



The Week Ahead

Date 12 MAY - 2025

US CPI Outlook

On May 15th, the Bureau of Labour Statistics will publish April's CPI, reporting month-on-month changes in the overall basket of goods and services and in core inflation (excluding food and energy prices). The Fed targets 2% inflation, with CPI providing important insight into how rates should be adjusted. A cooler print could ease pressure on rates, lifting equities and lowering borrowing costs, whilst hotter prints could have adverse effects. CPI influences real-income growth and consumer spending, roughly accounting for 68% of US GDP, highlighting the sensitivity of the US market to CPI fluctuations.

Expectations: A Continuing Trend?

Headline: +0.22% MoM, +2.34 YoY, slowing down from the first quarter average of 0.37%. Energy prices have eased since winter, with the BLS energy index decreasing since March's peak, contributing to lower CPI levels

Core: +0.23 MoM, +2.76 YoY. Whilst good prices have stabilised, the cost of services remains sticky, pushing YoY expected inflation above the FED's 2% target.

Falling House Prices And Trump's Tariffs

Shelter costs carry a high weight in overall CPI inflation, with a large proportion of income being spent on shelter. For 12 months up until March 2025, shelter cost inflation eased to 4% annual rate. Shelter cost disinflation has been anticipated with private markets signalling reducing house prices. If this trend continues, it could augment CPI lower, with shelter costs making up a third of CPI index.

Additionally, whilst it is too early to see the full effects of the tariffs, April's CPI report may highlight some of the emerging trend's onset by the new stipulations. Whilst the inflation in the goods market is unlikely to be resembled in this month's data due to policy implementation and supply chain lags, April's CPI report may reveal emerging signals of what is to come.

Overall, CPI looks to portray cooling inflation once again this month, continuing a trend of subdued inflation seen over the last three months. This trajectory would help increase purchasing power, and reduce borrowing costs, with markets expecting rate cuts later in the year. However, the FOMC will continue to monitor the fallout from tariff restrictions, with the effects of these on CPI expected to be revealed in the coming months.

Germany ZEW Economic Sentiment Index

On May 13th the Centre for European Economic Research (ZEW) will publish its May Economic Sentiment Index. This index reveals Germany's economic outlook for the next six months. It is an early barometer for business confidence in the German economy, foreshadowing shifts in investment, industrial output, and exports, and helps set expectations for ECB policy and currency flows.

The index is comprised of the aggregated outlooks on the German economy of 350 economists and financial experts. April's index reading fell 65.6 points to -14, marking the largest decline since the beginning of the Ukraine conflict in 2022. This score was largely driven by the US' imposition of sweeping tariffs on EU imports. Zew President Achim Wambach highlighted that the unpredictable onset of US tariffs increases global economic uncertainty, with key German exports such as steel, aluminium and automobiles subject to 25% tariffs and EU exports hit with 10% tariffs. Whilst the severity of the tariffs has later been redacted by President Trump, uncertainty is likely to remain heading into this month's outlook, with expectations not expected to be high.

Economic Calendar

Monday

- UK: BoE MPC Member Mann speaks
- US: Federal Budget Balance (Apr)
- EU: Eurogroup Meetings

Tuesday

- US: Consumer Price Index CPI (Apr)
- UK: Unemployment Rate (Mar)
- GER: ZEW Economic Sentiment (May)

Wednesday

- US: EIA Crude Oil Inventories
- EU: German and Spanish CPI

Thursday

- DE: US Retail Sales (Apr)
- US: US Producer Price Index PPI (Apr)
- CA: GDP (Preliminary Q1)
- EU: Eurozone GDP and Industrial Production data

Friday

- RUS: GDP Quarterly YoY (Q2)
- US: Michigan Inflation Expectations
- CAD: Foreign Securities Purchases

Importance Level: Low ● Medium ● High ●

| Most anticipated earnings release For the week beginning MAY 12 - MAY 16 2025 | | | | | |
|---|--|---|---|---|--|
| Monday | Tuesday | Wednesday | Thursday | Friday | |
|  Alibaba Group |  BNP PARIBAS |  SONY |  Walmart |  ICE | |
|  21ST CENTURY FOX |  SAP |  CISCO |  SIEMENS |  VW | |
|  Vontobel |  airtel |  Tencent 腾讯 |  Morgan Stanley |  RICHEMONT | |
|  PETROBRAS |  PINGAN |  VERTEX |  Allianz |  Julius Bär | |
|  CONSTELLATION SOFTWARE INC. |  BAYER |  Hilton |  AT&T |  THALES | |
|  SIMON | | | |  Swiss Re | |



The Week Prior

Date 12 May - 2025

U.S.-U.K. Tariff Agreement

The newly announced U.S.-U.K. tariff agreement marks a tactical pivot in the U.S.'s trade posture following a wave of aggressive protectionist measures enacted by the Trump administration. While not a full trade agreement, this limited but strategic accord signals a recalibration of transatlantic economic relations and sets a potential framework for broader negotiations, including with more contentious partners like China.

