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Source: Shutterstock

US: No major market moves expected

We are building up to the 28 July Federal Reserve meeting, but Chair Jerome Powell has clearly indicated that there is not going to be any movement in the central bank's position. He suggested we are still some way off from seeing the winding down of the vast stimulus measures implemented over the past 16 months, but with the economy booming and inflation well above target, we continue to expect a tapering of QE to start this year. We also expect the Fed to follow the lead of the Reserve Bank of New Zealand and Bank of Canada in raising interest rates next year.

We are now entering the Fed's "quiet period" where senior officials avoid talking about the monetary policy outlook, while the data calendar is relatively thin so we are not expecting major market moves to be driven from the US macro newsflow over the coming week. Nonetheless, it still paints a positive picture of US economic prospects with housing activity picking up after a recent quiet patch with a lack of housing supply continuing to support house price growth.



Eurozone: Clarification of the ECB monetary policy strategy following positive sentiment

Next week's ECB meeting should shed more light on whether the new strategy is just window-dressing and a formalisation of the well-known monetary policy stance or actually a shift towards more dovishness and even more determined monetary policy easing to achieve what the ECB hasn't achieved for a decade: inflation back to target.

Survey indicators will also give a sense of what is happening to economic sentiment at the moment. June figures were just shy of euphoric and the question is whether the extremely positive outlook on the economy has been maintained despite the Delta variant taking hold in the eurozone, restrictive measures being reinstated and supply side problems continuing for manufacturing.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 20 July					
US	1330	Jun housing starts (000)	1580	1590	1572
Portugal	-	May Current Account Balance	-	-	-1.05
Eurozone	0900	May Current Account SA, EUR	-	-	22.84
Thursday 22 July					
US	1330	W 1 Initial Jobless Claims	-	-	-
	1330	W 0 Cont Jobless Claims	-	-	-
	1500	Jun existing home sales (mn)	5.95	5.93	5.9
Eurozone	1245	Jul ECB Refinancing rate	0.0	0.0	0.0
	1245	Jul ECB Deposit rate	-0.5	-0.5	-0.5
	1500	Jul Consumer Confidence Flash	-3.8	-	-3.3
Friday 23 July					
US	1445	Jul Markit Composite Flash PMI	-	-	63.7
	1445	Jul Markit Manufacturing PMI Flash	-	-	62.1
	1445	Jul Markit Services PMI Flash	-	-	64.6
Germany	0830	Jul Markit Manufacturing Flash PMI	64	-	65.1
	0830	Jul Markit Service Flash PMI	59.5	-	57.5
	0830	Jul Markit Composite Flash PMI	60.8	-	60.1
France	0815	Jul Markit Manufacturing Flash PMI	-	-	59
	0815	Jul Markit Services Flash PMI	-	-	57.8
	0815	Jul Markit Composite Flash PMI	-	-	57.4
UK	0700	Jun Retail Sales (MoM/YoY%)	-/-	-	-1.4/24.6
	0930	Jul Flash Composite PMI	-	-	62.2
	0930	Jul Flash Manufacturing PMI	-	-	63.9
	0930	Jul Flash Services PMI	-	-	62.4
Canada	1330	May Retail Sales (MoM%)	5.9	-	-5.7
Eurozone	0900	Jul Markit Manufacturing Flash PMI	63.0	-	63.4
	0900	Jul Markit Services Flash PMI	58.1	-	58.3
	0900	Jul Markit Composite Flash PMI	59.3	-	59.5

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Look out for Russia's central bank key rate announcement following upward price pressure on both the demand and supply side. In Poland, employment,...



Source: Shutterstock

✓ Russia: Higher than expected CPI likely to prompt rate hikes

The Bank of Russia's monetary policy announcement will be the key focus of the week. The string of higher than expected CPI and economic activity data leaves little room for guesswork in terms of a coming rate hike, and we believe the most likely outcome is a 75-100bp hike to 6.25-6.50%, at the upper border of the previously guided 25-100 bp range. We also continue to believe that the hike will not be the last in the cycle, with the medium terminal rate likely to find itself in the 6.75-7.00% range. Near-term hawkishness should be supported by supply-side constraints in the labour market and continued cost inflation at the producer level as well as elevated credit demand in the economy. On the other hand, some easing in food prices, the reopening of outward tourism to popular destinations, and uncertainty regarding economic growth beyond the post-Covid recovery may gain importance in the medium term. The Bank of Russia's commentary may add some colour to its list of priorities.

✓ Poland: Strong employment and wage growth figures expected from the corporate sector

The coming week in Poland will start with figures from the corporate sector. We estimate that in

June, as in May, firms increased employment on a monthly basis, as the economy reopened. As a result, annual employment growth should stabilise at 2.7% despite a less favourable reference base than in May. In our view, wage growth in June slowed to 8.0% year-on-year from 10.1% in May. The market consensus estimates that employment grew by 2.7% and wages by 9.5%. As for industrial production, the low base from last year is slowly fading. Therefore, we expect some deterioration in industrial production growth to 20.0% YoY from 29.8% in May (the consensus is at +19.0%). Our slightly higher forecast compared to the consensus is supported by the record-high PMI reading. Retail sales should continue to benefit from the reopening effect. It's hard to imagine that the seasonally adjusted month-on-month sales growth will remain as high as in May. However, in our view, it should be strong enough to generate 11% YoY growth after 13.9% growth in May (the consensus is at + 8.4%).

