



Week Ahead

17 May – 23 May



Nordea Research, 15 May 2014

Nordea Next week's key events

- **US**

The minutes from the April FOMC meeting are expected to indicate that the FOMC is waiting to see how the economy evolves, reassured by the fact that its forward guidance still works in anchoring rate expectations.

- **Euro area**

We expect an unchanged PMI composite (Thursday) and a slightly lower Ifo (Friday) for Germany. The information content of these data for the ECB should be limited as the decision about an easing package in June will probably not depend very much on the latest data.

- **UK**

The two things that we expect to be discussed in the Minutes are the degree of spare capacity in the economy and a more restrictive lending standard.

- **Sweden**

Our call for the April Labour Force Survey is employment rising by 0.2% on the month and 1.3% y/y. Unemployment will drop to 7.9% according to our forecast (seasonally adjusted).

- **Norway**

Q1 mainland GDP (Tue 10:00) is expected to grow by 0.5% q/q. That means growth will have slowed from 2011 and 2012, but remains about at the level we have seen the latest quarters.

- **Japan**

We still expect the BoJ to stay put, supported by three arguments...

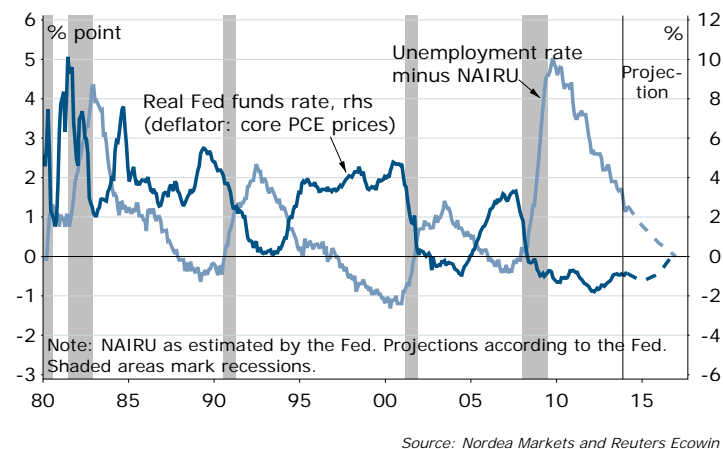
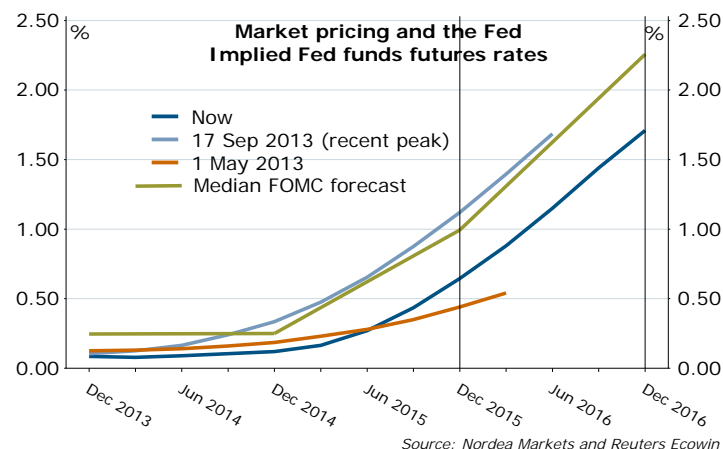
- **China**

The HSBC/Markit PMI is likely to continue rising modestly in May from the April low of 48.1.

US: FOMC minutes to indicate a wait-and-see mode (Wednesday)

- The minutes from the April FOMC meeting are expected to indicate that the FOMC is waiting to see how the economy evolves, reassured by the fact that its forward guidance still works in anchoring rate expectations.
- The minutes will likely reaffirm that tapering of the Fed's asset purchases will continue in measured steps, and that a rate hike is not imminent.
- It seems that hawks and doves alike want to wind down the QE programme, with the only difference being the pace of tapering.
- We expect the minutes to reaffirm the Fed's plan to keep the fed funds rate low "for a considerable time" after the end of QE3, which we still see in Q4 2014.
- The minutes are also likely to show that the Fed isn't overly concerned about the dismal Q1 GDP growth numbers. However, in line with Yellen's recent congressional testimony, we expect to see some concern about the recent slowdown in the housing market and the situation in Ukraine.
- Finally, the minutes might shed more light on the FOMC's discussions of the concern that the Fed's policies could be fuelling bubbles or other threats to financial stability.

