

Our view on next week's key events

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In this bundle



Key events in developed markets next week

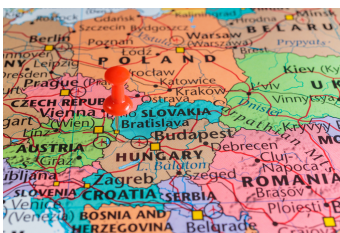
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By James Knightley, James Smith and Carsten Brzeski



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By Muhammet Mercan

Article | 28 September 2018

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Source: Shutterstock

US: Weather takes its toll?

We get a raft of key September data next week, but there is a lot of uncertainty over the numbers given the potential for distortions related to hurricane Florence. Economic activity will undoubtedly have been impacted in the US East Coast region given evacuations and subsequent disruption, but the extent of the impact is also dependent on when the data was collected, adding to the level of uncertainty.

As such, we feel it makes sense to prepare for soft figures, but to “look through” them, given the underlying strength of the US economy. Indeed, any weakness is likely to be followed by a sharp rebound – similar to what we saw in jobs data, retail sales and industrial activity following Hurricanes Irma and Harvey last year.

The key data will be the jobs data, and the ISM reports. Wages will be in focus with another strong month-on-month rise likely. We probably won't get a break above 3% year-on-year growth this month, but we certainly expect it next month. Meanwhile, the ISM reports should continue to indicate that business activity remains very robust. We will also hear from several Federal Reserve officials. They may provide more colour on why the Fed is looking for four more rate rises over the next twelve months and evaluating the risks to their predictions.

UK: Focus on PMIs as no deal risks increase

While we may see a slight improvement in the UK manufacturing PMI next week, it's clear firms are beginning to struggle from the weaker momentum in Europe, while concerns surrounding trade may be starting to bite at the margin. The service sector appears to be in slightly better shape, but as the day-to-day realities of what 'no deal' might involve become more evident to consumers and businesses, we think there's a risk activity begins to slow as we head into the winter. For that reason, we don't expect any further Bank of England tightening before the UK leaves the EU next year.

Germany: Will trade tensions impact industrial data?

Germany will celebrate reunification day on Wednesday, which should bring a relatively quiet week, with many people taking half a week off. On Friday, industrial orders data will provide more evidence of any possible impact from ongoing trade tensions on German industry.

Sweden: PMIs in focus as political stalemate continues

PMI surveys for September in Sweden, Norway, and Denmark provide an early read on economic momentum going into autumn. We expect another soft figure in Sweden; 51 – just slightly above the 50 level that indicates growth. In Norway, the survey should return to trend around 55 – suggesting a solid expansion, after a couple of erratic readings over the summer.

Meanwhile, negotiations on forming a new government in Sweden will kick off, as Parliament's speaker will decide whether to give the first chance to form a government. The situation remains muddled, and we expect a compromise could take weeks, or even months, to hammer out.

