

Our view on next week's key events

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By Robert Carnell and Min Joo Kang

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Key events in developed markets next week

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✓ US: Third-quarter GDP growth to come in at around 4%

Federal Reserve officials continue to suggest that they will likely hold rates steady for the second consecutive time at the upcoming FOMC meeting despite US economic activity remaining hot, the jobs market tight, and inflation still well above target. Policymakers continue to talk about long and variable lags when it comes to the economic impact of monetary policy changes, but the bigger factor is the recent sharp run-up in Treasury yields. This is pushing consumer and corporate borrowing costs higher, with mortgage rates fast approaching 8% and credit card borrowing costs at record highs. This significant tightening of lending conditions will increasingly act as a major headwind to economic activity and should lead to a moderation in growth and help dampen inflation pressures more broadly.

For now, however, activity numbers remain strong, with the highlight being third-quarter GDP. We look for it to come in at around 4%, boosted by strong consumer spending. Leisure and tourism spending has been particularly firm, while residential investment should also contribute positively together with government spending. We will also see the Fed's favoured measure of inflation, the core personal consumer expenditure deflator. Energy prices will lift the headline rate and we are not as optimistic that core inflation will rise just 0.2% month-on-month or 3.7% year-on-year as the market expects. We fear slight upside risks, and this combination of elevated inflation and strong growth could be the catalyst for the 10Y Treasury yield to clearly break above

5%.

✓ Eurozone: Broad consensus is for no hike as the ECB has already reached a record high

Next week's events will be dominated by the European Central Bank (ECB) rate decision on Thursday. The broad consensus is for no hike as the ECB has already reached a record high, inflation is becoming more benign and the economy is weakening rapidly. Still, higher oil prices and continued labour market strength keep upside risks to inflation alive. Thursday's meeting will therefore mainly be about whether the ECB gives off any clear messages on a possible final hike in December. We think the chances of another hike are low.

Don't count out the PMI on Tuesday in terms of market impact. While much less relevant than the ECB meeting, it has caused some movement in recent months as weakening economic data from the eurozone has raised concerns over a possible downturn. A downbeat reading for the PMI would be negative for euro sentiment as it would increase expectations of a recession. We expect that the economic environment is currently broadly stagnant, but a recession is never far away.

✓ UK: Jobs data and PMIs in focus as BoE is set for November pause

With a couple of weeks to go until the next Bank of England meeting, it looks like the stage is set for another on-hold decision. We've already had the all-important services inflation and wage numbers, and while they're too high for policymakers' liking, neither provided a big enough upside surprise to pressure the committee into another rate hike next month.

Next week brings flash PMIs, which might improve fractionally but suggest the dominant UK service sector is under pressure. We'll also get delayed jobs market data, which has been pointing to a rise in unemployment over recent months. But the survey is suffering from dwindling response rates, hence the delay, and there are clear question marks over how much weight we should be ascribing to these figures. The Bank will certainly treat them with a pinch of salt when the committee meets next.

✓ Canada: Focus on the BoC's interest rate decision with no change expected

In Canada, the focus will be on the Bank of Canada's interest rate decision. What was a 50-50 call on a 25bp rate hike four weeks ago has now come down to look much more like a 20-80 chance in favour of no change, thus keeping it at 5%. Economic activity surprisingly contracted in the second quarter and flatlined in July, while the latest inflation numbers were more benign than expected. The jobs market remains strong though, and the BoC will likely keep the option of a future hike on the table, but we believe interest rates have most probably peaked.

