

Highlights include Fed, BoJ, BoE, ECB, BoC, US PCE, GDP and ISM Manufacturing PMI

- **MON:** German GfK Consumer Confidence (May), US Dallas Fed Manufacturing Index (Apr)
- **TUE:** BoJ Policy Announcement (Apr), Spanish/Italian Retail Sales (Mar), Italian PPI (Mar), US ADP Weekly Employment Change, US House Price Index (Feb), US CB Consumer Confidence (Apr), US Richmond Fed Index (Apr), US Dallas Fed Index (Apr)
- **WED:** Fed Policy Announcement (Apr), BoC Policy Announcement (Apr), BCB Policy Announcement (Apr), Australian Inflation (Mar), Spanish HICP (Apr), Swedish GDP (Q1), German State/Nationwide HICP (Apr), EZ Economic Sentiment (Apr), US Durable Goods (Mar), US Housing Starts (Feb/Mar), Wholesale Inventories (Mar)
- **THU:** ECB Policy Announcement (Apr), BoE Policy Announcement & MPR (Apr), CBRT Minutes (Apr), Japanese Retail Sales (Mar), Australian Export/Import Prices (Mar), Chinese NBS & RatingDog PMI (Apr), French GDP (Q1), German Retail Sales (Mar), German Import Prices (Mar), French Inflation (Apr), Spanish GDP (Q1), German Jobs (Apr), EZ GDP (Q1), EZ Unemployment Rate (Mar), US PCE Price Index (Q1/Mar), US GDP Growth Rate (Q1), Jobless Claims (Apr/25), US Chicago PMI (Apr)
- **FRI:** Japanese Tokyo Inflation (Apr), Swiss Retail Sales (Mar), US ISM Manufacturing PMI (Apr)

WEEK AHEAD

US-IRAN PREVIEW : The week ahead centres on four key watchpoints. First, the Strait of Hormuz "red line": President Trump has warned the US Navy could actively engage IRGC vessels suspected of laying mines or interfering with traffic, shifting from shadowing to potential direct strikes, particularly after an IRGC-escorted Iranian ship defied the blockade. Second, the nuclear deal standoff: Washington is pushing for a comprehensive deal, while Tehran insists the nuclear file is not part of the current talks, raising the risk that negotiations collapse if neither side compromises on uranium enrichment. Third, internal dynamics in Tehran: reports of leadership friction and IRGC influence over the negotiating team point to possible policy inconsistency or hardline escalation. Fourth, ceasefire fragility: despite the extended Israel-Lebanon truce, sporadic clashes and reported drone activity underline how easily a trigger event could occur. Attention also turns to the 1 May War Powers deadline, forcing a decision on US involvement. Under the 1973 War Powers Resolution, a US president can deploy forces into hostilities without Congressional approval for up to 60 days after formally notifying Congress. Once that period expires, the president must either obtain authorisation (e.g. AUMF), begin withdrawing forces, or use a limited one-off 30-day extension strictly to ensure a safe exit. The deadline is therefore a legal cutoff that forces a decision on whether to formalise, wind down, or justify continued military action.

