

Key events in developed markets

Another exciting week ahead as the Brexit process finally gets underway after the Conservative party's landslide victory, on top of two central bank meetings and a barrage of US data



Source: Shutterstock

Brexit process set to roll forward following election

Boris Johnson's Conservative party has gained a large majority at the ballot box, paving the way for the prime minister's Brexit deal to be ratified in January. That process could begin next week, where following the state opening of the parliament (Queen's Speech), the initial stages of the Withdrawal Agreement Bill could be completed. That means the UK is most likely set to leave the EU at the end of January. What happens thereafter is pretty uncertain, and the focus will quickly turn to whether the transition period will be extended. We think it will although given this will require the UK to commit to budget payments beyond 2020, talks could become messy.

In the meantime, we'll also get the Bank of England's first view on the post-election landscape. With activity stalling and the risks surrounding the jobs market rising, we are likely to see the Bank retain a cautious stance. We're sceptical about the prospects of a big investment rebound in 2020, but for now, we aren't fully convinced the BoE will pull the trigger on a rate cut.

US: Another barrage of data, but the Fed is not worried

With the Federal Reserve having clearly indicated contentment with the current state of the economy, markets are unlikely to be too concerned about the upcoming data flow as we head

towards year-end. We will be getting a combination of industrial production, housing numbers and personal income and spending. The narrative is likely to continue to be one of manufacturing in recession as a result of the uncertainty caused by trade wars in combination with weak global demand and a strong dollar, although the return to work of 50,000 or so General Motors workers after the conclusion of their recent strike action will lead to a rebound in auto manufacturing output.

Consequently, we expect an unsustainable 0.8%MoM increase in total production for November. Housing numbers are likely to be supported by the decline in mortgage rates while personal spending should hold up fairly well. All this remains consistent with the Fed's view that their work to support the economy is done. Nonetheless, we continue to see growth risks skewed to the downside for 2020 and see a strong chance that the Fed will eventually choose to cut interest rates again.

Germany: Ifo to follow the ZEW's trend

After this week's surprisingly strong ZEW index, the Ifo index should also show an improvement, albeit somewhat weaker than the ZEW index. We mainly expect an increase in the expectations component and a relatively stable current assessment.

Sweden: Riksbank set to exit negative rates

The Riksbank has been pretty clear that despite the mounting economic risks, it wants to press ahead and exit negative rates in December. We're expecting a 25bp rate hike, but that is likely to be the last. One reason is that next year's key wage negotiations have the potential to be a little more disappointing than previously hoped.

