

# EMEA Daily

## Review

- **Yesterday, the Polish Prime Minister, Donald Tusk, said that 3.5% y/y growth is possible in 2010 but that to expect it would be “overly optimistic”.** This puts us in the overly optimistic camp, as our projection following the release of Q2 GDP data was for 3.5% growth. See our comment [here](#).
- **The Russian central bank kept its key interest rates unchanged** and sees the medium- and long-term inflation pressures as being subdued. We expect the central bank to continue to ignore mounting inflation pressures for the rest of the year to justify the current loose monetary policy. However, a rate hike is likely to be unavoidable in early 2011.
- Contrary to hawkish comments recently from various Czech central bank (CNB) board members, the CNB's Vice Governor, Vladimir Tomsik, said yesterday that he can see anti-inflationary risks and hence interest rates will not need to rise until H2 11. We completely agree with Mr. Tomsik's comments. In fact, we believe that interest rates in the Czech Republic are appropriate - or even too high. Read more in our flash comment [here](#).
- Estonian industrial production has demonstrated a continuation of robust growth and the outcome in July (25% y/y) was better than we expected (23.3% y/y). However, the major contributor to growth was the electrical and optical equipment industry, which consists of only a few companies and hence the result could be deemed a "one-off".
- **Kazakhstan is likely to upgrade its official GDP growth forecast for 2010 from 4% to around 5%,** according to the finance ministry. The GDP forecast for 2011 is 3.6%. Inflation is expected to remain in the 6-8% corridor.

## Preview

- **We expect, in general, for PMIs in August to have dropped,** but we also expect them to stay above the critical 50 level, indicating continued expansion in the EMEA economies. That said, the risk is clearly on the downside.

## Trading update

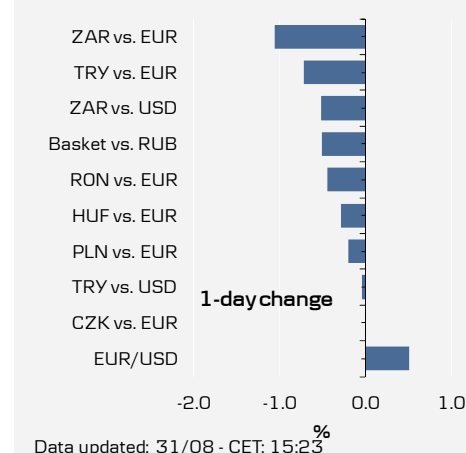
- The South African markets came under some pressure yesterday as concerns over increased strike activity and a general rise in risk aversion weigh on the rand and the South African fixed income and equity markets. We see a further risk of a sell-off in the rand going forward and it remains the currency in our EMEA FX Scorecard with the most negative score. Furthermore, in our view, the rand remains fundamentally overvalued.

## EMEA swap rates

|     | 2Y IRS | Mid level | 1D chg - bp |
|-----|--------|-----------|-------------|
| CZK |        | 1.63      | 5           |
| HUF |        | 6.47      | 15          |
| PLN |        | 4.59      | 6           |
| RUB |        | 5.48      | 0           |
| TRY |        | 7.55      | 4           |
| ZAR |        | 6.30      | 1           |
|     | 5Y IRS | Mid level | 1D chg - bp |
| CZK |        | 1.98      | 2           |
| HUF |        | 6.69      | 13          |
| PLN |        | 4.91      | 4           |
| RUB |        | 6.70      | -10         |
| TRY |        | 8.01      | 6           |
| ZAR |        | 7.05      | 5           |

Source: Reuters Ecowin

## EMEA FX markets



Source: Reuters Ecowin

## Calendar

| Wednesday, September 1, 2010 |       |                |          | Period      | Danske Bank Consensus | Previous |
|------------------------------|-------|----------------|----------|-------------|-----------------------|----------|
| CZK                          | -     | Budget balance | bln. CZK | Aug         |                       | -69.0    |
| HUF                          | -     | PMI            | Index    | Aug         | 48.2                  | 53.5     |
| RUB                          | 6:00  | PMI            | Index    | Aug         | 51.7                  | 52.7     |
| TRY                          | 9:00  | PMI            | Index    | Aug         | 51.3                  | 52.8     |
| PLN                          | 9:00  | PMI            | Index    | Aug         | 50.6                  | 52.1     |
| RON                          | 9:00  | GDP (final)    | y/y      | 2nd quarter | -0.5%                 | -2.6%    |
| CZK                          | 9:30  | PMI            | Index    | Aug         | 54.7                  | 56.8     |
| ZAR                          | 11:00 | PMI            | Index    | Aug         | 49.1                  | 49.5     |

