Article | 14 August 2020 KEY EVENTS

Key events in developed markets next week

Housing data from the US, Eurozone PMI readings and UK retail sales data next week will provide more clarity on the extent of the rebound for developed markets

Source: Shutterstock

US: Building on the recovery

While we wait to see if politicians have the willpower to agree a new fiscal package that can help support the economy in its next phase of recovery we continue to watch high-frequency data on jobs and credit and debit card transaction that currently suggest employment growth and consumer spending stalled through mid-July into early August. This suggests we should be braced for some disappointment in the August jobs and retail sales reports that are published on 4 and 16 September respectively.

For the upcoming week, it is all about housing data, which should look good. We know mortgage applications are strong thanks to low mortgage rates with anecdotal evidence suggesting demand is led by older buyers looking for a second or vacation home. This story has been in play for around four months now and should help fuel transactions, which in turn has historically been well correlated with consumer spending on related sectors such as furniture, home furnishings, garden equipment and building supplies.

Meanwhile, the minutes to the July Federal Reserve meeting may reveal a little bit more on the potential for yield curve control, which will be of interest to market players given the recent bout of yield curve steepening. There may be some discussion in the context of the Fed's long-awaited strategy review of monetary policy where they are increasingly expected to be more tolerant of periods of above-target inflation in order to provide some compensation for significant periods of undershooting.

An announcement on this could come in September.

Eurozone: PMI data to reflect the extent of the rebound

Next week will give another snapshot at the state of the Eurozone recovery. The PMI should give a good sense of where things are headed and especially if the recent fast pace of the rebound has been maintained through August. Some slowing is to be expected, but so far the Eurozone has seen encouraging numbers come out that indicate that the start of the rebound has at least been strong.

UK retail sales to stay around pre-virus levels in July, although this may not reflect a wider 'V shape' recovery

It didn't take long for UK retail sales to return to their pre-crisis levels, although there are reasons to question whether they imply a broader 'V-shape' recovery in spending.

High-frequency payment data cited by the Bank of England shows that delayable spending has fallen again through July, which we think indicates some of the initial rebound reflected unsustainable pent-up demand. Retail sales are also only one part of the consumer spending story, and social spending (pubs, restaurants etc) has been much slower to recovery as individuals remain cautious about the safety risks of returning to old haunts. Of course in the medium-term, the concerning signs of rising unemployment also pose a clear risk to spending, particularly given that the rise in joblessness is likely to be initially concentrated among lower-paid workers.

We expect retail sales to be essentially flat in July (relative to the big gains seem over the past two months). Separately, we may see another mild uptick in the PMI readings, although as we've noted previously, these may not be the best barometers of GDP performance in these current volatile times.

Norges Bank set to maintain cautious optimism

In contrast to many other global central banks, Norges Bank struck a fairly upbeat tone at its last meeting in June, upgrading its GDP forecast and loosely pencilling in a rate hike into its projection for 2022. Since then, neither oil prices nor the trade-weighted NOK have changed materially enough to shift that view when the committee meets next week.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 17 August			
Japan	0050	2Q P GDP (Annualised, QoQ%)	-22.7	-27.0	-2.2
	0050	2Q P GDP deflator - advance (Q) (YoY%)	-	1.9	0.9
	0530	Jun F Industrial production - Prel (MoM/YoY%)	-/-	-/-	2.7/-17.7
		Tuesday 18 August			
US	1330	Jul Housing starts (000s)	1270	1230	1186
Australia	0230	RBA Minutes of Aug. Policy Meeting			
Norway	0900	Norway Sovereign Wealth Fund 2H Report			
		Wednesday 19 August			
US	1900	Jul 29 FOMC Meeting Minutes			
Japan	0050	Jul Exports (YoY%)	-14.3	-	-26.2
	0050	Jul Imports (YoY%)	-17.3	-	-14.4
	0050	Jun Core machine orders (MoM%/YoY)	1.2/-15.8	-/-	1.7/-16.3
Eurozone	1000	Jul F CPI (YoY%)	0.4	-	0.4
	1000	Jul F CPI (MoM/YoY%)	-0.3/1.2	-/-	-0.3/1.2
UK	0700	Jul CPI (MoM/YoY%)	0.0/0.6	-/-	0.1/0.6
	0700	Jul Core CPI (YoY%)	1.1	-	1.4
Canada	1330	Jul CPI (MoM/YoY%)	-/-	-/-	0.8/0.7
Portugal	1100	Portugal Reports Industrial Production Price Index			
		Thursday 20 August			
US	1800	Fed's Daly Discusses the New Future of Work			
Canada	1330	ADP Releases Payroll Data			
Norway	0900	Deposit Rates	0.0	-	0.0
Sweden	0830	Jul Unemployment Rate (%)	-	-	9.8
	1530	Riksbank's Skingsley Gives Speech on Current Monetary Policy			
		Friday 21 August			
US	1500	Jul Existing Home Sales	5.4	5.2	4.7
Japan	0030	Jul National CPI (YoY%)	-	-	0.1
	0030	Jul CPI ex-food, energy (YoY%)	-	-	0.4
Eurozone	0900	Aug P Markit Manufacturing PMI	53.0	-	51.8
	0900	Aug P Markit Services PMI	55.5	-	54.7
	0900	Aug P Markit Composite PMI	55.6	-	54.9
	1500	Aug A Consumer Confidence	-	-	-15.0
UK	0700	Jul Public Finances (PSNCR)	-	-	44.0
	0700	Jul PSNB ex Banks (£bn)	-	-	35.5
	0700	Jul Retail Sales ex Auto Fuel (MoM/YoY%)	1.0/2.3	-/-	13.5/1.7
	0700	Jul Retail Sales (MoM/YoY%)	1.5/-0.5	-/-	13.9/-1.6
	0930	Aug P Markit/CIPS Manufacturing PMI	54.0	-	53.3
	0930	Aug P Markit/CIPS Services PMI	57.0	-	56.5
	0930	Aug P Markit/CIPS Composite PMI	56.7	-	57.0
Australia	0230	ABS Australia Preliminary July Retail Sales			
Sweden	0830	Sweden 2Q Residential Construction			

Source: ING, Bloomberg

Author

James Knightley
Chief International Economist, US
james.knightley@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Disclaimer