



Week Ahead

14 – 20 March



Nordea Research, 13 March 2015

Next week's key events

- **US**

Next week's highlight is the FOMC meeting, which concludes on Wednesday. We expect the Fed to **remove the** key "patient" phrase from the FOMC statement, a move which would open the door for a rate hike at any subsequent meeting. Also a lot of second tier data will be delivered.

- **Euro area**

Second tier data this week, especially on Tuesday: We expect ZEW expectations up again. Inflation data should confirm the flash estimates. The demand for the third TLTRO (allotment on Thursday) is not easy to estimate. We expect a low number (EUR 55 bn). A surprisingly large uptake could offer some support for yields, though.

- **SNB**

There is some speculation about a further rate cut by the Swiss National Bank, also because a press conference will take place which is unusual for a March meeting. In line with the majority of forecasters, we don't expect a new cut or other new measures.

- **UK**

We expect the March MPC Minutes will reflect a continuing focus on wage growth and inflation outlook.

- **Japan**

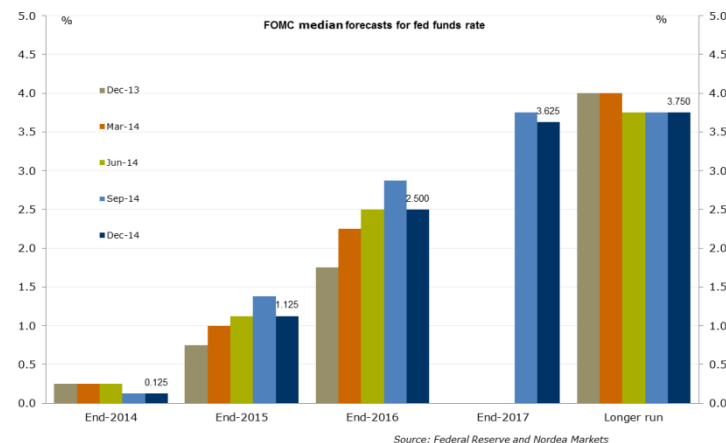
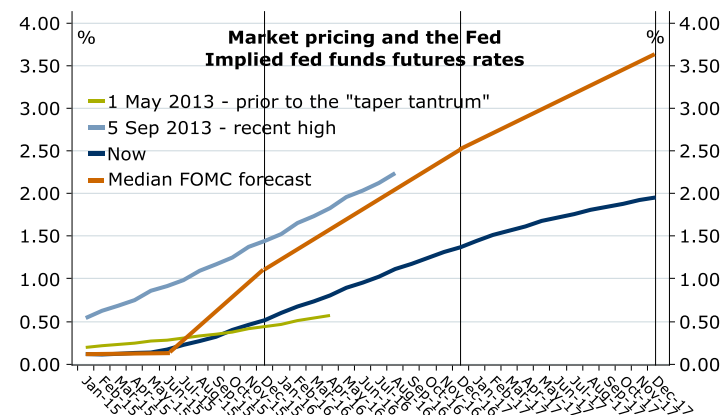
No action is expected from the BoJ on Tuesday. We stick to our view that the BoJ will expand the QQE again in Q4 2015 on disappointing inflation outlook.

- **Norway**

Norges Bank present interest rate decision and a new rate forecast at the monetary policy meeting. We expect Norges Bank to cut rates by 25bp to 1.0%.

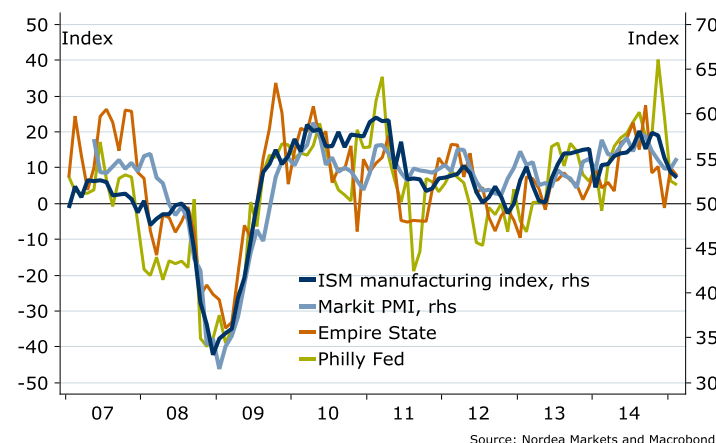
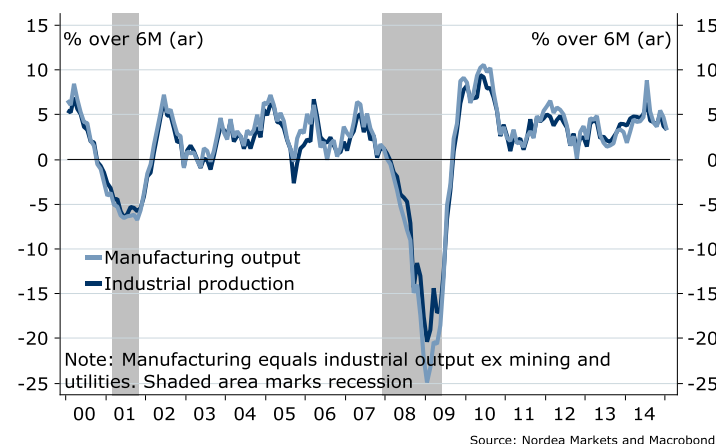
US: Fed to lose its patience (Wed)

