



# Week Ahead

1 – 8 Feb



Nordea Research, 30 January 2015

## Next week's key events

- **US**

We expect a 200k gain in nonfarm payrolls in January, somewhat below the 231k consensus estimate and significantly weaker than the strong 252k rise in December. In addition to that, we expect the ISM manufacturing index to fall to 54.0 in January from December's 55.5.

- **Euro area**

Tier-2 data on the agenda, final PMI numbers as well as retail sales (Dec.), where we expect a small increase. On Thursday, the ECB will publish the first edition of the Economic Bulletin that replaces the Monthly Bulletin. Germany will publish industrial order and production data. We expect the November declines to be reversed in December. Apart from that, continued focus will be on how the new Greek government acts ahead of the upcoming talks with the troika.

- **UK**

We expect the BoE keep the bank rate unchanged at 0.5% and the size of the Asset Purchase Programme at GBP 375bn at its February MPC meeting.

- **CEE**

A number of interesting central bank meetings are due in the coming week. The Polish central bank may signal a March rate cut (Wednesday), the Turkish central bank may hold another emergency meeting (Thursday) and the Czech central bank will have to explain why it will not scrap its EURCZK floor (Thursday).

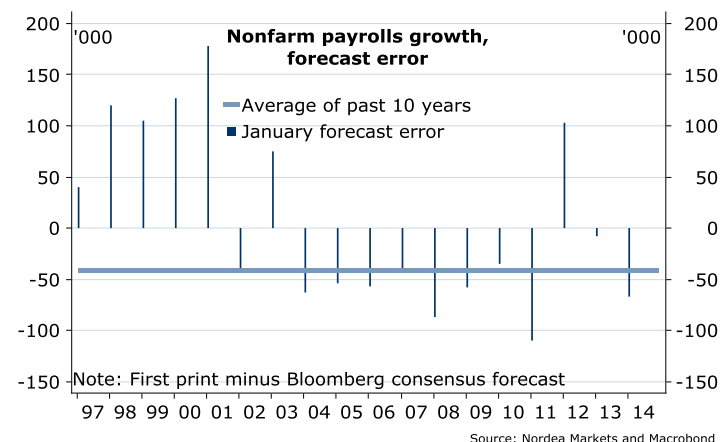
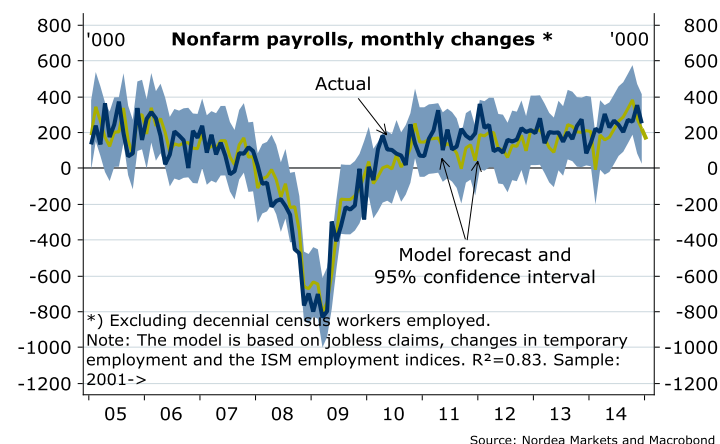
- **Sweden**

Production in the manufacturing industry has been on a downward trend for long. Indicators suggest that production should bottom out soon, although no marked upturn seems to be around the corner. We see the volatile production up by 1.0% m/m in December after several months of weak outcomes.

