

Key events in developed markets next week

Busy week ahead in developed markets! While the coronavirus is likely to remain at the forefront of investor's mind, keep an eye out for a large batch of UK, US and Eurozone data, along with some possible UK fiscal headlines



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UK: Post-election bounce may not be so evident just yet

Virtually all surveys since December's UK election have shown a rise in sentiment. But will this translate into a faster pace of growth? Markets will be taking their cue from a range of data next week.

We suspect it's too early to see evidence of any post-election bounce in Tuesday's jobs numbers. Hiring indicators towards the end of 2019 were increasingly pointing to reduced demand in the jobs market, and for the time being this may show through in a slower pace of employment growth.

Inflation will get a boost on Wednesday by higher petrol prices, but that won't last. Household energy costs are set to fall in the spring, dragging inflation lower. Higher real wage growth should be good news for consumer spending, although we suspect it'll be too early to see the results in January's retail sales figures.

But the one to really watch is the PMI. We saw a big increase in January, particularly in services as firms reported higher optimism and faster growth in new orders. Can this last? Well don't forget the PMIs and other surveys haven't always been as accurate around political turning points. Bank of England policymakers will remember back in 2016 when the PMIs plunged after the referendum, only to rebound in the months shortly after. We see the reverse effect to some extent this month, and the manufacturing PMI, in particular, may begin to feel the early effects of coronavirus, given firms globally are reporting supply chain difficulties.

In short, we're looking at a slightly dovish tone to the data next week, but will it move the dial closer to a rate cut? We suspect it won't, and we continue to expect monetary policy to remain on hold this year barring a material deterioration in growth conditions.

✓ **UK: Watch out for fiscal headlines as budget approaches**

We're still a few weeks away from the UK budget in March, but the surprise resignation of Sajid Javid as Chancellor has prompted a move in markets to price more fiscal stimulus.

The logic, we suspect, is that Number 10 will try put pressure on new Chancellor Rishi Sunak to loosen the purse strings. In reality, we think investors could be disappointed. While we would expect some fiscal stimulus, it's unlikely the government will want to use all of it's ammunition with the next election so far off. There'll be lots of focus on infrastructure, although often this takes time (potentially a few years) before it translates into additional economic activity.

✓ **US: Housing still booming**

It's a holiday-shortened week in the US, populated mainly by housing statistics. These, by and large, should show that this area of the economy is performing very strongly. The plunge in mortgage interest rates coupled with low unemployment levels and close to record high consumer confidence indices means lots of potential buyers in a market that has seen very limited new home building over recent years. Strong demand has already led to a pick-up in construction with home builder confidence having surged in recent quarters. After a few lean years, residential investment is likely to be a key driver of US growth in the first half of 2020.

There are also several Fed speakers scheduled to make an appearance with the tone set to largely repeat the cautiously optimistic sentiments expressed by Fed Chair Jerome Powell in his recent testimony to Congress. Nonetheless, they are likely to be increasingly focused on the global economic impact from the coronavirus, which is a key factor behind our sub-consensus US growth view and our prediction of one more rate cut from the Federal Reserve.

✓ **Eurozone: First evidence of nCov to be seen in data**

Next week's survey data have been eagerly awaited as they should present the first evidence of corona impact on Eurozone businesses and consumers. Some loss of confidence should be expected, even though business confidence has been on the rise in recent months on the back of somewhat improved trade outlook.

✓ **Swedish inflation to come in below target**

Warmer weather and the resulting lower energy costs will keep Swedish inflation below target next week. We expect it to come in at 1.7% YoY but the risks are skewed to the downside. The

Swedish central banks expect it even lower although they remain fairly upbeat on CPIF ex-energy. We'll also get the Prospera Swedish inflation expectations survey, and it will be interesting to see whether a downward trend in inflation expectations amongst money market participants continues. This is relevant given the ongoing wage negotiations, which will set the tone for pay rises over the next few years.

None of next week's data should faze the Riksbank, who are widely expected to remain on hold for the foreseeable future.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 16 February					
Japan	2350	4Q P GDP (Annualised, QoQ%)	-2.4	-3.8	1.8
	2350	4Q P GDP deflator - advance (Q) (YoY%)	-	1.1	0.6
Monday 17 February					
Japan	0430	Dec F Industrial production - Prel (MoM/YoY%)	-/-	-/-	1.3/-3.0
Eurozone	1400	ECB Board Member Lane Speaks in Lisbon			
Tuesday 18 February					
Japan	2350	Jan Exports (YoY%)	-	-	-6.3
	2350	Jan Imports (YoY%)	-	-	-4.9
	2350	Dec Core machine orders (MoM/YoY%)	-/-	-/-	18/5.3
Germany	1000	Feb ZEW Current Situation Index	-2	-	-9.5
UK	0930	Dec Weekly Earnings (3M avg)	3.0	-	3.2
	0930	Dec Weekly Earnings ex Bonus (3M avg)	3.3	-	3.4
	0930	Dec ILO Unemployment Rate (3M avg.)	3.8	-	3.8
	0930	Dec Employment Change (3M/3M)	170	-	208
Sweden	0830	Jan Unemployment Rate SA (%)	-	-	6.6
Wednesday 19 February					
US	1900	FOMC Meeting Minutes - Fed's Bostic (1310), Kashkari (1645), Kaplan (1830) and Barkin (2130) Speak			
UK	0930	Jan CPI (MoM/YoY%)	-0.4/1.4	-/-	0/1.3
	0930	Jan Core CPI (YoY%)	1.6	-	1.4
Canada	1330	Jan CPI (MoM/YoY%)	0.2/2.3	-/-	0/2.2
Sweden	0830	Jan CPIF (MoM/YoY%)	0.0/1.7	-/-	0.4/1.7
Thursday 20 February					
Japan	2330	Jan National CPI (YoY%)	-	-	0.8
	2330	Jan CPI ex-food, energy (YoY%)	-	-	0.9
Eurozone	1500	Feb A Consumer Confidence	-9.1	-	-8.1
	1030	ECB Vice President Guindos Speaks in Frankfurt			
	1230	Publication of account of ECB's Monetary Policy Meeting			
UK	0930	Jan Retail Sales ex Auto Fuel (MoM/YoY%)	0.5/0.0	-/-	-0.8/0.7
	0930	Jan Retail Sales (MoM/YoY%)	0.4/0.3	-/-	-0.6/0.9
Australia	0030	Jan Employment change ('000)	-	-	28.9
	0030	Jan Unemployment rate (%)	-	-	5.1
Sweden	0700	Prospera Swedish Inflation Expectations Survey			
Friday 21 February					
US	1500	Jan Existing Home Sales - Fed's Brainard (1515), Bostic (1515) and Clarida (1830) Speaks in New York	5.5	5.4	5.5
	1700	ECB Board Member Lane Speaks in New York			
Japan	0430	Dec All industry activity index (MoM%)	-	-	0.9
Eurozone	0900	Feb P Markit Manufacturing PMI	47.1	-	47.9
	0900	Feb P Markit Services PMI	52.2	-	52.5
	0900	Feb P Markit Composite PMI	50.8	-	51.3
	1000	Jan CPI (YoY%)	-	-	1.4
	1000	Jan F CPI (MoM/YoY%)	-/-	-/-	-1/1.1
UK	0930	Feb P Markit/CIPS Manufacturing PMI	49.8	-	50.0
	0930	Feb P Markit/CIPS Services PMI	53.0	-	53.9
	0930	Feb P Markit/CIPS Composite PMI	52.5	-	53.3
Italy	1000	Jan F HICP (YoY%)	0.5	-	0.5

Source: ING, Bloomberg

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