

Our view on next week's key events

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Key events in developed markets next week

All eyes are on the European Central Bank meeting next Thursday, when we are expecting a hike of 25bp



Source: Shutterstock

✓ Despite increasing expectations of the larger hike, we believe the Fed will repeat June's move

The market is split as to whether the Federal Reserve will raise rates by 75bp or 100bp on 27 July. The strong June US inflation print of 9.1% and the Bank of Canada's decision to raise its own policy rate by 100bp have helped fuel expectations of a larger hike. However, the weakening economic growth outlook and the fact that two of the most hawkish FOMC members, Chris Waller and James Bullard, have hinted they favour 75bp means we think they will indeed opt to repeat June's 75bp move.

Given there is the usual Fed blackout period starting on 16 July, there will be no additional comments from officials to provide guidance – although that doesn't rule out someone getting in touch with the Wall Street Journal should there be a material change. In any case, the data flow is largely second-tier with an update on the housing market, which given rising mortgage rates is likely to remain under pressure.



Bank of England gearing up for 50bp August hike, despite little impetus from domestic data

On the face of it, next week's data is unlikely to offer too much in the way of support for a 50bp rate hike in August. Another notch higher in the unemployment rate and a slight uptick in inflation will come as little surprise to the committee, which only a few weeks ago resisted pressure to step up the pace of rate hikes, opting instead for another 25bp move. However, the potential for another 75bp rate hike from the Fed, mounting worries among Bank of England hawks about GBP weakness, and earlier explicit warnings about more aggressive hikes from officials, suggest the Bank may well be tempted to join the growing number of central banks that have opted for larger rate increases. We narrowly expect a 50bp rate hike in August, though this may well be a one-off. Our central view is that the Bank of England will stop hiking when the Bank rate gets to roughly 2%.

Bank of Canada's 100bp hike was only the beginning – more to come

In Canada, we will be closely following inflation data, which will hit new highs on rising gasoline, but there will be broad gains elsewhere too. The central bank's 100bp hike on 14 July was to “front load” tightening to ensure inflation expectations remain anchored, but an upside surprise in CPI could heighten fears it repeats the move in September. Currently, we favour a 75bp hike.

ECB's first hike in 11 years: 25bp or 50bp?

It's ECB week next week, so naturally all eyes are on the Thursday meeting. Expect the ECB to fiercely debate whether the first hike in 11 years will be just 25bp or perhaps 50bp after all. Also key out of next week's meeting will be the anti-fragmentation tool which investors will watch closely to see how robust it can be to curb spreads in the eurozone. With Italian political problems surfacing, an additional challenge is added to next week's meeting. While summer meetings at the ECB can be dull, this one clearly won't be. Also important is how much the economy is cooling off in the eurozone. Next week's PMI and consumer confidence data will give some evidence of that. This will be especially important for how much the ECB will hike in the coming cycle and we expect the economy to cool enough to keep the ECB's cycle quite limited.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 18 July					
Italy	0900	May Global Trade Balance	-		-3.67
Tuesday 19 July					
US	1330	Jun housing starts (000)	1520	1583	1549
UK	0700	May ILO Unemployment Rate (%)	3.9		3.8
	0700	May Employment Change	185		177
Eurozone	1000	Jun CPI (YoY%)	-	8.6	8.6
Wednesday 20 July					
US	1500	Jun existing home sales (mn)	5.37	5.40	5.41
UK	0700	Jun Core CPI (MoM%/YoY%)	-/-		0.5/5.9
	0700	Jun CPI (MoM%/YoY%)	-/9.3		0.7/9.1
Canada	1330	Jun CPI Inflation (MoM%/YoY%)	1.2/8.7	-	1.4/7.7
Eurozone	1000	May Current Account SA, EUR	-6.70		-5.76
	1500	Jul Consumer Confidence Flash	-24.0		-23.6
Thursday 21 July					
US	1330	Initial Jobless Claim 000s	240		244
	1330	Continue Jobless Claim 000s	1350		1331
Eurozone	1315	Jul ECB Refinancing rate	0.25		0
	1315	Jul ECB Deposit rate	-0.25		-0.50
Friday 22 July					
US	1445	Jul Markit Manufacturing PMI Flash	-		52.7
	1445	Jul Markit Services PMI Flash	-		52.7
	1445	Jul Markit Composite Flash PMI	-		52.3
Germany	0830	Jul Markit Manufacturing Flash PMI	49.5		52.0
	0830	Jul Markit Service Flash PMI	50.9		52.4
	0830	Jul Markit Composite Flash PMI	49.8		51.3
France	0815	Jul Markit Composite Flash PMI	-		52.5
UK	0001	GfK Consumer Confidence	-42.0		-41.0
	0700	Jun Retail Sales (MoM%/YoY%)	-0.4/-		-0.5/-4.7
	0930	Jul Flash Composite PMI	-		53.7
	0930	Jul Flash Manufacturing PMI	-		52.8
	0930	Jul Flash Services PMI	-		54.3
Canada	1330	May Retail Sales (MoM%)	-		0.9
Eurozone	0900	Jul Markit Manufacturing Flash PMI	51.0		52.1
	0900	Jul Markit Services Flash PMI	51.6		53.0
	0900	Jul Markit Composite Flash PMI	51.0		52.0

Source: Refinitiv, ING

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Key events in EMEA next week

In Poland, we expect to see a further slowdown in the second half of 2022, as the energy crisis and supply-side constraints loom over the horizon



Source: Shutterstock

✓ Poland: Sharp deterioration in outlook and subdued demand for durable goods

The first cracks in industrial sector performance were already visible in May as output declined for the second consecutive month in quarter-on-quarter, seasonally-adjusted terms, but annual readings remain high. July brought a sharp deterioration in manufacturing PMI, which suggests a further slowdown ahead. Risks from the energy crisis (potential shortages of gas in Germany) and supply-side constraints (zero-Covid policy in China) loom over the horizon and point to a sharp deterioration in the outlook for the second half of 2022. We forecast next week's industrial output reading will be 13.4% year-on-year.