Last week's Prospera Sinfo inflation expectation survey showed that both employee and employer organisations were lowering their CPI expectations.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 16 December					
Japan	0430	Oct Tertiary industry index (MoM%)	-	-	1.8
Eurozone	0900	Dec P Markit Manufacturing PMI	47.5	-	46.9
	0900	Dec P Markit Services PMI	51.5	-	51.9
	0900	Dec P Markit Composite PMI	50.8	-	50.6
UK	0930	Dec P Markit/CIPS Manufacturing PMI	49.0	-	48.9
	0930	Dec P Markit/CIPS Services PMI	49.5	-	49.3
	0930	Dec P Markit/CIPS Composite PMI	49.5	-	49.3
	1600	BOE Publishes Financial Stability Report, Stress Tests			
Italy	0900	Nov F HICP (YoY%)	0.4	-	0.4
US	1330	Empire Manufacturing	4.0	5.0	2.9
	1500	NAHB Housing Market Index	69	71	70
Tuesday 17 December					
US	1330	Housing Starts	1320	1340	1314
	1415	Manufacturing (SIC) Production (MoM%)	0.8	0.7	-0.6
	1415	Nov Industrial Production (MoM%)	0.9	0.85	-0.84
	1415	Capacity Utilization (%)	77.5	77.4	76.7
	1730	Fed's Williams Holds Press Briefing on Economic Conditions			
Japan	2350	Nov Exports (YoY%)	-	-	-9.2
	2350	Nov Imports (YoY%)	-	-	-14.8
Eurozone	1000	Oct Trade Balance (€bn)	-	-	18331.9
UK	0930	Oct Weekly Earnings (3M avg)	3.3	-	3.6
	0930	Oct Weekly Earnings ex Bonus (3M avg)	3.4	-	3.6
	0930	Oct ILO Unemployment Rate (3M avg.)	3.8	-	3.8
	0930	Oct Employment Change (3M/3M)	0.0	-	-58
Australia	0030	RBA Minutes of Dec. Policy Meeting			
Wednesday 18 December					
US	1740	Fed's Evans Speaks in Indianapolis			
Eurozone	1000	Nov F CPI (MoM/YoY%)	-0.3/1.3	-/-	-0.3/1.3
Germany	0900	Dec IFO Business Climate	96.0	-	95
	0900	Dec IFO Expectations	93.0	-	92.1
	0900	Dec IFO Current Assessment	98.0	-	97.9
UK	0930	Nov CPI (MoM/YoY%)	0.3/1.5	-/-	-0.2/1.5
	0930	Nov Core CPI (YoY%)	1.7	-	1.7
Canada	1330	Nov CPI (MoM/YoY%)	0.2/2.1	-/-	0.3/1.9
New Zealand	2145	3Q GDP (Q) (SA QoQ/YoY%)	-/-	-/-	0.5/2.1
Sweden	0800	Dec Economic Tendency Indicator	-	-	94.7
	0815	Sweden's NIER Publishes New Forecasts			
Thursday 19 December					
US	1330	Philadelphia Fed Business Outlook	7.0	8.0	10.4
	1500	Nov Existing Home Sales (mn)	5.4	5.4	5.5
Japan	2330	Nov National CPI (YoY%)	-	-	0.2
	2330	Nov CPI ex-food, energy (YoY%)	-	-	0.7
	-	Policy Rate	-0.1	-	-0.1
	-	BoJ 10-year yield target (%)	-	-	0.0
	2350	The BOJ releases 3Q Money Flow			
UK	-	Earliest date for Queen's Speech and Opening of Parliament			
	0930	Nov Retail Sales ex Auto Fuel (MoM%/YoY%)	-/-	-/-	-0.3/2.7
	0930	Nov Retail Sales (MoM%/YoY%)	-/-	-/-	-0.1/3.1
	1200	BoE Policy Rate	0.75	-	0.75
Canada	1330	ADP Canada Releases Nov. Payroll Estimates			
Australia	0030	Nov Employment change ('000)	-	-	-19
	0030	Nov Unemployment rate (%)	-	-	5.3
Norway	0900	Deposit Rates	1.50	-	1.50
Sweden	0830	Riksbank Interest Rate	0.00	-	-0.25
Friday 20 December					
US	1330	3Q T GDP (QoQ Annualised %)	2.1	2.1	2.1
	1500	PCE Deflator (YoY%)	1.7	-	1.3
	1500	Real Personal Spending	0.4	-	0.1
	1500	Dec F U. of Mich. Sentiment Index	-	-	99.2
Canada	1330	Retail Sales (MoM%)	0.2	-	0.2
Eurozone	1500	Dec A Consumer Confidence	-7	-	-7.2
UK	0930	Nov Public Finances (PSNCR)	-	-	0.357
	0930	Nov PSNB ex Banks (£bn)	-	-	11.206
	0930	3Q F GDP (QoQ%)	0.3	-	0.3
	0930	Nov Public Finances (PSNCR)	-	-	0.357
	0930	Nov PSNB ex Banks (£bn)	-	-	11.206
Norway	0900	Dec Unemployment Rate	-	-	2.1
Sweden	0830	Nov Retail sales (Ex. Fuel, MoM/YoY%)	-/-	-/-	0.2/3.3

Source: ING, Bloomberg

Authors

James Smith

Developed Markets Economist, UK

james.smith@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.