newsquawk

Week In Focus: 11th - 15th May

Highlights include US Inflation and Retail Sales, Chinese inflation, BoJ SOO and Trump-Xi meeting

- **SAT**: Chinese Trade
- **MON**: Chinese Inflation (Apr), Norwegian Inflation (Apr)
- **TUE**: BoJ SOO (Apr), IEA STEO (May), EU Informal Meeting of Energy Ministers (May 12-13), Japanese Household Spending (Mar), German HICP Final (Apr), Italian Industrial Production (Mar), German ZEW (May), US Inflation (Apr)
- **WED**: BoC Minutes (Apr), EIA OMR (May), OPEC MOMR (May), Riksbank Minutes (May), French Unemployment Rate (Q1), Swedish Inflation Final (Apr), French Inflation Final (Apr), EZ Employment Change (Q1), EZ Industrial Production (Mar), EZ GDP 2nd Estimate (Q1), US PPI (Apr)
- **THU**: Holiday: Europe's Ascension Day, UK GDP (Mar/Q1), Industrial Production (Mar), Indian WPI (Apr), Spanish HICP Final (Apr), Chinese M2 Money Supply (Apr), US Retail Sales (Apr), US Export/Import Prices (Apr), US Jobless Claims (May 9), South Korean Export/Import Prices (Apr)
- **FRI**: Japanese PPI (Apr), German Wholesale Prices (Apr), Norwegian GDP (Q1), Italian HICP Final (Apr), Canadian Wholesale Sales (Mar), US Industrial Production (Apr)

WEEK AHEAD

CHINESE TRADE DATA (SAT): China will release April trade data on Saturday, with the surplus expected to widen to about CNY 570bln from CNY 354.75bln and to about USD 82.4bln from USD 51.13bln. ING expects exports to rise about 6.5% Y/Y and imports to jump about 20.4%, reflecting strong domestic restocking and higher commodity and energy costs. The key focus will be whether elevated energy prices are inflating import values and compressing underlying trade surplus dynamics.

CHINESE INFLATION (MON): China's April CPI and PPI data are expected to show easing headline inflation, with CPI forecast at about 0.8-1.0% Y/Y versus 1.0% previously as post-Lunar New Year demand fades. Core CPI is expected to remain subdued at about 1.1-1.2%, underscoring weak domestic demand. In contrast, PPI is expected to strengthen further into positive territory at about 1.5-1.9% Y/Y on rising energy and commodity costs, extending the recent rebound from deflation.

BOJ SOO (TUE): The BoJ Summary of Opinions will be key to confirming how deep the hawkish shift really is after the 6–3 split. Focus is on whether dissent was forceful and if support for a hike is broadening beyond the three hawks, especially given the upgraded inflation outlook and persistent JPY weakness. Markets will also watch for any divergence from Ueda's cautious presser—i.e. signs the board is more urgent than the messaging.

US CPI (TUE), PPI (WED): CPI is expected to rise by 0.6% M/M in April (prev. 0.9%), while the core rate is seen rising 0.4% M/M (prev. 0.2%). PPI is expected to rise by 0.4% M/M (cooling from the prev. 0.5%). The Cleveland Fed's inflation nowcast gauge is tracking April CPI at 0.45% M/M, versus 0.42% M/M in March, and the core rate at 0.21%, unchanged from March. Annual rates are tracking at 3.56% Y/Y in April and the core rate at 2.56% Y/Y (the BLS reported annual core inflation of 2.6% in March, for reference). The data follows a hot March CPI report, which showed a pickup in consumer prices, with the annual rate rising to its highest since May 2024 at 3.3% Y/Y. The rise was driven by energy prices, which increased 10.9% M/M in March, led by a 21.2% jump in gasoline. Traders will continue to focus on whether the war-driven energy shock is feeding into inflation and consumer demand. Fed officials are now firmly focused on inflation amid a stable labour market. At the April FOMC meeting, three dissenters (Hammack, Kashkari and Logan) voted against including any easing bias in the statement, arguing that inflation risks had risen enough for the Fed to keep all options open, including holding rates for longer or even hiking, rather than signalling an easing bias. Some analysts suggested this might be a message to incoming Chair Kevin Warsh, who has previously endorsed lower rates and tighter balance sheet policy. Another key shift in the April statement was on inflation, with the line that inflation "remains somewhat elevated" replaced with "elevated", and the Fed attributing this to the recent surge in global energy prices, a tweak judged to be a hawkish tilt. Elsewhere, the April data will include one-off rent and OER CPI index adjustments after last Autumn's government shutdown shortfall; Barclays says this would likely give core inflation a one-off boost of around 10bps.

BOC MINUTES (WED): The BoC left rates on hold at 2.25%, the lower end of its estimated neutral range, as expected. The bank reiterated that it is looking through the war's immediate impact on inflation, but will not allow higher energy prices to become persistent inflation. On trade, the BoC said it may need to cut the policy rate further to support growth if the US imposes significant new trade restrictions on Canada. Conversely, Macklem said a series of hikes may be needed if higher energy prices after the conflict prove long-lasting. The minutes will be watched for how committee members view the two-sided risks, how they plan to navigate the uncertainty and whether any members favour action in either direction, or whether there is broad support for the wait-and-see approach.

