



# Week Ahead

28 March – 10 April



Nordea Research, 27 March 2015

## Next week's key events

- **US**

We expect a 225k gain in nonfarm **payrolls** in March and the unemployment rate to remain at 5.5%. We forecast a 0.2% rise in average hourly earnings after February's 0.1% increase. The ISM manufacturing index is expected to fall to 52.0 in March from February's 52.9. Minutes of the 17-18 March **FOMC minutes** meeting are expected to signal that the Fed still sees a first rate hike later this year.

- **Euro area**

In the Euro area, the recovery is firming and inflation is bottoming out. The most interesting data point ahead is probably the **flash inflation** reading for March on Tuesday before Easter. We expect the headline rate to creep up to -0.2% y/y and a stable core rate. Otherwise, economic sentiment is like to rise again, in line with indicators like the PMIs and the Ifo index. The **Greek government** has promised to submit a comprehensive list of proposed reforms by Monday in order to secure more bailout funds. We expect that to happen.

- **UK**

The March **MPC minutes** indicated that the BoE has turned more dovish. This is mainly due to increased concern that continued strength of the UK economy could further strengthen the GBP and increase the risk that the low inflation will persist longer than expected. We believe that the BoE is still in no hurry to start hiking rates.

- **Sweden**

We expect global growth to pick up later this year. However, leading indicators have not risen yet and its probably too early for any marked rise in the Swedish manufacturing **PMI**.

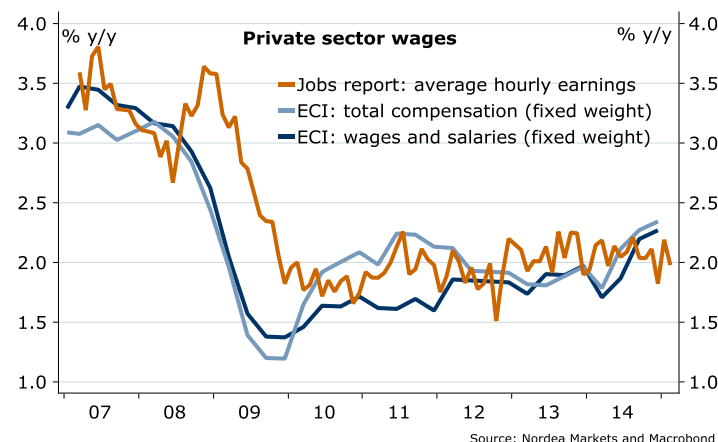
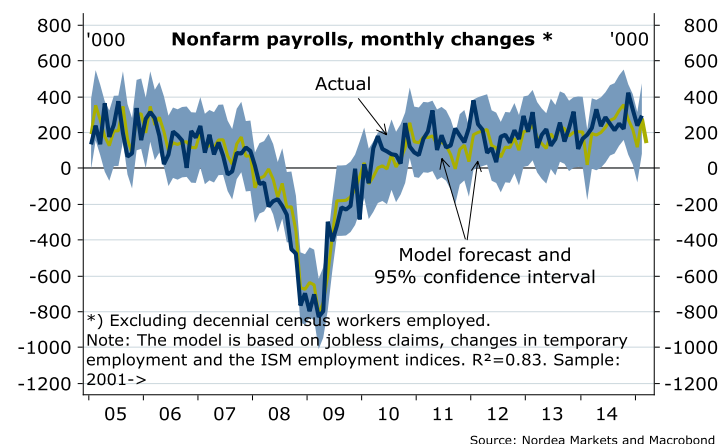
- **Norway**

We forecast March **core inflation** (10 April 10:00) to increase to 2.6% y/y from 2.4% last month. A sharp rebound in prices on clothes and shoes after strong price cuts during the winter sale is the main reason for the rise.

