

Our view on next week's key events

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Key events in developed markets next week

The Fed meeting and 2Q GDP release will be the focal points next week. In the Eurozone, expect a sharp rebound in growth as we get GDP, inflation and unemployment figures



Source: Shutterstock

✓ US: Growing hawkishness among Fed members as key milestones expected in GDP recovery

After a very quiet week for US macro news we are back with a bang with the release of 2Q GDP and the Federal Reserve's July FOMC policy decision together with several other data points of note.

In terms of the Federal Reserve, Jerome Powell made it clear in his recent testimony to Congress that he continues to believe inflation pressures will be largely transitory and there isn't any pressing need to signal an imminent shift in policy given the fact that employment levels remain 6 million lower than before the pandemic started. Consequently, we are not expecting any change in the Fed funds target rate range of 0-0.25%, nor do we expect the Fed to lower its monthly asset QE asset purchases, which are currently running at \$120bn per month

Nonetheless, there is a growing hawkishness creeping into the viewpoints expressed by other FOMC members and given the strong economy with inflation that is running at more than double its target we continue to believe that the August Jackson Hole Conference will see Fed officials starting to lay the groundwork for a QE taper with this fleshed out in more detail at the September FOMC meeting before being formally announced in December.

We see the risks to this time frame being skewed to a slightly swifter path since we see labour market supply issues being more sustained than the Fed is currently suggesting. There is growing evidence that an acceleration in early retirements are the biggest factor behind weaker labour supply and this is a permanent loss rather than the other factors often highlighted as constraints on worker supply such as extended unemployment benefits, childcare issues and Covid wariness.

2Q GDP is the main data release of note and while expectations have been pared back over recent weeks it is still expected to be strong – we are forecasting growth of around 9.5% annualised. This would mark the return of all the lost output caused by the pandemic and is a key milestone in the recovery process.

The reason for lower expectations is that supply chain bottlenecks and labour market shortages have meant that supply has not been able to keep pace with demand and that means output is lower than it could have been. This also has consequences for inflation with rising corporate pricing power set to mean inflation at high levels is going to be long lasting. This will again be evident in the Fed's favoured measure of inflation – the core personal consumer expenditure deflator.

Other data releases include house prices, which should hit new highs as a lack of properties amidst vibrant demand adds to upside pressures. Elsewhere, Boeing experienced a huge jump in aircraft orders in June – 219 versus 73 in May – and this will lift durable goods orders more broadly while the ex-aircraft numbers will still be good based on the ISM report.

Eurozone: Rebound in GDP and higher inflation expected as recovery gets underway

With all of continental Europe on vacation, Eurostat staff will be working extra hours this week with inflation, GDP and unemployment released next Friday.

Expect a sharp rebound for eurozone GDP growth in 2Q as the recovery gets underway. The figure may be slightly underwhelming due to supply chain problems hitting manufacturing and closed shops earlier in the quarter. Nevertheless, a big number can be expected as the economy was open for far longer on average than it was in 1Q.

