Quarterly Outlook

SAXO BANK

Q4 2010

Cold front approaching Western economies

Quantitative easing on a scale never seen before, vast government stimulus programmes, and record public deficits almost everywhere you look. Any imaginable tool has been tried out in an attempt to put to rest the worst recession since World War II, but so far nothing has worked.

While central banks are debating whether they should do more of the same, leading indicators of economic activity have taken a turn for the worse. That deterioration will soon translate into actual economic weakness and will in the case of the Eurozone be magnified by the austerity measures forced upon the governments by the credit market. Risk remains complacent for now, but an economic cold front is approaching. Equities are at the high of our range call while we look for gold to power through the 1,300 level. The USD and EUR should gain on the pro-risk currencies with the dollar taking the forefront.

This fourth quarter Outlook for the global economy is a short analysis examining the global economic outlook for the forthcoming quarter. The quarterly Outlook will be followed by our list of Black Swan events, the annual 10 Outrageous Predictions, in December 2010, and Saxo Bank's Yearly Outlook in January 2011.

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MARKET COMMENT: YELLOW LEAVES

Economic headwinds are blowing for the developed economies. Consumers are saturated with debt, governments crippled by deficits and disinflation rages. Market expectations are slowly being lowered as the fog clears and economic reality becomes visible. But we still have much further to go.

Let us go back to the spring of 2009. Stocks are up roughly 40% from the trough a month ago. The economy has reached rock-bottom and the U.S. is now gearing up for a speedy recovery. Green shoots, those small signs of economic betterment, emerge. The winter was unusually hard and long, but spring is finally here and it's shaping up to be quite a summer. Fertilizer has been sprayed blindly all over the economy in the hope that some of it will turn the green shoots into sustainable growth.

But alas hope fades quickly. What were once green shoots are now turning into yellow leaves. The summer was lukewarm. Winter is before us and the leaves will soon fall off. The market, ignoring what's coming in the months ahead, remains optimistic for now. Surely the fertilizer will be applied again if need be? Sadly, the answer is likely that it will; once again disrupting the healthy process of balance sheet reparation.

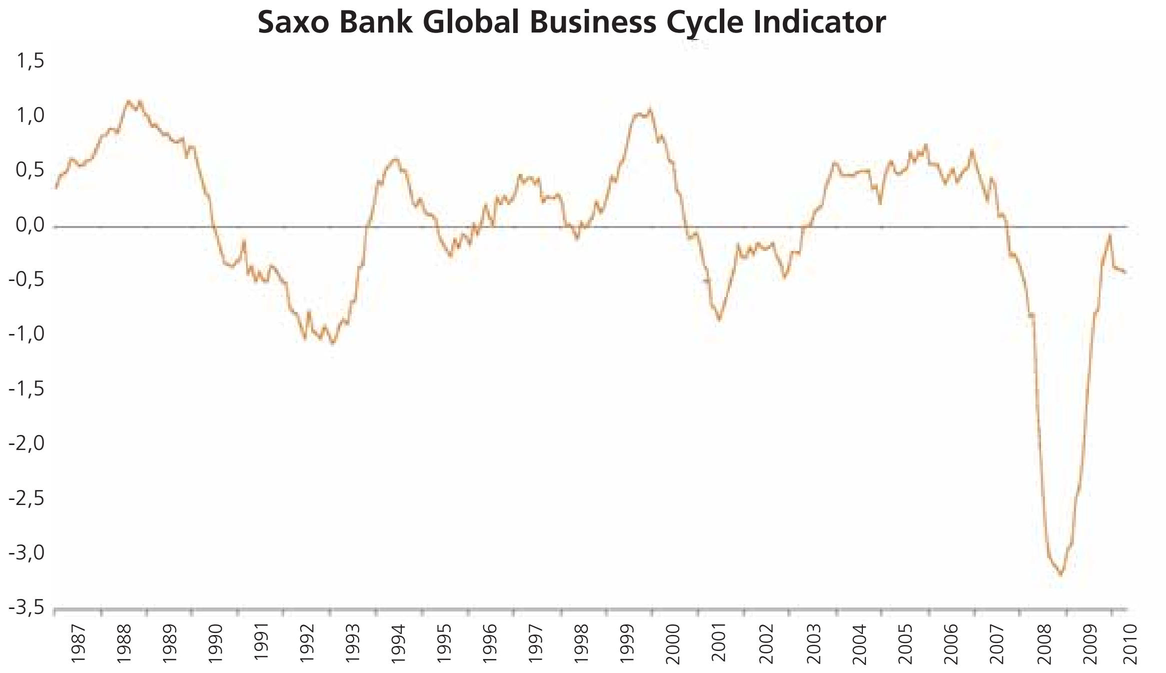
Double dip fears re-emerged over the summer as the deceleration in the U.S. economy progressed. Risk sold off accordingly, or so we were told. The difference between an economy growing 3-4% and a double dip/sovereign debt crisis combo is apparently only 15% in the U.S.'s premier stock index, the S&P 500. The bears soon lost out to the bulls, however, as risk staged a comeback due to improvement in a few key indicators.

