

## THINK Ahead: Fed Chair Powell on the defence

Fed Chair Jerome Powell will no doubt defend the Fed's data-driven stance amid political pressure to cut rates. Eurozone PMIs may confirm a services slowdown, while at the NATO Summit in The Hague, new defence spending targets could be unveiled



Federal Reserve Chair Jerome Powell addresses Congress next week amid tensions over interest rate policy

### THINK Ahead in developed markets

#### United States

- **Powell's testimony (Tues):** The main event will be Federal Reserve Chair Jerome Powell's semi-annual Monetary Policy testimony to Congress. In a highly partisan environment, he will face criticism from certain members of the Republican Party for not cutting interest rates, aligning with the views of President Trump. Instead, he will emphasise the importance of the Fed's independence and that in uncertain economic and political times, it will be the data that determines the path forward for interest rates. We continue to think that clarity on the inflation story – whether tariffs are a one-off price shock or if they prompt more sustained inflation pressures – may not come before the December FOMC meeting, meaning we will see just one rate cut this year. However, if the jobs market continues to weaken, that may well be a 50bp cut.

- **Core PCE deflator (Fri):** In terms of the macro data, the Fed's favoured measure of inflation – the core PCE deflator – is expected to come in at a relatively benign 0.1%MoM, but this is very much the calm before the storm, with tariff-induced price hikes expected to become visible from July.
- **Housing data (Wed):** There is a significant amount of housing data due to be published. We know that affordability is stretched whichever way you look at it – interest costs, monthly mortgage payments as a proportion of disposable income and simple house price to income ratios – given the 50% appreciation in property prices since the Covid-19 pandemic and the surge in mortgage rates from sub 3% to 7% today. At the same time, we are seeing inventory levels rise and homebuilder sentiment hit new cycle lows. This all points to weak sales and construction activity with the growing threat of outright price falls.

*James Knightley*

### **Eurozone**

- **Eurozone PMIs (Mon):** Monday's PMI data will provide more insight into the eurozone's performance in the second quarter. Growth in the first quarter was inflated by strong frontloading of exports to the US, which already shows signs of reversal when looking at April industrial production data. The underlying trend is better captured by the PMI survey data, which has shown manufacturers remaining upbeat about prospects in April, possibly related to the [inventory cycle finally turning](#). The larger worry is around services, which has seen its PMI drop below 50. Given that the service sector is the largest part of the eurozone economy, this adds to growth concerns. The June PMI will shed light on how serious the downward trend in services is at the end of 2Q.
- **NATO Summit (Tues/Wed):** Another key event next week is the NATO Summit in The Hague, where discussions may advance a new defence spending target. A target of 5%, including 3.5% on core defence spending, has been floated ahead of the meeting. For many eurozone countries, this will provide significant budgetary challenges for the years ahead if enacted.

*Bert Colijn*

## **THINK Ahead in Central and Eastern Europe**

### **Czech Republic**

- **Core inflation (Wed):** Both consumer and business confidence likely improved in June, the former driven by solid real wage growth and the latter by hopes of reviving demand in manufacturing across Europe. The Czech National Bank faces potent headline and core inflation, and the recent shock to global oil prices will only foster the hawkish stance, with rates remaining stable in June and likely beyond. The Statistical Office is expected to confirm the headline GDP figures in the refined estimate, while we expect revisions to its expenditure components, namely more potent household demand.