# US: downside risks to March payrolls (3 Apr)

- We expect a 225k gain in **nonfarm payrolls** in March, somewhat below the 245k consensus estimate and the strong 288k average rise in the three prior months.
- Our forecast is weaker than the recent trend as we are looking for a lagged response to the stronger USD, bad weather and supply chain disruptions caused by labour market disputes at West Coast ports. The underlying trend, however, is expected to remain strong.
- We expect the **unemployment rate** to remain at 5.5% after a 0.2% point fall in January to 5.6%. The forecast is based on an assumed rebound in the labour force after a 178k decline February and a solid increase in employment according to the household survey. The consensus estimate is also 5.5%.
- We forecast a 0.2% rise in **average hourly earnings** after February's 0.1% increase, which followed an unsustainable 0.5% jump in January. Year-over-year hourly earnings growth should remain at 2.0%.
- Note that the jobs report will be released on Good Friday, when US equity markets are closed and fixed-income markets are on a recommended early close.

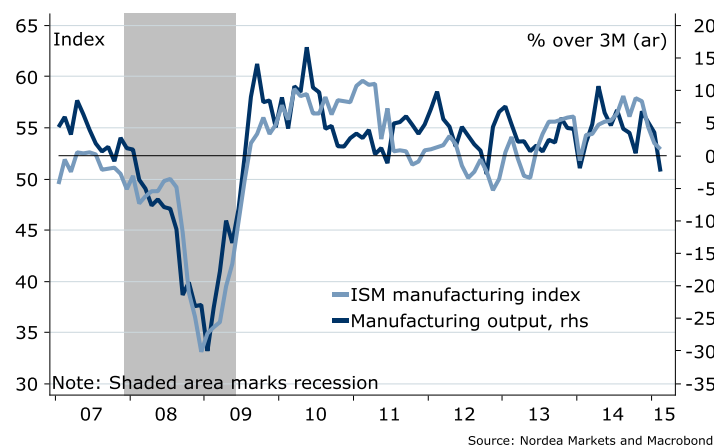
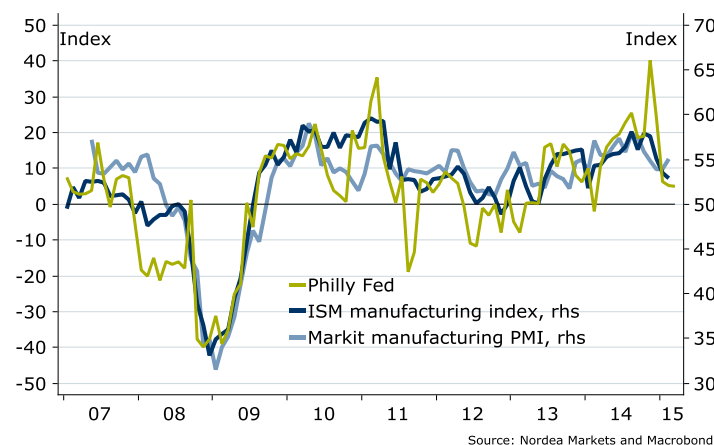
March 2015	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	225	250	295
Unemployment rate, %	5.5	5.5	5.5
Average hourly earnings, % m/m	0.2	0.2	0.1



