



Week Ahead

06 – 12 Sep



Nordea Research, 05 September 2014

Next week's key events

- **US**

Next week's calendar offers only second-tier data releases from the US. The most important release will likely be Friday's retail sales data for August where we expect an overall rise of 0.3%.

- **Euro Area**

Very light agenda in this post-ECB week. Industrial production number for July on Friday. Based on strong German data, we expect an increase by 0.6% m/m for the Euro area. Preliminary inflation data for Germany (Thursday) and Italy (Friday) should be confirmed at their low levels.

- **China**

Next weeks key figures from China include new loans, inflation and exports. The CPI inflation is expected to be 2.2% in August. Exports is still doing good and beneficial bilateral sanctions between Russia and EU are contributing to the expected export growth of 10.5% y/y.

- **Sweden**

We see CPI down by 0.1% m/m in August mainly derived by falling mortgage rates, fuel prices and prices for foreign travelling. Unemployment is expected a setback to 7.8% in seasonally adjusted terms caused by the exceptionally strong July reading.

- **Norway**

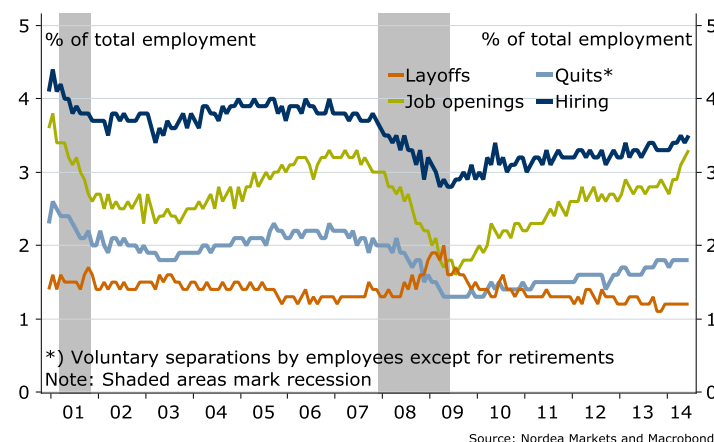
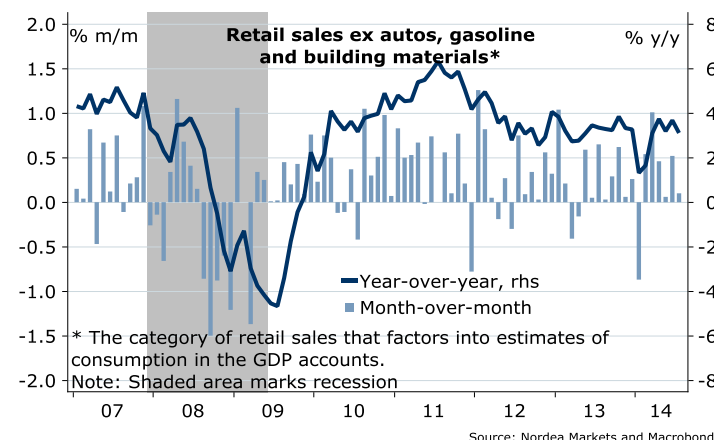
August core inflation is forecasted to be 2.3% y/y down from 2.6% in July. Still even with such a drop, core inflation will be 0.4% above Norges Bank forecast at 1.9%

- **Russia**

The Russian Central Bank (CBR) may keep key interest rates unchanged at the meeting next week. However intensified risks of higher inflationary pressure due to the weak RUB and the food import ban leave some probability of a rate hike before the end of the year.

