



The Week Ahead

Date 05 MAY - 2025

Federal Reserve Outlook: A Deliberate Pause Amid Mixed Economic Signals

Recent economic data presents a mixed backdrop for the U.S. economy, placing the Federal Reserve in a cautious stance as it considers its next move. While inflation has cooled from post-pandemic highs, it remains just above the Fed's 2% target. Meanwhile, growth in the services sector has softened, and the central bank is widely expected to hold interest rates steady at 4.50% in its upcoming meeting.

The ISM Services PMI dropped to 50.8 in March, its lowest reading since June 2024, with notable weakness in employment and new orders. Although business activity remained stable, firms reported rising input costs linked to tariffs. Still, the labor market remains strong, with April job gains exceeding expectations and unemployment steady at 4.2%.

The Fed's approach is shaped by its dual mandate—to maintain stable prices and full employment—and with both metrics showing only modest movement, the case for immediate action is weak. Still, the trend of weaker service sector activity and persistent trade-related headwinds may force the Fed to act in the second half of the year.

In sum, the Federal Reserve appears committed to a cautious, data-dependent strategy. For now, interest rates will remain unchanged, but if growth continues to decelerate without a corresponding rise in inflation, the first rate cut of 2025 could arrive by midyear.

BoE Poised for Rate Cut Amid Slowing Growth

The Bank of England (BoE) is expected to maintain its cautious policy stance at its upcoming meeting on May 8, 2025, with markets anticipating a potential 25 basis point cut to 4.25%, down from the current 4.50%. While inflation in the UK has moderated from its recent peaks, it remains above the BoE's 2% target—currently sitting at 2.6%, with projections indicating it could rise to 3.75% by Q3. Against this backdrop, the BoE's Monetary Policy Committee (MPC) remains divided, with most members favoring a gradual approach, while one member has already called for a rate cut.

Economic growth in the UK has remained weak, and the broader outlook has been clouded by global trade tensions and rising geopolitical uncertainty, including the impact of new U.S. tariffs. Recent data shows slowing momentum in consumer activity and business investment, adding to expectations that the BoE will begin a measured easing cycle in the months ahead. Analysts now forecast up to four quarter-point rate cuts by early 2026, provided inflation continues to moderate and growth remains subdued.

In summary, while the BoE is not rushing to ease policy, the tone has clearly shifted toward a data-driven, dovish bias. Investors should prepare for the possibility of rate cuts in the coming quarters, especially if inflation remains under control and economic conditions deteriorate further.

Monday

- US: ISM Services PMI (Apr)
- ID: GDP Growth Rate YoY (Q1)
- RU: S&P Global Manufacturing PMI (Apr)

Tuesday

- CA: Balance of Trade (Mar)
- CA: Ivey PMI s.a (Apr)
- US: API Crude Oil Stock Change (May)

Wednesday

- EU: Retail Sales YoY (Mar)
- CN: Foreign Exchange Reserves (Apr)
- US: Fed Interest Rate Decision

Thursday

- DE: Balance of Trade (Mar)
- GB: BoE Interest Rate Decision
- CA: Financial Stability Report

Friday

- CN: Balance of Trade (Apr)
- CN: Exports and Imports YoY (Apr)
- CA: Unemployment Rate (Apr)

Importance Level: Low ● Medium ● High ●

2025 Interest Rates (BoE vs. Fed)

Month	BoE Rate (%)
January	4.75
February	4.50
March	4.50
April	4.50
May (f)	4.25 (cut expected)
Month	Fed Rate (%)
January	4.50
February	4.50
March	4.50
April	4.50
May (f)	4.50 (unchanged)

Note: "(f)" indicates forecasted data for May.



