

## Our view on next week's key events

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# Key events in developed markets next week

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## Expectation of a 75bp rate hike from the Fed is unlikely to change

Between now and the 27 July Federal Open Market Committee (FOMC) meeting there are only two US data releases that could potentially prompt us to switch our forecast from a 75bp rate hike to a more cautious 50bp hike. After all, the Fed has made it clear that it is resolutely focused on getting inflation under control so we will either need to see a very weak jobs report, published on 8 July, or, but quite possibly together with, a surprise drop in inflation, out 13 July, that reflects declines in a broad range of categories. Currently, we are expecting inflation to dip only very modestly from its 8.6% rate in May, but given that is two weeks away, the market will be focused on next Friday's jobs figures.

We know that there were around 11 million job vacancies at the last count, equivalent to nearly two vacancies for every unemployed American. This itself should point to a very strong figure for job creation, but the issue is the lack of suitable workers available to fill these positions, hence why wages have been rising so rapidly as firms compete for labour. However, we sense that the plunge in equity markets and the increasing recession talk as the Fed ramps up interest rates, may lead some employers to slow down the rate of hiring. Consequently, we think payrolls may grow

somewhere in the 250-300,000 range, down from 390,000 in May, which should still be enough to keep the unemployment rate at 3.6% and wages continuing to tick higher. For us to seriously consider changing our July Fed call we would need to see payrolls growth fall with the unemployment rate moving a couple of tenths higher and wage growth showing signs of stagnating. Even then we would still probably need to see a surprisingly large decline in inflation the following week.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 4 July</b>					
Germany	0700	May Imports/Exports	-1.2/-3.0		3.1/4.4
	0700	May Trade Balance	-		3.5
Canada	1530	BoC Business Outlook	4.0		5.0
Switzerland	0730	Jun CPI (MoM%/YoY%)	-/-		0.7/2.9
<b>Tuesday 5 July</b>					
US	1500	May Factory Orders (MoM%)	0.4	0.5	0.3
Germany	0855	Jun Markit Services PMI	52.4		52.4
	0855	Jun Markit Composite Final PMI	51.3		51.3
France	0745	May Industrial Output (MoM%)	-		-0.1
UK	0930	Jun Markit/CIPS Services PMI Final	53.4		53.4
	0930	Jun Composite PMI Final	53.1		53.1
Eurozone	0900	Jun Markit Services Final PMI	52.8		52.8
	0900	Jun Markit Composite Final PMI	51.9		51.9
<b>Wednesday 6 July</b>					
US	1445	Jun Markit Composite Final PMI	-		51.2
	1445	Jun Markit Services PMI Final	-		51.6
	1500	Jun ISM Non-Manufacturing PMI	56.0	55.7	55.9
	1900	Jun FOMC minutes	-		-
Germany	0700	May Industrial Orders (MoM%)	0.3		-2.7
Eurozone	1000	May Retail Sales (MoM%/YoY%)	-/-		-1.3/3.9
<b>Thursday 7 July</b>					
US	1315	Jun ADP National Employment	200	183	128
	1330	Initial Jobless Claim 000s	240		231
	1330	Continuing Jobless Claim 000s	1330		1328
	1330	May International Trade USD	-85.5	-85.0	-87.1
Germany	0700	May Industrial Output (MoM%/YoY%)	-1.0/-3.1		0.7/-2.1
Norway	0700	May GDP Month Mainland	-		-0.5
Netherlands	0530	Jun CPI (MoM%/YoY% NSA)	-		-0.6/8.8
<b>Friday 8 July</b>					
US	1330	Jun Non-Farm Payrolls	270	250	390
	1330	Jun Private Payrolls	240	230	333
	1330	Jun Unemployment Rate	3.6	3.6	3.6
	2000	May Consumer Credit	32.0	30.0	38.1
Italy	0900	May Industrial Output (MoM%/YoY%)	-/-		1.6/4.2
Canada	1330	Jun Unemployment Rate	5.0		5.1
Netherlands	0530	May Manufacturing Output (MoM%)	-		5.3

Source: Refinitiv, ING

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## Key events in EMEA next week

