

Our view on next week's key events

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By James Knightley, Bert Colijn and 2 others



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Source: Shutterstock

US: Trade tensions will continue to eat away at sentiment and activity

The trade story will remain the key driver of market moves next week, with the ratcheting up of tensions intensifying market concerns about the outlook for the global economy. We see little reason for optimism in the near-term, as the market is likely to be looking towards the G20 summit in June when President Trump is expected to sit down with President Xi to discuss the situation. However, there seems little appetite from either side to back down and we suspect the situation will continue to weigh on sentiment and activity through the summer months. In terms of macro news flow, we will be hearing from several Federal Reserve officials. They are likely to take a slightly more downbeat line given the trade backdrop and mixed economic data flow. We continue to forecast no rate cuts this year, but if the data softens further we may need to re-evaluate this position.

The only data release of note will be durable goods orders, which will be heavily depressed by the swing in Boeing aircraft orders; 44 planes were ordered in March compared to just 4 in April.

✓ Eurozone: All eyes on the PMIs

Even though markets will focus a lot on the German IFO survey next week, the recent rollercoaster ride regarding trade means that it should be taken with a large pinch of salt. The survey's cut-off date for responses might have incorporated the recent escalation between the US and China, but the news that Trump has delayed a decision on EU car tariffs probably happened afterwards.

Both consumer confidence and PMIs in the eurozone will also be in focus - a close look at new export orders from the PMI seems especially interesting as they plummeted last month. More generally, a recovery of sentiment should be an indication of decent growth for the second quarter.

We will also have the European Parliament elections beginning next Wednesday. This should bring lots of interesting results at both the national and European level.

✓ UK inflation to be dominated by energy price cap – underlying story more benign

Back in January, the UK energy regulator Ofgem introduced a new price cap, which had the effect of lowering household energy costs by 6% on average. Three months on, the cap was increased by roughly 10% at the start of April, and this will have the effect of dragging headline inflation back above the Bank of England's 2% target. That aside, the inflation backdrop looks relatively benign and we expect core CPI to remain just shy of the target for much of this year. For the Bank of England though, the prospect of further tightening hinges much more on wage growth. If pay continues to accelerate more quickly and the Brexit deadline is pushed back beyond October, then a November rate rise shouldn't be completely ruled out. For the time being though, we think a combination of Brexit uncertainty and sluggish growth is more likely to keep the central bank on hold through this year.

