



Week Ahead

1 – 7 February 2014



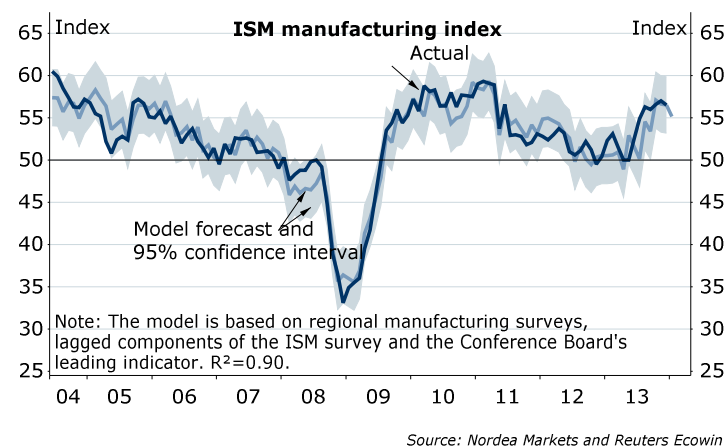
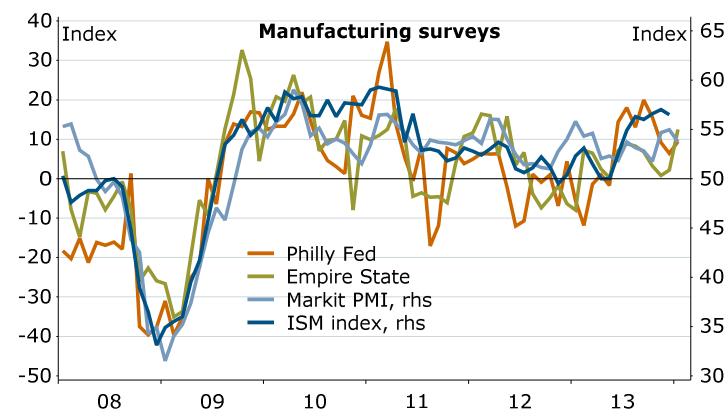
Nordea Research, 31 January 2014

Next week's key events

- **US**
 - The ISM manufacturing survey and the labour market report will be on top of the agenda. We expect a setback in the ISM index to 55 (Consensus 56) , and we expect the weather to have effected non-farm-payrolls negatively again in January. We expect a jobs creation of 150k (Consensus 180k).
- **Euro area**
 - The ECB meeting on next Thursday will get the most attention. We expect ECB to keep rates unchanged, but Mr Draghi will likely strike a dovish tone at the press conference due to low inflation and a slow recovery. Apart from the ECB meeting, final PMI numbers will be published, as well as order intake and production numbers for Germany, where we expect a small plus.
- **UK**
 - 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 a new or updated forward guidance framework is adapted a statement will be issued, but we do not expect that either.
- **Sweden**
 - We have indicators from both the service and manufacturing sector out next week. It is a mixed picture, as there is room for more improvement in the service sector, while the manufacturing sector is more vulnerable.
- **Norway**
 - The January house prices on Wednesday will attract a lot of attention. With our rather pessimistic view on the housing market we should see negative underlying price growth (seasonally adj).

US: ISM manufacturing index to slow (*Monday*)

- We expect a significant slowing in the ISM manufacturing index to 55 in January from 56.5 (originally report at 57.0) in December. The consensus is 56.
- Regional manufacturing surveys have generally remained solid in January, but recently the ISM index has outperformed these indicators, and we expect to see a correction lower in January.
- **Market:** EURUSD seems rather stuck in a range currently. Approaching the bottom of the range around 1.35, EURUSD could pick up over the next week alongside US data coming in below consensus. Short term 1.378 acts as a ceiling to moves.



