



Macro Outlook and Nordic Equity Strategy

May 2008

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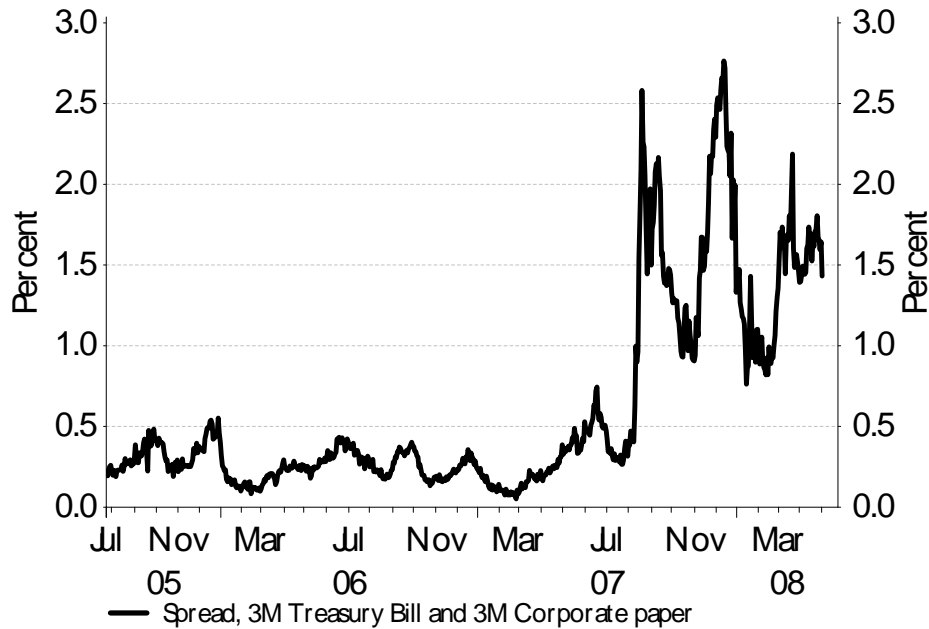
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Macro Outlook

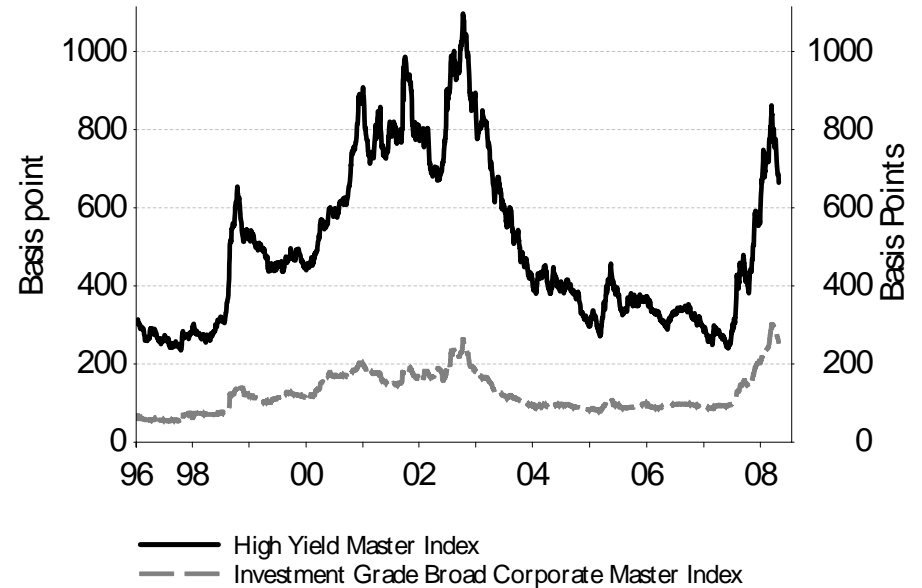
- 1. Global – Dull 2008 and 2009. Global growth slows to 3-3.5% in 2008 and no improvement in 2009**
- 2. The US – Modest recovery in 2009 (2% GDP growth) supported by expansionary monetary policy and weak USD**
- 3. Euro Zone – Remaining soft GDP growth in 2009 (1.5%). Italy and Spain close to recession.**
- 4. China (Asia) – End of double digit growth due to surging inflation, electricity bottlenecks and softer export markets**
- 5. Credit markets – Have passed the worst. Risks for severe credit crunch is small:**
 - Central banks act aggressively adding liquidity to the market**
 - US and international banks have been able to raise new capital**

