



Week Ahead

Friday, 16 August 2019

Geopolitics and recessions fears

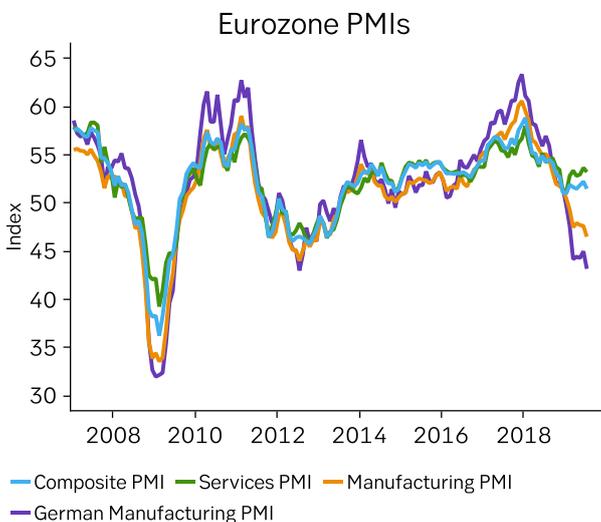
Global outlook: The past week brought a string of disappointing macro data, including a negative German Q2 GDP and the ZEW tumbling to the lowest level in eighth years. In China, industrial production and retail sales were weaker than expected. Inversion of the US 2y/10y curve for the first time since the 2007-2009 fuelled recession fears, pushing rates markets over the edge with the US 30y yield breaking below the 2% mark for the first time ever. While the US economy is still doing fine, markets are increasingly discounting a recession scenario, seeing the Fed falling behind the curve. We expect US rates to remain under downside pressure in coming months (read more in "Reality bites despite delayed new tariffs"). In the Eurozone, the 30y EUR swap breached the zero threshold in the aftermath of very dovish comments by the ECB's Rehn calling for "substantial and sufficient" stimulus. The upcoming week will be relatively quiet on the macro arena. In Europe, the German and Eurozone flash PMIs are the highlights with both expected to continue edging lower. In the US, the 90 day exemption from a national security ban previously granted to Huawei and a number of other Chinese companies will expire on Monday. Whether the exemption is extended, as well as developments in Hong Kong, will affect prospects for a resolution of the US-China trade conflict. The Fed will release the July FOMC meeting Minutes on Wednesday and Powell is scheduled to give an important speech on Friday. Powell is expected to open up for a well discounted September cut but likely downplay the need for a more drastic move.



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Nordic outlook: The main event of the past week was Norges Banks rate decision, which was slightly more dovish than we had expected. While a rate hike in September has become less likely than previously, it remains our main scenario (more here). In Sweden, July inflation came slightly above the Riksbank's forecast but we continue to foresee a downward revision to the Riksbank's repo rate trajectory in September. In the coming week, the Swedish unemployment will be published on Thursday and is predicted to have edged lower in July while the underlying trend is for a weaker labour market. In Norway, LFS unemployment is due on Wednesday and the oil investment survey on Thursday.

