

Our view on next week's key events

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By James Knightley and James Smith



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✓ US: Managing expectations

The fall-out from the Trump-Xi meeting on the sidelines of the G20 meeting will set the tone for the week. If there is a positive outcome, i.e. trade talks resume with encouraging messages from both sides then risk appetite is likely to be supported. If talks break down and there is heightened animosity between the US and China then worries about an escalation of the trade war will result in sharp equity market falls and declining bond yields. We believe the former is more likely, but even if that happens we doubt a deal will be struck until much later in the year.

There is also plenty of US economic data, starting with the ISM manufacturing index. Given the outcome of the regional manufacturing surveys, there is a real risk that we see a sub-50 outcome, which will only increase fears of a US economic downturn. There is an inventory overhang and the uncertainty over global trade is making firms more cautious. We will also get the ISM non-manufacturing index which should perform a little better, but given weaker sentiment surveys and other macro data, we would still expect a decline. On Friday we will get the US jobs report and we expect a rebound following the surprisingly weak 75,000 outcome in May. This was a big downside miss relative to the consensus forecast with other surveys painting a more encouraging picture. Nonetheless, with Federal Reserve officials talking of precautionary action, the prospect of a July

interest rate cut has certainly increased. Consequently, the risks are skewed towards the two 25bp cuts we have in our forecasts coming in July and September rather than September and December as we currently have.

✓ UK: Subdued PMIs to suggest BoE unlikely to hike in 2019

Next week's UK PMIs look set to emphasise that second-quarter growth is likely to more-or-less flatline. Admittedly much of this is being driven by manufacturing, where new orders and production have fallen back as firms grapple with elevated levels of stock (gathered in case of a possible 'no deal' Brexit). That should deliver another sub-50 manufacturing PMI, although things don't look spectacular in the much larger service sector either. With Brexit uncertainty set to ramp up over the summer, we think it is unlikely that the Bank of England will hike rates this year.

✓ Sweden: Riksbank unlikely to follow in the ECB's dovish footsteps just yet

While the ECB looks poised to launch fresh stimulus measures over the next few months, for now, it doesn't look like the Swedish Riksbank will follow suit. Policymakers have become a [little more relaxed](#) about potential currency strength, following a further bout of krona weakness since the start of the year. In fact, our FX team think the risks are tilted to further depreciation over the summer as global activity concerns outweigh the impact of the more dovish ECB (which is already largely priced-in).

But while we aren't convinced Riksbank easing is on the cards, equally we think it is unlikely that the central bank will follow through with its forecasted tightening. We may get a fairly modest downgrade in the interest rate projection next week – driven by the fact that expectations for Fed and ECB policy have slipped – we'd still expect policymakers to signal that another move is possible by the middle of 2020.