BOJ POLICY ANNOUNCEMENT (TUE): The Bank of Japan is widely expected to keep rates unchanged at 0.75% at its meeting next week. A recent Bloomberg survey showed about 80% of 51 economists expected the BoJ to keep its policy rate unchanged, while money markets priced in a 99% chance of no change, a sharp shift from pricing earlier this month that implied about a 70% chance of an April hike. The BoJ will also release its latest Outlook Report, which contains board members' median forecasts for real GDP and core CPI. The recent unwinding of rate hike bets followed comments by BoJ Governor Ueda at IMF meetings in Washington last week, where he refrained from signalling prospects of a rate hike and said Japan was facing inflationary pressure from a "negative supply shock", which is harder to tackle with monetary policy than demand-driven inflation. He also said Japan's real interest rate is currently low out to the medium-term zone of the yield curve and that its financial environment is accommodative. Nonetheless, the lack of hints for a hike prompted a significant pullback in hawkish expectations, while several BoJ source reports also pointed to the unlikelihood of a rate increase this month. Nikkei-cited sources said the BoJ was set to hold rates steady in April and make a decision in June after assessing the situation in the Middle East. Bloomberg-cited sources also said the BoJ was set to stay on hold in April but keep a hawkish stance, while some officials still favoured raising rates in April as they expected the Middle East shock to push prices higher. Officials remained committed to further hikes when conditions allow, and a June move was seen as more likely if the economy holds up. The Outlook Report forecasts are likely to be influenced by the geopolitical situation in the Middle East and the impact on shipping and oil prices, while a recent source report said the BoJ was considering a sharp increase to its price forecast this month and a possible cut to its growth outlook because of high oil prices.

FED POLICY ANNOUNCEMENT (WED): Analysts expect the Fed to leave rates unchanged at 3.50-3.75% at the April meeting. A Reuters poll of 103 economists showed 56 respondents now expect no move before the end of September, a notable shift from the late-March survey, where almost 70% expected at least one rate cut. The change largely reflects the impact of the ongoing Middle East conflict, which has lifted energy prices, weighed on consumer confidence, and effectively removed market pricing for near-term easing. The inflation backdrop has also worsened, with analysts marking up their PCE inflation forecasts, the Fed's preferred gauge, through year-end. Even some of the more dovish Fed officials have acknowledged that inflation remains too high, reducing the urgency to cut rates. Morgan Stanley, however, continues to take a constructive base-case view, arguing that tariff-related inflation should prove transitory and that energy pressures are unlikely to feed meaningfully into core inflation. That said, the bank still sees stickier-than-expected inflation as the main risk to any easing call. The Fed will not release updated economic projections at the April meeting; the next SEP is due in June. At the March meeting, officials pencilled in just one rate cut before year-end. On the leadership side, nominee Kevin Warsh appeared before the Senate this week and called for "regime change" at the Fed, a topic

outgoing Chair Powell is likely to face questions on at his post-meeting press conference. Powell has indicated that, if Warsh is not confirmed by 15th May, he will remain as Chair 'pro tem'. Some White House officials have pushed back on that idea; NEC Director Hassett backed Powell's approach, describing it as "the appropriate legal understanding".

BOC POLICY ANNOUNCEMENT (WED): The Bank of Canada is expected to keep rates on hold at its April meeting amid ongoing uncertainty over trade with the US and the war in the Middle East. These uncertainties favour a patient approach to monetary policy. The latest inflation data came in cooler than expected but had little impact, while the labour market has slowed in recent months. The March jobs report showed a drop in the unemployment rate, while sharp job losses came to a halt, with the economy adding 14k jobs. Looking ahead, money markets are pricing in 37bps of hikes by year-end, but analysts at ING expect policy to remain unchanged for the rest of 2026.

BCB POLICY ANNOUNCEMENT (WED): Brazil's central bank is expected to cut rates by a further 25bps on Wednesday to 14.5% from 14.75%, following a 25bps reduction at the prior meeting, with a Reuters poll noting policymakers are walking a fine line between rising consumer price inflation and a sluggish economy. Within the breakdown, 31 of 35 respondents see a 25bps cut, two see 50bps, and the remaining two expect rates to be left unchanged. At the prior meeting, Copom began the easing cycle with a 25bps cut, although desks said the size of the move surprised several analysts who had predicted a 50bps reduction, with the central bank opting for a smaller cut amid the initial oil price spike linked to the Middle East war. Brazil is an oil exporter. Copom said future interest rate decisions would incorporate new information on the depth and duration of the Middle East conflict. Since the last meeting in March, the central bank has maintained its 2026 GDP growth forecast at 1.6%, while the latest central bank economist poll showed the 2026 Selic rate at 13.00% (prev. 12.5%) and 2027 at 11.0% (prev. 10.50%). In recent commentary, central bank Director David said there were signs monetary policy was working and that rates were being calibrated. He added the labour market was tighter than ideal but noted it is typically the last to adjust. Meanwhile, central bank President Galipolo said the job market remains very tight and inflation expectations are still unanchored. Against this backdrop, the consensus for Brazil's average annual inflation rate rose to 4.5% (prev. 4.0%) in 2026 and 3.9% (prev. 3.8%) for 2027 in the latest quarterly poll in January.

