

## Key events in developed markets next week

The New Year should bring slower momentum for developed markets. We'll see what Fed officials have to say about scaling back rate hikes while hard data from the eurozone should provide insight into growth. Meanwhile, the Brexit battle is set to recommence on Wednesday



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### US: A calming voice from the Fed?

Financial markets had a tumultuous end to 2018 as worries about trade wars and weaker global demand led to sharp markdowns in equity prices and Treasury yields. The government shutdown is adding to a sense of unease, and barring any sudden breakthrough on Capitol Hill; this will result in a delay to the release of trade and durable goods orders numbers scheduled for next week.

However, the key events next week will be comments from Federal Reserve officials. At the December FOMC meeting, they scaled back their expectations for monetary policy, suggesting two 25 basis point moves was the most likely scenario for 2019, down from the three hikes they had pencilled in back in September. Amidst all the current doom and gloom, financial markets are not even fully pricing in one move this year.

While there certainly are more headwinds for the US – lagged effects of higher borrowing costs, a strong dollar, fading fiscal stimulus and weaker external demand at a time of rising trade

protectionism – there are also positives, with the strong jobs market delivering higher pay and the recent plunge in gasoline prices boosting household cashflows.

As such, we expect the bulk of Fed speakers to remain cautiously optimistic while soothing the concerns about an overly aggressive response from the central bank to any perceived inflation threat. In this regard, we expect December headline inflation to be pulled lower by energy price moves while core inflation remains at 2.2%.

## ✔ Eurozone: Hard data, will it tell the tale of slow growth?

The eurozone starts the year with some quite relevant data releases. With some pitch black surveys about the eurozone economy throughout the fourth quarter, the question is whether hard data confirms the slow growth environment.

Retail sales data for November will be an important gauge of consumer spending, and unemployment will shed light on whether the labour market continues to improve. Also look out for December's Economic Sentiment Indicator, which will probably be impacted by the Yellow Vest protest movement in France.

## ✔ May's Brexit battle recommences as lawmakers resume deal debate

Having been dramatically postponed in December, the Parliamentary debate on the Brexit deal resumes next Wednesday ahead of the critical vote on 14 January. When that happens, it still looks likely that Theresa May's deal will be rejected, potentially by a heavy margin.

If so, we're likely to hear renewed talk about a possible no-confidence vote in the government, although so far the opposition Labour Party has appeared reluctant to go down this route. That option aside, it's likely that MPs will get a say on what Brexit route to pursue next, and the possibilities that seem most likely to garner majority support are either a second referendum or a push for a Norway-style deal. In either case, the chances a Brexit delay in one form or another would increase, given time is short.

## ✔ Bank of Canada to hold, for now

The recent oil price slump, weaker-than-expected business investment in 3Q18, a stabilising housing market and US-China trade tensions all mount to pushing the central bank of Canada to become more cautionary.

We still see a hike in the first quarter of 2019, but don't expect this to arrive next Wednesday. Instead, it's more likely to come when the central bank next meets in March when policymakers have had the chance to let the risk environment develop and assess the impact on economic capacity. Governor Stephen Poloz recently said this was a significant factor in determining the appropriate pace of rate hikes.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 7 January</b>					
US	1500	Nov F Durable Goods Orders (MoM%)	-	-	0.8
	1500	Nov F Durable Goods Orders Ex. Trans. (MoM%)	-	-	-0.3
	1500	Dec ISM Non-manufacturing	-	59.0	60.7
	1740	Fed's Bostic Speaks to Rotary Club of Atlanta			
Eurozone	1000	Nov Retail Sales (MoM/YoY%)	0.2/0.1	-/-	0.3/1.7
Germany	0700	Nov New Orders (YoY%)	-	-	-2.7
<b>Tuesday 8 January</b>					
US	1100	Dec NFIB Small Business Optimism	102.5	-	104.8
	1330	Nov Trade Balance (US\$bn)	-53.0	-52.5	-55.5
Japan	0500	Dec Consumer Confidence Index	-	-	42.9
Eurozone	1000	Dec F Consumer Confidence	-6.8	-	-6.2
	1000	Dec Economic Confidence	108.9	-	109.5
Germany	0700	Nov Industrial Production (MoM%)	-	-	-0.5
Australia	0030	Nov Trade Balance (A\$m)	-	2175.0	2316.0
Norway	0700	Nov Industrial Production (MoM/YoY%)	-/-	-/-	2.3/4.5
<b>Wednesday 9 January</b>					
US	1320	Fed's Bostic Speaks on Economic Outlook			
	1400	Fed's Evans Speaks on Economy and Monetary Policy			
	1630	Fed's Rosengren Speaks on the Economic Outlook			
	1900	FOMC Minutes December Meeting			
Japan	0000	Nov Labor Cash Earnings (YoY%)	-	1.1	1.5
Eurozone	1000	Nov Unemployment Rate (%)	8.1	-	8.1
UK	-	Parliamentary Debate on Brexit Deal Resumes			
Germany	0700	Nov Trade Balance (€bn)	-	-	18.9
Canada	1500	Bank of Canada Policy Rate	1.75	2.0	1.75
Norway	0700	Nov GDP Mainland (MoM%)	-	-	1.0
<b>Thursday 10 January</b>					
US	1335	Fed's Barkin Speaks on Ensuring Long-Term Growth			
	1700	Fed's Powell to Speak to The Economic Club of Washington			
	1730	Fed's Bullard Speaks on Economy and Monetary Policy			
	1800	Fed's Evans Speaks at Economic Forecast Event			
	2230	Fed's Clarida Speaks in New York			
Japan	0500	Nov P Leading Economic Index	-	-	99.6
	2350	Nov P C/A Balance, Adjusted (Yen bn)	-	1158.8	1211.3
Eurozone	1230	ECB Publishes Account of December Meeting			
Norway	0700	Dec CPI (MoM/YoY%)	-0.1/2	-/-	0.5/3.5
	0700	Dec CPI - ATE (MoM/YoY%)	-0.4/3.1	-/-	0.3/2.2
<b>Friday 11 January</b>					
US	1330	Dec CPI (MoM%)	-0.1/1.9	-0.1/1.9	0.0/2.2
	1330	Dec CPI Ex. Food and Energy (MoM/YoY%)	0.2/2.2	0.2/2.1	0.2/2.2
UK	0930	Nov Trade Balance (£m)	-	-	-3300.0
	0930	Nov Industrial Production (MoM/YoY%)	0.4/-0.5	-/-	-0.6/-0.8
	930	Nov GDP (MoM%)	0.1	0.1	0.1
Australia	0030	Nov Retail Sales (MoM%)	-	0.4	0.3

Source: ING, Bloomberg

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