



Week Ahead

7 – 13 Feb



Nordea Research, 6 February 2015

Next week's key events

- **US**

Fed Chair Yellen will possibly present her semi-annual monetary policy testimony to Congress next week. We expect Yellen to repeat that the Fed will be "patient" before raising rates. Also a lot of second tier data will be delivered, with the retail sales being the most important.

- **Euro area**

Controversial discussions between Greece and its creditors will continue, but it will probably take several months until a compromise can be found. Data-wise, we expect a small increase of industrial production (Thursday) in December. Q4 GDP data on Friday will receive more attention. We expect 0.2% q/q, as in the same we have seen in Q3. Germany and Spain should come out above average, France and Italy below.

- **UK**

We expect the BoE to make a downward revision in their near time inflation forecasts. The reason is the lower than expected CPI in December and the risk of further fall in oil prices.

- **China**

Next week is busy on Chinese data, which is likely to offer a mixed picture of the economy in January. We expect the trade balance to improve. The loan data will be released and we expect the new yuan loan to be more than CNY 1tn. Finally we expect inflation to deliver another soft reading.

- **Sweden**

We expect a soft message from the Riksbank, signalling that it has its finger on the trigger, ready to act.

- **Norway**

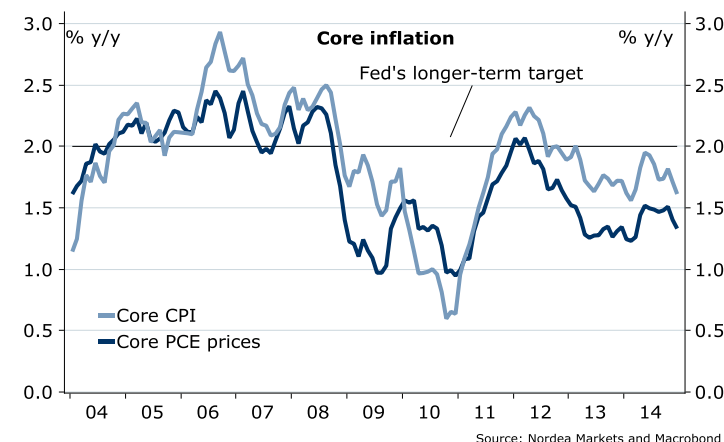
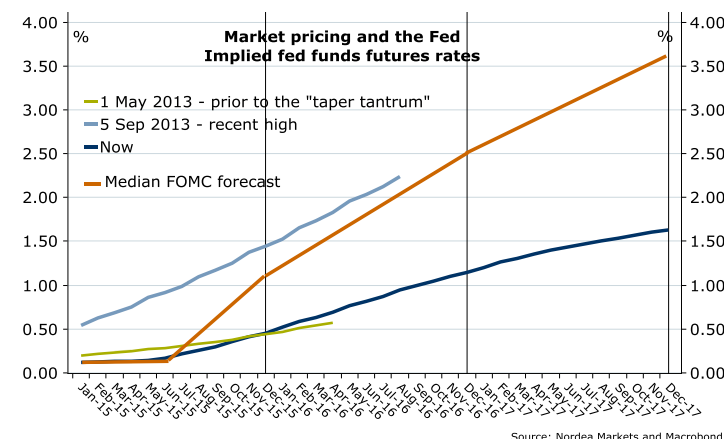
We expect January core inflation at 2.3% down from 2.4%. Q4 mainland GDP is expected at 0.4 % q/q (2.6% y/y) in line with the trend we see for 2015.

- **Denmark**

Since mid-2014, Danish inflation has been on a clear downward trend. We expect this record to be broken yet again in January with a drop of 0.5% m/m translating to 0.0% y/y.

