

EMEA Daily

Review

- At a seminar in Sweden yesterday, **Mr Kenneth Rogoff**, Harvard professor in economics and former Economic Counsellor and Director at the Research Department of the IMF from August 2001 to September 2003, **said that Latvia should devalue its currency**. Further he said that the longer they wait, the tougher the economic situation will become. He implied that the IMF, if it accepts the Latvian currency regime, would make the same mistakes as was made during the Argentine crisis – until the IMF left Argentina with no other choice than to devalue. **We find it hard to disagree with Mr Rogoff.**
- Mr Rogoff additionally said that he does not expect a devaluation to occur in the near future**, as the global community, according to him, has decided to save every troubled country and financial institution in the world. Interestingly he also said that he sees risks of large turmoil in FX markets should Latvia devalue. (We wrote about this topic in *New Europe Weekly*, June 26). **Even though Mr Rogoff is no longer with the IMF, his comments are quite interesting since they arguably reflect the mindset of the IMF.** Note that the IMF has still not approved the payout of the next tranche of Latvia's international loan. By contrast, the European Commission said on Friday that it would pay the next vital EUR 1.2bn tranche within weeks.
- The Russian economy ministry said yesterday that it expects GDP to contract 8.5% y/y in 2009**, but sees 0.1% growth in 2010 – these forecasts are much in line with our forecasts (-8.0% in 2009, +0.5% in 2010). FM Kudrin said **Russia would be forced to increase the budget deficit in 2010 to above the planned 5%**, but said a final decision would be taken in July – we are beginning to spot a trend in the region.

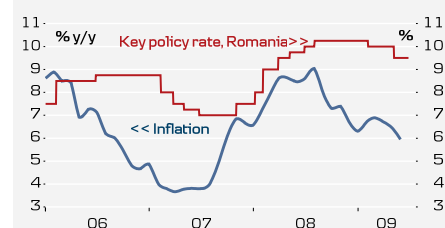
Preview

- Secondary data out of EMEA today. We expect a 50bp rate cut from the Romanian central bank. In Latvia, we expect a stabilisation in retail trade data.**

Trading update

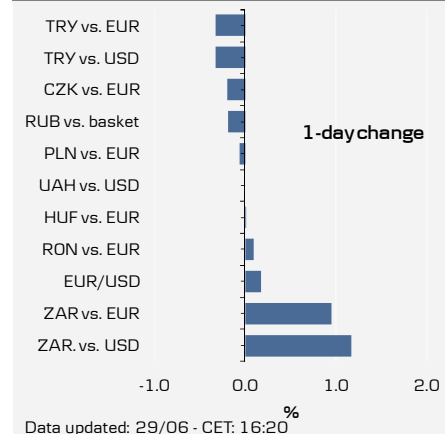
- The Russian finance minister believes that the current oil price is “overheated”, and he expects a correction.** We are not sure how Mr Kudrin could possibly know the equilibrium price of oil, but by his comments he seems to be preparing markets for a potential drop in the oil price (and hence RUB). **We see increased RUB volatility in the coming weeks.**
- Otherwise, yesterday's trading session was very quiet and there were limited price movements. **Notable is the outperformance of the South African rand.** USD/ZAR was pushed lower as stops were taken out. **In fixed income markets, longer-term swap rates came down in the Czech Republic** – we still see value in lower Czech rates, mainly in the short-end segment.

We expect 50bp rate cut in Romania



Source: EcoWin Reuters

Rand outperforms on a quiet day



Data updated: 29/06 - CET: 16:20

Source: EcoWin Reuters

Calendar

Tuesday, June 30, 2009			Period	Danske Bank	Consensus	Previous
RON	-	Central bank meeting (rate decision)	%	9.00%	9.00%	9.50%
RUB	-	Current account	m. USD	1st quarter		8595
ZAR	8:00	Private sector credit	y/y	May	7.99%	8.73%
HUF	8:30	Current account	m. EUR	1st quarter		-2584
HUF	9:00	Producer prices	y/y	May		7.2%
TRY	9:00	GDP (final)	y/y	1st quarter	-6.2%	0.5%
LVL	12:00	Retail sales	y/y	May	-31.1%	-29.6%
PLN	14:00	Current account	Euro mil	1st quarter	-79	-5124
ZAR	14:00	Trade balance	bn. ZAR	May	-2.0	-1.5
TRY	16:00	Trade balance	bn. USD	May	-3.4	-2.5

Source: Danske Markets

Editor in chief

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

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 Dzieńiecki	+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.

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 overall 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 Associations.

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.