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Week In Focus: 18th - 22nd May

Highlights include NVDA earnings, FOMC Minutes, UK, Canadian, Japanese and NZ inflation

- **MON**: Holiday: Canada's Victoria Day, Chinese Industrial Production (Apr), Chinese Retail Sales (Apr), Chinese Unemployment Rate (Apr), Swiss GDP (Q1), New Zealand PPI Q/Q (Q1)
- **TUE**: RBA Minutes (May), Japanese GDP (Q1), Japanese Capacity Utilisation (Mar), Japanese Industrial Production Final (Mar), UK Jobs (Mar), EZ Balance of Trade (Mar), US ADP Employment Change Weekly, Canadian Inflation (Apr), US Pending Home Sales (Apr)
- **WED**: Chinese LPR (May), German PPI (Apr), UK Inflation (Apr), South African Inflation (Apr), EZ Inflation Final (Apr), New Zealand Balance of Trade (Apr), FOMC Minutes
- **THU**: Global Flash PMIs (May), Japanese Balance of Trade (Apr), Australian Jobs (Apr), Swedish Unemployment Rate (Apr), US Building Permits (Apr), US Jobless Claims (May 16), US Philly Fed Index (May), EZ Consumer Confidence Flash (May), US Kansas Fed Index (May), New Zealand Retail Sales (Q1)
- **FRI**: Euro Area Indicator of Negotiated Wage Rates (Q1 2026), Japanese Inflation (Apr), German GfK Consumer Confidence (Jun), German GDP Final (Q1), UK Retail Sales (Apr), German Ifo (May), Canadian Retail Sales (Apr), UoM Survey Final (May)

WEEK AHEAD

RBA MINUTES (TUE): The RBA will release the minutes from its 4th-5th May meeting, when it raised the cash rate by 25bps to 4.35% for a third consecutive increase, reinforcing a firm tightening stance. The RBA said it expects inflation to peak at around 4.8% in June and only return to target by mid-2027, while the Middle East shock is adding a stagflationary impulse through higher energy costs. The decision was made by an 8-1 vote, indicating stronger internal alignment. However, RBA Governor Bullock struck a slightly softer tone during the post-meeting press conference, highlighting there was “space to watch” following recent rate increases and warning that fiscal support could complicate efforts to curb inflation.

JAPANESE GDP (TUE): Japan’s Q1 GDP is expected to show a modest pickup, with consensus at around 0.4-0.5% Q/Q, or 1.7-1.8% annualised, versus 0.3% previously. Growth is expected to remain externally driven, led by exports, while domestic demand stays soft, with consumption and capex both seen at around 0.2%. The focus is whether the data confirms a clear acceleration or still points to a weak underlying domestic backdrop. The Middle East energy shock is unlikely to be fully reflected in Q1 but is a clear downside risk for Q2.

UK JOBS (TUE): February’s unemployment rate dropped to 4.9% from 5.2%, defying consensus for it to remain at the same level. Strength in the labour market was welcome for policymakers, and while the wage metrics were hotter-than-expected they still cooled from the prior; however, while it was a positive entry point to the Middle East conflict, the series was quickly looked through as the impact was yet to be seen and as a drop in participation potentially drove the unemployment rate move. At the last BoE announcement, Governor Bailey described the labour market as operating efficiently and noted that it would be sometime before they get insight on the wage implications of the Middle East shock, as wage setting is typically done in the Spring.

CANADIAN INFLATION (TUE): Recent BoC commentary and guidance imply interest rates may need to rise further if energy prices remain elevated and feed into broader inflation. It also keeps the option open to lower rates if the US imposes more trade restrictions on Canada. The data will be watched for signs that inflation is spreading through the economy, as seen in the US this week. Even so, the USMCA review, scheduled for 1st July, is a risk if US President Trump imposes more trade restrictions on Canada, hence the BoC’s preference to keep rates on hold while it assesses the situation.