# US: downside risk for January payrolls (Fri)

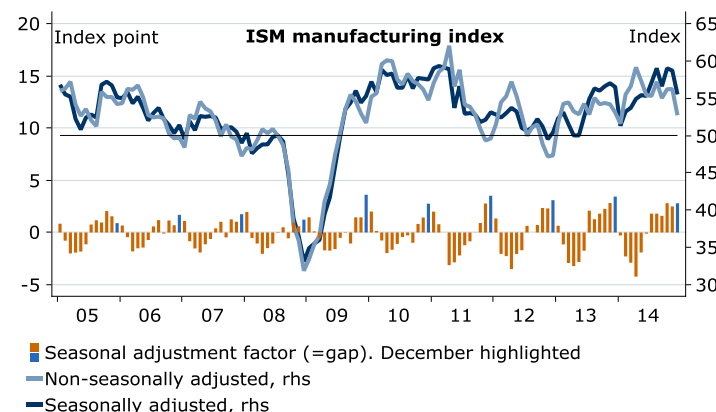
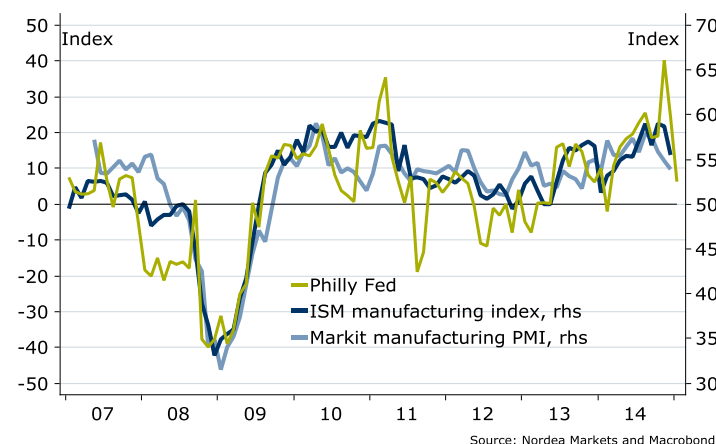
- We expect a 200k gain in **nonfarm payrolls** in January, somewhat below the 231k consensus estimate and significantly weaker than the strong 252k rise in December.
- Our forecast is significantly weaker than the 3-month average increase of 289k, as we are looking for a correction of recent exaggerated strength in employment. The underlying trend, however, is expected to remain solid.
- The case for a below-consensus gain in payrolls is supported by the fact that January payrolls have had a tendency to disappoint for some years (see chart).
- We expect the **unemployment rate** to remain at 5.6% after the 0.2% point drop in December, assuming a rebound in the labour force after the drop in labour force participation in December. The consensus estimate is also 5.6%.
- We forecast a 0.3% rise in average **hourly earnings** after December's unexpected 0.2% decline, in line with the consensus estimate. Year-over-year hourly earnings growth should rise to 1.8% from 1.7% in December.

January 2015	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	200	231k	252k
Unemployment rate, %	5.6	5.6	5.6
Average hourly earnings, % m/m	0.3	0.3	-0.2



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

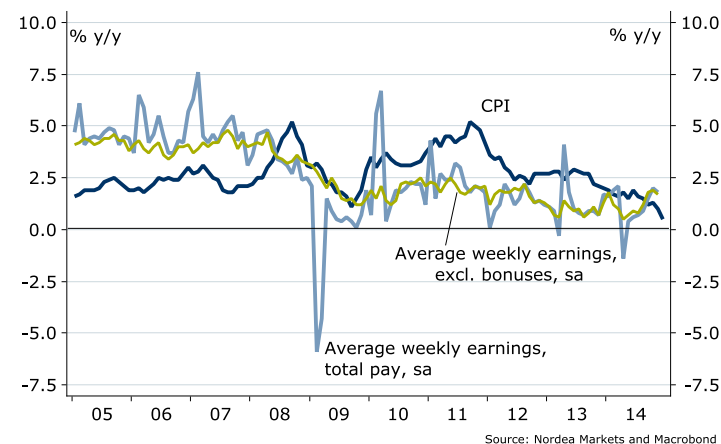
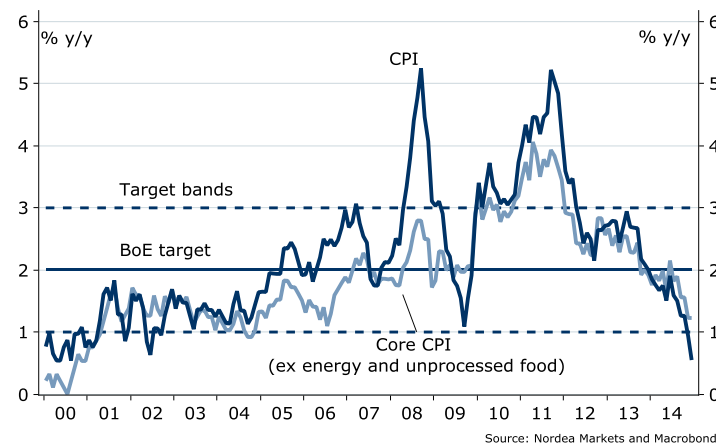
- We expect the ISM manufacturing index to fall to 54.0 in January from December's 55.5. The consensus is 54.8 with a 1.0 standard deviation. The recent peak was 59.0 in October.
- Historically, an ISM index of 54 has been consistent with a 3¾-4% annualised growth rate in real GDP.
- A key reason why we are looking for a further correction lower in the ISM index in January is that the index has recently overstated the pace of manufacturing output, the hard data, probably due to seasonal adjustment distortions.
- Early reads of US manufacturing indicators are mostly weaker in January. The Richmond Fed, the preliminary Markit PMI and especially the Philly Fed index slipped back.



