

Our view on next week's key events

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Key events in developed markets next week

A fairly quiet week in developed markets. Sentiment data from the eurozone and UK should point to rising consumer confidence, however, a return to pre-virus levels of economic activity is still some way off



Source: Shutterstock

✓ Eurozone: It's all about the surveys

For the eurozone, next week will be all about June surveys. Consumer confidence on Monday will provide a good sense of how quickly sentiment is recovering as economies gradually reopen. This will be key for a recovery in domestic demand. PMIs will also be important. The May readings, while better than in April, were still well below the key 50 level, signalling contraction in both manufacturing and services.

✓ Rebounding UK PMIs won't tell us much about the recovery

The UK PMIs look set to rebound next week, although we suspect they'll remain in deep contractionary territory. It's worth remembering though that the PMI is only a diffusion index, so while it might point to more firms saying things are getting better, it's a) off a low base and b) it doesn't tell us by how much things are improving.

In other words, we could feasibly see a sizable rebound in the PMIs, but we should be careful in interpreting this as a sign of a V-shaped recovery. Looking at other data, including Google's

mobility index, the economy still appears to be operating well below its pre-virus level. And amid growing concerns about the job market outlook, we suspect the economy will struggle to regain the lost ground until 2022 at the earliest.

US: A quiet week on the data front

It is a fairly quiet week in the US with the data flow mainly focused on housing reports and durable goods orders. Mortgage applications continue to surge thanks to low borrowing costs and ample credit availability, and this offers a positive outlook for the housing market. It is already translating into rising housing starts and home builder confidence. However, given the length of time it takes to conclude a home purchase we are not expecting much from this week's transaction data for May. June and July housing figures should be incredibly strong.

As for durable goods orders, we should see a rebound of sorts, but it is unlikely to be as vigorous as in the consumer sector. Manufacturing remains weak as supply bottlenecks and subdued final demand squeeze the sector. This means new orders are likely to remain well down on pre-Covid-19 levels, which in turn implies lacklustre investment spending and the risk of further job losses over coming months.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 22 June					
US	1500	May Existing Home Sales	4.2	4.1	4.3
Eurozone	1500	Jun A Consumer Confidence	-15.5	-	-18.8
Australia	0000	RBA's Lowe Participates in Panel			
Tuesday 23 June					
Eurozone	0900	Jun P Markit Manufacturing PMI	50.0	-	39.4
	0900	Jun P Markit Services PMI	44.0	-	30.5
	0900	Jun P Markit Composite PMI	45.0	-	31.9
UK	0930	Jun P Markit/CIPS Manufacturing PMI	45.0	-	40.7
	0930	Jun P Markit/CIPS Services PMI	38.0	-	29.0
	0930	Jun P Markit/CIPS Composite PMI	39.5	-	30.0
Wednesday 24 June					
US		- Fed's Evans (1730) and Bullard (2000) speak			
Japan	0600	Apr F Leading economic index	-	-	76.2
	0050	BOJ Summary of Opinions			
New Zealand		- RBNZ Official cash rate (%)	0.25	-	0.25
Germany	0900	Jun IFO Business Climate	84.0	-	79.5
	0900	Jun IFO Expectations	83.0	-	80.1
	0900	Jun IFO Current Assessment	84.0	-	78.9
Norway	0700	Apr Unemployment Rate AKU	-	-	3.6
Sweden	0800	Jun Economic Tendency Indicator	-	-	64.1
Netherlands	0530	1Q F GDP (QoQ%)	-1.7	-	-1.7
Thursday 25 June					
US	1330	May P Durable Goods Orders (MoM%)	9.0	10.0	-17.7
	1330	May P Durable Goods Orders (ex. Transport, MoM%)	2.5	-	-7.7
	1330	1Q T GDP (QoQ Annualised %)	-5.0	-5.0	-5.0
Japan	0530	Apr All industry activity index (MoM%)	-	-	-3.8
UK	1800	BOE's Haldane Speaks at TEDxGlasgow			
Friday 26 June					
US	1500	Jun F U. of Mich. Sentiment Index	84.0	-	78.9
Eurozone	0900	May M3 Money Supply (YoY%)	8.5	-	8.3
Norway	0700	May Retail Sales (Ex. Motor Vehicles, SA, MoM%)	-	-	4.8
Sweden	0830	May Household Lending (YoY%)	-	-	5.2
	0830	May Retail sales (Ex. Fuel, MoM/YoY%)	-/-	-/-	0.2/-1.3
Portugal		- Portugal Releases Year-to-Date Budget Report			
Austria	0930	WIFO Quarterly Economic Forecasts			

Source: ING, Bloomberg

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Asia week ahead: Monetary easing cycle near trough

The collapse in economic activity during Covid-19 lockdowns is well known, and massive stimulus is in place to help shore up the recovery. This leads us to think that the Asian central bank easing cycle is coming to an end



Source: Shutterstock

➔ A mixed bag of policy decisions

Following policy verdicts from central banks in Japan, Taiwan, and Indonesia this week, the markets will be awaiting decisions from those in China, Thailand, the Philippines, and New Zealand next week.