Eurozone: Expect further decline in PMIs



Källa: IHS Markit, Macrobond, SEB

Fed: Markets pricing 37bps rate cut in September



Source: Bloomberg, SEB

Key Economic Indicators & Events: August 19– 25, 2019

Date	CEST	Country	Event	Period	SEB forecast*	Consensus*	Last*
Mon 19	Other: Valueguard Swedish Home-Price Data (06.00), Sweden business sector inventories (09.30). Auctions: Norway to sell NOK 3bn of 119-day bills (11.00).						
	01:01	UK	Rightmove House Prices MoM	Aug		--/--	-0.2%/-0.2%
	01:50	JAP	Trade Balance Adjusted	Jul		-¥190.0b -¥164.7b	¥589.6b -¥14.4b
	01:50	JAP	Exports YoY Imports YoY	Jul		-2.0% -1.9%	-6.6% -5.2%
	10:00	IT	Current Account Balance	Jun		--	2599m
	10:00	EMU	ECB Current Account SA	Jun		--	29.7b
	11:00	EMU	CPI Core YoY CPI	Jul		0.90% -0.4%/1.10%	0.9% 0.2%/1.3%
Tue 20	Other: RBA Minutes of August Policy Meeting (03.30), Swedish Housing starts Q2 (9.30) . Speeches: Riksbank's Jochnick Gives Speech About Cyber Risks (15.30). Auctions: UK to Sell 0.125% inflation-linked Gilt 2028 (11.30).						
	07:00	FI	Unemployment Rate	Jul		--	6.2%
	08:00	GER	PPI	Jul		0.00%/1.00%	-0.4%/1.2%
	11:00	EMU	Construction Output	Jun		--/--	-0.3%/2.0%
	12:00	UK	CBI Trends Total Orders CBI Trends Selling Prices	Aug		-25 --	-34 12
	14:30	CAN	Manufacturing Sales MoM	Jun		-1.5%	1.6%
20 Aug – 26 Aug	JAP		Supermarket Sales YoY	Jul		--	-0.5%
Wed 21	Other: DOE US crude oil inventories (16.30), FOMC Meeting Minutes (20.00) , Boardmeeting at Swedish NDO (14.00). Auctions: Germany to sell EUR 3bn of 2050 bonds (11.30).						
	08:00	NOR	LFS unemployment rate	Jun	3.4%	3.4%	3.4%
	10:30	UK	Public Finances (PSNCR) Central Government NCR	Jul		-- --	15.2b 13.5b
	10:30	UK	Public Sector Net Borrowing	Jul		--	6.5b
	13:00	US	MBA Mortgage Applications	Aug 16		--	21.7%
	14:30	CAN	CPI NSA MoM CPI YoY Consumer Price Index	Jul		0.1% 1.6% 136.5	-0.2% 2.0% 136.3
	16:00	US	Existing Home Sales MoM	Jul		5.38m 2.2%	5.27m -1.7%
Thu 22	Other: ECB Publishes Account of Policy Meeting (13.30), Start of Fed's Jackson Hole Symposium (22 – 24 Aug), which Riksbank's Ingves will attend, Norges Bank's Inflation Expectations Survey for Q3 (10.00). Auctions: Sweden to sell inflation-linked bonds (11.00).						
	01:00	AUS	CBA Australia PMI Mfg Services Composite	Aug P		-- -- --	51.6 52.3 52.1
	02:30	JAP	Jibun Bank Japan PMI Mfg Services Composite	Aug P		-- -- --	49.4 51.8 51.2
	06:30	JAP	All Industry Activity Index MoM	Jun		-0.80%	0.3%
	08:00	NOR	Oil Investment Survey for 2019 2020	Q3	-- --	-- --	NOK 184bn 172bn
	08:00	DEN	Consumer Confidence Indicator	Aug		--	2.9
	09:15	FR	Markit France PMI Mfg Services Composite	Aug P		49.5 52.5 52	49.7 52.6 51.9
	09:30	GER	Markit/BME Germany PMI Mfg Services Composite	Aug P		44.5 54.0 51.0	43.2 54.5 50.9
	09:30	SWE	Unemployment Rate Rate SA Trend	Jul	5.90% 6.4% --	5.90% 6.5% --	7.6% 6.6% 6.3%
	09:30	SWE	Industry Capacity	2Q		--	91.0%
	09:30	SWE	Total No. of Employees YoY	2Q		--	2.3%
	10:00	EMU	Markit Eurozone PMI Mfg Services Composite	Aug P	46.1 53.1 51.0	46.3 53 51.2	46.5 53.2 51.5
	12:00	UK	CBI Retailing Reported Sales CBI Total Dist. Reported Sales	Aug		-13 --	-16 -11
	14:30	US	Initial Jobless Claims	Aug 17		--	--
	14:30	US	Continuing Claims	Aug 10		--	--
	15:45	US	Markit US PMI Mfg Services Composite	Aug P		50.5 52.8 --	50.4 53.0 52.6
	16:00	US	Leading Index	Jul		0.2%	-0.3%
	16:00	EMU	Consumer Confidence	Aug A	-6.8	-6.9	-6.6
Fri 23	Speeches: Fed's Powell speaks at Jackson Hole Symposium (16.00), On Saturday 24 Aug: RBA's Lowe Gives Speech at Jackson Hole (18.25). Other: Swedish FSA (Finansinspektionen) Publishes Bank 2Q Capital Requirements (08.00), Sweden Sovereign Debt to be rated by S&P, Management of Norges Bank's FX reserves Q2 report (10.00).						
	01:30	JAP	Natl CPI YoY Ex Fresh Food Ex Fresh Food, Energy	Jul		0.6% 0.6% 0.5%	0.7% 0.6% 0.5%
	14:30	CAN	Retail Sales MoM Ex Auto MoM	Jun		-0.4% -0.3%	-0.1% -0.3%
	16:00	US	New Home Sales MoM	Jul		640k -0.9%	646k 7.0%

