

Our view on next week's key events

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✓ US: Back to reality

Now that the government shutdown has come to an end we are going to receive a backlog of delayed US data over the next couple of weeks. This will include GDP, retail sales, trade and durable goods orders amongst others and it will give us a better flavour of the state of the US economy.

We have of course continued to get jobs numbers, which show the labour market remains tight. This, in turn, is pushing up wages as companies hunt desperately for workers with the right skills. With households seeing rising incomes and feeling secure in their jobs, consumers have the cash and the confidence to keep spending. Unfortunately, the different government departments haven't formally given us the dates and timings of their respective releases, but the general tone should be constructive with our base case - that decent economic activity and rising inflation pressures will trigger two further interest rate hikes from the Federal Reserve this year.

✓ UK: May seeks concessions for smooth exit

The Brexit saga continues next week, as Theresa May heads to Europe to seek concessions that could convince members of parliament to vote for a deal, allowing a smooth exit from the EU on 29 March. Unsurprisingly, the EU is steadfast in its view that there won't be any renegotiation, leaving

14 February as the next key date when parliament could flex its muscle and try to prevent a potentially economically damaging hard Brexit. The Bank of England also meets this week, but given the lack of clarity on where the UK is heading, a “no change” scenario for interest rates is universally anticipated.

Germany: Just enough

Next week's industrial data will bring an end to a disappointing second half of the year for the German economy. Any rebound is likely to be too weak to push industrial activity back into expansion territory, but private consumption and government expenditures should have been enough to prevent the entire economy from falling into a technical recession.

Canada: Labour market to stay healthy, but will wages respond?

There was a slower pace of job gains in December (+9,300) compared with November's hiring flurry (+94,100), and this theme is likely to run into January – especially in the energy sector where performance is (and will be for some time) below par. We expect the unemployment rate to edge up to 5.7%.

This is still a relatively low unemployment rate, and on face value paints a positive picture. But beneath the figure lies the growing concern of sluggish wage growth. Average wage growth for full-time workers remained at 1.5% in December, far from its 2018 peak of 3.9% in May. As the economy is operating close to full capacity, it is expected firms will be required to invest in the workforce to sustain high levels of demand. We see it as just a matter of time before wages go up, as companies search for labour.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 2 February					
Italy	-	Italian Finance Minister Tria on Visit to New York			
	1030	Bank of Italy Governor Visco Speaks at Annual Forex Event			
Sunday 3 February					
US	1540	Fed's Kashkari Speaks at Town Hall Event in Minnesota			
Japan	2350	Jan Monetary Base (JPY tr)	508.0	-	504.2
Monday 4 February					
Eurozone	-	European Commission Publishes Economic Forecasts			
Italy	1000	Jan P HICP (YoY%)	-	-	1.2
	0900	Istat Release 2019 Basket for Consumer Price Index			
N Zealand	0100	Treasury Publishes Monthly Economic Indicators			
Tuesday 5 February					
US	1500	Jan ISM Non-manufacturing	57.0	57.5	58.0
	0030	Fed's Mester Discusses Economic Outlook and Monetary Policy			
Eurozone	0900	Jan F Markit Services PMI	-	-	50.8
	0900	Jan F Markit Composite PMI	-	-	50.7
	1000	Dec Retail Sales (MoM/YoY%)	-/-	-/-	0.6/1.1
UK	0930	Jan Markit/CIPS Services PMI	51.0	-	51.2
	0930	Jan Markit/CIPS Composite PMI	51.9	-	51.4
Australia	0030	Dec Trade Balance (A\$m)	2008.0	-	1925.0
	0030	Dec Retail Sales (MoM%)	0.3	-	0.4
	0330	RBA Cash Rate Target	1.5	1.5	1.5
Sweden	0730	Jan Swedbank/Silf Services PMI	-	-	56.4
	0800	Riksbank's Ingves, FSA's Thedeen in Open Parliament Hearing			
	1015	Riksbank's Jochnick Speaks			
Wednesday 6 February					
Germany	0700	Dec New Orders (MoM/YoY%)	0.8/-6.1	-/-	-1.0/-4.3
Canada	1335	Bank of Canada Deputy Governor Timoty Lane Speaks			
Australia	0130	RBA's Lowe Speaks in Sydney			
N Zealand	2100	N.Z. Government 6-Mth Financial Statements			
Thursday 7 February					
US	0000	Fed Chairman Powell to Host Town Hall Meeting with Educators			
Japan	0500	Dec P Leading Economic Index	-	-	99.1
	2350	Dec P C/A Balance (Yen bn)	850.0	-	757.2
Eurozone	0900	ECB Publishes Economic Bulletin			
Germany	0700	Dec Industrial Production (MoM/YoY%)	1.5/-2.8	-/-	-1.9/-4.7
UK	1200	BoE Policy Rate	0.75	-	0.75
	1200	Bank of England Inflation Report			
Norway	0700	Dec Industrial Production (MoM/YoY%)	-/-	-/-	-1.5/2.6
Sweden	0500	Maklarstatistik Swedish Housing Price Data			
Friday 8 February					
Japan	0000	Dec Labour Cash Earnings (YoY%)	1.7	-	1.7
Germany	0700	Dec Trade Balance (€bn)	21.0	-	20.4
Italy	1000	Istat Releases the Monthly Economic Note			
Canada	1330	Jan Net Change in Employment	-	-	9.3
	1330	Jan Unemployment Rate (%)	5.7	-	5.6
Australia	0030	RBA Statement on Monetary Policy			
Norway	0700	4Q GDP (QoQ%)	0.7	-	0.6
	0700	Dec GDP Mainland (MoM%)	-	-	0.0