Incidentally, the S&P 500 was also trading around the current level at New Year. So here we are, nine months into what is supposed to be the first full year of recovery and stocks have nothing to show for all the hard work. Can the momentum in risk be sustained or are we near overbought levels?

Given the altogether poor outlook for most developed economies, risk seems to have gotten ahead of itself. Equities rely on the notion that the impressive earnings growth rates recorded in earlier quarters can be sustained. The trouble is that earnings growth currently comes almost exclusively from one source; margin expansion. But productivity gains can only take you to a certain point. Sales growth must soon step up to the challenge, but without much help from final sales, that looks unlikely. Hence, improvements in already near-record margins must still carry the torch. Can they? Our answer is "no".

Government bonds have retraced a bit from the summer highs. Those highs were temporary insanity and bubble behaviour, the equity market insists. But perhaps the bond market was the sane one, and simply overbought in the short-term? Certainly, the low yields of a few months ago fit better with our view of the shape and direction of the economy: weak growth, disinflation and deleveraging at the consumer level. An economic crash similar to 2008, however, is not on the cards simply because those parts of the economy that often experience the most violent drop-off in activity are still languishing in recessionary territory and since the banking sector is now under the wings of the government.

Let us not forget that central banks – and some governments – are still eager to trade sustainability for small bouts of GDP growth. Japan just awoke from a six-year hibernation to resume currency intervention. Apparently, neither the country's own abysmal track record nor Switzerland's more recent struggles seem to dent the Bank of Japan's confidence in such policy tools. Across the Pacific, the Federal Reserve is ready for another bout of intervention in case the economy slows down even further. Quantitative Easing (QE) it is labelled in the States, but it is just a fancy name for propping up



Source: Bloomberg. Our calculations.

the banks. The impact on the rest of the economy has been nonexistent, which should come as no surprise. Demand for loans will remain meagre as long as Americans are in the process of repairing their balance sheets.

With this macro picture in mind, we expect risk to range trade. Equities currently trade right at the high of our expected range. In particular, we look for the S&P 500 to fluctuate in the area between 1,040 and 1,130. The central banks of the U.S., Eurozone, and Japan, are certainly in no hurry to raise rates and we expect them to introduce new QE measures to combat the weak fundamentals. ECB Chief Trichet may put up a good fight in front of the microphones, but a storm is gathering over Europe. Like the U.S. and Japan, Europe faces a weak private economy, but unlike the former two, headwinds in the shape of cutbacks in the public sector are also on the horizon. Reigning in the deficits is a necessary, healthy process, but its short-term impact on GDP growth will be considerable.

We reckon that our view of the economy should dictate a more bearish stance than our range trade call, especially with a looming slowdown in China and continual sovereign default concerns. Nevertheless, central banks can, and will, take action if the headwinds turn into a full-blown storm. Equities seem to brush off every bit of bad news at the moment and momentum looks strong. The euro is still weighed down by sovereign debt concerns and the soon-to-come austerity measures, but it stands to gain together with the U.S. dollar against the pro-risk currencies if our low-growth scenario unfolds. For commodities, focus will be squarely on gold's rapid ascent. We expect gold to not just reach, but also surpass $1,300 targeting $1,350.

It's shaping up to be an exciting finish to 2010 as weaker fundamentals take on the strong pro-risk momentum currently in place in the market. Risk may be stretched, but the fourth quarter comes too soon for an outright sell-off.

