

Key events in developed markets this week

We're kicking off the New Year with the Georgia state run-off election which will determine who holds control of the US Senate, and we can finally put a hold on the Brexit watching as a deal was agreed over the holidays. On the data front, we have December's data including PMI releases



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US: All eyes on the Georgia runoff elections

2021 starts with a bang with pivotal political and economic news for markets to digest. The undisputed highlight will be the result of the Senate seat run-off elections in Georgia on 5 January, which will be a straight battle between the Democrat challengers and Republican incumbents. If the Democrats pull off a victory in both, this will leave the parties with 50 seats each in the Senate giving Vice President Kamala Harris the casting ballot in the event of a tie. This would give the Democrats the so-called Blue Wave of the Presidency and control of Congress with majorities in both the House and Senate.

Markets had seemingly bought into the view that Republicans would retain control of the Senate, acting as a constraint on Joe Biden and some of the more radical proposals of the Democrat party involving tax hikes for corporates and higher income households, and the prospect of greater regulation. However, polls suggest the outcome in both seats is very tight with hundreds of

millions of dollars spent on campaigning.

If the Democrats win both seats this should lead to the most substantial 2021 fiscal stimulus (focusing on infrastructure and, over the longer term, on energy policy) with Democrats likely able to override Republican objections to the cost. It therefore offers the strongest growth environment. Moreover, given the focus on getting the economy back on track, tighter regulations and higher taxes are likely to be delayed until 2022 or even 2023. Nonetheless, it could be the excuse for a near-term consolidation in risk markets after a strong post-election rally.

However, if the Republicans manage to retain just one of the seats and therefore their control of the Senate it would mean a likely watering down of any future fiscal stimulus (as we have seen over recent months), with the quid pro quo being less aggressive tax hikes down the line. While less reflationary, sentiment could still be supported through improved trade relations and less disruption for supply chains relative to what businesses have faced in the past few years under President Trump. Moreover, with Covid vaccinations gaining steam, the prospects for growth and risk assets in 2021 look very positive.

