

Our view on next week's key events

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✓ US: Eyes on Jerome Powell's appearance at the Economic Club

After last week's excitement, it is a much quieter week for US data and events. With activity data softening and inflation cooling, the market remains unconvinced about the Federal Reserve's desire to raise interest rates a "couple more times" as outlined by Fed Chair Jerome Powell this week. A recession appears to be the base case with expectations of policy easing in the second half of the year, which is putting downward pressure on the dollar and US Treasury yields. This is going some way to undermining the effectiveness of the Federal Reserve's rate hikes at the short end of the curve as it battles to ensure inflation is eradicated from the system.

Consequently, the highlight for the week could be Powell's appearance at the Economic Club of Washington. If he fails to push back meaningfully against the market reaction, the implication would be that the Fed itself is relaxed with what the market is doing, which risks it pushing further in the direction of pricing future interest rate cuts. Several other Fed officials are scheduled to speak during the week.

In terms of data, it is largely second-tier releases although the trade balance could be interesting.

It has narrowed sharply through 2022, contributing positively to GDP growth in the second half of the year, but this appears to be unsustainable. It was driven by falling imports rather than rising exports and we see a strong chance that this partially unwinds in December. Meanwhile, the Conference Board measure of consumer confidence is expected to improve given the rally in equity markets and the fall in gasoline prices with a strong jobs market continuing to provide a firm underpinning for now.

UK: narrowly escapes late 2022 recession

An artificial bounce in activity after the Queen's funeral last September suggests the economy will narrowly avoid entering a technical recession in the fourth quarter. Nevertheless, we expect a modest contraction in the first quarter of this year and probably the second, meaning recession is still the base case. It is however likely to be very mild by historical standards, not least because the recent fall in gas prices now means the government can probably cancel April's planned increase in household energy bills – and indeed they'll probably have fallen from the current £2,500 annual average to £2,000 by the summer.

Sweden: Riksbank to hike by 50bp, but the peak isn't far off

The Swedish economy is not looking great. GDP fell by half a percent in the fourth quarter, while house prices are down 15% on last February's peak. For now though, the Riksbank is more worried about core inflation which has continued to climb. Important pay negotiations are due to conclude in a matter of weeks, and all signs point to an uplift in wage growth across wide areas of the economy. With new Governor Erik Thedeen warning against recent SEK weakness, and the Riksbank saying in the past that it wants to stay ahead of the ECB in its tightening cycle, we expect a 50bp rate hike next week. Nevertheless, with the housing market under pressure, we think we're nearing the top for Swedish rates. We expect one further 25bp hike in April, marking the top of the cycle.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 6 February					
Germany	0700	Dec Industrial Orders (MoM%)	3.0		-5.3
	1300	Jan CPI Prelim (MoM%/YoY%)	0.9/8.9	1.1/9.2	-0.8/8.6
Eurozone	1000	Dec Retail Sales (MoM%/YoY%)	-/-	-0.3/-	0.8/-2.8
Tuesday 7 February					
US	1330	Dec International Trade (USD bn)	-70.5	-68.7	-61.5
	2000	Dec Consumer Credit	24	24.5	27.96
Germany	0700	Dec Industrial Output (MoM%/YoY%)	-2.0/-1.5		0.2/-0.51
France	0745	Jan Reserve Assets Total	-		237682
	0745	Dec Trade Balance	-		-13.77
Canada	1330	Dec Trade Balance (CAD bn)	0.3		-0.04
Switzerland	0645	Jan Unemployment Rate Adjusted	-		1.9
Thursday 9 February					
US	1330	Initial Jobless Claim (000s)	190	-	183
	1330	Continue Jobless Claim (000s)	1660	-	1655
Sweden	0830	Riksbank Rate	3.00		2.50
Netherlands	0530	Jan CPI (YoY%) NSA	-		9.6
Friday 10 February					
US	1500	Feb University of Michigan Sentiment Prelim	66	65.0	64.9
	1500	Feb University of Michigan Conditions Prelim	69		68.4
	1500	Feb University of Michigan Expectations Prelim	63.2		62.7
UK	0700	Dec GDP Estimate (MoM%/YoY%)	-0.3/-0.2		0.1/0.2
	0700	Q4 GDP Prelim (QoQ%/YoY%)	0.0/0.4		-0.3/1.9
Italy	0900	Dec Industrial Output (MoM%/YoY%)	0.2/-2.0		-0.3/-3.7
Canada	1330	Jan Unemployment Rate	-		5
Norway	0700	Jan CPI (MoM%/YoY%)	-/-		0.1/5.9
Netherlands	0830	Dec Manufacturing Output (MoM%)	-		-2
Greece	1000	Dec Industrial Output (YoY%)	-		-0.9

Source: Refinitiv, ING

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Asia week ahead: Regional inflation data, Taiwan trade numbers and Indonesia's GDP

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Source: Shutterstock

Has inflation peaked in Australia?

