



Week Ahead

24 – 31 Jan



Nordea Research, 23 January 2015

Next week's key events

- **US**

We expect next week's FOMC statement to indicate that the Fed remains on track to start raising rates around mid-year. The Q4 employment cost index (ECI) released on Friday will likely be important for the timing of the first Fed rate hike. Additionally, we expect the US economy expanded at an annual rate of 3.2% in Q4, following a 5.0% pace in Q3.

- **Euro area**

Greek parliamentary elections on Sunday are set to bring the left-wing SYRIZA party into power, but probably leaving it short of outright majority. Forming a coalition government will be far from easy and negotiations with the troika will likely be both long and difficult. Data-wise, the week starts with the Ifo index on Monday. We expect a stronger increase than consensus. In line with consensus, we expect the Euro area headline inflation rate to decline to -0.5% y/y (flash estimate on Friday).

- **UK**

The British economy continues to grow strongly, mainly driven by private consumption. We expect Q4 GDP to rise by 0.7% q/q and 2.9% y/y. Most recent business surveys and official data have been better than expected. If anything, we see risks to our forecast balanced.

- **Sweden**

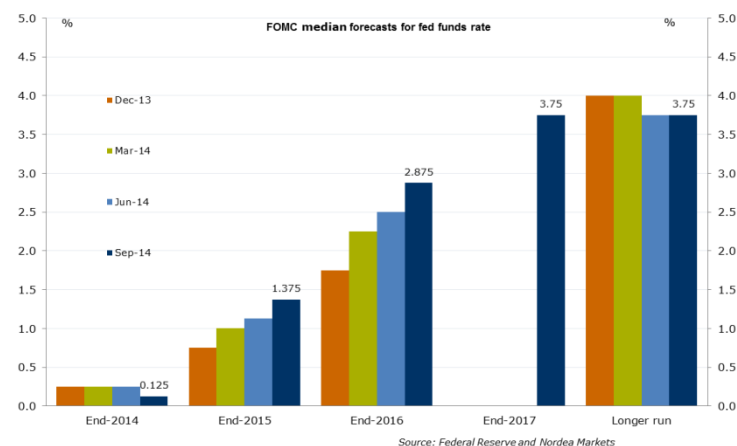
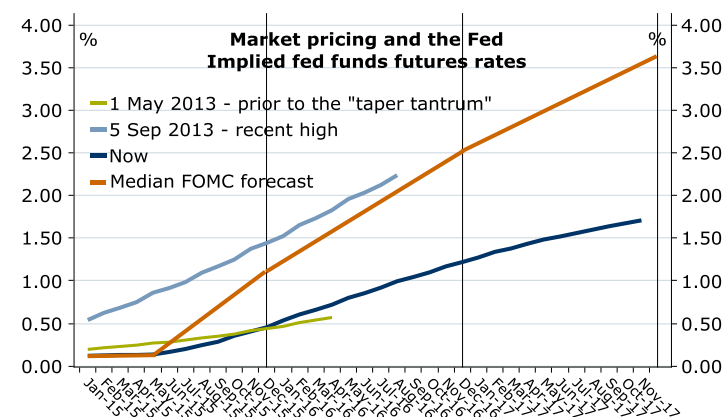
We expect confidence indicators to be largely unchanged in January. Retail sales surprised strongly on the upside in November with its rise by a full 4.5% y/y. For the important December figures, which weigh heavily in the quarter due to Christmas shopping, we expect a small, temporary, decline over the month but still a high growth over the year.

- **Norway**

We expect January retail sales (Jan 30th 10:00) to fall by 0,6 % m/m s.a. after an increase of 0,2 % in November.

US: Fed to stick to mid-2015 hike scenario (Wed)

