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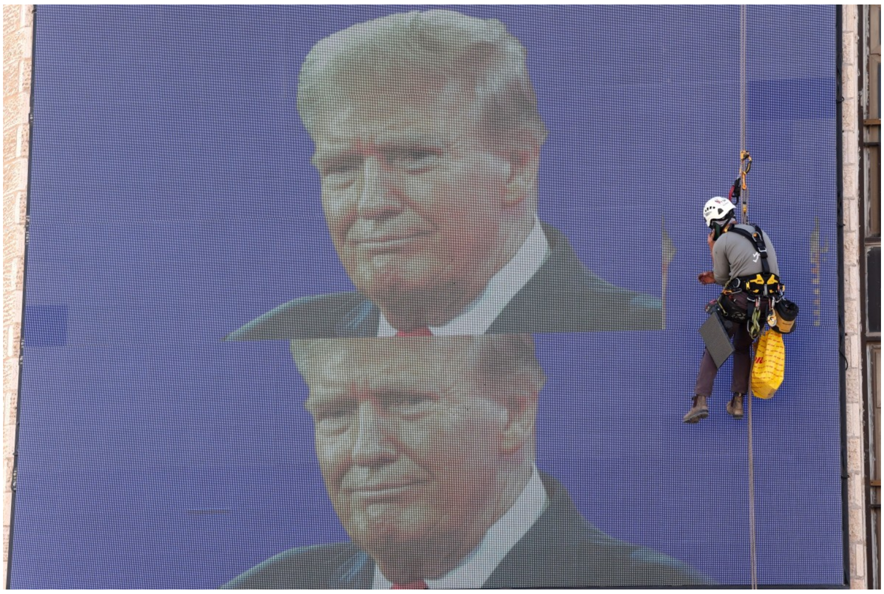
THINK Ahead: Expect the...expected

What surprised James Smith this week was just how unsurprising the market's reaction was to Donald Trump's landslide election victory. Markets have made their mind up on what his second term means for 2025 and beyond. But 2024 isn't done with us just yet. It's another busy week in markets... scream if you want to go faster



Surprised by the lack of surprise

Let's face it: not much should have surprised me this week. We were told to expect the unexpected, after all. But I was wrong: I was surprised, not about the result. And no, I won't pretend I saw Donald Trump's landslide victory coming. The polls were telling us pretty much anything could happen.

No, what surprised me most this week was just how unsurprising the market's reaction to Donald Trump's landslide victory was earlier this week. The dollar went higher, as did yields, just as our strategy teams said they should. We've all seen our fair share of 'risk events' recently to know that these things don't always play out how they're meant to. Just read our FX team's thoughts on why currency volatility has fallen as this week has progressed. And I wouldn't have predicted that this time last week, either.

Maybe I shouldn't be that surprised. Investors have done little else but wargame a Trump victory over recent weeks. Everyone agrees it means extended and expanded tax cuts. Everyone agrees it means tariffs, tariffs which are likely to be much wider-reaching than we saw in Trump's first term. Everyone agrees all of that is more inflationary and will require fewer Fed rate cuts. And above all, everyone agrees it's a disaster for Europe that will require a more forceful easing cycle from the ECB. That includes us, by the way. Check out our latest monthly report which is full of excellent analysis on the post-election landscape.

But here's the thing with assumptions: they're not always right. Fed boss Jay Powell had some sage wisdom for us all at this week's post-meeting presser: "*We don't speculate, we don't assume.*" I'll let you decide how much truth lies in that statement. But there's a lesson in it for us all, and as my colleague Carsten wrote this week, let's not be naïve. Election promises rarely become concrete policy agendas in this day and age.

We've seen this show before, after all. Will Trump's tariffs on Europe be as damaging as feared, or are they simply a bargaining chip designed to unlock wider foreign policy deals? Do his tax cuts really represent a huge fiscal stimulus if he's mostly just extending what's already in place? And do those tax cuts cause a big spike in bond yields that end up crippling households and companies, sending the economy into recession?

These are all valid questions. But crucially, they are not going to get answered anytime soon. Take those tariffs; James Knightley, our man in New York, reckons it will be at least a year until we learn more about how they might look. And for the Fed, that means the immediate focus turns back to the macro story. Next week that means US inflation, which, as James writes below, risks coming in hot again. It also means retail sales, and remember that consumer spending growth hasn't slowed over the summer. Quite the opposite. Add in the fact that the election result has been sealed up so quickly and cleanly, and that can only be a good thing for investment.