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Source: Shutterstock

### ✓ Hungary: Higher than historical average price increase

The next week will be quite dense in terms of data in Hungary. We expect some further slowdown both in retail sales and industrial production on a monthly basis in May. This would be in line with the latest changes in soft indicators. However, the year-on-year indices will be significantly skewed by base effects. Nonetheless, we still won't see any reason to worry about our above 5% 2022 GDP forecast. What will be even more important, than the economic activity is the June inflation print. After causing a huge upside surprise in the previous month, we expect some slowdown in the monthly inflation reading. Yet, the 1.3% MoM price increase will be much higher than historical average, showing the impact of rising producer prices, booming wages and high pricing power of companies. On a yearly basis, this will translate into a 11.5% headline figure, while core inflation (as the majority of the price caps are effective in the non-core basket) is expected to be just shy of the 13% mark. Last but not least, we see the budget balance to show further deterioration due to seasonal patterns and the country's rising energy bill.

### ✓ Turkey: Further increase in annual inflation

In June, we expect annual inflation to further increase to 78.3% (4.8% on monthly basis) from 73.5% a month ago, particularly driven by food and transportation prices, while pricing pressures

will likely remain broad-based with largely supportive policy framework leading to currency weakness and external factors weighing on import prices.

## ✓ Poland: Upcoming NBP decision on the rates

Although in May the NBP governor A. Glapiński suggested that monetary tightening is drawing near to its end and conditions for rate cuts could arise already in 2023, price developments (CPI above 15%YoY in June) and inflationary risks call for another rate hike this month. What is more, external environment leaves little room for doubts about the need to continue tightening. In June the CNB hiked rates by 125bps and the HNB by 185bps and the NBP is again lagging behind with respect to the level of policy rate. Therefore, we expect the MPC to deliver 75bp rate hike, however markets may bet on even more decisive policy move. Anything less than 75bp would lead to PLN weakening.

## EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 4 July</b>					
Turkey	0800	Jun CPI (MoM%/YoY%)	4.8/78.3	5.4/78.4	3.0/73.5
Brazil	0900	Jun IPC-Fipe Inflation Index	-	-	0.4
<b>Tuesday 5 July</b>					
Russia	0700	Jun Markit Services PMI	-	-	48.5
South Africa	0815	Jun Standard Bank Whole Econ PMI	-	-	50.7
Brazil	1300	May Industrial Output (MoM%/YoY%)	-/-	-/-	0.1/-0.5
	1400	Jun Markit Services PMI	-	-	58.6
	1400	Jun Markit Composite PMI	-	-	58.0
<b>Wednesday 6 July</b>					
Hungary	0800	May Industrial Output (YoY%)	3.6	-	3.1
	0800	May Retail Sales (YoY%)	14.3	-	15.8
Romania	1300	Policy Rate	4.5	4.5	3.8
<b>Thursday 7 July</b>					
Poland	-	Jul NBP Base Rate	6.75	-	6.00
Czech Rep	0800	May Industrial Output (YoY%)	-	-	-3.8
	0800	May Trade Balance	-	-	-28.4
Serbia	1100	Jul Benchmark Interest rate	3.0	-	2.5
Mexico	1200	Jun Headline Inflation	-	-	0.2
	1200	Jun Core inflation	-	-	0.6
<b>Friday 8 July</b>					
Russia	1700	Jun CPI (MoM%/YoY%)	-0.4/15.8	-	0.1/17.1
Turkey	0800	May Current Account Balance	-8.1	-	-2.7
Hungary	0800	Jun Core CPI (YoY%)	12.9	-	12.2
	0800	Jun CPI (MoM%/YoY%)	1.3/11.5	-	1.7/10.7
	1000	Jun Budget Balance	-510.0	-	-101.0
Ukraine	-	Jun CPI (MoM%/YoY%)	-/-	-	2.7/18.0
Brazil	-	Jun IPCA Inflation Index (MoM%/YoY%)	-/-	-	0.5/11.7

Source: Refinitiv, ING

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# Asia week ahead: Inflation reports and the RBA meeting on the calendar

Several Asian economies report inflation next week while the Reserve Bank of Australia meets to discuss policy



## Inflation reports from regional players

The coming week features several inflation gauges from the region with price pressures generally trending higher. Taiwan's inflation is expected to rise due to higher energy prices and a low base effect from last year.

