

The Week Ahead: ECB meeting in focus

► Eurozone: ECB unlikely to announce QE tapering

The key event will be the ECB's meeting on 7 September, with no change in policy forecast. We believe that it is too early for the Governing Council (GC) to announce its asset purchasing plans for 2018 this week. We see the Fed's September meeting as being important for the ECB, to gauge whether the FOMC will offset its balance sheet normalisation process with a reduction in the amount of interest rate hikes expected in 2018 (dot plot). This is especially so given the recent strength of the EUR, which will place downward pressure on the inflation outlook. We envisage the ECB will lower its inflation forecast at the upcoming meeting, with GDP projections showing healthy economic momentum. To limit the upside pressure on the EUR, we expect the ECB to suggest a very gradual pace of tapering in 2018 this week. In October, the GC will likely announce an extension of the QE programme into 2018 with a slower pace of EUR40 billion per month for 1H2018; the current pace of monthly purchases is EUR60 billion. An October announcement will allow the German federal elections (due end-September) to pass.

► US: Quiet data week, politics and Fed speeches in focus

The data releases out of the US this week will include durable goods orders for July. US political developments will take centre stage in our view, with Congress returning after the summer break. There will be strong interest in moves towards tax reform, alongside attempts to raise the debt ceiling and avoid a government shutdown. Moreover, a number of FOMC members have speaking engagements this week, and we expect the overall message to be one of gradual monetary policy normalisation. This will be the last week that committee members will be able to speak ahead of the blackout period before the 19-20 September meeting, where the Fed is expected to announce the start of balance sheet reduction (October implementation).

► Global: US and India data recap

Key US data out last week was respectable overall, despite jobs growth coming in below expectations and the ongoing weak inflation (including wage) backdrop. The US economy added 156K jobs (consensus: 180K), whilst the unemployment rate inched up to 4.4% (July: 4.3%). We had highlighted downside risks to the expected jobs growth, with August traditionally showing a weak print. Core PCE increased by a lacklustre 0.1% m-o-m in July, albeit in line with expectations. The positive developments were regarding 2Q GDP growth, which was revised up to 3% q-o-q SAAR in the second print, from 2.6% initially. The main driver was stronger consumption growth, though fixed investment saw broad-based improvements. Economic data suggest strong momentum into 3Q, including for personal spending and fixed investment, though a number of upcoming data series will be vulnerable to distortions related to Hurricane Harvey. In India, real GDP growth unexpectedly slowed further to 5.7% y-o-y in Q2, after decelerating to 6.1% in 1Q2017. Uncertainty preceding the implementation of the Goods & Services Tax likely weighed on growth in Q2. The weakening growth dynamics supports our outlook for a further rate cut by the RBI at its December meeting.

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I. Economic Calendar

Fig. 1. The week ahead

Time*	Country	Event	Period	Prior	Consensus
MENA Data					
	UAE	CPI, y-o-y	Jul	2%	--
	UAE	CPI, m-o-m	Jul	0.6%	--
	Egypt	Gross Official Reserves	Aug	36B	--
	Qatar	CPI, y-o-y	Aug	0.2%	--
Tuesday, 5 Sep					
4:30	Japan	Nikkei Japan PMI Composite	Aug	51.8	--
5:45	China	Caixin China PMI Composite	Aug	51.9	--
9:00	India	Nikkei India PMI Services	Aug	45.9	--
12:00	Eurozone	Markit Eurozone Composite PMI	Aug F	55.8	55.8
12:30	UK	Markit/CIPS UK Composite PMI	Aug	54.1	54
15:30	US	Fed's Brainard Speaks on Economic Outlook and Monetary Policy			
18:00	US	Durable Goods Orders, m-o-m	Jul F	-6.8%	1%
18:00	US	Durables, ex-Transportation, m-o-m	Jul F	0.5%	--
18:00	US	Cap Goods Orders, Nondef ex-Air, m-o-m	Jul F	0.4%	--
18:00	US	Cap Goods Ship, Nondef ex-Air, m-o-m	Jul F	1%	--
20:30	US	Fed's Kashkari Speaks at University of Minnesota			
21:10	US	Fed's Kashkari Holds Townhall Event in Minneapolis			
Wednesday, 6 Sep					
3:00	US	Fed's Kaplan Speaks in Dallas			
8:15	UAE	Emirates NBD UAE PMI	Aug	56	--
8:15	Saudi Arabia	Emirates NBD Saudi Arabia PMI	Aug	55.7	--
8:15	Egypt	Emirates NBD Egypt PMI	Aug	48.6	--
16:30	US	Trade Balance	Jul	-\$43.6B	-\$44.6B
17:45	US	Markit US Composite PMI	Aug F	56	--
22:00	US	U.S. Federal Reserve Releases Beige Book			
Thursday, 7 Sep					
11:30	UK	Halifax House Price, 3Mths/Year	Aug	2.1%	2.1%
13:00	Eurozone	GDP SA, q-o-q	2Q F	0.6%	0.6%
13:00	Eurozone	GDP SA, y-o-y	2Q F	2.2%	2.2%
15:45	Eurozone	ECB Main Refinancing Rate	7-Sep	0%	0%
15:45	Eurozone	ECB Marginal Lending Facility	7-Sep	0.25%	0.25%
15:45	Eurozone	ECB Deposit Facility Rate	7-Sep	-0.4%	-0.4%
15:45	Eurozone	ECB Asset Purchase Target	Sep	EU60B	EU60B
16:30	US	Initial Jobless Claims	2-Sep	236K	242K
16:30	US	Nonfarm Productivity	2Q F	0.9%	1.2%
20:15	US	Fed's Mester Speaks on Economic Outlook and Monetary Policy			
	China	Foreign Reserves	Aug	\$3080.7B	--
Friday, 8 Sep					
3:00	US	Fed's Dudley Speaks on U.S. Economic Outlook, Monetary Policy			
3:50	Japan	BoP Current Account Balance	Jul	¥934.6B	¥2044.6B
3:50	Japan	GDP SA, q-o-q	2Q F	1%	0.7%
3:50	Japan	GDP Annualized SA, q-o-q	2Q F	4%	2.9%
4:15	US	Fed's George Speaks on the Economic Outlook			
12:30	UK	Industrial Production, m-o-m	Jul	0.5%	0.2%
12:30	UK	Industrial Production, y-o-y	Jul	0.3%	0.3%
12:30	UK	Manufacturing Production, m-o-m	Jul	0.0%	0.3%
12:30	UK	Manufacturing Production, y-o-y	Jul	0.6%	1.7%

