



# Week Ahead

20 – 26 Sep



Nordea Research, 19 September 2014

## Next week's key events

- **US**

Next week an array of second-tier US data will be delivered. Following this week's surprisingly weak industrial production data for August the most important releases are likely to be durable goods orders (Thu) and the Markit manufacturing PMI (Tue), although the latter still has rather limited attention in financial markets.

- **Euro area**

The major data releases are flash PMIs on Tuesday and the ifo index on Wednesday. The ifo should decline again, but by much less than in August. We expect PMIs to mark time. All in all, the data should confirm that the recovery is slow and fragile. Money and credit data will be published on Thursday. We expect a further small deceleration of contractions of loans to the private sector (-1.5% y/y after -1.6% y/y).

- **China**

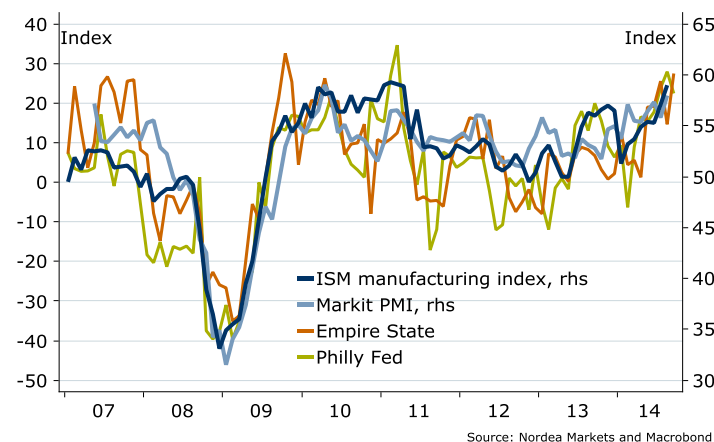
There is considerable uncertainty related to PMI for September. Still, we expect the headline index to stabilise just above 50 (consensus 50.3).

- **Sweden**

For September, we expect manufacturing confidence to decline to 102, reflecting a more uncertain global outlook. Conditions are favorable for households, and confidence should pick up again to its historical average (100).

# US: Focus on signals from the factories

- Next week an array of second-tier US data will be delivered. Following this week's surprisingly weak industrial production data for August the most important releases are likely to be **durable goods orders** (Thu) and the **Markit manufacturing PMI** (Tue), although the latter still has rather limited attention in financial markets.
- Total durable goods orders will see a sharp decline after the strong boost from aircraft orders in July. However, core capital goods orders that most analysts focus on, as a guide to business investment trends, should see a solid rise in August. So far the Philly Fed and Empire State manufacturing surveys for September have eased fears of a sudden change in trend in manufacturing output and we expect a similar signal from the Markit PMI.
- **Q2 GDP growth** (Fri) is expected to be revised from a 4.0% annual rate to 4.6%, with upward revisions to final domestic demand (business investment and consumer medical services spending) dominating a downward revision to inventory investment.
- **Existing home sales** (Mon) should see little change in August as indicated by the already released pending homes sales.

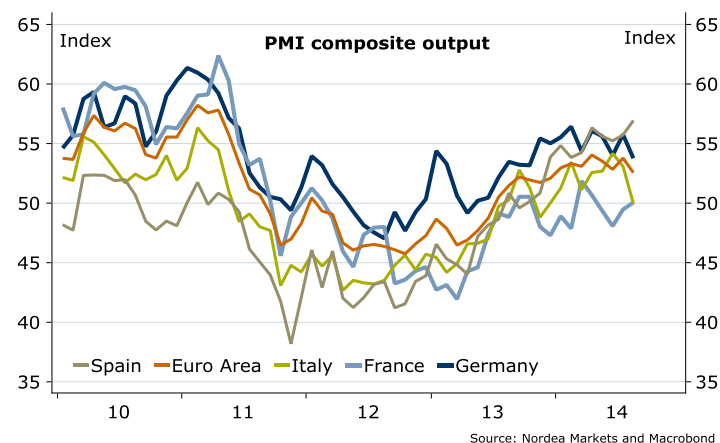
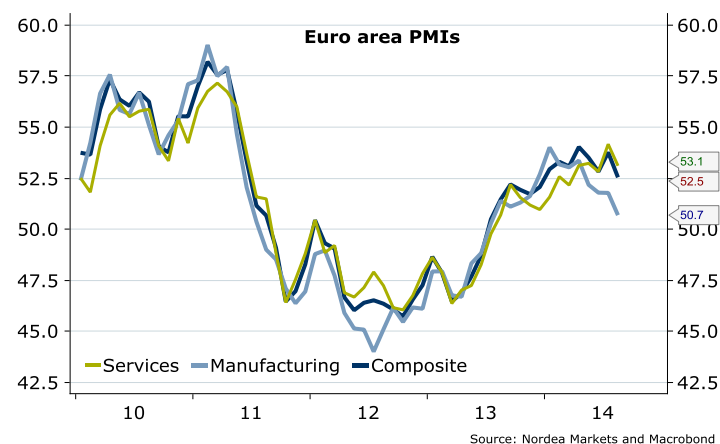


