

Monitor

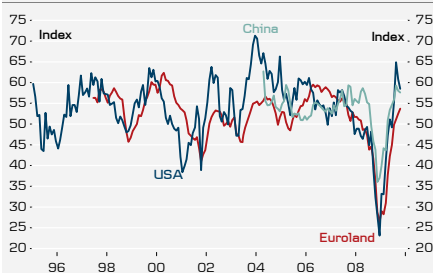
Global: Business Cycle Monitor

- Leading indicators continued to improve in November. Some regions still show signs of softness in the indicators, while US and Asia continue to look strong.
- **Global PMI** continued its expansion in October with a reading of 55.7, the highest level since June 2007
- The **Order-Inventory balance** continued its reduction. The difference is still positive however, and with the normal lead of 3-4 months points to a peak in growth in Q1. The leading **New Orders index** fell slightly to 54.9 from 55.1. The **Inventories index** climbed to 44.9 from 43.9 in August, primarily driven by a fairly large increase in the US. It still points to inventory reductions, albeit at a slower pace.
- In the **US ISM** rebounded with a reading of 55.7 from September's reading of 52.6. The increase was driven by solid improvements in all subcomponents. However, Production and Employment posted the most positive surprises. Going forward we expect to see further improvements in ISM with a year-end target of 60. The decline in the Order-Inventory balance indicates that future improvement is likely to take place at a slower pace.
- In **Euroland** PMI finally broke the important 50 level with a reading of 50.7. The Order-Inventory balance remains very favourable, pointing to further improvement in the PMI. In **UK** the New Orders index rose to 59.5, the highest level since January 2004. In **Scandi** leading indicators improved a bit further, but the pace of improvement slowed down a bit.
- **Asia** continues to look strong, but shows signs of moderation in production growth. Chinese PMI reveals some underlying slowdown from the very high growth rates in H1 2009. In the **EMEA** countries the PMI data continue to look soft and **Russia** is still the weak link among the BRIC countries.
- **Outlook:** We expect global PMI indices to rise further in coming months, although it will probably be a more uneven path from here. We expect that the speed of improvement in OECD's leading indicators will start to moderate soon as we are also witnessing in the order-inventory balances in the PMI data. This confirms our expectation that global growth will be strong in the short term, but will level off from Q1 2010

Key leading indicators to watch

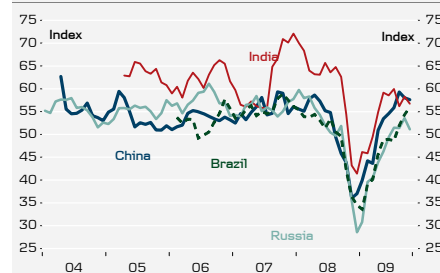
- OECD leading indicators: 6 November
- German factory orders: 6 November
- German ZEW: 11 November
- Euro flash PMI: 23 November
- German Ifo: 24 November
- US ISM / Global PMI: 1 December