Johnny Bo Jakobsen
Andreas Steno Larsen

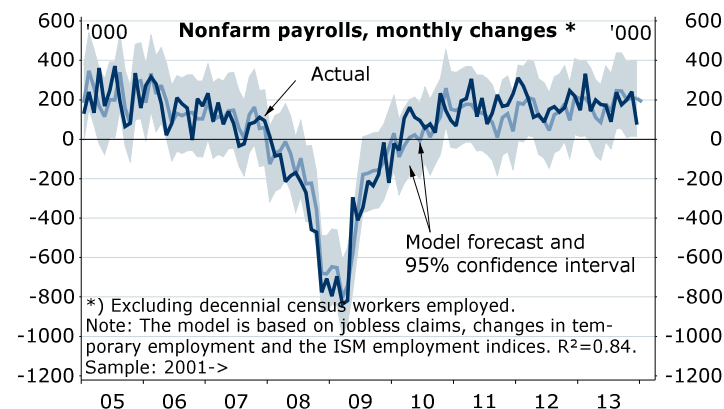
US: Another jobs report affected by bad weather

(Friday)

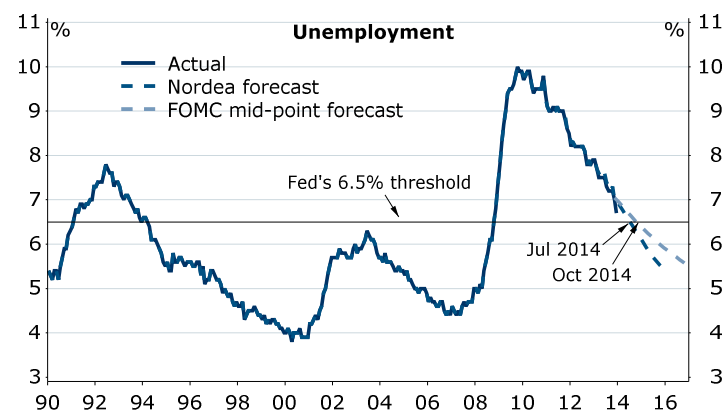
- We expect another weak jobs report with a 150k gain in nonfarm **payrolls** as bad weather likely continued to restrain hiring in early January. The 180k consensus forecast is more positive.
- In addition to the weather impact annual historic revisions to payrolls add to the uncertainty.
- In December payrolls rose just 74k, partly because of bad weather, but there is potential for an upward revision in next week's report.
- After the sharp fall in the **unemployment** rate from 7.0% in November to 6.7% in December, we expect no change for January. That said, a further decline would not be a huge surprise given positive indications from business and consumer surveys. Remember that the Fed's threshold stands at 6.5% - a level we expect to be reached already by mid-2014.

	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	150k	180	74
Unemployment rate, %	6.7	6.7	6.7

Johnny Bo Jakobsen



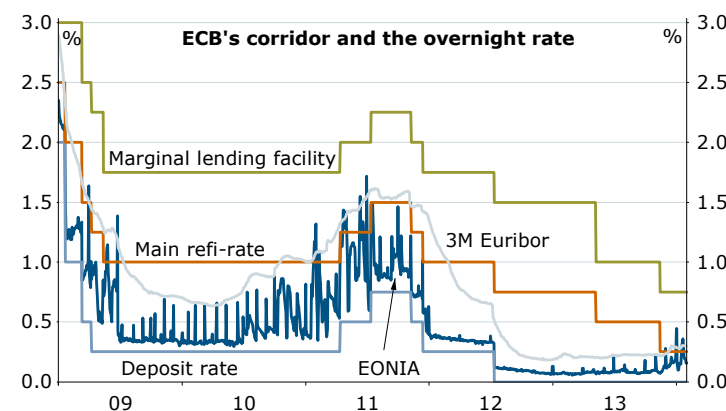
Source: Nordea Markets and Reuters Ecowin



