

Our view on next week's key events

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Key events in developed markets next week

The Federal Reserve's policy meeting takes centre stage next week. We see the next move as a cut in June following a series of hot data releases. In the UK, all eyes will be on the release of inflation data, before the Bank of England meeting on Thursday. In our view, the first rate cut will come in August



Source: Shutterstock

🕑 US: We think the next move is α cut in June

Next week's highlight will be the Federal Reserve's FOMC meeting. US growth, jobs and inflation data remain too hot for the Federal Reserve to contemplate imminent interest rate cuts. There are some people that think the Fed may need to hike rates further, but we don't see this happening. We (like the market) think the next move is a cut, most likely in June. After all, Fed Chair Jerome Powell recently suggested that officials are "not far" from having the confidence to "dial back" on the restrictiveness of monetary policy.

Attention will focus on the projections of FOMC members. At the December forecast update, the Fed signalled they felt three 25bp rate cuts would be the most likely path forward for 2024 with a further 100bp of cuts pencilled in for 2025. We expect a similar set of projections at the 20 March FOMC meeting with the messaging indicating that the Fed is inclined to cut rates later this year,

but they need to see more evidence to justify that action. That said, given the dispersion of predictions by individual Fed members it would only take two of six FOMC members switching from a current 4.625% projection either higher or lower to move the median dot away from three rate cuts to signalling two or four rate cuts in 2024. We suspect a shift to two rate cuts from three is a higher risk than the Fed moving to signal four.

The Fed doesn't want to cause a recession if it can avoid it and we believe they will be in a position to start moving monetary policy from a restrictive position to a more neutral stance before the summer. They are currently suggesting the neutral Fed funds rate is around 2.5% so there is room for up to 300bp of cuts just to move to "neutral". We think they won't want to go quite that far given the prospect of ongoing loose fiscal policy irrespective of who wins the November presidential election, but we expect 125bp of cuts this year, starting in June, with a further 100bp in 2025 as hopes rise for a soft landing for the economy.

In terms of data, we will be mainly digesting housing numbers. Affordability is woeful given high prices and high borrowing costs and we expect to see transactions remaining at very low levels.

IVX: Bank of England to stay the course and await more data

It's a busy week in the UK, and it kicks off with February inflation data due just a day before the Bank of England's decision on Thursday. Remember that services inflation is absolutely key to the timing of the first rate cut, and we're likely to see a jump downward as price pressures continue to gradually ease. It's worth saying that our forecast for 6% services CPI is pretty much in line with the most recent BoE projections, so it would take a meaningful downside surprise to raise many eyebrows on the committee ahead of the March decision. As for the meeting itself, we expect the Bank to reiterate its previous forward guidance that rates need to stay sufficiently restrictive for an extended period. Watering down that language would be seen as tantamount to opening the door to an imminent rate cut, something we doubt the committee wants to do. The more interesting question is whether the two hawks who voted for a rate hike in February finally throw in the towel, though we wouldn't be surprised if at least one of them doesn't. At the same time, we don't expect lone dove Swati Dhingra to be joined by other members in voting for a rate cut this month. Our view is that the first rate cut will come in August, once the inflation data for the second quarter has come through.

