

Our view on next week's key events

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✓ US: Monetary policy outlook up in the air after negative GDP reading

After the surprise negative GDP print for the first quarter, all eyes will be on the Federal Reserve to see if this results in a more cautious prognosis for the outlook for monetary policy. We doubt it given that it was largely a temporary trade and inventory-led dip in activity and it certainly doesn't alter the outlook for a 50bp rate rise on 4 May given inflation is running at 40-year highs and the unemployment rate is below 4%. Nonetheless, it may help to dampen talk of potential 75bp rate rises in June and/or July with the Fed looking less likely to openly discuss those possibilities. We expect the Fed to follow up with 50bp rate hikes in June and July before switching to 25bp as quantitative tightening gets up to speed. We see the Fed funds rate peaking at 3% in early 2023, although the risks are skewed towards the policy rate being raised more swiftly.

We will also be looking for the Fed to formally announce quantitative tightening. The minutes of the March FOMC meeting showed "all participants" felt the need to announce the "commencement of balance sheet runoff at a coming meeting". Given the doubling of the size of the balance sheet since the last round of quantitative tightening in 2017-19, this would be done at a "faster pace" than then. "Participants generally agreed that monthly caps of about \$60 billion for Treasury

securities and about \$35 billion for agency MBS would likely be appropriate” versus the peak total \$50bn run-off seen last time around. This would be a “phased in” roll-off cap of maturing assets that could last three or more months depending on market conditions. In months when there aren't enough Treasuries or MBS maturing, Treasury bills could be redeemed to make up for any shortfall. We expect it to start at \$50bn being allowed to run off each month before getting up to \$95bn by September.

There are also several important data releases next week, including the April jobs report. Companies are still seeking to hire and it is a lack of available/suitable workers that is holding back employment growth. Consequently, wages are set to continue being bid higher with unemployment remaining at 3.6%. We will also be closely watching the ISM manufacturing and service sector reports. Decent outcomes here would reinforce the view that the economy will expand again in 2Q, thereby keeping the Federal Reserve in policy tightening mode.

Bank of England set for another rate hike coupled with sizable forecast revisions

The Bank of England has hiked three times so far and a fourth increase next Thursday looks like a near-certainty. But despite talk of a more aggressive 50bp move, we suspect that's unlikely. Governor Andrew Bailey recently said the Bank is walking a 'narrow path' between growth and inflation, and implied that the Bank was comfortable with taking a more phased approach to tightening. New forecasts due next week are likely to show that this growth-inflation trade-off has only magnified over the past few weeks. Of course, the BoE is at a slight advantage to some other central banks in that it already has a few hikes under its belt.

It'll also be interesting to see if any committee members join Jon Cunliffe, who last month was the sole voter for no change in rates. More likely though we'll get another 8-1 vote in favour of the hike.