January 2015	Nordea	Consensus	Previous
ISM manufacturing index	54.0	54.8	55.5

# BoE: No change in the policy stance (Thu)

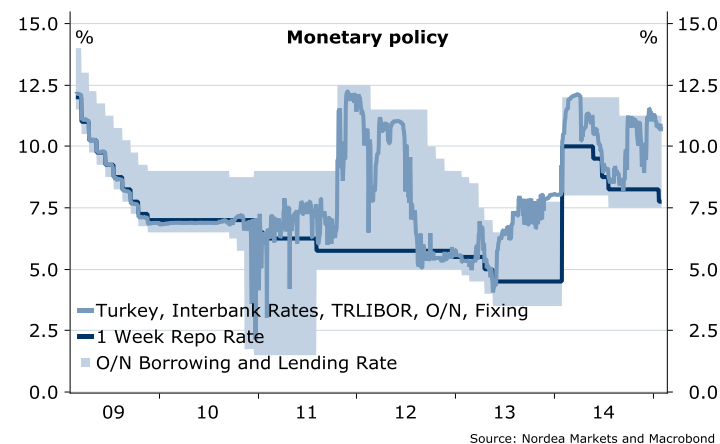
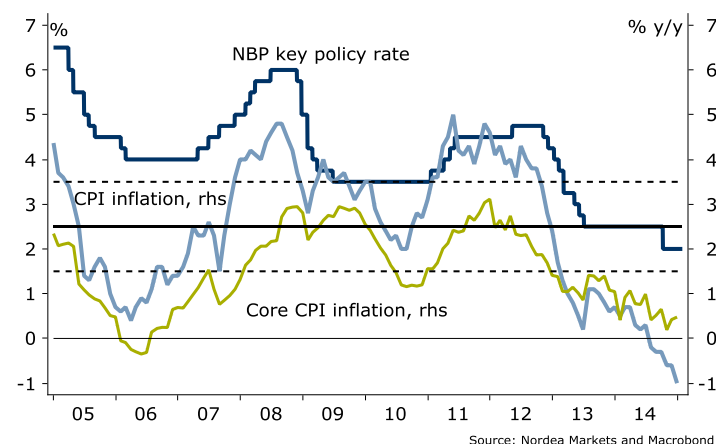
- We expect the BoE keep the bank rate unchanged at 0.5% and the size of the Asset Purchase Programme at GBP 375bn at its February MPC meeting.
- Unexpectedly, the MPC members unanimously voted for keeping the rates unchanged at their January meeting. Probably they will do so also at their February meeting.
- The minutes from the MPC meeting in December stated that the recent sharp fall in oil prices has certainly increased the risk that inflation might remain below the target for a longer period of time than the BoE forecast in its November Inflation Report.
- The BoE's communication of its forward guidance is crucial. Carney recently said that *"The BoE's view on low inflation being temporary -....- implies that the MPC is considering a modest rise in interest rates earlier than investors expect"*. Forbes said that *"different situations may lead to an earlier than expected rate hike"*. Haldane on the other hand said that *"there is no rush to begin the rate hike cycle"*.
- **Our forecast is that the BoE will start to hike rates in Q4 this year.**



