

Our view on next week's key events

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US jobs data, global PMI surveys and an ECB meeting top the agenda next week

By James Smith, Bert Colijn and Carsten Brzeski



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✓ Solid US data unlikely to cure market pessimism on outlook

We think markets are getting a bit ahead of themselves when pricing in a recession in the US over the next couple of years. The dataflow has remained solid so far, and that should be the general trend over the coming week. That said, we don't think Friday's key jobs report will cause a massive rethink among investors. Jobs growth could slip back after a bumper reading in April, although if it does, we think it will be more a function of constrained supply, rather than weaker demand. The National Federation for Independent Businesses has consistently reported that almost 40% of firms have positions they are not able to fill due to a lack of workers. Importantly for the Fed, this does appear to be translating into higher wages. Admittedly, the headline earnings numbers have been less exciting of late, but there is survey-based evidence that firms are looking towards non-wage benefits (sign-on bonuses, more vacation etc) to keep staff on-board.

In short, we don't expect the Fed to follow through with the rate cuts that markets are now pricing in, although a lot depends on trade. Trade tensions are growing, and markets will be watching next week to see if a) Trump is inching closer to placing tariffs on the remaining basket of Chinese goods and b) if China is gearing up for further, non-tariff retaliation.

✓ Eurozone: Time for inflation to show its true colours

After a few months of Easter distortions, the true picture of eurozone inflation will come into view next week. On the back of a higher April reading, a drop in both core and headline inflation is expected, but the question is how far down will both actually go? As uncertainty continues, businesses tend to take increased costs into their margins, delaying the recovery of core inflation that the higher wage growth would warrant. Focusing on Germany, we have the next batch of industrial data due next week. This should provide some interesting insights into whether the bottoming out of industry continued or was simply a one-off.

Moreover, the European Central Bank will very likely present details of its Targeted Longer-Term Refinancing Operations (TLTRO) pricing. But more importantly, keep a close eye on the latest macro projections, as these should provide some idea of whether the ECB would eventually be willing to cut rates again or not.

✓ UK PMIs to hint at ongoing economic weakness

UK Prime Minister Theresa May will officially stand down next week, kick-starting a leadership contest that is widely expected to result in a more eurosceptic candidate taking over. As 'no deal' fears return over the summer, the economy will continue to suffer. PMIs next week are likely to hint at subdued activity, partly as firms continue to make costly preparations for a 'no deal' exit instead of investing in new projects. While consumer activity has the potential to continue performing a little more strongly as we head into the summer, we think the effect of Brexit uncertainty will keep a lid on overall growth and we don't currently expect a Bank of England rate hike this year.

✓ Canada: Economic slack could weigh on strong labour market fundamentals

May should provide us with additional reassurance that the labour market continues to show resilience amid global trade chaos, though we wouldn't be surprised if fundamentals started dropping off their recent highs in the coming months. The recent soft patch of growth has arguably knocked the economy off its 'running with limited spare capacity' trajectory, which was a common theme throughout 2018. The emergence of this economic slack, coupled with the recent US-China trade flare up, could easily see firms postpone any hiring decisions until better data starts to materialise and uncertainty wanes.

