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Key events in developed markets next week

US house prices fell for the first time in more than 10 years in July – we expect the market will slow further with declines in both existing home sales and house starts. For the UK, we see headline and core inflation rates edging higher. However, we believe we are now very close to the peak, given the government's decision to cap household energy bills



Source: Shutterstock

✓ US: Housing market showing weakness

The latest job and inflation readings have cemented expectations of a 75bp hike from the Federal Reserve on 2 November and heightened the chances of a fifth consecutive 75bp hike in December. However, we still favour the Fed slowing the pace of hikes to 50bp on 14 December given the intensifying economic headwinds that should allow inflation to fall quickly through 2023. The housing market is going to be a key factor in this. House prices fell for the first time in over 10 years in July as the surge in mortgage rates prompted a collapse in housing demand. Things have got much worse since then with mortgage applications for home purchases at the lowest level since the housing bear market of 2010-13. With more supply coming on the market the challenge to sell homes is going to increase, which will weigh further on prices and lead to another sharp fall in home builder sentiment this week. Homebuilding looks set to slow further with existing home sales declining too.

This is bad news for construction, confidence, job creation and retail sales tied to housing transactions such as building supplies, furniture, home furnishings and household appliances. However, it may well help to get inflation lower more quickly and allow the Fed to reverse course on its aggressive interest rate increases next year. Shelter accounts for a third of the inflation basket by weight and historically the shelter series lags behind movements in house prices by around 12-14 months. Over the past couple of weeks rent.com, apartments.com and CoStar Group have all been reporting rent price falls in major cities so this could imply a quicker transmission. We will see how this develops, but with surveys suggesting that corporate pricing and vehicle prices are showing signs of softening, we think the risks are skewed towards inflation falling more quickly through 2023 than the consensus.

UK: Fiscal U-turn in focus as Bank of England intervention ends

Markets have been buoyed by reports that the UK government is preparing a major U-turn on its tax cut plans, which were announced in September and brought widespread disruption to UK bond markets. On paper, the resumption of the planned hike in corporation tax – if done in full – coupled with a revenue cap/windfall tax on renewable and perhaps nuclear energy producers, could materially reduce the government's borrowing requirement over the next couple of years. But with the Bank of England ending its temporary bond buying scheme, investors will need to see these press reports crystallise into concrete and far-reaching plans this weekend to avoid a renewed sell-off in gilts next week. Further volatility is likely in either case, and we still think there's a fair chance the BoE will at the very least need to further postpone its plans to start selling bonds later this month – not least because of the challenging environment created by ongoing Fed tightening. Further bond buying also shouldn't be ruled out.

All of this will also help determine just how aggressively the BoE will need to hike rates in early November. By that point we'll have had the government's Medium-Term Fiscal Plan (ie the full extent of any U-turns) and depending on whether we see a renewed period of sterling weakness between now and then, there's a chance the BoE may be able to get away with a 75bp hike rather than the 100bp move we've been pencilling in. Next week's CPI data is unlikely to be the main decider here, but for what it's worth we see both the headline and core rates edging higher. However, we think we are now very close to the peak, given the government's decision to cap household energy bills.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 18 October					
US	1415	Sep Industrial Production (MoM%)	0.0	-0.1	-0.2
	1500	Oct NAHB housing index	42	44	46
Italy	1000	Aug Global Trade Balance	-		-0.361
Wednesday 19 October					
US	1330	Sep housing starts (000)	1450	1485	1575
UK	0700	Sep Core CPI (YoY%)	6.3		6.2
	0700	Sep CPI (MoM%/YoY%)	0.5/10.1		0.5/9.9
Canada	1330	Sep CPI Inflation (MoM%/YoY%)	0.1/6.9		-0.3/7
	1330	Sep CPI BoC Core (YoY%)	5.2	5.2	5.2
Eurozone	1000	Sep CPI (YoY%)	-	10	10
Thursday 20 October					
US	1330	Initial Jobless Claim	235	-	228
	1330	Continue Jobless Claim	1380	-	1368
	1500	Sep existing home sales (mn)	4.5	4.69	4.8
Eurozone	1000	Aug Current Account SA (EUR bn)	-		-19.86
Friday 21 October					
UK	0700	Sep Retail Sales (MoM%/YoY%)	-0.5/-5.0		-1.6/-5.4
	0001	GfK Consumer Confidence	-50		-49
Canada	1330	Aug Retail Sales (MoM%)	-		-2.5
Sweden	0700	Sep Unemployment Rate	-		6.6
Eurozone	1500	Oct Consumer Confidence Flash	-		-28.8

