Week Ahead 21st-25th: Highlights include US PCE, flash PMIs, China LPR, RBNZ

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- **MON:** US Washington's Birthday (Market Holiday); Bank of Israel Announcement; PBoC LPR Announcement; EZ and UK Flash PMIs (Feb).
- **TUE:** NBH Announcement; German Ifo Survey (Feb); EZ Flash CPI (Jan); US Flash PMI (Feb).
- **WED:** RBNZ Announcement; German GfK Consumer Sentiment (Mar); Japan Emperor's Birthday.
- **THU:** BoK Announcement; US GDP 2nd (Q4).
- **FRI:** EZ Sentiment Survey (Feb); US PCE (Jan); Eurogroup Meeting.

NOTE: Previews are listed in day-order

PBOC LPR PREVIEW (MON): The PBoC is expected to maintain its Loan Prime Rates (LPRs) in February after it conducted the 1yr MLF operation this month at unchanged 2.85% - which usually serves as a precursor for the LPR. Further, Chinese press citing analysts suggests the PBoC LPR will be maintained in February. As a reminder, the PBoC cut its 1-Year Loan Prime Rate by 10bps to 3.70% and lowered the 5-year Loan Prime Rate by 5bps to 4.60% last month - which was the first reduction to the mortgage reference rate since April 2020. The decision followed through on December's 5bps reduction to the 1-year LPR and the central bank had lowered rates on the 1-year Medium-term Lending Facility and 7-day Reverse Repos by 10bps each earlier in the week. Accordingly, recent moves by the PBoC have bolstered the view that the central bank is on an easing cycle.

EZ FLASH PMI (TUE): Analysts expect the Eurozone flash manufacturing PMI to be unchanged at 58.7 in February; the services gauge is seen rising to 51.7 from 51.1 in January, which should help push the composite PMI up by 0.4 points to 52.7. The services data was weighed on at the end of 2021 courtesy of the Omicron variant depressing activity, but since then, COVID cases have begun to ease back in key areas of the Eurozone, like France, Spain and Italy, which should help drive the recovery; RBC's analysts say that the German easing of pandemic restrictions will not show up in this month's data, and will instead be reflected in the March report. Regarding the manufacturing component, RBC reminds us that it has overstated the level of activity, and instead, it will be focussing on whether there are any indications that an easing in supply chain constraints continued, as has been seen in some recent surveys.

UK FLASH PMI (TUE): The Street expects UK flash PMI data for February will report rises for the main three indices; the manufacturing gauge is seen rising to 57.5 from 57.3, the services PMI is seen rising to 55.2 from 54.1. That should lift the composite to 55.0 from 54.2, and highlight the fading impact of the Omicron variant on UK activity as pandemic restrictions ended on January 26th. Ahead of the release, Oxford Economics notes that the January survey "suggested that supply chain bottlenecks were beginning to ease in the manufacturing sector, and this caused the PMI to fall, more than offsetting the boost from stronger output growth.". The consultancy expects this pattern to continue in the upcoming report.

RBNZ PREVIEW (WED): The Official Cash rate is expected to be hiked by 25bps to 1.00% with market pricing currently at a 100% chance of a move higher. Since the prior meeting three months ago, inflation both domestic and overseas continued climbing higher. The quarterly CPI release saw both the Q4 Q/Q and Y/Y rates top forecasts, albeit these metrics do not entail the rise in energy prices since. In terms of a 50bps hike, Westpac sees this as unlikely and suggest "In our view, the case for a 50bp move was more compelling in November than it is today." Nevertheless, all signs point to a 25bps hike alongside a signal that a series of further hikes are to come. Thus, the focus will likely fall on the tone of the statement, particularly after its Tasman peer, the RBA, struck a dovish tone recently.

BOK PREVIEW (THU): After two straight 25bps rate hikes, analysts at Societe Generale see the BoK leaving rates unchanged at 1.25% at its February meeting by unanimous decision. "The BoK's hawkish stance has been further supported by high inflation and strong economic growth," SocGen writes, "but the chance of three consecutive rate hikes appears very low, as it would be too burdensome for policymakers." The bank still sees the central bank lifting rates by 25bps -- once each quarter -- until they have reached 2.0%, but note that risks of more hikes is rising given upside risks to the inflation profile. Elsewhere, the bank says the main topic of the post-meeting press conference is going to be the appointment of the next BoK head, since Governor Lee's term expires on March 31st. "Some commentators had begun to worry that there would be a period of vacancy in the post of the BoK governor if the appointment process were delayed due to a busy political schedule," SocGen says, "but we have already had the news that President Moon would appoint the new governor in consultation with the president-elect," which implies after the March election. Governor Lee will likely confirm that his replacement may begin their term from April 1st. "We don't see any big differences in the basic stance on monetary policy between the two major presidential candidates, Lee Jae-Myung and Yoon Suk-Yeol, especially in the current situation when tackling inflation has become the top priority for the central bank," SocGen says, "we believe that the result of the presidential election is unlikely to affect the appointment process of the BoK governor."

US PERSONAL INCOME, SPENDING, PCE (FRI): Core PCE prices are seen rising 0.6% M/M in January, bouncing back from the -0.6% in December. Credit Suisse explains that inflation has remained elevated at the start of the year, with January's PPI and CPI reports showing strength. The bank thinks the headline rate will rise to 6.1% Y/Y from 5.8%. "Inflation is likely to peak going into the spring, but sequential data will remain volatile, and risks are still skewed to the upside," the bank writes. Meanwhile, analysts see personal income declining 0.3% M/M, although consumption is expected to rise by 0.6% M/M. The downside in personal income will likely be a result of the monthly Child Tax Credits expiring, which CS says will be a one-off shock. Ahead, CS expects above-trend income growth to resume in the months ahead, supporting a strong outlook for household finances and consumer spending. For the consumption component, retail sales data showed a rebound in January, while auto sales picked-up strongly. CS is expecting some weakness in services components as Omicron cases rose, limiting mobility, but thinks this will be offset by goods consumption.