

## Our view on next week's key events

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# Key events in developed market next week

The highlight next week will be the FOMC meeting. We are sticking to our forecast of a 75bp hike. In the eurozone, both 2Q GDP and inflation data will be released



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## ✓ US: July FOMC meeting and 2Q GDP in focus

It is an important week in the US with the July FOMC meeting and 2Q GDP the highlights. For the former, expectations are firmly centred on a 75bp interest rate increase as the Federal Reserve desperately tries to get a grip on rampant inflation.

Many in the market had been talking up the possibility of a 100bp move following the June 9.1% US inflation print and the Bank of Canada's decision to hike by 100bp. However, a softer batch of recent activity data and indications from the two most hawkish members on the committee (St Louis Fed President James Bullard and Board of Governors' member Chris Waller) that they were not strongly convinced to the need for a 100bp move has seen the likelihood recede. If those two aren't going to vote for it then we can't see anyone else voting for it either.

That said, there may be one or two dissenters who favour a smaller 50bp hike given evidence that the economy is losing momentum and both market and consumer inflation expectations are softening. We are forecasting smaller 50bp hikes in September and November with a final 25bp hike in December which would take the target for the fed funds rate to 3.5-3.75%.

In terms of the GDP report, the US economy contracted 1.6% in the first quarter of 2022 due

primarily to a massive trade deficit as strong domestic demand sucked in imports, but Covid constraints and port disruption elsewhere limited export growth. Unfortunately, the latest revisions also show consumer spending was not as strong as we were initially led to believe, while monthly data suggests that momentum weakened further in the second quarter as confidence faltered due to the rising cost of living and the threat of higher interest rates. With inventories being run down once again, we can't rule out the possibility that our tepid 0.4% quarter-on-quarter annualised second-quarter growth forecast is too optimistic and we see a second consecutive negative GDP print.

This would meet the technical definition of recession, but this is unlikely to sway the Federal Reserve from tightening policy. Fed officials have made it abundantly clear that they are prepared to sacrifice near-term growth to achieve the inflation target over the medium term.

Moreover, we doubt that the National Bureau of Economic Research's Business Cycle Dating Committee would list this as an official recession given the economy is still experiencing rising consumer and business spending and falling unemployment. However, we suspect this will only be a temporary reprieve with a strong chance of broad-based economic weakness in late 2022/early 2023.

Other US data include the Fed's favoured measure of inflation – the core personal consumer expenditure deflator. This is set to show the annual rate ticking modestly higher. We will also get durable goods orders where strong Boeing aircraft orders will help to offset weakness elsewhere. Also, look out for another batch of soft housing numbers and weakening regional manufacturing surveys.

### **Eurozone: Peak inflation is not yet reached, and 2Q GDP is expected to see a small increase**

While it's getting pretty quiet in the eurozone with a lot of people going on vacation for their summer breaks, the economy continues to be interesting. Friday will see GDP and inflation data released which will be eagerly awaited. Expectations are that peak inflation has not been reached yet with another tick-up in July on the cards. For 2Q GDP data, expectations are for a small increase in activity. The economy is profiting from a reopening effect for services, but weak manufacturing and a possible inventory correction will dampen the 2Q data.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 25 July</b>					
Germany	0900	Jul Ifo Business Climate	91.4		92.3
	0900	Jul Ifo Current Conditions	98.0		99.3
	0900	Jul Ifo Expectations	85.0		85.8
<b>Tuesday 26 July</b>					
US	1400	May CaseShiller 20 (MoM%/YoY%)	1.5/20.8		1.8/21.2
	1500	Jul Consumer Confidence	96.5	97.0	98.7
	1500	Jun New Home Sales-Units	0.620	0.675	0.696
<b>Wednesday 27 July</b>					
US	1330	Jun Durable Goods	0.0	-0.3	0.8
	1900	Fed Funds Target Rate Top of range(%)	2.50	2.50	1.75
	1900	Fed Interest On Excess Reserves	2.40	2.40	1.65
Germany	0700	Aug GfK Consumer Sentiment	-28.0		-27.4
Italy	0900	Jul Consumer Confidence	-		98.3
Eurozone	0900	Jun Money-M3 Annual Grwth	5.5		5.6
	0900	Jun Broad Money	-		15732463
<b>Thursday 28 July</b>					
US	1330	2Q GDP (QoQ% annualised)	0.4	0.8	-1.6
	1330	Initial Jobless Claim 000s	240		251
	1330	Continuous Jobless Claim 000s	1340		1384
Germany	1300	Jul CPI Prelim (MoM%/YoY%)	0.7/7.6		0.1/7.6
Spain	0800	Jun Retail Sales (YoY%)	-		1.4
Sweden	0700	Q2 GDP (QoQ%/YoY%)	-/-		-0.8/3
Eurozone	1000	Jul Business Climate	-		1.47
	1000	Jul Economic Sentiment	102		104
	1000	Jul Consumer Confidence Final	-27.0		-
<b>Friday 29 July</b>					
US	1330	Jun Personal Income (MoM%)	0.5	0.5	0.5
	1330	Jun Personal Consumption Real (MoM%)	1.0	0.9	-0.4
	1330	Jun real spending (MoM%)	0.0	0.0	-0.4
	1330	Jun Core PCE Price Index (MoM%/YoY%)	0.5/4.8	0.5/4.8	0.3/4.7
	1445	Jul Chicago PMI	55.0	56.5	56.0
	1500	Jul U Mich Sentiment Final	-	51.1	51.1
Germany	0700	Q2 GDP Flash QoQ% SA	-0.4		0.2
	0700	Q2 GDP Flash YoY% NSA	1.0		4.0
	0855	Jul Unemployment Rate SA	-		5.3
France	0630	Q2 GDP Prelim (QoQ%/YoY%)	-/-		-0.2/4.5
	0745	Jul CPI Prelim (MoM%/YoY%)	-		0.9/6.5
Italy	0900	Q2 GDP Prelim (QoQ%/YoY%)	-/-		0.1/6.2
	1000	Jul CPI Prelim (MoM%/YoY%)	-/-		1.2/8.5
Spain	0800	Jul CPI (MoM%/YoY%) Flash NSA	-		1.9/10.2
Canada	1330	May GDP (MoM%)	-		0.3
Sweden	0700	Jun Unemployment Rate	-		8.5
Portugal	0930	Jul CPI Flash (YoY%)	-		8.7
Eurozone	1000	Jul CPI Flash (YoY%)	8.8	8.8	8.6
	1000	Jul Core CPI Flash (YoY%)	3.8		4.6
	1000	Q2 GDP Flash Prelim (QoQ%/YoY%)	0.2/-		0.6/5.4

