

# New Europe Weekly

## Balkan politics – uncertainty on the rise

This week the Croat Prime Minister Ivo Sanader announced that he is retiring from politics. This adds to the political uncertainty in Croatia and increases doubts about the implementation of fiscal authority measures. Political uncertainty is also on the rise on Bulgaria, where parliamentary elections will be held on Sunday.

Sanader's resignation was a complete surprise and raises a lot of questions - especially regarding Croatia's aspirations to join the EU and the prospect of fiscal reforms. Overall we think that Sanader has been instrumental in EU negotiations and in the economic reforms – as such his resignation is bad news.

The risk of early elections in Croatia has clearly risen and we believe that Sanader's party, the centre-rightist HDZ, could face defeat if early elections were to be held. Furthermore, some commentators have suggested that the HDZ might become less pro-European under a new leadership. This would all be bad news for the Croatian economy.

The Croatian economy is in the midst of a sharp economic downturn and it cannot be ruled out that it would have to seek help from the IMF. Furthermore, we would not rule out that Croatia will be downgraded by one or more rating agencies.

Sanader's resignation brings the number of Prime Ministers in Central and Eastern Europe losing their job this year to four.

In Bulgaria political uncertainty is on the rise as well before the elections on Sunday. The opinion polls indicate it will be a close race between the governing Socialists (and their coalition partners) and the centre-rightist GERB party. GERB under the leadership of Sofia mayor Boyko Borisov, who has campaigned on anti-corruption plank, is likely to become the largest party after the elections, but the opinion polls indicate that GERB will be unable to rule without the support from other centre-right parties. If a GERB-led centre-right government were to be formed after the elections we think it would be welcomed by the EU and investors alike and as such would be positive for the Bulgarian markets.

A new government faces very serious challenges and during the election campaign even the governing Socialists have indicated that a new government would have to turn to the IMF for help. Furthermore, the budget situation is deteriorating significantly in Bulgaria as the economy is heading for a deep recession. Therefore, a newly elected government is likely to have to implement serious budgetary reforms – whether or not the new government turns to the IMF.

There are some concerns that it could take a while to form a new government after the elections and this could postpone badly needed reforms – both in terms of fiscal policy and the judicial reforms to fight organised crime and corruption.

Concluding, both Croatia and Bulgaria are facing more political uncertainty and this uncertainty might postpone fiscal reforms, which could add to market jitters in both countries.

### Today's key points

- Rather busy week ahead in terms of economic data
- Public holiday on Monday in the Czech Republic and Lithuania
- June inflation in many CEE countries and Russia
- Industrial production in Latvia, Hungary, Turkey, Slovakia, Romania
- Trade balance in the Czech Republic, Latvia and Lithuania
- Manufacturing production for May in South Africa

#### *Editor in chief*

Chief Analyst: Lars Christensen  
+45 45 12 85 30  
larch@danskebank.dk

## Calendar

## EMEA Data and Events in Week28

Monday, July 6, 2009				Period	Danske Bank	Consensus	Previous
CZK	-	Public holiday					
LTL	-	Public holiday					
LVL	12:00	Industrial production	y/y	May	-17.7%		-16.9%
Tuesday, July 7, 2009				Period	Danske Bank	Consensus	Previous
RUB	-	CPI	y/y	Jun	11.9%	11.9%	12.3%
EEK	8:00	CPI	m/mly/y	Jun	0.1% -0.8%		0.0% -0.3%
HUF	9:00	Industrial production (preliminary)	y/y	May			-25.3%
CZK	9:00	Trade balance	bn. CZK	May		10.5	12.0
Wednesday, July 8, 2009				Period	Danske Bank	Consensus	Previous
TRY	9:00	Industrial production	y/y	May		-16.7%	-18.5%
SKK	9:00	Industrial production	y/y	May			-24.8%
LTL	10:00	PPI	y/y	Jun			-15.1%
LVL	12:00	CPI	m/mly/y	Jun	-0.5% 3.4%		-0.5 4.7%
Thursday, July 9, 2009				Period	Danske Bank	Consensus	Previous
HUF	9:00	Trade balance (preliminary)	m. EUR	May			430.3
RON	9:00	Industrial production	y/y	May			-9.5%
RON	9:00	Retail sales	y/y	May			-9.7%
CZK	9:00	CPI	y/y	Jun	1.3%	1.2%	1.3%
CZK	9:00	Unemployment rate	%	Jun	8.1%	8.1%	7.9%
LTL	10:00	CPI	m/mly/y	Jun	-0.2% 4.4%		-0.2% 5.2%
ZAR	13:00	Manufacturing production nsa	y/y	May		-17.6%	-21.6%
Friday, July 10, 2009				Period	Danske Bank	Consensus	Previous
TRY	-	Current account	bn. USD	May		-1.8	-1.2
RUB	-	Trade balance	bn. USD	May	9.5	9.0	6.7
RUB	-	Exports	bn. USD	May	23.4	23.3	21.3
RUB	-	Imports	bn. USD	May	13.9	14.2	14.6
RON	9:00	CPI	y/y	Jun	6.0%		6.0%
LTL	10:00	Trade balance	bn. LTL	May			-0.30
LVL	12:00	Trade balance	m. LVL	May			-96.9

The editors do not guarantee the accurateness of figures, hours or dates stated above  
Note that all releases are CET.