Nonetheless, there are near-term issues relating to the spike in Covid cases with hospitals increasingly struggling to cope with the number of patients. We continue to see the prospect of a challenging few months which risks more Covid containment measures that will come at an economic cost. This threat will likely be highlighted by a soft December labour report with the potential for a negative jobs number given surveys, such as the Homebase report, pointing to renewed falls in jobs in the leisure and hospitality sectors as restaurants and bars are forced to close, and as warnings about the risks from travelling are increasingly heeded by the broader population.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 4 January					
US	1445	Dec Markit Manufacturing PMI Final	-		56.5
	1500	Nov Construction Spending (MoM%) - Georgia state run-off election	0.8	1.0	1.3
Japan	0030	Dec Jibun Bank Manufacturing PMI	-		49.7
	2350	Dec Monetary Base (YoY%)	-		16.4
Germany	0855	Dec Markit/BME Manufacturing PMI	-	58.6	58.6
France	0850	Dec Markit Manufacturing PMI	-	51.1	51.1
UK	0930	Nov BOE Consumer Credit	-		-0.59
	0930	Dec Markit/CIPS Manufacturing PMI Final	-	57.3	57.3
Italy	0845	Dec Markit/IHS Manufacturing PMI	-	53.5	51.5
Spain	0815	Dec Manufacturing PMI	-	52.5	49.8
Canada	1430	Dec Markit Manufacturing PMI SA	55.5		55.8
Norway	0900	Dec Manufacturing DNB PMI SA	-		51.9
Sweden	0730	Dec PMI Manufacturing Sect	-		59.1
Switzerland	0830	Dec Manufacturing PMI	-	54.3	55.2
Netherlands	0800	Dec PMI - Manufacturing	58.2	52.5	54.4
Greece	0900	Dec PMI Manufacturing	-		42.3
Eurozone	0900	Dec Markit Mfg Final PMI	-	55.5	55.5
Tuesday 5 January					
US	1500	Dec ISM Manufacturing PMI	55.8	56.5	57.5
	1500	Dec ISM Mfg Prices Paid	64.0		65.4
Germany	0700	Nov Retail Sales (MoM/YoY%)	-/-	-2.5/-	2.6/8.2
Canada	1330	Nov Producer Prices (MoM%)	-		-0.4
Switzerland	0730	Dec CPI (MoM/YoY%)	-/-	0.0/-0.7	-0.2/-0.7
Eurozone	1000	Nov Money-M3 Annual Growth	-	10.7	10.5
Wednesday 6 January					
US	1315	Dec ADP National Employment	0.00	75	307
	1445	Dec Markit Composite Final PMI	-		55.7
	1445	Dec Markit Services PMI Final	-		55.3
	1500	Nov Factory Orders (MoM%)	-	0.6	1.0
Japan	0030	Dec Services PMI	-		47.8
Germany	0855	Dec Markit Services PMI	-	47.7	47.7
	0855	Dec Markit Composite Final PMI	-	52.5	52.5
France	1300	Dec CPI Prelim (MoM/YoY%)	-/-	0.6/-0.3	-0.8/-0.3
	1300	Dec HICP Prelim (MoM%/YoY%)	-/-	0.7/-0.6	-1/-0.7
	0745	Dec Consumer Confidence	-		90
	0745	Dec CPI (EU Norm) Prelim (YoY%)	-	0.2	0.2
Italy	0850	Dec Markit Services PMI	-	49.2	49.2
	0850	Dec Markit Composite PMI	-	49.6	49.6
Spain	0845	Dec Markit/IHS Services PMI	-	45.3	39.4
Norway	0700	Nov Credit Indicator (YoY%)	-		4.5
Eurozone	1000	Dec Housing Prices (YoY%)	-		7.8
	0900	Dec Markit Services Final PMI	-	47.3	47.3
	0900	Dec Markit Composite Final PMI	-	49.8	49.8
	1000	Nov Producer Prices (MoM/YoY%)	-/-	-	0.4/-2
Thursday 7 January					
US	1330	Nov International Trade \$	-65.0	-64.5	-63.1
	1500	Dec ISM Non-Manufacturing PMI	54.2	54.7	55.9
Japan	2330	Nov All Household Spending (MoM/YoY%)	-		2.1/1.9
Germany	0700	Nov Industrial Orders (MoM%)	-	-0.6	2.9
UK	0930	Dec Markit/CIPS Cons PMI	-		54.7
Italy	1000	Dec Consumer Price Prelim (MoM/YoY%)	-/-	-	-0.1/-0.2
	1000	Dec CPI (EU Norm) Prelim (MoM/YoY%)	-	-0.3	0.0/-0.3
Canada	1330	Nov Trade Balance C\$	-		-3.76
Australia	0030	Nov Building Approvals	-		3.8
	0030	Nov Trade Balance (A\$bn)	-		7456
Switzerland	0730	Nov Retail Sales (YoY%)	-		3.1
Eurozone	1000	Dec HICP Flash (YoY%)	-	-0.2	-0.3
	1000	Dec HICP-X F&E Flash (YoY%)	-		0.4
	1000	Nov Retail Sales (MoM/YoY%)	-/-	-	1.5/4.3
	1000	Dec Business Climate	-		-0.63
	1000	Dec Economic Sentiment	-	89.8	87.6
Friday 8 January					
US	2000	Nov Consumer Credit	8.00	9.5	7.23
	1330	Dec Non-Farm Payrolls	50.00	93.0	245.0
	1330	Dec Private Payrolls	0.00	88.0	344.0
	1330	Dec Unemployment Rate	6.9	6.8	6.7
	1330	Dec Average Earnings (MoM%/YoY%)	0.3/4.6	0.2/4.5	0.3/4.4
Germany	1330	Dec Average Workweek Hrs	34.7	34.8	34.8
	0700	Nov Industrial Output (MoM/YoY%)	-/-	0.7/-	3.2/-2.68
France	0700	Nov Exports	-	0.8	0.8
	0700	Nov Imports	-		0.3
	0700	Nov Trade Balance	-		18.2
	0745	Nov Consumer Spending (MoM%)	-		3.7
	0745	Nov Industrial Output (MoM%)	-	-2.7	1.6
Italy	0745	Dec Reserve Assets Total	-		184544
	0745	Nov Trade Balance	-		-4.85
	0745	Nov Imports	-		43.7
	0745	Nov Exports	-		38.85
Canada	0900	Nov Unemployment Rate	-		9.8
Sweden	1330	Dec Employment Change	-20.0	-15.0	62.1
	1330	Dec Unemployment Rate	8.9	8.6	8.5
Norway	0700	Nov Manufacturing Output (MoM%)	-		0.6
Switzerland	0830	Nov Industrial Production (MoM/YoY%)	-		1.9/0.4
Netherlands	0645	Dec Unemployment Rate Adjusted	-	3.4	3.4
Greece	0530	Nov Manufacturing Output (MoM%)	1.0	1.0	2.0
Eurozone	1000	Nov Industrial Output (YoY%)	-		-3.7
	1000	Nov Unemployment Rate	-	8.5	8.4

Source: ING, Refinitiv

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