

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



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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

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