

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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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

By Peter Virovacz

Article | 6 July 2018

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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

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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

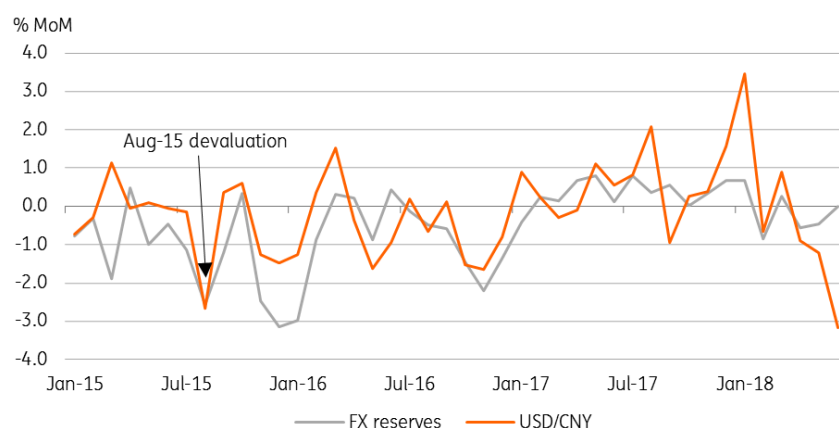
latest depreciation reminds us of the 2.7% devaluation in August 2015 and judging from a \$93bn fall in reserves in August 2015, the consensus of only \$8bn reserves fall may appear to be understating the capital flight from China.

\$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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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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