



Week Ahead

04 – 10 Jan 2014



Nordea Research, 03 January 2014

Next week's key events

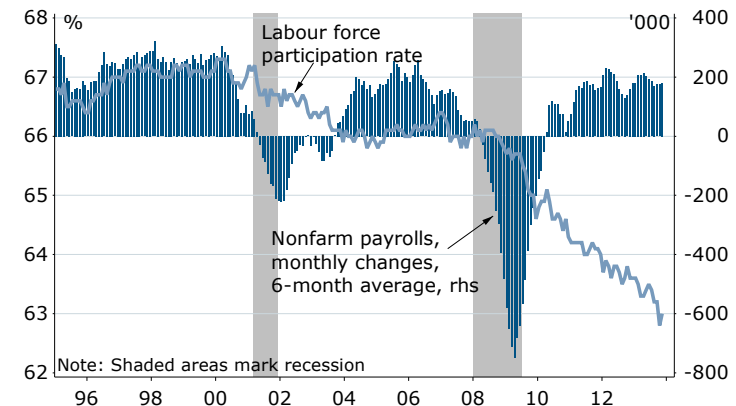
- **US**
 - We expect another strong labour market report (**nonfarm payrolls**: +200 m/m) allowing the **Fed** to pursue the tapering course it announced on 18 December.
- **Euro area**
 - We expect no new signals from Mr Draghi at next week's ECB meeting and we see Euro-area **flash HICP inflation** at 0.9% y/y in December, unchanged from November.
- **Scandinavia**
 - We expect the **Riksbank minutes** from the 17 December meeting to strike a dovish tone, motivating the rate cut by 25bp. Low inflation will be the focal point.
 - We forecast **Norwegian retail sales** to increase 0.4% (s.a.) in November (Thur 10:00).

US: Another strong labour market report (*Friday*)

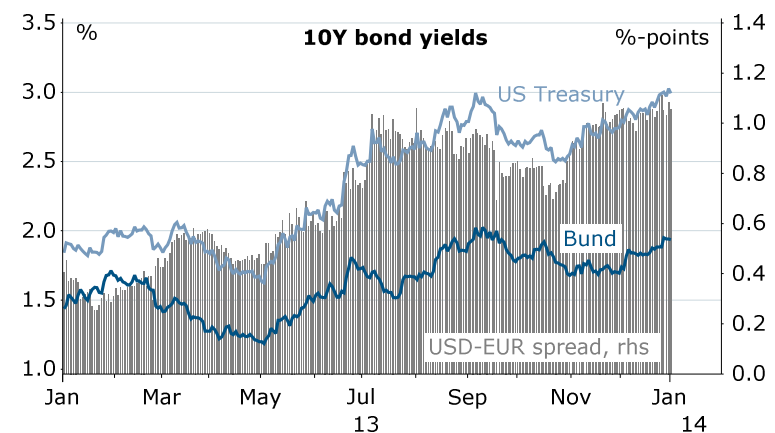
- We expect another strong labour market report (**nonfarm payrolls**: + 200 m/m) allowing the Fed to pursue the tapering course it announced on 18 December.
- The service sector accounts for 70% of all non-farm jobs, but created 90% of all new jobs in 2013. In the goods-producing sector, the pace of creation has recently picked up. We expect that recovery to continue.
- After the big all in the **unemployment rate** to 7% (from 7.3) in November, we expect no change for December. That said, a further decline would not be a huge surprise given positive indications from jobless claims and consumer surveys. Remember that the Fed's rather soft threshold stands at 6.5%.

Dec-13	Nordea	Consensus	Previous
Nonfarm payrolls, k	200	193	203
Unemployment rate, %	7.0	7.0	7.0

