

Our view on next week's key events

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US: Hard data on the backseat of investors' minds

The US's solid if unspectacular growth story remains consistent, in the mind of the market, with a Federal Reserve on hold for a prolonged period. However, we are somewhat nervous that the growth story is not quite as strong as headline figures would suggest. Moreover the coronavirus is creating significant uncertainty and there are fears that if the virus spreads rapidly, it could impact consumer and corporate behavior more broadly. Equity markets are clearly nervous and the bond market is flirting with inversion once again – where it is cheaper for the government to borrow long term versus short term.

This week's data flow is therefore likely to play second fiddle to these health concerns even though top tier figures are due for release. The ISM manufacturing index may get a lift from better regional data in the wake of the US-China trade agreement, while confidence is likely to be buoyed by the robust equity markets (as of the time of the survey questions being asked). Construction should also get a lift from the increasingly strong housing data while the jobs report is likely to post another increase in the 140-160,000 range. The key number for us though will be wage growth. It slipped back to 2.9% YoY last month having threatened to break above 4% early last year. Any further weakness would reinforce our caution on spending, especially if the virus concerns intensify

in the weeks ahead.

Eurozone: Retail sales to take a hit due to Black Friday effects

Retail sales will likely come in weaker in December, as the rising popularity of Black Friday brought spending forward to November. Nevertheless, it doesn't look like the sales environment has suffered too much. Overall, consumer spending continues to look decent despite economic uncertainty.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 3 February					
US	1500	Jan ISM Manufacturing	49	48	47.2
Japan	2350	Jan Monetary base (JPY tr)	-	-	518.2
Eurozone	0900	Jan F Markit Manufacturing PMI	-	-	47.8
UK	0930	Jan F Markit/CIPS Manufacturing PMI	49.8	-	49.8
Norway	0800	Jan DNB/NIMA Manufacturing PMI	-	-	55.45
Sweden	0730	Jan Swedbank/Silf Manufacturing PMI	-	-	47.1
Tuesday 4 February					
Italy	1000	Jan P HICP (YoY%)	0.6	-	0.5
Australia	0330	RBA Cash Rate Target	0.50	0.50	0.75
Wednesday 5 February					
US	1315	Jan ADP Employment Change ('000's)	140	155.0	201.7
	1330	Dec Trade Balance (US\$bn)	-47	-46.0	-43.1
	1500	Jan ISM Non-manufacturing	55	55.0	55.0
Eurozone	0900	Jan F Markit Services PMI	-	-	52.2
	0900	Jan F Markit Composite PMI	-	-	50.9
	1000	Dec Retail Sales (MoM/YoY%)	0.6/1.3	-/-	1.0/2.2
UK	0930	Jan F Markit/CIPS Services PMI	52.9	-	52.9
	0930	Jan F Markit/CIPS Composite PMI	52.4	-	52.4
Canada	1730	Bank of Canada's Wilkins Gives Speech in Toronto			
Australia	0130	RBA Governor Lowe Gives Speech in Sydney			
Sweden	0730	Jan Swedbank/Silf Services PMI	-	-	48.7
Thursday 6 February					
US	1415	Fed's Kaplan Speaks on Economic Outlook in Dallas			
Japan	2330	Dec Labor cash earnings (YoY%)	-	-	0.1
Eurozone	0900	ECB Publishes Economic Bulletin			
Germany	0700	Dec New Orders (MoM/YoY%)	0.5/-6.7	-/-	-1.3/-6.5
Australia	0030	Dec Trade balance (A\$m)	-	-	5800
	0030	Dec Retail sales (MoM%)	-	-	0.9
Friday 7 February					
US	1330	Jan Change in Nonfarm Payrolls ('000s)	155	153	145
	1330	Jan Unemployment Rate (%)	3.5	3.5	3.5
	1330	Jan Average Hourly Earnings (MoM/YoY%)	0.3/3.0	0.3/-	0.1/2.9
	1330	Jan Participation Rate	63	-	63.2
Japan	0500	Dec P Leading economic index	-	-	90.8
Germany	0700	Dec Trade Balance (€bn)	20.0	-	18.6
	0700	Dec Industrial Production (MoM/YoY%)	-0.7/-4.1	-/-	1.1/-2.6
Canada	1330	Jan Net Change in Employment	-	-	27.3
	1330	Jan Unemployment Rate (%)	-	-	5.6
Australia	0030	RBA Statement on Monetary Policy			
Norway	0700	Dec GDP Mainland (MoM%)	-	-	0.1
	0700	4Q GDP (QoQ%)	-	-	0
	0700	Dec Industrial Production (MoM/YoY%)	-/-	-/-	3.7/-0.9

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

A handful of central bank meetings and some key data releases make for an exciting week ahead in EMEA and Latam



