

Our view on next week's key events

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By Peter Virovacz, Muhammet Mercan and Valentin Tataru

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US juggernaut continues

Despite all the market worries about trade wars, the US economy goes from strength to strength.

The latest Atlanta Fed NowCast estimate for 2Q GDP growth is 4.5% based on the data flow for the quarter so far. This week we will see more evidence of excellent performance of the economy with the key business surveys remaining at elevated levels and the US economy continuing to add jobs in significant numbers. There is an outside chance the unemployment rate falls to a new 50 year low of 3.7% while the annual rate of wage growth could tick up to 2.8%. There may also be some better news on trade with the US deficit set to hold onto recent improvements given data on goods already released. As such we think the Federal Reserve will continue with its policy of gradual rate hikes. We look for a 25bp move in both 3Q and 4Q.

German politics to dominate Eurozone headlines

Not a whole lot to focus on in terms of eurozone data next week. Look for German industrial data for May and the eurozone unemployment rate, which could give perspective on how deep the soft patch has remained in Q2. At the same time, the aftermath of the European Summit and the impact on German politics could dominate headlines even more than the macro data.

Watch out for slippage in UK PMIs as the Bank of England mulls an August hike

We expect both the manufacturing and services PMIs to slip slightly next week. The UK manufacturing sector is showing signs that it is beginning to flag a little as European demand slows. Meanwhile, the service sector, which admittedly has regained some poise after the snow, continues to be plagued by political uncertainty and in the case of consumer-facing firms, ongoing household caution.

But barring a significant deterioration in sentiment, we doubt this will change the minds of BoE rate-setters when it comes to a rate rise in August. A summer hike still looks more likely than not.

UK ministers set for showdown as PM May pushes softer Brexit stance

Amid concern about the lack of a solution for the Irish border question, and increased warnings from business about the potential frictions at UK ports, it looks as if the government position on Brexit is softening. Reports suggest Prime Minister Theresa May is gearing up to keep the UK as a whole in both the customs union and the single market for industrial goods – albeit perhaps not technically under those names.

But getting her ministers on-board with this plan will be tricky, and Friday's meeting has the potential to be very heated. High-profile ministerial resignations cannot be ruled out, and that's before the plan has gone to Brussels, where it is likely to be met with similar resistance.

Riksbank in focus

Next week's Riksbank policy meeting is likely to be a non-event. Having revised its rate forecast downwards in April, and with the outlook broadly unchanged since there is little reason for the Swedish central bank to change its stance at this point.