The prospect of higher wage growth and benign inflation should give UK consumer spending a modest boost as we head into the summer. But following three months of strong increases in retail sales, we think a correction is likely in the April figures.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 20 May					
Japan	0050	1Q P GDP (Annualised, QoQ%)	1.1	-0.3	1.9
	0050	1Q P GDP Deflator, Advance (Q) (YoY%)	-	0.2	-0.3
	0530	Mar F Industrial Production, Prel (MoM/YoY%)	-/-	-/-	-0.9/-4.6
Tuesday 21 May					
US	1500	Apr Existing Home Sales	-	5.3	5.2
	0000	Powell Speaks at Atlanta Fed Financial Markets Conference			
	1545	Fed's Evans Discusses Economy and Monetary Policy			
	1700	Fed's Rosengren Speaks to Economic Club of New York			
Eurozone	1500	May A Consumer Confidence	-8.4	-	-7.9
	1000	OECD Economic Outlook			
Australia	0230	RBA Minutes of May Policy Meeting			
	0315	RBA Governor Lowe Speaks in Brisbane			
Sweden	-	Riksbank's Floden (0900) & Ohlsson (1500) Speaks			
Wednesday 22 May					
US	0600	Fed's Bullard Speaks in Hong Kong on Economic Outlook			
	1510	Fed's Bostic Makes Opening Remarks at Dallas Fed Conference			
	1900	FOMC Meeting Minutes			
Japan	0050	Apr Exports (YoY%)	-	-	-2.4
	0050	Apr Imports (YoY%)	-	-	1.2
	0050	Mar Core Machine Orders (MoM/YoY%)	-/-	-/-	1.8/-5.5
	0230	BOJ Harada Speaks in Nagasaki			
Eurozone	-	ECB President Draghi (0800) & Chief Economist Praet (1030) Speak in Frankfurt			
UK	0930	Apr CPI (MoM/YoY%)	0.8/2.3	-/-	0.2/1.9
	0930	Apr Core CPI (YoY%)	1.8	-	1.8
	0930	Apr Public Finances (PSNCR)	-	-	8.9
	0930	Apr PSNB ex. Banks (£bn)	-	-	1.7
Sweden	0730	Riksbank Publishes Financial Stability Report			
Thursday 23 May					
US	1800	Fed's Kaplan, Daly, Bostic and Barkin Speak on Panel			
Eurozone	0600	European Parliament Elections			
Eurozone	0900	May P Markit Manufacturing PMI	47.6	-	47.9
	0900	May P Markit Services PMI	52.6	-	52.8
	0900	May P Markit Composite PMI	51.2	-	51.5
Germany	0900	May IFO Business Climate	99.7	-	99.2
	0900	May IFO Expectations	96.0	-	95.2
	0900	May IFO Current Assessment	103.7	-	103.3
Norway	0700	Mar Unemployment Rate AKU	-	-	3.8
Sweden	0830	Apr Unemployment Rate (%)	-	-	7.1
	0930	Riksbank's Ingves Speaks			
Friday 24 May					
US	1330	Apr P Durable Goods Orders (MoM%)	-2.0	-1.8	2.6
	1330	Apr P Durable Goods Orders ex. Transport (MoM%)	0.3	0.3	0.3
Japan	0030	Apr National CPI (YoY%)	-	-	0.5
	0030	Apr CPI ex. Food & Energy (YoY%)	-	-	0.4
	0630	Mar All Industry Activity Index (MoM%)	-	-	-0.2
UK	0930	Apr Retail Sales ex. Auto Fuel (MoM/YoY%)	-0.6/4.2	-/-	1.2/6.2
	0930	Apr Retail Sales (MoM/YoY%)	-0.5/4.4	-/-	1.1/6.7

Source: ING, Bloomberg

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Asia week ahead: Politics over economics

Australia goes to the polls over the weekend, while an end to long-standing political uncertainty in India, Indonesia, and Thailand finally seems around...



Source: Shutterstock

➔ Australia goes to the polls

The Federal elections are scheduled on 18 May, with results to be made public in the evening on the same day or early morning the following day.

The pro-incumbent wave seems stronger elsewhere and probably in Australia too. The ruling minority coalition of prime minister Morrison is seen leading in the latest opinion polls. With the current lacklustre economic backdrop, the hopes for the incumbent leader rest on long-term tax reforms, while the opposition Labor Party focuses on issues about education and healthcare.

We expect the lifting of political uncertainty next week to pave the way for the Reserve Bank of

Australia's policy rate cut at the June meeting.

➔ Indian voters' verdict on Modi arrives

The seventh and final phase of Indian general elections takes place over the weekend (19 May). The counting of votes of all phases is scheduled on 23 May, and the results are expected to be out on the same day.

We continue to consider this a close-to-call election, though our baseline remains one of the Modi administration clinging on to the power for the second term. Indeed, the recent opinion polls point to the Modi's National Democratic Alliance winning by a thin margin. We believe the markets also are priced in for such an outcome. The outperformance of Indian markets and the currency (INR) since February, after the terror attack in Kashmir and the nationalistic sentiment fuelled by the government's handling of the same, reflects increased investor confidence of the incumbent staying in power.

However, judging from anti-incumbent sentiments that swept through last year's state-level elections (Chattisgarh, Madhya Pradesh, and Rajasthan) there remains a potential for election surprises.

➔ Jokowi is leading in Indonesia

With 86% of votes of the Presidential Election held on 17 April counted, incumbent Joko Widodo (Jokowi) is running ahead of his rival Prabowo Subianto. The counting is due to be complete by Wednesday, 22 May, and Jokowi is widely expected to continue for the second term - the most market-friendly outcome, or one less thing for investors to be worried about amid rising external uncertainty.

