

Our view on next week's key events

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By James Knightley, Bert Colijn and 2 others



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Two central bank policy meetings take centre stage in EMEA next week

By Peter Virovacz and Dmitry Dolgin

Article | 14 December 2018

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Source: Shutterstock

✓ US: The Fed's fight

Market expectations for Federal Reserve rate hikes have collapsed in recent weeks. Fears over what escalating trade tensions might mean for growth, falling equity markets, and ongoing criticism from President Trump that rate hikes are stifling his ability to fight China on trade, have all weighed on sentiment.

The economy is set to slow next year as tighter monetary conditions and fading support from the fiscal stimulus feed through, but monetary policy is hardly looking restrictive at this stage. We still look for the economy to expand around 2% versus the 3% rate for 2018. Inflation pressures are building with the tight jobs market generating higher wages while core CPI is now running at 2.2%. Consequently, we expect the Federal Reserve to raise rates 25 basis points on Wednesday and signal further rate hikes are likely.

We currently expect three 25 basis point rate hikes in 2019, although acknowledge that the risks are probably skewed towards a more cautious tightening path from the Fed.

✓ Will December be an exception to the eurozone's poor consumer confidence?

Next week will shed light on how eurozone exports are performing in the fourth quarter as October trade in goods data is due Monday. Industrial production was decent, but with exporters indicating that new orders are declining, exports could once again be in for a slow month.

Consumer confidence has been on a declining trend all year and the question is whether December will be the exception to that rule. Given general concerns about the economic environment, it's more likely that it will be in line with this year's trend.

✓ Underlying strength of German economy through the lens of sentiment indicators...

The latest Ifo index will give a better picture of the underlying strength of the German economy. If the latest slowdown was mainly driven by temporary factors, it should be time for some improvements - at least in the expectations component. Another drop of all components, however, would be a clear signal to further downgrade growth forecasts.

✓ UK data takes backseat as Brexit uncertainty rises

After a turbulent week in UK politics, the focus switches back to the challenge Theresa May faces in getting her deal through Parliament. The government has confirmed that the vote won't take place before Christmas, but EU leaders have made it clear that they are unlikely to budge on the issue of the Irish backstop, so a defeat in the new year still looks highly likely at this stage.

On the data front, we expect inflation to continue to drift back to target as the effect of higher petrol prices begins to fade. Core CPI looks set to remain just below target, but for the Bank of England what really matters here is the recent acceleration in wage growth. This is a key reason why policymakers appear keen to tighten policy further, although given all the noise surrounding Brexit, it's looking increasingly likely that the central bank will remain on hold through the first half of 2019 (and possibly beyond).

✓ Will the Riksbank finally hike?

The key event in the Nordics this week will be the Riksbank meeting on Thursday. The Swedish central bank has delayed hiking rates again and again, but said in September that rates would rise 'in either December or February'. So this meeting is the first opportunity to hike. We think weak inflation over the autumn, the negative 3Q GDP growth and an increasingly gloomy global outlook mean the ever-cautious Riksbank majority, led by Governor Stefan Ingves, will opt to wait until February. But it's a close call, and we don't exclude the possibility that policymakers have a more optimistic assessment of the outlook - or simply want to get the first hike out of the way before the new year!

In addition, the Swedish political drama continues. Parliament has now passed a budget for 2019, with the centre-right Conservatives managing to get through their tax-cutting policies thanks to support from the far-right and abstentions from liberal parties. This will provide a modest fiscal boost for the economy. But the deadlock around government formation remains, and looks likely to persist into 2019 unless an unexpected breakthrough can be found before Christmas.

In Norway, Governor Øystein Olsen's speech on Tuesday will likely provide further detail on Norges Bank's policy stance following the decision to keep rates on hold in December while committing to raising interest rates again in March next year.

Both Canadian inflation and growth will be influenced heavily by commodities

A sharp decline in oil prices dragged down headline inflation in November. Our annual rate forecast is 2.1%, down from 2.4% in October, and this should see consumer prices flat on the month. But this won't be long-term; the outcome of the recent OPEC+ meeting confirmed oil production will be cut, which is positive news for oil prices.

