



Week Ahead

12 – 25 April



Nordea Research, 11 April 2014

Next week's key events

- **US**

We expect CPI headline inflation to rebound from 1.1% y/y in February to 1.5% in March, as a large rise in February 2013 drops out of the calculation. The consensus forecast is also 1.5%.

- **Euro area**

We expect a flat m/m reading for industrial production (Feb.), following a small decline in January (Monday). In other words, a weak start into the year that contrasts with more upbeat indications from various surveys. Turning to surveys, we see some upside potential in ZEW expectations for Germany (Tuesday). After three declines in a row by a total of 15.4 points, we expect an increase to 50 (from 46.6) reflecting smaller worries about an escalation in Ukraine (or just an habituation effect). The final inflation print for the Euro area (Wednesday) should confirm the low 0.5% y/y reading. We consider that to be the low point in the inflation cycle. Flash PMIs and the Ifo index are on the agenda in the week after Easter (see slides).

- **UK**

Core inflation is seen dropping to 1.6% in March from 1.7% in the previous month. (*Tuesday, April 15, 10:30*). The labour market continues to improve. Unemployment is expected to decrease to 7.1% in March from 7.2% in the previous month. (*Wednesday, April 16, 10:30*).

- **China**

We expect the Chinese economy to grow by 7.3% y/y in Q1 this year, in line with consensus. The HSBC/Markit PMI is likely to rise modestly in April from its March trough of 48.0.

- **Sweden**

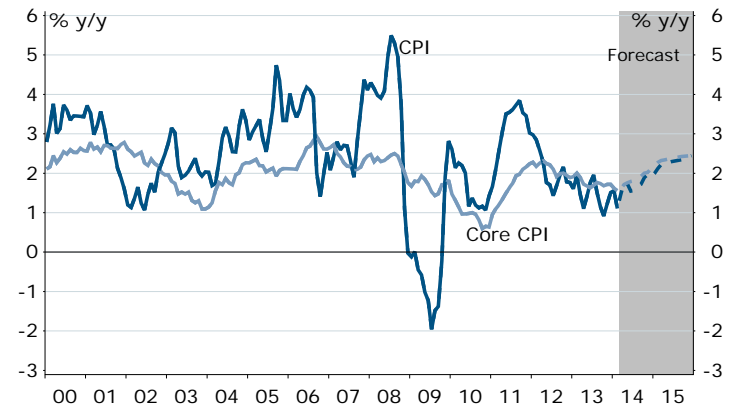
We expect employment to rise and unemployment to fall to 8.0% in March from 8.1% in February (seasonally adjusted). We forecast unemployment to continue to fall, albeit gradually, throughout 2014. This is in line with the Riksbank's view.

- **Norway**

There are no important indicators coming from Norway in the next weeks time.

US: CPI inflation to rebound in March (15/04)

- We expect CPI headline inflation to rebound from 1.1% y/y in February to 1.5% in March, as a large rise in February 2013 drops out of the calculation. The consensus forecast is also 1.5%.
- The core rate should be stable at 1.6%, in line with the consensus forecast.
- Inflation remains tame. Going forward, however, we expect CPI inflation to see a gradual move towards 2%, estimated 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

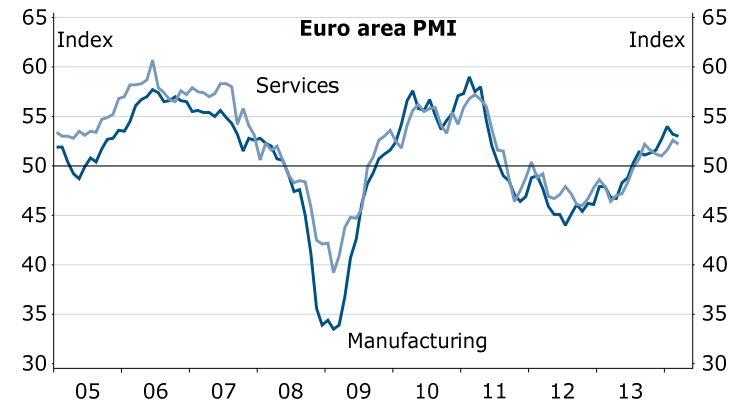


Source: Nordea Markets and Reuters Ecowin

Johnny Bo Jakobsen

Euro area: Flash PMIs (23/04)

- We expect the Euro-area PMI composite index to edge down to 52.9 in April (from 53.1), driven by the manufacturing component.
- This would be the second limited fall in a row mainly reflecting weaker development in several Emerging Markets.
- At a level around 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.
- Euro area data will be published at 10:00h (France at 9:00h; Germany at 9:30h).



