



Week Ahead

5 – 11 April



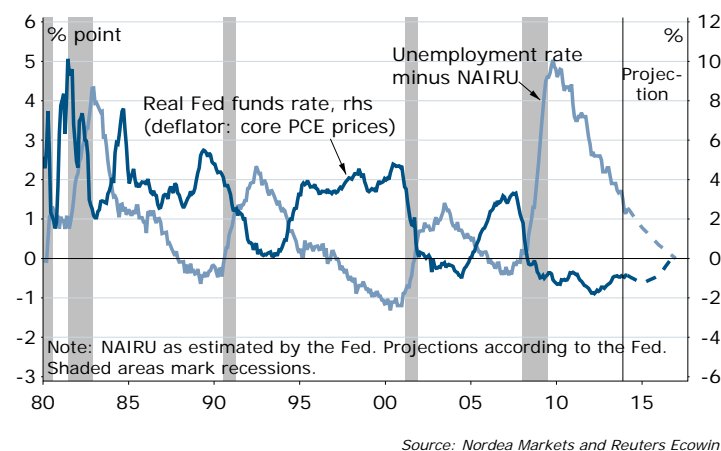
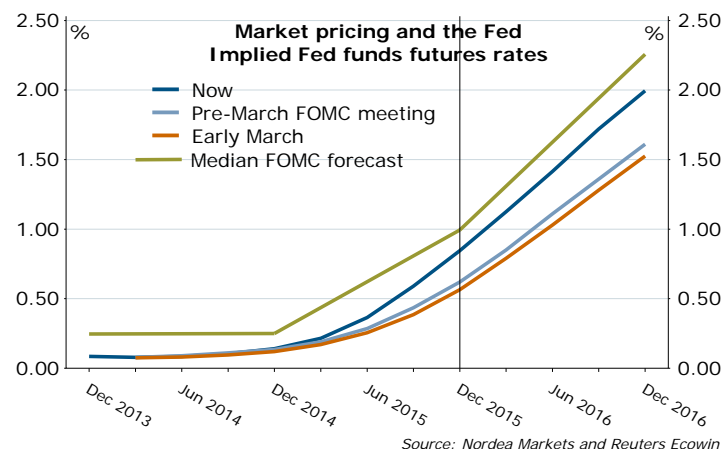
Nordea Research, 04 April 2014

Next week's key events

- **US**
 - The minutes from the March FOMC meeting are out Wednesday and 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. It seems that hawks and doves alike want to wind down the QE programme, with the only difference being the pace of tapering.
- **Euro area**
 - No hugely important data points on the agenda in the post-ECB week. We will have industrial production for the major Euro-area countries, starting with Germany and Spain data on Monday. PMIs – unreliable as they are – in general pointing towards an increase in output. Germany and Spain will deliver final inflation numbers for March, and France the first estimate.
- **UK**
 - The MPC meets on Thursday and this will most likely prove to be a non-event. We do not expect the MPC to change either the rates or the size of the Asset Purchase Programme (QE).
- **Japan**
 - It is the first BoJ meeting since the controversial consumption tax hike became effective on 1 April. Governor Kuroda has made it crystal clear that he is ready to act if growth slides more than expected. However, this is not likely to happen.
- **Sweden**
 - We expect a dovish tone on Wednesday, though no rate cut from the Riksbank at the April meeting. A soft tone is likely to be struck, as that the bank will probably revise down its inflation forecast.
- **Norway**
 - We forecast March core inflation (Thur: 10:00) at 2.4% unchanged from February. Norges Bank forecast 2.5%.