Holger Sandte



Source: Nordea Markets and Reuters Ecowin

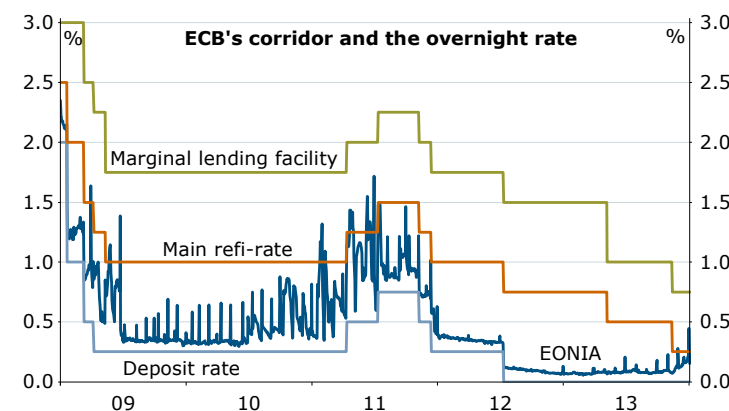


Source: Nordea Markets and Reuters Ecowin

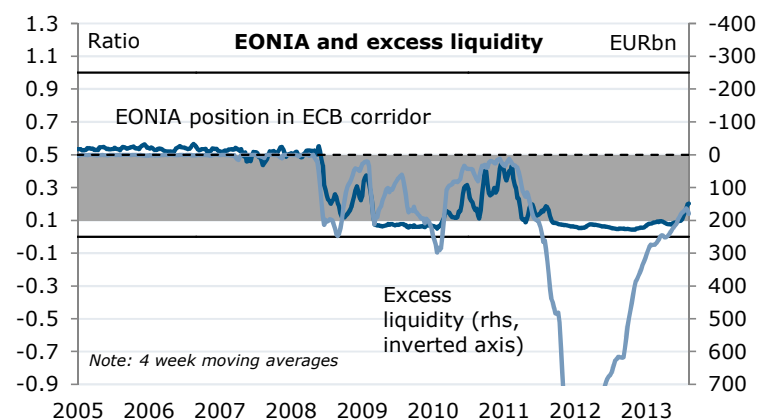
Euro area: ECB concerned about liquidity? (Thursday)

- We do not expect the ECB to change its key rates at next week's meeting.
- The tone of Mr Draghi at the press conference is likely to be dovish, but probably not more dovish than at the December meeting.
- Monetary conditions could be the most pressing concern to the ECB as money market rates moved somewhat higher around the turn of the year and led the EUR to strengthen further. We expect liquidity conditions to normalise soon, but if not, the ECB would likely cut interest rates again. See [Euro area: The ECB and the current liquidity pressure.](#)
- We have no more rate cuts or unconditional measures in our baseline scenario. The recovery seems on track and inflation is close to the bottom.
- The barrier for more ECB easing is low, though, with inflation too low, the recovery too slow, the EUR too strong and credit growth too weak.

Anders Svendsen



Source: Nordea Markets and Reuters Ecowin

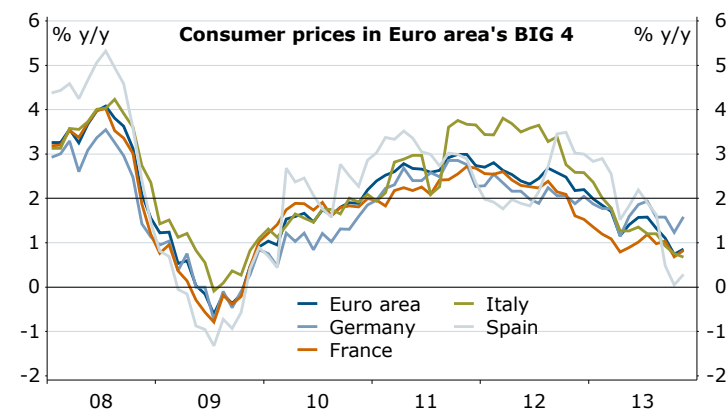


Source: Nordea Markets and Reuters Ecowin

Euro area: Inflation to remain below 1% (*Tuesday*)

- We see Euro-area flash HICP inflation at 0.9% y/y in December, unchanged from November.
- Spanish flash inflation was unchanged at 0.3% y/y, while Italian inflation eased to 0.6% y/y. We expect German inflation to have eased a bit and French inflation to have come in a bit higher than last month.
- We see a slight upward risk from higher energy prices in December, and food prices will hardly continue dropping as fast as in previous months. However, we see continued downward pressure on core inflation – excluding food, energy and tobacco – which we expect to trend slightly downwards until April.
- We expect inflation to remain below 1% until April, but market pricing remains too low. [EUR Inflation Viewpoint: Market pricing now too low.](#)

