



Week Ahead

26 April – 2 May



Nordea Research, 26 April 2014

Next week's key events

- **US**

We have little doubt that the **Fed will continue tapering** its monthly bond purchases by USD 10bn, to USD 45bn, at next week's FOMC meeting, which concludes on Wednesday. We expect a 225k gain in **nonfarm payrolls** in April as the weather distortions probably didn't fully reverse in March. We expect the **ISM manufacturing** index to see a marginal improvement to 54.0 in April from March's 53.7. Our 1.5% estimate for the **real GDP growth** in Q1 is slightly higher than the 1.1% consensus forecast.

- **Euro area**

We expect the Euro-area **flash HICP inflation** estimate for April to come out at 0.8%, up from 0.5% y/y in March. Our forecast is in line with consensus. We see risks skewed primarily to the upside.

- **UK**

The British economy continues to grow strongly and we expect **Q1 GDP** to rise by 1.0% q/q and 3.3% y/y. Our forecast is in line with the Bank of England's forecast.

- **Japan**

We still expect **no policy change** from the **BoJ**. In its semi-annual outlook report, due to Wednesday, the BoJ staff is likely to **remain cautiously optimistic**.

- **Sweden**

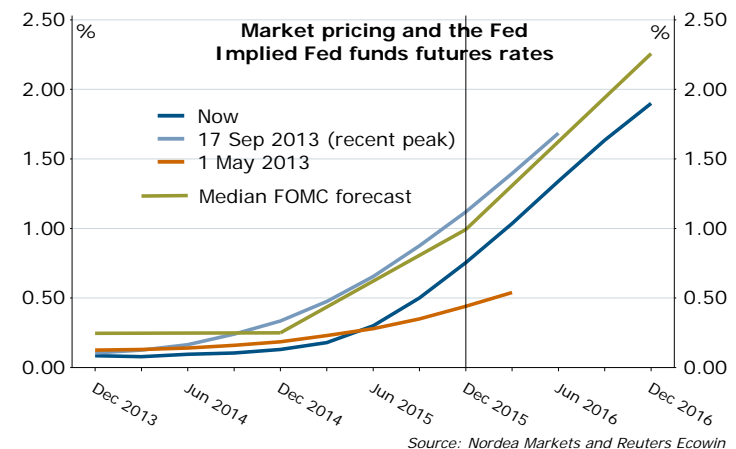
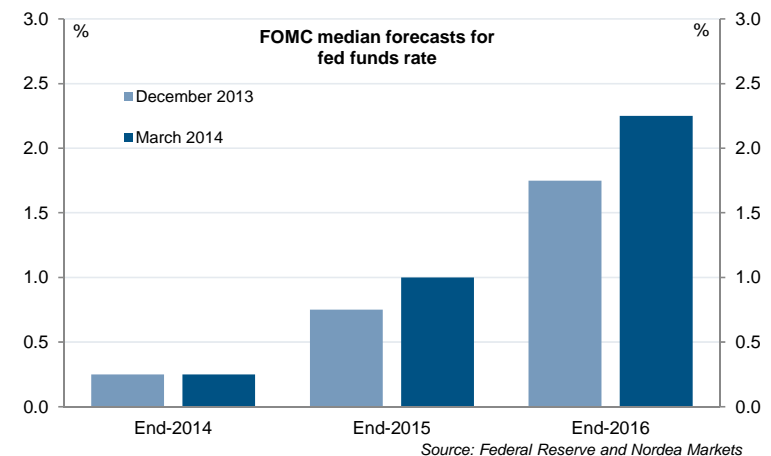
Data to confirm better momentum and the positive trend in retail sales is expected to continue. We forecast **retail sales** to have increased by 2.6% y/y in March, up from 2.5% in February.

- **Norway**

We expect **March retail sales (Wed 10:00)** to decrease by 0,2 % m/m, after solid growth of 0,6 % in March.