A record decline in activity during the lockdown months may call for more policy easing. But as the

lockdowns are being lifted and economies are slowly getting back on their feet, we now need to observe whether the aggressive fiscal and monetary easing already in place will facilitate a recovery before any more easing is introduced. This is a strong argument for inaction by central banks, especially those with barely any easing space left. The clear candidates here are the Reserve Bank of New Zealand and the Bank of Thailand. Both have hit their limits on rate policy easing, their Covid-19 lockdowns have ended and their economies are back in action. We could also add Taiwan's central bank to this camp after its decision to leave policy on hold this week.

The People's Bank of China will carry out its monthly exercise of adjusting the prime lending rates next week. Boosting economic growth remains a top priority for the central bank amid a second wave of the disease. This supports our house view for a 10-20 basis point cut to the 1-year and 5-year lending rates. In the Philippines, we think the Bangko Sentral ng Pilipinas (BSP) will take advantage of a strong currency and falling inflation to cut the policy rate by another 25bp.

Growth and inflation moving lower

Inflation and manufacturing releases for May dominate the data flow next week. Both are moving lower and into deeper negative territory for some regional economies.

Broad weakness in demand has depressed CPI inflation. Among the key inflation drivers, transport prices have been disproportionately affected by lockdowns and lower fuel prices, more than offsetting steady food price inflation. This has pushed inflation in Malaysia and Singapore into negative territory in recent months. It could have been even more negative in May. While still positive, Hong Kong's inflation is also expected to have nudged lower in the last month.

Exports have been a key drag on manufacturing along with weak domestic demand. Singapore's exports and manufacturing disproportionately benefited from a surge in pharmaceutical demand in the global pandemic. But the export surge ended in May and so did the boost to manufacturing, in our view. Taiwan's exports and manufacturing are holding up relatively well, allowing the central bank there to leave policy on hold this week.

The combined April-May manufacturing growth will provide a sense of the GDP contraction in 2Q20, which is going to be the worst in at least a decade.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 20 June					
Taiwan	0900	May Export orders (YoY%)	3.5	2.3	2.3
Sunday 21 June					
Taiwan	-	May Money supply (M2) (YoY%)	4.2	-	4.2
Monday 22 June					
China	-	5-year Loan Prime Rate (%)	4.55		4.65
	-	1-year Loan Prime Rate (%)	3.65		3.85
Hong Kong	-	May Composite CPI (YoY%)	1.6		1.9
Taiwan	0900	Unemployment rate (%)	4.3		4.1
Malaysia	0800	Forex reserves- Month end (US\$bn)	-	-	102.9
Philippines	-	Apr OCW remittances (YoY%)	-	-	-4.7
	-	May Forex reserves (US\$bn)	-	-	90943
Thailand	0430	May Exports (Cust est, YoY%)	-23.0	-	2.12
	0430	May Imports (Cust est, YoY%)	-35.0	-	-17.1
	0430	May Trade balance (Cust est, US\$m)	2736		2462
South Korea	2200	May PPI (YoY%)	-1.9	-	-1.5
Tuesday 23 June					
Philippines	-	May Budget balance (PHP bn)	-706.5	-	-273.9
Singapore	0600	May CPI (YoY%)	-1.0	-	-0.7
	0600	May CPI core (YoY%)	-0.3	-	-0.3
Taiwan	0900	May Industrial production (YoY%)	5.8	-	3.5
Wednesday 24 June					
Malaysia	0500	May CPI (YoY%)	-2.9	-	-2.9
Thailand	0805	Benchmark Interest Rate	0.50	-	0.50
Thursday 25 June					
Philippines	0900	Overnight Borrowing Rate	2.50	-	2.75
Thailand	-	May Manufacturing index (YoY%)	-	-	-17.2
South Korea	2200	Jun BOK Consumer Sentiment Index	81.8	-	77.6
Friday 26 June					
Singapore	0600	May Industrial production (MoM/YoY%)	-18.0/-6.3	-/-	3.6/13

Source: ING, Bloomberg, *GMT

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Key events in EMEA and Latam next week

Hungary and the Czech Republic will likely keep rates on hold next week while Turkey will probably cut rates further



Source: Shutterstock

✓ Turkey: A further rate cut is probable

The Central Bank of Turkey has already cut the policy rate significantly with an extended easing cycle since mid-2019, pulling it markedly below the annual inflation rate. But given its inflation estimate at 7.4% and focus on ex-ante real rate (by relying on its own forecast) to guide its policy decisions, the central bank is likely to ease by a further 50 basis points.