Source: Refinitiv, ING

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# Key events in EMEA next week

As the National Bank of Hungary remains committed to its decisive tightening cycle, we expect both the base rate and the one-week deposit rate to rise by 125bp to 11.00%



Source: Shutterstock

## ✓ Poland: June's registered unemployment rate forecast at 5%

We forecast that the registered unemployment rate moderated to 5.0% in June down from 5.2% in May. According to the Ministry of Family and Social Policy, initial estimates for the unemployment rate fell to 5.1% last month, but the estimated decline in the number of unemployed people was broadly in line with our forecast, so we stick to our initial projection. It all comes down to the change in the number of people active in the labour market (denominator of the unemployment rate).

## ✓ Hungry: 125bp rate hike likely to combat rampant inflation, with more hikes potentially to come

We expect the National Bank of Hungary to remain committed to its decisive tightening cycle and we see both the base rate and the one-week deposit rate rising by 125bp to 11.00%. The forward guidance will remain hawkish, suggesting further rate hikes as we are still waiting for inflation to peak in Hungary. Whether this will be enough to give support to the forint remains to be seen. Market expectations regarding tightening are extremely elevated but we see the bar for the market to be disappointed as low. When it comes to data releases, we will get the latest labour

market data, which will flag further price pressure in the pipeline with remarkably high wage growth and a near-record low unemployment rate.

## EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 25 July</b>					
Poland	0900	Jun Unemployment Rate	5.0	5.0	5.1
Hungary	0800	May Average Gross Wages (YoY%)	15.9		15.1
Kazakhstan	1000	Jul Base Interest Rate	-		14.0
Mexico	1200	May IGAE Econ Activity (YoY%)	-		1.3
<b>Tuesday 26 July</b>					
Hungary	1300	Central Bank Rate Decision	11.00		9.75
Brazil	1300	Jul IPCA-15 Mid-Month CPI (MoM%/YoY%)	-		0.69/12.04
<b>Wednesday 27 July</b>					
Russia	1700	Jun Industrial Output	-5.4	-5.3	-1.7
	1700	Jun Retail Sales (YoY%)	-12.0	-8.7	-10.1
	1700	Jun Unemployment Rate	4.0	4.2	3.9
Mexico	1200	Jun Trade Balance SA	-		-3.80
<b>Thursday 28 July</b>					
Turkey	0830	Inflation Report (2022 - III)	-		-
Russia	-	Jun GDP (YoY%) Monthly	-	-6.0	-4.3
Hungary	0800	Jun Unemployment Rate 3M	3.4		3.4
	0800	One-Week Deposit Rate	11.00		9.75
South Africa	1030	Jun PPI (MoM%/YoY%)	-/-		1.8/14.7
Brazil	1300	Jul IGP-M Inflation Index	-		0.59
	-	Jun Central Government Balance	-		-39.4
Mexico	1200	Jun Jobless Rate	-		3.3
<b>Friday 29 July</b>					
Turkey	0800	Jun Trade Balance	-8.2		-10.6
Czech Rep	0800	Q2 Preliminary GDP (QoQ%/YoY%)	-		0.9/4.9
South Africa	0700	Jun M3 Money Supply (YoY%)	-		7.3
	0700	Jun Private Sector Credit Ext.	-		5.3
	1300	Jun Trade Balance (Incl. Region)	-		28.35

Source: Refinitiv, ING

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# Asia week ahead: Regional inflation and GDP reports out next week

Inflation readings and growth reports are the highlights for the coming week



## Inflation readings from Australia, Tokyo and Singapore

Following Australia's recent strong labour report, 2Q22 CPI will need to come in soft to avoid another 50bp rate hike by the Reserve Bank of Australia at its 2 August meeting. A stronger inflation figure could bring 75bp hikes into play, but with the wage cost index for 2Q still to come later in August, we believe the RBA can take its time, especially as the Bank meets monthly. The RBA may be less pressured to deliver bigger increments at each meeting than say the US Federal Reserve, which meets less frequently.

