

Our view on next week's key events

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✓ US payrolls set to green-light a November tapering announcement

At his testimony to Congress earlier in the week, Federal Reserve Chair Jerome Powell said conditions “have all but met” the test for QE tapering with this coming week’s jobs report set to confirm it. Payrolls growth averaged 876,000 per month through May-July, but the resurgence of Covid contributed to a significant slowdown in August to “just” 235,000. However, with Covid cases falling away sharply, we expect September to have seen a re-acceleration to the 450-500,000 range. Jobs growth is set to improve further in the coming months, given high-frequency data points to a decent uptick in economic activity – such as in restaurant dining, travel and hotel stays.

A tapering announcement at the November 3rd FOMC meeting is our base case, which will likely see monthly purchases of Treasury and agency back MBS securities reduced by \$15bn each and every month from December onwards. Comments from officials suggest this will be a straight line process over eight months, but we wouldn’t be surprised to see it concluded more swiftly.

Other numbers to watch this week include the unemployment rate, which may prove to be somewhat sticky. The ending of pandemic-related extended and uprated unemployment benefits

will be forcing an increasing number of people to start looking for work. That means the supply of workers is rising, and there should in theory be a greater pool of workers for employers to choose from. However, with many of these new potential workers not having worked for more than a year, the fight to find staff with the right skill sets at a time when there are 11 million job vacancies in the US is likely to keep wage rates pushing higher.

Meanwhile, the ISM services index should benefit from the decline in Covid cases with more people engaging with the service sector.

Petrol, politics and power prices the key UK focuses

It's a quiet week for UK data, so instead there will be three other focuses. Firstly, politics. The governing Conservative Party annual conference starts on Sunday, and from a market perspective, the key is whether there is any escalation in the UK's ongoing disagreement with the EU over Northern Ireland.

Britain has for some time been threatening to use the Article 16 clause in the NI agreement, which in theory gives either party the power to unilaterally suspend parts of the agreement if there's an economic or societal reason to do so. The UK government would argue that the disruption for companies sending goods between NI and the rest of Great Britain could justify this move, particularly if the EU formally dismisses wholesale changes to the agreement proposed by the British government over the summer.

There has been some discussion as to whether the UK could use the party conference as the time to trigger Article 16. There's certainly an appetite among Conservative members and some MPs to take a hardline stance. But either way, the move would be seen as highly incendiary by the EU and would inevitably see legal escalation – something that could ultimately end in retaliatory tariffs on British products heading to Europe.

Separately, it's presumably only a matter of days before the UK's petrol pump disruption eases. While the economic impact has probably not been huge, the impact on sentiment may be larger, especially given consumer confidence has already fallen sharply in September.

Meanwhile, the UK's power price spike has eased a little over the past week. But the UK's perilously low stores of natural gas and ongoing global price spikes leave it vulnerable to further electricity price increases, particularly if wind power were to begin to disappoint once more. Either way, this is going to act as a serious cost of living crunch this winter and casts doubt over market pricing for the Bank of England. Investors are pricing three rate hikes by the end of 2022 (the first being a partial one). We don't expect the first until next August.

