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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