

# Weekly Focus

## Worries are intensifying

### Market Movers ahead

- Market focus is likely to remain on the US economy in the coming week. The minutes of the most recent FOMC policy meeting could reveal important information about the Federal Reserve's decision to reinvest the proceeds of its MBS portfolio in Treasuries. There have been rumours that several FOMC members were in doubt about the decision. In addition, the ISM will give us an update on the pace of the slowdown in the US manufacturing industry. We expect the ISM to decline to 53.6 in August. The August employment report will finish off a hectic week on Friday. Early labour market indicators are pointing towards a weak report, with private employment set to grow a meagre 20,000.
- In Europe, the key event of the week will be the ECB Governing Council meeting on Thursday. While policy rates are likely to remain unchanged, a key question is whether the ECB has become more worried about the effect of the increasingly disappointing US indicators on the European growth outlook. Another important question that might be addressed at the policy meeting is whether the ECB will extend the full liquidity allotment - we believe this is likely. In Sweden, we expect the Riksbank to hike policy rates by 25bp to 0.75%.

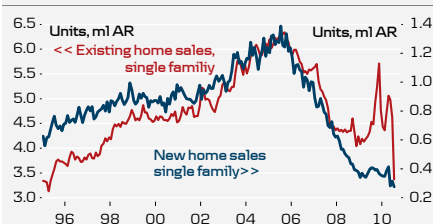
### Global Update

- The flow of weak economic indicators out of the US continued in the past week. Home sales have plummeted following the expiry of the tax credit for homebuyers. This has raised concerns about the strength of the underlying trend in home sales. Also, durable goods orders have called the strength of business investment into doubt. However, the reduction of weekly jobless claims was a positive, with initial jobless claims retreating to 473,000.
- The weakness in US indicators is likely to feed through to the European economy. In fact, new export orders in Europe's manufacturing PMI weakened. The European economy, led by Germany, should nonetheless be able to continue delivering above-trend growth in Q3. However, although it has remained strong so far, Germany's Ifo manufacturing activity index is also pointing towards slowing growth.

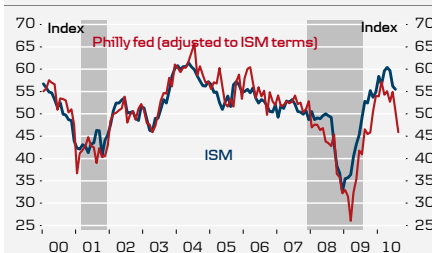
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#### Implosion in home sales



#### Local surveys in the US point to a decline in ISM



#### Editors

Allan von Mehren  
+45 4512 8055  
alvo@danskebank.dk

Steen Bocian  
+45 45 12 85 31  
steen.bocian@danskebank.dk

# Market movers ahead

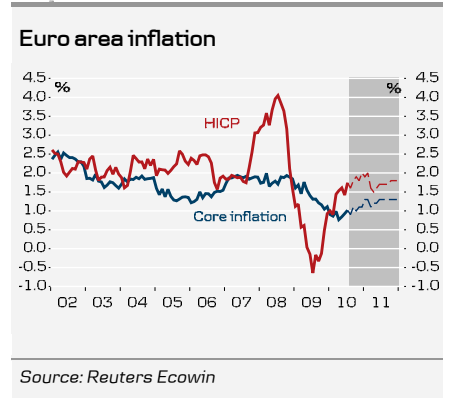
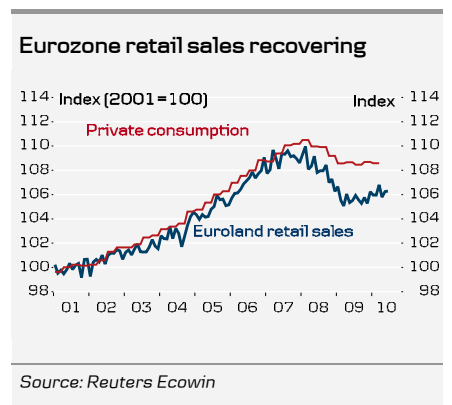
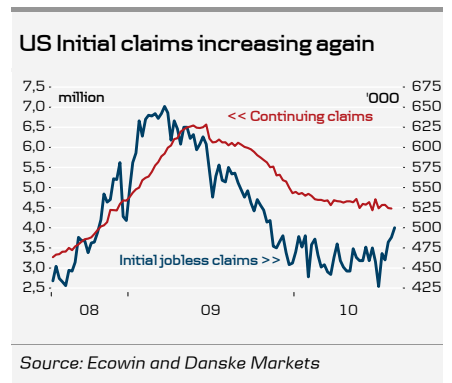
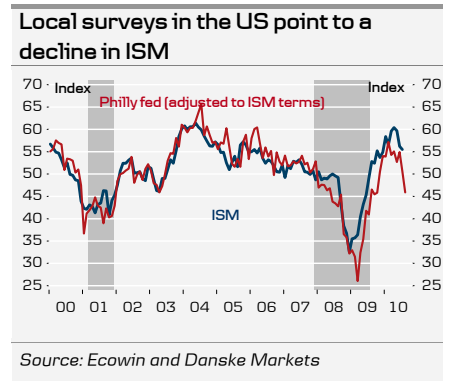
## Global

- Market focus is likely to remain with the **US** the coming week, as it is heavy on US data and events. Firstly, the FOMC minutes will reveal details about the discussion at the latest FOMC meeting, and the reasoning behind the decision to reinvest the proceeds from Fed's MBS portfolio in treasuries. A WSJ article this week said that several FOMC members were in doubt about the decision. It will also be worth keeping an eye on the many Fed speeches scheduled for next week.

Secondly, ISM for August will give us updated information about the pace of the slowdown in the manufacturing sector. The regional surveys received so far have been bleak, suggesting that the slowdown could be more pronounced than our fundamental models predict. Taking both signals into account, we expect the ISM to decline to 53.6 in August.

Finally, the August employment report is likely to add to the round of depressing data received from the US economy recently. The unfavourable turn in initial jobless claims combined with the fast slowdown in economic activity in recent months, points to a weak trend in private employment. We expect a meagre increase of 20,000 in August. The termination of temporary employment for Census will continue to distort headline payrolls. We expect a drag of 150,000 from Census which will take overall employment to -130,000 in August.

- The major economic event in the **euro area** next week is the ECB Governing Council meeting. Policy rates will remain unchanged, but there will be plenty of other signals to look for. Will Mr. Trichet be as happy as he appeared at the last meeting? We think not - US data have deteriorated a lot since the last meeting, and it can only be a matter of time before it begins to drag on European growth. Will the ECB prolong full allotment? We think it will – at least until the end of the year. The ECB will also have to revise its staff growth forecast upwards due to the better than expected outcome in Q2. The inflation forecast is likely to remain unchanged. The simple conclusion is that the ECB is not going to hike rates for a long time.
- Switzerland** is heading for a quite interesting week. Attention will focus particularly on the Q2 GDP numbers due out Thursday and the August inflation numbers due Friday. We expect healthy GDP growth of 0.75% from Q1 to Q2 (2.6% y/y), driven not least by consumer spending and exports. Moving on to the inflation data, we expect another decline in the inflation rate from 0.4% y/y in July to 0.2% y/y in August. With inflation approaching zero and no signs of major inflationary pressures in core inflation measures, we see a risk of the first rate hike from the Swiss central bank, SNB, being pushed back a little further than December 2010, which is our current forecast. The likelihood of a later-than-expected initial rate hike is supported by growing fears recently of another downturn in particularly the US economy. Moreover, it is worth keeping an eye on Monday's PMI data for August and Thursday's retail sales numbers for July.
- In **Asia** focus next week will be on the manufacturing PMIs released across Asia. We should pay attention to China's two manufacturing PMIs in particular because over the past two years **China** has led the rest of Asia (and the rest of the world for that



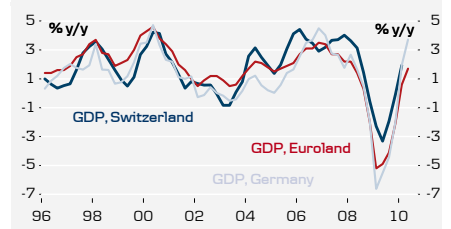
matter). In our view the Chinese manufacturing PMIs will bottom out in the coming months. This view is supported by some recovery in domestic steel prices. We expect China's official NBS manufacturing to improve slightly in August, both because it has shown most signs of stabilisation recently and it tends to go higher seasonally in August. On the other hand, the HSBC/Markit will probably decline slightly, but we expect it to show signs of stabilisation.

