

Weekly Focus

Is it strong enough?

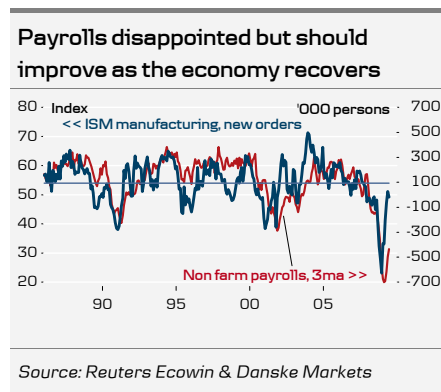
Global update

- Market doubts about the sustainability of the US recovery were fuelled by disappointing US non-farm payrolls and US consumer confidence.
- It was not all bad news, though. There are more signs of global housing stabilisation and the Asian recovery is proving very strong.
- We continue to look for a stronger-than-expected rebound in global growth in H2 09 as the inventory cycle will likely prove stronger than generally anticipated. The job market is expected to improve as the economy recovers.
- The ECB meeting did not provide much news and ECB will be sidelined for a long time now. The Riksbank on the other hand still knows how to surprise. With a repo rate cut to 0.25% and the introduction of a negative deposit rate of -0.25% the Riksbank broke new ground.

Market movers ahead

- A very quiet week is ahead of us with the G8 meeting starting Thursday as the most exciting event. China will try to push the agenda with talks about a new global reserve currency.
- In US the ISM non-manufacturing is expected to rise further, but consumer confidence from University of Michigan could disappoint as higher oil prices and weaker equity markets could lead to a temporary setback in confidence.
- In Europe German factory orders and industrial production for May are likely to show a further decline before recovering later in the year. The Bank of England meeting is not expected to give any surprises.
- Focus in Scandinavia will be on inflation data.

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Global update: Sustainability doubts

Is it strong enough?

The data picture over the past week was a bit of a mixed bag and overall disappointed markets. Equity markets slipped and bond yields fell further.

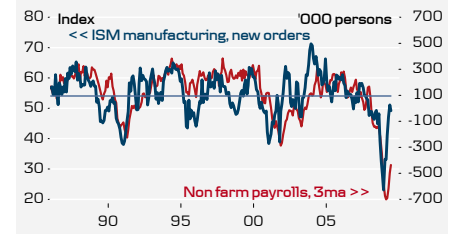
Although there were no very negative numbers and the trend is still for improvement, most data were slightly below consensus expectations and market doubts about the sustainability of the recovery have been reinforced. US non-farm payrolls fell 467k in June vs. expectations of a decline of 365k. While it is still some way from the bottom of -741k in January, job cuts of 0.5m per month are not a recipe for a consumer recovery. As we like to emphasise though, the labour market is a lagging indicator and the improvement in ISM for example should soon translate into fewer job cuts (see chart).

Speaking of ISM the release this week showed further improvement from 42.8 in May to 44.8 in June. But again, it was slightly below consensus of 44.9 and the new orders index, which is the most leading part of ISM, slipped a bit.

Another disappointment to the market was a decline in US consumer confidence from 54.8 in May to 49.3 in June. Consumer confidence is still very low. Our models had suggested we could see a weaker number due to the rise in the oil price. A rise in the oil price is one of the things that could spoil the recovery and we got a small warning this week. The news of weaker confidence was a blow to a market that is impatient about getting information that may suggest the recovery is sustainable into 2010 when the inventory cycle has run its course. Fortunately oil prices reversed some of the decline this week and if sustained it could underpin confidence in coming months. Also remember that the most important factor for the *trend* in consumer confidence is the labour market. As job cuts taper off we expect to see a clear improvement in consumer confidence over the next 6-12 months.

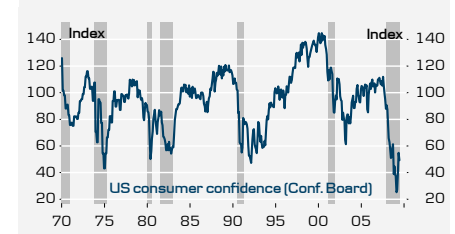
Overall the data were not quite as good as expected in the past week, but the deviations from consensus were not huge. We are still confident that growth rates will surprise to the upside in H2 09 as the inventory cycle is very forceful and stimulus is strong (see also *Research – Global: A historic inventory cycle to boost growth* released today).

US: Jobs still being slashed, but ISM points to improvement ahead



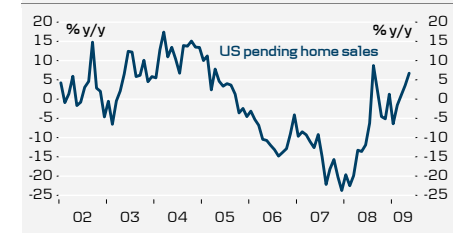
Source: Reuters Ecowin

US consumers still feeling blue



Source: Reuters Ecowin

US housing: Bargains luring back buyers



Source: Reuters Ecowin

Not all bad news: Auto sector and housing market improving

On other fronts things were more encouraging. Announcements from car makers suggested the worse is behind us in the auto industry. Ford for example raised its production target for Q3 from +10 y/y to +16% y/y and GM stated it saw the bottom in H1 09 (see *WSJ* article for more). The “cash-for-clunkers” incentive on car sales starts in July with the biggest effect probably in Aug/Sep. Hence after stabilisation in car sales over the last 3-4 months we are likely to see it revive from the bottom in Q3.

Also on the positive side global housing data continued to improve. US pending home sales rose stronger than expected and now point to a clear stabilisation in home sales. Case/Shiller house prices showed the smallest decline in 1½ years. And in UK Nationwide house prices rose 0.9% m/m in June. With increases in three out of the last four months there is no longer much doubt that UK house prices are stabilising. This is much sooner than expected and is quite positive for both consumers and banks.

Asia keeps booming – Japan turning fast

Asian production is seeing an incredible comeback, which is much stronger than anyone expected. Japanese industrial production rose 5.9% m/m in May taking the cumulated increase to 14% from the bottom in February! In Taiwan industrial production data is now up 33.3% from the bottom reached in January. The Tankan report in Japan was a bit mixed but the forward-looking parts were better than expected. Asian PMI also rose further. Being 25% of the world economy the turnaround in Asia should soon have positive spill-over on other regions.

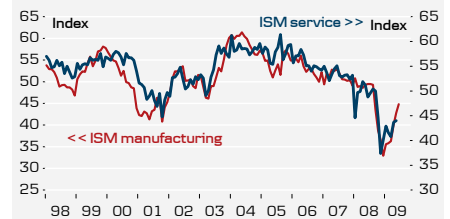
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Market movers ahead

Global

- It will be a very quiet week in the **US**. ISM non-manufacturing will be released on Monday. We look for an increase from 44.0 in May to 48.0 in June reflecting the rise we have seen in other indicators. On Friday consumer confidence for July from University of Michigan should attract attention as the market is increasingly focused on the consumer to gauge if the recovery can follow through in 2010. We look for a small disappointment in terms of a decline from 70.8 to 70.6 (consensus 71). Higher oil prices and lower equities are a short-term headwind to consumer confidence. Weekly jobless claims is also interesting at the moment as a measure of how fast the labour market is improving. The pace of decline in claims has disappointed slightly recently.
- The **G8 meeting** on Thursday in Italy should receive some attention in FX markets. China will participate on the second day of the G8 meeting when it will try to push the agenda for a new global reserve currency. If that happens it could put the USD under pressure. However, we don't think China will succeed in setting the agenda and the support to the dollar from other leaders will be unchanged.
- The main attraction in **Europe** this week is German factory orders and industrial production. Orders have shown some signs of bottoming recently, which is in line with PMI data rising. We believe orders will fall slightly by 0.2% m/m and that production will fall a bit further by 0.6% m/m. The meeting in Bank of England is expected to be a non-event without major news.
- The calendar will be very light next week in **Asia**. South Korea is expected to leave its leading interest rate unchanged at 2% on Friday in light of the remarkable strong recovery in industrial production and exports in recent months. On Thursday the IMF board will discuss the latest assessment of the Chinese economy. It is uncertain when the assessment will be made public, but according to press reports IMF will soften its criticism of the Chinese exchange rate policy and adjust its 2009 GDP forecast up to 7.5% from earlier 6.5%.

