



Week Ahead

5 – 11 July



Nordea Research, 4 July 2014

Next week's key events

- **US**

Minutes of the June FOMC meeting are expected to reaffirm the continued dovish behaviour of the committee. Presumably the FOMC is awaiting more solid economic indicators or signs of increasing wage and price pressures before signalling an earlier timing of the first rate hike.

- **Euro Area**

Not much to expect in terms of Euro-area economic data next week. Germany will release May industrial production data on Monday, which should show some growth, though the weak factory order data leave risks on the downside. Final German June inflation numbers on Friday, in turn, are very likely to confirm the 1.0% y/y reading (last time the y/y CPI differed from the preliminary value was in August 2012, so revisions are very uncommon). In addition, the Eurogroup will meet on Monday, while Draghi will speak on Wednesday.

- **BoE**

We expect no change to the policy rate or the size of the Asset Purchase Programme at the July MPC meeting. If no new actions are taken, no statement will be published.

- **Norway**

We expect June core inflation (Thu 10:00 CET) to climb to 2,6 % y/y, from 2,3 % in May.

- **Sweden**

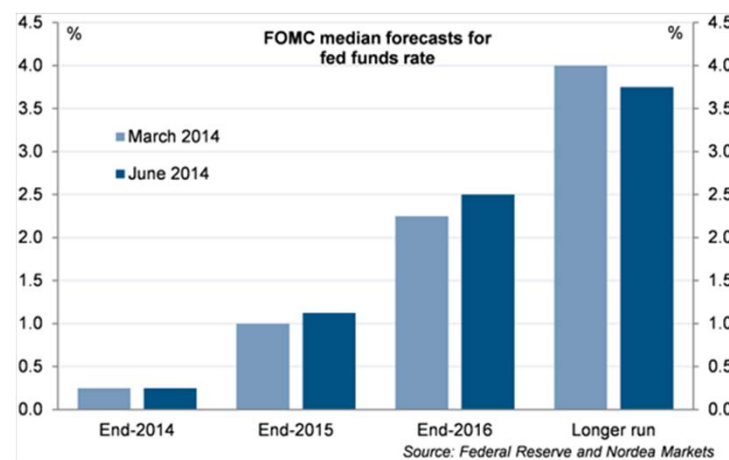
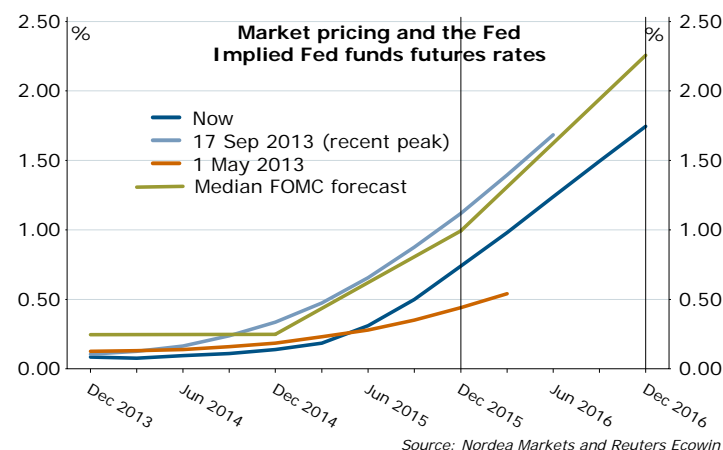
We expect the June CPI to drop by 0.1% m/m mainly due to the summer sale of clothing and footwear, which will have the biggest effect and lowers CPI by 0.25% points.

- **China**

On Wednesday the June inflation numbers will be released. While CPI inflation will likely be a non-event (consensus 2.4% y/y), the PPI inflation offers some useful insight into corporate profitability in China.

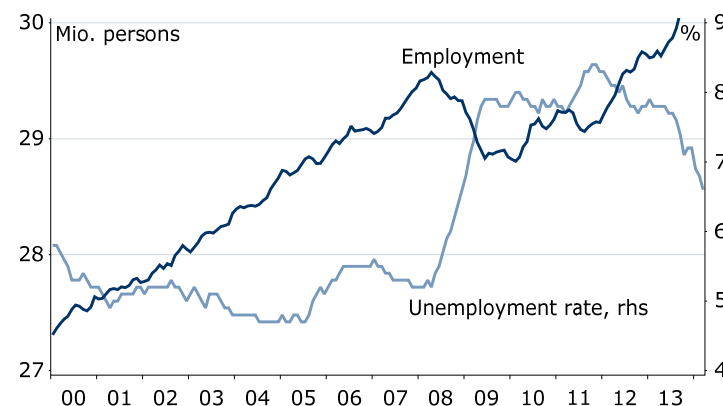
US: FOMC minutes – still not hawkish (*Wednesday*)