Outside China we expect manufacturing PMIs to continue to decline in August as they have recently lagged China. This includes **Japan's** Nomura/JMMA manufacturing PMI where not least the strong JPY weighs heavily. We only expect industrial production in Japan to have edged marginally higher in July following the -1.1% m/m drop in the previous month, underlining that the manufacturing recovery has slowed substantially. In addition, everybody's eyes will be on Bank of Japan (BoJ). There has been some speculation that BoJ could soon call an emergency meeting to discuss what to do about the strong JPY. We do not expect intervention in the FX market, but think it will step up its quantitative easing further, but most likely not until its next scheduled meeting on September 6-7.

**Scandies**

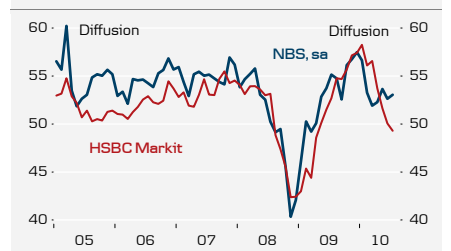
- In **Denmark** the key event will be the release of Q2 GDP data. We expect positive growth for the fourth quarter running, with Q2 GDP growth likely to come out at around 0.5% q/q (1.8 y/y). The coming week will also see the release of retail sales numbers for July 2010. Retail sales have disappointed slightly in recent months and we expect a modest decline of -0.5% m/m for July. Also, business confidence numbers for August are due out, and we expect business confidence to continue to improve gradually, following the turnaround in domestic and global activity. Finally, business purchases and sales of goods and services for July 2010 are due out. Importantly, these numbers will give us an indication of the condition of Danish exports.
- In **Sweden** the main event is no doubt Riksbank's monetary policy announcement on Thursday. Everybody will be looking at the Riksbank's repo rate path to see if there are any tendencies to halt the hiking cycle earlier. Given the performance of Swedish rates lately we honestly cannot see how there might be room for further drops in yields, and that is despite being by far the most pessimistic forecasters on the Swedish economy. Instead, we see the Riksbank hiking as planned in September and October, especially since data on balance have come in *stronger* than the Riksbank expected at its end-June meeting.
- **Norway** has a heavy data calendar ahead of it. Indicators have generally surprised on the upside recently and we expect the coming week to show that the positive trend has continued in Q3 10. Consumer spending growth disappointed in Q2, mainly due to an increase in the savings ratio to 7.9%. We expect consumer spending to have stabilised in July, with retail sales set to grow 0.8% m/m. As opposed to what many seem to believe, recent months have shown signs of stronger household credit growth and credit growth has probably overtaken income growth by now. As the household debt ratio is already running at 190%, this trend is not sustainable. This is one of the main reasons why we expect Norges Bank to continue hiking rates gradually in spite of the outlook for declining rates and yields in many other countries. We expect the PMI index to weaken to 52.5 in August but this is due to seasonal adjustment distortions in July rather than manufacturing industry showing signs of slowing down, we believe.

**Swiss GDP growth at the upper end of the league**



Source: Reuters Ecowin

**China's two manufacturing PMIs have diverged in recent months**



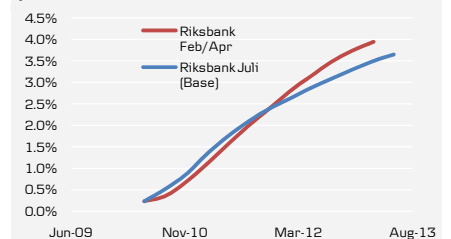
Sources: Reuters Ecowin and Markit

**Danish economy set for positive growth again in Q2 10**



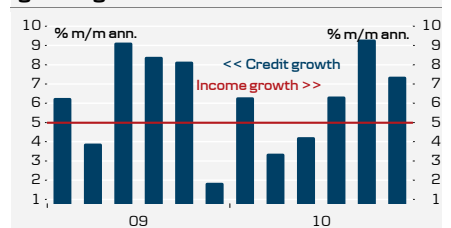
Source: Reuters Ecowin

**Sweden's Riksbank flattening its rate path further**



Source: Riksbank

**Debt ratio of Norwegian households is growing**



Source: Reuters EcoWin and Danske Bank

Market movers ahead

Global movers			Event	Period	Danske	Consensus	Previous	
Tue	31-Aug	1:15	JPY	Manufacturing PMI	Index	Aug	51.8	52.8
		1:50	JPY	Industrial production	m/mly/y	Jul	0.2% 14.1%	-1.1% 17.3%
		20:00	USD	Minutes from FOMC meeting				
Wed	01-Sep	3:00	CNY	NBS manufacturing PMI	Index	Aug	52.0	51.4
		4:30	CNY	HSBC manufacturing PMI	Index	Aug	48.7	49.4
		9:30	CHF	PMI	Index	Aug	65.9	66.9
		16:00	USD	ISM	Index	Aug	53.6	53.0
Thur	02-Sep	7:45	CHF	Real GDP	q/q anly/y	2nd quarter	0.75% 2.6%	0.4% 2.2%
		9:15	CHF	Retail sales	y/y	Jul		0.9%
		13:45	EUR	ECB Announces Interest Rates	%		1.00%	1.00%
Fri	03-Sep	7:45	CHF	CPI	m/mly/y	Aug	-0.1% 0.2%	-0.7% 0.4%
		14:30	USD	Nonfarm payroll	1000	Aug	-130	-105
Scandi movers			Event	Period	Danske	Consensus	Previous	
Mon	31-Aug	9:30	DKK	GDP	q/q y/y	2nd quarter	0.5% ...	0.6% -0.4%
		10:00	NOK	Retail sales	m/mly/y	Jul		-0.1% 2.9%
		10:00	NOK	Credit indicator (C2)	y/y	Jul	4.8%	4.6%
Wed	02-Sep	8:30	SEK	Swedish PMI	Index	Aug		64.2
		9:00	NOK	PMI	Index	Aug	52.5	54.0
		9:30	DKK	Retail sales	m/mly/y	Jul	-0.5% ...	-1.4% 0.2%
		11:00	DKK	Danish PMI	Index	Aug		50.7
Thur	03-Sep	9:30	SEK	Riksbank, Rate decision	%	Sep	0.75	0.5

Source: Bloomberg and Danske Markets

# Global update: Looking ugly

## Stress is on the rise

The past week offered no relief to worries about the global recovery. US data were very weak and equities have now given back most of the gains seen over summer. Strong data in Germany did not get much attention in the markets. PIGS countries have also come under renewed pressure – not least Ireland which got downgraded one notch to AA- by S&P.

Bond yields in core Europe have fallen steeply, increasingly driven by the long end. This points to some pain in the pension sector as lower bond yields lead to rising liabilities for pension funds with guarantees. As equities fall this eats into reserves and increases the need to hedge against further decline in equities and bond yields.

Overall the signs of stress have been on the rise this week and should be watched closely. Data on US ISM and non-farm payrolls next week will clearly be important for the slowdown fears.