US: FOMC minutes to clarify Yellen's "gaffe" (Wednesday)

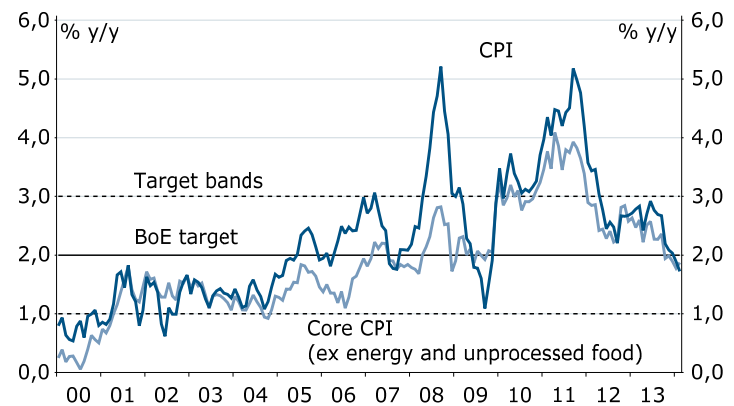
- The minutes from the March FOMC meeting are expected to indicate that tapering of the Fed's asset purchases will likely continue in measured steps, and that a rate hike is not imminent. It seems that hawks and doves alike want to wind down the QE programme, with the only difference being the pace of tapering.
- We expect the minutes to suggest that the FOMC believes that rate hikes are probably further off than some thought after the post-meeting press conference, when Yellen indicated that the Fed could start raising interest rates as soon as "six months" after the end of QE.
- Based on this assessment, if QE ends this autumn then the first rate hike could take place in Q2 2015, a bit earlier than what most were expecting.
- However, because Yellen also emphasised that there were no changes in the FOMC's policy intentions, we believe markets overreacted somewhat to her "gaffe". Based on the so-called "dot chart" the Fed seems to expect the first rate hike in Q3 2015, assuming a 25bp hike per meeting.
- For more analysis of the outcome of the March FOMC meeting, see [US: Fed's taper continues – more aggressive rate path.](#)



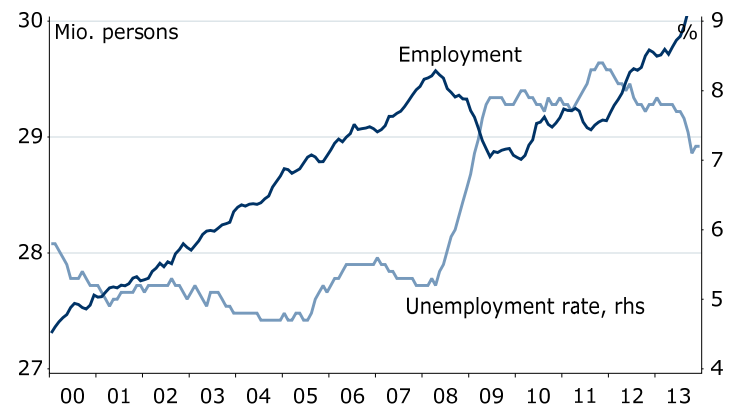
Johnny Bo Jakobsen

UK: BoE – Non event (*Thursday*)

- We do not expect the MPC to change either the rates or the size of the Asset Purchase Programme (QE) at next week's meeting.
- If no new actions are taken, no statement will be issued.
- The economy continues to do better than expected but inflation has fallen below the target. Thus, lower inflation will hold the BoE away from hiking rates.
- Mr Carney recently said that rates could be hiked before the election in May 2015. The markets are pricing the first hike already around year-end 2014/15, which is earlier than BoE's guidance. We still believe this is fairly early and we do not expect a rate hike until the middle of 2015.



