Week Ahead Dec. 5-9th - highlights include OPEC+, RBA, BOC, China Trade and CPI data, Uni. of Mich. Sentiment

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- **MON:** Eurogroup; Chinese Caixin Services PMI (Nov), EZ, UK & US Composite/Services PMI Final (Nov), EZ Retail Sales (Oct), US ISM Services PMI (Nov).
- **TUE:** RBA Policy Announcement; Norges Bank Regional Network (Q4), US Georgia Runoff, EIA STEO; German Industrial Orders (Oct), EZ & UK Construction PMI (Nov), Canadian Ivey PMI (Nov).
- **WED:** BoC, BCB & NBP Policy Announcements; Australian Real GDP (Q3), Chinese Trade Balance (Nov), Swiss Unemployment (Nov), German Industrial Output/Production (Oct), EZ GDP Revised (Q3), Employment (Q3).
- **THU:** RBA Bulletin; Australian Trade Balance (Oct), US IJC (w/e 3rd Dec).
- **FRI:** ECB TLTRO.III Repayment Publication; Chinese CPI (Nov), Norwegian CPI (Nov), US PPI Final Demand (Nov), Uni. of Michigan Prelim. (Dec).

NOTE: Previews are listed in day-order

JMMC/OPEC+ (SUN): Market expectations are currently split on whether the group of oil producers will hold production targets steady or opt for another cut. The most recent sources have been leaning towards an unchanged output policy in December. A poll conducted by Bloomberg in the week beginning 28th November suggested ten out of 16 respondents expect a production cut, ranging from 250k BPD to 2mln BPD. The December meeting is expected to be conducted virtually - signalling little likelihood of a policy change, sources suggested. Given the high market volatility and uncertainty ahead, some suggest the group may opt to revert to monthly meetings. In terms of the prior meeting, OPEC+ decided to cut output targets by 2mln BPD from the August 2022 required production levels. The group also adjusted the frequency of the monthly meetings to every two months. The release also suggested that the JMMC was granted the authority to hold additional meetings or to request an OPEC and non-OPEC Ministerial Meeting at any time to address market developments if necessary, and members reiterated the "critical importance of adhering to full conformity." Looking at the schedule, OPEC+ cancelled the Joint Technical Committee (JTC) meeting. The JTC reviews oil market developments and relays findings to the Joint Ministerial Monitoring Committee (JMMC). Timings of the JMMC and OPEC+ meetings have not been released at the time of writing. The main factors the group will need to weigh include 1) the recent decline in oil prices, 2) the fluidity of China's zero-COVID policy, and 3) the upcoming EU Russian oil embargo on Monday 5th December. Market sentiment is leaning towards an unchanged output policy as OPEC+ awaits clarity on China's COVID stance and the Western Russian price cap. Desks suggest a small cut is also possible given the decline in oil prices seen since the last meeting in October.

US ISM SERVICES PMI (MON): As a proxy, the S&P Global flash US services business activity index posted 46.1 in November, down from 47.8, for the second-fastest decline on record. S&P said "panellists often stated that the impact of inflation and interest rates on customer disposable income had dented demand conditions," and in line with weak demand, "new business fell at a solid pace in November," which was the second successive monthly decrease, and the sharpest since May 2020. Meanwhile, on the prices front, S&P noted that input costs were at a slower pace midway through the fourth quarter. "The increase in cost burdens was the softest in almost two years, as firms noted lower prices for some key inputs," but it added that the rate of services inflation eased for the seventh straight month to the softest since October 2020. "Firms often noted that slower price hikes were linked to efforts to remain competitive and drive new sales."

RBA POLICY ANNOUNCEMENT (TUE): RBA is likely to hike rates again next week in which money markets had priced in a 70% chance for the central bank to increase the Cash Rate Target by 25bps to 3.10% and a 30% probability of the central bank maintaining the benchmark rate at the current 2.85%. Expectations for the central bank to hike rates follows the last meeting where it maintained the slower pace of 25bps rate increases which was widely expected although there were outside calls for a return to a more aggressive move given the elevated inflation data from Australia. The central bank's comments at the meeting also lacked any major hawkish surprises as it reiterated that it expects to increase interest rates further over the period ahead and that the size and timing of future interest rate increases will continue to be determined by the incoming data and the Board's assessment of the outlook for inflation and the labour market.

Furthermore, RBA Governor Lowe reiterated shortly after the meeting that rates are not on a pre-set path and noted the board judged it appropriate to raise rates at a lower magnitude but added that they will return to larger rate hikes if deemed necessary and will hold rates if the situation requires it. Deputy Governor Bullock has also stated that they are seeing more broad based CPI pressure in the economy and need to raise interest rates to influence demand, but separately commented that they are getting closer to the point where they might be able to pause and take a look. The latest data releases have been mixed with Employment Change better than expected at 32.2k vs. Exp. 15.0k (Prev. 0.9 k) and the Unemployment Rate fell to 3.4% vs. Exp. 3.6% (Prev. 3.5%). Conversely, Retail Sales showed a surprise monthly contraction in October at -0.2% vs. Exp. 0.5% (Prev. 0.6%) and also disappointed for Q3 at 0.2% vs. Exp. 0.4% (Prev. 1.4%), while Wage Price Growth for Q3 accelerated to 3.1% vs. Exp. 3.0% (Prev. 2.6%) which adds to the already heightened inflationary pressures and supports the view that rate will be increased further. However, there are differing views to what extent rates will be increased with CBA anticipating just one more rate hike through a 25bps increase and the Cash Rate to peak at 3.10%, while Goldman Sachs recently revised its forecast for the Cash Rate to peak at 4.1% vs prev. view of 3.6%.

