fiscal policy markedly. x Extraordinarily weak growth and lower interest rate have weighed on TWD. However, TWD remains well supported by a strong current account position and it will perform well in a risk averse market. While TWD will remain vulnerable in the short run we believe it will outperform strongly once the global economy starts to recover. 	<ul style="list-style-type: none"> x Ma Ying-jeou from Kuomintang won a landslide victory in the presidential election in March. Koumintang 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. x The political agenda will shift from independence to an economic agenda including liberalisation of economic ties with Mainland China. Political tensions between Taiwan and China are expected to ease. 																																			
<p>FX forecast</p> <table border="1"> <thead> <tr> <th colspan="3">EUR/TWD</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>44.51</td> <td></td> </tr> <tr> <td>+3M</td> <td>43.40</td> <td>44.23</td> </tr> <tr> <td>+6M</td> <td>42.00</td> <td>44.05</td> </tr> <tr> <td>+12M</td> <td>41.48</td> <td>43.58</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="3">USD/TWD</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>34.40</td> <td></td> </tr> <tr> <td>+3M</td> <td>35.00</td> <td>34.25</td> </tr> <tr> <td>+6M</td> <td>35.00</td> <td>34.08</td> </tr> <tr> <td>+12M</td> <td>34.00</td> <td>33.67</td> </tr> </tbody> </table>	EUR/TWD				Danske	Forward	12-Mar	44.51		+3M	43.40	44.23	+6M	42.00	44.05	+12M	41.48	43.58	USD/TWD				Danske	Forward	12-Mar	34.40		+3M	35.00	34.25	+6M	35.00	34.08	+12M	34.00	33.67	<p><i>Unprecedented slowdown in growth..</i></p>  <p>Source: Ecwin</p>	<p><i>..but export has stabilised at depressed levels</i></p>  <p>Source: Ecwin</p>
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South Korea **Macro Outlook** **FX & Monetary Policy** **Risk Factors**



KRW

Currency regime:

Free float

Inflation target:

2.5% +/- 1%-point

- x GDP is expected to contract more than 3% in 2009 on both weaker domestic demand and exports. Despite the plunge in exports the current account should return to surplus in 2009 as a result of lower crude oil prices and weaker domestic demand.
- x On the positive side, inflation peaked in July and is likely to decline considerably in the coming months, returning to the Bank of Korea's (BOK) inflation target band of 2.5% +/-1pp in 2009.

- x 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,
- x Despite the weaker KRW, BOK is likely to ease by another 50bp to 1.5% within six months. With growth plummeting and inflation not an issue BoK has stopped its intervention to support the KRW. The external liquidity position remains strong and has been improved by swap agreements with the Fed, the BOJ and the PBOC.

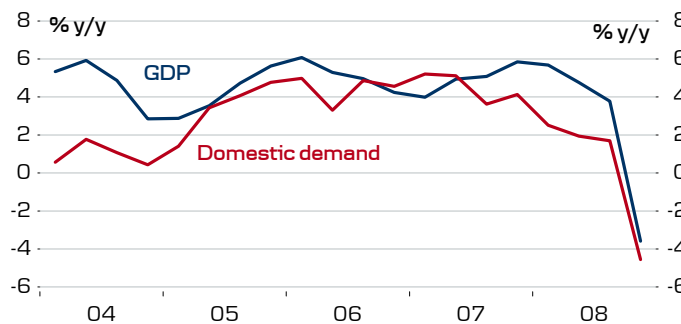
- x South Korea is one of the Asian countries most sensitive to the current credit crisis because of its banks' dependence on short term wholesale foreign funding.
- x Stable domestic political situation. Lee Myung-bak from the right-wing GNP party won both the presidential and general elections in April.
- x Geopolitical risks are increasing on concerns over the health of North Korean leader Kim Il Sung and the stalemate in negotiations about ending North Korea's nuclear programme.

FX forecast

EUR/KRW		
	Danske	Forward
12-Mar	1926	
+3M	1798	1905
+6M	1560	1901
+12M	1464	1890

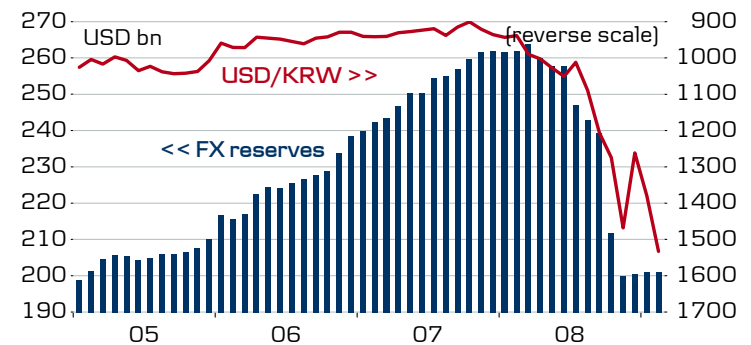
USD/KRW		
	Danske	Forward
12-Mar	1492	
+3M	1450	1475
+6M	1300	1471
+12M	1200	1460