Stress on global credit markets have passed the worst

US Treasury bill vs Corporate paper

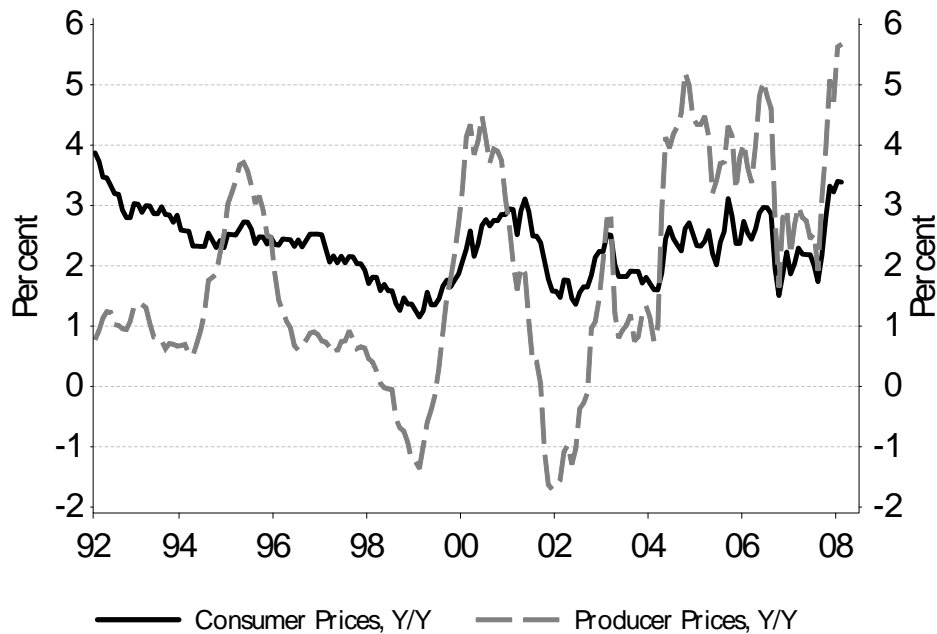


US Credit market spreads



Inflation – Hits growth and profit margins

OECD: Inflation



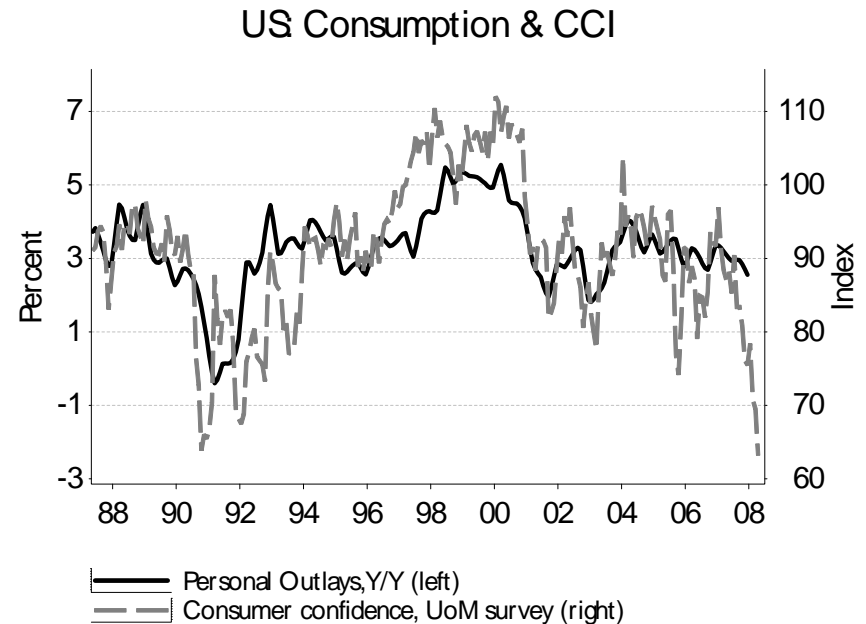
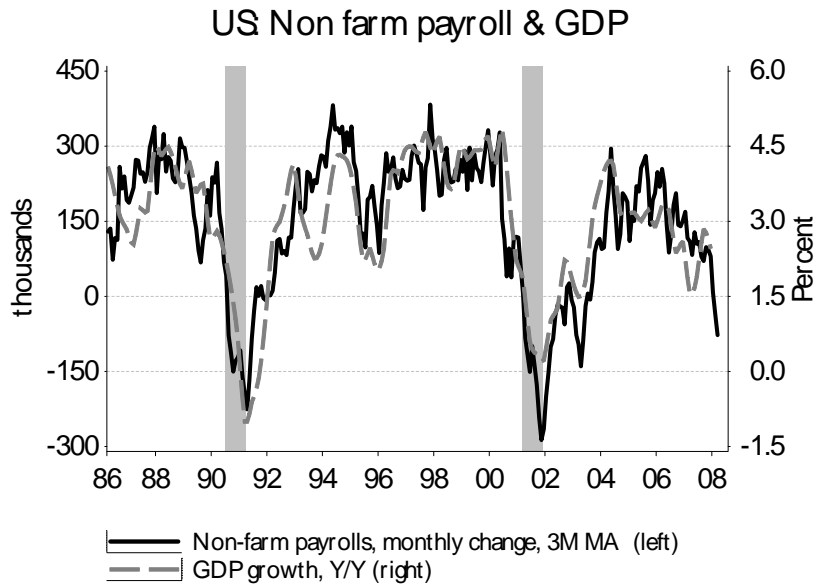
CPI Food Y/Y

	W eight	CPI Food Y/Y
China		
National	34%	18%
Indonesia		
National	40%	12%
Bangladesh		
National	58%	15%
India		
National	58%	11%
Pakistan		
National	40%	18%