- Next week's highlight is the FOMC meeting, which concludes on Wednesday. We expect the Fed to **remove the key "patient" phrase** from the FOMC statement, a move which would open the door for a rate hike at any subsequent meeting.
- Thus, the Fed is believed to indicate that it remains on track to start raising rates around mid-year, while at the same time emphasising the data dependent nature of policy.
- We expect **no major changes to the median FOMC projections for the funds rate** from the December forecast: 1.125% by end-2015, 2.50% by end-2016 and 3.75% in the longer run.
- We expect the FOMC's updated economic projections to show little change to the **GDP growth forecasts**, while **inflation forecasts** are likely to be lowered for 2015 but remain roughly unchanged for 2016.
- The FOMC statement will be released at 19.00 CET. Yellen's press conference starts at 19:30.
- We continue to see the odds of lift-off in Fed rates in June or September as roughly equal. For more analysis, see [US: countdown to lift-off – new Fed forecast](#).



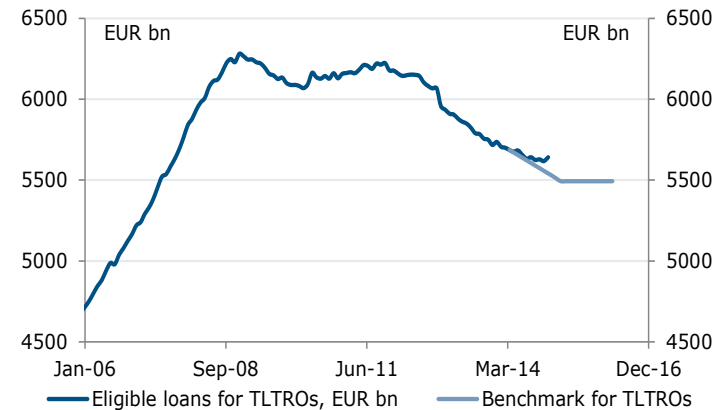
US: Also a lot of second-tier data delivered

- In addition to the FOMC meeting next week will also bring a lot of second-tier data releases from the US.
- The most important US data releases will likely be the February **manufacturing output data** (Mon) and the early March reads of manufacturing indicators like the **Philly Fed** (Thu) and the **Empire State** (Mon) surveys.
- The key focus will be on signs that the recent decline in ISM manufacturing index, to 52.9 in February, is more serious than just a correction of recent exaggerated strength.
- We expect the data to indicate some slowing in the trend in manufacturing activity in Q1.
- Although the **suspension of the federal debt ceiling ends on 16 March**, the government will not run out of money next week. A fresh battle over the federal budget is looming, but we expect no market reactions until late summer, if at all. For more analysis, see [US: debt ceiling déjà vu – government default unlikely](#).

