

Our view on next week's key events

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In this bundle



Key events in developed markets next week

If you're looking for clues about central bankers' next steps, you're unlikely to find them at Jackson Hole. We don't expect to hear...

By James Smith and Carsten Brzeski



China | India...

Asia week ahead: Bank of Korea policy standoff

The Korean central bank policy meeting will be a non-event.

China's August PMI will reflect the first full month of the trade war impact, while...



Key events in EMEA and Latam next week

Aside from EMEA and Latam seeing a lot of 2Q GDP results next week, we're looking for Poland's planned 2019 deficit to make its way onto the...

Article | 24 August 2018

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Source: Shutterstock

Don't expect any fresh hints from Powell at Jackson Hole

Markets will be closely scrutinising Fed Chair Jerome Powell's comments at the annual get-together of central bankers at Jackson Hole this weekend, although we doubt there will be much new on offer. History tells us that the speeches tend to quite "high level" and academic, and generally offer few firm hints on the policy outlook.

So we doubt investors will glean much more on Powell's view of the recent escalation in trade tensions, the difficulties unfolding in emerging markets, or indeed his thoughts on President Trump's recent comments about higher rates.

In any case, we still suspect the majority view of policymakers is that the current US economic momentum will continue to outweigh trade uncertainties – at least for now. We expect further rate hikes in September and December.

German data to create a base ahead of the ECB's September meeting

Germany will help set the scene this week for the ECB's September meeting. The Ifo index should show whether German corporates took comfort from the visit by Jean-Claude Juncker to the US

and a period of calm on the US-EU trade tension front, or whether the more general fear of a trade war still prevails. At the same time, German headline inflation is likely to hover around 2%, strengthening the ECB's case for a dovish tapering.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 27 August					
Germany	0900	Aug IFO Business Climate	102.1	-	101.7
	0900	Aug IFO Expectations	98.9	-	98.2
	0900	Aug IFO Current Assessment	105.4	-	105.3
Portugal	-	Portugal Releases Year-to-Date Budget Report			
Tuesday 28 August					
US	1500	Aug Consumer Confidence	126.5	126.5	127.4
Eurozone	0900	Jul M3 Money Supply (YoY%)	-	-	4.4
	1200	ECB Board Member Peter Praet Speaks in Cologne, Germany			
Sweden	-	SEB Economists Release New Forecasts			
	0830	Jul Retail Sales (MoM/YoY%)	-	-	-9
Wednesday 29 August					
US	1330	2Q S GDP (QoQ Annualised %)	4.1	4	4.1
Japan	0600	Aug Consumer Confidence Index	43.4	-	43.5
	0230	BOJ Suzuki speaks in Naha			
Thursday 30 August					
US	1330	US Jul Core PCE Inflation (MoM/YoY%)	0.2/2.0	0.2/2.0	0.1/1.9
Japan	0050	Jul Retail Trade (MoM/YoY%)	0.3/1.8	-/-	1.5/1.7
Germany	0855	Aug Unemployment Change (000's)	-	-	-6
	0855	Aug Unemployment Rate (%)	5.2	-	5.2
	1300	Aug P CPI (MoM/YoY%)	0/1.9	-/-	0.3/2
Spain	0800	Aug P HICP (MoM/YoY%)	-/-	-/-	-1.2/2.3
Canada	1330	2Q GDP (Annualised, QoQ%)	3.0	-	1.3
	1330	Jun GDP (MoM/YoY%)	-/-	-/-	0.5/2.6
Sweden	0800	Aug Economic Tendency Survey	109	-/-	109.6
Norway	0700	Jul Retail Sales (MoM%)	-	-	-2.9
Friday 31 August					
US	1500	Aug F U. of Mich. Sentiment Index	95.3	96	95.3
Japan	0050	Jul P Industrial Production - Prel (MoM/YoY%)	-0.1/-1.9	-/-	-1.8/-0.9
	0030	Tokyo Aug CPI			
Eurozone	1000	Jul Unemployment Rate (%)	-	-	8.3
	1000	Aug A Core CPI (YoY%)	-	-	1.1
	1000	Aug Flash CPI (YoY%)	-	-	2.1
	1800	ECB Board Member Luis Guindos Speaks in Asturias, Spain			
Italy	1000	Aug P HICP (YoY%)	1.7	-	1.9
	1100	2Q F GDP (QoQ/YoY%)	0.2/1.1	-/-	0.2/1.1
	-	Italy Sovereign Debt to be Rated by Fitch			
Sweden	-	Sweden Sovereign Debt to be Rated by S&P			
Norway	0900	Unemployment Rate	-	-	2.5

