

Our view on next week's key events

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Source: Shutterstock

US: A new era

The US economy is in good shape with the robust growth, unemployment near 50-year lows and equity markets at all-time highs, yet the Federal Reserve is worried. Weaker external demand and concerns over the impact of protracted trade tensions mean that the Fed is prepared to step in with some precautionary policy easing – the first rate cuts since the financial crisis. Proponents, including the President, argue such a move would ensure that the current growth cycle, which is the longest since records began in 1854, can continue a good while longer. After all the inflation backdrop is benign and with markets fully pricing in four cuts by the end of next year there is a risk that if the Fed doesn't ease we actually see financial conditions tighten, which would be bad news for growth. The Fed is likely to ease again in September in our view, but thereafter the outlook is more uncertain. If trade talks conclude positively this will remove a dark cloud that has been hanging over the economy and the boost to sentiment it generates would be good news for asset prices and President Trump's prospects of winning re-election in 2020. Should talks falter and the economy really starts to struggle then the Fed will need to do more to support growth. For now we are in the camp favouring the former.

The FOMC meeting will overshadow the data this week, although there are some very important

numbers. The ISM manufacturing index should rebound given the trade truce and the subsequent improvement seen in some of the regional surveys. The jobs report should also show ongoing job creation, but that the lack of available workers means competition for staff is strong with wages ticking higher. Such outcomes could see a modest steepening of the yield curve as markets modestly price out some of the aggressive policy easing they are currently anticipating.

UK: Bank of England unlikely to push back on rate cut expectations

There will be less than three months left until Brexit when the Bank of England sits down to discuss monetary policy next week, making it very tricky to craft a set of new forecasts and guidance. On the face of it, market pricing – which is now pencilling in a 50% chance of a rate cut this year – is too flat for policymakers' liking. The Bank's May forecasts were already highlighting excess demand at the end of the forecast period – an implicit signal that rates may need to rise more quickly. The fact that the swaps curve has flattened significantly since May will only amplify the degree of overheating built into the Bank's projections.

That begs the question: will the Bank push back against the market's rate cut speculation – or even point to earlier tightening? We think it's pretty unlikely. Don't forget that the Bank's forecasts are premised on Brexit going smoothly – something that looks increasingly questionable. While it's tricky for policymakers to comment on the politics, they will probably use a similar tactic to June's meeting where they pointed towards rising financial market perceptions of 'no deal' as a reason for caution on rates.

We think UK interest rates will most likely stay on hold for the rest of this year.

Eurozone: Large flow of data incoming

A whole batch of eurozone data will be released next week, inconveniently just after the ECB rate decision. GDP for the second quarter will be much anticipated as the first quarter had come in surprisingly strong but intermediate data has been dismal. We expect growth to have slipped in the second quarter. Inflation will be released for July, which will show whether subdued growth still translates into weak core inflation growth despite higher wages. Finally, keep an eye out for unemployment. As long as the labour market continues to perform quite well, service sector growth is likely to maintain a decent pace. That seems quite necessary as industrial production is still well below its December 2017 peak.

