

Our view on next week's key events

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Source: Shutterstock

✓ Trade talks continue as tariff battle enters new phase

Now that President Trump has increased the level of tariffs that apply to a USD200 billion package of Chinese imports, markets will be watching the negotiations between both countries for signs of thawing tensions. Our trade team thinks some kind of deal is still the most likely outcome, although that may not happen until the second half of the year.

✓ Expect solid US retail sales as consumer spending makes 2Q comeback

Consumer spending growth slowed during the first quarter but with the jobs market in good health and wage growth continuing to pick-up, the fundamental backdrop points to a decent rebound during the second quarter. This is one reason why we think a Fed rate cut is unlikely in the foreseeable future.



Mixed UK jobs data set to muddy the waters for Bank of England

Rising wage growth was a key factor in the decision to raise UK interest rates in 2017 and 2018, and in principle this could be a justification to do so again later this year. Regular pay growth remains above 3% and close to post-crisis highs. That said, some momentum has faded from the more recent numbers, and there are some tentative signs of weakness emerging in the jobs market. It's early days, but for instance the number of people on the unemployed claimant count has been steadily rising, and is noticeably outpacing the number of job vacancies. We don't expect a rate hike this year, although recent comments from Governor Mark Carney suggest a November move shouldn't be ruled out.

Back in the world of Brexit, cross-party talks are planned to continue over the next week. But for various reasons, we think the Labour party will remain reluctant to strike a deal – not least because there are no guarantees a future Conservative leader couldn't try to take Brexit in a different direction to the one agreed with Theresa May. We continue to struggle to see the Brexit deadlock being broken before October.

Canada: More reasons to suspect the BoC won't be cutting rates this year...

The Bank of Canada's (BoC's) three main measures of core inflation averaged 2.0% in March and the headline print posted a significant recovery. In annual terms, it rose from 1.5% to 1.9%, and we anticipate it will be a similar story for April.

In fact, inflation should start trending back towards 2.0% over the course of this year. Here are some reasons why:

1. Energy prices continue to rebound. Average gasoline prices (in Canadian dollar terms) were up 1.8% YoY and 7.3% MoM in April, suggesting that the lagged effects from the late-2018 decline in oil prices are gradually phasing out. Our commodities team has global oil prices edging slightly higher throughout this year and next which further reinforces a near/on-target headline figure;
2. Domestic price pressures could begin to intensify. The labour market's strength looks like it won't be disappearing anywhere anytime soon and we believe that the upward trending wage growth should begin to feed through into household spending. We agree with the BoC's analysis that housing market drags will slowly begin to dissipate as the economy adjusts to: a) a different-type of housing demand and b) higher interest rates. As a result of the Liberal government's federal 2019 budget, better news is also on its way for first-time homebuyers.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 13 May					
US	1405	Fed's Rosengren & Clarida Remarks at Fed Listens Event			
Japan	0600	Mar P Leading Economic Index	-	-	97.1
Norway	0700	1Q GDP (QoQ%)	-	-	0.5
	0700	Mar GDP Mainland (MoM%)	-	-	-0.3
Sweden	0730	SEB Swedish Housing-Price Indicator			
Portugal	1100	Portugal Releases Consumer Price Inflation Report			
Tuesday 14 May					
US	1100	Apr NFIB Small Business Optimism	102.5	-	101.8
	0815	Fed's Williams Speaks at SNB/IMF Event in Zurich			
Japan	0050	Mar P C/A Balance, Adjusted (Yen bn)	1750.0	-	1957.6
Eurozone	1000	Mar Industrial Production (YoY%)	-	-	-0.3
Germany	0700	Apr F CPI (MoM/YoY%)	-/-	-/-	1.0/2.0
	1000	May ZEW Current Situation Index	-	-	5.5
UK	0930	Mar Weekly Earnings (3M avg)	3.4	-	3.5
	0930	Mar Weekly Earnings ex. Bonus (3M avg)	3.3	-	3.4
	0930	Mar ILO Unemployment Rate (3M avg)	3.9	-	3.9
	0930	Mar Employment Change (3M/3M)	140.0	-	179.0
Spain	0800	Apr F HICP (MoM/YoY%)	-/-	-/-	1.1/1.6
Sweden	0500	Apr PES Unemployment Rate	-	-	3.6
	0830	Apr CPI (MoM/YoY%)	-/-	-/-	0.2/1.9
	0830	Apr CPIF (MoM/YoY%)	-/-	-/-	0.2/1.8
	0940	Riksbank's Ingves Speaks in Stockholm			
Netherlands	0830	1Q P GDP (QoQ%)	0.4	-	0.5
Portugal	-	Bank of Portugal Releases Data on Banks			
Wednesday 15 May					
US	1330	Apr Advance Retail Sales (MoM%)	0.2	0.2	1.6
	1330	Apr Retail Sales ex. Auto & Gas (MoM%)	0.4	-	0.9
	1415	Apr Industrial Production (MoM%)	0.1	0.1	-0.1
	1700	Fed's Barkin Speaks to Economists in New York			
Eurozone	1000	1Q P GDP (QoQ/YoY%)	-/-	-/-	0.4/1.2
Germany	0700	1Q P GDP (QoQ/YoY%)	0.5/-	-/-	0.0/0.6
Canada	1330	Apr CPI (MoM, SA/YoY%)	0.3/1.9	-/-	0.3/1.9
Sweden	0700	Prospera Swedish Inflation Expectations Survey			
	1100	Riksbank's Jochnick Speaks			
Thursday 16 May					
Japan	0050	Apr PPI (MoM/YoY%)	0.3/1.2	-/-	0.3/1.3
Eurozone	1000	Mar Trade Balance (€bn)	-	-	19495.3
UK	1830	BOE's Haskel Speaks in York			
Italy	0900	Apr F HICP (YoY%)	-	-	1.2
Canada	1330	ADP Canada Releases April Payroll Estimates			
Australia	0200	May CPI Expectations (YoY%)	3.8	-	3.9
	0230	Apr Employment Change ('000)	5.0	-	25.7
	0230	Apr Unemployment Rate (%)	5.1	-	5.0
	0345	RBA's Bullock Speaks in Sydney			
Sweden	1200	Riksbank's Ingves Gives Keynote Address			
Friday 17 May					
US	1500	May P U. of Mich. Sentiment Index	97.5	97.4	97.2
Japan	0530	Mar Tertiary Industry Index (MoM%)	-0.3	-	-0.6
Eurozone	1000	Apr F Core CPI (YoY%)	-	-	1.2
	1000	Apr CPI (MoM/YoY%)	-/-	-/-	0.7/1.7
UK	1300	BOE's Brazier Speaks in London			
Sweden	0500	Valueguard Swedish Home-Price Data			

