

Our view on next week's key events

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✓ US: Renewed strong case for Fed tapering

With the economy posting stronger activity numbers, as the Delta Covid wave subsides, and with inflation pressures showing no sign of abating, the case for a tapering of the Federal Reserve's quantitative easing programme is very strong. OK, jobs growth of 194,000 in September was disappointing, but this is a supply problem with workers reluctant, unwilling, or unable to return. There is no issue with demand given that there are the best part of 11 million job vacancies in the US with wages clearly on the rise. The minutes to the September FOMC meeting show that a 3 November announcement is highly probable, and the tapering could actually start that month. Based on a \$15b reduction in purchases each and every month, this would mean QE ends in June. However, given decent demand and obvious supply problems right through the economy, we wouldn't be surprised to see the Fed bring QE to an even earlier conclusion.

The Fed's Beige book will give us anecdotal updates on the state of the economy, and this could help cement expectations of the taper. Last time, rising corporate pricing power and the ever-tightening jobs market were cited as key factors that were keeping upward pressure on inflation. This is likely to be emphasised even more next week. As for the data, industrial production is likely to be held back by supply chain problems. Order books remain very strong and customer

inventories are low, so once again there is absolutely no problem with demand. Housing numbers should be OK with the recent pick-up in mortgage applications suggesting a renewed uptick in activity after a softening through the spring and summer.

UK inflation less of an issue for the Bank of England than current data implies

UK inflation may have held steady in September, but it won't last. Headline CPI is set to rise above 4% by the end of the year and will peak at 4.5% or above when the next energy price cap rise comes through next April. Markets are taking this as a sign that the Bank of England will need to act aggressively over coming months to stem a possible de-anchoring of inflation expectations. We're less sure. We agree with markets that an interest rate hike is drawing nearer, though are still less convinced we'll see a rate hike this year (February is growing more likely). But we think the UK wage growth story is a little less exciting than headlines about shortages of lorry drivers imply. Remember too, that any more than two rate rises next year will trigger the gradual unwinding of the BoE's balance sheet, which would add to the tightening environment. We therefore think a lot needs to go right for market expectations of a 1% Bank rate by end-2022 to come through.

Eurozone: Consumer confidence and PMI figures to show negative impact of soaring energy prices

Next week's survey indicators for the eurozone will be watched with great interest. Consumer confidence, often overlooked by markets, will provide early insights into whether consumers are already feeling the effects of soaring gas prices. While the impact on consumer prices is lagged for a few of the larger economies, announcements in the news of higher bills could already be having an impact on spending expectations. PMIs will show how one of the other concerns 'du jour' is developing: labour and input shortages. Eurozone GDP growth seems to be past its initial rebound boom and is dropping to more normal levels in the fourth quarter. This release should show how high that growth rate could potentially be as the economy still has quite some ground to recover.

Developed Markets Economic Calendar

Monday 18 October				
US	1415	Sep Industrial Production (MoM%)	0.2	0.2 0.4
Tuesday 19 October				
US	1330	Sep housing starts (000s)	1625	1610 1615
Wednesday 20 October				
US	1400	Federal Reserve Beige Book	-	- -
UK	0700	Sep CPI (MoM%/YoY%)	0.4/3.2	0.7/3.2
Canada	1330	Sep CPI Inflation (MoM%/YoY%)	-/-	0.2/4.1
Portugal	-	Aug Current Account Balance	-	-2.15
Euro Zone	0900	Aug Current Account SA, EUR	-	21.61
	1000	Sep CPI (YoY%)	-	3.4 3.4
Thursday 21 October				
US	1330	Initial Jobless Claims	305	293
	1330	Cont Jobless Claims	2550	2593
	1500	Sep existing home sales (mn)	6.05	6.00 5.88
Sweden	0830	Sep Unemployment Rate	-	8.5
Euro Zone	1500	Oct Consumer Confidence Flash	-5.1	-4.0
Friday 22 October				
US	1445	Oct Markit Manufacturing PMI Flash	60.2	60 60.7
	1445	Oct Markit Services PMI Flash	55.2	55 54.9
	1445	Oct Markit Composite Flash PMI	55.0	- 55.0
Germany	0830	Oct Markit Manufacturing Flash PMI	56.0	58.4
	0830	Oct Markit Services Flash PMI	57.0	56.2
	0830	Oct Markit Composite Flash PMI	55.0	55.5
France	0815	Oct Markit Manufacturing Flash PMI	-	55.0
	0815	Oct Markit Services Flash PMI	-	56.2
	0815	Oct Markit Composite Flash PMI	-	55.3
UK	0700	Sep Retail Sales (MoM%/YoY%)	1.7/0.7	-0.9/0
	0930	Oct Flash Manufacturing PMI	56.5	57.1
	0930	Oct Flash Services PMI	55.5	55.4
Canada	1330	Aug Retail Sales (MoM%)	-	-0.6
Euro Zone	0900	Oct Markit Manufacturing Flash PMI	57.1	58.6
	0900	Oct Markit Services Flash PMI	56.1	56.4
	0900	Oct Markit Composite Flash PMI	56.1	56.2