Source: Nordea Markets and Reuters Ecowin

Apr-14	Nordea	Consensus	Previous
Composite	52.9	53.0	53.1
Manufacturing	52.7	53.2	53.0
Services	52.4	52.4	52.2

Source: Nordea Markets and Reuters Ecowin

Holger Sandte

Germany: Ifo (24/04)

- We expect history to repeat itself: Like in March, the current conditions component should rise while we expect expectations to fall again – for the third time in a row but not by as much as in March.
- In our view, the downward move in the expectation component will prevail so that we expect the second fall of the overall business climate in a row. Our forecast is in line with consensus (as of 11 April).
- We are not talking about big changes here. At current and expected levels, the Ifo index indicates strong and broadly-based growth in the first half of this year and a positive, albeit less strong outlook for the second half.

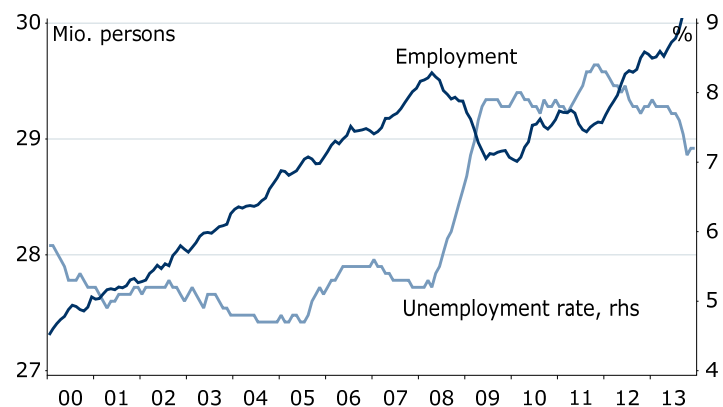
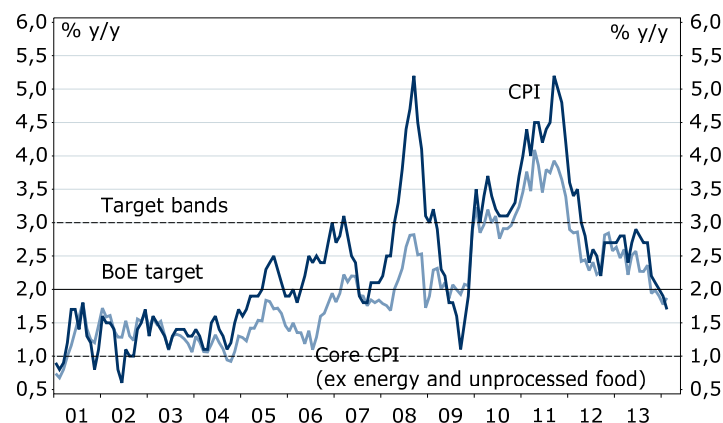


Apr-14	Nordea	Consensus	Previous
Ifo business climate	110.5	110.5	110.7
Ifo business expectations	105.4	106.0	106.4
Ifo business conditions	115.5	-	115.2

Holger Sandte

UK: Core inflation seen falling further (15/04)

- The economy continues to do better than expected with falling unemployment and with inflation slightly below the 2% target.
- Core inflation is seen dropping to 1.6% in March from 1.7% in the previous month. (*Tuesday, April 15, 10:30*).
- Thus lower inflation will hold the BoE away from hiking rates.
- The labour market continues to improve. Unemployment is expected to decrease to 7.1% in March from 7.2% in the previous month. (*Wednesday, April 16, 10:30*).
- Minutes of the MPC Meeting held on 9 and 10 April 2014 will be out on Wednesday, April 23.



Source: Nordea Markets and Reuters Ecowin

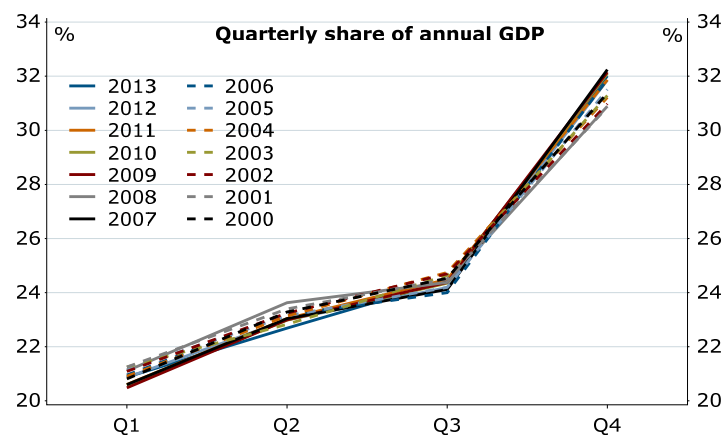
Lena Sellgren

China: GDP (16/04)

