

Our view on next week's key events

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In this bundle



Key events in developed markets next week

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By James Knightley, Bert Colijn and 2 others



Asia week ahead: Trade ends 2018 on a weaker note

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By Peter Virovacz and Valentin Tataru

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Source: Shutterstock

US: Calmer Heads

The second week of trading in 2019 has seen less volatility following soothing words from Fed Chair Jerome Powell and a stellar US jobs report, both which helped ease fears that the US economy's bull run will soon come to an end. Positive sentiment regarding the US-China trade talks has also been supportive for risk appetite, while policy easing from the Peoples' Bank of China has reminded us that policymakers are alive to the risk of a downturn.

The coming week will see more Federal Reserve officials make appearances, and the message is likely to continue signalling a pause in the Fed's policy tightening path in 1Q, though officials will probably remain upbeat on the US's economic prospects. This should be apparent in the data too, although the ongoing partial government shutdown will reduce the number of releases.

Retail sales will be published but given the Census Bureau is effectively shut for business, this risks being delayed. If published, headline sales will be depressed by the plunge in gasoline prices, but aside from this, the story should be strong given firm car sales and rising real incomes. Industrial production, published by the Federal Reserve, is set to be released. We suspect manufacturing output held up well, but that mining output will have been impacted by reduced drilling resulting from the plunge in oil prices since October. Taking this all together, we suspect it is consistent with

the economy having expanded at around a 2.5% annualised pace in the final quarter of the year.

✔ Little signs for a eurozone growth comeback

Industrial data from France and Germany has been dismal for November and we expect the same for the eurozone as a whole. That would confirm a picture of a weak industrial sector that does not show many signs of a bounce back in economic growth.

✔ Germany: Any hope for a fourth quarter rebound?

The most interesting release next week will be the first estimate for annual GDP growth in 2018, which will also include a first 'guestimate' for growth in the fourth quarter. Latest data releases have dented hopes for a quick rebound of the German economy after a disappointing third quarter.

✔ UK MPs set to vote down Theresa May's Brexit deal

On Tuesday, Theresa May's Brexit deal will finally be put to members of Parliament (MPs) to vote upon, and as things stand, it looks set to be defeated by a fairly heavy margin. If that happens, the Prime Minister will have three days to bring forward a new plan, and at this point, MPs will get a say on what direction to take. The Labour Party has also suggested it will put forward a vote of no confidence in the government, in the hope of triggering an election.

Nobody really knows exactly where the next couple of weeks will take us, but time is running out and an extension to the Article 50 process looks increasingly likely. [Find out more here.](#)

✔ Swedish inflation data and another vote in parliament

We expect headline inflation in December to remain around the 2% target, while core inflation will remain well short at 1.4%. Over the coming months, headline inflation is likely to fall back further as the recent drop in energy prices feeds through. Core inflation meanwhile may edge up a little over the first half of the year, but looks unlikely to reach 2% anytime soon as wage growth remains anaemic.

At the same time, the political impasse in the Swedish parliament is set to end one way or another. Parliament is set to vote on a new government on Wednesday. If that vote is unsuccessful, another final vote will take place the following week, and if that also doesn't yield a new government then new elections will take place, most likely at the end of March or early April. Over the holidays, the two main candidates (Social Democrat Stefan Lofven and Conservative Ulf Kristersson) both sought the support of the two centrist parties holding the deciding votes, but as yet, neither appear to have reached a deal. It remains unclear which, if any, side the centrists will choose, so all three outcomes (centre-left government, centre-right government, or new elections) remain on the table.

✔ Canada: Energy prices will weigh (again) on December's headline inflation

Headline inflation in December should be pulled lower by weaker energy prices, though the drop won't be as large as that seen in November. Average prices (USD/bbl) for both Brent and Western Texas Intermediate (WTI) were lower in the last month of 2018, but the price decline wasn't as

sharp compared to what we saw in November.

With oil production cuts in Alberta – which helped double the average price (USD/bbl) of Western Canadian oil in December, we should see headline inflation down only slightly (0.1%) on the month.

