Emerging Markets Briefer

October 15, 2008

IMF's busy travel itinerary

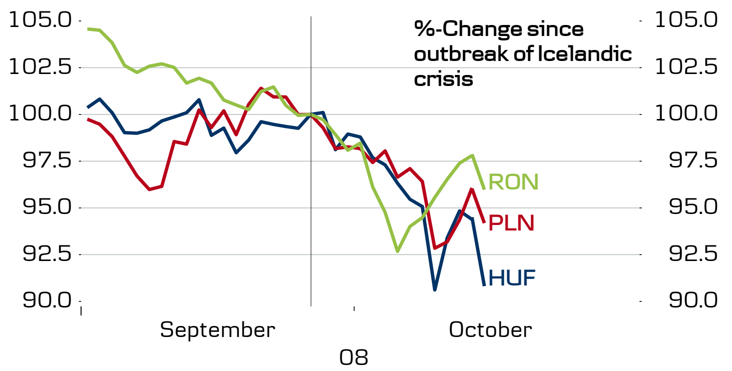
The Icelandic canary

- The global credit crisis is now spreading to the most leveraged economies in the world. Iceland was the first economy to fall victim to the global credit crisis. However, it is not only Iceland that seems to be in need of a helping hand from the IMF.
- This week first Hungary was offered "technical and financial" support from the IMF and then the Ukraine later also asked for assistance.

Contagion to leveraged markets

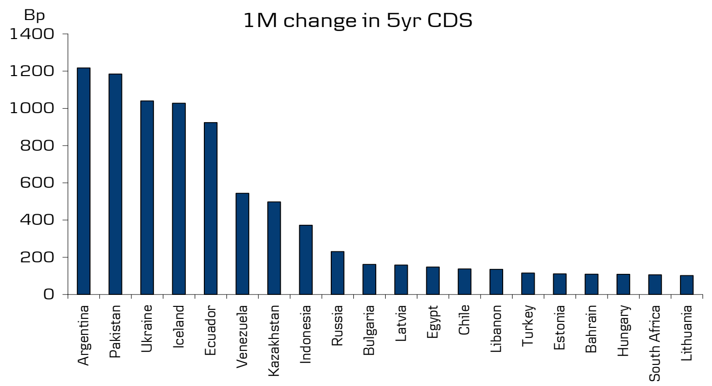
- Over the past month credit default swaps spiked in a number of Emerging Markets indicating a significant increase in worries over funding problems on the back of the intensified credit crisis.
- The rise in CDS spreads has been the strongest in Argentina, Pakistan and Iceland. In the graph below we show the 20 countries that have seen the strongest rise in CDS spreads over the past month.

Contagion from Iceland to CEE?



Source: Ecowin

Default risk on the rise



Source: Bloomberg

Movers and shakers – last month and in the month ahead

IMF's busy travelling schedule

The global credit crisis is now spreading to the most leveraged economies in the world. Iceland was the first economy to fall victim to the global credit crisis and it now looks like the International Monetary Fund (IMF) will have to be called in to help Iceland recover from the country's worst financial and economic crisis ever. But it is not only Iceland that seems to be in need of a helping hand from the IMF. This week first Hungary was offered "technical and financial" support from the IMF and then the Ukraine later also asked for assistance. It is still unclear what role the IMF will play in resolving the economic and financial crisis in the three countries, but there is no doubt that the global credit crunch has triggered renewed focus on the IMF's role in international crisis management.

What do Iceland, Hungary and the Ukraine have in common? All three countries are struggling and have seen strong credit growth, increased reliance on foreign funding, and asset market bubbles in recent years. This makes these countries especially fragile in the present global financial environment. With the ongoing significant deleveraging of the global economy the most leveraged economy is coming under increasing pressures and this is what has created the need for IMF assistance in Iceland, Hungary and the Ukraine.

However, it is not only these three countries that are under pressure in the present environment and judging from the development in credit default swaps (CDS) other countries might soon have to ask for assistance from the IMF.

Over the past month CDSs have spiked in a number of mostly Emerging Markets indicating a significant increase in worries over funding problems in these countries on the back of the intensified credit crisis. The rise in CDS spreads has been the strongest in Argentina, Pakistan and Iceland. In the graph above we show the 20 countries that have seen the strongest rise in CDS spreads over the past month.

It is striking that that most of the countries in the "top 20" are countries that are either running large current account deficits – like Iceland, the Baltic States, Romania and Bulgaria – and/or countries that in recent years have had very strong credit growth.

It is also notable that a number of commodity exporters are now in the "top 20" – most notably Argentina and Venezuela. These countries have benefitted from rising commodity prices in recent years, but have failed to use the good years to save for bad years. Hence, since the commodity prices peaked in July CDS spreads have increased significantly in a number of commodity exporting countries.

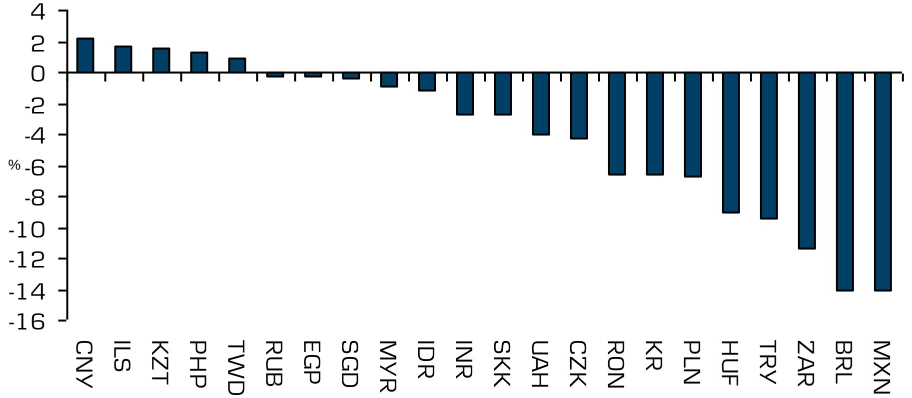
It is also notable that among the "top 20" countries there are a number of countries that in recent years have seen increased domestic and geopolitical uncertainty – here special attention in this regard should be given to Pakistan, Thailand, Ukraine and Russia.

Looking at the global map it is clear that a significant number of the countries in the "top 20" are EMEA countries – whether we talk about Iceland, Latvia or South Africa. Hence, out the 20 countries that have seen the largest rise in CDS spreads, 13 are from the EMEA. LATAM is the second most "fragile" region with four countries in the "top 20". Asia is still rightly, in our view, being perceived as the safe haven in Emerging Markets. Only three Asian countries are in the "top 20".

As IMF is entering into dialogue with Iceland, Hungary and the Ukraine it is likely that the IMF's staffs in Washington DC are drawing up a travelling schedule for future missions. We suggest the IMF take a look at the "top 20" for the travel plan.

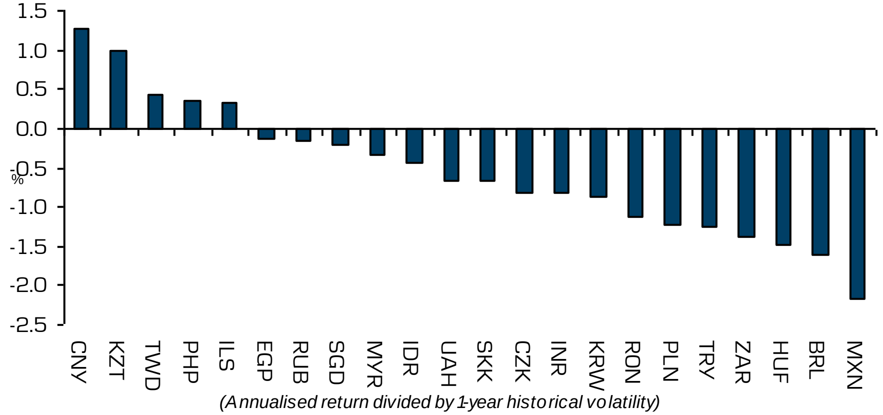
Emerging Market performance over the past month

Chart 1: FX change against EUR and USD



(Simple average relative to EUR and USD)

Chart 2: Risk adjusted FX change against EUR and USD



(Annualised return divided by 1-year historical volatility)

Chart 3: Change in 2 year swap yield

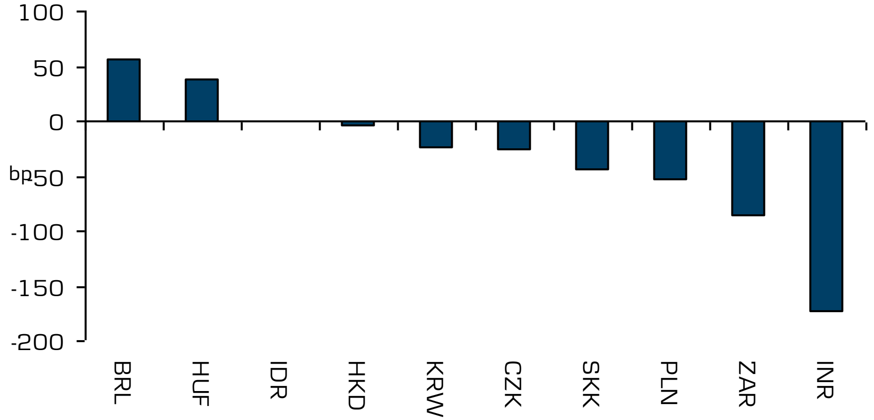
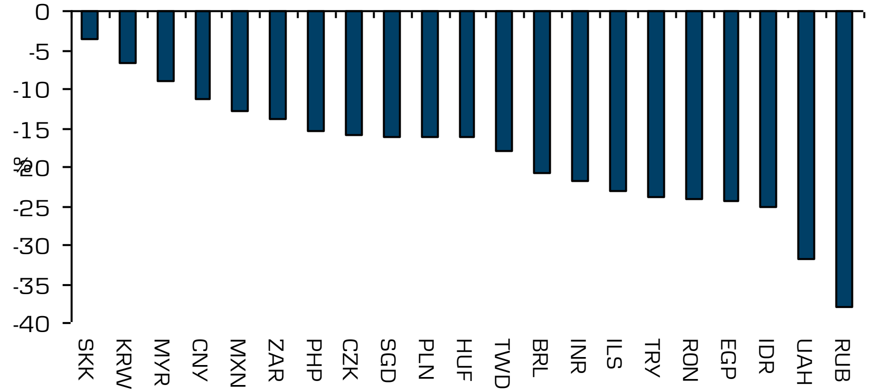


Chart 4: Stock market performance



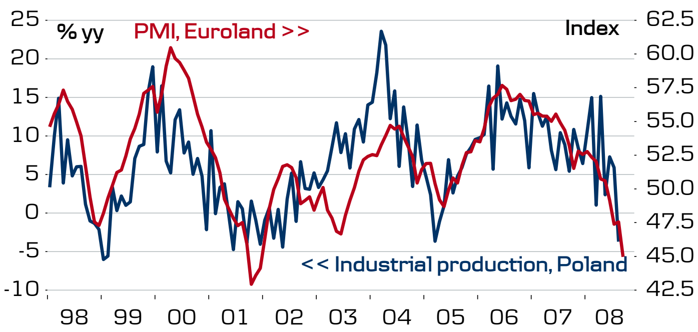
(Local currency)

Poland	Macro Outlook	FX & Monetary Policy	Risk Factors
PLN **Currency regime:** Free float **Inflation target:** 2.5% +/- 1%-point	• After growing strongly for some years, the Polish economy is now slowing down on the back of weaker export growth and stalling domestic demand. • Even though we do not expect a crash landing in the Polish economy, we nonetheless expect a relatively sharp deceleration of growth.	• Inflation remains above the Polish central bank's (NBP) inflation target of 2.5%, and we expect inflation to remain elevated well into 2009. However, the continued worsening of the global credit crunch and monetary easing by the ECB have closed the door for further rate hikes. In fact we now expect the NBP to cut its key policy rate as early as November.	• Polish Prime Minister Donald Tusk recently stated that it is the goal of the Polish government to join the euro in 2011. • However, we believe this is not very likely – especially given the recent resurgence of the global credit crisis. • We are becoming increasingly concerned about the spreading of the European credit crunch to CEE, and Poland is unlikely to remain untouched by the crisis.