As for Canadian growth, our 0.1% month-on-month October forecast (though healthy) could be better, if it weren't for transportation constraints in Canada's oil industry weighing on both oil extraction and exports.

A glimpse of this can be seen in Canada's trade data: The trade deficit widened to CAD 1.17 billion in October - largely fuelled by a 1.2% fall in exports. And given Canada is a significant exporter of crude, this can partly be put down to the lack of pipeline capacity.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 15 December					
Eurozone	1030	ECB's Draghi Speaks in Pisa, Italy			
Monday 17 December					
Eurozone	1000	Oct. Trade Balance (€bn)	15256.6	-	13414.5
	1000	Nov. F Core CPI (YoY%)	1.0	-	1.0
	1000	Nov. F CPI (MoM/YoY%)	-0.2/2	-/-	-0.2/2.0
Tuesday 18 December					
Japan	2350	Nov. Exports (YoY%)	-0.6	-	8.2
	2350	Nov. Imports (YoY%)	2.0	-	19.9
Germany	0900	Dec. IFO Business Climate	102.0	-	102.0
	0900	Dec. IFO Expectations	99.1	-	98.7
	0900	Dec. IFO Current Assessment	105.00	-	105.4
Australia	0030	RBA Dec. Meeting Minutes			
Norway	-	Norges Bank Governor Olsen Speaks in Oslo			
Switzerland	0645	SECO Dec. 2018 Economic Forecasts			
Portugal	-	Bank of Portugal Releases Dec. Economic Bulletin			
Wednesday 19 December					
US	1500	Nov. Existing Home Sales	5.16	5.2	5.2
	1900	FOMC Rate Decision (Upper bound)	2.5	2.5	2.25
	1930	Fed's Powell Holds Press Conference Following FOMC Decision			
UK	0930	Nov. CPI (MoM/YoY%)	0.2/2.3	-/-	0.1/2.4
	0930	Nov. Core CPI (YoY%)	1.8	-	1.9
Canada	1330	Nov. CPI (MoM/YoY%)	0.0/2.1	-/-	0.3/2.4
N. Zealand	2145	3Q GDP (Q) (QoQ, SA/YoY%)	-/-	-/-	1.0/2.8
Sweden	0800	Dec. Economic Tendency Indicator	105.0	-	106.7
Thursday 20 December					
Japan	0430	Oct. All Industry Activity Index (MoM/YoY%)	1.0/-	-/-	-0.9/1.4
	2330	Nov. CPI (YoY%)	0.8	-	-
	2330	Nov. CPI ex. Food, Energy (YoY%)	0.4	-	0.4
	2350	BoJ 3Q Money Flow			
	-	Policy Rate	-0.1	-	-0.1
	-	BoJ 10-Year Yield Target (%)	-	-	0.0
UK	0930	Nov. Retail Sales ex. Auto Fuel (MoM/YoY%)	0.2/2.3	-/-	-0.4/2.7
	0930	Nov. Retail Sales (MoM/YoY%)	0.2/1.8	-/-	-0.5/2.2
	1200	BoE Policy Rate	0.75	-	0.75
Australia	0030	Nov. Employment Change ('000)	26.0	-	32.8
	0030	Nov. Unemployment Rate (%)	5.0	-	5.0
Sweden	0830	Riksbank Interest Rate	-0.5	-	-0.5
Friday 21 December					
US	1330	3Q T GDP (QoQ Annualised %)	3.5	3.5	3.5
	1330	Nov. P Durable Goods Orders (MoM%)	2.2	2.0	-4.3
	1330	Nov. P Durable Goods Orders ex. Transport (MoM%)	0.3	0.3	0.2
	1500	Dec. F.U. of Mich. Sentiment Index	97.5	97.5	97.5
Eurozone	1500	Dec. A Consumer Confidence	-4.1	-	-3.9
UK	0930	Nov. PSNB ex. Banks (£bn)	-	-	8.82
	0930	Nov. Public Finances (PSNCR)	-	-	-3.346
	0930	3Q F GDP (QoQ/YoY%)	0.6/1.5	-/-	0.6/1.5
Canada	1330	Oct. GDP (MoM/YoY%)	0.1/2.1	-/-	-0.1/2.1
	1500	Bank of Canada Business Outlook Survey			
Norway	0900	Dec. Unemployment Rate	-	-	2.3
	0730	Norway Releases Borrowing Estimates for First Quarter			
Sweden	0830	Nov. Retail Sales ex. Fuel (MoM/YoY%)	-/-	-/-	-1.1/-0.1

Source: ING, Bloomberg

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Asia week ahead: Will Thailand tighten?

