



Week Ahead

20 Dec – 09 Jan



Nordea Research, 19 December 2014

Next weeks' key events

- **US**

A lot on the plate: **Q3 GDP, Personal spending, PCE prices, ISM manufacturing index, FOMC minutes and Non-farm payrolls**

- **Euro area/Greece**

The second round of the Greek presidential election on 23 Dec should be a non-event, but the final round on 29 Dec will be interesting as a failure of the government would raise worries about the future of Greece in the Euro area. The most interesting data point during the next three weeks will be the flash estimate for Euro-area inflation on 7 Jan. We expect the rate to drop to zero but don't exclude a negative reading.

- **UK**

We expect no change in the monetary policy stance at the January **MPC meeting**. Our forecast is that the BoE will start to hike rates in June 2015.

- **China**

The first data worthwhile watching for include **foreign trade data**. Most forward-looking indicators continue pointing to robust **export growth**. **CPI and PPI Inflation** data will likely show that China continues on the disinflation path, where the plunging oil prices still play a crucial role.

- **Sweden**

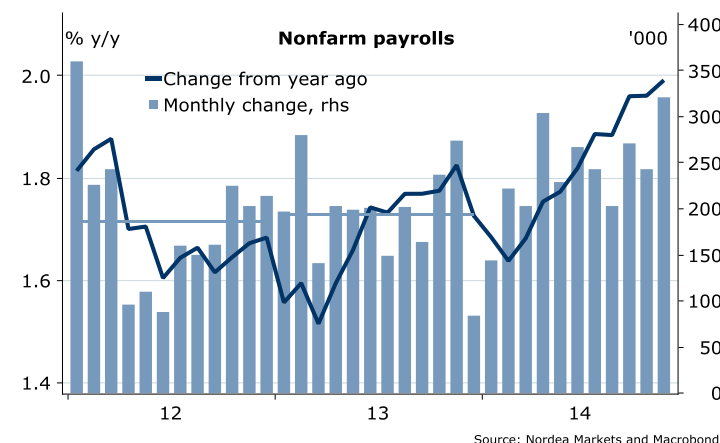
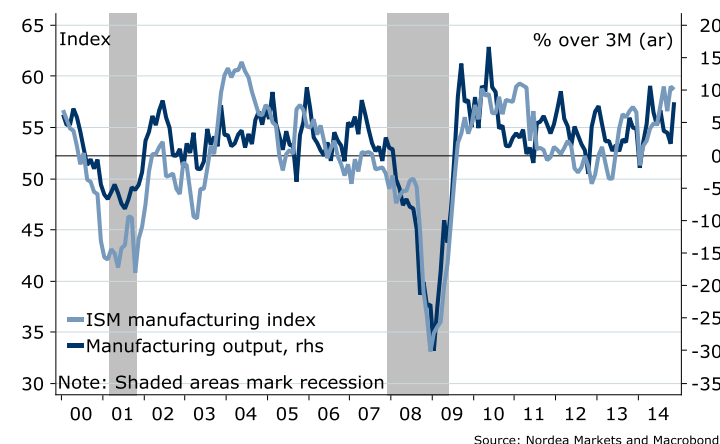
Following the very strong October print, we forecast that **retail sales** declined by 0.2% m/m in November. Due to base effects this implies a rise by 2.7% y/y, down from 4.5% in Oct.

- **Norway**

We expect November retail sales to fall by 0,3 % m/m s.a. after an increase of 0,6 % in October