Source: ING, Bloomberg

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Asia week ahead: Tariffed!

The US might make good on its threat of bumping up tariffs on Chinese products and China may reciprocate. But even as trade talks resume there is little...



Source: Shutterstock

➔ Tariffs, tariffs, and tariffs

All was going well on the trade talks front until the weekend bombshell by President Trump of a further hike in tariffs on Chinese goods. The news spooked investors and resulted in a heavy sell-off of risk assets, and a flight to safe-haven Treasuries ensued.

The heat continued to rise, but reconciliatory talks are ongoing too. The good news is that both sides still want a deal - as President Trump still thinks a deal is possible and China's vice-premier Liu He is going to attend trade talks this week.

25%

New rate of US tariff on \$200bn of Chinese goods

Up from 10%, effective Friday 12.01 am ET

➔ No relief for 'tariffed' markets

As such, the trade war will likely remain an ongoing theme driving the markets next week, and probably beyond. Alas, we see nothing in next week's economic calendar capable of providing a breather for 'tariffed' markets. Not even China's remaining April indicators on industrial production, fixed asset investment, retail sales, or new home prices -- the consensus estimates are pointing to softer growth for most.

India, Indonesia, and Singapore report trade figures for April, which will indeed be gleaned in the light of the ongoing trade war. No prizes for guessing a sustained slowdown in exports from these countries. An additional whammy from a downturn in the global tech cycle is exacerbating the weakening trend.

➔ Indonesia's central bank prefers stability over growth

Indonesia's central bank doesn't seem ready to join in the easing cycle just yet. With GDP growth steady at around 5% year-on-year pace, as what the data for the first quarter of 2019 revealed this week, BI's policy focus remains on financial market stability. And the market stability matters more now than ever as escalated trade and geopolitical risk sour investor sentiment toward emerging markets.

In the not too distant past, the financial crisis in Turkey and Argentina less than a year ago exposed Indonesia's vulnerability to the emerging market contagion. What lies beneath the vulnerability is a wide current account deficit, which is equivalent to 3% of GDP in 2018 - nearly double from the previous year. As noted above, the April trade figures should reinforce the deficit widening trend.

Our baseline for BI policy is no change to the 6.0% policy rate throughout 2019.

6.00%

Bank Indonesia policy rate

No change expected this year

➔ Malaysia's GDP growth bottoms out

Malaysia's GDP data for 1Q19 will support the central bank's rate cut at the last meeting. The GDP slowdown is obvious from the high-frequency economic activity, and our estimate of 4.2%, down from 4.7% in 4Q18, remains on track.