Source: Danske Research

# Focus: Inflation Outlook

June's inflation figures for most EMEA economies will be released during the coming weeks. We present a revised outlook on EMEA inflation.

## Beginning to stabilise in CEE

The significant decline in economic activity over the last couple of quarters has caused inflation to decline sharply in the CEE region. **The latest data signals that inflation is now beginning to bottom out and stabilise at a new low level.**

**Polish** inflation has been somewhat stable around 3.5% y/y for most of 2009 and we expect it to stay at this level for the rest of the year, and thus average around 3.6% y/y in 2009. In the other countries of the region inflation has declined rapidly this year, however, we do not expect that trend to continue. **Czech and Romanian** inflation should average 1.6% y/y and 6.3% y/y respectively in 2009, while **Hungarian** inflation will jump due to VAT hikes in July and should average 5.8% y/y in 2009.

Risks to these forecasts would be if oil prices continue to rise or if we see a renewed sell-off in the currencies. **Given our expectations for the inflation outlook we see limited room for further monetary easing in the Czech Republic, Hungary and Poland. Our forecasts do not include more cuts in 2009.** However we see some risks that the Czech central bank (CNB) might cut once more at its August meeting if inflation inches further down and the economy disappoints in the coming months.

## Continuing decline in MEA – good news for Turkey

In the MEA region, **Turkish inflation has dropped rapidly since the peak in October 2008, repeatedly hitting new record low levels** – it was 5.2% y/y in May which is more than half of October's 12.0% y/y. From this point Turkish inflation should begin to stabilise and stay around 5% y/y through the remainder of 2009, averaging 6.3% y/y in 2009. In **South Africa** inflation has only declined slightly during the last couple of months – to 8% y/y in May from 8.6% y/y in February. The speed of this decline could begin to pick up somewhat in the second half of the year and we could see South African inflation reach 5-6% y/y soon and thus average 7% y/y.

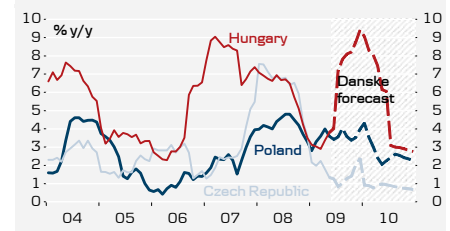
**Due to aggressive monetary easing there will be limited room for further rate cuts this year in South Africa and Turkey.**

## Still downtrending in CIS and Baltics

**In CIS we expect inflation to continue its downtrend** driven by the slumping economies (which reduces domestic inflationary pressures), strong base effects and stable currencies in recent months. Hence we look for a gradual drop in inflation for the remainder of 2009 and going into 2010 – although still at much higher levels compared to the other EM countries. However there are significant risks of renewed pressures on the Russian rouble and Ukrainian hryvnia, which could worsen the inflation outlook. The Russian central bank indicated that it intends to lower its REFI-rate by another 150bp throughout the year from the current level of 11.50%.

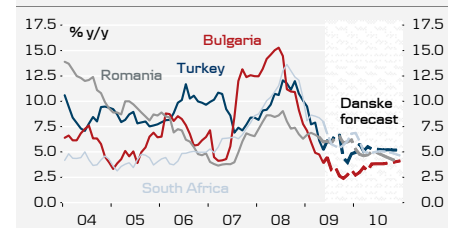
In the Baltic countries, inflation has come down fast during the last year from double digit territory. We expect that trend to continue.

CEE inflation will not move much lower



Source: Reuters Ecowin and Danske Markets

Turkish inflation at record low



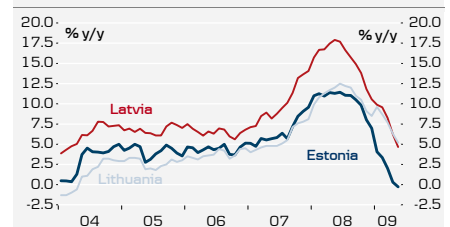
Source: Reuters Ecowin and Danske Markets

Russian inflation to inch lower



Source: Reuters Ecowin and Danske Markets

Inflation to continue down



Source: Reuters Ecowin and Danske Markets

### Inflation projections

	2008	2009	2010		2008	2009	2010
Bulgaria	12.4	4.1	3.6	Poland	4.2	3.6	2.7
Czech Republic	6.4	1.6	0.8	Romania	7.9	6.3	4.6
Estonia	10.4	0.6	0.8	Russia	14.1	12.5	10.0
Hungary	6.1	5.8	5.2	South Africa	11.3	7.0	5.2
Latvia	14.9	3.6	-0.7	Turkey	10.4	6.3	5.3
Lithuania	10.9	5.2	3.8	Ukraine	25.3	15.2	9.9