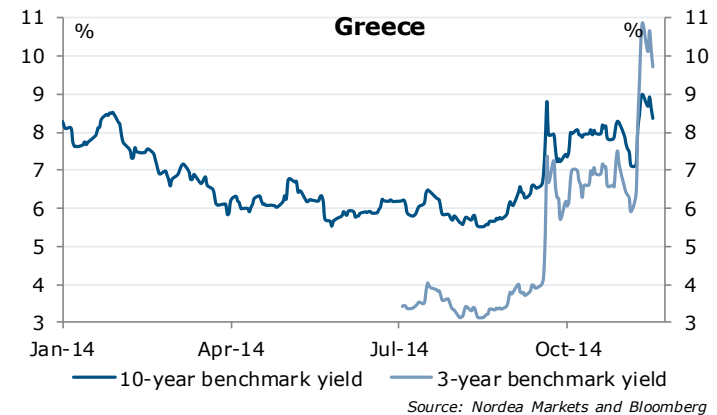
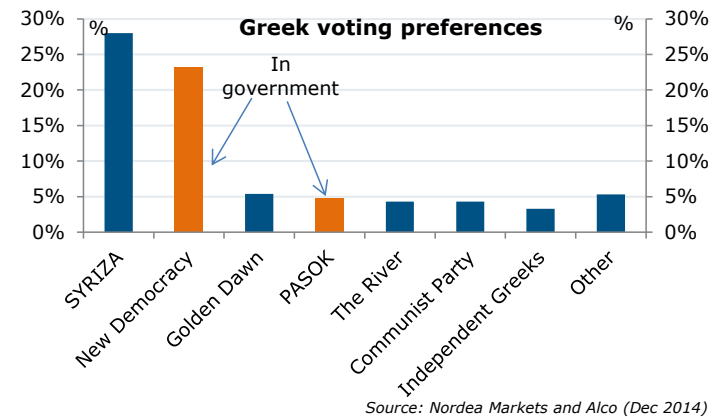
US: A lot on the plate

- 23 Dec: **Q3 GDP** growth is expected to be revised from a 3.9% annual rate to 4.3% after positive revisions to retail sales and stronger-than-expected spending on services.
- 23 Dec: **Personal spending** probably increased 0.5% in November. The y/y pace for headline **PCE prices** likely slipped to 1.2% from 1.4%, and for core prices to 1.4% from 1.6%, partly reflecting a temporary drag from falling energy prices.
- 2 Jan: Ahead of several regional surveys our early forecast of the December **ISM manufacturing index** is a still strong 58.0, down from November's 58.7.
- 7 Jan: The **FOMC minutes** of the December meeting are expected to signal that the Fed still sees a first rate hike around mid-2015, in line with the message from the post-meeting statement and Fed Chair Yellen's press conference, see [US: Fed still signals rate hike by mid-2015 - FOMC review](#).
- 9 Jan: Ahead of a number of important indicators our very early forecast of December **non-farm payrolls** growth is a +230k gain after the surprisingly strong 321k increase in November. Unemployment is expected to fall to 0.1% point to 5.7%, while we look for a 0.2% rise in average hourly earnings after +0.4% in November.



Euro area: Greek government to fall (*Mon, 29 Dec*)

- The final days of the year became much more interesting after the [Greek Prime Minister called for early presidential elections for December](#).
- The first round of voting already took place on 17 Dec, and the presidential candidate was supported by 160 votes, while 200 would have been needed.
- The second round on 23 Dec should be a non-event, and the deciding vote looks set to take place on 29 Dec, when 180 votes are needed to elect the President.
- The government looks likely to fail to gather the necessary majority, which would lead to snap parliamentary elections.
- An alternative idea to the failed vote that has been floated is the formation of a national government, which is possible.
- The polls are currently led by left-wing SYRIZA, whose policy proposals, including the restructuring of government debt, have caused serious market worries.
- A failure of the government would raise worries about the future of Greece, and lead to safety demand of core bonds and wider intra-Euro-area spreads during the final days of the year, when thin markets can easily intensify the moves.

