

Our view on next week's key events

Discover what ING analysts are looking for next week in our global economic calendars

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Upcoming data could seemingly swing economies, such as Germany and Norway, either way, while the US continues to maintain its powerful performance

By James Knightley and Carsten Brzeski



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By Peter Virovacz

Article | 6 July 2018

Key events in developed markets next week

Upcoming data could seemingly swing economies, such as Germany and Norway, either way, while the US continues to maintain its powerful performance



Source: Shutterstock

Trade protectionism fears linger but the US are still powering away

The US economy continues to motor on, fuelled by tax cuts and low unemployment, with this positive story set to be confirmed by the upcoming data.

Unemployment could hit a new 50-year low while wages are likely to tick higher as worker shortages continue to bite. In fact, supply bottlenecks are an increasing problem for US companies and are adding to inflation pressures in the economy. In this regard, headline consumer price inflation may hit 2.9% - the highest rate of inflation for more than six years, with the annual rate of core inflation set to rise to 2.3% - well above the Federal Reserve's 2% target. As such the Fed will continue to hike rates in a "gradual" manner, which essentially implies one move per quarter.

Nonetheless, trade protectionism fears linger and could increasingly weigh on sentiment unless a deal can be struck soon. We doubt there will be clarity until after the US mid-term elections in November meaning that uncertainty could lead to a slowdown in hiring and investment in the second half of the year. The trade balance numbers will, therefore, be closely followed to see if the protectionist rhetoric/policies are having much of an effect. There are also several Federal Reserve

speakers scheduled who could help shape market expectations for the path of monetary policy.

Upcoming data is to be the teller of truth on the German economy

Watch out for the second leg of German hard data for May which will provide more evidence on whether second-quarter growth could come in better-than-expected or whether believers of a more general slowdown get more support.

Inflationary releases and Riksbank minutes could be market moving

The key data releases next week are inflation figures for Norway due on Tuesday and for Sweden on Thursday are the key data releases next week.

We expect headline inflation to move up significantly, to 2.4% in both countries, on the back of higher energy prices. In addition to rising oil prices, electricity prices have risen sharply in Norway and Sweden as low rainfall over the past couple of months means less supply from the hydropower sector. The minutes from the July Riksbank meeting, out on Thursday, are also potentially market-moving.

Given the 1.5% appreciation of the Swedish krona after a relatively hawkish message from the Swedish central bank this week, investors will be looking for confirmation of this perceived change of direction in the minutes. On the other hand, a more nuanced tone in the minutes could deliver another surprise (this time to the dovish side).

