



# Week Ahead

11 – 17 April



Nordea Research, 10 April 2015

## Next week's key events

- **US**

We expect CPI headline inflation to rise to +0.1% y/y in March from 0.0% in February, in line with the consensus forecast. In Tuesday's retail sales report for March we expect a solid 0.5% increase in control sales in March, partly supported by milder weather.

- **Euro area**

From the ECB meeting on Wednesday we expect neither new policy initiatives nor tweaks to existing programmes. The Q&A session will probably focus on Greece and how the ECB could adjust QE if needed. But as public sector bond purchases only started a month ago, we don't expect ECB President Draghi to seriously enter into a discussion about what to do next. The Survey of Professional forecaster on Thursday will show whether long-term inflation expectations have move closer to 2%. Some market focus will also be on Greece that has to roll over EUR 2.4 bn of T-bills.

- **UK**

CPI inflation fell to just 0.0% y/y in February, from 0.3% the previous month. Our forecast is that **CPI inflation** remained close to zero in March. We expect the labour market to continue its strengthening and forecast a further fall in the **unemployment rate** in February.

- **China**

On Wednesday Chinese GDP figures for Q1 will likely show growth dipping to a new low. We expect real growth to be 7.1% y/y and 1.6% q/q, slightly more optimistic than consensus of 7.0% and 1.4%. .

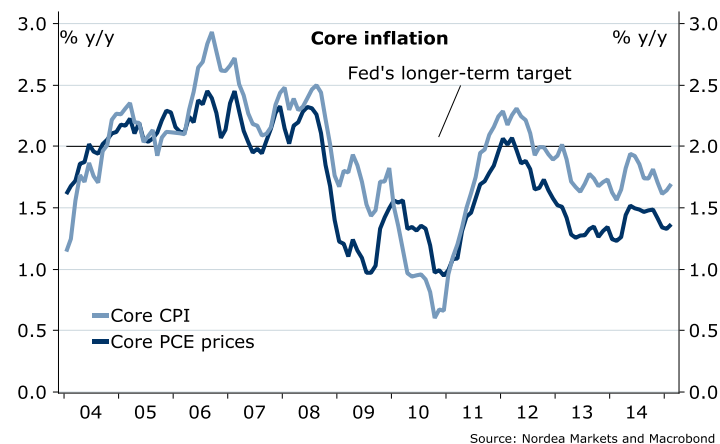
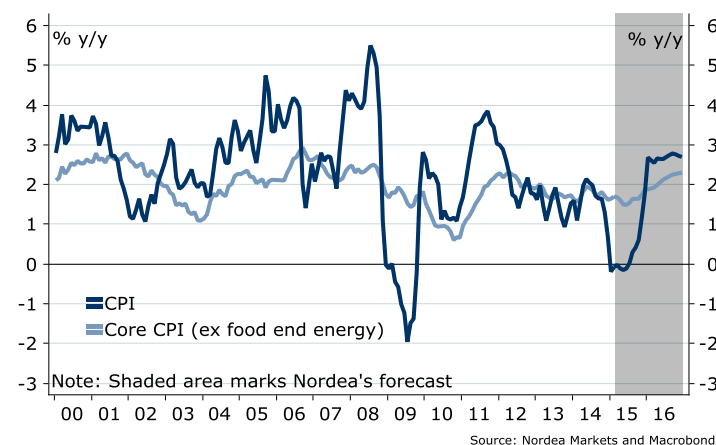
- **Sweden**

We see March CPIF at 1.1% y/y in March, a full 0.3% point above the Riksbank's view. Our call for March CPI is +0.3% m/m.