Source: Shutterstock

✓ Russia: Central bank likely to favour a 'wait and see' approach

Russian CPI is likely to see a rapid deceleration to 2.4% year-on-year in January from 3.0% in December, however this is unlikely to be a strong argument in favour of a cut in the key rate, which we see staying at 6.25% next Friday. We think the following arguments favour a wait-and-see approach at the upcoming monetary policy meeting on 7 February:

1. The current slowdown in the CPI stems from the high base effect created by the VAT rate hike, which took place at the beginning of last year. Following the drop to 2.0-2.5% YoY in in 1Q20F, CPI should return to 3.5-4.0% YoY by year-end 2020.
2. The CPI [composition](#) suggests that food seems to be the sole disinflationary component, reacting to non-monetary factors - and the recent recovery in global agriculture product prices is now a risk factor.
3. The consumer sentiment index in December was reported at 95 points, which is 6 points higher than a year ago, suggesting a lack of demand-driven constraints to CPI growth.
4. The recent [government reshuffle](#) and new social policy measures, with an estimated budget expenditure of 0.5-1.0% of GDP per annum create the potential for an acceleration of consumption and overall GDP growth above the potential 1.0-1.5% rate, which may create

- additional inflationary risks.
5. The coronavirus outbreak in China has negatively affected global markets, contributing to a 1% depreciation in the rouble year-to-date. [ING analysts](#) do not exclude further pressure on China's GDP, currency and oil and metals prices, as well as EM/commodity currencies – reinforcing our [cautious](#) take on the rouble, which was initially based on local fundamental factors.

Poland: Don't expect the NBP stance to change

We expect the National Bank of Poland to reiterate its forward guidance of stable rates in the coming quarters. The monetary policy committee is more afraid of activity worsening than it is of CPI inflation rising above the central bank's target.

The PMI manufacturing index is unlikely to rebound further given still modest readings in the eurozone. Still, the accuracy of this indicator was weak last year. Therefore, we don't expect any meaningful information about the industry from this release.

Czech: Not enough good news to tighten yet

We expect the Czech National Bank to remain on hold next week as foreign data has not improved sufficiently to persuade some more prudent board members to back a rate hike, which has been discussed during previous meetings. However, if global economic activity improves and inflation remains above expectations, one prudent hike remains on cards in the first half, most likely in May. The CNB staff forecast should continue to reflect the need to hike rates. Retail sales are likely to be positive mainly due to car sales, where strong YoY growth is expected due to a low base from December 2018, following the introduction of new emission standards. Industrial production is traditionally uncertain in December due to the possible impact of holiday shut-downs, but soft growth is expected after a surprising fall in November due to calendar effects (one working day more in YoY terms).

Hungary: The last piece of the puzzle

The last important pieces of the puzzle for fourth quarter GDP will be revealed next week. We expect retail sales to remain strong in December and industry to rebound, after posting two negative month-on-month production readings. Business confidence has been decreasing and we think the PMI reading will reflect that trend after showing improvement in the past three months. Overall, the readings will support our call for sound but softening GDP growth in the last quarter of 2019.

Turkey: Gradual deceleration in CPI

We expect annual inflation to drop slightly in January to 11.6% (0.8% month-on-month) from 11.8% a month ago thanks to benign unprocessed food inflation with a supportive base and VAT cut on furniture (from 18% to 8%), while annual energy group inflation will likely increase due to base effects.