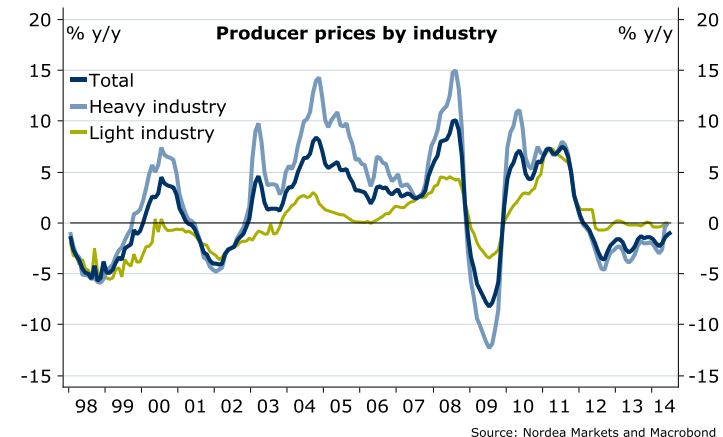
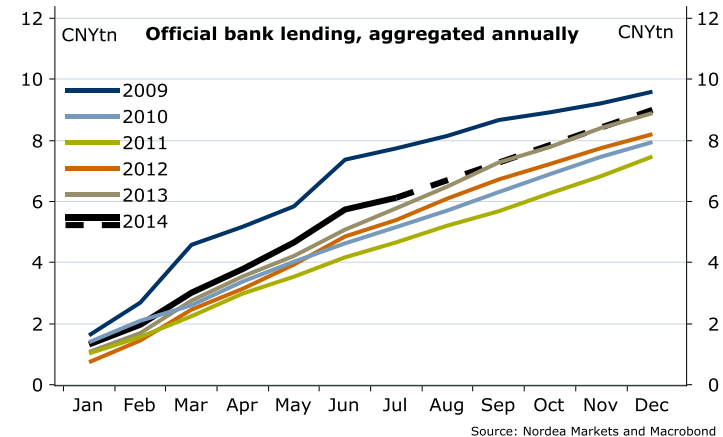
US: Second-tier data delivered

- Next week's calendar offers only second-tier data releases from the US. The most important release will likely be Friday's **retail sales** data for August. In July both retail sales and overall consumer spending fell short of expectations, but with solid improvements in income, wealth and confidence we expect the weakness to be short-lived. Thus following a weak 0.1% rise in July we forecast a 0.5% increase in the so-called control sales – ex autos, gasoline, building materials and food services – which is the category that factors into GDP estimates. Overall retail sales should see a 0.3% rise.
- On Tuesday the Job Opening and Labor Turnover Survey (**JOLTS**) will report on job openings, new hires, and separations including layoffs and quits. These labour force flows data are an important part of the Fed's labour market assessments. Last month the report showed the most job openings since 2001.
- In the **NFIB small business survey** on Tuesday we will especially focus on the net percentage of firms reporting an increase in labour compensation and the net share reporting few or no qualified applicants for job openings. Historically both indices have tended to be good leading indicators for wage growth.



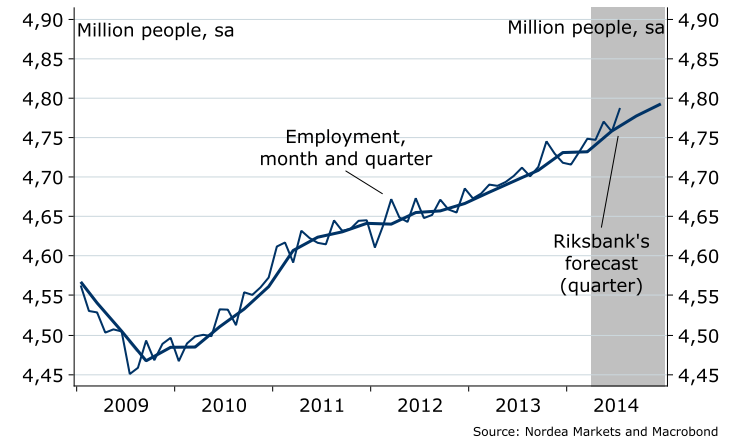
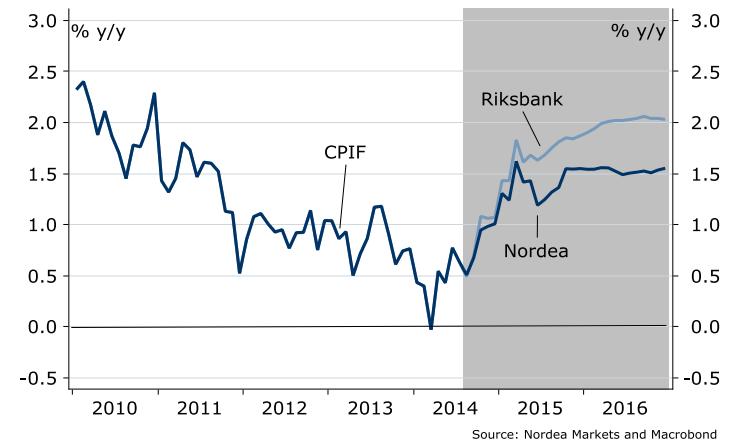
China: New loans, inflation & exports (*whole week*)

