

EMEA Weekly

SARB is ready for another cut

Market movers ahead: Rate decision in South Africa and inflation across the CEE region

Despite the South African economy continuing to recover, there are some signs that the recovery is losing steam and global economic slowdown poses further downside risks to the South African economy. At the same time, inflation continues to ease and is now well within the South African central bank target of 3-6%. Furthermore, the strength of the rand continues to be a thorn in the side of South African officials, as it undermines recovery. All in all, we expect the South African central bank to cut the key policy rate by 50 basis points to 6% next week.

In August, inflationary pressure is likely to ease in all Baltic economies. However, the highest decline on a monthly basis is expected in Latvia and Lithuania. Estonian price levels are expected to remain the highest among the Baltic countries. In August we expect to see a stronger impact of seasonal sales (vegetables, clothing, footwear are characterised by a relatively strong seasonality factor) and decline in global oil prices. Future developments in Baltic inflation will largely depend on external factors. There is a substantial risk that due to unfavourable weather conditions the rise food prices will accelerate. However, domestic demand remains weak in the region, which would prevent inflation from more significant upside. In Estonia we observe a slightly faster increase in prices – this may be due to the introduction of the euro. As already indicated many countries experience a short-term jump in inflation during the euro changeover.

Fixed Income Outlook: Focus on inflation

However, overall we do not expect any major surprises from next week's inflation data and as such we would not expect any major market reaction. Global and regional inflationary pressures appear to be easing and our *Monetary Policy Tracker* (MPT) – which among other things tracks inflationary trends – seems to indicate that there are downside risks to inflation in most EMEA countries covered by the MPT. This, in our view, continues to signal downside risk on yields at the short end of the curve in most EMEA countries – with Hungary the most notable exception.

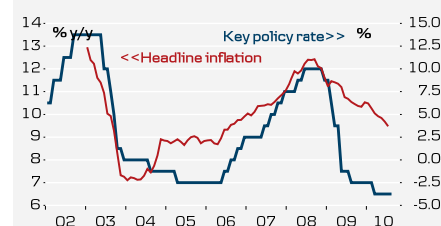
FX Outlook: The trend is *not* the friend of ZAR and TRY

The two lowest scoring currencies in our EMEA FX Scorecard this week are the South African rand and the Turkish lira. Among the key reasons for this is that both currencies appear rather overvalued on a fundamental basis – and have been for some time. Furthermore, both currencies are quite sensitive to the deterioration of the global economic and financial climate we have seen recently and the uptrend in EUR/USD is something that normally weighs on both currencies, as they typically do badly when the dollar is losing momentum.

Scorecard based trade of the week: Buy ILS/ZAR

For the third week in a row the highest scoring currency in our EMEA FX Scorecard is the Israeli shekel, while the lowest scoring currency is the South African rand. Therefore we continue to recommend buying ILS/ZAR based on our EMEA FX Scorecard.

SARB is likely to cut further



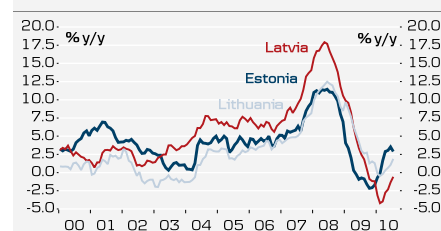
Source: Reuters Ecowin

Inflation development in CEE



Source: Reuters Ecowin

Inflation development in the Baltics



Source: Reuters Ecowin

Calendar

EMEA Data and Events in Week36

Monday, September 6, 2010				Period	Danske Bank	Consensus	Previous
RUB	-	CPI	y/y	Aug	6.2%	6.3%	5.5%
CZK	9:00	Retail sales	y/y	Jul	-0.5%	0.0%	6.6%
CZK	9:00	Construction output	y/y	Jul			-4.7%
CZK	9:00	Trade balance	bln. CZK	Jul		6.0	10.4
CZK	9:00	Industrial production	y/y	Jul	8.7%	7.3%	9.7%
Tuesday, September 7, 2010				Period	Danske Bank	Consensus	Previous
EEK	7:00	CPI	y/y	Aug	3.0%		2.9%
HUF	9:00	Trade balance	mln. EUR	Jul			563.9
TRY	9:00	Industrial production	y/y	Jul	6.6%	8.5%	10.2%
LTL	10:00	PPI	y/y	Aug			9.8%
Wednesday, September 8, 2010				Period	Danske Bank	Consensus	Previous
RUB	-	GDP (preliminary)	y/y	2nd quarter	5.3%	5.6%	5.2%
EEK	7:00	GDP (final)	y/y	2nd quarter	3.5%		-2.0%
HUF	9:00	GDP (final)	y/y	2nd quarter	1.0%		0.1%
HUF	9:00	Industrial production	y/y	Jul	12.0%	13.0%	12.6%
CZK	9:00	Unemployment	%	Aug	8.8%	8.7%	8.7%
CZK	9:00	GDP (final)	y/y	2nd quarter	2.2%		1.2%
RON	9:00	Industrial production	y/y	Jul			4.7%
LTL	10:00	CPI	y/y	Aug	1.8%		1.9%
LVL	12:00	CPI	y/y	Aug	0.2%		-0.6%
LVL	12:00	GDP (final)	y/y	2nd quarter	-3.0%		-6.0%
ZAR	13:00	Manufacturing production nsa	y/y	Jul	6.0%	6.0%	8.8%
HUF	14:00	Hungarian central bank releases Minutes from monetary-policy meeting					
Thursday, September 9, 2010				Period	Danske Bank	Consensus	Previous
CZK	9:00	CPI	y/y	Aug	2.0%	2.0%	1.9%
LTL	10:00	Trade balance	bln. LTL	Jul			-0.37
LVL	12:00	Trade balance	mln. LVL	Jul			
ZAR	15:00	Monetary Policy Council Meeting			6.00%	6.00%	6.50%
Friday, September 10, 2010				Period	Danske Bank	Consensus	Previous
EEK	7:00	Trade balance	bln. EEK	Jul			
HUF	9:00	CPI	y/y	Aug	4.0%	4.0%	4.0%
RON	9:00	CPI	y/y	Aug			7.1%
PLN	14:00	Current account	Euro mil	Jul		-909	-1004
PLN	14:00	Trade balance	EUR mil	Jul		-496	-287

The editors do not guarantee the accurateness of figures, hours or dates stated above

Note that all releases are CET.