U.S.: TO DIP OR NOT TO DIP

The summer has been tough on the U.S. with most of the economic data signalling a slowing economy. So much so that the infamous double dip scenario suddenly resurfaced and sent risk down. Risk has since recovered following a couple of good indicators, which has ostensibly ruled out a double dip.

Inventory adjustments are expected to help the ailing U.S. economy once again in the third quarter, but that does not change our outlook for the fourth quarter and beyond. Final sales will remain weak in the second half of the year and into 2011. The consumer is in the midst of deleveraging, but it's a slow process, which will hamper consumption until debt is brought down to a reasonable level. Furthermore, the labour market is in dire straits with the unemployment rate expected to hover just below 10% in the fourth quarter. Low capacity utilization contributes to the weak labour market; manufacturers have plenty of idle resources to employ, but growth in final sales is not – and will not be – strong enough to stimulate hiring.

"For Sale" signs are back in vogue on the front lawns of American homeowners following the expiration of the homebuyer tax credit. Unsurprisingly, home sales have since plummeted while inventories have spiked. What's needed now is for the market to find some sort of equilibrium. That means lower prices and weak residential investment, and the latter will thus not contribute meaningfully to growth for quarters to come.

Spending at state and local levels remains in a downward trend as policymakers scramble to balance their budgets. Despite the fact that the recession oficially ended in the summer of 2009, the recession is still very much a reality at state and local levels. Currently, spending is contracting at an annual rate of 1.5% and we expect this sector to continue to be a drag on growth in the fourth quarter of 2010.

We expect growth to come to a complete halt in the fourth quarter as the consumer deleverages, the manufacturing sector slows down and potentially contracts and investments are hurt by the weak residential market. The risk of a double dip within the next few quarters is substantial, in our view.

United States	**2010Q3**	**2010Q4**	**2011Q1**	**2011Q2**	**FY2010**
Gross Domestic Product YOY	2.8 %	1.7 %	1.0 %	0.8 %	2.5 %
Consumer Prices YOY	1.0 %	0.6 %	0.8 %	1.0 %	1.3 %
Unemployment Rate	9.6 %	9.7 %	10.0 %	10.0 %	9.6 %

Source: Bloomberg. Our calculations.

JAPAN: YEN STRENGTH AIDS CONSUMERS, HURTS EXPORTERS

The Japanese must think that they are part of a get-rich-quick scheme. The pieces of paper in their wallets buy more foreign goods for each passing day – notwithstanding the hopeless efforts of the Bank of Japan to curb yen strength. But for economic activity in the short run, the development in the yen is unwelcome for those focusing exclusively on GDP growth. Net exports went negative in mid-2008 as the global economic crisis unfolded, but exporters soon gained their footing again, which saw GDP growth soar. However, both imports and exports have been about flat in 2010 as the strength of the recovery and the stronger yen are starting to wear on the economy.

Net exports were not alone in their rescue of the Japanese economy as government stimulus must also get its fair share of credit for turning GDP around – even if such interference is counterproductive in the long-run. Stimulus is now wearing thin, however, and will not aid the Japanese economy going forward. Capital expenditures will counter these factors somewhat, but on balance, growth is expected to slow down in the fourth quarter.

Japan	**2010Q3**	**2010Q4**	**2011Q1**	**2011Q2**	**FY2010**
Gross Domestic Product YOY	2.7 %	2.1 %	1.0 %	0.5 %	2.9 %
Consumer Prices YOY	-1.2 %	-0.5 %	-0.5 %	-1.0 %	-0.9 %
Unemployment Rate	5.2 %	5.2 %	5.2 %	5.1 %	5.2 %

Source: Bloomberg. Our calculations.

EUROPE: IT'S NOT AUSTERITY; JUST CONSUMPTION WITHIN MEANS

The German growth machine, which produced a stunning 9.1% annualized quarterly growth rate in the second quarter, will slow down and with it the entire Eurozone economy. The market's infatuation with sovereign debt in the first half of the year has forced most European countries, including the U.K., into so-called austerity measures. But there is nothing austere about it... Rather the realisation is simply that you cannot consume more than you produce forever. Mind you, we are not dealing with countries about to participate in a full-scale savings competition. We are merely dealing with governments which must increase taxation and lower consumption just to have a public deficit smaller than three percent! Adding to the problems is the labour market in which one person in ten remains unemployed and where private consumers, like their American counterparts, are increasing their consumption only slowly in response to the weak recovery.

