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US: The Fed cannot slow the pace of hikes yet

There are lots of important numbers out for the US next week, but none are likely to change the market's forecast for a 75bp interest rate hike on 2 November. 3Q GDP is likely to show positive growth after the "technical" recession experienced in the first half of the year. Those two consecutive quarters of negative growth were primarily caused by volatility in trade and inventories, which should both contribute positively to the 3Q data. Consumer spending is under pressure though while residential investment will be a major drag on growth. We are forecasting a sub-consensus 1.7% annualised rate of GDP growth.

We will also get the Fed's favoured measure of inflation, the core personal consumer expenditure deflator. This is expected to broadly match what happened to core CPI so we look for the annual rate to rise to 5.2% from 4.9%. With the economy growing and inflation heading in the wrong direction, the Fed cannot slow the pace of hikes just yet.

Also, look out for durable goods orders – Boeing had a decent month so there should be a rise in the headline rate although ex-transportation, orders will likely be softer. We should also pay close attention to consumer confidence and house prices. The surge in mortgage rates and collapse in mortgage applications for home purchases has resulted in falling home sales. With housing supply

also on the rise, we expect to see prices fall for a second month in a row. Over the longer term, this should help to get broader inflation measures lower given the relationship with the rental components that go into the CPI.

✓ **Canada: a 75bp hike is the most likely outcome**

In Canada, the central bank is under pressure to hike rates a further 75bp given the upside surprise in inflation. Job creation has also returned and consumer activity is holding up so we agree that 75bp is the most likely outcome having previously forecast a 50bp hike.

✓ **UK: Markets looking for clarity on fiscal plans and government stability**

The ruling Conservative Party has said it will fast-track plans to get a new leader in place by next Friday - and potentially even by Monday if only one candidate makes it through the MP selection round. Candidates have until Monday at 2pm to clear the hurdle of 100 MP nominations to make it onto the ballot paper, before Conservative MPs vote on the outcome. With only a week to go until the Medium Term Fiscal Plan on 31 October, there's inevitably a question of whether this is enough time for a new prime minister to rubber stamp Chancellor Jeremy Hunt's plans for debt sustainability. Investors are - probably rightly - assuming that Hunt will remain in position under a new leader. But the bigger question is whether the Conservative Party can unite behind a new leader and whether a more stable political backdrop can emerge - because if it can't, then not only is there uncertainty surrounding future budget plans, but also whether we're moving closer to an early election.

✓ **Eurozone: ECB to hike by 75bp again amid ongoing inflation concern**

The hawks have clearly convinced the few doves left of the necessity to go big on rate hikes again. Contrary to the run-up to the July and September meetings, there hasn't been any publicly debated controversy on the size of the rate hike. In fact, European Central Bank President Christine Lagarde seems to have succeeded in disciplining a sometimes very heterogeneously vocal club.

To this end, it is hard to see how the ECB cannot move again by 75bp at next week's meeting. As the 75bp rate hike looks like a done deal, all eyes will also be on other, more open, issues: excess liquidity, quantitative tightening and the terminal interest rate. [Read more here.](#)

Besides the ECB, which will be the key focal point for eurozone investors, we're looking at the survey gauges of the economy next week. The PMIs on Monday will be critical to determine whether the eurozone economy has slid further into contraction or whether an uptick has occurred. There is not much evidence on the latter in our view, but Monday will provide more clarity on how the eurozone economy is performing in October.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 24 October					
US	1445	Oct S&P Global Manufacturing PMI Flash	-		52
	1445	Oct S&P Global Services PMI Flash	-		49.3
Germany	0830	Oct S&P Global Manufacturing Flash PMI	-		47.8
	0830	Oct S&P Global Service Flash PMI	-		45
France	0815	Oct S&P Global Composite Flash PMI	-		51.2
UK	0930	Oct Flash Manufacturing PMI	48.0		48.4
	0930	Oct Flash Services PMI	48.5		50
Eurozone	0900	Oct S&P Global Manufacturing Flash PMI	48.1		48.4
	0900	Oct S&P Global Services Flash PMI	48.4		48.8
	0900	Oct S&P Global Composite Flash PMI	47.8		48.1
Tuesday 25 October					
US	1400	Aug CaseShiller 20 (MoM%/YoY%)	-0.8/13.7	-0.6/14.0	-0.6/16.1
	1500	Oct Consumer Confidence	105	106	108
Germany	0900	Oct Ifo Business Climate	83.5		84.3
	0900	Oct Ifo Current Conditions	92.0		94.5
	0900	Oct Ifo Expectations	74.5		75.2
Wednesday 26 October					
US	1500	Sep New Home Sales-Units (mn)	0.55	0.63	0.685
Canada	1500	BoC Rate Decision	4.00	3.75	3.25
Thursday 27 October					
US	1330	3Q GDP (QoQ% ann)	1.7	2.1	-0.6
	1330	Sep Durable Goods (MoM%)	0.8	0.6	-0.2
	1330	Initial Jobless Claims	225	-	214
	1330	Continue Jobless Claims	1400	-	1385
Germany	0700	Nov GfK Consumer Sentiment	-		-42.5
Italy	0900	Oct Consumer Confidence	95.3		94.8
Eurozone	1315	Oct ECB Refinancing rate	2.0		1.25
	1315	Oct ECB Deposit rate	1.5		0.75
Friday 28 October					
US	1330	Sep Personal Income (MoM%)	0.3	0.3	0.3
	1330	Sep Personal Consump Real (MoM%)	0.0		0.1
	1330	Sep Consumption, Adjusted (MoM%)	0.4	0.4	0.4
	1330	Sep Core PCE Price Index (MoM%/YoY%)	0.5/5.2	0.5/5.2	0.6/4.9
	1500	Oct U Mich Sentiment Final	58.5	58.6	59.8
Germany	0700	Q3 GDP Flash QoQ SA	-		0.1
	1300	Oct CPI Prelim (MoM%/YoY%)	-/-		1.9/10
France	0730	Q3 GDP Preliminary (QoQ%/YoY%)	-/-		0.5/4.2
	0745	Oct CPI Preliminary (YoY%)	-		6.2
Italy	1000	Oct CPI Prelim (MoM%/YoY%)	1.2/9.7		1.6/9.4
Canada	1330	Aug GDP (MoM%)	-		0.1
Sweden	0700	Q3 GDP (QoQ%)	-0.1		0.9
Eurozone	1000	Oct Economic Sentiment	93.0		93.7
	1000	Oct Consumer Confidence Final	-		-

