



# Week Ahead

11 – 17 Oct



Nordea Research, 10 October 2014

## Next week's key events

- **US**

The coming week offers only second-tier data from the US, along with various speeches from Fed board members.

- **Euro area/Germany**

Apart from ZEW expectations for Germany and industrial production for the Euro area (both on Tuesday, see slide), final inflation data for the Euro area are on the agenda (Thursday). We expect preliminary September data to be confirmed (0.3% y/y for the headline rate). Various ECB speakers (Draghi, Weidmann, Praet) will talk over the weekend in Washington and also during next week.

On Tuesday, the **European Court of Justice** (ECJ) will hold a hearing on the "OMT case", actually case C-62/14 Gauweiler and others. A group of German academics had filed a case with the German Constitutional Court which in February expressed doubts about the OMT and referred the case to the ECJ. All this is probably a fight of the past, but it will create headlines in times where the ECB is under pressure to do much more to support the economy. A ruling from the ECJ will probably take a few more months. After the ruling, the case will be sent back to the German judges. Looking forward, similar cases (against ABS purchases or possible government bond purchases) cannot be excluded.

- **UK**

We expect CPI inflation to increase slightly to 1.6% y/y in September. The labour market continues to improve and the unemployment rate falls rapidly and was down to 6.2% in July. We expect **unemployment** to continue falling but at a slower pace onwards.

- **China**

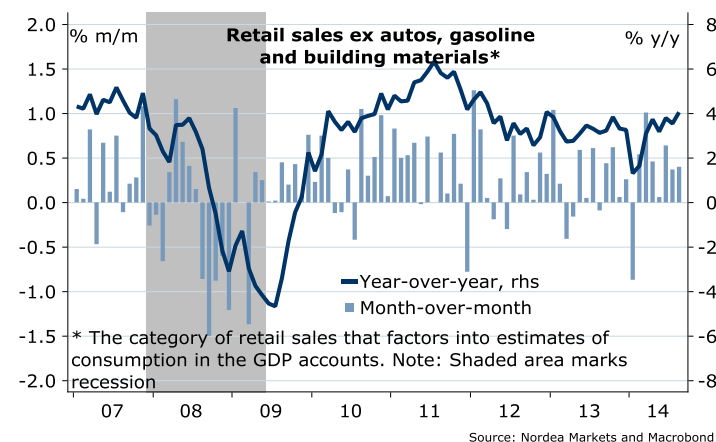
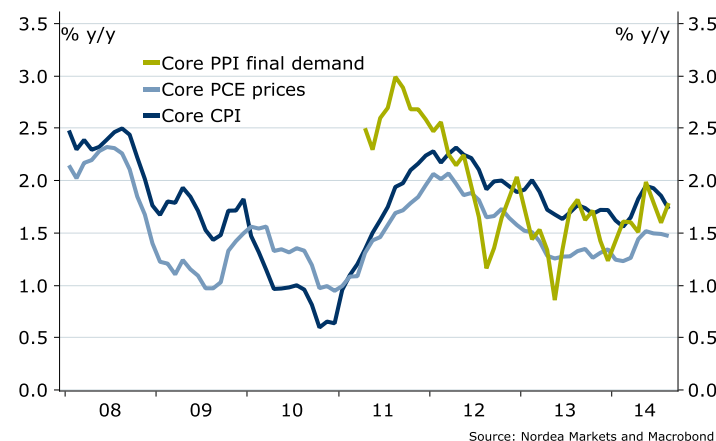
Consensus expects 1.7% CPI inflation in September. Among the inflation indicators on Wednesday, the PPI is still the one catching eyeballs. Despite improvement in recent months, producer prices remain on the falling trend.

- **Sweden**

We see CPI up by 0.5% m/m in September. This implies that CPIF will come out at 0.7% y/y. We see some downside risks, mainly stemming from the volatile prices for clothing and footwear. Prices for food is a wild card too.

