

Our view on next week's key events

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✓ Another set of decent US data to keep Fed firmly on track

With the mid-term elections now behind us, focus switches back to what looks set to be another solid week for US data. Core inflation should remain above the Fed's 2% target, and we expect it to stay like that as firms look to pass on the higher wage costs they are increasingly faced with. These positive fundamentals, combined to some extent with the additional tailwind of earlier tax cuts, should make for another decent set of retail sales figures next week. Taken together, this should all keep the Fed firmly on track to hike rates in December and three further times in 2019.

✓ The Eurozone's poor performance: Completing the picture

Next week will give more of an idea on how poor the third quarter for the Eurozone economy has actually been. The 0.2% QoQ GDP growth from the first estimate was a bit of a shocker and raised doubts about possible revisions, but this week's German data is already showing that the Eurozone's largest economy has had a very poor summer - German GDP data next week could show the worst performance since 2015.

The second estimate of Eurozone GDP, including most of the country estimates, will be released on Wednesday. And with September industrial production data out as well, this should provide a

rather complete picture of how poor the performance has actually been.

✓ **Another week, another game of “is a Brexit deal imminent”**

Not for the first time, hopes are building that the UK government is on the verge of agreeing a Brexit deal. Press reports suggest the Prime Minister may gather her Cabinet to sign it a compromise on the contentious Irish backstop early next week, potentially unlocking an ad-hoc EU summit to sign it off later in November.

But even if ministers are prepared to accept the mooted fudge on the Irish border, the fundamental question of whether MPs will vote for it in Parliament appears just as uncertain as ever. And while Brussels appears keen to get a deal all wrapped up, the multitude of practical challenges associated with the UK-wide customs arrangement being proposed as part of the Irish backstop, may yet see talks drag on beyond November.

While nobody really knows when a deal might be agreed & approved, we still think there is risk that it might not be until much closer to the UK's exit date in March, that we find out whether ‘no deal’ has been truly avoided.

✓ **UK data to keep on theoretical tightening path**

Without all the noise of Brexit, we suspect the Bank of England would like to carry on with its tightening cycle. That certainly seemed to be the main message from its latest meeting, and next week's data should largely support it. Crucially, wage growth should remain above 3%, indicating that skill shortages are continuing to put pressure on firms to offer faster pay rises to attract talent – although admittedly, the more recent employment numbers indicate that hiring has ground to a halt.

Core CPI may nudge back up to 2%, although importantly we think the days of persistently above-target underlying inflation are largely behind us. That means household incomes are no longer being squeezed to quite the same degree as they were 6-12 months ago. At face value, a rebound in retail sales would indicate that is showing up in the spending numbers – although in reality the monthly numbers have been very noisy recently. Either way, consumers still remain fairly cautious and we think this will make for another testing Christmas period for retailers.

✓ **Scandi domestic data in focus: Growth picks up and price pressure is sustained**

Key Scandi data next week will be Norwegian GDP on Tuesday, where we expect a further pick up in growth to 0.7% QoQ from the rather weak 0.45% seen in 2Q18. And along with this is Swedish inflation, where we see the headline figure to remain elevated at 2.5% and core more subdued at 1.6%.