Source: Carnegie Research

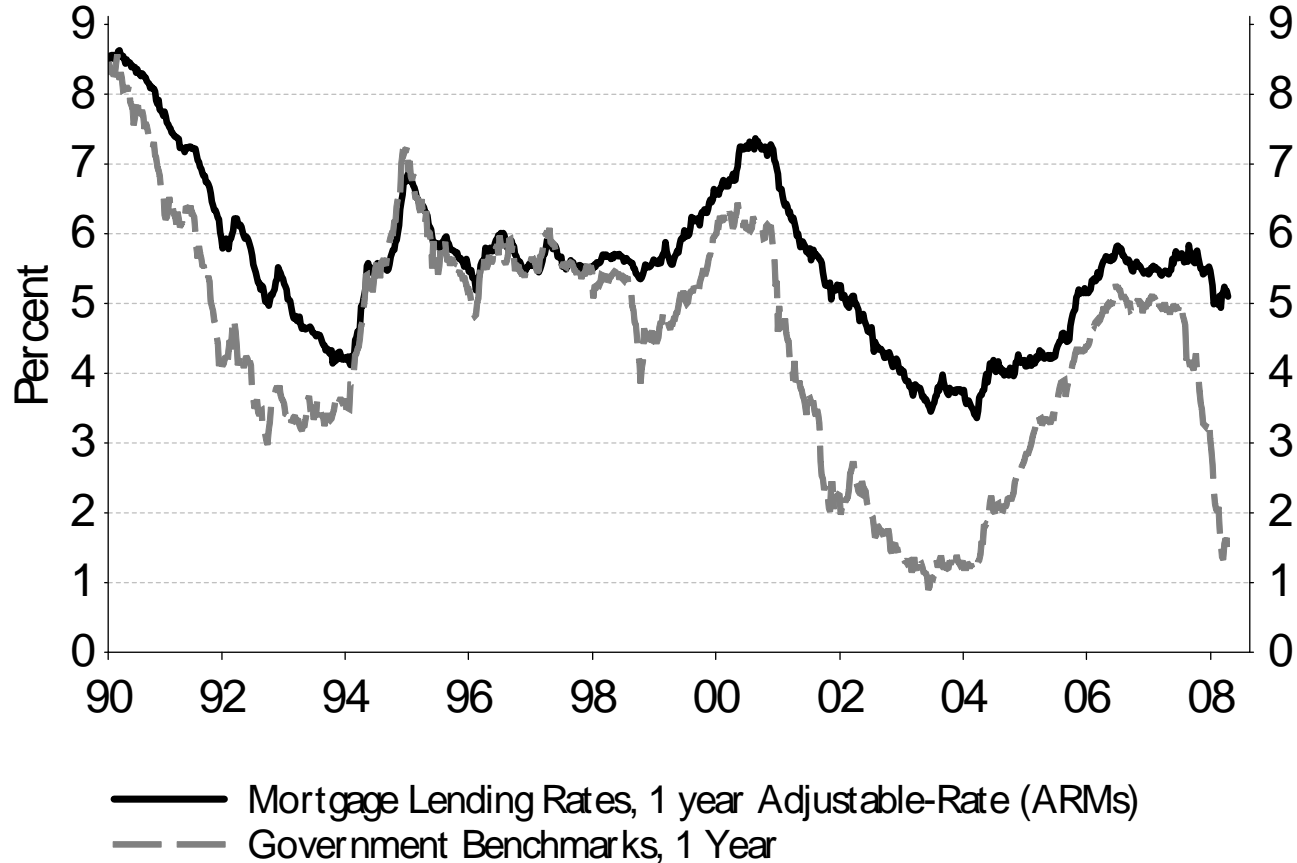
US: Recession more or less confirmed

- Most macro data warn for recession. Negative change in non-farm payrolls has always signalled recession
- The housing recession is not over. Consumers hit by higher energy and food prices, lower house prices and weaker labour market



US: Slow impact from aggressive rate cuts

US Mortgage Rate vs Gov. Bond



EZ: Slows to 1.5% in 2008

- EZ hit by softer US growth, the credit crunch, weaker real disposable income growth for households, and the strong euro
- Germany still strong, while there is risk for recession in Spain and Italy



EZ: House prices main risk ahead

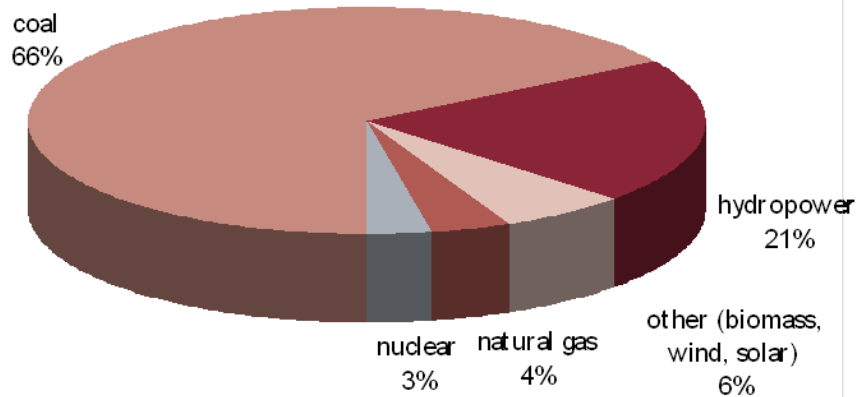
Real house price rises 1996-2006 (%)	
	1996-2006
Ireland	222
Norway	166
Finland	154
Sweden	153
UK	142
Denmark	137
Spain	117
France	97
Netherlands	94
US	60
Italy	47
Eurozone	44
Germany	-18

