Emerging Markets Briefer

January 07, 2008

Investment research

US recession fears

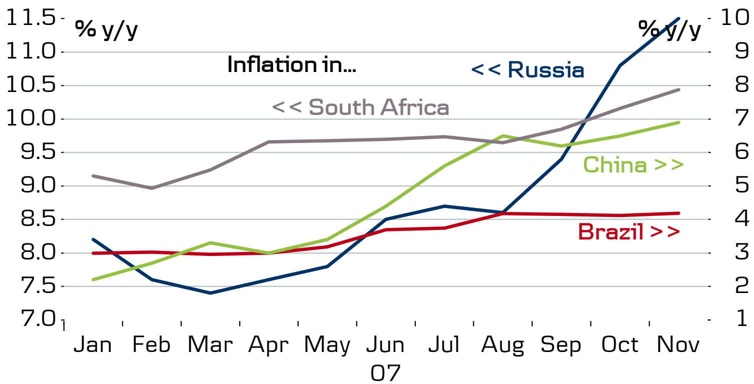
US outlook has worsened

- Since our last EM-briefer, the outlook for the global economy has deteriorated further, and we have, as consequence, revised our forecast further down for GDP growth in the US and Euroland.
- We now believe the Fed will cut interest rates by 1.0%-point during H1 08 and the ECB will start cutting in H2 08. With both the Fed and the ECB cutting rates, the important question is if the monetary tightening cycle in EM is close to its peak and if possible could start easing later in 2008 or 2009.

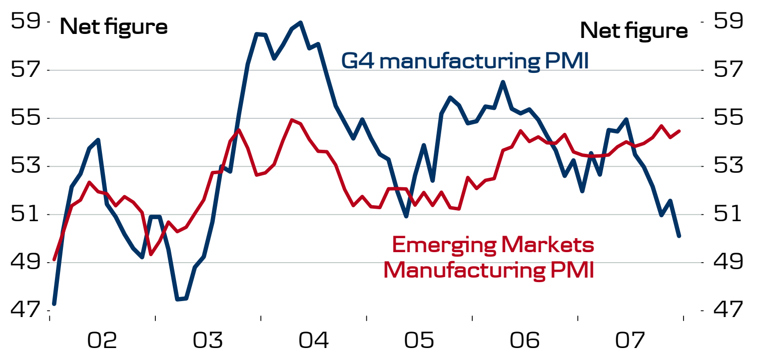
Will the Emerging Market decouple?

- With a few exceptions, we do not think so. Growth will still be relatively strong in most emerging markets, and recent spikes in inflation rates will tie the hands of the local central banks.
- The weaker global growth outlook has created some downside risk to our Emerging Markets view. In particular, if commodity prices begin to drop and risk aversion rises sharply, we could see some underperformance, but in general we expect BRIC and emerging Asia.

Inflation will tie the hands of the central banks



PMI out-performance thus far



Danske Bank

Movers and shakers – last month and in the month ahead

Has the Emerging Market peaked?

Since our last EM-briefer, the outlook for the global economy has deteriorated further, and we have, as a consequence, revised our forecast further down for GDP growth in the US and Euroland. We still believe the US will stabilise in H2 08 and will avoid a full blown recession but the possibility of a US recession can no longer be ignored. We now believe the Fed will cut interest rates by 1.0%-point during H1 08 and the ECB will start cutting in H2 08. With the ECB cutting rates and the US economy starting to stabilise in H2 08, we believe our case for a turn-around in USD during H2 has strengthened. However, in the short run, USD will remain under pressure and we still expect EUR/USD to break 1.50 on a three month horizon.

With both the Fed and the ECB cutting rates, the important question is if the monetary tightening cycle in EM is close to peaking and could possibly start easing later in 2008 or 2009. With a few exceptions we do not think so. *Firstly*, although growth rates in Emerging Markets (EM) are expected to slow slightly, we overall expect growth in Emerging Markets to outperform growth in the developed markets in 2008. This is our decoupling story. The case for the decoupling of emerging and developed market growth is strongest for the BRIC-countries and Emerging Markets in Asia in general. *Secondly*, inflation is rising and tying the hands of most central banks even if growth should slow. This is especially the case in Central and Eastern Europe (CEE), but is also visible in South Africa and the former Soviet countries (CIS), where inflation has accelerated sharply in 2007 mainly through the supply-side of the economies via higher energy and food prices, which have been further enhanced in the economies where the demand-side has been very strong.

Therefore we expect some monetary tightening in many of these countries. In Poland, Romania, the Czech Republic, and South Africa, the central banks will tighten further in 2008, while the Hungarian central bank has for now postponed more easing due to a recent acceleration in core inflation.

In Russia, the authorities will bring in further monetary tightening as the liquidity situation in the money market eases – mainly through a stronger currency. In Ukraine and Kazakhstan, inflation rates are now approaching 20% y/y, but the authorities will probably not do much about it – mainly due to the unsustainable currency pegs.

The weaker global growth outlook has created some downside risk to our Emerging Markets view. We still expect global growth to be slightly above trend. Hence, global oil and commodity prices are expected to remain strong. However, we could soon be reaching the point where markets will start to question the sustainability of current levels of commodity prices. The positive terms of trade impact from higher commodity prices has been a major positive for Emerging Market fundamentals.

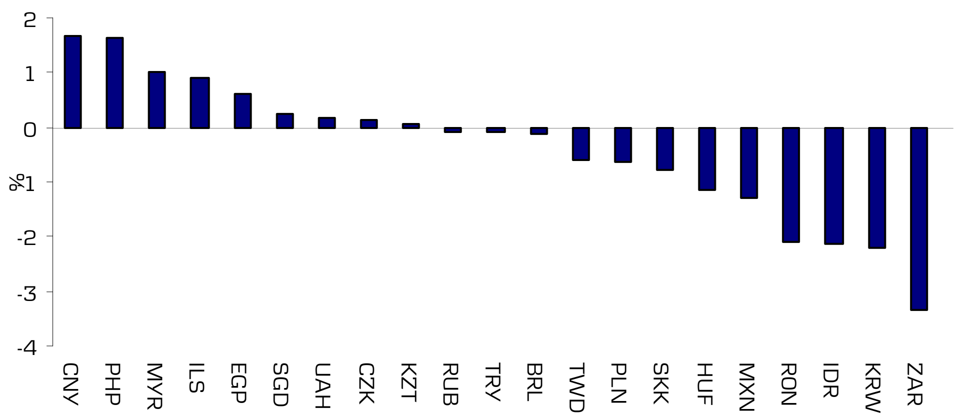
Should commodity prices start to drop, it would be very negative for in particular, Latin America and CIS. It will to some extent be negative in South Africa via gold prices, but the effect will be ambiguous, since lower energy prices will have a positive effect on the C/A deficit. Certainly a country like Turkey should benefit from lower commodity (oil) prices.

