Week Ahead 8-12th August: Highlights include US and China CPI and PPI, UK GDP, monthly oil reports

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- **MON:** Swiss Unemployment (Jul), EZ Sentix (Aug), US Employment Trends (Jul).
- **TUE:** EIA STEO; Australian Consumer Sentiment (Aug), US NFIB (Jul).
- **WED:** Chinese CPI & PPI (Jul), German CPI Final (Jul), Norwegian CPI (Jul), Turkish Unemployment (Jun), US CPI (Jul), Chinese M2 (Jul).
- **THU:** OPEC MOMR, IEA OMR, Banxico Policy Announcement, Japanese Mountain Day; Swedish Unemployment (Jul), US IJC (w/e Aug 1st), US PPI Final Demand (Jul), New Zealand Manufacturing PMI (Jul).
- **FRI:** BoC Senior Loan Officer Survey; UK GDP (Jun/Q2-prelim.), Swedish CPIF (Jul), EZ Industrial Production (Jun), US Export/Import Prices (Jul), University of Michigan Prelim. (Aug).

NOTE: Previews are listed in day-order*

CHINESE CPI & PPI (WED): Chinese CPI is expected to cool to 2.4% Y/Y in July from 2.5% in June. The monthly rate is expected at -0.1% M/M against the prior -0.2%. Annual PPI is seen ticking lower to 6.0% Y/Y from 6.1%. Using the Caixin PMI data as a proxy, July saw “higher prices for fuel, food, raw materials and staff drove a further increase in operating expenses during July. The rate of cost inflation accelerated for the first time since March but was moderate overall. At the same time, fees set by Chinese services companies rose at a marginal rate that was similar to those seen in the prior two months.” The release added that “prices data pointed to the softest rise in overall input costs for just over two years, while output charges fell slightly amid price discounting at manufacturers.” Furthermore, recent commentary from Chinese Premier Li, speaking after China withdrew its GDP growth target earlier in the week, suggested that China can 'live with' slightly lower growth if inflation remains below 3.5%.

US CPI (WED): Headline CPI is expected to rise 0.3% M/M in July, easing from the 1.3% monthly pace printed in June; the annual rate is seen narrowing by 0.2ppts to 8.9%. Lower gasoline prices in the month are expected to contribute most to the cooling rate of headline inflation. Core inflation, however, is expected to continue ticking higher. The core measure of consumer prices is expected to rise by 0.5% M/M (prev. 0.7%), although the annual rate of core inflation is expected to rise to 6.1% Y/Y from 5.9%. Firm shelter prices are seen fuelling the rise, while services inflation is seen remaining elevated on account of strong travel demand amid the summer. If the core metrics surprise to the downside many will dust off arguments that core consumer prices have peaked, which could help the Fed move to a lower increment of rate hikes at the September FOMC; currently, implied money market pricing suggests that there is a 60% chance the Fed will lift rates by 50bps on September 21st, rather than the 75bps hike size in July.

BANXICO ANNOUNCEMENT (THU): Mexico's central bank is expected to lift rates by 75bps to 8.50%. It would be the second hike of that increment this year, and would match the US Federal Reserve recent move. At over 8%, inflation is soaring above the central bank's 3% target. However, growth conditions have held up, with the Mexican economy posting a third consecutive quarter of growth. Banxico has thus far raised rates by a cumulative 375bps over the last nine meetings, and according to a poll by Reuters, the key interest rate is likely to reach 9.5% by the end of this year.

UK GDP (FRI): Expectations are for monthly GDP to contract in June by 1.2% M/M (which would leave the Q/Q rate at a contraction of 0.2% vs an expansion of 0.8% observed in Q1) vs the 0.5% expansion in May, which was supported by a broad-based rebound in economic activity, with the largest contribution stemming from an increase in human health and social work activities, offsetting the continued scaling-down of the NHS Test and Trace and COVID-19 Vaccination Programmes. This time around, analysts at Investec are of the view that such a boost is unlikely to be repeated. Instead, the upcoming release is set to be swayed by the timing of the holiday for the Queen’s Platinum Jubilee which although will have prompted additional spending on the high street and restaurants, it will be “more than offset by lower levels of production elsewhere” due to one fewer working day, according to Investec. The release will likely grab a lot of media attention, however, from a policy perspective with the BoE firmly focused on inflation as opposed to growth the upcoming release will likely have too much of an impact on current market pricing for the BoE which suggests around 100bps of tightening by year-end. As a reminder, Governor Bailey was at pains to stress that the MPC will continue to act forcefully on inflation despite forecasting a five-quarter recession which is due to commence at the end of the year.

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