Canada: Job market still shows signs of slack

With the Canadian jobs report somewhat disappointing in August, we hope to see a minor pick up in September given that business confidence is holding up – despite Nafta insecurities. Nonetheless, August wage growth (2.9% YoY) was the third month we've seen a slowdown; an indication that there is still slack in the jobs market.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 30 September					
Japan	2350	Large Manufacturing Tankan Index	-	21.0	21.0
	2350	Sep Nikkei Manufacturing PMI	-	-	52.9
	2350	Sep Monetary Base (JPY tr)	-	-	502.0
Monday 1 October					
US	1400	Fed's Bostic Speaks on Economic Development			
	1500	Sep ISM Manufacturing	59.8	60.1	61.3
	1715	Fed's Rosengren Speaks on the U.S. Outlook and Monetary Policy			
Japan	0050	3Q Tankan Manufacturing Index	-	21	21
	0050	3Q Tankan Non-manufacturing Index	-	23	24
Eurozone	0900	Sep F Market Manufacturing PMI	-	-	53.3
	1000	Aug Unemployment Rate (%)	-	-	8.2
UK	0930	Sep Market/CIPS Manufacturing PMI	53	-	52.8
	1550	BOE's Tenreyro Speaks in London			
^{new} Zealand	0200	Treasury Publishes Monthly Economic Indicators			
Sweden	0730	Sep Swedbank/Silf Manufacturing PMI	51	-	52.5
Norway	0800	Sep DNB/NIMA Manufacturing PMI	55	-	60.5
Tuesday 2 October					
US	1500	Fed's Quarles Testifies to Senate Banking Committee			
	1700	Fed's Chairman Powell Speaks at NABE Conference in Boston			
Japan	0050	Sep Monetary Base (JPY tr)	-	-	502.0
	0600	Sep Consumer Confidence Index	-	-	43.3
UK	0945	BOE Chief Economist Haldane (0945), Haskel (1135) Speaks in London			
Australia	0530	RBA Cash Rate Target	1.5	1.5	1.5
Sweden	-	Danske Bank Publishes Nordic Outlook			
Wednesday 3 October					
US	1130	Fed's Evans Speaks in London			
	1305	Fed's Barkin Speaks at Economic Conference in West Virginia			
	1315	Sep ADP Employment Change ('000's)	170	184.5	162.8
	1500	Sep ISM Non-manufacturing	58	58	58.5
Eurozone	0900	Sep F Market Services PMI	-	-	54.7
	0900	Sep F Market Composite PMI	-	-	54.2
	1000	Aug Retail Sales (MoM/YoY%)	-/-	-/-	-0.2/1.1
UK	0930	Sep Market/CIPS Services PMI	54	-	54.3
	0930	Sep Market/CIPS Composite PMI	53.9	-	54.2
Sweden	0730	Sep Swedbank/Silf Services PMI	-	-	57.1
Thursday 4 October					
Australia	0230	Aug Trade balance (A\$m)	-	-	1551
Friday 5 October					
US	1330	Aug Trade Balance (US\$bn)	-53	-48.5	-50.1
	1330	Sep Change in Nonfarm Payrolls ('000s)	160	188	201
	1330	Sep Unemployment Rate (%)	3.8	3.8	3.9
	1330	Sep Average Hourly Earnings (MoM/YoY%)	0.3/2.8	0.3/-	0.4/2.9
	1330	Sep Participation Rate	62.7	-	62.7
Japan	0100	Aug Labour Cash Earnings (YoY%)	-	-	1.6
	0500	Aug Household Spending (YoY%)	-	-	0.1
	0500	Aug Leading Economic Index	-	-	103.9
Germany	0700	Aug New Orders (YoY%)	-1.2	-	-0.9
France	-	France Sovereign Debt to be Rated by S&P			
Spain	-	Spain Sovereign Debt to Be Rated by Moody's			
Canada	1330	Sep Net Change in Employment	-	-	-51.6
	1330	Sep Unemployment Rate (%)	6	-	6
Australia	0230	Aug Retail sales (MoM%)	-	-	0
Ireland	-	Ireland Sovereign Debt to Be Rated by Moody's			
Sweden	0830	Aug Industrial Production (YoY%)	-	-	2.2

Source: ING, Bloomberg

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Asia week ahead: Calm after the storm

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Source: Shutterstock

➔ A holiday-shortened week

Asian market liquidity is expected to be thin, as Chinese markets are closed for a holiday during 1-7 October, and Hong Kong, Korea, and India are also out on public holiday on other days of the week. Nevertheless, it's quite a busy economic calendar dominated by manufacturing, trade, and inflation releases and the central bank meeting in India.

The weekend release of China's purchasing managers index, followed by PMI releases for other Asian economies on Monday will set the tone for the markets. The key focal point in PMIs will be the new export order components and we'll be keeping an eye out for what that says about the trade war impact. However, this is still a soft indicator.

➔ What's happening to Asian exports?

The hard data on Korea's export performance in September will be hitting the newswires early on Monday morning, and that will be worth watching as a leading indicator for the rest of Asian exports.

The base effect is kicking in. Korean export growth peaked at 35% year-on-year in September 2017. But apart from the high base effect, our estimate of over 5% YoY export decline this September reflects a slack towards the end of the month due to the mid-Autumn festival holiday. But a 22% YoY surge in exports in the first 20 days of the month, partly on the back of front-loading of shipment is still a strong performance, that reinforces no big hit to regional exports from the trade war yet.

The recent signing of the US-Korea Free Trade Agreement bodes well for the export outlook.

➔ Inflation not an issue in Asia, barring Philippines

Of several September inflation releases, Philippines' data will be the highlight. The supply disruptions due to the worst typhoon in recent years will have undoubtedly bumped up inflation higher from August's 6.4% rate. Our forecast for September is 6.9%, and we feel it is now close to peaking.

The Philippines central bank (BSP) raised the policy rate by another 50bp to 4.50% this week, taking the cumulative hike since May to 150bp. However, this still leaves a negative real interest rate as a pull on the currency. We don't think the BSP tightening cycle is over just yet and the Bank is likely to remain vigilant of the impact of a weak peso on inflation in the future. We expect one more 25bp rate hike before the end of the year.

Indonesia, Taiwan, and Thailand are other countries to report September inflation, but we expect nothing exciting here.

➔ Will India's Reserve Bank hike by more than 25bp?

The Reserve Bank of India unveils its monetary policy decision next Friday (5 October).