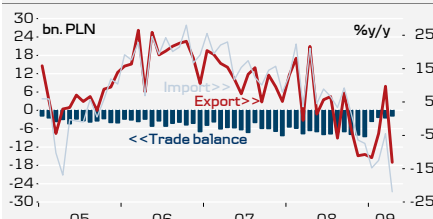
Source: Reuters Ecowin and Danske Markets

# Focus: External balances

## External balances improving

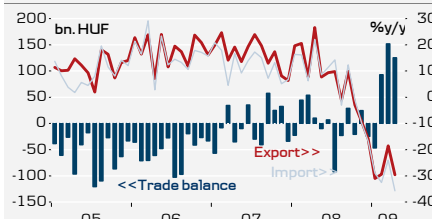
- On this page we present an **overview of the rebalancing** undergoing in CEE.
- The **significant economic imbalances in most CEE economies have been reduced during the last couple of quarters** on the back of a sharp drop in domestic demand and currency depreciation. The latter is only possible in floating exchange rate regimes.
- In most of the countries there has been a **vast improvement in the trade balances** – hence in the current economic climate imports have dropped more than exports. In Poland the trade balance deficit has moved close to zero and **Hungary has had a large trade balance surplus over the last three months**. In the Baltic countries too the large trade balance deficit has shrunk. Most notably in Lithuania where the trade balance has moved close to zero.
- We have also seen an improvement in current account balances recently. **Most notably in the Baltic countries where double digit deficits have shrunk over the last year**. In Bulgaria, another country with a fixed exchange rate, an equally large deficit has been improving over the last couple of quarters. In economies with free floating exchange rates such as Poland, Hungary and Turkey, the current account deficits have also contracted, but from significantly lower levels.

Polish trade balance close to zero



Source: EcoWin Reuters

Trade balance surplus in Hungary



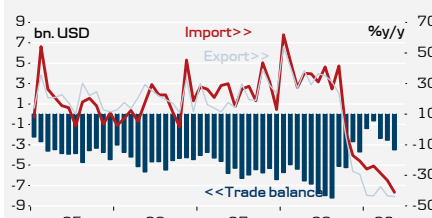
Source: EcoWin Reuters

Lithuanian trade balance improved



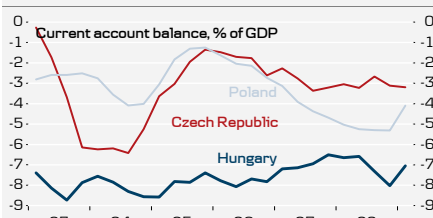
Source: EcoWin Reuters

Turkish trade balance deficit



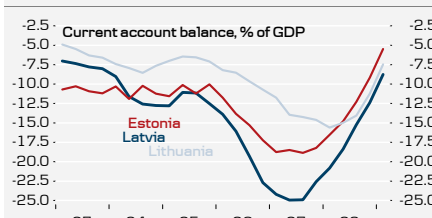
Source: EcoWin Reuters

A correction underway



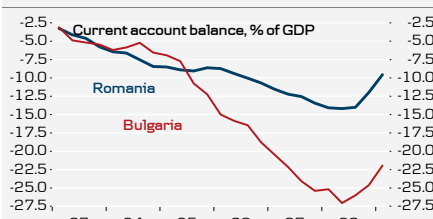
Source: EcoWin Reuters

Double digit deficits gone



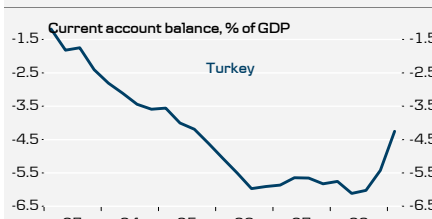
Source: EcoWin Reuters

Rebalancing has begun



Source: EcoWin Reuters

Turkish C/A deficit has been reduced

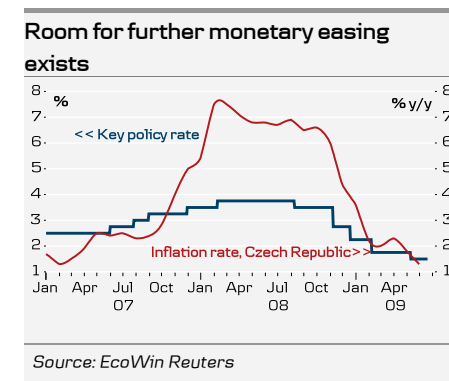
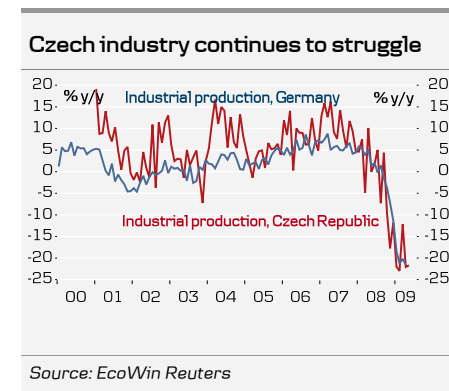
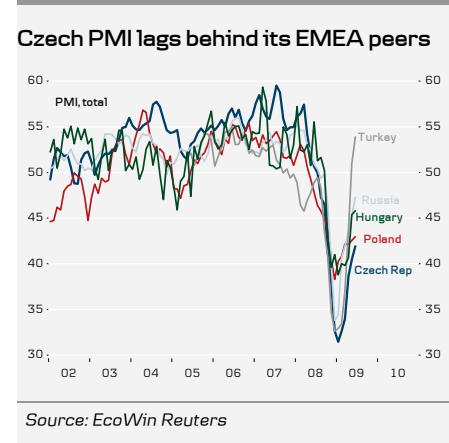