Finally, many Emerging Markets have been supported by strong capital inflows into local stock markets in particular. This has especially been the case in Asian countries such as India, South Korea and Philippines. Should global stock markets turn negative due to rising risk aversion then it will most likely reduce capital inflows into these countries. This is naturally also the case for eg, Brazil, where speculative capital inflows are a main driver behind the strong equity and FX markets' performance over the last few years.

A rise in risk aversion seems hard to avoid in the coming months – Especially if the US outlook continues to look bleak, and we certainly see a fair chance of EM interest rate spreads widening relative to the more mature markets. 2008 will be a challenging year!

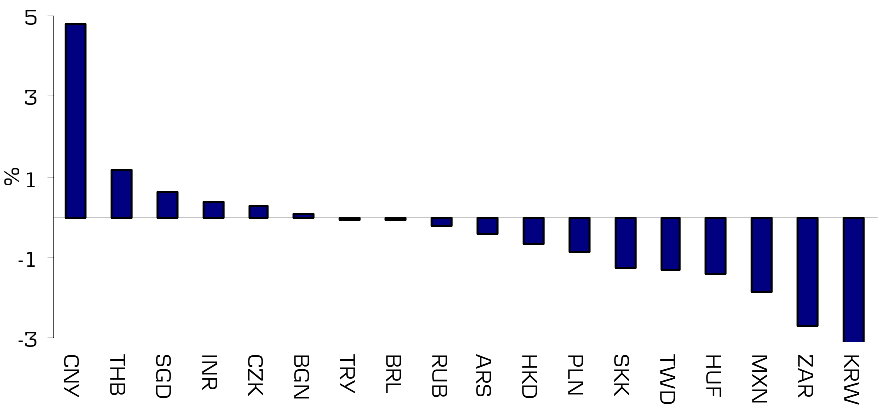
Emerging Market performance over the past month

Chart 1: FX change against EUR and USD



(Simple average relative to EUR and USD)

Chart 2: Risk adjusted FX change against EUR and USD



(Annualized return divided by 2-year volatility)

Chart 3: Change in 2 year swap yield

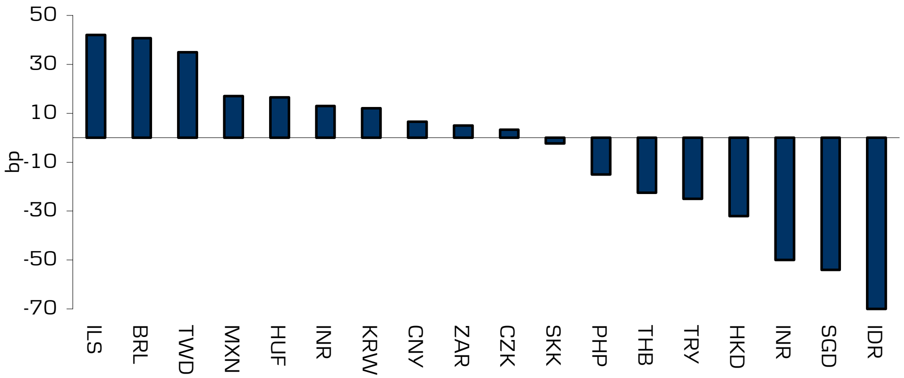
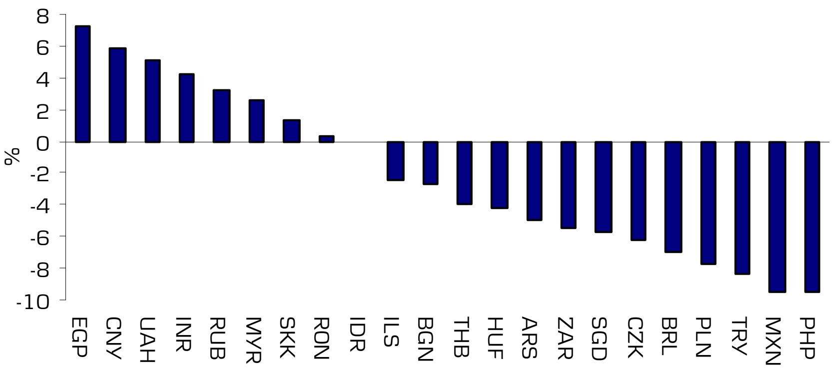


Chart 4: Stock market performance



(Local currency)

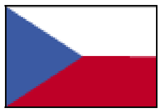
FX Trade recommendations

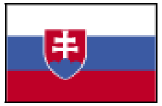
Performance

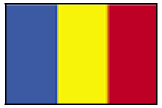
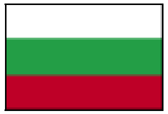
Performance	Count	Av. return	Batting av.	Av. Horizon	Av Vol.
Closed	15	0.75	0.60	59	9.89
Open	4	1.00	0.75	45	10.27
All	19	0.80	0.63	55	9.66

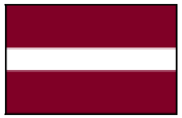
Recently closed	Start Date	Closing date	Spot open	Spot close	Target	Stop	P/L (incl carry)
Buy RUB-basket	09-02-2007	12-11-2007	29.920	29.621	29.00	30.10	1.78
Buy EUR/RON	05-09-2007	23-11-2007	3.322	3.600	3.75	3.60	7.84
Buy USD/ZAR	12-11-2007	23-11-2007	6.686	6.840	7.20	6.60	2.13