# Euro area: PMIs marking time (Tuesday)

- We don't expect much change for Euro-area PMIs. After the marked fall in August, a small increase seems more likely to us than a further decline. All in all, the general impression will probably not change: slow growth, driven by domestic demand and a recession is just one major shock away.
- Our forecasts are close to consensus.
- There can be no doubt that both the French and the Italian economy are weak and more or less stagnating. However, the decline in manufacturing PMIs seen in August looks overdone to us, so that we expect increases. On the other hand, the German manufacturing sector may see negative impact from China.
- Euro area data will be published at 10:00h (France at 9:00h; Germany at 9:30h).

Sep-14	Nordea	Consensus	Previous
Composite	52.7	52.5	52.5
Manufacturing	50.9	50.9	50.7
Services	53.3	53.0	53.1

Source: Nordea Markets and Macrobond

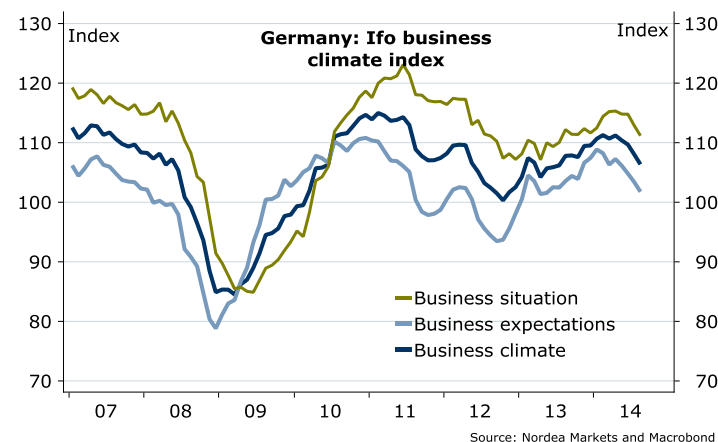


# Germany: Ifo to decline for the 7<sup>th</sup> time in a row (Wed.)

- Conditions for a rebound in the Ifo index are not in place, in our view. We expect the Ifo index to decline by less than in August, but still for the 7<sup>th</sup> time in a row. Our forecast is slightly below consensus.
- News from Ukraine may not have turned worse over recent weeks, but the sky is by no means clear. Recent news from China has not been very encouraging. And surveyed companies are probably unimpressed by the ECB's willingness act again. The general impression in Germany is that what the ECB will not solve – and not even help to solve – the structural problems (mainly) in France and Italy.
- One of the interesting details to watch will be, whether the business climate in the retail sector will fall again. That could indicate a slower pace of private consumption going forward.

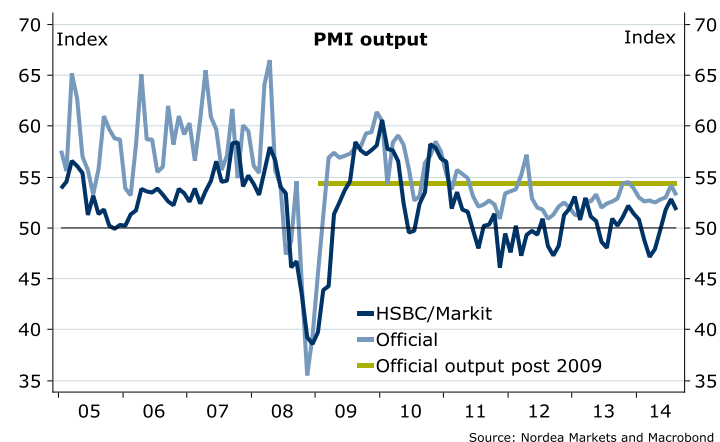
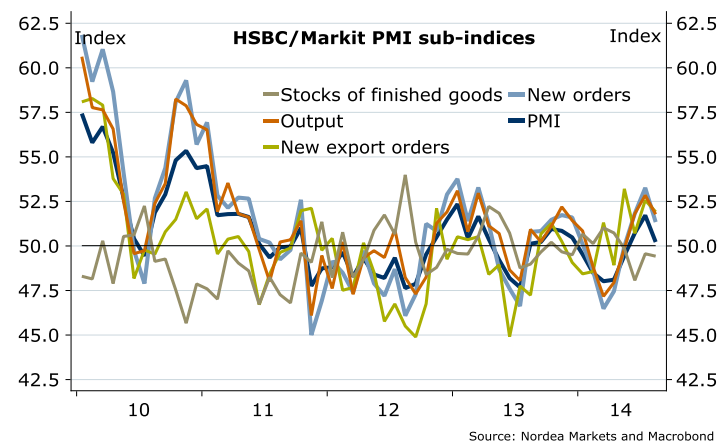
Sep-14	Nordea	Consensus	Previous
Ifo business climate	105.6	105.9	106.3
Ifo business expectations	101.2	101.3	101.7
Ifo business conditions	110.2	110.6	111.1