PMI - majors



Source: Markit and Reuters Ecowin

PMI - BRIC



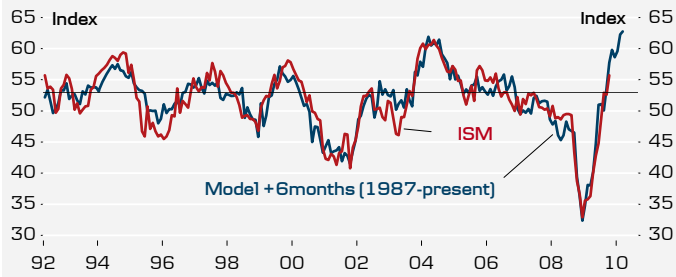
Source: Markit and Reuters Ecowin

Chief Analyst
Allan von Mehren
+45 45 12 80 55
alvo@danskebank.dk

Assistant Analyst
Niels Blomquist
+45 45 12 81 57
nblo@danskebank.dk

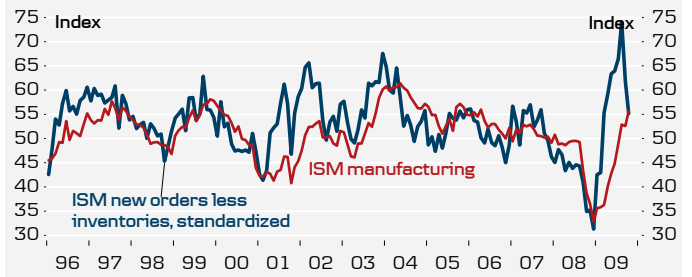
US

Danske Markets' ISM model



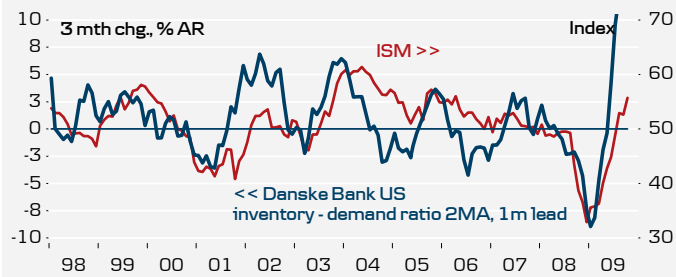
Source: Reuters Ecowin

Order-inventory balance vs. ISM



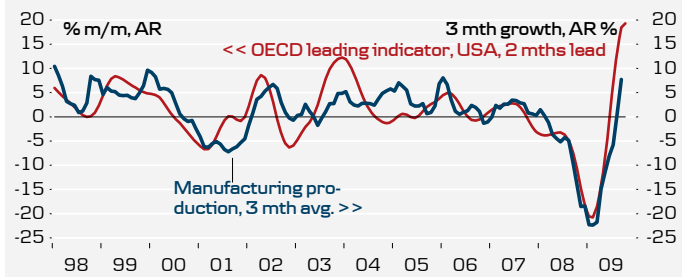
Source: Reuters Ecowin

Inventory demand ratio vs. ISM



Source: Reuters Ecowin

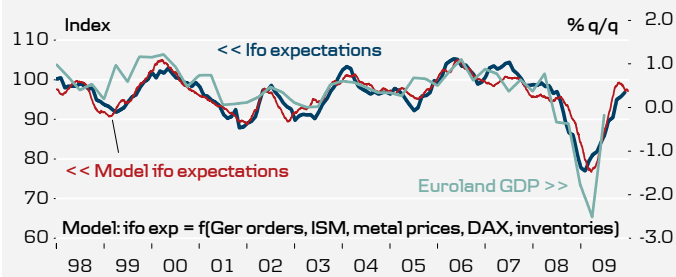
Leading indicator vs. manufacturing production



