



Week Ahead

8 – 14 Nov



Nordea Research, 07 November 2014

Next week's key events

- **US**

Next week offers only second-tier data from the US. The most important release will likely be Friday's **retail sales** data for October.

- **Euro area**

Euro area: Friday is **GDP day** for the Euro area. We expect stagnation q/q. Moreover and also on Friday, the flash estimate for **inflation** in October should be confirmed.

- **UK**

Despite weaker global growth the UK economy has evolved in line with the BoE's forecast in the August Inflation report. We believe there will only be minor revisions in the November **Inflation Report**.

- **China**

The **trade balance** (Saturday) is expected to have increased in October, driven by high growth in exports. **CPI** will be out and inflationary pressure is expected to remain low.

- **Sweden**

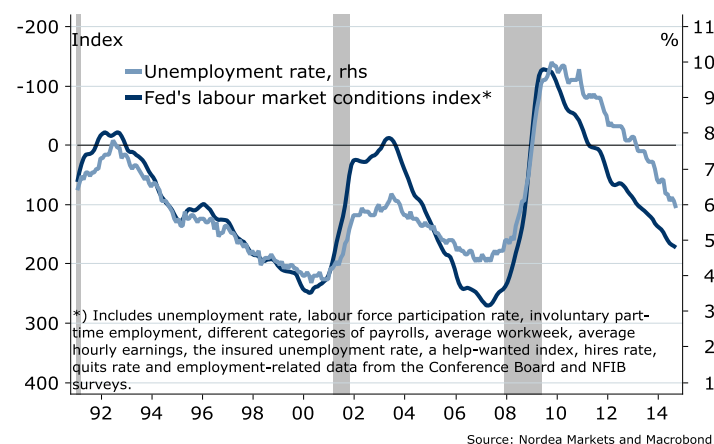
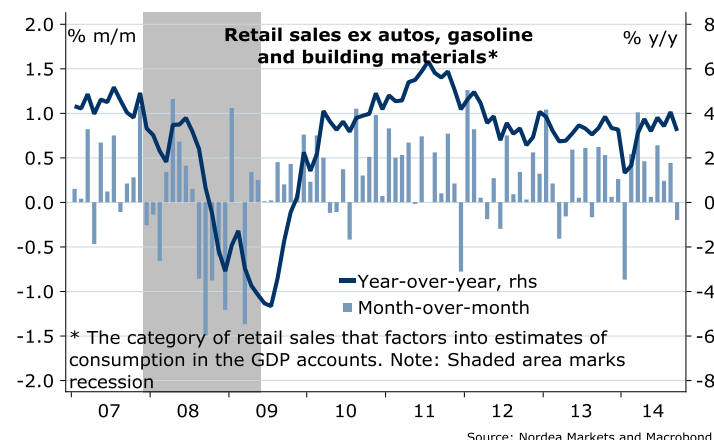
We see **CPI** unchanged on the month in October. Risks are if anything skewed to the upside. Read more [here](#).

- **Norway**

We forecast October **core inflation** at 2.3% (Mon 10:00 CET), following 2.4% in September. Consensus not yet known.

US: Second-tier data delivered

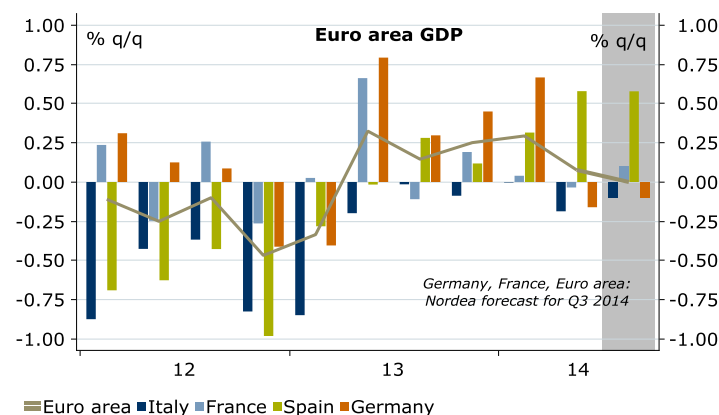
- Next week offers only second-tier data from the US. The most important release will likely be Friday's **retail sales** data for October. In September sales weakened broadly, but with solid improvements in income and confidence we expect the weakness to be short-lived. Thus following a 0.2% decline in September we expect a 0.4% increase in the so-called control sales, which filters into GDP. Overall retail sales should see a 0.2% rise.
- On Thursday 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 in 13 years.
- 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.
- On Monday the Fed's labour market conditions index (**LMCI**) will be released for October. In our view, the index does not provide much new information not already reflected in the unemployment rate.



