



Week Ahead

31 May – 6 June



Nordea Research, 28 May 2014

Next week's key events

- **US**

We expect the ISM manufacturing index (Monday) to see a fourth straight improvement in May, to 55.5 from April's 54.9. We expect a 225k gain in nonfarm payrolls (Friday) in May following the surprisingly strong 288k rise in April.

- **Euro area**

The focus will very much be on the ECB meeting on Thursday (see our page on ECB). Ahead of that, unemployment as well as preliminary inflation numbers will be published (Tuesday).

- **UK**

We expect the BoE to maintain the policy rate at 0.5% and the stock of asset purchases at £375 billion at the next week's meeting (Thursday).

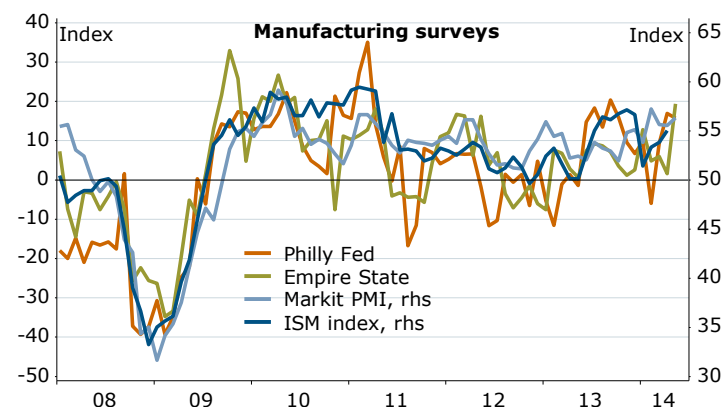
- **Norway**

House prices (Wednesday) have rebounded the last months after weakness last fall. We expect growth to slow during the year, but for May we can still see a strong figure.

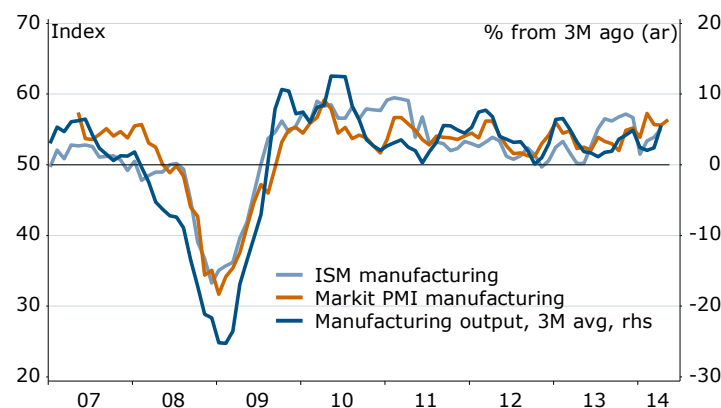
US: ISM index to see further improvement (*Monday*)

- We expect the ISM manufacturing index to see a fourth straight improvement in May, to 55.5 from April's 54.9. The consensus forecast is also 55.5, with a standard deviation of 0.6.
- So far the indicators are positive. Although the Philly index edged lower in May, it remained at an elevated level. Both the NY measure and the preliminary Markit PMI moved higher.
- An ISM index stronger than 56.4 would probably lift bond yields and the USD, while the opposite could be the outcome with a reading below 54.6.

	Nordea	Consensus	Previous
ISM manufacturing index	55.5	55.5	54.9



Source: Nordea Markets and Reuters Ecowin



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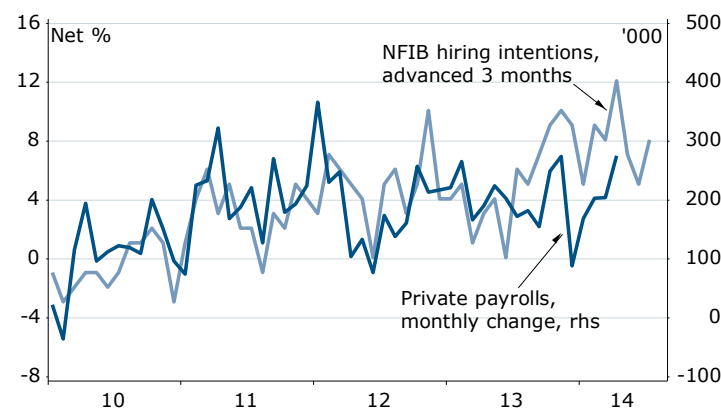
US: Payrolls growth to remain above 200k (Friday)