Source: ING, Bloomberg

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Asia week ahead: Thinner liquidity, busier central banks

Thinner market liquidity and busier central banks will define trading in Asia next week. The Lunar New Year holiday in most countries will reduce...



Source: Shutterstock

➔ Thin market liquidity

It's going to be a dull week with Chinese markets on holiday all of next week for the New Lunar Year, the first of two Golden Weeks holidays in China in a year, while most other Asian markets are also out for a day or two to usher in the Year of the Pig. The week is also scant on economic data from the region.

However, any trading that does take place in regional markets next week will be driven by US-China trade tensions. Scepticism about progress from the ongoing high-level talks abounds but any

positive news could put to rest expectations of prolonged trade tensions weighing on global growth.

➔ Busy central banks

Central banks in Australia, India, the Philippines and Thailand hold policy meetings. We expect all of them to leave policy on hold, though we do not rule out any surprises by central banks in India and the Philippines.

The Philippines' central bank (BSP) meeting is on Friday, 7 February. Coming ahead of the BSP meeting is the all-important consumer price data for January (due 5 February), that's expected to show a sharp deceleration in inflation to our 4.3% year-on-year forecast from 5.1% in December.

As Governor Nestor Espenilla recently signalled, policy will be data-dependent and the bank will observe prudence and caution in deciding any moves. He has also signalled a reduction in the bank's reserve requirement ratio (RRR), currently 18%, as inflation firmly returns to the central bank's 2-4% target. It may not come next week, but our house view is for an RRR cut or two within the current quarter and a 25 basis point policy rate cut in the second quarter of the year.

4.75% BSP policy rate
No change expected next week

➔ Indian central bank - will it or won't it ease?

In India, the FY2020 budget to be out on Friday, 1 February, will likely bear out the fact that politics has displaced economics in guiding macro policies in order to meet the government's agenda of lifting GDP growth before elections in May. Undoubtedly, recent low inflation figures allow the central bank (RBI) to follow suit on the easing path. More so with the central bank now opening reserve coffers for the government to plug a wider fiscal deficit.

