

## Key events in developed markets next week

After the sell-off in equities this week, investors are once again likely to have their plates full with Super Tuesday, a Bank of Canada meeting, and UK-EU trade talks kicking off



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### **US: All lies on the Fed**

The sell-off in risk assets on the back of intensifying coronavirus fears has added an extra downside risk to US growth. We already knew that supply chains were facing disruption while weaker demand from Asia was also going to be an issue. However, a sense that the US is increasingly vulnerable to Covid-19 is leading to a re-appraisal of the economic outlook and what it may mean for Federal Reserve policy.

So far the Fed is open-minded on the possible path ahead, but with the equity market sell-off gaining momentum, prospects of a March rate cut are rising. We'll be watching the business surveys (note we get both the manufacturing and non-manufacturing ISMs next week) for signs of increased uncertainty. In fact, this coming week's payrolls report is likely to be largely overlooked given the heightened market tensions. Even if it is good – we expect a rather middling outcome – markets are going to remain focused on the threat Covid-19 poses.

As for politics, we have already had three states decide and the self-described democratic socialist, Bernie Sanders, has been the big winner so far. Super Tuesday is coming up on 3 March and this is

when a further 14 states decide who they want to take on the fight with President Donald Trump. These include big hitters like California and Texas and there is a sense that another strong performance next week could see Bernie Sander build an unassailable lead over the alternatives such as Mike Bloomberg and Joe Biden.

The issue for the Democrat party is that Sanders is seen as a polarising candidate. He has built a significant following for his progressive policy mix including medicare for all. However, many in the Democrat party worry that Bernie Sanders plans are too extreme and he could alienate many centrist voters that are critical to defeating Donald Trump. Unless there is a rapid consolidation around one of the centrist candidates it will likely be a Trump-Sanders showdown on 3 November.

## **UK: Trade talks kick off**

Trade talks between the UK and the EU formally kick-off on Monday, although in reality there is unlikely to be any movement from either side until much later in the year – certainly not until after the June European Council meeting.

Don't rule out the UK exiting the 11-month transition period at the end of 2020 without a free-trade agreement in place. But equally, amid all the current vocal disagreement on fishing and state aid rules, we think there is probably some wriggle room and we suspect there is still probably a better-than-50% chance of a deal being struck later in the year.

[What fish can tell us about Brexit's next wave](#)

## **Canada: A cautious cut on the cards**

This coming week's Bank of Canada meeting is a much closer call than most would have thought likely just two weeks ago. The economy had been rebounding again after some weakness while the jobs market remains strong and inflation is broadly in line with the target, which all argue for policy stability.

However, the financial market volatility seen in the wake of heightened Covid19 fears means that the odds of a rate cut are rising. So far there has been a limited impact, but that is likely to change as supply chains are increasingly strained by a lack of foreign components/parts and confidence weakens as health worries arise. Additionally, there is a growing concern about the economic implications for the demonstrations opposing the Coastal GasLink pipeline that have severely impacted the country's rail network.

The BoC has a reputation for moving early and occasionally providing surprises and we certainly think they could choose to pre-emptively cut this coming week. After all, they have much more room to offer support than most other developed markets, given their policy rate.

## **Eurozone: The past is the past**

With corona developments, no doubt dominating markets again next week, backwards-looking data will have to take a backseat. Eurozone inflation is unlikely to be spectacular this month, merely confirming to the ECB the slow inflation environment ahead of the March meeting.

Unemployment could be good to keep an eye on as it gives a sense of whether labour market tailwind continues to help eurozone consumption in times of material downside risks to the

outlook.

