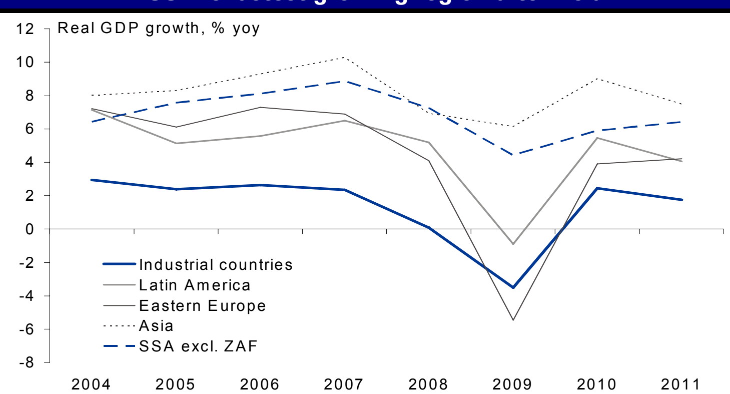
3 February 2011

Global Economic Perspectives

A bright outlook for African frontier markets

- **Sub-Saharan Africa (SSA) is set to remain the second fastest growing region in the world after Asia, driven by rising real incomes and high commodity prices. The region's economies remained broadly stable during the crisis. As public debt levels are close to pre-crisis levels and inflation nearing single-digits, the region offers a solid track record of sound macro-economic policies.**
- **The rising global demand for natural resources and arable land, the strengthening Asia-link and increasing private capital inflows are supporting SSA's long-term growth prospects.**
- **Capital markets of SSA frontier markets are still small compared to bigger emerging markets, but are developing rapidly. Nigeria recently kicked off external bond issuance for 2011. Driven by high government financing needs and increasing demand from local institutional investors, local bond markets should continue to grow strongly. Equity markets are still relatively small and illiquid but new IPOs, better regional integration and regulatory standards as well as upgrades to capital market infrastructure could improve this.**
- **Nigeria, Kenya, Ghana and Angola are the most promising frontier markets in terms of size and capital market development, in our opinion. Nigeria is SSA's oil giant with the region's most developed capital markets apart from South Africa. Kenya is the trade hub and financial centre for East Africa. Ghana is a diversified commodity exporter with a history of political stability. Angola is an emerging oil economy but is still plagued by opaque policy making.**

SSA is fastest growing region after Asia



Source: IMF, DB Global Markets Research

Economics

Table of Contents

Key Economic Forecasts .... Page 2
A bright outlook for African frontier markets...... Page 3
Central Bank Watch .... Page 10
Global Data Monitor .... Page 14
Charts of the Week .... Page 15
Global Week Ahead .... Page 16
Financial Forecasts .... Page 18
Main Deutsche Bank Global Economics Publications .... Page 19

Research Team

Peter Hooper
(+1) 212 250-7352
peter.hooper@db.com

Thomas Mayer
(+49) 69910-30800
tom.mayer@db.com

Michael Spencer
(+852) 220-38303
michael.spencer@db.com

Torsten Slok
(+1) 212 250-2155
torsten.slok@db.com

Key Economic Forecasts

	Real GDP % growth[b]			Consumer Prices % growth[c]			Current Account % of GDP[d]			Fiscal Balance % of GDP		
	2010F	2011F	2012F	2010F	2011F	2012F	2010F	2011F	2012F	2010F	2011F	2012F
US	2.9	**3.1**	**3.8**	1.6	**2.1**	**2.0**	-3.7	-4.1	-4.3	-8.8	-9.7	-6.9
Japan	4.2	0.8	1.9	-0.7	-0.5	-0.6	3.7	4.1	4.2	-8.8	-8.2	-8.0
Euroland	1.7	1.2	1.4	1.6	2.0	1.8	-0.6	0.0	0.4	-6.0	-4.8	-3.7
Germany	3.7	2.0	1.4	1.2	1.5	1.7	5.4	4.8	4.1	-3.7	-2.8	-2.0
France	1.5	1.2	1.6	1.7	1.7	1.6	-1.9	-2.2	-2.6	-7.6	-6.2	-4.8
Italy	1.1	0.9	1.2	1.5	2.1	1.9	-3.2	-2.8	-2.4	-5.0	-4.1	-3.1
Spain	-0.3	0.2	1.1	1.8	1.8	1.6	-5.0	-4.5	-3.6	-9.0	-6.5	-4.8
UK	1.4	**1.8**	2.0	3.3	4.1	1.8	-2.4	-2.0	-1.7	-9.5	-7.9	-4.4
Sweden	5.2	3.5	2.5	1.3	1.5	2.0	6.8	6.5	6.0	-1.0	-0.5	0.5
Denmark	2.1	2.4	2.0	2.3	2.0	2.0	5.0	4.0	3.5	-4.1	-3.5	-3.0
Norway	-0.3	1.5	2.5	2.4	1.5	2.0	12.8	12.9	13.0	6.8	7.5	8.5
Poland	3.8	3.9	3.5	2.7	3.0	2.8	-2.8	-3.2	-3.8	-7.9	-6.6	-5.7
Hungary	0.8	3.0	3.2	4.9	3.8	3.3	1.5	0.3	-0.4	-3.8	-2.9	-4.0
Czech Republic	2.4	2.3	3.1	1.5	2.1	2.2	-1.5	-1.0	-1.2	-5.2	-4.6	-4.2
Australia	2.7	3.2	3.1	2.9	2.9	3.0	-2.7	-2.7	-4.0	-4.5	-3.5	-2.2
Canada	2.9	2.6	3.2	1.8	2.3	2.4	-3.3	-3.6	-3.4	-3.5	-2.0	-1.7
Asia (ex Japan)	9.4	7.6	7.7	4.5	4.7	4.3	3.8	3.0	2.9	-3.2	-2.9	-2.4
India	9.8	8.2	8.5	9.4	7.7	6.9	-2.6	-3.0	-3.0	-8.5	-7.8	-7.2
China	10.0	8.7	8.4	3.3	4.4	3.5	4.8	4.1	3.6	-2.5	-2.0	-1.5
Latin America	6.0	4.3	4.0	8.8	8.6	7.3	-0.8	-1.6	-2.0	-2.4	-2.2	-2.1
Brazil	7.7	4.5	4.6	5.9	5.4	4.8	-2.2	-3.0	-3.7	-2.0	-2.1	-2.0
EMEA	4.5	4.5	5.0	8.0	7.1	6.8	0.5	-0.4	-1.2	-4.7	-3.4	-3.0
Russia	4.0	5.0	5.3	6.8	8.3	7.4	5.2	3.7	2.1	-4.0	-2.0	-1.7
G7	2.8	2.3	**2.8**	1.4	**1.8**	**1.6**						
World	4.8	**3.9**	**4.3**	3.2	**3.6**	3.2						

(a) Euroland forecasts as at the last forecast round on 10/12/10. Bold figures signal upward revisions, bold, underlined figures signal downward revisions. (b) GDP figures refer to working day adjusted data. (c) HICP figures for euro-zone countries and the UK (d) Current account figures for Euro area countries include intra regional transactions

Forecasts: G7 quarterly GDP growth

% qoq saar/annual: % yoy	Q1 10	Q2 10	Q3 10	Q4 10F	*2010F*	Q1 11F	Q2 11F	Q3 11F	Q4 11F	*2011F*	*2012F*
US	3.7	1.7	2.6	**3.2**	***2.9***	3.5	3.3	3.3	3.2	***3.1***	***3.8***
Japan	6.8	3.0	4.5	-2.2	***4.2***	-0.3	1.9	1.3	1.4	***0.8***	***1.9***
Euroland	1.5	4.1	1.4	0.7	***1.7***	0.8	0.9	1.1	1.3	***1.2***	***1.4***
Germany	2.3	9.5	2.8	1.6	***3.7***	1.5	1.1	1.3	1.4	***2.0***	***1.4***
France	0.8	2.4	1.2	0.9	***1.5***	1.0	0.8	1.6	1.5	***1.2***	***1.6***
Italy	1.7	1.9	1.0	0.8	***1.1***	1.0	0.7	0.8	1.4	***0.9***	***1.2***
UK	1.3	4.6	2.9	-2.0	***1.4***	1.3	2.1	2.1	2.0	***1.8***	***2.0***
Canada	5.6	2.3	1.0	1.4	***2.9***	3.4	3.7	3.3	2.1	***2.6***	***3.2***
G7	3.6	3.0	2.7	**1.4**	***2.8***	2.2	2.4	2.4	2.3	***2.3***	***2.8***

Sources: National authorities, DB Global Markets Research

A bright outlook for African frontier markets

- **Sub-Saharan Africa (SSA) is set to remain the second fastest growing region in the world after Asia, driven by rising real incomes and high commodity prices. The region's economies remained broadly stable during the crisis. As public debt levels are close to pre-crisis levels and inflation nearing single-digits, we believe the region offers a solid track record of sound macro-economic policies.**
- **The rising global demand for natural resources and arable land, the strengthening Asia-link and increasing private capital inflows are supporting SSA's long-term growth prospects.**
- **Capital markets of SSA frontier markets are still small compared to bigger emerging markets, but are developing rapidly. Nigeria recently kicked off external bond issuance for 2011. Driven by high government financing needs and increasing demand from local institutional investors, local bond markets should continue to grow strongly. Equity markets are still relatively small and illiquid but new IPOs, better regional integration and regulatory standards as well as upgrades to capital market infrastructure could improve this.**
- **Nigeria, Kenya, Ghana and Angola are the most promising frontier markets in terms of size and capital market development. Nigeria is SSA's oil giant with the region's most developed capital markets apart from South Africa. Kenya is the trade hub and financial centre for East Africa. Ghana is a diversified commodity exporter with a history of political stability. Angola is an emerging oil economy but is still plagued by opaque policy making.**

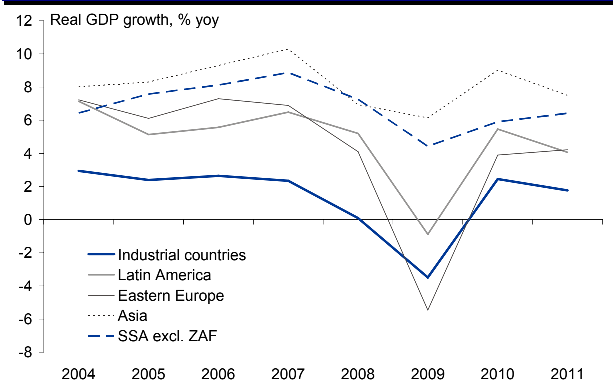
Introduction

Robust economic growth, macro-economic stabilisation and resilience during the crisis have brought sub-Saharan African frontier markets[1]_ back onto the radar of international investors. So we examine whether the long-term growth drivers are still intact and whether local capital markets will continue their rapid development.

Bright short-term outlook despite political risks

Robust growth prospects. After a swift recovery in 2010, sub-Saharan African (SSA) countries are set to grow by 5.2% yoy on average in 2011. This makes SSA the second fastest growing region in the world after Asia (see chart 1). Fuelled by rising real incomes, private consumption is likely to be the main growth driver in 2011. While rising commodity prices and exports will certainly contribute to growth, the main growth engines in terms of sectors are the agricultural and service sectors.