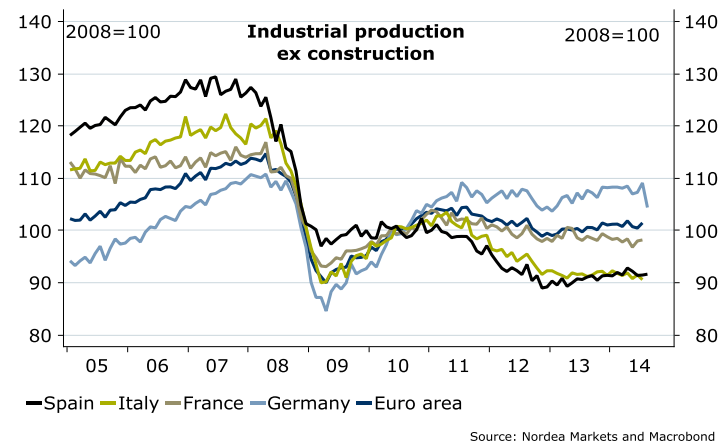
# US: Lots of second-tier data

- The coming week offers only second-tier data from the US, along with various speeches from Fed board members.
- Retail sales** data for September are also released on Wednesday. Our key focus is on the so-called control sales – ex autos, gasoline, building materials and food services – which is the category which factors into estimates of consumption in GDP. The data are volatile but our best guess is a 0.3% increase after a solid 0.4% gain in June, in line with the consensus. The reported strength in August and upward revisions to earlier months put real consumer spending back on a positive growth track.
- The October **Empire State** (Wed) and **Philly** Fed manufacturing surveys will be watched for any signs that the decline in the September ISM index to 56.6 was a signal of softening rather than just a correction of recent exaggerated strength.
- On Friday the preliminary October **Michigan consumer sentiment** index will be monitored for any signs that the decline in the September Conference Board confidence measure was more than just normal volatility.



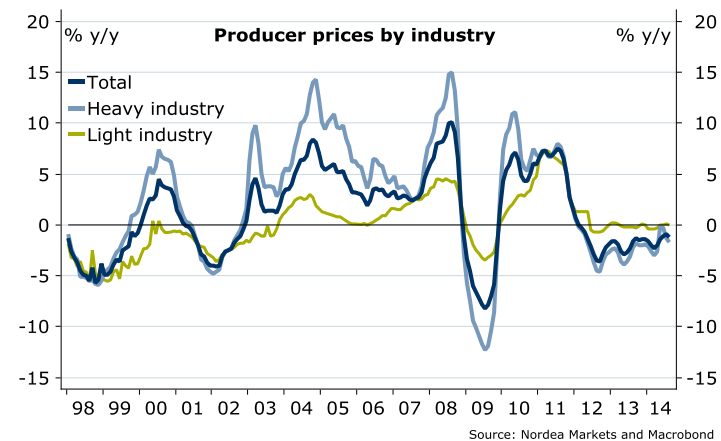
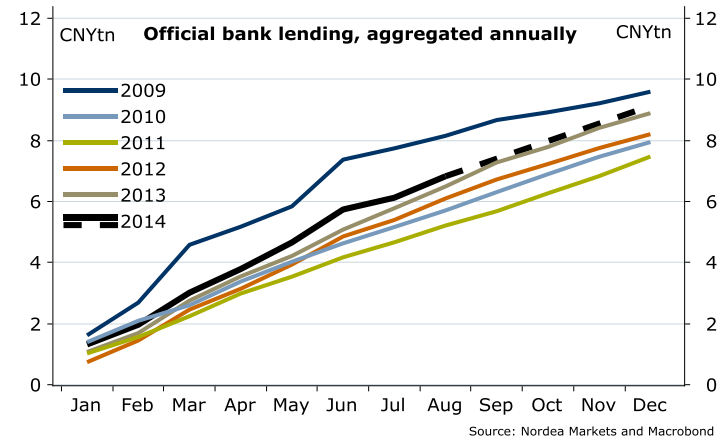
# Euro area/Germany: Industrial production/ZEW (Tue)

- Stock markets have declined over recent week, a few hard numbers at least for Germany have disappointed strongly – two strong reasons to expect the ZEW indicator to go down again. The weakening of the euro and lower oil prices could probably not compensate for the bad news. Our expectation: ZEW decline to 2 (from 6.9 in September). Moreover, the assessment of the current situation is likely to deteriorate as well. The likelihood of GDP declining in Q3 has risen, but recession is not our baseline view.
- In Germany, industrial production declined strongly in August. Results from Spain and France were better, but not strong. We expect production in the Euro area to fall by 2% m/m. That would leave production in July/August 0.8% below the Q2 average. Although the service sector is more robust, a decline in Euro-area GDP cannot be excluded.



