THINK Ahead: Are you thinking what we're thinking?

James Smith dives into the results of our live webinar polls as he takes you through another jam-packed week ahead

ING's James Smith on next week's world today

How our views compare to yours

The European Central Bank's decision to cut rates this week was, as Carsten explains, nothing short of historic. The post-meeting press conference, not so much. Let's just say it's an hour of my life I'm unlikely to get back.

That lack of newsworthiness is telling in itself, and it's not necessarily a bad thing.

The ECB's June decision was sewn up weeks ago and long before the past few weeks' less-than-helpful wage and inflation data releases. The Bank is visibly much more confident in the visions coming from its inflation crystal ball. But hindsight would say the ECB was too quick to lock in expectations for a rate cut this week. And judging from President Lagarde's words, it's a tactic she isn't keen to repeat as we go into the summer.

Markets are slowly taking notice. Investors seem less convinced about where the easing cycle goes from here.

We asked the audience at our live webinar what they thought. You can listen back in full via Rebecca Byrne's THINK Aloud podcast.

Almost half of respondents saw just one more ECB rate cut this year. And more people thought

June's cut would be a "one and done" move than those expecting two more cuts this year.

These poll results are by no means scientific, but Carsten very much shares this caution about the path ahead.

One of his three post-ECB takeaways is that a "reversed Trichet moment" is still a risk, a reference to the ill-fated rate hikes in 2011 that were quickly unwound. We're still in the camp forecasting two more cuts this year, but Carsten reckons it wouldn't take much to knock the ECB's new-found confidence in its inflation forecasting.

Next week, of course, it's the turn of the Federal Reserve. And far from getting more confident on the path for inflation, James Knightley reckons we're going to see policymakers scale back their forecasts for 2024 rate cuts.

Even so, investors are slowly but surely coming back around to the idea of a rate cut in September. About half of our webinar audience were putting their money on that, too, and less than a fifth thought there would be no cuts at all this year.

Still, James K reckons a September cut – his base case – relies on three things. Inflation needs to ease further, unsurprisingly. Next week's consumer price data may not show much of that, though the Fed's preferred core PCE measure has been looking better.

> *Investors are slowly but surely coming back around to the idea of a Fed rate cut in September*

