

Key events in developed markets next week

Markets will be keeping a close eye on US-China trade tensions as the tariff battle commences. But in better news, solid US retail sales should reinforce our view that a Fed rate cut is becoming increasingly unlikely. Brexit is also back, but (not so) bigger than ever, as we suspect the Labour party will still be reluctant to strike a deal



Source: Shutterstock

Trade talks continue as tariff battle enters new phase

Now that President Trump has increased the level of tariffs that apply to a USD200 billion package of Chinese imports, markets will be watching the negotiations between both countries for signs of thawing tensions. Our trade team thinks some kind of deal is still the most likely outcome, although that may not happen until the second half of the year.

Expect solid US retail sales as consumer spending makes 2Q comeback

Consumer spending growth slowed during the first quarter but with the jobs market in good health and wage growth continuing to pick-up, the fundamental backdrop points to a decent rebound during the second quarter. This is one reason why we think a Fed rate cut is unlikely in the

foreseeable future.

✓ Mixed UK jobs data set to muddy the waters for Bank of England

Rising wage growth was a key factor in the decision to raise UK interest rates in 2017 and 2018, and in principle this could be a justification to do so again later this year. Regular pay growth remains above 3% and close to post-crisis highs. That said, some momentum has faded from the more recent numbers, and there are some tentative signs of weakness emerging in the jobs market. It's early days, but for instance the number of people on the unemployed claimant count has been steadily rising, and is noticeably outpacing the number of job vacancies. We don't expect a rate hike this year, although recent comments from Governor Mark Carney suggest a November move shouldn't be ruled out.

Back in the world of Brexit, cross-party talks are planned to continue over the next week. But for various reasons, we think the Labour party will remain reluctant to strike a deal – not least because there are no guarantees a future Conservative leader couldn't try to take Brexit in a different direction to the one agreed with Theresa May. We continue to struggle to see the Brexit deadlock being broken before October.

✓ Canada: More reasons to suspect the BoC won't be cutting rates this year...

The Bank of Canada's (BoC's) three main measures of core inflation averaged 2.0% in March and the headline print posted a significant recovery. In annual terms, it rose from 1.5% to 1.9%, and we anticipate it will be a similar story for April.

In fact, inflation should start trending back towards 2.0% over the course of this year. Here are some reasons why:

1. Energy prices continue to rebound. Average gasoline prices (in Canadian dollar terms) were up 1.8% YoY and 7.3% MoM in April, suggesting that the lagged effects from the late-2018 decline in oil prices are gradually phasing out. Our commodities team has global oil prices edging slightly higher throughout this year and next which further reinforces a near/on-target headline figure;
2. Domestic price pressures could begin to intensify. The labour market's strength looks like it won't be disappearing anywhere anytime soon and we believe that the upward trending wage growth should begin to feed through into household spending. We agree with the BoC's analysis that housing market drags will slowly begin to dissipate as the economy adjusts to: a) a different-type of housing demand and b) higher interest rates. As a result of the Liberal government's federal 2019 budget, better news is also on its way for first-time homebuyers.

