

Our view on next week's key events

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Key events in developed markets next week

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Source: Shutterstock

✓ US: New variant is just a scare

Newsflow surrounding Omicron will be the key market influence next week. Our base case is that this is more of a scare rather than a prelude to more severe economic restrictions that would derail the growth story. Nonetheless, at least in the near-term, the risks are skewed to the downside for economic activity given the potential for some consumer caution.

The most important data point will be November consumer price inflation. Rising gasoline, housing and second hand car prices will be the big movers, but growing evidence of rising corporate pricing power is also likely to be evident in the form of broad based 0.3%+ month-on-month readings for most components. This is likely to leave annual rates close to 7% for headline inflation with the potential for core inflation to beak above 5%. If this is the case and the scientific evidence on Omicron suggests it is a manageable threat, then the expectations of an acceleration in the Federal Reserve's QE tapering at the December FOMC meeting will grow.

We will also get the JOLTS data on job openings and resignations. This will likely show that the jobs market remains very tight with the proportion of people quitting their jobs to move to a new employer hitting new record highs. In turn, this will highlight the challenge for companies in terms of recruitment and retention of staff, which is both inflationary, through contributing to rising wage

pressures, while also constraining growth as businesses are less able to meet strong demand.

Canada: Strong economy and rate path will remain unaltered

No policy changes are expected at the Bank of Canada policy meeting after policymakers decided to end QE in October and brought forward guidance for the timing of the first rate hike to mid-2022. The economy is growing strongly and inflation will soon breach 5%. At the same time, Canada has been far more successful at job creation than the US with employment already above pre-Covid levels. Given less spare capacity than most other economies, we immediately shifted to forecasting four 25bp rate hikes in 2022 after the October announcements, with one hike per quarter. We are reluctant to make any changes to this view right now given the uncertainty over Omicron, but the obvious risk is that the BoC ends up delaying the first hike until 2Q should consumer caution kick in on Covid anxiety. The BoC is also mulling changing its inflation target that could be more explicit about tolerating inflation overshoots in a move that would follow the US. However, the BoC already has a framework that is well understood and already contains flexibility so there seems little need for any radical changes.

UK: Omicron to overshadow decent UK data for the Bank of England's December decision

A decent month for UK retail and an ongoing gradual return to offices probably translated into a reasonable GDP growth rate in October. In general, UK data is giving the Bank of England the green light to go ahead with its much-discussed first rate rise. But with Omicron uncertainty unlikely to clear up entirely by the time of the Bank's December meeting, we suspect policymakers will decide to wait until the new year before doing anything. November's meeting showed that the committee as a whole is comfortable with waiting for new data, and clarity can be expected before the next meeting. Barring an Omicron disaster, we suspect policymakers will hike rates in February.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 6 December					
Germany	0700	Oct Industrial Orders (MoM%)	2.0		1.3
Tuesday 7 December					
US	1330	Oct International Trade \$	-65.5	-66.8	-80.9
	2000	Oct Consumer Credit	27.5		29.91
Germany	0700	Oct Industrial Output (MoM%/YoY%)	3,0/-2,0		-1.1/-0.9
France	0745	Oct Trade Balance	-		-6.8
Canada	1330	Oct Trade Balance C\$	-		1.9
Switzerland	0645	Nov Unemployment Rate Adjusted	-		2.7
Netherlands	0530	Nov CPI (MoM%/YoY%)	0.4/4.6		1.3/3.4
Eurozone	1000	Q3 Employment Final (QoQ&/YoY%)	0.9/2.0		0.9/2.0
	1000	Q3 GDP Revised (QoQ%/YoY%)	2.2/3.7		2.2/3.7
Wednesday 8 December					
US	1500	Oct JOLTS job openings (mn)	10.6	-	10.4
Canada	1500	BoC Rate Decision	0.25		0.25
Thursday 9 December					
Germany	0700	Oct Exports	2,0		-0.7
	0700	Oct Imports	1,0		0.1
	0700	Oct Trade Balance	17		13.2
Norway	0700	Oct GDP Month Mainland	-		0.6
US	1330	Initial Jobless Claims	225	-	222
	1330	Cont Jobless Claims	1920	-	1956
Friday 10 December					
US	1330	Nov Core CPI (MoM%/YoY%)	0.5/4.9	0.5/-	0.6/4.6
	1330	Nov CPI (MoM%/YoY%)	0.6/6.7	0.7/-	0.9/6.2
	1500	Dec University of Michigan Sentiment	66	68.5	67.4
	1500	Dec University of Michigan Conditions	73.2		73.6
	1500	Dec University of Michigan Expectations	62		63.5
Germany	0700	Nov CPI Final (MoM%/YoY%)	-0,2/5,2		-0.2/5.2
UK	0700	Oct GDP Estimate (MoM%)	0.4		0.6
Italy	0900	Oct Industrial Output (MoM%/YoY%)	-/-		0.1/4.4
Norway	0700	Nov CPI (MoM%/YoY%)	-/-		-0.3/3.5

