

Key events in developed markets next week

It's payrolls, politics and power prices that dominate the developed markets agenda next week. See what our economists are looking out for



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US payrolls set to green-light a November tapering announcement

At his testimony to Congress earlier in the week, Federal Reserve Chair Jerome Powell said conditions “have all but met” the test for QE tapering with this coming week’s jobs report set to confirm it. Payrolls growth averaged 876,000 per month through May-July, but the resurgence of Covid contributed to a significant slowdown in August to “just” 235,000. However, with Covid cases falling away sharply, we expect September to have seen a re-acceleration to the 450-500,000 range. Jobs growth is set to improve further in the coming months, given high-frequency data points to a decent uptick in economic activity – such as in restaurant dining, travel and hotel stays.

A tapering announcement at the November 3rd FOMC meeting is our base case, which will likely see monthly purchases of Treasury and agency back MBS securities reduced by \$15bn each and every month from December onwards. Comments from officials suggest this will be a straight line process over eight months, but we wouldn’t be surprised to see it concluded more swiftly.

Other numbers to watch this week include the unemployment rate, which may prove to be somewhat sticky. The ending of pandemic-related extended and uprated unemployment benefits will be forcing an increasing number of people to start looking for work. That means the supply of workers is rising, and there should in theory be a greater pool of workers for employers to choose from. However, with many of these new potential workers not having worked for more than a year, the fight to find staff with the right skill sets at a time when there are 11 million job vacancies in the US is likely to keep wage rates pushing higher.

Meanwhile, the ISM services index should benefit from the decline in Covid cases with more people engaging with the service sector.

Petrol, politics and power prices the key UK focuses

It's a quiet week for UK data, so instead there will be three other focuses. Firstly, politics. The governing Conservative Party annual conference starts on Sunday, and from a market perspective, the key is whether there is any escalation in the UK's ongoing disagreement with the EU over Northern Ireland.

Britain has for some time been threatening to use the Article 16 clause in the NI agreement, which in theory gives either party the power to unilaterally suspend parts of the agreement if there's an economic or societal reason to do so. The UK government would argue that the disruption for companies sending goods between NI and the rest of Great Britain could justify this move, particularly if the EU formally dismisses wholesale changes to the agreement proposed by the British government over the summer.

There has been some discussion as to whether the UK could use the party conference as the time to trigger Article 16. There's certainly an appetite among Conservative members and some MPs to take a hardline stance. But either way, the move would be seen as highly incendiary by the EU and would inevitably see legal escalation – something that could ultimately end in retaliatory tariffs on British products heading to Europe.

Separately, it's presumably only a matter of days before the UK's petrol pump disruption eases. While the economic impact has probably not been huge, the impact on sentiment may be larger, especially given consumer confidence has already fallen sharply in September.

Meanwhile, the UK's power price spike has eased a little over the past week. But the UK's perilously low stores of natural gas and ongoing global price spikes leave it vulnerable to further electricity price increases, particularly if wind power were to begin to disappoint once more. Either way, this is going to act as a serious cost of living crunch this winter and casts doubt over market pricing for the Bank of England. Investors are pricing three rate hikes by the end of 2022 (the first being a partial one). We don't expect the first until next August.

Key events in developed markets

| Country | Time | Data/event | ING | Survey | Prev. |
|----------------------------|------|-----------------------------------|------|---------|----------|
| Monday 4 October | | | | | |
| US | 1500 | Aug Factory Orders (MoM%) | 0.6 | 0.5 | 0.4 |
| Switzerland | 0730 | Sep CPI (MoM%/YoY%) | -/- | | 0.2/0.9 |
| Tuesday 5 October | | | | | |
| US | 1330 | Aug International Trade (USD) | -70 | -69.6 | -70.1 |
| | 1445 | Sep Markit Composite Final PMI | 54 | | 54.5 |
| | 1445 | Sep Markit Services PMI Final | 54.5 | | 54.4 |
| | 1500 | Sep ISM Non-Manufacturing PMI | 60.5 | 61.3 | 61.7 |
| Germany | 0855 | Sep Markit Composite Final PMI | - | | 55.3 |
| France | 0745 | Aug Industrial Output (MoM%) | - | | 0.3 |
| | 0850 | Sep Markit Composite PMI | - | | 55.1 |
| UK | 0930 | Sep Composite PMI Final | 54.1 | | 54.1 |
| Italy | 0845 | Sep Composite PMI | - | | 59.1 |
| Spain | 0815 | Sep Services PMI | - | | 60.1 |
| Canada | 1330 | Aug Trade Balance (CAD) | - | | 0.78 |
| Euro Zone | 0900 | Sep Markit Composite Final PMI | - | | 56.1 |
| Wednesday 6 October | | | | | |
| US | 1315 | Sep ADP National Employment | 500 | 475 | 374 |
| Germany | 0700 | Aug Industrial Orders (MoM%) | - | | 3.4 |
| Euro Zone | 1000 | Aug Retail Sales (MoM%/YoY%) | -/- | | -2.3/3.1 |
| Thursday 7 October | | | | | |
| US | 2000 | Aug Consumer Credit | 18 | 20 | 17 |
| | 1330 | Initial Jobless Claims | 350 | | 362 |
| | 1330 | Cont Jobless Claims | 2790 | | 2820.0 |
| Germany | 0700 | Aug Industrial Output (MoM%/YoY%) | -/- | | 1.0/5.73 |
| Switzerland | 0645 | Sep Unemployment Rate Adjusted | - | | 2.9 |
| Netherlands | 0530 | Sep CPI (MoM%/YoY%) | - | 0.1/2.7 | 0.4/2.4 |
| Friday 8 October | | | | | |
| US | 1330 | Sep Non-Farm Payrolls | 470 | 500 | 235 |
| | 1330 | Sep Private Payrolls | 450 | 480 | 243 |
| | 1330 | Sep Unemployment Rate | 5.2 | 5.1 | 5.2 |
| Germany | 0700 | Aug Exports | - | | 0.5 |
| | 0700 | Aug Imports | - | | -3.8 |
| | 0700 | Aug Trade Balance | - | | 17.9 |
| Canada | 1330 | Sep Unemployment Rate | 6.9 | | 7.1 |
| Norway | 0700 | Aug GDP Month Mainland | - | | 0.4 |
| Netherlands | 0530 | Aug Manufacturing Output (MoM%) | - | 1 | 1.3 |
| Greece | 1000 | Sep CPI (YoY%) | - | | 1.9 |

Source: Refinitiv, ING

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