Open	Start Date	Today	Spot open	Spot	Target	Stop	P/L (incl carry)
Buy PLN/SKK	22-10-2007	07-01-2008	9.090	9.269	9.32	8.94	2.17
Buy EUR/RON	04-12-2007	07-01-2008	3.53	3.59	3.70	3.40	1.47
Buy EUR/ISK	04-12-2007	07-01-2008	90.800	91.025	96.00	88.00	-0.57
Buy USD/ZAR	04-12-2007	07-01-2008	6.81	6.91	7.10	6.70	0.90

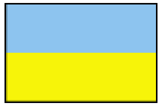
	Macro Outlook	FX & Monetary Policy	Other factors
Region: CEE			
Poland  PLN	• Growth is strong, but industrial production is beginning to show some moderate signs of slowing due to capacity constraints. • The current account situation remains healthy, but strong domestic demand is beginning to put some pressure on the current account.	• Underlining inflationary pressures are going to increase and we expect inflation to remain above the central bank's (NBP) official inflation target of 2½% going into 2008. • It seems clear that the NBP will continue to tighten monetary policy in the coming months. We expect the next 25bp rate hike at the end of January.	• The liberal and reformist Civic Platform won a landslide victory in the recent parliament elections and have formed a government with the centrist Peasant Party (PSL). • The new government should be expected to speed up reforms, but we do not expect any revolution.
Czech Republic  CZK	• Economic growth will remain fairly strong this year, although weaker consumer spending will weigh negatively on growth. • Inflation is heading upwards. Food, energy prices, higher regulated prices and VAT changes will put further pressure on inflation going forward.	• The Czech central bank will continue to tighten monetary conditions further in order to keep inflation under control although the record-strength of CZK might limit the size of monetary tightening. • CZK remains at a record-high, both against EUR and USD. We still see further strengthening as fairly limited.	• The presidential elections are drawing closer. In February, the Czech parliament has to vote on the new Czech President.

Region: CEE	Macro Outlook	FX & Monetary Policy	Other factors
Slovakia  SKK	• The economy will continue to grow strongly also this year driven by exports but also by consumer spending. • Inflation remains fairly low but inflationary pressures are squeezed rather on the upside partly due to accelerating food and energy prices.	• The Slovak central bank will keep interest rates on hold in Q1. Nonetheless, as we expect the ECB to ease monetary conditions this year, the Slovak central bank must at some point, due to the planned euro entry in 2009, follow the ECB and ease monetary conditions in Slovakia as well. • SKK is being driven by global factors. News about the Slovak Euro entry might be crucial for SKK.	• The Slovak government is confident in meeting all Maastricht criteria in order to qualify for euro adoption in 2009. Nonetheless, the sustainability of low inflation is, in our view, questionable in the longer run and could be the main reason for Slovakia's possible rejection in 2009.
Hungary  HUF	• Hungarian growth has slowed down significantly on the back of last year's tightening of fiscal policy. • This is positive as it contributes to improving both fiscal balances and the current account situation, but also increases the risk of political unrest resurfacing.	• The Hungarian central bank (MNB) is facing a serious dilemma: To respond to the dramatic slowdown in domestic demand by easing monetary conditions or to respond to the fact that inflation has to begin to rise again by keeping interest rates on hold. We expect the MNB to choose a cautious approach and keep interest rates on hold for some time to come.	• Tighter global credit conditions could potentially hit the fairly indebted Hungarian economy hard. This is the main risk to the Hungarian markets. • There are signs of internal disagreement in the Hungarian government over fiscal policy. Any loosening of fiscal policy would be very negative for the Hungarian markets.

Region: CEE	Macro Outlook	FX & Monetary Policy	Other factors
Romania  RON	• Inflation remains on the upside, driven by rising food prices but also strong wage growth and consumer spending are contributing to accelerating inflation. • Romania is running a high risk of economic overheating with surging inflation and a high current account deficit.	• Monetary policy is biased on the upside in order to keep inflation under control. Further monetary tightening can be expected. • Romanian leu is expected to remain under pressure mainly due to worsening external imbalances.	• The Romanian government needs to maintain a tight fiscal policy if inflation should drop back toward lower levels.
Bulgaria  BGN	• The economy continues to grow strongly but it is driven more by consumer spending than investment. The economy shows signs of overheating. • Food prices pushed inflation into double-digits since August last year. The ballooning current account deficit is a key risk.	• Widening of external balances makes Bulgaria vulnerable to worsening global credit and liquidity conditions. • Bulgaria's currency, the lev, is pegged to the Euro. The central bank is within a currency board set-up. Tight fiscal policy and a close monitoring of credit growth are needed to maintain a credible FX peg.	• The Bulgarian government approved the 2008 budget surplus at 3.0% of GDP. • It is positive news as the tight fiscal policy is the only way to tackle **external imbalances of the Bulgarian economy.**

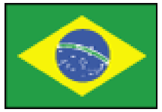
	Macro Outlook	FX & Monetary Policy	Other factors
Region: Baltic			
Estonia  EEK	• We expect a sharp decline in growth in the Estonian economy in the coming years. However, the jury is still out on whether the economy will experience a hard or a soft landing. • Inflation and wage growth have accelerated further and the development is clearly not sustainable.	• The Estonian krooni (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 increased imbalances and contagion from the crisis in Latvia have increased uncertainty.	• Despite some slowdown in demand, inflation remains on the upside mainly due to a hike in energy prices and a rise in excise duties. Excessive wage growth will continue to put pressure on consumer prices. • We believe the Euro-adoption will be postponed until well after 2010 • The property market in Estonia has cooled, one of the key risks to the growth outlook in the medium term.
Latvia  LVL	• Latvian growth is far too strong, but a significant slowdown in growth is very likely. Signs of a slowdown in the economy are beginning to emerge. • The Latvian real estate market has cooled down significantly, and a further drop in real estate prices is very likely. • Inflation and wage growth are accelerating, which is unsustainable.	• The Latvian lat (LVL) is pegged to the euro through ERM II, but renewed pressure on the currency should certainly not be ruled out. • The Latvian central bank has been defending the peg by actively intervening in the FX market. The situation remains very critical.	• There are clear concerns about financial and economic stability in Latvia. • Despite some expected tightening in fiscal stance the fiscal policy remains loose.