➔ Thai parliament may endorse Prayuth

Thailand's newly elected parliament will be convened on Wednesday, 22 May, to elect the new prime minister. Incumbent prime minister Prayuth Chan-Ocha stands a high chance of retaining that post with strong backing from the Senate. This week the King approved the new Senate comprising all 250 appointees from military cadre. As for the 500 members lower house of parliament, for which the election was held on 24 March, the Junta-backed party of incumbent prime minister Prayuth Chan-Ocha emerged as a dominant party and is set to form a coalition government with 256 seats in the lower house.

We think the political uncertainty in Thailand is largely over and the focus will be back on the economy. There is just enough on the calendar next week - GDP report for 1Q19 and car sales and external trade data for April. The high-frequency economic data for 1Q19 supports our forecast of a sharp slowdown in GDP growth to 3.1% from 3.7% in 4Q18. This combined with heightened trade tension will make it increasingly hard for the Bank of Thailand to sustain its hawkish rhetoric going forward. Indeed, we are reviewing our on-hold forecast for the BoT policy this year.

➔ And leftover focus on economics

1Q GDP releases also are due in Japan, Singapore, and Taiwan. As for Japan, the macro story hasn't been any good, which is what backing the consensus view of a GDP contraction in the last quarter. With inflation nowhere close to the Bank of Japan's policy target, the negative rate policy

has a longer life than the central bank's guidance of this state of affair changing for good by Spring of 2020.

Singapore's and Taiwan's GDP data are the revised figures. Instead, the markets will pay attention to their April manufacturing releases to gauge GDP performance in the second quarter. Reeling under the tech downturn and escalation of the US-China trade war, things aren't looking any promising for these heavy export-dependent economies.

Needless to say, the balance of economic risk around the region remains tilted toward growth, not toward inflation as a slew of April consumer price figures are expected to reinforce next week.

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 20 May					
Taiwan	0900	Apr Export Orders (YoY%)	-12.0	-	-9.0
	0920	1Q Current Account Balance (US\$bn)	18.0	-	18.6
South Korea	2200	Apr PPI (YoY%)	-	-	0.1
Tuesday 21 May					
Singapore	0100	1Q F GDP (QoQ Annualised/YoY%)	3.1/1.6	2.3/1.3	2.0/1.3
Thailand	0330	1Q GDP (QoQ/YoY%)	1.5/3.1	-/3.0	0.8/3.7
Wednesday 22 May					
Thailand	-	Apr Exports (Cust est, YoY%)	-	-	-4.9
	-	Apr Imports (Cust est, YoY%)	-	-	-7.6
	-	Apr Trade Balance (Cust est, US\$m)	-143.0	-	2005.0
Thursday 23 May					
Hong Kong	-	Apr CPI (YoY%)	2.2	-	2.1
Singapore	-	Apr CPI (YoY%)	0.9	-	0.6
	-	Apr Core CPI (YoY%)	1.6	-	1.4
Taiwan	0900	Apr Industrial Production (YoY%)	-7	-	-9.9
Friday 24 May					
Malaysia	0500	Apr CPI (YoY%)	0.2	-	0.2
	0800	May Forex Reserves, Mth-end (US\$bn)	-	-	103.4
Philippines	-	Apr Budget Balance (PHP bn)	-	-	-58.4
Singapore	-	Apr Industrial Production (MoM/YoY%)	-3.0/-6.5	-/-	-2.6/-4.8
Taiwan	0900	1Q F GDP (YoY%)	1.7	-	1.7
	0920	Apr Money Supply (M2) (YoY%)	3.4	-	3.1

Source: ING, Bloomberg, *GMT

Key events in EMEA and Latam next week

Data from Poland next week should show a rebound in retail sales and wage growth, as well as signs of resilience in industry, signalling the economy is in...