Sweden also sees the week-long Almedalen political conference, where the country's politicians will set out their positions ahead of national elections in September.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 29 June					
US	1500	Jun F U. of Mich. Sentiment Index	99.3	99	99.3
Japan	0050	May P Industrial production - Prel (MoM/YoY%)	-/-	-1/3.4	0.5/2.6
	0600	Jun Consumer confidence index	-	43.8	43.8
Eurozone	1000	Jun A Core CPI (YoY%)	1.1	1	1.1
	1000	Jun Flash CPI (YoY%)	2	2	1.9
Germany	0855	Jun Unemployment Change (000's)	-	-8	-12
	0855	Jun Unemployment Rate (%)	-	5.2	5.2
UK	0930	1Q F GDP (QoQ/YoY%)	0.1/1.2	0.1/1.2	0.1/1.2
Canada	1330	Apr GDP (MoM/YoY%)	-/-	0/2.6	0.3/2.9
Portugal	1100	Portugal Releases Retail Sales, Employment Report			
Finland	-	Finnish Treasury Quarterly Review With Borrowing Forecasts			
Saturday 30 June					
US	-	Deadline for U.S. to Outline Restrictions on Chinese Investment			
Monday 2 July					
US	1500	Jun ISM Manufacturing	58.5	58	58.7
Japan	0050	2Q Tankan Manufacturing Index	22	22	24
	0050	2Q Tankan Non-manufacturing Index	-	23	23
Eurozone	0900	Jun F Markit Manufacturing PMI	55	-	55
	1000	May Unemployment Rate (%)	8.4	-	8.5
UK	0930	Jun Market/CIPS Manufacturing PMI	54	-	54.4
Sweden	0730	Jun Swedbank/Silf Manufacturing PMI	54.5	-	55.8
Norway	0800	Jun DNB/NIMA Manufacturing PMI	56	-	55.8
Tuesday 3 July					
Japan	0050	Jun Monetary base (JPY tr)	504	-	492.627
Eurozone	1000	May Retail Sales (MoM/YoY%)	0.6/1.8	-/-	0.1/1.7
Australia	0530	RBA Cash Rate Target	1.5	1.5	1.5
Sweden	0830	Riksbank Interest Rate	-0.5	-0.5	-0.5
	1000	Riksbank First Deputy Governor af Jochnick Gives Speech			
	-	Riksbank's Skingsley, af Jochnick at Almedalen Week (until 05/07)			
Wednesday 4 July					
Japan	0230	BOJ Harada speaks in Kanazawa			
Eurozone	0900	Jun F Markit Services PMI	55	-	55
	0900	Jun F Markit Composite PMI	54.8	-	54.8
UK	0930	Jun Markit/CIPS Services PMI	53.8	-	54
	-	BOE's Woods (0905) and Saporta (1155) Speak in London			
Australia	0230	May Trade balance (A\$m)	1499	-	977
	0230	May Retail sales (MoM%)	0.5	-	0.4
N. Zealand	2300	N.Z. Government 11-Month Financial Statements			
Sweden	0500	Maklarstatistik Swedish Housing Price Data			
Thursday 5 July					
US	1315	Jun ADP Employment Change (000's)	200	180	178.2
	1500	Jun ISM Non-manufacturing	58.3	58.1	58.6
Japan	0230	BOJ Masai speaks in Matsumoro			
Germany	0700	May New Orders (YoY%)	0.1	-	-0.1
UK	1100	BOE Governor Carney Speaks in Newcastle			
Friday 6 July					
Norway	0700	May Industrial Production (MoM%)	-	-	-1.4
US	1330	Jun Change in Nonfarm Payrolls ('000s)	210	195	223
	1330	May Trade Balance (US\$bn)	-46.5	-48.25	-46.199
	1330	Jun Unemployment Rate (%)	3.8	3.8	3.8
	1330	Jun Average Hourly Earnings (MoM/YoY%)	0.3/2.8	0.3/2.7	0.3/2.7
	1330	Jun Participation Rate	62.7	-	62.7
UK	-	UK Government ministers meet to discuss future EU trading relationship			
Japan	0100	May Labor cash earnings (YoY%)	0.9	-	0.6
	0600	May P Leading economic index	-	-	106.2
Germany	0700	May Industrial Production (MoM%)	1.2	-	-1
Italy	0930	Bank of Italy Report on Balance-Sheet Aggregates			
Canada	1330	Jun Net Change in Employment	-	-	-7.5
	1330	Jun Unemployment Rate (%)	-	-	5.8

Source: ING, Bloomberg

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Asia week ahead: Weak trade and FX, high inflation

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Trade war is upon us

The threat of an all-out trade war will continue to dominate the headlines before the US implements \$34 billion of tariffs on Chinese goods on 6 July. China has vowed to retaliate on an equal scale and intensity. The stakes are high but so are the hopes that the two countries will come to terms in averting the war in a last-minute deal.

Meanwhile, the tensions will weigh on trade from the rest of Asia. Korea's trade data for June will be a testimony of this. The 4.8% year-on-year fall in Korean exports in the first 20 days of June was alarming, a sign of already weakening export momentum. The weak trade sentiment is further reflected in the Korean won as Asia's worst currency with 4.1% month-to-date depreciation.

2.3% YoY

Korean export growth in June

ING forecast: down from 13.5% in May

Currency weakness is inflationary

Inflation data crowds the calendar next week as Korea, Taiwan, Indonesia, Philippines, and Thailand report CPI for June. The usual focus here is on Indonesia and the Philippines, Asia's high inflation economies.

We anticipate some inflation relief in Indonesia, with our forecast slowdown below 3% year on year for the first time in two years on the lower transport component. The risk to this view stems from the seasonal food price spike during the Muslim holy month of Ramadan. In the Philippines, 4.6% YoY inflation in May was the highest since 2011. We expect a further rise to 4.7% in June.

