

## Our view on next week's key events

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#### Key events in developed markets next week

The Fed and the ECB will both be in the spotlight next week. But what else is going on in developed markets?

By James Knightley, Carsten Brzeski and 2 others



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June rate hike for the Czech National Bank, softening Turkish growth and strong Romanian inflation. But what else is going on in EMEA and Latam?

By Muhammet Mercan

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# Key events in developed markets next week

The Fed and the ECB will both be in the spotlight next week. But what else is going on in developed markets?



Source: Shutterstock

## ✓ Another Fed rate hike

It will be another important week with the Federal Reserve set to hike interest rates again. The growth story looks very strong with activity rebounding sharply in 2Q18 while the jobs market has stepped up the pace of employment creation with payrolls growth averaging 207k a month 2018 YTD versus a monthly average of 182k in 2017. At the same time inflation is pushing higher and there are growing signs of building wage pressures. In this environment the Fed will continue to emphasise its gradualist approach to policy tightening with a further two rate hikes expected in the second half of the year.

As for the US data, retail sales should post another decent gain given the strength in consumer sentiment - for now the strong jobs market and rising asset prices are offsetting any negatives from the pick-up in fuel and borrowing costs. Meanwhile, industrial production should remain robust given the improvements in the manufacturing ISM index and robust oil and gas prices boosting US drilling. Inflation will also creep higher as rising fuel costs feed through.

## ✓ Focus on the ECB and quantitative easing

In the Eurozone, the April industrial production figure will be closely watched as hard data points about the zone in 2Q18 have been sparse so far. A lot of disappointing data has passed over recent

weeks, a strong number here could put that into a somewhat more positive perspective.

After Peter Praet's speech this week, speculations about the outcome of next week's ECB meeting have clearly gained traction. It seems as if there is a growing majority of ECB officials in favour of stopping QE this year. However, the two main questions are when will the ECB announce an end of QE and how will it look like.

Given increased uncertainties, be it the Italian political situation, disappointing macro data or the impact from a starting trade war, we still think that the ECB will want to keep the most flexibility possible. We expect the ECB to announce another recalibration of QE already next week i.e. an extension of QE at a reduced pace of 10bn euro per month at least until December 2018.

### **Raft of UK data in focus as odds of summer rate hike gradually increase**

Following a better UK PMI, markets are now gradually thinking more carefully about the possibility of a summer rate rise. At face value, the fact that core inflation is set to return to the 2% target next week takes some pressure off policymakers. However, as was the case back in November when the Bank of England lifted rates, wage growth is a bigger focus. With average earnings growth likely to remain within touching distance of 3% next week, there is increased evidence that firms are having to lift pay more rapidly to cope with staff shortages.

But the key risk to a summer rate rise remains the consumer. Retail sales may receive a boost from the better weather, and of course the recent royal wedding, but the underlying picture of consumer caution has not gone away. This means an August hike is far from a done deal – as one policymaker said recently, the cost of waiting to raise rates is fairly small.