Key events in developed markets next week

Country	Time Data/event	ING	Survey	Prev.
	Monday 18 March			
US	1400 Mar NAHB home builder sentiment	48	48	48
Norway	0700 Jan GDP Month	-		0.5
	0700 Jan GDP Month Mainland	-		-0.1
Eurozone	1000 Jan Total Trade Balance SA	-		13
	1000 Feb CPI (YoY%)	-		3.1
	Tuesday 19 March			
Canada	1230 Feb CPI Inflation (MoM%/YoY%)	0.3/2.8	/	0.0/2.9
	1230 Feb CPI BoC Core (MoM%/YoY%)	-		0.1/2.4
	Wednesday 20 March			
US	1800 Fed Funds Target Rate mid point (%)	5.375	5.375	5.375
	1800 Fed Interest On Excess Reserves	5.4		5.4
	1830 Fed Chair Powell holds press conference			
UK	0700 Feb Core CPI (YoY%)	4.6		5.1
	0700 Feb CPI (MoM%/YoY%)	0.7/3.5		-0.6/4.0
	0700 Feb Services CPI (YoY%)	6.0		6.5
Italy	0900 Jan Industrial Output (MoM%/YoY%)	-0.9/-		1.1/-2.1
Eurozone	1500 Mar Consumer Confidence Flash	-		-15.5
	Thursday 21 March			
US	1230 Q4 Current Account	-210	-209	-200.3
	1230 Initial Jobless Claims	220		
	1230 Continuing Jobless Claims	1920		
	1400 Feb leading index (MoM%)	-0.3	-0.3	-0.4
	1400 Feb existing home sales(mn)	3.95	3.94	4.00
Germany	0830 Mar S&P Global Manufacturing Flash PMI	43		42.5
-	0830 Mar S&P Global Service Flash PMI	47.9		48.3
	0830 Mar S&P Global Composite Flash PMI	46.3		46.3
France	0815 Mar S&P Global Composite Flash PMI	-		48.1
	0930 Mar Composite Flash PMI	53.3		53.0
	0930 Mar Manufacturing Flash PMI	47.8		47.5
	0930 Mar Services Flash PMI	54.1		53.8
	1200 Mar BOE Bank Rate	5.25		5.25
Norway	0900 Key Policy Rate	4.50		4.50
Switzerland	0830 Q1 SNB Policy Rate	-		1.75
Eurozone	0900 Jan Current Account SA, EUR	-		31.95
	0900 Mar S&P Global Manufacturing Flash PMI	-		46.5
	0900 Mar S&P Global Services Flash PMI	-		50.2
	0900 Mar S&P Global Composite Flash PMI	-		49.2
	Friday 22 March			
Germany	0900 Mar Ifo Business Climate	85.7		85.5
5	0900 Mar Ifo Current Conditions	86.7		86.9
	0900 Mar Ifo Expectations	84.5		84.1
UK	0700 Feb Retail Sales (MoM%/YoY%)	-0.2/-0.7	/	3.4/0.7
	1230 Jan Retail Sales (MoM%)	-		0.9
				'

Source: Refinitiv, ING

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Key events in EMEA next week

Next week in Poland, we will see the release of core inflation, industrial output, and employment data. We expect inflation to continue to moderate while the labour market should remain tight. In Turkey, we expect the central bank to wait for March inflation data to decide on a rate move, though the possibility of policy strengthening has increased



Source: Shutterstock

Poland: Inflation expected to moderate as the labour market remains tight

Core inflation (Feb): 5.3% YoY

After an annual update of the CPI basket weights, the National Bank of Poland will publish January and February core inflation data. We forecast that core inflation excluding food prices continued to moderate in early 2024, mainly due to the high reference base from early 2023, but momentum likely remained elevated. According to our estimates, core inflation fell from 6.9% year-on-year in December 2023 to 6.4% YoY in January and 5.3% YoY in February this year. Over the medium term, we see core inflation boosted by a tight labour market which translates into robust wage growth and buoyant services prices.

Industrial output (Feb): 1.5% YoY

According to our forecasts, industrial output growth remained subdued in February, although recent PMI readings give some hope of recovery. At the same time, the picture for the European industrial sector remains dismal. Exporters are also under increasing pressure from the zloty strengthening and competition from cheap imported goods.

PPI (Feb): -8.7% YoY

Producer prices continue falling and PPI deflation is substantial in annual terms reflecting, among other things, global deflationary pressure from tradable goods and declining energy prices after an earlier shock. We estimate that manufacturing prices were little changed vs. January, but substantial month-on-month price declines took place in mining and energy supply. We project PPI deflation to continue in the coming months.

Wages (Feb): 11.5% YoY

Wages in the enterprise sector continue to rise at a double-digit pace. The labour market remains tight and the scarcity of labour, along with high minimum wage increases, puts upward pressure on wages. It is yet to be seen whether or not the 20% increase in wages in the public sector and 30% hike in wages for teachers will have a ripple effect on the enterprise sector (competition for workers).

Employment (Feb): -0.1% YoY

The annual update of the enterprises sample did not introduce any significant changes in employment trends from January. The level of employment remains little changed and we expect it was only slightly lower than in February last year. Supply-side constraints are still the predominant factor curbing employment growth, but demand for labour also cooled in some industries. Still, the labour market remains tight and unemployment in Poland is among the lowest in the EU.