Developed Markets Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|--------------------------|------|--|-----------|---------|----------|
| Friday 6 July | | | | | |
| US | 1330 | May Trade Balance (US\$bn) | -46.5 | -43.6 | -46.199 |
| | 1330 | Jun Change in Nonfarm Payrolls ('000s) | 210 | 195 | 223 |
| | 1330 | Jun Unemployment Rate (%) | 3.8 | 3.8 | 3.8 |
| | 1330 | Jun Average Hourly Earnings (MoM/YoY%) | 0.3/2.8 | 0.3/2.8 | 0.3/2.7 |
| | 1330 | Jun Participation Rate | 62.7 | 62.7 | 62.7 |
| Japan | 0100 | May Labor cash earnings (YoY%) | 0.9 | 0.9 | 0.6 |
| | 0600 | May P Leading economic index | - | 106.6 | 106.2 |
| Eurozone | 0800 | ECB's Nouy, EU's Dombrovskis at Austrian C.Bank Conference | | | |
| Germany | 0700 | May Industrial Production (MoM%) | 0.8 | 0.3 | -1 |
| Italy | 0930 | Bank of Italy report on balance-sheet aggregates | | | |
| Canada | 1330 | Jun Net Change in Employment | - | 20 | -7.5 |
| | 1330 | Jun Unemployment Rate (%) | - | 5.8 | 5.8 |
| Portugal | 1500 | Former U.S. President Obama Speaks at Conf in Oporto | | | |
| UK | - | UK Government ministers meet to discuss future EU trading relationship | | | |
| Sunday 8 July | | | | | |
| Eurozone | 0930 | ECB Board Member Coeure Speaks in Aix-en-Provence, France | | | |
| Australia | 0350 | RBA's Bullock Gives Speech in Shanghai | | | |
| Monday 9 July | | | | | |
| Japan | 0050 | May C/A Balance, adjusted (Yen bn) | - | - | 1885.5 |
| | 0130 | Kuroda speaks at Branch Managers' Meeting | | | |
| Germany | 0700 | May Trade Balance (€bn) | 21.2 | - | 20.1 |
| Tuesday 10 July | | | | | |
| US | 1100 | Jun NFIB Small Business Optimism | 108 | - | 107.8 |
| Germany | 1000 | Jul ZEW Current Situation Index | 78.2 | - | 80.6 |
| UK | 0930 | May Trade Balance (£m) | -3500 | - | -5280 |
| | 0930 | May Industrial Production (MoM/YoY%) | 0.5/1.9 | -/- | -0.8/1.8 |
| | 0930 | U.K. Statistics Office Publishes First Monthly Estimate of GDP | | | |
| | 1025 | BOE Fintech Hub Head Cordelia Kafetz Speaks in London | | | |
| Norway | 0700 | Jun CPI (MoM/YoY%) | 0.5/2.4 | -/- | 0.1/2.3 |
| | 0700 | Jun Underlying CPI (MoM/YoY%) | 0.3/1.1 | -/- | 0.2/1.2 |
| Portugal | - | Bank of Portugal Releases Data on Banks | | | |
| Wednesday 11 July | | | | | |
| US | 2130 | Fed's Williams Speaks with Community Leaders in Brooklyn | | | |
| Japan | 0050 | Jun PPI (MoM/YoY%) | 0.0/2.6 | -/- | 0.6/2.7 |
| | 0050 | May Core machine orders (MoM/YoY%) | -3.5/13.8 | -/- | 10.1/9.6 |
| | 0530 | May Tertiary industry index (MoM%) | -0.3 | - | 1 |
| UK | 1635 | BOE Governor Mark Carney Speaks in Boston, Massachusetts | | | |
| Canada | 1500 | Bank of Canada Policy Rate | - | 1.5 | 1.25 |
| Australia | 0230 | May Home loans (MoM%) | - | - | -1.4 |
| Thursday 12 July | | | | | |
| US | 1330 | Jun CPI (MoM/YoY%) | 0.2/2.9 | 0.2/2.9 | 0.2/2.8 |
| | 1330 | Jun CPI ex. food and energy (MoM/YoY%) | 0.2/2.3 | 0.2/2.3 | 0.2/2.2 |
| | 1330 | Fed's Kashkari Speaks on Panel Discussing Immigration | | | |
| | 1715 | Fed's Harker Speaks at Rocky Mountain Economic Summit | | | |
| Eurozone | 1000 | May Industrial Production (WDA, YoY%) | - | - | 1.7 |
| Germany | 0700 | Jun F CPI (MoM/YoY%) | 0.1/2.1 | -/- | 0.1/2.1 |
| Australia | 0200 | Jul CPI expectations (YoY%) | - | - | 4.2 |
| Sweden | 0830 | Jun CPI (MoM/YoY%) | 0.3/2.1 | -/- | 0.2/1.9 |
| | 0830 | Jun CPIF (MoM/YoY%) | 0.3/2.4 | -/- | 0.3/2.1 |
| | 0830 | Jun Core CPIF (MoM/YoY%) | 0.2/1.4 | -/- | 0.2/1.5 |
| Friday 13 July | | | | | |
| US | 1500 | Jul P U. of Mich. Sentiment Index | 98 | - | 98.2 |
| | 1730 | Fed's Bostic Holds Town Hall Chat in Northern Virginia | | | |
| Japan | 0530 | May F industrial production - Prel (MoM/YoY%) | -0.2/4.2 | -/- | -0.2/4.2 |
| UK | 1200 | Bank of England Deputy Governor Jon Cunliffe Speaks in Kendall | | | |
| Spain | 0800 | Jun F HICP (MoM/YoY%) | -/- | -/- | 0.2/2.3 |

