

Our view on next week's key events

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By James Knightley, James Smith and Charlotte de Montpellier



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By Dmitry Dolgin and Muhammet Mercan

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Source: Shutterstock

✓ US: The Fed is ready to go 'all in'

With it looking increasingly likely that both US GDP growth and headline inflation will plunge into negative territory in 2Q20, the pressure is mounting on authorities to try and provide support for the economy and for those most impacted by Covid-19.

The Federal Reserve has already cut its policy rate by 50 basis point and is expected to imminently test the lower bound of 0-0.25%. There is likely to be some pushback from some officials, but the Fed will also be wary of disappointing those expectations on the basis that it could lead to a tightening of financial conditions that compound the downside risks to growth. The problem is that the Fed hasn't got much ammunition in terms of interest rates so they may prefer to split it with two 50bp moves – one next week and another in April. However, given their massive liquidity injections in response to wild market gyrations, the Fed has signalled it is prepared to go “all in”. Moreover, what benefit would waiting another month provide?

We also have to be open to the risks that the Fed proposes some form of quantitative or credit easing. Indeed, it would make sense to implement targeted liquidity/credit measures in the coming months, similar to what the Bank of England announced on Wednesday, given the possibility of more distress in high yield markets and concerns about access to credit for small - and medium-

sized firms.

We will also get the result of more Democrat primaries in which Joe Biden appears to be moving clear of his progressive rival, Bernie Sanders.

Brexit talks take a pause amid coronavirus

The UK and EU have cancelled their scheduled trade talks for next week, and it is likely that the coronavirus will continue to disrupt face-to-face discussions over the coming weeks.

What does this mean for the prospects of a deal? Well in a way, not much – talks were never realistically going to yield much progress before the summer anyway. But the government is under increasing pressure to apply for an extension to the 11-month transition period to allow for a more realistic timeline. After all, the timeline for talks was already looking ambitious given the time it has taken to strike other free-trade agreements in the past.

For now though, the UK government is resisting such calls and we assume that the transition will end this year, with or without a free-trade deal in place.

Swiss central bank facing another headache

In this period of extreme uncertainty and falling markets, Switzerland's central bank's decision will be closely watched next week.

We know that the SNB regularly intervenes in the markets to push the Swiss franc down and that it would like to continue to do so when necessary, without lowering its interest rates even further. The question now is whether this position is still tenable in the current environment.

Norges Bank's preemptive cut means no further action next week

[Norges Bank has cut rates by 50bp](#), a week ahead of its formal meeting on 19 March. The sharp fall in oil prices, flattening of global interest rate expectations and announcements of staff layoffs by businesses in recent days, all prompted policymakers to act more preemptively.

The new interest rate projection keeps the door open to another 25bp rate cut later in the year, but for now, the central bank looks like it will take a breather at next week's formal meeting. Don't expect too many fresh signals either, given that the majority of its new forecasts were unveiled at the same time as the unscheduled interest rate announcement.