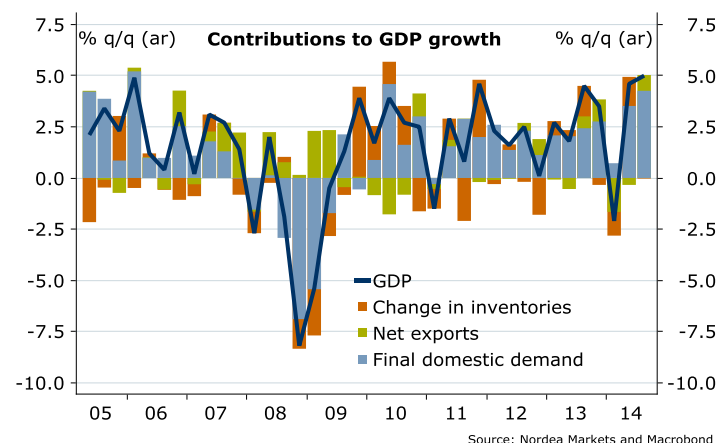
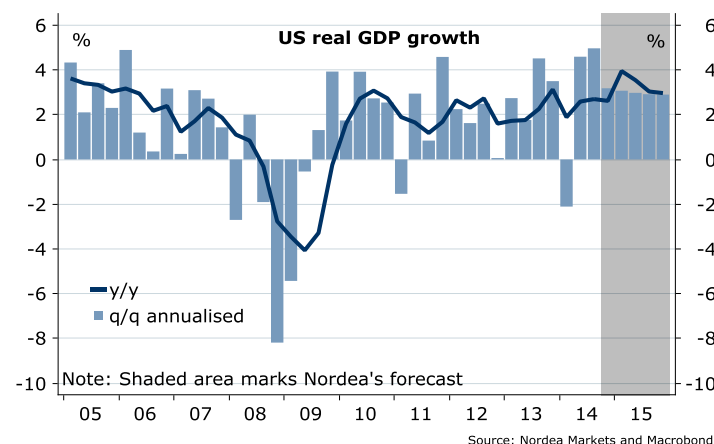
- We expect next week's FOMC statement to indicate that the Fed remains on track to start raising rates around mid-year.
- Still, the Fed is likely to repeat that it can be "patient" about rate increases. According to the December FOMC minutes, the reference to patience indicates that the Fed is unlikely to begin the normalisation process for "at least the next couple of meetings."
- There is little evidence that the Fed has altered its plan to start raising rates around mid-year.
- Both falling oil prices and the ECB's new bold QE programme strengthen, rather than weaken, the case for lift-off in Fed rates later this year, in our view.
- The FOMC statement will be released on Wednesday at 20.00 CET. There is no press conference after the meeting, and no projections will be released.
- For more analysis, see [US: Fed to stick to mid-2015 hike scenario – FOMC preview](#).



US: Q4 GDP growth to remain above 3% (Fri)

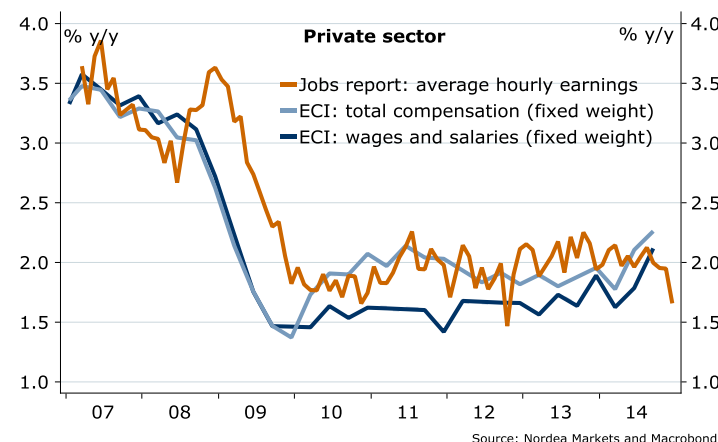
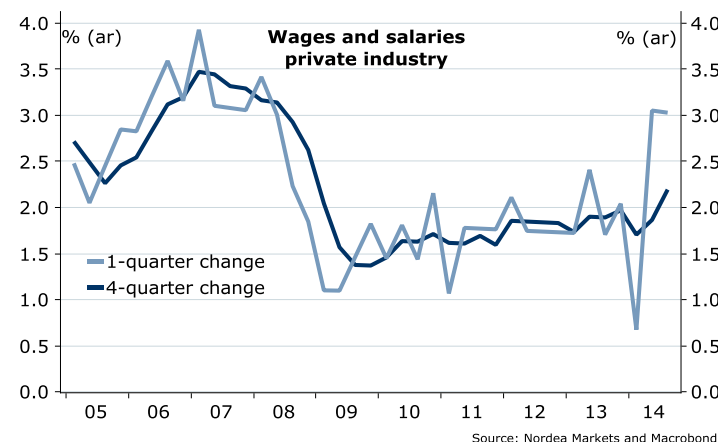
- We expect the US economy expanded at an annual rate of 3.2% in Q4, following a 5.0% pace in Q3. The consensus forecast is 3.0%.
- If we are right, that would be the fifth time in six quarters that growth has exceeded 3%, something that hasn't happened since a stretch in 2004 and 2005.
- Growth around 3% is well above most estimates of potential growth (our estimate is 2%) and this implies that we should expect continued declines in unemployment. We currently expect payrolls growth of around 250k per month in Q1.
- Final demand (GDP less changes in inventories) probably expanded at 3.4% annual rate in Q4 after a 5.0% pace in Q3, supported by a solid 3% gain in consumer spending. Net exports are expected to have added 0.3% point to Q4 GDP growth after a 0.8% point contribution in Q3.
- For now , we expect 3.1% growth in Q1 2015.

