

## Our view on next week's key events

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# Key events in developed markets and EMEA next week

As the US jobs market remains tight and activity holds up, we're expecting a further 25bp move from the Federal Reserve next week



## US: The Fed starts slowing the pace of rate hikes as inflation moves lower

After ten consecutive interest rate hikes over the last 15 months, the Federal Reserve left the Fed Funds target rate unchanged at 5-5.25% in June. However, the central bank has characterised this as a slowing in the pace of rate hikes rather than an actual pause, with two further hikes signalled for the second half of 2023 in their individual forecast projections. Since then, inflation has moved lower, but the jobs market remains tight and activity has held up well. As such, commentary from officials has broadly indicated that they feel the need to hike again on July 26th, which would bring the Fed funds to range up to 5.25-5.5%. We suspect that the accompanying press conference will acknowledge encouraging signs on inflation, but also a desire not to take any chances that could allow it to re-accelerate. We expect the door to be kept open for further policy tightening later in the year.

In terms of data, the highlight will be second quarter GDP. The first quarter posted a firm 2% annualised growth rate, led by consumer spending. We suspect that the second quarter will be slower at around 1.5%, with inventories as the main contributor to growth. Meanwhile, durable goods orders should be lifted by very strong figures from Boeing, which received 304 aircraft orders in June, up from 69 in May. Outside of transportation, the data will be softer given that the ISM manufacturing new orders series has been in contraction territory for the last ten months. We will

also get the June reading of the Fed's favoured inflation measure, the core personal consumer expenditure deflator. As with the CPI report, we expect it to slow quite markedly with broadening signs of disinflation in more categories.

## Hungary: National Bank of Hungary expected to keep the base rate at 13%

The highlight over the next week in the EMEA region will be the upcoming rate decision by the National Bank of Hungary. With the central bank keeping the market and price stability issues separated, we don't see any reason for the Monetary Council to change its mindset regarding the base rate. While inflation's direction of travel has been favourable, it remains elevated and we therefore expect the NBH to keep the base rate at 13%, pushing the expected change into the not-too-distant future.

In contrast, the decision regarding the effective rate will be exciting. Should we see renewed weakening in the HUF, we can imagine the central bankers sitting on their hands and keeping the effective rate unchanged. However, with the forint strengthening since the June inflation data release, we're instead betting on the continuation of the 100bp rate cut cycle. As a result, we see the effective rate being lowered to 15%. Meanwhile, we're also expecting to see strong labour market data – much like the rest of the EU – as shortages keep wage growth elevated and deter companies from lay-offs despite the challenging economic environment.

