

## 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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#### Key Events

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By Peter Virovacz

# Key events in developed markets next week

All eyes will be on the G20 Xi-Trump meeting next week, but even if both leaders are open to resuming talks, there are many bridges to cross before a deal is struck. We're confident that a resolution will eventually be reached though, which limits the need for aggressive Fed rate cuts



Source: Shutterstock

## ✓ 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.    |
|--------------------------|------|--|----------|--------|----------|
| <b>Monday 24 June</b>    |      |  |          |        |          |
| 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      |
| <b>Tuesday 25 June</b>   |      |  |          |        |          |
| 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   |          |        |          |
| <b>Wednesday 26 June</b> |      |  |          |        |          |
| 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      |
| <b>Thursday 27 June</b>  |      |  |          |        |          |
| 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      |
| <b>Friday 28 June</b>    |      |  |          |        |          |
| 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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## 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. Investor anxiety about trade may grow ahead of the Trump-Xi meeting, which takes place alongside the G20 leaders' gathering



Source: Shutterstock

### ➔ RBNZ to stay on hold

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*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*

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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.    |
|--------------------------|-------|--|---------|--------|----------|
| <b>Monday 24 June</b>    |       |  |         |        |          |
| 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     |
| <b>Tuesday 25 June</b>   |       |  |         |        |          |
| 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     |
| <b>Wednesday 26 June</b> |       |  |         |        |          |
| 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     |
| <b>Thursday 27 June</b>  |       |  |         |        |          |
| China                    | 0230  | May Industrial profits (YTD, YoY%)     | -10.2   | -      | -3.7     |
| Thailand                 | -     | May Manufacturing index (YoY%)         | -1.5    | -      | 2.0      |
| <b>Friday 28 June</b>    |       |  |         |        |          |
| 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

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# 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. Both are expected to keep policy on hold



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.    |
|--------------------------|------|--------------------------------------|---------|--------|----------|
| <b>Sunday 23 June</b>    |      |                                      |         |        |          |
| Israel                   | 1100 | Apr Industrial Production (SA, MoM%) | -       | -      | 1.3      |
| <b>Monday 24 June</b>    |      |                                      |         |        |          |
| 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    |
| <b>Tuesday 25 June</b>   |      |                                      |         |        |          |
| 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                |         |        |          |
| <b>Wednesday 26 June</b> |      |                                      |         |        |          |
| 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      |
| <b>Thursday 27 June</b>  |      |                                      |         |        |          |
| 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     |
| <b>Friday 28 June</b>    |      |                                      |         |        |          |
| Russia                   | 1400 | 1Q F C/A (US\$m)                     | -       | -      | 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   |
| South Africa             | -    | 1Q C/A balance                       | -       | -      | -872.9   |
|                          | 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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