

## Key events in developed markets next week

Amongst a few central bank meetings next week there are two in focus - will we see two rate hikes? The Fed is looking more than likely, and while Sweden's Riksbank has said a December hike could be on the cards, we see the dovish majority holding off until next February



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### US: The Fed's fight

Market expectations for Federal Reserve rate hikes have collapsed in recent weeks. Fears over what escalating trade tensions might mean for growth, falling equity markets, and ongoing criticism from President Trump that rate hikes are stifling his ability to fight China on trade, have all weighed on sentiment.

The economy is set to slow next year as tighter monetary conditions and fading support from the fiscal stimulus feed through, but monetary policy is hardly looking restrictive at this stage. We still look for the economy to expand around 2% versus the 3% rate for 2018. Inflation pressures are building with the tight jobs market generating higher wages while core CPI is now running at 2.2%. Consequently, we expect the Federal Reserve to raise rates 25 basis points on Wednesday and signal further rate hikes are likely.

We currently expect three 25 basis point rate hikes in 2019, although acknowledge that the risks

are probably skewed towards a more cautious tightening path from the Fed.

## ✔ Will December be an exception to the eurozone's poor consumer confidence?

Next week will shed light on how eurozone exports are performing in the fourth quarter as October trade in goods data is due Monday. Industrial production was decent, but with exporters indicating that new orders are declining, exports could once again be in for a slow month.

Consumer confidence has been on a declining trend all year and the question is whether December will be the exception to that rule. Given general concerns about the economic environment, it's more likely that it will be in line with this year's trend.

## ✔ Underlying strength of German economy through the lens of sentiment indicators...

The latest Ifo index will give a better picture of the underlying strength of the German economy. If the latest slowdown was mainly driven by temporary factors, it should be time for some improvements - at least in the expectations component. Another drop of all components, however, would be a clear signal to further downgrade growth forecasts.

## ✔ UK data takes backseat as Brexit uncertainty rises

After a turbulent week in UK politics, the focus switches back to the challenge Theresa May faces in getting her deal through Parliament. The government has confirmed that the vote won't take place before Christmas, but EU leaders have made it clear that they are unlikely to budge on the issue of the Irish backstop, so a defeat in the new year still looks highly likely at this stage.

On the data front, we expect inflation to continue to drift back to target as the effect of higher petrol prices begins to fade. Core CPI looks set to remain just below target, but for the Bank of England what really matters here is the recent acceleration in wage growth. This is a key reason why policymakers appear keen to tighten policy further, although given all the noise surrounding Brexit, it's looking increasingly likely that the central bank will remain on hold through the first half of 2019 (and possibly beyond).

## ✔ Will the Riksbank finally hike?

The key event in the Nordics this week will be the Riksbank meeting on Thursday. The Swedish central bank has delayed hiking rates again and again, but said in September that rates would rise 'in either December or February'. So this meeting is the first opportunity to hike. We think weak inflation over the autumn, the negative 3Q GDP growth and an increasingly gloomy global outlook mean the ever-cautious Riksbank majority, led by Governor Stefan Ingves, will opt to wait until February. But it's a close call, and we don't exclude the possibility that policymakers have a more optimistic assessment of the outlook - or simply want to get the first hike out of the way before the new year!

In addition, the Swedish political drama continues. Parliament has now passed a budget for 2019, with the centre-right Conservatives managing to get through their tax-cutting policies thanks to support from the far-right and abstentions from liberal parties. This will provide a modest fiscal

boost for the economy. But the deadlock around government formation remains, and looks likely to persist into 2019 unless an unexpected breakthrough can be found before Christmas.

In Norway, Governor Øystein Olsen's speech on Tuesday will likely provide further detail on Norges Bank's policy stance following the decision to keep rates on hold in December while committing to raising interest rates again in March next year.

## **Both Canadian inflation and growth will be influenced heavily by commodities**

A sharp decline in oil prices dragged down headline inflation in November. Our annual rate forecast is 2.1%, down from 2.4% in October, and this should see consumer prices flat on the month. But this won't be long-term; the outcome of the recent OPEC+ meeting confirmed oil production will be cut, which is positive news for oil prices.

As for Canadian growth, our 0.1% month-on-month October forecast (though healthy) could be better, if it weren't for transportation constraints in Canada's oil industry weighing on both oil extraction and exports.

