



# Week Ahead

3 May – 9 May



Nordea Research, 2 May 2014

## Next week's key events

- **US**

We have no mayor key events coming out of the US next week.

- **Euro area**

The ECB meeting on Thursday is the main event of the week. We expect soft words from Mario Draghi but neither rate cuts nor anything more drastic like QE. The data calendar offers final service PMI numbers and industrial production from Germany, France and Italy.

- **UK**

We expect no change in neither the policy rate nor the size of the Asset Purchase Programme (QE) at the May MPC meeting.

- **Sweden**

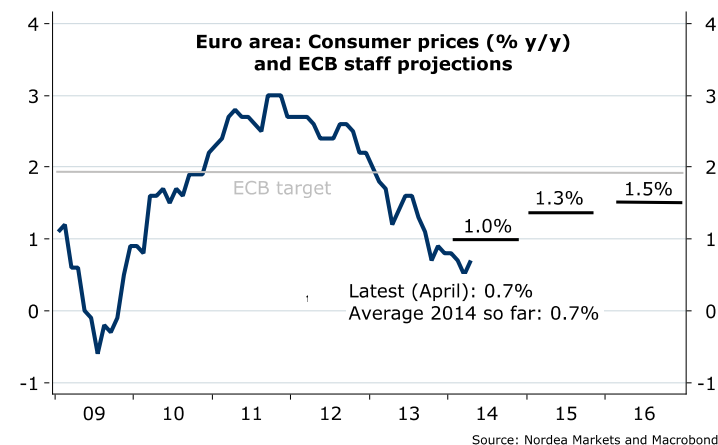
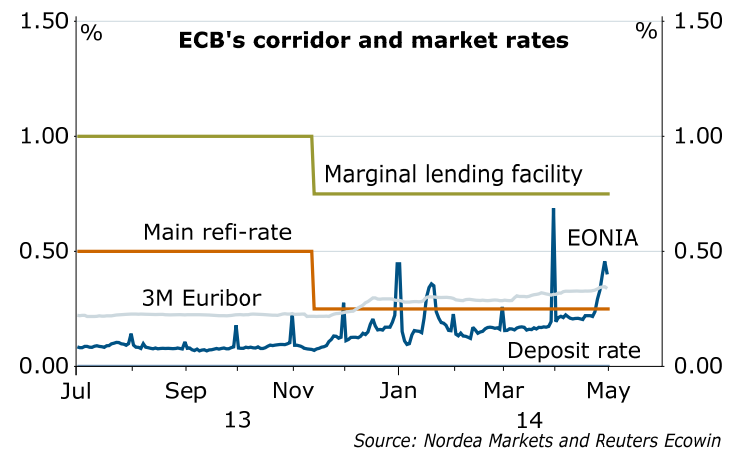
We have penciled in a rise in March manufacturing production by 0.5% m/m, implying a year-on-year figure at 1.5%. This is in line with indicators pointing to a gradual recovery.

- **Norway**

No change in rates, but Norges Bank will admit that development has been on the strong side. Core inflation much higher than Norges Bank forecast.

# ECB: No rate cuts, no QE, but soft words and possibly liquidity measures (*Thu.*)

- We expect soft words and an easing bias from Mario Draghi but neither rate cuts nor anything more drastic like QE. The ECB could act on liquidity to reduce money market volatility. Suspending the SMP absorption is one option. It could also be a good moment to extend the fixed rate-full allotment regime for the main refi operations beyond July 2015.
- Beyond money markets, the recent pick-up in inflation reduces the immediate need for action. The euro has not strengthened recently, the recovery looks on track. At the same time, the bank lending channel is still partly blocked, especially for SMEs in some countries. A conditional LTRO is a possibility in any of the next meetings – with uncertain success.
- The market perception of rate cuts has been fading, with e.g. 1M Eonia down 4bps over the past week, reflecting less tension on money markets. This in large part due to large net injections of liquidity through standard operations and the SMP. Finally, the inflation flash was received fairly well in the market which also brings calmness.