Retail sales (Feb): 5.2% YoY

We expect continued improvement in retail sales on the back of robust growth of real disposable incomes of households (lower inflation, continued double-digit growth in wages). The rebound is somewhat restrained by the higher propensity to save, but we judge that the scale of income growth leaves enough room for both higher spending and savings to be rebuilt. In our view, household consumption will be the main driver of economic growth this year.

🕑 Turkey: We expect the CBT to wait for March inflation data

After an acceleration in the exchange rate lately, the Central Bank of Turkey responded by introducing additional macro-prudential measures and increased liquidity sterilisation efforts. Accordingly, financial conditions have started tightening again, with upward pressure on lending and deposit rates. Annual inflation, meanwhile, was higher than expected in February standing at 67.1% on the back of an across-the-board increase in prices. We expect that the CBT will prefer to wait for the March inflation data before deciding on any rate move and should remain on hold this month, though a possibility that the policy response might be strengthened by an additional 250bp rate hike has also increased with recent developments.

Country	Time	Data/event	ING	Survey	Prev.			
		Monday 18 March						
Poland	1300	Jan Net Inflation (YoY%)	6.4	6.2	6.9			
	1300	Feb Net Inflation (YoY%)	5.3	5.4	-			
Wednesday 20 March								
Poland	0900	Feb Industrial Output (YoY%)	1.5	2.4	1.6			
	0900	Feb PPI (YoY%)	-8.7	-8.7	-7.5			
	0900	Feb Wages (YoY%)	11.5	11.3	11.7			
	0900	Feb Employment (YoY%)	-0.1	-0.2	-0.2			
Czech Rep	1330	CNB Repo Rate	-		6.25			
South Africa	0800	Feb CPI (MoM%/YoY%)	-/-	/	0.1/5.3			
	0800	Feb Core inflation (MoM%/YoY%)	-/-	1	0.3/4.6			
	1100	Jan Retail Sales (YoY%)	-		2.7			
Thursday 21 March								
Turkey	1100	Mar CBT Weekly Repo Rate	45.0		45			
	1100	Mar O/N Lending Rate	46.5		46.5			
	1100	Mar O/N Borrowing Rate	43.5		43.5			
Poland	0900	Feb Retail Sales (YoY%)	5.2		3			
		Friday 22 March						
Russia	1030	Mar Central bank key rate	16.0	16.0	16.0			
Poland	1300	Feb M3 Money Supply (YoY%)	6.5	7.1	7.7			
Source: Refinitiv, ING								

Key events in EMEA next week

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Asia Week Ahead: will the Bank of Japan hike rates?

Central banks in Australia, China, Taiwan and Indonesia meet to discuss policy next week but the focus will be on Japan, which could change its forward guidance to signal an imminent rate hike



Source: Shutterstock

Bank of Japan: End of an era?

The Bank of Japan's monetary policy meeting next week will be the most closely watched macro event by market participants. Market opinion is sharply divided between a March and April hike. The likelihood of a March rate hike continues to increase as large corporates are expected to raise wages on the back of strong corporate profits and policy push. Opinions appear to be divided among board members, with Governor Kazuo Ueda's opinion likely to be the most important. Japanese companies including Toyota, Honda, Nippon Steel and ANA Holdings have promised workers the largest pay rise in more than three decades.

So, there is not much that could prevent the BoJ from raising rates in the current macro situation, apart from sluggish private consumption. But it is something that Governor Ueda specifically cited as a major concern in parliament earlier this week. We believe that the BoJ will be watching for solid wage growth to boost private consumption. Furthermore, ending the negative interest rate policy requires close policy coordination and consensus with the government, but recent government comments suggest that it is not yet convinced of an end to deflation. In addition, the March rate hike will quickly build market expectations for further rate hikes in the near future, and the issue of pacing the rapid rise in market rates will also influence the BoJ's policy change.

Thus, we believe that an April hike is slightly more likely than a March hike. Next week, we expect the BoJ to change its forward guidance and scrap the yield curve control policy but keep its government bond purchase programme.

