



# Week Ahead

14 – 20 Feb



Nordea Research, 13 February 2015

## Next week's key events

- **US**

Next week's minutes of the 27-28 January FOMC minutes meeting are expected to signal that the Fed still sees a first rate hike around mid-2015. We now see an almost 50% chance of lift-off already in June. Furthermore next week also offers a lot of second-tier data.

- **Euro area**

Difficult discussions between Greece and its creditors will continue, but it will probably take several months until a final compromise can be reached. Finance ministers meet on Monday trying to reach a solution. Data-wise the most important publication will be the PMIs on Friday 20th. We expect a small increase in the composite output index for the Euro area as for Germany and France in line with a slight pickup in growth in the beginning of the year.

- **UK**

We believe the inflation outlook will remain in focus in the February MPC minutes (Wed). Inflation fell to 0.5% y/y in December. We believe that the sharp fall in oil prices brought the inflation down further in January (Tue).

- **Japan**

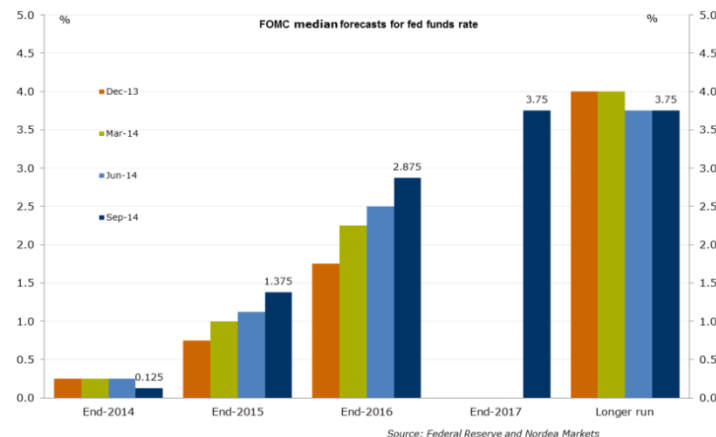
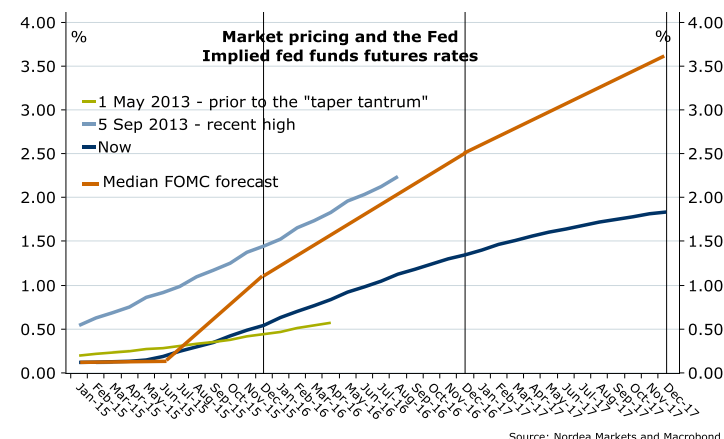
We expect Japan to be out of recession in Q4 with growth returning to positive territory. The BoJ is likely to stay put on its monetary policy meeting on Wednesday.

- **Sweden**

We expect the CPI to be down by 1.2% m/m in January. The CPIF should come in at 0.6% y/y according to our forecast, in line with the Riksbank's view.

