



Week Ahead

9 – 17 Jan



Nordea Research, 8 January 2016

Next weeks' key events

- **US**

Next week brings only second-tier data releases. The most important is likely December **retail sales** (Fri), which is expected to show less strength than last month. The so-called **control sales**, which filter into GDP and exclude autos, gasoline and building materials, are expected to rise 0.3% after a 0.6% gain in November, still consistent with steady growth in real consumer spending. December **industrial production** numbers (Fri) will show whether manufacturing has actually fallen into recession as suggested by the ISM survey. The November **Job Opening and Labour Turnover Survey** (JOLTS, Tue) report is expected to provide another indication that the US labour market is maintaining healthy momentum. There is a lot of Fed speak to decipher for clues to the Fed's interest rate intentions including speeches by Dudley (dove, voter, Fri), Bullard (hawk, voter, Thu) and Rosengren (dove, voter, Wed).

- **Euro area**

In a week with few data points, the ECB **minutes from the December policy meeting** might be most interesting (Thu). Back then, the ECB's easing measures fell short of market expectations and the minutes may give clues about why the ECB did not opt for more aggressive easing. On the data side, **industrial production** has most likely declined in November (Wed.). On Thursday, Germany will publish preliminary data for **GDP growth in 2015** (but not for Q4). We expect 1.5% for the calendar-adjusted increase in GDP and 1.7% for the non-adjusted.

- **China**

The **CPI and PPI inflation** (Sat) are expected at 1.6% and -5.8%, respectively. The **new yuan loan** data (10th – 15th) is expected to be record high at a total of CNY 12tn (USD 1.8tn). Finally, the market expects December **exports** to fall by 7.5% y/y and **imports** by 10.9% (Wed).

- **UK**

Bank of England will report on the **January MPC meeting** on Thursday. We expect the BoE to keep its monetary policy stance unchanged and we keep our **forecast that the BoE will start hiking rates in Q2 2016**.

- **Sweden**

We expect **CPI inflation** at 1.0% y/y in December, unchanged from November. We don't expect the Riksbank to take more action.

- **Denmark**

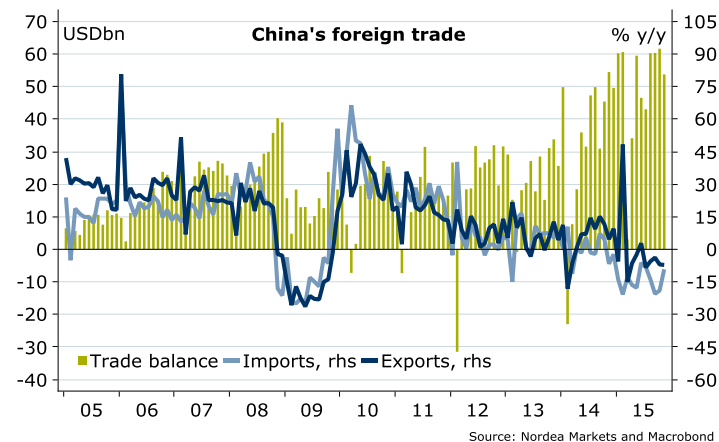
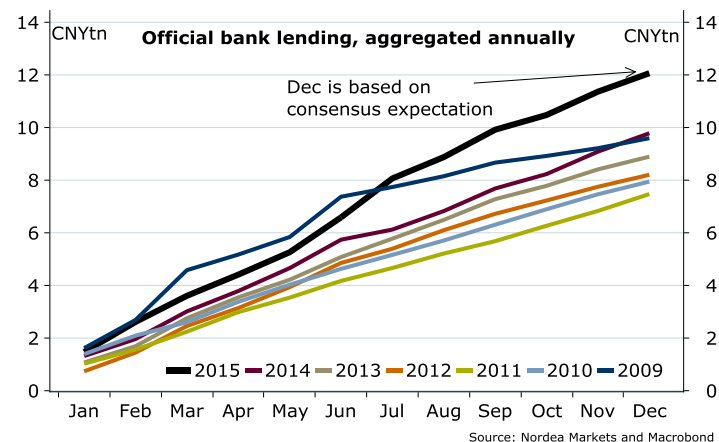
The Danish **inflation figures** for December will be released on Monday. Here we expect an unchanged year-over-year rate at 0.3%, equivalent to -0.2% m/m. Based on the continuous fall in oil prices we now expect Danish inflation to rise by 0.8% in 2016 (previous 1.1%) and an increase of 1.6% (1.9%) for 2017.