Source: OECD, Carnegie Research

Turning lukewarm on Asia

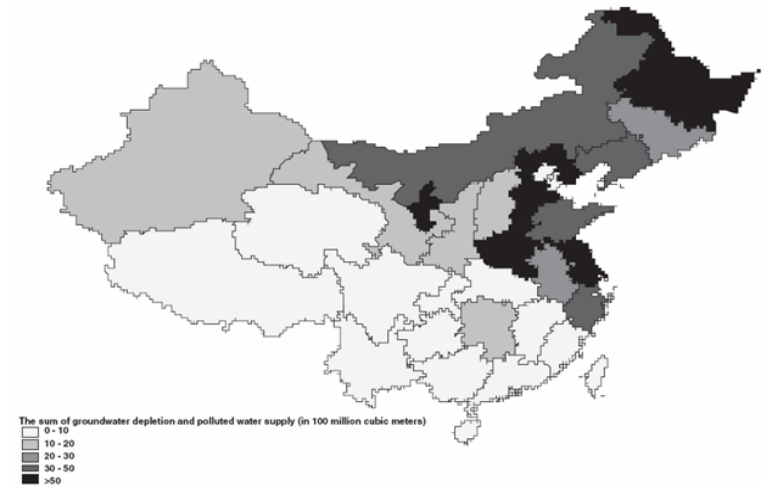
- **A massive surge in inflation** erodes real disposable income growth
- **Energy bottlenecks.** Electricity demand grew 20.2% p.a. 2001-2007
- **Net Export growth falls** as EZ and US consumption slows = 45% of total Chinese exports
- **Pollution** will increasingly hamper the economy as China is too dependent on coal.