## Key events in developed markets next week

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 24 July</b>				
US	1445 Jul S&P Global Manufacturing PMI Flash	-		46.3
	1445 Jul S&P Global Services PMI Flash	-		54.4
	1445 Jul S&P Global Composite Flash PMI	-		53.2
Germany	0830 Jul S&P Global Manufacturing Flash PMI	40.4		40.6
	0830 Jul S&P Global Service Flash PMI	52.5		54.1
	0830 Jul S&P Global Composite Flash PMI	49.8		50.6
France	0815 Jul S&P Global Composite Flash PMI	-		47.2
UK	0930 Jul Flash Composite PMI	-		52.8
	0930 Jul Flash Manufacturing PMI	-		46.5
	0930 Jul Flash Services PMI	-		53.7
Eurozone	0900 Jul S&P Global Manufacturing Flash PMI	-		43.4
	0900 Jul S&P Global Services Flash PMI	-		52
	0900 Jul S&P Global Composite Flash PMI	-		49.9
<b>Tuesday 25 July</b>				
US	1400 May CaseShiller 20 (MoM%/YoY%)	0.4/-2.5	/	0.9/-1.7
	1500 Jul Consumer Confidence	113	112	109.7
Germany	0900 Jul Ifo Business Climate	88.1		88.5
	0900 Jul Ifo Current Conditions	92.5		93.7
	0900 Jul Ifo Expectations	83.2		83.6
<b>Wednesday 26 July</b>				
US	1500 Jun New Home Sales-Units (mn annualised rate)	0.735	0.722	0.763
	1900 Fed Funds Target Rate (ceiling %)	5.5	5.5	5.25
	1900 Fed Interest On Excess Reserves	5.4		5.15
<b>Thursday 27 July</b>				
US	1330 Jun Durable Goods (MoM%)	2.5	0.4	1.8
	1330 Jul 22 initial jobless claims (000)	235	-	228
	1330 2Q GDP QoQ% annualised	1.5	1.8	2
Germany	0700 Aug GfK Consumer Sentiment	-24		-25.4
Italy	0900 Jul Consumer Confidence	-		108.6
Spain	0800 Jun Retail Sales (YoY%)	-		6
Eurozone	1315 Jul ECB Refinancing rate	4.25		4
	1315 Jul ECB Deposit rate	3.75		3.5
US	1330 Initial Jobless Claims	-	242	237
	1330 Continuing Jobless Claims	-	1.729	1.729
<b>Friday 28 July</b>				
US	1330 Jun Personal Income (MoM%)	0.5	0.5	0.4
	1330 Jun Personal Consumption Real (MoM%)	0.2		0
	1330 Jun Consumption, Adjusted (MoM%)	0.4	0.4	0.1
	1330 Jun Core PCE Price Index (MoM%)	0.2	0.2	0.3
	1500 Jul U Mich Sentiment Final	72.6		72.6
Germany	1300 Jul CPI Preliminary (MoM%/YoY%)	0.6/6.4	/	0.3/6.4
France	0630 Q2 GDP Preliminary (QoQ%/YoY%)	-/-	/	0.2/0.9
	0745 Jul CPI Prelim (YoY%)	-		5.3
Canada	1330 May GDP (MoM%)	-		0
Sweden	0700 Q2 GDP (QoQ%/YoY%)	-/-	/	0.6/0.8
Eurozone	0700 Jun Unemployment Rate	-		7.9
	1000 Jul Business Climate	-		0.06
	1000 Jul Economic Sentiment	-		95.3
	1000 Jul Consumer Confidence Final	-		

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 24 July</b>				
Poland	1300 Jun M3 Money Supply (YoY%)	7.5	7.8	7.1
	1300 Jul 1st Half-Month Infl (MoM%)	-		0.02
<b>Tuesday 25 July</b>				
Poland	0900 Jun Unemployment Rate	5	5	5.1
Hungary	0730 May Average Gross Wages (YoY%)	16.7		15.5
	1300 Jul Hungary Base Rate	13		13
Brazil	1300 Jul IPCA-15 Mid-Month CPI	-		0.04
	1300 Jul IPCA-15 Mid-Month CPI (YoY%)	-		3.4
<b>Wednesday 26 July</b>				
Russia	1700 Jun Industrial Output	6.7	6.7	7.1
Brazil	- Jun Current Account	-		0.649
	- Jun Foreign Direct Investment	-		5.38
<b>Thursday 27 July</b>				
Ukraine	1200 Central bank interest rate	-		25
South Africa	1000 Jun PPI (MoM%/YoY%)	-/-	/	0.6/7.3
Brazil	1830 Jun Central Government Balance	-		-45.014
	1300 Jun Jobless Rate	-		2.9
<b>Friday 28 July</b>				
Turkey	0800 Jun Trade Balance	-		-12.53
Hungary	0730 Jun Unemployment Rate 3M	3.8		3.9
Brazil	1200 Jul IGP-M Inflation Index	-		-1.93

Source: Refinitiv, ING

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# Asia week ahead: Key central bank meetings in Japan and Indonesia

Will the Bank of Japan finally make changes to its yield curve control? Meanwhile, we think Bank Indonesia is likely to stand pat



## Australia's second quarter CPI data are a key variable for the central bank

The highlight for the week will be the second quarter CPI release in Australia on Wednesday. The inflation outlook will help determine whether the Reserve Bank of Australia (RBA) hikes rates again in the second half of the year. The unemployment data released earlier today showed that the unemployment in June stood at 3.5%, slightly lower than the consensus of 3.6%. The improvement in the labour market could point to solid economic activity despite the recent string of tightening. As such, CPI for the second quarter is likely to remain elevated but lower compared to the first quarter.

