

THINK Ahead: Is that your final answer?

Where's the dollar going this year? How many times will the Fed cut rates? Fastest finger first! James Smith looks back at our very own Ask the Audience from this week's webinar. Grab yourself a lifeline and buckle up for another hectic week to come



That winning feeling: Sushil Kumar on the Indian 'Who Wants To Be A Millionaire' show

Is that your final answer?

This week, we aired our very own version of "Who Wants to Be a Millionaire?".

Ok, maybe it wasn't quite called that. Mainly because we didn't have a million pounds to give away (maybe next time, ING bosses?).

But our central bank webinar did have "50:50", which, in case you hadn't realised, is how we economists forecast virtually everything. And it even had a phone-a-friend. Well, it had Carsten Brzeski and James Knightley. And they were both on the phone.

But the point of this thoroughly pointless analogy is that we also had "ask the audience". We asked them what they thought about four topics. And this is what they said...

On the Fed, 43% said they expected just one 25bp rate cut from the Fed this year. That's interesting because it differs from the two cuts that financial markets are pricing right now.

Let's assume this means most of our crowd saw the Fed waiting until December before cutting rates again. It's a view that James Knightley has some sympathy with.

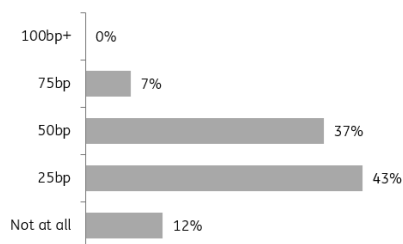
Most Fed officials are more preoccupied with inflation than growth right now, in part because the activity data isn't showing a huge amount of damage despite everything that's happened on tariffs. [The US jobs numbers](#), hot off the press today, are the latest reminder of that.

That could change, but James told our webinar this week that he could imagine the Fed waiting until December to be absolutely sure that inflation isn't such a problem. But he also makes the point that services inflation – and in particular rents – should slow this year, offsetting some of the upward impetus from tariffs on goods prices. He reckons we could see a softer core CPI figure next week.

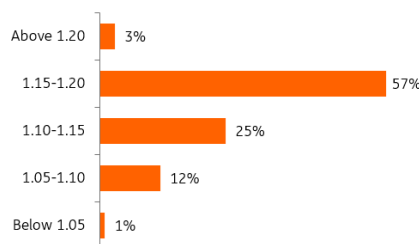
In other words, by December, the risk is that the Fed slips behind the curve. One way or another, James thinks 50bp worth of cuts are coming this year. And there's a chance all of that comes in one burst right at the end of this year.

Ask the audience: Poll results from our recent webinar

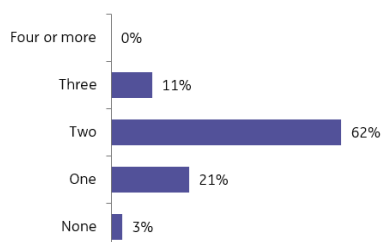
How far do you expect the Federal Reserve to cut interest rates this year?



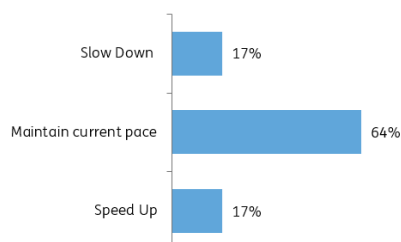
Where is EUR/USD likely to end 2025?
(Spot at time of webinar: 1.14)



How many more ECB rate cuts do you expect?



Does the Bank of England need to speed up or slow down the pace of easing?



Source: ING webinar polls

Poll results shouldn't be interpreted as scientific - sample size is roughly 100-130 per question

Is Christine your 'phone-a-friend'?

Here in Europe, ECB boss Christine Lagarde was in the hot seat this week and crucially, she opened the door to a prolonged pause, perhaps even the end of the cutting cycle altogether.

The vast majority of our audience was sceptical. 62% said they expected another cut, in addition to the one this week. Carsten agrees and thinks September is the most likely time for the next move. [Here's his take](#).

Yes, the ECB has largely insured against the risks of the trade war and by any reasonable

definition, interest rates are no longer at restrictive levels. And yes, German fiscal stimulus is feeding a more optimistic long-term outlook. But tariffs could get worse before they get better. In Europe's case, talks aren't going particularly well, to put it mildly.

