



Week Ahead

19 – 25 July



Nordea Research, 18 July 2014

Next week's key events

- **US**

We could see slightly slower pace of consumer price increases in June after the surprisingly strong rise in May. Signs of faster increasing prices could put a bit of pressure on the Fed.

- **Euro area**

The recent improvement in the US and Chinese PMI numbers imply global manufacturing conditions are improving, which should also lift the Euro-area PMI after two consecutive falls.

- **Germany**

The Ifo expectations index has been heading lower for almost six months now. The deteriorating momentum has also been illustrated in hard data lately.

- **BoE**

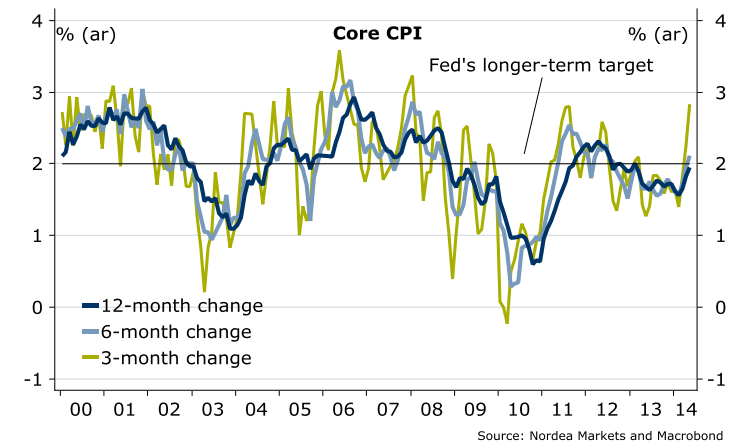
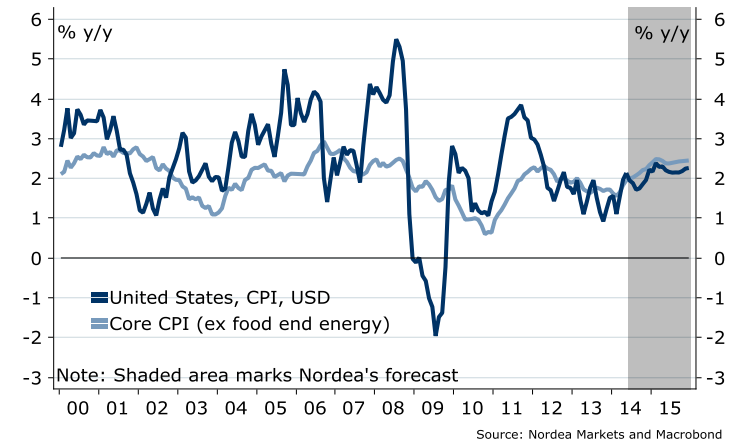
As expected the BoE maintained its Bank Rate at 0.50% and the size of Asset Purchase Programme at £375 billion at the July MPC meeting. The decision was most likely unanimous.

- **China**

The HSBC/Markit PMI crossed the magical 50-level in June. After a few months of improvements, we believe PMIs will be more or less unchanged in July, and might even see slight decrease.

US: Inflation will be crucial to the Fed (*Tuesday*)

- We could see slightly slower pace of consumer price increases in June after the surprisingly strong rise in May. Consensus expectations see core consumer prices rising 0.2% m/m in June after the 0.3% m/m increase in May.
- The message from the Fed at its [June FOMC meeting](#) and earlier this week in [Yellen's semi-annual testimony to Congress](#) confirmed that the Fed is in no hurry to turn less dovish. However, another higher-than-expected inflation print on Tuesday potentially coupled with a pickup in wage growth in the next labour market report could put a bit of pressure on the Fed to turn slightly less dovish.
- Going forward, we expect CPI inflation to move slightly lower in the next couple of months before a renewed rebound to around 2% in late 2014. The pickup is expected to be led by rents and, with a lag, some pressures from stronger wage increases.

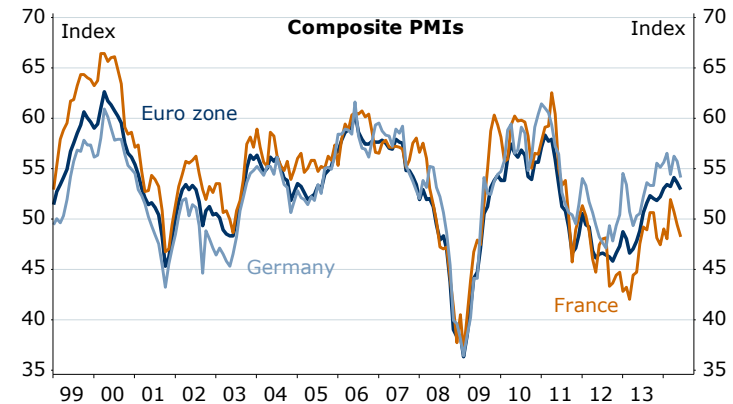


Euro area: Flash PMIs to rebound (*Thursday*)