## A tsunami of bad US data

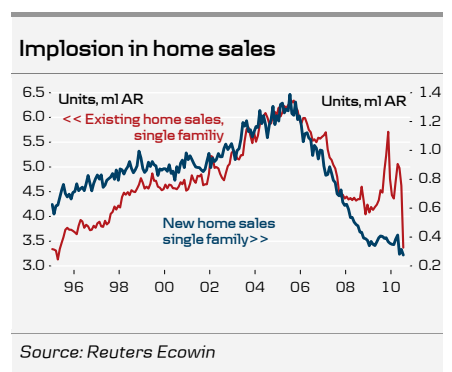
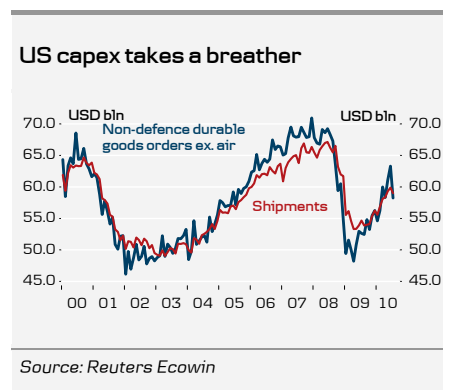
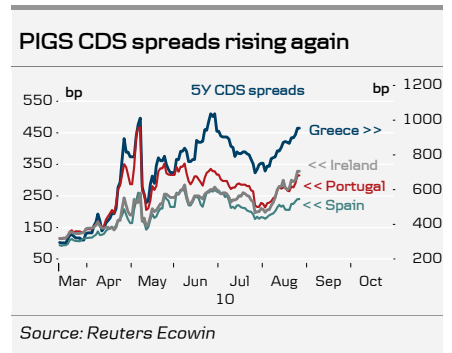
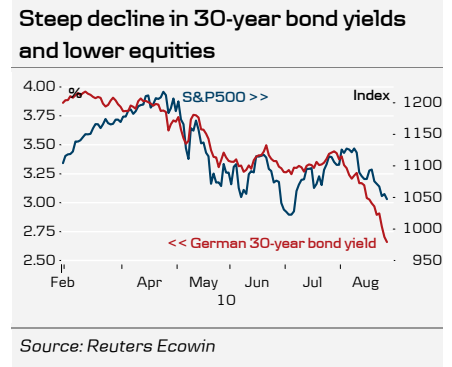
The tsunami of terrible data from the US economy continued this week.

The implosion in home sales following the expiry of the first-time-home buyer credit continued. New home sales dropped to a new all-time low, while existing home sales reached cycle low. The recent data raise serious questions about how weak the underlying trend in home sales actually is. While there is little doubt that the current level exaggerates the weakness, it is also reasonable to believe that the underlying trend is much weaker than we earlier believed. Given the current level of data residential construction is set to decline about 30% q/q AR in Q3. Moreover, it raises concern that prices could resume declining.

Businesses also showed more discomfort in July, as the durable goods orders embedded much worse details than expected. Core capital goods orders – which is usually a good proxy for future CAPEX spending – declined 8% m/m from an upward revised 3.6% m/m, while shipments dropped 1.5% m/m. This put equipment and software spending on track for a softer pace of growth. In combination with the housing data it adds some downside to our 2% q/q AR Q3 growth forecast. However, note that these data are notoriously volatile and subject to big revisions. Further, the setback arrives following some very solid months. Hence, before getting too concerned about this, we would like to see if the trend is sustained.

Weekly claims data stand out as the good news this week. Initial claims declined to 473K following several weeks of upward trending, which we believe reflects a seasonal distortion from the lack of shutdowns in the auto sector. If claims data manage to hold this level, it will be a sign that the job recovery continues – albeit at a moderate pace.

While the continued flow of bad data is increasing the pressure on the Fed to step up its QE a WSJ article this week revealed large disagreement about this issue within the Fed. Apparently several members had been very reluctant about the Fed's decision to re-invest principal payments on its mortgage portfolio. This indicates that the bar for further QE is



relatively high. We will hopefully get more information on this topic from the Jackson Hole grape vine and the minutes, but for now the markets may have read too much into the recent Fed statement.

### Euro zone: Strong confidence, but growth is set to slow

PMI data indicated that the US slowdown is beginning to drag on euro area growth. Manufacturing PMI new export orders point to a notable decline in export growth. The slowdown is also affecting the rest of the euro area economy. Both composite PMI and the new orders index indicate slowing growth.

The German Ifo index showed that the rebound in Germany is intact for now. The evidence is thus mounting that Germany will post above-trend growth in Q3, though not as spectacular as Q2. Ifo expectations points to a slowdown in German industrial production growth. At the same time, sub indices indicate that we can see a strengthening rebound in retail and services, which helps to put the recovery on a more sustainable path. Indeed German Q2 GDP details showed that private consumption increased 0.6% q/q in Q2 and construction increased an impressive 5.2% q/q. The weather-related dip in Q1 was less pronounced than previously thought as construction growth in Q1 was revised up from -3.8% to -0.7%.

The ECB's monetary data showed a mixed picture with annual loan growth improving, M3 annual growth unchanged and monthly loan flows deteriorating. It is not evident from the monetary analysis that the euro area recovery is getting much traction.

### Asia: BoJ likely to move soon

In Japan growth is without doubt slowing, but so far we do not believe it will be a "double dip". The economic data released during the past week have actually been slightly encouraging. While exports month-on-month in July declined slightly in current prices for the third month in a row, export volumes increased a healthy 2.4% m/m. Hence, so far it appears that the strong JPY has mainly hurt companies' margins. In addition the unemployment rate in July unexpectedly declined from 5.3% to 5.2% - the first drop in the unemployment rate since January 2010. In addition, the jobs-to-applicants ratio continues to improve. In our view this is a more reliable labour market indicator and contrary to the unemployment rate it suggests that the labour market has continued to improve since December 2009. So the overall picture in our view is that the Japanese labour market continues to improve, but the pace of the improvement will slow and could start deteriorating if growth slows more than expected.

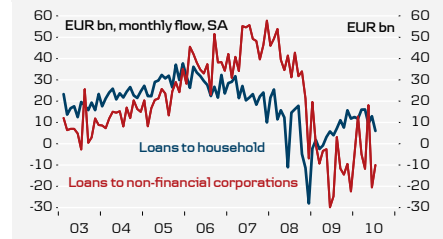
In the past week everybody's attention has been on the strong JPY and on possible intervention in the FX market to stem the recent appreciation of JPY. In our view there will be no direct intervention in the FX market, but we expect Bank of Japan (BoJ) to step up its quantitative easing most likely in connection with its next monetary meeting on September 6-7 when BoJ will probably downgrade its view of the economy for the first time since early 2009, see *Flash Comment - Japan: BoJ move to stem strong yen is imminent*. The move should be able to create a more solid floor under USD/JPY. However, unless BoJ delivers aggressively, we are unlikely to see JPY weaken significantly until the financial markets regain confidence in global growth.

Euro PMI indicates slowing growth



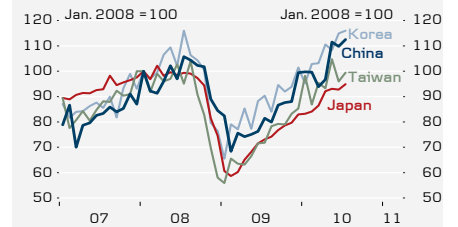
Source: Reuters Ecowin

Euro: Bank loans show weakness



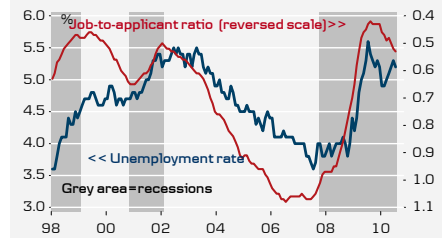
Source: Reuters Ecowin

Japanese exports still rising



Source: Reuters Ecowin

So far the labour market still appears to be improving in Japan



Source: Reuters Ecowin

# Scandi Update

## Denmark – Draft Budget in the shadow of the crisis

In the past week the government revealed its new economic forecast and hence its view on the health of the Danish economy. Overall, the new forecast sprang no major surprises. While the government expects the economic recovery in Denmark to continue over the coming years, it still sees a risk of renewed headwinds surfacing. The government forecasts the economy to grow 1.4 % this year and 1.8 % next year, which is fully consistent with our expectations.

Interestingly, the government expects the general government deficit to rocket to a whopping DKK80.1bn in 2010. Although this fact attracted a lot of media attention over the week, it was not really surprising, as the government had estimated as early as in May 2010 that the budget deficit would come close to DKK80bn for 2010. Be that as it may, this is a huge deficit and it is bound to impact the economic and political agenda for some time to come.