FOMC MINUTES (WED): The April FOMC statement and vote split leaned hawkish. While outgoing Governor Miran’s rate dissent was always expected (he again called for a 25bps rate reduction), there were three voting members who dissented to language within the statement retaining an easing bias (Hammack, Kashkari, Logan). Hammack said that the easing bias was no longer appropriate, with broad-based inflation pressures, energy-driven price rises, resilient growth and a job market near full employment; Kashkari said he wanted to signal the potential for rate hike risks, warning a large price shock could endanger inflation expectations and require rate increases to defend the 2% target; Logan dissented because she said the Fed should not imply easing now, given uncertainty over the outlook, stable employment and concern about returning inflation to 2%. Elsewhere, the statement language shifted on inflation, with the line that inflation “remains somewhat elevated” being replaced with “elevated”, with the Fed attributing this to the recent surge in global energy prices. On the Middle East, the statement drops the prior “uncertain implications” framing, instead stating directly that developments there are “contributing to a high level of uncertainty”. Meanwhile, growth and labour market language was largely unchanged; activity continues to expand “at a solid pace” and unemployment remains “little changed.” However, given that energy prices have continued to rise in wake of the meeting, and money market pricing is no longer looking for rate cuts this year (at pixel time, the market is in fact discounting an approximately 60% chance that rates will be lifted this year), traders will look for any evidence in the minutes of how widely the inflation concerns are on the Fed, and what may prompt the Committee to shift towards rate hikes. However, it is worth noting the minutes are an account of the situation at the time of the meeting, therefore recent CPI and PPI data will not be incorporated into the Fed minutes. Powell himself

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said that while policy was in a “good place” to wait and see, he acknowledged that the Committee is moving closer to dropping its easing bias, with more officials now viewing a hike as likely as a cut. He stressed no one is calling for a hike at the moment; however, in wake of the meeting, analysts said that the threshold for any rate reductions has risen; the Fed wants to see more progress on tariffs and energy prices before it feels comfortable in easing, while he noted that core inflation risks are “real”. Powell also noted that in addition to the three dissenters, there were non-voters who would have preferred to move away from easing bias, but still supported the rate decision. That may present some challenges for incoming Warsh, whose first meeting will be in June. Warsh has advocated lower rates, a view that is no longer predominant on the Fed after Governor Miran’s departure. Additionally, Warsh has also advocated for tighter balance sheet policy; this week, Fed Governor Barr said that cutting bank liquidity rules to shrink the Fed balance sheet would undermine financial stability, and argued that balance sheet reduction was the wrong goal, and could increase the Fed’s market footprint. Barr said 2023 bank stresses suggest liquidity requirements should rise, not fall. We will be watching the minutes for the discussions around the easing bias and also future balance sheet decisions.

NVIDIA EARNINGS (WED): Reports earnings on Wednesday, 20th May at 21:30 BST/16:30 EDT, with investors closely watching the metrics given Nvidia’s leadership in AI. Nvidia continues to benefit from surging capital expenditure, with AMZN, GOOGL, META and MSFT already committing USD 695-725bln in 2026. Meanwhile, since the last earnings report at Nvidia’s GTC event, CEO Huang said last year saw around USD 500bln in high-confidence demand and purchase orders for Blackwell and Rubin, and now sees at least USD 1tln in demand through 2027, adding he is certain computing demand will be much higher than that. In the last earnings report, Nvidia guided Q1 revenue to between USD 76.44-79.56bln, above the expected USD 72.78bln. For this quarter, adjusted EPS is seen at 1.78 and revenue at USD 78.98bln. For the next quarter, profit and revenue are projected at USD 1.96 and USD 96.78bln, respectively, while FY EPS is seen at USD 8.36 and revenue at USD 371.66bln. Nvidia shares have surged recently, rising 20% over the last month and 26.5% YTD to fresh record highs. Barron’s wrote that Nvidia’s rally is only getting started and that the stock remains cheap. Ahead of earnings, Cantor Fitzgerald reiterated its ‘Overweight’ rating, maintained Nvidia as a ‘Top Pick’, and raised its PT to USD 350 from USD 300. While it will not be reflected in these earnings metrics, CEO Huang may also be asked about his recent China visit, where US President Trump said the H200 did not come up in talks with China.

CHINESE LPR (WED): The PBoC is due to announce China’s benchmark Loan Prime Rates next week and they are likely to remain unchanged, with the one-year LPR at 3.00%, the rate on which most new loans are based, and the five-year LPR at 3.50%, the benchmark for mortgages. The PBoC has refrained from adjusting the LPRs for 11 consecutive months and the central bank’s regular liquidity operations suggest this is likely to continue, with daily seven-day reverse repo operations recently maintained at modest amounts below CNY 1bln. However, it reportedly guided banks to increase lending in April and issued a notice alongside the Finance Ministry and NDRC to expand technology innovation and equipment upgrade loans to support equipment renewal further. The likelihood of no changes is supported by recent encouraging Chinese data, with PMI and trade figures largely beating forecasts, while recent inflation data were also firmer than expected. Consumer inflation and factory gate prices both accelerated in April, suggesting limited urgency for policy adjustments. Nonetheless, some near-term changes to the system cannot be ruled out after the PBoC stated in its Q1 Monetary Policy Implementation Report that it would reform and improve the LPR mechanism, with a focus on improving quote quality to better reflect actual lending rates. It also said it would strengthen coordination between monetary and fiscal policy, continue to implement an appropriately loose monetary policy stance and flexibly use a range of policy tools to maintain ample liquidity and relatively loose social financing conditions.