Speculation is rife about the RBI joining ranks with its Indonesian and Philippines counterparts in aggressive tightening to curb currency weakness, but we're far from convinced. Although the RBI needs more tightening, it's likely to argue that inflation, the main policy target, has been well-behaved, currently under the 4% (+/-2%) medium-term target.

We continue to forecast one more 25bp RBI rate hike this year at the December meeting, and two hikes in 2019

Not only inflation, but ongoing troubles in India's financial sector from a serial default by a non-bank finance company on its debt obligations and resultant liquidity squeeze are other limitations on the RBI in going for more than the conventional 25bp hike. Also, the government has started taking measures to rein in the rupee's weakness - which although have so far proved to be

inadequate, reduce the onus on the RBI to support the currency.

We still can't underestimate the potential inflationary impact of ongoing currency depreciation, which will further be complicated by the impact of higher oil prices due to the supply disruption from Iran sanctions. If not in the next couple of months, we expect inflation to rear its head again, thus keeping the RBI busy going forward.

We continue to forecast one more 25bp RBI rate hike this year in the December meeting, and two hikes in 2019.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 30 September					
China	0200	Sep Non-manufacturing PMI	-	54	54.2
	0200	Sep Manufacturing PMI	-	51.1	51.3
Monday 1 October					
India	0600	Sep Nikkei Manufacturing PMI	-	-	51.7
Indonesia	0400	Sep CPI (MoM/YoY%)	0.4/3.1	-	-0.1/3.2
Korea	0000	Sep Exports (YoY%)	-5.5	-	8.7
	0000	Sep Imports (YoY%)	7.8	-	9.2
	0000	Sep Trade balance (US\$m)	7114	-	6853
	0000	Sep Nikkei manufacturing PMI	48.9	-	49.9
	2100	Oct BOK Business Survey Index, mfg	77	-	77
	2100	Oct BOK Business Survey Index, non-mfg	78	-	77
	2300	Aug Industrial Production (MoM, SA/YoY%)	0.5/1.6	-	0.4/0.9
Malaysia	0030	Sep Nikkei Manufacturing PMI	50.5	-	51.2
Philippines	0030	Sep Nikkei Manufacturing PMI	-	-	51.9
Taiwan	0200	Sep Nikkei Manufacturing PMI	52.9	-	53
Thailand	0030	Sep Nikkei Manufacturing PMI	-	-	49.9
	0430	Sep CPI (YoY%)	1.1	-	1.6
	0430	Sep CPI Core (YoY%)	0.8	-	0.8
Tuesday 2 October					
Hong Kong	0815	Aug Retail Sales Value (YoY%)	8.6	-	7.8
	0815	Aug Retail Sales Volume (YoY%)	6.2	-	5.9
Singapore	1330	Sep Purchasing Managers Index	52.4	-	52.6
Thursday 4 October					
India	0600	Sep Nikkei Services PMI	-	-	51.5
Hong Kong	0230	Sep Nikkei PMI	-	-	48.5
Indonesia	1000	Sep BI Consumer Confidence Index	-	-	121.6
Thailand	0330	Sep UTCC's Consumer Confidence	-	-	83.2
Friday 5 October					
India	1000	RBI Policy Decision (Repo Rate, %)	-	-	6.5
Malaysia	0400	Aug Exports (YoY%)	4.5	-	9.4
	0400	Aug Imports (YoY%)	5.5	-	10.3
	0400	Aug Trade balance (RM bn)	9.6	-	8.3
	0900	Sep Forex Reserves- Month end (US\$bn)	-	-	103.9
Philippines	0100	Sep CPI (YoY%)	6.9	-	6.4
	0900	Sep Forex Reserves (US\$bn)	-	-	77.9
Taiwan	0030	Sep CPI (YoY%)	1.7	-	1.5
	0030	Sep WPI (YoY%)	6.5	-	6.8
	0820	Sep Forex Reserves (US\$bn)	461.5	-	459.9

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

In the week ahead, we expect central banks in Romania and Poland to reiterate that their tightening paths are on hold for the remainder of 2018



Source: Shutterstock

✓ National Bank of Romania to stay on hold at 2.50%

With inflation expected to fall towards the target band in the next couple of quarters and a general dovish bias within the National Bank of Romania (NBR), we expect the central bank to stay on hold for the remainder of this year, likely citing the need to assess the impact of both the previous policy tightening as well as incoming data, after recent GDP growth figures surprised to the downside.

At the same time, we are seeing the market consensus, which was tilted towards more aggressive tightening, converging to our long standing call for a lower terminal rate between 3.25-3.50%. It seems the NBR also expects CPI and interest rates to converge, meeting somewhere within this range. Still, our latest reading of NBR rhetoric suggests overconfidence in achieving its inflation goals, which might turn into over-complacency. We expect the key policy rate to converge towards market rates, implying three more hikes from the NBR in 2019, of 25 basis points each. It's unlikely that the NBR will commit to regular open market operations to accommodate the interbank liquidity conditions, keeping more flexibility on liquidity management if needed to fend-off currency depreciation pressures.