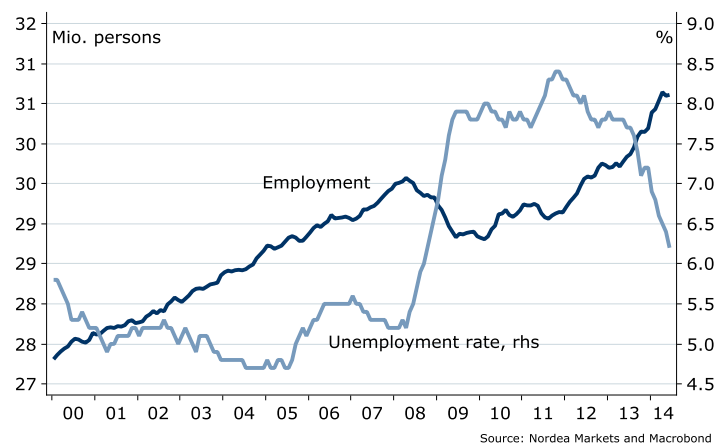
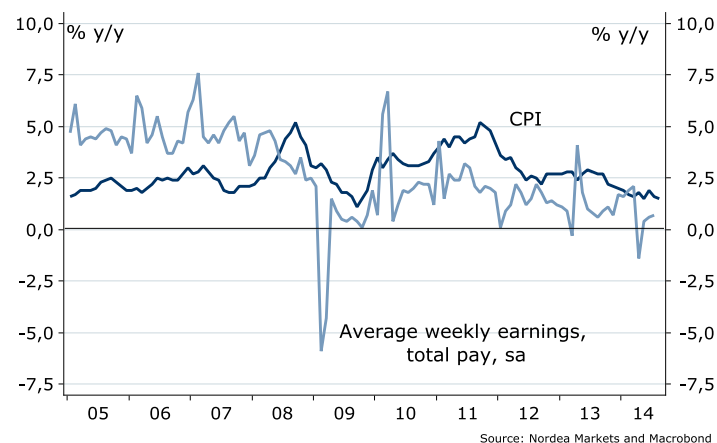
# China: New loans, inflation & trade

- Consensus expectations are that banks issued CNY 730bn new loans in September (data out sometime 10-15th).
- The most recent relaxation of lending rules for second home buyers should not yet be reflected in the data yet, but it will be interesting to see if the recent data weakness prompted another increase in loan growth in September.
- Among the inflation indicators on Wednesday, the PPI is still the one catching eyeballs. Despite improvement in recent months, producer prices remain on the falling trend. If consensus expectation is proven correct (-1.5% y/y), it is certainly not good news for the manufacturers in the heavy industrial sectors, which are already facing shrinking profit margins. Consensus expects 1.7% CPI inflation in September.
- The trade balance is likely to have shrunk significantly in September, but we believe export growth is likely to have remained high, and import growth falling.



## UK: CPI inflation to increase slightly (Tue)

- The **CPI inflation** slowed to 1.5% y/y in August, mainly due to a lower than expected prices on fuels and food. We expect CPI inflation to increase slightly to 1.6% y/y in September (*Tuesday*).
- The labour market continues to improve and the unemployment rate falls rapidly and was down to 6.2% in July. Productivity growth is still weak but will increase gradually. We expect **unemployment** to continue falling but at a slower pace onwards (*Wednesday*).
- Continuing weak wage growth and below target inflation support our view that the Bank of England is not in a hurry to hike rates. **Our forecast is still a first rate hike in Q2 2015.**



## Sweden: Downside risks to September CPI (Tue)

- We see **CPI** up by 0.5% m/m in September. This implies that CPIF will come out at 0.7% y/y.
- We see some downside risks, mainly stemming from the volatile prices for clothing and footwear. Prices for food is a wild card too.
- Our call for September is in line with the Riksbank's forecast, suggesting that the Riksbank will not cut rates at the monetary policy meeting 27 October (announcement 28 October).

Forecasts for September	Nordea	Riksbank	Prior
CPI m/m	0.5		-0.1
CPI y/y	0.0	0.0	-0.2
CPIF m/m	0.6		0.0
CPIF y/y	0.7	0.7	0.5
CPI, index	315.02		313.35

	Weight, %	Change, % m/m September 2014E	Contribution m/m, % points:	
			Sept. 2014E	Sept. 2013
Food	13.3	-0.1	-0.01	0.00
Clothing and footwear	5.2	9.8	0.51	0.36
Rents	11.4	0.0	0.00	0.00
Mortgage rates	5.7	-1.5	-0.07	0.00
Fuel, heating oil	4.4	0.2	0.01	0.00
Electricity	4.2	0.1	0.00	0.06
Other goods and services	55.8	0.2	0.09	-0.03
<b>CPI, total</b>	<b>100.0</b>	<b>0.53</b>	<b>0.53</b>	<b>0.39</b>

