



Week Ahead

15 – 21 Nov



Nordea Research, 14 November 2014

Next week's key events

- **US**

The most interesting part of next week's minutes of the October FOMC meeting, when the Fed ended its asset purchases, will likely be on the discussion of the key phrase in the post-meeting statement that rates will stay low for "a considerable time" after the end of QE.

- **Euro area**

We consider ZEW expectations in Germany to be quite close to the stabilisation zone now, after the steep fall since the start of the year. For November, though, we expect only a small decline (to -7 from -3.6, on *Tuesday*). Both the manufacturing and the composite PMI will rise slightly, in our view (*Thursday*, see slide).

- **UK**

CPI inflation fell to only 1.2% in September, the lowest since 2009. Our forecast is that CPI inflation remains at 1.2% in October (*Tuesday*).

- **China**

Uncertainty is large for November. Due to APEC meeting (11-12 Nov), authorities have suspended industrial and construction activities in provinces surrounding Beijing to provide guests with blue sky. This may be reflected by the output sub-index below 50 .

- **Japan**

After the BoJ's surprising expansion of the asset purchase programme on the 31 October, the upcoming meeting on Wednesday will be a non-event.

- **Sweden**

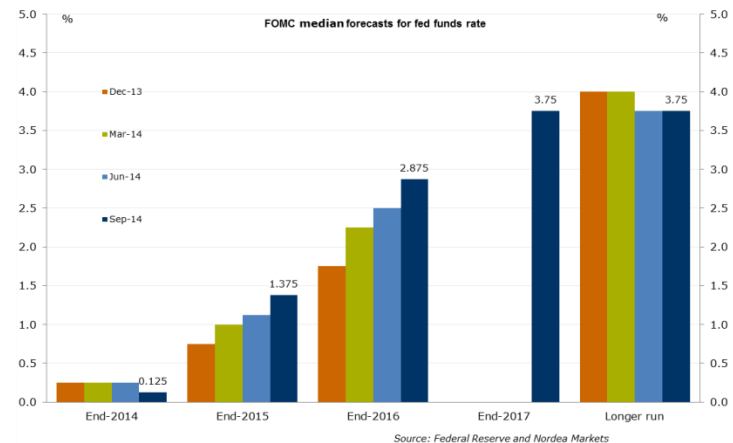
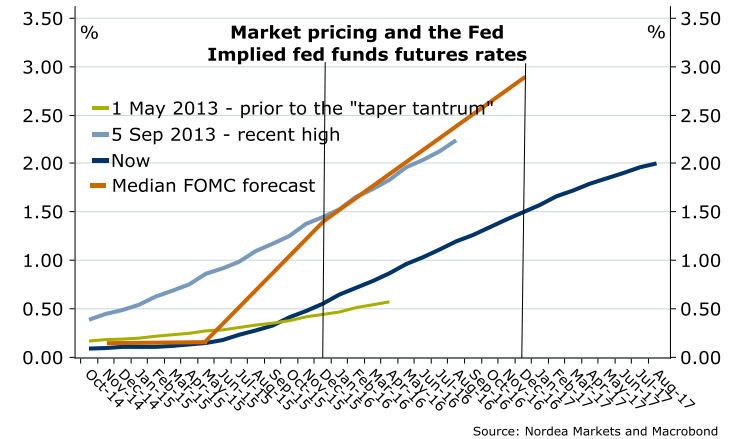
The labour supply is expected to show a similar development, i.e. a small decline after several months with robust growth.

- **Norway**

We forecast Q3 Mainland GDP at 0.1% q/q (2.3% y/y). Norges Bank's forecast is 0.2%.

