Week Ahead October 3-7th: Highlights include: US ISM, RBNZ, RBA, OPEC+, US and Canadian Jobs Reports

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- **MON:** BoJ SOO, Bank of Israel Announcement, Japanese Tankan Survey (Q3), Swiss CPI (Sep), EZ/UK/US Final Manufacturing PMI (Sep), US ISM Manufacturing PMI (Sep)
- **TUE:** RBA Announcement, US Durable Goods (Aug)
- **WED:** RBNZ Announcement, South Korean CPI (Sep), German Trade Balance (Aug), EZ/UK/US Final Services & Composite PMI (Sep), US ADP (Sep), Canadian Trade Balance (Aug), US ISM Services PMI (Sep), OPEC+ Meeting
- **THU:** ECB Minutes (Sep), Australian Trade Balance (Aug), EZ Retail Sales (Aug)
- **FRI:** German Industrial Production/Output (Aug), Norwegian GDP (Aug), US Jobs Report (Sep), Canadian Jobs Report (Sep)
- **SAT**: Chinese Caixin Services PMI (Sep)

NOTE: Previews are listed in day-order

US ISM MANUFACTURING PMI (MON): The manufacturing survey is seen printing 52.8 again in September, with analyst forecasts ranging between 51.0-53.7. The employment metric is seen returning to contractionary territory at 49.0 from 54.2 and prices paid cooling to 51.8 from 52.5. The regional surveys have been mixed with the NY Fed manufacturing slowing by much less than expected with an acceleration in new orders and an encouraging outlook, an improvement in employment and shipments, while prices paid fell to the lowest since December 2020. Meanwhile, the Philly Fed survey disappointed expectations, but also saw a welcome slowdown in prices. The KC Fed manufacturing accelerated and the Richmond Fed was unchanged, but manufacturing shipments improved. Credit Suisse looks for a fall to 51.0 in the headline index, and warns that the normalisation of supplier delivery times will put some additional pressure on the print. The desk also highlights that most regional surveys remain in negative territory or close to zero, which leaves the ISM as a positive outlier. Looking ahead, CS expects the ISM to enter contractionary territory later this year, noting tighter conditions and downbeat sentiment will limit demand for consumer durable goods and business investment, while recessions in developed markets and a rise in the dollar will be significant headwinds for the export sector. The Flash September S&P Global PMI saw a slight rise and the report noted it "continued to signal a relatively subdued improvement in the health of the manufacturing sector".

RBA ANNOUNCEMENT (TUE): RBNZ is expected to deliver its fifth consecutive 50bps rate hike next week to lift the Official Cash Rate to 3.50% with money markets pricing in an 80% probability for such a move and a 20% chance of a larger 75bps increase. The RBNZ delivered a hawkish rate increase at the last meeting where it raised rates for the 7th time in as many meetings since the start of the hiking cycle and it increased its projections for the OCR and inflation with the latter now expected to peak next year at 4.1% vs a prior view of just under 4.0%. Furthermore, the central bank noted that conditions need to continue to tighten and agreed that maintaining the current pace of tightening remains the best means with further increases in the OCR required to meet its remit objectives, while Governor Orr also flagged further rate increases, as getting rates to 4% would buy comfort for the policy committee and although he acknowledged that the tightening cycle is very mature, he added that there is still a little bit more to do in terms of tightening. As such, some analysts have revised their RBNZ rate hikes views with TD Securities lifting its OCR forecast for April to 4.5% from 4.0% and Westpac also raised its view for the terminal rate by 50bps to 4.5%.

