Week Ahead 28th March -1st April. Highlights include US jobs report, PCE; China PMI; OPEC+, World Government Summit, EU-China meeting

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- **MON:** US Dallas Fed Manufacturing Business Index (Mar), Retail Inventories (Feb).
- **TUE:** BoJ SOO (Mar); Japanese Unemployment (Feb), German GfK Consumer Sentiment (Apr), US Consumer Confidence (Mar), Australian Federal Budget.
- **WED:** Japanese Retail Sales (Feb), German Import Price (Feb), EZ Consumer Confidence Final (Mar) German Prelim. CPI (Mar), US ADP (Mar), GDP Final (Q4), PCE Prices Final (Q4).
- **THU:** OPEC+, CNB Policy Announcement; Chinese Composite/NBS PMIs (Mar), German Retail Sales (Feb), EZ Unemployment (Feb), US PCE Price Index (Feb), Initial Jobless Claims (w/e 21st Mar), Canadian GDP (Jan), US Chicago PMI (Mar), Australian Final Manufacturing PMI (Mar).
- **FRI:** Japanese Tankan Survey (Q1); EZ, UK, US Manufacturing Final Manufacturing PMI (Mar); EZ Flash CPI (Mar); US Labor Market report (Mar); US ISM Manufacturing PMI (Mar).

NOTE: Previews are listed in day-order

BOJ SOO (TUE): The BoJ's decision on 18th March to keep policy settings unchanged was unsurprising given that central bank officials have continuously reiterated their preference to persist with powerful monetary easing including Governor Kuroda who already dismissed the chances of debating an exit from its easy policy during the remainder of his term which end April 2023. The rhetoric from the BoJ was mostly in line with the previous statement as it reiterated it will take additional easing steps as necessary, while it noted uncertainty from Ukraine and how developments there impact Japan's economy. At the presser, BoJ Governor Kuroda pointed to rising inflation and said CPI could increase to circa. 2% as of April, largely due to an increase in oil products. BoJ's Kuroda also said there is no need to worry about stagflation in Japan, US and Europe, and he does not think it will occur in these areas. He also highlighted that there is no need for Japan to increase rates at all and also noted that it is unlikely that the interest gap between Japan and overseas will lead to a weaker JPY and increased domestic inflation. The release will likely be stale given the geopolitical developments alongside the continued weakening of the JPY.

AUSTRALIAN FEDERAL BUDGET (TUE): Australian Treasurer Frydenberg will deliver the 2022-2023 Federal Budget on Monday with the government expected to announce measures to help ease the burden from rising costs of living including a temporary reduction in fuel taxes and an increase to child care subsidies, while PM Morrison was also reportedly mulling a cash handout of between AUD 200-400 for those on low-incomes. The budget announcement comes two months before the election which must take place by May 21st and is seen as a platform to appeal to the public, especially given the ruling Liberal Party's defeat at the recent South Australian state election. Nonetheless, the budget deficit is expected to be lower than the AUD 99bln that was expected in the Mid-Year Economic and Fiscal Outlook which was released in December as Deloitte sees the deficit this year at AUD 69bn with the government's finances to be helped by rising energy prices given Australia status as a net exporter of energy and with unemployment at a 14-year low which translates to higher tax revenue and reduced welfare spending, while Treasurer Frydenberg had already suggested that the time for large-scale economic stimulus had passed and that fiscal settings should be normalised. Despite the government's intention to repair the nation's finances, it would still want to provide relief to the public that will likely be feeling the pinch from higher oil and gas prices caused by the war in Ukraine and Russian sanctions, while other measures expected include tax cuts in 2024 that would reduce the tax rate to 30% from 37% for those earning up to AUD 200,000 per year. Furthermore, the public will be eyeing whether the low and middle income tax offset will be extended beyond June, while the government is also expected to announce defence spending of up to 2.1% of GDP and even money to support Ukraine including providing them with missiles.

WORLD GOVERNMENT SUMMIT (TUE/WED): The World Government Summit 2022 will be held exceptionally in tandem with the closing of "Expo 2020 Dubai" – with this year's theme being "Shaping the Future of Governments". From a markets perspective, the Saudi, UAE and Qatari energy ministers are reportedly poised to make appearances – a day before the OPEC+, according to CNBC. Thus, naturally, participants will be on the lookout for hints as to whether the OPEC members (not Qatar) will discuss raising output more than the planned 400k BPD.