Johnny Bo Jakobsen

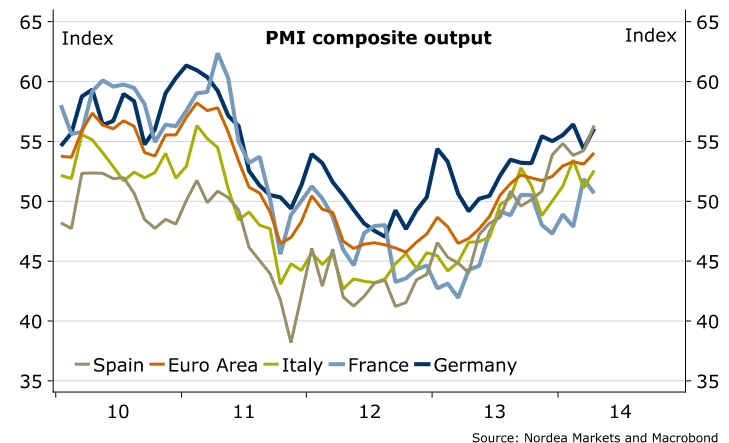
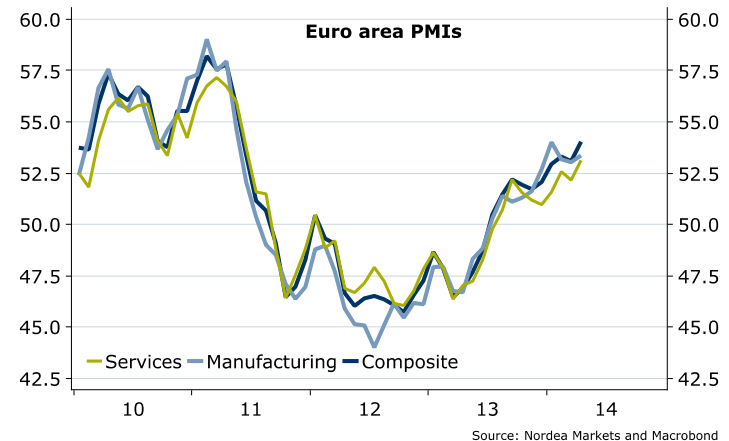


Euro area: Flash PMIs(May) *(Thursday)*

- For the Euro-area PMI composite, we expect no change compared to April (54.0) reflecting an ongoing recovery at a moderate pace.
- In the manufacturing sector, the decline in the new orders component over recent months leads us to expect a small decline in the total manufacturing PMI. In contrast, we still see upside potential in the service sector.
- Those looking at the price components will find new evidence of very subdued inflationary pressure, but that will be no new information.
- Euro area data will be published at 10:00h (France at 9:00h; Germany at 9:30h).

May-14	Nordea	Consensus	Previous
Composite	54.0	-	54.0
Manufacturing	53.0	-	53.4
Services	53.5	-	53.1