Key events in developed markets next week

| Country | Time | Data/event | ING | Survey | Prev. |
|-----------------------------|------|--|---------|---------|---------|
| Monday 23 October | | | | | |
| Eurozone | 1500 | Oct Consumer Confidence Flash | -18.2 | | -17.8 |
| Tuesday 24 October | | | | | |
| US | 1445 | Oct S&P Global Manufacturing Flash PMI | - | | 49.8 |
| | 1445 | Oct S&P Global Services Flash PMI | - | | 50.1 |
| | 1445 | Oct S&P Global Composite Flash PMI | - | | 50.2 |
| Germany | 0700 | Nov GfK Consumer Sentiment | -26 | | -26.5 |
| | 0830 | Oct S&P Global Manufacturing Flash PMI | 40 | | 39.6 |
| | 0830 | Oct S&P Global Service Flash PMI | 50.1 | | 50.3 |
| | 0830 | Oct S&P Global Composite Flash PMI | 46.7 | | 46.4 |
| France | 0815 | Oct S&P Global Composite Flash PMI | - | | 44.1 |
| UK | 0700 | Aug ILO Unemployment Rate | 4.3 | 4.3 | 4.3 |
| | 0700 | Aug Employment Change | -220 | -198 | -207 |
| | 0930 | Oct Flash Composite PMI | 48.8 | | 48.5 |
| | 0930 | Oct Flash Manufacturing PMI | 45 | | 44.3 |
| | 0930 | Oct Flash Services PMI | 49.5 | | 49.3 |
| Eurozone | 0900 | Oct S&P Global Manufacturing Flash PMI | 44 | | 43.4 |
| | 0900 | Oct S&P Global Services Flash PMI | 49 | | 48.7 |
| | 0900 | Oct S&P Global Composite Flash PMI | 47.6 | | 47.2 |
| Wednesday 25 October | | | | | |
| US | 1500 | Sep New Home Sales-Units (000s) | 690 | 684 | 675 |
| Germany | 0900 | Oct Ifo Business Climate | 85.9 | | 85.7 |
| | 0900 | Oct Ifo Current Conditions | 88.5 | | 88.7 |
| | 0900 | Oct Ifo Expectations | 83.3 | | 82.9 |
| Canada | 1500 | BoC Rate Decision | 5.00 | 5.00 | 5.00 |
| Eurozone | 0900 | Sep Money-M3 Annual Growth | -1.7 | | -1.3 |
| Thursday 26 October | | | | | |
| US | 1330 | 3Q GDP (QoQ% annualised) | 4.0 | 4.0 | 2.1 |
| | 1330 | Sep Durable Goods | 2.4 | 1.0 | 0.1 |
| | 1330 | Initial Jobless Claims (000s) | 205 | - | 198 |
| | 1330 | Continuing Jobless Claims (000s) | 1750 | - | 1734 |
| Eurozone | 1315 | Oct ECB Refinancing rate | 4.50 | 4.50 | 4.50 |
| | 1315 | Oct ECB Deposit rate | 4.00 | 4.00 | 4.00 |
| Friday 27 October | | | | | |
| US | 1330 | Sep Personal Income (MoM%) | 0.4 | 0.4 | 0.4 |
| | 1330 | Sep Personal Consumption Real (MoM%) | 0.1 | | 0.1 |
| | 1330 | Sep Consumption, Adjusted (MoM%) | 0.4 | 0.4 | 0.4 |
| | 1330 | Sep Core PCE Price Index (MoM%/YoY%) | 0.3/3.8 | 0.2/3.7 | 0.1/3.9 |
| | 1500 | Oct U Mich Sentiment Final | 63 | 63 | 63 |
| Italy | 0900 | Oct Consumer Confidence | 104.7 | | 105.4 |
| Spain | 0800 | Sep Retail Sales (YoY%) | - | | 7.2 |

Source: Refinitiv, ING

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Key events in EMEA next week

Central bank meetings in Turkey and Hungary take centre stage



Source: Shutterstock

✓ Turkey: We project a 5ppt hike

The CBT's focus has remained on anchoring inflation expectations and achieving disinflation. Following a 12.5ppt hike at each of the last two MPC meetings, we expect the central bank to raise rates by another 5ppt at the October meeting, bringing the policy rate to 35%. This would lead to a positive ex-ante real policy rate based on the 33% inflation forecast for 2024 in the medium-term plan. Macro-prudential tightening should also help disinflation efforts. However, in the rate-setting note released last month, the CBT's assessment of the inflation outlook showed some changes as it saw that i) the adjustments in FX, wages and taxes have now largely passed through to inflation, and ii) the underlying trend in monthly inflation will start to decline. The new reference to the declining monthly inflation trend implies that we should not rule out the possibility that the policy rate this month could be adjusted by less than 5ppt.