# US: ISM index to move even lower (1 Apr)

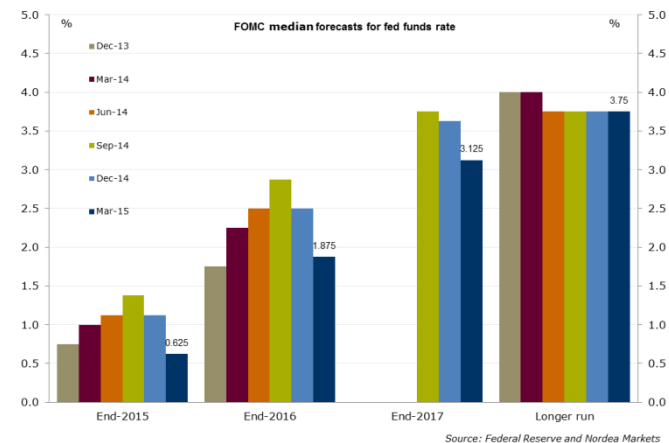
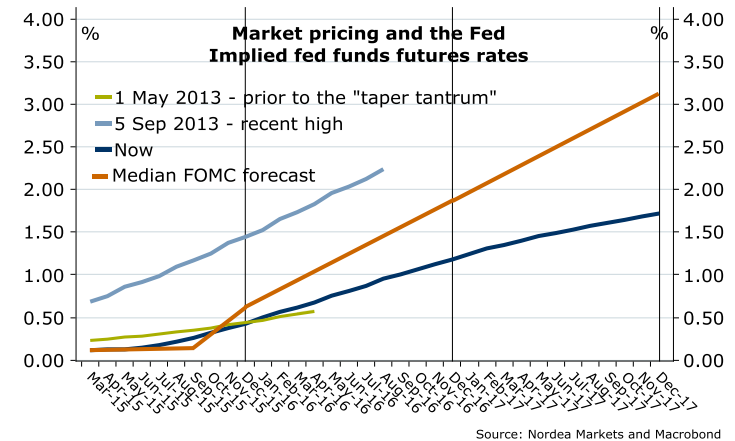
- We expect the ISM manufacturing index to fall to 52.0 in March from February's 52.9. The consensus is 52.5 with a 1.1 standard deviation. The recent peak was 59.0 in October.
- The message from both surveys and the hard data is that the factory sector has lost momentum in early 2015, likely due to bad weather, a labour dispute at West Coast ports and a stronger USD.
- Early reads of regional surveys suggest that manufacturing has continued to soften in March. The preliminary Markit PMI, however, improved slightly.
- However, with Q1 activity held down by a number of one-off factor, we believe that Q2 is poised for stronger growth.
- According to ISM officials, an ISM index of 52 is typically associated with 2.8% annualised GDP growth. Remember that manufacturing is more sensitive to the USD than the economy as a whole.

March 2015	Nordea	Consensus	Previous
ISM manufacturing index	52.0	52.5	52.9



# US: FOMC minutes to sound a dovish tone (8 Apr)

- Minutes of the 17-18 March FOMC minutes meeting are expected to signal that the Fed still sees a first rate hike later this year. However, the minutes are unlikely to clearly indicate when the FOMC expects lift-off in rates.
- Nevertheless, the minutes are likely to sound a dovish tone because the FOMC at the meeting downgraded the expected hiking pace after lift-off.
- Thus, the median FOMC projection for the fed funds rate was lowered from 1.125% to 0.625% by end-2015, from 2.50% to 1.875% by end-2016 and from 3.625% to 3.125% by end-2017.
- The most interesting part of the minutes will likely be on the discussion of the underlying reasons behind the economic weakness in Q1. The role of the stronger USD will be of key interest.
- Our fed funds rate forecast by end-2015 and end-2015 are spot on the Fed's new median forecasts. We continue to expect lift-off in September. The probability of a June hike has recently faded because of soft US data but still cannot be ruled out.