FX forecast

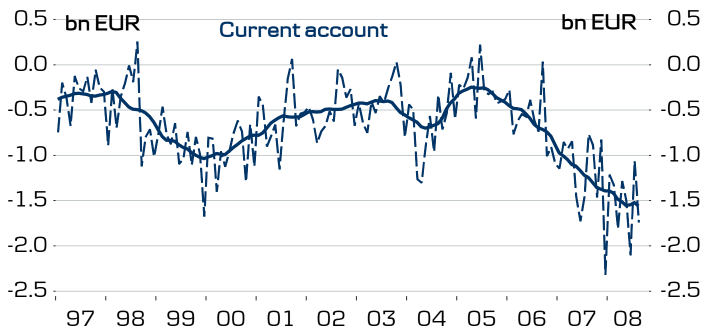
EUR/PLN		
	Danske	Forward
14-Oct	3.47	
+3M	3.70	3.47
+6M	3.80	3.48
+12M	3.85	3.47
USD/PLN		
	Danske	Forward
14-Oct	2.55	
+3M	2.72	2.55
+6M	2.88	2.56
+12M	3.06	2.56

European slowdown = Polish slowdown

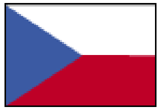


Source: Ecowin

Current account under pressure



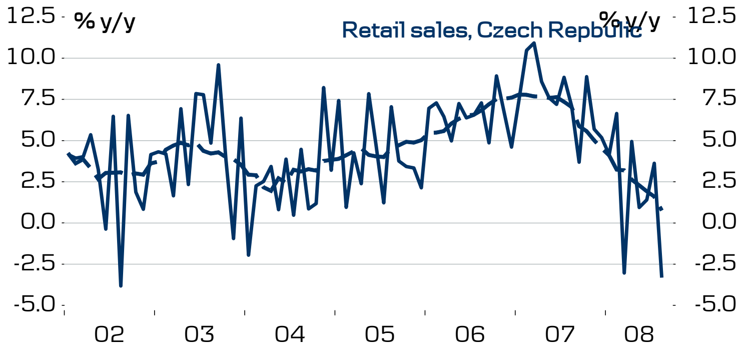
Source: Ecowin

Czech Republic	Macro Outlook	FX & Monetary Policy	Risk Factors
 CZK **Currency regime:** Free float **Inflation target:** 2%-4%	• There are now quite clear signs that the Czech economy is slowing down on the back of both weaker domestic demand and a slowdown in export growth.	• Inflation remains elevated in the Czech Republic, but we expect inflation to come down somewhat in the coming quarters. This and the expected continued slowdown in the Czech economy are likely to keep the door open for further monetary easing in the coming months. • The Czech central bank is likely to follow the lead of the ECB and cut its key policy rate in the coming months.	• The Czech economy is very integrated into the European economy, and so the sharp slowdown we have seen in Europe in recent months is likely to put strong downward pressure on Czech export growth.

FX forecast

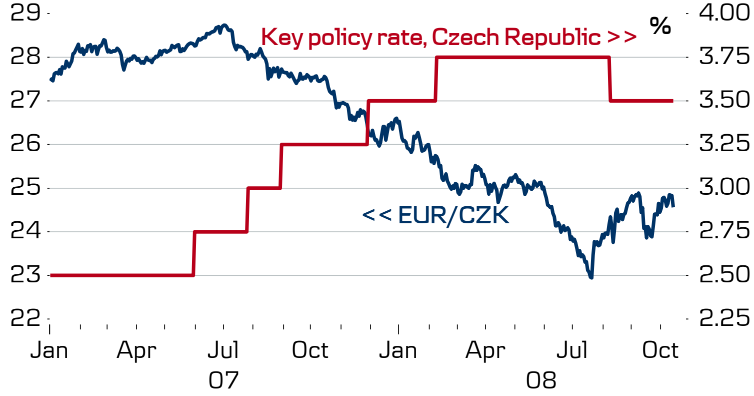
EUR/CZK		
	Danske	Forward
14-Oct	24.56	
+3M	25.50	24.51
+6M	26.00	24.43
+12M	26.25	24.34
USD/CZK		
	Danske	Forward
14-Oct	18.01	
+3M	18.75	17.99
+6M	19.70	17.95
+12M	20.83	17.94

Sharp slowdown in retail sales



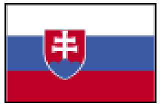
Source: Ecowin

More rate cuts to come



Source: Ecowin

Slovakia



SKK

Currency regime:

Fixed exchange rate with ERM2.

Slovakia will join the euro area 2009.

Inflation target:

As ECB – below 2%

Macro Outlook

- The Slovak economy is now clearly starting to slow down. Export-oriented manufacturing sector is under particular pressure.

- Looking forward we are especially concerned that the large Slovak automobile sector could come under substantial pressure due to a significant slowdown in car sales in Europe.

FX & Monetary Policy

- Slovakia plans to join the euro area in January 2009. However, over the last week, the Slovak koruna has weakened somewhat from the planned conversion rate to euro. This is an indication that the markets are getting worried that Slovakia might not join the euro as planned in 2009

- We do not expect the Slovak euro-adoption to be postponed, but it is nonetheless notable that the markets are beginning to show signs of worries over the planned euro adoption.

Risk Factors

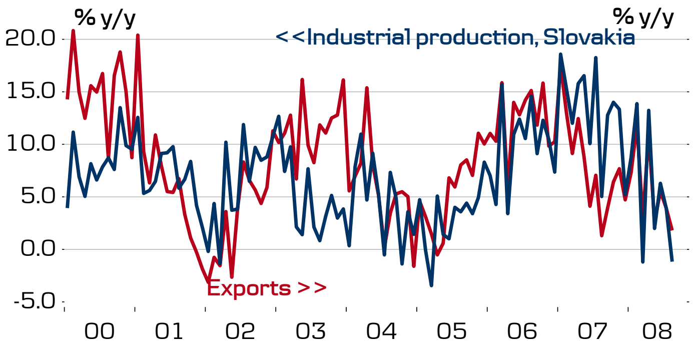
- The main risk is that the global credit crunch could call into doubt Slovak euro adoption.

FX forecast

EUR/SKK		
	Danske	Forward
14-Oct	30.41	
+3M	30.13	30.40
+6M	30.13	30.51
+12M	30.13	30.63

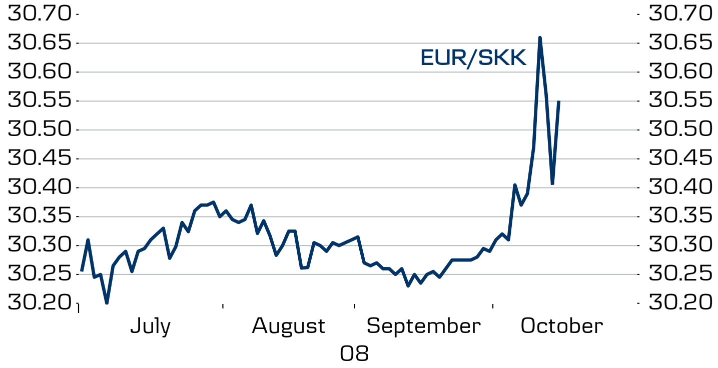
USD/SKK		
	Danske	Forward
14-Oct	22.33	
+3M	22.15	40.00
+6M	22.83	40.17
+12M	23.91	40.40

Slowing exports weigh on Slovak industry



Source: Ecowin

It the market beginning to doubt euro entry?



Source: Ecowin

Hungary

HUF

Currency regime:

Free float

Inflation target:

3% (medium term)

Macro Outlook

- Despite a minor rebound in Hungarian GDP growth the economy is still in stagnation and the global credit crunch has not contributed to making things better.
- We do not expect any recovery in growth in Hungary before late 2009.

FX & Monetary Policy

- Inflation has eased significantly recently and Hungarian growth is still very lacklustre. However, there is little room for monetary easy due to the continued global credit crisis as monetary easing could trigger a significant weakening.
- Increased concerns over the state of the Hungarian financial sector now taken over as key concern for the Hungarian central bank.

Risk Factors

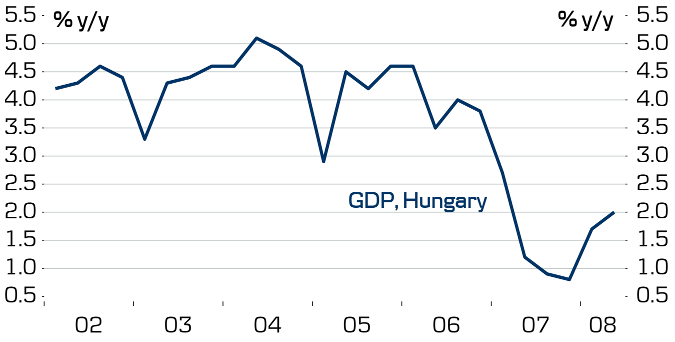
- Somewhat unexpectedly the IMF has now offered technical and financial support to Hungary on the back of increased concerns over the state of the financial sector.
- We are especially concerned over foreign currency lending in Hungary which could threaten financial stability in Hungary and potentially lead to a significant weakening of the Hungarian forint.

FX forecast

EUR/HUF		
	Danske	Forward
14-Oct	253.5	
+3M	280.0	254.1
+6M	290.0	256.3
+12M	295.0	259.1

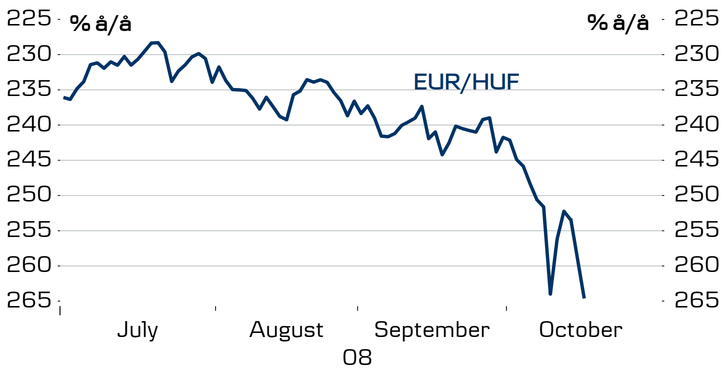
USD/HUF		
	Danske	Forward
14-Oct	185.7	
+3M	205.9	186.5
+6M	219.7	188.3
+12M	234.1	191.0

Still lacklustre growth

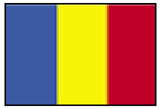


Source: Ecowin

Forint in free fall



Source: Ecowin

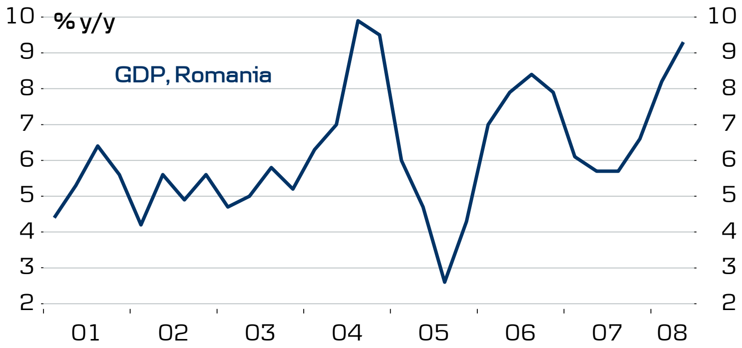
Romania	Macro Outlook	FX & Monetary Policy	Risk Factors
 **RON** **Currency regime:** Free float **Inflation target:** 3.8% end of 2008 3.5% end of 2009	• The Romanian economy has continued to grow strongly and there has been only very few signs of an impact of the global credit crunch on the Romanian economy. • However, the huge imbalances in the Romanian economy increase the risk of a hard landing in the Romanian economy and we expect a sharp slowdown in growth in the coming quarters.	• The Romanian central bank (NBR) has stepped up its hawkish rhetoric recently and has tightened monetary policy to curb inflationary pressures and imbalances in the Romanian economy. • The Romanian central bank is facing a serious policy dilemma. The worsening of global credit conditions is likely to weigh significantly on Romanian growth, but on the other hand any monetary easing could trigger a sell-off in the Romanian leu.	• We remain concerned that further weakness in the leu could hit Romanian consumers who, to a large extent, have funded themselves in foreign currency loans – especially the euro and Swiss franc.

