

## Key events in developed markets next week

Next week our focus will be on the US jobs report, Eurozone inflation and UK consumer credit. But what else will have our attention in developed markets?



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### US Fed: "Gradually" getting there

High-frequency data suggests that after a respectable 2.3% annualised rate of growth in 1Q18, the US economy is likely to post something around the 3% mark in 2Q18. With inflation picking up – only the core PCE deflator is below the Federal Reserve's 2% target, this should keep the Fed hiking rates "gradually", and we certainly look for another 25bp move on 13 June 2018.

However, the market remains split on whether we will get one or two further hikes in the second half of the year. We currently favour two, citing the strong labour market and rising wages, which should be highlighted in this week's jobs report. Unemployment at 3.9% has only been lower once in the past 48 years, and the lack of available workers is creating bottlenecks in the US economy. This suggests to us that wages will continue to bid higher, translating into rising inflation pressures.

Higher oil prices are also an issue that we will be watching. Gasoline prices are up 50 cents/gallon since the tax cuts equivalent to \$900 per household were announced in December. Based on average annual consumption these price rises will cost drivers an extra \$350 if maintained, so we see little downside risk to consumer confidence on the back of this. Higher mortgage rates are also

a factor that may at the margin weaken sentiment. Nonetheless, it is important to remember that higher oil prices are no longer such an unambiguous negative for the US economy given the fact that the US is now the World's number one producer. Jobs and investment in the sector are booming.

## ✔ Eurozone: Inflation bounce back and preparations for the June ECB meeting

In the Eurozone, eyes will be on the May inflation release. The April numbers were a shocker as core inflation dropped to 0.7%, on which we should see somewhat of a bounce back this month. Unemployment could also edge down next week, which means that some good news could follow this week's disappointing PMI.

Also, next week will see an entire series of ECB officials giving speeches, probably preparing the grounds for the June meeting. A meeting which increasingly looks like another "buying time" meeting.

## ✔ Eyes on UK consumer credit growth as Bank of England mulls next move

Generally, UK consumer borrowing numbers come and go each month without much attention. That was until last month when consumer credit growth unexpectedly plunged to levels not seen since late-2012. Pinning down the exact cause of this is not easy, and it could prove to be a blip (some have pointed to the snow, although it's not immediately clear why that should have made such a noticeable impact).

But according to a recent BoE credit conditions survey, we know that banks have significantly tightened standards (notably for credit card borrowing). If it becomes clear that borrowing has indeed ground to a halt, it would be another blow to battered UK retailers and would likely raise further doubts over a summer rate hike.

We'll also get the manufacturing PMI, which showed some signs of fatigue last month. A further downside miss in May would indicate that weaker Eurozone momentum is starting to bite for UK producers.