AUSTRALIAN INFLATION (WED): Australia's March-quarter CPI is expected to show price pressures accelerating again, with headline inflation forecast to rise to about 4.6% Y/Y from 3.7% in the year to February, largely reflecting higher global oil prices amid Middle East tensions. Underlying inflation, particularly the trimmed mean measure, is expected to remain elevated after holding at 3.3%, signalling sticky core pressures still above the RBA's 2-3% target band. Markets are focused on the implications for the May RBA meeting, with a 25bps rate hike expected to lift the cash rate to 4.35% from 4.10%. Some major banks also see scope for further tightening later in the year if inflation remains persistent.

ECB POLICY ANNOUNCEMENT (THU): Expected to maintain its interest rates, holding the Deposit Rate at 2.00%. As it stands, markets assign a 92% probability to a hold, a view sell-side banks agree with, given the limited amount of hard data or concrete signs of second round effects. For 2026 as a whole, MUFG looks for 50bps of tightening beginning in June. Note, markets imply c. 58bps of tightening, beginning in July. Given expectations for a hold, focus will be on the statement for classification of the stagflationary data seen thus far, and then President Lagarde's presser for clues around the timing of any policy action. Overall, the ECB is likely to avoid pre-committing to action, but keep the door open to tightening, as numerous policymakers have outlined in recent weeks. Most pertinently, the likes of Demarco, Lane and Muller have indicated a preference for waiting for more information before considering action. As such, June's announcement and updated forecasts are the near-term meeting to watch.

BOE POLICY ANNOUNCEMENT (THU): In short, policymakers are expected to maintain the Bank Rate at 3.75% and await further information on the impact of the Middle East conflict on the UK, and global, economy. However, the decision may well be subject to dissent, with a recent inflationary PMI series, hawkish decision-making-panel (DMP) and hotter than expected wages arguably factoring in favour of action, though this is offset by cooler-than-expected core CPI in March; note, services were hotter than forecast, but can be caveated by the timing of Easter. Notably, hawkish Chief Economist Pill said they need to be cautious when it comes to reacting to high-frequency developments and, before the above data, believed that inflation expectations were not de-anchored. Elsewhere, Mann has expressed concern that the shock could show up in wage expectations. Overall, policymakers will likely want to wait for more data, evidenced by hawkish Greene outlining that second round effects could take months to show, before taking action, particularly as domestic activity was relatively weak even before the conflict. Market pricing is indicative of an April hold, but with 59bps of tightening implied by end-2026 vs 23bps last week.

US PCE (THU): Headline PCE is expected to rise to 3.4-3.6% Y/Y in March, from 2.8%, mainly due to the energy shock. Views on core PCE are more mixed, with forecasts ranging from 0.22-0.30% M/M, after 0.4% previously. That would still be above the pace consistent with the Fed's 2% inflation target. The annual core PCE measure is seen somewhere between 2.7-3.6% Y/Y (vs 3.0% previously). The recent CPI data, with headline inflation at 3.3% Y/Y and core at 2.6% Y/Y in March, alongside PPI, where headline inflation was 4.0% Y/Y and core was 3.8%, showed that energy was the main driver of the headline CPI jump. Core CPI offered some relief, but PPI components that feed into PCE, including airfares, healthcare and portfolio management, suggest services inflation remains sticky. Citi's analysts said core PCE inflation has been stuck around 3.0% Y/Y, while core CPI has eased a little more, to around 2.5-2.6% Y/Y. "Headline inflation will likely continue to be strong in the near term as energy prices have remained elevated," the bank wrote, adding that it does "not expect much passthrough of higher energy prices to core inflation, but with upside risks to our forecasts for components like goods prices." In terms of policy implications, analysts say a firmer core print would strengthen the higher-for-longer rates narrative and reduce conviction in near-term cuts. A softer core reading would help revive the disinflation story, but probably only at the margin, given the recent signs of persistent price pressure and the Fed's cautious, data-dependent stance. Citi also noted that "the Fed and markets remain focused on medium- and longer-term inflation expectations that have stayed anchored," and said it expects more benign monthly core inflation readings in the summer and Autumn.

