



# Week Ahead

29 Nov – 5 Dec



Nordea Research, 28 November 2014

## Next week's key events

- **US**

We expect a 275k gain in nonfarm payrolls in November, well above the 225k consensus estimate and the weaker-than-expected 214k rise in October. We expect the ISM manufacturing index to fall to 57.5 in November from October's surprisingly strong 59.0. The consensus is 57.8 with a 1.2 standard deviation.

- **Euro area**

The clear focus will be on the ECB meeting on Thursday. Time is not ripe for sovereign QE, but we expect the ECB to take an interim step ahead of sovereign QE next year. Otherwise, final GDP and PMI as well as retail sales numbers will be published.

- **UK**

We expect no change in the monetary policy stance at the December MPC meeting. This means that the BoE keeps the bank rate at 0.50% and the size of the Asset Purchase Programme at GBP 375bn. If no actions are taken no statement will be published.

- **Sweden**

It is uncertain whether the governments budget will be approved or not on 3 December. However, the baseline scenario is that it will be approved. Anything else is a risk for a weaker SEK.

- **Norway**

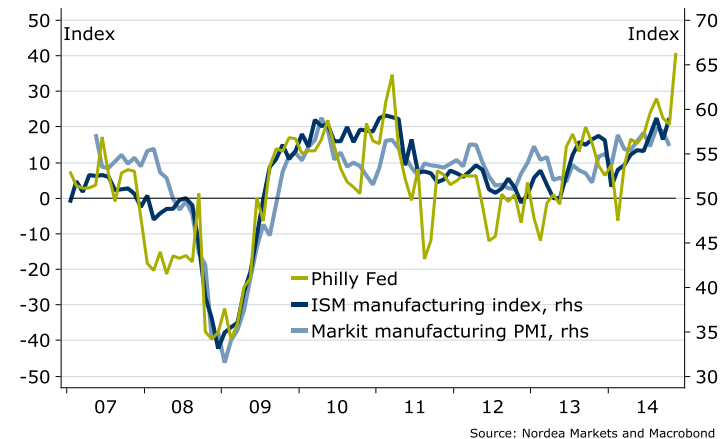
The Q4 oil investment survey (Thursday 10:00) is potentially important, but will be hard to judge. We forecast a drop by 15% in oil investment next year.

- **Switzerland**

The Swiss referendum "Save Our Swiss Gold" will be held on Sunday. Polls will close by 12 at noon, and the results will be announced 12.30 P.M. Government will hold a press conference later in the day. If "Yes", it will require the SNB to hold at least 20% of assets in gold (currently 8%), which the SNB will have 5 years to meet. We do not expect the "Yes" vote, but if it does turn out to be the case, the SNB will have an excuse to introduce a fee on sight deposits to defend the EURCHF, earlier than we project (our baseline mostly due to ECB QE measures next year). We expect to see EURCHF to hold above the 1.20 floor.

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

- We expect the ISM manufacturing index to fall to 57.5 in November from October's surprisingly strong 59.0. The consensus is 57.8 with a 1.2 standard deviation.
- Although we expect the ISM index to slip back in November, 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.
- The winter storm that recently hit the Midwest and New England is probably a negative factor in November. Another key reason why we expect the ISM index to fall in November 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.
- Early reads of US manufacturing indicators are mostly weaker in November, probably at least partly due to the bad weather. The Richmond Fed, Chicago PMI and the preliminary Markit PMI slipped back, while the Philly Fed soared to a 21-year high.