Source: Nordea Markets and Macrobond



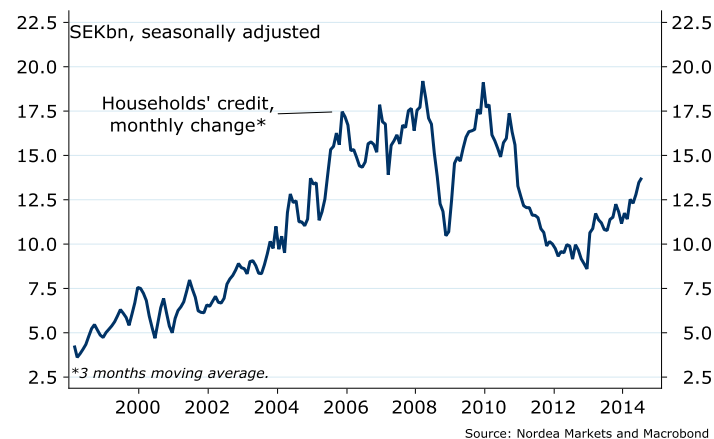
# China: Flash PMI (Tuesday)

- In the past month, the near-term outlook for the Chinese economy has been clouded by firstly the disappointing PMI data for August and then the large downside surprise in industrial production (6.9% y/y in August, the lowest since 2009).
- There is considerable uncertainty related to PMI for September. Still, we expect the headline index to stabilise just above 50 (consensus 50.3).
- Export orders are likely to contribute positively, thanks to more sales to Russia. Xi Jinping is visiting India at the time of writing and the two countries may struck several trade agreements.
- Domestic new orders are likely to weigh the opposite way, as the housing market has still not reversed its falling trend this month. We expect the relaxation of housing purchase restrictions to stabilise housing prices and sales in the coming months.
- Although Beijing has been aggressively pushing for industrial restructuring, large firms (represented by the official PMI) still are over-producing (output sub-index well above 50 for sixth year now).



# Sweden: Confidence to normalize

- **Manufacturing confidence** surprised on the upside in August and reached 106.7, while **consumer confidence** unexpectedly dropped to 96.8 according to the NIER's Tendency Surveys. For September, we expect manufacturing confidence to decline to 102, reflecting a more uncertain global outlook. Conditions are favorable for households, and confidence should pick up again to its historical average (100). *(Wednesday)*
- **Housing lending** will probably continue to edge up *(Thursday)*. Strong domestic demand and weak exports will most likely continue to weigh on the **trade balance** *(Friday)*.



