



# Week Ahead

06 Dec – 12 Dec



Nordea Research, 05 December 2014

## Next week's key events

- **US**

Federal government funding is set to run out on 11 December when the current short-term spending bill expires, meaning lawmakers must soon strike a deal to prevent a new **government shutdown**.

- **Euro area**

The market focus will be much more on the second TLTRO (see slide) than on the few data publications. We expect both German and Euro-area industrial production to increase moderately in October.

- **China**

Next week is busy on Chinese data, providing more evidence on the growth strength in Q4. On Monday we will likely be reaffirmed that the **export** sector is the positive growth contributor. Consensus expects 9% y/y and largest expansion will come from Asia excl. Japan.

- **Sweden**

We see November CPI down by 0.3 on the month. This implies a year-on-year figure for CPI at -0.3% and at +0.5% for CPIX. Risks are skewed to the upside as prices for clothing and footwear may bounce up.

- **Norway**

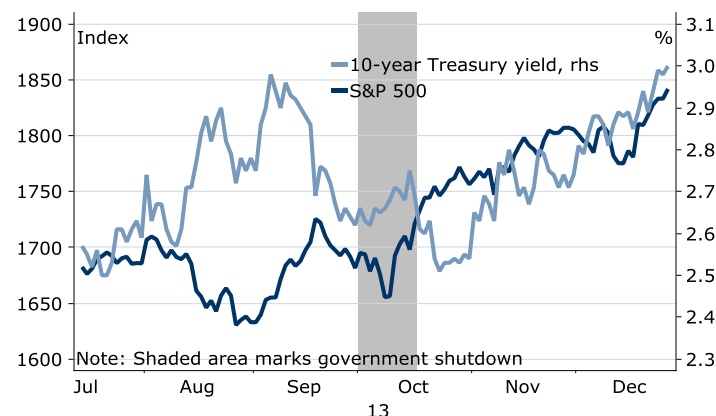
Norges Bank will decide on interest rate path (Thur 10:00) and present new interest rate path.

- **Switzerland**

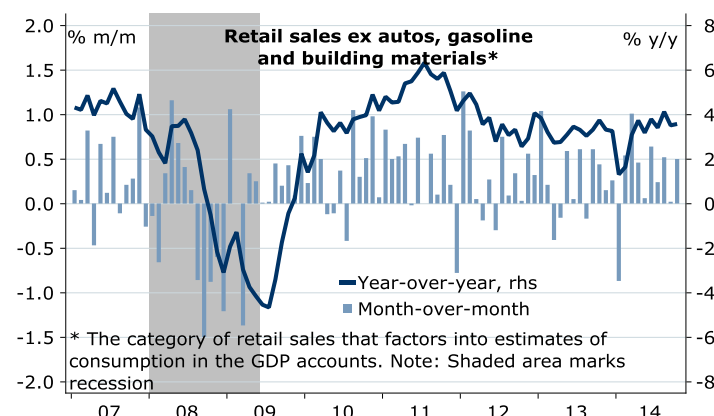
Firm words should be enough to defend the CHF floor for now. We don't expect the Swiss National Bank to cut rates to negative this time. But it can act at any time, if needed.

# US: no government shutdown, we hope

- Federal government funding is set to run out on 11 December when the current short-term spending bill expires, meaning lawmakers must soon strike a deal to prevent a new **government shutdown**. We see little risk of a shutdown, but it is likely to be avoided close to the last minute. For more on this topic, see [US: here we go again – a new government funding fight](#).
- Next week's most important US data release will likely be Thursday's **retail sales** data for November. In October retail sales rebounded broadly, and with solid improvements in income and confidence we expect continued improvements over the course of the quarter. Thus following a 0.5% rise in October we expect a 0.4% increase in the so-called control sales, which filters into GDP. Overall retail sales should see a 0.3% rise.
- On Tuesday the Job Opening and Labor Turnover Survey (**JOLTS**) will report on job openings, new hires, and separations including layoffs and quits. Last month the report showed that the quit rate, one of Yellen's favoured indicators, rose to a six-year high.
- In the **NFIB small business survey** on Tuesday we will especially focus on the net share of firms reporting an increase in labour compensation and the share reporting few or no qualified applicants for job openings.



