

Key events in developed markets next week

Different week, same old story; the US's strong growth prevails with expectations of a 4%+ GDP reading in 2Q18, but it seems we can say quite the opposite for Sweden...take a look to see what else is going on in developed markets next week



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US Staying Strong

The US experienced robust growth in 2Q18, which we expect will be underlined by a 4%+ GDP reading. Consumer and business activity has been boosted by massive tax cuts with the positive momentum carrying over into 3Q. As such, employment growth remains strong, with unemployment set to dip back below 4% on Friday while payrolls look set to rise by around 190,000 in June - above the average for 2017. With the ISM surveys continuing to point to strong economic expansion and with inflation measures continuing to move higher, the Federal Reserve is likely to sound a little more positive on the economy at Wednesday's FOMC meeting but stick to its "gradual" approach to policy tightening. No change from the Federal Reserve next week but we do look for a hike in September.



Bank of England to hike – but don't expect another rate rise for a while...

Some of the more recent numbers have been mixed, but overall we suspect the data flow since the May Inflation Report will give the Bank of England confidence that the economy has rebounded from the first quarter soft patch. We expect a rate hike next week, but it will be interesting to see what the Bank has to say on its next steps.

After August, markets are barely pricing in another rate hike before the end of 2019. We suspect policymakers would prefer investors to expect an earlier move, however realistically we think the Bank will struggle to hike rates again for quite some time. As long as Brexit talks remain in deadlock (specifically over the Irish backstop), talk of 'no deal' will only increase. If this starts to hit sentiment, it would complicate efforts to tighten policy further.

We therefore suspect the Bank will keep its cards close to its chest next week on the timing of its next move. We currently don't expect a hike again before May 2019, at the earliest.

Swedish growth slowing down

We expect 2Q GDP released on Monday to come in at 0.5% QoQ, down from 0.7% QoQ in 1Q. The July manufacturing PMI survey out on Wednesday and the latest forecast from the National Institute of Economic Research (out on Friday) are also likely to indicate slower growth in the second half of the year. So far, it is the slowing housing market and softer economic momentum in key trading partners in Europe that are the key drivers for weakening Swedish GDP growth and things could get considerably worse if US trade policy escalates further.

Core inflation worries for Germany

In a typical post-ECB meeting week with little macro data out, Germany's inflation data could once again stress the ECB's current dilemma; headline inflation is on target but core inflation is far below.