We've revised down our annual CPI projection for 2018 to 2.2%, due to lower-than-expected inflation in the later months of 2018.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 January					
Eurozone	1000	Nov Industrial Production (YoY%)	-1.4	-	1.2
Australia	0000	Jan CPI Expectations (YoY%)	-	-	4.0
Sweden	0500	Dec PES Unemployment Rate	-	-	3.6
	0500	Maklarstatistik Swedish Housing Price Data			
	0730	SEB Swedish Housing-Price Indicator			
	0830	Dec CPI (MoM/YoY%)	0.3/2.0	-/-	-0.1/2.0
	0830	Dec CPIF (MoM/YoY%)	0.4/1.4	-/-	-0.1/2.1
Tuesday 15 January					
US	1630	Fed's Kashkari Speaks on Regional Economy in Minnesota			
	1800	Fed's George Speaks on Economy and Monetary Policy Outlook			
	1800	Fed's Kaplan Speaks in Plano, Texas			
Japan	2350	Nov Core Machine Orders (MoM/YoY%)	-2.1/-2	-/-	7.6/4.5
	2350	Dec PPI (MoM/YoY%)	0.0/2.1	-/-	-0.3/2.3
Eurozone	1000	Nov Trade Balance (€bn)	12560.0	-	12485.8
	1500	ECB's Draghi Presents 2017 Annual Report in Strasbourg			
Germany	0900	2018 GDP (YoY%)	1.50	-	2.2
Spain	0800	Dec F HICP (MoM/YoY%)	-/-	-/-	-0.5/1.2
N. Zealand	2100	Government 5-Month Financial Statements			
Wednesday 16 January					
US	1330	Dec Advance Retail Sales (MoM%)	0.2	0.3	0.2
	1330	Dec Retail Sales ex. Auto and Gas (MoM%)	0.4	-	0.5
	1900	U.S. Federal Reserve Releases Beige Book			
	2330	Fed's Kashkari Speaks on Panel About Financial Crisis			
Japan	0430	Nov Tertiary Industry Index (MoM%)	-0.7	-	1.9
Germany	0700	Dec F CPI (MoM/YoY%)	0.1/1.7	-/-	0.1/1.7
UK	0930	Dec CPI (MoM/YoY%)	0.2/2.1	-/-	0.2/2.3
	0930	Dec Core CPI (YoY%)	1.9	-	1.8
Italy	1000	Dec F HICP (YoY%)	-	-	1.2
Sweden	0845	Riksbank's Skingsley Gives Speech			
Thursday 17 January					
Japan	2330	Dec National CPI (YoY%)	0.4	-	0.8
	2330	Dec CPI ex. Food and Energy (YoY%)	0.8	-	0.3
Eurozone	1000	Dec F Core CPI (YoY%)	1.0	-	1.0
	1000	Dec CPI (MoM/YoY%)	0.0/1.6	-/-	0.0/1.6
	1100	ECB's Lautenschlaeger Speaks in Dublin			
UK	0930	Bank of England Credit Conditions & Bank Liabilities Surveys			
Australia	0030	Nov Home Loans (MoM%)	-	-	2.2
Friday 18 January					
US	1405	Fed's Williams Speaks on Economic Outlook and Monetary Policy			
	1415	Dec Industrial Production (MoM%)	0.3	0.3	0.61
	1500	Jan P U. of Mich. Sentiment Index	95.0	96.0	98.3
	1600	Fed's Harker Speaks Symposium on Prosperity			
Japan	0430	Nov F Industrial Production, Prel (MoM/YoY%)	1.2/-0.9	-/-	-1.1/1.4
UK	0930	Dec Retail Sales ex. Auto Fuel (MoM/YoY%)	-0.5/4.1	-/-	1.2/3.8
	0930	Dec Retail Sales (MoM/YoY%)	-0.5/3.9	-/-	1.4/3.6
Italy	0900	Italy FinMin Tria, Bank of Italy Governor Visco Speak at Event			
Canada	1330	Dec CPI (MoM/YoY%)	-0.1/2.0	-/-	-0.4/1.7
Sweden	0500	Valueguard Swedish Home-Price Data			

Source: ING, Bloomberg

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Asia week ahead: Trade ends 2018 on a weaker note

So far, the December data out from the region has indicated that 2018 has ended on a weaker note for Asian trade. The message from the raft of trade data...