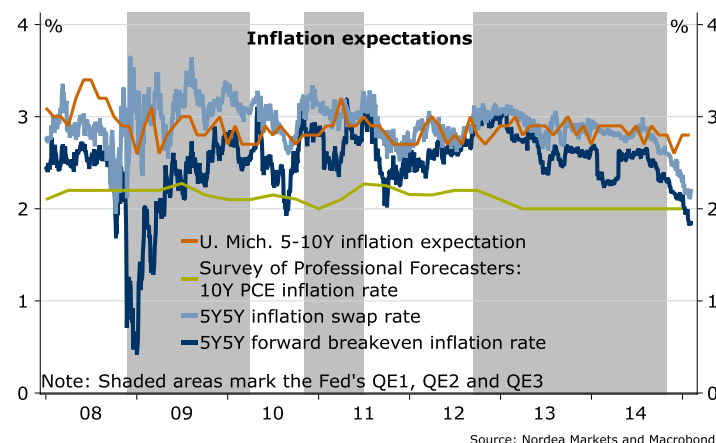
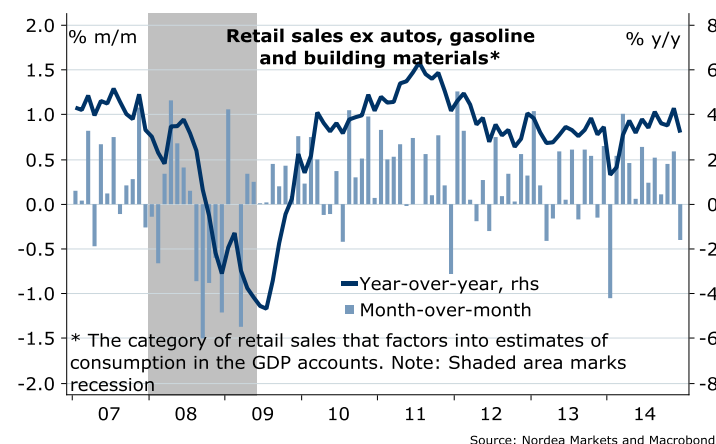
US: Yellen's semi-annual testimony (possibly)

- Fed Chair Yellen will present her semi-annual monetary policy testimony to Congress later this month. The date is not yet published, but it might take place next week.
- If Yellen would like to start shifting the rhetoric that has pointed to a first rate hike around mid-year towards a later date for lift-off, the congressional testimony may be just the forum.
- Increased concern about low inflation and/or “international developments” would obviously suggest a potentially delayed start to rate hikes.
- If the Fed still thinks a June rate hike is a possibility, it will need to remove the assurance that the bank will be “patient” before raising rates at the next FOMC meeting in March. The reference to patience indicates that the Fed is unlikely to begin raising rates for “at least the next couple of meetings,” according to the December FOMC minutes.
- We expect Yellen to repeat that the Fed will be “patient” before raising rates. We look for the first rate hike in September.



US: Also a lot of second-tier data delivered

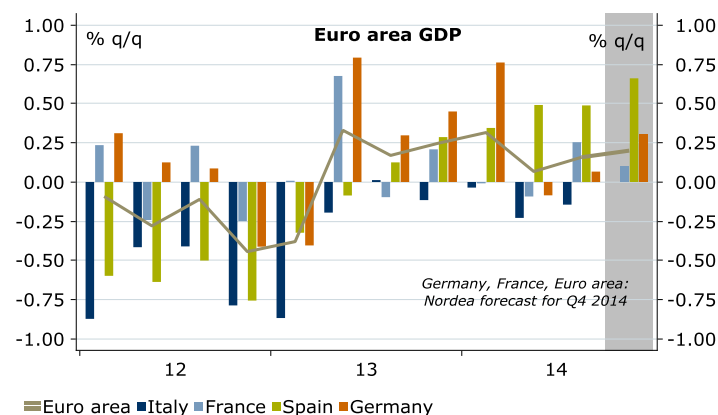
- Next week's most important US data release will be Thursday's **retail sales** data for January. Following a surprising 0.4% decline in December we expect a 0.5% increase in the so-called control sales, which filters into GDP and excludes autos, gasoline and building materials. Overall retail sales should fall 0.4%, held down by lower gasoline prices.
- On Tuesday the Job Opening and Labor Turnover Survey (**JOLTS**) will report on job openings, new hires, and separations including layoffs and quits – important parts of the Fed's labour market assessments. Last month the report showed the most job openings since 2001.
- In the **NFIB small business survey** on Tuesday we will especially focus on the net percentage of firms reporting an increase in labour compensation and the net share reporting few or no qualified applicants for job openings. Historically both indices have tended to be good leading indicators for wage growth.
- With the increased focus on **inflation expectations**, Friday's University of Michigan consumer survey should be monitored closely. In January 5-10Y inflation expectations was unchanged 2.8% after dipping to 2.6% in November.