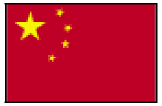
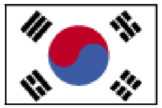
Region: Baltic	Macro Outlook	FX & Monetary Policy	Other factors
Lithuania  LTL	• GDP remains very strong and worryingly there are clear signs that the overheating of the economy continues. • The Lithuanian property market is still in "wait-and-see" mode, but judging from the developments in Estonia and Latvia we expect almost the same level of adjustment. • The economy in Lithuania looks a bit more balanced than Estonia's and Latvia's, but the imbalances in the economy are still expanding.	• Lithuanian litai (LTL) is pegged to the euro through ERM II. • Large imbalances and negative contagion from the crisis in Latvia could increase volatility in the Lithuanian markets further.	• Despite clear signs of a rising risk of overheating policy responses have been very limited. Lithuania is still planning to have a budget deficit of around 0.5 % of GDP. • Strong pro-cyclicality in fiscal policy stance creates additional uncertainty on how more sustainable growth will be achieved.

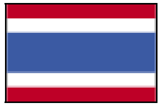
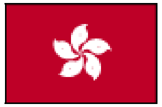
	Macro Outlook	FX & Monetary Policy	Other factors
Region: CIS			
Russia  RUB	• Domestic demand will moderate in coming quarters as higher inflation and tighter monetary conditions will dampen consumption somewhat. Latest data, though, display strength in the manufacturing sector indicating sound growth. • Inflationary pressures are mounting as food price growth rates accelerate. Inflation will move to 13%-14% y/y in the coming months.	• We expect the RUB-basket to move 2.0%-2.5% stronger during 2008. Perhaps CBR will allow it to appreciate by 0.25%-0.50% in the coming month or two. • Money market rates have fallen somewhat over the last month, indicating that the liquidity situation is improving. CBR will therefore soon have to redirect its attention to fighting inflation.	• Putin wants to preserve his power as Prime Minister after the presidential elections in March. • His nominee for the presidency, Dmitry Medvedev, is set to win the elections, and as he stated in December he fully supports Putin for the job as prime minister.
Ukraine  UAH	• Growth has slowed a little, mainly due to base effects. Strong consumer spending, though, still weighs negatively on the C/A deficit, which is still widening. • Inflation is now at levels that could threaten macro economic stability.	• The Ukrainian central bank (NBU) is unlikely to introduce any major policy changes despite excessive inflation. • NBU has raised mandatory reserve requirements, but further monetary tightening is definitely warranted.	• The Ukrainian parliament has approved Yulia Tymoshenko as prime minister with 226 votes in favour (the minimum needed) in the 450-seat parliament (the Rada). The coalition's majority looks very fragile.

	Macro Outlook	FX & Monetary Policy	Other factors
Region: EMEA			
Turkey  TRY	• There are increasing signs of a fairly sharp slowdown in GDP growth in Turkey on the back of tighter credit conditions and a strong lira. • The current account deficit has increased significantly and is now at quite dangerous levels. The surge in oil prices weighs significantly on the current account.	• While the Turkish markets have weathered the recent political turmoil well, increasing worries on global credit conditions could obviously hit the heavily indebted Turkish economy and markets hard. • Inflation continues to decline and that has opened the door for an easing of monetary policy in Turkey. That said, looking ahead there is some inflationary risk in the form of higher food and energy prices and the risk of a renewed sell-off in the lira.	• The risk of a full-scale Turkish military operation into northern Iraq has eased a bit over the past month, but this “story” could rapidly resurface in the Turkish markets.

Region: EMEA	Macro Outlook	FX & Monetary Policy	Other factors
South Africa  ZAR	• Despite aggressive monetary policy action, the South African economy will maintain fairly strong growth, although weaker compared to last year. • Inflation proves to be stubbornly high. Electricity prices represent, in addition to food and oil prices, another significant risk to the inflation outlook. A high current account deficit represents another key risk.	• The central bank has tightened monetary conditions by 400bp since June 2006 but without any success of bringing inflation back into the inflation target of 3%-6%. We keep the door for another 50bp rate hike open. • Due to South African external imbalances the rand will remain vulnerable to global market jitters and changes in global risk appetite. Also politics might weigh on the currency.	• Controversial politician Jacob Zuma was elected as the new ANC party leader at December's leadership vote. Nevertheless, it is uncertain as to whether Zuma will become the new South African President as new corruption charges have been raised against him.

	Macro Outlook	FX & Monetary Policy	Other factors
Region: LATAM			
Brazil  BRL	• Economic activity is still very strong, despite the cooling of the US economy. The output gap is still narrowing as domestic demand runs faster than supply. • A strong currency reduces inflationary pressures, but the surge in economic activity poses an inflation risk. Inflation might move above the upper limit in the inflation target in the coming month or two.	• The BCB will take a long pause from the easing cycle. It has kept its leading rate unchanged at the last couple of meetings and we expect it to stay on hold at least into H2 08. • Even though BRL has outperformed USD in 2007, it has remained fairly stable against a trade-weighted basket of currencies. The BCB is intervening despite costs to keep BRL as cheap as possible given the current conditions.	• The ongoing boom has hampered the outlook for the trade balance surplus. Chances are that the trade surplus, despite high commodity prices, could be gone before entering 2010.
Mexico  MXN	• The Mexican economy is facing a bleaker outlook in 2008, marked by further slowing of growth and external threats, related to a US slowdown, a flagging oil production and building inflationary pressures. • Inflation, although still fairly subdued, could easily move higher in the coming months.	• The central bank (Banxico) is currently on hold after having delivered two hikes in 2007. It has removed its restrictive tightening bias, and will probably stay on hold well into 2008, while it judges the stagflationary outlook. • We expect that the Mexican peso (MXN) will stay fairly close to its current level against USD.	• A key issue in the coming quarter will be how hard Mexico's economy will be hit by slower exports to the US.

