



Week Ahead

29 March – 4 April 2014



Nordea Research, 28 March 2014

Next week's key events

- **US**

- The ISM index and the labour market report (NFP) will attract the most headlines next week. We expect a slight increase in the ISM index to 53.5 from 53.2 – This is a below consensus call. For NFP we expect a strong print around 225k, which is above the consensus at 190k.

- **Euro area**

- Given ultra-low inflation, much focus will be on the flash HICP estimate for March on Monday, three days ahead of the ECB on Thursday. We expect no move from the ECB but see an outside risk of more easing. Apart from that, we will have final PMI numbers and labour market data for Germany and the Euro area.

- **Sweden**

- Although PMI should moderate, we forecast rising production in both manufacturing and private services sector.

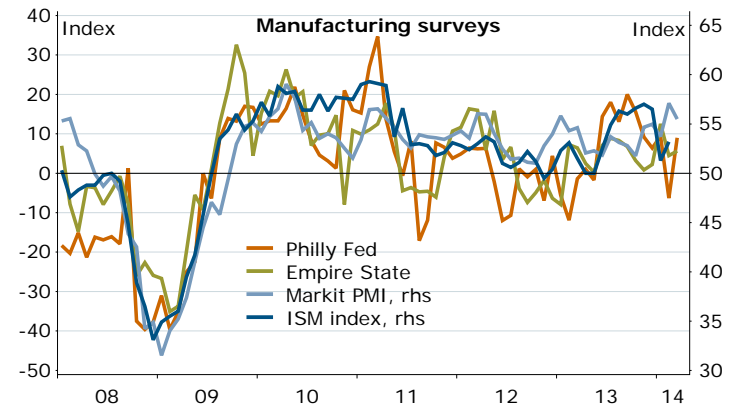
- **Norway**

- We expect retail sales on Monday to continue the flattish trend, although with a small monthly increase on 0.4%. Housing prices (out on Thursday) are expected to move sideways or slightly down.

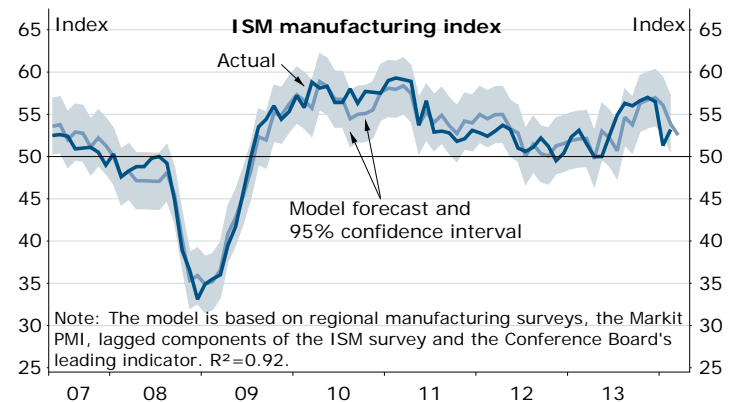
US: ISM index to see only minor further improvement (Tuesday)

- After the surprising 1.9 point rebound to 53.2 in February we expect the ISM manufacturing index to see only a marginal improvement to 53.5 in March. The consensus forecast is 54.0.
- The indicators are mixed. While March's Markit PMI slipped to 55.5 after a solid February, regional manufacturing surveys on balance improved, but not sharply.
- An ISM index stronger than 55 would probably lift market's expected path for the fed funds rate, while the opposite could be the outcome with a reading below 53.

	Nordea	Consensus	Previous
ISM manufacturing index	53.5	54.0	53.2



Source: Nordea Markets and Reuters Ecowin



Note: The model is based on regional manufacturing surveys, the Markit PMI, lagged components of the ISM survey and the Conference Board's leading indicator. $R^2=0.92$.

