Week Ahead

8 – 14 February 2014

Nordea Research, 7 February 2014

Markets

Next week´s key events

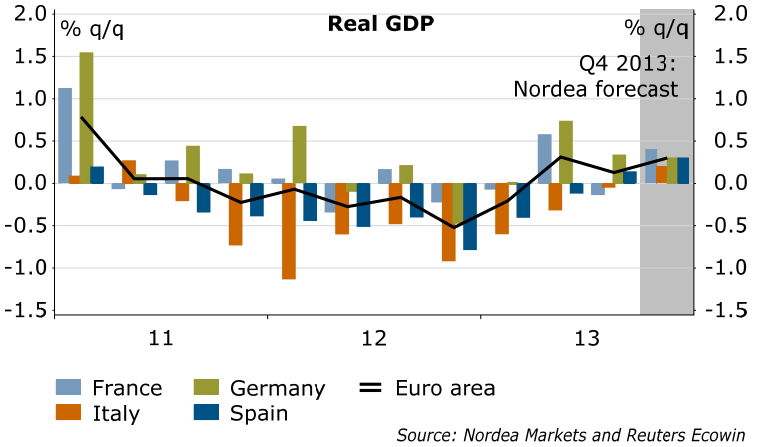
- **US**
  - In a week of second-tier economic data Tuesday will likely bring the highlight of the week, as incoming Fed Chairman Janet Yellen testifies to the House on the economy and monetary policy. We expect her to stick to the current tapering agenda, while highlighting that the first rate hike is still a long way off.
- **Euro area**
  - Main focus will be on GDP numbers (on Friday), where we expects a 0.3% q/q increase. We will also have industrial production numbers from France, Italy and the Euro area for December.
- **UK**
  - Massive focus on the inflation report from the BoE. Will forward guidance be ended just six months after it was introduced?
- **Sweden**
  - We share the general view that the repo rate will be left unchanged at 0.75%. Much also suggests that the repo rate path will be unchanged with an near term easing bias in the rate path.
- **Norway**
  - Inflation in Norway will be close to Norges Bank forecast
  - Weak growth on the downside compared to Norges Bank forecast

Euro area: GDP *(Friday)*

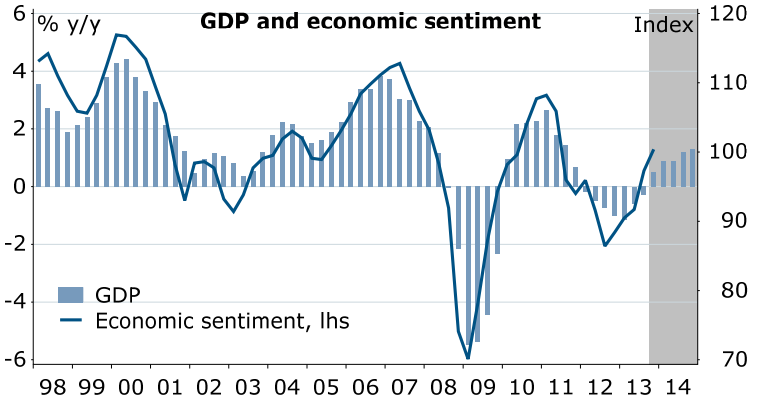
- It's GDP Friday with Q4 numbers due for most member countries and the aggregate. We expect an acceleration to 0.3% over the quarter.
- There are preliminary estimates out for Spain (0.3%) and Belgium (0.4%), as well as an indication for Italy that came from a ministry (0.2% to 0.3%). Then it depends all on Germany and France. Not least because of consumption brought forward due to the VAT hike in January, we expect a decent increase for France (0.4%), a bit more than for Germany (0.3%). We see risks skewed to the downside given weak, e.g., weak retail number for December.
- Sentiment indicators for now indicate that underlying growth will at least not decelerate in Q1. If the ECB wants to do more to support the economy, it will find reasons in realm of low inflation.