Source: Nordea Markets and Reuters Ecowin

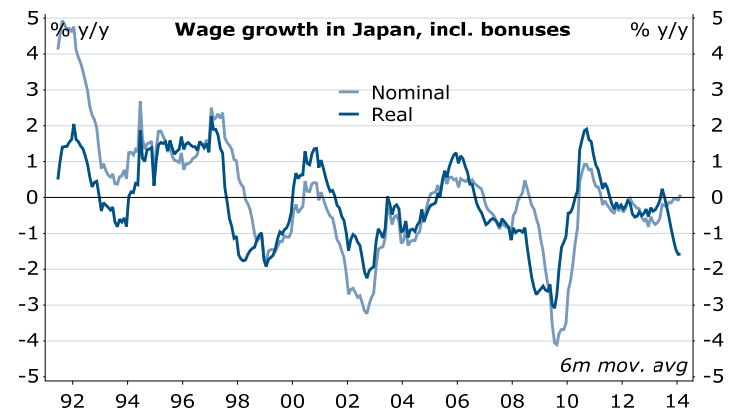
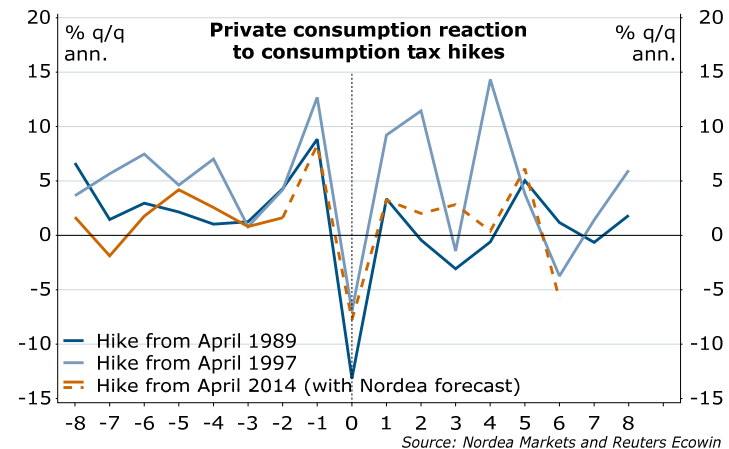


Source: Nordea Markets and Reuters Ecowin

Lena Sellgren

Japan: BoJ (*Tuesday*)

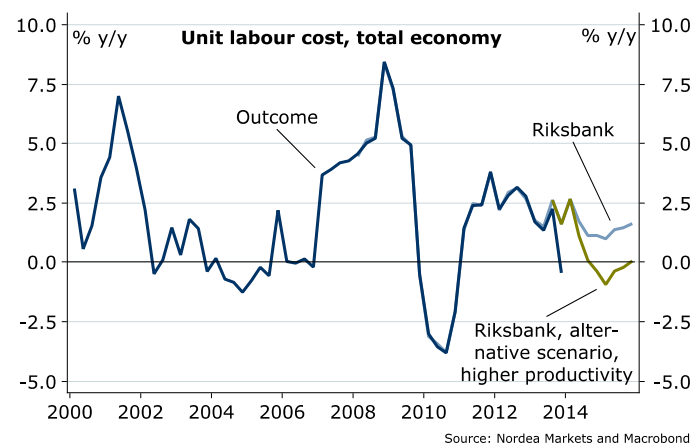
- We expect **no action from the BoJ** meeting.
- It is the first BoJ meeting since the controversial consumption tax hike became effective on 1 April. Governor Kuroda has made it crystal clear that he is ready to act if growth slides more than expected.
- This is not likely to happen. It is fair to assume that the economic blow of the tax hike will be neutralised by the fiscal stimulus package of JPY 6tn (1.2% of GDP), leaving less or no need for monetary assistance.
- What appears to be more crucial for consumption and hence a self-sustaining growth recovery is the real wage growth, which is at four-year low.
- If inflation continues to climb higher as a result of successful BoJ policy, the downward pressure on the real wage growth will persist, because nominal wage is outpaced by inflation. More monetary easing without structural reform may actually lead to lower private spending and GDP growth.



Amy Yuan Zhuang, CFA

Sweden: Riksbank - soft without cutting (*Wednesday*)

- We expect a dovish tone, though no rate cut, from the **Riksbank** at the April meeting. The reason for the expected softness is that the bank will probably revise down its inflation forecast. Short term, as a result of lower electricity prices and longer out as a result of lower production costs (unit labour costs, see chart).
- The Riksbank will therefore likely keep its bias towards a rate cut in its repo rate path. Also, the timing of the first rate hike in the bank's repo rate path will probably be postponed. Some board members may also dissent and advocate a rate cut. (*Wednesday*)
- We forecast **CPI** to increase by 0.3% m/m in March. Our call for CPIF-inflation is 0.3% y/y, 0.2% point below the Riksbank's view, underlining that the Riksbank is under pressure from low inflation. (*Thursday*)



