

# Weekly Focus

## Central banks dominate the agenda

### Global update

- US retail sales rose in May, but this was down to gasoline prices. Retail sales excluding autos, gasoline and building materials were unchanged, so it was really just a case of stabilisation.
- German industrial production fell by 1.9% m/m in April, which was something of a disappointment, but the pain was eased somewhat by the upward revision of March industrial production from unchanged to growth of 0.3% m/m.
- Asia continues to forge ahead, and the past week has brought a raft of data from China. Investment growth has accelerated further, car sales are very strong, and turnover in the housing market is rising rapidly.
- There were disappointing figures for the Swedish economy, with further falls in retail sales and the activity index.
- Interest rates have climbed strongly recently, and there is the risk of a correction in the short term. But in the long term there is still the prospect of higher long yields in the USA.

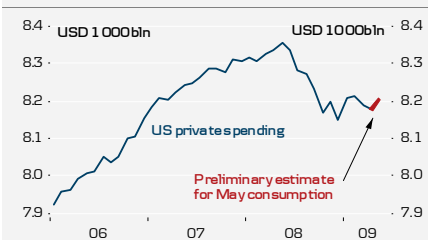
### Market movers ahead

- Central banks take centre stage in the coming week, with rate-setting meetings in Norway, Japan and Switzerland. We expect an unchanged policy rate and an upward revision of the interest rate path from Norges Bank. We also expect unchanged rates from the BoJ and SNB, and no further unconventional measures.
- The spotlight is also on the central bank in the USA. Speculation about the outcome of the FOMC meeting on 24 June has now kicked off, and so attention will centre on the many Fed speeches in the coming week.
- The week also brings housing market data, regional PMIs and inflation figures in the USA, while in Euroland the most interesting release is the ZEW indicator, where we expect a sharp rise in the expectations index.

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### USA: Private consumption stabilises



Source@ Reuters Ecowin & Danske Markets

### USD swap rates



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# Global update: New headwinds

## US consumers spending again – but risk from oil and bond yields

The US retail sales figures surprised on the upside in May, easing consumer concerns a bit after disappointing April sales. The underlying trend is not strong, though, but at least we continue to see signs of stabilisation in demand (See *Flash Comment*). This should continue in the coming months as tax cuts will have a further positive effect on consumer demand. Jobless claims also improved further during the past week adding support to the thesis that the labour market is slowly starting to improve. Jobless claims fell further to 601k from 625k last week after having peaked at 674k in late March.

On the negative side, we are seeing oil prices continue to rise, reaching USD73 per barrel this week. This is one of the key risk factors for the global economy we pointed out in *Global Scenarios* released this week. Overall we expect a manufacturing recovery to materialise more clearly in the coming quarters as production has clearly been undershooting demand, providing a strong case for a rise in global production. However, it is important that underlying demand can continue to grow into next year and rising oil prices is a clear threat to this. Adding to the headwinds is the recent strong rise in US bond yields on the back of heavy supply and improving data. These developments will have to be watched closely in the coming months.

## China roaring ahead

Chinese fixed asset investment data for May were much stronger than expected. Together with soaring home and car sales, they suggest that domestic demand in China is currently very strong (See *Flash Comment*). This was supported by a further improvement in Chinese imports which were up over 10% in May compared with three months ago. Asia continues to be the strongest-performing region in the world, providing needed support for the world economy. We believe we will soon see improvement in exports from US and European companies to the Asian region giving support to the industrial recovery.

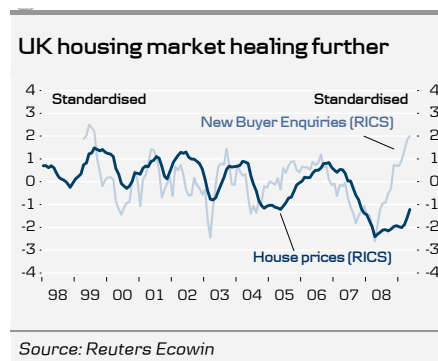
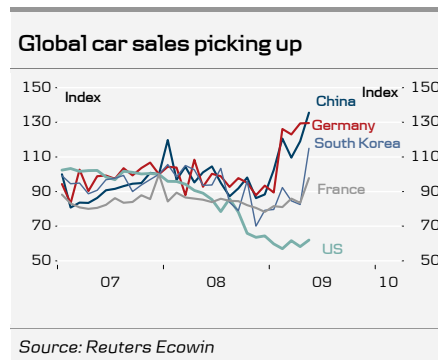
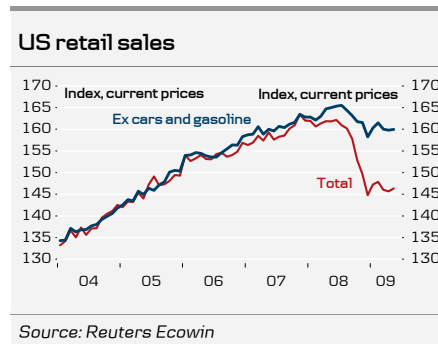
## More good news for car industry

The past two weeks have provided more upbeat data on car sales. In Asia, Chinese car sales rose 34% y/y in May and South Korean car sales were up 22.8% y/y in the same month. In Europe, German car sales also held up at a high level in May while French car sales were reported up 18% m/m in May on the back of a cash incentive from the government. US car sales have stabilised in the past months but have not recovered as seen in a lot of other countries. However, during the past week, the House passed the ‘cash for clunkers’ bill in which car buyers can get up to USD4500 in cash if they are exchanging their old car for a new more fuel-efficient car. It still needs to get approval in the Senate but this is expected to come through soon. Once implemented, it should help to boost US car sales as well from the current very downbeat levels.

As car production has been slashed by more than 50% over the past nine months, inventories are being reduced at record speed and production will have to rise soon to meet the demand. This is indeed what we are seeing in Japan where car producers are planning significant rises in production in the coming months (see *Global Scenarios* for more on this issue).

## Signs of housing stabilisation accumulating

Another key theme this year is expected to be the stabilisation in global housing markets. The UK RICS housing survey provided more support to this story in the past week as it rose by much more than expected to -44 in May from -59 in April. The index for new buyer enquiries – a leading indicator for the housing market – rose further to the highest level in 10 years. Data on actual house prices in UK has also improved further recently with rises in all important housing statistics. The bottoming in house prices is happening earlier than expected and is probably a result of the significant decline in mortgage rates and improving credit conditions.



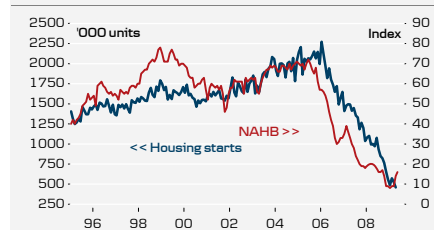
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# Market movers ahead

## Global

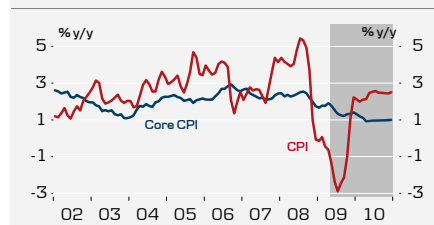
- In the **USA** the debate about the monetary policy decision at the FOMC meeting on 24 June has now kicked off. The big question is whether the Fed will step up its purchases of Treasuries and mortgage-backed securities in the light of the sharp rise in interest rates. There will therefore be a particular focus on a number of Fed speeches in the coming week, in particular Ben Bernanke's on Wednesday. The week also brings a raft of housing market data in the form of the NAHB index and figures for housing starts and building permits. There will also be the first regional PMIs for June, which are expected to show further improvement, and, not least, inflation data in the form of the CPI and PPI.
- In **Euroland** there is little excitement on the agenda in the coming week. Most interesting will be the ZEW indicator. We expect a sharp rise in the expectations index and a more moderate improvement in the assessment of the current situation.
- In **Asia** the BoJ is expected to keep its key rate unchanged at 0.1% at the rate-setting meeting on Tuesday. Nor is there any prospect of fresh unconventional easing given the signs of stabilisation in the economy and less stress in the financial sector. However, there has been speculation in the Japanese press during the week that the BoJ will revise its view of the economy up further. We think it too early to declare Japan in recovery, so we expect only a marginal upward revision.
- In **Switzerland** the SNB holds a monetary policy meeting on Thursday. We expect the bank to leave its three-month LIBOR target unchanged at 0.25% and continue to issue liquidity at a mere 0.05% for some time to come. We do not expect the SNB to take any further steps to ease monetary policy given the signs of global recovery, but think that its rhetoric will be unchanged. We therefore doubt that the SNB is ready to relax its grip on the CHF, as further appreciation would still push deflation risks beyond the bank's pain threshold.
- In **Norway** there is a monetary policy meeting at Norges Bank on Wednesday, where we expect the key rate to be left unchanged. We also expect the interest rate path to be revised up by 25-50bp, which the market will probably interpret as there still being a 50/50 chance of one last rate cut in Norway. However, we do not anticipate any further cuts from Norges Bank, and we expect to see its first hike around March next year.

