

Our view on next week's key events

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By Peter Virovacz

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☑ Reaching a US-China deal will be tricky, despite G20 Xi-Trump meeting

Markets are anxiously waiting for the outcome of the Trump-Xi meeting at the G20 meeting on Friday and Saturday. A commitment to restarting the trade talks seems to be the best obtainable result. Both leaders want a deal but to avoid losing face, both need to get concessions from the other side. Xi will have to assure Trump that China is willing to offer more than it did during the last round of talks. At the same time, Trump needs to assure Xi that he respects China by, for example, agreeing to reciprocity regarding penalties in case of non-compliance with the trade deal. But even if both leaders decide to resume the talks, there are too many bridges to be crossed to get a deal quickly. We think this will lead to the US imposing another round of tariffs this quarter to ramp up the pressure. China will retaliate. Only after both sides experience the increasing negative effects of the trade war during the remainder of this year will they be prepared to make concessions and finally strike a deal.

☑ US: We're cautious, but not as cautious as markets

Markets are increasingly of the view that the Fed will cut interest rates aggressively to head off the

threat of recession. Trade policy is critical to this view given the fear that intensifying tensions will hurt sentiment, put up business costs and weaken profitability, which in turn will lead to weaker investment spending and hiring. This in turn could lead to a broader economic downturn, with inflation more likely to undershoot its target. We agree that precautionary rate cuts are likely but feel that two 25 basis point moves is more probable than the four priced in by futures contracts.

This week's data flow should show that the US economy has decent underpinnings with consumer confidence remaining firm, although durable goods orders may soften due to an inventory overhang in the manufacturing sector. More importantly, we are of the view that President Trump wants to get re-elected next year and for that to happen, he needs a strong economy and equity market. As our trade team have noted above, we remain confident that a deal will eventually be struck, which will again limit the need for interest rate cuts.

Eurozone: Focus on inflation

The focus for the eurozone will turn to inflation. Kicking off next week we've got German inflation data (and the IFO survey), which should provide evidence as to whether the ECB may be forced to act in July or wait until the end of summer.

Obviously, the global economic environment is a key factor but weaker-than-expected inflation data in the eurozone is also in the mix. Some recovery after the weak May reading is expected but with fuel price growth down on the year, the scope for an upside surprise from the headline figure is limited.

Nevertheless, the ECB is seemingly keen to reduce rates, the question now is what the trigger will be?

Canada: Things are looking pretty good - domestically

There were a few things driving growth figures in April, but funnily enough they were not related to cars. Largely due to assembly plant shutdowns, sales of motor vehicles - and in turn motor vehicle parts, fell and this weighed on manufacturing sales (-0.6% month-on-month). However, given that the shutdowns are likely to be temporary, we suspect this won't be a cause for concern.