	Weight, %	Change, % m/m		Contribution m/m, % points:	
		March 2014E		March 2014E	March 2013
Food	13.3	0.3		0.04	0.02
Clothing and footwear	5.2	6.2		0.32	0.38
Rents	11.4	0.3		0.03	0.04
Mortgage rates	5.7	-1.0		-0.05	-0.07
Fuel, heating oil	4.4	-0.2		-0.01	-0.09
Electricity	4.2	-1.1		-0.04	0.03
Other goods and services	55.8	0.0		0.01	0.09
CPI, total	100.0	0.30		0.30	0.40

Andreas Wallström & Torbjörn Isaksson

Norway: CPI marginally on the downside (*Thursday*)

- We forecast **March core inflation (Thur: 10:00)** at 2.4% unchanged from February. Norges Bank forecast 2.5%.
- Our forecast is only marginally on the downside to Norges Bank (2.42% compared to 2.48%) and the difference should have only a marginal effect on rates.
- Food prices is pulling up this time due to base effects.
- There is uncertainty about how much and how fast prices on clothes and shoes recover after the winter sale. Relatively small price cuts during the sale argue for a smaller rebound while the weakening of NOK argues for higher prices
- Consensus is not yet known

Monthly change in core inflation and contr. to change in y/y growth from Feb to March				
M-o-m	Weight	Mar(13)	Mar(14)	Contr.to ch.
Food and non-alcoholic bev.	0.14	-0.6%	0.0%	0.09 %
Alcoholic beverages and tobacco	0.04	0.5%	0.2%	-0.01 %
Clothing and footwear	0.06	4.2%	4.0%	-0.01 %
Housing (incl. rents)	0.19	0.3%	0.2%	-0.01 %
Furnishings etc.	0.06	-0.4%	0.0%	0.02 %
Medical care	0.03	0.0%	0.0%	0.00 %
Transport (include airfares)	0.13	0.2%	0.1%	-0.01 %
Communications	0.03	0.0%	0.0%	0.00 %
Culture and recr. (incl books)	0.14	-0.3%	0.0%	0.04 %
Education	0.00	0.0%	0.0%	0.00 %
Restaurants and hotels	0.06	0.4%	0.3%	0.00 %
Misc.goods and serv.	0.11	0.4%	0.2%	-0.02 %
Total core inflation	1.00	0.24 %	0.32 %	

Calendar

Monday 7. Apr 2014				Nordea	Consensus	Previous
	CN	Ching Ming Festival Holiday				
	EU	07 - 09 April Iran Nuclear Talks in Vienna				
09:00	DK	Industrial production, excl. shipbuilding (sa, m/m)	Feb			0.6%
09:00	EU	ECB's Nowotny Speaks in Vienna				
09:15	CH	CPI (m/m)	Mar			0.1%
09:15	CH	CPI (y/y)	Mar			- 0.1%
09:30	SE	Central Government Debt	Mar			
10:00	EU	ECB's Marsch Speaks in London				
10:00	NO	Manufacturing production (m/m)	Feb			- 0.4%
12:00	DE	Industrial production (m/m)	Feb	0.2%	0.3%	0.8%
12:00	DE	Industrial production (y/y)	Feb			5.0%
13:00	RU	CPI (y/y) (Exp 4- 7 Apr)	Mar		6.8%	6.2%
Tuesday 8. Apr 2014				Nordea	Consensus	Previous
	JP	BoJ announces interest rates	Apr			
04:20	JP	BoJ asset purchase program	Apr			270T
09:00	SE	Riksbank's Monetary Policy Meeting 2				
10:00	NO	Speech by Norges Bank Governor Olsen				
10:30	GB	Industrial production (m/m)	Feb		0.3%	0.1%
10:30	GB	Industrial production (y/y)	Feb		2.2%	2.9%
10:30	GB	Manufacturing Production (m/m)	Feb		0.3%	0.4%
11:00	NO	Auction of Treasury Bonds				
13:30	US	NFIB small business optimism index	Feb			91.4
16:00	US	JOLTs job openings	Mar			3974K
18:30	EU	ECB's Weidman Speaks in Berlin				
19:30	US	Fed's Kocherlakota to speak in Rochester				
Wednesday 9. Apr 2014				Nordea	Consensus	Previous
08:00	SE	Anders Borg presents the Spring Government Bill				
08:00	SE	Prospera, inflation expectations survey	Mar			
08:00	SE	Prospera, inflation expectations survey, money market				
09:00	DK	Current account balance	Feb			9.0bn
09:00	DK	Trade balance, excl. ships (sa)	Feb			7.0bn
09:30	SE	Business sector production (m/m)	Feb			
09:30	SE	Monetary Policy Update (published)	Apr			
09:30	SE	Monetary Policy Update, published	Apr			
11:00	SE	SNDO to auction bonds (SEK 3.5bn)				
11:45	EU	ECB's Lautenschlaeger Speaks in Berlin				
12:00	BR	CPI, IPCA (m/m)	Mar		0.85%	0.69%
12:00	BR	CPI, IPCA (y/y)	Mar		6.09%	5.68%
13:00	US	Mortgage applications, MBA				- 1.2%
16:00	US	Wholesale Inventories (m/m)	Feb		0.5%	0.6%
20:00	US	Minutes of the 19/03 FOMC meeting				
21:00	US	Fed's Evans speaks at conference in Washington				