On 7 February, the Reserve Bank of Australia (RBA) is expected to hike rates by 25bp. Some months ago, when the RBA adopted the smaller 25bp hike approach, it became obvious that the central bank was not operating on a data-dependent policy. As it got closer to the peak in rates, it would simply proceed at a slower pace to avoid, or at least limit, the risk of overtightening. Considering the much higher-than-expected inflation readings over the past two months, we have increased our peak RBA cash rate forecast to 4.1% from 3.6%, assuming that there are two further months of 25bp hikes ahead.

We see a slight softening of the labour and housing markets, but this is not likely to be decisive for future rate decisions. There will be a subsequent statement on monetary policy on 10 February

and this will likely provide more clarity on direction.

India expected to pause hikes

We can expect to see further central bank action from the Reserve Bank of India (RBI) on 8 February, and the outcome is much less certain than the RBA. The current repo rate is at 6.25%, which is 55bp higher than the prevailing rate of inflation, which has since fallen back into the top end of RBI's 2-6% tolerance range.

Our contention has been that the RBI is at or close to the peak, and we believe that the RBI will put a pause on the hikes to give growth a chance.

Philippine inflation to stay elevated as supply shortages persist

Philippine inflation is expected to dip to 7.8% year-on-year in January, down slightly from 8.1% in the previous month. However, we expect inflation to remain at elevated levels as supply shortages persist. Low domestic production resulted in surging prices for basic food commodities. Meanwhile, still-elevated global energy prices have resulted in high utility costs and rising gasoline prices.

The Bangko Sentral ng Pilipinas (BSP) is expected to retain its hawkish stance for the time being although Governor Felipe Medalla has hinted at a possible reversal later in the year.

Price pressures expected to slow in China

China's January CPI inflation should rise faster given the post-Covid lockdown reopening and extended holiday. Our estimate is 2.4%YoY. Despite the acceleration, it's too early to say whether this is a trend and is still below the warning level of 3%. Inflation should be slower in February after the holiday.

PPI on the other hand should stay at a slight year-on-year contraction level due to the combination of lower commodity prices and a high base effect. Construction activities have yet to pick up, leading to lower metal prices. We expect construction activities to start to recover after winter which should give some support to PPI inflation.

Headwinds in Taiwan's semiconductor industry

Taiwan's trade data should show a dire picture as the western market has placed fewer orders on semiconductor chips while the Mainland China market has yet to fully recover. We expect a contraction for both exports and imports of around 20%YoY.

This might lead to more uncertainty about the projected central bank's hike in the first quarter of the year. Taiwan's central bank should consider opting not to follow the Fed or hike at a slower pace due to the headwinds in the semiconductor industry.

Other data reports: PBoC's decision on RRR, reserves and Indonesia's GDP report

We do not expect the People's Bank of China (PBoC) to change the interest rate or RRR this year. The main monetary policy should be through a re-lending programme, which is more focused and helpful for economic recovery. Meanwhile, China is going to release credit data (from 9-15 February) and we expect a jump in January despite being the month of the Chinese New Year. New

Yuan loans will be the key engine of credit growth in the first month of the year. More credit growth from the debt market should follow during the first quarter.

FX reserves should rise as indicated by the strengthening of the yuan which implies capital inflows into China. Further capital inflows are possible, especially portfolio inflows. But due to uncertain geographic tension, multinational companies might defer direct investments into China.

Lastly, Indonesia reports fourth-quarter GDP and we expect growth to hit 4.9%YoY, taking 2022 full-year growth to 5.2%. Softer commodity prices weighed on both export performance and industrial output, however solid domestic demand was able to offset the downturn.

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 6 February					
Indonesia	-	Q4 GDP (QoQ%/YoY%)	4.9		1.8/5.7
Tuesday 7 February					
Australia	0030	Dec Trade Balance (AUD bn)	-		13201
	0330	Feb RBA Cash Rate	-		3.1
China	-	Jan FX Reserves (Monthly)	3.15		3.128
Indonesia	0400	Jan Forex Reserves	137		137.2
	-	Q4 Balance of Payments	-		-1.3
	-	Q4 Current Account/GDP	1.0		1.3
Philippines	0100	Jan CPI (MoM%/YoY%)	-7.8		0.3/8.1
	0100	Jan Core CPI (YoY%)	6.8		6.9
	0300	Jan Forex Reserves (USD bn)	96.5		96
Singapore	0900	Jan Foreign Reserves (USD bn)	-		289.5
Taiwan	0800	Jan Imports/Exports	-23/-20.6		-11.4/-12.1
	0800	Jan Trade Balance	4.9		4.79
South Korea	2300	Dec Current Account Bal NSA	-		-0.62
Wednesday 8 February					
India	0430	Repo Rate	-	6.5	6.25
	0430	Reverse Repo Rate	-		3.35
	0430	Cash Reserve Ratio	-	4.5	4.5
Indonesia	0300	Jan Consumer Confidence Index	120		119.9
Thursday 9 February					
Indonesia	0400	Dec Retail Sales Index (YoY)	3.5		1.3
Taiwan	1000	Jan CPI/WPI (YoY%) NSA	2.68/5.3		2.71/7.14
Friday 10 February					
China	0130	Jan CPI (YoY%)	2.4		1.8
	0130	Jan PPI (YoY%)	-0.68		-0.7
India	1200	Jan CPI Inflation (YoY%)	-		5.72
	-	Jan Fiscal Deficit (USD bn)	-		-
	-	Jan Imports/Exports (USD bn)	-		-
Taiwan	0800	Q4 GDP Final (YoY%)	-0.86		-0.86

