Week Ahead

28 June – 4 July

Nordea Research, 27 June 2014

Markets

Next week´s key events

- **US**

  We expect the ISM manufacturing index to see little change in June after its fourth straight improvement to 55.4 in May. The consensus forecast is 55.5, with a standard deviation of 0.5. We expect a 225k gain in nonfarm payrolls in June following the 217k rise in May. The consensus forecast is currently 210k with a 19k standard deviation.

- **Euro area**

  After all the excitement in June, the July meeting is set to be dull. No new signals or easing measures are in store, nor are likely to be under consideration for several months. We expect Euro area inflation to remain unchanged at 0.5% y/y, still far below target. We estimate that prices rose 0.1% over the month, but were flat over the month excluding energy.

- **Norway**

  We expect May retail sales (Mon 10:00) to decrease by 0.7 % m/m s.a. Retail sales have been strong since the beginning of the year, reflecting a rebound in private consumption after weak growth in 2013

- **Sweden**

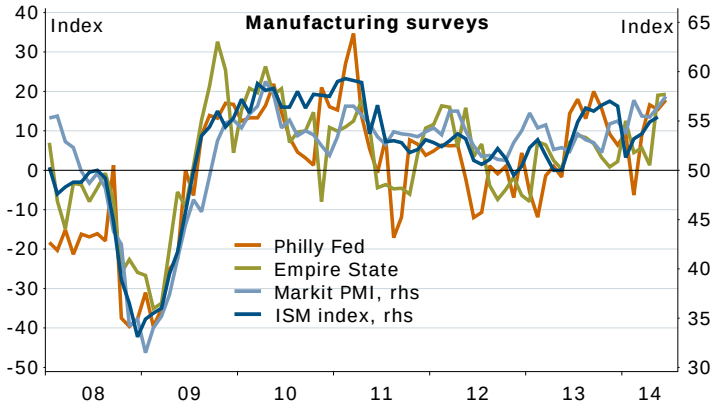
  We expect the Riskbank to deliver a rate cut by 25 bps to 0.50 percent in the upcoming July policy meeting is widely expected.

Johnny Bo Jakobsen

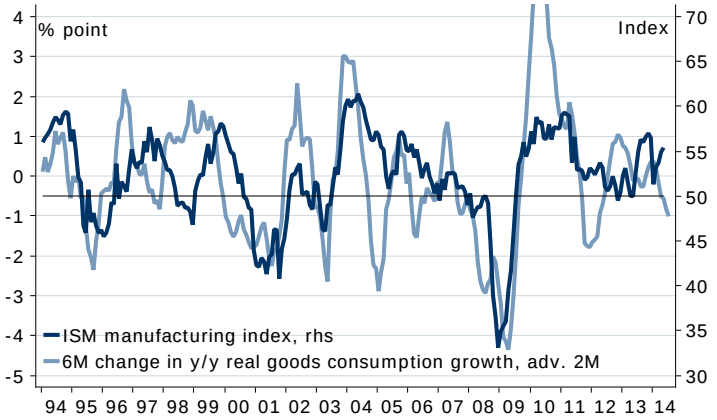
US: ISM index to stabilise at high level *(Tuesday)*

- We expect the ISM manufacturing index to see little change in June after its fourth straight improvement to 55.4 in May. The consensus forecast is 55.5, with a standard deviation of 0.5.
- The indicators are mixed. Both the NY and Philly Fed measures surprised on the upside with increases from already high levels. Also the Markit PMI moved higher.
- On the other hand, the Richmond and Kansas City Fed indices slowed a bit, the ISM new orders-inventory gap continues to send a negative signal and so does our indicator based on real goods consumption (see chart).

	Nordea	Consensus	Previous
ISM manufacturing index	55.5	55.5	55.4



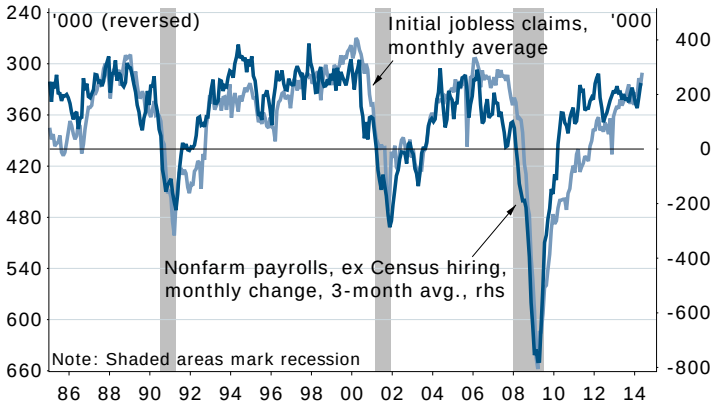
Source: Nordea Markets and Reuters Ecowin