- Minutes of the June FOMC meeting are expected to reaffirm the continued dovish behaviour of the committee. Presumably the FOMC is awaiting more solid economic indicators or signs of increasing wage and price pressures before signalling an earlier timing of the first rate hike.
- The minutes are not expected to bring much news and we have not changed our forecasts on the fed funds rate after the June FOMC meeting. Thus, we still expect QE to end in Q4 2014 and a rate hike before Q1 2015 (March) is therefore considered unlikely.
- The most interesting part of the minutes will be the elaboration of the dot chart that showed a slightly faster pace of tightening during 2016 than earlier indicated. However, this change was balanced by a downward revision of the “longer run” median forecast. The markets’ view on the reasons behind the shift in forecasts will be interesting to follow.
- Neither last week’s surprising downward adjustment of Q1 2014 GDP to -2.9%, nor this week’s surprisingly strong labour market report will be included in the minutes.

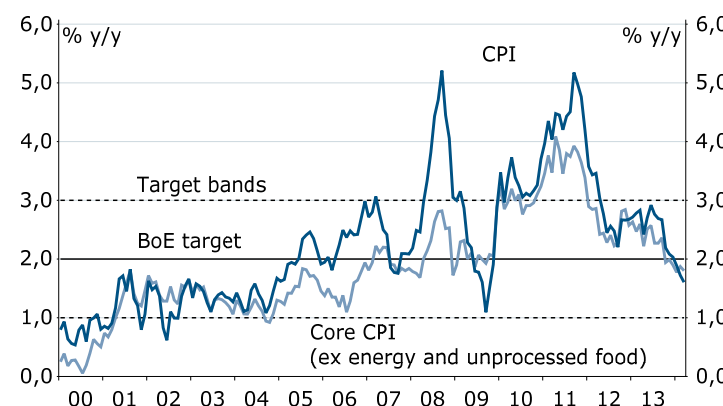


BoE: No change in the policy (Thursday)

- We expect no change to the policy rate or the size of the Asset Purchase Programme at the July MPC meeting. If no new actions are taken, no statement will be published.
- Continuing strong growth momentum and a strong labour market. Unemployment has fallen faster than expected and stands in May at 6.6%.
- CPI inflation has disappointed and is down to 1.5% y/y. Productivity and real wages have finally started to pick up, but the cost pressure is still low and inflation is expected to stay below the 2% target.
- The focus on the MPC meeting will likely be
 - Inflation outlook
 - Degree of spare capacity
 - Wage increases
- The market is pricing a first rate hike around the turn of the year. Too early! Spare capacity in the economy, below-target inflation and new measures recommended by the Financial Policy Committee means that there is no pressure on the BoE to hike rates. Our forecast is still a first rate hike in Q2 2015.



Source: Nordea Markets and Reuters Ecowin



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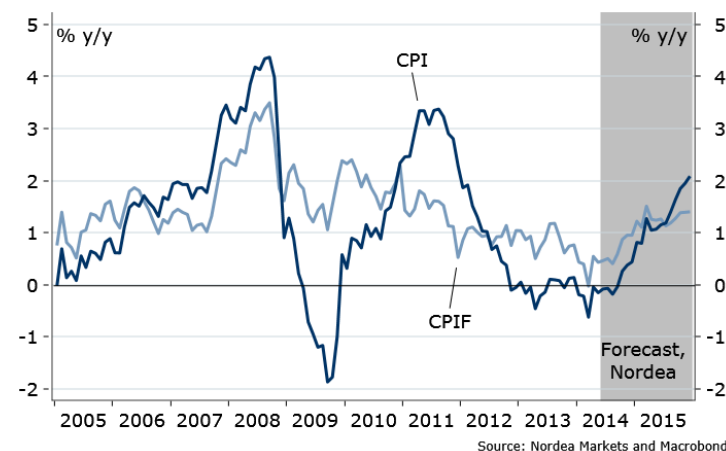
Norway: Inflation to peak in June (Thursday)

- We expect June core inflation (Thu 10:00 CET) to climb to 2,6 % y/y, from 2,3 % in May.
- That is well in line with Norges Bank's forecast of 2,65 % (Consensus: N/A).
- The forecasted rise in inflation is due to a rise in air fares, which rose due to the placing of national holidays.
- In other words the rise in inflation is not due to an underlying upward trend...
- ...and we expect inflation to move down towards 2 % in the autumn.