In Britain, it's a very different story. The Bank of England has been, and continues to be, much more reticent to cut interest rates. We asked the audience whether it thought the Bank would deviate from its cautious, 25bp rate cuts-per-quarter pace, and two-thirds said they wouldn't.

That's interesting because ahead of the Bank's May meeting, most investors I spoke to thought it would have little choice but to speed things up. But I think our audience members are right, even if I am more optimistic about the inflation outlook than the Bank.

Fundamentally, the labour market is much cooler than it was two years ago, and we're likely to see more signs of that next week. And services inflation should come lower this year, much like the Fed, because of slower rental growth. The bar to speeding up cuts seems set fairly high, but I think rates will ultimately go lower than markets are now pricing.

What does all of this mean for markets? Interestingly, there was a clear skew for a weaker dollar. 57% thought EUR/USD would end the year between 1.15-1.20. As our currency chief Chris Turner says, that hints that more and more people are buying into the "sell America" and de-dollarisation theme.

As he says, we're yet to see hard evidence of foreigners starting to reduce their US\$30trn+ stockpile of US assets. But there's going to be intense scrutiny of the US portfolio flow data over the coming months, and potentially a weaker dollar too, if the US tax environment for foreign investors in the US becomes more hostile.

The dollar is running out of lifelines. And before you do too, I'd better wrap it up there. If you want to hear the full replay of this week's event, check out Rebecca Byrne's [podcast](#).

James Smith

THINK Ahead in developed markets

United States (James Knightley):

- The May jobs report suggested that there is no urgency to cut interest rates, but the outlook remains challenging given trade uncertainty and concerns about the durability of consumer spending in the face of steep falls in sentiment. The highlight will be consumer price inflation, but we expect to see a relatively benign outcome of 0.2% MoM, below the 0.3% market consensus. There have been concerns about pre-emptive price hikes due to tariffs, but the survey evidence suggests businesses are delaying passing costs onto customers. Instead, softer service inflation should mitigate for now. Nonetheless, higher prices are coming with the Federal Reserve's Beige book commenting that "there were widespread reports of contacts expecting costs and prices to rise at a faster rate going forward. A few Districts described these expected cost increases as strong, significant, or substantial. We suspect it will be the July and August reports where we will see more price pressures, and this will prevent the Fed from lowering rates until 4Q at the earliest.

UK (James Smith)

- **Jobs data (Tue):** The unemployment rate is set to rise, though the data is highly unreliable right now. The broader payrolls-based employment and vacancy data should paint a picture of a gradually cooling jobs market. Wage growth is set to slow and should continue to do so over the coming months, though the Bank of England will tread cautiously in the meantime.
- **Monthly GDP (Thu):** Growth is set to slow after a remarkably strong first quarter. We'd note that this trend – where the year has started strong before tailing off – has happened repeatedly for the past few years, suggesting a possible issue with seasonal adjustment. In general growth should look ok this year, given decent real-wage growth and the tailwind of government spending.

THINK Ahead in Central and Eastern Europe**Poland** (Adam Antoniak)

- **CPI (Fri):** The StatOffice is expected to confirm the estimate of May CPI inflation at 4.1% YoY. The details will allow for a more precise calculation of core inflation, which excludes food and energy prices, and it probably moderated to 3.3% YoY in April. Inflation continues to surprise to the downside and is expected to fall to the central bank target in July, leaving substantial room for monetary easing from the National Bank of Poland.
- **Current account (Fri):** This continues to deteriorate slowly and gradually, but the deficit remains low. We estimate that after April, the 12-month rolling current account deficit widened to 0.5% of GDP from 0.4% after March, as the negative trade gap deteriorated to 1.6% of GDP from 1.4%. Exports of goods in euro terms fell by 2.0% YoY, while imports increased by 3.6% YoY.

Hungary (Peter Virovacz)

- **Inflation (Wed):** We expect the average price level in Hungary to remain unchanged in May. This would result in no month-on-month change, meaning the year-on-year figure would also remain unchanged compared to April. Food and services inflation will probably slow down due to price controls. Additionally, the drop in fuel prices will be crucial in maintaining the current inflation rate. While the situation appears positive at first glance, the reality is that inflation remains above 4% despite price curbs and a stagnating economy since mid-2022.

Czech Republic (David Havrlant)

- **Unemployment rate (Mon):** This likely softened in May, on the back of positive seasonal effects linked to advanced hiring in tourism and construction.
- **Inflation (Tue):** Inflation is expected to be confirmed at the preliminary figures, with the

breakdown revealing more potent core inflation and stronger food prices growth.