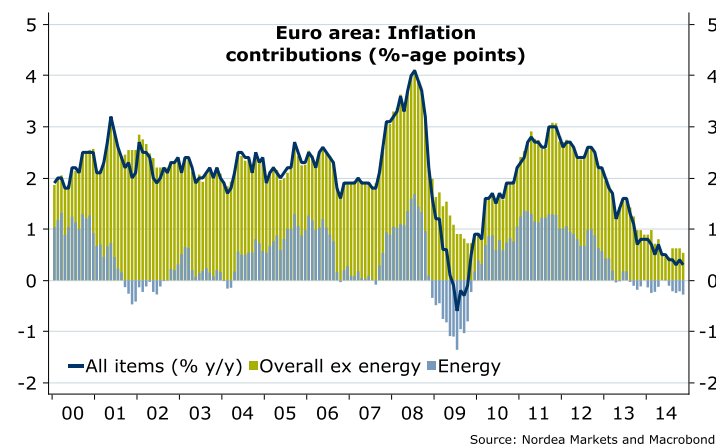
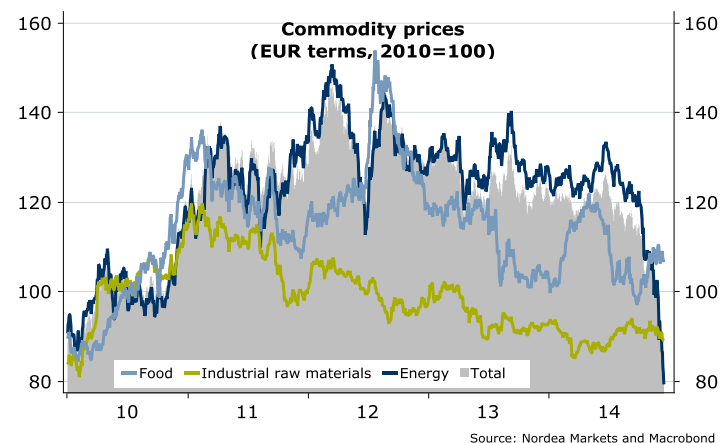


Euro area: Inflation to drop to zero (Wed, 7 Jan)

- We expect the Euro area inflation rate to fall to 0.0% y/y in December (from 0.3%), driven by lower energy prices. A drop below zero is clearly possible.
- We expect an unchanged reading of 0.7% y/y for the core rate.
- Although falling oil prices are positive for consumers and large parts of the company sectors, they increase the market impression that “bad deflation” could lie ahead.
- The fall in inflation will therefore increase the pressure on the ECB to do significantly more in order to bring inflation closer to target over time.
- Ahead of the Euro-area number, Spain will publish on 30 Dec and Germany on 5 January.

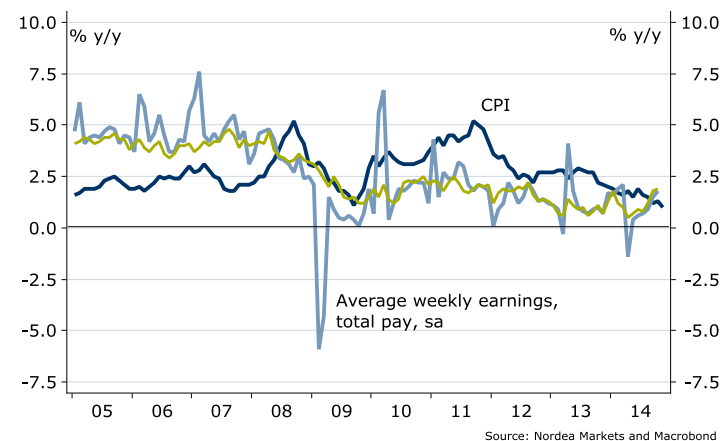
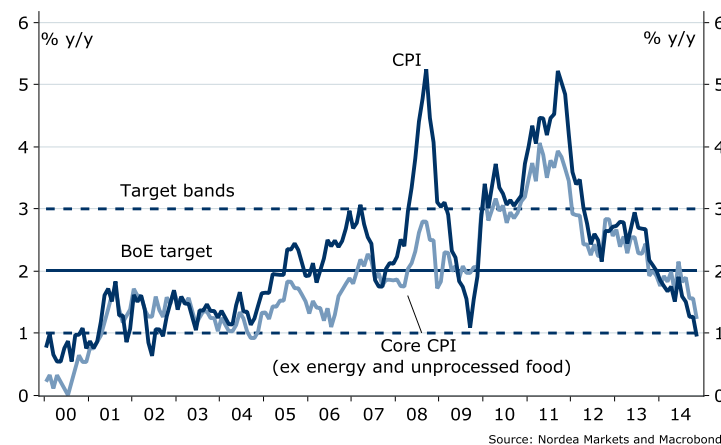
December 2014, % y/y	Nordea	Consensus	Previous
HICP headline rate	0.0		0.3
HICP ex food, energy, alc., tob.	0.7		0.7