Sharp decline in GDP growth in Q4




Source: Ecwin

BoK has stopped its intervention



Source: Ecwin

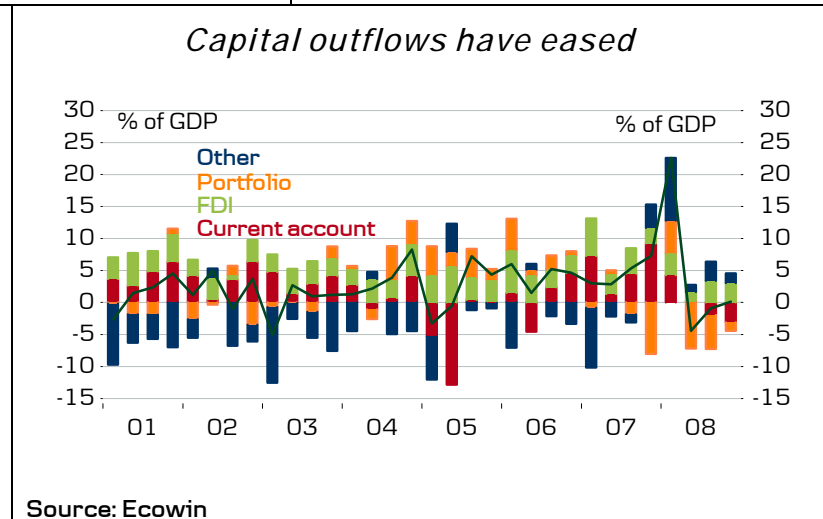
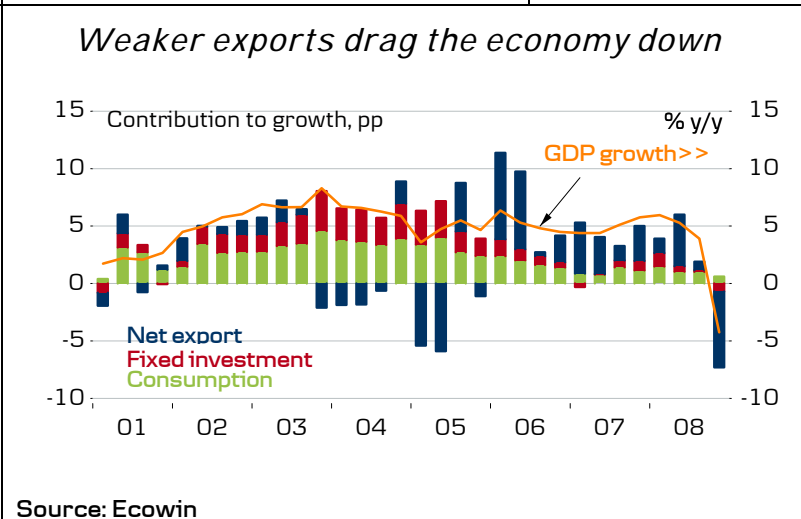
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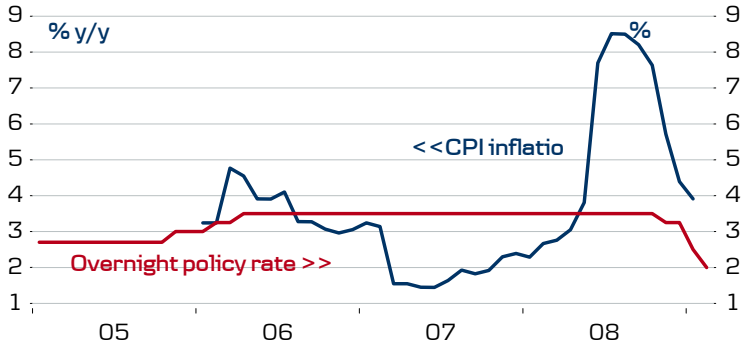
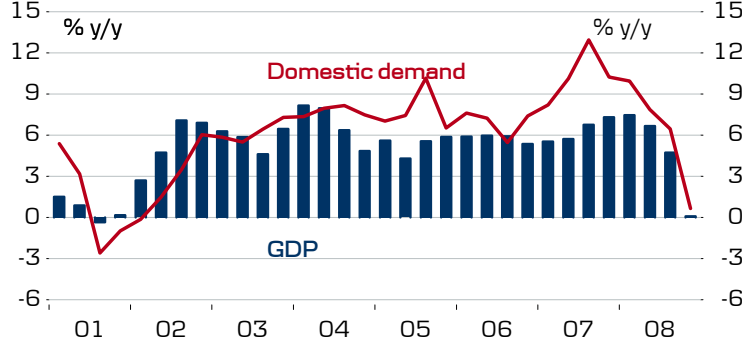
Thailand	Macro Outlook	FX & Monetary Policy	Risk Factors
 <p>THB</p> <p>Currency regime:</p> <p>Free float</p> <p>Inflation target:</p> <p>0%-3%</p>	<ul style="list-style-type: none"> x Political uncertainty continues to weigh on domestic demand and the important tourist earnings. Export has plunged on the weaker global outlook. GDP growth to contract by as much as 4% in 2009. x The current account surplus will improve on the recent plunge in crude oil prices. x Headline inflation has declined sharply partly because of the introduction of some subsidies. Inflation is not an issue. 	<ul style="list-style-type: none"> x Effective from March 2008 the remaining restrictions on capital inflows were removed and onshore and offshore exchange rates converged. x With core inflation modest and growth slowing sharply the Bank of Thailand (BOT) has eased aggressively. Some weakening of THB is no major problem for the economy. Thailand has a very strong external liquidity position. Hence, major weakening of THB is unlikely in our view. A turnaround in THB will depend on political stability returning and some recovery in the economy 	<ul style="list-style-type: none"> x The pro-Thaksin People's Power Party (PPP) has been declared illegal and PM Somchai has been forced to resign. The Democratic Party has formed a new government with a slim majority in the parliament and party leader Abhisit Vejjajiva as new prime minister. x Some political stability has returned but the government remains vulnerable. Political uncertainty will remain a major negative.