Source: Nordea Markets and Reuters Ecowin

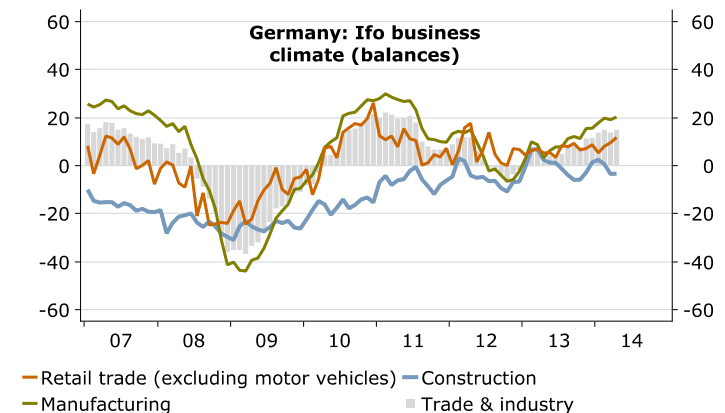
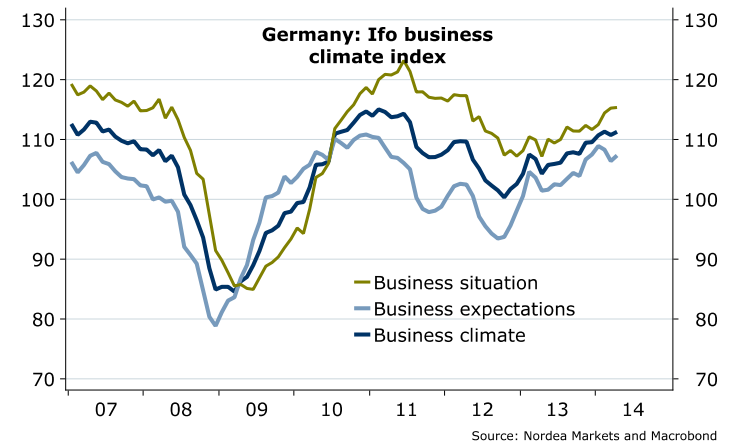


Holger Sandte

Germany: Ifo (May) – expectations to fall (*Friday*)

- After the somewhat surprising rise in Ifo expectations in April, we again expect it to decline, mainly reflecting weakness in Emerging Markets. ZEW expectations are not always a good guide to the direction and extent of Ifo changes but remember that this indicator fell by 10 points in April.
- The assessment of current business conditions could now be close to its peak. We expect a small decline. So all in all in our view, the Ifo index will fall by a bit less than one point to a still very healthy level of around 110½.
- The importance of these numbers for the ECB is limited. While a better outcome will not stop the ECB from acting in June, weaker numbers could even strengthen the case. But either way, with any new measures, the ECB doesn't aim at Germany.

May-14	Nordea	Consensus	Previous
Ifo business climate	110.4	-	111.2
Ifo business expectations	106.0	-	107.3
Ifo business conditions	115.0	-	115.3



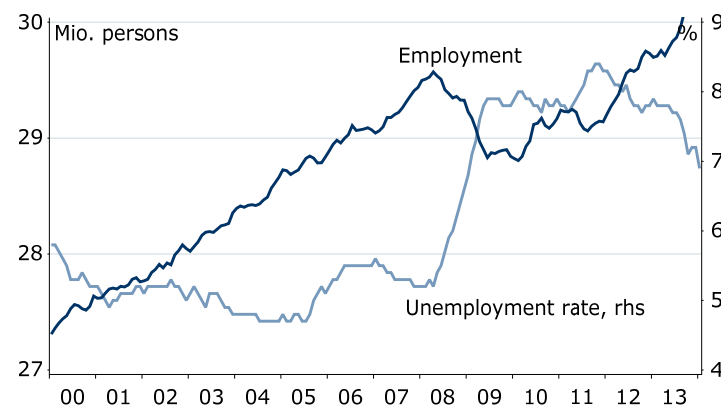
Holger Sandte

BoE: No surprises expected in the MPC minutes (Wed.)

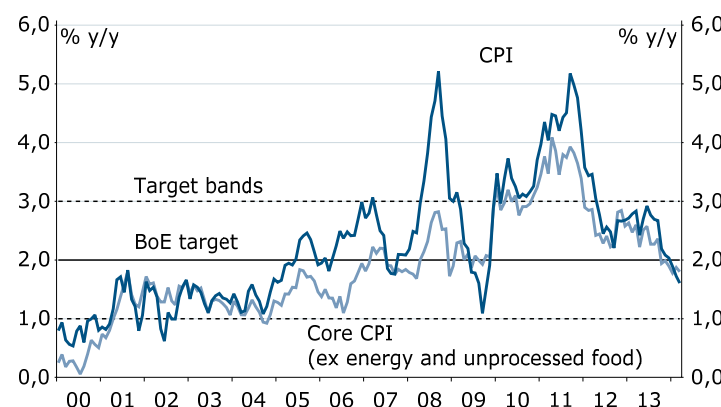
- As expected the BoE maintained Bank Rate at 0.5% and the size of the Asset Purchase Programme (QE) at £375 billion at the May MPC meeting.
- The recent strong performance of the UK economy has continued but the recovery in output has yet not been matched by a material pickup in productivity. Instead employment has continued to grow strongly and the unemployment rate has fallen rapidly to 6.8% in March.
- However, CPI inflation has fallen to 1.6% y/y and is expected to stay below the 2% target for a while.