Source: EcoWin Reuters

# CEE: Focus on the Czech Republic

## Czech Republic

- The last published economic data such as preliminary industrial production for May and June's PMI provide a mixed picture about the condition of the Czech economy.
- The latest PMI for June rose to a nine-month high of 41.9, up from May's 40.5, with the output indicator rising to 44.1 in June, from 41.9 in May. It is still below the critical 50 mark and is ticking up only moderately each month. However, it is showing improving conditions for the manufacturing sector in the Czech Republic, albeit moderate.
- Although the PMI index has risen for five months in a row, which should otherwise suggest some stabilisation in Czech manufacturing, the contrary is the case. According to the flash estimate, industrial production in May dropped more than expected by 21.7% y/y, compared to a 22.1% y/y fall in April, suggesting that Czech industry is not stabilising yet.
- So although the PMI has increased in recent months, the improvement in headline PMI was only moderate, with little effect on the real figures. Nonetheless, we expect the PMIs to continue to improve in the coming months, which should at some point be reflected in the core data. Therefore, we will likely see some stabilisation of the Czech economy in H2 09 but we are not overly optimistic and do not expect a strong recovery to emerge this year.
- Czech inflation (June's figure is due for release next week) remains low and is likely to inch down further in July. We expect June's inflation to remain at 1.3% y/y, flat compared to the previous months. The Czech central bank (CNB) forecasts inflation dropping in June to 1.0% y/y.
- Taking into account falling inflation, worse-than-expected economic data and last but not least the current rebound of the CZK, the possibility of another 25bp rate cut has increased somewhat. Furthermore, we believe that the CNB's GDP forecast for this year is too optimistic (projection is a 2.4% contraction this year) and is very likely to be revised down in August, when the revised inflation and GDP forecasts are scheduled for release. Therefore, even though our official forecast for the Czech interest rates does not anticipate any further monetary easing, we are seriously considering revising our forecast in favour of one more 25bp rate cut. That would come in August together with the new revised inflation and GDP forecast.



# Baltic States: raising consumption tax

## Estonia

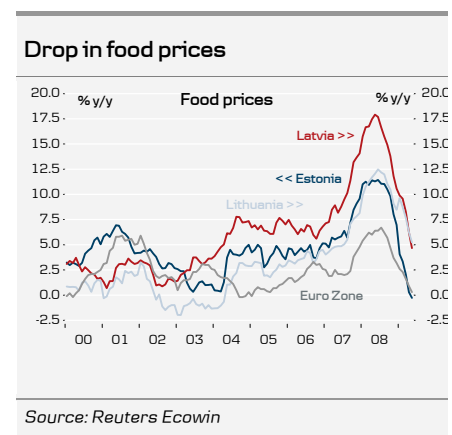
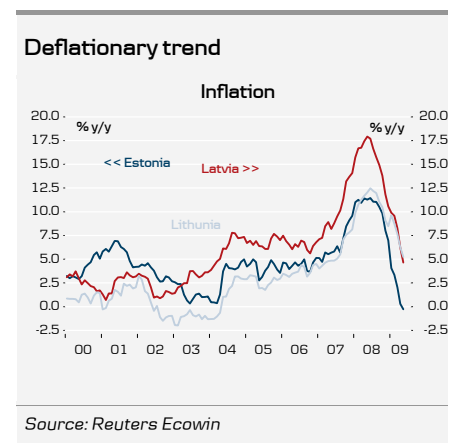
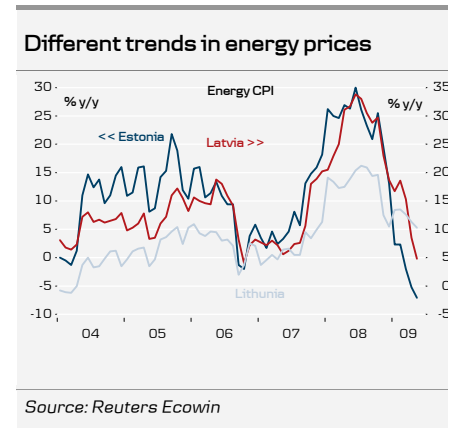
- **We expect inflation to continue to drop, reaching -0.8% y/y** in June from -0.3% y/y in May, mainly driven by falling demand. However, in the coming months we might see some acceleration in consumer prices again. An increase in excise duties and VAT will push up inflation, but not for an extended period. Judging from the most recent Lithuanian and Latvian experience it would be a more on-off effect. With demand still very low, this should not lead to a significant acceleration in prices either. However, we revised our forecast for 2009 to 0.6% with all risk on the downside.