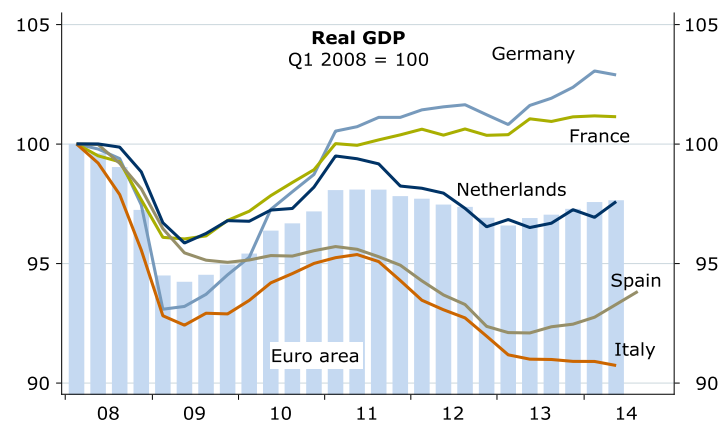
Euro area: GDP stagnating in Q3 (Friday)

- Stagnation: That will be the message from Q3 GDP data from the Euro area. Whether it is +0.1% q/q or -0.1% is largely irrelevant in economic terms. For markets, though, a negative reading would increase pressure on the ECB to act quickly.
- Weakness in France and Italy and relative strength of Spain is nothing new. Somewhat new is that Germany is no longer the Euro area's growth engine. Given bad retail numbers and an only weak rebound of industrial production in September, we expect German GDP to decline by 0.1% over the quarter.
- Technically, that means that Germany is in recession again. In economic terms it is more a kind of a very soft spot mainly in the manufacturing sector.
- Looking ahead, sentiment indicators don't point towards a strong rebound in Q4. We do not expect the Euro area to slide into recession, but a downside GDP surprise would surely fuel the debate.

Q3 2014	Nordea	Consensus	Previous
Euro area flash GDP % q/q	0.0	0.1	0.1



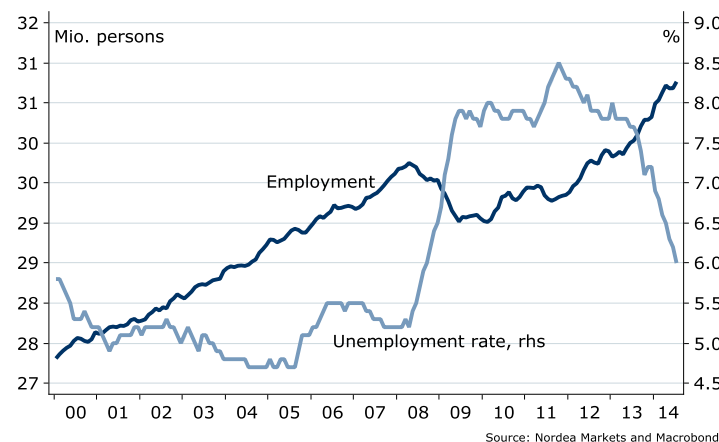
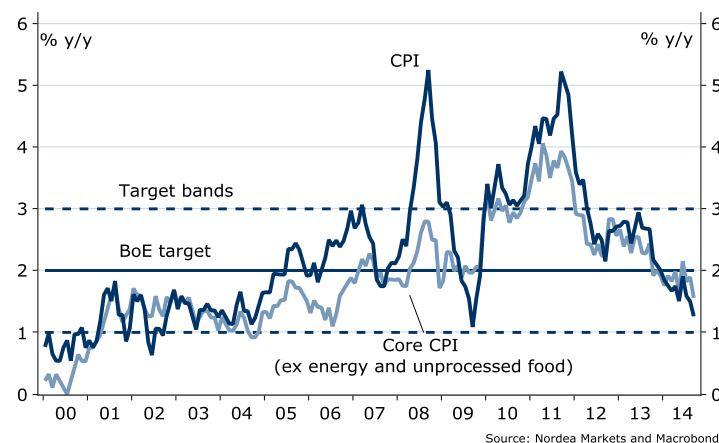
Source: Nordea Markets and Macrobond



