

Our view on next week's key events

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Source: Shutterstock

✔ Four key Brexit questions ahead of a key week

1. **Will a deal be agreed by the European Council (Thurs/Fri)?** Unlikely – both sides are heavily divided on the issue of customs alignment in Northern Ireland.
2. **Will Prime Minister Boris Johnson ask for another Article 50 extension?** Without a deal, the law states the government will have to write to Brussels asking for a delay before Saturday, 19 October. However, there have been suggestions the PM may take the issue to the courts, resign, or possibly send a second letter to Brussels detailing why he doesn't want another extension himself. However, most legal experts think this latter idea could be ruled unlawful if tried. In short: a request from the UK for a delay looks likely.
3. **Will the EU grant an extension?** In short, yes, although the circumstances could be awkward. While an election looks to be on the way, it possibly won't be triggered before the EU is asked to make a decision. Don't forget the EU has previously said it would require a clear justification for further extensions. Ultimately though, EU leaders will likely grant further time – Brussels wants to avoid taking the blame for 'no deal', or for blocking a 'democratic event' such as an election/referendum. However, the question of 'how long' remains uncertain – it's possible the EU grants a longer delay than the three months that the UK could ask for.
4. **Will there be an election?** This looks likely, but it relies upon Parliament actually voting for one. The Conservatives are keen to go to the ballot box, eager to try and convert their lead

in the polls into a majority. The leader of the opposition, Jeremy Corbyn, has also said he wants an election, although many of his MPs are less convinced. An election still looks highly likely, but there is a tail-risk that Parliament refuses to grant one, or attempts to install a government of national unity with the aim of pushing for a second referendum. However, as things stand there is no agreement among lawmakers on how that might work – or indeed if there is enough support in the first place.

US: Fed's October cut remain a close call

It remains a close call on whether the Federal Reserve will follow up its recent two interest rate cuts with a third one on 30 October. Amidst a weak global growth environment there is evidence to suggest that the US economy is catching a chill with recent surveys and employment numbers disappointing market expectations. Inflation is non-threatening and with trade tensions continuing to be a major concern there is certainly justification for further “insurance” against a downturn. Nonetheless, Fed officials continue to talk positively about the economy so the upcoming data flow will be key to determining whether the weakness is spreading quickly enough to force the Fed’s hand.

Retail sales will be the focus and strong auto sales should give the headline figure a lift, but falling gasoline prices and softer chain store sales numbers suggest growth elsewhere will be more subdued. Industrial production is also likely to edge lower after posting a strong August figure. Employment in the sector was down and with the ISM manufacturing index in contraction territory the prospects aren’t looking good right now. Housing activity may hold onto recent gains, supported by the plunge in mortgage rates, but overall next week’s data flow is likely to stay consistent with moderating growth. Therefore we wouldn’t be surprised to see market expectations for an October cut, currently priced at a 70% probability, push higher.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 October					
Eurozone	1000	Aug Industrial Production (WDA, YoY%)	-1.4	-	-2.0
Sweden	0500	Sep PES Unemployment Rate	-	-	3.8
Tuesday 15 October					
US	-	Fed's Bullard (0925), Bostic (1400) and Daly (2030) Speak			
Japan	0530	Aug Tertiary industry index (MoM%)	1.2	-	0.1
	0530	Aug F Industrial production - Prel (MoM/YoY%)	-/-	-/-	-1.2/-4.7
Germany	1000	Oct ZEW Current Situation Index	-	-	-19.9
UK	0930	Aug Weekly Earnings (3M avg)	3.9	-	4.0
	0930	Aug Weekly Earnings ex Bonus (3M avg)	3.7	-	3.8
	0930	Aug ILO Unemployment Rate (3M avg.)	3.8	-	3.8
	0930	Aug Employment Change (3M/3M, '0000)	40	-	31
	1330	BOE's Vlieghe Speaks on Monetary Policy in London			
Australia	0130	RBA Oct. Rate Meeting Minutes			
New Zealand	2245	3Q CPI (Q) (QoQ/YoY%)	-/-	-/-	0.6/1.7
Wednesday 16 October					
US	1330	Sep Advance Retail Sales (MoM%)	0.3	0.3	0.4
	1330	Sep Retail Sales ex. Auto and Gas (MoM%)	0.3	0.4	0.1
	1545	Fed's Evans Discusses Economy and Monetary Policy			
	1900	U.S. Federal Reserve Releases Beige Book			
Eurozone	1000	Aug Trade Balance (€bn)	18520	-	18962.2
	1000	Sep F Core CPI (YoY%)	1.0	-	1.0
	1000	Sep CPI (MoM/YoY%)	0.2/0.9	-/-	0.2/0.9
	1600	ECB Chief Economist Lane Speaks in Washington			
UK	0930	Sep CPI (MoM/YoY%)	0.2/1.8	-/-	0.4/1.7
	0930	Sep Core CPI (YoY%)	1.7	-	1.5
Italy	1000	Sep F HICP (YoY%)	-	-	0.3
Canada	1330	Sep CPI (MoM/YoY%)	-/-	-0.3/2	-0.1/1.9
Thursday 17 October					
US	1415	Sep Industrial Production (MoM%)	-0.2	-0.1	0.65
	-	Fed's Evans (1900) and Williams (2120) Speak			
Eurozone	-	ECB Governing Council Member Visco (1900), Knot (2130), De Cos (2200)			
UK	0930	Sep Retail Sales ex Auto Fuel (MoM/YoY%)	0.0/2.9	-/-	-0.3/2.2
	0930	Sep Retail Sales (MoM%/YoY%)	-0.03	-/-	-0.2/2.7
Canada	1330	ADP Canada Releases Sept. Payroll Estimates			
Australia	0130	Sep Employment change ('000)	15	-	34.7
	0130	Sep Unemployment rate (%)	5.2	-	5.3
	0130	Sep Participation rate (%)	66.2	-	66.2
Sweden	0830	Sep Unemployment Rate (%)	-	-	7.1
Friday 18 October					
Japan	0030	Sep National CPI (YoY%)	0.2	-	0.3
	0030	Sep CPI ex-food, energy (YoY%)	0.4	-	0.6

