

Our view on next week's key events

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Source: Shutterstock

US: No shift in policy stance expected until the jobs market improves

The first week of August sees the release of a couple of key data points that will help to determine whether the Federal Reserve will be pushed into an earlier tapering of its quantitative easing. The Fed persists with its transitory description of inflation pressures and has made it clear we won't see a shift in its policy stance until there is further significant improvement in the jobs market. With six million fewer Americans in work than before the pandemic started, a big rise in non-farm payrolls will go some way to raising expectations of earlier Fed action.

Firms are desperate to hire in order to take advantage of the stimulus-fuelled growth environment, but the issues have been finding suitable staff that are willing and able to do the work. For example, the National Federation of Independent Businesses reports that a record proportion of small businesses have vacancies they cannot fill, and this is stifling the recovery.

Reasons for this include childcare issues, worries about returning to work amid the ongoing pandemic, early retirement and extended and uprated unemployment benefits that may have diminished the financial attractiveness of going to work.

With many states having ceased these extra unemployment benefits, the pool of available workers should in theory be on the rise and we are hopeful that we can see payroll growth around the 900k mark. As schools return to in person tuition in September this pool should increase further, and we expect to see significant jobs growth that will be the catalyst for an eventual December QE taper announcement.

We will also see the ISM manufacturing index which should report strong demand, but again highlight the supply side strains in the economy that are limiting output growth. Extended supplier delivery times, a massive backlog of orders and low customer inventories are all indicative of the supply chain problems bedeviling the US economy. With price rises continuing, companies are able to pass them on to customers given this environment. This is a key factor that leads us to believe inflation pressures will be more persistent than many at the Fed do - hence our expectation of the first interest rate rises coming through in late 2022.

UK: Bank of England unlikely to turn more hawkish, despite recent comments

We expect the Bank of England to strike a cautiously optimistic tone next week - though crucially we're unlikely to get any fresh hints on the possible timing of future hikes. Nor are we likely to see an early end to the Bank's QE programme - something that newly-turned BoE hawk Michael Saunders has recently advocated.

While the Bank is likely to raise its inflation forecast for this year, the near-term growth outlook has become clouded by the rise in Covid-19 prevalence. Meanwhile markets are already pricing a modest amount of tightening over the next year or two, and that suggests little need for the Bank to signal a more concrete timeline for rate hikes just yet.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 2 August					
US	1445	Jul Markit Manufacturing PMI Final	-		63.1
	1500	Jul ISM Manufacturing PMI	60.0	60.5	60.6
	1500	Jul ISM Manufacturing Prices Paid	-		92.1
Germany	0700	Jun Retail Sales (MoM%/YoY%)	-/-	1.8/-	4.2/-2.4
	0855	Jul Markit/BME Manufacturing PMI	-		65.6
France	0850	Jul Markit Manufacturing PMI	-		58.1
UK	0930	Jul Markit/CIPS Manufacturing PMI Final	60.4		60.4
Italy	0845	Jul Markit/IHS Manufacturing PMI	62.6		62.2
Spain	0815	Jul Manufacturing PMI	-		60.4
Norway	0900	Jul Manufacturing DNB PMI	-		60.8
Switzerland	0730	Jul CPI (MoM%/YoY%)	-/-		0.1/0.6
	0730	Jun Retail Sales (YoY%)	-		2.8
	0830	Jul Manufacturing PMI	-		66.7
Greece	0900	Jul PMI Manufacturing	-		58.6
Eurozone	0900	Jul Markit Manufacturing Final PMI	-		62.6
Tuesday 3 August					
US	1500	Jun Factory Orders (MoM%)	-		1.7
Canada	1430	Jul Markit Manufacturing PMI	-		56.5
Wednesday 4 August					
US	1315	Jul ADP National Employment	-		692
	1445	Jul Markit Composite Final PMI	-		59.7
	1445	Jul Markit Services PMI Final	60.5		59.8
	1500	Jul ISM Non-Manufacturing PMI	-	60.2	60.1
Germany	0855	Jul Markit Services PMI	-		62.2
	0855	Jul Markit Composite Final PMI	-		62.5
France	0850	Jul Markit Services PMI	-		57
	0850	Jul Markit Composite PMI	-		56.8
UK	0930	Jul Markit/CIPS Services PMI Final	57.8		57.8
	0930	Jul Composite PMI Final	57.7		57.7
Italy	0845	Jul Markit/IHS Services PMI	58		56.7
	0845	Jul Composite PMI	-		58.3
Spain	0815	Jul Services PMI	-		62.5
Eurozone	0900	Jul Markit Services Final PMI	-		60.4
	0900	Jul Markit Composite Final PMI	-		60.6
	1000	Jun Retail Sales (MoM%/YoY%)	-/-		4.6/9
Thursday 5 August					
US	1330	Jun International Trade \$	-	-71.5	-71.2
	1330	Initial Jobless Claims	-		-
	1330	Cont Jobless Claims	-		-
Germany	0700	Jun Industrial Orders (MoM%)	-		-3.7
France	0745	Jun Industrial Output (MoM%)	-		-0.3
UK	0930	Jul Markit/CIPS Cons PMI	66.3		66.3
	1200	Aug BOE Bank Rate	0.1	0.1	0.1
	1200	Aug Asset Purchase Prog	895	895	895
Canada	1330	Jun Trade Balance C\$	-		-1.39
Netherlands	0530	Jul CPI (MoM%/YoY%)	0.3/1.2		0.2/2
Friday 6 August					
US	1330	Jul Non-Farm Payrolls	900	926	850
	1330	Jul Private Payrolls	-	750	662
	1330	Jul Unemployment Rate	5.7	5.7	5.9
	2000	Jun Consumer Credit	-		35.3
Germany	0700	Jun Industrial Output (MoM%/YoY%)	-/-		-0.3/17.2
France	0745	Jul Reserve Assets Total	-		186242
	0745	Jun Trade Balance	-		-6.8
	0745	Jun Imports, EUR	-		46.2
	0745	Jun Exports, EUR	-		39.4
Italy	0900	Jun Industrial Output (MoM%/YoY%)	1.2/13.3		-1.5/21.1
Canada	1330	Jul Unemployment Rate	-		7.8