Central bank meetings and trade data dominate the calendar next week. But the key question is whether Thailand's central bank tightens policy again



Source: Shutterstock

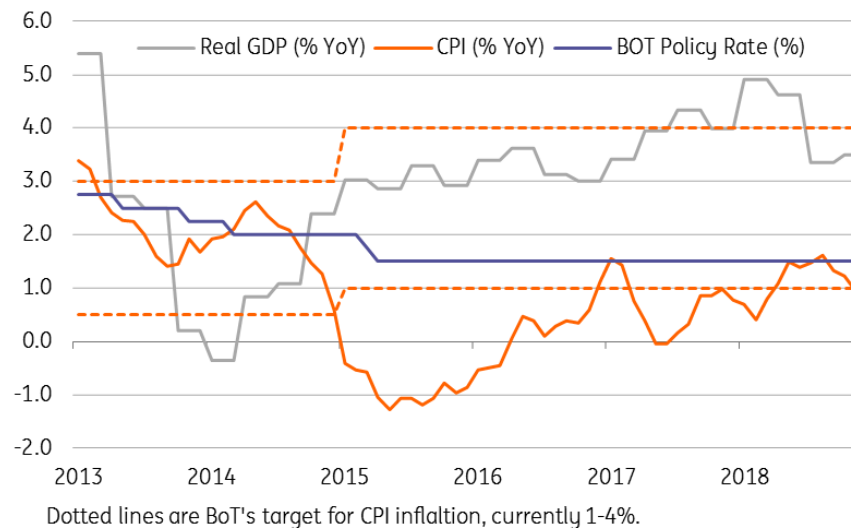
An interesting Thai central bank meeting

Central banks in Japan, Taiwan, Indonesia, and Thailand hold their monetary policy meetings. While the first three are widely expected to leave policies unchanged, the odds of the Thai central bank seem to be balanced between staying on hold and a 25 basis point hike next week.

Thailand's economy doesn't need higher interest rates, but the central bank may want to create some policy cushion for the economy if growth takes a further hit. Still, we believe the Bank of Thailand has missed the boat. Growth has already started to slow down and inflation has dipped below 1% - not really the right time to change policy.

Elsewhere, consolidation of the Indonesian rupiah in November after a heavy sell-off earlier in the year gives some stability to the central bank after a total of 175bp rate hikes since May this year. And there are no real economic grounds for Japan and Taiwan's central bank to change policies just yet, maybe not until we're in the new year.

Thailand: Balance of risks tilted towards growth



Source: Bloomberg, ING

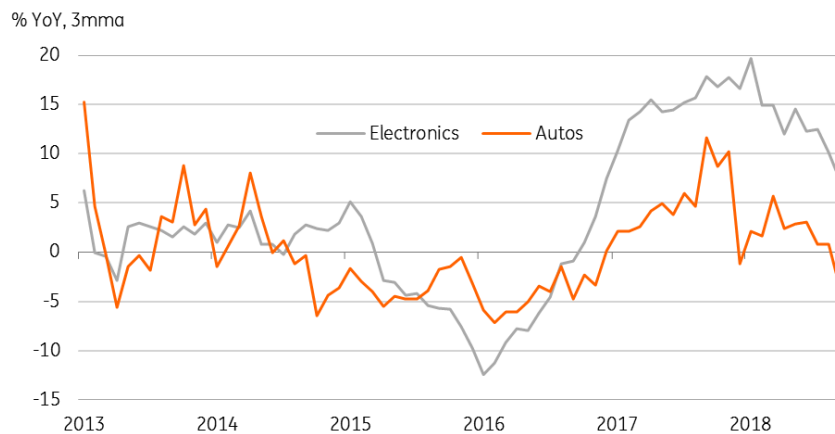
And lots of trade data

November trade releases from Japan, Indonesia, Singapore, and Thailand will be in focus for any trade war impact. The impact is becoming apparent, slowly but surely, as we've seen from weak November exports from northeast Asia including China, Korea, and Taiwan.