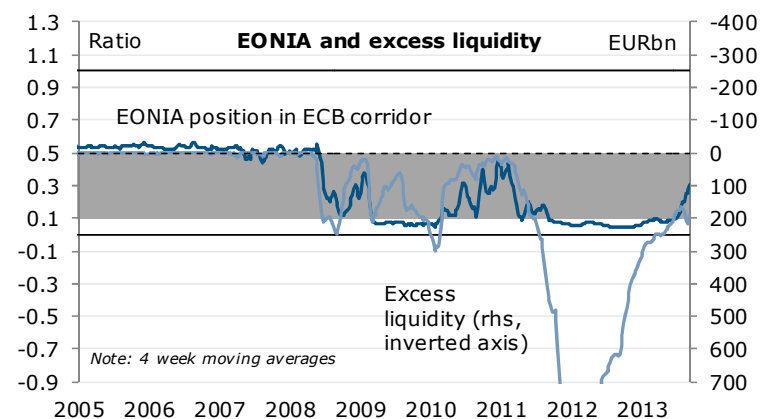
Source: Nordea Markets and Reuters Ecowin

Euro area: Still no more ECB easing (*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 and money-market conditions will probably still be monitored closely.
- At the January meeting, Mr Draghi identified two likely triggers for more easing: an unwarranted tightening of money market conditions, and a worsening of the medium-term outlook for inflation. The most likely ECB response to either of these developments would in our view be a refi rate cut of 10 to 15 bp.
- We have no more rate cuts or unconditional measures in our baseline scenario. Neither of the triggers for more easing have been hit since the January meeting, in our view.
- 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.



Source: Nordea Markets and Reuters Ecowin

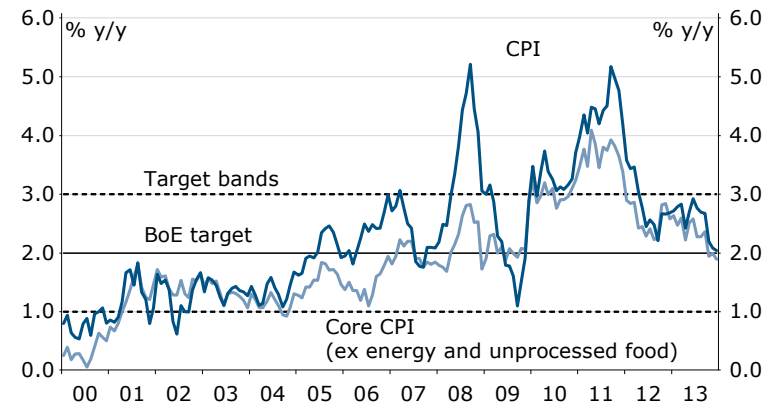


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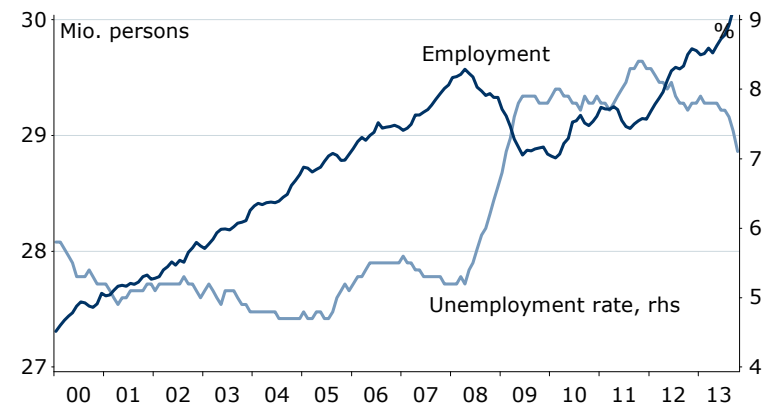
Anders Svendsen