During all of this, immigration should continue to put upward pressure on the labour force participation rate. In the short-term, in light of the above reasoning, we may see the unemployment rate edge higher – though this should only be temporary; as we head into late-2019/early-2020, we expect economic growth should start to regain some momentum and we should start to hear some more positive trade rhetoric. In the meantime, we will be scrutinising employment growth in goods-producing industries to see if we can spot an early sign of recovery in sectors that have been struggling more recently – particularly energy and construction.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 1 June					
Italy	-	Economy Festival: Dep. Finance Ministers (1330), BOI Gov. (02/06/19, 1100)			
Monday 3 June					
US	1500	May ISM Manufacturing	53.0	53.3	52.8
	-	Fed Speakers: Daly (0245), Barkin (1740), Bullard (1825)			
Eurozone	0900	May F Markit Manufacturing PMI	47.7	-	47.7
UK	0930	May Markit/CIPS Manufacturing PMI	52.8	-	53.1
New Zealand	0300	Treasury Publishes Monthly Economic Indicators			
Norway	0800	May DNB/NIMA Manufacturing PMI	-	-	53.8
Sweden	0830	Apr Retail sales ex. Fuel (MoM, YoY%)	0.4/1.3	0.6/1.5	0.5/2.0
Portugal	1100	Monthly Employment & Unemployment Estimates			
Tuesday 4 June					
US	1500	Apr F Durable Goods Orders (MoM%)	-2.1	-	-2.1
	1500	Apr F Durable Goods Orders ex. Transport (MoM%)	0.0	-	0.0
	-	Fed Conferences: Williams (1330) - Bank Culture, Powell (1445) - Framework			
Japan	0050	May Monetary Base (JPY tr)	512.5	-	514.6
Eurozone	1000	Apr Unemployment Rate (%)	7.7	-	7.7
	1000	May A Core CPI (YoY%)	1.0	-	1.3
	1000	May Flash CPI (YoY%)	1.4	-	1.7
Australia	0230	Apr Retail Sales (MoM%)	0.3	-	0.3
	0530	RBA Cash Rate Target	1.25	1.25	1.5
	1030	RBA Gov. Lowe Speaks in Sydney			
Sweden	0830	1Q Current Account Balance (SEKbn)	-	-	39.6
Wednesday 5 June					
US	1315	May ADP Employment Change ('000's)	200.0	175.0	275.0
	1500	May ISM Non-manufacturing	55.5	56.0	55.5
	1900	U.S. Federal Reserve Releases Beige Book			
	1445	Fed Conferences: Clarida - Framework			
	1600	Fed Speakers: Bostic - Housing Panel, Atlanta			
Eurozone	0900	May F Markit Services PMI	52.5	-	52.5
	0900	May F Markit Composite PMI	51.6	-	51.6
	1000	Apr Retail Sales (MoM/YoY%)	-/-	-/-	0.0/1.9
UK	0930	May Markit/CIPS Services PMI	50.7	-	50.4
	0930	May Markit/CIPS Composite PMI	51.1	-	50.9
	0900	BOE Ramsden Speaks in London			
Italy	0900	Istat Releases the Monthly Economic Note			
Australia	0230	1Q GDP (QoQ/YoY%)	0.5/1.8	-/-	0.2/2.3
	0230	RBA Heath Speaks in Perth			
New Zealand	2300	Govt. 10-Month Financial Statements			
Norway	0700	1Q Current Account Balance (NOKbn)	-	-	46795.0
	1045	Norges Bank Gov. Olsen Speaks in Stavanger			
Sweden	0730	May Swedbank/Silf Services PMI	-	-	54.0
Thursday 6 June					
US	1330	Apr Trade Balance (US\$bn)	-50.5	-50.8	-50.0
Japan	0925	BOJ Kuroda Speaks at 2019 IIF Spring Membership Meet (Tokyo)			
Eurozone	1000	1Q F GDP (QoQ/YoY%)	0.4/1.2	-/-	0.4/1.2
	1245	ECB Main Refinancing Rate	0.0	-	0.0
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.4	-	-0.4
	1330	ECB's Draghi Speaks in Vilnius			
Germany	0700	Apr New Orders (MoM/YoY%)	0.3/-5.0	-/-	0.6/-6.0
UK	1000	BOE Gov. Carney Speaks at 2019 IIF Spring Membership Meet (Tokyo)			
Australia	0230	Apr Trade Balance (A\$mn)	5269.0	-	4949.0
Friday 7 June					
US	1330	May Change in Nonfarm Payrolls ('000s)	175.0	193.0	263.0
	1330	May Unemployment Rate (%)	3.7	3.6	3.6
	1330	May Average Hourly Earnings (MoM/YoY%)	0.3/3.2	0.3/3.2	0.2/3.2
	1330	May Participation Rate	-	-	62.8
Japan	0030	Apr Labour Cash Earnings (YoY%)	-1.7	-	-1.9
	0600	Apr P Leading Economic Index	-	-	95.9
UK	-	Prime Minister Theresa May due to resign, kicking off leadership contest			
Germany	0700	Apr Industrial Production (MoM/YoY%)	0.2/0.2	-/-	0.5/-0.9
	0700	Apr Trade Balance (€bn)	22.0	-	22.6
Italy	-	BOI Report on Balance-Sheet Aggregates			
Canada	1330	May Net Change in Employment	-	-	106.5
	1330	May Unemployment Rate (%)	5.8	-	5.7
Norway	0700	Apr Industrial Production (MoM/YoY%)	-/-	-/-	-1.4/-6.5
	0700	Apr GDP Mainland (MoM%)	-	-	0.3
Sweden	1115	Riksbank's Ingves Speaks in Paris			

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

Activity data from Hungary next week should confirm the positive momentum. Elsewhere, a central bank meeting in Poland is likely to be a non-event but...



