Nordea

Week Ahead

23 – 29 Aug

Nordea Research, 22 August 2014

Next week´s key events

- **US**

  On balance, we expect a healthy picture to emerge from next week's US data. The most important data are like the PCE price indices in the personal spending report (Friday). Based on the already released CPI data we expect headline PCE inflation to remain at 1.6% In July. The core rate is also likely to be unchanged, at 1.5%. Both forecasts are in line with consensus expectations.

- **Euro Area**

  The week starts with the Ifo index on Monday, most likely down again, driven by expectations. For Friday, we expect Euro-area inflation to drop to 0.3% y/y. Important data ahead of the ECB meeting on 4 September.

- **Sweden**

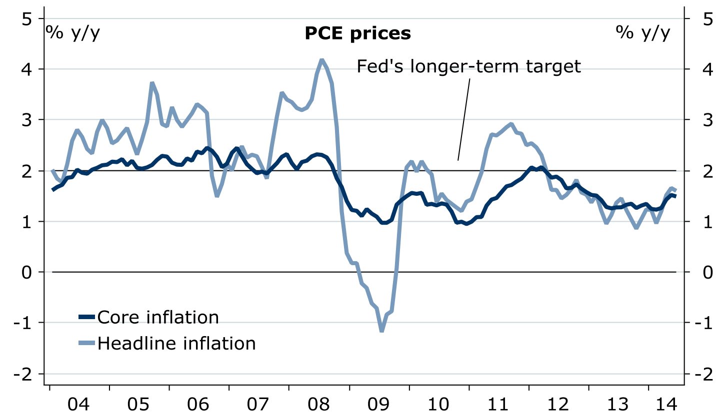
  Overall we expect data to confirm a split but growing economy. Data related to industry (manufacturing confidence and trade balance) will probably continue to be weak, while retail sales and household debt should grow swiftly.

- **Norway**

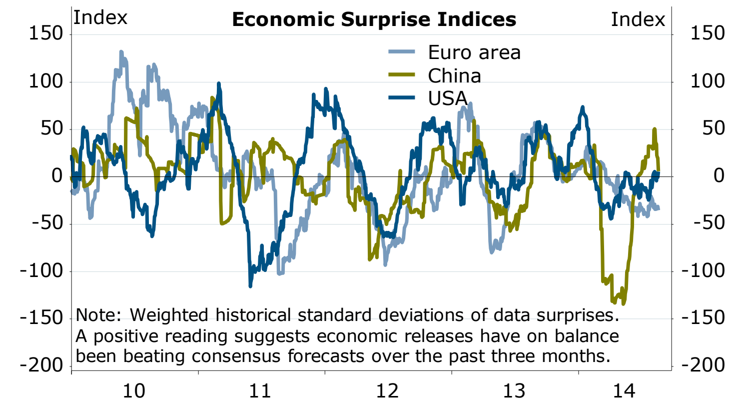
  We expect July retail sales (Fri 10:00) to decrease by 0,4 % m/m s.a. after surprisingly strong growth of 1,2 % in June.

US: A healthy picture to emerge

- On balance, we expect a healthy picture to emerge from next week's US data. The most important data are like the PCE price indices in the personal spending report (Friday). Based on the already released CPI data we expect headline PCE inflation to remain at 1.6% In July. The core rate is also likely to be unchanged, at 1.5%. Both forecasts are in line with consensus expectations.
- In addition, an array of second-tier data will be delivered. Q2 GDP growth (Thursday) is expected to be revised from 4.0% to 3.9%, with downward revision to inventories largely outweighed by upward revisions elsewhere.
- Durable goods orders (Tuesday) should see a strong increase in July, but a more modest rise excluding transportation orders.
- The Case-Shiller home price indices (Tuesday) are likely a to show a further slowdown from the recent unsustainable pace. New home sales (Monday) and pending home sales (Thursday), on the other hand, are expected to signal that demand has started to move up again. The consumer confidence index (Tuesday) is expected to fall back from July's reading, which was the highest since October 2007. The expected decline is due to the renewed US military actions in Iraq.