	Macro Outlook	FX & Monetary Policy	Other factors
Region: EM Asia			
China  CNY	• GDP growth declined slightly to 11.5% in Q3. However, the economy regained momentum since September and could very well have re-accelerated in Q4 07. Growth is expected to slow moderately to just below 11% in 2008. • Inflation has soared above 6% recently, mostly due to higher food prices and could be close to 7% at year end. However, we still expect inflation to decline below 4% in 2008 on the back of lower food prices.	• The Chinese authorities are likely to maintain a tightening stance on credit / monetary policy. Another rate hike is likely in Q1 although administrative tightening measures like a lending freeze may substitute interest rate increases. • We expect the appreciation of CNY against USD to accelerate to about 7% on a yearly basis. A major one off revaluation cannot be ruled out although we do not believe it is imminent. China will continue to liberalise its capital account.	• President Hu Jintao did not consolidate his power as much as expected at the Party Congress. However we still believe future policy focus will be stronger on environmental and social development goals. • Protectionist pressure is on the rise in Washington. A blow out with the US in late 2008 cannot be ruled out.
South Korea  KRW	• Growth accelerated in Q3 07 on the back of strong private consumption and export investments. Growth will continue to improve as domestic demand picks up. • Inflation has accelerated sharply in recent months on higher oil prices and has breached the upper limit of BoK's inflation target band of 2.5% +/-1%.	• After the latest 25bp rate hike to 5.0% in August, rates will probably remain on hold until late 08. • We expect KRW strengthening on a 12-month horizon on the back of both strong growth in Asia and a stronger JPY and CNY	• As expected, Lee Myung-bak from the right-wing GNP party won the presidential election in December 2007 and the GNP is expected to win the general election in April, ending the current political gridlock. • Six-party talks on ending North Korea's nuclear ambitions continue. This should ease political tensions in the region.

Region: EM Asia	Macro Outlook	FX & Monetary Policy	Other factors
Thailand  THB	• There was no clear cut result or victory in December's general election and the risk is that political uncertainty will continue to be a drag on the economy. • However, there are finally signs of recovery in domestic demand. However, exports are still booming, supporting growth. The C/A has shifted back into surplus, riding on slowing imports and booming exports. • Headline inflation has accelerated sharply but core CPI is well within the 0%-3% inflation target band.	• Fed rate cuts and recent THB appreciation have created slight easing bias in monetary policy. Another 25bp rate reduction to 3.0% cannot be ruled out completely. • Despite the disappointing election result with no clear cut victory, there has been no major impact on the currency. A possible gradual decline in political risk premium and an end to the easing cycle should support further appreciation of THB.	• The pro-Thaksin Peoples Power Party (PPP) won the 23 December general election, without attaining a majority in the Lower House. However, the PPP is expected to lead a new coalition government. • It is uncertain how the current military leadership will react to a PPP government and the possible amnesty and return of former PM Thaksin. It could complicate the transition from military rule and extend political uncertainty,
Hong Kong  HKD	• Momentum in the economy has been maintained around 6% GDP growth and will be supported by lower interest rates and booming stock and real estate market. • Inflation is picking up because of a tighter labour market and appreciation of RMB.	• HK will keep its currency peg for a long time despite USD/RMB breaking 7.80. We expect USD/HKD to stay below 7.80 in coming months on the back of strong capital inflows into the Hong Kong market. • Money market rates will gradually decline as the Fed eases and USD inter-bank interest rates decline.	• No change in the political status is expected soon. Direct election for the Chief Executive and Legislature is possible by 2017 and 2020. • China's gradual capital account liberalisation is expected to boost capital inflow into Hong Kong.

Region: EM Asia	Macro Outlook	FX & Monetary Policy	Other factors
Philippines  **PHP**	• Strong growth is supported by continued strong exports and renewed strength in domestic demand. A big current account surplus around 4% of GDP is supported by remittances from Philippinos living abroad and strong FDI. • The budget deficit has been reduced significantly partly through privatisation. The target is to eliminate the budget deficit by 2008. Ability to reach this goal is important for financial markets. • Despite higher food prices, inflation remains below the central bank 2007 target of inflation between 4%-5%.	• The PHP is currently supported by a strong current account surplus and capital inflows. The PHP is expected to strengthen further, especially when domestic demand picks up. • Stronger PHP, muted inflation and Fed easening has created room for another 25bp rate reduction in Q1 08.	• The mid-term election in May has created a political stalemate. The TEAM coalition behind president Arroyo has a more than two-thirds majority in the lower house but the opposition has the majority in the upper house. As a consequence of the election result the opposition will not be able to impeach the president. • The next presidential election will be in 2010.
Indonesia  **IDR**	• Growth has rebounded above 6% on strong private consumption and investments. The current account surplus is 3% of GDP and the public sector deficit has been reduced significantly. • Risk of weaker public finances as Indonesia prepares for 2009 general election • Inflation has been creeping up lately to 6.8% y/y, just within BI's target range, and core inflation is only 5.7% y/y	• The Bank of Indonesia's (BI) inflation target is 5%-7% and it is satisfied with the USD/IDR trading within 8,500-9,500. With IDR just below 9.400 and recent increase in inflation monetary policy is on hold with slight easing bias longer term. • USD/IDR will remain flat in the short run but is expected to strengthen on a 12-month horizon supported by strong current account flows.	• President Yudhoyono is very business- and reform-minded but has only weak support in the parliament. Legislation concerning labour market liberalisation and foreign direct investment is currently being blocked by parliament. • The next presidential election is in September 2009. It would be a big positive if Yudhoyono were re-elected with stronger parliamentary support.

Region: EM Asia	Macro Outlook	FX & Monetary Policy	Other factors
India  INR	• Growth has been slowing down on the back of weaker exports and private consumption while investments remain strong. C/A and trade balances are in slightly negative territory due to strong domestic demand. • Positive long-run fundamentals remain intact with FDI and corporate investments remaining strong. • Inflation has fallen to 3.2% far below the 5% central bank target. However, part of the decline is due to base effect from higher food prices last year. Hence inflation will increase in 2008 as the impact from food prices becomes neutral, but is expected to stay below 5%.	• The Reserve Bank of India (RBI) is on hold. However RBI will continue to hike commercial banks' required reserve ratio to sterilise very strong FX reserve inflows. • The INR has appreciated strongly against USD and RBI has been selling INR to stem further appreciation. New controls on capital inflows are a possibility. RBI is stable in the short run but is expected to continue its appreciation trend later in 2008.	• Prime Minister Singh faces problems in advancing much-needed structural reforms because of a highly-fragmented government. The Communist party has threatened to withdraw support to the government coalition because of a civilian nuclear deal with the US. • The next general election is in May 2009. The pace of budget consolidation could slow in 2008 as India increasingly focuses on the upcoming general election.

