



Week Ahead

15 – 21 February 2014



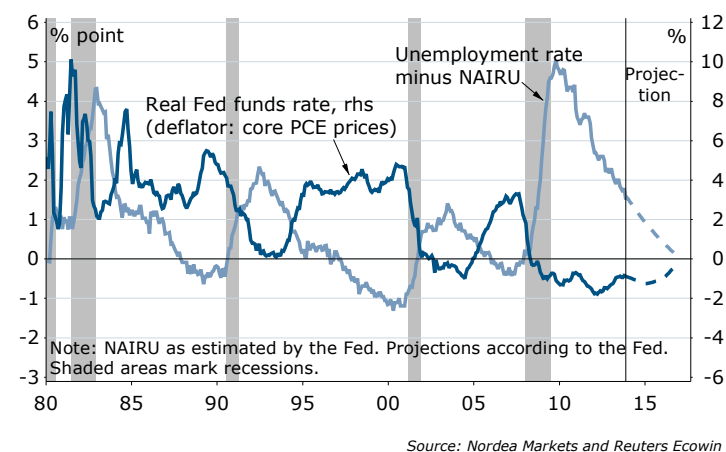
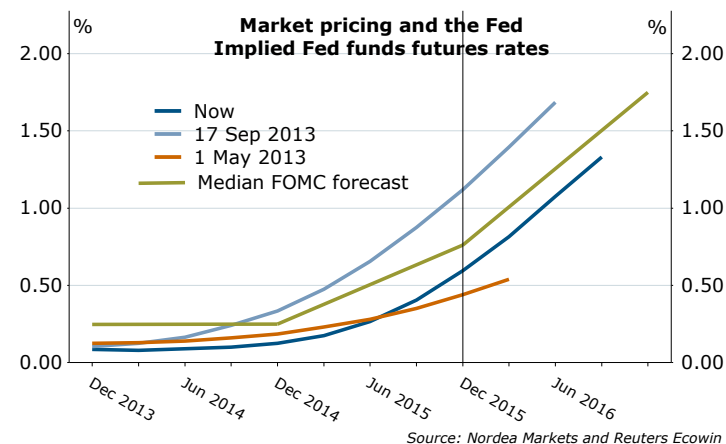
Nordea Research, 14 February 2014

Next week's key events

- **US**
 - FOMC minutes and prices are on top of the agenda next week. The minutes from the January FOMC meeting are expected to indicate that tapering of the Fed's asset purchases will likely continue in measured steps, and that a rate hike is not imminent. CPI headline inflation is expected to rise from 1.5% y/y in December to 1.6% in January, which would be the strongest year-on-year rate since July.
- **Euro area**
 - ZEW from Germany and Flash PMIs from the Euro area are the main events next week. The risk is tilted to the downside on both ZEW and Euro-zone PMIs – judged by the recent US data, and by the jitters seen in Emerging Markets.
- **UK**
 - Central bank meeting minutes as well as CPI and unemployment data will attract the most attention in UK next week. With the inflation report this week, most of the news value from Bank of England is probably already out. Hence, the price and labour market reports will probably get more attention than the BoE. We see a little less upbeat picture in UK than in recent months. Prices could come in below consensus, while the claimant count could be losing a bit of momentum, although from very solid levels.
- **Sweden**
 - The very important Riksbanken indicator – the Swedish CPI index – is out next week. Overall, we expect the CPI to have declined by 0.9% m/m, with risks on the downside. Our view is a bit below the Riksbank's own view.
- **Asia**
 - PMIs from China, central bank action and Japanese activity data out of Asia next week. The HSBC/Markit flash PMI may remain below 50 in February. The near-term outlook is not bright for the industrial sector for several reasons. We expect Bank of Japan to stay on hold, while we expect the Japanese economy to have grown by 0.8% in Q4.