Besides the US-China trade war, a potential downturn in global electronics foreshadowed by the recent sell-off in electronic stocks also weighs on regional exports. Electronic exports from Korea are still growing on an annual basis, but those from Japan, Singapore, and Thailand have either been flat or declining. Not only electronics, but weak automobile demand has been an added drag on Japan's and Thailand's exports.

Indonesia's persistent trade deficit remains the main negative for the rupiah. However, if materialised, the expectation of some narrowing of deficit to \$1.6bn in November from \$1.8bn in October should be some relief for the central bank.

Asia: Electronics and automobile exports are weakening



Source: CEIC, ING

Aggregate electronics exports from Japan, Korea, Taiwan, Singapore, Malaysia and Thailand; automobile exports from Japan, Korea and Thailand.

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 17 December					
Indonesia	0400	Nov. Exports (YoY%)	2.9	-	3.6
	0400	Nov. Imports (YoY%)	11.4	-	23.7
	0400	Nov. Trade balance (US\$m)	-1619	-	-1819.9
Philippines	-	Oct. OCW Remittances (YoY%)	3.2	-	2.3
Singapore	0030	Nov. Non-oil Domestic Exports (MoM/YoY%)	4.7/5.5	-/-	4.2/8.3
Tuesday 18 September					
Hong Kong	0830	Nov. Unemployment Rate, SA	2.9	-	2.8
Wednesday 19 December					
Malaysia	0400	Nov. CPI (YoY%)	0.5	-	0.6
Thailand	0705	Benchmark Interest Rate	1.5	1.75	1.5
	-	Nov. Exports (Cust est, YoY%)	3.4	-	8.7
	-	Nov. Imports (Cust est, YoY%)	9.8	-	11.2
Thursday 20 December					
Indonesia	-	BI Policy Decision (7-day reverse repo, %)	6.0	-	6.0
Taiwan	0800	Nov. Export Orders (YoY%)	2.0	-	5.1
	-	Benchmark Interest Rate	1.375	-	1.375
South Korea	2100	Nov. PPI (MoM/YoY%)	-12.0	-/-	-0.4/2.2
Hong Kong	0830	Nov. Composite CPI (YoY%)	2.5	-	2.7
Friday 21 December					
Malaysia	0700	Forex Reserves, Month-end (US\$bn)	-	-	102.0

Source: ING, Bloomberg, *GMT

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Key events in EMEA and Latam next week

Two central bank policy meetings take centre stage in EMEA next week



Source: Shutterstock

✓ National Bank of Hungary meets for last time this year

The key event next week is undoubtedly the last rate-setting meeting of the National Bank of Hungary (NBH) in 2018. The recent significant drop in headline inflation from 3.8% year-on-year to 3.1% YoY, and the roughly unchanged core inflation at 2.6% YoY, is likely to be interpreted by the central bank as a clear justification they need to maintain loose monetary policy - there is nothing to fear from a price pressure point of view.

We see a possibility that the NBH will up its GDP forecast in its Inflation Report. As for the inflation outlook, the drop in oil prices might result in a downward revision to headline inflation, but as core inflation is still above the previous NBH forecast, we see a slight chance that the central bank will alter its view on the core readings.

✓ Russian activity data not as stimulating as it seems?

Russian activity data for November to be released next week will be statistically supported by a low base effect. We expect to see 3.5% YoY industrial output growth and a 2.0% YoY increase in retail trade - amid decelerating salaries growth and accelerating inflation.

The surprisingly high current account surplus - \$16 billion reported for November- despite the drop in oil prices, suggests a significant drop in imports, too. The actual activity in Russia remains uninspiring.

Czech National Bank on hold but calls for a hike could mount

We believe the Czech National Bank (CNB) will remain on hold next Thursday. Although the Czech koruna (CZK) remains weaker when compared with the CNB's expectations for 4Q18 - which could lead to a possible debate over rate hikes, the majority of board members are likely to acknowledge some recent data weakness. It's also worth noting that CZK weakness could be put down to the end-of-year bias, and payments into the resolution fund.

