

Key events in developed markets next week

We're likely to get new forward guidance from the Fed but with Brexit tensions running high, will the Bank of England signal a more cautious outlook? Next week's data focus will be on UK jobs and inflation and eurozone industrial production as we start to learn how far developed economies have stalled since the initial rebound



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US: Policy rate unlikely to budge in the near term

In the US we are building up to the 16 September FOMC meeting where we are likely to see new forward guidance from officials.

They have already announced the conclusions to their strategy review which shows they will now tolerate periods of inflation modestly in excess of 2% through shifting to a framework of average inflation targeting 2%. Effectively, this means the Fed will not pre-emptively raise rates before inflation has hit 2%, directly implying that interest rates will be lower for longer. The new language may well include a time factor, such as saying interest rates will not rise before the end of 2022. Or it could be outcome contingent, such as they will not raise interest rates before the unemployment rate has fallen to 5% and inflation has sustainably reached 2%.

Either way, this is unlikely to be massively market-moving given the Fed's "dot plot" of individual

member forecasts suggests just two members expect rates to be raised before the beginning of 2023 – it will merely reinforce the message that the Fed really, really won't be raising rates imminently, thereby anchoring the short end of the curve even more sturdily.

✔ Brexit fireworks set to continue as Internal Market Bill starts parliamentary passage

The UK government has put forward a bill which could potentially grant powers to override parts of the withdrawal agreement, in particular related to state aid.

This casts a real cloud over talks, and at best chances of a deal now appear to be 50:50. The next question though is whether the bill can get through parliament. Unlike last year, where we became accustomed to late-night votes, this is unlikely to have any trouble going through the House of Commons over the next couple of weeks.

But with the bill containing provisions that would break international law, the bigger question is whether the House of Lords will seek to block it. This is presumably what Brussels will be keeping a keen eye on over the next few weeks. Successful passage would presumably see the chances of a deal recede yet further.

✔ UK data – The calm before the storm?

Like the rest of Europe, the 'mechanical' rebound in GDP (rising activity by virtue of the fact that shops and restaurants have re-opened) is coming to an end, and recovery is likely to stall as we head towards the winter. It might be too early to see signs of that in next week's data, and again we think the jobs data is unlikely to see a sharp rise in unemployment just yet. But this is likely to change – the ONS reckons there is a pool of just over 1 million workers who have become either inactive or unpaid (but still employed) as a result of the pandemic. As these dislocated workers begin their job search, this will see them reclassified as unemployed for the purposes of labour statistics.

Unfortunately, there are also growing signs that redundancies have continued through the summer, and this too is likely to push up the unemployment rate as we head into the winter – potentially to around 9%.

We also have inflation next week, which is likely to plummet on the combined forces of the Eat Out to Help Out scheme (50% off food on certain days during August) and targeted VAT cuts. There is a chance that headline inflation dips into negative, although this is of course temporary. Still, our broader view is that the crisis is unlikely to be inflationary, given the emerging slack in the jobs market.

For the Bank of England, the combination of muted inflation, higher unemployment and a longer recovery all point to further stimulus. The main question next week for markets will be whether the Bank signals a more cautious outlook, but also if policymakers give any further clues on negative rates. Recent communication suggests they are in the toolbox, but that QE is seen as a more important tool for offering extra support.

✔ Eurozone: Industry data to lift recovery spirits

After the ECB kept its powder dry last week, focus in the eurozone will return to how fast the

recovery is at the moment.

August data was pretty downbeat, but next week's industry data for July will probably still cast the recovery in a rather favourable light. In fact, as manufacturing PMI outperformed services in August, it could well be that the rebound of the industrial sector lasts somewhat longer. Also interesting will be trade data, which will be dominated by reopening effects but could be curbed by an appreciating euro.

The ECB did not appear to be overly concerned by the stronger euro from an inflation perspective just yet, but will we already see signs of slowing exports?