Chart 1. SSA is fastest growing region after Asia



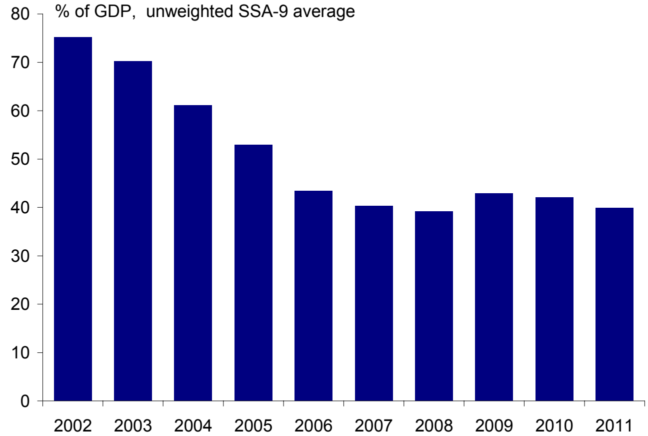
Source: IMF, DB Global Markets Research

Resilience in the crisis. Many SSA countries reduced their macro-economic vulnerabilities before the 2008/2009 global crisis by reducing inflation and public debt and building up reserves. In addition, more prudent management of the commodity boom led to the build-up of fiscal buffers in commodity-exporting countries such as Nigeria and Angola. The development of local capital markets was also kick-started. Thanks to the right policy responses by governments (counter-cyclical fiscal policy, monetary easing and increased borrowing from domestic markets) and the help of IMF/World Bank/ADB, they weathered the crisis relatively well.

Growing track-record of sound macro-economic policy. Although public debt levels increased slightly during the crisis, strong growth coupled with moderate fiscal deficits will help to bring public debt levels back to pre-crisis levels this year (see chart 2). Average inflation rates spiked in 2008, but should to return to single digits in 2011 (see chart 3).

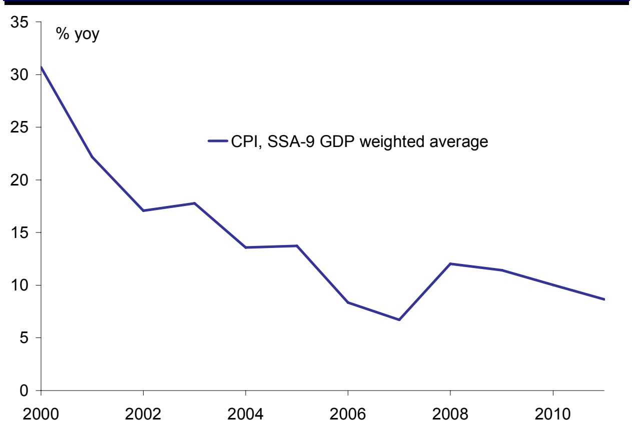
_[1] According to the IMF's definition this group includes Cape Verde, Ghana, Nigeria, Kenya, Mauritius, Tanzania, Uganda, Botswana, Mozambique, Namibia and Zambia. Angola, Cote d'Ivoire, Gabon and Malawi are also often included.

Chart 2. Public debt almost back to pre-crisis levels



Source: IMF, DB Global Markets Research

Chart 3. SSA: Inflation back to the single digit



Source: IMF, DB Global Markets Research

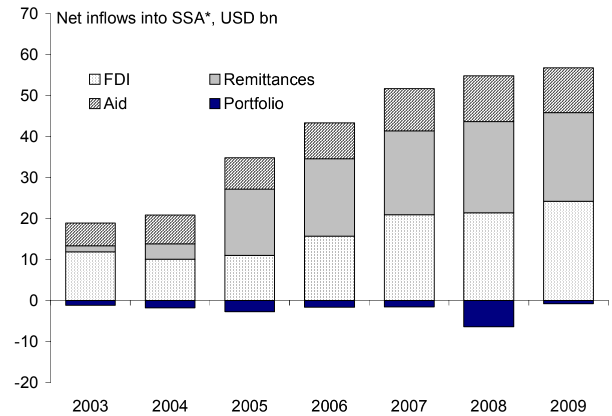
Political risks still high. Elections in 17 SSA countries (e.g. Nigeria, Uganda, Zambia) this year could delay reforms and lead to increased political and financial market volatility. Although we do not expect the post-election crisis in Cote d'Ivoire to be repeated in other SSA countries, it serves as a reminder not to be complacent about the political risks in SSA.

Compelling long-term growth story

Several trends support SSA's long-term growth prospects.

Increasing private capital inflows. Mainly driven by rising FDI, private capital inflows have risen constantly over the past couple of years (see chart 4). As we have excluded South Africa due to its different level of international financial integration, portfolio inflows remain negligible in our SSA aggregate total. But we expect portfolio inflows to increase strongly over the next couple of years, as local capital markets becoming more sophisticated and investors look down the risk curve towards frontier markets.

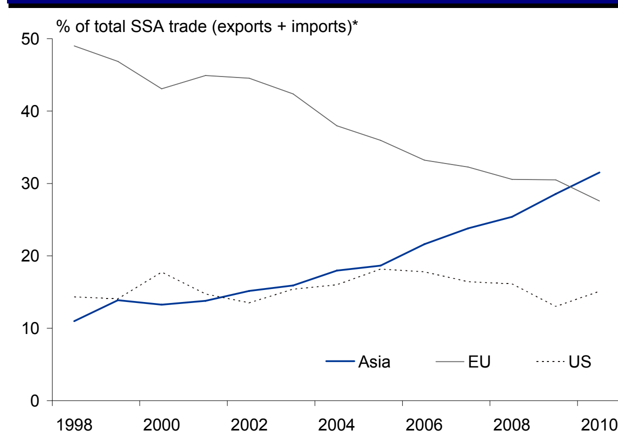
Chart 4. Private capital inflows outpace official flows by far



** Excluding South Africa*
Source: IMF, DB Global Markets Research

Diversification of trading partners. Over the past decade, the EU's trade share with SSA has declined from 43% to 28%, while Asia's share has nearly doubled from 13% to 32%. In 2010, SSA trade with Asia exceeded that with Europe for the first time (chart 5). We note this increasing orientation towards fast-growing parts of the world is certainly beneficial for the SSA's economic dynamism.

Chart 5. Asia has surpassed the EU as main trading partner



**2010 data, Jan-Aug*
Source: IMF DOTS, DB Global Markets Research

Rising global demand for natural resources and arable land. SSA is endowed with a large share of the world's natural resources (e.g. oil, gas, gold, diamonds, copper, cobalt, etc.). Moreover, Africa's Guinea Savannah zone contains probably the largest area of underutilized agricultural land in the world[2]._ As demand for energy and

[2] World Bank, Awakening Africa's sleeping giant, 2009

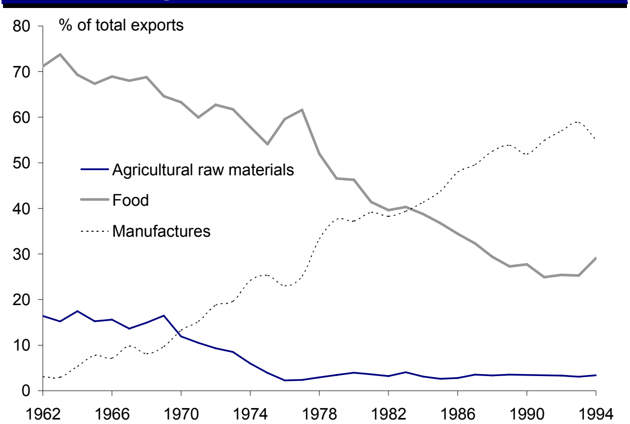
other commodities is expected to continue to rise faster than GDP[3] (Table 6), this bodes well for the growth outlook of resource-rich countries. As SSA continues to be marginalized in the international industrial scene[4], the rising global demand for natural resources and food also provides the region with opportunity of moving up the global value chain, not only by extracting but also processing natural resources. Examples of other emerging markets that successfully followed that route of development are Chile and Brazil (see chart 7).

Table 6: Commodity prices to stay high or increase even further

	2010	2011	2012	2013
WTI (USD/bbl)	79.6	96	98	95
Natural gas (mmBtu)	4.4	4.3	5.3	5.5
Copper (USD/t)	7357	10250	11500	10000
Gold (USD/oz)	1224	917	819	700

Source: Deutsche Bank as of January 17

Chart 7. Brazil: Food exports as basis for manufacturing industry



Source: World Bank, DB Global Markets Research, Bloomberg Finance LP

South-South cooperation blossoms. The strengthening south-south cooperation is not only visible in trade flows, but also in FDI flows, infrastructure financing and political ties. For emerging markets (especially the BRIC countries) Africa provides a source of natural resources, a large and growing consumer market and an opportunity to exert more influence on the global multilateral stage. For Africa, big emerging market countries offer a new source of investment, an additional link to the global economy and different trade and investment modalities. For example, FDI from BRICs to SSA often involves governments or state-owned enterprises (e.g. Brazil's Petrobras, China's National Offshore Oil Corporation, India's oil and natural gas corporation)[5].

Outlook for local capital markets

Although the financial systems of SSA frontier markets are still very much bank-dominated, local capital markets have been developing rapidly. Domestic institutional players such as banks, insurance companies, pension funds and local private investors account for the lion's share of investors in the SSA capital markets. Although international investors fled the region during the crisis, international investor confidence is returning. We now take a closer look at growth drivers of external and local bond markets, equity markets and private equity markets.

More external bond issuance to come in 2011. After the international sovereign bond debuts of Ghana and Gabon in 2007 and Senegal in December 2009, Nigeria kicked-off 2011 issuance with an USD 500 m bond on January 21. Five other countries – Zambia, Kenya, Tanzania, Uganda and Angola – have revived their pre-crisis plans to issue debut international bonds and might enter markets within the next two years (table 8). In addition, Ghana and Senegal plan follow-up issuances in 2011. EMBIG (Emerging Markets Bond Index Global) spreads of Ghana and Gabon have come back to pre-crisis levels of around 260 bps and 360 bps respectively. Increased supply should have a positive impact on 2011 debt trading volumes of local and international bonds (see chart 9).