Source: Nordea Markets and Macrobond



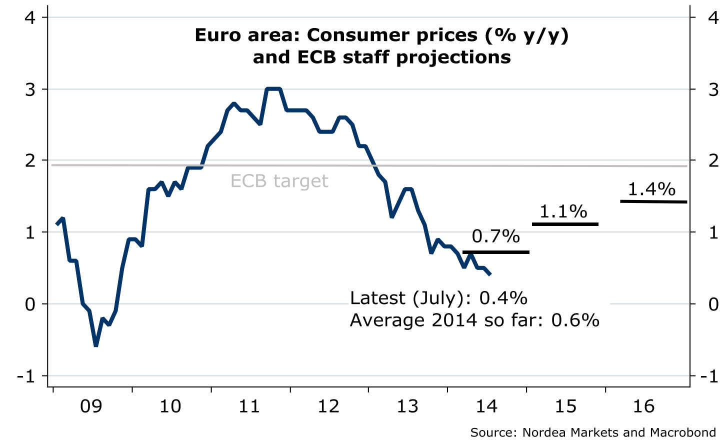
Source: Nordea Markets, Citigroup and Reuters Ecowin

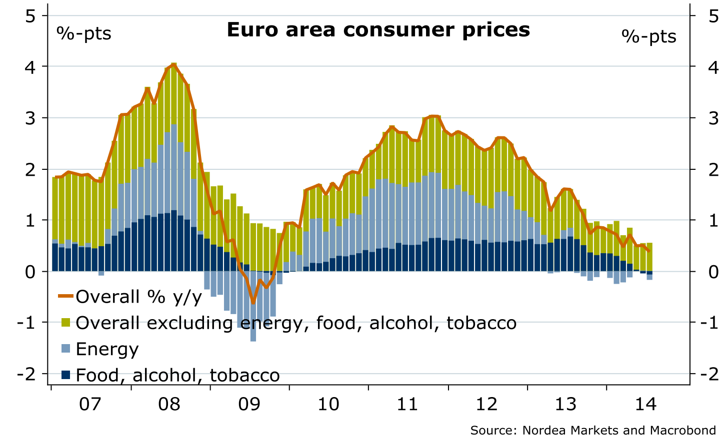
Euro area: Inflation probably down to 0.3% y/y (Friday)

- We expect the Euro area inflation rate to fall to 0.3% y/y in August (flash estimate) – a new cyclical low. This is a consensus view. We see the main risk to our call to the upside.
- The small downward move should be driven by energy prices. The Brent oil price in EUR terms declined by 2.5% over July, and had also fallen in July over June. We expect the core rate unchanged at 0.8%.
- Ahead of the Euro-area numbers on Friday, Germany and Spain will publish on Thursday.
- In September, the ECB will have to take down its inflation projections once again, at least for this year, but probably also for next year. However, stimulus measures on top on what has been decided in early June are not likely at this point. A failure of TLTROs and inflation still clearly below 1% in H1 2015 would make some form of QE likely.

August 2014, % y/y	Nordea	Consensus	Previous
HICP headline rate	0.3	0.3	0.4
HICP ex food, energy, alc., tob.	0.8	0.8	0.8

Source: Nordea Markets and Macrobond

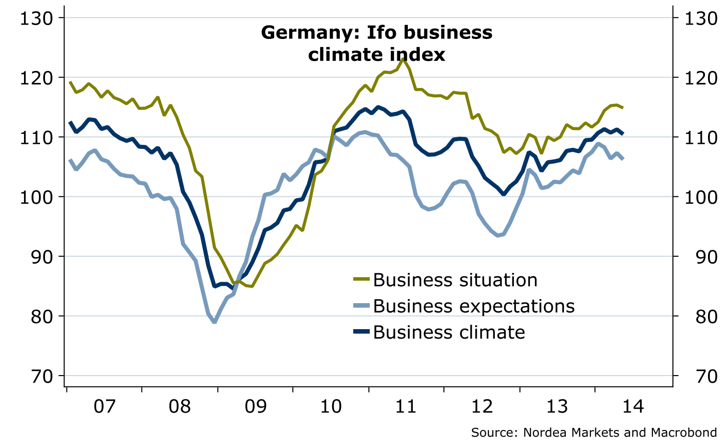




Holger Sandte

Germany: Ifo down again (Monday)

- We expect the Ifo index to decline again, mainly driven by lower expectations in the wake of geopolitical tensions.
- ZEW expectations declined massively in August. Worries in real-economy companies should have increased too, but by less than those of financial analysts surveyed by ZEW. We expect a decline in the expectation component by “only” 1.4 points. Consensus is more optimistic.
- One could argue, that tensions have recently eased a bit, but that – if it has any impact – should come too late for the August survey. The survey period covers the first three weeks of August and most replies are handed in during the first two weeks.