- The market expects Chinese banks to have granted CNY 700bn **new loans** in August (data out sometime 10-15th). The Big Four banks, which usually account for a third of all loans, have lent out CNY 250bn.
- If we should take Li Keqiang's deleveraging promise seriously, total new loans this year should not exceed CNY 9tn, which is the same level as last year. The YTD amount is already CNY 6.1tn, leaving CNY 575bn per month for the remainder of the year.
- Among the inflation indicators on Thursday, the **PPI** is still the one catching eyeballs. Despite improvement in recent months, producer prices remain on the falling trend. If consensus expectation is proven correct (-1.1% y/y), it is certainly not good news for the manufacturers in the heavy industrial sectors, which are already facing shrinking profit margins. Market expects 2.2% **CPI** inflation in August.
- The good news from the **export** sector is likely to extend, growing by 10.5% y/y. China benefits from the bilateral sanctions between Russia and EU.



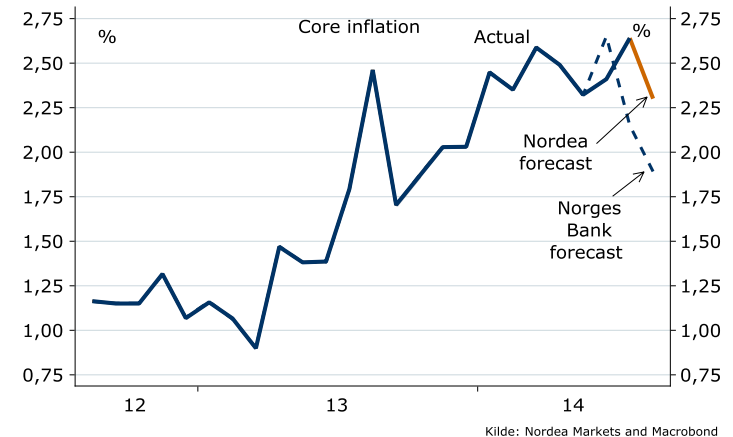
Sweden: Inflation in the spotlight

- We see **CPI** down by 0.1% m/m in August. The year-on-year figure for CPIF will edge down by 0.1% point to 0.5%. Food prices were flat on the month while mortgage rates, fuel prices as well as prices for foreign travelling declined. The main driver on the upside was seasonal price hikes on clothing and footwear. Our call for August is in line with the Riksbank's forecast. *(Thursday)*
- **Labour market** trends are strong. In July, employment rose by 1.6% y/y while unemployment declined to 7.7%. Although labour market indicators in general suggest a continued strong trend going forward, we expect a temporary setback in the LFS August report. This would just be a reversal to trend from the exceptionally strong July reading. In seasonally adjusted terms, we forecast unemployment at 7.8%, up from 7.7% in July. *(Thursday)*