US: FOMC minutes to shed more light on forward guidance (*Wednesday*)

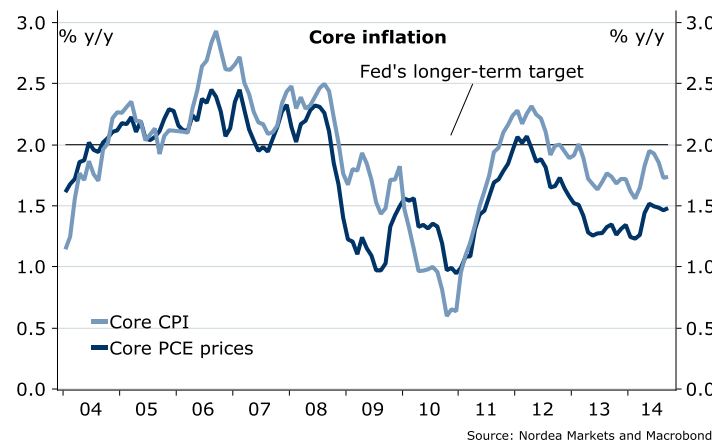
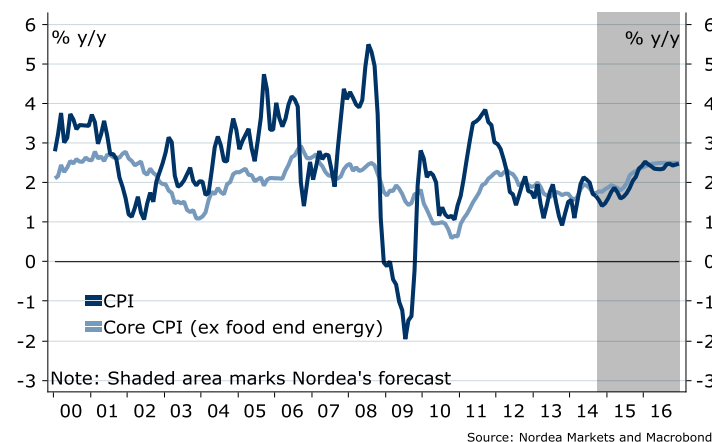
- The most interesting part of next week's minutes of the October FOMC meeting, when the Fed ended its asset purchases, will likely be on the discussion of the key phrase in the post-meeting statement that rates will stay low for "a considerable time" after the end of QE.
- The Fed repeated the phrase in its October statement, but made its forward guidance more clearly data dependent, saying that rate hikes could occur sooner or later than the Fed currently anticipates depending on the evolution of economic data.
- The FOMC's discussions of the economic outlook will obviously also be interesting. At the October meeting the committee upgraded its assessment of the labour market. Moreover, it didn't seem overly concerned about the recent market turmoil, the decline in market-implied inflation expectation measures and the risks poised by global factors.
- The Fed's move to a forward guidance that is more clearly data dependent was probably the reason why Dallas Fed President Fisher and Philadelphia Fed President Plosser voted with the majority in October. The sole dissent came from the Minneapolis Fed's Narayana Kocherlakota, who wanted to strengthen the forward guidance on rates and keep the QE programme going.



US: CPI headline inflation down, core up (*Thursday*)

- We expect **CPI** headline inflation to dip to 1.6% in October from 1.7% in September, held down by lower energy prices in October. The consensus forecast is also 1.6%. The recent low was 1.0% in October.
- The key uncertainty is to what extent the lower energy prices will spill over to core prices.
- We expect the **core rate** to rise to 1.8% in October from September's 1.7%. The consensus forecast is 1.8%.
- After a pickup earlier this year core CPI has recently slowed down. Our forecast implies a 1.3% annual rate of increase in the core CPI in the last three months (August-October), down from the 1.7% pace in 2013 (Dec/Dec).
- Given the typical gap between CPI and PCE inflation, our forecast is consistent with core PCE inflation around 1.5%, up from the 1.2% recent low but still well below the Fed's 2% longer-run target.
- The continued weak CPI data imply that the Fed is still in no hurry to start hiking rates.

October 2014	Nordea	Consensus	Previous
CPI, % y/y	1.6	1.6	1.7
Core CPI, % y/y	1.8	1.8	1.7

