

## Key events in developed markets next week

It's the last busy week ahead for developed markets before the Christmas lull sets in, and there are many key releases to watch out for. Keep an eye on monetary policy meetings from the US, UK, Japan, Norway and Switzerland, as well as some important inflation, PMI and unemployment data



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### **US: Economic pressures may not be enough to warrant monetary policy change yet**

The economic strains from the spike in Covid-19 are becoming increasingly apparent. There was already a loss of momentum in the US November jobs report, but the latest initial claims data suggests the containment measures to try and protect healthcare systems are closing businesses which, in turn, are laying off staff. We should be braced for more bad news on jobs given it is likely that the containment measures and business closures will spread to more and more states.

Consumer confidence is already under pressure as health worries mount and this is prompting a decline in travel, restaurant trips and hotel stays. There is also evidence from high frequency credit and debit card transactions that spending took a downward lurch more broadly in late November. Car sales also fell in the month so we are looking for a soft figure with overall retail sales likely

down by around 0.4 percentage points on the month. There could be an even bigger fall in December in the absence of a rapid and aggressive fiscal support programme given the prospect of lower employment and incomes.

Industrial production will hold up better given decent readings from surveys of the sector. There are significant order backlogs and this should ensure robust production figures this month.

Given this situation, the Federal Reserve will retain a dovish bias and continue to emphasise the need for ongoing fiscal support. With interest rates at record lows and financial conditions extremely loose there is little more the Federal Reserve can do itself. Additional quantitative easing looks unlikely, but they could potentially focus more of their current purchases at the long end of the curve, which would flatten the yield curve. But given the 10Y is still below 1%, there seems little need to do it at this stage.

## **Brexit: Final push for deal as time runs short**

Negotiators have set a deadline for Sunday to agree a deal, but like the number of deadlines that have come and gone so far in the Brexit process, there is a general sense that talks could stretch into next week.

Talks reportedly remain stuck on the issue of level playing field, and specifically what happens if either side decides to tighten up the likes of their labour/environmental standards in future. Prime Minister Boris Johnson has publicly pushed back on the idea that the UK could be open to tariffs should the EU decide to unilaterally increase these standards in the future.

But there are various solutions knocking about, not least reverting to the EU's original proposal for a 'ratchet clause' – the idea that both sides would need to mutually agree to tighter standards, and only then could there be punishment should either side deviate from this new baseline.

The optimistic way of looking at this is that there is a landing zone in sight, but both sides need to signal that they have fought hard for their respective voters. But ultimately time is on nobody's side, and while ratification on both sides of the Channel could happen in the days after Christmas, there is only so long talks can go on.