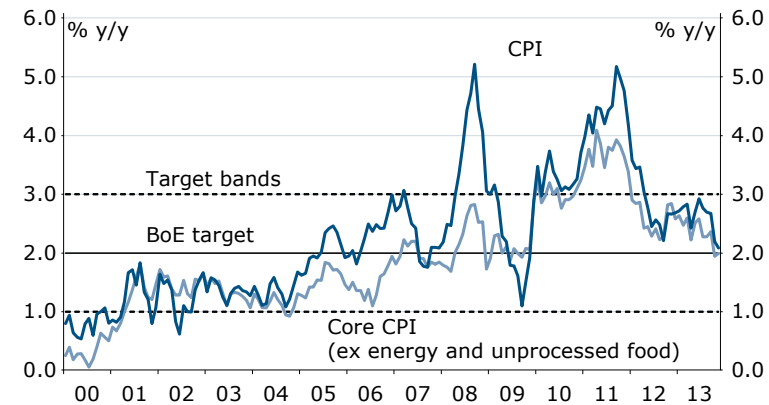
Dec-13	Nordea	Consensus	Previous
HICP, %y/y	0.9	0.9	0.9
HICP ex food, alcohol and tobacco	1.0		1.0



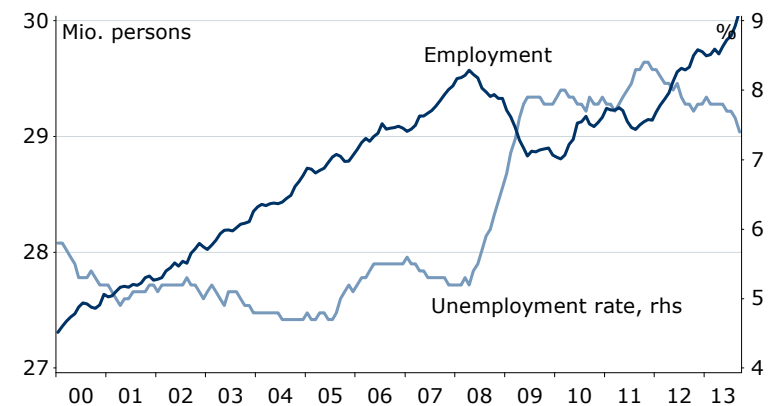
Anders Svendsen

UK: No changes from the Bank of England (*Thursday*)

- We do not expect the MPC to change the Bank rate or change the size of the Asset Purchase Programme (QE) at next week's meeting.
- If no new actions are taken, the Bank of England will issue no statement.
- The release of the November inflation report marked a clear change in rhetoric from the MPC to something close to a neutral bias despite that the unemployment rate hovers somewhat above the 7%-threshold.
- Key figures continue to surprise to the upside and the upswing looks stronger and more broad based now compared with a few quarters ago. Still, the economy is unlikely to continue improving at the current very strong pace.
- Thus, it will probably take a lot of positive surprises to make the BoE turn more hawkish. We do not see a big potential for markets to start pricing in the first rate hike much earlier than currently.



Source: Nordea Markets and Reuters Ecowin



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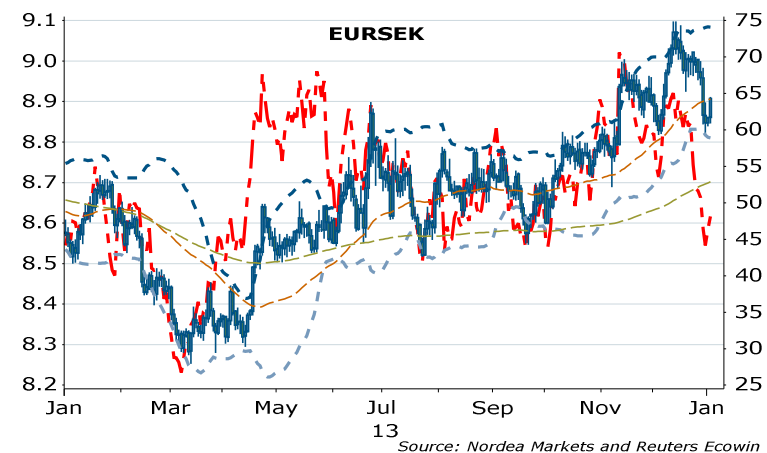
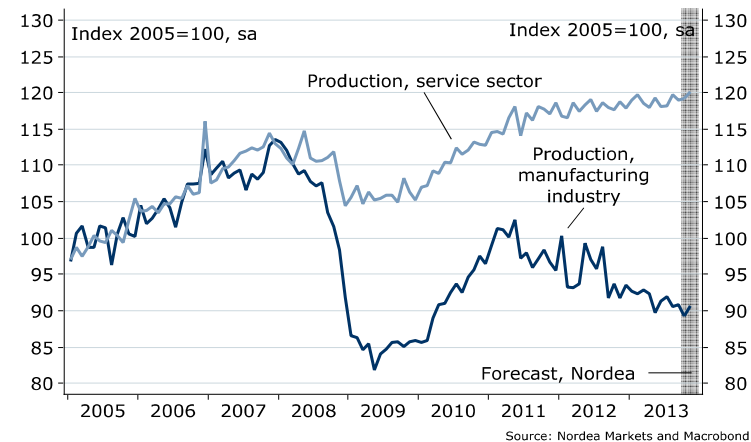
Anders Svendsen