| Q4 2014 | Nordea | Consensus | Previous |
|----------------------------|--------|-----------|----------|
| Real GDP, % q/q annualised | 3.2 | 3.0 | 5.0 |



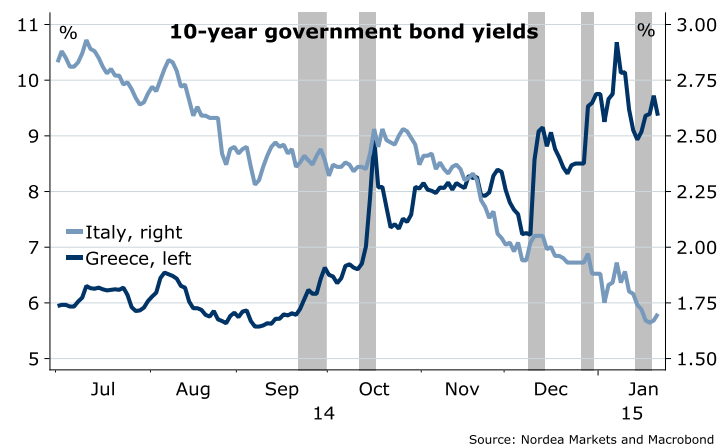
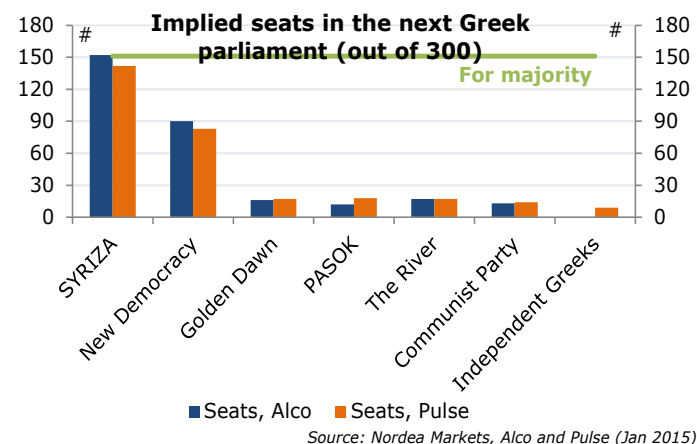
US: Q4 ECI could be decisive for the Fed (Fri)

- The Q4 employment cost index (ECI) released on Friday will likely be important for the timing of the first Fed rate hike. Modest wage growth would increase the risk of a later lift-off in rates than our current June 2015 forecast. Accelerating wages, on the other hand, would suggest the economy is nearing full capacity.
- Our main focus is on private industry wages, which rose at a 3% annual rate in both Q2 and Q3. In Q4 we expect a more modest but still solid 2.8% annual gain, which would imply a 2.4% rise over the past four quarters, up from 2.2% y/y in Q3. Our forecast is partly based on last week's [NFIB and JOLT surveys](#), which pointed to more upward wage pressures.
- The ECI is a fixed-weight index. This prevents shifts in the occupational composition of the workforce from appearing as wage changes, as they do in average hourly earnings data in the jobs report. In other words, this means that a decline in the number of high-wage workers (miners, say) at the benefit of low-wage workers (retail clerks, say) will not appear as a decline in aggregate wages according to the ECI. Such a change would show up as a decline in the hourly earnings series, however, and that is why we consider it an inferior measure of wage growth.