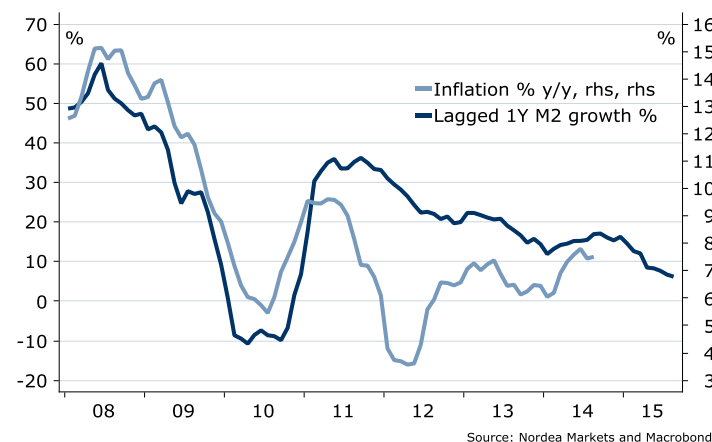
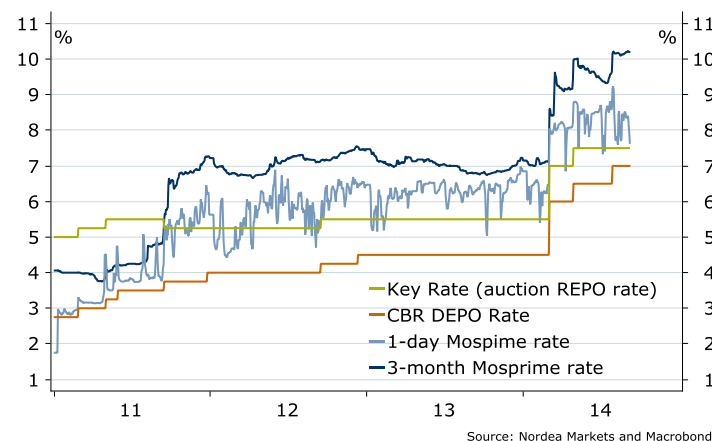
Norway: Core inflation will lift the rate path

- **August core inflation (Wed) is forecasted to be 2.3% y/y down from 2.6% in July.**
- There are strong arguments for a drop. Food prices seems to have fallen back after the sharp July increase. A normal seasonal pattern for prices on clothes also argues for a drop.
- Still even with such a drop, core inflation will be 0.4% above Norges Bank forecast at 1.9%
- If we are right inflation will have been on average 0.2% points above forecast since the June report and the two last months 0.4% points above forecast.
- Will all else equal lift the interest rate path in the coming September MPR.



Russia: Central Bank's decision in focus

- The Russian Central Bank (CBR) may keep key interest rates unchanged at the meeting next week. However intensified risks of higher inflationary pressure due to the weak RUB and the food import ban leave some probability of a rate hike before the end of the year.
- Recent data confirms the high risk of increasing inflation. Consumer prices increased by 7.6% y/y in August. However, the latest data doesn't include the negative effect from the food import ban, so CPI inflation may stay high or even accelerate during coming months.
- On the other hand, decelerating economic growth weighs on the CBR even taking into account regulator's belief that low economic growth rates are largely caused by structural factors and thus that monetary stimulus is inappropriate.
- In sum, increased price instability will force CBR to issue hawkish statement, but the CBR may take a pause and leave rates unchanged after the 50 bp hike in July.
- Also the CBR will likely revise its inflation targets taking into account the food import ban and the statement with new targets may give market a signal about future monetary strategy.



