

## Key events in developed markets next week

Will the new Fed chair result in a new Fed dot plot? Will the EU summit offer any sign of a Brexit transition deal?

### **New Fed chair, new dot plot?**

For markets, there's little doubt that a rate hike is on the way next week. Of the possible risks that may have knocked the Fed off course this month – a government shutdown, market turmoil, or data distortions from the cold weather – none have really come to pass.

So with a hike fully priced in, investors will instead be closely scrutinising the Fed's infamous 'dot plot' for any sign that the Fed, with a new chair at the helm, is considering upping the pace of hikes from three to four this year. Back in December, only four out of 16 Fed members expected four hikes in 2018, so arithmetically it will take another four or five to join this camp for the median dot to move upwards.

Whatever happens, with core inflation on the verge of returning to target and the economy continuing to perform strongly, we think the Fed will ultimately follow through with four rate rises this year.

### **Crunch EU summit eyed for signs of Brexit transition deal**

With negotiators scrambling to get a transition period agreed in principle ahead of the EU leader's meeting at the end of the week, there are signs that a deal may be in sight. The UK government appears to have accepted the EU's request for a shorter transition – after all, negotiating a longer period now would mean agreeing to additional budget contributions beyond December 2020, which would be politically very challenging for Theresa May at this stage.

That was one of the final sticking points in the transition negotiations, although there are still big disagreements over the Irish border. The EU has said that the UK government's proposal for post-Brexit trade doesn't go far enough to ensure there's no hard border. Whilst this issue is unlikely to be resolved anytime soon, there's a risk that disagreements in this area delay a transition deal.

### **Will Eurozone indicators recover?**

For the Eurozone, the question will be whether survey indicators recover after financial market volatility in February. Markets bounced back somewhat, but some of the surveys also indicated weakness in new orders. And with recent protectionist moves in the US, uncertainty about global economic conditions has not really subsided, suggesting March could be another soft month.

## ✓ Only one number matters ahead of the Bank of England

In the UK, there are several economic reports of note:

- Core inflation looks set to grind lower as the effect of the pound's plunge continues to filter out (this process could see core CPI virtually back to target by the end of the summer).
- Retail sales could be a tad disappointing, as cold weather, combined with an ongoing squeeze in household income appears to have kept shoppers away from the high street in February.
- But what really matters for policymakers next week is wage growth. It looks as though the overall tightness in the jobs market is putting pressure on firms to lift pay – although it's also worth remembering that the year-on-year numbers are currently being flattered by the particularly weak wage figures at the same time last year.

Assuming progress can be made towards a Brexit transition period, we think the BoE will hike rates again in May. Keep an eye out for possible hints at this in the Bank's statement next week.

## ✓ Relief over new German government or fear of US protectionism?

Next week will see an entire wave of German sentiment indicators. The big question all these indicators should answer is whether the relief of having a new government can outweigh fears of rising protectionism from the US.