FX forecast

EUR/RON		
	Danske	Forward
14-Oct	3.76	
+3M	4.00	3.86
+6M	4.10	3.94
+12M	4.15	4.08

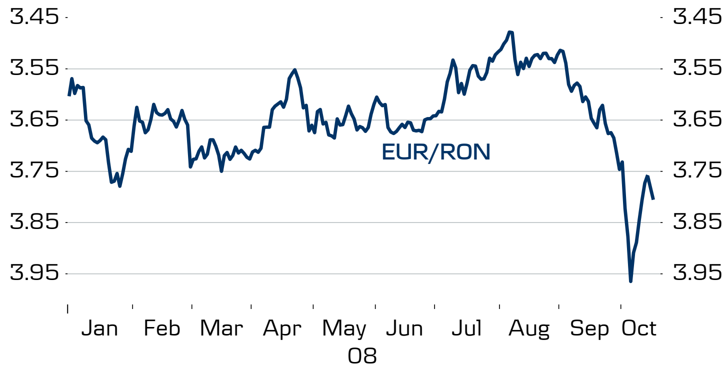
USD/RON		
	Danske	Forward
14-Oct	2.76	
+3M	2.94	2.83
+6M	3.11	2.89
+12M	3.29	3.00

From boom to bust?



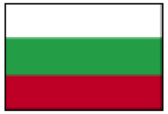
Source: Ecowin

RON looks very fragile



Source: Ecowin

Bulgaria



BGN

Currency regime:

Free float

Inflation target:

No inflation target due to the currency board regime

Macro Outlook

- There are some signs that the global credit crunch is beginning to weigh on Bulgarian growth and we see a major risk that the Bulgarian boom could turn into a serious bust.
- The Bulgarian current account deficit has exploded. This and a serious property market bubble is threatening economic and financial stability in Bulgaria.

FX & Monetary Policy

- Widening external balances make Bulgaria vulnerable to worsening global credit and liquidity conditions.
- Bulgaria's currency, the lev, is pegged to the euro. The central bank has a currency board set up. Tight fiscal policy and close monitoring of credit growth are needed to maintain a credible FX peg.
- Inflation remains high at close to 15%, but it has probably peaked and should be heading down toward 12% by year-end.

Risk Factors

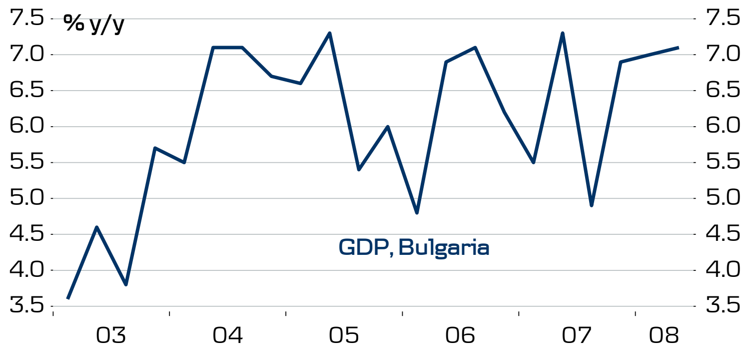
- Bulgaria's large macroeconomic imbalances are a key risk to economic and financial stability in Bulgaria. However, there is also a significant risk from contagion from financial and economic turmoil in other CEE economies and markets.

FX forecast

EUR/BGN		
	Danske	Forward
14-Oct	1.96	
+3M	1.96	-
+6M	1.96	-
+12M	1.96	-

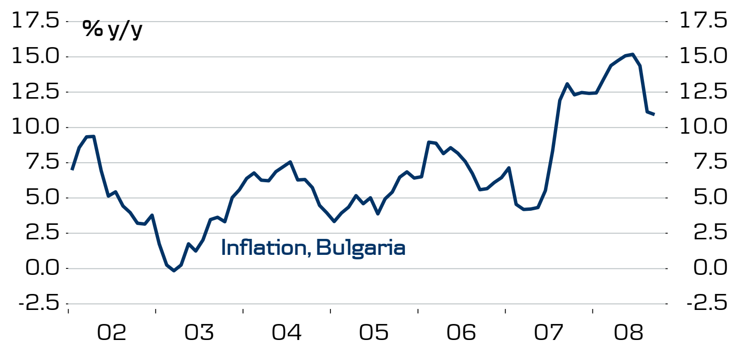
USD/BGN		
	Danske	Forward
14-Oct	1.44	
+3M	1.44	-
+6M	1.48	-
+12M	1.55	-

Another overheating economy



Source: Ecowin

Inflation has probably peaked



Source: Ecowin

Estonia

EEK

Currency regime:

Currency board, ERM2 member

Inflation target:

None, due to fixed exchange rate

Macro Outlook

- The hard landing in Estonia has already become a reality and there is a high probability of negative growth for 2008.
- We expect growth to remain very subdued in the coming years, well below the potential level, as such unbalanced economies probably face a number of years of sub-trend growth to reduce the excesses.
- Recovery expected in 2010-11, when growth rates should climb back to long-term trend of 3-4% y/y.

FX & Monetary Policy

- The Estonian kroon (EEK) is pegged to the euro through ERM2.
- Until now, Estonia's currency board has functioned well and has not been questioned, but rising concerns over large imbalances and a deteriorating global environment have increased uncertainty.
- We continue to see significant risk for the Estonian economy as the turbulence in financial markets that originated in advanced economies is now spreading all across the emerging markets.

Risk Factors

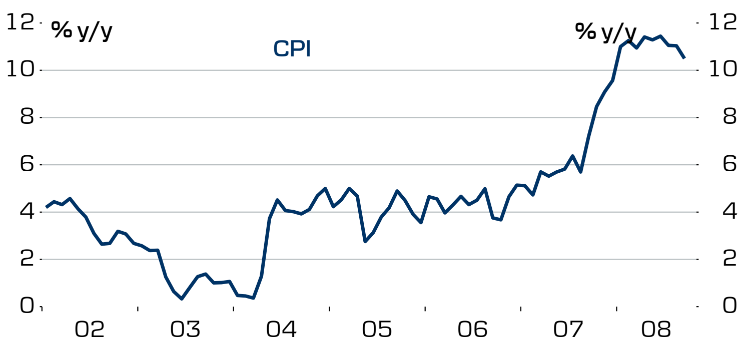
- The property market bubble in Estonia has burst. Property prices have dropped sharply and there is reason to believe that they could continue to fall for some time to come.
- Inflation is expected to be affected by a number of one-off factors – higher heating prices, hikes in excise duties, etc. In our view, consumer price growth will not begin to slow until 2009.
- Due to slowdown in growth public finances may face significant deterioration in this and following years.

FX forecast

EUR/EEK		
	Danske	Forward
14-Oct	15.64	
+3M	15.65	-
+6M	15.65	-
+12M	15.65	-

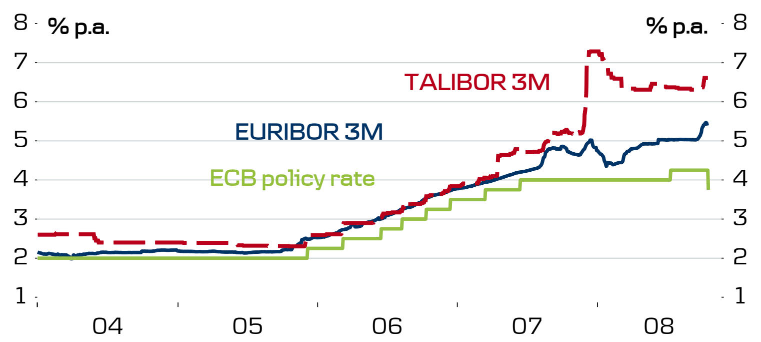
USD/EEK		
	Danske	Forward
14-Oct	11.48	
+3M	11.51	-
+6M	11.86	-
+12M	12.42	-

Inflation close to peaking



Source: Reuters EcoWin

Estonian rates



Source: Reuters EcoWin

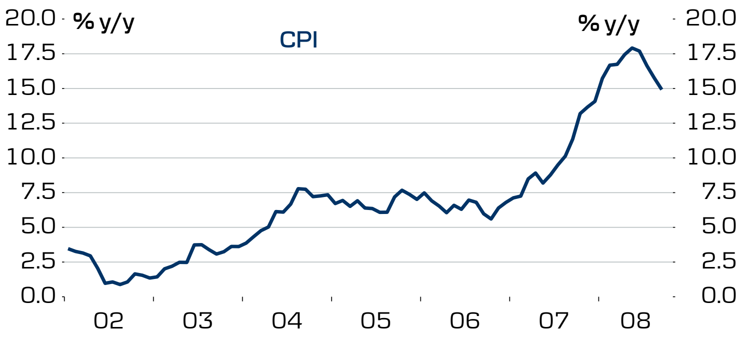
Latvia	Macro Outlook	FX & Monetary Policy	Risk Factors
LVL **Currency regime:** Quasi-currency board, ERM2 member **Inflation target:** None, due to fixed exchange rate	• Latvia's economy entered recession in Q2 08 as well and it is obvious that a sharp slowdown scenario is a consequence. • GDP growth is likely to be negative in 2008, and there is a high probability of contraction in 2009 as well. • Larger imbalances in Latvia will make the economic adjustment process more painful than in the other Baltic nations, and growth may not resume until 2012-13.	• The Latvian lat (LVL) is pegged to the euro through ERM2, but renewed pressure on the currency should certainly not be ruled out. • The Latvian central bank has been defending the peg by actively intervening in the FX market. The situation remains very critical. • Financial risks have risen significantly on the back of deteriorating situation in the global markets.	• Apartment prices fell more than 20% y/y in the first half of 2008. Tighter credit conditions, high inflation and a weak economic outlook could well drive the housing market further down. • Due to the hike in energy prices, average inflation in 2008 is expected to remain around the 17% level and to fall only marginally next year. • Latvia's government approved its 2009 budget draft with a deficit of 1.9% of GDP based on the GDP growth of 2% y/y.

FX forecast

EUR/LVL		
	Danske	Forward
14-Oct	0.71	
+3M	0.70	-
+6M	0.70	-
+12M	0.70	-

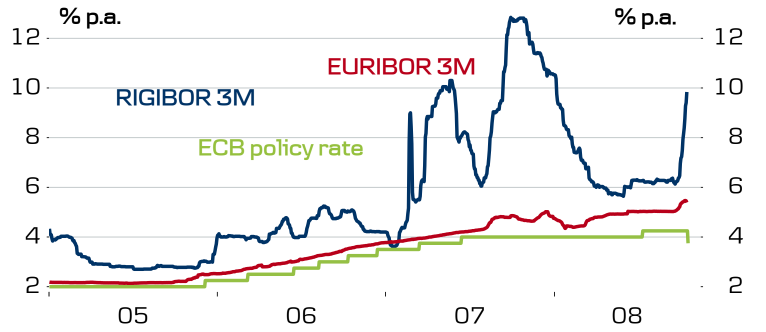
USD/LVL		
	Danske	Forward
14-Oct	0.52	
+3M	0.51	-
+6M	0.53	-
+12M	0.56	-

Inflation has probably peaked



Source: Reuters EcoWin

Interest rate spreads have narrowed



Source: Reuters EcoWin

Lithuania

LTL

Currency regime:

Currency board, ERM2 member

Inflation target:

None, due to fixed exchange rate

Macro Outlook

- Growth has cooled, and even though we do not expect as strong a slowdown in Lithuania as in the other two Baltic States, it is likely that the economy could be heading for quite a hard landing.
- The greatest challenge for the Lithuanian economy is likely to be the expected energy price hit in 2010 when, due to two to three times higher electricity prices, GDP growth could drop by as much as three percentage points while headline inflation could return to the current level.

FX & Monetary Policy

- The Lithuanian lita (LTL) is pegged to the euro through ERM 2.
- Large imbalances and a global slowdown could increase volatility in the Lithuanian markets further.
- The biggest policy challenge is how to handle a soft landing. However, the Lithuanian government has given up its commitment to have a balanced budget next year and there is even risk of breaching a level of 3% of GDP.

