

Our view on next week's key events

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By James Knightley, Bert Colijn and Carsten Brzeski



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Source: Shutterstock

✓ US: Tracking trade

Trade news will be the main focus next week. Recent comments have suggested the US and China may be inching closer to a deal that can prevent (or at least delay) additional tariffs on \$200 billion of imports from China. President Trump has signalled a desire to do a deal and has proposed a summit in March, but this will require China making concessions on intellectual property and technology sharing in addition to simply buying more American products.

However, there is a clear concern in Europe that President Trump could be pivoting his attention towards them. We are awaiting the Department for Commerce's Section 232 decision on whether importing cars is a national security issue (by harming the US auto industry). If so this could lead to additional tariffs on car imports, which would clearly hurt European automakers.

Such a development would likely be taken negatively by markets as it would risk a direct response of tariffs from the EU and a step up in tensions. Businesses and consumers will face higher prices in such a scenario along with the likely disruption to supply chains - and all of this could see a repeat of the steep equity market falls which were seen in late 2018.



Eurozone: Floating with the r-word

The Eurozone PMI will be among the most closely watched figures next week. The r-word has been used out loud already as the January PMI dropped to just 51 (anything below 50 signals contracting activity). The February PMI will give a sense of if we're going to see a turnaround in growth figures, or whether we will move even closer to stagnation halfway through the first quarter.

Over in Germany, the narrative is that confidence indicators should bring the first tentative signs of a bottoming out after the recent stretch of disappointing macro data.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 17 February					
Japan	2350	Dec Core Machine Orders (MoM/YoY%)	-2.6/1.4	-/-	0.0/0.8
Monday 18 February					
Sweden	0500	Valueguard Swedish Home-Price Data			
Tuesday 19 February					
US	1350	Fed's Mester Speaks on Economic Outlook and Monetary Policy			
Japan	2350	Jan Exports (YoY%)	4.6	-	-3.9
	2350	Jan Imports (YoY%)	3.3	-	1.9
	2350	Jan Trade Balance (JPY bn)	-1146.0	-	-55.3
Eurozone	1500	ECB's Praet Participates in Panel Discussion in Berlin			
Germany	1000	Feb ZEW Current Situation Index	29.0	-	27.6
UK	0930	Dec Weekly Earnings (3M avg)	3.3	-	3.4
	0930	Dec Weekly Earnings Ex. Bonus (3M avg)	3.4	-	3.3
	0930	Dec ILO Unemployment Rate (3M avg)	4.0	-	4.0
	0930	Dec Employment Change (3M/3M)	140.0	-	141.0
Australia	0030	RBA Minutes of Feb. Policy Meeting			
Sweden	0830	Jan CPI (MoM/YoY%)	-/-	-/-	0.4/2.0
	0830	Jan CPIF (MoM/YoY%)	-0.9/2.1	-/-	0.4/2.2
	0830	Swedish Housing Construction Data for 4Q			
Portugal	1430	Bank of Portugal's Costa Speaks at Capital Markets Event			
Wednesday 20 February					
Eurozone	1500	Feb A Consumer Confidence	-7.7	-	-7.9
Sweden	0830	Swedish Debt Office Forecasts			
Thursday 21 February					
US	1250	Fed's Bostic Speaks on Economy and Monetary Policy			
	1330	Dec P Durable Goods Orders (MoM%)	2.4	1.7	0.7
	1330	Dec P Durable Goods Orders Ex. Transport (MoM%)	0.4	0.2	-0.4
	1500	Jan Existing Home Sales	5.2	5.0	5.0
Japan	0430	Dec All Industry Activity Index (MoM/YoY%)	-/-	-/-	-0.3/0.3
	2330	Jan CPI (YoY%)	0.1	-	0.3
	2330	Jan CPI Ex. Food & Energy (YoY%)	0.3	-	0.3
Eurozone	0900	Feb P Markit Manufacturing PMI	50.5	-	50.5
	0900	Feb P Markit Services PMI	50.9	-	51.2
	0900	Feb P Markit Composite PMI	50.8	-	51.0
	0800	ECB's Praet Speaks in Luxembourg			
Germany	0700	Jan F CPI (MoM/YoY%)	-0.8/1.4	-/-	-0.8/1.4
UK	0930	Jan Public Finances (PSNCR)	-	-	21.3
	0930	Jan PSNB Ex. Banks (£bn)	-	-	3.0
Italy	0900	Jan F HICP (YoY%)	-	-	0.9
Canada	1735	Bank of Canada Governor Stephen Poloz Speaks			
Australia	0030	Jan Employment Change ('000)	15.0	-	21.6
	0030	Jan Unemployment Rate (%)	4.9	-	5.0
	2230	RBA's Lowe Parliamentary Testimony			
Friday 22 February					
US	1515	Fed NY Event, Williams Discusses Inflation			
	1830	Fed NY Event, Bullard Speaks & Harker in Panel Discussion on Balance Sheet			
	2230	Fed NY Event, Williams Gives Closing Remarks			
Eurozone	1000	Jan F Core CPI (YoY%)	1.1	-	1.1
	1000	Jan CPI (MoM/YoY%)	-1.1/1.4	-/-	-1.1/1.4
Germany	0900	Feb IFO Business Climate	99.3	-	99.1
	0900	Feb IFO Expectations	94.6	-	94.2
	0900	Feb IFO Current Assessment	104.3	-	104.3
Italy	1000	Finance Minister Tria Speaks At Universita Tor Vergata Event			
Sweden	0830	Riksbank Publishes Minutes of Feb Meeting			