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✓ Hungary: Activity data to confirm the good momentum

Next week's focus will be on the CPI data. We expect headline inflation to increase slightly, while both core inflation and tax-adjusted core inflation are likely to jump further due to energy price base effects. Despite the (expected) 4.0% CPI figure, we're not expecting any reaction from the National Bank of Hungary.

Elsewhere, April activity data should show that the positive momentum continues, with both retail and industry expected to accelerate somewhat. The May year-to-date budget deficit might surprise on the upside again, proving that there are sufficient resources behind the new fiscal measures.

✓ Poland: MPC to focus on the longer-term inflation outlook

CPI should remain stable in May at 2.2% YoY as the rise in food prices is likely to be offset by lower gasoline costs and core inflation - where we forecast a drop from 1.7% to 1.6% YoY. Last month's increase relied on a seasonal distortion in the price of plane tickets, which added +0.25 percentage points to the headline figure, but this move should (at least) partially retract in May. However, upward pressure is expected from communication prices, as the biggest mobile operator increased

basic fees.

The MPC meeting should be a non-event. We expect discussion to be focused on the 2020 CPI outlook. The Ministry of Energy recently announced that the freezing of electrical energy prices for enterprises will be abandoned in the second half of the year (effectively from July 2019). There is also no information about energy tariffs for households in 2020 - current comments suggest only that, in 2019, the lower prices will be sustained at the present lower level. The former decision should result in the arrival of some cost pressures next year.

However, we do not expect a material change in the MPC communication. Our CPI forecast for 2020 (2.8% YoY) remains close to the National Bank of Poland's March projections (2.7%). Furthermore, central banks assumptions regarding energy prices are rather conservative.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 3 June					
Russia	0700	May Markit Manufacturing PMI	-	-	51.8
Turkey	0800	May Markit/ISO Manufacturing PMI	-	-	46.8
	0800	May CPI (MoM/YoY%)	-/-	-/-	1.7/19.5
	0800	May Core CPI (YoY%)	-	-	16.3
	0800	May Domestic PPI (MoM/YoY%)	-/-	-/-	3.0/30.1
Poland	0800	May Markit Manufacturing PMI	49.0	-	49.0
Czech Rep	0830	May Markit Manufacturing PMI	-	-	46.6
	1300	May Budget Balance (CZKbn)	-	-	-29.7
Hungary	0800	May Manufacturing PMI	55.5	-	54.9
	0800	Apr PPI (MoM/YoY%)	0.4/3.4	-/-	0.0/2.7
Romania	-	May FX Reserves (€bn, Net)	-	-	37510.7
Kazakhstan	1200	Key Policy Rate (%)	-	-	9.0
	-	May CPI (MoM/YoY%)	-/-	-/-	0.5/4.9
	-	May PPI (MoM/YoY%)	-/-	-/-	1.1/12.5
South Africa	1000	May Kagiso PMI	-	-	47.2
Israel	-	BOI Publishes Minutes of Rate Meeting			
Tuesday 4 June					
Poland	0900	May P CPI (MoM/YoY%)	0.2/2.2	-/-	1.1/2.2
	-	Monetary Policy Council Rate Meeting			
Romania	0700	Apr PPI (MoM/YoY%)	-/-	-/-	0.8/5.3
	0700	Apr Unemployment Rate, SA	-	-	3.8
South Africa	1030	1Q GDP (QoQ-SAAR/YoY%)	-/-	-/-	1.4/1.1
Brazil	1300	Apr Industrial Production (YoY%)	1.8	-	-6.1
Wednesday 5 June					
Poland	-	Base Rate (%)	1.5	-	1.5
Czech Rep	0800	Apr Retail Sales (YoY%)	-	-	2.7
	0800	Apr Retail Sales ex. Motor Vehicles (YoY%)	-	-	4.3
Hungary	0800	Apr Retail Sales (YoY%)	6.2	-	5.9
Romania	0700	Apr Retail Sales (MoM/YoY%)	-/-	-/-	0.6/9.2
South Africa	1030	May SACCI Business Confidence	-	-	93.7
Thursday 6 June					
Russia	-	May CPI Core (YoY%)	-	-	4.6
	-	May CPI (MoM/YoY%)	0.4/5.2	0.3/5.1	0.3/5.2
Czech Rep	0800	Apr Construction Output (YoY%)	-	-	11.6
	0800	Apr Trade Balance (CZKmn)	-	-	21.8
	0800	Apr Industrial Output (YoY%)	-	-	0.1
Hungary	0800	Apr Industrial Production (MoM/YoY%)	0.6/8.4	-/-	-8.0
Ukraine	1200	Key Rate (%)	-	-	17.5
Romania	0700	1Q P GDP (SA, QoQ, SA/YoY%)	1.3/5.0	-/-	1.3/5.0
Bulgaria	0900	1Q F GDP (QoQ/YoY%)	1.1/3.4	-/-	1.1/3.4
Serbia	1100	Repo Rate (%)	3.0	-	3.0
Israel	-	May Foreign Currency Balance (US\$bn)	-	-	118.7
Friday 7 June					
Poland	1300	May Official Reserves Total	-	-	117016.7
Czech Rep	0900	May International Reserves (US\$bn)	-	-	142.9
Hungary	0800	May CPI (MoM/YoY%)	0.7/4.0	-/-	0.9/3.9
	1000	May Budget Balance (YTD)	-240.0	-	-39.0
	1100	Hungarian Finance Minister Varga Speaks to Amcham			
Romania	0700	Apr Net Wages (YoY%)	-	-	13.7
Bulgaria	0900	Apr Industrial Production (MoM/YoY%)	-/-	-/-	-0.9/2.8
	0900	Apr Retail Sales (MoM%)	-	-	0.3
Serbia	1100	May HPPI (MoM/YoY%)	-/-	-/-	0.5/1.8
Croatia	1000	Mar Trade Balance (HRK m)	-	-	-5665.0
	1000	May PPI (MoM/YoY%)	-/-	-/-	0.8/2.5
South Africa	0700	May Gross Reserves (US\$bn)	-	-	49.5
	0700	May Net Open Foreign Currency Position (US\$bn)	-	-	43.3
Brazil	1300	May Inflation (IPCA) (MoM/YoY%)	0.2/4.7	-/-	0.6/4.9
Mexico	1400	May CPI (MoM/YoY%)	-0.4/4.2	-/-	0.1/4.4