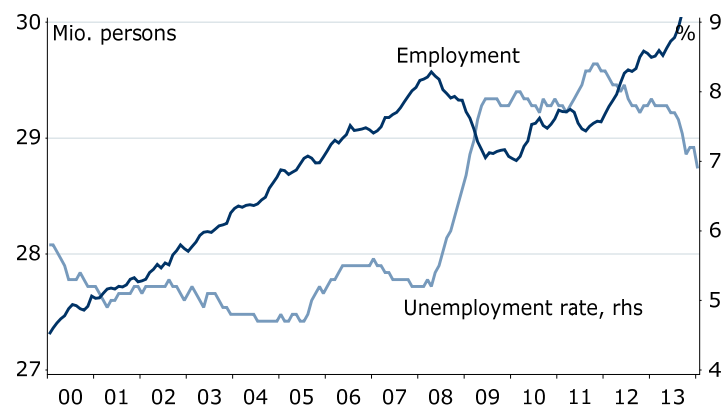


Holger Sandte, Lars Peter Lilleøre

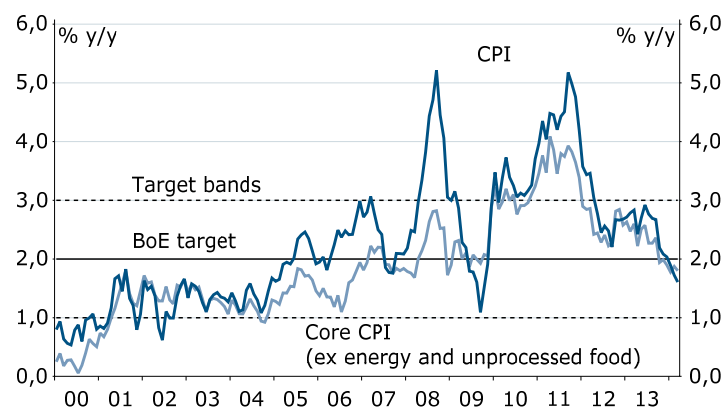
# BoE: No change in the policy (*Thu.*)

- We expect no change in neither the policy rate nor the size of the Asset Purchase Programme (QE) at the May MPC meeting. If no new actions are taken, no statement will be published.
- Growth momentum continues to strengthen with key figures and business surveys continuing to surprise to the upside. Unemployment has fallen faster than expected and now stands at 6.9%.
- However, CPI inflation is now down to 1.6% y/y. Productivity and real wages have finally started to pick up, but the cost pressure is still low and inflation is expected to stay below the 2% target for a good while ahead.
- Given the fact that housing prices are growing rapidly more restrictive lending standard will probably be discussed.
- The focus on the MPC meeting will however likely be the low inflation and the amount of slack remaining in the economy. The market is pricing a first rate hike in Q1 2015. Spare capacity in the economy and below-target inflation means that there is no pressure on the BoE to hike rates and we stick to our forecast of a first rate hike in Q2 2015.

Lena Sellgren



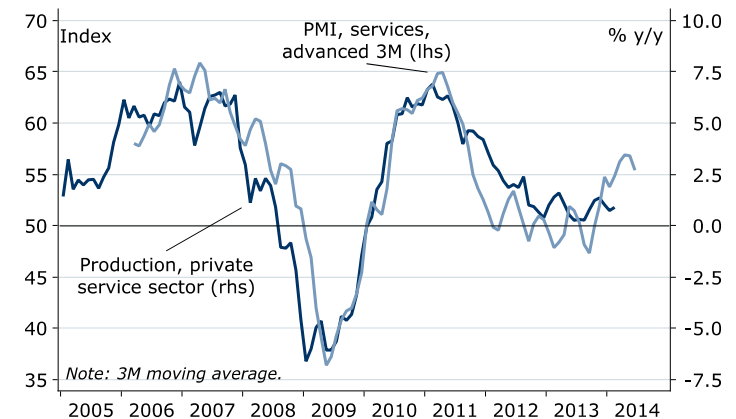
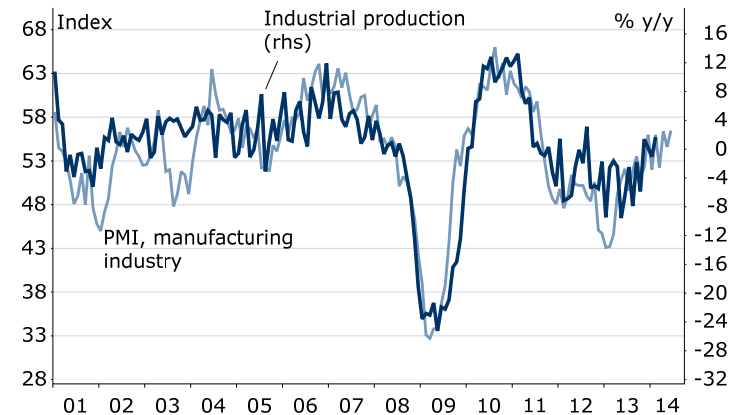
Source: Nordea Markets and Reuters Ecowin