On a more positive note, even though automotive exports were lower, there was a bright spot (quite literally) in the form of rising gold exports, which resulted in a decent uptick in the overall figure for a second straight month. This brought the trade deficit in April to its lowest level since October 2018, and this renewed strength in exports reinforces our view that the domestic economic outlook is looking a little brighter.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 24 June					
Japan	0600	Apr F Leading economic index	-	-	95.5
Germany	0900	Jun IFO Business Climate	98.3	-	97.9
	0900	Jun IFO Expectations	96.3	-	95.3
	0900	Jun IFO Current Assessment	100.4	-	100.6
Australia	0030	RBA Governor Lowe speaks on Canberra panel			
Netherlands	0530	1Q F GDP (QoQ%)	0.5	-	0.5
Tuesday 25 June					
US	1500	Jun Consumer Confidence	130.0	132.0	134.1
	-	Fed's Speakers: Williams (1345), Bostic (1700), Powell (1800), Barkin (2030)			
Japan	0050	May PPI Services (YoY%)	1.0	-	0.9
	0050	BOJ Minutes of April Policy Meeting			
Australia	0805	RBA's Bullock Gives Speech in Berlin			
Wednesday 26 June					
US	1330	May P Durable Goods Orders (MoM%)	-1.0	0.3	-2.1
	1330	May P Durable Goods Orders (ex. Transport, MoM%)	-0.5	0.2	0.0
UK	1015	BOE's Carney, Cunliffe, Tenreyro and Saunders Speak			
New Zealand	0300	RBNZ Official Cash Rate decision	1.50	-	1.50
	2300	N.Z. Government 11-Month Financial Statements			
Norway	0700	Apr Unemployment Rate AKU	-	-	3.5
Thursday 27 June					
US	1330	1Q T GDP (QoQ Annualised %)	3.2	3.2	3.1
Japan	0050	May Retail trade (MoM SA/YoY%)	-0.4	-/-	-0.1/0.4
	0050	The BOJ releases 1Q Money Flow			
	0230	BOJ Wakatabe speaks in Aomori			
Eurozone	1000	Jun Economic Confidence	104.8	-	105.1
Germany	1300	Jun P CPI (MoM/YoY%)	0.1/1.3	-/-	0.2/1.4
Spain	0800	Jun P HICP (MoM/YoY%)	-/-	-/-	0.2/0.9
Norway	0700	May Retail Sales (Ex. Motor Vehicles, SA, MoM%)	-	-	1.8
Friday 28 June					
Global	-	G20 meeting begins in Osaka - US/China bilateral meeting expected			
US	1500	Jun F U. of Mich. Sentiment Index	97.5	-	97.9
Japan	0050	May P Industrial production (MoM/YoY%)	0.8/-1.1	-/-	0.6/-1.1
	0050	May Jobless rate (%)	2.5	2.4	2.4
	0050	BOJ Summary of Opinions			
Eurozone	1000	Jun Flash Core CPI (YoY%)	1.1	-	0.8
	1000	Jun Flash CPI (YoY%)	1.3	-	1.2
UK	0930	1Q F GDP (QoQ/YoY%)	0.5/1.8	-/-	0.5/1.8
Italy	1000	Jun P HICP (YoY%)	-	-	0.9
	-	Bank of Italy to Release 1Q Credit Conditions and Risk			
Canada	1330	Apr GDP (MoM/YoY%)	0.1/1.4	-/-	0.5/1.4
Norway	0700	May Credit Indicator (YoY%)	-	-	5.7
	0900	Jun Unemployment Rate	2.1	-	2.1
Sweden	0830	May Retail sales (Ex. Fuel, MoM/YoY%)	-1.0/-	-/-	1.9/3.9
Portugal	-	Portugal Releases Year-to-Date Budget Report			

Source: ING, Bloomberg

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Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Asia week ahead: Thailand likely to join the easing buzz

Yet another busy week ahead with a couple more central bank meetings lined up and a host of the usual month-end economic releases from across Asia....



Source: Shutterstock

➔ RBNZ to stay on hold

While it is unlikely the RBNZ will drop its easing bias anytime soon, it's in no rush to deliver a second rate cut. Besides, the broadly tight labour market may imply a low probability of

inflation falling further away from the 2% target. – ING Asia Chief Economist, Rob Carnell

The Reserve Bank of New Zealand (RBNZ) will review its monetary policy and announce a decision on Wednesday, 26 June. The RBNZ just eased policy at the previous meeting in May, cutting the cash rate by 25 basis points to 1.50%, the first cut after a long hiatus in the easing cycle, which started four years ago. We don't anticipate a back-to-back cut, with RBNZ's Assistant Governor Christian Hawkesby ruling out another cut just yet. However, with the balance of risks skewed towards economic weakness, our house view remains one more 25bp cut in 3Q19.

➔ **BoT to join easing buzz**

Thailand's central bank, the Bank of Thailand (BoT), also announces its policy decision on 26 June.

A month ago, Thailand's dismal 1Q GDP report, which showed growth falling to a four-year low of 2.8%, forced us to revise our BoT policy view from no change this year to a 25 basis point rate cut within the current quarter. This puts us outside the consensus, which is still solidly behind a stable policy path this year.

However, earlier this week BoT policymaker Somchai Jitsuchon signalled that policy would be data-dependent, with fallout from the US-China trade war on the local economy leaving the bank "open to all possibilities". This being the case, it's hard to imagine the BoT ignoring the 1Q GDP data, while activity data for the second quarter doesn't offer much hope that the worst is over. The time is coming for a BoT rate cut, if only to reverse the 25bp rate hike from late-2018.

