

Our view on next week's key events

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In this bundle



Key Events

Key events in developed markets next week

The Fed's hawkish shift means that an earlier than expected rate hike cycle is on the cards. Also, the Bank of England is unlikely to give much away...

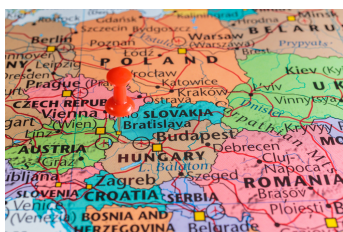
By James Knightley and James Smith



Asia week ahead

Asia week ahead: Inflation - transitory or not?

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Key events in EMEA next week

The central bank of Hungary is likely to start its hiking cycle next week with a 30bp rate hike, as growth and inflation forecasts are revised upwards....

By Peter Virovacz

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✓ US: Three rate hikes in 2023 expected in Fed's hawkish shift

The Fed's hawkish shift continues to reverberate around markets.

Seven out of 18 Fed officials now expect a rate rise in 2022, with 13 out of 18 favouring 2023 for the start point. Previously it was four and seven members respectively for 2022 and 2023. The result is the Fed is now signalling 50 basis points of rate rises by the end of 2023, which is in line with the pricing on Fed funds futures contracts. Over the coming week we will get updates from eight individual Fed members, including Chair Jerome Powell. They could provide some nuance with hints on where they each see the balance of risks surrounding the outlook for monetary policy.

Our view is that there will be three 25bp rate hikes in 2023, starting in the first quarter with the risks skewed towards earlier tightening.

There is a combination of housing numbers, durable goods orders and personal incomes, spending and inflation data in terms of the economic releases. Housing figures have softened of late, but this reflects the lack of supply on the market, which has bid prices sharply higher. Actual demand remains strong but is unfilled. Durable goods orders should remain on a strong path, but again the issue is being able to meet that demand.

The ISM has reported a record order backlog with supplier delivery times continuing to lengthen. Consequently, we expect this to prompt more business capital expenditure in the quarters ahead. Rounding out the reports we may see a slight fall in income growth in a lagged response the stimulus payment in March not being repeated. However, income from private sources continues to improve, and spending should continue to expand. The focus, though, will be the core personal consumer expenditure deflator, the Fed's favoured measure of inflation. It should post another sizeable gain as strong demand come up again, supply frictions in the economy.

Don't expect many new rate hike clues from the Bank of England just yet

Will the Bank of England join the likes of the Bank of Canada in hinting at a possible rate hike in 2022?

Markets certainly are beginning to think this way and now have two hikes priced in by mid-2023 (albeit one of those is a 'partial' one from 0.1% to 0.25%). And we've also had Gertjan Vlieghe, a typically dovish committee member (though one that will shortly leave his post), floating the possibility of a hike later into 2022.

The reality is that the central bank is unlikely to say anything new on this next week, and indeed it has recently shied away from saying anything particularly concrete on the timing of a first move. Instead, UK policymakers have taken a leaf out of the Fed's book by signalling it wants 'significant' progress on spare capacity before thinking about hiking. Having said that, the last set of forecasts from May (which won't be updated next week) effectively endorsed the market's then-view of 20bp of tightening by 2Q23. Forecasts based on that interest rate profile yielded no excess supply by the tail-end of its policy horizon and kept inflation roughly at 2%.