Source: Reuters Ecowin

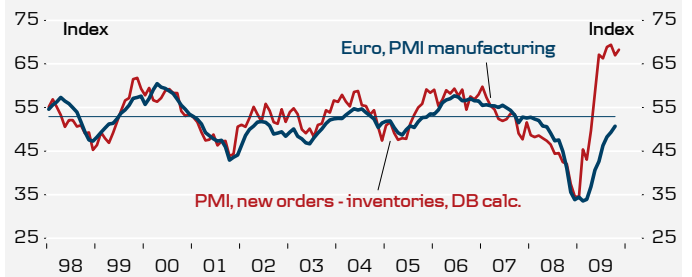
Eurozone

Eurozone: Ifo expectations vs. GDP



Source: Reuters Ecowin

PMI New orders vs. inventories balance



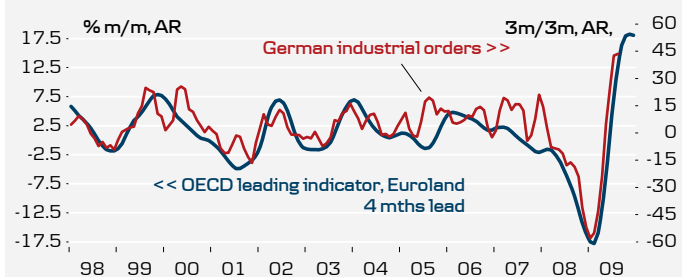
Source: Markit and Reuters Ecowin

Germany: ZEW vs. Ifo expectations



Source: Reuters Ecowin

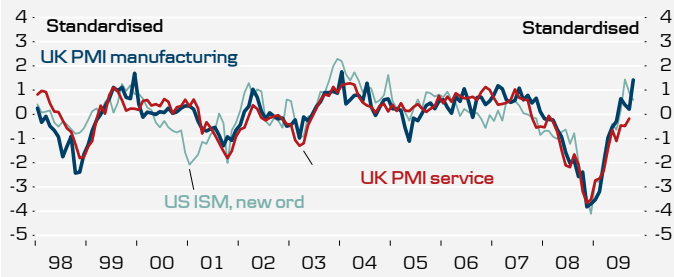
Germany: Industrial orders vs. OECD leading indicator