Source: Nordea Markets and Reuters Ecowin

# Sweden: Production to pick up (*Mon.*)

- We have penciled in a rise in March manufacturing production by 0.5% m/m, implying a year-on-year figure at 1.5%. This is in line with indicators pointing to a gradual recovery. The service sector is better off and we expect production to rise by 2.0% over the year in March (1.9% in February). (*Monday*)
- Remember that the monthly production readings are very volatile and that they have been poor indicators for GDP growth recently.

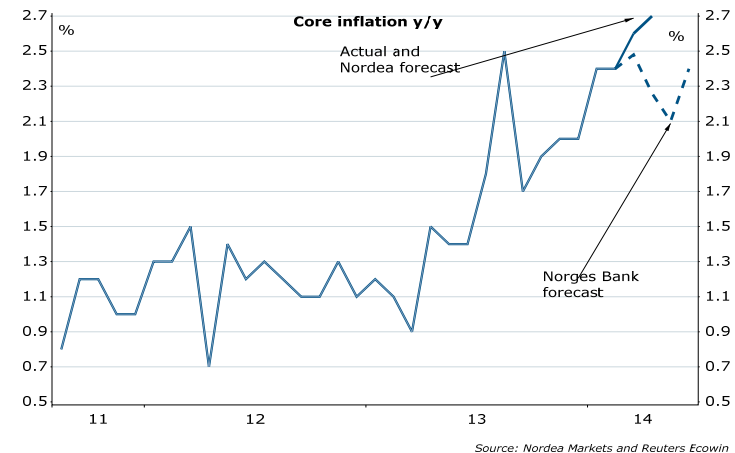


Source: Nordea Markets and Macrobond

Torbjörn Isaksson

# Norway: Norges Bank at the center of attention (Thu.)

- **Norges Bank (Thur 10:00)** is widely expected to keep rates unchanged. There will be no interest rate forecast. Focus will be on statement and the press conference
- Banks have reduced lending rates, and figures have been slightly on the strong side, thus Norges Bank can conclude that development since March has been slightly on the strong side. Could give stronger NOK
- **April core inflation (Fri 10:00)** will rise to 2.7% from 2.6% in March. Norges Bank forecast is 2.3%. Airfares pull up our forecast by 0.3% points. An Easter effect which most likely is not taken into account in Norges Bank forecast. Could give stronger NOK short term, but consensus is not yet known
- **House prices (Tue about 11:00)** rebounded in March after being more or less flat in the beginning of the year. We think more aggressive lending practice from the banks have contributed to the turnaround in the housing market, and we will probably see a positive figure for April as well.
- Regional Network (small phone survey **Mon 10:00**) will probably not be significantly different from the previous. Maybe somewhat stronger in retail and export sector.



