Week Ahead 2nd-6th October: Highlights include US NFP, RBA, RBNZ, PMI data, BoJ SoO and OPEC+ JMMC

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- **MON:** BoJ SOO, Riksbank Minutes, Japanese Tankan Survey (Q3), EZ/UK/US Final Manufacturing PMIs (Sep), US ISM Manufacturing PMI (Sep), Chinese Market Holiday (Sep 29-Oct 8)
- **TUE:** RBA Announcement, Swiss CPI (Sep), Chinese Market Holiday (Sep 29-Oct 8)
- **WED:** RBNZ Announcement, OPEC+ JMMC Meeting, EZ/UK/US Final Manufacturing PMIs (Sep), EZ PPI and Retail Sales (Aug), ISM Services PMI (Sep), Chinese Market Holiday (Sep 29-Oct 8)
- **THU:** Australian Trade Balance (Aug), US International Trade (Aug), Chinese Market Holiday (Sep 29-Oct 8)
- **FRI:** RBI Announcement, US Jobs Report (Sep), Canadian Jobs Report (Sep), Chinese Market Holiday (Sep 29-Oct 8)

NOTE: Previews are listed in day order

BOJ SOO (MON): The BoJ's latest Summary of Opinions will be dissected for any hints on the central bank's thoughts regarding policy normalisation following a relatively uneventful September meeting. To recap, the Bank kept policy settings unchanged, as expected, with rates held at -0.10% and the parameters of QQE with YCC left unchanged to target 10yr JGB yields at 0% with a +/-50bps target band, while it also maintained forward guidance and stated that it will patiently continue monetary easing. At the post-meeting presser, Governor Ueda reaffirmed the dovish mantra and suggested the central bank will not hesitate to take additional easing if necessary, while also reiterating that the BoJ needs to patiently continue its easy policy. The Governor noted that the BoJ discussed the fact that the deceleration in inflation has been slower than envisaged in the July outlook report, whilst suggesting they could consider ending YCC and modifying NIRP when it judges that the achievement of 2% inflation is in sight.

RIKSBANK MINUTES (MON): The minutes are unlikely to offer anything fresh, but participants could be interested in deliberations around the SEK. To recap the announcement from the 21st of August, the 25bp hike to 4.00% was as expected and the forecast for the policy rate indicated that it could be raised further, although only inferred around a 40% chance of a hike as of Q3-2024 from current levels, while there was a lack of measures to address the SEK's pronounced weakness from a monetary perspective, given EUR/SEK was printing all-time highs in the sessions before the policy meeting. However, around five minutes after the release the Riksbank unveiled that it will hedge FX reserves by selling USDs and EURs from September 25th for four-six months. A move that is designed to limit the Bank's financial losses if the SEK appreciates and is not being undertaken for monetary purposes. The Riksbank also announced that it will now hold eight meetings a year and every other gathering will have an MPR/new set of forecasts.

JAPANESE TANKAN SURVEY (MON): The BoJ's Tankan Survey for Q3 is expected to show a rise in sentiment across large manufacturers and non-manufacturers, with the Tankan Large Manufacturers Index seen ticking higher to 6 from 5 and the Tankan Large Non-Manufacturers Index expected at 24 from 23. The Large Manufacturers Outlook Index however is expected to pull back to 5 from 9. Desks suggest the mood is likely to be supported by a recovery in the Auto sector alongside lower resource prices. Japanese press Jiji cited the Daiwa Institute of Research – "production of autos continues recovering due to the semiconductor shortages having been mostly resolved", while the Norinchukin Research Institute suggested that lower resource prices are having a positive effect mainly on the materials industry.