US: Fed to stay the course on tapering (*Wednesday*)

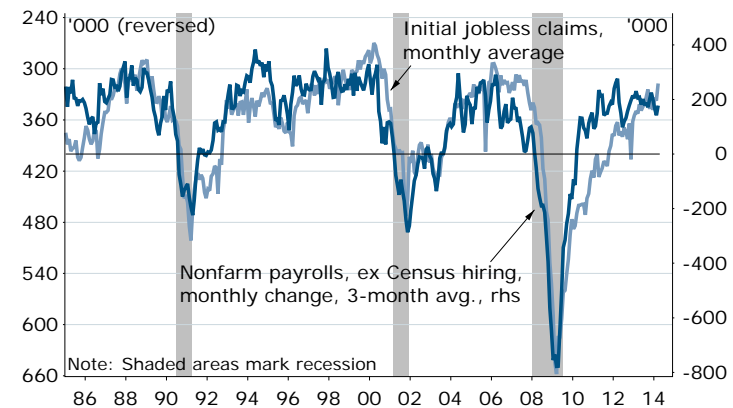
- We have little doubt that the Fed will continue tapering its monthly bond purchases by USD 10bn, to USD 45bn, at next week's FOMC meeting, which concludes on Wednesday.
- Economic data have been fairly encouraging since the March FOMC meeting, with the numbers clearly signalling a rebound in activity after what appears to have been largely weather-related weakness at the start of the year.
- We expect no change to the Fed's new qualitative forward guidance, which was introduced at the March meeting.
- At this point, the FOMC is waiting to see how the economy evolves and its forward guidance still works in anchoring rate expectations. However, we believe the Fed will turn less dovish later this year with more provocation from the data.
- There is no press conference after next week's FOMC meeting. Moreover, any revisions to Fed officials' projections for the economy and the fed funds rate await the 17-18 June meeting.
- We still expect the Fed's QE to end in October and anticipate the first rate hike in Q1 2015.



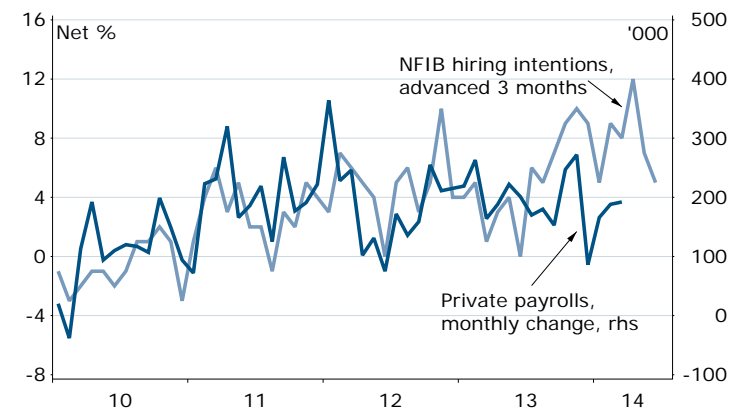
Johnny Bo Jakobsen

US: Payrolls growth to rise above 200k (Friday)

- We expect a 225k gain in nonfarm **payrolls** in April as the weather distortions probably didn't fully reverse in March. The consensus forecast is 210k with a 16k standard deviation. In March payrolls increased 192k.
- Recent jobless claims data suggest a pick-up in employment growth relative to the pace in 2013, when payrolls gains averaged 194k per month.
- After holding steady at 6.7% in March the **unemployment** rate is expected to fall to 6.6%, partly because the labour force is believed to reverse some of its strong 503k rise in March. (We doubt the trend in the participation rate has suddenly turned up again).
- After being flat in March **average hourly earnings** are expected to revert to the recent 0.2%-per-month trend rise in April. A stronger increase would reinforce the impression that the labour market is tighter than the Fed believes.
- Payrolls growth stronger than 230k would probably lift market's expected path for the fed funds rate, while the opposite could be the outcome with payrolls growth weaker than 190k. Almost no matter what, we expect the Fed to remain on QE tapering autopilot.