Source: ING, Bloomberg

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Asia week ahead: Bank of Korea policy standoff

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Source: Shutterstock

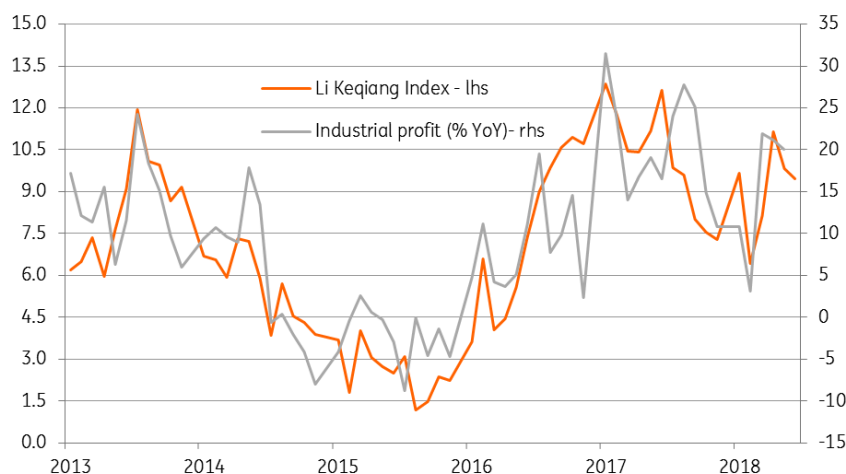
➔ China: PMI to reflect full-month of trade war impact

The ongoing trade war with the US has put China's high-frequency activity data under an intense spotlight. Next week's data includes industrial profits for July and the manufacturing and non-manufacturing Purchasing Managers Indexes (PMIs) for August.

The manufacturing PMI for August will reflect the first full month of the US-China trade war impact. The consensus is centred on our 51.2 forecast, unchanged from July, but the risk is tilted on the downside rather than upside.

Consistent with the Chinese stock market sell-off underway since the start of the year, industrial profit growth has slowed to 17.2% year-on-year in the first half of the year from 22% a year ago. This closely tracks the Li Keqiang index (the composite index of year-on-year activity growth, including growth in outstanding bank lending- Premier Li's preferred gauge of the economy) which shows the slowdown continued in July (see figure).