USA: Raft of housing data



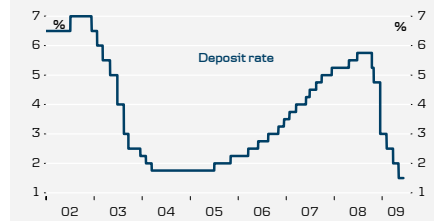
Source: Reuters EcoWin

USA: Inflation still falling



Source: Reuters EcoWin

Norway: Norges Bank on hold



Source: Reuters EcoWin

## Market movers ahead

Global movers			Event	Period	Danske	Consensus	Previous	
Mon	15-jun	-	G7 G8 ministers of finance meet in Italy					
		19:00	USD NAHB Housing Market Index	Index	Jun	16	17	16
Tue	16-jun	-	JPY BoJ Monetary Policy Announcement	%		0.10	0.10	0.10
		11:00	DEM ZEW economic sentiment	Index	Jun	45.0	35.0	31.1
		14:30	USD Housing starts	m	May	0.465	0.480	0.458
Wed	17-jun	14:30	USD CPI	m/m/y/y	May	0.3% -0.8%	0.3% -0.9%	0.0% -0.7%
		14:30	USD CPI ex. food & energy	m/m/y/y	May	0.2% 1.9%	0.1% 1.8%	0.3% 1.9%
		18:00	USD Fed's Bernanke (voter, neutral) speaks					
Thur	18-jun	9:30	CHF SNB monetary policy decision	%		0.25	0.25	0.25
Scandi movers			Event	Period	Danske	Consensus	Previous	
Wed	17-jun	14:00	NOK Norges Banks Deposit Rate	%		1.5	1.5	1.5

Source: Bloomberg, 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 completely fulfilled; we are consequently looking for new triggers.
- To underpin further market recovery in the coming months, we are looking for (a) signs that global final demand has started to pick up, (b) signs from the Fed that the easy money stance will continue into 2010, (c) decoupling from the government bond market and hence a return to a value market, (d) corporate earnings revisions for H2 09 and 2010 stabilise, and (e) deflationary impulses from global housing moderates.

## Fixed income

- Global: Bond yields are expected to rise on a three- to six-month horizon based on improving macro conditions, increased risk appetite and heavy supply. US to underperform Euroland in sell-off.
- Intra-Euro: We have taken profit on our overweight in peripherals (Italy, Greece and Spain) versus Germany and now stand sidelined. On longer maturities we still prefer France and Finland to Germany.
- Scandi: We have closed our underweight long Danish government bonds versus Finland in the 10Y area, but we still have an overweight in Swedish government bonds versus Germany in the 5Y area. We recommend overweight of Norwegian govies versus Germany in the 10Y segment. We have a changed to an overweight on Danish 30Y callable mortgages bonds versus both swaps and government bonds. We remain underweight in longer dated non-callables versus government bonds.

## Credit

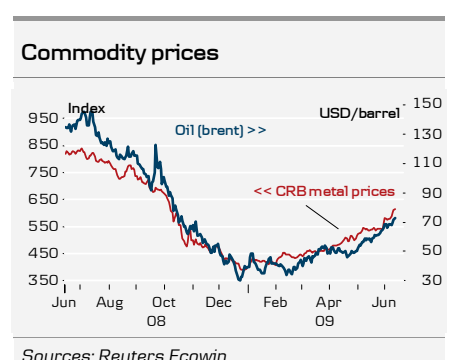
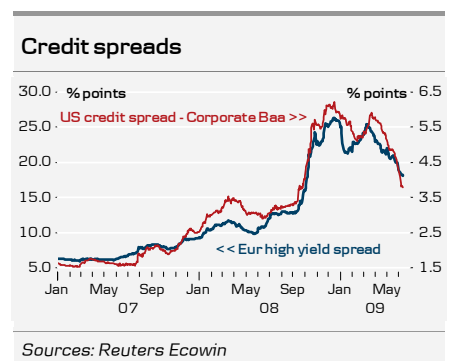
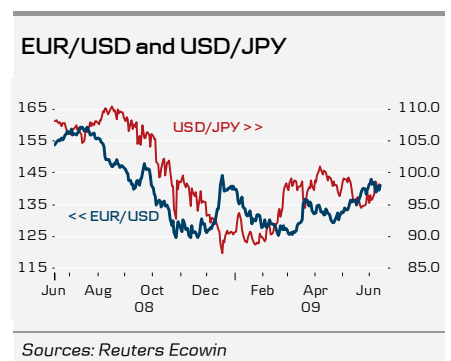
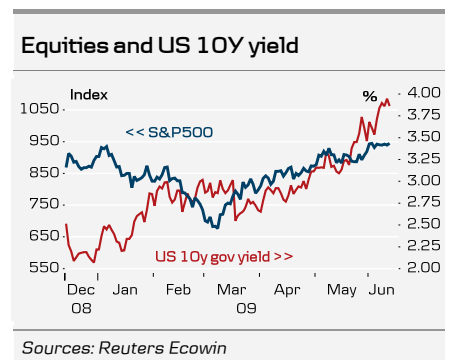
- During the past couple of months credit has enjoyed a very strong spell across the sectors and capital structure and spreads have tightened significantly. At the same time the activity in the primary market continues to be at a record high as more and more companies (are able to) turn to the capital markets instead of the banks for funding. The strong sentiment is largely the result of a significant improvement in the conditions in the money market and lower volatility.
- We question the sustainability of this massive rally as the pace is simply too fast in our view. The macroeconomic outlook is still challenging and defaults are currently increasing. A while ago we moved to overweight based on the large liquidity and risk premiums for credit. Both these premiums have now been reduced substantially and we go from overweight to neutral.

## FX

- EUR/USD is set to drift 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 is heading down as sterling is supported by positive economic data and a normalisation in financial conditions. USD/JPY will probably break above 100 in the near term. Carry can keep on performing, while defensive currencies will face headwinds.
- Swedish krona and Norwegian krone both have solid potential against the euro. Currently, however, risk aversion is still too high to see the Scandies exploit their full potential. The Danish krone is attractive (e.g. against Swiss franc) due to sound carry.

## Commodities

- Base metals like copper and zinc continue to perform fuelled by heavy Chinese buying and global growth optimism. Oil prices have continued to rise over the past week to above USD72 per barrel.
- Sentiment is very strong in commodities at the moment but the short-term risk of a correction is growing. 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.



# Equities: From bear to bull market

## The 'collective memory' of investors has turned positive

One of the strongest market signals on whether we are following a bull or a bear trend is the 200-day moving average for S&P500. The 'behaviour' reason for 200 days to be important is that investors always compare the current market with a 'base level'. In history, this base level has shown to be close to the 200-day moving average. Since 1970, there have been five incidences when S&P500, in the aftermath of a bear market (-20% or more), has broken the 200-day moving average in an upward direction. In four of these cases, a bull trend has followed with an average performance of 44% until the next market peak (S&P500). In short, the current collective memory has turned positive, which typically heralds the shift from a bear market to a bull market. There are four key reasons to believe that the uptrend could continue.