At the centre of the agreement are sector-specific tariff adjustments. The U.S. will reduce the tariff on the first 100,000 British-made vehicles from 27.5% to 10%, with a steeper 25% rate applying to imports beyond that threshold. Tariffs on U.K. steel and aluminium imports—previously raised to 25%—will be eliminated, citing the U.K.'s measures to address global steel overcapacity. In return, the U.K. will reduce tariffs on American agricultural exports, such as ethanol and beef, although it maintains its bans on chlorine-washed chicken and hormone-treated beef, reflecting domestic concerns over food safety and environmental standards. Despite these changes, most other U.K. imports will continue to face a 10% universal tariff under the U.S.'s new reciprocal tariff policy, limiting the overall economic scope of the agreement.



Reactions to the deal have been mixed across both sides of the Atlantic. President Trump called the agreement a breakthrough that would open \$5 billion in new market opportunities for American exporters, particularly in the agricultural sector. U.K. Prime Minister Keir Starmer emphasised the benefits for British industries, especially auto and steel manufacturing, noting that the deal could help preserve jobs. However, domestic critics have emerged. U.S. automakers expressed frustration that the new terms favour U.K. vehicles over North American-made ones, which still face high tariffs despite often having higher U.S. content. In the U.K., the National Farmers' Union warned that opening the market to U.S. ethanol and beef could place local producers at a disadvantage, highlighting the uneven sectoral burdens within such targeted trade liberalisation.

U.S.-China Tariff Agreement, Markets Rebound

The recent U.S.-China trade agreement, finalized during talks in Geneva, marks a significant but temporary pause in a trade war that had seen tariffs rise to historically high levels. Under the deal, the U.S. agreed to reduce tariffs on Chinese goods from 145% to 30%, while China cut its tariffs on U.S. imports from 125% to 10%. These cuts are set to last for 90 days, offering short-term relief to global markets and supply chains that had been strained by months of economic tension. The move signals a willingness on both sides to de-escalate and re-engage in dialogue, though it falls short of a long-term solution.

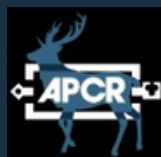
U.S. Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer characterized the agreement as progress toward balanced trade and cooperation, emphasizing that neither side wants full economic decoupling. The deal lifted investor sentiment and boosted markets, particularly in sectors directly affected by tariffs, such as shipping and luxury goods. However, the agreement does not include commitments on specific sectors like semiconductors, steel, or pharmaceuticals, where strategic competition continues. Nor does it address long-standing U.S. concerns about state subsidies, intellectual property rights, or China's previous failure to meet purchase targets under the earlier "Phase I" deal.



Crucially, the agreement is not legally binding and appears to function more as a political ceasefire than a formal trade pact. Its temporary nature and lack of enforceability leave room for renewed tensions once the 90-day period expires. The unpredictability of the Trump administration's trade policy adds further uncertainty. With ongoing national security tariffs, such as those on fentanyl-related imports, and China's retaliatory export controls on rare earth elements, the broader trade relationship remains fragile.

In sum, the U.S.-China tariff deal is a welcome de-escalation that stabilizes relations in the short term but does little to resolve the underlying causes of trade conflict. It offers both countries a window to pursue more substantive negotiations, but whether this opportunity will be seized remains to be seen. Until then, businesses and policymakers must continue to navigate a trade environment shaped more by political calculation than strategic consistency.

U.S. stocks have rebounded recently, driven by easing trade tensions, a strong labor market, and better-than-expected corporate earnings, despite forecasts of slower growth ahead. Lower interest rates and pro-growth policies, such as tax cuts and deregulation, are expected to continue supporting the economy. Large- and mid-cap stocks remain favored, especially in sectors like financials and health care, which are less exposed to tariffs and could benefit from policy support.



Most anticipated earnings release

For the week beginning

MAY 12 - MAY 16 2025

Monday

Tuesday

Wednesday

Thursday

Friday

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