

Key events in developed markets and EMEA next week

The resilience of the US economy makes a July rate hike look certain, with the market sensing a strong chance that we get another before the year's end. In the UK, the size of the August rate hike seems to be dependent on wage inflation data



✓ US: July rate hikes looks certain

The resilience of the US economy has seen market interest rate expectations push higher with the yield on the 10Y Treasury bond breaking above 4%. A July rate hike looks certain with the market sensing a strong chance that we get another hike, as suggested by the Federal Reserve, before year-end. The upcoming data flow centres on inflation and here we expect to see some good news with lower energy costs, softening food prices, a topping out in housing rents and falling vehicle prices set to partially offset strength in the core services ex-housing component that the Fed is so fearful of.

A 0.3%MoM reading for headline and core inflation would see the annual rate of headline inflation slowing to 3.1% from 4% and core (ex-food and energy slowing to 5% from 5.3%). While this will do little to alter the likelihood of a July hike, it could at the margin provide a little relief and see longer-dated interest rate expectations tick a little lower.

Pipeline price pressures are set to offer more encouragement that inflation can continue slowing

with the PPI report set to show annual increases in producer prices slowing to just 0.4%YoY with the core PPI rate slowing to 2.5%. We will also be closely following the National Federation of Independent Businesses' pricing intentions survey. A further decline here in company appetite to hike prices would offer encouragement that we will also start to see more of an easing in service sector inflation.

✓ **UK: wage data hold the key to size of August rate hike**

With a month to go until the Bank of England's August meeting, next week's jobs data is one of only two datasets that is likely to have any bearing on its decision – the other being CPI on 19 July.

Policymakers will be watching regular pay growth (average earnings excluding bonuses), which has picked up again lately. The question is whether that's solely down to firms implementing the 10% increase in the National Living Wage, or a genuine increase in pay pressures. Assuming it's at least partly the former, then we think we could get a fractional fall in the annual rate of pay growth next week. Assuming we don't get any unpleasant surprises from the CPI data in a couple of weeks' time, that would probably allow the Bank of England to pivot back to a 25bp rate hike in August. We expect a further hike in September, but come November, we are hopeful there should be sufficient improvement in the inflation story to merit a pause.

We'll also get monthly GDP figures next week, but these will be heavily distorted by the extra bank holiday surrounding the King's Coronation in May, so are unlikely to be of much relevance for the BoE. And even without the distortions, it's clear the Bank is firmly focused on inflation rather than growth right now.

✓ **Canada: central bank policy meeting**

In Canada, the highlight will be the Bank of Canada (BoC) policy meeting. It hiked interest rates 25bp last month having left them untouched since the last hike in January. We don't see last month's move as a one-off. To restart the hiking process means that the BoC feels it has unfinished business, and with the jobs market looking tight and inflation running above target we expect the BoC to hike by a further 25bp.

✓ **Czech Republic: Inflation to fall below 10% for the first time since January last year**

We expect prices to have risen at a similar pace in June as in May by 0.2% MoM. This should translate into a drop from 11.1% to 9.6% YoY, returning to single-digit territory for the first time since last January. We expect stable food prices and modest growth in fuel prices after the massive drop in the previous month. We should also see small increases in housing (0.2%) and the rest of the consumer basket with no significant driver this time around.