Source: ING, Bloomberg

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Asia week ahead: China in focus amid tariff threat

China's foreign exchange reserves data for June should give an idea about the extent of capital flight as the Chinese yuan turned from Asia's outperformer to an underperformer with 3% depreciation



Downside risk to consensus on China reserve data

It's no longer a question if the US will go ahead with tariffs on Chinese imports tomorrow (6 July) - instead, it's now more a question about the aftermath - the impact on the world's second-biggest economy and then on the rest of the world. As a result, China's economic data for June will be under close scrutiny.

The data dump starts with foreign exchange reserves data this weekend (7 July), followed by inflation, bank lending, and trade over the course of the coming week, and then culminates into second quarter GDP release the following week.

Of all, the foreign exchange reserves will be key given what's been happening to the Chinese yuan (CNY) following the US tariff announcement in mid-June - a shift from being Asia's outperformer until the announcement to underperformer with over 3% depreciation since. The

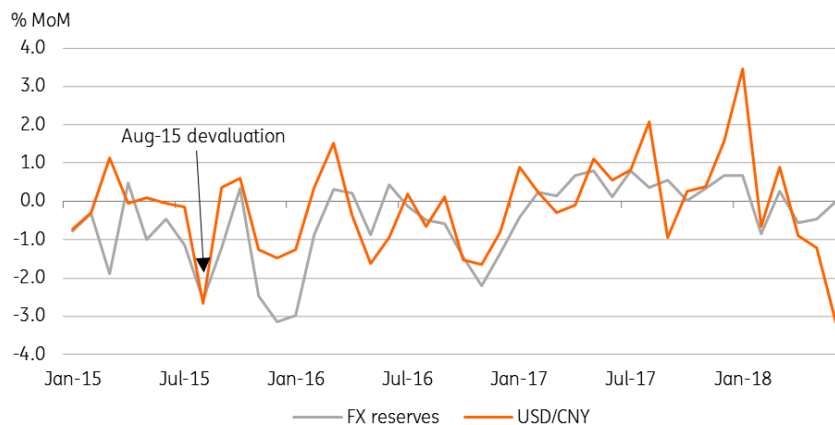
latest depreciation reminds us of the 2.7% devaluation in August 2015 and judging from a \$93bn fall in reserves in August 2015, the consensus of only \$8bn reserves fall may appear to be understating the capital flight from China.

\$3.103tr

Consensus on China fx reserves in end-June

Down by \$7.6bn from end-May

China: Foreign reserves and USD/CNY



Source: Bloomberg, ING

Other data releases include exports, which are expected to have held up well in June ahead of the tariff kick-off, possibly led by front-loading of shipments before the tariffs take effect. The consensus on exports is 10.6% year on year growth in comparison to 12.6% in May, and for new yuan lending, it is CNY 1.535tr (CNY 1.150tr in May).

A surprise easing from the People's Bank of China with a cut in banks' reserve requirement should have supported the bank lending, while inflation continues to grind higher.

Korea and Malaysia central bank to stay on hold

Elsewhere in Asia, central banks in Korea and Malaysia will hold their monetary policy meetings, and the consensus is looking for no change in the rate policy by either. Hence all the attention will be on their policy statements, which, in all likelihood, will express caution on growth as the trade heat rises.

We're constantly watching our growth forecasts for regional economies for a downgrade and apart from a few Asian central banks, especially in countries where wide trade and current account deficits have battered currencies in the sell-off this year including India, Indonesia, and the Philippines, we expect monetary policy to remain on hold in the region.