Developed Markets Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|---------------------------|------|--|---------|--------|----------|
| Friday 27 July | | | | | |
| US | 1330 | 2Q A GDP (QoQ Annualised %) | 4.0 | 4.2 | 2.0 |
| | 1500 | Jul F U. of Mich. Sentiment Index | 97.5 | 97.1 | 97.1 |
| Japan | 0030 | Tokyo July CPI | | | |
| Australia | 0230 | 2Q PPI (Q) (QoQ/YoY%) | - | - | 0.5/1.7 |
| Netherlands | - | Netherlands Sovereign Debt to Be Rated by Moody's | | | |
| Portugal | - | France's Macron, Spain's Sanchez, Portugal's Costa in Lisbon | | | |
| Monday 30 July | | | | | |
| Japan | 0050 | Jun Retail trade (MoM/YoY%) | -/0.2 | -/- | -1.7/0.6 |
| Eurozone | 1000 | Jul F Consumer Confidence | - | - | -0.6 |
| Germany | 1300 | Jul P CPI (MoM/YoY%) | 0.1/2.0 | -/- | 0.1/2.1 |
| Spain | 0800 | Jul P HICP (MoM/YoY%) | -/- | -/- | 0.2/2.3 |
| Sweden | 0830 | 2Q P GDP (QoQ%) | 0.5 | 0.5 | 0.7 |
| Portugal | 0930 | Portugal Releases Consumer, Business Confidence Report | | | |
| | 1100 | Portugal Releases Retail Sales, Indust. Production Index | | | |
| Tuesday 31 July | | | | | |
| US | 1500 | Jul Consumer Confidence | 125.0 | 125.5 | 126.4 |
| Japan | 0050 | Jun P Industrial Production - Prel (MoM/YoY%) | 0.5/3.5 | -/- | -0.2/4.2 |
| | 0600 | Jul Consumer Confidence Index | 43.8 | - | 43.7 |
| | - | Policy Rate | -0.1 | -0.1 | -0.1 |
| | - | BoJ 10-year Yield Target (%) | 0 | 0 | 0 |
| | - | BOJ Outlook Report and Monetary Policy Statement | | | |
| Eurozone | 1000 | Jun Unemployment Rate (%) | - | - | 8.4 |
| | 1000 | Jul A Core CPI (YoY%) | - | - | 0.9 |
| | 1000 | Jul Flash CPI (YoY%) | - | - | 2 |
| | 1000 | 2Q A GDP (QoQ/YoY%) | -/- | -/- | 0.4/2.5 |
| Germany | 0855 | Jul Unemployment Change (000's) | - | - | -15 |
| | 0855 | Jul Unemployment Rate (%) | - | - | 5.2 |
| Italy | 1000 | Jul P HICP (YoY%) | - | - | 1.4 |
| | 1100 | 2Q P GDP (QoQ/YoY%) | -/- | -/- | 0.28/1.4 |
| Canada | 1330 | May GDP (MoM/YoY%) | -/- | -/- | 0.1/2.5 |
| Portugal | 0930 | Portugal Releases Consumer Price Index Estimate | | | |
| Wednesday 1 August | | | | | |
| US | 1315 | Jul ADP Employment Change (000's) | 170 | 177.5 | 177.2 |
| | 1500 | Jul ISM Manufacturing | 59.5 | 59.1 | 60.2 |
| | 1900 | FOMC Rate Decision (Upper bound) | 2 | 2 | 2 |
| Japan | 0800 | BOJ holds Committee for Appropriate Use of Yen Benchmarks | | | |
| UK | 0930 | Jul Markit/CIPS Manufacturing PMI | 54.4 | - | 54.4 |
| Sweden | 730 | Jul Swedbank/Silf Manufacturing PMI | 53 | - | 54.2 |
| Norway | 800 | Jul DNB/NIMA Manufacturing PMI | - | - | |
| Thursday 2 August | | | | | |
| Japan | 0050 | Jul Monetary base (JPY tr) | 506 | - | 502.917 |
| | 0230 | BOJ Amamiya Speaks in Kyoto | | | |
| UK | 1200 | BoE Policy Rate | 0.75 | - | 0.5 |
| | 1200 | Bank of England Inflation Report | | | |
| Australia | 0230 | Jun Trade balance (A\$m) | 1295 | - | 827 |
| Friday 3 August | | | | | |
| US | 1330 | Jun Trade Balance (US\$bn) | -43.5 | -43.2 | -43.053 |
| | 1330 | Jul Change in Nonfarm Payrolls ('000s) | 190 | 185 | 213 |
| | 1330 | Jul Unemployment Rate (%) | 3.9 | 3.9 | 4 |
| | 1330 | Jul Average Hourly Earnings (MoM/YoY%) | 0.3/2.7 | 0.3/- | 0.2/2.7 |
| | 1330 | Jul Participation Rate | 62.9 | - | 62.9 |
| | 1500 | Jul ISM Non-Manufacturing | 58.5 | 58.8 | 59.1 |
| Japan | 0050 | BOJ Minutes of Policy Meeting | | | |
| | 0600 | BOJ Holds FinTech Forum | | | |
| Eurozone | 1000 | Jun Retail Sales (MoM/YoY%) | -/- | -/- | 0/1.4 |
| Germany | - | Germany Sovereign Debt to be Rated by Fitch | | | |
| UK | 0930 | Jul Markit/CIPS Services PMI | 54.7 | - | 55.1 |
| | 0930 | Jul Markit/CIPS Composite PMI | 54.8 | - | 55.2 |
| Australia | 0230 | Jun Retail sales (MoM%) | 0.7 | - | 0.4 |
| Norway | 0900 | Jul Unemployment Rate (%) | - | - | 2.2 |
| | 1000 | Norway July House Prices | | | |
| Sweden | 0815 | NIER Publishes Swedish Economic Forecasts | | | |

Source: ING, Bloomberg

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