US GDP Q1 (THU): Using the Atlanta Fed's GDPNow model as a guide, preliminary Q1 GDP is expected to come in around 1.2%, compared with final Q4 growth of 0.5%, which was revised down from the initial 1.4% reading, and 4.4% growth in Q3. After the weak Q4 print, traders will be watching whether the US stagflation narrative continues to gain traction, with growth slowing at the same time as prices rise. Consumer spending, however, appears to have held up through the quarter, and some analysts have also been encouraged by inventory accumulation, which could help offset softer underlying momentum. Continuum Economics is more optimistic than the broader consensus, forecasting growth of 2.6%, with a rebound helped by government spending recovering after the shutdown-depressed Q4. The mix of slower growth and sticky inflation remains a difficult backdrop for the Fed; analysts

argue that this kind of data could keep rate-cut expectations at bay, as the Fed would be dealing with both a cooling economy and renewed price pressure, reinforcing the higher-for-longer narrative.

JAPANESE TOKYO INFLATION (FRI): Markets expect a modest acceleration at the start of the new fiscal year. Headline inflation is seen rising to around 1.7% Y/Y from 1.4% in March, reflecting seasonal price revisions, higher energy costs and the fading impact of government subsidies. A persistently weak JPY continues to push up import prices, while strong "Shunto" wage settlements above 5% are expected to feed through to consumer prices as firms pass on higher labour costs. Tokyo data is closely watched as a leading gauge of national inflation trends. The release follows the BoJ's 27th-28th April meeting, where rates are widely expected to remain unchanged at 0.75%, though policymakers may adopt a more hawkish tone amid rising energy and cost pressures.

US ISM MANUFACTURING PMI (FRI): As a proxy, S&P Global's March manufacturing PMI rose to 54.0 in April (from 52.3), reaching a 47-month high. Output expanded at its fastest pace in four years, while new orders posted their strongest rise since May 2022. The report, however, pointed to a more complicated underlying picture: much of the strength in orders appears to reflect precautionary stock-building rather than stronger end-demand, with survey respondents citing concerns about supply availability and price increases linked to the ongoing Middle East conflict. Export orders also fell at a faster pace, suggesting that demand strength is mainly domestic. S&P also flagged mounting supply-chain pressure, with supplier delivery times lengthening by the most since August 2022, driven by war-related shipping disruption and the rush to build safety stocks. On prices, input cost inflation hit a ten-month high, while output prices rose at the fastest pace since mid-2022. The labour-market signal was softer, with the employment sub-index falling for the first time in nine months, suggesting firms remain cautious despite the stronger headline reading. Looking ahead, the forward-looking components improved, with sentiment at its highest since February 2025, helped by hopes of tariff-led reshoring however, that confidence may prove fragile if supply disruptions persist.