### First reason: Premature to speculate on a 'W'

Global demand for capex, new construction and private consumption has to recover/stabilise to make the industrial rebound sustainable. Currently, we do not trust capex as a driver, as global capacity utilisation is historically low. In construction, it is too early to anticipate a global recovery in 2009; still we note that construction has been a major GDP drain for 6-7 quarters in the US, and that a stabilisation is on the cards, meaning that the drain on demand should diminish. Ultimately, a global demand recovery needs an upturn in global consumption expenditure. The global economic policy initiatives that have had household health as a prime target will show some effect on household demand, and we believe a slow but steady recovery in household demand is in the pipeline over the coming months. Our conclusion is that it is premature to speculate on a W-shaped global business cycle.

### Second reason: Corporate earnings increasingly trustworthy

Corporate earnings estimates for 2009 and 2010 have already been slammed by around 50% over the past nine months. We expect to soon see an end to the EPS downgrades. This should render expected future earnings more trustworthy, and again make market valuation a stronger driver of the stock market. In both Europe and the US, we are now seeing fewer negative earnings revisions for 2009/10, and over the coming three months we anticipate a stabilisation of earnings forecasts for those financial years. If we use 'mid cycle' earnings as a guide to what investors are currently willing to pay for the stock market European P/E is only around 8 and not 10.5 as indicated by near-term (12-month) consensus numbers. This is close to the trough P/E at the start of the 1980s. This is a very attractive market valuation, as investors should remember that the alternative risk-free rates (10-year T-notes) were yielding 13-14% pa at the start of the 1980s vs. current yields of close to four.

### Third reason: The systemic mistrust has disappeared

Systemic mistrust has, for now, disappeared. The systemic component in the confidence collapse after Lehman's demise has been huge, and a recovery in 'systemic' confidence has been no less significant. Our two-stage DDM model for the implied equity risk premium (ERP) suggests that the ERP has now normalised. Investors could of course start to claim higher risk premiums, but for this we would need to see an escalation of either hyper inflation or deflationary fears. We anticipate that we are on safe ground for 2009, but do not preclude that higher risk aversion could re-emerge in 2010.

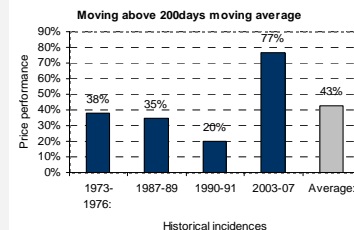
### Fourth reason. Underweight positions are still huge

A prime driver of 'the fastest ever bear market' (2007-09) was the unusually high hedging activity. Underweight positions in US stocks are still huge, and covering of these positions is the key to further recovery. According to US data, investor hedging activity (put/call ratios) is slowly shifting away from extraordinarily high put/call option positions, which means that investors are slowly returning to the position of their underlying stock portfolios. Furthermore, AAI data suggests that US retail investors have started to re-balance their allocations to the equity market. Over the most recent 20-year period, investors have on average had an allocation of 60% to the stock market; currently this percentage is only 50%.

### New targets

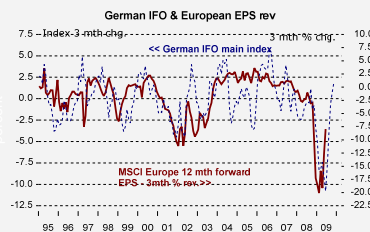
From today, we are lifting our S&P500 target from 950 to 1050, as we believe that attractive mid-cycle valuations and the passing of the earnings trough are reason enough for investors to return to neutral market positions in the global equity market.

## Moving above 'the collective memory' market levels: A strong positive sign



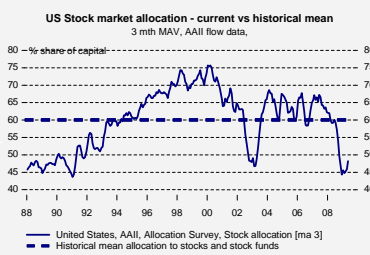
Source: Reuters Ecowin, Danske Markets Equities

## Profit expectations are stabilising together with business expectations



Source: Reuters Ecowin, Danske Markets Equities

## US investors likely to continue covering their equity holdings



Source: Reuters Ecowin, Danske Markets Equities

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# Fixed Income: Yields up, curves flatter

## Rate hikes on the agenda in fixed income markets

Long-term yields have rocketed of late. The following presents our take on why yields have risen and how things will pan out ahead.

The Federal Reserve's announcement on 17 March that it would be buying up US Treasuries pulled down long-term yields, but since then yields have moved in only one direction – up.

There are three main factors behind the rise in yields:

1. There are increasing signs that the US is on its way out of recession, and there has been a clear improvement in economic data. Business confidence in the form of the ISM index has bottomed out and is now rising fast; there are growing signs of stabilisation in the US housing market; and the worst appears to be over in the labour market.
2. There is a huge supply of Treasuries at the moment due to the weaker economic outlook and the many rescue packages.
3. The Fed has not announced further purchases of Treasuries, which has been taken as tacit acceptance of higher yields.

Most recently, the surprisingly small decrease in employment in the last US employment report on 5 June meant that yields surged ahead of the weekend. Until then the rise in yields had been driven by the long end of the curve and so steepened the curve, but the movement on 5 June was different. Two-year yields rose significantly further than ten-year yields, and the curve flattened. At the same time, expectations of rate hikes from the Fed were priced in for as early as this year.

So what are the future prospects? As can be seen from our latest *Global Scenarios*, we anticipate further improvements in the economic outlook, and there will continue to be a very large supply of Treasuries. On the other hand, we do not see any need for the Fed to raise its rates in the next 12 months.

Yields have risen very sharply recently, and in the short term there is the risk of a correction. In the longer term, though, there is still the prospect of higher long-term yields stateside.

The picture in Euroland is much the same as in the US: yields have risen considerably in recent weeks, and a correction in the short term cannot be ruled out. Also, as in the US, the yield curve flattened on 5 June after a long period where higher yields meant a steeper curve. The rise in Euroland yields is due to the spillover from the US, better economic news from Euroland and no signs of the ECB contemplating purchases of government bonds. There has also been considerable growth in the supply of government bonds in Europe.

Looking ahead, there is also the prospect of higher yields in Euroland in the longer term. The economy is picking up, and the spillover from the US also points to higher yields in Europe. The ECB is currently a long way from putting up its interest rates and has still not implemented its purchases of European covered bonds. But this may change, and the markets may increasingly start to speculate that the ECB will tighten monetary policy during the course of next year.

In Denmark, the Nationalbank still needs to narrow the policy rate spread to the ECB somewhat, and there is also scope for some narrowing of yield spreads for longer maturities. But this will probably be lost in the general rise in rates, and so there is the prospect of higher long-term yields in Denmark too in the coming quarters.

### Key events of the week ahead

- Risk appetite continues to play a major role in how yields move
- Speeches from Fed and ECB members are increasingly attracting attention as the market begins to focus on rate hikes
- The most important US data will be for the housing market and inflation
- The most interesting statistic in Euroland will be the ZEW index

### USD swap rates



Source: EcoWin

### EUR swap rates



Source: EcoWin

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# FX: Trading the positive feedback loop

## A look at our Global Scenarios from an FX perspective

In the recently published *Global Scenarios: A positive feedback loop*, our Economic Research team takes a look at the global economy and outlines three scenarios for the coming year. In the following, we outline the likely FX implications of the main scenario. We also consider the effects if this scenario does not materialise and the recovery falters in 2010.

The main scenario calls for a sustained and stronger than expected global recovery, putting an end to the global recession in Q3 09. On the FX market, this is likely to lend support to currencies with strong commodity exposure and better-than-G10-average domestic fundamentals (AUD, CAD, and NOK), and facilitate a correction in those currencies that were sold off to become fundamentally undervalued as risk appetite abated (GBP and SEK). By contrast, currencies that benefited from the global financial deleveraging, and which remain potential funding currencies, (CHF, JPY, and USD) are likely to be under pressure.

One way to position for a continued and sustainable recovery in the global economy is to buy our 'G10 global recovery basket' (long AUD, CAD, NZD vs. short CHF, JPY, EUR). We recommended this trade on 5 May (see *FX trading recommendation*), but took early profit for a 5.2% potential gain on 2 June as we believed the expected risk-reward had deteriorated too much. Indeed we did also see a correction in risky assets in the week that followed. However, with the risk of a correction having decreased somewhat, one could consider re-entering the recovery trade for a further gain.

