

Key events in developed markets next week

In the US, all eyes are on the Federal Reserve's favoured measure of inflation, the core personal consumer expenditure deflator, where we expect a month-on-month reading of 0.2%. For the Bank of Canada meeting, we expect a 25bp hike, which should mark the peak in the policy rate



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US: Expect weaker data over the next few quarters

The US data has continued to soften over recent weeks. Both the manufacturing and service sector ISM indices are in contraction territory, CEO confidence is at its lowest level since the Global Financial Crisis, retail sales have fallen by 1% or more for the past two months, industrial production has fallen for the past three and residential construction has posted six consecutive monthly declines. Despite this, the fourth quarter GDP report is expected to show that the economy expanded at a rate in excess of 2% annualised. Consumer spending should be an important driver given the strong performance in October, but aside from that, the growth will largely be focused on net trade and inventory building. This is not “good” growth. Imports are falling because of the deteriorating domestic growth story while inventories are increasing, partly because of improved supply chains, but also because demand is not as strong as many businesses expected. The GDP growth figures over the next few quarters will be much weaker.

Aside from this report, durable goods orders will be strong given Boeing received orders for 250 aircraft in December (led by United Airlines' order for nearly 200 Boeing 737 Max and 787 aircraft), up from 21 in November. Strip this one-off story out and the underlying picture is significantly weaker. Meanwhile, new home sales will suffer as a lagged response to the downturn in mortgage applications. Also watch out for the Fed's favoured measure of inflation, the core personal consumer expenditure deflator. We expect it to show a relatively benign 0.2% month-on-month reading, which would confirm the easing trend in price pressures. There are no scheduled Federal Reserve speakers due to the proximity to the upcoming FOMC meeting and the self-imposed "quiet period". We expect a 25bp interest rate increase on 1 February.

Canada: Final hike of 25bp

The Bank of Canada is getting close to the end point of its interest rate hiking phase. Inflation is showing signs of coming off, but the jobs market remains hot and as such we expect a final 25bp interest rate hike on 25 January. The BoC will likely characterise this as a pause, but we expect it to mark the peak as global recessionary forces are increasingly felt within Canada and inflation numbers continue to subside.

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Country	Time	Data/event	ING	Survey	Prev.
Tuesday 24 January					
US	1445	Jan S&P Global Manufacturing PMI Flash	-		46.2
	1445	Jan S&P Global Services PMI Flash	-		44.7
	1445	Jan S&P Global Composite Flash PMI	-		45
Germany	0700	Feb GfK Consumer Sentiment	-36.0		-37.8
	0830	Jan S&P Global Manufacturing Flash PMI	47.5		47.1
	0830	Jan S&P Global Service Flash PMI	48.7		49.2
	0830	Jan S&P Global Composite Flash PMI	49.0		49
France	0815	Jan S&P Global Composite Flash PMI	-		49.1
UK	0930	Jan Flash Composite PMI	49.1		49
	0930	Jan Flash Manufacturing PMI	46.5		45.3
	0930	Jan Flash Services PMI	49.5		49.9
Eurozone	0900	Jan S&P Global Manufacturing Flash PMI	49.1		47.8
	0900	Jan S&P Global Services Flash PMI	50.4		49.8
	0900	Jan S&P Global Composite Flash PMI	50.3		49.3
Wednesday 25 January					
Germany	0900	Jan Ifo Business Climate	88.9		88.6
	0900	Jan Ifo Current Conditions	94.1		94.4
	0900	Jan Ifo Expectations	85.0		83.2
Canada	1500	BoC Rate Decision	4.5	4.5	4.25
Thursday 26 January					
US	1330	4Q GDP (QoQ% ann.)	2.3	2.8	3.2
	1330	Dec Durable Goods	4.2	2.9	-2.1
	1500	Dec New Home Sales-Units 000s	610	615	640
	1330	Initial Jobless Claims (000s)	210	213	190
	1330	Continue Jobless Claims (000s)	1.66	1.65	1.647
Italy	0900	Jan Consumer Confidence	-		102.5
Friday 27 January					
US	1330	Dec Personal Income (MoM%)	0.2	0.2	0.4
	1330	Dec Personal Consumption Real (MoM%)	0		0
	1330	Dec Consumption, Adjusted (MoM%)	-0.3	-0.1	0.1
	1330	Dec Core PCE Price Index (MoM%)	0.2		0.2
	1500	Jan U Mich Sentiment Final	64.6	64.6	64.6
Sweden	0700	Dec Unemployment Rate	-		6.4
Eurozone	0900	Dec Money-M3 Annual Grwth	4.6		4.8

Source: Refinitiv, ING

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