Source: Nordea Markets and Macrobond



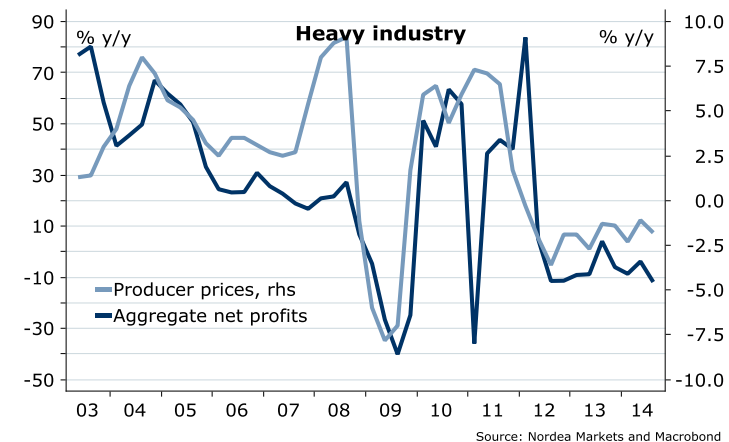
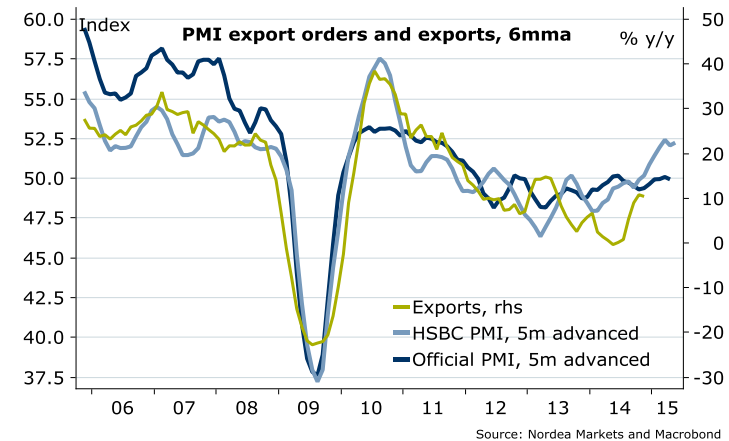
BoE: On hold (Thur, 8 Jan)

- **We expect no change in the monetary policy stance at the January 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.
- As at the last five meetings two of the MPC members, Weale and Mc Cafferty, are expected to vote for a 25bp rate hike in January.
- **The December MPC minutes** stated that *“The expected near term profile of inflation was somewhat weaker than had been assumed at the time of the November Inflation Report because of the further reduction in sterling oil prices”*. Thus, there is a clear risk that inflation might persist below the target for longer than expected.
- On the other hand, the minutes also stated that *“Recent signs of pickup in wage growth were promising”*. There was a risk that the degree of spare capacity could be eliminated more quickly than previously assumed.
- **Thus, the MPC members are split on the inflation outlook.**
- **Our forecast is that the BoE will start to hike rates in June 2015.** However, given the weak inflation outlook there is a risk that a first rate hike would come later.