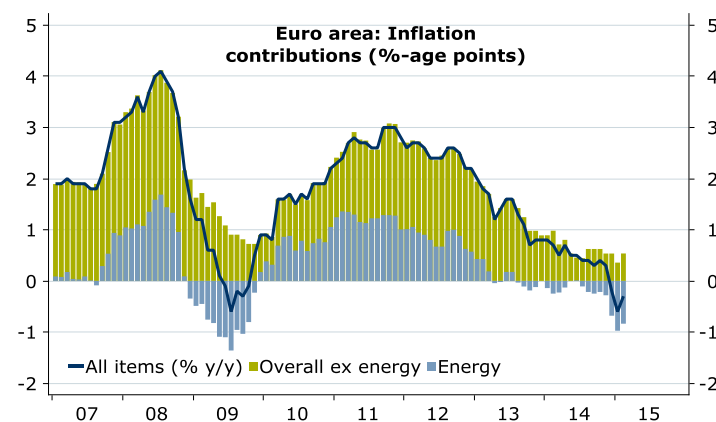


# Euro area: Inflation rate up but still negative (31 Mar)

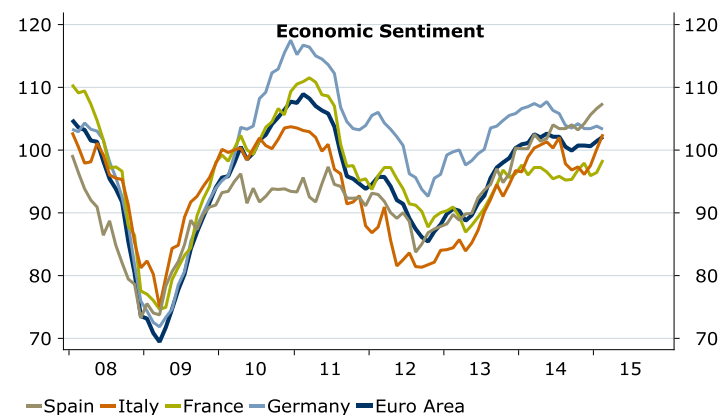
- The most interesting data point around Easter is probably the flash inflation reading for March. We expect the **headline rate to creep up to -0.2% y/y** (from -0.3%). That said, uncertainty related to energy prices is high which is also reflected by the consensus estimates ranging from -0.5% to -0.1%. We expect the core rate unchanged at 0.7% y/y, with the main risk to the upside.
- For the next few months, we expect the headline rate to hover around zero. The core rate will likely stay in den ¾% area. The risk of deflation has declined.
- Otherwise we expect the **unemployment rate** unchanged at 11.2%, with the main risk to the downside.
- Economic sentiment** is likely to have increased again, in line with indicators like the PMIs (Monday).

Mar 2015, % y/y	Nordea	Consensus	Previous
HICP headline rate	-0.2	-0.2	-0.3
HICP ex food, energy, alc., tob.	0.7	-	0.7

Source: Nordea Markets and Macrobond



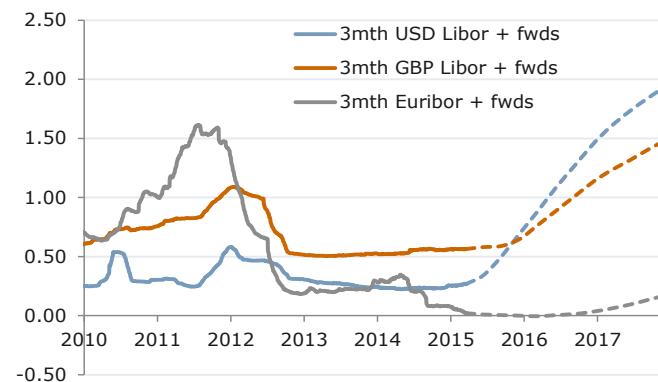
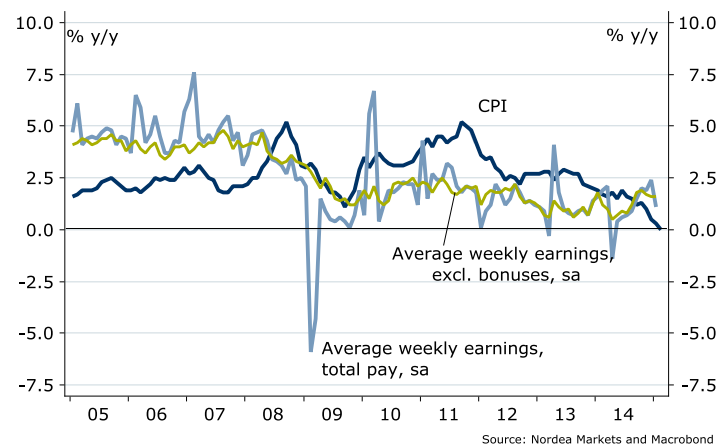
Source: Nordea Markets and Macrobond