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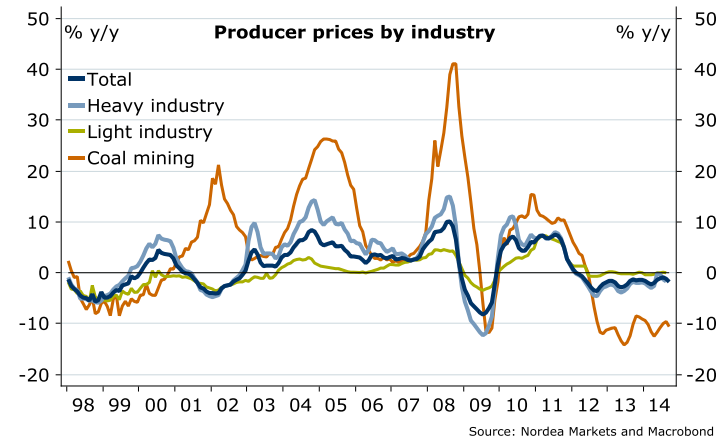
BoE: Downward revision of BoE's inflation forecast (Wed)

- Despite weaker global growth the UK economy has evolved in line with the BoE's forecast in the August Inflation report. We believe there will only be minor revisions in the November Inflation Report.
- CPI increased by 0,0% m/m in September, reducing inflation to 1.2%, from 1.5% in the previous month. This was significantly lower than our forecast as well as the BoE's forecast. The recent sharp fall in oil prices indicates that CPI inflation might fall below 1% later this year. Thus, we believe that **the BoE will revise down their inflation forecast, especially in the near time.**
- The labour market has improved remarkably. The unemployment rate falls rapidly and is down to 6.0% in August. Productivity growth is still weak but will increase gradually. **We expect unemployment to continue to fall onwards, but at a slower pace.**
- Lower than expected inflation numbers and weak inflation outlook support our view that the BoE is not in a hurry to hike rates. **Our forecast is a first rate hike in Q2 next year.**



China: Inflation & trade

- Like last month, the PPI is still most eye-catching among the inflation indicators (released on Monday). Producer prices remain on the falling trend with consensus expectations (-2.0 % y/y) lower than September (-1.8 % y/y). The falling PPI is an expression of continued overcapacity in the heavy industry, which is already facing shrinking profit margins.
- CPI inflation was only 1.6 y/y in September, a five year low. Consensus expects the same level in October, and the disinflationary pressure is thereby expected to continue. The main reason is falling food and energy prices. However, CPI figures in China should be taken with a pinch of salt, because the CPI has often been criticised to not reflect the true cost of housing.
- The trade balance (Saturday) is expected to have increased in October, driven by high growth in exports.



Sweden: Super Tuesday!