Q4 2013	Nordea	Consensus	Previous
Euro area flash GDP	0.3	0.2	0.1

Holger Sandte



Source: Nordea Markets and Reuters Ecowin

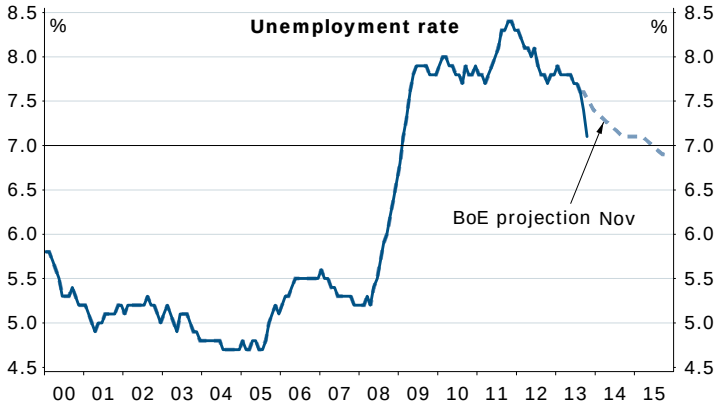


Source: Nordea Markets and Reuters Ecowin

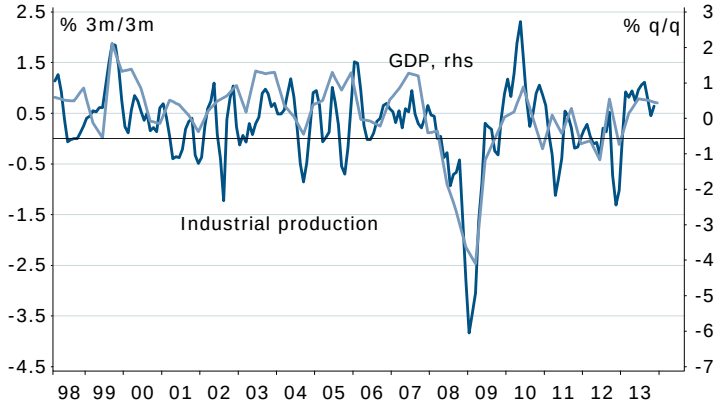
BoE: Inflation report *(Wednesday)*

- Wednesday's release of a new inflation report will be a watched very carefully.
- BoE has an easing bias when the unemployment rate is above 7%, but it is not very clear what happens when the threshold is hit.
- Mr Carney has hinted that forward guidance will be discussed, especially since the unemployment forecast will have to be revised down significantly, again.
- Recent comments from Mr Carney could suggest that a broader range of variables will be used to determine the timing of the first rate hike, which could indicate no new unemployment threshold is set. That would mean the end of forward guidance already six months after its introduction.
- Currently, markets are pricing the first full rate hike in spring 2015. We find that slightly early and hence believe that Mr Carney will go for a slightly dovish tone.

Anders Svendsen



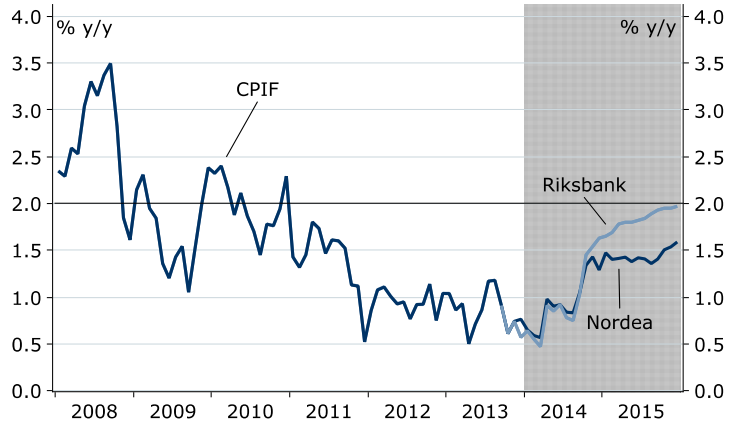
Source: Nordea Markets and Reuters Ecowin