Sweden: Riksbank minutes (Wednesday)

- We expect the **Riksbank minutes** from the 17 December meeting to strike a dovish tone, motivating the rate cut by 25bp. Low inflation will be the focal point. Arguments to why the rate path was lowered and the first rate hike was postponed to Q1 2015, despite signs of recovering economy and rising credit growth, are important. (Wednesday)
- We forecast **production in manufacturing industry** to rise by 1.5% on the month in November. The uptick is a rebound from the very weak readings the previous months rather than a beginning of any recovery. The domestic oriented sectors are doing better and we expect **production in the private service sector** to rise by 0.8% m/m from a better but not impressive level. (Friday)
- **Market:** EURSEK came down for the seventh year in a row over the Christmas & New Year holidays – It is now back in the low end of the bullish channel, indicating that the selloff is over.

Torbjörn Isaksson

Andreas Steno Larsen



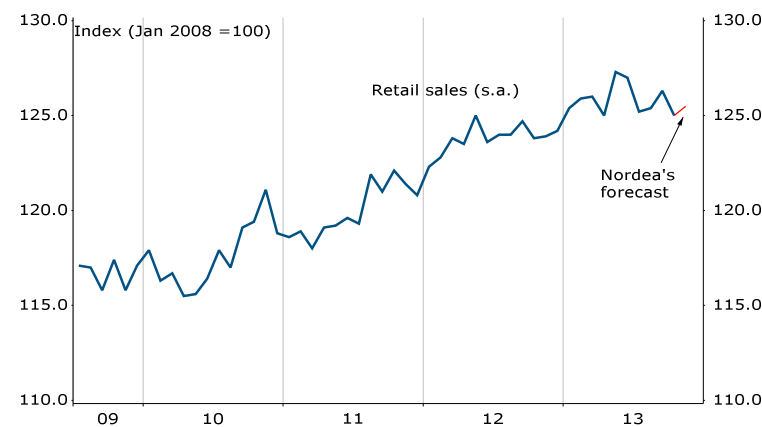
Red dotted line (RHS): 30-day RSI. Dark blue dotted line (LHS): 30-day, 2 stdv upper Bollinger Band. Light blue dotted line (LHS): 30-day, 2 stdv lower Bollinger Band. Green dotted line(LHS): 50-day moving average of spot. Orange dotted line(LHS): 200-day moving average of spot. Dark blue candle of spot (LHS).

Norway: Inflation and retail sales (*Thur/Friday*)

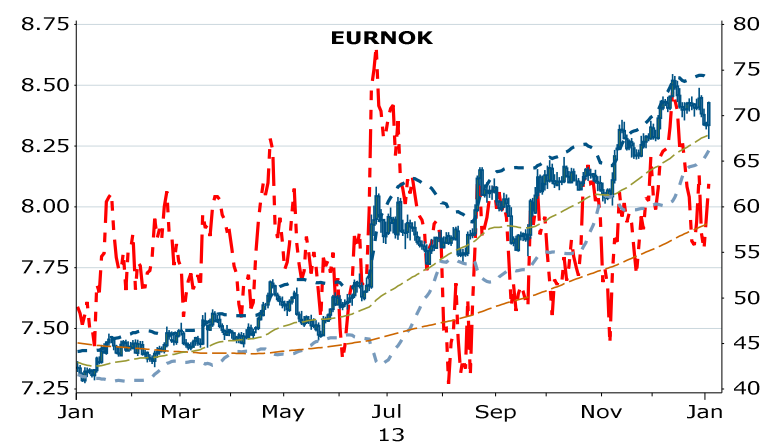
- **We forecast retail sales to increase 0.4% (s.a.) in November (Thur 10:00).** The development in retail sales has been weak since Q2 and in October retail sales dropped by 1.0% m/m (s.a). Two reasons to expect an increase in November: 1) After a sharp drop we often see an upward correction 2) Debit card transaction data also suggests an increase.
- **We forecast core inflation at 2.3% in December (Fri 10:00)** up from 2.0% in November. In line with Norges Bank, but above consensus at 2.2%. Food prices pull y/y growth up due to extraordinary weak prices December last year. Changes the way these prices are calculated make the December reading uncertain.
- **Total credit growth (Thurs 10:00)** is expected to stay unchanged at 6.2 % with both household and corporate credit growth more or less unchanged.
- **December housing prices (Mon 11:00)** worth following - we expect further drop (s.a.). The market might give **Dec PMI (Mon 9:00)** weight as well.