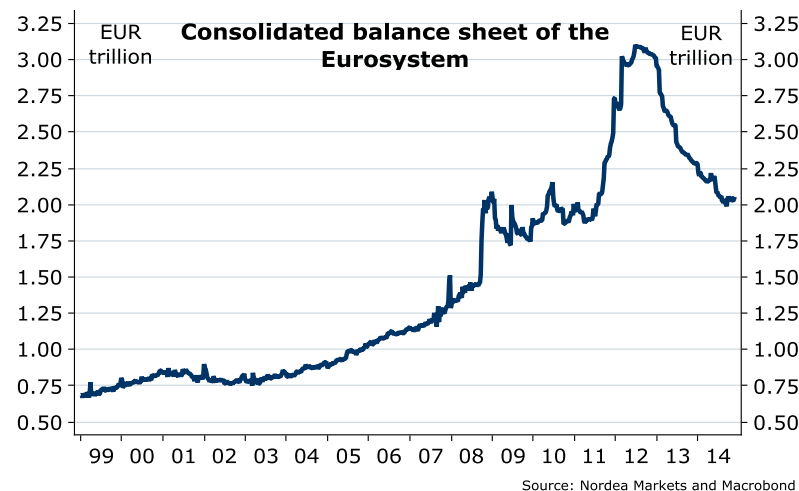
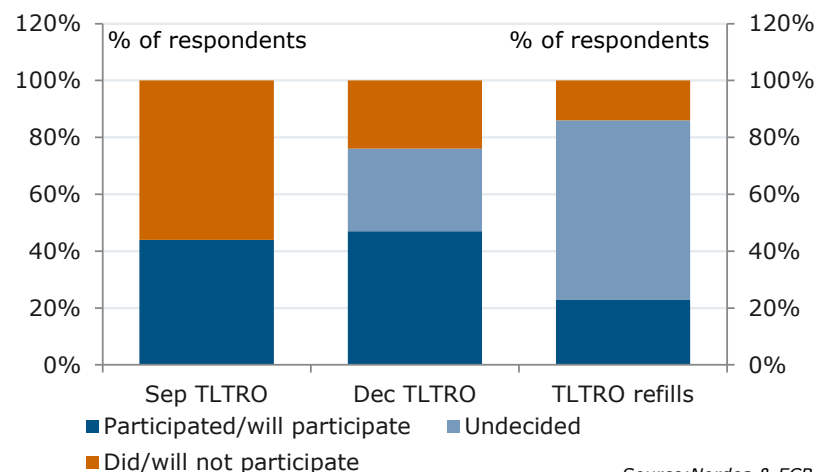
Source: Nordea Markets and Macrobond



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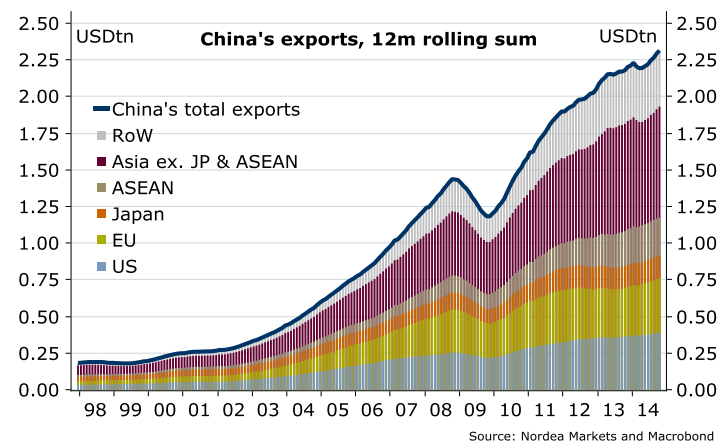
# Euro area: Second TLTRO to disappoint (*Thursday*)

- The ECB seems to be counting that the TLTROs would provide a significant boost to its balance sheet – those hopes are set to be disappointed again.
- So far, the ECB has barely been able to stop the contraction in its balance sheet with the current measures.
- The first TLTRO saw demand of only EUR 82bn. Most, including the ECB, expect the second one to be larger. We expect it to be only rather modestly larger.
- We look for a EUR 120bn allocation in the Dec TLTRO.
- Peripheral banks will likely take all that they are allowed to in the first two TLTROs, which would mean a take-up of around EUR 90bn in December.
- Core banks will probably take somewhat more in December compared to September, but still likely only around EUR 30bn.
- Also going forward, the size of the TLTROs will likely come on the low side.
- As a low number will probably immediately boost expectations of more action from the ECB in terms government bond purchases, the market reaction is likely to be lower yields and further pressure on the EUR.