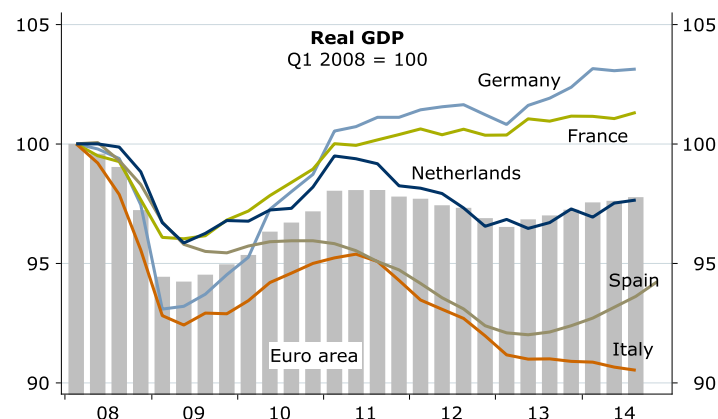
Euro area: GDP expected up 0.2 % q/q in Q4 (Fri)

- We expect Euro-area GDP to have grown by 0.2% q/q in Q4, as in Q3. We see the main risk of our forecast to the upside.
- A few preliminary country results have been published already: Spain: 0.7% q/q, Belgium: 0.1%, Austria: flat. The German statistical office indicated 0.25%. We expect 0.1% for France and -0.1% for Italy.
- These numbers would again point to Italy as the weakest among the larger economies, with France not far away, whereas Spain is clearly recovering.
- Outlook: Looking forward, it could be that the 0.2% we penciled in also for Q1 is too low. The recovery might gain speed faster than we expected, mostly on the back of the much lower oil price and the weaker EUR. Stronger growth reduces the underutilization of resources and the risk of deflation.

| Q4 2014 | Nordea | Consensus | Previous |
|---------------------------|--------|-----------|----------|
| Euro area flash GDP % q/q | 0.2 | 0.2 | 0.2 |



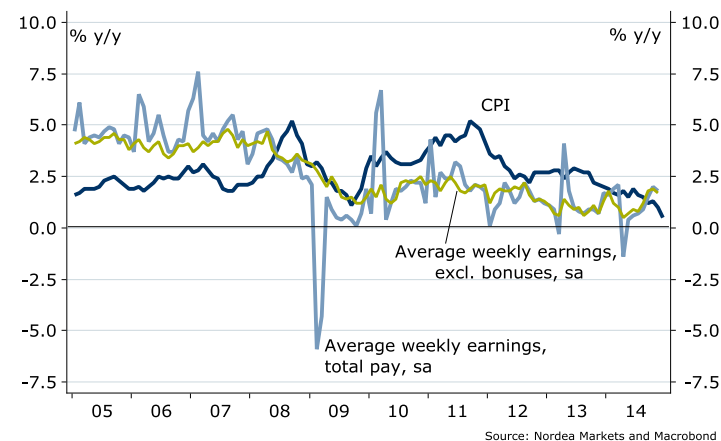
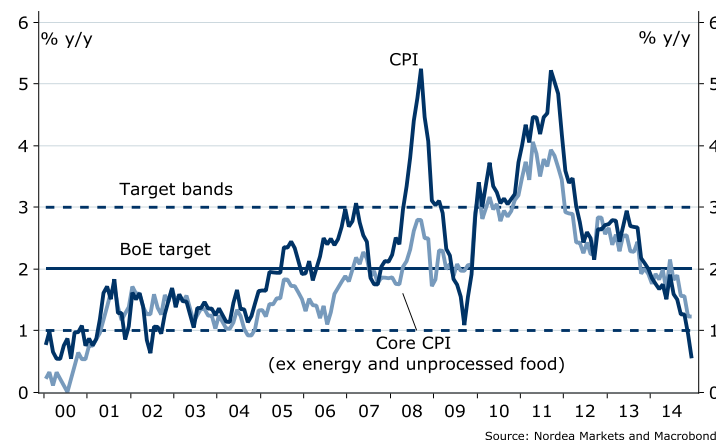
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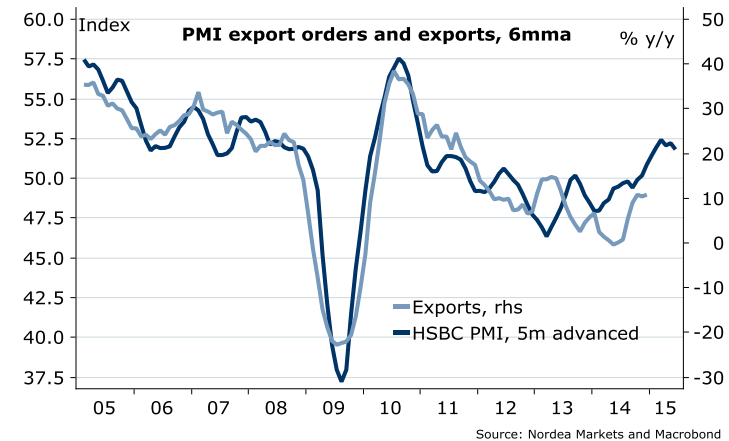
BoE: Downward revision of near time inflation (Thu)