Source: ING, Bloomberg

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Asia week ahead: Recession fears looms

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Source: Shutterstock

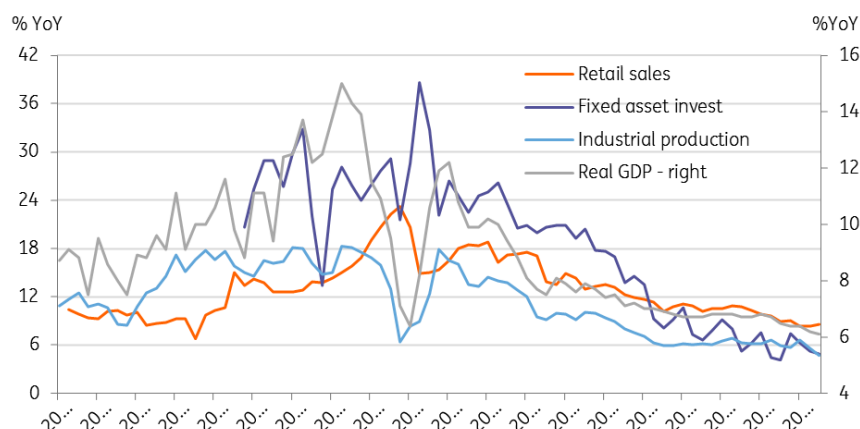
➔ China – steady grinding lower

The outcome of the trade talks will be one of the key drivers for global markets next week, while [delayed US tariff hikes](#) on \$250 billion of Chinese goods from the US also come into effect on 15 October. The situation continues to be tense and hopes of a breakthrough in the near term remain slim as the US seems to be expanding the battlefield beyond trade and technology.

China's September data dump will tell us how all of this is impacting the economy. With such an adverse backdrop, GDP growth is poised to be on a steady downward slope in the third quarter and beyond. A nearly two-decade low industrial production growth, 4.4% in August, would be tantamount to a recession, although that's not reflected by the positive GDP growth as consensus

forecasts 1.5% QoQ SA vs. 1.6% in 2Q. However, the consensus of just a small tick down in annual growth to 6.1% from 6.2% appears to be a tad optimistic.

China: Trade war is taking toll on economy



Source: Bloomberg, CEIC, ING
Quarterly data. ING estimate for 3Q19.

➔ Singapore to start easing cycle

Singapore's advance GDP release for the third quarter arrives on 14 October and it will be accompanied by the central bank's semi-annual monetary policy statement.