Source: Refinitiv, ING, *GMT

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Source: Shutterstock

✓ Russia: Recent CPI acceleration puts rate hikes in focus

The Russian key rate decision on 22 October will be in focus, as the acceleration in CPI – to 7.4% year-on-year in September and to 7.6% YoY as of mid-October – has crushed the previous Bank of Russia expectations of 5.7-6.2% CPI for year-end. This will likely force the monetary authorities to exceed the normal step of a 25 basis point hike at the forthcoming meeting. We now expect year-end CPI to reach 7.0% YoY, while the government and some market participants are even more aggressive, forecasting 7.4% or higher. Market expectations for the key rate hike are in the 50-100 basis point range but we are on the cautious side, as the rate has already increased by 250bps year-to-date and CPI expectations for 2022 are likely to play a bigger role in current decision making. Inflation expectations of households and corporates stabilised in September, and new data will not be released until 25 October, after the key rate meeting. The official CPI forecasts for 2022 (4.0-4.5%) are unlikely to suffer as big a revision as that seen in 2021 given the contribution of temporary supply-side factors to the current spike. At the same time, given the continued deterioration in the global inflation picture, we expect the Central Bank of Russia to reiterate its hawkish signal, meaning that the rate hike cycle will not be over on 22 October.

✓ Hungary: Central bank skewed to the hawkish side

Next week's main event in Hungary is the National Bank of Hungary's rate setting meeting. Although officials highlighted at the September meeting that the latest 15bps rate hike is indicative for the next couple of meetings, we think the central bank will diverge from that message. The main reason is inflation. First of all, the September inflation data was higher than the NBH forecast, while inflationary risks have remained clearly tilted to the upside. The price impact of the energy crisis is clear, and while we can see some downside risk to economic activity here, this is less clear than the inflationary impact. Against this backdrop, we see the NBH hiking the base rate again by 30bps, moving it to 1.95% along with the whole interest rate corridor, and the 1-week deposit rate. The press statement's tone will remain skewed to the hawkish side, with the NBH possibly eyeing some long-lasting impact on the forint, as the currency has not been trending higher despite the ongoing rate hike cycle since June.

✓ Poland: Slowdown in employment growth and industrial production

Next week will bring a solid set of data on the Polish economy in September. First, the National Bank of Poland will publish core inflation figures, which we estimate at 4.1% YoY after 3.9% in August, as goods prices are on an upward trend. Next, the statistics office will release labour market data. In our view, employment growth slowed to 0.6% YoY. This is due to a mismatch between demand and supply. The number of new job offers has remained high for several months, but employers are looking for specific competencies that may be in short supply. Employers are willing to pay well for relevant skills, hence our wage growth forecast is slightly higher than the consensus. We also expect to see figures for industrial production. Problems in delivery logistics and component shortages leading to some production stoppages should drag on production slightly more than indicated by the median forecast. Due to supply-chain problems we do not expect any strong acceleration in retail sales. People have to wait for months for some goods, such as cars. In addition, consumers are still benefiting from the greater availability of services that are not included in retail sales results.

✓ Turkey: Cautious steps as inflation nears 20%

While the Central Bank of Turkey recently cut interest rates and signalled that it is ready to cut further, we think this will be hard to deliver given that inflation is close to 20% and five out of six core inflation indicators are above of the policy rate. Accordingly, we expect the CBT to remain on hold this month, though it could act again when the drop in annual inflation becomes more pronounced amid strong base effects in the period ahead.

