

Our view on next week's key events

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By James Knightley and Carsten Brzeski



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By Peter Virovacz and Muhammet Mercan

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What trade worries?

The big release from the US next week will be the advance release of 2Q18 GDP. Based on high-frequency data, we think we could see growth rebound to an annualised rate of 4% after a weather-depressed 2% figure for 1Q18. This would be the strongest rate of growth since the third quarter of 2014.

Consumer spending should rebound sharply, while business surveys suggest that investment growth remains strong despite intensifying trade war worries. We also look for inventory building to make a positive contribution to overall GDP growth.

This outcome, coupled with strong jobs growth data and positive sentiment surveys, offers support to our view that the US can grow 3% this year as a whole. With headline inflation close to 3% and the Federal Reserve continuing to talk of “gradual” policy tightening we look for a rate hike in 3Q and another in 4Q with two more likely in 2019. Nonetheless, this is contingent on trade fears gradually easing after the mid-term elections in November 2018. If they don’t, then escalating tensions could have ramifications for capex and hiring in the US, which may lead the Fed to take a more cautious approach to policy tightening.

The ECB could be in a predicament in light of next week's sentiment indicators

Next week's PMIs and the German Ifo should shed some light on the possible confidence impact from latest trade tensions. Up till now, hard economic data has been close to zero, but a negative sentiment loop cannot be excluded.

A renewed weakening of sentiment indicators at a time of stabilising and positively surprising hard data out of the Eurozone would also bring the ECB new headaches. Except for the ECB's take on the economic outlook, next week's ECB meeting should almost be a non-event.

ECB president Mario Draghi will probably try to downplay recent market talks about operation twist or first rate hikes in summer 2019, stressing that a non-active summer of 2019 is possible.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 20 July					
US	1300	Fed's Bullard Speaks on Economy and Monetary Policy			
Japan	0030	Jun National CPI (YoY%)	-	0.8	0.7
	0030	Jun CPI ex-food, energy (YoY%)	-	0.4	0.3
	0530	May All Industry Activity Index (MoM%)	-	0	1
UK	0930	Jun Public Finances (PSNCR)	-	-	4.51
	0930	Jun PSNB ex Banks (£bn)	-	5	4.97
Canada	1330	Jun CPI (MoM/YoY%)	-/-	0/2.3	0.1/2.2
Greece	-	Greece Sovereign Debt to be Rated by S&P			
Austria	-	Austria Sovereign Debt to be Rated by Fitch			
Monday 23 July					
US	1500	Jun Existing Home Sales	5.50	5.46	5.43
Eurozone	1500	Jul A Consumer Confidence	-0.5	-	-0.5
UK	1800	BOE's Broadbent Speaks in London			
Tuesday 24 July					
Japan	0600	May F Leading Economic Index	-	-	106.9
Eurozone	0900	Jul P Markit Manufacturing PMI	54.7	-	54.9
	0900	Jul P Markit Services PMI	55.4	-	55.2
	0900	Jul P Markit Composite PMI	54.9	-	54.9
Portugal	-	Bank of Portugal Releases Bank Lending Survey			
Wednesday 25 July					
Eurozone	0900	Jun M3 Money Supply (YoY%)	-	-	4
Germany	0900	Jul IFO Business Climate	102	-	101.8
	0900	Jul IFO Expectations	98.8	-	98.6
	0900	Jul IFO Current Assessment	105.3	-	105.1
Australia	0230	2Q CPI (QoQ/YoY%)	-/-	-/-	0.4/1.9
Thursday 26 July					
US	1330	Jun P Durable Goods Orders (MoM%)	3.0	2.7	-0.4
	1330	Jun P Durable Goods Orders (ex. transport, M&M&O)	0.4	0.3	0
Eurozone	1245	ECB Main Refinancing Rate	-	-	0
	1245	ECB Marginal Lending Facility	-	-	0.25
	1245	ECB Deposit Facility Rate	-	-	-0.4
Sweden	0830	Jun Unemployment Rate (%)	-	-	6.5
Portugal	-	Portugal Releases Year-to-Date Budget Report			
Friday 27 July					
US	1330	2Q A GDP (QoQ Annualised %)	4.0	4.0	2.0
	1330	Revisions: GDP	-	-	-
	1500	Jul F U. of Mich. Sentiment Index	97.5	97.3	97.1
Japan	0030	Tokyo July CPI			
Australia	0230	2Q PPI (Q) (QoQ/YoY%)	-/-	-/-	0.5/1.7
Sweden	-	Sweden Sovereign Debt to be Rated by Fitch			
Netherlands	-	Netherlands Sovereign Debt to Be Rated by Moody's			

