

Our view on next week's key events

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Source: Shutterstock

US: Housing and related markets are left vulnerable from Fed policy

With the Federal Reserve signalling it has a strong stomach for the fight against inflation we have to expect further significant interest rate hikes in coming months. But by going harder and faster into restrictive territory there is a greater risk of a hard landing and a potential recession. The housing market is particularly vulnerable given prices are up nearly 40% nationally since the start of the pandemic due to stimulus-fuelled demand vastly outstripping the limited supply of properties for sale. Now that mortgage rates have surged higher and consumer confidence has plunged, we are already starting to see demand weaken and supply rise. The number of new home sales plunged 16.6% in April and we will be looking to see if there is any rebound in May. Existing home sales are measured when the keys are received rather than when the contracts are signed (as for new home sales) so we expect to see a big drop in May's existing home sales. This is worrying as residential construction accounts for more than 2% of economic output while housing transactions also correlate strongly with spending on furniture, home furnishings, and electronics.

✓ UK inflation set to remain elevated amid rising energy costs

The Bank of England has kept the door firmly ajar to a 50bp rate hike in August, and whether it follows through with this will in part depend on whether we get another upside inflation surprise next week. We expect a slight acceleration in the headline rate, though the impact of the latest rise in petrol prices won't feed through until we get the June figures in July. Whether or not inflation goes higher from here will partly depend on how the ONS classifies the government's recently-announced energy price discounts. But either way, even if inflation doesn't go dramatically higher from here, it's unlikely to fall much, if at all, through the rest of this year. However, we should begin to see more meaningful declines in 2023 as energy effects fade and wage pressures begin to cool.

✓ Norges Bank likely to accelerate hiking cycle with 50bp rate hike

Norway's central bank has already told us it is going to hike next week, and it has also hinted that it could step up the pace from its recent string of 25bp moves. With oil prices high and global market interest rates rising, we think Norges Bank will follow through with a 50bp hike next week – or failing that, hint strongly that it could begin hiking at every meeting, as opposed to every alternate one.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 21 June					
US	1500	May existing home sales (mn)	5.4	5.41	5.6
Canada	1330	Apr Retail Sales (MoM%)	0.6		0.0
Eurozone	1000	Apr Current Account SA, EUR	-		-1.6
Wednesday 22 June					
UK	0700	May CPI (MoM%/YoY%)	0.6/9.1		2.5/9.0
Canada	1330	May CPI Inflation (MoM%/YoY%)	0.9/7.3		0.6/6.8
Sweden	0700	May Unemployment Rate	-		8.2
Eurozone	1500	Jun Consumer Confidence Flash	-		-21.1
Thursday 23 June					
US	1330	Q1 Current Account	-290.0	-284.8	-217.9
	1330	Initial Jobless Claims (000s)	235		229
	1330	Cont Jobless Claims (000s)	1320		1312
Germany	0830	Jun Markit Composite Flash PMI	52.9		53.7
France	0815	Jun Markit Composite Flash PMI	-		57.0
UK	0930	Jun Flash Manufacturing PMI	54.5		54.6
	0930	Jun Flash Services PMI	53		53.4
Norway	0900	Key Policy Rate	1.25		0.75
Eurozone	0900	Jun Markit Manufacturing Flash PMI	-		54.6
	0900	Jun Markit Services Flash PMI	-		56.1
	0900	Jun Markit Composite Flash PMI	-		54.8
Friday 24 June					
US	1500	Jun U Mich Sentiment Final	50.2	50.2	50.2
	1500	May New Home Sales-Units	0.61	0.63	0.59
Germany	0900	Jun Ifo Business Climate	92		93.0
	0900	Jun Ifo Current Conditions	98.5		99.5
	0900	Jun Ifo Expectations	85.9		86.9
UK	0700	May Retail Sales (MoM%/YoY%)	-1.0/-4.7		1.4/-4.9
Italy	0900	Jun Consumer Confidence	103.1		102.7
Spain	0800	Q1 GDP (QoQ%/YoY%)	-/-		0.3/6.4