India inflation data to lead RBI for next hike in August

India's consumer price inflation for June will condition expectations of the next Reserve Bank policy meeting in early August. On our forecast, inflation accelerated to 5.4% YoY in June from 4.9% in May on higher food and transport components.

The RBI forecasts inflation in a 4.8-4.9% range in the first half of FY19 (Apr-Sep 2018). Latest hike in the minimum support prices for agriculture produce and rising oil prices will sustain high inflation in the period ahead. We have been forecasting a 25bp RBI policy rate hike in August, and have now added one more 25bp rate hike at the October meeting.

Asia Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|--------------------------|------|---|---------|--------|----------|
| Friday 6 July | | | | | |
| Hong Kong | - | Jun Forex Reserves (US\$bn) | 430 | - | 432.1 |
| Malaysia | 0800 | Jun 29 Forex reserves- Month end (US\$bn) | - | - | 107.9 |
| Philippines | - | Jun Forex reserves (US\$bn) | - | - | 79202.4 |
| Monday 9 July | | | | | |
| China | - | Jun Forex Reserves (US\$bn) | 3101 | 3105 | 3110.62 |
| Singapore | - | 2Q A GDP (QoQ /YoY%) | -/- | -/- | 1.7/4.4 |
| Taiwan | 0900 | Jun Exports (YoY%) | 13.9 | 8.1 | 14.2 |
| | 0900 | Jun Imports (YoY%) | 13.6 | - | 12 |
| Taiwan | 900 | Jun Trade balance (US\$bn) | 13.9 | 8.1 | 14.2 |
| Tuesday 10 July | | | | | |
| China | 0230 | Jun PPI (YoY%) | 4 | 4.6 | 4.1 |
| | 0230 | Jun CPI (YoY%) | 1.8 | 2.2 | 1.8 |
| | - | Jun Money supply (M2) (YoY%) | 8.3 | 8.4 | 8.3 |
| Philippines | 0200 | May Exports (YoY%) | -4 | - | -8.5 |
| | 0200 | May Imports (YoY%) | 11 | - | 22.2 |
| | 0200 | May Trade balance (US\$mn) | -3684 | - | -3615 |
| Wednesday 11 July | | | | | |
| Malaysia | 0800 | Overnight Policy Rate | 3.25 | - | 3.25 |
| South Korea | 0000 | Jun Unemployment rate (% SA) | 4 | - | 4 |
| Thursday 12 July | | | | | |
| India | 1300 | Jun CPI (YoY%) | 5.4 | - | 4.87 |
| | 1300 | May Industrial production (YoY%) | 5.8 | - | 4.9 |
| | - | Jun Trade deficit (US\$bn) | -15.9 | - | -14618 |
| | - | Jun Exports (YoY%) | 11 | - | 20.18 |
| | - | Jun Imports (YoY%) | 15 | - | 14.85 |
| Malaysia | 0500 | May Industrial production (YoY%) | 3.4 | - | 4.6 |
| Singapore | 0600 | May Retail sales value (MoM/YoY%) | 2.9/2.7 | -/- | -0.2/0.4 |
| South Korea | - | 7-Day Repo Rate | 1.5 | - | 1.5 |
| China | - | Jun Financial institution loans (Yuan bn) | 1617 | 1535 | 1150 |
| Friday 13 July | | | | | |
| China | - | Jun Trade Balance (US\$bn) | 23 | - | 24.922 |
| | - | Jun Exports (YoY%) | 14.4 | - | 12.6 |
| | - | Jun Imports (YoY%) | 22.4 | - | 26 |
| Singapore | - | 2Q GDP - advance (QoQ/YoY% saar) | 2.0/3.8 | -/- | 1.7/4.4 |

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

Inflation readings top the economic agenda in EMEA and Latin America in the week ahead. Here's a look at what else is in store



Source: Shutterstock

✓ Inflation expected to jump above the National Bank of Hungary's target

In Hungary, the highlight of the week is the June CPI reading on Tuesday. We see inflation jumping above the National Bank of Hungary's (NBH) target for the first time since January 2013. The main driver behind this acceleration is the increase in fuel prices. Besides this, we expect recreational services to become more expensive due to high demand. Our base case is a 3.1% YoY reading, but we warn of a possible upside risk to 3.3% YoY. When it comes to monetary policy, we don't see this as a game changer, as the NBH expects inflation to be between 3.2% and 3.4% in the summer based on their latest projections released at the end of June. Moreover, core inflation will remain unchanged and therefore remain well below target.