So, the Draft Budget focuses on restoring government finances to their former health. For example, the government aims to secure zero growth (in real terms) in public spending over the coming years. Although budget restraints are much needed, given the large budget imbalances, it is doubtful, though, whether the government will achieve its aim. Experience from the past 10 years has shown that particularly the municipal authorities – which account for around 70% of total public spending – have had a really hard time keeping spending within the agreed limits.

Over the past week, Statistics Denmark released the Q2 labour force survey data and July unemployment numbers. On a positive note, the LFS statistics showed an increase in employment (seasonally adjusted) of 11,000 from Q1 to Q2 – the first increase registered in employment since Q1 08. The LFS data also showed a decline in the number of jobless people (seasonally adjusted) of 2,000 from Q1 10 to Q2 10. This was fully consistent with the development in official gross unemployment during the same period. On the negative side, gross unemployment showed a disappointing increase of no less than 5,100 for July.

## Sweden – positive start to Q3 10

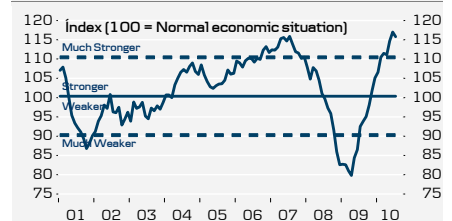
Quite the opposite to the US, Swedish data during the past week have been a flood of strong outcomes. NIER’s business and consumer surveys still indicate strong growth (see graph), the trade balance shot up and employment is clearly on a positive trend. Retail sales proved to be another strong set of data. Since the above data constitute the first hard data for Q3, we can quite simply conclude that the current quarter has started on a positive note. Despite being a small and very open economy, Sweden displays very few signs of slowing. As commented on in the Market Movers section, domestic and international outcomes have, on balance, and despite the recent bout of weak US data, surprised the Riksbank on the upside.

**Danish employment picking up a little**



Source: Statistics Denmark

**NIER economic tendency indicator pointing towards strong growth in Sweden**

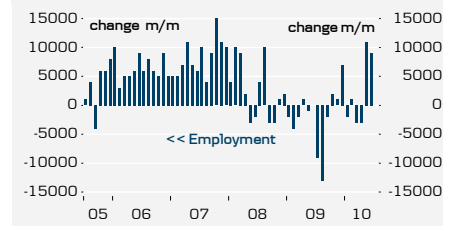


Source: National Institute for Economic Research

### Norway – labour market is improving

Indicators out of Norway continue to surprise on the positive side. Over the past week, data released by Statistics Norway (Labour Force Survey) showed that LFS unemployment has begun to trend down as have the registered unemployment numbers published by the Norwegian Labour and Welfare Administration (NAV). LFS unemployment was 3.5% for June – the lowest jobless rate recorded since March 2010. On a possibly even more upbeat note, employment continued to grow. Following an increase of 11,000 in May, employment grew by 9,000 in June. The labour market numbers confirmed the picture painted by other leading indicators such as the PMI, the business tendency survey and data from Norges Bank’s regional network. Given the increase in industrial orders of 28% in Q2 10 and the outlook for a strengthening recovery in the building and construction industry, unemployment could continue to decline going forward.

Employment is growing in Norway



Source: Reuters EcoWin and Statistics Norway

# Equities: Hard or soft landing?

## Mid-cycle slowdown most likely

Our main scenario, which centres on a mid-cycle slowdown, stems from our difficulty in envisioning what could prompt companies to severely cut back on their investments in capital goods and labour. Our point is, after the financial crisis of H1 08 and 09, corporate recruitment and investment never really picked up. A hard landing has historically demanded major job losses and hence the erosion of consumer purchasing power. However, you cannot lay off someone you have never employed. Further support for our mid-cycle slowdown forecast comes from the bank sector. This sector has begun to right itself in both Europe and the US, which means that households and small enterprises, in particular, will now benefit from the very accommodative monetary policy that the central banks have practically guaranteed for 2010-11. A final point that supports our scenario is a corporate sector so robust that money can now be earned on activity levels that are just 75% of what they were at the start of 2008. In other words, companies can sustain earnings that translate into a return on equity for investors - significantly higher than what might be expected from the bond market.

## A new economic crisis may be approaching

The equity market's current jitters stem from an apparent lack of confidence in the US economy that is best illustrated by the monthly consumer confidence numbers (released by the US Conference Board). US consumer confidence is unusually frail and this seems to be affecting US society generally. As the US consumption cycle remains the single most important factor that could trigger a global hard landing, consumer confidence is incredibly significant at the moment. Furthermore, the gloom of the consumer has cast a pall on the corporate sector. Why should companies begin to invest in the future if they, like consumers, believe yet another crisis is not far off? In our view, this crisis sentiment could trigger a deep slowdown should the housing market get sucked into the maelstrom and house prices fall once more. One of the key sentiment boosters in the growth years of 2003-07 was the housing market. House prices rose and private consumption outpaced wage growth due to the accumulation of homeowner equity. However, now the US property market is experiencing its worst crisis of recent years and households feel poor. Wage and house price expectations are very weak and may turn negative again (as in summer 2008), which in our opinion is the greatest macroeconomic risk for today's equity market. Furthermore, if the current crisis of confidence continues and tips into a full-blown economic tailspin it would be difficult to see how governments and central banks could respond – which is stoking fears of recession.

## A new economic crisis may be approaching

Our short-term expectations for the equity market are currently being influenced by economic data from the US that suggests the slowdown in growth is surprisingly quick. Like us, investors are in wait-and-see mode and we do not expect the equity market will pick up again before signs emerge to suggest a mid-cycle slowdown rather than being trapped in a range. Investors can still make good equity investments in this scenario and we would recommend investing in defensive stocks that generate high returns either via dividends or in the form of high free cashflows.

### Key figures for the week

- US Consumer confidence Aug (31/8)
- China PMI Aug (31/8)
- US ISM Manuf. Aug (1/9)
- US Auto sales Aug (1/9)
- US New claims Aug 28 (2/9)
- US Job report Aug (3/9)

### Chief Analyst

Morten Kongshaug  
+45 25431877  
Mokon@danskebank.dk

# Fixed Income: How low can you go?

## Record low bond yields is a sign of stress

Bond yields fell to record lows during the past week as three factors supported bonds markets:

**Firstly**, US macro data continued to be very weak, warning of a sharper slowdown in the US economy. A steep drop in existing home sales and core capital goods orders were the main disappointments this week.

**Secondly**, equity markets performed negatively and supported a flight-to-safety to bonds.

**Finally**, there are clear signs that the sharp bond yield decline in Europe is driven by strong demand from the pension sector – not least in Denmark and the Netherlands. As yields fall, the liabilities of the pension funds with guarantees go up, which means they have fewer reserves. Some funds have hedged themselves fully against lower rates but not all. As we entered 2010 the consensus (and our) expectation was that yields would go higher. Some funds may have chosen to reduce some of the duration in the hedge of their liabilities. Adding to the pain in Denmark is the sharp decline in duration of mortgage portfolios due to heightened risk of prepayments. So at a time when the funds need more duration to hedge liabilities they at the same time have to compensate for lower duration in their cash portfolios. This leads to an even larger demand for long government bonds or receiving in long swaps.

## Is a bottom near?

There are some signs that the decline in bond yields is coming to an end. On Wednesday the market did not react much to weak US data and actually ended with broadly flat yields. This may be a sign that the market is getting more two-sided and more players are leaning the other way to play for higher yields. However, at least in Europe, yields fell again on Thursday led by the long end in a sign that pension demand is still strong. As long as we keep reaching new lows in the 30-year German bond yield it seems the bid-side is still strongest and downward pressure on yield persists. However, at some point this flow will start to fade and then we look set for a correction higher in yields of maybe 20-25bp in German 10-year bonds.

## Watch equities, PIGS countries and US data next week

The timing of such a correction will also depend on the equity markets. Falling equities are also hurting pension funds and most likely add to demand for bonds as some may be forced to switch out of equities (or credit) into bonds.