US: FOMC minutes to indicate continued tapering (Wednesday)

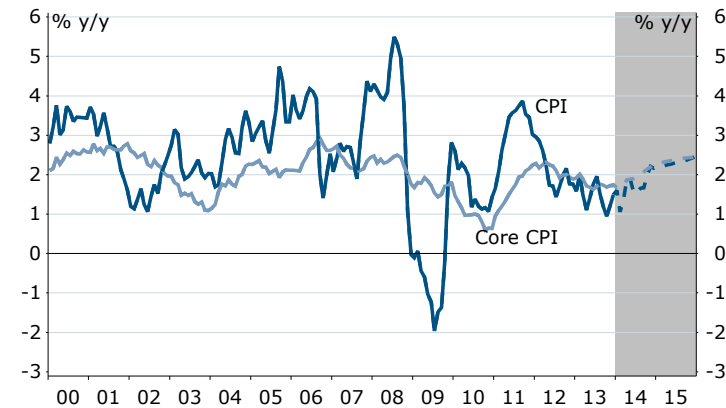
- The minutes from the January FOMC meeting are expected to indicate that tapering of the Fed's asset purchases will likely continue in measured steps, and that a rate hike is not imminent.
- We will take particular note of:
 - any hints with respect to what criteria might cause the pace of tapering to be adjusted up or down,
 - whether participants viewed further changes to the forward guidance as probable, including whether a lowering of the 6.5% unemployment threshold, an introduction of an inflation floor and/or cutting the interest rate paid on excess reserves were debated seriously.
- For more analysis of the outcome of the January FOMC meeting, see [Fed sticks to the tapering game plan](#).



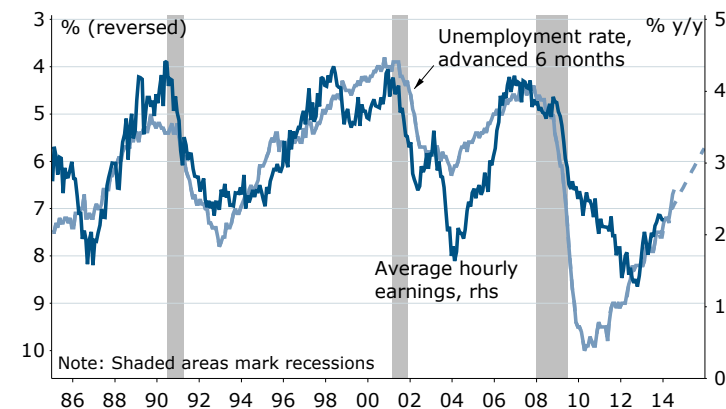
Johnny Bo Jakobsen

US: CPI inflation to continue up (*Thursday*)

- CPI headline inflation is expected to rise from 1.5% y/y in December to 1.6% in January, which would be the strongest year-on-year rate since July. The recent low was 1.0% in October.
- The core rate should be stable at 1.7%, although we see some risk of a 1.8% print after four straight months at 1.7%. The new year could see some extraordinary price gains, with medical care likely to be closely watched as Obamacare takes effect.
- We expect headline CPI inflation to drop back close to 1% in February, followed by a renewed gradual move towards 2%, expected to be reached in late 2014. The pickup is expected to be led by rents and, with a lag, some pressures from stronger wage increases.
- We still believe that signs of higher wage increases later this year will cause markets to price in more rate hikes from the Fed in 2015 and 2016.



Source: Nordea Markets and Reuters Ecowin



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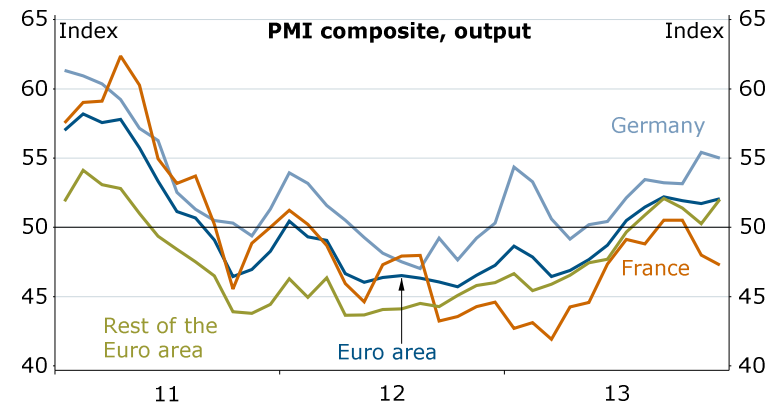
Johnny Bo Jakobsen

Euro area: ZEW and PMIs (Tues & Thurs)

