

Key events in developed markets next week

3Q GDP data releases both in the US and Europe are likely to show record rebound numbers from the second-quarter slump, but who will be really cheering when second wave concerns are becoming pressing by the week



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Eurozone: GDP, inflation and jobs data to show the recovery is headed

A very busy week for the Eurozone as GDP, inflation and unemployment data will give a strong sense of where things are headed in terms of the recovery. Perhaps more accurately: where things were headed ahead of the second wave and new restrictions that have made the outlook all the more uncertain.

Inflation for October is likely to remain in the negative territory although the timing of the sales period in certain countries could cause an upside surprise.

With short-time work schemes still in place, unemployment is likely to have increased in September. GDP data released on Friday will look back at 3Q and will likely be stellar due to the bounce-back effect from the lockdown.

✓ US: Fiscal stimulus talks continue and 3Q GDP will reflect the rebound

They will... they won't.. they will... debate over whether the Democrats, the White House and the Republican Senators can finally hammer out an agreement on another fiscal stimulus will remain a key theme. The case for fiscal stimulus is strong in an environment where unemployment benefits are being tapered and Covid-19 cases are rising, causing anxiety for households and businesses with the nagging concern that some form of containment measures could yet be introduced in the US. Yet Senate Republicans are wary to deliver ahead of the election – partly on concerns of the level of national debt and partly because of the sense that the White House is caving into Democrat demands. We have doubts that there will be a deal before the election, but a fiscal stimulus is coming.

The key data release will be 3Q GDP growth and we expect it to be a record 34.5% annualised growth thanks to consumer spending rebounding on pent up demand after lockdowns and the support for household incomes coming from increased unemployment benefits, which saw upwards of 70% of recipients receive higher incomes than when they were actually working. Residential fixed investment will also be a big growth driver given the strength in housing numbers, fueled by record-low mortgage rates. Inventories have also been rebuilt and will provide a further boost to headline growth. Business investment is likely to provide more muted upside given plenty of spare capacity while net trade will be a drag. Even after this impressive figure we should note that economic output will still be 3.2% below that of the end of 4Q19.

✓ Canada: Central bank policy to remain unchanged

The Bank of Canada policy meeting will deliver no additional stimulus with the policy rate left at 0.25%.

The economy likely expanded at an annualised rate in excess of 40% in 3Q20 having contracted 38.7% in 2Q20 while the labour market has seen nearly 2.3 million of the 3 million jobs lost in March and April recovered. Inflation remains low though and like the US Federal Reserve, we expect Canada's central bank communique to stress there is little prospect of any policy tightening anytime soon.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 26 October					
Australia	0030	ABS Australia Preliminary September Merchandise Trade			
Japan	0500	Aug F Leading economic index	-	-	88.8
Germany	0900	Oct IFO Business Climate	94.0	-	93.4
	0900	Oct IFO Expectations	97.0	-	97.7
	0900	Oct IFO Current Assessment	91.0	-	89.2
Tuesday 27 October					
US	1230	Sep P Durable Goods Orders (MoM%)	1.1	1.0	0.5
	1230	Sep P Durable Goods Orders (ex. Transport, MoM%)	0.6	0.5	0.6
	1400	Oct Consumer Confidence	100.0	101.9	101.8
Eurozone	0900	Sep M3 Money Supply (YoY%)	8.8	-	9.5
Australia	0600	RBA's Bullock Gives Online Speech			
Sweden	0830	Sep Household Lending (YoY%)	-	-	5.28
Portugal	-	Portugal Releases Year-to-Date Budget Report			
Wednesday 28 October					
US	2200	Fed's Kaplan Takes Part in Panel Discussion with Mark Carney			
Japan	2350	Sep Retail trade (MoM/YoY%)	-/-	-/-	4.6/-1.9
Canada	1400	Bank of Canada Policy Rate	0.25	0.25	0.25
Australia	0030	3Q CPI (QoQ/YoY%)	-	-	-1.9/-0.3
Norway	0700	Sep Retail Sales (Ex. Motor Vehicles, SA, MoM%)	-	-	-4.9
Sweden	0800	Oct Economic Tendency Indicator	-	-	94.5
	0830	Sep Retail sales (Ex. Fuel, MoM/YoY%)	-	-	-0.27/2.98
Portugal	1500	Portuguese Parliament Holds Initial Vote on 2021 Budget			
Thursday 29 October					
US	1230	3Q A GDP (QoQ Annualised %)	34.5	32.0	-31.4
Japan	0500	Oct Consumer confidence index	-	-	32.7
	2350	Sep P Industrial production - Prel (MoM/YoY%)	-	-	1.0/-13.8
	-	- Policy Rate	-0.1	-	-0.1
	-	- Oct 29 BoJ 10-year yield target (%)	-	-	0.00
Eurozone	1000	Oct Economic Confidence	90.2	-	91.1
	1245	ECB Main Refinancing Rate	0.00	-	0.00
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.5	-	-0.5
Germany	0855	Oct Unemployment Change (000's)	-	-	-8.0
	0855	Oct Unemployment Rate (%)	6.3	-	6.3
	1300	Oct P CPI (MoM/YoY%)	-0.3/-0.4	-/-	-0.2/-0.2
Spain	0800	Oct P HICP (MoM/YoY%)	-/-	-/-	0.4/-0.6
Sweden	0830	Riksbank: Publication of Payments in Sweden 2020			
Friday 30 October					
US	1400	Oct F U. of Mich. Sentiment Index	81.0	81.0	81.2
Eurozone	1000	Sep Unemployment Rate (%)	8.2	-	8.1
	1000	3Q A GDP (QoQ/YoY%)	8.9/-7.8	-/-	-11.8/-14.8
	1000	Oct P CPI (MoM/YoY%)	0.1/-0.4	-/-	0.1/-0.3
	1000	Oct P Core CPI (YoY%)	0.1	-	0.2
Germany	0700	3Q P GDP (QoQ/YoY%)	-/-	-/-	-9.7/-11.3
Italy	1100	3Q P GDP (QoQ/YoY%)	-/-	-/-	-13.036/-1.0
Canada	1230	Aug GDP (MoM/YoY%)	-/-	-/-	3.0/-5.0
Australia	0030	3Q PPI (Q) (QoQ/YoY%)	-	-	-1.2/-0.4
Norway	0700	Sep Credit Indicator (YoY%)	-	-	4.7
	0900	Oct Unemployment Rate	-	-	3.7

Source: ING, Bloomberg

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