Source: Refinitiv, ING

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Key events in EMEA next week

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Source: Shutterstock

✓ Poland: Cash in circulation continues to decline, unemployment remains unchanged

Money supply (7.3% year-on-year):

We estimate that money supply (M3) went up by 7.3% YoY in September vs. a 7.4% YoY increase in October. Both household deposit and corporate deposit growth are projected to increase in annual terms. At the same time, loans to households are very poor as mortgage loans are in free fall, whereas loans to enterprises are expanding robustly (mostly current loans). We forecast that cash in circulation continued to see a monthly decline.

Registered unemployment (4.8%):

We project registered unemployment to have remained unchanged at 4.8% in September. The economy is slowing, albeit gradually, and demand for labour remains solid. Tight labour markets and shortages of skilled workers are making businesses reluctant to lay off staff which may be difficult to re-employ later on. We expect labour hoarding during the current downturn to be substantial.

✔ Hungary: Base rate is expected to remain unchanged at 13%

The National Bank of Hungary held an emergency meeting in mid-October, switching to a 'whatever it takes' approach. We expect the central bank to maintain this new modus operandi to ensure market stability. This means no material change in the monetary policy set-up at the upcoming regular rate-setting meeting. We expect the base rate to remain unchanged at 13%, while the effective rate (the new overnight deposit quick tenders rate) should remain at 18%. In addition to monetary policy, the focus will be on labour market data. With more and more companies giving one-off support to their employees or raising wages to mitigate the impact of the cost-of-living crisis, we expect an acceleration in wage growth. On the other hand, some companies are reacting to rising energy bills with cost-saving steps, translating into a higher unemployment rate.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 24 October					
Poland	1300	Sep M3 Money Supply (YoY%)	7.3	7.4	7.4
Hungary	0800	Aug Average Gross Wages (YoY%)	16.0		15.3
Kazakhstan	1000	Oct Base Interest Rate	15.0		14.5
Brazil	1330	Aug Current Account	-		-4.1
	1330	Aug Foreign Direct Investment	-		7.7
Mexico	1200	Oct 1st Half-Month Core Inflation (MoM%)	-		0.44
	1200	Oct 1st Half-Month Inflation (MoM%)	-		0.41
Tuesday 25 October					
Poland	0900	Sep Unemployment Rate	4.8	4.8	4.8
Hungary	1300	Oct Hungary Base Rate	13.00		13.00
Brazil	1300	Oct IPCA-15 Mid-Month CPI	-		-0.37
	1300	Oct IPCA-15 Mid-Month CPI (YoY%)	-		7.96
Mexico	1200	Aug IGAE Econ Activity (YoY%)	-		1.3
Wednesday 26 October					
Russia	1600	Sep Industrial Output	-1.0	-1.0	-0.1
Thursday 27 October					
Turkey	0800	Sep Trade Balance	-10.4		-11.2
Turkey	830	Inflation Report (2022 - IV)	-		-
Hungary	0800	Sep Unemployment Rate 3M	3.6		3.5
South Africa	1030	Aug PPI (MoM%/YoY%)	-/-	0.4/-	-/16.6
Brazil	-	Sep Central Government Balance	-		-50
	2200	Selic Interest Rate	-		13.75
Mexico	1200	Sep Trade Balance SA	-		-3.6
	1200	Sep Jobless Rate	-		3.5
Friday 28 October					
Russia	1130	Oct Central bank key rate	7.5	7.5	7.5
	-	Sep GDP (YoY%) Monthly	-		-4.1
Brazil	1300	Oct IGP-M Inflation Index	-		-0.95

