



Week Ahead

21 – 27 June



Nordea Research, 20 June 2014

Next week's key events

- **US**

Next week's most important US data are the PCE price indices in the personal spending report (Thursday). Based on the already released CPI data we expect headline PCE inflation to rise from April's 1.6% to 1.7% y/y in May, the highest since October 2012.

- **Euro area**

Monday and Tuesday will bring Flash PMIs for the Euro area and the Ifo index for Germany. Stronger growth is not in sight. Moreover, Germany and Spain will report preliminary June inflation numbers on Friday. We expect unchanged rates (0.6% y/y and 0.2% y/y) for both countries, pointing towards an unchanged inflation rate for the Euro area.

- **Norway**

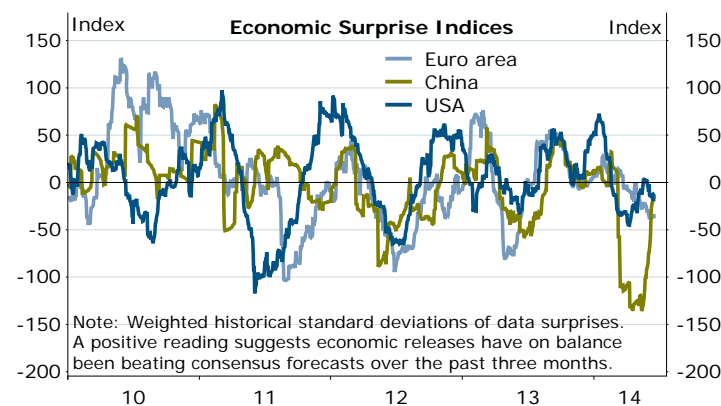
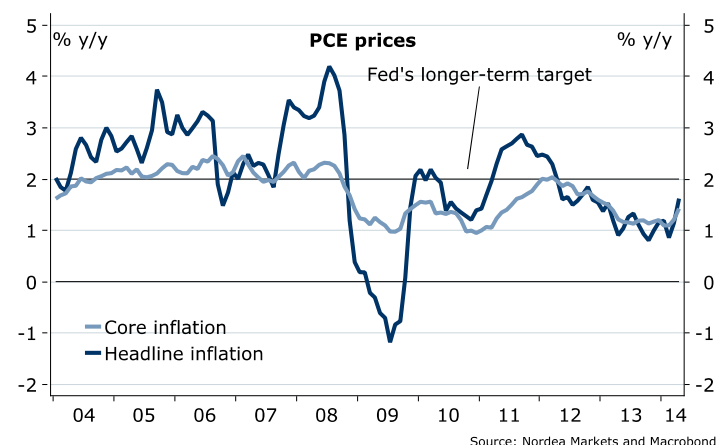
April LFS unemployment on Thursday (10:00 CET) is forecasted by Nordea to increase to 3.4% from 3.3% last month. That should be well in line with Norges Bank's view, which forecast average LFS unemployment at 3 ½% this year.

- **China**

Currently, the economy seems to be bottoming out thanks to a more accommodative economic policy, with both fiscal and monetary easing, and higher overseas demand. The HSBC/Markit PMI is likely to be slightly higher in June than the May level of 49.4.

US: Mixed bag of data (*Thursday*)

- Next week's most important US data are the PCE price indices in the personal spending report (Thursday). Based on the already released CPI data we expect headline PCE inflation to rise from April's 1.6% to 1.7% y/y in May, the highest since October 2012. Core PCE inflation is likely to rise from 1.4% to 1.6%, the highest since January 2013.
- In addition, an array of second-tier data will be delivered. Q1 GDP growth is expected to be revised from -1.0% to -1.7%, mainly driven by a downward revision to spending on health services. Revisions to foreign trade data are also likely to be negative.
- Existing home sales should see little change in May as indicated by the already released stable pending home sales. The Markit manufacturing PMI is likely to remain at an elevated level, while the consumer confidence index should see a minor decline due to rising gasoline prices.



