

Key events in developed markets next week

The Fed meeting and 2Q GDP release will be the focal points next week. In the Eurozone, expect a sharp rebound in growth as we get GDP, inflation and unemployment figures



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US: Growing hawkishness among Fed members as key milestones expected in GDP recovery

After a very quiet week for US macro news we are back with a bang with the release of 2Q GDP and the Federal Reserve's July FOMC policy decision together with several other data points of note.

In terms of the Federal Reserve, Jerome Powell made it clear in his recent testimony to Congress that he continues to believe inflation pressures will be largely transitory and there isn't any pressing need to signal an imminent shift in policy given the fact that employment levels remain 6 million lower than before the pandemic started. Consequently, we are not expecting any change in the Fed funds target rate range of 0-0.25%, nor do we expect the Fed to lower its monthly asset QE asset purchases, which are currently running at \$120bn per month

Nonetheless, there is a growing hawkishness creeping into the viewpoints expressed by other FOMC members and given the strong economy with inflation that is running at more than double

its target we continue to believe that the August Jackson Hole Conference will see Fed officials starting to lay the groundwork for a QE taper with this fleshed out in more detail at the September FOMC meeting before being formally announced in December.

We see the risks to this time frame being skewed to a slightly swifter path since we see labour market supply issues being more sustained than the Fed is currently suggesting. There is growing evidence that an acceleration in early retirements are the biggest factor behind weaker labour supply and this is a permanent loss rather than the other factors often highlighted as constraints on worker supply such as extended unemployment benefits, childcare issues and Covid wariness.

2Q GDP is the main data release of note and while expectations have been pared back over recent weeks it is still expected to be strong – we are forecasting growth of around 9.5% annualised. This would mark the return of all the lost output caused by the pandemic and is a key milestone in the recovery process.

The reason for lower expectations is that supply chain bottlenecks and labour market shortages have meant that supply has not been able to keep pace with demand and that means output is lower than it could have been. This also has consequences for inflation with rising corporate pricing power set to mean inflation at high levels is going to be long lasting. This will again be evident in the Fed's favoured measure of inflation – the core personal consumer expenditure deflator.

Other data releases include house prices, which should hit new highs as a lack of properties amidst vibrant demand adds to upside pressures. Elsewhere, Boeing experienced a huge jump in aircraft orders in June – 219 versus 73 in May – and this will lift durable goods orders more broadly while the ex-aircraft numbers will still be good based on the ISM report.

Eurozone: Rebound in GDP and higher inflation expected as recovery gets underway

With all of continental Europe on vacation, Eurostat staff will be working extra hours this week with inflation, GDP and unemployment released next Friday.

Expect a sharp rebound for eurozone GDP growth in 2Q as the recovery gets underway. The figure may be slightly underwhelming due to supply chain problems hitting manufacturing and closed shops earlier in the quarter. Nevertheless, a big number can be expected as the economy was open for far longer on average than it was in 1Q.

Inflation will also be key with expectations of a higher reading thanks to German VAT effects, higher goods inflation and perhaps some reopening effects in services.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 26 July					
US	1500	Jun New Home Sales-Units (000s)	820.0	800.0	769.0
Germany	0900	Jul Ifo Business Climate	101.0		101.8
	0900	Jul Ifo Current Conditions	100.0		99.6
	0900	Jul Ifo Expectations	103.0		104.0
Tuesday 27 July					
US	1330	Jun Durable Goods	3.5	1.8	2.3
	1400	May CaseShiller 20 (MoM/YoY%)	1.8/16.5	1.5/-	1.6/14.9
	1500	Jul Consumer Confidence	124.5	124	127.3
Sweden	0830	Jun Trade Balance	-		5.1
Euro Zone	0900	Jun Money-M3 Annual Growth	8.2		8.4
	0900	Jun Broad Money	-		14847000
Wednesday 28 July					
US	1900	Fed Funds Target Rate	0-0.25	0-0.25	0-0.25
	1900	Fed Interest On Excess Reserves	0.15	0.15	0.15
Germany	0700	Aug GfK Consumer Sentiment	-0.7		-0.3
France	0745	Jul Consumer Confidence	-		102
Italy	0900	Jul Consumer Confidence	115.5		115.1
Canada	1330	Jun CPI (MoM%/YoY%)	-/-		0.5/3.6
	1330	Jun Core CPI (MoM/YoY%)	-		0.4/2.8
Sweden	0830	Jun Retail Sales (MoM%/YoY%)	-/-		2.3/10.3
Austria	0900	Jul Purchasing Managers Index	-		67.0
Thursday 29 July					
US	1330	Initial Jobless Claims	-		-
	1330	Cont Jobless Claims	-		-
	1330	2Q GDP (QoQ% annualised)	9.5	8.0	6.4
Germany	0855	Jul Unemployment Rate SA	5.9		5.9
	1300	Jul CPI Prelim (MoM/YoY%)	0.8/3.0		0.4/2.3
Spain	0800	Jul CPI (YoY%) Flash	-		2.7
	0800	Jul CPI (MoM%) Flash	-		0.5
	0800	Q2 Unemployment Rate	-		16.0
Sweden	0830	Q2 GDP (QoQ/YoY%)	0.7		1.1
	0830	Jun Unemployment Rate	-		9.8
Euro Zone	1000	Jul Business Climate	-		1.7
	1000	Jul Economic Sentiment	119.3		117.9
	1000	Jul Consumer Confidence Final	-		-
Friday 30 July					
US	1330	Jun Personal Income (MoM%)	0.2	0.2	-2.0
	1330	Jun Personal Consumption Real (MoM%)	0.2		-0.4
	1330	Jun Core PCE Price Index (MoM%)	0.7	0.7	0.5
	1330	2Q Employment Cost Index (QoQ%)	1	0.9	0.9
	1445	Jul Chicago PMI	67		66.1
	1500	Jul U Mich Sentiment Final	81.5	81.3	80.8
Germany	0700	Q2 GDP Flash (QoQ%)	2/9.6		-1.8/-3.4
France	0630	Jun Consumer Spending (MoM%)	-		10.4
	0630	Q2 GDP Preliminary (QoQ/YoY%)	-/-		-0.1/1.2
	0745	Jul CPI Flash (MoM/YoY%)	-		0.2/1.9
Italy	0800	Jun Unemployment Rate	10.6		10.5
	0900	Q2 GDP Flash (QoQ/YoY%)	0.9/15.1		0.1/-0.8
	1000	Jul CPI Flash (MoM/YoY%)	-0.25		0.2/1.3
Spain	0800	Jun Retail Sales (YoY%)	-		19.6
Canada	1330	May GDP (MoM%)	-		-0.3
Switzerland	0800	Jul KOF Indicator	-		133.4
	0800	Jun Official Reserves Assets CHF	-		966285.42
Portugal	0930	Jul CPI Flash (MoM/YoY%)	-/-		0.2/0.5
Euro Zone	1000	Jul CPI Flash (YoY%)	2.1		1.9
	1000	Jul Core CPI Flash (YoY%)	1		0.9
	1000	Q2 GDP Flash (QoQ/YoY%)	1.5/13.2		-0.3/-1.3
	1000	Jun Unemployment Rate	7.9		7.9

Source: Refinitiv, ING, *GMT

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