Source: Nordea Markets and Reuters Ecowin



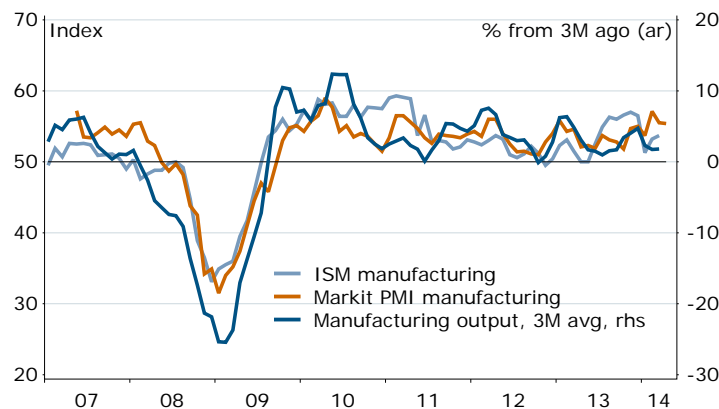
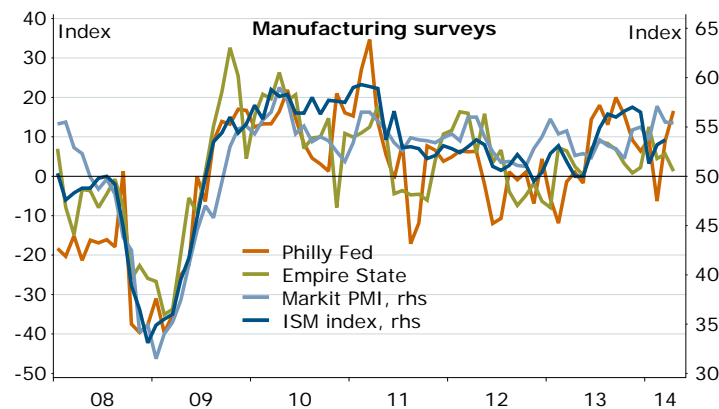
Source: Nordea Markets and Reuters Ecowin

Johnny Bo Jakobsen

	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	225	210	192
Unemployment rate, %	6.6	6.6	6.7
Average hourly earnings, %m/m	0.2	0.2	0.0

US: ISM index to see minor further improvement (Thursday)

- We expect the ISM manufacturing index to see a marginal improvement to 54.0 in April from March's 53.7. The consensus forecast is 54.2, with a standard deviation of 0.8.
- The indicators are mixed. The Philly and Richmond Fed measures rose in April, while the NY and Kansas City Fed measures fell. The preliminary Markit PMI was virtually unchanged at 55.4.
- 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.

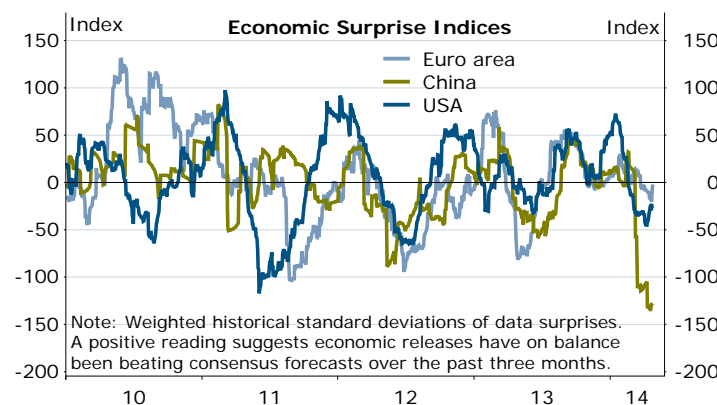
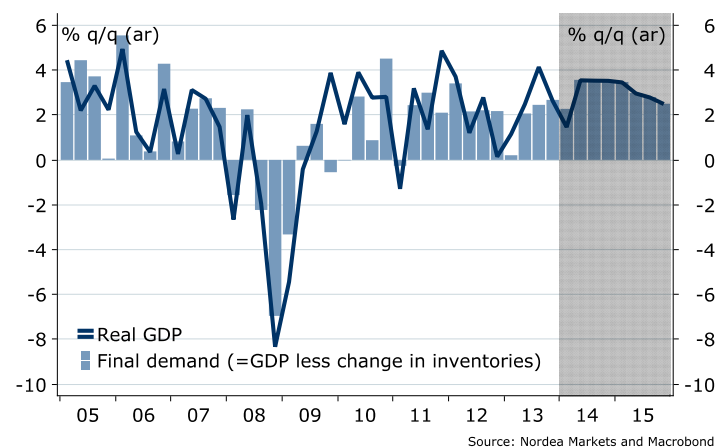


	Nordea	Consensus	Previous
ISM manufacturing index	54.0	54.2	53.7

Johnny Bo Jakobsen

US: Weak Q1 GDP - don't extrapolate (*Wednesday*)