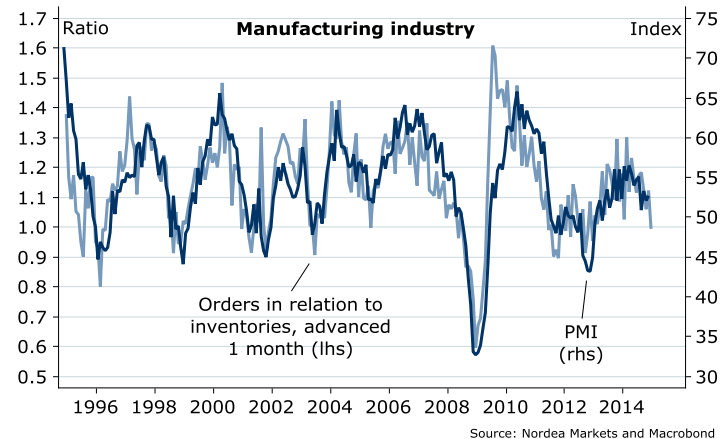
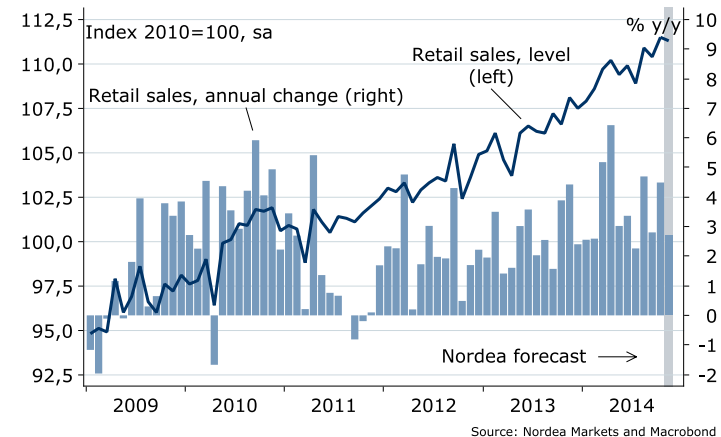
China: Export upside and disinflation

- 8 Jan: The second half of December is light on Chinese data. The first data worthwhile watching for include **foreign trade data** for December. PMI input purchases indicate sluggish import growth.
- On a positive note, most forward-looking indicators continue pointing to robust **export growth**. PMI export orders have remained well above 50 in recent months, in fact reached a multi-year high in September, even though the manufacturing activities were generally subdued and the CNY has gained 5.6% vs its largest trading partners year to date.
- Weak growth in the Euro area and Russia, with the latter being a new opportunist market given the sanctions, poses a downside risk to Chinese exports. However, decent export growth is expected to ASEAN.
- 9 Jan: **CPI and PPI Inflation** data will likely show that China continues on the disinflation path, where the plunging oil prices still play a crucial role. As we have long argued, overcapacity in the heavy manufacturing sectors have pushed producer prices down and hurt profitability for these producers. In the end, these companies may be forced into defaults and in worst case cause the credit bubble to burst.



Sweden: Lower retail sales and PMI

- Following the very strong October print, we forecast that **retail sales** declined by 0.2% m/m in November. Due to base effects this implies a rise by 2.7% y/y, down from 4.5% in Oct.
- 22 Dec: The forecast is supported by the lower sales activity in some chain stores that has been reported for November. However, the trend in retail sales remains rather strong.
- 2 Jan: We expect that the **manufacturing PMI** edged down in December to 51 from 52.7 in November. Order intake is modest and companies seem somewhat concerned over inventories. However, the drop in oil prices stimulates the global economy and we expect the PMI and production to pick up during 2015.



Norway: Foreign exchange sales could be main event

- 9 Jan: We expect **November retail sales** to fall by 0,3 % m/m s.a. after an increase of 0,6 % in October
- With no major surprises in December retail sales are signaling private consumption around Norges Bank's forecast of 1,75 % y/y in 2014
- 9 Jan: We forecast December core inflation at 2.5% up from 2.4% last month. It is slightly above Norges Bank's forecast at 2.4%. Food and air fares pull up.
- 30 Dec: Lower oil prices should lead to **Norges Bank increasing its foreign exchange sales**. We think it can happen already in January and that the sales are increased to NOK 400-500mio per day, from currently 300mio per day.