In addition, the Swedish political stalemate is finally heading for a showdown, with parliament set to vote on a new government on Wednesday and 2019 budget proposals due on Thursday. Because of the unprecedented situation, the two processes are happening in parallel and in some confusion. By the end of the week it should however be clear whether the conservative leader Ulf Kristersson will succeed in forming a government. At the moment that looks unlikely, as he is struggling to secure the support of the two liberal parties.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 11 November					
Japan	2350	Oct PPI (MoM/YoY%)	0.3/2.9	-/-	0.3/3.0
Monday 12 November					
US	1930	Fed's Daly Speaks on the Economic Outlook			
Sweden	0730	SEB Swedish Monthly Housing-Price Indicator			
Portugal	1100	Portugal Releases Construction Output, Employment Report			
Tuesday 13 November					
US	1100	Oct NFIB Small Business Optimism	108	-	107.9
	1500	Fed's Kashkari Speaks at Conference on Immigration			
Japan	2350	3Q P GDP (Annualised, QoQ%)	2.8	-1.1	3.0
	2350	3Q P GDP Deflator, Advance (Q) (YoY%)	-	-0.1	0.1
Germany	0700	Oct F CPI (MoM/YoY%)	0.2/2.5	-/-	0.2/2.5
	1000	Nov ZEW Current Situation Index	65	-	70.1
UK	0930	Sep Weekly Earnings (3M avg)	3.0	-	2.7
	0930	Sep Weekly Earnings Ex. Bonus (3M avg)	3.1	-	3.1
	0930	Sep ILO Unemployment Rate (3M avg.)	4.0	-	4.0
	0930	Sep Employment Change (3M/3M)	35	-	-5.0
Norway	0700	3Q GDP (QoQ%)	0.7	-	0.4
Sweden	0500	Oct PES Unemployment Rate	3.8	-	3.81
Portugal	-	Bank of Portugal Releases Data on Banks			
Wednesday 14 November					
US	1330	Oct CPI (MoM/YoY%)	0.2/2.4	0.3/2.4	0.1/2.3
	1330	Oct CPI Ex. Food & Energy (MoM/YoY%)	0.3/2.2	0.2/2.2	0.1/2.2
	1400	Fed's Quarles to Appear before House Financial Services Panel			
	2305	Fed's Powell to Discuss Economy at Dallas Fed Event			
Japan	0430	Sep Tertiary Industry Index (MoM%)	0.3	-	0.5
	0430	Sep F Industrial Production, Prel (MoM/YoY%)	-/-	-/-	-1.1/-0.8
Eurozone	1000	Sep Industrial Production (WDA, YoY%)	-0.4	-	0.9
	1000	3Q P GDP (QoQ/YoY%)	0.2/1.7	-/-	0.2/1.7
Germany	0700	3Q P GDP (QoQ/YoY%)	0.0/1.6	-/-	0.5/2
UK	0930	Oct CPI (MoM/YoY%)	0.1/2.4	-/-	0.1/2.4
	0930	Oct Core CPI (YoY%)	2.0	-	1.9
Spain	0800	Oct F HICP (MoM/YoY%)	-/-	-/-	0.7/2.3
Sweden	0830	Oct CPI (MoM/YoY%)	0.0/2.4	-/-	0.5/2.3
	0830	Oct CPIF (MoM/YoY%)	0.0/2.5	-/-	0.5/2.5
	0830	Oct Core CPIF (MoM/YoY%)	0.0/1.6	-/-	0.5/1.6
Netherlands	0830	3Q P GDP (QoQ%)	0.6	-	0.8
Thursday 15 November					
US	1330	Oct Advance Retail Sales (MoM%)	0.4	0.6	0.1
	1330	Oct Retail Sales Ex. Auto and Gas (MoM%)	0.5	0.3	0.0
	1500	Fed's Quarles to Appear before Senate Banking Panel			
Eurozone	1000	Sep Trade Balance (€bn)	16783	-	16573.2
UK	0930	Oct Retail Sales Ex. Auto Fuel (MoM/YoY%)	0.6/3.6	-/-	-0.8/3.2
	0930	Oct Retail Sales (MoM/YoY%)	0.6/3.2	-/-	-0.8/3.0
Canada	1330	ADP Publishes October Payrolls Report			
Australia	0000	Nov CPI Expectations (YoY%)	4.1	-	4.0
	0030	Oct Employment Change ('000)	15.7	-	5.6
	0030	Oct Unemployment Rate (%)	4.9	-	5.0
	0130	RBA's Debelle Speaks on Panel in Melbourne			
Sweden	0830	Oct Unemployment Rate (%)	6.0	-	6.0
Friday 16 November					
US	1415	Oct Industrial Production (MoM%)	0.2	0.2	0.25
Eurozone	1000	Oct F Core CPI (YoY%)	1.1	-	1.1
	1000	Oct F CPI (MoM/YoY%)	0.2/2.2	-/-	0.2/2.2
Italy	1000	Oct F HICP (YoY%)	1.7	-	1.7
Switzerland	-	Switzerland Sovereign Debt to be Rated by S&P			
Netherlands	-	Netherlands Sovereign Debt to be Rated by S&P			
Austria	-	Austria Sovereign Debt to be Rated by Moody's			

Source: ING, Bloomberg

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Asia week ahead: Relief for Asia's busiest central banks

Recent currency gains have taken the pressure off Asian central banks to tighten, while growth has started to taper off and inflation remains subdued in...