- **Norway**

We forecast **core inflation** at 3.1% y/y in December (Mon) unchanged from last month. A high December figure together with the latest NOK weakening will lift the forecast for 2016 inflation to well above 3%.

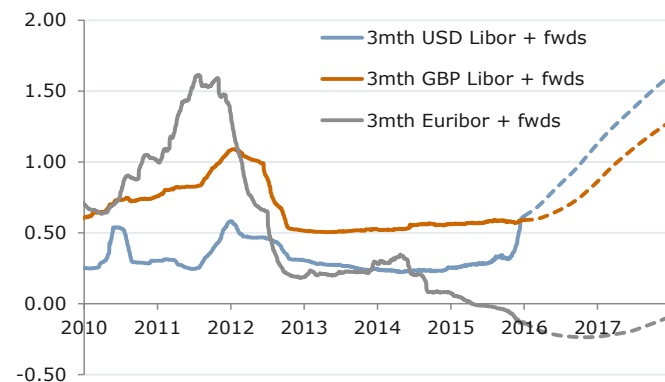
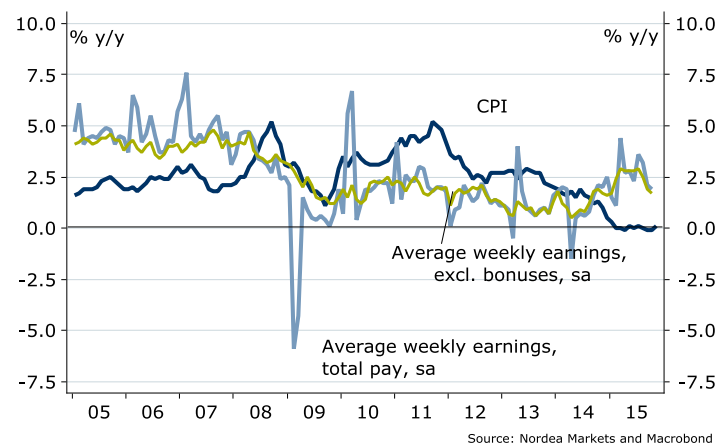
China: inflation (Sat), credit (Sun) and trade (Wed)

- In the coming week China will publish a number of macro data for December that will likely deliver one key message: although growth continues to face plenty of challenges, especially in the industrial sector, the risk of an outright economic crisis is very limited. This message offers a crucial perspective amid the on-going turmoil in the Chinese stock and currency markets.
- Overcapacity and renewed decline in oil prices imply little inflation pressure in China. The **CPI and PPI inflation** are expected at 1.6% and -5.8%, respectively.
- The **new yuan loan** data (10th – 15th) will beyond any doubt show that 2015 created a new record in official bank lending, an expected total of CNY 12tn (USD 1.8tn). This is exactly why we are concerned about the credit bubble. Government implicit guarantees are likely able to prevent this bubble from bursting this year but the risk increases beyond 2017.
- The market expects December **exports** to fall by 7.5% y/y and **imports** by 10.9%. Sluggish global demand and falling import prices are, and remain, the key reason. Little export boost is expected from the latest yuan weakening. The trade-weighted yuan, a better gauge of China's competitiveness has stayed relative stable.



