

Key events in developed markets next week

The Federal Reserve's policy meeting takes centre stage next week. We see the next move as a cut in June following a series of hot data releases. In the UK, all eyes will be on the release of inflation data, before the Bank of England meeting on Thursday. In our view, the first rate cut will come in August



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US: We think the next move is a cut in June

Next week's highlight will be the Federal Reserve's FOMC meeting. US growth, jobs and inflation data remain too hot for the Federal Reserve to contemplate imminent interest rate cuts. There are some people that think the Fed may need to hike rates further, but we don't see this happening. We (like the market) think the next move is a cut, most likely in June. After all, Fed Chair Jerome Powell recently suggested that officials are "not far" from having the confidence to "dial back" on the restrictiveness of monetary policy.

Attention will focus on the projections of FOMC members. At the December forecast update, the Fed signalled they felt three 25bp rate cuts would be the most likely path forward for 2024 with a further 100bp of cuts pencilled in for 2025. We expect a similar set of projections at the 20 March

FOMC meeting with the messaging indicating that the Fed is inclined to cut rates later this year, but they need to see more evidence to justify that action. That said, given the dispersion of predictions by individual Fed members it would only take two of six FOMC members switching from a current 4.625% projection either higher or lower to move the median dot away from three rate cuts to signalling two or four rate cuts in 2024. We suspect a shift to two rate cuts from three is a higher risk than the Fed moving to signal four.

The Fed doesn't want to cause a recession if it can avoid it and we believe they will be in a position to start moving monetary policy from a restrictive position to a more neutral stance before the summer. They are currently suggesting the neutral Fed funds rate is around 2.5% so there is room for up to 300bp of cuts just to move to "neutral". We think they won't want to go quite that far given the prospect of ongoing loose fiscal policy irrespective of who wins the November presidential election, but we expect 125bp of cuts this year, starting in June, with a further 100bp in 2025 as hopes rise for a soft landing for the economy.

In terms of data, we will be mainly digesting housing numbers. Affordability is woeful given high prices and high borrowing costs and we expect to see transactions remaining at very low levels.

UK: Bank of England to stay the course and await more data

It's a busy week in the UK, and it kicks off with February inflation data due just a day before the Bank of England's decision on Thursday. Remember that services inflation is absolutely key to the timing of the first rate cut, and we're likely to see a jump downward as price pressures continue to gradually ease. It's worth saying that our forecast for 6% services CPI is pretty much in line with the most recent BoE projections, so it would take a meaningful downside surprise to raise many eyebrows on the committee ahead of the March decision. As for the meeting itself, we expect the Bank to reiterate its previous forward guidance that rates need to stay sufficiently restrictive for an extended period. Watering down that language would be seen as tantamount to opening the door to an imminent rate cut, something we doubt the committee wants to do. The more interesting question is whether the two hawks who voted for a rate hike in February finally throw in the towel, though we wouldn't be surprised if at least one of them doesn't. At the same time, we don't expect lone dove Swati Dhingra to be joined by other members in voting for a rate cut this month. Our view is that the first rate cut will come in August, once the inflation data for the second quarter has come through.

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Country	Time	Data/event	ING	Survey	Prev.
Monday 18 March					
US	1400 Mar	NAHB home builder sentiment	48	48	48
Norway	0700 Jan	GDP Month	-	-	0.5
	0700 Jan	GDP Month Mainland	-	-	-0.1
Eurozone	1000 Jan	Total Trade Balance SA	-	-	13
	1000 Feb	CPI (YoY%)	-	-	3.1
Tuesday 19 March					
Canada	1230 Feb	CPI Inflation (MoM%/YoY%)	0.3/2.8	/	0.0/2.9
	1230 Feb	CPI BoC Core (MoM%/YoY%)	-	-	0.1/2.4
Wednesday 20 March					
US	1800	Fed Funds Target Rate mid point (%)	5.375	5.375	5.375
	1800	Fed Interest On Excess Reserves	5.4	-	5.4
	1830	Fed Chair Powell holds press conference	-	-	-
UK	0700 Feb	Core CPI (YoY%)	4.6	-	5.1
	0700 Feb	CPI (MoM%/YoY%)	0.7/3.5	-	-0.6/4.0
	0700 Feb	Services CPI (YoY%)	6.0	-	6.5
Italy	0900 Jan	Industrial Output (MoM%/YoY%)	-0.9/-	-	1.1/-2.1
Eurozone	1500 Mar	Consumer Confidence Flash	-	-	-15.5
Thursday 21 March					
US	1230 Q4	Current Account	-210	-209	-200.3
	1230	Initial Jobless Claims	220	-	-
	1230	Continuing Jobless Claims	1920	-	-
	1400 Feb	leading index (MoM%)	-0.3	-0.3	-0.4
	1400 Feb	existing home sales(mn)	3.95	3.94	4.00
Germany	0830 Mar	S&P Global Manufacturing Flash PMI	43	-	42.5
	0830 Mar	S&P Global Service Flash PMI	47.9	-	48.3
	0830 Mar	S&P Global Composite Flash PMI	46.3	-	46.3
France	0815 Mar	S&P Global Composite Flash PMI	-	-	48.1
UK	0930 Mar	Composite Flash PMI	53.3	-	53.0
	0930 Mar	Manufacturing Flash PMI	47.8	-	47.5
	0930 Mar	Services Flash PMI	54.1	-	53.8
	1200 Mar	BOE Bank Rate	5.25	-	5.25
Norway	0900	Key Policy Rate	4.50	-	4.50
Switzerland	0830 Q1	SNB Policy Rate	-	-	1.75
Eurozone	0900 Jan	Current Account SA, EUR	-	-	31.95
	0900 Mar	S&P Global Manufacturing Flash PMI	-	-	46.5
	0900 Mar	S&P Global Services Flash PMI	-	-	50.2
	0900 Mar	S&P Global Composite Flash PMI	-	-	49.2
Friday 22 March					
Germany	0900 Mar	Ifo Business Climate	85.7	-	85.5
	0900 Mar	Ifo Current Conditions	86.7	-	86.9
	0900 Mar	Ifo Expectations	84.5	-	84.1
UK	0700 Feb	Retail Sales (MoM%/YoY%)	-0.2/-0.7	/	3.4/0.7
Canada	1230 Jan	Retail Sales (MoM%)	-	-	0.9

Source: Refinitiv, ING

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