Developed Market Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 14 March					
United States		- Northern Marianas Caucus			
Sunday 15 March					
Japan	2350	Jan Core machine orders (MoM/YoY%)	-/-	-/-	-12.5/-3.5
Monday 16 March					
Italy	0900	Feb F HICP (YoY%)	-	-	0.3
Tuesday 17 March					
US	1230	Feb Advance Retail Sales (MoM%)	0.2	0.2	0.3
	1230	Feb Retail Sales ex. Auto and Gas (MoM%)	0.5	-	0.4
	1315	Feb Industrial Production (MoM%)	0.3	-	-0.3
		- Range of democratic primaries			
Japan	0430	Jan F Industrial production - Prel (MoM/YoY%)	-/-	-/-	0.8/-2.5
	2350	Feb Exports (YoY%)	-	-	-2.6
	2350	Feb Imports (YoY%)	-	-	-3.5
Germany	1000	Mar ZEW Current Situation Index	-	-	-15.7
UK	0930	Jan Weekly Earnings (3M avg)	3.0	-	2.9
	0930	Jan Weekly Earnings ex Bonus (3M avg)	3.1	-	3.2
	0930	Jan ILO Unemployment Rate (3M avg.)	3.8	-	3.8
	0930	Jan Employment Change (3M/3M)	180	-	180
Australia	0030	RBA Minutes of March Policy Meeting			
Wednesday 18 March					
US	1800	FOMC Rate Decision (Upper bound)	0.25	-	1.25
	1830	Powell Holds Post-FOMC Meeting Press Conference			
Japan	2330	Feb National CPI (YoY%)	-	-	0.7
	2330	Feb CPI ex-food, energy (YoY%)	-	-	0.8
Eurozone	1000	Jan Trade Balance (€bn)	19207	-	22213.9
	1000	Feb F CPI (YoY%)	1.2	-	1.2
Canada	1230	Feb CPI (MoM%/YoY%)	0.2/2.0	-/-	0.3/2.4
New Zealand	2145	4Q GDP (Q) (QoQ% SA)	-	-	0.7
	2145	4Q GDP (Q) (YoY%)	-	-	2.3
Japan	2330	Feb CPI (MoM/YoY%)	-	-	0.0/0.7
Thursday 19 March					
Japan	0430	Jan All industry activity index (MoM%)	-	-	0.0
	0300	Policy Rate	-0.1	-	-0.1
		- BoJ 10-year yield target (%)	-	-	0.0
Australia	0030	Feb Employment change ('000)	-	-	13.5
	0030	Feb Unemployment rate (%)	-	-	5.3
	0030	Reserve Bank of Australia Bulletin			
Norway	0900	Deposit Rates	1.00	-	1.00
Switzerland	0830	SNB Sight Deposit Interest Rate	-0.75	-	-0.75
Friday 20 March					
US	1400	Feb Existing Home Sales	5.58	-	5.46
UK	0930	Feb Public Finances (PSNCR)	-	-	-18.8
	0930	Feb PSNB ex Banks (€bn)	-	-	-9.813

Source: ING, Bloomberg

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

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Asia week ahead: Easing to intensify

Central bank meetings dominate next week's economic calendar in Asia. China has stepped forward with a targeted RRR rate cut, the real question for...



Source: Shutterstock

➔ China: A rate cut is on the way

The next batch of Chinese data on industrial production, investment, retail sales and home prices will continue to be scrutinised for the economic impact of Covid-19 in the first two months of 2020. So far, the majority of economic releases have surprised on the downside and we don't think the ones coming up will be any different. But having said that, they should be more reflective of GDP growth in the first quarter. Industrial production growth is a good guide to real GDP growth and the consensus expectation of a record 3% YoY manufacturing contraction in the first two months foreshadows the worst.

The targeted RRR cut on Friday should put enough downward pressure on the interest

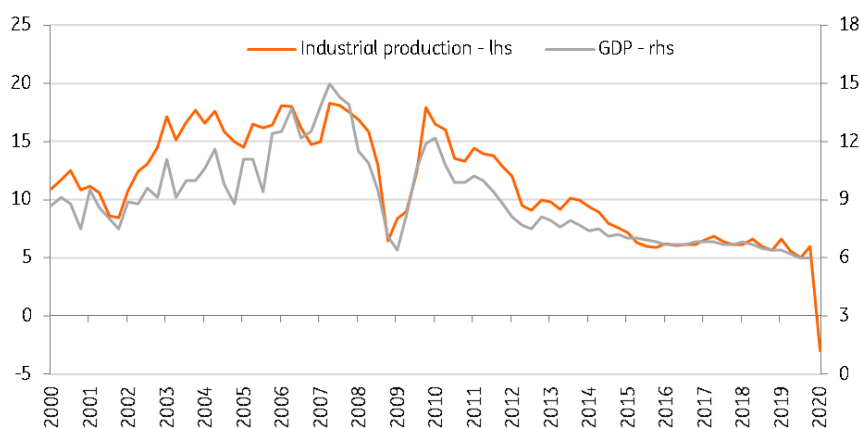
rate, effectively reducing the chance of another rate cut in March, and banks' interest rates for inclusive finance should be lower than lending to bigger corporates. We still think an interest rate cut is coming, though perhaps deferred to April. In total, we expect a 10 basis point cut in 7D reverse repo, 1-year medium lending facility and 1-year loan prime rate in April.

Given that cheaper bank loans do little to alleviate the damage from the coronavirus impact, we believe fiscal stimulus is the way to go.

** Updated on 13/03/20 to reflect recent PBOC moves*

[China's surprisingly restrained loan growth](#)

China: Where GDP growth is headed (% , year-on-year, quarterly data)



Source: Bloomberg, CEIC, ING

Note: -3% YoY Bloomberg consensus of Jan-Feb 2020 industrial production growth.

➔ Intensifying central bank easing elsewhere

Elsewhere in the region, central bank meetings dominate the economic calendar. The question isn't really if they will cut rates, it's really all about by how much?