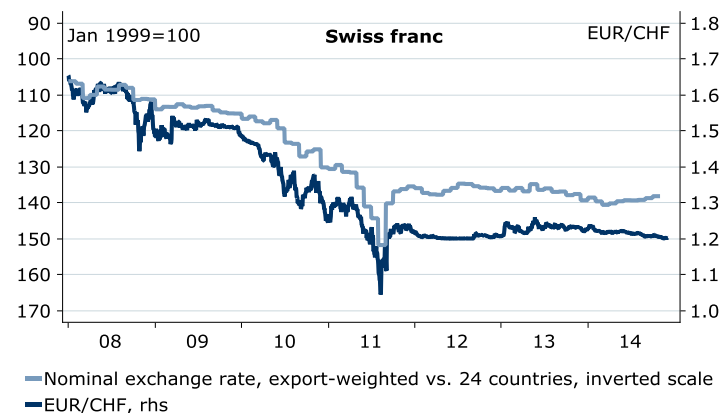
# China: Mixed data for November (*whole week*)

- Next week is busy on Chinese data, providing more evidence on the growth strength in Q4. On Monday we will likely be reaffirmed that the **export** sector is the positive growth contributor. Consensus expects 9% y/y and largest expansion will come from Asia excl. Japan.
- According to sources **the Central Economic Work Conference**, an annual summit among policy makers, will begin on Tuesday. A preliminary target for 2015 GDP growth and job creation will be set at this meeting.
- **CPI and PPI Inflation** data on Wednesday will likely show that China continues on the disinflation path, especially intensified by the plunging oil prices. As we have long argued, falling PPI has hurt industrial profitability and may cause the credit bubble to burst.
- As the Markit PMI output index indicated, November **industrial production** (Friday ) may be influenced by the mass production shutdown in Beijing and surrounding provinces (heavy manufacturing provinces) in the weeks up to the APEC meeting on 11-12 November.
- **New yuan loan** (10-15 Nov) may be much lower than the Jan-Oct average of CNY823bn. If Beijing wants to contain the total new credit this year to CNY9tn, then only CNY386bn is permitted in the coming two months.



# SNB: firm on the CHF floor but no rate cut this time

- We expect no change in the policy rates from the Swiss National Bank SNB on 11 December (3M Libor Target rate at 0-0.25%).
- The pressure to take further steps to defend the CHF floor doesn't seem particularly high right now. In recent weeks, the Swiss franc has weakened in trade-weighted terms although it still trades close to the 1.20 floor versus the EUR. Words seem sufficient right now to defend the floor.
- That can change over time, however, and once again, the SNB will leave no doubt that it is prepared to defend the CHF floor by all means.
- FX intervention and a sight deposit rate cut to negative are the most likely policy options, should the need arise. Policy meetings take place only four times a year, but the SNB can act at any time.
- The SNB's inflation forecast for next year will probably be around zero and the growth forecast close to 1¼%.



