

Our view on next week's key events

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In this bundle



Key Events

Key events in developed markets next week

Next week's US data should be fairly decent, and we'll be listening out for any details on a potential US/China trade deal that could lift some of...

By James Knightley and Carsten Brzeski



Asia week ahead: China's 'two sessions' and more

China's 'two sessions' will inform the macro policy directive for 2019. Inflation and trade releases will shape economic policies elsewhere...



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Key events in EMEA and Latam next week

It's central bank frenzy next week, but don't expect any changes to monetary policy. Plus, we get a new set of macroeconomic forecasts from Poland...

By Muhammet Mercan, Peter Virovacz and 2 others

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Source: Shutterstock

✓ US: Decent data, patient Fed

The recent US data flow has been offering confusing messages, which may in part reflect data disruption issues relating to the government shutdown. Nonetheless, the Federal Reserve has indicated it can be 'patient', seeing risks from cross currents yet believing the underlying position of the US economy is sound.

This week's data should be decent with the strong jobs market helping to underpin consumer confidence and spending. Payrolls growth will likely slow from the unexpected 304k surge in January, but there is upside potential for wage growth as the tightness in the jobs market fuels inflation-busting pay awards.

We will also be listening out for more details on a potential US/China trade deal that could lift some of the gloom surrounding the global economy. Given this backdrop, we believe markets are being too pessimistic on the outlook for policy in pricing the next move being a 25 basis point Fed rate cut by summer 2021. Instead, we continue to favour a 25 basis point rate hike later in the year.

✓ ECB: Oh so quiet, for now

We expect the ECB to keep its cards close to its chest next week, and this means no new TLTRO announcements or changes to forward guidance. Instead, we expect the ECB to strike a dovish tone and mention that the Governing Council has asked the relevant committees to look into possible options to tackle liquidity and bank lending problems. This would open the door to some new policy announcements at the April meeting.

✓ Canada: Watching wage growth

The Bank of Canada meeting next Wednesday is likely to be a non-event when it comes to a change in the policy rate. That said, the language that governor Stephen Poloz uses in his press release will be analysed carefully. We hope some light will be shed with regard to the BoC's tone, and whether there's an indication that monetary tightening is still deemed the appropriate course of action this year.

Economic fundamentals are looking good though, and Friday's employment report could reinforce our view that – despite the global risk environment, the labour market is strong. Wage growth for full-time workers finally picked up to 1.8% YoY in January after seven months of consistent declines. On Friday, we'll be seeing if this upward trend is sustained, as this would further support our case that monetary tightening will resume later this year.