Source: Shutterstock

➔ Three central bank meetings – all on hold

Bank Indonesia, Bangko Central ng Pilipinas, and the Bank of Thailand hold their monetary policy meetings next week. We expect all three to leave policy unchanged.

A moderation in GDP growth and subdued inflation (aside from the Philippines) is partially responsible for this. But more importantly, an ongoing consolidation in their respective currencies after significant losses earlier in the year is a big solace for BI and BSP, Asia's busiest central banks, in their drive to rein in currency weakness.

The Philippine peso (PHP) was the region's best performer in October and continues to add to those gains in November with a 1.8% month-to-date (MTD) appreciation against the US dollar. This month, the best performing currency is the Indonesian rupiah (IDR), with a 4.4% of gain so far, recovering more than a third of the cumulative loss in the first 10 months of the year. The Thai baht (THB), which, in a sudden reversal of fortune, was Asia's worst currency in October, has also joined in the rally this month. Lower oil prices are also helping to keep policy unchanged and, absent some adverse shock on the horizon, Asia's hitherto hard-hit currencies are set to perform well.

This week, Indonesia and the Philippines reported steady GDP growth for the third quarter, at 5.2% and 6.1%, respectively. However, a softening of household spending- the key GDP driver in both countries- was alarming, particularly in the Philippines where inflation of 6.7% in October has already been hurting consumers. Until the Philippines GDP release, our house view had been for a 25 basis point BSP rate hike at the meeting next week. That's now been revised to no change, probably through the rest of the year ([read more here](#)). The same looks to be the case for BI policy, as a strong performance for the Indonesian rupiah and stable inflation around 3% allow for stable policy, for now.

Shifting between talk of continued accommodation and tightening (or normalisation), the BoT policymakers have missed the boat this year. Recent economic data undermines the government's optimism on GDP growth this year – we have cut our 3Q forecast to 3.7% from 4.1% ([read more here](#)). This dampens the prospects for policy normalisation; it's hard to call it tightening, which isn't required just yet with continued low inflation and prevailing growth risks.

[Philippines: GDP prints at 6.1% as consumption slows](#)

[Thailand: Weak activity leads GDP forecast downgrade](#)

➔ China soft-landing – a key positive for Asia

China's exports rose 21% year-on-year in October even though tariffs on \$250 billion of exports to the US went into full effect at the end of September. Some of this strength could be attributed to the front-loading of shipments before the tariffs rate on \$200 billion of exports rises from 10% to 25% at the beginning of 2019 ([read more here](#)). The government is also taking action to soften the impact of the trade dispute with fiscal stimulus.

China's remaining October data on industrial production, fixed asset investment, retail sales, and home prices will be viewed in light of this fiscal stimulus. Any upside surprises from this data will reinforce that the stimulus is kicking in. We believe that macro policy in China is geared towards a soft-landing, which is a key positive for the rest of Asia, and probably the global economy.

[China trade data reflects no-deal from coming trade talks](#)

➔ India – calm after the storm

A slew of economic data from India on inflation, trade, and industrial production will add to the local market volatility after a holiday-related respite this week.

Inflation data matters the most for the central bank's (RBI) policy. The RBI resisted pressure to

support the currency (INR) during stormy periods of emerging market contagion earlier in the year, and again in October when a row between the RBI and government (over the issue of boosting banking liquidity and lending growth ahead of elections) intensified. The RBI's rationale for keeping policy stable has been well-behaved consumer price inflation, within the 2-6% policy target, and increased downside growth risks. We don't expect the data next week to depart from the recent trend of stable inflation around 4%. The good news here is a conditional waiver from the US sanctions on oil imports from Iran for six months.

With lower oil prices offsetting administrative measures (a hike in minimum support prices for farm products and higher civil servant salaries) inflation should remain in the middle of the RBI's target range through the end of the current financial year in March 2019. However, with tight liquidity depressing investment and the drag from net exports continuing to widen, GDP growth is poised to slow. Such a growth-inflation dynamic suggests the RBI will keep policy unchanged at the next meeting in December.

