

Key events in developed markets next week

Strong economic activity across developed markets is allowing central banks to end Covid containment measures and begin their tightening cycles



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✓ US: QE asset purchases to end early

The Federal Reserve meeting will be the main focus and we strongly suspect that we could see the announcement of the ending of QE asset purchases brought forward from the mid-March end-point currently signalled, to an immediate cessation. In an environment where the economy has fully recovered the lost output from the pandemic, where unemployment is back below 4% and where inflation is at near 40-year highs, it seems strange to say the least for them to continue stimulating the economy. We also expect the Bank to indicate that March is the likely lift-off point for interest rates and confirm expectations that the balance sheet will start to be reduced later in the year. However, policymakers may note some caution on near-term activity relating to Omicron, which has seen consumer caution kick in while increased worker absences on health grounds are also set to have hit the economy hard in the December-January period. Nonetheless, Covid cases appear to have peaked and a swift economic rebound in February and March should allow the Bank to hike rates by 25bp on 16 March.

4Q GDP expectations have been reduced in recent weeks on the back of the softer December

activity figures and so we think GDP growth of 5.2% annualised is more likely than the 6% rate we have previously expected. December personal income and spending should back this view, with spending set to fall sharply given the steep decline already seen in the retail sales figures.

Canada: First rate hike of many expected next week

Separately, we now look for the Bank of Canada to raise interest rates 25bp at the 26 January meeting – the same day as the Fed. Activity is strong, the economy is at record employment and inflation is at 30-year highs. Covid containment measures are also set to be eased at the end of the month and this should signal the green light to hike rates. At least three more hikes are likely this year with some analysts expecting as many as five increases.

UK PMIs unlikely to give many Omicron clues

The UK's services purchasing managers index already staged a fairly sharp fall in December on the arrival of Omicron. And since then, other data suggests the economic impact probably hasn't been huge, and may have begun to improve in January. Worker illness will have held back production for many industries, particularly consumer services where other surveys have shown absence rates to be highest. But consumer spending, at least at social venues, appears to have begun to rebound now that individuals are less cautious about self-isolating (which was the case ahead of Christmas). We expect a flat or marginally higher PMI reading than December, though we'd note these numbers haven't had a great track record of predicting GDP moves through the pandemic. Regardless, the Bank of England appears on track to hike rates again in February.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 24 January					
US	1445	Jan Markit Composite Flash PMI	-		57.0
Germany	0830	Jan Markit Manufacturing Flash PMI	58		57.4
	0830	Jan Markit Service Flash PMI	48		48.7
	0830	Jan Markit Composite Flash PMI	49.6		49.9
France	0815	Jan Markit Composite Flash PMI	-		55.8
UK	0930	Jan Flash Composite PMI	54		53.6
	0930	Jan Flash Manufacturing PMI	57.5		57.9
	0930	Jan Flash Services PMI	54		53.6
Eurozone	0900	Jan Markit Manufacturing Flash PMI	58		58.0
	0900	Jan Markit Services Flash PMI	52.5		53.1
	0900	Jan Markit Composite Flash PMI	52.6		53.3
Tuesday 25 January					
US	1400	Nov CaseShiller 20 (MoM%/YoY%)	0.9	1.0	0.9
	1500	Jan Consumer Confidence	110.0	112.0	115.8
Germany	0900	Jan Ifo Business Climate	95		94.7
	0900	Jan Ifo Current Conditions	95		96.9
	0900	Jan Ifo Expectations	94		92.6
Wednesday 26 January					
US	1500	Dec New Home Sales-Units	0.76	0.77	0.74
	1900	Fed Funds Target Rate	0.125	0.125	0.125
	1900	Fed Interest On Excess Reserves	0.15	0.15	0.15
Canada	1500	BoC Rate Decision	-		0.25
Thursday 27 January					
US	1330	4Q GDP (QoQ% annualised)	5.2	5.8	2.3
	1330	Dec Durable Goods	-0.4	-0.2	2.6
	1330	Initial Jobless Claims	-	-	286
	1330	Cont Jobless Claims	-	-	1635
Germany	0700	Feb GfK Consumer Sentiment	-8		-6.8
Friday 28 January					
US	1330	4Q Employment Cost index (QoQ%)	1.3	1.1	1.3
	1330	Dec Personal Income (MoM%)	0.5	0.5	0.4
	1330	Dec Consumption, Adjusted (MoM%)	-0.9	-0.7	0.6
	1330	Dec Core PCE Price Index (MoM%)	0.5	0.5	0.5
	1500	Jan U Mich Sentiment Final	68.5	68.8	68.8
	0630	Q4 GDP Preliminary (QoQ%/YoY%)	-/-		3/3.3
Italy	0900	Jan Consumer Confidence	117		117.7
Sweden	0700	Q4 GDP (QoQ%/YoY%)	1.2/5.5		2/4.7
	0700	Dec Unemployment Rate	-		7.5
Eurozone	0900	Dec Money-M3 Annual Growth	6.6		7.3
	0900	Dec Broad Money	15430000		15390560
	1000	Jan Business Climate	1.5		1.8
	1000	Jan Economic Sentiment	115		115.3
	1000	Jan Consumer Confidence Final	-		-
Germany	-	4Q GDP Growth (QoQ%)	-0.2%		-

Source: Refinitiv, ING, *GMT

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