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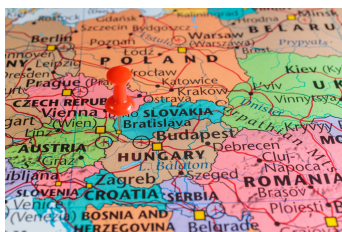


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# Key events in developed markets next week

Given the turbulence in financial markets this week, central bank meetings have become a much closer call. For the Federal Reserve, we narrowly favour a 25bp hike given the tightening lending conditions. For the Bank of England, we also lean towards a 25bp increase as the impact of past hikes has yet to feed through



Source: Shutterstock

## ✓ US: A close call, favouring 25bp as of now

Next week's Federal Reserve policy meeting is a very close call. On the one hand, inflation continues to run hot, the jobs market is strong and Federal Reserve Chair Jerome Powell's testimony, which opened the door to a 50bp hike, suggested a desire to get interest rates a fair bit higher. However, lending conditions were already tightening and the fallout from recent events surrounding Silicon Valley Bank, Signature Bank and Credit Suisse will only make banks more cautious. Regulators are also likely to recognise the need to be more proactive in this environment, which could in turn feed into more pressure on the banks and greater caution with regards to who they lend to, how much they lend and at what rate. This is a de-facto tightening of monetary and financial conditions in the US which could weigh heavily on economic activity. The Fed may be wary that a no-change response could signal that they have finished tightening and the next move will be lower rates, but they can head that off by signalling in the text that this is a temporary pause and they stand ready to tighten again should conditions warrant it. Moreover, they also have the updated forecasts this month which could continue to show their central tendency is for

rates to end the year higher than their current level. Nonetheless, with the European Central Bank hiking rates by 50bp without causing too many market ructions, this is likely to embolden the Fed to move by 25bp.

## ✓ UK: Bank of England decision on a knife edge

Last month, the Bank of England signalled it might finally be done with tightening, or at least that it was close. It said it would be monitoring signs of “inflation persistence” and hinted the burden of proof was on seeing inflation fall back, rather than vice versa. Since then the data has been encouraging – wage growth is finally showing signs of having peaked, though it’s early days. The Bank’s own Decision Maker Survey has suggested firms’ pricing strategies are becoming less aggressive too. We’ll get one more inflation reading next week before Thursday’s meeting, but last month saw a surprise dip in core services CPI. Until the recent drama in financial markets, and on the basis of recent BoE communications, we felt this data probably wasn’t quite enough to steer the BoE away from a 25bp hike this month, but we also felt that if those encouraging trends continued, the committee could pause in May.

We’re still leaning towards that outcome, though clearly a lot can change in the days leading up to the meeting. It’s clear from recent communication that the bar for pausing is much lower at the BoE than at the ECB or the Fed, with officials noting that the impact of past hikes is still largely to feed through. On the flip side, last September/October’s volatility in UK markets after the ‘mini Budget’ saw the BoE use targeted measures to address financial stability issues, which policymakers indicated would allow the Bank’s monetary policy to continue focusing on inflation. We suspect that the philosophy of (at least trying to) separate inflation fighting and financial stability, which was also adopted by ECB President Christine Lagarde this week, will again underpin next week’s decision-making.

In short, the meeting is on a knife edge and to a large extent it will come down to whether stability in financial markets starts to return. Either way, expect the committee to remain heavily divided.

## ✓ Eurozone: Little sign of a strong rebound

For the eurozone, all eyes will be on the PMI and consumer confidence data for signs about how the first quarter is shaping up. So far, sentiment data has painted a relatively positive picture of the economy in February, but hard data for the first quarter shows little sign of a strong rebound. Also interesting will be the trade balance for January, which has seen big moves in energy import volumes and prices.