- We expect a 225k gain in nonfarm **payrolls** in May following the surprisingly strong 288k rise in April. The consensus forecast is currently 217k with a 14k standard deviation.
- Recent jobless claims data suggest a slowdown in employment growth compared to April but still point to a pick-up relative to the pace in 2013, when payrolls gains averaged 194k per month.
- After dropping 0.4% point to 6.3% in April the **unemployment** rate is expected to rise 6.4%, partly because the labour force is believed to reverse some of its 806k decline in April.
- After being flat in April **average hourly earnings** are expected to revert to the recent 0.2%-per-month trend rise in May. A stronger increase would reinforce the impression that the labour market is tighter than the Fed believes.
- Payrolls growth stronger than 240k would probably lift bond yields and the USD, while the opposite could be the outcome with payrolls growth weaker than 200k. Almost no matter what, we expect the Fed to remain on QE tapering autopilot.

	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	225	217	288
Unemployment rate, %	6.4	6.4	6.3
Average hourly earnings, % m/m	0.2	0.2	0.0



Source: Nordea Markets and Reuters Ecowin

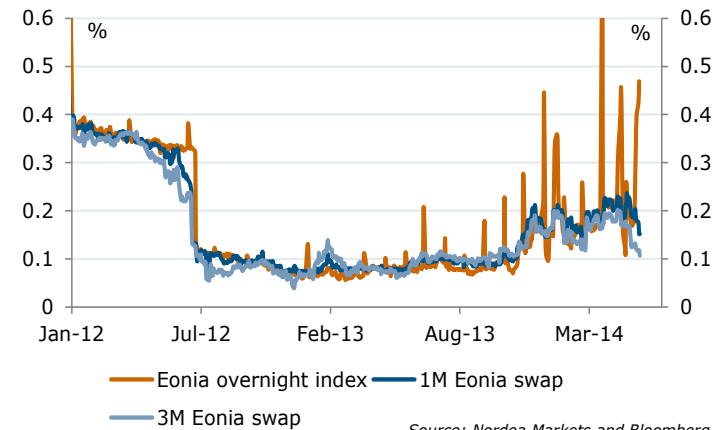


Source: Nordea Markets and Reuters Ecowin

ECB: A package of easing, but yields still to rebound

(Thursday)

- Several ECB speakers and a number of media reports citing ECB sources have made it clear further easing is in store in the June meeting.
- Our baseline expectations is a 10bp cut in all ECB key rates, i.e. including a negative deposit rate, ending SMP sterilizations and extending the full-allotment regime beyond the end of 2015.
- In addition, a conditional long-term refinancing operation looks likely, possibly with a capped rate, as the ECB does not seem to be ready for an ABS purchase programme yet.
- With the conditional LTRO, the ECB could simultaneously strengthen its forward guidance and try to ease the funding situation of small and mid-sized enterprises.
- As Executive Board member Mersch said, “we are working on a broader range of instruments that might even strike the most fertile imagination” of journalists or analysts, one should prepare for surprises.
- As expectations for action have risen greatly, a rebound higher in longer yields and a steeper curve are a likely response to the ECB easing package.



ECB staff projections and Nordea forecast, % y/y

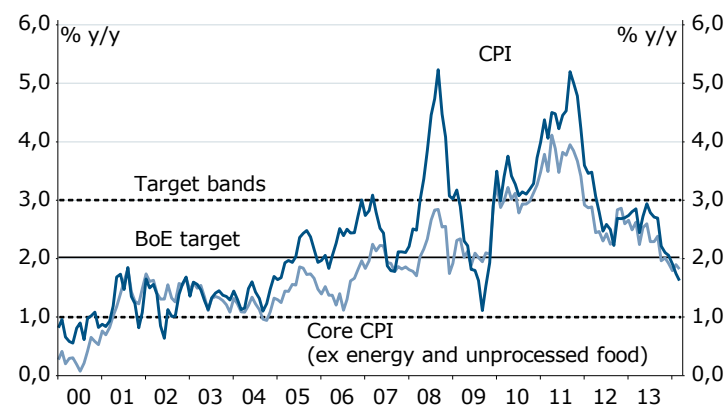
	2014		2015		2016	
	March 14	June 14*	March 14	June 14*	March 14	June 14*
GDP	1.2	1.1	1.5	1.4	1.8	1.8
HICP	1.0	0.8	1.3	1.2	1.5	1.4
Nordea forecast						
GDP	1.2		1.5		-	
HICP	0.8		1.5		-	

* Nordea's forecast.

