



# Week Ahead

27 Sep – 03 Oct



Nordea Research, 26 September 2014

## Next week's key events

- **US**

We expect a 225k rise in payrolls following the surprisingly weak August figures. Additionally we expect a fall in the unemployment rate and an above-trend rise in wages. We expect the ISM manufacturing index to fall to 58.0 in September from August's 59.0, which was close to a cycle-high.

- **Euro area**

It's inflation data and ECB week. We expect the headline inflation rate to drop to 0.3% (from 0.4%) and see the main risk to the downside (Tuesday). From the ECB, we expect more details on the ABS and covered bond purchase programmes, but no full clarity about size and time horizon. The door will be open to whatever further it takes, which will allow the market to continue to price in further easing. No rate cuts, no sovereign QE announcement.

- **UK**

House prices have risen by 22% since the bottom in 2009, but there are signs of a stabilisation of house prices, partly as a result of more restrictive lending standards. However, it's still rather uncertain whether macro prudential tools will cool down the housing market effectively. We believe there is currently no need for further macro prudential measures and that the FPC will make no new policy recommendations

- **Sweden**

Retail sales have slowed in recent months. We see this as temporary and to a large extent weather related. For August we expect sales to pick up again.

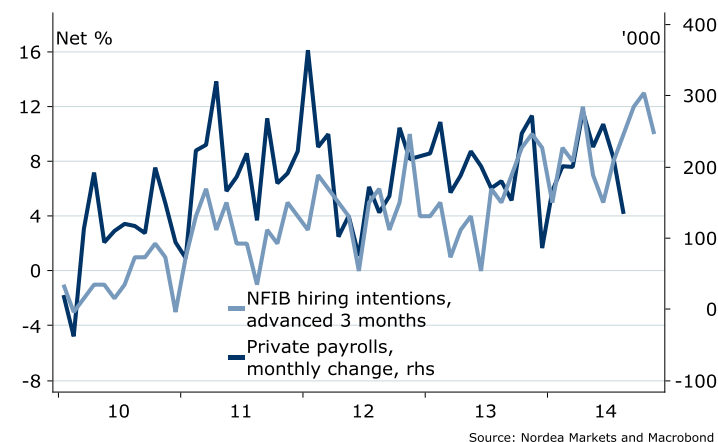
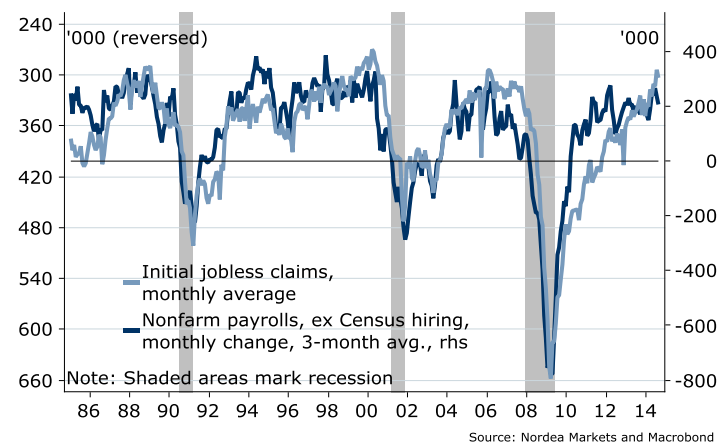
- **Norway**

Retail sales fell by as much as 1,5 % m/m in July and it is hard not to blame it on the nice weather. We believe in a fairly strong 0,8 % rebound in August (Tue 10:00 CET), as purchases was postponed in July.

# US: Rebound in payrolls after August's anomaly (Fri)

- We expect a 225k gain in nonfarm **payrolls** in September, up from August's surprisingly weak 142k rise. The consensus is 210k with a 22k standard deviation.
- Recent indicators including jobless claims suggest that the August slowing in payrolls did not represent a change in the trend, but probably rather reflected strike effects, auto industry retooling and other seasonal noise. Anything over 125k jobs per month will keep the unemployment rate trending down unless the participation rate starts increasing sharply (something we don't expect).
- We expect the **unemployment** rate to fall to 6.0% from 6.1% in August, driven by a rebound in employment according to the household survey. Consensus: 6.1%.
- Again the primary focus will likely be on the wage data. We expect a 0.3% gain in **average hourly earnings** in August, above the 0.2%-per-month trend rise and the 0.2% consensus call. Such an outcome would reinforce the impression that the labour market is tighter than the Fed believes. Year-over-year average hourly earnings growth should rise to 2.3% from 2.1% in August.

