

Key events in developed markets next week

Expect the Fed to keep rates on hold next week, as the key focus will be on fiscal talks in the US. Also, keep an eye on UK jobs numbers



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US: fiscal support talks, FED likely to stay on hold and 4Q GDP

Joe Biden will be keen to build momentum behind his \$1.9tn fiscal support package for the US economy, but given many in the Republican party have re-discovered fiscal conservatism it may not be straightforward. Democrats will need to work with moderate Republicans to get past the Senate filibuster that require 60 Senators putting the proposals to a vote. This is obviously possible, but if it isn't, there is a work-around via the budget reconciliation process. This allow a simple majority to adopt certain bills addressing entitlement spending and revenue provisions, thereby prohibiting a filibuster. However, it is not available for all of the package, including the money for local and state governments. This implies some compromises will end up being made.

We also have a Federal Reserve policy meeting, but no changes are expected. The recent pick-up in market inflation expectations and bond yields is likely going to have to be addressed in the Q&A session that follows. We suspect the Fed will retain the line that there are still economic risks and significant spare capacity in the economy that will help to keep inflation contained while they are likely to dismiss talk of a near-term tapering of their \$80bn of Treasury purchases and \$40bn of

MBS purchases every month for similar reasons.

Data-wise the highlight will be 4Q GDP growth. Expectations have been lowered marginally on the back of weaker consumer spending numbers and falling employment in December, but we should still expect a 4%+ growth figure. We are more worried about Q1 given the loss of economic momentum following the latest Covid spikes and the reintroduction of containment measures in many areas. Nonetheless, with vaccinations getting underway and household savings levels at record highs there are clear reasons for optimism regarding 2Q21.

UK jobs numbers to show impact of original furlough deadline

The UK's furlough scheme was originally due to expire last October, to be replaced by a condition that staff were brought back on a part-time basis to be able to continue receiving some state wage subsidies. While that ultimately didn't happen – and the original scheme was extended until this April – redundancies increased ahead of that original deadline as firms hard-hit by the pandemic prepared to reduce headcount.

Next week's job figures will give us a more complete picture of how this increased unemployment. There's some evidence firms began taking action weeks before the changes – redundancies peaked in September, and weekly data shows the jobless rate had correspondingly climbed by around 1 percentage-point to 5.5% in late October. It is likely this will have pushed towards 6% in November (though remember the headline figure we get is a three month average).

Will it rise further in 2021? Quite possibly, though a lot depends on how/when the furlough scheme is unwound. If this happens before the hardest hit sectors are reopened, then we could see the unemployment rate rise towards 7-8%

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 25 January					
Germany	0900	Jan Ifo Business Climate New	91.0		92.1
	0900	Jan Ifo Curr Conditions New	90.0		91.3
	0900	Jan Ifo Expectations New	92.5		92.8
Eurozone	1000	Jan Business Climate	-		-0.41
	1000	Jan Economic Sentiment	85.0		90.4
	1000	Jan Consumer Confidence Final	-17.0		
Tuesday 26 January					
US	1400	Nov CaseShiller 20 (MoM/YoY%)	0.5/8.1	0.7	1.6/7.9
	1500	Jan Consumer Confidence	88.0	89.0	88.6
UK	0700	Nov ILO Unemployment Rate	5.3		4.9
Wednesday 27 January					
US	1330	Dec Durable Goods	1.4	1.0	1.0
	1330	Dec Durables Ex-Transport	0.6	0.5	0.4
	1900	Fed Funds Target Rate	0.125	0.125	0.125
	1900	Fed Interest On Excess Reserves	0.1	0.1	0.1
Japan	2350	Dec Retail Sales (YoY%)	-1.5		0.7
Germany	0700	Feb GfK Consumer Sentiment	-7.9		-7.3
France	0745	Jan Consumer Confidence	-		95.0
Australia	0030	Q4 CPI (QoQ/YoY%)	0.4/0.5		1.6/0.7
New Zealand	2145	Dec Imports	-		4.95
	2145	Dec Trade Balance	-		252.0
	2145	Dec Exports	-		5.2
Sweden	0830	Dec Trade Balance	-		1.4
Austria	0900	Jan Purchasing Managers Idx	-		53.5
Thursday 28 January					
US	1330	4Q GDP (annualised QoQ%)	4.2	4.8	33.4
	1500	Dec New Home Sales-Units (mn)	0.84	0.877	0.841
Japan	2330	Jan CPI Tokyo Ex fresh food (YoY%)	-		-0.9
	2330	Jan CPI, Overall Tokyo	-		-1.3
	2330	Dec Jobs/Applicants Ratio	-		1.06
	2330	Dec Unemployment Rate	3.0		2.9
	2350	Dec Industrial O/P Prelim (MoM/YoY%) SA	1.0/-4.2		-0.5/-3.9
Germany	1300	Jan CPI Prelim (MoM/YoY%)	0.0/0.1		0.5/-0.3
	1300	Jan HICP Prelim (MoM/YoY%)	0.0/0.2		0.6/-0.7
Italy	0900	Jan Consumer Confidence	-		102.4
Spain	0800	Q4 Unemployment Rate	-		16.26
Canada	1330	Dec Building Permits (MoM%)	-		12.9
Norway	0700	Nov Labour Force Survey	-		5.2
Sweden	0830	Dec Retail Sales (MoM/YoY%)	-/-		0.8/5.7
	0830	Dec Unemployment Rate	-		7.7
Friday 29 January					
US	1330	Dec Personal Income (MoM%)	0.1	0.10	-1.1
	1330	Dec Personal Consump Real (MoM%)	-0.6		-0.4
	1330	Dec Consumption, Adjusted (MoM%)	-0.4	-0.5	-0.4
	1330	Dec Core PCE Price Index (MoM%)	0.2	0.2	0.0
	1445	Jan Chicago PMI	58	58.5	59.5
	1500	Jan U Mich Sentiment Final	79.2		79.2
	1500	Dec Pending Sales Change (MoM%)	-1.2	-1.0	-2.6
Japan	-	Dec Housing Starts (YoY%)	-		-3.7
Germany	0900	Q4 GDP Flash (QoQ/YoY%) SA	0.2/-3.9		8.5/-3.9
France	0630	Dec Consumer Spending (MoM%)	-		-18.9
	0630	Q4 GDP Preliminary (QoQ/YoY%)	-/-		18.7/-3.9
Spain	0800	Jan HICP Flash (YoY%)	-		-0.6
	0800	Dec Retail Sales (YoY%)	-		-4.3
Canada	1330	Nov GDP (MoM%)	0.2		0.4
	1330	Dec Producer Prices (MoM%)	-		-0.6
Australia	0030	Dec Private Sector Credit	-		0.1
	0030	Dec Housing Credit	-		0.3
Switzerland	0800	Jan KOF Indicator	-		104.3
	0800	Dec Official Reserves Assets CHF	-		937024
Eurozone	1000	Dec Money-M3 Annual Grwth	10.2		11.0

Source: ING, Refinitiv

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