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Inflation in Hungary is likely to reach levels not seen since 2007. Elsewhere, central bank decisions are due in Brazil and Ukraine



Source: Shutterstock

✓ Hungary: Inflation readings to reach record levels

We are hopeful in Hungary that after two bad months, industry will be able to rebound somewhat in October, although we know that supply chain issues are still holding back the most important manufacturing sectors (cars & electronics). With export activities under pressure and imports being pushed higher via strong domestic demand, we see the trade balance deteriorating further. The main event comes on Wednesday with the November inflation reading. We see the headline rate moving to 7.3% year-on-year, reaching a level not seen since 2007. As there are widespread price pressures with second-round effects and demand-driven shocks, core inflation is set to move above 5% YoY for the first time since 2008. This could push the central bank to raise the one-week deposit rate again, although the recent strengthening of the forint might give rise to a pause, as the regular monthly rate setting meeting is scheduled on 14 December.

EMEA Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 6 December				
Czech Rep	0800 Oct Retail Sales (YoY%)	-		3.6
	0800 Q3 Gross wages (YoY%)	-		8.2
Kazakhstan	0900 Dec Base Interest Rate	-		9.75
Tuesday 7 December				
Czech Rep	0800 Oct Industrial Output (YoY%)	-		-4
	0800 Oct Trade Balance	-		-13.3
Hungary	0800 Oct Industrial Output (YoY%)	1.1		-2.3
South Africa	0930 Q3 GDP (YoY%)	-		19.3
Wednesday 8 December				
Russia	1600 Nov CPI (MoM%/YoY%)	0.1/8.4	0.7/8.1	1.1/8.1
Czech Rep	0900 Nov Unemployment Rate	-		3.4
Hungary	0800 Nov Core CPI (YoY%)	5.1		4.7
	0800 Nov CPI (MoM%/YoY%)	0.6/7.3		1.1/6.5
	1000 Nov Budget Balance	-505		-630
South Africa	1100 Oct Retail Sales (YoY%)	-		2.1
Brazil	1200 Oct Retail sales (MoM%/YoY%)	-/-		-1.3/-5.5
	2100 Selic Interest Rate	-		7.75
Thursday 9 December				
Hungary	0800 Oct Trade Balance	-175		-128
	0830 One-Week Deposit Rate (%)	3.10		3.10
Ukraine	1200 Central bank interest rate	-		8.5
	- Nov CPI (MoM%/YoY%)	-/-		0.9/10.9
Serbia	1100 Dec Benchmark Interest rate	1		1
Mexico	1200 Nov Headline Inflation	-		0.84
	1200 Nov Core inflation	-		0.49
Friday 10 December				
Russia	1300 Oct Foreign Trade	-		20.001
Czech Rep	0800 Nov CPI (MoM%/YoY%)	-/-		1/5.8
Kazakhstan	- Nov Industrial Production (YoY%)	-		2.9
Brazil	1200 Nov IPCA Inflation Index (MoM%/YoY%)	-/-		1.25/10.67
Mexico	1200 Oct Industrial Output (MoM%/YoY%)	-		-1.4/1.6

Source: Refinitiv, ING, *GMT

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Asia week ahead: Central bank decisions and trade reports dominate

Asian trade reports and central bank meetings are the focus for Asia in the coming days



Central bank decisions

It's a busy week for central banks, notably the Reserve Bank of Australia (RBA) on 7 December, and the Reserve bank of India (RBI) on 8 December.

We don't expect either central bank to change policy at these meetings, and the Omicron variant provides some fresh cover for dovish central banks to hide behind. That said, it is always worth looking out for changes in nuance in accompanying statements that might hint at changes next year. The RBI for example may nod in the direction of recent higher than desirable inflation figures and could flag the possibility of a small increase in rates early next year. The consensus expects the first hike in the Indian cycle to be a token 5bp or so, though its market impact could be greater.

