

The Week Ahead: Central banks turn bearish with rising global growth concerns

► **Global: US CPI inflation for May and China activity data**

Markets will closely scrutinise US CPI inflation and retail sales data this week, following the recent deterioration in data, including the soft May NFP report. Consensus estimates that core CPI remained steady at 2.1% y-o-y in May. With the elevated trade tensions, softening US data and rising concerns over global growth, markets and economic forecasters are now expecting the Fed to cut the FFTR in 2H2019 to support economic momentum. The market sees a 95% probability of 25 bps rate cut by September, with some expecting the Fed to frontload the easing with a 50 bps cut either in July or September. The tone of the FOMC members' comments also turned more dovish last week, with Chair Jerome Powell highlighting that the Fed will "act as appropriate", with rate cuts if necessary. We now believe the Fed could cut the policy rate in 2H2019 if there is a further deterioration in the data, with trade developments between the US and China critical. We believe that the 18-19 June meeting will probably be too soon for any easing, although the Fed's communication will be critical to gauging how close the FOMC is to lowering rates. Separately, China's activity data for May will also be closely scrutinised to gauge the impact of the rising US trade tariffs and softening growth. Brent crude fell sharply last week closing at USD63.3 p/b, from c.USD70 p/b at the end of May, with the weakening in global growth sentiment.

► **Eurozone: ECB to remain on hold until June 2020**

The ECB extended its forward guidance for another six months and highlighted that interest rates will remain on hold at least until June 2020 at its meeting last week. ECB President Mario Draghi noted that the decision to change the forward guidance was unanimous, although he pointed out that the Governing Council members expressed a wide range of views, including further rate cuts, re-starting QE and a possible longer extension of the forward guidance. Draghi also reiterated that risks to the growth outlook are tilted to the downside and the ECB will use all available instruments if a further downturn occurs. Meanwhile, the ECB also released details of the new TLTRO-III (targeted longer-term refinancing operations) programme at its June meeting, but the conditions for lending in general look less generous than in the previous operation. The overall tone of the ECB meeting remained dovish.

► **India: RBI cuts repo rate, shifting to accommodative stance**

The RBI reduced its repo rate by 25 bps to 5.75% at its 6 June policy meeting, in line with our expectations. This is the third rate cut in a row since February 2019. The tone of the meeting also turned dovish, with the MPC changing its stance to "accommodative", from neutral, with a unanimous vote (6-0). The MPC also downgraded its FY2019-20 (April-March) GDP growth projection to 7%, from 7.2% in April, citing the weak domestic and external demand. However, inflation forecasts were left broadly unchanged. Given the soft growth-inflation dynamics and the RBI's shift to an accommodative stance, we expect another 25 bps cut to 5.5% at the August meeting. Elsewhere in Turkey, we see the CBRT remaining on hold at its 12 June policy meeting.

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Contents

I. Economic Calendar	2
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I. Economic Calendar

Fig. 1. The week ahead

Time*	Country	Event	Period	Prior	Consensus
Expected this week					
	UAE	UAE PMI	May	57.6	
	Saudi Arabia	Saudi Arabia PMI	May	56.8	
	Oman	CPI, y-o-y	May	0.4%	
	Egypt	Egypt PMI	May	50.8	
	China	Foreign Reserves	May	\$3095B	\$3090B
	China	New Yuan Loans CNY	May	1020B	1300B
	India	Exports, y-o-y	May	0.6%	
Monday, 10 June					
12:30	UK	Industrial Production, m-o-m	Apr	0.7%	-1.0%
12:30	UK	Trade Balance	Apr	-£5408M	-£4700M
18:00	US	JOLTS Job Openings	Apr	7488	7496
	Egypt	Urban CPI, y-o-y	May	13.0%	
	UK	UK Conservative Party Begins Contest to Choose New Leader			
	China	Exports, y-o-y	May	-2.7%	-3.8%
	China	Imports, y-o-y	May	4.0%	-3.3%
Tuesday, 11 June					
3:50	Japan	Money Stock M2, y-o-y	May	2.6%	2.6%
12:30	UK	Average Weekly Earnings, 3M/y-o-y	Apr	3.2%	3.0%
12:30	UK	ILO Unemployment Rate, 3M	Apr	3.8%	3.8%
12:30	UK	Employment Change, 3M/3M	Apr	99K	-1K
12:30	Eurozone	Sentix Investor Confidence	Jun	5.3	2.5
13:00	UK	BOE's Saunders, Broadbent Speak in Parliament			
16:30	US	PPI Final Demand, m-o-m	May	0.2%	0.1%
Wednesday, 12 June					
3:50	Japan	Core Machine Orders, m-o-m	Apr	3.8%	-0.8%
5:30	China	CPI, y-o-y	May	2.5%	2.7%
12:15	Eurozone	ECB President Draghi Speaks in Frankfurt			
15:00	Turkey	One-Week Repo Rate	12-Jun	24.0%	24.0%
16:00	India	CPI, y-o-y	May	2.9%	3.1%
16:00	India	Industrial Production, y-o-y	Apr	-0.1%	0.7%
16:30	US	CPI, m-o-m	May	0.3%	0.1%
16:30	US	CPI, ex-Food and Energy, m-o-m	May	0.1%	0.2%
16:30	US	CPI, y-o-y	May	2.0%	1.9%
16:30	US	CPI, ex-Food and Energy, y-o-y	May	2.1%	2.1%
22:00	US	Monthly Budget Statement	May	\$160.3B	-\$202.0B
Thursday, 13 June					
8:30	Japan	Tertiary Industry Index, m-o-m	Apr	-0.4%	0.4%
13:00	Eurozone	Industrial Production SA, m-o-m	Apr	-0.3%	-0.5%
16:30	US	Import Price Index, m-o-m	May	0.2%	-0.3%
	UK	Conservative Party leadership ballot to narrow down candidates			
Friday, 14 June					
6:00	China	Industrial Production, y-o-y	May	5.4%	5.4%
6:00	China	Retail Sales, y-o-y	May	7.2%	8.0%
11:00	Turkey	Current Account Balance	Apr	-0.59B	-1.45B
16:30	US	Retail Sales Advance, m-o-m	May	-0.2%	0.6%
16:30	US	Retail Sales, ex-Auto and Gas	May	-0.2%	0.4%
16:30	US	Retail Sales Control Group	May	0.0%	0.4%
16:55	UK	BOE Governor Mark Carney Speaks in London			
17:15	US	Industrial Production, m-o-m	May	-0.5%	0.2%
18:00	US	University of Michigan Sentiment	Jun P	100	98