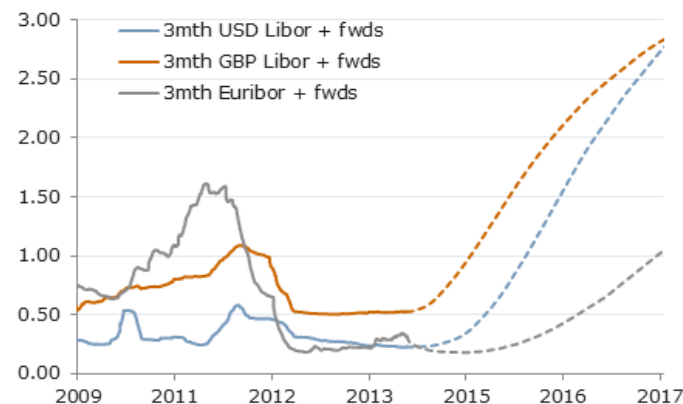
Source: Nordea Markets and Macrobond

BoE: No new actions to expect (Thursday)

- We expect the BoE to maintain the policy rate at 0.5% and the stock of asset purchases at £375 billion at the next week's meeting. If no new actions are taken, no statement will be published.
- The BoE has moved from the unemployment threshold guidance to a wider set of variables. Currently the focus is on the **inflation** and the **degree of the slack** in the economy.
- Growth momentum continues to strengthen but the CPI inflation is below the 2%-target.
- In the latest MPC meeting all members agreed that *"in the absence of other inflationary pressures, it would be necessary to see more evidence of slack reducing before an increase in the Bank rate would be warranted"*.
- Markets are currently pricing a first full rate hike in Q1 2015.
- Despite better growth prospects, spare capacity and below-target inflation suggests that there is no pressure on the BoE to hike rates. **Our forecast is still a first rate hike in the second quarter in 2015.**



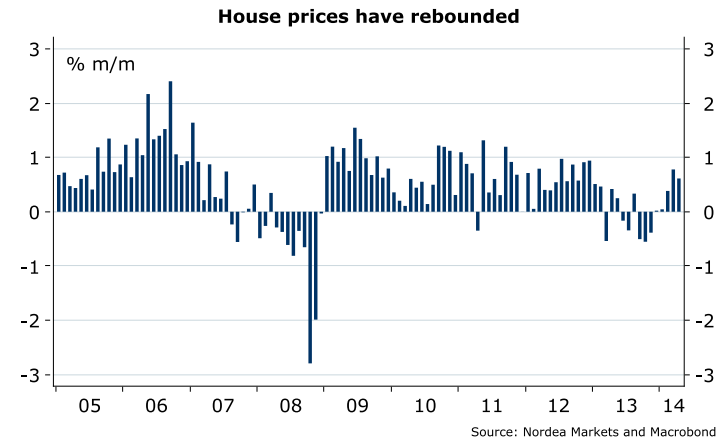
Source: Nordea Markets and Reuters Ecowin



Source: Nordea & Bloomberg

Norway: Can still see strong growth in house prices (Wednesday)

- House prices (Wed) have rebounded the last months after weakness last fall. We expect growth to slow during the year, but for May we can still see a strong figure.
- We expect registered unemployment (s.a.) to increase in May. Unemployment fell in April due to the Easter so we should probably see a correction upwards.
- We also get manufacturing PMI from Norway. It has proved to be a poor indicator of manufacturing production, but the market seems to react to it anyway. Consensus is not yet known.