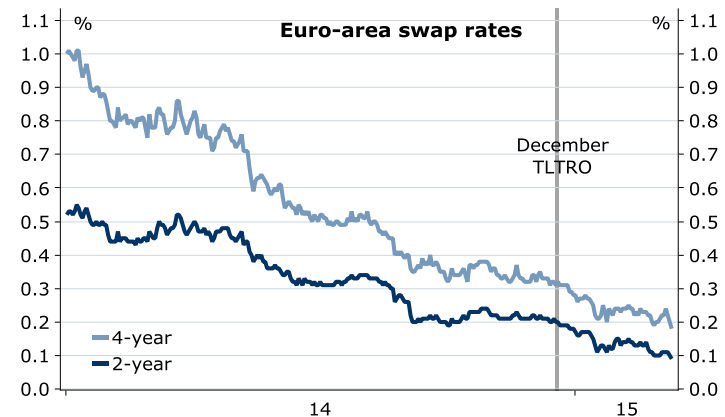


Euro area: Third TLTRO overshadowed by QE (Thu)

- The first two targeted longer-term refinancing operations saw a total of just over EUR 210bn of demand, out of a total available of some EUR 400bn.
- Since then, the ECB has tried to make the subsequent operations more attractive by removing the 10bp spread over the main refinancing rate.
- The lower borrowing cost will probably be more than offset by the plummeted market rates and improved market conditions in general, as the ECB's purchases have driven market rates lower.
- Still, some banks, probably mainly in the periphery, will borrow from the March TLTRO, and we expect the demand to amount to EUR 55bn.
- The slower pace of deleveraging should mean that it is more the willingness to borrow than the inability to do so that will drive demand (the eligible amount by bank is determined by the development of the loan stock).
- We see some potential in the TLTROs longer out, but this time the market response will likely be constrained by the focus taken by the ongoing bond purchases by the ECB. Surprisingly large uptake could offer some support for yields, though.



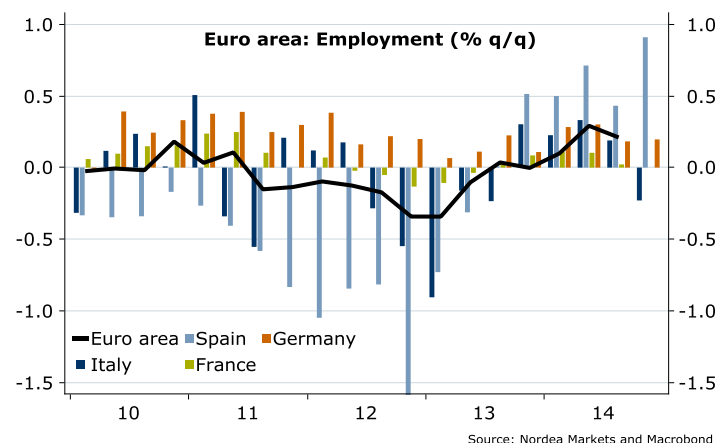
Source: Nordea Markets, Macrobond and the ECB



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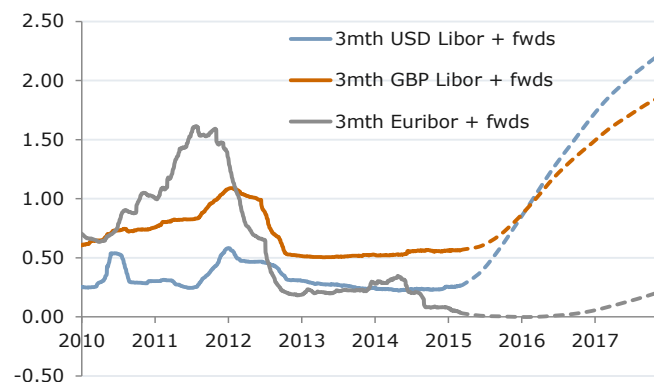
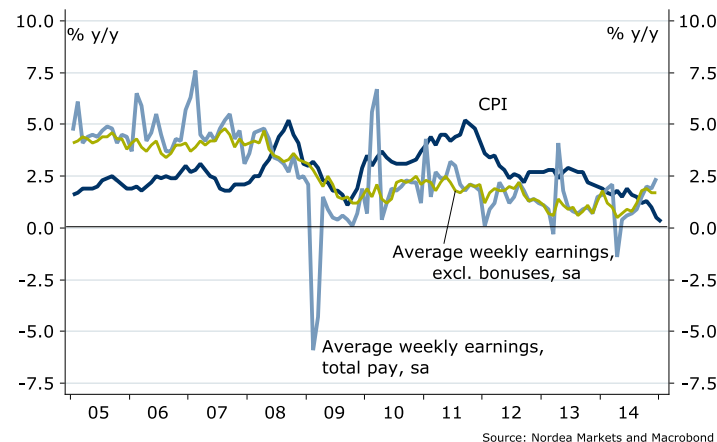
Germany: ZEW and Euro area: employment (both Tue)