Source: ING, Bloomberg

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Asia week ahead: Central bank meetings in Australia and India

The trade war remains the key theme for markets in a week that will see China's retaliatory tariffs on \$60 billion of US goods come into effect....



Source: Shutterstock

➔ PMIs will indicate slowdown in activity

It's a heavy economic calendar packed with the usual start-of-the month releases of purchasing manager index, trade, and inflation, as well as two central bank policy meetings.

The escalation of the US-China trade war – the US raised tariffs on \$200bn of Chinese goods from 10% to 25% effective 10 May, and China matched the hike on \$60bn of US goods from 1 June – is likely to have weighed on activity growth. The impact might be more striking in the sentiment-driven PMI data as advance estimates of manufacturing PMI for G3 economies (US, EU, and Japan)

have shown a sharp slowdown in activity – in fact, contraction in EU and Japan. Judging from the consensus forecasts, China's manufacturing is likely to have taken that path too.

Korea's trade figures for May, the first trade data release of the month from the region is expected to show a steep export decline. Inflation hasn't been an issue across pretty much the entire region but the Philippines will be under scrutiny for CPI data that's likely to show lower food prices denting inflation below the central bank's target of 3% and thus pave the way for further policy easing.

And, then the spotlight shifts to Reserve Bank of Australia and India.

➔ Australia's central bank rate cut in the bag

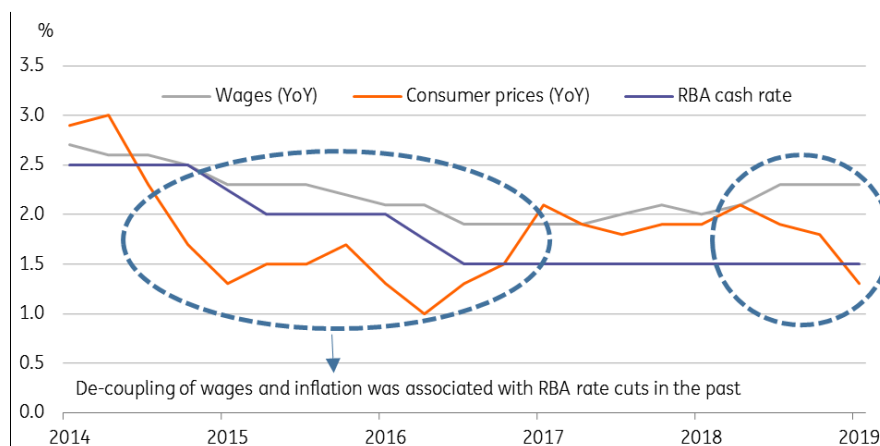
There is almost a unanimous consensus forecast of the Reserve Bank of Australia cutting the cash rate by 25 basis points to 1.25% at its meeting on 4 June.