Governor Jiří Rusnok in a later interview reported that he would prefer not to hike until next year because of this end-of-year effect that current data may be exposed to. As such, we expect the next rate hike to come at the beginning of February, when the CNB board will have a new forecast in hand.

Poland: Fourth quarter growth to be moderate

We expect industrial output growth of 4% YoY, down from the 7.4% YoY seen previously, though retail sales should still be decent at 7.8% YoY. The overall slowdown of activity in the fourth quarter should be moderate, despite the weaker performance of Western European economies. We forecast 4Q GDP at 4.6% YoY vs. 5.1% a quarter ago.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 16 December					
Hungary	2300	Dec. Economic Sentiment	8.2	-	7.5
	2300	Dec. Business Confidence	15.0	-	14.4
	2300	Dec. Consumer Confidence	-11.3	-	-12.1
Monday 17 December					
Russia	-	Nov. Industrial Production (YoY%)	3.5	3.5	3.7
Turkey	0700	Oct. Industrial Production (MoM/YoY%)	-/-1.5	-/-	-2.7/-2.7
	0700	Sep. Unemployment Rate (%)	-	-	11.1
Poland	1300	Nov. Core Inflation (MoM/YoY%)	0.0/0.7	-/-	0.3/0.9
	-	Nov. Budget Perf. (YTD)	-	-	2.1
	-	Nov. Budget Level (YTD)	-	-	6476.3
Czech Rep	0800	Nov PPI (Industrial) (MoM/YoY%)	-0.3/3.7	-/-	0.7/3.9
	0800	Oct. Export Price Index (YoY%)	-	-	1.4
	0800	Oct. Import Price Index (YoY%)	-	-	2.4
Tuesday 18 December					
Russia	-	Nov PPI (MoM/YoY%)	-/-	1.0/16.9	3.3/16.9
Poland	0900	Nov. Avg. Gross Wages (MoM/YoY%)	0.4/7.2	-/-	3.1/7.6
	0900	Nov. Employment (MoM/YoY%)	0.1/3.0	-/-	0.0/3.2
Hungary	1300	Policy Rate (%)	0.9	-	0.9
South Africa	0700	Oct. Leading Indicator	-	-	104.7
Brazil	1000	COPOM Meeting Minutes			
Wednesday 19 December					
Russia	1300	Nov. Retail Sales (YoY%)	2.0	2.1	1.9
	1300	Nov. Real Wages (YoY%)	3.4	4.2	4.4
Poland	0900	Nov. Industrial Output (MoM/YoY%)	-4.1/4.0	-/-	9.9/7.4
	0900	Nov. PPI (MoM/YoY%)	-0.1/3.1	-/-	0.5/3.2
Ukraine	-	3Q F GDP (YoY%)	-	-	2.8
Israel	-	Dec. Inflation Forecast (%)	-	-	1.1
Thursday 20 December					
Poland	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
Czech Rep	1200	Repo Rate	1.75	-	1.75
Hungary	0730	3Q C/A (€mn)	171.1	-	772.4
	0800	Oct. Avg Gross Wages (YoY%)	10.0	-	10.4
Serbia	-	Oct. C/A (€mn)	-	-	-212.5
Croatia	-	Nov. Unemployment Rate (%)	-	-	9.1
Israel	1100	Oct. Industrial Production (MoM%, SA)	-	-	-3.3
Brazil	1000	Central Bank 4Q Inflation Report			
Mexico	1400	Oct Retail Sales (YoY%)	4.5	-	4.1
	1900	Overnight Rate	8.25	-	8.0
Friday 21 December					
Turkey	0700	Dec. Consumer Confidence	-	-	59.6
Poland	0900	Nov. Unemployment Rate (%)	-	-	5.7
	0900	Nov. Retail Sales (MoM/YoY%)	-3.0/7.8	-/-	7.4/9.7
Hungary	0800	Oct. F Trade Balance (€mn)	293.0	-	293.0
South Africa	1200	Nov. National Budget Balance (ZARbn)	-	-	-32.7
Brazil	1230	Nov C/A Balance (\$mn)	-1550.0	-	329.1

Source: ING, Bloomberg

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