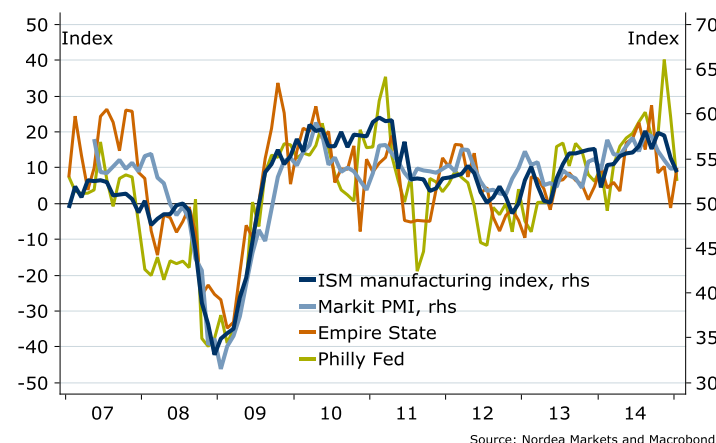
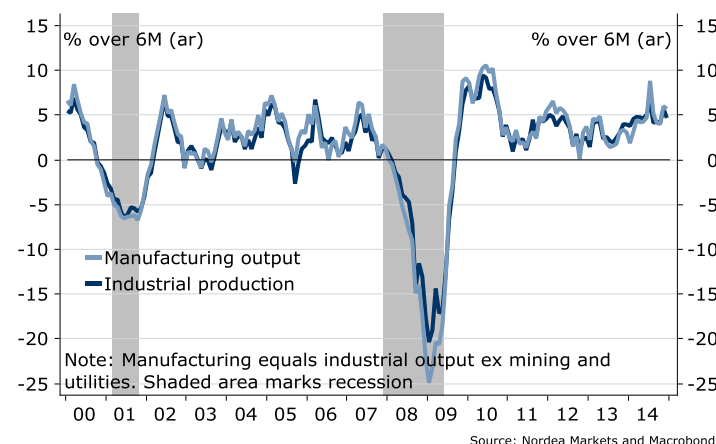
# US: FOMC minutes to point to mid-year lift-off (Wed)

- Next week's minutes of the 27-28 January FOMC minutes meeting are expected to signal that the Fed still sees a first rate hike around mid-2015. However, the minutes are unlikely to clearly indicate whether mid-year means June or September.
- The most interesting part of the minutes will likely be on the discussion of the key phrase in the post-meeting statement that the FOMC can be "patient" in beginning to normalise monetary policy. The reference to patience indicates that the Fed is unlikely to begin raising rates for "at least the next couple of meetings."
- Note that the January FOMC meeting took place prior to the release of the recent [blockbuster jobs report](#).
- We recently postponed the expected first Fed hike from June to September, but the continued strength of the labour market implies that the Fed might choose to drop its "patience" guidance already at the next FOMC meeting in March, opening the door for a June hike.
- We now see an almost 50% chance of lift-off already in June.



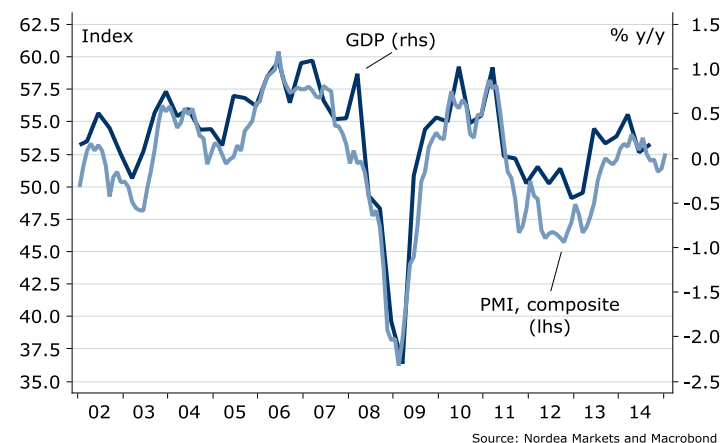
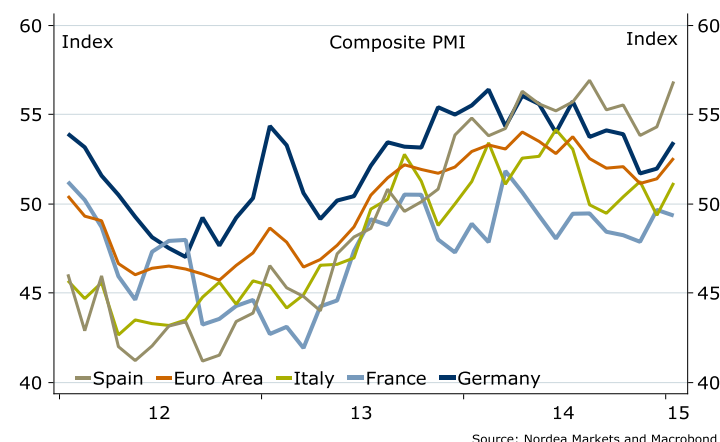
# US: Also a lot of second-tier data delivered

- Next week's most important US data releases will likely be the January **manufacturing output** data and the early February reads of manufacturing indicators like the preliminary **Markit PMI**, the **Philly Fed** and the **Empire State surveys**.
- The key focus will be on signs that the surprising 1.6 point drop in the January ISM index to 53.5 was more serious than just a correction of recent exaggerated strength, mainly reflecting seasonal adjustment distortions.