The Eurozone has something which Japan desperately wants: a cheap currency. And given our case for EUR depreciation against the US dollar, growth in the Eurozone will be supported by exports. The global deceleration, however, will keep a lid on the contribution to GDP. The U.K., meanwhile, will not see much support from exports and indeed the trade balance has deteriorated through 2010.

Eurozone	2010Q3	2010Q4	2011Q1	2011Q2	FY2010
Gross Domestic Product YOY	2.2 %	2.0 %	1.5 %	1.0 %	1.7 %
Consumer Prices YOY	1.6 %	1.4 %	1.0 %	0.5 %	1.5 %
Unemployment Rate	10.0 %	9.9 %	9.8 %	9.9 %	10.0 %

Source: Bloomberg. Our calculations.

United Kingdom	2010Q3	2010Q4	2011Q1	2011Q2	FY2010
Gross Domestic Product YOY	2.4 %	2.0 %	1.5 %	1.0 %	1.5 %
Consumer Prices YOY	3.0 %	2.5 %	2.0 %	1.5 %	3.0 %
Unemployment Rate	7.6 %	7.6 %	7.5 %	7.4 %	7.8 %

Source: Bloomberg. Our calculations.

One of the key global themes feeding market developments on the cusp of fourth quarter of 2010 is the belief that the world economy is decoupling into growth haves and have-nots. The have-nots are the slow-growth and even borderline-recessionary developed economies of the U.S. and Western Europe, and the growth haves are emerging economies, led by an "emerged" China, which now has the world's second largest economy. In the major currencies, the decoupling theme is finding itself expressed through a very weak U.S. dollar, euro, and British pound while currencies most leveraged to emerging economies through export markets like the Australian dollar, New Zealand dollar and perhaps even the Swedish krona, have performed very well for much of the year.

As the third quarter draws to a close, we are witnessing very high levels of risk appetite in both emerging and developed economies and strong growth projections for the emerging economies – a strong view that decoupling is a reality and set to continue. With our view that growth expectations will be generally disappointing as more austerity bites into global demand, the baseline risk in the fourth quarter and into 2011 is that this disappointment leads to a reversion to the mean and therefore a reversal in the salient decoupling trend.

COMPETITIVE DEVALUATION

Another FX theme to watch in the fourth quarter of 2010 and beyond is one of competitive devaluation, the idea that devaluing a currency will help a country's domestic economy, usually by strengthening the important export-driven sectors of the economy, external economies be damned. It is what China has practiced for years and has always been a desired end for Japan (which has now begun intervening in its currency in dramatic fashion for the first time in 7 years). In emerging markets, Korea and Brazil are getting in on the act with policies aimed at shooting down currency strength in support of exports. The competitive devaluation theme will likely continue in a world with insufficient end demand.

G-10 FX OUTLOOK FOR Q4

USD: All eyes are on the next move from the Fed in the fourth quarter. The baseline expectation is for an expansion of the existing QE measures to be announced sometime in the fourth quarter, perhaps another trillion or more in monetization of long term U.S. treasuries. True "QE2" (deeper, non-traditional moves aimed at more directly stimulating end demand) seems off the table for now. But almost regardless of the Fed's moves, the USD is simply a creature of anti-risk, so it will only perform well if the bear market returns (see chart too).

EUR: The Eurozone governments have been the most aggressive to move into the austerity camp in response to the sovereign debt challenges for the so-called PIIGS countries. The PIIGS crisis still burns brightly, though the market seems to be taking less note of it lately. Much pain is already priced into the euro, though the currency may still eventually fall further against the greenback, should the decoupling theme weaken in the fourth quarter and into 2011. Against the higher-beta, more pro-risk currencies of the G-10 and some emerging market currencies, however, the lows may already be in for the single currency.

