

Our view on next week's key events

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By James Knightley, Carsten Brzeski and Bert Colijn



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By Peter Virovacz

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Source: Shutterstock

US: housing in focus

The US calendar is much lighter this week with a focus on housing. There have been some signs of moderation but this reflects a lack of property on the market and high prices rather than a slowdown in demand. Consumer confidence is close to a record high and employment is very strong. Two further rate hikes in September and December from the Federal Reserve remains our call.

UK: resilient data, for now

UK data has been quite good recently, suggesting some resilience despite the fast-approaching Brexit deadline. However retail sales will likely soften from last month given the ongoing squeeze on spending power. Inflation may edge modestly lower. As such, we continue to see little prospect of another BoE rate hike until after Britain formally leaves the EU.

Eurozone: Italian budget to dominate

In the eurozone, digesting the outcomes of the European Central Bank meeting, as well as the discussion on the Italian budget should dominate headlines.

Norway: Rate hike in view

The key event this week is the Norges Bank policy meeting on Thursday, which is likely to see the first interest rate hike in Norway since 2011. The NB has signalled clearly its intention to raise rates and we fully expect them to not only deliver a 25 basis point rate hike but also an interest rate forecast that signals somewhat faster rate hikes in future. In Sweden, the minutes from the Riksbank's September meeting could also prove interesting, showing the reasoning (and internal arguments) behinds its current policy. And the political situation in Sweden will remain uncertain as the mainstream parties seek to negotiate a compromise government following a very close election.

Developed Markets Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------------|------|---|---------|--------|---------|
| Monday 17 September | | | | | |
| Eurozone | 1000 | Aug F Core CPI (YoY%) | - | - | 1 |
| | 1000 | Aug F CPI (MoM/YoY%) | -/- | -/- | 0.2/2 |
| Sweden | 0830 | Riksbank Minutes | | | |
| US | 1330 | Sep Empire Manufacturing Survey | - | - | 25.6 |
| Tuesday 18 September | | | | | |
| Australia | 0230 | RBA Sept. Meeting Minutes | | | |
| Sweden | 0800 | Valueguard Swedish Housing Price Data | | | |
| | 0830 | Aug Unemployment Rate (%) | - | - | 6 |
| Wednesday 19 September | | | | | |
| Japan | 0050 | Aug Exports (YoY%) | - | - | 3.9 |
| | 0050 | Aug Imports (YoY%) | - | - | 14.6 |
| | - | Policy Rate | - | - | -0.1 |
| | - | Sep 19 BoJ 10 Yr Yield Target (%) | - | - | 0 |
| Eurozone | 1400 | ECB's Draghi Speaks in Berlin | | | |
| US | 1330 | Q2 Current Account (USD) | - | -103.3 | -124.1 |
| | 1330 | Aug Housing Starts ('000) | - | 1232 | 1168 |
| | 1330 | Aug Building Permits ('000) | - | 1313 | 1311 |
| UK | 0930 | Aug CPI (MoM/YoY%) | 0.4/2.3 | -/- | 0/2.5 |
| | 0930 | Aug Core CPI (YoY%) | 1.7 | - | 1.9 |
| Australia | 0230 | RBA's Kent Speech in Sydney | | | |
| ^{new} Zealand | 2345 | 2Q GDP (Q) (QoQ% SA/YoY%) | -/- | -/- | 0.5/2.7 |
| Switzerland | 0645 | SECO September 2018 Economic Forecasts | | | |
| Thursday 20 September | | | | | |
| US | 1500 | Aug Existing Home Sales (millions) | - | - | 5.34 |
| Japan | 0050 | BOJ 2Q Money Flow | | | |
| Eurozone | 1500 | Sep A Consumer Confidence | - | - | -1.9 |
| UK | 0930 | Aug Retail Sales ex. Auto Fuel (MoM/YoY%) | 0.2/2.8 | -/- | 0.9/3.7 |
| | 0930 | Aug Retail Sales (MoM/YoY%) | 0.2/2.7 | -/- | 0.7/3.5 |
| Canada | 1330 | ADP Publishes August Payrolls Report | | | |
| Norway | 0900 | Deposit Rates | 0.75 | - | 0.5 |
| Switzerland | 0830 | SNB Sight Deposit Interest Rate | - | - | -0.75 |
| Friday 21 September | | | | | |
| Japan | 0030 | Aug National CPI (YoY%) | - | - | 0.9 |
| | 0030 | Aug CPI ex. Food, Energy (YoY%) | - | - | 0.3 |
| | 0530 | Jul All industry Activity Index (MoM%) | - | - | -0.8 |
| Eurozone | 0900 | Sep P Market Manufacturing PMI | - | - | 54.6 |
| US | 1445 | Sep P Manufacturing PMI | - | - | 54.7 |
| UK | 0930 | Aug Public Finances (PSNCR) | - | - | -19.23 |
| | 0930 | Aug PSNB ex. Banks (£bn) | - | - | -2.01 |
| Spain | - | Spain Sovereign Debt to be Rated by S&P | | | |
| Canada | 1330 | Aug CPI (MoM/YoY%) | -12.8 | -/- | 0.5/3 |
| Norway | - | Norway Sovereign Debt to be Rated by Fitch | | | |
| Switzerland | - | Switzerland Sovereign Debt to be Rated by Fitch | | | |
| Netherlands | 0530 | 2Q F GDP (QoQ%) | 0.7 | - | 0.7 |
| Belgium | - | Belgium Sovereign Debt to be Rated by S&P | | | |
| Greece | - | Greece Sovereign Debt to Be Rated by Moody's | | | |