# Calendar

Monday, September 22, 2014					Nordea	Consensus	Actual	Previous
	BP	Independence Day						
08:00	SE	Riksbank's Ekholm panel debate: "Is the financial- and Euro crises over?"						
13:00	SE	Meeting of the Executive Board of the Riksbank						
16:00	EU	Consumer confidence (flash)	Sep	- 10				- 10
16:00	US	Home sales, existing (m/m)	Aug		1.0%			2.4%
16:05	US	Fed's Dudley Speaks in New York						
Tuesday, September 23, 2014					Nordea	Consensus	Actual	Previous
	JP	Autumn Equinox						
01:30	US	Fed's Kocherlakota Speaks on Monetary Policy in Michigan						
03:45	CN	PMI, manufacturing (flash), HSBC	Sep		50.3			50.2
08:45	FR	Business confidence, INSEE	Sep	91				91
08:45	FR	GDP (q/q, final)	Q2	0.0%				0.0%
09:00	FR	PMI, manufacturing (preliminary)	Sep	47				46.9
09:00	FR	PMI, services (preliminary)	Sep	50.6				50.3
09:30	DE	PMI, manufacturing (preliminary)	Sep	51.8				51.4
09:30	DE	PMI, services (preliminary)	Sep	55				54.9
10:00	EU	PMI, composite (flash)	Sep	52.7				52.5
10:00	EU	PMI, manufacturing (flash)	Sep	50.9				50.7
10:00	EU	PMI, services (flash)	Sep	53.3				53.1
11:00	NO	Auction of Treasury Bonds						
13:00	US	House prices. FHFA (m/m)	Jul		0.5%			0.4%
14:00	HU	MNB announces interest rates (Base rate)	Sep	2.10%	2.10%			2.10%
15:00	US	Fed's Bullard gives welcome at community bank conference						
15:20	US	Fed's Powell speaks at community banks conference in St. Louis						
15:30	US	Fed's George speaks at community bank conference in St. Louis						
15:45	US	Markit manufacturing PMI (preliminary)	Sep		58.0			57.9
16:00	US	Richmond Fed manufacturing index	Sep		10			12
20:00	US	Fed's Kocherlakota holds town hall forum in Michigan						
Wednesday, September 24, 2014					Nordea	Consensus	Actual	Previous
03:15	US	Fed's George speaks on economy in in Cheyenne, Wyoming						
09:00	SE	Consumer confidence	Sep					96.9
09:00	SE	Economic tendency survey	Sep					103.2
09:00	SE	Manufacturing confidence	Sep					106.7
09:30	SE	Financial accounts	Q2					
10:00	DE	Ifo, business climate (main)	Sep	105.6				106.3
10:00	DE	Ifo, current assessment	Sep	110.2				111.1
10:00	DE	Ifo, expectations	Sep	101.2				101.7



# Calendar

10:00	NO	Unemployment rate, LFS	Jul	3.3%			3.3%
10:00	SE	Riksbank's Skingsley speech on the rate decision, not published					
12:00	NO	Norges Bank announces auction of Treasury Bills					
13:00	SE	Meeting of the General Council of the Riksbank					
16:00	US	Home sales, new (m/m)	Sep		4.4%		-2.4%
18:05	US	Feds' Mester speaks on monetary policy in Cleveland					
19:00	US	Fed's Evans speaks at labor market conference in Washington					
<b>Thursday, September 25, 2014</b>				Nordea	Consensus	Actual	Previous
09:30	SE	Financial market statistics, household lending (y/y)	Aug				5.5%
09:30	SE	PPI (y/y)	Aug				1.4%
10:00	EU	Loans to the private sector (y/y)	Aug	-1.5%			-1.6%
10:00	EU	M3 (y/y)	Aug	1.9%			1.8%
11:00	SE	SNDO to auction inflation-linked bonds (SEK 1bn)					
13:00	CZ	CNB announces interest rates (Repo rate)	Sep	0.05%	0.05%		0.05%
14:30	US	Durable goods orders (m/m)	Aug		-17.0%		22.6%
14:30	US	Durable goods orders, core capital goods (m/m)	Aug		0.5%		-0.5%
14:30	US	Durable goods orders, ex transportation (m/m)	Aug		0.5%		-0.8%
14:30	US	Jobless claims, initial	Sep				280k
15:45	US	Markit composite PMI (preliminary)	Sep				59.7
15:45	US	Markit services PMI (preliminary)	Sep				59.5
16:00	US	Kansas City Fed manufacturing activity	Sep				3
18:00	TR	CBRT announces interest rates (Benchmark repo rate)	Sep	8.25%			8.25%
19:20	US	Fed's Lockhart speaks on economy in Jackson, Mississippi					
<b>Friday, September 26, 2014</b>				Nordea	Consensus	Actual	Previous
01:30	JP	CPI, national (y/y)	Aug				3.4%
01:30	JP	CPI, national, excluding food and energy (y/y)	Aug				2.1%
01:30	JP	CPI, national, excluding fresh food (y/y)	Aug				3.3%
08:00	DE	Consumer confidence, GfK	Oct	8.5			8.6
08:45	FR	Consumer confidence	Sep	86			86
09:30	SE	Trade Balance	Aug				1.9bn
10:00	NO	Housing starts (s.a.)	Aug				2 830
14:30	US	GDP (q/q annualised, final)	Q2	4.6%	4.6%		4.2%
14:30	US	PCE prices, core (q/q, annualised) (final)	Q2				2.0%
14:30	US	Personal consumption (q/q annualised, final)	Q2		3.0%		2.5%
15:55	US	Consumer confidence, University of Michigan (final)	Sep		85.0		84.6

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