

Key events in developed markets and EMEA next week

US inflation has moved lower, but as the jobs market remains tight and activity holds up, another 25bp hike still looks to be the most likely course of action for the Fed next week. In the EMEA region, all eyes will be on the Bank of Hungary's upcoming rate decision, where we're expecting the base rate to be kept at 13%



US: The Fed starts slowing the pace of rate hikes as inflation moves lower

After ten consecutive interest rate hikes over the last 15 months, the Federal Reserve left the Fed Funds target rate unchanged at 5-5.25% in June. However, the central bank has characterised this as a slowing in the pace of rate hikes rather than an actual pause, with two further hikes signalled for the second half of 2023 in their individual forecast projections. Since then, inflation has moved lower, but the jobs market remains tight and activity has held up well. As such, commentary from officials has broadly indicated that they feel the need to hike again on July 26th, which would bring the Fed funds to range up to 5.25-5.5%. We suspect that the accompanying press conference will acknowledge encouraging signs on inflation, but also a desire not to take any chances that could allow it to re-accelerate. We expect the door to be kept open for further policy tightening later in the year.

In terms of data, the highlight will be second quarter GDP. The first quarter posted a firm 2% annualised growth rate, led by consumer spending. We suspect that the second quarter will be slower at around 1.5%, with inventories as the main contributor to growth. Meanwhile, durable goods orders should be lifted by very strong figures from Boeing, which received 304 aircraft orders in June, up from 69 in May. Outside of transportation, the data will be softer given that the ISM manufacturing new orders series has been in contraction territory for the last ten months. We will also get the June reading of the Fed's favoured inflation measure, the core personal consumer expenditure deflator. As with the CPI report, we expect it to slow quite markedly with broadening signs of disinflation in more categories.

Hungary: National Bank of Hungary expected to keep the base rate at 13%

The highlight over the next week in the EMEA region will be the upcoming rate decision by the National Bank of Hungary. With the central bank keeping the market and price stability issues separated, we don't see any reason for the Monetary Council to change its mindset regarding the base rate. While inflation's direction of travel has been favourable, it remains elevated and we therefore expect the NBH to keep the base rate at 13%, pushing the expected change into the not-too-distant future.

In contrast, the decision regarding the effective rate will be exciting. Should we see renewed weakening in the HUF, we can imagine the central bankers sitting on their hands and keeping the effective rate unchanged. However, with the forint strengthening since the June inflation data release, we're instead betting on the continuation of the 100bp rate cut cycle. As a result, we see the effective rate being lowered to 15%. Meanwhile, we're also expecting to see strong labour market data – much like the rest of the EU – as shortages keep wage growth elevated and deter companies from lay-offs despite the challenging economic environment.

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Country	Time Data/event	ING	Survey	Prev.
Monday 24 July				
US	1445 Jul S&P Global Manufacturing PMI Flash	-		46.3
	1445 Jul S&P Global Services PMI Flash	-		54.4
	1445 Jul S&P Global Composite Flash PMI	-		53.2
Germany	0830 Jul S&P Global Manufacturing Flash PMI	40.4		40.6
	0830 Jul S&P Global Service Flash PMI	52.5		54.1
	0830 Jul S&P Global Composite Flash PMI	49.8		50.6
France	0815 Jul S&P Global Composite Flash PMI	-		47.2
UK	0930 Jul Flash Composite PMI	-		52.8
	0930 Jul Flash Manufacturing PMI	-		46.5
	0930 Jul Flash Services PMI	-		53.7
Eurozone	0900 Jul S&P Global Manufacturing Flash PMI	-		43.4
	0900 Jul S&P Global Services Flash PMI	-		52
	0900 Jul S&P Global Composite Flash PMI	-		49.9
Tuesday 25 July				
US	1400 May CaseShiller 20 (MoM%/YoY%)	0.4/-2.5	/	0.9/-1.7
	1500 Jul Consumer Confidence	113	112	109.7
Germany	0900 Jul Ifo Business Climate	88.1		88.5
	0900 Jul Ifo Current Conditions	92.5		93.7
	0900 Jul Ifo Expectations	83.2		83.6
Wednesday 26 July				
US	1500 Jun New Home Sales-Units (mn annualised rate)	0.735	0.722	0.763
	1900 Fed Funds Target Rate (ceiling %)	5.5	5.5	5.25
	1900 Fed Interest On Excess Reserves	5.4		5.15
Thursday 27 July				
US	1330 Jun Durable Goods (MoM%)	2.5	0.4	1.8
	1330 Jul 22 initial jobless claims (000)	235	-	228
	1330 2Q GDP QoQ% annualised	1.5	1.8	2
Germany	0700 Aug GfK Consumer Sentiment	-24		-25.4
Italy	0900 Jul Consumer Confidence	-		108.6
Spain	0800 Jun Retail Sales (YoY%)	-		6
Eurozone	1315 Jul ECB Refinancing rate	4.25		4
	1315 Jul ECB Deposit rate	3.75		3.5
US	1330 Initial Jobless Claims	-	242	237
	1330 Continuing Jobless Claims	-	1.729	1.729
Friday 28 July				
US	1330 Jun Personal Income (MoM%)	0.5	0.5	0.4
	1330 Jun Personal Consumption Real (MoM%)	0.2		0
	1330 Jun Consumption, Adjusted (MoM%)	0.4	0.4	0.1
	1330 Jun Core PCE Price Index (MoM%)	0.2	0.2	0.3
	1500 Jul U Mich Sentiment Final	72.6		72.6
Germany	1300 Jul CPI Preliminary (MoM%/YoY%)	0.6/6.4	/	0.3/6.4
France	0630 Q2 GDP Preliminary (QoQ%/YoY%)	-/-	/	0.2/0.9
	0745 Jul CPI Prelim (YoY%)	-		5.3
Canada	1330 May GDP (MoM%)	-		0
Sweden	0700 Q2 GDP (QoQ%/YoY%)	-/-	/	0.6/0.8
	0700 Jun Unemployment Rate	-		7.9
Eurozone	1000 Jul Business Climate	-		0.06
	1000 Jul Economic Sentiment	-		95.3
	1000 Jul Consumer Confidence Final	-		

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 24 July					
Poland	1300	Jun M3 Money Supply (YoY%)	7.5	7.8	7.1
	1300	Jul 1st Half-Month Infl (MoM%)	-		0.02
Tuesday 25 July					
Poland	0900	Jun Unemployment Rate	5	5	5.1
Hungary	0730	May Average Gross Wages (YoY%)	16.7		15.5
	1300	Jul Hungary Base Rate	13		13
Brazil	1300	Jul IPCA-15 Mid-Month CPI	-		0.04
	1300	Jul IPCA-15 Mid-Month CPI (YoY%)	-		3.4
Wednesday 26 July					
Russia	1700	Jun Industrial Output	6.7	6.7	7.1
Brazil	-	Jun Current Account	-		0.649
	-	Jun Foreign Direct Investment	-		5.38
Thursday 27 July					
Ukraine	1200	Central bank interest rate	-		25
South Africa	1000	Jun PPI (MoM%/YoY%)	-/-	/	0.6/7.3
Brazil	1830	Jun Central Government Balance	-		-45.014
	1300	Jun Jobless Rate	-		2.9
Friday 28 July					
Turkey	0800	Jun Trade Balance	-		-12.53
Hungary	0730	Jun Unemployment Rate 3M	3.8		3.9
Brazil	1200	Jul IGP-M Inflation Index	-		-1.93

Source: Refinitiv, ING

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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