

## THINK Ahead: Storms over Sintra

James Smith's guide to what you should be watching out for next week



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

### Storms over Sintra

The town of Sintra, according to [one travel guide](#), used to be “a summer retreat for nobility and royalty”. Used to be? Best not tell the central bankers.

For that's where they're headed, in their droves, for the European Central Bank's annual shindig next week. That it happens on the Portuguese coast in mid-summer is, I'm sure, just a coincidence. Lapland obviously wasn't available.

One man who can look forward to a pina colada or two is US Federal Reserve Chair Jay Powell. The news on US inflation is finally looking a bit brighter, even if it's only one month's worth of better data so far. Markets are looking at a 70% chance of a September rate cut, at the time of writing.

James Knightley thinks some cooler jobs figures would help cement that. Watch out for payrolls data next week. These numbers have been [relentlessly strong of late](#), much more so than what business surveys have been hinting at.

Spare a thought, though, for Andrew Bailey, the Governor of the Bank of England, for whom the impending UK election has ruled out an appearance next week. Those jugs of sangria will have to wait for next year. But if it's any consolation, Thursday's vote is unlikely to send any shockwaves across Threadneedle Street.

Labour, which is widely expected to win a landslide, isn't promising any fiscal earthquakes. The

memories of that 2022 mini-budget debacle are still etched at the forefront of Westminster's institutional memory. An August rate cut [remains on track](#).

It's not exactly going to be sunshine and margaritas for ECB President Christine Lagarde either. The storm clouds are blowing in from France, where Sunday's first round vote in the parliamentary elections looks set to overshadow the ECB's gathering.

Speaking to Philippe Ledent, our French expert, he warns we might not be much the wiser after Sunday's results given the complexities of the two-round voting system. We'll have to wait another week for the final outcome, where Philippe reckons the most likely scenario is one where no party ends up with an absolute majority. You can read his definitive guide [here](#).

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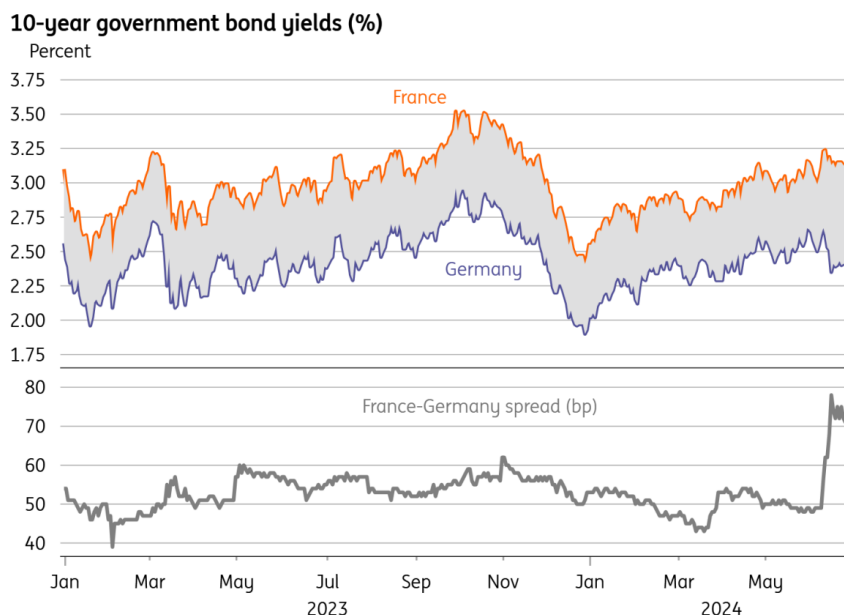
Some more moderate comments from party leaders, particularly on the political right, [have helped calm market nerves](#) a little this week. But further volatility can't be ruled out. And that makes for some uncomfortable questioning for ECB officials. Might they be willing to intervene in French bond markets via the so-called Transmission Protection Instrument?

Fortunately, it's very much a hypothetical question for now, and Carsten Brzeski doubts French spread widening will be seismic enough to force the issue. But fiscal risk isn't going away after this election, and the European Commission's decision to place France under the Excessive Deficit Procedure has complicated life.

