Week Ahead 30th May - 3rd June: Highlights include US nonfarm payrolls, ISM surveys, China PMI, BoC, OPEC+

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- **MON:** EZ Sentiment Survey (Apr).
- **TUE:** NBH Announcement; Japanese Jobs Report (Apr); Chinese PMIs; German Unemployment (May); EZ Flash CPI (May); Canadian GDP.
- **WED:** BoC Rate Decision; South Korean Trade Balance (May); Australian GDP (Q1); Chinese Caixin Manufacturing PMI Final (May); German Retail Sales (Apr); EZ/UK/US Manufacturing Final PMIs (May); EZ Unemployment Rate (Apr); US ADP National Employment (May); US ISM Manufacturing PMI (May); OPEC JTC Meeting.
- **THU:** Swiss CPI (May); EZ PPI (May); US Durable Goods R (Apr); OPEC+ Meeting
- **FRI:** South Korea CPI (May); EZ/UK/US Services and Composite Final PMIs (May); EZ Retail Sales (Apr); US Labor Market Report (May); ISM Services PMI (May).

NOTE: Previews are listed in day-order

EUROPEAN COUNCIL SPECIAL MEETING (MON/TUE): To finalise the sixth sanctions package against Russia, EU leaders are poised to meet on the 30th and 31st of May 2022. The focus will likely fall mainly on the oil embargo aspect of the package amid Hungary's opposition to a swift and timely exit from Russian energy. Ukraine's Energy Ministry warned that "something could happen with the Druzhba oil pipeline" delivering crude oil to Hungary if Hungary blocks the EU's oil embargo, according to Euronews. Sources via Bloomberg and Reuters suggested the EU is leaning toward delaying a pipeline ban to achieve its oil deal embargo, where shipments via the Druzhba oil pipeline could be excluded temporarily from the proposed EU ban. Aside from energy, food security will also be on the agenda – "At our meeting, we will discuss concrete ways to help Ukraine export its agricultural produce using EU infrastructure", Council President Michel said in his invitation letter. Defence will also be discussed within EU borders. The meeting is set to start at 15:00BST/10:00EDT, according to the invitation.

US ISM MANUFACTURING PMI (WED), SERVICES PMI (FRI): The manufacturing ISM is seen little changed in May, with the street expecting 55.3 from April's 55.4. Credit Suisse expects a decline by more than the consensus is pricing in, however: "regional surveys have shown a sharp drop recently, with the Philly, Richmond, and Empire state headline readings at or near post-pandemic lows," the bank notes, "global supply chains are likely to remain under pressure, which should worsen the growth slowdown, but also provide a boost to headline ISM due to longer supplier-delivery times." The bank notes that industrial production has been resilient despite some of the shocks this year–like COVID lockdowns in China and Russia's invasion of Ukraine – and says US growth momentum accelerated as global momentum was slumping; "we do not expect a sharp decline in US manufacturing, but the recent outperformance is likely unsustainable and a slowdown remains our base case."

CHINESE OFFICIAL PMI (TUE): The Chinese PMIs will likely reflect a subdued mood across businesses amid the COVID lockdowns, but more optimism M/M is expected given Shanghai began easing its restrictions whilst the government announced further supportive measures. The release will also be examined under the hood for the anecdotal excerpts regarding inflation for the second-largest economy in the world, and ahead of the Chinese inflation metrics on June 10th – which are expected to show a cooling in both CPI and PPI in May.

EZ FLASH CPI (TUE): Headline Y/Y CPI is expected to tick higher to 7.5% from 7.4%. For the core metric (ex-food and energy), there is no consensus at the time of writing. However, analysts at Credit Suisse expect it to hold steady at 3.5%. Analysts at Nordea expect the headline print to be supported by oil prices and "the strong price pressures in global food indices". For the core reading, Nordea is of the view that it will likely remain at elevated levels given "price pressures have continued both in services and non-energy industrial goods", according to PMI data. As always, regional releases ahead of the EZ-wide metric will help form a clearer consensus of the print on Tuesday. From a policy perspective, the upcoming release is likely to have little impact on the forthcoming ECB meetings with policymakers at pains in recent weeks to convey that asset purchases under APP will likely conclude as of July 1st, allowing for a 25bps July 21st rate hike followed by another in September. As such, the release will likely merely reaffirm ongoing inflation angst within the Eurozone.