# US: CPI inflation to rise again (Fri)

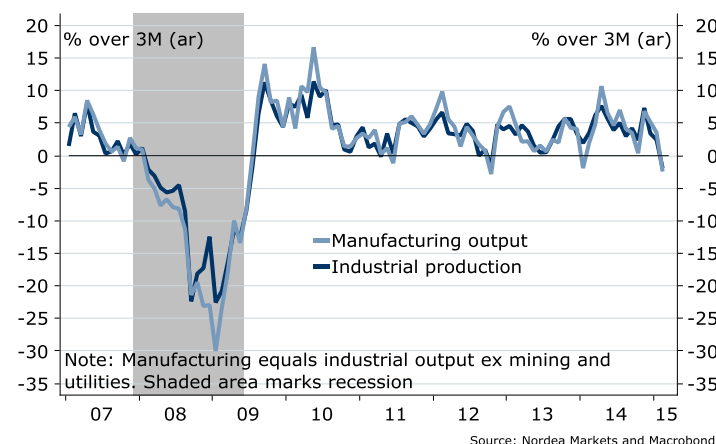
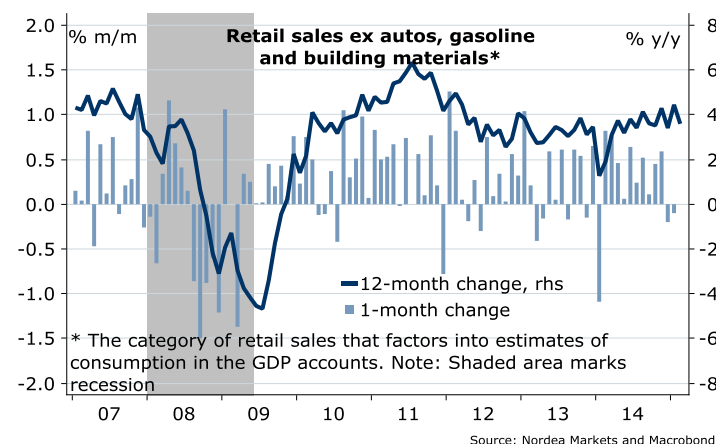
- We expect **CPI** headline inflation to rise to +0.1% y/y in March from 0.0% in February, in line with the consensus forecast. The second straight increase in energy prices should push the CPI to its second straight monthly gain.
- Headline CPI inflation is expected to remain close to zero through Q2 before gradually moving towards 2% by end-2015 and 2½% in early 2016, given our forecast that Brent oil prices will gradually rise to around USD 70 over this period.
- We expect the **core rate** to remain at 1.7% y/y in March, also in line with the consensus estimate. In March the core CPI will likely be held up by rising shelter cost, offsetting pass-through from a stronger USD into core goods prices. Imported goods make up only about 6% of core CPI.
- Given the typical gap between CPI and PCE inflation, our forecast is consistent with core PCE inflation around 1.4%, well below the Fed's 2% longer-run target.
- However, an increase in core price inflation or wage inflation is not a prerequisite for lift-off in Fed rates, according to the [March FOMC minutes](#).

Mar-15	Nordea	Consensus	Previous
CPI, % y/y	0.1	0.1	0.0
Core CPI, % y/y	1.7	1.7	1.7



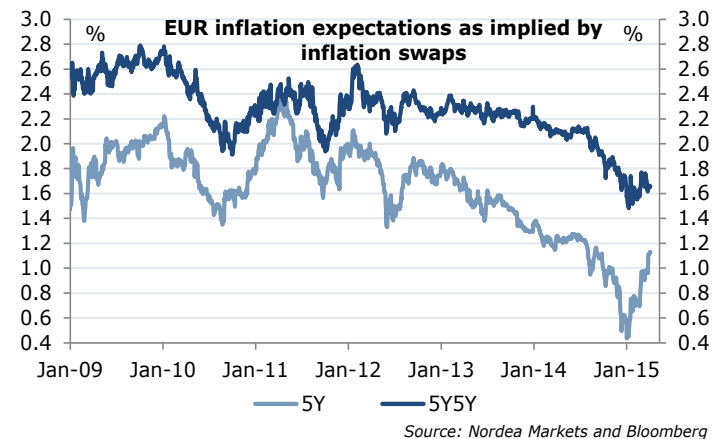
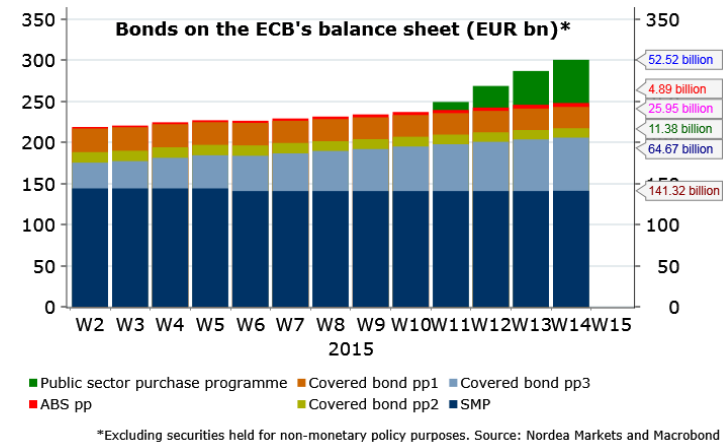
# US: Also a lot of second-tier data delivered