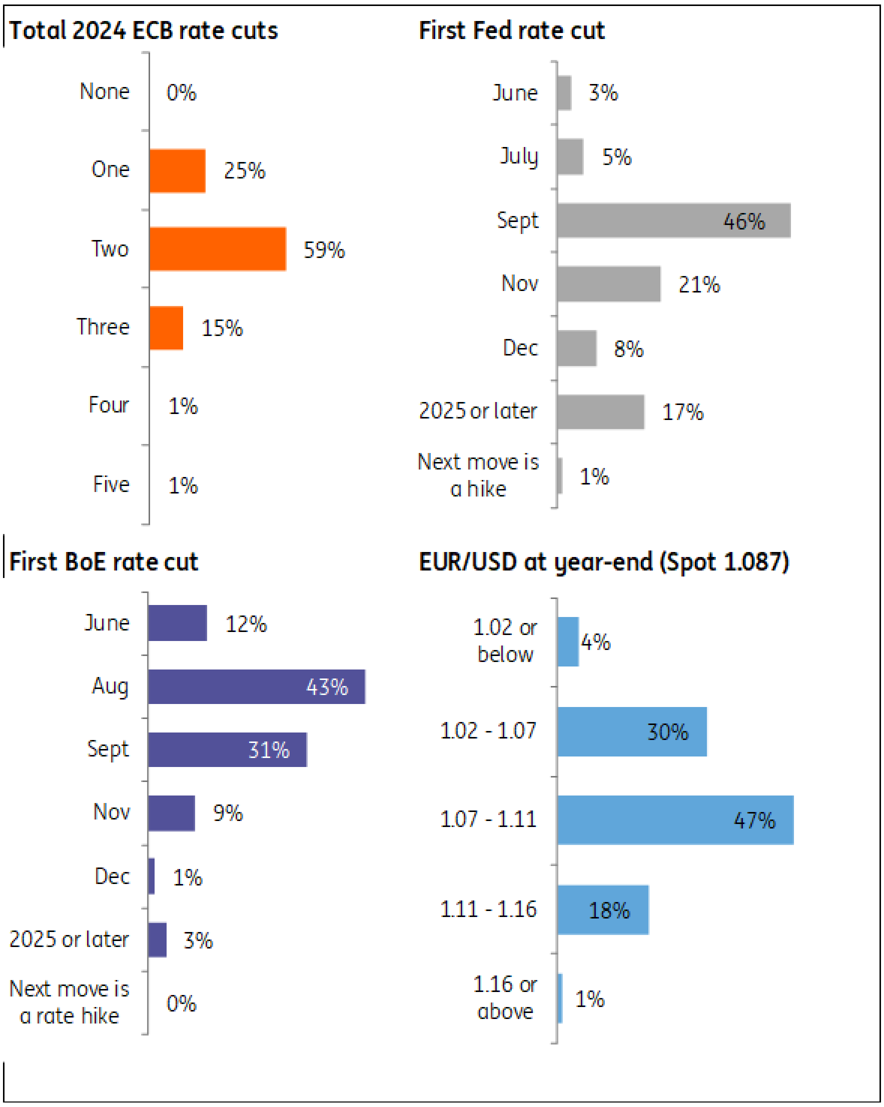
Second, the jobs market will need to cool, and he's watching for a convincing move in the unemployment rate above 4% this summer. And finally, consumer spending needs to soften. It has been the primary growth driver for some time, but James points to some signs of weakness in recent GDP revisions and personal spending numbers.

Then, of course, there's the politics. Europe goes to the polls over the weekend, and here in the UK, we should start getting party manifestos ahead of our 4 July vote.

That's all dwarfed by America's impending November election. This week's polls indicate investors are finding it hard to look beyond it. **Nearly half of the audience shared our view that EUR/USD will be unchanged by the end of the year.** Chris Turner reckons EUR/USD could trace out very different trajectories depending on who wins the Presidency and who controls Congress.

If you're hungry for more, do immerse yourself in our new ING Monthly that's fresh off the press this Friday.

Chart of the week: The results of our live webinar polls this week



Source: ING

Charts show the proportion of responses per answer. The webinar took place two days before the ECB meeting. Sample sizes ranged from 86-114, so shouldn't be taken as representative/scientific

THINK ahead in developed markets

US (James Knightley)

- **May Core CPI/CPI (Wed):** Wednesday will be a big day for financial markets, with the May US inflation report followed by the Federal Reserve's FOMC meeting. CPI has been running hotter than the Fed's favoured measure of inflation, the core PCE deflator, for quite some time, reflecting the greater weighting of housing costs and insurance. We suspect it will come in at 0.3%MoM once again, which remains too hot, but so long as the core PCE deflator is 0.2%, we will remain on course for a September Fed rate cut.
- **June FOMC meeting (Wed): The Federal Reserve will keep interest rates unchanged at 5.25-5.5% next week, with the main focus being their dot plot, which outlines the individual members' views on the path for interest rates.** In March, they signalled that

three rate cuts for the year remained their central view, with three further cuts in 2025. But with inflation having remained sticky, we suspect that they will shift the projections for rate cuts later, so they end up with two cuts in 2024 and four in 2025. We don't expect them to change their projections for 4Q GDP growth (2.1%) or the core PCE deflator (2.6%), but there is a chance they raise their 4Q unemployment projection (currently 4%) given we are already up at 3.9%, and labour demand indicators are weakening.

