



Week Ahead

18 – 24 Jan 2014



Nordea Research, 17 January 2014

Next week's key events

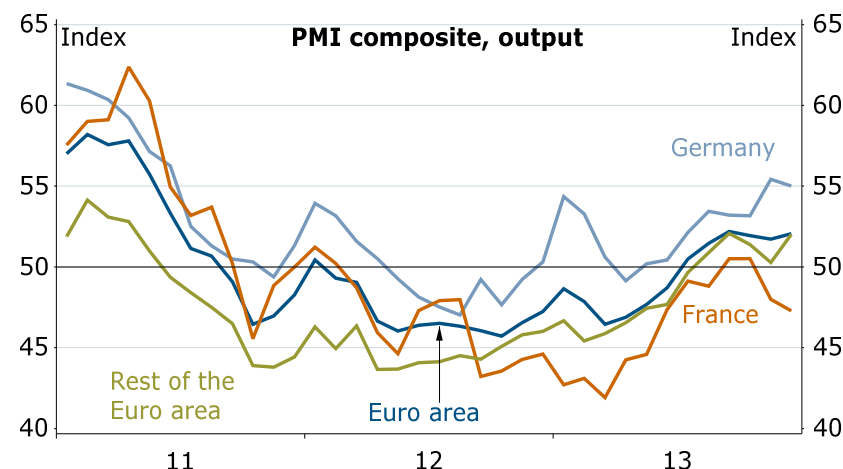
- **Euro area**
 - **Preliminary PMIs** (*Friday*) are on top of the agenda in Europe. We expect a slight increase to 52.5 from 52.1, adding to the signs of recovery, driven both by manufacturing and services. Besides that, we expect an increase in the **German ZEW**.
- **Sweden**
 - **Unemployment** has levelled out around 8% in recent months. For December, we expect unemployment to edge down to 7.9% but largely to remain on the sideways trend.
- **UK**
 - **Minutes of the January MPC** meeting at the **Bank of England** will be the highlight of the week. Since November, the MPC seems to have taken a more neutral bias, but speculations about a more hawkish turn may gradually build up the coming months.
- **US**
 - Only **tier-2 data** on the agenda in the US next week. We don't see any significant market movements caused by this data.

Euro area: Flash PMI composite (*Thursday*)

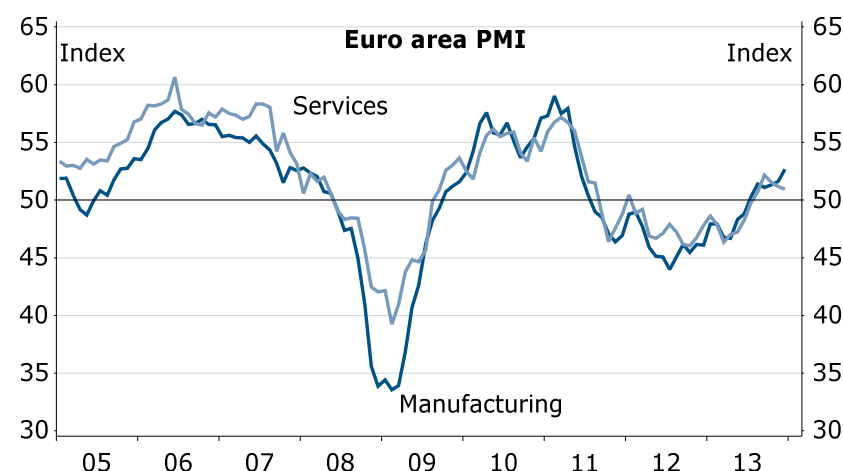
- We expect a slight increase to **52.5** from **52.1**, adding to the signs of recovery, driven both by manufacturing and services.
- A **PMI level of 52 points roughly indicates GDP growth of 0.2% q/q** and that's actually what we pencilled into our forecast sheets both for Q4 and Q1. A PMI move towards 53 would make a 0.3% reading somewhat more likely if confirmed by hard data.
- A negative surprise would highlight the shakiness of the recovery. A stronger reading would probably not dent into the expectation that the ECB will "do more" as inflation is still so low.
- From a country perspective, French PMI readings have recently been particularly weak, contrasting somewhat with actual production data. **We expect a slight improvement for France.**

