



Week Ahead

22-28 March 2014



Nordea Research, 21 March 2014

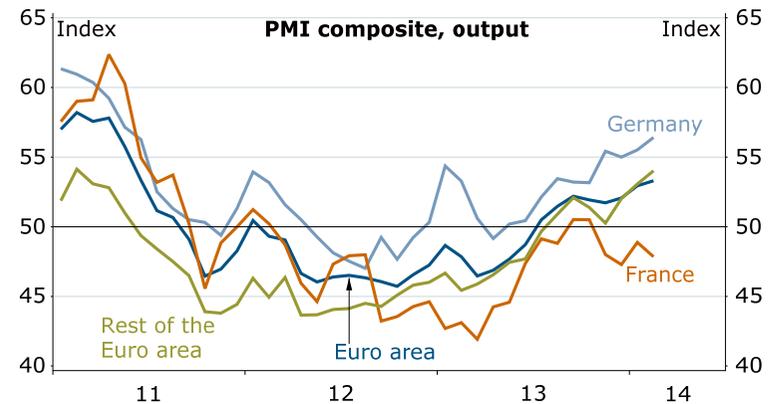
Next week's key events

- **US**
 - In a very light calendar from US next week, the highlight is probably the final estimate of Q4 GDP on Thursday. Apart from that the Markit PMI is out on Monday.
- **Euro area**
 - Next week's data highlights will be the flash PMIs on Monday and the Ifo index on Tuesday. Compared to consensus, we are slightly less optimistic. We would love to be wrong, as stable or even increasing readings would suggest that weakness in Emerging Markets and events in and around Ukraine do not harm sentiment. Moreover, we will get the first indications for inflation in March from Germany, Spain and Belgium. We expect the German HICP rate to fall to 0.9% y/y (from 1%).
- **China**
 - The Flash PMI is likely to rise from its February low, now the New Year distortion has disappeared. The export sub-index may benefit from the latest CNY weakening. Downside risk still exists due to overcapacity in the heavy industrial sector.
- **Sweden**
 - We see room for improved sentiment in the March **business and consumer surveys** from the NIER. Also, **retail sales** should have picked up further in February.
- **Norway**
 - The most important event next week is Norges Banks meeting on Thursday. We expect no major revisions to the rate path from December.

Euro area: Flash PMI composite (for March, Monday)

- The Euro-area PMI composite index increased for three months in a row and by a total of around five points since mid-2013, driven by both manufacturing and the non-manufacturing sector.
- For March, we expect a slight setback driven by the manufacturing sector that should feel some pressure from a weaker development in several Emerging Markets. Consensus goes for unchanged.
- At a level of 53 points, the PMI is consistent with GDP growth of around 0.3% 0.4% q/q – i.e. with okay-ish growth given the circumstances.
- I start worrying for the recovery if the PMI falls below 52 points over the next few months.
- Euro area data will be published at 10:00h (France at 9:00h; Germany at 9:30h).

Mar-14	Nordea	Consensus	Previous
Euro area flash PMI composite	53.0	53.3	53.3



Source: Nordea Markets and Reuters Ecowin



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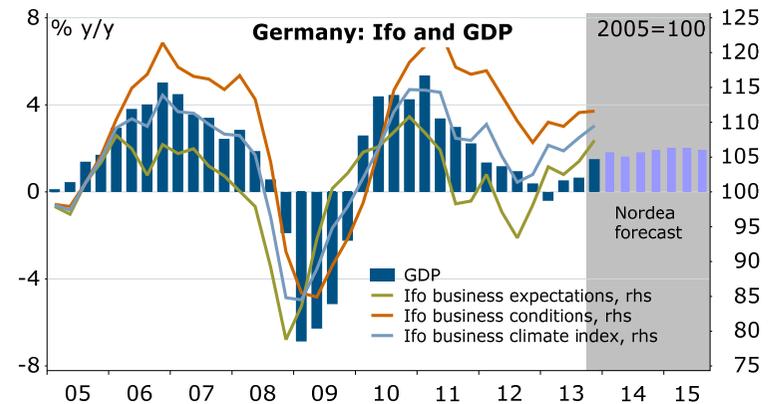
Holger Sandte

Germany: Ifo (for March, Tuesday)

- For the March Ifo index (Tuesday, 10 CET), we again expect different directions for expectations (down) and current conditions (up). In our view, the downward move in the expectation component will prevail so that we expect the first fall of the overall business climate index since October of last year.
- A further improvement in the assessment of current conditions would strengthen our case that the German economy is about to pick-up steam.
- At the same time, the external environment outside the EU has become more uncertain. Many German companies worry about developments in Russia. One does not have to assume a worst case to expect dampened expectations. Our forecast is slightly below consensus.