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Look out for increased FX purchases in Russia, signs of strong economic activity in Hungary, and persistent inflation in Turkey



Source: Shutterstock

✓ Russia: Important data releases for FX and rates markets

On Wednesday, the Russian Finance Ministry is likely to announce an increase in monthly FX purchases from US\$4.0 bn in July to US\$4.3-4.5 bn for August, reflecting higher oil prices. Higher FX purchases combined with the possible conversion of corporate dividends, an acceleration of merchandise imports, and the reopening of outward tourism could make August a difficult month for the ruble. At the same time, some support may come from portfolio inflows into the local currency public debt (OFZ) following the [recent Bank of Russia key rate decision](#). Also, the recent discussion on the potential US\$12 bn investment out of the local sovereign wealth fund (NWF) into Gazprom projects in 2021-23, combined with the earlier three-year plans to invest US\$19 bn into other local infrastructure projects could potentially lead to a cut in FX purchases by up to \$10 bn per year, starting in 2021. This could be a potential catalyst for some improvement in the mood towards the ruble in the medium term.

On Thursday, CPI for July will be reported. We expect a slight pickup in the annual rate to 6.6% year-on-year vs. 6.5% YoY a month prior. According to the weekly data, since mid-July, price growth has stopped due to seasonal factors related to deflation in the fruit and vegetable segment, while upward price pressures in gasoline and other important items remain. As a result, while we do believe that inflation is approaching its peak, the risks of further negative surprises remain for the medium term. For now, the CPI trajectory seems to confirm our expectations of a

key rate ceiling in the 6.5-7.0% range, to be reached soon, though upside risks to that view remain.

Hungary: Strong performance expected in retail sales and industrial production

In Hungary, we expect June to show some strong improvement over the previous month in economic activity. On one hand, this is supported by the reopening. On the other hand, the EURO 2020 itself and the fact that Budapest was a host with full stadiums and tourists should provide a huge boost to consumption. We expect this to show up in retail sales, although last year's high base will mask this improvement. Regarding industry, surveys showed improving optimism, so we expect another strong month in production, but yet again the high base will dampen the year-on-year performance. Industry can build on this strong performance, so we see the PMI showing further improvement ahead.

