

Key events in developed markets next week

A new prime minister in the UK, second-quarter GDP in the US and a chance for some early action from the ECB, an exciting week ahead awaits



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UK: New leader set to be announced as ‘no deal’ concerns build

It would be a big shock if former foreign secretary Boris Johnson isn't unveiled as the new Conservative prime minister next week. According to betting odds at PaddyPower, Mr Johnson has a 97% chance of winning. Attention is turning to his stance on Brexit, and come September, one of his first acts will be to return to Brussels to attempt a renegotiation of Mrs May's deal. However recent comments from Mr Johnson have specifically ruled out various potential compromises, and he has emphasised that he is focussed on removing the Irish backstop from the deal – something Brussels is unlikely to allow.

If a compromise is to happen, it may involve a longer transition period. That could help signal that the controversial backstop won't kick-in for the foreseeable future, but the new PM will still find it hard to get it through parliament.

As the October deadline approaches, recent rhetoric suggests Mr Johnson would be prepared to

pursue a 'no deal' exit if he can't get a revised deal passed. But in this case, we think parliament would step in and force an election if no alternative legislative tool existed to block 'no deal'.

✓ US: Reality check?

The data focus next week will be the 2Q GDP report and although the headline outcome is likely to be softer than recent quarters, the underlying story should offer enough encouragement to ensure the Federal Reserve eases policy by 25bp on 31 July rather than by 50bp. 1Q GDP was boosted by a big net trade contribution as imports plunged after manufacturers and retailers built up stocks in 2H18. US firms had effectively brought forward purchases that would ordinarily have been delivered in 1Q in order to avoid feared tariffs on Chinese imports from 1 January. The tariffs didn't actually happen (cancelled by the President in December 2018), but US companies didn't have time to adjust plans so net trade contributed a full percentage point to 1Q GDP growth. There was also further domestic inventory building contributing 0.6 percentage points to the total GDP growth of 3.1%.

Both of these factors are likely to unwind and turn into major drags on 2Q GDP while softer durable order numbers point to weaker investment growth. However, the consumer sector is in great shape with consumption likely to grow by more than 4% given the recent retail sales numbers and the fact that unemployment is low, wages are rising and confidence is high. With the Federal Reserve's Beige Book commenting that "the outlook generally was positive for the coming months, with expectations of continued modest growth, despite widespread concerns about the possible negative impact of trade-related uncertainty", we continue to expect just two 25bp rate cuts in total versus the four priced by markets.

✓ Eurozone: Is the ECB ready to act?

All eyes will be on the ECB next week as data has disappointed over recent weeks, which increases the chances of early action. The big question is whether it will act now or whether it will stick to very dovish communication including an extension of the forward guidance for the moment. Data out next week could still play a bit of a role for the governing council to determine whether it already needs to move, as the PMI, Ifo and consumer confidence are released just before the ECB meeting.

Developed Markets Economic Calendar

Country	Time	Data/event	ING Survey		Prev.
Monday 22 July					
Australia	2330	RBA's Kent Gives Speech at Bloomberg, Sydney			
Tuesday 23 July					
US	1500	Jun Existing Home Sales	5.5	5.4	5.3
Eurozone	1500	Jul A Consumer Confidence	-7	-	-7.2
UK	1100	Conservatives to name new prime minister after leadership contest			
Wednesday 24 July					
Japan	0600	May F Leading economic index	-	-	95.2
Eurozone	0900	Jul P Markit Manufacturing PMI	47.6	-	47.6
	0900	Jul P Markit Services PMI	53.6	-	53.6
	0900	Jul P Markit Composite PMI	52.2	-	52.2
	0900	Jun M3 Money Supply (YoY%)	-	-	4.8
Thursday 25 July					
US	1330	Jun P Durable Goods Orders (MoM%)	0.4	0.3	-1.3
	1330	Jun P Durable Goods Orders (ex. Transport, MoM%)	0.4	0.3	0.4
Eurozone	1245	ECB Main Refinancing Rate	0.00	-	0.00
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.40	-	-0.40
	1330	ECB's Draghi Speaks in Frankfurt After Policy Decision			
Germany	0900	Jul IFO Business Climate	-	-	97.4
	0900	Jul IFO Expectations	-	-	94.2
	0900	Jul IFO Current Assessment	-	-	100.8
Australia	0405	RBA's Lowe Gives Speech in Sydney			
Norway	0700	May Unemployment Rate AKU	3.2	-	3.2
Sweden	0800	Jul Economic Tendency Indicator	-	-	98.1
	0830	Jun Unemployment Rate (%)	6.8	-	6.8
Portugal	-	Portugal Releases Year-to-Date Budget Report			
Friday 26 July					
US	1330	2Q A GDP (QoQ Annualised %)	1.8	1.8	3.1
Sweden	0830	Jun Retail sales (Ex. Fuel, MoM%)	0.4	-	-2.0
	0830	Jun Retail Sales (Ex. Fuel, YoY%)	2.5	-	-0.5

Source: ING, Bloomberg

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Authors

James Smith

Developed Markets Economist

james.smith@ing.com

James Knightley

Chief International Economist

james.knightley@ing.com

Bert Colijn

Senior Economist, Eurozone

bert.colijn@ing.com

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