Source: Nordea Markets and Reuters Ecowin

Johnny Bo Jakobsen

US: payrolls due for some catch-up (*Friday*)

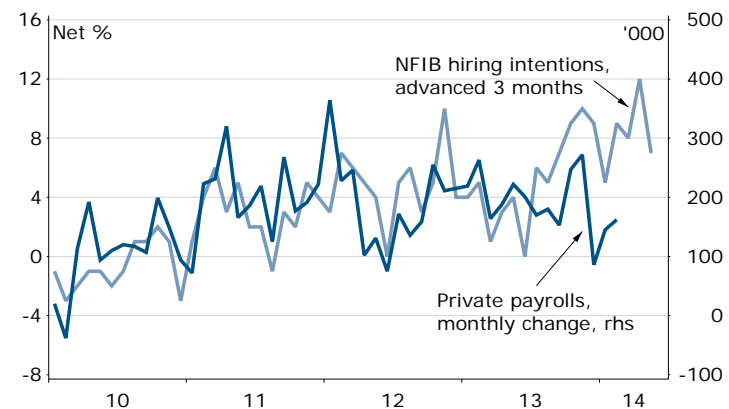
- We expect a 225k gain in nonfarm **payrolls** in March as negative weather effects over the prior three months have likely started to reverse. The consensus forecast is 190k with a 38k standard deviation.
- Jobless claims and the NFIB survey suggest that the labour market has regained momentum after a spell of restraint from bad weather. However, snowstorms in the Midwest and Northeast in the survey week mean that the weather distortions probably didn't fully reverse in March.
- After the increase to 6.7% in February the **unemployment** rate is expected to fall to 6.6%, driven by a sharp rebound in employment according to the household survey after a weak 42k increase in February.
- Following the likely weather-related solid 0.4% rise in **average hourly earnings** in February we expect a 0.1% fall in March as the average **workweek** likely rebounded to trend at 33.4 hours after three straight weak readings.
- Payrolls growth stronger than 225k would probably lift market's expected path for the fed funds rate, while the opposite could be the outcome with payrolls growth around 150k or weaker.

	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	225	190	175
Unemployment rate, %	6.6	6.6	6.7
Average hourly earnings, %m/m	-0.1	0.2	0.4

Johnny Bo Jakobsen



Source: Nordea Markets and Reuters Ecowin



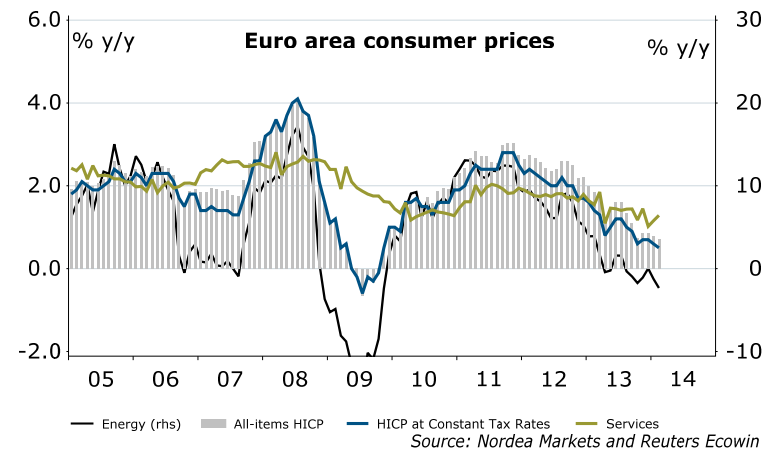
Source: Nordea Markets and Reuters Ecowin

Euro area: Inflation rate likely to fall (*Monday*)

- We expect the Euro-area flash HICP inflation estimate for March to come out at 0.6%, down from 0.7% y/y in February, in line with consensus.
- The slight drop in inflation should be driven by both energy and core components. Brent in € terms were down 2.6% compared to February.
- The expected drop in the y/y core rate is partly due to temporary price increases related to Easter. Last year, prices were raised in March; this year, this will happen in April, and the core rate will rise again.
- The March inflation readings marks the cyclical trough, in our view.