Jan-14	Nordea	Consensus	Previous
Euro area flash PMI composite	52.5	52.5	52.1

Holger Sandte



Source: Nordea Markets and Reuters Ecowin

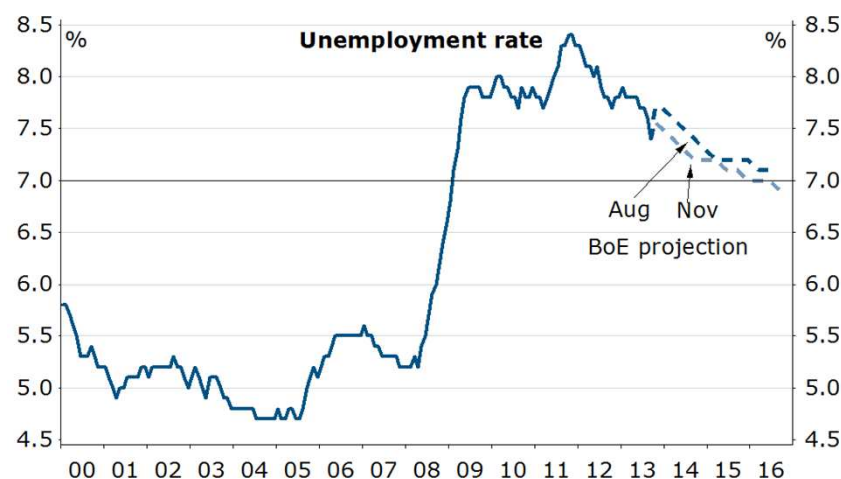
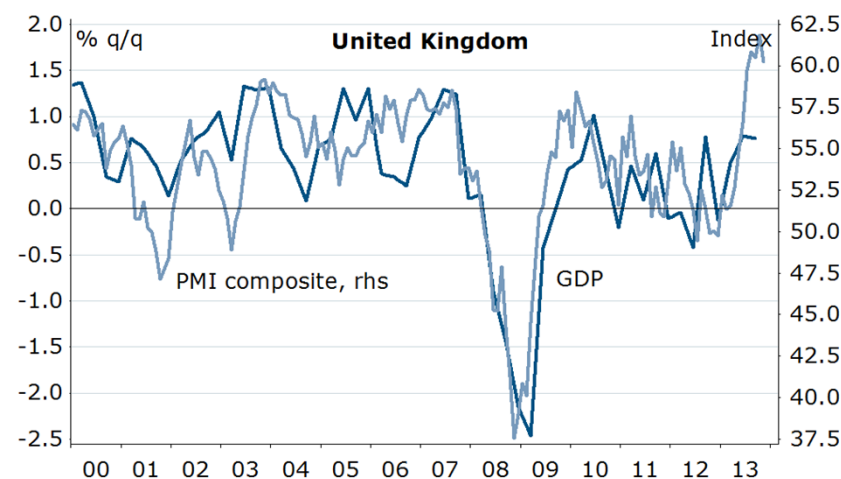


Source: Nordea Markets and Reuters Ecowin

UK: Bank of England meeting minutes (*Wednesday*)