Li Keqiang Index points to slower profits growth



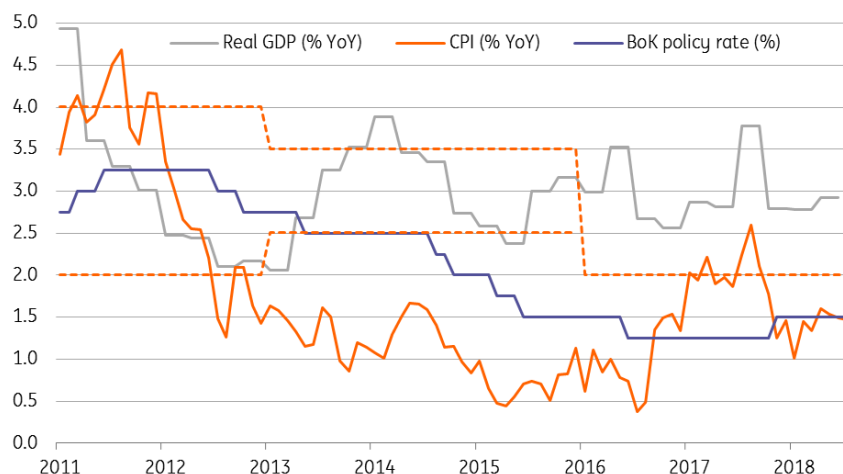
Source: Bloomberg, CEIC, ING

➔ Korea: A big week ahead, though nothing exciting

After the usual end-of-month Korean activity data, the central bank (Bank of Korea) will hold its monetary policy meeting on Friday, 31 August. We aren't forecasting the BoK to change policy next week. Korea's GDP growth has been stuck under 3% for the last three quarters, and new job creation dipped to an eight-year low in July. A further escalation of the US-China trade tension also reduces the potential for any export-led growth recovery in the period ahead. We expect these risks to manifest in the activity data in coming months. With below-target inflation right now, the argument for the BoK to maintain its accommodative policy stance for the rest of the year remains strong (see figure).

Among the slew of activity releases next week, the forward-looking BoK Consumer and Business confidence indexes and July industrial production data for July will be under scrutiny for clues about the economy's performance in the current quarter.

No pressure on BoK to change policy



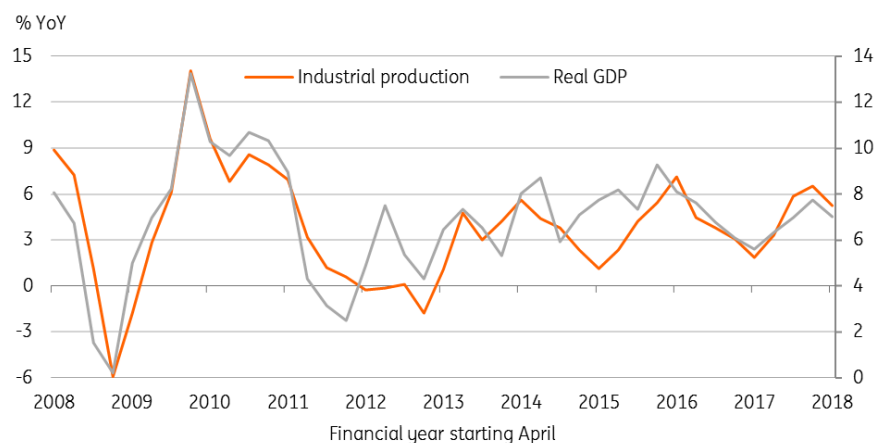
Dotted lines are BoK's inflation target, shifted from a range to point target in 2016.

Source: Bloomberg, CEIC, ING

➔ India: A slowdown in GDP growth

India's GDP data for 1Q FY2018-19 (April-Jun quarter of 2018) is due. Underlying our projected slowdown in GDP growth is a slowdown in manufacturing (see figure). Export growth accelerated in the last quarter, though exports account for a small share of GDP (average 13% in the last five years). With an oil-led surge in imports and widening trade deficit, net exports have acted as a drag on GDP growth. We forecast a GDP slowdown to 7% YoY in 1Q from 7.7% in the previous quarter, not a good start to the year, the rest of which will remain exposed to greater global economic uncertainty and rising domestic political risk.

Manufacturing leads GDP slowdown



Source: Bloomberg, CEIC, ING

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 27 August					
China	0230	Jul Industrial profits (YTD, YoY%)	17	-	20
Hong Kong	0930	Jul Exports (YoY%)	6	-	3.3
	0930	Jul Imports (YoY%)	9	-	4.4
	0930	Jul Trade balance (HK\$ bn)	-42.1	-	-54.137
South Korea	2200	Aug BOK Consumer Sentiment Index	100.3	-	101
Tuesday 28 August					
Thailand	0450	Jul Manufacturing Index (YoY%)	3.6	-	4.7
Wednesday 29 August					
South Korea	2200	Sep BOK Business Survey Index, mfg	75	-	73
	2200	Sep BOK Business Survey Index, non-mfg	76	-	74
Thursday 30 August					
Hong Kong	0930	Jul Retail Sales Value (YoY%)	11.8	-	12
	0930	Jul Retail Sales Volume (YoY%)	9.3	-	9.8
Friday 31 August					
China	0200	Aug Non-manufacturing PMI	53.8	-	54
	0200	Aug Manufacturing PMI	51.2	-	51.2
India	1200	Jul Fiscal Deficit (INR crore)	-	-	83540
	1300	2Q GDP (Q) (YoY%)	7	-	7.7
South Korea	0000	Jul Industrial Production (MoM/YoY%)	1.7/3.1	-/-	-0.6/-0.4
	-	7-Day Repo Rate	1.5	-	1.5
Thailand	0400	Jul Current account (US\$bn)	2.6		4.084

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

Aside from EMEA and Latam seeing a lot of 2Q GDP results next week, we're looking for Poland's planned 2019 deficit to make its way onto the...