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Key events in EMEA next week

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Source: Shutterstock

✓ Poland: Solid industrial and retail activity whilst labour market remains tight

Poland's industrial activity was still high in May (16.8% year-on-year) as businesses still have significant backlogs of work to fill. Nevertheless, output growth is set to slow in the coming months as the war in Ukraine negatively impacts demand from the euro area, and supply-side bottlenecks are likely to continue due to China's zero-Covid policy. In May, the manufacturing PMI fell below 50pts for the first time since mid-2020 on the back of deteriorating orders and output.

Retail sales are set to slow to 22.9% YoY in nominal terms in May after an impressive 33.4% YoY expansion in April. Substantial swings in annual growth are linked to Covid containment measures. Shopping malls were closed in April 2021 and reopened the following month, which created a high reference base for annual growth in May 2022. Sales of necessities are supported by the inflow of refugees from Ukraine.

Money supply growth gauged by M3 aggregated remained unchanged in May (8.2% YoY) vs. April (8.2% YoY). Household deposits have rebounded after earlier outflows amplified by the outbreak of war in Ukraine, and term deposit rates went up after a series of rate hikes by the National Bank of

Poland. At the same time, higher rates are hampering demand for mortgage loans as they undermine the credit eligibility of potential borrowers.

In May, the registered unemployment rate continued declining and fell to 5.1% from 5.2% in April. The labour market is very tight and shortages of labour reported by many sectors are even higher as previously employed Ukrainian males left Poland to defend their homeland. This is particularly profound in the construction and transport sectors. The inflow of Ukrainian females may potentially ease labour shortages in agriculture, trade, and services.

✔ Turkey: CBT increases measure to combat inflation whilst policy rate is set to remain unchanged

Since April, we have seen an increasing number of measures introduced by the Central Bank of Turkey to mitigate against growing risks. These measures include putting a break on commercial loans, strengthening FX reserves, diverting local demand away from FX, increasing demand for local government bonds, and raising the attractiveness of TRY assets for foreign investors. While the effectiveness of these measures is another discussion, they signal no imminent change to policy direction and the overall monetary stance. Given this backdrop, we expect the policy rate to remain flat at 14% at the June monetary policy committee meeting.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 21 June					
Poland	0900	May Industrial Output (YoY%)	16.8	15.3	13.0
Wednesday 22 June					
Russia	1700	May PPI (MoM%/YoY%)	-/-		6.3/31.5
Poland	0900	May Retail Sales (YoY%)	22.9	23.3	33.4
Czech Rep	1330	CNB Repo Rate	-		5.75
Hungary	0730	Q1 C/A Balance (QoQ%)	-	-2.3	-2.5
South Africa	0900	May CPI (MoM%/YoY%)	-/-		0.6/5.9
	0900	May Core inflation (MoM%/YoY%)	-/-		0.4/3.9
Thursday 23 June					
Turkey	1200	Jun CBT Weekly Repo Rate	14.0		14.0
	1200	Jun O/N Lending Rate	15.5		15.5
	1200	Jun O/N Borrowing Rate	12.5		12.5
Poland	1300	May M3 Money Supply (YoY%)	8.2	8.2	8.2
Hungary	0800	May Unemployment Rate 3M	-		3.5
Mexico	1200	Jun 1st Half-Month Core Inflation (MoM%)	-		0.3
	1200	Jun 1st Half-Month Inflation (MoM%/YoY%)	-/-		-0.1/3.8
	1200	Apr Retail Sales (MoM%)	-		0.4
	1900	Jun Interest Rate	-		7.0
Friday 24 June					
Poland	0900	May Unemployment Rate	5.1	5.1	5.2
Hungary	0800	Apr Average Gross Wages (YoY%)	-		17.0
Brazil	1300	Jun IPCA-15 Mid-Month CPI	-		0.6
	1300	Jun IPCA-15 Mid-Month CPI (YoY%)	-		12.2
Mexico	1200	Apr IGAE Econ Activity (YoY%)	-		0.4