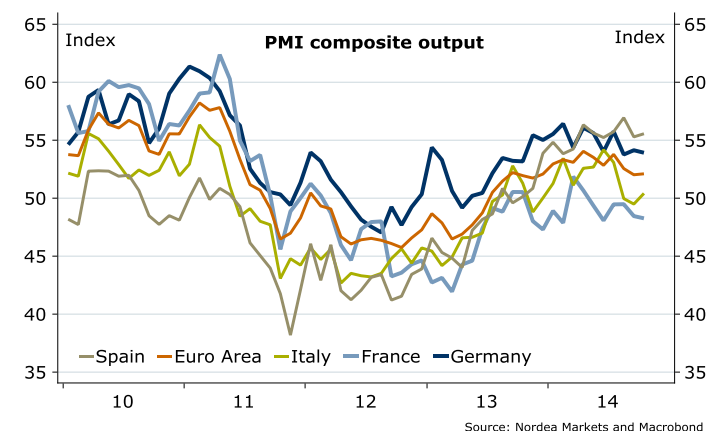
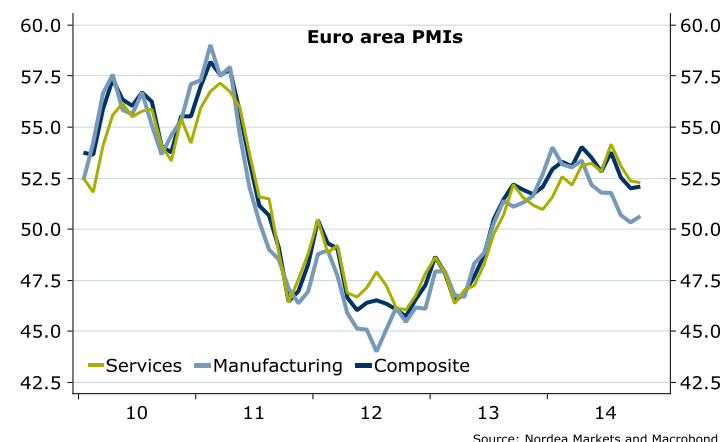


Euro area: PMIs up just a bit (*Thursday*)

- We expect a small increase both for the manufacturing and the composite PMI in November. A weaker EUR should take some pressure off the manufacturing sector.
- That would be a confirmation of our and the markets' view that painfully slow growth is more likely than a recession.
- The service sector looks reasonably robust (at a slow pace of expansion). We expect hardly any change to the service PMI.
- Our forecasts are close to consensus.
- Euro-area data will be published at 10:00h (France at 9:00h; Germany at 9:30h).

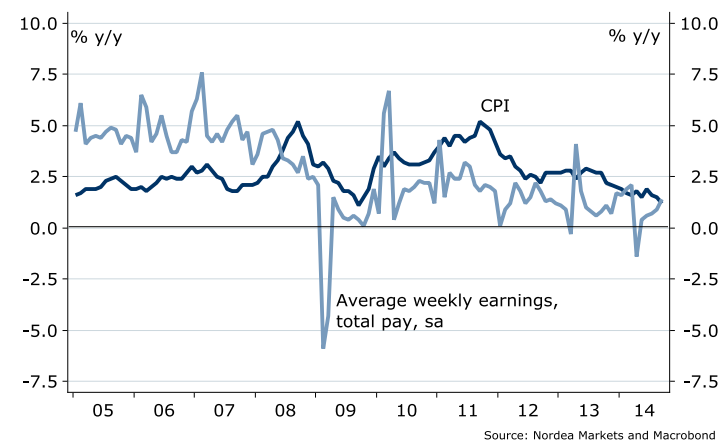
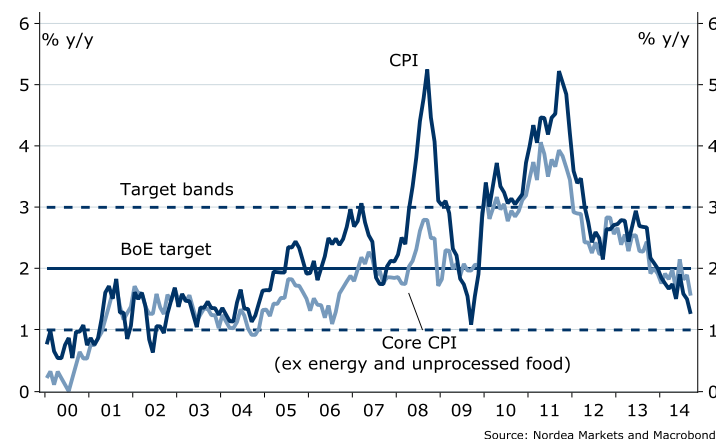
Nov-14	Nordea	Consensus	Previous
Composite	52.4	52.3	52.1
Manufacturing	51.0	51.0	50.6
Services	52.4	52.5	52.3

