

Our view on next week's key events

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By Valentin Tataru and Peter Virovacz

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Source: Shutterstock

US: Even more reasons to suspect the Fed won't cut interest rates this year

Following the Federal Reserve's decision to leave monetary policy unchanged and maintain the 'patient' mantra, we will be mainly waiting for any news on the potential US-China trade deal, given the scheduled Fed speakers will almost certainly stick to the party line. There are suggestions concessions are being made by both sides and markets are becoming increasingly optimistic on the potential for a trade deal that would lift a lot of uncertainty hanging over the global economy. It may also give businesses the clarity required to invest in the US economy knowing that supply chains are secured.

Datavise, the March trade balance numbers are likely to deteriorate, but from good levels. The will he/won't he uncertainty over another round of President Trump tariffs on Chinese imports has led to significant volatility in trade numbers over the past six months. Given the tariffs weren't enacted in January, we expect things to settle down. We will also have consumer price inflation data; headline CPI will be boosted by the surge in gasoline prices, but look out for a rise in core inflation too, given rising transportation fares and stronger housing component readings. Rising wages will continue to nudge core inflation higher and argue against the current market pricing of Federal

Reserve interest rate cuts late this year.

✓ UK: GDP - it's all about stockpiling

First-quarter UK growth will be lifted pretty substantially by preparations firms made for a possible 'no deal' Brexit. There's little doubt that companies ramped up stockbuilding activity – the levels of the PMI inventory component seen in the first-quarter were unprecedented, not just for the UK, but for all of G7. But while we know many firms were building up inventory, it's harder to know by how much. Don't forget that warehousing space in the UK was already fairly limited, making it trickier for some firms to ramp up stock dramatically. Like the Bank of England, we expect a 0.5% quarterly growth figure, helped along by some better retail spending figures, although the warehousing issue suggests the risks (if anything) lie to the downside.

✓ Eurozone: PMI's in focus

This week's eurozone growth figures were quite a positive surprise, but next week brings little news to go on for the second-quarter yet. Retail sales for March will come out and may shed some light on how much of a role consumption has played in strong growth performance. The final PMIs for April will also be closely watched after a poor first estimate.

✓ Norway: Rising inflation set to keep Norges Bank a hawkish outlier

In contrast to its Scandinavian neighbours, the Norwegian central bank has seen ample – and perhaps even excessive – inflation pressure this year. Core inflation in Norway has jumped above 2.5% and could well stay around that level this year as momentum in the domestic economy remains solid and wage growth is likely to increase further.

In addition to higher inflation, oil prices have risen further, boosting the energy-dependent Norwegian economy. The Norwegian krone has also remained weaker than the NB's forecast. If this combination continues, that strengthens the case for higher rates in Norway. We think the NB will hike at least once more this year and again early next year (at the September and March meetings).

✓ Canada: Will the labour market fall to the feet of weaker growth?

The Canadian economy is slowly coming off its peak and transitioning into a more muted growth spell, and – despite showing some resilience up until now – it could be dragging the labour market along with it. Overall employment in both the goods and services producing sectors looks relatively decent, but when you boil it down to annual performances in specific sub-sectors, it's not a positive picture.

Softer employment growth could be attributed to labour shortages. However, the BoC didn't take a more dovish turn for nothing. Global trade uncertainties, concerns surrounding household activity and a struggling energy sector all pose downside risks to growth in the near-term and are simultaneously dampening business sentiment. The business survey implied that the optimism, coming from firms, about the year ahead had diminished. It wouldn't be a surprise if employment growth took a milder tone over the coming months, but not necessarily now due to supply-side

issues, but because solid demand prospects have lessened.