* % MoM/YoY unless otherwise stated.

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SWE: Valueguard house prices (Jul)

Monday 19, 06.00

% , mm/yy	SEB	Cons.	Prev.
	0.3/2.8		-0.5/1.9

- Home price increases appear to be accelerating after increasing very gradually since the beginning of 2018. Both home prices according to Mäklarstatistik and SCB suggest that the upturn may have gained further momentum.
- Our indicator based on internet prices supports the assessment that prices are increasing at a faster pace.
- SEB's Housing Price Indicator edged lower to 38 in August after increasing markedly in July to the highest level since home prices turned lower in the middle of 2017. Home prices in July were, however weaker than expected, even though the decline m/m is explained by seasonality. Seasonally adjusted prices increased by 0.3% m/m.

SWE: Housing starts (Q2)

Tuesday 20, 09.30

	SEB	Cons.	Prev.
Actual	12 700	---	13 400
Seasonally adjusted	11 500	---	13 300

- After declining in 2017 housing starts have been largely stable since the beginning of last year. We predict housing starts to continue to edge lower, but predict that most of the decline is behind us.
- Residential investments have declined by almost 15% since the peak in early 2018. And a lag to housing starts means investment will continue to decline over the next 12 months.
- So far the decline in housing starts has been slightly smaller than expected. Near term indicators are, however, mixed.

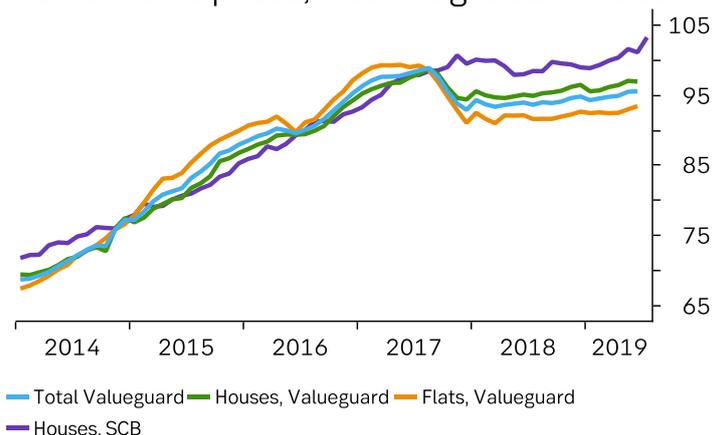
NOR: LFS unemployment (Jun)

Wednesday 21, 08.00

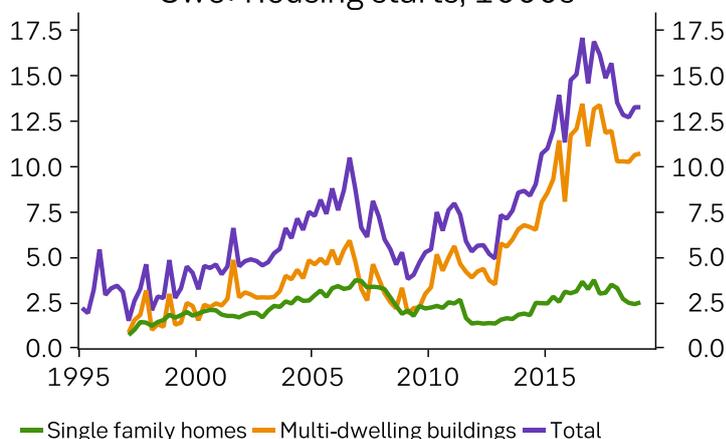
% of labour force	SEB	Cons.	Prev.
Unemployment rate	3.4	3.4	3.4