Source: Shutterstock

✓ Polish budget balance should see an unusually strong deficit for this time of year

The budget balance data should provide a strong reduction of the PLN 9.5bn surplus accumulated after June, as indicated by Deputy FinMin Leszek Skiba. A deficit in the central budget is an exception in July – historically there were rather limited changes this month. The most significant thing should be the structure of expenditures; a deficit could be a result of earlier payments of funds that are typically spent in the fourth quarter.

Moreover, the second GDP reading should confirm 5.1%YoY dynamics in 2Q. We expect a moderation of private consumption from 4.8% to 4.5%YoY, solid investment growth (closing in on 10%YoY) and modest net export surplus - approximately 0.1pp.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 26 August					
Hungary	2300	Aug Economic Sentiment	-	-	10.5
	2300	Aug Business Confidence	-	-	17.3
	2300	Aug Consumer Confidence	-	-	-9
Monday 27 August					
Turkey	1230	Aug Real Sector Confidence Index, SA	-	-	101.5
	1230	Aug Industrial Confidence	-	-	102.7
	1230	Aug Capacity Utilization (%)	-	-	77.1
Poland	-	Jul Budget Perf. (YTD)	-	-	42.7
	-	Jul Budget Level (YTD)	-	-	9535.47
Brazil	1430	Jul C/A Balance (\$mn)	-2300	-	435.04
Tuesday 28 August					
Mexico	1400	Jul Unemployment Rate SA (%)	3.35	-	3.39
Wednesday 29 August					
Turkey	0800	Jul Trade Balance (US\$m)	-	-	-5.5
Croatia	1000	2Q P GDP (YoY%)	-	-	2.49
Mexico	-	Mexican Central Bank Releases Inflation Report			
Thursday 30 August					
South Africa	0700	Jul M3 Money Supply (YoY%)	-	-	5.77
	0700	Jul Private Sector Credit (YoY%)	-	-	5.68
	1030	Jul PPI (MoM/YoY%)	-/-	-/-	0.9/5.9
	1300	Jul National Budget Balance (ZARbn)	-	-	33.82
Israel	1100	Jul Monthly Unemployment Rate (%)	-	-	3.9
Brazil	1300	Jul Unemployment Rate (%)	12.2	-	12.4
Friday 31 August					
Poland	0900	Aug P CPI (MoM/YoY%)	-/-	-/2	-0.2/2
	0900	2Q F GDP (QoQ/YoY%)	0.9/5.1	0.9/5.1	0.9/5.1
Czech Rep	0800	2Q P GDP (QoQ/YoY%)	0.6/2.4	-/-	0.5/2.3
Hungary	0800	Jun F Trade Balance (€mn)	-	-	1070
	0800	Jul PPI (MoM/YoY%)	-/-	-/-	1.9/7.5
	-	Hungary Sovereign Debt to be Rated by Fitch			
Romania	0700	Jul Unemployment Rate Total 15-74 Yrs Old, SA	-	-	4.5
	-	Romania Sovereign Debt to be Rated by S&P			
Serbia	1100	Jul Industrial Production (YoY%)	-	-	3.9
	1100	2Q F GDP (YoY%)	-	-	4.4
	1100	Jul Trade Balance (€m)	-	-	-390
	1100	Jul Retail Sales (YoY%)	-	-	1.3
South Africa	1300	Jul Trade Balance (ZARbn)	-	-	12
Brazil	1300	2Q GDP (QoQ/YoY%)	0/0.9	-/-	0.4/1.21

Source: ING, Bloomberg

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