The Week Prior

Date 05 May - 2025

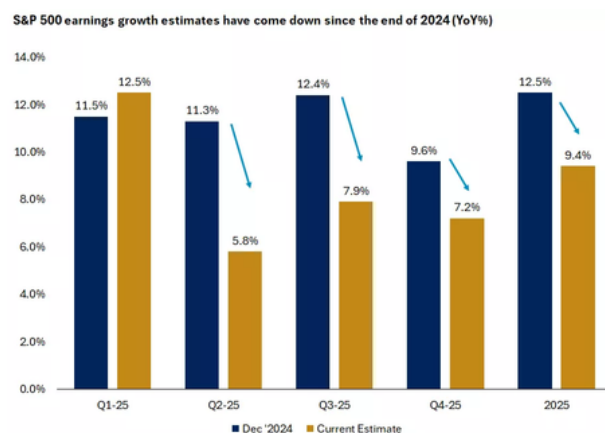
Market Update: Solid Q1 Earnings Amid Economic Slowdown

As the month of April ended, markets continued to trend higher as first-quarter earnings delivered upside surprises, reinforcing confidence in corporate fundamentals despite signs of cooling in the broader economy. Roughly 70% of S&P 500 companies have reported, with 76% exceeding earnings expectations—slightly above the long-term average of 75%.

Q1 earnings growth is on track for 12.5% year-over-year, compared to the 11.5% forecast at the end of 2024. This marks a solid start to 2025 and demonstrates underlying business strength, especially among technology and AI-related sectors. Notably, companies like Microsoft and Meta maintained aggressive capital spending plans, committing over \$150 billion in infrastructure and AI development. This was viewed positively by investors and helped counterbalance macroeconomic concerns.

However, the forward outlook is softening. As shown in the attached chart, S&P 500 earnings per share (EPS) growth estimates for 2025 have been revised down relative to expectations at the end of 2024. Second-quarter earnings growth is now projected at 5.8%, down from 11.3%. This reflects growing caution among companies, especially those exposed to global trade dynamics and discretionary consumer spending.

Several major consumer and retail names—such as Amazon, Apple, McDonald's—have guided lower for the quarters ahead, citing weaker international sales and slower U.S. traffic. These trends have been most visible among lower-income consumers, where demand has been softening. The takeaway from the chart is clear: While Q1 earnings growth has outperformed, consensus for the full year is trending lower, reflecting greater uncertainty. Even so, current estimates still call for about 9.5% earnings growth in 2025. Historically, positive earnings growth has supported equity markets and investor sentiment. If inflation pressures remain contained and interest rates ease later this year, the current dip in earnings forecasts may stabilise.



Eurozone Surprises with Q1 Growth

The Eurozone economy grew by 0.4% in the first quarter of 2025, outperforming expectations and doubling the previous quarter's growth rate of 0.2%. However, much of this increase was driven by temporary factors—particularly a 3.2% surge in Ireland's GDP. Ireland's figures are often volatile due to the presence of numerous U.S. multinationals that route international revenues through Irish subsidiaries. Adjusting for this, Commerzbank estimates that Eurozone growth would have been closer to 0.3%. Economists generally view the Q1 data as backward-looking, offering limited insight into the more uncertain outlook ahead.

At the same time, inflation in the Eurozone held steady at 2.2% in April, slightly above forecasts and marking the sixth consecutive month above the European Central Bank's target. Core inflation rose to 2.7%, while services inflation climbed to 3.9%, likely influenced by seasonal effects such as Easter holiday timing. Despite the inflation surprise, most analysts believe the ECB will remain focused on weak economic activity and continue its rate-cutting path.

In response to softening growth, the ECB lowered interest rates to 2.25% in April—its seventh cut since June—and reduced its 2025 growth forecast to 0.9%, the sixth downward revision. Markets are assigning a high probability to another cut in June, with two or three more expected by year-end. While headline growth in Q1 exceeded expectations, underlying momentum remains fragile amid persistent inflation and growing concerns over the impact of recent U.S. tariffs on Eurozone trade and investment.





Most anticipated earnings release

For the week beginning

MAY 05 - MAY 09 2025

Monday

Tuesday

Wednesday

Thursday

Friday



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