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Key events in developed markets next week

Another week in developed markets that will be dominated by Brexit as PM May's deal is voted on in parliament on Tuesday. The ECB meets next Thursday too - a historical meeting at that, given we'll be seeing quantitative easing coming to the end of its era

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US: The rough and the smooth

It's likely to be a little mixed in terms of the US data flow with recent oil price fluctuations exerting a significant influence. The $25/bbl plunge in oil since the start of October has seen gasoline prices drop from $2.90 to $2.45 per gallon. As such, this will be a significant drag on headline inflation with transportation costs also likely to edge a little lower. However, the US economy continues to run hot with wage pressures intensifying. With tariffs also on the rise, core inflation is likely to keep grinding higher with the annual rate set to tick up to 2.2% year on year.

Energy will also impact the value of retail sales with gasoline station sales obviously heavily impacted. However, consumer confidence is good, and incomes are rising so outside of this component we expect sales to remain robust. Industrial production should rebound following last month’s slightly disappointing outcome. Rig counts continue to rise suggesting rising mining, oil and gas extraction while utilities output should also rise after two consecutive monthly falls. Manufacturing remains good despite fears over tariffs and protectionism with improvements in the

ISM series pointing to another positive outcome.

Given the backdrop of decent activity, rising wages and solid core inflation this should reinforce expectations for a December interest rate rise from the Federal Reserve.

Eurozone: The end of the QE era

Doubts about growth are popping up everywhere, not in the least in the Eurozone. The question is if growth recovered in the fourth quarter and industrial figures for October will be an important gauge for the current state of the Eurozone economy.

The ECB meeting next week will not only be the last meeting of the year but will also be a historic meeting. It should mark an important step in returning monetary policy to normality. Only, hardly anyone seems to be interested. Thanks to changes in the communication back in June, market participants and ECB watchers have been well prepared for the gradual end of the ECB's net asset purchases. Anything else than the announcement to bring these purchases down to zero by year-end at Thursday's meeting would be a great surprise.

Buckle up, it's going to be a bumpy week in the UK

After all the build-up, Prime Minister May's Brexit deal will be voted upon in Parliament on Tuesday, and all the signs suggest it will be rejected by MPs. That opens the door to a volatile period in the days that follow, and we think there will be three things to watch:

1. **How big is the loss?** According to UK news outlets, as many as 100 Conservative MPs may be prepared to vote against the deal, alongside potentially all but a handful of opposition lawmakers. In the event, it's possible some MPs opt to abstain rather than outright reject the deal, which would limit the blow a little bit for Theresa May, but is unlikely to be enough to the turn the tide in favour of her agreement. The vote count matters because it will give us a flavour of how hard it might be to get an amended deal through second-time around.
2. **A new Conservative leader?** Calls for a leadership challenge will inevitably grow in the aftermath of a loss, and the critical 48 letters from Conservative MPs required to trigger one may well materialise. There's no guarantee Theresa May would lose a leadership challenge though, given that around 150 Conservative lawmakers would need to agree. There's also a possibility Theresa May chooses to resign – particularly if the loss is heavy – although our current feeling is that she wants to see the Brexit process through.
3. **A no-confidence vote in the government?** In the aftermath of a defeat on the Brexit deal, it seems highly likely that the opposition parties will push for a no-confidence vote, although this faces a tough task of passing with neither the Conservatives (for obvious reasons) nor the DUP likely to vote the government out of office. But if it did pass, then if no alternative government can be confirmed in the House of Commons within 14 days, then an election would be triggered. While this could happen in as little as five weeks, it would still likely require article 50 period to be extended as time will be running very short by that stage to find a Brexit strategy that can unite Parliament.

If Theresa May survives as both Conservative Leader and Prime Minister, then the next step would be for the government to instruct Parliament within 21 days about its next steps. MPs will now be able to amend this plan with their own proposals on the way forward – which begs the question of whether lawmakers will push for a second referendum or a move closer to the 'Norway Plus' model.

Norges Bank meeting and November inflation figures

Next week's key event in the Nordic region is the Norges Bank policy meeting on Thursday. After a 25bps hike in September, there is little chance the central bank will raise rates again so soon, in particular after the recent sharp fall in oil prices. That development poses a substantial risk to the NB's relatively hawkish stance. While we expect they are likely to signal that the next hike is still set for March next year, the outlook further out is looking less certain.

Also, both Norway and Sweden report November inflation figures next week, but here the oil price drop since October looks set to drive headline inflation rates lower. Core inflation – the key driver for central bank policy in both countries – is set to remain broadly stable. If we are right, Swedish core inflation will remain at 1.5%, that would be (yet again) a downside for the Riksbank's inflation forecast, and could push the Swedish central bank towards delaying its planned interest rate hike to February.