Source: Refinitiv, ING

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Asia week ahead: A series of inflation reports

The coming week features several inflation readings, a Bank of Japan meeting, and Korea's third-quarter GDP report



Inflation reports out from Australia, Singapore and Japan

Australia is expected to release its 3Q22 CPI inflation data next week. We don't think the 6.1% inflation reading in 2Q22 was the peak, and look for the inflation rate to increase to 6.4%YoY, following a 1.0% QoQ increase. The Reserve Bank of Australia has already stated that it expects inflation to rise further, so this doesn't necessarily imply any deviation from their recent slower pace of tightening at forthcoming meetings, or for that matter, the outlook for the AUD.

Singapore's inflation will be reported on Tuesday and we expect both headline and core inflation to heat up further. Headline inflation could hit 7.6% while core inflation will likely accelerate to 5.2% which should keep pressure on the Monetary Authority of Singapore (MAS) to stay hawkish in the near term.

In Japan, CPI inflation excluding fresh food is expected to climb to 3% in October as the weak JPY translates to domestic inflation. Unlike other major economies, Japan's PMI and labour market report are expected to show continued recovery, aided by the reopening boost and government

stimulus packages.

Korea's growth to decelerate while sentiment indices point to challenging outlook

We expect 3Q22 GDP in Korea to decelerate to 0.1%QoQ sa (vs 0.7% in 2Q). The trade component should contribute negatively to growth for 3Q, mainly due to high commodity prices, while private consumption likely lost its steam after purchasing power faded.

Meanwhile, the consumer and business sentiment surveys will provide a bleaker outlook for the current and coming quarters. Weakness in asset markets, such as housing and equity, likely hurt consumer sentiment while businesses should be cautious given the slowdown in global demand and the weak KRW.

The BoJ to keep rates unchanged despite JPY weakness

Next week also features the Bank of Japan policy meeting and we expect them to stand pat despite the recent JPY weakness. Governor Kuroda could however warn that the recent currency movements would have a negative impact on the nation's economy but we doubt the JPY depreciation will trigger any changes in the BoJ's policy stance.

Taiwan industrial production likely stable

Taiwan industrial production growth should be fairly stable at around 3.5%. Further weakness of demand for semiconductors might not have reflected in this data but we might see weaker growth later in the year.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 23 October					
Australia	2300	Oct Manufacturing PMI Flash	-		53.5
	2300	Oct Services PMI Flash	-		50.6
	2300	Oct Composite PMI Flash	-		50.9
Monday 24 October					
Philippines	-	Sep Budget Balance	-		-72
Taiwan	0900	Sep Industrial Output (YoY%)	3.6		3.68
	0900	Sep Unemployment rate (%)	3.65		3.67
	0920	Sep Money Supply - M2 (YoY%)	6.9		6.93
South Korea	2200	Oct BoK Consumer Sentiment Index	85		91.4
Tuesday 25 October					
Singapore	0600	Sep Core CPI (YoY%)	5.2		5.1
	0600	Sep CPI (MoM%/YoY%) NSA	0.3/7.6		0.9/7.5
South Korea	2200	Nov BOK Manufacturing BSI	70		73
Wednesday 26 October					
Australia	0130	CPI (QoQ%/YoY%)	-/-	1.5/6.9	1.8/6.1
Singapore	0600	Sep Manufacturing Output (MoM%/YoY%)	-/-1.5		2/0.5
Thursday 27 October					
China	0230	Jul Industrial Profit (YTD YoY%)	-5.0		-2.1
Singapore	0330	Q3 Unemployment Rate Prelim SA	2.2		2.1
South Korea	0000	GDP Growth (QoQ%/YoY%)	0.1/2.8		0.7/2.9
Friday 28 October					
Japan	-	BOJ Rate Decision	-0.1		-0.1
	0030	Sep Unemployment Rate	2.5		2.5
	0030	Oct Tokyo CPI (YoY%)	3.0		2.8
No Release Date Confirmed					
China	-	Sep Imports/Exports	3.3/4.0		0.3/7.1
	-	Sep Trade Balance	74.1		79.4
	-	Sep Industrial Output (YoY%)	5.0		4.2
	-	Sep Retail Sales (YoY%)	6.1		5.4
	-	Sep Fixed Assets Investments (YTD YoY%)	6.4		5.8
	-	Q3 GDP (YoY%)	4.4		0.4

Source: Refinitiv, ING

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