

## Our view on next week's key events

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#### Key Events

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We still favour a hawkish hold with the Federal Reserve leaving the door open to additional hikes, as the ECB continues to raise rates again by 25bp

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By Robert Carnell

# Key events in developed markets and EMEA next week

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## US: Favour a hawkish hold, but Tuesday's core inflation will be key

Next week is a major one for US economic events and data. The Federal Reserve's FOMC meeting on Wednesday is the highlight. After the May 3rd decision – where Fed Chair Jerome Powell hinted that after 500bp of hikes in 14 months, they could pause at the June meeting – markets started to price in aggressive cuts for later in the year. However, over the subsequent 6 weeks, activity has remained resilient, inflation continues to run hot, payrolls jumped 339,000 and the Australian and Canadian central banks surprisingly hiked rates. Hawkish comments from a few Fed officials have

added to the sense that they may not be done. Markets are currently pricing a 33% chance of a 25bp hike at the June meeting, while only around 1 in ten economists are looking for an increase.

There is an intense debate within the Fed and there is likely to be dissent, but we favour a hawkish hold, with the central bank leaving the door open to additional hikes if inflation fails to show signs of softening and the jobs market remains hot. However, should core inflation (released on Tuesday) come in at 0.5% month-on-month – or 0.6% rather than the 0.4% consensus expectation – then the odds would likely swing in favour of a hike on Wednesday, as the measure would be heading in completely the wrong direction.

The other major reports will be published after the Fed's decision, with retail sales and industrial production due for release on Thursday and the University of Michigan consumer sentiment on Friday. Auto sales are likely to drag retail sales into negative territory. Meanwhile, industrial production is likely to come in flat to lower after a surprise 0.5% jump last month, given that the ISM manufacturing survey has been in contraction territory for seven straight months and lower oil and gas prices will have disincentivised oil and gas drilling activity.

## UK: Wage growth key to Bank of England rate hike prospects

The news on wage growth has been getting slowly better recently, at least from the perspective of the Bank of England. Survey indicators suggest pay pressure is easing, while labour shortages appear to be less acute than they were a year ago. We expect the headline measure of wage growth, which excludes bonuses and compares the most recent three months to the same period last year, to edge higher – perhaps as far as 7%. But that's partly a function of base effects, and if we look at a more timely measure of momentum in pay growth – comparing the latest three months to the three months prior – wage growth does appear to have peaked. The question is how long it will take to fall back towards pre-Covid levels, and we think this will be a slow process.

We expect a 25bp rate hike later this month, though for now, the jobs market data doesn't scream the need for the Bank of England to take rates much higher than that. It does however suggest rate cuts are likely to take time to come through – and probably longer than in the US.

## Eurozone: European Central Bank to hike rates by another 25bp

Macro developments since the May meeting have clearly had more to offer the doves than the hawks at the European Central Bank. Headline inflation has continued to come down but remains far off 2%, survey-based inflation expectations have also started to slow, growth has disappointed, and confidence indicators seem to have peaked. In previous times, such a backdrop would have been enough for the ECB to consider pausing rate hikes and waiting for the effects of the rate hikes so far to unfold fully. However, the central bank is now determined to err on the side of higher rates.

Despite recent decreases, actual headline and core inflation and expectations for a return to target in two years from now are clear arguments for the ECB to not only continue hiking by 25bp next week but also to keep the door open for rate hikes beyond then.

In terms of eurozone data, it's set to be an interesting week. After revisions to GDP resulted in the mildest of recessions over the past two quarters, the question is whether the second quarter will show much of an uptick. Industrial data out this week should show an improving trade balance for

April, helped by a stronger euro and lower energy prices.

Industrial production experienced a very weak March, but the potential for an uptick remains limited. For April, German data saw just a modest uptick, while the Netherlands and Spain posted sharp declines. As a result, our view of the eurozone economy over the second quarter isn't looking too strong for the time being.

Read our full preview [here](#)

## **Poland: Current account balance in surpluses**

**Current account balance (April):** EUR1257mn

More favourable terms of trade (lower prices of imported commodities) and softer domestic demand (falling households consumption, destocking) underpinned improvement in Poland's foreign trade balance in recent months. After the beginning of this year, Poland has been running current account surpluses. We forecast that in April, the external balance was in surplus of €1257mn. We expect that exports of goods jumped up by 8.3% YoY, while imports fell by 6.3% YoY. Improving the trade balance is one of the factors behind recent PLN firming.