- Our 1.5% estimate for the real GDP growth in Q1 is slightly higher than the 1.1% consensus forecast.
- Even GDP growth around 0.5% is not expected to trigger any major market reactions as Fed officials have already blamed much of the weakness in Q1 on bad weather.
- Although data for March have been better than in previous months, the harsh winter weather slowed activity in the first two months of the year more than we initially anticipated. As a result, we have lowered our Q1 GDP forecast from 2% to 1.5%.
- The broad-based rebound in recent data suggests that a weak Q1 GDP report should not be extrapolated. We still expect growth to pick up to 3%+ on average for the remainder of 2014.
- Thus, we continue to believe that a sharp pick-up in US economic data is imminent and that this will put upward pressure on front-end USD rates and support the USD.



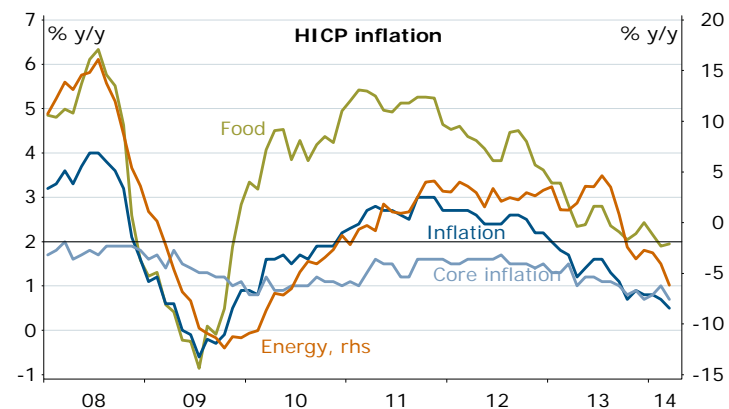
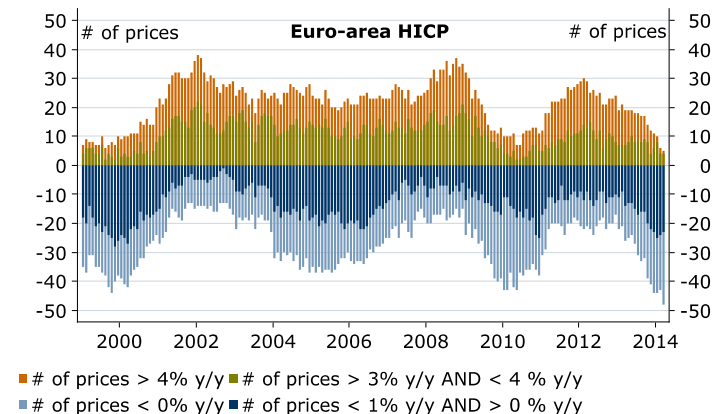
	Nordea	Consensus	Previous
Real GDP, % q/q annualised	1.5	1.1	2.6

Johnny Bo Jakobsen

Euro area: Deflation rewind (*Tuesday*)

- We expect the Euro-area flash HICP inflation estimate for April to come out at 0.8%, up from 0.5% y/y in March. Our forecast is in line with consensus. We see risks skewed primarily to the upside.
- The increase is driven mostly by base effects due to the timing of Easter. Some prices, eg. travel prices, rose in March last year and in April this year, which gave a negative base in March and positive base in April.
- Energy prices probably rose during April.
- The March inflation reading marks the cyclical trough, but inflation is unlikely to rise much above 1% until autumn.
- Such a rebound would not necessarily ease the near-term pressure on the ECB to act, as it would lift rates and strengthen the euro (i.e. lead to tighter monetary conditions).