For the time being, we've pencilled in the first move for 1Q23, though we wouldn't rule out an earlier move. Possible triggers include a more rapid unwinding of household savings or a more permanent-looking increase in wage growth. When discussing future rate rises, it's worth remembering that the Bank of England under Governor Andrew Bailey seems fairly keen that shrinking the balance sheet should also do some of the heavy lifting.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 21 June					
Tuesday 22 June					
Sweden	0830	May Unemployment Rate	-		9.4
Portugal	-	Apr Current Account Balance	-		-0.47
Eurozone	1500	Jun Consumer Confidence Flash	-3.0		-5.1
Wednesday 23 June					
US	1330	Q1 Current Account			-188.5
	1445	Jun Markit Composite Flash PMI	-		68.7
	1445	Jun Markit Manufacturing PMI Flash	-		62.1
	1445	Jun Markit Services PMI Flash	-		70.4
	1500	May New Home Sales-Units	-	0.89	0.863
Germany	0830	Jun Markit Manufacturing Flash PMI	62.0		64.4
	0830	Jun Markit Service Flash PMI	55.0		52.8
	0830	Jun Markit Composite Flash PMI	58.0		56.2
France	0815	Jun Markit Manufacturing Flash PMI	-		59.4
	0815	Jun Markit Services Flash PMI	-		56.6
	0815	Jun Markit Composite Flash PMI	-		57
UK	0930	Jun Flash Composite PMI	63.5		62.9
	0930	Jun Flash Manufacturing PMI	64		65.6
	0930	Jun Flash Services PMI	63.5		62.9
Canada	1330	Apr Retail Sales (MoM%)	-		3.6
Eurozone	0900	Jun Markit Manufacturing Flash PMI	61.7		63.1
	0900	Jun Markit Services Flash PMI	58.5		55.2
	0900	Jun Markit Composite Flash PMI	59.1		57.1
Thursday 24 June					
US	1330	May Durable Goods	3.5	2.1	-1.3
	1330	Q1 GDP Final	6.4	6.4	6.4
Germany	0900	Jun Ifo Business Climate New	101.0		99.2
	0900	Jun Ifo Curr Conditions New	97.0		95.7
	0900	Jun Ifo Expectations New	105		102.9
UK	1200	Jun BOE Bank Rate	0.1		0.1
	1200	Jun Asset Purchase Prog	895		895
Spain	0800	Q1 GDP (QoQ/YoY%)	-/-		-0.5/-4.3
Friday 25 June					
US	1330	May Personal Income (MoM%)	-2.5	-2.8	-13.1
	1330	May Personal Consump Real (MoM%)	0.3		-0.1
	1330	May Consumption, Adjusted (MoM%)	-	0.5	0.5
	1330	May Core PCE Price Index (MoM%)	-	0.6	0.7
	1500	Jun U Mich Sentiment Final	-		86.4
Germany	0700	Jul GfK Consumer Sentiment	-4.0		-7.0
Italy	0900	Jun Consumer Confidence	-		110.6
Eurozone	0900	May Money-M3 Annual Grwth	7.3		9.2
	0900	May Broad Money	14804249		14774774

Source: ING, Refinitiv

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Asia week ahead: Inflation - transitory or not?

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Source: Shutterstock

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 21 June				
Australia	0230	May Retail Sales Total Pre	-	31049.8
	0230	May Retail Sales (MoM%) Pre	-	1.1
China	0230	Jun Loan Prime Rate 1Y	3.85	3.85
	0230	Jun Loan Prime Rate 5Y	4.65	4.65
Taiwan	0900	May Export orders (YoY%)	43.8	42.6
Tuesday 22 June				
Australia	0000	Jun Manufacturing PMI Flash	-	60.4
	0000	Jun Services PMI Flash	-	58.0
	0000	Jun Composite PMI Flash	-	58.0
Hong Kong	0930	May CPI (YoY%) NSA	1.1	0.7
Philippines	-	May Budget Balance	-71.5	-44.4
Taiwan	0900	May Unemployment rate (%)	3.7	3.7
Wednesday 23 June				
Japan	0600	Apr Leading Indicator Revised	-	0.6
Singapore	0600	May Core CPI (YoY%)	0.7	0.6
	0600	May CPI (YoY%, NSA)	2.0	2.1
Taiwan	0900	May Industrial Output (YoY%)	13.0	13.6
Thailand	0430	May Exports (Cust est, %YoY)	30.0	13.1
	0430	May Imports (Cust est, %YoY)	50.0	29.8
	0430	May Trade balance (Cust est, US\$m)	775.0	182.0
	0805	1-Day Repo Rate	0.50	0.50
South Korea	2200	Jun BoK Consumer Sentiment Index	-	105.2
Thursday 24 June				
Japan	0030	Jun CPI, Overall Tokyo	-	-0.4
New Zealand	2345	May Imports	-	5.0
	2345	May Trade Balance	-	388.0
	2345	May Exports	-	5.4
Philippines	0900	Policy Interest Rate	2.00	2.00
Taiwan	0920	May Money Supply - M2 (YoY%)	8.8	8.8
South Korea	2200	Jul BOK Manufacturing BSI	-	98.0
Friday 25 June				
Malaysia	0500	May CPI (YoY%)	3.6	4.7
Singapore	0600	May Manufacturing Output (MoM/YoY%)	-6.0/19.0	1.0/2.1