In terms of regions, the main scenario calls for the global recovery to be strongest in the US and Asia. However, it also includes the possibility for equal growth rates in the US and Euroland in Q3 and Q4, while Japan is set to outperform. While a stronger recovery in the US than in Euroland could add downside EUR/USD pressure on the margin, a fully-fledged 'decoupling' is likely to be denied by data. That said, Emerging Asia looks set as a 'first mover', lending support to those G10 countries with the biggest trade exposure besides Japan (AUD and NZD). Even if Japan posts the sharpest recovery, this does not necessarily have to imply a stronger JPY, as Japanese investors' appetite for foreign assets is likely to increase and as renewed JPY funding demand is likely to cause a cyclically-driven JPY depreciation. We continue to see longs in AUD/USD (or possibly long AUD/JPY) as the best way to position for an Emerging Asia-led recovery.

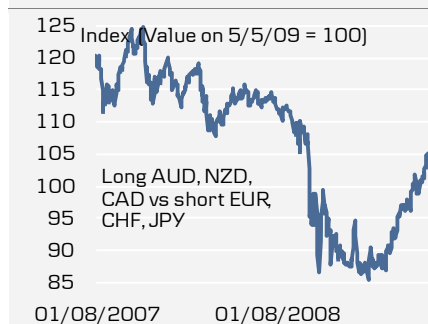
Given that the main scenario does not call for significant inflationary pressure, our Economic Research team expects no interest rate hikes from the ECB, the Fed or the Bank of Japan until H2 10 at the earliest. With G3 policy rates expected to remain unchanged over the coming year, short-term interest rate spreads are likely to remain less of a driver of the FX market. However, while we believe it is too early to discuss rate hikes, even given a strong global recovery, we do at the same time expect exit strategies to become an increasingly important market theme. This could lend upward pressure on EUR/USD if the ECB turns out most pre-emptive. Also AUD and NOK (and to some extent GBP) are likely to see support against USD from relative monetary policy.

The key risk to the main scenario – that the recovery fails to materialise – could stem from a renewed rise in oil prices or a jobless recovery. This would imply a boom-bust scenario, in which a second dip to world economic growth occurs. Since we have already seen a significant recovery in asset prices, this would likely catch financial markets by surprise and spur a general flight to safety, in turn benefitting the defensive currencies (CHF, JPY and USD). By contrast, carry would likely underperform, illiquid currencies (e.g. SEK, NOK, and NZD) could see renewed pressure, and surplus countries should see further support to their currencies, as the funding of further fiscal stimulus would be key.

### Key events in the weeks ahead

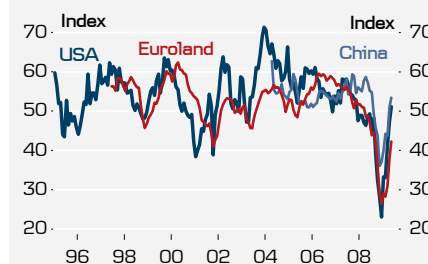
- BoJ MPC meeting (15-16 June)
- Norges Bank rate decision (17 June)
- SNB Quarterly Monetary Policy assessment and rate decision (18 June)
- Baltic situation

### G10 global recovery basket



Source: Bloomberg

### Asia showing strong recovery signs



Source: Markit and Ecwin

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## Denmark: Bankruptcies and repossessions climb further

The number of business bankruptcies is continuing to climb rapidly. There were 539 in May, up from 484 in April, and this is the highest number recorded since the series began in 1979. On top of this, bankruptcies are rising at a previously unheard-of rate: by no less than 85% since May 2008. Unfortunately we also expect 2009 as a whole to bring more bankruptcies than ever before seen in a single year.

The rapid rise in bankruptcies needs to be seen in the light of the many new businesses started up during the last economic upswing. It is therefore only to be expected that there will now be a rapid increase in business failures in a situation where the economic climate has changed so dramatically.

### Not necessarily such a bad thing

Obviously bankruptcy is a tragedy for the individual business. And in the short term it means a loss of production and jobs. But it is important to bear in mind that this is not necessarily such a bad thing in the longer term for the economy as a whole. This is because the country's resources – in particular labour and know-how – can be exploited more efficiently by new or expanding businesses when their less competitive counterparts close down. In time, the overall level of production and so prosperity in the economy will increase. This is one of the fundamental mechanisms that ensures continuous rationalisation of production in a market economy – and so economic growth.

Obviously this kind of adjustment in the economy will not be without its costs in the short term. But fortunately these costs are relatively limited in Denmark, thanks in part to a flexible labour market where workers are relatively amenable to change.

### Repossessions also set to rise

Adjusted for seasonal variations, 363 home repossessions were reported for May, an increase of 73 since April and the highest number since 1996.

This followed a decrease in March that was only partly cancelled out in April. Over the past three months, the monthly average has been 298 repossessions.

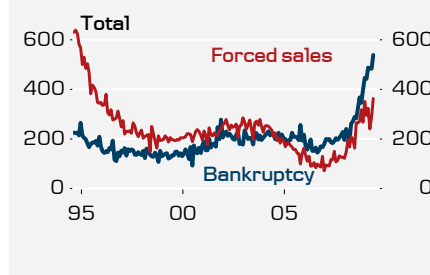
Sadly we have to assume that there are more to come. Denmark finds itself in a deep economic downturn where employment has fallen by more than 80,000 in a year and property prices in many places have fallen by 10%, 20% or even 30%. In this situation it is inevitable that some people will be unable to service their mortgage and unable to sell their home at a price that enables them to repay the loan.

We expect repossessions to rise appreciably in the coming years. We forecast an average of 460 a month in 2009, making a grand total of 5,500 this year. By way of comparison, there were just 2,800 in 2008. However, we will still be a long way from the levels seen in the early 1990s. Although repossessions are set to climb, it appears that we can still avoid a repeat of what was a deeply unpleasant period for many Danes.

#### Key events of the week ahead

- Price index for domestic supply for May (Monday)
- Earnings index for the private sector for Q1 (Tuesday)

#### Bankruptcies and repossessions on the up



Source: Statistics Denmark

#### Economist

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# Sweden: April data - more than meets the eye

## Fewer working days playing tricks with Q2 data

A few weeks ago we hoped for economic green shoots to spring up in Sweden. Some nascent signs are indeed visible. Much like in the surrounding world, the (marginal) improvements are concentrated to survey data such as PMI and the NIER's (National Institute for Economic Research) business and household surveys. Some stabilisation has also taken place in real data, where orders and production have formed a floor, of sorts. However, looking at our own forecasts, we can conclude that the changes in economic activity during Q2 thus far – i.e. April data – are not in themselves sufficient to match our expectations.

That said, we should be careful not to read too much into the weak April readings, since there is apparently a large calendar effect in the data. Some time series, *inter alia* retail sales – despite being calendar or working day adjusted – still seem to post considerable anomalies related to the number of working days in April. The statistical procedures to free time series data from these effects are apparently not flawless. But if we instead study the mother of all activity data – GDP data – the calendar adjustments made by Statistics Sweden (SCB) does not seem all that misleading. And the NIER, using the very same methodology as the SCB, estimates the calendar effect to more than a full percentage point in Q2! No wonder then, that outcomes might come across as a bit disappointing in April. Just to be sure, the calendar effect is negative, due to fewer working days this year than the same period last year.

Applying the estimated calendar effect for Q2 to the activity index (the GDP indicator) thus paints a considerably brighter picture, and the outcomes are more or less in line with our expectations of a circa 1% q/q decline in Q2.

## Expect the labour force survey to improve

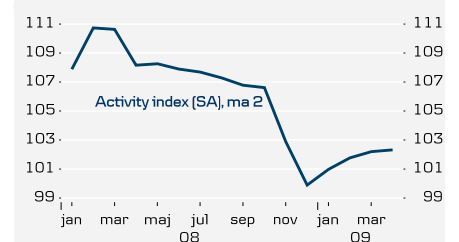
Next week we receive house prices as well as the results of the labour force survey. We do not make much of the indications of stabilisation or even rising house prices over the past few months. We consider that to be an anomaly driven in large part by the Riksbank's aggressive rate cuts and a still unaffected labour market. This last phenomenon is no longer valid as the unemployment rate has shot up some two percentage points since the start of the year.

And speaking of the labour market, the labour force survey – also published next week – is actually expected to improve, as is the seasonal pattern, in May. However, a seasonally adjusted number will show that the unemployment rate is still on the rise.