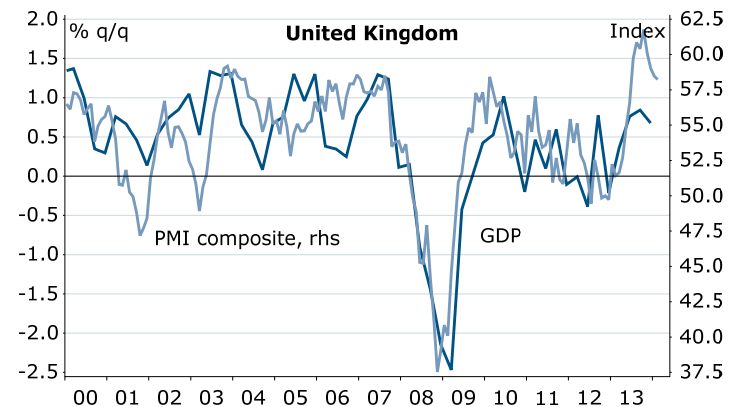
Apr-14	Nordea	Consensus	Previous
HICP, %y/y	0.8	0.8	0.5
HICP ex food, alcohol and tobacco	0.8	-	0.4



Holger Sandte

UK: Strong GDP Q1 preliminary (*Tuesday*)

- The British economy continues to grow strongly and we expect Q1 GDP to rise by 1.0% q/q and 3.3% y/y. Our forecast in line with the Bank of England's forecast.
- Even though PMI fell the fourth month in a row in March it remained comfortably above the 50 mark indicating strong growth.
- Recent business surveys and official data have performed better than expected and we see risks skewed to the upside.

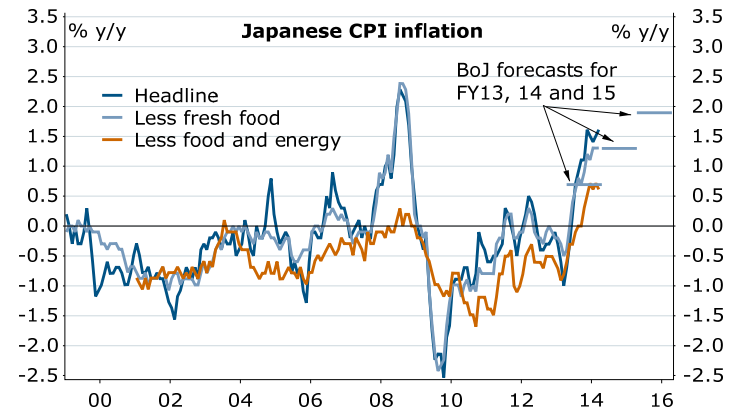


	Nordea	Consensus	Previous
Real GDP q/q, %	1.0	0.9	0.7
Real GDP y/y, %	3.3	3.1	2.7

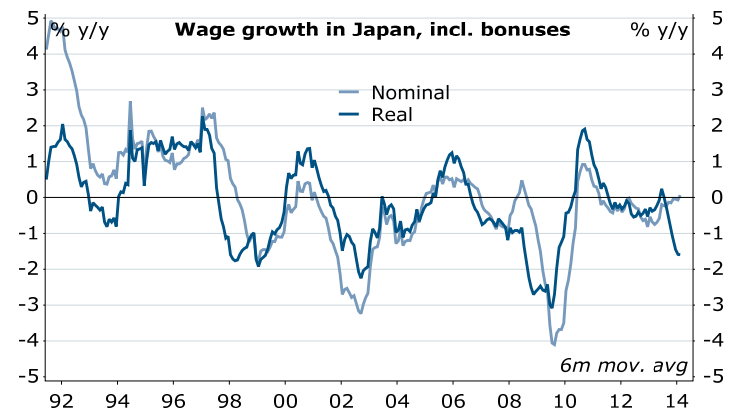
Lena Sellgren

Japan: BoJ (Wednesday)

- We still expect **no policy change** from the BoJ. In its semi-annual outlook report, due to Wednesday, the BoJ staff is likely to **remain cautiously optimistic**.
- After the CPI data released this week, the FY 2013 inflation (less fresh food) became 0.8% and above the target of 0.7%. The bank remains positive to achieve its medium-term goal of 2%.
- Recently, the key members of the BoJ have voiced confidence in the economy's ability to absorb the negative effect of the sales tax hike. **No immediate monetary easing is in the cards**.
- **If growth performance disappoints later this year, the negative real wage growth should be blamed** and not the sales tax hike. Consumers have lost confidence because they see falling real wages.
- Structural reform is a necessary, not optional, element to improve corporate earnings for smaller firms and reverse the negative real wage growth. Only this way demand-pulled inflation can be created.