Add in the fact that flash inflation numbers are likely to show core CPI stuck closer to 3% than 2%, and Carsten's message is don't expect the ECB to say much next week, let alone about future rate cuts.

So as central bankers jet off to Portugal, a few might just wish they'd booked a staycation in Frankfurt instead. I'm off to find a tiny violin...

## Chart of the week: France-Germany spreads remain elevated ahead of Sunday's vote



Source: Macrobond, ING calculations

## THINK Ahead in developed markets

### Eurozone

- **French Parliamentary Elections first round (Sun):** Remember that few candidates will be elected in the first round. Everything will depend on the alliances formed between the two rounds. A projection in seats of the result of a recent poll (to be taken with great caution) attributes 220 to 270 seats to the RN, 150 to 190 to the NFP and 90 to 130 to the president's allies. As a reminder, 289 seats are needed to obtain an absolute majority in the National Assembly. [Read more](#) *Philippe Ledent*
- **Eurozone flash CPI (Tue):** Figures released so far from the likes of Spain, France and Belgium are a mixed bag. We're likely to see a slight tick lower in both the headline and core rate for the eurozone as a whole, though there is some upside risk. *Peter Vanden Houte*

### United Kingdom (James Smith)

- **UK General Election (Thu):** Unlike the French election, Britain's vote looks like a foregone conclusion. The current opposition Labour Party is widely expected to gain a comfortable majority. The party is signalling very little change on fiscal policy, even if many economists ultimately think tax rises are somewhat inevitable given the strains on public spending. The result is unlikely to make any discernable difference for the Bank of England, which we expect will cut rates in August.

## THINK Ahead for Central and Eastern Europe

### Hungary (Peter Virovacz)

- **Retail sales & Industrial output (Fri):** We expect strong economic activity in May, which will be reflected in the latest retail sales and industrial production data. The retail sector should be boosted by falling fuel prices and continued growth in demand for non-food products. A busy sporting calendar also usually boosts interest in durable goods. In line with this, we expect industrial production to rise on a monthly basis, supported by strengthening domestic demand, especially in the food and other non-durable goods segments. In addition, oil production at a new field started in May, increasing MOL's Hungarian daily oil production capacity by 5%.

#### Czech Republic (David Havrlant)

- **S&P Global PMI (Mon):** The PMI likely maintained an upward trend in June but remained in contractionary territory. We expect the deterioration in the health of the manufacturing sector to fade over the coming quarters and expect the economic recovery to gradually gain ground at home and abroad.
- **Budget balance (Mon):** General government expenditure probably continued to exceed income to a similar extent as in the previous month, with the budget deficit remaining broadly unchanged.
- **Retail sales (Thu):** Retail sales likely saw continued solid annual growth in May, reflecting buoyant wage growth throughout the economy. Wages increased significantly in industry and construction, incentivising non-discretionary spending.

#### Turkey (Muhammet Mercan)

- **Inflation (Wed):** We expect CPI inflation to change direction with a drop from its cyclical peak at 75.4% in May to 72.5% (with a 2.2% month-on-month reading) in June. While the favourable base would lead to a significant decline in July and August, the extent of the decline is also dependent on potential adjustments in electricity and natural gas prices, while the government has signalled it won't hike the minimum wage at mid-year.