- CPI inflation tumbled to just 0.5% y/y in December. This was lower than our forecast as well as the BoE's forecast. The fall was mainly due to the sharp fall in oil prices. Further fall in the oil prices means that **the BoE probably will revise down their inflation forecast further in the near time**. However, the February MPC minutes stated that *"risks to CPI inflation in the medium term might have, if anything, shifted to the upside"*.
- Otherwise, the UK economy has evolved more or less in line with the BoE's forecast in its November Inflation report.
- Carney has stated that he is confident that inflation below 1% will only be "temporary" and that the inflation will return to the 2% target by the end of the BoE's forecast period, without any additional action.
- We believe that Carney will write this in the letter that he is required to write to the chancellor (Finance Minister) Osborne explaining why inflation is deviating so far from the target.
- Lower than expected inflation and weak inflation outlook support our view that the BoE's first rate hike is still distant. **Our forecast is a first rate hike in Q4 this year.**



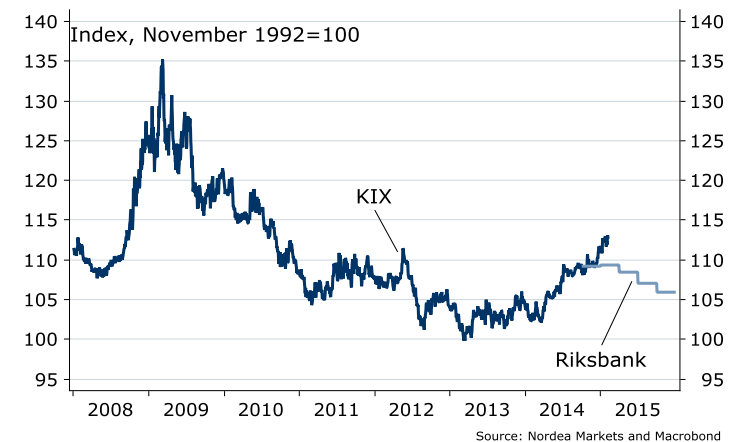
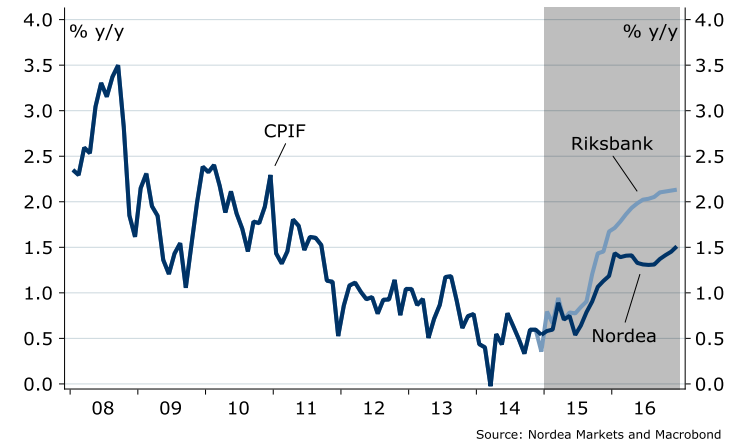
China: Mixed data for January (whole week)