In short, we expect the rate hike on Thursday to be followed by another in June, but after that, we suspect policymakers will be inclined to pause – or at the very least slow down – the pace of rate rises. That suggests markets, which expect roughly another six hikes this year, are likely to be overestimating the amount of tightening required.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 2 May					
US	1500 Apr	ISM Manufacturing PMI	58.0	57.7	57.1
	1500 Apr	ISM Manufacturing Prices Paid	85.0		87.1
Germany	0700 Mar	Retail Sales (MoM%/YoY%)	-2.0/5.0		0.3/7.0
	0855 Apr	Markit/BME Manufacturing PMI	54.1		54.1
Italy	0845 Apr	Markit/IHS Manufacturing PMI	-		55.8
	0900 Mar	Unemployment Rate	-		8.5
Eurozone	0900 Apr	Markit Mfg Final PMI	55.3		55.3
Tuesday 3 May					
US	1500 Mar	Factory Orders (MoM%)	1.4	1.2	-0.5
Germany	0855 Apr	Unemployment Rate SA	5		5.0
UK	0930 Apr	Markit/CIPS Manufacturing PMI Final	55.3		55.3
Eurozone	1000 Mar	Unemployment Rate	6.7		6.8
Wednesday 4 May					
US	1315 Apr	ADP National Employment	400	360	455
	1330 Mar	International Trade \$	-99.0	-86.7	-89.2
	1445 Apr	Markit Composite Final PMI	-		55.1
	1445 Apr	Markit Services PMI Final	-		54.7
	1500 Apr	ISM Non-Manufacturing PMI	59.0	58.9	58.3
	1900	Fed Funds Target Rate	1.00	1.00	0.5
	1900	Fed Interest On Excess Reserves	-	-	0.4
Germany	0700 Mar	Exports	-2		6.4
	0700 Mar	Imports	-2		4.5
	0700 Mar	Trade Balance	-		11.5
	0855 Apr	Markit Services PMI	57.9		57.9
	0855 Apr	Markit Composite Final PMI	54.5		54.5
France	0850 Apr	Markit Composite PMI	-		57.5
Italy	0845 Apr	Composite PMI	-		52.1
Spain	0815 Apr	Services PMI	-		53.4
Canada	1330 Mar	Trade Balance C\$	-		2.66
Eurozone	0900 Apr	Markit Services Final PMI	57.7		57.7
	0900 Apr	Markit Composite Final PMI	55.8		55.8
	1000 Mar	Retail Sales (MoM%/YoY%)	0.5/1.9		0.3/5.0
Thursday 5 May					
US	1330	Initial Jobless Claims	175		180
	1330	Cont Jobless Claims	1400		1408
Germany	0700 Mar	Industrial Orders (MoM%)	-3		-2.2
France	0745 Mar	Industrial Output (MoM%)			-0.9
UK	0930 Apr	Markit/CIPS Services PMI Final	58.3		58.3
	0930 Apr	Composite PMI Final	57.6		57.6
	1200 May	BOE Bank Rate	1.00	1.00	0.75
Norway	0900	Key Policy Rate	0.75		0.75
Switzerland	0730 Apr	CPI (MoM%/YoY%)	-/-		0.6/2.4
Friday 6 May					
US	1330 Apr	Non-Farm Payrolls	400	390	431
	1330 Apr	Private Payrolls	410	400	426
	1330 Apr	Unemployment Rate	3.6	3.6	3.6
	2000 Mar	Consumer Credit	23.0	20.0	41.8
Germany	0700 Mar	Industrial Output (MoM%/YoY%)	-1.5		0.2/3.01
France	0745 Apr	Reserve Assets Total	-		235521
Canada	1330 Apr	Unemployment Rate	-		5.3
Switzerland	0645 Apr	Unemployment Rate Adjusted	-		2.2

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

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Source: Shutterstock

✓ Hungary: Impact of the war will be reflected in activity data

The moment of truth is approaching as the Hungarian Central Statistical Office gets set to release economic activity data for March. This is the first opportunity to see hard data for a full month affected by the Ukraine war. We see the most significant impact being visible in industrial production as several car makers downscaled production due to shortages of spare parts. But despite the monthly drop in March, the quarterly performance should remain sound enough to support strong GDP growth. Retail sales probably had another strong month as one-off transfers to households in February probably had a positive impact on March's retail turnover as well. However, we wouldn't rule out a downside surprise as the government tried to cut "fuel tourism" in March with measures to secure local fuel supplies given that Hungary has the cheapest retail fuel prices in the central and eastern European region due to price caps.

✓ Turkey: Annual inflation set to increase further

In April, we expect annual inflation to maintain its upward trend, reaching 66.0% (4.6% on monthly basis) from 61.1% a month ago. This is due to deteriorating expectations and pricing behaviour in addition to continuing pressure on import prices and food prices, along with further administrative price adjustments in certain products.

EMEA Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 2 May				
Poland	0800	Apr Markit Manufacturing PMI	-	52.7
Czech Rep	0830	Apr Markit PMI	-	54.7
	1300	Apr Budget Balance	-	-59.1
Hungary	0800	Apr Manufacturing PMI	53.4	57.6
Brazil	1400	Apr Markit Manufacturing PMI	-	52.3
Mexico	1530	Apr Markit Manufacturing PMI	-	49.2
Tuesday 3 May				
Brazil	1300	Mar Industrial Output (MoM%/YoY%)	-/-	0.7/-4.3
Wednesday 4 May				
Russia	0700	Apr Markit Manufacturing PMI	-	44.1
Hungary	0800	Mar Retail Sales (YoY%)	9.7	9.8
Brazil	0900	Apr IPC-Fipe Inflation Idx	-	1.28
	1400	Apr Markit Services PMI	-	58.1
	1400	Apr Markit Composite PMI	-	56.6
	2200	Selic Interest Rate	-	11.75
Thursday 5 May				
Turkey	0800	Apr CPI (MoM%/YoY%)	4.6/66.0	5.5/61.1
	0800	Apr Manufacturing PMI	-	49.4
Poland	-	May NBP Base Rate	-	4.5
Czech Rep	1330	CNB Repo Rate	-	5
South Africa	0815	Apr Std Bank Whole Econ PMI	-	51.4
Friday 6 May				
Russia	0700	Apr Markit Services PMI	-	38.1
Hungary	0800	Mar Industrial Output (MoM%/YoY%)	-1.9/2.2	1.6/4.5

Source: Refinitiv, ING, *GMT

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Asia week ahead: Australia central bank decision and several inflation reports out

Next week features a central bank decision, several regional PMI reports, trade data and inflation readings



The phenomenon of 'revenge spending' has extended much longer than we had previously anticipated in the Philippines, but we think it could be coming to an end

Reserve Bank of Australia (RBA) to hike rates

What was shaping up to be just a position-setting meeting ahead of an actual hike later this quarter is now looking likely to deliver not just a rate hike, but perhaps a 40bp one together with a strong nod towards front-loading at subsequent meetings. This follows a much higher-than-expected inflation reading for 1Q22. The market is already heavily pricing in rate hikes from the RBA so the market reaction may be modest.