Source: ING, Refinitiv, *GMT

Key events in EMEA next week

The central bank of Hungary is likely to start its hiking cycle next week with a 30bp rate hike, as growth and inflation forecasts are revised upwards....



Source: Shutterstock

✓ Hungary: Month-by-month rate cycle to begin with a 30bp base rate hike

The wind of change is about to arrive with the next Hungarian central bank meeting as the central bank has made it clear that it will say goodbye to an era in June.

It seems there are two possible options on the table. A quarterly-based tightening cycle starting with a bang or a month-by-month cycle with smaller steps. We think the central bank will choose the softer but continuous cycle, so the month-by-month scenario. In this case, the first step will be a 30bp hike to the base rate and a 15bp hike to the 1-week deposit rate.

Alongside rate hikes, we see the central bank preparing markets for changes in its lending program (FGS, BGS), where we expect much smaller-scaled green initiatives. When it comes to QE, we think that the NBH will remain comfortable running this program, following in the ECB's footsteps. All of these will be triggered by the foreseen changes in the economic outlook.

We see the NBH revising its growth and CPI forecasts upwards in its June Inflation Report.

✓ Poland: Industrial production and retail sales to edge higher

We will get the May industrial production data on Monday in Poland, and we expect an increase of 27%YoY - slightly below the market consensus.

Despite the gradual opening of the economy, the industry is experiencing supply chain disruptions. Nevertheless, the containment of the latest wave of the pandemic should support retail sales. We expect the CSO to confirm a strong rebound offsetting the sharp drop seen in April. However, sales in MoM terms also fell in March, so the YoY outcome in May may be slightly worse than expected by the market.

The unemployment rate in Poland reached 6.5% at its peak in February 2021 (up by ~1pp from the pre-pandemic level) and is gradually falling since the economic recovery is gathering pace. We estimate that in May, it has reached 6.1% on its way to the bottom of around 5.7% in September.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 21 June					
Russia	-	May GDP (YoY%) Monthly	-		10.7
Poland	0900	May Industrial Output YY	27	29.0	44.5
Tuesday 22 June					
Poland	0900	May Retail Sales (YoY%)	10.5		25.7
Hungary	1300	Jun Hungary Base Rate	0.90		0.6
	1300	Jun O/N Deposit Rate	0.10		-0.05
Wednesday 23 June					
Czech Rep	1330	CNB Repo Rate	-		0.25
Mexico	1200	Apr Retail Sales (MoM/YoY%)	-		3.6/2.5
Russia	1700	May Industrial Output (YoY%)	10.5	10.5	7.2
Thursday 24 June					
Poland	0900	May Unemployment Rate	6.1		6.3
	1300	May M3 Money Supply (YoY%)	-		11.2
Mexico	1200	Jun 1st Half-Month Core Infl (MoM%)	-		0.33
	1200	Jun 1st Half-Month Infl (MoM%)	-		-0.01
	1200	May Jobless Rate	-		4.7
	2000	Jun Interest Rate	-		4.0
Friday 25 June					
Brazil	1100	May Current Account	-		5.663
	1100	May Foreign Direct Investm't	-		3.544
Mexico	1300	Apr IGAE Econ Activity (YoY%)	-		0.8

Source: ING, Refinitiv

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