- In Tuesday's **retail sales** report for March our focus will as always be on the so-called control sales, which filters into GDP and excludes autos, gasoline and building materials. Following three surprisingly weak months we expect a solid 0.5% increase in control sales in March, partly supported by milder weather. Overall retail sales should rise 1.0%, supported by higher gasoline prices and auto sales.
- Wednesday's **industrial production** data are likely to show continued broad-based weakness in March, partly reflecting lagged effects of the bad weather in some regions as well as labour disputes at West Coast ports that temporarily disrupted some supply chains. In addition, low oil prices have resulted in declines in drilling activity, while the stronger USD restrains exports. However, we continue to expect stronger growth already in Q2, as the drag from the weather and port disruptions is clearly temporary.
- The early April reads of manufacturing indicators like the **Philly Fed** (Thu) and the **Empire State** (Wed) surveys as well as the March **NFIB small business survey** (Tue) will also get some attention.



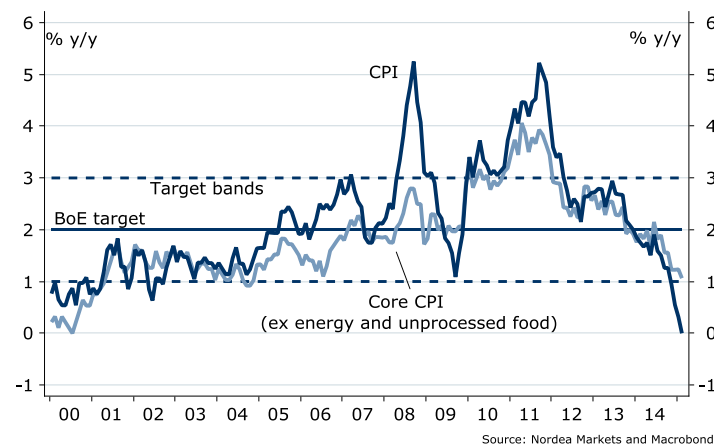
# ECB: Time to implement QE, not to change it (Wed)

- From the ECB meeting we expect **neither new policy initiatives nor tweaks to existing programmes.**
- The Q&A session will probably focus on Greece and how the ECB could adjust QE if needed. But as public sector bond purchases only started a month ago, **we don't expect ECB President Draghi to seriously enter into a discussion about what to do next.** He will just repeat that the ECB "intends" to buy until September 2016. And of course the ECB will constantly monitor the programme.
- We see a very low likelihood for further rate cuts and a high likelihood for bond purchases beyond Sep. 2016.
- The ECB's confident message is not set to do anything to reverse the firm downtrend in long yields towards zero.**
- In March, the ECB announced that the initial list of international and supranational institutions and agencies whose bonds are eligible for the PPSP may be amended on 15 April. We expect to see a few more names. Right now the emphasis is on agencies in large member states.
- Regarding Greece, Draghi will likely insist on a solvent banking system and the need for reforms as conditions for ongoing support.



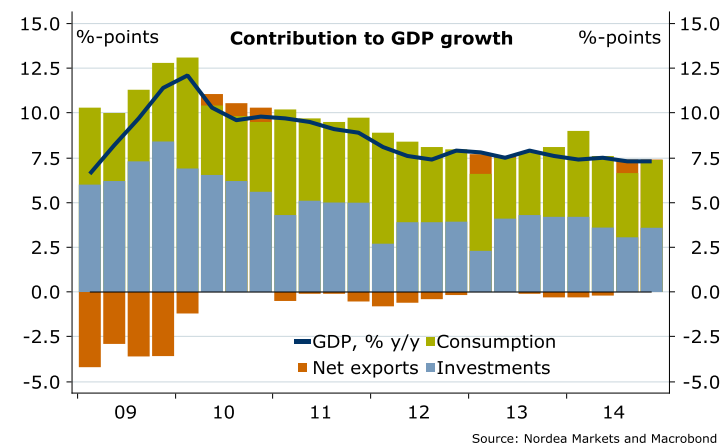
# UK: CPI inflation likely remained close to zero (Tue)

- **CPI inflation** fell to just 0.0% y/y in February, from 0.3% the previous month. The main contributions to the slowdown came from price movements on data equipment, food and furniture. **Core CPI inflation** fell to 1.2% y/y, from 1.4% the previous month.
- **Our forecast is that CPI inflation remained close to zero in March (Tue).**
- The labour market continues to strengthen and the **unemployment rate** was down to 5.7% in January. We forecast the unemployment rate to fall further in February (Fri).
- **We stick to our forecast that the BoE will start to hike rates in Q4 2015.** However, there is a risk for a later rate hike if the inflation expectations don't remain well-anchored at the inflation target.



