Week Ahead 7-11th March: Highlights include ECB, US CPI, China trade, UK GDP, Canada jobs

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- **MON:** Chinese Trade Balance (Feb), German Consumer Goods/Industrial Orders (Jan), EZ Sentix (Mar), US Employment Trends (Feb), Australian Consumer Sentiment (Mar).
- **TUE:** EIA STEO; Australian NAB Business Conditions/Confidence (Feb), German Industrial Output/Production (Jan), EZ Employment Final (Q4), US NFIB (Feb), Canadian Trade Balance (Jan), US International Trade (Jan), Wholesale Inventory/Sales (Jan).
- **WED:** South Korean Presidential Elections; Chinese CPI/PPI (Feb), US JOLTS (Jan).
- **THU:** ECB Policy Announcement; Norwegian CPI (Feb), US CPI (Feb), Initial Jobless Claims (w/e 28th Feb), New Zealand Manufacturing PMI (Feb), Chinese M2 Money Supply (Feb).
- **FRI:** German Final CPI (Feb), UK GDP Estimate (Jan), Canadian Labour Market Report (Feb), US Uni. of Michigan Prelim. (Mar).

NOTE: Previews are listed in day-order

CHINA TWO-SESSIONS MEETING (FRI/SAT): The Chinese People's Political Consultative Conference (CPPCC) and National People's Congress (NPC) will convene on March 4th and March 5th respectively. A key theme being flagged globally is the uncertainty arising from the Russia-Ukraine conflict, given the large market share of the region across several key commodities. The two sessions kick off with the CPPCC whereby feedback will be pondered on existing policies, whilst the NPC will provide insight into policies under consideration. Continued economic support will likely be vowed particularly given the housing market debacle and China's zero-COVID policy. On that note, WSJ reported that China is now reportedly actively exploring ways to loosen Zero-Covid controls, although sources suggested measures will likely be in place until next year – any colour on this may draw some attention. Furthermore, China is likely to downgrade its 2022 GDP growth target to a range of "5.0-5.5%" from "over 6%" for 2021, the CPI target is expected to be established at "3%" from "around 3%" last year. Participants are also looking for any changes in the language surrounding monetary policy easing, alongside any potential measures to curb the CNY strength amid reports exporters' bottoms lines are being impacted. "A stable yuan is an important prerequisite for Beijing to grow exports, which remain integral to China's economic growth", SCMP writes.

CHINESE TRADE BALANCE (MON): The February Trade Balance in USD terms is expected to expand to USD 99.50 bln (prev. 94.46bln), whilst Imports and Exports are expected to have slowed in the month of February to 16.5% (prev. 19.5%) and 15.0% (prev. 20.9%) respectively. The release may be overshadowed by the ongoing geopolitics potentially reshaping supply chains as the West unwinds its dependency on Russia, whilst the East is reportedly poised to maintain its trade relationship. SGH Macro says Chinese companies will be told to give priority to purchasing Russian products, which are "basically the same in quality and price" as those from Western countries. Recent reports also highlighted that China has boosted its US agriculture purchases over 'very tight' soybean supply concerns and Ukrainian corn worries. Sources via SCMP suggested, "Chinese buyers recently booked around 20 cargoes of American soybeans and around 10 shipments of corn, according to traders who asked not to be identified as they are not authorised to speak publicly."

RBA GOVERNOR LOWE (TUE/FRI): The Governor's speech comes a week after the RBA policy decision in which the statement reiterated the dovish message with the Board prepared to be patient, while it also noted the Ukraine war is a major new source of uncertainty. The Governor is poised to give a keynote speech on 9 March (at the AFR Business Summit) followed by opening remarks at The Banking 2022 Conference on 11 March. Desks suggest he will likely strike the same tone as the RBA statement as the picture is unlikely to have changed much since. Aussie traders may find more significance following the commodities implications of the Russia/Ukraine developments as central banks will likely continue flagging uncertainty in coming weeks.