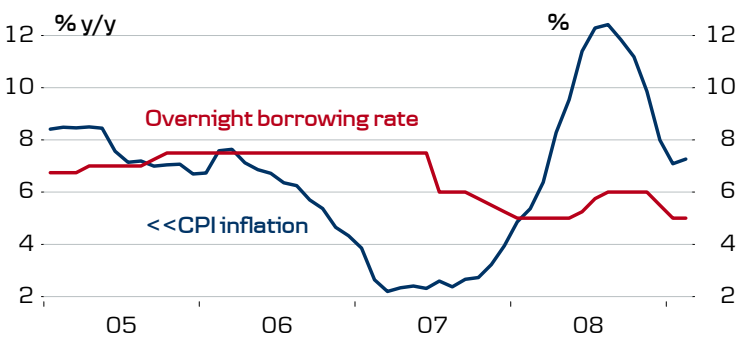
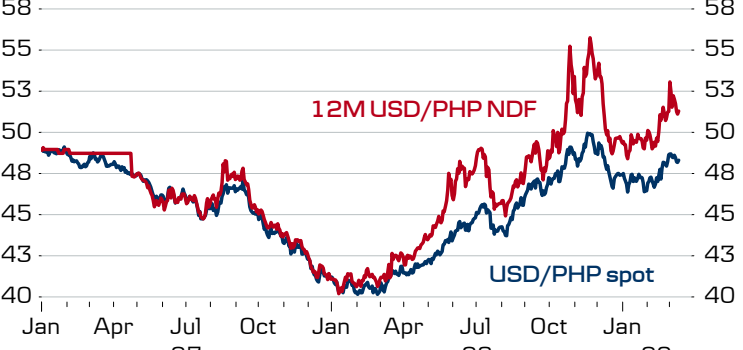
FX forecast


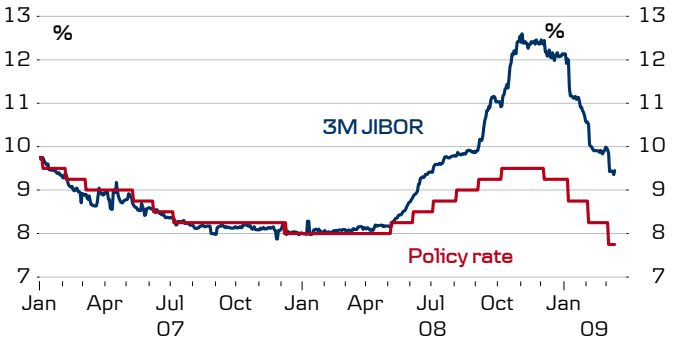
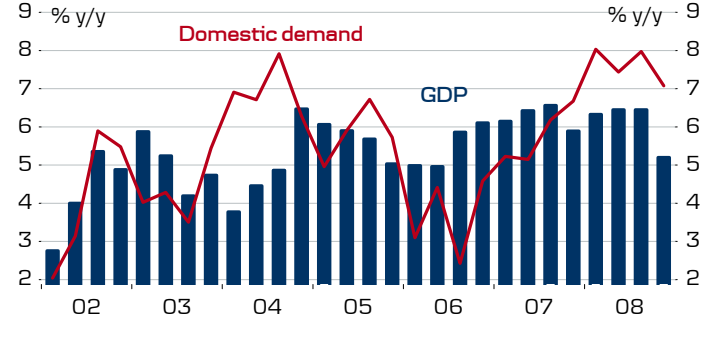
EUR/THB		
	Danske	Forward
12-Mar	46.24	
+3M	44.02	46.53
+6M	42.84	46.88
+12M	41.85	47.56