US ISM MANUFACTURING PMI (MON)/SERVICES PMI (WED): The headline ISM manufacturing index is seen little changed (at 47.8 vs a previous 47.6). The services ISM headline is seen paring a touch (to 54.0 from 54.5). By way of comparison, S&P Global's Flash US PMI Composite Output was little changed at 50.1 in August, though that was a 7-month low, with Services Business Activity easing to 50.2 (from 50.5), an 8-month low. The S&P Global Manufacturing Output gauge picked up a little to 49.7 (from 48.5), a 2-month high, but still below 50, while the headline Manufacturing PMI rose a touch to 48.9 (from 47.9). S&P said that its PMI data added to concerns regarding the trajectory of demand conditions in the US following interest rate hikes and elevated inflation. "Although the overall Output Index remained above the 50.0 mark, it was only fractionally so, with a broad stagnation in total activity signalled for the second month running," it said, noting that the services sector lost further momentum, and with the contraction in new orders gaining speed. "Subdued demand did not translate into overall job losses in September as a greater ability to find and retain employees led to a quicker rise in employment growth," it said, but added that "the boost to hiring from rising candidate availability may not be sustained amid evidence of burgeoning spare capacity and dwindling backlogs which have previously supported workloads." On the inflation front, the PMI data suggested that pressures remained marked, with costs rising at a faster pace again. "Higher fuel costs following recent increases in oil prices, alongside greater wage bills, pushed operating expenses up," S&P said, "weak demand nonetheless placed a barrier to firms' ability to pass on greater costs to clients, with prices charged inflation unchanged on the month."

RBA ANNOUNCEMENT (TUE): The RBA is likely to keep the Cash Rate Target unchanged at 4.10% at its meeting next week which will be the first under the leadership of new RBA Governor Bullock with money markets pricing an 88% likelihood for no change in rates and just a 12% chance for a 25bps hike. As a reminder, the central bank unsurprisingly maintained the official cash rate at the prior meeting in former governor Lowe's swan song, while the central bank's rhetoric provided no surprises as it reiterated that some further tightening of monetary policy may be required and the Board remains resolute in its determination to return inflation to the target. RBA had also stated that higher interest rates are working to establish a more sustainable balance between supply and demand in the economy and will continue to do so but noted inflation is still too high and will remain so for some time yet. Furthermore, it said the pause will provide further time to assess the impact of the increase in interest rates to date and the economic outlook but noted increased uncertainty around the outlook for the Chinese economy due to ongoing stresses in the property market and that the outlook for household consumption also remains uncertain. The upcoming meeting will be the inaugural decision under Governor Bullock who is the first-ever female head of the RBA and who first joined the RBA in 1985, while the government announcement of the decision for Bullock to succeed Lowe was met with a muted reaction across markets as the appointment was widely seen as a sign of policy continuity and she will also have the responsibility to steer the central bank during the incoming reforms set to take place next year. Furthermore, the recent key data releases also support the case for a pause after the latest Employment Change topped forecast with growth at 64.9k vs. Exp. 23.0k (Prev. -14.6k) but was nearly entirely fuelled by part-time jobs, while the latest Monthly CPI data printed inline with expectations at 5.2% but accelerated from the previous of 4.9%.

RBNZ ANNOUNCEMENT (WED): The RBNZ is expected to keep the Official Cash Rate unchanged at 5.50% at its meeting next week with money markets pricing a 90% probability for the OCR to be maintained at the current level and just a 10% chance of 25bps rate increase. The RBNZ unsurprisingly maintained rates for the second consecutive occasion at its last meeting in August where it reiterated that the OCR will need to remain at a restrictive level for the foreseeable future and that the current level of interest rates is constraining spending and inflation pressure but noted there is a risk in the near-term that activity and inflation measures do not slow as much as expected. Furthermore, the OCR projections were slightly lifted to suggest it no longer sees chances of a rate cut by December next year although Governor Orr stated during the press conference that the OCR track is not forward guidance and is not a strong signal of their next move but noted they are wary about doing too much on rates. Nonetheless, Governor Orr had also stated that the Cash Rate projection over two years deviates very little from 5.50% and that there is time to observe, worry and wait on rates, as well as acknowledged there are too many uncertainties to provide forward guidance. As such, a rate adjustment seems very unlikely in the near term while the data releases since the last meeting also provide scope for a continued pause as New Zealand GDP Y/Y for Q2 topped forecast although slowed from the prior to 1.8% vs. Exp. 1.2% (Prev. 2.2%).

