



Week Ahead

19 – 25 Sep



Nordea Research, 18 September 2015

Next week's key events

- **China**

The flash Caixin/Markit PMI on Wednesday is likely to show continued weakness in the Chinese manufacturing sector in September, as both cyclical and structural challenges still cloud the outlook. The headline index is expected to remain below 50. The market expects 47.6.

- **Euro area**

Lots of data on the agenda with flash PMIs and the Ifo index for September as the highlights. We expect small declines leaving the indicators in no-man's-land neither indicating a clear acceleration nor deceleration. On Thursday, the ECB will announce the allotment of the fifth targeted longer-term refinancing operation (TLTRO). The fourth TLTRO had seen a sizable uptake of EUR 74bn. Even though market focus seems centered on the QE programme and its implementation, we find the TLTROs an important component in supporting the credit environment.

- **Greece**

Greeks go to the polls again next Sunday. Another Syriza victory appears marginally the most likely outcome. The main task of the next government will be to implement the third bailout package. Troubles in forming a government could cause some volatility on financial markets, mainly on Greek markets, but the broader market response is likely to be very limited.

- **US**

Next week's key events are several speeches by Fed officials including Chair Yellen (Thu). The speeches could give more insight into the reasons why the Fed decided to pass on raising rates this week. In particular, we look forward to hearing why global events suddenly play such an important role for the bank's rate decisions. In terms of data, there are only second-tier releases in the calendar, including durable goods orders (Thu), the third version of Q2 GDP (Fri), manufacturing surveys (Tue, Wed, Thu) and home sales (Mon+Thu).

- **Norway**

We believe Norges Bank will keep rates on hold at 1% on the monetary policy meeting (Thu). However, the rate path will hold the door open for another rate cut (easing bias). We believe the path will indicate more than 50% chance of a cut already at the November meeting. We would see a stronger NOK and higher short term rates if we are right.

- **Sweden**

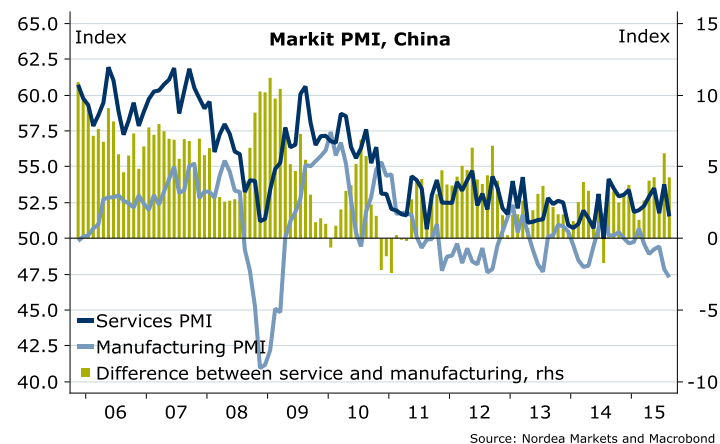
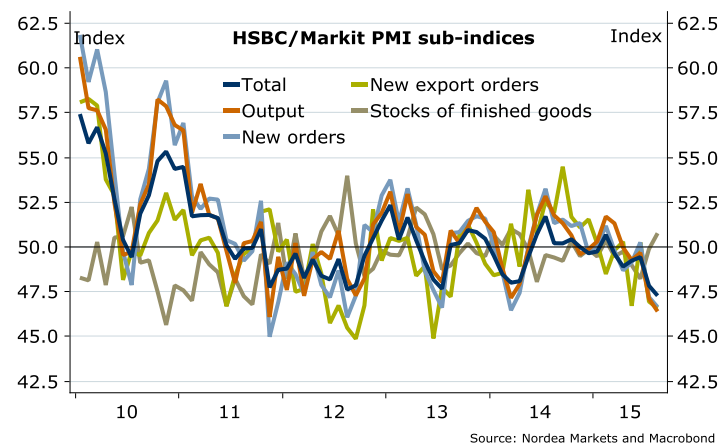
The red-green government will present its Budget Bill for 2016 (Mon), which includes comprehensive **tax hikes worth of SEK 35bn**. **Sentiment in the business sector as well as for households** will be out on Tuesday and we see CCI at 98 (prior 100.1) and MCI at 102 (104.8).

- **Emerging Markets**

There will be several interest rate announcements from central banks this week; Mexico on Monday, Turkey on Tuesday, South Africa on Wednesday and Philippines and Czech Republic on Thursday.

