



WEEK AHEAD



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All trading involves risk. It is possible to lose all your capital.

Week ahead: May 7th to 11th

Market focus on BoE

Next week's market movers

- Australia's retail sales for March, Germany's industrial output and trade balance for March could grab the market's attention on Tuesday.
- China's trade balance for April and Sweden's CPI rate for April could move the market on Wednesday.
- On Thursday we'll have a busy day, as we'll start with RBNZ's interest rate decision, Japan's current account balance for March and China's CPI rate for April in the Asian morning, followed by the star of the week, **BoE's interest rate decision**, the Avast IPO on the London Stock Exchange in the European session and end with the US inflation data in the American session.
- On Thursday the market is expected to shift its focus to the UK for the release of the Services PMI for April, to Europe for Eurozone's preliminary release of the CPI rate for April and Norge's Bank interest rate decision and last to the US for the ISM Non Mfg PMI for April.
- Last but not least, on Friday, the market could shift its focus on Canada's Employment data and the US University of Michigan Sentiment indicator.

In the next week a plethora of financial data releases could attract the market's attention. Our team handpicked the ones which considers as the most influential and discusses their possible forecasts and their respective effects on various currencies.

On Monday, no major events are expected.

On Tuesday, during the Asian morning we get Australia's retail sales growth rate for March. The rate is forecasted to slow down to +0.2% month on month (mom) compared to previous reading of +0.6% mom. Should the actual results meet the forecast we could see the Aussie weakening, as the slowdown of the retail sales growth could imply that the markets may be losing confidence in the prospects of the Australian economy.

In the European session, Germany's industrial output growth rate is due out for March. The rate is forecasted to accelerate to +0.7mom compared to previous reading of -1.6% mom. Should the actual results meet the forecast we could see the common currency strengthening as the rate not only accelerates but also gets rid of the negative sign it had.

Also from Germany we get the trade balance figure for March. The surplus is forecasted to widen slightly to 20.0 billion compared to previous reading of 19.2 billion. Albeit the difference is rather small, EUR could get some further support.

On Wednesday, during the Asian morning we get China's trade balance figure for April. The figure is forecasted to increase to +24.7B USD compared to previous reading of -4.98B USD. Should the actual results meet the forecast we could see the AUD and NZD strengthening as the figure is forecasted to turn to a surplus compared to the previous deficit, and the difference is substantial.

In the European session we get Sweden's CPI rate for April. The rate is forecasted to slowdown and reach +1.8% year on year (yoy) compared to previous reading of +1.9% yoy. Should the actual results meet the forecast we could see the Krona weakening as the slowdown of the rate could imply that the possibility of a more hawkish stance from Riksbank is slowly drifting away.

Thursday, is expected to be the busiest day of the week as we start early in the Asian morning with the release of RBNZ's interest rate decision. The Bank is widely expected to remain on hold at +1.75 and

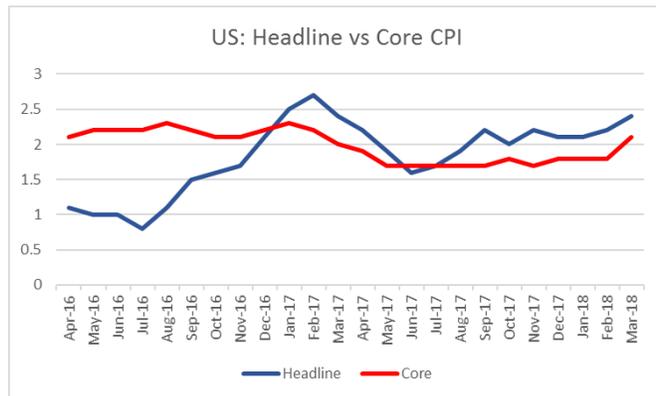
currently NZD OIS imply a probability for the bank to remain on hold of 99.29%. Hence the market's attention could shift to the banks outlook and we share the view that the low inflation rate of 1.1% yoy, which is at the lower boundary of the bank's target (1%-3%) could prevent the bank from taking a hawkish stance. We see the case for the bank to retain a more neutral tone in the accompanying statement. Also it should be noted that it will be the first policy meeting under the new governor, Adrian Orr and under the new dual mandate (inflation and unemployment).

Also during the Asian morning we get Japan's current account surplus figure for March. The figure is forecasted to rise to 3,009.2 B Yen compared to previous reading of 2,076.0B Yen. Should the actual reading meet the forecast we could see the JPY strengthening on the good news.

Last in the Asian session, we get China's CPI rate for April. The rate is forecasted to slowdown and reach +1.9% yoy compared to previous reading of +2.1% yoy. Should the actual readings meet the forecast we could see the NZD and the AUD weakening as their respective economies have a huge exposure on China and are therefore quite sensitive to any Chinese releases.

During the European day we get the BoE interest rate decision. BoE is expected to remain on hold at +0.50% and GBP OIS imply a probability for the bank to remain on hold at 90.23%. In case the bank remains on hold, we could see the pound weakening. Should the banks outlook on the economy be more on the dovish side after the recent negative financial results and the increased uncertainty of the UK political stage as well as the Brexit negotiations, we could see the pound weakening.

In the American session we get the US inflation data for April. The headline CPI rate is forecasted to tick up to +2.5% yoy compared to previous reading of +2.4% yoy as well as the core CPI rate which is forecasted to reach +2.2% yoy compared to previous reading of +2.1% yoy. Should the actual readings meet the forecast we could see the USD strengthening as inflationary pressures will be even more evident.



On Friday, during the American session we get Canada's employment data for April. The employment change reading is forecasted to drop to +20.0K compared to previous reading of +32.3K, while the unemployment rate is forecasted to remain unchanged at +5.8%. The drop in the employment change could distort the picture of the report and cause the CAD to slip.

Last but not least we get from the US the release of the preliminary U. Michigan Sentiment indicator for May. The indicator is forecasted to rise slightly to 99.5 from previous reading of 98.8. Should the actual figures meet the forecast we could see the greenback getting some further support.

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