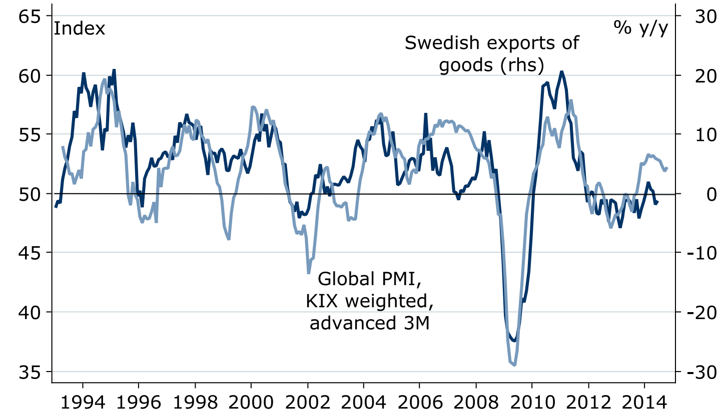


Aug-14	Nordea	Consensus	Previous
Ifo business climate	106.9	107.0	108.0
Ifo business expectations	102.0	102.5	103.4
Ifo business conditions	112.0	112.0	112.9

Source: Nordea Markets and Macrobond

Sweden: The recovery goes on

- NIER business and consumer surveys, retail sales , trade balance, producer prices and household credit growth - **next week we'll have it all**.
- Overall we expect **data to confirm a split but growing economy**. Data related to industry (manufacturing confidence and trade balance) will probably continue to be weak, while retail sales and household debt should grow swiftly.
- So far **data** has been **on the strong side compared to the Riksbank's July forecast,** notably inflation and labour market figures. The only weaker than anticipated figure has been Q2 GDP which we expect to be revised upwards later on.



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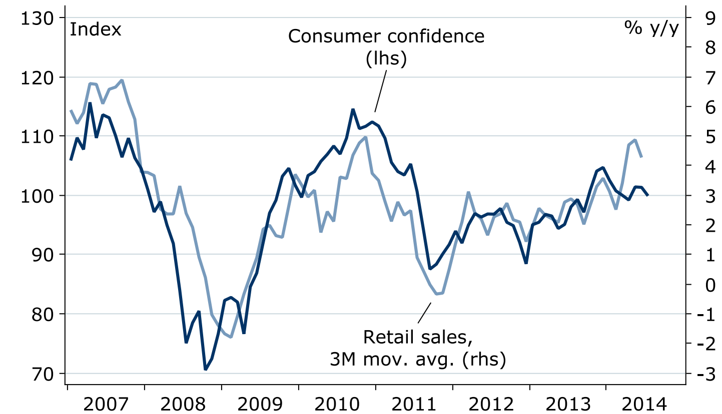
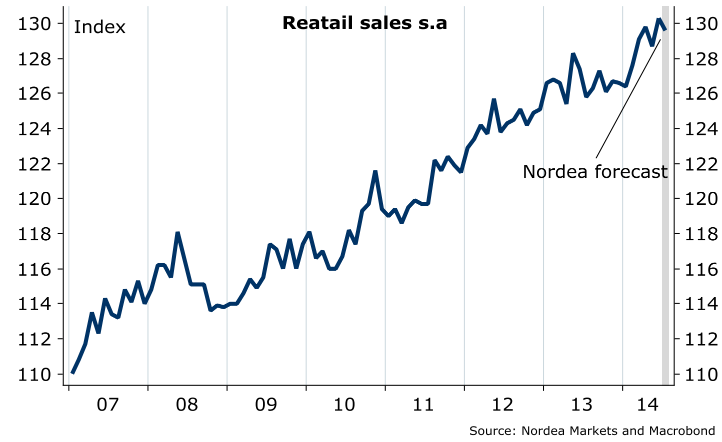
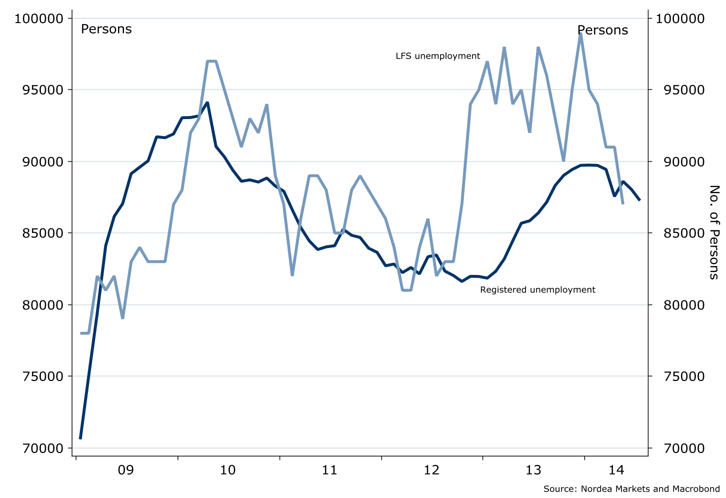