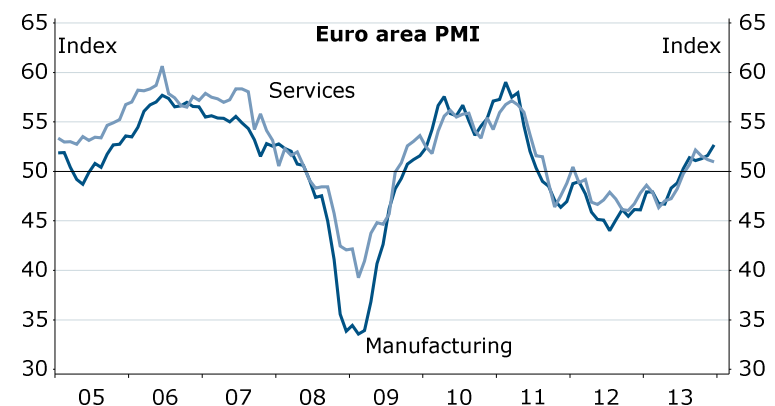
- ZEW (Tuesday @11CET): Consensus is looking for a further improvement in current situation to 44 in February from 41.2 and a largely unchanged reading in the expectations component (61.5 vs. 61.7 in January).
- PMIs (Euro PMI Thursday @ 10CET): According to consensus Euro composite PMI is expected to increase further – driven by service PMI, while manufacturing should stay flat to slightly lower. A reading around 53 is equivalent to GDP growth of 0.3% q/q.
- The risk is tilted to the downside on both ZEW and Euro-zone PMIs – judged by the recent US data, and by the jitters seen in Emerging Markets.
- The ECB is aware of the risks to the PMIs, and it would require a massive disappointment in the PMI (moving down to 50) before we would see any impact on the ECB outlook (we expect no further stimulus in March).

Feb-14	Consensus	Previous
German ZEW expectations	61.5	61.7
Euro area flash PMI composite	53.1	52.9

Niels From



Source: Nordea Markets and Reuters Ecowin

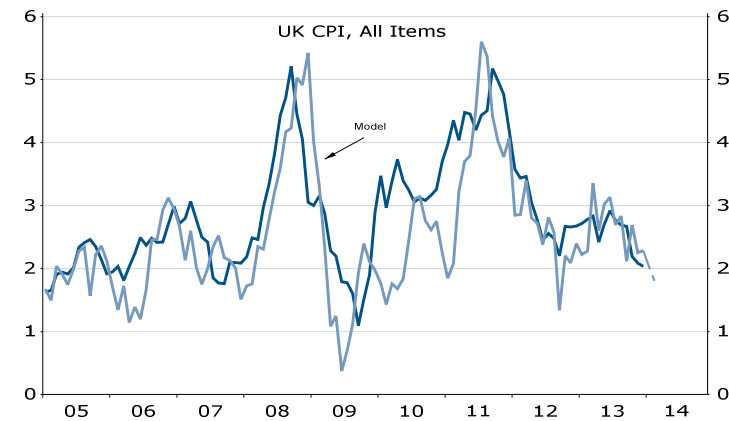


Source: Nordea Markets and Reuters Ecowin

UK: Prices, BoE and unemployment figures (*Tues-Wed*)

- BoE meeting minutes will be the highlight of the week from UK (Wednesday). We expect no changes to the voting, but speculations about a more hawkish turn in the meeting minutes have gradually been build up. With the inflation report this week, most of the “news” from BoE is through already out. The 7 % threshold forward guidance target for unemployment has been replaced by a more wide set of variables.
- Hence, we could see more market movements based on the CPI on Tuesday and the unemployment rate and claimant count on Wednesday.
- For prices (CPI) we see a slight risk to the downside of consensus of -0.6% MoM and 2.0% YoY.
- While the labour market will prove strong on Wednesday once again, momentum has probably dampened somewhat in the recent month. We see risk tilted towards the unemployment rate beating consensus on the low side, while the claimant count could surprise a bit negatively.

Andreas Steno Larsen



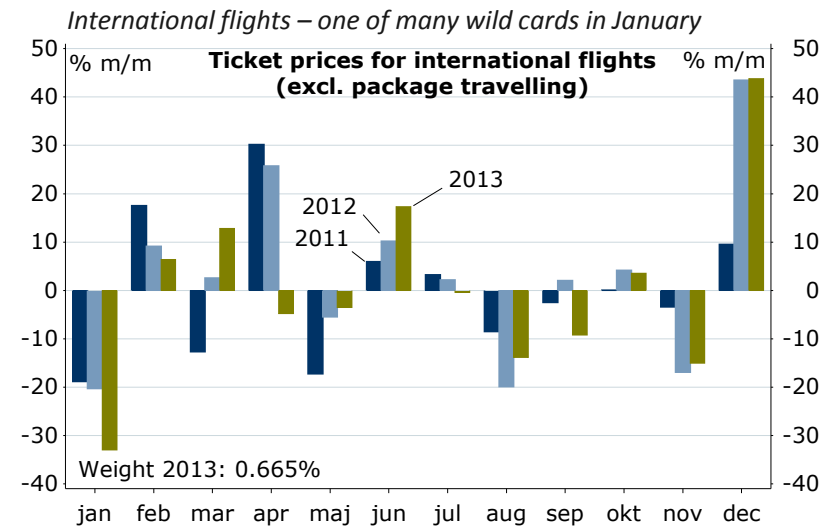
Source: Nordea Markets and Reuters Ecowin



