

Our view on next week's key events

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By Peter Virovacz and Muhammet Mercan

Key events in developed markets next week

Politics will continue to drive UK markets after Prime Minister Theresa May succumbed to pressure from her own party to resign



Source: Shutterstock

✓ UK leadership likely to dominate the headlines

May's decision to resign has injected a sense of nervousness into UK markets, given that her successor is likely to be more eurosceptic. May announced on Friday that she plans to step aside on 7 June, triggering a leadership contest which could last two to three months. Ultimately though, a new leader will face the same hurdles as Theresa May – a Parliament that is against 'no deal' and a European Union that is not prepared to renegotiate on the contentious Irish backstop. We still think a 'no deal' is unlikely, but not impossible – [read why here](#).

✓ Swedish housing woes set to continue plaguing economic growth

Swedish growth had a surprisingly strong end to 2018, but this positive run is unlikely to extend to next week's first-quarter data. While house prices have been more stable recently, the impact of the earlier declines is still taking its toll on real estate construction – a key component of investment. Consumer spending has also been hit although retail sales weathered the storm relatively well in the first quarter. The prospect of fairly modest real wage growth and a more sluggish jobs market suggests that consumption will remain fairly lacklustre over coming quarters. The Riksbank expects to increase rates towards the end of this year or early next, but with weak

growth and benign inflationary pressures, it's hard to see them following through with this – particularly when other global central banks are moving the other way.

Canada: Emerging out of the soft patch

Canada's first-quarter GDP report won't be particularly exciting – though a touch more upbeat than what we saw in the final quarter of last year.

There will likely be a few concerns in and around the report, for example: 1) The trade deficit is the widest since the second quarter of 2016, 2) the manufacturing PMI broke below the key 50-threshold in April, falling into contraction territory and 3) construction starts were down 9.9% in 1Q19, which suggests that we aren't yet out of the housing market slump. However, we presume most of this weakness is a result of negative sentiment from a soft growth patch which emerged quite quickly between 3Q18 and 4Q18. In large part, this was due to the late-2018 oil price decline and the lingering uncertainty surrounding oil pipeline approvals.

Nevertheless, domestically, we see a strong labour market and better news on the way for the housing market - likely in the post-2Q19 period. And globally, recent optimism that a new Nafta agreement could be ratified by the end of summer along with our trade team's view that a US-China trade deal could be struck by the third quarter suggests the first quarter will be a low point for 2019. In turn, this should keep the Bank of Canada on hold at 1.75%, despite other dollar-bloc central banks talking of (or actively) cutting rates.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 26 May					
Eurozone	1245	ECB Executive Board Member Lautenschlaeger Speaks (Frankfurt)			
Monday 27 May					
Japan	0600	Mar F Leading Economic Index	-	-	96.3
Portugal	-	Portugal Releases Year-to-Date Budget Report			
Tuesday 28 May					
US	1500	May Consumer Confidence	130.0	130.0	129.2
Eurozone	0900	Apr M3 Money Supply (YoY%)	-	-	4.5
	1000	May Economic Confidence	-	-	104.0
Japan	0050	Apr PPI Services (YoY%)	-	-	1.1
New Zealand	2200	RBNZ Publishes Financial Stability Report			
Sweden	0800	May Economic Tendency Indicator	-	-	102.7
	0830	Apr Retail Sales Ex. Fuel (MoM/YoY%)	0.1/0.5	-/-	0.5/2.0
Switzerland	0645	1Q GDP (QoQ/YoY%)	-/-	-/-	0.2/1.4
Wednesday 29 May					
Japan	0100	BOJ Kuroda Speaks (Tokyo)			
Eurozone	0900	ECB's Rehn Speaks (London)			
Germany	0855	May Unemployment Change (000's)	-	-	-12.0
	0855	May Unemployment Rate (%)	4.9	-	4.9
Canada	1500	Bank of Canada Policy Rate	1.75	1.75	1.75
Norway	0700	Apr Retail Sales Ex. Motor Vehicles (MoM%, SA)	-	-	0.6
	0700	Apr Credit Indicator (YoY%)	-	-	5.8
	1040	Norges Bank Governor Olsen Speaks (Stavanger)			
Sweden	0830	1Q GDP (QoQ/YoY%)	0.2/1.7	-/-	1.2/2.4
Thursday 30 May					
US	1330	1Q S GDP (QoQ Annualised %)	3.2	3.1	3.2
	1700	Fed's Clarida Speaks to the Economic Club of New York			
Italy	1600	Finance Minister Tria Speaks at Economy Festival (Trento)			
Spain	0800	May P HICP (MoM/YoY%)	-/-	-/-	1.1/1.6
Canada	1915	BOC Senior Deputy Governor Wilkins Speaks			
New Zealand	0300	Finance Minister Delivers Budget			
Friday 31 May					
US	1500	May F U. of Mich. Sentiment Index	102.0	100.8	102.4
Japan	0050	Apr P Industrial Production (MoM/YoY%)	0.6/-9.8	-/-	-0.6/-4.3
	0050	Apr Retail Trade (MoM/YoY%)	1.1	-/-	0.2/1.0
	0050	Apr Unemployment Rate (%)	2.5	-	2.5
	0600	May Consumer Confidence Index	-	-	40.4
Germany	1300	May P CPI (YoY%)	1.7	-	2.0
Italy	0900	1Q F GDP (QoQ/YoY%)	0.2/0.1	-/-	0.2/0.1
	1000	May P CPI (MoM/YoY%)	0.2/1.0	-/-	0.2/1.1
	0900	ECB's Visco Speaks at Bank of Italy Annual Gathering			
Canada	1330	1Q GDP (QoQ%, Annualised)	1.0	-	0.4
	1330	Mar GDP, SA (MoM/YoY%)	0.2/1.1	-/-	-0.1/1.1
Norway	0900	May Unemployment Rate	2.1	-	2.3