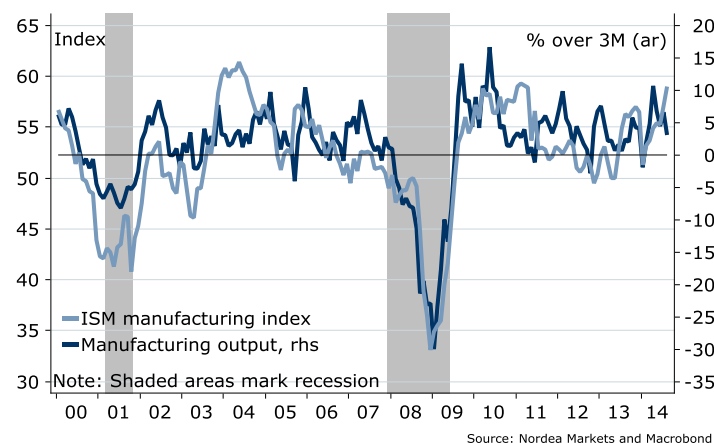
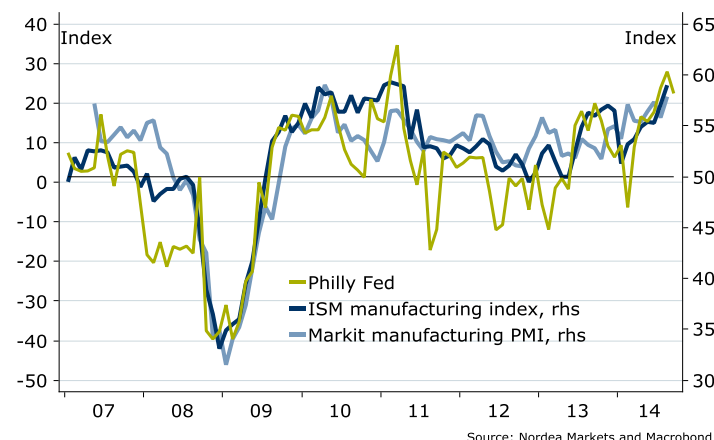
September 2014	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	225	210	142
Unemployment rate, %	6.0	6.1	6.1
Average hourly earnings, % m/m	0.3	0.2	0.2



# US: ISM index slightly down but still strong (Wed)

- We expect the ISM manufacturing index to fall to 58.0 in September from August's 59.0, which was close to a cycle-high. The consensus is 58.5 with a 0.6 standard deviation.
- Although we expect the ISM index to slip back in September, an outcome in line with our forecast would still add to the evidence that the trend in growth has picked up this year. A 58 reading is typically consistent with at 7-8% annualised growth rate in manufacturing output. The ISM manufacturing index averaged 53.9 in 2013, 52.7 in Q1 2014, 55.2 in Q2.
- Our forecast of a decline in the ISM index in September is mainly due to the recent downshift in the import orders component of China's PMI — a measure of Chinese demand for goods and materials from the rest of the world.
- The US manufacturing indicators are mixed in September. Both the Richmond Fed and the Empire State indices rose, while the Philly Fed slipped back from a strong August. The preliminary Markit PMI was flat.