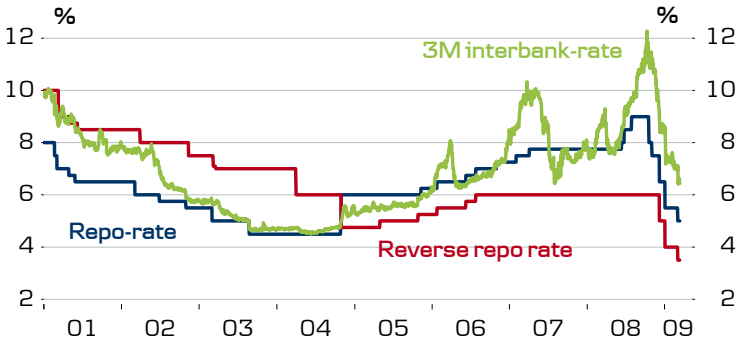
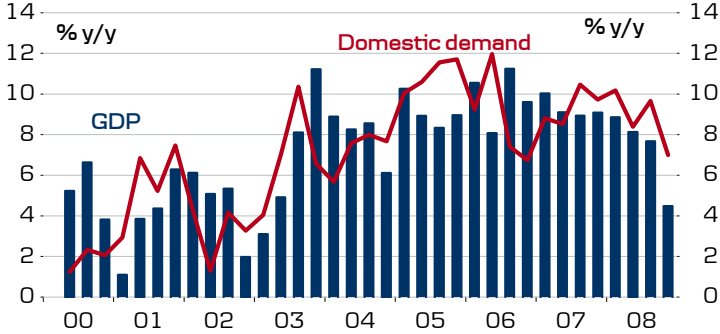
USD/THB		
	Danske	Forward
12-Mar	35.82	
+3M	35.50	36.04
+6M	35.70	36.27
+12M	34.30	36.75