The Bank of Japan meeting will be interesting after the \$10 billion fiscal stimulus by the government this week. Years of easing with negative policy interest rates have done little to revive demand and reach the 2% inflation goal. Being virtually out of policy ammunition, it's an ongoing struggle to design effective policy moves, especially in these circumstances.

Central banks in Taiwan, Indonesia and the Philippines also meet next week. We expect all of them to be leaning towards policy easing, though our house forecasts suggest such action only by the Philippines central bank and that too by 25bp. We won't be surprised if Indonesia's and Taiwan's central bank join the easing bandwagon and cut rates by more than 25bp.

➔ What else? More trade data

February trade figures are due in India, Indonesia, Japan and Singapore. While these will be

scrutinised for the trade impact of the virus, we won't see the full impact just yet given the pandemic began its rapid spread outside China in late February.

Already released trade data for the month elsewhere in Asia (China, Korea, and Taiwan) is so far a mixed bag. Looking at average export growth in January and February, China's 17% YoY export fall was worse than expected and it compares with 1.3% fall in Korea's exports, while Taiwan's rose by 6.5% in the same months.

We expect the forthcoming data to unfold on a softer side.

Asia Economic Calendar

* Updated 13/03 to reflect recent PBOC moves

Country	Time	Data/event	ING	Survey	Prev.
Monday 16 March					
China	0130	Feb New home prices (YoY%)	-	-	0.27
	0200	Feb Fixed asset investment (YTD, YoY%)	-7	3.5	5.4
	0200	Industrial production (YoY%)	-9	-	6.9
	0200	Retail sales (YoY%)	-8.8	-	8
India	0630	Feb WPI (YoY%)	2.9	-	3.1
		- 4Q Current account balance (Q) (US\$bn)	-	-2.5	-6.254
		- Feb Trade balance (US\$mn)	-11.7	-	-15.2
		- Feb Exports (YoY%)	-4.5	-	-1.7
		- Feb Imports (YoY%)	2.2	-	-0.8
Indonesia	0400	Feb Trade balance (US\$mn)	-864.1	-	-864.2
	0400	Feb Exports (YoY%)	-5.6	-	-3.71
	0400	Feb Imports (YoY%)	-7.2	-	-4.78
Philippines		- Jan OCW remittances (YoY%)	3.7	-	1.9
Tuesday 17 March					
Singapore	0030	Feb Non-oil domestic exports (MoM/YoY%)	-4.3/-8.3	-/-	4.6/-3.3
Hong-Kong	0830	Feb Unemployment Rate	-	-	3.4
Thursday 19 March					
Indonesia	0720	BI policy decision (7-day reverse repo, %)	4.75	-	4.75
Philippines	0800	Overnight Borrowing Rate	3.50	-	3.75
Taiwan		- Benchmark Interest Rate	1.375	-	1.375
South Korea	2100	Feb PPI (YoY%)	-	-	1.0
Friday 20 March					
Taiwan	0800	Feb Export orders (YoY%)	-15.2	-	-12.8
China	0130	Loan Prime Rate 1Y	4.05	-	4.05

Source: ING, Bloomberg, *GMT

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Source: Shutterstock

✓ Russia's central bank to stand still for now

The main local event for the Russian market will be the central bank's key rate decision on 20 March. While some market participants are expecting a hike from the current rate of 6.0%, we believe that holding rates steady, rather than hiking by 25 basis points, would be tightening enough. The current turmoil on the local market has been triggered primarily by the [oil price shock](#), channelled through a contraction in the current account, while the capital account doesn't seem to require additional protection, as:

- Outflows so far have been seen only on behalf of foreign portfolio investors into local state bonds (OFZ), while local participants, including corporates and private individuals have been selling FX assets at USD/RUB levels of around 70-75.
- The Bank of Russia currently has very limited involvement in the FX market, selling around US\$50 million per day, suggesting a low risk of strong pressure from speculative capital flows.
- This episode of market volatility has not generated any speculation of capital controls, pressure on the central bank to make certain monetary policy decisions, or any other factors which in the worst case could have increased pressure on the Russian capital account.

- Global central banks are on a downward rate cycle, and Russia's real rates are already at relatively high levels.
- USD/RUB depreciation seen so far could potentially add **0.5-0.7 percentage points** to the year-end CPI, which would still mean 4.2-4.5%, fairly close to the 4.0% target.