FX Forecast

		EUR		USD		DKK		SEK		NOK	
Core Majors											
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
EUR	07-jan			1,47		745,7		937,6		786,1	
	+1m			1,50	1,47	746,0	745,6	935,0	937,6	780,0	787,0
	+3m			1,52	1,47	746,0	745,6	935,0	937,6	780,0	788,4
	+6m			1,50	1,47	746,0	745,7	930,0	937,4	775,0	790,7
	+12m			1,40	1,46	746,0	746,3	940,0	937,6	775,0	795,3
USD	07-jan	1,47				507,2		638,4		552,4	
	+1m	1,50	1,47			497,3	507,1	623,3	638,4	520,0	552,4
	+3m	1,52	1,47			490,8	507,3	615,1	638,6	513,2	553,2
	+6m	1,50	1,47			497,3	508,0	620,0	639,3	516,7	554,9
	+12m	1,40	1,46			532,9	510,4	671,4	642,6	553,6	559,8
JPY	07-jan	160,6		109,3		4,64		5,84		4,89	
	+1m	161	160	107	109	4,63	4,65	5,81	5,86	4,84	4,92
	+3m	160	159	105	108	4,66	4,68	5,84	5,89	4,88	4,95
	+6m	150	158	100	107	4,97	4,73	6,20	5,95	5,17	5,01
	+12m	147	155	105	106	5,07	4,81	6,39	6,06	5,27	5,13
Wider CEE											
PLN	07-jan	3,60		2,45		206,8		260,4		218,2	
	+1m	3,65	3,61	2,43	2,45	204,4	206,7	256,2	260,2	213,7	218,3
	+3m	3,70	3,61	2,43	2,46	201,6	206,4	252,7	259,8	210,8	218,3
	+6m	3,70	3,62	2,47	2,47	201,6	205,7	251,4	258,9	209,5	218,2
	+12m	3,70	3,66	2,64	2,50	201,6	203,7	254,1	256,4	209,5	217,4
HUF	07-jan	254,6		173,3		2,93		3,68		3,09	
	+1m	260,0	255,4	173,3	173,8	2,87	2,92	3,60	3,67	3,00	3,08
	+3m	265,0	256,4	174,3	174,6	2,82	2,91	3,53	3,66	2,94	3,07
	+6m	270,0	258,2	180,0	176,0	2,76	2,89	3,44	3,63	2,87	3,06
	+12m	275,0	261,8	196,4	179,2	2,71	2,85	3,42	3,59	2,82	3,04
CZK	07-jan	26,12		17,78		28,52		35,91		30,10	
	+1m	26,50	26,10	17,67	17,77	28,15	28,54	35,28	35,93	29,43	30,15
	+3m	26,70	26,07	17,57	17,75	27,94	28,58	35,02	35,98	29,21	30,24
	+6m	26,80	26,05	17,87	17,76	27,84	28,61	34,70	36,00	28,92	30,35
	+12m	26,90	26,00	19,21	17,80	27,73	28,67	34,94	36,10	28,81	30,58
SKK	07-jan	33,36		22,71		22,33		28,11		23,56	
	+1m	33,50	33,36	22,33	22,70	22,27	22,34	27,91	28,12	23,28	23,59
	+3m	34,00	33,34	22,37	22,70	21,94	22,35	27,50	28,14	22,94	23,65
	+6m	34,10	33,29	22,73	22,69	21,88	22,39	27,27	28,17	22,73	23,75
	+12m	34,10	33,28	24,36	22,78	21,88	22,40	27,57	28,20	22,73	23,90

FX Forecast

Wider CEE (Cont.)

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
RON	07-jan	3,59		2,44		207,5		261,2		218,9	
	+1m	3,60	3,60	2,40	2,45	207,2	206,9	259,7	260,5	216,7	218,5
	+3m	3,65	3,62	2,40	2,46	204,4	205,9	256,2	259,1	213,7	217,8
	+6m	3,70	3,65	2,47	2,49	201,6	204,3	251,4	257,1	209,5	216,7
	+12m	3,75	3,71	2,68	2,54	198,9	201,2	250,7	253,3	206,7	214,6
BGN	07-jan	1,96		1,33		380,6		479,1		401,6	
	+1m	1,96	-	1,30	-	381,6	-	478,3	-	399,0	-
	+3m	1,96	-	1,29	-	381,6	-	478,3	-	399,0	-
	+6m	1,96	-	1,30	-	381,6	-	475,7	-	396,4	-
	+12m	1,96	-	1,40	-	381,6	-	480,8	-	396,4	-
TRY	07-jan	1,72		1,17		432,7		544,7		456,6	
	+1m	1,75	1,74	1,17	1,18	426,3	428,5	534,3	539,5	445,7	452,6
	+3m	1,80	1,77	1,18	1,20	414,4	421,1	519,4	530,0	433,3	445,5
	+6m	1,90	1,82	1,27	1,24	392,6	410,2	489,5	516,2	407,9	435,2
	+12m	1,90	1,91	1,36	1,31	392,6	390,2	494,7	491,3	407,9	416,2

CIS

		EUR Danske	EUR Forward	USD Danske	USD Forward	DKK Danske	DKK Forward	SEK Danske	SEK Forward	NOK Danske	NOK Forward
RUB	07-jan	35,96		24,48		20,72		26,08		21,86	
	+1m	36,21	35,97	24,14	24,49	20,60	20,71	25,82	26,07	21,54	21,88
	+3m	36,25	36,01	23,85	24,51	20,58	20,69	25,79	26,05	21,52	21,90
	+6m	35,76	36,04	23,84	24,57	20,86	20,68	26,01	26,03	21,67	21,94
	+12m	34,30	36,21	24,50	24,79	21,75	20,59	27,41	25,92	22,59	21,96
UAH	07-jan	7,42		5,05		100,4		126,4		106,0	
	+1m	7,56	7,41	5,04	5,04	98,7	100,5	123,7	126,6	103,2	106,2
	+3m	7,60	7,42	5,00	5,05	98,2	100,5	123,0	126,5	102,6	106,3
	+6m	7,50	7,43	5,00	5,07	99,5	100,3	124,0	126,2	103,3	106,4
	+12m	6,97	7,50	4,98	5,14	107,0	99,3	134,8	125,1	111,2	106,0