Key events in developed markets

Country	Time	Data/event	ING	Survey	Prev.
Monday 4 October					
US	1500	Aug Factory Orders (MoM%)	0.6	0.5	0.4
Switzerland	0730	Sep CPI (MoM%/YoY%)	-/-		0.2/0.9
Tuesday 5 October					
US	1330	Aug International Trade (USD)	-70	-69.6	-70.1
	1445	Sep Markit Composite Final PMI	54		54.5
	1445	Sep Markit Services PMI Final	54.5		54.4
	1500	Sep ISM Non-Manufacturing PMI	60.5	61.3	61.7
Germany	0855	Sep Markit Composite Final PMI	-		55.3
France	0745	Aug Industrial Output (MoM%)	-		0.3
	0850	Sep Markit Composite PMI	-		55.1
UK	0930	Sep Composite PMI Final	54.1		54.1
Italy	0845	Sep Composite PMI	-		59.1
Spain	0815	Sep Services PMI	-		60.1
Canada	1330	Aug Trade Balance (CAD)	-		0.78
Euro Zone	0900	Sep Markit Composite Final PMI	-		56.1
Wednesday 6 October					
US	1315	Sep ADP National Employment	500	475	374
Germany	0700	Aug Industrial Orders (MoM%)	-		3.4
Euro Zone	1000	Aug Retail Sales (MoM%/YoY%)	-/-		-2.3/3.1
Thursday 7 October					
US	2000	Aug Consumer Credit	18	20	17
	1330	Initial Jobless Claims	350		362
	1330	Cont Jobless Claims	2790		2820.0
Germany	0700	Aug Industrial Output (MoM%/YoY%)	-/-		1.0/5.73
Switzerland	0645	Sep Unemployment Rate Adjusted	-		2.9
Netherlands	0530	Sep CPI (MoM%/YoY%)	-	0.1/2.7	0.4/2.4
Friday 8 October					
US	1330	Sep Non-Farm Payrolls	470	500	235
	1330	Sep Private Payrolls	450	480	243
	1330	Sep Unemployment Rate	5.2	5.1	5.2
Germany	0700	Aug Exports	-		0.5
	0700	Aug Imports	-		-3.8
	0700	Aug Trade Balance	-		17.9
Canada	1330	Sep Unemployment Rate	6.9		7.1
Norway	0700	Aug GDP Month Mainland	-		0.4
Netherlands	0530	Aug Manufacturing Output (MoM%)	-	1	1.3
Greece	1000	Sep CPI (YoY%)	-		1.9

Source: Refinitiv, ING

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Key events in EMEA next week

Significant rises in inflation are expected across emerging market economies next week, forcing some central banks to send more hawkish signals and begin their rate hike cycles



Source: Shutterstock

✓ Russia: Higher FX interventions and faster inflation

The Russian Finance Ministry will likely announce an increase in FX purchases from US\$4.5bn in September to US\$4.9bn in October on the back of higher oil and gas prices. The latter has come into focus recently as a result of soaring gas prices in the EU, Russia's customer. Natural gas accounts for around 15-20% of the fuel exports and the budget's fuel revenues, and it is a part of the fiscal rule – i.e. extra gas revenues are to be saved in the sovereign fund. According to our estimates, the cut-off gas price implied by the fiscal rule is US\$147/kcm, and this year the budget is looking to receive around US\$5-7bn worth of gas revenues above the volumes planned earlier this year. The increase in the FX purchases in October is unlikely to upset the FX market given the strength in the non-fuel component of the current account. According to our estimates, the 3Q21 current account surplus may exceed US\$30bn, while 4Q21 maybe north of US\$20bn.

Inflation in Russia is likely to be confirmed at a very worrisome 7.3% year-on-year for September, following the [shocking preliminary data](#) reported for the last week of the month. The near-term CPI trajectory is now substantially above the Bank of Russia's forecast range of 5.7-6.2% for the year-end, and thus we have to worsen our year-end outlook to 6.8% YoY. The final September data will give more insight into the origins of the 0.6 percentage point spike in the annual rate over the month, but we believe it will be a combination of pre-election social payments of RUB700bn, bad

weather, the post-electoral release in the administrative price controls on socially-important goods, and the global inflation in agro commodity and freight rates.

The Bank of Russia initially downplayed the importance of the recent CPI print as 'noisy', which suggests that the monetary authorities are still uncertain if they should increase the key rate hike by 25 to 50 basis points at the upcoming meeting on 22 October, but for us the latter is becoming a base case scenario. A less likely decision to stick to the 25 bp step accompanied by hawkish signals is also possible, depending on how the Bank of Russia sees the Covid-19 related risks at the moment, with a new wave of infections materialising in September amid high mortality and still sluggish 33% vaccination rate.