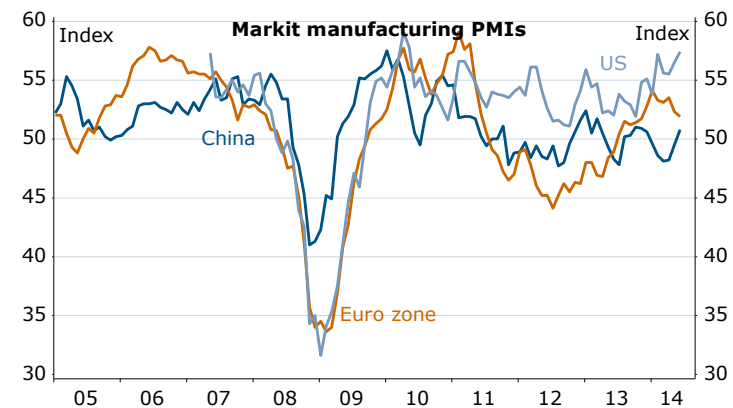
- We expect a rebound in manufacturing PMI to pull the composite PMI higher.
- The recent improvement in US and Chinese PMI numbers imply global manufacturing conditions are improving, which should also lift the Euro-area PMI after two consecutive falls.
- The recent fall in the oil price is also good news for confidence, while the mini-crisis in Portugal should not have a big effect on confidence.
- The French PMI has fallen sharply in the past few months, and another drop would be very worrying for the country. However, the French PMI has been quite volatile, and a rebound higher in July looks likely.
- Market reaction should be stronger in case the numbers disappoint, as a loss of momentum for the economy would point to even lower inflation pressures.

Jul-14	Nordea	Consensus	Previous
Composite	53.3	52.7	52.8
Manufacturing	52.4	51.8	51.8
Services	53.2	52.7	52.8

Source: Nordea Markets and Reuters Ecowin



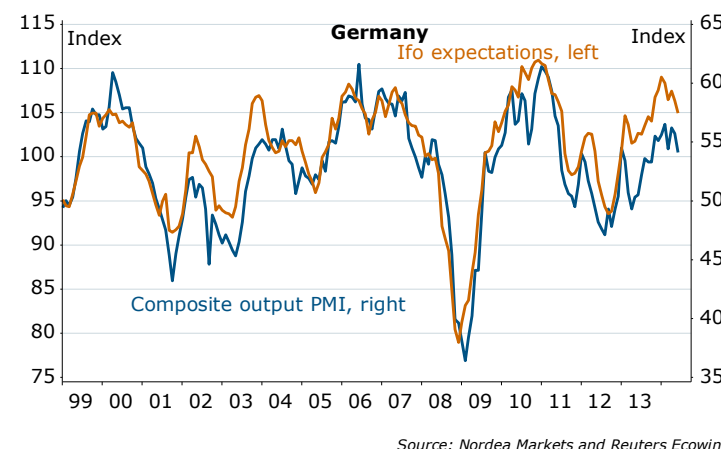
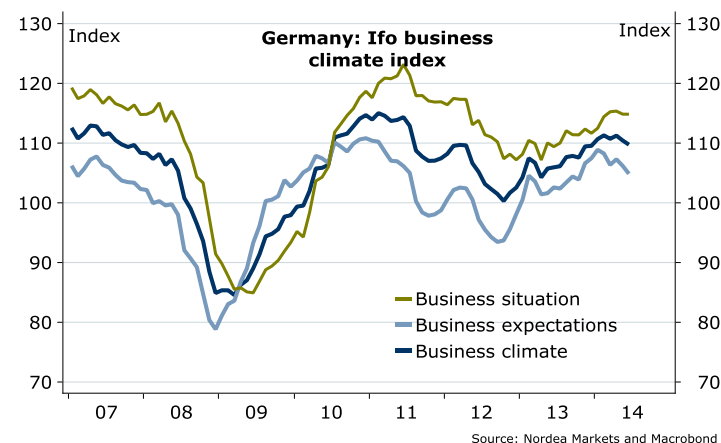
Source: Nordea Markets and Reuters Ecowin



Source: Nordea Markets and Reuters Ecowin

Germany: Ifo to stabilize after recent falls (Friday)

- The Ifo expectations index has been heading lower for almost six months now. The deteriorating momentum has also been illustrated in German hard data lately: e.g. industrial production has fallen for three months in a row.
- The underlying momentum of the economy should be better than this, and the recent fall in the oil price coupled with the additional easing measures taken by the ECB should lift expectations slightly higher.
- The Ifo expectations index has been at a relatively better level compared to the composite PMI lately, but has also already seen a bigger drop.
- The current conditions index will likely show another marginal fall.
- Coming after the PMIs, the Ifo would need to surprise big time to induce notable market moves.