BOC RATE DECISION (WED): Following a half-percentage rate rise in April, the Bank of Canada is expected to lift rates by a 50bps increment again in June as it tries to place a lid on price pressures, which would take its key interest rate to 1.50%. Economists have been revising their expectations more hawkishly following April's inflation metrics, which showed an average of the BoC's three core CPI measures rising to 4.23% from 3.77%, while the headline rose to 6.8% Y/Y, meaning that inflation has been above the BoC's 1-3% target range for over a year. Analysts said that this should keep the BoC in aggressive inflation fighting mode. Canadian bank RBC wrote that "the BoC is laser-focussed on taming inflation, but once the overnight rate reaches a more neutral level, it will be conscious of the potential trade-off between returning inflation expediently to target and prolonging the economic cycle"; RBC does not expect the BoC to take policy into restrictive territory (the neutral rate is estimated to be between 2-3%) unless inflation dynamics were compelling it to do so, and RBC warns that if it did, it would "amplify recession risk." A Reuters poll of fourteen economists revealed a split on views whether the current tightening would lead to an economic recession.

AUSTRALIAN GDP (WED): Q1 GDP data will likely be stale given the backwards-looking nature of the release and the macro developments since. Nonetheless, the Q/Q measure is expected to print at 0.7% (prev. 3.4%) whilst the Y/Y metric is seen at 3.0% (prev. 4.2%). Desks highlight base effects of the prior Q/Q metric, which was bolstered following the COVID Delta outbreak in Q3. "For Q1, we anticipate anaemic growth of 0.2%. The Labour Force survey printed hours worked down 1.2%, pointing to downside risks.", analysts at Westpac posit. In terms of follow-through to monetary policy, the print will unlikely sway market pricing too much, with money markets currently pricing a 100% chance of a 25bps hike to the Cash Rate at the June 7th meeting.

OPEC+ MEETING (THU): Oil producers are poised to continue with the pact of increasing oil output to the previously agreed amount of 432k BPD – expectations that have also been backed by six OPEC sources via Reuters. The meeting is to take place shortly after two Senior US advisors' "secret visit" to Saudi regarding a potential deal to increase oil production to tame the rise in prices in the run-up to the US driving season. Analysts have argued that there is little chance that Saudi Arabia will align itself with the US' needs due to a couple of reasons - 1) It is in Saudi's best interest to stay neutral as Russia is an OPEC+ ally, 2) Spare capacity has come into focus, with the gap between OPEC+ production and quotas rising to a record 2.59mln BPD in April; 13 out of the 19 countries struggled to hit quotas, according to a survey cited by S&P Global. Meanwhile, Saudi Aramco's CEO earlier this week warned that the world is operating with less than 2% of spare oil capacity. Add to that, the demand dent seen from the COVID episodes in China provides less reason to open the taps more than planned. All-in-all, the meeting will likely be similar to the recent string of swift meetings.

US LABOUR MARKET REPORT (FRI): The consensus expects 350k nonfarm payrolls will be added to the US economy in May (prev. 428k), and as labour continues to return, the unemployment rate is seen falling by one-tenth of a percentage point to 3.5% (NOTE: the Fed's current forecasts, made in March, pencilled in the jobless rate declining to that level by the end of this year). Given the Fed's reaction function is currently heavily centred around prices, there will be a lot of attention on the average hourly earnings metrics for clues whether rampant price rises are resulting in second-round effects – if this appears to be the case, it is likely the Fed will continue with hawkish rhetoric, backed by aggressive policy normalisation as it tries to rein in consumer prices. The street looks for average hourly earnings to rise 0.4% M/M (prev. +0.3%), which is more or less in line with the average seen since 2021. "Gains in employment and wages, along with a flat work week, should fuel another strong gain in labour compensation that is more than sufficient to offset erosion in aggregate purchasing power from high inflation," Barclays said.