Source: Reuters Ecowin

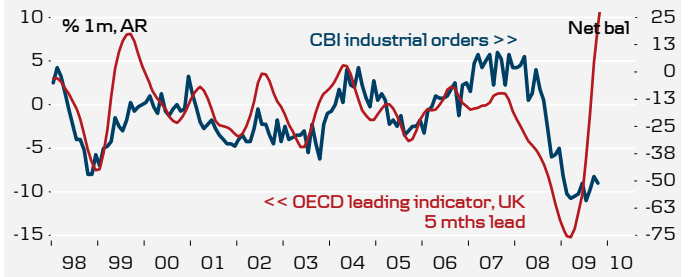
UK and Switzerland

UK: PMI on sectors



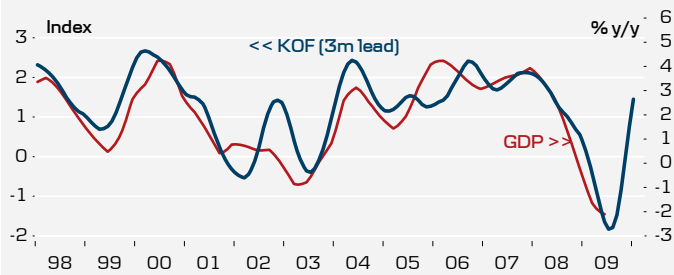
Source: Markit and Reuters Ecowin

UK: Industrial orders vs. leading indicators



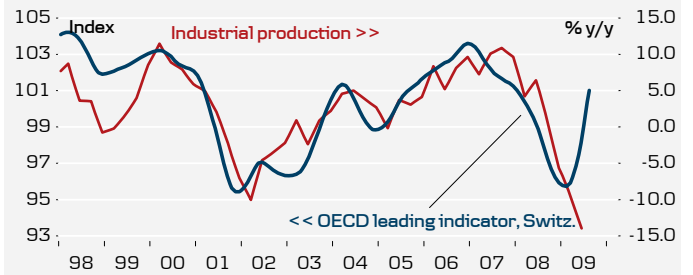
Source: Reuters Ecowin

Switzerland: KOF vs. GDP



Source: Reuters Ecowin

Switzerland: OECD leading indicator vs. industrial production



Source: Reuters Ecowin

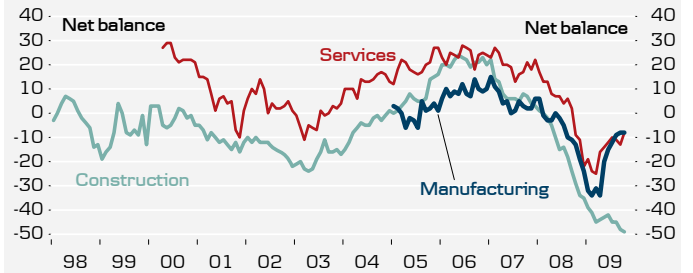
Scandinavia

Denmark: Manufacturing confidence vs. GDP



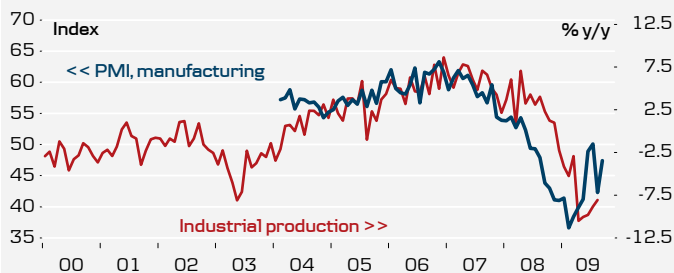
Source: Reuters Ecowin

Denmark: Confidence indicators



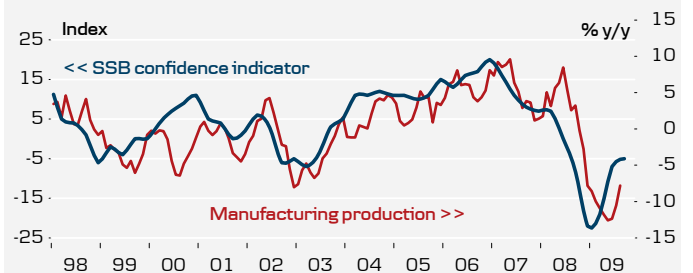