US ISM SERVICES PMI (WED): The services survey is seen slowing to 56.5 from 56.9 in September, while the business activity component is expected to slow to 57.0 from 60.9. The services component of the regional Fed surveys have also been mixed, while the Flash September Services S&P Global PMI rose to 49.2 from 43.7 (exp. 4.50), signalling a slower decline in output than expected. The flash S&P Global report noted the slower decline was led by a pick-up in both new orders and client demand. New Orders only saw a slight rise as they were limited by rising inflation and interest rates, while new export orders fell for the fourth consecutive month. Inflationary pressures were still substantial, but the rate of cost inflation slowed to the lowest level since January 2021. Meanwhile, firms were looking to expand their workforce, but the ongoing issues of higher wage costs and finding suitable candidates weighed on overall job creation, which saw the slowest employment print in 2022 so far. Looking ahead, the service providers were more confident of a rise in output over the coming year and optimism rose to the highest level since May on higher expectations of client demand.

RBNZ ANNOUNCEMENT (WED): RBA is expected to hike rates at its meeting next week with 21 out of 29 analysts surveyed by Reuters expecting another 50bps rate hike to lift the Cash Rate Target to 2.85%, although money markets are nearly even in terms of pricing the chances of either a 25bps or 50bps hike. As a reminder, the central bank reiterated at the last meeting that the Board is committed to doing what is necessary to ensure that inflation returns to target and expects to increase rates further in the months ahead, but it is not on a preset path, while members saw the case for a slower pace of rate hikes as becoming stronger as the level of the Cash Rate increases, as well as noting that interest rates had been raised quite quickly and are getting closer to normal settings. Furthermore, RBA Governor Lowe recently stated that at some point, they will not need to hike by 50bps with the central bank getting closer to that point and they are closer to normal on rates, but not there yet. Lowe also noted that rates are still too low right now and that they will consider tightening by 25bps or 50bps at the upcoming meeting which were the options discussed last month. The increased hints about a future slowdown has spurred some expectations for the central bank to switch gears with AMP forecasting a 25bps move for next week and for rates to peak at 2.85%, but acknowledged upside risks given the strength in lagged data and RBA hawkishness, while NAB adjusted its RBA rate hike forecast for October to 50bps from 25bps. The latest data releases also suggest there is scope for the RBA to stick with the current pace as Real GDP YY strengthened in Q2 to 3.6% vs. Exp. 3.5% (Prev. 3.3%) and although jobs data missed slightly, the increase in the employment change was solely driven by full-time work and the unemployment rate remained firmly below 4.0%. In addition, Australia’s first ever monthly CPI releases showed inflation remained elevated at 7.0% in July and 6.8% in August which is more than double the higher-end of the 2-3% target and would likely keep the central bank on its current hiking track.

OPEC+ MEETING (WED): Noise surrounding a cut to output quotas has been growing – with Reuters sources earlier this week suggesting that Russia could propose a cut of up to 1mln BPD to total quotas. The meeting comes amid a continued decline in crude prices, with Brent falling further under USD 100/bbl to a low of USD 83.65/bbl since the last meeting, according to Refinitiv data – the lowest level since Russia’s invasion of Ukraine. There were also reports in mid-September, citing sources familiar with Russian and Saudi Arabian government thinking, that the defacto leaders of OPEC+ are looking for USD 100/bbl as a fair price for crude. The meeting will likely see a myriad of source reports beforehand testing the waters ahead of the decision-making meeting on the 5th of October. In terms of some house views, RBC sees a 'significant chance' of substantial OPEC+ supply cut and says OPEC+ may cut by 500k-1mln BPD at the October 5th meeting, whilst UBS suggested that only a production cut by OPEC+ can break the negative momentum within the oil market in the short-term.