Developed Markets Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|--------------------------|------|--|----------|---------|-----------|
| Sunday 3 March | | | | | |
| Japan | 2350 | Feb Monetary Base (JPY tr) | 505.1 | - | 500.2 |
| Monday 4 March | | | | | |
| New Zealand | 0100 | Treasury Publishes Monthly Economic Indicators | | | |
| Switzerland | 0625 | SNB Annual Result 2018 | | | |
| Tuesday 5 March | | | | | |
| US | 1500 | Feb ISM Non-manufacturing | 57.4 | 57.2 | 56.7 |
| Eurozone | 0900 | Feb F Markit Services PMI | - | - | 52.3 |
| | 0900 | Feb F Markit Composite PMI | - | - | 51.4 |
| | 1000 | Jan Retail Sales (MoM/YoY%) | -/- | -/- | -1.6/0.8 |
| UK | 0930 | Feb Markit/CIPS Services PMI | 49.7 | - | 50.1 |
| | 0930 | Feb Markit/CIPS Composite PMI | 49.9 | - | 50.3 |
| | 0930 | Financial Policy Committee Minutes, Feb meeting | | | |
| | 1535 | BOE Governor Mark Carney Testifies to House of Lords | | | |
| Italy | 0900 | 4Q F GDP (QoQ/YoY%) | -0.2/0.1 | -/- | -0.2/0.1 |
| Australia | 0330 | RBA Cash Rate Target | 1.5 | 1.5 | 1.5 |
| | 2210 | RBA Governor Lowe Speaks in Sydney | | | |
| Sweden | 0730 | Feb Swedbank/Silf Services PMI | - | - | 54.1 |
| Wednesday 6 March | | | | | |
| US | 1315 | Feb ADP Employment Change (000's) | 190.0 | 182.5 | 212.9 |
| | 1330 | Dec Trade Balance (US\$bn) | -52.0 | -51.3 | -49.3 |
| | 1700 | Fed's Williams Speaks to Economic Club of New York | | | |
| | 1700 | Fed's Mester Participates in Moderated Discussion | | | |
| | 1900 | U.S. Federal Reserve Releases Beige Book | | | |
| Japan | 0130 | BOJ Harada Speaks in Kofu | | | |
| UK | 1215 | BOE's Jon Cunliffe Speaks at Symposium | | | |
| Italy | 1000 | Istat Releases Monthly Economic Note | | | |
| Canada | 1500 | Bank of Canada Policy Rate | 1.75 | 1.75 | 1.75 |
| Australia | 0030 | 4Q GDP (QoQ/YoY%) | 0.5/2.7 | -/- | 0.3/2.8 |
| Norway | 0700 | 4Q Current Account Balance (NOKbn) | - | - | 91780.0 |
| Sweden | 0830 | 4Q Current Account Balance (SEKbn) | - | - | 38.6 |
| Thursday 7 March | | | | | |
| Japan | 2350 | 4Q F GDP (Annualised, QoQ%) | - | - | 1.4 |
| | 2350 | 4Q F GDP Deflator, Advance (Q) (YoY%) | - | - | -0.3 |
| | 2350 | Jan P C/A Balance, Adjusted (Yen bn) | - | - | 1562.3 |
| Eurozone | 1000 | 4Q F GDP (QoQ/YoY%) | -/- | -/- | 0.2/1.2 |
| | 1245 | ECB Main Refinancing Rate | 0.0 | 0.0 | 0.0 |
| | 1245 | ECB Marginal Lending Facility | 0.25 | 0.25 | 0.25 |
| | 1245 | ECB Deposit Facility Rate | -0.4 | -0.4 | -0.4 |
| Italy | 1000 | OECD Interim Economic Outlook | | | |
| Italy | - | Bank of Italy Report on Balance-Sheet Aggregates | | | |
| Australia | 0030 | Jan Trade Balance (A\$m) | 2227.0 | - | 3681.0 |
| | 0030 | Jan Retail Sales (MoM%) | 0.1 | - | -0.4 |
| Norway | 0700 | Jan Industrial Production (MoM/YoY%) | -/- | -/- | -1.0/1.2 |
| Sweden | 0500 | Maklarstatistik Swedish Housing Price Data | | | |
| Friday 8 March | | | | | |
| US | 1330 | Feb Change in Nonfarm Payrolls ('000s) | 170.0 | 185.0 | 304.0 |
| | 1330 | Feb Unemployment Rate (%) | 3.9 | 3.8 | 4.0 |
| | 1330 | Feb Average Hourly Earnings (MoM/YoY%) | 0.4/3.5 | 0.3/3.3 | 0.1/3.2 |
| | 1330 | Feb Participation Rate | 63.2 | - | 63.2 |
| Germany | 0700 | Jan New Orders (MoM/YoY%) | 1.2/-2.4 | -/- | -1.6/-7.0 |
| Canada | 1330 | Feb Net Change in Employment | - | - | 66.8 |
| | 1330 | Feb Unemployment Rate (%) | 5.8 | 5.8 | 5.8 |
| Norway | 0700 | Jan GDP Mainland (MoM%) | - | - | 0.0 |

Source: Bloomberg, ING

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Asia week ahead: China's 'two sessions' and more

China's 'two sessions' will inform the macro policy directive for 2019. Inflation and trade releases will shape economic policies elsewhere...



Source: Shutterstock

➔ China: An annual rite of spring

Top government officials from all over China will gather in Beijing for the annual rite of spring - the Chinese People's Political Consultative Conference (CPPCC) and the National People's Congress (NPC) sessions to be held on 3rd and 5th March respectively. The typical focus in these meetings is Premier Li Keqiang's work report, as well as speeches by the heads of the central bank and other regulatory bodies.

Premier Li's report sets out economic targets for the year - GDP growth, inflation, money supply, bank lending, etc. - and also policy changes required to achieve these targets. The trade rift with

the US is playing a significant role in shaping the economy and macro policy in China. The media has signalled a possible growth downgrade target for this year to a '6.0% to 6.5% range' from 'around 6.5%' in 2018, which makes more stimulatory policies the order of the day. The stimulus is already being rolled out within the confines of the current policy stance of 'prudent' monetary policy and 'pro-active' fiscal policy - the stance likely to be reinforced next week.