## ✓ Switzerland: Central bank will act with caution

In Switzerland, since the beginning of the year, inflation has continued to rise and exceed expectations, reaching 3.4% in February, after having fallen in the second half of 2022. As the Swiss National Bank only meets once a quarter and has only raised rates by 175 basis points since the start of the tightening cycle (compared to 350 basis points for the ECB and 475 basis points for the Fed), recent inflation developments in Switzerland argue for a 50 basis point rate hike at the March meeting. A fortnight ago, this was a fairly safe bet, but recent developments in the financial markets have clearly reduced the likelihood of this happening. As Credit Suisse is one of the two largest banks in Switzerland, which implies that the systemic risk is greater there than elsewhere, the SNB will have to act with caution. Ideally, the SNB would like to manage the risks to financial stability with other instruments than interest rates, such as providing liquidity to banks that need

it, so that it can continue to use interest rates to fight inflation. For the moment, this seems feasible, but one knows that market conditions can change very quickly. A conflict between the financial stability and monetary policy objectives could emerge, forcing the SNB to act more cautiously in its rate increases. In conclusion, our baseline scenario remains a 50bp rate hike, but the probability of this has seriously diminished, and neither the status quo nor a 25bp hike can be ruled out. Unlike the ECB, the SNB has not pre-announced anything, so it is freer in its choices.

## Key events in developed markets

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 20 March</b>					
Eurozone	1000	Jan Total Trade Balance SA	-8.9		-18.1
<b>Tuesday 21 March</b>					
Canada	1230	Feb CPI Inflation (MoM%/YoY%)	-/-	/	0.5/5.9
	1230	Feb CPI BoC Core (MoM%/YoY%)	-		0.3/5
	1230	Jan Retail Sales (MoM%)	-		0.5
<b>Wednesday 22 March</b>					
US	1800	Fed Funds Target Rate	4.875		4.625
	1800	Fed Interest On Excess Reserves	4.9		4.65
UK	0700	Feb CPI (MoM%/YoY%)	0.5/10.0		-0.6/10.1
Eurozone	0900	Jan Current Account SA, EUR	-		15.9
<b>Thursday 23 March</b>					
US	1230	Q4 Current Account	-		-217.1
	1400	Feb New Home Sales-Units	0.635	0.638	0.67
UK	1200	Mar BOE Bank Rate	4.25		4
Norway	0900	Key Policy Rate	3.00		2.75
Switzerland	0830	Q1 SNB Policy Rate	-		1
Eurozone	1500	Mar Consumer Confidence Flash	-18.5		-19
<b>Friday 24 March</b>					
US	1230	Feb Durable Goods	0.5		-4.5
	1345	Mar S&P Global Manufacturing PMI Flash	-		47.3
	1345	Mar S&P Global Services PMI Flash	-		50.6
	1345	Mar S&P Global Composite Flash PMI	-		50.1
Germany	0830	Mar S&P Global Manufacturing Flash PMI	46.9		46.3
	0830	Mar S&P Global Service Flash PMI	49.8		50.9
	0830	Mar S&P Global Composite Flash PMI	49.9		50.7
France	0815	Mar S&P Global Composite Flash PMI	-		51.7
UK	0700	Feb Retail Sales (MoM%/YoY%)	-/-		0.5/-5.1
	0930	Mar Flash Composite PMI	-		53.1
	0930	Mar Flash Manufacturing PMI	-		49.3
	0930	Mar Flash Services PMI	-		53.5
Spain	0800	Q4 GDP (QoQ%/YoY%)	-/-		0.2/2.7
Eurozone	0900	Mar S&P Global Manufacturing Flash PMI	48.8		48.5
	0900	Mar S&P Global Services Flash PMI	52.2		52.7
	0900	Mar S&P Global Composite Flash PMI	51.9		52

Source: Refinitiv, ING

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# Asia week ahead: Regional central bank meetings and trade data

Next week's calendar features policy meetings from several regional central banks, trade numbers from India, Korea and Taiwan, activity data from Japan and Taiwan plus inflation readings from Japan and Singapore



## Expected slowdown in India's current account deficit

India's current account deficit has widened substantially and although the trade deficit slowed its increase in the last three months of the year, the consensus forecast for a narrowing of the broader current account deficit looks optimistic.