Euro area: Greece votes and hopes for change (Sun)

- Greek parliamentary elections are set to bring the left-wing SYRIZA party into power, but probably leaving it short of outright majority.
- The outcome depends a lot on how many of the smaller parties pass the 3% entry threshold. Forming a coalition government will be far from easy, especially if the Independent Greeks fail to enter parliament.
- In any case, the negotiations with the troika will be long and hard. Both sides seem unwilling to compromise too much, and in case SYRIZA does win outright majority, it is unlikely to back much from its demands of less austerity and more debt relief.
- Even an accidental outcome, threatening the future of Greece in the Euro area, cannot be excluded, and certainly fears of such an outcome could easily increase following the negotiations.
- Greece is a much smaller threat for the Euro area as a whole than it was some years ago, and recent market action clearly suggests more limited contagion risks.
- However, contagion risks still exist, and in case the markets really started to have concerns about a Grexit, there would be significant moves also outside the Greek markets, i.e. plenty of volatility, wider bond spreads and flight-to-quality flows into core government bonds.



Germany: Ifo to rise again (Mon)

- We expect the Ifo index to rise again, expectations by more than the assessment of the current situation. Our forecast is above expectations.
- Much lower energy prices and the weaker EUR will be the drivers – the same that also sent ZEW expectations higher.
- Any increase moves the Ifo further away from the recession zone. We pencil in GDP growth of 0.2% q/q in Q4 and 0.3% in Q1 – and that could be too low if we underestimate the impact from lower oil prices.
- Expected Ifo trend for the coming months: up.

| Jan-15 | Nordea | Consensus | Previous |
|---------------------------|--------|-----------|----------|
| Ifo business climate | 106.9 | 106.2 | 105.5 |
| Ifo business expectations | 103.0 | 102.4 | 101.1 |
| Ifo business conditions | 111.0 | 110.6 | 110.0 |

Source: Nordea Markets and Macrobond

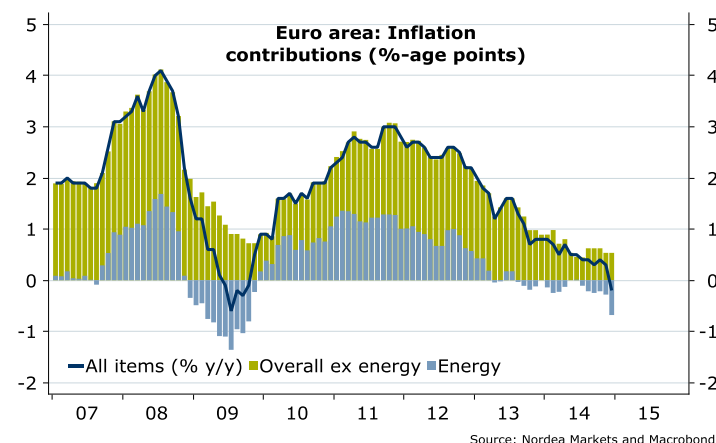
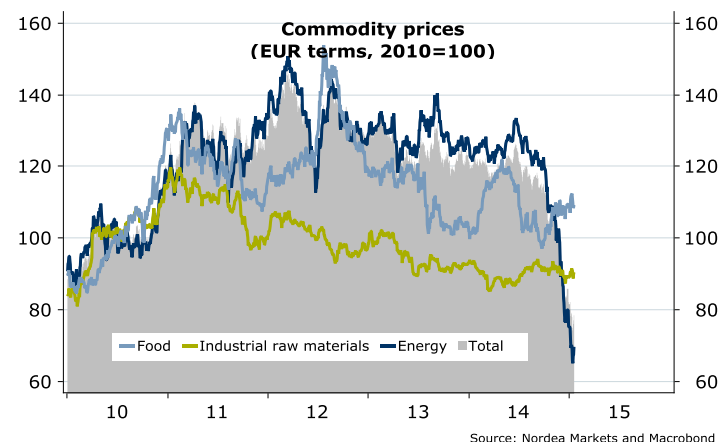


Euro area: Inflation rate even more negative (Fri)

- We expect lower energy prices to drive the headline inflation rate down to -0.5% y/y (from -0.2%). This is in line with the consensus expectations.
- The core rate (ex energy, food, alcohol, tobacco) will remain unchanged at 0.7%, in our view.
- In January, the Brent price declined by almost 10% over December (in EUR terms). For the energy component in the HICP, we expect a similar as in December, ie around 3% over the month, sending the y/y rate down to -9%.
- Ahead of the Euro-area numbers on Friday, Germany will publish on Thursday. Spain will publish on Friday, while Italian prices are scheduled only for 3 Feb.