China's economic growth continues to soften as the sixth consecutive drop in the manufacturing PMI in February suggests. The message from the forthcoming data - February trade, inflation, and monetary data, all due next week - is unlikely to be any different. We believe the markets will be biding time until the Trump-Xi summit on trade at the end of March.

➔ Rest of Asia: Falling inflation allows for central bank easing

Trade and inflation data dominate the economic calendar for the rest of the region. Asian exports have been under pressure from the trade war and slumping global electronics demand, as the data from Taiwan and Malaysia is likely to reinforce.

Among all inflation releases, Philippines' steals the focus. From a peak of 6.7% YoY high in September-October 2018, inflation has slowed sharply through January to 4.4%. Further fall in February will see it return to the central bank's 2-4% target, thus opening the doors for reversal of some of last year's 175 basis points rate hike this year, while the dovish US Fed policy allows for some local currency strengthening. We anticipate two 25bp cuts in the second and fourth quarters of the year.

Inflation in Korea continues to be low, and in Taiwan, it's almost non-existent. We don't think the Bank of Korea's 25bp rate hike last November was at all needed. The BoK left the policy on hold today. Governor Lee Ju-Yeol cited the Fed's and ECB's policy stance as important factors in deciding the policy. We think the weak domestic economy, trade uncertainty, and dovish G3 central banks' policy puts the BoK next in the line of Asian central banks to cut rates later this year.

Malaysia's central bank announces the outcome of its policy meeting on 5th March. BNM meetings had been really boring lately, but this one may be less so after the latest CPI data showing negative inflation for the first time in nearly a decade, thus raising the prospects of policy easing. However, the recent falling streak in CPI is the result of supply-side factors (the administrative cut in domestic fuel prices) that nothing the monetary policy could do about.

We believe BNM will see through the latest data and leave policy unchanged.

[Read Deflation returns in Malaysia after nearly a decade](#)

Asia Economic Calendar

| Country | Time* | Data/event | ING | Survey | Prev. |
|--------------------------|-------|--|---------|--------|---------|
| Monday 4 March | | | | | |
| Malaysia | 0400 | Jan Trade Balance (RM bn) | 8.2 | - | 10.4 |
| | 0400 | Jan Exports (YoY%) | -4.6 | - | 4.8 |
| | 0400 | Jan Imports (YoY%) | -3.1 | - | 1.0 |
| Singapore | 1300 | Feb Purchasing Managers Index | - | - | 50.7 |
| Taiwan | 0030 | Feb Nikkei Manufacturing PMI | 47.0 | - | 47.5 |
| South Korea | 0030 | Feb Nikkei Manufacturing PMI | - | - | 48.3 |
| | 2300 | 4Q F GDP (QoQ/YoY%) | 1.0/3.1 | -/- | 1.0/3.1 |
| | 2300 | Feb CPI (YoY%) | 0.5 | - | 0.8 |
| | 2300 | Feb Core CPI (YoY%) | 0.9 | - | 1.2 |
| Tuesday 5 March | | | | | |
| China | - | Annual Session of National Peoples Congress Starts | | | |
| India | 0500 | Feb Nikkei Services PMI | - | - | 52.2 |
| | - | 4Q Current Account Balance (Q) (US\$bn) | -15.0 | -16.0 | -19.1 |
| Hong Kong | 0030 | Feb Nikkei PMI | - | - | 48.2 |
| | 0830 | Jan Retail Sales Value (YoY%) | 1.1 | - | 0.1 |
| | 0830 | Jan Retail Sales Volume (YoY%) | 1.3 | - | 0.2 |
| Malaysia | 0700 | Overnight Policy Rate | 3.25 | - | 3.25 |
| Philippines | 0100 | Feb CPI (YoY%) | 3.8 | - | 4.4 |
| Wednesday 6 March | | | | | |
| Taiwan | 0800 | Feb Forex Reserves (US\$bn) | 463.6 | - | 463.0 |
| Thursday 7 March | | | | | |
| China | - | Feb Forex Reserves (US\$bn) | 3097.9 | - | 3087.9 |
| Hong Kong | - | Feb Forex Reserves (US\$bn) | - | - | 432.0 |
| Indonesia | - | Feb Forex Reserves (US\$bn) | 120.9 | - | 120.1 |
| Malaysia | 0700 | Forex reserves, Mth-end (US\$bn) | - | - | 102.3 |
| Philippines | - | Feb Forex Reserves (US\$bn) | 85.1 | - | 82.5 |
| Friday 8 March | | | | | |
| China | - | Feb Trade Balance (US\$bn) | 51.2 | - | 39.2 |
| | - | Feb Exports (YoY%) | 9.0 | - | 9.1 |
| | - | Feb Imports (YoY%) | -1.4 | - | -1.5 |
| Taiwan | 0800 | Feb CPI (YoY%) | 0.1 | - | 0.2 |
| | 0800 | Feb Exports (YoY%) | 0.2 | - | -0.3 |
| | 0800 | Feb WPI (YoY%) | -0.3 | - | 0.8 |
| | 0800 | Feb Imports (YoY%) | 5.1 | - | 6.8 |
| | 0800 | Feb Trade Balance (US\$bn) | 3.0 | - | 0.9 |