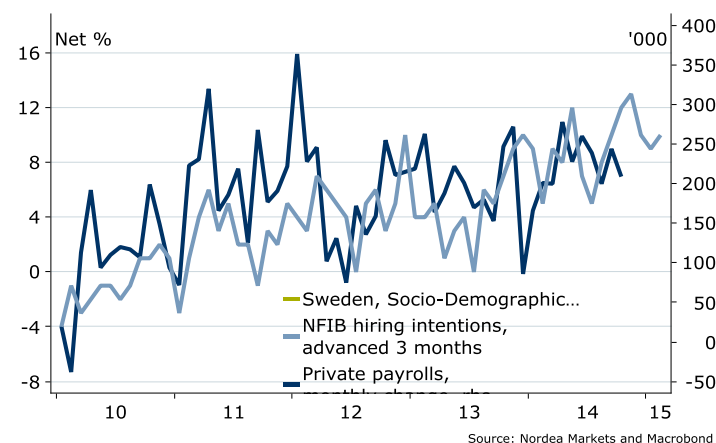
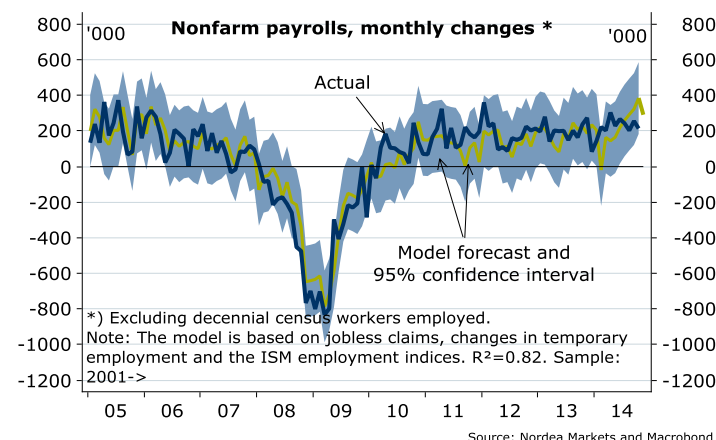


November 2014	Nordea	Consensus	Previous
ISM manufacturing index	57.5	57.8	59.0

# US: upside risk for November payrolls (Fri)

- We expect a 275k gain in **nonfarm payrolls** in November, well above the 225k consensus estimate and the weaker-than-expected 214k rise in October.
- If we are right, it would be the strongest increase since April when the economy was springing back to life after a winter slump caused mainly by bad weather. Payroll growth has averaged 235k over the past six months.
- We expect the **unemployment rate** to remain at 5.8% in November, in line with the consensus call. However, risks are tilted towards a stronger reading.
- We expect a 0.2% rise in **average hourly earnings** in November, also in line with the consensus. Year-over-year hourly earnings growth should rise to 2.1% from 2.0% in October. Also here risks are tilted towards a stronger rise after a weak 0.1% rise in October and a flat reading in September.
- For more analysis see our preview on Nexus: [US: upside risk for November payrolls - jobs report preview](#).

November 2014	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	275	225	214
Unemployment rate, %	5.8	5.8	5.8
Average hourly earnings, % m/m	0.2	0.2	0.1



# ECB: An interim step ahead of sovereign QE next year (Thu)

- Time is not ripe for sovereign QE. However, we expect the ECB to extend the purchases to investment grade corporate bonds and possibly also agency and supranational bonds.
- If we are wrong and no new measures will be announced this time, Draghi will at least try to be very dovish and push the door even wider open for new stimulus in Q1.
- The ECB will also publish a new set of staff projections now also covering 2017. The most obvious candidates for downward revisions are the growth and inflation projections for next year.
- Longer European bond yields have hit new record lows on a broad front lately. In light of this, even our call for more action may not be able to push bond yields immediately much lower from current levels, though the euro would likely feel some pressure.
- In the opposite, if Draghi will not be clear enough that more stimulus will be ahead, a modest expansion of bond purchases could easily be seen as limiting the chances of a jump into buying government bonds, and thus push yields temporarily somewhat higher. In general though, the trend of lower yields, flatter curves and narrower bond spreads has not run its course. Inaction should be a clear disappointment.

ECB staff projections

	2014		2015		2016		2017
	ECB staff projections						
% y/y	Sep 14	Dec 14*	Sep 14	Dec 14*	Sep 14	Dec 14*	Dec 14*
GDP	0.9	0.8	1.6	1.2	1.9	1.8	1.9
HICP	0.6	0.5	1.1	0.9	1.4	1.5	1.7