Another sign of stress at the moment is the widening of yield spreads in PIGS countries led by Ireland and Greece. If this goes much further it could add to the sense of looming crisis and lead to more flight-to-safety.

In the coming week we will also get some important data with US ISM Wednesday and US non-farm payrolls Friday. Job growth is the centrepiece in achieving a sustainable recovery and has so far disappointed. Another weak report may add to expectations of more QE from the Fed, whereas a stronger report could dampen those expectations.

### Key events of the week ahead

- Equity market developments
- PIGS spreads – will they widen further?
- US ISM (Wednesday)
- US non-farm payrolls (Friday)

### Race to the bottom



Kilde: Reuters Ecowin

### Massive flattening of 10-30 curve



Kilde: Reuters Ecowin

### Chief Analyst

Allan von Mehren  
+45 45 12 80 55  
alvo@danskebank.dk

# FX: Weak US data but stronger USD

## Stronger USD despite downbeat US economic data

Over the past few months, Eurozone economic data have generally outperformed US data. Forward-looking US economic indicators have dropped, and data on the labour market, consumer spending and housing have been weak. In contrast, Eurozone data have held up, with the recovery looking particularly well established in Germany. Nevertheless, the reaction on the FX market has been in the opposite direction, with EUR/USD trading lower since early August. A driving factor has been the narrowing of the EUR-USD interest rate spread – attributable among other things to the demand for longer-dated bonds by European pensions funds hedging their liabilities, driving European yields lower. Another reason is that significant speculative short EUR positions were unwound in June and July, leaving risks less biased to the upside. Most importantly, however, recent week's setback in risk appetite has benefited the dollar.

## SEK supported by economic data – Riksbank hike coming up

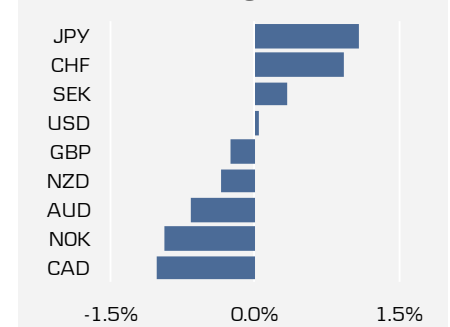
Although global equities have plummeted in August, SEK has weathered the storm so far. After failing to break above the July peak, EUR/SEK has since stayed comfortably within the 9.30 – 9.55 trading range. Decent economic data have supported the Swedish krona, with the PMI survey, industrial production and consumer confidence all surprising on the upside and the unemployment rate falling. Thursday holds the Riksbank rate decision, where we expect a continuation of the hiking cycle; the Riksbank has a tendency to focus on domestic developments and is likely to respond to the pick-up in economic activity by increasing the policy rate 25bp to 0.75%. We expect further hikes at the coming meetings and look for the repo rate to reach 1.25% by year-end. As market pricing beyond September is modest, we look for the hikes to give support to the SEK.

Is everything then rosy for SEK from here? Not quite: in the short term, risks stem from global growth concerns, the upcoming general election and the possibility that the National Debt Office may begin unwinding its significant long SEK position. Still, we look for further near-term SEK strength – see more details in [FX Crossroads](#).

## JPY strength brings Bank of Japan into the spotlight

Traditionally, the yen has strengthened when risk aversion has hit financial markets and this time has been no different: the yen is trading around the strongest level vs. the dollar since 1995, a clear symptom of the stress in the FX market. The crisis is evident, with Japanese policymakers and export industry CEOs alike commenting on the harmful effects of a too strong currency. The Japanese economic recovery is fragile and as political pressure on the Bank of Japan (BoJ) mounts, action could be imminent. At present, however, outright intervention seems unlikely; unilateral intervention is poised to be ineffective, and Japan will probably find it difficult to gather support for coordinated action. Instead, the most likely outcome is an expansion of the BoJ's existing credit facility in a unsterilized fashion, i.e. further quantitative easing. Such a move could take place at the September 7 monetary meeting or at an unscheduled emergency meeting. The result? A stabilization of the yen should be in the cards, though the significant long JPY positions already in place may amplify the effects. Therefore, BoJ may be successful in sending USD/JPY and possibly also EUR/JPY higher. See more details [here](#).

G10 FX 1-week changes vs. EUR



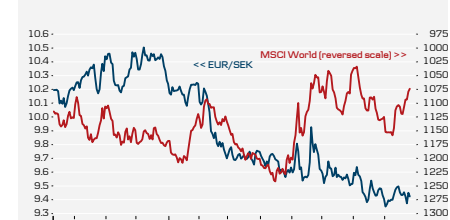
Source: Bloomberg

Stronger USD in August



Source: Reuters EcoWin

SEK holding up despite poor sentiment



Source: Reuters EcoWin

USD/JPY at 15-year low



Source: Reuters EcoWin

Senior Analyst  
 Sverre Holbek  
 +45 45 14 88 82  
 holb@danskebank.dk

# Commodities: Data disappointments trigger price correction

## Look for (further) price correction in Q3

Commodities have lately embarked on a downward correction following disappointing economic data out of not least the US. Crude oil dipped below the USD72 mark earlier in the week but has since recovered some of the lost ground as risk sentiment has improved and short covering has exacerbated the increase. Base metals, in particular aluminium and nickel, have also suffered in recent days as notably US durable goods orders sparked a sell-off.

Wheat has gained a little with the November Matif contract now around EUR215 per tonne as the UK reported below-average wheat yields, Australia voiced concerns over this season's harvests due to rainfall and Russia reported that its grain harvest (including wheat and barley) is down more than 30% on last year.

Gold has received support from safe-haven demand and downward pressure on bond yields, making the zero-yielding asset relatively more attractive. Also, figures from the World Gold Council out this week also showed that investment demand from both the official (central banks) and private sector (via exchange-traded funds, ETFs) rose in Q2. Further adding to upward pressure on gold prices is seasonal demand from India.

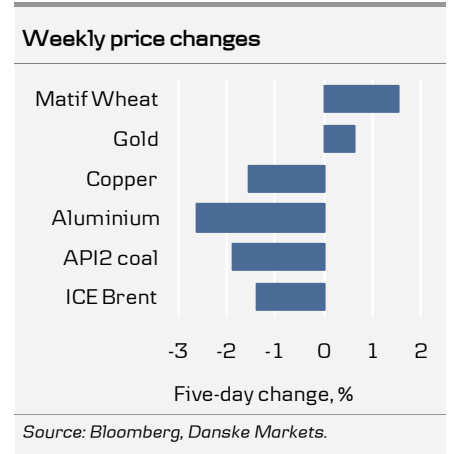
The coming week will see a range of important indicators on the stance of the business cycle as PMIs from key regions are due for release alongside the all-important US employment report. Should the manufacturing PMIs decline more than analysts expect and/or payrolls are weak, this could spark another rout of price slides in commodities.

## Base metals: divergence becomes more pronounced

It is interesting to note that copper has held up slightly better than, say, aluminium, both in the past five days and year-to-date. Figures from the International Copper Study Group (ICSG) released this week showed that the copper market saw a deficit of 190,000 tonnes in the period January-May this year as consumption-outpaced production; this compares with a surplus of 8,000 tonnes for the same period in 2009. The World Bureau of Metal Statistics (WBMS) earlier this summer reported that the nickel market was in a marginal deficit between January and May this year. LME stocks of both metals have in fact declined consistently this year.

In contrast, the International Zinc and Lead Study Group (IZLSG) said this week that the lead market would likely see a surplus of 50,000 tonnes in H2 2010 as producers increased output markedly, up 12% on the same period last year. Similarly, the zinc market also saw a surplus in the year to June. Importantly, CRU estimates that the aluminium market was in a comfortable surplus in the year to July. Indeed, LME stocks of lead, zinc and aluminium have struggled to come off the peaks reached at the height of the financial crisis.