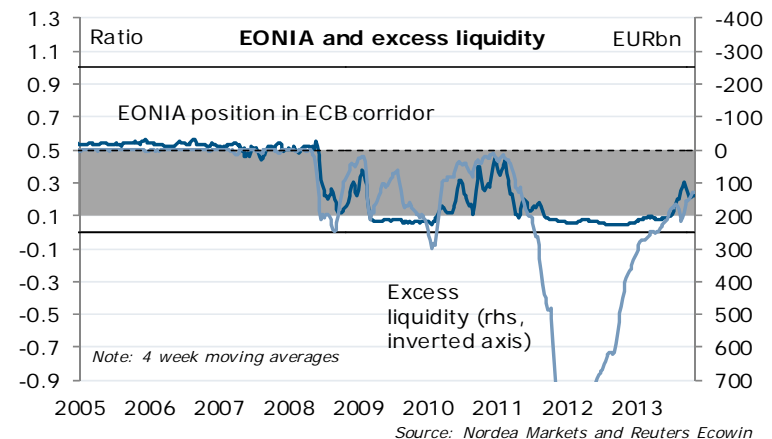
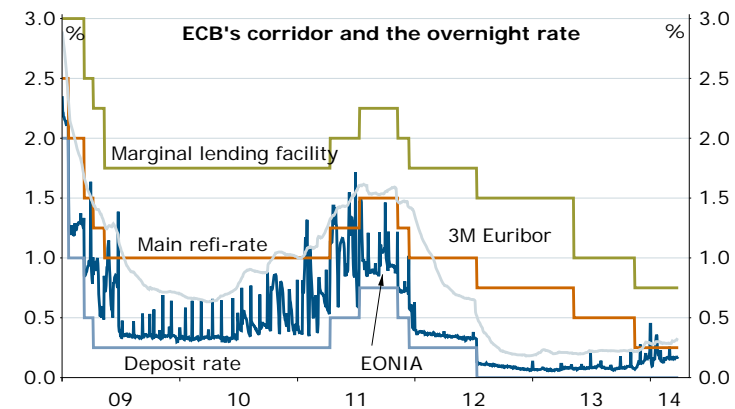
Mar-14	Nordea	Consensus	Previous
HICP, %y/y	0.6	0.6	0.7
HICP ex food, alcohol and tobacco	0.8	-	1.0

Anders Svendsen



ECB: No better reasons to cut than in March (*Thursday*)