JPY: Intervention begins! The success or failure of the new attempt to keep a lid on the yen's strength could be determined by the trajectory of government bond yields, as lower yields are supportive of the JPY. Our guess is a choppy, generally weaker trajectory for the JPY, but not just due to the intervention but to Japan's Asia exposure and deteriorating economic fundamentals. Also worth considering: long term demographics and public debt situations are totally unsustainable and the yen may be the canary in the coal mine if there is such a thing as a real sovereign debt crisis for a major country.

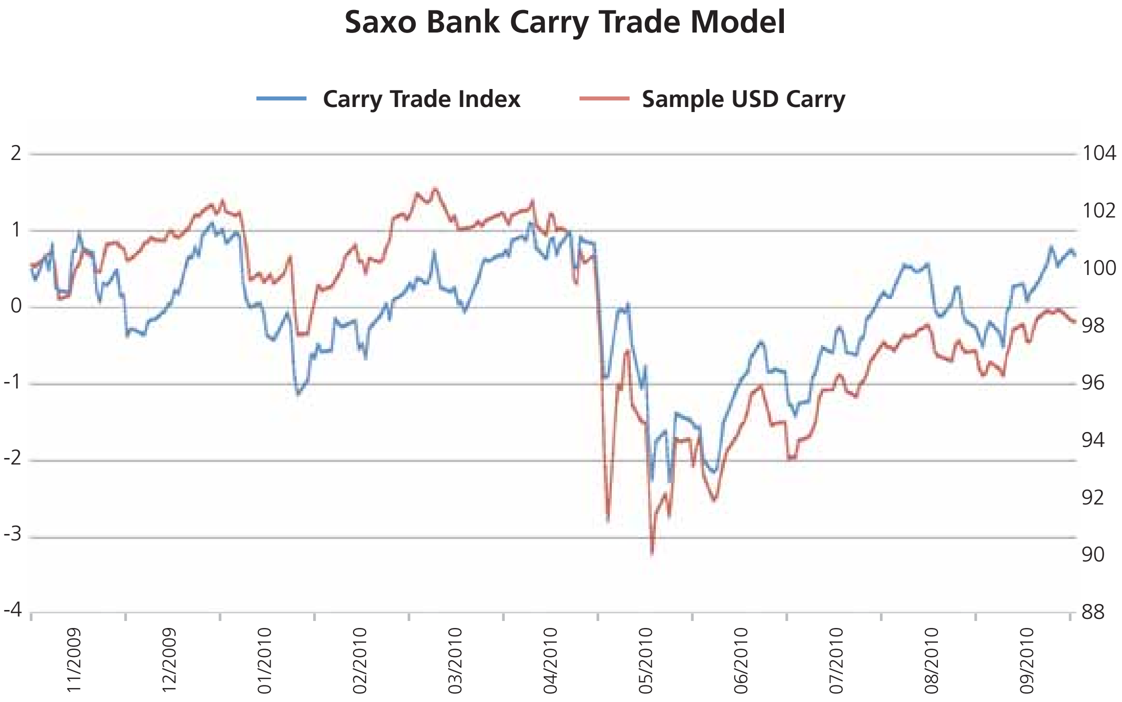


Chart: USD Carry Trades and Risk Appetite: *Our Carry Trade Model is formed of six risk factors and shows that the USD trades almost entirely based on global market's appetite for risk. This is part and parcel of the decoupling theme. For the USD to make a comeback, we must see a return of the bear.*

Source: Bloomberg. Our calculations.

GBP: The new U.K. government's austerity program should really begin to bite into the economy in the fourth quarter, perhaps even more intensely than in the other major euro economies. The fate of the pound is likely linked to the direction of risk appetite, as the market this year has traded the currency much like a watered down version of the U.S. dollar.

CHF: The franc hit a brick wall as Japan intervened in its market. The currency may continue to lose some of its shine if the domestic economy cools as it should - and if less rosy outlooks remind investors of the shakiness of some of the foreign debtors to its still oversized banks.

AUD: It has been the G-10's main beneficiary of the decoupling theme and Chinese economic strength. But there are signs that the domestic economy is fast becoming a one-trick pony centered on the mining industry. A housing bubble that looks like it is about to pop could also offer headwinds. At extremes versus the rest of the G-10 as the third quarter draws to a close, the Aussie will likely be the highest-beta currency in the fourth quarter and the currency that would suffer the most on a reversal of the decoupling theme.