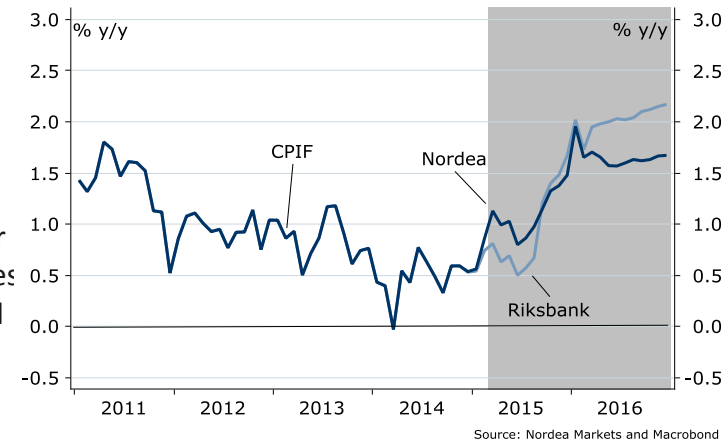
# China: GDP growth likely to a new low (Wed)

- On Wednesday Chinese GDP figures for Q1 will likely show growth dipping to a new low. **We expect real growth to be 7.1% y/y and 1.6% q/q, slightly more optimistic than consensus of 7.0% and 1.4%.** We expect full-year growth to be 7.0% in 2015.
- Most macro indicators have been sluggish during the first three months of the year. The PMI has been hovering 50. Growth in industrial production and investment has been disappointing. There is no deny that the Beijing-initiated **property market slowdown** has had a larger negative spill-over on growth than what Beijing intended to.
- Without any major upside surprise, the Q1 growth would be a new low after 7.3% in Q4 last year. The news will likely **intensify the bearish voices** currently in the market about Chinese growth and the implications on the world and commodity prices.
- We still believe that China would likely see a cyclical stabilisation in Q2 and Q3** on improving sentiment in the property market. Property policies have turned supportive (latest move was to lower down payment requirement for second homes), which have led property sales to rebound in tier 1 and 2 cities.



# Sweden: Inflation above the Riksbank's view (Tue)

- We see March CPIF at 1.1% y/y in March, a full 0.3% point above the Riksbank's view. The upturn in **inflation** is probably not enough. Therefore, we expect the Riksbank to take further measures by extending the purchase programme by additional SEK 50bn and cut the repo rate to -0.50%.
- Our call for March CPI is +0.3% m/m. The main driver is prices for clothing and footwear, boosting the CPI by 0.2% point. Also, prices for fuel rose while electricity prices fell. Risks are balanced. Read more [here](#) (in Swedish).  
(Tuesday)
- Over six months have passed since the government took office and now it's time for some red-green economic policy. On Wednesday, the government will present the **Spring Fiscal Budget**. Read more [here](#).



Forecasts for March, %	Nordea	Riksbank	Prior
CPI m/m	0.3		0.7
CPI y/y	0.3	-0.1	0.1
CPIF m/m	0.3		0.8
CPIF y/y	1.1	0.8	0.9
CPI, index	313.74		312.93



