

Key events in developed markets next week

Rising US inflation will add yet more pressure on Federal Reserve officials to accelerate the pace of tapering next year, and bring interest rate rises forward. Meanwhile, Brexit is back in the news amid an imminent risk of escalation in tensions between the UK and EU



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United States: Inflation is only heading in one direction...

The Federal Reserve has announced that they will be slowing the pace of QE asset purchases this month with the programme set to be concluded before the end of 2Q 2022.

Officials have been at pains to state that this does not mean they will then swiftly be moving to interest rate increases, but we strongly suspect that the data flow will force the Fed's hand. The economy is rebounding strongly following the 3Q Covid related slowdown and inflationary pressures are now mounting. This week's CPI data is likely to show a re-acceleration in annual inflation to 5.8% for the headline rate (the highest since December 1990) and to 4.4% for core (ex-food and energy).

Surging housing costs, labour costs, energy costs and second-hand car prices are likely to mean headline inflation then pushes above 6% in December, with core inflation moving above 5%. The Federal Reserve assumes that inflation will fall sharply in 2Q and 3Q next year, but we are wary

that labour market shortages, production bottlenecks and supply chain issues could last well into next year and in a strong growth environment, inflation could stay higher for longer. We wouldn't be surprised to see QE tapering concluded more quickly and we continue to look for two interest rate increases in the second half of 2022.

Other data includes consumer confidence, which should improve given the waning Covid numbers and strengthening incomes, although rising gasoline prices and a general concern over the rising cost of living could limit the improvement.

Brexit is back...

There's a new drama for UK markets to contend with, now the excitement of the Bank of England's November meeting is behind us. Brexit is creeping back into the headlines, and while there's been an undercurrent of political noise all the way through 2021, there's a growing risk that tensions will translate into concrete actions. The UK government appears poised to trigger the Article 16 clause in the Northern Ireland protocol, agreed back in 2019, which would allow the UK government to suspend parts of that deal. How the EU reacts to such a move would depend on exactly how much of the NI agreement the government decides to suspend.

But it would nevertheless be viewed negatively in Brussels, and ultimately the risk is that the EU decides to suspend some or all of the wider post-Brexit trade deal. While there would presumably be further talks to avoid such an outcome, it does add an extra layer of uncertainty to the outlook, at a time where the recovery is already slowing.

Meanwhile, we'll get UK third-quarter GDP. We already have July and August figures, so we know the overall quarterly growth is likely to be in the ballpark of 1.5%. September's monthly GDP figures will be boosted by the return of schools. The monthly growth rates through the fourth quarter are likely to be more modest.

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Country	Time	Data/event	ING	Survey	Prev.
Monday 8 November					
France	0745	Oct Reserve Assets Total	-		213268
Norway	0700	Sep Manufacturing Output (MoM%)	-		0
Switzerland	0645	Oct Unemployment Rate Adjusted	-		2.8
Tuesday 9 November					
US	1330	Oct PPM (MoM%/YoY%)	0.7/8.7	0.6/8.6	0.5/8.6
	1330	Oct core PPI (MoM%/YoY%)	0.5/6.8	0.5/-	0.2/6.8
Germany	0700	Sep Exports	0.8		-1.2
	0700	Sep Imports	-0.9		3.5
	0700	Sep Trade Balance	18		13
	1000	Nov ZEW index	20		22.3
France	0745	Sep Trade Balance	-		-6.7
UK	0001	Oct BRC Retail Sales (YoY%)	-		-0.6
Wednesday 10 November					
US	1330	Oct Core CPI (MoM%/YoY%)	0.4/4.4	0.4/4.3	0.2/4
	1330	Oct CPI (MoM%/YoY%)	0.5/5.8	0.5/5.8	0.4/5.4
	1230	Initial Jobless Claims (000s)	260		269
	1230	Cont Jobless Claims (000s)	2050		2105
Germany	0700	Oct CPI Final (MoM%/YoY%)	0.5/4.5		0.5/4.5
Italy	0900	Sep Industrial Output (MoM%/YoY%)	-/-		-0.2/0
Norway	0700	Oct Core Inflation (MoM%/YoY%)	-/-		0.4/1.2
Netherlands	0530	Sep Manufacturing Output (MoM%)	-		-1.9
Greece	0900	Oct CPI (YoY%)	-		2.2
	1000	Sep Industrial Output (YoY%)	-		10.1
Thursday 11 November					
US	-	National holiday	-	-	-
UK	0700	Sep GDP Estimate (MoM%)	0.5		0.4
	0700	Q3 GDP Prelim (QoQ%/YoY%)	1.5/6.9		5.5/23.6
Sweden	0500	Oct Reg Unemployment Rate	-		7.5
Portugal	1100	Oct CPI (MoM%/YoY%)	-/-		0.5/1.8
Friday 12 November					
US	1500	Nov University of Michigan Sentiment Prelim	75	72	71.7
	1500	Nov University of Michigan Conditions Prelim	80		77.7
	1500	Nov University of Michigan Expectations Prelim	71.5		67.9
Spain	0800	Oct CPI (MoM%/YoY%)	-/-		2/5.5
Norway	0700	Q3 GDP Growth Mainland	2.3		1.4
	0700	Sep GDP Month Mainland	0.2		1.1
Eurozone	1000	Sep Industrial Production (MoM%/YoY%)	-		-1.6/5.1

Source: Refinitiv, ING

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