RBI POLICY ANNOUNCEMENT (WED): RBI is likely to hike the Repurchase Rate again from the current level of 5.90% with 33 out of 52 economists surveyed by Reuters calling for a 35bps hike to 6.25% and 11 anticipate a 50bps move, while 20 out of 28 respondents think it is too soon for the central bank to shift its focus away from inflation to growth. As a reminder, the central bank hiked its key rate by 50bps at the last MPC meeting through a 5-1 vote which was the third consecutive 50bps increase and the fourth rate hike in the current cycle which began in May. RBI Governor Das also stated at the last policy decision in late September that the MPC is to remain focused on withdrawal of accommodation and that consumer price based inflation remains elevated, while he added that the persistence of high inflation necessitates a further calibrated withdrawal of monetary accommodation and that liquidity remains at a surplus with overall monetary and liquidity conditions still accommodative. The main reason for the expectations of a hike is due to inflation which remained elevated for October at 6.77% vs. Exp. 6.73% (Prev. 7.41%) and the Monetary Policy Committee even conducted a special meeting last month to prepare its report to the government on missing the inflation target where it refrained from discussing and taking action on rates as expected, although there were outside calls for a 25bps-50bps move. Aside from the inflationary pressures, another factor that was seen as an influence for the central bank's recent rate hikes was a weaker currency as the rupee had continuously depreciated against the dollar and although it had since recovered off record lows, it still remains at depressed levels.

BOC POLICY ANNOUNCEMENT (WED): Having already lifted rates by a cumulative 350bps this cycle, the consensus expects the Bank of Canada to lift its overnight rate by 50bps at its statement-only meeting in December, taking it to 4.25%. However, it is a fine call, with just under half of analysts surveyed by Reuters looking for a smaller 25bps move. Money market pricing, meanwhile, is tilted towards the smaller hike. Traders will also be looking out for any guidance about how close the central bank is to ending its hiking cycle. The Reuters' poll noted that although there was no clear consensus on where rates would top-out, 26 of the 29 surveyed see the terminal rate at 4.25% or higher, which suggests that the BoC could either be ready to conclude, or near concluding, its rate tightening; in October Governor Macklem hinted that the end of the cycle was near, but "we are not there yet," he said. NOTE: the BoC's Deputy Governor Sharon Kozicki will be delivering remarks as the central bank publishes its economic progress report.

CHINESE TRADE BALANCE (WED): November's Trade Balance in Dollar terms is expected to modestly narrow to a surplus of USD 79.05bln from October's USD 85.15bln surplus, whilst Exports are expected at -3.6% (prev. -0.3%) and Imports at -5.0% (prev. -0.7%). November was a month plagued by various Chinese COVID lockdowns as cases soared, in turn sparking social unrest in several large Chinese cities. With China being the second largest economy, the data will offer a glimpse at the health of the domestic and overseas markets. To recap the prior month's data, China's exports and imports fell unexpectedly for the first time in more than two years, with recession fears hitting exports whilst COVID-zero policy and the slump in real estate impacting imports – with Chinese purchases from Australia, the US, Japan, South Korea and Taiwan all falling.

CHINESE CPI (FRI): There are currently no market expectations for Chinese CPI and PPI, whilst this month's Caixin Services and Composite PMIs have also not yet been released and thus giving limited hints for the CPI release. Nonetheless for the PPI metric, looking at the Caixin Manufacturing PMI, the details of the sub-indices indicated that manufacturing deteriorated faster in November. "The employment sub-index was the lowest it has been since March 2020. In contrast, the input price sub-index has been above 50 for the last two months due to high crude oil and metals prices. And even though the two sub-indices diverged, they point to slower sales growth and slimmer profit margins for smaller manufacturers, which is a more downbeat story than that suggested by the headline numbers", ING summarises. Meanwhile, PBoC Governor Yi on Friday said the forecast for China's inflation in 2023 is in a moderate range, and he noted the current focus is on growth and that monetary policy has been pretty accommodative. Furthermore, Chinese Finance Minister Liu Kun said they will keep the economy within a reasonable range and strive to realise better results, while Liu added that China's economy will keep growing at a reasonable speed with stable employment and prices, according to Reuters.

UNIVERSITY OF MICHIGAN SENTIMENT (FRI): After the drop in November, analysts at Credit Suisse expect to see a rebound in the preliminary December Michigan consumer sentiment gauge to 58.0 from 56.8. “Falling gasoline prices and a rally in the stock market will boost confidence, and consumers could also react positively to slowing inflation data,” Credit Suisse writes. There will also be attention on the inflation measures after consumer’s 1-year and 5-10 year inflation expectations both picked-up last month by one-tenth of a percentage point to 5.1% and 3.0% respectively. “Even though inflation has peaked, we would expect the Fed to remain on high alert for any signs that expectations are drifting higher,” CS writes.