### **Scandinavian central banks focus on inflation**

Inflation data will be the key data points next week, ahead of central bank meetings in Norway (third week of June) and Sweden (first week of July). We expect headline inflation to remain at or above target in Sweden (2%) and Norway (2.4%). But this is driven largely by rising energy prices. Core inflation remains some way off, at 1.5% in both Sweden and Norway. Swedish house price data in Friday are also worth watching, as the housing market remains under pressure.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Friday 8 June</b>					
Japan	0050	Apr C/A Balance, adjusted (Yen bn)	2122	2094.5	1772.3
	0050	1Q F GDP (Annualised, QoQ%)	0	-0.4	-0.6
	0050	1Q F GDP deflator - advance (Q) (YoY%)	-	0.5	0.5
Eurozone	0815	ECB's Mersch Speaks in Paris			
Germany	0700	Apr Trade Balance (€bn)	22.9	20.2	24.7
	0700	Apr Industrial Production (MoM%)	0.1	0.3	1
Canada	1330	May Net Change in Employment	-	19.6	-1.1
	1330	May Unemployment Rate (%)	-	5.8	5.8
Portugal	1100	Portugal Reports International Trade Figures for April			
<b>Monday 11 June</b>					
Japan	0050	Apr Core machine orders (MoM/YoY%)	-/-	-/-	-3.9/2.6
UK	0930	Apr Trade Balance (£m)	-2700	-	-3091
	0930	Apr Industrial Production (MoM/YoY%)	0.2/2.8	-/-	0.1/2.9
Norway	0700	May CPI (MoM/YoY%)	0.2/2.4	-/-	0.4/2.4
	0700	May Core CPI (MoM/YoY%)	0.3/1.5	-/-	0.5/1.3
Sweden	0730	SEB Sweden Monthly Housing Price Indicator			
Portugal	1100	Portugal Releases Industrial Sales, Employ. Report and Construction Output			
<b>Tuesday 12 June</b>					
US	1100	May NFIB Small Business Optimism	105	-	104.8
	1330	May CPI (MoM%)	0.3/2.8	0.2	0.2
	1330	May CPI ex. food and energy (MoM/YoY%)	0.2/2.3	0.2/-	0.1/2.1
Japan	0050	2Q BSI - All Industry (QoQ%)	-	-	3.3
	0050	May PPI (MoM%)	-	-	0.1
	0530	Apr Tertiary industry index (MoM%)	-	-	-0.3
Germany	1000	Jun ZEW Current Situation Index	84	-	87.4
	0001	Germany Third Quarter Manpower Employment Outlook			
UK	0930	Apr Weekly Earnings (3M avg)	2.4	-	2.6
	0930	Apr Weekly Earnings ex Bonus (3M avg)	2.9	-	2.9
	0930	Apr ILO Unemployment Rate (3M avg.)	4.2	-	4.2
	0930	Apr Employment Change (3M/3M)	120	-	197
Italy	1000	Bank of Italy Publishes Monthly Report 'Money and Banks'			
Australia	0230	Apr Home loans (MoM%)	-	-	-2.2
Sweden	1230	Swedish Financial Stability Council Meets			
Portugal	-	Bank of Portugal Releases Data on Banks			
<b>Wednesday 13 June</b>					
US	1900	FOMC Rate Decision (Upper bound)	2	2	1.75
	1930	Fed's Powell Holds Press Conference Following FOMC Decision			
Eurozone	1000	Apr Industrial Production (WDA, YoY%)	3.2	-	3
UK	0930	May CPI (MoM/YoY%)	0.3/2.4	-/-	0.4/2.4
	0930	May Core CPI (YoY%)	2	-	2.1
Spain	0800	May F HICP (MoM/YoY%)	-/-	-/-	0.9/2.1
Sweden	0700	Prospera inflation expectations survey			
<b>Thursday 14 June</b>					
US	1330	May Advance Retail Sales (MoM%)	0.5	0.4	0.2
	1330	May Retail Sales ex. Auto and Gas (MoM%)	0.5	-	0.3
Japan	0530	Apr F Industrial production - Prel (MoM/YoY%)	-/-	-/-	0.3/2.5
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
Germany	0700	May F CPI (MoM/YoY%)	0.5/2.2	-/-	0.5/2.2
UK	0930	May Retail Sales ex Auto Fuel (MoM/YoY%)	0.5/2.4	-/-	1.3/1.5
	0930	May Retail Sales (MoM/YoY%)	0.7/3.0	-/-	1.6/1.4
Australia	0200	Jun CPI expectations (YoY%)	-	-	3.7
	0230	May Employment change ('000)	-	-	22.6
	0230	May Unemployment rate (%)	-	-	5.6
	0230	May Participation rate (%)	-	-	65.6
Norway	1500	Norway Central Bank Deputy Governor Matsen Speech			
Sweden	0830	May CPI (MoM/YoY%)	0.2/1.8	-/-	0.4/1.7
	0830	May CPIF (MoM/YoY%)	0.2/2.0	-/-	0.4/1.9
<b>Friday 15 June</b>					
US	1415	May Industrial Production (MoM%)	0.4	0.3	0.72
	1500	Jun P U. of Mich. Sentiment Index	98.8	98.1	98
Japan	-	Policy Rate	-0.1	-	-0.1
	-	Jun 15 BoJ 10-year yield target (%)	-	-	0
Eurozone	1000	Apr Trade Balance (€bn)	-	-	21243.3
	1000	May F Core CPI (YoY%)	1.1	-	1.1
	1000	May F CPI (MoM/YoY%)	0.5/1.9	-/-	0.5/1.9
Italy	1000	May F HICP (YoY%)	-	-	1.1
Sweden	-	Maklarstatistik (0500) and Valueguard (0800) Swedish Housing Price Data			

Source: ING, Bloomberg

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## Key events in EMEA and Latam next week

June rate hike for the Czech National Bank, softening Turkish growth and strong Romanian inflation. But what else is going on in EMEA and Latam?



Source: Shutterstock

### ✓ Romania inflation at 5.2% YoY

We expect May CPI to accelerate by 0.3% month on month as the increase in fuel prices was partially offset by the stronger Romanian leu and by a cut in mobile phone bills, as requested by the regulator. Due to the relatively high base effect, we see annual inflation remaining flat at 5.2%, which is the highest level since June 2013.

We forecast year-end inflation at 3.6% but the risk balance is tilted to the upside due to the recent rise in oil prices.

### ✓ Fitch to maintain Poland's A-rating

We expect Fitch to maintain its A- rating with a stable outlook for Poland. We think the main problem preventing the agency from giving Poland an upgrade is their strong negative net international investment position (nearly -60% of GDP).