China: Projected electric power generation in 2020



Source: State Grid Corp, China

China: The sum of groundwater depletion and polluted water supply



Source: The World Bank

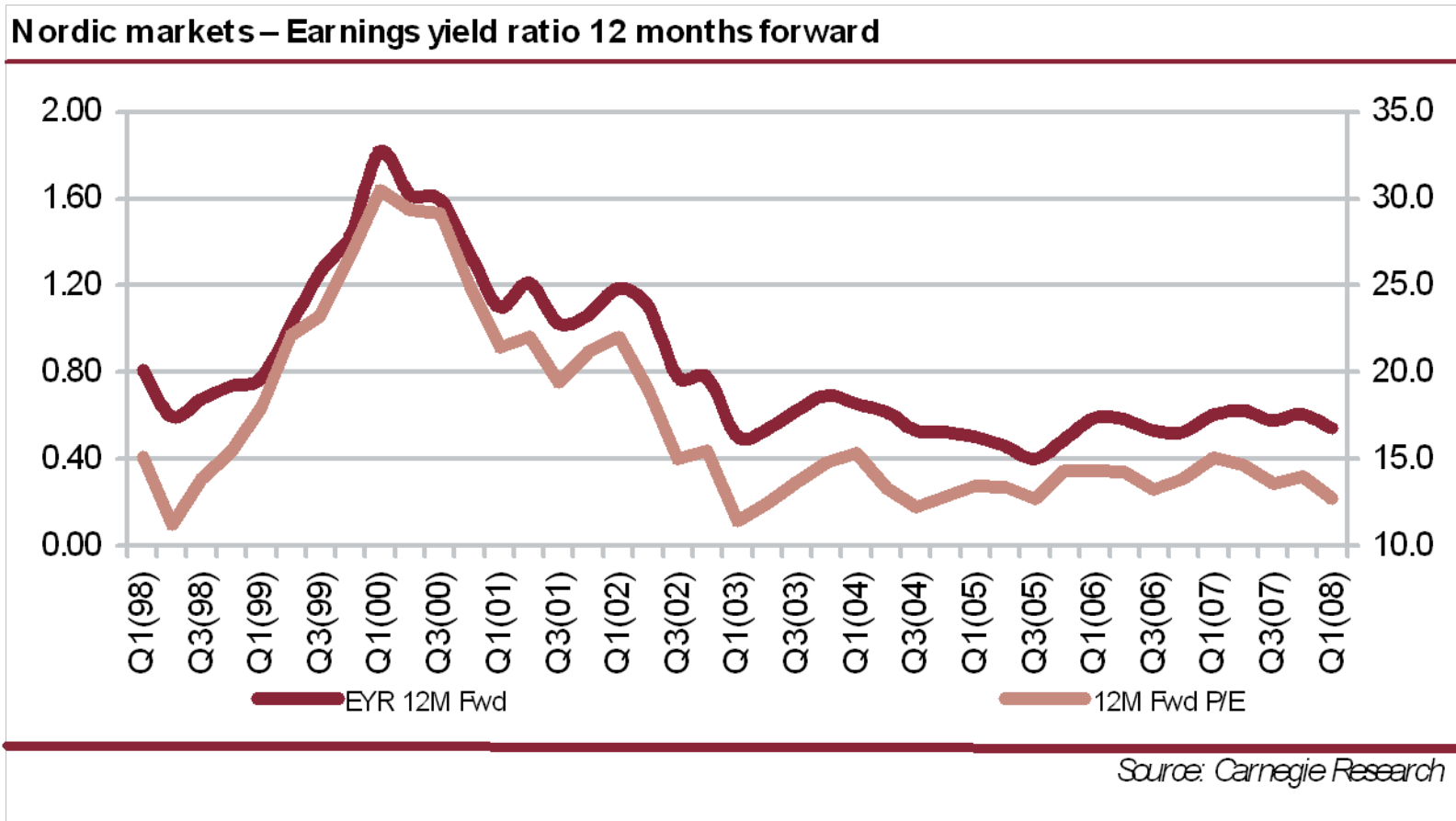
Market strategy – Too early to buy

1. Flat and volatile market in the short term as:

- Earnings estimates are too optimistic and will be revised down
