

Our view on next week's key events

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By James Knightley, Bert Colijn and James Smith



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By Valentin Tataru

Article | 4 January 2019

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✓ US: A calming voice from the Fed?

Financial markets had a tumultuous end to 2018 as worries about trade wars and weaker global demand led to sharp markdowns in equity prices and Treasury yields. The government shutdown is adding to a sense of unease, and barring any sudden breakthrough on Capitol Hill; this will result in a delay to the release of trade and durable goods orders numbers scheduled for next week.

However, the key events next week will be comments from Federal Reserve officials. At the December FOMC meeting, they scaled back their expectations for monetary policy, suggesting two 25 basis point moves was the most likely scenario for 2019, down from the three hikes they had pencilled in back in September. Amidst all the current doom and gloom, financial markets are not even fully pricing in one move this year.

While there certainly are more headwinds for the US – lagged effects of higher borrowing costs, a strong dollar, fading fiscal stimulus and weaker external demand at a time of rising trade protectionism – there are also positives, with the strong jobs market delivering higher pay and the recent plunge in gasoline prices boosting household cashflows.

As such, we expect the bulk of Fed speakers to remain cautiously optimistic while soothing the

concerns about an overly aggressive response from the central bank to any perceived inflation threat. In this regard, we expect December headline inflation to be pulled lower by energy price moves while core inflation remains at 2.2%.

Eurozone: Hard data, will it tell the tale of slow growth?

The eurozone starts the year with some quite relevant data releases. With some pitch black surveys about the eurozone economy throughout the fourth quarter, the question is whether hard data confirms the slow growth environment.

Retail sales data for November will be an important gauge of consumer spending, and unemployment will shed light on whether the labour market continues to improve. Also look out for December's Economic Sentiment Indicator, which will probably be impacted by the Yellow Vest protest movement in France.

May's Brexit battle recommences as lawmakers resume deal debate

Having been dramatically postponed in December, the Parliamentary debate on the Brexit deal resumes next Wednesday ahead of the critical vote on 14 January. When that happens, it still looks likely that Theresa May's deal will be rejected, potentially by a heavy margin.

If so, we're likely to hear renewed talk about a possible no-confidence vote in the government, although so far the opposition Labour Party has appeared reluctant to go down this route. That option aside, it's likely that MPs will get a say on what Brexit route to pursue next, and the possibilities that seem most likely to garner majority support are either a second referendum or a push for a Norway-style deal. In either case, the chances a Brexit delay in one form or another would increase, given time is short.

Bank of Canada to hold, for now

The recent oil price slump, weaker-than-expected business investment in 3Q18, a stabilising housing market and US-China trade tensions all mount to pushing the central bank of Canada to become more cautionary.