# Calendar

<b>Saturday, October 11, 2014</b>				Nordea	Consensus	Actual	Previous
	US	Fed's Fischer Speaks on the Global Economy in Washington					
15:00	US	Fed's Tarullo Speaks on international finance in Washington					
20:00	US	Fed's Evans Speaks at Markets conference in Washington					
<b>Monday, October 13, 2014</b>				Nordea	Consensus	Actual	Previous
	CN	Exports (y/y)	Sep		12.0%		9.4%
	CN	Imports (y/y)	Sep		-2.0%		-2.4%
	CN	Trade balance (USD)	Sep		41.10bn		49.84bn
	US	Fed's Evans Speaks on the Economic Outlook in Indianapolis					
<b>Tuesday, October 14, 2014</b>				Nordea	Consensus	Actual	Previous
08:00	SE	House prices, Mäklarstatistik (y/y)	Sep				6%
08:45	FR	HICP (m/m)	Sep	-0.5%			0.5%
08:45	FR	HICP (y/y)	Sep	0.2%			0.5%
09:30	SE	CPI (m/m)	Sep				-0.1%
09:30	SE	CPI (y/y)	Sep				-0.2%
09:30	SE	CPI, index	Sep				313.35
09:30	SE	CPIF (m/m)	Sep				0.0%
09:30	SE	CPIF (y/y)	Sep				0.5%
10:00	IT	HICP (y/y, final)	Sep				-0.2%
10:30	GB	CPI (m/m)	Sep	0.4%	0.2%		0.4%
10:30	GB	CPI (y/y)	Sep	1.6%	1.4%		1.5%
11:00	EU	Industrial production (sa, m/m)	Aug	-2.0%	-1.7%		1.0%
11:00	DE	ZEW, current situation	Oct	17	16		25.4
11:00	DE	ZEW, economic sentiment	Oct	2	0		6.9
12:00	SE	Speech by Riksbank's Ingves at Västsvenska Handelskammaren					
13:30	US	NFIB small business optimism index	Sep				96.1
<b>Wednesday, October 15, 2014</b>				Nordea	Consensus	Actual	Previous
03:30	CN	CPI (y/y)	Sep		1.7%		2.0%
08:00	SE	Prospera, inflation expectations survey					
09:00	CN	Money supply, M2 (y/y) (Exp 10- 15 Oct)	Sep		13.0%		12.8%
10:00	NO	Exports, traditional, volume (q/q)	Q3				
10:00	NO	Foreign trade with goods (bn)	Sep				22.4 bn
10:00	SE	SNDO to auction bonds (SEK 3.5bn)					
10:30	GB	Unemployment rate, claimant count	Sep		2.8%		2.9%
13:00	US	Mortgage applications, MBA	Oct				3.8%
14:00	DE	HICP (m/m, final)	Aug	0.0%	0.0%		0.0%
14:00	DE	HICP (y/y, final)	Aug	0.8%	0.8%		0.8%



# Calendar

<b>Wednesday, October 15, 2014 (continued)</b>					Nordea	Consensus	Actual	Previous
14:30	US	Empire manufacturing	Sep			20		27.54
14:30	US	PPI final demand (m/m)	Sep			0.1%		0.0
14:30	US	PPI, core (m/m)	Sep			0.1%		0.1%
14:30	US	Retail sales (m/m)	Sep			-0.2%		0.6%
14:30	US	Retail sales, ex auto and gas (m/m)	Sep			0.3%		0.5%
14:30	US	Retail sales, less autos (m/m)	Sep			0.2%		0.3%
16:00	US	Business inventories (m/m)	Aug			0.4%		0.4%
20:00	US	Fed's Beige Book						
<b>Thursday, October 16, 2014</b>					Nordea	Consensus	Actual	Previous
	US	Fed's Kocherlakota Speaks on Monetary Policy in Montana						
	US	Fed's Plosser Speaks on the Economic Outlook in Pennsylvania						
10:00	NO	House prices SSB (y/y)	Q3					1.4%
10:00	NO	Norges Bank's survey of bank lending	Q3					
11:00	EU	HICP (m/m, final)	Sep	0.4%	0.4%			0.1%
11:00	EU	HICP (y/y, final)	Sep	0.3%	0.3%			0.4%
11:00	EU	HICP core (m/m, final)	Aug	0.5%				0.3%
11:00	EU	HICP core (y/y, final)	Aug	0.7%	0.8%			0.9%
11:00	EU	Trade balance, sa	Aug	13bn				12.2bn
12:00	NO	Norges Bank announces auction of Treasury bonds						
14:30	US	Jobless claims, continuing	Sep					2381k
14:30	US	Jobless claims, initial	Sep					287k
15:00	US	TIC flows, net long-term	Sep					-18.6bn
15:00	US	TIC flows, net total	Aug					57.7bn
15:15	US	Capacity utilization	Sep		79.0%			78.8%
15:15	US	Industrial production (m/m)	Sep		0.4%			-0.1%
16:00	US	Housing market index, NAHB	Oct		59			59
16:00	US	Philadelphia Fed	Oct		20			22.5
<b>Friday, October 17, 2014</b>					Nordea	Consensus	Actual	Previous
	US	Fed's Yellen Speaks at Boston Fed Conference on Inequality						
14:30	US	Building permits	Sep		1035k			1003k
14:30	US	Housing starts	Sep		1002k			956k
14:30	US	Housing starts (m/m)	Sep		4.8%			-14.4%
15:55	US	Consumer confidence, University of Michigan (preliminary)	Sep		84.2			84.6

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