

Our view on next week's key events

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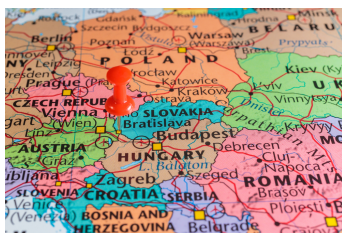
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By Muhammet Mercan and Peter Virovacz

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Source: Shutterstock

✓ US: spend, spend, spend

US consumer sentiment continues to be boosted by tax cuts, a strong jobs market and rising asset prices. This suggests that retail sales should continue to grow strongly with already released auto sales number offering support for a robust 0.6% month-on-month number. Gasoline price edged lower through the month so there is perhaps a little downside risk from gasoline station sales. This also means that consumer price inflation may be more muted than the consensus expects. We look for both headline and core inflation to rise 0.2%. This would see headline annual inflation slip to 2.7%, but given the risks from an ever tightening labour market, the Fed looks set to hike rates again in both September and December.

✓ Election fallout looms

The Swedish elections on 9 September are likely to return a hung parliament. Negotiations (and posturing) will begin this week, though we don't expect a new government to be settled for some time. A strong result for the far-right populists would make the task harder for the mainstream parties, and could weigh on the krona.

On the economic front, inflation figures in Norway (Monday) and Sweden (Friday) are the key data

to watch. We see continued high headline inflation, as energy prices remain elevated, but core inflation remains some way below 2%.