Source: Shutterstock

✓ Poland: Domestically, things look pretty solid

We expect strong industrial production in April (9.5% year-on-year), with calendar effects adding two percentage points to the headline. On a seasonally adjusted basis (approximately 7.1% YoY), we are still seeing robust contributions from the export sector and those closely related to construction. Polish industry seems to be surprisingly resilient – we don't see imminent signs of a slowdown, even the most negative sentiment index (PMI) is returning towards the 50-point threshold, which signals expansion.

Labour market data should reveal a rebound in wages (6.5% YoY in April) after a surprisingly soft March. A negative drag is visible in the case of construction. However the number of companies planning wage increases - reported in the National Bank of Poland's (NBP's) survey, is consistent with a further acceleration in the coming months. The magnitude of increase is unlikely to be strong; we expect growth to stabilise in the 7-8% YoY range.

Retail sales should increase from 1.8% to 7.1% YoY (constant prices). Last month's deceleration - and thus the current rebound - are solely related to Easter effects. Nevertheless, overall sentiment remains good. Consumption will be supported in the coming months by the introduction of new social programmes including: 1) the lump-sum retirement payment in May and 2) child benefit

expansion in July.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 19 May					
Israel	1100	Apr Trade Balance (US\$mn)	-	-	-1847.8
Monday 20 May					
Poland	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
Czech Rep	0800	Apr PPI (Industrial) (MoM/YoY%)	0.4/4.0	-/-	0.5/3.8
Tuesday 21 May					
Poland	0900	Apr Avg Gross Wages (MoM/YoY%)	-0.1/6.5	-/-	4.3/5.7
	0900	Apr Employment (MoM/YoY%)	-/-	-/-	0.2/3.0
South Africa	0800	Mar Leading Indicator	-	-	104.9
Israel	-	May 12Mth Inflation Forecast (%)	-	-	1.3
Wednesday 22 May					
Russia	-	Apr Industrial Production (YoY%)	2.3	2.0	1.2
Poland	0900	Apr Industrial Output (MoM/YoY%)	-3.3/9.5	-/-	9.8/5.6
	0900	Apr PPI (MoM/YoY%)	-/-	-/-	0.2/2.5
Romania	1300	National Bank of Romania Publishes Minutes of Rate Meeting			
South Africa	0900	Apr CPI (MoM/YoY%)	-/-	-/-	0.8/4.5
	0900	Apr Core CPI (MoM%, NSA)	-	-	0.7
Israel	1100	Mar Industrial Production (MoM%, SA)	-	-	3.2
Mexico	1400	Mar Retail Sales (YoY%)	-0.5	-	1.8
Thursday 23 May					
Russia	-	Apr PPI (MoM/YoY%)	-	1.1/9.4	0.9/10.9
Turkey	0800	May Real Sector Confidence Index, SA	-	-	100.0
	0800	May Industrial Confidence	-	-	105.5
	0800	May Capacity Utilization (%)	-	-	75.0
Poland	0900	Apr Retail Sales (MoM/YoY%)	-1.6/7.6	-/-	14.1/3.1
South Africa	-	Repo Rate (%)	-	-	6.75
Israel	-	Apr Leading 'S' Indicator (MoM%)	-	-	0.3
Friday 24 May					
Russia	1400	Apr Real Wages (YoY%)	-0.5	0.2	0.0
	1400	Apr Retail Sales (YoY%)	1.2	1.4	1.6
Poland	1300	Apr M3 Money Supply (MoM/YoY%)	0.4/10.1	-/-	0.9/9.9
Czech Rep	0800	May Business Confidence	-	-	15.1
	0800	May Consumer & Business Confidence	-	-	12.3
	0800	May Consumer Confidence	-	-	1.5
Kazakhstan	-	Apr M3 Money Supply (MoM%)	-	-	-1.6
Serbia	1100	Mar Real Wages (YoY%)	-	-	6.9
Mexico	1400	1Q F GDP (YoY%)	1.3	1.4	1.3

Source: ING, Bloomberg

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