Risk Factors

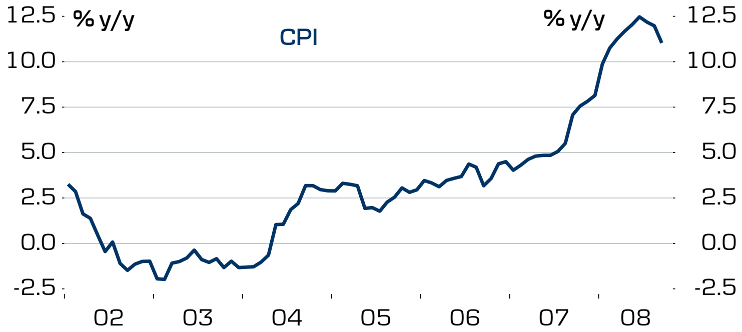
- Signs of stagnation in the housing market have grown significantly, and there is a risk that the Lithuania property market will get a taste of what has happened to its neighbours.
- We expect inflation at 11.8% this year.
- Due to the strong impact of the political cycle, we expect to see more slippage in fiscal policy as the economy slows significantly. According to official estimates the deficit in 2008 may total LTL2.68bn.

FX forecast

EUR/LTL		
	Danske	Forward
14-Oct	3.45	
+3M	3.45	-
+6M	3.45	-
+12M	3.45	-

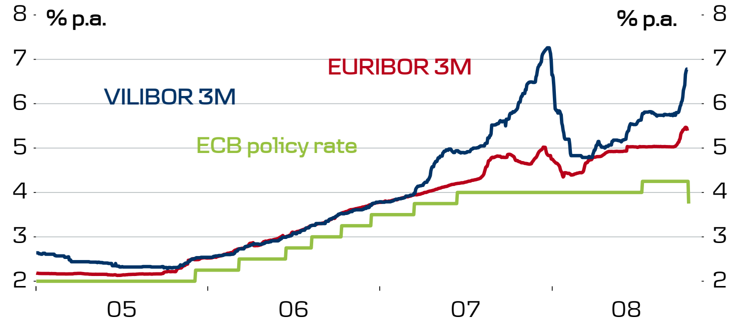
USD/LTL		
	Danske	Forward
14-Oct	2.53	
+3M	2.54	-
+6M	2.61	-
+12M	2.74	-

Upward risks to inflation remains present



Source: Reuters EcoWin

Lithuanian rates



Source: Reuters EcoWin

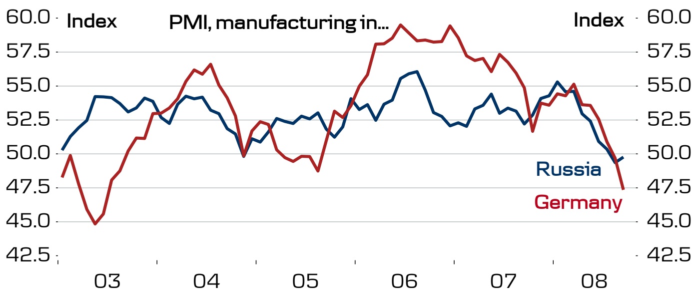
Russia	Macro Outlook	FX & Monetary Policy	Risk Factors
RUB **Currency regime:** Managed peg versus dual currency basket – 45% EUR and 55% USD **Inflation target:** 8.5% year-end 2008	• Economic growth is set to slow in coming quarters with domestic demand dampened by high inflation and tighter monetary conditions due to a sharp increase in the cost of money in recent months. • Inflation, now around 15% y/y, is likely to decline only gradually in coming quarters. Strong inflationary pressures persist within the Russian economy, partly due to high wage growth and rising import prices.	• Money market rates have risen sharply with liquidity becoming very tight amid global fears and concerns over short-term-term external debt in the banking sector. • Recently the Russian central bank (CBR) intervened heavily to shore up RUB at 30.40 RUB/basket. As a result, FX-reserves fell. For now, we do not see much upside potential for the rouble (RUB) as we expect lower oil prices and weaker capital flows to reduce demand for the currency.	• Russian equity markets remain under pressure, falling sharply over the past couple of months due to tight liquidity, greater political risk and falling oil prices. • The Russian government and the CBR have implemented measures to support liquidity and improve solvency in the banking system. • While the government has large buffers to help relieve pressure on markets under stress, the growth outlook is deteriorating.

FX forecast

EUR/RUB		
	Danske	Forward
14-Oct	35.59	
+3M	35.63	36.20
+6M	35.11	36.67
+12M	34.27	37.46

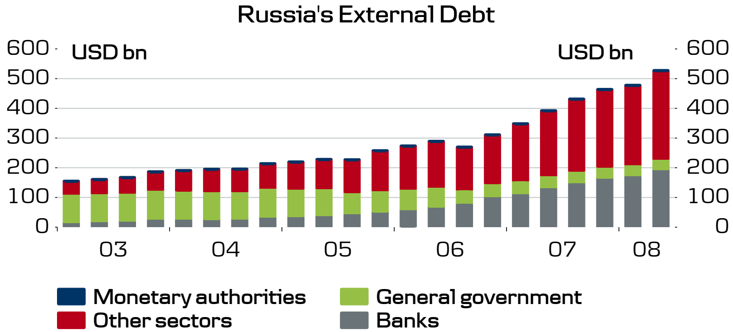
USD/RUB		
	Danske	Forward
14-Oct	26.13	
+3M	26.20	26.57
+6M	26.60	26.95
+12M	27.20	27.61

PMI shows manufacturing contracting

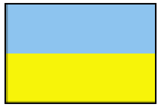


Source: Ecowin

Rising external debt levels a worry



Source: Ecowin

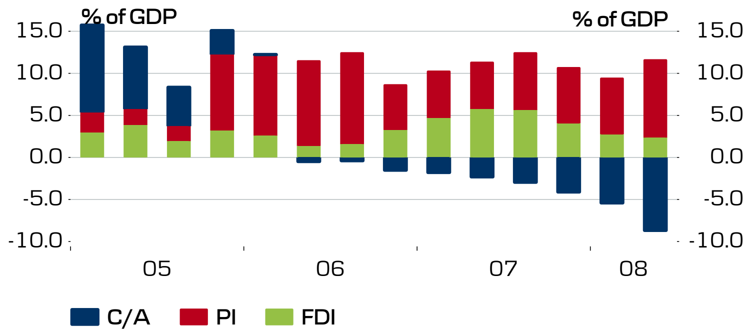
Ukraine	Macro Outlook	FX & Monetary Policy	Risk Factors
 UAH **Currency regime:** Managed peg versus USD	• Domestic demand has been very strong in recent years due to favourable external conditions and a very easy monetary environment. But these factors are changing so we expect a sharp slowdown in the real economy in coming quarters. • Inflation has eased slightly in recent months but remains very high at around 25% y/y. No major improvements are likely in the near term as underlying price pressures are very strong.	• The Ukrainian central bank (NBU) allowed the currency (UAH) to fall sharply in September and early October providing a much needed adjustment to the large C/A deficit. But the NBU has now reversed this strategy and for some reason begun using FX-reserves to support the hryvnia. • Also rather unusually, the NBU forbade withdrawals of term deposits before maturity, an apparently counterproductive move as it can only serve to encourage savers to withdraw their deposits on maturity.	• Inconsistent policy and increased political uncertainty ahead of snap parliamentary elections represent a dangerous combination given tensions in global liquidity markets. • Mr. Turchynov, Ukraine's first deputy prime minister, said recently that the country is seeking systematic support from the IMF to help limit liquidity strains. In our view the IMF could provide a much needed external anchor given the current difficult economic and political climate.

FX forecast

EUR/UAH	Danske	Forward
14-Oct	6.90	
+3M	7.21	6.91
+6M	7.26	6.99
+12M	7.06	N/A

USD/UAH	Danske	Forward
14-Oct	5.05	
+3M	5.30	5.07
+6M	5.50	5.14
+12M	5.60	N/A

External balances under pressure



Source: Ecowin

Equity markets fell sharply

Source: Ecowin

Turkey	Macro Outlook	FX & Monetary Policy	Risk Factors
TRY **Currency regime:** Free float **Inflation target:** 7.5% end of 2009 6.5% end of 2010 5.5% end of 2011	• Turkish GDP growth slowed significantly in Q2 and growth is likely to remain subdued for some time to come as the credit crunch and the global slowdown is likely to continue to weigh on growth.	• Even though inflation continues to run well above this year's and next year's inflation target the Turkish central bank governor Yilmaz has recently hinted that the TCMB could start cutting interest rates soon. We believe this is overly dovish and the TCMB risks not only sending the lira sliding once again, but the TCMB also risks further jeopardising its already damaged inflation-fighting credentials.	• Political tensions have eased somewhat in Turkey. This undoubtedly is positive for Turkish markets. So is the fact that recent oil prices have come down significantly. That said increased geopolitical tensions in the Caucasus and continued global credit concerns could spark new turmoil in the Turkish markets. • The Turkish markets have been surprisingly resilient during the global credit crunch but the credit crunch remains a key risk to the Turkish economy and markets.

FX forecast

EUR/TRY		
	Danske	Forward
14-Oct	1.88	
+3M	2.00	1.94
+6M	2.05	1.99
+12M	2.05	2.12

USD/TRY		
	Danske	Forward
14-Oct	1.38	
+3M	1.47	1.42
+6M	1.55	1.47
+12M	1.63	1.56

Consumers and businesses losing confidence

Source: Ecowin

And the lira under renewed pressure

Source: Ecowin

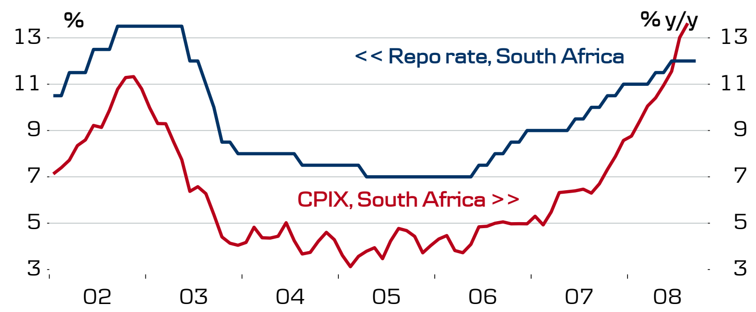
South Africa	Macro Outlook	FX & Monetary Policy	Risk Factors
 **ZAR** **Currency regime:** Free float **Inflation target:** 4.5% +/- 1.5%-point	• The South African economy is stalling as domestic demand cools further and consumer confidence nose-dives. However, slower domestic demand and lower oil prices should bring some improvements in the large current account deficit. • August data showed another terrible reading on inflation. The all-important CPIX index rose by 13.6% y/y. The core and food inflation rates also accelerated. Recent currency weakness could prolong the period of accelerating inflation.	• The central bank (SARB) has been on hold at 12% since June due to political pressures despite negative real interest rates and rising inflation. Going forward we believe that SARB will keep its key rate unchanged throughout the year, and then it might deliver some easing at the beginning of Q1 09 – however, we consider this policy ill-advised and believe further rate hikes are on the cards. • The South African rand remains vulnerable in the current environment due to large imbalances.	• In our view, South African swap and bond yields are too low given the current market conditions and surging inflation. However, market participants have high hopes that new CPI weights in 2009 will reduce inflation significantly. • We do not share the same kind of optimism with regard to inflation but we realise that the monetary policy stance is probably not going to be tightened further even though this would bring some support to the troubled rand.