FX Forecast

Baltics

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
EEK	07-jan	15,64		10,65		47,6		59,9		50,3	
	+1m	15,65	15,68	10,43	10,67	47,67	47,51	59,74	59,82	49,84	50,19
	+3m	15,65	15,73	10,30	10,71	47,67	47,37	59,74	59,64	49,84	50,02
	+6m	15,65	15,83	10,43	10,79	47,67	47,06	59,42	59,24	49,52	49,63
	+12m	15,65	15,97	11,18	10,94	47,67	46,64	60,06	58,72	49,52	48,98
LTL	07-jan	3,45		2,35		215,78		271,62		227,67	
	+1m	3,45	3,45	2,30	2,35	216,23	215,69	271,01	271,53	226,09	227,82
	+3m	3,45	3,46	2,27	2,36	216,23	215,03	271,01	270,70	226,09	227,13
	+6m	3,45	3,49	2,30	2,37	216,23	213,77	269,57	269,12	224,64	225,79
	+12m	3,45	3,54	2,46	2,41	216,23	210,34	272,46	264,80	224,64	222,17
LVL	07-jan	0,699		0,48		1066,48		1342,46		1125,28	
	+1m	0,70	0,70	0,47	0,48	1065,71	1065,85	1335,71	1341,79	1114,29	1125,79
	+3m	0,70	0,71	0,46	0,48	1065,71	1056,11	1335,71	1329,53	1114,29	1115,20
	+6m	0,70	0,71	0,47	0,49	1065,71	1046,14	1328,57	1316,98	1107,14	1103,25
	+12m	0,70	0,74	0,50	0,51	1065,71	1003,16	1342,86	1262,88	1107,14	1057,93

FX Forecast

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
MEA											
ILS	07-jan	5,63		3,83		132,3		166,5		139,6	
	+1m	5,78	5,63	3,85	3,83	129,2	132,3	161,9	166,5	135,1	139,7
	+3m	5,85	5,63	3,85	3,84	127,5	132,3	159,8	166,5	133,3	139,9
	+6m	5,78	5,64	3,85	3,84	129,2	132,2	161,0	166,3	134,2	140,2
	+12m	5,39	5,66	3,85	3,88	138,4	131,7	174,4	165,8	143,8	140,4
ZAR	07-jan	10,17		6,92		73,3		92,3		77,3	
	+1m	10,50	10,34	7,00	6,96	71,0	72,0	89,0	90,7	74,3	76,9
	+3m	10,79	10,34	7,10	7,04	69,1	72,1	86,6	90,7	72,3	76,2
	+6m	10,80	10,52	7,20	7,17	69,1	70,8	86,1	89,1	71,8	75,1
	+12m	10,08	10,90	7,20	7,46	74,0	68,4	93,3	86,1	76,9	73,0
EGP	07-jan	8,07		5,49		92,3		116,2		97,4	
	+1m	8,54	8,08	5,69	5,50	87,4	92,2	109,5	116,1	91,4	97,4
	+3m	8,63	8,10	5,68	5,52	86,4	91,9	108,3	115,7	90,3	97,3
	+6m	8,49	8,16	5,66	5,56	87,9	91,4	109,5	115,0	91,3	96,9
	+12m	7,87	8,27	5,62	5,66	94,8	90,1	119,5	113,5	98,5	96,2
LATAM											
BRL	07-jan	2,58		1,76		288,9		363,7		304,8	
	+1m	2,63	2,59	1,75	1,76	284,2	287,7	356,2	362,2	297,1	303,9
	+3m	2,74	2,61	1,80	1,78	272,7	285,3	341,7	359,2	285,1	301,9
	+6m	2,70	2,65	1,80	1,80	276,3	281,6	344,4	354,4	287,0	298,8
	+12m	2,59	2,73	1,85	1,87	288,0	272,6	362,9	343,2	299,2	290,8
ARS	07-jan	4,61		3,14		161,5		203,3		170,4	
	+1m	4,77	4,63	3,18	3,15	156,4	161,0	196,0	202,7	163,5	170,1
	+3m	4,89	4,66	3,22	3,17	152,4	159,9	191,0	201,3	159,4	169,2
	+6m	4,88	4,71	3,25	3,21	153,0	158,4	190,8	199,3	159,0	168,0
	+12m	4,62	4,85	3,30	3,32	161,5	153,6	203,5	193,4	167,7	163,9
MXN	07-jan	16,06		10,94		46,38		58,4		48,9	
	+1m	16,50	16,10	11,00	10,96	45,2	46,3	56,7	58,3	47,3	48,9
	+3m	16,87	16,17	11,10	11,01	44,2	46,1	55,4	58,0	46,2	48,8
	+6m	16,65	16,30	11,10	11,11	44,8	45,7	55,9	57,5	46,5	48,5
	+12m	15,54	16,60	11,10	11,37	48,0	44,9	60,5	56,5	49,9	47,9