On the back of this, we suspect that the unemployment rate will nudge up slightly, from its recent 5.8% plateau, by year-end.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 4 May					
US	0045	Fed's Bullard, Daly, Kaplan and Mester Speak at Hoover Event			
Monday 6 May					
US	1430	Fed's Harker Speaks on the Economic Outlook			
Eurozone	0900	Apr F Markit Services PMI	52.5	-	52.5
	0900	Apr F Markit Composite PMI	51.3	-	51.3
	1000	Mar Retail Sales (MoM/YoY%)	0.6/2.2	-/-	0.4/2.8
Canada	1845	BOC's Governor Poloz Speaks			
New Zealand	0300	Treasury Publishes Monthly Economic Indicators			
Sweden	0730	Apr Swedbank/Silf Services PMI	-	-	55.3
Tuesday 7 May					
US	1200	Fed's Kaplan Speaks in Beijing on Moderated Panel			
Eurozone	1000	EU Commission Economic Forecasts			
Germany	0700	Mar New Orders (MoM/YoY%)	3.2/-3.6	-/-	-4.2/-8.4
UK	0900	BOE's Cunliffe Speaks in London			
	1730	BOE's Haldane Speaks in Sheffield			
Italy	1000	Istat Releases Monthly Economic Note			
Australia	0230	Mar Trade Balance (A\$m)	4651.0	-	4801.0
	0230	Mar Retail Sales (MoM%)	0.2	-	0.8
	0530	RBA Cash Rate Target	1.25	-	1.5
Sweden	-	Riksbank Minutes of April Policy Meeting (0830) & Ingves Speaks			
Wednesday 8 May					
Japan	0050	Apr Monetary Base (YoY%)	3.0	-	3.8
	0050	BOJ Minutes of March Policy Meeting			
Germany	0700	Mar Industrial Production (MoM/YoY%)	-0.3/-2.2	-/-	0.7/-0.4
UK	0915	BOE's Ramsden Speaks in London			
Italy	-	Bank of Italy Report on Balance-Sheet Aggregates			
New Zealand	0300	RBNZ OCR Decision (mps)	1.5	-	1.75
Norway	0700	Mar Industrial Production (MoM/YoY%)	-/-	-/-	-1.8/-5.7
Sweden	1340	Riksbank's Jochnick Speaks			
Thursday 9 May					
US	1330	Mar Trade Balance (US\$bn)	-51.0	-52.0	-49.4
	1445	Fed's Bostic Discusses Economic Outlook			
Japan	0600	Apr Consumer Confidence Index	40.3	40.4	40.5
Norway	0900	Deposit Rates	1.0	-	1.0
Sweden	0500	Maklarstatistik Swedish Housing Price Data			
	0700	Riksbank's Jochnick Participates in Panel			
Friday 10 May					
US	1330	Apr CPI (MoM/YoY%)	0.4/2.1	0.4/2.1	0.4/1.9
	1330	Apr CPI ex. Food & Energy (MoM/YoY%)	0.2/2.2	0.2/2.1	0.1/2.0
Japan	0030	Mar Labour Cash Earnings (YoY%)	0.9	-0.6	-0.7
	0050	BOJ Summary of Opinions			
Germany	0700	Mar Trade Balance (€bn)	17.0	-	18.0
UK	0930	1Q P GDP (QoQ/YoY%)	0.5/1.8	-/-	0.2/1.4
	0930	Mar Trade Balance (£m)	-	-	-4860.0
	0930	Mar Industrial Production (MoM/YoY%)	-/-	-/-	0.6/0.1
Canada	1330	Apr Net Change in Employment	-	-	-7.2
	1330	Apr Unemployment Rate (%)	5.8	-	5.8
Australia	0230	RBA Statement on Monetary Policy			
Norway	0700	Apr CPI (MoM/YoY%)	0.4/2.9	-/-	0.2/2.9
	0700	Apr CPI - ATE (MoM/YoY%)	0.4/2.6	-/-	0.3/2.7
	0750	Norway Central Bank Deputy Governor Nicolaisen Speaks in Stord			
Sweden	1010	Riksbank's Jochnick Speaks			

Source: ING, Bloomberg

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Asia week ahead: Floodgates of central bank easing to open

The central banks of Australia, New Zealand, Malaysia, the Philippines, and Thailand are set to meet next week and most of them are expected to cut rates....