The final CPI reading should confirm the 1.7% year-on-year figure, with another soft core inflation reading at 0.6% year on year.

## June rate hike for the Czech National Bank

May inflation should come back above the 2% target given current oil prices, where fuel prices accelerated by more than 4% month on month in May, and given preliminary data which has suggested that food prices might have also accelerated slightly after falling over the last three months.

Taking into account the weak Czech koruna lagging behind the Czech National Bank's expectations, strong wage dynamics and inflation hitting back above the target, a June hike is becoming a likely scenario.

## Turkish growth to soften in 1Q18

After a strong growth performance last year, we see some softening in early 2018 as pointed out by industrial production, and thus we forecast 6.7% GDP growth in 1Q18.

Given the impact of the Turkish lira depreciation on the corporate sector balance sheet, with repercussions on the investment demand and of rising borrowing costs on the credit demand, the rebalancing will further accelerate in the period ahead.

## EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Friday 8 June</b>					
Poland	-	Poland Sovereign Debt to be rated by Fitch			
Czech Rep	0800	May Unemployment Rate (%)	-	3	3.2
Hungary	0800	Apr P Trade Balance (€mn)	700	762.5	567
	0800	May CPI (MoM/YoY%)	0.5/2.6	0.5/2.6	0.7/2.3
	1100	Hungarian Finance Minister Varga Speaks to Amcham			
Ukraine	-	May CPI (MoM/YoY%)	-/-	0.5/12.3	0.8/13.1
Kazakhstan	-	May International Reserves (US\$bn)	-	-	31.3
Bulgaria	0900	Apr Industrial Production (MoM/YoY%)	-/-	-/-	2.3/1.7
	0900	Apr Retail Sales (MoM/YoY%)	-/-	-/-	0.1/2.3
Croatia	1000	May PPI (MoM/YoY%)	-/-	-/-	0.5/1.1
Brazil	1300	May Inflation (IPCA) (MoM/YoY%)	0.34/2.8	0.29/2.7	0.22/2.8
<b>Saturday 9 June</b>					
Russia	1400	Apr Trade Balance (US\$bn)	-	14.45	15.001
<b>Monday 11 June</b>					
Turkey	0800	Apr C/A (US\$m)	-4.8	-	-4.812
	0700	1Q GDP (YoY%)	6.7	-	7.3
Czech Rep	0800	May CPI (MoM/YoY%)	0.3/2.1	-/-	0.3/1.9
Romania	0700	Apr Trade Balance (€m)	-	-	-1056.7
	0700	Apr Avg Net Wages (YoY%)	-	-	15.46
Israel	-	Bank of Israel Publishes Minutes of Rate Meeting			
Mexico	1400	Apr Industrial Production (YoY%)	4.5	-	-3.72
<b>Tuesday 12 June</b>					
Romania	0700	Apr Industrial Production (MoM/YoY%)	-/-	-/-	0.5/4.1
	0700	Apr Industrial Sales (MoM/YoY%)	-/-	-/-	14.4/9.3
	0700	May CPI (MoM/YoY%)	0.3/5.2	-/-	0.54/5.22
Serbia	1100	May CPI (MoM/YoY%)	-/-	-/-	0.4/1.1
<b>Wednesday 13 June</b>					
Turkey	0800	Apr Industrial Production (MoM/YoY%)	-6.2	-/-	0.21/7.64
Poland	1300	Apr C/A (€mn)	73	-	-982
	1300	Apr Trade Balance (€mn)	152	-	-317
	1300	Apr Exports (€)	17677.8	-	18117
	1300	Apr Imports (€)	17525.3	-	18434
Czech Rep	0900	Apr C/A (CZKbn)	-6	-	-5.55
Romania	-	Apr C/A YTD (€m)	-	-	-967
Bulgaria	0900	May CPI (MoM/YoY%)	-/-	-/-	0.4/2
South Africa	1200	Apr Retail Sales (MoM/YoY%)	-/-	-/-	0/4.8
Israel	1100	May Trade Balance (US\$m)	-	-	-2272.6
Brazil	1300	Apr Retail Sales (YoY%)	4.5	-	6.5
<b>Thursday 14 June</b>					
Poland	0900	May F CPI (MoM/YoY%)	0.1/1.7	-/-	0.1/1.7
<b>Friday 15 June</b>					
Russia	1130	Key Rate (%)	-	7.25	7.25
	1300	Bank of Russia Governor Nabilina holds news conf.			
Poland	1300	May Core Inflation (MoM/YoY%)	0.3/0.6	-/-	0.5/0.6
Kazakhstan	-	May Industrial Production Yearly	-	-	4.5
Serbia	-	Serbia Sovereign Debt to be rated by S&P and Fitch			
Israel	1200	May CPI (MoM/YoY%)	-/-	-/-	0.4/0.4

Source: ING, Bloomberg

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