Source: Bloomberg, ING. *GMT

Key events in EMEA and Latam next week

It's central bank frenzy next week, but don't expect any changes to monetary policy. Plus, we get a new set of macroeconomic forecasts from Poland...



Source: Shutterstock

✓ Central bank of Turkey: Quiet despite swap curve suggesting otherwise

We expect the central bank of Turkey to keep rates on hold next week at 24%. The Bank continues to be cautious in signalling any rate cuts and is focusing on macroprudential policies for the time being, despite aggressive easing priced in by the swap curve until the end of the year.

On the inflation side, following a decline in short-term CPI momentum - which brought the annual figure down to 20.4% in January from its October peak, we estimate the February reading to be at a similar level, with the annual change to be pulled down to 20.0%. Still, upside risks remain in the near-term given the marked deterioration in pricing behaviour and volatile food prices.

✓ Hungary: Inflation pressures could encourage a March rate hike

Investors following Hungary face a busy week, but the most important data could be inflation. We see both headline and core figures accelerating - the latter reaching 3.4% year-on-year, which should push the National Bank of Hungary to change its monetary policy stance in March.

Economic activity data is expected to show a soft patch for growth - especially due to work stopping at an Audi factory in January, which is likely to translate into weak industrial data. Retail sales are expected to increase further - albeit at a slower pace, and we see the budget balance remaining well in surplus due to a net inflow from EU projects.

National Bank of Poland: Flat rates, new macroeconomic forecasts

The monetary policy committee is expected to keep rates flat on Wednesday. The National Bank of Poland will also publish new macroeconomic projections. We expect a material downward revision to its CPI forecast for 2019 - from 3.2% to approximately 2% YoY on the back of lower energy prices.

The November release assumed no government intervention in the electrical energy market, which effectively lowered price levels in January. According to central bank governor Adam Glapiński, some comment on upward revisions to the 2019 GDP forecast (3.6% YoY) is also possible. The March economic projection is unlikely to incorporate the effects of fiscal stimulus related to recent PiS leader pledges.

National Bank of Serbia to stay on hold at 3.0%

Both year-end and average 2018 inflation came in at 2.0%. Core inflation has been even better behaved, averaging 1.0% for the year and confirming the benign inflationary environment. Assuming quasi-constant oil prices, we see headline inflation inching marginally higher towards 2.4% in the first quarter of 2019 mainly due to base effects, and then to return and hover around 2.0% for the rest of 2019.

We expect no change from the National Bank of Serbia at the 7 March meeting.

Czech Republic: 2018, a pretty picture for wage growth

As usual, February's unemployment rate is supposed to decline slightly due to seasonal reasons. Average wage growth should remain solid, but based on fourth quarter GDP data, we think the slowdown will be closer to 7%, compared to the CNB's forecast of 8% in nominal terms after an 8.5% reading in the 3Q18. With inflation averaging 2.1% in 4Q18, real wage growth should reach 5.0%. Still, average real wage growth for the whole of 2018 will exceed 6% for the first time since 2002.

Russia: Will CPI peak in February? We think it still has some way to go

In February, Russia continued to experience the consequences of the VAT hike, meaning CPI likely increased by 5.3% YoY vs 5.0% in January and 4.3% YoY at the end of 2018. While the initial spike is fading, it is too soon to tell at what level CPI will peak.