➔ **Disappointing data elsewhere in Asia**

A raft of activity data is expected to reinforce the downside growth risk for Asian economies.

China's industrial profit figures for May are expected to show a steeper contraction, by over 10% year-on-year, according to our Greater China economist Iris Pang (-3.7% in April). This follows the slowest industrial production growth of 5% YoY in May since the global financial crisis.

May manufacturing releases from Japan, Korea, Taiwan, Singapore, and Thailand will provide a good sense of 2Q19 GDP growth of these economies. As with the BoT, most other Asian central banks are gauging the impact of the trade war in determining their policy course. Indonesia's trade and the Philippines' government budget data are important from the same perspective.

➔ **And, the climax of the week will be...**

The global market angst about trade may increase in the run-up to the Xi-Trump meeting taking place alongside the G20 leaders gathering in Osaka at the end of the week (28-29 June). That's something we would rather save for this space in the next week. But we have already thought about the title. How about 'Make or Break'?

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 24 June					
Indonesia	0500	May Exports (YoY%)	-	-14.1	-13.1
	0500	May Imports (YoY%)	-	-14.5	-6.6
	0500	May Trade balance (US\$mn)	-	-1379	-2501.9
Singapore	0600	May CPI (YoY%)	0.6	0.8	0.8
	0600	May CPI core (YoY%)	1.3	1.4	1.3
Taiwan	0900	May Industrial production (YoY%)	-5.0	-	1.0
South Korea	2200	Jun BOK Consumer Sentiment Index	99.1	-	97.9
Tuesday 25 June					
Hong Kong	0915	May Exports (YoY%)	-10.1	-	-2.6
	0915	May Imports (YoY%)	-11.8	-	-5.5
	0915	May Trade balance (HK\$bn)	-32.0	-	-35.1
Philippines	-	May Budget balance (PHP bn)	-81.0	-	86.9
Wednesday 26 June					
Malaysia	0500	May CPI (YoY%)	0.3	-	0.2
Singapore	0600	May Industrial production (MoM/YoY%)	2.0/0.0	-/-	2.4/0.1
Thailand	0805	Benchmark Interest Rate	1.50	-	1.75
South Korea	2200	Jul BOK Business Survey Index, mfg	77	-	75.0
	2200	Jul BOK Business Survey Index, non-mfg	74	-	72.0
Thursday 27 June					
China	0230	May Industrial profits (YTD, YoY%)	-10.2	-	-3.7
Thailand	-	May Manufacturing index (YoY%)	-1.5	-	2.0
Friday 28 June					
India	-	May Fiscal deficit (INR core)	-	-	-206132
South Korea	0000	May Industrial production (MoM)	0.9/0.7	-	-0.1/1.7
Thailand	0830	May Current account (US\$bn)	1.00	-	1.8

Source: ING, Bloomberg, *GMT

Key events in EMEA and Latam next week

A relatively quiet week in EMEA and Latam. The information flow will be dominated again by central banks, particularly in Hungary and the Czech Republic....



Source: Shutterstock

✓ National Bank of Hungary: Higher inflation forecasts? But not high enough for a hike

With the global outlook darkening and rhetoric from the Federal Reserve and European Central Bank becoming increasingly dovish, there is little chance that the National Bank of Hungary (NBH) will change its loose monetary policy stance for now. The Inflation Report, which will be released along with the rate decision, may contain higher inflation forecasts for 2019 - though probably not high enough to make the NBH hike rates.

Average wages have been increasing rapidly in the last two years on the back of a tight labour market. Economic activity is outperforming previous expectations, generating even higher demand for labour. We therefore expect wage growth to remain strong going forward.

On the other hand, we expect a significant drop in the PPI - mostly due to lower oil prices, which is slightly counterbalanced by other factors.