- The LFS jobless rate increased a notch in May, but unemployment nonetheless trended lower in Q2 to 3.4% from 3.8% in Q1. The quarterly decline was driven by a contraction in the labour force, while employment growth was unchanged.
- Employment growth as measured by the LFS survey was notably below Norges Bank's employment forecast of 0.4% q/q in Q2. However, the bank focuses on the employment data included in the national accounts and developments in QNA data has been stronger than suggested by the LFS data.
- We expect LFS employment to rebound in Q3, but as new people are expected to enter the labour force we forecast a rather stable development for the LFS jobless rate ahead.
- Norges Bank puts more focus on the registered unemployment data (Aug 31). In the Aug statement Norges Bank concluded

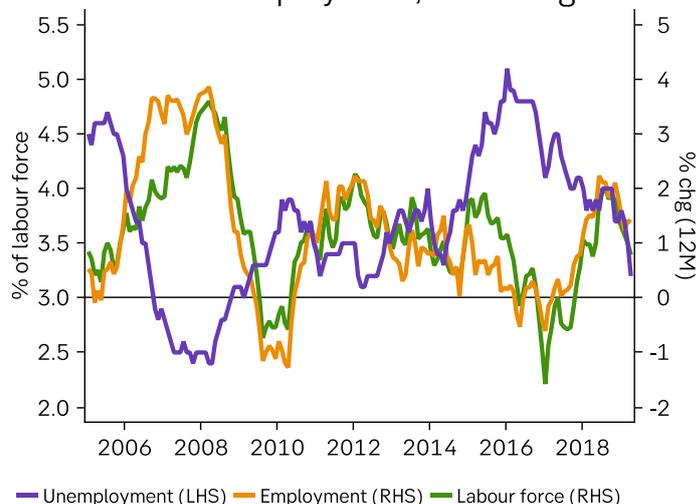
Swe: Home prices, index Aug. 2017 = 100



Swe: Housing starts, 1000s



LFS unemployment, 3mth. avg



Source: Statistics Norway, Macrobond, SEB

US: Fed minutes & Powell speech

Wednesday 21, 20.00 & Friday 23, 16:00

- At its July 31 meeting, the Fed cut the fed funds target range by 25 bps to 2.00-2.25%, the first cut since 2008. The Fed also decided to end the reduction of its balance sheet, two months earlier than previously indicated. Esther George and Eric Rosengren voted against and argued for unchanged rate.
- The cut was motivated by a need to insure against global risks (trade) and muted inflation, while the Fed conveyed a positive view on the US economy. In the press conference Powell also mentioned low neutral rate and a wish to sustain favourable labour market trends. Notably, Powell described the cut as a "midcycle adjustment" rather than the start of "lengthy cutting cycle", but did not rule out more cuts. The minutes should further clarify members' views on global risks and what a "mid-cycle adjustment" could look like.
- Fed chair Powell's speech at the Jackson Hole Symposium will have to balance increasingly bearish markets, aggressive Fed pricing and escalated trade war against still decent US data. We expect Powell to open up for another 25bps cut at Sep. 18, but downplay need for more drastic moves.