UK INFLATION (WED): March’s series was as-expected at a headline level, 3.3% Y/Y (prev. 3.0%), while the core figures were cooler-than-expected, but the all-important services lifted from the prior by more than expected; though, this is somewhat caveated by the early Easter and may be partially unwound in April. April’s PMIs pointed to the “strongest rate of input price inflation since November 2022”. Since, the BoE met and held rates at 3.75% in an 8-1 decision. Alongside this, they outlined three scenarios which would arguably necessitate increasingly hawkish action, the Q2 2026 views under the scenarios are 3.1%, 3.1% and 3.6% respectively. As such, an uptick from March’s 3.3% would bring us towards the 3rd scenario, and could spark a hawkish re-pricing and move the dial closer towards a near-term hike. However, the bias for April is arguably to a cooler print, as the annual changes implemented in April are on course to be lower Y/Y, though of course any respite will be temporary as the energy shock filters through.

AUSTRALIAN JOBS (THU): Australia’s April labour data is expected to show a steady print, with employment seen around +20k, unemployment holding at 4.3% and participation near 66.8%. The RBA continues to view the labour market as tight, making its reaction function asymmetric. Strong data, with employment above 30k or unemployment at 4.2%, would reinforce the risk of a June hike, while a softer print, with unemployment drifting towards 4.5%, would ease pressure for further tightening. The focus remains on the composition, with full-time versus part-time employment key after March’s skew towards full-time strength.

EZ FLASH PMI (THU): April’s figures were 17- and 62-month lows for the Composite and Services figures, respectively. The series confirmed the bloc was moving into a decline with the pre-war recovery derailed. For the ECB, they will be attentive to any signs that the price increases are passing through into other areas of the economy, and then for any signs that the economy is moving closer to a contraction as opposed to just a stagnation. The ECB is on course to tighten policy in June, given the guidance at the last meeting and subsequent sources and remarks. The May Flash PMIs will not change the outcome, with focus more on recent remarks from policymakers e.g. Lane, but could influence the degree of dissent in the upcoming June deliberations, irrespective of the actual outcome.

UK FLASH PMI (THU): April’s Services series was indicative of the “strongest rate of input price inflation since November 2022”, pressure linked to greater transportation bills and salary costs with customers reacting to fuel surcharges being implemented. Points that will be of concern for the BoE MPC, particularly the heightened salary costs, and speak in favour of current hawkish market pricing. May’s series will be scoured to see if the price pressures have increased further, and for any sign that they are spreading through the economy, i.e. second round effects. On activity, attentive to any signs that the modest recovery seen in April has continued or, as touted at the time, if it was a short lived bounce as purchasers front load. Finally, for any indication that the recent political turmoil and associated yield upside has led to a further deterioration in sentiment.

JAPANESE INFLATION (FRI): Japan’s May CPI is shaping up as a key BoJ input, with consensus core CPI around 1.4-1.8% Y/Y, though upside risks are building after a sharp PPI rise to 4.9% from 2.9%, highlighting rising pass-through pressure. The weak JPY and higher import costs remain the dominant inflation drivers, while tapering energy subsidies are expected to add about 0.4-0.5pp to the headline rate in the coming months. Bank views are clustered but slightly skewed higher, with Nomura at about 1.5%, Mizuho

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at about 1.7% and MUFG at about 1.8%. The focus is on whether service inflation turns sticky and signals more durable price momentum. For the BoJ, this is the final major data point before June, with markets watching core versus core-core inflation closely. Sub-2% core inflation would keep the BoJ cautious, while firm services and core-core inflation would strengthen the case for a hike.