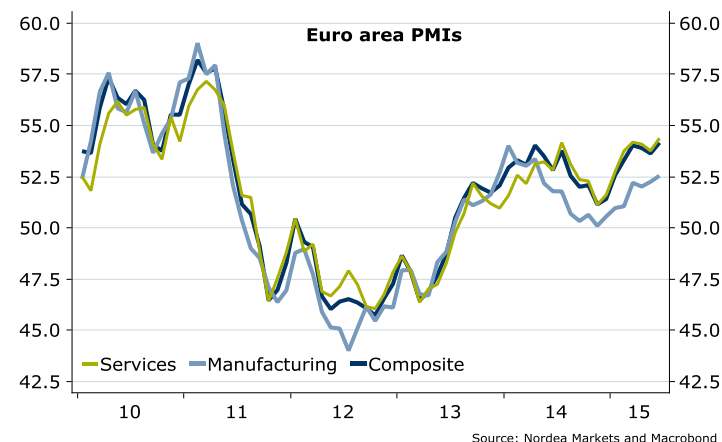
China: continued weak flash PMI (Wed)

- The flash Caixin/Markit PMI on Wednesday is likely to show continued weakness in the Chinese manufacturing sector in September, as both cyclical and structural challenges still cloud the outlook. The headline index is expected to remain below 50. The market expects 47.6 (Bloomberg).
- Part of the reason for the reading of 47.3 from August was the close-down of the major industries surrounding the capital city due to the military parade to celebrate the 70-year anniversary for the WWII. Therefore, the PMI headline index could very well recover from the August trough.
- When it is said, we do not expect the PMI reading to jump to above 50 or even close to 50. Cyclically, the recovery in housing sales is gaining traction but it has not translated to strong manufacturing demand yet.
- Structurally, overcapacity and inventory overhang remains a severe problem for the manufacturing sector, particularly the heavy segment, so any cyclical upside to manufacturing demand is capped.
- The Chinese economy has changed so that the service sector is taking a more important role. Apart from the fall over the last few months, which is due to declining financial services, services are holding up steadily.



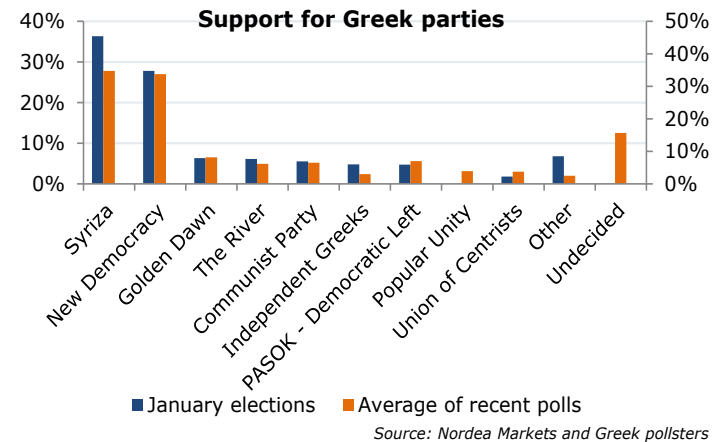
Euro area: PMIs (Wed) and Ifo (Thu) slightly down

- We expect both the PMIs and the Ifo index to send signals of **moderate weakness**, indicating that economic momentum is at least not increasing.
- **We consider the risks to our calls as balanced.** A composite PMI around current levels indicates growth of around 0.4% q/q.
- The **Ifo** surprised us with a small increase in August – not again in September in our view. The **China worries** will take a toll, that in our opinion will not be compensated by the low oil price. One factor of uncertainty is whether the strong inflow of asylum seekers will have an impact on business sentiment. If so, the effect will be more likely up than down.