Developed Markets Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------|------|--|---------|--------|---------|
| Monday 13 May | | | | | |
| US | 1405 | Fed's Rosengren & Clarida Remarks at Fed Listens Event | | | |
| Japan | 0600 | Mar P Leading Economic Index | - | - | 97.1 |
| Norway | 0700 | 1Q GDP (QoQ%) | - | - | 0.5 |
| | 0700 | Mar GDP Mainland (MoM%) | - | - | -0.3 |
| Sweden | 0730 | SEB Swedish Housing-Price Indicator | | | |
| Portugal | 1100 | Portugal Releases Consumer Price Inflation Report | | | |
| Tuesday 14 May | | | | | |
| US | 1100 | Apr NFIB Small Business Optimism | 102.5 | - | 101.8 |
| | 0815 | Fed's Williams Speaks at SNB/IMF Event in Zurich | | | |
| Japan | 0050 | Mar P C/A Balance, Adjusted (Yen bn) | 1750.0 | - | 1957.6 |
| Eurozone | 1000 | Mar Industrial Production (YoY%) | - | - | -0.3 |
| Germany | 0700 | Apr F CPI (MoM/YoY%) | -/- | -/- | 1.0/2.0 |
| | 1000 | May ZEW Current Situation Index | - | - | 5.5 |
| UK | 0930 | Mar Weekly Earnings (3M avg) | 3.4 | - | 3.5 |
| | 0930 | Mar Weekly Earnings ex. Bonus (3M avg) | 3.3 | - | 3.4 |
| | 0930 | Mar ILO Unemployment Rate (3M avg) | 3.9 | - | 3.9 |
| | 0930 | Mar Employment Change (3M/3M) | 140.0 | - | 179.0 |
| Spain | 0800 | Apr F HICP (MoM/YoY%) | -/- | -/- | 1.1/1.6 |
| Sweden | 0500 | Apr PES Unemployment Rate | - | - | 3.6 |
| | 0830 | Apr CPI (MoM/YoY%) | -/- | -/- | 0.2/1.9 |
| | 0830 | Apr CPIF (MoM/YoY%) | -/- | -/- | 0.2/1.8 |
| | 0940 | Riksbank's Ingves Speaks in Stockholm | | | |
| Netherlands | 0830 | 1Q P GDP (QoQ%) | 0.4 | - | 0.5 |
| Portugal | - | Bank of Portugal Releases Data on Banks | | | |
| Wednesday 15 May | | | | | |
| US | 1330 | Apr Advance Retail Sales (MoM%) | 0.2 | 0.2 | 1.6 |
| | 1330 | Apr Retail Sales ex. Auto & Gas (MoM%) | 0.4 | - | 0.9 |
| | 1415 | Apr Industrial Production (MoM%) | 0.1 | 0.1 | -0.1 |
| | 1700 | Fed's Barkin Speaks to Economists in New York | | | |
| Eurozone | 1000 | 1Q P GDP (QoQ/YoY%) | -/- | -/- | 0.4/1.2 |
| Germany | 0700 | 1Q P GDP (QoQ/YoY%) | 0.5/- | -/- | 0.0/0.6 |
| Canada | 1330 | Apr CPI (MoM, SA/YoY%) | 0.3/1.9 | -/- | 0.3/1.9 |
| Sweden | 0700 | Prospera Swedish Inflation Expectations Survey | | | |
| | 1100 | Riksbank's Jochnick Speaks | | | |
| Thursday 16 May | | | | | |
| Japan | 0050 | Apr PPI (MoM/YoY%) | 0.3/1.2 | -/- | 0.3/1.3 |
| Eurozone | 1000 | Mar Trade Balance (€bn) | - | - | 19495.3 |
| UK | 1830 | BOE's Haskel Speaks in York | | | |
| Italy | 0900 | Apr F HICP (YoY%) | - | - | 1.2 |
| Canada | 1330 | ADP Canada Releases April Payroll Estimates | | | |
| Australia | 0200 | May CPI Expectations (YoY%) | 3.8 | - | 3.9 |
| | 0230 | Apr Employment Change ('000) | 5.0 | - | 25.7 |
| | 0230 | Apr Unemployment Rate (%) | 5.1 | - | 5.0 |
| | 0345 | RBA's Bullock Speaks in Sydney | | | |
| Sweden | 1200 | Riksbank's Ingves Gives Keynote Address | | | |
| Friday 17 May | | | | | |
| US | 1500 | May P U. of Mich. Sentiment Index | 97.5 | 97.4 | 97.2 |
| Japan | 0530 | Mar Tertiary Industry Index (MoM%) | -0.3 | - | -0.6 |
| Eurozone | 1000 | Apr F Core CPI (YoY%) | - | - | 1.2 |
| | 1000 | Apr CPI (MoM/YoY%) | -/- | -/- | 0.7/1.7 |
| UK | 1300 | BOE's Brazier Speaks in London | | | |
| Sweden | 0500 | Valueguard Swedish Home-Price Data | | | |

Source: ING, Bloomberg

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