(We) can't have a real rate of interest that is higher than anywhere else in the world – Finance Minister Arun Jaitley

However, while close to 7% GDP growth puts India among the ranks of the world's fastest-growing economies, the inflationary implication of strong growth and loose fiscal policy, which will likely be compounded further by rising global oil prices and a weak local currency, cannot just be ignored. Indeed, India's core inflation has been high, running close to 6% in the current year. Although our baseline is that the RBI leaves policy on hold throughout 2019, we wouldn't be taken aback by a rate cut next week. Be prepared for intensified depreciation of the Indian rupee in such an event.

6.50%

RBI repurchase rate

No change is expected

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 4 February					
Singapore	1300	Jan Purchasing Managers Index	51.0	-	51.1
Tuesday 5 February					
India	0500	Jan Nikkei Services PMI	-	-	53.2
Philippines	0100	Jan CPI (YoY%)	4.3	-	5.1
Wednesday 6 February					
Indonesia	-	4Q GDP (QoQ/YoY%)	-/5.3	-/-	3.1/5.2
Thailand	0705	Benchmark Interest Rate	1.75	-	1.75
Thursday 7 February					
India	0900	RBI Policy Decision (Repo Rate, %)	6.5	-	6.5
Philippines	0800	Overnight Borrowing Rate	4.75	-	4.75
	-	Jan Forex Reserves (US\$bn)	80.5	-	79.2
Friday 8 February					
Hong Kong	0030	Jan Nikkei PMI	-	-	48.0
Indonesia	-	4Q Current Account Balance (US\$bn)	-7.7	-/-	-8.8

Source: ING, Bloomberg, *GMT

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Source: Shutterstock

✓ Turkey: Collection of downside inflation risks to weigh on annual figure

Following a broad-based disinflationary trend in December, we expect January inflation to remain relatively benign at 0.9%, pulling the annual figure down to 20.1%. This is due to weak domestic demand, a stable currency, the government's decision to extend tax cuts on consumer durables and price cuts in natural gas, electricity and water - though food prices could pose upside risks.

✓ Hungary: GDP saved by the retail sector? Probably not

We think the retail sector ended 2018 on sound footing, but there's not enough momentum here to repeat the nearly 5% Hungarian GDP growth in 4Q18. The growth of industrial production remains sluggish despite an expected rebound in December. We see the general budget starting 2019 with a surplus due to some accounting measures regarding the EU money inflow.



Russia: Accelerating prices not an argument for the central bank to react - yet

CPI growth in Russia is set to accelerate from 4.3% YoY in December 2018 to around 5.2% YoY in January 2019, primarily as a result of the VAT hike from 18% to 20% - effective 1 January.

We doubt that this acceleration will be an argument for the central bank to react in any way, because the VAT hike should have only a temporary effect on CPI, and it has been factored into the monetary policy framework since mid-2018. We therefore expect the Central Bank of Russia (CBR) to keep the key rate unchanged at 7.75% next Friday. At the same time, the CBR's commentary will be in focus for clues about the subsequent meeting in March, where the outcome is more uncertain.

We'll be looking for signals of whether the CBR is seeing risks of CPI hitting the previously indicated 6% threshold in the coming months and/or inflationary expectations continuing to deteriorate at the household and corporate level.

✓ Romania: National Bank flexibility constrained by fiscal measures

With the ROBOR-linked tax apparently here to stay, the National Bank of Romania's (NBR) room for manoeuvre on rates seems quite limited. Fortunately, there seem to be no imminent inflationist pressures which would require monetary tightening. We look for no change at the 7 February meeting. As was the case in January, media attention will likely be channelled towards the NBR's stance on fiscal measures and its communication with the government.

✓ Serbia: National Bank on hold again due to external uncertainties

With year-end inflation at 2.0% - well within the 3.0% \pm 1.5ppt target band - and expectations well contained, the National Bank of Serbia (NBS) seems to be turning its attention now towards maintaining a stable EUR/RSD rate. In 2019 so far, intervention has been one-sided but this time towards selling EUR/RSD and preventing the dinar's depreciation. Interbank rates have tightened a bit but for now, we don't see meaningful pressure on either FX or interest rates.

