

Our view on next week's key events

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✓ US: Re-opening rebound

The US focus will be on how high retail sales and industrial production bounce following the ending of lockdowns across many states. Given car sales numbers have rebounded strongly we expect robust retail sales, but significant pent-up demand means we see upside for spending more broadly especially given that the uprating of unemployment benefits has boosted incomes.

Factory re-starts should also mean robust manufacturing activity, but oil and gas extraction will be a drag on industrial production overall. However, social distancing, consumer caution and the fact employment remains nearly 20 million below the levels of February means gains after this initial re-opening surge will be more challenging to come by.

✓ Bank of England to expand QE amid slow recovery

The Bank of England expanded its quantitative easing programme back in March to give it room to expand its balance sheet by £200bn. Since then, the Bank has bought around £140bn worth of government bonds, and at the current rate of buying looks set to hit the limit over the next couple of months.

But with the economic recovery still in its very early stages, we'd expect policymakers to further increase the QE target next week. A couple of MPC members voted for a £100bn increase at the last meeting, but according to our Rates Strategy team, this kind of expansion may only just see policymakers through to the September meeting.

To avoid premature discussion about ending the policy or of tapering, we're inclined to say the Bank will go for something in the region of a £150bn increase next week.

✓ Brexit leaders set to inject talks with political lease of life

It's fair to say Brexit talks haven't really gone anywhere over the past few rounds. In theory that might change, with UK prime minister Boris Johnson and EU Commission President Von der Leyen set to hold talks. But while this might help revive hopes of a free-trade deal later this year – something that we still narrowly think is most likely – the reality is that the ball is firmly in the UK's court.

Britain faces a decision on whether to align with EU state aid rules if it wants tariff-free access. Still, for the economy, the main thing to remember that even with a deal, the UK is leaving the single market and customs union at the end of this year, and this is where the bulk of the costs and disruption are likely to come from.

✓ Eurozone: Recovery Fund discussions begin

Next week, all European eyes will be on the EU summit where the Recovery fund proposal by the European Commission will be discussed.

Positions have been taken with the countries usually critical of burden-sharing demanding a smaller size and not grants but loans to be distributed to the harder hit member states and sectors. We view the Commission proposal mainly as a starting point for the negotiations and think it is by no means a certainty that a deal will be struck this week.

It could well be summer – when Germany takes over the EU presidency – before a decision on a possible recovery fund is made.

✓ Norway: Rates at zero for longer

The Norges Bank meets on Thursday, having cut rates in May to zero percent. We don't expect any major changes this change, and Governor [Olsen has been clear](#) that there's little appetite for negative rates or quantitative easing, given neither are particularly viable options for the Norwegian economy. We expect rates to remain on hold for at least the remainder of 2020 and 2021. Sure, the situation for oil prices and NOK have somewhat improved, but it remains the case that the relatively low oil prices could have long-lasting effects on oil investment. Meanwhile in comparison to its Swedish neighbours, a stricter lockdown policy will have created a serious dent in second quarter GDP.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 15 June					
US	1600	Fed's Kaplan Speaks to the Money Marketeers			
Japan	0530	Apr Tertiary industry index (MoM%)	-5.4	-	-4.2
Eurozone	1000	Apr Trade Balance (€bn)	21943	-	23482
Italy	0900	May F HICP (YoY%)	-	-	-0.2
Tuesday 16 June					
US	1330	May Advance Retail Sales (MoM%)	9.5	7.9	-16.4
	1330	May Retail Sales ex. Auto and Gas (MoM%)	5.5	4.0	-16.2
	1415	May Industrial Production (MoM%)	3.8	2.8	-11.3
	1500	Powell Delivers Semi-Annual Policy Report to Senate Panel			
Japan	-	- Policy Rate	-0.1	-	-0.10
	-	- BoJ 10-year yield target (%)	-	-	0.00
Germany	0700	May F CPI (MoM/YoY%)	-0.1/0.6	-/-	-0.1/0.6
	1000	Jun ZEW Current Situation Index	-65.0	-	-93.5
UK	0700	Apr Weekly Earnings (3M avg)	1.7	-	2.4
	0700	Apr Weekly Earnings ex Bonus (3M avg)	2.2	-	2.7
	0700	Apr ILO Unemployment Rate (3M avg.)	4.7	-	3.9
	0700	Apr Employment Change (3M/3M)	-110	-	210
Australia	0230	RBA Minutes of Jun. Policy Meeting			
	0230	1Q House price index (QoQ/YoY%)	0.4/6.5		3.9/2.5
Wednesday 17 June					
US	2100	Fed's Mester Speaks on the Fed's Response to Covid-19			
Japan	0050	May Imports (YoY%)	-15.0	-	-7.1
	0050	May Exports (YoY%)	-23.0	-	-21.9
Eurozone	1000	May F CPI (MoM/YoY%)	-0.1/0.1	-/-	-0.1/0.1
UK	0700	May CPI (YoY%)	0.5	-/-	0.8
	0700	May Core CPI (YoY%)	1.2	-	1.4
Canada	1330	May CPI (MoM/YoY%)	-0.1/-0.5	-/-	-0.7/-0.2
New Zealand	2345	1Q GDP (Q) (QoQ SA/ YoY)	-0.5/1.5	-/-	0.5/1.8
Sweden	0830	May Unemployment Rate (%)	-	-	8.2
Thursday 18 June					
UK	1200	BoE Policy Rate	0.1	-	0.10
	1200	BoE Asset Purchase Program Total	795		645
Australia	0230	May Employment change ('000)	-230	-	-594
	0230	May Unemployment rate (%)	6.5	-	6.2
	0230	May Participation rate (%)	62.5	-	63.5
Norway	0900	Deposit Rates	0.00	-	0.00
Switzerland	0830	SNB Sight Deposit Interest Rate	-	-	-0.75
Friday 19 June					
US	1800	Fed Chair Powell Joins Mester for Youngstown Community Event			
Japan	0030	May National CPI (YoY%)	0.3	-	0.1
	0030	May CPI ex-food, energy (YoY%)	0.5	-	0.2
UK	0700	May Retail Sales ex Auto Fuel (MoM/YoY%)	4/-14.9	-/-	-15.2/-18.4
	0700	May Retail Sales (MoM/YoY%)	5/-18.5	-/-	-18.1/-22.6
	0700	May Public Finances (PSNCR)	-	-	89.5
	0700	May PSNB ex Banks (Ebn)	-	-	62.1

