Week Ahead April 10-14th: Highlights include US CPI, Retail Sales, FOMC Minutes, BoC, Chinese Inflation

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- **MON:** Easter Monday - US Markets Open, Japanese Trade Balance (Feb), EZ Sentix Index (Apr).
- **TUE:** IMF World Economic Outlook, EIA Short-Term Energy Outlook, Chinese Inflation (Mar), Norwegian CPI (Mar), EZ Retail Sales (Mar).
- **WED:** FOMC Minutes, BoC Announcement, US CPI (Mar).
- **THU:** OPEC Oil Market Report, Australian Jobs Report (Mar), Chinese Trade Balance (Mar), UK GDP Est. (Feb), US PPI (Mar).
- **FRI:** EIA Oil Market Report, Swedish CPI (Mar), US Retail Sales (Mar), US University of Michigan Prelim. (Apr).

NOTE: Previews are listed in day-order

CHINESE INFLATION (TUE): Chinese CPI is expected to have picked back up in March, with the Y/Y expected to tick higher to 1.9% from 1.0%, while the M/M is forecast at 0.2% (prev. -0.5%) and the PPI is seen at -1.3% (prev. -1.4%). Using the Chinese Caixin PMI as a proxy, the Services release suggested the “Latest survey data indicated that cost pressures picked up at the end of the first quarter, with average input prices rising at a solid pace that was the quickest since August 2022. Increased staffing costs and raw materials prices were cited as key sources of inflation. Efforts to remain competitive limited firms’ abilities to pass on higher cost burdens to clients, however, as highlighted by a marginal rise in prices charged by service providers.” Following last month’s release, analysts cited by SCMP suggest “consumer inflation in China is expected to edge up over the coming months, in line with the nation’s economic recovery following its zero-Covid exit.”

BOK POLICY ANNOUNCEMENT (TUE): The Bank of Korea is expected to hold rates at 3.50%, with its decision likely to be underpinned by the falls in inflation, as well as growth worries following global banking issues, which drove some domestic fears about outbound capital flows, though some of these fears have recently eased. However, some recent activity data has pointed to resilient economic conditions. “While the policy statement is likely to reiterate that the BoK will maintain its tightening stance, keeping the policy rate on hold for a second consecutive meeting would further support our base scenario that the rate-hike cycle already ended in January,” SocGen writes. “We expect Yoon-Je Cho to vote for a 25bps hike again and that the board members’ views on terminal rates will be evenly split, with three on 3.75% and three on 3.50%,” it adds.

FOMC MINUTES (WED): At its March meeting, the FOMC lifted its rates by 25bps, in line with market expectations. Its updated economic projections left the terminal rate view unchanged at 5.1%, and its statement removed the reference to the Committee anticipating that ‘ongoing increases in the target rate will be appropriate’, though added that ‘some additional policy firming may be appropriate’. Its median view for where rates will be in 2024 was nudged up to 4.3% from 4.1%. The inflation profile was raised for this year, though it was unchanged for 2024 and 2025, while the core inflation view was slightly nudged up for this year and next. The Fed expressed confidence in the banking system, stating that it was ‘sound’ and ‘resilient’, adding that the recent developments were likely to result in tighter credit conditions and will weigh on economic activity, hiring and inflation. Some had expected that the Fed might slow its pace of balance sheet reduction, though the statement said that it would continue to reduce Treasury and MBS holdings in line with its previous announcements. Since then, Fed policymakers have appeared to keep their focus firmly on managing high inflation, with many noting further progress was needed to get price growth back to its target. And in his post-meeting Q&A, Chair Powell said that no participants had rate cuts in their base-line scenario for this year; traders have recently been betting that the Fed will need to pivot its policy towards more accommodative conditions given that some key economic data is beginning to show a slowing growth dynamic. Powell said he still sees a path to a soft landing, and the Fed was trying to find it. Elsewhere, Powell emphasised that the Fed’s policymaking is based on incoming data, meeting-by-meeting, and will be based on the actual and expected effects of the credit tightening. Powell said that if the Fed needed to push rates higher, it would, but for now, officials see the likelihood of credit tightening, and the impact of this can be seen as another hike.

BOC POLICY ANNOUNCEMENT (WED): Analysts expect the BoC will hold rates at 4.50% after signalling a conditional pause at the March meeting. Recent inflation data saw headline CPI falling by more than the consensus was expecting, owing to lower energy inflation, while the BoC core measures also showed improvement. RBC's analysts said that while inflation is still a concern, the positive trend is likely to keep the BoC on the sidelines. Later this year, money markets are implying some possibility of a rate cut, and traders will be looking for any commentary that validates that pricing, particularly as officials still want to see progress on the inflation front, and against policymaker's statements that they remain prepared to resume rate hikes if it appears that inflation will not get back to 2% in 2024. The April meeting will be accompanied by fresh economic projections.

