

## Key events in developed markets next week

A busy week ahead with US core CPI set to return to the 2% target, a raft of Fed speakers including Powell and Eurozone trade and industrial production data

### ✓ US core inflation set to hit target as cell phone quirk drops out

After a prolonged period of weakness, US core CPI looks set to return to the 2% target (or even slightly above) next week as a distortion related to cell phone data pricing drops out of the annual comparison. While this may sound slightly bizarre, a quality adjustment to the CPI basket made in March last year resulted in a sharp one-off drop in communication costs and this has been knocking 0.2-0.3ppt off most core inflation measures ever since.

We'll also be keeping an eye on clothing costs, which have been extremely volatile over the past few months. Aside from the fact, the US economy is strong; the fact that apparel prices have increased so much over the past couple of months is hard to square at a time when competition in this sector is intensifying. A sizable correction could put a temporary drag on the overall price picture - although if this does happen, we suspect it is largely noise.

### ✓ Watch Fed comments for tariff thoughts

As the US and China increasingly exchange tit-for-tat tariffs, markets will be scrutinising Fed commentary over the next week to see how policymakers are viewing the latest developments. We hear from a range of Fed speakers, including Chair Powell, some of whom have struck a note of caution on trade. The Fed minutes will also be in focus, although admittedly, much of the recent trade escalation has come since the last meeting in mid-March.

With most of the tariffs yet to be officially implemented, we suspect the Fed will be more focused on the impact they are having on confidence, as well as financial conditions. On the latter, so far the impact has been relatively contained outside of the equity markets.

### ✓ Will Governor Carney drop stronger hints at a May hike?

As far as markets are concerned, a May rate hike in the UK is more-or-less a done deal. Investors are pricing in roughly an 80% chance of a rise at the next meeting, and we tend to agree. Aside from the severe dip in the PMIs ([which was thanks to several bouts of snow](#)), data on wage growth has been moving further in the right direction. And the agreement of a transition period will bolster the Bank's view that the road to Brexit will be smooth (at least for now).

The begs the question of whether Governor Carney will look to signal a May rate hike more explicitly when he speaks in Canada next week. We wouldn't rule this out, but policymakers tend to avoid tying their hands unnecessarily and markets are in a very different place to last September, when the Bank felt it necessary to offer a near-unconditional commitment to a rate hike at the next meeting.

### **What will be the impact of the strengthening euro?**

In the Eurozone, the focus will be on the impact of the strengthening of the euro as Bundesbank president Weidmann gives a speech on the topic on Thursday and trade data will come out on Friday, giving an indication of whether export growth is being dampened by the appreciated currency.

Eurozone industrial production on Thursday should bounce back as energy production is set to improve given the colder February. As sentiment figures have been slipping in the Eurozone, some hard data on production should provide insight into how strong Q1 has been.