Source: ING, Bloomberg

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Asia week ahead: Is relief from the currency sell-off transitory?

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Source: Shutterstock

➔ Relief from currency sell-off but how long will it last?

In keeping with broader emerging markets, Asian currencies received some support from a softer US dollar this week. But as the US Federal Reserve is set to hike rates again later this month and once more before the end of the year, just how long will the relief last? This will remain the question for some time, but for now, we anticipate that Asian currencies hit hardest by the recent contagion will see some support from friendly economic releases.

The trade data dominates the Asian economic calendar, with Indonesia, Thailand, and Singapore

releasing numbers. We think Indonesia's trade figures will be closely-watched for clues about where the trade deficit is heading. We are hoping for some good news of a narrower deficit, which on our house forecast falls to \$750 million from over \$2 billion in July. But we don't think this is enough to stem the currency (IDR) weakness. With our forecast for August, the cumulative deficit of \$3.8 billion in the first eight months of the year is a huge swing from a \$9.1 billion surplus a year ago. We expect no break in the Bank Indonesia rate hike cycle just yet.

Thailand stands at the opposite spectrum with a large trade surplus driving the currency's (THB) outperformance. We estimate an August trade surplus of \$1.2 billion, a sharp positive swing from a \$516 million deficit in July. Likewise, the continued strength of Singapore's non-oil domestic exports- albeit with some anticipated electronics weakness in August- and the central bank policy of a 'gradual and modest' appreciation of the trade-weighted exchange rate is keeping the Singapore dollar (SGD) among Asia's outperforming currencies.

Philippines's July overseas workers remittances and the August balance of payments position also are expected to be positive for the local currency (PHP). Remittances were unusually weak in June this year despite seasonal inflows for school fee payments but we expect some improvement in July helped by the stabilisation of the peso. A bounce in foreign exchange reserves in August also heralded some improvement in the overall balance of payments in the last month. Still, with remittances insufficient to cover the trade deficit on a sustainable basis and the current account in deficit, this isn't a long-term positive for the Philippine peso.

➔ Anyone betting on Thai central bank policy move?

The Bank of Thailand's Monetary Policy Committee meets next Wednesday (19 September). Only five of the 22 analysts who participated in a Bloomberg survey published on 29 August expect a 25 basis point policy rate hike in the current quarter, or at the upcoming meeting. We don't think this will happen. In the same survey, expectations for a rate hike in the fourth quarter increased, with another seven analysts predicting such a move. We still don't buy it.

We don't see a pressing need for a policy move just yet. Growth has started to moderate in 2Q18 and is likely to slow further in the second half of the year. Despite a full percentage point rise in inflation since the start of the year to a four-year high of 1.6% in August, core inflation has been firmly below 1%. And above all, the currency (THB) continues to enjoy a strong standing among regional peers. Like at the August meeting, we aren't ruling out some hawkish rhetoric, but policy inaction remains our baseline for the remainder of the year.

Asia Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------------|------|---|---------|--------|----------|
| Saturday 15 September | | | | | |
| China | 0230 | Aug 70-cities New home prices (MoM%/YoY%) | 1.0/6.8 | - | 1.2/6.6 |
| Monday 17 September | | | | | |
| Indonesia | 0500 | Aug Imports (YoY%) | 15.5 | - | 31.56 |
| | 0500 | Aug Exports (YoY%) | 35.7 | - | 19.33 |
| | 0500 | Aug Trade balance (US\$m) | -750 | - | -2030.3 |
| Philippines | - | Jul OCW remittances (YoY%) | 5.3 | - | -4.5 |
| Singapore | 0130 | Aug Non-oil Domestic Exports (MoM%/YoY%) | 1.5/7.9 | -/- | 4.3/11.8 |
| Wednesday 19 September | | | | | |
| Malaysia | 0500 | Aug CPI (YoY%) | 0.5 | - | 0.9 |
| Thailand | 0805 | Benchmark Interest Rate | 1.5 | 1.5 | 1.5 |
| | - | Aug Exports (Cust est, YoY%) | 5 | - | 8.27 |
| | - | Aug Imports (Cust est, YoY%) | 11.5 | - | 10.5 |
| Thursday 20 September | | | | | |
| Taiwan | 0900 | Aug Export Orders (YoY%) | 10 | - | 7.95 |
| Friday 21 September | | | | | |
| South Korea | 2200 | Aug PPI (MoM/YoY%) | -/2.8 | -/- | -/2.9 |

