

## Our view on next week's key events

Discover what ING analysts are looking for next week in our global economic calendars

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By Peter Virovacz

## Key events in developed markets

Several Fed officials are scheduled to speak over the next week, but we're keen to hear what James Bullard will have to say. Expect more Brexit-deal chatter, though we think it is unlikely the PM will get a revised deal with the EU this week. In our opinion, a deal hinges more heavily on UK parliamentary arithmetic



Source: Shutterstock

### ✓ US: A little more colour on the Fed's decision

The latest Federal Reserve interest rate cut failed to generate much excitement in markets, but Fed Chair Jerome Powell did at least stress the central bank's commitment to preserving the US expansion. We continue to think the Fed will cut interest rates further despite their latest forecast snapshot suggesting there is a limited appetite amongst officials to do so right now. There are seven different Fed officials scheduled to speak over the next week so we will get a little more colour on their individual thinking. Most interest will likely be on James Bullard who was the lone voter favouring an immediate 50bp rate cut.

In terms of data, the final reading of 2Q GDP is set to be confirmed at 2% growth, but we will be focusing on the durable goods orders numbers for August and some of the inflation numbers. The Federal Reserve is very nervous about the outlook for investment with the durable goods orders report currently indicating a probable contraction in 4Q19/1Q20. Further weakness here this week would be a cause for concern. At the same time there is evidence of a pick-up in some inflation pressures after core CPI and average earnings accelerated sharply. If we get a sharp rise in the Fed's favoured measure of inflation, the core PCE deflator, this could cast some doubt in the market's mind that we will get the full 75bp of cuts they are currently priced for. We continue to

look for a December rate cut and a 1Q20 rate cut.

## **Brexit deal chatter to dominate UK newsflow next week**

There are two things to watch in the UK next week.

The first is the Supreme Court ruling early in the week, where judges will rule on whether PM Johnson's suspension of parliament was unlawful. While legal experts are divided on what the outcome may be, it's not certain this will make a massive difference to Brexit, at least in the near-term. Remember one of the consequences of the original suspension was that it would become harder to legislate against an October 'no-deal' exit. However, MPs succeeded in approving a law designed to force the prime minister to ask for a further Article 50 extension, just in case they are unable to get a new deal through parliament.

With that in mind, the bigger focus for markets will be on whether the PM can agree a revised deal with the EU. Despite positive comments from European Commission President Juncker, this still seems unlikely.

The British PM will reportedly meet key European leaders at the UN next week. But so far, UK proposals for a revised Irish backstop – the mechanism to avoid a hard border on the island of Ireland – have reportedly been met with scepticism by EU officials. In reality, the chances of a deal hinge more heavily on the UK parliamentary arithmetic, but despite some more positive signals from some Labour MPs over recent weeks, the PM still faces an uphill battle to get a deal approved by lawmakers.

## **Developed Markets Economic Calendar**

Updated to correct error in Germany/Eurozone PMI labelling

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 23 September</b>					
Germany	0830	Sep P Markit Manufacturing PMI	44.1	-	43.5
	0830	Sep P Markit Services PMI	54.0	-	54.8
	0830	Sep P Markit Composite PMI	51.5	-	51.7
Netherlands	0530	2Q F GDP (QoQ%)	0.5	-	0.5
<b>Tuesday 24 September</b>					
US	1500	Consumer Confidence	136.0	133.5	135.1
	1500	Consumer Confidence - Current situation	177.4	-	135.1
	1500	Consumer Confidence - Expectations	107.5	-	135.1
Japan	0600	Jul F Leading economic index	-	-	93.6
Germany	0900	Sep IFO Business Climate	94.4	-	94.3
	0900	Sep IFO Expectations	91.8	-	91.3
	0900	Sep IFO Current Assessment	96.7	-	97.3
UK	0930	Aug Public Finances (PSNCR)	-	-	-13.51
	0930	Aug PSNB ex Banks (£bn)	-	-	-1.319
<b>Wednesday 25 September</b>					
US	1300	Fed's Evans Discusses Economy and Monetary Policy			
	1500	New Home Sales (thousands)	660	650	635
Japan	0500	BOJ Minutes of July Policy Meeting			
New Zealand	0300	RBNZ OCR decision			
Norway	0700	Jul Unemployment Rate AKU	-	-	3.6
Germany	0700	GfK Consumer Confidence	9.6	9.7	9.7
<b>Thursday 26 September</b>					
US	1330	2Q T GDP (QoQ Annualised %)	2.0	2.0	2.0
	-	Fed's Kaplan (1430), Bullard (1500) and Kashkari (1900) Speaks			
Eurozone	0900	Aug M3 Money Supply (YoY%)	-	-	5.2
UK	1445	BOE Governor Carney Speaks on Financial Services in Frankfurt			
Sweden	0800	Sep Economic Tendency Indicator	-	-	94.9
	0830	Aug Household Lending (YoY%)	-	-	4.9
<b>Friday 27 September</b>					
US	1330	Aug P Durable Goods Orders (MoM%)	-1.6	-1.3	2.0
	1330	Aug P Durable Goods Orders (ex. Transport, MoM%)	0.4	0.2	-0.4
	1330	Core PCE Deflator (MoM/YoY%)	0.2/1.8	0.2/1.8	0.2/1.6
	1500	Sep F U. of Mich. Sentiment Index	-	-	92.0
	1800	Fed's Harker Speaks to Shadow Open Market Committee			
Eurozone	1000	Sep Economic Confidence	-	-	103.1
Norway	0700	Aug Credit Indicator (YoY%)	-	-	5.6
	0900	Sep Unemployment Rate	-	-	2.3
Sweden	0830	Aug Retail sales (Ex. Fuel, MoM/YoY%)	-/-	-/-	0.4/4.3