- There are three important events on Tuesday: CPI for October, Riksbank's minutes and the meeting of the Financial Stability Council.
- We see **CPI** unchanged on the month in October. This implies CPIF inflation at 0.5% y/y, which is in line with the Riksbank's view. Risks are if anything skewed to the upside. Read more [here](#).
- The focal point in the **minutes** from the Riksbank's 27 October meeting will be the discussion regarding the toolbox now that the repo rate is zero. We don't expect the repo rate to be cut below zero or any unconventional measures to be implemented.
- The **Financial Stability Council** will most likely welcome the Banker Associations recommendations regarding increased amortising. While the Riksbank probably will argue for even tougher measures, the FSA, SNDO and the Ministry of Finance will be more cautious. The minutes are due within two weeks, but comments and analysis from the separate authorities may be out in connection to the meeting.



Forecasts for October	Nordea	Riksbank	Prior
CPI m/m	0.0		0.2
CPI y/y	-0.2	-0.2	-0.4
CPIF m/m	0.0		0.2
CPIF y/y	0.5	0.5	0.3
CPI, index	313.74		313.85

Norway: Inflation still on the downside (Mon)

- We forecast October core inflation at 2.3% (Mon 10:00 CET), following 2.4% in September. Consensus not yet known. Our forecast is 0.2% points below Norges Bank's forecast.
- If we are right core inflation will on average have been 0.2% points below forecast when Norges Bank finalize the December rate path. That should have a rather moderate effect on the rate path given Norges Bank's latest signals.
- An eventual surprise on the downside (2.2% or lower depending a bit on consensus) could still provoke a rather strong market reaction since inflation close to target by many is seen as the only remaining argument for "high" rates.
- Lower energy prices will pull down headline inflation compared to Norges Bank's forecast (0.4-0.5% point below) , but ignore that. Norges Bank's focus is on core.



Kilde: Nordea Markets and Macrobond

M-o-m growth in core inflation and contribution to change in y-o-y growth				
M-o-m	Weight	Oct(13)	Oct(14)	Contr.to ch.
Food and non-alcoholic bev.	0.14	-0.2%	-0.3%	-0.01 %
Alcoholic beverages and tobacco	0.04	0.0%	0.0%	0.00 %
Clothing and footwear	0.06	1.3%	1.2%	0.00 %
Housing (incl. rents)	0.19	0.2%	0.1%	-0.02 %
Furnishings etc.	0.06	1.0%	0.3%	-0.04 %
Medical care	0.03	0.0%	0.0%	0.00 %
Transport (include airfares)	0.13	-0.4%	-0.4%	0.01 %
Communications	0.03	-0.8%	0.0%	0.02 %
Culture and recr. (incl books)	0.14	0.0%	-0.2%	-0.03 %
Education	0.00	0.0%	0.0%	0.00 %
Restaurants and hotels	0.06	0.1%	0.3%	0.01 %
Misc.goods and serv.	0.11	0.4%	0.2%	-0.02 %
Total core inflation	1.00	0.2 %	0.0 %	0.13 %