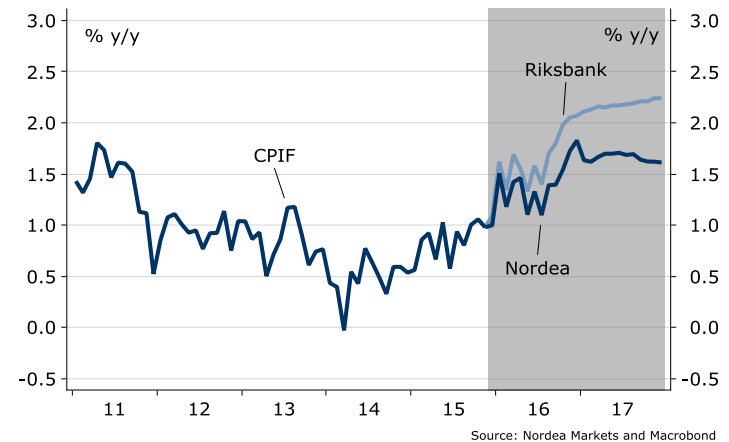
BoE: Most likely slightly dovish MPC minutes (Thu)

- We expect the BoE to keep its monetary policy stance unchanged at its **January MPC meeting**.
- Most likely there will still be only one of the MPC members, *Ian McCafferty*, that will vote for hiking the policy rate (by 25 bp) at the January meeting.
- The December MPC minutes stated that *"There was no mechanical link between UK policy and those of other central banks, and the UK policy stance would be determined ultimately by the inflation outlook here."*
- Recent falls in commodity prices increase the likelihood that near term inflation rates would remain subdued. Furthermore, wage growth has been somewhat weaker than expected. This suggest that the January MPC minutes will be slightly dovish.
- However, medium-term inflation expectations remain well-anchored around the 2 percent inflation target.
- **We keep our forecast that the BoE will start hiking rates in Q2 2016.** The market is currently pricing a first rate hike in Q4. We think it is too far away! Fed hiked in December 2015 and historically the BoE has not lagged more than six months, on average.



Sweden: Energy prices pull down inflation (Thu)

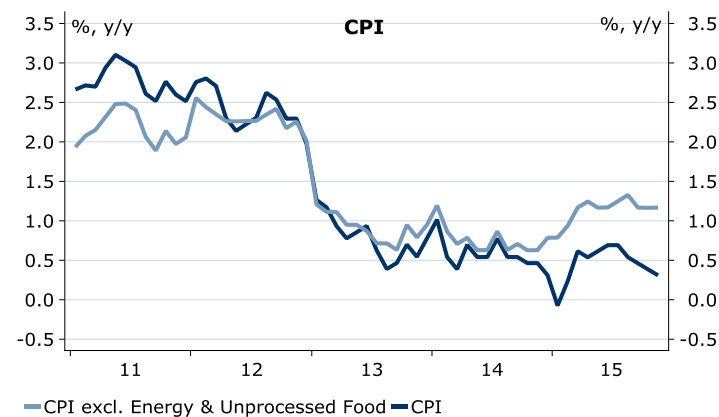
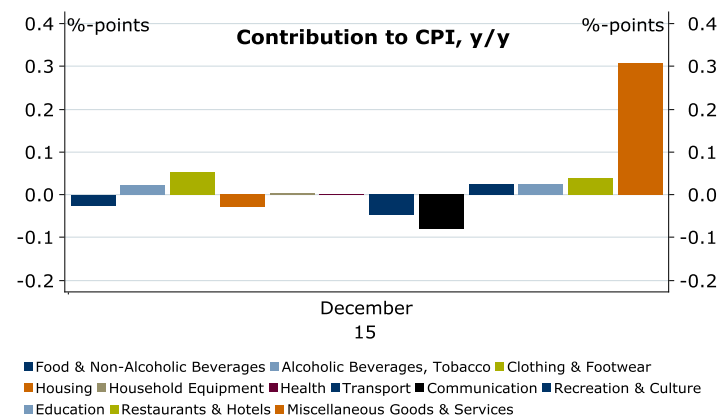
- We expect **CPIF inflation** at 1.0% y/y in December, unchanged from November. That is **slightly below the Riksbank's forecast**. The reason for the deviation is surprisingly low energy prices.
- The December inflation themes are international travel and energy.
- We don't expect the Riksbank to take more action. However, too low inflation and probability for SEK appreciation is looming and may lead to more actions, for example FX interventions. Read more [here](#).