- Economic outlook is highly uncertain. Consensus view too optimistic
- Liquidity will on balance be negative, with slow M&A activity and risk for further equity fund outflows

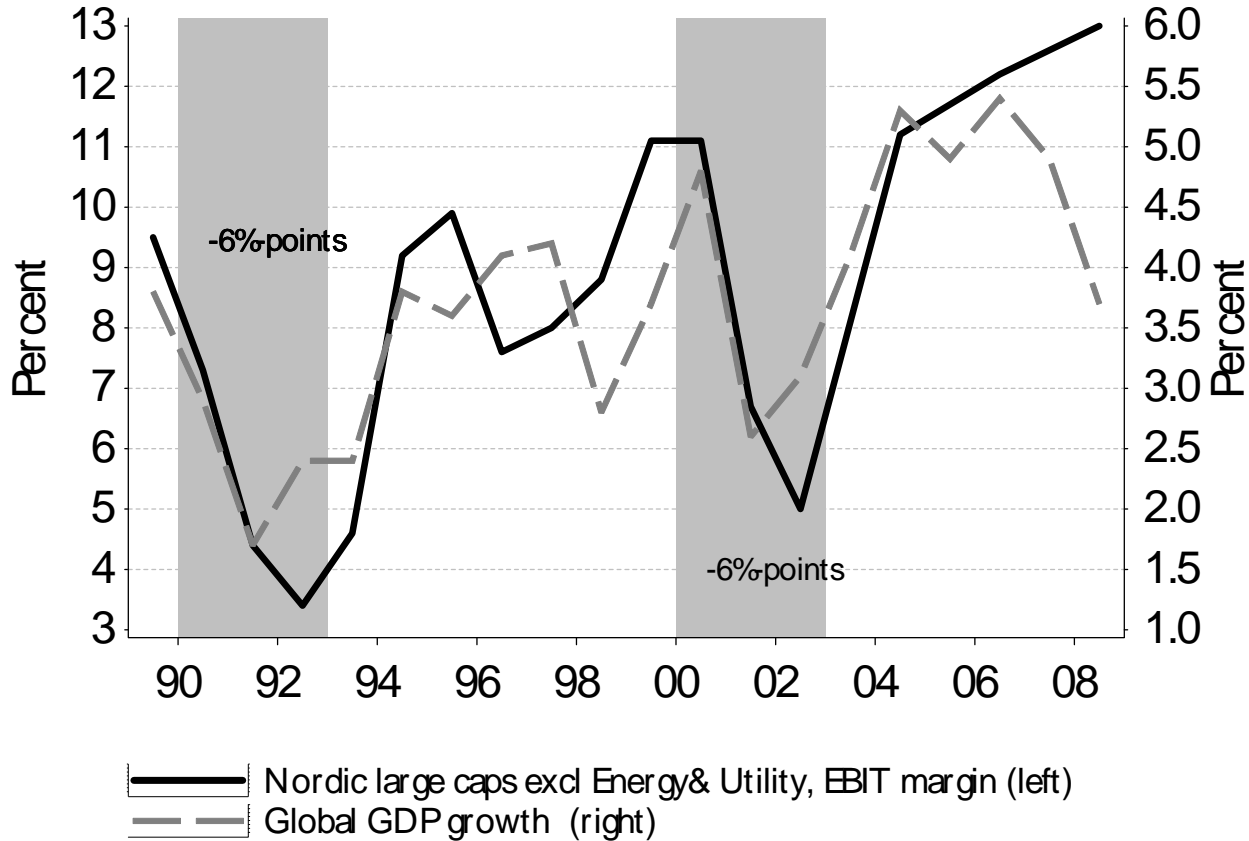
2. Next positive trigger for the market is when leading indicators improve, but this will not happen until the summer (Q3)