Inflation in other reporting countries is benign so far. But the risk of trade-related currency weakness fuelling inflation in the future is on the rise. The Asian central banks will have a challenging time in striking a growth-inflation balance in the event of an all-out trade war.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 29 June					
India	1200	May Fiscal deficit (INR crore)	-	-	151967
Indonesia	-	Jun 29 BI policy decision (7-day rev repo, %)	-	5	4.75
South Korea	0000	May Industrial production (MoM/YoY%)	2.0/1.9	0.15/0.9	3.35/0.9
Saturday 30 June					
China	0200	Jun Non-manufacturing PMI	55	54.8	54.9
	0200	Jun Manufacturing PMI	52.3	51.7	51.9
Sunday 1 July					
South Korea	0100	Jun Exports (YoY%)	2.3	1.4	13.5
	0100	Jun Imports (YoY%)	12.6	12.5	12.6
	0100	Jun Trade balance (US\$m)	6806	6350	6554
Monday 2 July					
China	0245	Jun Caixin Manufacturing PMI	51.1	51.1	51.1
India	0600	Jun Nikkei Manufacturing PMI	50.5	-	51.2
Indonesia	0500	Jun CPI core (YoY%)	-	-	2.75
	0500	Jun CPI (YoY%)	2.85	-	3.23
Singapore	1400	Jun Purchasing Managers Index	52.4	-	52.7
Taiwan	0130	Jun Nikkei Manufacturing PMI	53.8	-	53.4
Thailand	0400	Jun CPI (YoY%)	1.5	-	1.49
	0400	Jun Core-CPI (YoY%)	0.9	-	0.8
	0830	Jun Nikkei manufacturing PMI	50.1	-	51.1
South Korea	0130	Jun Nikkei Manufacturing PMI	48.7	-	48.9
Tuesday 3 July					
Hong Kong	0930	May Retail sales value (YoY%)	12.1	-	12.3
	0930	May Retail sales volume (YoY%)	-	-	11.1
South Korea	0000	Jun CPI (MoM/YoY%)	-1.7	0/1.7	0.1/1.5
Wednesday 4 July					
India	0600	Jun Nikkei Services PMI	-	-	49.6
Korea	2300	May Current A/c Balance (US\$m)	1750	-	1768.2
Thursday 5 July					
Hong Kong	0130	Jun Nikkei PMI	-	-	47.8
Malaysia	0500	May Trade balance (RM bn)	6.4	-	13.07
	0500	May Imports (YoY%)	-5.2	-	9.14
	0500	May Exports (YoY%)	-3.8	-	14.04
Philippines	0200	Jun CPI (YoY%)	4.7	-	4.6
Taiwan	0900	Jun CPI (YoY%)	1	-	1.64
	0900	Jun WPI (YoY%)	6	-	5.61
Friday 6 July					
Hong Kong	-	Jun Forex Reserves (US\$bn)	430	-	432.1
Malaysia	0800	Jun 29 Forex reserves- Month end (US\$bn)	-	-	107.9
Philippines	-	Jun Forex reserves (US\$bn)	-	-	79202.4

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

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Source: Shutterstock

✓ No change in the National Bank of Poland's policy

We expect a little deterioration of sentiment in manufacturing with the PMI index mirroring developments of this sector's confidence in Germany. CPI inflation should remain low compared with other CEE states, supporting no change in the National Bank of Poland's policy.

✓ Czech retail sales may disappoint but consumer sentiment remains strong

While the PMI is likely to remain close to its May level, retail sales might slightly disappoint. While the number of working days in year-on-year terms were the same, the distribution of two public holidays differed. This year's holidays were on a Tuesday instead of last year's Monday. The Tuesday holiday will have motivated prolonged weekend breaks that could cause slightly weaker sales in year-on-year terms. Still, consumer confidence hit an historical high in May so consumer sentiment remains strong.



Continued deceleration in Hungary

In Hungary, we see the economic activity indicators showing further deceleration. On the one hand, a deceleration in both the industry and the retail sectors would fit the trend. On the other hand, last year's high base will have a lot to do with the weak May readings. We expect the budgetary situation to worsen as there is still no sign that the government stopped the pre-financing of EU projects.

Turkish inflation on the rise

We expect June inflation to come in at 1% pulling the annual figure up from 12.1% to 13.5%. This is given the intensifying inflationary pressures from the recent Turkish lira depreciation with repercussions on the outlook for core goods, upward pressure from domestic PPI dynamics and unsupportive base effects.