James K reckons a December rate cut is still a solid bet. But he thinks there's only so long the Fed can ignore reality. Our base case is a pause at January's meeting as central bankers face up to the inflationary risks posed by Mr Trump's second term. But what if we're not done with the surprises? What if the US economic story starts to sour over the winter, regardless of what the president-elect is promising to do?

It's not impossible. The Fed has told us it's laser-focused on the jobs market now, and that's looking fragile. Even thrifty consumers are saying it's getting harder to find a job if you believe the surveys.

So here's the bottom line: The dust might have quickly settled on this week's historic election. Markets are trading the big macro trends of 2025 and beyond. But there are still 53 days of 2024 left to run, and I suspect this historic year has more than a few surprises left in store for us.

THINK Ahead in developed markets

United States (James Knightley)

- **CPI (Wed):** Used and new car prices are set to come in hot for October CPI and keep the headline rate running at 0.2% with core CPI at 0.3%. This is above the 0.17%MoM rate that needs to be averaged over time to hit the 2% inflation target and could raise some market doubts about whether the Fed will cut rates in December. We think that they will, given the cooling jobs market and the fact monetary policy is still in restrictive territory, but we do think there is a strong chance of a pause at the January meeting. This is due to the prospect of slightly stronger near-term growth given the smooth election of Donald Trump as President and the prospect of the low tax, business-friendly environment continuing, and the prospect of higher inflation with trade tariffs.

United Kingdom (James Smith)

- **Jobs (Tue):** The unemployment rate is set to tick fractionally higher again, though everyone, including the Bank of England, agrees that these figures are still highly dubious amid ongoing sampling issues. Separate payroll data has shown non-government hiring has fallen back materially so far this year. Wage growth is set to slow further too, though this is partly a base-effect story.
- **GDP (Fri):** We already know from the monthly data that third quarter growth was significantly slower than we saw through the first half of the year. That says as much about the volatility in the data earlier in 2024 as it does about a genuine slowdown. Surveys suggest momentum has eased a bit, though the latest budget is widely expected to boost growth next year.

THINK Ahead for Central and Eastern Europe

Poland (Adam Antoniak)

- **Sep BOP (Wed):** September's balance of payments data release is expected to show a current account deficit of €763mn. In 12-month rolling terms, the current account surplus is shrinking gradually and after September probably reached 0.5% of GDP vs. 0.8% of GDP after August.
- **Flash 3Q24 GDP (Thu):** Annual GDP growth likely eased below 3% in the third quarter. Manufacturing is struggling amid weak external demand, construction remains in recession and retail trade has softened markedly in recent months. The latter is particularly worrisome as consumption was the main driver of the economic recovery so far this year. We have revised our 2024 economic growth forecast down to 2.7% from 3.0%.
- **Final Oct CPI (Fri):** Expect October's 5% flash inflation figure to be confirmed, with the composition showing that core inflation moderated to 4.1-4.2% YoY. However, momentum is still strong, and that leaves no room for complacency among the MPC, which continues to keep NBP rates at high levels.

Hungary (Peter Virovacz)

- **Inflation (Tue):** After reaching the inflation target for the first time in 44 months, we expect the headline figure to rise again in October. Food, fuel and consumer durables prices will be the main drivers of the acceleration. According to our estimates, annual food inflation will reach its highest level yet in 2024. With such a mix, we see core inflation returning to the 5% mark.

Romania (Valentin Tataru)

- **Inflation (Tue):** We expect the October inflation to show that the disinflation process has significantly slowed. We estimate October inflation at 4.4%, down from 4.6% in September as food inflation seems to have stabilised. Meanwhile, services inflation remains rather decoupled from the headline, at above 7.0%.
- **GDP (Thu):** The third quarter flash GDP print is likely to confirm that the economy is growing

well below potential in 2024, with a strong contribution from consumption and investment largely offset by higher imports.

Czech Republic (David Havrlant)

- **Inflation (Mon):** Both headline and core inflation likely accelerated in October, driven by robust household spending. Food prices represent a wild card in October's reading, as firmer pricing in world food commodities and weaker Koruna, especially vis-à-vis the greenback, could push food price tags higher than assumed. In combination with a possibly less pronounced reduction in electricity end prices than announced by the major distributors, headline inflation could reach the upper limit of the CNB tolerance band in the upcoming CPI reading already. The Czech industry seems to have set the worst malaise behind, which lands support to the export performance. Hence, we see a modest improvement in the current account in September.