Forecasts for December, %	Nordea	Riksbank	Prior
CPI m/m	0.2		-0.2
CPI y/y	0.1	0.3	0.1
CPIF m/m	0.3		-0.1
CPIF y/y	1.0	1.1	1.0
CPIF excl. energy y/y	1.4	1.4	1.4
CPI, index	314.49		313.75

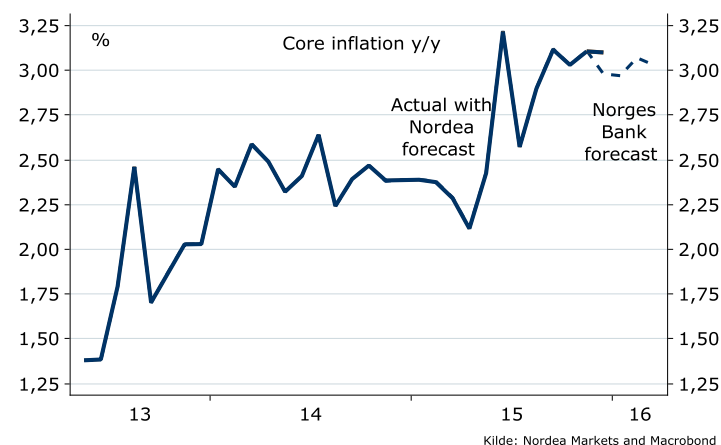
Denmark: Oil prices keep headline inflation low (Mon)

- The Danish inflation figures for December will be released on Monday. Here we expect an unchanged year-over-year rate at 0.3%, equivalent to -0.2% m/m.
- The inflation in Denmark is still restrained by the falling prices on energy. In December the lower prices on gasoline is expected to subtract 0.4 %-points to the overall inflation numbers. At the same time the low oil prices are the main reason for the unusual low contribution to inflation from Housing.
- On the other hand a large positive contribution from Financial services (+0.2 %-points) and an underlying trend in core inflation of around 1% prevent the headline inflation from falling further.
- Starting in January, the basis effects from the drop in oil prices will start to fade away. At the same time the base effects from the rollback of the energy security tax no longer will act as a drag on inflation.
- However if the current low price level in oil persists the headline inflation will rise less than previously expected. Based on this we now expect Danish inflation to rise by 0.8% in 2016 (previous 1.1%). For 2017 we expect an increase of 1.6% (1.9%).



Norway: Core inflation remains high (Mon)

- We forecast **core inflation at 3.1% in December** (Mon 10:00) unchanged from *last month*. Norges Bank's forecast is 2.96%.
- Our forecast is dependent on food prices falling strongly m-o-m in line with the seasonal pattern the last three years. Media reports supports such a view.
- We have long argued that the current high inflation is of no concern to Norges Bank since it is a temporary effect due the weak NOK.
- Still that does not mean that a strong upside surprise will have no effect on Norges Bank's view. A high December figure together with the latest NOK weakening will lift the forecast for 2016 inflation to well above 3%. That means the labour unions must accept a clear cut in real wages in the spring wage settlement to end up close to Norges Bank's forecast for a wage growth at 2.8%. We believe there is willingness to accept zero growth in real wages, but a cut is probably harder to accept.



M-o-m growth this month and same month last year. Contribution to change in y-o-y growth					
M-o-m	Weight	Dec(14)	Dec(15)	Contr.to ch.y/y	
Food and non-alcoholic bev.	0.14	-1.6%	-1.5%	0.02 %	
Alcoholic beverages and tobacco	0.04	0.1%	0.1%	0.00 %	
Clothing and footwear	0.05	0.2%	0.0%	-0.01 %	
Housing (incl. rents)	0.20	0.1%	0.1%	0.01 %	
Furnishings etc.	0.07	0.0%	-0.1%	-0.01 %	
Medical care	0.03	0.3%	0.0%	-0.01 %	
Transport (include airfares)	0.14	0.5%	0.5%	0.01 %	
Communications	0.03	-1.6%	-0.5%	0.03 %	
Culture and recr. (incl books)	0.12	0.8%	0.6%	-0.03 %	
Education	0.01	0.0%	0.0%	0.00 %	
Restaurants and hotels	0.06	0.1%	0.0%	0.00 %	
Misc.goods and serv.	0.10	0.1%	0.1%	-0.01 %	
Total core inflation	1.00	-0.08 %	-0.1 %	0.0 %	