✓ Romanian inflation to stabilise

We look for a flat CPI reading on a monthly basis, which means that annual inflation will also remain unchanged at 5.4%. This is down to seasonality kicking in for fresh fruit and vegetables offsetting the rise in fuel prices and the inflationary pressure from the weaker leu. Benign monthly inflation during the summer months suggests the National Bank of Romania could delay hiking rates unless the global worries amplify the depreciating pressures on the Romanian currency.

✓ Serbian rates on hold at 3%

Despite the poor sentiment in emerging markets, the National Bank of Serbia (NBS) has continued to intervene in the FX market by buying EUR to curb dinar firming pressures, drawing a line in the sand at 118 in EUR/RSD. In fact, constant appreciation pressure on the Serbian currency, due to a combination of foreign direct investment and bond inflows, is the only argument for the NBS to cut rates. Otherwise, inflation bouncing back higher and global uncertainties are likely to keep the NBS on hold for some time, with the easing cycle being likely behind us.

✓ A contrasting outlook leaves the week ahead for Czech looking uncertain

Fuel prices accelerated by 3.6% MoM in June, pushing year on year dynamics from 4.8% YoY in May to over 10% in June. Food prices might also slightly accelerate in June as preliminary data suggests. Core inflation should broadly stagnate or increase just slightly in MoM terms, which is the normal pattern for June. These factors should together push headline inflation to 2.5% after 2.2% in May, but in the next few months, slightly weaker readings are expected. The share of unemployed people is likely to be below the 3% level. On the other hand, industrial production might disappoint due to a high base and potential May holidays. We expect industrial production to slightly decline in year on year terms.

✓ The National Bank of Poland's long-term vision could be dampened

The new National Bank of Poland's (NBP) inflation projection should provide another dovish message, supporting the Monetary Policy Committee's rhetoric. We expect a strong downward revision of the CPI forecast for 2018. We expect prices to grow at 1.4% YoY as opposed to 2.1% YoY in the March report. Similarly, the NBP is likely to lower long-term growth prospects. Overall the Bank's forward guidance, rates flat in 2018 and 2019, is safe in our opinion.