As a result, we consider a flat key rate as a base-case scenario, however in the event of further USD/RUB depreciation (regardless of the reason) toward a much less comfortable 80-85 range, the potential inflationary impact could potentially require the Bank of Russia to respond with emergency measures, the list of which includes a higher key rate, more intense FX sales and purchases of OFZ.

The set of economic activity data, also to be released next week, is likely to show some weakness in Russian industry (largely on statistical and weather-related effects) and among consumers (mostly as a result of suspended inward tourism), but this is unlikely to have any material impact on market sentiment.

Turkey: Central Bank of Turkey set to ease some more

Better-than-expected February inflation signals relatively contained underlying price pressures, and a significant decline in oil prices should be supportive for the inflation outlook, which would be a relief for the Central Bank of Turkey. Accordingly, the bank is likely to maintain a dovish bias and announce additional easing, though unease in financial markets, elevated inflation levels and low real rate buffer will keep it cautious. We expect a 25 basis point cut this month.

Poland: Coronavirus impact isn't in the data yet

We think February activity releases (industrial production, retail sales) will not be relevant for the market. The impact of the coronavirus epidemic should be visible from next month. The overall scale of disruption is likely to surprise analysts – presently there are no reliable gauges that can track consumer purchases in real time.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 15 March					
Israel	1630	Feb CPI (MoM/YoY%)	-/-	-/-	-0.4/0.3
Monday 16 March					
Poland	1300	Jan C/A (€mn)	2563	2563	990
	1300	Jan Trade Balance (€mn)	1134	935	224
	1300	Jan Exports (€mn)	19563	19411	17220
	1300	Jan Imports (€mn)	18429	18476	16996
	1300	Feb Core Inflation (MoM/YoY%)	3.4	3.4	3.1
Czech Rep	0800	Jan Export Price Index (YoY%)	-	-	-1.5
	0800	Jan Import Price Index (YoY%)	-	-	-1.2
	0800	Feb PPI (Industrial) (MoM/YoY%)	-/-	-/-	1.3/2.4
	0900	Jan C/A (CZKbn)	-	-	-14.4
Romania	-	Jan C/A YTD (€m)	-	-	-10478
Kazakhstan	0900	Key Policy Rate (%)	-	-	9.25
Bulgaria	0900	Feb CPI (MoM/YoY%)	0.2/3.9	-/-	0.9/4.2
South Africa	0800	1Q Consumer Confidence	-	-	-7.0
Tuesday 17 March					
Russia	1300	Feb Industrial Production (YoY%)	0.7	1.0	1.1
Croatia	1000	Jan Tourism arrivals (YoY%)	-	-	6.5
Wednesday 18 March					
Russia	1300	Feb PPI (MoM/YoY%)	-/-	0.0/-0.9	0.9/-0.7
Poland	0900	Feb Avg Gross Wages (YoY%)	6.5	6.9	7.1
	0900	Feb Employment (YoY%)	1.1	1.1	1.1
South Africa	0800	Feb CPI (YoY%)	-	-	4.5
	0800	Feb CPI (MoM/YoY%)	-/-	-/-	0.3/3.7
	0800	Feb Core CPI (MoM/YoY%)	-/-	-/-	0.1/-0.4
	1100	Jan Retail Sales (MoM%)	-	-	-3.1
Brazil	-	Selic Rate	4.00	-	4.25
Thursday 19 March					
Turkey	1100	Benchmark Repurchase Rate	10.5	-	10.75
Poland	0900	Feb Industrial Output (YoY%)	2.4	2	1.1
	0900	Feb PPI (YoY%)	0.3	0.3	0.8
	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
Serbia	-	Jan C/A (€mn)	-	-	-530
South Africa	-	Repo rate (%)	-	-	6.25
Israel	-	Mar 12Mth Inflation Forecast (%)	-	-	0.9
Friday 20 March					
Russia	1030	Key Rate (%)	6.00	-	6.00
	1300	Feb Retail Sales (YoY%)	2.2	3.0	2.7
	1300	Jan Real wages (YoY%)	3.6	5.2	6.9
Poland	0900	Feb Retail Sales (YoY%)	6.6	-/-	5.7
Ukraine	-	4Q F GDP (YoY%)	1.5	-	1.5
Croatia	1000	Feb Unemployment Rate (%)	-	-	8.4
	1000	Jan Real Wages (YoY%)	-	-	3.4

Source: ING, Bloomberg

Authors

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

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