UK: beyond BoE forward guidance (*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, no statement will be issued. If a new or updated forward guidance framework is adopted then a press release will probably be released. However, we do not expect that.
- The release of the inflation report 12 February will be crucial for expectations regarding monetary policy. Mr Carney has hinted that information will be given as to what happens when the 7% unemployment threshold is hit.
- Key figures continue to surprise to the upside and the upswing looks stronger and more broad based now compared with a few quarters ago.
- It will probably take more positive surprises to make the BoE turn hawkish and 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

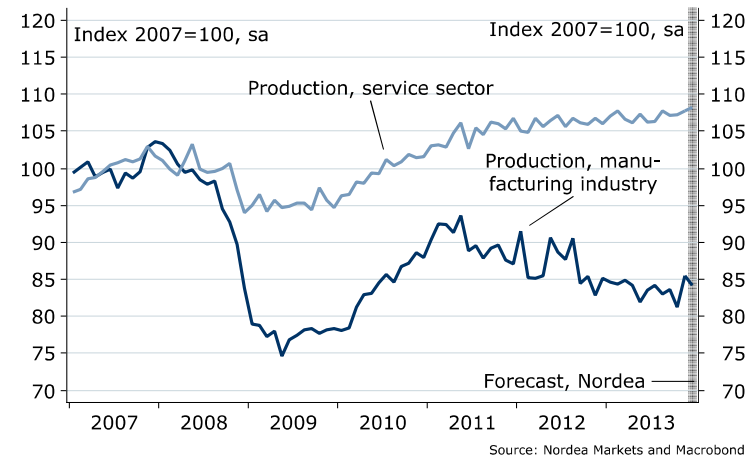
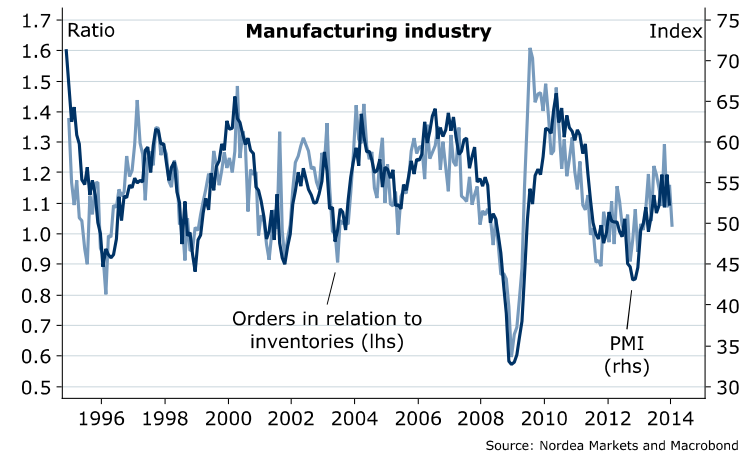


Source: Nordea Markets and Reuters Ecowin

Anders Svendsen

Sweden: Production the focal point (*Mond. -*)

- Next week's theme is production. **Manufacturing PMI** is out on Monday morning, followed by **service PMI** on Wednesday and **production readings for both sectors** on Friday. It is a mixt picture with room for further improvement in the service sector while situation in the manufacturing industry is more fragile. For instance, we expect production in the manufacturing industry to drop by 1.5% m/m in December, after the upsurge by a whopping 6% in November.
- **Market:** Current downward trend in NOKSEK seems rather strong, as several support levels have been broken. Relative key figure performance are pro SEK versus NOK currently, and currently we see no reason to question that trend. NOKSEK could approach parity within 2014.
- SEK has trended reasonably strong against the EUR as well - actually since just before Christmas. Technical indicators are turning south for EURSEK, with more downside to come looking at e.g. Fair Value indications.

