Week Ahead 15-19th August: Highlights include FOMC minutes, US Retail Sales, UK and Canadian CPI, RBNZ decision

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- **MON:** BoC Loan Officer Survey; Japanese GDP (Q2), Chinese Retail Sales & Industrial Output/Production (Jul), US NY Fed Manufacturing (Aug), NAHB Housing Market Index (Aug)
- **TUE:** RBA Minutes (Aug); UK Unemployment (Jun) & Claimant Count/HMRC (Jul), Indian WPI (Jul), German ZEW (Aug), Canadian Housing Starts (Jul), US Building Permits/Housing Starts (Jul), Canadian CPI (Jul), US Industrial Production/Manufacturing Output (Jul)
- **WED:** FOMC Minutes (Jul), RBNZ Policy Announcement; Japanese Trade Balance, UK CPI (Jul), Norwegian Consumer Confidence (Q3), EZ Employment (Q2), GDP Flash/Estimate (Q2), US Retail Sales (Jul)
- **THU:** Norges Bank & CBRT Policy Announcements; Australian Unemployment (Jul), EZ HICP Final (Jul), US IJC (w /e 8th Aug), US Philadelphia Fed (Aug), Existing Home Sales (Jul), Canadian Producer Prices (Jul), New Zealand Trade Balance (Jul)
- **FRI:** UK GfK (Aug), Japanese CPI (Jul), UK Retail Sales (Jul), EZ Current Account (Jun), Retail Sales (Jun)

NOTE: Previews are listed in day-order*

CHINESE RETAIL SALES & INDUSTRIAL OUTPUT (MON): July Retail Sales data is expected to tick higher to 5.0% Y /Y from 3.1% in June, whilst Industrial Production is forecast to rise to 4.5% from 3.9%. The month saw no new major COVID-related curbs since the easing of measures in June. The July Caixin PMI can be dissected for some vague clues regarding the upcoming data. For the Retail Sales "Total new order growth meanwhile accelerated slightly on the month but remained modest overall. While service providers saw a solid upturn in sales, manufacturers noted only a marginal rise in new order intakes." For the IP data, the Caixin Manufacturing release suggests "Supply and demand improved. Manufacturing production grew for the second straight month. The sub indexes for output and total new orders both remained in expansionary territory, but came in lower than in the previous month, indicating a slowing recovery. Electricity shortages faced by some companies and scattered Covid outbreaks in some regions were among factors that cut into market demand and confidence in July".

RBA MINUTES (TUE): RBA will release the minutes from the August 2nd meeting where it hiked the Cash Rate Target by 50bps to 1.85%, as expected, while it reiterated that the Board expects to take further steps in the process of normalising monetary conditions and is committed to doing what is necessary to ensure that inflation in Australia returns to the target over time but noted that it is not on a pre-set path. Furthermore, it reaffirmed its view that inflation is expected to peak later this year and then decline back towards the 2–3% range and stated that a key source of uncertainty continues to be the behaviour of household spending. The announcement by the RBA immediately pressured AUD/USD given the lack of any major hawkish surprises, while the RBA's quarterly Statement on Monetary Policy released a few days following the meeting was met with a muted reaction as it largely stuck to the script regarding expectations of taking further normalisation steps and the central bank's reference to not being on a pre-set path.

UK JOBS (TUE): Expectations are for the unemployment rate in the three months to June to remain at 3.8%, employment change to slow to +170k from +296k, headline wage growth is forecast rising to 6.7% from 6.2% with the ex-bonus metric seen remaining at 4.3%. The prior report was characterised by the judgement that although the labour market was tight, it was no longer actively tightening with May's 0.8% 3M/3M increase in the workforce being the largest since 1984. This time around, analysts at Pantheon expect the data to "bring further signs that employment growth is cooling, just as the workforce is starting to rebound". More specifically, PM forecasts 3M/3M growth in employment slowing to around 250k in June vs. 297k in May, whilst the workforce likely rose around 0.8% in Q2 which would push the unemployment rate to 3.8.% in June from 3.7% in March and therefore match the latest forecast from the MPC. On the wages front, the consultancy has pencilled in earnings growth (ex-bonus) at 4.5% (prev. 4.3%) which suggests wage growth has remained above the levels consistent with the 2% target for CPI inflation, but has not risen materially further". In terms of guidance from the MPC, August policy statement noted that "Although the labour market may loosen only slowly in response to falling demand, unemployment is expected to rise from 2023".