Source: Shutterstock

➔ Trade data dominates calendar

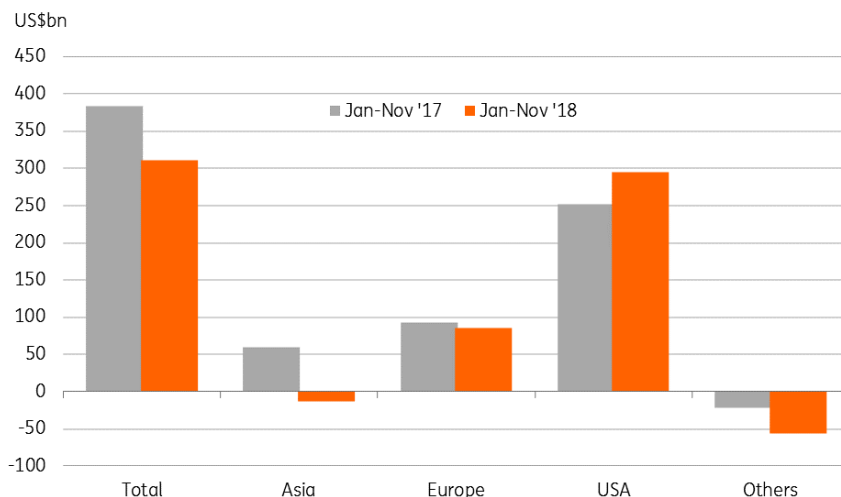
The week kicks off with trade data from China, followed by India, Indonesia, and Singapore.

Given that both, Korea and Taiwan posted negative export growth numbers last month, we can infer that the consequences of the US-China trade war are slowly working their way through the regional and expect upcoming trade releases to reinforce the impact.

Undoubtedly, China data will be watched closely as the latest round of trade talks have ended on a

positive note but without much material progress. Will there be anything in this report to cheer President Trump? Nothing really at all. Judging by China's ongoing widening trade surplus - one month's figures aren't going to make any dent. China's trade surplus with the US surged 17% in the first 11 months of 2018 from a year ago even as the total trade surplus was 19% lower on the year.

China's swelling trade surplus with the US



Source: CEIC, ING

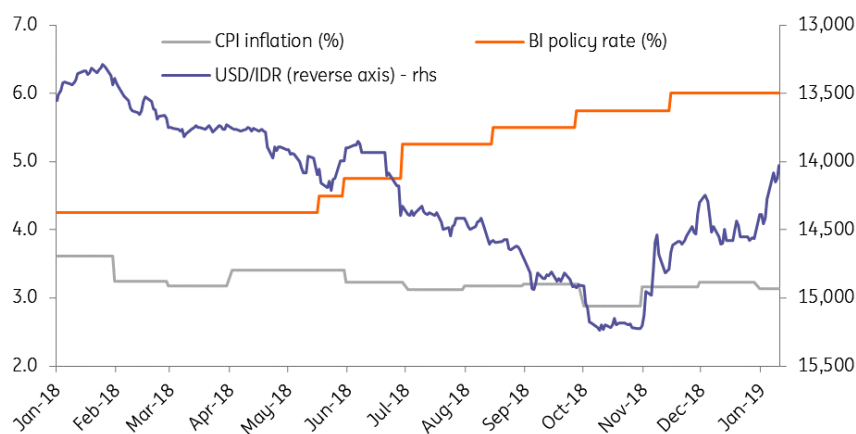
➔ Indonesian central bank to leave policy on hold

Indonesia's central bank will meet next week (17 January), and we expect another pause this month after the Bank paused tightening in December following a cumulative 175 basis point hike since last May.

The central bank's tightening was mostly geared toward supporting the currency during the emerging market volatility spikes, while inflation had been well-behaved. 2019 has started on a positive note for the Indonesian rupiah with 1.9% appreciation against the USD so far - the most among the Asian lot, warranting no change to the policy. However, the elevated trade deficit reinforces the currency's continued vulnerability to potential emerging market routs and the increased political risks domestically.

We don't think the central bank's tightening cycle has ended just yet, which is why we forecast one more 25bp hike to 6.25% later in the current quarter before a lasting policy pause.

