

Not a Positive Day in Sight

Today's comment

Majors & Scandies

By the Majors & Scandis Team

We were witnesses to a European session with a relatively positive undertone, however, that sentiment vanished quickly when the Americans started hitting the numbers on their keyboards. Stocks went into negative territory, JPY and CHF rebounded versus both the dollar and the euro and as did the euro versus the dollar. NASDAQ and S&P500 closed down almost 5%, which does not happen very often. The TED spread (3-month USD Libor vs. 3-month T-bill) is at levels almost twice as high as during the EMS crisis in '92-'93, LTCM '98, and the Bear Stearns situation in the spring (current level ~300bps). Credit spreads illustrated by Libor fixings vs. OIS (short interest rate swaps) have blown out – especially in USD, but GBP has also been hit. In USD, 1-week spread is currently at more than 250bps while 3-month spread is “just” close to 150bps and this should be compared with the 7-8 bps (for both spreads) before the crisis. As a consequence of the highly unusual situation in the financial markets, we have decided not to put any new recommendations on the list at present. However, to give an arrow of direction in the market for developed FX, we have widened the ranges in the side in which the currency pairs are most likely to be heading. Hence, lots of updates in the “Majors FX space”.

Only one thing left to say – good luck and manage your positions carefully.

Emerging Markets

By the Emerging Markets Team

Fear, distrust and outright panic continues to dominate financial markets, with widespread closing of positions hitting EM currencies hard – and hitting the popular stories the hardest, simply because that's where there are most positions to close. So far, the authority response has been piecemeal and uncoordinated, and it is an understatement to say, that markets have been far from impressed. Pumping out liquidity and sweeping



up the remains of failed institutions quite simply is not enough at the current juncture, and we really need something more comprehensive and coordinated. Until such a step emerges, it is hard to envisage sentiment turning around, and we thus sell both the ISK and the TRY today (we are already short the ZAR). The ISK is obviously one of the (if not the) most vulnerable currencies in times of worries over financial institutions (and the 5-year CDS spreads of the Icelandic banks hit new highs yesterday), while the TRY, one of the most popular EM stories for a long period, is vulnerable through being a crowded long. Today's central bank meeting is unlikely to alter the fate of the TRY, which is wholly in the hands of global sentiment. Having said that, a rate cut would be the wrong signal to send, not only because inflation remains high but also due to the nervous state of the global investor. We look for rates to be kept unchanged at 16.75%.

Today's Key Events

- **N/A ECB meeting – No Rate Announcement Scheduled, EUR**
- **14:00 Rate Announcement SNB, CHF**
- **16:00 Philly Fed, USD**
- **18:00 Rate Announcement Central Bank of Turkey, TRY**
- **00:45 Current Account Balance, NZD**
- **07:00 Leading Indicator, JPY**

Publisher:

Jyske Markets
FX & Interest Rate
Research
Vestergade 8 -16
DK - 8600 Silkeborg

Majors & Scandies:

Helle Varming
+45 89 89 71 05
hv@jyskebank.dk

Morten Lykke Pedersen
+45 89 89 70 96
morten.lykke
@jyskebank.dk

Emerging Markets:

Kent Bæk Iversen
+45 8922 4555
kent.iversen
@jyskebank.dk

Read more FX analyses at
www.jyskemarkets.com

Disclaimer:

Please see the last page

FX & MONEY MARKETS DAILY

FX & Interest Rate Markets · 18.09.2008

Majors Short Term (0-1 Month) FX Recommendations						
Currency	Spot	Short Term	Entry Date	Entry Price	Target*	Stop Loss*
EURUSD	143,63	neutral	sep 05		140,90 - 148,60	-
USDDKK	519,187	neutral	sep 05		501,82 - 529,25	-
EURGBP	78,84	neutral	aug 28		77,95 - 82,00	- <<
GBPDKK	945,851	neutral	aug 28		909,40 - 956,65	- <<
EURJPY	150,06	neutral	sep 05		144,90 - 153,00	- <<
JPYDKK	4,96941	neutral	sep 05		4,87 - 5,15	- <<
EURCHF	157,966	neutral	jun 06		154,40 - 160,80	- <<
CHFDKK	472,069	neutral	jun 06		463,75 - 482,97	- <<
EURNOK	835,27	neutral	sep 01		815,00 - 854,70	- <<
NOKDKK	89,2776	neutral	sep 01		87,25 - 91,50	- <<
EURSEK	964,48	neutral	jun 04		953,00 - 974,00	- <<
SEKDKK	77,3172	neutral	jun 04		76,56 - 78,25	- <<
AUDUSD	79,29	neutral	aug 08		76,70 - 82,60	-
NZDUSD	66,59	neutral	aug 06		63,00 - 68,90	-
USDCAD	106,77	neutral	feb 19		104,30 - 107,80	-
USDJPY	104,47	neutral	maj 05		100,90 - 108,80	- <<

* Adjusted against DKK to daily EURDKK exchange rate

<< = Recommendation updated

Emerging Markets Short Term (0-1 Month) FX Recommendations						
Currency	Spot	Short Term	Entry Date	Entry Price	Target*	Stop Loss*
EURCZK	24,14	neutral	jul 07		23,50 - 25,50	-
CZKDKK	30,90	neutral	jul 07		29,25 - 31,74	-
EURPLN	3,36	neutral	jul 24		3,25 - 3,50	- <<
PLNDKK	221,73	neutral	jul 24		213,10 - 229,49	- <<
EURISK	134,51	buy	sep 18	134,48	140,00	131,00 <<
ISKDKK	5,54	sell	sep 18	5,55	5,33	5,69 <<
EURTRY	1,84	buy	sep 18	1,84	1,95	1,80 <<
TRYDKK	404,91	sell	sep 18	404,46	382,49	414,36 <<
EURZAR	11,79	buy	aug 19	11,35	12,30	11,60
ZARDKK	63,26	sell	aug 19	65,69	60,64	64,30

* Adjusted against DKK to daily EURDKK exchange rate

<< = Recommendation updated

Disclaimer & Disclosure

Jyske Bank is supervised by the Danish Financial Supervisory Authority.

Jyske Bank's analysts are subject to the recommendations of The Danish Securities Dealers Association on the handling of conflicts of interest within investment banks.

The research report is based on information which Jyske Bank finds reliable, but Jyske Bank does not assume any responsibility for the correctness of the material nor any liability for transactions made on the basis of the information or the estimates of the report. The estimates and recommendations of the research report may be changed without notice. The report is for the personal use of Jyske Bank's customers and may not be copied.

This is a recommendation and not an investment report.

Conflicts of interest

Jyske Bank has prepared procedures to prevent conflicts of interest. These procedures have been incorporated in the business procedures covering the research activities of Jyske Markets, a business unit of Jyske Bank.

Jyske Bank's FX, money market and commodity analysts may not hold positions in the instruments for which they prepare research reports, but Jyske Bank is permitted to hold positions and/or have interests in the instruments for which such reports are prepared. The analysts receive no payment from persons interested in individual research reports.

Read more about Jyske Bank's policy on conflicts of interest at www.jyskebank.dk/terms

Risk

FX, money market and/or commodity investment involves risk. Movements in the credit market, the sector and/or the news flow, etc. regarding the issuer may affect the exchange rate / the interest rate / the price of the commodity. See the front page of the research report for our view of the risk associated with the currency / interest rate / commodity investment. The risk factors and / or the sensitivity calculations stated in the report should not be regarded as exhaustive.

Update of the research report

Analyses, recommendations, and ad hoc publications are not updated. A new publication will instead be published if and when it is found necessary. Market comments are updated daily.

See the front page for the initial date of publication of the report.

All prices stated are the latest trading prices at the time of the release of the research report, unless otherwise stated.