The minutes of the May meeting revealed policymakers' increasing concerns about growth, stemming from ongoing weakness in household consumption, the housing market, and the slump in the mining sector. Even as employment and wage growth continued to be strong this failed to stimulate consumption, leaving inflation well under the RBA's 2-3% policy target (1.3% year-on-year in 1Q19). The RBA has cut the outlook for both growth and inflation. Testifying to this will be the GDP report for 1Q19 coming a day after the central bank meets.

*A lower cash rate would support employment growth and bring forward the time when inflation is consistent with the target.
Given this assessment, at our next meeting, we will consider the case for lower interest rates. - RBA Governor Philip Lowe*

Earlier this month, Governor Lowe signalled that rate cuts would be discussed at the June meeting. We believe one cut will not be sufficient. Rob Carnell, our in-house RBA-watcher, is looking for one more cut in the third quarter.

Australia: De-coupling of wages and inflation



Source: Bloomberg, ING

➔ India: RBI ending its easing cycle

The Reserve Bank of India also meets next week on 5 June with consensus almost evenly split between a 25 basis point policy rate cut and staying on hold. We've been calling for stable policy after back-to-back rate cuts in February and April meetings.

The third consecutive cut looks a bit like too much accommodation for the economy facing the risk of rising inflation. GDP growth looks to have slipped further to 6.0% in the final quarter of FY18-19 (data due on 31 May) and probably stayed around there in the current quarter. But we see no more downside from here as two RBI rate cuts together with a surge in election-related government spending and favourable base effects should help the recovery in the period ahead.

Inflation risks stem from the excessive loosening of fiscal policy in the run-up to elections, the pent-up passage of higher global oil prices to domestic fuel prices, weak currency, and supply shocks to food prices. While we don't see these risks materialising just yet, not for another quarter or two, excessive policy loosening could backfire with an inflation spike amid already elevated inflation expectations.

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Saturday 1 June					
South Korea	0100	May Exports (YoY%)	-8.0	-6.6	-2.0
	0100	May Imports (YoY%)	-7.7	0.5	2.4
	0100	May Trade Balance (US\$mn)	3884.0	2450.0	4003.0
Monday 3 June					
China	0245	May Caixin Manufacturing PMI	50.2	50.0	50.2
India	0600	May Nikkei Manufacturing PMI	51.3	-	51.8
Malaysia	0030	May Nikkei Manufacturing PMI	48.2	0.8	49.4
	0500	Apr Exports (YoY%)	-9.0	0.8	-0.5
	0500	Apr Imports (YoY%)	-10.0	1.4	-0.1
	0500	Apr Trade Balance (RM bn)	12.5	12.7	14.4
Singapore	1400	May Purchasing Managers Index	50.5	-	50.3
Taiwan	0130	May Nikkei Manufacturing PMI	48.0	-	48.2
Thailand	0130	May Nikkei Manufacturing PMI	49.9	-	51.0
South Korea	0130	May Nikkei Manufacturing PMI	48.6	-	50.2
Tuesday 4 June					
Thailand	0430	May CPI (YoY%)	1.0	1.0	1.2
	0430	May Core CPI (YoY%)	0.6	0.5	0.6
South Korea	0000	1Q F GDP (QoQ/YoY%)	-0.3/1.8	-0.3/1.8	-0.3/1.8
	0000	May CPI (YoY%)	0.6	0.7	0.6
	0000	May Core CPI (YoY%)	0.8	0.8	0.9
Wednesday 5 June					
India	0600	May Nikkei Services PMI	50.8	-	51.0
	-	1Q Current Account Balance (Q) (US\$bn)	-	-	-16.9
Hong Kong	0130	May Nikkei PMI	-	-	48.4
Philippines	0200	May CPI (YoY%)	2.8	2.8	3.0
Taiwan	0900	May CPI (YoY%)	0.6	-	0.7
	0900	May WPI (YoY%)	-2.0	-	0.6
	0900	May Forex Reserves (US\$bn)	465.0	-	464.8
South Korea	0000	Apr Current Account Balance (US\$bn)	3954.0	-	4819.0
Thursday 6 June					
India	0715	RBI Policy Decision (Repo Rate, %)	6.0	6.0	6.0
Hong Kong	-	May Forex Reserves (US\$bn)	-	-	436.4
Friday 7 June					
China	-	May Forex Reserves (US\$bn)	3089.0	-	3095.0
Philippines	-	May Forex reserves (US\$bn)	-	-	83878.8

Source: ING, Bloomberg, *GMT

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