## Key events in developed markets next week

Country	Time Data/event	ING	Prev.
<b>Sunday 30 June</b>			
France	- Parliamentary Elections Round 1	-	-
<b>Monday 1 July</b>			
US	1500 Jun ISM Manufacturing PMI	-	48.7
	1500 Jun ISM Manufacturing Prices Paid	-	57
Germany	0855 Jun S&P Global/BME Manufacturing PMI	43.4	43.4
	1300 Jun CPI Prelim (MoM%/YoY%)	0.2/2.3	0.1/2.4
UK	0930 Jun S&P Global/CIPS Manufacturing PMI Final	51.4	51.4
Italy	0845 Jun S&P Global/IHS Manufacturing PMI	-	45.6
Eurozone	0900 Jun S&P Global Manufacturing PMI Final - ECB Forum on Central Banking in Sintra (1-3 July)	-	45.6
Switzerland	0730 May Retail Sales (MoM%/YoY%)	-/-	0.2/2.6
<b>Tuesday 2 July</b>			
US	1430 Fed Chair Powell Speech	-	-
Italy	0900 May Unemployment Rate	-	6.9
Eurozone	1000 Jun CPI Flash (YoY%)	-	2.6
	1000 Jun Core CPI Flash (YoY%)	-	2.9
	1000 May Unemployment Rate	-	6.4
<b>Wednesday 3 July</b>			
US	1315 Jun ADP National Employment	-	152
	1330 May Balance of Trade	-	-74.6
	1445 Jun S&P Global Composite PMI Final	-	54.6
	1445 Jun S&P Global Services PMI Final	-	55.1
	1500 May Factory Orders (MoM%)	-	0.7
	1500 Jun ISM Services PMI	-	53.8
	1900 FOMC Minutes	-	-
Germany	0855 Jun S&P Global Services PMI	53.5	53.5
	0855 Jun S&P Global Composite PMI Final	50.6	50.6
France	0850 Jun S&P Global Composite PMI	-	48.2
UK	0930 Jun S&P Global/CIPS Serv PMI Final	51.2	51.2
	0930 Jun Composite PMI Final	51.7	51.7
Canada	1330 May Balance of Trade	-	-1.05
Eurozone	0900 Jun S&P Global Services PMI Final	-	52.6
	0900 Jun S&P Global Composite PMI Final	-	50.8
<b>Thursday 4 July</b>			
UK	- General Election	-	-
Germany	0700 May Industrial Orders (MoM%)	0.8	-0.2
Switzerland	0645 Jun Unemployment Rate Adjusted	-	2.4
	0730 Jun CPI (MoM%/YoY%)	-/-	0.3/1.4
<b>Friday 5 July</b>			
US	1330 Jun Non-Farm Payrolls	-	272
	1330 Jun Private Payrolls	-	229
	1330 Jun Unemployment Rate	-	4.0
	1330 Jun Avg. Hourly Earnings (MoM%/YoY%)		0.4/4.1
Germany	0700 May Industrial Output (MoM%/YoY%)	0.2/-4.3	-0.1/-3.86
France	0745 May Industrial Output (MoM%)	-	0.5
	0745 May Balance of Trade	-	-7.579
Canada	1330 Jun Unemployment Rate	-	6.2
Eurozone	1000 May Retail Sales (MoM%/YoY%)	-/-	-0.5/0

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time	Data/event	ING	Prev.
<b>Monday 1 July</b>				
Russia	0700	Jun S&P Global Manufacturing PMI	-	54.4
Turkey	0800	Jun Manufacturing PMI	-	48.4
Poland	0800	Jun S&P Global Manufacturing PMI	44.9	45
Czech Rep	0830	Jun S&P Global PMI	46.8	46.1
	1300	Jun Budget Balance	-209.2	-210.4
Hungary	0730	Apr Balance of Trade Final	1766	1766
	0800	Jun Manufacturing PMI	52.4	51.8
<b>Tuesday 2 July</b>				
Croatia	1000	Jun Inflation (MoM%/YoY%)	0.2/2.6	0.1/3.3
<b>Wednesday 3 July</b>				
Russia	0700	Jun S&P Global Services PMI	-	49.8
	1700	May Retail Sales (YoY%)	7.6	8.3
	1700	May Unemployment Rate	2.6	2.6
Turkey	0800	Jun CPI (MoM%/YoY%)	2.2/72.5	3.37/75.45
Poland	1300	Jul NBP Base Rate	5.75	5.75
<b>Thursday 4 July</b>				
Czech Rep	0800	May Retail Sales (MoM%/YoY%)	6.3/5.2	-0.1/5.3
<b>Friday 5 July</b>				
Hungary	0730	May Industrial Output (YoY%)	-2.1	6.4
	0730	May Retail Sales (YoY%)	4.4	3.2
	0730	May Balance of Trade (EUR m)	1950	1766
Romania	1400	Monetary Policy Rate	7.00	7.00
Poland	1300	Jun Foreign Exchange Reserves (USD bn)	-	207.8

Source: Refinitiv, ING

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