

## Our view on next week's key events

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# Key events in developed markets next week

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## **US: Biden inauguration will dominate but keep an eye on housing numbers**

The inauguration of Joe Biden as the 46th President will dominate headlines around the world, with security having been stepped up following events in Washington DC earlier in the month. Joe Biden has already made the case for another substantial fiscal package given the calamitous impact the pandemic has had on the economy, but this will still require working with Republicans to get the legislation passed swiftly.

In terms of the data, it will be housing numbers that lead the agenda. Record low mortgage rates have supported activity and that will continue to be the case. The housing market is more insulated from the pain felt in the leisure and hospitality sector given the bulk of the workers who lost their jobs are relatively young and the median age for a home buyer in the United States is 47, according to the National Association of Realtors. The strength in housing has positive knock on effects for retail sales tied to home furnishings and building supplies while also boosting employment in the construction sector.

None of this will alter the outlook for stable monetary policy from the Federal Reserve on 27

January. The recent increase in longer dated yields and the consequent steepening of the yield curve has caused some concern at the Fed given the speed and scale of the move. Talk of asset purchase tapering (the Fed is currently spending \$80bn a month on Treasuries and \$40bn per month on mortgage-backed securities) has been knocked on the head based on recent Fed comments and we expect them to retain a dovish bias given the ongoing pandemic.

### ✔ Eurozone: ECB stance to stay constant

This week, the eurozone focus will be on the European Central Bank, but after December's big splash there is not much to be expected this time around. ECB President Christine Lagarde will be happy to sit this one out and wait for more information about the second wave impact on the economy and vaccination programmes to come in. In terms of data, the PMIs will be worth watching on Friday. December data was rather upbeat but came in before the harsh German and Dutch lockdowns were announced. Since then, more countries have tightened restrictions, so don't get your hopes up for a strong reading here.

### ✔ UK PMIs to be overshadowed by vaccine figures

UK PMIs next week are unlikely to tell us much we didn't know already. Services output will retreat further below the 50 level on the latest restrictions, but despite the current reports of Brexit drama, the headline manufacturing index may suffer only mildly. That's because there's the 'supplier delivery times' component is likely to see a significant increase, after the port issues in December and widespread reports of transport issues now that the transition period has ended. That's obviously not a good thing, but mechanically this will push up on the manufacturing PMI next week.

