

Key events in developed markets next week

After the Federal Reserve's hawkish shift, the US jobs report next week will be key for financial markets



Source: Shutterstock

US: Persistent inflation pressures but unstable labour supply

The coming week will be a big one for US data given the Federal Reserve has indicated it is now far more open to the idea of scaling back its policy stimulus measures. With inflation pressures looking set to remain elevated for longer than policymakers initially thought and the economy continuing to boom, the main disappointment is the slower than hoped for recovery in jobs. This will make the June US labour report the key focus for markets next week.

With the reopening well under way, demand for workers is intense yet we have had much weaker than expected jobs numbers. This has been attributed to four key factors. Firstly, many schools are on remote learning, forcing parents to stay at home as well. Secondly, there is still some hesitancy to return to work from some people given the pandemic is ongoing. Thirdly, many people who lost their jobs may have chosen to take early retirement, particularly with surging equity markets having boosted pension pots. Then fourthly we have the extended and uprated Federal unemployment benefits that may have diminished the financial attractiveness of returning to work.

More than half the states have, or are in the process of ending this benefit payment so we may

start to see some potential workers soon return to work. However, we strongly suspect that labour market strains will linger for several more months given we are now entering school summer holiday season and for most people the Federal benefits will continue through to September.

Consequently, while we expect to see a decent employment growth figure in the range of 500-600,000 next Friday, total employment will remain more than six million lower than before the pandemic struck. Nonetheless, the demand is clearly there for workers so we suspect wage rates will continue ticking higher. With more Fed officials hinting that the US economy may be closer to full employment than seemed likely a few months ago we think the next key Fed policy hint will be at the August Jackson Hole conference. This could pave the way for a formal QE asset purchase tapering announcement before year-end.

Other numbers will include the ISM report and consumer confidence. Both should hold at firm levels with the former again highlighting the supply chain strains that are putting up costs and boosting the chances that inflation stays higher for longer.

Sweden: Riksbank on autopilot with tightening years off

With inflation set to remain fairly muted over the coming years, the Riksbank is likely to be one of the latter central banks in the developed market arena to hike interest rates after the Covid-19 crisis. Policymakers are signalling no rate rises over the policy horizon out to 2024, and there's been little change on the macro front since the last meeting to suggest any major changes to that view at next week's meeting.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 28 June					
Sweden	0830	May Retail Sales (MoM/YoY%)	-/-		-1.4/7.2
Tuesday 29 June					
US	1400	Apr CaseShiller 20 (MoM/YoY%)	2.0/15.0		1.6/13.3
	1500	Jun Consumer Confidence	119.5	118.8	117.2
Germany	1300	Jun CPI Prelim (MoM/YoY%)	6.0/2.7		0.5/2.5
France	0745	Jun Consumer Confidence	-		97.0
Spain	0800	Jun CPI (YoY%) Flash NSA	-		2.7
	0800	Jun CPI (MoM/YoY%)	-/-		0.5/41
Sweden	0830	May Trade Balance	-		1.8
Eurozone	1000	Jun Business Climate	-		1.5
	1000	Jun Economic Sentiment	117		114.5
	1000	Jun Consumer Confidence Final	-3.3		-3.3
Wednesday 30 June					
US	1315	Jun ADP National Employment	520	475.0	978.0
	1445	Jun Chicago PMI	70	68.0	75.2
Germany	0855	Jun Unemployment Rate SA	6.0		6.0
France	0745	May Consumer Spending (MoM/YoY%)	-/-		-8.3/1.8
	0745	Jun CPI (EU Norm) Prelim (MoM%)	-		0.3
UK	0700	Q1 GDP (QoQ/YoY%)	-1.5/-6.1		-1.5/-6.1
	0700	Q1 Current Account GBP	-		-26.3
Italy	1000	Jun CPI (EU Norm) Prelim (MoM/YoY%)	-		-0.1/1.2
Canada	1330	Apr GDP (MoM%)	-1.2		1.1
Eurozone	1000	June Headline Inflation (YoY%)	2		
	1000	June Core Inflation (YoY%)	1.2		
Portugal	-	Jun CPI Flash (MoM/YoY%)	-/-		0.2/1.2
Thursday 1 July					
US	1445	Jun Markit Manufacturing PMI Final	-		
	1500	Jun ISM Manufacturing PMI	60.5	61.0	61.2
	1500	Jun ISM Manufacturing Prices Paid	87		88.0
Germany	0855	Jun Markit/BME Manufacturing PMI	-		
France	0850	Jun Markit Manufacturing PMI	-		
UK	0930	Jun Markit/CIPS Manufacturing PMI Final	64.2		64.2
Italy	0845	Jun Markit/IHS Manufacturing PMI	-		62.3
	0900	May Unemployment Rate	-		10.7
Spain	0815	Jun Manufacturing PMI	-		59.4
Norway	0900	Jun Manufacturing DNB PMI SA	-		58.5
Sweden	0830	Riksbank Rate	0.00		0.00
Eurozone	0900	Jun Markit Manufacturing Final PMI	-		
	1000	May Unemployment Rate	7.9		8.0
Friday 2 July					
US	1330	Jun Non-Farm Payrolls	550	600.0	559.0
	1330	Jun Private Payrolls	520	545.0	492.0
	1330	Jun Unemployment Rate	5.7	5.7	5.8
	1330	May International Trade \$	-70	-70.3	-68.9
	1500	May Factory Orders (MoM%)	2	1.3	-0.6
Germany	0700	May Retail Sales (MoM/YoY%)	-/-		-5.5/4.4
Canada	1330	May Trade Balance C\$	1		0.59
	1430	Jun Markit Manufacturing PMI SA	59		57.0

Source: Refinitiv, ING, *GMT

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.