Mar-14	Nordea	Consensus	Previous
Ifo business climate	110.8	111.0	111.3
Ifo business expectations	107.0	107.5	108.3
Ifo business conditions	115.0	115.0	114.4

Holger Sandte



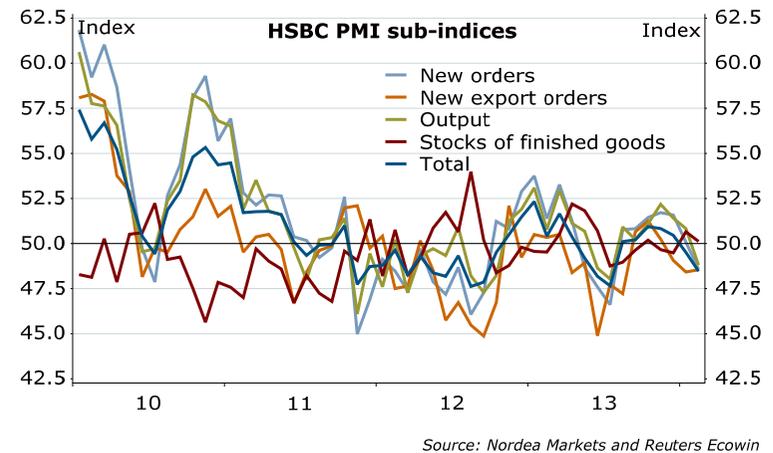
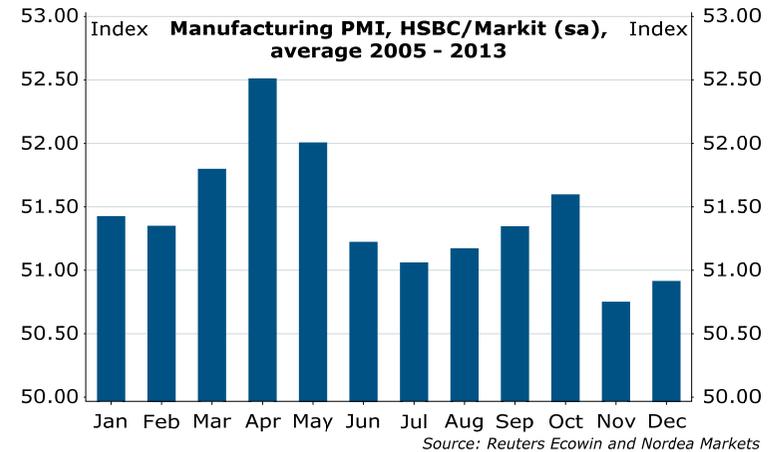
Source: Nordea Markets and Reuters Ecowin



Source: Nordea Markets and Macrobond

China: Flash PMI (Monday)

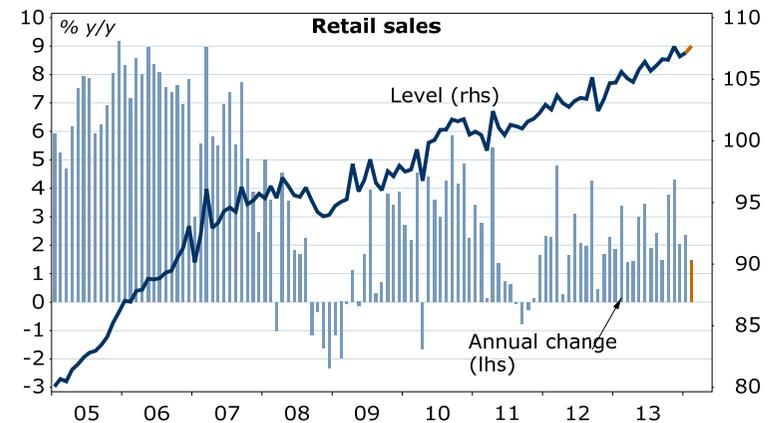
- The HSBC/Markit flash PMI is likely to rise modestly from its February trough of 48.5.
- However, the index is not likely to surge above 50. The risk of a downside surprise cannot be neglected as the industrial sector is likely to face more headwinds due to severe overcapacity issue.
- Interestingly there is a seasonal pattern in the seasonal-adjusted HSBC/Markit PMI. In six out of the past nine years, the HSBC/Markit PMI has been higher in March compared to February, traditionally distorted by factory openings around the Chinese New Year holiday.
- If history is any guide, we are likely to see the PMI index delivering a positive surprise in April.
- The key uncertainty regarding PMI sub-indices lies in the export orders, which may be boosted in March and April due to the recent CNY weakness.