For now, calm has returned. A truce between the RBI and the government together with lower oil prices and a softer US dollar have put some life back in Asia's most-stressed currency this year. With a 1.3% month-to-date appreciation, November looks to be shaping up as the best month for the INR since March 2017.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 10 November					
China	-	Oct Money supply (M2) (YoY%)	8.3	8.4	8.3
Monday 12 November					
India	1200	Oct CPI (YoY%)	3.8	3.6	3.8
	1200	Sep Industrial Production (YoY%)	3.5	4.3	4.3
Singapore	0500	Sep Retail Sales Value (MoM/YoY%)	0.3/2.9	-/-	2.5/-0.4
Tuesday 13 November					
South Korea	2300	Oct Unemployment Rate (% SA)	4.1	-	4
Wednesday 14 November					
China	0200	Oct Retail Sales (YoY%)	9.3	9.2	9.2
	0200	Oct Industrial Production (YoY%)	6	5.9	5.8
	0200	Oct Fixed Asset investment (YTD, YoY%)	5.4	5.5	5.4
India	0630	Oct WPI (YoY%)	5	5.0	5.1
Thailand	0705	Benchmark Interest Rate	1.5	-	1.5
Thursday 15 November					
China	0130	Oct 70-cities New Home Prices (MoM/YoY%)	0.0/5.0	-/-	1.0/8.9
India	-	Oct Trade deficit (US\$bn)	-17.8	-16300	-13979
	-	Oct Exports (YoY%)	14	-	-2.2
	-	Oct Imports (YoY%)	19	-	10.5
Indonesia	0400	Oct Exports (YoY%)	-2.9	-	1.7
	0400	Oct Imports (YoY%)	-2.6	-	14.2
	0400	Oct Trade balance (US\$mn)	-600	-	227.1
	-	BI Policy Decision (7-day reverse repo, %)	5.75	-	5.75
Philippines	0800	Overnight Borrowing Rate	4.5	-	4.5
	-	Sep OCW Remittances (YoY%)	4.5	-	-0.9
Friday 16 November					
Hong Kong	0830	3Q GDP (Q) (SA, QoQ/YoY%)	-/3.3	-/-	-0.2/3.5
Malaysia	0400	3Q GDP (SA, QoQ/YoY%)	1.4/4.1	-/-	0.3/4.5
	0400	3Q Current Account (Q) (MYR bn)	10100	-	3900
Singapore	0030	Oct Non-oil Domestic Exports (MoM/YoY%)	10.1/-3.8	-/-	-4.3/8.3

Source: ING, Bloomberg

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Source: Shutterstock

✓ Polish GDP: Above consensus?

For the third quarter, we expect Polish GDP to come in at 4.9% year-on-year- above consensus- supported by strong domestic demand. Investment should recover after a soft second-quarter, partially offsetting a moderation in private consumption.

The final CPI inflation reading should confirm a slowdown to 1.7% YoY in October. According to the flash reading, the slowdown was largely caused by food prices. But still, core inflation is likely to remain stable at 0.8% YoY.

✓ Hungarian economy to continue gradual slowdown

We expect the Hungarian economy to continue its gradual slowdown after peaking in 4Q17, based on seasonal and calendar adjusted QoQ growth rates. Our Leading HUBE indicators are pointing towards a moderate deceleration, mainly on the back of a challenging external environment. Against this backdrop, we forecast 4.3% YoY GDP growth in 3Q18.

✓ Romania: The good and the bad

The National Bank of Romania should receive some good news from the CPI release. We expect inflation to decline by 1 percentage point to 4.0% YoY in October, largely on the back of statistical

effects coming out of the base. This is likely to support the central bank's dovish stance.

But the 3Q18 GDP print will be less positive for the government, as it's likely to confirm that the official growth forecast is obsolete. We expect GDP growth to slow down to 3.0% YoY - mainly on base effects.

It will be interesting to see if there are any signs of cracks in the unanimity of the central bank given that Governor Mugur Isarescu's dovish tone was in stark contrast to Deputy Governor Liviu Voinea's hawkish message less than a month ago. An announcement from Fitch on Friday should be a non-event as the rating agency seems less concerned about the outlook relative to the other two major agencies, especially S&P.

Bulgaria: Slower growth and lower inflation

We expect Bulgarian GDP growth to slow down to 3.0% in 3Q18 from 3.6% in the previous quarter on both weaker external demand (as seen by the disappointing GDP reading in the eurozone) and softer domestic absorption.

While CPI is likely to accelerate quite significantly on a monthly basis, we expect it to decline by 0.2ppt to 3.4% year-on-year in October due to statistical base effects. An announcement from Fitch on Friday should not be news, though the S&P decision (due 30 November) could be more exciting. The agency has a positive outlook on Bulgaria but its rating is one notch below the other two major agencies.