Malaysia	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>MYR</p> <p>Currency regime: Free float</p> <p>Inflation target: No official target</p>	<ul style="list-style-type: none"> x GDP has finally started slowing on both slowing exports and weaker domestic demand. GDP growth is likely to be negative in 2009 but the economy will probably contract less than most other Asian economies. x 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. x A major fiscal easing has been implemented and the budget deficit will increase sharply. 	<ul style="list-style-type: none"> x The central bank has finally started easing. However, as the leading interest rate has been kept artificially low during the recent inflation surge, we only expect another 50bp interest cut during the next six months. x The currency is supported by a current account surplus of 15% of GDP. However, MYR still looks vulnerable in a deleveraging scenario. 	<ul style="list-style-type: none"> x Although the Governing Barisan Nasional (BN) coalition won a majority in the general election on 15 March, it was regarded as a defeat because it lost its two-thirds majority and power in several provinces. However, there is no credible political alternative to BN at present x In March PM Abdullah will resign and transfer the leadership of Umno and the BN coalition to the current finance minister Najib. No major change in policy is expected. 																																			
<p>FX forecast</p> <table border="1" data-bbox="152 983 465 1187"> <thead> <tr> <th colspan="3">EUR/MYR</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>4.76</td> <td></td> </tr> <tr> <td>+3M</td> <td>4.50</td> <td>4.77</td> </tr> <tr> <td>+6M</td> <td>4.32</td> <td>4.77</td> </tr> <tr> <td>+12M</td> <td>4.29</td> <td>4.74</td> </tr> </tbody> </table> <table border="1" data-bbox="152 1193 465 1398"> <thead> <tr> <th colspan="3">USD/MYR</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>3.69</td> <td></td> </tr> <tr> <td>+3M</td> <td>3.63</td> <td>3.69</td> </tr> <tr> <td>+6M</td> <td>3.60</td> <td>3.69</td> </tr> <tr> <td>+12M</td> <td>3.52</td> <td>3.67</td> </tr> </tbody> </table>	EUR/MYR				Danske	Forward	12-Mar	4.76		+3M	4.50	4.77	+6M	4.32	4.77	+12M	4.29	4.74	USD/MYR				Danske	Forward	12-Mar	3.69		+3M	3.63	3.69	+6M	3.60	3.69	+12M	3.52	3.67	<p><i>Central bank has finally started easing</i></p>  <p>Source: Ecwin</p>	<p><i>Domestic demand has remained resilient</i></p>  <p>Source: Ecwin</p>
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Philippines	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>PHP</p> <p>Currency regime: Free float</p> <p>Inflation target: 4%-5%</p>	<ul style="list-style-type: none"> x GDP growth is expected to slow below 3% 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. x Inflation has peaked and is expected to return within the central bank target of inflation between 4-5% - mainly on the back of lower energy and food prices. However, recently inflation has declined less than expected 	<ul style="list-style-type: none"> x Inflation has peaked, PHP has recovered slightly and there is considerable downside risk to growth. However, with inflation above target the central bank will only ease cautiously. The borrowing rate will decline below 4% in 2009. x PHP is expected to remain vulnerable in the short run as long as we are in a deleveraging scenario. However, the Philippines has 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. 	<ul style="list-style-type: none"> x 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 fear that the purpose is to allow president Arroyo to extend her leadership beyond the next 2010 presidential election. x The government has postponed its goal of balancing government budget from 2008 to 2010. 																																			
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Indonesia	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>IDR</p> <p>Currency regime:</p> <p>Free float</p> <p>Inflation target:</p> <p>2008: 5%-7%</p>	<ul style="list-style-type: none"> x Growth has remained resilient on the back of strong domestic demand. However, GDP growth is expected to slow to 4% mainly due to slower export growth. The current account has turned slightly to deficit due to higher crude oil prices and strong domestic demand. x Inflation has increased above 12%, but is now declining as the government has started to cut administered energy prices. However, inflation has underlying inflationary pressure remains a worry because of strong domestic demand. 	<ul style="list-style-type: none"> x Bank of Indonesia (BI) has started to ease, but there is less room to ease than in other Asian countries. However, there is increasing spill over from the global credit crisis into the domestic banking sector. BI has reduced the reserve requirement ratio and eased access to liquidity. x IDR has been hit by portfolio outflows from Indonesia and the weaker current account position. IDR might be vulnerable in the short run. However, BI is expected to step in to support IDR and longer term basic balance flows and carry will still be supportive for IDR. 	<ul style="list-style-type: none"> x Indonesia has a strong liquidity position (little short term debt and still strong FX reserves). However, as a carry currency it remains very sensitive to portfolio flows. x President Yudhoyono is very reform minded and has signalled his intention to continue fiscal consolidation. The next presidential election will be held in June 2009. It would be a positive if Yudhoyono is re-elected. The general election will be held in April 2009. 																																			
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India	Macro Outlook	FX & Monetary Policy	Risk Factors																																			
 <p>INR</p> <p>Currency regime:</p> <p>Free float</p> <p>Inflation target:</p> <p>5% for fiscal 08/09</p> <p>3% medium term</p>	<ul style="list-style-type: none"> x Growth is slowing on the back of both weaker exports and private consumption following last year's monetary tightening and INR appreciation. There will be a temporary boost to GDP growth in H1 09 from fiscal easing. This is expected to stabilise GDP growth to just below 6%. x Finally signs that inflation is retreating on the back of lower energy and commodity prices. Inflation will probably drop close to RBI's medium 3% target in 2009 	<ul style="list-style-type: none"> x Reserve Bank of India (RBI) is now easing monetary policy aggressively by both cutting interest rates the reserve requirement (RRR). The cut in the RRR has mainly been done to ease liquidity pressure on domestic banks. x In the short run RBI will remain vulnerable due to the current account deficit and possible lower portfolio and FDI inflows in a global deleveraging scenario. Longer term RBI will be underpinned by an improvement in the current account and continued strong FDI-inflows. 	<ul style="list-style-type: none"> x Overall the impact of the Mumbai terror attacks has been limited. Compared to earlier terror-attacks connected to Pakistan, the Indian reaction to-wards Pakistan has been res-trained. However, it has become more likely that opposition BJP will win the May general election. x Growth is now taking priority over continued fiscal consolidation. Including off-balance items the government budget deficit will increase because of fiscal easing and subsidies following recent spike in global oil prices. 																																			
<p>FX forecast</p> <table border="1"> <thead> <tr> <th colspan="3">EUR/INR</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>66.48</td> <td></td> </tr> <tr> <td>+3M</td> <td>0.62</td> <td>67.14</td> </tr> <tr> <td>+6M</td> <td>58.68</td> <td>67.64</td> </tr> <tr> <td>+12M</td> <td>57.34</td> <td>68.31</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="3">USD/INR</th> </tr> <tr> <th></th> <th>Danske</th> <th>Forward</th> </tr> </thead> <tbody> <tr> <td>12-Mar</td> <td>51.49</td> <td></td> </tr> <tr> <td>+3M</td> <td>0.50</td> <td>52.00</td> </tr> <tr> <td>+6M</td> <td>48.90</td> <td>52.33</td> </tr> <tr> <td>+12M</td> <td>47.00</td> <td>52.77</td> </tr> </tbody> </table>	EUR/INR				Danske	Forward	12-Mar	66.48		+3M	0.62	67.14	+6M	58.68	67.64	+12M	57.34	68.31	USD/INR				Danske	Forward	12-Mar	51.49		+3M	0.50	52.00	+6M	48.90	52.33	+12M	47.00	52.77	<p><i>RBI easing aggressively</i></p>  <p>Source: Ecwin</p>	<p><i>Domestic demand has remained resilient</i></p>  <p>Source: Ecwin</p>
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FX Forecast