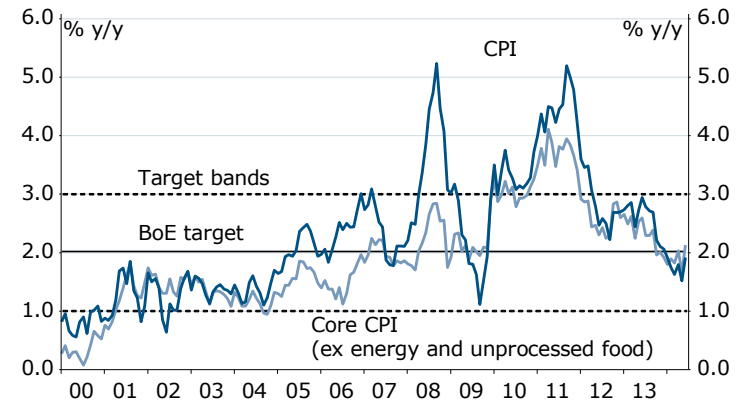


Jun-14	Nordea	Consensus	Previous
Ifo business climate	109.9	109.5	109.7
Ifo business expectations	105.3	104.3	104.8
Ifo business conditions	114.6	114.6	114.8

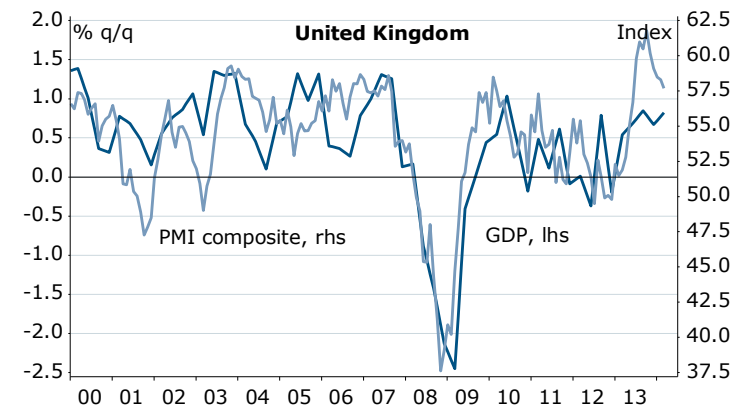
Source: Nordea Markets and Macrobond

BoE minutes: Still focus on spare capacity and inflation (Wed); strong GDP growth to continue (Fri)

- The July decision to leave monetary policy unchanged was most likely unanimous.
- The June MPC minutes stated that the economy was starting to return to normal and that part of the normalisation would be a rate hike at some point – the precise timing would depend on the inflation outlook. We expect the focus on **inflation** and the **degree of spare capacity** in the economy will remain in the July minutes.
- The surprisingly high June inflation was released only after the July BoE meeting.
- The composite PMI has corrected clearly lower from exceptionally high levels, but we expect **strong 0.8% q/q GDP growth** to have continued in the second quarter.
- Due to still limited price pressures **we still forecast a first rate hike in Q2 2015**. Markets are currently pricing a first full hike in early 2015.



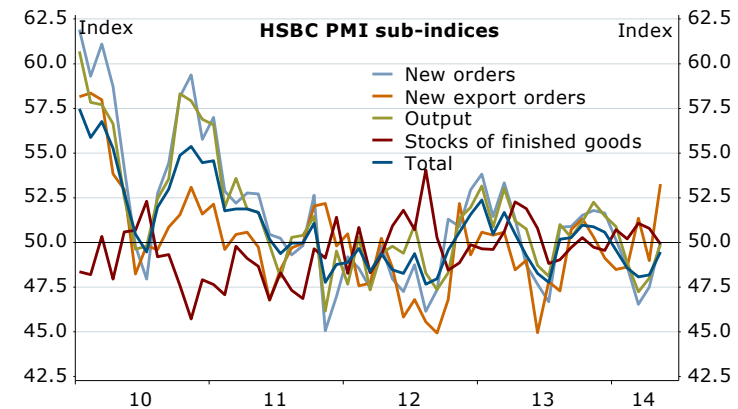
Source: Nordea Markets and Reuters Ecowin