It will be another six months before the central bank is due to make a further adjustment, so underdoing it now will only condemn the economy to a longer period of inappropriately tight policy and slow growth. – ING Asia Chief Economist, Rob Carnell

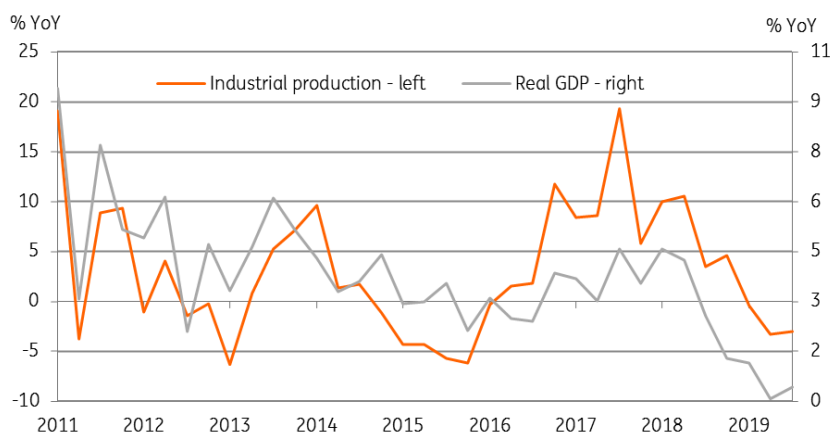
Has the economy bypassed a recession? The consensus median estimate of 1.2% annualised GDP bounce in 3Q from the previous quarter suggests so, though we are sceptical.

On the contrary, persistently weak exports and manufacturing data suggests another quarter of negative GDP growth (following -3.3% QoQ SAAR in 2Q) is more likely than not.

Indeed, the economy needs policy support and no doubt the central bank lagging behind its Asian and global peers, will join the easing cycle by cutting the slope of the policy band or even flattening it entirely, implying a zero percent SGD-NEER appreciation, from the current 'modest and gradual' appreciation path.

[Singapore production still falling](#)

Singapore: Manufacturing depresses GDP growth



Source: Bloomberg, CEIC, ING
 Quarterly data. ING estimate for 3Q19.

➔ Korea –BoK needs to ease more

The Bank of Korea will meet next Wednesday, 16 October. The central bank started its easing cycle in July this year with a 25 basis point rate cut and the arguments for more cuts has only become stronger.

The export-led economic slowdown is deepening with the escalation of trade tensions with Japan depressing electronics manufacturing and exports. Extending a streak of double-digit declines to the fourth month, exports contracted by 12% year-on-year in September, with semiconductor persisting to be the weak spot with over 30% fall. While this will be translated into continued GDP growth slowdown, consumer price inflation has also moved into the negative territory in September for the first time ever.

We believe the economy is flirting with a recession and, if so, it makes sense the BoK acts sooner than later. The consensus is solidly supporting a 25 basis point rate cut in the current quarter. There are only two meetings to go before the end of the year. In our view, there are greater odds of a 25bp cut next week rather than at the November meeting.

1.25%

ING forecast of BoK policy rate

A 25bp cut next week

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 October					
China	-	Sep Trade Balance (US\$bn)	-	34.8	34.8
	-	Sep Exports (YoY%)	-	-3.0	-1.0
	-	Sep Imports (YoY%)	-	-6.0	-5.6
India	0730	Sep WPI (YoY%)	1.0	0.8	1.1
	1300	Sep CPI (YoY%)	3.3	3.7	3.2
Singapore	0100	3Q A GDP (Q) (QoQ Ann/ YoY%)	-0.5/0.4	1.2/0.2	-3.3/0.1
	-	Singapore MAS Monetary Policy Statement			
Tuesday 15 October					
China	0230	Sep CPI (YoY%)	-	2.9	2.8
	0230	Sep PPI (YoY%)	-	-1.2	-0.8
India	-	Sep Imports (YoY%)	-9.5	-	-13.45
	-	Sep Exports (YoY%)	-5.0	-	-6.05
	-	Sep Trade deficit (US\$bn)	-12.3	-12.6	-13.4
Indonesia	0500	Sep Exports (YoY%)	-0.8	-	-10.0
	0500	Sep Imports (YoY%)	2.7	-	-15.6
	0500	Sep Trade balance (US\$m)	-198.9	-	85.1
Philippines	-	Aug OCW remittances (YoY%)	3.2	-	7.5
Wednesday 16 October					
South Korea	0000	Sep Unemployment rate (% SA)	3.2	-	3.1
	0200	7-Day Repo Rate	1.25	-	1.50
Thursday 17 October					
Singapore	0130	Sep Non-oil domestic exports (MoM/YoY%)	-6.2/-10.5	-/-	6.7/-8.9
Friday 18 October					
China	0300	Sep Fixed asset investment (YTD, YoY%)	-	5.5	5.5
	0300	Sep Industrial Production (YoY%)	-	5.0	4.4
	0300	Sep Retail Sales (YoY%)	-	7.8	7.5
	0300	3Q GDP (Q) (QoQ SA/YoY%)	-/6.1	1.5/6.1	1.6/6.2