✓ Czech Republic: Global economic uncertainty to encourage wait-and-see approach

December statistics will be affected by the calendar bias: Two working days will be missing compared to November, leading to weaker figures on the surface. Still, new car sales fell significantly, according to the preliminary figures in December, which will likely push total retail sales on an annual basis into negative territory.

The most important event, however, will be the Czech National Bank's (CNB) rate decision on 7 February. Given recent comments from CNB board members highlighting uncertainty stemming from the global economy, we expect a wait-and-see approach and thus rates on hold.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 4 February					
Turkey	0700	Jan CPI (MoM/YoY%)	0.9/20.1	-/-	-0.4/20.3
	0700	Jan Domestic PPI (MoM/YoY%)	-/-	-/-	-2.2/33.6
	0700	Jan Core CPI (YoY%)	-	-	19.5
Romania	0700	Dec PPI (MoM/YoY%)	-/-	-/-	-0.8/4.9
Tuesday 5 February					
Poland	-	Monetary Policy Council Rate Meeting			
Czech Rep	0800	Dec Retail Sales (YoY%)	-0.4	-	3.3
	0800	Dec Retail Sales Ex. Motor Vehicles (YoY%)	3.1	-	6.1
Hungary	0800	Dec Retail Sales (YoY%)	5.1	-	4.9
Romania	0700	Dec Retail Sales (MoM/YoY%)	-/-	-/-	1.5/6.0
Wednesday 6 February					
Russia	-	Jan CPI Core (YoY%)	-	-	3.7
	-	Jan CPI (MoM/YoY%)	1.2/5.2	1.2/5.2	0.8/4.3
Poland	-	Base Rate (%)	-	-	1.5
Czech Rep	0800	Dec Trade Balance (CZKmn)	-8.0	-	20.2
	0800	Dec Construction Output (YoY%)	-	-	0.0
	0800	Dec Industrial Output (YoY%)	1.1	-	4.8
Brazil	-	Selic Rate	6.5	-	6.5
Thursday 7 February					
Poland	1300	Jan Official Reserves Total	-	-	116964.6
Czech Rep	0900	Jan International Reserves (US\$bn)	-	-	142.6
	1200	Repo Rate	1.75	-	1.75
Hungary	0800	Dec Industrial Production (MoM/YoY%)	1.2/3.3	-/-	-1.1/3.5
Romania	-	Repo Rate (%)	2.5	-	2.5
Serbia	1100	Repo Rate (%)	3.0	-	3.0
Croatia	1000	Nov Trade Balance (HRK m)	-	-	-5980.5
	1000	Dec F Retail Sales (YoY%)	-	-	5.8
South Africa	0600	Jan Gross Reserves (US\$bn)	-	-	51.6
	0600	Jan Net Open Foreign Currency Position (US\$bn)	-	-	43.1
Israel	-	Jan Foreign Currency Balance (US\$bn)	-	-	115.3
Mexico	1400	Jan CPI (MoM/YoY%)	0.3/4.6	-/-	0.7/4.8
	1900	Overnight Rate	8.25	-	8.25
Friday 8 February					
Russia	1030	Key Rate (%)	7.75	7.75	7.75
Czech Rep	0800	Jan Unemployment Rate (%)	3.2	-	3.1
Hungary	1000	Jan Budget Balance (YTD)	120.0	-	-1445.0
Ukraine	-	Jan CPI (MoM/YoY%)	-/-	-/-	0.8/9.8
Kazakhstan	-	Jan International Reserves (US\$bn)	-	-	30.9
Bulgaria	0900	Dec Industrial Production (MoM/YoY%)	-/-	-/-	0.4/1.2
	0900	Dec Retail Sales (MoM%)	-	-	0.8
Brazil	1100	Jan Inflation (IPCA) (MoM/YoY%)	0.4/3.8	-/-	0.2/3.8

Source: ING, Bloomberg

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