Turkey: Continued uptrend in inflation

July inflation in Turkey should maintain its uptrend, not only because of broad-based pricing pressures in June amid the easing of pandemic control measures, but also because of recent increases in natural gas and electricity prices which will have significant direct and indirect effects. We expect 1.4% growth month-on-month, translating into 18.4% annual inflation, up from 17.5% a month ago.

EMEA Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 2 August				
Russia	0700	Jul Markit Manufacturing PMI	-	49.2
Turkey	0800	Jul Manufacturing PMI	-	51.3
Poland	0800	Jul Markit Manufacturing PMI	-	59.4
Czech Rep	0830	Jul Markit PMI	-	62.7
	1300	Jul Budget Balance	-	-265.1
Hungary	0800	Jul Manufacturing PMI	56.2	54.7
	0800	Jun PPI (MoM%/YoY%)	0.5/11.2	-0.1/11.3
Brazil	1400	Jul Markit Manufacturing PMI	-	56.4
Mexico	1530	Jul Markit Manufacturing PMI	-	48.8
Tuesday 3 August				
Turkey	0800	Jul CPI (MoM%/YoY%)	1.4/18.4	1.94/17.53
Brazil	0900	Jul IPC-Fipe Inflation Index	-	0.81
	1300	Jun Industrial Output (MoM%/YoY%)	-/-	1.4/24.0
Wednesday 4 August				
Russia	0700	Jul Markit Services PMI	-	56.5
Hungary	0800	Jun Retail Sales (YoY%)	4.0	5.8
South Africa	0815	Jul Std Bank Whole Econ PMI	-	51
Brazil	1400	Jul Markit Services PMI	-	53.9
	1400	Jul Markit Composite PMI	-	54.6
	2200	Selic Interest Rate	-	4.25
Thursday 5 August				
Russia	1700	Jul CPI (MoM%/YoY%)	0.4/6.6	0.7/6.5
Turkey	1200	Jun Bank NPL Ratio	-	3.69
Czech Rep	0800	Jun Retail Sales (YoY%)	-	8.1
	1330	CNB Repo Rate	-	0.5
Friday 6 August				
Czech Rep	0800	Jun Industrial Output (YoY%)	-	25.3
	0800	Jun Trade Balance	-	6.3
Hungary	0800	Jun Industrial Output (YoY%)	17.7	39.1
	0800	Jun Trade Balance Prelim (€m)	650	97
Romania	1300	Monetary Policy Rate	-	1.25

Source: Refinitiv, ING, *GMT

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Asia week ahead: Regional manufacturing and inflation numbers in focus

Next week features a stacked economic calendar in Asia with regional manufacturing and inflation in focus and three central bank meetings



Source: Shutterstock

Regional PMIs

This week the focus shifts back to the manufacturing sector.

Market participants will be looking to see whether recent tighter mobility curbs have found their way through to Asia's manufacturing sector. We expect a pickup in China's Caixin PMI manufacturing to 51.5 (vs 51.0 consensus) as semiconductor chip production offsets slower output from the automobile sector. Meanwhile, manufacturing activity for the rest of region is expected to

remain in expansion mode, though Indonesia and Taiwan are both expected to see a less pronounced pace of growth as recently imposed mobility restrictions start to weigh on overall economic activity.

Trade numbers still affected by base effects but new trends emerging

We will also get trade data from Korea (1 August) and the Philippines (6 August).

Both reports will show base-effect induced trade growth for the period, but looking past the “strong” growth rates, we notice rapidly rising imports in Korea and the Philippines as economic activity picks up relative to 2020. Surging imports in Korea could translate to a whittled down trade surplus of \$145 mn - a stark drop from \$4.5 bn in June. A similar trend for the Philippines could lead to a trade deficit of \$2.2 bn. Accelerating imports, which could suggest a demand imbalance, may strengthen the case for a rate hike by the Bank of Korea in the coming months – following their guidance earlier this month.

Central bank meetings and inflation reports out during the week

Three central bank policy meetings are also scheduled next week, although all of them will likely leave policy settings as they are.

The Reserve Bank of Australia (RBA) will probably leave all aspects of their current stance unchanged despite a pickup in inflation in 2Q21. Market participants are still waiting to see whether the price spike in Australia pushes into wages. That said, the latest batch of Covid-19 induced lockdowns may encourage the RBA to take an even more dovish approach to previous guidance on asset purchases later this year. Both the Bank of Thailand and the Reserve Bank of India are also likely to be on hold.