| January 2015, % y/y | Nordea | Consensus | Previous |
|----------------------------------|--------|-----------|----------|
| HICP headline rate | -0.5 | -0.5 | -0.2 |
| HICP ex food, energy, alc., tob. | 0.7 | - | 0.7 |

Source: Nordea Markets and Macrobond



UK: Strong GDP Q4 preliminary (Tue)

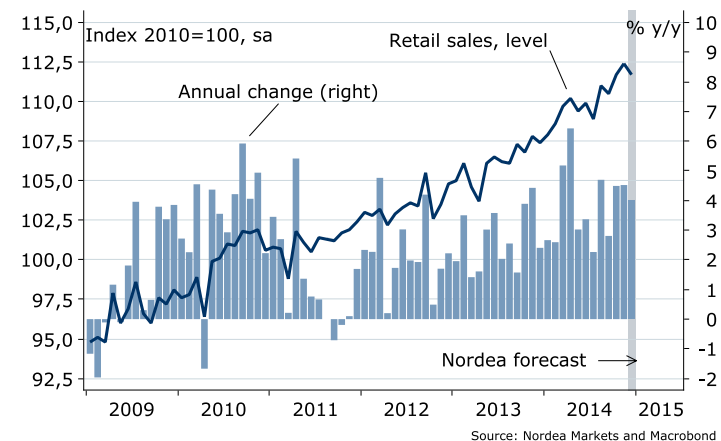
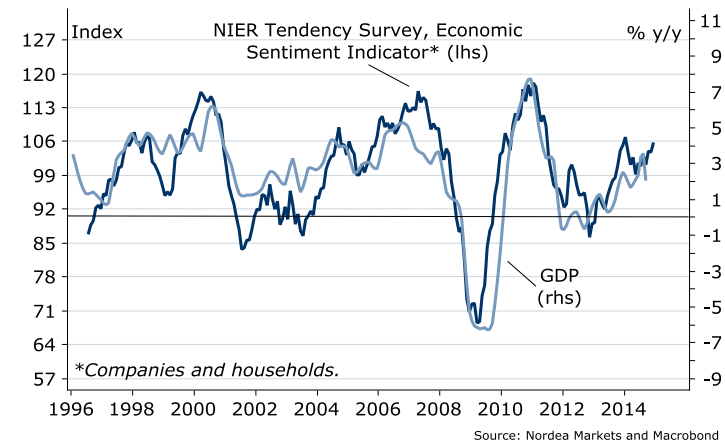
- The British economy continues to grow strongly, mainly driven by private consumption. We expect Q4 GDP to rise by 0.7% q/q and 2.9% y/y.
- PMI has fallen but remains comfortably above the 50 mark indicating strong growth.
- The labour market continues to strengthen and unemployment has fallen rapidly, to 5.8% in November.
- Retail sales perform very well and increased more than expected in December. In 2014 retail sales increased by 3.8%, which is the strongest yearly increase since 2004.
- Most recent business surveys and official data have been better than expected. If anything, we see risks to our forecast balanced.



| | Nordea | Consensus | Previous |
|-----------------|--------|-----------|----------|
| Real GDP q/q, % | 0.7 | | 0.7 |
| Real GDP y/y, % | 2.9 | | 2.7 |

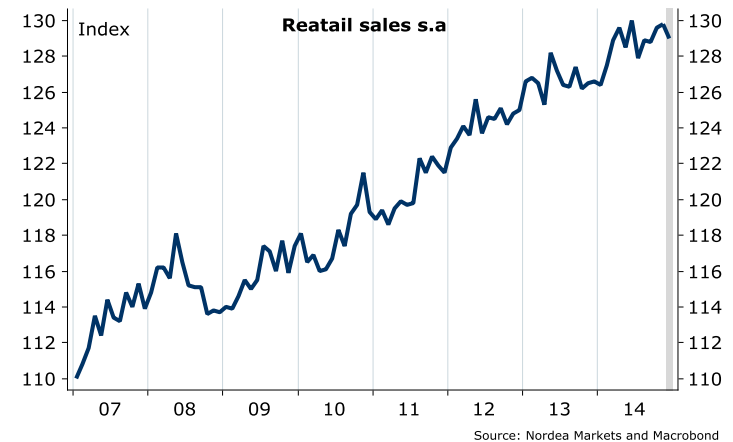
Sweden: Surveys and retail sales (Thu)

