

Our view on next week's key events

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Key events in developed markets and EMEA next week

The resilience of the US economy makes a July rate hike look certain, with the market sensing a strong chance that we get another before the year's end



✓ US: July rate hikes looks certain

The resilience of the US economy has seen market interest rate expectations push higher with the yield on the 10Y Treasury bond breaking above 4%. A July rate hike looks certain with the market sensing a strong chance that we get another hike, as suggested by the Federal Reserve, before year-end. The upcoming data flow centres on inflation and here we expect to see some good news with lower energy costs, softening food prices, a topping out in housing rents and falling vehicle prices set to partially offset strength in the core services ex-housing component that the Fed is so fearful of.

A 0.3%MoM reading for headline and core inflation would see the annual rate of headline inflation slowing to 3.1% from 4% and core (ex-food and energy) slowing to 5% from 5.3%. While this will do little to alter the likelihood of a July hike, it could at the margin provide a little relief and see longer-dated interest rate expectations tick a little lower.

Pipeline price pressures are set to offer more encouragement that inflation can continue slowing with the PPI report set to show annual increases in producer prices slowing to just 0.4%YoY with the core PPI rate slowing to 2.5%. We will also be closely following the National Federation of Independent Businesses' pricing intentions survey. A further decline here in company appetite to

hike prices would offer encouragement that we will also start to see more of an easing in service sector inflation.

✓ **UK: wage data hold the key to size of August rate hike**

With a month to go until the Bank of England's August meeting, next week's jobs data is one of only two datasets that is likely to have any bearing on its decision – the other being CPI on 19 July.

Policymakers will be watching regular pay growth (average earnings excluding bonuses), which has picked up again lately. The question is whether that's solely down to firms implementing the 10% increase in the National Living Wage, or a genuine increase in pay pressures. Assuming it's at least partly the former, then we think we could get a fractional fall in the annual rate of pay growth next week. Assuming we don't get any unpleasant surprises from the CPI data in a couple of weeks' time, that would probably allow the Bank of England to pivot back to a 25bp rate hike in August. We expect a further hike in September, but come November, we are hopeful there should be sufficient improvement in the inflation story to merit a pause.

We'll also get monthly GDP figures next week, but these will be heavily distorted by the extra bank holiday surrounding the King's Coronation in May, so are unlikely to be of much relevance for the BoE. And even without the distortions, it's clear the Bank is firmly focused on inflation rather than growth right now.

✓ **Canada: central bank policy meeting**

In Canada, the highlight will be the Bank of Canada (BoC) policy meeting. It hiked interest rates 25bp last month having left them untouched since the last hike in January. We don't see last month's move as a one-off. To restart the hiking process means that the BoC feels it has unfinished business, and with the jobs market looking tight and inflation running above target we expect the BoC to hike by a further 25bp.

✓ **Czech Republic: Inflation to fall below 10% for the first time since January last year**

We expect prices to have risen at a similar pace in June as in May by 0.2% MoM. This should translate into a drop from 11.1% to 9.6% YoY, returning to single-digit territory for the first time since last January. We expect stable food prices and modest growth in fuel prices after the massive drop in the previous month. We should also see small increases in housing (0.2%) and the rest of the consumer basket with no significant driver this time around.

✓ **Hungary: June monthly budget to accumulate a wider deficit**

Next week will be rather quiet in Hungary except for Monday. We are going to see the preliminary trade balance data in May. Though export activity has shown some volatility recently, the continued contraction of domestic demand and the demand destruction in energy will help in scaling back import activity. As a result, we see yet another widening of the trade surplus. After a strong May, we see the June monthly budget balance accumulating a wider deficit mainly on the weaker stream of indirect revenues.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 July					
US	2000	May Consumer Credit	21.5	20	23.01
Norway	0700	Jun CPI (MoM%/YoY%)	-/-	/	0.5/6.7
Netherlands	0530	May Manufacturing Output (MoM%)	-		-3
Greece	1000	May Industrial Output (YoY%)	-		4.2
Tuesday 11 July					
US	1100	Jun NFIB small business optimism	91	89.9	89.4
Germany	0700	Jun CPI Final (MoM%/YoY%)	0.3/6.4	/	0.3/6.4
UK	0700	May ILO Unemployment Rate	3.7		3.8
	0700	May Employment Change	165		250
	0700	May Average Earnings (ex bonuses, YoY%)	7.1		7.2
Italy	0900	May Industrial Output (MoM%/YoY%)	1.1/-4.1	/	-1.9/-7.2
Netherlands	0530	Jun CPI (MoM%/YoY%)	-		0.2/6.1
Wednesday 12 July					
US	1330	Jun Core CPI (MoM%/YoY%)	0.3/5.0	0.3/5.0	0.4/5.3
	1330	Jun CPI (MoM%/YoY%)	0.3/3.1	0.3/3.1	0.1/4
Spain	0800	Jun CPI (MoM%/YoY%)	-/-	/	0.6/1.9
Canada	1500	BoC Rate Decision	5.00	5.00	4.75
Netherlands	0530	May Trade Balance	-		5.814
Thursday 13 July					
France	0745	Jun CPI (MoM%/YoY%)	-		0.2/4.5
UK	0700	May GDP Estimate (MoM%)	-0.4		0.2
Euro Zone	1000	May Industrial Production (MoM%/YoY%)	0.3/-1.		1/0.2
US	1330	Initial Jobless Claims	245	-	248
	1330	Continuing Jobless Claims	1735	-	1720
Friday 14 July					
US	1500	Jul University of Michigan Sentiment Prelim	65	65	64.4
	1500	Jul University of Michigan Conditions Prelim	-		69
	1500	Jul University of Michigan Expectations Prelim	-		61.5
Italy	0900	May Global Trade Balance	-		0.318
Sweden	0700	Jun CPI (MoM%/YoY%)	-/-	/	0.3/9.7
	0700	Jun CPIF (MoM%/YoY%)	-/-	/	0.1/6.7
Euro Zone	1000	May Total Trade Balance SA	-5		-7.1