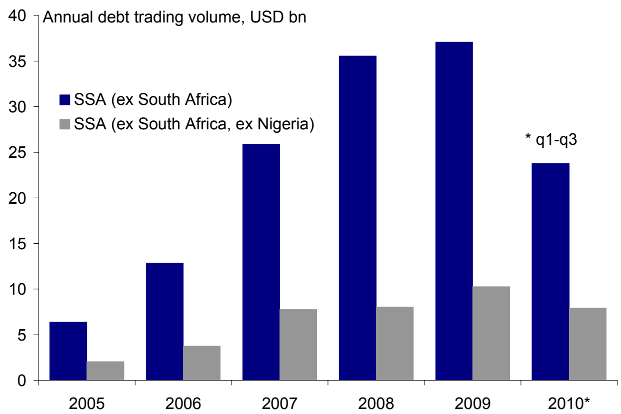
Table 8: International sovereign bond debuts:

Ghana	USD 750 m in Sep 07
Gabon	USD 1 bn in Dec 07
Senegal	USD 200 m in Dec 09
Nigeria	USD 500 m in Jan 11
Planned:	
Zambia	USD 500 m in 2011
Kenya	USD 500 m in 2011
Tanzania	USD 500 m-1 bn in 2011/12
Uganda	USD 1 bn in 2011/12
Angola	USD 1-2 bn in 2011

Source: DB Global Markets Research, Bloomberg Finance LP

[3] Global Economic Prospects, Commodities at the Crossroads, World Bank, 2008.
[4] UNIDO, Industrial development report 2009
[5] South-South Cooperation, UNCTAD 2010

Chart 9. Strong rise in debt trading



Source: EMTA, DB Global Markets Research

Strong growth in local bond markets. Driven by government funding needs and growing demand from local institutional investors, local government bond markets are growing rapidly. Tenors are lengthening (e.g. up to 20 years in Kenya), yield curves are developing and debt management offices have been established. Corporate issuance, however, is only slowly taking off. Key issues to be tackled are still the relatively low liquidity (table 10) and the relatively narrow investor base. On the supply side, a new driver is sub-sovereign issuance (e.g. at the state level in Nigeria), while pension reform (e.g. Nigeria, Ghana) remains a major driver on the demand side.

Table 10: Local bond market snapshot

	Tenor	Foreign investor access	Daily transaction size	Income tax for foreign investors	Entry / exit tax
Angola	1-10y	discouraged by exchange control regulations	na.	20% tax	
Ghana	1-5y	bonds of 3y and more	USD 10-15 m	none	none
Kenya	1-20y	allowed through agents	USD 10 m	10-15% withholding tax	none
Nigeria	3-20y	bonds of 1y and more	USD 340 m	none	none
South Africa	1-25y	not restricted	USD 1.6 bn	none	none

Sources: JP Morgan, Absa Capital

Equity markets boosted by IPOs. In all markets except Nigeria, equity market capitalisation still remains below USD 50 bn (see chart 11), which is considered a critical threshold to attract investments from global emerging markets funds. Even though liquidity has improved in most markets over recent years, only Nigeria has reached half the turnover ratio of South Africa. As all stock markets apart from Mauritius underperformed the MSCI in the post-crisis recovery, valuations could still be attractive. Moreover, they offer diversification benefits as correlation with international markets remains relatively low (see table 12). Gradual convergence to international regulatory standards (e.g. IFRS reporting standards introduced in Nigeria), further improvements of the capital markets infrastructure (e.g. extension of daily trading session, reduction in transaction costs) and efforts for regional stock market integration should support further growth in equity markets.

Chart 11. Nigerian market dwarfs other equity markets*

Source: Bloomberg Finance LP, National Stock Exchanges, DB Global Markets Research

Table 12: Only moderate correlation with international markets

Correlation coeffiicient, Jan 06 - Jan 11

	MSCI world	S&P 500	MSCI EM
Ghana	-0.07	-0.08	-0.35
Mauritius	-0.06	-0.11	0.64
Kenya	0.90	0.88	0.56
Nigeria	0.51	0.44	0.33
Botswana	0.45	0.41	0.61
Namibia	0.67	0.66	0.95
South Africa	0.88	0.84	0.40

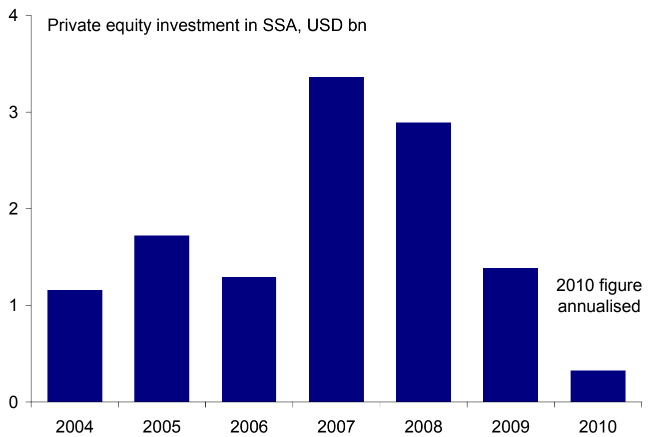
Sources: Bloomberg Finance LP, DB Global Markets Research

Private equity and mezzanine funds evolving. Given that local bond and equity markets are relatively small and that yields have compressed strongly, new mezzanine and private equity funds are evolving with the aim of offering a better risk-reward relationship for foreign investors. In terms of size, USD 9 bn in private equity have been raised in the region in the last 5 years (chart 13) and USD 10-15 bn are set to be raised in the next five years, according to industry specialists[6]. The typical investment horizon is 4-10

[6] IFRS SSA capital markets conference, London, 2010

years and the favoured exit strategies are either an IPO, a buy-out or a strategic sell to the main players in the sector.

Chart 13 Private equity investment peaked in 2007



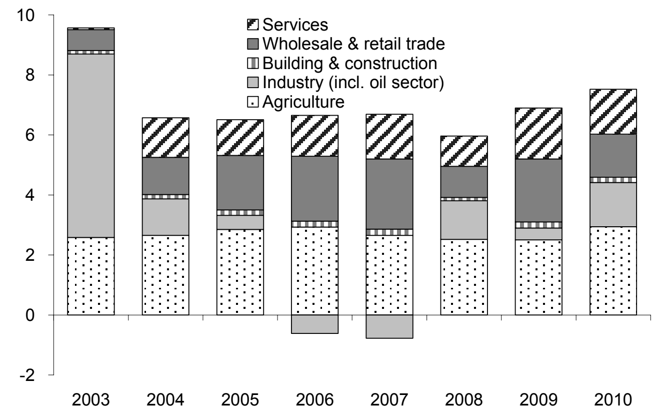
Source: Emerging Markets Private Equity Association, DB Global Markets Research

Close-up on Nigeria, Kenya, Ghana and Angola

We have selected these four countries as they represent two thirds of total SSA GDP (excl. South Africa), have increasingly sophisticated capital markets, reasonable macro-economic stability and a compelling growth story.

Nigeria: Oil giant with most developed financial markets. Driven by robust non-oil sector growth (e.g agriculture and wholesale & retail trade) and modest oil-sector growth (see chart 14), the Nigerian economy is expected to continue its strong expansion at 7% yoy this year. Due to election-related spending, the fiscal balance is set to remain in deficit in excess of the fiscal target of 3.6% of GDP. With the oil savings account now almost fully depleted, the Nigerian economy has to rebuild its fiscal buffer to be shielded against a renewed fall in oil prices. Public and external debt ratios should continue to rise (also due to a bank bailout in 2009), but remain at very comfortable levels of below 20% of GDP. Continuously falling FX reserves point at depreciation pressure for the naira and could further push up inflation. Political risk has been heightened by the upcoming presidential elections in April. But the re-election of incumbent President Jonathan, which would bode well for policy and reform continuity, is very likely in our view. Poor infrastructure, weak institutions and ongoing conflict with separatists in the Niger Delta remain the main deterrents to investment.

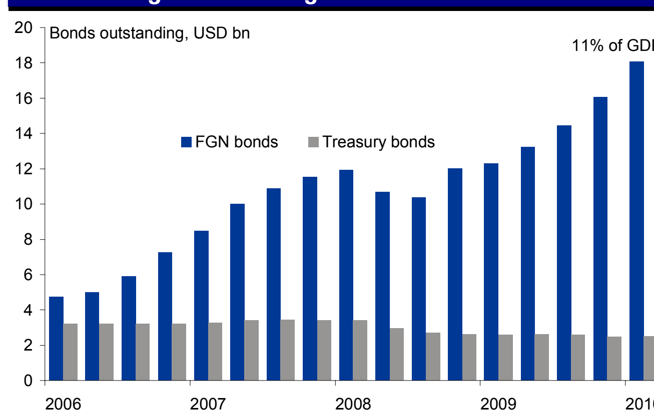
Chart 14. Nigeria: Agriculture and services as main growth drivers



Source: Central Bank of Nigeria, DB Global Markets Research

Capital market snapshot: The domestic bond market is likely to continue to grow strongly (chart 15) as the government runs fiscal deficits financed from the domestic bond market. Equity market capitalisation was boosted by the USD 14 bn IPO of Dangote Cement last November. The ongoing clean-up of the banking sector, including the recent establishment of a bad bank, should give further impetus to the equity market as banks account for roughly 40% of total market capitalisation. The very recent debut bond issuance is set to be included in the EMBIG index as of March and set an important benchmark for future corporate issuances.

Chart 15. Nigeria: Growing domestic debt stock



Source: Nigerian DMO, DB Global Markets Research

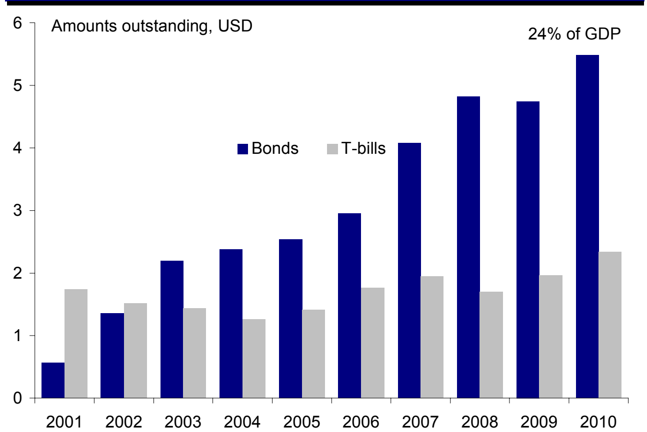
Kenya: Commercial and financial hub of East-Africa

Kenya is the trade hub and financial centre for East Africa. After a challenging period including the 2008 election crisis, severe droughts and the global economic crisis, the Kenyan economy is expected to grow by 6% this year. Kenya's exports are fairly diversified with tea, horticulture and tourism as main sources of FX inflows. A three-year

USD 500 mn IMF program should help to gradually reduce the fiscal deficit (currently at 7% of GDP) and bring the public debt level below 45% of GDP by 2013. Kenya's new constitution (introduced in August 2010) offers the prospect of more consensual politics in future. Kenya's current coalition government is expected to remain intact until the next election in 2012.

Capital market snapshot: Kenya's domestic bond market is one of the most advanced in SSA with maturities up to 20 years. As the government continues to run fiscal deficits and external bond issuance plans have been put on hold so far, the domestic bond market should continue to grow (see chart 16). The Kenyan stock market is the third largest in SSA and not dominated by any one sector. An ambitious goal is the integration of the trading platform with those of Rwanda, Uganda and Tanzania, which we think is a good way to increase economies of scale and attract investor attention.