September 2014	Nordea	Consensus	Previous
ISM manufacturing index	58.0	58.5	59.0

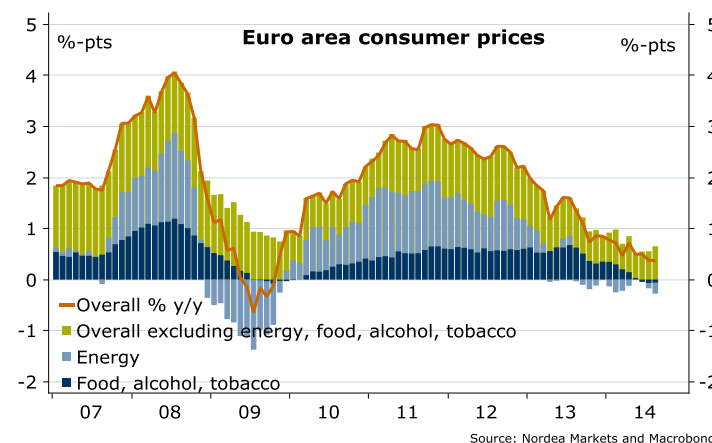
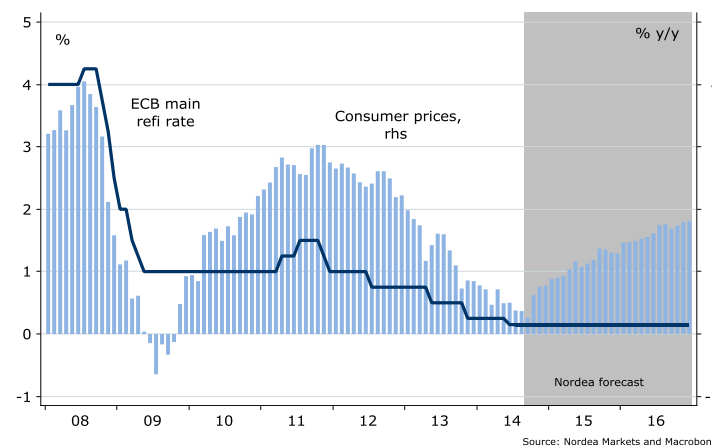


# Euro-area: Inflation rate down to 0.3% y/y (Tue)

- We expect the Euro-area inflation rate to fall to 0.3% y/y in September (flash estimate), driven by declining energy prices. Brent prices (in EUR terms) fell in July, August and September. That should feed through into prices for transport and heating.
- Our call is in line with consensus. We see the main risk to the downside.
- A reading around 0.3% will not come as surprise to ECB policy makers meeting on 2 October. Inflation is far below the ECB target and likely to remain there for a while.
- What makes us less worried about deflation risk than others is the stable core rate. We expect it to drop just a tad to 0.8% y/y (from 0.9%). And this is not a new downward trend, in our view.
- For October/November, we expect positive base effects from energy and food prices to lift the headline rate above 0.5%.

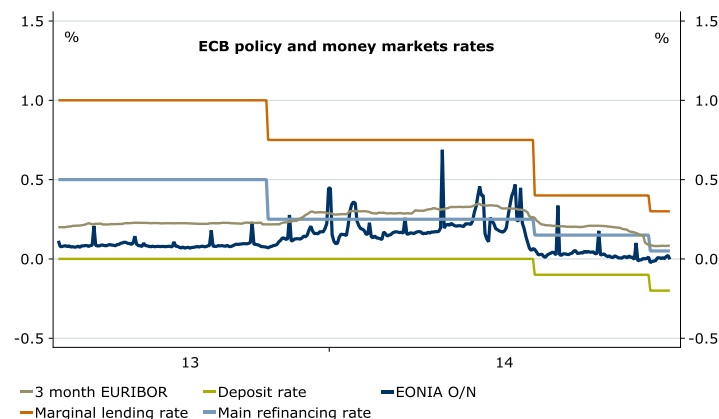
September 2014, % y/y	Nordea	Consensus	Previous
HICP headline rate	0.3	0.3	0.4
HICP ex food, energy, alc., tob.	0.8	0.9	0.9