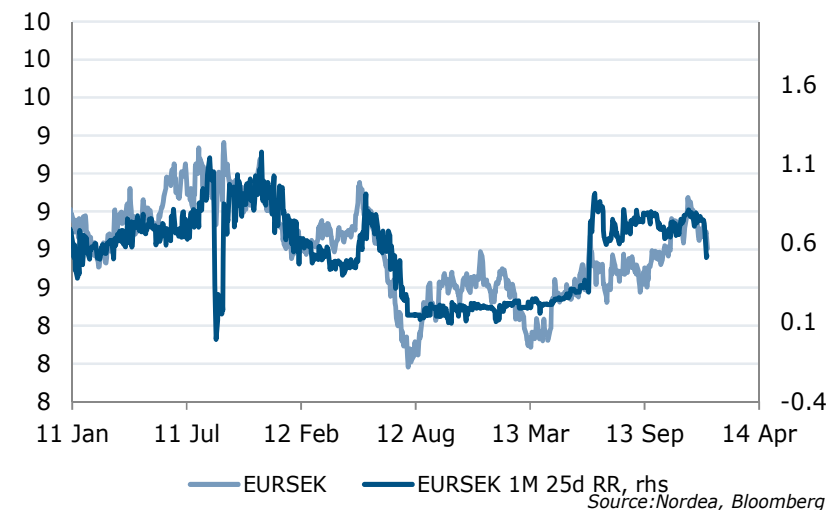
- **Minutes of the January MPC meeting** at the Bank of England will be the highlight of the week.
- Since November, the MPC seems to have taken a more neutral bias and we expect **9 out of 9 votes for unchanged Bank rate and Asset Purchase Program size** at the January meeting.
- Key figures remain strong and have been stronger for a longer period that we had imagined. Thus, **speculation about a more hawkish turn may gradually build up** the coming months.
- **Any signals about the MPC starting to consider its exit will have a market impact**, but we tend to think it is still slightly too early. The February inflation report would probably be a better timing for a more upbeat tone.

Anders Svendsen



Sweden: December unemployment (*Thursday*)

- Unemployment **has levelled out around 8%** in recent months including November (seasonally adjusted). **For December, we expect unemployment to edge down to 7.9%** but largely to remain on the sideways trend. Unemployment is in line with the Riksbank's view. Moreover, focus is currently on the low inflation. (*Thursday*)
- Market:** An instrument that captures the safe-haven feature of SEK seen over the last years is volatility skew. Interesting right now is that the risk reversal is half way back to where we traded during the "SEK is a safehaven"-era. Comparing the risk reversal vs. spot, recent move in the krona is indeed justified and there could even be further room to the downside in EURSEK. Read more on this link: <https://nexus.nordea.com/#/article/2170>



Torbjörn Isaksson
Nils Rosendahl

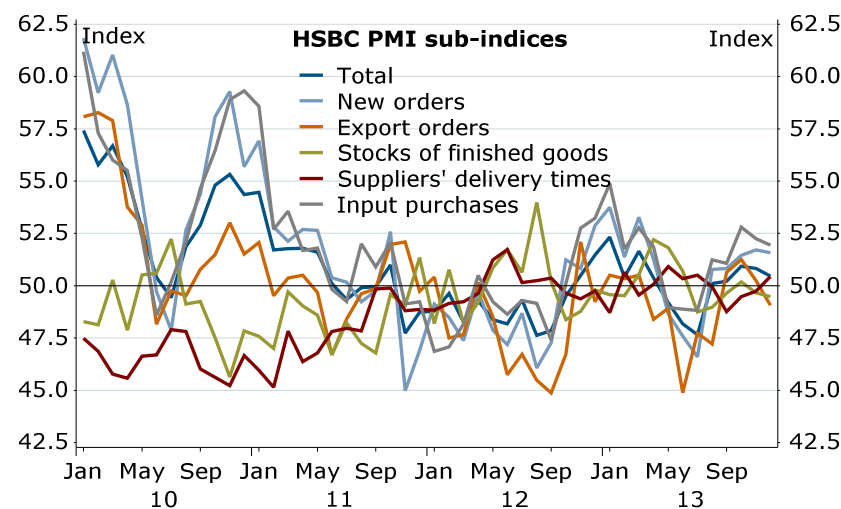
China: GDP and flash PMI (Mon/Wed)