Source: ING, Bloomberg, *GMT

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Key events in EMEA and Latam next week

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Source: Shutterstock

✓ Poland: Industrial production to pick up

We expect industrial production to accelerate from -1.3% in August to 4.1% in September, close to the market consensus (4.7%). Seasonally-adjusted figures also point to a recovery. The weak August performance was partially related to the disruption of oil refining and transportation from Belarus, and technical breaks in production in the automotive sector. While those factors will not feed into the September numbers we do expect to witness relatively poor production in metallurgy and other branches closely related to the construction sector.

September labour market data should be relatively stable. We expect a modest increase in wages to 7.1% year-on-year and wage growth should remain stable throughout the fourth quarter. The next significant impulse will be related to a 15.6% increase in the minimum wage in January. In our view, this should boost overall enterprise wages by 1.5 percentage points.

✓ Russia: A multitude of fresh data this week but the dilemma remains

A set of macro data for Russia should indicate some pick-up in industrial output growth thanks to

an acceleration in budget spending towards year-end, as well as a favourable calendar effect. Consumer spending should remain modest, though it is unlikely to be pivotal for the upcoming key rate decision later in October, as monthly retail trade data does not cover the fast-growing e-commerce segment and can underestimate the strength of consumption. The central bank faces a dilemma between cutting interest rates for a fourth straight time due to the underperformance in inflation and taking a pause amid global uncertainties and an acceleration in budget spending. This quandary is likely to persist until 25 October.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Thursday 10 October					
Kazakhstan	-	Sep Industrial Production (YoY%)	-	-	6.9
Monday 14 October					
Turkey	0800	Aug Industrial Production (MoM/YoY%)	-0.5	-/-	4.3/-1.2
Poland	1300	Aug C/A (€mn)	-929	-555	-814
	1300	Aug Trade Balance (€mn)	-556	-376	-376
	1300	Aug Exports (€bn)	17.6	17.5	19.2
	1300	Aug Imports (€bn)	18.2	18.1	19.6
Czech Rep	0900	Aug C/A (CZKbn)	-	-	-27.0
Romania	0700	Aug Industrial Production (MoM/YoY%)	-/-	-/-	-3.3/-6.4
	-	Aug C/A YTD (€mn)	-	-	-6025
Bulgaria	0900	Sep CPI (MoM/YoY%)	-/-	-/-	0.1/2.9
Croatia	1000	Aug Tourism arrivals (YoY%)	-	-	-0.1
Tuesday 15 October					
Turkey	0800	Jul Unemployment Rate (%)	-	-	13.0
Poland	0900	Sep F CPI (YoY%)	2.6	2.6	2.6
Israel	1630	Sep CPI (MoM/YoY%)	-/-	-/-	0.2/0.6
Wednesday 16 October					
Russia	1400	Sep Industrial Production (YoY%)	4.0	3.2	2.9
Poland	1300	Sep Core Inflation (YoY%)	2.3	2.3	2.2
Czech Rep	0800	Sep PPI (Industrial) (MoM/YoY%)	-/-	-/-	0.1/2.1
South Africa	1200	Aug Retail Sales (MoM/YoY%)	-/-	-/-	0.2/2.0
Thursday 17 October					
Russia	1400	Sep Real wages (YoY%)	2.8	3.4	3.0
	1400	Sep Retail Sales (YoY%)	1.0	1.0	0.8
	1400	Sep PPI (MoM/YoY%)	-/-	0.1/-0.3	-0.6/0.3
Poland	0900	Sep Avg Gross Wages (YoY%)	7.1	7.1	6.8
	0900	Sep Employment (MoM/YoY%)	2.6	2.6	2.6
	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
Friday 18 October					
Poland	0900	Sep Industrial Output (YoY%)	4.1	4.7	-1.3
	0900	Sep PPI (YoY%)	0.5	0.5	0.7
Serbia	-	Aug C/A (€mn)	-	-	-291.7

Source: ING, Bloomberg

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