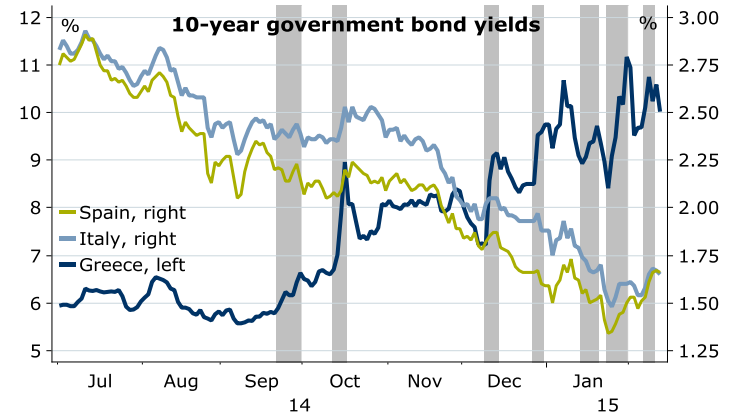
# Euro area: Heading for a week testing confidence (Fri)

- PMIs for February gives us a first indication of how confidence in the monetary union has developed after ECB's QE announcement.
- We expect the composite PMI to rise to 53 (from 52.6 in January) next Friday, indicating a slight improvement of growth going forward. We see no large shifts in confidence in the near future.
- We expect both services (52.7-> 53) and manufacturing (51->51.5) PMIs to pick up in February.
- The slow recovery continues at the beginning of 2015 reflecting favoring exchange rate developments, low oil prices and the expected QE stimulus.
- We expect the German PMI to continue its improvement from 53.5 to 53.8.
- The weakly performing French PMI will pick up some speed from January (49.3) to 49.8 slowly approaching growth (a number above 50 indicates growth).



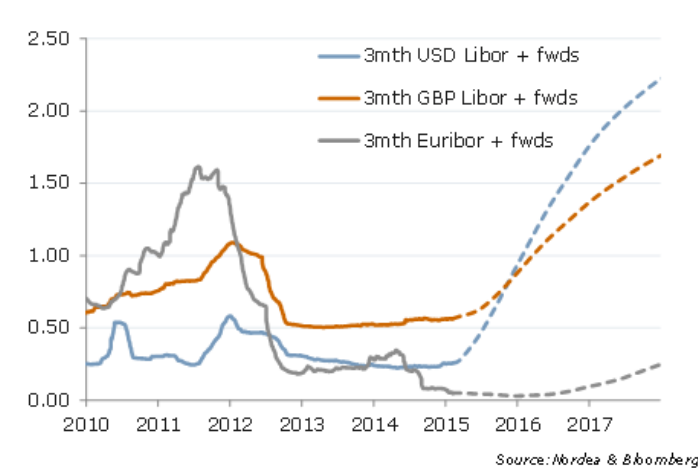
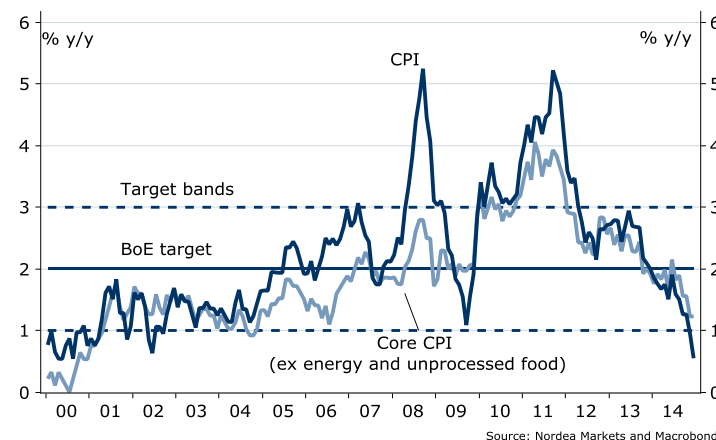
# Euro area: Still no agreement on Greece (Mon)