M-o-m growth in core inflation and contribution to change in y-o-y growth				
M-o-m	Weight	Dec(13)	Dec(14)	Contr.to ch.
Food and non-alcoholic bev.	0.14	-1.5%	-1.1%	0.06 %
Alcoholic beverages and tobacco	0.04	0.3%	0.1%	-0.01 %
Clothing and footwear	0.06	-0.7%	-0.5%	0.01 %
Housing (incl. rents)	0.19	0.1%	0.1%	0.01 %
Furnishings etc.	0.06	-0.4%	0.0%	0.02 %
Medical care	0.03	0.1%	0.0%	0.00 %
Transport (include airfares)	0.13	0.5%	1.0%	0.04 %
Communications	0.03	-0.9%	0.1%	0.03 %
Culture and recr. (incl books)	0.14	0.8%	0.7%	-0.01 %
Education	0.00	0.0%	0.0%	0.00 %
Restaurants and hotels	0.06	0.1%	-0.1%	-0.01 %
Misc.goods and serv.	0.11	0.1%	0.1%	0.00 %
Total core inflation	1.00	-0.1 %	0.0 %	0.13 %

Calendar

Monday 22. Dec 2014					Nordea	Consensus	Actual	Previous
09:00	DK	Consumer confidence	Dec		3.0			6.3
09:00	DK	Retail sales (sa, m/m)	Nov		0.3%			0.7%
09:30	SE	Retail Sales (y/y)	Nov					4.5%
16:00	EU	Consumer confidence (flash)	Dec		- 11.0	- 11.0		- 11.6
16:00	US	Home sales, existing	Nov			5.20m		5.26m
16:00	US	Home sales, existing (m/m)	Nov			- 1.1%		1.5%
Tuesday 23. Dec 2014					Nordea	Consensus	Actual	Previous
08:45	FR	Consumer spending (m/m)	Nov					- 0.9%
08:45	FR	GDP (q/q, final)	Q3		0.3%			0.3%
09:00	DK	GDP (q/q, final)	Q3		0.5%			0.5%
09:00	DK	GDP (y/y, final)	Q3		0.9%			0.9%
09:30	SE	PPI (y/y)	Nov					2.1%
10:00	NO	Unemployment rate, LFS	Oct		3.6%	3.7%		3.7%
10:30	GB	GDP (q/q, final)	Q3			0.8%		0.7%
14:30	CA	GDP (y/y)	Oct					2.3%
14:30	US	Durable goods orders, core capital goods (m/m)	Nov			2.9%		0.4%
14:30	US	Durable goods orders, ex transportation (m/m)	Nov			1.0%		- 0.9%
14:30	US	GDP (q/q annualised, final)	Nov		4.3%	4.3%		3.9%
14:30	US	GDP deflator (q/q annualised, final)	Q3			1.4%		1.4%
14:30	US	PCE prices (y/y)	Nov		1.2%	1.3%		1.4%
14:30	US	PCE prices, core (y/y)	Nov		1.4%	1.5%		1.6%
14:30	US	Personal consumption (q/q annualised, final)	Nov					2.2%
14:30	US	Personal income (m/m)	Nov			0.5%		0.2%
14:30	US	Personal spending (m/m)	Nov			0.5%		0.2%
15:55	US	Consumer confidence, University of Michigan (final)	Dec			93.3		93.8
16:00	US	Home sales, new	Nov			460k		458k
16:00	US	Home sales, new (m/m)	Nov			0.4%		0.70%
16:00	US	Richmond Fed manufacturing index	Dec			7		4
	GR	2nd round of Greek presidential election						
Wednesday 24. Dec 2014					Nordea	Consensus	Actual	Previous
13:00	TR	CBT announces interest rates (Benchmark repo rate)	Dec					8.25%
13:00	US	Mortgage applications, MBA	Dec					- 3.3%
14:30	US	Jobless claims, continuing	Dec					2373k
14:30	US	Jobless claims, initial	Dec					289k
Friday 26. Dec 2014					Nordea	Consensus	Actual	Previous
00:30	JP	CPI, national (y/y)	Nov					2.9%