Source: Danske Markets

---

## Emerging Markets Contacts

---

### Emerging Markets Research

|                           |                  |                     |
|---------------------------|------------------|---------------------|
| Lars Christensen          | +45 45 12 85 30  | larch@danskebank.dk |
| Flemming Jegbjærg Nielsen | +45 45 12 85 35  | flemm@danskebank.dk |
| Violeta Klyviene          | +370 5 2156992   | vkly@danskebank.com |
| Stanislava Pravdova       | +45 45 12 80 71  | spra@danskebank.dk  |
| Jens Nærvig Pedersen      | +45 45 12 84 98  | jenpe@danskebank.dk |
| Sanna Elina Kurronen      | +358 10 546 7573 | kurr@danskebank.com |

### Emerging Markets Sales, Danske Markets

|                |                 |  |
|----------------|-----------------|--|
| Erik Rasmussen | +45 45 14 32 47 | <a href="mailto:eras@danskebank.dk">eras@danskebank.dk</a> |
|----------------|-----------------|--|

### Global Retail SME, FX

|                  |                 |                   |
|------------------|-----------------|-------------------|
| Stig Hansen      | +45 45 14 60 86 | sh@danskebank.dk  |
| Flemming Winther | +45 45 14 68 24 | flw@danskebank.dk |

### Trading FX, Fixed Income, Danske Markets

|                   |                  |                               |
|-------------------|------------------|-------------------------------|
| Frank Sandbæk Vig | +45 45 14 67 96  | fsv@danskebank.dk             |
| Thomas Manthorpe  | +45 45 14 69 68  | tman@danskebank.dk            |
| Markku Anttila    | +358 10 513 8705 | markku.anttila@sampopankki.fi |
| Perttu Tuomi      | +358 10 513 8738 | perttu.tuomi@sampopankki.fi   |

### Danske Bank Poland, Warsaw

|                        |                  |                        |
|------------------------|------------------|------------------------|
| Maciej Semeniuk        | +48 22 33 77 114 | msem@pl.danskebank.com |
| Bartłomiej Dzieńciecki | +48 22 33 77 112 | bdz@pl.danskebank.com  |

### Danske Markets Baltics

|                     |                 |                                     |
|---------------------|-----------------|-------------------------------------|
| Howard Wilkinson    | +358 50 374 559 | howard.wilkinson@danskebank.com     |
| Martins Strazds     | +371 6707 2245  | martins.strazds@danskebanka.lv      |
| Giedre Geciauskiene | +370 5215 6180  | giedre.geciauskiene@danskebankas.lt |
| Lauri Palmaru       | +372 675 2464   | lauri.palmaru@sampopank.ee          |

### ZAO Danske Bank Russia, Saint-Petersburg Treasury Department

|                  |                  |                                |
|------------------|------------------|--------------------------------|
| Mikko Pitkanen   | +7 812 332 73 06 | mikko.pitkanen@danskebank.ru   |
| Vladimir Biserov | +7 812 332 73 04 | vladimir.biserov@danskebank.ru |
| Darja Kounina    | +7 812 332 73 04 | darja.kounina@danskebank.ru    |

---

All EM research is available on Bloomberg DMEM

## Disclosure

This research report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank is under supervision by the Danish Financial Supervisory Authority. The author of this research report is Lars Christensen, Chief Analyst.

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high quality research based on research objectivity and independence. These procedures are documented in the Danske Bank Research Policy. Employees within the Danske Bank Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and to the Compliance Officer. Danske Bank Research departments are organised independently from and do not report to other Danske Bank business areas. Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Danske Bank research reports are prepared in accordance with the Danish Society of Investment Professionals' Ethical rules and the Recommendations of the Danish Securities Dealers Association.

### Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors upon request.

### Risk warning

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

### First date of publication

Please see the front page of this research report for the first date of publication. Price-related data is calculated using the closing price from the day before publication.

## Disclaimer

This publication has been prepared by Danske Markets for information purposes only. It has been prepared independently, solely from publicly available information and does not take into account the views of Danske Bank's internal credit department. It is not an offer or solicitation of any offer to purchase or sell any financial instrument. Whilst reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and no liability is accepted for any loss arising from reliance on it. Danske Bank, its affiliates or staff may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives), of any issuer mentioned herein. The Equity and Corporate Bonds analysts are not permitted to invest in securities under coverage in their research sector. This publication is not intended for retail customers in the UK or any person in the US. Danske Markets is a division of Danske Bank A/S. Danske Bank A/S is authorized by the Danish Financial Supervisory Authority and is subject to provisions of relevant regulators in all other jurisdictions where Danske Bank A/S conducts operations. Moreover Danske Bank A/S is subject to limited regulation by the Financial Services Authority (UK). Details on the extent of our regulation by the Financial Services Authority are available from us on request. Copyright (C) Danske Bank A/S. All rights reserved. This publication is protected by copyright and may not be reproduced in whole or in part without permission.

*This publication has been prepared by the correspondent of Auerbach Grayson & Company Incorporated ("AGC") named above on the date listed above.*

*We are distributing this publication in the U.S. and any U.S. person receiving this report and wishing to effect transactions in any security discussed herein, should do so only with a representative of Auerbach Grayson & Company Incorporated. Additional information on recommended securities is available on request.*