### Key events of the coming two weeks

- The labour force survey will probably improve, as is the seasonal pattern, in May.
- The worsening labour market should soon start to weigh on house prices, despite the large rate cuts from the Riksbank.

### The activity index



Source: Statistics Sweden (SCB). Own calculations

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## Norway: Rates at bottom

### Norges Bank to revise up interest rate path

Wednesday brings a rate-setting meeting in Norway and a new monetary policy report. We expect Norges Bank to leave its policy rate unchanged and revise up its interest rate path by 25-50bp throughout the forecast period.

There has probably not been any reason for the bank to revise its forecasts for either global or domestic economic growth since its previous monetary policy report. One possible exception is the investment survey for the oil industry, which is now casting doubt on whether oil investment will fall by 7.5% in 2010 as assumed by Norges Bank. Given roughly zero growth as we expect, the effect on mainland GDP will be around 0.5 percentage points, which would indicate an upward revision of the interest rate path of 40bp.

On the other hand, there has been a dramatic improvement in global financial markets recently. The best indication of the impact on Norges Bank's interest rate projections comes from higher global interest rate expectations. Forward rates in neighbouring countries have consistently climbed 20-30bp since the last monetary policy report in March and by 50-70bp since the last rate meeting in May. As a rule of thumb, we can expect the impact on Norwegian interest rates to be around half of this, translating into an upward revision of the interest rate path of 10-15bp.

In recent days we have also seen a sharp fall in money market rates in Norway due to the recovery in global markets. If three-month rates hold at this level for the rest of June, they will be around 20bp lower in Q2 than Norges Bank assumed in its last monetary policy report. This indicates an equivalent increase in the bank's interest rate path.

All in all, therefore, we expect the bank to revise up its interest rate path by 25-50bp throughout the period.

This will probably be interpreted as meaning a 50/50 chance of a final rate cut in the present cycle. In terms of rhetoric, the bank will probably underline this by suggesting that interest rates may have hit the bottom but that it may still be necessary to make further cuts.

### First hike in March

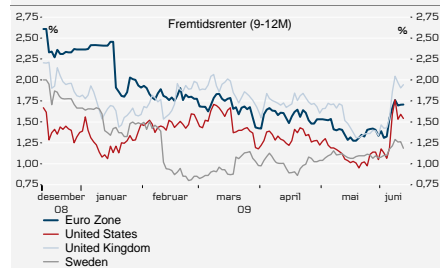
Based on our own projections for the Norwegian and global economy, we reckon that Norges Bank's policy rate is as low as it will go, and that it will need to go up again as early as next March, with a further hike later in H1. We are now in a phase where financial markets will provide a significant positive stimulus to the real economy through better liquidity, lower credit spreads and a growing supply of capital.

As there are clear signs that the low interest rates in Norway are already in the process of stabilising large parts of domestic demand, the global economic recovery will have a positive effect on the export industry, with the result that GDP will start to grow again as early as Q3 this year. This suggests that the highly expansionary monetary policy being pursued worldwide will need to be reversed in order to stop inflation expectations from taking off. Although the fixed income market has already begun to discount this, we still reckon that rate hikes will come sooner than the market currently anticipates.

#### Key events of the week ahead

- We expect Norges Bank to leave its policy rate unchanged and revise up its interest rate path on Wednesday
- Trade data on Monday will give us an idea of whether exports are continuing to stabilise

#### Interest rate expectations picking up abroad



Source: Reuters EcoWin

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# US: Fed in focus

## Retail sales confirm consumer spending has stabilised

This week's release of US retail sales showed that sales rebounded in May. However, the headline number was better than the details. Higher prices at the pump lifted nominal gasoline sales, which was the main driver of the increase. Core sales, excluding autos, gasoline and building materials, were flat on the month and the trend in consumer spending thus continues to be a stabilisation. The data is broadly in line with our expectation of zero growth in private consumption in Q2.

So far, the major income boost from tax relief, low energy prices and mortgage refinancing has only been able to produce a stabilisation in consumer spending since October. Consumers have raised their savings rate very fast over the past eight months which has left consumer spending under pressure. This week's retail sales data suggests that this trend continued in May with real personal spending likely to post a modest 0.3% m/m increase.

Looking forward, excluding any new negative shocks, we are likely to be past the rapid upward adjustment in the savings rate. We expect the impact from the financial shock, the loss of net wealth and the rise in unemployment to fade gradually over the coming months, removing some of the upward pressure on savings. Fiscal stimulus will continue to lift income over the coming months, and with the monthly savings rate to take back some of the increase over the coming months, we expect private consumption growth to be back in positive territory in Q3.

## Fed speeches in focus before 24 June policy decision

Speculation about the Fed's policy decision at the FOMC meeting on 23-24 June is heating up. An article in the *Wall Street Journal* on 12 June cites various anonymous Fed officials and lays out some of the internal discussion points. According to the article, it is unlikely that the Fed will boost its purchases of Treasuries and mortgage-backed securities significantly. However, a change in the mix of its purchases or stretching them out over a longer period could be a possibility. The current Treasury purchase programme expires in August while the mortgage-backed securities programme runs through the end of the year.

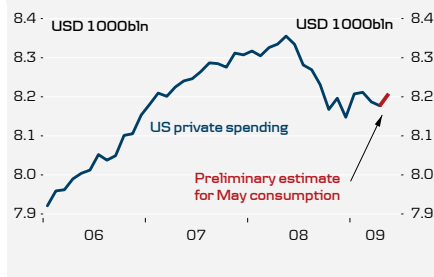
The fight stands between those FOMC members that fear that the recent spike in yields endangers the recent stabilisation in economic activity and those who see the rise in yields as a sign of improving risk sentiment and economic healing. In particular, the rise in mortgage rates is likely to cause concern as the stabilisation in the housing market is still fragile. However, with the spread between Treasury rates and mortgage rates very tight, it is questionable how much more impact an expansion of the MBS programme would have on rates if not accompanied by measures to bring down Treasury rates. Furthermore, the size of the Fed's buying in the MBS market is already large and Fed officials are worried that further intervention could cause distortions in market pricing.

With the verdict still out, the five Fed speeches over the coming week will be scrutinised for more information. Most important will be Bernanke's speech on Wednesday but also the speeches by Evans, Duke and Warsh who are all voting members of the FOMC.

Apart from this, the coming week will be dominated by housing market data, inflation releases and the first regional PMI indices.

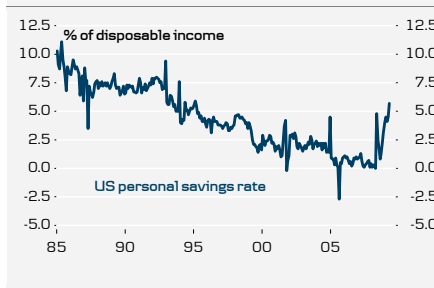
Key events of the week
■ NAHB housing market index (15 June)
■ Housing starts and building permits (16 June)
■ Bernanke speaks (17 June)
■ Consumer prices (17 June)
■ Philly Fed (18 June)
■ Other Fed speeches (during the week)

## The trend in consumer spending is still flat...



Source: Reuters Ecowin and Danske Markets

## ...as households increase their savings



Source: Reuters Ecowin

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# Euroland: German data disappoint

## Weak data from Germany

The past week has brought a variety of data from Germany, so this seems a good opportunity to take the pulse of the German economy and see if the patient is recovering. Unfortunately this does not appear to be the case – at best the patient has stabilised. A stabilisation phase in March-June is in line with our recently published forecast, where we predict healthy growth in Germany and Euroland in H2.

German industrial production fell by 1.9% m/m in April, which was something of a disappointment. The pain was eased somewhat by the upward revision of industrial production in March from an unchanged level to growth of 0.3% m/m. We had already had Spanish industrial production data showing healthy growth, which gave us hope that the rest of Euroland would follow suit in April, but this did not happen. Industrial production did climb in Italy too, but it fell in both Germany and France.

German export figures were even more of a disappointment. Exports fell by 4.8% m/m and imports by 5.8% m/m in April. But this might not be quite as bad as it seems at first glance. After six months of steep falls, we have returned to a more normal pattern. German trade figures are highly volatile, and for long periods it has been a good rule of thumb that if exports rise one month they will fall the next. So the trend is clear – exports are stabilising – and we are very confidently predicting that the German trade figures for May will show healthy increases.