# Calendar

Monday, 13/04/2015					Nordea	Consensus	Actual	Previous
	CN	Trade balance (USD)	Mar			40.10bn		60.62bn
11:00	NO	Auction of Treasury Bills						
Tuesday, 14/04/2015					Nordea	Consensus	Actual	Previous
08:00	SE	Unemployment, Swedish Public Employment Service	Mar					4.2%
09:30	SE	CPI (m/m)	Mar					0.7%
09:30	SE	CPI (y/y)	Mar					0.1%
09:30	SE	CPI Index	Mar					312.93
09:30	SE	CPIF (m/m)	Mar					0.8%
09:30	SE	CPIF (y/y)	Mar					0.9%
10:30	GB	CPI (m/m)	Mar			0.2%		0.3%
10:30	GB	CPI (y/y)	Mar			0.0%		0.0%
11:00	EU	Industrial production (sa, m/m)	Feb		0.3%	0.3%		-0.1%
11:30	NO	Speech by Norges Bank Governor Olsen						
14:00	US	Fed's Kocherlakota Holds Open Forum in Winona, Minnesota						
14:30	US	PPI final demand (y/y)	Mar			-0.9%		-0.6%
14:30	US	PPI, core (y/y)	Mar			1.0%		1.0%
14:30	US	Retail sales (m/m)	Mar		1.0%	1.0%		-0.6%
14:30	US	Retail sales control group	Mar		0.5%	0.5%		0.0%
15:00	US	NFIB small business optimism index	Mar			98.3		98
16:00	US	Business inventories (m/m)	Feb			0.2%		0.0%
17:00	NO	Speech by Norges Bank Deputy Governor Nicolaisen						
Wednesday, 15/04/2015					Nordea	Consensus	Actual	Previous
04:00	CN	GDP (q/q)	Q1			1.4%		1.5%
04:00	CN	GDP (y/y)	Q1			7.0%		7.3%
04:00	CN	Industrial production (y/y)	Mar			7.0%		
06:30	CN	Retail sales (y/y)	Mar			10.9%		
08:00	SE	Prospera, inflation expectations survey						
08:00	SE	The Swedish government's spring budget proposition to the Riksdag						
08:45	FR	HICP (y/y)	Mar		-0.2%			-0.3%
09:00	CN	Money supply, M2 (y/y) (Exp 10-15 Apr)	Mar			12.4%		12.5%
10:00	NO	Foreign trade with goods (bn)	Mar					21.0bn
11:00	EU	Trade balance, sa	Feb		22bn	22.0bn		21.6bn
11:00	SE	SNDO to auction T-bills (SEK 17.5 bn)						
12:10	PL	NBP announces interest rates (Base rate)	Apr			1.50%		1.50%
13:00	US	Mortgage applications, MBA	Apr					0.4%
13:45	EU	ECB announces interest rates (deposit rate)			-0.20%	-0.20%		-0.20%
13:45	EU	ECB announces interest rates (main refi rate)			0.05%	0.05%		0.05%

# Calendar

Wednesday, 15/04/2015 (continued)					Nordea	Consensus	Actual	Previous
14:30	US	Empire manufacturing	Apr			7.0		6.9
15:00	US	Fed's Bullard Speaks on Financial Regulation in Washington						
15:00	US	TIC flows, net total	Feb					88.3bn
15:15	US	Capacity utilization	Mar			78.7%		78.9%
15:15	US	Industrial production (m/m)	Mar			-0.3%		0.1%
16:00	CA	BoC announces interest rate	Apr			0.75%		0.75%
16:00	US	Housing market index, NAHB	Apr			55		53
20:00	US	Fed's Beige Book						
Thursday, 16/04/2015					Nordea	Consensus	Actual	Previous
	EU	G-20 Finance Ministers, Central Bankers Meet in Washington						
01:01	GB	House price balance, RICS	Mar			15%		14%
01:30	US	Fed's Lacker Speaks to Business Leaders in Charleston, SC						
10:00	EU	ECB Survey of Professional Forecasters						
11:00	SE	SNDO to auction inflation-linked bonds (SEK 1bn)						
14:30	US	Building permits	Mar			1080k		1092k
14:30	US	Housing starts (m/m)	Mar			15.9%		-17.0%
14:30	US	Jobless claims, continuing	Apr					2304k
14:30	US	Jobless claims, initial	Apr					281k
15:00	EU	ECB's Constancio Speaks in Washington						
16:00	US	Philadelphia Fed	Apr			5		5
18:00	NO	Speech by Norges Bank Governor Olsen						
19:00	US	Fed's Lockhart Speaks on Economic Outlook in West Palm Beach						
19:10	US	Fed's Mester Speaks on Economy and Monetary Policy in New York						
19:30	US	Fed's Rosengren to speak at Chatham House in London						
21:00	US	Fed's Fischer Speaks on Inflation Panel at IMF in Washington						
Friday, 17/04/2015					Nordea	Consensus	Actual	Previous
	EU	ECB Officials Attend IMF Spring Meetings in Washington						
	EU	G-20 Finance Ministers, Central Bankers Meet in Washington						
10:30	GB	Earnings, ex bonus, average (3mma, y/y)	Feb			1.7%		1.6%
10:30	GB	Unemployment rate, claimant count	Mar			2.3%		2.4%
11:00	EU	HICP (y/y, final)	Mar		-0.1%	-0.1%		-0.1%
13:30	EU	ECB's Weidmann, Germany's Schaeuble Hold Press Briefing in DC						
14:30	US	CPI (m/m)	Mar		0.2%	0.3%		0.2%
14:30	US	CPI (y/y)	Mar		0.1%	0.1%		0.0%
14:30	US	CPI, core (m/m)	Mar		0.2%	0.2%		0.2%
14:30	US	CPI, core (y/y)	Mar		1.7%	1.7%		1.7%
16:00	US	Consumer confidence, University of Michigan (preliminary)	Apr			93.7		93.0
16:00	US	Leading index	Mar			0.3%		0.2%

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