

## Key events in developed markets next week

More Fed speakers over the coming week together with the Fed's Beige book – the anecdotal survey on the state of the economy will add more colour to the mixed picture in the US, but a 25bp rate cut looks like the order of the day. Across the pond, a raft of UK data will probably give ammunition to those mulling a rate cut and those who want to tighten policy too



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### US: Cementing expectations

Markets are now firmly of the view that the Federal Reserve will cut interest rates by at least 25bp at the July 31st meeting. There are still some in the market that think a 50bp move is possible with market futures implying 30bp of cuts are priced. We think this is unlikely given that the most dovish member of the FOMC, James Bullard, thinks such a move would be too much while some FOMC members, such as Philadelphia Fed President Harker sees no case for a rate cut at all! Moreover, the current trade truce and the better than expected June jobs report suggest the macro backdrop may be more positive versus last month.

We will have several more Fed speakers over the coming week together with the Fed's Beige book – the anecdotal survey on the state of the economy – and the message is likely to be one that

while there are external risks, the domestic story continues to look pretty solid. As such cautious precautionary loosening looks the order of the day. We look for a 25bp cut in July to be followed up with a further 25bp in September.

The market is currently pricing in an additional two 25bp cuts over the next 18 months, which we think is too aggressive. Data wise, retail sales and industrial production are the focus. Industrial production should post a modest increase given the fact the ISM remains in growth territory. Retail sales should be stronger, especially when the volatile auto and gasoline components are removed. Consumer confidence remains firm thanks to rising asset prices and falling gasoline prices while real household disposable incomes are rising strongly thanks to employment gains and wage growth running faster than inflation. This points to ongoing solid spending.

## **Mixed UK data to signal stable Bank of England policy this year**

Markets are mulling over the possibility of a UK rate cut by the end of the year. But as things stand, Bank of England policymakers have signalled a willingness to tighten policy, albeit this is heavily conditioned on a smooth Brexit outcome. So who's right?

Well, next week's raft of UK data is likely to give ammunition to both sides of the argument. Regular pay growth is likely to tick back up to a post-crisis high of 3.5%, and this is being predominantly driven by skill shortages in certain parts of the jobs market (albeit last month's acceleration was mainly down to a leap in public sector pay). But according to various indicators of retail sales, the high street isn't feeling the benefit of this modest improvement in real wage growth. With consumer confidence still pretty low, it appears shoppers are holding off on non-essential purchases. We may get a modest rebound in retail sales for June, but this follows two back-to-back declines earlier in the quarter.

With Brexit noise only likely to increase over the coming months, and a risk that trade tensions could worsen, we think the Bank of England will keep rates on hold for the rest of the year.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 15 July</b>					
US	1350	Fed's Williams Speaks at Libor briefing			
New Zealand	2345	2Q CPI (Q) (QoQ/YoY%)	-/-	-/-	0.1/1.5
Sweden	0500	Jun PES Unemployment Rate	-	-	3.4
<b>Tuesday 16 July</b>					
US	1330	Jun Advance Retail Sales (MoM%)	0.3	0.2	0.5
	1330	Jun Retail Sales ex. Auto and Gas (MoM%)	0.4	-	0.5
	1415	Jun Industrial Production (MoM%)	0.2	0.2	0.4
	1315	Fed's Bostic Moderates Fed Listens Event in Augusta, Georgia			
	2030	Fed's Evans to Speak in Chicago			
Eurozone	1000	May Trade Balance (€bn)	14852	-	15326
Germany	1000	Jul ZEW Current Situation Index	3.0	-	7.8
UK	0930	May Weekly Earnings (3M avg)	3.0	-	3.1
	0930	May Weekly Earnings ex Bonus (3M avg)	3.5	-	3.4
	0930	May ILO Unemployment Rate (3M avg.)	3.8	-	3.8
	0930	May Employment Change (3M/3M)	55.0	-	32.0
	1300	BOE's Carney speaks on panel in Paris			
Italy	1000	Jun F HICP (YoY%)	-	-	0.8
Australia	0230	RBA Minutes of July Policy Meeting			
<b>Wednesday 17 July</b>					
US	1900	U.S. Federal Reserve Releases Beige Book			
Eurozone	1000	Jun F Core CPI (YoY%)	1.1	-	1.1
	1000	Jun CPI (MoM/YoY%)	0.1/1.2	-/-	0.1/1.2
UK	0930	Jun CPI (MoM/YoY%)	0.0/2.1	-/-	0.3/2
	0930	Jun Core CPI (YoY%)	0.1/1.9	-	1.7
Canada	1330	Jun CPI (MoM/YoY%)	-/-	-/-	0.4/2.4
<b>Thursday 18 July</b>					
US	1430	Fed's Bostic Speaks to Clarksville Chamber in Tennessee			
	1915	Fed's Williams Speaks on Monetary Policy			
Japan	0050	Jun Exports (YoY%)	-7.9	-	-7.8
	0050	Jun Adjusted trade balance (JPY bn)	-605	-	-609.1
	0050	Jun Imports (YoY%)	5.6	-	-1.5
UK	0930	Jun Retail Sales ex Auto Fuel (MoM/YoY%)	0.2/2.9	-/-	-0.3/2.2
	0930	Jun Retail Sales (MoM/YoY%)	0.2/3.1	-/-	-0.5/2.3
	0930	Bank of England Bank Credit Conditions Surveys			
Canada	1330	ADP Canada Releases June Payroll Estimates			
Australia	0230	Jun Employment change ('000)	24	-	42.3
	0230	Jun Unemployment rate (%)	5.2	-	5.2
	230	Jun Participation rate (%)	66.0	-	66.0
<b>Friday 19 July</b>					
US	1500	Jul P U. of Mich. Sentiment Index	98.6	98.4	98.2
	1605	Fed's Bullard (1606) and Rosengren (2130) Speak			
Japan	0030	Jun National CPI (YoY%)	0.7	-	0.7
	0030	Jun CPI ex-food, energy (YoY%)	0.4	-	0.5
	0530	May All industry activity index (MoM%)	-0.1	-	0.9
UK	0930	Jun Public Finances (PSNCR)	-	-	10.7
	0930	Jun PSNB ex Banks (€bn)	-	-	5.1

Source: ING, Bloomberg

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