

## Key events in developed markets next week

April rate hikes are firmly on the table in the US and Canada with this week's second-tier releases unlikely to hinder central bank plans



The Canadian economy has recovered all output lost during the pandemic, while employment is at all-time highs

### **US: Subdued consumer sentiment will limit upside for PMIs**

The US data calendar is largely second-tier releases this coming week with the ISM services index the likely highlight. It has fallen sharply over the past three months from an all-time high of 68.4 in November to a 12-month low of 56.5 in February. The Omicron wave was likely responsible for the bulk of the decline, although the squeeze on spending power from surging inflation may also have hurt demand. We are hopeful of a corrective bounce in March, but with consumer sentiment remaining subdued and a growing sense that aggressive interest rate hikes are on their way, the upside for the ISM is likely to be limited.

We will also be closely following the minutes of the March Federal Open Market Committee meeting. The Federal Reserve raised interest rates 25bp and has since signalled more aggressive 50bp moves are firmly on the table at upcoming meetings. At the accompanying press conference, Chair Jerome Powell suggested that the Fed would soon announce plans to shrink its \$9tr balance sheet, and some details could emerge from the minutes.

Powell suggested that the run-off will be similar in structure to 2017-19, but could happen at a

faster pace. The Fed could potentially announce such action at the May meeting, but it could come later if it wants to see how a series of 50bp hikes are digested by markets. We suspect it will start how it ended the last round of quantitative tightening – by allowing \$50bn of maturing assets to run off their balance sheet each month. This could quickly be stepped up to \$100bn given the doubling in size of the balance sheet since the start of the pandemic.

## **Canada: Strong employment figures could boost rate hike expectations**

In Canada, there is a growing likelihood that the central bank will follow up its initial 25bp rate hike in early March with a 50bp move in April. The Canadian economy has recovered all output lost during the pandemic while employment is at all-time highs and inflation is running at the fastest rate since 1991. This week's data flow includes the March jobs report and another gain is expected after February's post-lockdown surge. We will also get the quarterly Bank of Canada business outlook survey and a firm reading here given Canada's strong commodity production background amid surging prices could boost expectations for a 50bp hike on 13 April.

## **Developed Markets Economic Calendar**

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 4 April</b>				
US	1500 Feb Factory Orders (MoM%)	-1.2	-0.6	1.4
Germany	0700 Feb Trade Balance	10.5		9.4
	0700 Feb Imports	1.2		-4.2
	0700 Feb Exports	0.8		-2.8
France	0745 Feb Industrial Output (MoM%)	-		1.6
<b>Tuesday 5 April</b>				
US	1330 Feb International Trade \$	-88.5	-88.2	-89.7
	1445 Mar Markit Services PMI Final	-		58.9
	1445 Mar Markit Composite Final PMI	-		58.5
	1500 Mar ISM Non-Manufacturing PMI	58.0	58.3	56.5
Germany	0855 Mar Markit Composite Final PMI	54.6		54.6
	0855 Mar Markit Services PMI	55.0		55.0
France	0850 Mar Markit Composite PMI	-		56.2
UK	0930 Mar Composite PMI Final	59.7		59.7
	0930 Mar Markit/CIPS Services PMI Final	61.0		61.0
Italy	0845 Mar Composite PMI	-		53.6
Spain	0815 Mar Services PMI	-		56.6
Canada	1330 Feb Trade Balance C\$	1.8		2.6
Netherlands	0530 Jan Trade Balance	-		3.909
Eurozone	0900 Mar Markit Composite Final PMI	-		54.5
	0900 Mar Markit Services Final PMI	-		54.8
<b>Wednesday 6 April</b>				
Germany	0700 Feb Industrial Orders (MoM%)	-0.9		1.8
UK	0930 Mar Markit/CIPS Cons PMI	59.1		59.1
Eurozone	1000 Feb Retail Sales (MoM%/YoY%)	-		0.2/7.8
<b>Thursday 7 April</b>				
US	1330 Cont Jobless Claims	1300	-	1307
	1330 Initial Jobless Claims	195	-	202
	2000 Feb Consumer Credit	-	15.0	6.8
Germany	0700 Feb Industrial Production (MoM%/YoY%)	-0.4		2.7/1.5
France	0745 Mar Reserve Assets Total	-		232616
Switzerland	0645 Mar Unemployment Rate Adjusted	-		2.2
Netherlands	0530 Mar CPI (MoM%/YoY%)	-/-		0.6/6.2
<b>Friday 8 April</b>				
Canada	1330 Mar Change in employment (000)	15.0	-	336.6
	1330 Mar Unemployment Rate	5.5		5.5
Norway	0700 Feb GDP Month Mainland	1.0		-0.9
Netherlands	0530 Feb Manufacturing Output (MoM%)	-		-1.2
Greece	1000 Mar HICP (YoY%)	6.7		6.3
	1000 Feb Industrial Output (YoY%)	-		-0.2

Source: Refinitiv, ING, \*GMT

## Author

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@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 <http://www.ing.com>.