Chart 16. Kenya: Growing domestic debt market

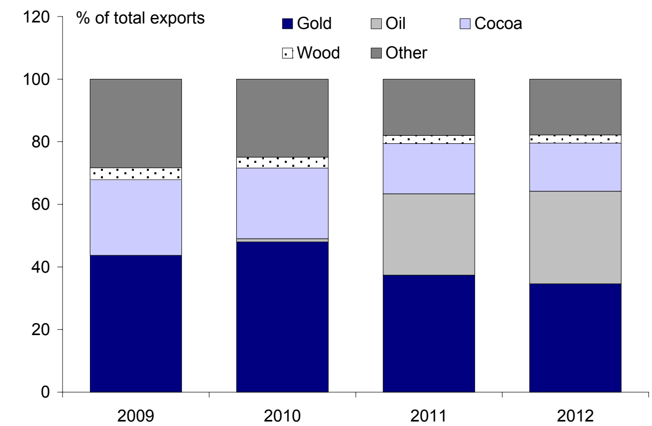


Source: Central Bank of Kenya,, DB Global Markets Research

Ghana: Diversified commodity exporter with history of political stability

Due to the start of oil production in December 2010, Ghana's real GDP growth will likely be boosted to double digits this year and then decline to around 7% yoy in 2012. Oil exports are set to become Ghana's second biggest export item after gold. This turns Ghana into a relative diversified commodity exporter (38% gold, 26% oil and 16% cocoa –chart 17), but is still prone to commodity price shocks. Ghana's Achilles' heel is its huge twin fiscal and current account deficits, but those are expected to be reduced to around 5% of GDP by the rising oil revenues and the 60% upward revision in nominal GDP that was announced last year. Fiscal management remains one of Ghana's main challenges as reflected in arrears to domestic suppliers (to be cleared by 2012) and the 3-year, USD 600 million IMF programme Ghana requested in July 2009. The Ghanaian banking system is relatively well developed and well capitalized, but suffers from high non-performing loans (18% of total in September 2010). Politically, Ghana is one of the few functioning democracies in SSA and saw a peaceful take-over of power by the opposition in 2008.

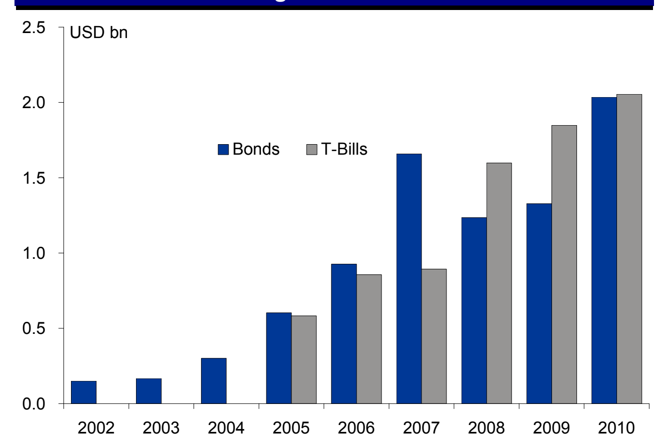
Chart 17. Ghana: Start of oil production in 2010 diversifies exports



Source: EIU, DB Global Markets Research

Capital market snapshot: High inflation has led to increased T-bill issuance over the last two years, but bond issuance already picked up in the first half of last year (chart 18). Moreover, the government might issue a follow-up international bond this year after its USD 750 m issue in 2007. The stock market is heavily dominated by AngloGoldAshanti, making up over 60% of total market capitalisation.

Chart 18. Ghana: Rising stock of domestic bonds



Source: Central Bank of Ghana, DB Global Markets Research

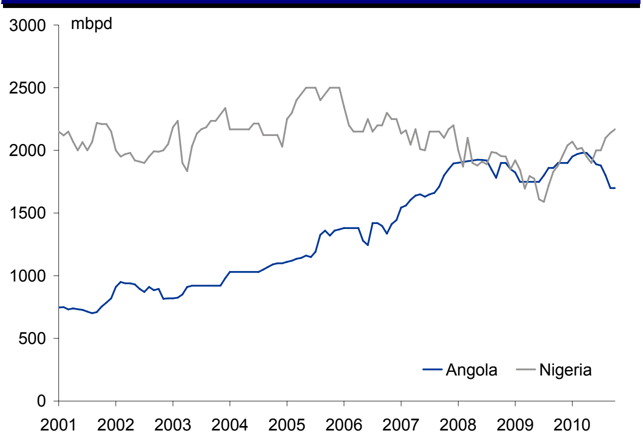
Angola: Rising oil economy plagued by opaque policy making

Angola is SSA's second biggest oil producer after Nigeria (chart 19). Real GDP growth has recovered quickly from the slowdown to around 2% in 2009 and is set to reach

7% this year. Despite the strong dominance of the oil sector, agriculture, the diamond and the retail sector show strong potential. Helped by a USD 1.4 bn IMF stand-by-arrangement, macro-economic stability has been restored and the government is working on repaying arrears to domestic contractors by the end of this year. The fiscal and current account balances are back in surplus and public and external debt levels remain below 20% of GDP. Inflation spiked to 16% in December and is expected to remain in the double-digits in 2011. President Dos Santos and his ruling party dominate the political scene and are expected to be re-elected in the 2012 elections.

Capital market snapshot: Local Treasury bill and bond markets are dominated by local investors. The opening of a stock exchange has again been delayed, but might finally become reality this year.

Chart 19. Angola: Almost surpassed Nigeria in oil production



Source: EIA, DB Global Markets Research

Conclusion and outlook

Good growth prospects, macroeconomic stability and resilience in the face of the global economic crisis have brought SSA frontier markets back onto the radar of international investors. Driven by high government financing needs and increasing demand from local institutional investors, local bond markets will continue to grow strongly. Corporate bond issuance is still in its infancy. External sovereign bond issuance for 2011 has been kick-started by the very recent issuance of Nigeria. Other countries might follow suit this year to profit from low yields and set a benchmark for corporate issuance. Equity markets still suffer from relatively small size and low liquidity, but new IPOs, a push for regional integration, better regulatory standards and upgrades in capital markets infrastructure should bring these markets to a higher level.

Marion Muehlberger (+49) 69 910- 31815

Central Bank Watch

US

The Fed's stated intention is to purchase $600 bn of longer-term US Treasury securities by June under QE2. We expect that intention to be fulfilled and not extended beyond 600 bn unless the economy takes a significant turn for the worse. The improving US economic picture suggests that once QE2 terminates, the Fed will likely turn next to ending the MBS rollover program later this summer or fall. It will likely also begin to modify its "extended period" language sometime during that time frame, signaling that the initial rate hike will follow within several meetings. With economic news improving, we see a good chance of an initial hike in policy rates occurring between late-2011 and mid-2012--our US economics team's call has been for this December. Prior to hiking rates, the Fed will probably engage in reverse repo operations and term deposits to reduce the liquidity of its liabilities. And it should begin to sell off some of its holdings of MBS and Treasury securities after it has begun to raise policy rates. How quickly it proceeds in raising rates and selling its holdings of longer-term assets will depend on how the markets and the economy are responding to this shift toward policy tightening.

	Current	Mar11	Jun11	Dec11
Fed funds rate	0 - 0.25	0 - 0.25	0 - 0.25	0.50

Japan

Had there been a severe slump in the economy in 4Q 2010 and 1Q 2011, the BoJ may have been forced to enact further monetary easing purely from the business cycle viewpoint but it seems reasonable to consider that the decline in economic activity now assumed likely has effectively eliminated the possibility of further monetary easing. After a temporary increase in the current account balance of commercial banks with the BoJ (bank reserves) to ¥22trn to satisfy year-end rise in demand for funds (Figure 12), we expect the bank reserves to settle at around the ¥18trn level once again in January 2011.The BoJ started the purchase of ¥5trn worth of financial assets proposed in the 5 October 2010 "Comprehensive Monetary Easing" (¥1.5trn long-term government securities, ¥2trn short-term Treasury bills, ¥500bn CPs,¥500bn corporate bonds, ¥450bn ETFs, and ¥50bn REITs) but we are not certain that the total amount will definitely lead to an increase in BoJ total assets by the same magnitude.

	Current	Mar11	Sep11
ON rate	0 - 0.10	0.10	0.10

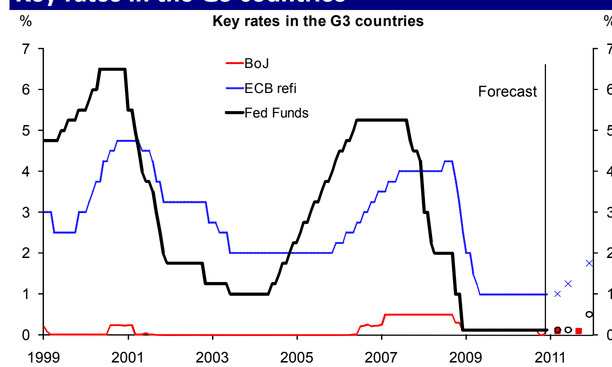
Euroland

The euro sovereign debt crisis was not off the agenda at the first ECB meeting of the year. Trichet's calls for a "quantitative and qualitative" improvement in the EFSF was like a new mantra. But there was much more discussion in this month's press conference on the inflation outlook. Medium-term inflation risks are currently broadly balanced but the ECB sees a risk that the inflation outlook deteriorates. Trichet reminded us that the ECB has a history of taking decisions on rates that markets did not foresee and governments disagreed with, for example the hikes at the end of 2005 and in July 2008. The message is that if necessary the ECB is prepared to hike. The non-standard and standard monetary policy stances can be disconnected. It is possible the ECB maintains nonstandard policies but adjusts rates to address inflation risks. We see the first hike at the end of Q2'11.

.

	Current	Mar11	Jun 11	Dec 11
Refi rate	1.00	1.00	1.25	1.75

Key rates in the G3 countries



Source: DB Global Markets Research, Bloomberg Finance LP

UK

Following a much weaker GDP print than expected, and dovish remarks by the Governor of the Bank of England, we have put back our view of the start of the tightening cycle from May to August 2011. Most members of the MPC seem happy to accommodate the first round effects of higher taxes & commodity prices along with lower sterling on inflation. However, with inflation having risen more sharply than we expected in December and likely to increase further to above 4% in January, the Bank will be monitoring closely inflation expectations and wage pressures over the coming months.

	Current	Mar11	Jun 11	Dec 11
Bank rate	0.50	0.50	0.75	1.25

Sweden

The Riksbank raised rates from 1.00% to 1.25% at its December meeting, as the market expected. We expect another hike before the end of Q1 (next meeting: 15 Feb).

	Current	Mar11	Jun 11	Dec 11
Repo rate	1.25	1.50	2.00	2.50

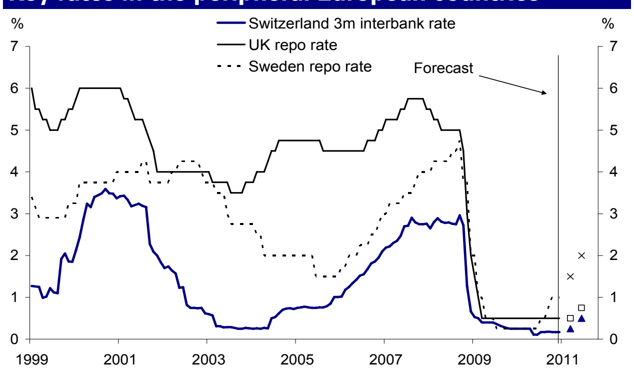
Central Bank Watch (continued)

Switzerland

The SNB left policy rates unchanged in December. While the economy has performed better than expected, we see the franc continuing to limit the rise in core inflation. The next meeting is on March 17.