End in sight for the ECB's QE programme

The main item in the eurozone will be the European Central Bank meeting on Thursday. ECB President Mario Draghi will, in our view, announce the already anticipated next step in the tapering process, reducing monthly quantitative easing purchases from €30 billion to €15 billion, with the goal of ending QE by year-end.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 September					
US	1700	Fed's Bostic Discusses Economic Outlook			
Japan	0050	2Q F GDP (Annualised, QoQ%)	2.4	2.7	1.9
	0050	2Q F GDP Deflator - Advance (Q) (YoY%)	-	0.1	0.1
	0050	Jul C/A Balance - Adjusted (Yen bn)	-	-	1762.4
UK	0930	Jul Trade Balance (£m)	-	-	-1861
	0930	Jul Industrial Production (MoM/YoY%)	0.3/1.2	-/-	0.4/1.1
	0930	Jul GDP (MoM%)	0.2	-	0.1
Australia	-	RBA's Bullock Speech in Albury			
Norway	0700	Aug CPI (MoM/YoY%)	-/-	-/-	0.7/3
	700	Aug CPI-ATE (MoM/YoY%)	-/-	-/-	0.6/1.4
Sweden	0730	SEB Swedish Monthly Housing-Price Indicator			
Portugal	1100	Portugal Releases Industrial Sales, Employment Report			
	1100	Portugal Reports International Trade Figures for July			
Tuesday 11 September					
US	1100	Aug NFIB Small Business Optimism	108.1	108.2	107.9
Japan	0530	Jul Tertiary Industry Index (MoM%)	0.2	-	-0.5
Eurozone	1300	ECB's Nouy Speaks in Strasbourg, France			
Germany	1000	Sep ZEW Current Situation Index	73	-	72.6
UK	0930	Aug Claimant Count Rate (%)	-	-	2.5
	0930	Jul Weekly Earnings (3M avg)	2.4	-	2.4
	0930	Jul Weekly Earnings ex. Bonus (3M avg)	2.8	-	2.7
	0930	Jul ILO Unemployment Rate (3M avg.)	4	-	4
	0930	Jul Employment Change (3M/3M)	36	-	42
Sweden	0810	Riksbank First Deputy Governor Af Jochnick Gives Speech			
	0815	Riksbank's Ingves in London Roundtable			
Wednesday 12 September					
US	1900	U.S. Federal Reserve Releases Beige Book			
Japan	0050	3Q BSI - All Industry (QoQ%)	5.1	-	-2
	0050	3Q BSI - Large Manufacturing (QoQ%)	9.3	-	-3.2
Eurozone	1000	Jul Industrial Production (WDA, YoY%)	-	-	2.5
Spain	0800	Aug F HICP (MoM/YoY%)	-/-	-/-	0.1/2.2
Australia	0200	RBA's Thompson Speech in Sydney			
Sweden	0500	Aug PES registered unemployment rate (%)	-	-	3.8
	0700	Prospera Inflation expectations survey			
Thursday 13 September					
US	1330	Aug CPI (MoM/YoY%)	0.2/2.7	0.3/-	0.2/2.9
	1330	Aug CPI ex. Food and Energy (MoM/YoY%)	0.2/2.4	0.2/-	0.2/2.4
	1815	Fed's Bostic Gives Speech on Economy and Monetary Policy			
Japan	0050	Aug PPI (MoM/YoY%)	0.2//3.1	-/-	0.5/3.1
	0050	Jul Core machine orders (MoM/YoY%)	9.0/7.3	-/-	-8.8/0.3
Eurozone	1245	ECB Main Refinancing Rate	0	-	0
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.4	-	-0.4
	1330	ECB President Draghi Holds Press Conference in Frankfurt			
	1430	ECB Publishes Macroeconomic Projections			
Germany	0700	Aug F CPI (MoM/YoY%)	0.1/2	-/-	0.1/2
UK	1200	BoE Policy Rate	0.75	-	0.75
	1200	BoE's Agents Summary of Business Conditions			
Australia	0200	Sep CPI expectations (YoY%)	4	-	4
	0230	Aug Employment Change ('000)	35	-	-3.9
	0230	Aug Unemployment Rate (%)	5.3	-	5.3
	0010	RBA's Holloway Speech in Sydney			
Sweden	0830	2Q F GDP (QoQ%)	-	-	1
Friday 14 September					
US	1330	Aug Advance Retail Sales (MoM%)	0.6	0.6	0.5
	1330	Aug Retail Sales ex. Auto and Gas (MoM%)	0.4	-	0.6
	1415	Aug Industrial Production (MoM%)	0.3	0.3	0.11
	1500	Sep P U. of Mich. Sentiment Index	97.0	-	96.2
Japan	0530	Jul F Industrial production - Prel (MoM/YoY%)	-/-	-/-	-0.1/2.3
Eurozone	1000	Jul Trade Balance (€bn)	-	-	16717.6
UK	1100	BOE's Carney speaks in Dublin			
Italy	0900	Aug F HICP (YoY%)	1.7	-	1.7
Sweden	0830	Aug CPI (MoM/YoY%)	-/-	-/-	0.5/2.1
	830	Aug CPIF (MoM/YoY%)	0.0/2.4	-/-	0.5/2.2
	830	Aug Core CPIF (MoM/YoY%)	0.0/1.5	-/-	0.4/1.3
Portugal	-	Portugal Sovereign Debt to be Rated by S&P			
Austria	-	Austria Sovereign Debt to be Rated by S&P			

Source: ING, Bloomberg

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Asia week ahead: China and India dominate

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Source: Shutterstock

➔ China: Economic activity apart from exports likely to show some strength

China's August data flow begins with trade data over the weekend. Judging by the PMI new export orders component, which was below 50 for the third straight month in August, some weakness in actual shipments looks to be in order. However, Korea's trade data for August shows that Asian exports have so far been resilient to the trade war. Although China is on the frontline in the trade war, the impact of the first \$50 billion of tariffs is expected to be small. Our forecast of 7% year-on-

year August export growth implies only a negligible month-on-month fall.

The other Chinese data – inflation, retail sales, fixed asset investment, industrial production, and money and bank lending – will be closely monitored for evidence of domestic policy stimulus kicking in to offset the trade drag. A higher manufacturing PMI in August is a hopeful sign of this, and it also supports our view of slightly better industrial production growth of 6.2% YoY compared to 6.0% in July.

➔ India: Inflation genie in the bottle, but not for too long

We expect India's consumer price inflation in August to be steady at July's 4.2% level. The favourable base-year effects in food and transport components have kept a lid on CPI inflation for now. But we can't relax just yet. A meteorological prediction of sub-normal rainfall this monsoon season raises the spectre of higher food inflation. This comes amid an administrative hike in minimum support prices for farm products. And with a steadily depreciating rupee boosting imported inflation, mainly through a surging oil import bill, it won't be long before inflation rears its head. We aren't ruling out a more aggressive RBI policy move at the next meeting in early October.