Finally, Sweden's political deadlock could finally start moving towards a resolution. Social Democratic leader Lofven's attempts to form a government is likely to be put to a vote in Parliament, and separately a budget for 2019 will also have to be passed. While a budget of some kind is likely to be passed, the government formation process remains up in the air as the Social Democrats negotiate for support from the Centre and Liberal parties. If they cannot find a compromise, new elections in the early part of 2019 look likely.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Saturday 8 December			
Portugal	-	European Socialists Hold Congress in Lisbon			
		Sunday 9 December			
Japan	2350	3Q F GDP (Annualised, QoQ%)	-	-2.0	-1.2
	2350	3Q F GDP Deflator, Advance (Q) (YoY%)	-	-0.3	-0.3
	2350	Oct C/A Balance, Adjusted (Yen bn)	-	-	1334.0
Australia	2130	RBA's Kent gives speech in Sydney			
		Monday 10 December			
Japan	2350	4Q BSI, All industry (QoQ%)	-	-	3.8
	2350	4Q BSI, Large manufacturing (QoQ%)	-	-	6.5
Germany	0700	Oct Trade balance (€bn)	-	-	18.3
UK	0930	Oct Trade balance (£mn)	-1500.0	-	-27.0
	0930	Oct Industrial production (MoM/YoY%)	0.1/	-/-	0.0/0.0
Australia	0030	Oct Home loans (MoM%)	0.1	-	-1.0
New Zealand	0100	Treasury publishes monthly economic indicators			
Norway	0700	Nov CPI (MoM/YoY%)	-0.3/2.7	-/-	-0.2/3.1
	0700	Nov CPI - ATE (MoM/YoY%)	-0.1/1.8	-/-	0.0/1.6
Sweden	0730	SEB Swedish monthly housing-price indicator			
	-	Riksbank's Skingsley gives speech			
Portugal	1100	Portugal releases industrial sales, employment report			
	1100	Portugal reports Oct international trade figures			
		Tuesday 11 December			
US	1100	Nov NFIB Small business optimism	107.0	-	107.4
Japan	2350	Nov PPI (MoM/YoY%)	-/-	-/-	0.3/2.9
	2350	Oct Core machine orders (MoM/YoY%)	-/-	-/-	-18.3/-7.0
Germany	1000	Dec ZEW Current situation index	-	-	58.2
UK	-	Parliament votes on EU withdrawal bill			
	0930	Oct Weekly earnings (3M avg)	3.0	-	3.0
	0930	Oct Weekly earnings, Ex. bonus (3M avg)	3.2	-	3.2
	0930	Oct ILO Unemployment rate (3M avg)	4.1	-	4.1
	0930	Oct Employment change (3M/3M)	35.0	-	23.0
Norway	0700	Oct GDP Mainland (MoM%)	-	-	-0.3
Portugal	1500	Portuguese Prime Minister speaks at debate in parliament			
	-	Bank of Portugal releases data on banks			
		Wednesday 12 December			
US	1330	Nov CPI (MoM%)	0.0/2.2	0.0	0.3
	1330	Nov CPI, Ex. Food and energy (MoM/YoY%)	0.2/2.2	0.2/2.2	0.2/2.1
Japan	0430	Oct Tertiary industry index (MoM%)	-	-	-1.1
Eurozone	1000	Oct Industrial production (WDA, YoY%)	0.8	-	0.9
Sweden	0830	Nov CPI (MoM/YoY%)	-0.2/2.0	-/-	-0.1/2.3
	0830	Nov CPIF (MoM/YoY%)	0.0/1.5	-/-	-0.1/2.4
Switzerland	0900	SNB's Jordan speaks at press conference in Bern			
		Thursday 13 December			
Japan	2350	4Q Tankan manufacturing index	-	-	19.0
	2350	4Q Tankan non-manufacturing index	-	-	22.0
Eurozone	1245	ECB Main refinancing rate	0.0	-	0.0
	1245	ECB Marginal lending facility	0.25	-	0.25
	1245	ECB Deposit facility rate	-0.4	-	-0.4
Germany	0700	Nov F CPI (MoM/YoY%)	-/-	-/-	0.1/2.3
Australia	0000	Dec CPI expectations (YoY%)	-	-	3.6
New Zealand	0000	New Zealand half-year fiscal, economic update			
Norway	0900	Deposit rates	0.75	-	0.75
Sweden	0500	Nov PES Unemployment rate (%)	-	-	3.7
	0830	Nov Unemployment rate (%)	-	-	5.5
Switzerland	0830	SNB Sight deposit interest rate	-	-	-0.75
		Friday 14 December			
US	1330	Nov Advance retail sales (MoM%)	0.1	0.2	0.8
	1330	Nov Retail sales, Ex. auto and gas (MoM%)	0.4	-	0.3
	1415	Nov Industrial production (MoM%)	0.4	0.3	0.1
Japan	0430	Oct F Industrial production, Prel (MoM/YoY%)	-/-	-/-	2.9/4.2
Eurozone	0830	Dec P Market manufacturing PMI	51.8	-	51.8
	-	ECB Vice-President Guindos (0815), Lautenschlaeger (0930) speak in Frankfurt			
Italy	1000	Nov F HICP (YoY%)	-	-	1.7
Spain	0800	Nov F HICP (MoM/YoY%)	-/-	-/-	-0.2/1.7
Sweden	0500	Valueguard Swedish housing-price data			
Denmark	-	Denmark sovereign debt to be rated by Fitch			
Ireland	-	Ireland sovereign debt to be rated by Fitch			

Source: ING, Bloomberg

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