Source: Refinitiv, ING

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Key events in EMEA next week

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Source: Shutterstock

✓ Czech Republic: Spikes in CPI unlikely to influence CNB's decision

In Czech we expect the CPI increased by 6.1% MoM in January and hence the headline inflation likely accelerated further from 15.8% to 17.6% YoY. This increase was likely owing to the increase of regulated prices by around 40% YoY, while core inflation still remained strong at 13% YoY. This is in line with new CNB forecast. We see the risk, however, that some reprising upwards was made later in January hence it would be reflected rather in February CPI reading. Even a further spike in headline inflation is unlikely to persuade the CNB board to change their stance to keep rates unchanged at the next meeting in March.

✓ Hungary: Data impacted by abolishment of fuel price cap

After a quite boring week, next week's calendar will be really action-packed. On Monday and Tuesday, the Hungarian Statistical Office is going to release the December retail sales and industrial production figures. We expect to see major signs of a downturn. In retail sales, the government let go the fuel price cap, which lead the fuel sales falling from a cliff, while food and non-food retailers are suffering from a lowering demand due to the drop in households' purchasing

power. As industry had two working days less to produce in December 2022 than a year ago, we see the year-on-year performance to shrink, though seasonally and working day adjusted print will show a bit more favourable picture. Wednesday will be about balances. We see the January budget balance in deficit due a one-off expenditure item related to a public financed acquisition. Meanwhile, the December trade balance will bring some good news, as lower commodity prices will be finally filtering through the energy balance, as new energy contracts in the private and public sectors are following the global stock prices with a two-month lag. Last, but definitely not least, Friday brings the first inflation print of 2023. We see both headline and core CPI moving above 25% year-on-year, mainly driven by a strong start-of-the-year repricing in food and services and a second-leg impact of the scrap of the fuel price cap. In contrast, price changes in household energy and durable goods will limit the upside in the acceleration, in our view.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 6 February					
Czech Rep	0800	Dec Industrial Output (YoY%)	-		0.5
	0800	Dec Trade Balance	-		-25.5
Hungary	0730	Dec Retail Sales (YoY%)	-4.4		0.6
Tuesday 7 February					
Czech Rep	0800	Dec Retail Sales (YoY%)	-		-8.7
Hungary	0730	Dec Industrial Output (YoY%)	-0.5		0.5
Wednesday 8 February					
Russia	1600	Jan CPI (MoM%/YoY%)	0.8/11.7		0.8/11.9
	1600	Dec Retail Sales (YoY%)	-9.0	-9.5	-7.9
	1600	Dec Unemployment Rate	3.8	4.0	3.7
Poland	1300	Feb NBP Base Rate	6.75	6.75	6.75
Czech Rep	0800	Jan Unemployment Rate	-		3.7
Hungary	0730	Dec P Trade Balance (EUR m)	-600		-1415
	1000	Jan Budget Balance	-200		-1287
Thursday 9 February					
Ukraine	1330	Jan CPI (MoM%/YoY%)	-/-		0.7/26.6
Serbia	1100	Feb Benchmark Interest rate	-		5.25
Brazil	1200	Dec Retail sales (MoM%/YoY%)	-/-		-0.6/1.5
	1100	Jan IPCA Inflation Index (MoM%/YoY%)	-/-		0.62/5.79
Mexico	1200	Jan Headline Inflation	-		0.38
	1200	Jan Core inflation	-		0.65
	1900	Jan Interest Rate	-		10.5
Friday 10 February					
Turkey	0700	Dec Unemployment Rate	-		9.9
Turkey	0700	Dec Industrial Production (MoM/YoY%)	-		-1.13/-1.30
Russia	1030	Feb Central bank key rate	7.5		7.5
Czech Rep	0800	Jan CPI (MoM%/YoY%)	6.1/17.6		0/15.8
Hungary	0730	Jan Core CPI (YoY%)	1.6/25.1		1.6/24.8
	0730	Jan CPI (MoM%/YoY%)	2.2/25.5		1.9/24.5
Mexico	1200	Dec Industrial Output (MoM%/YoY%)	-		0/3.2

Source: Refinitiv, ING

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