Although high inflation bites into real disposable income and rising interest rates translate into higher debt servicing costs of loans, fiscal expansion and spending by refugees from Ukraine support consumer outlays. The structure of retail sales is tilted towards necessities (clothing and footwear, pharmaceuticals and cosmetics, food and beverages), whereas demand for durable goods (cars, furniture, consumer electronics, house appliances) is subdued amid soft consumer confidence. We forecast next week's retail sales figure will be 7.2% year-on-year.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 18 July					
Russia	1300	Jun Budget Fulfilment	-		0.7
Turkey	0900	Jun Budget Balance	-		143.98
Poland	1300	Jun Net Inflation (YoY%)	9.3		8.5
Wednesday 20 July					
Russia	1700	Jun PPI (MoM%/YoY%)	-/-		-6.9/19.3
Poland	0900	Jun Industrial Output (YoY%)	13.4		15.0
South Africa	0900	Jun CPI (MoM%/YoY%)	-/-		0.7/6.5
	0900	Jun Core inflation (MoM%/YoY%)	-/-		0.2/4.1
Thursday 21 July					
Turkey	1200	Jul CBT Weekly Repo Rate	-		14.0
	1200	Jul O/N Borrowing/Lending Rate	-		12.5/15.5
Poland	0900	Jun Real Retail Sales (YoY%)	7.2		8.2
Ukraine	1200	Central bank interest rate	-		25.0
Mexico	1200	May Retail Sales (MoM%/YoY%)	-		0.4/4.6
Friday 22 July					
Russia	1130	Jul Central bank key rate	8.75	9.00	9.50
Poland	1300	Jun M3 Money Supply (YoY%)	8.2		7.6
Mexico	1200	Jul 1st Half-Month Core Inflation (MoM%)	-		0.5
	1200	Jul 1st Half-Month Inflation (MoM%)	-		0.49

Source: Refinitiv, ING

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Asia week ahead: Will Bank Indonesia surprise with a rate hike?

Next week's data calendar features a couple of central bank meetings and the Reserve Bank of Australia minutes



A Bank of Japan pause, a Bank Indonesia surprise, and China's loan prime rate

The coming week features a relatively light data calendar but we do have some developments on the central bank front. Given the recent pick-up in Covid cases and weaker-than-expected consumption recovery, we expect the Bank of Japan (BoJ) to stand pat at its meeting on 21 July. The BoJ will likely pay more attention to downside risks to growth as inflation remains subdued.

Bank Indonesia (BI) holds a policy meeting next week and we believe we could see a surprise from Governor Perry Warjiyo. Previously, Warjiyo had preached patience in hiking rates, tagging subdued core inflation as a reason to keep rates at 3.5%. Recent developments, however, could convince BI to finally whip out a rate hike with US inflation surging and regional central banks resorting to off-cycle rate tightening in the past few days. Thus we believe BI can move to hike rates with a modest 25bp to help provide additional support for the Indonesian rupiah in the near

term.

Lastly, banks in China will announce the 1-Year and 5-Year Loan Prime Rate this coming Wednesday. We expect there would be no change to these rates as loan growth picked up strongly in June, suggesting that the current interest rate level is sufficient to keep loan growth healthy.

Reserve Bank Australia minutes

The Reserve Bank of Australia (RBA) hiked rates by 50bp on 5 July, and the minutes from that meeting may give us some insight into whether we get a 75bp or bigger hike at the August and September meetings. Much will doubtless rest on two data points over the coming months. The first will be the second quarter CPI release on 27 July, shortly before the 2 August RBA meeting. And then the second quarter wage price index on 17 August, ahead of the 6 September RBA meeting.

Other important releases: Taiwan export orders

Not much else is on the data calendar for next week but we note that Taiwan will be releasing data on export orders. Export orders out from Taiwan could show slightly faster growth as consumer demand has begun to recover in Mainland China post-lockdowns.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Wednesday 20 July				
Japan	0050	Jun Imports/Exports (YoY%)	46.0/18.0	48.9/15.8
	0050	Jun Trade Balance Total (Yen bn)	-1500.0	-2385.8
China	0215	Jul Loan Prime Rate 1Y/5Y	3.70/4.45	3.70/4.45
Taiwan	0900	Jun Export Orders (YoY%)	6.6	6.0
Thursday 21 July				
Japan	-	Bank of Japan Rate Decision	-0.1	-0.1
Australia	0000	Jul Manufacturing PMI Flash	55.8	56.2
	0000	Jul Services PMI Flash	52.2	52.6
	0000	Jul Composite PMI Flash	52.2	52.6
Indonesia	-	Jul 7-Day Reverse Repo	3.75	3.50
Friday 22 July				
Indonesia	0400	Jun M2 Money Supply (YoY%)	-	12.1
Philippines	-	Jun Budget Balance (PHP bn)	-	-146.8
Taiwan	0900	Jun Unemployment rate (%)	3.72	3.73
Japan	0030	Jun CPI NSA (MoM%)	0.2	0.3
	0030	Jun CPI NSA (YoY%)	2.4	2.5
	0130	Jibun Bank Japan Manufacturing PMI	53.0	52.7

Source: Refinitiv, ING

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