Source: Reuters Ecowin

Norway: PMI vs. industrial production



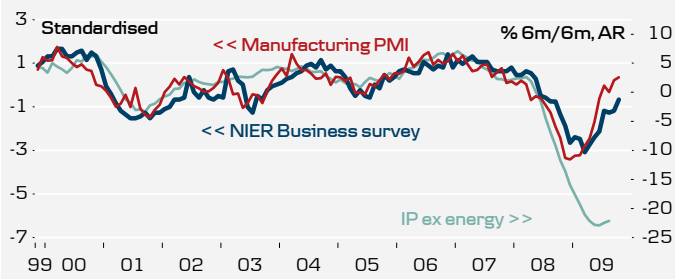
Source: Markit and Reuters Ecowin

Norway: Manufacturing production vs. confidence



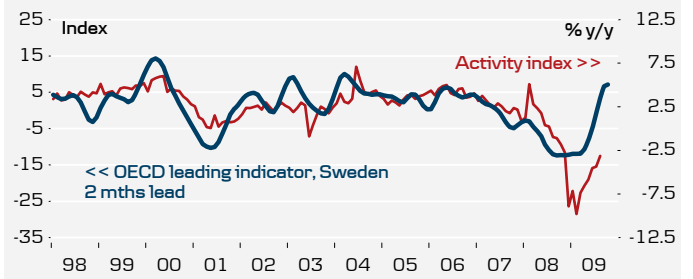
Source: Reuters Ecowin

Sweden: IP vs. business surveys



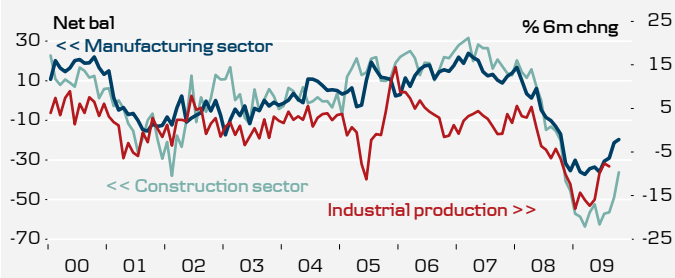
Source: Markit and Reuters Ecowin

Sweden: Leading indicator vs. activity index



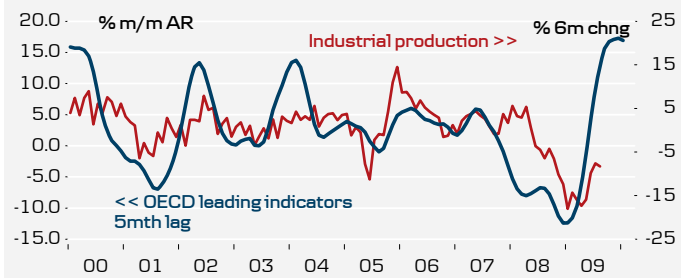
Source: Reuters Ecowin

Finland: Confidence indicators vs. industrial production



Source: Reuters Ecowin

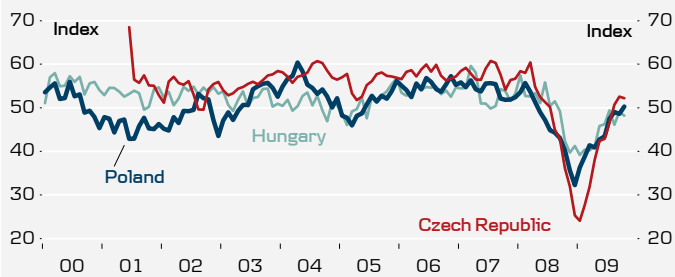
Finland: Leading indicators vs. industrial production