## Lithuania

- **We expect Lithuanian inflation to decline to 4.4% y/y** in June from 5.2% in May. The downward trend will continue in July as well, mostly due to an administrative decision to cut electricity and gas prices. However, it cannot be excluded that VAT will be raised from current 19% to 21%, causing some temporary rise in consumer prices.
- Lithuania's budget deficit may widen to 13% of GDP in 2010 without significant fiscal tightening in 2009. Thus, the government intends to cut spending and raise taxes (VAT and probably some others). Those measures are not popular, but there is a general public acceptance of the necessity of such measures.

## Latvia

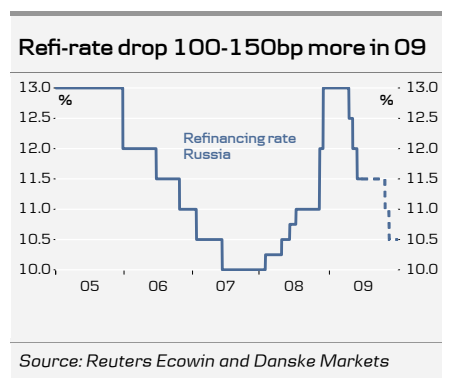
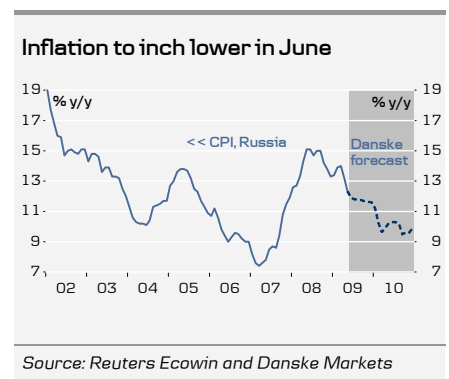
- **We expect Latvian inflation to come down significantly** in the coming months and be in negative territory in 2010. We look for a decline in CPI to 3.4% y/y in June from 4.7% y/y in May. The biggest downward impact will come from prices for food and clothing, and housing costs (lower gas prices).
- The Latvian economy is going through a very painful adjustment, and declining consumer prices should outweigh somewhat the negative social consequences of the significant drop in nominal household income.



## CIS: Re-capitalisation of banking sector underway

### Russia

- According to comments from Russian FM Alexei Kudrin this week, Russia will spend RUB210bn (USD6.8bn; roughly 0.5% of GDP) on recapitalising the banking system via OFZ treasury bills (government bonds). This would be a significantly smaller amount than we had anticipated. The Russian central bank (CBR) recently estimated that Russian banks would need roughly USD16bn should non-performing loans rise to about 10%. It currently seems to be the consensus expectation that non-performing loans could rise to 10% or more! (currently around 4%).
- The Russian economic ministry said that it expects GDP to contract 8.5% y/y in 2009, but sees 0.1% growth in 2010 – these forecasts are in line with our forecasts (-8.0% in 2009, +0.5% in 2010). Mr Kudrin said Russia is likely to increase the budget deficit in 2010 to above the initially planned 5% of GDP. A Kremlin economic aide said that Russian's budget deficit could be up to 6% of GDP in 2010. Russia plans to borrow up to RUB 1 trillion (USD 32.2bn) on the domestic market in 2010, besides the earlier announced USD 10bn to be taken from the Eurobond market, to support the budget and avoid an excessive draining of public reserves.
- Key data next week is trade statistics for May and inflation for June. We expect the rising oil price to lift exports by USD 2.1bn to USD 23.4bn in May compared to the previous month. Further we expect slumping domestic demand to keep imports depressed. Hence we expect imports to drop by USD 700m to USD 13.9bn in May compared with April. Overall that should lift May's trade surplus to USD 9.5bn compared with USD 6.7bn in April (the consensus expectation is USD 9.0bn). For the whole of 2009 we expect a trade surplus around USD 100-110bn.
- We expect inflation to continue its downtrend driven by the slumping economy (which reduces domestic inflationary pressures), strong base effects and a stable rouble in recent months. Hence we look for a drop in inflation from 12.3% y/y in May to 11.9% y/y in June (in line with the consensus view). This week the CBR's head of open market operations said that they could cut interest rates by another 1.5pp (from the current level of 11.50%) this year without creating any additional risks for the economy. We expect inflation only to drop gradually in H2, and look for an inflation level around 11.7% y/y by year-end – corresponding to an average of 12.5% y/y for the whole of 2009. We expect the REFI-rate to be lowered by 100bp to 10.5% by year-end providing limited room for money market rates to drop much further from here..
- Interestingly Mr Kudrin believes that the current oil price is "overheated", and he expects a correction. We are not sure how Mr Kudrin could possibly know the short-term equilibrium price of oil, but by his comments he seems to be preparing markets for a potential drop in the oil price (and hence RUB). We see increased RUB volatility in the coming weeks and months. Performance-wise the Russian rouble has underperformed its Eastern Europe peers over the last month. While most of the freely floating CEE FX-rates are 1-3% stronger over the last month versus the euro, the rouble dropped around 2% against its dual-currency basket.