FX forecast

EUR/ZAR		
	Danske	Forward
14-Oct	12.33	
+3M	13.26	12.64
+6M	13.20	12.92
+12M	12.92	13.36

USD/ZAR		
	Danske	Forward
14-Oct	9.09	
+3M	9.75	9.28
+6M	10.00	9.49
+12M	10.25	9.85

SARB is behind the curve, but will do nothing



Source: Ecowin

Rand taking another beating

Source: Ecowin

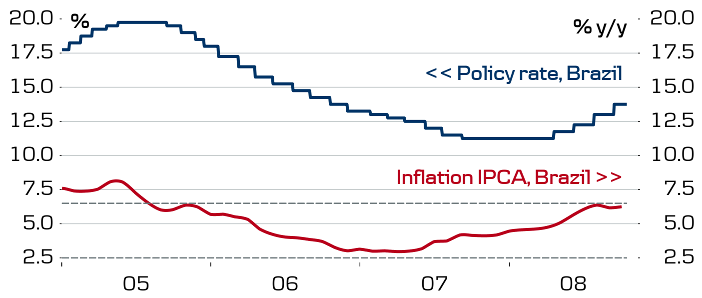
Brazil	Macro Outlook	FX & Monetary Policy	Risk Factors
BRL **Currency regime:** Free float **Inflation target:** 4.5% +/- 2%-point	• Domestic demand is still rather buoyant with retail sales growing almost 10% y/y and industrial production rising more than 6% y/y – both in real terms. Real GDP real growth is currently above 6% y/y, but we expect it to slow going into 2009. • Inflation edged up a little, to 6.3% y/y in September due to strong domestic demand pressures as well as the sharp weakening of the Brazilian real (BRL). Going into 2009, we expect some gradual improvement in inflation rates	• In September, the central bank (BCB) hiked its key rate by another 75bp to 13.75%. We are looking for further tightening at the October and December meetings. The opportunity for monetary easing will probably not open before late H1 2009 • BRL has been very volatile over the last couple of months. The Brazilian currency has sold off massively since the beginning of September. Rising real interest rates should underpin BRL going forward, but market conditions are likely to remain uncertain.	• There is a risk that external balances will look less supportive for the currency if commodities continue to plunge and the current account deficit widens further. Declining equity markets and declining global growth further bode for weaker net portfolio flows • The BCB implemented measures to stem the sell-off in the Brazilian currency and to un-freeze liquidity in local markets. This brought some relief, but markets are likely to be rattled in the coming weeks and months.

FX forecast

EUR/BRL	Danske	Forward
14-Oct	2.83	
+3M	2.86	2.89
+6M	2.84	2.92
+12M	2.77	3.02

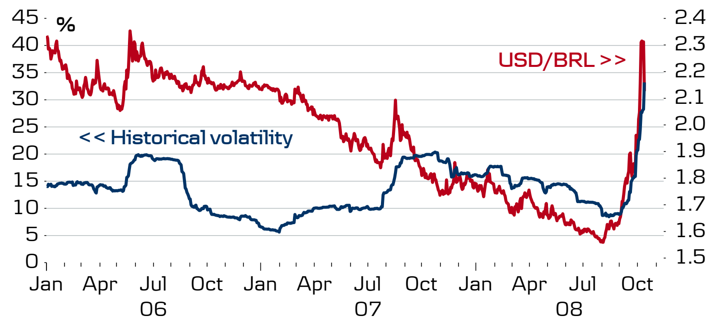
USD/BRL	Danske	Forward
14-Oct	2.08	
+3M	2.10	2.12
+6M	2.15	2.15
+12M	2.20	2.23

We have not seen the final hike yet



Source: Ecowin

BRL sold off as risk appetite disappeared



Source: Ecowin

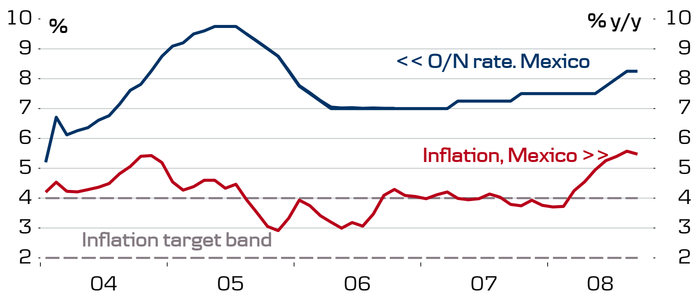
Mexico	Macro Outlook	FX & Monetary Policy	Risk Factors
 MXN **Currency regime:** Free float **Inflation target:** 3.0% +/- 1%-point	• Mexico's economy is cooling, following the slow down in the US economy. The Mexican government recently lowered its growth forecasts for 2008-09. Industrial production is trending down and consumer confidence plummeting. The Mexican economy could be in for a rough landing in the short term. • Inflation declined a little to 5.5% y/y in September, while core inflation continues to rise. Year-end inflation expectations are 5.6%.	• The central bank (Banxico) hiked its key rate by 25bp in August to 8.25%. Political pressures are rising for Banxico to cut rates. However, high inflation needs to be addressed by a tight monetary stance. We do not expect Banxico to cut this year in the current uncertain environment. • The Mexican peso (MXN) weakened dramatically against the USD and the EUR during September-October, as the global credit crisis escalated further and commodities declined rapidly. MXN is probably a bit oversold.	• There are risks of contagion if other LATAM markets come under renewed pressures. This would limit upside potential for the Mexican peso. • As a result of the stalling economy, the government has decided to implement a contra cyclical policy based on expanding public spending - mainly through a speed up in spending on infrastructure and construction of a new refinery. Further measures will be implemented.

FX forecast

EUR/MXN		
	Danske	Forward
14-Oct	16.81	
+3M	17.00	17.06
+6M	16.76	17.25
+12M	16.38	17.60

USD/MXN		
	Danske	Forward
14-Oct	12.34	
+3M	12.50	12.52
+6M	12.70	12.67
+12M	13.00	12.98

No rate cuts before 2009



Source: Ecowin

Sharp drop in MXN amid global market turmoil

Source: Ecowin

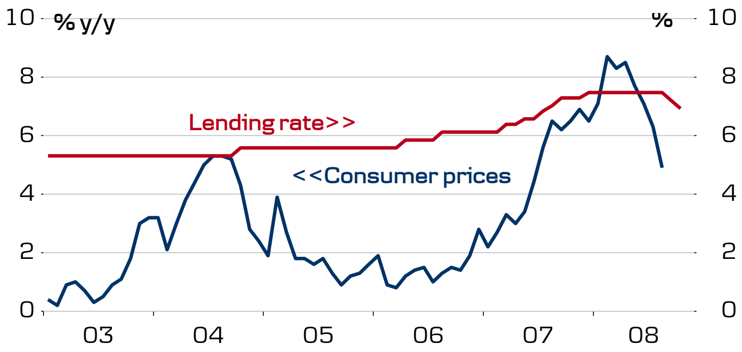
China	Macro Outlook	FX & Monetary Policy	Risk Factors
CNY **Currency regime:** Crawling USD peg **Inflation target:** No official target	• GDP growth is expected to decline slightly below 9% in 2009 due to slower growth in exports and investment. However, growth is expected to remain robust despite weakness in the global economy. • Inflation has declined faster than expected and is expected to fall below 4% in early 2009. Underlying inflation should not be underestimated because suppressed inflation still exists as regulated prices have only been partly adjusted.	• With inflation declining the People's Bank of China (PBoC) has removed its tightening and has surprisingly cut the benchmark lending rate. Credit controls should be gradually eased and further rate cuts expected in 2009. If growth slows more than expected China will relax its fiscal policy. • With the tightening bias being removed, CNY appreciation has slowed. Also, a stronger USD will help slow appreciation against the USD. A major one-off revaluation is unlikely for now.	• The economy is transforming from being export driven to having greater reliance on domestic demand. The C/A surplus will decline significantly but remain in surplus. • Labour-intensive manufacturing is starting to decline as China moves up the value added chain and there is cost pressure because of tighter environmental and labour market regulation and CNY appreciation.

FX forecast

EUR/CNY		
	Danske	Forward
14-Oct	9.30	
+3M	9.26	9.31
+6M	8.92	9.29
+12M	8.32	9.25

USD/CNY		
	Danske	Forward
14-Oct	6.84	
+3M	6.81	6.83
+6M	6.76	6.83
+12M	6.60	6.82

PBOC has started easing

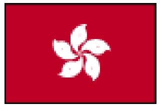


Source: Ecowin

CNY appreciation pace has slowed

Source: Ecowin

Hong Kong



HKD

Currency regime:

Currency board/USD peg

Inflation target:

No target

Macro Outlook

- GDP growth will slow on weaker exports. However, domestic demand is expected to remain comparatively strong, as lower interest rates and a fiscal easing will support domestic demand.

- Inflation has picked up because of a tighter labour market, higher energy and food prices and RMB appreciation. However, inflation has peaked and should decline below 2% during 2009

FX & Monetary Policy

- HK is expected to maintain its US dollar peg for the foreseeable future. The dollar peg could prove unsustainable in an extreme decoupling scenario to the US. However, with US and Chinese monetary policy now moving in the same direction, we believe this scenario has a very low probability. That said, in the very long-term the goal is for some kind of linkage to CNY.

- Money market rates linked to US interest rates. Hence, money market rates will decline in line with US interest rates.

Risk Factors

- No change in the political status is expected soon. Direct election for the Chief Executive and Legislature is possible by 2017.

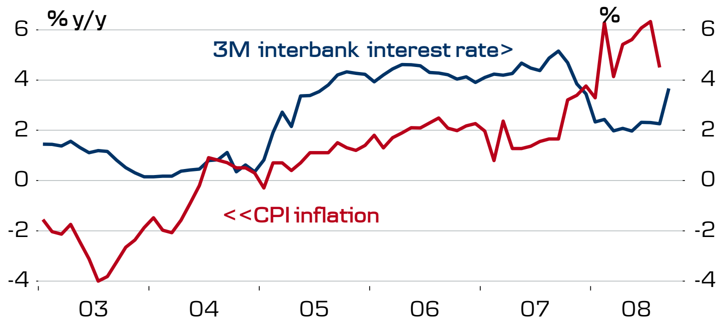
- Major fiscal easing in the 2008/2009 budget. Fiscal package is 4.5% of GDP with about 80% one-off for this fiscal year.

FX forecast

EUR/HKD	Danske	Forward
14-Oct	10.59	
+3M	10.61	10.56
+6M	10.30	10.53
+12M	9.83	10.49

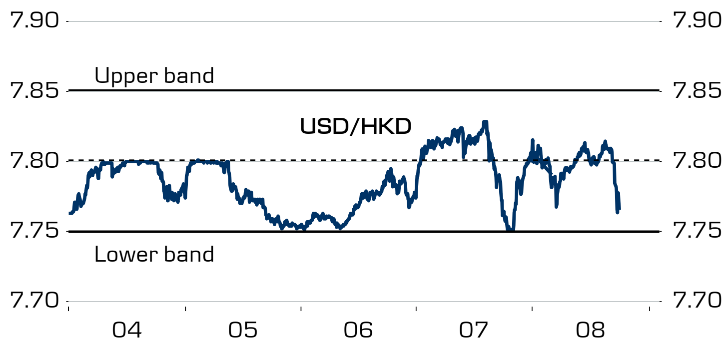
USD/HKD	Danske	Forward
14-Oct	7.76	
+3M	7.80	7.75
+6M	7.80	7.74
+12M	7.80	7.73

Real interest rate has turned negative



Source: Ecowin

HKD has strengthened to lower end of band



Source: Ecowin

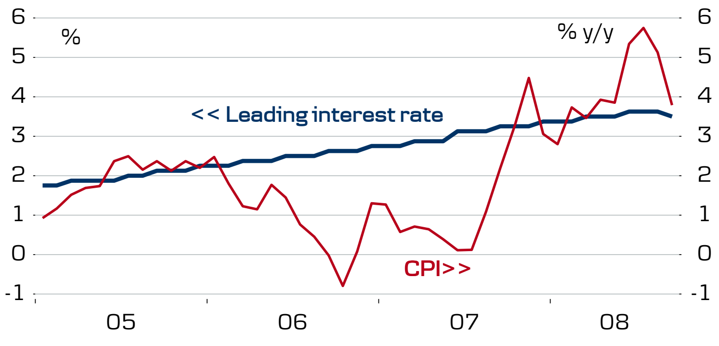
Taiwan	Macro Outlook	FX & Monetary Policy	Risk Factors
TWD **Currency regime:** Free float **Inflation target:** 2% medium term	• GDP growth remained strong until early 2008, mainly due to strong exports. Taiwan is very sensitive to slower US growth and thus growth is expected to slow considerably. • Inflation has peaked and is expected to decline below 2% in 2009.	• Current account surplus of close to 8% of GDP has in recent years been offset by strong capital outflows in connection with domestic investors' portfolio diversification. • We believe capital flows will increasingly support TWD-strength and because of its strong current account position it will perform well in a risk averse market. • The central bank cut its leading interest rate in October and will continue to ease.	• Ma Ying-jeou from Kuomintang won a landslide victory in the presidential election on 22 March. Koumintang already has a majority in the parliament. Hence, political stability is on the cards. • The political agenda will shift from independence to an economic agenda including liberalisation of economic ties with Mainland China. Political tensions between Taiwan and China are expected to ease.