ECB MINUTES (THU): In-fitting with market pricing and against a split consensus amongst analysts, the ECB opted to pull the trigger on a 75bps hike, taking the deposit rate to 0.75%. The statement noted that the GC expects to raise rates further over the next "several" meetings, whilst taking a data-dependent and meeting-by-meeting approach. In terms of other measures, the ECB opted to continue with its current reinvestment policy whilst suspending its two-tier system by setting the multiplier to zero. The accompanying staff forecasts saw 2022, 2023 and 2024 inflation projections revised higher with the 2024 forecast of 2.3% indicating that further policy tightening is required. On the growth front, 2022 GDP was revised a touch higher, however, 2023 was slashed to 0.9% from 2.1% with the downside scenario touting the possibility of negative growth. At the follow-up press conference, President Lagarde noted that the decision on rates was unanimous, albeit there were differing views across the council; any colour around these differing views will be of note for the market, but ultimately deemed as somewhat stale given the fluidity of global inflationary dynamics. With regards to the magnitude of hikes going forward, Lagarde noted that 75bps increments are not the norm, but moves will not necessarily get smaller as the ECB heads towards the terminal rate. Note, source reports after the meeting suggested another 75bps hike could be on the cards for the October meeting, whilst Chief Economist Lane was reportedly more hawkish at the meeting than he had been in a speech a few days before the confab. Despite guidance that the GC will be following a meeting-by-meeting approach, Lagarde stated that hikes will probably take place at more than two meetings, but fewer than five, markets will be looking to see if such a viewpoint was alluded to in the account of the meeting. Finally, source reporting following the meeting revealed that QT is expected to be discussed at a non-policy meeting in Cyprus on Oct. 5th and will likely also be debated at subsequent meetings.

EU SUMMIT (THU): The EU summit on the 6th of October will include officials from the 27 member states and 17 non-EU nations. The non-EU nations include nine countries hoping to join the bloc. The UK will also partake in the Summit. According to the agenda highlights published on the European Council website, the summit aims to “foster political dialogue and cooperation to address issues of common interest” and “strengthen the security, stability and prosperity of the European continent”. The programme includes an opening plenary session, followed by roundtable discussions on peace and security alongside energy, climate and the economic situation. This will then be followed by bilateral meetings, a closing plenary session, and finally a press conference.

US JOBS REPORT (FRI): Currently, expectations are for US jobs growth to slow to 250k from 315k, with analyst forecasts ranging between 175-350k, and the unemployment rate is seen unchanged at 3.7%, but forecasts range between 3.6 and 3.8%. The jobs report on Friday will be digested to help gauge the Fed's reaction function for November, although the latest dot plots have signalled another 75bp hike in November and markets are currently assigning a 68% probability of this occurring. Analysts at Pantheon Macroeconomics do think the Fed will hike 75bps, but suggest they may pivot to a slower 50bp increment. If the jobs report is weak, it will add credence to this idea and vice versa - although there will be more attention on the inflation reports ahead of the next FOMC. Analysts at Credit Suisse, however, suggest a modest slowdown in employment will not be enough to deter the Fed from their aggressive, front-loaded rate hikes. There will also be particular attention paid to the wages component and how it affects the inflation narrative after a hot CPI & PCE and a relatively in-line PPI in August. Analysts are expecting M/M wages to rise by 0.3% again in September, but forecasts range between 0.2-0.5%. The September data points for the labour market saw the S&P Global PMI state employment across the private sector rise further, albeit at a slower pace than in August. The report added "the moderate upturn in workforce numbers reflected expansions in manufacturing and service sector staffing levels. The rate of job creation at goods producers was the sharpest for six months amid greater success in hiring suitable candidates for vacancies". Next Week's ISM reports (manufacturing on Monday, and services on Wednesday) will provide further colour on the labour market in September. The initial jobless claims for the period that usually coincides with the official BLS jobs report saw a slight uptick to 213k from a revised lower 208k, while continued claims fell to 1.347mln from 1.376mln.

CANADA JOBS (FRI): Currently, there are no expectations for the Canadian jobs report, but previously we saw a loss of 40k jobs, marking the third consecutive monthly decline with unemployment at 5.4%. The job losses were also unhealthy last month, with a loss of 77k full-time workers. Analysts at ING are hopeful of a stabilisation in Friday's September report as the economy is still performing relatively well. The desk warns "if we are wrong and we get a fourth consecutive fall then expectations for Bank of Canada tightening could be scaled back somewhat – especially after some softer than anticipated CPI prints."