newsquawk

Week Ahead April 3rd-7th: Highlights include NFP, ISM, RBA , RBNZ, BoJ Tankan, BoC BOS

Week Ahead April 3rd-7th

- **MON:** Japanese Tankan Survey (Q1), Caixin Manufacturing PMI Final (Mar), EZ/UK/US Final Manufacturing PMI (Mar), US ISM Manufacturing PMI (Mar).
- **TUE:** RBA Announcement, South Korean CPI (Mar), US Durable Goods R (Feb).
- **WED:** RBNZ Announcement; Hong Kong Market Holiday, EZ/UK/US Final Services and Composite PMI (Mar), US ADP Employment (Mar), US ISM Services PMI (Mar).
- **THU:** Chinese Caixin Services PMI (Mar), Canadian Ivey PMI (Mar), Australian Trade Balance (Feb).
- **FRI:** Good Friday Global Market Holiday, US Jobs Report (Mar).

NOTE: Previews are listed in day-order

JMMC (MON): The OPEC+ Joint Ministerial Monitoring Committee (JMMC) is set to discuss current market conditions and the outlook on Monday. Analysts anticipate this meeting to be relatively uneventful. While the JMMC is not a decision-making body, it typically offers recommendations to OPEC+ regarding policy. This meeting takes place amidst oil market volatility, as factors such as geopolitics, supply risks, Russian price caps, sanctions, central bank tightening, and a mini-banking crisis contribute to instability. In mid-March, reports indicated that OPEC+ delegates remained encouraged by Asian demand. They largely attributed the sell-off at the time to speculative money exiting the oil derivatives market, rather than weakness in the physical market, according to Bloomberg. Officials also anticipate that the derivatives market will experience turbulence for an extended period. Subsequent reports suggest that OPEC+ is likely to maintain its 2mln BPD production cuts until the end of 2023, despite the price drop, as cited by three OPEC+ delegates in a Reuters article. It is also worth noting that in mid-March, the Saudi Energy Minister and Russian Deputy PM discussed the global oil market and OPEC+ efforts to enhance stability and balance, as reported by Saudi media. Both nations reaffirmed their commitment to the OPEC+ production cut decision. Analysts at ING believe that “the group will recommend that OPEC+ adhere to the current supply cuts. The group would have found reassurance in the market’s apparent stabilization following the turmoil experienced in financial markets throughout March.”

BOJ TANKAN SURVEY (MON): The BoJ’s key quarterly Tankan survey is expected to show declining business confidence among large manufacturers. Estimates for the Q1 survey are mixed across different industries. Large industry capital expenditure (CAPEX) is expected to increase by 4.9% (prev. +19.2%), while small industry CAPEX is anticipated to decrease by 9.0% (prev. +3.8%). The outlook index for big manufacturing is projected to slightly drop to 4 (prev. 6), and the large manufacturers’ index is predicted to decrease to 3 (prev. 7). The large non-manufacturers diffusion index is expected to stand at 16 (prev. 11), while the large non-manufacturers index is projected to be at 20 (prev. 19). For small manufacturers, the diffusion index and the manufacturing index are anticipated to be -6 (prev. -5) and -6 (prev. -2), respectively. Lastly, the small non-manufacturers diffusion index is expected at 1 (prev. -1), and the small non-manufacturing index is predicted to tick slightly higher to 7 (prev. 6). The Reuters Tankan, which closely tracks the central bank’s quarterly survey, revealed that large Japanese manufacturers remained pessimistic for the third month in a row in March due to global economic slowdown concerns. However, the service-sector firms’ mood improved, suggesting a domestic demand-driven recovery. These mixed results emphasize the fragility of Japan’s economy as exports slow and private consumption lacks momentum, according to some desks. Over the next three months, the Reuters Tankan index is expected to rebound, but the service-sector index is predicted to drop. Reuters’ Tankan canvassed 493 large companies with a capital base of JPY 1bln employing 100 or more people.