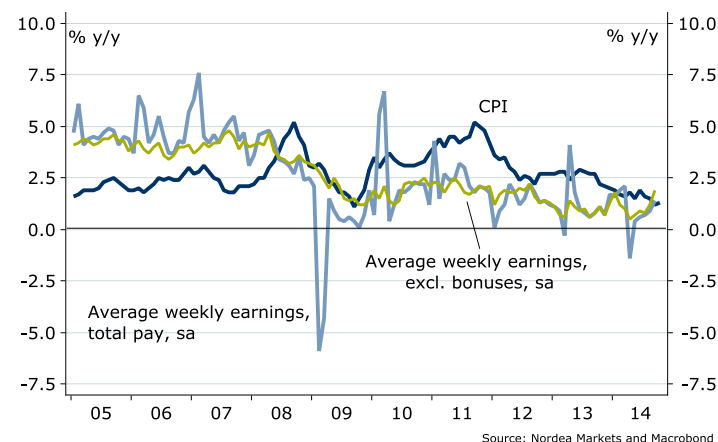
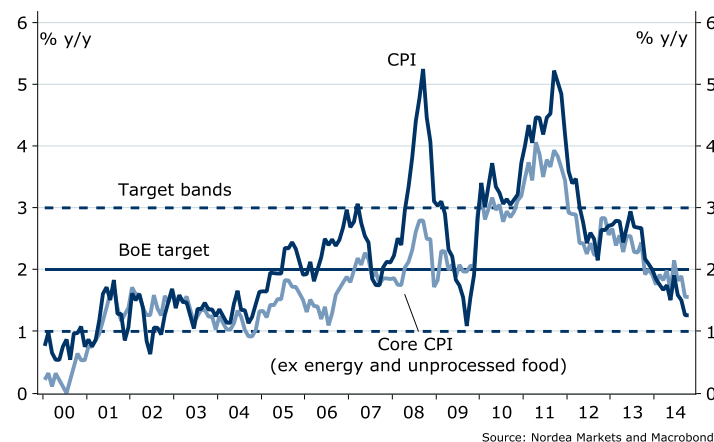
\* Nordea's forecast of the ECB's staff projections in December. Source: Nordea Markets, ECB



Source: Nordea Markets and Bloomberg

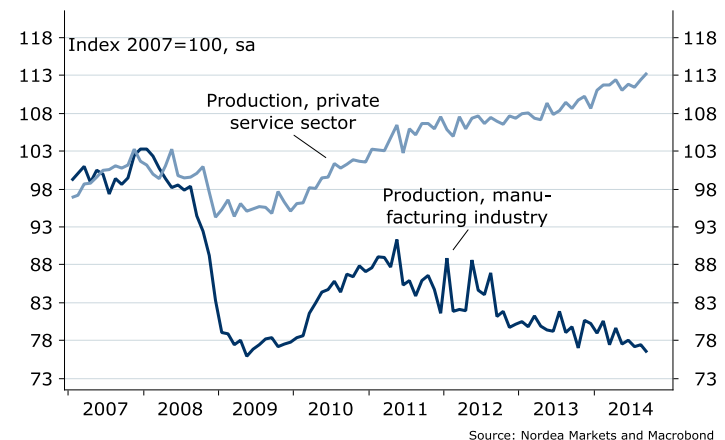
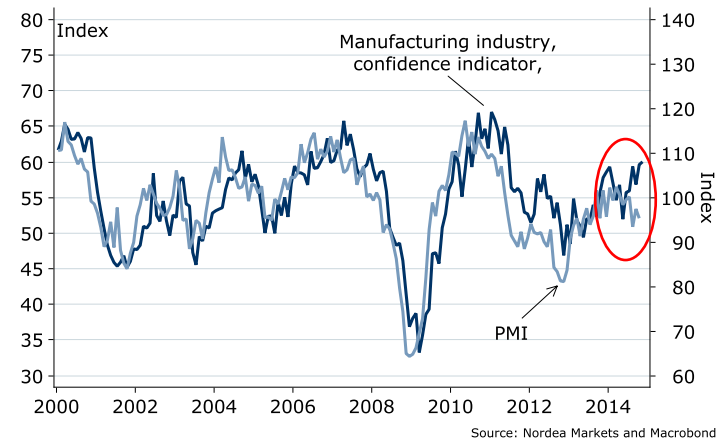
# BoE: No change in policy stance (Thu)

