Week Ahead Feb 27th-Mar 3rd: Highlights include US ISM, BoJ Governor nominee, China PMI, EZ flash inflation, ECB minutes

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- **MON:** EZ Economic Sentiment (Feb), US Durable Goods (Jan), Japanese Retail Sales (Jan), German Prelim. CPI (Feb).
- **TUE:** NBH Announcement, Canadian GDP (Q4), US CaseShiller (Dec).
- **WED:** Australian CPI (Jan) and GDP (Q4), Chinese Official PMIs (Feb), Chinese Caixin Manufacturing Final PMI (Feb), EZ, UK, US Manufacturing Final PMI (Feb), German Prelim CPI (Feb), US ISM Manufacturing PMI (Feb).
- **THU:** ECB Minutes, EZ Flash CPI (Feb) and Unemployment Rate (Jan), Japanese Tokyo CPI (Feb).
- **FRI:** Chinese Caixin Services Final PMI (Feb), German Trade Balance (Jan), EZ, UK, US Services & Composite Final PMI (Feb), EZ PPI (Jan), US ISM Services PMI (Feb).

NOTE: Previews are listed in day-order

BOJ GOVERNOR NOMINEE UEDA UPPER HOUSE APPEARANCE (MON): Japan's House of Councillors will conduct hearings on the government's nominations for the next BoJ leadership with the confirmation hearing for academic and former Board member Kazuo Ueda to head the central bank to take place on Monday at 04:10GMT (Sunday 23:10EST) and followed the next day by the hearing for the Deputy Governor nominees, which are former FSA Commissioner Ryozo Himino and BoJ executive Shinichi Uchida. These hearings in the upper house follow the recent proceedings at the House of Representatives, or lower house, which provided some insight into BoJ Governor nominee Ueda's thoughts whereby he noted that current monetary policy is appropriate and that Japan still needs more time for inflation to sustainably hit the 2% target level, while he added it is appropriate to continue monetary easing from now on and suggested the BoJ would either need to move towards monetary policy normalisation or must consider ways to maintain YCC depending on if inflation improves significantly or not. As a reminder, the choice of Ueda to succeed BoJ Governor Kuroda took markets by surprise and initially spurred a hawkish reaction as would have been the case for any pick other than Deputy Governor Amamiya who turned down an approach by the Government, but was previously seen as the front runner and a continuation candidate given that he was an architect of many of the BoJ's current policies. This initial hawkish reaction gradually faded after dark horse candidate Ueda commented that the BoJ's monetary policy is appropriate and that they need to continue with easy policy, while he also previously warned against prematurely unwinding Japan's ultra-loose policy and was known for voting against lifting the zero-interest rate policy in 2000 during his seven-year stint at the central bank. Furthermore, Japanese press reported that Ueda's selection was likely based on his reassurance that the BoJ would not rush into a hasty exit and his former staff secretary, during his time at the BoJ, Tetsuya Inoue, said that Ueda is likely to allow the data to guide the exit timing. Meanwhile, the comments from the Deputy Governor nominees at the lower house hearing were uneventful as both Uchida and Himino conformed to the current BoJ thinking as they noted current policy was appropriate and suggested the need to continue with monetary easing for now. The confirmation hearings are widely seen to be rubber stamp procedures given the ruling coalition's dominance in parliament where the LDP party alone have a majority in the lower house and along with junior coalition partner Komeito occupy 145 of the 248 seats in the upper house.

CANADA GDP (TUE): In the November GDP update, StatsCan said growth was tracking "most likely flat" for December. RBC says that implies a Q4 increase of around 1.6% in annualised rate terms, and "that marks a slowing to around half the 3% average per-quarter increase over the first three quarters of 2022," the Canadian bank notes. In terms of the policy implications, Canadian bank TD Securities writing after the recent CPI data release, said that the BoC can argue that it was correct to signal a pause in January as price pressures are softening, despite the robust jobs market data, and the CPI should give the central bank the comfort that inflation is tracking below its 5.4% projection from the January MPR. "The Bank is by no means out of the woods, but barring a monstrous upside surprise on Q4 GDP, the Bank should be able to hold the overnight rate at 4.50% in March and hope for a deceleration in the growth figures by April."

AUSTRALIA CPI & GDP (WED): Australian GDP for Q4 is scheduled next week and will provide the latest insight into the health of the economy and if there is a further impact on growth from the central bank's ongoing tightening cycle. As a reminder, the prior GDP data was weaker than expected in Q3 as Q/Q growth slowed to 0.6% vs. Exp. 0.7% (Prev.

0.9%) and the Y/Y figure also missed forecasts, but picked up pace from Q2 with an expansion of 5.9% vs. Exp. 6.2% (Prev. 3.6%). Economic growth remained driven by household spending and the Australian Bureau of Statistics also noted a strong increase in wages and a rebound in dwelling construction, while the annual rate of growth was helped by a lower base given that the economy had contracted one year beforehand due to the COVID-19 Delta outbreak. These base effects are also likely to be a factor in the upcoming GDP data for Q4 as there was a firm rebound in the December 2021 quarter which could contribute to a potential slowdown, while the data releases have been mixed as CPI in Q4 surged to its highest level since 1990 to suggest a hot economy and Capital Expenditure also topped forecasts, although Construction Work Done showed a surprise contraction and directly feeds into the GDP data. Furthermore, ING previously anticipated Q4 GDP growth to weaken to an annual rate of 2.5% and it also forecasts 2022 GDP to expand by 3.6% before slowing to 1.9% this year. The GDP data will also coincide with the release of the latest monthly CPI from Australia which is likely to remain elevated given that inflation data hasn't shown any signs of slowing down yet after CPI YY in December rose to 8.4% vs Exp. 7.6% (Prev. 7.3%) and Q4 CPI Y/Y climbed to 7.8% vs. Exp. 7.5% (Prev. 7.3%) for the fastest pace of increase in more than 3 decades.