This poses a challenge for the Bank of England, which meet next week and there's a reasonable chance there will have been no conclusion to talks before their announcement. In reality, we shouldn't expect too much at this point – policymakers have already expanded QE and have flexibility to increase the pace of purchases if needed.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 14 December</b>					
Sweden	0500	Nov Reg Unemployment Rate	-		8.8
Netherlands	0530	Oct Trade Balance	-		5.796
Portugal	1100	Nov CPI (MoM/YoY%)	-/-	-	-0.3/-0.2
Eurozone	1000	Oct Industrial Production (YoY%)	-2.2	1.5	-6.8
<b>Tuesday 15 December</b>					
US	1415	Nov industrial production (MoM%)	0.4	0.3	0.0
	1415	Nov capacity utilisation (%)	73.1	73.0	72.8
Japan	2350	Nov Exports (YoY%)	-0.5		-0.2
	2350	Nov Imports (YoY%)	-13.0		-13.3
	2350	Nov Trade Balance - adjusted (Yen bn)	447.0		314.3
France	0745	Nov CPI (YoY%) NSA	-		0.2
UK	0700	Oct ILO Unemployment Rate	5.0		4.8
Italy	0900	Nov CPI (EU Norm) Final (MoM/YoY%)	-		0.0/-0.3
Canada	1930	BoC Governor Tiff Mackelm speech			
Australia	2200	Dec Manufacturing PMI Flash	-		56.1
	2200	Dec Services PMI Flash	-		54.9
	2200	Dec Composite PMI Flash	-		54.7
New Zealand	2145	Q3 Current Account - (QoQ/YoY%)	-		1.828/-5.765
<b>Wednesday 16 December</b>					
US	1330	Nov Retail Sales (MoM/YoY%)	-0.4	-0.2	0.3/5.68
	1445	Dec Markit Composite Flash PMI	-		58.6
	1445	Dec Markit Manufacturing PMI Flash	-		56.7
	1445	Dec Markit Services PMI Flash	-		58.4
	1900	FOMC rate decision			
Germany	0830	Dec Markit Manufacturing Flash PMI	56.0		57.8
	0830	Dec Markit Service Flash PMI	45.0		46.0
	0830	Dec Markit Composite Flash PMI	50.0		51.7
France	0815	Dec Markit Manufacturing Flash PMI	-		49.6
	0815	Dec Markit Services Flash PMI	-		38.8
	0815	Dec Markit Composite Flash PMI	-		40.6
UK	0700	Nov Core CPI (YoY%)	1.3	-	1.5
	0700	Nov CPI (YoY%)	0.6	-	0.7
	0930	Dec Flash Composite PMI	50.5		49
	0930	Dec Flash Manufacturing PMI	56.0		55.6
	0930	Dec Flash Services PMI	49.0		47.6
Italy	0900	Oct Industrial Orders (MoM/YoY%) SA	-		-6.4/3.2
	0900	Oct Industrial Sales (MoM/YoY%) SA	-		-3.2/-4.6
Canada	1330	Nov CPI Inflation (MoM/YoY%)	-/-	-	0.4/0.7
	1330	Nov CPI BoC Core (MoM/YoY%)	-	-	0.4/1.0
New Zealand	2145	Q3 GDP Prod Based (QoQ/YoY%), SA	7.3/-4.2		-12.2/-12.4
Eurozone	0900	Dec Markit Manufacturing Flash PMI	52.5		53.8
	0900	Dec Markit Services Flash PMI	42.5		41.7
	0900	Dec Markit Composite Flash PMI	45.7		45.3
	1000	Oct Total Trade Balance SA	-		24.0
<b>Thursday 17 December</b>					
UK	1200	Dec BOE Bank Rate	0.1		0.1
	1200	Dec Asset Purchase Prog	895		895
Australia	0030	Nov Unemployment Rate (%)	7.1		7.0
	0030	Nov Employment change ('000)	50.0		178.8
	0030	Nov participation rate	63.9		65.8
New Zealand	2145	Nov Imports	-		5.29
	2145	Nov Trade Balance	-		-0.5
	2145	Nov Exports	-		4.78
Japan	2350	Nov CPI (YoY%)	-0.7		-0.4
	2350	Nov CPI ex-food, energy (YoY%)	-0.4		-0.2
Norway	0900	Key Policy Rate	-		0.0
Sweden	0830	Nov Unemployment Rate	-		7.8
Switzerland	0830	Q4 SNB Policy Rate	-		-0.75
<b>Friday 18 December</b>					
US	1330	Q3 Current Account	-195.0	-192.0	-170.5
Japan	-	BOJ Rate Decision	-0.1		-0.1
Germany	0900	Dec Ifo Business Climate New	90.0		90.7
	0900	Dec Ifo Curr Conditions New	89.0		90.0
	0900	Dec Ifo Expectations New	94.0		91.5
UK	0700	Nov Retail Sales (MoM/YoY%)	-4.0/2.3	-	1.2/5.8
Canada	1330	Oct Retail Sales (MoM%)	-		1.1
Eurozone	0900	Oct Current Account SA, EUR	-		25.18

Source: ING, Refinitiv

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