Week Ahead 28th February-4th March: Highlights include Chinese PMI, US ISM, RBA, OPEC+, EZ CPI, BoC, NFP

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- **MON:** Chinese Official PMI (Feb)
- **TUE:** RBA Policy Announcement, Norges Bank Watch, India Maha Shivrati; Chinese NBS & Composite PMIs (Feb), EZ, UK & US Final Manufacturing PMI (Feb), German Retail Sales (Jan), CPI Prelim. (Feb), US ISM Manufacturing PMI (Feb)
- **WED:** OPEC Meeting, BoC Policy Announcement; German Unemployment (Feb), EZ Flash CPI (Feb), US ADP (Feb), Australian Composite/Services Final PMIs (Feb)
- **THU:** ECB Minutes (Feb); Australian Trade Balance (Jan), China Caixin Services PMI (Feb), Switzerland CPI (Feb), EZ, UK & US Final Composite/Services PMI (Feb), EZ Producer Prices (Jan), US ISM Services PMI (Feb), Factory Orders (Jan), Initial Jobless Claims (w/e 21st Feb) Japanese Unemployment (Jan)
- **FRI:** Australian Retail Sales (Feb), German Trade Balance (Jan), EZ & UK Construction PMI (Feb), US Labour Market Report (Feb)

NOTE: Previews are listed in day-order

CHINESE OFFICIAL PMI (MON): Chinese Manufacturing PMI is expected to print lower given the shortened month amid the Chinese New Year earlier in February, with the holiday expected to have supported the non-manufacturing metric via holiday consumption activity. “Local surveys suggest a better outlook, but we think it is likely to take a breather after a four-month string of expansions.”, ING suggests. With inflation a key theme, the releases will offer the first look into the direction of prices in the month, and thus will be scoured for any commentary. The sub-forecast metric may increase discussions among participants regarding the need for the PBoC to ease policy.

US ISM MANUFACTURING PMI (TUE), ISM SERVICES PMI (THU): The manufacturing headline is seen rising to 58.0 from 57.6, while the services is seen rising to 61.0 from 59.9. The message from the Markit PMI data for the month was the US economy is rebounding from the Omicron drag, with demand conditions bouncing back after pandemic restrictions were lifted, and supply constraints (for both staff and components) moderating. However, output prices were still rising. "The service sector rebounded especially impressively, accompanied by a more muted upturn in manufacturing," Markit said, "goods producers remain hamstrung by supply shortages which, although easing to the lowest since last May, continued to severely limit production growth, resulting in a further large rise in backlogs of work." Markit did write, however, that supply constraints contributed to a further marked increase in firms' costs, which rose at another near-record pace in February. "An increasing number of companies sought to pass these higher costs on to customers, resulting in the largest increase in average prices charged yet recorded by the survey," and the data compiler argued that this will add to expectations of more aggressive policy tightening by the FOMC.

RBA PREVIEW (TUE): RBA is expected to keep the Cash Rate Target unchanged at the record low 0.10% during next week’s policy meeting where market participants will be focusing on any clues on how soon a rate lift off may occur. The recent actions and rhetoric from the central bank suggest a near-term policy adjustment is unlikely as it had only just announced it is to end its bond purchase programme in February but noted on several occasions that the board is prepared to be patient and that ending bond purchases does not imply a near-term increase in interest rates. It also stated that although inflation has picked up, it is still too early to conclude that it is sustainably within the target band and it will be sometime before aggregate wage growth is at a rate consistent with inflation being sustainably at the target, while it reiterated it is not to increase the Cash Rate until inflation is sustainably within the 2%-3% target. Nonetheless, the central bank has kept the door open for when a rate increase could occur with Governor Lowe noting that it remains to be seen if rates will increase this year and that there are clearly scenarios where they would be hiking this year, but added it is still plausible that first rate hike is a year or longer away. RBA Governor Lowe also said he would like to see a couple more CPIs before deciding on rates and that there is a big deviation between what they expect to do on rates and what the markets expect although it is plausible that a rate increase will be on the agenda later this year if the economy tracks their forecasts, while RBA's Harper commented that financial markets are misguided in thinking the RBA will follow the Fed when raising interest rates and that the RBA has good reasons to wait. Despite the patient message, the

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largest domestic banks anticipate rate increases from as early as mid-year with CBA bringing its RBA rate hike call forward to June 2022 from a previous view of August 2022 and ANZ Bank sees every meeting by the RBA from June to be live. This is as other central banks normalise policy and with data showing Australia's Unemployment Rate hovering at 13-year lows of 4.2%.

OPEC+ MEETING (WED): OPEC+ MEETING (WED): OPEC+ producers are likely to maintain the current policy of 400k BPD monthly hikes, according to sources. However, the upcoming meeting will be more complex than the previous confabs after the recent major events: Russia's invasion of Ukraine, progress on the Iranian Nuclear Deal, and Brent sustaining above USD 100/bbl. On the former, the threat of energy export sanctions on Russia and the subsequent shortfall other producers have to pick up may get discussed. OPEC itself is facing difficulties with some producers lagging their monthly quotas – namely Nigeria and Angola. That being said, some have suggested US officials want to avoid sanctions on Russian energy exports as it'll further stimulate crude prices. OPEC+ delegates cited by Energy Intel believe the risk premium crude prices (around the 25th Feb), was some USD 10-15/bbl. Note, some business channels have been flagging the idea that Saudi could attempt to control Russia in a move similar to the 2020 price war –but it would be in Saudi's best interest to not get involved - for the sake of oil prices, relations with Russia, and on the prospect of additional business from potential Russian sanctions. OPEC+ members will also have to discuss the inclusion of Iran in its output quotas given the progress flagged by both sides in recent days on the revival of the nuclear deal. An Iranian official said if US sanctions are lifted, Iran could boost its oil output to 4mln BPD from 2.5mln in about 3 months, according to Energy Intelligence. Despite sanctions, Argus estimated that Iran exported 789k BPD of crude in January (vs 705k Q4 2020 average vs 2.3mln BPD pre-sanction exports). The Russia-Ukraine developments aided Brent prices to regain a footing above USD 100/bbl for the first time since 2014, and despite the external pressure from consumers such as the US and India, OPEC+ has remained reluctant to go beyond their pact thus far.