We still see a hike in the first quarter of 2019, but don't expect this to arrive next Wednesday. Instead, it's more likely to come when the central bank next meets in March when policymakers have had the chance to let the risk environment develop and assess the impact on economic capacity. Governor Stephen Poloz recently said this was a significant factor in determining the appropriate pace of rate hikes.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 January					
US	1500	Nov F Durable Goods Orders (MoM%)	-	-	0.8
	1500	Nov F Durable Goods Orders Ex. Trans. (MoM%)	-	-	-0.3
	1500	Dec ISM Non-manufacturing	-	59.0	60.7
	1740	Fed's Bostic Speaks to Rotary Club of Atlanta			
Eurozone	1000	Nov Retail Sales (MoM/YoY%)	0.2/0.1	-/-	0.3/1.7
Germany	0700	Nov New Orders (YoY%)	-	-	-2.7
Tuesday 8 January					
US	1100	Dec NFIB Small Business Optimism	102.5	-	104.8
	1330	Nov Trade Balance (US\$bn)	-53.0	-52.5	-55.5
Japan	0500	Dec Consumer Confidence Index	-	-	42.9
Eurozone	1000	Dec F Consumer Confidence	-6.8	-	-6.2
	1000	Dec Economic Confidence	108.9	-	109.5
Germany	0700	Nov Industrial Production (MoM%)	-	-	-0.5
Australia	0030	Nov Trade Balance (A\$mn)	-	2175.0	2316.0
Norway	0700	Nov Industrial Production (MoM/YoY%)	-/-	-/-	2.3/4.5
Wednesday 9 January					
US	1320	Fed's Bostic Speaks on Economic Outlook			
	1400	Fed's Evans Speaks on Economy and Monetary Policy			
	1630	Fed's Rosengren Speaks on the Economic Outlook			
	1900	FOMC Minutes December Meeting			
Japan	0000	Nov Labor Cash Earnings (YoY%)	-	1.1	1.5
Eurozone	1000	Nov Unemployment Rate (%)	8.1	-	8.1
UK	-	Parliamentary Debate on Brexit Deal Resumes			
Germany	0700	Nov Trade Balance (€bn)	-	-	18.9
Canada	1500	Bank of Canada Policy Rate	1.75	2.0	1.75
Norway	0700	Nov GDP Mainland (MoM%)	-	-	1.0
Thursday 10 January					
US	1335	Fed's Barkin Speaks on Ensuring Long-Term Growth			
	1700	Fed's Powell to Speak to The Economic Club of Washington			
	1730	Fed's Bullard Speaks on Economy and Monetary Policy			
	1800	Fed's Evans Speaks at Economic Forecast Event			
	2230	Fed's Clarida Speaks in New York			
Japan	0500	Nov P Leading Economic Index	-	-	99.6
	2350	Nov P C/A Balance, Adjusted (Yen bn)	-	1158.8	1211.3
Eurozone	1230	ECB Publishes Account of December Meeting			
Norway	0700	Dec CPI (MoM/YoY%)	-0.1/2	-/-	0.5/3.5
	0700	Dec CPI - ATE (MoM/YoY%)	-0.4/3.1	-/-	0.3/2.2
Friday 11 January					
US	1330	Dec CPI (MoM%)	-0.1/1.9	-0.1/1.9	0.0/2.2
	1330	Dec CPI Ex. Food and Energy (MoM/YoY%)	0.2/2.2	0.2/2.1	0.2/2.2
UK	0930	Nov Trade Balance (£m)	-	-	-3300.0
	0930	Nov Industrial Production (MoM/YoY%)	0.4/-0.5	-/-	-0.0/0.0
	930	Nov GDP (MoM%)	0.1	0.1	0.1
Australia	0030	Nov Retail Sales (MoM%)	-	0.4	0.3

Source: ING, Bloomberg

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Asia week ahead: Redefining US-China trade relations

A positive turn in the US-China trade dispute following a phone call between Presidents Trump and Xi last weekend will get a reality check at the trade...



Source: Shutterstock

➔ Another round of US-China trade talks

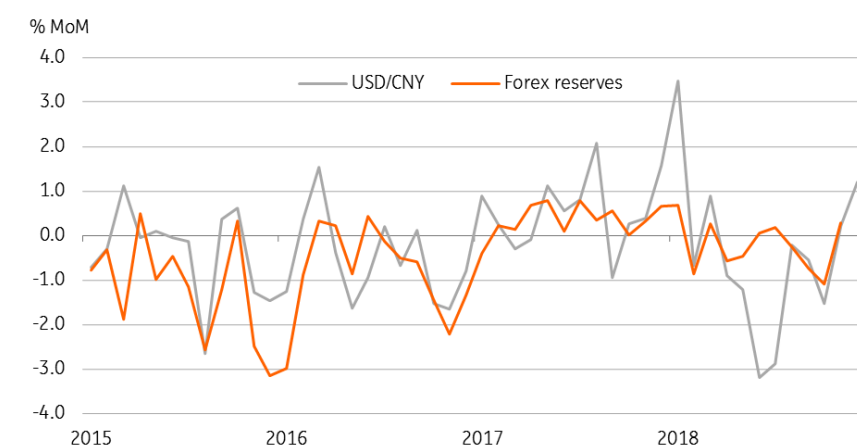
After the dismal manufacturing numbers from China and Apple's downgrade of their earnings forecasts, the forthcoming US-China trade talks on 7th January offer some hope for the two sides to come to terms with the adverse consequences of their ongoing trade dispute.

President Trump hailed the 'positive progress' on trade after his latest phone call with President Xi. Having suffered heavily from intensified uncertainty since the Trump-Xi and G-20 summit, markets will cheer if there is a further push towards a trade deal by the end of March. However, any

backtracking on the imposed tariffs isn't really something one can hope for, which means the negative medium-term impact on both economies and thereby on the rest of the world will be inevitable.

China's economic data will continue to be gleaned for the trade war impact. We think the monetary data (aggregate financing and new bank lending) will be closely watched for evidence of stimulus. Meanwhile, the yuan's 1.2% appreciation in December, the most in the last twelve months, augurs well for sustained improvement in China's foreign exchange reserves after the decline in reserves in November.