Developed Markets Economic Calendar

Country	Time	Data/event	ING Survey		Prev.
Monday 29 July					
Japan	0050	Jun Retail trade (MoM/YoY%)	-/-	-/-	0.4/1.3
Spain	0800	Jul P HICP (MoM/YoY%)	-/-	-/-	-0.1/0.6
Tuesday 30 July					
US	1500	Jul Consumer Confidence	128	124.7	121.5
Japan	0050	Jun P Industrial production - Prel (MoM/YoY%)	4.9/-2.5	-/-	2/-2.1
	-	Policy Rate	-0.1	-	-0.1
	-	BOJ Outlook Report			
Eurozone	1000	Jul Economic Confidence	102.8	-	103.3
Germany	1300	Jul P CPI (MoM/YoY%)	-/-	-/-	0.3/1.6
Norway	0700	Jun Retail Sales (Ex. Motor Vehicles, SA, MoM%)	-	-	-1.3
Sweden	0830	2Q P GDP (QoQ%)	-0.1	-	0.6
Wednesday 31 July					
US	1315	Jul ADP Employment Change (000's)	135	122.5	102.2
	1900	FOMC Rate Decision (Upper bound)	2.25	2.25	2.50
	1930	Fed Chair Powell Holds Press Conference After FOMC Meeting			
Japan	0600	Jul Consumer confidence index	-	-	38.7
Eurozone	1000	Jun Unemployment Rate (%)	7.5	-	7.5
	1000	2Q A GDP (QoQ/YoY%)	0.1/0.9	-/-	0.4/1.2
	1000	Jul A Flash Headline CPI (YoY%)	1.2	-	1.3
	1000	Jul A Core CPI (YoY%)	1.1	-	1.1
Germany	0855	Jul Unemployment Change (000's)	-	-	-1.0
	0855	Jul Unemployment Rate (%)	-	-	5.0
Italy	1000	Jul P HICP (YoY%)	0.8	-	0.8
	1100	2Q P GDP (QoQ/YoY%)	0.0/-0.1	-/-	0.1/-0.1
Canada	1330	May GDP (MoM/YoY%)	0.2/1.3	-/-	0.3/1.5
Australia	0230	2Q CPI (QoQ/YoY%)	0.5/1.2	-/-	0/1.3
Thursday 1 August					
US	1500	Jul ISM Manufacturing	53.5	52.5	51.7
Japan	0230	BOJ Amamiya speaks in Kagoshima			
UK	0930	Jul Markit/CIPS Manufacturing PMI	48.0	-	48.0
	1200	BoE Policy Rate	0.75	-	0.75
	1200	Bank of England Inflation Report			
Norway	0800	Jul DNB/NIMA Manufacturing PMI	-	-	51.9
Friday 2 August					
US	1330	Jul Change in Nonfarm Payrolls ('000s)	170	155	224
	1330	Jun Trade Balance (US\$bn)	-55	-54	-55.5
	1330	Jul Unemployment Rate (%)	3.6	3.6	3.7
	1330	Jul Average Hourly Earnings (MoM/YoY%)	0.3/3.3	0.2/3.2	0.2/3.1
	1330	Jul Participation Rate	62.9	-	62.9
	1500	Jul F U. of Mich. Sentiment Index	98.7	-	98.4
Japan	0050	Jul Monetary base (JPY tr)	-	-	523.2
	0050	BOJ Minutes of June Policy Meeting			
Eurozone	1000	Jun Retail Sales (MoM/YoY%)	0.3/1.3	-/-	-0.3/1.3
Australia	0230	2Q PPI (Q) (QoQ/YoY%)	0.4/2.1	-/-	0.4/1.9
	0230	Jun Retail sales (MoM%)	-	-	0.1
Norway	0700	Jun Credit Indicator (YoY%)	-	-	5.6
	0900	Jul Unemployment Rate	2.1	-	2.1

Source: ING, Bloomberg

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Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

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Asia week ahead: Some shoots on second-half outlook

A raft of July economic indicators will provide a sense of where Asian economies are headed in the second half of 2019, while report cards for the second...



Source: Shutterstock

➔ PMI data dominates

Around this time of the month, markets typically focus on purchasing managers index for the manufacturing and service sectors. Within these, China's PMI always steals the limelight but has been doing even more so since the onset of the trade war. However, we don't think the upcoming Chinese PMI data will be telling us anything different from recent releases.

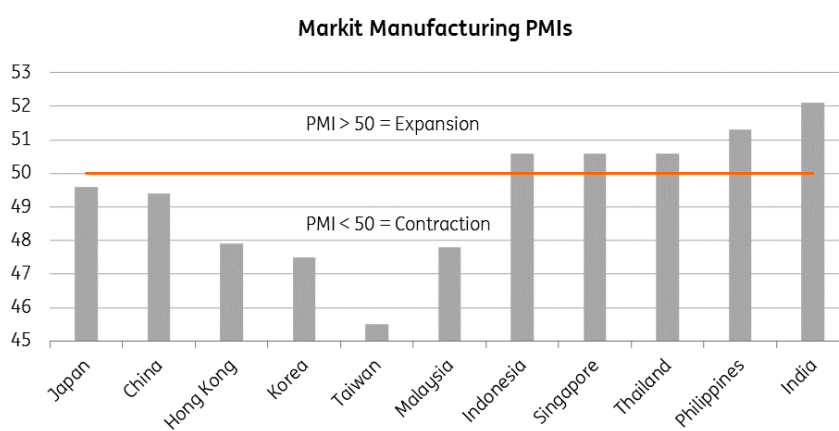
While the trade war continues to hurt exports and manufacturing, services activity is holding up well. Even if this gulf widens further, it will be increasingly difficult for the services sectors to remain

afloat without eventually being dragged lower without support from exports and manufacturing.