Source: Shutterstock

Five central banks meet - and most may ease

The central banks of Australia, New Zealand, Malaysia, the Philippines, and Thailand are set to meet next week and we think the economic fundamentals of these countries argue for easing. Better now than later for some economies, here is why we think they should cut rates:

- **The Reserve Bank of Australia's** minutes from the policy meeting in April confirmed a shift in the policy stance from neutral to easing. Released subsequently, a sharp slowdown in consumer price inflation to 1.3% in 1Q19 [tipped us to forecast a rate cut in the current](#)

- [quarter](#). A cut just days ahead of the Federal elections scheduled on 18 May would still be a controversial decision for RBA policymakers, but any more signals of easing will be enough to strengthen the consensus for a cut at the June meeting.
- **The Reserve Bank of New Zealand** shares the same economic backdrop as its Australian counterpart and is expected to follow the same policy path. Inflation continues to grind lower with weak jobs growth possibly keeping it firmly on that path going forward, while the headwinds to growth remain strong.
 - **The Bank Negara Malaysia** has [plenty of room to ease](#) at the next meeting. Inflation turned positive in March after two months of being negative, but it's still negligible (0.2%), and this strengthens the case for a central bank cut to shore up future growth.
 - **The Bangko Sentral ng Pilipinas** can justify a policy easing on the grounds of [rapidly falling inflation](#). Philippine's central bank easing options include either a rate cut, the banks' reserve requirement rate (RRR) cut, or both. The April CPI numbers come a few days before the central bank meets on 9 May and will be a crucial input for policymakers, followed by 1Q19 GDP on the same data as the policy meeting. Our estimate has GDP growth slipping to a four-year low of 5.9% from 6.3% in 4Q18.
 - **The Bank of Thailand's** meeting will be a non-event again. The central bank's sustained hawkish tone prevents us from expecting a rate cut this year, even as the argument for easing is just as strong as it is for its Asian peers with [growth starting to taper off](#) and inflation being no hurdle.

US and China closing on a trade deal

According to [media reports](#), one last round of negotiations between the US and China could pave the way for a deal (or no deal) as early as next week. Going by the increasingly positive rhetoric from US negotiators, and President Trump himself, a deal is more likely than not, even as the US maintains the threat of pulling out any time.

Anyway, a deal may lift a key overhang on global markets, but not necessarily on the global economy. Even if there is a deal, the complete roll-back of US tariffs on \$250bn of Chinese products will take a while or, it may not happen at all. Moreover, the US administration's trade war is no longer limited to China only as tensions with the other significant trading partners including the EU and Japan simmer in the background. Hence disruption to the real economy from the protectionist sentiment is likely to be an ongoing concern.

What's good for China is good for Asia

Good news for Asia is that the region's engine of growth – the Chinese economy – continues to steam up. Despite the trade dispute, China's exports growth has been positive, while most other economies in the region have been posting export declines this year.

China's April economic data flow starting next week will be closely watched for what it says about GDP growth in the current quarter. Released earlier this week, China's purchasing manager indexes (PMIs) for April remained in the expansion zone (above 50 reading), albeit with some moderation. However, falling export orders component of the manufacturing PMI suggests to us that the authorities should [maintain a stimulatory macroeconomic policy](#) setting for now.

Trade, inflation, and GDP releases from the rest of the region crowd the calendar. Indonesia's GDP growth in 1Q19 may have received some boost from election spending and

just like Korea, the electronics-led slowdown has a firm grip on exports in Taiwan and the Philippines.