Core Majors

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
EUR	12-Mar			1.29		745.4		1110.0		885.7	
	+3M			1.24	1.29	745.0	747.1	1100.0	1108.8	860.0	888.0
	+6M			1.20	1.29	745.0	748.3	1060.0	1107.2	830.0	889.5
	+12M			1.22	1.29	746.0	749.8	980.0	1104.4	820.0	891.9
USD	12-Mar	1.29				577.2		859.8		685.3	
	+3M	1.24	1.29			600.8	578.6	887.1	858.7	693.5	687.7
	+6M	1.20	1.29			620.8	578.9	883.3	856.5	691.7	688.2
	+12M	1.22	1.29			611.5	579.3	803.3	853.2	672.1	689.1
JPY	12-Mar	126.2		97.8		5.91		8.79		7.02	
	+3M	122.0	126.0	98.0	97.5	6.11	5.93	9.02	8.80	7.05	7.05
	+6M	120.0	125.8	100.0	95.7	6.21	5.95	8.83	8.80	6.92	7.07
	+12M	128.0	125.1	105.0	96.5	5.83	5.99	7.66	8.82	6.41	7.13

FX Forecast

Wider CEE

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
PLN	12-Mar	4.48		3.49		166.2		247.5		197.5	
	+3m	4.80	4.50	3.87	3.48	155.2	166.2	229.2	246.7	179.2	197.5
	+6m	4.90	4.50	4.08	3.48	152.0	166.3	216.3	246.1	169.4	197.7
	+12m	4.95	4.50	4.06	3.48	150.7	166.6	198.0	245.4	165.7	198.2
HUF	12-Mar	295.0		227.6		2.53		3.76		3.00	
	+3m	315.0	298.5	254.0	231.1	2.37	2.50	3.49	3.71	2.73	2.98
	+6m	325.0	304.3	270.8	235.4	2.29	2.46	3.26	3.64	2.55	2.92
	+12m	330.0	313.5	270.5	242.2	2.26	2.39	2.97	3.52	2.48	2.85
CZK	12-Mar	26.35		20.44		28.29		42.13		33.61	
	+3m	29.40	26.38	23.71	20.43	25.34	28.32	37.41	42.04	29.25	33.67
	+6m	29.50	26.41	24.58	20.43	25.25	28.33	35.93	41.92	28.14	33.68
	+12m	29.50	26.50	24.18	20.47	25.29	28.29	33.22	41.67	27.80	33.65
RON	12-Mar	4.27		3.31		174.6		260.1		207.5	
	+3m	4.80	4.40	3.87	3.41	155.2	169.9	229.2	252.1	179.2	201.9
	+6m	5.00	4.54	4.17	3.51	149.0	164.9	212.0	244.0	166.0	196.1
	+12m	5.10	4.77	4.18	3.68	146.3	157.3	192.2	231.6	160.8	187.1
BGN	12-Mar	1.96		1.51		381.1		567.6		452.9	
	+3m	1.96	-	1.58	-	381.1	-	562.7	-	439.9	-
	+6m	1.96	-	1.63	-	381.1	-	542.2	-	424.6	-
	+12m	1.96	-	1.60	-	381.6	-	501.3	-	419.4	-

FX Forecast

CIS											
		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
RUB	12-Mar	45.18		34.98		16.50		24.57		19.60	
	+3M	50.34	47.04	40.60	36.43	14.80	15.88	21.85	23.57	17.08	18.88
	+6M	50.88	49.08	42.40	37.97	14.64	15.25	20.83	22.56	16.31	18.12
	+12M	53.68	53.84	44.00	41.60	13.90	13.93	18.26	20.51	15.28	16.57
UAH	12-Mar	10.43		7.80		71.4		106.4		84.9	
	+3M	11.78	10.55	9.50	8.17	63.2	70.8	93.4	105.1	73.0	84.2
	+6M	12.00	11.01	10.00	8.52	62.1	68.0	88.3	100.6	69.2	80.8
	+12M	12.20	N/A	10.00	N/A	61.1	N/A	80.3	N/A	67.2	N/A
Baltics											
EEK	12-Mar	15.65		12.12		47.6		70.9		56.6	
	+3M	15.65	-	12.62	-	47.60	-	70.29	-	54.95	-
	+6M	15.65	-	13.04	-	47.60	-	67.73	-	53.04	-
	+12M	15.65	-	12.83	-	47.67	-	62.62	-	52.40	-
LTL	12-Mar	3.45		2.67		215.9		321.5		256.5	
	+3M	3.45	-	2.78	-	215.9	-	318.8	-	249.3	-
	+6M	3.45	-	2.88	-	215.9	-	307.2	-	240.6	-
	+12M	3.45	-	2.83	-	216.2	-	284.1	-	237.7	-
LVL	12-Mar	0.71		0.55		1054.5		1570.5		1253.1	
	+3M	0.70	-	0.56	-	1064.3	-	1571.4	-	1228.6	-
	+6M	0.70	-	0.58	-	1064.3	-	1514.3	-	1185.7	-
	+12M	0.70	-	0.57	-	1065.7	-	1400.0	-	1171.4	-