- **We expect no change in the monetary policy stance at the December MPC meeting.** This means that the BoE keeps the bank rate at 0.50% and the size of the Asset Purchase Programme at GBP 375bn. If no actions are taken no statement will be published.
- At the last four meetings two of the MPC members, Weale and Mc Cafferty, have voted for a 25bp rate hike. We expect the vote (2/7) to remain unchanged at the December meeting.
- **The November minutes stated that the MPC members are split on the inflation outlook.** *On the one side*, a premature tightening of monetary policy could be harmful for the economy given weaker global growth along with the risk of a longer than expected period of below target inflation. *On the other hand*, there is a risk that the degree of spare capacity would be eliminated more quickly than assumed in the November Inflation Report. That would potentially result in increased inflation, and subsequently overshooting the 2% target.
- **Next week's meeting will probably focus on the degree of slack in the economy and weak wage growth.**
- Subdued inflation outlook and a tightening of macro-prudential policy suggest that the **BoE will not sanction a first rate hike until mid 2015.**



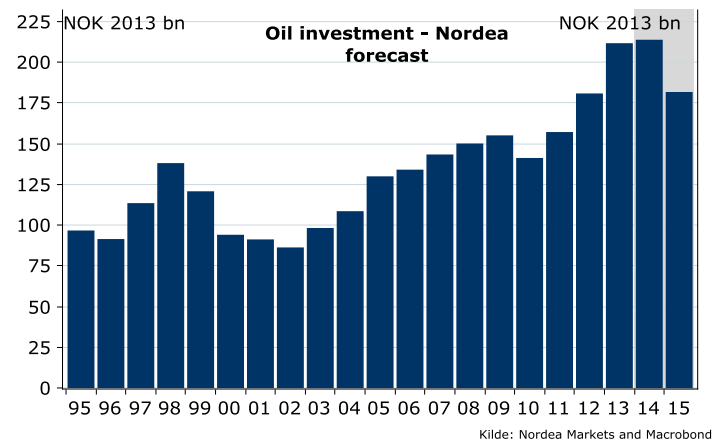
# Sweden: Will the budget be approved? (Wed)

- It is uncertain whether the **governments budget** will be approved or not on 3 December. However, the baseline scenario is that it will be approved. Anything else is a risk for a weaker SEK.
- How is the manufacturing sector doing? The NIER's manufacturing confidence indicator jumped to its highest level in three years in November. However, global PMIs are in general more downbeat. We pencil in a **manufacturing PMI** at 52, thus unchanged from 52.1 in prev. month. *(Monday)*
- The production figures probably continued to show mixed trends in October. While **manufacturing production** continued to be sluggish, the upward trend in the **service sector** was probably intact. *(Friday)*



# Norway: Oil investment hard to judge (Thu)

- The Q4 oil investment survey (Thursday 10:00) is potentially important, but will be hard to judge.
- We forecast a drop by 15% in oil investment next year – Norges Bank is -10%.
- The difference in view is partly due to different view on the big Johan Sverdrup project which will not be part of this survey (will be part of Q1 2015 survey).
- Still - if the survey's 2015 figure is about unchanged or lower than the Q3 survey at NOK 185,3 bn we will judge it as weak.
- The latest oil price drop will probably have marginal effect on 2015 investment and will anyway not have any impact on this survey.





# Calendar

Monday, December 1, 2014					Nordea	Consensus	Actual	Previous
08:30	SE	PMI, manufacturing	Nov					52.1
09:00	NO	PMI (s.a. index)	Nov			49.0		50.7
09:30	SE	Registration of vehicles	Nov					
09:30	SE	Statistics Sweden's political party survey	Nov					
09:55	DE	PMI, manufacturing (final)	Nov	50	50			50
10:00	EU	PMI, manufacturing (final)	Nov	50.4	50.4			50.4
10:00	NO	Credit growth, domestic, C2 (y/y)	Oct					5.3%
10:30	GB	PMI, manufacturing	Nov			53		53.2
11:00	DK	PMI survey	Nov					51.7
13:00	SE	Meeting of the Executive Board of the Riksbank						
15:45	US	Markit manufacturing PMI (final)	Nov			55.0		54.7
16:00	US	ISM, manufacturing	Nov	57.5	57.8			59
16:00	US	ISM, prices paid	Nov			52.5		53.5
18:15	US	Fed's Dudley Speaks on Economic Outlook in New York						
19:00	US	Fed's Fischer Speaks on Global Economics in New York						
Tuesday, December 2, 2014					Nordea	Consensus	Actual	Previous
09:30	SE	Current account balance	Q3					49bn
10:00	NO	Investment survey, manufacturing	Q4					
11:00	NO	Auction of Treasury Bonds						
14:10	US	Fed's Fischer Speaks on Panel in Washington						
14:30	US	Fed's Yellen Gives Welcoming Remarks to Students in Washington						
16:00	DK	Foreign currency reserves	Nov					443.3bn
16:00	US	Construction spending (m/m)	Oct			0.6%		-0.4%
Wednesday, December 3, 2014					Nordea	Consensus	Actual	Previous
08:30	SE	PMI, service sector	Nov					57.7
09:55	DE	PMI, services (final)	Nov	52.1	51.7			52.1
10:00	EU	PMI, composite (final)	Nov	51.4				51.4
10:00	EU	PMI, services (final)	Nov	51.3	51.3			51.3
10:00	NO	Financial accounts households	Q3					
10:00	SE	Riksbank's Jansson: Swedish monetary policy after the crises, published						
10:30	GB	PMI, services	Nov			56.4		56.2
11:00	EU	GDP (sa, q/q, preliminary)	Q3	0.2%	0.2%			0.2%
11:00	EU	Retail sales (m/m)	Oct	0.7%	0.5%			-1.3%
11:00	NO	House prices NEF (m/m, s.a.)	Sep					0.0%
11:00	SE	SNDO to auction T-bills (SEK 15 bn)						
13:00	US	Mortgage applications, MBA	Nov					-4.3%
14:15	US	Employment, ADP (absolute change m/m)	Nov			222k		230k