The RBA has been back-peddalling a bit from its insistence that rates will not rise until 2024, and it at least now acknowledges that a 2023 hike is a possibility. But there has been nothing recently to require them to make further shifts, or to stake out a new approach to asset purchases when the current policy is reviewed before mid-February. Recent Australian 3Q21 GDP data was less bad

than had been expected, but doesn't shed much light on the correct policy stance and has had little impact on market expectations. More relevant will be the 3Q21 house price data released on the same day as the rate decision. Annual house price inflation in 2Q was 16.8% year-on-year. That is high by any standard, so any additional increase will put pressure on the central bank to respond, though until the labour market and wages data fall into line, we believe the RBA will stick to the current playbook.

China's trade report one of many in the coming week

Meanwhile, next week's data calendar features several trade reports. China's trade data should show a year-on-year slowdown although the growth rate will still be in the double digits. Exports are expected to slow given that most orders for western holiday demand have been fulfilled. Some last-minute urgent orders however may still be placed but these may show up in the December report.

Taiwan will also report trade data next week. Given the strong demand for semiconductors, year-on-year growth should edge higher but face a slight month-on-month contraction as production bottlenecks transmit to a similar situation in exports.

Lastly, Philippine trade numbers come out on 10 December with recent trends expected to hold. Both exports and imports will expand but import growth is forecast to outpace exports. The overall trade balance will likely remain in deep deficit at roughly \$3.8b, which should be enough to nudge the overall current account balance into deficit.

And the rest...

The Asian data release calendar also covers a good number of inflation reports in the coming days. China and Taiwan will release producer prices with the PPI expected to be high for both due to elevated import commodity prices. On the other hand, CPI inflation is expected to be rather flat for both economies.

Philippine inflation is also scheduled next week with headline inflation set to slide to 3.7% as improved weather and pork imports help address previously tight food supply chains. This is however only the first-time inflation has fallen below 4% this year.

Rounding out the data reports for next week, Japan releases its Business Survey Index for 3Q21 from the Ministry of Finance on 9 December. This isn't widely watched, though it can be viewed as a dress-rehearsal for the more widely tracked Tankan survey from the Bank of Japan out on 13 December.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 6 December				
Japan	2330	Oct All Household Spending (MoM%/YoY%)	-	5.0/-1.9
Taiwan	0820	Nov Foreign Exchange Reserve	548.9	546.7
South Korea	2300	Oct Current Account Bal NSA	11.4	10.07
Tuesday 7 December				
Japan	2350	Oct Current Account NSA	-	1033.7
	2350	Q3 GDP Revised (QoQ%)	-0.8	-0.8
Australia	0330	Dec RBA Cash Rate	0.1	0.1
China	0800	Nov FX Reserves (Monthly) \$bn	3237.5	3218
		- Nov Exports	19.97	27.1
		- Nov Imports	19.1	20.6
		- Nov Trade Balance	90.74	84.54
Philippines	0100	Nov CPI (MoM%/YoY%)	0.15/3.7	0.2/4.6
	0100	Nov Core CPI (YoY%)	3.2	3.4
Singapore	0900	Nov Foreign Reserves USD	-	419
Taiwan	0800	Nov CPI (YoY%)	2.23	2.58
	800	Nov WPI (YoY%)	17.16	14.78
	0800	Nov Exports	24.85	24.6
	0800	Nov Imports	31.06	37.2
	0800	Nov Trade Balance	4.92	6.12
Wednesday 8 December				
Japan	2350	Nov M2 Money Supply (YoY%)	3.7	4.2
India	0430	Repo Rate	4	4
	0430	Reverse Repo Rate	3.35	3.35
	0430	Cash Reserve Ratio	4	4
Thursday 9 December				
China	0130	Nov CPI (YoY%)	1.8	1.5
	130	Nov PPI (YoY%)	13.3	-
Friday 10 December				
China		- Nov M2 Money Supply (YoY)	-	8.7
		Nov Aggregate Finance (CNY bn)	2490	1589.9
		Nov New Yuan Loan (CNY bn)	1607	826.2
India	1200	Oct Industrial Output (YoY%)	1.1	3.1
Indonesia	0400	Oct Retail Sales Index (YoY%)	-	-2.2
Philippines	0100	Oct Exports (YoY%)	8.1	6.3
	0100	Oct Imports (YoY%)	22.3	24.8
	0100	Oct Trade Balance	-3831	-3995

Source: Refinitiv, ING, *GMT

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