	Current	Mar11	Jun 11	Dec 11
3M Libor tgt	0.25	0.25	0.50	1.00

Key rates in the peripheral European countries



Source: DB Global Markets Research, Bloomberg Finance LP

Canada

Assuming the economy grows by 0.2% to 0.3%m/m in December (reinforced by a rebound in manufacturing output), growth for the final quarter should be close to the BoC forecast of 2.3%. Looking forward, the solid growth of employment in December (revised from 22K to 30.4k) and strong (+74k) growth of full time employment over the past three months should support domestic demand through the first half of 2011. Based on this somewhat better - than - expected increase in growth in November and the evidence of increasing U.S. momentum we continue to expect the BoC will start to hike in mid April.

	Current	Mar11	Jun11	Dec11
ON rate	1.00	1.00	1.50	2.25

Australia

As expected, the RBA left the cash rate unchanged on 1st February meeting. Bank's focus remains (appropriately) on the medium-term outlook for inflation, and its "preliminary assessment" is that the net additional demand from rebuilding is unlikely to have a major impact on the medium-term outlook for inflation. We think that the market is under-pricing the risk of further rate rises this year. The improving global backdrop is critical in this context, with the RBA today citing a pick-up in global "price pressures, particularly for food and raw materials". Once uncertainty from the impact of the floods dissipates, we therefore suspect the RBA's message will turn back to the threat of growing inflationary pressures. While the 'pause' in the tightening phase is likely to continue over the months immediately ahead, we remain hesitant therefore to discount the risk of a further rate rise around mid-year.

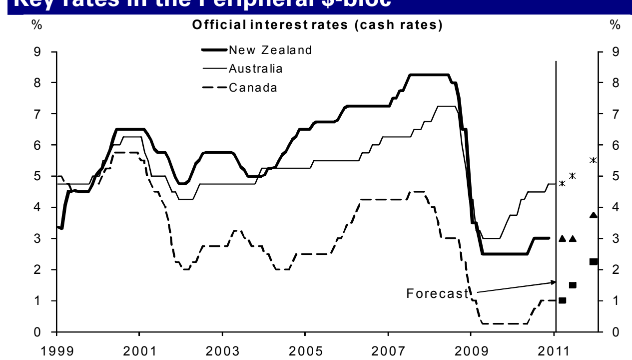
	Current	Mar11	Jun11	Dec11
OC rate	4.75	4.75	5.00	5.50

New Zealand

In our view the RBNZ seems to be very comfortably on hold, with no inclination to reverse last year's rate hikes in reaction to disappointments thus far nor any immediate inclination to raise the OCR further. As we set out in our Macro Forecast Update, we think it will be some time before we see the "obvious signs" of either a more robust recovery or increasing underlying inflation pressures that would be needed to prompt the RBNZ to raise the OCR. We continue to nominate the September MPS as the most likely date for the Bank to recommence the process of moving policy settings to more neutral levels. A rate hike could occur marginally earlier (perhaps in July) if the economy and/or underlying inflation strengthens considerably more than we presently expect or be delayed beyond September if the economy fails to gather pace over coming months. Whilst clearly not on the table at present, in the near term we think the only conceivable change is a wind-back of the rate hikes implemented last year should signs emerge that the economy is set to continue sideways crawl of the second half of 2010 for a significant part of 2011.

	Current	Mar11	Jun11	Dec11
OC rate	3.00	3.00	3.00	3.75

Key rates in the Peripheral $-bloc



Source: DB Global Markets Research, Bloomberg Finance LP

China

Given the strong GDP growth trend, the rapid increase in daily agriculture prices in the past a couple of weeks, as well as elevated inflation expectations, we raised our annual average CPI inflation forecast to 5% (from the previous 4.4%) for 2011. We now expect yoy CPI inflation to peak at 6% in June (vs previous expectation of 5.5%). These changes suggest a growing likelihood of broader-based price controls and more aggressive macro policy responses. We expect the PBOC to raise the RRR by 3-4 more times in the first half of this year.

Central Bank Watch (continued)

We maintain our forecasts of a total of 75bps rate hike in 2011 by PBOC to fight inflation and expectations.

	Current	Mar11	Jun11	Dec11
1-year rate	2.75	3.00	3.50	3.50

India

Stressing that "inflation is clearly the dominant concern," the Reserve Bank of India resumed monetary policy tightening in its January review, raising the repo and reverse repo rates to 6.5% and 5.5%, respectively. Apart from elevated food and fuel inflation risks, the central bank sees emerging demand side risk to inflation as well. The output gap has been closing, wage growth is robust, and public social spending programs are boosting income of the rural poor. Given these risks, the central bank revised up its inflation forecast for March 2011 to 7% (from 5.5%), a little lower than our projection of 7.5%. It also recognized that the risk to the forecast was to the upside. Curiously, the RBI statement did not entertain the inflation trajectory beyond March. Incorporating the risks highlighted by the central bank, we see inflation remaining around 7.5-8% through the course of the year.

The RBI justified the rate hikes by arguing that the growth-inflation balance of risk has tilted toward the intensification of inflation. We see the RBI remaining open to further rate hikes, especially as we see no major respite from inflation pressure in the coming months. The central bank also seems ready to allow for some growth to be sacrificed, if necessary, in its fight on inflation. If the non-core to core price spillover begins, which seems rather likely in our view, the central bank will have no choice but to act. We expect 50 more basis points in rate hikes during the first half of 2011.

	Current	Mar11	Sep11	Dec11
Repo rate	6.50	6.75	7.0	7.0

Brazil

The Central Bank initiated anew tightening cycle in January, raising the SELIC overnight rate by 50bp to 11.25%. The increase in interest rates was inevitable given the strength of domestic demand and sharp deterioration in inflation expectations. Market participants currently expect inflation to surpass the 4.5% target in 2011 and 2012. The official statement released by the Central Bank explained that the hike in the SELIC rate was the "beginning of a process of adjustment," indicating that it planned to implement additional hikes. At the same time, however, the Central Bank stated that "macro-prudential measures" (such as the increase in reserve requirements on bank deposits announced in December) would complement the increase in interest rates, implying that they could help reduce the magnitude of the tightening cycle. We expect another 50bp hike in March and a 25bp hike in April, although the continuing deterioration in inflation expectations has increased the likelihood of a longer cycle.

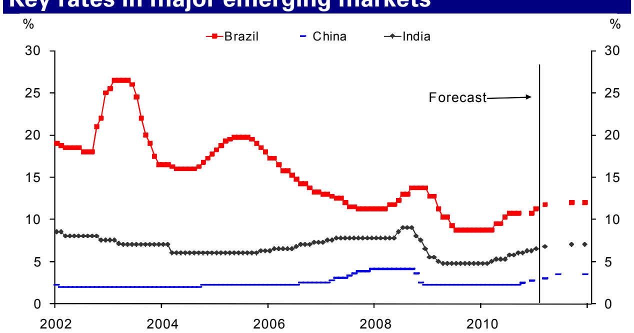
	Current	Mar11	Jun11	Dec11
CBR refi rate	11.25	11.75	12.00	12.00

Russia

Starting from May 30th 2010 the CBR reduced the refinancing rate by 25 basis points to 7.75%. This was the 14th reduction in the refinancing rate since April 2009 when the rate stood at a 13%. Most recently, at the end of December, the CBR raised its deposit rate by 25bp to 2.75% (for overnight operations) pointing to an upward trend in rates. The markets were expecting the CBR to increase refinancing rate on 31 January, but instead, the regulator opted to leave rates unchanged and to raise reserve requirements as an instrument to combat inflation (from 2.5% to 3% for liabilities to residents and from 2.5% to 3.5% for liabilities to non-residents). The rationale behind this measure was to limit the scope for capital inflows while forging ahead with anti-inflationary measures. In the statement that followed the decision to leave rates intact, the CBR pointed to mounting inflationary pressures as a major concern, while leaving open the possibility for rate hikes in the first half of 2011. We continue to expect the CBR to raise the refinancing rate in the first quarter of the current year by 50 basis points.

	Current	Mar11	Sep11	Dec
CBR refi rate	7.75	8.25	8.25	8.00

Key rates in major emerging markets



Source: DB Global Markets Research, Bloomberg Finance LP

Global central bank policy rate hikes since September 2008

	Trough	2009				2010										2011	Total bps
	policy rate	Aug	Oct	Nov	Dec	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	hike
Israel	0.50%	0.75%		1.00%	1.25%	1.50%				1.75%		2.00%				2.25%	175
Australia	3.00%		3.25%	3.50%	3.75%	4.00%	4.25%	4.50%						4.75%			175
Norway	1.25%		1.50%		1.75%			2.00%									75
Vietnam	7.00%				8.00%									9.00%			200
Malaysia	2.00%					2.25%		2.50%		2.75%							75
India	4.75%					5.00%	5.25%			5.75%		6.00%		6.25%		6.50%	175
Brazil	8.75%						9.50%		10.25%	10.75%						11.25%	250
Peru	1.25%							1.50%	1.75%	2.00%	2.50%	3.00%				3.25%	200
Canada	0.25%								0.50%	0.75%		1.00%					75
Chile	0.50%								1.00%	1.50%	2.00%	2.50%	2.75%	3.00%	3.25%		275
New Zealand	2.50%								2.75%	3.00%							50
Taiwan	1.25%								1.38%			1.50%			1.63%		38
Sweden	0.25%									0.50%		0.75%	1.00%		1.25%		100
S Korea	2.00%									2.25%				2.50%		2.75%	75
Thailand	1.25%									1.50%	1.75%				2.00%	2.25%	100
Serbia	8.00%										8.50%	9.00%	9.50%	10.50%	11.50%	12.00%	400
Uruguay	6.25%											6.50%					25
Nigeria	6.00%											6.25%				6.50%	50
China	2.25%												2.50%		2.75%		50
Hungary	5.25%													5.50%	5.75%	6.00%	75
Poland	3.50%															3.75%	25

