

Key events in developed markets next week

Economic data next week will push the Federal Reserve, Bank of England and Bank of Canada towards further policy tightening steps



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Strong US data to give the Fed further pause for thought

The US economy is likely to experience 6%+CPI readings through 1Q 2022 and we forecast the economy to expand at a 6%+ annualized rate in the current quarter, which does raise the question – why is the Fed continuing to stimulate the economy?

There is a strong argument that it can stop immediately, but that is not the view of the Federal Reserve. However, the blowout CPI report has heightened market expectations of the Fed taking swifter action on policy normalization and we would not be surprised to see the Fed take the decision to accelerate its QE tapering path so that it concludes in Q1 rather than Q2 2022.

The October retail sales and industrial production reports are next week's highlights and both should be strong. Retail sales will be lifted by the 6%MoM increase in new vehicle units sold – the first increase since April – while gasoline station sales will be boosted by the surge in gasoline prices. Elsewhere, rising household income and wealth should mean decent gains although we continue to expect a rebalancing trend away from the purchase of physical things that show up in retail sales, towards services, which are picked up in broader consumer spending.

Industrial production should see good manufacturing growth based on the ISM report already released. US oil and gas rig counts averaged 538 in October, up from 508 in September, which should lift the mining component. Utilities could be a drag given October 2021 was significantly warmer than usual meaning there is less demand for heating.

Data to push the Bank of Canada closer to rate hikes

In Canada, another strong CPI reading and retail sales report will increase the implied probability that the Bank of Canada will soon raise interest rates for the first time this cycle. The BoC decided to end QE last month and the strong recovery and elevated inflation readings prompted them to signal the prospect of earlier monetary policy tightening. At the moment the market is pricing around a 12% chance of a December move with a 25bp hike fully priced for March. We see this as a likely outcome and expect 100bp of rate hikes from the BoC next year.

UK jobs numbers to edge the Bank of England closer to December rate hike

Before hiking rates for the first time, the Bank of England has made it clear it wants to get more clarity on what's going on in the jobs market now the furlough scheme has ended. Next week's data will give us further clues, but early evidence suggests there hasn't been a huge spike in redundancies now wage support has stopped. We are more likely to see some underemployment - perhaps early retirements or people working fewer hours than they'd like. But barring a huge negative surprise, recent comments suggest policymakers will proceed with a rate hike - and most likely at the December meeting (or at the latest February).

Inflation is only going in one direction for now, and we expect another jump next week on the recent increase in the energy price cap. We expect headline CPI to peak at around 4.5% next April.

Key events next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 15 November					
Sweden	0830	Oct CPIF (MoM%/YoY%)	-/-		0.5/2.8
Tuesday 16 November					
US	1330	Oct Retail Sales (MoM%)	1.5	1.0	0.7
	1415	Oct Industrial Production (MoM%)	0.9	0.8	-1.3
France	0745	Oct CPI (MoM%/YoY%)	-		0.4/2.6
UK	0700	Sep ILO Unemployment Rate	4.4		4.5
	0700	Sep Employment Change	150		235
Netherlands	0830	Q3 GDP Prelim (QoQ%/YoY%)	1.6/4.5		3.8/10.4
Eurozone	1000	Q3 GDP Revised (QoQ%/YoY%)	-/-		2.2/3.7
Wednesday 17 November					
UK	0700	Oct CPI (MoM%/YoY%)	0.7/3.8		0.3/3.1
Canada	1330	Oct CPI Inflation (MoM%/YoY%)	0.5/4.4		0.2/4.4
Greece	1000	Sep Unemployment rate	-		13.9
Euro Zone	1000	Oct CPI (YoY%)	-		4.1
Thursday 18 November					
US	1230	Initial Jobless Claims	-		-
	1230	Cont Jobless Claims	-		-
Sweden	0830	Oct Unemployment Rate	-		8.2
Friday 19 November					
UK	0700	Oct Retail Sales (MoM%/YoY%)	0.4/-2.0		-0.2/-1.3
Canada	1330	Sep Retail Sales (MoM%)	1.2		2.1
Eurozone	0900	Sep Current Account, EUR	-		13.39

Source: Refinitiv, ING

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