Source: Reuters Ecowin

CEE/CIS

CEE: Manufacturing PMI orders



Source: Markit and Reuters Ecowin

CEE: Industrial production



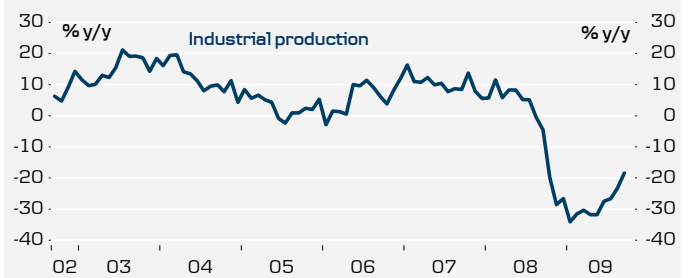
Source: Reuters Ecowin

Russia: PMI vs. industrial production



Source: Markit and Reuters Ecowin

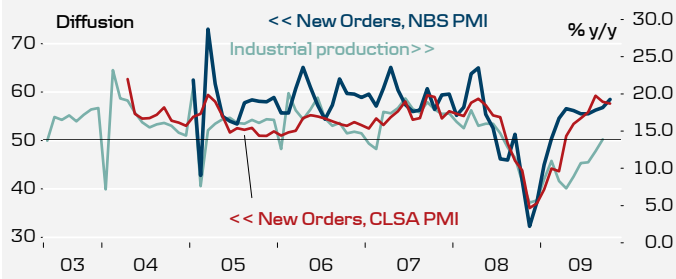
Ukraine: Industrial production



Source: Reuters Ecowin

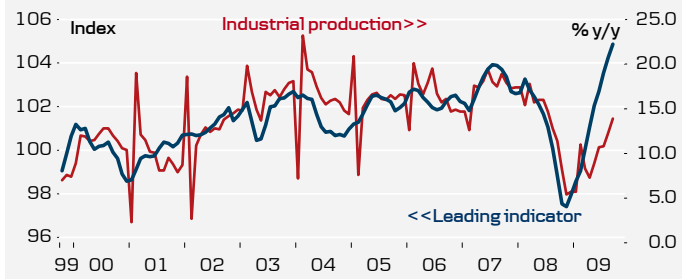
China

Industrial production vs. PMI



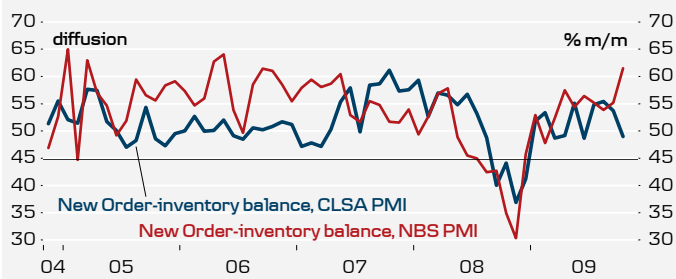
Source: Markit and Reuters Ecowin

Leading indicator vs. industrial production



Source: Reuters Ecowin

Inventories



Source: Markit and Reuters Ecowin

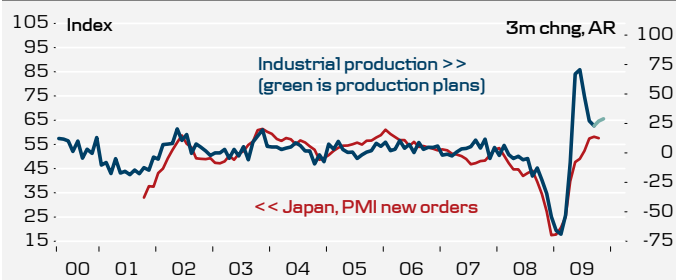
Industrial production and real export



Source: Markit and Reuters Ecowin

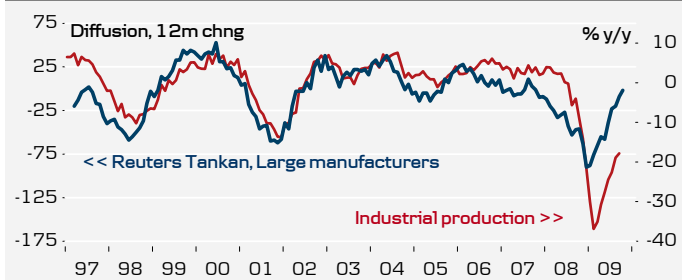
Japan

PMI vs. industrial production



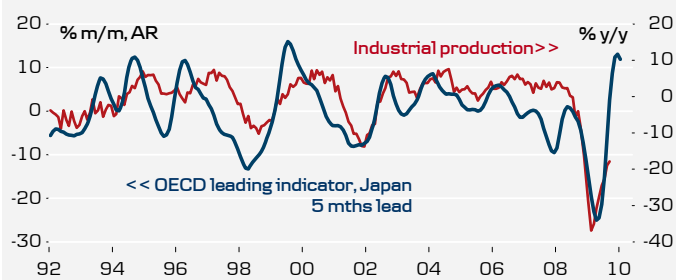
Source: Markit and Reuters Ecowin

Reuters Tankan vs. Industrial production



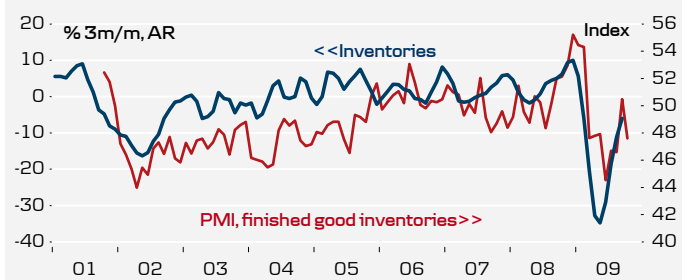
Source: Reuters Ecowin

OECD leading indicators vs. industrial production



Source: Reuters Ecowin

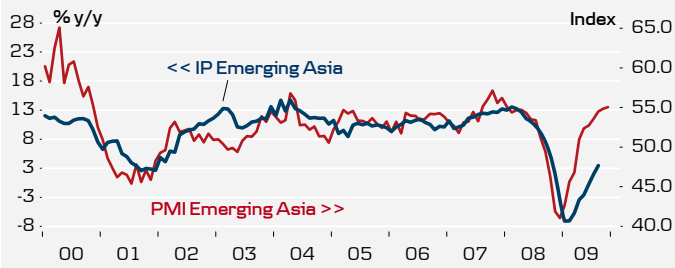
Inventories



Source: Reuters Ecowin

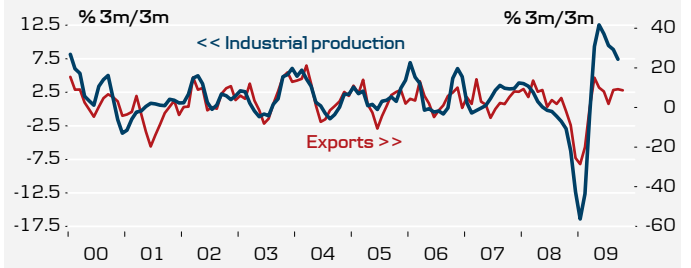
Other Asia

Asia: Industrial production