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 September					
Japan	0530	Jul Tertiary industry index (MoM%)	-	-	7.9
	0530	Jul F Industrial production - Prel (MoM/YoY%)	-/-	-/-	8/-16.1
Finland	0900	Bank of Finland Economic Forecast			
Eurozone	1000	Jul Industrial Production (WDA, (YoY%)%)	-7.9	-	-12.3
Sweden	0500	Aug PES Unemployment Rate	-	-	5.7
Finland		- Finnish Government 2021 Budget Negotiations			
Tuesday 15 September					
US	1415	Aug Industrial Production (MoM%)	1.2	0.9	3.03
Germany	1000	Sep ZEW Current Situation Index	-40.0	-	-81.3
UK	0700	Jul Weekly Earnings (3M avg)	-1.0	-	-1.2
	0700	Jul Weekly Earnings ex Bonus (3M avg)	-0.2	-	-0.2
	0700	Jul ILO Unemployment Rate (3M avg.)	4.0	-	3.9
	0930	Jul Employment Change (3M/3M)	-105	-	-220
Italy	0900	Aug F HICP (YoY%)	-	-	-0.5
Australia	0230	RBA Minutes of Sep. Policy Meeting			
	0230	2Q House price index (% QoQ/YoY)	1.5/10.5		1.6/7.4
Sweden	0830	Aug Unemployment Rate (%)	-	-	8.9
Wednesday 16 September					
US	1330	Aug Advance Retail Sales (MoM%)	1.1	1.3	1.2
	1330	Aug Retail Sales ex. Auto and Gas (MoM%)	0.9	1.1	1.5
	1900	FOMC Rate Decision (Upper bound)	0.25	0.25	0.25
	1930	Powell Holds Post-FOMC Meeting Press Conference			
Japan	0050	Aug Exports (YoY%)	-8.3	-	-19.2
	0050	Aug Imports (YoY%)	-12.1	-	-22.3
	0050	Aug Adjusted trade balance (¥ bn)	490.7	-	-34.8
Eurozone	1000	Jul Trade Balance (€bn)	17898	-	17143
UK	0700	Aug CPI (MoM/YoY%)	-0.7/0.0	-/-	0.4/1.0
	0700	Aug Core CPI (YoY%)	0.5	-	1.8
Canada	1330	Aug CPI (MoM/YoY%)	-/-	-/-	0.0/0.1
New Zealand	2345	2Q GDP (Q) (QoQ/YoY%, SA)	-7.0/-7.5	-	-1.6/-0.2
Thursday 17 September					
Japan		- Policy Rate	-0.1	-	-0.1
		- BoJ 10-year yield target (%)	-	-	0.00
Eurozone	1000	Aug F CPI (MoM/YoY%)	-0.4/0.4	-/-	-0.4/0.4
UK	1200	BoE Policy Rate	0.1	-	0.1
Canada	1330	ADP Releases Payroll Data			
Australia	0230	Aug Employment change ('000)	33.0	-	114.7
	0230	Aug Unemployment rate (%)	7.5	-	7.5
	0230	Reserve Bank of Australia Bulletin			
Finland	0900	Governor Olli Rehn Speaks at Bank of Finland Briefing			
Friday 18 September					
US	1500	Sep P U. of Mich. Sentiment Index	73.0	74.0	74.1
	1500	Fed's Bullard Discusses the Covid Recovery Challenge			
Japan	0030	Aug National CPI (YoY%)	0.0	-	0.3
	0030	Aug CPI ex-food, energy (YoY%)	-0.3	-	0.4
UK	0700	Aug Retail Sales ex Auto Fuel (MoM%)	-0.2	-	2.0/3.1
	0700	Aug Retail Sales (MoM%)	0.5	-/-	3.6/1.4
Sweden	0500	Valueguard HOX Sweden Home-Price Index			

Source: ING, Bloomberg

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

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