EMEA and Latam Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 3 February				
Russia	0600 Jan Markit Manufacturing PMI	-	-	47.5
Turkey	0700 Jan Markit/ISO Manufacturing PMI	-	-	49.5
	0700 Jan CPI (MoM/YoY%)	0.8/11.6	-/-	0.7/11.8
	0700 Jan Domestic PPI (MoM/YoY%)	-/-	-/-	0.7/7.4
Poland	0800 Jan Markit Manufacturing PMI	47.8	-	48.0
Czech Rep	0830 Jan Markit Manufacturing PMI	43.8	-	43.6
	1300 Jan Budget Balance (CZKbn)	-	-	-28.5
Hungary	0800 Jan Manufacturing PMI	52.8	-	53.9
	0800 Dec PPI (MoM/YoY%)	0.0/2.5	-/-	0.4/2.1
Romania	- Jan FX Reserves (€bn, Net)	-	-	37450.4
Kazakhstan	0900 Key Policy Rate (%)	-	-	9.25
	- Jan CPI (MoM/YoY%)	-/-	-/-	0.7/5.4
	- Jan PPI (MoM/YoY%)	-/-	-/-	0.5/1.4
South Africa	0900 Jan Kagiso PMI	-	-	47.1
	- Jan NAAMSA Vehicle Sales (YoY%)	-	-	4.2
Tuesday 4 February				
Poland	- Monetary Policy Council Rate Meeting			
Romania	0700 Dec PPI (MoM/YoY%)	-/-	-/-	0.3/3.4
Brazil	1200 Dec Industrial Production (YoY%)	1.5	-	-1.7
Wednesday 5 February				
Poland	- Base Rate (%)	1.5	1.5	1.50
Czech Rep	0800 Dec Retail Sales (YoY%)	8	-	2.7
	0800 Dec Retail Sales Excl. Motor Vehicles (YoY%)	5.6	-	2.9
Hungary	0800 Dec Retail Sales (YoY%)	7.4	-	7.3
Romania	0700 Dec Retail Sales (MoM/YoY%)	0.3/7.7	-/-	0.8/6.3
Kazakhstan	- Jan International Reserves (US\$bn)	-	-	29
	- 4Q E C/A (US\$m)	-	-	-2834.64
South Africa	0715 Jan HSBC PMI SA	-	-	47.6
Brazil	- Selic Rate	4.5	-	4.50
Thursday 6 February				
Russia	1300 Jan CPI (MoM%/YoY%)	-/2.4	-/-	0.4/3.1
Czech Rep	0800 Dec Construction Output (YoY%)	-	-	4.5
	0800 Dec Trade Balance (CZKmn)	-5	-	10.157
	0800 Dec Industrial Output (YoY%)	1.6	-	-5.7
	1200 Repo Rate	2	-	2.00
	1315 Rate meeting news conference			
Hungary	0800 Dec Industrial Production (MoM/YoY%)	1.1/3.33	-/-	-1.01/5.66
	- Jan Budget Balance (YTD)	175	-	-1219
South Africa	0930 Jan SACCI Business Confidence	-	-	93.1
	1100 Dec Electricity Production (YoY%)	-	-	-2.8
	1100 Dec Electricity Consumption (YoY%)	-	-	-3.1
Israel	- Jan Foreign Currency Balance (US\$bn)	-	-	126
Friday 7 February				
Russia	1030 Key Rate (%)	6.25	-	6.25
	1200 Bank of Russia Governor Nabiullina holds news conference			
Poland	1300 Jan Official Reserves Total	-	-	128405
Czech Rep	0900 Jan International Reserves (US\$bn)	-	-	149.7
Romania	- Repo rate (%)	2.5	-	2.50
Croatia	1000 Nov Trade Balance (HRK m)	-	-	-5925.9
South Africa	0600 Jan Gross Reserves (US\$bn)	-	-	55.1
	0600 Jan Net Open Foreign Currency Position (US\$bn)	-	-	44.9
Brazil	1200 Jan Inflation (IPCA) (MoM/YoY%)	0.32/4.3	-/-	1.2/4.3
Mexico	1200 Jan CPI (MoM/YoY%)	0.26/3.0	-/-	0.56/2.83

Source: ING, Bloomberg

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Asia week ahead: The gloom continues

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Source: Shutterstock

➔ China's catch-up to viral selloff

After an extended new year break, the Chinese markets reopen next week and will undoubtedly play catch-up to global markets, which have sold off on concern about the economic impact of the coronavirus. Local authorities are likely to act fast to minimise the damage, with the People's Bank of China potentially offering further liquidity-boosting measures.

The Asian calendar is packed with activity data from China and the rest of Asia, though that will likely be secondary to news about the coronavirus. We're not likely to see the full economic impact of the virus in the January data, but holiday-related slack and the timing of the holiday (Lunar New Year was in February last year but in January this year) will distort the picture. Trade figures for

January from China and Korea as well as manufacturing PMIs elsewhere will be in focus following the phase one trade deal between China and the US.

➔ More central bank easing

With China gearing up for more stimulus to soften the impact of the virus, other Asian countries are likely to follow suit. Central banks in Australia, India, the Philippines, and Thailand - all hold policy meetings next week and we're expecting more than just words.

The first to announce its policy decision is the Reserve Bank of Australia (4 February). Besides devastating bushfires, the imminent threat to growth from the virus has put the consensus view solidly behind a 25 basis point rate cut. Australia is highly dependent on Chinese demand.

Thailand is one of the front-line economies to face the brunt of the virus through a significant dent to the tourism industry. The ongoing fiscal stalemate due to the delayed passage of the 2020 Budget leads us to expect more Bank of Thailand easing this year. We don't rule out a 25 basis point rate cut at this forthcoming meeting (5 February).

Just as in Thailand, tourism will be an added drag on the Philippines economy, not just from the virus but also from a volcanic eruption earlier this month. Our house forecast includes two 25 basis point rate cuts by the Bangko Sentral ng Pilipinas in the first and second quarters. We expect it to cut next week (6 February).