Fixed income market update

Review: Hawkish Czechs and Hungarians for different reasons

Rates and yields are up across the curve in most EMEA countries over the week. This mostly has to be seen in the light of a slight pick-up in global yields, but also in the light of relatively hawkish comments from monetary policymakers in the Czech Republic and Hungary especially.

While we fully understand the Hungarian central bank's hawkish rhetoric we have a much more difficult time understanding why some Czech central bank (CNB) board members seem to be in a hurry to hike interest rates. In a comment this week we made the argument that while Czech interest rates are indeed low, by historical standards, it is difficult to argue that they are too low using conventional measures of monetary policy "tightness". In fact it appears there are more arguments for rate cuts than for rate hikes in the Czech Republic. Therefore, we have also said that investors should be positioned for lower Czech market rates as we believe the incoming economic data will lead to softening of the recent hawkish rhetoric some CNB board members. See our comment on the outlook for Czech monetary policy [here](#).

Preview: Focus on (dis)inflation and South African rate decision

Next week we are due to receive inflation data for a number of countries across the region. The overall picture clearly remains one of subdued inflation – for some countries even deflation. The only two countries in the region for which there is any real reason to worry, in the context of inflation, are Hungary and Russia. In Russia because of rising food prices and in Hungary because of the continued weakness the forint and continued elevated inflation expectations.

However, overall we do not expect any major surprises from next week's inflation data and as such we would not expect any major market reaction. Global and regional inflationary pressures appear to be easing and our *Monetary Policy Tracker* (MPT) – which among other things tracks inflationary trends – seems to indicate that there are downside risks to inflation in most EMEA countries covered by the MPT. This, in our view, continues to signal downside risk on yields at the short end of the curve in most EMEA countries – with Hungary the most notable exception.

Despite the South African economy continuing to recover, there are some signs that the recovery is losing steam and global economic slowdown poses further downside risks to the South African economy. At the same time inflation continues to ease and is now well within the South African central bank target of 3-6%. Furthermore, the strength of the rand continues to be a thorn in the side of South African officials, as it undermines recovery. Hence, the South African central bank knows the arguments for easing monetary policy further and a 50 basis points rate cut at next week's Monetary Policy Committee (MPC) meeting appears to be quite likely.

Also our monetary policy framework – the Monetary Policy Tracker (MPT) and the Taylor gap – which are designed to give a signal on the direction or bias in monetary policy, points to further monetary easing in South Africa. Since we have introduced our MPT, which tracks inflation developments, economic growth and the outlook for global monetary policy (US and Euroland), the signal from the MPT has been pointing to further monetary easing by 50-75bp on a nine- to 12-month horizon, as both the inflation and the global growth components have turned negative over the past month. Even though, the latest global economic indicators surprised on the upside and the fear over the sharp global economic slowdown faded somewhat – moving our MPT global growth sub-indicator closer to neutral and the sub-indicator for South African growth also closer to