Two things that we think will be discussed in the Minutes:

1. The **degree of spare capacity** in the economy: Different views of the MPC members, although the central view of most of them is that it ranges between 1–1.5% of GDP.
 2. **More restrictive lending standard** since housing prices are growing rapidly. But BoE is likely to use macro-prudential tools to address housing market risks.
- **Thus, spare capacity and below-target inflation means that there is no pressure on the BoE to hike rates.**



Source: Nordea Markets and Reuters Ecowin



Source: Nordea Markets and Reuters Ecowin

Lena Sellgren

Sweden: Unemployment to drop below 8% (Monday)

- Despite a soft patch during the turn of the year, employment is on an upward trend. Unemployment has remained high, though, due to a strong inflow of labour.
- Indicators suggest that employment will continue to rise and that unemployment will start to edge down, reflecting a good momentum in the domestic economy.
- Our call for the April **Labour Force Survey** is employment rising by 0.2% on the month and 1.3% y/y. Unemployment will drop to 7.9% according to our forecast (seasonally adjusted).

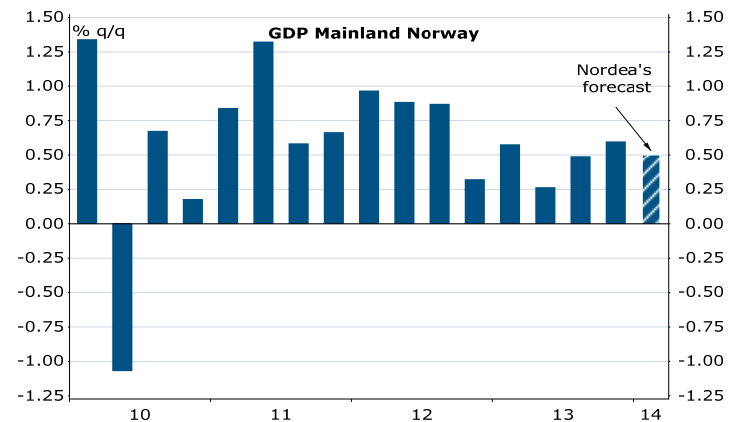


Source: Nordea Markets and Macrobond

Torbjörn Isaksson & Andreas Wallström

Norway: Mainland GDP in focus (*Tuesday*)

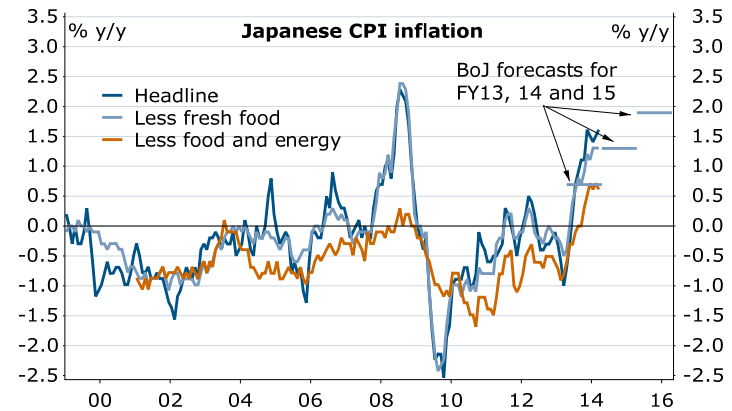
- **Q1 mainland GDP (Tue 10:00)** is expected to grow by 0.5% q/q. That means growth will have slowed from 2011 and 2012, but remains about the level we have seen the latest quarters.
- The picture is a bit mixed. Production indices shows that manufacturing and electricity production did well in Q1 after a very weak Q4. We also believe the retail sector did rather well with stronger retail sales.
- On the other hand production indices point to a very weak construction. Add to this that business surveys points to rather moderate growth in most services.
- Our forecast is marginal on the upside to Norges Bank at 0.4%. But electricity production, which Norges Bank ignore, is pulling up 0.2% points in our forecast. If we are right we will judge it as in line with Norges Bank
- There is a lot of noise in Norwegian production figures so be prepared for surprises. A bit hard to say how the market will react with no consensus yet, but we will judge figures outside the 0.3% - 0.7% range as surprisingly weak/strong.