- We expect the Chinese economy to grow by 7.3% y/y in Q1 this year, in line with consensus. The quarterly seasonally adjusted growth will likely drop to 1.3% q/q, the lowest since record began in 2010. We stick to our 2014 growth forecast of 7.4%.
- The economy lost speed in Q1 mainly because of deterioration in the manufacturing sector. The finished restocking process will cause industrial activities to remain subdued in the coming months.
- Beijing's decisiveness on credit tightening will remain the crucial factor for growth. If deleveraging is speeded up, growth will underperform. However, the latest policy response with a mini stimulus plan suggests that the decision makers have prioritised growth above reform.
- Looking at historical data, Q1 tends to under-deliver GDP relative to the other quarters. In the past 14 years, Q1 GDP has consistently accounted for only 21% of the annual GDP, whereas Q4 has generated about 32% of GDP.



Source: Reuters Ecowin and Nordea Markets

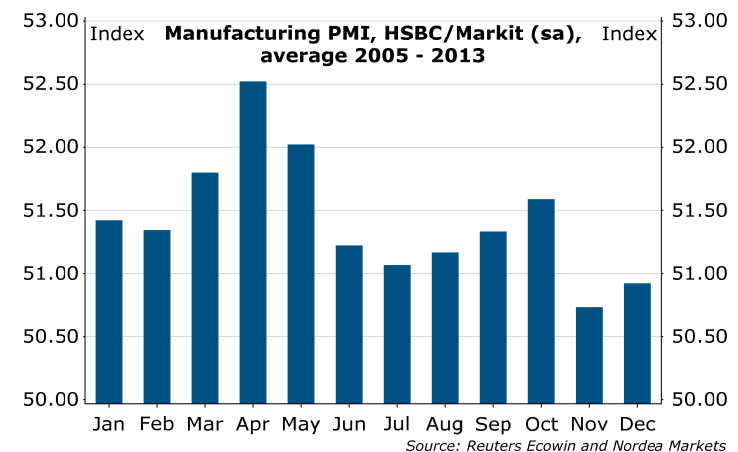
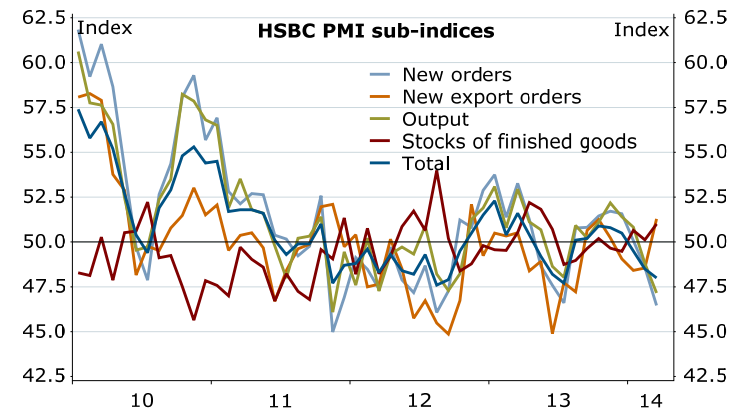


Source: Reuters Ecowin and Nordea Markets

Amy Yuan Zhuang, CFA

China: Flash PMI (23/04)

- The HSBC/Markit PMI is likely to rise modestly in April from its March trough of 48.0.
- Not only does April usually deliver a superior PMI figure, the stimulus plan announced early this month, particularly the tax break offered to SMEs, will improve sentiment among the small and private-owned producers, which account for the lion's share of the HSBC/Markit PMI.
- In addition, the HSBC/Markit PMI is currently close to the historical low levels (the period after the Lehman shock excluded). We do not expect the overall index to slide much further. At least the resistance level of 47.5 will not be broken so easily.
- However, the total index will not likely rise above 50. Many firms still suffer from overcapacity and debt overload, clouding the overall outlook for the sector.
- Also, even with more favourable policies to the SMEs, they still face tougher (and unfair) business conditions relative to their state-owned peers.



Amy Yuan Zhuang, CFA

Sweden: Unemployment to start a new trend (22/04)

- **Unemployment** rose at the turn of the year according to the Labour Force Survey. The uptick is due to relatively strong growth in the labour supply while employment levelled out. The sluggish development is also probably due to some statistical noise.
- Indicators point to a pick up in employment growth. Also, **registered unemployment is falling** according to the Swedish Public Employment Service.
- We thus expect employment to rise and **unemployment to fall to 8.0%** in March from 8.1% in February (seasonally adjusted). We forecast unemployment to continue to fall, albeit gradually, throughout 2014. This is in line with the Riksbank's view.