CHINESE PMI (THU): There are currently no expectations for the Chinese PMI metrics, but participants are cognizant of fears surrounding a growth slowdown – particularly given Beijing's Zero-COVID stance as cases in the region continue to rise. Traders and investors however expect some sort of easing from the authorities – although both the MLF and LPRs were maintained this month. China has also recently jawboned markets following back-to-back declines across its stock markets – pledging support for stability. As always, the inflation elements of the PMIs will be eyed ahead of the actual inflation metrics on April 11th.

US PERSONAL INCOME, SPENDING (THU): Analysts expect Personal Income will rise 0.5% M/M in February (prev. unch). The February jobs report saw average earnings unchanged (analysts were expecting a rise of around 0.5% M/M), while the annual rate of earnings growth eased to 5.1% Y/Y from 5.8%. This data came out of the blue, Pantheon Macroeconomics said, noting that the recent trend was for income growth of around 0.6% per month. "The softness is uneven, with AHE declining outright in finance, utilities, mining and manufacturing, but rising sharply in retail, information services, and transportation," adding that "we are inclined to see this as noise rather than a signal, with seasonal and/or temporary compositional effects likely to blame, with a rebound likely in March. Still, such a low print does serve as a reminder that wages won't necessarily continue to rise at a very rapid pace if labour supply continues to increase." Meanwhile, Personal consumption is seen rising 0.6% M/M (prev. 2.1%). Retail sales data for February was also slightly short of expectations, printing 0.3% M/M (exp. 0.4%). Capital Economics noted that the disappointment was offset by upward revisions to the January data, which suggests "real consumption growth remains solid," and should do little to prevent the Fed from lifting rates.

US PCE (THU): Although the data sets are not directly comparable, US CPI was in line with expectations in February, rising 0.8% M/M, while the annual measure rose to 7.9% from 7.5%, also as expected. The core metrics were in line with the consensus as well, printing 0.5% M/M and 6.4% Y/Y (the latter rising from 6.0%). Credit Suisse analysts argue that the PCE data will likely still show that inflation remained elevated in the month; that said, it expects a slowing in the sequential monthly print (looks for the core at 0.4% M/M vs 0.5% in January), but still sees the annual measure rising 0.3 ppts to a new cycle high at 5.5%. "Both core and headline are likely to peak in Y/Y terms soon, but near-term risks are to the upside as commodity strength and renewed supply chain shocks in Asia put pressure on goods prices."

OPEC+ (THU): OPEC+ producers are poised to meet on 31st March and participants are expected to maintain current plans of hiking total quotas 400k BPD per month. The meeting comes amid volatile oil fluctuations against the backdrop of the war, the Iranian nuclear deal, and China's COVID situation. With all this in mind, recently the Saudi Cabinet stressed the importance of the essential role of the OPEC+ pact in balancing and stabilizing the oil market – the language usually used when no policy change is expected. Note, Western nations have called on OPEC to increase output amid a lower appetite for Russian oil and higher prices. Oil-producing nations have not yet signalled willingness to adjust quotas as it may sully ties with Russia over a war OPEC is not involved in. This upcoming meeting could turn out to be another smooth affair.

JAPANESE TANKAN SURVEY (FRI): The quarterly BoJ Tankan survey is expected to portray a less optimistic mood across large manufacturers (LM) – with the index expected to ease to 12 from 18. The survey is known to be closely monitored by the BoJ to gauge sentiment across the economy. That being said, the BoJ will (in the short term at least) likely put more focus on the JPY and 10yr JGB yield as opposed to the backward-looking metrics in a fluid macro environment. Nonetheless, analysts at MUFG noted that "Companies saw a rise in costs due to surging commodity prices and a weak yen, while a parts shortage caused car production cuts, pushing down business conditions."