Poland: Don't expect a change in rates anytime soon

We expect the Monetary Policy Council (MPC) to reiterate that interest rates should remain flat through the end of 2019. The National Bank of Poland's President Adam Glapiński is likely to play down recent increases in oil prices, given the supply-side character of the shock - thus remaining out of the MPC's control.

Turkey: Inflation trending upwards

Inflation will remain on an uptrend as the Turkish lira's depreciation feeds through to prices quickly and aggressively. Administrative price hikes, strength in cost-led price pressures and a deterioration in inflation expectations - despite weaker domestic demand- will also push inflation higher. We expect September inflation at 2.2%, which pulls the annual figure up to 19.7% from 17.9%.

Czech manufacturing PMI to slow further

The Czech Manufacturing PMI is likely to decelerate further towards 54 points in September, given similar indicators in Germany and the eurozone. This is in line with an expected slowdown in domestic industrial growth this year, so no surprise. Although industrial confidence stagnated in September, based on a survey by the Czech Statistical Office, it still remains below the 2017 average.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 1 October					
Russia	0700	Sep Market Manufacturing PMI	-	-	48.9
Turkey	0800	Sep Market/ISO Manufacturing PMI	-	-	46.4
Poland	0800	Sep Market Manufacturing PMI	52.1	-	51.4
	0900	Sep P CPI (MoM/YoY%)	-/-	-/-	0/2
Czech Rep	0830	Sep Market Manufacturing PMI	54.1	-	54.9
	1300	Sep Budget Balance (CZKbn)	-	-	14.8
Hungary	0800	Sep Manufacturing PMI	56.3	-	56.2
Romania	0700	Aug Unemployment Rate 15 - 74 Yrs Old, SA	-	-	4.2
	-	Sep FX Reserves (€bn, Net)	-	-	34507.8
Tuesday 2 October					
Russia	-	2Q F GDP (YoY%)	-	-	1.9
Poland	-	Monetary Policy Council Rate Meeting			
Czech Rep	0800	2Q F GDP (QoQ/YoY%)	0.7/2.4	-/-	0.7/2.4
Hungary	0800	Jul F Trade Balance (€mn)	373	-	373
Romania	0700	Aug PPI (MoM/YoY%)	-/-	-/-	-0.1/6.0
Kazakhstan	-	Sep CPI (MoM/YoY%)	-/-	-/-	0.2/6
	-	Sep PPI (MoM/YoY%)	-/-	-/-	2.2/24.6
Brazil	1300	Aug Industrial Production (YoY%)	3.5	-	4
Wednesday 3 October					
Turkey	0800	Sep CPI (MoM/YoY%)	2.2/19.7	-/-	2.3/17.9
	0800	Sep Domestic PPI (MoM/YoY%)	-/-	-/-	6.6/32.1
	0800	Sep Core CPI (YoY%)	-	-	17.2
Poland	-	Base Rate (%)	1.5	-	1.5
Hungary	0800	Aug Retail Sales (YoY%)	5.4	-	5.3
	1300	Hungarian Central Bank's Minutes			
Romania	0700	Aug Retail Sales (MoM/YoY%)	-/-	-/-	-0.9/5
	-	Repo Rate (%)	2.5	-	2.5
South Africa	0815	Sep HSBC PMI, SA	-	-	47.2
Israel	-	Sep Foreign Currency Balance (US\$bn)	-	-	116
Thursday 4 October					
Hungary	0800	Hungary Economy Minister Varga and Central Banker Nagy Speak			
Israel	1100	Jul Industrial Production (SA, MoM%)	-	-	0.2
Mexico	1900	Overnight Rate	8	-	7.75
Friday 5 October					
Russia	-	Sep CPI (MoM/YoY%)	-/-	-/-	0.2/3.1
Poland	1300	Sep Official Reserves Total	-	-	113263
Czech Rep	0800	Czech National Bank Publishes Minutes From Board Meeting			
Hungary	0800	Aug Industrial Production (MoM/YoY%)	5.2/4.4	-/-	-2/3.9
Croatia	1000	Aug F Retail Sales (YoY%)	-	-	2.2
South Africa	0700	Sep Gross Reserves (US\$bn)	-	-	49.8
	0700	Sep Net Open Foreign Currency Position (US\$bn)	-	-	42.4
Israel	-	Aug Leading 'S' Indicator (MoM%)	-	-	0.36
Brazil	1300	Sep Inflation (IPCA) (MoM/YoY%)	0.35/4.4	-/-	-0.1/4.2

Source: ING, Bloomberg

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