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 6 May					
India	0600	Apr Nikkei Services PMI	-	-	52.0
Hong Kong	0130	Apr Nikkei PMI	-	-	48.0
Indonesia	-	1Q GDP (YoY%)	5.3	5.2	5.2
Tuesday 7 May					
China	-	Apr Forex Reserves (US\$bn)	3104.5	-	3098.8
Hong Kong	-	Apr Forex Reserves (US\$bn)	-	-	437.9
Korea	2300	Mar Current A/c Balance (US\$bn)	5.8	-	3.6
Malaysia	0800	Overnight Policy Rate	3.00	-	3.25
	0800	Apr Forex Reserves (US\$bn)	-	-	103.5
Philippines	0200	Apr CPI (YoY%)	2.9	-	3.3
	-	Apr Forex Reserves (US\$bn)	-	-	83613.2
Taiwan	0900	Apr CPI (YoY%)	0.6	-	0.6
	0900	Apr WPI (YoY%)	1.7	-	1.2
	0900	Apr Exports (YoY%)	-7.5	-	-4.4
	0900	Apr Imports (YoY%)	6.6	-	6.6
	0900	Apr Trade Balance (US\$bn)	3.1	-	6.6
Wednesday 8 May					
China	-	Apr Trade Balance (US\$bn)	32.7	-	32.7
	-	Apr Exports (YoY%)	14.9	-	14.2
	-	Apr Imports (YoY%)	13.5	-	-7.6
Philippines	0200	Mar Exports (YoY%)	1.1	-	-0.9
	0200	Mar Imports (YoY%)	5.3	-	2.6
	0200	Mar Trade Balance (US\$mn)	-2613.0	-	-2790.0
Thailand	0805	Benchmark Interest Rate	1.75	1.75	1.75
Thursday 9 May					
China	0230	Apr CPI (YoY%)	2.8	-	2.3
	0230	Apr PPI (YoY%)	0.6	-	0.4
Philippines	0300	1Q GDP (YoY%)	5.9	-	6.3
	0900	Overnight Borrowing Rate	4.5	4.5	4.75
Friday 10 May					
China	-	Apr Aggregate Finance (Yuan bn)	2104.5	-	2860.0
	-	Apr Financial Institution Loans (Yuan bn)	1900.0	-	1690.0
	-	Apr Money Supply (M2) (YoY%)	8.6	-	8.6
India	1300	Mar Industrial Production (YoY%)	1.8	-	0.1
Malaysia	0500	Mar Industrial Production (YoY%)	2.4	-	1.7
Singapore	0600	Mar Retail Sales Value (MoM, SA/YoY%)	-/-	-/-	-1.5/-10.0

Source: ING, Bloomberg, *GMT

Key events in EMEA and Latam next week

Data from Hungary next week is likely to underscore concern about accelerating inflation, raising further questions about the central bank's credibility



Source: Shutterstock

✓ Hungary: Strong headline inflation and dovish central bank could spur HUF weakening

In Hungary, retail sales are expected to maintain a strong pace of growth due to rising consumer confidence and higher wages, while industrial production is expected to improve due to last year's low base.

The highlight of the week, however, will be the April inflation data - we see this a market mover. Headline inflation is anticipated to jump to 4.1% year-on-year, whilst core CPI is projected to be 4% YoY. Along with the National Bank of Hungary's (still) dovish stance, this could be a good recipe for further weakening in the forint. The budget release on the same day will likely take a backseat, but we expect to see a better budgetary situation than a year ago.

✓ National Bank of Serbia: On hold at 3.0%, dovish bias expected

Despite accelerating inflation, we think the National Bank of Serbia (NBS) will keep the key rate on hold at 3.0% at the 9 May meeting. Headline inflation was 2.8% in March, the highest since

December 2017, though core inflation remained relatively muted at 1.3%. We believe that March inflation could mark the top for this year, though we don't necessarily expect significantly lower numbers for the months ahead. Given the relatively stable inflation, lower GDP growth- 1Q GDP of 2.3% was below market expectations- and the slower pace of normalisation expected from the Federal Reserve and European Central Bank, we believe the NBS could strike a dovish tone.