Philippine inflation will likewise head higher, accelerating to 6.0% from 5.4% year-on-year last May. Pricier food, transport and utilities are all likely to drive up headline inflation, which should pressure the central bank to double down on rate hikes at the August meeting.

Meanwhile, Korea's consumer price index for June is also moving higher, likely hitting 6.0% YoY with gasoline and manufactured food prices up sharply. If inflation settles higher than 6.0% in June, the Bank of Korea will take a big step in terms of tightening at the July meeting.



## RBA meeting

It is pretty clear that despite being a little slow to pick up the inflation threat, the RBA is now fully on board with its determination to bring inflation down. Rates are going up. The only question is, how fast? Well, we haven't had any particularly helpful data since the last meeting. We don't for example have any further inflation data to react to, though Melbourne Institute inflation expectations did move sharply higher. The lack of new hard data is probably why Governor Philip Lowe ruled out a 75bp hike when asked earlier this month. The choice is therefore between 25bp and 50bp.

What may tip the balance in favour of the bigger hike is how far the RBA needs to go in order to get rates even to neutral. That suggests not hanging about. They can step up the pace if needed once they have sight of the 2Q inflation print. So it's 50bp now, and 75bp in September, if the inflation data paints an ugly enough picture. If not, they can ease back a bit and revert to 25bp or 50bp hikes.

## China GIR and services PMI

Over in China, Caixin services PMI should settle below 50, suggesting overall activity is in contraction. However, with lockdowns easing gradually, the contraction may show a slight improvement from the previous month.

An additional data report from China in the coming week is the level of foreign reserves, with GIR likely increasing due to capital inflows to the stock market since mid-June.

## And the rest..

Meanwhile, Taiwan trade data is also out in the coming days with both imports and exports expected to grow around 20% YoY from demand for semiconductors. Exports may grow slower than imports however with the trade surplus narrowing from the previous month.

Lastly, Singapore retail sales likely expanded but at a more moderate pace, slowing to 8.5% from 12.1% previously as higher prices sap some spending momentum.

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 4 July</b>					
Singapore	1400	Jun Manufacturing PMI	-		50.4
South Korea	0000	Jun CPI Growth (MoM%/YoY%)	0.6/6.0	0.5/5.9	0.7/5.4
<b>Tuesday 5 July</b>					
Japan	0130	Jun Services PMI	54.2		54.2
Australia	0530	Jul RBA Cash Rate	1.35		0.85
China	0245	Jun Caixin Services PMI	46.0		41.4
India	0600	Jun IHS Markit Services PMI	59.1		58.9
Philippines	0200	Jun CPI (MoM%/YoY%)	0.7/6.0		0.4/5.4
Singapore	0600	May Retail Sales (MoM%/YoY%)	-8.5/5.8		1.2/12.1
Taiwan	0920	Jun Foreign Exchange Reserve (USD bn)	545.2		548.9
<b>Wednesday 6 July</b>					
Taiwan	0900	Jun CPI (YoY% NSA)	4.02		3.39
	0900	Jun WPI (YoY% NSA)	17.4		16.6
South Korea	0000	May Current Account Balance NSA (USD bn)	3.5		-0.1
<b>Thursday 7 July</b>					
Australia	0230	May Trade Balance (AUD mn)	10492		10495
China	-	Jun Monthly FX Reserves (USD tn)	3.135		3.128
Indonesia	0500	Jun Forex Reserves	-		135.6
Singapore	1000	Jun Foreign Reserves USD	-		345.3
<b>Friday 8 July</b>					
Japan	0030	May Current Account Balance NSA (YPY bn)	200		501
Indonesia	0400	Jun Consumer Confidence Index	-		128.9
Taiwan	0900	Jun Imports/Exports	27.5/12.5		26.7/12.5
	0900	Jun Trade Balance (USD bn)	2.0		2.4

Source: Refinitiv, ING

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