

## Key events in developed markets next week

A potential US-China trade deal could well be within touching distance and US data should remain decent, both of which don't point towards a Fed rate cut this year. The first-quarter GDP report is out for the UK too and here we anticipate a solid figure, though 'no deal' stockpiling preparations are likely to be the main driver



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### **US: Even more reasons to suspect the Fed won't cut interest rates this year**

Following the Federal Reserve's decision to leave monetary policy unchanged and maintain the 'patient' mantra, we will be mainly waiting for any news on the potential US-China trade deal, given the scheduled Fed speakers will almost certainly stick to the party line. There are suggestions concessions are being made by both sides and markets are becoming increasingly optimistic on the potential for a trade deal that would lift a lot of uncertainty hanging over the global economy. It may also give businesses the clarity required to invest in the US economy knowing that supply chains are secured.

Datewise, the March trade balance numbers are likely to deteriorate, but from good levels. The will he/won't be uncertainty over another round of President Trump tariffs on Chinese imports has led

to significant volatility in trade numbers over the past six months. Given the tariffs weren't enacted in January, we expect things to settle down. We will also have consumer price inflation data; headline CPI will be boosted by the surge in gasoline prices, but look out for a rise in core inflation too, given rising transportation fares and stronger housing component readings. Rising wages will continue to nudge core inflation higher and argue against the current market pricing of Federal Reserve interest rate cuts late this year.

### ✓ **UK: GDP - it's all about stockpiling**

First-quarter UK growth will be lifted pretty substantially by preparations firms made for a possible 'no deal' Brexit. There's little doubt that companies ramped up stockbuilding activity – the levels of the PMI inventory component seen in the first-quarter were unprecedented, not just for the UK, but for all of G7. But while we know many firms were building up inventory, it's harder to know by how much. Don't forget that warehousing space in the UK was already fairly limited, making it trickier for some firms to ramp up stock dramatically. Like the Bank of England, we expect a 0.5% quarterly growth figure, helped along by some better retail spending figures, although the warehousing issue suggests the risks (if anything) lie to the downside.

### ✓ **Eurozone: PMI's in focus**

This week's eurozone growth figures were quite a positive surprise, but next week brings little news to go on for the second-quarter yet. Retail sales for March will come out and may shed some light on how much of a role consumption has played in strong growth performance. The final PMIs for April will also be closely watched after a poor first estimate.

### ✓ **Norway: Rising inflation set to keep Norges Bank a hawkish outlier**

In contrast to its Scandinavian neighbours, the Norwegian central bank has seen ample – and perhaps even excessive – inflation pressure this year. Core inflation in Norway has jumped above 2.5% and could well stay around that level this year as momentum in the domestic economy remains solid and wage growth is likely to increase further.

In addition to higher inflation, oil prices have risen further, boosting the energy-dependent Norwegian economy. The Norwegian krone has also remained weaker than the NB's forecast. If this combination continues, that strengthens the case for higher rates in Norway. We think the NB will hike at least once more this year and again early next year (at the September and March meetings).

### ✓ **Canada: Will the labour market fall to the feet of weaker growth?**

The Canadian economy is slowly coming off its peak and transitioning into a more muted growth spell, and – despite showing some resilience up until now – it could be dragging the labour market along with it. Overall employment in both the goods and services producing sectors looks relatively decent, but when you boil it down to annual performances in specific sub-sectors, it's not a positive picture.

Softer employment growth could be attributed to labour shortages. However, the BoC didn't take a

more dovish turn for nothing. Global trade uncertainties, concerns surrounding household activity and a struggling energy sector all pose downside risks to growth in the near-term and are simultaneously dampening business sentiment. The business survey implied that the optimism, coming from firms, about the year ahead had diminished. It wouldn't be a surprise if employment growth took a milder tone over the coming months, but not necessarily now due to supply-side issues, but because solid demand prospects have lessened.

