



# Week Ahead

1 – 8 May



Nordea Research, 30 April 2015

## Next week's key events

- **US**

We expect a 225k gain in nonfarm payrolls in April, close to the 220k consensus estimate but significantly stronger than the disappointing 126k rise March. We expect the unemployment rate to fall to 5.4% from 5.5% in March and forecast a 0.2% rise in average hourly earnings after March's unexpected strong 0.3% gain.

- **Euro area**

A calm week in terms of data with retail sales on Wednesday and final PMI numbers. Also on Wednesday, the ECB Governing Council will hold a non-monetary policy meeting and could decide to increase the pressure on Greece ahead of the Eurogroup meeting on 11 May. The ECB will probably not reduce the emergency liquidity assistance available but might increase the haircut on collateral handed in by Greek banks.

- **Sweden**

Much suggests that the manufacturing PMI will drop in April. We see the April manufacturing PMI at 52, down from 54.1 in March. Household consumption is on a robust upward trend and as for March, we forecast that household consumption rose by 3.0% y/y and by 0.4% m/m.

- **Norway**

We expect Norges Bank to cut rates by 25bp to 1.0%. It will not be any new rate path and if questioned about the future path it will most likely refer to the March Monetary Policy Report.

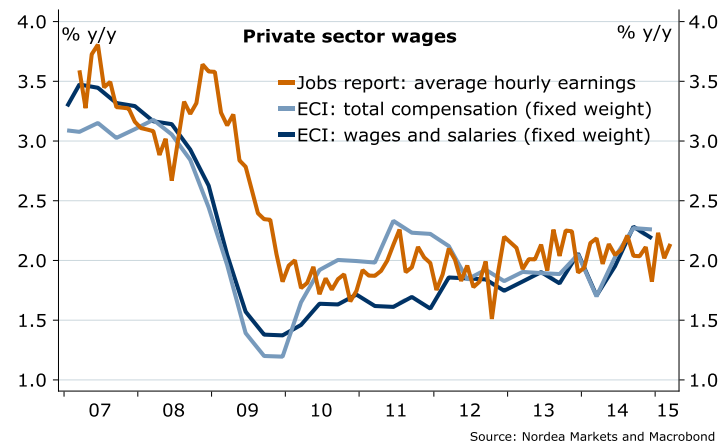
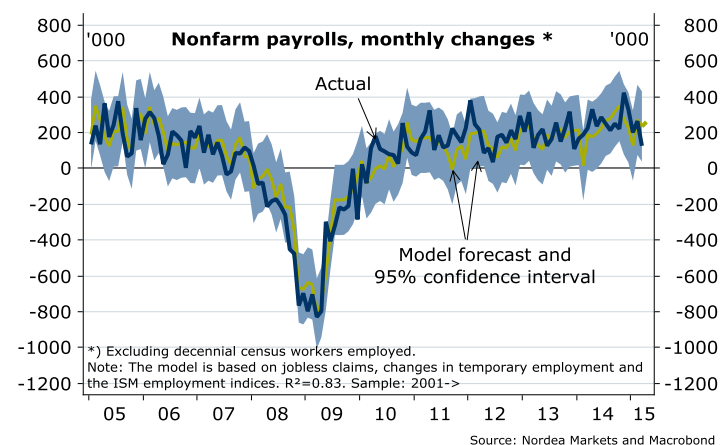
- **Denmark**

On Tuesday at 16.00 CET the Danish central bank will release the monthly data for foreign exchange and liquidity. Based on the daily numbers for excess liquidity in the money market, we estimate that the Danish central bank has been buying DKK 30bn in the FX market in April.