EMEA and Latam Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|--------------------------|------|---|----------|----------|----------|
| Friday 6 July | | | | | |
| Russia | - | Jun CPI (MoM/YoY%) | -/- | -/- | 0.4/2.4 |
| | - | Jun Core CPI (YoY%) | - | - | 2 |
| Poland | 1300 | Jun Official Reserves Total | - | - | 111762 |
| Hungary | 0800 | May Industrial Production (MoM/YoY%) | 0.8/2.1 | 1.7/2.05 | 0.2/2.9 |
| | 1000 | Jun Budget Balance (YTD) | -1575 | - | -1187.5 |
| Romania | 0700 | 1Q F GDP (SA, QoQ/YoY%) | - | -/4 | 0.04/4 |
| | - | Romania Sovereign Debt to be rated by Fitch | | | |
| Serbia | 1100 | Jun HPPI (MoM/YoY%) | -/- | -/- | 0.8/0.5 |
| Croatia | 1000 | Jun PPI (MoM/YoY%) | -/- | -/- | 0.9/2.9 |
| | 1000 | May F Retail Sales (YoY%) | - | - | 4.3 |
| | - | Croatia Sovereign Debt to be rated by Fitch | | | |
| South Africa | 0700 | Jun Gross Reserves (US\$bn) | - | - | 51.15 |
| | 0700 | Jun Net Open Foreign Currency Position (US\$bn) | - | - | 42.87 |
| Brazil | 1300 | Jun Inflation (IPCA) (MoM/YoY%) | 1.25/4.4 | 1.28/4.4 | 0.4/2.86 |
| Monday 9 July | | | | | |
| Czech Rep | 0800 | May Trade Balance (CZKmn) | 14.5 | - | 15.777 |
| | 0800 | May Construction Output (YoY%) | - | - | 7.7 |
| | 0800 | May Industrial Output (YoY%) | -0.5 | - | 5.5 |
| Ukraine | - | Jun CPI (MoM/YoY%) | -/- | -/- | 0/11.7 |
| Romania | 0700 | May Avg Net Wages (YoY%) | - | - | 14.67 |
| Kazakhstan | 1200 | Jul 9 Key Policy Rate (%) | - | - | 9 |
| Bulgaria | 0900 | May Industrial Production (MoM/YoY%) | -/- | -/- | -2/-0.8 |
| | 0900 | May Retail Sales (MoM/YoY%) | -/- | -/- | 0.9/5 |
| Croatia | 1000 | Apr Trade Balance (HRK m) | - | - | -7624.7 |
| Mexico | 1400 | Jun CPI (MoM/YoY%) | 0.2/4.46 | -/- | -0.2/4.5 |
| Tuesday 10 July | | | | | |
| Russia | 1400 | 2Q P C/A (US\$mn) | - | - | 30827 |
| Czech Rep | 0900 | Jun International Reserves (US\$bn) | - | - | 144.9 |
| Hungary | 0800 | Jun CPI (MoM/YoY%) | 0.3/3.1 | -/- | 0.6/2.8 |
| Romania | 0700 | May Trade Balance (€m) | - | - | -1011.2 |
| Kazakhstan | - | Jun International Reserves (US\$bn) | - | - | 30.7 |
| South Africa | 1030 | Jun SACCI Business Confidence | - | - | 94 |
| | - | 2Q Consumer Confidence | - | - | 26 |
| Wednesday 11 July | | | | | |
| Turkey | 0800 | May C/A (US\$mn) | -5.1 | - | -5.426 |
| Poland | - | Base Rate (%) | 1.5 | 1.5 | 1.5 |
| Czech Rep | 0800 | Jun CPI (MoM/YoY%) | 0.3/2.5 | -/- | 0.5/2.2 |
| | 0800 | Jun Unemployment Rate (%) | 2.9 | - | 3 |
| Romania | 0700 | May Industrial Sales (MoM/YoY%) | -/- | -/- | -9.2/15 |
| | 0700 | Jun CPI (MoM/YoY%) | 0.0/5.4 | -/- | 0.47/5.4 |
| Thursday 12 July | | | | | |
| Russia | 1400 | May Trade Balance (US\$bn) | - | 13.75 | 15.316 |
| Ukraine | 1200 | Jul 12 Key Rate (%) | - | - | 17 |
| Romania | 0700 | May Industrial Production (MoM/YoY%) | -/- | -/- | 2/5.7 |
| Serbia | 1100 | Jun CPI (MoM/YoY%) | -/- | -/- | 0.6/2.1 |
| | 1100 | Repo rate (%) | 3 | - | 3 |
| Israel | 1100 | Jun Trade Balance (US\$mn) | - | - | -2385.6 |
| Brazil | 1300 | May Retail Sales (YoY%) | -2.2 | - | 0.6 |
| Mexico | 1400 | May Industrial Production (YoY%) | 0.5 | - | 3.8 |
| Friday 13 July | | | | | |
| Turkey | - | Turkey Sovereign Debt to be rated by Fitch | | | |
| Poland | 0900 | Jun F CPI (MoM/YoY%) | 0.1/1.9 | 0.1/1.9 | 0.1/1.9 |

Source: ING, Bloomberg

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