US ISM MANUFACTURING (MON), ISM SERVICES PMI (WED): The Manufacturing ISM is seen easing to 47.1 in March vs 47.7 in February. As a basis for comparison, the S&P Global PMI series reported an improvement in manufacturing conditions, with the index rising from 47.3 to 49.3. New orders have now fallen for six straight months in manufacturing however. “Unless demand improves, there seems little scope for production growth to be sustained at current levels,” S&P said. It also said that the manufacturing upside was mainly a reflection of improved supply chains allowing firms to fulfil backlogs of orders. The Services ISM is expected to moderate to 54.6 in March vs 55.1 in February; S&P Global’s gauge for the month saw upside in the services sector, which rose to 53.8 from 50.6. Within the release, there will be attention on the price components after S&P said the inflationary upturn was now being led by stronger services sector price increases, linked largely to faster wage growth. Overall, S&P said that March witnessed an encouraging resurgence of economic growth, with the business surveys indicating an acceleration of output to the fastest pace since May of last year, and was implying annualised GDP growth approaching 2%. That said, the upturn is uneven, and largely driven by the services sector.

BOC BUSINESS OUTLOOK SURVEY (MON): There will likely be less attention on the BOS this quarter, given the BoC has already indicated that it expects to hold the policy rate at its current level, conditional on economic developments evolving in line with the MPR forecasts. That said, there will be attention on any commentary around prices, given the Bank has left itself scope to resume policy tightening if it was needed to return inflation to the 2% target.

EU TRIP TO CHINA (TUE): European Commission President von der Leyen (VdL) and French President Macron are poised to travel to China on April 4th. The meeting comes soon after Chinese President Xi's three-day visit to Moscow, in which he met with Russian President Putin and the two countries further expanded ties in several sectors, including military strategic communication and coordination. Furthermore, SCMP sources suggested that China's Commerce Minister Wang Wentao is set to visit Brussels in April, when he will likely look to steady "turbulent" China-EU relations, according to SCMP. European Commission President VdL outlined the EU's new approach to China in her speech on March 30th. The new strategy aims to safeguard the bloc's interests, values, and citizens while addressing concerns over China's growing proximity to Russia. VdL outlined three main pillars: bolstering economic security, acting more assertively, and selectively cooperating with China, and emphasised the need for a new EU economic security strategy and urged the bolder and faster use of existing tools, including the Foreign Subsidies Regulation and the new anti-coercion instrument. She also proposed developing new defensive tools to screen exports of dual-use technology to systemic rivals' like China, and reassessing the stalled EU-China Comprehensive Agreement on Investment. The European Commission President also stressed that the bloc's approach is not about decoupling from China, but rather reducing risks and maintaining cooperation in specific areas. Meanwhile, the FT reported that the "new defensive tools" will be used to monitor technology, including quantum computing, robotics, artificial intelligence, and biotech. Analysts at RANE say the announcement demonstrates Brussels' intention to take a firmer stance on China while preserving economic and diplomatic relations, as export controls are currently enforced at the member-state level. On that note, it's worth noting that Japan announced chip-making equipment restrictive measures as part of a three-way agreement with the US and the Netherlands. Japanese officials said the scope of restrictions went further than the US measures imposed in 2022. Chip-equipment exporters would need licenses for all regions. The measures will affect a broader range of companies than previously expected, according to the FT. As always, a joint presser could be perceived by markets as bilaterally constructive.

CHINESE CAIXIN PMIS (THU): The BoJ's key quarterly Tankan survey is expected to show declining business confidence among large manufacturers. Estimates for the Q1 survey are mixed across different industries. Large industry capital expenditure (CAPEX) is expected to increase by 4.9% (prev. +19.2%), while small industry CAPEX is anticipated to decrease by 9.0% (prev. +3.8%). The outlook index for big manufacturing is projected to slightly drop to 4 (prev. 6), and the large manufacturers' index is predicted to decrease to 3 (prev. 7). The large non-manufacturers diffusion index is expected to stand at 16 (prev. 11), while the large non-manufacturers index is projected to be at 20 (prev. 19). For small manufacturers, the diffusion index and the manufacturing index are anticipated to be -6 (prev. -5) and -6 (prev. -2), respectively. Lastly, the small non-manufacturers diffusion index is expected at 1 (prev. -1), and the small non-manufacturing index is predicted to tick slightly higher to 7 (prev. 6). The Reuters Tankan, which closely tracks the central bank's quarterly survey, revealed that large Japanese manufacturers remained pessimistic for the third month in a row in March due to global economic slowdown concerns. However, the service-sector firms' mood improved, suggesting a domestic demand-driven recovery. These mixed results emphasize the fragility of Japan's economy as exports slow and private consumption lacks momentum, according to some desks. Over the next three months, the Reuters Tankan index is expected to rebound, but the service-sector index is predicted to drop. Reuters' Tankan canvassed 493 large companies with a capital base of JPY 1bln employing 100 or more people.