✓ **Hungary: June monthly budget to accumulate a wider deficit**

Next week will be rather quiet in Hungary except for Monday. We are going to see the preliminary trade balance data in May. Though export activity has shown some volatility recently, the continued contraction of domestic demand and the demand destruction in energy will help in scaling back import activity. As a result, we see yet another widening of the trade surplus. After a strong May, we see the June monthly budget balance accumulating a wider deficit mainly on the weaker stream of indirect revenues.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 July					
US	2000	May Consumer Credit	21.5	20	23.01
Norway	0700	Jun CPI (MoM%/YoY%)	-/-	/	0.5/6.7
Netherlands	0530	May Manufacturing Output (MoM%)	-		-3
Greece	1000	May Industrial Output (YoY%)	-		4.2
Tuesday 11 July					
US	1100	Jun NFIB small business optimism	91	89.9	89.4
Germany	0700	Jun CPI Final (MoM%/YoY%)	0.3/6.4	/	0.3/6.4
UK	0700	May ILO Unemployment Rate	3.7		3.8
	0700	May Employment Change	165		250
	0700	May Average Earnings (ex bonuses, YoY%)	7.1		7.2
Italy	0900	May Industrial Output (MoM%/YoY%)	1.1/-4.1	/	-1.9/-7.2
Netherlands	0530	Jun CPI (MoM%/YoY%)	-		0.2/6.1
Wednesday 12 July					
US	1330	Jun Core CPI (MoM%/YoY%)	0.3/5.0	0.3/5.0	0.4/5.3
	1330	Jun CPI (MoM%/YoY%)	0.3/3.1	0.3/3.1	0.1/4
Spain	0800	Jun CPI (MoM%/YoY%)	-/-	/	0.6/1.9
Canada	1500	BoC Rate Decision	5.00	5.00	4.75
Netherlands	0530	May Trade Balance	-		5.814
Thursday 13 July					
France	0745	Jun CPI (MoM%/YoY%)	-		0.2/4.5
UK	0700	May GDP Estimate (MoM%)	-0.4		0.2
Euro Zone	1000	May Industrial Production (MoM%/YoY%)	0.3/-1.		1/0.2
US	1330	Initial Jobless Claims	245	-	248
	1330	Continuing Jobless Claims	1735	-	1720
Friday 14 July					
US	1500	Jul University of Michigan Sentiment Prelim	65	65	64.4
	1500	Jul University of Michigan Conditions Prelim	-		69
	1500	Jul University of Michigan Expectations Prelim	-		61.5
Italy	0900	May Global Trade Balance	-		0.318
Sweden	0700	Jun CPI (MoM%/YoY%)	-/-	/	0.3/9.7
	0700	Jun CPIF (MoM%/YoY%)	-/-	/	0.1/6.7
Euro Zone	1000	May Total Trade Balance SA	-5		-7.1

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 July					
Czech Rep	0800	May Retail Sales (YoY%)	-		-9.2
Ukraine	1430	Jun CPI (MoM%/YoY%)	-/-	/	0.5/15.3
Hungary	0830	May P Trade Balance (m EUR)	590		366
	1000	Jun Budget Balance	-200		-53.6
Kazakhstan	1300	Jun Industrial Production (YoY%)	-		2.4
Tuesday 11 July					
Turkey	0800	May Current Account Balance	-7.6		-5.404
Russia	1400	2Q Current account surplus (\$ mn)	10000		14786
Wednesday 12 July					
Russia	1400	May Foreign Trade	-		7.765
	1700	Jun CPI (MoM%/YoY%)	0.5/3.4	0.4/3.3	0.3/2.5
Czech Rep	0800	Jun Unemployment Rate	-		3.5
Serbia	1100	Jun CPI (MoM%/YoY%)	-/-	/	0.9/14.8
	1300	May Industrial Output (MoM%)	-		0.4
Thursday 13 July					
Czech Rep	0800	Jun CPI (MoM%/YoY%)	0.2/9.6	/	0.3/11.1
Romania	0700	Jun CPI (YoY%)	-		10.64
Serbia	1100	Jul Benchmark Interest rate	-		6.25
Friday 14 July					
Poland	0900	Jun CPI (MoM%/YoY%)	-/-	/	0/11.5
	1300	May Current Account	-		359
Czech Rep	0900	May Current Account Balance	-		16.71
Ukraine	-	May Trade Balance YTD	-		-7
Kazakhstan	1300	Jun Industrial Production (MoM%)	-		-3.8

Source: Refinitiv, ING

Author

James Smith

Developed Markets Economist, UK

james.smith@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING

does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.