



Week Ahead

1 – 7 Nov



Nordea Research, 31 October 2014

Next week's key events

- **US**

We expect the ISM manufacturing index to fall to 56.0 in October from September's 56.6. Although we expect the ISM index to slip back in October, an outcome in line with our forecast would still add to the evidence that the trend in growth has picked up this year. We expect a 230k gain in nonfarm payrolls in October, down from September's surprisingly strong 248k rise, which likely reflected normalisation after an exceptionally weak increase in August. Also, read our preview of the midterms [here](#).

- **Euro area**

The focus will be on the ECB meeting on Thursday. We expect no new easing measures but Draghi talking dovish enough to keep markets expecting more easing. The press conference will centre around what else the ECB could buy. In our view, the ECB is much closer to buying corporate than sovereign bonds. – Apart from that, data from Germany will show whether and by how much industrial orders (Thursday) and production (Friday) rebounded in September.

- **UK**

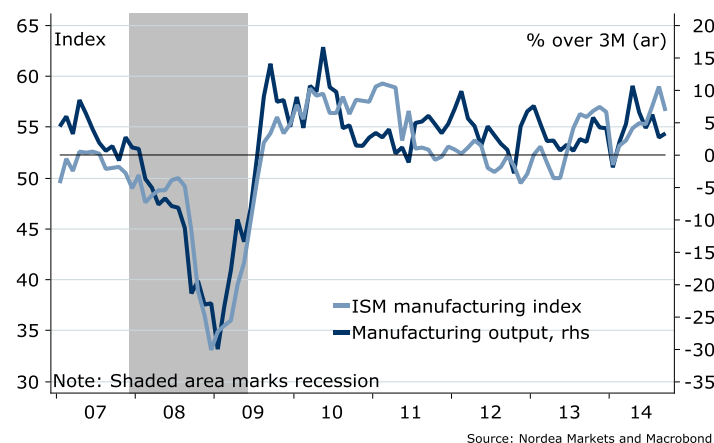
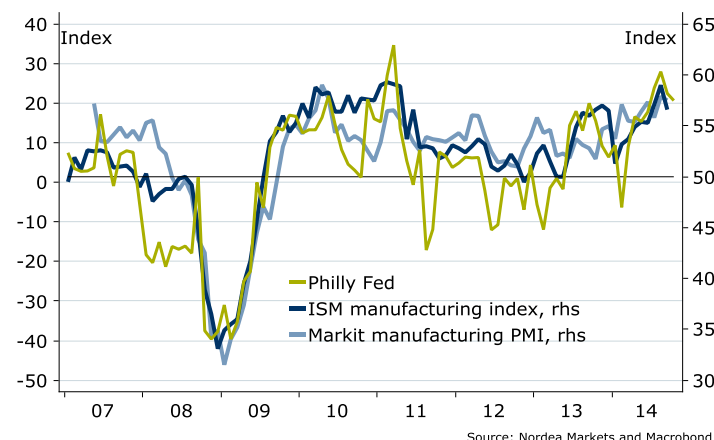
We expect the BoE to maintain the bank rate at 0.50% and the size of the Asset Purchase Programme at GBP 375bn at the November MPC meeting. No actions taken means that no statement will be published.

- **Sweden**

We forecast that the PMI declined to 52 in October. The PMI lift in September was mainly due to a jump in the volatile sub-index for production, which very well could reverse this month. Additionally, manufacturing production is expected to have fallen by 2% y/y in September.

US: ISM index slightly down but still strong (Mon)

- We expect the ISM manufacturing index to fall to 56.0 in October from September's 56.6. The consensus is 56.5 with a 0.7 standard deviation.
- Although we expect the ISM index to slip back in October, an outcome in line with our forecast would still add to the evidence that the trend in growth has picked up this year. The ISM manufacturing index averaged 53.9 in 2013, 52.7 in Q1 2014, 55.2 in Q2 and 57.6 in Q3.
- A key reason why we expect the ISM index to fall further in October is that the index has recently overstated the pace of manufacturing output, the hard data, probably due to noise from seasonal adjustments. As a result, we might see a correction lower in the ISM manufacturing index in the next few surveys.
- Our forecast is also in line with the recent downshift in China's PMI, which has proved to be a good guide to US manufacturing output.
- In addition, the US manufacturing indicators are mostly weaker in October. The Richmond Fed rose, but both the Philly Fed and the Empire State indices as well as the preliminary Markit PMI slipped back from a strong September.