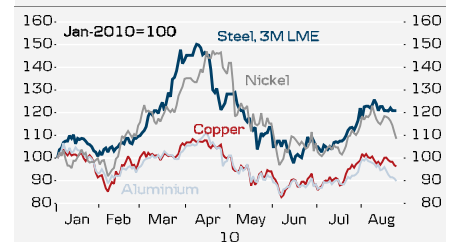
Taken together, these recent market balance figures highlight growing divergences within the base metals market, with the copper market set to grow tighter going forward whereas the market balance for aluminium will likely lead to further stock builds. We project that these trends in balances will persist into 2011 and as a result forecast copper and nickel to have relatively more upside potential compared with aluminium and zinc.



## Week ahead

- Tue: US Chicago PMI
- Wed: Chinese, US, and Euroland manuf PMIs; US auto sales
- Fri: US employment report

## Base metals divergence



# Credit

## Market commentary

Weak numbers from the US (durable goods and new home sales) shook the markets sending equities lower and CDS indices wider. Cash credit remains relatively well bid, however, with spreads showing resilience. To us this suggests that investors are still allocating funds to the asset class. In an environment with very low Government yields and a high degree of uncertainty in equity markets credit offers an attractive alternative for many investors. Companies are currently being conservative with their balance sheet and combined with easing lending standards and low interest rates the outlook for default rates is benign. Negative event risk is mainly likely to be in the form of M&A activity as evidenced by BHP Billiton's takeover bid for Potash last week.

The investment grade index, iTraxx Europe, trades at 117bp, some 10bp wider than last week while the high yield index, iTraxx Crossover, trades at 520bp up 40bp from last week.

## The primary market

After a quiet summer, the primary market is slowly coming back to life. In the Nordic region SEB came to the market with a EUR750m 5Y bond at 87bp above swap. Furthermore, Sydbank came to the market with a EUR1bn 2Y bond at 100bp. Going forward, we expect issuance to pick up further and unless we see renewed significant weakness in the market, we think that there will be sufficient demand to absorb the supply without causing spreads to widen significantly.

iTraxx Europe (5Y CDS)



Source: Markit

iTraxx Crossover (5Y CDS)



Source: Markit

Table 1. Selected new issues during the week

Name	Rating	Coupon	Maturity	Currency	Size	Bond spread on issue date, (bp)*
Renault	Baa2/BBB-	Fixed	2Y	EUR	tbd	tbd
Sydbank	NR/A1	FRN	2Y	EUR	1.0bn	100
SEB	A1/A	Fixed	5Y	EUR	0.75bn	87

Note: Ratings are Moody's and S&P. \* Mid-Swaps for Fixed, Discount Margin for floating

Source: Danske Markets & Bloomberg

Senior Analyst  
 Henrik Arnt  
 +45 4512 8504  
[henrik.arnt@danskebank.dk](mailto:henrik.arnt@danskebank.dk)

# Financial views

## Equities

- The mid-cycle slowdown is now a fact as proven by the latest key numbers. With this scenario in mind we recommend investors to take advantage of the extremely strong cash flows generated by the companies and invest in defensive high yield stocks. We believe that a) it is an investment style that will outperform in a stock market moving sideways, b) yield should be viewed in a broader context and not only as dividends as investors will prefer FCF outside the dividend payout season. We have cut our +10% end-year 2010 expectation to flat performance as we fear that it will take a little longer than earlier anticipated to move through the current slowdown phase. We now highlight Financials and Defensives as overweight segments against underweight in Cyclical.

## Fixed Income

- Global:** Fundamentally we are in a slowdown phase with the outlook for continued weakening in global leading indicators, low inflation, dovish central banks and possibly more QE favouring a downward trend in yields. Strong ALM flows have taken bond yields to very low levels but there are signs yields may be bottoming. We keep tactical overweight duration for now, though, as demand for bonds still looks strong. A renewed setback in equities will further add to the downward pressure on rates.

## Credit

- The recent weakness in the equity market has so far mainly affected CDS indices while cash credit remains little affected. We remain of the opinion that credit is a good place to be invested in the coming months. Companies are still acting conservatively with modest investments and focus on cost cutting although the challenging economic outlook will pose a challenge for topline growth. In the coming months activity in the primary market is likely to pick up and we think that the market is ready to absorb the new supply.
- As such we are positive on credit for the moment. In the longer term, however, it is inevitable that companies will feel the negative effect from the austerity measures currently being undertaken around Europe.

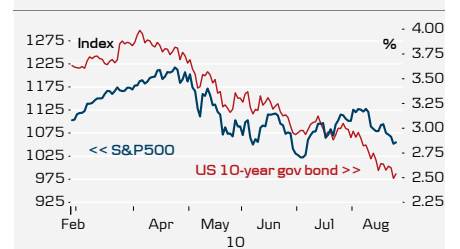
## FX outlook

- It seems a matter of time before the global economic slowdown hits Euroland, opening up for further EUR/USD downside in the near term. With USD/JPY trading at cyclical lows, BoJ action could be imminent – watch the upside! Intervention risk also persists in EUR/CHF, where further CHF appreciation could see the SNB stepping in.
- SEK has held up despite faltering risk appetite as momentum in economic data has been strong. With the Riksbank set to continue its hiking cycle next week, more SEK strength should be in the pipeline, though risks remain. Although NOK will likely benefit from improving economic data and favourable relative interest rates, it seems poised to lag SEK.

## Commodities

- Commodities have corrected lower in the past week with oil breaking below USD74 and the base metals also closing in on our “buy” triggers for Q3. We look for commodity prices to see further setbacks in coming weeks should the stream of disappointing data - from notably the US - continue.

Equities and US 10Y yield



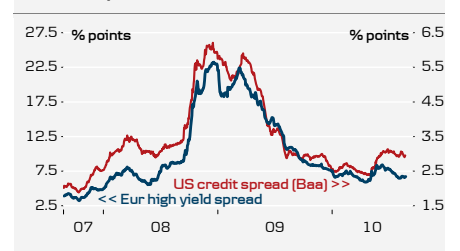
Source: Reuters Ecowin

EUR/USD and USD/JPY



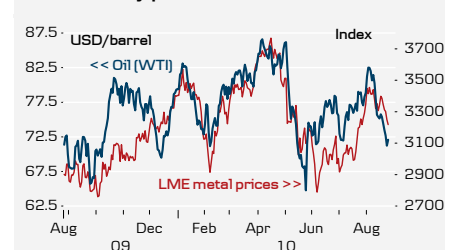
Source: Reuters Ecowin

Credit spreads



Source: Reuters Ecowin

Commodity prices



Source: Reuters Ecowin

## 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-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Denmark	2009	-4.7	-4.6	3.4	-13.0	-1.7	-10.2	-13.2	1.3	3.6	-3.0	38.0	3.9
	2010	1.5	2.8	1.6	-6.9	0.8	2.6	1.4	2.2	4.1	-5.6	42.1	4.1
	2011	1.8	2.3	0.5	1.2	0.2	3.9	3.9	1.8	4.0	-4.5	46.5	4.1
Sweden	2009	-5.1	-0.8	1.7	-16.0	-1.5	-12.4	-13.2	-0.3	8.4	-2.1	38.9	7.2
	2010	2.7	2.2	1.5	2.3	1.1	9.1	11.3	1.3	9.3	-3.5	43.6	6.3
	2011	1.5	1.4	1.3	1.8	0.0	3.3	3.2	2.1	10.1	-4.1	47.2	6.6
Norway	2009	-1.6	0.2	4.8	-7.9	-2.1	-3.9	-10.3	2.1	3.1	8.0	26.0	19.0
	2010	1.8	3.9	2.7	-7.2	0.8	1.1	1.9	2.5	3.3	12.0	26.0	24.9
	2011	3.1	4.2	2.3	3.8	0.1	0.3	5.5	1.7	3.2	10.0	-	17.0