- Contradicting reports on the goals of the new Greek government have been causing huge swings in Greek markets, with some spill-over effects as well.
- Even though the stance seems to have differed by speaker and venue, the big picture remains that the Greek government is unlikely to be ready for big compromises, at least not just yet.
- This week's Eurogroup meeting did not result even in a common statement, a good illustration of how hard the negotiations are going to be.
- Monday's Eurogroup meeting has been marked as a deadline for a preliminary agreement on the continuity of the Greek adjustment programme.
- E.g. the German line has been that there are only two alternatives: to meet all the requirements of the current programme by the end of February, or ask for an extension; the Greeks, on the other hand, want to abandon the current programme and discuss the future without the constraints of the current programme.
- Failure to reach an agreement on Monday will just push the deadline further into the future, but has the potential to cause further market worries, including somewhat wider bond spreads also outside of Greece.



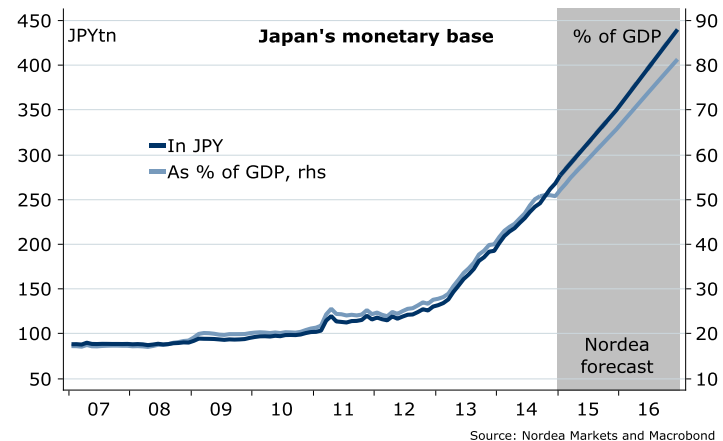
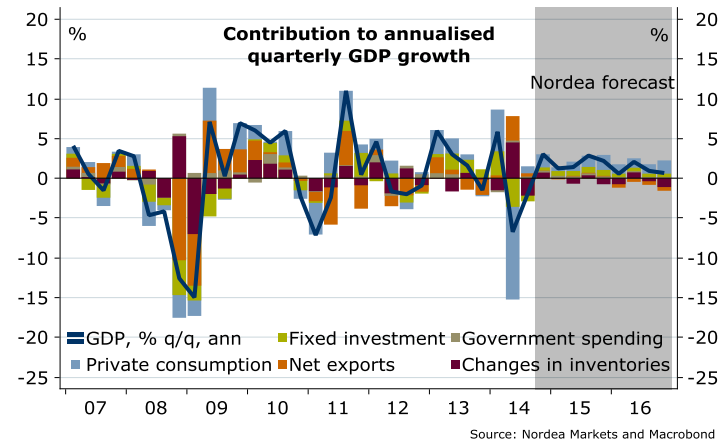
# BoE: Inflation outlook in focus (Tue & Wed)

- As expected the BoE kept the bank rate unchanged at 0.5% and the size of the Asset Purchase Programme at GBP 375bn at its MPC meeting on 4-5 February.
- Most likely the MPC members unanimously voted for unchanged rates.
- We believe the inflation outlook will remain in focus in **the February MPC minutes** (Wed). Of particular interest is how the members see the effects of the sharp drop in the oil prices and the wage growth.
- The BoE revised down the inflation forecast for 2015 in its February Inflation Report. The downward revision was mainly because of much lower CPI-inflation outcomes due to the sharp falls in oil and food prices. Furthermore, the BoE stated that the period with falling prices is expected to be temporary and that inflation will increase the second half of this year.
- **Inflation** fell to 0.5% y/y in December. We believe that the sharp fall in oil prices brought the inflation down further in January (Tue).
- **Our forecast is that the BoE will start to hike rates in Q4 2015.** This is in line with the current market pricing.