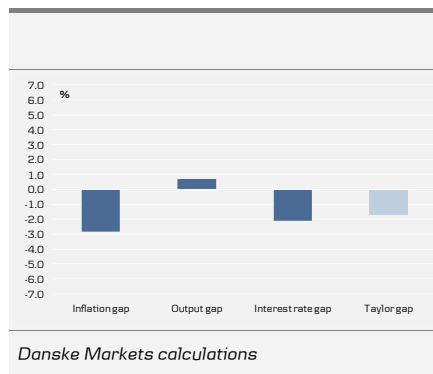
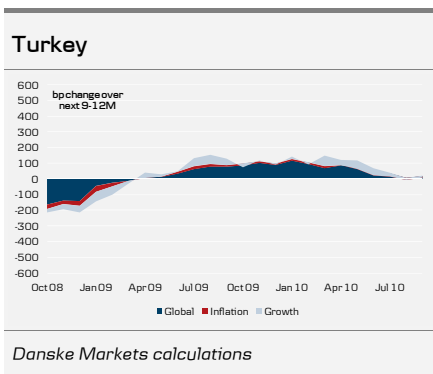
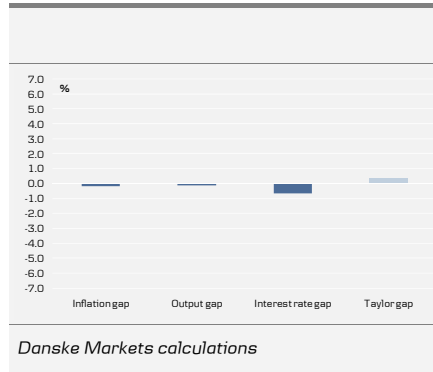
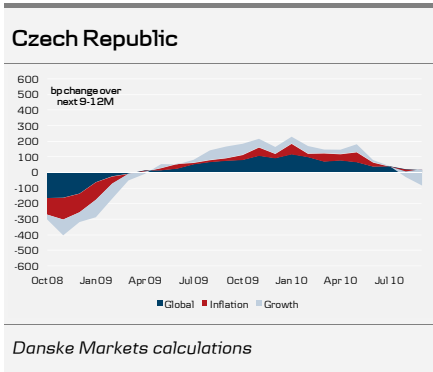
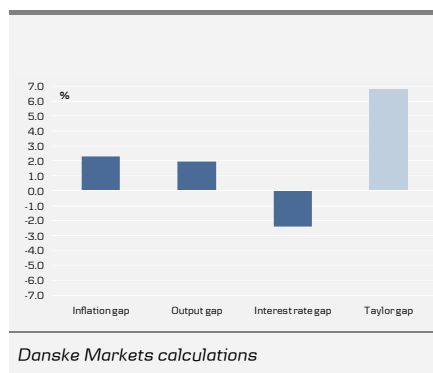
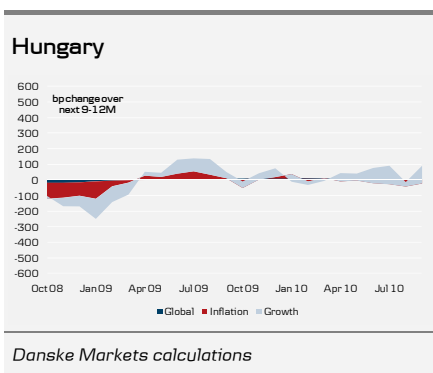
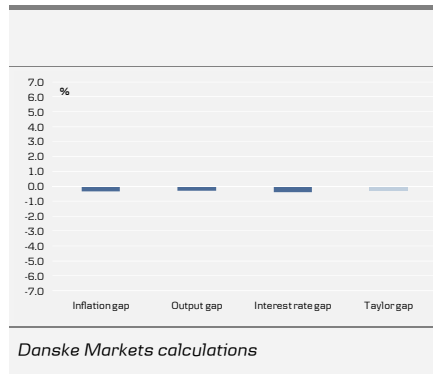
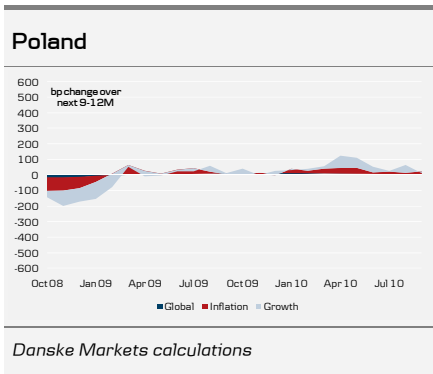
EMEA swap rate performance

2Y IRS	Mid level	1W chg - bp
CZK	1.72	10
HUF	6.34	4
PLN	4.63	10
RUB	5.50	3
TRY	7.49	-2
ZAR	6.34	9
EUR	1.29	1
USD	0.69	-3
5Y IRS	Mid level	1W chg - bp
CZK	2.07	10
HUF	6.58	4
PLN	5.06	19
RUB	6.75	-5
TRY	8.01	6
ZAR	7.04	4
EUR	1.87	8
USD	1.66	-5

Source: Reuters Ecowin

neutral – the sub-indicator for inflation is significantly negative. This is mostly due to the significant downside surprise on inflation over the past couple of months, but the strength of the rand is also helping to further reduce inflationary pressures in South Africa. Therefore, we feel more comfortable with our call for a rate cut from the South African Reserve Bank next week and we see a fairly high probability of a 50bp rate cut.

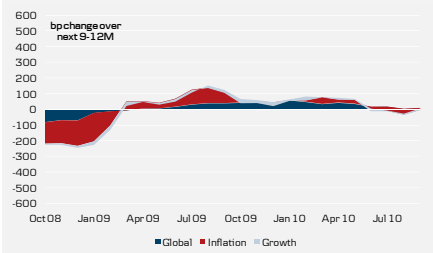
EMEA Monetary Policy Tracker



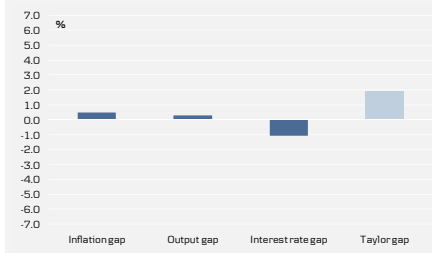
EMEA Monetary Policy Tracker

- The EMEA Monetary Policy Tracker (MPT) is illustrated by charts in the left column on this page and the following page.
- The EMEA MPT returns an expected rate changes over a 9-12M horizon based on three factors, global, inflation and growth.
- The global factor takes into account the market expectations of monetary policy in the US and Euroland over the next year.
- The inflation factor measures whether a wide range of inflationary indicators (including CPI, PPI, wages, oil price etc.) is accelerating or decelerating.
- The growth factor measures the momentum of economic growth based on a number of monthly indicators (PMI, export, industrial production, unemployment, money growth etc.), i.e. whether growth is speeding up or slowing down.
- The signals from the three factors are accumulated into and expected rate change over the next 9-12M. It is "calibrated" so that it fits the historical reaction of the region's central banks - as not all central banks react in the same way to for example inflationary surprises or a slowdown in growth.