### 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-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Euroland	2009	-4.0	-0.5	2.3	-10.8	-0.8	-12.6	-11.4	0.3	9.4	-6.3	78.7	-0.7
	2010	1.3	0.1	1.4	-2.0	0.4	7.9	5.8	1.4	9.8	-6.7	84.8	-0.3
	2011	2.1	1.2	1.1	3.8	0.0	5.4	4.6	1.6	9.5	-6.0	88.5	-0.2
Germany	2009	-4.9	-0.1	3.4	-13.5	0.4	-14.5	-9.5	0.2	7.5	-3.5	73.0	4.0
	2010	1.9	-1.0	2.1	9.9	0.1	8.9	8.8	1.0	8.1	-5.0	76.5	3.7
	2011	2.7	1.7	1.4	7.4	0.0	7.0	6.7	1.2	7.6	-3.0	79.0	3.2
France	2009	-2.6	0.7	2.8	-7.0	-1.6	-10.7	-9.8	0.1	9.4	-8.3	78.0	-2.3
	2010	1.6	1.3	1.7	-1.0	0.3	7.9	5.9	1.2	10.0	-8.5	82.0	-2.5
	2011	1.8	1.4	1.0	4.2	0.1	6.2	6.2	1.5	9.7	-7.0	87.0	-2.2
Italy	2009	-5.1	-1.6	1.6	-13.1	-0.3	-19.2	-15.2	0.7	7.8	-5.3	114.6	-2.2
	2010	1.3	0.9	1.3	0.1	0.2	8.0	6.0	1.9	8.6	-5.0	116.0	-2.0
	2011	2.0	1.0	1.0	5.2	0.1	8.4	7.2	2.0	8.3	-4.5	117.5	-1.7
Spain	2009	-3.7	-5.1	5.0	-15.5	0.0	-12.0	-18.2	-0.3	18.1	-11.2	54.3	-5.2
	2010	-0.3	-0.5	1.8	-5.6	0.0	7.2	4.6	0.9	20.1	-10.0	66.0	-4.1
	2011	1.0	0.7	0.2	0.2	0.0	6.1	4.1	1.9	19.8	-8.5	73.0	-3.2
Finland	2009	-7.8	-2.1	0.7	-13.4	0.0	-24.3	-22.3	0.0	8.2	-2.2	44.0	1.4
	2010	1.8	1.0	0.5	-3.0	0.0	4.0	3.5	1.4	9.0	-3.9	49.5	1.4
	2011	2.5	1.5	0.0	4.0	0.0	8.0	5.0	2.0	8.6	-3.3	52.0	2.2

### 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-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
USA	2009	-2.6	-1.2	1.6	-18.3	-0.6	-9.5	-13.8	-0.3	9.3	-9.9	83.8	-3.0
	2010	2.8	1.5	0.9	4.1	1.4	12.1	12.2	1.7	9.7	-9.2	92.0	-3.4
	2011	2.5	2.3	-0.2	7.5	-0.2	8.8	6.2	1.8	9.3	-7.0	90.7	-3.2
Japan	2009	-5.2	-1.1	1.6	-14.4	-0.3	-24.1	-16.9	-1.4	4.7	-8.0	220.0	2.8
	2010	3.3	2.2	1.6	-1.1	-0.1	23.7	2.6	-1.0	4.3	-5.2	220.4	3.4
	2011	2.1	1.7	1.0	2.5	0.0	5.4	5.4	0.1	-	-	-	3.0
China	2009	8.7	-	-	-	-	-	-	-0.7	4.3	-3.3	23.6	5.8
	2010	10.2	-	-	-	-	-	-	3.3	4.0	-2.2	20.5	4.8
	2011	9.5	-	-	-	-	-	-	3.5	4.0	-2.2	20.5	5.5
UK	2009	-4.9	-3.2	2.8	-14.9	-1.2	-10.6	-13.3	2.2	7.6	-10.4	68.6	-1.3
	2010	1.3	0.9	3.0	-2.0	1.1	4.4	0.9	3.2	8.0	-10.7	80.3	-2.0
	2011	2.3	2.6	2.2	2.2	1.3	6.9	5.0	2.1	8.1	-8.8	88.2	-1.2
Switzer-land	2009	-1.5	1.2	2.5	-3.7	1.0	-9.3	-5.7	-0.5	3.7	1.4	38.8	8.3
	2010	2.0	1.8	0.5	2.1	-0.7	7.0	5.0	1.0	3.8	-1.0	40.0	9.0
	2011	1.7	1.6	1.0	1.5	-0.2	4.0	4.0	1.2	3.5	-0.5	39.0	10.0

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	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	27-Aug	0.13	0.30	0.69	2.53	127.3	-	585.1
	+3m	0.13	0.35	0.65	2.60	124	-	601
	+6m	0.13	0.35	0.75	2.75	127	-	587
	+12m	0.13	0.35	1.05	3.00	132	-	565
EUR	27-Aug	1.00	0.89	1.27	2.35	-	127.3	744.8
	+3m	1.00	0.80	1.30	2.55	-	124	745.0
	+6m	1.00	0.85	1.35	2.60	-	127	745.0
	+12m	1.00	1.00	1.75	3.05	-	132	746.0
JPY	27-Aug	0.10	0.23	0.41	1.07	107.7	84.7	6.91
	+3m	0.10	0.24	0.40	1.00	107	86	6.96
	+6m	0.10	0.24	0.40	1.00	112	88	6.65
	+12m	0.10	0.30	0.70	1.40	126	95	5.92
GBP	27-Aug	0.50	0.72	1.22	2.96	82.0	155.2	908.2
	+3m	0.50	0.70	1.15	2.80	84.0	148	887
	+6m	0.50	0.70	1.10	2.80	85.0	149	876
	+12m	0.50	0.75	1.50	3.10	82.0	161	910
CHF	27-Aug	0.25	0.15	0.47	1.60	130.3	102.4	571.4
	+3m	0.25	0.25	0.55	1.60	132	106	564
	+6m	0.25	0.25	0.65	1.60	134	106	556
	+12m	0.75	0.75	1.35	2.10	140	106	533
DKK	27-Aug	1.05	1.15	1.59	2.52	744.8	585.1	-
	+3m	1.05	1.05	1.65	2.75	745	601	-
	+6m	1.05	1.10	1.65	2.75	745	587	-
	+12m	1.05	1.25	2.05	3.20	746	565	-
SEK	27-Aug	0.50	1.03	1.66	2.48	939.8	738.4	79.2
	+3m	1.00	0.80	1.85	2.80	930	750	80.1
	+6m	1.25	1.30	2.15	2.85	900	709	82.8
	+12m	1.75	1.90	2.60	3.30	920	697	81.1
NOK	27-Aug	2.00	2.62	2.98	3.65	800.2	628.8	93.1
	+3m	2.00	2.65	3.05	3.75	780	629	95.5
	+6m	2.25	2.90	3.30	3.80	775	610	96.1
	+12m	2.50	3.15	3.55	4.25	775	587	96.3

## Equity markets

Regional	Risk	Price trend 3mth.	Price trend 12mth.	Regional recommendations
USA	Low	-5% to +5%	0% to +10%	Underweight
Japan	High	-5% to +5%	0% to +10%	Neutral
Emerging markets (USD)	High	-5% to +5%	0% to +10%	Overweight
Pan-Europe (EUR)	Low	-5% to +5%	0% to +10%	Neutral
<b>Nordics</b>				
Sweden	Average	-5% to +5%	0% to +10%	Neutral
Norway	High	-5% to +5%	0% to +10%	Neutral
Denmark	High	-5% to +5%	0% to +10%	Neutral

## Commodities

	25-Aug	2010				2011				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2010	2011
NYMEX WTI	72	81	81	74	82	85	87	89	91	79	88
ICE Brent	72	79	81	75	82	84	86	88	90	79	87
Copper	7,068	7,274	7,072	7,000	7,500	8,000	8,400	8,600	8,700	7,211	8,425
Zinc	1,954	2,307	2,067	1,900	2,000	2,100	2,150	2,200	2,250	2,069	2,175
Nickel/1000	20	20	23	21	22	22	23	23	24	21	23
Steel	495	464	491	460	475	500	510	530	550	473	523
Aluminium	1,998	2,199	2,131	2,000	2,100	2,150	2,200	2,250	2,300	2,107	2,225
Gold	1,237	1,110	1,194	1,250	1,200	1,150	1,100	1,050	1,000	1,189	1,075
Matif Mill Wheat	216	126	131	190	175	150	155	160	165	155	158
CBOT Wheat	711	518	490	681	642	572	591	610	630	583	601
CBOT Corn	406	389	379	400	420	440	460	470	480	397	463
CBOT Soybeans	1,002	969	932	1,000	1,010	1,020	1,030	1,040	1,050	978	1,035