A glimpse of this can be seen in Canada's trade data: The trade deficit widened to CAD 1.17 billion in October - largely fuelled by a 1.2% fall in exports. And given Canada is a significant exporter of crude, this can partly be put down to the lack of pipeline capacity.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Saturday 15 December</b>					
Eurozone	1030	ECB's Draghi Speaks in Pisa, Italy			
<b>Monday 17 December</b>					
Eurozone	1000	Oct. Trade Balance (€bn)	15256.6	-	13414.5
	1000	Nov. F Core CPI (YoY%)	1.0	-	1.0
	1000	Nov. F CPI (MoM/YoY%)	-0.2/2	-/-	-0.2/2.0
<b>Tuesday 18 December</b>					
Japan	2350	Nov. Exports (YoY%)	-0.6	-	8.2
	2350	Nov. Imports (YoY%)	2.0	-	19.9
Germany	0900	Dec. IFO Business Climate	102.0	-	102.0
	0900	Dec. IFO Expectations	99.1	-	98.7
	0900	Dec. IFO Current Assessment	105.00	-	105.4
Australia	0030	RBA Dec. Meeting Minutes			
Norway	-	Norges Bank Governor Olsen Speaks in Oslo			
Switzerland	0645	SECO Dec. 2018 Economic Forecasts			
Portugal	-	Bank of Portugal Releases Dec. Economic Bulletin			
<b>Wednesday 19 December</b>					
US	1500	Nov. Existing Home Sales	5.16	5.2	5.2
	1900	FOMC Rate Decision (Upper bound)	2.5	2.5	2.25
	1930	Fed's Powell Holds Press Conference Following FOMC Decision			
UK	0930	Nov. CPI (MoM/YoY%)	0.2/2.3	-/-	0.1/2.4
	0930	Nov. Core CPI (YoY%)	1.8	-	1.9
Canada	1330	Nov. CPI (MoM/YoY%)	0.0/2.1	-/-	0.3/2.4
N. Zealand	2145	3Q GDP (Q) (QoQ, SA/YoY%)	-/-	-/-	1.0/2.8
Sweden	0800	Dec. Economic Tendency Indicator	105.0	-	106.7
<b>Thursday 20 December</b>					
Japan	0430	Oct. All Industry Activity Index (MoM/YoY%)	1.0/-	-/-	-0.9/1.4
	2330	Nov. CPI (YoY%)	0.8	-	-
	2330	Nov. CPI ex. Food, Energy (YoY%)	0.4	-	0.4
	2350	BoJ 3Q Money Flow			
	-	Policy Rate	-0.1	-	-0.1
	-	BoJ 10-Year Yield Target (%)	-	-	0.0
UK	0930	Nov. Retail Sales ex. Auto Fuel (MoM/YoY%)	0.2/2.3	-/-	-0.4/2.7
	0930	Nov. Retail Sales (MoM/YoY%)	0.2/1.8	-/-	-0.5/2.2
	1200	BoE Policy Rate	0.75	-	0.75
Australia	0030	Nov. Employment Change ('000)	26.0	-	32.8
	0030	Nov. Unemployment Rate (%)	5.0	-	5.0
Sweden	0830	Riksbank Interest Rate	-0.5	-	-0.5
<b>Friday 21 December</b>					
US	1330	3Q T GDP (QoQ Annualised %)	3.5	3.5	3.5
	1330	Nov. P Durable Goods Orders (MoM%)	2.2	2.0	-4.3
	1330	Nov. P Durable Goods Orders ex. Transport (MoM%)	0.3	0.3	0.2
	1500	Dec. F U. of Mich. Sentiment Index	97.5	97.5	97.5
Eurozone	1500	Dec. A Consumer Confidence	-4.1	-	-3.9
UK	0930	Nov. PSNB ex. Banks (€bn)	-	-	8.82
	0930	Nov. Public Finances (PSNCR)	-	-	-3.346
	0930	3Q F GDP (QoQ/YoY%)	0.6/1.5	-/-	0.6/1.5
Canada	1330	Oct. GDP (MoM/YoY%)	0.1/2.1	-/-	-0.1/2.1
	1500	Bank of Canada Business Outlook Survey			
Norway	0900	Dec. Unemployment Rate	-	-	2.3
	0730	Norway Releases Borrowing Estimates for First Quarter			
Sweden	0830	Nov. Retail Sales ex. Fuel (MoM/YoY%)	-/-	-/-	-1.1/-0.1

Source: ING, Bloomberg

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