WEEK IN REVIEW

US-IRAN REVIEW : The days 49-56 period was dominated by the rapid re-closure of the Strait of Hormuz and fragile, ongoing negotiations, pushing Brent above USD 106/bbl from a roughly USD 91/bbl low at the start of the week. After briefly declaring the waterway “completely open” on 17th April to coincide with the Israel-Lebanon ceasefire, Iran officially re-closed the Strait on 18th April in direct response to President Trump confirming the US naval blockade on Iranian ports would remain in full force. The IRGC returned the Strait to strict military control, and it has remained effectively shut to normal commercial traffic, with only limited, tightly coordinated tanker transits permitted. Iranian officials have said reopening is impossible while the blockade persists. Despite repeated maritime enforcement actions, including US boardings in the Indo-Pacific, Washington extended the truce window for negotiations on an open-ended basis, and the Israel-Lebanon ceasefire was prolonged by three weeks.

PBOC LPR (MON): PBoC left its Loan Prime Rates unchanged on 20th April, holding the one-year LPR at 3.00% and the five-year LPR at 3.50% for an 11th straight month, in line with expectations. The decision reflects resilient Q1 growth of 5.0% Y/Y, reducing the urgency for broad-based stimulus, alongside emerging inflation pressures after factory-gate prices rose for the first time in more than three years in March. Policymakers are also focused on CNY stability against a firm USD, limiting scope for rate cuts that could trigger further currency weakness. Instead, desks expect the PBoC to rely on targeted easing measures, including structural lending tools to support SMEs and high-tech sectors. Analysts view the central bank as entering a “wait-and-see” phase, though renewed external headwinds or softer global demand could reopen the door to rate or RRR cuts in H2 2026.

CANADIAN INFLATION (MON): The Canadian inflation rate rose by 0.9% in March, softer than the 1.0% forecast but higher than the prior 0.5%, with much of the increase driven by higher energy prices amid the US/Iran conflict. Y/Y inflation rose to 2.4% from 1.8%, below the 2.5% forecast. Core inflation was subdued, rising 0.2% (prev. 0.4%), with the Y/Y rate at 2.5% (prev. 2.3%). Meanwhile, the average of the median, trimmed and common CPI rose to 2.37% from 2.33%. There was little market reaction to the data, while Citi continues to call for 50bps of rate cuts in H2 2026 from the BoC.

NEW ZEALAND INFLATION (MON): Q1 CPI held at 3.1% Y/Y (vs exp. 2.9%), remaining above the RBNZ’s target band, while prices rose 0.9% Q/Q. Domestic pressures drove the print, with electricity up 12.5% Y/Y, council rates up 8.8%, and petrol rising 3.5% in the quarter. Sticky non-tradables inflation has lifted market pricing for a May rate hike to around 50%, though some analysts say the RBNZ may hold given fragile growth conditions.

UK JOBS (TUE): A lower-than-expected unemployment rate, which also moderated from the prior, provided a constructive sign into the Middle East shock and any potential employment impacts it may have. Wage figures were hotter-than-expected, but they still cooled from the prior and the ONS remarked that regular wage growth is down to its lowest rate in over five years. One point to watch in the series in the next few months is the vacancy level, as that will likely provide the first signs of labour market stress from the Middle East shock. Something that is potentially already evident with vacancies at a near five-year low. Overall, the series will be welcomed by policymakers on both the fiscal and monetary side.