On the back of this, we suspect that the unemployment rate will nudge up slightly, from its recent 5.8% plateau, by year-end.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Saturday 4 May</b>					
US	0045	Fed's Bullard, Daly, Kaplan and Mester Speak at Hoover Event			
<b>Monday 6 May</b>					
US	1430	Fed's Harker Speaks on the Economic Outlook			
Eurozone	0900	Apr F Markit Services PMI	52.5	-	52.5
	0900	Apr F Markit Composite PMI	51.3	-	51.3
	1000	Mar Retail Sales (MoM/YoY%)	0.6/2.2	-/-	0.4/2.8
Canada	1845	BOC's Governor Poloz Speaks			
New Zealand	0300	Treasury Publishes Monthly Economic Indicators			
Sweden	0730	Apr Swedbank/Silf Services PMI	-	-	55.3
<b>Tuesday 7 May</b>					
US	1200	Fed's Kaplan Speaks in Beijing on Moderated Panel			
Eurozone	1000	EU Commission Economic Forecasts			
Germany	0700	Mar New Orders (MoM/YoY%)	3.2/-3.6	-/-	-4.2/-8.4
UK	0900	BOE's Cunliffe Speaks in London			
	1730	BOE's Haldane Speaks in Sheffield			
Italy	1000	Istat Releases Monthly Economic Note			
Australia	0230	Mar Trade Balance (A\$mn)	4651.0	-	4801.0
	0230	Mar Retail Sales (MoM%)	0.2	-	0.8
	0530	RBA Cash Rate Target	1.25	-	1.5
Sweden	-	Riksbank Minutes of April Policy Meeting (0830) & Ingves Speaks			
<b>Wednesday 8 May</b>					
Japan	0050	Apr Monetary Base (YoY%)	3.0	-	3.8
	0050	BOJ Minutes of March Policy Meeting			
Germany	0700	Mar Industrial Production (MoM/YoY%)	-0.3/-2.2	-/-	0.7/-0.4
UK	0915	BOE's Ramsden Speaks in London			
Italy	-	Bank of Italy Report on Balance-Sheet Aggregates			
New Zealand	0300	RBNZ OCR Decision (mps)	1.5	-	1.75
Norway	0700	Mar Industrial Production (MoM/YoY%)	-/-	-/-	-1.8/-5.7
Sweden	1340	Riksbank's Jochnick Speaks			
<b>Thursday 9 May</b>					
US	1330	Mar Trade Balance (US\$bn)	-51.0	-52.0	-49.4
	1445	Fed's Bostic Discusses Economic Outlook			
Japan	0600	Apr Consumer Confidence Index	40.3	40.4	40.5
Norway	0900	Deposit Rates	1.0	-	1.0
Sweden	0500	Maklarstatistik Swedish Housing Price Data			
	0700	Riksbank's Jochnick Participates in Panel			
<b>Friday 10 May</b>					
US	1330	Apr CPI (MoM/YoY%)	0.4/2.1	0.4/2.1	0.4/1.9
	1330	Apr CPI ex. Food & Energy (MoM/YoY%)	0.2/2.2	0.2/2.1	0.1/2.0
Japan	0030	Mar Labour Cash Earnings (YoY%)	0.9	-0.6	-0.7
	0050	BOJ Summary of Opinions			
Germany	0700	Mar Trade Balance (€bn)	17.0	-	18.0
UK	0930	1Q P GDP (QoQ/YoY%)	0.5/1.8	-/-	0.2/1.4
	0930	Mar Trade Balance (£m)	-	-	-4860.0
	0930	Mar Industrial Production (MoM/YoY%)	-/-	-/-	0.6/0.1
Canada	1330	Apr Net Change in Employment	-	-	-7.2
	1330	Apr Unemployment Rate (%)	5.8	-	5.8
Australia	0230	RBA Statement on Monetary Policy			
Norway	0700	Apr CPI (MoM/YoY%)	0.4/2.9	-/-	0.2/2.9
	0700	Apr CPI - ATE (MoM/YoY%)	0.4/2.6	-/-	0.3/2.7
	0750	Norway Central Bank Deputy Governor Nicolaisen Speaks in Stord			
Sweden	1010	Riksbank's Jochnick Speaks			

Source: ING, Bloomberg

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