South Africa

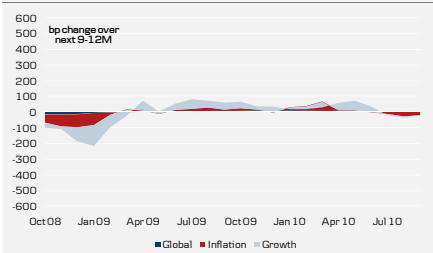


Danske Markets calculations

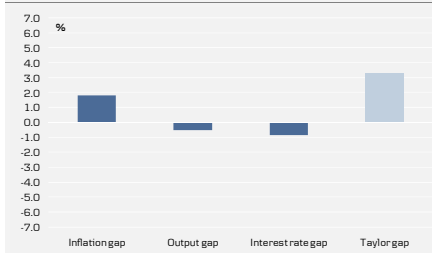


Danske Markets calculations

Romania

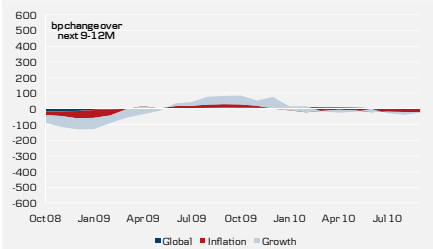


Danske Markets calculations

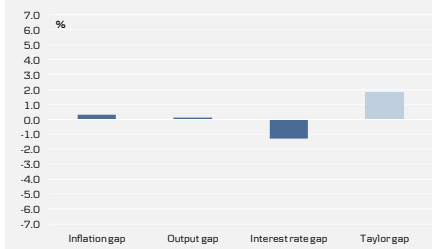


Danske Markets calculations

Israel

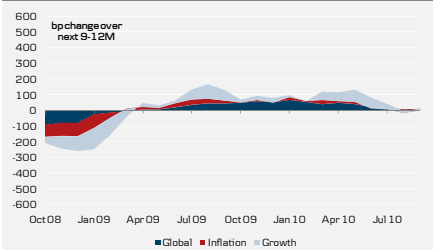


Danske Markets calculations

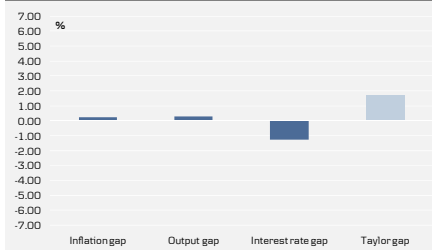


Danske Markets calculations

EMEA



Danske Markets calculations



Danske Markets calculations

EMEA Taylor Gap

- The EMEA Taylor Gap is illustrated by the charts in the right column on the previous page and on this page.
- The Taylor Gap gives an indication of how far the current monetary policy is from an “optimal” monetary policy. Hence, the Taylor Gap gives an indication of the suitability of the current level the policy rate.
- The Taylor Gap is calculated as the deviation of the current policy rate from a standard Taylor rule with “normal” parameters.
- The Taylor rule is a simple rate setting equation which specifies which level of interest rate the central bank should set given how much inflation deviates from the central bank’s inflation target and how much output deviates from the potential output.

FX Market update

Review: CHF/HUF is the spotlight

Even the Hungarian forint has rebounded somewhat in the second half of the week the continued negative trend appears to be unbroken and it is especially the continued weakening against the surging Swiss franc that is drawing the headlines. The reason for this is that many Hungarian households and companies have funded themselves in Swiss francs and are therefore seeing their funding cost increase dramatically. This is obviously already having a severe negative impact on the Hungarian economy and the up-move in CHF/HUF could ultimately push Hungary back into recession. Furthermore, with funding costs rising for households and companies bad loans in the Hungarian banking sector are likely to rise – something the Hungarian central bank (MNB) recognised this week. This is also the reason why the MNB finds it impossible to cut rates, as any rate cuts would likely further weaken the forint and further increase financial sector fragilities.

Another currency that has been in the spotlight during the week is the South African rand that is now finally is beginning to lose its positive momentum. The rand has been strengthening for months, but this week it has come under pressure, sparked among other things by increased strike activity in South Africa – in both the public and the private sector. To us it is not surprising that the rand has come under pressure, the only surprise is why it has not come under selling pressure before now and why the sell-off has been relatively moderate. Hence, we believe that we could be in for further rand weakness going forward.

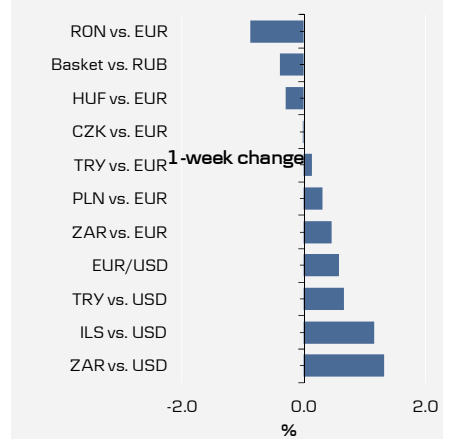
Preview: The trend is *not* the friend of ZAR and TRY

The two lowest scoring currencies in our EMEA FX Scorecard this week is the South African rand and the Turkish lira. Among the key reasons for this is that both currencies are rather overvalued on a fundamental basis – and have been for some time. Furthermore, both currencies are quite sensitive to the deterioration of the global economic and financial climate we have seen recently and especially the uptrend in EUR/USD is something that normally weighs on both currencies as they typically do badly when the dollar is losing momentum.