US RETAIL SALES (THU): The previous retail sales report for March showed a 1.7% M/M rise, driven by gasoline, while core sales printed at 1.9% M/M. The Chicago Fed's CARTS advance retail trade update suggests ex-autos retail sales will rise 1.1% M/M in April (vs prior 0.6%), and 0.3% M/M when adjusted for inflation. Analysts say this could point to consumer resilience in the face of the energy shock, which is expected to weigh on disposable income ahead. Note, the CARTS data will be updated a day before the April retail sales release. Continuum Economics expects headline retail sales to rise 0.7% M/M, with ex-autos up 0.9% M/M and ex-autos/gas up 0.5%. It notes gasoline prices increased further in April, but at an easier pace than in March, while auto sales appear to have seen a modest recent decline, though they still appear healthy. “Higher gasoline prices pose risk to real disposable incomes, which has underperformed consumer spending in the last four quarters, though only marginally in Q1,” Continuum writes, adding that “tax cuts and higher tax refunds are providing some support to consumers.”

TRUMP-XI MEETING (THU-FRI): US President Trump will fly to Beijing to meet Chinese President Xi on the 14th and 15th of May. The two leaders will cover several topics, including the Middle East conflict, trade relations, Taiwan, AI and agriculture. On the Middle East, Trump and China have both suggested they want the war wrapped up before the meeting, which would likely allow the two to focus on other areas. However, Polymarket prices a permanent peace deal between the US and Iran by 13th May at just a 17% probability. China said it wants a resolution, noting the visit is set to go ahead but that the conflict has caused uncertainty over planning and lowered expectations. There were also reports that China is refusing to comply with some US sanctions, having apparently ordered its oil refineries that purchase crude from Tehran not to comply with or enforce US sanctions on Iranian oil - something USTR Greer said will be discussed at the upcoming meeting. The two will also likely discuss China's oil purchases, with President Trump noting he offered to let China send oil ships to the US. Trump is reportedly inviting several CEOs on his trip, from the likes of Nvidia (NVDA), Apple (AAPL), Exxon (XOM), Boeing (BA), Qualcomm (QCOM), Blackstone (BX), Citigroup (C), and Visa (V). On trade, USTR Greer highlighted that China should be an important buyer of US agriculture and medical devices. China has also said it is prepared to work toward improving relations with the US.

WEEK IN REVIEW

OPEC+ (SUN): The 3 May meeting—the first without the UAE—was framed as "business-as-usual", with the remaining core producers agreeing a modest ~188k bpd June increase broadly as expected. In reality, the move is largely symbolic given Strait of Hormuz disruption is constraining actual exports. The key objective is signalling continuity—Saudi/Russia maintaining control and continuing the unwind of cuts. The UAE exit was the real shift, removing a major producer from quota discipline as it targets ~5mln bpd capacity and leverages Fujairah to bypass Hormuz.

RBA REVIEW (TUE): RBA raised the cash rate 25bps to 4.35% on 5 May, its third straight hike, reinforcing a firm tightening stance. The Bank sees inflation peaking around 4.8% in June and only returning to target by mid-2027, with the Middle East shock adding a stagflationary impulse via energy costs. The vote was at 8–1, showing stronger internal alignment. However, Bullock's presser leaned slightly softer, highlighting "space to watch" after recent hikes and cautioning that fiscal support could complicate the inflation fight.

SWISS INFLATION REVIEW (TUE): An in-line Y/Y at 0.6% and a marginally cooler-than-expected M/M for April. No significant reaction to the series, with the inflation drivers still petrol, diesel and heating oil. Somewhat notably, though unsurprisingly, air transport also saw an uptick. For the SNB, the upward bias to CPI removes any residual risk of a near-term move into negative territory from the current ZLB. Furthermore, the Y/Y figure still holding in the lower half of the 0-2% inflation target means that there is no need for a hawkish response, at this stage at least.

US ISM SERVICES PMI (TUE): ISM Services PMI fell to 53.6 in April from 54.0, a bigger decline than the expected 53.8. Employment rose to 48.0 (exp. 48.3, prev. 45.2), while prices stayed at 70.7, below the forecast of 73.7. Business activity rose to 55.9 (prev. 53.9), but new orders slipped to 53.5 (exp. 57.3, prev. 60.6). Supplier deliveries and new export orders increased M/M, while inventories and backlog of orders declined, though all remained above 50. The report said there were other signs of economic strength, with exports and imports expanding for two straight months for the first time since September/October 2024. Commentary focused mainly on the impact of and adjustments to the Iran war, and the expected flow-through of higher oil prices. Oxford Economics said the slight decline in the headline was consistent with moderate economic growth in the coming quarter, as mentions of fuel surcharges and uncertainty related to the war rose. OxEco expects the economy to hold up, but sees some of the energy price shock feeding through to core inflation over the coming quarters, keeping core PCE inflation close to 3% for most of the year.

