

## Key events in developed markets next week

Politics will continue to drive UK markets after Prime Minister Theresa May succumbed to pressure from her own party to resign



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### UK leadership likely to dominate the headlines

May's decision to resign has injected a sense of nervousness into UK markets, given that her successor is likely to be more eurosceptic. May announced on Friday that she plans to step aside on 7 June, triggering a leadership contest which could last two to three months. Ultimately though, a new leader will face the same hurdles as Theresa May – a Parliament that is against 'no deal' and a European Union that is not prepared to renegotiate on the contentious Irish backstop. We still think a 'no deal' is unlikely, but not impossible – [read why here](#).

### Swedish housing woes set to continue plaguing economic growth

Swedish growth had a surprisingly strong end to 2018, but this positive run is unlikely to extend to next week's first-quarter data. While house prices have been more stable recently, the impact of the earlier declines is still taking its toll on real estate construction – a key component of investment. Consumer spending has also been hit although retail sales weathered the storm relatively well in the first quarter. The prospect of fairly modest real wage growth and a more

sluggish jobs market suggests that consumption will remain fairly lacklustre over coming quarters. The Riksbank expects to increase rates towards the end of this year or early next, but with weak growth and benign inflationary pressures, it's hard to see them following through with this – particularly when other global central banks are moving the other way.

## **Canada: Emerging out of the soft patch**

Canada's first-quarter GDP report won't be particularly exciting – though a touch more upbeat than what we saw in the final quarter of last year.

There will likely be a few concerns in and around the report, for example: 1) The trade deficit is the widest since the second quarter of 2016, 2) the manufacturing PMI broke below the key 50-threshold in April, falling into contraction territory and 3) construction starts were down 9.9% in 1Q19, which suggests that we aren't yet out of the housing market slump. However, we presume most of this weakness is a result of negative sentiment from a soft growth patch which emerged quite quickly between 3Q18 and 4Q18. In large part, this was due to the late-2018 oil price decline and the lingering uncertainty surrounding oil pipeline approvals.

Nevertheless, domestically, we see a strong labour market and better news on the way for the housing market - likely in the post-2Q19 period. And globally, recent optimism that a new Nafta agreement could be ratified by the end of summer along with our trade team's view that a US-China trade deal could be struck by the third quarter suggests the first quarter will be a low point for 2019. In turn, this should keep the Bank of Canada on hold at 1.75%, despite other dollar-bloc central banks talking of (or actively) cutting rates.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Sunday 26 May</b>					
Eurozone	1245	ECB Executive Board Member Lautenschlaeger Speaks (Frankfurt)			
<b>Monday 27 May</b>					
Japan	0600	Mar F Leading Economic Index	-	-	96.3
Portugal	-	Portugal Releases Year-to-Date Budget Report			
<b>Tuesday 28 May</b>					
US	1500	May Consumer Confidence	130.0	130.0	129.2
Eurozone	0900	Apr M3 Money Supply (YoY%)	-	-	4.5
	1000	May Economic Confidence	-	-	104.0
Japan	0050	Apr PPI Services (YoY%)	-	-	1.1
New Zealand	2200	RBNZ Publishes Financial Stability Report			
Sweden	0800	May Economic Tendency Indicator	-	-	102.7
	0830	Apr Retail Sales Ex. Fuel (MoM/YoY%)	0.1/0.5	-/-	0.5/2.0
Switzerland	0645	1Q GDP (QoQ/YoY%)	-/-	-/-	0.2/1.4
<b>Wednesday 29 May</b>					
Japan	0100	BOJ Kuroda Speaks (Tokyo)			
Eurozone	0900	ECB's Rehn Speaks (London)			
Germany	0855	May Unemployment Change (000's)	-	-	-12.0
	0855	May Unemployment Rate (%)	4.9	-	4.9
Canada	1500	Bank of Canada Policy Rate	1.75	1.75	1.75
Norway	0700	Apr Retail Sales Ex. Motor Vehicles (MoM%, SA)	-	-	0.6
	0700	Apr Credit Indicator (YoY%)	-	-	5.8
	1040	Norges Bank Governor Olsen Speaks (Stavanger)			
Sweden	0830	1Q GDP (QoQ/YoY%)	0.2/1.7	-/-	1.2/2.4
<b>Thursday 30 May</b>					
US	1330	1Q S GDP (QoQ Annualised %)	3.2	3.1	3.2
	1700	Fed's Clarida Speaks to the Economic Club of New York			
Italy	1600	Finance Minister Tria Speaks at Economy Festival (Trento)			
Spain	0800	May P HICP (MoM/YoY%)	-/-	-/-	1.1/1.6
Canada	1915	BOC Senior Deputy Governor Wilkins Speaks			
New Zealand	0300	Finance Minister Delivers Budget			
<b>Friday 31 May</b>					
US	1500	May F U. of Mich. Sentiment Index	102.0	100.8	102.4
Japan	0050	Apr P Industrial Production (MoM/YoY%)	0.6/-9.8	-/-	-0.6/-4.3
	0050	Apr Retail Trade (MoM/YoY%)	1.1	-/-	0.2/1.0
	0050	Apr Unemployment Rate (%)	2.5	-	2.5
	0600	May Consumer Confidence Index	-	-	40.4
Germany	1300	May P CPI (YoY%)	1.7	-	2.0
Italy	0900	1Q F GDP (QoQ/YoY%)	0.2/0.1	-/-	0.2/0.1
	1000	May P CPI (MoM/YoY%)	0.2/1.0	-/-	0.2/1.1
	0900	ECB's Visco Speaks at Bank of Italy Annual Gathering			
Canada	1330	1Q GDP (QoQ%, Annualised)	1.0	-	0.4
	1330	Mar GDP, SA (MoM/YoY%)	0.2/1.1	-/-	-0.1/1.1
Norway	0900	May Unemployment Rate	2.1	-	2.3

Source: ING, Bloomberg

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