US ISM non-manufacturing to catch up



Source: Reuters Ecowin

Is German industry stabilising?



Source: Reuters Ecowin, Bloomberg

Scandi

- In **Norway** and **Sweden** focus will be on inflation data for June. However, inflation is not a big market mover at the moment. With high excess capacity inflation fears are not present. The fear of deflation is also limited given the substantial depreciation of the currencies in the past year.

Market movers ahead

Global movers			Event	Period	Danske	Consensus	Previous	
Mon	6-Jul	16:00	USD ISM non-manufacturing	Index	Jun	48.0	46.0	44.0
Tue	7-Jul	12:00	DEM Manufacturing orders	m/m y	May	-0.2%		0.0% -37.1%
Wed	8-Jul	12:00	DEM Industrial production	m/m y	May	-0.6%		-1.9% -21.6%
Thu	9-Jul	13:00	GBP BoE rate announcement	%		0.50	0.50	0.50
			GLO G8 meeting starts					
Fri	10-Jul	15:45	USD University of Michigan Confidence, preliminary	Index	Jul	70.6	70.6	70.8
Scandi movers			Event	Period	Danske	Consensus	Previous	
Tue	7-Jul	10:00	NOK Industrial Production, sa.	m/m y	May			-1.6% 4.0%
Wed	8-Jul	9:30	SEK Industrial production	m/m y	May			-2.1% -21.2%
		9:30	SEK Activity index	Index	May			102.4
Thu	9-Jul	9:30	SEK CPI	m/m y	Jun	0.1% 0.4%	0.2% 0.7%	0.3% 1.3%
Fri	10-Jul	9:30	DKK Loan officer's survey		2nd quarter			
		10:00	SEK Nat. labour market board, Unemployment	%	Jun			4.7
		10:00	NOK Core inflation(CPI-ATE)	m/m y	Jun	-0.1% 2.8%	0.0% 2.9%	0.3% 2.9%

Source: Bloomberg and Danske Markets

Financial views

Equities

- We maintain a positive view on equities in the medium term. Risk appetite has returned and our five point trigger list (from February 2009) for a stock market recovery has almost been completed, which means we are looking for new triggers. To underpin further market recovery in the coming months, we are looking for (a) final demand pick-up, (b) coverage of underweight positions, (c) mid-cycle valuation focus, and (d) weaker deflationary impulses.
- The short-term correction in the global stock market is in our view a natural consequence of the need of a new market agenda. Already in May we expressed our concerns that the market recovery came too fast to avoid a sanity check in especially cyclical stocks. Still, we anticipate that the correction holds a limited downside from current market prices, and that investors should exploit the situation to add risk, if they have a six-month horizon.

Fixed income

- Global: Bond yields have fallen back recently as recovery doubts have crept into the market. However, we still see the medium-term trend in bond yields to be up based on continued improving macro conditions, a rise in risk appetite and heavy supply. The US is expected to underperform Euroland.
- Intra-Euro: We are neutral in peripherals (Italy, Greece and Spain) versus Germany. On longer maturities, we still prefer France and Finland to Germany.
- Scandi: We are underweight 10Y Danish government bonds against Euroland and swaps, but overweight 2Y Danish government bonds. We are overweight Swedish government bonds versus Germany in the 10Y area. For funded investors we recommend being long the 2yr bonds due to excellent carry with repo funding close to zero. We have an overweight on Danish 30Y callable mortgages bonds versus both swaps and government bonds. We remain underweight in non-callables versus government bonds apart from 4'10.

Credit

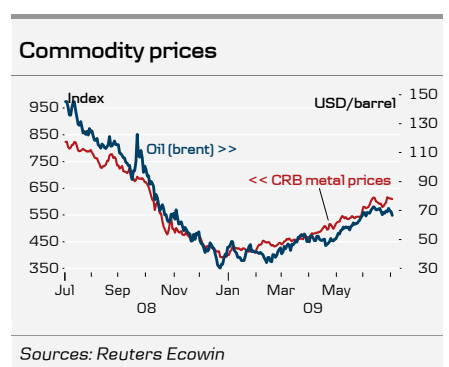
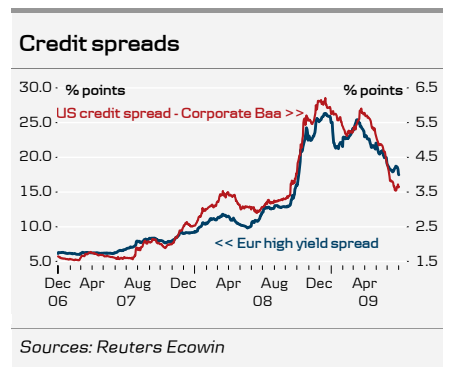
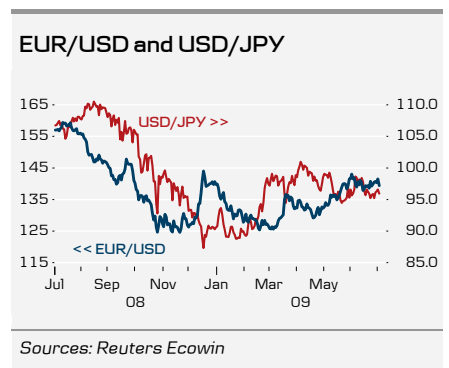
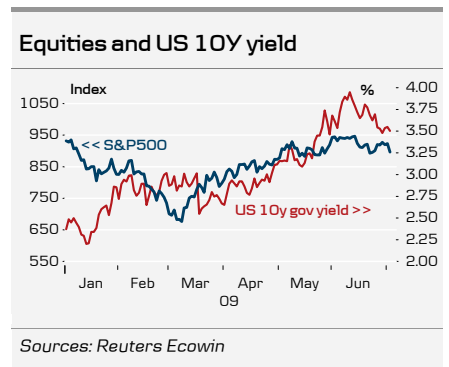
- During the past months credit has enjoyed a strong spell across sectors and capital structure. Spreads have tightened significantly. Activity in the primary market continues to be record high as companies turn to the capital markets instead of banks for funding.
- We question the pace and sustainability of the massive rally and in recent weeks sellers have re-emerged putting credit spreads under some pressure. The macroeconomic outlook is still challenging and defaults are rising. For long we had an overweight on credits based on the large liquidity and risk premiums for credit. Both these premiums have now been reduced substantially. We therefore recommend a neutral positioning.

FX

- EUR/USD is set to adjust lower in the short run, but to continue upwards in the medium term. Important drivers for EUR/USD are equities as a proxy for risk and most recently oil prices. EUR/GBP has lost some of its downward momentum, but we still see further GBP performance supported by recovery signals and normalisation of financial conditions. Carry can keep performing, while funding currencies will face headwinds.
- Swedish krona and Norwegian krone both have solid potential against the euro. However, after the bold move from the Riksbank this week SEK once again got hammered, and the risk of a Latvian devaluation is still looming on the horizon. Hence, we might have to wait until autumn or even later to see the Scandies exploit some of their potential. The Danish krone is attractive (e.g. against Swiss franc) due to sound carry.

Commodities

- The rally in commodities seems to have run out of steam with WTI oil below USD 67 a barrel. We think the risk of a further short-term correction is evident. In our view, the market is neglecting near-term weakness such as weak oil demand and huge stocks in base metals. However, in six months' time, we expect a new leg up in prices when the different market balances are expected to tighten for real.