Source: Nordea Markets and Macrobond

Norway: Retail sales to drop in July (Friday)

- We expect ***July retail sales (Fri 10:00)*** to decrease by 0,4 % m/m s.a. after surprisingly strong growth of 1,2 % in June
- Retail sales have been strong all through the year and gave a significant positive contribution in the Q2 GDP figures
- Despite an expected drop retail sales still indicates fairly strong growth in private consumption
- We expect both August registered unemployment ***(Fri 10:00) and LFS unemployment (Wed 10:00)*** to show an about sideways movement s.a. The unadjusted registered unemployment rate will be 2.9%
- The trend in unemployment has been slightly downwards and if this continue it will strengthen the argument for an upward revision of the rate path in September





Calendar

				Nordea	Konsensus	Faktisk	Seneste
Mandag 25. Aug 2014				Nordea	Konsensus	Faktisk	Seneste
10:00	DE	Ifo, current assessment	Aug				112.9
10:00	NO	Housing starts (s.a.)	Jul				2 549
10:00	PL	Retail sales (y/y)	Jul		2.1%		1.2%
15:45	US	Markit composite PMI (preliminary)	Aug				60.6
16:00	US	Home sales, new	Jul		425k		406k
16:30	US	Dallas Fed Man. Activity	Aug				12.7
Tirsdag 26. Aug 2014				Nordea	Konsensus	Faktisk	Seneste
07:00	NO	Consumer confidence	Q3				16.8
09:30	SE	PPI (y/y)	Jul				2.3%
11:30	ZA	GDP (q/q, annualised)	Q2		0.9%		-0.6%
14:30	US	Durable goods orders (m/m)	Jul		7.5%		0.7%
Onsdag 27. Aug 2014				Nordea	Konsensus	Faktisk	Seneste
08:45	FR	Business confidence, INSEE	Aug				93
09:00	SE	Consumer confidence	Aug	103.0			99.9
09:00	SE	Economic tendency survey					100.4
09:00	SE	Manufacturing confidence	Aug	101			101.0
09:30	SE	Trade Balance	Jul				5.2bn
10:00	NO	Mortgage rate, banks and mortgage companies (SSB)	Q2				4.05%
Torsdag 28. Aug 2014				Nordea	Konsensus	Faktisk	Seneste
09:30	SE	Retail Sales (y/y)	Jul	4.0%			3.3%
09:55	DE	Unemployment rate (sa)	Aug	6.7%			6.7%
10:00	EU	Loans to the private sector (y/y)	Aug	-1.5%			-1.7%
11:00	EU	Consumer confidence (final)	Aug				
11:00	EU	Economic Sentiment Indicator (ESI)	Aug	101.6			102.2
14:00	DE	HICP (y/y, preliminary)	Aug	0.8%			0.8%
Fredag 29. Aug 2014				Nordea	Konsensus	Faktisk	Seneste
01:05	GB	Consumer Confidence, Gfk	Aug				-2.0
01:30	JP	CPI, national (y/y)	Jul				3.6%
09:00	DK	GDP (q/q, preliminary)	Q2				0.8%
09:00	DK	Unemployment rate, gross	Jul				5.1%
09:00	CH	Leading indicator, KOF	Aug				98.1
10:00	NO	Consumption of goods indicator (m/m)	Jul				1.5%
10:00	NO	Retail sales (m/m)	Aug	-0.4%			1.2%
11:00	EU	HICP (flash, y/y)	Aug	0.4%			0.4%
11:00	EU	Unemployment rate	Jul	11.5%			11.5%
14:00	BR	GDP (y/y)	Q2		-0.1%		1.9%

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