NOR: Oil investment survey (Q3)

Thursday 22, 08.00

Investments intentions	SEB	Cons.	Prev.
2019, NOK %	---	---	183.8bn 21.0
2020, NOK %	---	---	172.4bn -6.2

- In Statistics Norway's 21 oil investment survey operators lifted their nominal capital spending plans. For 2019 the estimate was 21% higher than actual spending in 2018, driven by higher investment in field development and fields on stream. The 2020 estimate is 6% lower than that for 2019, but it is likely to be lifted in coming surveys as there are several PDOs which are yet to be submitted to government.
- One new PDO with an total investment of NOK 6bn has been submitted to the government since the Q2 survey.
- Slightly lower oil prices and heightened uncertainty abroad relating to global growth and protectionism may weigh on exploration activity.
- Norges Bank forecasts petroleum investment to increase by 14.0% in 2019 and 1.0% in 2020 (volume). The 2020 outlook will be of particular importance for Norges Bank.

Swe: Unemployment (Jul)

Thursday 22, 09.30

%	SEB	Cons.	Prev.
Unemployment, seas adj.	6.4		6.6
Unemployment, actual	5.9		7.6
Employment (1000s, % y/y)	35/0.7		33/0.7

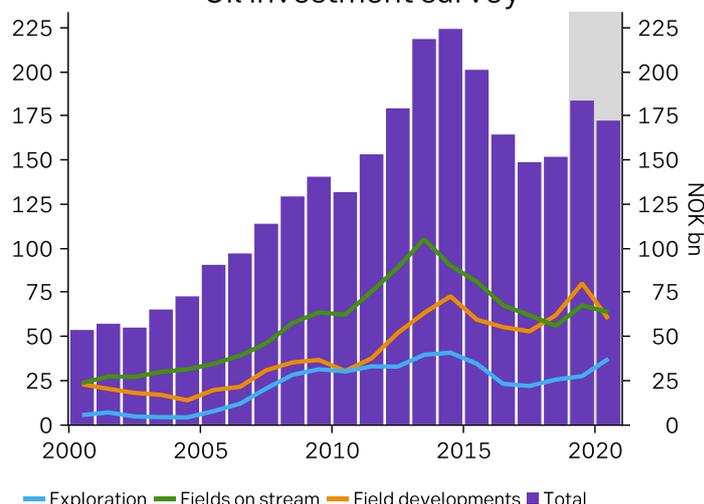
- Unemployment has been volatile over the last 12 months, making the underlying trend difficult to determine. Despite strong employment growth an unexpected upward trend in the labour force participation rate has prevented unemployment from falling. However, over the last 2 months employment has been significantly weaker than expected, while the participation rate has declined.
- We predict employment to recover and unemployment to edge lower in July. The underlying trend is, however, for a weaker labour market and there are signs that unemployment is rising. Gradually higher unemployment registered unemployment supports this assessment.

US: The market is pricing another 100 bps of cuts
Fed effective rate and discounted by market



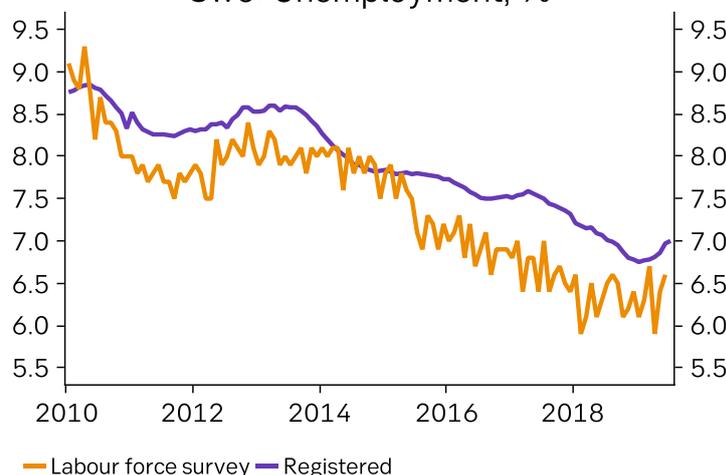
Source: Federal Reserve Bank of New York, Macrobond, SEB