Even as growth slides below the central bank's forecast of 4.3% to 4.8% this year, we believe the timely policy boost together with the favourable base effects will shore it up in the rest of the year

towards the top end of the central bank's forecast range, eliminating the need for anymore rate cuts.

4.2%

ING forecast

Malaysia GDP growth in 1Q19

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 13 May					
India	1300	Apr CPI (YoY%)	3.0	-	2.9
Tuesday 14 May					
India	0730	Apr WPI (YoY%)	3.1	-	3.2
Wednesday 15 May					
China	0300	Apr Fixed Asset Investment (YTD, YoY%)	6.3	6.4	6.3
	0300	Apr Industrial Production (YoY%)	7.0	6.5	8.5
	0300	Apr Retail Sales (YoY%)	9.4	8.6	8.7
India	-	Apr Imports (YoY%)	2.0	-	1.4
	-	Apr Trade Deficit (US\$bn)	-14.2	-	-10.9
	-	Apr Exports (YoY%)	2.5	-	11.0
Indonesia	0500	Apr Exports (YoY%)	-8.0	-	-10.0
	0500	Apr Imports (YoY%)	-15.0	-	-6.8
	0500	Apr Trade Balance (US\$m)	-364.0	-	540.2
Philippines	-	Mar OCW Remittances (YoY%)	6.0	-	1.5
Singapore	-	Apr Non-oil Domestic Exports (MoM%, SA)	3.9	-	-14.3
South Korea	0000	Apr Unemployment Rate (% , SA)	-	-	3.8
Thursday 16 May					
Malaysia	0500	1Q GDP (QoQ/YoY%)	0.7/4.2	-/-	1.4/4.7
	0500	1Q Current Account (Q) (MYR bn)	15.7	-	10.8
Indonesia	-	May BI Policy Decision (7-day Reverse Repo, %)	6.0	-	6.0
Friday 17 May					
Hong Kong	0930	1Q F GDP (QoQ/YoY%)	-/-	-/-	1.2/0.5
Singapore	0130	Apr Non-oil Domestic Exports (YoY%)	-	-	-11.7
	-	1Q F GDP (QoQ /YoY%)	-/-	-/-	2.0/1.3

Source: ING, Bloomberg, *GMT

Key events in EMEA and Latam next week

Next week brings a flurry of 1Q19 GDP growth reports and the view is mixed. In the Czech Republic and Poland, we anticipate mild disappointment while in...



Source: Shutterstock

✓ Czech Republic: 1Q19 GDP could disappoint

In April, fuel prices accelerated 4.0% month-on-month and this should help push headline CPI up by 0.4% on the month, though a higher base effect should keep the yearly rate at 3.0%. In its latest forecasts, the Czech National Bank (CNB) predicted a 2.9% year-on-year figure in April, with a gradual slowdown from May onwards amid higher base effects in both fuel and core prices.

In our view, flash GDP for the first-quarter might be below both the CNB's (2.6%) and MinFin's (2.7%) forecast, due to weaker foreign demand.

✓ Poland: Monetary Policy Council to ease inflation concerns

After a strong and surprising CPI increase in April from 1.7% to 2.2% YoY, we expect the Monetary Policy Council (MPC) to play down potential concerns about inflation. After the release, some centrist members (R.Sura, J.Kropiwnicki) reiterated their expectations that inflation should remain under control; the National Bank of Poland's governor should present a similar view.

The final CPI reading for April (due Wednesday) should provide more detail on the uptick in core inflation from 1.4% to 1.7% YoY. The rise may be related to methodological issues in the clothing

category or the seasonal increase in package holidays (not seen in previous years). We expect increases in the coming months to be more gradual compared to the jumps seen in both March and April. The weaker industrial goods inflation in the eurozone should limit growth in Poland as well.

We expect GDP to moderate in the first-quarter from 4.9% YoY to 4.3% YoY, based on lower contributions from both investment and net exports. On the production side, we see weaker contributions from both the construction and transportation sectors.

Hungary: Record GDP growth

Economists and forecasters have been unanimously expecting a deceleration in Hungary's 1Q GDP. But high frequency data over the past three months suggests we could, in fact, see a new record for GDP growth, with the major surprise likely to come from the sizeable contribution from construction and a better-than-expected increase in industry's value added. The National Bank of Hungary's (NBH) minutes should be a non-event (again) as the latest NBH press release didn't contain any meaningful change.