However, with growth set to remain capped by falling residential construction and wary consumers, and the export outlook clouded by global trade tensions, we think it's unlikely the Riksbank will follow through with rate hikes in the foreseeable future.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 29 June					
Eurozone	1400	ECB's Mersch Speaks in Bonn, Germany			
Sunday 30 June					
New Zealand	2200	RBNZ's Bascand speaks on Macroprudential Policy			
Monday 1 July					
US	1500	Jun ISM Manufacturing	50.0	51.4	52.1
Japan	0050	2Q Tankan Manufacturing Index	-	9.0	12.0
	0050	2Q Tankan Non-manufacturing Index	-	20.0	21.0
	0600	Jun Consumer confidence index	-	-	39.4
Eurozone	0900	Jun F Markit Manufacturing PMI	-	-	47.8
	0900	May M3 Money Supply (YoY%)	-	-	4.7
	1000	May Unemployment Rate (%)	-	-	7.6
Germany	0855	Jun Unemployment Change (000's)	-	-	60.0
	0855	Jun Unemployment Rate (%)	5.0	-	5.0
UK	0930	Jun Markit/CIPS Manufacturing PMI	49.5	-	49.4
Norway	0800	Jun DNB/NIMA Manufacturing PMI	-	-	54.42
Sweden	0830	May Household Lending (YoY%)	-	-	5.0
Tuesday 2 July					
US	1135	Fed's Williams Speaks on Global Economic and Policy Outlook			
Japan	0050	Jun Monetary base (JPY tr)	-	-	511.8113
Australia	0530	RBA Cash Rate Target	1.25	1.00	1.25
Wednesday 3 July					
US	1315	Jun ADP Employment Change (000's)	-	150.0	27.4
	1330	May Trade Balance (US\$bn)	-	-50.3	-50.8
	1500	Jun ISM Non-manufacturing	-	56.0	56.9
Japan	0230	BOJ Funo speaks in Hiroshima			
Eurozone	0900	Jun F Markit Services PMI	-	-	53.4
	0900	Jun F Markit Composite PMI	-	-	52.1
UK	0930	Jun Markit/CIPS Services PMI	50.8	-	51.0
	0930	Jun Markit/CIPS Composite PMI	50.7	-	50.9
	1315	BOE's Broadbent speaks in London.			
Australia	0230	May Trade balance (A\$m)	-	-	4871
Sweden	0730	Jun Swedbank/Silf Services PMI	-	-	53.3
	0830	Riksbank Interest Rate	-0.25	-	-0.25
Thursday 4 July					
Eurozone	1000	May Retail Sales (MoM/YoY%)	-/-	-/-	-0.4/1.5
	0800	ECB Chief Economist Lane Speaks in Frankfurt			
	1010	ECB's de Guindos, Enria, Koenig Speak at Conference in Lisbon			
Australia	0230	May Retail sales (MoM%)	-	-	-0.1
Friday 5 July					
US	1330	Jun Change in Nonfarm Payrolls ('000s)	170	165.0	75.0
	1330	Jun Unemployment Rate (%)	3.6	3.6	3.6
	1330	Jun Average Hourly Earnings (MoM/YoY%)	0.4/3.2	0.3/-	0.2/3.1
	1330	Jun Participation Rate	62.8	-	62.8
Japan	0600	May P Leading economic index	-	-	95.9
Germany	0700	May New Orders (MoM/YoY%)	-0.5/-6.9	-/-	0.3/-5.3
Italy	-	Bank of Italy Report on Balance-Sheet Aggregates			
Canada	1330	Jun Net Change in Employment	-	-	27.7
	1330	Jun Unemployment Rate (%)	-	-	5.4
Norway	0700	May Industrial Production (MoM/YoY%)	-/-	-/-	0.2/-4.2

Source: ING, Bloomberg

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Asia week ahead: It's make or break time

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Source: Shutterstock

➔ Trump-Xi trade talks – little hope

The word out of preparatory meetings by the US and Chinese trade representatives this week struck a positive chord about the Trump-Xi G20 meeting this weekend.

Amidst the uncertainty about if this meeting will take place at all, the advance rhetoric has been mixed, with talk about the dumping the tariffs on \$300bn of Chinese goods followed by President Trump's threat of even more tariffs. But China wants all tariffs to be removed before any further negotiations. This raises scepticism for any resolution of the trade dispute and prospects of an imminent trade deal between the US and China. Here is what our Greater China economist, Iris Pang, on [what happens next](#).

[What will happen after the X-- Trump meeting in G20](#)

➔ Data-packed week – more weakness

Hopes rest on both the US and China coming to terms with the effects of the trade war on their respective economies. It's been more than a year since the trade war started, and recessionary fears are growing in the US, while the Chinese economy is already seeing a growth downturn. And the impact of all of this isn't just limited to China and there will be plenty of data to validate this next week.

China's manufacturing and service sector PMIs will reinforce the bipolar state of the economy – contracting manufacturing but a steady service sector. This de-coupling may not last for too long though, with services eventually following manufacturing into weakness. The PMIs from the rest of the region will reinforce the weak manufacturing trend.

Korea's trade figures for June - the first trade numbers for the month from the region and probably the world, will be scrutinised for the trade war impact. The double whammy of the trade war and tech slump underpins the consensus of double-digit export contraction by over 13% year-on-year.

Moreover, the impact of the trade war isn't limited to exports and manufacturing but is also now spreading out to domestic demand. The grim prospect ahead is that the trade war deters spending and drags inflation even lower. Consumer price inflation releases from Korea, Taiwan, Indonesia, the Philippines, and Thailand, as well as Hong Kong's retail sales data, will be worth watching.

➔ India's new budget – no restraint

India's new finance minister, Nirmala Sitharaman, unveils her maiden budget on 5 July, but news of five-year GDP growth touching new lows (5.8% in 4Q FY19 ended in March), which happened despite the surge in election-related spending was a poor start for the Modi government's second term - and the trade war with the US clouds prospects further.

More fiscal stimulus is probably on the way, with talk of hikes in income tax exemption limits, boosts to the housing sector, as well as recapitalisation of public sector banks. While the budget deficit is likely to remain at 3.4% of GDP as planned in the pre-election interim budget, sticking to this target will be challenging as weak growth slows revenues and fiscal stimulus swells spending.