FX forecast

EUR/TWD	Danske	Forward
14-Oct	44.12	
+3M	44.20	43.48
+6M	43.82	43.03
+12M	40.82	42.28

USD/TWD	Danske	Forward
14-Oct	32.36	
+3M	32.50	31.91
+6M	33.20	31.62
+12M	32.40	31.16

Monetary tightening to continue



Source: Ecowin

USD/TWD

Source: Ecowin

South Korea	Macro Outlook	FX & Monetary Policy	Risk Factors
KRW **Currency regime:** Free float **Inflation target:** 2.5% +/- 1%-point	• Growth is slowing with both weaker domestic demand and exports. C/A has slid significantly into deficit due to higher crude oil prices. However C/A should return to surplus next year as a result of lower crude oil prices. • Positively, inflation probably peaked in July. It is likely to decline considerably in coming months, returning within the Bank of Korea's (BoK) inflation target band of 2.5% +/-1pp.	• Despite the weaker KRW BoK has started easing. BoK will continue easing with another rate cut likely before year-end. However, a weak KRW could limit BoK's room for manoeuvre. • South Korea is one of the Asian countries most sensitive to the current credit crisis because of banks dependence on short term wholesale foreign funding. However, South Korea's external liquidity position is very strong. A repeat of the collapse in KRW in 1997 is unlikely.	• Lee Myung-bak from the right-wing GNP party won both presidential and general elections in April. The government has been weakened by a row over the free trade agreement with the US but overall very stable domestic political environment. • Geopolitical risks are increasing due to concern over the health of North Korean leader Kim Il Sung and the current stalemate in negotiations regarding ending North Korea's nuclear programme.

FX forecast

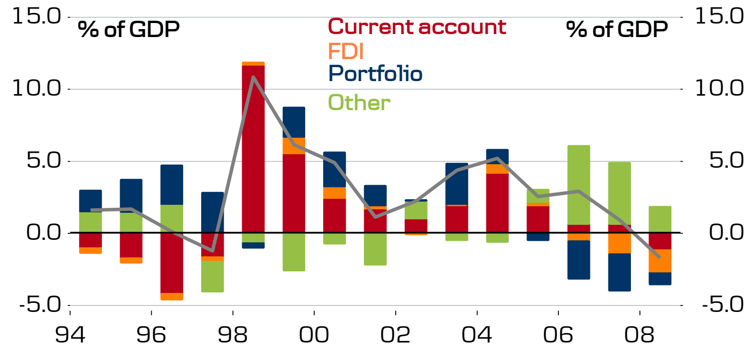
EUR/KRW		
	Danske	Forward
14-Oct	1642	
+3M	1768	1627
+6M	1703	1619
+12M	1512	1678

USD/KRW		
	Danske	Forward
14-Oct	1206	
+3M	1300	1194
+6M	1290	1190
+12M	1200	1237

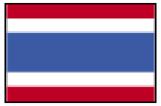
KRW has recovered but remains vulnerable

Source: Ecowin

FX flows has turned against KRW



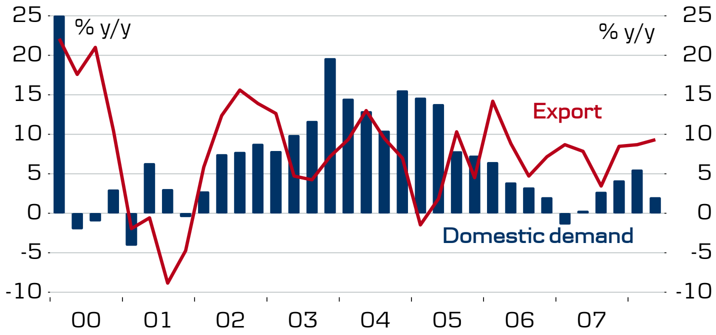
Source: Ecowin

Thailand	Macro Outlook	FX & Monetary Policy	Risk Factors
 THB **Currency regime:** Free float **Inflation target:** 0%-3%	• Political uncertainty continues to weigh on domestic demand and export growth is expected to slow on the weaker global outlook. We expect GDP growth to slow below 5% next year. • Current account surplus will decline due to higher crude oil prices but should remain in surplus in 2008 and improve in 2009. • Headline inflation has accelerated. However, core inflation is still well contained.	• Effective from March 2008 the remaining restrictions on capital inflows have been removed and onshore and offshore exchange rates converged. • With core inflation modest we believe the Bank of Thailand's (BoT) will soon start easing rates. Some weakening of THB is no major problem for the Thai economy. Thailand has a very strong external liquidity position and longer term basic balance flows remain very supportive. Hence, major weakening of THB is unlikely in our view.	• PM Samak has been forced to resign by the Constitutional Court. However, the pro-Thaksin People's Power Party (PPP) remains in power and has appointed Somchai, the brother-in-law of Thaksin, as the new prime minister, Street demon-strations continue, demanding that the PPP leaves power. There is no end to the current political stalemate in sight. Political uncertainty will remain a major negative.

FX forecast

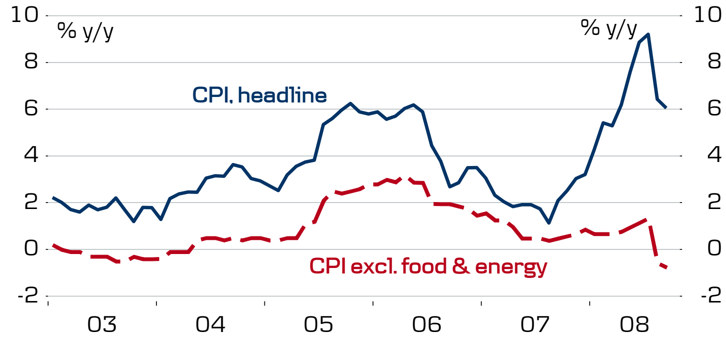
EUR/THB		
	Danske	Forward
14-Oct	46.38	
+3M	47.60	46.45
+6M	47.12	46.39
+12M	43.22	46.29
USD/THB		
	Danske	Forward
14-Oct	34.04	
+3M	35.00	34.09
+6M	35.70	34.09
+12M	34.30	34.12

Political uncertainty weigh on domestic demand

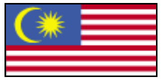


Source: Ecowin

Inflation no major restraint on monetary policy



Source: Ecowin

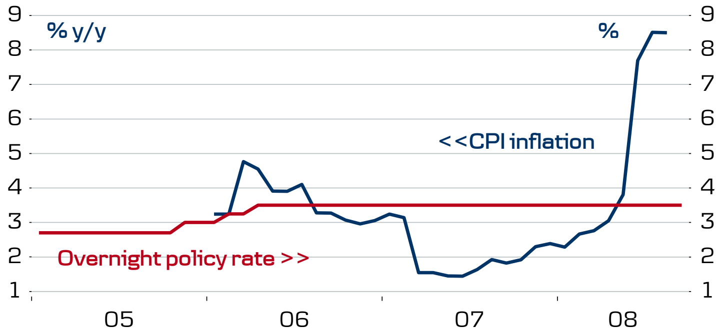
Malaysia	Macro Outlook	FX & Monetary Policy	Risk Factors
 MYR **Currency regime:** Free float **Inflation target:** No official target	• GDP has remained strong supported by very robust domestic demand with both private consumption and fixed consumption growing in excess of 10% y/y. • Inflation has increased sharply on the back of higher food prices and the June hike in regulated energy prices. However, inflation is close to peaking. • A major fiscal easing has been implemented and the budget deficit will increase sharply.	• Leading policy rate has been unchanged at 3.5% since April 2006, and the central bank is reluctant to hike despite the recent surge in inflation. Policy rates probably unchanged for the rest of the year. • The currency is supported by C/A surplus of 15% of GDP. However, MYR still looks vulnerable with the central bank seriously behind the curve and increasing political uncertainty	• Although the Governing Barisan Nasional (BN) coalition won a majority in the general election on 15 March, it was regarded as a defeat because it lost its two-thirds majority and power in several provinces. As a result, pressure is increasing on PM Abdullah to resign. However there is no credible political alternative to BN at present.

FX forecast

EUR/MYR		
	Danske	Forward
14-Oct	4.93	
+3M	4.79	4.73
+6M	4.79	4.70
+12M	4.44	4.65

USD/MYR		
	Danske	Forward
14-Oct	3.49	
+3M	3.52	3.47
+6M	3.63	3.45
+12M	3.52	3.43

Central bank reluctant to hike



Source: Ecowin

MYR to remain under pressure

Source: Ecowin

Philippines

PHP

Currency regime:

Free float

Inflation target:

4%-5%

Macro Outlook

- Compared to other Asian countries GDP growth is slowing significantly – on the back of slower export growth and the inflation shock to domestic demand. Current account surplus is declining but C/A expected to remain in positive territory.

- Inflation has soared above 10% – well outside the central bank target of inflation between 4%-5% – mainly on the back of higher energy and food prices. The Philippines are highly dependent on imported food and energy.

FX & Monetary Policy

- Inflation has probably peaked and with the current uncertainty about global economic outlook the central bank is on hold. The central bank will start easing sometimes during 2009.

- PHP is currently one of the most vulnerable Asian currencies and will probably weaken further in the short run. At some point the central bank will probably intervene in the FX market to prevent PHP weakness boosting inflation too much.

Risk Factors

- Political uncertainty has returned, with mass protests and calls for President Arroyo to resign on suspicion of corruption and higher food prices. Arroyo is expected to survive politically. The next presidential election will be in 2010.

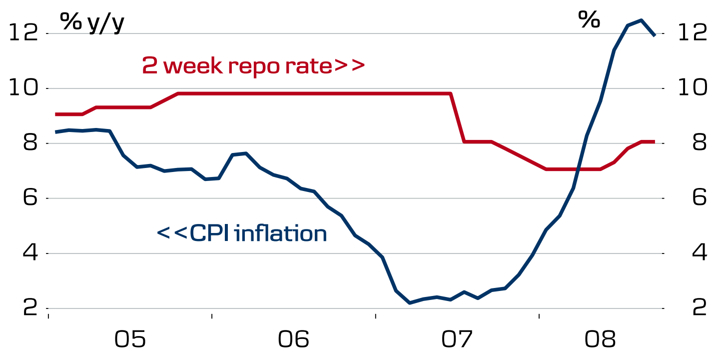
- The government has postponed its goal of balancing government budget to 2010 from 2008. That said recent years' fiscal consolidation remains a major positive.

FX forecast

EUR/PHP		
	Danske	Forward
14-Oct	64.03	
+3M	66.23	65.43
+6M	64.94	65.84
+12M	60.23	66.41

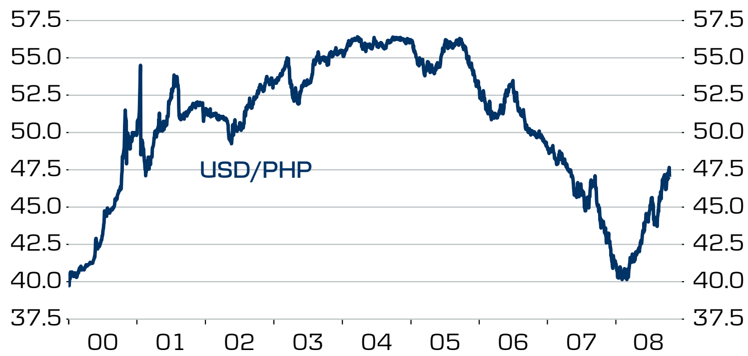
USD/PHP		
	Danske	Forward
14-Oct	47.01	
+3M	48.70	48.02
+6M	49.20	48.38
+12M	47.80	48.95

Central Bank still behind the curve



Source: Ecowin

Vulnerable in the short run



Source: Ecowin

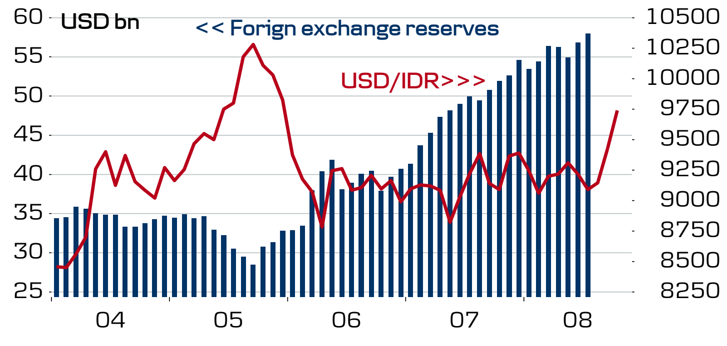
Indonesia	Macro Outlook	FX & Monetary Policy	Risk Factors
IDR **Currency regime:** Free float **Inflation target:** 2008: 5%-7%	• Growth has remained resilient on the back of strong domestic demand. However, GDP growth is expected to slow to 5.5% mainly because of a slower export growth. The current account has turned slightly into deficit because of higher crude oil prices and strong domestic demand. • Inflation has increased above 12% on the back of the 25-30% increase in administered energy prices. While we believe inflation is close to peaking, underlying inflationary pressure remains a worry because of strong domestic demand.	• The Bank of Indonesia (BI) has maintained its tightening bias and hiked in October despite the financial market turmoil. Another rate hike is possible although we expect BI to return to an easing bias at some point during 2009. • IDR has recently been hit by portfolio outflows from Indonesia and the weaker current account position. IDR might be vulnerable in the short run. However, BI is expected to step in to support the currency and longer term basic balance flows and carry will still be supportive for IDR.	• President Yudhoyono is very reform minded and by cutting energy subsidies has signalled his intention to continue fiscal consolidation (budget balance by 2010). Structurally Indonesia needs to improve investments in resource industries. • The next presidential election will be held in June 2009. It would be a positive development if Yudhoyono is re-elected. The general election will be held in April 2009.