Valuation – Strong support but not in focus

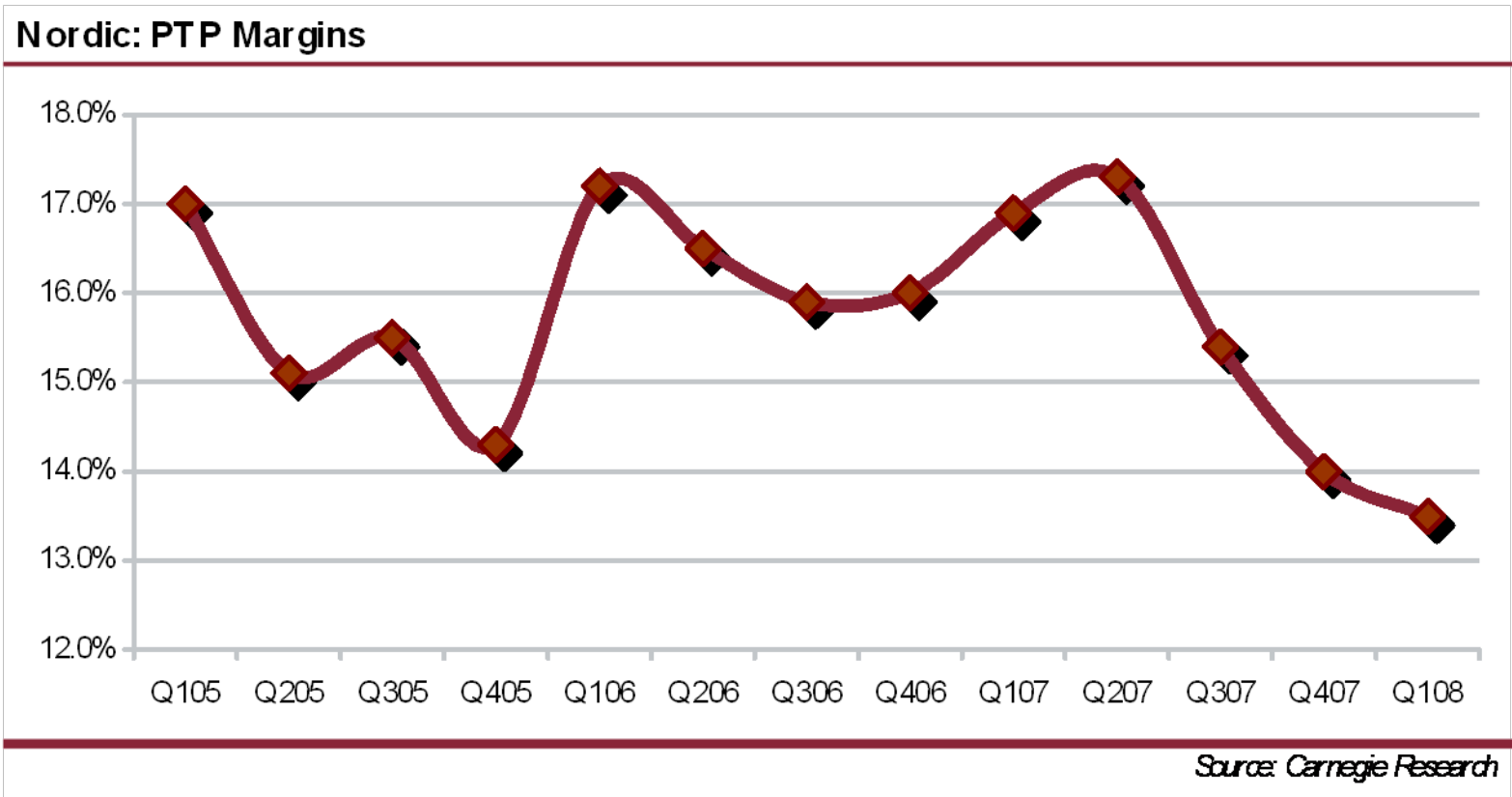


Downgrades, but estimates are still too optimistic

Global GDP growth and EBIT margins



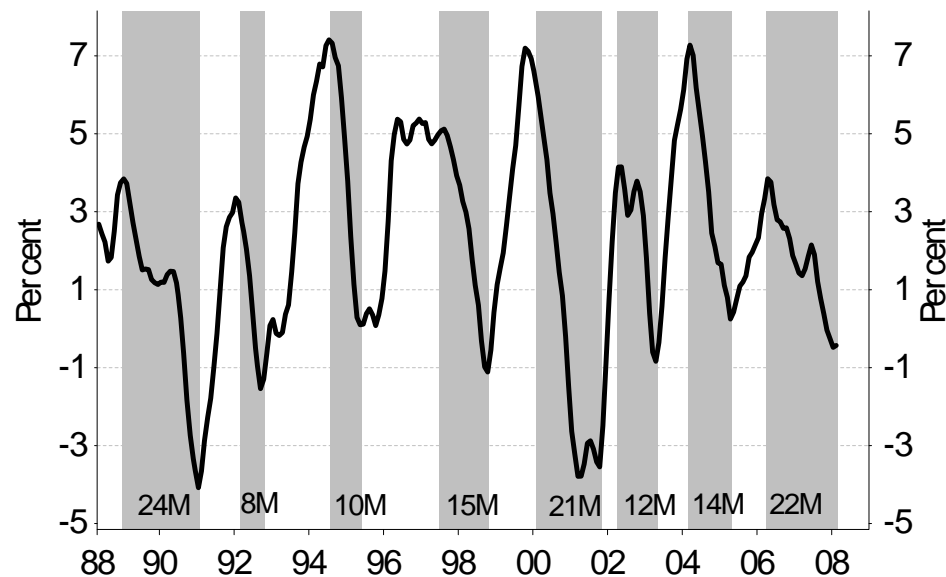
Q1 reports brought no bright spots



Next positive trigger is climbing LI – will turn during the summer

- OECD leading indicator have dropped for 22 months. Assuming a US recovery in 2009, leading indicators should improve mid-2008
- Always positive return on Nordic equity markets and S&P 500 after turning points in Leading indicators

OECD: Leading indicators



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