SOUTH KOREAN PRESIDENTIAL ELECTIONS (WED): South Korea is to hold elections on Wednesday for the successor to President Moon Jae-in given the nation's single five-year term limit for the presidency, in which there were initially 14 registered candidates but is seen as a two-horse race between the ruling Democratic Party's nominee Lee Jae-myung and the opposition People Power Party's candidate Yoon Suk-yeol. Opinion polls suggest a tight race between the two main candidates with aggregation firm GEHSC showing Lee Jae-myung with around 42.5% of support vs Yoon Suk-yeol at about 44.5%, while the next highest polling candidate was People Party's Ahn Cheol-soo with just 8.3% of support but was seen as the kingmaker and has since dropped out to put his support behind Yoon. In terms of their policies, Lee Jae-myung is a former governor of Gyeonggi province and the continuity candidate for the liberal Democratic Party who has advocated for a universal basic income and government-led solutions for the real estate market. A victory by Lee would also be an extension of current President Moon's foreign policy for the next five years which is one that aims for peaceful denuclearization and economic integration with North Korea. This is along the liberals' approach of making inter-Korean relations conducive to North Korea's national interests, while Lee wants to resume tourism to Mount Kumgang ASAP and is supportive of declaring an end to the Korean War, as well as the unification between the two Koreas. Conversely, former Chief Prosecutor Yoon prefers market-driven solutions, deregulation of the real estate market and the removal of government restrictions on small and medium-sized businesses, while his foreign policy stance is along the conservative party view that would only reward North Korea if it has demonstrated progress towards abandoning its nuclear ambitions. Furthermore, he sees North Korea as a threat to South Korea's security and pledged to regularise joint military exercises with the US, while he has called for additional THAAD deployments despite China's firm opposition towards this and has even suggested the redeployment of US tactical nuclear weapons, although this has been ruled out by the US. The potential market reaction is difficult to gauge as although Lee would be a continuation of the status quo, he would also inherit the low public approval of his predecessor's administration and its perceived economic policy failures amid a widening social divide and unaffordable housing prices. On the other hand, Yoon would be viewed as more business friendly although is a political novice and could also risk triggering more hostile inter-Korean ties. Another factor to consider is that both candidates lack foreign policy experience, have high disapproval ratings and have both been mired by scandals, while they have also resorted to mud slinging resulting in the media dubbing this as the "unlikeable election".

CHINESE INFLATION (WED): Chinese inflation is expected to have modestly ticked higher from January for both the CPI and PPI metrics. Markets expect CPI Y/Y at 1.0% (prev. 0.9%) and PPI Y/Y at 9.5% (prev. 9.1%). Using the latest Caixin PMI as a proxy for the February inflation metrics, the release suggests "Input costs and prices charged both continued to rise. Input costs of service enterprises grew at the slowest pace since August. High prices of raw materials and energy, as well as high labour costs, put pressure on suppliers in the services sector, which passed along a portion of their higher costs to customers. As a result, prices charged rose further. The gauge of input costs was higher than the gauge of prices charged, indicating the survival pressure facing service enterprises". The release will be monitored, but may be overlooked given the fluidity of the macro situation and the surges seen across oil, base metals and ags over the first week of March.