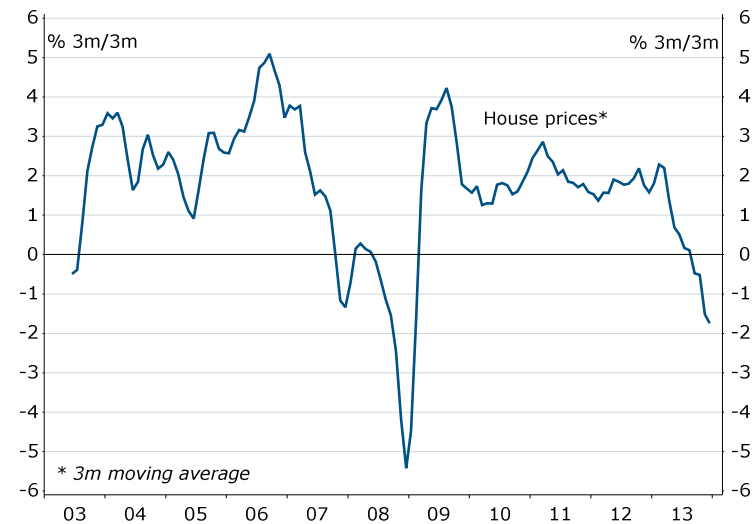


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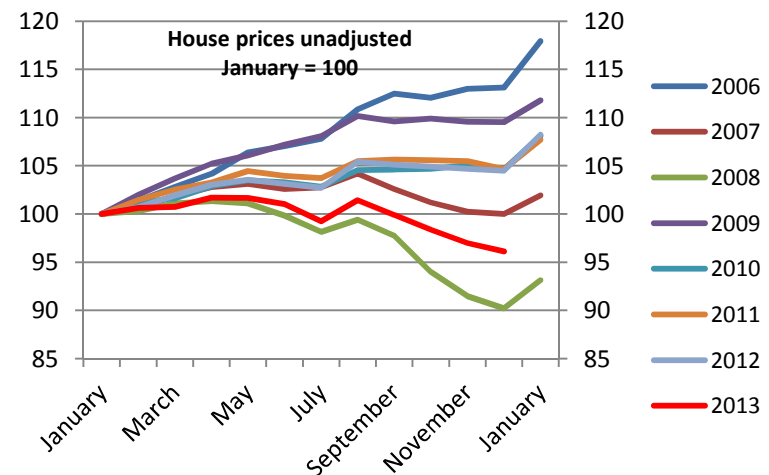
Norway: House prices and PMI (Wed/Mon)

- The **January house price** data (Wed 11:00) will get a lot of attention next week. In December house prices increased marginally (+0.2%) when adjusted for seasonal factors. Prices almost always increase in January (see chart), so chances are high they will do so also this year. Media will probably focus on unadjusted prices, but what is important is prices adjusted for seasonal factors. We don't make forecast for the monthly data, but with our rather pessimistic view on the housing market we should see negative underlying price growth (seasonally adj).
- Going forward the biggest risk to our forecast for the housing market is that banks start a massive easing of lending practices to gain markets. Then the development can turn out more positive than our forecast of 7-8% price drop in 2014 and 2015.
- We will also get **PMI** (Mon 9:00) and **manufacturing production** (Fri 10:00). PMI is volatile and has often surprised markets. In December it stood at 51.6.