# US: Rebound in hiring in April (Fri)

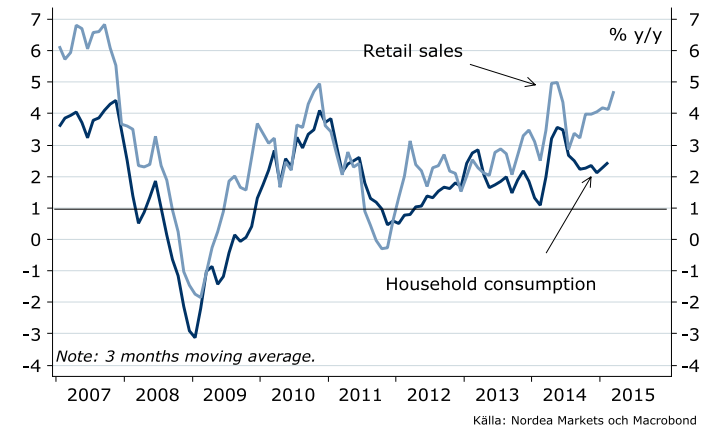
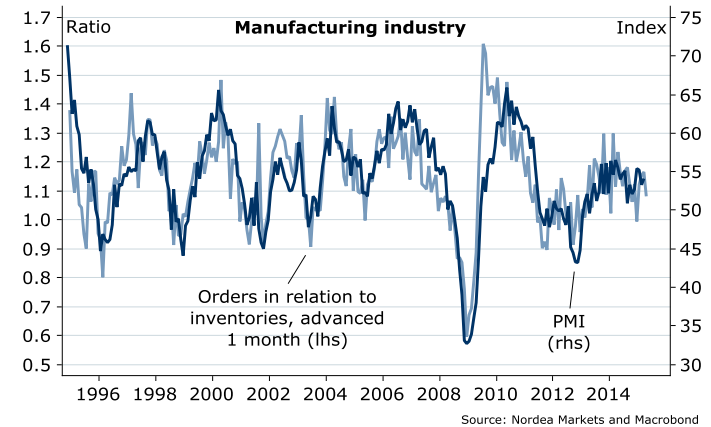
- We expect a 225k gain in **nonfarm payrolls** in April, close to the 220k consensus estimate but significantly stronger than the disappointing 126k rise March.
- Recent labour market indicators including jobless claims continue to signal strength, suggesting that colder-than-normal temperatures and other temporary factors were an important drag on job growth in March.
- We expect the **unemployment rate** to fall to 5.4% from 5.5% in March. The forecast is based on an assumed modest rebound in the labour force after a 96k decline in March and a solid increase in employment according to the household survey. The consensus estimate is also 5.4%.
- We forecast a 0.2% rise in **average hourly earnings** after March's unexpected strong 0.3% gain. Year-over-year hourly earnings growth should increase to 2.3% from 2.1% in March.

April 2015	Nordea	Consensus	Previous
Nonfarm payrolls growth, k	225	220	126
Unemployment rate, %	5.4	5.4	5.5
Average hourly earnings, % m/m	0.2	0.2	0.3



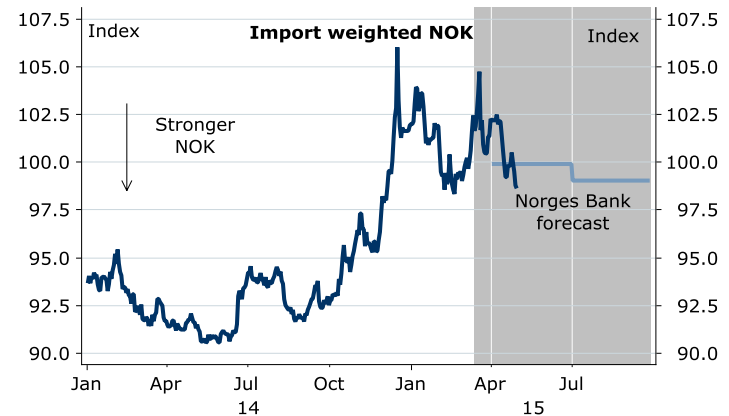
# Sweden: Distressed industry, surging consumption

- Much suggest that **manufacturing PMI** will drop in April. NIER's MCI fell sharply to below its historical average, global PMI have disappointed so far and companies have become more concerned over inventories. We see April manufacturing PMI at 52, down from 54.1 in March (*Mon*).
- The recovery in the manufacturing industry is not gathering pace, and **production** growth was probably subdued also in March. The service sector is on the other hand showing strong growth and remains the main growth driver. Our call for production in the manufacturing industry is -0.5% y/y and in the service sector 2.5% y/y for March (*Tue*).
- **Household consumption** is on a robust upward trend. As for March, we forecast that household consumption rose by 3.0% y/y and by 0.4% m/m. This would be consistent with the strong trend in retail sales (*Fri*).