Inflation heats up as energy costs stay elevated

Next week features several inflation reports from the region. Taiwanese inflation should edge higher due to elevated energy prices. Taiwan is again on the brink of electricity shortages beginning on 26 April due to hot weather. Imported energy prices have risen as well and both factors should push inflation higher.

Meanwhile, the Philippine April inflation should breach the Bangko Sentral ng Pilipinas' (BSP's) target with food and transport costs pushing the headline rate to 4.8%. Accelerating inflation and decent GDP growth numbers should be enough to convince the central bank to turn hawkish and

hike before the end of 2Q. Faster inflation will also be noted in Korea with April headline inflation set to accelerate by 4.3% from 4.1% previously.

Regional PMI reports

Regional economies will also be releasing PMI reports with the focus being on China's service sector. CAIXIN will release its April China services PMI and we expect it to come in below 50, reflecting the lockdown impact on retail and other service sectors. Mobility restrictions may impact the Golden Week holiday in May and with leisure trips being shorter, retail sales could be impacted a lot.

Trade flows up for some, down for others

The ongoing conflict in Ukraine has clearly affected global trade but the impact across economies is varied. Australia's March trade surplus could improve to AUD11.73bn from AUD7.45bn the previous month due to positive terms of trade shocks. Korea, on the other hand, is expected to post a wider trade deficit (\$4bn from \$0.12bn) with export growth expected to decelerate to 13.2% from 18.2%. Philippine imports should sustain the trend of double-digit gains, driven by an expected surge in fuel imports given elevated global crude prices. The overall trade deficit should remain sizable at roughly \$4.9bn and exert depreciation pressure on the Philippine peso in the near term.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Sunday 1 May				
South Korea	0100	Apr Export Growth Prelim	13.2	18.2
	0100	Apr Import Growth Prelim	21.8	27.9
	0100	Apr Trade Balance Prelim	-4.0	-0.12
Monday 2 May				
Japan	0130	Apr Jibun Bank Manufacturing PMI	53.0	53.4
India	0600	Apr IHS Markit Manufacturing PMI	54.5	54.0
		- Apr Fiscal Deficit - Bln INR Prelim	-	131659
		- Apr Imports - USD Prelim	-	60.7
		- Apr Exports - USD Prelim	-	42.2
Philippines	0130	Apr Manufacturing PMI	53.4	53.2
Taiwan	0130	Apr IHS Markit Manufacturing PMI	-	54.1
South Korea	0130	Apr IHS Markit Manufacturing PMI	51.5	51.2
	0000	Apr CPI Growth (MoM%/YoY%)	0.3/4.3	0.7/4.1
Tuesday 3 May				
Australia	0530	May RBA Cash Rate	0.5	0.1
Wednesday 4 May				
Indonesia	0130	Apr IHS Markit PMI	51.6	51.3
Australia	0230	Mar Retail Sales (MoM%)	0.3	1.8
Singapore	1400	Apr Manufacturing PMI	50.2	50.1
Thursday 5 May				
Australia	0230	Mar Trade Balance (A\$bn)	11731	7457
China	0245	Apr Caixin Services PMI	-	42.0
India	0600	Apr IHS Markit Services PMI	54.5	53.6
	0600	Apr IHS Markit Composite PMI	55.2	54.3
Philippines	0200	Apr CPI (MoM%/YoY%)	0.74/4.8	0.6/4.0
	0200	Apr Core CPI (YoY%)	4	3.0
Singapore	0600	Mar Retail Sales (MoM%/YoY%)	5.0/-6.4	-1.2/-3.4
Taiwan	0920	Apr Foreign Exchange Reserve	-	548.77
Friday 6 May				
Philippines	0200	Mar Exports (YoY%)	-8.9	15
	0200	Mar Imports (YoY%)	16.8	20.1
	0200	Mar Trade Balance	-4959	-3529
Taiwan	0900	Apr CPI (YoY%)	-	3.3

Source: Refinitiv, ING, *GMT

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