CANADA CPI (WED): Currently, there are no broad expectations for the overall data but some calendars have the Y/Y print expected to accelerate to 8.4% from 8.1%. The M/M previously rose 0.7% while the Core CPI was at 0.3% M/M in June and 6.2% in the Y/Y. Despite the expectation of an acceleration to 8.4%, the recent decline in energy prices should help alleviate some of the broader pricing pressures. The US CPI saw a steep 4.6% decline in the overall energy prices while gasoline fell 7.7%. However, with the Y/Y headline figure expected to accelerate any hopes of inflation peaking may be premature. As well, the BoC eyed measures will also be in focus, in June the average of the three rose to 5.0% from 4.93% (revised higher from 4.73%), above the BoC's 2% inflation target, while BoC Governor Macklem had noted that inflation is probably going to rise a little further before it starts coming down. The BoC have been quiet since their 100bp hike in July but that is expected to be a one off surprise move after it was accompanied with the removal of language about acting in a "forceful" manner but it did signal rate hikes are to continue with the path being decided by its ongoing assessment of the economy and inflation. Currently, markets are fully pricing in a 50bp move with a 25% probability of a 75bp hike in September and the upcoming data will be used to help shape expectations, although if it is a similar outcome to the cool US CPI report, chances of a 75bp hike will diminish further.

FOMC MINUTES (WED): The FOMC lifted rates by 75bps to 2.25-2.50%, as was expected, taking rates back to neutral for the first time since 2019. The only major tweak to the statement was its reassessment of the economy; the Fed now acknowledges that "recent indicators of spending and production have softened" (recall, it previously said that "overall economic activity appears to have picked up after edging down in the first quarter"). This change was to be expected given the softening in many key macro indicators. The statement offered no clues about what the Fed will do at its September meeting, however during the press conference Fed Chair Powell abandoned concrete forward guidance and said decisions will be dependent upon data and taken upon a meeting-by-meeting basis. We will look at the minutes to see how many participants agreed with this approach. Since the meeting, plenty of Fed speakers have been using the data dependent line for their next decisions but it is clear appetite is for either another 75bps hike in September, or a slower 50bp hike (market pricing is now leaning towards 50bp after the latest CPI report, but the minutes will not incorporate that data, so there is a risk of the minutes sounding more hawkish, but it also will not incorporate the hot July jobs report). Looking ahead, Governor Bowman had suggested rate hikes of a similar magnitude should continue until inflation returns to target, which SGH Macro's Duy says "This could be a clever way to keep 75bp on the table without it really being on the table". At the press conference, Fed Chair Powell was quizzed on the rate path, and he suggested the Fed wants to get to "moderately restrictive territory" by year end, which to him implies a rate of 3.00-3.50%. Since then, other speakers have been maintaining their rate forecasts with Evans in line with Powell suggesting a rate of 3.25-3.50%, while Kashkari leans more hawkish seeing rates at 3.9% by year-end - in fitting with Bullard who sees rates between 3.75-4.00%. Given the hot jobs report and cool CPI since the latest meeting, the minutes may be deemed quite stale given the Fed's data dependent stance. Nonetheless, any views on the outlook will be key, particularly on the terminal rate view after Powell noted it has evolved for all participants - but did not provide much clarity. Analysts at Credit Suisse expect the minutes to show "officials expect the pace of rate hikes to slow unless inflation continues to run at extremely elevated levels". Adding, "Officials likely discussed the recent slowdown in growth data but refrained from the possibility of a rate cut next year".