A rally in Indian government bonds since the start of May finally ended this week. Although this could be partly due to the escalation of US-Iran tensions pressuring oil higher, we think the market is considering the likely lack of future fiscal restraint, resulting in a greater supply overhang in the future.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 30 June					
China	0200	Jun Manufacturing PMI	49.5	49.5	49.4
	0200	Jun Non-manufacturing PMI	54.1	54.1	54.3
Monday 1 July					
China	0245	Jun Caixin Manufacturing PMI	50.0	50.0	50.2
India	0600	Jun Nikkei Manufacturing PMI	52	-	52.7
Indonesia	-	Jun CPI (YoY%)	-	-	3.3
	-	Jun CPI core (YoY%)	-	-	3.1
Malaysia	0130	Jun Nikkei Manufacturing PMI	48.5	-	48.8
Taiwan	0130	Jun Nikkei Manufacturing PMI	-	-	48.4
Thailand	0130	Jun Nikkei Manufacturing PMI	49.8	-	50.7
	0430	Jun CPI (YoY%)	1.2	-	1.2
	0430	Jun Core CPI (YoY%)	0.5	-	0.5
South Korea	0100	Jun Exports (YoY%)	-	-13.4	-9.4
	0100	Jun Imports (YoY%)	-	-10	-1.9
	0100	Jun Trade balance (US\$mn)	-	4536	2249
	0130	Jun Nikkei Manufacturing PMI	-	-	48.4
Tuesday 2 July					
South Korea	0000	Jun CPI (MoM/YoY%)	-/-	-0.1/0.8	0.2/0.7
Hong Kong	0930	Retail sales value (YoY%)	-4.9	-	-4.5
	0930	Retail sales volume (YoY%)	-5.4	-	-5.0
Wednesday 3 July					
India	0600	Jun Nikkei Services PMI	-	-	50.2
Singapore	1400	Jun Purchasing Managers Index	-	-	49.9
Thailand	0300	Bank of Thailand's MPC Minutes			
Thursday 4 July					
Malaysia	0500	May Exports (YoY%)	-4.5	-	1.13
	0500	May Imports (YoY%)	-2.0	-	4.38
	0500	May Trade balance (RM bn)	5.9	-	10.86
Friday 5 July					
India	0630	India FY20 Budget Presentation			
Malaysia	0800	Jun 28 Forex reserves- Month end (US\$bn)	-	-	102.6
Philippines	0200	Jun CPI (YoY%)	-	-	3.2
	-	Jun Forex reserves (US\$bn)	-	-	85357.5
Taiwan	0900	Jun CPI (YoY%)	1.2	-	0.9
	0900	Jun WPI (YoY%)	-0.8	-	-0.2

Source: ING, Bloomberg, *GMT

Key events in EMEA and Latam next week

Busy week in the EMEA sphere. Monetary policy meetings in Poland and Romania, with both central banks, expected to remain on hold and expect some positive...



Source: Shutterstock

✓ Poland: NBP rates likely to remain flat

The key event in Poland next week is the central bank meeting. The committee should maintain its current rhetoric and reiterate that interest rates are likely to remain flat, despite a more dovish approach from the European Central Bank.

In its new inflation projection, we expect upward revisions to 2019 estimates for both activity and CPI inflation. The new GDP forecast for this year should be around 4.5% YoY vs. 4% projected in March. Revisions to inflation are likely to be smaller, at close to 2% vs. 1.7% in the previous round. At the same time, we don't expect major changes in the projection for 2020 and 2021. Next year's inflation scenario from the National Bank of Poland (NBP) is broadly consistent with our view. The NBP maintains an optimistic forecast of economic activity, but changes in this iteration are unlikely.

✓ Romania: Key rate on hold at 2.5%

We expect the National Bank of Romania (NBR) to keep the key rate at 2.50% on its 4 July meeting where it is likely to embrace the global dovish mood, citing the "regional context" and arguing that this year's inflation peak is behind us. However, before that, on 3 July the parliament session runs

into extra time to vote, among other appointments, for a new NBR Board on 3 July. It seems that there is cross-party support, amid some dissenters, to offer to governor Mugur Isarescu a new term. This is likely to alleviate some investor concerns about central bank independence.