UK RETAIL SALES (FRI): March's survey was much stronger than expected on a headline basis, while the core figures were softer, a dynamic illustrative of fuel sales doing much of the heavy lifting, as motorists keep tanks filled into the price/supply shock, i.e. a frontloading of activity. BRC's monitor showed a fall driven by the Easter shift, as food was hit the hardest, while large-ticket purchases declined. KPMG commented that April was a disappointing month for retail, even accounting for the timing of Easter.

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WEEK IN REVIEW

CHINESE TRADE DATA (SAT): China's April trade data came in strong, with exports up 14.1% Y/Y versus expectations of about 7.9%, and imports up 25.3%, pushing the surplus to about USD 84.8bln from USD 51.1bln previously. The upside was driven by external demand and front-loading, particularly around AI-related supply chains, while imports reflected strong demand for high-end chips and power equipment. At the same time, energy disruption remains a clear distortion, with crude imports falling sharply amid Strait of Hormuz constraints. Trade with the US remained under pressure but was broadly stable. Net, the strong headline trade performance was led by external demand and technology, but underlying dynamics remain skewed, with energy disruption and geopolitical risk still key swing factors.

CHINESE INFLATION (MON): China's April inflation surprised to the upside, with CPI rising to 1.2% Y/Y from 1.0% previously, versus expectations of about 0.8-0.9%, and PPI jumping to 2.8% Y/Y, versus expectations of about 1.7%, the highest since 2022. The move was clearly energy-led, with transport costs up 4.6% on fuel, while food prices fell 1.6%, highlighting weak domestic demand. The key takeaway is a shift out of deflation, but the composition remains cost-push rather than demand-driven. Middle East disruption and Strait of Hormuz constraints are feeding directly into input prices. Net, inflation was higher than expected but driven by external shocks, reducing the urgency for near-term PBoC easing, though underlying demand remains soft.

BOJ SOO (TUE): The BoJ Summary of Opinions was clearly hawkish, reinforcing the 6-3 split on 6th April and signalling the board is edging closer to tightening. Multiple members argued for a near-term hike, with some explicitly flagging June as a live meeting, even if Middle East uncertainty persists. The discussion focused heavily on rising inflation risks, particularly from energy, with concerns building around second-round effects and broader price pass-through. A few cautious voices remain, but the balance has shifted decisively towards tightening, with some members even calling for a faster pace of hikes if upside risks materialise. Net, the tone is more hawkish than Ueda's press conference suggested, strengthening expectations for a June hike and confirming the BoJ is moving closer to policy normalisation.

US CPI (TUE): Headline CPI rose 0.6% M/M in April, in line with expectations and easing from the prior 0.9% pace. However, the Y/Y rate accelerated to 3.8% from 3.3%, above the 3.7% forecast. Within the report, the energy index rose 3.8% in April, accounting for more than 40% of the monthly increase in headline CPI. The underlying inflation details were firmer. Core CPI rose 0.4% M/M (0.376% unrounded), above both the 0.3% forecast and the prior 0.2%, while the Y/Y rate accelerated to 2.8% from 2.6%, also topping expectations of 2.7%. Core services inflation picked up to 0.5% M/M and 3.3% Y/Y, while supercore inflation accelerated to 3.4%, reinforcing concerns that underlying price pressures remain sticky beyond the energy shock. The hotter core metrics are likely to concern Fed officials, particularly given the acceleration in services inflation. Fed's Goolsbee (2027 voter) noted the report was worse than expected, highlighting services as the most concerning component. Officials had previously expected tariff-related inflation effects to gradually roll off over the next two quarters, but persistent services inflation alongside elevated energy prices tied to the ongoing US/Iran conflict could delay any return to Fed easing. Attention now also turns to the expected nomination of Kevin Warsh as Fed Chair on Wednesday, ahead of the June meeting, after he was confirmed by the US Senate to be Federal Reserve Governor today. Warsh is widely viewed as more dovish and forward-looking than Powell, although his recent Senate testimony pushed back against perceptions he would support politically driven rate cuts, stressing he would not pre-commit to policy decisions.