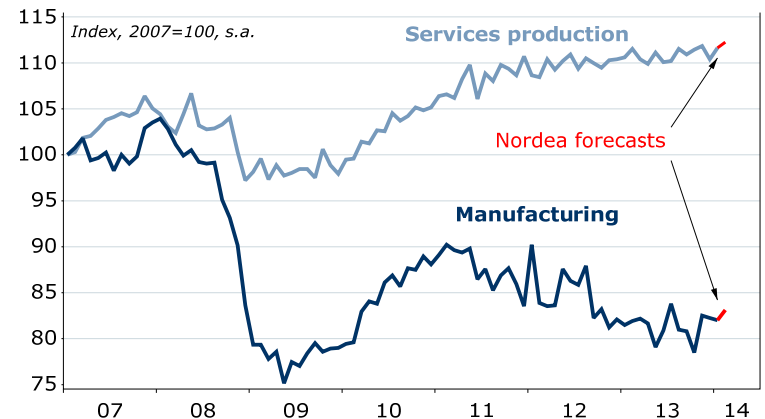
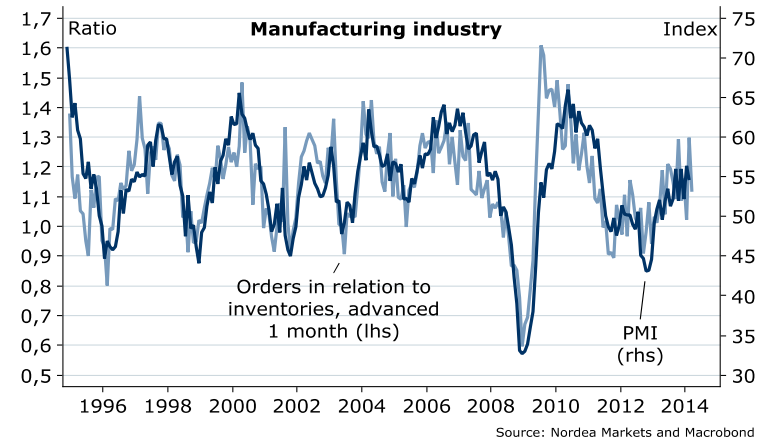
- In line with the vast majority of forecasters, we don't expect the ECB to cut rates on 3 April or to announce other significant policy measures.
- Recent speeches from Governing Council members clearly show that the policy debate within the council continues. Given dovish signal not least from Bundesbank President Weidmann, there is a slight chance for the ECB to surprise again.
- However, in our view, there is no trigger – be it from inflation (expectations), money market conditions or the growth outlook – to justify more easing now, given that the ECB decided not to act in early March, when the pressure to act was possibly higher than it is now.



Holger Sandte

Sweden: PMI down & production up (*Tue. & Fri.*)

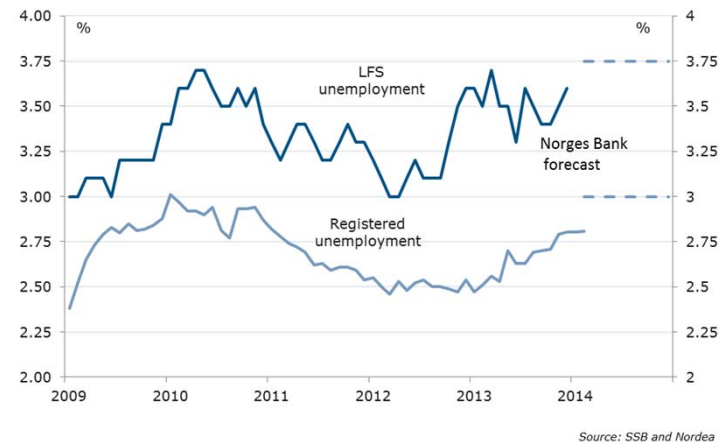
- The **manufacturing PMI** has been jumpy over the past few months. The weak NIER survey, which was released previously this week, suggest that PMI will decrease somewhat in March. We pencil in a manufacturing PMI at 53, down from 54.6 in February. (*Tuesday*)
- We forecast **rising production** in both **manufacturing** and **private services sector**, which would indicate that the economy continues to grow in Q1. The quality of the monthly production figures is however uncertain. There's a large gap between this data and the national accounts, where the latter has shown a stronger development recently (*Friday*)
- **Market:** The SEK has taken a slight hit from the weaker than expected headlines in the NIER survey on Wednesday. After this recent move, especially the NOKSEK looks a bit rich.



Andreas Wallström
Andreas Steno Larsen

Norway: A lot of Norwegian figures

- We expect **February retail sales (Mon 10:00)** to increase by 0.4 % m/m. Our estimate is based on credit card transactions. Despite descent growth on the month retail sales still look weak and continue the flat trend from 2013.
- **January LFS (Wed 10:00)** is forecasted to increase somewhat, enough to lift the unemployment rate to 3.7% from 3.6% last. Well in line with Norges Bank view, but not that important indicator to Norges Bank.
- **Housing prices (Thur 11.00)** have moved sideways the last months. We expect sideways to somewhat lower prices in March. No consensus. We still forecast lower house prices looking forward, but signs of more aggressive lending practice and possible lower mortgage rates is main upside risk.
- First result from this **year wage settlement** might be due soon. Norges Bank forecast wage growth at 3.5% this year.