Fixed Income: Disappointing payrolls send yields down

No exciting news out in the coming week

In recent weeks, doubts about the strength of the economic recovery have crept up, and it has become increasingly evident that rate hikes are still some way off. Meanwhile, risk appetite has declined. This has put yields on a declining trend.

The fall in yields over the past week was, not least, prompted by the disappointing non-farm payrolls report from the US. Employment in June declined far more than the month before. Also, the market interpreted the ECB's statement as dovish, although we believe that the ECB did not spring any major surprises.

It is becoming the consensus view that stockbuilding will drive an improvement in business confidence and the industrial cycle in the coming months. That is why the focus is turning increasingly to the underlying recovery. Will stockbuilding and temporary policy stimuli be enough to create a sustainable self-propelling recovery? That is the big question going forward. Hence, US labour markets and retail sales will be key focus points in the period ahead.

The coming week will not make us much wiser on this issue. The economic calendar looks exceptionally dull, with absolutely no interesting releases. Hence, risk appetite could set the agenda for fixed income markets in the week ahead. Note also that auctions are due in 3Y, 10Y and 30Y US Treasuries over the week.

Key events of the week

- Only tier 2 data due out in the coming week in both the US and the eurozone
- Risk appetite could set the agenda for fixed income markets
- Still focus on heavy bond supply. Auctions due in 3Y, 10Y and 30Y US Treasuries

Danish swap rates



Source: Ecowin

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FX: China requests USD debate at G8 meeting

G8 meeting to set agenda for USD (perhaps)

A G8 meeting will take place in Italy next week (Wednesday to Friday), and interest in the FX market is centring on the Chinese delegation led by President Hu Jintao. In the past week the financial media have reported that China wants a discussion about the USD's role as reserve currency. Understandably the Chinese are worried about what the US imbalances will mean for the USD in the long term, especially considering that the bulk of China's FX reserves are invested in USD assets.

The same channels have also reported that there could even be references to the topic in the final G8 communiqué. Remember here that the People's Bank of China said back in March that the world's central banks should consider making more use of the IMF's Special Drawing Right (SDR) as a reserve currency, and the Russian finance minister has aired similar thoughts. SDR is an artificial currency created by the IMF based on a basket of USD, EUR, GBP and JPY.

However, we reckon that this is mostly a case of hollow threats. As ever, China's problem is that it has no alternative to buying USD assets if it wishes to pursue its current FX policy. Nor is there anything in the available data to suggest that the Chinese (or other countries for that matter) have seriously lost their appetite for USD assets in their FX reserves. If China pushes to get the topic onto the agenda, we expect that the USD will be backed by the IMF and other world leaders as was the case in March. The general view will be that it is too early to embark on such a discussion – the last thing the global economy needs right now is a USD crisis. It is worth remembering that China is not formally part of the G8: the Chinese are only in Italy because it was decided to invite the so-called G5 countries (Brazil, China, India, Mexico and South Africa). If the Chinese kick up too much of a fuss, this will attract attention to their blatant manipulation of their own currency. But the debate is there in either case, and if it does make it onto the agenda (which we doubt), it will definitely put temporary pressure on USD. Remember that if the USD's role as reserve currency changes, this will be a very long-term process.

Central banks continue to set the agenda

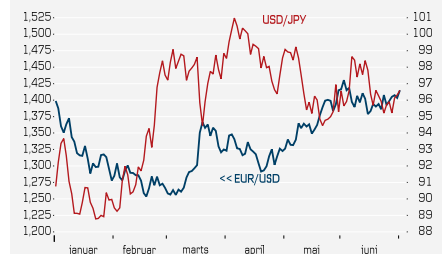
During the week the Riksbank in Sweden announced a surprise reduction in its benchmark rate to just 0.25% and offered the bank sector SEK 100bn in one-year loans at a fixed rate of just 0.4%. The combination of very low interest rates in Sweden, which reflect the depth of the recession in the country's economy, and the fact that we are moving into the summer period, which traditionally brings low levels of liquidity in Scandinavian FX markets, means that caution is advised with long SEK positions. SEK has previously shown a tendency to weaken during the summer, and this year the situation in the Baltic States presents an extraordinary risk. However, there was also some good news in Sweden during the week when the PMI climbed to 50.5, indicating a return to growth in the manufacturing sector. -SEK is highly procyclical, and this is one of the reasons why we anticipate strengthening of SEK in the medium and long term despite the Riksbank's aggressive monetary policy.

In the coming week we will be keeping an eye on the monetary policy meeting at the Bank of England, but we do not expect any big surprises in the form of rate changes. GBP came under pressure during the week when Q1 growth turned out surprisingly weak, but these figures are by their very nature historical, and recent forward-looking data paint a brighter picture. We therefore still see masses of potential in the GBP.

Key events of the week

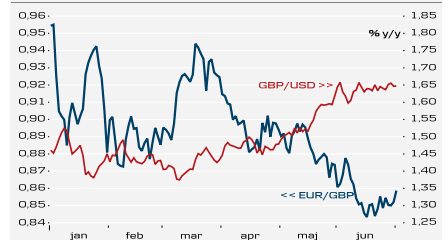
- G8 meeting in Italy, with possible focus on the USD's future role as reserve currency (Wednesday to Friday)
- Bank of England rate-setting meeting (Thursday)
- Inflation figures in Sweden (Thursday) and Norway (Friday)

EUR/USD and USD/JPY



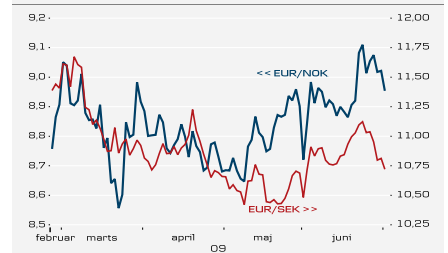
Source: Ecowin and Danske Markets

EUR/GBP and USD/GBP



Source: Ecowin and Danske Markets

EUR/SEK and EUR/NOK



Source: Ecowin and Danske Markets

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Denmark: GDP and jobless figures better than expected

The long-awaited GDP figures for Q1 are finally in, late VAT and corporation tax payments having significantly weakened the underlying data and delayed publication.

Unsurprisingly GDP fell relatively sharply in Q1 by 1.1% q/q, and this on the back of a steep drop of almost 2% q/q in Q4. As a result, GDP in Q1 was down by no less than 4.1% y/y. Relative to expectations, though, this was a pleasant surprise, as we had anticipated a contraction of 1.75% q/q in Q1.

Danish economy outperforming neighbours

Compared with developments abroad, the recession in Denmark has not been particularly sharp. Euroland GDP fell by 2.5% q/q in Q1, and German GDP in isolation by a whopping 3.8%. So the Danish economy does not stand out as performing particularly poorly – quite the opposite. It is actually doing surprisingly well.

Broad-based contraction

The decrease in GDP is broad-based. Both private consumption and exports are falling: the former decreased by no less than 2.3% in Q1, and the latter by 1.6%. It is no surprise that consumption is in decline, as retail sales and car sales statistics have been pointing in that direction. The decline is the result of an increased household saving ratio. Q1 brought tax cuts and lower inflation, which helped to prop up disposable income. For the first time since 2003, Danish households are spending and investing less than they earn, as can be seen by the statistics for net debt acquisition. After the upswing kicked in five years ago, Danes invested more (in housing, for example) than they saved, and so household debt increased. The reversal of this trend demonstrates clearly that the decline in consumption has to be explained by a change in household behaviour rather than by incomes actually having fallen.

Worst behind us

We believe that the worst is now behind us – the really big dip in the Danish economy took place in Q4 last year and Q1 this year. We do expect a slight contraction again in Q2, but we anticipate slightly positive growth in H2. Thus the crisis is beginning to look more manageable. That said, there is no hiding the fact that we are dealing with the worst economic crisis of recent times. We are publishing a new forecast in the coming week which will undoubtedly include a downward revision of economic growth. A not entirely unrealistic stab at growth this year would be in the region of -3.5%, which is well below our previous forecast, but better than the European average.