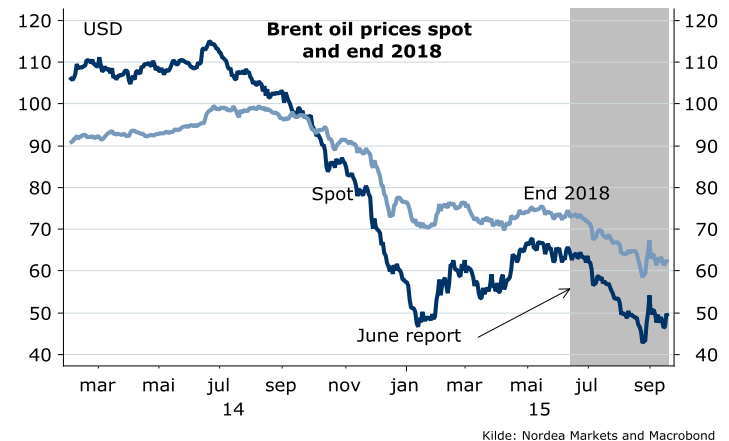
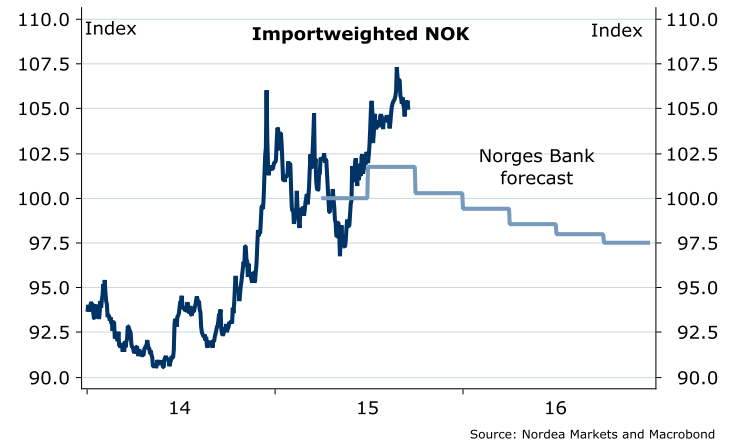
Greece: Another vote that will change nothing (Sun)

- [The Greeks will head to the polls again on Sunday](#), and polls suggest the results are too close to call.
- Another Syriza victory appears marginally the most likely outcome, though this would also lead to a more challenging government formation.
- The stakes are much lower compared to the previous votes, and it looks practically certain that the main task of the next government will be to implement the third bailout package.
- Financial markets are unlikely to follow the Greek elections particularly closely this time. At most, troubles in forming a government could cause some volatility on financial markets, mainly on Greek markets, but the broader market response is likely to be very limited.
- The real risks lie farther away and Grexit is not off the table. The anti-euro campaign is only starting, and has a new voice arguing for it – the Popular Unity. The bailout implementation will be very painful, and any economic recovery has been postponed further. The recent history of the willingness of Greece to implement its programmes heavily suggests it will not meet the new conditions either, at which time the Grexit issue will return.



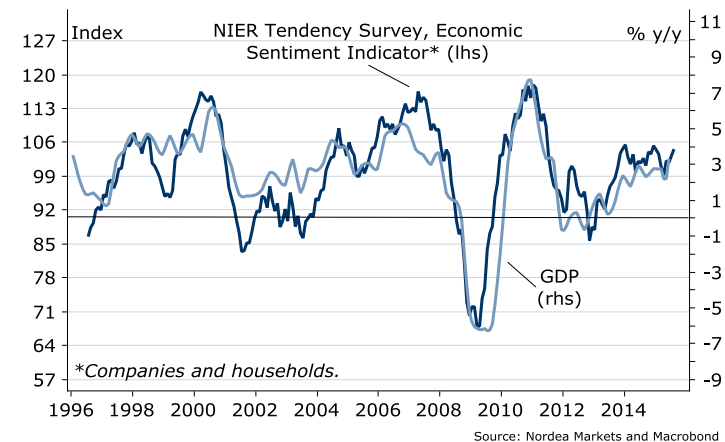
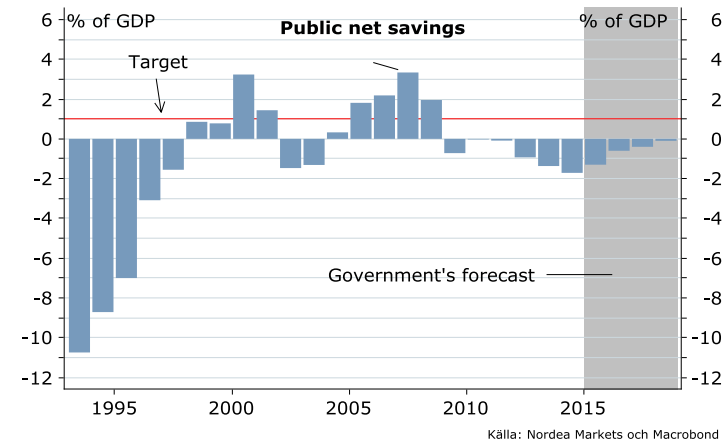
Norway: No rate cut, but easing bias remains (Thu)