Eurozone (Carsten Brzeski)

- **European Parliamentary Elections (weekend):** According to the polls, the European elections could see further gains for populist parties. But as symbolic as this would be, there shouldn't be any imminent direct implications on the economy. Whatever happens, the agenda for the next European Commission includes the issues of strategic autonomy, competitiveness, defence, EU enlargement and implementation of the EU's Green Deal. Read our full preview of the elections here.

UK (James Smith)

- **UK jobs report (Tue):** The UK jobs market is cooling, albeit there are question marks surrounding the reliability of the data. Those concerns partially extend to the wage figures, which have become more volatile. We expect regular pay growth to remain at 6% though the 10% increase in the National Living Wage adds some uncertainty. The Bank of England seems to be putting less emphasis on this data than it was.
- **UK April GDP (Wed):** March saw a considerable acceleration in UK growth. We'd expect at least some of this to be unwound in April. The economic backdrop is improving but these figures are jumping around too much to be confident in what they're telling us.

THINK ahead in Central and Eastern Europe

Poland (Adam Antoniak)

- **May CPI (Fri):** Detailed CPI data should shed more light on the source of the relatively slow increase in consumer prices in May. They'll allow for a more precise calculation of core inflation, which we estimate declined to 3.9%YoY from 4.1% in April. Still, the upward trend in headline inflation is continuing and core inflation is unlikely to ease further.

Hungary (Peter Virovacz)

- **May Inflation (Mon):** We are going to see the first wave of reflation in May. However, fuel prices mean it will be less pronounced than our previous estimates. We reckon fuel will subtract around 0.3ppts from month-on-month inflation. In addition, anecdotal evidence of regional food price changes means we could see only a marginally positive or even a negative monthly repricing in Hungary. As a result, we see headline inflation of only 0.1% MoM, with the year-on-year figure rising to only 4.2% on base effects.
- **Budget (Mon):** One of the key elements of budgetary developments nowadays is expenditure and the government's tight control over it. The other is the significant net interest payments, which are heavily front-loaded. At least on the retail bond front, May will bring an easing of coupon payment needs, so we could see a monthly budget surplus, as other revenue streams could continue to pick up on the back of a strong labour market and slowly recovering consumption.

Czech Republic (David Havrlant)

- **Inflation (Tue):** Our projection of the annual rate of 2.8% is only marginally below the previous reading. Expect the month-on-month reading to slow considerably to 0.2% after April's strength. The stronger CZK and lower Brent crude prices indicate a drop in fuel prices for consumers. Meanwhile, lofty nominal and real wage growth has contributed to continued service-sector price pressure.
- **Current account (Thu):** Expect a solid surplus of CZK 42.4 bn. The recent industrial data suggests an improvement in foreign demand is helping exports. The current economic recovery, though gradual, will keep the unemployment rate at low levels.

Turkey (Muhammet Mercan)

- **Apr current account balance (Mon):** The downward trend in the 12-month rolling current account deficit lost momentum in March. We expect a slight increase in April to US$31.8 (forecasting a monthly deficit of US$5.6bn) driven mainly by a widening in the foreign trade deficit. However, the provisional customs data released by the Ministry of Trade reveal that the foreign trade deficit contracted by around 48% in May. The data imply a return to recovery in external imbalances given the impact of CBT tightening.

