

## Key events in developed markets for the rest of 2023

Following the dovish shift in the Fed's policy stance, there was a fall in Treasury yields alongside quite a significant sell-off in the dollar. Looking forward to the end of 2023 we have the release of some key data on housing and durable goods orders. In the UK, we expect services inflation to remain sticky as markets eye several 2024 rate cuts



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### **US: Dovish shift in the Fed's policy stance has seen Treasury yields fall sharply**

The dovish shift in the Federal Reserve's policy stance has seen Treasury yields fall sharply and the dollar sell off quite significantly. This has raised the question, does the Fed know something that we don't or is this shift more down to the argument that real interest rates are already high and will rise further as inflation falls? This de facto tightening of the policy stance could in itself offer scope for interest rate cuts, as suggested by Fed Governor Chris Waller. Nonetheless, the recent data remains strong with a tight jobs market, and core inflation still running double its target at 4% while retail sales activity remained firm in November. Consequently, we don't expect an imminent interest rate cut and continue to believe that a second-quarter move is more likely than one in the first quarter.

The data over the next couple of weeks includes housing transactions, which are likely to remain subdued due to a general lack of affordability that has translated into very weak mortgage application activity for home purchases. Durable goods orders should rebound partially after a big aircraft order-related drop last month while the November personal spending and income report will provide an update on the Fed's favoured measure of inflation – the core personal consumer expenditure deflator – which is expected to be more benign than the core CPI print, coming in at 0.2% month-on-month rather than 0.3%.

## **UK: Services inflation to remain sticky as markets eye several 2024 rate cuts**

The Bank of England set a different narrative to the Federal Reserve at its final meeting of the year and offered another rebuff against 2024 rate cuts. The fact is that markets aren't taking much notice, and investors are pricing four rate cuts next year. We agree with that conclusion, though we'll have to wait for further progress on domestically-generated inflation before the Bank pulls the trigger. The Bank said in its latest statement that the recent fall in services inflation isn't totally down to factors that are relevant for monetary policy. Certainly, it looks like services inflation will remain sticky in the near term and we expect it to stay at 6.6% next week and around these levels into early next year. But by next summer, we expect services inflation to be back to the 4% area and headline CPI should be pretty close to target. That's likely to be a catalyst for rate cuts, and our base case is August for the first move – though if markets are ultimately right that the ECB/Fed hike early in the spring, then the BoE could feasibly move earlier too. [Read more](#) on why the UK isn't so different to the eurozone in terms of inflation in our recent note.

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Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 18 December</b>					
Germany	0900	Dec Ifo Business Climate	87		87.3
	0900	Dec Ifo Current Conditions	89.2		89.4
	0900	Dec Ifo Expectations	84.8		85.2
<b>Tuesday 19 December</b>					
US	1330	Nov housing starts (000s)	1365	1360	1372
Canada	1330	Nov CPI Inflation (MoM%/YoY%)	-0,1/2,9	-0,2/2,8	0.1/3.1
	1330	Nov CPI BoC Core (YoY%)	-		2.7
	1330	Nov CPI BoC Core (MoM%)	-		0.3
Eurozone	1000	Nov CPI (YoY%)	-		3.6
<b>Wednesday 20 December</b>					
US	1330	Q3 Current Account	-225		-212.1
	1500	Dec Consumer Confidence	105	103.3	102
	1500	Nov existing home sales (mn)	3.75	3.78	3.79
Germany	0700	Jan GfK Consumer Sentiment	-28		-27.8
UK	0700	Nov Core CPI (MoM%/YoY%)	0.2/5.7		0.3/5.7
	0700	Nov CPI (MoM%/YoY%)	0.2/4.4		0.0/4.6
	0700	Nov Services CPI (YoY%)	6.6		6.6
Eurozone	0900	Oct Current Account SA, EUR	-		31.23
	1500	Dec Consumer Confidence Flash	-		-16.9
<b>Thursday 21 December</b>					
US	1330	Q3 GDP Final	5.2	5.2	5.2
	1330	Initial Jobless Claims	220	-	202
	1330	Continuing Jobless Claims	1890		1876
Canada	1330	Oct Retail Sales (MoM%)	0.6	0.8	0.6
<b>Friday 22 December</b>					
US	1330	Nov Personal Income (MoM%)	0.4	0.4	0.2
	1330	Nov Personal Consumption Real (MoM%)	0.3		0.2
	1330	Nov Consumption, Adjusted (MoM%)	0.4	0.3	0.2
	1330	Nov Core PCE Price Index (MoM%/YoY%)	0.2/3.4	0,2/3,4	0,2/3,5
	1330	Nov Durable Goods	2.8	2.4	-5.4
	1500	Dec U Mich Sentiment Final	69.4	69.4	69.4
	1500	Nov New Home Sales-Units	0.685	0.685	0.679
UK	0700	Q3 GDP (QoQ%/YoY%)	0.0/0.6	/	0/0.6
	0700	Nov Retail Sales (MoM%/YoY%)	0.8/-1.1	/	-0.3/-2.7
Italy	0900	Dec Consumer Confidence	103		103.6
Spain	0800	Q3 GDP (QoQ%/YoY%)	-/-	/	0.3/1.8
Canada	1330	Oct GDP (MoM%)	-		0.1
<b>Tuesday 26 December</b>					
US	1400	Oct CaseShiller 20 (MoM%)	0.5	-	0.7
<b>Thursday 28 December</b>					
Spain	0800	Nov Retail Sales (YoY%)	-		5
<b>Friday 29 December</b>					
US	1445	Dec Chicago PMI	51	50	55.8
Spain	0800	Dec CPI (YoY%) Flash NSA	-		
	0800	Dec CPI (MoM%) Flash NSA	-		
Portugal	0930	Dec CPI Flash (YoY%)	-		

Source: Refinitiv, ING

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