Amy Yuan Zhuang, CFA

Sweden: Rising confidence and retail sales (*Wed. & Fri.*)

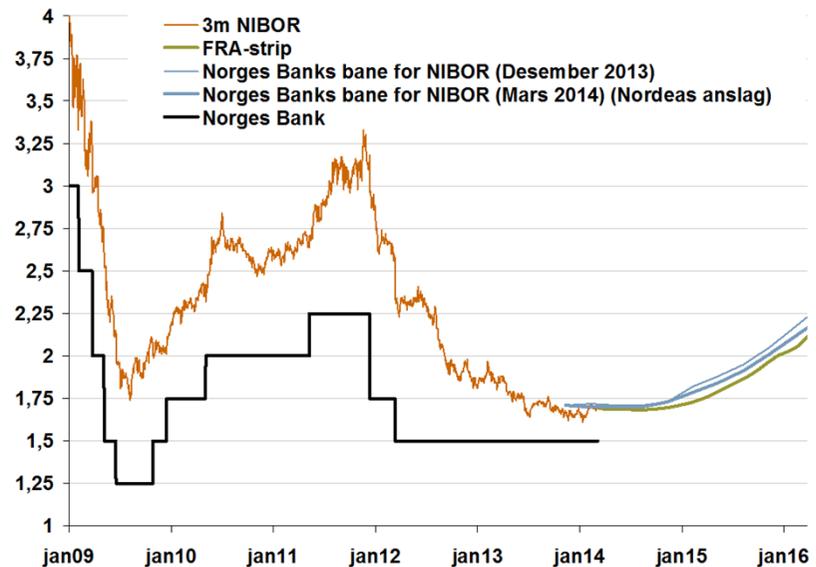
- We see room for improved sentiment in the March **business and consumer surveys** from the NIER. Given strong fundamentals consumer sentiment (CCI) is expected to recover. PMI and order intakes in previous months suggest a higher confidence among manufacturers as well. (*Wednesday*)
- **Retail sales** should have picked up further in February. Due to a strong reading one year ago, the year-on-year figure is, however, forecast at only 1.5%. In general, we remain optimistic on household consumption for 2014. (*Friday*)
- **Market:** The NOK vs. SEK 2y2y forward could indicate some upside to NOKSEK, but still the pending Scania deal as well as a bettering momentum in the Swedish economy should underpin the SEK going into the summer. We continue to look for SEK strengthening vis-à-vis both EUR and NOK.



Andreas Wallström
Andreas Steno Larsen

Norway: Norges Bank will still see rates on hold (*Thur.*)

- Nobody expect any change in interest rates on Norges Bank's March MPC meeting (Thur 10:00 CET). All focus will be on the new interest rate forecast.
- In the old forecast (December) rates were on hold to well into 2015. We expect the new interest rate forecast to be very similar to that with no change in rates in 2014 and a first hike in 2015.
- The rate path might be marginal lower than the old with a somewhat later first hike in 2015.
- Somewhat lower rates abroad should more than offset the effect of NOK marginally weaker than expected thus pulling the path marginally lower.
- Inflation and growth/capacity utilization is most likely viewed as in line with expectation
- If we are right nothing much will happen as the FRA curve is in line with a slightly later hike. A significantly earlier hike (2014) or the rate path indicating a possibility for a cut (level between 1.25 % or 1.5%) will have a significant effect on the market.



Erik Bruce

Calendar

Monday 24. Mar 2014				Nordea	Consensus	Previous
	EU	ECB's Liikanen Speaks in Helsinki				
02:45	CN	PMI, manufacturing (flash), HSBC	Mar		48.7	48.3
08:00	GB	House prices, nationwide (nsa, y/y)	Mar			9.4%
08:00	GB	House prices, nationwide (sa, m/m)	Mar			0.6%
09:00	DK	Consumer confidence	Mar		4.0	4.2
09:00	FR	PMI, manufacturing (preliminary)	Mar	49.4	50	49.7
09:00	FR	PMI, services (preliminary)	Mar	48	47.7	46.9
09:30	DE	PMI, manufacturing (preliminary)	Mar	54.5	54.6	54.8
09:30	DE	PMI, services (preliminary)	Mar	56.3	55.7	55.9
10:00	EU	PMI, composite (flash)	Mar	53.0	53.3	53.3
10:00	EU	PMI, manufacturing (flash)	Mar	52.7	53.0	53.2
10:00	EU	PMI, services (flash)	Mar	52.8	52.8	52.6
10:00	NO	Housing starts (s.a.)	Feb			1531
14:00	US	Markit PMI (preliminary)	Mar		56	57.1
Tuesday 25. Mar 2014				Nordea	Consensus	Previous
09:30	SE	PPI (m/m)	Feb			-0.1%
09:30	SE	PPI (y/y)	Feb			0.2%
10:00	DE	Ifo, business climate (main)	Mar	110.8	111	113.3
10:00	DE	Ifo, current assessment	Mar	115	115.0	114.4
10:00	DE	Ifo, expectations	Mar	107	107.5	108.3
10:30	GB	CPI (m/m)	Feb			-0.6%
10:30	GB	CPI (y/y)	Feb			1.9%
14:00	US	House prices (m/m)	Jan		0.9%	0.8%
14:00	US	House prices, S&P/Case-Shiller, composite- 20 (m/m)	Jan		0.5%	0.76%
15:00	US	Consumer confidence	Mar		78.6	78.1
15:00	US	Home sales, new	Feb		443K	468K
15:00	US	Home sales, new (m/m)	Feb		-5.4%	9.6%
15:00	US	House prices, S&P/Case-Shiller, composite- 20 (y/y)	Jan		13.30%	13.42%
15:00	US	Richmond Fed manufacturing index	Mar			-6
Wednesday 26. Mar 2014				Nordea	Consensus	Previous
	US	Fed's Plosser speaks on policy in New York				
07:00	US	Fed's Bullard speaks on monetary policy in Hong Kong				
09:00	DK	GDP (q/q, final)	Q4			-0.5%
09:00	DK	GDP (y/y, final)	Q4			0.6%
09:00	SE	Consumer confidence	Mar			100.3
09:00	SE	Economic tendency survey				
09:00	SE	Manufacturing confidence	Mar			107.1
09:15	SE	NIER publish their forecasts	Feb			
09:30	SE	Registration of vehicles 2013				
09:30	SE	Riksbank's "Review of the control system" published				
09:30	SE	Trade balance	Feb			5.80bn
11:00	SE	SNDO to auction bonds (SEK 3.5 bn)				
12:00	US	Mortgage applications, MBA				-1.2%
13:30	US	Durable goods orders (m/m)	Feb		0.5%	-1.0%
13:30	US	Durable goods orders, ex transportation (m/m)	Feb		0.2%	1.1%