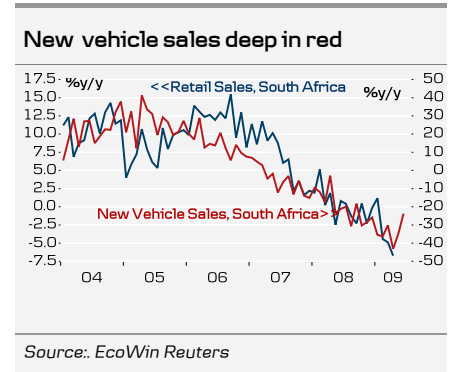
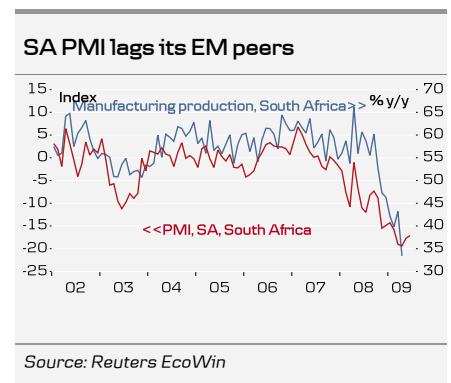
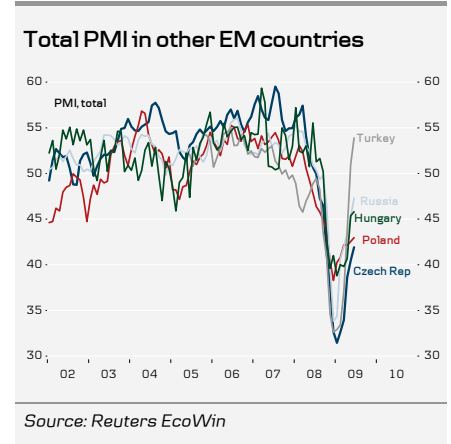
### Ukraine

- This week the EU indicated that it is ready to lend funds to Ukraine so it can buy gas from Russia for the upcoming winter, as long as the Ukrainian government moves ahead with structural reform in the gas industry aimed at increasing transparency in the sector.
- Ukraine may get a loan from a consortium of banks including the EBRD and the EIB, according to local commentators. Ukraine also hopes to get a loan for gas from the IMF, whose mission arrived in Kiev this week.

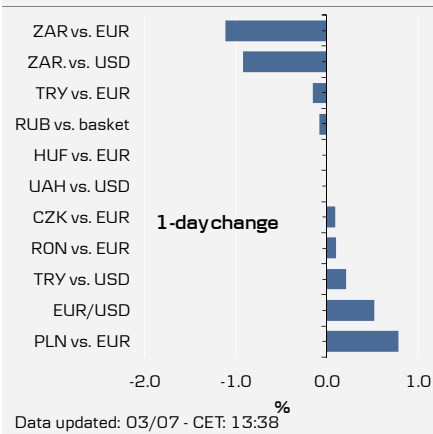
# EMEA: South African economy remains depressed

## South Africa

- The South African economy remains depressed. PMI for June inched up to 37.9 on a seasonally-adjusted basis from May's 37.3, but the increase was only moderate and well below the critical 50 level. Furthermore, South Africa's PMI is one of the lowest and one of the slowest improving PMIs compared to other EMEA countries.
- Despite the moderate improvement in PMI, manufacturing in South Africa, the second largest sector in the economy, which has been hard hit by the downturn in the global economy and slashed the demand for South African exports, has not shown any signs of stabilisation so far. April's manufacturing data published in early June showed a larger-than-expected contraction in manufacturing production, dropping sharply by 21.6% y/y, partly due to unfavourable facts like many public holidays and a high base comparison with April last year. Manufacturing production will very likely show another significant contraction (though more moderate compared to April) in May with consensus expectation of a 17.6% y/y fall.
- South African Finance Minister Pravin Gordhan, while commenting on the state of the South African economy, said this week that the global growth rates are worrisome for the domestic economy. He said that the revenue collection in the first three months fell considerably and added that even though South Africa can afford the spending level by increasing borrowings to offset the drop in revenues, but that the spending is not limitless. Gordhan sees economic recovery later this year, but it will be only moderate and in the coming years the South African economy will not grow more than 2.5% to 3.5% a year. He said that reducing unemployment in poverty will be much more difficult in the coming year and when the recession is over fiscal consolidation should be restored.