[Australia - trial by fire](#)

[Thailand: Conditions are ripe for more easing](#)

[Philippines: GDP growth at 6.4%, sluggish momentum points to BSP easing](#)

➔ A big policy week in India

India's Federal Budget for FY2020 to be announced this Saturday (1 February) will set the tone for markets there in a week that will also see the Reserve Bank of India setting monetary policy (6 February).

A big overshoot of the fiscal deficit in FY2019 (ends in March 2020), far above the 3.3% initial projection to something closer to 4%, suggests there isn't any scope for continued fiscal expansion ahead. That said, we don't see the government backing away from its growth-friendly fiscal policy stance just yet, with media reports also pointing to off-budget borrowings, through state-owned entities, to fund extra spending. Whether this helps to revive growth remains to be seen but we are sceptical.

As for central bank policy, we believe the latest inflation spike above the 2-6% policy target to 7.4% in December has closed the door to RBI easing. After total rate cuts amounting to 135 basis points last year, the RBI paused in December. And just recently, Governor Shaktikanta Das also warned against high inflation risk ahead. We expect the RBI to remain on hold next week (6 February) and in the rest of 2020.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 1 February					
South Korea	0000	Jan Imports (YoY%)	-	-6.6	-0.7
	0000	Jan Exports (YoY%)	-	-8.7	-5.2
	0000	Jan Trade balance (US\$mn)	-	803	2017
Monday 3 February					
China	0130	Dec Industrial profits (YTD, YoY%)	5.3	-	5.4
	0145	Jan Caixin Manufacturing PMI	51.0	51.0	51.5
India	0500	Jan Nikkei Manufacturing PMI	52.0	-	52.7
Hong Kong	0830	4Q A GDP (YoY%)	-7.0	-	-2.9
Indonesia	0400	Jan CPI core (YoY%)	-	-	3.02
	0400	Jan CPI (YoY%)	2.9	-	2.7
Singapore	1300	Jan Purchasing Managers Index	50.0	-	50.1
Malaysia	0030	Jan Nikkei Manufacturing PMI	49.5	-	50.0
Taiwan	0030	Jan Nikkei Manufacturing PMI	50.9	-	50.8
Thailand	0030	Jan Nikkei Manufacturing PMI	49.3	-	50.1
South Korea	0030	Jan Nikkei Manufacturing PMI	-	-	50.1
	2300	Jan CPI (MoM/YoY%)	-/-	-/-	0.2/0.7
Tuesday 4 February					
Hong Kong	0830	Dec Retail sales value (YoY%)	-	-	-23.6
	0830	Dec Retail sales volume (YoY%)	-	-	-25.4
Malaysia	0400	Dec Exports (YoY%)	-3.0	-	-5.6
	0400	Dec Imports (YoY%)	0.0	-	-3.6
	0400	Dec Trade balance (RM bn)	8.4	-	6.5
MALAYSIA	0400	Dec Trade balance (RM bn)	-	-	6.5
Wednesday 5 February					
India	0500	Jan Nikkei Services PMI	-	-	53.3
Hong Kong	0030	Jan Nikkei PMI	-	-	42.1
Philippines	0100	Jan CPI (YoY%)	2.9	-	2.5
Taiwan	0800	Jan Forex reserves (US\$bn)	480.0	-	478.1
Thailand	0705	Benchmark Interest Rate	1.00	-	1.25
Thursday 6 February					
India	0615	RBI policy decision (repo rate, %)	5.15	-	5.15
Indonesia	-	4Q GDP (YoY%)	5.1	-	5.0
Philippines	0800	Overnight Borrowing Rate	3.75	-	4.00
Taiwan	0800	Jan WPI (YoY%)	-3.4	-	-3.4
	0800	Jan CPI (YoY%)	1.2	-	1.1
Thailand	0330	Jan Core-CPI (YoY%)	0.5	-	0.5
	0330	Jan CPI (YoY%)	0.9	-	0.9
Friday 7 February					
China	-	Jan Exports (YoY%)	8.4	-	7.9
	-	Jan Imports (YoY%)	6.4	-	16.5
	-	Jan Trade Balance (US\$bn)	45.2	-	47.21
Hong Kong	-	Jan Forex Reserves (US\$bn)	-	-	441.3
Malaysia	0400	Dec Industrial production (YoY%)	1.5	-	2.0
	0700	Jan 31 Forex reserves- Month end (US\$bn)	-	-	103.7
Philippines	-	Jan Forex reserves (US\$bn)	-	-	87839.54
Taiwan	0800	Jan Exports (YoY%)	7.8	-	4.0
	0800	Jan Imports (YoY%)	3.6	-	13.9
	0800	Jan Trade balance (US\$bn)	2.0	-	2.5

Source: ING, Bloomberg, *GMT

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