Calendar

Monday 8. Sep 2014					Nordea	Consensus	Actual	Latest
	CN	Exports (y/y)	Aug			9.0%		14.5%
	CN	Imports (y/y)	Aug			3.0%		- 1.6%
	CN	Trade balance (USD)	Aug			40.6bn		47.3bn
00:50	JP	GDP (q/q, final)	Q2			- 1.8%		- 1.7%
09:00	DK	Current account balance	Jul					10.5bn
09:00	DK	Trade balance, ex. ships (sa)	Jul					6.2bn
09:15	CH	CPI (y/y)	Aug			0.0%		0.0%
09:30	SE	Household consumption (y/y)	Jul					2.6%
Tuesday 9. Sep 2014					Nordea	Consensus	Actual	Latest
09:00	CZ	CPI (y/y)	Aug			0.5%		0.5%
09:30	SE	Business sector production (m/m)	Jul					
10:30	GB	Industrial production (y/y)	Jul			1.4%		1.2%
10:30	GB	Manufacturing production (y/y)	Jul			2.2%		1.9%
13:30	US	NFIB small business optimism index	Aug			95.9		95.7
14:00	RU	GDP (y/y, preliminary) (Exp 8-9 Sep)	Q2					0.8%
16:00	US	JOLTs job openings	Jul					4671
Wednesday 10. Sep 2014					Nordea	Consensus	Actual	Latest
08:00	SE	Prospera inflation expectations survey						
08:45	FR	Industrial production (y/y)	Jul					- 0.4%
09:00	DK	CPI (m/m)	Aug		- 0.1%			- 0.1%
09:00	DK	CPI (y/y)	Aug		0.6%			0.8%
09:00	DK	CPI, EU harmonized (y/y)	Aug					0.5%
09:00	TR	GDP (y/y, wda)	Q2					4.4%
10:00	NO	CPI (y/y)	Aug					2.2%
10:00	NO	CPI, core (y/y)	Aug					2.6%
11:00	SE	SNDO to auction T- bills (SEK 15 bn)						
12:00	NO	Norges Bank announces auction of Treasury Bills						
13:00	US	Mortgage applications, MBA	Aug					0.2%
14:00	NO	CPIXE and other inflation indicators	Aug					2.6%

Calendar

Thursday 11. Sep 2014					Nordea	Consensus	Actual	Latest
	ID	BI announces interest rates	Sep					7.50%
01:01	GB	House price balance, RICS	Aug			47%		49%
02:30	CN	CPI (y/y)	Aug			2.2%		2.3%
08:00	DE	HICP (m/m, final)	Aug		0%	0.0%		0.0%
08:00	DE	HICP (y/y, final)	Aug		0.8%	0.8%		0.8%
08:00	SE	Unemployment, Swedish Public Employment Service	Aug					7.7%
08:45	FR	HICP (y/y)	Aug					0.6%
09:00	HU	CPI (y/y)	Aug			0.2%		0.1%
09:30	SE	CPI (y/y)	Aug		- 0.1%			0.0%
09:30	SE	CPIF (y/y)	Aug		0.5%			0.6%
09:30	SE	Unemployment, labour force survey (AKU), sa	Aug		7.8%			7.7%
10:00	PH	BSP announces interest rates	Sep					3,75%
11:00	SE	SNDO to auction inflation- linked bonds (SEK 1bn)						
12:00	RU	Trade balance (USD)	Jul			12.0bn		14.0bn
14:30	US	Jobless claims, continuing	Sep					2464k
14:30	US	Jobless claims, initial	Sep					302k
Friday 12. Sep 2014					Nordea	Consensus	Actual	Latest
03:00	KR	BoK announces interest rates (7- day repo rate)	Sep			2.25%		2.25%
06:30	JP	Industrial Production (y/y, final)						- 0.9%
10:00	NO	Norges Bank regional network report						
11:00	EU	Industrial production (sa, m/m)	Jul		0.6%	0.4%		- 0.3%
11:00	EU	Industrial production (wda, y/y)	Jul			1.2%		0.0%
12:00	RU	CBR Annouces Interest Rates (One- Week Auction Rate)	Sep			8.00%		8.00%
14:00	IN	CPI (y/y)	Aug					7.96%
14:30	US	Import prices (y/y)	Aug					0.8%
14:30	US	Retail sales (m/m)	Aug		0.3%	0.3%		0.0%
14:30	US	Retail sales control group	Aug		0.5%	0.5%		0.1%
14:30	US	Retail sales, less autos (m/m)	Aug			0.2%		0.1%
15:55	US	Consumer confidence, University of Michigan (pre)	Sep			83.0		82.5
16:00	US	Business inventories (m/m)	Jul			0.5%		0.3%

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