Source: Nordea Markets and Reuters Ecowin

Sweden: Expect a sharp drop in CPI (*Tuesday*)

- The "perfect storm" theme for low inflation continues. In January prices of unusually many goods and services fell, according to our forecast. Overall, we expect the CPI to have declined by 0.9% m/m, with risks on the downside. In January, the CPI basket is updated, increasing the uncertainty in the forecast. Our forecast is slightly below the Riksbank's forecast for January but in line with the bank's view for most of 2014. Read more [here](#).
- **Market:** EURSEK is very range bound currently stuck in between approximately 8.75 and 8.85. We though expect the SEK to get the upper hand slowly, alongside bettering hard data.
- For NOKSEK, we have seen a rally recently, but that has more to do with NOK strength than SEK weakness.

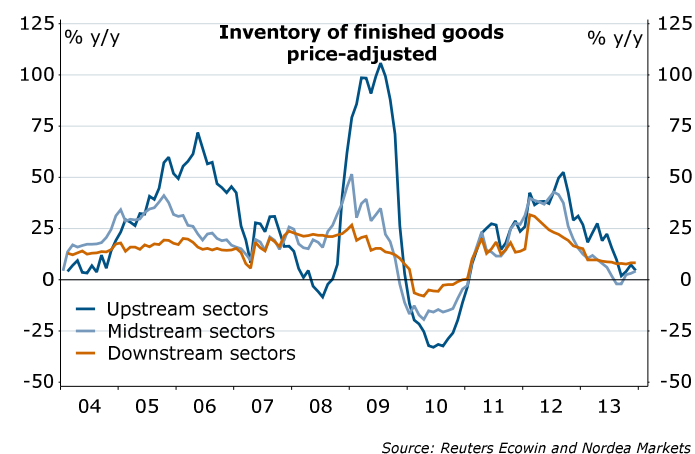
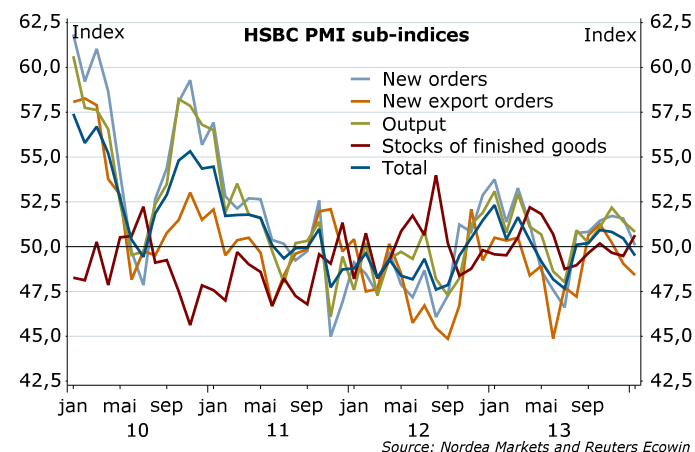


	Nordea	Riksbank	Prior
CPI m/m	-0.9		0.3
CPI y/y	0.0	0.1	0.1
CPIF m/m	-0.9		0.3
CPIF y/y	0.6	0.7	0.8
CPI, index	312.08		315.04

Torbjörn Isaksson
Andreas Steno Larsen

China: Flash PMI (*Thursday*)

