

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



Source: Shutterstock

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.

Key events in developed markets next week

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

Author

James Smith

Developed Markets Economist, UK

james.smith@ing.com

James Knightley

Chief International Economist, US

james.knightley@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.