Finally, the week brought data for industrial orders, which were unchanged in April after climbing 3.7% in March. Slightly surprisingly, domestic orders increased somewhat while export orders fell back slightly. We expect the coming months to bring more positive signals from orders, and we will also see a healthy contribution from export orders, not least from Asia.

## ZEW could be leading the way

The coming week brings the ZEW confidence indicator. The expectations index was one of the first indicators to signal recovery. The index bottomed out back in October last year at -62.7 and has since climbed to +28.5, its highest level since July 2006. The Ifo expectations index did not hit bottom until December, and the PMI only started to climb in March.

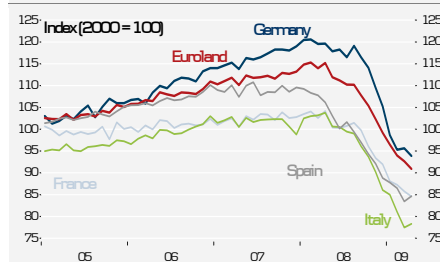
We reckon that the ZEW expectations index could continue to climb at a rapid rate to more than 60 over the next 3-4 months. It may well rise further after that, but the rate of increase will fall substantially, and we could also see a downturn once it becomes clear following the initial recovery that Europe will still face considerable challenges in the form of high unemployment, large public deficits and fragile housing markets.

The current situation is still dire, so the ZEW assessment of the current economic situation is unlikely to change much. We expect a small increase, but the index currently stands at -92.8 when it should really be down at -100, so it could well disappoint by falling slightly. However, the assessment of the current situation is a lagging indicator and of no great interest to us.

### Key events of the week ahead

- ZEW (Tuesday) - we expect the expectations index to leap from 31.1 to 45 and the current situation index to edge up from -92.8 to -91

### Signs of stabilisation in industrial production



Source: EcoWin

### Oscillating German export growth



Source: EcoWin

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# Asia: BoJ may revise its economic outlook up further

## Only minor changes in our new forecast for the global economy

There have been no big changes in our expectations for Asia in our brand new forecast for the global economy (see [Global Scenarios: A positive feedback loop](#)). In line with our previous forecast, we expect developments in the coming quarters to be driven by a relatively strong recovery in global manufacturing following the collapse since the middle of last year, and we expect the Asian economies to perform particularly well. We have revised our forecast for Japanese GDP growth down marginally to -6.2% for this year and up marginally to 3.2% for next year. As for China, we have revised our growth forecast up slightly for both 2009 and 2010 to 7.9% and 9.5% respectively.

## Strong domestic demand in China

The past week has brought a raft of data from China, all of which suggest that domestic demand is taking off (see [Flash Comment – China: Domestic demand roaring ahead](#)). Investment growth has accelerated further, car sales are very strong, and turnover in the housing market is now rising rapidly. Exports have yet to really pick up, though, and because the stronger domestic economy is now pulling up imports, we are currently seeing a healthy decrease in the trade surplus (see [Flash Comment – China: Just what the doctor ordered](#)).

All in all, these figures suggest that the risks to our growth forecast for China are primarily on the upside. Our message on China is therefore that the People’s Bank will start to tighten monetary policy at the beginning of next year, and that the policy of gradual appreciation of the CNY will be resumed during the course of next year.

## Decline in investment slowing in Japan

April machinery orders in Japan were something of a disappointment, but the figures did show that (a) the decline in business investment is slowing, and (b) that exports of capital goods have stabilised (see [Flash Comment – Japan: Weak machinery orders still suggest stabilisation](#)). Thus machinery orders are still in line with our current forecast, which assumes that business investment will be the weakest part of the Japanese economy in the short term.

## Bank of Japan may revise its economic outlook up further

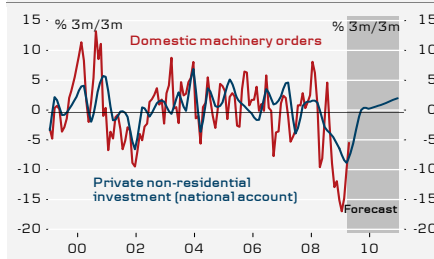
The big event of the week in Asia is the rate-setting meeting at the Bank of Japan. We do not anticipate any fresh unconventional easing. With some justification, the BoJ can argue that the steps already taken, such as purchases of commercial paper and short corporate bonds, have begun to work. As can be seen from the chart on the right, the effective yield on commercial paper and corporate bonds has fallen significantly in recent months, and issuance has risen. Also encouraging is that bankruptcies fell quite sharply in April and May and have not soared to anywhere near the heights of 1997/98 and 2001/02. This may indicate decreasing liquidity pressure on Japanese businesses.

So finally things are looking up for the Japanese economy. In the past week there has been some speculation in the Japanese press that the BoJ will revise its view of the economy up again as early as at the coming week’s meeting, having suggested at its previous meeting that the economy was bottoming out. Although we reckon that the early part of the Japanese recovery could be relatively strong, we see only the prospect of a minor upward revision of the BoJ’s assessment of the economy in the coming week.

### Key events of the week ahead

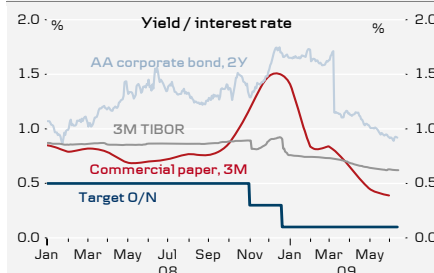
- Tuesday: Rate meeting at the BoJ. We expect an unchanged policy rate of 0.1% and no new unconventional easing
- Friday: Minutes of May BoJ rate meeting released at 01.50 CET

### Decline in Japanese business investment slowing



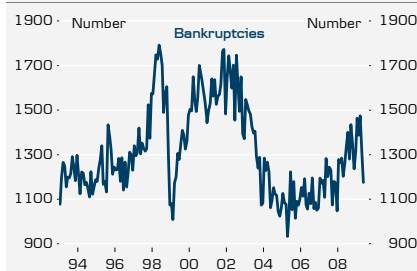
Source: Reuters EcoWin, Danske Markets

### BoJ's measures seem to be working



Source: Reuters EcoWin

### Bankruptcies may have peaked



Source: Reuters EcoWin

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# UK: More housing improvement

## RICS housing survey turning faster

The UK RICS housing survey provided yet more evidence that the UK housing market is starting to stabilise. The RICS house price survey rose more than expected to -44.1 in May from -58.7 in April (consensus -52) and the new buyer enquiries subindex rose again reaching the highest level in 10 years. This index has in the past been a good leading indicator of UK housing and indicates that rising demand will soon bring more stabilisation to UK house prices. House prices over the past months have stabilised and even risen a bit. The latest evidence of this came last week when Halifax house prices increased 2.6% m/m in May. House price statistics from both Nationwide and Rightmove have also shown increases in the past months. The significant reduction in rates and the decline in house prices have made houses a lot more affordable and with some easing in credit conditions demand seems to be reacting positively.

## Manufacturing production up in April

Manufacturing production also showed positive signs this week as production rose for the second month in a row in April after 11 months of consecutive declines. The data give more indications that the worst is behind us and the slow grind back has started. Production in April is 0.3% higher than the average in Q1. Hence even if production is flat in May and June production will be rising in Q2 compared with Q1.

On a more downbeat note, the BRC retail monitor fell back in May to -0.8% y/y from 6.3% y/y in April. Even though it is a very volatile indicator it was rather disappointing. Hence other retail surveys and hard sales data should be watched closely in the coming months. Next week's release of retail sales will be important to judge the underlying trend in private consumption.

## EUR/GBP heading lower

The GBP continued to strengthen in the past week with EUR/GBP falling to just above 0.85. Ten-year gilt yields rose further breaking 4.0% on back of the stronger data and overall bearish bond market sentiment spreading from the US bond market, where more issuance this week led to a further rise in bond yields. Even though bonds look oversold the long-term trend is still up for yields.