- ZEW expectations (Tuesday, 11 CET) usually follow the German equity market which makes sense because the ZEW survey is carried out among financial analysts. The DAX climbed by 7% during in February (and by a further 4% since end-February). **We expect ZEW expectation to rise to 60 points (from 53).**
- Euro-area employment numbers for Q4 (also out on Tuesday, 11 CET) are no market mover, but interesting for judging the strength of the recovery. Based on data from a few member countries, **we expect that employment growth has picked up to 0.3% q/q.** That would be only the fourth increase in a row and still leave employment still some 3% below the pre-crisis level from Q1 2008.
- Final Euro-area **inflation** data for February will be published on Tuesday at 11 CET as well. **We expect the flash estimates to be confirmed:** -0.3% y/y for the headline rate and 0.6% for the core rate.



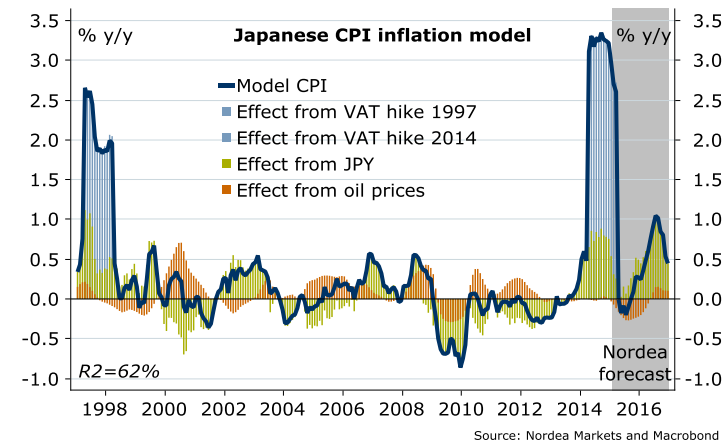
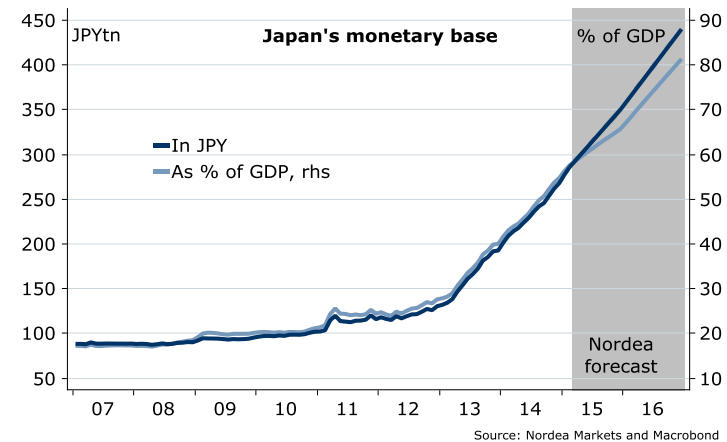
BoE: Inflation outlook in focus (Wed)

- As expected the BoE kept the monetary policy stance unchanged at its MPC meeting on 4-5 March (Bank rate at 0.5% and the size of the Asset Purchase Programme at GBP 375bn).
- Most likely the MPC members unanimously voted for unchanged rates.
- We believe wage growth and the inflation outlook will remain in focus in **the March MPC minutes**. Particularly, we will keep our eyes on the different members view on the monetary policy stance longer out.
- Inflation fell further to 0.3% y/y in January, mainly due to the sharp fall in oil prices. However, real wages have started to pick up and when the labour market tightens further it could lead to greater than expected upsurge of wages.
- **Our forecast is that the BoE will start to hike rates in Q4 2015.** This is in line with the current market pricing.



