

Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
02-May-22	US ISM manufacturing PMI (Apr)	57.1	57.6
03-May-22	Australia interest rate decision	0.10%	0.25%
04-May-22	Australia retail sales m/m (Mar)	1.8%	0.5%
04-May-22	Europe retail sales m/m (Mar)	0.3%	0%
05-May-22	US interest rate decision	0.5%	1.0%
05-May-22	UK interest rate decision	0.5%	1.0%
06-May-22	US unemployment rate (Apr)	3.6%	3.5%

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

What to watch this week



Australia

The domestic data highlight was the Q1 CPI print last week, with the result materially higher than expected. The headline series jumped 2.1% over the quarter, well above the 1.7% consensus and bringing the annual figure to 5.1%. The trimmed mean, which is more important for the RBA, was up 3.7% in the year to 31 March against a consensus expectation of 3.4%.

The RBA meets this week and is expected to raise rates by 0.15%, bringing the cash rate to 0.25%. Interest rate expectations have shifted materially following the recent inflation print. Market pricing now shows a cash rate of around 2.50% by the end of this year and 3.50% next year. This compares to 2.0% and 3% prior to the inflation data being published. While a hike appears likely at the meeting this week, pricing further out seems overly aggressive, and UBS expects the hiking cycle to end with the cash rate at just 1.50% in Q2 next year, materially lower than current market expectations.

Home loans, retail sales and building permits will be published this week.



US

The US economy contracted at a 1.4% annualised pace in Q1, well below expectations of a 1% gain. The details were more encouraging however, with domestic demand looking strong, and weakness driven by inventory drawdown and a surge in imports, which itself supports the demand story as well as indicating easing supply chain disruption. There are also signs of a shift in spending from goods to services, which UBS believes will help pull inflation lower as the year progresses. Inflation data was weaker than expected across both Q1 and in the monthly series, with March showing a small step down in the annual gain when compared to February.

Weaker GDP and slowing price gains are unlikely to prevent the Fed from hiking this week, with the market pricing a 0.5% move and expectations that the Fed will begin the process of balance sheet reduction.

A busy week ahead sees PMI numbers and the non-farm payroll series published in addition to the Fed meeting.



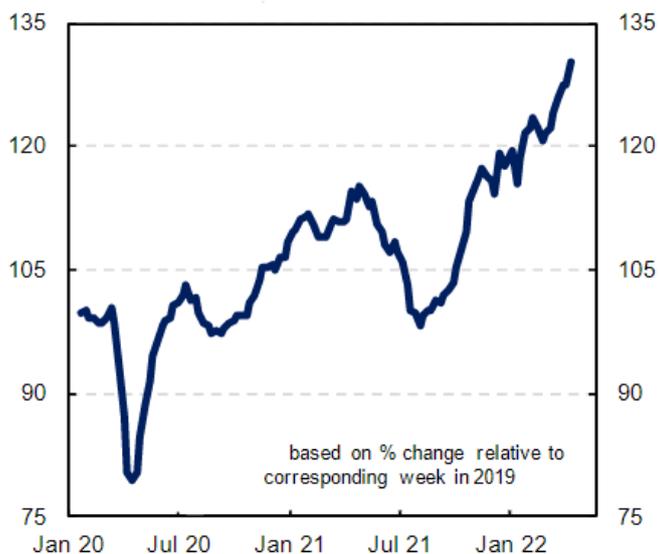
Europe

European GDP growth was marginally weaker than expected over Q1, while the April inflation print surprised to the upside.

The Bank of England (BoE) will meet this week, with the market expecting a 0.25% rate hike. At the moment, emerging concerns around slowing growth are less in focus than surging prices, with market pricing showing around six more hikes over the remainder of the year. The profile expected for the BoE is not dissimilar to that priced for Fed hikes in the US, but the economic backdrop in the UK is different, suggesting that market pricing for hikes may be too aggressive. The UK's growth profile is lower than that in the US, while inflation is also not as high. While the BoE is expected to hike this week, a pause is expected in the coming months, rather than ongoing hikes over the remainder of the year.

Labour market and retail sales numbers are the European highlights this week. There are no major data point due in the UK, where the focus will be on the BoE meeting.

Chart of the week—CBA weekly credit card spending



Source: CBA

The latest publication of CBA's weekly credit card spending data showed ongoing strength in consumer spending in the fortnight to 22 April. The detail shows broad based strength across regions and by industry, although discretionary spending across sectors such as clothing & footwear, household furniture and general retailing were particularly strong.

The gap between spending on services and goods has closed, with services spending sharply higher following the end of Covid-19 stay at home orders. This shift from goods to services spending is part of the rationale for a forecast decline in inflationary pressures as the year progresses.

The timing of the Easter holiday makes it a little difficult to draw solid conclusions from a single data release but the overall strength shows that consumers continue to shrug off concerns over rate hikes and elevated inflation.

Financial market movements

INDICATOR	AS AT 29-APR-22	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
EQUITIES		%	%	%	%
S&P/ASX 200 Index	87,297.17	-2.08	10.16	9.34	8.71
US S&P 500 Index	8,696.65	-3.26	0.21	14.21	13.59
EURO STOXX	893.30	-0.74	-1.38	5.85	4.31
UK FTSE 100 Index	7,580.97	0.40	12.35	4.67	4.81
Japan TOPIX Index	2,874.72	-1.47	1.51	7.61	6.45
MSCI World ex-Australia Index	6,605.37	-2.54	-0.35	11.20	10.34
FIXED INCOME	%	BP	BP	BP	BP
Australian 90 day bank bill yield	0.71	24.88	67.00	-28.35	-20.75
Australian 10 year bond yield	3.13	-0.50	141.00	44.27	10.98
US 90 day bank bill yield	0.82	5.59	82.81	-52.59	0.91
US 10 year bond yield	2.93	3.49	129.93	13.59	13.03
UK 10 year bond yield	1.91	-5.80	106.20	24.87	16.35
German 10 year bond yield	0.94	-3.40	113.10	31.07	12.39
COMMODITIES		%	%	%	%
Gold—??	1,896.93	-1.79	7.04	14.01	8.38
Oil—West Texas Crude	104.69	2.57	61.04	18.13	16.24
Iron Ore Spot Price Index	145.90	-2.56	-18.78	15.84	16.27
CURRENCIES		%	%	%	%
AUD:USD	0.71	-2.35	-8.88	0.28	-1.23
EUR:USD	1.06	-2.16	-12.49	-1.94	-0.64
GBP:USD	1.26	-1.92	-9.48	-1.18	-0.46
USD:JPY	129.60	0.86	18.82	5.18	2.99
NZD:USD	0.65	-2.53	-10.14	-0.77	-1.30
CHF:USD	1.03	-1.39	-6.11	1.61	0.52
AUD:EUR	0.67	-0.10	4.12	2.26	-0.60
AUD:GBP	0.56	-0.43	0.67	1.48	-0.77
AUD:JPY	91.68	-1.50	8.29	5.47	1.72

*BP = Basis Point, Source: Bloomberg; ^TR = Total return.

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