

## Key events in developed markets next week

Will the ECB change its communication and forward guidance to comfort the hawks? Is the UK making progress on a post-Brexit transition period?

### **US: why are we forecasting four Fed interest rate hikes?**

Following an upbeat US economic assessment from new Federal Reserve Chair, Jay Powell, markets are now fully pricing in three rate hikes this year with around a 30% chance that the Fed will end up hiking on four occasions. Given we think that the economy will expand 3% in 2018 and that inflation could hit 3% this summer, we are forecasting four interest rate increases. We will have more Fed officials speaking this week and the general tone will help us gauge the likelihood that the Fed will also pencil in four moves when they update their own forecasts accompanying the 21 March FOMC meeting.

This week's data is likely to be supportive of such a change with wage growth looking more robust and employment gains remaining firm. Business surveys are also set to remain at historically strong levels, supporting an increasingly positive assessment on the economic outlook. Nonetheless, the topic of "twin deficits" is becoming more of a focus with the prospect of a \$1trillion fiscal deficit next year following President Trump's tax cuts and looser budget. We will get the January trade data this week and this may provide a little comfort with stronger external demand, a weaker dollar and rising domestic oil output all helpful.

### **Eurozone: will the ECB change its communication and forward guidance to comfort the hawks?**

In the Eurozone, the big topic at the ECB meeting will be whether the ECB will change its communication and forward guidance to comfort the hawks and to cautiously prepare markets for an end to QE. The only way to do this would be to drop the easing bias on QE from the ECB's introductory statement.

As regards Germany, obviously Sunday's result of the SPD vote could have a bigger impact on markets than next week's macro data.

### **UK: is progress being made on a post-Brexit transition period?**

With the countdown to the 22/23 March European Leaders summit fully underway, the focus in

the UK will be on whether progress is being made towards an agreement on a post-Brexit transition period. A deal looks feasible, particularly given both sides accept urgent action is needed to prevent firms from executing worst-case contingency plans. The UK has reportedly backed down on the issue of citizens' rights during the transition, but there are still differences in opinion on how long the period should last, as well as whether the UK will be able to benefit from existing trade deals with non-EU countries during the transition.

## **Norway: weak inflation could mar the sunny outlook of Norge's Bank**

In Norway February inflation figures will be published on Friday. After a very weak January print, we expect inflation to have remained fairly low in February. That will make things a bit tricky for Norges Bank when it meets to set policy on March 15th. Other data indicate the Norwegian economy is picking up, but weak inflation would mar the central bank's sunny outlook.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Friday 2 March</b>					
US	1500	Feb F U. of Mich. Sentiment Index	99	99.5	99.9
Eurozone	0810	ECB's Mersch speaks in Prague			
UK	0000	Carney Speaks at Economics Conference in Edinburgh			
	-	U.K. Prime Minister May Speaks on Britain and EU Post Brexit			
Italy	0900	4Q F GDP (QoQ/YoY%)	0.3/1.6	0.3/1.6	0.3/1.6
Canada	1330	Dec GDP (MoM/YoY%)	-/-	0.1/3.3	0.4/3.5
	1330	4Q GDP (Annualised, QoQ%)	-	2	1.706
Norway	0900	Feb Unemployment Rate (%)	2.5	2.5	2.6
<b>Monday 5 March</b>					
US	1500	Feb ISM Non-manufacturing	58.7	58.5	59.9
Eurozone	0900	Feb F Markit Services PMI	56.7	-	56.7
	0900	Feb F Markit Composite PMI	57.5	-	57.5
	1000	Jan Retail Sales (MoM/YoY%)	0.8/3.1	-/-	-1.1/1.9
UK	0930	Feb Markit/CIPS Services PMI	53	-	53
	0930	Feb Markit/CIPS Composite PMI	53.5	-	53.5
New Zeal.	0100	Treasury Publishes Monthly Economic Indicators			
Sweden	0800	Ingves, Thedeén, Lindblad Speak at Conference			
	0730	Feb Swedbank/Silf Services PMI	-	-	61.3
Switzerland	0625	SNB to Publish Definitive FY Figures for 2017			
<b>Tuesday 6 March</b>					
US	1230	Fed's Dudley Speaks at U.S. Virgin Islands			
	2230	Fed's Brainard to Speak in New York			
Australia	0030	Jan Retail sales (MoM%)	0.6	-	-0.5
	0330	RBA Cash Rate Target	1.5	1.5	1.5
	2140	RBA Governor Lowe Gives Speech in Sydney			
<b>Wednesday 7 March</b>					
US	1315	Feb ADP Employment Change (000's)	175	187.5	233.5
	1330	Jan Trade Balance (US\$bn)	-52	-52.35	-53.118
	0130	Fed's Kaplan (0130), Dudley (1300) and Bostic (1300) give speeches			
	1900	U.S. Federal Reserve Releases Beige Book			
Japan	0500	Jan P Leading economic index	-	-	107.4
	2350	Jan C/A Balance, adjusted (Yen bn)	1880	-	1479.6
	2350	4Q F GDP (Annualised, QoQ%)	0.6	-	0.5
	2350	4Q F GDP deflator - advance (Q) (YoY%)	-	-	0
Eurozone	1000	4Q F GDP (QoQ/YoY%)	0.6/2.7	-/-	0.6/2.7
Canada	1500	Bank of Canada Policy Rate	1.25	1.25	1.25
Australia	0030	4Q GDP (QoQ/YoY%)	0.5/2.4	-/-	0.6/2.8
<b>Thursday 8 March</b>					
Eurozone	1245	ECB Main Refinancing Rate	0	-	0
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.4	-	-0.4
Germany	0700	Jan New Orders (YoY%)	6.8	-	7.2
Canada	2050	Bank of Canada Deputy Governor Tim Lane Speech			
Australia	0030	Jan Trade balance (A\$m)	-50	-	-1358
Sweden	0700	Riksbank Holds Open Forum			
Norway	0700	Jan Industrial Production (MoM/YoY%)	-	-	-0.4/0.3
<b>Friday 9 March</b>					
US	1330	Feb Change in Nonfarm Payrolls ('000s)	180	190	200
	1330	Feb Unemployment Rate (%)	4	4	4.1
	1330	Feb Average Hourly Earnings (MoM/YoY%)	0.3/2.9	0.3/2.9	0.3/2.9
	1330	Feb Participation Rate	62.7	-	62.7
	1745	Fed's Evans Speaks on Monetary Policy			
Japan	0000	Jan Labor cash earnings (YoY%)	0.5	-	0.9
	-	Mar 9 BoJ 10-year yield target (%)	-	-	0
	-	Policy Rate	-0.1	-	-0.1
	-	BOJ Monetary Policy Statement			
Germany	0700	Jan Trade Balance (€bn)	19.8	-	18.1
	0700	Jan Industrial Production (MoM%)	1.8	-	-0.6
UK	0930	Jan Trade Balance (£m)	-3500	-	-4896
	0930	Jan Industrial Production (MoM/YoY%)	1.5/1.9	-/-	-1.3/0
	0930	Jan Manufacturing Production (MoM/YoY%)	0.2/2.8	0.2/2.8	0.3/1.4
Italy	1000	Bank of Italy Publishes Monthly Report 'Money and Banks'			
Canada	1330	Feb Net Change in Employment	-	-	-88
	1330	Feb Unemployment Rate (%)	-	-	5.9
Norway	0700	Feb CPI (MoM/YoY%)	0.5/1.7	-/-	-0.1/1.6
	0700	Feb Core CPI (MoM/YoY%)	0.6/1.2	-/-	-0.8/1.1

Source: ING, Bloomberg

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