# CEE: Interesting rate announcements (Wed & Thu)

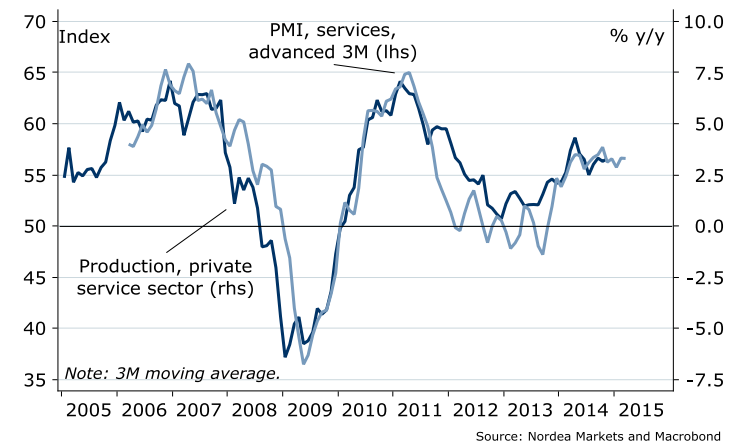
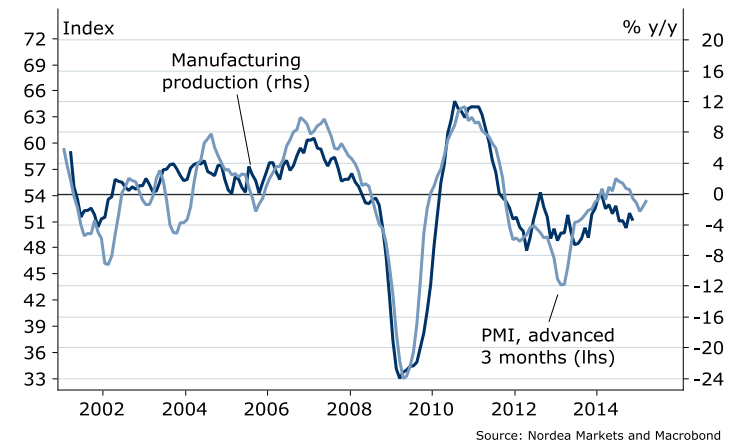
A number of interesting central bank meetings are due in the coming week. The Polish central bank may signal a March rate cut (Wednesday), the Turkish central bank may hold another emergency meeting (Thursday) and the Czech central bank will have to explain why it will not scrap its EURCZK floor (Thursday).

- **Poland:** Inflation dropped to -1% in December and seems to have made two key MPC members more inclined to cut rates, which would make the majority of the MPC in favour of a cut. There is a risk that rates will be cut already next week, but given the PLN volatility that has followed SNB's and ECB's monetary policy decisions a March cut seems more likely.
- **Turkey:** CBRT Governor Başçı has said that a 1%-point drop in inflation in January (Wednesday) will prompt an emergency MPC meeting Thursday. At least a 50 bp rate cut seems like a done deal either Thursday or at the next regular MPC meeting 24 February. It will matter more for the TRY if the overnight lending rate is cut too.
- **Czech:** The CNB's EUR/CZK floor has been in focus since the SNB removed its floor in January. We believe the CNB will keep the floor in place throughout this year as currently communicated.



# Sweden: Production still split

- Production in the **manufacturing industry** has been on a downward trend for long. Indicators suggest that production should bottom out soon, although no marked upturn seems to be around the corner. We see the volatile production up by 1.0% m/m in December after several months of weak outcomes. This translates into a year-on-year figure of -3.5% (*Thursday*). The **manufacturing PMI** should edge down to 54 from 55.4, we think (*Monday*).
- The **private service sector** is better off with rising production and indicators at healthy levels. We forecast a rise in production by 3.5% y/y in December and expect the **services PMI** to rise to 57 from 55.4 (*Thursday and Wednesday*).



# Calendar

Monday, 02/02/2015					Nordea	Consensus	Actual	Previous
03:00	CN	PMI, manufacturing, NBS	Jan			50.2		50.1
08:30	SE	PMI manufacturing	Jan					55.4
09:00	PL	PMI, manufacturing	Jan			53.1		52.8
09:30	CZ	PMI, manufacturing	Jan			53.8		53.3
09:30	SE	Registration of vehicles (y/y)	Jan					3.1%
09:55	DE	PMI, manufacturing (final)	Jan	51	51			51
10:00	EU	PMI, manufacturing (final)	Jan	51	51			51
10:00	NO	Credit growth, domestic, C2 (y/y)	Dec					5.2%
10:30	GB	PMI, manufacturing	Jan			52.8		52.5
11:00	DK	PMI survey	Jan					53.9
14:30	US	PCE prices (y/y)	Dec			0.8%		1.2%
14:30	US	PCE prices, core (y/y)	Dec			1.3%		1.4%
14:30	US	Personal income (m/m)	Dec			0.2%		0.4%
14:30	US	Personal spending (m/m)	Dec			-0.2%		0.6%
15:45	US	Markit manufacturing PMI (final)	Jan			54.0		53.7
16:00	US	Construction spending (m/m)	Dec			0.8%		-0.3%
16:00	US	ISM, manufacturing	Jan	54.0	54.8			55.5
16:00	US	ISM, prices paid	Jan		40			38.5
Tuesday, 03/02/2015					Nordea	Consensus	Actual	Previous
04:30	AU	RBA announces interest rates (cash target)	Feb			2.5%		2.5%
06:30	IN	RBI announces interest rate (Repurchase Rate)				7.75%		7.75%
16:00	DK	Foreign currency reserves	Jan					446.8
16:00	US	Factory orders (m/m)	Jan			-2.0%		-0.7%
16:00	US	Fed's Bullard discusses Economics in Newark, Delaware						
17:45	US	Fed's Kocherlakota Speaks on Economy in St. Pauls, Minnesota						
18:45	US	Fed's Lockhart Speaks on U.S. Economy in Naples, Florida						
23:00	US	Vehicle sales, domestic				13.60m		13.46m
23:00	US	Vehicle sales, total				16.80m		16.80m
Wednesday, 04/02/2015					Nordea	Consensus	Actual	Previous
05:45	US	Fed's Mester Speaks on Economy and Banking in Columbus						
06:00	US	Fed's Mester Speaks to Ohio Bankers League in Columbus						
08:30	SE	PMI service sector	Jan					55.4
09:55	DE	PMI, services (final)	Jan	52.7	52.7			52.7
10:00	EU	PMI, composite (final)	Jan	52.2	52.2			52.2
10:00	EU	PMI, services (final)	Jan	52.3	52.3			52.3
10:30	GB	PMI, services	Jan			56.9		55.8
11:00	EU	Retail sales (m/m)	Dec	0.3%	-0.2%			0.6%