Also look out for India's trade data for August and the balance of payments data for 1Q FY19 (April-June 2018). We expect the continuous widening of the current account deficit as a tailwind for a higher USD/INR rate, which we see grinding towards the 74-75 area over the next six months.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 8 September					
China	-	Aug Exports (YoY%)	7	10	12.2
	-	Aug Trade Balance (US\$bn)	18.7	31	28.05
	-	Aug Imports (YoY%)	11.6	18.5	27.3
Monday 10 September					
China	0230	Aug PPI (YoY%)	4	4	4.6
	0230	Aug CPI (YoY%)	2.1	2.1	2.1
	-	Aug Money supply (M2) (YoY%)	8.3	8.6	8.5
	-	Aug Financial institution loans (Yuan bn)	1850	-	1450
Tuesday 11 September					
Philippines	0200	Jul Exports (YoY%)	-3.2	-	-0.1
	0200	Jul Imports (YoY%)	21.9	-	24.2
	0200	Jul Trade balance (US\$mn)	-3060	-	-3350
Wednesday 12 September					
India	1300	Aug CPI (YoY%)	4.2	-	4.17
	1300	Jul Industrial Production (YoY%)	6.7	-	7
	-	Aug Trade deficit (US\$bn)	-17	-	-18020
	-	Aug Exports (YoY%)	9	-	14.32
	-	Aug Imports (YoY%)	21	-	28.81
Singapore	0600	Jul Retail Sales Value (MoM/YoY%)	-/-	-/-	1.2/2
South Korea	0000	Aug Unemployment Rate (% SA)	3.8	-	3.8
Thursday 13 September					
India	-	2Q Current account balance (US\$bn)	-16.7	-	-13
Friday 14 September					
China	0300	Aug Retail Sales (YoY%)	8.9	8.9	8.8
	0300	Aug Industrial Production (YoY%)	6.2	6.1	6
	0300	Aug Fixed asset investment (YTD, YoY%)	6	5.7	5.5
India	0730	Aug WPI (YoY%)	4.7	-	5.09

Source: ING, Bloomberg

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Source: Shutterstock

✓ Turkey: Hike expected to prevent a TRY slide

The Central Bank of Turkey tightened liquidity again last month, pulling the effective cost of funding up to 19.25%. The bank signalled a hike in policy rates following the latest inflation release to halt a slide in the Turkish lira and restore price stability. Accordingly, we expect the bank to raise the one-week repo rate by 325 basis points to 21%, and start funding banks via one-repo auctions again.

Meanwhile, growth in 2Q is likely to decelerate to 5.4% year-on-year given that the PMI has fallen below the 50 threshold, sectoral confidence indicators have declined and industrial production and retail sales have softened.

✓ August CPI to stay above the National Bank of Hungary's target

The August inflation reading is the only important event in Hungary next week. We see the headline CPI declining from the five-year high of 3.4% YoY, but will likely remain above the National Bank of Hungary's inflation target. The main reason behind the deceleration is the higher base of

oil/fuel prices. In the meantime, we expect core CPI to remain unchanged at 2.5% YoY.

Romania CPI to bounce back to 5.0% in August

We expect inflation to inch up in August, from 4.6% in July, on the back of regulated gas price hikes. We also expect food inflation, which posted negative monthly rates in June and July, to remain flat versus the previous month. The producer price index, for the food industry, has been recently drifting upwards, which poses some risks to the inflation outlook. We are comfortable with our year-end inflation forecast at 3.6% YoY, which is 0.1 percentage points above the central bank's projection.

We see the National Bank of Romania keeping rates unchanged at the next two meetings scheduled for the rest of this year; absent signs of contagion from recent emerging market jitters.

Poland: Neither an upgrade nor a downgrade

We expect Moody's to maintain an A2 rating with a stable outlook. The major obstacle preventing an upgrade is the strongly negative international investment position (-59% GDP after 1Q), as well as risks regarding the institutional outlook (e.g. clash with European Commission on judiciary reform) - the latter especially overshadowing a solid fiscal stance. According to the 2019 budget bill draft, the deficit of the general government should not exceed 1.8% GDP - a historically low reading.