Source: Nordea Markets, Macrobond and Bloomberg



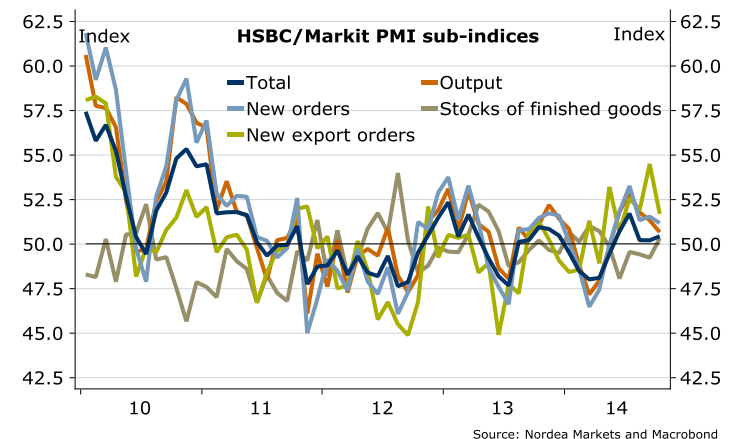
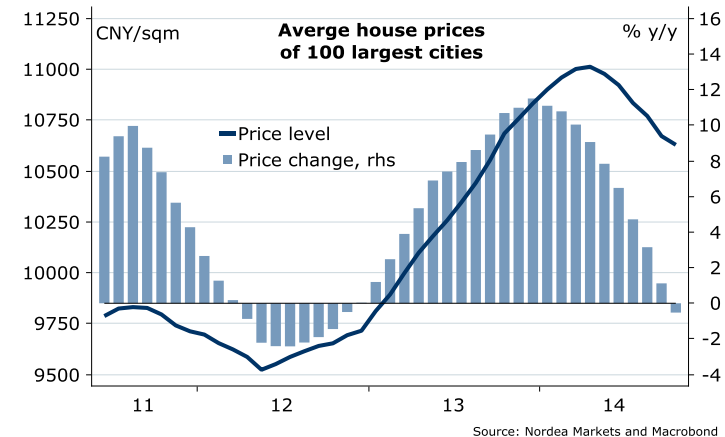
UK: MPC minutes to focus on inflation (*Wednesday*)

- At the MPC meeting on 7-8 October 7 out of 9 members voted for keeping the rate at 0.5% and the size of the Asset Purchase Programme at £375. Two of the MPC members, *Weale and McCaffery*, voted for a 25bp rate hike just as in August and September. We don't believe that there were any other member voting for a rate hike at the November MPC meeting.
- We believe that the **November MPC minutes** will focus on the degree of slack in the economy and the weak wage growth (Wed).
- CPI inflation** fell to only 1.2% in September, the lowest since 2009. With the recent sharp fall in oil prices CPI inflation might dip below 1% later this year – a rate that would force the BoE Governor Carney to write his first letter to the chancellor, George Osborne, explaining why inflation deviates more than 1% point from its 2% target. Our forecast is that CPI inflation remains at 1.2% in October (Tue).
- The labour market continues to strengthen and real wages may start to pick up. This is in line with the BoE's view on **wage growth** in its November Inflation Report.
- Our forecast is that the BoE will start to hike rates in June 2015.** However, given the low inflation pressure there is a risk that a first rate hike will come later.