FX forecast

EUR/IDR		
	Danske	Forward
14-Oct	13267	
+3M	13328	13510
+6M	12918	13711
+12M	11913	14097

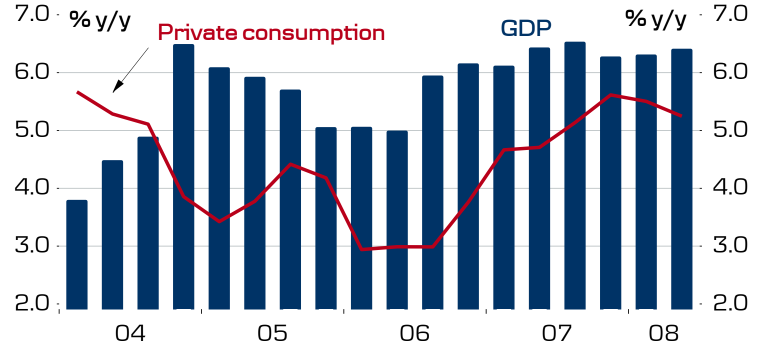
USD/IDR		
	Danske	Forward
14-Oct	9740	
+3M	9800	9915
+6M	9786	10075
+12M	9455	10390

IDR has been hit by recent market turmoil



Source: Ecowin

Resilient GDP growth so far



Source: Ecowin

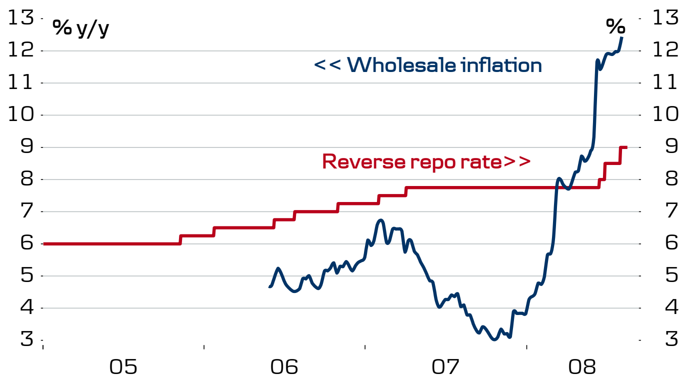
India	Macro Outlook	FX & Monetary Policy	Risk Factors
INR **Currency regime:** Free float **Inflation target:** 5% for fiscal 08/09 3% medium term	• Growth is slowing down on the back of both weaker exports and private consumption following last year's monetary tightening and INR appreciation. Growth is expected to remain robust but could well slow temporarily to below 8%. • Inflation has soared above 10% due to higher energy and food prices. However, inflation is expected to moderate due to improved food supply after an above-average harvest.	• Reserve Bank of India (RBI) has cut the reserve requirement (RRR) twice during the past month indicating it is returning to an easing bias. The cut in the RRR has mainly been done to ease liquidity pressure on domestic banks. We expect RBI to cut its leading interest rate in early-2009. • INR has depreciated sharply against USD and will remain vulnerable. RBI needs to underpin the credibility of the medium-term inflation target of 3%.	• Prime Minister Singh faces problems in advancing much-needed structural reforms because of a highly-fragmented government. Outlook for reform improved after government was no longer dependent on Communist support. • Growth is now taking priority over continued fiscal consolidation. Including off-balance items the government budget deficit will increase because of surging energy subsidies following the recent spike in global crude oil prices.

FX forecast

EUR/INR	Danske	Forward
14-Oct	65.26	
+3M	65.55	65.37
+6M	64.55	65.28
+12M	59.22	65.17

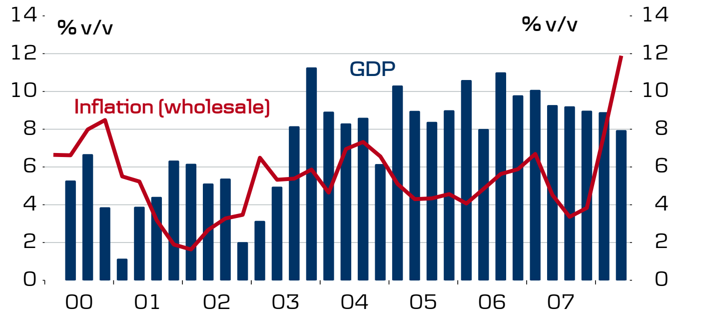
USD/INR	Danske	Forward
14-Oct	47.93	
+3M	48.20	47.98
+6M	48.90	47.97
+12M	47.00	48.03

Central Bank has probably finished hiking



Source: Ecowin

Growth slowing and inflation close to peaking



Source: Ecowin

FX Forecast

Core Majors

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
EUR	14-Oct			1.36		745.3		979.6		855.0	
	+3M			1.36	1.36	746.0	745.1	960.0	980.3	840.0	857.3
	+6M			1.32	1.36	746.0	745.3	950.0	981.3	830.0	860.2
	+12M			1.26	1.36	746.0	745.5	940.0	983.4	810.0	864.7
USD	14-Oct	1.36				547.0		718.9		627.5	
	+3M	1.36	1.36			548.5	546.8	705.9	719.5	617.6	629.2
	+6M	1.32	1.36			565.2	547.7	719.7	721.1	628.8	632.1
	+12M	1.26	1.36			592.1	549.5	746.0	724.8	642.9	637.4
JPY	14-Oct	139.3		102.2		5.35		7.03		6.14	
	+3M	139.0	137.9	102.0	101.2	5.37	5.40	6.91	7.11	6.04	6.22
	+6M	137.0	137.0	104.0	100.7	5.45	5.44	6.93	7.16	6.06	6.28
	+12M	136.0	135.3	108.0	99.7	5.49	5.51	6.91	7.27	5.96	6.39

FX Forecast

Wider CEE

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
PLN	14-Oct	3.47		2.55		214.7		282.2		246.3	
	+3m	3.70	3.47	2.72	2.55	201.6	214.4	259.5	282.1	227.0	246.7
	+6m	3.80	3.48	2.88	2.56	196.3	214.3	250.0	282.1	218.4	247.3
	+12m	3.85	3.47	3.06	2.56	193.8	214.8	244.2	283.3	210.4	249.1
HUF	14-Oct	253.5		185.7		2.94		3.86		3.37	
	+3m	280.0	254.1	205.9	186.5	2.66	2.93	3.43	3.86	3.00	3.37
	+6m	290.0	256.3	219.7	188.3	2.57	2.91	3.28	3.83	2.86	3.36
	+12m	295.0	259.1	234.1	191.0	2.53	2.88	3.19	3.79	2.75	3.34
CZK	14-Oct	24.56		18.01		30.35		39.88		34.81	
	+3m	25.50	24.51	18.75	17.99	29.25	30.40	37.65	40.00	32.94	34.98
	+6m	26.00	24.43	19.70	17.95	28.69	30.51	36.54	40.17	31.92	35.21
	+12m	26.25	24.34	20.83	17.94	28.42	30.63	35.81	40.40	30.86	35.52
SKK	14-Oct	30.41		22.33		24.51		32.22		28.12	
	+3m	30.13	30.04	22.15	22.04	24.76	24.81	31.86	32.64	27.88	28.54
	+6m	30.13	30.04	22.83	22.07	24.76	24.82	31.53	32.67	27.55	28.64
	+12m	30.13	30.22	23.91	22.27	24.76	24.67	31.20	32.54	26.88	28.61
RON	14-Oct	3.76		2.76		198.4		260.7		227.6	
	+3m	4.00	3.86	2.94	2.83	186.5	193.1	240.0	254.1	210.0	222.2
	+6m	4.10	3.94	3.11	2.89	182.0	189.3	231.7	249.2	202.4	218.4
	+12m	4.15	4.08	3.29	3.00	179.8	182.9	226.5	241.3	195.2	212.2
BGN	14-Oct	1.96		1.44		381.1		500.8		437.1	
	+3m	1.96	-	1.44	-	381.6	-	491.0	-	429.7	-
	+6m	1.96	-	1.48	-	381.6	-	485.9	-	424.6	-
	+12m	1.96	-	1.55	-	381.6	-	480.8	-	414.3	-

FX Forecast

CIS

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
RUB	14-Oct	35.59		26.13		20.94		27.52		24.02	
	+3M	35.63	36.20	26.20	26.57	20.94	20.58	26.94	27.08	23.57	23.68
	+6M	35.11	36.67	26.60	26.95	21.25	20.32	27.06	26.76	23.64	23.46
	+12M	34.27	37.46	27.20	27.61	21.77	19.90	27.43	26.25	23.63	23.08
UAH	14-Oct	6.90		5.05		108.0		142.0		123.9	
	+3M	7.21	6.91	5.30	5.07	103.5	107.8	133.2	141.8	116.5	124.0
	+6M	7.26	6.99	5.50	5.14	102.8	106.6	130.9	140.4	114.3	123.0
	+12M	7.06	N/A	5.60	N/A	105.7	N/A	133.2	N/A	114.8	N/A

Baltics

		EUR Danske	EUR Forward	USD Danske	USD Forward	DKK Danske	DKK Forward	SEK Danske	SEK Forward	NOK Danske	NOK Forward
EEK	14-Oct	15.64		11.48		47.6		62.6		54.7	
	+3M	15.65	-	11.51	-	47.67	-	61.34	-	53.67	-
	+6M	15.65	-	11.86	-	47.67	-	60.70	-	53.04	-
	+12M	15.65	-	12.42	-	47.67	-	60.06	-	51.76	-
LTL	14-Oct	3.45		2.53		215.9		283.7		247.6	
	+3M	3.45	-	2.54	-	216.2	-	278.3	-	243.5	-
	+6M	3.45	-	2.61	-	216.2	-	275.4	-	240.6	-
	+12M	3.45	-	2.74	-	216.2	-	272.5	-	234.8	-
LVL	14-Oct	0.71		0.52		1053.3		1384.3		1208.3	
	+3M	0.70	-	0.51	-	1065.7	-	1371.4	-	1200.0	-
	+6M	0.70	-	0.53	-	1065.7	-	1357.1	-	1185.7	-
	+12M	0.70	-	0.56	-	1065.7	-	1342.9	-	1157.1	-