Azerbaijan (Dmitry Dolgin):

- **Central bank decision (Thur):** We expect the refinancing rate to go up by 25 basis points, from the current 7.25% to 7.50%. Since the last monetary policy meeting in April, CPI has accelerated to 6.2-6.3% YoY in April-May, surpassing the target range of 4±2% and potentially challenging the central bank’s average annual CPI forecast of 5.3% for this year. Additionally, the rapid 20% YoY growth in retail lending, which is double the rate of funding, has contributed to a recent increase in non-fuel GDP growth. This could further support the argument for tightening the interest rate policy.

Uzbekistan (Dmitry Dolgin):

- **Central bank decision (Fri):** Expect the key rate to be maintained at 14.00%. The recent slowdown in the CPI from 10.1-10.3% YoY in April-March to 8.7% YoY as of May has alleviated the upward pressure on rates, especially when combined with the recent stabilisation of the soum. While a rate cut might reappear on the policy agenda in the coming quarters, the current near-term uncertainties, including those related to global trade tensions, necessitate caution at this time.

Key events in developed markets next week

Country	Time (BST)	Data/event	ING	Prev.
Tuesday 10 June				
UK	0700	Apr ILO Unemployment Rate	4.7	4.5
	0700	Apr Employment Change	20	112
	0700	Apr Average Weekly Earnings (3M YoY%)	5.3	5.5
	0700	Apr Average Weekly Earnings ex Bonus (3M YoY%)	5.3	5.6
Italy	0900	Apr Industrial Output (MoM%/YoY%)	-0.3/-1.4	0.1/-1.8
Norway	0700	May CPI (MoM%/YoY%)	-/-	0.7/2.5
Eurozone	0900	ECB Holzmann Speech	-	-
Wednesday 11 June				
US	1330	May Core CPI (MoM%/YoY%)	0.2/2.9	0.2/2.8
	1330	May CPI (MoM%/YoY%)	0.2/2.5	0.2/2.3
Thursday 12 June				
US	1330	Initial Jobless Claims (000s)	245	247
	1330	May PPI (MoM%)	0.3	-0.5
UK	0700	Apr GDP (MoM%/YoY%)	0.0/1.1	0.2/1.1
Netherlands	0530	May CPI (MoM%/YoY%)	-/-	1/4.1
Eurozone	13:20	ECB Schnabel Speech	-	-
Friday 13 June				
US	1500	Jun Michigan Sentiment Flash	55	52.2
	1500	Jun Michigan Conditions Flash	60	58.9
	1500	Jun Michigan Expectations Flash	50	47.9
Germany	0700	May CPI Final (MoM%/YoY%)	0.1/2.1	0.1/2.1
France	0745	May CPI (MoM%/YoY%)	-/-	-0.1/0.7
Spain	0800	May CPI (MoM%/YoY%)	-/-	0/1.9
Sweden	0700	May CPI (MoM%/YoY%)	-/-	-1.4/-1.6
Eurozone	1000	Apr Trade Balance	-	27.9
	1000	Apr Industrial Production (MoM%/YoY%)	-/-	2.6/3.6

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
Monday 9 June				
Czech Rep	0900	May Unemployment Rate	4.2	4.3
Tuesday 10 June				
Czech Rep	0800	May CPI (MoM%/YoY%)	0.5/2.4	-1.4/-0.4
Ukraine	1330	May CPI (MoM%/YoY%)	-/-	0.7/15.1
Wednesday 11 June				
Russia	-	May CPI (MoM%/YoY%)	0.3/9.7	0.4/10.2
Azerbaijan	-	Azerbaijan refinancing rate	7.50	7.25
Hungary	0730	May Core CPI (YoY%)	4.7	5.0
	0730	May CPI (MoM%/YoY%)	0.0/4.2	0.2/4.2
Thursday 12 June				
Romania	0700	May CPI (YoY%)	5.4	4.85
Uzbekistan	-	Uzbekistan policy rate	14.00	14.00
Serbia	1100	May CPI (MoM%/YoY%)	3.8	0.3/4
	1100	Jun Benchmark Interest rate	5.5	5.75
Friday 13 June				
Poland	0900	May CPI (MoM%/YoY%)	-0.2/4.1	-0.2/4.1
	1300	Apr Current Account	-35	-1419
Czech Rep	0900	Apr Current Account Balance (CZK bn)	34.54	42.54
Ukraine	-	Apr Trade Balance YTD	-	-8.5

Source: Refinitiv, ING

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