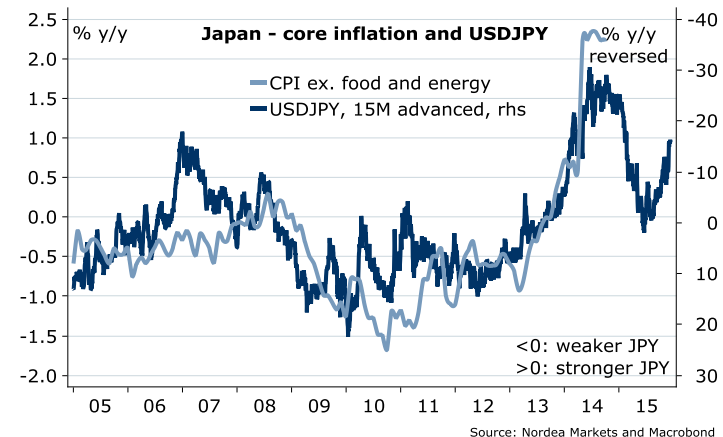
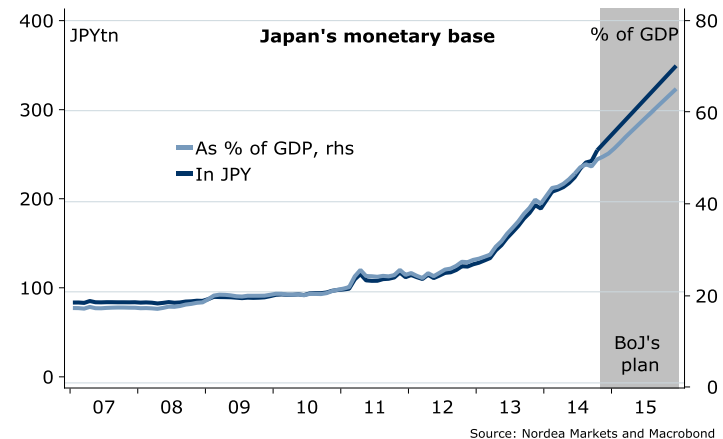
China: House Price data(*Tuesday*) and Flash PMI(*Thursday*)

- A slowing Chinese economy eagerly awaits key data next week from housing market(*Tuesday*) and preliminary HSBC/Markit PMI(*Thursday*). Weak output data this week added to pressure on authorities which will closely monitor the coming week's events. Easing debate is likely to intensify if further weak data is realized.
- Drops in house prices and sales the last 6-7 months has been reflected in the latest growth figures. We remain our expectation of a stabilizing housing market over the coming months, due to relaxed restrictions and favourable mortgage conditions. House prices are reported Tuesday.
- Last month, Flash PMI managed to stay on the positive side of 50. Uncertainty is large for November. Due to APEC meeting (11-12 Nov), authorities have suspended industrial and construction activities in provinces surrounding Beijing to provide guests with blue sky. This may be reflected by the output sub-index below 50.
- On a positive note, we expect the house price stabilization to benefit the new order sub-index for the coming months. In addition, new export orders will also remain above 50 even though it has fallen from its multi-year high. Flash PMI's are reported on Thursday.



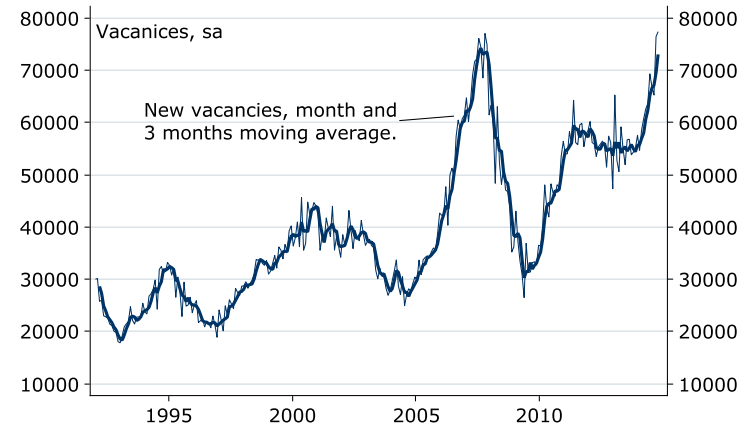
Japan: BoJ (Wednesday)

- After the BoJ's surprising expansion of the asset purchase programme on the 31 October, the upcoming meeting on Wednesday will be a non-event.
- The BoJ's QQE expansion was clearly based on the modified growth and inflation projections. Noticeably GDP growth has been downgraded by 0.5%-points (from 1% to 0.5%) in fiscal year 2014 (ending March 2015).
- Now the BoJ expects to reach 2.1% inflation (after the consumption tax hike effects have been taken into account) by fiscal year 2016. This means that the BoJ will keep the ultra-easy monetary policy in place in more than two years.
- Given the JPY development in the past year (15 months advanced as indicated in the bottom chart), the CPI inflation may decline further. This downward pressure will be intensified by the falling oil prices. Finally, nominal wage growth (in especially base salaries) is still disappointing, creating no demand-pulled inflation.
- Given the large negative blow of the sales tax hike in April, we expect Premier Abe to delay the next tax hike, originally scheduled in October 2015.