Source: Nordea Markets and Macrobond

US: payrolls growth to remain above 200k *(Thursday)*

- We expect a 225k gain in nonfarm **payrolls** in June following the 217k rise in May. The consensus forecast is currently 210k with a 19k standard deviation.
- Jobless claims data suggest a modest pick-up in employment growth compared to May and a significant pick-up relative to the pace in 2013, when payrolls gains averaged 194k per month.
- After holding steady at 6.3% in May we expect the **unemployment** rate to fall to 6.2%. Consensus: 6.3%.
- The wage data in the jobs report is where we currently have the primary focus. After being flat in April **average hourly earnings** reverted to the previous 0.2%-per-month trend rise in May. We expect a 0.3% gain in June, which would reinforce the impression that the labour market is tighter than the Fed believes. Consensus: 0.2%.
- Payrolls growth stronger than 230k would probably lift bond yields and the USD, while the opposite could be the outcome with payrolls growth weaker than 190k. Almost no matter what, we expect the Fed to remain on QE tapering autopilot.
- Note that because of Independence Day next week's jobs report is released on Thursday, not as usual on Friday.



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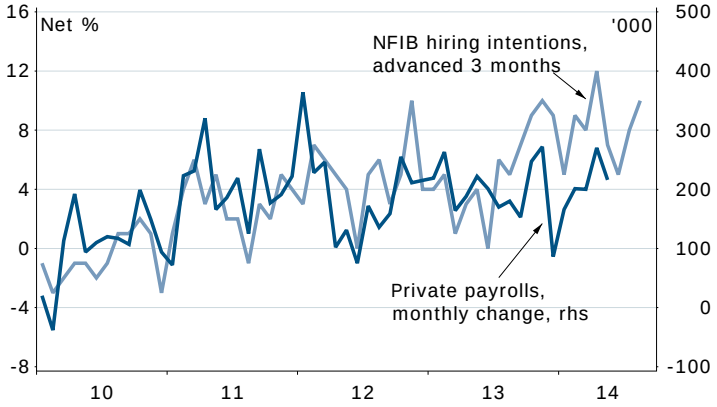


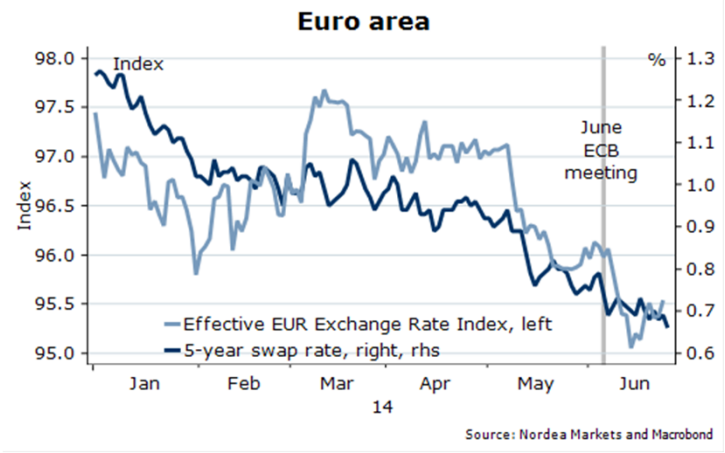
Source: Nordea Markets and Reuters Ecowin

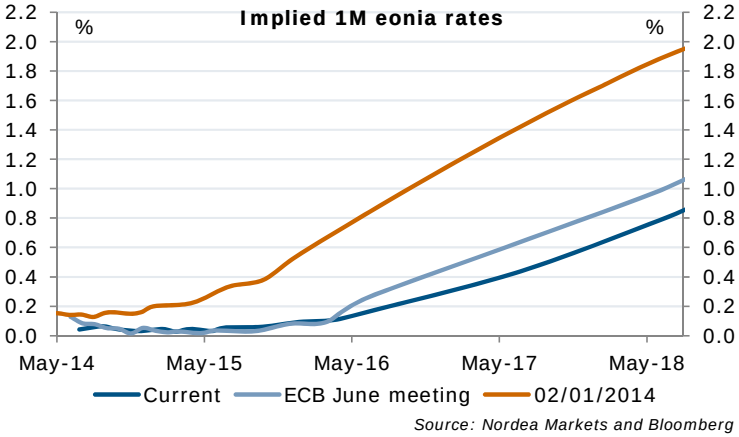
	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	225	210	217
Unemployment rate, %	6.2	6.3	6.3
Average hourly earnings, % m/m	0.3	0.2	0.2