Calendar

Saturday, November 8, 2014					Nordea	Consensus	Actual	Previous
03:00	CN	Exports (y/y)	Oct			10.6%		15.3%
03:00	CN	Imports (y/y)	Oct			5.0%		7.0%
03:00	CN	Trade balance (USD)	Oct			42.00bn		30.94bn
Monday, November 10, 2014					Nordea	Consensus	Actual	Previous
02:30	CN	CPI (y/y)	Oct			1.6%		1.6%
07:00	FI	Industrial Production (y/y)	Sep					- 3.5%
09:00	CZ	CPI (y/y)	Oct			0.6%		0.7%
09:00	DK	CPI (y/y)	Oct					0.5%
09:00	DK	CPI, EU harmonized (y/y)	Oct					0.3%
09:00	DK	Current account balance	Sep					14.7bn
09:00	DK	Industrial production (sa, m/m)	Sep					5.2%
09:00	DK	Trade balance, ex. ships (sa)	Sep					7.2bn
10:00	NO	CPI (y/y)	Oct		1.7%			2.1%
10:00	NO	CPI, core (y/y)	Oct		2.3%			2.4%
14:00	NO	CPIX and other inflation indicators	Oct					2.4%
15:00	US	Mortgage foreclosures	Q3					2.49%
23:10	US	Fed's Rosengren Speaks at Washington and Lee University						
Tuesday, November 11, 2014					Nordea	Consensus	Actual	Previous
08:00	SE	Unemployment, Swedish Public Employment Service	Oct					7.8%
09:30	SE	CPI (y/y)	Oct					- 0.4%
09:30	SE	CPIF (y/y)	Oct		0.5%			0.3%
09:30	SE	Minutes from the monetary policy meeting (27 oct), published						
11:00	NO	Auction of Treasury Bonds						
11:00	RU	Trade balance (USD)	Sep			15.7bn		15.8bn
13:30	US	NFIB small business optimism index	Oct			95.0		95.3
Wednesday, November 12, 2014					Nordea	Consensus	Actual	Previous
06:00	US	Fed's Kocherlakota Speaks in Wisconsin						
08:00	SE	Prospera, inflation expectations survey						
09:00	US	Fed's Plosser Speaks on the Economy in London						
10:10	NO	Speech by Norges Bank Deputy Governor Nicolaisen						
10:30	GB	Earnings, ex bonus, average (3mma, y/y)	Sep			1.1%		0.9%
10:30	GB	Unemployment rate, claimant count	Sep			2.7%		2.8%
11:00	EU	Industrial production (sa, m/m)	Sep		0.5%	0.9%		- 1.8%
11:00	SE	SNDO to auction bonds (SEK 3.5bn)						
11:30	GB	BoE publish inflation report	Nov					
13:00	US	Mortgage applications, MBA	Oct					- 2.6%
18:00	US	Fed's Kocherlakota speaks in Wisconsin	Oct					- 2.6%
23:00	US	IMF Jacques Polak Research Conference						

Calendar

Thursday, November 13, 2014				Nordea	Consensus	Actual	Previous
01:01	GB	House price balance, RICS	Oct		25%		30%
03:00	KR	BoK announces interest rates (7 - day repo rate)	Nov		2.00%		2.00%
05:30	JP	Industrial Production (y/y, final)	Sep				0.6%
06:30	CN	Industrial production (y/y)	Oct		8.0%		8.0%
06:30	CN	Retail sales (y/y)	Oct		11.6%		11.6%
08:00	DE	HICP (y/y, final)	Oct	0.7%	0.7%		0.7%
08:45	FR	HICP (y/y)	Oct	0.4%	0.4%		0.4%
10:00	IT	HICP (y/y, final)	Oct	0.2%	0.2%		0.2%
14:00	PL	CPI (y/y)	Oct		-0.4%		-0.3%
14:30	US	Jobless claims, continuing	Nov				2348k
14:30	US	Jobless claims, initial	Nov				278k
16:00	US	JOLTs job openings	Sep				4835
Friday, November 14, 2014				Nordea	Consensus	Actual	Previous
07:30	FR	GDP (q/q, preliminary)	Q3	0.1%	0.2%		0.0%
08:00	DE	GDP (sa, q/q, preliminary)	Q3	-0.1%	0.1%		-0.2%
09:30	SE	Capacity utilization, manufacturing industry	Q3				0.3%
09:30	SE	House prices, Mäklarstatistik (y/y)	Oct				6%
10:00	IT	GDP (q/q, preliminary)	Q3	-0.1%	-0.1%		-0.2%
11:00	EU	GDP (sa, y/y, preliminary)	Q3	0.6%	0.7%		0.7%
11:00	EU	HICP (y/y, final)	Oct	0.4%	0.4%		0.3%
14:30	US	Import prices (m/m)	Oct		-1.8%		-0.5%
14:30	US	Import prices (y/y)	Oct				-0.9%
14:30	US	Retail sales (m/m)	Oct		0.2%		-0.3%
15:10	US	Fed's Bullard Speaks on U.S. Economy in St. Louis					
15:55	US	Consumer confidence, University of Michigan (preliminary)	Nov		87.5		86.9
16:00	US	Business inventories (m/m)	Sep		0.3%		0.2%

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