Inflation will also be key with expectations of a higher reading thanks to German VAT effects, higher goods inflation and perhaps some reopening effects in services.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 26 July					
US	1500 Jun	New Home Sales-Units (000s)	820.0	800.0	769.0
Germany	0900 Jul	Ifo Business Climate	101.0		101.8
	0900 Jul	Ifo Current Conditions	100.0		99.6
	0900 Jul	Ifo Expectations	103.0		104.0
Tuesday 27 July					
US	1330 Jun	Durable Goods	3.5	1.8	2.3
	1400 May	CaseShiller 20 (MoM/YoY%)	1.8/16.5	1.5/-	1.6/14.9
	1500 Jul	Consumer Confidence	124.5	124	127.3
Sweden	0830 Jun	Trade Balance	-		5.1
Euro Zone	0900 Jun	Money-M3 Annual Growth	8.2		8.4
	0900 Jun	Broad Money	-		14847000
Wednesday 28 July					
US	1900 Fed Funds	Target Rate	0-0.25	0-0.25	0-0.25
	1900 Fed Interest On	Excess Reserves	0.15	0.15	0.15
Germany	0700 Aug	GfK Consumer Sentiment	-0.7		-0.3
France	0745 Jul	Consumer Confidence	-		102
Italy	0900 Jul	Consumer Confidence	115.5		115.1
Canada	1330 Jun	CPI (MoM%/YoY%)	-/-		0.5/3.6
	1330 Jun	Core CPI (MoM/YoY%)	-		0.4/2.8
Sweden	0830 Jun	Retail Sales (MoM%/YoY%)	-/-		2.3/10.3
Austria	0900 Jul	Purchasing Managers Index	-		67.0
Thursday 29 July					
US	1330 Initial	Jobless Claims	-		-
	1330 Cont	Jobless Claims	-		-
	1330 2Q	GDP (QoQ% annualised)	9.5	8.0	6.4
Germany	0855 Jul	Unemployment Rate SA	5.9		5.9
Spain	1300 Jul	CPI Prelim (MoM/YoY%)	0.8/3.0		0.4/2.3
	0800 Jul	CPI (YoY%) Flash	-		2.7
	0800 Jul	CPI (MoM%) Flash	-		0.5
Sweden	0800 Q2	Unemployment Rate	-		16.0
	0830 Q2	GDP (QoQ/YoY%)	0.7		1.1
	0830 Jun	Unemployment Rate	-		9.8
Euro Zone	1000 Jul	Business Climate	-		1.7
	1000 Jul	Economic Sentiment	119.3		117.9
	1000 Jul	Consumer Confidence Final	-		-
Friday 30 July					
US	1330 Jun	Personal Income (MoM%)	0.2	0.2	-2.0
	1330 Jun	Personal Consumption Real (MoM%)	0.2		-0.4
	1330 Jun	Core PCE Price Index (MoM%)	0.7	0.7	0.5
	1330 2Q	Employment Cost Index (QoQ%)	1	0.9	0.9
	1445 Jul	Chicago PMI	67		66.1
	1500 Jul	U Mich Sentiment Final	81.5	81.3	80.8
Germany	0700 Q2	GDP Flash (QoQ%)	2/9.6		-1.8/-3.4
France	0630 Jun	Consumer Spending (MoM%)	-		10.4
Italy	0630 Q2	GDP Preliminary (QoQ/YoY%)	-/-		-0.1/1.2
	0745 Jul	CPI Flash (MoM/YoY%)	-		0.2/1.9
	0800 Jun	Unemployment Rate	10.6		10.5
	0900 Q2	GDP Flash (QoQ/YoY%)	0.9/15.1		0.1/-0.8
Spain	1000 Jul	CPI Flash (MoM/YoY%)	-0.25		0.2/1.3
	0800 Jun	Retail Sales (YoY%)	-		19.6
	Canada	1330 May	GDP (MoM%)	-	
Switzerland	0800 Jul	KOF Indicator	-		133.4
Portugal	0800 Jun	Official Reserves Assets CHF	-		966285.42
	0930 Jul	CPI Flash (MoM/YoY%)	-/-		0.2/0.5
	Euro Zone	1000 Jul	CPI Flash (YoY%)	2.1	
Euro Zone	1000 Jul	Core CPI Flash (YoY%)	1		0.9
	1000 Q2	GDP Flash (QoQ/YoY%)	1.5/13.2		-0.3/-1.3
	1000 Jun	Unemployment Rate	7.9		7.9

Source: Refinitiv, ING, *GMT

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Asia week ahead: GDP data dominates

The Asian economic calendar will be filled with the usual end-of-the-month economic releases next week. Second quarter GDP reports from northeast Asia will steal the spotlight



Source: Shutterstock

➔ 2Q GDP and inflation reports

Korea and Taiwan are next in line to unveil their 2Q GDP performance next week. Based on our house forecasts, the quarter-on-quarter growth rates of both economies moderated in the last quarter, though close to 6% YoY growth is still a decent performance considering their ongoing plight with Covid-19.

We expect a slowdown in Korean 2Q GDP growth to 0.6% quarter-on-quarter in 2Q from 1.7% QoQ in 1Q, though the year-on-year growth rate accelerates to 5.8% from 1.9% over the same period. The strong surge in exports (up 7% QoQ and 42% YoY), thanks to the global semiconductor upswing, may have softened the impact of weaker domestic demand due to rising Covid cases and

tighter movement restrictions.

In Taiwan, 2Q GDP growth likely eased to 6.1% YoY in 2Q from 8.9% in the previous period. The main factors at work here, besides Covid-19, are water and electricity shortages in June, which were particularly detrimental to the semiconductor sector. The water shortages may have eased now thanks to recent rainfall, but power cuts remain a drag on production, while the semiconductor industry has also been operating close to full capacity and new orders continue to pile up amid the global chip shortage.

Down under, a spike in Australian 2Q CPI to 3.5% from 1.1% in 1Q will likely be brushed off by the Reserve Bank of Australia as transitory and base-driven. There could be some market response from a surprise on either side, as higher inflation is now being interpreted by markets as a force for slower future growth via tighter monetary policy, causing bond yields to fall and FX to sell-off.

➔ Other June activity data

The rest of the calendar is filled with the usual end-of-the-month data releases from around the region. Most of these will be for June, capping the economic picture for 2Q.

Strong export growth augurs well for June's industrial production figures from Japan, Korea and Singapore. However, the already-released 2Q GDP figures make June IP prints from Korea and Singapore almost redundant. Their importance is reduced to what they say about any likely GDP revisions – and are unlikely to be big market movers.