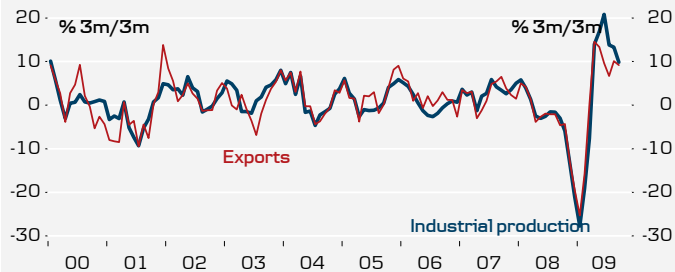
Source: Reuters Ecowin

South Korea: Industrial production vs. exports



Source: Reuters Ecowin

Taiwan: Industrial production vs. exports



Source: Reuters Ecowin

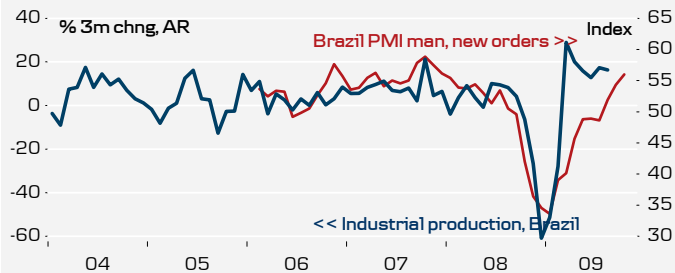
Thailand: Industrial production and export



Source: Reuters Ecowin

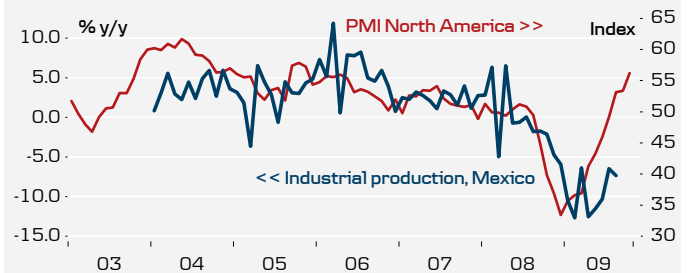
LATAM and Commodities

Brazil: Industrial production



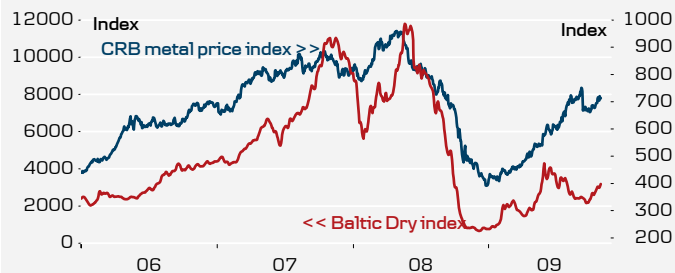
Source: Reuters Ecowin

Mexico: Industrial production vs. PMI



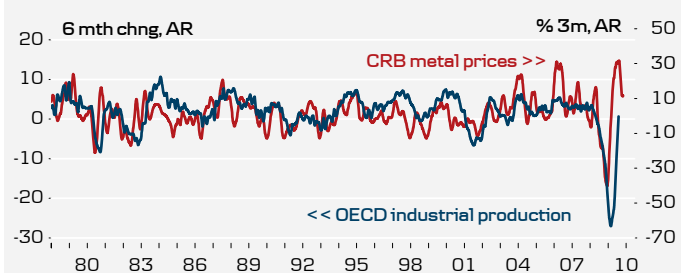
Source: Reuters Ecowin

Baltic Dry freight index and metal prices



Source: Reuters Ecowin

CRB metals vs. industrial production



Source: Reuters Ecowin

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.

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.

Risk warning

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

First date of publication

Please see the front page of this research report for the first date of publication.

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 is subject to provisions of relevant regulators in all other jurisdictions where Danske Bank A/S conducts operations. Moreover Danske Bank A/S is 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.