China's FX reserves and USD/CNY exchange rate changes



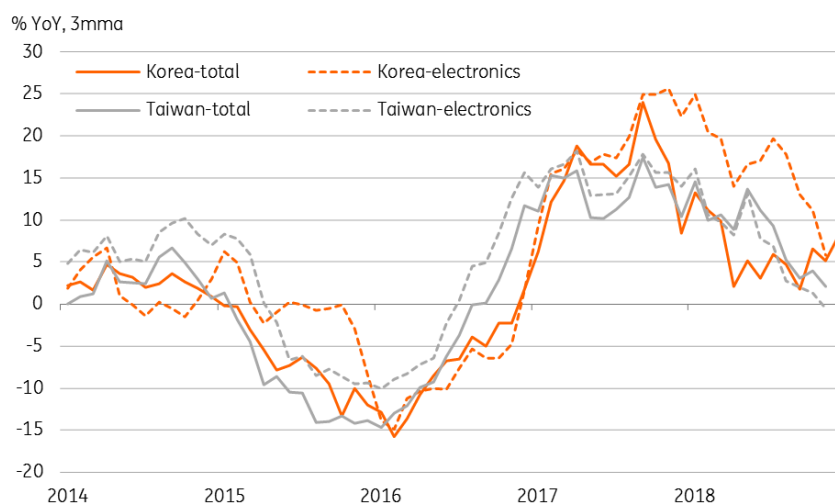
Source: Bloomberg, ING

➔ Otherwise, a light economic calendar

Aside from Taiwan's December trade figures, there isn't a whole lot to be excited about in Asia. Like Korea, Taiwan's exports are the front-line victims of the potential slump in global demand and the slowdown is already underway in the heavy-weight electronics segment. Judging from Korean exports in December, we believe the annual contraction in Taiwan's exports deepened in December (ING forecast -12.0% YoY vs -3.4% in November).

Finally, Malaysia's trade and industrial production data will be key for the central bank meeting later this month (24th January) as these indicators will tell us about GDP growth in the last quarter of 2018. An all-time low manufacturing PMI in December wasn't really great news here, and this tips the balance of risks for the central bank policy towards easing - though we don't think the central bank will rush in that direction just yet.

Korea and Taiwan export growth



Source: CEIC, ING

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 7 January					
China	-	Dec Forex Reserves (US\$bn)	3070.0	-	3061.7
India	1200	2019 GDP Annual (YoY%)	-	-	6.7
Hong Kong	-	Dec Forex Reserves (US\$bn)	-	-	423.2
Philippines	0900	Dec Forex Reserves (US\$bn)	76.4	-	74.7
Taiwan	0800	Dec Exports (YoY%)	-12.0	-	-3.4
	0800	Dec Imports (YoY%)	-7.4	-	1.1
	0800	Dec Trade Balance (US\$bn)	4.2	-	4.7
Tuesday 8 January					
Taiwan	0800	Dec CPI (YoY%)	0.0	-	0.3
	0800	Dec WPI (YoY%)	2.5	-	3.3
Wednesday 9 January					
South Korea	0000	Dec Unemployment Rate (% SA)	3.9	-	3.8
Thursday 10 January					
China	0130	Dec PPI (YoY%)	2.3	-	2.7
	0200	Dec CPI (YoY%)	2.1	-	2.2
Friday 11 January					
China	-	Dec Aggregate Finance (CNY bn)	1819.0	-	1519.1
	-	Dec Financial Institution Loans (CNY bn)	1450.0	-	1250.0
	-	Dec Money Supply (M2) (YoY%)	8.1	-	8.0
Malaysia	0400	Nov Industrial Production (YoY%)	2.1	-	4.2
Singapore	0500	Nov Retail Sales Value (MoM/YoY%)	0.2/0.6	-/-	-0.4/0.1
Philippines	0100	Nov Exports (YoY%)	5.3	-	3.3
	0100	Nov Imports (YoY%)	13.7	-	21.4
	0100	Nov Trade Balance (US\$m)	-3974.0	-	-4210.0

Source: ING, Bloomberg, *GMT

Article | 4 January 2019

Key events in EMEA and Latam next week

Central banks in Romania and Serbia are likely to leave policy rates unchanged next week



Source: Shutterstock

✓ National Bank of Romania front-run by the government

The National Bank of Romania (NBR) has been at odds with the government over its fiscal policy and its plan to tax bank assets. Recent moves by the ruling Social Democrats have complicated efforts to manage monetary policy and to some extent, have thrown into question the central bank's independence. A ROBOR-linked bank tax, announced last month, will tighten credit conditions, which means further NBR hikes could have an amplified impact. This opens the way for the NBR to cut the reserve requirement ratio (RRR) to ease its stance, leaving the vulnerable Romanian leu at the mercy of global sentiment. Needless to say, we see no change 8 January.