✓ Hungary: Expect a dovish hold

The main event in Hungary next week is the rate-setting meeting. We have downgraded our GDP outlook to -5.1% in 2020 but we think the National Bank of Hungary will still forecast moderate growth in its upcoming Inflation Report. We do expect a dovish tone from the bank next week, showing a readiness to step in, if price stability warrants it. But the NBH might be able to provide some stimulus without cutting rates if it wants to. For example, it could install a hard cap on its one-week deposit tender. The NBH could then easily increase liquidity in the interbank market, pushing short-end Bubor gently lower. This cap would add another handy tool to the already complex monetary policy set-up, to micromanage the monetary transmission channel.



Czech Republic: Rates likely to remain on hold

During the last two monetary meetings, the Czech National Bank delivered a larger-than-expected cut of 75 basis points versus the 50 basis points expected by the market. At the last meeting, the CNB board admitted that the cut was bigger than the staff-recommended forecast, as they decided to frontload the decision to avoid cutting again in the second half of the year. This suggests that rates could remain stable for some time, at least into next week. This also confirms the latest comments from CNB Board members, including Governor Jiri Rusnok, who have signalled that rates will stay on hold this month.

Poland: Gradual rebound predicted

We expect a gradual recovery in retail sales from -22.6% to -14% year-on-year. The headline figure should be subdued by the collapse in car and fuel sales, which have fallen 50% and 20% YoY, respectively. In the case of other components, the contraction should be in the single digits.

EMEA and Latam economic calendar

Country	Time Data/event	ING	Survey	Prev.
Sunday 21 June				
Hungary	2300 Jun Economic Sentiment	-24.1	-	-28.1
	2300 Jun Business Confidence	-21.0	-	-24.5
Monday 22 June				
Turkey	0900 May Foreign Tourist Arrivals (YoY%)	-	-	-99.3
Poland	0900 May Retail Sales (YoY%)	-14.0	-12.9	-22.6
Hungary	0730 1Q C/A (€mn)	230	-	-775
Ukraine	- National Bank of Ukraine Publishes Minutes of Rate Meeting			
Israel	1100 Apr Industrial Production (SA, MoM%)	-	-	0.2
	1100 May Monthly Unemployment Rate (%)	-	-	3.3
Tuesday 23 June				
Poland	1300 May M3 Money Supply (YoY%)	14.1	15.0	14.00
	- May Budget Level (YTD PLN mn)	-	-	-18883
Hungary	1300 Policy Rate (%)	0.90	-	0.90
	1300 Overnight Deposit Rate (%)	-0.05	-	-0.05
South Africa	0800 Apr Leading Indicator	-	-	104
	1030 1Q Unemployment Rate (%)	-	29.6	29.1
Israel	- May Leading 'S' Indicator (MoM%)	-	-	-0.3
Wednesday 24 June				
Turkey	0800 Jun Real Sector Confidence Index SA	-	-	73.5
	0800 Jun Capacity Utilization (%)	-	-	62.6
Poland	0900 May Unemployment Rate (%)	6.1	6.1	5.8
Czech Rep	0800 Jun Business Confidence	-	-	-18.6
	0800 Jun Consumer & Business Confidence	-	-	-17.8
	0800 Jun Consumer Confidence	-	-	-14.3
	1200 Repo Rate	0.25	-	0.25
South Africa	0900 Apr CPI (MoM/YoY%)	-/-	-0.5/3.0	0.3/4.1
	0900 Apr Core CPI (MoM/YoY%)	-/-	-0.1/3.5	0.6/3.7
	1200 Mar Retail Sales (MoM%)	-	0.5	-0.4
Brazil	1330 May C/A Balance (\$mn)	3200	-	3840
Thursday 25 June				
Turkey	1200 Benchmark Repurchase Rate	7.75	-	8.25
Kazakhstan	- May M3 Money Supply (MoM%)	-	-	-1.6
Serbia	1100 Apr Real Wages (YoY%)	-	-	8.7
South Africa	1030 Apr PPI (MoM/YoY%)	-/-	-/-	0.1/3.3
Brazil	1200 Central Bank Quarterly Inflation Report			
Mexico	1200 Apr Retail Sales (YoY%)	-18.0	-	-1.3
	1900 Overnight Rate	5.00	-	5.50

Source: ING, Bloomberg

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