On the other spectrum is India, where manufacturing activity is firmly on the growth trajectory reflected by the recent PMI well above the 50 threshold, however, service activity has been in the contracting territory with the PMI in June coming in at 49.6. This isn't a good mix for the economy with services accounting for over 50% of GDP.

And there is this north-south divide as well – manufacturing PMIs for the majority of the south still in the expansionary zone, while in the north it seems to be contracting. But not all is bad in sub-50 countries. Malaysia stands out here. Despite weak PMI, Malaysia's manufacturing sector is holding up relatively well on the back of the electronics-led export outperformance as is expected to be reinforced by June trade figures out next week.

Asian manufacturing PMI - Not everything gray is bad



Source: Bloomberg, ING

➔ But hard data matters more

Having said all of the above, PMIs are still sentiment-driven soft economic indicators. Hard activity data matters more. Korea's trade figures for July will be setting up expectations for trade and manufacturing performance for the rest of the region.

Despite the deep export slump, [Korea dodged recession](#) with a pick-up in second-quarter GDP growth. Yet, we don't see July trade figures calming nerves, especially with trade tensions with Japan clouding the prospects further. We expect a continued double-digit export decline in July, while weak domestic demand depresses imports and sustains wide trade surplus.

Hong Kong and Taiwan are next in line to report GDP data for 2Q19. Like Korea, the electronics slump has been hurting Taiwan quite a bit. Even if [Taiwan's exports posted positive growth in June](#), our Chinese economist warns against celebrating just yet. Indeed, she was right because subsequent export orders data for the month was still bad. As such, the consensus of 1.8% growth in Taiwan's GDP is at risk of a downside surprise (ING forecast 1.4%).

Undoubtedly, Hong Kong's economy has been hit hard by anti-government protests since late March, which could dent growth further below the 0.6% rate in 1Q19, which in itself was the slowest in a decade since the 2009 global financial crisis.

[South Korean economy dodges recession](#)

[Taiwan: Export growth positive but too soon to celebrate](#)

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 27 July					
China	0230	Jun Industrial profits (YTD, YoY%)	-1.9	-	1.1
Monday 29 July					
South Korea	2200	Aug BOK Business Survey Index, mfg	73.8	-	75.0
	2200	Aug BOK Business Survey Index, non-mfg	73.0	-	74.0
Tuesday 30 July					
Thailand	-	Jun Manufacturing index (YoY%)	-3.5	-	-4.0
Wednesday 31 July					
China	0200	Jul Manufacturing PMI	49.5	49.7	49.4
	0200	Jul Non-manufacturing PMI	53.7	54	54.2
India	-	Jun Fiscal deficit (INR crore)	-	-	209109
Taiwan	0900	2Q P GDP (YoY%)	1.4	-	1.7
South Korea	0000	Jun Industrial production (MoM/YoY%)	1.0/-1.4	-/-	-1.7/-0.2
Hong Kong	0915	2Q GDP (% YoY)	1.4		0.6
Thailand	0830	Jun Current account balance (US\$bn)	4.9		-0.4
Thursday 1 August					
China	0245	Jul Caixin Manufacturing PMI	49.5	49.8	49.4
India	0600	Jul Nikkei Manufacturing PMI	50.9	-	52.1
Indonesia	-	Jul CPI (YoY%)	3.3	-	3.3
	-	Jul Core CPI (YoY%)	-	-	3.3
Taiwan	0130	Jul Nikkei Manufacturing PMI	45	-	45.5
Thailand	0500	Jul CPI (YoY%)	0.8	-	0.9
	0500	Jul Core CPI (YoY%)	0.5	-	0.5
South Korea	0000	Jul CPI (YoY%)	0.8	-/-	0.7
	0100	Jul Exports (YoY%)	-12.0	-	-13.5
	0100	Jul Imports (YoY%)	-8.0	-	-11.1
	0100	Jul Trade balance (US\$m)	4249	-	3995
	0130	Jul Nikkei Manufacturing PMI	-	-	47.5
Hong Kong	0930	Jun Retail sales value (%YoY)	-1.6		-1.3
	0930	Jun Retail sales volume (%YoY)	-2.0		-1.7
Malaysia	0130	Jul Markit manufacturing PMI	48.5		47.8
Thailand	0130	Jul Markit manufacturing PMI	50.1		50.6
Friday 2 August					
Malaysia	0500	Jun Exports (YoY%)	0.0	-	2.5
	0500	Jun Imports (YoY%)	-3.0	-	1.4
	0500	Jun Trade balance (RM bn)	8.2	-	9.1
Singapore	1400	Jul Purchasing Managers Index	49.5	-	49.6