Oil investment survey



Source: Statistics Norway, Macrobond, SEB

Swe: Unemployment, %



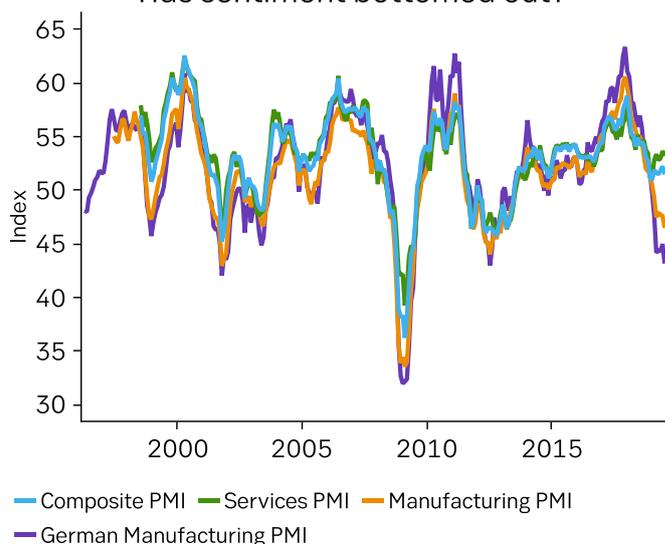
EMU: Flash PMI (Aug)

Thursday 22, 10.00

%	SEB	Cons.	Prev.
Manufacturing	46.1	46.3	46.5
Services	53.1	53.0	53.2
Composite	51.0	51.2	51.5

- Germany is key for the euro area PMI. At 09:30 the flash estimate for Germany will be published. Will the fall in manufacturing PMI continue? We believe it will. However, be wary that the August number has a dramatic seasonal pattern, hence this month's reading should be interpreted more cautiously. However, German PMI turns around there is little evidence the region as a whole will improve. Also a print below 42,97 in Germany will be the third lowest ever.
- For the Euro area we expect manufacturing to drop further into contractionary space, driven by Germany, but showing further stabilisation for the other top four economies, albeit all being below the 50-mark.
- The strength on the labour market suggests the service sector will not show a more pronounced drop, at least at this moment.

Has sentiment bottomed out?



Källa: IHS Markit, Macrobond, SEB

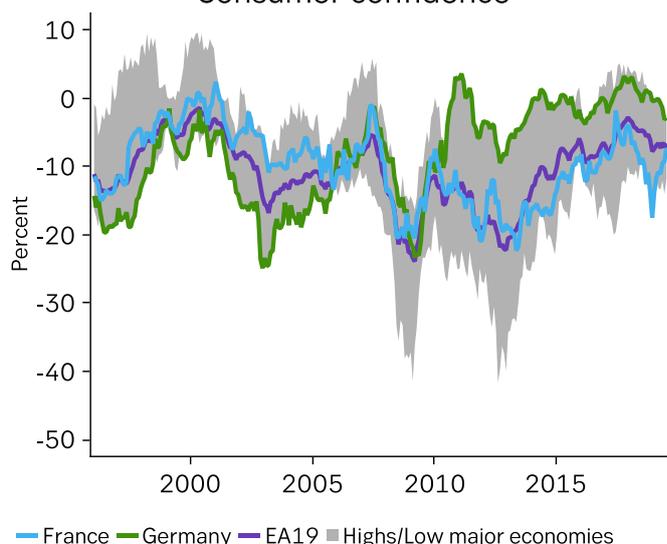
EMU: Consumer Confidence (Aug)

Thursday 22, 16.00

% mom / yoy	SEB	Cons.	Prev.
Consumer confidence	-6,8	-6,9	-6,6

- In 2019 consumer confidence appears to have been switching sides between the two biggest economies. Indeed, German confidence has gradually dropped from record high numbers while French consumers gain confidence after depressed ending of 2018.
- Excluding Germany labour markets are solid, and wages are keeping up. In the other top four economies there is room for further strength which should support consumers. Hence, an unchanged consumer confidence from here is in our view the best guess.
- Risks are however tilted to the downside if current market environment continues and if German households become more affected by the crumbling manufacturing sector.

Consumer confidence



Källa: Eurostat Database, Macrobond, SEB

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