## Developed Markets Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Friday 16 March</b>					
US	1315	Feb Industrial Production (MoM%)	0.3	0.4	-0.05
	1400	Mar P U. of Mich. Sentiment Index	100	99.2	99.7
Japan	0430	Jan F Industrial production - Prel (MoM/YoY%)	-/-	-/-	-6.6/2.7
	-	Cabinet Office Monthly Economic Report for March			
Eurozone	1000	Feb F Core CPI (YoY%)	1	1	1
	1000	Feb F CPI (MoM/YoY%)	0.2/1.2	0.2/1.2	0.2/1.2
Italy	0900	Feb F HICP (YoY%)	0.7	0.7	0.7
Norway	0730	Norway Central Bank Deputy Governors Speech			
Portugal	1100	Portugal Reports Construction Licenses, Completed Works			
<b>Sunday 18 March</b>					
Japan	2350	Feb Exports (YoY%)	-	-	12.3
	2350	Feb Imports (YoY%)	-	-	7.7
<b>Monday 19 March</b>					
US	1340	Fed's Bostic Speaks on Community Reinvestment Act			
Eurozone	1000	Jan Trade Balance (€bn)	-	-	23756.6
Finland	0800	Finnish Financial Supervisory Authority Holds Press Conference			
<b>Tuesday 20 March</b>					
Japan	0500	Jan F Leading economic index	-	-	104.8
Eurozone	1500	Mar A Consumer Confidence	0	-	0.1
Germany	1000	Mar ZEW Survey Expectations	14	-	17.8
UK	0930	Feb CPI (MoM/YoY%)	0.5/2.8	-/-	-0.5/3
	0930	Feb Core CPI (YoY%)	2.5	-	2.7
Australia	0030	RBA March Meeting Minutes			
	0415	RBA's Bullock Takes Part in Panel in Sydney			
Switzerland	0645	SECO March 2018 Economic Forecasts			
<b>Wednesday 21 March</b>					
US	1400	Feb Existing Home Sales	-	5.42	5.38
	1800	FOMC Rate Decision (Upper bound)	1.75	1.75	1.5
UK	0930	Jan Weekly Earnings (3M avg)	2.6	-	2.5
	0930	Jan Weekly Earnings ex Bonus (3M avg)	2.5	-	2.5
	0930	Jan ILO Unemployment Rate (3M avg.)	4.4	-	4.4
	0930	Jan Employment Change (3M/3M)	110	-	88
	0930	Feb Public Finances (PSNCR)	-	-	-26.379
	0930	Feb PSNB ex Banks (€bn)	-	-	-10.008
Norway	0700	Jan Unemployment Rate AKU (%)	-	-	4.1
Australia	0230	RBA's Boge Gives Speech in Sydney			
New Zeal	2000	RBNZ OCR decision			
<b>Thursday 22 March</b>					
Japan	0430	Jan All industry activity index (MoM/YoY%)	-/-	-/-	0.5/1.4
	2330	Feb CPI ex-food, energy (YoY%)	-	-	0.4
	2330	Japan Feb CPI			
Eurozone	0900	Mar P Markit Manufacturing PMI	58.2	-	58.6
	0900	Mar P Markit Services PMI	56	-	56.2
	0900	Mar P Markit Composite PMI	56.8	-	57.1
	0900	ECB Publishes Economic Bulletin			
	-	EU leaders meet in Brussels (until 23/03)			
Germany	0900	Mar IFO Business Climate	114.8	-	115.4
	0900	Mar IFO Expectations	104.4	-	105.4
	0900	Mar IFO Current Assessment	126.1	-	126.3
UK	0930	Feb Retail Sales ex Auto Fuel (MoM/YoY%)	-0.2/0.6	-	0.1/1.5
	0930	Feb Retail Sales (MoM/YoY%)	-0.2/0.7	-	0.1/1.6
	1200	BoE Policy Rate	0.5	-	0.5
Canada	1900	Bank of Canada Senior Deputy Governor Carolyn Wilkins Speech			
Australia	0030	Feb Employment change ('000)	-	-	16
	0030	Feb Unemployment rate (%)	-	-	5.5
Sweden	0630	Riksbank Deputy Governor Floden Speech			
Switzerland	0630	SNB Publishes Annual Report			
<b>Friday 23 March</b>					
US	1230	Feb P Durable Goods Orders (MoM%)	1	1.7	-3.6
	1230	Feb P Durable Goods Orders (ex. Trans, MoM%)	0.5	0.5	-0.3
	1210	Fed's Bostic Speaks on the Economic Outlook			
	1430	Fed's Kashkari Speaks in Moderated Q&A			
Canada	1230	Feb CPI (MoM/YoY%)	-/-	-/-	0.7/1.7
Norway	0900	Mar Unemployment Rate, registered (%)	-	-	2.5

Source: ING, Bloomberg

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