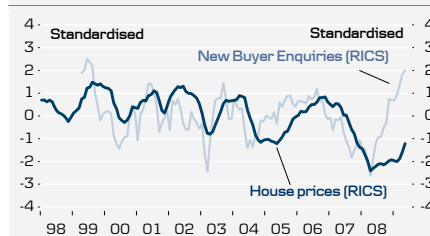
## Busy week ahead

Apart from retail sales, the coming week offers a lot of interesting data on top of minutes from the latest Bank of England meeting. We do not expect much change from the Bank of England which will probably opt to sit on the sidelines for a while to judge the economic development where more encouraging signs have appeared in housing, retail sales and manufacturing in recent months. CPI will attract some attention as some inflation fears are creeping into the markets due to the quantitative easing by the Bank of England and weakening of the GBP until March this year. Finally unemployment numbers are also due to be released. We expect another big rise in unemployment of 50-60k as seen in the past couple of months. Unemployment is a lagging indicator and it will be weak for some time due to the very sharp decline in production seen in Q4 and Q1.

### Key events of the week

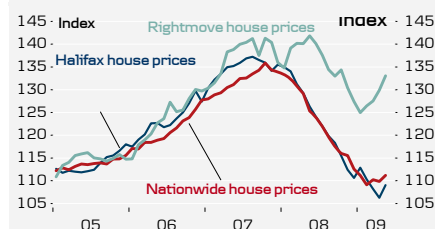
- CPI (Tuesday)
- Bank of England minutes (Wednesday)
- Unemployment (Wednesday)
- Retail sales (Thursday)
- CBI industrial trends (Thursday)

### Home buyers return



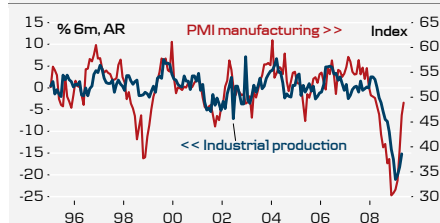
Source: Reuters Ecowin

### UK house prices bottoming



Source: Reuters Ecowin

### Industrial production bottoming



Source: Reuters Ecowin

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# Switzerland: SNB policy meeting

## Sharpest contraction since the 1970s

The deepest global recession since WW2 is continuing to leave its mark on Switzerland's open economy, where GDP fell by 2.4% y/y in Q1 - the sharpest contraction in aggregate activity since the mid-1970s. The drop in GDP was actually slightly smaller than the market had anticipated, but this was partially cancelled out by a downward revision of growth in Q4. The latest national accounts data show a contraction in the Swiss economy for three successive quarters now, starting in Q3 last year and provisionally culminating in Q1 this year. The slump is still largely limited to the business sector, especially manufacturing. It continues to be ailing exports (-12.3% y/y) and fixed investment (-6.5% y/y) that are dragging down aggregate activity, as year-on-year growth in both household and public consumption is still positive.

There are nevertheless some rays of light. Somewhat surprisingly, Switzerland has managed to maintain a positive growth differential relative to Euroland, as the economic slowdown is still somewhat less acute than elsewhere in Europe. This has put paid to initial fears that the Swiss economy would be particularly vulnerable to the global financial crisis given its openness, dependence on exports and large financial sector. Looking ahead, virtually all indicators point to weak growth though. And even as we expect aggregate growth to turn positive before the end of the year, it will probably be some time before the economy returns to trend growth.

## Biggest drop in prices since the 1950s

Given the very steep decline in economic activity and favourable base effects from last year's elevated energy prices, it is no wonder that the annual rate of inflation is continuing to fall. Following a marginal increase in consumer prices of 0.2% m/m in May, due primarily to higher rent costs, the annual rate of inflation dropped to -1.0% - the biggest drop in prices since 1959. Looking forward we expect limited inflationary pressure in the Swiss economy due to weak economic activity, idle production capacity, continued correction in the labour market, and lagged effects from last year's CHF appreciation. So although the annual rate of inflation will not fall much further, given that it is now close to a year since oil prices peaked, there is no prospect of underlying inflationary pressure.

## SNB meeting unlikely to match excitement of Q1

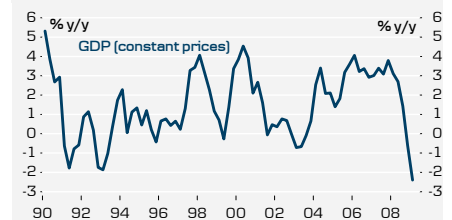
The most important event of the week by far is the Q2 monetary policy meeting at the Swiss National Bank on Thursday, even though all the indications are that this will not be as exciting a meeting as in March, when the SNB lowered its interest rate target, intervened in the FX market and announced purchases of corporate bonds. The big question will undoubtedly be how the SNB balances the early signs of stabilisation in global growth and recovering financial markets on the one hand, and continued deflation risks and marginally tighter financial conditions due to a slightly stronger CHF and higher yields on the other.

We think that the bank is not yet ready to tighten monetary policy, as deflation fears are probably still rife on the governing board, and that the bank will therefore leave the three-month LIBOR target unchanged at 0.25% and continue to provide liquidity at just 0.05% for some time to come. We do, however, also not expect the SNB to take further steps to ease monetary policy, due to the aforementioned signs of global recovery, but expect rhetoric's to be unchanged. Thus we doubt that the SNB is ready to relax its grip on the CHF, as further appreciation would probably push deflation risks over the SNB's pain threshold. In the slightly longer term, however, as recovery in the global economy begins to materialize, we expect the SNB increasingly to start discussing exit strategies, and a 12-month expectation of a rise in EUR/CHF will require some other justification beyond intervention by the SNB.

### Key events of the week ahead

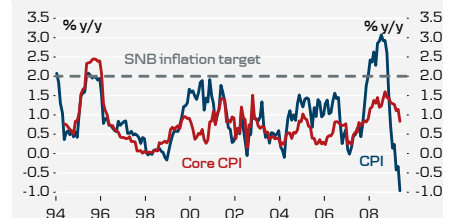
- May PPI (Monday)
- Q1 industrial production (Tuesday)
- SECO forecast (Wednesday)
- SNB Q2 rate-setting meeting (Thursday) - we expect an unchanged target of 0.25% and a reiteration of soft rhetoric's

### Sharp drop in GDP in Q1



Source: Reuters EcoWin

### Inflation down to -1.0%



Source: Reuters EcoWin

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## Macroeconomic forecast

### Macro forecast, Scandinavia

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-pleym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
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 <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-pleym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
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	-2,8	0,2	1,9	-4,0	-0,4	0,2	2,5	0,5	8,1	-2,9	63,0	5,2
	2010	0,8	1,2	1,9	1,5	0,2	4,0	4,5	1,3	8,7	-4,1	63,0	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	-2,4	-0,4	1,6	-3,8	-0,3	-0,3	-0,4	0,7	8,2	-4,2	69,0	-1,4
	2010	1,1	1,6	1,4	2,1	0,2	2,9	2,9	1,6	8,7	-4,1	69,0	-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	-2,6	0,2	1,2	-4,8	-0,3	-0,6	-0,9	1,0	8,2	-3,6	105,0	-2,1
	2010	0,2	0,3	1,0	2,0	0,2	2,0	2,4	1,9	8,5	-3,7	103,0	-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	1,7	14,4	-2,9	41,0	-7,0
	2010	0,4	0,2	3,5	-3,0	0,2	5,5	2,5	1,5	15,0	-5,5	45,0	-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 <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-pleym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
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	-0,6	2,4	1,5	2,4	2,6	1,3	40,4	8,0
	2009	-0,8	-0,5	0,9	-3,7	1,2	-1,9	1,1	0,9	3,6	0,6	40,5	8,7
	2010	0,9	0,7	1,4	1,7	0,0	3,2	2,3	1,0	3,8	-1,5	44,1	9,8