### **Scandinavia focuses on inflation**

In Scandinavia, this week's inflation figures will be key for currency and rates markets. We think Swedish headline inflation will bounce back to 2% for March, though core inflation remains well below at 0.6%. This will provide little comfort for the Riksbank, which is likely to have to revise down its inflation forecast again when it meets later in April. That means it will probably have to postpone its first interest rate hike (currently scheduled for Q3) to the end of the year.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Friday 6 April</b>					
US	1330	Mar Change in Nonfarm Payrolls ('000s)	180	185	313
	1330	Mar Unemployment Rate (%)	4	4	4.1
	1330	Mar Average Hourly Earnings (MoM/YoY%)	0.3/2.7	0.3/2.7	0.1/2.6
	1330	Mar Participation Rate	-	-	63
	1830	Fed Chairman Powell (1830) and Williams (2100) Speeches			
UK	1615	BoE Governor Carney Speaks at Climate Conference			
Spain	1100	Bank of Spain's Linde Speaks at Conference in Lisbon			
Canada	1330	Mar Net Change in Employment	-	20	15.4
	1330	Mar Unemployment Rate (%)	-	5.8	5.8
Norway	1310	Norway Central Bank Governor, Finance Minister Speak in London			
<b>Saturday 7 April</b>					
US	1530	Fed's Evans Speaks on the Economy and Monetary Policy			
<b>Monday 9 April</b>					
Japan	0050	Feb C/A Balance, adjusted (Yen bn)	-	1364.3	2022.6
	0600	Mar Consumer confidence index	-	44.5	44.3
Germany	0700	Feb Trade Balance (€bn)	-	-	17.3
Norway	0700	Feb Industrial Production (MoM%)	-	-	3.4
Sweden	0730	SEB Sweden Monthly Housing Price Indicator			
Portugal	1100	Portugal Reports International Trade Figures for February			
<b>Tuesday 10 April</b>					
US	1100	Mar NFIB Small Business Optimism	106	-	107.6
Eurozone	1630	ECB's Visco Speaks at Book Presentation in Rome			
Norway	0700	Mar CPI (MoM/YoY%)	0.3/2.2	-/-	0.9/2.2
	0700	Mar Core CPI (MoM/YoY%)	0.5/1.5	-/-	0.8/1.4
Portugal	-	Bank of Portugal Releases Data on Banks			
<b>Wednesday 11 April</b>					
US	1330	Mar CPI (MoM/YoY%)	0.1/2.5	0.0/2.3	0.2/2.2
	1330	Mar CPI ex. food and energy (MoM/YoY%)	0.1/2.1	-/-	0.2/1.8
	1900	FOMC releases minutes of last meeting			
Japan	0050	Feb Core machine orders (MoM/YoY%)	-/-	-3.1/-1.5	8.2/2.9
	0050	Mar PPI (MoM/YoY%)	-/-	-0.1/2	0/2.5
UK	0930	Feb Trade Balance (£m)	-2700	-2800	-3074
	0930	Feb Industrial Production (MoM/YoY%)	0.6/3.1	0.6/3.1	1.3/1.6
Italy	1000	Bank of Italy Publishes Monthly Report 'Money and Banks'			
Sweden	0700	Mar Unemployment Rate (%)	-	-	3.9
Australia	0445	RBA Governor Lowe Speaks in Perth			
<b>Thursday 12 April</b>					
US	2200	Fed's Kashkari Speaks in Moderated Q&A in Minneapolis			
Japan	0130	Kuroda Speaks at Branch Managers Meeting			
Eurozone	1000	Feb Industrial Production (WDA, YoY%)	5.6	-	2.7
Germany	1700	Weidmann Gives Speech in Berlin on Strengthening the Euro			
UK	-	Mark Carney speaks at Canada Growth Summit in Toronto			
Australia	0200	Apr CPI expectations (YoY%)	-	-	3.7
	0230	Feb Home loans (MoM%)	-	0.3	-1.1
Norway	0830	Norway Central Bank Governor Olsen Speaks in Stavanger			
	1630	Norway Central Bank Deputy Governor Nicolaisen Speaks in Oslo			
Sweden	0830	Mar CPI (MoM/YoY%)	0.4/2.0	-/-	0.7/1.6
	0830	Mar CPIIF (MoM/YoY%)	0.4/2.1	-/-	0.7/1.7
	0830	Mar CPIIF ex-energy (MoM/YoY%)	0.6/1.6	-/-	0.7/1.5
<b>Friday 13 April</b>					
US	1500	Apr P U. of Mich. Sentiment Index	100.5	101	101.4
	1330	Fed's Bullard Speaks at Washington University in St. Louis			
	1300	Fed's Rosengren Speaks on Economic Outlook			
	1400	Fed's Bullard Speaks on Living Standards across U.S. Cities			
Eurozone	1000	Feb Trade Balance (€bn)	21136	-	19936.2
Germany	0700	Mar F CPI (MoM/YoY%)	-/-	-/-	0.4/1.6
Spain	0800	Mar F HICP (MoM/YoY%)	-/-	-/-	1.2/1.3
Australia	0230	RBA Financial Stability Review			
Norway	1130	Norway Central Bank Governor Olsen Speaks in Tromso			

Source: ING, Bloomberg

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