

## Key events in developed markets next week

The Bank of England meeting will be in the limelight next week but we don't expect rates to enter negative territory for a while. We'll also be keeping an eye out on US fiscal stimulus talks and employment data and the myriad data releases coming out of the Eurozone



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### Bank of England to pass on negative rates

Next week's Bank of England meeting will be coupled with new information on the Bank's review it has conducted on negative rates - in particular the impact on commercial banks. However, our impression is that concerns surrounding banking sector profitability/health are unlikely to be the factor that stops the Bank in its tracks. Instead, there is a certain amount of scepticism among some committee members on how useful the policy would be in practice - particularly now that the economic outlook is looking a little brighter.

So, while we could see the Bank formally lower its estimate of the lower bound to below zero next week, we don't expect policymakers to hint that negative rates are imminent.

We expect rates to remain on hold this year, while QE remains the primary tool of delivering stimulus.

## **US: Fiscal stimulus talks continue and the January employment report is released**

In the US we will be looking to see how much progress can be made in negotiations over Joe Biden's proposed \$1.9tn stimulus plan.

Given wafer-thin Democrat majorities in the House and the Senate, President Biden's team will need to work with Republicans to get the legislation passed –the Senate filibuster where-by 60 Senators have to agree to end a debate and bring it to a vote is the toughest challenge. Consequently, it looks increasingly likely that there will be a dilution to get enough support and the package may need to be split in two with more contentious aspects delayed and incorporated into the budget reconciliation process, which only needs a simple majority to pass. Given the Donald Trump impeachment trial is scheduled for the week of 8 February, it looks increasingly likely that it will be late March before part of the package is signed into law. Moreover, it is likely to end up being closer to \$1tn than \$1.9tn.

In terms of the data, all eyes will be on the January employment report after December saw a 140,000 fall in jobs. We expect to see a modest positive figure given a decent start to the year based on high-frequency spending data, but there should be a better figure in February now that California stay at home order has been rescinded. This has allowed restaurants to re-open for outside dining and hair salons and nail bars to start accepting customers in the US' most populous state. However substantial improvements in employment are not going to happen until there is a broader re-opening of the economy, which could still be a few months away.

There will be several Federal Reserve officials speaking next week and they may face increasingly tough questioning over financial market conditions.

## **Eurozone: GDP, inflation and unemployment data**

It'll be a big week for eurozone indicators with a ton of data being released.

Most important is the GDP release for 4Q, for which individual country estimates have already suggested that the negative impact from the second wave will be milder than initially expected. With surprisingly positive growth figures for Germany, Belgium and Spain and a milder than expected contraction for France, the eurozone aggregate is likely to have contracted by less than 1% in the fourth quarter.