Calendar

Saturday, 09-01-2016					Nordea	Consensus	Actual	Previous
02:30	CN	CPI (y/y)	Dec			1.6%		1.5%
Sunday, 10-01-2016					Nordea	Consensus	Actual	Previous
09:00	GB	House prices, Halifax (m/m) (Exp 05-10 Jan)	Dec			0.5%		-0.2%
09:00	GB	House prices, Halifax (y/y, 3mma) (Exp 05-10 Jan)	Dec			9.0%		9.0%
Monday, 11-01-2016					Nordea	Consensus	Actual	Previous
09:00	DK	CPI (m/m)	Dec	-0.2%				-0.3%
09:00	DK	CPI (y/y)	Dec	0.3%				0.3%
09:00	DK	CPI, EU harmonized (m/m)	Dec					-0.3%
09:00	DK	CPI, EU harmonized (y/y)	Dec					0.1%
09:00	DK	Current account balance (sa)	Nov					10.1bn
09:00	DK	Industrial production (m/m, sa)	Nov					-0.5%
09:00	DK	Trade balance, ex. ships (sa)	Nov					4.0bn
10:00	NO	CPI (y/y)	Dec	2.6%				2.8%
10:00	NO	CPI, core (y/y)	Dec	3.1%				3.1%
18:40	US	Fed's Lockhart Speaks on U.S. Economic Outlook in Atlanta						
23:50	US	Fed's Kaplan Speaks on Economy and Monetary Policy in Dallas						
Tuesday, 12-01-2016					Nordea	Consensus	Actual	Previous
	EU	Farewell Symposium for Christian Noyer in Paris	Dec					
09:00	CZ	CPI (y/y)	Dec			0.1%		0.1%
09:00	CZ	GDP (q/q, final)	Q3					0.5%
09:00	CZ	GDP (y/y, final)	Q3					4.5%
09:00	RO	CPI (y/y)	Dec					-1.1%
09:30	SE	Central Government Debt	Dec					
10:30	GB	Industrial production (m/m)	Nov			0.1%		0.1%
10:30	GB	Industrial production (y/y)	Nov			1.8%		1.7%
10:30	GB	Manufacturing production (m/m)	Nov			0.1%		-0.4%
10:30	GB	Manufacturing production (y/y)	Nov			-0.8%		-0.1%
11:30	EU	ECB Executive Board Member Praet Speaks in Paris						
13:00	IN	CPI (y/y)	Dec					5.41%
15:00	US	NFIB small business optimism index	Dec			95.2		94.8
16:00	US	JOLTs job openings	Nov			5400		5383
20:00	EU	ECB Executive Board Member Lautenschlaeger Speaks in Frankfurt						
21:15	US	Fed's Lacker to Speak on Outlook in Columbia, South Carolina						
Wednesday, 13-01-2016					Nordea	Consensus	Actual	Previous
	CN	Exports (y/y)	Dec			-8%		-6.8%
	CN	Imports (y/y)	Dec			-11%		-8.7%
	CN	Trade balance (USD)	Dec			52.15bn		54.10bn