Rise in unemployment slowing

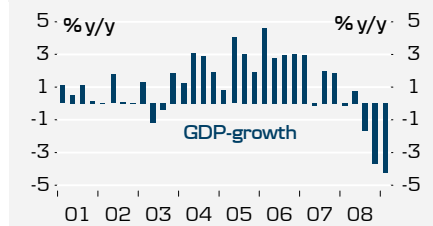
After soaring in March and April with monthly increases of more than 10,000 people, unemployment rose by a more moderate 4,100 people in May. This is naturally good news – in fact it is the best bit of economic news we have had this year – although we can never be too happy about a rise in unemployment.

This deceleration ties in well with our expectations. The sharp rise earlier this year was due largely to the decrease in economic activity at the end of last year and in Q1 this year. The economic outlook has since brightened somewhat, and this is now being reflected in a return to more moderate growth in unemployment. We predict a total of 130,000 jobless at the end of this year.

Key events of the week

- Industrial production and new orders (Monday)
- Bankruptcies and repossessions (Monday)
- Provisional balance of payments for May (Thursday) – we predict a current account surplus of DKK 3bn
- Danmarks Nationalbank's lending survey for Q2 (Friday)
- Consumer and net price indices for June (Friday) – we predict inflation of 1% y/y

GDP growth



Source: Statistics Denmark

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Sweden: Open up the goodie-bag

Riksbank, full of surprises

Beforehand we had asserted some probability to the Riksbank warming up to the idea of a 12-month fixed rate repo-facility. But that they would actually push such measures through on such short notice was less expected. Not only that, the Riksbank cut an additional 25bp bringing the repo-rate down to 0.25%. And in addition to this, the Riksbank has decided to punish banks that put their money onto their Riksbank accounts O/N with a 0.25% deposit rate. These last measures, however elegant, were not in our sight at all.

This means that the Riksbank is fundamentally (and still) very concerned about the economic outlook as indicated by a further reduction of its GDP-growth forecast for this year and a further deterioration in the Riksbank's labour market forecasts. This was to be expected, but in conjunction with a considerably more optimistic rhetoric regarding the outlook, green shoots and all that, it leaves us feeling a bit schizophrenic about what the Riksbank is trying to pervade. However, this might also be the unhappy result of some board members diverging in both directions from the Riksbank consensus. Lars E O Svensson wanting a 0%-flat repo rate and Wickman Parak advocating higher interest rates further out the curve.

Will it do the trick?

By and large, we are skeptical to whether these measure will have any real effect on the interest rates that households and corporate face – interest rates are already low. It will probably give some marginal effect, but other than that the impact will probably mainly be seen in a widening of the banking industry's profit margins. It might not be an outright "bail-out", but it definitely provides some cushion to rising credit losses. Under any circumstances, with the Riksbank's last decision, we have reached the end of the road for monetary policy. What remains – should it be needed - is uncharted territory. For such actions to become plausible, we probably need to see renewed weakness in economic data, something which is not our main scenario. We believe that the Riksbank will keep rates at the current levels at least until the second half of next year.

Key events of the week

- Inflation will be in the spotlight next week (9 July at 09.30 CET).
- But we find it equally interesting to see what information industrial data and the activity index will convey (7 July at 09.30 CET).

The Riksbank's new forecasts

	2009	2010	2011
BNP, kal kor	-5.2 (-4.4)	1.1 (1.0)	3.1 (3.1)
Timmar, kal korr	-3.9 (-2.6)	-2.4 (-2.2)	0.4 (0.5)
Produktivitet	-1.3 (-1.5)	3.5 (3.2)	2.6 (2.6)
Enhetsarbetskostnad	3.9 (5.4)	-1.2 (-0.8)	0.0 (0.2)
Arbetslöshet	8.8 (8.7)	11.0 (10.7)	10.9 (10.7)
KPI	-0.2 (-0.3)	1.4 (1.3)	3.2 (3.2)
KPIF	1.9 (1.9)	1.9 (1.8)	2.0 (2.0)
TCW	141.8 (142.7)	134.8 (134.8)	132.4 (132.4)
Räoljepris, USD	62 (52)	76 (63)	79 (68)

Source: The Riksbank

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Norway: All indicators pointing up

The past week has seen the release of a number of upbeat indicators. Retail sales are growing, house prices are increasing, unemployment is rising at a moderate pace, and better-than-expected industrial confidence. This is consistent with our outlook for the Norwegian economy, with domestic demand being driven by low rates and yields, and the export industry gradually benefiting from the improvement in the global economic outlook.

Recent trends are arguably far more positive than the scenario set out by the Norwegian central bank, Norges Bank, in its monetary policy report about two weeks ago. We believe that this development will continue, driven by a positive feedback loop between the real economy, confidence indicators and the financial markets. The stabilising housing market, rising stock markets and a labour market likely to surprise positively should push the savings rate down, supporting consumer spending.

Meanwhile, the stabilisation of the macro economy will begin to impact on banks' lending policies. In capital markets, we have already seen an improvement in access to – and pricing of – credit. This should reduce banks' funding costs, while also taking some of the pressure off bank balance sheets as large corporates access capital markets directly.

Industry still suffering

Although the global economic cycle has turned the corner, signs of a rebound for Norwegian industries have so far been few and far apart. Export value is still falling, and the decline in industrial production accelerated during the first four months of the year. However, leading industrial indicators such as the PMI have turned round and are now pointing towards a gradually slower pace of decline in production. The June PMI released in the past week came out at 48.7, and the PMI sub-index for industry was positive. This seems to suggest that industrial production will start growing as early as in Q3. Nonetheless, we expect the May industrial production data due out Tuesday to show a decline, although a smaller decline than in previous years.

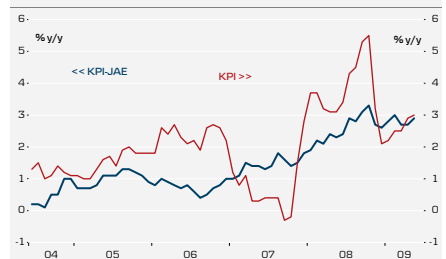
Inflation keeping up

There is not much focus on inflation at the moment, although it is running above the inflation target. Obviously concern about growing inflationary pressures is subdued when the economy is mired in a crisis. In fact, we expect inflation to have edged down in June, albeit modestly. Headline inflation likely fell from 3.0% to 2.9% and underlying inflation from 2.9% to 2.8%. We have assumed that the summer sales are more extensive and started earlier this year than normally and that the weakening of the Norwegian currency has impacted little on prices. Hence, there is upside risk to our price estimate.

Key events of the week

- Inflation (Friday) expected to have declined in June to 2.9%
- Industrial production (Tuesday) likely contracted by 0.8% m/m in May.

Exchange rate prevents lower inflation



Source: Danske Markets

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US: Payrolls disappoints

A temporary acceleration in job losses

The employment report for June showed a larger-than-expected decline in employment. Although some of this was due to the unwinding of temporary census-related hires by the federal government, subtracting these 49K still left the overall report a disappointment. The unemployment rate rose less than expected, but this was mostly due to a setback in the labour force. For private payrolls, weakness was most noticeable in the service producing sector, especially in business services. The decline in goods producing employment was virtually unchanged from May, and actually managed to decelerate in the manufacturing sector.

Unemployment is heading upwards at a rapid pace and the slack in the labour market is building up fast. As a consequence, the growth in hourly earnings is now decelerating fast. Combined with a severe retrenchment in aggregate hours worked, our payrolls income proxy indicates that wage and salary income growth is declining at a pace of more than 5% q/q AR. The income boost from the fiscal stimulus package should work to fill some of the gap, but we need to see further improvement in the employment trend within the coming months to keep private consumption in positive territory when the boost from the fiscal stimulus fades.