CHINA OFFICIAL PMI (WED): The NBS Manufacturing PMI is seen moving back into contraction territory at 49.8 in February from January's 50.1. There are currently no expectations for the Services and Composite metrics - which last month printed at 54.4 and 52.9 respectively. Last month's release was one of the first since China loosened its COVID measures, albeit sentiment in the diffusion index could've been impacted by the week-long Lunar New Year holiday. The January release saw all three NBS metrics move into expansion, with the report suggesting that the release may have seen some Lunar New Year-induced tailwinds from demand in the manufacturing industry and consumer sectors. As a reminder, in late January, Chinese Premier Li said China will consolidate and expand the momentum of its economic rebound, whilst accelerating consumption recovery and stabilising foreign trade and investments. Premier Li also said China needs to step up efforts to deliver on policies for the expansion of consumption. "Solid steps will be taken to ensure the effective implementation of the policy package for stabilising the economy and its follow-up measures. Key projects and equipment upgrading and renovation supported by fiscal and financial policy tools will be advanced to generate more physical gains" according to Chinese state news CGTN.

US ISM MANUFACTURING PMI (WED): The consensus is for the manufacturing ISM to improve a touch to 47.7 in February vs 47.4 in January. Credit Suisse is against that consensus view, and sees the index slipping to 47.0; the bank writes that although "momentum in the manufacturing sector is improving, the ISM has been a positive outlier, and likely has further room to fall before a modest rebound in the spring." The bank notes that the S&P Global PMI data series and several Fed regional manufacturing surveys have stabilised recently, but the headline ISM will still be dragged lower by the production, employment and supplier delivery components. Ahead, the bank is more optimistic, and looks for the new orders component to bounce off the post-pandemic low of 42.5 seen in the January data. "US industrial production momentum is currently at a deep trough, and we expect a rebound in the months ahead," CS writes, "some improvement in ISM new orders is likely this month, followed by a broader stabilisation in manufacturing surveys." That said, it expects growth will remain sub-trend, with tighter financial conditions and poor sentiment limiting demand, and adds that elevated inventories will be a headwind for manufacturers.

ECB MINUTES (THU): As expected, the ECB delivered another 50bps hike to the deposit rate and reaffirmed its tightening intentions by stating that it expects to unveil another 50bps adjustment in March. Lagarde stated that this is warranted on account of underlying inflationary pressures, fiscal measures and wage growth. At the March meeting, the ECB stated it will evaluate the subsequent path of its monetary policy. On the balance sheet, the ECB announced that reinvestments will be allocated proportionally to the share of redemptions across each constituent programme of the APP. At the follow-up press conference, Lagarde stated that the Bank's economic assessment sees risks to the economic outlook and inflation as "more balanced". In terms of the decision itself, Lagarde says there was a "large consensus", adding there was a discussion on communication, but not full agreement; any clarity on the extent of the disagreement will be of note to the market. For the policy path going forward, Lagarde noted that the ECB will not be at peak rates in March and there will most likely be ground left to cover; this suggested that hopes for a pause in May could be disappointed. Furthermore, Lagarde attempted to stress the longevity of reaching terminal by stating that when the level is reached, rates will need to stay there. As always, the account of the meeting will be viewed in many quarters as being "stale", particularly as the March meeting and accompanying macro projections are expected to set the course for monetary policy in the Eurozone for H1.

EZ FLASH CPI (THU) Expectations are for February's headline Y/Y HICP to fall to 8.1% from 8.6%, but with the super-core reading seen remaining steady at 5.3%. Recent releases have seen analysts focus on the diverging trends of headline and core inflation with the former continuing to fall whilst the latter continues to rise and currently sits at an all-time high for the Eurozone. The January figures continued to point to "higher non-energy industrial goods inflation while services inflation remained steady, rather than easing", according to Oxford Economics. For the upcoming release, ING highlights that energy price developments should bring down the headline rate, but core inflation will remain the main concern. ING adds, "we have heard from European Central Bank officials that they see the peak in underlying inflation still ahead, so an unchanged rate is probably the best one can expect next week". In terms of the policy implications, the desk notes that a “ sticky core rate means no relief for central bankers and thus also little reason for markets to budge from their pricing of 125bp of further rate increases from the ECB”. ING cautions that given how far the EUR front-end pricing has already evolved, the further upside appears limited for now with even the ECB hawks already ‘out-hawked’ by the market.

JAPAN TOKYO CPI (THU): Tokyo Core CPI Y/Y is expected to have marginally cooled to 4.2% in February from January’s 4.3% rate. The metric is usually used as a bellwether to the Nationwide figure, although analysts have been highlighting that the timelier Tokyo CPI has slight discrepancies versus the National figure due to different weightings of gas prices between the two series. As a reminder, last month’s Tokyo release saw Core CPI rise to a 41-year high after outpacing forecasts for four straight months. At the time, the JPY saw immediate strength following the release as inflation data is closely watched at a time the BoJ is expected to make a hawkish pivot, with CPI inflation at twice the BoJ’s annual target of 2%.