- Next week is busy on Chinese data, which is likely to offer a mixed picture of the economy in January. We expect the **foreign trade** figures on Sunday to confirm that the export growth remains robust, especially to the US and southeast Asia. Import growth may disappoint once again mainly due to lower commodity prices. Trade balance is very likely to improve.
- Sometime next week (10-15 Feb) the **loan data** will be released. We expect the new yuan loan to be more than CNY 1tn. More than often, the January new credit is higher than the average. Particularly this year Beijing seems to be concerned about a potential liquidity shortage over the upcoming Lunar New Year (18-24 Feb). In the last few weeks, the PBoC has injected liquidity to the market in various forms. Thus, it would be peculiar if it did not increase bank lending as well.
- **CPI inflation** on Tuesday will probably deliver another soft reading and even lower than 1.5% from December. Deflationary pressure in **PPI** continues and is much worse in heavy industry (-7% y/y in December) than in utilities (-2%), machinery (-0.8%) and consumer goods (0%). This is a consequence of the severe overcapacity in heavy manufacturing.



Sweden: With its finger on the trigger (Thu)

- In its December report the **Riksbank said that it is preparing measures** that can be used to make monetary policy more expansionary if needed.
- Such a **need for extra stimulus has not occurred**, we think. Inflation has been higher than expected, the Swedish economy is performing well, the SEK is weaker than assumed and the ECB's steps to expand its balance sheet were in line with the Riksbank's expectations.
- But **expect a soft message from the Riksbank**, signaling that it has its finger on the trigger, ready to act. (Thursday)
- Read more [here](#).



Norway: Lower inflation despite weak NOK (Tue, Wed)

- We expect January **core inflation (Feb 10th 10:00)** at 2.3% down from 2.4%
- The main reason for lower inflation is base effects on clothes (smaller price cuts during the seasonal sale last year than this year).
- Uncertainty high due to a lot of prices being adjusted sharply in January
- Norges Bank forecast is 2.2%.
- We forecast Q4 **mainland GDP (Feb 11th 10:00)** at 0.4 % q/q (2.6% y/y) compared to 0.4% in Q3.
- A slow down from the previous years and in line with the trend we see for 2015
- Norges Bank forecast is 0.35% q/q.

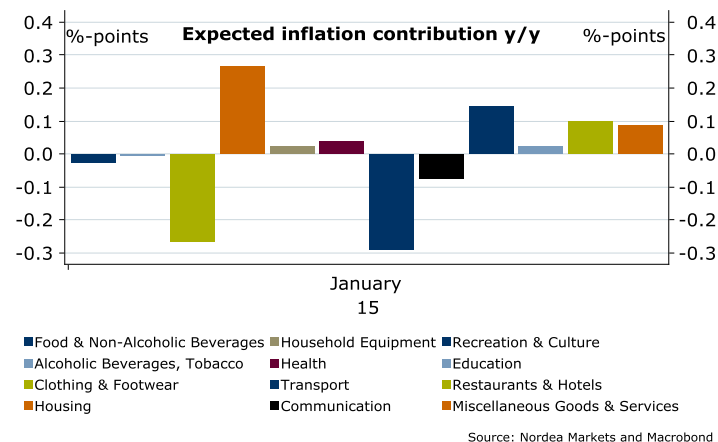
Core inflation m-o-m slightly lower in 2015 *

| M-o-m | Weight | Jan(14) | Jan(15) | Contr.to ch. |
|---------------------------------|--------|---------|---------|--------------|
| Food and non-alcoholic bev. | 0.14 | 0.9% | 0.7% | -0.03 % |
| Alcoholic beverages and tobacco | 0.04 | 0.4% | 0.8% | 0.02 % |
| Clothing and footwear | 0.06 | -5.1% | -7.0% | -0.11 % |
| Housing (incl. rents) | 0.19 | 0.5% | 0.5% | 0.00 % |
| Furnishings etc. | 0.06 | -1.7% | -2.0% | -0.02 % |
| Medical care | 0.03 | 0.7% | 1.0% | 0.01 % |
| Transport (include airfares) | 0.13 | -0.5% | 0.1% | 0.07 % |
| Communications | 0.03 | 0.0% | 0.7% | 0.02 % |
| Culture and recr. (incl books) | 0.14 | -0.4% | -0.2% | 0.03 % |
| Education | 0.00 | -0.2% | 0.0% | 0.00 % |
| Restaurants and hotels | 0.06 | 0.3% | 0.4% | 0.01 % |
| Misc.goods and serv. | 0.11 | 0.8% | 0.4% | -0.05 % |
| Total core inflation | 1.00 | -0.1 % | -0.2 % | -0.06 % |