With our expectations of a relatively strong recovery in the manufacturing sector over the coming months and GDP growth back in positive territory in Q3 this year, we should be past the bottom in payrolls growth. Our payrolls growth model based on our forecast for ISM, GDP and trend productivity thus flags for a return to positive job growth by late this year.

Manufacturing recovery on track

The ISM index extended the upward trend in June and the details of the report strongly suggest that the ISM will be heading higher in the coming months. Although new orders gave back some of the increase in May, inventories declined as well, leaving the overall balance between the two virtually unchanged. Usually this gap is a very useful near-term indicator for the ISM index and industrial production growth and it strongly suggests that both will move higher in the coming months.

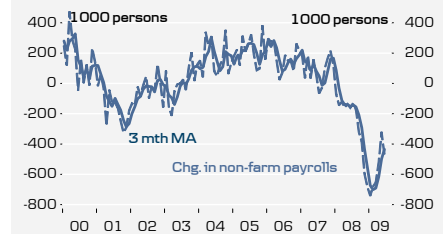
An ISM index at 44.8 – and still rising – is consistent with our long-held view that the economy should return to positive growth in the coming months. A huge gap between production growth and growth in final demand remains to be closed. Even with final demand growth flat, production growth needs to pick up to ease the rapid decline in inventories. Our expectation of a rebound in growth thus does not hinge on positive growth in inventories but merely a deceleration in the pace of decline.

Our target is for the index to breach 50 by late summer. How high the ISM index will go in H2 will be determined by two factors – the pace of demand growth and the improvement in financial conditions. If things turn out favourably, the rebound in the ISM and industrial production could happen faster than markets currently expect.

Key events of the week

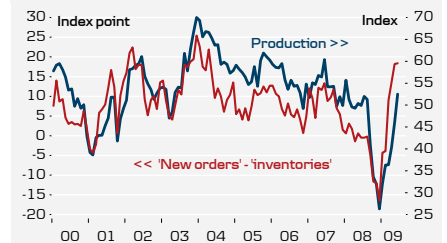
- Non-manufacturing ISM (6 July)
- Trade balance (10 July)
- University of Michigan consumer confidence (10 July)

Job losses higher in June



Source: Ecowin and Danske Markets

Manufacturing recovery on track



Source: Ecowin and Danske Markets

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Euroland: No new weapons

The ECB did not bring any new weapons to the battlefield

The ECB kept the refinancing rate unchanged at 1.0% at Thursday's governing council meeting. Trichet did not signal that further rate cuts are in the pipeline, although he did again say that the governing council had not decided that 1% is the lowest level. With inflation in negative territory (the flash inflation for June released on Tuesday showed that inflation is now in negative territory at -0.1 %) and low money growth (M3 annual growth declined more than expected to 3.7 % in May from 4.9 % in April) it could be argued that the ECB should take rates even lower, but we believe that the next rate change will be upward. There have been plenty of signals from members of the governing council that they are reluctant to go below 1%. Only if economic prospects deteriorate again and the ECB starts to see a real risk of deflation will it lower rates.

We expect policy rates to be kept on hold for a long time. We do not see a rate hike within 12 months, but possibly shortly after (in Q3 2010). There is plenty of spare capacity in the economy and Trichet noted that inflation is expected to remain subdued over the relevant period. Nevertheless the ECB will be careful to avoid keeping the policy rates low for too long, and when the economy starts to pick up we should watch out for signals of an early surprise move from the ECB.

The ECB did not announce additional measures or top up on already announced measures and in the Q&A Trichet said that "We had not envisaged any new, other measure or operation. We consider that what we do now is appropriate". Trichet also noted that all that has been done has been designed to allow easy exit strategies.

The ECB rhetoric is not becoming more positive yet. ECB still expects that - after a stabilisation phase - positive growth rates will return by mid-2010. An increase in the oil price was added as a downside risk, but risks are still considered to be balanced. Confidence indicators have improved further during the last month and Asian hard data have continued to improve, but it is evidently not enough for the ECB to become more light-hearted as long as European hard data only show signs of a stabilisation at best. We think that the ECB is too negative. We expect that the recession will come to an end in Q3 this year and expect strong growth in Q4.

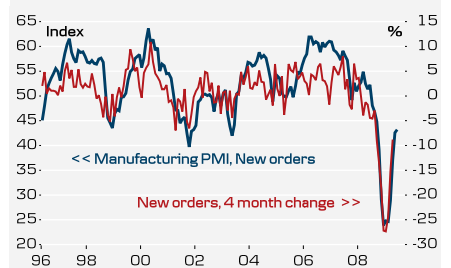
German manufacturing data will show further decline in May

Next week is sparse on key data from Euroland. We do however get German manufacturing orders (Tuesday) and production (Wednesday). We expect the data to show that manufacturing declined slightly in May, but the trend speed of decline is slowing as indicated by manufacturing PMI. We do not expect to see a rebound in industrial production as early as May although German retail sales have risen for three months in a row and exports to Asia are rebounding. The inventory cycle will soon add to growth as production has to rebound to match demand and with demand stimulated by a reduction (although modest) in social security contributions we see July or August as a possible turning point for Germany.

Key events of the week

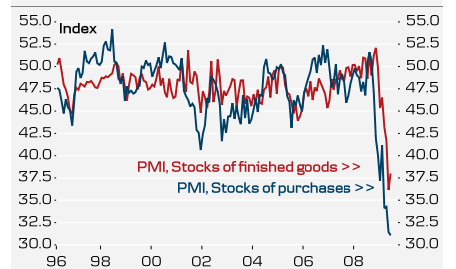
- German industrial orders in May [7 July] will show a small decline
- German industrial output in May [8 July] declines further

German manufacturing new orders



Source: Reuters Ecowin

German manufacturing stocks



Source: Reuters Ecowin

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Asia: Japanese consumption stabilises

Growth on the way back in Japan

Japanese data continue to suggest that growth is on the way back, although the past week's figures were slightly weaker than expected. Industrial production continued to climb at record speed in May, but the production plans for June and July suggest that growth will be slightly slower in the coming months (see *Flash Comment – Japan: Record increase in industrial production in May*). The biggest positive surprise came from retail sales and household consumption expenditure, which suggest that private consumption is now on the up even though unemployment is continuing to rise quite quickly (see *Flash Comment – Japan: Resilient consumer despite weak labour market*). It is undoubtedly the tax cuts in the fiscal stimulus packages that have boosted private consumption.

Data for April and May currently indicate growth of 2-3% q/q AR in Q2, and we still reckon that GDP growth could very well exceed 5% q/q AR in Q3. The main drivers are exports and private consumption – in fact more so than we expected in Q2 – while inventories and business investment are pulling the other way, especially in Q2. Our expectation of healthy growth rates in Japan in the coming quarters was lent support by the latest Tankan business confidence indicator from the Bank of Japan during the week (see *Flash Comment – Japan: Tankan suggests growth is returning*).

Bond yields fall in Japan despite green shoots

Despite continued positive growth signals from Japan, bond yields there fell during the week in line with the trend in Europe and the US. Overall, Japanese bonds have outperformed both the US and Euroland in recent months. The ten-year government yield is currently 1.36%, which is more or less the same as at the beginning of April, while the two-year government yield has fallen to just 0.28%, which is the lowest since 2006.

We reckon that short-term bond yields in particular have now fallen too far. Given the latest strong economic data from Japan, we expect the BoJ to start tightening monetary policy at roughly the same time as the Federal Reserve (our bet is currently Q3 next year), and this tightening may very well be on the same scale as in the US during the early part of the tightening phase.

No further rate cuts in South Korea

The focus in Asia in the coming week will be on the monetary policy meetings in South Korea and the Philippines. The Bank of Korea will probably leave its key rate unchanged at 2.0%. Korean economic data remain strong, with major improvements in both exports and industrial production, and GDP growth looks set to be close to 5% q/q AR in Q2. We have probably therefore seen the final rate cut in South Korea. On the other hand a rate increase is not on the cards before next year.