CAD: Canada is showing signs of joining the competitive devaluation choir too, with the BoC's Carney beginning to complain about the Loonie's strength and its effect on Canada's recovery and rapidly deteriorating terms of trade. If the decoupling theme begins to mean revert, CAD would stay range bound or weaken versus the USD, though it could perform better than the other commodity currencies linked more directly to the decoupling theme.

NZD: Shall we call the Kiwi "Aussie lite"? There are key differences, especially in the two countries' commodities mix. But the two countries share a heavy exposure to Asian exports, so the Kiwi will generally trade in positive correlation with the risk and the decoupling theme and on the performance of its key food commodity exports.

SEK: The krona is extremely leveraged to the global economy via its export-centered economy, so it may serve as a barometer of risk in the fourth quarter and into the New Year as well, now that its valuation is more neutral after an extensive rally versus the euro. The krona will remain sensitive to the Riksbank outlook since it is one of the last major central banks expected to hike more than 50 basis points in the year ahead.

NOK: Oil, Norway's key export, is an underperforming commodity relative to many other commodities in 2010. The Norwegian economy is also weaker than one would hope, with a long-term decline in industrial production a long-term negative. This means no more moves from Norges Bank in the foreseeable future and a NOK that will only really shine if we see a sudden large focus on sovereign debt considering Norway's unmatched balance sheet strength.

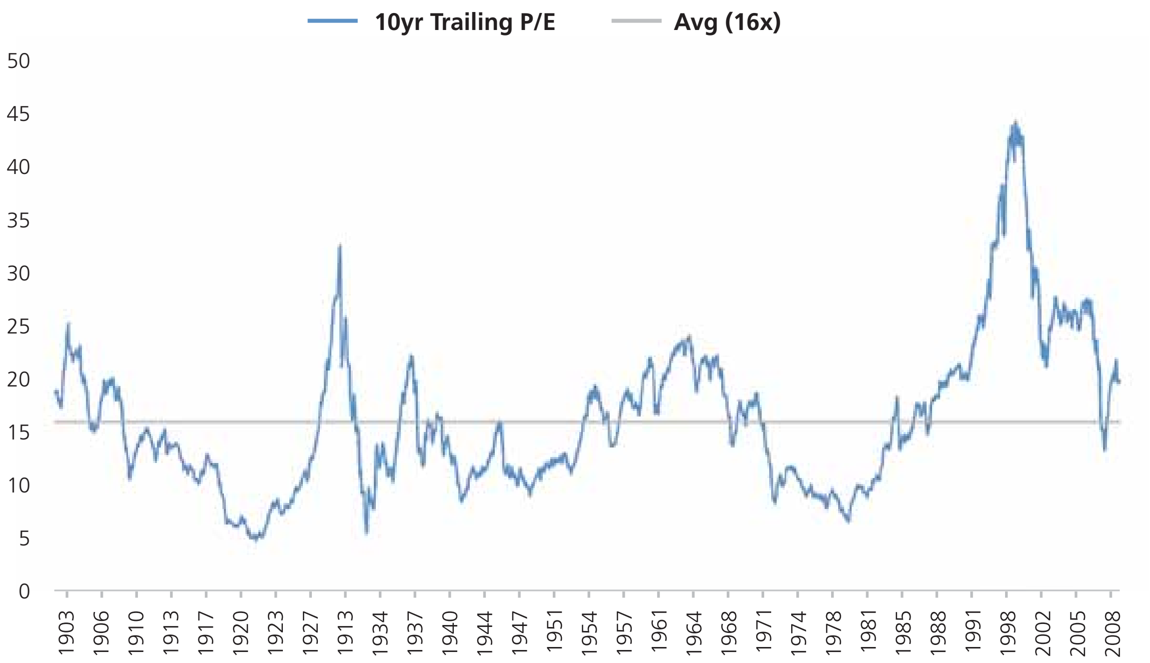
Since May of this year equity markets have been range trading. This is perfectly normal after a boom or bust and we expect this to continue until year-end. But what is far from normal is the significant divergence in the perception of the economic outlook between equity and bond markets. According to bond markets we are in for years of low growth, if not outright recession, but in equity-land the market is pricing in strong growth. So which is right, if either of them?