## **Czech Republic: Last inflation number in double-digit territory**

Inflation in the Czech Republic for May will be published on Monday. We expect a month-on-month stagnation after a 0.2% decline in April, which should translate into a big drop from 12.7% to 10.7% YoY, mainly due to base effects coming into play. In month-on-month terms, the main downward drivers are food (-1.0% MoM) and fuel (-4.2% MoM) prices. On the other hand, seasonal factors in tourism are pushing inflation up.

However, we do see downside risks, especially in food and housing prices which have the potential to collapse faster. In addition, inflation in Poland and Hungary is already indicating a clear downward bias for the May numbers. Looking ahead into June, we see a strong chance of inflation getting below 10%, confirming a quicker disinflationary pace than expected at the start of this year.

## Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Tuesday 13 June</b>					
US	1330	May Core CPI (MoM%/YoY%)	0.4/5.2	0.4/5.3	0.4/5.5
	1330	May CPI (MoM%/YoY%)	0.2/4.2	0.2/4.3	0.4/4.9
Germany	0700	May CPI Final (MoM%/YoY%)	-0.1/6.1		-0.1/6.1
UK	0700	Apr ILO Unemployment Rate	4.0		3.9
	0700	Apr Employment Change	170		182
	0700	Regular pay growth (ex bonus, YoY%)	6.9		6.7
	0700	Total pay growth (YoY%)	6.0		5.8
Spain	0800	May CPI (MoM%/YoY%)	-/-		-0.1/3.2
Norway	0700	Apr GDP Month	-		0.4
	0700	Apr GDP Month Mainland	-		0.5
<b>Wednesday 14 June</b>					
US	1330	May PPI (MoM%/YoY%)	-0.2/-1.6	-0.1/1.5	0.2/2.3
	1330	May Core PPI (MoM%/YoY%)	0.2/2.8	0.2/2.9	0.2/3.2
	1900	Fed Funds Target (Lower bound)	5.00	5.00	5.00
	1900	Fed Funds Target (Upper bound)	5.25	5.25	5.25
	1900	Fed Interest On Excess Reserves	5.15	5.15	5.15
UK	0700	Apr GDP Estimate (MoM%)	0.2		-0.3
Sweden	0700	May CPI (MoM%/YoY%)	-/-		0.5/10.5
	0700	May CPIF (MoM%/YoY%)	-/-		0.2/7.6
Netherlands	0530	Apr Trade Balance	-		12.79
Eurozone	1000	Apr Industrial Production (MoM%/YoY%)	-0.4/-0.8		-4.1/-1.4
<b>Thursday 15 June</b>					
US	1330	May Retail Sales MM	-0.1	0	0.4
	1415	May Industrial Production (MoM%)	0.0	0.1	0.5
	1330	Initial Jobless Claim (000s)	255	-	261
	1330	Continue Jobless Claim (000s)	1790	-	1757
Eurozone	1000	Apr Total Trade Balance SA	-3		17
	1100	May Reserve Assets Total	-		1120.8
	1315	Jun ECB Refinancing rate	4.00		3.75
	1315	Jun ECB Deposit rate	3.50		3.25
<b>Friday 16 June</b>					
US	1500	Jun University of Michigan Sentiment Prelim	61	60	59.2
	1500	Jun University of Michigan Conditions Prelim	-		64.9
	1500	Jun University of Michigan Expectations Prelim	-		55.4
Italy	1000	Apr Global Trade Balance	-		7.541
Eurozone	1000	May CPI (YoY%)	6.1		5.3

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 12 June</b>					
Turkey	0800	Apr Current Account Balance	-4.35		-4.484
	0800	Apr Unemployment Rate	-		10.2
Czech Rep	0800	May CPI (MoM%/YoY%)	0/10.7		-0.2/12.7
Serbia	1100	May CPI (MoM%/YoY%)	14		0.7/15.1
<b>Tuesday 13 June</b>					
Poland	1300	Apr Current Account	1257		1643
Czech Rep	0900	Apr Current Account Balance	-		11.27
Romania	0700	May CPI (YoY%)	10.7		11.23
<b>Wednesday 14 June</b>					
Ukraine	-	Apr Trade Balance YTD	-		-5.39
South Africa	1200	Apr Retail Sales (YoY%)	-		-1.6
Brazil	1300	Apr Retail sales (MoM%/YoY%)	-/-		0.8/3.2
<b>Thursday 15 June</b>					
Russia	1700	Q1 GDP (YoY% quarterly revised)	-1.9	-1.9	-1.9
Turkey	0900	May Budget Balance	-		-132.47
Poland	0900	May CPI (MoM%/YoY%)	-/-		0/13
Ukraine	1200	Central bank interest rate	-		25
<b>Friday 16 June</b>					
Poland	1300	May Net Inflation (YoY%)	11.7		12.2