RBNZ ANNOUNCEMENT (WED): RBNZ is expected to increase rates for a 7th consecutive meeting next week with OIS pricing in over an 80% probability for the central bank to maintain the current pace of 50bp rate hikes which it delivered in its prior three rate decisions, while all analysts surveyed by Reuters forecast a 50bps hike in the OCR to 3.00%. As a reminder, the central bank noted at the last meeting in July that it remains appropriate to continue to tighten policy and that the Committee is resolute in its commitment to ensure price inflation returns to 1%-3% target range. It also agreed to maintain its approach of briskly lifting the OCR and remained comfortable with the projected path of the OCR it outlined in May, while it stated that there were near-term upside risks to consumer prices but also noted medium-term downside risks to economic activity. Since the last meeting, the rhetoric from the central bank has been light with nothing to suggest a deviation from the hawkish market perception and although it announced a new standing repurchase facility to allow eligible counterparties to lend NZD through the standing repurchase facility at the OCR less 15bps, this aims to improve the anchoring of wholesale short-term interest rates to the OCR and concerns policy implementation not the central bank's policy stance. The recent inflation data from New Zealand also supports further rate hikes after CPI for Q2 rose by 7.3% vs. Exp. 7.1% (Prev. 6.9%) which was the fastest pace of increase in 32 years, while the RBNZ Sectoral Factor Model Inflation Index increased to 4.8% (Prev. 4.2%, Rev. 4.6%) which prompted ASB Bank to raise its view for the OCR to peak at 3.75% vs prev. forecast of 3.50% and ANZ Bank also now sees the RBNZ's OCR to peak at 4.00% vs prev. forecast of 3.50%. Conversely, ING sees the risk of a dovish tilt at the upcoming meeting whereby the central bank could reduce its terminal rate projection by 25bps or 50bps from the current 4.00% view due to a deteriorating outlook for growth and falling house prices, but also suggested that the RBNZ could opt to maintain its rate forecasts "to avoid an unwanted impact on inflation expectations" which ING thinks would then make an adjustment in the rate projection later this year quite likely.

UK CPI (WED): Expectations are for Y/Y CPI to climb to 9.7% from 9.4% with the core metric (ex-food and energy) seen holding steady at 5.8%. The previous report saw the headline Y/Y rate advance from 9.1% to 9.4% amid a near 10% M/M increase in petrol and diesel prices with food prices also continuing to climb. This time around, analysts at Investec (exp. 9.7% Y/Y CPI) suggests that although "the easing in supply chain pressures may have contained core inflation, which we expect to have nudged up only marginally, to 5.9%, higher food prices in particular may have made a mark on headline inflation." Looking ahead, Investec notes that downside in global commodity prices and action taken by the BoE could help ease price pressures, however, it is likely that any respite will be temporary given the anticipated pain from the OFGEM price cap increase in October. As a reminder, the most recent MPR from the BoE noted that CPI inflation is expected to rise from 9.4% in June to just over 13% in 2022 Q4, and to remain at very elevated levels throughout much of 2023, before falling to the 2% target two years ahead. From a policy perspective, current market pricing assigns a 77% chance of a 50bps hike in September (pricing was bolstered by the latest UK GDP data) with 116bps of tightening seen by year-end. Needless to say, an above forecast inflation print would see pricing move more in favour of a larger-than-usual move by the MPC.

US RETAIL SALES (WED): Headline US retail sales is expected to rise 0.1% in July, cooling from June's 1.0% rise, while the ex-autos metric is seen declining 0.1% from the prior 1.0% gain. The retail control will be used to help gauge initial expectations for Q3 GDP after the two consecutive quarters of contraction this year as it is a good gauge of consumer spending, a large component of GDP. With retail sales being reported on a nominal value, the slowing price declines could act as a headwind in July after the cooler than expected July CPI report, after the June Retail Sales were supported by higher prices. The Atlanta Fed GDPNow model is tracking Q3 growth at 2.5%, but this will likely change throughout next week as the retail sales, housing data, and industrial production will all feed into the tracker. Analysts at ING write "Retail sales at the headline level will be modestly depressed due to falling gasoline prices weighing on gas station sales as it is a nominal dollar figure. However, this frees up cash to spend on other goods and services so the "core" rate of retail sales growth should rebound and help to translate into rising real consumer spending."