Calendar

Saturday 27. Dec 2014					Nordea	Consensus	Actual	Previous
08:00	DE	Retail sales (m/m) [Exp 27 Dec - 03 Jan]	Nov		0.3%	0.0%		1.6%
Monday 29. Dec 2014					Nordea	Consensus	Actual	Previous
	GR	3rd round of Greek presidential election						
16:30	US	Dallas Fed Man. Activity	Oct					10.5
Tuesday 30. Dec 2014					Nordea	Consensus	Actual	Previous
09:30	SE	Trade Balance	Nov					- 0.2bn
10:00	EU	M3 (y/y)	Nov		2.6%	2.6%		2.5%
14:00	RU	GDP (y/y, final) (Exp 29- 30 Dec)	Q3					
15:00	US	House prices, S&P/Case- Shiller, composite- 20 (y/y)	Oct			4.18%		4.90%
16:00	US	Consumer confidence	Dec			92.5		88.7
Wednesday 31. Dec 2014					Nordea	Consensus	Actual	Previous
13:00	US	Mortgage applications, MBA	Dec					
14:00	RU	Current account (USD)	Q3					11400m
14:30	US	Jobless claims, continuing	Dec					
14:30	US	Jobless claims, initial	Dec					
15:15	US	Chicago PMI	Dec					60.8
16:00	US	Home sales, pending (m/m)	Nov					- 1.1%
Thursday 1. Jan 2015					Nordea	Consensus	Actual	Previous
11:00	DK	PMI survey	Dec					52.1
Friday 2. Jan 2015					Nordea	Consensus	Actual	Previous
02:45	CN	PMI, manufacturing (final), HSBC	Dec					49.5
08:00	GB	House prices, nationwide (nsa, y/y) [Exp 29 Dec - 02 Jan]	Dec					8.5%
08:30	SE	PMI, manufacturing	Dec					52.7
09:00	PL	PMI, manufacturing	Dec					53.2
09:55	DE	PMI, manufacturing (final)	Dec		51.2	51.2		51.2
10:00	EU	PMI, manufacturing (final)	Dec		50.8	50.8		50.8
10:30	GB	PMI, manufacturing	Dec					53.5
16:00	US	Construction spending (m/m)	Nov					1.1%
16:00	US	ISM, manufacturing	Dec		58.0	57.5		58.7
16:00	US	ISM, prices paid	Dec					44.5