Source: Refinitiv, ING

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Asia Week Ahead: China's 20th Party Congress is the highlight

China's 20th Party Congress is the main event in the region in the coming week, followed by China's GDP report



The week ahead

In the coming week, we get a relatively limited number of reports from the region, although we have a flurry of data from China and the much-anticipated 20th Party Congress will be held on 16 October. There should be a lot of buzz and market talk following the congress meeting.

China data and 20th Party Congress in focus

The major event in the coming week will be the 20th Party Congress to be held this Sunday. There will be a lot to talk about this event in the market.

Meanwhile, China will release its 3Q22 GDP report and activity data for September on Tuesday. We expect improvements in GDP growth from 0.4% year-on-year to 4.4%YoY given that fewer lockdowns were implemented in the third quarter. Retail sales, industrial production and fixed assets investments should grow slightly faster in September compared to a month ago. However, property investments and home prices should continue to be in a dire situation with buyers still

adopting a wait-and-see approach, although we did note more home transactions by the first week of October.

We expect policy rates for the Medium-term Lending Facility (MLF) to be released on Monday and the Loan Prime Rate (LPR) on Thursday. We expect both rates to stay the same as the People's Bank of China seems to be injecting funds into policy banks rather than into commercial banks to help local governments address problems associated with uncompleted residential projects. Traditional monetary policy accommodation of interest rate cuts may not be the best solution for now.

Trade reports from India and Indonesia

In India, September trade figures will have benefited from the drop in crude prices that saw Brent crude falling below \$90/bbl at times in the month. The US\$28bn trade deficit for August will probably fall to something closer to \$26bn.

Meanwhile, Indonesia reports August trade numbers next week. We expect both exports and imports will sustain double-digit gains. Exports will continue to benefit from elevated commodity prices while imports should rise further on improving domestic demand. The overall trade surplus will remain substantial, settling at around \$5.5bn for the month.

Australia's jobs figures

Australia releases September labour market data. The August figures were pretty solid apart from a small uptick in the unemployment rate to 3.5%, and firm labour data will make it awkward for the Reserve Bank of Australia, which scaled back the pace of its rate hikes at the October meeting – though this may be even tougher after third-quarter inflation is released a week later on 26 October.

Japan's inflation to stabilise at 2.7%

Consumer inflation in Japan is expected to stabilise to 2.7% YoY in September (vs 3.0% in August) and the monthly gain should have slowed mainly due to the decline in global oil prices. Also, we expect the trade deficit to narrow in September with imports growth slowing at a faster pace than exports.

Bank Indonesia to stay hawkish, but will we see another surprise?