Source: Reuters Ecowin and Nordea Markets

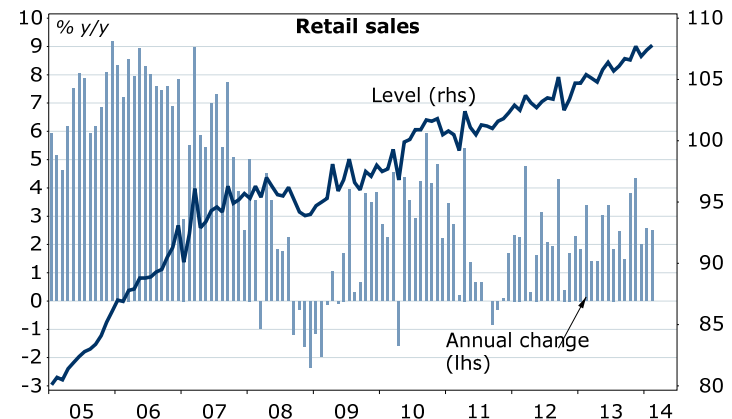


Source: Nordea Markets and Reuters Ecowin

Amy Yuan Zhuang, CFA

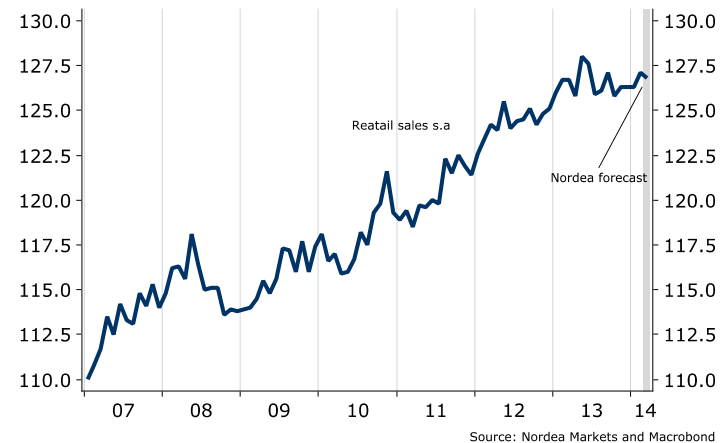
Sweden: Data to confirm better momentum (*Mon., Tue. & Fri.*)

- The positive trend in retail sales is expected to continue. We forecast **retail sales** to have increased by 2.6% y/y in March, up from 2.5% in February. The Easter holidays, placed in March last year but in April this year, pose a downward risk to the forecast (although in principle figures should be adjusted for this effect).
(Monday)
- Otherwise, the week contains many data releases, such as *trade balance* (Mon.), *NIER business and consumer surveys* (Tue.) and *manufacturing PMI* (Fri.). Overall the figures are expected to confirm the better momentum in the economy.



Norway: Small drop in retail sales (*Wednesday*)

- We expect **March retail sales (Wed 10:00)** to decrease by 0,2 % m/m, after solid growth of 0,6 % in March.
- We highlight that there is more **uncertainty** than normal this month due to calendar effects from the Easter.
- If we are right y/y growth will be only slightly above zero, thus confirming the flat trend in retail sales.
- We forecast **February LFS unemployment (Wed 10:00)** at 3.5%, as in January. Measured in persons our forecast implies a moderate increase.
- LFS unemployment is an unreliable indicator for short term movements in the labour market and not given much weight by Norges Bank.