Source: ING, Bloomberg

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Asia week ahead: Central banks up for more rate cuts

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Source: Shutterstock

4.25%

Bank Indonesia policy rate

After 25bp cut next week

Central bank policy

Central banks in Japan, Taiwan, and Indonesia hold their monetary policy meetings.

Having pledged an unlimited purchase of government bonds since March, yields close to zero, and the main policy rate negative, Japan's central bank monetary easing has run out of steam. Nobody expects them to do anything next week. Yet, keeping with his usual dovish rhetoric, Governor Haruhiko Kuroda today committed all necessary steps to support cash-strapped business and protect jobs. But, he also regarded easing so far as "sufficient and appropriate". Does this still leave any interest in the BoJ meeting?

The most important thing now is to provide necessary financing to firms through the banking system, and to make financial markets stable.- BoJ Governor Kuroda

The Central Bank of China, Taiwan's central bank, is expected to continue with its piecemeal policy easing and cut the interest rates by another 12.5 basis points to 1.0%, an all-time low. This is just a second rate cut in this easing cycle as the economy is almost unscathed by the Covid-19 pandemic and we see this as the end of the easing cycle.

And one of Asia's aggressive easer since mid-2019, Bank Indonesia, will be back in action next week, delivering another 25bp policy rate cut to 4.25%. Indonesia's GDP growth has slowed sharply and inflation has been subdued, warranting more policy accommodation. Moreover, the usual headwind for BI easing, the weak currency, has been absent; the Indonesian rupiah has been an emerging market outperformer since April. If continued, these trends will open doors for more BI rate cuts ahead.

Busy data calendar

The next batch of China's activity data for May arrives next week. This includes key indicators such as industrial production, retail sales, and fixed-asset investment. The consensus estimates point to an improvement in these indicators, albeit smaller declines in retail sales and investment.

The key question of the week is whether Singapore's non-oil domestic exports continue to buck the weak exports trend.

The calendar is also heavy on the external trade figures for May coming from India, Indonesia, Japan and Singapore. The export weakness is seen accelerating in most Asian economies. But, Singapore's non-oil domestic exports (NODX) have been in the limelight recently for bucking the weak trend on the back of surging pharmaceutical demand in this global pandemic. Whether that continued in May needs to be seen. The consensus suggests another month of positive NODX growth. But we are sceptical and look for a 6% YoY fall.

And the May jobs report in Australia and New Zealand's first-quarter GDP report will make into the headlines.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 15 June					
China	0230	May New home prices (YoY%)	5.4	-	5.2
	0300	May Industrial Production (YoY%)	4.2	5	3.9
	0300	May Retail Sales (YoY%)	-6	-2	-7.5
	0300	May Fixed asset investment (YTD, YoY%)	-9.5	-6	-10.3
India	0730	May WPI (YoY%)	-1	-1.1	1
		- May Trade deficit (US\$bn)	-6.4	-7.048	-6.76
		- May Exports (YoY%)	-73	-	-60.28
		- May Imports (YoY%)	-69	-	-58.65
Indonesia	0500	May Trade balance (US\$mn)	-419	-	-344.7
	0500	May Exports (YoY%)	-19.3	-	-7.02
	0500	May Imports (YoY%)	-26.9	-	-18.58
Wednesday 17 June					
Singapore	0130	May Non-oil domestic exports	-9.0/-6.1	-/-	-5.8/9.7
Thursday 18 June					
Indonesia	0820	BI policy decision (7-day reverse repo, %)	4.25	-	4.5
Taiwan		- Benchmark Interest Rate	1.000	-	1.125

Source: ING, Bloomberg, *GMT

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Source: Shutterstock

✓ A rate cut from the Bank of Russia

The Bank of Russia is expected to cut the key rate (currently at 5.50%) on 19 June, and we are on the conservative side of the 50-100bp consensus range.