# Calendar

Wednesday, 04/02/2015 (continued)					Nordea	Consensus	Actual	Previous
11:00	NO	House prices NEF (m/m, s.a.)	Jan					1.0%
12:10	PL	NBP announces interest rates (Base rate)	Feb		2.00%	2.00%		2.00%
14:15	US	Employment, ADP (absolute change m/m)	Jan			220k		241k
15:45	US	Markit composite PMI (final)	Jan					54.2
15:45	US	Markit services PMI (final)	Jan					54
16:00	US	ISM, non-manufacturing, composite	Jan			56.5		56.2
18:45	US	Fed's Mester Speaks on Economy and Banking in Columbus						
Thursday, 05/02/2015					Nordea	Consensus	Actual	Previous
08:00	DE	Factory orders (m/m)	Dec		3.0%	1.0%		-2.4%
09:30	SE	Industrial orders (y/y)	Dec					1.1%
09:30	SE	Industrial production (y/y)	Dec					-5.0%
09:30	SE	Private service sector production (y/y)	Dec					3.4%
10:00	EU	ECB Economic Bulletin						
11:00	US	Fed's Rosengren Addresses Conference on Sovereign Risk						
12:30	EU	ECB's Praet speaks in Frankfurt						
13:00	CZ	CNB announces interest rates (Repo rate)	Feb		0.05%	0.05%		0.05%
13:00	GB	BoE announces asset purchase target	Feb			375bn		375bn
13:00	GB	BoE announces interest rates	Feb			0.50%		0.50%
13:30	US	Challenger job cuts (y/y)	Jan					6.6%
14:30	US	Jobless claims, continuing	Jan					2385k
14:30	US	Jobless claims, initial	Jan					265k
14:30	US	Nonfarm productivity (q/q annualised, preliminary)	Q4			0.9%		2.3%
14:30	US	Trade balance	Dec			-38.0bn		-39.0bn
14:30	US	Unit labor costs (q/q annualised, preliminary)	Q4			1.0%		-1.0%
Friday, 06/02/2015					Nordea	Consensus	Actual	Previous
08:00	DE	Industrial production (m/m)	Dec		0.5%	0.3%		-0.1%
09:30	SE	House prices, Statistic Sweden (y/y)	Jan					7%
09:30	SE	The Riksbank's Business Survey, Feb 2015 published						
09:30	SE	The Swedish central government debt						
10:00	NO	Manufacturing production (m/m)	Dec					-0.4%
14:30	US	Average weekly hours	Jan		34.6	34.6		34.6
14:30	US	Hourly earnings, average (m/m)	Jan		0.3%	0.3%		-0.2%
14:30	US	Hourly earnings, average (y/y)	Jan		1.8%	1.8%		1.7%
14:30	US	Nonfarm payrolls (absolute change m/m)	Jan		200k	231k		252k
14:30	US	Nonfarm private payrolls (absolute change m/m)	Jan			220k		240k
14:30	US	Unemployment rate			5.6%	5.6%		5.6%
21:00	US	Consumer credit	Dec			15.00b		14.081b

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