- We expect China's Q4 GDP (Monday) to decline modestly to **7.6% y/y** from the 7.8% in Q3, so the full-year growth becomes 7.7% - slightly above the target. The annualised **quarterly growth will land on 1.9%** according to our calculation.
- The **drop in growth is mainly because of base effect**, as Q4 was strong in 2012. Apart from that, the underlying momentum was solid in Q4, where exports picked up and industrial activities remained steady.
- Looking forward, **we expect the cyclical recovery to dwindle in H1 2014**, as the government gradually rolls out reforms to slow down investment and credit growth. Some of the more specific measures may be announced in March.
- We expect the **HSBC/Markit PMI to remain above 50 in January**, but the expected industrial restructuring to reduce overcapacity in some key sectors points to a less bright medium-term outlook for the manufacturing sector as a whole.

Amy Yuan Zhuang



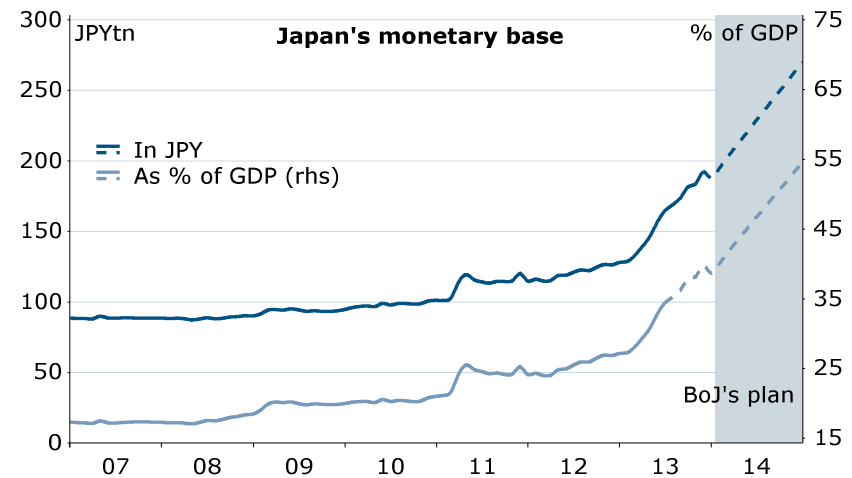
Source: Reuters Ecowin and Nordea Markets



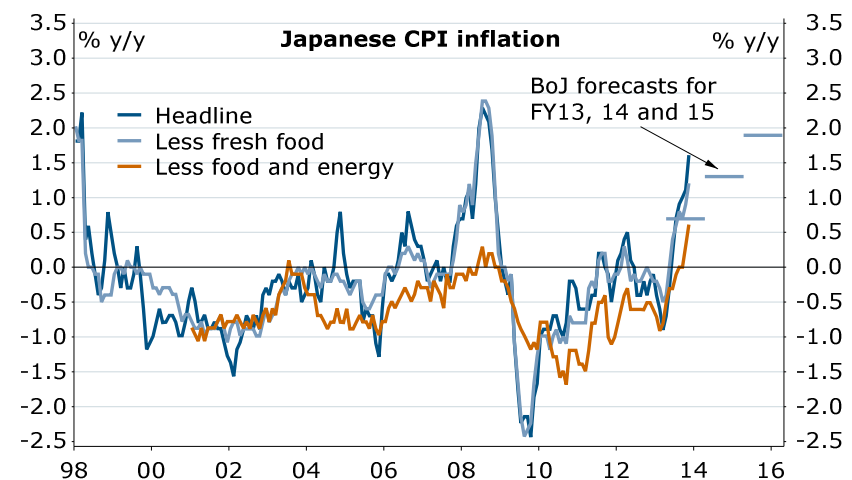
Source: Nordea Markets and Reuters Ecowin

Japan: Bank of Japan (Wednesday)