Mind the inflation reading as well, which is set to jump on German VAT effects and higher energy prices across the zone. On Monday, we will also see Eurozone unemployment released for December. This will shed light on whether jobs are falling thanks to weakness in many sectors that are most impacted by the second wave of the coronavirus.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 1 February</b>					
US	1445	Jan Markit Manufacturing PMI Final	-		59.1
	1500	Jan ISM Manufacturing PMI	60.0	60.0	60.7
	1500	Jan ISM Manufacturing Prices Paid	-		77.6
Eurozone	0900	Jan Markit Manufacturing Final PMI	54.7		54.7
	1000	Dec Unemployment Rate	8.3		8.3
Japan	0030	Jan Jibun Bank Manufacturing PMI	-		49.7
	2350	Jan Monetary Base (YoY%)	-		18.3
Germany	0700	Dec Retail Sales (MoM/YoY%)	1.2/6.4		1.9/5.6
	0855	Jan Markit/BME Manufacturing PMI	57.0		57.0
France	0745	Jan Reserve Assets Total	-		189505
	0850	Jan Markit Manufacturing PMI	-		51.5
UK	0930	Jan Markit/CIPS Manufacturing PMI Final	52.9		52.9
Italy	0845	Jan Markit/IHS Manufacturing PMI	-		52.8
	0900	Dec Unemployment Rate	-		8.9
Spain	0815	Jan Manufacturing PMI	-		51.0
Canada	1430	Jan Markit Manufacturing PMI SA	-		57.9
Norway	0900	Jan Manufacturing DNB PMI SA	-		51.9
Sweden	0730	Jan PMI Manufacturing Sect	-		64.9
	0830	Q4 GDP (QoQ/YoY%)	-1.5/-1.6		4.9/-2.5
Switzerland	0730	Dec Retail Sales (YoY%)	-		1.7
	0830	Jan Manufacturing PMI	-		58
Netherlands	0800	Jan PMI - Manufacturing	55.0		58.2
Greece	0900	Jan PMI Manufacturing	-		46.9
<b>Tuesday 2 February</b>					
France	0745	Jan CPI (EU Norm) Prelim (MoM/YoY%)	-		0.2/0.0
Italy	0900	Q4 GDP Prelim (QoQ/YoY%)	-/-		15.9/-5.0
Australia	0330	Jan RBA Cash Rate	0.1		0.1
Eurozone	1000	Q4 GDP Flash Prelim (QoQ/YoY%)	-0.5/4.9	-1.8/0.0	12.5/-4.3
<b>Wednesday 3 February</b>					
US	1315	Jan ADP National Employment	100.0	49.0	-123
	1445	Jan Markit Composite Final PMI	-		58.0
	1445	Jan Markit Services PMI Final	-		57.5
	1500	Jan ISM Non-manufacturing PMI	56.5	57.0	57.2
Japan	0030	Jan Services PMI	-		47.7
Germany	0855	Jan Markit Services PMI	46.8		46.8
	0855	Jan Markit Composite Final PMI	50.8		50.8
France	0850	Jan Markit Serv PMI	-		46.5
	0850	Jan Markit Composite PMI	-		47.0
UK	0930	Jan Markit/CIPS Serv PMI Final	-		38.8
	0930	Jan Composite PMI Final	-		40.6
Italy	0845	Jan Markit/IHS Services PMI	-		39.7
	0845	Jan Composite PMI	-		43.0
Spain	1000	Jan CPI (EU Norm) Prelim (MoM/YoY%)	-		0.2/-0.3
	0815	Jan Services PMI	-		48.0
Eurozone	0900	Jan Markit Serv Final PMI	45.0		45.0
	0900	Jan Markit Comp Final PMI	47.5		47.5
<b>Thursday 4 February</b>					
US	1500	Dec Factory Orders (MoM%)	1.5	1.8	1.0
Japan	2330	Dec All Household Spending (MoM/YoY%)	-		-1.8/1.1
UK	0930	Jan All-Sector PMI	-		50.8
	1200	Feb BOE Bank Rate	0.1	0.1	0.1
	1200	Feb Asset Purchase Prog	895	895	895
Australia	0030	Dec Trade Balance (A\$bn)	-		5022
Norway	0700	Q4 GDP Growth Mainland	1.4		5.2
Eurozone	1000	Dec Retail Sales (MoM/YoY%)	0.1/-2.0		-6.1/-2.9
<b>Friday 5 February</b>					
US	1330	Jan Non-Farm Payrolls	100.0	85.0	-140.0
	1330	Jan Private Payrolls	120.0	70.0	-95.0
	1330	Jan Unemployment Rate	6.7	6.7	6.7
	1330	Dec International Trade \$	-69.0	-67.4	-68.1
Germany	2000	Dec Consumer Credit	10.0	12.1	15.27
	0700	Dec Industrial Orders (MoM%)	-3.0		2.3
France	0745	Dec Trade Balance	-		-3.56
	0745	Dec Imports	-		42.85
	0745	Dec Exports	-		39.29
Canada	1330	Jan Unemployment Rate	8.6		8.6
	1330	Dec Trade Balance C\$	-2.9		-3.34
Australia	0030	Dec Retail Sales (MoM%)	-		-4.2
New Zealand	0200	Jan Reserve Assets Total	-		19021
Norway	0700	Dec Manufacturing Output (MoM%)	-		1.5

Source: ING, Refinitiv

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