EMEA Economic Calendar

Monday 18 October				
Poland	1300 Sep Net Inflation (YoY%)	4.1		3.9
Tuesday 19 October				
Poland	9000 Sep Empl., enterprise sec. (YoY%)	0.6	0.6	0.9
Poland	9000 Sep Wages, ent. sec. (YoY%)	9.5	8.6	9.5
Hungary	1300 Oct Hungary Base Rate	1.95		1.65
	1300 Oct O/N Deposit Rate	1.00		0.70
Wednesday 20 October				
Russia	1600 Sep PPI (MoM%/YoY%)	-/-		1.5/28.6
Poland	0900 Sep Industrial Output (YoY%)	7.9	8.2	13.2
South Africa	0900 Sep CPI (MoM%/YoY%)	-/-		0.4/4.9
Thursday 21 October				
Turkey	1200 Oct CBT Weekly Repo Rate	18.0		18.0
	1200 Oct O/N Lending Rate	19.5		19.5
	1200 Oct O/N Borrowing Rate	16.5		16.5
Poland	0900 Sep Retail Sales (YoY%)	-		10.7
Ukraine	1200 Central bank interest rate	-		8.5
Mexico	1200 Aug Retail Sales (MoM%/YoY%)	-		-0.4/9.9
Friday 22 October				
Russia	1130 Oct Central bank key rate	7.25	7.00	6.75
Poland	1300 Sep M3 Money Supply (YoY%)	8.9	8.6	9.1
Brazil	1100 Sep Current Account	-		1.68
	1100 Sep Foreign Direct Investm't	-		4.45
Mexico	1200 Oct 1st Half-Month Infl (MoM%)	-		0.42

Source: Refinitiv, ING, *GMT

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Asia Week Ahead: China activity and Japan trade data on tap

Japan trade and China activity data will be the highlight for next week



Source: Shutterstock

China 3Q GDP in focus

The economic calendar thins out a bit in Asia next week although we will have some important China activity releases to start it off. China will report 3Q GDP, retail sales and industrial production with 3Q GDP expected to moderate to 4.0% year-on-year from the 7.9% expansion in 2Q. China also announces 1Y and 5Y loan prime rates within the week although no change is expected.

Japan's trade data is also on tap with the September report expected to show double digit gains for both exports and imports. The overall trade balance will likely stay in deficit territory as import growth is forecast to outpace exports. Meanwhile, Australia's PMI reports are set for release with both manufacturing and services activity expected to improve from the September reading although services activity will likely remain in contraction.

Lastly, we do have some central bank activity as Bank Indonesia (BI) meets to discuss policy, but next week's meeting will likely be a non-event. BI has signalled it will likely maintain support for the economic recovery for some time with Governor Perry Warjiyo pointing to a possible reversal in

rates sometime in the second half of next year.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 18 October					
China	0300 Sep	Industrial Output (YoY%)	-	4.0	5.3
	0300 Sep	Retail Sales (YoY%)	-	3.0	2.5
	0300 Q3	GDP (QoQ%/YoY%)	-/4.0	0.8/5.5	1.3/7.9
Tuesday 19 October					
Japan	0050 Sep	Exports (YoY%)	18.7		26.2
	0050 Sep	Imports (YoY%)	38.5		44.7
	0050 Sep	Trade Balance Total Yen	-569		-271.8
Indonesia	0800 Oct	7-Day Reverse Repo	3.5		3.5
Wednesday 20 October					
China	0230 Oct	Loan Prime Rate 1Y	3.85		3.85
	0230 Oct	Loan Prime Rate 5Y	4.65		4.65
Thursday 21 October					
Japan	0030 Sep	CPI (YoY%)	0.3		-0.4
Australia	0130 Sep	Reserve Assets Total	-		82148
	2300 Oct	Manufacturing PMI Flash	58		56.8
	2300 Oct	Services PMI Flash	47.8		45.5
	2300 Oct	Composite PMI Flash	-		46.0
Friday 22 October					
Philippines	-	Sep Budget Balance	-101.2		-120.9
Taiwan	0900 Sep	Unemployment rate (%)	-		4.1

Source: Refinitiv, ING, *GMT

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