FX Forecast

MEA											
		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
TRY	12-Mar	2.19		1.69		340.9		507.7		405.1	
	+3M	2.25	2.25	1.81	1.74	331.1	332.6	488.9	493.6	382.2	395.4
	+6M	2.35	2.30	1.96	1.78	317.0	324.9	451.1	480.8	353.2	386.3
	+12M	2.40	2.42	1.97	1.87	310.8	310.3	408.3	457.1	341.7	369.1
ZAR	12-Mar	12.80		9.87		58.3		86.8		69.2	
	+3M	13.64	12.99	11.00	10.06	54.6	57.5	80.6	85.3	63.0	68.3
	+6M	13.50	13.23	11.25	10.24	55.2	56.5	78.5	83.7	61.5	67.2
	+12M	14.03	13.53	11.50	10.45	53.2	55.4	69.9	81.6	58.4	65.9
ILS	12-Mar	5.39		4.17		138.4		206.1		164.5	
	+3M	5.01	5.38	4.04	4.17	148.7	138.8	219.6	205.9	171.7	164.9
	+6M	4.86	5.39	4.05	4.17	153.3	138.9	218.1	205.6	170.8	165.2
	+12M	4.95	5.39	4.06	4.16	150.6	139.1	197.9	204.9	165.5	165.5
EGP	12-Mar	7.35		5.69		101.4		151.0		120.5	
	+3M	6.94	7.19	5.60	5.57	107.3	103.9	158.4	154.2	123.8	123.5
	+6M	6.78	7.35	5.65	5.68	109.9	101.8	156.3	150.7	122.4	121.1
	+12M	7.02	7.47	5.75	5.77	106.3	100.4	139.7	147.8	116.9	119.4

FX Forecast

LATAM											
		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
BRL	12-Mar	2.96		2.29		251.6		374.7		299.0	
	+3M	2.85	3.01	2.30	2.33	261.2	248.3	385.7	368.6	301.5	295.2
	+6M	2.82	3.07	2.35	2.37	264.2	243.9	375.9	360.9	294.3	289.9
	+12M	2.93	3.15	2.40	2.44	254.8	237.8	334.7	350.3	280.1	282.9
ARS	12-Mar	4.70		3.64		158.5		236.1		188.4	
	+3M	4.96	4.93	4.00	3.82	150.2	151.5	221.8	224.8	173.4	180.0
	+6M	5.40	5.23	4.50	4.05	138.0	142.9	196.3	211.5	153.7	169.9
	+12M	5.61	5.82	4.60	4.50	132.9	128.7	174.6	189.6	146.1	153.1
MXN	12-Mar	18.98		14.71		39.27		58.5		46.7	
	+3M	17.73	19.31	14.30	14.96	42.0	38.7	62.0	57.4	48.5	46.0
	+6M	16.80	19.61	14.00	15.17	44.3	38.2	63.1	56.4	49.4	45.4
	+12M	17.08	20.12	14.00	15.54	43.7	37.3	57.4	54.9	48.0	44.3

FX Forecast

EM Asia											
		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
CNY	12-Mar	8.83		6.84		84.41		125.7		100.3	
	+3M	8.49	8.84	6.85	6.85	87.7	84.5	129.5	125.4	101.2	100.4
	+6M	8.20	8.86	6.83	6.85	90.9	84.5	129.3	125.0	101.3	100.4
	+12M	8.05	8.89	6.60	6.87	92.6	84.3	121.7	124.2	101.8	100.3
KRW	12-Mar	1926		1492		0.39		0.58		0.46	
	+3M	1798	1905	1450	1475	0.41	0.39	0.61	0.58	0.48	0.47
	+6M	1560	1901	1300	1471	0.48	0.39	0.68	0.58	0.53	0.47
	+12M	1464	1890	1200	1460	0.51	0.40	0.67	0.58	0.56	0.47
THB	12-Mar	46.2		35.8		16.1		24.0		19.2	
	+3M	44.0	46.5	35.5	36.0	16.9	16.1	25.0	23.8	19.5	19.1
	+6M	42.8	46.9	35.7	36.3	17.4	16.0	24.7	23.6	19.4	19.0
	+12M	41.8	47.6	34.3	36.7	17.8	15.8	23.4	23.2	19.6	18.8
SGD	12-Mar	1.97		1.53		379		564		449.8	
	+3M	1.88	1.97	1.52	1.53	395	379	584	562	456	450.1
	+6M	1.80	1.97	1.50	1.53	414	379	589	561	461	450.6
	+12M	1.79	1.97	1.47	1.52	416	380	546	560	457	451.9
HKD	12-Mar	10.0		7.75		74.5		110.9		88.5	
	+3M	9.61	10.00	7.75	7.75	77.5	74.7	114.5	110.8	89.5	88.8
	+6M	9.32	10.01	7.77	7.74	79.9	74.8	113.7	110.6	89.0	88.9
	+12M	9.52	10.02	7.80	7.74	78.4	74.8	103.0	110.2	86.2	89.0

FX Forecast

EM Asia (cont.)