*Monthly growth and contribution to change in yearly growth from December to January

Denmark: Inflation down to zero (Tue)

- Since mid-2014, Danish inflation has been on a clear downward trend. In December it settled on a record-low of 0.3% y/y - the lowest level since the monthly observations began in the late 1960's.
- We expect this record to be broken yet again in January with a drop of 0.5% m/m translating to 0.0% y/y.
- This expected monthly drop is two-fold. First, the negative contribution from clothing and footwear falls markedly in January, due to seasonal sales. Secondly, the falling oil prices continue to contribute negatively to heating and transportation.
- This also translates to the annual inflation, where the falling oil prices stand out much more, resulting in a 0.3%-point contribution to annual inflation through transportation prices.
- We expect the January inflation to reach a bottom low, mainly driven by changes in tariffs and oil prices, while we see prices rising somewhat during 2015. This being said, the risk remains on the down-side.



Calendar

| Sunday, 08/02/2015 | | | | Nordea | Consensus | Actual | Previous |
|-----------------------|-----|---|-----|--------|-----------|--------|----------|
| | CN | Exports (y/y) | Jan | | 5.9% | | 9.7% |
| | CN | Imports (y/y) | Jan | | -3.2% | | -2.4% |
| | CN | Trade balance (USD) | Jan | | 48.90bn | | 49.61bn |
| Monday, 09/02/2015 | | | | Nordea | Consensus | Actual | Previous |
| | G20 | Finance Ministers and Central Bank Governors meeting | | | | | |
| 09:00 | CZ | CPI (y/y) | Jan | | -0.2% | | 0.1% |
| 09:00 | DK | Current account balance | Dec | 10.0bn | | | 11.2bn |
| 09:00 | DK | Trade balance, ex. ships (sa) | Dec | 6.0bn | | | 6.3bn |
| 09:30 | SE | Business sector production (m/m) | Dec | | | | 1.0% |
| 09:30 | SE | Household consumption (m/m) | Dec | | | | 0.6% |
| 09:30 | SE | Household consumption (y/y) | Dec | | | | 2.5% |
| 11:00 | NO | Auction of Treasury Bills | | | | | |
| 13:00 | IN | GDP (y/y) | Q4 | | | | 5.3% |
| 16:00 | US | Mortgage delinquencies | Q4 | | | | 5.85% |
| 16:00 | US | Mortgage foreclosures | Q4 | | | | 2.39% |
| Tuesday, 10/02/2015 | | | | Nordea | Consensus | Actual | Previous |
| | G20 | Finance Ministers and Central Bank Governors meeting | | | | | |
| 02:30 | CN | CPI (y/y) | Jan | | 1.0% | | 1.5% |
| 08:45 | FR | Industrial production (m/m) | Dec | 0.5% | 0.3% | | -0.3% |
| 09:00 | DK | CPI (m/m) | Jan | -0.5% | | | -0.2% |
| 09:00 | DK | CPI (y/y) | Jan | 0.0% | | | 0.3% |
| 09:00 | SE | Nordea's Regional Outlook is published | | | | | |
| 09:15 | CH | CPI (y/y) | Jan | | -0.6% | | -0.3% |
| 10:00 | EU | ECB's Costa, Praet Speak on Financial Stability in Lisbon | | | | | |
| 10:00 | NO | CPI (y/y) | Jan | | | | 2.1% |
| 10:00 | NO | CPI, core (y/y) | Jan | | | | 2.4% |
| 10:30 | GB | Industrial production (y/y) | Dec | | 0.8% | | 1.1% |
| 10:30 | GB | Manufacturing production (y/y) | Dec | | 2.1% | | 2.7% |
| 14:00 | NO | CPIX and other inflation indicators | Jan | | | | 2.4% |
| 14:20 | US | Fed's Lacker to Speak on Economy in Raleigh, North Carolina | | | | | |
| 15:00 | US | NFIB small business optimism index | Jan | | 101 | | 100.4 |
| 16:00 | US | JOLTs job openings | Dec | | | | 4972 |
| Wednesday, 11/02/2015 | | | | Nordea | Consensus | Actual | Previous |
| 08:00 | SE | Unemployment, Swedish Public Employment Service | Jan | | | | |
| 09:00 | SE | Monetary policy meeting 1 | | | | | |
| 10:00 | NO | GDP (q/q) | Q4 | | | | 0.5% |
| 10:00 | NO | GDP, mainland (q/q) | Q4 | | | | 0.4% |
| 11:00 | SE | SNDO to auction bonds (SEK 3.5 bn) | | | | | |
| 13:00 | US | Mortgage applications, MBA | Feb | | | | 1.3% |
| 14:00 | US | Fed's Fisher Speaks to Economists in New York | | | | | |