Jan von Gerich, Suvi Kosonen

ECB: Don't postpone your holiday for this *(Thursday)*

- After all the excitement in June, the July meeting is set to be dull. **No new signals or easing measures are in store**, nor are likely to be under consideration for several months.
- June PMI data was slightly disappointing, while inflation remains too low. However, the ECB will be very reluctant to do more, before it can better estimate the effect of the measures announced.
- ECB could provide **some more details of the TLTRO** operations announced in June. Preparations for the ABS programme continue, but there is unlikely to be much new to say on this front yet.
- **Draghi already strengthened the ECB's forward guidance**, saying the ECB's new programme will continue for four years, which shows that interest rates will remain low over a longer period.
- Since June meeting, rates have fallen considerably and the effective EUR exchange rate is at a lower level. Now **risks are tilted towards a small rebound higher in long yields and euro and a steeper curve.**





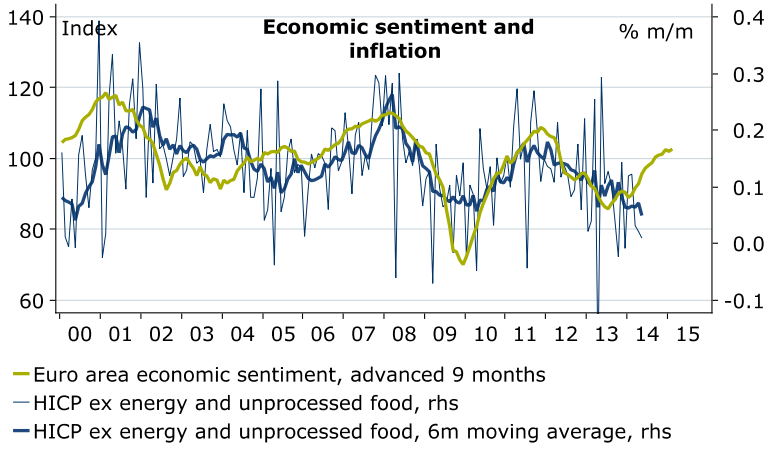
Holger Sandte, Lars Peter Lilleøre

Euro area: inflation stable at 0.5% y/y in June *(Monday)*

- We expect Euro area inflation to remain unchanged at 0.5% y/y, still far below target. We estimate that prices rose 0.1% over the month, but were flat over the month excluding energy.
- Any stronger rise in inflation would probably be due to a stronger pass-through of higher oil prices to consumer prices – the bad kind of inflation for oil importing regions like the Euro area.
- After the significant easing package from early June, the ECB is unlikely to react to an expected low inflation print next Thursday.
- Low print is also expected by the market. Not just for the coming print, but for the next 4 which average just under 0.45% for HICPxT. Rate markets are very sensitive to surprises at these low levels.
- While the market still expects much lower prints than the ECB over the coming years, note that market implieds are up from mid-2016 and beyond after the ECB package June 5th. All else equal, this is a small but positive sign for the ECB.

June 2014 % y/y	Nordea	Consensus	Previous
HICP headline rate	0.5	0.6	0.5
HICP ex food, energy, alc., tob.	0.7	-	0.7

