

## Key events in developed markets next week

Next week in the US, we will get the Fed's favoured measure of inflation the core PCE deflator, which we expect to rise by 0.4% month-on-month. In the eurozone, we will see the release of key data points including inflation and unemployment which may give the ECB an idea of whether rates can be cut later this year



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### **US: Core PCE deflator to post a 0.4% MoM increase**

Financial markets have moved back to pricing 75-100bp of Federal Reserve interest rate cuts this year having favoured 150-175bp just a few weeks ago. The strong growth, jobs and inflation numbers suggest that an imminent move is unlikely with the data needing to show more benign inflation prints as a bare minimum before the Fed will contemplate policy loosening.

We won't get that next week with the Fed's favoured measure of inflation, the core (ex-food & energy) personal consumer expenditure deflator, set to post a 0.4% MoM increase. We need to see MoM prints consistently below 0.2% MoM to be confident that inflation will return to the 2% year-on-year target over time, and we had been making excellent progress with six out of the past seven months seeing inflation come in sub 0.2%. However, the January PPI and CPI reports suggest that key components within the PCE deflator will post outsized increases this month with insurance, medical and portfolio management fees boosting inflation. Much of this isn't especially

driven by fundamental demand and supply factors - insurance is caused by higher crime relating to more expensive assets while strong equity market gains have boosted portfolio fees – but it presents a major stumbling block regarding the prospect of interest rate cuts. We are hopeful that February will post better numbers.

The same personal income and spending report will likely show that consumer spending started the year on a weak footing after retail sales fell more than expected, but the economy still has decent momentum with 4Q GDP revisions set to confirm the economy expanded at a 3.3% annualised rate in the final three months of last year – remember this was above every single forecast in the Bloomberg survey ahead of the initial release. Meanwhile, the rise in mortgage applications points to a decent bounce in new home sales, but this may not last long now that 30-year mortgage rates have pushed back above 7% and look set to head towards 7.25% in the next couple of weeks. Finally, the ISM manufacturing index should continue to grind higher but remain below the 50 break-even level. As such, the index will have been in contraction territory for 16 consecutive months.

## Eurozone: Doubts about the pace of inflation drops have increased

For the eurozone, the big question next week is whether inflation figures will give the European Central Bank some comfort that rate cuts can happen later in the year. Doubts about the pace of inflation drops have increased in recent weeks. Don't expect a big drop this month outside of some base effects. In France, energy taxes are being reintroduced, which adds to price growth. Also look at unemployment, which has remained stable around record lows for some time. We don't expect this will change anytime soon, but an upside surprise would add to dovish pressures on the ECB to cut rates sooner rather than later.

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Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 26 February</b>					
US	1500 Jan	New Home Sales-Units	0.69	0.684	0.664
Italy	0900 Jan	Unemployment Rate	7.3		7.2
<b>Tuesday 27 February</b>					
US	1330 Jan	Durable Goods	-5	-4.5	0
	1400 Dec	CaseShiller 20 (MoM%/YoY%)	0.2/6.0	/	0.1/5.4
	1500 Feb	Consumer Confidence	114	114.8	114.8
Germany	0700 Mar	GfK Consumer Sentiment	-29.7		-29.7
Eurozone	0900 Jan	Money-M3 Annual Grwth	0.1		0.1
<b>Wednesday 28 February</b>					
US	1330 Q4	GDP 2nd Estimate	3.3	3.3	3.3
	1330 Q4	GDP Deflator Prelim	1.5		1.5
	1330 Q4	Core PCE Prices Prelim	2		2
Italy	0901 Feb	Consumer Confidence	96.2		96.4
Eurozone	1000 Feb	Business Climate	-		-0.4
	1000 Feb	Economic Sentiment	96.8		96.2
	1000 Feb	Consumer Confidence Final	-		-
<b>Thursday 29 February</b>					
US	1330 Jan	Personal Income (MoM%)	0.5	0.5	0.3
	1330 Jan	Personal Consumption Real (MoM%)	0	-	0.5
	1330 Jan	Consumption, Adjusted (MoM%)	0.2	0.2	0.7
	1330 Jan	Core PCE Price Index (MoM%/YoY%)	0.4/2.8	0.4/2.8	0.2/2.9
	1445 Feb	Chicago PMI	48.5		46
	1330	Initial Jobless Claims	210	-	201
	1330	Continuing Jobless Claims	1880	-	1862
Germany	0700 Jan	Retail Sales (MoM%/YoY%)	-0.8/-4.1	/	-1.6/-1.7
	0855 Feb	Unemployment Rate	5.8		5.8
	1300 Feb	CPI Prelim (MoM%/YoY%)	1.0/2.8	/	0.2/2.9
France	0745 Q4	GDP (QoQ%/YoY%)	-/-	/	0/0.7
	0745 Feb	CPI Prelim (YoY%)	-		3.4
	0745 Feb	CPI (EU Norm) Prelim (MoM%)	-		-0.2
Spain	0800 Feb	CPI (MoM%/YoY%) Flash	-		0.1/3.4
Canada	1330 Q4	GDP (YoY%)	1.0		0.47
	1330 Dec	GDP (MoM%)	-		0.2
Sweden	0700 Q4	GDP Final (QoQ%/YoY%)	-		0.1/0.0
Switzerland	0800 Q4	GDP (QoQ%/YoY%)	-/-	/	0.3/0.3
Portugal	0930 Feb	CPI Flash (YoY%)	-		2.3
	1100 Q4	GDP (QoQ%/YoY%)	-/-	/	0.8/2.2
Austria	0800 Q4	GDP Growth (QoQ%) Final	-		0.2
<b>Friday 1 March</b>					
US	1500 Feb	ISM Manufacturing PMI	49.5	49.2	49.1
	1500 Feb	ISM Manufacturing Prices Paid	53		52.9
	1500 Feb	U Mich Sentiment Final	79.6		79.6
Germany	0855 Feb	S&P Global/BME Manufacturing PMI	42.3		
UK	0930 Feb	S&P Global/CIPS Manufacturing PMI Final	47.1		
Italy	0845 Feb	S&P Global/IHS Manufacturing PMI	48.2		48.5
	1000 Feb	CPI Prelim (MoM%/YoY%)	-/-	/	/
Eurozone	0900 Feb	S&P Global Manufacturing PMI Final	46.2		
	1000 Feb	CPI Flash (YoY%)	2.5		
	1000 Feb	Core CPI Flash (YoY%)	2.9		
	1000 Jan	Unemployment Rate	6.4		6.4

Source: Refinitiv, ING

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