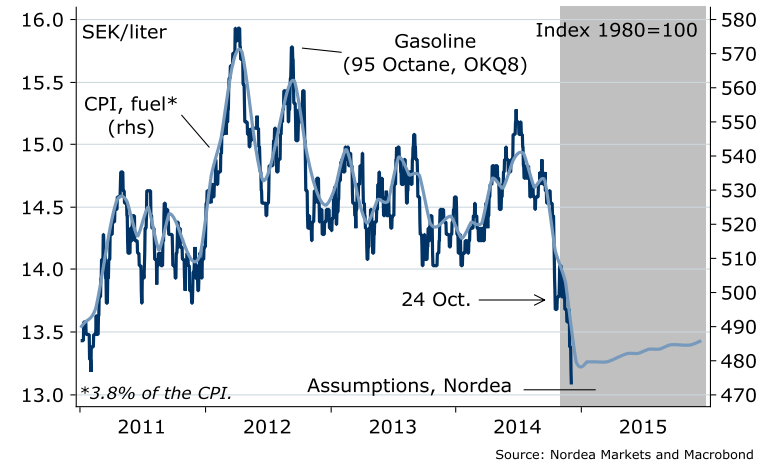
Source: Nordea Markets and Macrobond



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# Sweden: Fuel prices plummeting

- We see November CPI down by 0.3 on the month. This implies a year-on-year figure for CPI at -0.3% and at +0.5% for CPIX. Risks are skewed to the upside as prices for clothing and footwear may bounce up.
- The drop in fuel prices will shave off 0.1% point of the CPI m/m in November. Prices have continued to fall recently and may lower the CPI by as much as 0.2% in December.
- Thus, inflation is once again set to undershoot the Riksbank's forecast. As a consequence, the Riksbank will probably lower the rate path in December, while we still see other measures as unlikely. *(Thursday)*

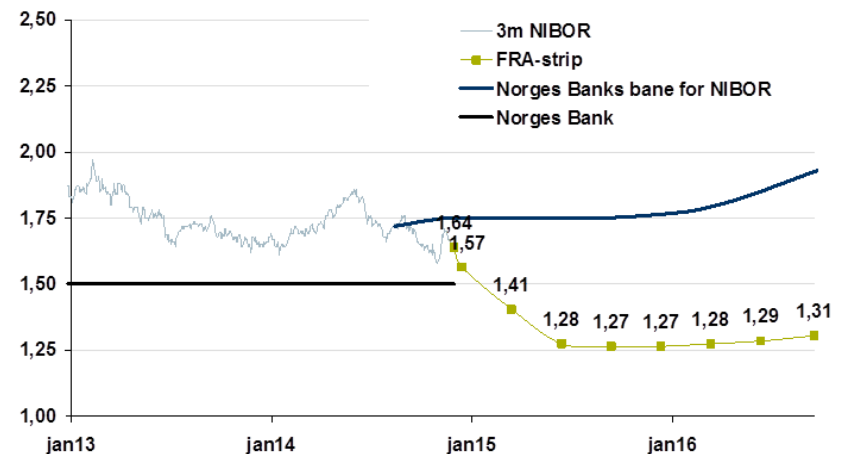


Forecasts for November, %	Nordea	Riksbank	Prior
CPI m/m	-0.3		0.1
CPI y/y	-0.3	-0.2	-0.1
CPIX m/m	-0.2		0.1
CPIX y/y	0.5	0.6	0.6
CPI, index	313.19		314.02

# Norway: Rate decision and interest rate path

- Norges Bank will decide on interest rate path (Thur 10:00) and present new interest rate path.
- Domestic economy has developed about as expected
- But oil prices (Front contract) are down USD 30 and NOK is currently 7-8% weaker than expected
- Weaker NOK will pull up the rate path by nearly 70 bp. Weaker growth in production and costs (mainly wages) will counteract that and we believe in a rate path flat at 1.5% well into 2017 not very different from the September path
- Risk on the downside in the form of a chance of cut or actual cut.
- Stronger NOK and higher forward rates if we are right
- November core inflation (Wed 10:00) forecast is 2.4% in line with Norges Bank forecast.