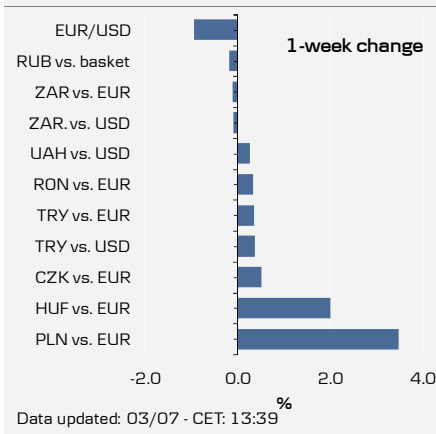


**One-day FX-Performance**



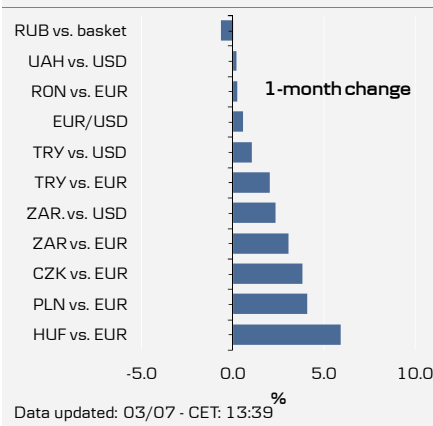
Source: Reuters EcoWin

**One-week FX-performance**



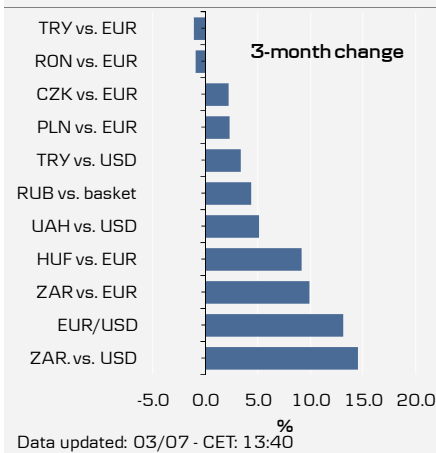
Source: Reuters EcoWin

**One-month FX-performance**



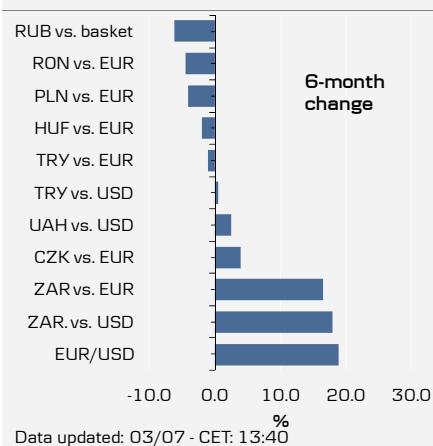
Source: Reuters EcoWin

**Three-month FX-performance**



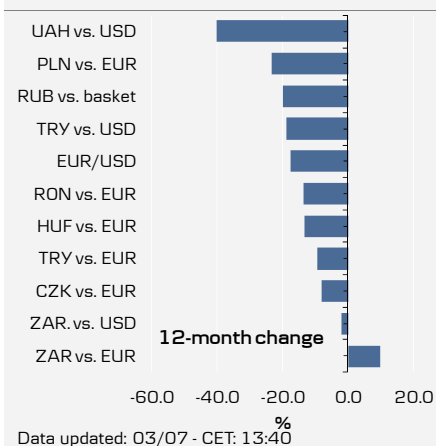
Source: Reuters EcoWin

**Six-month FX-performance**



Source: Reuters EcoWin

**12-month FX-performance**



Source: Reuters EcoWin

Currency Forecast, New Europe/EMEA						
Jul - 3, 2009		EUR	USD	SEK	NOK	DKK
USD	Actual	1.40	-	779.7	643.2	531.6
	+3m	1.39	-	755	612	536
	+6m	1.44	-	708	576	517
	+12m	1.40	-	714	586	533
PLN	Actual	4.36	3.11	250.5	206.7	170.8
	+3m	4.50	3.24	233	189	166
	+6m	4.55	3.16	224	182	164
	+12m	4.60	3.29	217	178	162
HUF	Actual	271	193.7	4.03	3.32	2.74
	+3m	300	216	3.50	2.83	2.48
	+6m	305	212	3.34	2.72	2.44
	+12m	310	221	3.23	2.65	2.41
CZK	Actual	25.9	18.5	42.2	34.8	28.7
	+3m	27.0	19.4	38.9	31.5	27.6
	+6m	26.8	18.6	38.1	31.0	27.8
	+12m	26.8	19.1	37.3	30.6	27.8
EEK	Actual	15.6	11.2	69.8	57.6	47.59
	+3m	15.7	11.3	67.1	54.3	47.6
	+6m	15.7	10.9	65.2	53.0	47.6
	+12m	15.7	11.2	63.9	52.4	47.7
LVL	Actual	0.70	0.50	1566.7	1292.4	1068.2
	+3m	0.70	0.50	1500	1214	1064
	+6m	0.70	0.49	1457	1186	1064
	+12m	0.70	0.50	1429	1171	1066
LTL	Actual	3.45	2.47	316.3	260.9	215.6
	+3m	3.45	2.48	304	246	216
	+6m	3.45	2.40	296	241	216
	+12m	3.45	2.46	290	238	216
RON	Actual	4.21	3.00	259.6	214.1	177.0
	+3m	4.30	3.09	244	198	173
	+6m	4.40	3.06	232	189	169
	+12m	4.60	3.29	217	178	162
BGN	Actual	1.96	1.40	558.3	460.5	380.6
	+3m	1.96	1.41	537	435	381
	+6m	1.96	1.36	522	425	381
	+12m	1.96	1.40	512	419	382
TRY	Actual	2.15	1.54	507.5	418.6	346.0
	+3m	2.20	1.58	477	386	339
	+6m	2.25	1.56	453	369	331
	+12m	2.30	1.64	435	357	324
RUB	Actual	43.8	31.2	25.0	20.6	17.0
	+3m	46.7	33.6	22.5	18.2	16.0
	+6m	49.2	34.2	20.7	16.9	15.1
	+12m	49.8	35.6	20.1	16.5	15.0
UAH	Actual	10.69	7.63	102.2	84.3	69.7
	+3m	12.51	9.00	84	68	60
	+6m	14.40	10.00	71	58	52
	+12m	15.40	11.00	65	53	48
ZAR	Actual	11.07	7.90	98.7	81.4	67.3
	+3m	11.82	8.50	89	72	63.1
	+6m	12.96	9.00	79	64	57.5
	+12m	12.88	9.20	78	64	57.9