Calendar

Thursday 27. Mar 2014				Nordea	Consensus	Previous
09:00	DK	Unemployment rate (sa)	Feb			4.3%
09:00	DK	Unemployment rate gross rate	Feb			5.4%
09:00	SE	Riksbank's Flodén holds a presentation at the Swedish Trade Union Confederation				
09:30	SE	Financial market statistics, household lending (y/y)	Feb			
10:00	EU	M3 (y/y)	Feb		1.3%	1.2%
10:00	NO	Norges Bank publishes interest rate decision and holds press conference		1.5%	1.5%	1.5%
10:00	NO	Norges Bank publishes new Monetary Policy Report				
10:30	GB	Retail sales ex auto fuel (m/m)	Feb			- 1.5%
10:30	GB	Retail sales ex auto fuel (y/y)	Feb			4.8%
13:30	US	Fed's Pianalto speaks in Dayton, Ohio				
13:30	US	GDP (q/q annualised, final)	Q4		2.7%	2.4%
13:30	US	GDP deflator (q/q annualised, final)	Q4			1.3%
13:30	US	Jobless claims, continuing				2.889k
13:30	US	Jobless claims, initial			325k	320k
15:00	US	Home sales, pending (m/m)	Feb		0.1%	0.1%
16:00	US	Kansas City Fed manufacturing activity	Mar			4
19:00	EU	ECB's Noyer Speaks in London				
Friday 28. Mar 2014				Nordea	Consensus	Previous
00:30	JP	CPI, national (y/y)	Feb		1.5%	1.4%
00:30	JP	CPI, national, excluding food and energy (y/y)	Feb		0.8%	0.7%
00:30	JP	CPI, national, excluding fresh food (y/y)	Feb		1.3%	1.3%
02:30	US	Fed's Evans speaks in Hong Kong				
08:00	DE	Retail sales (m/m)	Feb			2.5%
08:00	DE	Retail sales (y/y)	Feb			0.9%
09:00	ES	HICP (Preliminary)	Mar			0.1%
09:30	SE	Retail sales (sa, m/m)	Feb			0.3%
09:30	SE	Retail sales (y/y)	Feb			2.6%
10:00	DE	HICP (Flash, y/y)	Mar	0.9%		1.0%
10:00	NO	Unemployment rate, registered (unadj. and excl. labour market)	Mar			2.9%
10:00	NO	Unemployment, registered and persons on labour market	Mar			89 862
10:30	GB	GDP (q/q, final)	Q4			0.7%
10:30	GB	GDP (y/y, final)	Q4			2.7%
11:00	EU	Business climate indicator	Mar		0.4	0.37
11:00	EU	Consumer confidence	Mar		- 13	- 12.7
13:30	US	PCE prices (y/y)	Feb			1.2%
13:30	US	PCE prices, core (m/m)	Feb		0.1%	0.1%
13:30	US	PCE prices, core (y/y)	Feb			1.1%
13:30	US	Personal income (m/m)	Feb		0.3%	0.3%
13:30	US	Personal spending (m/m)	Feb		0.3%	0.4%
17:45	US	Fed's George speaks on economic outlook in Kansas City				

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