US PPI (WED): US PPI came in significantly hotter than expected. Headline producer prices rose 1.4% M/M, above both the 0.5% forecast and prior print, while the Y/Y rate accelerated to 6.0% from 4.0%, topping the 4.9% consensus. Although headline measures can be heavily influenced by swings in energy prices, the underlying details also pointed to broader inflation pressures. Nearly 60% of the April increase in final demand prices was attributed to a 1.2% rise in final demand services, reinforcing the hot services inflation seen in Tuesday's CPI report and suggesting price pressures are becoming more widespread. Core measures excluding food and energy were also firm, confirming sticky underlying inflation. Core PPI rose 1.0% M/M (exp. 0.3%, prev. 0.1%), while the Y/Y rate accelerated to 5.2% from 3.8%, above the 4.3% forecast. Meanwhile, the supercore measure ex food, energy and trade rose 0.6% M/M (exp. 0.3%, prev. 0.2%), with the Y/Y rate climbing to 4.4% from 3.6%. The PPI components feeding into PCE were mixed. Portfolio management prices declined, while air passenger transportation prices cooled from the prior pace. Healthcare-related measures were broadly stable, with outpatient hospital care slowing while nursing home care accelerated. The hotter-than-expected PPI report, alongside signs of broader inflation pressures beyond energy alone, strengthens the case for Fed hawks and reinforces the Fed's ability to focus more heavily on inflation risks rather than labour market weakness, particularly as recent employment data continues to point to a relatively stable jobs market. Oxford Economics noted that higher energy costs are beginning to bleed into broader goods and services categories, including transportation, which should keep producer price inflation elevated in the months ahead. The consultancy also highlighted AI-related demand and DRAM shortages as drivers of elevated electronic component prices. OxEco currently tracks April headline PCE at 0.4% M/M and 3.8% Y/Y — the hottest since May 2023 — while core PCE is seen at 0.3% M/M.

BOC MINUTES (WED): The BoC minutes showed governors believed the situation could change quickly and rates might need to rise to guard against persistent inflation, although they agreed there was scope to remain patient for now while preparing for adverse outcomes related to US trade policy. Governors said rates would likely need to rise if oil prices remained high for a prolonged period and fuelled inflation. However, they also felt they could look through the initial inflation shock from higher oil prices with rates at current levels. Governors held a range of views on the Middle East conflict, the USMCA review and the most likely path for rates. If oil prices remained elevated for longer and the risk of broader, more persistent inflation increased, rates might need to rise. The opposite would apply if the US imposed new trade restrictions on Canada. Looking ahead, the GC agreed that a policy rate close to the current level would likely be appropriate to support the economy's adjustment and keep inflation near the 2% target. While governors did not rule out adjustments to the policy rate under this scenario, they agreed that, in the base case outlook, any changes would likely be small.

US RETAIL SALES (THU): Headline retail sales rose 0.5% in April, in line with expectations and easing from the prior 1.7% pace. Core retail sales ex autos increased 0.7%, above the 0.6% forecast but cooling from the prior 1.9%, while the ex-autos and gas measure rose 0.5% after a 0.6% increase previously. Within the report, spending gains were led by electronics and appliance stores (+1.4%) alongside nonstore retailers (+1.1%). Meanwhile, gasoline station sales rose a further 2.8% after surging 13.7% in March, reflecting the impact of higher fuel prices amid the ongoing US/Iran conflict. On the downside, furniture store sales fell 2.0% while clothing

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store sales declined 1.5%. The closely watched control group rose 0.5%, cooling from the prior 0.7% pace but still pointing to resilient underlying consumer demand. Although activity moderated from March's strong pace, the report suggests consumers continue to spend despite higher gasoline prices, with both the core measures and control group remaining in positive territory. Summarising the release, Oxford Economics highlighted that the underlying details of the report remained firm, while upward revisions now leave real consumer spending tracking close to 2% annualised growth in H1, which the consultancy described as "unspectacular, but solid". However, the desk warned that support from higher tax refunds is beginning to fade, while elevated gasoline prices are likely to weigh on spending momentum in the months ahead.

TRUMP-XI MEETING (THU-FRI): The Beijing summit ended on a clearly positive tone, with both Trump and Xi emphasising stronger ties and continued cooperation despite underlying tensions. Trade dominated the talks, with both sides agreeing to stabilise relations and pursue further deals, including agricultural purchases and a confirmed order for 200 Boeing aircraft, versus expectations for about 500. China also signalled a gradual market opening and renewed business engagement, including expanded access for US firms. Taiwan remained a clear flashpoint, with Xi reiterating that it is the most sensitive issue and warning of potential conflict if mishandled. Iran and Hormuz were also discussed, with Xi opposing tolls and military support for Tehran while maintaining oil purchases. The optics are constructive, with tangible trade progress, but core strategic tensions, including Taiwan, technology and tariffs, remain unresolved beneath the surface.

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