---

## Emerging Markets Contacts

---

### Emerging Markets Research

Lars Christensen	+45 45 12 85 30	larch@danskebank.dk
Flemming Jegbjærg Nielsen	+45 45 12 85 35	flemm@danskebank.dk
Violeta Klyviene	+370 5 2156992	vkly@danskebank.com
Lars Tranberg Rasmussen	+45 45 12 85 34	laras@danskebank.dk
Stanislava Pravdova	+45 45 12 80 71	spra@danskebank.dk
Jens Nærvig Pedersen	+45 45 12 84 98	jenpe@danskebank.dk

### Emerging Markets Sales, Danske Markets

Stephen A. Ryan	+45 45 14 68 98	sry@danskebank.dk
Ulf Rafstedt	+45 45 14 61 43	ulra@danskebank.dk
Erik Rasmussen	+45 45 14 32 47	eras@danskebank.dk

### Global Retail SME, FX

Stig Hansen	+45 45 14 60 86	sh@danskebank.dk
Flemming Winther	+45 45 14 68 24	flw@danskebank.dk

### Trading FX, Fixed Income, Danske Markets

Frank Sandbæk Vig	+45 45 14 67 96	fsv@danskebank.dk
Thomas Manthorpe	+45 45 14 69 68	tman@danskebank.dk
Markku Anttila	+358 10 513 8705	markku.anttila@sampopankki.fi
Perttu Tuomi	+358 10 513 8738	perttu.tuomi@sampopankki.fi

### Danske Bank Poland, Warsaw

Marciej Semeniuk	+48 22 33 77 114	msem@pl.danskebank.com
Bartłomiej Dzieńciecki	+48 22 33 77 112	bdz@pl.danskebank.com

### Danske Markets Baltics

Howard Wilkinson	+358 50 374 559	howard.wilkinson@danskebank.com
Martins Strazds	+371 6707 2245	martins.strazds@danskebanka.lv
Giedre Geciauskiene	+370 5215 6180	giedre.geciauskiene@danskebankas.lt
Lauri Palmaru	+372 675 2464	lauri.palmaru@sampopank.ee

### ZAO Danske Bank Russia, Saint-Petersburg Treasury Department

Antti Urvas	+7 812 332 73 06	antti.urvas@sampopankki.fi
Vladimir Biserov	+7 812 332 73 04	vladimir.biserov@danskebank.ru
Darja Kounina	+7 812 332 73 04	darja.kounina@danskebank.ru

---

All EM research is available on Bloomberg DDEM

## Disclosure

This report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank is under supervision by the Danish Financial Supervisory Authority. The author of the report is Lars Christensen, Chief Analyst.

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high quality research based on research objectivity and independence. These procedures are documented in the Danske Bank Research Policy. Employees within the Danske Bank Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and to the Compliance Officer. Danske Bank Research departments are organised independently from and do not report to other Danske Bank business areas. Research analysts are remunerated in part based on the over-all profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Danske Bank research reports are prepared in accordance with the Danish Society of Investment Professionals' Ethical rules and the Recommendations of the Danish Securities Dealers Association.

### **Financial models and/or methodology used in this report**

Calculations and presentations in this report are based on standard econometric tools and methodology. Documentation can be obtained from the above named authors upon request.

### **Risk warning**

Major risks connected with recommendations or opinions in this report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

### **First date of publication**

Please see the front page of this research report.

## Disclaimer

This publication has been prepared by Danske Markets for information purposes only. It has been prepared independently, solely from publicly available information and does not take into account the views of Danske Bank's internal credit department. It is not an offer or solicitation of any offer to purchase or sell any financial instrument. Whilst reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and no liability is accepted for any loss arising from reliance on it. Danske Bank, its affiliates or staff, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives), of any issuer mentioned herein. The Equity and Corporate Bonds analysts are not permitted to invest in securities under coverage in their research sector. This publication is not intended for retail customers in the UK or any person in the US. Danske Markets is a division of Danske Bank A/S. Danske Bank A/S is authorized by the Danish Financial Supervisory Authority and subject to limited regulation by the Financial Services Authority (UK). Details on the extent of our regulation by the Financial Services Authority are available from us on request. Copyright © Danske Bank A/S. All rights reserved. This publication is protected by copyright and may not be reproduced in whole or in part without permission.