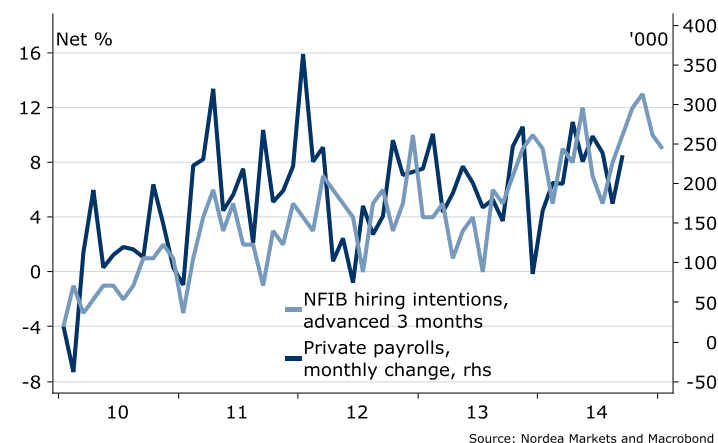
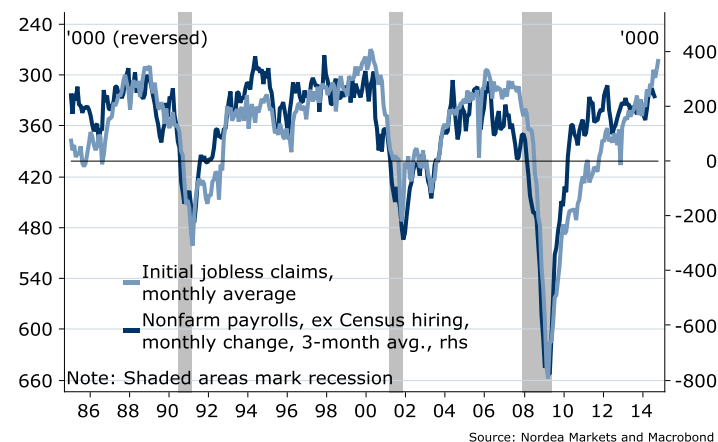


October 2014	Nordea	Consensus	Previous
ISM manufacturing index	56.0	56.5	56.6

US: another strong jobs report (Fri)

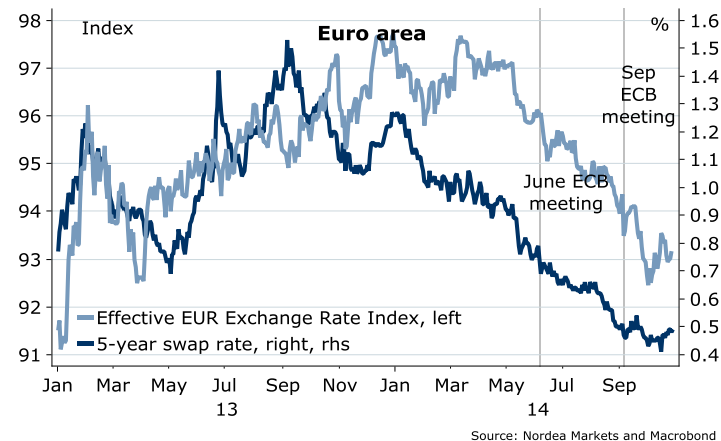
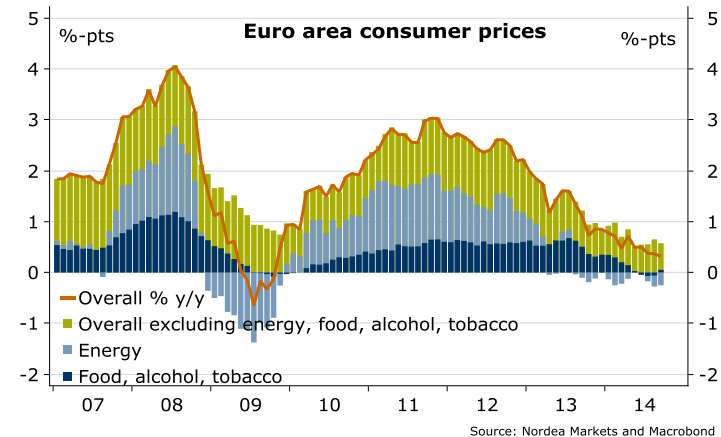
- We expect a 230k gain in nonfarm **payrolls** in October, down from September's surprisingly strong 248k rise, which likely reflected normalisation after an exceptionally weak increase in August. The consensus is also 230k with a 27k standard deviation.
- Recent indicators including jobless claims point to another strong gain in payrolls. 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 remain at 5.9% in October, as the labour force is believed to rebound after two straight declines.
- Again the primary focus will likely be on the wage data. After being unchanged in September **average hourly earnings** are expected to revert to the previous 0.2%-per-month trend rise in October. Year-over-year average hourly earnings growth should rise to 2.1% from 2.0% in September.