## ✔ Surge in oil prices to pick up German inflation

German inflation will be the first inflation data for the ECB for May. With the recent surge in oil prices, headline inflation should pick up. Watch out once again for possible seasonal distortions of German inflation data due to several holidays and long weekends in May.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Friday 25 May</b>					
US	1330	Apr P Durable Goods Orders (MoM%)	-1.8	-1.3	2.6
	1330	Apr P Durable Goods Orders (ex. Trans, MoM%)	0.3	0.5	-0.1
	1500	May F U. of Mich. Sentiment Index	99	98.8	98.8
	1420	Fed's Powell Speaks on Financial Stability and Transparency			
	1645	Fed's Kaplan, Evans and Bostic Speak at Dallas Fed			
Eurozone	0800	ECB's Villeroy Speaks in Paris			
	1415	ECB's Coeure Speaks in Stockholm			
	1730	EU's Barnier Speaks at Debate on Brexit in Lisbon			
Germany	0900	May IFO Business Climate	101.9	102	102.1
	0900	May IFO Expectations	98.9	98.5	98.7
	0900	May IFO Current Assessment	105.3	105.5	105.7
UK	0930	1Q P GDP (QoQ/YoY%)	0.1/1.2	0.1/1.2	0.1/1.2
Sweden	-	Ingves, Carney, Liikanen, Powell at Riksbank Conference			
	-	Riksbank Jubilee Seminar			
Portugal	-	Portugal Releases Year-to-Date Budget Report			
<b>Monday 28 May</b>					
Eurozone	0800	ECB's Villeroy Speaks in Paris			
Sweden	0830	Apr Retail Sales (MoM/YoY%)	-/-	-/-	1.2/2.9
Norway	0700	Norway Oil and Gas Investment Survey released	-	-	-
Japan	0750	Apr PPI Services (YoY%)	0.4	-	0.5
	0730	Apr Unemployment rate (%)	2.5	-	2.5
<b>Tuesday 29 May</b>					
US	1500	May Consumer Confidence	125	128	128.7
Eurozone	0900	Apr M3 Money Supply (YoY%)	3.8	-	3.7
	0930	ECB's Visco Speaks at Bank of Italy Annual Meeting			
	1030	ECB's Mersch Speaks at Frankfurt Finance Summit			
	1630	ECB's Lautenschlaeger Speaks at Colloquium in Frankfurt			
	1700	ECB's Coeure Speaks at Roundtable Discussion in Paris			
N Zealand	2200	RBNZ Publishes Financial Stability Report			
Sweden	0700	Swedish FSA Financial Stability Report			
	0715	Debate on EU Recommendations for Sweden			
	0800	May Economic Tendency Survey	110		110.4
<b>Wednesday 30 May</b>					
US	1315	May ADP Employment Change (000's)	170	185	204.1
	1330	1Q S GDP (QoQ Annualised %)	2.3	2.3	2.3
	1900	U.S. Federal Reserve Releases Beige Book			
Japan	0050	Apr P Retail trade (MoM/YoY%)	0.4/0.9	-/-	-0.6/1
	0600	May Consumer confidence index	43.8	-	43.6
Germany	0855	May Unemployment Change (000's)	-	-	-7
	0855	May Unemployment Rate (%)	5.3	-	5.3
	1300	May P CPI (MoM/YoY%)	0.2/1.8	-/-	0/1.6
Spain	0800	May P HICP (MoM/YoY%)	-/-	-/-	0.8/1.1
Canada	1500	Bank of Canada Policy Rate	1.25	1.25	1.25
Sweden	0830	1Q GDP (QoQ/YoY%)	0.4/3.2	-	0.9/3.3
Norway	0700	Apr Retail Sales (MoM%)	-	-	1.1
Switzerland	1545	SNB's Jordan Speaks in Solothurn			
<b>Thursday 31 May</b>					
US	1730	Fed's Bostic Speaks in Moderated Q&A in Orlando			
UK	0930	Net Consumer Credit (GBP billions)	1	-	0.3
Japan	0050	Apr P Industrial production - Prel (MoM/YoY%)	-12.4/2.1	-/-	1.4/2.4
Eurozone	1000	Apr Unemployment Rate (%)	8.4	-	8.5
	1000	May A Core CPI (YoY%)	1	-	0.7
	1000	May Flash CPI (YoY%)	1.6	-	1.2
Italy	1000	May P HICP (YoY%)	-	-	0.6
Canada	1330	1Q GDP (Annualised, QoQ%)	-	-	1.7/1.4
	1330	Mar GDP (MoM/YoY%)	-/-	-/-	0.4/3
Switzerland	0800	SNB Vice President Zurbrugg Presents Payment Methods Report			
<b>Friday 1 June</b>					
US	1330	May Change in Nonfarm Payrolls ('000s)	170	183	164
	1330	May Unemployment Rate (%)	3.9	3.9	3.9
	1330	May Average Hourly Earnings (MoM/YoY%)	0.3/2.7	0.3/-	0.1/2.6
	1330	May Participation Rate	62.8	-	62.8
	1500	May ISM Manufacturing	57.5	57.8	57.3
UK	0930	May Markit/CIPS Manufacturing PMI	54.2	-	53.9
Italy	0900	1Q F GDP (QoQ/YoY%)	-/-	-/-	0.3/1.4
Sweden	0730	May Swedbank/Silf Manufacturing PMI	55	-	54.5
Norway	0800	May DNB/NIMA Manufacturing PMI	56.5	-	56.2
	0900	May Unemployment Rate (%)	-	-	2.4

Source: ING, Bloomberg

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