Indonesia's tightening cycle isn't over just yet



Source: Bloomberg, ING

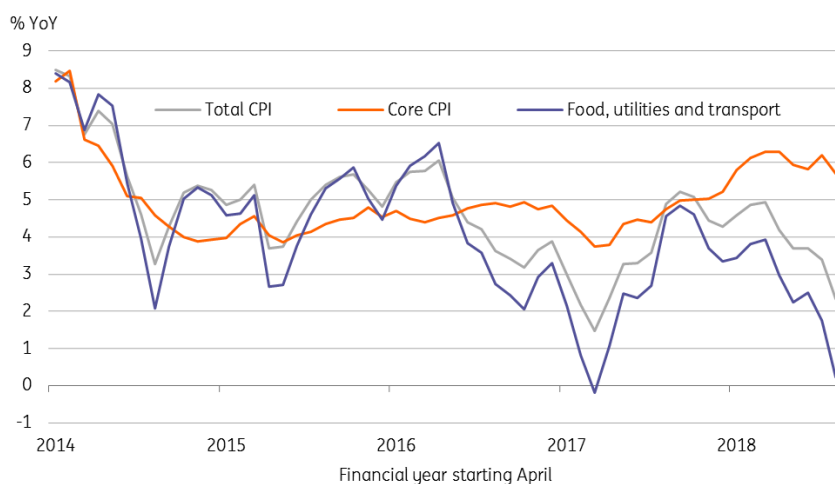
➔ No respite for the Indian rupee

Like Indonesia, India's high trade deficit hangs over the Indian rupee. But unlike the rupiah, the rupee retains its position of Asia's most underperforming currency coming into 2019. And there is nothing in the forthcoming economic data altering this state of affair.

Under the new governor, the central bank of India has upped its ante towards monetary easing to boost growth as the government wants before the elections in May this year. The consumer price data continues to be friendly for such a policy shift; we estimate CPI inflation to nudge further downwards to 2.2% year-on-year on lower food and energy prices in December.

We have now come to the view that the central bank will keep rates on hold throughout 2019, revised from our earlier view of two 25bp rate hikes in the second half of 2019. However, we won't be surprised by a cut either, given the odds of such a move before elections have now increased. We continue to see the rupee trading up to the 73 levels against the USD in this current quarter.

India: Sharp deceleration in food and energy inflation



Source: CEIC, ING

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 14 January					
China	-	Dec Trade Balance (US\$bn)	59.7	51.1	44.7
	-	Dec Exports (YoY%)	2.6	2.0	5.4
	-	Dec Imports (YoY%)	0.0	4.0	3.0
India	0630	Dec WPI (YoY%)	4.5	4.5	4.6
	1200	Dec CPI (YoY%)	2.2	2.2	2.3
Tuesday 15 January					
India	-	Dec Trade Deficit (US\$bn)	-16500.0	-14500.0	-16670.7
	-	Dec Exports (YoY%)	4.8	-	0.8
	-	Dec Imports (YoY%)	7.0	-	4.3
Indonesia	0400	Dec Exports (YoY%)	0.1	-	-3.3
	0400	Dec Imports (YoY%)	6.3	-	11.7
	0400	Dec Trade Balance (US\$mn)	-2010.0	-	-2050.0
Philippines	-	Nov OCW Remittances (YoY%)	5.3	-	8.7
Thursday 17 January					
Indonesia	-	BI Policy Decision (7-day reverse repo, %)	6.0	-	6.0
Singapore	0030	Dec Non-oil Domestic Exports (MoM% SA)	-4.4	-	-4.2

Source: ING, Bloomberg, *GMT

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Key events in EMEA and Latam next week

In EMEA and Latam next week, the shine may be taken off strong Polish production figures due to weaker wage growth. The recent decline in oil prices will...



Source: Shutterstock

✓ Poland: Solid production, weak wages

The final CPI reading for December should confirm low 1.1% year-on-year growth. Core inflation likely fell by another 0.1 percentage point to 0.6% YoY. We also expect solid industrial production in December (7.3% YoY), above local economists' consensus (4.7% YoY). Labour market information should surprise negatively with weaker wages – we expect a drop to 6.7% YoY from 7.7%.