Source: Refinitiv, ING

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Asia week ahead: Central bank decisions, Japanese inflation and RBA minutes

Central bank decisions and Japanese inflation are the highlights for the coming week



Japanese CPI is out on Friday. We expect that headline CPI inflation will rise to 2.7% year-on-year

RBA Minutes

On 21 June, the Reserve Bank of Australia releases minutes of its June meeting when it raised the cash rate target to 0.85% from 0.35%, towards the top end of market expectations. The minutes will show the range of opinions expressed and offer clues about whether 50bp rises are the new normal or if we might have to consider Fed-style 75bp hikes at some point.

On 23 June, PMI indices will likely continue to show both manufacturing and service sectors growing strongly. With inflation running high, and labour markets running tight, that's maybe not the good news markets want to hear.

Regional central bank decisions

Bank Indonesia previously hinted at a pause for the forthcoming meeting, citing still manageable inflation and a steady currency. The Indonesian rupiah, however, has recently come under heavy pressure, all the more with the trade surplus shrinking considerably to \$2.9 bn from \$7.5 bn. We expect BI to finally deliver a rate hike although Governor Perry Warjiyo may opt to start off the

hiking cycle with a token 25bp increase, citing the simultaneous increase in reserve requirements.

Bangko Sentral ng Pilipinas will also meet next week with pressure mounting on the BSP to hike rates aggressively. Inflation moved well past its target to 5.4% and a weakening currency will only translate to more inflation down the line. BSP Governor Benjamin Diokno signalled a 25bp increase next week but we think the beleaguered currency and accelerating inflation will be enough to force a more punchy 50bp rate hike from BSP next week.

Meanwhile, Chinese banks will decide on the Loan Prime Rate (LPR) on Monday. As the activity data points to a weak economy and slow recovery, we expect banks will cut the 5Y LPR by 5bp to 4.4%. This should support infrastructure projects and mortgages.

Taiwan export and industrial production reports

Taiwan will release export orders on Monday and industrial production on Thursday. We expect both figures to improve from April as logistics issues in the region should have eased in the last week of May. Export orders though will still be in contraction, though less so compared to April as consumer demand should return in coming months after Shanghai announced an end to its lockdown at the end of May. Delivery of materials for production should experience a shorter delay.

Japan inflation data

Japanese CPI will be out on Friday. We expect that headline CPI inflation will rise further to 2.7% year-on-year (vs 2.5% in April) as the weak yen is adding more pressure to high commodity prices. The market consensus is 2.5% as of today.

Japan's PMIs will be out on Thursday. Both manufacturing and services are expected to improve on the back of better domestic demand stimulated by the reopening.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 20 June				
China	0215	Jun Loan Prime Rate 1Y	3.7	3.7
	0215	Jun Loan Prime Rate 5Y	4.4	4.5
Taiwan	0900	Export Orders (YoY%)	-0.8	-5.5
Wednesday 22 June				
Australia	0000	Jun Manufacturing PMI Flash	56.4	55.7
	0000	Jun Services PMI Flash	52.8	53.2
	0000	Jun Composite PMI Flash	-	52.9
Thursday 23 June				
Japan	0030	May CPI (YoY%)	-	101.5
Indonesia	-	Jun 7-Day Reverse Repo	3.75	3.50
Philippines	0800	Policy Interest Rate	2.75	2.25
Singapore	0600	May Core CPI (YoY%)	3.4	3.3
	0600	May CPI (MoM%/YoY%)	0.85/5.5	-0.1/5.4
Taiwan	0900	May Industrial Output (YoY%)	7.9	7.3
	0900	May Unemployment rate (%)	3.68	3.7
Friday 24 June				
Singapore	0600	May Manufacturing Output (MoM%/YoY%)	-4.9/7.8	2.2/6.2
Taiwan	0920	May Money Supply - M2 (YoY%)	8.2	8.1

Source: Refinitiv, ING

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