RBA ANNOUNCEMENT (TUE): The RBA will conduct its policy April meeting next week and there are mixed views on whether the central bank will continue hiking rates or pause, with a Reuters poll showing 14 out of 27 economists forecast the RBA to hike the Cash Rate by 25bps to 3.85% and 13 expecting a pause, while money markets are more decisive and are pricing an 87% probability for a pause. As a reminder, the RBA raised rates by 25bps at the last meeting in March which was widely expected and the central bank's 10th consecutive rate increase, while it noted that the Board remains resolute in its determination to return inflation to target and expects further tightening of monetary policy will be needed, which was a slight tweak from its previous guidance that the Board expects further increases in interest rates will be needed. Furthermore, the RBA stated that monthly CPI suggests inflation seems to have peaked and in assessing when and how much further interest rates need to increase, the Board will be paying close attention to developments in the global economy, trends in household spending and the outlook for inflation and the labour market. The rhetoric from the central bank was less hawkish than previous, but still pointed to further tightening and Governor Lowe stated that they are closer to the point where it will be appropriate to pause with the timing to be determined by the data and assessment of the outlook, while he kept options open for the upcoming meeting as he noted that they could pause if that's what the data suggests, but if it suggests keep going, then they will do that and have a completely open mind at Board meetings. This places greater emphasis on the data, although the latest releases have been mixed as Employment rebounded in February following two months of contraction and the Unemployment Rate fell to 3.5% vs. Exp. 3.6% (Prev. 3.7%), while monthly CPI in February was softer than expected at 6.8% vs Exp. 7.1% (Prev. 7.4%) and recent PMI figures have slipped into contractionary territory. In addition, the recent turmoil in the banking industry and contagion fears add to the case for a pause and have prompted an adjustment of expectations with Westpac now forecasting the RBA to keep rates unchanged at the upcoming meeting and also lowering its peak rate forecast by 25bps to 3.85%.

RBNZ ANNOUNCEMENT (WED): The RBNZ is expected to continue hiking rates at its meeting next week in an effort to curb inflation, albeit at a less aggressive pace than previously with money markets pricing a 97% chance for the OCR to be lifted by 25bps to 5.00% and only a 3% probability for a 50bps increase. As a reminder, the RBNZ raised rates by 50bps at its prior meeting, as widely expected, while the central bank remained hawkish in which it signalled further rate hikes to return inflation to target and noted that although there were early signs of price pressures easing, core consumer inflation remained too high and the Committee agreed it must continue to raise the OCR to fulfil its remit. Furthermore, the RBNZ stated that the options it considered were either a 50bp or 75bp increase at that meeting and it also maintained the view for rates to peak at 5.50%, but upped its CPI forecast for March 2024 to 4.2% from 3.8%. The rhetoric from the central bank since that meeting has remained hawkish as Assistant Governor Silk stated that they are not contemplating a pause in tightening and all rate hike options are on the table for the April meeting with the RBNZ to do all it takes to control inflation, while Chief Economist Conway said inflation is high and widespread because strong demand outstripped supply with the central bank incredibly determined to get inflation and inflation expectations back to target. Nonetheless, markets are pricing a less aggressive hike at the upcoming meeting given the recent deterioration in data including GDP for Q4 which showed a wider-than-expected contraction Q/Q, at -0.6% vs. Exp. -0.2% (Prev. 2.0%, Rev. 1.7%) and Y/Y growth at 2.2% vs. Exp. 3.3% (Prev. 6.4%), while Retail Sales Volumes Q/Q also shrank, by 0.6% (Prev. 0.4%, Rev. 0.6%). The weak data releases have prompted an adjustment in expectations and the recent global banking turmoil has also added to the case for a downshift in gears with ASB anticipating the RBNZ to hike by just 25bps in April and Westpac now forecasting the OCR to peak at 5.00%.