Key events in developed markets next week

Country	Time	Data/event	ING	Prev.
		Monday 10 June		
Italy	0900	Apr Industrial Output (MoM%/YoY%)	-0.2/-	-0.5/-3.5
Norway	0700	May CPI (MoM%/YoY%)	-/-	0.8/3.6
	0700	May Core Inflation (MoM%/YoY%)	-/-	0.9/4.4
Netherlands	0530	Apr Manufacturing Output (MoM%)	-	-1.5
		Tuesday 11 June		
US	1100	May NFIB small business optimism	89.5	89.7
UK	0700	Apr ILO Unemployment Rate	4.3	4.3
	0700	Apr Employment Change	-105	-177
	0700	Apr Avg. Weekly Earnings (ex. Bonus, 3M/YoY)	6.0	6.0
Netherlands	0530	May CPI (MoM%/YoY%) NSA	-	0.7/2.7
		Wednesday 12 June		
US	1330	May Core CPI (MoM%/YoY%)	0.3/3.5	0.3/3.6
	1330	May CPI (MoM%/YoY%)	0.2/3.4	0.3/3.4
	1900	Fed Funds Target ceiling Rate	5.5	5.5
	1900	Fed Interest On Excess Reserves	5.4	5.4
Germany	0700	May CPI Final (MoM%/YoY%)	0.1/2.4	0.1/2.4
UK	0700	Apr GDP Estimate (MoM%)	-0.2	0.4
		Thursday 13 June		
US	1330	Initial Jobless Claims	225	219
	1330	Continuing Jobless Claims	1800	1.791
	1330	May PPI (MoM%/YoY%)	0.1/2.5	0.5/2.2
	1330	May core PPI (MoM%/YoY%)	0.3/2.5	0.5/2.4
Spain	0800	May CPI (MoM%/YoY%)	-/-	0.3/3.6
Eurozone	1000	Apr Industrial Production (MoM%/YoY%)	0.0/-2.1	0.6/-1
		Friday 14 June		
US	1500	Jun Uni. of Michigan Sentiment Prelim	72.0	69.1
	1500	Jun Uni. of Michigan Conditions Prelim	71.8	69.6
	1500	Jun Uni. of Michigan Expectations Prelim	70.0	68.8
France	0745	May CPI (MoM%/YoY%) NSA	-	0.0/2.2
Sweden	0700	May CPI (MoM%/YoY%)	0.1/3.5	0.3/3.9
	0700	May CPIF (MoM%/YoY%)	-/2.2	0.3/2.3
Netherlands	0530	Apr Trade Balance	-	13.594
Eurozone	1000	Apr Total Trade Balance SA	17.5	17.3
	1100	May Reserve Assets Total	-	1253.84

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time	Data/event	ING	Prev.
		Monday 10 June		
Turkey	0800	Apr Current Account Balance	-5.6	-4.5
Czech Rep	0800	May Unemployment Rate	3.7	3.7
Hungary	0730	May Core CPI (YoY%)	3.8	4.1
	0730	May CPI (MoM%/YoY%)	0.1/4.2	0.7/3.7
	1000	May Budget Balance	47.5	-276.5
Ukraine	1330	May CPI (MoM%/YoY%)	-/-	0.2/3.2
		Tuesday 11 June		
Czech Rep	0800	May CPI (MoM%/YoY%)	0.2/2.8	0.7/2.9
		Wednesday 12 June		
Romania	0700	May CPI (YoY%)	0.3/5.6	0.1/5.9
Serbia	1100	May CPI (MoM%/YoY%)	0.2/4.3	0.7/5.0
		Thursday 13 June		
Russia	1400	Apr Foreign Trade	-	18.813
Poland	1300	Apr Current Account, mn€	-541	325
Czech Rep	0900	Apr Current Account Balance	42.38	64.39
Ukraine	-	Central bank interest rate	-	13.5
Kazakhstan	1400	May Industrial Production (YoY%)	-	3.2
Serbia	1100	Jun Benchmark Interest rate	6.5	6.5
		Friday 14 June		
Russia	1700	May CPI (MoM%/YoY%)	0.6/8.1	0.5/7.8
	-	Q1 GDP (YoY%)	-	5.4
Poland	0900	May CPI (MoM%/YoY%)	-/-	0.1/2.5
Ukraine	-	Apr Trade Balance YTD	-	-5.9

Source: Refinitiv, ING

Author

James Smith
Developed Markets Economist, UK
james.smith@ing.com

James Knightley
Chief International Economist, US
james.knightley@ing.com

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

David Havrlant
Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Disclaimer