

## Key events in developed markets next week

Uncertainty over a continuation of the pandemic means that central bank policy remains unclear in the UK. Meanwhile, a partial recovery in the US labour market may prove insufficient amid a resurgence in Covid-19 cases across the country



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### **US: Improving labour markets may be insufficient for a V-shaped recovery as Covid-19 cases rise**

America will be celebrating Independence Day at the end of the week and we are hopeful that the forthcoming data will bring more cheer. The obvious focus will be the jobs report, which will be published on Thursday due to 3 July being a national holiday. With all states now experiencing some form of reopening, we should see another sizeable pick-up in employment, as workers return to their jobs. We look for payrolls to rise by around 3.5 million, but we have to remember that millions more remain out of work, with Google Mobility data suggesting in many states, especially in populous ones like New York, New Jersey and California, consumer and business activity remains far from normal.

The unemployment rate should move slightly lower, but we caution that this is not a reliable indicator and understates the true rate of joblessness. To be recorded as unemployed by the Bureau for Labour Statistics you have to be actively job hunting, however, given the dislocating

effects of the Covid-19 containment measures you do not have to be actively looking to claim benefits. As such, the “true” unemployment rate is likely still around 20%. Average hourly earnings will fall sharply, but this is a statistical effect caused by lots of relatively low earning workers regaining employment, dragging the “average” level of hourly wages lower. It is meaningless.

As for activity, the ISM manufacturing index should bounce sharply, but we must remember that even if it rises to 50, as we expect, that does not suggest growth, as the level of activity is down hugely on where we were at the start of the year.

Despite this positive backdrop we remain somewhat cautious on the outlook given the rising number of Covid-19 cases and the potential for states to pause or even roll back some of their phased reopening plans, which could hurt sentiment and activity. Meanwhile, the timely Homebase jobs numbers suggest employment has softened over the past week or so, which perhaps hints that final demand may not be as strong as we would have liked to see, with businesses needing to “right size” their workforce. And with the \$600 Federal boost to weekly unemployment benefit payments scheduled to end in five weeks, we could see a big reduction in household incomes. As such, we expect to hear more talk of additional fiscal support in the coming weeks.

## **Bank of England speakers in focus as markets mull policy preferences**

We’ve detected a bit of a policy shift at the Bank of England. The BoE’s decision to taper its quantitative easing purchases was coupled by a comment from Governor Andrew Bailey that he’d prefer to unwind the balance sheet ahead of raising interest rates – a clear departure from the Carney-era guidance that this process wouldn’t occur until the Bank rate hit 2%. While that debate might sound a bit academic at the moment given where we are in the cycle, it does have a couple of more immediate implications. Firstly, it could perhaps sow the odd seed of doubt among some investors about the willingness to significantly ramp up QE again if we were to see another bout of market turmoil (although in the event we suspect policymakers would do so). Secondly, it may help fuel the debate about whether the BoE will adopt negative rates. Policymakers haven’t ruled out doing so, although we still suspect it’s probably unlikely, at least in the near-term.

We mention all of this because we have a series of policy speeches over the next week, including from BoE Chief Economist Andy Haldane, who recently dissented from the decision to expand QE. Look out for further clues on possible shifting policy preferences.