✓ Czech National Bank: Wait and see

Real economic data in the Czech Republic surprised slightly on the positive side in the last few

months and inflation surpassed the Czech National Bank's (CNB) expectations somewhat, coming close to its upper-tolerance band in May, at 2.9%. Still, global uncertainty remains elevated due to concerns about the trade war and a weaker outlook for global economic growth, which has turned major central banks dovish (again). In such an environment, especially with Czech inflation near-target in the monetary policy horizon, a 'wait and see' approach seems to be the best strategy for the CNB right now.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 23 June					
Israel	1100	Apr Industrial Production (SA, MoM%)	-	-	1.3
Monday 24 June					
Hungary	0800	Jun Economic Sentiment	3.7	-	4.3
	0800	Jun Business Confidence	8.8	-	9.4
	0800	Jun Consumer Confidence	-10.9	-	-10.4
Turkey	0800	Jun Real Sector Confidence Index SA	-	-	94.7
	0800	Jun Industrial Confidence	-	-	98.9
	0800	Jun Capacity Utilization (%)	-	-	76.3
Poland	0900	May Retail Sales (MoM/YoY%)	-/-	-/-	4.4/13.6
Czech Rep	0800	Jun Business Confidence	-	-	12.7
	0800	Jun Consumer & Business Confidence	-	-	10.7
	0800	Jun Consumer Confidence	-	-	2.8
Kazakhstan	-	May M3 Money Supply (MoM%)	-	-	-0.2
Israel	1100	May Monthly Unemployment Rate (%)	-	-	3.8
Brazil	1430	May C/A Balance (\$mn)	350.0	-	-62.0
Tuesday 25 June					
Poland	1300	May M3 Money Supply (MoM/YoY%)	-/-	-/-	0.7/10.4
Hungary	1300	Policy Rate (%)	0.90	-	0.90
	1300	Overnight Deposit Rate (%)	-0.05	-	-0.05
Serbia	1100	Apr Real Wages (YoY%)	-	-	6.5
South Africa	0800	Apr Leading Indicator	-	-	104.5
Mexico	1400	Apr Retail Sales (YoY%)	2.5	-	1.6
Brazil	1200	COPOM Meeting Minutes			
Wednesday 26 June					
Poland	0900	May Unemployment Rate (%)	-	-	5.6
Czech Rep	1200	Repo Rate	2.0	-	2.0
Mexico	1400	May Unemployment Rate SA (%)	3.5	-	3.5
Thursday 27 June					
Croatia	1000	May Unemployment Rate (%)	-	-	8.6
	1000	Apr Real Wages (YoY%)	-	-	2.8
South Africa	1030	May PPI (MoM/YoY%)	-/-	-/-	1.3/6.5
Brazil	1500	Central Bank Q2 Inflation Report			
Mexico	1900	Overnight Rate	8.3	-	8.25
Friday 28 June					
Russia	1400	1Q F C/A (US\$mn)	-	-	32800
Turkey	0800	May Trade Balance (US\$bn)	-1.8	-	-3.0
Poland	0900	Jun P CPI (MoM/YoY%)	-/-	-/-	0.2/2.4
Czech Rep	0800	1Q F GDP (QoQ/YoY%)	0.6/2.6	-/-	0.6/2.6
Hungary	0800	Apr Avg Gross Wages (YoY%)	10.7	-	10.2
	0800	May PPI (MoM/YoY%)	0.7/2.9	-/-	1.0/4.1
Kazakhstan	-	1Q F GDP YTD YoY	-	-	3.8
Serbia	1100	May Industrial Production (YoY%)	-	-	-0.8
	1100	May Retail Sales (YoY%)	-	-	6.7
	1100	May Trade Balance (€m)	-	-	-500
Croatia	1000	May Industrial Production (SA, YoY%)	-	-	3.0
	1000	May Retail Sales (YoY%)	-	-	4.8
	-	May M1 Money Supply (HRKmn)	-	-	119556
-	1Q C/A balance	-	-	-872.9	
South Africa	1300	May National Budget Balance (ZARbn)	-	-	-63.5
	1300	May Trade Balance (ZARbn)	-	-	-3.4
Brazil	1300	May Unemployment Rate (%)	12.3	-	12.5

Source: ING, Bloomberg

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Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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