Kathrine Godding Boye



Source: Nordea Markets and Reuters Ecowin



Calendar

Monday 3. Feb 2014				Nordea	Consensus	Actual	Latest
	GB	House prices, Halifax (3mma, y/y)	Jan				7.5%
	GB	House prices, Halifax (m/m)	Jan				-0.6%
08:30	SE	PMI, manufacturing	Jan	54.0			52.2
09:00	FR	PMI, manufacturing (final)	Jan	48.8			
09:00	NO	PMI (s.a. index)	Jan				51.6
09:30	SE	Registration of vehicles	Jan				
09:55	DE	PMI, manufacturing (final)	Jan	56.3	56.3		56.3
10:00	EU	PMI, manufacturing (final)	Jan	53.9	53.9		53.9
10:30	GB	PMI, manufacturing	Jan				57.3
14:58	US	PMI (final)	Jan		53.8		
16:00	US	Construction spending (m/m)	Dec		0.5%		1.00%
16:00	US	ISM, manufacturing	Jan	55.0	56.0		57
16:00	US	ISM, prices paid	Jan		54.0		53.5
23:00	US	Vehicle sales, domestic	Jan		12.05M		11.65M
23:00	US	Vehicle sales, total	Jan		15.60M		15.30M
Thursday 4. Feb 2014				Nordea	Consensus	Actual	Latest
06:30	AU	RBA Board Meeting (Interest Rate Decision)					
11:00	IT	CPI (m/m, preliminary)	Jan				0.3%
16:00	DK	Foreign currency reserves	Jan				485.9bn
Wednesday 5. Feb 2014				Nordea	Consensus	Actual	Latest
08:30	SE	PMI, service sector	Jan	57.0			57.7
09:00	FR	PMI, services (final)	Jan	48.6			
09:55	DE	PMI, services (final)	Jan	53.6	53.6		53.6
10:00	EU	PMI, composite (final)	Jan	53.2	53.2		53.2
10:00	EU	PMI, services (final)	Jan	51.9	51.9		51.9
10:30	GB	PMI, services	Jan				58.8
11:00	EU	Retail sales (m/m)	Dec				1.4%
11:00	NO	House prices NEF (m/m, s.a.)	Jan				0.2%
14:15	US	Employment, ADP (absolute change m/m)	Jan		200k		238K
16:00	US	ISM, non-manufacturing, composite	Jan		53.7		53.0

Calendar

Thursday 6. Feb 2014				Nordea	Consensus	Actual	Latest
	EU	ECB Governing Council meeting					
09:30	SE	House prices, Statistics Sweden (y/y)	Jan				
09:30	SE	Unemployment, labour force survey (AKU)	Q4				
12:00	DE	Factory orders (m/m), sa	Dec	0.5%	0.8%		2.1%
12:30	US	Challenger job cuts (y/y)	Jan				-5.90%
13:00	GB	BoE announces interest rates	Feb	0.5%			0.5%
13:45	EU	ECB announces interest rates	Feb				
14:30	US	Jobless claims, initial			340k		348k
14:30	US	Nonfarm productivity (q/q annualised, preliminary)	Q4		2.4%		3.00%
14:30	US	Trade balance	Dec		-\$35.9B		-\$34.3B
14:30	US	Unit labor costs (q/q annualised, preliminary)	Q4		-0.5%		-1.40%
Friday 7. Feb 2014				Nordea	Consensus	Actual	Latest
	US	Federal debt ceiling suspension expires					
09:00	DK	Industrial production, excl. shipbuilding (sa, m/m)	Dec				-2.4%
09:30	SE	Industrial orders (y/y)	Dec				
09:30	SE	Industrial production (m/m)	Dec	-1.5%			5.7%
09:30	SE	Industrial production (y/y)	Dec	-0.5%			3.5%
09:30	SE	Private service sector production (m/m)	Dec	0.5%			0.5%
09:30	SE	Private service sector production (y/y)	Dec	2.0%			0.9%
10:00	NO	Manufacturing production (m/m)	Dec				-0.2%
10:30	GB	Industrial production (y/y)	Dec				2.5%
12:00	DE	Industrial production (m/m)	Dec	0.3%	0.5%		1.9%
14:30	US	Average weekly hours	Jan	34.4	34.4		34.4
14:30	US	Hourly earnings, average (m/m)	Jan				1.8%
14:30	US	Hourly earnings, average (y/y)	Jan		0.2%		0.1%
14:30	US	Labor Force Participation Rate	Jan				62.80%
14:30	US	Nonfarm payrolls (absolute change m/m)	Jan	150k	183k		74K
14:30	US	Nonfarm private payrolls (absolute change m/m)	Jan		190k		87K
14:30	US	Unemployment rate	Jan	6.7%	6.7%		6.7%

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