Calendar

| Thursday, 12/02/2015 | | | | | Nordea | Consensus | Actual | Previous |
|----------------------|----|--|-----|-------|--------|-----------|--------|----------|
| 01:01 | GB | House price balance, RICS | Jan | | | 10% | | 11% |
| 09:00 | PH | BSP announces Overnight Borrowing Rate | Feb | | | | | 4.00% |
| 09:00 | PH | BSP announces Special Deposit Account Rate | Feb | | | | | 2.50% |
| 09:30 | SE | Monetary Policy Meeting, February 2015, published | | | | | | |
| 09:30 | SE | Unemployment, labour force survey (AKU), sa | Jan | | | | | 7.6% |
| 10:00 | NO | Financial accounts households | Q4 | | | | | |
| 11:00 | EU | Industrial production (sa, m/m) | Dec | 0.3% | 0.3% | | | 0.2% |
| 11:30 | GB | BoE publish inflation report | | | | | | |
| 13:00 | IN | CPI (y/y) | Jan | | 5.6% | | | 5.0% |
| 14:30 | US | Jobless claims, continuing | Jan | | | | | 2400k |
| 14:30 | US | Jobless claims, initial | Feb | | | | | 278k |
| 14:30 | US | Retail sales (m/m) | Jan | | -0.4% | | | -0.9% |
| 14:30 | US | Retail sales control group | Jan | | 0.5% | | | -0.4% |
| 14:30 | US | Retail sales, ex auto and gas (m/m) | Jan | | | | | -0.3% |
| 14:30 | US | Retail sales, less autos (m/m) | Jan | | -0.4% | | | -1.0% |
| 16:00 | MX | Central Bank Monetary Policy Minutes | | | | | | |
| 16:00 | US | Business inventories (m/m) | Dec | | 0.2% | | | 0.2% |
| 18:00 | NO | Annual address by Norges Bank Governor Olsen | | | | | | |
| Friday, 13/02/2015 | | | | | Nordea | Consensus | Actual | Previous |
| 07:30 | FR | GDP (q/q, preliminary) | Q4 | 0.1% | 0.1% | | | 0.3% |
| 08:00 | DE | GDP (sa, q/q, preliminary) | Q4 | 0.3% | 0.2% | | | 0.1% |
| 08:00 | DE | GDP (wda, y/y, preliminary) | Q4 | | 1.0% | | | 1.2% |
| 08:00 | SE | House prices, Mäklarstatistik (y/y) | Jan | | | | | 9% |
| 09:00 | CZ | GDP (y/y, advance) | Q4 | | 1.8% | | | 2.4% |
| 09:00 | HU | GDP (y/y, preliminary) | Q4 | | 2.7% | | | 3.2% |
| 09:30 | SE | Capacity utilization, manufacturing industry | Q4 | | | | | -0.2% |
| 09:30 | SE | Inventories, manufacturing industry | Q4 | | | | | 0.7% |
| 10:00 | IT | GDP (q/q, preliminary) | Q4 | -0.1% | -0.1% | | | -0.1% |
| 10:00 | PL | GDP (y/y, preliminary) | Q4 | 3.4% | 3.1% | | | 3.3% |
| 11:00 | EU | GDP (sa, q/q, preliminary) | Q4 | 0.2% | 0.2% | | | 0.2% |
| 11:00 | EU | GDP (sa, y/y, preliminary) | Q4 | | 0.8% | | | 0.8% |
| 11:00 | EU | Trade balance, sa | Dec | | | | | 20.0bn |
| 14:00 | PL | CPI (y/y) | Jan | | -1.2% | | | -1.0% |
| 14:30 | US | Import prices (m/m) | Jan | | -3.2% | | | -2.5% |
| 16:00 | US | Consumer confidence, U. of Mich., 5- 10Y inflation (prelim.) | Feb | | | | | 2.8% |
| 19:30 | US | Fed's Fisher Speaks at Luncheon in San Antonio | | | | | | |

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