October 2014	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	230	230	248
Unemployment rate, %	5.9	5.9	5.9
Average hourly earnings, % m/m	0.2	0.2	0.0



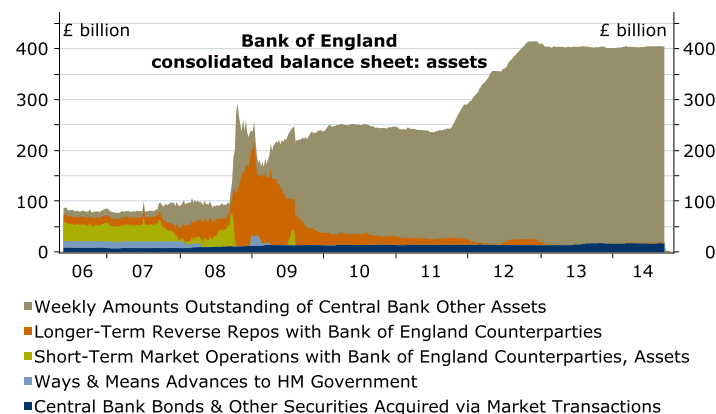
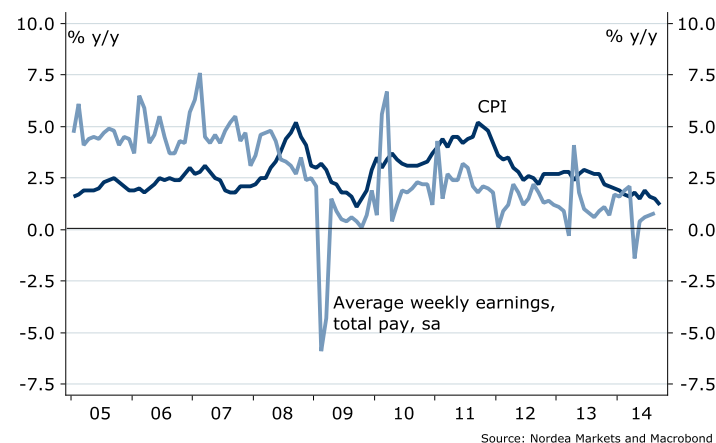
ECB: More to come, but not this time (Thu)

- We expect no new policy decisions. Draghi should sound confident on the policy measures taken so far and praise the AQR /stress test exercise. At the same, he will have to acknowledge the significant downside risks for growth. Read the full preview [here](#).
- With the Euro-area situation looking fragile, the ECB cannot afford to cause a bond market sell-off by suddenly taking a more hawkish stance. Instead, the ECB's message is likely to be sufficiently dovish to keep the markets expecting even more easing measures.
- Such a stance would continue to contribute to lower core bond yields, a flatter curve, a weaker euro and narrower intra-Euro-area spreads.
- Citing ECB sources, media recently speculated that the ECB could announce corporate bond purchases as "early as December". ECB officials did not dismiss that but just said they had no "concrete plans" to buy.
- We consider a corporate bond purchase programme the logical extension of ABS and covered bond purchases: an attempt to extend the balance sheet by avoiding even more controversial sovereign bond purchases. To us, December is indeed a possible date. The press conference should allow conclusions whether an announcement in December is realistic.