Joachim Bernhardsen

Calendar

Saturday 29. Mar 2014					Nordea	Consensus	Previous
10:30	EU	ECB's Weidmann Speaks in Berlin					
Monday 31. Mar 2014					Nordea	Consensus	Previous
01:05	GB	Consumer Confidence, Gfk	Mar			- 6	- 7
02:30	AU	Private sector credit Y/Y	Feb				4.1%
05:30	JP	Industrial Production (y/y)	Feb			10.3%	10.3%
08:00	DE	Retail sales (m/m)	Feb	- 0.8%		- 0.5%	2.5%
08:00	DE	Retail sales (y/y)	Feb			0.8%	0.9%
08:45	FR	GDP (q/q, final)	Q4				0.3%
08:45	FR	GDP (y/y, final)	Q4				0.8%
09:00	CH	Leading indicator, KOF	Mar				2.03
10:00	NO	Consumption of goods indicator (m/m)	Feb				0.1%
10:00	NO	Credit growth, domestic, C2 (y/y)	Feb				
10:00	NO	Norges Bank publishes FX buys to Pension Fund- International	Apr				0
10:00	NO	Retail sales (m/m)	Feb	0.4%			0.1%
11:00	EU	CPI (flash, y/y)	Mar	0.6%	0.6%		0.7%
11:00	EU	CPI core (flash, y/y)	Mar	0.8%			1%
11:00	IT	CPI (m/m, preliminary)	Mar				- 0.3%
11:00	IT	CPI (y/y, preliminary)	Mar				0.4%
15:30	US	Fed's Yellen speaks at conference in Chicago					
15:45	US	Chicago PMI	Mar		58.5		59.8
16:30	US	Dallas Fed Man. Activity	Mar				0.3
Tuesday 1. Apr 2014					Nordea	Consensus	Previous
	AU	Reserve Bank Board Meeting					
	EU	Unemployment rate	Feb	12.0%	12.0%		12.0%
00:50	JP	Tankan, large manufacturers	Q1			19	16
02:00	CN	PMI, manufacturing, NBS	Mar			50.1	50.2
02:45	CN	PMI, manufacturing (final), HSBC	Mar			48.1	48.5
05:30	AU	RBA Interest rate decision					2.5%
08:30	SE	PMI, manufacturing	Mar	53.0	53.4		54.6
09:00	DK	GDP (revised) (q/q)	Q4	- 0.5%			- 0.5%
09:00	FR	PMI, manufacturing (final)	Mar	51.9	51.9		51.9
09:00	NO	PMI (s.a. index)	Mar				51.0
09:00	GB	House prices, Halifax (3mma, y/y)	Mar				7.9%
09:00	GB	House prices, Halifax (m/m)	Mar				2.4%
09:30	SE	Registration of vehicles	Mar				
09:55	DE	PMI, manufacturing (final)	Mar	53.8	53.8		53.8
09:55	DE	Unemployment rate (sa)	Mar	6.8%			6.8%
10:00	EU	PMI, manufacturing (final)	Mar	53	53.0		53.2
10:30	GB	PMI, manufacturing	Mar				56.9
11:00	DK	PMI survey	Mar				56.0
15:45	US	Markit manufacturing PMI (final)	Mar		56.3		55.5
16:00	US	Construction spending (m/m)	Feb		0.1%		0.1%
16:00	US	ISM, manufacturing	Mar	53.5	54.0		53.2
16:00	US	ISM, prices paid	Mar		59.0		60.0
23:00	US	Vehicle sales, domestic	Mar		12.20M		11.98M
23:00	US	Vehicle sales, total	Mar		15.80M		15.27M