Source: ING, Bloomberg

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# Asia week ahead: Thailand and Philippines to extend easing cycle

Another big week of central bank meetings in Asia with two of them likely to cut rates, but one doing so more convincingly than the other



Source: Shutterstock

## Another trio of Asian central banks meet next week

The next barrage of central bank policy decisions in the region will come from New Zealand, Philippines, and Thailand next week after Taiwan, Japan and Indonesia's central bank met this week. As was widely expected, the Bank of Japan and Taiwan's central bank left rates on hold but Bank Indonesia delivered its third rate cut for the year despite heightened market volatility making the Indonesian rupiah Asia's worst performer this week.

We anticipate more central bank action next week.

## **Philippines central bank**

Latest data from the Philippines shows a sharp slide in consumer price inflation in August below the central bank's 2-4% policy target which set another 25bp rate cut in stone - the third this year taking the BSP's overnight borrowing rate to 4.00%. This is one of the two Asian central banks (the other being Bank Indonesia) enjoying significant policy space from 175bp of rate hikes last year.

We don't think the BSP will need to use up all that policy leeway going forward unless pent-up government spending fails to revive GDP growth above 6% in the second half of 2019.

## **Bank of Thailand**

The Thai economy is among Asia's worst performers this year and is in need of greater policy support. The Bank of Thailand started cutting rates in August, albeit reluctantly judging from their hawkish stance, which made our view of a back-to-back 25bp policy rate cut to 1.25% next week looking rather difficult to materialise. However, economic data since the last meeting paints an increasingly weak economic outlook, while the political noise frustrates expectations of the recently announced fiscal stimulus kick-starting the economy anytime soon.

Making matters worse is the continued Thai baht appreciation, which is why we're having another out-of-consensus call on BoT policy, as we did in August.

## **Reserve Bank of New Zealand**

After a double-barrel, 50 basis point rate cut just a month ago, leaving policy on hold seems to be the safest option for the Reserve Bank of New Zealand.

While the last rate cut preceded reports of strong labour market with 11-year low jobless rate, accelerated wage growth, and well-anchored inflation expectations in the middle of the 1-3% policy target, data since then hasn't been alarming. The economy outperformed expectations in the second quarter with 2.1% GDP growth and there has been little in the rates or the FX markets suggesting another rate cut just yet, which is why we don't think the RBNZ will jump the gun again next week.

## **And a barrage of data**

China's industrial profits data will be an interesting watch as a deepened slump in output growth to a nearly two-decade low of 4.4% could dent profit growth back into the negative territory in August after a one-off positive in July. Elsewhere in the region, manufacturing in Singapore and Thailand remains under stress from weak electronics exports, while new smartphone launches are aiding recovery in Taiwan. The average July-August manufacturing growth will be a good guide to the third quarter GDP performance of these economies.

But inflation continues to be muted in much of Asia as we are likely to see that from the August data in Korea, Malaysia, and Singapore. Singapore's core CPI will be in focus ahead of the Monetary Authority of Singapore's (MAS) semi-annual policy adjustment in October. But with core inflation touching a three-year low of 0.8% in July, which is where it's likely to have stayed in August, and almost flat GDP growth, we expect the central bank to start easing next month.

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Saturday 21 September</b>					
Taiwan	-	Aug Money supply (M2) (YoY%)	3.4	-	3.4
<b>Monday 23 September</b>					
Philippines	-	Aug Budget balance (PHP bn)	-13.5	-	-75.3
Singapore	0600	Aug CPI (YoY%)	0.4	-	0.4
	0600	Aug CPI core (YoY%)	0.8	-	0.8
Taiwan	0900	Aug Industrial production (YoY%)	1.8	-	3.0
South Korea	2200	Aug PPI (YoY%)	-0.3	-	-0.3
<b>Tuesday 24 September</b>					
Thailand	0400	Aug Manufacturing index (YoY%)	-2.5	-	-3.2
<b>Wednesday 25 September</b>					
Malaysia	0500	Aug CPI (YoY%)	1.5	-	1.4
Thailand	0805	Benchmark Interest Rate	1.25	-	1.50
South Korea	2200	Sep BOK Consumer Sentiment Index	-	-	92.5
New Zealand	0300	Interest rate decision	1.00	1.00	1.00
<b>Thursday 26 September</b>					
Hong Kong SAR	0930	Aug Exports (YoY%)	-7.4	-	-5.7
	0930	Aug Imports (YoY%)	-10.7	-	-8.7
	0930	Aug Trade balance (HK\$ bn)	-34.2	-	-32.2
Philippines	0900	Overnight Borrowing Rate	4.00	-	4.25
Singapore	0600	Aug Industrial production (MoM/YoY%)	-2.0/-2.2	-/-	3.6/-0.4
<b>Friday 27 September</b>					
China	0230	Aug Industrial profits (YTD, YoY%)	0.0	-	2.6