However, this is not real news in the sense the sub score for global conditions and for valuation have been negative for ZAR and TRY for a while. The real news, in our view, is that it looks like both currencies are beginning to weaken, especially against the euro, but also to some extent against the dollar. So while there is no doubt that “the trend is your friend”, it is also clear that the trend is turning against ZAR and TRY. Therefore, we would advise investors to give more attention to technical levels for EUR/ZAR and EUR/TRY in the coming weeks, as we could see a clearer uptrend in these two crosses. That would, in our view, be a relatively strong sell signal for ZAR and TRY, as it would mean that both fundamental and technical factors would be sending the same bearish signal on the rand and the lira. That said we are not there yet with EUR/ZAR still trading below its 50-day moving average of about 9.45, nor has the cross decisively broken above the key resistance level of 9.4165. But if we were to break more significantly above these levels then we believe the door would be open for a stronger up-move in EUR/ZAR. Similarly with EUR/TRY if we break up through key moving averages and key resistance levels around 1.95-1.97 then we believe we soon could be in for a major up-move in EUR/TRY. So keep an eye on these crosses and the key resistance levels.

Hence, the rand and the lira remain the most negative scoring currencies in the EMEA FX Scorecard. Overall, the Scorecard also continues to send bearish signals on the EMEA currencies in general. That said the Scorecard scores positively for ILS, PLN and CZK and these currencies should be expected outperform the lira, rand, forint and leu (which all score negatively in the Scorecard) in the coming one to three months.

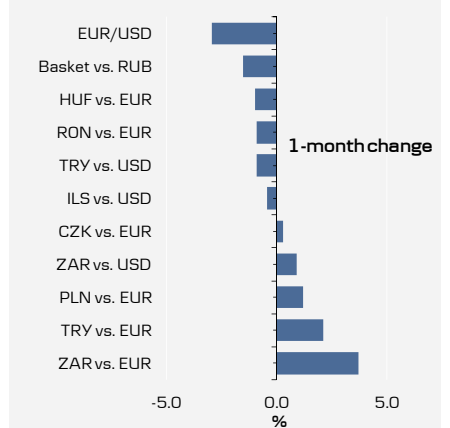
FX performance – one week



Data updated: 03/09 - CET: 14:09

Source: Reuters Ecowin

FX performance – one month



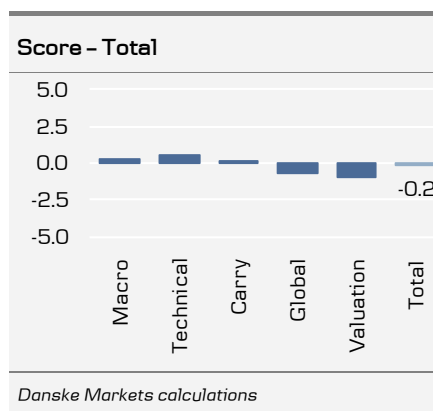
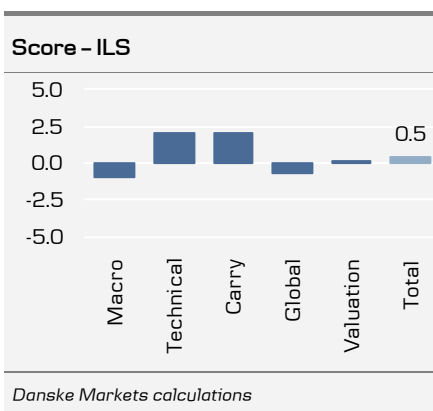
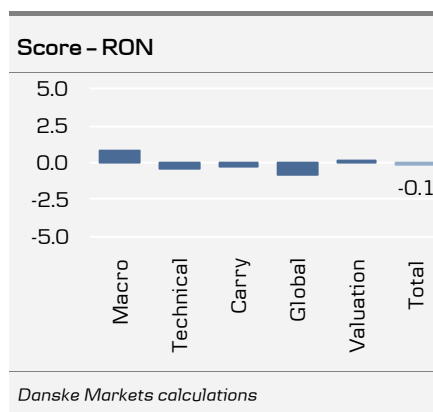
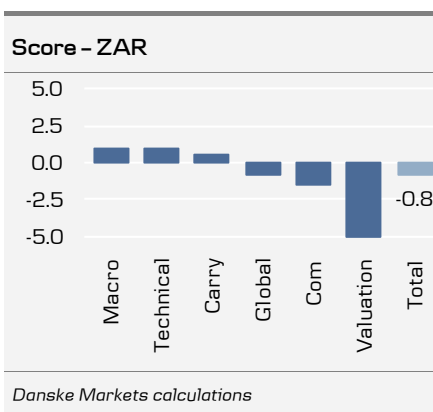
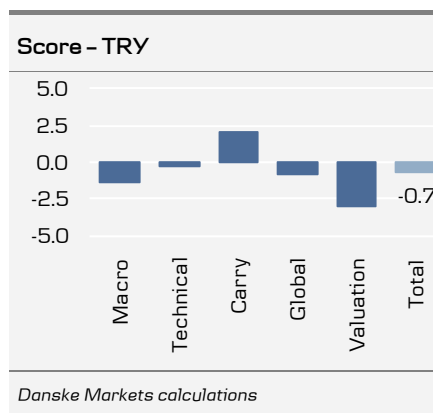
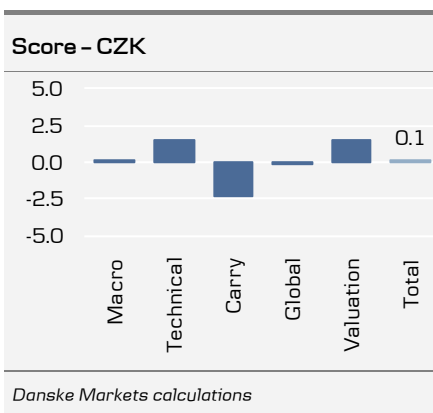
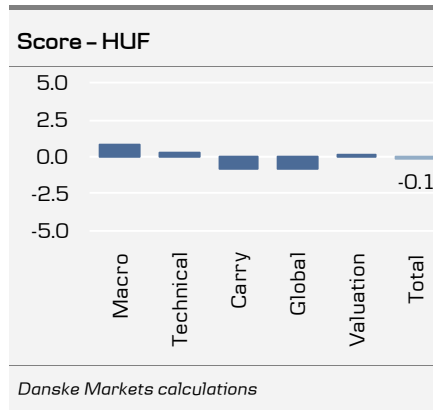
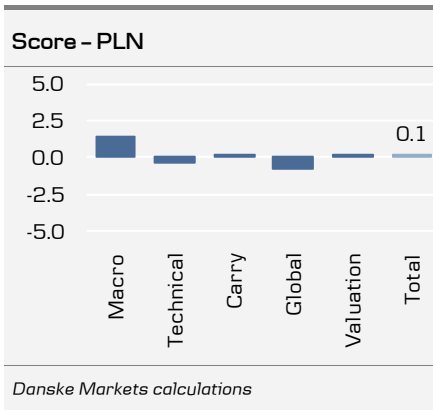
Data updated: 03/09 - CET: 14:09