- We expect **confidence indicators** to be largely unchanged in January. However, weak stock markets probably weighed on household sentiment, while recent PMI readings suggest that manufacturing confidence according to the NIER's Business Survey will pick up. In all, we see consumer confidence down to 97 from 99, and manufacturing confidence up to 107.5 from 106.4. Sentiment for the total economy is rather upbeat, indicating healthy GDP growth, see chart. *(Thursday)*
- Retail sales** surprised strongly on the upside in November with its rise by a full 4.5% y/y. For the important December figures, which weigh heavily in the quarter due to Christmas shopping, we expect a small, temporary, decline over the month but still a high growth over the year. More specifically, we forecast retail sales to have risen by 4.0% y/y and declined by 0.5% m/m. *(Thursday)*



Norway: Retail sales to fall, but uncertainty high (Fri)

- We expect **December retail sales (Jan 30th 10:00)** to fall by 0,6 % m/m s.a. after an increase of 0,2 % in November.
- There is more uncertainty than usual due to Christmas shopping.
- Despite the expected fall in December, Q4 as a whole will be fairly strong at 0,7 % q/q, indicating private consumption in line with Norges Bank.
- We forecast a somewhat higher registered unemployment s.a. in January. In line with Norges Bank. November LFS unemployment unchanged at 3.8%.
- We expect Norges Bank to maintain NOK purchases at 500mio per day in February.



Calendar

| Saturday, 24/01/2015 | | | | Nordea | Consensus | Actual | Previous |
|-----------------------|----|--|-----|--------|-----------|--------|----------|
| | GR | Greek Parliamentary election | | | | | |
| 14:00 | GB | BOE's Mark Carney Speaks in Davos | | | | | |
| Monday, 26/01/2015 | | | | Nordea | Consensus | Actual | Previous |
| 10:00 | DE | Ifo, business climate (main) | Jan | 106.9 | 106.3 | | 105.5 |
| 10:00 | DE | Ifo, current assessment | Jan | 111 | 110.6 | | 110 |
| 10:00 | DE | Ifo, expectations | Jan | 103 | 102.4 | | 101.1 |
| 16:30 | US | Dallas Fed Man. Activity | Jan | | 3.0 | | 4.1 |
| Tuesday, 27/01/2015 | | | | Nordea | Consensus | Actual | Previous |
| 09:30 | SE | PPI (m/m) | Dec | | | | - 0.4% |
| 09:30 | SE | PPI (y/y) | Dec | | | | 1.3% |
| 09:30 | SE | Trade Balance | Dec | | | | - 0.7bn |
| 10:30 | GB | GDP (q/q, advance) | Q4 | 0.7% | 0.6% | | 0.7% |
| 10:30 | GB | GDP (y/y, advance) | Q4 | 2.9% | 2.8% | | 2.6% |
| 14:30 | US | Durable goods orders (m/m) | Dec | | 0.5% | | - 0.7% |
| 14:30 | US | Durable goods orders, ex transportation (m/m) | Dec | | 0.6% | | - 0.4% |
| 15:00 | US | House prices, S&P/Case- Shiller, composite- 20 (y/y) | Nov | | 4.4% | | 4.5% |
| 15:45 | US | Markit composite PMI (preliminary) | Jan | | | | 53.5 |
| 15:45 | US | Markit services PMI (preliminary) | Jan | | 53.8 | | 53.3 |
| 16:00 | US | Consumer confidence | Jan | | 95.0 | | 92.6 |
| 16:00 | US | Home sales, new | Dec | | 450k | | 438k |
| 16:00 | US | Home sales, new (m/m) | Dec | | 2.7% | | - 1.6% |
| 16:00 | US | Richmond Fed manufacturing index | Jan | | 5 | | 7 |
| Wednesday, 28/01/2015 | | | | Nordea | Consensus | Actual | Previous |
| 08:00 | DE | Consumer confidence, Gfk | Feb | 9.1 | 9.1 | | 9 |
| 08:45 | FR | Consumer confidence | Jan | 92 | 91 | | 90 |
| 10:00 | NO | Business survey, manufacturing | Q4 | | | | 2 |
| 10:00 | NO | Unemployment rate, LFS | Nov | 3.8% | | | 3.8% |
| 11:00 | SE | SNDO to auction bonds (SEK 3.5 bn) | | | | | |
| 13:00 | SE | Meeting of the Executive Board of the Riksbank | | | | | |
| 13:00 | US | Mortgage applications, MBA | Jan | | | | 14.2% |
| 20:00 | US | FOMC announces interest rates | | 0.25% | 0.25% | | 0.25% |