Taking bond yields at face value they are pricing in low growth, but another explanation of the low yields could very well be that bond markets expect another round of QE initiated by the Fed. We certainly expect another round of QE. Such a move will boost asset prices short-to-medium term and this is a reasonable explanation as to why bond and equity markets at first glance differ in their expectation of market development.

In our view equity markets are de facto pricing in a too rosy picture of the global economy. Sales are going to be weak in 2011, trailing the development in nominal GDP, but corporates may be able to squeeze a little bit more out of already high margins. This is why we largely expect earnings growth to remain flat to marginally positive in 2011 instead of outright negative. We expect a normal earnings growth development from 2012.

There is little headroom in terms of net profit margin expansion before reaching the prior peak at 7.5% back in 2006. We do not expect an outright margin contraction, but forecast the development to remain flat in 2011 an 2012. Why? Simply be-

CAPE (P/E10)



Source: Robert Shiller (http://www.econ.yale.edu/~shiller/data.htm). Our calculations.

cause the biggest cost driver in corporates - wages - will remain under control as long as we are facing high unemployment. Another contributor in keeping the current levels of margins stable is credit cost; the interest rates can hardly head lower, so if companies continue the current trend of reducing debt aggressively this will also support the current level of margins.

On the back of expected stable net profit margins and in spite of our low sales growth forecast for 2011, we forecast flat to marginally positive earnings growth in 2011 and positive earnings growth in 2012. In the S&P 500 we expect earnings per share to reach $84 in 2011 and $94 in 2012, while the current bottom-up consensus is $94 for 2011 and $108 in 2012. In our view, the market is outright unrealistic in assessing the next couple of years' profit possibilities for companies and we do expect earnings expectations to be lowered. This process has not yet started, but eventually analysts will start to reduce expectations when they realize that the structural headwinds in the wider economy are not going to be a one-quarter phenomenon, but will rather last for several quarters. A strong third quarter earnings season could postpone this process for a few months.

But how are equities valued? Our preferred tool, the CAPE (P/10E), implies that equities are not outright cheap at 19.7x compared to the historical average of 16x. Risk appetite is on the rise short-term, however, and if another wave of retracements in equity markets sets in as we expect, this will, given a stable dividend payout ratio, put equities in the sweet spot.

Index	**Closing Level at 14th of December 2009**	**December 2010 target**			
		Yearly Outlook	2nd Quarter Outlook	3rd Quarter Outlook	4th Quarter Outlook
S&P500	1114	1150	1100	1000	1096
DJ Stoxx 600	247	260	248	230	247
Nikkei225	10106	10320	9875	9180	9180
MSCI EM	979	1050	1000	820	975

Source: Thomson Reuters Datastream. Our calculations.

POLICY RATES

U.S.: On 21 July, in his semi-annual report to Congress on the state of the U.S. economy, Federal Reserve Chairman Bernanke said that prospects for the economy were, 'unusually uncertain'. He certainly hit the nail on the head there; the last couple of months have seen the U.S. recovery stall. The Fed's Beige book highlighted an uneven and tepid recovery with limited upward price pressure. Hence, being dutifully mindful of its dual mandate to maintain the maximum level of unemployment commensurate with price stability, the 10 August FOMC meeting took a step towards further QE measures when it decided to reinvest the maturing proceeds of Mortgage Bond investments in U.S. Treasuries. The 21 Sept. FOMC statement accelerated the dovish turn, with downbeat comments on both the recovery and pointed concern on low inflation, and left the door wide open for increased QE at the next meeting, in November.

Against this backdrop, we do not expect the FOMC to raise the Federal Funds rate over the horizon of these forecasts, 2Q2011, and indeed, would expect the announcement of further, full-blown, QE, to the tune of $1-2 trillion, in November, or in early 2011.

Eurozone: Thus far Mr. Trichet is sticking to the script religiously; "over the medium term, the ECB seeks to maintain an inflation rate below, but close to, 2%." He also maintains that the ECB's exit strategy from the extraordinary provision of unlimited liquidity to the Eurozone's banks is also on track to be completed as soon as possible. The trouble is that Europe's banks are still addicted to the ECB's cash - in recognition of which the ECB recently extended the unlimited availability of three-month money. Furthermore, the Eurozone will also be labouring under the weight of dramatic deficit reduction measures.