Calendar

Wednesday 2. Apr 2014				Nordea	Consensus	Previous
08:00	GB	House prices, nationwide (nsa, y/y) (expected 27/03- 04/04)	Mar		9.6%	9.4%
08:00	GB	House prices, nationwide (sa, m/m) (expected 27/03- 04/04)	Mar		0.8%	0.6%
10:00	NO	Unemployment rate, LFS	Jan	3.7%		3.6%
10:30	GB	PMI Construction	Mar			62.6
11:00	SE	SNDO to auction T-bills (SEK 15bn)				
14:15	US	Employment, ADP (absolute change m/m)	Mar		190k	139k
16:00	DK	Foreign currency reserves	Mar	450bn		475.4bn
16:00	US	Factory orders (m/m)	Feb		0.8%	-0.7%
18:30	US	Fed's Lockhart Speaks on Economy in Miami				
22:00	US	Fed's Bullard to meet with reports in St. Louis				
Thursday 3. Apr 2014				Nordea	Consensus	Previous
	AU	Retail Sales s.a. m/m	Feb			1.2%
08:30	SE	PMI, service sector	Mar			56.8
09:00	FR	PMI, services (final)	Mar	51.4	51.4	51.4
09:55	DE	PMI, services (final)	Mar	54	54	54
10:00	EU	PMI, composite (final)	Mar	53.2	53.2	53.2
10:00	EU	PMI, services (final)	Mar	52.4	52.4	52.4
10:00	SE	ESV publish their budget forecast				
10:30	GB	PMI Services	Mar			58.2
11:00	EU	Business climate indicator	Mar		0.38	0.37
11:00	EU	Retail sales (m/m)	Feb			1.6%
11:00	EU	Retail sales (y/y)	Feb			1.3%
11:00	NO	House prices NEF (m/m, s.a.)	Mar			0.3%
11:00	SE	SNDO to auction inflation-linked bonds (SEK 1bn)				
13:45	EU	ECB announce Interest Rates		0.25%	0.25%	0.25%
13:45	EU	ECB announces interest rates	Apr			
14:30	EU	Draghi press conference after rate decision				
14:30	EU	ECB's Draghi Holds Press Conference				
14:30	US	Jobless claims, continuing				2823k
14:30	US	Jobless claims, initial				311k
14:30	US	Trade balance	Feb		-\$38.5B	-\$39.1B
15:00	NO	Speech by Norges Bank Governor Olsen				
15:45	US	Markit composite PMI (final)	Mar			55.8
15:45	US	Markit services PMI (final)	Mar			55.5
16:00	US	ISM, non-manufacturing, composite	Mar		53.5	51.6
Friday 4. Apr 2014				Nordea	Consensus	Previous
	AU	Trade Balance	Feb			1233M
09:30	SE	Industrial orders (y/y)	Feb			-0.6%
09:30	SE	Industrial production (m/m)	Feb	1.0%	0.6%	-0.3%
09:30	SE	Industrial production (y/y)	Feb	1.5%	1.0%	0.8%
09:30	SE	Private service sector production (m/m)	Feb	0.5%	0.5%	1.2%
09:30	SE	Private service sector production (y/y)	Feb	0.7%	0.7%	0.9%
12:00	DE	Factory orders (m/m), sa	Feb	-0.3%	0.1%	1.2%
12:00	DE	Factory orders (y/y), nsa	Feb			8.4%
14:30	US	Average weekly hours	Mar	34.4	34.4	34.2
14:30	US	Hourly earnings, average (m/m)	Mar	-0.1%	0.2%	0.4%
14:30	US	Hourly earnings, average (y/y)	Mar			2.2%
14:30	US	Nonfarm payrolls (absolute change m/m)	Mar	225k	190k	175k
14:30	US	Nonfarm private payrolls (absolute change m/m)	Mar		191k	162k
14:30	US	Unemployment rate	Mar	6.6%	6.6%	6.7%

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