Source: Nordea Markets and Macrobond

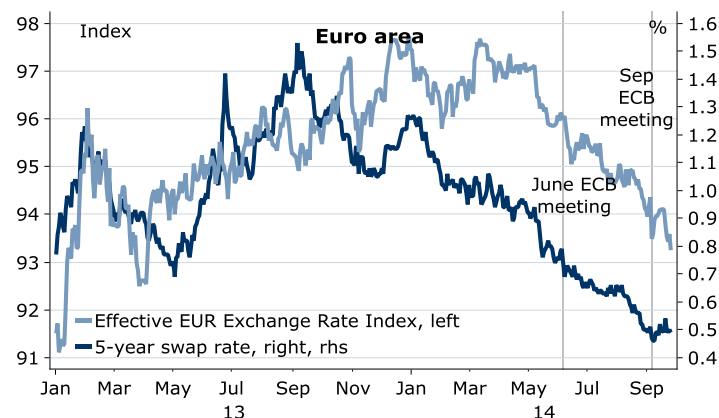


# ECB: Buy what, how much and how fast? (Thu)

- For the ECB meeting, we expect more details on the ABS and covered bond purchase programmes, and an open door to do whatever further it takes, but no sovereign QE announcement, and not rate cuts.
- The ECB said in September that asset purchases will start in October and that should be confirmed. As indicated by Vice-President Constancio, an overall size of the programmes will probably not be announced.
- We expect Draghi to be optimistic on the second TLTRO and on the positive effect of asset purchases. After all, central bankers should be convinced by what they are doing so that they have a chance to convince others.
- What about buying government bonds? We are convinced that the Governing Council prefers to avoid the legal, political and practical hassle associated with QE. We would have to change our no QE call after the meeting, if the ECB seems determined to reach an ambitious balance sheet target (like back to the early 2012-level) relatively fast.
- Draghi's message should leave the market free to continue to price in a higher chance of more easing to come. The ECB's stance thus continues to support very depressed core yields, even tighter intra-Euro-area spreads and keep the euro under pressure.



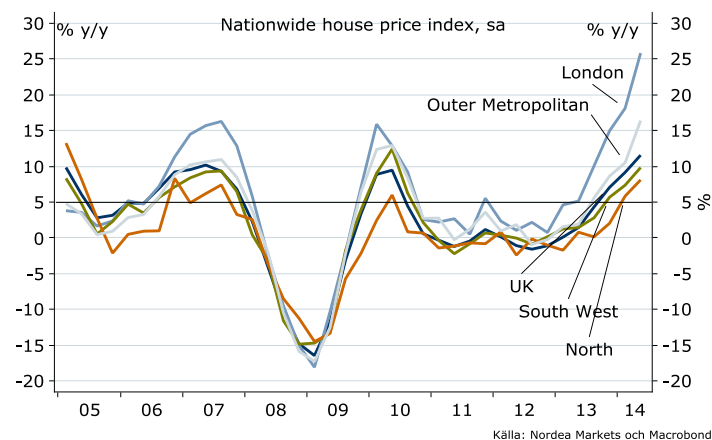
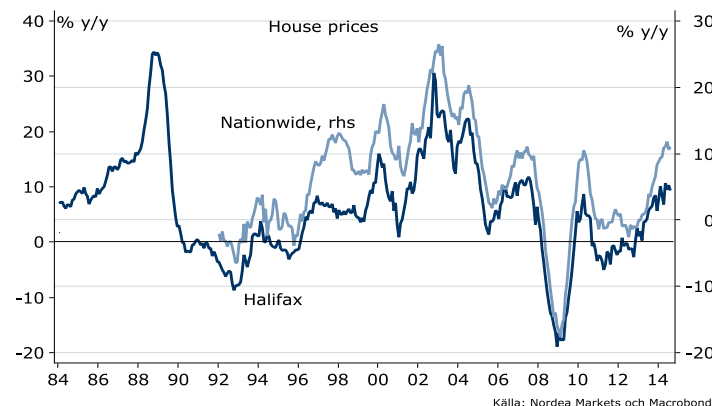
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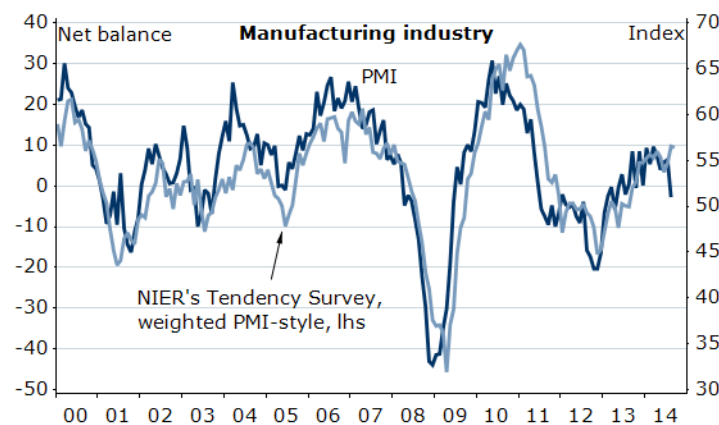
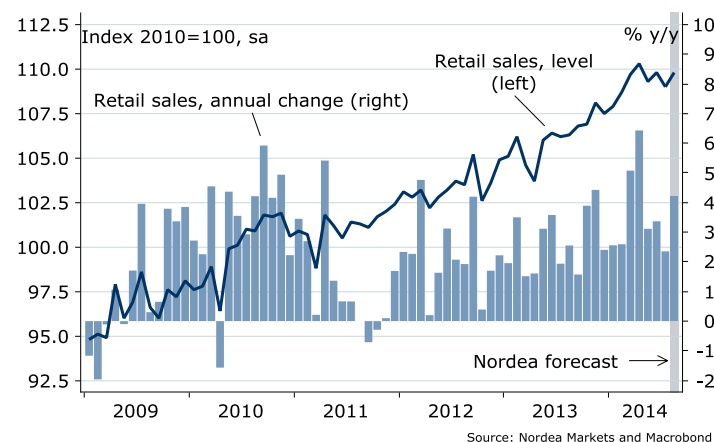
# BoE FPC: Signs of house price stabilisation keep FPC on hold (Tue and Thu)