Source: Nordea Markets and Macrobond



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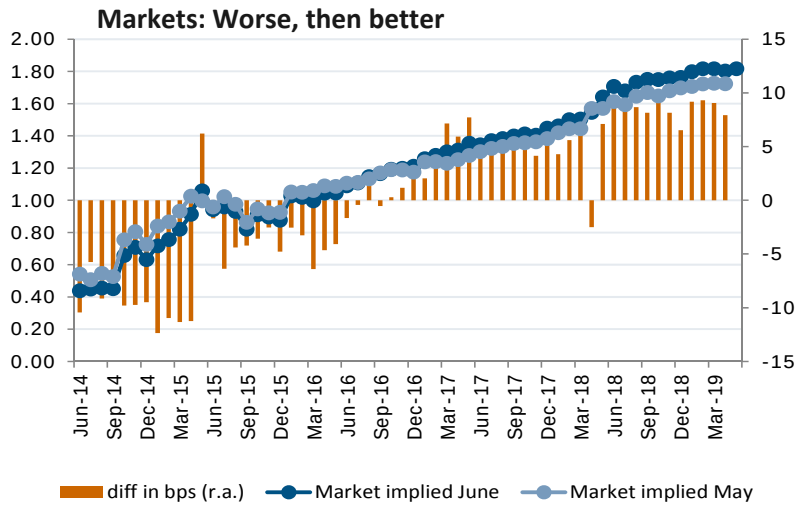
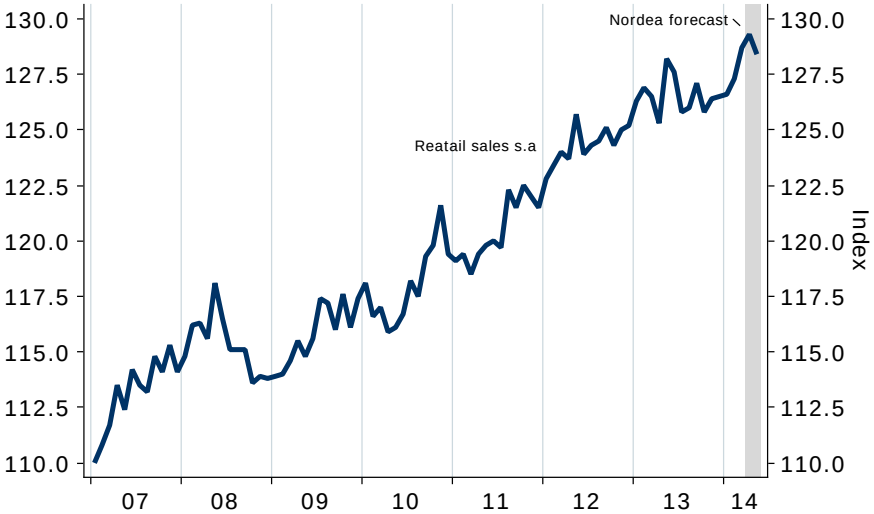


Norway: Retail sales to drop in May *(Monday)*

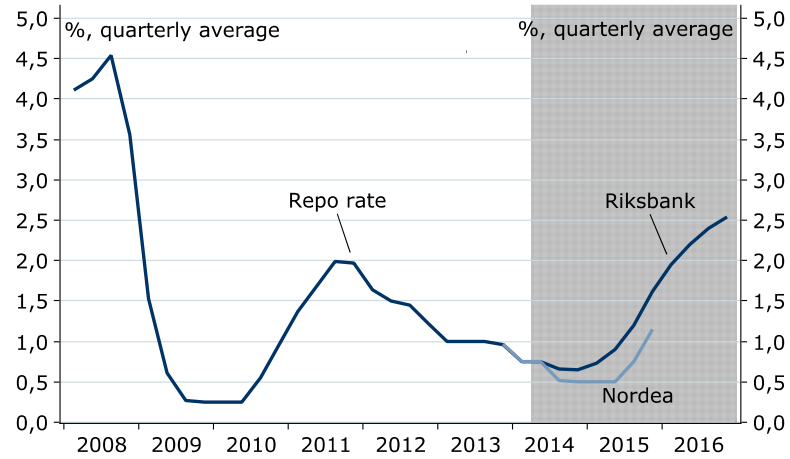
- We expect ***May retail sales (Mon 10:00)*** to decrease by 0.7 % m/m s.a.
- Retail sales increased by 0.5 % in April
- Retail sales have been strong since the beginning of the year, reflecting a rebound in private consumption after weak growth in 2013.
- Norges Bank revised upwards its forecast for private consumption in the latest MPR and now expects fairly strong growth in private consumption for the rest of the year, about 0.8 % k/k
- This requires strong growth in retail sales for the rest of the year
- Due to strong growth in previous months our forecast is still in line with strong growth in retail sales in Q2



Source: Nordea Markets and Macrobond

The Riksbank: to cut rates and rate path in July *(Thursday)*

- **A rate cut** by 25 bps to 0.50 percent in the upcoming July policy meeting is **widely expected**.
- In addition we expect **soft signals**, such as a small short-term easing bias and a flatter rate path longer out. However, we find it unlikely with additional rate cuts below 0.50%.
- Arguments for rate cut and lowered rate path:
  (i) The Riksbank's rate path in April **had a very strong bias for a rate cut** (almost 40%).
  (ii) The Riksbank needs to **revise down its inflation forecast**, partly due to lower outcome than expected and partly due to a overestimation of cost pressures.
  (iii) Further easing from the **ECB** and soft **Norges Bank**



