

Key events in developed markets

It's crunch time for the UK and EU but we still believe a Brexit deal is unlikely. Elsewhere, further US data should provide more clues about the possibility of a Fed rate cut



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✓ Four key Brexit questions ahead of a key week

1. **Will a deal be agreed by the European Council (Thurs/Fri)?** Unlikely – both sides are heavily divided on the issue of customs alignment in Northern Ireland.
2. **Will Prime Minister Boris Johnson ask for another Article 50 extension?** Without a deal, the law states the government will have to write to Brussels asking for a delay before Saturday, 19 October. However, there have been suggestions the PM may take the issue to the courts, resign, or possibly send a second letter to Brussels detailing why he doesn't want another extension himself. However, most legal experts think this latter idea could be ruled unlawful if tried. In short: a request from the UK for a delay looks likely.
3. **Will the EU grant an extension?** In short, yes, although the circumstances could be awkward. While an election looks to be on the way, it possibly won't be triggered before the EU is asked to make a decision. Don't forget the EU has previously said it would require a clear justification for further extensions. Ultimately though, EU leaders will likely grant further time – Brussels wants to avoid taking the blame for 'no deal', or for blocking a 'democratic event' such as an election/referendum. However, the question of 'how long' remains uncertain – it's possible the EU grants a longer delay than the three months that the UK could ask for.

4. **Will there be an election?** This looks likely, but it relies upon Parliament actually voting for one. The Conservatives are keen to go to the ballot box, eager to try and convert their lead in the polls into a majority. The leader of the opposition, Jeremy Corbyn, has also said he wants an election, although many of his MPs are less convinced. An election still looks highly likely, but there is a tail-risk that Parliament refuses to grant one, or attempts to install a government of national unity with the aim of pushing for a second referendum. However, as things stand there is no agreement among lawmakers on how that might work – or indeed if there is enough support in the first place.

US: Fed's October cut remain a close call

It remains a close call on whether the Federal Reserve will follow up its recent two interest rate cuts with a third one on 30 October. Amidst a weak global growth environment there is evidence to suggest that the US economy is catching a chill with recent surveys and employment numbers disappointing market expectations. Inflation is non-threatening and with trade tensions continuing to be a major concern there is certainly justification for further “insurance” against a downturn. Nonetheless, Fed officials continue to talk positively about the economy so the upcoming data flow will be key to determining whether the weakness is spreading quickly enough to force the Fed’s hand.

Retail sales will be the focus and strong auto sales should give the headline figure a lift, but falling gasoline prices and softer chain store sales numbers suggest growth elsewhere will be more subdued. Industrial production is also likely to edge lower after posting a strong August figure. Employment in the sector was down and with the ISM manufacturing index in contraction territory the prospects aren’t looking good right now. Housing activity may hold onto recent gains, supported by the plunge in mortgage rates, but overall next week’s data flow is likely to stay consistent with moderating growth. Therefore we wouldn’t be surprised to see market expectations for an October cut, currently priced at a 70% probability, push higher.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 October					
Eurozone	1000	Aug Industrial Production (WDA, YoY%)	-1.4	-	-2.0
Sweden	0500	Sep PES Unemployment Rate	-	-	3.8
Tuesday 15 October					
US	-	Fed's Bullard (0925), Bostic (1400) and Daly (2030) Speak			
Japan	0530	Aug Tertiary industry index (MoM%)	1.2	-	0.1
	0530	Aug F Industrial production - Prel (MoM/YoY%)	-/-	-/-	-1.2/-4.7
Germany	1000	Oct ZEW Current Situation Index	-	-	-19.9
UK	0930	Aug Weekly Earnings (3M avg)	3.9	-	4.0
	0930	Aug Weekly Earnings ex Bonus (3M avg)	3.7	-	3.8
	0930	Aug ILO Unemployment Rate (3M avg.)	3.8	-	3.8
	0930	Aug Employment Change (3M/3M, '0000)	40	-	31
	1330	BOE's Vlieghe Speaks on Monetary Policy in London			
Australia	0130	RBA Oct. Rate Meeting Minutes			
New Zealand	2245	3Q CPI (Q) (QoQ/YoY%)	-/-	-/-	0.6/1.7
Wednesday 16 October					
US	1330	Sep Advance Retail Sales (MoM%)	0.3	0.3	0.4
	1330	Sep Retail Sales ex. Auto and Gas (MoM%)	0.3	0.4	0.1
	1545	Fed's Evans Discusses Economy and Monetary Policy			
	1900	U.S. Federal Reserve Releases Beige Book			
Eurozone	1000	Aug Trade Balance (€bn)	18520	-	18962.2
	1000	Sep F Core CPI (YoY%)	1.0	-	1.0
	1000	Sep CPI (MoM/YoY%)	0.2/0.9	-/-	0.2/0.9
	1600	ECB Chief Economist Lane Speaks in Washington			
UK	0930	Sep CPI (MoM/YoY%)	0.2/1.8	-/-	0.4/1.7
	0930	Sep Core CPI (YoY%)	1.7	-	1.5
Italy	1000	Sep F HICP (YoY%)	-	-	0.3
Canada	1330	Sep CPI (MoM/YoY%)	-/-	-0.3/2	-0.1/1.9
Thursday 17 October					
US	1415	Sep Industrial Production (MoM%)	-0.2	-0.1	0.65
	-	Fed's Evans (1900) and Williams (2120) Speak			
Eurozone	-	ECB Governing Council Member Visco (1900), Knot (2130), De Cos (2200)			
UK	0930	Sep Retail Sales ex Auto Fuel (MoM/YoY%)	0.0/2.9	-/-	-0.3/2.2
	0930	Sep Retail Sales (MoM/YoY%)	-0.03	-/-	-0.2/2.7
Canada	1330	ADP Canada Releases Sept. Payroll Estimates			
Australia	0130	Sep Employment change ('000)	15	-	34.7
	0130	Sep Unemployment rate (%)	5.2	-	5.3
	0130	Sep Participation rate (%)	66.2	-	66.2
Sweden	0830	Sep Unemployment Rate (%)	-	-	7.1
Friday 18 October					
Japan	0030	Sep National CPI (YoY%)	0.2	-	0.3
	0030	Sep CPI ex-food, energy (YoY%)	0.4	-	0.6

Source: ING, Bloomberg

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