Calendar

Monday 28. Apr 2014			Nordea	Consensus	Actual	Prior
	GB	Asset Purchase Facility Quarterly Report				
09:30	SE	PPI (m/m)	Mar			-0.5%
09:30	SE	PPI (y/y)	Mar			0.1%
09:30	SE	Retail Sales (sa, m/m)	Mar			0.4%
09:30	SE	Retail Sales (y/y)	Mar			2.5%
09:30	SE	Trade balance	Mar			
10:00	IT	Consumer confidence index	Apr			101.7
10:00	NO	Housing starts (s.a.)	Mar			2 233
16:00	US	Home sales, pending (m/m)	Mar	0.6%		-0.8%
16:30	US	Dallas Fed Man. Activity	Apr			4.9
Tuesday 29. Apr 2014			Nordea	Consensus	Actual	Prior
08:45	FR	Consumer confidence	Apr			88
09:00	SE	Consumer confidence	Apr			99.6
09:00	SE	Manufacturing confidence	Apr			99.8
10:00	EU	M3 (y/y)	Mar			1.3%
10:00	IT	Retail sales m/m	Feb			0.0%
10:00	IT	Retail sales y/y	Feb			0.9%
10:30	GB	GDP (q/q, advance)	Q1			0.7%
10:30	GB	GDP (y/y, advance)	Q1			2.7%
11:00	EU	Business climate indicator	Apr			0.39
11:00	EU	Consumer confidence	Apr			
11:00	IT	Business confidence	Apr			99.2
11:00	IT	Economic sentiment	Apr			89.5
14:00	DE	CPI (m/m, preliminary)	Mar			0.3%
14:00	DE	CPI (y/y, preliminary)	Mar			1.0%
14:00	HU	MNB announces interest rates (Base rate)	Apr	2.50%		2.60%
16:00	US	Consumer confidence	Apr	83.2		82.3
Wednesday 30. Apr 2014			Nordea	Consensus	Actual	Prior
	JP	BoJ announces interest rates	Apr			
	DE	Retail sales (m/m) (expected 25/4-30/4)	Mar			1.3%
01:05	GB	Consumer Confidence, Gfk	Apr			-5
08:45	FR	Consumer spending (m/m)	Mar			-0.1%
09:00	CH	Leading indicator, KOF	Apr			
10:00	NO	Business survey, manufacturing	Q1			8
10:00	NO	Retail sales (m/m)	Mar			0.6%
10:00	NO	Unemployment rate, LFS	Feb	3.5%		3.5%
11:00	EU	CPI (flash, y/y)	Apr			
13:00	US	Mortgage applications, MBA				-3.3%
14:15	US	Employment, ADP (absolute change m/m)	Q1	215k		191k
14:30	US	Employment cost index (q/q)	Q1	0.5%		0.5%
14:30	US	GDP (q/q annualised, advance)	Q1	1.0%		2.6%
14:30	US	Personal consumption (q/q annualised, advance)	Q1	1.9%		3.3%
15:15	US	Chicago PMI	Apr	56.5		55.9
20:00	US	FOMC announces interest rates	Apr	0.25%		0.25%
20:00	US	Fed pace of MBS purchases	Apr			\$25bn
20:00	US	Fed pace of Treasury purchases	Apr			\$30bn

Calendar

Thursday 1. May 2014			Nordea	Consensus	Actual	Prior
02:00	CN	PMI, manufacturing, NBS	Apr		50.4	50.3
08:30	SE	PMI, manufacturing	Apr			56.3
09:00	DK	Unemployment rate (sa)	Mar			4.2%
10:30	GB	PMI, manufacturing	Apr			55.3
11:00	DK	PMI survey	Apr			62.8
12:30	US	Challenger job cuts (y/y)	Apr			-30.2%
14:30	US	Jobless claims, continuing				
14:30	US	Personal income (m/m)	Mar	0.4%		0.3%
14:30	US	Personal spending (m/m)	Mar	0.6%		0.3%
15:45	US	Markit manufacturing PMI (final)				
16:00	US	Construction spending (m/m)	Mar	0.8%		0.1%
16:00	US	ISM, manufacturing	Apr	54		53.7
16:00	US	ISM, prices paid	Apr			59.0
23:00	US	Vehicle sales, domestic	Apr	12.80m		12.78m
Friday 2. May 2014			Nordea	Consensus	Actual	Prior
	EU	Unemployment rate	Mar			11.9%
06:00	IN	PMI, manufacturing	Apr			51.3
08:00	GB	House prices, nationwide (nsa, y/y) (expected 28/04-02/05)	Apr			9.5%
09:00	NO	PMI (s.a. index)	Apr			51,9
09:00	PL	PMI, manufacturing	Apr			
09:30	CZ	PMI, manufacturing	Apr			55.5
10:00	EU	PMI, manufacturing (final)	Apr			
14:30	US	Hourly earnings, average (m/m)	Apr	0.2%		0.0%
14:30	US	Hourly earnings, average (y/y)	Apr			2.1%
14:30	US	Nonfarm payrolls (absolute change m/m)	Apr	204k		192k
14:30	US	Nonfarm private payrolls (absolute change m/m)	Apr	205k		192k
14:30	US	Unemployment rate	Apr	6.6%		6.7%

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