

## Key events in developed markets next week

As Europe goes in lockdown, US presidential elections, more Brexit negotiations, a Fed and a Bank of England meeting make it quite a week across developed markets



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### US: Regime change?

After spending billions of dollars and travelling tens of thousands of miles we will find out whether Donald Trump has done enough to convince the electorate that he deserves a second term or whether his response to the pandemic and Joe Biden's vision for moving the country in a different direction will result in a new POTUS. Then again, we might not. Court cases over the date when mail-in ballots can be counted up to, combined with the prospect of legal challenges in the case of close state elections means there is a very real chance we don't get a clear picture for several days.

We have [extensively outlined our views surrounding the potential scenarios](#), but assuming the opinion polls are correct and Joe Biden wins with the Democrats retaining the House of Representatives and gaining control of the Senate this is likely to be the scenario that delivers the swiftest, most aggressive fiscal stimulus. Given the focus on growth and regaining all the lost jobs we suspect tax hikes may be delayed until 2022/23 and with the Federal Reserve assuring us of ongoing loose monetary policy, a more benign trade backdrop and the prospect of a vaccine we

could see very vigorous economic activity next year.

However, we continue to have concerns over the near-term situation given squeezed household incomes as unemployment benefits expire while rising Covid cases means we cannot rule out the possibility of European style containment measures. Even if we don't, health fears could see consumers voting with their feet and disengage with the economy by not going to restaurants, bars or shops. This is likely to mean the Fed retains its dovish bias at Thursday's FOMC meeting with a promise to stand by and offer more stimulus if required. We would expect to see them reiterate the point that fiscal policy is a more effective tool at this juncture.

Data wise, Friday's jobs report is likely to show a further loss of momentum with regards to job creation in the private sector while the winding down of the Census is set to result in a drag from government employment. ISM employment components have edged lower while the Homebase employment survey continues to flatline and initial jobless claims remain elevated. With the 3Q GDP showing the economy remains 3.5% below the level of the end of 2019 and the jobs report showing employment remains around 10 million below February's level, there is still plenty of slack in the economy so inflation is not an issue.

#### [Our US election outcome scenarios](#)

### **Bank of England set to unleash more QE but hold off on negative rates**

Further stimulus next week looks inevitable. The resurgence in Covid-19 means the Bank's GDP August forecasts, already too optimistic and are likely to be downgraded.

The fourth quarter will likely be weaker than the Bank projected in August, but more importantly, the recovery is likely to take longer than its previous forecasts had assumed (all virus losses retraced by end-2021). We expect another increase in the stock of asset purchases by £100bn, effectively giving the BoE scope to continue making purchases at the current pace until early next summer. However, we think the Bank will most likely skirt around the question of negative rates, pending a review of the impact they would have on banking sector profitability.

### **Brexit: Inching closer to a deal?**

UK-EU trade negotiations have gone eerily quiet over the past few days, which is perhaps a positive sign. The lack of the usual running commentary we've become accustomed to in the process so far, maybe signals progress is quietly being made behind the scenes. Of course, it could also simply reflect the fact that Covid-19 is now dominating all other stories as Europe edges back into lockdown.

Either way, a deal still seems more likely than not – and importantly – most analysts expect it to materialise in the next couple of weeks, given the time needed for ratification. If October 2019 is any guide, when the Withdrawal Agreement was concluded, things can move very quickly. While some last-minute brinkmanship is possible, a deal could equally come out of the woodwork without much notice.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 2 November</b>					
US	1500	Oct ISM Manufacturing	56.5	55.6	55.4
Eurozone	0900	Oct F Markit Manufacturing PMI	54.4	-	54.4
UK	0930	Oct F Markit/CIPS Manufacturing PMI	53.3	-	53.3
Norway	0900	Oct DNB/NIMA Manufacturing PMI	50.3	-	50.3
Finland	1200	ECB's Rehn Speaks on Strategy Review			
Portugal	1100	Portugal Reports Industrial Production Index			
<b>Tuesday 3 November</b>					
US	-	Presidential Election			
Japan	2350	Oct Monetary base (JPY tr)	617	-	606
	2350	BOJ Minutes of September Meeting			
Australia	0330	RBA Cash Rate Target	0.25	0.10	0.25
Sweden	-	Riksbank's Ingves (0800) and Breman (1020) Gives Speech			
<b>Wednesday 4 November</b>					
US	1315	Oct ADP Employment Change (000's)	750.0	750.0	748.7
	1330	Sep Trade Balance (US\$bn)	-67.5	-69.6	-67.1
	1500	Oct ISM Non-manufacturing	57.0	57.5	57.8
Eurozone	0900	Oct F Markit Services PMI	46.2	-	46.2
	0900	Oct F Markit Composite PMI	49.4	-	49.4
UK	0930	Oct F Markit/CIPS Services PMI	52.3	-	52.3
	0930	Oct F Markit/CIPS Composite PMI	52.9	-	52.9
Australia	0330	Sep Retail sales (MoM%)	-1.5	-	-4.0
Sweden	0730	Oct Swedbank/Silf Services PMI	-	-	54.7
<b>Thursday 5 November</b>					
US	1900	FOMC Rate Decision (Upper bound)	0.25	0.25	0.25
	1930	Powell Holds Post-FOMC Meeting Press Conference			
Japan	2330	Sep Household spending (%YoY)	-8.0		-6.9
	2330	Sep Labor cash earnings (YoY%)	-1.1	-	-1.3
Eurozone	1000	Sep Retail Sales (MoM/YoY%)	-1.2/3.0	-/-	4.4/3.7
	1000	EU Commission Economic Forecasts			
	1200	ECB's Holzmann Speaks at Online Conference			
	1415	ECB's Muller, ECB's Holzmann Speak at Online Conference			
Germany	0700	Sep New Orders (MoM/YoY%)	2.5/-0.8	-/-	4.5/-2.2
UK	1200	BoE Policy Rate	0.1	-	0.1
	1200	BoE Asset Purchase Total (£bn)	845		745
	1230	BOE Governor Speaks at Press Conference in London			
Australia	0030	Sep Trade balance (A\$m)	2400	-	2643
Norway	0900	Deposit Rates		-	0.00
Sweden	0900	Activity Indicator			
<b>Friday 6 November</b>					
US	1330	Oct Change in Nonfarm Payrolls ('000s)	580	635	661
	1330	Oct Unemployment Rate (%)	7.7	7.7	7.9
	1330	Oct Average Hourly Earnings (MoM/YoY%)	0.1/4.3	0.2/4.5	0.1/4.7
	1330	Oct Participation Rate	61.6	-	61.4
Eurozone	1415	ECB's Holzmann Speaks at Online Conference			
Germany	0700	Sep Industrial Production (MoM/YoY%)	4.3/-5.7	-/-	-0.2/-9.6
Italy	1000	Istat Releases the Monthly Economic Note			
	-	Bank of Italy Report on Balance-Sheet Aggregates			
Canada	1330	Oct Net Change in Employment	190.0	-	378.2
	1330	Oct Unemployment Rate (%)	8.6	-	9.0
Australia	0030	RBA Statement on Monetary Policy			
Norway	0700	Sep Industrial Production (MoM/YoY%)	-/-	-/-	1.1/8.3
Sweden	0500	Swedish Housing Price Data From Maklarstatistik			

Source: ING, Bloomberg

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