Note: Reserve Bank of India hiked twice in July, each by 25bps

Source: DB Global Markets Research, Bloomberg Finance LP

Global data monitor: Recent developments and near-term forecasts

	B'bergcode	Q1-10	Q2-10	Q3-10	Q4-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
OECD leading indicators (6M change, %, ann.)											
OECD		10.0	8.1	4.0	1.6	2.8	2.0	1.3			
US	OLEDUSA	11.0	9.8	5.3	3.0	4.1	3.3	2.7			
Euro area	OLEDEU12	9.5	6.8	2.3	-0.3	1.0	0.1	-0.6			
Japan	OLEDJAPN	7.2	7.6	4.6	2.3	3.6	2.7	1.9			
China	OLEDCHIN	23.6	17.4	12.3	11.5	11.6	11.5	11.6			
India	OLEDINDI	14.3	11.3	9.5	8.9	9.3	9.1	8.8			
Russia	OLEDRUSS	15.9	14.3	10.3	8.9	9.3	8.9	8.9			
Brazil	OLEDBRAZ	20.8	13.4	5.4	1.8	3.6	2.4	1.3			
Purchasing manager indices											
Global (manufacturing)		56.0	56.4	54.3	55.3	53.5	54.9	55.3	55.7		
US (manufacturing ISM)	NAPMPMI	58.6	57.6	55.2	57.9	55.3	56.9	58.2	58.5	56.0	
Euro area (composite)		54.4	56.6	55.7	55.0	54.1	53.8	55.5	55.5	56.3 f	
Japan (manufacturing)	SEASPMI	52.5	54.1	50.8	47.6	49.5	47.2	47.3	48.3	51.4	
China (manufacturing)	EC11CHPM	56.7	52.8	51.4	54.8	52.9	54.8	55.3	54.4	54.5	
India (manufacturing)		58.0	57.8	56.6	57.4	55.1	57.2	58.4	56.7	56.8	
Russia (manufacturing)		50.4	52.2	52.3	52.2	51.2	51.8	51.1	53.6	53.5	
Other business surveys											
US dur. goods orders (%pop1)	DGNOCHNG	1.8	0.7	1.8	-1.9	4.9	-3.1	-0.1	-2.5		
Japanese Tankan (LI)	JNTSMFG	-14.0	1.0	8.0	5.0						
Euro area EC sentiment	EUESEMU	96.3	99.1	102.1	105.3	103.2	103.9	105.3	106.6	106.5	
Industrial production (%pop[1])											
US	IP CHNG	7.2	7.1	6.7	2.3	0.3	-0.2	0.3	0.9	0.6	
Euro area	EUITEMUM	9.7	9.9	4.4	5.6	-0.7	0.8	1.3			
Japan	JNIPMOM	30.9	6.2	-7.1	-6.4	-1.6	-2.0	1.0	3.1		
Retail sales (%pop[1])											
US	RSTAMOM	9.6	4.6	3.3	14.0	0.9	1.6	0.8	0.6	0.5	
Euro area	RSSAEMUM	2.2	0.1	1.8	-1.5	-0.2	0.0	-0.5			
Japan (household spending)		-1.4	-6.8	8.5	-5.5	-0.4	-0.9	1.0	-3.3		
Labour market											
US non-farm payrolls[2]	NFP TCH	87	190	-30	128	-24	210	71	103	125	
Euro area unemployment (%)	UMRTEMU	9.9	10.0	10.0	10.1	10.0	10.1	10.1			
Japanese unemployment (%)	JNUE	4.9	5.2	5.1	5.0	5.0	5.1	5.1	4.9		
CP inflation (%yoy)											
US	CPICHNG	2.4	1.8	1.2	1.3	1.1	1.2	1.1	1.5		
Euro area	ECCPEMUY	1.1	1.5	1.7	2.0	1.8	1.9	1.9	2.2	2.3	
Japan	JNCPIYOY	-1.2	-0.9	-0.8	0.1	-0.6	0.2	0.1	0.0		
China	CNCPIYOY	2.1	2.7	3.3	4.7	3.6	4.3	5.2	4.8		
India		9.4	10.6	9.3	8.2	9.0	8.6	7.5	8.4		
Russia	RUCPIYOY	7.2	5.9	6.1	8.1	7.0	7.5	8.1	8.8		
Brazil		4.9	5.1	4.6	5.6	4.7	5.2	5.6	5.9		
Current account (USD bn)[3]											
US (trade balance, g+s)	USTBTOT	-38.2	-44.4	-44.8	-38.4	-44.6	-38.4	-38.3	-39.0		
Euro area		-0.8	-2.8	-6.2	-14.3	-8.5	-13.3	-15.3			
Japan		17.1	13.7	17.2	15.9	20.3	17.9	13.9			
China (trade in goods)		6.2	19.9	22.4	10.8	17.5	15.2	13.7	3.3		
Russia (trade in goods)		17.9	13.1	8.0	11.2	9.3	10.3	12.0			
Other indicators											
Oil prices (Brent, USD/b)	EUCRBRDT	76.3	78.3	77.6	87.2	78.6	83.7	85.9	92.1	97.7	
FX reserves China (USD bn)	CNGFOREX	2447.1	2454.3	2648.3	2847.3	2648.3	2760.9	2767.8	2847.3		

Quarterly data in shaded areas are quarter-to-date. Monthly data in the shaded areas are forecasts.

(1) % pop = % change this period over previous period. Quarter on quarter growth rates is annualised.

(2) pop change in '000, quarterly data are averages of monthly changes.

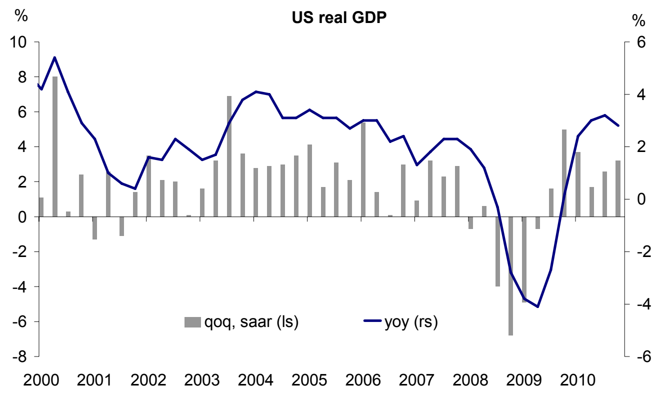
(3) Quarterly data are averages of monthly balances.

(4) 'f' stands for flash estimate

Sources: Bloomberg Finance LP, Reuters, Eurostat, European Commission, OECD, Bank of Japan, National statistical offices.

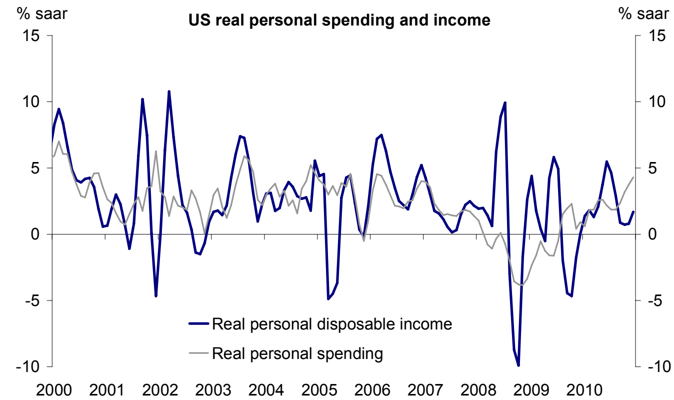
Charts of the Week

Chart 1. In US, the first print of Q4 2010 GDP registered a robust growth rate of 3.2% qoq …



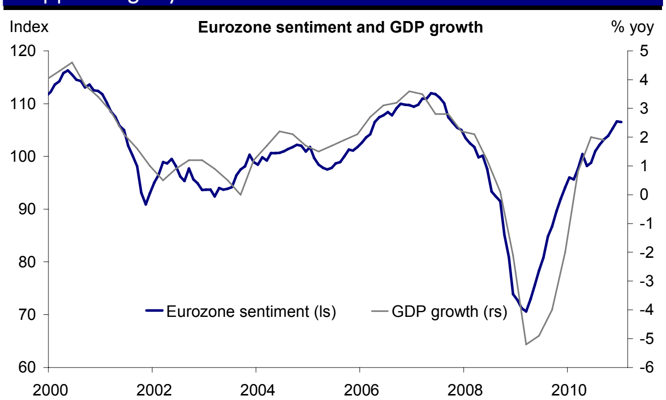
Source: BEA, DB Global Markets Research

Chart 2.…also consumer spending data rose further, suggesting a sustainable recovery is underway



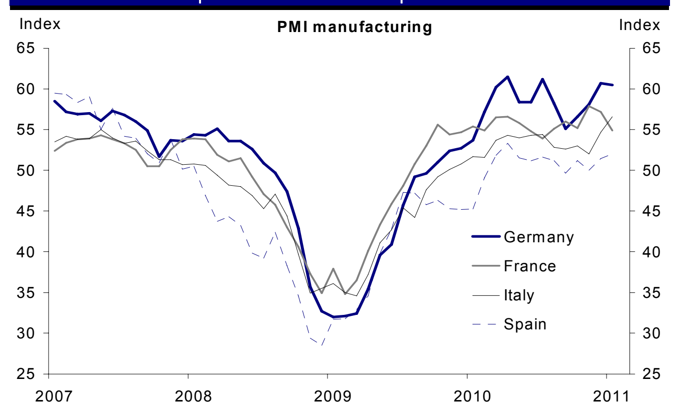
Source: BEA, DB Global Markets Research

Chart 3. In euro area, EC economic sentiment for January dropped slightly…



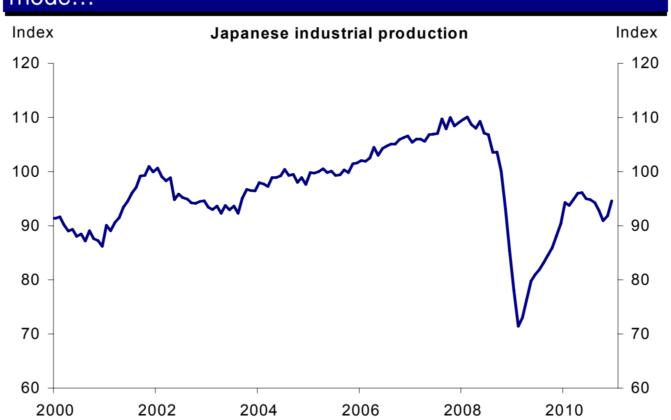
Source: EC, Eurostat, DB Global Markets Research

Chart 4.…while the manufacturing PMI index for the big 4 EA economies reported a mixed response



Source: Markit, DB Global Markets Research

Chart 5. In Japan, industrial output returned to the recovery mode…



Source: METI, DB Global Markets Research

Chart 6.…while in China PMI dipped a bit in January, but was still above the threshold of 50

Source: NBS, CFL,DB Global Markets Research

Global Week Ahead: Thursday, Thursday, 3 February – Wednesday, 9 February

- **Dollar Bloc**: In the **US**, the January employment report should dominate the data docket – we expect unemployment rate to rise to 9.5% and payrolls to 125k during January. We are optimistic about December's factory orders and consumer credit data. The Q4 non-farm productivity & unit labour cost along with January's non-mfg ISM reports are other data releases due this week. In **Australia**, we look for 4% mom rise in dwelling approvals in December, while trade data should show the first flood related impact with our forecast for a monthly surplus of AUD1.3 bn. Besides, retail sales figure is also due this week. In **Canada**, January's labour market data is the most crucial release. In **New Zealand**, migration and tourist arrivals data are releasing on Thursday.
- **Europe**: In the **Eurozone**, markets will keep an eye on the ECB rate setting meeting. On the data front, services PMI from across the board together with area-wide retail sales, German and French trade balance are the major data releases. In addition, German and Spanish IP, German factory orders and Italian HICP figures are also due this week. In the **UK**, the services PMI is likely to improve. Besides, trade balance figure is also scheduled for release. In **Switzerland**, we will get unemployment rate figure for January. In **CE3**, focus will be on the Czech National Bank repo rate decision meeting.
- **Asia incl. Japan**: In **Japan**, trade balance & money supply figures should be the main data releases for this week.