Source: ING, Bloomberg

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Asia week ahead: Singapore unveils budget for FY19

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Source: Shutterstock

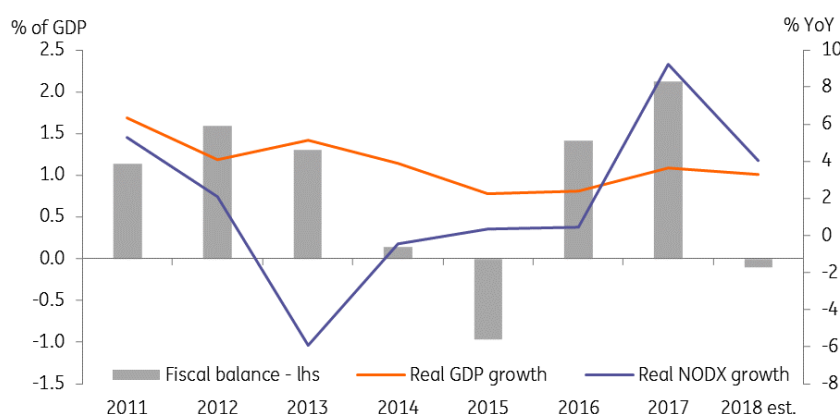
➔ Singapore: Embarrassment of riches

Next week in Asia kicks off with Singapore's trade data for January on Monday, followed by the budget statement by the country's finance minister later that day. An outsized slump in non-oil domestic exports (NODX) in December suggests some retracement of that is in order while the likely front-loading of shipments ahead of the Lunar New Year holiday should have helped the bounce. However, with semiconductors remaining a weak spot – taking a cue from the large fall in Korea's chip exports in January – our baseline remains a persistent weak NODX trend.

Undoubtedly, the FY19 budget will focus on supporting the economy from the adverse impact of the widely-anticipated slowdown in global demand this year. The public finances have surpassed the government's expectations in recent years. With decent 3.3% GDP growth and better revenue performance so far, the budget is likely to produce a surplus contrary to the initial forecast of a fiscal deficit in 2018, and this leaves scope for more growth supportive fiscal policy in 2019.

Among the popular budget measures in 2019, there are more incentives for the workforce to improve their skill set, more help for low-income households, increase in provision for healthcare for the elderly, possibly a sugar tax, and greater support for small-and-medium enterprises towards digital transformation.

Singapore: Wide fiscal surplus allows for growth-friendly budget



Source: CEIC, ING

➔ Indonesia: Central bank to leave policy on hold

Indonesia's central bank meets next Thursday (21 February), and we expect no change to the policy rate of 6.0%. A total of 175 basis points rate hikes over June-November 2018 was aimed at curbing the depreciation pressure on the rupiah. Although the Indonesian rupiah has been an Asian outperformer so far in 2019, the depreciation risk from widening current account deficit prevails and could be further intensified by political uncertainty surrounding the elections in April.

The year-to-date rupiah performance combined with well-behaved inflation has raised hopes of policy rate cuts. However, the deputy governor Dody Waluyo recently thrashed such hopes, noting still 'cautious' policy preference to financial stability over growth. We aren't ruling out further rate hikes this year. But for now, we think BI policy will take a backstage until the political uncertainty is lifted.

➔ Thailand: 4Q18 report card arrives

Thailand's GDP data for the final quarter of 2018 is due on Monday. Underlying our view of a pick-up in growth to 3.5% year-on-year from 3.3% in 3Q18 is improved manufacturing growth even as exports continued to weaken. It's still not an exceptional starting point for the government looking for 4% GDP growth in 2019.

Besides global factors depressing exports, political uncertainty is likely to overshadow the economy this year. We expect annual GDP growth to slide to 3.8% in 2019 from an estimated 4.1% in 2018.

We don't think this will be a sufficient reason for the Bank of Thailand to reverse December's 25bp rate hike, while persistently large current account surplus supports the baht's outperformance.