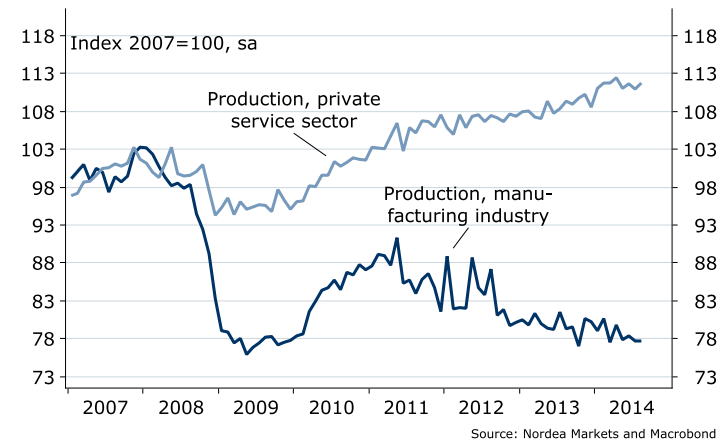
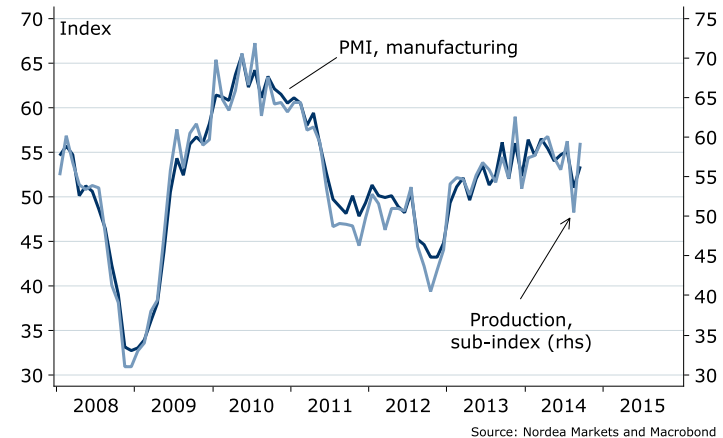
BoE: Still on hold (Thu)

- We expect the BoE to maintain the bank rate at 0.50% and the size of the Asset Purchase Programme at GBP 375bn at the November MPC meeting. No actions taken means that no statement will be published.
- As in August and September, Weale and McCafferty voted for a 25bp rate hike at the October MPC meeting, but the majority of MPC members was still firm (7-2) for unchanged rates. We expect the vote to remain unchanged at the November meeting.
- Next week's meeting will probably focus on the evolution of slack in the economy and weak wage growth.
- BoE Chief Economist Haldane said recently that the international growth outlook and a lack of domestic inflation have left him "gloomier," underscoring the case for the BoE to take time before raising interest rates.
- CPI inflation fell to just 1.2% in September, the lowest in five years. With the recent sharp fall in oil prices CPI inflation might dip below 1% later this year – a rate that would force BoE Governor Carney to write his first letter to the chancellor, George Osborne, explaining why inflation is more than 1% point away from its 2% target.
- We still expect the first rate hike in Q2 2015, but risks of a delay has recently increased.



Sweden: Stagnating manufacturing sector

- In September, **manufacturing PMI** increased to 53.0 in and in October the NIER's manufacturing confidence indicator jumped to its highest level in three years.
- Still, we forecast that the PMI declined to **52 in October**. The PMI lift in September was mainly due to a jump in the volatile sub-index for production, which very well could reverse this month. In addition, global PMIs in general and the IFO indicator in particular continue their downward trends. (*Monday*)
- **Manufacturing production** is expected to have fallen by 2% y/y in September. The trend in the **private services sector** is positive and we see a production gain by 2.8% over the year to September. (*Wednesday*).



Calendar

Saturday, November 1, 2014					Nordea	Consensus	Actual	Previous
02:00	CN	PMI, manufacturing, NBS	Oct			51.2		51.1
Monday, November 3, 2014					Nordea	Consensus	Actual	Previous
02:45	CN	PMI, manufacturing (final), HSBC	Oct			50.4		50.4
08:30	SE	PMI, manufacturing	Oct					53.4
09:00	NO	PMI (s.a. index)	Oct					49.4
09:30	SE	Registration of vehicles	Oct					7.1%
09:55	DE	PMI, manufacturing (final)	Oct		51.8	51.8		51.8
10:00	EU	PMI, manufacturing (final)	Oct		50.7	50.7		50.7
10:30	GB	PMI, manufacturing	Oct			51.5		51.6
11:00	NO	Auction of Treasury Bills						
15:30	US	Evans Gives Opening Remarks at Chicago Fed Conference						
15:45	US	Markit manufacturing PMI (final)	Oct			56.0		56.2
16:00	US	Construction spending (m/m)	Sep			0.7%		- 0.8%
16:00	US	ISM, manufacturing	Oct		56.0	56.5		56.6
16:00	US	ISM, prices paid	Oct			58.0		59.5
18:40	US	Dallas Fed's Fisher speaks on monetary policy in New York						
23:00	US	Mid-term Congressional elections						
Tuesday, November 4, 2014					Nordea	Consensus	Actual	Previous
14:30	US	Trade balance	Sep			-\$40.0bn		-\$40.1bn
16:00	DK	Foreign currency reserves	Oct		444			442.4
16:00	US	Factory orders (m/m)	Sep			-0.5%		- 10.1%
Wednesday, November 5, 2014					Nordea	Consensus	Actual	Previous
08:15	CH	CPI (y/y)				0.0%		- 0.1%
08:30	SE	PMI, service sector	Oct					55.6
09:00	GB	House prices, Halifax (3mma, y/y) (Exp 03-07 Nov)	Oct			9.1%		9.6%
09:30	SE	Industrial orders (y/y)	Sep					- 4.7%
09:30	SE	Industrial production (y/y)	Sep					- 2.4%
09:30	SE	Private service sector production (y/y)	Sep					2.3%
09:55	DE	PMI, services (final)	Oct		54.8	54.8		54.8
10:00	EU	PMI, composite (final)	Oct		52.2	52.2		52.2
10:00	EU	PMI, services (final)	Oct		52.4	52.4		52.4
10:30	GB	PMI, services	Oct			58.4		58.7
11:00	EU	Retail sales (m/m)	Sep		- 1.5%	- 0.6%		1.2%
11:00	NO	House prices EFF (m/m, s.a.)	Oct					
14:15	US	Employment, ADP (absolute change m/m)	Oct			214k		213k