Acknowledging the below-expected CPI growth of [3.0-3.1% YoY](#) and weakness in local demand, the central bank is still quite wary of risks to the Russian capital account. In fact, most central bank decisions in the last 7-8 years could be easily interpreted through the prism of strengthening the capital account.

In practical terms, with net private capital outflows [accelerating](#) from a monthly US\$4-7bn in the first four months of the year to US\$10bn in May, and foreign portfolio inflows to the local public debt stagnating at +US\$0.7bn per month in April-May, the central bank may opt to keep the road to the rate floor, which we see at 4.0% in 2021, more gradual.

Additional arguments against a large-scale cut (even though the CBR mentioned the 100bp cut as one of the options on the table) include the activity data for May, the second and final month of the nationwide Covid-19 lockdown, also to be released next week.

- First, the drop in industrial production is likely to deepen from -6.6% YoY in April to -7-8% YoY in May, however, this deterioration will be driven by Russia's 96-99% compliance with OPEC++ oil production cuts.
- Second, based on high-frequency data, retail trade should somewhat recover from the -23.4% YoY drop in April to -16-17% in May.

In any case, as the central bank's representatives have indicated that in Russia monetary easing would be more efficient when secondary effects kick in, rather than during or immediately after the lockdown. We believe that regardless of the scope of 19 June rate cut, the CBR is likely to maintain a generally dovish tone.

EMEA and Latam Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 15 June				
Poland	0900 May F CPI (MoM%/YoY%)	-/-	-/-	-0.2/2.9
	1300 Apr C/A (€mn)	-	-	2438
	1300 Apr Trade Balance (€mn)	-	-	-69.0
	1300 Apr Exports (€)	-	-	18763
	1300 Apr Imports (€)	-	-	18832
Czech Rep	0900 Apr C/A (CZKbn)	-	-	-0.49
Romania	- Apr C/A YTD (€m)	-	-	-1365
Kazakhstan	- May Industrial Production Yearly	-	-	6.2
Bulgaria	0900 May CPI (MoM%/YoY%)	0.0/1.7	-/-	-0.6/1.8
Israel	1630 May CPI (MoM%/YoY%)	-/-	-/-	-0.3/-0.6
Tuesday 16 June				
Russia	1700 May Industrial Production (YoY%)	-7.0	-8.3	-6.6
Poland	1300 May Core Inflation (MoM%/YoY%)	-/-	-/-	0.8/3.6
	- Base Rate (%)	-	0.10	0.10
Czech Rep	0800 May PPI (Industrial) (MoM%/YoY%)	-/-	-/-	-0.5/-0.8
Israel	1100 1Q P GDP (QoQ Annualised %)	-	-	-7.1
Brazil	1300 Apr Retail Sales (YoY%)	-20.0	-	-1.2
Wednesday 17 June				
Russia	1700 1Q P GDP (YoY%)	1.6	1.6	1.6
South Africa	0900 May CPI (MoM%/YoY%)	-/-	-0.3/3.2	0.3/4.1
	0900 May Core CPI (MoM%/YoY%)	-/-	0.1/-	0.6/2
	1200 Apr Retail Sales (MoM%)	-	-	-0.4
Brazil	- Selic Rate	2.25	2.25	3.00
Thursday 18 June				
Russia	1700 May PPI (MoM%/YoY%)	-/-	-4.4/-15.4	-7.2/-10.4
Poland	0900 May Avg Gross Wages (MoM%/YoY%)	-/-	-/1.4	-3.7/1.9
	0900 May Employment (MoM%/YoY%)	-/-	-/-2.8	-2.4/-2.1
	1300 National Bank of Poland Publishes Minutes of Rate Meeting			
Israel	- Jun 12Mth Inflation Forecast (%)	-	-	0.6
Friday 19 June				
Russia	1130 Key Rate (%)	5.00	4.75	5.50
	1700 May Retail Sales (YoY%)	-16.0	-16.6	-23.4
	1700 Apr Real wages (YoY%)	-8.1	-3.0	5.9
Poland	0900 May Industrial Output (MoM%/YoY%)	-/-	-/-18.0	-25.5/-24.6
	0900 May PPI (MoM%/YoY%)	-/-	-/-1.5	-0.6/-1.3
Ukraine	- 1Q F GDP (YoY%)	-1.5	-	-1.5
Serbia	- Apr C/A (€mn)	-	-	-462.6
Croatia	1000 May Unemployment Rate (%)	-	-	9.4
	1000 Apr Real Wages (YoY%)	-	-	0.7

Source: ING, Bloomberg

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