Calendar

| Thursday, 29/01/2015 | | | | Nordea | Consensus | Actual | Previous |
|----------------------|----|---|-----|--------|-----------|--------|----------|
| 09:00 | SE | Consumer confidence | Jan | 97 | | | 99.0 |
| 09:00 | SE | Economic tendency survey | Jan | | | | 105.8 |
| 09:00 | SE | Manufacturing confidence | Jan | 107.5 | | | 106.4 |
| 09:30 | SE | Financial market statistics, household lending (y/y) | Dec | | | | 5.9% |
| 09:30 | SE | Retail Sales (sa, m/m) | Dec | -0.5% | | | 0.5% |
| 09:30 | SE | Retail Sales (y/y) | Dec | 4.0% | | | 4.5% |
| 09:55 | DE | Unemployment rate (sa) | Jan | 6.5% | 6.5% | | 6.5% |
| 10:00 | EU | M3 (y/y) | Dec | 3.1% | 3.3% | | 3.1% |
| 11:00 | EU | Consumer confidence (final) | Jan | -8.5 | -8.5 | | -8.5 |
| 11:00 | EU | Economic Sentiment Indicator (ESI) | Jan | 101.4 | 101.5 | | 100.7 |
| 14:00 | DE | HICP (m/m, preliminary) | Jan | -1.0% | | | 0.1% |
| 14:00 | DE | HICP (y/y, preliminary) | Jan | -0.2% | -0.2% | | 0.1% |
| 14:00 | SE | Q&A with Prime Minister Stefan Löfven | | | | | |
| 14:30 | US | Jobless claims, continuing | Jan | | | | 2443k |
| 14:30 | US | Jobless claims, initial | Jan | | | | 307k |
| 16:00 | US | Home sales, pending (m/m) | Dec | | 0.5% | | 0.8% |
| Friday, 30/01/2015 | | | | Nordea | Consensus | Actual | Previous |
| 01:05 | GB | Consumer Confidence, Gfk | | | -3 | | -4 |
| 08:00 | DE | Retail sales (m/m) | Dec | 0.3% | 0.0 | | 1.0% |
| 08:45 | FR | Consumer spending (m/m) | Dec | | 0.7% | | 0.4% |
| 09:00 | CH | Leading indicator, KOF | Jan | | 94.3 | | 98.7 |
| 10:00 | NO | Consumption of goods indicator (m/m) | Dec | | | | 0.7% |
| 10:00 | NO | Norges Bank publishes FX transactions to Pension Fund- Intern | Feb | 500bn | | | 500bn |
| 10:00 | NO | Retail sales (m/m) | Dec | -0.6% | | | 0.2% |
| 10:00 | NO | Unemployment rate, registered (unadj. and excl. labour market s | Jan | 3.1% | | | 2.7% |
| 10:00 | NO | Unemployment, registered and persons on labour market schen | Jan | 87300 | | | 86 747 |
| 11:00 | EU | HICP (flash, y/y) | Jan | -0.5% | -0.5% | | -0.2% |
| 11:00 | EU | HICP core (flash, y/y) | Jan | 0.7% | 0.7% | | 0.7% |
| 11:00 | EU | Unemployment rate | Dec | 11.5% | 11.5% | | 11.5% |
| 13:00 | SE | Meeting of the General Council of the Riksbank | | | | | |
| 14:30 | US | Employment cost index (q/q) | Q4 | | 0.6% | | 0.7% |
| 14:30 | US | GDP (q/q annualised, advance) | Q4 | 3.2% | 3.0% | | 5.0% |
| 14:30 | US | GDP deflator (q/q annualised, advance) | Q4 | | 0.9% | | 1.4% |
| 14:30 | US | PCE prices, core (q/q, annualised) (advance) | Q4 | | | | 1.4% |
| 14:30 | US | Personal consumption (q/q annualised, advance) | Q4 | | 4.0% | | 3.2% |
| 15:15 | US | Chicago PMI | Jan | | 58.0 | | 58.3 |
| 16:00 | US | Consumer confidence, U. of Mich., 5- 10Y inflation (final) | Jan | | | | 2.8% |

Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S.

The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results.

Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction.

This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.

Editor:

Daniel F Gustafsson
Assistant Analyst
Global Research
+45 33 33 51 15

daniel.freyr.gustafsson@nordea.com