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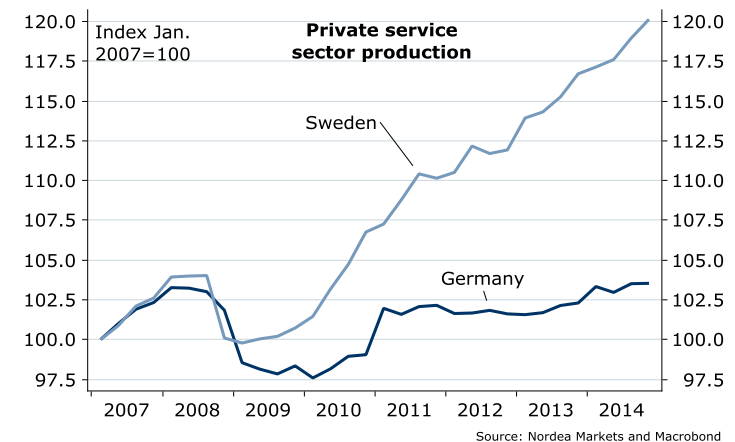
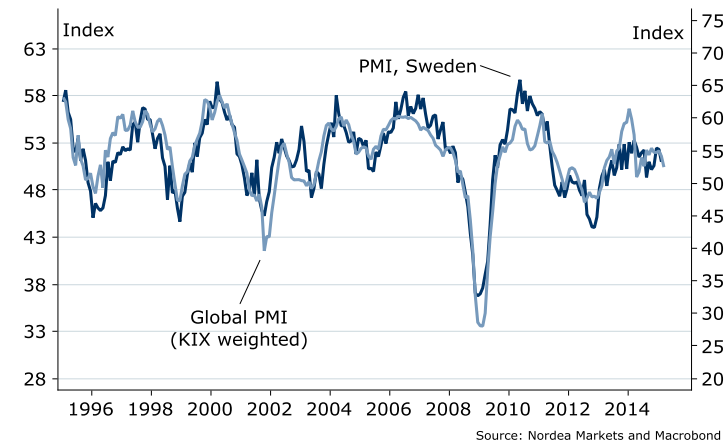
# UK: BoE is still in no hurry to start hiking rates (5 Apr)

- The March MPC minutes indicated that the BoE has turned more dovish. This is mainly due to increased concern that continued strength of the UK economy could further strengthen the GBP and increase the risk that the low inflation will persist longer than expected.
- Most likely the MPC members will vote for unchanged rates at their April meeting.
- The March minutes stated that there was a “range of views” on the among the members about the likely rate path, “but all agreed that it was more likely than not” that rates would increase over the next three years.
- Inflation fell further to 0.0% y/y in February. Going forward, CPI inflation is likely to remain close to zero during the next few months. However, from Q3 2015 inflation is expected to start rising, as the result of base effects becoming less favourable, oil prices rising from their early 2015 lows, wage growth picking up and excess capacity in the economy diminishing.
- Increased concern about a stronger GBP and modest wage growth support our view that the BoE is still in no hurry to start normalising policy. **We expect the first rate hike in Q4 2015.** The market currently expect the first rate hike in Q2.



# Sweden: Still waiting for PMI to take off (1 Apr)

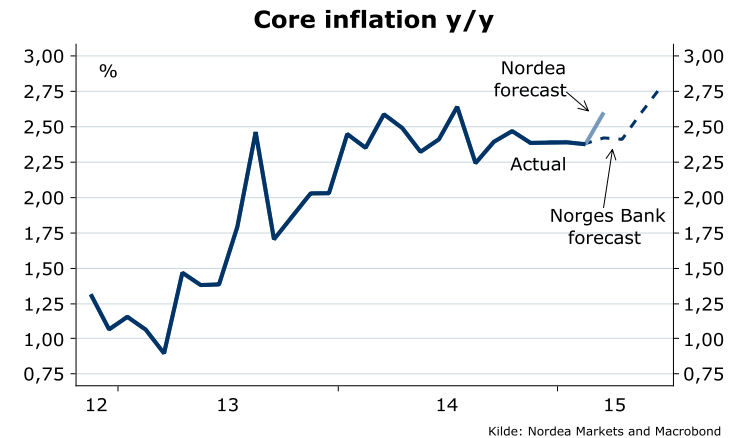
- We expect global growth to pick up later this year. However, leading indicators have not risen yet and its probably too early for any marked rise in the Swedish **manufacturing PMI**. Our call for the March PMI is 54, thus just a small rise from the 53.3 in February.  
(Wednesday 1 April)
- **Production figures** for the private service sector as well as the manufacturing industry are due Tuesday 7 April. The private service sector continues to perform well and remains an important growth driver. Production in the manufacturing industry seems to have bottomed out, but the trend is still sluggish. As we have pointed out many times before, manufacturing production is a poor indicator for GDP growth, not least as it exaggerates the past years' weakness.