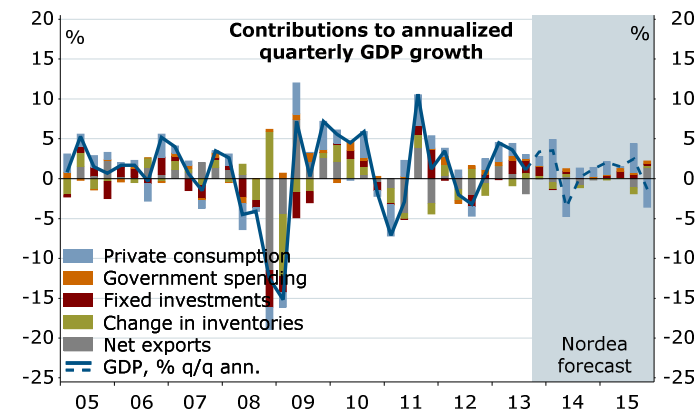
- The HSBC/Markit flash PMI may remain below 50 in February. The near-term outlook is not bright for the industrial sector for several reasons.
- First of all, the cyclical support from manufacturing restocking is fading away.
- Secondly, serious overcapacity in some heavy industrial sectors, such as steel and cement, implies an end to overproduction, leading to less support from the output sub-index.
- Finally, although recovering demand from the advanced economies is good news for China, the appreciation of the CNY, in a time when all EM currencies are weakening, has damaged China's competitiveness.
- Please keep in mind the rule of thumb not to take Chinese data in January and February too literally, as the week-long Lunar New Year holiday (on 31 January this year) inevitably distorts the picture.



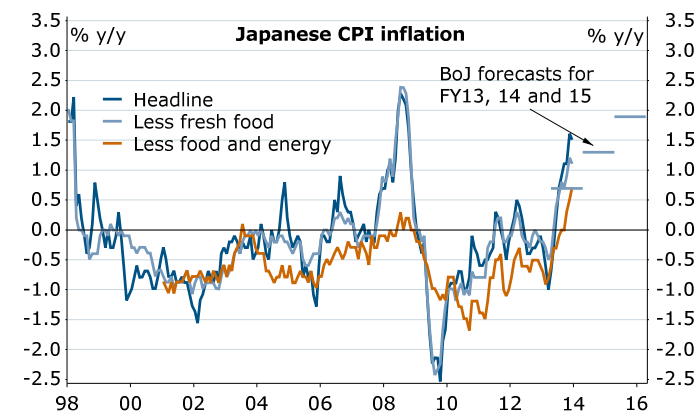
Amy Yuan Zhuang, CFA

Japan: GDP (Monday) and BoJ (Tuesday)

- We expect the Japanese economy to have grown by 0.8% in Q4 compared to Q3. 2013 growth is likely to land on 1.7%, slightly below our old forecast of 1.8%.
- Due to the consumption tax hike in April, consumers probably already started frontloading durable purchases in Q4 last year and it is expected to continue through Q1 this year.
- We remain cautious on Japanese growth in 2014. Real wages are falling because nominal wage growth is outpaced by inflation, so consumers are losing confidence. With no sign of structural reform, and hence a permanent lift of potential growth, corporates remain careful in investing.
- The BoJ is likely remain on hold until after the sales tax hike in April. If the economy reacts more negatively to the tax hike than anticipated, the BoJ stands ready to expand the asset purchase program. Inflation is rising in line with the official expectation and does not warrant a change in monetary policy at present.