Romanian central bank to keep the key rate unchanged

We expect the Romanian central bank (NBR) to keep the rate unchanged at 2.5% at the 4 July meeting, mentioning the need to assess the outlook better after more than 200bp in the tightening of lending rates in less than one year, despite CPI recently surprising to the upside. Nevertheless, with money market rates much higher than the key rate and with the Romanian leu under weakening pressure, we see a material chance (around 30%) of a 25bp hike.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 29 June					
Russia	1400	1Q F C/A (US\$m)	-	-	28800
Turkey	0800	May Trade Balance (US\$m)	-7.7	-7.7	-6.69
Czech Rep	0800	1Q F GDP (QoQ/YoY%)	-/-	0.4/4.4	0.4/4.4
Hungary	0800	May PPI (MoM/YoY%)	0.2/3.4	-/-	-0.3/2.7
Kazakhstan	-	1Q C/A (US\$m)	-	-	-95
-	-	1Q F GDP YTD YoY	-	-	4.1
Serbia	1100	May Industrial Production (YoY%)	-	-	3.1
-	1100	May Trade Balance (€m)	-	-	-452.4
-	1100	May Retail Sales (YoY%)	-	-	5.1
Croatia	1000	May Industrial Production (SA, YoY%)	-	-	-1.3
-	-	1Q C/A balance	-	-	-674.2
-	-	May M1 Money Supply (HRKmn)	-	-	101972
South Africa	0700	May M3 Money Supply (YoY%)	-	6.31	6.39
-	0700	May Private Sector Credit (YoY%)	-	4.92	5.07
-	1300	May Trade Balance (ZARbn)	-	5.8	1.14
-	1300	May National Budget Balance (ZARbn)	-	-	-43.71
Brazil	1300	May Unemployment Rate (%)	12.7	12.6	12.9
Monday 2 July					
Russia	0700	Jun Markit Manufacturing PMI	-	-	49.8
-	-	1Q F GDP (YoY%)	-	-	1.3
Turkey	0800	Jun Markit/ISO Manufacturing PMI	-	-	46.4
Poland	0800	Jun Markit Manufacturing PMI	52.8	53.1	53.3
-	0900	Jun P CPI (MoM/YoY%)	0.0/1.8	0.1/2	0.2/1.7
Czech Rep	0830	Jun Markit Manufacturing PMI	56.5	-	56.5
-	1300	Jun Budget Balance (CZKbn)	-	-	-23.09
Hungary	0800	Jun Manufacturing PMI	55.9	-	55.4
Romania	0700	May Unemployment Rate Total SA	-	-	4.6
-	-	Jun FX Reserves (€bn, Net)	-	-	36841.8
South Africa	1000	Jun Kagiso PMI	-	-	49.8
Tuesday 3 July					
Turkey	0800	Jun CPI (MoM/YoY%)	1.0/13.5	-/-	1.6/12.2
-	0800	Jun Domestic PPI (MoM/YoY%)	-/-	-/-	3.8/20.2
-	0800	Jun Core CPI (YoY%)	1.1/13.8	-	12.64
Hungary	0800	May Retail Sales (YoY%)	5.4	-	6.1
-	0800	Apr F Trade Balance (€mn)	536	-	536
Romania	0700	May Retail Sales (MoM/YoY%)	-/-	-/-	1.7/7.9
-	0700	May PPI (MoM/YoY%)	-/-	-/-	0.38/4.2
Kazakhstan	-	Jun CPI (MoM/YoY%)	-/-	-/-	0.2/6.2
-	-	Jun PPI (MoM/YoY%)	-/-	-/-	2.6/18.3
Israel	-	Jun Foreign Currency Balance (US\$bn)	-	-	114.7
Wednesday 4 July					
Czech Rep	0800	May Retail Sales (YoY%)	2.7	-	4.7
-	0800	May Retail Sales Excl. Motor Vehicles (YoY%)	4.3	-	5.6
Hungary	1300	Hungarian Central Bank's Minutes	-	-	-
Romania	-	Repo rate (%)	2.5	-	2.5
South Africa	0815	Jun HSBC PMI SA	-	-	50
Brazil	1300	May Industrial Production (YoY%)	-3.3	-	8.9
Thursday 5 July					
Mexico	1500	Central Bank Monetary Policy Minutes	-	-	-
Friday 6 July					
Russia	-	Jun CPI (MoM/YoY%)	-/-	-/-	0.4/2.4
-	-	Jun Core CPI (YoY%)	-	-	2
Poland	1300	Jun Official Reserves Total	-	-	111762
Hungary	0800	May Industrial Production (MoM/YoY%)	0.8/2.1	-/-	0.2/2.9
-	1000	Jun Budget Balance (YTD)	-1575	-	-1187.5
Romania	0700	1Q F GDP (SA, QoQ/YoY%)	-/-	-/-	0.04/4
-	-	Romania Sovereign Debt to be rated by Fitch	-	-	-
Serbia	1100	Jun HPPI (MoM/YoY%)	-/-	-/-	0.8/0.5
Croatia	1000	Jun PPI (MoM/YoY%)	-/-	-/-	0.9/2.9
-	1000	May F Retail Sales (YoY%)	-	-	4.3
-	-	Croatia Sovereign Debt to be rated by Fitch	-	-	-
South Africa	0700	Jun Gross Reserves (US\$bn)	-	-	51.15
-	0700	Jun Net Open Foreign Currency Position (US\$bn)	-	-	42.87
Brazil	1300	Jun Inflation (IPCA) (MoM/YoY%)	1.3/4.44	-/-	0.4/2.86

Source: ING, Bloomberg

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