

Key events in developed markets next week

Increasing Covid-19 cases, political uncertainty and unemployment creeping upwards make it a very interesting time in developed markets. Keep an eye out for US and Eurozone labour market data, as well as continued Brexit talks



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US: Uncertainty could increase next week with the jobs report

The rising number of Covid-19 cases globally, election uncertainty and the lack of a new fiscal support package have all weighed on US equities as investors become more cautious on the outlook for growth and corporate profitability. This sense of unease could build next week with some key data, most notably next Friday's September jobs report.

Employment plunged 22.16mn between February and April, but the re-opening of the economy from May has seen more than 10.6mn of those jobs recouped. The market is looking for another increase in September, but of "only" 900k, meaning employment would remain more than 10.5mn lower than February even after five months of gains.

We look for payrolls growth of 850k with the unemployment rate only moving slightly lower as job gains are offset by a rising participation rate

Evidence from high-frequency data, such as payrolls tracking figures from Homebase suggests a plateauing in private sector employment while purchasing managers' indices suggest only modest gains. Set against this we know that last month's employment gain of 1.37mn included 240k government Census workers who were chasing people up to fill in their forms. There is going to be a partial unwind in the September report which will subtract from the headline figure. At the same time, initial and continuing claims remain highly elevated, underlining the strains in the jobs market – remember initial claims remain 200k above the peak level experienced during the Global Financial Crisis. We, therefore, look for payrolls growth of 850k with the unemployment rate only moving slightly lower as job gains are offset by a rising participation rate.

We would just caution that there could be some additional downside risk from the confusion over in-person and remote schooling. With many parents having to stay at home as remote schooling continues in many parts of the country this could further constrain jobs growth.

Other data includes the ISM report, which should rise modestly based on regional manufacturing reports while we also get GDP revisions, August personal income and spending and consumer confidence.

Eurozone: Inflation and unemployment to see little improvement

For the ECB, next week could be an interesting one.

The eurozone will see data released on inflation, which turned negative last month. We don't expect September data to show a turnaround, and it could well be that inflation remains negative for some time to come. Also important is the unemployment rate, which has been creeping up over recent months as furlough schemes have kept mass layoffs in check. We expect moderate increases to continue in the months ahead.

UK: Brexit talks resume as cautious optimism returns

The chances of the UK and the EU agreeing to a trade deal this year seem roughly 50:50.

The publication of the Internal Markets Bill (IMB) two weeks ago, that threatens to override parts of the withdrawal agreement, has cast serious doubt over the process. Yet as talks resume next week, there's some renewed optimism that a breakthrough can still be achieved. The EU's response to the IMB has been measured – Brussels has signalled it could take legal action, but it has been careful not to break-away from negotiations.

The wider political climate – rising Covid-19 cases in the UK, growing support for Scottish independence, among others – are also reportedly pushing the UK government towards reaching an agreement. Still, it's clear the UK won't do a deal at any price, and an agreement would still require a British climb-down on state aid.

It's still not clear that this is the price the government is prepared to pay.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 28 September					
US	1900	Fed's Mester Participates in Economic Equality Webinar			
Japan	0600	Jul F Leading economic index	-	-	86.9
Norway	0700	Aug Retail Sales (Ex. Motor Vehicles, SA, MoM%)	-	-	0.6
Sweden	0830	Aug Retail sales (Ex. Fuel, MoM/YoY%)	-	-	0.71/3.89
Tuesday 29 September					
US	1500	Sep Consumer Confidence	94.0	90.0	84.8
	1325	Fed's Williams Discusses Libor Countdown			
	1415	Fed's Williams Speaks at U.S. Treasury Market Conference			
	1430	Fed's Harker Discusses Machine Learning			
	1800	Fed's Williams Takes Part in a Fireside Chat			
Japan	0050	BOJ Summary of Opinions			
Eurozone	1000	Sep Economic Confidence	88.4	-	87.7
Germany	1300	Sep P CPI (MoM/YoY%)	1.0	-/-	-0.1/0.0
Spain	0800	Sep P HICP (MoM/YoY%)	-/-	-/-	0.0/-0.6
Norway	0730	Norway Bond Issuance Plan for 4Q			
Sweden	0800	Sep Economic Tendency Indicator	-	-	87.0
	0800	Ingves speech on current monetary policy			
Wednesday 30 September					
US	1315	Sep ADP Employment Change (000's)	750.0	650.0	428.4
	1330	2Q T GDP (QoQ Annualised %)	-31.7	-31.6	-31.7
	1600	Fed's Kashkari Discusses Covid and the Economy			
Japan	0050	Aug Retail trade (MoM/YoY%)	-/-	-/-13.5	-3.4/-15.5
	0050	Aug Retail trade (YoY%)	-	-2.9	-2.9
	0050	Aug P Industrial production - Prel (MoM%)	-	1.1	8.7
Eurozone	1000	Sep Flash CPI (YoY%)	-0.3	-	-0.2
	1000	Sep P CPI (MoM/YoY%)	0.2	-/-	-0.4/0.4
	0820	ECB's Lagarde Speaks at ECB and Its Watchers Conference			
Germany	0855	Sep Unemployment Change (000's)	-	-	-9.0
	0855	Sep Unemployment Rate (%)	6.5	-	6.4
UK	0700	2Q F GDP (QoQ/YoY%)	-/-	-/-	20.4/-21.7
Italy	1000	Sep P HICP (YoY%)	-	-	-0.5
		- Bank of Italy to Release 2Q Credit Conditions and Risk			
Canada	1330	Jul GDP (MoM/YoY%)	-/-	2.8/-	6.5/-7.8
Norway	0700	Aug Credit Indicator (YoY%)	-	-	4.6
Sweden	0815	NIER Forecast Update			
	1615	Riksbank's Jansson Participates in a Panel			
Thursday 1 October					
US	1500	Sep ISM Manufacturing	56.5	55.5	56.0
	1600	Fed's Williams Moderates Discussion with Merck's Frazier			
	1600	Fed's Williams gives welcoming remarks at Fintech Conference			
Japan	0050	3Q Tankan Manufacturing Index	-	-23.0	-34.0
	0050	3Q Tankan Non-manufacturing Index	-	-9.0	-17.0
Eurozone	1000	Aug Unemployment Rate (%)	8.0	-	7.9
Norway	0900	Sep DNB/NIMA Manufacturing PMI	-	-	46.1
Sweden	0815	NIER Wage Report 2020			
	0830	Riksbank Publishes Minutes From Sept. 21 Meeting			
Friday 2 October					
US	1330	Sep Change in Nonfarm Payrolls ('000s)	850.0	900.0	1371.0
	1330	Sep Unemployment Rate (%)	8.2	8.2	8.4
	1330	Sep Average Hourly Earnings (MoM/YoY%)	0.2/4.8	0.2/4.8	0.4/4.7
	1330	Sep Participation Rate	62.0	-	61.7
	1500	Sep F.U. of Mich. Sentiment Index	79.0	79.2	78.9
	1400	Fed's Harker Discusses an Inclusive Workforce Recovery			
Japan	0050	Sep Monetary base (JPY tr)	-	-	582.9
	0600	Sep Consumer confidence index	-	-	29.3
Australia	0230	Aug Retail sales (MoM%)	-	-6.5	3.2
Norway	0900	Sep Unemployment Rate	-	-	4.3

Source: ING, Bloomberg

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