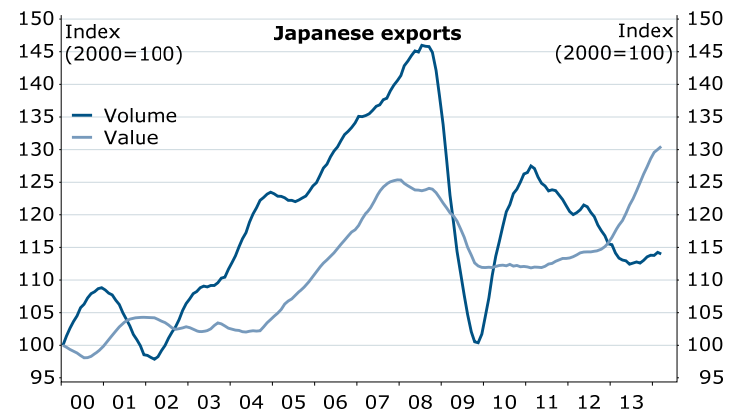
Source: Nordea Markets and Reuters Ecowin

Japan: BoJ to stay put (*Wednesday*)

- We still expect the BoJ to stay put, supported by three arguments.
- First of all, the bank remains positive to achieve its medium-term goal of 2%. So there is no inflation support for expanding the QE/QQE programme.
- Secondly, senior officials of the BoJ have mostly voiced confidence in the economy's ability to absorb the negative effect of the sales tax hike. A temporary dip in Q2 GDP growth will not trigger a policy change. In fact, the BoJ is fairly optimistic on consumer spending, due to a tight labour market and improving wages.
- Finally, the BoJ has long been concerned on the export outlook and in fact lowered its FY2014 GDP forecast from 1.4% to 1.1% due to the delayed export recovery. There are now clearer signs that export volumes are beginning to pick up. The need for looser monetary policy to stimulate the economy has therefore been eased.



Source: Reuters Ecowin and Nordea Markets

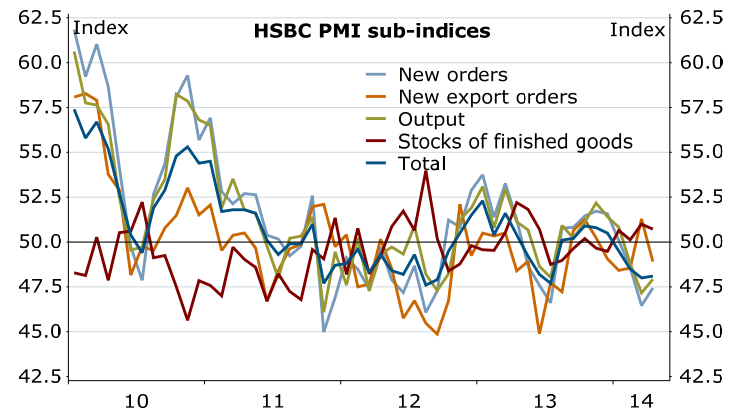


Source: Reuters Ecowin and Nordea Markets

Amy Yuan Zhuang, CFA

China: Flash PMI to rise modestly (*Thursday*)

- The HSBC/Markit PMI is likely to continue rising modestly in May from the April low of 48.1.
- The index is currently close to the historical low level. We see very limited downside risk from the current level. In addition is the mini fiscal stimulus launched in early April, targeting smaller companies which dominated in the HSBC/Markit PMI survey, expected to improve sentiment.
- On the other hand, the index will not likely rise above 50. Many firms still suffer from overcapacity and debt overload, clouding the overall outlook for the sector.
- In addition, the cyclical support from restocking process is now pretty much gone. Unless domestic or external orders pour in in the coming few months, manufacturing activities will remain subdued.
- Finally, even with more favourable policies to SMEs, they still face tougher business conditions relative to the SOEs. So we expect the HSBC/Markit PMI to keep underperforming the official PMI.