- We believe Norges Bank will keep rates on hold at 1% on the monetary policy meeting 24 September (10:00). However, the rate path will hold the door open for another rate cut (easing bias). We believe the path will indicate more than 50% chance of a cut already at the November meeting.
- The rate path from June gave a cut at the September meeting a rather high probability and after that oil prices have dropped by USD 10 -15 per barrel. That argues for a cut already at this meeting. However, NOK is currently nearly 5% weaker than Norges Bank's forecast. That argues for rates on hold.
- Norges Bank will have to maintain an easing bias to prevent NOK from strengthening too much at the meeting. Weak NOK seems to be Norges Bank's main tool against the oil weakness.
- Our view of rate on holds seems to be in line with consensus. The market prices 2/3 chance for unchanged rates.
- We would see somewhat stronger NOK and higher short term rates if we are right.



Sweden: Expect a tight budget bill (Mon)

- The red-green government will present its **Budget Bill** for 2016 on Monday, 21st of September. Since the government has vast reform agenda, which is said to be fully financed, there will be comprehensive **tax hikes worth of SEK 35bn**. Most of the content in the Budget Bill is already known. Read more [here](#). (Mon)
- **Sentiment in the business sector as well as for households** was probably hit by the turmoil in stock markets and uncertainty on the global economy. Even so, confidence in the economy should remain at a healthy level consistent with a robust GDP growth. We see CCI at 98 (prior 100.1) and MCI at 102 (104.8). (NIER's Tendency Survey, Thu)



Calendar

Saturday, 19/09/2015					Nordea	Consensus	Actual	Previous
19:30	US	San Francisco Fed's John Williams speaks in New York						
21:30	US	Fed's Bullard Speaks on U.S. Economy, Banking in Nashville						
Monday, 21/09/2015					Nordea	Consensus	Actual	Previous
	MX	BoM announces interest rates	Sep	3.0%				
	SE	The Swedish budget bill is published						
14:45	EU	ECB's Coeure speaks in Rome						
16:00	US	Home sales, existing	Aug		5.50m			5.59m
16:00	US	Home sales, existing (m/m)	Aug		- 1.6%			2.0%
18:30	EU	ECB's Praet speaks in Geneva						
19:00	US	Fed's Lockhart Speaks on Economy in Atlanta						
Tuesday, 22/09/2015					Nordea	Consensus	Actual	Previous
09:00	DK	Consumer confidence	Sep	8.0	8.0			9.2
09:00	DK	Retail sales (m/m, sa)	Aug	0.3%				0.5%
09:00	DK	Retail sales (y/y)	Aug					3.4%
09:30	EU	ECB's Supervisory chair Daniele Nouy speaks in Paris						
13:00	TR	CBT announces interest rates (Benchmark repo rate)	Sep		7.5%			7.50%
13:00	TR	CBT announces interest rates (Overnight lending rate)	Sep		10.75%			10.75%
14:00	HU	MNB announces interest rates (Base rate)	Sep		1.35%			1.35%
15:00	US	House prices, FHFA (m/m)	Jul		0.4%			0.2%
16:00	EU	Consumer confidence (flash)	Sep	- 7.2	- 7.0			- 6.9
16:00	US	Richmond Fed manufacturing index	Sep		3			0
Wednesday, 23/09/2015					Nordea	Consensus	Actual	Previous
	NO	LFS unemployment	Jul	4.5%				4.5%
00:30	US	Fed's Lockhart speaks on economy in Alabama						
03:45	CN	PMI, manufacturing (flash), HSBC	Sep		47.6			47.3
08:45	FR	GDP (q/q, final)	Q2	0.0%	0.0%			0%
08:45	FR	GDP (y/y, final)	Q2	1.0%	1.0%			1%
09:00	FR	PMI, manufacturing (preliminary)	Sep	48	48.3			48.3
09:00	FR	PMI, services (preliminary)	Sep	51	51			50.6
09:30	DE	PMI, manufacturing (preliminary)	Sep	53	52.7			53.3
09:30	DE	PMI, services (preliminary)	Sep	54.5	54.5			54.9
10:00	EU	PMI, composite (flash)	Sep	54	54			54.3
10:00	EU	PMI, manufacturing (flash)	Sep	52	52			52.3
10:00	EU	PMI, services (flash)	Sep	54	54.2			54.4