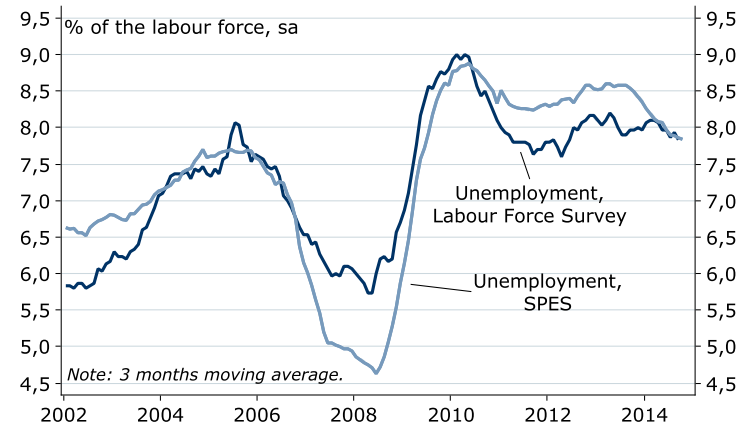


Sweden: Continued labour market strength

- **There are no signs that the strong labour market trends are moderating.** On the contrary, both employment and labor force continued to grow strongly in September. Unemployment fell to 7,7% in seasonally adjusted terms and indicators remain supportive.
- **For October** we expect a temporary slowdown with employment staying unchanged over the month and supply increasing just a tad. This would imply that **unemployment edged up to 7.8%.**
(Thursday)



Source: Nordea Markets and Macrobond



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Norway: No need to worry about weak GDP

- We forecast Q3 Mainland GDP at 0.1% q/q (2.3% y/y). Norges Bank's forecast is 0.2%.
- Should not be seen as a sign that growth is slowing. In Q2 growth was a surprisingly strong at 1.2%. Then electricity contributed +0.3% points. This month it will pull down by 0.4%. GDP excluding electricity production, which Norges Bank focus on, is at rather robust 0.5% q/q.
- Fishery and retail sector was also surprisingly high in Q2. We expect drop in both these sector this month
- Continued strong growth in construction and manufacturing prevent a drop in mainland GDP.
- Our forecast is only marginally below Norges Bank and the view on Norges Bank should not change if we are right.

Not that bad excluding electricity

Mainland GDP q/q total and excluding electricity



Growth q/q	Weight	Growth	Growth *)	Contribution
		Q2	Q3	Q3
Agriculture and fishing	2.0%	6.4%	-1.0%	-0.02%
Manufacturing	10.6%	2.5%	1.2%	0.14%
Electricity, water supply	4.1%	8.2%	-9.0%	-0.37%
Construction	8.4%	2.0%	1.3%	0.12%
Wholesale and retail	10.3%	0.9%	-0.7%	-0.07%
Other private services	41.1%	0.3%	0.5%	0.21%
Public sector	23.6%	0.5%	0.5%	0.12%
Mainland Norway		1.2%	0.1%	
* Nordea forecast				