- Annual house prices continue to increase, but at a slower pace. However, annual house prices unexpectedly increased by 11.0% y/y in August, up from 10.6% in July according to Nationwide. **According to consensus house prices should increase somewhat slower, at 10.4%, in September.** (Tue)
- London continues to lead, with an annual price increase of 26% in August.
- House prices have risen by 22% since the bottom in 2009, but there are signs of a stabilisation of house prices, partly as a result of more restrictive lending standards. However, it's still rather uncertain whether macro prudential tools will cool down the housing market effectively. Macro prudential policy is actually not a substitute for monetary policy.
- We believe there is currently no need for further macro prudential measures and that **the FPC will make no new policy recommendations.** (Thu)
- Markets are currently pricing a first rate hike in March/April 2015. **Our forecast is still a first rate hike in Q2 2015.**



# Sweden: Consumers' comeback (Mon)

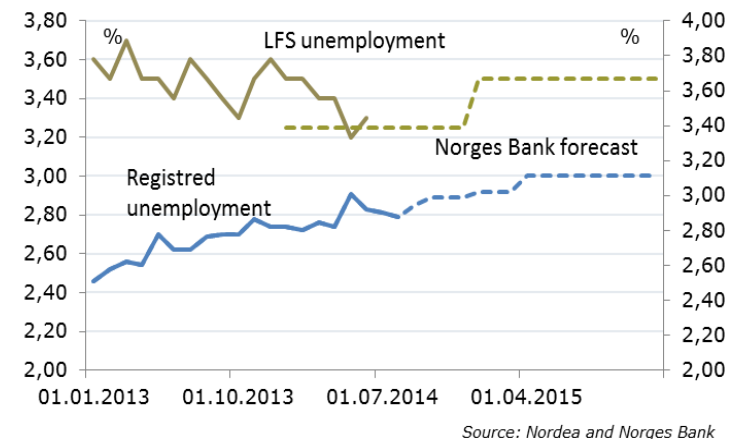
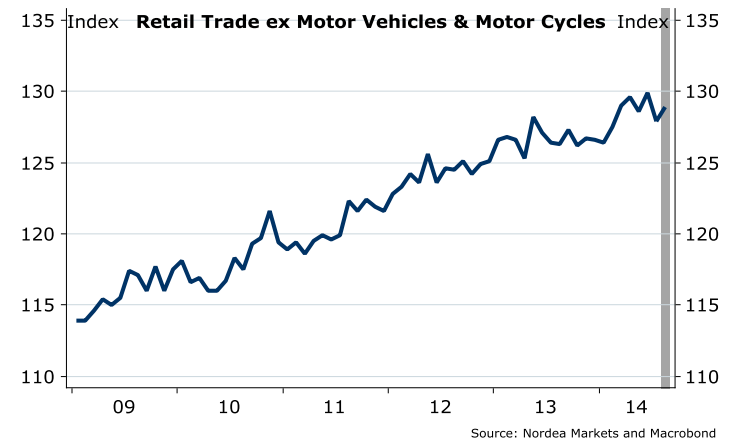
- **Retail sales** have slowed in recent months. We see this as temporary and to a large extent weather related. For August we expect sales to pick up again. We have penciled in a rise by 0.7 m/m. Favorable base effects boost the year-on-year figure to 4.0%, up from 2.4% in July. *(Monday)*
- **Manufacturing PMI** dropped to 51.0 in August, the lowest level since April 2013. The NIER's manufacturing confidence indicator shows a more upbeat sentiment. However, we don't take that as an indication that the PMI will rise again in September. *(Wednesday)*
- The expected rise in **manufacturing production** by 1.0% m/m in August should be seen on the back of the extremely weak developments the previous months. Our forecast implies that the year-on-year figure will rise to -1.5% from the very low -5.7% in July, while the trend remains weak. *(Friday)*