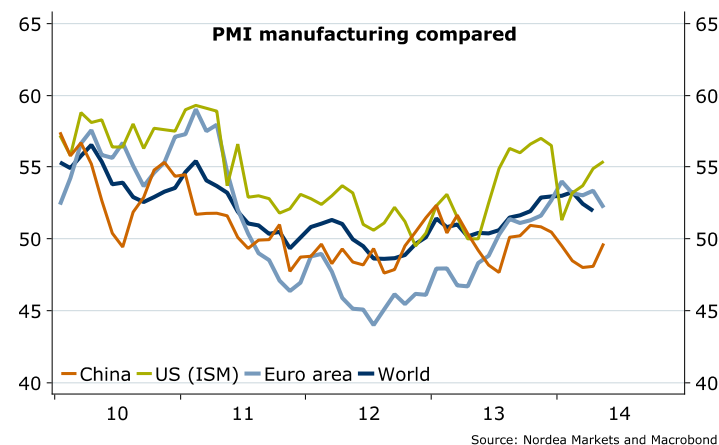
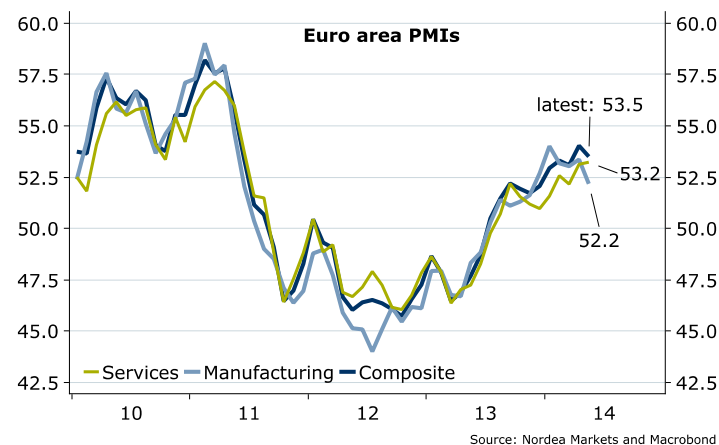
Source: Nordea Markets, Citigroup and Reuters Ecowin

Euro-area: Flash PMIs – *manufacturing slightly down* (Monday)

- We expect a small decline for the manufacturing PMI and no change for the service PMI. With numbers like this, GDP growth is likely to hover around a lackluster ¼% q/q.
- Recent oil price developments give reasons to worry. In EUR-terms, the oil price (Brent) increased by 7% since early May. As a general rule of thumb, a 10% sustained increase in oil prices reduces global (and also Euro-area) GDP growth by roughly 0.2% percentage points. Given the weak shape of the Euro-area economy, a strong further rise in oil prices could depress sentiment and push down the economy back towards stagnation.
- Euro area data will be published at 10:00h (France at 9:00h; Germany at 9:30h).

Jun-14	Nordea	Consensus	Previous
Composite	53.3	53.5	53.5
Manufacturing	52.0	52.2	52.2
Services	53.2	53.3	53.2