✓ **Russia: All eyes on inflation**

The most recent weekly CPI data points to a noticeable and a slightly surprising slowdown in the annual inflation rate from 5.1% YoY in May to 4.6-4.8% YoY in June. The key source of the positive newsflow is the food segment (accounting for around 40% of the overall basket), which has benefitted from an ahead-of-schedule harvest on good weather and stronger-than-expected RUB exchange rate following the dovish surprise from the global central banks.

Given the favourable global agriculture price expectations until year-end and buoyant global financial markets, our year-end 2019 CPI forecast of 4.6% now has room for downward revisions. Our case for another 25 bp cut in the key rate on 26 July has strengthened.

✓ **Turkey: Lower inflation readings**

Following an improvement in inflation dynamics in May due to the tight central bank stance and weak domestic demand, we expect another benign reading in June at 0.8% MoM, pulling annual inflation down to 16.7% also with the contribution of large base effect from the last year. High inflation inertia, cost-push factors including food inflation will likely remain key upside risks in the near term.”

✓ **Czech: Manufacturing PMI still in the contraction area**

Given the recent fall in Czech industrial confidence indicator in June and just slightly improving manufacturing PMI in Germany, it is reasonable to assume that Czech manufacturing PMI will also remain in the contraction area in June and most likely close to the previous month's value of 47.

✓ **Hungary: Weaker retail and industrial sectors**

Next week's data should tell us the extent of the GDP growth slowdown in 2Q19. We see the manufacturing PMI making a slight correction after a positive outlier in May, but will suggest further strengthening. Against this backdrop, it hardly comes as a surprise, that industrial production is expected to accelerate further, especially after a weak reading due to the Easter-effect in April. As consumer confidence has retreated somewhat lately, we see retail sales growth to decelerating mildly.

EMEALatam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 1 July					
Russia	0700	Jun Markit Manufacturing PMI	-	-	49.8
	-	1Q F GDP (YoY%)	-	-	0.5
Turkey	0800	Jun Markit/ISO Manufacturing PMI	-	-	45.3
Poland	0800	Jun Markit Manufacturing PMI	49.2	-	48.8
Czech Rep	0830	Jun Markit Manufacturing PMI	47.3	-	46.6
	1300	Jun Budget Balance (CZK bn)	-	-	-50.9
Hungary	0800	Jun Manufacturing PMI	56.0	-	57.9
Romania	0700	May Unemployment Rate (Total, 15 - 74 Years Old, SA)	-	-	4.0
	-	Jun FX Reserves (€bn, Net)	-	-	36715.5
Kazakhstan	-	Jun CPI (MoM/YoY%)	-/-	-/-	0.6/5.3
	-	Jun PPI (MoM/YoY%)	-/-	-/-	2.3/12.2
South Africa	1000	Jun Kagiso PMI	-	-	45.4
Mexico	1500	Central Bank Economist Survey			
Tuesday 2 July					
Poland	-	Monetary Policy Council Rate Meeting			
Hungary	0800	Apr F Trade Balance (€mn)	228	-	228
Romania	0700	May PPI (MoM/YoY%)	-/-	-/-	0.6/5.6
Brazil	1300	May Industrial Production (YoY%)	3.2	-	-3.9
Wednesday 3 July					
Turkey	0800	Jun CPI (MoM/YoY%)	0.8/16.7	-/-	1/18.7
	0800	Jun Core CPI (YoY%)	-	-	15.87
	0800	Jun Domestic PPI (MoM/YoY%)	-/-	-/-	2.7/28.7
Poland	-	Base Rate (%)	1.50	-	1.50
South Africa	1030	Jun SACCI Business Confidence	-	-	93.0
Israel	-	Jun Foreign Currency Balance (US\$bn)	-	-	118.1
Thursday 4 July					
Hungary	0800	May Retail Sales (YoY%)	6.4	-	7.1
Romania	0700	May Retail Sales (MoM/YoY%)	-/-	-/-	-0.2/6.8
	-	Repo rate (%)	2.50	-	2.50
South Africa	1200	May Electricity Production (YoY%)	-	-	1.8
Friday 5 July					
Russia	-	Jun CPI Core (YoY%)	-	-	4.7
	-	Jun CPI (MoM/YoY%)	0.1/4.7	-/-	0.3/5.1
Poland	1300	Jun Official Reserves Total	-	-	118619.2
Hungary	0800	May Industrial Production (MoM/YoY%)	2.5/6.7	-/-	-1.1/6.0
South Africa	0700	Jun Gross Reserves (US\$bn)	-	-	48.3
	0700	Jun Net Open Foreign Currency Position (US\$bn)	-	-	43.2

Source: ING, Bloomberg

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