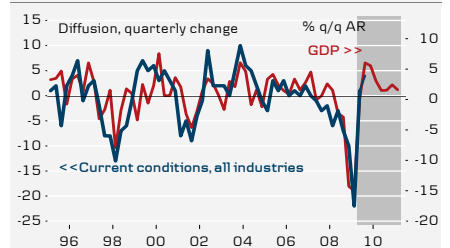
In the Philippines, however, we cannot rule out the possibility of the central bank cutting its key rate by 25bp to 4.0%. Rates are still relatively high, and inflation has fallen further than expected in recent months, probably to below 2% in June. Then again, industrial production has rallied strongly in recent months, and GDP growth looks like turning positive here too in Q2. It is therefore doubtful whether there will be any further rate cuts in the Philippines.

Indonesia will be holding presidential elections on 8 July. Current president Susilo Bambang Yudhoyono is a clear favourite to be re-elected. In the first instance the big question is whether he will avoid the need for a second round by claiming more than 50% of the vote. It would be bad news for financial markets if he is not re-elected.

Key events of the week ahead

- Taiwan is the second Asian country to publish trade figures for June (Wednesday)
- Japan releases machinery orders and balance of payments data for May (Thursday)
- Monetary policy meetings in South Korea and the Philippines (Friday)
- Presidential elections in Indonesia (Friday)

Tankan indicates return to growth in Japan



Source: Reuters EcoWin, Danske Markets

Strong rebound in South Korea



Source: Reuters EcoWin

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UK: House prices past the bottom

Positive surprises still dominate

The UK data picture continues to mostly surprise to the upside. In the past week two things were worth highlighting:

1. **Nationwide house prices** rose 0.9% m/m in June – much stronger than the consensus expectation of a decline of 0.5%. Nationwide house prices is the most stable of the house price series. With increases in three out of the last four months there is no more doubt that house prices in UK have bottomed.
2. **PMI manufacturing** showed further improvement in June rising to 47.0 (consensus 46.4) from 45.4 in May. The rising trend in PMI is thus intact, but note that it is still below the 50 line suggesting production is still falling. Actual manufacturing production has been going up, though, for the last two months and we expect PMI to reflect this improvement very soon and rise further to above 50 during summer.

Other things worth noting were a further rise in GfK consumer confidence from -27 in May to -25 in June and a small rise in BoE mortgage approvals. The latter rose less than expected but is up around 30% from the bottom late 2008.

The general picture is still one of improvement with the industrial sector rising, housing stabilising and retail sales moving away from the bottom. Unemployment is still rising, but at a slower pace than in the beginning of the year. We believe this development will continue during H2 09 with the economy showing more signs of healing from the crisis. Industrial production has the potential to surprise to the upside as export markets improve and the weak GBP benefits UK exporters.

No news from Bank of England expected

The meeting in Bank of England (BoE) next week should be a non-event. BoE has been on autopilot for some time waiting for the economy to improve. We believe the next move will be up and will happen in Q2 2010. There will probably not even be a statement from the meeting if BoE does not change anything.

Industrial production data will be interesting given the recent improvement. Production has risen slightly in the last two months suggesting the end of the recession is near. We need some confirmation of this, though, and should see production to be either stable or rise a bit further.

Choppy trading in EUR/GBP and bond yields

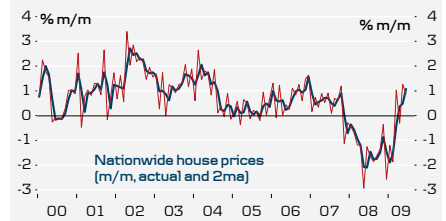
EUR/GBP continued the choppy trading this week with no clear direction. After strong gains for GBP in early June the market is taking a breather. We still look for further decline in EUR/GBP in the medium term as the UK economy will likely recover faster than Euroland.

Bond yields rose during the first part of the week but fell back after the disappointing US non-farm payrolls report. In the short term we are neutral on the market but look for higher bond yields during H2 09 as the economic recovery unfolds.

Key events of the week

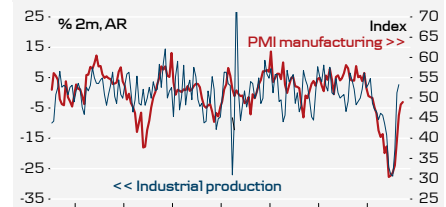
- Industrial production (Tuesday). Will it rise again? We think so
- Consumer confidence (Wednesday) is expected to rise a bit further
- Bank of England meeting (Thursday). Expect a non-event

House prices rising again



Source: Bloomberg, BBA

Manufacturing recovery



Source: Reuters Ecowin

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Switzerland: Still some way to 1.50

PMI indicates further improvement in industry

In line with global developments, leading activity indicators for Switzerland continue to improve, with the PMI climbing to 41.8 in June, once again exceeding the consensus expectation. Although a majority of purchasing managers in the manufacturing sector still anticipate a decline in aggregate activity, further deceleration in the rate of decline is on the cards. These positive signs were confirmed by movements in the sub-indices, where the production index is now close to a neutral 50 and the combination of a rising order index and a falling inventory index points to further improvements in the overall index.

EUR/CHF holds ground well above 1.50

CHF appreciated further during the week, with EUR/CHF briefly moving below 1.52 for the first time since the alleged intervention by the Swiss National Bank on 24 June. However, the move lower in EUR/CHF has been slower than might have been expected in light of previous interventions, which indicates that fundamental support for CHF has probably eased slightly. In general, we expect EUR/CHF to trade close to 1.52 in the short term, although we can definitely see the market testing the SNB once again if risk appetite in the market fades. Thursday's price movements also showed that comments from the SNB are still capable of moving CHF, although CHF depreciated less than on previous occasions when Thomas Jordan reiterated:

'The markets so far have well understood what our intentions are. We don't want an appreciation of the Swiss franc. If necessary, we are ready to buy foreign currencies. We don't do that on a particular level, but we decide according to the situation in order to have a big effect. And the situation since June 18 shows that this effect has materialized.' (source: Bloomberg)

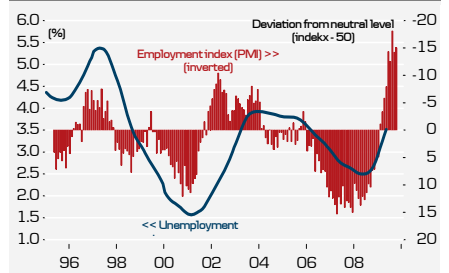
EUR/CHF back in line with short-term model

Our preferred short-term financial model had been signalling since late May that the appreciation of CHF (which had taken EUR/CHF down towards 1.50) was too strong relative to movements in other financial asset classes. This changed following the SNB's alleged intervention on 24 June. CHF is now trading back in line with our model, and so there are no clear short-term pointers from pricing in the fixed income and equity markets, for example. However, the model has generally lost explanatory power as EUR/CHF has stabilised since March, and movements in both relative interest rates and the equity market are currently tending to result in far smaller movements in CHF. Thus the 66-day correlation between EUR/CHF and the S&P 500 is now just -28%, compared to -75% in mid-November. A 10% change in the equity market will now tend to move EUR/CHF by just 0.6%.

