Week Ahead 4th-8th September: Highlights include RBA and BoC rate decisions, US ISM Services PMI and China Trade Data

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- **MON:** US & Canadian Labour Day; German Trade (Jul), Swiss GDP (Q2), EZ Sentix (Sep)
- **TUE:** RBA Policy Announcement; Final Composite & Services PMIs (Aug), EZ Producer Prices (Jul), US Factory Orders (Jul)
- **WED:** BoC Policy Announcement; German Industrial Orders (Jul), EZ & UK Construction PMIs (Aug), US ISM Services PMI (Aug), Canadian Trade Balance (Jul
- **THU:** Chinese Trade Balance (Aug), Swiss Unemployment (Aug), German Industrial Output (Jul), EZ Final Employment & Revised GDP (Q2), US IJC (w/e 28th Aug)
- **FRI:** Japanese Revised GDP (Q2), German Final CPI (Aug), Canadian Labour Market Report (Aug)

NOTE: Previews are listed in day order

RBA ANNOUNCEMENT (TUE): The RBA is expected to maintain its Cash Rate Target at 4.10% at its September meeting, a view reinforced by 24 out of 29 respondents polled via Reuters. The consensus is also backed by market pricing (ASX 30-Day Interbank Cash Rate Futures) showing an 86% chance of a hold and only 14% probability of a 25bps rate hike. Data conforms with a hold as well, with Aussie July CPI printing sub-5% at 4.9% vs. Exp. 5.2% (Prev. 5.4%), and in turn tilting pricing a touch more dovish. Labour market metrics were also cooler than expected - Unemployment Rate printed at 3.7% vs. Exp. 3.6% (Prev. 3.5%) and Employment at -14.6k vs. Exp. 15.0k (Prev. 32.6k). Whilst a rate hold is widely expected, the RBA is unlikely to declare victory on inflation, but with a marked cooling in the monthly figures, it will be interesting to see whether the Governor will reiterate that “some further tightening of monetary policy may be required”. Analysts at ING “expect the RBA to hold rates while looking for more signs that inflation is under control.”

BOC ANNOUNCEMENT (WED): The consensus view is for the BoC to hold rates at 5.00%, according to a Reuters poll, and ahead, economists generally expect the Bank to keep rates at current levels up to the end of March 2024. Some still see risks that rates could be lifted, given that inflation rose by more than expected in July, while the housing market has recently shown some signs of a revival; a minority of those polled look for a 25bps rate hike. However, analysts note that the Canadian economy is expected to slow as the impact of previous rate rises continue to filter through, and the rise in joblessness also gives the BoC scope to stand pat on policy. Furthermore, it might be more prudent for the central bank to wait until October to make any tweaks to policy since it will have two further sets of jobs and inflation data to consider before that meeting.

US ISM SERVICES PMI (WED): Analysts expect the Services ISM will be little changed in August, with the consensus expecting 52.6 from 52.7, according to Refinitiv. As a comparison, S&P Global's flash PMI noted that US Services Business Activity eased to a six-month low of 51.0 in August (vs 52.3 July), as high interest rates and inflationary pressures were seen to have weighed on customer spending. "A near-stalling of business activity in August raises doubts over the strength of US economic growth in Q3," S&P Global wrote, "the survey shows that the service sector-led acceleration of growth in Q2 has faded." S&P also said that companies were warning that demand was looking increasingly lethargic in the face of high prices and rising interest rates, adding that a resultant fall in new orders received by firms in August could tip output into contraction in September as firms adjust operating capacity in line with the deteriorating demand environment." On inflation, S&P said that "rising wage pressures as well as increased energy prices have meanwhile pushed input cost inflation higher, which will raise concerns over the stickiness of consumer price inflation in the months ahead," but said that one upside was that "weak demand is starting to limit pricing power, which should help keep a lid on inflation around the 3% mark."

CHINESE TRADE BALANCE (THU): The Chinese trade figures will be closely watched for a diagnosis of foreign and domestic demand. Last month’s release painted a grim picture of the health of the Chinese economy, with imports and exports falling faster than expected, and the latter seeing the steepest fall since the onset of COVID-19 in February 2020. There are currently no expectations for next week’s release. In terms of the July data, Exports printed at -14.5%

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vs. Exp. -12.5% (Prev. -12.4%), while Imports came in at -12.4% vs. Exp. -5.0% (Prev. -6.8%). Since then, China has unleashed a slew of stimulus measures to help bolster domestic demand, alongside the unveiling of property and stock market support. The desk at ING suggests “For the export side, weakness in global demand is likely to continue to weigh heavily. For imports, domestic demand has not shown any meaningful signs of improvement, so they are also likely to remain weak.”

OPEC+ (TBC): Russia announced that OPEC+ will unveil the “new main parameters” of the supply deal next week. The next official JMMC meeting is slated for 4th October and the 36th Ministerial meeting is due on 26th November 2023, according to the OPEC+ statements. Russian Deputy PM Novak, the de-facto oil head of the nation, said Russia may extend its September export reduction (300k BPD) into October. Desks also expect Saudi to further extend its voluntary 1mln BPD support curb into October, with the Bloomberg poll suggesting 20 out of 25 traders expect an extension of at least one month. Bloomberg also suggests several OPEC delegates have privately predicted an extension by Saudi. Earlier this month, Saudi warned it could extend and deepen the cuts. That being said, it is not clear which parameters could be revealed, whilst the timing of the announcement is also not known at this point.