

Our view on next week's key events

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US: Economic pressures may not be enough to warrant monetary policy change yet

The economic strains from the spike in Covid-19 are becoming increasingly apparent. There was already a loss of momentum in the US November jobs report, but the latest initial claims data suggests the containment measures to try and protect healthcare systems are closing businesses which, in turn, are laying off staff. We should be braced for more bad news on jobs given it is likely that the containment measures and business closures will spread to more and more states.

Consumer confidence is already under pressure as health worries mount and this is prompting a decline in travel, restaurant trips and hotel stays. There is also evidence from high frequency credit and debit card transactions that spending took a downward lurch more broadly in late November. Car sales also fell in the month so we are looking for a soft figure with overall retail sales likely down by around 0.4 percentage points on the month. There could be an even bigger fall in December in the absence of a rapid and aggressive fiscal support programme given the prospect of lower employment and incomes.

Industrial production will hold up better given decent readings from surveys of the sector. There

are significant order backlogs and this should ensure robust production figures this month.

Given this situation, the Federal Reserve will retain a dovish bias and continue to emphasise the need for ongoing fiscal support. With interest rates at record lows and financial conditions extremely loose there is little more the Federal Reserve can do itself. Additional quantitative easing looks unlikely, but they could potentially focus more of their current purchases at the long end of the curve, which would flatten the yield curve. But given the 10Y is still below 1%, there seems little need to do it at this stage.

Brexit: Final push for deal as time runs short

Negotiators have set a deadline for Sunday to agree a deal, but like the number of deadlines that have come and gone so far in the Brexit process, there is a general sense that talks could stretch into next week.

Talks reportedly remain stuck on the issue of level playing field, and specifically what happens if either side decides to tighten up the likes of their labour/environmental standards in future. Prime Minister Boris Johnson has publicly pushed back on the idea that the UK could be open to tariffs should the EU decide to unilaterally increase these standards in the future.

But there are various solutions knocking about, not least reverting to the EU's original proposal for a 'ratchet clause' – the idea that both sides would need to mutually agree to tighter standards, and only then could there be punishment should either side deviate from this new baseline.

The optimistic way of looking at this is that there is a landing zone in sight, but both sides need to signal that they have fought hard for their respective voters. But ultimately time is on nobody's side, and while ratification on both sides of the Channel could happen in the days after Christmas, there is only so long talks can go on.