FX Forecast

MEA

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
TRY	14-Oct	1.88		1.38		396.2		520.7		454.5	
	+3M	2.00	1.94	1.47	1.42	373.0	385.0	480.0	506.6	420.0	443.0
	+6M	2.05	1.99	1.55	1.47	363.9	373.6	463.4	491.9	404.9	431.2
	+12M	2.05	2.12	1.63	1.56	363.9	352.1	458.5	464.5	395.1	408.4
ZAR	14-Oct	12.33		9.09		60.4		79.4		69.3	
	+3M	13.26	12.64	9.75	9.28	56.3	59.0	72.4	77.6	63.3	67.8
	+6M	13.20	12.92	10.00	9.49	56.5	57.7	72.0	76.0	62.9	66.6
	+12M	12.92	13.36	10.25	9.85	57.8	55.8	72.8	73.6	62.7	64.7
ILS	14-Oct	4.92		3.61		151.5		199.1		173.8	
	+3M	4.96	4.92	3.65	3.61	150.3	151.5	193.4	199.3	169.2	174.3
	+6M	4.88	4.92	3.70	3.61	152.7	151.6	194.5	199.6	169.9	175.0
	+12M	4.66	4.93	3.70	3.63	160.0	151.2	201.6	199.5	173.7	175.4
EGP	14-Oct	7.54		5.54		98.9		129.9		113.4	
	+3M	7.62	7.65	5.60	5.62	98.0	97.3	126.1	128.1	110.3	112.0
	+6M	7.46	7.80	5.65	5.73	100.0	95.6	127.4	125.8	111.3	110.3
	+12M	7.18	7.89	5.70	5.82	103.9	94.4	130.9	124.6	112.8	109.5

FX Forecast

LATAM

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
BRL	14-Oct	2.83		2.08		263.5		346.3		302.2	
	+3M	2.86	2.89	2.10	2.12	261.2	258.0	336.1	339.5	294.1	296.8
	+6M	2.84	2.92	2.15	2.15	262.9	254.9	334.7	335.6	292.5	294.1
	+12M	2.77	3.02	2.20	2.23	269.1	246.7	339.1	325.4	292.2	286.1
ARS	14-Oct	4.35		3.19		171.4		225.3		196.6	
	+3M	4.56	4.37	3.35	3.21	163.7	170.6	210.7	224.5	184.4	196.3
	+6M	4.55	4.46	3.45	3.28	163.8	167.2	208.6	220.2	182.3	193.0
	+12M	4.41	4.64	3.50	3.42	169.2	160.7	213.2	211.9	183.7	186.4
MXN	14-Oct	16.81		12.34		44.33		58.3		50.8	
	+3M	17.00	17.06	12.50	12.52	43.9	43.7	56.5	57.5	49.4	50.3
	+6M	16.76	17.25	12.70	12.67	44.5	43.2	56.7	56.9	49.5	49.9
	+12M	16.38	17.60	13.00	12.98	45.5	42.4	57.4	55.9	49.5	49.1

FX Forecast

EM Asia

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
CNY	14-Oct	9.30		6.84		80.10		105.3		91.9	
	+3M	9.26	9.31	6.81	6.83	80.5	80.1	103.7	105.3	90.7	92.1
	+6M	8.92	9.29	6.76	6.83	83.6	80.2	106.5	105.6	93.0	92.6
	+12M	8.32	9.25	6.60	6.82	89.7	80.6	113.0	106.3	97.4	93.4
KRW	14-Oct	1642		1206		0.45		0.60		0.52	
	+3M	1768	1627	1300	1194	0.42	0.46	0.54	0.60	0.48	0.53
	+6M	1703	1619	1290	1190	0.44	0.46	0.56	0.61	0.49	0.53
	+12M	1512	1678	1200	1237	0.49	0.44	0.62	0.59	0.54	0.52
THB	14-Oct	46.4		34.0		16.1		21.1		18.4	
	+3M	47.6	46.4	35.0	34.1	15.7	16.0	20.2	21.1	17.6	18.5
	+6M	47.1	46.4	35.7	34.1	15.8	16.1	20.2	21.2	17.6	18.5
	+12M	43.2	46.3	34.3	34.1	17.3	16.1	21.8	21.2	18.7	18.7
SGD	14-Oct	2.00		1.46		372		490		427.2	
	+3M	2.01	1.98	1.48	1.46	371	376	477	494	417	432.3
	+6M	1.98	1.97	1.50	1.45	377	379	480	498	419	436.9
	+12M	1.88	1.95	1.49	1.44	397	383	501	505	431	443.8
HKD	14-Oct	10.6		7.76		70.4		92.5		80.7	
	+3M	10.61	10.56	7.80	7.75	70.3	70.6	90.5	92.9	79.2	81.2
	+6M	10.30	10.53	7.80	7.74	72.5	70.8	92.3	93.2	80.6	81.7
	+12M	9.83	10.49	7.80	7.73	75.9	71.1	95.6	93.8	82.4	82.5

FX Forecast

EM Asia (cont.)

		EUR		USD		DKK		SEK		NOK	
		Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward	Danske	Forward
MYR	14-Oct	4.93		3.49		151.2		198.7		173.4	
	+3M	4.79	4.73	3.52	3.47	155.8	157.6	200.5	207.4	175.5	181.4
	+6M	4.79	4.70	3.63	3.45	155.7	158.6	198.3	208.8	173.2	183.0
	+12M	4.44	4.65	3.52	3.43	168.2	160.3	211.9	211.5	182.6	186.0
PHP	14-Oct	64.03		47.01		11.64	0.00	15.30		13.35	
	+3M	66.23	65.43	48.70	48.02	11.26	11.39	14.49	14.98	12.68	13.10
	+6M	64.94	65.84	49.20	48.38	11.49	11.32	14.63	14.90	12.78	13.06
	+12M	60.23	66.41	47.80	48.95	12.39	11.23	15.61	14.81	13.45	13.02
IDR	14-Oct	13267		9740		0.056		0.074		0.064	
	+3M	13328	13510	9800	9915	0.056	0.055	0.072	0.073	0.063	0.063
	+6M	12918	13711	9786	10075	0.058	0.054	0.074	0.072	0.064	0.063
	+12M	11913	14097	9455	10390	0.063	0.053	0.079	0.070	0.068	0.061
INR	14-Oct	65.26		47.93		11.42		15.01		13.10	
	+3M	65.55	65.37	48.20	47.98	11.38	11.40	14.64	15.00	12.81	13.11
	+6M	64.55	65.28	48.90	47.97	11.56	11.42	14.72	15.03	12.86	13.18
	+12M	59.22	65.17	47.00	48.03	12.60	11.44	15.87	15.09	13.68	13.27
TWD	14-Oct	44.12		32.36		16.89		22.20		19.38	
	+3M	44.20	43.48	32.50	31.91	16.88	17.14	21.72	22.55	19.00	19.72
	+6M	43.82	43.03	33.20	31.62	17.02	17.32	21.68	22.80	18.94	19.99
	+12M	40.82	42.28	32.40	31.16	18.27	17.63	23.03	23.26	19.84	20.45

Monetary Policy Calendar

	Policy Rate (%)	Latest Change	Next Change	Next Meeting
	15 October 2008			
Wider CEE				
PLN	6.00	+ 25 bp (Jun, 2008)	-25 bp (Nov, 2008)	29 Oct 2008
HUF	8.50	+ 25 bp (May, 2008)	-25 bp (Q4, 2008)	20 Oct 2008
CZK	3.50	- 25bp (Aug, 2008)	-50 bp (Nov, 2008)	06 Nov 2008
SKK	4.25	- 25 bp (Apr, 2007)	Track ECB	28 Oct 2008
TRY	16.75	+ 50bp[Jul, 2008]	-50 bp (Q2, 2009)	22 Oct 2008
MEA				
ILS	3.75	+ 25 bp (Aug, 2008)	Unchanged	27 Oct 2008
ZAR	12.00	+ 50 bp (Jun, 2008)	-50 bp (Q2, 2009)	11 Dec 2008
LATAM				
BRL	13.75	+ 75 bp (Sep, 2008)	+50 bp (Oct, 2008)	29 Oct 2008
MXN	8.25	+ 25 bp (Aug, 2008)	-25 bp (Q2, 2009)	17 Oct 2008
EM Asia				
CNY	6.93	- 27 bp (Oct, 2008)	-27 bp (Q4, 2008)	Not announced
KRW	5.25	- 25 bp (Oct, 2008)	-25 bp (Q1, 2009)	07 Nov 2008
THB	3.75	+ 25 bp (Aug, 2008)	-25 bp (Q1, 2009)	03 Dec 2008
HKD	6.00	- 25 bp (Oct, 2007)	-25 bp (Q4, 2008)	Not announced
MYR	3.50	+ 25 bp (Apr, 2006)	Unchanged 2008	24 Oct 2008
PHP	6.00	+ 25 bp (Aug, 2008)	-25 bp (Q1, 2009)	20 Nov 2008
IDR	9.25	+ 25 bp (Oct, 2008)	+25 bp (Q1, 2008)	06 Nov 2008
INR	9.00	+ 50 bp (Sep, 2008)	-25 bp (Q1, 2009)	24 Oct 2008
TWD	3.25	- 25 bp (Oct, 2008)	-25 bp (Q1, 2009)	Not announced

Emerging Markets contacts

Emerging Markets Research				
Lars Christensen	Chief Analyst	EMEA, CIS	+45 45 12 85 30	larch@danskebank.dk
Flemming Jegbjærg Nielsen	Senior Analyst	EM Asia	+45 45 12 85 35	flemm@danskebank.dk
Violeta Klyviene	Senior Baltic Analyst	Baltics	+370 5 2156992	vkly@danskebank.com
Lars Rasmussen	Analyst	Latin America, CIS	+45 45 12 85 34	laras@danskebank.dk
Jens Nærvig Pedersen	Assistant Analyst		+45 45 12 85 25	jenpe@danskebank.dk
Emerging Markets Sales				
Stephen A. Ryan	Chief Dealer		+45 45 14 68 98	sry@danskebank.dk
Ulf Rafstedt	Chief Dealer		+ 45 45 1461 43	ulra@danskebank.dk
Erik Rasmussen	Senior Dealer		+45 45 14 32 47	eras@danskebank.dk
Global Retail SME, FX				
Lars Kruse Brixler	Chief Dealer		+45 45 14 68 25	lbri@danskebank.dk
Flemming Winther	Senior Dealer		+45 45 14 68 24	flw@danskebank.dk
Trading FX, Fixed Income, Danske Markets				
Frank Sandbæk Vig	Chief dealer, FX		+45 45 14 61 20	fsv@danskebank.dk
Thomas Manthorpe	Chief Dealer, Fixed Income		+45 45 14 69 68	tman@danskebank.dk
Markku Anttila	Head of FX Trading, Russia		+358 10 513 8705	markku.anttila@sampopankki.fi
Perttu Tuomi	Derivatives Trader, Russia		+358 10 513 8738	perttu.tuomi@sampopankki.fi
Danske Bank Poland, Warsaw Treasury Department				
Maciej Semeniuk	Treasurer		+ 48 22 33 77 114	msem@pl.danskebank.com
Bartlomiej Dzieniecki	Senior Corporate Dealer		+ 48 22 33 77 112	bdz@pl.danskebank.com
Danske Markets Baltics				
Howard Wilkinson	Head of Baltics & Russian Sales		+358 50 374 5559	howard.wilkinson@danskebank.com
Martins Strazds	Head of Latvian Sales		+371 6707 2245	martins.strazds@danskebanka.lv
Giedre Geciauskiene	Head of Lithuanian Sales		+370 5215 6180	giedre.geciauskiene@danskebankas.lt
Lauri Palmaru	Head of Estonian Sales		+372 630 2464	lauri.palmaru@sampopank.ee
ZAO Danske Bank Russia, Saint-Petersburg Treasury Department				
Antti Urvas	Head of Corporate Banking & Treasury		+7 812 332 73 06	antti.urvas@sampopankki.fi
Vladimir Biserov	Deputy Head of Treasury		+7 812 332 73 04	vladimir.biserov@danskebank.ru
Darja Kounina	Treasury Specialist		+7 812 332 73 04	darja.kounina@danskebank.ru

This report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank A/S is authorized by the Danish Financial Supervisory Authority and 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.

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 invest-ment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or dept capital transactions.

Danske Bank research reports are prepared in accordance with the Danish Society of Investment Professionals' Ethical rules and the Recommen-dations of the Danish and Norwegian Securities Dealers Associations.

Financial models and/or methodology used in this report
Calculations and presentations in this report are based on standard econometric tools and methodology. Documentation can be obtained from the above named authors upon request.

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

First date of publication
Please see the front page of this research report.