Country	GMT	Release	DB Expected	Consensus	Previous
Thursday, 3 February					
AUSTRALIA	00:30	Dwelling approvals (Dec)	4.0%	1.3% (-13.7%)	-4.2% (-9.9%)
AUSTRALIA	00:30	Intl. trade in G and S (Dec)	AUD1.3bn	AUD1.6bn	AUD1.9bn
SWITZERLAND	07:15	Trade balance (Dec)		CHF1.4bn	CHF1.9bn
TURKEY	08:00	CPI (Jan)	0.5% (5.0%)	0.3% (4.6%)	-0.3% (6.4%)
TURKEY	08:00	PPI (Jan)		0.9%	1.3% (8.9%)
SPAIN	08:15	PMI services (Jan)		47.0	46.2
ITALY	08:45	PMI services (Jan)		50.5	50.2
FRANCE	08:50	PMI services (Jan)		57.1	54.9
GERMANY	08:55	PMI services (Jan)		60.0	59.2
EUROLAND	09:00	PMI services (Jan)		55.2	54.2
EUROLAND	09:00	PMI composite (Jan)		56.3	55.5
UK	09:30	PMI services (Jan)	52.0	51.3	49.7
EUROLAND	10:00	Retail sales (Dec)		0.5% (0.2%)	-0.8% (0.1%)
CZECH	12:00	CNB board meeting (Feb)	0.75%	0.75%	0.75%
EUROLAND	12:45	ECB rate decision (Feb)		1.00%	1.00%
US	13:30	Initial jobless claims (Jan 29)		420.0k	454.0k
US	13:30	Productivity prelim (Q4)	1.5%	2.0%	2.3% (2.5%)
US	13:30	Unit labor costs prelim (Q4)	0.5%	0.2%	-0.1% (-1.1%)
US	15:00	Factory orders (Dec)	1.0%	-0.5%	0.7% (8.7%)
US	15:00	ISM non-mfg (Jan)	56.0	57.0	57.1
NEW ZEALAND	21:45	Net migrant inflow (annual) (Dec)			11519.0k
NEW ZEALAND	21:45	Tourist arrivals (Dec)			0.5% (3.0%)
Events and Meetings: CZECH: Czech National Bank to announce rate decision – 12:00 GMT. **SWEDEN**: Riksbank's Ekholm to hold speech in Stockholm– 12:30 GMT. **EUROLAND**: ECB to hold Governing Council meeting, interest rate announcement scheduled – 12:45 GMT; news conference by Trichet to follow at 13:30 GMT. **US**: Fed's Bernanke to hold speech in Washington – 18:00 GMT.					
Friday, 4 February					
SPAIN	08:00	Industrial production (Dec)		(1.5%)	(2.3%)
ITALY	10:00	HICP preliminary (Jan)		-1.3% (2.2%)	0.4% (2.1%)
CANADA	12:00	Employment (Jan)	48.0k	15.0k	22.0k
CANADA	12:00	Unemployment rate (Jan)	7.5%	7.6%	7.6%
US	13:30	Avg hourly earning (Jan)	0.2%	0.2% (1.7%)	0.1% (1.8%)
US	13:30	Avg workweek (Jan)	34.3hours	34.3hours	34.3hours
US	13:30	Payrolls (Jan)	125.0k	143.0k	103.0k
US	13:30	Unemployment rate (Jan)	9.5%	9.5%	9.4%
Events and Meetings: US: Fed's Kocherlakota to hold speech in Minnesota – 01:00 GMT. **EUROLAND**: ECB's Gonzalez-Paramo to hold speech in Malaga – 08:30 GMT. **EUROLAND**: ECB's Trichet to hold speech in Frankfurt – 11:30 GMT. **GERMANY**: German Chancellor Merkel to attend EU summit in Brussels – 16:30 GMT. **US**: Fed's Fisher to hold speech in Richardson – 18:00 GMT.					

Monday, 7 February

Country	GMT	Release	DB Expected	Consensus	Previous
AUSTRALIA	00:30	Retail trade (Dec)			0.3% (1.3%)
CZECH	08:00	Industrial production (Dec)			(15.9%)
CZECH	08:00	Retail sales (Dec)			(5.0%)
DENMARK	08:30	Industrial production (Dec)			-0.6%
NORWAY	09:00	Industrial production (Dec)			-2.8% (-4.7%)
GERMANY	11:00	Factory orders (Dec)			5.2% (20.6%)
GERMANY	11:00	Domestic factory orders (Dec)			1.5% (14.3%)
GERMANY	11:00	Foreign factory orders (Dec)			8.2% (26.2%)
CHILE	11:30	Economic activity (Dec)		(6.3%)	(6.2%)
CHILE	11:30	Trade balance (Jan)			USD2.4bn
BRAZIL	13:00	Trade balance (FOB)- weekly (Feb 6)			USD680.0m
CANADA	13:30	Building permits (Dec)			-11.2%
US	20:00	Consumer credit (Dec)	USD5.0bn	USD2.4bn	USD1.3bn
JAPAN	23:50	BoP trade balance (Dec)			JPY397.3bn
JAPAN	23:50	Money supply M2 and CDS (Jan)			(2.3%)

Events and Meetings: JAPAN: Bank of Japan's Shirakawa to hold speech in Tokyo – 03:30 GMT. **EUROLAND**: ECB's Trichet to hold speech in Wilderbad Kreuth – 09:00 GMT. **EUROLAND**: ECB's Mersh to hold speech in Luxembourg – 17:15 GMT.

Tuesday, 8 February

Country	GMT	Release	DB Expected	Consensus	Previous
SWITZERLAND	06:45	Unemployment rate (Jan)			3.8%
FRANCE	07:45	Trade balance (Dec)			-EUR3.9bn
HUNGARY	08:00	Industrial production (prelim) (Dec)			(14.5%)
TURKEY	08:00	Industrial production (Dec)			(9.1%)
CZECH	08:00	Unemployment rate (Jan)			9.6%
DENMARK	08:30	Trade balance (Dec)			DKK5.8bn
BRAZIL	10:00	FGV inflation IGP- DI (Jan)		0.9%	0.4%
GERMANY	11:00	Industrial production (Dec)			-0.7% (11.1%)
CHILE	11:00	CPI (Jan)		0.3% (2.7%)	0.1% (3.0%)
CANADA	13:15	Housing starts (Jan)			171.5k
BRAZIL	14:00	IBGE inflation IPCA (Jan)		0.8% (6.0%)	0.6% (5.9%)

Events and meetings: EUROLAND: EU's Rehn to hold speech in Brussels – 10:50 GMT. **US**: Fed's Lacker to hold speech in Delaware – 13:45 GMT. **US**: Fed's Lockhart to hold speech in Alabama – 18:00 GMT. **US**: Fed's Fisher to hold speech in Dallas – 18:00 GMT.

Wednesday, 9 February

Country	GMT	Release	DB Expected	Consensus	Previous
GERMANY	07:00	Trade balance (Dec)			EUR12.9bn
CZECH	08:00	CPI (Jan)			0.5% (2.3%)
UK	09:30	Trade balance non EU25 (Dec)			-GBP5.0bn
UK	09:30	Visible trade balance (Dec)			-GBP8.7bn
MEXICO	15:00	CPI (Jan)		0.5% (3.7%)	0.5% (4.4%)
MEXICO	15:00	Core CPI (Jan)		0.4%	0.5%
JAPAN	23:50	Corporate goods price index (Jan)			0.4% (1.2%)

Events and meetings: EUROLAND: EU's Van Rompuy to hold speech in Brussels – 07:00 GMT. **US**: Fed's Bernanke to testify in Washington – 15:00 GMT. **US**: Fed's Sack to hold speech in Philadelphia – 22:45 GMT. **US**: Fed's Lockhart to hold speech in Atlanta – 23:45 GMT.

Source: Australian Bureau of Statistics; Bank of Canada; Bank of Japan; BEA; BLS; Bundesbank; Bureau of Labor Statistics, U.S. Department of Labor; Cabinet Office, Government of Japan; ECB; Eurostat; Indian Central Statistical Organization; INE; INSEE; ISTAT; ISTAT.IT; Ministry of Finance japan; National Association of Realtors; National Bureau of Statistics; National Statistics Office; OECD - Composite Leading Indicator; People's Bank of China; Reserve Bank of Australia; Reserve Bank of New Zealand; Statistics Canada; Statistics Netherlands; Statistics of New Zealand; U.S. Census Bureau; U.S. Department of Labor, Employment & Training Administration; U.S. Department of the Treasury; U.S. Federal Reserve.

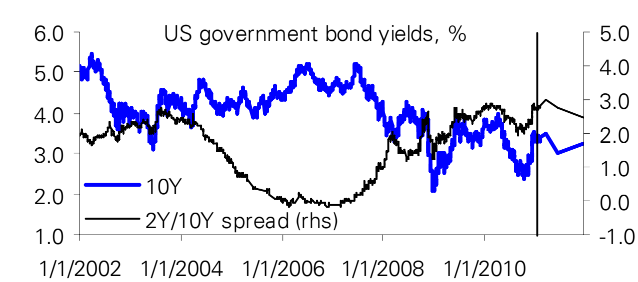
Note: Unless otherwise indicated, numbers without parenthesis are either % month-on-month or % quarter-on-quarter, depending on the frequency of release, while numbers in parenthesis are % year-on-year. * on the release time means indicative release time. * on indicator name means indicative/earliest release date.

Financial Forecasts

		US	Jpn	Euro	UK	Swe*	Swiss*	Can*	Aus*	NZ*
3M Interest	**Actual**	0.30	0.34	1.02	0.78	1.25	0.25	1.00	4.75	3.00
Rates[1]	**Mar11**	0.30	0.35	1.10	**0.80**	1.50	0.25	1.00	4.75	3.00
DB forecasts	***futures***	0.36	0.34	1.19	0.85	---	---	---	---	---
& Futures	**Jun11**	0.30	0.30	1.40	**0.90**	2.00	0.50	1.50	5.00	3.00
	futures	0.43	0.35	1.43	1.05	---	---	---	---	---
	Dec11	0.75	0.30	2.00	**1.40**	2.50	1.00	2.25	5.50	3.75
	futures	0.67	0.38	1.86	1.56	---	---	---	---	---
10Y Gov't[2]	**Actual**	3.39	1.24	3.19	3.69	3.29	1.66	3.01	5.47	5.12
Bond	**Mar11**	3.50	1.20	**3.40**	**3.70**	3.30	2.00	2.75	5.00	5.00
Yields/	***futures***	3.52	1.29	3.28	3.81	---	---	---	---	---
Spreads[3]	**Jun11**	3.00	1.30	**3.60**	**3.80**	3.55	2.25	3.00	5.00	5.25
DB forecasts	***futures***	3.64	1.34	3.36	3.91	---	---	---	---	---
& Forwards	**Dec11**	3.25	1.40	**4.00**	4.00	4.05	2.75	3.50	5.50	5.50
	futures	3.87	1.42	3.50	4.08	---	---	---	---	---
		EUR/ USD	**USD/ JPY**	**EUR/ GBP**	**GBP/ USD**	**EUR/ SEK**	**EUR/ CHF**	**CAD/ USD**	**AUD/ USD**	**NZD/ USD**
Exchange	**Actual**	1.37	81.6	0.85	1.61	8.81	1.29	1.00	1.00	0.78
Rates	**3M**	**1.35**	80.0	**0.86**	**1.57**	**8.50**	**1.29**	**1.00**	0.95	0.72
	6M	**1.40**	75.0	**0.88**	**1.59**	**8.20**	1.35	**1.05**	0.90	0.69
	12M	1.30	78.0	**0.84**	**1.55**	**8.00**	**1.37**	1.10	0.85	0.67

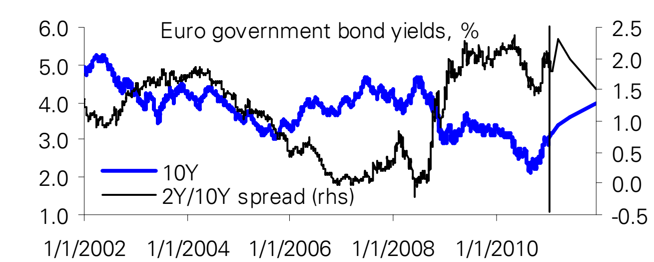
*(1) Future rates calculated from the March, June and December 3M contracts. Forecasts are for the same dates. * indicates policy interest rates.*
(2) Forecasts in this table are produced by the regional fixed income strategists. Forwards estimated from the asset swap curve for 2Y and 10Y yields.
(3)Bond yield spreads are versus Euroland.
Sources: Bloomberg Finance LP, DB Global Markets Research. Revised forecasts in bold type. All current rates taken as at Tuesday 11:00 GMT.