Source: Reuters Ecowin

Scorecard based trade of the week: Buy ILS/ZAR

For the third week in a row the highest scoring currency in our EMEA FX Scorecard is the Israeli shekel, while the lowest scoring currency is the South African rand. Therefore we continue to recommend buying ILS/ZAR based on our EMEA FX Scorecard.

EMEA FX Scorecard overview



EMEA FX Scorecard outline

- All scores are computed on a scale from +5 to -5. A score is then combined from the different sub-scores.
- **Macro:** calculates the growth momentum in different monthly macro indicators.
- **Technical:** calculates the momentum in different volatility measures, short- and longer-term moving averages and the level of relative strength index.
- **Carry:** calculates the momentum in local three-month rates, carry-to-risk, spread against EUR or USD three-month rates and spread against peers.
- **Global:** consists of a global growth score based on leading global indicators, a liquidity score based on the G3 real rates and a sentiment score based on performance in the global equity market and traditional funding currencies.
- **Valuation:** calculates whether currencies are over/undervalued compared with the long-term trend in the real effective exchange rate (REER). The trend is adjusted for external imbalances, i.e. an imbalance-adjusted REER. The scores are calibrated to reflect the short-term impact of the valuation on the FX.

CIS update

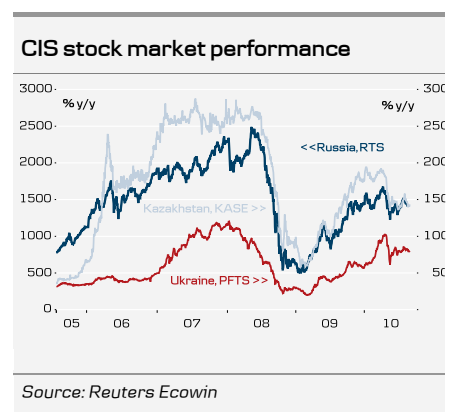
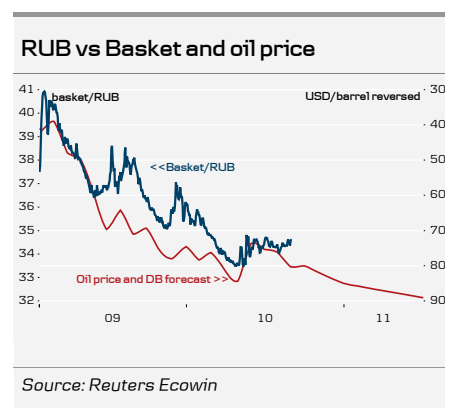
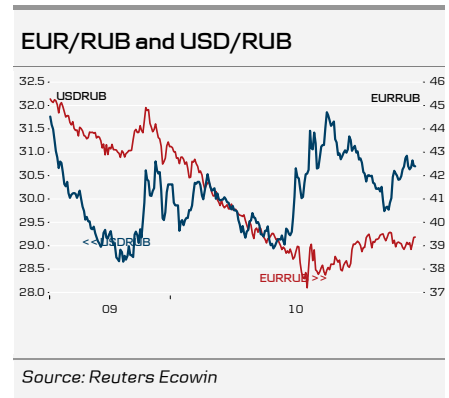
Revision on Russian Q2 GDP growth is expected next week. We currently believe that our GDP forecast of 3.6% for 2010 is slightly optimistic, so a small upward revision in H2 GDP figures will not induce a revision to our forecast. But when it comes to 2011 growth prospects we are getting more optimistic. Given that the global recovery continues, even at a moderate pace, and the oil price remains at decent levels above USD70/barrel, we are expecting nascent credit growth to support the Russian economy in 2011. In addition to that, we now expect around 10% y/y growth in investments in H2 2011, which could push the overall GDP growth above our current 4.1% forecast in 2011.

GDP composition in Q2 is likely to show strong growth in trade balance surplus as well as consumption, but investments remain subdued. Given the pre-crisis growth rate of around 15% y/y in fixed investments, this component is the biggest uncertainty in Russian growth prospects. Investments account for about 20% of total GDP, which means that when investments start to pick-up, GDP growth is likely to surprise on the upside. However, we expect the spurt in investments to emerge only in H2 11.

Russian foreign trade figures are also of great interest during the next couple of months. We expect consumer demand to spur imports and at the same time year-on-year export growth is slowing, as the positive base effect from low oil prices in early-2009 is fading. We believe this will shrink the trade balance surplus growth to zero in H2 10, making it difficult to hold up the good GDP growth performance seen in H1.