Key events of the week ahead

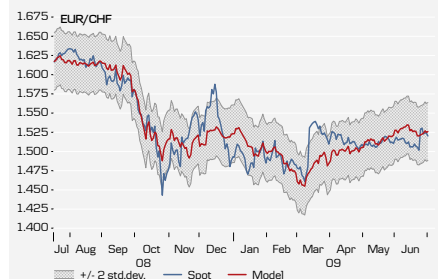
- Unemployment for June (Wednesday) – we expect another rise in the seasonally-adjusted rate, but the market reaction is likely to be muted

Prospect of higher unemployment



Source: Reuters EcoWin

EUR/CHF back in line with model



Source: Danske Markets

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Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2008	-1.1	-0.1	1.1	-3.6	0.3	2.2	3.7	3.4	1.8	2.7	32.9	2.0
	2009	-2.4	-2.5	1.8	-8.8	-0.2	-5.5	-6.3	1.4	3.3	-1.2	31.7	0.9
	2010	0.8	2.3	1.6	-5.3	0.1	1.9	1.5	1.9	4.4	-1.4	30.3	0.9
Sweden	2008	-0.2	-0.2	1.3	3.5	-0.7	1.7	3.0	3.4	6.2	3.0	37.4	7.2
	2009	-4.6	-1.9	1.9	-13.7	-1.4	-17.4	-19.9	-0.3	10.0	-5.0	39.7	6.7
	2010	0.8	0.7	3.8	-5.5	-0.3	0.5	-1.1	0.9	12.0	-2.0	42.7	7.2
Norway	2008	2.0	1.3	3.7	3.3	0.9	0.8	4.3	3.8	2.6	8.0	26.0	19.0
	2009	-1.0	0.3	4.8	-6.6	-0.5	-3.3	-4.1	1.9	3.9	12.0	26.0	24.9
	2010	2.4	3.2	4.9	1.3	0.0	1.0	2.1	2.2	4.4	13.9	26.0	24.8

Macro forecast, Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euroland	2008	0.6	0.4	1.9	-0.3	0.1	0.9	1.0	3.3	7.6	-1.9	69.3	-0.8
	2009	-3.9	-0.6	1.7	-8.7	-0.4	-12.9	-10.1	0.4	9.6	-4.8	77.2	-1.7
	2010	2.0	0.6	2.4	3.2	0.2	2.4	5.1	1.3	10.8	-5.5	82.3	-1.5
Germany	2008	1.3	-0.6	1.9	2.6	0.1	3.5	5.5	2.9	7.4	-0.5	63.0	7.1
	2009	-5.4	0.2	1.9	-4.0	-0.4	0.2	2.5	0.3	8.4	-3.5	67.0	5.2
	2010	2.4	1.2	1.9	1.5	0.2	4.0	4.5	1.1	9.7	-5.5	72.0	5.4
France	2008	0.8	0.8	1.4	0.5	0.0	2.0	1.8	3.3	7.8	-2.9	66.0	-1.6
	2009	-2.1	-0.4	1.6	-3.8	-0.3	-0.3	-0.4	0.4	8.6	-5.0	71.0	-1.4
	2010	1.9	1.6	1.4	2.1	0.2	2.9	2.9	1.3	9.1	-6.0	78.0	-1.6
Italy	2008	-0.3	-0.6	1.2	-1.5	0.0	0.3	-1.5	3.6	7.0	-2.6	103.0	-2.6
	2009	-4.6	0.2	1.2	-4.8	-0.3	-0.6	-0.9	0.8	8.5	-4.0	107.0	-2.1
	2010	1.6	0.3	1.0	2.0	0.2	2.0	2.4	1.9	9.1	-4.5	111.0	-2.5
Spain	2008	0.9	1.1	4.0	-2.5	0.0	3.2	0.7	4.4	11.0	-1.6	38.0	-10.0
	2009	-2.9	-0.4	4.5	-9.0	-0.4	3.5	-2.0	0.0	18.2	-8.5	47.0	-6.0
	2010	1.4	0.2	3.5	-3.0	0.2	5.5	2.5	1.4	21.0	-9.5	56.0	-6.0
Finland	2008	0.9	2.0	1.7	1.0	-0.6	-1.1	-1.3	4.1	6.4	4.2	33.4	2.5
	2009	-3.5	-0.8	1.5	-11.0	0.0	-12.0	-9.5	1.0	7.6	0.0	38.0	1.6
	2010	1.0	1.0	1.5	-2.0	0.0	4.0	2.5	1.3	8.5	-3.0	43.0	2.1

Macro forecast, Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2008	1.1	0.2	2.9	-5.0	-0.2	6.2	-3.5	3.8	5.8	-3.2	69.0	-4.7
	2009	-2.4	-0.5	0.8	-19.4	-0.2	-11.9	-14.5	-0.9	9.2	-13.1	82.0	-2.5
	2010	2.6	1.9	2.4	1.0	0.9	5.2	5.9	2.4	9.6	-9.0	88.0	-3.5
Japan	2008	-0.7	0.6	0.8	-4.8	-0.2	1.9	0.9	1.5	4.0	-5.6	196.0	3.3
	2009	-6.2	-1.7	1.7	-16.7	-0.4	-27.0	-13.1	-0.6	5.3	-9.8	212.0	2.4
	2010	3.2	1.3	1.6	1.8	0.2	19.3	1.1	0.2	5.2	-8.0	220.0	3.6
UK	2008	0.7	1.7	3.3	-4.0	0.0	0.5	1.2	3.7	2.8	-2.5	50.1	-3.6
	2009	-2.7	-0.3	1.5	-0.3	0.0	-3.6	0.0	2.3	5.0	-8.8	60.0	-3.4
	2010	1.0	1.6	2.0	2.2	0.0	4.6	4.9	1.5	6.4	-9.6	68.0	-2.9
Switzer-land	2008	1.6	1.7	0.0	-1.7	-0.4	2.3	-0.2	2.4	2.6	0.9	42.0	9.2
	2009	-2.7	0.2	2.3	-6.4	1.2	-11.7	-7.4	-0.5	3.9	-1.5	40.7	7.6
	2010	1.0	0.5	1.5	-0.5	-0.2	1.3	-1.1	0.7	5.1	-2.5	43.5	8.1

Source: OECD and Danske Bank. 1) % y/y. 2) % contribution to GDP growth. 3) % of labour force. 4) % of GDP.

Financial forecast

Bond and money markets

		Key int. rate	2-yr swap yield	10-yr swap yield	3m interest rate	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	03-Jul	0.13	1.39	3.70	0.58	140.1	-	531.5
	+3m	0.13	1.85	4.40	0.55	139	-	536
	+6m	0.13	2.20	4.60	0.65	144	-	517
	+12m	0.13	2.70	5.00	0.75	140	-	533
EUR	03-Jul	1.00	1.67	3.58	1.07	-	140.1	744.5
	+3m	1.00	2.00	3.95	1.20	-	139	745.0
	+6m	1.00	2.15	4.10	1.20	-	144	745.0
	+12m	1.00	2.75	4.30	1.25	-	140	746.0
JPY	03-Jul	0.10	0.64	1.33	0.45	134.4	96.0	5.54
	+3m	0.10	0.70	1.55	0.70	139	100	5.36
	+6m	0.10	0.80	1.70	0.60	151	105	4.93
	+12m	0.10	1.05	1.95	0.50	151	108	4.94
GBP	03-Jul	0.50	2.16	4.16	1.16	85.4	164.0	871.5
	+3m	0.50	2.30	4.40	1.20	84.0	165	887
	+6m	0.50	2.60	4.65	1.00	82.0	176	909
	+12m	1.00	3.20	4.90	0.80	78.0	179	956
CHF	03-Jul	0.25	0.76	2.70	0.40	151.8	108.4	490.3
	+3m	0.25	0.90	2.90	0.30	152	109	490
	+6m	0.25	0.95	2.90	0.25	154	107	484
	+12m	0.25	1.35	3.00	0.25	158	113	472
DKK	03-Jul	1.55	2.41	3.86	2.16	744.5	531.5	-
	+3m	1.45	2.60	4.25	2.20	745	536	-
	+6m	1.35	2.60	4.40	2.05	745	517	-
	+12m	1.35	3.10	4.55	1.75	746	533	-
SEK	03-Jul	0.50	1.41	3.62	0.70	1091.2	779.0	68.2
	+3m	0.50	1.50	3.90	0.75	1050	755	71.0
	+6m	0.50	1.60	4.05	0.75	1020	708	73.0
	+12m	0.50	2.30	4.50	1.00	1000	714	74.6
NOK	03-Jul	1.25	2.73	4.58	1.91	896.7	640.2	83.0
	+3m	1.25	3.00	4.50	2.00	850	612	87.6
	+6m	1.25	3.25	4.70	2.00	830	576	89.8
	+12m	1.75	4.05	4.90	2.75	820	586	91.0
PLN	03-Jul	3.50	4.93	5.47	4.31	435.6	310.9	170.9
	+3m	3.50	5.00	5.85	4.10	450	324	166
	+6m	3.50	5.20	6.00	4.10	455	316	164
	+12m	3.50	5.80	6.20	4.10	460	329	162

