

Key events in developed markets next week

The Federal Reserve's 75bp rate hike this week - and indications of further significant action ahead - leave the US housing market vulnerable to a correction. Home sales data next week may offer clues as to how big that correction might be. In the UK, meanwhile, inflation data could provide some insight into the Bank of England's next move



Source: Shutterstock

US: Housing and related markets are left vulnerable from Fed policy

With the Federal Reserve signalling it has a strong stomach for the fight against inflation we have to expect further significant interest rate hikes in coming months. But by going harder and faster into restrictive territory there is a greater risk of a hard landing and a potential recession. The housing market is particularly vulnerable given prices are up nearly 40% nationally since the start of the pandemic due to stimulus-fuelled demand vastly outstripping the limited supply of properties for sale. Now that mortgage rates have surged higher and consumer confidence has plunged, we are already starting to see demand weaken and supply rise. The number of new home sales plunged 16.6% in April and we will be looking to see if there is any rebound in May. Existing home sales are measured when the keys are received rather than when the contracts are signed (as for new home sales) so we expect to see a big drop in May's existing home sales. This is

worrying as residential construction accounts for more than 2% of economic output while housing transactions also correlate strongly with spending on furniture, home furnishings, and electronics.

UK inflation set to remain elevated amid rising energy costs

The Bank of England has kept the door firmly ajar to a 50bp rate hike in August, and whether it follows through with this will in part depend on whether we get another upside inflation surprise next week. We expect a slight acceleration in the headline rate, though the impact of the latest rise in petrol prices won't feed through until we get the June figures in July. Whether or not inflation goes higher from here will partly depend on how the ONS classifies the government's recently-announced energy price discounts. But either way, even if inflation doesn't go dramatically higher from here, it's unlikely to fall much, if at all, through the rest of this year. However, we should begin to see more meaningful declines in 2023 as energy effects fade and wage pressures begin to cool.

Norges Bank likely to accelerate hiking cycle with 50bp rate hike

Norway's central bank has already told us it is going to hike next week, and it has also hinted that it could step up the pace from its recent string of 25bp moves. With oil prices high and global market interest rates rising, we think Norges Bank will follow through with a 50bp hike next week – or failing that, hint strongly that it could begin hiking at every meeting, as opposed to every alternate one.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 21 June					
US	1500	May existing home sales (mn)	5.4	5.41	5.6
Canada	1330	Apr Retail Sales (MoM%)	0.6		0.0
Eurozone	1000	Apr Current Account SA, EUR	-		-1.6
Wednesday 22 June					
UK	0700	May CPI (MoM%/YoY%)	0.6/9.1		2.5/9.0
Canada	1330	May CPI Inflation (MoM%/YoY%)	0.9/7.3		0.6/6.8
Sweden	0700	May Unemployment Rate	-		8.2
Eurozone	1500	Jun Consumer Confidence Flash	-		-21.1
Thursday 23 June					
US	1330	Q1 Current Account	-290.0	-284.8	-217.9
	1330	Initial Jobless Claims (000s)	235		229
	1330	Cont Jobless Claims (000s)	1320		1312
Germany	0830	Jun Markit Composite Flash PMI	52.9		53.7
France	0815	Jun Markit Composite Flash PMI	-		57.0
UK	0930	Jun Flash Manufacturing PMI	54.5		54.6
	0930	Jun Flash Services PMI	53		53.4
Norway	0900	Key Policy Rate	1.25		0.75
Eurozone	0900	Jun Markit Manufacturing Flash PMI	-		54.6
	0900	Jun Markit Services Flash PMI	-		56.1
	0900	Jun Markit Composite Flash PMI	-		54.8
Friday 24 June					
US	1500	Jun U Mich Sentiment Final	50.2	50.2	50.2
	1500	May New Home Sales-Units	0.61	0.63	0.59
Germany	0900	Jun Ifo Business Climate	92		93.0
	0900	Jun Ifo Current Conditions	98.5		99.5
	0900	Jun Ifo Expectations	85.9		86.9
UK	0700	May Retail Sales (MoM%/YoY%)	-1.0/-4.7		1.4/-4.9
Italy	0900	Jun Consumer Confidence	103.1		102.7
Spain	0800	Q1 GDP (QoQ%/YoY%)	-/-		0.3/6.4

Authors

James Knightley

Chief International Economist

james.knightley@ing.com

James Smith

Developed Markets Economist

james.smith@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.