We remain on the pessimistic side of the consensus, expecting inflation to continue crawling up towards the 6.0% mark in 1H19 due to persistent pressure from the PPI side - especially in the oil downstream sector. The likelihood of a rate hike in March remains well above zero.

EMEA and Latam Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|--------------------------|------|---|----------|--------|----------|
| Monday 4 March | | | | | |
| Turkey | 0700 | Feb CPI (MoM/YoY%) | 0.4/20.0 | -/- | 1.1/20.4 |
| | 0700 | Feb Domestic PPI (MoM/YoY%) | -/- | -/- | 0.5/32.9 |
| | 0700 | Feb Core CPI (YoY%) | - | - | 19.0 |
| Hungary | 0800 | Dec F Trade Balance (€mn) | 398.0 | - | 398.0 |
| Romania | 0700 | Jan PPI (MoM/YoY%) | -/- | -/- | -0.2/4.5 |
| Kazakhstan | 1100 | Key Policy Rate (%) | - | - | 9.25 |
| Tuesday 5 March | | | | | |
| Poland | - | Monetary Policy Council Rate Meeting | | | |
| Hungary | 0800 | Jan Retail Sales (YoY%) | 3.9 | - | 4.1 |
| Romania | 0700 | Jan Retail Sales (MoM/YoY%) | -/- | -/- | -1/2.7 |
| South Africa | 0930 | 4Q GDP (SAAR-QoQ/YoY%) | -/- | -/- | 2.2/1.1 |
| Wednesday 6 March | | | | | |
| Russia | - | Feb CPI Core (YoY%) | - | - | 4.1 |
| | - | Feb CPI (MoM/YoY%) | 0.5/5.3 | -/- | 1.0/5.0 |
| Turkey | 1100 | Benchmark Repurchase Rate | 24.0 | - | 24.0 |
| Poland | - | Base Rate (%) | 1.5 | - | 1.5 |
| South Africa | 0930 | Feb SACCI Business Confidence | - | - | 95.1 |
| Thursday 7 March | | | | | |
| Poland | 1300 | Feb Official Reserves Total | - | - | 113676.2 |
| Czech Rep | 0900 | Feb International Reserves (US\$bn) | - | - | 143.3 |
| Hungary | 0800 | Jan Industrial Production (MoM/YoY%) | -2.8/0.8 | -/- | 2.5/5.7 |
| Ukraine | - | Feb CPI (MoM/YoY%) | -/- | -/- | 1.0/9.2 |
| Romania | 0700 | 4Q P GDP (SA, QoQ/YoY%) | 0.7/4.1 | -/- | 0.7/4.1 |
| Bulgaria | 0900 | 4Q F GDP (QoQ/YoY%) | 1.2/3.1 | -/- | 1.2/3.1 |
| Serbia | 1100 | Repo Rate (%) | 3.0 | - | 3.0 |
| Croatia | 1000 | Jan Industrial Production (SA, YoY%) | - | - | -6.6 |
| South Africa | 0600 | Feb Gross Reserves (US\$bn) | - | - | 50.8 |
| | 0600 | Feb Net Open Foreign Currency Position (US\$bn) | - | - | 43.6 |
| Israel | - | Feb Foreign Currency Balance (US\$bn) | - | - | 118.2 |
| Mexico | 1400 | Feb CPI (MoM/YoY%) | 0.3/4.3 | -/- | 0.1/4.4 |
| Friday 8 March | | | | | |
| Czech Rep | 0800 | Feb Unemployment Rate (%) | 3.2 | - | 3.3 |
| | 0800 | 4Q18 Average Real Monthly Wage (YoY%) | 5.0 | - | 6.0 |
| Hungary | 0800 | Feb CPI (MoM/YoY%) | 0.4/2.9 | -/- | 0.3/2.7 |
| | 1000 | Feb Budget Balance (YTD) | 200.0 | - | 244.5 |
| Bulgaria | 0900 | Jan Industrial Production (MoM/YoY%) | -/- | -/- | -2.3/3.8 |
| | 0900 | Jan Retail Sales (MoM%) | - | - | -0.3 |
| Croatia | 1000 | Dec Trade Balance (HRK m) | - | - | -5544.2 |

Source: ING

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