Source: ING, Bloomberg, \*GMT

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## Key events in EMEA and Latam next week

Hungarian and Czech central bank meetings next week. Expect the former to firmly stay put but probably surprise with its forward guidance and forecasts, while the latter might hike, but the majority view is to maintain the status quo



Source: Shutterstock

### ✓ National Bank of Hungary: Balancing hot domestic and cooling external factors

The National Bank of Hungary meets next Tuesday. The dichotomy still prevails, so domestic factors are heating while external ones are cooling the economy. In line with the central bank's expectations, external effects have started to dominate in the last few months, driving down inflation to the target of 3%.

The worsening economic outlook, the dovish tone of major central banks and elevated global uncertainties coupled with oil price and FX shocks are likely to support a status quo decision by the NBH. Against this backdrop, we see no change in interest rates. The real questions are whether the central bank releases forward guidance (generally we see no reason for doing it taking into consideration the mounting uncertainties around the inflation outlook) and how inflation and GDP forecasts will change in the upcoming new Inflation Report.



## **Czech National Bank: Pointing towards a hold**

The Czech National Bank (CNB) meeting next Wednesday should not bring any change to the current CNB monetary stance.

Czech data is broadly in line with CNB estimates while inflationary and wage pressures continue. CNB board member Tomas Holub indicated in his last interview that the central bank will be discussing whether to hike rates or remain on hold. Tomas Holub confirmed that an on-hold decision seems to be preferred given the risks abroad. We also believe this will be the CNB majority view, as other board members also have signalled recently that longer-term rates stability is the preferred option given the current risk environment.

## **Poland: Not much change for the budget in August**

We expect the government budget in August to close with a similar deficit compared with July. Lack of progress in revenue collection would pose a question mark, as to whether a balanced budget is possible next year.

## EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Sunday 22 September</b>					
Hungary	2300	Sep Economic Sentiment	3.6	-	4.0
	2300	Sep Business Confidence	6.7	-	7.5
	2300	Sep Consumer Confidence	-5.5	-	-5.9
Israel	1100	Jul Industrial Production (SA, MoM%)	-	-	-0.7
<b>Monday 23 September</b>					
Poland	1300	Aug M3 Money Supply (YoY%)	10.0	10.0	9.9
Kazakhstan	-	Aug M3 Money Supply (MoM%)	-	-	1.6
Israel	1100	Aug Monthly Unemployment Rate (%)	-	-	3.7
	-	Aug Leading 'S' Indicator (MoM%)	-	-	0.2
Brazil	1430	Aug C/A Balance (\$mn)	-5100	-	-9035
Mexico	1200	Jul Retail Sales (YoY%)	-1.1	-	1.0
<b>Tuesday 24 September</b>					
Turkey	0800	Sep Real Sector Confidence Index SA	-	-	102.1
	0800	Sep Industrial Confidence	-	-	102.5
	0800	Sep Capacity Utilization (%)	-	-	76.6
Poland	0900	Aug Unemployment Rate (%)	5.2	5.2	5.2
	-	Aug Budget Level (YTD)	-	-	-4783
Czech Rep	0800	Sep Business Confidence	-	-	12.5
	0800	Sep Consumer & Business Confidence	-	-	10.5
	0800	Sep Consumer Confidence	-	-	2.8
Hungary	1300	Policy Rate (%)	0.90	-	0.90
	1300	Overnight Deposit Rate (%)	-0.05	-	-0.05
<b>Wednesday 25 September</b>					
Czech Rep	1200	Repo Rate	2.00	-	2.00
Serbia	1100	Jul Real Wages (YoY%)	-	-	4.2
South Africa	0800	Jul Leading Indicator	-	-	103.4
Mexico	1200	Aug Unemployment Rate SA (%)	3.62	-	3.58
<b>Thursday 26 September</b>					
Poland	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
South Africa	1030	Aug PPI (MoM/YoY%)	-/-	-/-	-0.2/4.9
Mexico	1900	Overnight Rate	7.75	-	8.00
<b>Friday 27 September</b>					
Kazakhstan	-	2Q C/A (US\$m)	-	-	361.4
Brazil	1300	Aug Unemployment Rate (%)	11.6	-	11.8

Source: ING, Bloomberg

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