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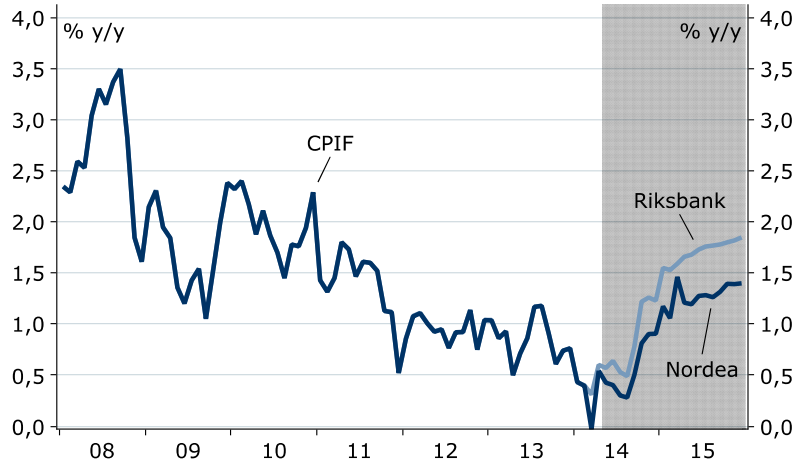

Source: Nordea Markets and Macrobond

Calendar

Monday 30. Jun 2014				Nordea	Consensus	Actual	Latest
05:30	JP	Industrial Production (y/y) P	May		1.3%		3.8%
09:00	DK	GDP (q/q, final)	Q1	0.9%			0.9%
09:00	DK	GDP (y/y, final)	Q1	1.4%			1.4%
09:00	DK	Unemployment rate (sa)	May	3.9%			3.9%
09:00	DK	Unemployment rate gross rate	May	5.0%			5.0%
09:30	SE	Financial market statistics, household lending (y/y)	May				
10:00	EU	M3 (y/y)	May				0.8%
10:00	NO	Consumption of goods indicator (m/m)	May				0.5%
10:00	NO	Credit growth, domestic, C2 (y/y)	May	5.8%			5.6%
10:00	NO	Norges Bank publishes FX buys to Pension Fund- International	Jul				0
10:00	NO	Retail sales (m/m)	May	-0.7%			0.5%
11:00	EU	HICP (y/y, final)	Jun	0.5			
11:00	IT	HICP (m/m, preliminary)	Jun				-0.1%
11:00	IT	HICP (y/y, preliminary)	Jun				0.40%
11:00	NO	Auction of Treasury Bills					
14:00	RU	Current account (Exp 27- 30 Jun) (USD)					27600m
15:15	US	Chicago PMI	Jun		62		65.6
16:00	US	Home sales, pending (m/m)	Jun		1%		0.4%
16:30	US	Dallas Fed Man. Activity	Jun				8
Tuesday 1. Jul 2014				Nordea	Consensus	Actual	Latest
	CA	Canada Day					
	DE	Retail sales (m/m) (expected 27/6 - 1/7)	May		0.8%		-0.9%
	DE	Retail sales (y/y) (expected 27/6 - 1/7)	May		0.8%		3.4%
	TH	Mid- year Bank Holiday					
00:50	JP	Tankan, large manufacturers	Q2		15		17
01:00	KR	CPI (y/y)	Jun				1.7%
03:00	CN	PMI, manufacturing, NBS	Jun		51.1		50.8
03:45	CN	PMI, manufacturing (final), HSBC	Jun		50.8		50.8
06:30	AU	RBA announces interest rates (cash target)	Jul		2.5%		2.5%
07:00	IN	PMI, manufacturing	Jun				51.4
07:00	RU	PMI, manufacturing	Jun				48.9
08:30	SE	PMI, manufacturing	Jun				
09:00	CZ	GDP (q/q, final)	Q1				0.4%
09:00	CZ	GDP (y/y, final)	Q1				2.5%
09:00	NO	PMI (s.a. index)	Jun				49.8
09:00	PL	PMI, manufacturing	Jun		51.4		50.8
09:00	GB	House prices, Halifax (3mma, y/y) (01/07 - 08/07)	Jun				3.9%
09:00	GB	House prices, Halifax (m/m) (01/07 - 08/07)	Jun				8.7%
09:30	CZ	PMI, manufacturing	Jun				57.3
09:30	SE	Registration of vehicles	Jun				
09:55	DE	PMI, manufacturing (final)	Jun				
09:55	DE	Unemployment rate (sa)	Jun				6.7%
10:00	EU	PMI, manufacturing (final)	Jun				
10:30	GB	PMI, manufacturing	Jun				57
11:00	DK	PMI survey	Jun				60.2
11:00	EU	Unemployment rate	May				11.7%
14:00	RO	NBR announces interest rates	Jul				3.50%
15:45	US	Markit manufacturing PMI (final)	Jun				57.5
16:00	US	Construction spending (m/m)	May		0.50%		0.2%
16:00	US	ISM, manufacturing	Jun	55.5	55.4		55.4
16:00	US	ISM, prices paid	Jun		60		60
23:00	US	Vehicle sales, domestic	Jun		13.00m		13.11m
23:00	US	Vehicle sales, total	Jun		16.40m		16.7m

