

## Key events in developed markets and EMEA next week

Next week, we're expecting the Federal Reserve to keep interest rates unchanged in the US, and for the Bank of England to drop its tightening bias while remaining cautious on rate cuts in the UK. In the CEE region, all eyes will be on the National Bank of Hungary, where we see the base rate being cut by 100bp



### **US: Federal Reserve expected to keep the Fed funds target range unchanged at 5.25-5.50%**

The Federal Reserve is widely expected to keep the Fed funds target range unchanged at 5.25-5.50% on Wednesday while continuing the process of shrinking its balance sheet via quantitative tightening.

At its December FOMC meeting we saw a dovish shift from the Fed, signalling that it expected to cut the policy rate by 75bp this year. Given the perception that the Fed always starts out conservatively and typically ends up shifting policy by more than initially suggested, this was interpreted by markets as giving them the green light to push on more aggressively. Just a few weeks ago seven 25bp moves were being priced by markets for this year with the first cut coming in March, but recent strong jobs and activity data have since scaled that back to a 50-50 call while Fed commentary has also suggested that FOMC members are not in a hurry to cut.

Nonetheless, inflation pressures continue to soften, with the Fed's favoured measure of inflation, the core PCE deflator, running at 2% annualised for two consecutive quarters. We think it is only a matter of time before they do indeed cut interest rates, but we think the starting point will be in May. We continue to see some downside risks for growth in the coming quarters relative to the consensus as the legacy of tight monetary policy and credit conditions weighs on activity and Covid-era accrued household savings provide less support. Our forecast is for the Fed funds target range to be cut to 3.75-4% by the end of this year.

On Friday, we have the US jobs report for January. It does feel as though there have been a growing number of job lay-off announcements, but this is not apparent in jobless claims data. We have little survey data to go on at this stage, but given the strength in activity numbers, there seems little reason to expect the jobs market to roll over. We look for payrolls growth of around 200,000, once again led by government, leisure and hospitality and education and healthcare services. Nonetheless, the household survey is expected to show the unemployment rate ticking a little higher to 3.8%.

## UK: Bank of England to drop tightening bias but remain cautious on rate cuts

The Bank of England was careful not say anything at the December meeting that could be misconstrued as an endorsement of market pricing on rate cuts. Investors are currently pricing roughly 100bp of cuts this year. But the reality is that defending a "higher for longer" stance on interest rates is getting harder to defend as the inflation backdrop shows signs of improving.

Both services inflation and private-sector wage growth, the two variables guiding BoE policy right now, are well below the Bank's November projections. Even so, we expect the Bank will still want to tread carefully. Lower market rates will at least offset the recent improvement in inflation and it's possible the BoE's two year-ahead forecast will be a little above 2%.

What really matters for markets though are what the Bank does to its policy statement. We suspect it will drop the suggestion that it could raise rates further, but keep the signal that rates need to stay restrictive for an extended period. As for the vote split, we suspect the hawks will finally throw in the towel and stop voting for a rate hike. At the same time, we think it's probably too early to see the doves voting for a cut. That leads us to expect a unanimous decision to keep rates on hold.

## Hungary: NBH cuts rates by 100bp but FX will be key

We see the [National Bank of Hungary](#) cutting the base rate by 100bp on 30 January. This could bring the key rate down to 9.75% after the rate-setting meeting, while we expect the Monetary Council to also cut both ends of the rate corridor by 100-100bp. There remains one major factor that poses a downside risk to our call and that is FX stability. We believe that if we were to see a further marked deterioration in EUR/HUF, this would encourage the central bank to remain more cautious and maintain the previous pace of 75bp of easing.

However, as the central bank will certainly remain in data-dependency mode, this does not mean that 100bp cuts will be automatic going forward. Rather, we expect the NBH to cautiously assess both internal and external developments and act accordingly on a meeting-by-meeting basis. Catch our full [National Bank of Hungary preview](#) here for all the latest details.

## Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 29 January</b>					
Sweden	0700	Q4 GDP (QoQ%/YoY%)	-/-	/	-0.3/-1.4
<b>Tuesday 30 January</b>					
US	1400	Nov CaseShiller 20 (MoM%/YoY%)	0.5/5.6	/	0.6/4.9
	1500	Jan Consumer Confidence	112	111.3	110.7
Germany	0900	Q4 GDP Flash QQ	-0.3		-0.1
	0900	Q4 GDP Flash YY	-0.2		-0.8
France	0630	Q4 GDP Preliminary (QoQ%/YoY%)	-/-	/	-0.1/0.6
Italy	0900	Q4 GDP Prelim (QoQ%/YoY%)	-0.1/0.2	/	0.1/0.1
Spain	0800	Jan CPI (YoY%) Flash	-		3.1
	0800	Jan CPI (MoM%) Flash	-		0
Eurozone	1000	Q4 GDP Flash Prelim (YoY%)	0		0
	1000	Q4 GDP Flash Prelim (QoQ%)	-0.1		-0.1
	1000	Jan Business Climate	-		-0.45
	1000	Jan Economic Sentiment	96.8		96.4
	1000	Jan Consumer Confidence Final	-16.1		
<b>Wednesday 31 January</b>					
US	1315	Jan ADP National Employment	130	150	164
	1330	4Q Employment Cost Index (QoQ%)	0.9	1.0	1.1
	1445	Jan Chicago PMI	48.5	48.1	46.9
	1900	Fed Funds Target Rate (upper bound)	5.5	5.5	5.5
	1900	Fed Interest On Excess Reserves	5.4	5.4	5.4
	1930	Fed Chair Powell holds press conference	-	-	-
Germany	0700	Dec Retail Sales (MoM%/YoY%)	-/-	/	-2.5/-2.4
	0855	Jan Unemployment Rate SA	5.9		5.9
	1300	Jan CPI Prelim (MoM%/YoY%)	0.1/3.4	/	0.1/3.7
France	0745	Jan CPI Prelim (YoY%)	-		4.1
	0745	Jan CPI (EU Norm) Prelim (MoM%)	-		0.1
Italy	0900	Dec Unemployment Rate	7.5		7.5
	0900	Jan CPI Prelim (MoM%/YoY%)	1.0/1.5	/	0.2/0.5
Spain	0800	Dec Retail Sales (YoY%)	-		5.2
Canada	1330	Nov GDP (MoM%)	-		0
Portugal	0930	Jan CPI Flash (YoY%)	-		1.4
<b>Thursday 1 February</b>					
US	1500	Jan ISM Manufacturing PMI	47.0	47.4	47.4
	1500	Jan ISM Manufacturing Prices Paid	45.8		45.2
	1330	Initial Jobless Claims	220	-	214
	1330	Continuing Jobless Claims	1840	-	1833
Germany	0855	Jan S&P Global/BME Manufacturing PMI	-		
UK	0930	Jan S&P Global/CIPS Manufacturing PMI Final	-		
	1200	Jan BOE Bank Rate	5.25	5.25	5.25
Italy	0845	Jan S&P Global/IHS Manufacturing PMI	46.5		45.3
Sweden	0830	Riksbank Rate	4.00		4.00
Eurozone	0900	Jan S&P Global Manufacturing Final PMI	46.6		
	1000	Jan CPI Flash (YoY%)	2.5		2.9
	1000	Jan Core CPI Flash (YoY%)	3.2		3.4
	1000	Dec Unemployment Rate	6.5		6.4
<b>Friday 2 February</b>					
US	1330	Jan Non-Farm Payrolls (000s)	200	180	216
	1330	Jan Private Payrolls (000s)	150	148	164
	1330	Jan Unemployment Rate	3.8	3.8	3.7
	1330	Jan avg hourly earnings (MoM/YoY%)	0.3/4.1	0.3/4.1	0.4/4.1
	1500	Jan U Mich Sentiment Final	78.8	78.8	78.8
France	0745	Dec Industrial Output (MoM%)	-		0.5

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time	Data/event	ING Survey		Prev.
<b>Tuesday 30 January</b>					
Turkey	1100	Dec Bank NPL Ratio	-		1.51
Czech Rep	0800	Q4 Preliminary GDP (QoQ%/YoY%)	-		-0.6/-0.8
Hungary	1300	Jan Hungary Base Rate	9.75		10.75
South Africa	0600	Dec M3 Money Supply (YoY%)	-		5.46
	0600	Dec Pvt Sector Credit Ext.	-		3.84
<b>Wednesday 31 January</b>					
Russia	1600	Dec Industrial Output	3.7	5.1	4.3
		- Dec GDP (YoY%) Monthly	4.0	3.8	4.4
Turkey	0700	Dec Trade Balance	-6.1		-5.92
South Africa	1200	Dec Trade Balance (Incl. Region)	-		21.02
<b>Thursday 1 February</b>					
Russia	0600	Jan S&P Global Manufacturing PMI	-		54.6
Turkey	0700	Jan Manufacturing PMI	-		47.4
Poland	0800	Jan S&P Global Manufacturing PMI	-		47.4
Czech Rep	0830	Jan S&P Global PMI	-		41.8
	1300	Jan Budget Balance	-		-288.5
Hungary	0730	Nov Trade Balance Final	-		1718
	0800	Jan Manufacturing PMI	-		52.8
<b>Friday 2 February</b>					
South Africa	0715	Jan Std Bank Whole Econ PMI	-		49

Source: Refinitiv, ING

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