The Ukraine is facing a similar scenario to Russia, with H2 10 growth expected to remain well below H1 growth. In the first half of this year, GDP growth exceeded 6%, according to the preliminary forecast. Full-year growth is nevertheless expected to remain at 4%.

GDP growth in Kazakhstan is likely to be above the previous official forecast of 4% in 2010. The finance ministry expects growth to reach 5% this year, but sees growth rate moderating in 2011-13 to just above 3%. Kazakhstan is even more dependent on its resource sector than Russia.



Year-end CPI forecasts for CIS				
Year	Russia Danske	Russia official	Ukraine official	Kazakhstan official
2010	3.6	4	3.7	5
2011	4.1	4.2		3.1
2012	4.5	3.9		3.2

Source: Reuters EcoWin and Danske Markets

Special: Polish macro outlook

This week data on Polish GDP for Q2 was published. The outcome was slightly better than expected as the data showed that the Polish economy grew 3.5% y/y in Q2, up from 3% y/y in Q1. We have updated our macro forecast on the Polish economy taking into account the latest economic releases for July and August. The forecasts are presented in our *Polish Macro Monitor*. Below we present a summary of the analysis.

The outlook for the Polish economy continues to look bright. Taking into account the data on Q2 GDP growth, we have revised our growth forecasts up for this year and next on the back of a more promising outlook for investments and exports. We now expect the Polish economy to grow 3.1% y/y in 2010 and 4.6% y/y in 2011.

Polish external balances have improved markedly. However, there does not seem to be much further improvement in sight. Our models indicate that the Polish trade balance and current account balance should remain at current levels going forward. However, we regard the current deficit levels as sustainable.

We are now more optimistic on the outlook for the Polish labour market. Polish economic growth should return to trend growth around Q4 this year and the rise in unemployment should therefore be close to the peak. We now expect Polish unemployment to decline through 2011 and 2012.

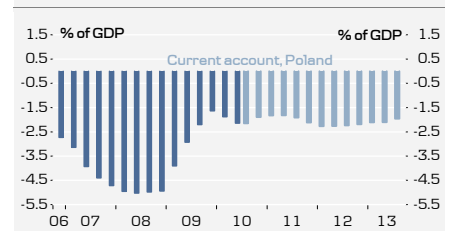
Polish inflation has ticked down in recent months and is now within the Polish central bank's inflation target of 2.5% y/y +/-1pp. However, as unemployment reaches the top and wage growth begins to speed up we should see pressure beginning to impact Polish prices. We forecast inflation at 2.6% y/y this year and 2.6% y/y next year.

Recovery continues



Source: Reuters Ecowin and Danske Markets

External balances should stabilise



Source: Reuters Ecowin and Danske Markets

Unemployment is close to the peak



Source: Reuters Ecowin and Danske Markets

Inflation should stay around target



Source: Reuters Ecowin and Danske Markets

Macro forecasts

Year	Gdp ¹	Private cons ¹	Fixed Inv ¹	Export ¹	Import ¹
2009	1.8	2.2	-1.0	-9.4	-13.4
2010	3.1	3.5	-1.6	14.1	13.2
2011	4.6	3.7	13.2	13.8	11.9
2012	4.1	3.5	7.6	13.7	11.6

1) Average %y/y 2) % of GDP 3) % of total work force 4) Export and import prices, EUR

Source: Reuters Ecowin and Danske Markets

Macro forecasts

Year	Trade Balance ^{2,4}	Current acc. ^{2,4}	Industrial prod. ¹	Unemployment ³	Wages ¹	Inflation ¹
2009	-1.0	-1.6	-3.6	11.9	4.2	3.5
2010	-0.9	-1.9	12.1	12.0	3.1	2.6
2011	-1.2	-2.1	7.9	10.8	3.0	2.6
2012	-1.3	-2.2	6.8	10.5	5.3	2.6

1) Average %y/y 2) % of GDP 3) % of total work force 4) Export and import prices, EUR

Source: Reuters Ecowin and Danske Markets

Currency forecast, EMEA

Currency Forecast, New Europe/EMEA						
Sep 3. 2010		EUR	USD	SEK	NOK	DKK
USD	Actual	1.28	-	725	615	580
	+3m	1.24	-	750	629	601
	+6m	1.27	-	709	610	587
	+12m	1.32	-	697	587	565
PLN	Actual	3.95	3.08	236	200	188
	+3m	4.00	3.23	233	195	186
	+6m	4.00	3.15	225	194	186
	+12m	3.95	2.99	233	196	189
HUF	Actual	284	222	3.27	2.77	2.62
	+3m	290	234	3.21	2.69	2.57
	+6m	290	228	3.10	2.67	2.57
	+12m	290	220	3.17	2.67	2.57
CZK	Actual	24.7	19.2	37.7	32.0	30.2
	+3m	24.5	19.8	38.0	31.8	30.4
	+6m	24.1	19.0	37.3	32.2	30.9
	+12m	23.4	17.7	39.3	33.1	31.9
EEK	Actual	15.6	12.2	59.5	50.4	47.6
	+3m	15.7	12.6	59.4	49.8	47.6
	+6m	15.7	12.3	57.5	49.5	47.6
	+12m	15.7	11.9	58.8	49.5	47.7
LVL	Actual	0.71	0.55	1315	1114	1051
	+3m	0.70	0.56	1329	1114	1064
	+6m	0.70	0.55	1286	1107	1064
	+12m	0.70	0.53	1314	1107	1066
LTL	Actual	3.45	2.69	270	228	216
	+3m	3.45	2.78	270	226	216
	+6m	3.45	2.72	261	225	216
	+12m	3.45	2.61	267	225	216
RON	Actual	4.28	3.33	218	184	174
	+3m	4.20	3.39	221	186	177
	+6m	4.25	3.35	212	182	175
	+12m	4.30	3.26	214	180	173
BGN	Actual	1.96	1.52	476	403	381
	+3m	1.96	1.58	476	399	381
	+6m	1.96	1.54	460	396	381
	+12m	1.96	1.48	471	396	382
TRY	Actual	1.93	1.51	482	408	385
	+3m	1.93	1.56	482	404	386
	+6m	2.03	1.60	443	382	367
	+12m	2.22	1.68	414	349	336
RUB	Actual	39.4	30.7	23.6	20.0	18.9
	+3m	38.1	30.7	24.4	20.5	19.6
	+6m	36.8	29.0	24.4	21.0	20.2
	+12m	37.5	28.4	24.5	20.7	19.9
UAH	Actual	10.16	7.91	91.7	77.7	73.3
	+3m	10.54	8.50	88.2	74.0	70.7
	+6m	10.03	7.90	89.7	77.2	74.3
	+12m	8.98	6.80	102.5	86.3	83.1
ZAR	Actual	9.26	7.22	100.5	85.2	80.4
	+3m	9.49	7.65	98.0	82.2	78.5
	+6m	10.16	8.00	88.6	76.3	73.3
	+12m	11.42	8.65	80.6	67.9	65.3
ILS	Actual	4.84	3.77	192.2	162.8	153.7
	+3m	4.59	3.70	202.7	170.0	162.4
	+6m	4.70	3.70	191.5	164.9	158.5
	+12m	4.82	3.65	191.0	160.9	154.8