The bigger question, in the context of ending current Covid-19 restrictions, is whether the vaccine programme will see a further rapid acceleration in pace next week. Vaccinations are at about 300,000 per day, and reports suggest that is likely to accelerate. The key question is when this enables all over-50s to receive their first dose, which data shows is key to ending the lockdown (two-thirds of ICU patients are below the age of 70). If vaccination numbers continue to tick higher, this may be possible by late March or early April if supply comes as hoped, potentially allowing a gradual removal of restrictions through the spring.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 18 January</b>					
Italy	0900	Dec CPI (EU Norm) Final (MoM/YoY%)	-		0.2/-0.3
<b>Tuesday 19 January</b>					
Germany	0700	Dec CPI Final (MoM/YoY%)	0.5/-0.3		0.5/-0.3
Italy	0900	Nov Global Trade Balance	-		7.57
Eurozone	0900	Nov Current Account SA, EUR	-		26.62
<b>Wednesday 20 January</b>					
US	1500	Jan NAHB housing market index	85.0	86.0	86.0
Japan	2350	Dec Exports (YoY%)	-3.2		-4.2
	2350	Dec Imports (YoY%)	-13.1		-11.1
	2350	Dec Trade Balance Total Yen	339.0		366.1
UK	0700	Dec Core CPI (YoY%)	1.3		1.1
	0700	Dec CPI (YoY%)	0.5		0.3
Canada	1330	Dec CPI Inflation (MoM/YoY%)	-/-		0.1/1.0
	1330	Dec CPI BoC Core (MoM/YoY%)	-		0.2/1.5
	1500	2 BoC Rate Decision	-		0.25
<b>Thursday 21 January</b>					
US	1330	Jan Philadelphia Fed index	11.5	12.0	9.1
	1330	Dec Housing starts	1570	1562	1547
Japan	-	BOJ Rate Decision	-0.1		-0.1
		Dec CPI (%YoY)	-1.4		-0.9
		Dec CPI ex-food, energy (%YoY)	-0.5		-0.3
Italy	0900	Nov Industrial Orders (MoM/YoY%) SA	-		3.0/1.2
	0900	Nov Industrial Sales (MoM/YoY%) SA	-		2.2/-1.7
Australia	0030	Dec Employment change ('000)	67.0		90.0
	0030	Dec Unemployment rate (%)	6.6		6.8
	0030	Dec Participation rate (%)	66		66.1
	0030	Dec Retail Sales (MoM%) Pre	-		7.1
	2200	Jan Manufacturing PMI Flash	-		56.0
	2200	Jan Services PMI Flash	-		57.4
	2200	Jan Composite PMI Flash	-		57.0
New Zealand	2145	Q4 CPI (QoQ/YoY%)	0.7/1.6		0.7/1.4
Norway	0900	Key Policy Rate	-		0.00
Eurozone	1245	Jan ECB Refinancing rate	0.00		0.00
	1245	Jan ECB Deposit rate	-0.5		-0.5
<b>Friday 22 January</b>					
US	1330	Dec existing home sales (mn)	6.50	6.55	6.69
Germany	0830	Jan Markit Manufacturing Flash PMI	57.5		58.3
	0830	Jan Markit Service Flash PMI	46.5		47.0
	0830	Jan Markit Composite Flash PMI	51.0		52.0
France	0815	Jan Markit Manufacturing Flash PMI	-		51.1
	0815	Jan Markit Services Flash PMI	-		49.1
	0815	Jan Markit Composite Flash PMI	-		49.5
UK	0700	Dec Retail Sales (MoM%)	2.6		-3.8
	0930	Jan Flash Composite PMI	45.5		50.4
	0930	Jan Flash Manufacturing PMI	54.0		57.5
	0930	Jan Flash Services PMI	45.0		49.4
Canada	1330	Nov Retail Sales (MoM%)	-		0.4
Eurozone	0900	Jan Markit Manufacturing Flash PMI	52.5		55.2
	0900	Jan Markit Services Flash PMI	-		46.4
	0900	Jan Markit Composite Flash PMI	-		49.1

Source: ING, Refinitiv

## Authors

### **James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

### **Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

### **James Smith**

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

## Key events in EMEA and Latam next week

Central Bank rates will be kept on hold in both Turkey and Brazil while inflation in Poland is likely to decline



Source: Shutterstock

### ✓ Turkey: CBT to keep rates on hold for now

Following the December hike, all eyes are on the Central Bank of Turkey's next move. The policy rate is now comfortably above inflation, currently below 15%, and we do not expect a rate change this month. However, the CBT will likely maintain its current cautious stance and be ready to move if it sees a further substantial deterioration in pricing pressures, given the still-challenging inflation outlook with recent upside surprises.

### ✓ Poland: December inflation to have declined

There are no key events this week in Poland. We estimate net inflation to have declined from 4.3 to 3.7% YoY in December. This is likely owing to categories that have been hard to measure during the pandemic, like package holidays, which have been volatile in recent months. Also, there are some base effects on airline tickets. Categories linked to demand, like services, were likely elevated, given solid spending and price pressures among companies linked to new restrictions and labour shortages.

## EMEALatam Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 18 January</b>				
Poland	1300 Dec Net Inflation (YoY%)	3.7		4.3
<b>Tuesday 19 January</b>				
Russia	- 4Q20 Current account (US\$ bn)	10.0		3.2
<b>Wednesday 20 January</b>				
Brazil	2100 Selic Interest Rate	2.0		2.0
<b>Thursday 21 January</b>				
Turkey	1100 Jan CBT Weekly Repo Rate	17.0		17.0
Mexico	1200 Dec Jobless Rate	4.0		4.4
<b>Friday 22 January</b>				
Poland	0900 Dec Retail Sales (YoY%)	-1.2	-2.3	-5.3

Source: ING, Refinitiv

### Authors

#### Muhammet Mercan

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

#### Piotr Poplawski

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

# Asia week ahead: China and Malaysia in focus

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Source: Shutterstock

## ➔ China: GDP growth accelerates

The week kicks off with China's GDP report for the last quarter of 2020 and remaining December activity data – industrial production, retail sales and fixed asset investment, all due on Monday, 18 January.