Calendar

Wednesday, 13-01-2016 (continued)					Nordea	Consensus	Actual	Previous
	EU	ECB Non- monetary policy meeting						
08:00	SE	Unemployment, Swedish Public Employment Service	Dec					4.1%
08:45	FR	HICP (m/m)	Dec	0.1%	0.1%			-0.2%
08:45	FR	HICP (y/y)	Dec	0.1%	0.2%			0.1%
10:00	NO	House prices SSB (y/y)	Q4					
11:00	EU	Industrial production (m/m, sa)	Nov	-0.4%	0.1%			0.6%
11:00	SE	SNDO to auction T-bills (SEK 7.5 + 10 bn)						
12:00	EU	ECB Executive Board Member Lautenschlaeger Speaks in Frankfurt						
13:00	US	Mortgage applications, MBA	Jan					-11.6%
14:00	RU	CPI (y/y) (Exp 12- 13 Jan)	Dec		13.0%			12.9%
14:00	US	Fed's Rosengren Speaks on Economic Outlook in Boston Chamber						
18:30	US	Fed's Evans Speaks on Economy and Monetary Policy in Iowa						
20:00	US	U.S. Federal Reserve Releases Beige Book						
Thursday, 14-01-2016					Nordea	Consensus	Actual	Previous
02:00	KR	BoK announces interest rates (7- day repo rate)	Jan		1.5%			1.5%
09:00	HU	CPI (y/y)	Dec		0.9%			0.5%
09:30	SE	CPI (m/m)	Dec					-0.2%
09:30	SE	CPI (y/y)	Dec					0.1%
09:30	SE	CPI, index	Dec					313.75
09:30	SE	CPIF (m/m)	Dec					-0.1%
09:30	SE	CPIF (y/y)	Dec					1.0%
09:30	SE	House prices, Statistic Sweden (y/y)	Dec					10%
10:00	DE	GDP (full year 2015, calendar adj.)		1.5%				1.6%
10:00	NO	Norges Bank's survey of bank lending	Q4					
12:10	PL	NBP announces interest rates (Base rate)	Jan		1.50%			1.50%
13:00	SE	Meeting of the Executive Board of the Riksbank						
13:00	GB	BoE announces asset purchase target	Jan		375bn			375bn
13:00	GB	BoE announces bank rate	Jan		0.50%			0.50%
13:30	EU	ECB Monetary policy accounts						
14:30	US	Fed's Bullard Speaks to Economic Club of Memphis						
14:30	US	Import prices (m/m)	Dec		-1.5%			-0.4%
14:30	US	Import prices (y/y)	Dec		-8.6%			-9.4%
14:30	US	Jobless claims, continuing	Jan					2230k
14:30	US	Jobless claims, initial	Jan					277k
14:30	US	Revisions: Philadelphia fed Manf. Business Outlook Survey						

Calendar

Friday, 15-01-2016					Nordea	Consensus	Actual	Previous
08:00	SE	House prices, Mäklarstatistik (y/y)	Dec					16%
09:00	CN	Money supply, M2 (y/y) (Exp 10- 15 Jan)	Nov			13.6%		13.7%
09:00	RO	GDP (y/y, final)	Q3					3.6%
09:30	SE	Business sector production (m/m)	Nov					0.1%
09:30	SE	Household Consumption (m/m)	Nov					0.2%
09:30	SE	Household Consumption (y/y)	Nov					3.3%
10:00	NO	Foreign trade with goods (bn)	Dec					
11:00	EU	Trade balance (sa)	Nov			21.5bn		19.9bn
12:00	RU	Trade balance (USD)	Nov			9.6bn		10.1bn
14:00	PL	CPI (m/m, final)	Dec					-0.2%
14:00	PL	CPI (y/y, final)	Dec					-0.5%
14:30	US	Empire manufacturing	Jan			-4.00		-4.59
14:30	US	PPI final demand (m/m)	Dec			-0.2%		0.3%
14:30	US	PPI final demand (y/y)	Dec			-1.0%		-1.1%
14:30	US	PPI, core (m/m)	Dec			0.1%		0.3%
14:30	US	PPI, core (y/y)	Dec			0.3%		0.5%
14:30	US	Retail sales (m/m)	Dec			0.1%		0.2%
14:30	US	Retail sales control group	Dec			0.3%		0.6%
14:30	US	Retail sales, ex auto and gas (m/m)	Dec			0.3%		0.5%
14:30	US	Retail sales, less autos (m/m)	Dec			0.3%		0.4%
15:00	US	Fed's Dudley Speaks on Economy and Policy in New Jersey						
15:15	US	Capacity utilization	Dec			76.8%		77.0%
15:15	US	Industrial production (m/m)	Dec			-0.2%		-0.6%
16:00	US	Business inventories (m/m)	Nov			0.0%		0.0%
16:00	US	Consumer confidence, U. of Mich., 5- 10Y inflation (prelim.)	Jan					2.6%
16:00	US	Consumer confidence, University of Michigan (preliminary)	Jan			93.0		92.6

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