Moreover, the final inflation reading should have minimal relevance in our opinion; the flash figure suggesting August core inflation accelerated to 0.8% YoY. Another increase in September and October seems unlikely in our opinion. Headline CPI should decelerate from September onwards on lower food and fuel prices. We expect November readings close to 1% YoY vs. 2% YoY in August.

Czech: Accelerating inflation points to need for tightening

Although fuel prices stagnated in monthly terms in August, and food prices might even fall slightly - according to preliminary data, we see an acceleration of core inflation given solidly growing wages, a weak koruna and a pickup in energy prices for households. As such, year-on-year inflation should accelerate towards the 2.5% mark, which would confirm mounting inflationary pressures. This will most likely motivate the Czech National Bank to tighten monetary policy further at the forthcoming meeting at the end of September.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 September					
Turkey	-	2Q GDP (YoY%)	5.4	-	7.4
Russia	-	2Q P GDP (YoY%)	-	1.8	1.8
Czech Rep	0800	Aug CPI (MoM/YoY%)	0.1/2.5	-/-	0.2/2.3
	0800	Aug Unemployment Rate (%)	3	-	3.1
Ukraine	-	Aug CPI (MoM/YoY%)	-/-	-/-	-0.7/8.9
Romania	0700	Jul Trade Balance (€m)	-	-	-1302.6
Kazakhstan	-	Aug International Reserves (US\$bn)	-	-	30.8
Bulgaria	0900	Jul Industrial Production (MoM/YoY%)	-/-	-/-	1/3.63
	0900	Jul Retail Sales (MoM/YoY%)	-/-	-/-	0.4/6.1
Tuesday 11 September					
Russia	1400	Jul Trade Balance (US\$bn)	-	15.25	15.56
Hungary	0800	Aug CPI (MoM/YoY%)	-0.1/3.2	-/-	0.3/3.4
Romania	0700	Jul Industrial Production (MoM/YoY%)	-/-	-/-	1.6/6.7
	0700	Jul Industrial Sales (MoM/YoY%)	-/-	-/-	-0.4/15
	0700	Aug CPI (MoM/YoY%)	0.2/5.0	-/-	-0.5/4.6
South Africa	1200	Jul Manufacturing Prod. (MoM%)	-	-	0.7
	1200	Jul Manufacturing Prod. (SA, MoM%)	-	-	0.3
Mexico	1400	Jul Industrial Production (YoY%)	1.2	-	0.23
Wednesday 12 September					
Serbia	1100	Aug CPI (MoM/YoY%)	-/-	-/-	-0.3/2.4
South Africa	1200	Jul Retail Sales (MoM/YoY%)	-/-	-/-	-1.2/0.7
Thursday 13 September					
Turkey	1200	Benchmark Repurchase Rate	21	-	17.75
Poland	0900	Aug F CPI (MoM/YoY%)	-0.1/2	-/-	0/2
	1300	Jul C/A (€mn)	-744	-	-240
	1300	Jul Trade Balance (€mn)	-378	-	-413
	1300	Jul Exports (€)	17190.5	-	18071
	1300	Jul Imports (€)	17568.8	-	18484
Czech Rep	0900	Jul C/A (CZKbn)	-	-	-1.6
Romania	-	Jul C/A YTD (€m)	-	-	-3781
Bulgaria	0900	Aug CPI (MoM/YoY%)	-/-	-/-	0.7/3.5
Brazil	1300	Jul Retail Sales (YoY%)	1.1	-	1.5
Friday 14 September					
Russia	1130	Key Rate (%)	-	7.25	7.25
Turkey	0800	Jul C/A (US\$mn)	-1.2	-	-2.973
Poland	1300	Aug Core Inflation (MoM/YoY%)	0.1/0.8	-/-	-0.1/0.6
	-	Poland Sovereign Debt to Be Rated by Moody's			
Israel	1200	Aug CPI (MoM/YoY%)	-/-	-/-	0/1.4

Source: ING, Bloomberg

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