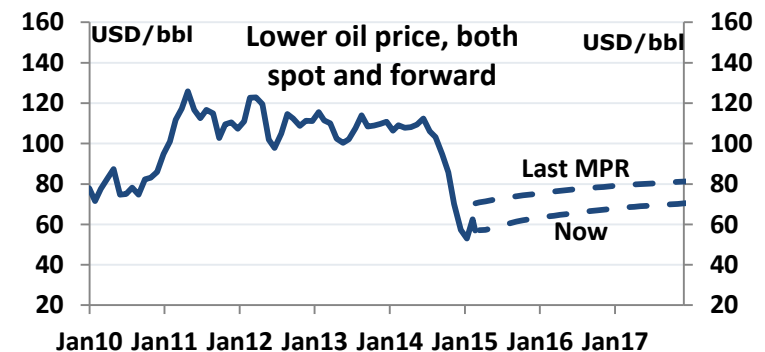
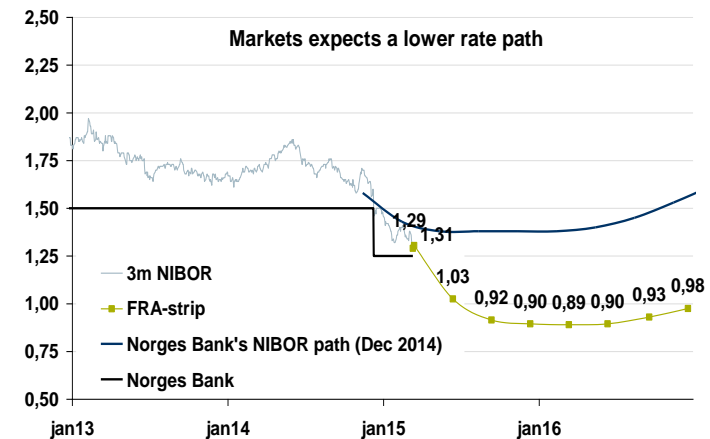
Japan: BoJ avert (Tue)

- **No action is expected from the BoJ on Tuesday.** In the monetary policy statement the bank will likely maintain the cautious optimistic view on growth and inflation.
- We stick to our view that the **BoJ will expand the QQE again in Q4 2015** on disappointing inflation outlook. The monetary base will likely be increased at an annual pace of JPY90tn (80% of GDP) instead of JPY80tn. This would make the BoJ's balance sheet to become 80% of GDP at the end of 2016, making it the most aggressive central bank in the world. As a result, the JPY will face more weakening pressure. We expect 135 vs USD at end-2016.
- In the past two weeks, the BoJ board members have tried to water down expectation on another QQE expansion this year by portraying a brighter inflation outlook. This could be a calculated strategy, as the expansion may achieve less impacts if it has been priced in.
- According to our forecast, inflation in Japan will not even be close to the 2% target in the coming two years, having taken into account the radical size of the existing QQE, the JPY weakening and a rebound of oil price. Lower inflation pushes up real interest rates and may hinder the planned recovery in consumption and investment.



Norway: Rate decision and new rate forecast (Thu)

- Norges Bank present interest rate decision and a new rate forecast at the monetary policy meeting on Thursday (10:00 CET).
- We expect Norges Bank to cut rates by 25bp to 1.0%. A 25bp rate cut is already priced in the market and widely expected among analysts.
- The focus will therefore be at the rate forecast. We think that the rate forecast will indicate a probability of another rate cut before the summer.
- If the probability of another rate cut is close to 50% that will probably be taken as a dovish message. A flat interest forecast at 1.0% would be a hawkish message.
- Oil prices, both spot and forward prices have fallen since the December meeting. This argues for lower rates.
- Several signals point to that Norges Bank's wage forecast is too high. We expect Norges Bank to revise down its wage forecast and this pulls the rate path lower.
- In addition rates among the trading partners are lower, which also pulls the rate path down.
- The NOK is however weaker than Norges Bank's forecast and counteract some of the contribution down from lower wage growth, oil price and rates abroad.