US CPI (WED): At the time of writing, the consensus view expects headline inflation to remain unchanged at 6.0% Y/Y in March, while the core gauge is also seen little changed around 5.5% Y/Y. Within the release, traders will be eying the components from the services sector, which officials still see as a source of discomfort. Fed policymakers have recently looked through the woes in the banking sector, and have emphasised their commitments to bringing inflation under control, with many noting that there is still more work to be done given that inflation is still running significantly above target, despite the progress made thus far. Additionally, some have highlighted that recent moves by OPEC to tighten crude oil markets adds to the uncertainties in bringing down price pressures in the months ahead. While the data will help us shape expectations about what the Fed will do at the May 3rd FOMC meeting, analysts note that there are still further data points that will influence the central bank's thinking before then.

AUSTRALIAN JOBS REPORT (THU): Desks expect Australia to have added 20k Jobs in March (prev. +64.6k), while the Unemployment rate is seen ticking higher to 3.6% from 3.5%. Analysts at Westpac cite the falls and gains in employment over the last three months to seasonal factors, but "looking through recent volatility however, an underlying softening trend is beginning to emerge", the desk says, adding that employment growth has shown a clear slowdown. That being said, the analysts did note upside risks to their Employment forecast of +25k, above the market forecast, citing recent payroll data. The analysts also note that the February unemployment rate fell from 3.7% to 3.5% as, the lift in participation saw the labour force grow by 48.1k, lower than the gain in employment.

CHINESE TRADE BALANCE (THU): There are currently no expectations for the March Trade Balance, which stood at a surplus of USD 116.88bln in the prior release, while exports and imports were -6.8% and -10.2% respectively. Following the prior month's release, the Chief Economist at Hang Seng Bank China suggested, "It's highly likely that China will see a trade deficit in 2023, dragging down GDP growth and depressing profits and employment in the manufacturing sector." Desks suggest that the surplus will narrow to 1.4% of GDP from 2.3% in 2022 amid global growth concerns.

UK GDP (THU): Expectations are for UK GDP to expand 0.1% M/M in February vs the 0.3% increase in January. The prior report saw January GDP advance to +0.3% vs the 0.5% contraction in December, with the more favourable performance in the month data attributed to growth in education, transport and storage, human health activities, and arts, entertainment and recreation activities – all of which rebounded after falls in December 2022. This time around, Pantheon Macroeconomics expects that the upcoming release will show that "economic activity has continued to hold broadly steady," adding that its forecast of "zero month-to-month growth would leave GDP on course to fall marginally on a quarter-on-quarter basis in Q1." Beyond February, Pantheon notes that "a sustained upturn likely will not take hold until Q3, when prices should start to rise at a slower pace than wages." From a policy perspective, pricing for the May 11th meeting has an unchanged rate implied at 37%, while a 25bps rate rise is implied with 63% probability. A soft report could see some traders dial in expectations of a move next month; however, consensus for the meeting will likely be more reliant on upcoming CPI and labour market data.

US RETAIL SALES (FRI): At the time of writing, headline retail sales are expected to slip 0.3% M/M in March, core retail sales are seen falling by 0.1% M/M, while the Control Group is seen falling by 0.3%. The data will be framed in the context of slowing economic growth dynamics, which is increasingly becoming a focal point for traders. The Conference Board's gauge of consumer confidence in March improved slightly at the headline level, but the present situation measures decreased. The report noted that while consumers feel a bit more confident about what's ahead, they are slightly less optimistic about the current landscape. Overall purchasing plans for appliances continued to soften while automobile purchases saw a slight increase in the month. The data also contained a special question this month, asking about consumers' spending plans on services over the next six months; the data showed consumers plan to spend less on highly discretionary categories, but they will spend more on less discretionary categories.

US BANK EARNINGS (FRI): The Q1 reporting season is set to get underway, with the major banks to report on Friday. In addition to the usual metrics we'll be watching – top- and bottom-line performance, loan provisions, economic projections, etc – the street will be paying particular attention to any commentary on how the recent stresses in the banking system have impacted operations. Goldman Sachs says it expects investor focus to centre on deposit inflows and pricing dynamics, but also what will the offset be from tighter lending standards, a weaker economic backdrop and the impacts on provisions and charge-offs, as well as the longer-term ramifications from regulatory reform.