

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%)	0.8	1.0	1.3
	- Georgia state run-off election			
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
	0845 Dec Markit/IHS Services PMI	-	45.3	39.4
Spain	0815 Dec Services PMI	-	45	39.5
Norway	0700 Nov Credit Indicator (YoY%)	-		4.5
	1000 Dec Housing Prices (YoY%)	-		7.8
Eurozone	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
	1330 Dec Average Workweek Hrs	34.7	34.8	34.8
Germany	0700 Nov Industrial Output (MoM/YoY%)	-/-	0.7/-	3.2/-2.68
	0700 Nov Exports	-	0.8	0.8
	0700 Nov Imports	-		0.3
France	0700 Nov Trade Balance	-		18.2
	0745 Nov Consumer Spending (MoM%)	-		3.7
	0745 Nov Industrial Output (MoM%)	-	-2.7	1.6
	0745 Dec Reserve Assets Total	-		184544
	0745 Nov Trade Balance	-		-4.85
	0745 Nov Imports	-		43.7
Italy	0745 Nov Exports	-		38.85
	0900 Nov Unemployment Rate	-		9.8
Canada	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
Sweden	0830 Nov Industrial Production (MoM/YoY%)	-		1.9/0.4
Switzerland	0645 Dec Unemployment Rate Adjusted	-	3.4	3.4
Netherlands	0530 Nov Manufacturing Output (MoM%)	1.0	1.0	2.0
Greece	1000 Nov Industrial Output (YoY%)	-		-3.7
Eurozone	1000 Nov Unemployment Rate	-	8.5	8.4

Source: ING, Refinitiv

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