Calendar

Wednesday, 23/09/2015 (Continued)					Nordea	Consensus	Actual	Previous
10:00	ZA	CPI (y/y)	Aug			4.8%		5.0%
11:00	SE	SNDO to auction T- bills (SEK 17.5bn)						
13:00	US	Mortgage applications, MBA	Sep					
14:00	ZA	SARB announces interest rates	Sep		6.00%	6.00%		6.00%
15:00	EU	ECB President Draghi Quarterly Hearing at the European Parliament						
15:45	US	Markit manufacturing PMI (preliminary)	Sep			53.2		53
18:30	US	Fed's Lockhart speaks on economy in Columbus, Georgia						
Thursday, 24/09/2015					Nordea	Consensus	Actual	Previous
08:00	DE	Consumer confidence, Gfk	Oct		9.8	9.8		9.9
08:45	FR	Business confidence (manufacturing), INSEE	Sep		103	103		103
09:00	SE	Consumer confidence	Sep					100.1
09:00	SE	Economic tendency survey	Sep					104.6
09:00	SE	Manufacturing confidence	Sep					104.8
09:30	SE	PPI (m/m)	Aug					- 1.1%
09:30	SE	PPI (y/y)	Aug					- 0.6%
10:00	DE	Ifo, business climate (main)	Sep		107.3	107.9		108.3
10:00	DE	Ifo, current assessment	Sep		114.0	114.7		114.8
10:00	DE	Ifo, expectations	Sep		101	101.6		102.2
10:00	NO	Norges Bank publishes interest rate decision and holds press conference			1.0%			1.0%
10:00	NO	Norges Bank publishes new Monetary Policy Report						
10:00	PH	BSP announces interest rates	Sep					4.00%
11:00	SE	SNDO to auction inflation- linked bonds (SEK 1bn)						
13:00	CZ	CNB announces interest rates (Repo rate)	Sep			0.05%		0.05%
14:30	US	Durable goods orders (m/m)	Aug			- 2.2%		2.0%
14:30	US	Durable goods orders, ex transportation (m/m)	Aug			0.2%		0.6%
14:30	US	Jobless claims, continuing	Sep					
14:30	US	Jobless claims, initial	Sep					
16:00	US	Home sales, new	Aug			515k		507k
16:00	US	Home sales, new (m/m)	Aug			1.6%		5.4%
16:00	US	Kansas City Fed manufacturing activity	Sep					- 9
23:00	US	Fed Chair Janet Yellen to Deliver Lecture at Amherst						

Calendar

Friday, 25/09/2015				Nordea	Consensus	Actual	Previous
01:30	JP	CPI, national (y/y)	Aug		0.1%		0.2%
01:30	JP	CPI, national, excluding food and energy (y/y)	Aug		0.7%		0.6%
01:30	JP	CPI, national, excluding fresh food (y/y)	Aug		-0.1%		0.0%
08:45	FR	Consumer confidence	Sep	93	94		93
09:00	EU	Bundesbank Chief Weidmann takes part in Florence conference					
09:30	SE	Financial market statistics, household lending (y/y)	Aug				7.1%
10:00	EU	M3 (y/y)	Aug	5.5%	5.3%		5.3%
14:30	US	GDP (q/q annualised, 3rd release)	Q2		3.7%		3.7%
14:30	US	GDP deflator (q/q annualised, 3rd release)	Q2		2.1%		2.1%
14:30	US	PCE prices, core (q/q annualised, 3rd release)	Q2		1.8%		1.8%
14:30	US	Personal consumption (q/q annualised, 3rd release)	Q2		3.15		3.1%
15:15	US	Fed's Bullard to Speak on Monetary Policy in St. Louis					
15:45	US	Markit composite PMI (preliminary)	Sep				55.7
15:45	US	Markit services PMI (preliminary)	Sep		55.5		56.1
16:00	US	Consumer confidence, U. of Mich., 5- 10Y inflation (final)	Sep				
16:00	US	Consumer confidence, University of Michigan (final)	Sep		87		85.7
19:25	US	Fed's George Speaks on Economy in Omaha, Nebraska					

Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S.

The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results.

Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction.

This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.

Editor:

Joachim Vilhelm Koch
Assistant Analyst
Global Research
+45 33 33 40 07

Joachim.vilhelm.koch@nordea.com