Source: ING, Bloomberg

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Asia week ahead: Prepare for slower growth

Weak exports, weak manufacturing, and therefore slow GDP growth. This was the storyline across Asia in the last quarter and likely to prevail for the rest...



The key Asian economic releases next week are Korea's GDP for the second quarter and June manufacturing data from Singapore and Taiwan, all informing about Asia's growth outlook in the tariff era. Weak exports, weak manufacturing, and therefore slow GDP growth was the economic story across Asia in the last quarter. And it's likely to remain the theme for the rest of the year.

Weak exports and manufacturing, and slower GDP growth

In its quarterly Economic Outlook report released earlier this month, the Korean central bank (Bank of Korea) cut its GDP outlook for 2018 to 2.9% growth from 3.0% previously. This is the result of the slowdown already underway in the country's exports and manufacturing. Export growth of 3.4%

year-on-year in 2Q slowed from 9.9% in 1Q. And industrial production growth has been flat in recent months. We expect 2Q GDP growth of 2.6%, down from 2.8% in the previous quarter.

2.6% ING forecast for Korea's 2Q GDP growth

With the trade war risk intensifying, GDP growth is poised to slow for the rest of the year. We are reviewing our full-year 2018 growth forecast of 2.8% for a downgrade. While this could make a case for Bank of Korea (BoK) policy easing, there is little policy space for such a move, which is also unlikely as higher tariffs and a weak Korean currency exert upward inflationary pressure. We expect the next move in the BoK policy rate to be higher, not this year though.

In Singapore, the advance estimate of GDP in 2Q revealed a slowdown in growth to 3.8% from 4.3% in the previous quarter. This estimate is typically based on data for the first two months in the quarter. Manufacturing drives GDP growth and the June data next week (26 July) is a good guide for revisions to the advance estimate. Unexpectedly weak non-oil domestic export growth in June (1.1% YoY, down from 15.5% in May) signals weak manufacturing. If realized, our forecast of 2.4% manufacturing growth in June, down from 11% in May, will mean a downgrade of 2Q GDP growth to 3.6%.

2.4% ING forecast for Singapore's manufacturing in June

The heavy dependence on exports makes Singapore's economy more vulnerable to the global trade war. While we are looking to downgrade our growth forecast for this year from 3.2%, it will take a big slump in the economy for the central bank (MAS) to reverse the April policy tightening. And that's not what we are anticipating at the moment.

For Taiwan, it's the same economic story as in Korea or Singapore -- weak exports, weak manufacturing, and therefore weak GDP growth.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 20 July					
Malaysia	0800	Jul 13 Forex reserves- Month end (US\$bn)	-	-	104.7
Taiwan	0900	Jun Export Orders (YoY%)	8	8	11.68
Thailand	-	Jun Exports (Cust est, YoY%)	7	9.5	11.4
	-	Jun Imports (Cust est, YoY%)	19	15	11.7
Monday 23 July					
Philippines	-	Jun Budget balance (PHP bn)	-	-	-32.9
Singapore	0600	Jun CPI (YoY%)	0.6	-	0.4
	0600	Jun CPI Core (YoY%)	1.6	-	1.5
Taiwan	0900	Jun Industrial Production (YoY%)	4	5.8	7.05
Hong Kong	0415	Jun Composite CPI (%YoY)	2.2	-	2.1
Tuesday 24 July					
Taiwan	0920	Jun Money supply (M2) (YoY%)	3.8	-	3.73
South Korea	2200	Jul BOK Consumer Sentiment Index	106.3	-	105.5
Thursday 26 July					
Hong Kong	0930	Jun Exports (YoY%)	7.9	-	15.9
	0930	Jun Imports (YoY%)	8.5	-	16.5
	0930	Jun Trade balance (HK\$ bn)	-54.3	-	-43.2
Singapore	0600	Jun Industrial Production (MoM, SA/YoY%)	-0.7/2.4	-/-	0.4/11.1
South Korea	0000	2Q P GDP (QoQ/YoY%)	0.5/2.6	-/-	1/2.8
Friday 27 July					
China	0230	Jun Industrial Profits (YTD, YoY%)	18	-	21.1
Singapore	0330	2Q Jobless Rate (Q) (%), SA)	2	-	2