NORGES BANK (THU): At the last gathering, where an above-expected 50bp hike was delivered taking the Key Policy Rate to 1.25%, the Norges Bank guided participants towards a 25bp hike in August. Adding, that the policy rate could be lifted more than projected in the scenario of a weaker NOK and sustained global inflationary pressures. Most recently, July's inflation print was 4.5% (exp. 3.8%, prev. 3.6%) for the Core (ATE) YY – a measure which surpassed the Norges Bank's 3.2% expectation for this period and their 4.09% (Dec 2022) peak forecast. Unsurprisingly, in the wake of the hot data, the likes of Nordea have altered their call and now look for a 50bp hike in August; though, they caveat that if this does not occur, then such a move is surely on the cards for September. Inflation aside, EUR/NOK has slipped from circa. 10.45 to 9.89 between the June meeting and going into the August event, an appreciation that would typically push against hawkish pricing. However, given the magnitude of the inflation increase in July, this offsetting factor will likely not prove sufficient to dissuade the Bank from undertaking another 50bp move.

CBRT ANNOUNCEMENT (THU): The Turkish Central Bank is expected to maintain its Weekly Repo Rate at 14.00% at its upcoming meeting. Turkey's recent monetary policy decisions have not been based on economic fundamentals, with late 2021 seeing a cumulative 500bps cut in rates in a matter of months to current levels. In December last year, the Turkish Central Bank introduced a "Lira deposit scheme" to stem the decline in the currency. On the data front, July CPI Y/Y (79.60% vs exp. 80.50%) and M/M (2.37% vs exp. 2.90%) printed cooler-than-expected but still hotter than the prior but PPI rose to an eye-watering 114.61% from 138.31%. The CBRT survey upgraded its end-year CPI forecast to 70.60% from 69.94%, whilst also upping its USD/TRY forecast to 19.6480 from its prior forecast of 18.9881. The survey also upped its 12-month Repo Rate forecast to 16.5% from 15.0%. "The authorities will probably continue to implement ad hoc measures as long as they can in order to sustain what we view as this ultimately unsustainable policy stance", analysts at Credit Suisse say, "Our 12-month policy rate forecast of 14.00% does not imply that we think the current policy stance is sustainable for 12 months." The Swiss bank also highlights that policy adjustment "will also crucially hinge, in our view, on political considerations, in particular the presidential/parliamentary elections that will be held no later than in mid-2023."

AUSTRALIAN JOBS (THU): July Employment Change is expected to show the addition of 25k jobs (vs prev. 88.4k), while the Unemployment Rate and Participation Rate are seen steady at 3.5%, and 66.8% respectively. Analysts at Westpac expect a +50k metric for the Employment Change, with the rationale being **-** "Business surveys, consumer sentiment surveys and job vacancies all point to continuing solid demand for labour. Weekly payrolls for July did reveal some weakness but these are not seasonally adjusted and the ABS noted higher than usual absences for illness and holidays which will affect hours worked rather than employment." From a policy perspective, the RBA's priority, for the time being, is inflation. In the latest statement (2nd Aug), Governor Lowe suggested "Employment is growing strongly, consumer spending has been resilient and an upswing in business investment is underway… The Board is committed to doing what is necessary to ensure that inflation in Australia returns to target over time."

NEW ZEALAND TRADE BALANCE (THU): There are currently no expectations for the NZ Trade Balance, but the release will likely be overshadowed by the RBNZ policy decision on Wednesday, whereby a 50bps hike is expected to be accompanied by hawkish rhetoric. Nonetheless, Westpac expects the M/M July Trade Balance to post a wider deficit of NZD 1.25bln vs the prior deficit of NZD 701mln amid agricultural exports slowing down seasonally alongside elevated oil prices.

UK RETAIL SALES (FRI): Expectations are for July's retail sales to be unchanged on a M/M basis with the core reading forecast at -0.4%. Note, the presence of the June Platinum Jubilee holiday could create some distortions from a M/M basis. In terms of recent retail indicators, July's BRC retail sales metric rose 1.6% Y/Y with the consortium noting that "sales improved in July as the heatwave boosted sales of hot weather essentials… However, with inflation at over 9% many retailers are still contending with falling sales volumes during what remains an incredibly difficult trading period". Elsewhere, Barclaycard said UK consumer spending rose 7.7% Y/Y in July which was boosted by clothing, beauty and staycations, whilst it noted that UK consumers are starting to cut back on overseas travel, eating out and drinking to offset higher outgoings.