We anticipate the 2Q CPI figure rising 1.2% quarter-on-quarter from the previous quarter (a bit less than the 1.9% QoQ gain in 1Q22) but still taking the year-on-year inflation rate to 5.5%-5.6%, up from 5.1% in 1Q22.

Singapore also reports inflation next week and we expect headline inflation to accelerate further, settling at 5.9% for the month of June. The potent mix of supply side pressures and resurgent demand are expected to drive prices higher which should also be reflected in a higher core inflation

reading. Faster inflation could keep the Monetary Authority of Singapore (MAS) on notice with further tightening a possibility despite several tightening moves by MAS to date.

Meanwhile, Tokyo CPI inflation is likely to stabilise as commodity prices fell mainly due to the government's subsidy programme.

## Growth momentum slowing in Korea and Taiwan

The coming week also features growth reports, with Korea's 2Q GDP expected to decelerate from the first quarter. The contribution from net exports likely turned negative while manufacturing activity worsened during the quarter due to supply chain disruptions. However, we believe that the reopening of the economy and fiscal support, which began in early June, should partially offset the slowdown.

Taiwan's 2Q GDP should also be slower than the first quarter due to logistical disruptions from Mainland China's lockdowns from March to May. Weaker consumption demand for handsets in Mainland China could further derail the growth of semiconductor manufacturing, which is a key support to the economy. As such, industrial production for June should reflect growth similar to that in May of roughly 4%-5%, with potential for a downside surprise.

## India's fiscal deficit

The May fiscal deficit for India moved quite a bit higher than for the same month last year, with pressure on government finances to absorb high prices of global commodities through subsidies and reduced excise revenues. We think the June numbers may also overshoot what would be consistent with the government's 6.4% fiscal deficit target for FY22/23.

## Other important releases

Other important data releases next week include China's industrial profits, which should show a small contraction on a yearly basis in June. However, the continuous contraction in profits implies that the number of jobs offered by manufacturing industries should be fewer than last year. This would put pressure on consumer purchasing power and therefore demand for goods, which will in turn affect production activity further.

Japan's June industrial production is likely to increase after having contracted for the past two months amid better external demand conditions coupled with a modest pickup in retail sales.

Lastly, Korea reports a slew of reports covering both soft and hard data. Soft data, including consumer and business sentiment, is expected to remain soft. The Bank of Korea's recent 50bp rate hike is believed to have dampened consumer sentiment due to the burden of household debt and has raised concern about future investment.

Meanwhile, Korea's hard activity data should improve. Industrial production is expected to bounce, led by the normalisation of production activity in the automobile sector while services are expected to continue to improve thanks to the reopening of the economy.



# Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 25 July</b>					
Singapore	0600	Jun Core CPI (YoY%)	4.4		3.6
	0600	Jun CPI (MoM%/YoY%)	-/5.9		1.0/5.6
Taiwan	0900	Jun Industrial Output (YoY%)	4.6		4.5
	0920	Jun Money Supply - M2 (YoY%)	7.5		7.9
<b>Tuesday 26 July</b>					
Singapore	0600	Jun Manufacturing Output (MoM%/YoY%)	-/-		10.9/13.8
South Korea	0000	Q2 GDP Growth (QoQ%/YoY%)	0.3/2.5		0.6/3.0
	2200	Jul BoK Consumer Sentiment Index	95.0		96.4
<b>Wednesday 27 July</b>					
Australia	0230	Q2 CPI (QoQ%/YoY%)	1.2/5.5		2.1/5.1
China	0230	Jun Industrial Profit (YoY%)	-3.0		-6.5
South Korea	2200	Aug BOK Manufacturing BSI	80		82
<b>Thursday 28 July</b>					
Singapore	0330	Q2 Unemployment Rate Prelim SA	-		2.2
<b>Friday 29 July</b>					
Japan	0030	Jun Unemployment Rate	2.6		2.6
	0030	Jul Tokyo CPI (YoY %)	2.2		2.3
	0050	Jun Industrial O/P Prelim (MoM%/YoY%)	5.1/-6.0		-7.5/-4.7
	0050	Jun Retail Sales (YoY%)	3.4		3.7
South Korea	0000	Jun Industrial Output (MoM%/YoY%)	3.0/7.0		0.1/7.3
Taiwan	0900	Q2 GDP (YoY%) Prelim	3.00		3.14
India	1100	Fiscal Deficit (INR bn)	2356.71		1290.75

Source: Refinitiv, ING

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