Source: Nordea Markets and Reuters Ecowin

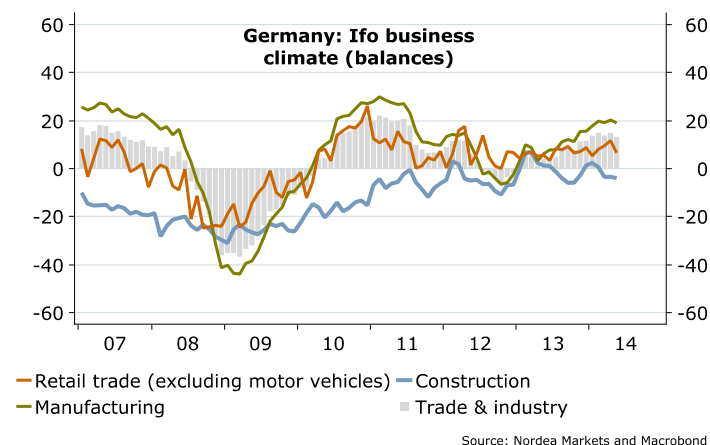
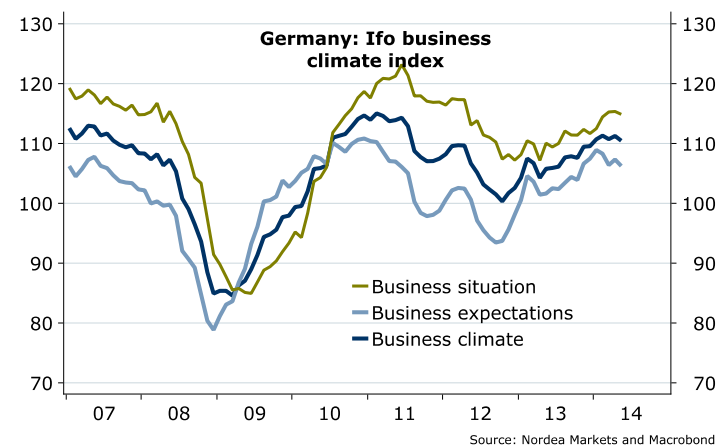


Germany: Ifo down again in June (Tuesday)

- Against the backdrop of higher oil prices, we expect Ifo expectations to decline again and by more than just two tenths.
- The assessment of the current business situation seems to have peaked in April. The slight decline in May should be followed by a similar one in June.
- Compared to our own forecast for the Ifo numbers, the consensus looks a bit optimistic.
- One interpretation of the expected data is that the German economy still stands out compared to many others but is not strong enough to generate more growth in the Euro area. Weaker growth in Germany and no significant pick-up in France and Italy – that would be a kind of scenario that increases deflation risk for the Euro area.

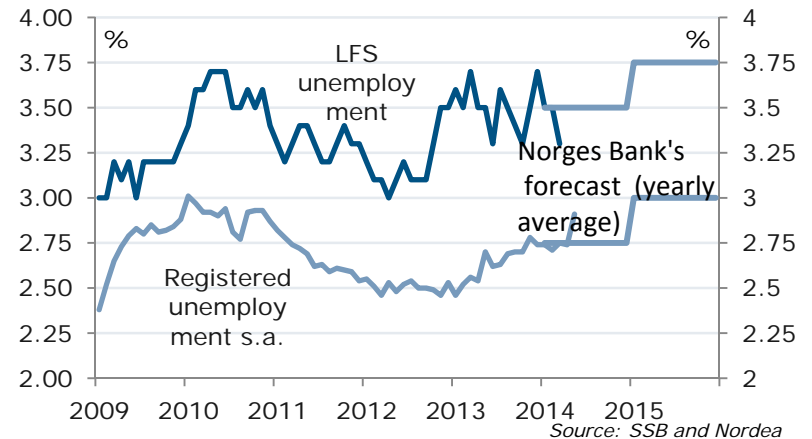
Jun-14	Nordea	Consensus	Previous
Ifo business climate	109.9	110.2	110.4
Ifo business expectations	105.5	106.0	106.2
Ifo business conditions	114.5	114.8	114.8