# Japan: GDP recovery (Mon) & BoJ standing by (Wed)

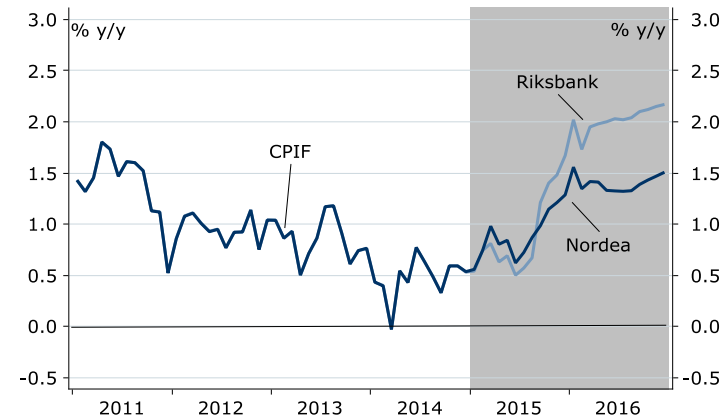
- **We expect Japan to be out of recession in Q4 with growth returning to positive territory.** According to our forecast, Japanese economy will grow by 3% annualised q/q (0.7% q/q), lower than the consensus of 3.7%. 2014 growth will then land on 0.2%, the lowest in 3 years.
- Our less bullish view on Q4 growth is explained by the weak momentum painted by the other macro indicators. One of the crucial indicators for private consumption is wages, which grew by 0.1-0.2% y/y in October-November on nominal terms and fell by 2.5-3% on real terms! Another closely followed indicator of ours is machinery orders, which fell by 14.6% y/y in November. Although it recovered in December, it may suggest subdued private investment in Q4.
- **The BoJ is likely to stay put on its monetary policy meeting on Wednesday.** It is still too soon after the previous QQE expansion in late October till they will do anything. Governor Kuroda would almost surely remain fairly positive on growth and inflation.
- We expect now the BoJ to expand the QQE again in Q4 2015 on low inflation outlook. The monetary base will likely be increased at an annual pace of JPY90tn instead of JPY80tn. This supports further JPY weakening to 135 vs the USD at the end of 2016.





# Sweden: Temporarily lower fuel prices (Tue)

- We expect the **CPI to be down by 1.2% m/m in January**. The CPIF should come in at 0.6% y/y according to our forecast, in line with the Riksbank's view.
- Fuel prices were down in January but has risen again in recent weeks.
- Clothing and footwear in the winter sales account for the largest price movements in January, lowering the CPI by 0.55% point according to our forecast. One of few price hikes were prices for tobacco and alcohol on the back of raised taxes at the turn of the year.
- As always there is considerable **uncertainty when it comes to the January forecast**. The key reason is that the effects of the revised basket of goods, including up- as well as downside risks, are hard to predict.
- **Our CPIF-inflation forecast is somewhat above the Riksbank's view** for the next six months. However, there are still reasons to believe that the Riksbank will try to stimulate the economy further. *Tuesday*
- Read more on [January CPI](#) and the [Riksbank](#).



Source: Nordea Markets and Macrobond

Forecasts for January, %	Nordea	Riksbank	Prior
CPI m/m	-1.2		0.2
CPI y/y	-0.31	-0.39	-0.31
CPIF m/m	-1.1		0.2
CPIF y/y	0.56	0.54	0.53
CPI, index	310.42		314.05

# Calendar

Monday, 16/02/2015				Nordea	Consensus	Actual	Previous
	US	Presidents' Day					
00:50	JP	GDP (q/q annualised, preliminary)	Q4		3.7%		- 1.9%
00:50	JP	GDP (q/q, preliminary)	Q4		0.9%		- 0.5%
10:00	NO	Foreign trade with goods (bn)	Jan				30.1bn
10:00	NO	Mortgage rate, banks and mortgage companies (SSB)	Dec				3.43%
10:00	NO	Report from the Technical Calculation Committee for the Wage Settlements					
Tuesday, 17/02/2015				Nordea	Consensus	Actual	Previous
	ID	BI announces interest rates	Feb				7.75%
02:00	KR	BoK announces interest rates (7- day repo rate)	Feb		2.00%		2.00%
09:30	SE	CPI (m/m)	Jan	- 1.2%			0.2%
09:30	SE	CPI (y/y)	Jan	- 0.3%			- 0.3%
09:30	SE	CPI Index	Jan	310.42			314.05
09:30	SE	CPIF (m/m)	Jan	- 1.1%			0.2%
09:30	SE	CPIF (y/y)	Jan	0.6%			0.5%
10:30	GB	CPI (m/m)	Jan		- 0.8%		0.0%
10:30	GB	CPI (y/y)	Jan		0.4%		0.5%
11:00	DE	ZEW, current situation	Feb		27		22.4
11:00	DE	ZEW, expectations	Feb		55.5		48.4
14:00	RU	Industrial production (y/y)	Jan		0.5%		3.9%
14:30	US	Empire manufacturing	Feb		9		9.95
15:00	US	TIC flows, net long- term	Dec				33.5bn
15:00	US	TIC flows, net total	Dec				- 6.3bn
16:00	US	Housing market index, NAHB	Feb		58		57
18:45	US	Fed's Plosser Speaks on Monetary Policy in Philadelphia					
Wednesday, 18/02/2015				Nordea	Consensus	Actual	Previous
	JP	BoJ Monetary Policy Meetings					
	CN	Lunar New Year 1					
08:00	SE	Prospera, inflation expectations survey					
10:00	ZA	CPI (y/y)	Jan		4.5%		5.3%
10:30	GB	Earnings, ex bonus, average (3mma, y/y)	Dec		1.8%		1.8%
10:30	GB	Minutes of the BoE meeting					
10:30	GB	Unemployment rate, claimant count	Jan		2.5%		2.6%
11:00	SE	SNDO to auction T- bills (SEK 15 bn)					
13:00	US	Mortgage applications, MBA	Feb				