Sweden: CPI in focus after Riksbank revision (*Thursday*)

- The Riksbank surprised markets by cutting the repo rate with 50bp against expectations of 25bp. We believe the bottom is reached with 0.25%. The majority of the Riksbank board shows a growing inclination to more or less only focus on inflation and not on household debt or the general state of the economy. Therefore, eyes will be fixed on next CPI print. [Read more](#)
- We expect the June CPI to drop by 0.1% m/m mainly due to the summer sale of clothing and footwear, which will have the biggest effect and lowers CPI by 0.25% points. [Read more](#)
- Tensions in the Middle East have sent oil prices higher and the SEK has weakened slightly against the Dollar in June, which put upward pressure on CPI, however, with an effect of just under 0.1% points.
- Electricity prices have changed somewhat due to limited supply capacity from Norway and maintenance of nuclear reactors. This has caused electricity prices in May and June to rise radically and exceed those seen in winter. However, June prices are lower than May with an downward effect of 0.1% points.
- Volatile prices of international flights remains a wildcard, however we retain our forecast for June with risks to the downside driven mainly by clothes & footwear.

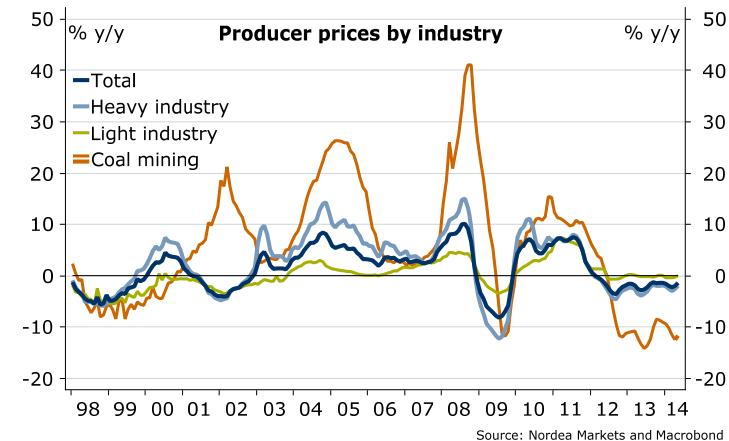


	Nordea	Riksbank*	Prior
CPI m/m	-0.1		0.1
CPI y/y	-0.1	0.1	-0.2
CPIF m/m	-0.1		0.1
CPIF y/y	0.5	0.6	0.4
CPI, index	313.72		314.05
*Riksbank's April report.			

	Weight, %	Change, % m/m June 2014E	Contribution m/m, % points: June 2014E	June 2013
Food	13.3	-0.1	-0.01	0.02
Clothing and footwear	5.2	-4.8	-0.25	-0.21
Rents	11.4	0.0	0.00	0.00
Mortgage rates	5.7	-0.3	-0.01	-0.04
Fuel, heating oil	4.4	1.4	0.06	0.00
Electricity	4.2	-1.4	-0.06	-0.07
Other goods and services	55.8	0.3	0.17	0.13
CPI, total	100.0	-0.10	-0.10	-0.17

China: Inflation, trade & new loans (*whole week*)

- On Wednesday the June inflation numbers will be released. While CPI inflation will likely be a non-event (consensus 2.4% y/y), the PPI inflation offers some useful insight into corporate profitability in China.
- Markets expect producer prices to fall by 1% compared to June last year – the 28th straight month of falling PPI and huge pressure on profit margins for especially the heavy industries such as coal mining.
- This is one of the key factors, which could trigger China's credit bubble to burst and a large threat to the economic stability. Certainly worthwhile watching for.
- On Thursday good news is expected from the export sector (consensus: 10% y/y), thanks to recovered demand from the advanced world and a weaker CNY.
- Sometime between the 10th and the 15th, new loans data will likely show that the current credit condition is not overly tight. Fear of a repeated money market panic like June last year has prompted PBoC to ease liquidity in the past few months.