This poses a challenge for the Bank of England, which meet next week and there's a reasonable chance there will have been no conclusion to talks before their announcement. In reality, we shouldn't expect too much at this point – policymakers have already expanded QE and have flexibility to increase the pace of purchases if needed.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 December					
Sweden	0500	Nov Reg Unemployment Rate	-		8.8
Netherlands	0530	Oct Trade Balance	-		5.796
Portugal	1100	Nov CPI (MoM/YoY%)	-/-	-	-0.3/-0.2
Eurozone	1000	Oct Industrial Production (YoY%)	-2.2	1.5	-6.8
Tuesday 15 December					
US	1415	Nov industrial production (MoM%)	0.4	0.3	0.0
	1415	Nov capacity utilisation (%)	73.1	73.0	72.8
Japan	2350	Nov Exports (YoY%)	-0.5		-0.2
	2350	Nov Imports (YoY%)	-13.0		-13.3
	2350	Nov Trade Balance - adjusted (Yen bn)	447.0		314.3
France	0745	Nov CPI (YoY%) NSA	-		0.2
UK	0700	Oct ILO Unemployment Rate	5.0		4.8
Italy	0900	Nov CPI (EU Norm) Final (MoM/YoY%)	-		0.0/-0.3
Canada	1930	BoC Governor Tiff Mackelm speech			
Australia	2200	Dec Manufacturing PMI Flash	-		56.1
	2200	Dec Services PMI Flash	-		54.9
	2200	Dec Composite PMI Flash	-		54.7
New Zealand	2145	Q3 Current Account - (QoQ/YoY%)	-		1.828/-5.765
Wednesday 16 December					
US	1330	Nov Retail Sales (MoM/YoY%)	-0.4	-0.2	0.3/5.68
	1445	Dec Markit Composite Flash PMI	-		58.6
	1445	Dec Markit Manufacturing PMI Flash	-		56.7
	1445	Dec Markit Services PMI Flash	-		58.4
	1900	FOMC rate decision			
Germany	0830	Dec Markit Manufacturing Flash PMI	56.0		57.8
	0830	Dec Markit Service Flash PMI	45.0		46.0
	0830	Dec Markit Composite Flash PMI	50.0		51.7
France	0815	Dec Markit Manufacturing Flash PMI	-		49.6
	0815	Dec Markit Services Flash PMI	-		38.8
	0815	Dec Markit Composite Flash PMI	-		40.6
UK	0700	Nov Core CPI (YoY%)	1.3	-	1.5
	0700	Nov CPI (YoY%)	0.6	-	0.7
	0930	Dec Flash Composite PMI	50.5		49
	0930	Dec Flash Manufacturing PMI	56.0		55.6
	0930	Dec Flash Services PMI	49.0		47.6
Italy	0900	Oct Industrial Orders (MoM/YoY%) SA	-		-6.4/3.2
	0900	Oct Industrial Sales (MoM/YoY%) SA	-		-3.2/-4.6
Canada	1330	Nov CPI Inflation (MoM/YoY%)	-/-	-	0.4/0.7
	1330	Nov CPI BoC Core (MoM/YoY%)	-		0.4/1.0
New Zealand	2145	Q3 GDP Prod Based (QoQ/YoY%), SA	7.3/-4.2		-12.2/-12.4
Eurozone	0900	Dec Markit Manufacturing Flash PMI	52.5		53.8
	0900	Dec Markit Services Flash PMI	42.5		41.7
	0900	Dec Markit Composite Flash PMI	45.7		45.3
	1000	Oct Total Trade Balance SA	-		24.0
Thursday 17 December					
UK	1200	Dec BOE Bank Rate	0.1		0.1
	1200	Dec Asset Purchase Prog	895		895
Australia	0030	Nov Unemployment Rate (%)	7.1		7.0
	0030	Nov Employment change ('000)	50.0		178.8
	0030	Nov participation rate	63.9		65.8
New Zealand	2145	Nov Imports	-		5.29
	2145	Nov Trade Balance	-		-0.5
	2145	Nov Exports	-		4.78
Japan	2350	Nov CPI (YoY%)	-0.7		-0.4
	2350	Nov CPI ex-food, energy (YoY%)	-0.4		-0.2
Norway	0900	Key Policy Rate	-		0.0
Sweden	0830	Nov Unemployment Rate	-		7.8
Switzerland	0830	Q4 SNB Policy Rate	-		-0.75
Friday 18 December					
US	1330	Q3 Current Account	-195.0	-192.0	-170.5
Japan	-	BOJ Rate Decision	-0.1		-0.1
Germany	0900	Dec Ifo Business Climate New	90.0		90.7
	0900	Dec Ifo Curr Conditions New	89.0		90.0
	0900	Dec Ifo Expectations New	94.0		91.5
UK	0700	Nov Retail Sales (MoM/YoY%)	-4.0/2.3	-	1.2/5.8
Canada	1330	Oct Retail Sales (MoM%)	-		1.1
Eurozone	0900	Oct Current Account SA, EUR	-		25.18

Source: ING, Refinitiv

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Key events in EMEA and Latam next week

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Source: Shutterstock

✓ Hungary: GDP and CPI downward revisions unlikely to be enough for monetary change

The National Bank of Hungary's last rate setting meeting of the year takes place next week and will come with new staff projections. We expect a downward revision to the CPI outlook as actual data has come in well below the central bank's forecast inflation path since September. Moreover, both the domestic and external environment have weakened amid the second wave of Covid-19. We wouldn't be surprised if the NBH downgrades its GDP forecast too. As such, this seems like a perfect time for dovishness, unless it isn't. A sudden dovish turn at year-end when market volumes are thin and the forint is still fragile looks to be too bold a move to make. Against this backdrop, we expect an unchanged monetary policy framework with some implicit hints that the prevailing downside risks in inflation might open the door for a dovish step in 1Q21 such as a reversal of the prior 15bp hike in the 1 week deposit rate.

EMEALatam Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 14 December				
Turkey	700 Oct Industrial Production (MoM/YoY%)	-3.5	-/-	1.7/8.1
Russia	- May Budget Fulfilment	-		0.4
Czech Rep	0900 Oct Current Account Balance	-		32.82
Kazakhstan	0900 Dec Base Interest Rate	-		9.00
Poland	1400 Oct Current Account Balance (€mln)	896		1072
Tuesday 15 December				
Russia	- Nov Industrial Output	-5	-4.8	-5.9
Poland	1000 Nov CPI (YoY%) NSA - final reading	3.0		3.1
Hungary	1300 Dec Hungary Base Rate	0.6		0.6
	1300 Dec O/N Deposit Rate	-0.05		-0.05
	- Hungarian Central bank holds rate setting meeting			
South Africa	0930 Nov PPI (MoM/YoY%)	-/-	-	0.4/2.7
Wednesday 16 December				
Poland	1300 Nov Net Inflation (YoY%)	-		4.2
Croatia	1000 Nov CPI (MoM/YoY%) NSA	-		0.4/-0.1
Thursday 17 December				
Poland	1000 Nov Av. paid employment in enterprise sector (YoY%)	-1.4		-1
Poland	1000 Nov Av. gross wage in enterprise sector (YoY%)	4.4		4.7
Czech Rep	1330 CNB monetary decision	0.25	0.25	0.25
Mexico	1900 Dec Interest Rate	4.25		4.25
Friday 18 December				
Poland	1000 Nov Industrial Output (YoY%)	3.5		1
Russia	1030 Dec Central bank key rate	4.25	4.25	4.25
	- Nov Retail Sales (YoY%)	-3.7	-3.1	-2.4
	- Nov Unemployment Rate	6.3	6.3	6.3
Brazil	1230 Nov Current Account	1.2		1.5
	1230 Nov Foreign Direct Investm't	1.1		1.8