## Upcoming RBA minutes of March policy meeting

The minutes from the Reserve Bank of Australia's March meeting next Tuesday could be an interesting read and may shed more light on what appeared to be a hint that peak rates were nearing.

## Upcoming CPI and PMI data from Japan

Consumer inflation in Japan is expected to cool to 3.5% year-on-year in February (vs 4.3% in January) due to the government's energy subsidy programme, helped along by the base effects of a slowdown. For the fresh PMI reports, we believe the trend of weak manufacturing alongside a strong services sector will continue.

## Trade data from Korea

Early April trade data will be out from Korea and we expect sluggish exports to continue. The trade deficit however is expected to narrow in April as imports of commodities could decline more sharply.

## China to announce target interest rate

Banks in China will announce their loan prime rate and we expect no change at 3.65% and 4.3% for 1-year and 5-year, respectively. The ongoing economic recovery means that banks do not have to ease further.

## Busy week for Taiwan

Taiwan's central bank will decide on policy in the coming days. We believe the recent Silicon Valley Bank collapse will be another factor in the central bank's rate decision. The best way forward for the central bank should be to stay put at 1.75% as hiking further may create concerns for the financial market.

Meanwhile, Taiwan's industrial production and export orders should continue to reflect slowing growth in the US and European economies. We do not think China's growth can fill the gap. A mid-teen yearly contraction is likely for both reports.

## Singapore inflation stays hot

Price pressures remain in Singapore as the impact of the recent implementation of the goods and services tax feeds through. Headline inflation could slow slightly to 6.4% YoY but core inflation is likely to heat up further to 5.6%. Faster inflation is expected to weigh on overall retail sales for at least the first half of the year. Elevated inflation could produce a potential policy response from the Monetary Authority of Singapore (MAS) at the April meeting. We expect MAS to retain its current hawkish stance given the significant challenges faced by Singapore's growth outlook.

## BSP to hike again as inflation remains an issue

Bangko Sentral ng Pilipinas (BSP) meets next week to discuss policy. Although we expect the central bank to sustain its rate hike cycle, we could see Governor Felipe Medalla downshift to a 25bp increase. Medalla recently hinted at a less aggressive rate hike when he called for the rapid deployment of supply-side measures to address the tight supply of basic food items. Recent developments in the global banking system will also be watched closely and thus we believe that next Thursday's hike could be the last for this tightening cycle.

## Key events in Asia next week

Country	Time	Data/event	ING Survey	Prev.
<b>Monday 20 March</b>				
China	0115 Mar	Loan Prime Rate 1Y/5Y	-	3.65/4.3
Korea	-	First 20 days exports	-	-
<b>Thursday 23 March</b>				
Australia	2200 Mar	Manufacturing PMI Flash	-	50.5
	2200 Mar	Services PMI Flash	-	50.7
	2200 Mar	Composite PMI Flash	-	50.6
Philippines	0700	Policy Interest Rate	6.250	6
Singapore	0500 Feb	Core CPI (YoY%)	5.6	5.5
	0500 Feb	CPI (YoY%)	6.4	6.6
	0500 Feb	Manufacturing Output (MoM%/YoY%)	-/-	-1.1/-2.7
Taiwan	0800 Q1	Discount Rate	-	1.75
	0800 Feb	Industrial Output (YoY%)	-	-20.5
	0820 Feb	Money Supply - M2 (YoY%)	-	6.67
Japan	2330	CPI (YoY%)	3.5	4.3
<b>Friday 24 March</b>				
India	1130 Q4	C/A Balance (USD bn)	-	-36.4
	1130 Q4	Balance Payments (USD bn)	-	-30.4
Indonesia	0300 Feb	M2 Money Supply (YoY%)	-	8.2
Taiwan	0800 Feb	Unemployment rate (%)	-	3.6