Erik Bruce

Andreas Steno Larsen



Source: Nordea Markets and Reuters Ecowin



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Calendar

Monday, January 6, 2014				Nordea	Consensus	Actual	Previous
	DK	Unemployment rate gross rate	Nov				5.7%
	GB	House prices, Halifax (m/m) (exp. 6- 10 jan.)	Dec				1.1%
08:30	SE	PMI, service sector	Dec				
09:00	DK	Unemployment rate (sa)	Nov				4.4%
09:00	NO	PMI (s.a. index)	Dec				54.5
09:50	FR	PMI, services (preliminary)			47.4		47.4
10:00	EU	PMI, composite (final)	Dec		52.1		52.1
10:00	EU	PMI, services (final)	Dec		51.0		51.0
11:00	NO	House prices NEF (m/m, s.a.)	Dec				-0.9%
14:00	DE	CPI (y/y, preliminary)	Dec	1.4	1.4%		1.3%
16:00	US	ISM, non- manufacturing, composite	Dec		54.5		53.9
Tuesday, January 7, 2014				Nordea	Consensus	Actual	Previous
08:45	FR	Consumer confidence			84		84
09:55	DE	Unemployment rate (sa)	Dec	6.9	6.9%		6.9%
10:00	NO	Housing starts (s.a.)	Nov				2650
11:00	EU	CPI, (flash, y/y)	Dec	0.9%	0.9%		0.9%
14:30	US	Trade balance	Nov		- 40.00B		- 40.60B
Wednesday, January 8, 2014				Nordea	Consensus	Actual	Previous
	EU	Unemployment rate	Nov	12.1%	12.1%		12.1%
09:30	SE	Minutes of the December 16th Riksbank meeting					
11:00	EU	Retail sales (m/m)	Nov		0.2%		- 0.2%
12:00	DE	Factory orders (m/m), sa	Nov	1.5	1.1%		- 2.2%
13:00	PL	NBP announces interest rates (Base rate)	Jan	2.50%	2.50%		2.50%
14:15	US	Employment, ADP (absolute change m/m)	Dec		195k		215K
20:00	US	FOMC Minutes					

Calendar

Thursday, January 9, 2014				Nordea	Consensus	Actual	Previous
	KR	BoK announces interest rates (7 - day repo rate)	Jan				2.50%
09:00	DK	Current account balance	Nov				18.4bn
10:00	NO	Credit growth, domestic, C2 (y/y)	Nov	6.2%	6.1%		6.2%
10:00	NO	Retail sales (m/m)	Nov	0.4%			- 1.0%
11:00	EU	Consumer confidence	Dec				- 13.6
11:00	EU	Economic Sentiment Indicator (ESI)	Dec		98.5		98.5
12:00	DE	Industrial production (m/m)	Nov	2.0	1.5%		- 1.2%
13:00	GB	BoE announces interest rates	Jan	0.50%			0.50%
13:45	EU	ECB announces interest rates	Jan	0.25%			0.25%
Friday, January 10, 2014				Nordea	Consensus	Actual	Previous
	DE	Retail sales (y/y)					
08:45	FR	Industrial production (m/m)			0.4%		- 0.3%
09:00	DK	CPI (y/y)	Dec				0.5%
09:00	DK	CPI, EU harmonized (y/y)	Dec				0.3%
09:15	CH	CPI (y/y)	Dec				0.1%
09:30	SE	Industrial production (y/y)	Nov	- 1.5%			- 5%
09:30	SE	Private service sector production (y/y)	Nov	1.5%			1.2%
10:00	NO	CPI (y/y)	Dec	2.4%	2.4%		2.5%
10:30	GB	Industrial production (y/y)	Nov		2.8%		3.2%
14:30	US	Nonfarm payrolls (absolute change m/m)	Dec	200k	193k		203k
14:30	US	Unemployment rate	Dec	7.0%	7.0%		7.0%

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