ECB PREVIEW (THU): The fallout from the February meeting set the Bank up for a more hawkish pivot at the March confab after President Lagarde refrained from ruling out a 2022 rate hike. Furthermore, source reports that followed shortly after revealed that a policy recalibration in March was a possibility and APP purchases could be concluded at the end of Q3. Accordingly, markets priced in nearly 40bps of tightening by year-end with the first hike to come in July. Since early February, the main driving force for markets has been the conflict between Ukraine and Russia with the greatest impact being felt via the energy space, as Brent crude rose from around USD 88/bbl at the time of the meeting to nearly reach USD 120/bbl this week (highest since 2008) and European natural gas prices hit record highs. From an economic perspective, the conflict will likely have a detrimental impact on growth prospects for the region and add further upside pressure to Eurozone inflation, which currently stands at a record Y/Y 5.8%. Although ECB speakers have been non-committal in assessing the impact of the Ukraine conflict on the economic outlook, the aforementioned cocktail of low growth/high inflation has prompted some at the Bank, such as Portugal's Centeno to talk up the prospects of stagflation. As such, the backdrop to the meeting is a complex one for the Bank with the economic forecasts underpinning its decision-making likely to be subject to greater uncertainty than normal (note: Chief Economist Lane recently confirmed that the upcoming projections will attempt to incorporate the fallout from the Russian invasion of Ukraine). In terms of the policy announcements for the upcoming meeting, rates are set to be left on hold and some desks have suggested that talk of a 2022 by the Bank will likely be put to one side for now. However, policymakers will likely convey that the direction of travel for monetary policy is one of normalisation as recently opined by Finland's Rehn. As such, it is likely that the ECB will hint that bond purchases under APP will be concluded at some point this year, although how specific the Bank will be on this remains to be seen. ING suggests that the ECB could stick with ending PEPP at the end of the month, whilst beefing up APP to EUR 40bln in Q2, but avoid setting targets for Q3 and Q4 and instead announce a taper of EUR 5-10bln per month commencing in May. One option for the Bank which would create more breathing space between concluding asset purchases and hiking rates would be to remove the word "shortly" in its current guidance which states that APP will "end shortly before it starts raising the key ECB interest rates". Overall, any policy guidance from the ECB will likely be heavily caveated and subject to great uncertainty particularly given the wild gyrations in the fixed income space over the past few weeks which saw the German 10yr yield print its largest daily decline since 2011. That said, with inflation at record highs in the Eurozone, messaging from the Bank will need to convey that it will combat inflationary impulses and retain credibility with the market.

US CPI (THU): Inflation is expected to continue rising, with analysts predicting the annual metrics will rise to the highest since 1982. The consensus sees consumer prices rising +0.7% M/M in February (prev. +0.6%), and the annual measure is seen rising to 7.8% Y/Y (prev. 7.5%). The core measure of CPI is seen rising +0.5% M/M (prev. +0.6%), and to 6.4% Y/Y (prev. 6.0%). Chair Powell and other centrist Fed officials have guided us towards a 25bps rate hike at the March 16th FOMC, so it would take significant upside to switch the narrative back towards a 50bps move. However, given that the Biden Administration's top priority is inflation (apparently), any upside to the consensus may see pricing increase for a steeper rate trajectory this year. Since the Ukraine/Russia crisis, pricing for a 50bps March move has virtually disappeared (money markets assign just 5% probability); additionally, over the rest of 2022, money markets now see five 25bps increment rate hikes - it had been seven before the crisis.

UK GDP ESTIMATE (FRI): GDP is seen rising 0.2% M/M in January compared to the 0.2% contraction printed in December. Oxford Economics notes that the modest decline in December "masked a marked divergence in performance at a sectoral level" whereby there were sharp declines in areas such as Accommodation & Food and Recreation, but these drags were offset by upside in Health output amid a surge in COVID testing. For the upcoming release, the consultancy says that as COVID cases declined in January, and self-isolation rules were relaxed, social consumption rose. However, offsetting this was a comparatively lower contribution from Health output; as such Oxford Economics expects GDP to come in near the unchanged mark. From a policy perspective, the focus for the BoE remains on inflation, and the conflict between Russia and Ukraine is set to add upside risks to the MPC’s projections that inflation will peak in April at around 7.25%.

CANADA JOBS DATA (FRI): Following a 200k decline in employment in January, Canadian bank RBC expects the February data to retrace a sizeable chunk of that downside, perhaps as much as three-quarters (or 150k). "The brunt of the impact in January was felt (once again) in the high-contact hospitality sectors – and in regions (Ontario and Quebec) that imposed more aggressive virus containment measures," the bank writes, "but virus spread and restrictions have eased since late January, and early data on restaurant bookings and our own tracking of card transactions is pointing to a rapid rebound in spending, and job postings have bounced back sharply." RBC also sees the jobless rate declining from 6.5% to 6.2% (note: it stood at 6.0% in December 2021), while hours worked will also rebound after January's elevated absenteeism. "With the economic impact of the virus fading, labour shortages are expected to remain a more pressing issue than a lack of orders for many businesses, exacerbating pressure on wage growth," the bank says.