

## Key events in developed markets next week

Next week is packed with central bank meetings. We see the Federal Reserve raising rates by 25 basis points, given inflation is moving in the right direction. For the European Central Bank, a rate hike of 50bp looks like a done deal, and we believe the Bank of England is likely to follow in the ECB's footsteps, given wage growth is persistently high



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### **US: A slowdown in the pace of tightening**

Two major events in the US will shape market sentiment next week. First is the Federal Reserve policy meeting, where we expect it to raise the policy rate by 25bp. Having raised rates by 75bp on four consecutive occasions last year and then lifted the policy rate by 50bp in December, this marks a clear slowdown in the pace of tightening and appears justified given inflation is moving in the right direction and activity is slowing. However, the Fed remains wary and will again suggest that this is not the end for interest rate increases. The central bank will also be keen to dismiss the notion that it is preparing for potential rate cuts later this year. Financial conditions have loosened given movements in the dollar, Treasury yields and credit spreads and it may feel that any further loosening, fuelled by talk of potential policy easing in the second half of the year, could undermine its current actions in fighting inflation.

We will then be looking at the January jobs report. Employment creation remains strong for now,

but job lay-off announcements are coming in thick and fast. We are nervously watching what happens to the temporary help component, which has already experienced five consecutive monthly falls. Given the nature of the role, which is easier to be hired into and fired from, this tends to lead to broader shifts in employment. As such, we expect to see a softer non-farm payrolls increase than seen in recent months, but it is still likely to be well above 100k given the large number of job vacancies that remain. [Read our full Fed preview here.](#)

## ✓ UK: Bank of England to stick to 50bp hike following recent inflation data

The Bank of England looks more likely to follow the European Central Bank than the Federal Reserve next Thursday, and we expect a 50bp rate hike for the second consecutive meeting. While the minutes of the December meeting appeared to open the door to a potential downshift to a 25bp move next month, the reality is that the recent data has looked relatively hawkish. Wage growth is still persistently high, both in the official numbers and the BoE's own business surveys. Headline inflation came in a little lower than the Bank projected back in November, but services CPI – seen as a better gauge of domestically-driven inflation – has come in above expectations.

Still, if we get a 50bp hike on Thursday then it's likely to be the last. BoE officials have suggested that much of the impact of last year's rate hikes is still to show through, and cracks are forming in interest-rate-sensitive parts of the economy. We expect one final 25bp hike in March, taking the Bank Rate to a peak of 4.25%. The key question for Thursday is whether the Bank itself acknowledges its work is nearly complete. We suspect it's more likely to keep its options open.

[Read our full preview here.](#)

## ✓ Eurozone: ECB to hike by 50bp; Lagarde to make hawkish statement

When the European Central Bank meets next week, all eyes and ears will once again be on communication. A rate hike of 50bp looks like a done deal, but how far and how fast the ECB will go from there is still unclear. We expect hawkish comments by ECB President Christine Lagarde in order to prevent another drop in market interest rates. Current market expectations about ECB rate cuts in 2024 are premature. [Read our full ECB preview.](#)

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Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 30 January</b>					
Germany	0700	Q4 GDP Flash (QoQ%/YoY%) SA	-0.1/1.1		0.4/1.2
Spain	0800	Dec Retail Sales (YoY%)	-		-0.6
Sweden	0700	Q4 GDP (QoQ%)	0.5		0.6
<b>Tuesday 31 January</b>					
US	1400	Nov CaseShiller 20 (MoM%/YoY%)	-0.9/6.3	-0.5/-	-0.5/8.6
	1500	Jan Consumer Confidence	109	109.4	108.3
Germany	0700	Dec Retail Sales (MoM%/YoY%)	-0.5/-6		1.1/-5.9
	1300	Jan CPI Prelim (MoM%/YoY%)	0.6/9.0		-0.8/8.6
France	0630	Q4 GDP Preliminary (QoQ%/YoY%)	-/-		0.2/1
	0745	Jan CPI Prelim (YoY%)	-		6.7
Italy	0800	Q4 GDP Prelim (QoQ%/YoY%)	-0.1/1.6		0.5/2.6
	0900	Dec Unemployment Rate	7.8		7.8
Canada	1330	Nov GDP (MoM%)	-		0.1
Eurozone	1000	Q4 GDP Flash Prelim (QoQ%/YoY%)	-0.1/-		0.3/2.3
<b>Wednesday 1 February</b>					
US	1315	Jan ADP National Employment	140	155	235
	1500	Jan ISM Manufacturing PMI	48.5	48.2	48.4
	1900	Fed Funds Target Rate	4.625	4.625	4.375
	1900	Fed Interest On Excess Reserves	-		4.4
Germany	0855	Jan S&P Global/BME Manufacturing PMI	74		47
UK	0930	Jan S&P Global/CIPS Manufacturing PMI Final	46.7		46.7
Italy	0845	Jan S&P Global/IHS Manufacturing PMI	48.9		48.5
	1000	Jan CPI Prelim (MoM%/YoY%)	-1.1/11.1		0.2/12.3
Eurozone	0900	Jan S&P Global Manufacturing Final PMI	48.8		48.8
	1000	Jan CPI Flash (YoY%)	8.8		9.2
	1000	Jan Core CPI Flash (YoY%)	5.1		5.2
	1000	Dec Unemployment Rate	6.5		6.5
<b>Thursday 2 February</b>					
US	1500	Dec Factory Orders (MoM%)	4.9	1.3	-1.8
	1330	Initial Jobless Claims (000s)	190		186
	1330	Continue Jobless Claims (000s)	1690		1675
Germany	0700	Dec Imports/Exports	-0.5/1		-3.3/-0.3
	0700	Dec Trade Balance	-		10.8
UK	1200	Jan BOE Bank Rate	4.00		3.50
Eurozone	1315	Feb ECB Refinancing rate	3.00	3.00	2.50
	1315	Feb ECB Deposit rate	2.50	2.50	2.00
<b>Friday 3 February</b>					
US	1330	Jan Non-Farm Payrolls	185	175	223
	1330	Jan Private Payrolls	160	155	220
	1330	Jan Unemployment Rate	3.6	3.6	3.5
	1445	Jan S&P Global Composite Final PMI	-	47.8	47.8
	1445	Jan S&P Global Services PMI Final	-	48.0	48.0
	1500	Jan ISM Services PMI	50	50.5	49.6
Germany	0855	Jan S&P Global Services PMI	-		50.4
	0855	Jan S&P Global Composite Final PMI	-		49.7
France	0745	Dec Industrial Output (MoM%)	-		2
	0850	Jan S&P Global Composite PMI	-		49
UK	0930	Jan S&P Global/CIPS Services PMI Final	-		-
	0930	Jan Composite PMI Final	-		-
Italy	0845	Jan Composite PMI	-		49.6
Spain	0815	Jan Services PMI	-		51.6

Source: Refinitiv, ING

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