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time Data/event	ING	Survey	Prev.
Monday 10 July				
Czech Rep	0800 May Retail Sales (YoY%)	-		-9.2
Ukraine	1430 Jun CPI (MoM%/YoY%)	-/-	/	0.5/15.3
Hungary	0830 May P Trade Balance (m EUR)	590		366
	1000 Jun Budget Balance	-200		-53.6
Kazakhstan	1300 Jun Industrial Production (YoY%)	-		2.4
Tuesday 11 July				
Turkey	0800 May Current Account Balance	-7.6		-5.404
Russia	1400 2Q Current account surplus (\$ mn)	10000		14786
Wednesday 12 July				
Russia	1400 May Foreign Trade	-		7.765
	1700 Jun CPI (MoM%/YoY%)	0.5/3.4	0.4/3.3	0.3/2.5
Czech Rep	0800 Jun Unemployment Rate	-		3.5
Serbia	1100 Jun CPI (MoM%/YoY%)	-/-	/	0.9/14.8
	1300 May Industrial Output (MoM%)	-		0.4
Thursday 13 July				
Czech Rep	0800 Jun CPI (MoM%/YoY%)	0.2/9.6	/	0.3/11.1
Romania	0700 Jun CPI (YoY%)	-		10.64
Serbia	1100 Jul Benchmark Interest rate	-		6.25
Friday 14 July				
Poland	0900 Jun CPI (MoM%/YoY%)	-/-	/	0/11.5
	1300 May Current Account	-		359
Czech Rep	0900 May Current Account Balance	-		16.71
Ukraine	- May Trade Balance YTD	-		-7
Kazakhstan	1300 Jun Industrial Production (MoM%)	-		-3.8

Source: Refinitiv, ING

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Asia Week Ahead: Korean central bank to extend pause; inflation likely subdued in China

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Inflation in India

June CPI data for India will likely show that inflation remained in the low 4% area, close to the midpoint of the Reserve Bank of India's target range of 2-6%. This leaves real policy rates at one of the highest levels in the region (nominal policy rate is 6.5%) and may help to explain the rupee's recent resilience.

We also get India's industrial production data for June. June's Manufacturing PMI dropped to 57.8 from 58.7, so we may well see the rate of growth moderate from the 4.2% year-on-year rate recorded in May.

China loan and inflation reports

China's aggregate financing data for June is set to be released. New CNY loans will likely come in lower than the CNY2806bn level recorded in June last year, reflecting weak investment. CPI data will also be published, likely showing inflation remains close to zero. Weak domestic demand is the main culprit, though there are also some helpful base effects and we should see inflation return to around a 2% rate over the coming months. PPI inflation will remain strongly negative, reflecting weak factory gate prices as well as subdued commodity prices.

BoK likely to extend pause but stay hawkish

The Bank of Korea will hold a policy meeting next Thursday. As inflation is slowing to the 2% range, the BoK is expected to keep its policy rate at the current 3.50% level. We think the central bank will continue to remain hawkish so as not to give market participants an easing signal too early.

Singapore GDP growth to see slight bounce

Singapore is set to release second-quarter GDP figures next week. First quarter GDP showed that the economy contracted from the previous quarter but still managed to eke out a 0.4% YoY gain. Singapore faces the twin challenge of contracting exports and industrial production as global trade slows. One bright spot is retail sales, which have provided some support amid the resurgence of visitor arrivals. This has helped to offset softer demand caused by still-high inflation.

We expect second-quarter GDP to bounce back, with a shallow expansion of 1.4% YoY. Growth will likely be stuck in this range until global trade prospects improve.

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