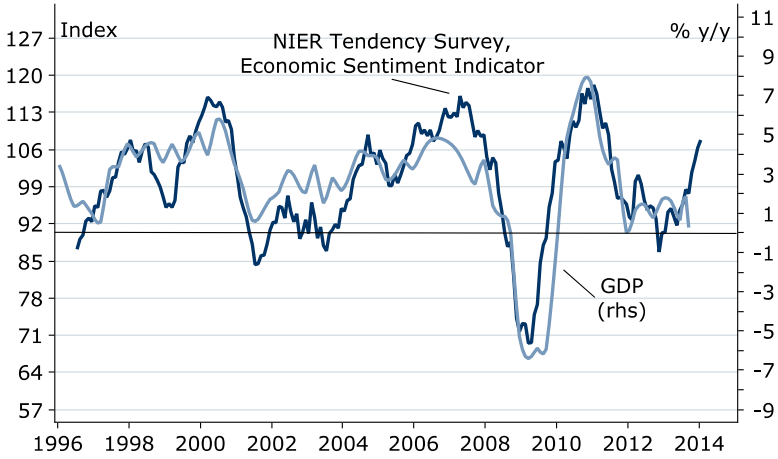
Source: Nordea Markets and Reuters Ecowin

Sweden: Riksbank on hold *(Thursday)*

- We share the general view that the repo rate will be left unchanged at 0.75%. Much also suggests that the repo rate path will be unchanged with an near term easing bias in the rate path.
- We foresee only minor revisions of the Riksbank's forecasts. The inflation forecast will hardly be revised this time, although we see downside risks to the Riksbank's forecast longer out. While growth in the domestic economy is healthy and points to less stimulus, the recent global turbulence point in the other direction. Read more here.
- **Market:** The SEK has appreciated 3% since the historical high in December with technical indicators pointing further south in the short term. With further improvement in the Swedish economy we expect to see a stronger krona going forward.



Source: Nordea Markets and Macrobond

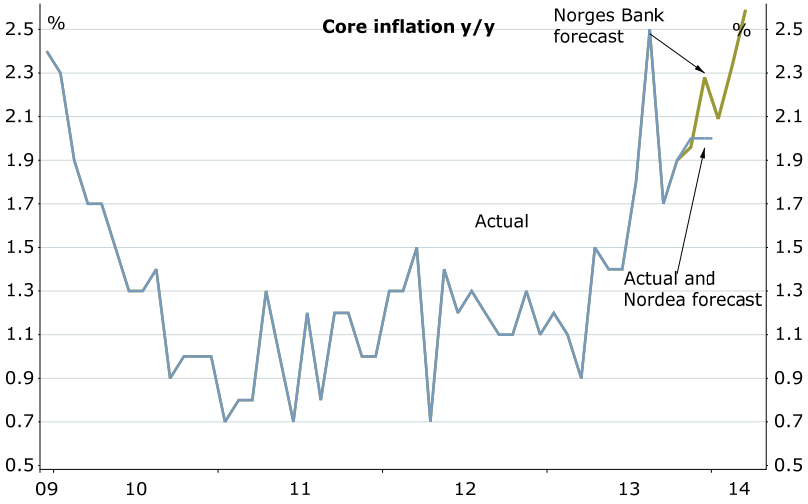


Source: Nordea Markets and Macrobond

Andreas Wallström
Georg von Wowern

Norway: Inflation nearly on forecast and weak GDP

- We forecast **January core inflation (Mon: 10:00)** at 2.0% unchanged from December. Consensus not yet known
- In that case inflation will be only 0.1% point below Norges Bank not enough to have a significant effect the rate path. In December core inflation was 0.3% point below Norges Bank's forecast.
- Air fares pull down in forecast. On the other hand the weak NOK is expected to pull up price growth on imported goods.
- **Q4 Mainland GDP growth (wed: 10:00)** is forecasted to be 0.2 q/q Consensus not known. Norges Bank forecast is 0.4%.
- Weak production indices for manufacturing and electricity and weak retail sales pull down. Construction pull up
- Our forecast is on the downside to Norges Bank. Even when taking into consideration that electricity production, which has no influence on capacity utilization according to Norges Bank, pull down .