# Calendar

Wednesday, December 3, 2014 (continued)					Nordea	Consensus	Actual	Previous
14:30	US	Nonfarm productivity (q/q annualised, final)	Q3			2.20%		2.0%
14:30	US	Unit labor costs (q/q annualised, final)	Q3			0.3%		0.3%
15:45	US	Markit composite PMI (final)	Nov					56.1
15:45	US	Markit services PMI (final)	Nov					56.3
18:30	US	Fed's Plosser Speaks on the Economic Outlook in Charlotte, NC						
19:00	US	U.S. Federal Reserve Releases Beige Book						
Thursday, December 4, 2014					Nordea	Consensus	Actual	Previous
01:30	US	Fed's Fisher Addresses Dallas Business Club						
09:30	SE	Riksbank's Financial stability report, published						
10:00	NO	Investment survey, oil	Q4					
10:00	NO	Statistics Norway publishes new forecasts						
11:00	SE	SNDO to auction inflation- linked bonds (SEK 1bn)						
12:30	US	Challenger job cuts (y/y)	Nov					11.9%
13:00	GB	BoE announces asset purchase target	Dec			375bn		375bn
13:00	GB	BoE announces interest rates	Dec			0.5%		0.5%
13:45	EU	ECB announces interest rates (deposit rate)	Dec	-0.2%	-0.20%			-0.20%
13:45	EU	ECB announces interest rates (main refi rate)	Dec	0.05%	0.05%			0.05%
14:30	US	Fed's Mester gives opening remarks at conference in Washington						
14:30	US	Jobless claims, continuing	Nov					2316k
14:30	US	Jobless claims, initial	Nov					313k
18:30	US	Fed's Brainard Speaks on Financial Stability in Washington						
Friday, December 5, 2014					Nordea	Consensus	Actual	Previous
05:00	US	Cleveland Fed President Loretta Mester Speaks in Washington						
09:00	DK	Industrial production (sa, m/m)	Oct					-4.6%
09:00	GB	House prices, Halifax (m/m) [Exp 01-05 Dec]	Nov			0.3%		-0.4%
09:30	SE	Industrial orders (y/y)	Oct					-2.1%
09:30	SE	Industrial production (y/y)	Oct					-4.3%
09:30	SE	Private service sector production (y/y)	Oct					4.3%
09:30	SE	The Swedish central government debt						
10:00	NO	Manufacturing production (m/m)	Oct					-2.1%
14:30	US	Average weekly hours	Nov			34.6		34.6
14:30	US	Hourly earnings, average (m/m)	Nov	0.2%	0.2%			0.1%
14:30	US	Nonfarm payrolls (absolute change m/m)	Nov	275k	225k			214k
14:30	US	Nonfarm private payrolls (absolute change m/m)	Nov		220k			209k
14:30	US	Trade balance	Nov		-41.0bn			-43.0bn
14:30	US	Unemployment rate	Nov	5.8%	5.8%			5.8%
16:00	US	Factory orders (m/m)	Nov		-0.2%			-0.6%

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