RBI ANNOUNCEMENT (THU) The RBI is expected to hike rates again when it concludes its 3-day policy meeting next week, with 49 out of 62 economists surveyed by Reuters forecasting the Bank to raise the Repurchase Rate by 25bps to 6.75%, while the majority of economists then expect the central bank to pause after this meeting through to the end of the year. As a reminder, the RBI hiked rates by 25bps at the last meeting via a 4-2 vote in which MPC member Goyal joined prior dissenter Varma in voting against the rate increase and both continued to oppose the MPC's decision to keep the policy stance remaining focused on the withdrawal of accommodation, which was also made through a 4-2 vote. The rhetoric from RBI Governor Das remained hawkish as he noted that further calibrated monetary policy action is warranted and the situation remains fluid and uncertain, while he added that the stickiness of core inflation is a matter of concern and they need to see a decisive fall in inflation, but commented more recently that the Indian economy remains resilient and the worst of the inflation is behind them. Nonetheless, inflation returned to above the RBI's 2%-6% tolerance range for January and February with the most recent CPI reading at 6.44% vs. Exp. 6.35% (Prev. 6.52%), which supports the case for a continuation of the RBI's rate increases. However, given the previous composition of votes, it would only need one additional vote for a pause as long as that vote was from RBI Governor Das who has the casting vote in evenly split decisions, while State Bank of India Research are among those in the minority calling for a pause citing concerns of a material slowdown in the affordable housing loan market and financial stability concerns.

AUSTRALIAN TRADE BALANCE (THU): The Trade Balance for February is expected to narrow to a surplus of USD 11bln following last month's surplus of USD 11.688mln. Analysts at Westpac forecast a wider surplus of USD 12.6bln driven by an "expected pull-back in imports." The desk argues that in January, the import of transport goods increased by 29% due to shipments arriving before Lunar New Year, but a partial reversal is expected in February. Export earnings are projected to rise by 0.3%, driven by services exports, which continue to grow after the national border reopened in the first half of 2022. Goods exports are expected to remain stable in terms of both volume and prices, Westpac says.

US JOBS REPORT (FRI): The consensus looks for 240k nonfarm payrolls to be added in March, with the unemployment rate seen unchanged at 3.6%. A headline vs consensus would be lower than the prior, as well as recent trend rates (3-month average 351k, 6-month 336k, 12-month 362k), and would follow two months of upside surprises. Average earnings are seen growing 0.3% M/M, a touch quicker than the +0.2% in February, but may drag the annual measure down to 4.3% Y/Y from 4.6%. Average workweek hours are expected to be unchanged at 34.5hrs. It is worth noting that the data covers the period prior to the recent regional bank crisis; even so, analysts suggest that the banking issues are likely to have a limited impact on US labour demand more broadly. S&P Global PMI data contains employment sub-indices, and these improved in the month for the services sector, but pared back slightly in the manufacturing sector. Weekly jobless claims data that coincide with the establishment survey window declined, remaining sub-200k, highlighting ongoing tightness in the labour market.

Disclaimer

The information contained within this document has been prepared and issued by Newsquawk Voice Limited (**"Newsquawk"**) on the basis of publicly available information and other sources believed to be reliable. Whilst all reasonable care is taken to ensure that the facts stated are accurate, neither Newsquawk nor any of its directors, officers or employees shall be in any way held responsible for its content or your use of it. Neither the provision of any content herein nor anything on our website or any other media we use is intended to, and should not be construed as, providing advice and/or enticing an offer or solicitation to invest in, buy or sell securities or other financial instruments.

Registered Office One Love Lane, London, EC2V 7JN, United Kingdom · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 3582 2778 · info@newsquawk.com