The market is prepared for a dovish report





# Calendar

Monday, December 8, 2014					Nordea	Consensus	Actual	Previous
	CN	Exports (y/y)	Nov			8.1%		11.6%
	CN	Imports (y/y)	Nov			4.0%		4.6%
	CN	Trade balance (USD)	Nov			44.5bn		45.41bn
00:50	JP	GDP (q/q, final)	Q3			-0.1%		-0.4%
08:00	DE	Industrial production (m/m)	Oct		0.6%			1.4%
09:15	CH	CPI (y/y)	Nov					0.0%
09:30	SE	Household consumption (y/y)	Oct					2.0%
18:30	US	Fed's Lockhart Speaks on Monetary Policy in Atlanta						
Tuesday, December 9, 2014					Nordea	Consensus	Actual	Previous
	SE	The Swedish national debt office publish its forecast						
09:00	CZ	CPI (y/y)	Nov			0.7%		0.7%
09:00	DK	Current account balance	Oct		16.0bn			15.1bn
09:00	DK	Trade balance, ex. ships (sa)	Oct		7.0bn			5.7bn
10:30	GB	Industrial production (y/y)	Oct					1.6%
10:30	GB	Manufacturing production (y/y)	Oct					2.9%
13:30	US	NFIB small business optimism index	Nov					96.1
16:00	US	JOLTs job openings	Nov					4735
Wednesday, December 10, 2014					Nordea	Consensus	Actual	Previous
02:30	CN	CPI (y/y)	Nov			1.6%		1.6%
08:00	SE	Prospera, inflation expectations survey						
08:45	FR	Industrial production (m/m)	Oct		0.4%			0.0%
09:00	DK	CPI (y/y)	Nov		0.5%			0.5%
09:00	DK	CPI, EU harmonized (y/y)	Nov					0.3%
09:00	TR	GDP (q/q, wda, sa)	Q3					-0.5%
10:00	NO	CPI (y/y)	Nov		1.8%			2.0%
10:00	ZA	CPI (y/y)	Nov					5.7%
11:00	SE	SNDO to auction bonds (SEK 3.5bn)						
12:00	NO	Norges Bank announces auction of Treasury Bills						
13:00	US	Mortgage applications, MBA	Nov					
14:00	HU	Minutes of the MNB meeting	Nov					
14:00	NO	CPIXE and other inflation indicators	Nov					2.4%
21:00	NZ	RBNZ announces interest rates (cash rate)	Dec			3.5%		3.5%

# Calendar

Thursday, December 11, 2014					Nordea	Consensus	Actual	Previous
01:01	GB	House price balance, RICS	Nov					20%
02:00	KR	BoK announces interest rates (7-day repo rate)	Dec			2.00%		2.00%
08:45	FR	HICP (y/y)	Nov		0.5%			0.5%
09:00	HU	CPI (y/y)	Nov					-0.4%
09:00	RO	CPI (y/y)	Nov					1.4%
09:30	SE	CPI (y/y)	Nov		-0.3%			-0.1%
09:30	SE	CPIF (y/y)	Nov		0.5%			0.6%
09:30	SE	House prices, Statistics Sweden (y/y)	Nov					6%
09:30	SE	Unemployment, labour force survey (AKU), sa	Nov					8.1%
10:00	NO	Norges Bank publishes interest rate decision and holds press conference						
10:00	NO	Norges Bank publishes new Montary Policy Report						
14:30	US	Import prices (y/y)	Nov					-1.8%
14:30	US	Jobless claims, continuing	Nov					
14:30	US	Jobless claims, initial	Nov					
14:30	US	Retail sales (m/m)	Nov			0.3%		0.3%
16:00	EU	Second TLTRO						EUR 82bn
16:00	US	Business inventories (m/m)	Nov			0.2%		0.3%
Friday, December 12, 2014					Nordea	Consensus	Actual	Previous
05:30	JP	Industrial Production (y/y, Final)	Oct					
06:30	CN	Fixed asset inv. excl. rural YTD (y/y)	Nov					15.9%
06:30	CN	Industrial production (y/y)	Nov					7.7%
06:30	CN	Retail sales (y/y)	Nov					11.5%
09:00	SE	Meeting of the Executive Board of the Riksbank						
09:30	SE	Unemployment, Swedish Public Employment Service	Nov					7.9%
11:00	EU	Industrial production (sa, m/m)	Oct		0.6%			0.6%
12:00	RU	Trade balance (USD) (Exp. 07-08 Dec)	Oct					13.0bn
13:00	IN	CPI (y/y)	Nov					5.52%
14:00	RU	GDP (y/y) (Exp 11-12 Dec)	Q3					0.7%
14:30	US	PPI final demand (y/y)	Nov					1.5%
15:55	US	Consumer confidence, University of Michigan (final)	Nov					

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