Instead, the forward-looking sentiment indicators will be worth a look. This puts the focus on Korean consumer and business confidence indicators. Likewise, China's industrial profits data will shed light on the prospect of capex spending by companies.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 26 July				
Singapore	0600	Jun Manufacturing Output (MoM/YoY%)	-4.7/27.5	7.2/30.0
South Korea	0000	Q2 GDP Growth (QoQ/YoY%)	0.6/5.8	1.7/1.9
Tuesday 27 July				
China	0230	Jun Industrial Profit (YoY%)	33.5	36.4
South Korea	2200	Jul BoK Consumer Sentiment Index	109.7	110.3
Wednesday 28 July				
Australia	0230	Q2 CPI (QoQ/YoY%)	0.7/3.5	0.6/1.1
Malaysia	0500	Jun Trade Balance (MYR bn)	20.9	13.7
	0500	Jun Exports (YoY%)	15	47.3
	0500	Jun Imports (YoY%)	20	50.3
Thursday 29 July				
Japan	0030	Jun Unemployment Rate	3.1	3
	0050	Jun Industrial O/P Prelim (MoM%/YoY%)	6.0/11	-6.5/21.1
Singapore	0330	Q2 Unemployment Rate Prelim SA	3.1	2.9
South Korea	2200	Aug BOK Manufacturing BSI	98	101.0
	0000	Jun Industrial Output (MoM/YoY%)	0.7/9.3	-0.7/15.6
Friday 30 July				
Malaysia	0800	Jun Money Supply (YoY%)	-	3.8
Thailand	0830	Jun Industrial Output Growth (YoY%)	17	25.8
Indonesia	0500	Jun M2 Money Supply (YoY%)	-	8.1
Taiwan	0900	Q2 GDP (YoY%) Prelim	6.1	8.9
Thailand	0830	Jun Current Account (\$bn)	-2.3	-2.6

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Russian retail sales and a possible rate hike in Hungary will be this week's highlights



Source: Shutterstock

✓ Russia: Annual growth rates expected to decelerate

Russian activity data for June is likely to show moderation in the annual growth rates, primarily due to the base effect. But growth in retail trade should remain in double-digit territory. For the second half of the year, we are more cautious, as in addition to the statistical effects, consumption should become more constrained by the reopening of mass outward tourism while accelerating inflation will eat into real incomes. Still, the recovery trend could be supported by fiscal policy, if additional non-oil revenues collected from this year's budget are re-distributed in favour of current spending, ahead of September's parliamentary elections.

✓ Hungary: Rising inflation will strengthen the hawkish tone

In Hungary, the highlight of the coming week is the July rate setting meeting. After a significant upside surprise in inflation in June, we see the central bank continuing its hiking cycle with a 30bp effective move. This will put both the base rate and the one-week deposit rate at 1.20%. The National Bank of Hungary could also strengthen its hawkish message by moving the whole interest rate corridor upwards. With such a shift, the overnight deposit rate would move back to positive territory for the first time since early 2016. When it comes to the forward guidance, we see no change to the hawkish tone. Later in the week, incoming labour market data will be pro-inflationary, with strong wage growth and a further drop in the unemployment rate (increasing the

labour shortage) in Hungary.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 26 July					
Turkey	1230	Weekly Gross FX Reserves	-		62.6
Kazakhstan	1000	Jul Base Interest Rate	-		9.0
Mexico	1200	Jun Jobless Rate	-		4.0
Tuesday 27 July					
Hungary	1300	Jul Hungary Base Rate	1.20		0.9
	1300	Jul O/N Deposit Rate	0.20		-0.05
Brazil	1100	Jun Current Account	-		3.8
	1100	Jun Foreign Direct Investment	-		1.2
Mexico	1200	May IGAE Economic Activity (YoY%)	-		22.3
	1200	Jun Trade Balance SA	-		-0.91
Wednesday 28 July					
Russia	2000	Jun Retail Sales (YoY%)	12.0	12.0	27.2
	2000	Jun Unemployment Rate	4.9	5.0	4.9
Hungary	0800	Jun Unemployment Rate 3M	4.0		4.1
Thursday 29 July					
South Africa	0700	Jun M3 Money Supply (YoY%)	-		1.8
	0700	Jun Private Sector Credit Extension	-		-0.42
	1030	Jun PPI (MoM/YoY%)	-/-		0.4/7.4
Brazil	1200	Jul IGP-M Inflation Index	-		0.6
	1300	Jun Central Government Balance	-		-20.95
Friday 30 July					
Turkey	0800	Jun Trade Balance	-		-4.13
Czech Rep	0800	Q2 Flash GDP (QoQ/YoY%)	-		-0.3/-2.4
Hungary	0800	May Trade Balance Final	97.0		97.0
	0800	May Average Gross Wages (YoY%)	8.5		10.3
South Africa	1300	Jun Trade Balance (Incl. Region)	-		54.6

Source: Refinitiv, ING, *GMT

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