EZ FLASH CPI (FRI): Eurozone Y/Y CPI for March is expected to rise to 6.5% from 5.9% with the ex-food & energy measure seen advancing to 3.3% from 2.9%. The February release more or less-encapsulated the pre-Russia invasion of Ukraine period given that the invasion did not take place until towards the end that month. ING notes that at the time, "a strong economic rebound, supported by ample fiscal and monetary support, broadened the fertile breeding ground for a longer-lasting pass-through of producer prices to consumers, and headline inflation was expected to remain at elevated levels at least throughout the summer rather than gradually retreat". Clearly, as opined by policymakers, the conflict in Ukraine will add to the upside in price pressures from a level and duration perspective with ING also noting that old and new inflationary pressures will stoke concerns over the possibility of more second-round effects materialising in the short-run. This subsequently poses a headache for policymakers with the fallout of the war not just an inflation story, but now a growth one too with several Governing Council members talking up the possibility of stagflation. As such, an above-forecast report will be viewed with a different lens to pre-invasion readings with concerns over real household incomes now an increasing worry/dilemma for policymakers as highlighted by the dovish dissent at the most recent BoE meeting. For the ECB, the Bank appears to be on auto-pilot for the next few meetings after announcing a curtailment of its bond-buying operations in March. However, the outlook for what happens thereafter is highly uncertain with markets continuing to debate the possibility of a 2022 rate hike, something which appeared to be increasingly likely ahead of the Russian invasion.

US ISM MANUFACTURING PMI (FRI): The manufacturing ISM is seen little changed in March (expected at 58.5 from 58.6). Regional manufacturing surveys in the US have generally been solid in the month, with the Kansas City, Philly and Richmond Fed surveys seeing decent gains; the NY Fed manufacturing survey, however, disappointed against expectations, and slipped into negative territory. A similar PMI survey from IHS Markit showed an upside surprise, with the index rising to 58.5 from 57.3 (analysts were expecting a decline to 56.3). Within the report, Markit noted that manufacturing output growth also accelerated, buoyed by rising demand and fewer supply constraints, as bottlenecks fell to the lowest level in 14 months. That said, Markit also noted that capacity continues to be stretched, and there was an "unprecedented" rise in uncompleted orders as firms are struggling to meet demand. Elsewhere, it said that business remained resilient in the face of geopolitical concerns, higher living costs and the prospects of tighter Fed policy.

US LABOR MARKET REPORT (FRI): The Street looks for 450k nonfarm payrolls to be added to the US economy in March, with the rate of easing in job additions slowing to below recent trend rates (12-month average 556k, 6-month average 583k, 3-month average 582k). The jobless rate is expected to fall by 0.1ppts to 3.7% (the Fed sees the jobless rate ending this year at 3.5%). There will be a lot of attention on the wages metrics for any signs that the recent inflation surge is pusing wages higher, which would represent a so-called 'second round effect'. In recent remarks, Fed Chair Powell said that the Fed would move to more restrictive policy if that is what was needed to restore price stability. UBS says that this refers to a deliberate policy of pushing growth below trend; "it is important to note that this policy option was presented in a conditional way -- if that is what is required; deliberately pushing policy to generate growth below trend would only be required if there were evidence of a wage-cost spiral developing, and there is not really evidence of that at the moment." Other analysts point out that average hourly earnings have outperformed other indicators, and accordingly, some relative underperformance could be seen ahead. Either way, the consensus remains that the Fed will raise interest rates by a 50bps increment in May (money markets imply a 75% probability of that happening), and it may therefore take a dreadful labour market report combined with other weak data metrics for the Fed to back away from that trajectory.

EU-CHINA MEETING (FRI): Chinese and EU leaders are poised to meet on April 1st via video link following a series of prior delays. Chinese President Xi and Premier Li will be meeting with European Commission President von der Leyen and European Council President Michel. The meeting was scheduled before the Russian invasion of Ukraine, in a bid to calm the escalating tensions between Brussels and Beijing, particularly amid Lithuanian’s spat with the second-largest economy. However, the Ukraine crisis will likely take centre stage particularly after China refrained from condemning Russia’s actions. At face value, the fallout from the meeting will likely be one of cooperation based on mutual respect, although commentary regarding Lithuania may attract some attention, and issue the EU took to the WTO.

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com