✓ Hungary: Low oil prices to pull down headline CPI - again

The only - but still key, data release from Hungary is the December inflation reading. After a huge drop last time, we see the headline inflation rate falling to 2.7% YoY. The main reason behind the expected drop is the significant decrease in fuel prices. Still, we expect core inflation to increase to 2.8% YoY, mainly on the back of services.

✓ Romania: CPI to end 2018 within National Banks' target band

Helped by oil prices and a stable currency, the National Bank of Romania (NBR) has managed to tame CPI inflation. We expect inflation to end-2018 at 3.2% YoY. This is quite an achievement,

despite benefiting from positive supply-side developments, as the figure stood at 5.4% in mid-2018. We see core inflation little changed at around 2.5%.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 12 January					
Bulgaria	0900	Dec CPI (MoM/YoY%)	-/-	-/-	-0.1/3.1
Sunday 13 January					
Israel	1100	Dec Trade Balance (US\$m)	-	-	-2669.1
Monday 14 January					
Turkey	0700	Nov Industrial Production (MoM/YoY%)	-/-	-/-	-1.9/-5.7
Poland	1300	Nov C/A (€mn)	-814.0	-	-457.0
	1300	Nov Trade Balance (€mn)	-403.0	-	-588.0
	1300	Nov Exports (€)	19523.4	-	20143.0
	1300	Nov Imports (€)	19926.6	-	20731.0
Czech Rep	0900	Nov C/A (CZKbn)	8.0	-	10.0
Romania	0700	Dec CPI (MoM/YoY%)	0.1/3.2	-/-	-0.1/3.4
	0700	Nov Industrial Production (MoM/YoY%)	-/-	-/-	0.1/5.7
	0700	Nov Industrial Sales (MoM/YoY%)	-/-	-/-	8.5/12.9
	-	Nov C/A YTD (€m)	-	-	-7991.0
Kazakhstan	-	Dec International Reserves (US\$bn)	-	-	30.1
South Africa	-	4Q Consumer Confidence	-	6.8	7.0
Tuesday 15 January					
Brazil	1100	Nov Retail Sales (YoY%)	3.0	-	1.9
Turkey	0700	Oct Unemployment Rate (%)	-	-	11.4
Poland	0900	Dec F CPI (MoM/YoY%)	0.0/1.1	-/-	0.0/1.1
Hungary	0800	Dec CPI (MoM/YoY%)	-0.4/2.7	-/-	-0.3/3.1
Romania	1300	National Bank of Romania Publishes Minutes of Rate Meeting			
South Africa	1100	Nov Retail Sales (MoM/YoY%)	-/-	-/-	0.6/2.2
Israel	1630	Dec CPI (MoM/YoY%)	-/-	-/-	-0.3/1.2
Wednesday 16 January					
Turkey	1100	Benchmark Repurchase Rate	-	-	24.0
Poland	1300	Dec Core Inflation (MoM/YoY%)	-0.1/0.6	-/-	-0.1/0.7
Czech Rep	0800	Dec PPI (Industrial) (MoM/YoY%)	-0.3/3.2	-/-	-0.1/3.9
	0800	Nov Export Price Index (YoY%)	-	-	3.1
	0800	Nov Import Price Index (YoY%)	-	-	3.8
Israel	1100	3Q F GDP (QoQ Annualised %)	-	-	2.1
Thursday 17 January					
Russia	1300	4Q P C/A (US\$m)	-	-	27664.0
South Africa	-	Repo Rate (%)	-	-	6.75
Friday 18 January					
Russia	1300	Nov Trade Balance (US\$bn)	-	18.2	19.7
Poland	0900	Dec Avg Gross Wages (MoM/YoY%)	6.9/6.7	-/-	0.9/7.7
	0900	Dec Employment (MoM/YoY%)	0.1/2.8	-/-	0.1/3.0
	0900	Dec Industrial Output (MoM/YoY%)	-7.6/7.3	-/-	-3.6/4.7
	0900	Dec PPI (MoM/YoY%)	-0.8/2.1	-/-	-0.5/2.7
Serbia	-	Nov C/A (€mn)	-	-	-146.0

Source: ING, Bloomberg

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