✓ Hungary: We expect a 50bp cut in the key rate

In Hungary next week, there will be a spotlight on the labour market and monetary policy. With respect to the former, we have seen some seasonal enhancement in the number of people at work, indicating a slight fall in the unemployment rate in September. Although there was a projected strong year-on-year wage increase in August (15.3%), this wouldn't bring any significant change in wage growth. As a result, we will have had 12 months of negative real wage growth. Nevertheless, there is a silver lining. This trend likely ended in September, as the inflation rate has already significantly dropped to 12.2%. This leads us to the topic of monetary policy. With a policy

rate of 13%, September marks the start of a new era of ex-post positive real interest rates. Due to the recent progress in inflation dynamics and market sentiment, our projection is that the Hungarian central bank will reduce the key rate by 50 basis points at next week's rate-setting meeting. However, given [the agility of monetary policy](#), a marked strengthening of the forint on the back of the expected positive outcome of a deal with the EU could provide an opportunity for the National Bank of Hungary to make an even bigger interest rate cut than our base case.

Key events in EMEA next week

| Country | Time | Data/event | ING | Survey | Prev. |
|-----------------------------|------|----------------------------------|------|--------|-------|
| Monday 23 October | | | | | |
| Poland | 1300 | Sep M3 Money Supply (YoY%) | 7.3 | 7.3 | 7.3 |
| Tuesday 24 October | | | | | |
| Poland | 0900 | Sep Unemployment Rate | 5 | 5 | 5 |
| Hungary | 0730 | Aug Average Gross Wages (YoY%) | 15.3 | | 15.2 |
| | 1300 | Oct Hungary Base Rate | 12.5 | | 13 |
| Wednesday 25 October | | | | | |
| Russia | 1700 | Sep Industrial Output | - | 5.8 | 5.4 |
| Thursday 26 October | | | | | |
| Turkey | 1200 | Oct CBT Weekly Repo Rate | 35.0 | | 30 |
| | 1200 | Oct O/N Lending Rate | 36.5 | | 31.5 |
| | 1200 | Oct O/N Borrowing Rate | 33.5 | | 28.5 |
| Ukraine | 1200 | Central bank interest rate | - | | 20 |
| South Africa | 1030 | Sep PPI (MoM%/YoY%) | -/- | / | 1/4.3 |
| | 1300 | Oct IPCA-15 Mid-Month CPI (YoY%) | - | | 5 |
| | | - Sep Current Account | - | | -0.78 |
| | | - Sep Foreign Direct Investment | - | | 4.27 |
| Friday 27 October | | | | | |
| Russia | 1030 | Oct Central bank key rate | - | 14 | 13 |
| Hungary | 0730 | Sep Unemployment Rate 3M | 4.0 | | 4.1 |

Source: Refinitiv, ING

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Asia week ahead: Regional inflation readings plus growth figures from Korea

Next week's data calendar features several inflation readings and Korea's latest GDP report



Australia CPI expected to remain unchanged

Australia's September CPI release comes out a couple of weeks before the next Reserve Bank of Australia (RBA) rates meeting on 7 November. The good news is that we think there is a chance that the headline inflation rate could manage not to rise again in September. The bad news is that we think it may stay at 5.2% year-on-year, unchanged after it rose in August.

Is this enough to keep the RBA on hold? The last minutes suggested the RBA had quite a low tolerance for inflation to remain above their target, so "failure to make satisfactory progress" might be considered a sufficient condition for a further hike. The alternative is to wait one more month. While the base effects aren't much better in October, then at least you wouldn't be facing possible pressure to hike twice. If the RBA does hold rates unchanged at both meetings – which isn't our base case, as we think they will hike at one of them – then we see the chances of them hiking in the New Year (as the market is pricing in) as very low. Very high inflation spikes at the end of 2022 mean the inflation rate should be dropping sharply again as reported in early 2024.