Bank Indonesia meets next week and will likely tighten monetary policy again. Accelerating inflation and depreciation pressure on the Indonesian rupiah will likely convince Governor Perry Warjiyo to hike aggressively and increase policy rates by 50bp.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 17 October					
Indonesia	0500	Sep Trade Balance (USD bn)	5.48		5.76
	0500	Sep Exports Growth (YoY%)	25.3		30.15
	0500	Sep Imports Growth (YoY%)	28.1		32.81
China	-	1Y MLF policy rate (%)	2.75		2.75
Tuesday 18 October					
China	0300	Sep Industrial Output (YoY%)	5.0		4.2
	0300	Sep Retail Sales (YoY%)	6.1		5.4
	0300	Sep Fixed Assets Investments (YTD YoY%)	6.4		5.8
	0300	Q3 GDP (YoY%)	4.4		0.4
Thursday 20 October					
Japan	0050	Sep Imports/Exports (YoY%)	38.6/25.6		49.9/22.1
	0050	Sep Trade Balance (Yen bn)	-1767.8		-2817.3
Australia	0130	Sep Unemployment Rate	3.5		3.5
	130	Sep Employment change (000s)	25		33.5
	0130	Sep Reserve Assets Total	-		79860
China	0215	Oct Loan Prime Rate 1Y/5Y (%)	3.65/4.30		3.65/4.30
Indonesia	-	Oct 7-Day Reverse Repo	4.25		3.75
Taiwan	0900	Export orders (YoY%)	-6.8		2.0
Friday 21 October					
Japan	0030	Sep CPI (YoY%)	2.9		3.0
Indonesia	0400	Sep M2 Money Supply (YoY%)	-		9.5

Source: Refinitiv, ING

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Key events in EMEA next week

We expect the Central Bank of Turkey to keep rates on hold next week, given the current global economic backdrop. However, we recognise there is a significant risk skewed toward more easing as the central bank focuses on preserving growth momentum in industrial production



Source: Shutterstock

✓ Turkey: Central Bank of Turkey expected to remain on hold this month

The CBT's recent rate cuts against a backdrop of high external finance requirements and a global risk-off mode may weigh on reserves as we have already seen a decline in the second half of September. Given this backdrop, the bank should remain on hold this month. However, there is a significant risk skewed towards more easing given i) President Erdogan's call for further rate cuts to single digits by the end of the year ii) the CBT's focus on supportive financial conditions so as to preserve the growth momentum in industrial production and the positive trend in employment given recent signals of decelerating economic activity.

✓ Poland: Annual growth in industrial output moderated to single-digit levels

Industrial output (8.3% YoY):

Seasonally adjusted data indicate that output started expanding again in 3Q22, after declining in 2Q22. Hard data does not confirm the sharp deterioration in industrial conditions painted by the nose-diving manufacturing PMI. Still, annual growth moderated to single-digit levels in September. High prices and potential shortages of energy will weigh negatively on industrial performance in 4Q22.

Retail sales, real (4.8% YoY):

Although the inflow of refugees from Ukraine is positive for the consumption of goods, the impact of this factor seems to be waning as high inflation bites into real income and makes consumers more cautious about spending. In September, sales expanded by some 4.8% year-on-year i.e. at a similar pace as in August (4.2% YoY). The structure of sales is projected to remain similar, with poor sales of durable goods and solid sales of necessities (food, clothing). In 3Q22, sales were visibly weaker than in 2Q22 in annual terms, pointing to easing household consumption.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 17 October					
Turkey	0900	Sep Budget Balance	-		3.59
Poland	1300	Sep Net Inflation (YoY%)	10.7		9.9
Wednesday 19 October					
Russia	1700	Sep PPI (MoM%/YoY%)	-/-		-1/3.8
South Africa	0900	Sep CPI (MoM%/YoY%)	-/-		0.2/7.6
	0900	Sep Core inflation (MoM%/YoY%)	-/-		0.2/4.4
	1200	Aug Retail Sales (YoY%)	-		8.6
Thursday 20 October					
Turkey	1200	Oct CBT Weekly Repo Rate	12		12
	1200	Oct O/N Lending Rate	14.0		13.5
	1200	Oct O/N Borrowing Rate	11.0		10.5
Poland	0900	Sep Industrial Output YoY	8.3		10.9
Ukraine	1200	2 Central bank interest rate	-		25
Friday 21 October					
Poland	0900	Sep Retail Sales, real (YoY%)	4.8		4.2
Mexico	1200	Aug Retail Sales (YoY%)	-		5
	1200	Aug Retail Sales (MoM%)	-		0.9

Source: Refinitiv, ING

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