Source: Reuters Ecowin and Nordea Markets



Source: Reuters Ecowin and Nordea Markets

Amy Yuan Zhuang, CFA

Calendar

Monday 17. Feb 2014				Nordea	Consensus	Previous
	JP	Industrial Production (y/y)	Dec			7.3%
	CA	Family Day				
	US	Presidents' Day				
00:50	JP	GDP (q/q annualised, preliminary)	Q4		2.8%	1.1%
00:50	JP	GDP (q/q, preliminary)	Q4		0.7%	0.3%
18:30	EU	ECB's Weidmann Speaks in Bremen				
Tuesday 18. Feb 2014				Nordea	Consensus	Previous
	JP	BoJ announces interest rates	Feb			0.1%
	EU	Eurogroup/ECOFIN meeting				
03:30	AU	Minutes of the RBA meeting				
09:30	SE	CPI (m/m)	Jan	-0.9%		
09:30	SE	CPI (y/y)	Jan	0.0%	0.1%	0.1%
09:30	SE	CPIF (m/m)	Jan	-0.9%		0.3%
09:30	SE	CPIF (y/y)	Jan	0.6%	0.7%	0.8%
10:00	EU	Current account balance, sa	Dec			23.5bn
10:00	NO	Foreign trade with goods (bn)	Jan			33.4bn
10:30	GB	CPI (m/m)	Jan		-0.6%	0.4%
10:30	GB	CPI (y/y)	Jan		2.0%	2.0%
11:00	DE	ZEW, current situation	Feb		44.0	41.2
11:00	DE	ZEW, economic sentiment	Feb		63.2	61.7
11:20	EU	ECB's Praet Speaks in Lisbon				
12:00	EU	ECB's Linde Speaks in Madrid				
14:30	US	Empire manufacturing	Feb		10.00	12.51
15:00	US	TIC flows, net long-term	Dec			-\$29.3bn
15:00	US	TIC flows, net total	Dec			-\$16.6bn
16:00	US	Housing market index, NAHB	Feb		57	56
16:30	EU	ECB's Liikanen Speaks in Helsinki				
Wednesday 19. Feb 2014				Nordea	Consensus	Previous
08:00	SE	Prospera, inflation expectations survey, money market				
09:30	SE	The Swedish national debt office publish their forecast				
10:00	GB	Earnings, ex bonus, average (3mma, y/y)	Dec		0.9%	0.9%
10:30	GB	Minutes of the 6 Feb BoE meeting (hike-unchanged-cut)	Feb	0-9-0		0-9-0
10:30	GB	Unemployment rate, claimant count	Jan			3.7%
11:00	SE	SNDO to auction T-bills (SEK 15bn)				
13:00	US	Mortgage applications, MBA				
14:30	US	Building permits	Jan		995k	986k
14:30	US	Housing starts	Jan		975k	999k
14:30	US	Housing starts (m/m)	Jan		-5.7%	-9.8%
14:30	US	PPI (m/m)	Jan		0.1%	0.4%
14:30	US	PPI (y/y)	Jan		1.2%	1.2%
14:30	US	PPI, core (m/m)	Jan		0.2%	0.3%
14:30	US	PPI, core (y/y)	Jan		1.4%	1.4%
20:00	US	Minutes of the Jan 28-29 FOMC meeting				

Calendar

Thursday 20. Feb 2014					Nordea	Consensus	Previous
01:50	JP	Exports (y/y)	Jan			12.6%	15.3%
01:50	JP	Imports (y/y)	Jan			21.8%	24.7%
08:45	FR	CPI (m/m)	Jan				0.3%
08:45	FR	CPI (y/y)	Jan				0.7%
09:00	FR	PMI, manufacturing (preliminary)	Feb				49.3
09:00	FR	PMI, services (preliminary)	Feb				48.9
09:30	DE	PMI, manufacturing (preliminary)	Feb			56.5	56.5
09:30	DE	PMI, services (preliminary)	Feb			53.5	53.1
10:00	EU	PMI, composite (flash)	Feb				52.9
10:00	EU	PMI, manufacturing (flash)	Feb				54.0
10:00	EU	PMI, services (flash)	Feb				51.6
10:00	NO	Speech by Norges Bank Governor Olsen (Charts published)					
11:00	EU	Consumer confidence (flash)	Feb				- 11.7
11:00	SE	SNDO to auction inflation- linked bonds (SEK 1bn)					
14:30	US	CPI (m/m)	Jan	0.1%	0.1%		0.3%
14:30	US	CPI (y/y)	Jan	1.6%	1.6%		1.5%
14:30	US	CPI, core (m/m)	Jan	0.2%	0.1%		0.1%
14:30	US	CPI, core (y/y)	Jan	1.7%	1.6%		1.7%
14:30	US	Jobless claims, continuing					
14:30	US	Jobless claims, initial					
14:58	US	PMI (preliminary)	Feb				53.7
16:00	US	Leading index	Jan		0.4%		0.1%
16:00	US	Philadelphia Fed	Feb		10.0		9.4
Friday 21. Feb 2014					Nordea	Consensus	Previous
09:00	SE	Consumer confidence	Feb				
09:00	SE	Manufacturing confidence	Feb				
10:30	GB	Retail sales ex auto fuel (m/m)	Jan				2.8%
10:30	GB	Retail sales ex auto fuel (y/y)	Jan				6.1%
13:00	CA	Bank of Canada core CPI (m/m)	Jan				-0.4%
13:00	CA	Bank of Canada core CPI (y/y)	Jan				1.3%
13:00	CA	CPI (m/m)	Jan				0.2%
13:00	CA	CPI (y/y)	Jan				1.2%
16:00	US	Home sales, existing	Jan		4.70m		4.87m
16:00	US	Home sales, existing (m/m)	Jan		-3.5%		1.0%

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