# Norway: Retail sales to rebound (Tue)

- **Retail sales** fell by as much as 1,5 % m/m in July and it is hard not to blame it on the nice weather.
- We believe in a fairly strong 0,8 % rebound in August (Tue 10:00 CET), as purchases was postponed in July.
- If we are right retail sales will still point to decent growth in private consumption, which is much needed before ending up on the weak side of Norge Bank's forecast.
- **September registered unemployment** (Fri 10.00 CET) is expected to move about sideways s.a.
- Marginally stronger than Norges Bank's forecast which is for unemployment to increase somewhat from the current level.



# Calendar

Sunday, September 28, 2014					Nordea	Consensus	Actual	Previous
18:15	US	Bernanke speaks at economics conference in Chicago						
Monday, September 29, 2014					Nordea	Consensus	Actual	Previous
09:30	SE	Retail Sales (sa, m/m)	Aug	0.7%				- 0.7%
09:30	SE	Retail Sales (y/y)	Aug	4.0%				2.3%
11:00	EU	Consumer confidence (final)	Sep	- 10				- 10
11:00	EU	Economic Sentiment Indicator (ESI)	Sep	100				100.6
11:00	NO	Auction of Treasury Bills						
14:00	DE	HICP (y/y, preliminary)	Sep	0.7%				0.8%
14:30	US	PCE prices (y/y)	Aug	1.4%	1.4%			1.6%
14:30	US	PCE prices, core (m/m)	Aug		0.0%			0.1%
14:30	US	PCE prices, core (y/y)	Aug	1.4%	1.4%			1.5%
14:30	US	Personal income (m/m)	Aug		0.3%			0.2%
14:30	US	Personal spending (m/m)	Aug		0.4%			- 0.1%
15:00	US	Fed's Evans speaks at economics conference in Chicago						
16:00	US	Home sales, pending (m/m)	Aug		- 0.5%			3.3%
16:30	US	Dallas Fed Man. Activity	Sep		10.5			7.1
Tuesday, September 30, 2014					Nordea	Consensus	Actual	Previous
01:05	GB	Consumer Confidence, Gfk	Sep			0		1
08:00	GB	House prices, nationwide (nsa, y/y) (Exp 25- 30 Sep)	Sep			10.4%		11.0%
08:00	GB	House prices, nationwide (sa, m/m) (Exp 25- 30 Sep)	Sep			0.5%		0.8%
09:55	DE	Unemployment rate (sa)	Sep	6.7%				6.7%
10:00	NO	Consumption of goods indicator (m/m)	Aug					- 1.7%
10:00	NO	Credit growth, domestic, C2 (y/y)	Aug	5,6%				5.4%
10:00	NO	Norges Bank publishes FX buys to Pension Fund- International	Oct					0
10:00	NO	Retail sales (m/m)	Aug	0,8%				- 1.5%
10:30	GB	GDP (q/q, final)	Q2			0.8%		0.8%
10:30	GB	GDP (y/y, final)	Q2			3.2%		3.2%
11:00	EU	HICP (flash, y/y)	Sep	0.3%	0.3%			0.4%
11:00	EU	HICP core (flash, y/y)	Sep	0.8%	0.9%			0.9%
11:00	EU	Unemployment rate	Aug	11.5%	11.5%			11.5%
11:00	IT	HICP (m/m, preliminary)	Sep	1.8				- 0.2%
11:00	IT	HICP (y/y, preliminary)	Sep	- 0.2				- 0.2%
11:00	NO	Speech by Norges Bank Governor Olsen arranged by CME at Nordea						
15:00	US	House prices, S&P/Case- Shiller, composite- 20 (y/y)	Jul			7.4%		8.07%
15:45	US	Chicago PMI	Sep			61.5		64.3
16:00	US	Consumer confidence	Sep			92.4		92.4
16:45	US	Fed's Powell Speaks on Government Debt Panel in Washington						