## Developed Markets Economic Calendar

| Country                     | Time | Data/event  | ING      | Survey  | Prev.     |
|-----------------------------|------|---|----------|---------|-----------|
| <b>Saturday 29 February</b> |      |   |          |         |           |
| US                          |      | - South Carolina Caucus   |          |         |           |
| <b>Monday 2 March</b>       |      |   |          |         |           |
| US                          | 1500 | Feb ISM Manufacturing   | 49       | 51      | 50.9      |
| Japan                       | 2350 | Feb Monetary base (JPY tr)  | 520.4    | -       | 517.2075  |
| Eurozone                    | 0900 | Feb F Markit Manufacturing PMI                                    | 49.1     | -       | 49.1      |
| UK                          | 0930 | Feb F Markit/CIPS Manufacturing PMI                               | 51.9     | -       | 51.9      |
| Norway                      | 0900 | Feb DNB/NIMA Manufacturing PMI                                    | -        | -       | 50.92     |
| <b>Tuesday 3 March</b>      |      |   |          |         |           |
| US                          |      | - Super Tuesday   |          |         |           |
|                             | 2330 | Fed's Evans Takes Part in Moderated Q&A                           |          |         |           |
| Japan                       | 0500 | Feb Consumer confidence index                                     | 38.7     | -       | 39.1      |
| Eurozone                    | 1000 | Feb P Core CPI (YoY%)   | 1.1      | 1.2     | 1.1       |
|                             | 1000 | Feb P CPI (MoM/YoY%)  | 1.2      | 0.2/1.2 | -1/1.4    |
|                             | 1000 | Jan Unemployment Rate (%)   | 7.4      | -       | 7.4       |
| Australia                   | 0330 | RBA Cash Rate Target  | 0.75     | -       | 0.75      |
| Switzerland                 | 0645 | 4Q GDP (QoQ/YoY%)   | -/-      | -/-     | 0.4/1.1   |
| <b>Wednesday 4 March</b>    |      |   |          |         |           |
| US                          | 1315 | Feb ADP Employment Change ('000's)                                | 175      | 187.5   | 290.9     |
|                             | 1500 | Feb ISM Non-manufacturing   | 53       | 55.5    | 55.5      |
|                             | 1900 | U.S. Federal Reserve Releases Beige Book                          |          |         |           |
| Eurozone                    | 0900 | Feb F Markit Services PMI   | 52.8     | -       | 52.8      |
|                             | 0900 | Feb F Markit Composite PMI  | 51.6     | -       | 51.6      |
|                             | 1000 | Jan Retail Sales (MoM/YoY%)                                       | -/-      | -/-     | -1.6/1.3  |
| UK                          | 0930 | Feb F Markit/CIPS Services PMI                                    | 53.3     | -       | 53.3      |
|                             | 0930 | Feb F Markit/CIPS Composite PMI                                   | 53.3     | -       | 53.3      |
| Italy                       | 0900 | 4Q F GDP (QoQ/YoY%)   | -/-      | -/-     | -0.3/0.0  |
| Canada                      | 1500 | Bank of Canada Policy Rate  | 1.50     | 1.75    | 1.75      |
| Australia                   | 0030 | 4Q GDP (QoQ/YoY%)   | 0.3/1.9  | -/-     | 0.4/1.7   |
| Norway                      | 0700 | 4Q Current Account Balance (NOKbn)                                | -        | -       | 23927     |
| Sweden                      | 0730 | Feb Swedbank/Silf Services PMI                                    | -        | -       | 52.5      |
| <b>Thursday 5 March</b>     |      |   |          |         |           |
| Japan                       | 2330 | Jan Household spending (YoY%)                                     | -2.6     | -       | -4.8      |
| Japan                       | 2330 | Jan Labor cash earnings (YoY%)                                    | -0.3     | -       | -0.2      |
| Eurozone                    | 1000 | OECD Publishes Interim Economic Outlook                           |          |         |           |
| UK                          | 1300 | BOE Chief Economist Andy Haldane speaks in Paris                  |          |         |           |
| Canada                      | 1745 | Bank of Canada's Poloz Gives Economic Progress Report             |          |         |           |
| Australia                   | 0030 | Jan Trade balance (A\$m)  | 5105     | -       | 5223      |
| <b>Friday 6 March</b>       |      |   |          |         |           |
| US                          | 1330 | Jan Trade Balance (US\$bn)  | -48.5    | -48.8   | -48.9     |
|                             | 1330 | Feb Change in Nonfarm Payrolls ('000s)                            | 160      | 190     | 225       |
|                             | 1330 | Feb Unemployment Rate (%)   | 3.6      | 3.6     | 3.6       |
|                             | 1330 | Feb Average Hourly Earnings (MoM/YoY%)                            | 0.3/3.0  | 0.3/3.0 | 0.2/3.1   |
|                             | 1330 | Feb Participation Rate  | 63.4     | -       | 63.4      |
|                             | 1420 | Fed's Evans, Mester, Bullard and Geroe Speaks at Shadow Committee |          |         |           |
| Japan                       | 0500 | Jan P Leading economic index                                      | -        | -       | 91.6      |
| Germany                     | 0700 | Jan New Orders (MoM/YoY%)   | 1.0/-7.5 | -/-     | -2.1/-8.7 |
| Canada                      | 1330 | Feb Net Change in Employment                                      | -        | -       | 34.5      |
|                             | 1330 | Feb Unemployment Rate (%)   | -        | -       | 5.5       |
| Australia                   | 0030 | Jan Retail sales (MoM%)   | -        | -       | -0.5      |
| Norway                      | 0700 | Jan Industrial Production (MoM%)                                  | -        | -       | 1.5       |
|                             | 0700 | Jan GDP Mainland (MoM/YoY%)                                       | -/-      | -/-     | -0.3/1.1  |

Source: ING, Bloomberg

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