Calendar

Monday 5. Jan 2015					Nordea	Consensus	Actual	Previous
16:00	DK	Foreign currency reserves	Dec					445.5
08:30	SE	PMI, service sector	Dec					56.9
09:00	NO	PMI (s.a. index)	Dec					51.3
09:00	TR	CPI (y/y)	Dec					9.15%
14:00	DE	HICP (m/m, preliminary)	Dec		0.2%	0.4%		0.0%
14:00	DE	HICP (y/y, preliminary)	Dec		0.2%	0.3%		0.5%
Tuesday 6. Jan 2015					Nordea	Consensus	Actual	Previous
08:45	FR	Consumer confidence	Dec		88			87
09:00	DK	Unemployment rate, gross	Nov					5.0%
09:55	DE	PMI, services (final)	Dec		51.4	51.4		51.4
10:00	EU	PMI, composite (final)	Dec		51.7	51.7		51.7
10:00	EU	PMI, services (final)	Dec		51.9	51.9		51.9
10:30	GB	PMI, services	Dec					58.6
11:00	NO	House prices EFF (m/m, s.a.)	Dec					0.8%
15:45	US	Markit composite PMI (final)	Dec					
15:45	US	Markit services PMI (final)	Dec					
16:00	US	Factory orders (m/m)	Nov					-0.7%
16:00	US	ISM, non-manufacturing, composite	Dec					59.3
Wednesday 7. Jan 2015					Nordea	Consensus	Actual	Previous
09:30	SE	GDP (sa, q/q) (final)	Q3					
09:30	SE	GDP (wda, y/y) (final)	Q3					
09:55	DE	Unemployment rate (sa)	Dec		6.6%	6.6%		6.6%
11:00	EU	HICP (flash, y/y)	Dec		0.0%			0.3%
11:00	EU	HICP core (flash, y/y)	Dec		0.7%			0.7%
11:00	EU	Unemployment rate	Nov		11.5%			11.5%
11:00	RO	NBR announces interest rates	Jan					2.75%
11:00	SE	SNDO to auction T-bills (SEK 15 bn)						
13:00	US	Mortgage applications, MBA	Jan					
14:15	US	Employment, ADP (absolute change m/m)	Dec			213k		208k
14:30	US	Trade balance	Nov			-41.0bn		-43.0bn
20:00	US	Minutes of the [dates] FOMC meeting						

Calendar

Thursday 8. Jan 2015					Nordea	Consensus	Actual	Previous
09:30	SE	Minutes from the monetary policy meeting published						
10:00	NO	Credit growth, domestic, C2 (y/y)	Nov					5.4%
10:00	NO	Manufacturing production (m/m)	Nov					1.6%
11:00	EU	Economic Sentiment Indicator (ESI)	Dec	111.5				100.8
11:00	EU	Retail sales (m/m)	Nov					0.4%
12:00	DE	Factory orders (m/m)	Nov	-0.8%	-0.8%			2.5%
13:30	US	Challenger job cuts (y/y)	Dec					-20.7%
14:30	US	Jobless claims, continuing	Dec					
14:30	US	Jobless claims, initial	Dec					
Friday 9. Jan 2015					Nordea	Consensus	Actual	Previous
08:00	DE	Industrial production (m/m)	Nov	0.4%	0.5%			0.2%
08:45	FR	Industrial production (m/m)	Nov					-0.8%
09:00	CZ	CPI (y/y)	Dec					0.6%
09:00	CZ	GDP (q/q, final)	Q3					0.4%
09:00	DK	Current account balance	Nov					13.2bn
09:00	DK	Industrial production (sa, m/m)	Nov					2.8%
09:00	DK	Trade balance, ex. ships (sa)	Nov					7.1bn
09:00	GB	House prices, Halifax (3mma, y/y) (mmm dd-dd) [Exp 05 - 09 Jan]	Dec					8.2%
09:30	SE	Industrial orders (y/y)	Nov					1.6%
09:30	SE	Industrial production (y/y)	Nov					0.1%
09:30	SE	Private service sector production (y/y)	Nov					2.1%
10:00	NO	CPI (y/y)	Dec	2.1%				1.9%
10:00	NO	CPI, core (y/y)	Dec	2.5%				2.4%
10:00	NO	Retail sales (m/m)	Nov	-0.3%				0.6%
10:30	GB	Industrial production (y/y)	Nov					1.1%
10:30	GB	Manufacturing production (y/y)	Nov					1.7%
12:00	BR	CPI, IPCA (y/y)	Dec					6.56%
14:30	US	Average weekly hours	Dec					34.6
14:30	US	Hourly earnings, average (m/m)	Dec		0.2%			0.4%
14:30	US	Nonfarm payrolls (absolute change m/m)	Dec	230k	232k			314k
14:30	US	Unemployment rate	Dec	5.70%	5.7%			5.8%

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Editor:

Jacob Revsbech
Assistant Analyst
Global Research
+45 33 33 4007

jacob.revsbech@nordea.com