# Calendar

Wednesday, October 1, 2014					Nordea	Consensus	Actual	Previous
08:00	DE	Retail sales (m/m) (Exp 27 Sep - 01 Oct)	Aug		1.3%			- 1.4%
08:30	SE	PMI, manufacturing	Sep					51.0
09:00	NO	PMI (s.a. index)	Sep					51.8
09:30	SE	Registration of vehicles	Sep					7.5%
10:00	EU	PMI, manufacturing (final)	Sep			50.5		50.5
10:30	GB	PMI, manufacturing	Sep			52.5		52.5
14:15	US	Employment, ADP (absolute change m/m)	Sep			204k		204k
16:00	US	Construction spending (m/m)	Aug			0.4%		1.8%
16:00	US	ISM, manufacturing	Sep		58.0	58.5		59
16:00	US	ISM, prices paid	Sep			57		58
23:00	US	Vehicle sales, total	Sep			16.90m		17.45m
Thursday, October 2, 2014					Nordea	Consensus	Actual	Previous
09:00	NO	Speech by Norges Bank Governor Olsen (charts published)						
12:00	NO	Norges Bank announces auction of Treasury bonds						
12:30	US	Challenger job cuts (y/y)	Sep					- 20.7%
13:45	EU	ECB announces interest rates	Oct			0.05%		0.05%
14:30	US	Jobless claims, initial	Sep					293k
16:00	US	Factory orders (m/m)	Aug			- 9.0%		10.5%
19:00	US	Fed's Lockhart Speaks on Employment Insurance in Atlanta						
Friday, October 3, 2014					Nordea	Consensus	Actual	Previous
08:30	SE	PMI, service sector	Sep					54.2
09:30	SE	Industrial orders (y/y)	Aug					- 4.4%
09:30	SE	Industrial production (y/y)	Aug		- 1.5%			- 5.7%
09:30	SE	Private service sector production (y/y)	Aug					2.0%
10:00	EU	PMI, composite (final)	Sep					52.3
10:00	EU	PMI, services (final)	Sep					52.8
10:00	NO	Speech by Norges Bank Deputy Governor Nicolaisen (Charts published)						
10:00	NO	Unemployment rate, registered (unadj. and excl. labour market s	Sep		2.7%			2.9%
10:30	GB	PMI, services	Sep			59.0		60.5
11:00	EU	Retail sales (m/m)	Aug		0.5%			- 0.4%
14:30	US	Average weekly hours	Sep		34.5	34.5		34.5
14:30	US	Hourly earnings, average (m/m)	Sep		0.3%	0.2%		0.2%
14:30	US	Hourly earnings, average (y/y)	Sep		2.3%	2.2%		2.1%
14:30	US	Nonfarm payrolls (absolute change m/m)	Sep		225k	210k		142k
14:30	US	Trade balance	Aug			- 40.7bn		- 40.5bn
14:30	US	Unemployment rate	Sep		6.0%	6.1%		6.1%
16:00	US	ISM, non- manufacturing, composite	Sep			58.5		59.6

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