

## Key events in developed markets next week

It is a data-heavy week in developed markets next week. We'll be watching 1Q growth figures in the US and Eurozone as well as UK data ahead of the May Bank of England meeting



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### Data to help push the US 10-year Treasury convincingly above 3%

The key story for financial markets right now is whether the US 10Y government bond yield will convincingly break above 3%. We think it will and the upcoming data flow could be the catalyst.

First up is 1Q GDP and as we have [already written](#), there is clearly a “residual seasonality problem” with the data. Over the past 30 years, growth in Q1 has on average been 1.5 percentage points lower than in Q2. As such there is risk to our relatively upbeat forecast of 2.4% annualised growth. Certainly, consumer, government and investment are likely to be softer than in Q4 2017 given there won't be the post hurricane rebuild/replace spending that we saw back then. Nonetheless net trade & inventories should make a big positive contribution.

We will also get the personal consumer expenditure deflator next week. The core (ex food and energy) measure is expected to jump from 1.6%YoY to 2%, much as the CPI figure has already done. With the US jobs report on Friday set to show another strong reading for employment and a

further uptick in wage growth this should add to a sense that the US will continue to grow strongly and that inflation pressures are building, which will keep yields elevated. Then, with the US fiscal deficit continuing to expand through a combination of higher spending and lower taxes, we suggest rising bond issuance at a time when the Federal Reserve is shrinking its balance sheet means that 10Y yields will push towards 3.5% later this year.

## ✓ De-escalation of trade tensions to support three more Fed rate hikes this year

We are also hearing more positive signals on trade with President Trump suggesting NAFTA re-negotiations are “doing very nicely”, while the Canadian contingent are saying a “win-win-win agreement is possible” in the next few weeks. With Treasury Steve Mnuchin also hinting that there has been a de-escalation of tensions with China, fears of protectionism and an economically damaging trade war have receded to some extent.

This could change at any point with the odd Trump tweet or soundbite, but the situation as it stands right now suggests the Federal Reserve can be a little more relaxed. We therefore look for a relatively upbeat assessment in the press release accompanying next week’s FOMC decision which would be supportive of our forecast of three further Fed rate hikes this year.

## ✓ Eurozone: Will recent data disappointments lead to weak Q1 growth?

The key question in the Eurozone next week will be whether recent data disappointments really led to unexpectedly weak GDP growth in the first quarter. Here, the first estimate of GDP growth in the Eurozone will be highly interesting. Expectations were sky-high at the beginning of the quarter, but data has disappointed as market jitters and geopolitical tensions surfaced. We still expect growth to have come in strong, but marginally slower than in Q4.

For inflation, the April reading will be one of two before the all-important June ECB meeting. There is not much in it to expect a sudden jump this month – or next for that matter – meaning that a dovish ECB continues to be the best bet for now.

Elsewhere, German inflation data could drop once again on the back of a reversed Easter effect.

## ✓ UK PMIs to give final steer ahead of blockbuster Bank of England meeting

Following BoE Governor Mark Carney’s cautious comments, the prospects of a May rate hike rest on a knife-edge. Alongside UK GDP this week, next week’s PMIs will be the final data points before the Bank meets on 10 May, and policymakers may take solace in the fact that the services index should largely recover after a snow-induced collapse in March.

That might be enough to convince the committee to go ahead with a rate hike in May, particularly as the Bank has been clear it wants to tighten policy to combat the threat of higher wage growth. But at levels between 53-54, it’s clear the service sector is continuing to struggle and we don’t expect this strife (particularly in retail) to end rapidly. For this reason, alongside the fact that Brexit could get quite noisy in the autumn, we think the odds of multiple rate hikes this year remain fairly low at this stage.

