

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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