

Key events in developed markets next week

The rise of US-China trade tensions will be the key theme next week. In the near-term, this is likely to dampen both sentiment and activity, and we may see this already reflected in the German IFO survey. Trade aside, the focus will be on the European Parliament elections



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US: Trade tensions will continue to eat away at sentiment and activity

The trade story will remain the key driver of market moves next week, with the ratcheting up of tensions intensifying market concerns about the outlook for the global economy. We see little reason for optimism in the near-term, as the market is likely to be looking towards the G20 summit in June when President Trump is expected to sit down with President Xi to discuss the situation. However, there seems little appetite from either side to back down and we suspect the situation will continue to weigh on sentiment and activity through the summer months. In terms of macro news flow, we will be hearing from several Federal Reserve officials. They are likely to take a slightly more downbeat line given the trade backdrop and mixed economic data flow. We continue to forecast no rate cuts this year, but if the data softens further we may need to re-evaluate this position.

The only data release of note will be durable goods orders, which will be heavily depressed by the

swing in Boeing aircraft orders; 44 planes were ordered in March compared to just 4 in April.

✓ Eurozone: All eyes on the PMIs

Even though markets will focus a lot on the German IFO survey next week, the recent rollercoaster ride regarding trade means that it should be taken with a large pinch of salt. The survey's cut-off date for responses might have incorporated the recent escalation between the US and China, but the news that Trump has delayed a decision on EU car tariffs probably happened afterwards.

Both consumer confidence and PMIs in the eurozone will also be in focus - a close look at new export orders from the PMI seems especially interesting as they plummeted last month. More generally, a recovery of sentiment should be an indication of decent growth for the second quarter.

We will also have the European Parliament elections beginning next Wednesday. This should bring lots of interesting results at both the national and European level.

✓ UK inflation to be dominated by energy price cap – underlying story more benign

Back in January, the UK energy regulator OFGEM introduced a new price cap, which had the effect of lowering household energy costs by 6% on average. Three months on, the cap was increased by roughly 10% at the start of April, and this will have the effect of dragging headline inflation back above the Bank of England's 2% target. That aside, the inflation backdrop looks relatively benign and we expect core CPI to remain just shy of the target for much of this year. For the Bank of England though, the prospect of further tightening hinges much more on wage growth. If pay continues to accelerate more quickly and the Brexit deadline is pushed back beyond October, then a November rate rise shouldn't be completely ruled out. For the time being though, we think a combination of Brexit uncertainty and sluggish growth is more likely to keep the central bank on hold through this year.

The prospect of higher wage growth and benign inflation should give UK consumer spending a modest boost as we head into the summer. But following three months of strong increases in retail sales, we think a correction is likely in the April figures.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 20 May					
Japan	0050	1Q P GDP (Annualised, QoQ%)	1.1	-0.3	1.9
	0050	1Q P GDP Deflator, Advance (Q) (YoY%)	-	0.2	-0.3
	0530	Mar F Industrial Production, Prel (MoM/YoY%)	-/-	-/-	-0.9/-4.6
Tuesday 21 May					
US	1500	Apr Existing Home Sales	-	5.3	5.2
	0000	Powell Speaks at Atlanta Fed Financial Markets Conference			
	1545	Fed's Evans Discusses Economy and Monetary Policy			
	1700	Fed's Rosengren Speaks to Economic Club of New York			
Eurozone	1500	May A Consumer Confidence	-8.4	-	-7.9
	1000	OECD Economic Outlook			
Australia	0230	RBA Minutes of May Policy Meeting			
	0315	RBA Governor Lowe Speaks in Brisbane			
Sweden	-	Riksbank's Floden (0900) & Ohlsson (1500) Speaks			
Wednesday 22 May					
US	0600	Fed's Bullard Speaks in Hong Kong on Economic Outlook			
	1510	Fed's Bostic Makes Opening Remarks at Dallas Fed Conference			
	1900	FOMC Meeting Minutes			
Japan	0050	Apr Exports (YoY%)	-	-	-2.4
	0050	Apr Imports (YoY%)	-	-	1.2
	0050	Mar Core Machine Orders (MoM/YoY%)	-/-	-/-	1.8/-5.5
	0230	BOJ Harada Speaks in Nagasaki			
Eurozone	-	ECB President Draghi (0800) & Chief Economist Praet (1030) Speak in Frankfurt			
UK	0930	Apr CPI (MoM/YoY%)	0.8/2.3	-/-	0.2/1.9
	0930	Apr Core CPI (YoY%)	1.8	-	1.8
	0930	Apr Public Finances (PSNCR)	-	-	8.9
	0930	Apr PSNB ex. Banks (£bn)	-	-	1.7
Sweden	0730	Riksbank Publishes Financial Stability Report			
Thursday 23 May					
US	1800	Fed's Kaplan, Daly, Bostic and Barkin Speak on Panel			
Eurozone	0600	European Parliament Elections			
Eurozone	0900	May P Markit Manufacturing PMI	47.6	-	47.9
	0900	May P Markit Services PMI	52.6	-	52.8
	0900	May P Markit Composite PMI	51.2	-	51.5
Germany	0900	May IFO Business Climate	99.7	-	99.2
	0900	May IFO Expectations	96.0	-	95.2
	0900	May IFO Current Assessment	103.7	-	103.3
Norway	0700	Mar Unemployment Rate AKU	-	-	3.8
Sweden	0830	Apr Unemployment Rate (%)	-	-	7.1
	0930	Riksbank's Ingves Speaks			
Friday 24 May					
US	1330	Apr P Durable Goods Orders (MoM%)	-2.0	-1.8	2.6
	1330	Apr P Durable Goods Orders ex. Transport (MoM%)	0.3	0.3	0.3
Japan	0030	Apr National CPI (YoY%)	-	-	0.5
	0030	Apr CPI ex. Food & Energy (YoY%)	-	-	0.4
	0630	Mar All Industry Activity Index (MoM%)	-	-	-0.2
UK	0930	Apr Retail Sales ex. Auto Fuel (MoM/YoY%)	-0.6/4.2	-/-	1.2/6.2
	0930	Apr Retail Sales (MoM/YoY%)	-0.5/4.4	-/-	1.1/6.7

Source: ING, Bloomberg

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