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
MYR	12-Mar	4.76		3.69		156.5		233.0		185.9	
	+3M	4.50	4.77	3.63	3.69	165.5	156.6	244.4	232.5	191.1	186.2
	+6M	4.32	4.77	3.60	3.69	172.5	157.0	245.4	232.3	192.1	186.6
	+12M	4.29	4.74	3.52	3.67	173.7	158.1	228.2	232.8	190.9	188.0
PHP	12-Mar	62.35		48.30		11.96	0.00	17.80		14.21	
	+3M	59.52	63.73	48.00	49.35	12.52	11.72	18.48	17.40	14.45	13.94
	+6M	58.20	64.50	48.50	49.90	12.80	11.60	18.21	17.17	14.26	13.79
	+12M	57.34	66.39	47.00	51.29	13.01	11.29	17.09	16.64	14.30	13.43
IDR	12-Mar	15464		11980		0.048		0.072		0.057	
	+3M	15004	15857	12100	12280	0.050	0.047	0.073	0.070	0.057	0.056
	+6M	13200	16196	11000	12530	0.056	0.046	0.080	0.068	0.063	0.055
	+12M	11535	17125	9455	13230	0.065	0.044	0.085	0.064	0.071	0.052
INR	12-Mar	66.48		51.49		11.21		16.70		13.32	
	+3M	0.62	67.14	0.50	52.00	1201.61	11.13	1774.19	16.51	1387.10	13.23
	+6M	58.68	67.64	48.90	52.33	12.70	11.06	18.06	16.37	14.14	13.15
	+12M	57.34	68.31	47.00	52.77	13.01	10.98	17.09	16.17	14.30	13.06
TWD	12-Mar	44.51		34.40		16.75		24.94		19.90	
	+3M	43.40	44.23	35.00	34.25	17.17	16.89	25.35	25.07	19.82	20.08
	+6M	42.00	44.05	35.00	34.08	17.74	16.99	25.24	25.13	19.76	20.19
	+12M	41.48	43.58	34.00	33.67	17.98	17.20	23.63	25.34	19.77	20.46

Monetary Policy Calendar

	Policy Rate (%)	Latest Change	Next Change	Next Meeting
	13 March 2009			
Wider CEE				
PLN	4.00	- 25 bp (Feb, 2009)	-25 bp (Q2, 2009)	25 Mar 2009
HUF	9.50	-50 bp (Jan, 2009)	-25 bp (H2, 2009)	23 Mar 2009
CZK	1.75	- 50bp (Feb, 2009)	-25 bp (Q2, 2009)	26 Mar 2009
TRY	11.50	- 150bp(Feb, 2009)	-50 bp (Q3, 2009)	19 Mar 2009
MEA				
ILS	0.75	- 25 bp (Feb, 2009)	-25 bp (Mar, 2009)	23 Mar 2009
ZAR	10.50	- 100 bp (Feb, 2009)	-100 bp (Apr, 2009)	16 Apr 2009
LATAM				
BRL	11.25	- 150 bp (Mar, 2009)	-100 bp (Apr, 2009)	29 Apr 2009
MXN	7.50	- 25 bp (Feb, 2009)	-25 bp (Mar, 2009)	20 Mar 2009
EM Asia				
CNY	5.31	- 27 bp (Dec, 2008)	-27 bp (Q2, 2009)	Not announced
KRW	2.00	- 50 bp (Feb, 2009)	-25 bp (Q2, 2009)	09 Apr 2009
THB	1.50	-50 bp (Feb, 2009)	-25 bp (Q2, 2009)	08 Apr 2009
HKD	0.50	- 100 bp (Dec, 2008)	Unchanged 2009	Not announced
MYR	2.00	- 50 bp (Feb, 2009)	-25 bp (Q2, 2009)	29 Apr 2009
PHP	4.75	- 25 bp (Mar, 2009)	-25 bp (Q2, 2009)	16 Apr 2009
IDR	7.75	-50 bp (Mar, 2009)	-50 bp (Q2, 2009)	03 Apr 2009
INR	5.00	-50 bp (Mar, 2009)	-50 bp (Q2, 2009)	21 Apr 2009
TWD	1.25	- 25 bp (Feb, 2009)	-25 bp (Q2, 2009)	Not announced

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First date of publication

Please see the front page of this research report.

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