* UAE time

Source: Bloomberg

Fig. 2. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
Expected this week						
	UAE	CPI, y-o-y	Apr	-2.5%		-2.1%
	Saudi Arabia	Non-Oil Exports, y-o-y	Mar	-3.3%		-2.9%
	Kuwait	M2 Money Supply, y-o-y	Apr	5.0%		2.6%
	Oman	CPI, y-o-y	Apr	0.4%		0.4%
Monday, 3 June						
3:50	Japan	Capital Spending, y-o-y	1Q	5.7%	2.6%	6.1%
5:45	China	Caixin China PMI Manufacturing	May	50.2	50.0	50.2
11:00	Turkey	CPI, y-o-y	May	19.5%	19.3%	18.7%
11:00	Turkey	CPI Core Index, y-o-y	May	16.3%	16.4%	15.9%
12:30	UK	Markit UK PMI Manufacturing SA	May	53.1	52.2	49.4
18:00	US	ISM Manufacturing	May	52.8	53	52.1
18:00	US	ISM Prices Paid	May	50	51	53.2
18:00	US	Construction Spending, m-o-m	Apr	0.1%	0.4%	0.0%
Tuesday, 4 June						
3:50	Japan	Monetary Base, y-o-y	May	3.1%		3.6%
13:00	Eurozone	Unemployment Rate	Apr	7.7%	7.7%	7.6%
13:00	Eurozone	CPI Core, y-o-y	May A	1.3%	0.9%	0.8%
13:00	Eurozone	CPI Estimate, y-o-y	May	1.7%	1.3%	1.2%
18:00	US	Factory Orders	Apr	1.3%	-1.0%	-0.8%
18:00	US	Durable Goods Orders	Apr F	-2.1%		-2.1%
18:00	US	Durables, ex-Transportation	Apr F	0.0%		0.0%
18:00	US	Cap Goods Shipments, Non-defence, ex-Air	Apr F	0.0%		0.0%
Wednesday, 5 June						
12:30	UK	Markit/CIPS UK Composite PMI	May	50.9	51.0	50.9
15:00	US	MBA Mortgage Applications	31-May	-3.3%		1.5%
16:15	US	ADP Employment Change	May	271K	185K	27K
17:45	US	Markit US Services PMI	May F	50.9	50.9	50.9
18:00	US	ISM Non-Manufacturing Index	May	55.5	55.4	56.9
Thursday, 6 June						
10:15	India	RBI Repo Rate	6-Jun	6.00%	5.75%	5.75%
10:15	India	RBI Cash Reserve Ratio	6-Jun	4.0%	4.0%	4.0%
13:00	Eurozone	GDP SA, Q-o-Q	1Q F	0.4%	0.4%	0.4%
13:00	Eurozone	GDP SA, y-o-y	1Q F	1.2%	1.2%	1.2%
15:45	Eurozone	ECB Main Refinancing Rate	6-Jun	0.0%	0.0%	0.0%
15:45	Eurozone	ECB Marginal Lending Facility	6-Jun	0.25%	0.25%	0.25%
15:45	Eurozone	ECB Deposit Facility Rate	6-Jun	-0.4%	-0.4%	-0.4%
16:30	US	Trade Balance	Apr	-\$51.9B	-\$50.7B	-\$50.8B
Friday, 7 June						
10:00	Germany	Industrial Production SA, m-o-m	Apr	0.5%	-0.5%	-1.9%
16:30	US	Change in Nonfarm Payrolls	May	224K	175K	75K
16:30	US	Unemployment Rate	May	3.6%	3.6%	3.6%
16:30	US	Average Hourly Earnings, m-o-m	May	0.2%	0.3%	0.2%
16:30	US	Average Hourly Earnings, y-o-y	May	3.2%	3.2%	3.1%

* UAE time

Source: Bloomberg

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