Source: Refinitiv, ING

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## Key events in EMEA next week

A relatively quiet week ahead for the EMEA regions. Given the Central Bank of Turkey cut the policy rate last month, and signalled that cuts would not be continuous, we expect rates to remain unchanged for now. In Poland, consumer demand in early 2023 looks to remain subdued and we see continued weakness in retail sales



Source: Shutterstock

### ✓ Poland

#### Industrial output (Feb): 1.0% YoY

A relatively strong January reading (2.3% year-on-year) was supported by calendar effects, but with a neutral impact of working days in February, industrial output growth is projected to have eased to 1.0% YoY. Even though the severity of the European energy crisis is smaller than feared, the outlook for the real economy, especially manufacturing in the EU, looks better than expected. PMI surveys point to slower declines in new orders and output, while cost pressures have eased. Demand and supply are more aligned, but Poland's industrial growth is projected to be sluggish in the near term and the emergence of concerns about financial stability risks are skewed to the downside.

#### Retail sales (Feb): -1.4% YoY

Household consumption fell in the fourth quarter of 2022 and consumer demand remains subdued

in early 2023 as a result of elevated inflation that has eroded the real purchasing power of consumers. We project continued weakness in retail sales of goods in early 2023, and yet another annual decline in consumption, especially given the high reference base from the first quarter of 2022.

### ✓ Turkey: Central bank expected to remain on hold

Last month when the Central Bank of Turkey cut the policy rate to 8.5%, it signalled that interest rate cuts would not continue as a series. Given this backdrop, we expect the bank to remain on hold this month. But we can expect further macro-prudential measures to maintain favourable financial conditions with the objective of minimising the effects of the earthquakes in the period ahead.

### ✓ Hungary: Unemployment expected to increase further

The relatively quiet period regarding data releases is set to continue in Hungary. The only hard data is the unemployment rate for February, where we see a further increase as companies are adjusting to the new reality earmarked by the technical recession.

## Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 20 March</b>					
Poland	0900	Feb Industrial Output (YoY%)	1.2	1.0	2.6
Mexico	1200	Jan Retail Sales (MoM%/YoY%)	-		2.5
	1200	Jan Retail Sales (MoM%)	-		0.1
<b>Tuesday 21 March</b>					
Poland	0900	Feb Real Retail Sales (YoY%)	-1.4	-1.4	-0.3
<b>Wednesday 22 March</b>					
Russia	1600	Feb PPI (MoM%/YoY%)	-/-		-0.9/-4.6
Poland	1300	Feb M3 Money Supply (YoY%)	6.5	6.5	6.9
South Africa	0800	Feb CPI (MoM%/YoY%)	-/-		-0.1/6.9
	0800	Feb Core inflation (MoM%/YoY%)	-/-		0.2/4.9
Brazil	2100	Selic Interest Rate	-		13.75
<b>Thursday 23 March</b>					
Turkey	1100	Mar CBT Weekly Repo Rate	8.5		8.5
	1100	Mar O/N Lending Rate	10		10
	1100	Mar O/N Borrowing Rate	7		7
Poland	0900	Feb Unemployment Rate	5.6	5.5	5.5
Mexico	1200	Mar 1st Half-Month Core Inflation (MoM%)	-		0.35
	1200	Mar 1st Half-Month Inflation (MoM%)	-		0.3
<b>Friday 24 March</b>					
Hungary	0730	Feb Unemployment Rate 3M	4.1		4.0
Brazil	1200	Mar IPCA-15 Mid-Month CPI	-		0.76
	1200	Mar IPCA-15 Mid-Month CPI (YoY%)	-		5.63
Mexico	1200	Jan IGAE Econ Activity (YoY%)	-		2.6

Source: Refinitiv, ING

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