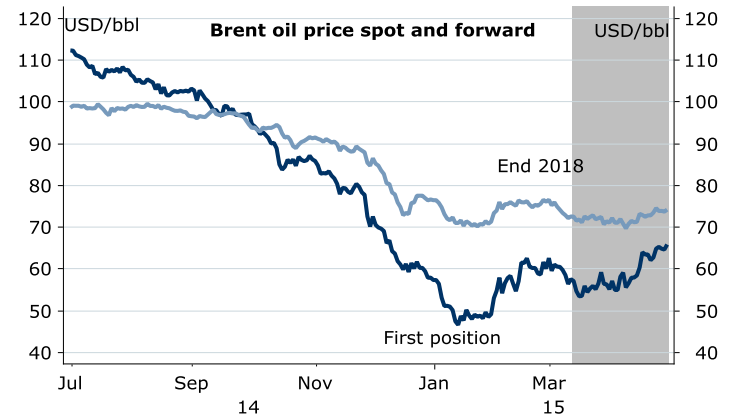


# Norway: Norges Bank will choose May (Thu)

- We expect Norges Bank to cut rates by 25bp to 1.0% (Thu 10:00). It will not be any new rate path and if questioned about the future path it will most likely refer to the March Monetary Policy Report.
- Norges Bank said in March that it would cut rates either in May or June. The rate path gave a 50% probability of a rate cut at each meeting, and a 20% probability of another rate cut towards the end of the year.
- We judge the development since March to be on the weak side and consequently we expect Norges Bank to cut rates in May.
- Signals of somewhat lower wage growth, lower rates abroad, higher money market rates and weak growth in house prices all argue for a rate cut. Lately NOK has been on the strong side too.
- The rise in oil prices is the one argument for not cutting rates in May. Spot prices are up USD 8 per barrel since the March meeting, but forward prices at the end of the forecast period are only up USD 2 per barrel
- The market prices less than 50% chance of a May cut, thus NOK will weaken and money market rates fall if we are right.



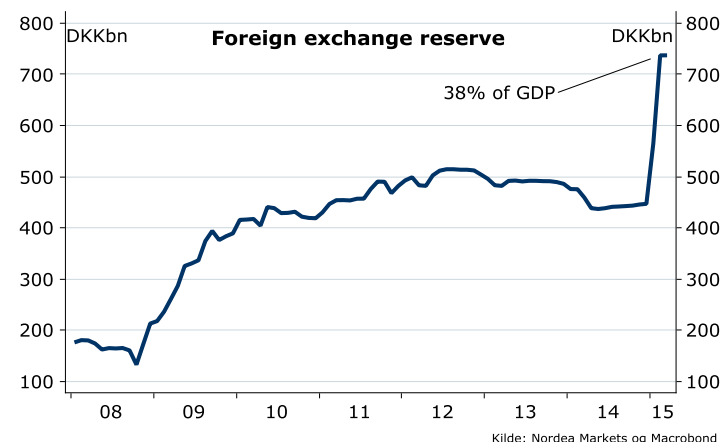
Source: Nordea Markets and Macrobond



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# Denmark: Central bank has started to buy DKK (Tue)