Romania: Key rate unchanged at 2.50% on fuzzy outlook, slower growth, higher inflation

We expect the April CPI to inch 0.2 percentage points higher month-on-month, bringing the annual rate to 4.1% - a new high for the year but possibly not the peak. Higher fuel prices are mainly to blame followed by a spike in fresh fruit prices and - to a lesser extent - in services. This occurred despite a mild appreciation in the Romanian leu in April. The [latest hawkish NBR minutes](#) likely came in anticipation of the inflation profile being different from what the central bank had in mind at the beginning of the year. We expect the National Bank of Romania to keep the key rate at 2.50% at its May meeting next week, maintain its hawkish tone and revise higher its inflation forecasts for this year. "Strict" liquidity management will most likely be cited again.

On the economic front, stronger consumption has likely been accommodated via higher imports hence the negative contribution to growth from net exports has probably offset - to a large extent - the consumption boost in the first-quarter of 2019. Public investment spending has been very low due to an unapproved budget bill. There are also high levels of uncertainty in the private sector due to late-2018 fiscal changes weighing in (as well as on) spending/investments decisions. All things considered, we expect a marginal acceleration in the economy by 0.2% in 1Q19 vs. 4Q18, which translates into 4.1% year-on-year growth.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 13 May					
Turkey	0800	Mar C/A (US\$m)	-1.1	-	-0.7
Czech Rep	0800	Apr CPI (MoM/YoY%)	0.4/3.0	-/-	0.2/3.0
	0800	Mar Export Price Index (YoY%)	-	-	3.4
	0800	Mar Import Price Index (YoY%)	-	-	3.3
Romania	0700	Apr CPI (MoM/YoY%)	0.6/4.1	-/-	0.5/4.0
	0700	Mar Avg Net Wages (YoY%)	-	-	17.9
	0700	Mar Industrial Sales (MoM/YoY%)	-/-	-/-	8.0/11.1
Kazakhstan	-	Apr Industrial Production (YoY%)	-	-	4.2
Serbia	1100	Apr CPI (MoM/YoY%)	-/-	-/-	0.4/2.8
Tuesday 14 May					
Turkey	0800	Mar Industrial Production (MoM/YoY%)	-/-3.0	-/-	1.3/-5.1
Poland	1300	Mar C/A (€mn)	-1425.0	-	-1386.0
	1300	Mar Trade Balance (€mn)	-942.0	-	-1327.0
	1300	Mar Exports (€)	19529.0	-	18324.0
	1300	Mar Imports (€)	20470.0	-	19651.0
	-	Monetary Policy Council Rate Meeting			
Czech Rep	0900	Mar C/A (CZKbn)	-	-	26.7
Romania	0700	Mar Industrial Production (MoM/YoY%)	-/-	-/-	0.7/1.8
	-	Mar C/A YTD (€m)	-	-	-568.0
Kazakhstan	-	Apr International Reserves (US\$bn)	-	-	27.0
South Africa	1030	1Q Unemployment Rate (%)	-	-	27.1
Brazil	1200	COPOM Meeting Minutes			
Wednesday 15 May					
Turkey	0800	Feb Unemployment Rate (%)	-	-	14.7
Poland	0900	1Q P GDP (QoQ/YoY%)	1.3/4.3	-/-	0.5/4.9
	0900	Apr F CPI (MoM/YoY%)	1.1/2.2	-/-	1.1/2.2
	-	Base Rate (%)	1.5	-	1.5
Czech Rep	0800	1Q A GDP (QoQ/YoY%)	-/-	-/-	0.8/2.6
Hungary	0800	1Q P GDP (QoQ/YoY%)	2.3/6.0	-/-	1.0/5.1
	1300	Hungarian Central Bank's Minutes			
Ukraine	-	1Q P GDP (YoY%)	-	-	3.5
Romania	0700	1Q A GDP (QoQ/YoY%)	0.2/4.1	-/-	0.9/4.1
	-	Repo Rate (%)	2.5	-	2.5
Bulgaria	0900	1Q P GDP (QoQ/YoY%)	-/-	-/-	0.8/3.2
	0900	Apr CPI (MoM/YoY%)	-/-	-/-	0.1/3.6
South Africa	1200	Mar Retail Sales (MoM/YoY%)	-/-	-/-	0.5/1.1
Israel	1630	Apr CPI (MoM/YoY%)	-/-	-/-	0.5/1.4
Thursday 16 May					
Poland	1300	Apr Core CPI (MoM/YoY%)	0.9/1.7	-/-	0.4/1.4
Serbia	-	Mar C/A (€mn)	-	-	-313.0
Israel	1100	1Q A GDP (QoQ Annualised %)	-	-	3.1
Mexico	1900	Overnight Rate	8.25	8.25	8.25
Friday 17 May					
Russia	1400	Mar Trade Balance (US\$bn)	-	16.0	15.7
	-	1Q A GDP (YoY%)	-	1.2	2.7
Kazakhstan	-	1Q P GDP (YoY%)	-	-	4.1

Source: ING, Bloomberg

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