Amy Yuan Zhuang, CFA

Calendar

Sunday 18. May 2014					Nordea	Consensus	Actual	Prior
03:00	CN	FDI (y/y) (Exp 14- 18 May)	Apr			1.0%		- 1.5%
Monday 19. May 2014					Nordea	Consensus	Actual	Prior
09:30	SE	Unemployment labour force survey (AKU)	Apr					8.6%
14:00	PL	Employment (y/y)	Apr			0.8%		0.5%
Tuesday 20. May 2014					Nordea	Consensus	Actual	Prior
07:00	NO	Consumer confidence	Q2					15,9
10:00	NO	GDP (q/q)	Q1					- 0,2%
10:00	NO	GDP, mainland (q/q)	Q1			0,5%		0,6%
10:30	GB	CPI (m/m)	Apr					0.2%
16:00	PL	Industrial production (y/y)	Apr			5.1%		5.4%
Wednesday 21. May 2014					Nordea	Consensus	Actual	Prior
	JP	BoJ Monetary Base Target	May					270t
	JP	BoJ announces interest rates	May			0.10%		0.10%
10:00	EU	Current account balance, sa	Mar					
10:00	ZA	CPI (y/y)	Apr					6.0%
10:30	GB	Minutes of the 8 May BoE meeting (hike- unchanged- cut)	May					
11:00	EU	Consumer confidence (flash)	May					
13:00	GB	Industrial production (y/y) (Exp 20- 21 May)	Apr			0.8%		1.4%
20:00	US	FOMC announces interest rates						

Calendar

Thursday 22. May 2014					Nordea	Consensus	Actual	Prior
03:45	CN	PMI, manufacturing (flash), HSBC	May					48.1
08:45	FR	Business confidence, INSEE	May					94
09:00	DK	Retail sales (y/y)	Apr					-0.4%
10:00	EU	PMI, composite (flash)	May	54.0	54.0			
10:00	EU	PMI, manufacturing (flash)	May	53.0	53.4			
10:00	EU	PMI, services (flash)	May	53.5	53.1			
10:00	NO	Financial accounts households	Q1					
10:00	NO	Unemployment rate, LFS	Mar					3,5%
10:30	GB	GDP (q/q, preliminary)	Q1					0.8%
10:30	GB	Retail sales ex auto fuel (m/m)	Apr					-0.4%
12:00	NO	Norges Bank announces auction of Treasury bonds						
13:00	RU	Retail sales (y/y)	Apr		3.7%			4.0%
13:00	RU	Unemployment rate	Apr		5.4%			5.4%
14:00	PL	Minutes of the NBP meeting	May					
14:00	ZA	SARB announces interest rates	May					5.50%
15:45	US	Markit manufacturing PMI (preliminary)	May		55.5			55.4
16:00	US	Home sales, existing	Apr		4.67M			4.59M
16:00	US	Home sales, existing (m/m)	Apr		1.8%			-0.2%
16:00	US	Kansas City Fed manufacturing activity	May					7
16:00	US	Leading index	Apr					0.8%
18:00	TR	CBRT announces interest rates (Benchmark repo rate)	May					10.00%
Friday 23. Maj 2014					Nordea	Consensus	Actual	Prior
09:00	DK	Consumer confidence	May					5.5
09:00	SE	Consumer confidence	May					99.0
09:00	SE	Economic tendency survey						
09:00	SE	Manufacturing confidence	May					102.7
10:00	DE	Ifo, business climate (main)	May	110.4				111.2
10:00	DE	Ifo, current assessment	May	115.0				115.3
10:00	DE	Ifo, expectations	May	106.0				107.3
10:00	NO	Housing starts (s.a.)	Apr					2 195
10:00	NO	Speech by Norges Bank Governor Olsen (Charts Published)						
14:30	CA	Bank of Canada core CPI (m/m)	Apr		0.2%			0.3%
14:30	CA	Bank of Canada core CPI (y/y)	Apr		1.4%			1.3%
14:30	CA	CPI (m/m)	Apr		0.3%			0.6%
14:30	CA	CPI (y/y)	Apr		2.0%			1.5%
16:00	US	Home sales, new	Apr		430k			384k
16:00	US	Home sales, new (m/m)	Apr		12.0%			-14.5%

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