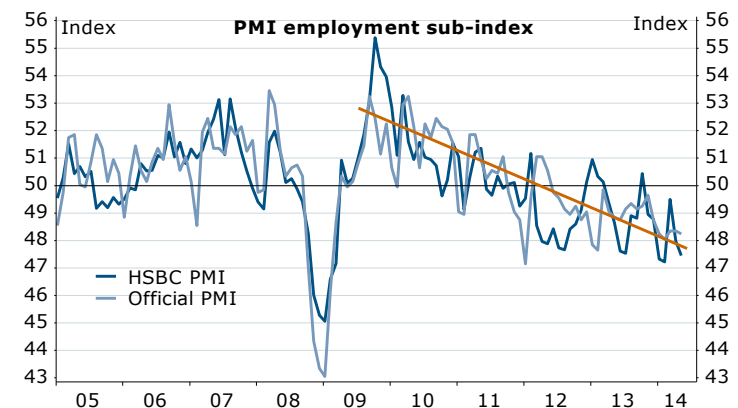
Source: Nordea Markets and Reuters Ecowin

China: Flash PMI (*Thursday*)

- The HSBC/Markit PMI crossed the magical barrier of 50 and reached a PMI level of 50.7 in June. After a few months of improvements, we believe PMIs will be more or less unchanged in July, and might even see slight decrease.
- 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).
- The recent GDP numbers showed a higher than expected Q2 growth of 7.5% y/y and thereby underlines the growth momentum China is currently experiencing. An explanation is the easing of economic policy.



Source: Nordea Markets and Reuters Ecowin



Source: Nordea Markets and Reuters Ecowin

Calendar

Monday 21. Jul 2014					Nordea	Consensus	Actual	Latest
Tuesday 22. Jul 2014					Nordea	Consensus	Actual	Latest
14:00	HU	MNB announces interest rates (Base rate)	Jul			2.20%		2.30%
14:30	US	CPI (m/m)	Jun			0.3%		0.4%
14:30	US	CPI, core (m/m)	Jun			0.2%		0.3%
16:00	US	Home sales, existing (m/m)	Jun			1.6%		4.9%
Wednesday 23. Jul 2014					Nordea	Consensus	Actual	Latest
08:45	FR	Business confidence, INSEE	Jul					92
10:30	GB	Minutes of the 10 July BoE meeting (hike- unchanged- cut)	Jul					0-9-0
13:00	US	Mortgage applications, MBA	Jun					
16:00	EU	Consumer confidence	Jul			-7.5		-7.5
23:00	NZ	RBNZ announces interest rates (cash rate)	Jul			3.5%		3.25%
Thursday 24. Jul 2014					Nordea	Consensus	Actual	Latest
01:00	KR	GDP (y/y) (preliminary)	Q2			3.7%		3.9%
03:45	CN	PMI, manufacturing (flash), HSBC	Jul			51		50.7
09:00	FR	PMI, manufacturing (preliminary)	Jul			48		48.2
09:00	FR	PMI, services (preliminary)	Jul			48		48.2
09:30	DE	PMI, manufacturing (preliminary)	Jul			52		52
09:30	DE	PMI, services (preliminary)	Jul			54.4		54.6
09:30	SE	PPI (m/m)	Jun					1.1%
09:30	SE	Unemployment, labour force survey (AKU)	Jun	9.00%				8.0%
10:00	EU	PMI, composite (flash)	Jul			52.7		52.8
10:00	EU	PMI, manufacturing (flash)	Jul			51.7		51.8
10:00	EU	PMI, services (flash)	Jul			52.6		52.8
10:30	GB	Retail sales ex auto (y/y)	Jun			4.60%		4.7%
14:30	US	Jobless claims, initial	Jun					
15:45	US	Markit manufacturing PMI (preliminary)	Jul			57.3		57.3
16:00	US	Home sales, new (m/m)	Jun			-4.8%		18.6%

Calendar

Friday 25. Jul 2014				Nordea	Consensus	Actual	Latest
01:30	JP	CPI, national (y/y)	Jun		3.5%		3.7%
08:00	DE	Consumer confidence, Gfk					8.9
09:00	DK	Retail sales (sa, m/m)	Jun				0.4%
09:30	SE	Financial market statistics, household lending (y/y)	Jun	5.1%			5.30%
09:30	SE	Retail Sales (sa, m/m)	Jun	1.7%			- 0.7%
09:30	SE	Trade Balance	Jun				
10:00	EU	M3 (y/y)	Jun		1.2%		1.0%
10:00	DE	Ifo, business climate (main)	Jul		109.4		109.7
10:00	DE	Ifo, current assessment	Jul		114.5		114.8
10:00	DE	Ifo, expectations	Jul		104.4		104.8
10:30	GB	GDP (q/q, advance)	Q2		0.8%		0.8%
11:30	RU	CBR Annouces Interest Rates (One- Week Auction Rate)	Jul		7.5%		7.5%
14:30	US	Durable goods orders (m/m)	Jun		0.5%		- 1.0%

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:

Klaus Lund Ruhlmann
Assistant Analyst
Global Strategy
+45 3333 1502

klaus.lund.ruhlmann@nordea.com