Calendar

Wednesday, November 5, 2014 (continued)					Nordea	Consensus	Actual	Previous
15:15	US	Fed's Kocherlakota Speaks on Monetary Policy in Minnesota						
15:30	US	Fed's Lacker Speaks on Financial Stability in Washington						
15:45	US	Markit composite PMI	Oct					57.4
15:45	US	Markit services PMI (final)	Oct					57.3
16:00	US	Fed's Rosengren Speaks at Conference in Lima						
16:00	US	ISM, non-manufacturing, composite	Oct			58.0		58.6
Thursday, November 6, 2014					Nordea	Consensus	Actual	Previous
	EU	European Commission Economic Forecasts (Exp 04- 06 Nov)						
08:00	DE	Factory orders (m/m)	Sep	2.0%	2.0%			-5.7%
09:30	SE	House prices, Statistics Sweden (y/y)	Oct					7%
10:30	GB	Industrial production (y/y)	Sep		1.6%			2.5%
10:30	GB	Manufacturing production (y/y)	Sep		2.8%			3.9%
13:00	GB	BoE announces asset purchase target	Nov	375bn	375bn			375bn
13:00	GB	BoE announces interest rates	Nov	0.50%	0.50%			0.50%
13:30	US	Challenger job cuts (y/y)	Oct					-24.4%
13:45	EU	ECB announces interest rates	Nov	0.05%	0.05%			0.05%
14:30	US	Jobless claims, initial	Oct					287k
14:30	US	Nonfarm productivity (q/q annualised, preliminary)	Q3		0.9%			2.3%
14:30	US	Unit labor costs (q/q annualised, preliminary)	Q3		0.9%			-0.1%
16:40	US	Fed's Evans Gives Welcoming Remarks at Chicago Banking Event						
23:45	US	Bernanke Speaks at Investor Conference in Denver						
Friday, November 7, 2014					Nordea	Consensus	Actual	Previous
	US	Fed's Mester Speaks in New York						
08:00	DE	Industrial production (m/m)	Sep	1.5%	1.8%			-4.0%
08:45	FR	Industrial production (m/m)	Sep	0.0%	-0.2%			0.0%
09:30	SE	Business sector production (m/m)	Sep					0.3%
09:30	SE	Household consumption (y/y)	Sep					2.5%
09:30	SE	The Swedish Central Government Debt						
10:00	NO	Manufacturing production (m/m)	Sep					1.0%
14:30	US	Average weekly hours	Oct	34.6	34.6			34.6
14:30	US	Hourly earnings, average (m/m)	Oct	0.2%	0.2%			0.0
14:30	US	Hourly earnings, average (y/y)	Oct	2.1%	2.1%			2%
14:30	US	Nonfarm payrolls (absolute change m/m)	Oct	225k	230k			248k
14:30	US	Nonfarm private payrolls (absolute change m/m)	Oct		225k			236k
14:30	US	Unemployment rate	Oct	5.9%	5.9%			5.9%
15:15	US	Fed's Evans Speaks on Economy at Chicago Banking Conference						
16:15	US	Fed's Yellen Speaks on Policy Since the Crisis in Paris						

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