# Norway: Inflation to increase (10 Apr)

- We forecast March core inflation (10 April 10:00) to increase to 2.6% y/y from 2.4% last month.
- A sharp rebound in prices on clothes and shoes after strong price cuts during the winter sale is the main reason for the rise.
- The Norwegian strike could have some effect on airfares due to SAS rising prices, but we have assumed the effect to be moderate.
- Our forecast is above Norges Bank's forecast at 2.4%. That argues for Norges Bank to wait until the June meeting before hiking.
- The result of the first wage settlement however points to wage growth slightly below Norges Bank' forecast which argues for May cut.



# Calendar

Monday, 30/03/2015					Nordea	Consensus	Actual	Previous
01:50	JP	Industrial Production (y/y, preliminary)	Feb			-0.6%		-2.8%
09:00	CH	Leading indicator, KOF	Mar			90.3		90.1
11:00	EU	Consumer confidence (final)	Mar		-3.7	-3.7		-3.7
11:00	EU	Economic Sentiment Indicator (ESI)	Mar		103.0	103.0		102.1
14:00	DE	HICP (m/m, preliminary)	Mar		0.3%			1.0%
14:00	DE	HICP (y/y, preliminary)	Mar		-0.1%			-0.1%
14:30	US	PCE prices (m/m)	Feb			0.2%		-0.5%
14:30	US	PCE prices (y/y)	Feb			0.3%		0.2%
14:30	US	PCE prices, core (m/m)	Feb			0.1%		0.1%
14:30	US	PCE prices, core (y/y)	Feb			1.3%		1.3%
14:30	US	Personal income (m/m)	Feb			0.3%		0.3%
14:30	US	Personal spending (m/m)	Feb			0.2%		-0.2%
16:00	US	Home sales, pending (m/m)	Feb			0.4%		1.7%
16:30	US	Dallas Fed Man. Activity	Mar			-9.0		-11.2
Tuesday, 31/03/2015					Nordea	Consensus	Actual	Previous
01:05	GB	Consumer Confidence, Gfk	Mar			1		1
01:15	US	Fischer Speaks on Monetary Policy and Stability in Georgia						
08:45	FR	Consumer spending (m/m)	Feb		0.3%			0.6%
09:00	CZ	GDP (q/q, final)	Q4					0.4%
09:00	DK	GDP (q/q, final)	Q4		0.4%			0.4%
09:00	DK	GDP (y/y, final)	Q4		1.3%			1.3%
09:00	DK	Unemployment rate, gross	Feb		4.9%			4.9%
09:00	TR	GDP (q/q, wda, sa)	Q4			0.3%		0.4%
09:55	DE	Unemployment rate (sa)	Mar		6.5%	6.5%		6.5%
10:00	NO	Norges Bank publishes FX transactions	Apr					0.7bn
10:30	GB	GDP (q/q, final)	Q4			0.5%		0.5%
10:30	GB	GDP (y/y, final)	Q4			2.7%		2.7%
11:00	EU	HICP (flash, y/y)	Mar		-0.2%	-0.3%		-0.3%
11:00	EU	HICP core (flash, y/y)	Mar		0.7%	0.7%		0.7%
11:00	EU	Unemployment rate	Feb		11.2%	11.2%		11.2%
11:00	IT	HICP (y/y, preliminary)	Mar		0.0%	0.1%		0.1%
14:00	US	Fed's Lacker Speaks on the Economic Outlook in Richmond						
14:50	US	Fed's Lockhart Gives Welcome at George Conference						
15:00	US	Fed's Mester to Moderate Georgia 'Future of Banks' Panel						
15:00	US	House prices, S&P/Case-Shiller, national (m/m)	Jan			0.70%		0.87%
15:00	US	House prices, S&P/Case-Shiller, national (y/y)	Jan			4.60%		4.46%
15:15	US	Chicago PMI	Mar			52.4		45.8