Source: Bloomberg

Calendar

Saturday, 14/03/2015					Nordea	Consensus	Actual	Previous
08:45	EU	ECB Executive Board member Lautenschlaeger Speaks in Cernobbio						
Monday, 16/03/2015					Nordea	Consensus	Actual	Previous
11:00	NO	Auction of Treasury Bills						
13:30	US	Empire manufacturing	Mar			8.00		7.78
14:15	US	Capacity utilization	Feb			79.5%		79.4%
14:15	US	Industrial production (m/m)	Feb			0.3%		0.2%
15:00	US	Housing market index, NAHB	Mar			57		55
19:45	EU	ECB President Mario Draghi Speaks in Frankfurt						
20:10	EU	ECB Executive Board member Lautenschlaeger Speaks in Frankfurt						
21:00	US	TIC flows, net long- term	Jan					35.4bn
21:00	US	TIC flows, net total	Jan					- 174.8bn
Tuesday, 17/03/2015					Nordea	Consensus	Actual	Previous
	JP	BoJ Monetary Policy Meetings						
	ID	BI announces interest rates	Mar					
01:30	AU	Minutes of the RBA meeting						
10:00	NO	Foreign trade with goods (bn)	Feb					27.1bn
11:00	EU	HICP (m/m, final)	Feb		0.6%	0.6%		- 1.6%
11:00	EU	HICP (y/y, final)	Feb		- 0.3%	- 0.3%		- 0.3%
11:00	DE	ZEW, current situation	Mar		50	48.1		45.5
11:00	DE	ZEW, expectations	Mar		60	58.0		53.0
11:45	EU	ECB Executive Board member Peter Praet Speaks in Frankfurt						
13:00	TR	CBT announces interest rates (Benchmark repo rate)	Mar			7.5%		7.50%
13:00	TR	CBT announces interest rates (Overnight lending rate)	Mar			10.75%		10.75%
13:30	US	Building permits	Feb			1065k		1053k
13:30	US	Housing starts	Feb			1040k		1065k
13:30	US	Housing starts (m/m)	Feb			- 2.4%		- 2.0%
13:40	EU	ECB's SSM Chair Daniele Nouy Speaks in Frankfurt						
Wednesday, 18/03/2015					Nordea	Consensus	Actual	Previous
00:50	JP	Merchnds Trade Exports (y/y)	Feb			0.3		17
00:50	JP	Merchnds Trade Imports (y/y)				3		- 9
04:00	CN	FDI (y/y) (Exp 14- 18 Mar)	Feb					29.4%
09:00	EU	ECB non- monetary policy meeting						
09:00	ZA	CPI (y/y)	Feb			3.8%		4.4%
10:15	EU	ECB Executive Board member Benoit Coeure Speaks in Frankfurt						

Calendar

Wednesday (continued), 18/03/2015					Nordea	Consensus	Actual	Previous
10:30	GB	Earnings, ex bonus, average (3mma, y/y)	Jan			1.8%		1.7%
10:30	GB	Minutes of the BoE meeting						
10:30	GB	Unemployment rate, claimant count	Feb			2.4%		2.5%
11:00	EU	Trade balance, sa	Jan	23		21.5bn		23.3bn
11:00	SE	SNDO to auction T- bills (SEK 17.5 bn)						
12:00	US	Mortgage applications, MBA	Mar					
14:00	RU	Industrial production (y/y) (Exp 17- 18 Mar)	Feb			- 0.6%		0.9%
19:00	US	FOMC announces interest rates				0.25%		0.25%
19:30	US	Fed Chair Yellen Holds Post- FOMC Press Conference						
22:45	NZ	GDP (q/q)	Q4			0.8%		1.0%
22:45	NZ	GDP (y/y)	Q4			3.4%		3.2%
Thursday, 19/03/2015					Nordea	Consensus	Actual	Previous
09:30	SE	Financial accounts	Q4					
09:30	CH	SNB announces interest rates		- 0.75%		- 0.75%		- 0.75%
10:00	EU	ECB publishes Economic Bulletin						
10:00	NO	Norges Bank publishes interest rate decision and holds press conference						1.25%
10:00	NO	Norges Bank publishes new Montary Policy Report						
11:00	SE	SNDO to auction inflation- linked bonds (SEK 1bn)						
13:30	US	Current account balance	Q4			- 102.0bn		- 100.3bn
13:30	US	Jobless claims, continuing	Mar					
13:30	US	Jobless claims, initial	Mar					
14:00	PL	Minutes of the NBP meeting						
14:00	RU	Investment in productive capacity (y/y)	Feb			- 8.0%		- 6.3%
14:00	RU	Real wages (y/y)	Feb			- 8.8%		- 8.0%
14:00	RU	Retail sales (y/y)	Feb			- 5.7%		- 4.4%
14:00	RU	Unemployment rate	Feb			5.7%		5.5%
15:00	US	Leading index	Feb			0.3%		0.2%
15:00	US	Philadelphia Fed	Mar			8		5.2
Friday, 20/03/2015					Nordea	Consensus	Actual	Previous
08:30	NO	Speech by Norges Bank Governor Olsen(Charts published)						
09:00	DK	Retail sales (y/y)	Feb					2.4%
13:30	CA	CPI (y/y)	Feb			0.9%		1.0%
13:30	CA	CPI, core (y/y)	Feb			2.1%		2.2%
15:20	US	Fed's Lockhart Speaks on Monetary Policy in Athens, Georgia						
16:30	US	Fed's Evans Speaks on Monetary Policy in Washington						

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Editor:

Klaus Lund Ruhlmann
Assistant Analyst
Global Research
+45 33 33 40 07

klaus.lund.ruhlmann@nordea.com