Source: Reuters Ecowin and Danske Markets

Macro Forecast, EMEA

	Year	Gdp ¹	Private. Cons ²	Fixed Inv ³	Export ¹	Import ¹	Trade Balance ^{2,4}	Current acc. ^{2,4}	Industrial prod. ¹	Unem- ploy ³	Infla- tion ¹
Czech Republic	2009	-4.1	-0.3	-9.2	-14.2	-15.3	5.0	-1.1	-13.2	9.1	1.1
	2010	0.5	0.2	-3.1	12.3	7.7	7.1	1.3	10.7	10.1	1.5
	2011	2.4	0.7	6.4	14.7	11.1	8.1	2.1	9.4	10.7	2.0
Estonia	2009	-14.1	-18.8	34.4	-11.3	-26.7	-4.1	4.6	-26.2	15.5	-0.1
	2010	0.3	-2.9	-2.6	20.8	15.0	-5.4	1.6	15.4	20.6	2.5
	2011	2.0	0.9	5.7	13.5	12.8	-9.1	-1.3	20.5	17.9	3.3
Hungary	2009	-6.3	-7.6	-6.3	-8.9	-15.2	4.3	0.2	-17.8	10.8	4.2
	2010	-1.9	-2.0	-2.2	12.1	11.2	5.7	1.8	9.5	13.6	5.2
	2011	3.0	2.6	4.1	8.9	7.3	5.6	1.3	9.0	14.7	4.6
Latvia	2009	-18.0	-23.9	-37.1	-15.4	-35.4	-6.6	9.6	-15.8	19.7	3.6
	2010	-3.5	-0.1	-33.7	9.1	9.2	-5.7	9.5	13.1	21.0	-1.7
	2011	1.5	1.0	1.3	8.5	8.9	-4.9	11.3	16.1	21.5	0.1
Lithuania	2009	-14.8	-16.8	-39.0	-14.0	-29.0	-2.9	3.8	-14.4	15.6	4.5
	2010	1.2	-2.8	-17.4	15.6	6.3	-0.8	5.3	6.0	19.0	1.0
	2011	3.6	2.0	8.0	13.2	6.0	0.9	8.0	12.3	17.6	1.1
Poland	2009	1.8	2.2	-1.0	-9.4	-13.4	-1.0	-1.6	-3.6	11.9	3.5
	2010	3.1	3.5	-1.6	14.1	13.2	-0.9	-1.9	12.1	12.0	2.6
	2011	4.6	3.7	13.2	13.8	11.9	-1.2	-2.1	7.9	10.8	2.6
Russia	2009	-7.9	-7.8	-15.9	-4.2	-29.8	7.4	3.8	-10.9	8.2	11.7
	2010	3.6	4.5	1.0	24.0	19.0	7.5	4.5	5.2	7.9	7.0
	2011	4.1	5.9	7.0	13.0	22.0	6.9	3.1	3.6	7.3	9.2
Turkey	2009	-4.7	-2.0	-18.8	-5.3	-13.2	-4.0	-2.2	-8.9	-	6.3
	2010	7.9	6.7	17.9	6.6	12.6	-5.3	-4.7	10.5	-	9.0
	2011	5.9	5.7	8.6	14.0	11.2	-4.7	-3.4	4.0	-	7.8

1) Average % y/y 2) % of GDP 3) % of total work force 4) Export and import prices

Source: Reuters Ecowin and Danske Markets

Macro Monitors

Macro Monitor - Hungary, June 25

Macro Monitor - Czech Republic, June 25

Macro Monitor - Turkey, July 14

Macro Monitor - Poland, September 3

Macro Monitor - Estonia, July 21

Macro Monitor - Lithuania, July 28

Macro Monitor - Latvia, August 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	eras@danskebank.dk
----------------	-----------------	--------------------

Global Retail SME, FX

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

Trading FX, Fixed Income, Danske Markets

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

Danske Bank Poland, Warsaw

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 over-all 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.

Expected updates

This publication is updated weekly.

First date of publication

Please see the front page of this research report for the first date of 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.