

## 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



Source: Shutterstock

### **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

## Authors

### James Knightley

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

### Bert Colijn

Senior Economist, Eurozone

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.