

## Key events in developed markets next week

With some hawkish comments from Federal Reserve officials and the Fed's favoured measure of inflation looking set to remain elevated, a pause at the June FOMC policy meeting is not a foregone conclusion. For the UK, inflation data next week will heavily determine whether policymakers pause the tightening cycle



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### **US: Market on edge about a possible June rate hike**

Market interest rate expectations have shifted higher over the past week thanks to a combination of favourable headlines offering hope that a default-averting deal to raise the debt ceiling can be agreed upon this coming week, plus some hawkish comments from Federal Reserve officials that mean a pause at the June FOMC policy meeting isn't a foregone conclusion. These same two issues will dominate market thinking this coming week. Politicians have talked about the possibility that a vote could be held to raise the debt ceiling as early as next week. This would be a very positive outcome, but given the personalities of the people involved, we must remain cautious until the deal is signed and approved. If talks break down, this would lead to a rapid deterioration in market sentiment.

Data includes GDP revisions, the minutes of the last FOMC meeting, and the Fed's favoured measure of inflation: the core personal consumer expenditure deflator. This inflation measure

looks set to remain elevated, which could keep the market on edge about a possible June interest rate hike. Nonetheless, the activity backdrop continues to soften with real consumer spending set to come in flat on the month in April. Recession risks remain high given the rapid tightening in lending conditions in the wake of recent bank failures and we still see the potential for lower interest rates before the end of the year.

## **UK: Inflation data to heavily determine BoE's June decision**

Next week's UK inflation data is one of two such releases ahead of the June Bank of England meeting, and will heavily determine whether policymakers pause the tightening cycle, as we expect, or hike by a further 25 basis points. More specifically, this hinges on whether we get an unexpected surge in services inflation, which otherwise looks like it's close to a peak.

Wage pressures appear to be abating, though slowly, while lower gas prices are good news for the hospitality sector, which represents a large proportion of the recent increase in overall services inflation. We'll also be watching retail sales which may partially rebound after a very wet March depressed spending, and in general, the prospect of reduced real wage pressure and improving consumer confidence suggests the worst is behind us for the sector.

## **Key events in developed market next week**

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 22 May</b>					
Eurozone	1500	May Consumer Confidence Flash	-		-17.5
<b>Tuesday 23 May</b>					
US	1445	May S&P Global Manufacturing PMI Flash	-		50.2
	1445	May S&P Global Services PMI Flash	-		53.6
	1445	May S&P Global Composite Flash PMI	-		53.4
	1500	Apr New Home Sales-Units (000s)	670	660	683
Germany	0830	May S&P Global Manufacturing Flash PMI	44.2		44.5
	0830	May S&P Global Service Flash PMI	55		56
	0830	May S&P Global Composite Flash PMI	52.4		54.2
France	0815	May S&P Global Composite Flash PMI	-		52.4
UK	0930	May Flash Composite PMI	54.6		54.9
	0930	May Flash Manufacturing PMI	48		47.8
	0930	May Flash Services PMI	55.5		55.9
Eurozone	0900	Mar Current Account SA (EUR bn)	-		24.32
	0900	May S&P Global Manufacturing Flash PMI	-		45.8
	0900	May S&P Global Services Flash PMI	-		56.2
	0900	May S&P Global Composite Flash PMI	-		54.1
<b>Wednesday 24 May</b>					
US	1700	FOMC minutes	-	-	-
Germany	0900	May Ifo Business Climate	-	93	93.6
	0900	May Ifo Current Conditions	-	94	95
	0900	May Ifo Expectations	-	92	92.2
UK	0700	Apr Core CPI (YoY%)	6.3		6.2
	0700	Apr CPI (MoM%/YoY%)	0.7/8.1		0.8/10.1
<b>Thursday 25 May</b>					
US	1330	Q1 GDP 2nd Estimate	1.1	1.1	1.1
	1330	Q1 GDP Deflator Prelim	4	4	4
	1330	Q1 Core PCE Prices Prelim	4.9	4.9	4.9
	1330	Initial Jobless Claim (000s)	250		242
	1330	Continue Jobless Claim (000s)	1820		1799
Germany	0700	Q1 GDP Detailed (QoQ%/YoY%)	0/0.2		0/0.2
	0700	Jun GfK Consumer Sentiment	-24		-25.7
Sweden	0700	Apr Unemployment Rate	-		7.7
<b>Friday 26 May</b>					
US	1330	Apr Personal Income (MoM%)	0.4	0.4	0.3
	1330	Apr Personal Consump Real (MoM%)	0.0		0
	1330	Apr Consumption, Adjusted (MoM%)	0.4	0.4	0
	1330	Apr Core PCE Price Index (MoM%)	0.3	0.3	0.3
	1330	Apr Durable Goods	-1.4	-1	3.2
	1500	May U Mich Sentiment Final	57.9	57.7	57.7
UK	0700	Apr Retail Sales (MoM%/YoY%)	0.6/-2.5		-0.9/-3.1
Italy	0900	May Consumer Confidence	107		105.5

Source: Refinitiv, ING

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