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Weekly Outlook

This is not a big week for the number of economic statistics, but never the less there are some important announcements. Economics however seem to be playing second fiddle to politics at the moment as Europe lurches from one problem to another. Greece remains the focal point, but Spain and Italy continue to worry and a new “anti-austerity” President in France is yet to set out his full intentions.

Tuesday is the first day with the publication of the trade figures. They are unlikely to show an improving situation, but the strong Pound and lack lustre economy question just how much progress can be.

On Wednesday the average earnings and unemployment figures are out. The pace of the rise in unemployment has been slowing of late, but economists continue to warn that this could pick up again as austerity bites further. Both look set to be benign, with unemployment expected to be slightly worse than last month and average earnings down slightly to 1.0%.

Wednesday also sees the latest Bank of England Quarterly Inflation Report. Two weeks ago we would not have expected the possibility of further QE to be on the cards, but things have changed. The growth forecasts are expected to be lower and the inflation forecasts are expected to show more resilience. MPC members have been expressing concern over this, so the balancing act between inflation and growth does not become any easier. Rates are likely to remain stuck at 0.5% throughout this year and next, anything else would cause further pressures in an already difficult environment.

There is nothing due to be reported on Thursday or Friday.

The European woes have started to EIB spreads widen again, although not any great extent as yet. Market volatility is expected to continue, but we remain confident of the credit worthiness of this institution and would encourage buying at wider levels.

Gilt yields are hitting record low levels as the flight to quality resumes. Five years have been in a 0.90% - 1.20% range for some time now and with the lower level currently being tested it may be the time to shorten maturity with the intention to go longer once yields rise once more.

A full round up of this week’s releases:

Date	Release	Forecast
15 May	Visible Trade Balance - Mar	-£8.4bn (prev. -£8.8bn)
	Non EU Trade - Mar	-£4.7bn (prev. -£5.0bn)
	Total Trade - Mar	-£2.9bn (prev. -£3.4bn)
16 Apr	Claimant Count Rate - Apr	5.0% (prev. 4.9%)
	Jobless Claims Change - Apr	5.k (prev. 3.9k)
	Ave Earnings – Mar	1.0% (prev. 1.1%)
	Ave Weekly ex-bonuses - Mar	1.4% (prev. 1.6%)
	ILO Unemployment - Mar	8.4% (prev. 8.3%) – please check
	Bank of England – 10.30	Quarterly Inflation Report

King & Shaxson Treasury Solutions
Tuesday 15h May 2012