

26th April 2019

Making England great again

Return of the Greatest Showman

- **Trump invited for first “state visit” to UK on June 3**
- **EUR suffers amidst German slowdown**
- **USD strength prevails with Q1 GDP data in the pipeline**

GBP: PM survives ousting attempt

Brexit headlines returned to the news tickers this week as Parliament returned from Easter recess. The tone surrounding recent talks between the government and the opposition suggest that progress is yet to be made. The 1922 committee, a Conservative party parliamentary group, decided against allowing an early no-confidence vote, which could have seen the Theresa May ousted from number 10. The PM had previously pledged to resign once a withdrawal agreement passes in an attempt to gain support for her Brexit deal, however the committee now demanded a “clear roadmap forward”.

Recent polls indicate that support for the current government is deteriorating, with Labour now taking the lead in the polls. The newly established “Brexit Party” lead by infamous Brexiteer and MEP Nigel Farage gained 14% in polls, and would be up against the conservative party in the upcoming European Parliamentary elections should the government fail to pass a deal within the next month.

Buckingham palace announced a three-day state visit for Donald Trump, beginning on June 3. During his first state visit the US president will also engage in talks with Theresa May.

The GBP/EUR failed to break out of the 1.15 handle during a series of low volatility trading sessions, largely owing to a light economic calendar and lack of Brexit development.

EUR: Germany weighs on Europe

Many of the global risks which we saw mounting around Q418 have begun to dissipate however key economies largely affected by global developments are yet to recover. On Wednesday we saw the release of the German IFO Index, a leading indicator for Europe’s largest economy, which saw a drop from 99.7 to 99.2 in April. Manufacturing continues to weigh on German economy with the current PMI index readings, a key indicator for the sector, at post financial crisis lows.

Despite the weakness in manufacturing, the service sector remains stable and furthermore employment is growing and wages are increasing.

The single currency spent the week on the backfoot as the strength in the USD led the EUR/USD down to 1.1135, lows not seen since June 2017.

USD: Much anticipated Q1 GDP Release

The USD Index (DXY), an index which shows the value of the USD relative to a basket of currencies, spent the week in the green, making new highs for the year. The GBP/USD ends the week hovering above the 1.29 handle. Friday afternoon will see the release of the Q1 GDP figure from the US. As reported in our last publication, key forecasting models such as the Atlanta Fed “GDPNow” are pointing towards a growth of 2.7% for Q1, a significant increase from the models output in February which was forecasting growth below 0.5%. The market will keep a close eye on this release to dictate the next move for the USD.

The week ahead

Monday

- 10.00: European Business Climate (Apr)
- 13.30: US Personal Consumption Expenditure (Feb / Mar)
- 13.30: US Personal Income (Mar)

Tuesday

- 07.00: German Gfk Consumer Confidence Survey (May)
- 10.00: EUR GDP (Q1)
- 10.00: EUR Unemployment Rate (Mar)
- 13.00: German Consumer Price Index (Apr)
- 14.45: US Chicago Purchasing Managers Index (Apr)
- 15.00: US Consumer Confidence
- 15.00: US Pending Home Sales (Mar)

Wednesday

- Labour Day (Germany, France, Switzerland, Italy, Spain, China)
- 09.30: UK Markit Manufacturing PMI (Apr)
- 13.15: US ADP Employment Change (Apr)
- 14.45: US Markit Manufacturing PMI (Apr)
- 15.00: US ISM Manufacturing PMI (Apr)
- 19.00: US Fed’s Monetary Policy Statement Release
- 19.00: US Fed Interest Rate Decision
- 19.30: US FOMC Press Conference

Thursday

- 07.00: German Retail Sales (Mar)
- 09.00: EUR Markit Manufacturing PMI (Apr)
- 09.30: UK Markit Construction PMI (Apr)
- 12.00: BoE Interest Rate Decision

- **12.00: BoE Quarterly Inflation Report**
- **12.00: BoE Minutes**
- **12.30: BoE Carney Speech**
- 13.30: US Jobless Claims (Apr)
- 15.00 US Factory Orders (Mar)

Friday

- **09.30: UK Markit Services PMI (Apr)**
- **10.00: EUR Consumer Price Index (Apr)**
- 10.00: EUR Producer Price Index (Mar)
- 13.30: US Average Hourly Earnings (Apr)
- **13.30: US Nonfarm Payrolls (Apr)**
- **13.30: US Unemployment Rate (Apr)**
- 13.30: US Average Hourly Earnings (Apr)
- 13.30: US Labour Force Participation Rate (Apr)
- **14.45: US Markit PMI Composite (Apr)**
- 14.45: US Markit Services PMI (Apr)
- 15.00: US ISM Non-Manufacturing PMI (Apr)

Given the last week's light economic calendar, the first week of May will bring a number of key data points across the global markets. From the UK the market focus will remain on any developments in the Brexit story, however Thursday brings a BoE rate decision and release of meeting minutes. It is expected that BoE will keep rates on hold, especially since the latest inflation reports suggest price pressures remain muted. From Europe releases of Q1 GDP, Manufacturing and Price Indexes are set to confirm the regions muted growth. We can also expect an Interest Rate Decision and press conference from the FOMC, who are currently maintaining a "wait and see" approach. Friday's labour market data from the US will be in focus to confirm that the recent strength in the jobs market is persisting.



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