For these reasons we do not expect the ECB to raise rates before the end of the second quarter of 2011. There is even a possibility that it will have been dragged kicking and screaming into introducing its own QE programme, but on balance, we suspect that its inflation-fighting culture will mean that it will refrain from doing so.

Japan: The re-election of Prime Minister Naoto Kan as leader of the DPJ will do little to encourage any belief that things are about to get better in Japan. Although recent intervention to weaken the yen had some initial success, we suspect this will be short-lived. Other G20 nations will certainly not be happy to join Japan in a joint FX intervention given every country's desire to enjoy favourable terms of trade - and the widespread condemnation commonly directed at China over FX policies designed to keep the Yuan weak.

Naturally the BoJ won't change interest rates any time soon and it may have some form of QE ready by the second quarter of 2011.

U.K.: It is difficult to see the U.K. economy making much headway in the face of the most severe programme of fiscal tightening in living memory. It is evident that the Bank of England's Monetary Policy Committee is well aware of this, with Governor King talking from a persistently dovish script. We agree wholeheartedly with Mr. King that inflation will decline over the medium-term and feel that the Bank of England will keep rates on hold as far as the second quarter of 2011. In all probability, the BOE will also re-start its QE programme before year-end, eventually indulging in a similar amount again, i.e., £200 billion.

COMMODITIES: CRUDE OIL STUCK IN THE MIDDLE WHILE GOLD RIDING HIGH

Adverse weather across the globe and the subsequent impact on food prices is a theme that will continue into the fourth quarter. Combined with the ongoing worries about double dip recession, this will lead to major discrepancies in performance between the various commodity sectors. At the time of writing the Reuters Jefferies CRB index has returned -1.3 percent year-to-date, but this hides double digit gains in softs, grains and precious metals and similar larger losses in the heavyweight energy sector.

The current economic outlook continues to attract buyers into gold, silver and the platinum group metals, with investors having been rewarded handsomely during the third quarter. The U.S. Federal Reserve looks set to resume quantitative easing which will ensure that official interest rates stay close to zero and thereby keep the opportunity cost of holding gold at next–to-nothing. Central banks that used to be a source of supply are on course to become net buyers for the first time in two decades. In addition, a ballooning global bond market and uncertainty about the potential returns on equity investments has investors piling into gold.

The biggest threat for gold going into the fourth quarter probably comes from its own success as it has become a one way bet with analysts, commentators and investors queuing up to raise their price forecasts. We believe momentum and continued uncertainty will ensure the ongoing rally continues but would not be surprised to see violent corrections like the eight percent experienced back in July, especially towards year-end when money managers may be inclined to book profits - after what has been a difficult year for many. The long-term trend line support combined with the 200-day moving average will offer support on any correction while we look for $1,350 an ounce at year-end followed by $1,650 at the end of 2011.

Cyclical commodities like the energy sector have experienced a tough year so far with natural gas being down by almost a third and crude showing a double-digit loss. While global demand continues to slowly recover the increase has been skewed towards the Far East with China's insatiable appetite for basic resources continuing. Meanwhile, the storage levels in the U.S. continues at elevated levels which has put time spreads under pressure with spot month prices struggling to recover.

We see this trend continuing into the fourth quarter as the risk of additional monetary tightening from China still lingers and additional QE from U.S. highlights the limited prospect of a U.S. demand recovery. The one-year trading range, where crude seems stuck in the middle, should prevail. However, we see the risk of move to the downside with a year-end price of crude in the $65 to $70 a barrel range before continued recovery will drive it towards $90 in 2011.

Adverse weather in the U.S. Midwest, Brazil, Pakistan and especially Russia has lifted prices on anything from grains and livestock to sugar and coffee. Most noticeable was the drought in Russia which hit huge wheat growing areas around the Black Sea and ultimately led to a Russian export ban lasting through 2011, depending on the yield of the winter crop being planted this autumn.

We see the price of corn continuing to outperform wheat from current levels as U.S. stockpiles are being run down due to higher exports and lower-than-expected production. The global consumption may exceed production for the second year running as demand for ethanol continues and livestock farmers look for a substitute for lost wheat production, especially from Russia.

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