Hungary: Jump in inflation as consumption picks up

Next week's Hungarian calendar is going to be a busy one. We expect some improvement in retail sales in August, in line with the recent up-and-down pattern. In contrast, we probably won't see a strong performance in industry as chip shortages forced carmakers into a lengthened summer shutdown period. With services booming, budget revenues picked up in our view, translating into a minor monthly surplus in the budget in September. The highlight of the week however is the September inflation reading. Last year provides a surprisingly low base on one-off factors in the core inflation basket. Thus, we expect a move above 4% YoY yet again in core inflation and as non-core elements are still adding to the price pressure, we see a jump in the headline CPI to 5.5% YoY.

Turkey: Upside risks to push up annual inflation figures

We expect annual inflation to further increase to 19.5% in September (1.2% on monthly basis) from 19.25% in August, impacted by higher energy prices and exchange rate developments, with risks tilted to the upside, while core inflation is likely to inch up to 16.9%.

Romania: Hawkish cycle to begin after an unchanged policy rate this week

We expect the National Bank of Romania to maintain its policy rate unchanged at 1.25% at the 5 October meeting. In our view, this will be the last meeting before the start of the hiking cycle, hence we expect a rather hawkish statement following the Board meeting. In fact, due to the significantly higher-than-estimated inflation on one hand and the political instability on the other (which by extent, dampens the fiscal consolidation), we assign a reasonable probability (25%) for the hiking cycle to start in October.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 4 October					
Turkey	0800	Sep CPI (MoM%/YoY%)	1.20/19.50		1.12/19.25
Brazil	0900	Sep IPC-Fipe Inflation Index	-		1.44
Tuesday 5 October					
Russia	0700	Sep Markit Services PMI	-		49.3
Romania	1300	Monetary Policy Rate	1.25	1.25	1.25
South Africa	0815	Sep Std Bank Whole Econ PMI	-		49.9
Brazil	1300	Aug Industrial Output (MoM%/YoY%)	-/-		-1.3/1.2
	1400	Sep Markit Services PMI	-		55.1
	1400	Sep Markit Composite PMI	-		54.6
Wednesday 6 October					
Russia	1700	Sep CPI (MoM%/YoY%)	0.5/7.3		0.2/6.7
Poland	-	Oct NBP Base Rate	-		0.1
Hungary	0800	Aug Industrial Output (YoY%)	4.5		8.0
	0800	Aug Retail Sales (YoY%)	3.3		3.0
Brazil	1300	Aug Retail Sales (MoM%/YoY%)	-/-		1.2/5.7
Thursday 7 October					
Czech Rep	0800	Aug Industrial Output (YoY%)	-		7.0
	0800	Aug Trade Balance	-		-7.2
Serbia	1100	Oct Benchmark Interest rate	1.0		1.0
Mexico	1200	Sep Headline Inflation	-		0.19
	1200	Sep Core inflation	-		0.43
Friday 8 October					
Czech Rep	0800	Aug Retail Sales (YoY%)	-		3.1
Hungary	0800	Sep Core CPI (YoY%)	4.1		3.6
	0800	Sep CPI (MoM%/YoY%)	0.2/5.5		0.2/4.9
	1000	Sep Budget Balance	105		-97.0
Ukraine	-	Sep CPI (MoM%/YoY%)	-/-		-0.2/10.2
Brazil	1300	Sep IPCA Inflation Index (MoM%/YoY%)	-/-		0.87/9.68

Source: Refinitiv, ING, *GMT

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Asia Week Ahead: Inflation and interest rates in view

With the Federal Reserve taper fast approaching, the focus in Asia may shift to inflation and central bank meetings



Inflation the hot topic now?

Inflation has been grabbing headlines of late and next week's Asian calendar features reports from several economies. Japan, Korea, Taiwan, Thailand and the Philippines all report their latest readings on prices in coming days. The focus will likely be on Philippine inflation as cost side pressures have built up considerably to push inflation well past the official target range. Could persistent inflation be enough to trigger an early rate hike by the Banko Sentral ng Pilipinas (BSP) before year end? Perhaps not just yet but BSP will be hard pressed to keep accommodation for much longer.

