

Our view on next week's key events

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By James Knightley, Carsten Brzeski and 2 others



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By Peter Virovacz

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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.
Friday 27 April					
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			
Monday 30 April					
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			
Tuesday 1 May					
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			
Wednesday 2 May					
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
Thursday 3 May					
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
Friday 4 May					
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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Asia week ahead: The trade data test

Trade data may provide a test of risks from the global trade war, while inflation continues to be subdued in most Asian economies except the Philippines



➔ Korea trade may inform about trade war risks

A week ago, we noted that so far, there has been scant evidence of a trade war on Asia's GDP growth. We may start getting some early hints in the April trade figures. Korea is the first economy in Asia, and probably in the world, to report trade data for this month.

Underlying our forecast of a slowdown in Korea's exports in April- to 0.5% year-on-year from 6.1% in the previous month- is a double whammy of the high base effect and a hit to sentiment from the trade war.

Our main focus will be semiconductors, the backbone of Korea's exports. An upswing in the global electronics cycle last year boosted semiconductor exports from Korea by a whopping 57% on the year in 2017. The strength continued in 2018 with a 46% rise in the first quarter of the year. However, the recent downgrade of sales forecasts by key chipmakers in Asia and abroad clouds the prospects for continued strength.

46% Korea semiconductor export growth in 1Q
Year-on-year

➔ PMIs may shed light on export-led growth

A slew of manufacturing PMI releases from across Asia may shed more light on the export-led manufacturing recovery.

China's PMI data is the most market-sensitive of all, and our Greater China Economist [Iris Pang](#) forecasts a lower print of 51.3 from 51.5 in March. China is the main player in the global trade war. Hopes remain pinned on possible reconciliation as hinted by US Treasury chief Steven Mnuchin, who's considering a trip to China in 'a few days'.

4.6% ING forecast of Philippine inflation in April
Up from 4.3% in March

➔ Philippines CPI may bring BSP closer to tightening

The Philippines has been in the news recently for rising consumer price inflation, and possible tightening of the central bank (BSP) monetary policy.

The CPI data for April is expected to reveal a continued acceleration of inflation. [Joey Cuyegkeng](#), our expert on the ground, forecasts a rise to 4.6% YoY from 4.3% in March. While short-term rates in this economy are grinding higher, the BSP's Governor Nestor Espenilla Jr. has also warned of a hike in the policy rate ([read here](#)). The markets are now looking for a policy rate hike either at the May or June BSP meeting. We are reconsidering our view of stable policy this year, which was based on earlier signals of steady policy from the central bank.

➔ Not much inflation risk elsewhere in Asia

Indonesia also reports CPI data for April. Inflation has been in the central bank's (BI) target zone of 2.5% to 4.5% since mid-2017 and we expect it to remain there in 2018. However, our view of stable BI monetary policy this year remains at risk from a weak currency.

Other economies to release CPI data are Korea and Thailand. Both economies will continue to ride a benign inflation trend, while their strong currency exchange rates provide a deflationary buffer from rising global oil prices.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 27 April					
China	0230	Mar Industrial profits (YTD, YoY%)	18	-	10.8
Singapore	0330	1Q Jobless rate (Q) (% , SA)	2.1	2.1	2.1
Taiwan	0900	1Q P GDP (YoY%)	3.3	3.15	3.28
Thailand	-	Mar Manufacturing index (YoY%)	3.3	-	4.7
Monday 30 April					
China	0200	Apr Non-manufacturing PMI	54.5	54.4	54.6
	0200	Apr Manufacturing PMI	51.3	51.2	51.5
South Korea	0000	Mar Industrial production (MoM/YoY%)	-0.3/-1.6	-/-	1.07/-64
Tuesday 1 May					
Thailand	0400	Apr CPI (YoY%)	0.8	-	0.79
	0400	Apr Core-CPI (YoY%)	0.7	-	0.63
South Korea	0100	Apr Exports (YoY%)	0.5	-	6.1
	0100	Apr Imports (YoY%)	8.7	-	5
	0100	Apr Trade balance (US\$m)	9811	-	6865
Wednesday 2 May					
China	0245	Apr Caixin Manufacturing PMI	50.5	50.8	51
India	0600	Apr Nikkei Manufacturing PMI	51.8	-	51
Indonesia	0500	Apr CPI core (YoY%)	-	-	2.67
	0500	Apr CPI (YoY%)	3.5	-	3.4
Singapore	1400	Apr Purchasing Managers Index	52.8	-	53
Taiwan	0130	Apr Nikkei Manufacturing PMI	53.5	-	55.3
South Korea	0000	Apr CPI (MoM/YoY%)	-/1.5	-/-	-0.1/1.3
	0130	Apr Nikkei Manufacturing PMI	49.5	-	49.1
Thailand	0030	Apr Nikkei manufacturing PMI	50.1	-	49.1
Thursday 3 May					
Taiwan	0900	Central Bank Mar. Minutes			
Hong Kong	0815	Mar Retail sales value (YoY%)	27	-	29.8
	0815	Mar Retail sales volume (YoY%)	26	-	28.2
South Korea	2300	Mar Current A/c Balance (US\$m)	6398	-	4027.3
Thailand	0400	Apr UTCC's consumer confidence	80.3	-	79.9
Friday 4 May					
India	0600	Apr Nikkei Services PMI	48.8	-	50.3
Malaysia	0500	Mar Trade balance (RM bn)	9.7	-	9.02
	0500	Mar Imports (YoY%)	2.2	-	-2.75
	0500	Mar Exports (YoY%)	-3.2	-	-2.02
Philippines	0100	Apr CPI (YoY%)	4.6		4.3

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

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Source: Shutterstock

✓ Czech National Bank to remain on hold but expect two hikes this year

Although we expect the Czech National Bank (CNB) to stay on hold next week, they will publish a new forecast, providing guidance about monetary tightening, the combination of EUR/CZK and rate paths.