# Calendar

Wednesday (continued), 18/02/2015				Nordea	Consensus	Actual	Previous
14:00	RU	Investment in productive capacity (y/y)	Jan		- 7.2%		- 2.4%
14:00	RU	Real wages (y/y)	Jan		- 6.0%		- 4.7%
14:00	RU	Retail sales (y/y)	Jan		- 1.8%		5.3%
14:00	RU	Unemployment rate	Jan		5.7%		5.3%
14:30	US	Building permits	Jan		1070k		1058k
14:30	US	Housing starts	Jan		1073k		1089k
14:30	US	Housing starts (m/m)	Jan		- 1.5%		4.4%
14:30	US	PPI final demand (y/y)	Jan		0.4%		1.1%
14:30	US	PPI, core (m/m)	Jan		0.1%		0.3%
14:30	US	PPI, core (y/y)	Jan		2.0%		2.1%
15:15	US	Capacity utilization	Jan		79.9%		79.7%
15:15	US	Industrial production (m/m)	Jan		0.4%		- 0.1%
20:00	US	U.S. Fed Releases Minutes from Jan. 27- 28 FOMC Meeting					
23:00	US	Fed's Powell Speaks on Regulation in New York					
Thursday, 19/02/2015				Nordea	Consensus	Actual	Previous
01:50	JP	Merchnds Trade Exports (y/y)	Jan		13.5%		12.9%
01:50	JP	Merchnds Trade Imports (y/y)	Jan		- 4.8%		1.9%
08:45	FR	HICP (y/y)	Jan				0.1%
09:00	DK	Consumer confidence	Feb				9.0
11:00	SE	SNDO to auction inflation- linked bonds (SEK 1bn)					
14:30	US	Jobless claims, continuing	Feb				2354k
14:30	US	Jobless claims, initial	Feb				304k
16:00	EU	Consumer confidence (flash)	Feb		- 8		- 8.5
16:00	US	Leading index	Jan		0.3%		0.5%
16:00	US	Philadelphia Fed	Feb		8.5		6.3
Friday, 20/02/2015				Nordea	Consensus	Actual	Previous
09:00	DK	Retail sales (y/y)	Jan				2.3%
09:00	FR	PMI, manufacturing (preliminary)	Feb	49.7			49.2
09:00	SE	Consumer confidence	Feb	100			98.6
09:00	SE	Economic tendency survey	Feb				105.6
09:00	SE	Manufacturing confidence	Feb	106			107.3
09:30	DE	PMI, manufacturing (preliminary)	Feb	51.3	51.4		50.9
09:30	DE	PMI, services (preliminary)	Feb	54.3	54.2		54
10:00	EU	PMI, composite (flash)	Feb	53	53		52.6
10:00	EU	PMI, manufacturing (flash)	Feb	51.5	51.4		51
10:00	EU	PMI, services (flash)	Feb	53	53		52.7
10:30	GB	Retail sales ex auto (y/y)	Jan		6.4%		4.2%
15:45	US	Markit manufacturing PMI (preliminary)	Feb		53.6		53.9

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