US TREASURY REFUNDING REVIEW (WED): Auction sizes were left unchanged, in line with expectations, while the Treasury also maintained its forward guidance, continuing to state that "based on current projected borrowing needs, Treasury anticipates maintaining nominal coupon and FRN auction sizes for at least the next several quarters." Some desks expected a tweak to the language, with Barclays looking for guidance to shift to "at least the next few quarters." Although no change was made at this meeting, the TBAC minutes imply the guidance could be adjusted as soon as next quarter. For full review, please click here.

NORGES BANK REVIEW (THU): A 25bps hike to 4.25% in line with the guidance from the March MPR that there would be a hike "at one of the forthcoming meetings". Note, desks were split heading into the announcement on whether the hike would occur in May or if they would wait for the next forecast meeting in June. Pertinently, the statement suggests that the "monetary policy outlook does not appear to have changed materially" since March; as a reminder, the March MPR had an end-2026 policy rate of 4.35%. As such, the statement implies around a 40% chance of another 25bps hike by end-2026.

RIKSBANK REVIEW (THU): Held the policy rate at 1.75% as expected. The statement made clear that they are taking a wait-and-see approach, with Governor Thedeen thereafter saying they are taking a cautious approach to policy guidance. Unsurprisingly, much of the focus was on the inflation front, outlining that CPIF remains well below the Bank's own target and the disinflation process was evident in March and April. Overall, the Riksbank has the economic space to wait-and-see before making a decision to alter policy.

BANXICO REVIEW (THU): Banxico cut rates by 25bps as expected in a 3-2 vote split, with Heath and Borja once again opting to hold rates. However, the guidance from Banxico was updated to imply that rates are now at the terminal level; "Governing Board estimates that it will be appropriate to maintain the reference rate". It also described the latest rate cut as a conclusion to the easing cycle that began in March 2024. Inflation forecasts were little changed throughout the forecast horizon, with inflation still expected to return to target in Q2 27.

UK LOCAL ELECTION REVIEW (THU): The count continues, but the results thus far show a significant shift away from the traditional main parties of Labour and Conservatives, significantly in favour of Reform and to a much lesser extent Greens. A Labour loss that is historic, but not at the existential level that some had projected. As such, PM Starmer has received a stay of execution for now, but calls for him to leave and discussions about the mechanism and timeframe of his departure, and who should replace him, will undoubtedly increase. Interestingly, results around Greater Manchester are pro-Reform, which could impair the path back to parliament for Burnham, as a Greater Manchester Mayoral election would likely go to Reform. In terms of reaction, Gilts and Sterling saw modest pressure on the shift to Reform, however the assessment that the losses are likely to be in the range of 1.0-1.5k council seats vs fears of 1.5-2.0k for Labour, and as Starmer pledged to stay on as PM, provided some near-term stability to market participants and allowed both Gilts and GBP to climb and outperform peers. Note, results will continue to print in the next few hours, with a handful of key areas due around 16:00BST and 18:00BST.

CANADIAN JOBS (FRI): Canada lost 17.7k jobs in April, while the unemployment rate unexpectedly rose to 6.9% from 6.7%, against expectations for it to be unchanged. The weak report showed full-time employment fell 46.7k, while part-time employment rose 29k. The participation rate edged up to 65.0% from 64.9%, while average hourly wage growth eased to 4.8% from 5.1%. Participants were watching the report for signs of how the Canadian labour market and the economy were holding up against higher energy prices and US tariffs. As a reminder, the BoC MPR said a range of indicators pointed to some slack in the labour market, while labour force participation had declined. Although economic activity remains strong, a further labour market slowdown could weigh on the Canadian economy, with tariff hikes and a softer jobs market already squeezing real incomes. Oxford Economics think the BoC will remain on hold for all of 2026, and the job report is unlikely to pull them from the sidelines. Continued softness in the labour market should give the Bank confidence that higher energy prices won't lead to persistently higher inflation, and allow it to remain patient while assessing developments on trade policy and global commodity prices.

US NONFARM PAYROLLS (FRI): Overall, it was a strong US jobs report. The US economy added 115k jobs in April, above the 73k forecast but below the elevated 178k in March, which was revised up to 185k. Job gains were seen in healthcare, transportation and warehousing, and retail trade. Federal government employment continued to decline. The unemployment rate was unchanged at 4.3%, in line with expectations. The participation rate dipped slightly to 61.8% from 61.9%, while the U-6 unemployment rate rose to 8.2% from 8%. On wages, earnings rose 0.2%, below the 0.3% forecast, maintaining the prior pace from March. The Y/Y rate, however, accelerated to 3.6% from 3.5%. For the Fed, the report allows the central bank to keep its focus on the inflation side of the mandate, particularly with ongoing upside risks around the US/Iran conflict. Looking ahead, however, many are aware of downside risks to employment, particularly if the war drags on and costs for businesses rise further. Pantheon Macroeconomics write that "April's data bolster the case for thinking the labor market is convalescing. But the continued weakness of surveys of hiring intentions and the developing pressure on firms' costs from the surge in energy prices suggests it is too soon to sound the all-clear."