Source: Nordea Markets and Reuters Ecowin

Erik Bruce

Calendar

Mandag 10. Feb 2014				Nordea	Konsensus	Faktisk	Seneste
08:45	FR	Industrial production (m/m)	Dec		0.2%		1.3%
08:45	FR	Industrial production (y/y)	Dec		1.0%		1.5%
10:00	NO	CPI (y/y)	Jan				2.0%
10:00	NO	CPI, core (y/y)	Jan				2.0%
11:00	SE	SNDO to auction inflation-linked bonds, exchange (SEK 5bn)					
Tirsdag 11. Feb 2014				Nordea	Konsensus	Faktisk	Seneste
	JP	National Founding Day					
08:00	SE	Unemployment, Swedish Public Employment Service	Jan				
12:30	EU	Eu's Tomas Wieser Speaks in Frankfurt	Feb				
Onsdag 12. Feb 2014				Nordea	Konsensus	Faktisk	Seneste
05:00	CN	Exports (y/y)	Jan		0.6%		4.3%
05:00	CN	Imports (y/y)	Jan		3.5%		8.3%
06:00	CN	Trade balance (USD)	Jan		24.25bn		25.64bn
09:15	CH	CPI (m/m)	Jan				-0.2%
09:15	CH	CPI (y/y)	Jan				0.1%
10:00	NO	Financial accounts households	Q4				
10:00	NO	GDP (q/q)	Q4				0.7%
10:00	NO	GDP, mainland (q/q)	Q4				0.5%
11:00	EU	Industrial production (sa, m/m)	Dec		-0.3%		1.8%
11:00	EU	Industrial production (wda, y/y)	Dec		2.0%		3.0%
13:00	US	Mortgage applications, MBA					
Torsdag 13. Feb 2014				Nordea	Konsensus	Faktisk	Seneste
01:01	GB	House price balance, RICS	Jan				56%
09:30	SE	Business sector production (y/y)	Dec				
09:30	SE	Monetary Policy Report, February 2014 will be published	Feb				
09:30	SE	Unemployment, labour force survey (AKU), nsa	Jan				
09:30	SE	Unemployment, labour force survey (AKU), sa	Jan				
14:30	US	Jobless claims, continuing					
14:30	US	Jobless claims, initial					
14:30	US	Retail sales (m/m)	Jan		0.0%		0.2%
14:30	US	Retail sales control group	Jan		0.2%		0.7%
14:30	US	Retail sales, ex auto and gas (m/m)	Jan		0.1%		0.6%
14:30	US	Retail sales, less autos (m/m)	Jan		0.2%		0.7%
16:00	US	Business inventories (m/m)	Dec		0.4%		0.4%
18:00	NO	Speech by Norges Bank Governor Olsen, Annual address					

Calendar

Fredag 14. Feb 2014				Nordea	Konsensus	Faktisk	Seneste
04:00	CN	CPI (y/y)	Jan		2.4%		2.5%
08:00	DE	GDP (sa, q/q, preliminary)	Q4		0.3%		0.3%
08:00	DE	GDP (wda, y/y, preliminary)	Q4		1.4%		0.6%
08:00	SE	House prices, Mäklarstatistik (y/y)	Jan				
08:45	FR	GDP (q/q, preliminary)	Q4	0.4%	0.1%		-0.1%
09:30	SE	Capacity utilization, manufacturing industry	Q4				
09:30	SE	Inventories, manufacturing industry	Q4				
10:00	IT	GDP (q/q, preliminary)	Q4				0.0%
10:00	IT	GDP (y/y, preliminary)	Q4				-1.8%
11:00	EU	GDP (sa, q/q, preliminary)	Q4	0.3%	0.2%		0.1%
11:00	EU	GDP (sa, y/y, preliminary)	Q4		0.4%		-0.4%
11:00	EU	Trade balance, sa	Dec				16.0bn
14:30	US	Import prices (m/m)	Jan		0.0%		0.0%
14:30	US	Import prices (y/y)	Jan		-0.7%		-1.3%
15:15	US	Capacity utilization	Jan		79.4%		79.20%
15:15	US	Industrial production (m/m)	Jan		0.3%		0.3%
15:55	US	Consumer confidence, University of Michigan (preliminary)	Feb		80.5		81.2
Lørdag 15. Feb 2014				Nordea	Konsensus	Faktisk	Seneste
	CN	Money supply, M2 (y/y) (Exp 10-15 Feb)	Jan		13.3%		13.6%

Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S.

The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results.

Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction.

This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.

Editor:
Georg von Wowern
Assistant Analyst
Fixed Income & FX Strategy
+45 3333 1587
georg.von.wowern@nordea.com