Source: ING, Bloomberg

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Asia week ahead: Bank of Korea - will it, or won't it?

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Source: Shutterstock

➔ China: Trade war impact is coming through

The week kicks off with China's industrial profits for April. Keeping in line with the trend of slowing exports and production, industrial profits have been shrinking. As such, surprisingly strong 13.9% annual industrial profit growth in March appears to be an aberration from a weak trend, while the cumulative profits in the first three months were still down 3.3% from a year ago. Both exports and industrial production growth slowed sharply in April, pushing the profits growth back to negative territory.

China's economic downtrend will undoubtedly exacerbate further with the escalation of the trade tensions this month. The upcoming data on purchasing manager index for manufacturing and non-manufacturing sectors will shed light on this.

➔ Korea: Mixed market signals on BoK policy

The market isn't pricing a Bank of Korea rate cut next week and neither is the latest Bloomberg poll suggesting anything of sorts. But the Korean Won's (KRW) recent underperformance, with close to 5% depreciation against US dollar since the central bank's last meeting on 18 April, seems to suggest that a rate cut is just around the corner.

What this economy needs is some fiscal support, some economic reforms, and the end of the global tech slump. The BoK can't perform miracles. – Rob Carnell, ING Asia chief economist

We believe the poor trade environment and ongoing tech slump will continue to depress Korea's growth, making it difficult for the central bank to defy easing. The 1.8% YoY GDP growth in 1Q19 was the lowest since the global financial crisis. This combined with negligible inflation, running well below 1% currently, underpins our outlier view of a 25bp BoK rate cut.

➔ India: The best of election-related market rally is behind

The odds of prime minister Narendra Modi winning the elections in India cheered the markets this week. Indeed, his Bharatiya Janata Party is leading with an absolute majority in the vote count, still going on at the time of writing this piece, and it looks set to form the government with existing coalition partners. We believe the best of election rally is behind and the economy will be back to re-assert its influence on the markets - almost negatively amid prevailing risk-off sentiments globally.

India's economic slowdown gained speed in the final quarter of the financial year 2018-19 ended in March, for which GDP data is due next week (31 May). If true, our forecast of a slowdown of growth to 6.0% from 6.6% in the previous quarter will make it the slowest growth quarter in two years. While this will validate the Reserve Bank of India's two rate cuts this year, we expect the potentially higher inflation will keep it from easing again at the next meeting in early June.

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 27 May					
China	0230	Apr Industrial Profits (YoY%, YTD)	-3.3	-	13.9
Hong Kong	0930	Apr Exports (YoY%)	-1.5	-	-1.2
	0930	Apr Imports (YoY%)	-0.5	-	-0.1
	0930	Apr Trade Balance (HK\$ bn)	-50.0	-	-59.2
South Korea	2200	May BOK Consumer Sentiment Index	102.4	-	101.6
Tuesday 28 May					
South Korea	2200	Jun BOK Business Survey Index, Mfg	76.0	-	77.0
	2200	Jun BOK Business Survey Index, Non-mfg	76.0	-	77.0
Thursday 30 May					
Thailand	-	Apr Manufacturing Index (YoY%)	-1.5	-	-2.5
Friday 31 May					
China	0200	May Manufacturing PMI	50.2	-	50.1
	0200	May Non-manufacturing PMI	50.1	-	54.3
India	1300	1Q GDP (Q) (YoY%)	6.0	-	6.6
	1300	2019 GDP Annual (YoY%)	7.0	-	7.0
-	-	Mar Fiscal Deficit (INR crore)	-	-	80654.0
Hong Kong	0930	Apr Retail sales Value (YoY%)	-0.5	-	-0.2
	0930	Apr Retail sales Volume (YoY%)	-1.2	-	-0.8
South Korea	0000	Apr Industrial Production (MoM, SA/YoY%)	1.0/-2.8	-/-	1.4/-2.8
	-	7-Day Repo Rate	1.5	-	1.75
Thailand	0730	Apr Current Account Balance (US\$bn)	2.2	-	6.1

Source: ING, Bloomberg, *GMT

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Source: Shutterstock

✓ Poland: Second estimate of 1Q GDP to confirm decent economic performance

We expect the budget deficit to have narrowed in April from PLN4.5 billion to approximately PLN3 billion, in line with the Ministry of Finance's. VAT revenues should increase after a relatively soft first quarter. Public expenditures related to retirement payouts should garner more attention, as the government introduced a lump sum benefit for the elderly to be paid in late-April and May.