Source: ING, Bloomberg, *GMT

Key events in EMEA and Latam next week

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Source: Shutterstock

✓ Hungary: Fading optimism and PPI

After falling in May, we expect retail sales to rebound in June. The question remains whether the recent slower growth comes from a higher savings rate due to new retail bonds and fears of a recession or if this is a sign of underlying weakness. At the same time, optimism in manufacturing seems to be fading in light of the deteriorating external environment. This is dragging down the manufacturing PMI, which is still expanding but at a slower pace. Meanwhile, worsening data from the eurozone economy and lower oil prices may cause a decline in the PPI. Decelerating consumption and producer prices could confirm the central bank's view that no rate hike is necessary.

✓ Czech republic: No surprise this time

Inflation decelerated to 2.7% in June as expected and is about to slow even further in the months ahead due to base effects. Though tax changes might push headline CPI higher (close to 2.5% again) next year, core inflation should move below the 2% target in mid-2020. This means the Czech National Bank should refrain from tightening and remain on hold, mainly due to current global uncertainty, underlined by recent manufacturing weakness in Germany. The new forecast should be similar to the previous one, as Board member Ales Michl revealed in a recent Bloomberg

interview. As such, no surprise from the CNB is expected next Thursday.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 29 July					
Ukraine	-	National Bank of Ukraine Publishes Minutes of Rate Meeting			
Mexico	1200	Jun Unemployment Rate SA (%)	3.5	-	3.5
Tuesday 30 July					
Hungary	0800	May Avg Gross Wages (YoY%)	8.8	-	9.0
Croatia	1000	Jun Industrial Production (SA, YoY%)	-	-	0.2
	1000	Jun Retail Sales (YoY%)	-	-	-2.0
South Africa	1030	2Q Unemployment Rate (%)	-	-	27.6
	1300	Jun National Budget Balance (ZARbn)	-	-	-17.5
Wednesday 31 July					
Turkey	0900	Jun Foreign Tourist Arrivals (YoY%)	-	-	9.4
	0800	Jun Trade Balance (US\$bn)	-3.2	-	-1.8
	0830	Central Bank Inflation Report			
Poland	0900	Jul P CPI (MoM/YoY%)	-/-	-/-	0.3/2.6
Hungary	0800	Jun PPI (MoM/YoY%)	0.5/1.3	-/-	0.5/2.7
Romania	0700	Jun Unemployment Rate Total 15 - 74 Years Old SA	-	-	3.9
Serbia	1100	Jun Industrial Production (YoY%)	-	-	-0.6
	1100	2Q P GDP (YoY%)	-	-	2.5
	1100	Jun Retail Sales (YoY%)	-	-	5.9
	1100	Jun Trade Balance (€m)	-	-	-509.3
South Africa	1300	Jun Trade Balance (ZARbn)	-	-	1.7
Israel	1100	Jun Monthly Unemployment Rate (%)	-	-	3.6
Brazil	1300	Jun Unemployment Rate (%)	12.0	-	12.3
	-	Selic Rate	6.00	6.25	6.50
Mexico	1200	2Q P GDP (YoY%)	0.7	-	1.25
Thursday 1 August					
Russia	0700	Jul Markit Manufacturing PMI	-	-	48.6
Turkey	0800	Jul Markit/ISO Manufacturing PMI	-	-	47.9
Poland	0800	Jul Markit Manufacturing PMI	-	-	48.4
Czech Rep	0830	Jul Markit Manufacturing PMI	-	-	45.9
	1200	Repo Rate	2.00	-	2.00
	1300	Jul Budget Balance (CZKbn)	-	-	-20.7
Hungary	0800	Jul Manufacturing PMI	53.7	-	54.4
	0800	May F Trade Balance (€mn)	678.0	-	678
Romania	-	Jul FX Reserves (€bn, Net)	-	-	36705.9
Kazakhstan	-	Jul CPI (MoM/YoY%)	-/-	-/-	0.2/5.4
	-	Jul PPI (MoM/YoY%)	-/-	-/-	-0.7/8.2
Brazil	1300	Jun Industrial Production (YoY%)	0.5	-	7.1
Friday 2 August					
Hungary	0800	Jun Retail Sales (YoY%)	3.0	-	2.6
Romania	0700	Jun Retail Sales (MoM/YoY%)	-/-	-/-	-0.8/3.7
	0700	Jun PPI (MoM/YoY%)	-/-	-/-	0.0/5.9

Source: ING, Bloomberg

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Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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