## Norwegian central bank meeting to be a highlight

The Norwegian central bank meeting on Thursday is the highlight of the week in Scandinavia. With no new forecasts, we expect limited change to Norges Bank's policy stance; decent domestic data and rising oil prices mean the NB is on track for a first rate hike this autumn. April Manufacturing PMI surveys for Sweden and Norway are likely to tick up a little after falling in the past couple of months.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Friday 27 April</b>					
US	1330	1Q A GDP (QoQ Annualised %)	2.5	2	2.9
	1500	Apr F U. of Mich. Sentiment Index	98	98	97.8
Japan	0050	Mar Retail trade (MoM/YoY% SA)	-/-	0/1.5	0.5/1.7
	0050	Mar P Industrial production - Prel (MoM/YoY%)	-/-	0.5/2	2/1.6
	-	Apr 27 BoJ 10-year yield target (%)	-	0	0
	-	Policy Rate	-	-0.1	-0.1
	0030	Tokyo Apr CPI			
	-	BOJ Outlook Report			
Eurozone	1000	Apr F Consumer Confidence	-	-	0.4
	0645	ECB's Mersch Speaks in Sofia			
	-	ECB's Lautenschlaeger (0745) and Mersch (0900) Speak in Sofia			
Germany	0855	Apr Unemployment Change (000's)	-	-15	-19
	0855	Apr Unemployment Rate (%)	5.3	5.3	5.3
UK	0930	1Q A GDP (QoQ/YoY%)	0.3/1.4	0.3/1.4	0.4/1.4
	-	BOE's Carney Speaks (1500) and Andy Haldane Chairs Panel (1515) in London			
Italy	-	Bank of Italy Releases Semi-Annual Financial Stability Report			
Spain	0800	Apr P HICP (MoM/YoY%)	-/-	0.8/1.2	1.2/1.3
Australia	0230	1Q PPI (Q) (QoQ/YoY%)	-/-	-/-	0.6/1.7
Sweden	0700	Riksbank's Skingsley in Panel Debate on E-krona			
Switzerland	0900	SNB's Jordan, Studer Speak at Central Bank's AGM in Bern			
Global	-	NATO Foreign Ministers Meet in Brussels			
Portugal	0930	Portugal Releases Consumer, Business Confidence Report			
<b>Monday 30 April</b>					
Eurozone	0900	Mar M3 Money Supply (YoY%)	4.2	-	4.2
Germany	1300	Apr P CPI (MoM/YoY%)	-0.3/1.5	-/-	0.4/1.6
Italy	1000	Apr P HICP (YoY%)	-	-	0.9
Portugal	0930	Portugal Releases Consumer Price Index Estimate			
	1100	Portugal Releases March Retail Sales, Employment Report			
	1100	Portugal Reports Industrial Production Index			
<b>Tuesday 1 May</b>					
US	1500	Apr ISM Manufacturing	58.8	58.6	59.3
UK	0930	Apr Markit/CIPS Manufacturing PMI	55.6	-	55.1
Canada	1330	Feb GDP (MoM/YoY%)	-/-	-/-	-0.1/2.7
	1945	Bank of Canada's Poloz Gives Speech in Yellowknife			
Australia	0530	RBA Cash Rate Target	-	1.5	1.5
	-	RBA Governor Lowe Remarks at Board Dinner			
<b>Wednesday 2 May</b>					
US	1315	Apr ADP Employment Change (000's)	190	203.5	241.1
	1900	FOMC Rate Decision (Upper bound)	1.75	1.75	1.75
	-	Treasury's Quarterly Refunding			
Japan	0050	Apr Monetary base (JPY tr)	-	-	487
	0600	Apr Consumer confidence index	-	-	44.3
Eurozone	0900	Apr F Markit Manufacturing PMI	56	-	56
	1000	Mar Unemployment Rate (%)	8.4	-	8.5
	1000	1Q A GDP (QoQ/YoY%)	0.6/2.7	-/-	0.7/2.8
Italy	1000	1Q P GDP (QoQ/YoY%)	-/-	-/-	0.31/1.61
Sweden	1200	Riksbank Governor Ingves Gives Speech in London			
	0730	Apr Swedbank/Silf Manufacturing PMI	57	-	55.9
Norway	0800	Apr DNB/NIMA Manufacturing PMI	56	-	55
<b>Thursday 3 May</b>					
US	1330	Mar Trade Balance (US\$bn)	-56.5	-56	-57.591
	1500	Apr ISM Non-manufacturing	58	58.3	58.8
Eurozone	1000	Apr A Core CPI (YoY%)	1	-	1
	1000	Apr Flash CPI (YoY%)	1.4	-	1.4
	1000	European Commission Updates Its Economic Forecasts			
	-	ECB's Constancio (1300) and Coeure (1330) Speak in Frankfurt			
UK	0930	Apr Markit/CIPS Services PMI	53.3	-	51.7
Australia	0230	Mar Trade balance (A\$m)	-	-	825
Norway	0900	Deposit Rates	0.5	-	0.5
Sweden	0700	Riksbank Seminar on Future Payments			
Switzerland	1700	SNB's Jordan Speaks About Vollgeld in Zurich			
	1700	SNB President Jordan holds speech on sovereign money			
Norway	0900	Norge's Bank Policy Rate (%)	0.5	-	0.5
<b>Friday 4 May</b>					
US	1330	Apr Change in Nonfarm Payrolls ('000s)	200	185	103
	1330	Apr Unemployment Rate (%)	4	4	4.1
	1330	Apr Average Hourly Earnings (MoM/YoY%)	0.2/2.7	0.2/-	0.3/2.7
	1330	Apr Participation Rate	63	-	62.9
Eurozone	0900	Apr F Markit Services PMI	55	-	55
	0900	Apr F Markit Composite PMI	55.2	-	55.2
	1000	Mar Retail Sales (MoM/YoY%)	0.8/1.6	-/-	0.1/1.8
France	0745	Survey of Industrial Investment			
Australia	0230	RBA Statement on Monetary Policy			

Source: ING, Bloomberg

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