Source: Refinitiv, ING

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# Asia week ahead: BoJ meeting plus retail sales from China

Preview of data reports and releases in the Asia Pacific region for the coming week



## BoJ policy meeting but don't expect any changes at this meeting

We have changed our view on the Bank of Japan's policy in the near term based on Governor Kazuo Ueda's recent dovish comments. We expect the BoJ to keep all its current policy settings unchanged at its policy meeting next week. Likewise, a potential tweak in the BoJ's yield curve control policy is not likely to happen this month. However, should inflation remain at current levels in the second half of the year, we could still see a possible adjustment in the YCC policy over the next few months.

## Retail sales in China to be in focus

China will release the usual raft of data on economic activity for May. This will include industrial production, fixed asset investment, construction, and retail sales. Of these, most attention will probably be on the retail sales number, as consumer spending is what is keeping the economy



afloat while production and construction both struggle amidst a tough global trade environment.

But the news on retail sales will probably not be very encouraging. We anticipate a 13.8% year-on-year increase in retail sales, which only looks this strong due to a very weak base comparison period, and is equivalent to around a 1% month-on-month decrease in sales adjusted for seasonality. Residential construction is likely to remain depressed, as is production.

## Unemployment could edge higher in Australia

The Australian labour market data for May may show a further increase in the unemployment rate from 3.7% to 3.8%, though this remains very low by historical standards and won't provide the Reserve Bank of Australia with too much comfort. Employment growth may register a small increase, with last month's fall in full-time employment and rise in part-time employment likely to swap signs this month.

The Australian labour market may not be powering ahead as it recently did, but it hasn't yet delivered a clear sign of weakening either, and we aren't expecting the picture to change this month.

## Inflation comfortably within target in India

CPI data for May will show inflation remaining comfortably within the Reserve Bank of India's 2-6% target range. We are expecting inflation to come in at 4.3% YoY after a 0.5% MoM increase. Helpful base effects are keeping inflation within the target range for now, but we need to see the MoM trend to move below 0.5% in the coming months to keep it there.

## Indonesia's trade balance to remain in healthy surplus

Indonesia reports trade numbers next week. We expect both exports and imports to remain in contraction although the drop off may be less pronounced than the previous month. Imports are likely to dip roughly 12.2% YoY while exports may fall by 2.1% YoY, resulting in a sizable trade surplus of \$4.7bn. A trade surplus of this magnitude should help keep the current account balance in surplus and could act as one counterbalance to investment related outflows, which would help provide some support to the rupiah.

## Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
<b>Monday 12 June</b>					
India	1300	May CPI Inflation (YoY%)	4.3		4.7
	1300	Apr Industrial Output (YoY%)	-		1.1
		- May Fiscal Deficit - USD	-		15.24
		- May Imports/Exports (USD bn)	-		49.9/34.7
Indonesia	0400	May Consumer Confidence Index	-		126.1
Singapore	0330	Q1 Unemployment Rate Final SA	1.9		1.8
<b>Tuesday 13 June</b>					
South Korea	0000	May Unemployment Rate	-		2.6
<b>Wednesday 14 June</b>					
Japan	0050	May Imports/Exports (YoY%)	-		-2.3/2.6
	0050	May Trade Balance (Yen bn)	-		-432.4
India	0730	May WPI Inflation (YoY%)	-		-0.92
<b>Thursday 15 June</b>					
Australia	0230	May Unemployment Rate	3.8		3.7
China	0300	May Industrial Output (YoY%)	-		5.6
	0300	May Retail Sales (YoY%)	13.8		18.4
Indonesia	0500	May Trade Balance (USD bn)	4.73		3.94
	0500	May Imports/Exports (YoY%)	-12.2/-		-22.3/-29.4
Taiwan	0900	Q2 Discount Rate	-		1.875
<b>Friday 16 June</b>					
Japan	-	JP BOJ Rate Decision	-		-0.1

Source: Refinitiv, ING

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