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	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	12-jun	0,13	1,73	4,13	140,7	-	529,1
	+3m	0,13	1,45	3,60	138	-	540
	+6m	0,13	1,55	3,85	144	-	517
	+12m	0,13	1,90	4,10	140	-	533
EUR	12-jun	1,00	2,03	3,79	-	140,7	744,6
	+3m	1,00	1,70	3,60	-	138	745,0
	+6m	1,00	1,85	3,75	-	144	745,0
	+12m	1,00	2,40	4,10	-	140	746,0
JPY	12-jun	0,10	0,69	1,45	137,9	98,0	5,40
	+3m	0,10	0,70	1,55	138	100	5,40
	+6m	0,10	0,80	1,75	151	105	4,93
	+12m	0,10	1,05	1,95	151	108	4,94
GBP	12-jun	0,50	2,41	4,22	85,3	165,1	873,4
	+3m	0,50	2,00	4,00	87,0	159	856
	+6m	0,50	2,50	4,30	85,0	169	876
	+12m	0,50	2,60	4,70	80,0	175	933
CHF	12-jun	0,38	0,88	2,79	151,0	107,3	493,0
	+3m	0,25	0,75	2,55	152	110	490
	+6m	0,25	0,80	2,65	154	107	484
	+12m	0,25	1,25	2,85	158	113	472
DKK	12-jun	1,55	2,77	4,05	744,6	529,1	-
	+3m	1,55	2,45	3,90	745,0	540	-
	+6m	1,45	2,50	4,05	745,0	517	-
	+12m	1,35	2,95	4,35	746,0	533	-
SEK	12-jun	0,50	1,78	3,93	1073,7	763,0	69,4
	+3m	0,50	1,50	3,80	1050	761	71,0
	+6m	0,50	1,60	4,05	1020	708	73,0
	+12m	0,50	2,20	4,50	1000	714	74,6
NOK	12-jun	1,50	2,91	4,72	888,6	631,4	83,8
	+3m	1,50	2,80	4,30	850	616	87,6
	+6m	1,50	2,95	4,45	830	576	89,8
	+12m	1,50	3,50	4,80	820	586	91,0
PLN	12-jun	3,75	4,95	5,64	446,1	317,0	166,9
	+3m	3,50	4,70	5,45	450	326	166
	+6m	3,50	4,75	5,65	455	316	164
	+12m	3,50	5,00	6,00	460	329	162

### Equity markets

Regional	Risk	Price trend 3 mth.	Price trend 12 mth.	Regional recommendations
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
<b>Nordics</b>				
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

	12-jun	2009				Average	
		Q1	Q2	Q3	Q4	2009	2010
ICE Brent	71	46	54	56	66	55	70
Aluminium	1.694	1.401	1.500	1.500	1.600	1.500	2.000
Copper	5.376	3.494	4.600	4.600	4.800	4.374	5.250
Nickel	1.720	1.208	1.475	1.500	1.500	1.421	1.750
Gold	952	909	900	900	880	897	898
CBOT Wheat*	588	548	560	600	660	592	700
CBOT Corn*	438	377	400	450	480	427	480

Source: Danske Markets

## Calendar

Monday, June 15, 2009			Period	Danske Bank	Consensus	Previous
-	G7	G8 ministers of finance meet in Italy				
0:45	NZD	Manufacturing activity	1st quarter		-1.0%	0.0%
9:15	CHF	Producer & Import prices	May		0.0% -4.8%	-0.2% -3.6%
9:15	EUR	ECB's Tumpel-Gugerell speaks				
9:30	DKK	Wholesale prices	May			0.4% -7.1%
10:00	NOK	Trade balance	NOK bn	May		24.4
14:30	USD	Empire Manufacturing	Index	Jun	-6.00	-4.55
14:45	USD	Fed's Tarullo (voter, neutral) speaks				
15:00	USD	TICS international capital flow, Net inflow	USD bn	Apr		23.2
15:30	USD	Fed's Evans (voter, dovish) speaks				
17:00	EUR	ECB's Constancio speaks				
19:00	EUR	ECB's Tumpel-Gugerell and Nowotny speaks				
19:00	USD	NAHB Housing Market Index	Index	Jun	16	17
18:40	USD	Fed's Lockhart (voter, neutral) speaks				16
Tuesday, June 16, 2009			Period	Danske Bank	Consensus	Previous
-	JPY	BoJ Monetary Policy Announcement	%	0.10	0.10	0.10
-	USD	Fed's Duke (voter, neutral) speaks				
3:30	AUD	RBA June minutes	Jun			
9:30	DKK	Indices of average earnings in the private sector	q/q/y/y	1st quarter		0.8% 4.2%
10:00	ITL	Inflation (HICP), final	m/m/y/y	May		0.6% 1.2%
10:30	GBP	Inflation	m/m/y/y	May		0.3% 1.9%
11:00	DEM	ZEW economic sentiment	Index	Jun	45.0	35.0
11:00	DEM	ZEW current conditions	Index	Jun	-91.0	-93.0
11:00	EUR	Inflation (HICP), final	m/m/y/y	May		0.0% 0.0%
11:00	EUR	Core Inflation (HICP)	m/m/y/y	May		.. 1.6%
14:30	USD	PPI	m/m/y/y	May	0.4% -4.5%	0.6% -4.4%
14:30	USD	PPI core	m/m/y/y	May	0.1% 3.2%	0.1% 3.2%
14:30	USD	Housing starts	m	May	0.465	0.480
14:30	USD	Building Permits	m	May	0.510	0.500
15:15	USD	Industrial production	m/m	May	-0.8%	-0.9%
15:15	USD	Capacity utilization	%	May		68.4
19:15	USD	Fed's Warsh (voter, neutral) speaks				69.1
Wednesday, June 17, 2009			Period	Danske Bank	Consensus	Previous
7:00	JPY	Bank of Japan Monthly Report				
7:45	CHF	SECO June 2009 Economic Forecasts				
9:15	SEK	NIER, Economic forecast, June				
9:15	CHF	Retail sales (real)	y/y	2nd quarter		1.2%
10:00	EUR	ECB's Constancio speaks				
10:30	GBP	Average Earnings	3Ms/YoY	Apr		0.2%
10:30	GBP	Jobless claims change	1,000	May		63.0
10:30	GBP	Minutes from MPC meeting				57.1
10:30	GBP	Unemployment rate	%	Apr		7.3
11:00	CHF	ZEW survey (expectations)	Index	Jun		7.1
13:00	USD	MBA mortgage applications				-3.9
14:00	NOK	Norges Banks Deposit Rate	%		1.5	1.5
14:30	USD	CPI	m/m/y/y	May	0.3% -0.8%	0.3% -0.9%
14:30	USD	CPI ex. food & energy	m/m/y/y	May	0.2% 1.9%	0.1% 1.8%
14:30	CAD	Leading indicators	m/m	May		-1.1%
18:00	USD	Fed's Bernanke (voter, neutral) speaks				
Thursday, June 18, 2009			Period	Danske Bank	Consensus	Previous
9:30	CHF	SNB monetary policy decision	%	2nd quarter	0.25	0.25
9:30	SEK	Statistics Sweden, Unemployment	%	May	8.0	8.3
10:30	GBP	Retail Sales	m/m/y/y	May		0.5% -0.1%
13:00	CAD	CPI	m/m/y/y	May		0.3% -0.3%
13:00	CAD	CPI - BoC core rate	m/m/y/y	May		0.1% 1.6%
14:30	USD	Initial jobless claims	1000			0.1% 1.8%
16:00	USD	Leading indicator	%	May		0.9
16:00	USD	Philadelphia Fed.	Index	Jun	-12.0	-18.0
19:30	USD	Treasury's Geithner speaks	m/m			-22.6
20:15	CAD	BoC Carney speech	m/m			

Source: Danske Markets

## Calendar - continued

Friday, June 19, 2009			Period	Danske Bank	Consensus	Previous
1:50	JPY	BoJ Board Minutes				
8:00	DEM	PPI	m/m y/y	Jun	-0.2% -3.6%	-1.4% -2.7%
9:00	EUR	ECB's Bini Smaghi speaks				
11:30	EUR	ECB's Gonzalez-Paramo speaks				
14:30	CAD	Retail sales	m/m	Apr	-0.2%	0.3%

During the week			Period	Danske Bank	Consensus	Previous
Thu 11 - 15	CNY	Money supply M2	y/y	May		26.0%
Mon 15 - 17	CNY	Wholesale Prices	y/y	May		-7.1%
Mon 15 - 19	JPY	Nationwide Dept. Sales	y/y	May		-11.3%
Mon 15 - 20	CHF	Industrial production	q/q y/y	1st quarter		0.1% -5.9%
Mon 15 - 17	CNY	Actual FDIC Cumulative	y/y	May		-21.00%

Source: Danske Markets

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