- On Tuesday at 16.00 CET the Danish central bank will release the monthly data for foreign exchange and liquidity.
- Based on the daily numbers for excess liquidity in the money market, we estimate that the Danish central bank has been buying DKK 30bn in the FX market in April. If correct, this will be the third-largest DKK purchase since the introduction of the euro.
- We see the DKK purchases by the central bank as yet another step in the long normalisation process in the aftermath of the strong pressure in the beginning of the year. Therefore we do not expect the central bank to hike interest rates anytime soon.
- On the contrary, we think the central bank is very pleased with the current situation as it allows the bank to bring down the currency reserve from the current very high level.
- We expect the next step in the central bank roadmap for normalisation to be a restart of Danish government bond issuance. We expect this to happen later in Q2 or early in Q3 this year. Towards year-end we expect the first hike in the CD rate from the Danish central bank.



# Calendar

Friday, 01/05/2015					Nordea	Consensus	Actual	Previous
	DK	General Prayer Day						
00:30	JP	CPI, national (y/y)	Mar			2.2%		2.2%
01:30	JP	CPI, national, excluding food and energy (y/y)	Mar			2.0%		2.0%
03:00	CN	PMI, manufacturing, NBS	Apr			50.0		50.1
10:30	GB	PMI, manufacturing	Apr			54.6		54.4
14:30	US	Fed's Mester Speaks on Consumer Credit in Philadelphia						
15:45	US	Markit manufacturing PMI (final)	Apr			54.2		54.2
16:00	US	Construction spending (m/m)	Mar			0.5%		- 0.1%
16:00	US	Consumer confidence, U. of Mich., 5- 10Y inflation (final)	Apr					2.6%
16:00	US	Consumer confidence, University of Michigan (final)	Apr			96.0		95.9
16:00	US	ISM, manufacturing	Apr	52.0		52.0		51.5
16:00	US	ISM, prices paid	Apr			42.0		39.0
21:45	US	Fed's Williams Speaks at Chapman University Conference						
23:00	US	Vehicle sales, total	Apr			16.9m		17.1m
Monday, 04/05/2015					Nordea	Consensus	Actual	Previous
	GB	Early May Bank Holiday						
03:45	CN	PMI, manufacturing (final), HSBC	Apr			49.4		49.2
08:30	SE	PMI, manufacturing	Apr	52				54.1
09:55	DE	PMI, manufacturing (final)	Apr	51.9		51.9		51.9
10:00	EU	PMI, manufacturing (final)	Apr	51.9		51.9		51.9
10:00	NO	Norges Bank regional network report (Phone survey)						
10:00	NO	Unemployment rate, registered (unadj. and excl. labour market s	Apr	3.0%				3.0%
10:00	NO	Unemployment, total registre (sa)	Apr	79100				78 133
13:00	SE	Meeting of the General Council of the Riksbank						
16:00	US	Factory orders (m/m)	Mar			2.2%		0.2%
18:25	US	Fed's Evans Speaks on Economy and Monetary Policy in Indiana						
21:10	US	Fed's Williams Speaks at Pacific Community Ventures Luncheon						
Tuesday, 05/05/2015					Nordea	Consensus	Actual	Previous
06:30	AU	RBA announces interest rates (cash target)	May			2.00%		2.25%
09:30	SE	Industrial production (y/y)	Mar					- 3.9%
09:30	SE	Private service sector production (y/y)	Mar	2.5%				3.1%
14:30	US	Trade balance (USD)	Mar			- 39.6bn		- 35.4bn
15:45	US	Markit composite PMI (final)	Apr					57.4
15:45	US	Markit services PMI (final)	Apr					57.8
16:00	DK	Foreign currency reserves (DKK)	Apr					737.1
16:00	US	ISM, non- manufacturing, composite	Apr			56.1		56.5