Calendar

Saturday 12. Apr 2014					Nordea	Consensus	Actual	Previous
18:00	EU	ECB's Draghi holds press conference in Washington						
Monday 14. Apr 2014					Nordea	Consensus	Actual	Previous
11:00	EU	Industrial production (sa, m/m)	Feb		0.0%			-0.2%
14:30	US	Retail sales (m/m)	Mar			0.8%		0.3%
16:00	US	Business inventories (m/m)	Feb			0.5%		0.4%
Tuesday 15. Apr 2014					Nordea	Consensus	Actual	Previous
03:00	CN	Money supply, M2 (y/y) (Exp 10- 15 Apr)	Mar			13.0%		13.3%
08:00	SE	House prices, Mäklarstatistik (y/y)	Mar					
10:30	GB	CPI (m/m)	Mar					0.5%
10:30	GB	CPI (y/y)	Mar					1.7%
11:00	EU	Trade balance, sa	Feb					
11:00	DE	ZEW, current situation	Apr			52		51.3
11:00	DE	ZEW, economic sentiment	Apr			50.0		46.6
14:30	US	CPI (m/m)	Mar		0.1%	0.1%		0.1%
14:45	US	Fed's Yellen to speak at financial markets conference						
15:00	US	TIC flows, net long-term	Feb					\$7.3B
Wednesday 16. Apr 2014					Nordea	Consensus	Actual	Previous
	US	Fed's Yellen speaks to Economic Club of New York						
03:00	CN	Fixed asset inv. excl. rural YTD (y/y)	Mar			18.0%		17.9%
03:00	CN	GDP (y/y)	Q1			7.3%		7.7%
03:00	CN	Industrial production (y/y)	Mar			9.0%		
10:00	NO	Foreign trade with goods (bn)	Mar					33,1bn
10:30	GB	Unemployment rate, claimant count	Mar					3.5%
11:00	EU	CPI (m/m)	Mar		1.0%			0.3%
11:00	EU	CPI (y/y)	Mar		0.5%			0.7%
14:30	US	Building permits	Mar			1008k		1018K
14:30	US	Housing starts	Mar			968k		907K
15:00	CA	BoC announces interest rate	Apr					
15:15	US	Industrial production (m/m)	Mar			0.5%		0.6%
17:30	US	Fed's Lockhart gives his remarks on Financial Markets						
20:00	US	Fed's Beige Book						
Thursday 17. Apr 2014					Nordea	Consensus	Actual	Previous
	DK	Holy Thursday						
	NO	Holy Thursday						
10:00	EU	Current account balance, sa	Feb					25.3bn
16:00	US	Philadelphia Fed	Apr			9.5		9.0

Calendar

Monday 21. Apr 2014					Nordea	Consensus	Actual	Previous
01:50	JP	Exports (y/y)	Mar					9.8
Tuesday 22. Apr 2014					Nordea	Consensus	Actual	Previous
09:30	SE	Unemployment labour force survey (AKU)	Mar					
11:00	EU	Consumer confidence (flash)	Apr					-9.3
16:00	US	Home sales, existing	Mar					4.6M
16:00	US	Home sales, existing (m/m)	Mar					-0.4%
16:00	US	Richmond Fed manufacturing index	Apr					-7
17:45	US	Bernanke speaks at Economic Club						
Wednesday 23. Apr 2014					Nordea	Consensus	Actual	Previous
	TH	BoT announces interest rates	Apr					
	GB	Minutes of the 10 April BoE meeting (hike- unchanged- cut)	Apr					
02:45	CN	PMI, manufacturing (flash), HSBC	Apr					48.0
09:00	FR	PMI, manufacturing (preliminary)	Apr					
09:00	ZA	CPI (y/y)	Mar					5.9%
09:30	DE	PMI, manufacturing (preliminary)	Apr					53.7
10:00	EU	PMI, composite (flash)	Apr	52.9				53.1
10:00	EU	PMI, manufacturing (flash)	Apr	52.7				53.0
10:00	EU	PMI, services (flash)	Apr	52.4				52.2
10:30	GB	Bank of England Minutes						
Thursday 24. Apr 2014					Nordea	Consensus	Actual	Previous
09:00	DK	Consumer confidence	Apr					5.0
09:30	SE	Minutes of the Monetary Policy meeting 8 April						
10:00	DE	Ifo, business climate (main)	Apr	110.5				110.7
10:00	DE	Ifo, expectations	Apr	105.4	106			106.4
10:00	PL	Unemployment rate (Exp 23- 24 Apr)	Mar		13.6%			13.9%
10:30	GB	Retail sales (m/m)						
12:00	NO	Norges Bank announces auction of Treasury bonds						
14:30	US	Core Durable Goods Orders (m/m)						
18:00	TR	CBRT announces interest rates (Benchmark repo rate)	Apr					10.00%
Friday 25. Apr 2014					Nordea	Consensus	Actual	Previous
01:30	JP	National Core CPI (y/y)						1.30%

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