Erik Bruce

# Calendar

Monday 5. May 2014				Nordea	Consensus	Actual	Prior
	GB	Early May Bank Holiday					
06:00	RU	PMI, manufacturing	Apr		48.0		48.3
09:00	TR	CPI (y/y)	Apr				8.39%
09:30	SE	Industrial production (m/m)	Mar				2.2%
09:30	SE	Private service sector production (m/m)	Mar				
10:00	NO	Credit growth, domestic, C2 (y/y)	Mar	5.9%			5.8%
11:00	EU	European Commission Economic Forecast					
15:45	US	Markit composite PMI (final)	Apr				54.9
15:45	US	Markit services PMI (final)	Apr				54.2
16:00	US	ISM, non-manufacturing, composite	Apr		54.1		53.1
Tuesday 6. May 2014				Nordea	Consensus	Actual	Prior
	JP	Greenery Day (formerly National Holiday) OBS					
08:30	SE	PMI, service sector	Apr				53.5
09:55	DE	PMI, services (final)	Apr	55.0	55.0		53.0
10:00	EU	PMI, composite (final)	Apr	54.0	54.0		53.1
10:00	EU	PMI, services (final)	Apr	53.1	53.1		52.2
10:00	NO	Unemployment rate, registered (unadj. and excl. labour market)	Apr				2,9%
10:00	NO	Unemployment, registered and persons on labour market schen	Apr				89 591
10:30	GB	PMI, services	Apr				57.6
11:00	EU	Retail sales (m/m)	Mar				0.4%
11:00	EU	Retail sales (y/y)	Mar				0.8%
11:00	NO	House prices NEF (m/m, s.a.)	Apr				0,7%
14:30	US	Trade balance	Mar		- 40.4B		- 42.3B
Wednesday 7. May 2014				Nordea	Consensus	Actual	Prior
	ZA	Election Day					
08:45	FR	Industrial production (m/m)	Mar	0.3%	0.3%		0.1%
09:00	DK	Industrial production, excl. shipbuilding (sa, m/m)	Mar				1.4%
09:30	SE	Business sector production (m/m)	Mar				
12:00	DE	Factory orders (m/m), sa	Mar	0.5%	0.4%		0.6%
12:10	PL	NBP announces interest rates (Base rate)	May				2.50%
13:00	CZ	CNB announces interest rates (Repo rate)	May		0.05%		0.05%
13:00	RU	CPI (y/y) (Exp 6- 7 May)	Apr		7.3%		6.9%
13:00	US	Mortgage applications, MBA	May				- 5.9%
14:30	US	Nonfarm productivity (q/q annualised, preliminary)	Q1		- 0.5%		1.8%
14:30	US	Unit labor costs (q/q annualised, preliminary)	Q1		2.0%		- 0.1%

# Calendar

Thursday 8. May 2014					Nordea	Consensus	Actual	Prior
01:01	GB	House price balance, RICS	Apr					57%
03:00	CN	Exports (y/y)	Apr					- 6.6%
03:00	CN	Imports (y/y)	Apr					- 11.3%
03:00	CN	Trade balance (USD)	Apr					7.71bn
09:15	CH	CPI (m/m)	Apr					0.4%
09:15	CH	CPI (y/y)	Apr					0.0%
09:30	SE	Central Government Debt	Apr					
09:30	SE	House prices, Statistics Sweden (y/y)	Apr					
10:00	NO	Manufacturing production (m/m)	Mar					0,2%
10:00	NO	Norges Bank publishes interest rate decision and holds press conference						
12:00	DE	Industrial production (m/m)	Mar	0.3%	0.4%			0.4%
12:00	DE	Industrial production (y/y)	Mar					4.8%
13:00	GB	BoE announces asset purchase target	May	375bn				375bn
13:00	GB	BoE announces interest rates	May	0.50%	0.50%			0.50%
13:45	EU	ECB announces interest rates	May	0.25%	0.25%			0.25%
14:30	EU	ECB's Draghi Holds Press Conference After Rate Decision			May			
14:30	US	Jobless claims, initial	May					
Friday 9. May 2014					Nordea	Consensus	Actual	Prior
	RU	Victory Day						
02:00	KR	BoK announces interest rates (7- day repo rate)	Mar					2.50%
03:00	CN	CPI (y/y)	Apr					2.4%
03:30	AU	RBA Statement on Monetary Policy						
08:00	SE	Unemployment, Swedish Public Employment Service	Apr					8.2%
09:00	DK	Current account balance	Mar					9.5bn
09:00	DK	Trade balance, excl. ships (sa)	Mar					8.7bn
09:00	GB	House prices, Halifax (m/m) (expected 05/05- 05/09)	Apr					- 1.1%
10:00	NO	CPI (y/y)	Apr					2,0%
10:00	NO	CPI, core (y/y)	Apr					2,6%
10:30	GB	Industrial production (m/m)	Mar					0.9%
10:30	GB	Industrial production (y/y)	Mar					2.7%
12:00	BR	CPI, IPCA (y/y)	Apr					6.15%



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