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Tuesday 12 February					
Malaysia	0700	Forex Reserves, Mth-end (US\$bn)	-	-	102.1
Monday 18 February					
Singapore	0030	Jan Non-oil Domestic Exports (MoM/YoY%)	10.9/2.9	-/-	-5.7/-8.5
	-	Singapore Budget Release			
Thailand	0230	4Q GDP (QoQ/YoY%)	0.4/3.5	0.6/3.6	0.0/3.3
Wednesday 20 February					
Thailand	0200	Bank of Thailand's MPC Minutes			
Thursday 21 February					
Indonesia	-	BI Policy Decision (7-day Reverse Repo, %)	6.0	-	6.0
Thailand	-	Jan Exports (Cust est, YoY%)	-5.0	-	-1.7
	-	Jan Imports (Cust est, YoY%)	-1.0	-	-8.1
	-	Jan Trade Balance (US\$m)	-880.0	-	1065.0
South Korea	2100	Jan PPI (MoM/YoY%)	-0.1/0.4	-	-0.5/1.0
Friday 22 February					
Hong Kong	0130	Jan CPI (YoY%)	2.6	-	2.5
Malaysia	0400	Jan CPI (YoY%)	0.3	-	0.2
Taiwan	0800	Jan Export Orders (YoY%)	-10.0	-	-10.5
	0820	4Q Current Account Balance (US\$bn)	12.0	-	14.0

Source: ING, Bloomberg, *GMT

Key events in EMEA and Latam next week

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Source: Shutterstock

✓ Poland: Solid activity in January

Industrial production should recover from 2.8% in December to 5.5% year-on-year in January; the disappointment in December was largely related to the construction sector, which plays a minor role in both January and February. Exports maintained a decent performance. Retail sales should also rebound from 4.7% to 8.0% YoY; the December reading was dragged down by clothing (due to weather effects) and food sales. Both categories should recover in January while demand for durable goods should remain solid.

Labour market data should also paint a positive picture. We expect an increase in wages from 6.1% to 7.3% YoY; the December reading was reduced due to a smaller contribution from the mining sector. Also, the minimal wage hike in January should add approximately 0.4 percentage points to the headline figure. Enterprise employment is likely to be lower when compared to previous years but a rapid drop reflects a statistical anomaly rather than a structural change. Each year the statistical office rebalances the panel of enterprises adding new companies to the sample. In 2018, such a procedure resulted in an abnormal increase in employment, which likely won't repeat this year.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 17 February					
Israel	1100	4Q A GDP (QoQ, Annualised %)	-	-	2.3
Monday 18 February					
Russia	-	Jan PPI (MoM/YoY%)	-/-	-0.5/9.2	-3.3/11.7
Czech Rep	0800	Dec Export Price Index (YoY%)	-	-	4.0
	0800	Dec Import Price Index (YoY%)	-	-	4.2
Tuesday 19 February					
Russia	1300	Jan Real Wages (YoY%)	-2.4	1.0	2.5
	1300	Jan Retail Sales (YoY%)	0.0	1.0	2.3
Poland	0900	Jan Avg Gross Wages (MoM/YoY%)	-6.6/7.3	-/-	6.2/6.1
	0900	Jan Employment (MoM/YoY%)	0.6/1.4	-/-	0.0/2.8
Israel	-	Feb 12Mth Inflation Forecast (%)	-	-	1.2
Wednesday 20 February					
Turkey	0700	Feb Consumer Confidence	-	-	58.5
Poland	0900	Jan Industrial Output (MoM/YoY%)	6.9/5.5	-/-	-11.5/2.8
	0900	Jan PPI (MoM/YoY%)	-/-	-/-	-0.9/2.2
South Africa	0800	Jan CPI (MoM/YoY%)	-/-	-/-	-0.2/4.5
	0800	Jan Core CPI (MoM%, NSA)	-	-	0.3
	1200	South Africa Budget Release			
Thursday 21 February					
Poland	0900	Jan Retail Sales (MoM/YoY%)	-18.0/8.0	-/-	12.9/4.7
	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
Hungary	0800	Dec Avg Gross Wages (YoY%)	10.7	-	10.4
Israel	1100	Dec Industrial Production (MoM%, SA)	-	-	-2.6
Mexico	1500	Central Bank Monetary Policy Minutes			
Friday 22 February					
Turkey	0700	Feb Real Sector Confidence Index, SA	-	-	95.4
	0700	Feb Industrial Confidence	-	-	93.0
	0700	Feb Capacity Utilization (%)	-	-	74.4
Poland	1300	Jan M3 Money Supply (MoM/YoY%)	-0.8/9.5	-/-	2.6/9.2
	-	Jan Budget Level (YTD)	-	-	-10417.8
Kazakhstan	-	Jan M3 Money Supply (MoM%)	-	-	4.6
Serbia	1100	Jan CPI (MoM/YoY%)	-/-	-/-	0.1/2.0

Source: ING, Bloomberg

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