EZ FLASH CPI (WED): Expectations are for headline consumer prices to rise to 5.3% Y/Y in February from 5.1%, with the core reading seen ticking higher to 2.7% from 2.5%. Ahead of the release, RBC notes that the jump seen in the January data came as a surprise given the more favourable base effects from 2021. This time around upside is likely to come via a sharp increase in energy costs as well as unfavourable base effects due to disruptions in winter sales patterns at the end of last year. A further increase in inflation will likely generate much attention within the market, however, the report will need to be viewed in the context of recent tensions between Russia and Ukraine and the subsequent follow-through to energy prices. Sourced reports have said that ECB Chief Economist Lane presented a scenario analysis of the situation to policymakers, in which he revealed that there was expected to be a significant increase to the ECB's 2022 inflation forecast before falling back below target towards the back-end of the central bank's forecast horizon, which currently runs through 2024. This all comes in the run-up to the ECB's March meeting where policymakers are expected to provide clarity on its plans for bond purchases; various policymakers have recently been suggesting that purchases could end in Q3. The inflationary outlook will be a key input into the decisions made next month, however, given the fluidity of the Russia-Ukraine situation and its potential impact on inflation, the upcoming release might be of lesser importance than it otherwise might have been.

BOC POLICY ANNOUNCEMENT (WED): The consensus expects Canada's central bank to lift rates by 25bps to 0.50%. RBC argues that the recent Russia/Ukraine fallout will be unlikely to dissuade the bank from hiking. "Though added disruptions to global supply chains would eventually filter into Canadian trade flows, and higher commodity prices could boost costs for energy and food products, Canada's direct trade exposure to Russia and Ukraine is small," RBC writes, "the domestic economy is also too strong — and inflation pressures too firm — to justify the current emergency levels of interest rates." RBC reminds us that in January, the BoC was of the view that Omicron would be less severe than previous COVID waves, and that seems to be transpiring, although the labour market took a knock in January, RBC says spending levels appear to be surging back in February as pandemic restrictions ease.

ECB MINUTES (THU) As expected, the ECB opted to keep key rates unchanged whilst maintaining the parameters of its bond-buying operations, which will see PEPP wound down in March and APP beefed-up in Q2 before being trimmed down in Q3 and Q4. The statement carried little in the way of material changes other than policymakers removing the "either direction" reference when it comes to adjusting its policy instruments. At its post-meeting press conference, President Lagarde cautioned that inflation was likely to remain high in the near-term, with risks tilted to the upside, while there was unanimous concern about price pressures on the Governing Council. The key takeaway from the press conference was Lagarde's unwillingness to push back on the prospect of a 2022 rate hike. When pressed further, Lagarde stated that the ECB would not hike rates until it had completed net asset purchases, and would carry out a thorough assessment at the March meeting, at which point it will be armed with updated staff economic forecasts and would be able to take a view on asset purchases for the remainder of the year. A Bloomberg report after the press conference suggested that a policy recalibration in March was a possibility, sources said, and APP purchases could be concluded at the end of Q3. Sources cited by Reuters also noted that "a sizable minority" wished to change policy at the meeting, whilst policymakers were more broadly expecting a policy change at the March meeting if inflation did not ease, with an adjustment to the APP seen as the first port of call. Any further colour on the disagreements will be eyed by market participants; however, we have heard a lot from various ECB officials since the prior meeting, where certain officials have touted the possibility of a 2022 rate hike, and an end of bond purchases this year, and accordingly, the accounts might not offer any further insight. Furthermore, given the situation in Ukraine and potential implications for inflationary impulses in the Eurozone, the accounts of the meeting will likely be viewed as stale.

US LABOUR MARKET REPORT (FRI): The street expects 381k nonfarm payrolls to be added to the US economy in February, still a solid pace of payroll additions, but beneath the prior 467k, and beneath the 3-, 6-, and 12-month averages (which are between 540-551k). The unemployment rate is seen falling 0.1ppts to 3.9%. The data release will be notable in that it is the last jobs report the FOMC will see before its March meeting. Some officials have suggested that their policy views at that meeting will be shaped by the tone of incoming data, particularly that on price pressures. Accordingly, there will again be a lot of focus on the wage metrics. The rate of average hourly earnings is seen easing slightly to +0.5% M/M (from +0.7% in Jan), though the annual measure is still likely to rise one-tenth to 5.8% Y/Y. That said, the data is unlikely to force the Fed to back away from plans to lift the Federal Funds Rate target in March; instead, the debate centres around whether it lifts rates in a 25bps increment or a 50bps move. Currently, money markets are pricing around 80% probability of a smaller move, with a re-pricing seen in wake of the Russia/Ukraine geopolitical developments.