Singapore inflation could tick higher

Inflation for September could inch higher after global energy prices increased due to developments related to OPEC supply. Meanwhile, anxiety over the US Federal Reserve keeping “rates higher for longer” also forced Asian currencies to wilt under the strength of the dollar, with headline inflation possibly creeping up to 4.1% YoY from 4% previously. Core inflation could still be on the downtrend, slipping to 3.2% YoY from 3.4%.

Japan inflation expected to ease

Tokyo's CPI inflation is expected to slow mainly due to base effects. Headline inflation could come down to 2.6% YoY in October (vs 2.8% in September, 2.7% market consensus). However, a monthly comparison would show that the recent pick-up in global commodity prices and the weaker yen could add more upside pressure.

Singapore industrial production likely still in the red

Industrial production could post another month of contraction, tracking the struggles of the export sector. Industrial production could slide 7.3% YoY but still higher by 8% compared to the previous month. We should see an eventual improvement in the coming months should NODX improve, but as of now, we expect the industrial sector to be subdued.

Possible deceleration in Korea's GDP figures

Korea's third-quarter GDP is expected to decelerate to 0.4% quarter-on-quarter seasonally adjusted from the previous quarter's 0.6%, with a continued drag from domestic demand. We believe investment contraction could persist, although private consumption is likely to improve, boosted by longer holidays than usual and various government programmes. However, customs trade data suggests the positive net export contribution could be narrower than in the previous period. Lastly, both business and consumer surveys are likely to slide further with heightened financial stresses and geopolitical tensions, suggesting another weak growth for the current quarter.

Key events in Asia next week

| Country | Time (GMT+8) | Data/event | ING | Survey | Prev. |
|-----------------------------|--------------|----------------------------------|----------|---------|-------------|
| Monday 23 October | | | | | |
| Australia | 2300 Oct | Manufacturing PMI Flash | - | | 48.7 |
| | 2300 Oct | Services PMI Flash | - | | 51.8 |
| | 2300 Oct | Composite PMI Flash | - | | 51.5 |
| Singapore | 0600 Sep | Core CPI (YoY%) | 3.2 | | 3.4 |
| | 0600 Sep | CPI (YoY%) | 4.1 | 4.1 | 4 |
| Taiwan | 0900 Sep | Industrial Output (YoY%) | -7.5 | -8.39 | -10.53 |
| | 0900 Sep | Unemployment rate (%) | 3.4 | | 3.42 |
| Tuesday 24 October | | | | | |
| Taiwan | 0920 Sep | Money Supply - M2 (YoY%) | 6.6 | | 6.53 |
| South Korea | 2200 Oct | BoK Consumer Sentiment Index | - | | 99.7 |
| Wednesday 25 October | | | | | |
| Japan | 0600 Aug | Leading Indicator Revised | - | | 1.3 |
| Australia | 0130 Q3 | CPI (QoQ%/YoY%) | 0.2/5.2 | 1/5.2 | 0.8/6 |
| Indonesia | 0500 Sep | M2 Money Supply (YoY%) | - | | 5.9 |
| Philippines | - | Sep Budget Balance | -152 | | -133 |
| South Korea | 2200 Nov | BOK Manufacturing BSI | - | | 69 |
| | 0000 Q3 | GDP Growth (QoQ%/YoY%) | -/- | 1.1/0.6 | 0.6/0.9 |
| Thursday 26 October | | | | | |
| Singapore | 0600 Sep | Manufacturing Output (MoM%/YoY%) | 8.0/-7.3 | / | -10.5/-12.1 |
| | 0330 Q3 | Unemployment Rate Prelim SA | 2 | | 1.9 |

Source: Refinitiv, ING

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