# Calendar

Wednesday, 06/05/2015					Nordea	Consensus	Actual	Previous
09:55	DE	PMI, services (final)	Apr		54.4	54.4		54.4
10:00	EU	PMI, composite (final)	Apr		53.5	53.5		53.5
10:00	EU	PMI, services (final)	Apr		53.7	53.7		53.7
	EU	ECB: Non- monetary policy meeting in Frankfurt						
10:30	GB	PMI, services	Apr					58.9
11:00	EU	Retail sales (m/m)	Mar		-0.8%			-0.2%
11:00	NO	House prices NEF (m/m, sa)	Apr					0.1%
11:00	SE	SNDO to auction bonds (SEK 4 bn)						
12:00	SE	Riksbank, speech by Stefan Ingves, published						
12:10	PL	NBP announces interest rates (Base rate)	May			1.50%		1.50%
13:00	US	Mortgage applications, MBA	May					2.3%
14:00	US	Fed's Kocherlakota Holds Open Forum in Marshall, Minnesota						
14:15	US	Employment, ADP (absolute change m/m)	Apr			185k		189k
14:30	US	Nonfarm productivity (q/q annualised, preliminary)	Q1			-1.5%		-2.2%
14:30	US	Unit labor costs (q/q annualised, preliminary)	Q1			3.6%		4.1%
15:15	US	Fed's Yellen, IMF's Lagarde Speak on Panel in Washington						
18:00	US	Fed's Mester Speaks at University of Cincinnati						
18:40	US	Fed's Lockhart Speaks on Monetary Policy in Louisiana						
19:15	US	Fed's George Speaks on Credit Markets Panel in Washington						
Thursday, 07/05/2015					Nordea	Consensus	Actual	Previous
08:00	DE	Factory orders (m/m)	Mar		1.5%	1.5%		-0.9%
08:45	FR	Industrial production (m/m)	Mar		0.2%	-0.1%		0.0%
09:30	SE	House prices, Statistic Sweden (y/y)	Apr					9%
10:00	NO	Norges Bank publishes interest rate decision and holds press conference						
11:00	SE	Riksbank, speech by Cecilia Skingsley, not published						
11:00	SE	Riksbank, speech by Kerstin af Jochnick, published						
11:00	SE	SNDO to auction inflation- linked bonds (SEK 1bn)						
12:30	US	Challenger job cuts (y/y)	Apr					6.4%
13:00	CZ	CNB announces interest rates (Repo rate)	May			0.05%		0.05%
14:30	US	Jobless claims, continuing						
14:30	US	Jobless claims, initial						
18:45	EU	ECB's Mersch Speaks in Barcelona						
21:00	US	Consumer credit	Mar			15.8bn		15.5bn



# Calendar

Friday, 08/05/2015				Nordea	Consensus	Actual	Previous
	CN	Exports (y/y)	Apr		3.7%		- 15.0%
	CN	Imports (y/y)	Apr		- 12.8%		- 12.7%
	CN	Trade balance (USD)	Apr		40.0bn		3.08bn
08:00	DE	Industrial production (m/m)	Apr	0.5%			0.2%
08:30	NO	Speech by Norges Bank Governor Olsen (Charts published)					
09:00	DK	Industrial production (m/m, sa)	Mar				0.8%
09:00	SE	Meeting of the Executive Board of the Riksbank					
09:30	SE	Business sector production (m/m)	Mar				0.7%
09:30	SE	Central Government debt	Apr				1.7bn
09:30	SE	Household consumption (m/m)	Mar	0.4%			0.7%
09:30	SE	Household consumption (y/y)	Mar	3.0%			3.4%
09:30	SE	The Swedish central government debt					
11:00	NO	Speech by Norges Bank Governor Olsen (Charts published)					
14:30	US	Average weekly hours	Apr		34.5		34.5
14:30	US	Hourly earnings, average (m/m)	Apr	0.2%			0.3%
14:30	US	Hourly earnings, average (y/y)	Apr	2.3%			2.1%
14:30	US	Labour force participation rate	Apr				62.7%
14:30	US	Nonfarm payrolls (absolute change m/m)	Apr	225k	220k		126k
14:30	US	Nonfarm private payrolls (absolute change m/m)	Apr		215k		129k
14:30	US	Unemployment rate	Apr	5.4%	5.4%		5.5%

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