GIR levels could be important after the Fed taper

The coming week also features data on foreign exchange reserves, which could be under more scrutiny in the coming months with the Fed taper looming. China will report gross international reserves (GIR) levels. Our Greater China economist Iris Pang expects only a slight outflow in September. The slight dip in GIR would be consistent with a stable Chinese yuan and the likely

modest participation of foreign investors in the onshore bond market. Philippines, Indonesia and Singapore also report GIR next week.

Two Reserve banks on deck

We also have two central bank meetings scheduled for the coming week. The Reserve Bank of India (RBI), and the Reserve Bank of Australia (RBA) and neither are expected to change policy rates. Our Head of Asia Research Rob Carnell believes that of the two, the RBI is probably closer to tightening, though the recent drift lower by CPI inflation in India has taken some of the pressure away for a hike. The RBI will be happy to leave rates low for as long as it can to help the economy recover now that Covid cases have subsided.

In the case of the RBA, with the US Fed creeping closer to formally signalling a 2022 liftoff, the RBA has been clear to distance itself from this slippage and is sticking firmly to its “nothing until 2024” message – a message financial markets have largely been ignoring.

External balances

Lastly, the external balance will also be in view this week, with trade balance figures from Australia and Taiwan, plus current account numbers from Korea and Japan. Strong demand for Australia’s energy exports plus some dampening effect in domestic demand from recent lockdowns should see the surplus at least holding at current high levels, with some upside possible. Taiwan’s exports and imports should sustain recent momentum with both outbound and inbound shipments expected to post double digit gains.

Asia Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 4 October				
India	- Sep Fiscal Deficit - USD Prelim	-		13.81
	- Sep Imports - USD Prelim	-		47.1
	- Sep Exports - USD Prelim	-		33.3
Singapore	1400 Sep Manufacturing PMI	50.8		50.9
South Korea	0000 Sep CPI Growth (MoM%/YoY%)	-/-	0.25/2.25	0.6/2.6
Tuesday 5 October				
Australia	0130 Aug Trade Balance (A\$bn)	-		12117
	0430 Oct RBA Cash Rate	-		0.1
India	0600 Sep IHS Markit Services PMI	-		56.7
Philippines	0200 Sep CPI (MoM%/YoY%)	0.3/5		0.6/4.9
Singapore	0600 Aug Retail Sales (MoM%/YoY%)	-/-		0.8/0.2
Taiwan	0920 Sep Foreign Exchange Reserve	543.0		543.6
Wednesday 6 October				
New Zealand	0200 Cash Rate	-		0.25
Taiwan	0900 Sep CPI (YoY%)	2.4		2.36
South Korea	0000 Aug Current Account Bal NSA	-		8.21
Thursday 7 October				
Japan	0030 Aug All Household Spending (MoM%/YoY%)	-		-0.9/0.7
	0050 Aug Current Account NSA	-		1910.8
China	- Sep FX Reserves (Monthly, \$ bn)	3230.0		3232.1
Indonesia	- Sep Forex Reserves	144.4		144.8
Philippines	- Sep Forex Reserves USD	107.7		108.1
Singapore	1000 Sep Foreign Reserves USD	409.6		418.1
Thailand	- Sep Consumer Confidence Idx	-		39.6
Friday 8 October				
China	0245 Sep Caixin Services PMI	48.0		46.7
India	0530 Repo Rate	-		4.0
	0530 Reverse Repo Rate	-		3.35
	0530 Cash Reserve Ratio	-		4.0
Taiwan	0900 Sep Imports	53.0		46.3
	0900 Sep Exports	25.9		26.9
	0900 Sep Trade Balance	3.0		3.48

Source: Refinitiv, ING, *GMT

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