# Calendar

Tuesday, 31/03/2015 (continued)					Nordea	Consensus	Actual	Previous
16:00	US	Consumer confidence	Mar			96.6		96.4
21:00	US	Fed's George Speaks in New York						
Wednesday, 01/04/2015					Nordea	Consensus	Actual	Previous
01:50	JP	Tankan, large manufacturers	Q1			14		12
03:00	CN	PMI, manufacturing, NBS	Mar			49.7		49.9
03:45	CN	PMI, manufacturing (final), HSBC	Mar			49.3		49.2
08:30	SE	PMI, manufacturing	Mar					53.3
09:30	SE	Registration of vehicles (y/y)	Mar					
09:55	DE	PMI, manufacturing (final)	Mar	52.4	52.4			52.4
10:00	EU	PMI, manufacturing (final)	Mar	51.9	51.9			51.9
10:30	GB	PMI, manufacturing	Mar					54.1
11:00	DK	PMI survey	Mar					56.2
11:00	SE	SNDO to auction T- bills (SEK 17.5 bn)						
13:00	US	Mortgage applications, MBA	Mar					9.5%
14:00	RU	Current account (USD) (Exp 31 Mar - 01 Apr)	Q4					10.5bn
14:15	US	Employment, ADP (absolute change m/m)	Mar			230k		212k
15:00	US	Fed's Williams Moderates Panel on Financial Stability						
15:45	US	Markit manufacturing PMI (final)	Mar			55.1		55.3
16:00	US	Construction spending (m/m)	Feb			-0.1%		-1.1%
16:00	US	ISM, manufacturing	Mar	52	52.5			52.9
16:00	US	ISM, prices paid	Mar			38		35
16:30	US	Fed's Lockhart Leads Panel on Banks and Monetary Policy						
23:00	US	Vehicle sales, domestic	Mar			13.5m		12.9m
23:00	US	Vehicle sales, total	Mar			16.9m		16.2m
Thursday, 02/04/2015					Nordea	Consensus	Actual	Previous
07:00	IN	PMI, manufacturing	Mar					51.2
12:30	US	Challenger job cuts (y/y)	Mar					20.90%
14:00	RU	GDP (y/y) (Exp 01-02 Apr)	Q4			0.0%		0.7%
14:30	US	Jobless claims, continuing	Mar					2416k
14:30	US	Jobless claims, initial	Mar					282k
14:30	US	Trade balance	Feb			-41.3bn		-41.8bn
16:00	US	Factory orders (m/m)	Feb			0.0%		-0.2%
Friday, 03/04/2015					Nordea	Consensus	Actual	Previous
08:00	DE	Retail sales (m/m) (Exp 27 Mar- 3 Apr)	Feb	-0.5%	-1.0%			2.9%
08:30	SE	PMI, service sector	Mar					56.7
09:00	TR	CPI (y/y)	Mar			7.20%		7.55%

# Calendar

Friday, 03/04/2015 (continued)					Nordea	Consensus	Actual	Previous
14:30	US	Average weekly hours	Mar		34.6	34.6		34.6
14:30	US	Labour force participation rate	Mar		62.8%			62.8%
14:30	US	Nonfarm payrolls (absolute change m/m)	Mar		225k	250k		295k
14:30	US	Nonfarm private payrolls (absolute change m/m)	Mar			240k		288k
14:30	US	Unemployment rate	Mar		5.5%	5.5%		5.5%
Saturday, 04/04/2015					Nordea	Consensus	Actual	Previous
14:30	US	Hourly earnings, average (m/m)	Mar		0.2%	0.2%		0.1%
14:30	US	Hourly earnings, average (y/y)	Mar		2.0%			2.0%
Monday, 06/04/2015					Nordea	Consensus	Actual	Previous
15:45	US	Markit composite PMI (final)	Mar					
15:45	US	Markit services PMI (final)	Mar					
16:00	US	ISM, non-manufacturing, composite	Mar					56.9
Tuesday, 07/04/2015					Nordea	Consensus	Actual	Previous
06:30	AU	RBA announces interest rates (cash target)				2.25%		2.25%
07:30	IN	RBI announces interest rate (Repurchase Rate)	Apr					7.50%
09:30	SE	Industrial orders (y/y)	Feb					8.9%
09:30	SE	Industrial production (m/m)	Feb					1.0%
09:30	SE	Industrial production (y/y)	Feb					0.8%
09:30	SE	Private service sector production (m/m)	Feb					0.5%
09:30	SE	Private service sector production (y/y)	Feb					2.9%
09:55	DE	PMI, services (final)	Mar		55.3			
10:00	EU	PMI, composite (final)	Mar		54.1			
10:00	EU	PMI, services (final)	Mar		54.3			
10:30	GB	PMI, services	Mar					56.7
14:00	RU	CPI (y/y) (Exp 06-07 Apr)	Mar					16.7%
14:50	US	Fed's Kocherlakota Gives Welcome Remarks at DC Conference						
16:00	US	JOLTs job openings	Feb					4998
16:00	DK	Foreign currency reserves	Mar					737.1bn
21:00	US	Consumer credit	Feb					11.6bn
Wednesday, 08/04/2015					Nordea	Consensus	Actual	Previous
	JP	BoJ Monetary Policy Meetings						
10:00	NO	Mortgage rate, banks and mortgage companies (SSB)	Feb					3.19%
11:00	EU	Retail sales (m/m)	Feb		0.3%			1.1%
11:00	NO	House prices NEF (m/m, s.a.)	Mar					0.5%
11:00	SE	SNDO to auction bonds (SEK 4 bn)						
12:00	DE	Factory orders (m/m)	Feb		3%			-3.9%
13:00	US	Mortgage applications, MBA	Apr					