Equity markets

	Risk	Price trend 3 mth.	Price trend 12 mth.	Regional recommendations
Regional				
USA	Low	-5% to +5%	More than +10%	Overweight
Japan	High	-5% to +5%	More than +10%	Neutral
Emerging markets (USD)	High	-5% to +5%	More than +10%	Underweight
Pan-Europe (EUR)	Low	-5% to +5%	More than +10%	Overweight
Nordics				
Sweden	Average	-5% to +5%	More than +10%	Neutral
Norway	High	-5% to +5%	More than +10%	Neutral
Denmark	High	-5% to +5%	More than +10%	Neutral

Commodities

	03-Jul	2009				2010				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010
ICE Brent	67	46	60	68	73	73	74	75	76	62	75
Aluminium	1,640	1,401	1,525	1,550	1,600	1,900	1,900	2,100	2,100	1,519	2,000
Copper	5,035	3,494	4,700	5,000	5,400	5,300	5,300	5,300	5,500	4,649	5,350
Nickel	1,572	1,208	1,475	1,500	1,500	1,700	1,800	1,800	1,800	1,421	1,775
Gold	934	909	930	920	940	930	930	930	930	925	930
CBOT Wheat*	500	548	560	600	660	700	700	700	700	592	700
CBOT Corn*	358	377	400	450	480	480	480	480	480	427	480

Source: Danske Markets

Calendar

Monday, July 6, 2009				Period	Danske Bank	Consensus	Previous
7:00	JPY	Leading Economic Index, preliminary	Index	May		77.0	76.2
9:30	DKK	Industrial production	m/m	May			1.3%
10:30	EUR	ECB's Nowotny speaks					
16:00	USD	ISM non-manufacturing	Index	Jun	48.0	46.0	44.0
Tuesday, July 7, 2009				Period	Danske Bank	Consensus	Previous
1:50	JPY	Official Reserve Assets	USD bn	Jun			1024.0
6:30	AUD	RBA monetary policy meeting		Jul	3.00%	3.00%	3.00%
9:30	EUR	ECB's Odonez speaks					
10:00	NOK	Industrial Production, sa.	m/m y/y	May			-1.6% -4.0%
10:00	NOK	Manufacturing Production, sa.	m/m y/y	May		0.2%	-1.4% -10.6%
10:30	GBP	Industrial Production	m/m y/y	May		0.2% -11.3%	0.3% -12.3%
10:30	GBP	Manufacturing production	m/m y/y	May		0.1% -11.9%	0.2% -12.7%
12:00	DEM	Manufacturing orders	m/m y/y	May	-0.2%		0.0% -37.1%
16:00	CAD	Ivey PMI	index	Jun		50.3	48.4
Wednesday, July 8, 2009				Period	Danske Bank	Consensus	Previous
-	JPY	Eco watchers survey: Current	Index	Jun			36.7
-	JPY	Eco watchers survey: Outlook	Index	Jun			43.3
1:01	GBP	Nationwide Consumer Confidence	Index	Jun			53
1:50	JPY	Machine orders	m/m y/y	May	1.0% -35.8%	2.4% -34.4%	-5.4% -32.8%
1:50	JPY	Current account s.a.	JPY bn	May		1,228.1	966.3
1:50	JPY	Current account	JPY bn	May		1,503.3	630.5
1:50	JPY	Trade balance BOP	JPY bn	May		410.0	184.3
1:50	JPY	Bank Lending	y/y	Jun			3.1%
7:45	CHF	Unemployment (sa)	%	Jun		3.6	3.5
9:30	SEK	Industrial production	m/m y/y	May			-2.1% -21.2%
9:30	SEK	Activity index	Index	May			102.4
9:30	SEK	Industrial orders	m/m y/y	May			0.4% -30.0%
10:00	EUR	ECB's Gonzalez-Paramo speaks					
11:00	EUR	GDP, s.a., final	q/q y/y	1st quarter	-2.5% -4.8%		-2.5% -4.8%
12:00	DEM	Industrial production	mm y/y	May	-0.6%		-1.9% -21.6%
13:00	USD	MBA mortgage applications	%				-18.9
18:55	USD	Fed's Evans (dowish, voter) speaks					
21:00	USD	Consumer credit	bn. USD	May		-10.0	-15.7
Thursday, July 9, 2009				Period	Danske Bank	Consensus	Previous
3:30	AUD	Employment change		Jun		-20.0k	-1.7k
8:00	DEM	Inflation (HICP), final	m/m y/y	Jun	-0.1% 0.0%		-0.1% 0.0%
8:00	DEM	Trade balance	EUR bn	May			9.4
9:30	SEK	CPI	m/m y/y	Jun			0.1% -0.4%
9:30	SEK	Underlying inflation, UNDI1X	m/m y/y	Jun			0.3% 1.3%
9:30	DKK	Current account	DKK bn	May	3.0		2.9
9:30	DKK	Trade Balance	DKK bn	May			3.1
10:00	EUR	ECB monthly report		Jul			
10:30	GBP	Trade balance	GBP bln.	May			-3.014
13:00	GBP	BoE rate announcement	%			0.50	0.50
14:30	USD	Initial jobless claims	1000				614
15:00	USD	Fed's Duke (Neutral, Voter) speaks					

Source: Danske Markets

Calendar - continued

Friday, July 10, 2009				Period	Danske Bank	Consensus	Previous
1:50	JPY	Domestic CGPI	m/m y/y	Jun			-0.4% -5.4%
8:45	FRF	Industrial production	m/m y/y	May			-1.4% -18.8%
9:00	ESP	Inflation (HICP), final	m/m y/y	Jun			0.0% -0.8%
9:30	DKK	CPI	m/m y/y	Jun	0.1% 1.0%		0.3% 1.3%
9:30	DKK	Loan officer's survey		2nd quarter			
10:00	SEK	Nat. labour market board, Unemployment	%	Jun			4.7
10:00	ITL	Industrial production	m/m y/y	May			1.1% -25.4%
10:00	NOK	Consumer prices	m/m y/y	Jun	0.1% 2.9%	0.1% 3.0%	0.2% 3.0%
10:00	NOK	Core inflation(CPI-ATE)	m/m y/y	Jun	-0.1% 2.8%	0.0% 2.9%	0.3% 2.9%
10:00	NOK	Producer prices, incl. Oil	m/m y/y	Jun			6.5% -2.9%
10:30	GBP	PPI - Output	m/m y/y	Jun		0.3% -0.8%	0.4% -0.3%
13:00	CAD	Unemployment rate		Jun		8.7%	8.4%
13:00	CAD	Net change in employment		Jun		-40000	-41800
14:30	CAD	Int'l merchandise trade	CAD bn	May		-0.6	-0.2
14:30	USD	Trade balance	USD bn	May		-30.0	-29.2
14:30	USD	Import prices	m/m y/y	Jun		2.0%	1.3% -17.6%
15:45	USD	University of Michigan Confidence, preliminary	Index	Jul	70.6	70.6	70.8

During the week				Period	Danske Bank	Consensus	Previous
Wed 08 - 14	CNY	Foreign Exchange Reserves	bn. Usd	Jun			
Wed 08 - 10	G7	Italy hosts G8 meeting					

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Source: Danske Markets

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