RBA likely on hold

The Reserve Bank of Australia's (RBA) March rate meeting precedes February labour data later next week. As the RBA will likely have advance notice of what that labour report contains, the statement and briefing may provide some clues about the labour report. At the moment, the RBA is still way off the point of considering rate cuts, and the RBA maintained a faint bias towards tightening at the last meeting, even if this was watered down a bit. Since then, the run of data has been quite helpful to those talking up the prospect of more and earlier rate cuts, with lower-than-expected inflation and some signs of a slowdown in the macro numbers, including GDP and the labour market. It would be a very stark signal if the RBA were to remove that bias at its March meeting, and it may be worried that this would send too strong a signal at this stage. However, some further watering down and hints about a move towards neutrality might be in order.

China and Taiwan both expected to keep monetary policy unchanged

The People's Bank of China's decision on the loan prime rate is set for next Wednesday. PBoC Governor Pan Gongsheng signalled at the Two Sessions that an RRR cut is likely in the months ahead, and we expect one more 10bp cut to the 1-year loan prime rate in the first half of the year to support a broader supportive policy rollout. However, maintaining a signal for "prudent monetary policy" appeared to indicate lower odds for an imminent rate cut in March.

Taiwan's central bank will set its benchmark discount rate on Thursday. We expect rates will be held steady at 1.875%, as a higher-than-expected inflation level in February and a continuingly unfavourable interest rate spread with most global economies will restrain Taiwan's monetary policy in the near term.

Bank Indonesia to extend pause

BI will likely keep rates unchanged at 6% at their upcoming meeting. An upward surprise to the latest CPI inflation report suggests that BI will refrain from cutting policy rates anytime soon. BI has however shared that it would be open to cutting policy rates later in the year to support growth.

First look at China's 2024 hard data

On Monday, China will publish its industrial production, retail sales, and fixed asset investment numbers for January and February, which will be our first look at the major hard data. We are expecting a small uptick for industrial production to 5.0% year-on-year, and fixed asset investment to 3.2% YoY, but a moderation in retail sales to 4.6% YoY at the start of the year. The unemployment data will also be published, with the surveyed jobless rate expected to stay stable at 5.1%.

Country **Time Data/event** ING Survey Prev. Monday 11 March 8.7 China - Feb M2 Money Supply (YoY) 8.8 -11.7 - Feb FDI (YTD) India - Feb Fiscal Deficit - USD bn 17.49 18.3 54.41 - Feb Imports - USD bn - Feb Exports - USD bn 36.92 Friday 15 March India 1130 FX Reserves, USD 625.63 _ Philippines - Jan Budget Balance -401 Monday 18 March 5 China 0200 Feb Industrial Output (YoY%) 4.9 6.8 0200 Feb Retail Sales (YoY%) 4.6 5.3 7.4 0200 Feb FAI (YoY% utd) 3.2 3.0 Tuesday 19 March Japan - JP BOJ Rate Decision -0.1 Australia 0330 Mar RBA Cash Rate 4.35 4.35 Wednesday 20 March 2350 Feb Exports (YoY%) _ 11.9 Japan -9.6 2350 Feb Imports (YoY%) -1760.3 2350 Feb Trade Balance Total Yen _ Australia 2200 Mar Manufacturing Flash PMI 48.7 47.8 53.1 2200 Mar Services Flash PMI 52.1 2200 Mar Composite Flash PMI 52.1 0115 Mar Loan Prime Rate 1Y 3.45 China 3.45 0115 Mar Loan Prime Rate 5Y 3.95 3.95 Indonesia 0700 Mar 7-Day Reverse Repo 6 6 Thursday 21 March 0.1 Japan 2330 Feb CPI (MoM%) 106.9 2330 Feb CPI _ Australia 0030 Feb Unemployment Rate 4.1 4.2 0030 Total employment 31.4 0.5 0030 Full-time employment 11.1 16.4 0030 Feb Reserve Assets Total 92252 Taiwan 0800 Q1 Discount Rate 1,875 1.875 5.44 0820 Feb Money Supply - M2 (YoY%) 5.3 Friday 22 March India 1130 Q4 C/A Bal. \$ -8.3 _ 1130 Q4 Balance Payments \$ 2.5 Indonesia 0400 Feb M2 Money Supply (YoY%) 5.4 Taiwan 0800 Feb Unemployment rate (%) 3.4 3.39

Key events in Asia next week

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