India's central bank will most probably look past surging inflation (6.3% YoY in June) even though price pressures are likely to stick around and threaten their 6% upper inflation limit for the remainder of the year. Inflation in the country is forecasted to remain at elevated levels in the coming months, and we look to bring forward the timing of the first 25 basis points rate hike from 3Q22 to early 2022.

We'll also get several inflation reports from the region. Most of them should be subdued due to lacklustre domestic demand as parts of Asia have recently tightened or extended the scope of their movement restrictions. Indonesia's July inflation should settle at 1.4%, below target yet again after the authorities locked down most of the country to deal with the delta Covid variant, while Philippine inflation should finally fall back within target at a relatively elevated 4% as supply conditions for food items ease.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 1 August					
South Korea	0100	Jul Export Growth Prelim	32		39.8
	0100	Jul Import Growth Prelim	45		40.7
	0100	Jul Trade Balance Prelim (\$bn)	0.15		4.5
Monday 2 August					
Japan	0030	Jul CPI, Overall Tokyo	-		0
	0050	Jul Monetary Base (JPYtr)	665		659.5
China	0245	Jul Caixin Manufacturing PMI Final	51.5	51.0	51.3
India	0600	Jul IHS Markit Manufacturing PMI	-		48.1
Malaysia	0130	Jul IHS Markit Manufacturing PMI	-		39.9
Indonesia	0130	Jul IHS Markit PMI	53.1		53.5
	0500	Jul Inflation (MoM%/YoY%)	1.44		-0.16/1.49
Philippines	0130	Jul Manufacturing PMI	51.2		50.8
Singapore	1400	Jul Manufacturing PMI	-		50.8
Taiwan	0130	Jul IHS Markit Manufacturing PMI	56.2		57.6
Thailand	0130	Jul Manufacturing PMI	-		49.5
South Korea	0130	Jul IHS Markit Manufacturing PMI	-		53.9
	0000	Jul CPI Growth (MoM%/YoY%)	-/-		-0.1/2.4
Tuesday 3 August					
Australia	0530	Aug RBA Cash Rate	0.1		0.1
Wednesday 4 August					
China	0245	Jul Caixin Services PMI	50.5		50.3
India	0600	Jul IHS Markit Services PMI	-		41.2
Thailand	0805	1-Day Repo Rate	0.5		0.5
Thursday 5 August					
Japan	0030	Jun All Household Spending (MoM%/YoY%)	-0.3/10.5		-2.1/11.6
Australia	0230	Jun Trade Balance (A\$bn)	9726		9681
Indonesia	0500	Q2 GDP (QoQ%/YoY%)	6.6		-0.96/-0.74
Philippines	0200	Jul CPI (MoM%/YoY%)	0.4/4.0		0.1/4.1
	0200	Jul Core CPI (YoY%)	2.9		3
Singapore	0600	Jun Retail Sales (MoM%/YoY%)	-/-		-6.8/79.7
Taiwan	0900	Jul CPI (YoY%)	1.80		1.89
	900	Jul WPI (YoY%)	10.52		10.74
	0920	Jul Foreign Exchange Reserve	542.9		543.282
Thailand	-	Jul Consumer Confidence Index	-		43.1
Thailand	-	Jul CPI Headline Inflation (YoY%)	0.8		1.25
	-	Jul CPI Core Inflation (YoY%)	0.1		0.52
South Korea	0000	Jun Current Account Balance	13		10.8
Friday 6 August					
India	0530	Cash Reserve Ratio	4.00	4.00	4.00
	0530	Repo Rate	4.00	4.00	4.00
	0530	Reverse Repo Rate	3.35	3.35	3.35
Philippines	0200	Jun Exports (YoY%)	-	14.0	29.8
	0200	Jun Imports (YoY%)	-	23.1	47.7
	0200	Jun Trade Balance	-	-2183	-2755
Saturday 7 August					
China	-	Jul Exports (YoY%)	25.2		32.2
	-	Jul Imports (YoY%)	35.4		36.7
	-	Jul Trade Balance	57.4		57.53
	-	Foreign reserves (\$bn)	3185		3214.01

Source: Refinitiv, ING, *GMT

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