Source: ING, Refinitiv

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Asia week ahead: Central banks in wait-and-watch mode

Another big central bank week in Asia is likely to pass without much action. The record monetary easing unleashed earlier in the year means most central...



Source: Shutterstock

➔ Central banks wait and watch ...

Central banks in China, Japan, Taiwan, Indonesia and the Philippines meet next week, and all of them are expected to leave rates unchanged.

As an informal monthly rite, the People's Bank of China will review the level of one-year medium-term lending facility rate. The last move was a 20 basis point rate cut to 2.95% in April this year and we see it staying there next week. The Bank of Japan will also stay put, following this week's announcement of a \$700 billion economic stimulus package. And, with strong exports helping

the overall economy, Taiwan's central bank has no reason to temper with policy either.

Bank Indonesia's 25 bp policy rate cut on November has reduced the odds of any policy change this month, while the main driver behind the last rate cut - strong currency appreciation, has lost steam this month. In the Philippines, the latest CPI inflation spiked to a 20-month high of 3.3% YoY in November from 2.5% in October has pushed the central bank policy bears out of the game.

➔ ... as the recovery takes twists and turns

China's remaining activity data for November - industrial production, retail sales, fixed-asset investment and home prices will help formulate expectations for growth in the fourth quarter of the year, and we forecast 5.5% YoY. A 21% YoY surge in Chinese exports last month imparts upside risk to our 6% YoY industrial production growth view. Likewise, the 28% YoY jump in industrial profits in October heralds further pick up in investment spending, while record Singles-Day demand boosted retail sales growth.

Elsewhere in Asia, November trade figures dominate the calendar. Export growth accelerated in all three economies that have reported the November data so far including China, Korea and Taiwan, and we imagine the same for the rest of the region. Singapore's non-oil domestic exports may capture more focus following two consecutive months of declines.

The unemployment rate should continue to grind higher in Hong Kong (SAR) and Korea in November as these economies grappled with renewed Covid-19 restrictions.

In India, inflation numbers will be closely monitored as it chokes central bank easing. We might see some slowdown in the key drivers - food and transport prices, though not enough to bring the headline inflation back below the central bank's 6% policy limit. Our forecast for November is 7.1%, down from 7.6% in the previous month.

Finally, it'll be Australia's jobs report for November and New Zealand's 3Q20 GDP data. Some retracement in Aussie jobs growth seems to be in order after an unexpectedly strong 178,000 bounce in October, and, New Zealand GDP should see a significant clawback of a large dip suffered in 2Q.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 December					
China	0200	Nov New home prices (YoY%)	4.3		4.2
India	0630	Nov CPI Inflation (YoY%)	7.1	-	7.6
		Nov WPI Inflation (YoY%)	1.6	1.6	1.48
Tuesday 15 December					
China	0200	Nov Industrial Production (YoY)	6.0		6.9
	0200	Nov Retail Sales (YoY)	3.5		4.3
	0200	Nov Fixed asset investment YTD (YoY%)	2.2		1.8
India		- Nov Trade Deficit (USD bn)	-8.5	-	-8.7
		- Nov Imports (YoY %)	-15		-11.5
		- Nov Exports (YoY %)	-6		-5.1
Philippines		- Oct OCW remittances (YoY%)	-4.3		9.3
Indonesia		- Nov Trade Balance (USD mn)	3123.5		3607
		- Nov Imports (YoY %)	-28.6		-26.9
		- Nov Exports (YoY %)	0.3		-3.3
South Korea	2300	Nov Unemployment Rate	4.3		4.2
Thursday 17 December					
Hong Kong		- Nov Unemployment rate (%)	6.6		6.4
Indonesia		- Dec 7-Day Reverse Repo (%)	3.75		3.75
Singapore	0030	Nov NODX (QoQ/YoY%)	10.5/4.2		-5.3/-3.1
Philippines	0800	Policy Interest Rate (%)	2		2
Taiwan	0800	Q4 Discount Rate (%)	1.125		1.125

Source: ING, Refinitiv, *GMT

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