Source: Nordea Markets and Macrobond



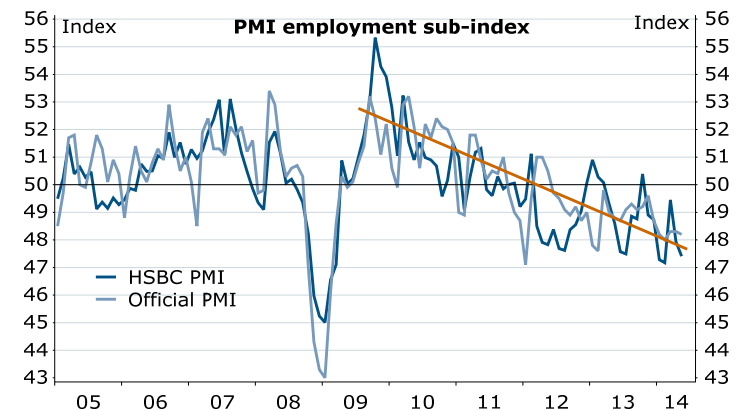
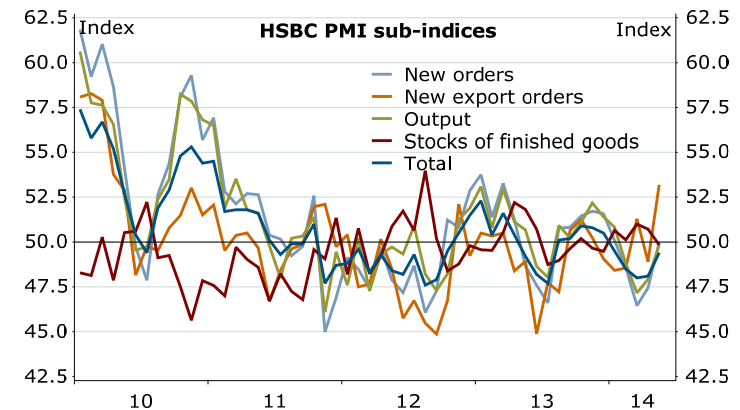
Norway: Labour market in focus (*Thursday*)

- April LFS unemployment on Thursday (10:00 CET) is forecasted by Nordea to increase to 3.4% from 3.3% last month.
- That should be well in line with Norges Bank's view, which forecast average LFS unemployment at 3½% this year.
- The June unadjusted registered unemployment rate on Friday (10:00 CET) is expected to be 2.8% up from 2.7% partly due to seasonal factors.
- Seasonally adjusted the unemployment rate increased strongly in May. The rise was probably due to some temporary factors and not a sign of a new sharp upward trend.
- We forecast a much more moderate rise this month. Sideways to somewhat higher seasonally adjusted registered unemployment is in line with Norges Bank new forecast.



China: Flash PMI (*Monday*)

- The HSBC/Markit PMI is likely to be slightly higher in June than the May level of 49.4.
- Currently, the economy seems to be bottoming out thanks to a more accommodative economic policy, with both fiscal and monetary easing, and higher overseas demand.
- The best-performing sub-index will still be export orders, which reached a four-year high in May. The sharp CNY weakening over the past four months will keep providing tailwinds for the export sector in June.
- There seems to be structural decline of manufacturing employment over the past five years. The trend is observed for both the small private firms (represented by HSBC/Markit PMI) and large SOEs (by official PMI).
- While companies have downsized to adapt lower demand, many production companies (especially in the higher-end) actually have a lack of skilled labour that match their requirements. Many of them have trouble attracting and retaining the competent employees.



