

## Key events in developed markets next week

Markets are likely to remain focused on the coronavirus this week, but we'll be listening to what Powell has to say and if the virus is the “material change” that tempts the Fed into a supportive rate cut



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### **US: Is coronavirus the 'material change'**

The data released so far for 2020 suggests that the US-China trade deal has restored confidence and put the economy on a sound footing for decent growth this year.

This should be reflected in a rise in the NFIB small business survey and decent retail sales numbers. However, the news is not universally positive with the coronavirus outbreak causing nervousness which could be reflected in a fall in the University of Michigan confidence index. Industrial output is also looking a little unsettled despite the strong performance of the ISM survey. The fact that Boeing has brought production of the 737-Max to a halt has had knock-on effects for hundreds of suppliers and poses downside risks to output. Warm weather may also limit the scope for a rebound in utility output while the plunge in oil prices suggests limited upside for mining and drilling this month.

Markets will also be focusing on what Fed Chair Jerome Powell has to say about the outlook and how the economy and monetary policy may fare given the worries about the coronavirus. The semi-annual monetary policy testimony is released today (Friday 4th February), with Powell

answering questions from the House and Senate next Tuesday and Wednesday respectively. We would expect him to reiterate that the economic fundamentals of the US are sound and that a “material change” is required to shift them from their view that rates are on hold for the foreseeable future. Markets will be wondering if the coronavirus could be that “material change” that tempts them into a supportive rate cut.

We continue to believe the risks are skewed towards such action.

### **Eurozone: Low low low**

Eurozone industrial production is due out next week and promises to be poor. French and German data have come in weak already, which does not bode well for the average. Some improvement in survey data in January does give some hope that the start of the year has been better than the poor end to 2019.

### **UK: Faster growth this year?**

The UK economy is unlikely to have grown at all in the fourth quarter, following a steep drop in services output during November. But for markets, this is old news. The UK election at the end of the year, coupled with the smooth exit from the EU last month, has seen business surveys universally rebound.

The question now is whether this can translate into a faster pace of growth this year. With a myriad of Brexit unknowns, and more recently the risks surrounding coronavirus, we aren't expecting a full revitalisation in the UK growth outlook.

### **Swedish Riksbank: Prolonged pause**

Following December's historical rate hike from the Swedish central bank, we're not expecting any further moves any time soon. While we're not ruling out the possibility of some tweaks in the forecasts, expect policymakers to continue signalling a prolonged period of pause. The bottom line is that interest rates are unlikely to move again in either direction any time soon. On one side an aversion to negative rates suggests no imminent prospect of easing.

On the flip side, while some sentiment data has improved we would need to see a fundamental revival in global growth (led by a prolonged period of stability in trade tensions, and a decline in the risk posed by coronavirus), for policymakers to start thinking about raising rates any further.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Saturday 8 February</b>					
Italy	1030	ECB's Visco, Italy's Gualtieri speak in Brescia, Italy			
<b>Sunday 9 February</b>					
Japan	2350	Dec C/A Balance, adjusted (Yen bn)	-	-	1794.9
<b>Monday 10 February</b>					
Norway	0700	Jan CPI (MoM/YoY%)	-1.2	-/-	-0.3/1.4
	0700	Jan CPI - ATE (MoM/YoY%)	-2.0	-/-	-0.2/1.8
<b>Tuesday 11 February</b>					
US	1100	Jan NFIB Small Business Optimism	105.5	-	102.7
	1500	House Financial Services Committee Holds Hearing on Monetary Policy and Economy			
	1830	Fed's Bullard Discusses Economy and Monetary Policy			
Eurozone	1630	ECB Executive Board Member Schnabel Speaks in Karlsruhe			
UK	0930	4Q P GDP (QoQ/YoY%)	0.0/0.9	-/-	0.4/1.1
	0930	Dec UK Services Index (MoM%)	0.2	-	-0.3
	0930	Dec Industrial Production (MoM/YoY%)	0.3/-0.8	-/-	-1.2/-1.6
	0930	Dec Monthly GDP (MoM%)	0.2	-	-0.3
Australia	2050	RBA's Heath Gives Speech in Sydney			
Sweden	0500	Jan PES Unemployment Rate	-	-	4
<b>Wednesday 12 February</b>					
US	1330	Fed's Harker Discusses Economic Outlook			
Japan	2350	Jan PPI (MoM/YoY%)	-/-	-/-	0.1/0.9
Eurozone	1000	Dec Industrial Production (WDA, YoY%)	-1.4	-	-1.5
New Zealand	0100	RBNZ Official Cash Rate (%)	1.00	-	1.00
Sweden	0830	Riksbank Interest Rate	0.00	-	0.00
<b>Thursday 13 February</b>					
US	1330	Jan CPI (MoM/YoY%)	0.1/2.2	0.2	0.2/2.3
	1330	Jan CPI ex. food and energy (MoM/YoY%)	0.2/2.2	0.2/-	0.1/2.3
Eurozone	0830	ECB's Hernandez de Cos speaks in Madrid			
Germany	0700	Jan F CPI (MoM/YoY%)	-0.5/1.7	-/-	-0.6/1.7
Australia	0000	Feb CPI expectations (YoY%)	-	-	4.7
Norway	1700	Norges Bank Governor Olsen's Annual Address			
Netherlands	0530	4Q P GDP (QoQ%)	0.5	-	0.4
<b>Friday 14 February</b>					
US	1330	Jan Advance Retail Sales (MoM%)	0.3	0.3	0.3
	1330	Jan Retail Sales ex. Auto and Gas (MoM%)	0.4	-	0.5
	1415	Jan Industrial Production (MoM%)	-0.1	-0.2	-0.3
	1500	Feb P U. of Mich. Sentiment Index	98.0	-	99.8
Japan	0430	Dec Tertiary industry index (MoM%)	-	-	1.3
	1000	BOJ Deputy Governor Amamiya Speech			
Eurozone	1000	Dec Trade Balance (€bn)	18293	-	19189
	1000	4Q P GDP (QoQ/YoY%)	-/-	-/-	0.1/1.0
Germany	0700	4Q P GDP (QoQ/YoY%)	0.1/0.4	-/-	0.1/0.5
Spain	0800	Jan F HICP (MoM/YoY%)	-/-	-/-	-1.4/1.1

Source: ING, Bloomberg

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