## **Developed Markets Calendar**

Country	Time Data/event	ING	Survey	Prev.
<b>Saturday 27 June</b>				
Eurozone	1005 ECB's Schnabel Speaks in a Panel			
<b>Monday 29 June</b>				
US	1600 Fed's Daly Takes Part in a Panel on College Attainment 2000 Fed's Williams and IMF's Georgieva Speak			
Japan	0050 May Retail trade (MoM/YoY%)	-/-	-/-	-9.9/-13.9
Eurozone	1000 Jun Economic Confidence 1000 Jun F Consumer Confidence	88.0	-	67.5 -14.7
Germany	1300 Jun P CPI (MoM/YoY%)	1.0/0.2	-/-	-0.1/0.6
UK	1030 BOE's Bailey, Breeden Speak at Climate Financial Risk Forum 1330 BOE's Vlieghe Speaks on Macroeconomic Tail Risk, Asset Prices			
Spain	0800 Jun P HICP (MoM/YoY%)	-/-	-/-	0.1/-0.9
<b>Tuesday 30 June</b>				
US	1500 Jun Consumer Confidence 1600 Fed's Williams Speaks on Central Banking in the Age of Covid	88.0	90.0	86.6
Japan	0050 May P Industrial production - Prel (MoM/YoY%)	-/-	-/-	-9.8/-15
Eurozone	1000 Jun P CPI (MoM/YoY%) 1000 Jun P Core CPI (YoY%)	0.2/0.0 1.1	-/-	-0.1/0.1 0.9
UK	1200 ECB's Schnabel Speaks at IIF event 0700 1Q F GDP (QoQ/YoY%)	-2.0/-1.6	-/-	-2.0/-1.6
Italy	1500 BOE's Cunliffe Speaks on Central Banking in the Covid-19 Age 1000 Jun P HICP (YoY%)	-0.4	-	-0.3
Canada	1330 Apr GDP (MoM/YoY%)	-/-	-10.5/-16	-7.2/-5.8
Australia	0330 RBA's Debelle Speech at Webinar Event			
Norway	0700 May Credit Indicator (YoY%)	-	-	4.6
<b>Wednesday 1 July</b>				
US	1315 Jun ADP Employment Change ('000's) 1500 Jun ISM Manufacturing 1900 Jun FOMC Meeting Minutes	2800.0 50.0 -	2450.0 48.5 -	-2760.4 43.1 0.0
Japan	0050 2Q Tankan Manufacturing Index 0050 2Q Tankan Non-manufacturing Index 0600 Jun Consumer confidence index	- - -	-31.0 -20.0 -	-8.0 8.0 24.0
Eurozone	0900 Jun F Markit Manufacturing PMI	49.6	45	46.9
Germany	0855 Jun Unemployment Change ('000's) 0855 Jun Unemployment Rate (%)	- 6.5	- -	238.0 6.3
UK	0930 Jun F Markit/CIPS Manufacturing PMI 1200 BOE Policy Maker Haskel Speaks on Webinar	50.1	45	50.1
Norway	0900 Jun DNB/NIMA Manufacturing PMI	-	-	45.9
Sweden	0830 Riksbank Interest Rate	0.00	-	0.00
<b>Thursday 2 July</b>				
US	1330 May Trade Balance (US\$bn) 1330 Jun Change in Nonfarm Payrolls ('000s) 1330 Jun Unemployment Rate (%) 1330 Jun Average Hourly Earnings (MoM/YoY%) 1330 Jun Participation Rate 1330 Jun Initial jobless claims ('000s)	-54.0 3500.0 12.8 -0.6/-5 60.5 1350.0	-49.3 3250.0 12.1 -0.2/- -	-49.4 2509.0 13.3 -1.0/6.7 60.8 1508.0
Japan	0050 Jun Monetary base (JPY tr)	-	-	543.4
Eurozone	1000 May Unemployment Rate (%)	7.7	-	7.3
Australia	0230 May Trade balance (A\$m)	-	-	8800.0
<b>Friday 3 July</b>				
Eurozone	0900 Jun F Markit Services PMI 0900 Jun F Markit Composite PMI 1300 ECB's Knot Speaks at Bloomberg EU Policy Series Event	47.3 -	41.5 43	47.3 47.5
UK	0930 Jun F Markit/CIPS Services PMI 0930 Jun F Markit/CIPS Composite PMI	47.00 47.6	40.00 41.2	47.00 47.6
Australia	0230 May Retail sales (MoM%)	-	-	-17.7
Norway	0900 Jun Unemployment Rate	-	-	6.4
Sweden	0730 Jun Swedbank/Silf Services PMI	-	-	40.9

Source: ING, Bloomberg

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