\*Interest rate forecasts will be revised mid August. Source: Danske Markets

## Calendar

Monday, August 30, 2010				Period	Danske Bank	Consensus	Previous
0:45	NZD	Trade balance	12M YTD	Jul		793.5	639
9:30	DKK	GDP	q/q y/y	2nd quarter	0.5% ...		0.6% -0.4%
9:30	SEK	Wages (blue collars/white collars)	y/y	Jun			1.5%
10:00	NOK	Retail sales	m/m y/y	Jul		0.4% ...	-0.1% 2.9%
10:00	NOK	Credit indicator (C2)	y/y	Jul	4.8%	4.8%	4.6%
11:00	EUR	Business confidence	Net balanc	Aug	-3	-5	-4
11:00	EUR	Consumer confidence	Net balanc	Aug	.12	-12	-12
11:00	EUR	Economic Confidence	Index	Aug	99.8	101.3	101.3
14:30	USD	Private consumption expenditure, monthly	m/m	Jul	0.3%	0.3%	0.0%
14:30	USD	Personal income	m/m	Jul	0.4%	0.3%	0.0%
14:30	USD	PCE core - deflator	m/m y/y	Jul	0.1% 1.5%	0.1% 1.5%	0.0% 1.4%
14:30	CAD	Current account	bn CAD	2nd quarter		-10.0	-7.8
19:30	USD	Fed's Bullard (voter, neutral) speaks					
Tuesday, August 31, 2010				Period	Danske Bank	Consensus	Previous
1:00	AUD	RBA's Debelle speaks in Sydney					
1:01	GBP	Gfk Consumer confidence	Index	Aug			-22
1:15	JPY	Manufacturing PMI	Index	Aug	51.8		52.8
1:50	JPY	Industrial production	m/m y/y	Jul	0.2% 14.1%	-0.2% 14.3%	-1.1% 17.3%
1:50	JPY	Large Scale Retail Sales	m/m	Jul	-1.3%		-3.0%
3:30	AUD	Retail sales (sa)	m/m	Jul		0.4%	0.2%
7:00	JPY	Housing starts	y/y	Jul		2.0%	0.6%
8:00	CHF	Consumption indicator	Index	Jul			1.810
9:55	DEM	Unemployment rate	% (1000)	Aug	7.6% (-15)	7.6% (-20)	7.6% (-20)
10:30	GBP	Net Consumer Credit	GBP bn	Jul			-0.1
10:30	GBP	Mortgage Approvals	1,000	Jul			47.6
10:30	GBP	Broad money M4, final	m/m y/y	Jul			0.4% 2.3%
11:00	EUR	ECB Announces Allotment in 7-Day Refinancing Tender	EUR bn.				
11:00	EUR	CPI Flash estimate	m/m y/y	Aug	.. 1.6%	.. 1.6%	.. 1.7%
11:00	EUR	Unemployment	%	Aug	10.0%	10.0%	10.0%
14:30	CAD	GDP	m/m	Jun		0.2%	0.1%
14:30	CAD	GDP	q/q (ann.)	2nd quarter		3.2%	6.1%
16:00	USD	Chicago PMI	Index	Aug	56.8	57.5	62.3
16:00	USD	Consumer confidence	Index	Aug	51.4	51.0	50.4
20:00	USD	Minutes from FOMC meeting					
Wednesday, September 1, 2010				Period	Danske Bank	Consensus	Previous
3:00	CNY	NBS manufacturing PMI	Index	Aug	52.0	51.4	51.2
3:30	AUD	GDP	q/q y/y	2nd quarter		0.9% 2.8%	0.5% 2.7%
4:30	CNY	HSBC manufacturing PMI	Index	Aug	48.7		49.4
8:30	SEK	Swedish PMI	Index	Aug			64.2
9:00	NOK	PMI	Index	Aug	52.5	54.0	54.9
9:30	DKK	Retail sales	m/m y/y	Jul	-0.5% ...		-1.4% 0.2%
9:30	CHF	PMI	Index	Aug		65.9	66.9
9:55	DEM	PMI, manufacturing	Index	Aug		58.2	58.2
10:30	GBP	PMI manufacturing	Index	Aug			57.3
11:00	DKK	Danish PMI	Index	Aug			50.7
13:00	USD	MBA mortgage applications					
16:00	USD	ISM prices paid	Index	Aug	57.5	56.0	57.5
16:00	USD	ISM	Index	Aug	53.6	53.0	55.5
16:45	USD	Fed's Duke (voter, neutral) speaks					
19:40	USD	Fed's Fisher (non-voter, hawk) speaks					
23:00	USD	Total Vehicle Sales	m	Aug		11.68	11.85
23:15	USD	Fed's Evans (non-voter, neutral) speaks					

Source: Danske Markets

## Calendar - continued

## Thursday, September 2, 2010

				Period	Danske Bank	Consensus	Previous
1:50	JPY	Monetary Base	y/y	Aug			6.1%
7:45	CHF	Real GDP	q/q an y/y	2nd quarter	<b>0.75%</b>   <b>2.6%</b>		0.4% 2.2%
9:15	CHF	Retail sales	y/y	Jul			0.9%
9:30	SEK	Riksbank, Rate decision	%	Sep		0.75	0.5
10:30	GBP	PMI construction	Index	Aug			54.1
11:00	EUR	Euroland PPI	m/m y/y	Jul		0.1% ...	0.3% 3.0%
11:00	EUR	GDP, preliminary	q/q y/y	2nd quarter	<b>1.0%</b>  ...	<b>1.0%</b>  1.7%	1.0% 1.7%
13:45	EUR	ECB Announces Interest Rates	%		<b>1.00%</b>	<b>1.00%</b>	1.00%
14:30	USD	Unit labour cost, final	q/q	2nd quarter		1.4%	0.2%
14:30	USD	Initial jobless claims	1000			480	473
15:00	USD	Fed's Rosengren (voter, dove) & Pianalto (voter, neutral) speaks					
16:00	USD	Factory Orders	m/m	Jul		0.5%	-1.2%
16:00	USD	Pending home sales	m/m y/y	Jul		-1.5% ...	-2.6% -20.1%

## Friday, September 3, 2010

				Period	Danske Bank	Consensus	Previous
1:50	JPY	Capital Spending	q/q	2nd quarter		-6.5%	-11.5%
7:45	CHF	CPI	m/m y/y	Aug	<b>-0.1%</b>   <b>0.2%</b>		-0.7% 0.4%
9:00	NOK	Unemployment	%	Aug	<b>3.0%</b>	3.0%	3.0%
9:55	DEM	PMI, services	Index	Aug		58.5	
10:30	GBP	PMI services	Index	Aug			53.1
11:00	EUR	Retail sales	m/m y/y	Jul	<b>0.3%</b>  ...	<b>0.2%</b>  ...	0.0% 0.4%
14:30	USD	Nonfarm payroll	1000	Aug	<b>-130</b>	-105	-131
14:30	USD	Private payrolls	1000	Aug	<b>20</b>	46	71
14:30	USD	Unemployment	%	Aug	<b>9.6%</b>	9.6%	9.5%
16:00	USD	ISM non-manufacturing	Index	Aug	<b>53.3</b>	53.5	54.3
16:00	DKK	Currency reserves (Change)	DKK bn	Aug			428.7 (-9.7)
16:00	USD	Fed's Lockhart (non-voter, neutral) speaks					

## During the week

				Period	Danske Bank	Consensus	Previous
Wed 25 - 31	GBP	Nationwide House Prices	m/m y/y	Aug		-0.3% 4.9%	-0.5% 6.6%
Wed 01 - 04	GBP	Halifax house prices	m/m y/y	Aug			0.6% 4.9%
Wed 01 - 07	NOK	Industrial production, manufacturing	m/m y/y	Jul			3.3% 7.2%
Wed 01 - 07	NOK	Industrial production	m/m y/y	Jul			-1.7% -4.4%

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For further information, call (+45) 45 12 85 22.

Source: Danske Markets

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