Calendar

Monday 7. Jul 2014					Nordea	Consensus	Actual	Latest
08:00	DE	Industrial production (m/m)	May			0.20%		0.20%
08:00	DE	Industrial production (y/y)	May			3.50%		1.80%
09:00	DK	Industrial production, excl. shipbuilding (sa, m/m)	May					- 1.4%
09:00	GB	House prices, Halifax (3mma, y/y) (mmm dd- dd) (Exp 7- 8 Jul)	Jun			8.9%		8.7%
09:00	GB	House prices, Halifax (m/m) (mmm dd - dd) (Exp 7- 8 Jul)	Jun			- 0.3%		3.9%
09:30	SE	Business sector production (m/m)	May					
09:30	SE	Central Government Debt						
09:30	SE	Indicator for household lending	May					
10:00	NO	Manufacturing production (m/m)	May					0.0%
Tuesday 8. Jul 2014					Nordea	Consensus	Actual	Latest
09:15	CH	CPI (m/m)	Jun					0.3%
09:15	CH	CPI (y/y)	Jun					0.2%
09:30	SE	Business sector production (m/m)	May					
10:30	GB	Industrial production (m/m)	May					0.4%
10:30	GB	Industrial production (y/y)	May					3.0%
11:00	NO	Auction of Treasury Bonds						
13:30	US	NFIB small business optimism index	Jun					96.6
14:00	BR	CPI, IPCA (m/m)	Jun					0.46%
14:00	BR	CPI, IPCA (y/y)	Jun					6.37%
16:00	US	JOLTs job openings	Jun					4455
Wednesday 9. Jul 2014					Nordea	Consensus	Actual	Latest
	AR	Independence Day						
	BR	Sao Paulo Regional Holiday						
	ID	Presidential Election						
	ID	Presidential Election Day						
02:30	CN	CPI (y/y)	Jun			2.4%		2.5%
08:00	SE	Prospera, inflation expectations survey, money market						
08:00	SE	Unemployment, Swedish Public Employment Service						
09:00	CZ	CPI (m/m)	Jun			0.2%		0.1%
09:00	CZ	CPI (y/y)	Jun			0.1%		0.4%
09:00	DK	Current account balance	May					9.1bn
09:00	DK	Trade balance, excl. ships (sa)	May					5.3bn
13:00	US	Mortgage applications, MBA	Jun					
14:00	RU	CPI (y/y) (Exp 04- 09 Jun)	Jun			7.7%		7.6%
20:00	US	Minutes of the 17- 18 June FOMC meeting						

Calendar

Thursday 10. Jul 2014					Nordea	Consensus	Actual	Latest
	CN	Exports (y/y)	Jun			10%		7%
	CN	Imports (y/y)	Jun			6%		- 1.6%
	CN	Trade balance (USD)	Jun			33bn		35.92bn
	ID	BI announces interest rates	Jul					
	MY	BNM announces interest rates	Jul					3.00%
03:00	KR	BoK announces interest rates (7- day repo rate)	Jul					2.50%
08:45	FR	CPI (m/m)	Jun					0.00%
08:45	FR	CPI (y/y)	Jun					0.70%
08:45	FR	Industrial production (y/y)	May					0.00%
09:00	CN	Money supply, M2 (y/y)	Jun			13.6%		13.4%
09:00	DK	CPI (m/m)	Jun					- 0.1%
09:00	DK	CPI (y/y)	Jun					0.5%
09:00	DK	CPI, EU harmonized (m/m)	Jun					0.0%
09:00	DK	CPI, EU harmonized (y/y)	Jun					0.3%
09:30	SE	CPI (m/m)	Jun		- 0.1%			0.1%
09:30	SE	CPI (y/y)	Jun		- 0.1%			- 0.2%
09:30	SE	CPI, index	Jun		313.72			314.05
09:30	SE	CPIF (m/m)	Jun		- 0.1%			0.1%
09:30	SE	CPIF (y/y)	Jun		0.5%			0.4%
10:00	NO	CPI (y/y)	Jun		2.0%			1.8%
10:00	NO	CPI, core (y/y)	Jun		2.6%			2.3%
13:00	GB	BoE announces interest rates	Jul					
14:00	NO	CPIX and other inflation indicators	Jun					2.2%
14:30	US	Jobless claims, continuing	Jun					
14:30	US	Jobless claims, initial	Jun					
Friday 11. Jul 2014					Nordea	Consensus	Actual	Latest
	MX	BoM announces interest rates	Jul					
09:00	HU	CPI (m/m)	Jun			0.3%		- 0.2%
09:00	HU	CPI (y/y)	Jun			- 0.1%		- 0.1%
12:00	RU	Trade balance (USD)	May			18.8bn		19.8bn

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