Positive signs expected from Czech 3Q GDP

The flash 3Q GDP growth estimate for the Czech Republic should accelerate slightly from the somewhat weaker 2.4% rate in 2Q18, which was partially caused by the base effect and a negative contribution of inventories.

The Czech National Bank expects 2.7% SA YoY growth while MinFin is looking for 2.6% growth. Given the slightly disappointing September prints in the Czech real economy, we think a 2.6% figure is more likely. The Statistical office will not release details yet but household consumption and investment should remain the main growth driver. In contrast, inventories might surprise negatively due to a high base from last year.

EMEA and Latam Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 12 November					
Turkey	0700	Sep C/A (US\$mn)	-2.0	-	2.59
Romania	0700	Sep Industrial Production (MoM/YoY%)	-0.7/3.2	-/-	0.4/3.9
	0700	Sep Industrial Sales (MoM/YoY%)	-/-	-/-	-8.5/8.4
	0700	Oct CPI (MoM/YoY%)	0.3/4.0	-/-	0.5/5.0
Tuesday 13 November					
Russia	-	3Q A GDP (YoY%)	1.3	1.4	1.9
Poland	1300	Sep C/A (€mn)	154	-	-549
	1300	Sep Trade Balance (€mn)	357	-	-329
	1300	Sep Exports (€)	18473.5	-	17195
	1300	Sep Imports (€)	18116.5	-	17524
Czech Rep	0900	Sep C/A (CZKbn)	-8.0	-	-7.0
Romania	-	Sep C/A YTD (€mn)	-	-	-5830
	1300	National Bank of Romania Publishes Minutes of Rate Meeting			
Serbia	1100	Oct CPI (MoM/YoY%)	-/-	-/-	-0.3/2.1
Israel	1100	Oct Trade Balance (US\$mn)	-	-	-2464
Brazil	1100	Sep Retail Sales (YoY%)	3.5	-	4.1
Wednesday 14 November					
Poland	0900	Oct F CPI (MoM/YoY%)	0.4/1.7	-/-	0.4/1.7
	0900	3Q P GDP (QoQ/YoY%)	1.2/4.9	-/-	1.0/5.1
Czech Rep	0800	3Q A GDP (QoQ/YoY%)	0.6/2.6	-/-	0.7/2.4
Hungary	0800	3Q P GDP (SWDA, QoQ/NSA, YoY%)	0.8/4.3	-/-	1.0/4.8
Ukraine	-	3Q P GDP (YoY%)	-	-	3.8
Romania	0700	3Q A GDP (SA, QoQ/YoY%)	1.1/3.0	-/-	1.4/4.1
Bulgaria	0900	3Q P GDP (QoQ/YoY%)	0.6/3.0	-/-	0.8/3.6
	0900	Oct CPI (MoM/YoY%)	0.4/3.4	-	0.3/3.6
South Africa	1100	Sep Retail Sales (MoM/YoY%)	-/-	-/-	0.6/2.5
Thursday 15 November					
Turkey	0700	Aug Unemployment Rate (%)	-	-	10.8
Poland	1300	Oct Core Inflation (MoM/YoY%)	0.3/0.8	-/-	0.0/0.8
Serbia	-	Sep C/A (€mn)	-	-	-116.9
Israel	1630	Oct CPI (MoM/YoY%)	-/-	-/-	0.1/1.2
Mexico	1900	Overnight Rate	8.0	-	7.75
Friday 16 November					
Russia	-	Oct Industrial Production (YoY%)	3.5	2.3	2.1
Turkey	0700	Sep Industrial Production (MoM/YoY%)	-/0.6	-/-	-1.1/1.7
Czech Rep	0800	Oct PPI (Industrial) (MoM/YoY%)	0.8/4.0	-/-	0.3/3.2
	0800	Sep Export Price Index (YoY%)	-	-	1.6
	0800	Sep Import Price Index (YoY%)	-	-	2.9
Romania	-	Romania Sovereign Debt to be Rated by Fitch			
Kazakhstan	-	Oct Industrial Production (YoY%)	-	-	5.5
	-	3Q P GDP YTD (YoY%)	-	-	4.2
Bulgaria	-	Bulgaria Sovereign Debt to be Rated by Fitch			

Source: ING, Bloomberg

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