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 19 July					
Poland	900	Jun Employment (YoY%)	2.7	2.7	2.7
Poland	900	Jun Wages (YoY%)	8.0	9.5	10.1
Russia	-	Jun GDP (YoY%) Monthly	-	-	10.9
Tuesday 20 July					
Poland	0900	Jun Industrial Output YY	20.0	19.0	29.8
Wednesday 21 July					
Poland	0900	Jun Retail Sales (YoY%)	11.0	8.4	13.9
South Africa	0900	Jun CPI (MoM%/YoY%)	-/-	0.2/4.8	0.1/5.2
	0900	Jun Core inflation (MoM/YoY%)	-/-	0.2/3.1	0/3.1
Thursday 22 July					
Russia	1700	Jun Industrial Output	15.6	10.1	11.8
Poland	1300	Jun M3 Money Supply (YoY%)	7.7	7.8	9.0
Ukraine	1200 2	Central bank interest rate	-	-	7.5
Mexico	1200	Jul 1st Half-Month Core Inflation (MoM%)	-	-	0.35
	1200	Jul 1st Half-Month Inflation (MoM%)	-	-	0.34
Friday 23 July					
Russia	1130	Jul Central bank key rate	6.25	6.00	5.50
Poland	0900	Jun Unemployment Rate	5.9	5.9	6.1
Brazil	1300	Jul IPCA-15 Mid-Month CPI	-	-	0.83
	1300	Jul IPCA-15 Mid-Month CPI (YoY%)	-	-	8.13
Mexico	1200	May Retail Sales (YoY%)	-	-	30.1
	1200	May Retail Sales (MoM%)	-	-	-0.4

Source: Refinitiv, ING, *GMT

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Asia week ahead: China's central bank in spotlight

Central bank policy meetings in China and Indonesia with inflation and trade data for June crowd the Asian economic calendar next week



Source: Shutterstock

➔ China and Indonesia central banks to meet

Central bank policy meetings in China and Indonesia are the standout events in Asia next week.

In a surprising move last week, the People's Bank of China slashed the reserve requirement ratio by 50 basis points. The RRR cut was followed by a partial rollover of the medium-term lending facility and with weaker economic data this suggests that the economic risks are mounting. That said, we don't think these latest events should trigger a fresh round of changes in policy interest rates, including the Loan Prime Rate and the 7-day policy rate. The economic growth path has not changed but the risk of bad loans from deleveraging reforms on real estate property developers

and fintech are increasing (see "[China risks to the economy piling up](#)").

Indonesia's central bank Governor Warjiyo has recently indicated stable policy rates ahead. Surging Covid-19 infections have dented Indonesia's growth trajectory, and this calls for increased central bank policy stimulus in the near term. With record low inflation of 1.3%, policy rates have some room to fall further from their current rate of 3.5%, though the central bank manages the policy with a firm eye on currency stability. The Indonesian rupiah is currently struggling with the country battling surging Covid-19 infections, and we don't think the central bank will risk more depreciation with a rate cut.

Stable BI policy remains our baseline for the rest of this year ([read more here](#))

➔ Other activity data

Economic activity data next week also include inflation, trade and manufacturing figures for June.

Japan, Malaysia and Singapore report their inflation figures, but there is no inflation in Japan. Inflation in Malaysia and Singapore spiked in recent months, but it has now peaked.

We forecast Malaysia's inflation rate dipping to 3.2% YoY in June from 4.4% in May, which was down from the cycle peak of 4.7% in April. Singapore's inflation rate should remain broadly stable at 2.4%. We believe the central banks in these countries will see through the most recent inflation spikes and leave monetary policies on hold over the rest of this year.

Trade figures from Japan and Taiwan's industrial production should continue to exhibit strong year-on-year growth rates, lifted by helpful base comparisons last year. Resurgent Covid-19 cases and associated lockdowns in both countries are beginning to hold back recovery in both economies. For Taiwan, the ongoing chip shortage should keep semiconductor output near full-capacity levels, so the prospects of further acceleration of growth from here in this sector are limited.

In the Philippines, June budget data will shed light on policy support for an economy still suffering under the latest wave of the virus. The news here may be negative. The authorities likely pulled back spending in a bid to limit the impact on the country's debt profile, given that debt-to-GDP is now past the 60% threshold. They have also indicated a likely deceleration of spending after an initial push early in the year (see, "[The return of twin deficits will complicate recovery in the Philippines](#)").

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 19 July				
Japan	0030	Jun CPI (MoM%) NSA	0.5	0.3
Tuesday 20 July				
Japan	0050	Jun Exports YY	41.5	49.6
	0050	Jun Imports YY	26.0	27.9
	0050	Jun Trade Balance Total Yen bn	13.0	-189.4
China	0230	Jul Loan Prime Rate 1Y	3.85	3.85
	0230	Jul Loan Prime Rate 5Y	4.65	4.65
Wednesday 21 July				
Thailand	0430	Jun Exports (YoY%)	35	41.6
	0430	Jun Imports (YoY%)	46	63.5
	0430	Jun Trade balance (\$bn)	0.64	0.8
Thursday 22 July				
Australia	0000	Jul Manufacturing PMI Flash	58	58.6
	0000	Jul Services PMI Flash	57.2	56.8
	0000	Jul Composite PMI Flash	57.6	56.7
	0930	Jun CPI NSA	-	101.6
Indonesia	0800	Jul 7-Day Reverse Repo	3.5	3.5
Taiwan	0900	Jun Unemployment rate (%)	4.2	4.15
Friday 23 July				
Malaysia	0500	Jun CPI (YoY%)	-	4.4
Philippines	-	Jun Budget Balance	-108	-200.3
Singapore	0700	Jun Core CPI (YoY%)	0.9	0.8
	0700	Jun CPI (YoY%)	2.4	2.4
Taiwan	0900	Jun Industrial Output (YoY%)	10.7	16.5
	0920	Jun Money Supply - M2 (YoY%)	9.2	9.2

Source: Refinitiv, ING, *GMT

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