WARSH SENATE HEARING (TUE): Kevin Warsh’s Senate confirmation hearing suggested a meaningfully different Fed reaction function if he is confirmed as Chair. His stance came across as structurally hawkish. He framed the 2021-22 inflation surge as a self-inflicted policy failure for which the Fed must take responsibility, and signalled openness to replacing the fixed 2% inflation target with a range-based framework, citing structural changes in the global economy and weaknesses in the underlying data. He was especially sceptical of balance-sheet activism, describing QE as a regressive and distortive tool that disproportionately benefits asset holders and has pulled the Fed into political territory. He made clear that he sees the Federal Funds Rate as the main, and more equitable, transmission mechanism. On communications, Warsh rejected forward guidance, criticised pre-meeting commentary from FOMC officials, and argued for a more deliberative, less scripted internal process. For traders and investors, the read-through is that a Fed led by Warsh would likely be more discretionary, more data-dependent, and much less willing to give markets clear guidance on the near-term rate path. Some analysts have suggested this could mean higher front-end volatility and more meeting-to-meeting uncertainty, as markets lose some of the hand-holding they have become used to. On independence, Warsh was firm that he would not act as an instrument of the White House on rate decisions. He did, however, draw a distinction between political commentary on rates, which he does not see as inherently threatening, and Fed overreach into fiscal or social policy, which he views as the bigger institutional risk. Next, Warsh’s nomination will need a Banking Committee vote, which has not yet been scheduled because of the unresolved DoJ investigation into Chair Powell. Senator Tillis has made resolving that investigation a condition for moving the nomination forward. Republicans hold a 13-11 majority on the committee, so Warsh would probably clear it on partisan lines, but Tillis’ continued opposition currently blocks a potential vote. If all Democrats and Tillis opposed him, the committee would be split 12-12 and the nomination would fail to advance. If Warsh does get through committee, he would need only a simple Senate majority for confirmation. Any delay could push the vote beyond Powell’s 15th May term expiry, creating uncertainty over interim Fed leadership. At the March FOMC, Powell said he would serve as chair ‘pro tem’ until a successor is confirmed. The administration, meanwhile, has suggested that Powell should not remain in the role if no successor is confirmed by 15th May, and that Vice Chair Jefferson or Governor Waller could instead serve. A recent WSJ article noted that the legal position remains unsettled; Fedwatcher Nick Timiraos explained that the issue is the law does not clearly say who decides what happens if the Chair’s term expires without a confirmed successor. After Warsh’s testimony, NEC Director Hasset backed Powell’s plan to remain at the central bank temporarily if the Senate has not confirmed a successor by the time his term expires, calling it “the appropriate legal understanding”.

BOC APPOINTMENTS: The BoC appointed Marc-Andre Gosselin, effective 25th May, and Nicolas Vincent, effective 3rd August, as Deputy Governors. Gosselin is currently Managing Director of Canadian Economic Analysis and will join the Governing Council with responsibility for domestic economic analysis. There is little clear evidence of a hawkish or dovish policy bias from him. His profile is more that of a technical staff economist and inflation-targeting specialist, with experience in projections, macro and risk analysis, and monetary-policy framework work. He has co-authored research looking at the potential benefits of temporary inflation overshooting at the effective lower bound, though that points more to a research interest than to an obvious policy preference. Vincent has been an external Deputy Governor since 2023, and will take responsibility for international economic developments, while also serving as the Bank’s G7 and G20 Deputy. He is generally seen as an orthodox inflation-targeter, with a focus on persistence and core price pressures. In an October 2023 speech, he described inflation as “stickier than many expected,” linked that persistence to firms’ pricing behaviour, and said the BoC needed to “stay the course” to return inflation to 2%. A 2025 speech

on productivity also reiterated the Bank's role in keeping inflation low, stable and predictable. The two appointments replace departing Deputy Governors Rhys Mendes, who leaves on 10th April, and Sharon Kozicki, who retires on 15th July. The BoC said it will begin a recruitment process to fill the vacant external Deputy Governor position

US RETAIL SALES (TUE): Headline retail sales rose 1.7% M/M in March, accelerating from 0.6% previously and topping the 1.4% forecast. The headline was boosted by a hefty 15.5% rise in gasoline sales, accelerating from 1.3% previously, largely due to higher gasoline costs in the wake of the US/Iran conflict. Excluding gas and autos, retail sales rose 0.6%, above the prior 0.4%. The control group rose 0.7%, above both the 0.2% consensus and the prior 0.6%. Overall, it was a strong report, though the headline was largely lifted by the 15.5% rise in gasoline sales. Elsewhere in the report, miscellaneous store retailers were the only sector to post a decline. Meanwhile, other businesses including furniture, electronics, building materials, food and beverage stores, and general merchandise stores accelerated. Motor vehicle and parts dealers, Health and personal care, clothing, sporting goods, non-store retailers, and food services and drinking places cooled from the February report. Summarising the data, Pantheon Macroeconomics highlighted that consumers continued to increase spending on non-fuel products despite the jump in gas prices. However, the desk notes that growth in households' real spending likely slowed to about 1.5% in Q1, below the 2.1% average of the prior four quarters.