Calendar

Wednesday 2. Jul 2014				Nordea	Consensus	Actual	Latest
09:00	SE	Monetary policy meeting 3					
12:10	PL	NBP announces interest rates (Base rate)	Jul		2.50%		2.50%
12:30	US	Challenger job cuts (y/y)	Jun				45.5%
13:00	US	Mortgage applications, MBA	Jun				
14:00	RU	GDP (y/y) (Exp 01-02 Jun)	Q1				0.9%
14:15	US	Employment, ADP (absolute change m/m)	Jun		208k		179k
16:00	DK	Foreign currency reserves	Jun	437			436.7
16:00	US	Factory orders (m/m)	May		0.0%		0.7%
Thursday 3. Jul 2014				Nordea	Consensus	Actual	Latest
08:30	SE	PMI, service sector	Jun				
09:00	TR	CPI (m/m)	Jun				0.40%
09:00	TR	CPI (y/y)	Jun				9.66%
09:30	SE	House prices, Statistics Sweden (y/y)	Jun				
09:30	SE	Riksbank, rate decision and Monetary Policy Report		0.50%			0.75%
09:55	DE	PMI, services (final)	Jun				
10:00	EU	PMI, composite (final)	Jun				
10:00	EU	PMI, services (final)	Jun				
10:30	GB	PMI, services	Jun				58.6
11:00	EU	Retail sales (m/m)	May				0.40%
11:00	EU	Retail sales (y/y)	May				2.40%
11:00	NO	House prices NEF (m/m, s.a.)	Jun				0.1%
12:00	NO	Norges Bank announces auction of Treasury bonds					
13:45	EU	ECB announces interest rates	Jul		0.15%		0.15%
14:30	US	Average weekly hours	Jun	34.5	34.5		34.5
14:30	US	Hourly earnings, average (m/m)	Jun	0.3%	0.2%		0.2%
14:30	US	Hourly earnings, average (y/y)	Jun				2.1%
14:30	US	Jobless claims, continuing	Jun				2571k
14:30	US	Jobless claims, initial	Jun				312k
14:30	US	Nonfarm payrolls (absolute change m/m)	Jun	225k	209k		217k
14:30	US	Nonfarm private payrolls (absolute change m/m)	Jun	225k	200k		216k
14:30	US	Trade balance	May		-45.0bn		-$47.2bn
14:30	US	Unemployment rate	Jun	6.2%	6.3%		6.3%
15:45	US	Markit composite PMI (final)	Jun				61.1
15:45	US	Markit services PMI (final)	Jun				61.2
16:00	US	ISM, non-manufacturing, composite	Jun		56.0		56.3
Friday 4. Jul 2014				Nordea	Consensus	Actual	Latest
	MX	Special Holiday					
	US	Independence Day					
09:30	SE	Industrial orders (y/y)	May				
09:30	SE	Industrial production (m/m)	May				
09:30	SE	Industrial production (y/y)	May				
09:30	SE	Private service sector production (m/m)	May				
09:30	SE	Private service sector production (y/y)	May				
12:00	DE	Factory orders (m/m), sa	May				3.1%
12:00	DE	Factory orders (y/y), nsa	May				6.3%

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Editor:

Emil Kuch Jørgensen
Junior Analyst
Global Strategy
+45 3333 1502
emil.kuch.jorgensen@nordea.com