Calendar

Sunday 1. Jun 2014					Nordea	Consensus	Actual	Latest
03:00	CN	PMI, manufacturing, NBS	May			50.7		50.4
Monday 2. Jun 2014					Nordea	Consensus	Actual	Latest
07:00	RU	PMI, manufacturing	May					48.5
08:30	SE	PMI, manufacturing	May					55.5
09:00	DK	Unemployment rate (sa)	Apr					4.0%
09:00	DK	Unemployment rate gross rate	Apr					5.1%
09:00	NO	PMI (s.a. index)	May					51.2
09:00	PL	PMI, manufacturing	May					52.0
09:00	GB	House prices, Halifax (3mma, y/y)	May					8.5%
09:00	GB	House prices, Halifax (m/m)	May					-0.2%
09:30	SE	Registration of vehicles	May					
10:00	EU	PMI, manufacturing (final)	May	52.5				52.5
10:00	NO	Credit growth, domestic, C2 (y/y)	Apr	5.9%				5.8%
10:00	NO	Investment survey, manufacturing	Q2					
10:30	GB	PMI, manufacturing	May					57.3
11:00	DK	PMI survey	May					60.4
16:00	US	ISM, manufacturing	May			55.4		54.9
16:00	US	ISM, prices paid	May			57		56.5
Tuesday 3. Jun 2014					Nordea	Consensus	Actual	Latest
11:00	EU	Unemployment rate	Apr	11.8%				11.8%
01:00	KR	CPI (y/y)	May					1.5%
03:45	CN	PMI, manufacturing (final), HSBC	May					49.7
06:30	IN	RBI announces interest rate (Repurchase Rate)	Jun			8.00%		8.00%
09:00	TR	CPI (m/m)	May					1.34%
09:00	TR	CPI (y/y)	May					9.38%
09:30	SE	Current account balance	Q1					
10:00	NO	Unemployment rate, registered (unadj. and excl. labour market s	May	2,6%				2,8%
10:00	NO	Unemployment, registered and persons on labour market schen	May	88500				87 315
10:00	SE	Credit market barometer						
11:00	EU	HICP (flash, y/y)	May	0.70%	0.70%			0.70%
11:00	EU	HICP core (flash, y/y)	May	0.90%				1.00%
12:10	PL	NBP announces interest rates (Base rate)	Jun					2.50%
16:00	DK	Foreign currency reserves	May					438.3
16:00	US	Factory orders (m/m)	Apr			0.2%		1.1%
17:30	NO	Speech by Norges Bank Governor Olsen						

Calendar

Wednesday 4. Jun 2014				Nordea	Consensus	Actual	Latest
	KR	Local Elections Day					
08:30	SE	PMI, service sector	May				57.8
09:00	CZ	GDP (y/y, preliminary)	Q1				2.0%
09:00	HU	GDP (y/y, final)	Q1				3.5%
09:30	SE	Industrial production (m/m)	Apr				-3.8%
09:30	SE	Private service sector production (m/m)	Apr				0.0%
10:00	EU	PMI, services (final)	May	53.5			53.5
10:30	GB	PMI, services					58.7
11:00	EU	GDP (sa, q/q, preliminary)	Q1	0.2%			0.2%
11:00	EU	GDP (sa, y/y, preliminary)	Q1	0.9%			0.9%
11:00	NO	House prices NEF (m/m, s.a.)	May				0,6%
12:00	NO	Norges Bank announces auction of Treasury bonds					
12:30	SE	Riksbank's Financial Stability Report 2014:1 published					
13:00	US	Mortgage applications, MBA	May				
14:30	US	Nonfarm productivity (q/q annualised, final)	Q1		-2.0%		-1.7%
14:30	US	Trade balance	Apr		-40.1bn		-\$40.4bn
14:30	US	Unit labor costs (q/q annualised, final)	Q1				4.2%
15:00	CA	BoC announces interest rate	Jun				1.00%
16:00	US	ISM, non-manufacturing, composite	May		55.5		55.2
Thursday 5. Jun 2014				Nordea	Consensus	Actual	Latest
	DK	Constitution Day					
10:00	NO	Statistics Norway publishes new forecasts					
11:00	EU	Retail sales (m/m)	Apr		0.1%		0.3%
11:00	EU	Retail sales (y/y)	Apr		1.0%		0.9%
12:30	US	Challenger job cuts (y/y)	May				5.7%
13:00	GB	BoE announces interest rates	Jun		0.50%		0.50%
13:45	EU	ECB announces interest rates	Jun				0.25%
14:30	EU	Draghi holds press conference after rate decision					
Friday 6. Jun 2014				Nordea	Consensus	Actual	Latest
	KR	Memorial Day					
	SE	National Day					
09:00	DK	Current account balance	Apr				1.7bn
09:00	DK	Trade balance, excl. ships (sa)	Apr				7.0bn
10:00	NO	Manufacturing production (m/m)	Apr				0,2%
10:00	NO	Norges Bank regional network report					
14:00	BR	CPI, IPCA (m/m)	May				0.67%
14:00	BR	CPI, IPCA (y/y)	May				6.28%
14:30	US	Average weekly hours	May				34.5
14:30	US	Hourly earnings, average (m/m)	May				0.0%
14:30	US	Unemployment rate	May				6.3%

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