* UAE time

Source: Bloomberg

Fig. 2. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
GCC Data						
	UAE	Dubai Airport Cargo Volume, y-o-y	Jul	-4.6%	--	5%
Monday, 28 Aug						
12:00	Eurozone	M3 Money Supply, y-o-y	Jul	5%	4.9%	4.5%
18:30	US	Dallas Fed Manf. Activity	Aug	16.8	17	17
Tuesday, 29 Aug						
10:00	UK	Nationwide House PX, m-o-m	Aug	0.2%	0%	-0.1%
10:00	UK	Nationwide House Px NSA, y-o-y	Aug	2.9%	2.5%	2.1%
18:00	US	Conf. Board Consumer Confidence	Aug	120	120.7	122.9
18:00	US	Conf. Board Present Situation	Aug	145.4	151.2	147.8
18:00	US	Conf. Board Expectations	Aug	103	104	103.3
Wednesday, 30 Aug						
3:50	Japan	Retail Sales, m-o-m	Jul	0.2%	0.3%	1.1%
3:50	Japan	Retail Trade, y-o-y	Jul	2.2%	1%	2%
12:30	UK	Mortgage Approvals	Jul	65.3K	65.5K	68.7K
13:00	Eurozone	Consumer Confidence	Aug F	-1.5	-1.5	-1.5
15:00	US	MBA Mortgage Applications	25-Aug	-0.5%	--	-2.3%
16:15	US	ADP Employment Change	Aug	201K	185K	237K
16:30	US	GDP Annualized, q-o-q	2Q S	2.6%	2.7%	3%
16:30	US	Personal Consumption	2Q S	2.8%	3%	3%
16:30	US	GDP Price Index	2Q S	1%	1%	1%
Thursday, 31 Aug						
3:50	Japan	Industrial Production, m-o-m	Jul P	2.2%	-0.3%	-0.8%
3:50	Japan	Industrial Production, y-o-y	Jul P	5.5%	5.2%	4.7%
13:00	Eurozone	Unemployment Rate	Jul	9.1%	9.1%	9.1%
13:00	Eurozone	CPI Estimate, y-o-y	Aug	1.3%	1.4%	1.5%
13:00	Eurozone	CPI Core, y-o-y	Aug A	1.2%	1.2%	1.2%
16:00	India	GDP, y-o-y	2Q	6.1%	6.5%	5.7%
16:30	US	Initial Jobless Claims	26-Aug	235K	238K	236K
16:30	US	Personal Income	Jul	0%	0.3%	0.4%
16:30	US	Personal Spending	Jul	0.2%	0.4%	0.3%
16:30	US	Real Personal Spending	Jul	0.2%	0.3%	0.2%
16:30	US	PCE Deflator, m-o-m	Jul	0.0%	0.1%	0.1%
16:30	US	PCE Deflator, y-o-y	Jul	1.4%	1.4%	1.4%
16:30	US	PCE Core, m-o-m	Jul	0.1%	0.1%	0.1%
16:30	US	PCE Core, y-o-y	Jul	1.5%	1.4%	1.4%
17:45	US	Chicago Purchasing Manager	Aug	58.9	58.5	58.9
18:00	US	Pending Home Sales, m-o-m	Jul	1.3%	0.3%	-0.8%
18:00	US	Pending Home Sales NSA, y-o-y	Jul	0.4%	0.50%	-0.50%
Friday, 1 Sep						
4:30	Japan	Nikkei Japan PMI Mfg	Aug F	52.8	--	52.2
5:45	China	Caixin China PMI Mfg	Aug	51.1	51	51.6
9:00	India	Nikkei India PMI Mfg	Aug	47.9	--	51.2
12:00	Eurozone	Markit Eurozone Manufacturing PMI	Aug F	57.4	57.4	57.4
12:30	UK	Markit UK PMI Manufacturing SA	Aug	55.3	55	56.9
16:30	US	Change in Nonfarm Payrolls	Aug	189K	180K	156K
16:30	US	Change in Private Payrolls	Aug	202K	172K	165K
16:30	US	Change in Manufact. Payrolls	Aug	26K	8K	36K
16:30	US	Unemployment Rate	Aug	4.3%	4.3%	4.4%
16:30	US	Average Hourly Earnings, m-o-m	Aug	0.2%	0.2%	
16:30	US	Average Hourly Earnings, y-o-y	Aug	2.5%	2.6%	
16:30	US	Labor Force Participation Rate	Aug	62.9%	--	62.9%
18:00	US	ISM Manufacturing	Aug	56.3	56.5	58.8

* UAE time

Source: Bloomberg

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