## Taiwan's industrial output to continue decline

Given the poor performance of China's second-quarter data, industrial output in export-reliant Taiwan is likely to have remained in contraction last month. Semiconductor production plays an

integral role in Taiwan's industrial output. A report released by TrendForce recently showed that global foundry sales will decrease by 4% year-on-year in 2023, with many major firms suggesting no significant rebound in orders.

## **Korea's GDP to pickup**

Korea's GDP growth in the second quarter is expected to accelerate to 0.5% quarter-on-quarter seasonally-adjusted compared to the first quarter's 0.3%. The improvement in net export contributions is likely to have driven overall growth on the back of a sharp decline in imports, while private consumption growth will probably remain flat. Monthly activity data should stay soft with construction and service activity declining in June.

## **BoJ meeting to be a close call?**

The Bank of Japan (BoJ) will meet on Friday and we believe that recent swings in the FX and Japanese government bond markets reflect market expectations for policy adjustment. It is a close call, but we still think yield curve control (YCC) tweaks are possible, given that recent data support steady inflation growth and a sustained economic recovery.

## **BI expected to pause**

Bank Indonesia (BI) is set to extend its pause, keeping policy rates at 5.75%. Inflation has returned to target but pressure on the Indonesian rupiah (IDR) of late may give Governor Perry Warjiyo reason to keep rates steady. We expect BI to stay on hold for a couple more meetings and only consider a potential rate cut once the IDR stabilises.

## **Singapore inflation to slow**

Favourable base effects and moderating commodity prices could help both headline and core inflation dip in Singapore. Headline inflation may edge lower to 4.6% YoY with core inflation also expected to slow. The Monetary Authority of Singapore will be weighing the upside GDP growth surprise alongside the improving price outlook for its meeting later this year.

## Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
<b>Monday 24 July</b>					
Japan	0130	Jul Manufacturing PMI Flash	50		49.8
	0130	Jul Services PMI Flash	54.5		54.0
	0130	Jul Composite PMI Flash	52.5		52.1
Singapore	0600	Jun Core CPI (YoY%)	4.6		4.7
	0600	Jun CPI (YoY%)	4.6		5.1
Taiwan	0900	Jun Industrial Output (YoY%)	-		-15.73
	0900	Jun Unemployment rate (%)	-		3.5
	0920	Jun Money Supply - M2 (YoY%)	-		6.63
Australia	0000	Jul Manufacturing PMI Flash	-		48.2
	0000	Jul Services PMI Flash	-		50.3
	0000	Jul Composite PMI Flash	-		50.1
<b>Tuesday 25 July</b>					
Indonesia	0800	Jul 7-Day Reverse Repo	5.75		5.75
	0500	Jun M2 Money Supply (YoY%)	-		6.1
South Korea	0000	Q2 GDP Growth (QoQ%/YoY%)	0.5/0.7	/	0.3/0.9
	2200	Jul BoK Consumer Sentiment Index	101		100.7
<b>Wednesday 26 July</b>					
Japan	0600	May Leading Indicator Revised	-		1.4
Australia	0230	Q2 CPI (QoQ%/YoY%)	-16.0	/	1.4/7
Philippines	-	Jun Budget Balance	-		-122.2
Singapore	0600	Jun Manufacturing Output (MoM%/YoY%)	5,0/-9,2	/	-3.9/-10.8
<b>Thursday 27 July</b>					
Singapore	0330	Q2 Unemployment Rate Prelim SA	1.9		1.8
South Korea	2200	Aug BOK Manufacturing BSI	74		72
<b>Friday 28 July</b>					
Japan	-	JP BOJ Rate Decision	-0.1		-0.1
	0030	Tokyo CPI (YoY %)	3.0		3.1
Taiwan	0900	Q2 GDP (YoY%) Prelim	-		-2.87
	0000	Jun Industrial Output (YoY%)	-6.5		-7.3
	0000	Jun Industrial Output Growth	-1.0		3.2

Source: Refinitiv, ING

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