A second GDP estimate should confirm the initial 4.6% YoY reading. The breakdown is likely to show stable consumption at 4.2% YoY and relatively strong investment, with a growth rate of close to 7.0%. The net export contribution should be close to neutral after a strong downward revision of imports.

✓ Turkey: The only way is up?

Industrial production is stabilising thanks to stimulus measures introduced by the government for both households and companies. Accordingly, we expect 1Q growth to be -1.8% YoY, though the recovery in the period ahead will likely be slower than anticipated, given corporate balance sheet

vulnerabilities and a weak capital flow outlook.

National Bank of Hungary: Keeping things quiet - for now

The main event next week is the National Bank of Hungary's (NBH) rate setting meeting, but we don't expect any fireworks. The NBH has made clear several times that it doesn't intend to change the course of monetary policy until the new staff forecast is available in June. Against this backdrop of a weaker currency and higher inflation, accelerating wage growth and stronger GDP data, the NBH remains tight-lipped.

Hungary posted its second-highest GDP growth rate ever in the first quarter, at 5.3%. And next Friday, we'll get a detailed breakdown of the result. We suspect the figure was driven by domestic factors, with some positives from the trade side, too.

Czech Republic: Possible downward growth revision for the first quarter

The flash GDP estimate came in at 0.5% quarter-on-quarter and 2.5% year-on-year growth in 1Q. The preliminary figure was broadly in line with expectations but the high contribution from industry came as a surprise. According to monthly figures, this component stagnated in the first-quarter. As such, we wouldn't be surprised by some downward revision to the 1Q GDP figure next Friday. Then again, the gross value added calculation might differ significantly from the real industrial production figures that are available on a monthly basis.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 26 May					
Brazil	1430	Apr C/A Balance (\$mn)	50.0	-	-494.2
Monday 27 May					
Poland	0900	Apr Unemployment Rate (%)	5.6	-	5.9
	-	Apr Budget Level (YTD)	-3000.0	-	-4489.8
Hungary	2300	May Economic Sentiment	2.5	-	2.9
	2300	May Business Confidence	6.2	-	7.1
	2300	May Consumer Confidence	-8.2	-	-8.9
Croatia	1000	Apr Unemployment Rate (%)	-	-	8.6
	1000	Mar Real Wages (YoY%)	-	-	2.8
Israel	1100	Apr Monthly Unemployment Rate (%)	-	-	3.9
Tuesday 28 May					
Hungary	1300	Policy Rate (%)	0.9	-	0.9
	1300	Overnight Deposit Rate (%)	-0.05	-	-0.05
Mexico	1400	Apr Unemployment Rate (% SA)	3.6	-	3.6
Wednesday 29 May					
Croatia	1000	1Q P GDP (YoY%)	-	-	2.3
Mexico	1800	Mexican Central Bank Releases Inflation Report			
Thursday 30 May					
Poland	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
Hungary	0800	Mar Avg Gross Wages (YoY%)	12.2	-	12.1
Croatia	1000	Apr Retail Sales (YoY%)	-	-	5.7
South Africa	0700	Apr M3 Money Supply (YoY%)	-	-	7.0
	0700	Apr Private Sector Credit (YoY%)	-	-	6.1
	1030	Apr PPI (MoM/YoY%)	-/-	-/-	1.3/6.2
	1300	Apr National Budget Balance (ZARbn)	-	-	-20.3
Brazil	1300	1Q GDP (QoQ/YoY%)	-/-	-/-	0.1/1.07
Mexico	1500	Central Bank Monetary Policy Minutes			
Friday 31 May					
Turkey	0700	1Q19 GDP (YoY%)	-1.8	-	-3.0
	0800	Apr Trade Balance (US\$mn)	-3.0	-	-2.1
Poland	0900	1Q F GDP (QoQ/YoY%)	1.4/4.6	-/-	1.4/4.6
Czech Rep	0800	1Q P GDP (QoQ/YoY%)	0.4/2.4	-/-	0.5/2.5
Hungary	0800	Mar F Trade Balance (€mn)	677.0	-	677.0
	0800	1Q F GDP (QoQ/YoY%)	1.5/5.3	-/-	1.5/5.3
Serbia	1100	Apr Industrial Production (YoY%)	-	-	-2.8
	1100	1Q F GDP (YoY%)	-	-	2.3
	1100	Apr Retail Sales (YoY%)	-	-	9.5
	1100	Apr Trade Balance (€m)	-	-	-507.0
Croatia	1000	Apr Industrial Production (YoY%, SA)	-	-	3.0
	-	Apr M1 Money Supply (HRKmn)	-	-	119555.5
South Africa	1300	Apr Trade Balance (ZARbn)	-	-	5.0
Brazil	1300	Apr Unemployment Rate (%)	13.0	-	12.7

Source: ING, Bloomberg

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