US 10Y rates



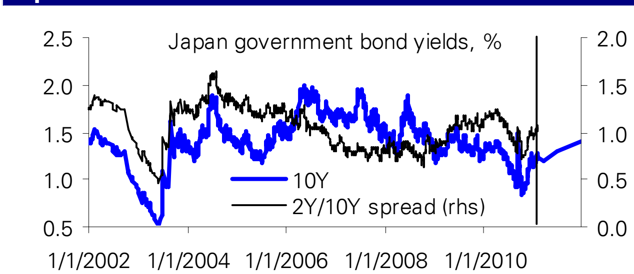
Source: DB Global Markets Research, Bloomberg Finance LP

Euroland 10Y rates



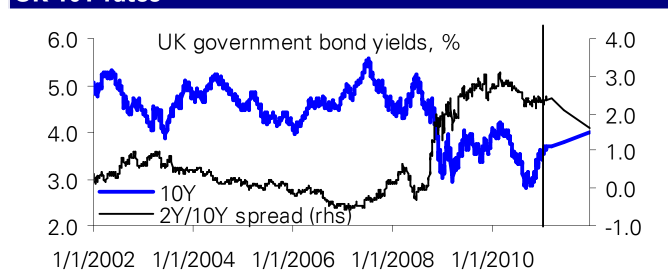
Source: DB Global Markets Research, Bloomberg Finance LP

Japan 10Y rates



Source DB Global Markets Research, Bloomberg Finance LP

UK 10Y rates



Source: DB Global Markets Research, Bloomberg Finance LP

Main Deutsche Bank Global Economics Publications

Global

Dbdaily – European Edition (daily)
Dbdaily – Asian Edition (daily)
Dbdaily – Pacific Edition (daily)

Global Economics Perspectives (weekly)

The World Outlook (quarterly)

Global Macro Issues (occasional paper series)

- Credit impulse: Lessons from the Great Depression (13 March 2009)
- The impact of credit on growth (19 November 2008)
- Commodities: Falling off their peak (31 July 2008)
- How far could US Home Prices Fall? (Oct 5, 2007)
- Why Hasn't Homebuilding Employment Dropped? (July 10, 2007)
- Is Emerging Asia Holding Down US Inflation (Feb 26, 2007)
- Evolution in Bretton-Woods II: Controlled Reflation as the Path of Least Resistance (Dec 7, 2006)
- US Trend Employment Growth Has Fallen To 100,000 Per Month (Dec 6, 2006)
- Understanding MEW and How It Is Spent (Nov 17, 2006)
- Financial system modernisation and economic growth in Europe: Financial markets as risk managers for the economy (Oct 27, 2006)
- Housing and the US Consumer: What Foreign Experience Has to Say (Oct 16, 2006)
- The Transatlantic Productivity Divide: Reasons and Consequences (Oct 13, 2006)

US

US Daily Economic Notes (daily)
US Economics and Strategy Weekly (weekly)

Europe

Europe Inflation Report (weekly)
Focus Europe (weekly)

Japan

Japan Economics Weekly (weekly)

Emerging Markets

Emerging Markets Daily – European Edition (daily)
Emerging Markets Daily – Asian Edition (daily)
Emerging Markets Daily – US Edition (daily)
EM Event Radar (weekly)
EM Monetary Policy Rate Calls (monthly)
Emerging Markets Monthly (monthly)
EM Balance of Payment Monitor (quarterly)
Emerging Markets Special Publications (occasional series)

Dollar Bloc

Dollar Bloc Weekly (weekly)
Australian Economics Monthly (monthly)

Asia

Asia Economics Daily (daily)
Asia Economics Monthly (monthly)
Real Exchange Rate Monitor (monthly)

Appendix 1

Important Disclosures

Additional information available upon request

For disclosures pertaining to recommendations or estimates made on a security mentioned in this report, please see the most recently published company report or visit our global disclosure look-up page on our website at http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Peter Hooper

Deutsche Bank debt rating key

CreditBuy ("C-B"): The total return of the Reference Credit Instrument (bond or CDS) is expected to outperform the credit spread of bonds / CDS of other issuers operating in similar sectors or rating categories over the next six months.
CreditHold ("C-H"): The credit spread of the Reference Credit Instrument (bond or CDS) is expected to perform in line with the credit spread of bonds / CDS of other issuers operating in similar sectors or rating categories over the next six months.
CreditSell ("C-S"): The credit spread of the Reference Credit Instrument (bond or CDS) is expected to underperform the credit spread of bonds / CDS of other issuers operating in similar sectors or rating categories over the next six months.
CreditNoRec ("C-NR"): We have not assigned a recommendation to this issuer. Any references to valuation are based on an issuer's credit rating.

Reference Credit Instrument ("RCI"): The Reference Credit Instrument for each issuer is selected by the analyst as the most appropriate valuation benchmark (whether bonds or Credit Default Swaps) and is detailed in this report. Recommendations on other credit instruments of an issuer may differ from the recommendation on the Reference Credit Instrument based on an assessment of value relative to the Reference Credit Instrument which might take into account other factors such as differing covenant language, coupon steps, liquidity and maturity. The Reference Credit Instrument is subject to change, at the discretion of the analyst.

Regulatory Disclosures

1. Important Additional Conflict Disclosures

Aside from within this report, important conflict disclosures can also be found at https://gm.db.com/equities under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

2. Short-Term Trade Ideas

Deutsche Bank equity research analysts sometimes have shorter-term trade ideas (known as SOLAR ideas) that are consistent or inconsistent with Deutsche Bank's existing longer term ratings. These trade ideas can be found at the SOLAR link at http://gm.db.com.

3. Country-Specific Disclosures

Australia: This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

EU countries: Disclosures relating to our obligations under MiFiD can be found at http://globalmarkets.db.com/riskdisclosures.

Japan: Disclosures under the Financial Instruments and Exchange Law: Company name - Deutsche Securities Inc. Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, The Financial Futures Association of Japan. This report is not meant to solicit the purchase of specific financial instruments or related services. We may charge commissions and fees for certain categories of investment advice, products and services. Recommended investment strategies, products and services carry the risk of losses to principal and other losses as a result of changes in market and/or economic trends, and/or fluctuations in market value. Before deciding on the purchase of financial products and/or services, customers should carefully read the relevant disclosures, prospectuses and other documentation. "Moody's", "Standard & Poor's", and "Fitch" mentioned in this report are not registered as rating agency in Japan unless specifically indicated as Japan entities of such rating agencies.

Malaysia: Deutsche Bank AG and/or its affiliate(s) may maintain positions in the securities referred to herein and may from time to time offer those securities for purchase or may have an interest to purchase such securities. Deutsche Bank may engage in transactions in a manner inconsistent with the views discussed herein.

New Zealand: This research is not intended for, and should not be given to, "members of the public" within the meaning of the New Zealand Securities Market Act 1988.

Russia: This information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Risks to Fixed Income Positions

Macroeconomic fluctuations often account for most of the risks associated with exposures to instruments that promise to pay fixed or variable interest rates. For an investor that is long fixed rate instruments (thus receiving these cash flows), increases in interest rates naturally lift the discount factors applied to the expected cash flows and thus cause a loss. The longer the maturity of a certain cash flow and the higher the move in the discount factor, the higher will be the loss. Upside surprises in inflation, fiscal funding needs, and FX depreciation rates are among the most common adverse macroeconomic shocks to receivers. But counterparty exposure, issuer creditworthiness, client segmentation, regulation (including changes in assets holding limits for different types of investors), changes in tax policies, currency convertibility (which may constrain currency conversion, repatriation of profits and/or the liquidation of positions), and settlement issues related to local clearing houses are also important risk factors to be considered. The sensitivity of fixed income instruments to macroeconomic shocks may be mitigated by indexing the contracted cash flows to inflation, to FX depreciation, or to specified interest rates – these are common in emerging markets. It is important to note that the index fixings may -- by construction – lag or mis-measure the actual move in the underlying variables they are intended to track. The choice of the proper fixing (or metric) is particularly important in swaps markets, where floating coupon rates (i.e., coupons indexed to a typically short-dated interest rate reference index) are exchanged for fixed coupons. It is also important to acknowledge that funding in a currency that differs from the currency in which the coupons to be received are denominated carries FX risk. Naturally, options on swaps (swaptions) also bear the risks typical to options in addition to the risks related to rates movements.

David Folkerts-Landau
Managing Director
Global Head of Research

Stuart Parkinson
Associate Director
Company Research

Marcel Cassard
Global Head
Fixed Income Research

Europe
Guy Ashton
Regional Head

Asia-Pacific
Fergus Lynch
Regional Head

Germany
Andreas Neubauer
Regional Head

Americas
Steve Pollard
Regional Head

Principal Locations

Deutsche Bank AG
London
1 Great Winchester Street
London EC2N 2EQ
Tel: (44) 20 7545 8000

Deutsche Bank AG
New York
60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250-2500

Deutsche Bank AG
Hong Kong
Filiale Hongkong
Intl. Commerce Centre,
1 Austin Road West,Kowloon,
Hong Kong
tel: (852) 2203 8888

Deutsche Securities Inc.
Japan
2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Tel: (81) 3 5156 6770

Deutsche Bank AG
Frankfurt
Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG
Aurora business park
82 bld.2 Sadovnicheskaya street
Moscow, 115035
Russia
Tel: (7) 495 797-5000

Deutsche Bank AG
Singapore
One Raffles Quay
South Tower
Singapore 048583
Tel: (65) 6423 8001

Deutsche Bank AG
Australia
Deutsche Bank Place, Level 16
Corner of Hunter & Phillip Streets
Sydney NSW 2000
Tel: (61) 2 8258 1234

Deutsche Bank Dubai
Dubai International Financial Centre
The Gate, West Wing, Level 3
P.O. Box 504 902
Dubai City
Tel: (971) 4 3611 700

Subscribers to research via email receive their electronic publication on average 1-2 working days earlier than the printed version.

If you would like to receive this or any other product via email please contact your usual Deutsche Bank representative.

Publication Address:
Deutsche Bank AG London
1 Great Winchester Street
London EC2N 2EQ
United Kingdom
(44) 20 7545 8000

Internet:
http://gmr.db.com
Ask your usual contact for a username and password.

Global Disclaimer