Calendar

Monday 23. Jun 2014					Nordea	Consensus	Actual	Latest
03:45	CN	PMI, manufacturing (flash), HSBC	Jun			49.8		49.4
08:00	GB	House prices, nationwide (nsa, y/y)	Jun			11.2%		11.1%
09:00	FR	PMI, manufacturing (preliminary)	Jun			49.5		49.6
09:30	DE	PMI, manufacturing (preliminary)	Jun			52.4		52.3
10:00	EU	PMI, composite (flash)	Jun		53.3	53.4		53.5
10:00	EU	PMI, manufacturing (flash)	Jun		52.0	52.1		52.2
10:00	EU	PMI, services (flash)	Jun		53.2	53.3		53.2
10:00	PL	Retail sales (y/y)	May			6.7%		8.4%
10:00	PL	Unemployment rate	May			12.5%		13.0%
15:45	US	Markit manufacturing PMI (preliminary)	Jun			56.0		56.4
16:00	US	Home sales, existing	May			4.73m		4.65m
16:00	US	Home sales, existing (m/m)	May			1.7%		1.3%
Tuesday 24. Jun 2014					Nordea	Consensus	Actual	Latest
09:00	DK	Consumer confidence	Jun		6.0	7.0		7.8
10:00	DE	Ifo, business climate (main)	Jun		109.9	110.2		110.4
10:00	DE	Ifo, current assessment	Jun		114.5	115		114.8
10:00	DE	Ifo, expectations	Jun		105.5	106.0		106.2
13:00	SE	Meeting of the Executive Board of the Riksbank						
14:00	HU	MNB announces interest rates (Base rate)	Jun			2.30%		2.40%
16:00	US	Consumer confidence	Jun			83.5		83.0
16:00	US	Home sales, new	May			440k		433k
16:00	US	Home sales, new (m/m)	May			1.6%		6.4%
18:00	TR	CBRT announces interest rates (Benchmark repo rate)	Jun			9.00%		9.50%
Wednesday 25. Jun 2014					Nordea	Consensus	Actual	Latest
08:00	DE	Consumer confidence, GfK	Jul			8.6		8.5
08:45	FR	Business confidence, INSEE	Jun					94
11:00	IT	Consumer confidence	Jun					106.3
12:00	NO	Norges Bank announces auction of Treasury Bills						
14:30	US	Durable goods orders (m/m)	May			-0.3%		0.8%
14:30	US	GDP (q/q annualised, final)	Q1			-1.7%		-1.0%
14:30	US	PCE prices, core (q/q annualised) (preliminary)	Q1					1.2%
15:45	US	Markit services PMI (preliminary)	Jun					58.1

Calendar

Thursday 26. Jun 2014					Nordea	Consensus	Actual	Latest
08:45	FR	Consumer confidence	Jun					99
09:00	SE	Meeting of the Executive Board of the Riksbank						
09:30	SE	PPI (y/y)	May					
10:00	NO	Unemployment rate, LFS	Apr	3.4%				3.3%
13:00	CZ	CNB announces interest rates (Repo rate)	Jun		0.05%			0.05%
14:30	US	Jobless claims, continuing						
14:30	US	Jobless claims, initial	Jun					
14:30	US	PCE prices (y/y)	May	1.7%	1.8%			1.6%
14:30	US	PCE prices, core (m/m)	May		0.2%			0.2%
14:30	US	PCE prices, core (y/y)	May	1.6%	1.6%			1.4%
14:30	US	Personal income (m/m)	May		0.4%			0.3%
14:30	US	Personal spending (m/m)	May		0.4%			-0.1%
16:00	US	Kansas City Fed manufacturing activity	Jun					10
Friday 27. Jun 2014					Nordea	Consensus	Actual	Latest
00:30	JP	CPI, national (y/y)	May			3.7%		3.4%
00:30	JP	CPI, national, excluding food and energy (y/y)	May			2.2%		2.3%
00:30	JP	CPI, national, excluding fresh food (y/y)	May			3.4%		3.2%
01:05	GB	Consumer Confidence, Gfk	Jun			2		0
08:45	FR	Consumer spending (y/y)	May			-1.10%		-0.5%
09:30	SE	Retail sales (sa, m/m)	May					
09:30	SE	Trade balance	May					
10:00	NO	Housing starts (s.a.)	May					1643
10:00	NO	Unemployment rate, registered (unadj. and excl. labour market)	Jun	2.8%				2.7%
10:30	GB	GDP (q/q, final)	Q1			0.8%		0.8%
10:30	GB	GDP (y/y, final)	Q1			3.1%		3.1%
11:00	EU	Business climate indicator	Jun			0.4		0.37
11:00	EU	Consumer confidence (final)	Jun					
14:00	DE	HICP (m/m, preliminary)	Jun			0.20%		-0.10%
14:00	DE	HICP (y/y, preliminary)	Jun			0.70%		0.60%
15:55	US	Consumer confidence, University of Michigan (final)	Jun			82		81.2

Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S.

The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results.

Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction.

This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.

Editor:

Emil Kuch Jørgensen
Junior Analyst
Global Strategy
+45 3333 1502

emil.kuch.jorgensen@nordea.com