

## Key events in developed markets next week

Despite a lot of tightening priced into the swaps market, we believe it is unlikely that the Bank of England will hike rates before the scheduled November meeting. In the US, unemployment remains stable at 3.7% and with wage growth staying elevated, we see few signs that the pace of tightening will slow



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### **US: Inflation is sticky as unemployment remains low and wage growth remains elevated**

Financial markets are currently favouring the Federal Reserve implementing a fourth consecutive 75bp rate hike on 2 November and we agree. Inflation is sticky while the near-term growth story is looking OK and the economy continues to add jobs in significant numbers. That message should be reinforced by the upcoming labour report with unemployment staying at just 3.7%, payrolls increasing by around 200,000 and wage growth staying elevated. There are also plenty of Federal Reserve officials scheduled to speak and so far there is little sign of any inclination to slow the pace of policy tightening. The ISM business activity report should remain firmly in growth territory as well with the trade balance making further improvements. As such, we are expecting 3Q GDP to come in at close to 2%.

## ✓ UK: Intermeeting Bank of England hike looks unlikely despite ongoing turmoil

UK markets remain volatile, and sensitive to further headlines over the coming week. We remain sceptical that the Bank of England will hike rates before its scheduled November meeting, despite a lot of tightening priced into swaps markets. Instead, we'll be watching for any update on the Bank's bond strategy. The BoE was forced to start buying long-dated gilts amid concerns about the stability of UK pension funds, but this is for a limited period and the Bank has said it plans to plough on with gilt sales from the end of the month. We think that's likely to get pushed back, however, given the strains in the gilt market. Markets will also remain hyper-sensitive to any headlines related to the government's controversial growth plan. In the first instance, press reports suggest the focus will be on spending cuts to offset some of the planned tax cuts, though this could be both practically and politically challenging. The Office for Budget Responsibility is due to provide a first draft of its post-Budget forecasts to the Chancellor privately on Friday.

## ✓ Canada: Hopeful for a stabilisation in the jobs market

In Canada, the jobs market has wobbled of late with employment falling for three consecutive months after some very vigorous increases earlier in the year. We are hopeful of stabilisation in Friday's September report given the economy is still performing relatively well, but if we are wrong and we get a fourth consecutive fall then expectations for Bank of Canada tightening could be scaled back somewhat – especially after some softer than anticipated CPI prints. We are currently forecasting a 50bp rate hike at the October BoC policy meeting with a final 25bp hike in December.

## ✓ Eurozone: Expecting declining trend in retail sales

For the eurozone, it's a pretty light week in terms of data. Retail sales on Thursday catch the eye as we'll get more information on consumer spending in the eurozone, as purchasing power remains under severe pressure. We've seen a declining trend in spending since last November and have little indication that August data will have shown a big turnaround. Continued declines would fuel our view that the eurozone economy could have already tipped into contraction in the third quarter.

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Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 3 October</b>					
US	1500	Sep ISM Manufacturing PMI	52.5	52.8	52.8
	1500	Sep ISM Manufacturing Prices Paid	51		52.5
Germany	0855	Sep S&P Global/BME Manufacturing PMI	48.3		48.3
UK	0930	Sep S&P Global/CIPS Manufacturing PMI Final	48.5		48.5
Italy	0845	Sep S&P Global/IHS Manufacturing PMI	47.4		48
Switzerland	0730	Sep CPI (MoM%/YoY%)	-/-		0.3/3.5
Eurozone	0900	Sep S&P Global Manufacturing Final PMI	48.5		48.5
<b>Tuesday 4 October</b>					
US	1500	Aug Factory Orders (MoM%)	0.3	0.4	-1
<b>Wednesday 5 October</b>					
US	1315	Sep ADP National Employment (000s)	250	200	132
	1330	Aug International Trade (USD bn)	-67.5	-68.1	-70.7
	1445	Sep S&P Global Composite Final PMI	-		49.3
	1445	Sep S&P Global Services PMI Final	-		49.2
	1500	Sep ISM N-Manufacturing PMI	56.0	56.5	56.9
Germany	0700	Aug Imports/Exports	-5		-1.5/-2.1
	0700	Aug Trade Balance	4		5.4
	0855	Sep S&P Global Services PMI	-		45.4
	0855	Sep S&P Global Composite Final PMI	-		45.9
France	0745	Aug Industrial Output (MoM%)	-		-1.6
	0850	Sep S&P Global Composite PMI	-		51.2
UK	0930	Sep S&P Global/CIPS Services PMI Final	49.2		49.2
	0930	Sep Composite PMI Final	48.4		48.4
Italy	0845	Sep Composite PMI	-		49.6
Spain	0815	Sep Services PMI	-		50.6
Canada	1330	Aug Trade Balance (CAD bn)	3.8		4.05
Eurozone	0900	Sep S&P Global Services Final PMI	48.9		48.9
	0900	Sep S&P Global Composite Final PMI	48.2		48.2
<b>Thursday 6 October</b>					
US	1330	Initial Jobless Claim (000s)	220	215	213
	1330	Continue Jobless Claim (mn)	1.4	1.39	1.38
Germany	0700	Aug Industrial Orders (MoM%)	-0.5		-1.1
Netherlands	0530	Sep CPI (MoM%/YoY% NSA)	-		2/12
Eurozone	1000	Aug Retail Sales (MoM%/YoY%)	0.5/-1.7		0.3/-0.9
<b>Friday 7 October</b>					
US	1330	Sep Non-Farm Payrolls (000s)	220	250	315
	1330	Sep Private Payrolls (000s)	200	225	308
	1330	Sep Unemployment Rate (%)	3.7	3.7	3.7
	2000	Aug Consumer Credit (\$bn)	25	25	23.81
Germany	0700	Aug Industrial Output (MoM%/YoY%)	0.5		-0.3/-1.11
France	0745	Sep Reserve Assets Total	-		242728
	0745	Aug Trade Balance	-		-14.54
Canada	1330	Sep Change in employment (000s)	0.0	-5.0	-39.7
	1330	Sep Unemployment Rate	-		5.4
Norway	0700	Aug GDP Month	-		0.3
	0700	Aug GDP Month Mainland	-		-0.3
Switzerland	0645	Sep Unemployment Rate Adjusted	-		2.1

Source: Refinitiv, ING

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