OPEC+ JMMC (WED): The JMMC is expected to meet on October 4th with no change in policy expected. The meeting is part of the routine confabs to evaluate market fundamentals, whilst Saudi Arabia, earlier in September, suggested voluntary cut decisions will be reviewed monthly to consider deepening the reduction or increasing production. To recap OPEC+ developments over the last month, Saudi Arabia (on Sep 5th) announced it will further extend the voluntary cut of 1mln BPD for 3 months to include October (exp. one month) until the end of December, Russia said it will extend the reduction of oil exports until the end of the year and an additional voluntary reduction in oil supplies to world markets by 300k BPD until end of December 2023, with the decision also to be reviewed monthly. Since then, oil prices have been on the grind higher, with front-month Brent inching closer to USD 100/bbl, while WTI topped USD 95/bbl. This would be enough for the OPEC+ de-facto heads to hold off on deeper cuts. Meanwhile, a global economic slowdown, central banks' "higher for longer" mantras, and China's property sector woes pose persisting downside risks and are factors which would dissuade the oil producers from winding down voluntary cuts. As such, a hold in policy can be expected this month

AUSTRALIAN TRADE BALANCE (THU): The trade surplus is expected to widen to AUD 9bln in August from AUD 8.03 bln in July. Desks highlight that the recent narrowing in the trade surplus is a function of the moderation in commodity prices, which pulled back between March and August. Analysts at Westpac suggest "Export earnings are expected to be broadly flat, up 0.2%..Resource volumes look to be a little softer, led by Newcastle coal. Positives are a likely rise in services and higher prices on lower AUD". The desk adds "The import bill is expected to be up, +0.9%, +0.4% on higher prices (with the AUD lower and global energy costs up) and an expected rise in services - potentially partially offset by a pull-back in auto shipments, which spiked in July." From a central bank standpoint, the focus remains on inflation.

RBI ANNOUNCEMENT (FRI): RBI is expected to keep its benchmark rates unchanged next week with the Repurchase Rate likely to be maintained at 6.50% and the central bank is also anticipated to stick with its stance of remaining focused on the withdrawal of accommodation, while a recent Reuters poll showed the median forecast is for the RBI to keep the repo rate on hold at 6.50% through Q1 2024 and then cut by 25bps in Q2 2024. As a reminder, the RBI unanimously voted to keep rates unchanged at its last meeting in August which was the third consecutive pause by the central bank and it decided to remain focused on the withdrawal of accommodation through a 5-1 vote in which external member Varma expressed reservations against this part of the resolution. The RBI also noted that the MPC is prepared to act if the situation warrants and it remains resolute in the commitment to align inflation to the 4% target, while it reiterated that bringing headline inflation within the tolerance band is not enough and that uncertainties remain in the food price outlook. Furthermore, it announced to hold a review of the Incremental Cash Reserve Ratio in September where it decided to discontinue the I-CRR in a phased manner which had been a temporary measure to absorb excess liquidity. The data releases since the last have been mixed as the latest Indian GDP topped forecasts at 7.8% vs exp. 7.7% (prev. 6.1%), while CPI Y/Y for August printed 6.8% vs exp 7.0% (prev. 7.4%) which was softer than expected but remained above the central bank's tolerance range for the second consecutive month. Nonetheless, this is unlikely to force the central bank to act at the upcoming meeting given that Governor Das had previously noted that a substantial increase in headline inflation will occur in the near-term and that a spike in retail inflation is expected to be short-lived.

US JOBS REPORT (FRI): The rate of payroll additions is expected to cool in September, with the consensus looking for 150k nonfarm payrolls to be added to the economy (prev. 187k). Analysts still expect the unemployment rate to tick lower to 3.7% from 3.8% (for reference, the FOMC's most recent economic projections see the jobless rate ending this year at 3.8%). Analysts will be paying close attention to the wages numbers, with the rate of average earnings seen rising at a pace of 0.3% M/M, quicker than the 0.2% M/M seen in August. Gauges of labour market strength continue to point to a strong jobs market; indeed, the Fed recently tweaked its assessment of US economic conditions, noting that economic activity has been expanding at a solid pace, and although job gains have slowed in recent months, they remain strong, while the unemployment rate has remained low.