✓ National Bank of Serbia on hold due to external uncertainties

CPI inflation well within the target band, contained inflation expectations and recent currency appreciation could build the case for the National Bank of Serbia (NBS) to restart its rate cutting cycle. While there are some inflationary risks on the horizon from strong domestic growth momentum, a volatile external environment is the main reason for the NBS to stay on hold, in our view.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 January					
Poland	1300	Dec Official Reserves Total	-	-	113835.0
Hungary	0800	Nov Retail Sales (YoY%)	-	-	5.5
Romania	0700	Nov Retail Sales (MoM/YoY%)	-/-	-/-	1.3/5.1
South Africa	-	Dec Kagiso PMI	-	-	49.5
Israel	-	Dec Foreign Currency Balance (US\$bn)	-	-	115.1
Tuesday 8 January					
Czech Rep	0800	Nov Construction Output (YoY%)	-	-	10.4
	0800	Nov Industrial Output (YoY%)	-	-	6.7
	0900	Dec International Reserves (US\$bn)	-	-	141.4
Hungary	0800	Nov Industrial Production (MoM/YoY%)	-/-	-/-	2.0/3.3
Romania	-	Repo Rate (%)	2.5	2.5	2.5
Serbia	1100	Dec HPPI (MoM/YoY%)	-/-	-/-	-0.5/1.6
Croatia	1000	Nov F Retail Sales (YoY%)	-	-	4.5
South Africa	0600	Dec Gross Reserves (US\$bn)	-	-	50.7
	0600	Dec Net Open Foreign Currency Position (US\$bn)	-	-	42.6
Brazil	1100	Nov Industrial Production (YoY%)	1.5	-	1.1
Wednesday 9 January					
Poland	-	Base Rate (%)	-	-	1.5
	-	Monetary Policy Council Rate Meeting			
Czech Rep	0800	Nov Trade Balance (CZKmn)	-	-	5.7
	0800	Dec Unemployment Rate (%)	-	-	2.8
Hungary	0800	Nov P Trade Balance (€mn)	-	-	304.0
	1300	Central Bank's Minutes			
Romania	0700	Nov Unemployment Rate 15 - 74 Yrs, SA	-	-	4.0
	0700	Nov Trade Balance (€m)	-	-	-1889.6
Croatia	1000	Oct Trade Balance (HRK m)	-	-	-5146.0
	1000	Dec PPI (MoM/YoY%)	-/-	-/-	0.8/1.2
Mexico	1400	Dec CPI (MoM/YoY%)	0.9/5.0	-/-	0.9/4.7
Thursday 10 January					
Russia	-	Dec F CPI (MoM/YoY%)	-/-	-/3.7	0.8/3.8
Czech Rep	0800	Dec CPI (MoM/YoY%)	-/-	-/-	-0.1/2.0
Kazakhstan	-	Dec Industrial Production (YoY%)	-	-	2.3
Bulgaria	0900	Nov Industrial Production (MoM/YoY%)	-/-	-/-	0.8/1.6
	0900	Nov Retail Sales (MoM/YoY%)	-/-	-/-	0.5/4.9
Serbia	1100	Repo Rate (%)	3.0	-	3.0
South Africa	0930	Dec SACCI Business Confidence	-	-	96.1
	1100	Nov Manufacturing Production (MoM%)	-	-	3.0
	1100	Nov Manufacturing Production (SA, MoM%)	-	-	1.1
Friday 11 January					
Turkey	0700	Nov C/A (US\$mn)	-	-	2.8
Czech Rep	0800	Nov Retail Sales (YoY%)	-	-	3.1
	0800	Nov Retail Sales Ex. Motor Vehicles (YoY%)	-	-	6.4
	0800	3Q F GDP (QoQ/YoY%)	-/-	-/-	0.6/2.4
Ukraine	-	Dec CPI (MoM/YoY%)	-/-	-/-	1.4/10.0
Romania	0700	Nov Avg Net Wages (YoY%)	-	-	13.7
	0700	3Q F GDP (QoQ, SA/YoY%)	1.9/4.3	-	1.9/4.3
Serbia	1100	Dec CPI (MoM/YoY%)	-/-	-/-	-0.3/1.9
Brazil	1100	Dec Inflation (IPCA) (MoM/YoY%)	0.2/3.8	-	-0.2/4.1
Mexico	1400	Nov Industrial Production (YoY%)	1.3	-	1.0

Source: ING, Bloomberg

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