

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



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## **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 seen 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.
<b>Monday 17 August</b>				
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
<b>Tuesday 18 August</b>				
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			
<b>Wednesday 19 August</b>				
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			
<b>Thursday 20 August</b>				
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			
<b>Friday 21 August</b>				
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 (Ebn)	-	-	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

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