Calendar

Monday, November 17, 2014					Nordea	Consensus	Actual	Previous
00:50	JP	GDP (q/q annualised, preliminary)	Q3			2.2%		-7.1%
09:30	SE	Unemployment, labour force survey (AKU), sa	Oct					7.7%
10:00	NO	Foreign trade with goods (bn)	Oct					21.6bn
11:00	EU	Trade balance, sa	Sep					15.8bn
14:30	US	Empire manufacturing	Nov			12		6.17
15:15	US	Capacity utilization	Oct			79.3%		79.3%
15:15	US	Industrial production (m/m)	Oct			0.2%		1.0%
16:00	US	Fed's Evans Gives opening remarks at agriculture Conference						
Tuesday, November 18, 2014					Nordea	Consensus	Actual	Previous
01:30	AU	Minutes of the RBA meeting	Nov					
04:00	CN	FDI (y/y) (Exp. 14-18 Nov)	Oct			1.1%		1.9%
10:30	GB	CPI (y/y)	Oct					1.2%
11:00	DE	ZEW, current situation	Nov		-5	0		3.2
14:30	US	PPI final demand (y/y)	Oct			1.3%		1.6%
14:30	US	PPI, core (y/y)	Oct			1.5%		1.6%
15:00	US	TIC flows, net total	Sep					74.5bn
16:00	US	Housing market index, NAHB	Nov			55		54
19:30	US	Fed's Kocherlakota Speaks on Monetary Policy in St. Paul MN						
Wednesday, November 19, 2014					Nordea	Consensus	Actual	Previous
10:00	ZA	CPI (y/y)	Oct					5.9%
10:30	GB	Minutes of the BoE meeting						
11:30	NO	Speech by Norges Bank Governor Olsen (charts published)						
13:00	US	Mortgage applications, MBA	Nov					
14:30	US	Building permits	Oct			1038k		1018k
14:30	US	Housing starts (m/m)	Oct			0.8%		6.3%
20:00	US	Fed Releases Minutes from Oct. 28-29 FOMC Meeting						
Thursday, November 20, 2014					Nordea	Consensus	Actual	Previous
02:45	CN	PMI, manufacturing (flash), HSBC	Nov					50.4
09:00	DK	Retail sales (sa, m/m)	Oct					-0.9%
09:00	FR	PMI, manufacturing (preliminary)	Nov		48.5	48.8		48.5
09:00	FR	PMI, services (preliminary)	Nov		48.5	48.5		48.3
09:30	DE	PMI, manufacturing (preliminary)	Nov		51.5	51.5		51.4
09:30	DE	PMI, services (preliminary)	Nov		54.3	54.5		54.4
10:00	EU	PMI, composite (flash)	Nov		52.4	52.3		52.1
10:00	EU	PMI, manufacturing (flash)	Nov		51.0	51.0		50.6
10:00	EU	PMI, services (flash)	Nov		52.4	52.5		52.3

Calendar

10:00	NO	GDP (q/q)	Q3	0.9%		0.9%
10:30	GB	Retail sales ex auto (y/y)	Oct			3.1%
13:00	RU	Industrial production (y/y) (Exp 19-20 Nov)	Oct		1.5%	2.8%
13:45	US	Fed's Tarullo Speaks on Liquidity Regulation in New York				
14:00	PL	Minutes of the NBP meeting	Nov			
14:00	ZA	SARB announces interest rates	Nov			5.75%
14:30	US	CPI (y/y)	Oct	1.6%	1.6%	1.7%
14:30	US	CPI, core (y/y)	Oct	1.8%	1.8%	1.7%
14:30	US	Jobless claims, continuing	Nov			2392k
14:30	US	Jobless claims, initial				290k
15:45	US	Markit manufacturing PMI (preliminary)	Nov		56.3	55.9
16:00	EU	Consumer confidence (flash)	Nov			-11.1
16:00	US	Home sales, existing (m/m)	Oct		-0.4%	2.4%
16:00	US	Leading index	Oct		0.5%	0.8%
16:00	US	Philadelphia Fed	Nov		18.5	20.7
19:30	US	Fed's Mester Speaks on forward guidance in London				
Friday, November 21, 2014				Nordea	Consensus	Actual Previous
02:30	US	San Francisco Fed's Williams speak at Bank of Korea event				
13:00	RU	Investment in productive capacity (y/y)	Oct		-3.5%	-2.8%
13:00	RU	Real wages (y/y)	Oct		-0.8%	-1.0%
13:00	RU	Retail sales (y/y)	Oct		1.3%	1.7%
13:00	RU	Unemployment rate	Oct		5.0%	4.9%
13:00	SE	Meeting of the General Council of the Riksbank				
13:30	CA	CPI (y/y)	Oct		2.0%	2.0%
13:30	CA	CPI, core (y/y)	Oct		2.2%	2.1%
16:00	US	Kansas City Fed manufacturing activity	Nov			4
16:00	US	Senate Subcommittee Hearing on NY Fed and "Regulatory Capture"				

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