FX Forecast

EM Asia

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
CNY	07-jan	10,68		7,27		69,75		87,8		73,6	
	+1m	10,82	10,61	7,21	7,22	69,0	70,2	86,5	88,4	72,1	74,2
	+3m	10,79	10,46	7,10	7,12	69,1	71,2	86,6	89,6	72,3	75,3
	+6m	10,43	10,23	6,95	6,97	71,6	72,8	89,2	91,7	74,3	77,3
	+12m	9,45	9,76	6,75	6,68	78,9	76,4	99,5	96,1	82,0	81,5
KRW	07-jan	1381		940		0,54		0,68		0,57	
	+1m	1425	1381	950	940	0,52	0,54	0,66	0,68	0,55	0,6
	+3m	1444	1378	950	938	0,52	0,54	0,65	0,68	0,54	0,6
	+6m	1305	1373	870	936	0,57	0,54	0,71	0,68	0,59	0,6
	+12m	1246	1367	890	936	0,60	0,55	0,75	0,69	0,62	0,6
THB	07-jan	43,8		29,8		17,0		21,4		18,0	
	+1m	45,8	44,1	30,5	30,0	16,3	16,9	20,4	21,3	17,0	17,9
	+3m	46,4	44,6	30,5	30,3	16,1	16,7	20,2	21,0	16,8	17,7
	+6m	45,0	44,9	30,0	30,6	16,6	16,6	20,7	20,9	17,2	17,6
	+12m	42,0	45,1	30,0	30,9	17,8	16,5	22,4	20,8	18,5	17,6
SGD	07-jan	2,1		1,44		354		442		372,8	
	+1m	2,17	2,10	1,45	1,43	344	354	431	446	360	374,2
	+3m	2,17	2,09	1,43	1,43	343	356	430	448	359	376,4
	+6m	2,10	2,08	1,40	1,42	355	358	443	451	369	379,9
	+12m	1,93	2,06	1,38	1,41	386	362	487	456	401	386,1
HKD	07-jan	11,5		7,80		65,1		81,4		68,6	
	+1m	11,69	11,45	7,79	7,79	63,8	65,1	80,0	81,9	66,8	68,7
	+3m	11,84	11,43	7,79	7,78	63,0	65,2	79,0	82,0	65,9	69,0
	+6m	11,69	11,40	7,79	7,77	63,8	65,4	79,6	82,3	66,3	69,4
	+12m	10,92	11,34	7,80	7,76	68,3	65,8	86,1	82,8	71,0	70,2

FX Forecast

EM Asia (Cont.)

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
MYR	07-jan	4,82		3,28		155		195		163	
	+1m	5,01	4,81	3,34	3,27	149	155	187	195	156	164
	+3m	5,08	4,80	3,34	3,27	147	155	184	196	154	164
	+6m	4,88	4,78	3,25	3,26	153	156	191	196	159	166
	+12m	4,51	4,74	3,22	3,24	165	157	209	198	172	168
PHP	07-jan	60,2		41,0		12,4		15,6		13,0	
	+1m	62,3	60,3	41,5	41,1	12,0	12,4	15,0	15,5	12,5	13,0
	+3m	63,1	60,1	41,5	40,9	11,8	12,4	14,8	15,6	12,4	13,1
	+6m	63,0	60,0	42,0	40,9	11,8	12,4	14,8	15,6	12,3	13,2
	+12m	57,4	59,7	41,0	40,9	13,0	12,5	16,4	15,7	13,5	13,3
IDR	07-jan	13889		9455		0,054		0,068		0,057	
	+1m	14250	13899	9500	9460	0,052	0,054	0,066	0,067	0,055	0,057
	+3m	14440	13933	9500	9486	0,052	0,053	0,065	0,067	0,054	0,057
	+6m	13800	13979	9200	9530	0,054	0,053	0,067	0,067	0,056	0,057
	+12m	12880	14144	9200	9683	0,058	0,053	0,073	0,066	0,060	0,056
INR	07-jan	57,7		39,3		12,9		16,2		13,6	
	+1m	59,3	57,7	39,5	39,3	12,6	12,9	15,8	16,3	13,2	13,6
	+3m	60,8	57,8	40,0	39,4	12,3	12,9	15,4	16,2	12,8	13,6
	+6m	57,0	57,9	38,0	39,5	13,1	12,9	16,3	16,2	13,6	13,7
	+12m	53,2	58,0	38,0	39,7	14,0	12,9	17,7	16,2	14,6	13,7
TWD	07-jan	47,7		32,5		15,6		19,5		16,5	
	+1m	48,8	47,6	32,5	32,4	15,3	15,7	19,2	19,7	16,0	16,5
	+3m	50,2	47,3	33,0	32,2	14,9	15,7	18,6	19,8	15,6	16,7
	+6m	45,0	46,9	30,0	32,0	16,6	15,9	20,7	20,0	17,2	16,9
	+12m	40,6	46,1	29,0	31,6	18,4	16,2	23,2	20,4	19,1	17,2

Monetary Policy Calendar

	Policy Rate (%)	Latest Change	Next Change	Next Meeting
	07 January 2008			
Wider CEE				
PLN	5.00	+ 25 bp (Nov, 2007)	+ 25bp (Jan, 2008)	30 January 2008
HUF	7.50	- 25 bp (Sep, 2007)	Unchanged 2008	21 January 2008
CZK	3.50	+ 25 bp (Nov, 2007)	+ 25bp (Q1, 2008)	07 February 2008
SKK	4.25	- 25 bp (Apr, 2007)	- 25bp (Q2, 2008)	29 January 2008
RON	8.00	+ 50 bp (Jan, 2008)	+50 bp (Q1, 2008)	04 February 2008
TRY	15.75	- 50 bp (Dec, 2007)	-50bp (Jan, 2008)	17 January 2008
MEA				
ILS	4.25	+ 25 bp (Dec, 2007)	+ 25bp (Q1, 2008)	31 January 2008
ZAR	11.00	+ 50 bp (Dec, 2007)	+50 bp (Q1, 2008)	31 January 2008
LATAM				
BRL	11.25	- 25 bp (Sep, 2007)	- 25 bp (H2, 2008)	23 January 2008
MXN	7.50	+ 25 bp (Oct, 2007)	Unchanged 2008	18 January 2008
EM Asia				
CNY	7.29	+27 bp (Sep, 2007)	+27 bp (Feb, 2008)	Not announced
KRW	5.00	+25 bp (Aug, 2007)	Unchanged 2008	10 January 2008
THB	3.25	+25 bp (Oct, 2007)	+25 bp (Q3, 2008)	16 January 2008
HKD	6.00	-25 bp (Okt, 2007)	-25 bp (Feb, 2008)	Not announced
MYR	3.50	+ 25 bp (Apr, 2006)	Unchanged 2008	29 January 2008
PHP	5.25	-25 bp (Dec, 2007)	-25bp (Q2, 2008)	31 January 2008
IDR	8.00	-25 bp (Dec, 2007)	-25bp (Q2, 2008)	08 January 2008
INR	7.75	+25 bp (Apr, 2007)	Unchanged 2008	29 January 2008
TWD	3.25	+12.5 bp (Mar, 2007)	+25 bp (Q2, 2008)	Not announced

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