Key events in developed markets next week

Country	Time	Data/event	ING	Prev.
		Monday 11 November		
US	-	National Holiday	-	-
Norway	0700	Oct CPI (MoM%/YoY%)	-/-	0.3/3
	0700	Oct Core Inflation (MoM%/YoY%)	-/-	0.3/3.1
		Tuesday 12 November		
Germany	0700	Oct CPI Final (MoM%/YoY%)	0.4/2	0.4/2
	1000	Nov ZEW Economic Sentiment Index	5	13.1
UK	0700	Sep Unemployment Rate	4.1	4.0
	0700	Sep Employment Change	330	373
	0700	Sep Avg. Weekly Earnings (ex bonus, 3M/YoY)	4.7	4.9
Netherlands	0530	Oct CPI (MoM%/YoY%)	-/-	-0.5/3.5
Eurozone	0800	ECB Rehn Speech	-	-
	1000	Nov ZEW Economic Sentiment Index	-	20.1
OPEC	-	Monthly Oil Market Report	-	-
		Wednesday 13 November		
US	1330	Oct CPI (MoM%/YoY%)	0.2/2.6	0.2/2.4
	1330	Oct Core CPI (MoM%/YoY%)	0.3/3.3	0.3/3.3
UK	0945	BoE Mann Speech	-	-
Eurozone	1000	Sep Industrial Production (MoM%/YoY%)	-/-	1.8/0.1
		Thursday 14 November		
US	1330	Oct PPI (MoM%)	0.2	0.0
	2000	Fed Powell Speech	-	-
UK	2100	BoE Bailey Speech	-	-
Spain	0800	Oct CPI (MoM%/YoY%)	-/-	0.6/1.8
Sweden	0700	Oct CPI Final (MoM%/YoY%)	-/-	0.2/1.6
	0700	Oct CPIF (MoM%/YoY%)	-/-	0.3/1.1
Netherlands	0830	Q3 GDP (QoQ%/YoY%)	-/-	1/0.8
	0830	Sep Trade Balance (EUR bn)	-	11.08
Eurozone	1000	Q3 GDP 2nd Estimate (QoQ%/YoY%)	-/-	0.4/0.9
	1830	ECB Schnabel Speech	-	-
		Friday 15 November		
US	1330	Oct Retail Sales (MoM%)	0.3	0.4
	1415	Oct Industrial Production (MoM%)	-0.3	-0.3
UK	0700	Sep GDP (MoM%)	0.1	0.2
	0700	Q3 GDP (QoQ%/YoY%)	0.2/1.0	0.5/0.7
France	0745	Oct CPI Final (MoM%/YoY%)	-/-	0.2/1.2
Italy	1000	Sep Trade Balance (EUR bn)	-	1.43
Sweden	0700	Oct Unemployment Rate	-	8.2

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time	Data/event	ING	Prev.
		Monday 11 November		
Turkey	0700	Sep Industrial Production (YoY%)	-	-5.3
	0700	Sep Unemployment Rate	-	8.5
Hungary	0730	Oct Budget Balance (HUF bn)	-101	234.2
Czech Rep	0800	Oct CPI (MoM%/YoY%)	0.4/2.9	-0.4/2.6
		Tuesday 12 November		
Turkey	0700	Sep Current Account Balance (USD bn)	3.1	4.324
Hungary	0730	Oct Core CPI (YoY%)	5.0	4.8
	0730	Oct CPI (MoM%/YoY%)	0.4/3.6	-0.1/3
Romania	0700	Oct CPI (MoM%/YoY%)	0.4/4.4	0.3/4.6
Kazakhstan	1300	9M24 GDP (YoY%)	3.7	3.2
Serbia	1100	Oct CPI (MoM%/YoY%)	0.4/4.3	0.1/4.2
		Wednesday 13 November		
Russia	1600	Oct CPI (MoM%/YoY%)	0.8/8.6	0.5/8.6
	1600	Q3 GDP (YoY%)	3.0	4.1
Poland	1300	Sep Current Account Balance (EUR mn)	-763	-2827
Czech Rep	0900	Sep Current Account Balance (CZK bn)	22.78	18.54
		Thursday 14 November		
Poland	0900	Q3 GDP (YoY%)	2.5	3.2
Romania	0700	Q3 GDP (YoY%)	1.7	0.9
Bulgaria	0900	Q3 GDP (YoY%)	2.3	2.1
		Friday 15 November		
Turkey	0800	Oct Budget Balance (TRY bn)	-	-100.5
Poland	0900	Oct CPI Final (MoM%/YoY%)	-/-	0.3/5
Croatia	1000	Oct CPI (MoM%/YoY%)	1.1/2.3	0.4/1.6

Source: Refinitiv, ING

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