CBRT POLICY ANNOUNCEMENT (WED): CBRT left rates unchanged at 37%, in line with market expectations. On inflation, the bank said the underlying trend declined in March and that leading indicators point to a slight increase in April. Looking ahead, it said potential second-round effects of recent developments on the inflation outlook will be important. As a result, CBRT will likely wait for the Middle East conflict to abate and assess second-round effects before resuming its easing cycle.

UK INFLATION (WED): March's series was as expected at a headline level. The main core figure was cooler-than-expected, but the all-important services metric lifted from the prior by more than expected; though, this is somewhat caveated by the early Easter and may be partially unwound in April. The BoE will likely be willing to wait for more data at this stage, as the lack of overt second-round effects means they have time to assess and weigh the growth vs inflation situation. Albeit, the signs of raw material factory prices jumping M/M, given the energy surge, could be taken as an early sign of second-round effects, and thus prompt some hawkishness in April. For reference, GBP/USD saw modest pressure on the release, but this proved fleeting.

EZ FLASH PMI (THU): April's EZ series was weaker than expected for Composite and Services, with both measures falling into contractionary territory, while the Manufacturing print beat and remains in expansion, though much of this is likely frontloading ahead of further Middle East related price/supply disruption. Within the data, S&P points to the biggest surge in cost pressures recorded since 2000 ex-COVID, presenting a hawkish impetus for the ECB; however, the increasing economic pressure and two of the three primary components being in contraction factor against tightening. For reference, the German figures showed "widening inflationary pressures" while, in a more encouraging sign, France's series displayed contained price passthrough behaviour. For the ECB, the narrative of waiting for more data and potentially acting in June remains intact.

UK FLASH PMI (THU): An inflationary series that sparked a hawkish move in market pricing around the BoE, not significantly in the near term but the series helped to increase implied end-2026 tightening to over 50bps vs c. 25bps around one week before. The PMIs themselves came in above consensus across the board, showing the economy regaining some momentum after the initial Middle East impact in March. However, how much of this is activity being brought forward ahead of further price increases and/or supply disruptions remains to be seen. More pertinently, the series outlined that prices were rising not just due to energy, but also due to changes levied for a range of goods and services, with supply concerns stoking much of this. On a headline level, prices have increased at a rate not seen ex-COVID. Observations that increase the likelihood of second round effects, and as such the series will be a concerning one for those at Threadneedle St.

JAPANESE INFLATION (FRI): Japan's March CPI showed a modest acceleration, with headline inflation rising to 1.5% Y/Y (prev. 1.3%) and core CPI (ex-fresh food) at 1.8% (prev. 1.6%), in line with expectations. Core-core inflation (ex-fresh food and energy) eased slightly to 2.4% from 2.5%. The increase was largely driven by energy amid Middle East tensions, offsetting softer food price growth. Despite the rise, core inflation remains below the BoJ's 2% target for a second month. Analysts expect inflation to move back above 2% from May as energy subsidies fade and fiscal-year price revisions take effect, with Tokyo CPI due on 1st May providing the next signal, though before then the BoJ is expected to leave policy unchanged at the 28th April meeting.

UK RETAIL SALES (FRI): No significant reaction to the release, which does not change the narrative into next week's BoE, where a hold is the base case. On the data, the headline upside was seemingly driven by an increase in fuel sales, with retailers reporting that motorists were filling their tanks when buying following the start of the Middle East conflict. Furthermore, online sales saw upside and are potentially indicative of a robust spring sale period. However, the core figures were in-line/softer-than-expected and potentially point to some greater-than-expected caution among consumers during the early stages of the Middle East conflict.

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