- We continue to expect the **BoJ to stay put** at the monetary meeting on Wednesday, that is, no change to the current pace of asset purchase.
- Our view is based on the **BoJ's positive assessment of the economy**. The BoJ staff expects corporate investment and net exports to pick up and private consumption to remain resilient. An expansion of the asset purchase program is not justified under such circumstances.
- **CPI inflation is rising fast** (also the core inflation) and Kuroda still holds on to the ambitious inflation target of 2% by 2015. An expansion of the existing QE program would be unnecessary. It may even be perceived by the market as pursuing a beggar-thy-neighbours policy.
- In addition, governor Kuroda is a man who prefers **transparent communication** and would in our opinion avoid any action to surprise the market.



Source: Reuters Ecowin and Nordea Markets



Source: Reuters Ecowin and Nordea Markets

Amy Yuan Zhuang

Calendar

Saturday 18. Jan 2014				Nordea	Consensus	Previous
	CN	FDI (y/y) (Exp 14- 18 Jan)	Dec			2.4%
Monday 20. Jan 2014				Nordea	Consensus	Previous
	JP	Industrial Production (y/y)	Nov			5.0%
	CN	Fixed asset inv. excl. rural YTD (y/y)	Dec		19.8%	19.9%
	US	Martin Luther King Jr. Day				
04:00	CN	GDP (y/y)	Q4	7.6%	7.6%	7.8%
04:00	CN	Industrial production (y/y)	Dec		9.8%	10.0%
04:00	CN	Retail sales (y/y)	Dec		13.2%	13.7%
10:00	NO	House prices SSB (y/y)	Q4			
17:30	SE	Riksbank's Flodén, speech (not published)				
Tuesday 21. Jan 2014				Nordea	Consensus	Previous
11:00	DE	ZEW, current situation	Jan	35.0		32.4
11:00	DE	ZEW, economic sentiment	Jan	63.5		62
Wednesday 22. Jan 2014				Nordea	Consensus	Previous
	JP	BoJ announces interest rates	Jan			
10:00	GB	Earnings, ex bonus, average (3mma, y/y)	Nov			0.8%
10:30	GB	Minutes of the 9 Jan BoE meeting (hike- unchanged- cut)	Jan	0-9-0	0-9-0	0-9-0
10:30	GB	Unemployment rate, claimant count	Dec			3.8%
11:00	SE	SNDO to auction T- bills (SEK 10bn)				
12:00	SE	Riksbank's Jansson, speech (not published)				
13:00	US	Mortgage applications, MBA	Jan			
15:00	CA	BoC announces interest rate	Jan			
Thursday 23. Jan 2014				Nordea	Consensus	Previous
04:30	CN	PMI, manufacturing (flash), HSBC	Jan			50.5
08:45	FR	Business confidence, INSEE	Jan	100		100
09:00	FR	PMI, manufacturing (preliminary)	Jan	48		47.0
09:00	FR	PMI, services (preliminary)	Jan	48.2		47.8
09:30	DE	PMI, manufacturing (preliminary)	Jan	54		54.3
09:30	DE	PMI, services (preliminary)	Jan	54.5		53.5
09:30	SE	Unemployment, Labour Force Survey (AKU), nsa	Dec	7.5%	7.5%	7.5%
09:30	SE	Unemployment, Labour Force Survey (AKU), sa		7.9%	7.9%	8.0%
10:00	EU	Current account balance, sa	Nov			218bn
10:00	EU	PMI, composite (flash)	Jan	52.5		52.1
10:00	EU	PMI, manufacturing (flash)	Jan	53.5		52.7
10:00	EU	PMI, services (flash)	Jan	51.7		51.0
11:00	SE	SNDO to auction inflation- linked bonds (SEK 1bn)				
14:30	US	Jobless claims, continuing				
14:30	US	Jobless claims, initial				
14:58	US	Markit, PMI (preliminary)	Q4			54.4

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