While previous forecasts assumed CZK to reach 24.9 in 2Q18 and EUR/CZK to reach 24.6 in the last quarter of 2018, new projections are most likely to bring minor revisions, seeing CZK slightly below the 25 EUR/CZK level at the end of the year.

Considering the CNB rule that 1% CZK appreciation is equivalent to a 25bp rate hike in monetary tightening and the fact that the interest rate trajectory is unlikely to change in 2018, the new forecast is likely to signal room for tightening with "two hikes" this year - also our baseline scenario.



Central Bank of Russia to hold amidst US sanctions and market turbulence

In the CIS space, the Central Bank of Russia's (CBR) meeting this Friday is a key event, and we see the rate being kept "on-hold" with the CBR taking some time to monitor the economic and financial effects of US sanctions and market turbulence. Yet, we think the easing story in 2018 is not over.

Apart from that, Russian manufacturing PMI may show a further slide in confidence given the released decline in the Rosstat indicator, while inflation data for April is likely to see headline CPI unchanged at 2.4% and core CPI slightly up from 1.8% to 2%.

In Kazakhstan, April inflation is expected to drop further to 6.3%. Moreover, a Fitch update on Ukraine's sovereign debt is unlikely to see any changes from the current B-/Stable.

Expect positive movements in Hungarian data

In Hungary, we are expecting some upward movement in the PMI following on from the fading uncertainty as the general election is now over. The retail sector may experience further strong data as we see a temporary boost from early Easter and a handing out of one-off lump sum benefits for pensioners worth HUF27.7bn (EUR 89m).

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 27 April					
Russia	1130	Key Rate (%)	7.25	7.25	7.25
Poland	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
Hungary	-	Opus Global Annual General Shareholder Meeting			
Ukraine	-	Ukraine Sovereign Debt to be rated by Fitch			
Croatia	1000	Mar Unemployment Rate (%)	-	-	12.3
Brazil	1300	Mar Unemployment Rate (%)	13	12.9	12.6
Monday 30 April					
Turkey	0800	Mar Trade Balance (US\$m)	-	-	-5.76
	0830	Central Bank Inflation Report			
Serbia	1100	1Q P GDP (YoY%)	3.4	-	2.5
Croatia	1000	Mar Industrial Production (SA, YoY%)	-	-	3.3
South Africa	1300	Mar Trade Balance (ZARbn)	-	-	0.43
Israel	1100	Mar Monthly Unemployment Rate (%)	-	-	3.8
Mexico	1400	1Q P GDP (YoY%)	1.6	-	1.52
Wednesday 2 May					
Turkey	0800	Apr Markit/ISO Manufacturing PMI	-	-	51.8
Poland	0800	Apr Markit Manufacturing PMI	-	-	53.7
	0900	Apr P CPI (MoM/YoY%)	-/-	-/-	-0.1/1.3
Czech Rep	0830	Apr Markit Manufacturing PMI	-	-	57.3
	1300	Apr Budget Balance (CZKbn)	-	-	16.26
Hungary	0800	Apr Manufacturing PMI	57.2	-	57
Romania	0700	Mar Unemployment Rate SA	-	-	4.6
	-	Apr FX Reserves (€bn, Net)	-	-	38309.1
Kazakhstan	-	Apr CPI (MoM/YoY%)	0.3/6.3	-/-	0.5/6.6
	-	Apr PPI (MoM/YoY%)	-/-	-/-	-0.7/13.5
Thursday 3 May					
Russia	0700	Apr Markit Manufacturing PMI	50.3	-	50.6
Turkey	0800	Apr CPI (MoM/YoY%)	-/-	-/-	1/10.2
	0800	Apr Domestic PPI (MoM/YoY%)	-/-	-/-	1.5/14.3
	0800	Apr Core CPI (YoY%)	-	-	11.44
Czech Rep	1200	Repo Rate	0.75	-	0.75
Hungary	0800	Feb F Trade Balance (€mn)	838	-	838
	0800	Mar PPI (MoM/YoY%)	0.0/3.6	-/-	0.8/3.9
Romania	0700	Mar PPI (MoM/YoY%)	-/-	-/-	0.19/3.9
Brazil	1300	Mar Industrial Production (YoY%)	3.2	-	2.8
Friday 4 May					
Russia	-	Apr CPI (MoM/YoY%)	0.4/2.4	-/-	0.3/2.4
	-	Apr Core CPI (YoY%)	2	-	1.8
Hungary	0800	Mar Retail Sales (YoY%)	7	-	6.6
Romania	0700	Mar Retail Sales (MoM/YoY%)	-/-	-/-	-2.3/6.6

Source: ING, Bloomberg

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