Czech Republic: Tight labour market, but how long for?

Car production accelerated by 12% month-on-month in March, but high base effects - coupled with a one-off shutdown at a nuclear power plant - suggest industrial production figures will be muted on an annual basis. We might even see a growth figure of below 1% YoY. Separately, retail sales might be affected by the double-digit fall in new car registrations. Excluding cars, retail sales should be relatively solid - though weaker than in February. The unemployment rate in April will further fall due to typical seasonal factors, though some industrial companies are signalling a minor fall in employment due to weaker foreign demand. For now though, the labour market remains tight.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 6 May					
Hungary	0800	Mar Retail Sales (YoY%)	8.1	-	8.4
Ukraine	-	National Bank of Ukraine Publishes Minutes of Rate Meeting			
Romania	0700	Mar Retail Sales (MoM/YoY%)	-/-	-/-	-0.2/9.5
Kazakhstan	-	1Q C/A (US\$m)	-	-	1529.8
Tuesday 7 May					
Russia	-	Apr CPI Core (YoY%)	-	4.6	4.6
	-	Apr CPI (MoM/YoY%)	-5.2	0.3/5.2	0.3/5.3
Poland	1300	Apr Official Reserves Total	-	-	112943.1
Czech Rep	0800	Mar Retail Sales (YoY%)	1.0	-	3.8
	0800	Mar Retail Sales ex. Motor Vehicles (YoY%)	3.5	-	5.1
	0900	Apr International Reserves (US\$bn)	-	-	142.9
Serbia	1100	Apr HPMI (MoM/YoY%)	-/-	-/-	0.5/1.3
Israel	-	Apr Foreign Currency Balance (US\$bn)	-	-	118.2
Wednesday 8 May					
Hungary	0800	Mar Industrial Production (MoM/YoY%)	0.4/6.8	-/-	1.0/5.9
Ukraine	-	Apr CPI (MoM/YoY%)	-/-	-/-	0.9/8.6
Croatia	1000	Apr PPI (MoM/YoY%)	-/-	-/-	0.9/2.2
Brazil	-	Selic Rate	-	6.5	6.5
Thursday 9 May					
Czech Rep	0800	Mar Construction Output (YoY%)	-	-	5.8
	0800	Mar Trade Balance (CZKmn)	19.0	-	17.6
	0800	Mar Industrial Output (YoY%)	0.8	-	1.5
Hungary	0800	Apr CPI (MoM/YoY%)	1.1/4.1	-/-	0.7/3.7
	1000	Apr Budget Balance (YTD)	-250.0	-	-141.9
Serbia	1100	Repo Rate (%)	3.0	-	3.0
Croatia	1000	Feb Trade Balance (HRK m)	-	-	-5451.0
South Africa	0700	Apr Gross Reserves (US\$bn)	-	-	49.7
	0700	Apr Net Open Foreign Currency Position (US\$bn)	-	-	43.3
	1200	Mar Manufacturing Production (MoM%)	-	-	0.6
	1200	Mar Manufacturing Production (SA, MoM%)	-	-	-1.8
Brazil	1300	Mar Retail Sales (YoY%)	-	-	3.9
Mexico	1400	Apr CPI (MoM/YoY%)	-/-	-/-	0.4/4.0
Friday 10 May					
Czech Rep	0800	Apr Unemployment Rate (%)	2.8	-	3.0
Romania	0700	Mar Trade Balance (€m)	-	-	-1152.0
Bulgaria	0900	Mar Industrial Production (MoM/YoY%)	-/-	-/-	1.5/6.6
	0900	Mar Retail Sales (MoM%)	-	-	-0.6
South Africa	-	Apr SACCI Business Confidence	-	-	91.8
Brazil	1300	Apr Inflation (IPCA) (MoM/YoY%)	-/-	0.6/5.0	0.8/4.6
Mexico	1400	Mar Industrial Production (YoY%)	-	-	-0.8

Source: ING, Bloomberg

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