*David Havrlant*

## Key events in developed markets next week

Country	Time Data/event	ING	Prev.
<b>Monday 23 June</b>			
US	1500 May Existing Home Sales (mn)	4.1	4
Eurozone	0900 Jun HCOB Manufacturing PMI Flash	-	49.4
	0900 Jun HCOB Services PMI Flash	-	49.7
	0900 Jun HCOB Composite PMI Flash	-	50.2
Germany	0830 Jun HCOB Manufacturing PMI Flash	48.9	48.3
	0830 Jun HCOB Service PMI Flash	47.3	47.1
	0830 Jun HCOB Composite PMI Flash	48.9	48.5
France	0815 Jun HCOB Composite PMI Flash	-	49.3
UK	0930 Jun S&P Global Composite PMI Flash	-	50.3
	0930 Jun S&P Global Manufacturing PMI	-	46.4
	0930 Jun S&P Global Services PMI Flash	-	50.9
<b>Tuesday 24 June</b>			
US	1330 Q1 Current Account	-440	-303.9
	1400 Apr Case-Shiller 20 (MoM%/YoY%)	-0.3/3.4	-0.1/4.1
	1500 Jun Consumer Confidence	99	98
	1500 Powell monetary policy testimony		
Germany	0900 Jun Ifo Business Climate	88.3	87.5
	0900 Jun Ifo Current Conditions	86.3	86.1
	0900 Jun Ifo Expectations	90.2	88.9
Canada	1330 May CPI (MoM%/YoY%)	0.5/1.7	-0.1/1.7
	1330 May Core CPI (MoM%/YoY%)	-/-	0.5/2.5
<b>Wednesday 25 June</b>			
US	1500 May New Home Sales (mn)	0.69	0.743
Spain	0800 Q1 GDP (QoQ%/YoY%)	-/-	0.6/2.8
<b>Thursday 26 June</b>			
US	1330 May Durable Goods	10.0	-6.3
	1330 Initial Jobless Claims (000s)	245	248
	1330 Q1 GDP Final	-0.2	-0.2
Germany	0700 Jul Consumer Sentiment	-	-19.9
<b>Friday 27 June</b>			
US	1330 May Personal Income (MoM%)	0.3	0.8
	1330 May Personal Consumption Real (MoM%)	0.0	0.1
	1330 May Consumption, Adjusted (MoM%)	0.1	0.2
	1330 May Core PCE Price Index (MoM%)	0.1	0.1
	1500 Jun Michigan Sentiment Final	62	60.5
Eurozone	1000 Jun Business Climate	-	-0.6
	1000 Jun Economic Sentiment	-	94.8
	1000 Jun Consumer Confidence Final	-	-15.2
France	0745 Jun CPI Prelim (MoM%/YoY%)	-/-	-0.1/0.7
UK	0700 Q1 GDP (QoQ%/YoY%)	-/-	0.7/1.3
Italy	0900 Jun Consumer Confidence	96.3	96.5
Spain	0800 Jun CPI Flash (YoY%)	-	2
	0800 Jun CPI Flash (MoM%/YoY%)	-/-	0.1/4
Canada	1330 Apr GDP (MoM%)	0.1	0.1

## Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
<b>Monday 23 June</b>				
Poland	0900	May Employment Growth (YoY%)	-	-0.8
	0900	May Industrial Output (YoY%)	-	1.2
	0900	May PPI (YoY%)	-	-1.4
	0900	May Wages (YoY%)	-	9.3
	1300	May M3 Money Supply (YoY%)	-	10.4
<b>Tuesday 24 June</b>				
Poland	0900	May Retail Sales (YoY%)	-	7.6
Czech Rep	0800	Jun Consumer Confidence	101.1	100.70
	0800	Jun Business Confidence	101.2	101.00
Hungary	1300	Jun Hungary Interest Rate Decision	-	6.50
<b>Wednesday 25 June</b>				
Russia	1700	May Industrial Output	0.7	1.5
	1700	May PPI (MoM%/YoY%)	-/-	-1.4/2.7
Poland	0900	May Unemployment Rate	-	5.2
Czech Rep	1330	CNB Repo Rate	3.50	3.50
<b>Thursday 26 June</b>				
Hungary	0730	Q1 Current Account Balance (QoQ%)	-	0.11
<b>Friday 27 June</b>				
Czech Rep	0800	Q1 Revised GDP (QoQ%/YoY%)	0.8/2.2	0.8/2.2
Hungary	0730	May Unemployment Rate	-	4.4

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