Calendar

Thursday 10. Apr 2014				Nordea	Consensus	Previous
	US	Fed's Tarullo speaks at conference in Washington				
01:01	GB	House price balance, RICS	Mar			45%
02:00	KR	BoK announces interest rates (7-day repo rate)	Apr		2.50%	2.50%
03:00	CN	Exports (y/y)	Mar		4.9%	-18.1%
03:00	CN	Imports (y/y)	Mar		4.8%	10.1%
03:00	CN	Trade balance (USD)	Mar		-0.95bn	-22.99bn
08:00	SE	Financial Supervisory Authority publish mortgage report				
08:45	FR	CPI (m/m), EU harmonized	Mar	0.6%	0.5%	0.6%
08:45	FR	CPI (y/y), EU harmonized	Mar	0.8%	0.8%	1.1%
08:45	FR	Industrial production (m/m)	Feb		0.2%	-0.2%
08:45	FR	Industrial production (y/y)	Feb			-0.1%
09:00	DK	CPI (m/m)	Mar			0.7%
09:00	DK	CPI (y/y)	Mar			0.5%
09:00	DK	CPI, EU harmonized (m/m)	Mar			0.5%
09:00	DK	CPI, EU harmonized (y/y)	Mar			0.3%
09:30	SE	CPI (m/m)	Mar			0.4%
09:30	SE	CPI (y/y)	Mar			-0.2%
09:30	SE	CPIF (m/m)	Mar			0.5%
09:30	SE	CPIF (y/y)	Mar			0.4%
09:30	SE	House prices, Statistics Sweden (y/y)	Mar			
10:00	NO	CPI (y/y)	Mar			2,1%
10:00	NO	CPI, core (y/y)	Mar			2,4%
13:00	GB	BoE announces asset purchase target	Apr	375bn	375bn	375bn
13:00	GB	BoE announces interest rates	Apr	0.50%	0.50%	0.50%
14:00	NO	CPIX and other inflation indicators	Mar			2,1%
14:00	RU	Trade balance (USD) (Exp 8-10 Apr)	Feb		17.6bn	18.9bn
14:30	US	Import prices (m/m)	Mar	0.2%		0.9%
14:30	US	Import prices (y/y)	Mar			-1.1%
14:30	US	Jobless claims, continuing				
14:30	US	Jobless claims, initial				
Friday 11. Apr 2014				Nordea	Consensus	Previous
	US	11-13 March IMF and World Bank spring meeting				
03:00	CN	CPI (y/y)	Mar		2.5%	2.0%
08:00	SE	Unemployment, Swedish Public Employment Service	Mar			
10:00	NO	House prices SSB (y/y)	Q1			1,0%
14:30	US	PPI (m/m)	Mar	0.1%		-0.1%
14:30	US	PPI (y/y)	Mar			0.9%
14:30	US	PPI, core (m/m)	Mar	0.2%		-0.2%
14:30	US	PPI, core (y/y)	Mar			1.1%
15:55	US	Consumer confidence, University of Michigan (preliminary)	Apr		81	80

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