# Calendar

Wednesday , 08/04/2015 (continued)					Nordea	Consensus	Actual	Previous
15:30	US	Fed's Dudley Speaks on Monetary Policy in New York						
20:00	US	U.S. Fed Releases Minutes from March 17- 18 FOMC Meeting						
Thursday, 09/04/2015					Nordea	Consensus	Actual	Previous
01:01	GB	House price balance, RICS	Mar					14%
02:00	KR	BoK announces interest rates (7- day repo rate)	Apr					1.75%
08:00	DE	Industrial production (m/m)	Feb	0.7%				0.6%
09:00	DK	Current account balance	Feb					11.3bn
09:00	DK	Trade balance, ex. ships (sa)	Feb					8.5bn
09:30	SE	Business sector production (m/m)	Feb					0.4%
09:30	SE	Household consumption (m/m)	Feb					1.9%
09:30	SE	Household consumption (y/y)	Feb					2.9%
09:30	SE	The Swedish central government debt						
12:00	NO	Norges Bank announces auction of Treasury Bills						
13:00	GB	BoE announces asset purchase target						375bn
13:00	GB	BoE announces interest rates						0.55
14:30	US	Jobless claims, continuing	Mar					
14:30	US	Jobless claims, initial	Apr					
Friday, 10/04/2015					Nordea	Consensus	Actual	Previous
03:30	CN	CPI (y/y)	Mar					
06:00	US	Fed's Kocherlakota Speaks in Bloomington, Minnesota						
08:45	FR	Industrial production (m/m)	Feb					0.4%
09:00	DK	CPI (m/m)	Mar					1.0%
09:00	DK	CPI (y/y)	Mar					0.2%
09:00	DK	Industrial production (sa, m/m)	Feb					- 1.9%
09:00	GB	House prices, Halifax (3mma, y/y) (Exp 5- 10 Apr)	Mar					8.3%
09:00	GB	House prices, Halifax (m/m) (Exp 5- 10 Apr)	Mar					- 0.3%
09:30	SE	House prices, Statistic Sweden (y/y)	Mar					
10:00	NO	CPI (y/y)	Mar					1.9%
10:00	NO	CPI, core (y/y)	Mar					2.4%
10:00	NO	Manufacturing production (m/m)	Feb					- 3.7%
10:30	GB	Industrial production (m/m)	Feb					- 0.1%
10:30	GB	Industrial production (y/y)	Feb					1.3%
10:30	GB	Manufacturing production (m/m)	Feb					- 0.5%
10:30	GB	Manufacturing production (y/y)	Feb					1.9%
14:00	NO	CPIX and other inflation indicators	Mar					2.3%
14:30	US	Fed's Lacker Speaks on Economic Outlook in Sarasota, Florida						
14:30	US	Import prices (m/m)	Mar					0.4%

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