We believe the export-led recovery gained further traction in the last quarter, keeping GDP growth on a steady upward path. Export growth nearly doubled to 17% year-on-year in 4Q20 from 8.9% in 3Q. This should outweigh any possible softening of domestic demand due to the renewed virus



threat. We consider our 5.5% YoY house view of 4Q GDP growth, up from 4.9% in 3Q, subject to an upside surprise.

The People's Bank of China is also set to review its prime lending rates next week – the monthly rate that is. We see no changes to the benchmark 1-year and 5-year Loan Prime Rate, currently 3.85% and 4.65%, respectively.

## ➔ Malaysia: Central bank resumes easing

Bank Negara Malaysia's Monetary Policy Committee meets on Wednesday, 20 January. The significant surge in Covid-19 will push BNM to cut the overnight policy rate by 25 basis points to 1.50%, in our view.

A nearly five-fold jump in infections during the last two months, to over 144k currently, has forced the government to tighten movement restrictions across the country, while it also declared a state of emergency until 1 August. This is poised to derail Malaysia's economic recovery from a record slump in the last year -- the five most affected states by the pandemic (Melaka, Johor, Penang, Selangor and Sabah) together make up half of Malaysia's total GDP.

And, unlike most other Asian central banks, which have almost exhausted their rate policies, BNM still has room to cut the policy rate further. Moreover, persistently negative inflation - in November it fell 1.7% YoY (December data is due next week) - has left real interest rates some of the highest in the region. This is detrimental for the recovery.

The earlier the BNM cuts, the better it will be to soften the blow to the economy from the worsening pandemic.

## ➔ Rest of Asia: Export recovery prevails

Central banks in Indonesia and Japan are also set to review their policy settings next week. Both central banks will retain an accommodative stance in view of the recent rise in Covid-19 cases, though none are likely to change the current policy settings. That said, Bank Indonesia's meeting may well be of interest as low inflation keeps this central bank firmly on an easing path. At 3.75% currently, the BI policy rate is one of the highest in Asia.

December trade data from Japan, Taiwan, Philippines, and Thailand will help to determine the state of global demand, as the spread of Covid-19 has intensified. Released export figures from China, Korea and Taiwan painted a positive picture. We expect the same in the rest of Asia.

Down under, Australia's labour report for December and New Zealand's 4Q CPI inflation will provide insights into the impact of the disease on consumer spending.

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 18 January</b>					
China	0200	4Q20 GDP (%YoY)	5.5		4.9
	0200	Dec Industrial production (%YoY)	7.0		7.0
	0200	Dec Fixed asset investment (YTD, %YoY)	3.2		2.6
	0200	Dec Retail sales (%YoY)	5.5		5
Singapore	0030	Dec Non-oil domestic exports (%MoMSA/YoY)	4.0/1.0		3.8/-4.9
<b>Tuesday 19 January</b>					
<b>Wednesday 20 January</b>					
China	-	5-year Loan Prime Rate (%)	4.65		4.65
	-	1-year Loan Prime Rate (%)	3.85		3.85
Malaysia	0700	BNM policy decision (overnight rate, %)	1.50		1.75
Taiwan	0800	Dec Export orders (%YoY)	32.00		29.7
<b>Thursday 21 January</b>					
Hong Kong	-	Dec Composite CPI (%YoY)	-0.5		-0.2
Indonesia	-	Jan 7-Day Reverse Repo	3.75		3.75
Korea	-	Dec PPI (%YoY)	-0.4		-0.3
Philippines	0100	Dec Exports (YoY%)	2.9		3.00
Philippines	0100	Dec Imports (YoY%)	-7.9		-18.9
Philippines	0100	Dec Trade Balance	-1668.4		-1730
<b>Friday 22 January</b>					
Thailand	0330	Dec Exports (Cust est, %YoY)	2.0		-3.7
Thailand	0330	Dec Imports (Cust est, %YoY)	-3.0		-1.0
Thailand	0330	Dec Trade balance (Cust est, US\$m)	1665.0		53.0
<b>Friday 29 January</b>					
Taiwan	0800	Dec Unemployment rate (%)	3.8		3.8

Source: ING, Refinitiv, \*GMT

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