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

Sentiment indicators and rate decisions dominate EMEA and Latam markets in a particularly quiet week for most countries



Source: Shutterstock

✓ Expect no surprises from the Hungarian central bank

In Hungary, the key event of a rather quiet week is the monetary policy meeting of the central bank.

We are confident that the National Bank of Hungary won't ruin any trader's, portfolio manager's or treasurer's vacations with a surprise move. The EUR/HUF has stabilised between the 322-325 range. Moreover, with oil prices heading south and the June inflation reading undershooting the NBH forecast, we don't see any reason why the central bank could change its monetary policy or its main messages regarding the forward guidance.

✓ Turkey to tighten?

We expect the Turkish central bank to deliver a measured 100bp tightening on the back of the sharp deterioration in the inflation outlook and ongoing deterioration in forward-looking expectations.

Although the rebalancing has already started, it is likely to be the main theme for the rest of 2018.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 20 July					
Russia	-	Russia Sovereign Debt to be Rated by S&P			
Poland	0900	Jun Retail Sales (MoM/YoY%)	0.7/7.4	1.5/8.1	2.7/7.6
Czech Rep	-	Czech Sovereign Debt to be Rated by S&P			
Hungary	0800	May Avg Gross Wages (YoY%)	11.4	11.2	12.6
	-	Hungarian parliament May Pass 2019 Budget			
Serbia	-	May C/A (€mn)	-	-	-233.5
Croatia	-	Jun Unemployment Rate (%)	-	-	9.2
Sunday 22 July					
Hungary	2300	Jul Economic Sentiment	9.7	-	9.8
	2300	Jul Business Confidence	14.8	-	15.3
	2300	Jul Consumer Confidence	-4.7	-	-5.7
Monday 23 July					
Turkey	0800	Jul Consumer Confidence	-	-	70.28
Poland	1300	Jun M3 Money Supply (MoM/YoY%)	-/-	0.5/7.3	1.3/6.6
Kazakhstan	-	Jun M3 Money Supply (MoM%)	-	-	-0.5
Tuesday 24 July					
Turkey	1200	Benchmark Repurchase Rate	18.75	-	17.75
Poland	0900	Jun Unemployment Rate (%)	-	5.9	6.1
Czech Rep	0800	Jul Business Confidence	-	-	17
	0800	Jul Consumer & Business Confidence	-	-	15.7
	0800	Jul Consumer Confidence	-	-	10.5
Hungary	1300	Policy Rate (%)	0.9	-	0.9
South Africa	0800	May Leading Indicator	-	-	105.9
Wednesday 25 July					
Turkey	1230	Jul Real Sector Confidence Index SA	-	-	102.5
	1230	Jul Industrial Confidence	-	-	104.6
	1230	Jul Capacity Utilization (%)	-	-	78.3
Poland	-	Jun Budget Perf. (YTD)	-	-	42.7
	-	Jun Budget Level (YTD)	-	-	9585.34
Serbia	1100	May Real Wages (YoY%)	-	-	5
Croatia	1000	May Real Wages (YoY%)	-	-	4.6
Mexico	1400	May Retail Sales (YoY%)	2.2	-	3.3
Thursday 26 July					
South Africa	1030	Jun PPI (MoM/YoY%)	-/-	-/-	0.7/4.6
Israel	1100	May Industrial Production (SA, MoM%)	-	-	2.2
Brazil	1430	Jun C/A Balance (\$mn)	100	-	729.23
Mexico	1400	Jun Unemployment Rate SA (%)	3.19	-	3.17
Friday 27 July					
Russia	1130	Key Rate (%)	-	7.25	7.25
Israel	-	Jun Leading 'S' Indicator (MoM%)	-	-	0.25

Source: ING, Bloomberg

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