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

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Source: Shutterstock

Hungary: Moving towards policy normalisation

After a long and uneventful summer for Hungarian monetary policy, next week's rate-setting meeting could bring some excitement. The NBH releases its new forecasts for inflation and GDP growth and while we don't expect any significant changes here, we do think the NBH will take an initial step towards policy normalisation, signalling an upcoming change in the FX swap tenders, IRS and mortgage QE programmes. A change in forward guidance seems plausible given that the NBH Deputy Governor Marton Nagy is planning a conference call for 19 September and will be visiting London on 21 September.

Brazil: Rate hike or just a fine-tuning?

In LATAM, the focus will be on Brazil's central bank policy meeting. FX weakness has increased the prospects for a policy rate hike, from the current record-low 6.5%. In our view, however, given the unpredictable political dynamics ahead of next month's elections, central bank officials may opt to fine-tune their guidance, adding a hawkish bias, but refraining from a rate hike just yet. A policy calibration can wait until after the elections when officials will have greater clarity about the fiscal policy outlook.

EMEA and Latam Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------------|------|---|---------|----------|-----------|
| Saturday 15 September | | | | | |
| Kazakhstan | - | Aug Industrial Production (YoY%) | - | - | 4.4 |
| Israel | - | 2Q P GDP (QoQ Annualised %) | - | - | 2 |
| Monday 17 September | | | | | |
| Russia | - | Aug Industrial Production (YoY%) | - | 2.5 | 3.9 |
| Turkey | 0800 | Jul Industrial Production (MoM/YoY%) | -3.3 | -/- | -2.0/3.2 |
| | 0800 | Jun Unemployment Rate (%) | - | - | 9.72 |
| Czech Rep | 0800 | Aug PPI (Industrial) (MoM/YoY%) | -/- | -/- | 0.3/3.4 |
| | 0800 | Jul Export Price Index (YoY%) | - | - | 0.5 |
| | 0800 | Jul Import Price Index (YoY%) | - | - | 0.7 |
| Serbia | - | Jul C/A (€mn) | - | - | -122.9 |
| Israel | 1100 | Aug Trade Balance (US\$m) | - | - | -2251 |
| Tuesday 18 September | | | | | |
| Russia | - | Aug PPI (MoM/YoY%) | -/- | 0.8/16.5 | 0.3/16.6 |
| Poland | 0900 | Aug Avg Gross Wages (MoM/YoY%) | 0.0/7.4 | -/- | -0.5/7.2 |
| | 0900 | Aug Employment (MoM/YoY%) | 0.1/3.5 | -/- | 0.1/3.5 |
| Hungary | 1300 | Policy Rate (%) | 0.9 | - | 0.9 |
| Ukraine | - | 2Q F GDP (YoY%) | - | - | 3.6 |
| Wednesday 19 September | | | | | |
| Russia | 1400 | Aug Retail Sales (YoY%) | - | 2.4 | 2.5 |
| | 1400 | Aug Real wages (YoY%) | - | 7.6 | 8 |
| Poland | 0900 | Aug Industrial Output (MoM/YoY%) | 1.8/6.0 | -/- | -5.4/10.3 |
| | 0900 | Aug PPI (MoM/YoY%) | -0.069 | -/- | 0.1/3.4 |
| South Africa | 0900 | Aug CPI (MoM%/YoY%) | -/- | -/- | 0.8/5.1 |
| Brazil | - | Selic Rate | 6.5 | - | 6.5 |
| Thursday 20 September | | | | | |
| Turkey | 0800 | Sep Consumer Confidence | - | - | 68.3 |
| Poland | 1300 | National Bank of Poland Publishes Minutes of Rate Meeting | | | |
| Hungary | 0730 | 2Q C/A (€mn) | 683 | - | 1027.1 |
| | 0800 | Jul Avg Gross Wages (YoY%) | 11.7 | - | 11.2 |
| Croatia | - | Aug Unemployment Rate (%) | - | - | 8.6 |
| South Africa | - | Repo Rate (%) | - | - | 6.5 |
| Israel | 1100 | Aug Unemployment Rate (%) | - | - | 4.2 |
| Friday 21 September | | | | | |
| Poland | 0900 | Aug Retail Sales (MoM/YoY%) | 1.0/9.0 | -/- | -0.3/9.3 |
| Mexico | 1400 | Jul Retail Sales (YoY%) | 4.2 | - | 3.7 |

Source: ING, Bloomberg

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