Week Ahead 30th October - 3rd November: Highlights include FOMC, BoJ, BoE, US NFP, PMIs, and EZ CPI & GDP

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- **MON:** German Prelim CPI (Oct), EZ Sentiment Survey (Oct), Japanese Retail Sales (Sep) and Industrial Output (Sep)
- **TUE**: BoJ Announcement + Outlook Report, Chinese Official PMIs (Oct), EZ Flash CPI (Sep) and GDP (Q3)
- **WED:** FOMC & BCB Policy Announcements, RBNZ FSR, All Saints Day; Japanese Jibun Final Manufacturing PMI (Oct), Chinese Caixin Final Manufacturing PMI (Oct), UK & US Final Manufacturing PMI (Oct), US ISM Manufacturing PMI (Oct), ADP (Oct), US Quarterly Refunding, New Zealand Unemployment (Q3)
- **THU:** BoE, Norges Bank & CNB Policy Announcements, CBRT Minutes & Inflation Report (Oct); Australian Trade Balance (Sep), Swiss CPI (Oct), German Unemployment (Oct), EZ Final Manufacturing PMI (Oct), US Challenger Layoffs (Oct), IJC (23 Oct w/e), Factory Orders (Sep), Australian Flash PMIs (Final)
- **FRI:** Japanese Culture Day, All Saints Day (Observed); Chinese Caixin Services PMI (Oct), German Trade Balance (Sep), UK Final Services PMI (Oct), EZ Unemployment (Sep), US Labour Market Report (Oct), ISM Services PMI (Oct), Canadian Labour Market Report (Oct)

NOTE: Previews are listed in day order

BOJ ANNOUNCEMENT (TUE): The BoJ is poised to end its two-day meeting on October 31st, with the announcement due at any point during the Tokyo lunch break. The meeting comes at a time of pressure in Japanese financial markets as the 10yr JGB yield hovers comfortably around 85bps and USD/JPY rose above 150.00, while the BoJ resorted to unscheduled bond operations, suspected FX intervention alongside Japanese officials providing an abundance of jawboning. The BoJ rate and forward guidance are expected to be maintained, but there is growing speculation that a tweak to YCC could be announced. Bloomberg sources on October 24th suggested the BoJ is said to see little need to change forward guidance, citing officials; adds is considering whether to tweak YCC given US yield concerns, while the discussion over YCC is reportedly not due to the growing risk of upward price fluctuations, but the impact on Japanese yields from upside in US rates. The sources suggested officials see there being little need to remove the following line from its guidance "If necessary, we will not hesitate to take additional monetary easing measures.'' On the possible YCC tweak, the Dutch bank ING suggests: “It is possible that the BoJ might lift its 10Y JGB target from the current level of around 0% to 0.25% or to 0.5% (the current formal upper limit of 10Y JGB) to reflect the current market conditions. Bringing the anchor year of the yield forward from the current 10Y to 5Y is also a possible option. Or the BoJ could make changes to its forward guidance. It would be more effective to signal to the market that the BoJ is gradually moving toward normalisation. If such changes come with a higher outlook for inflation in FY23 and beyond, it would give a clearer signal to the market.” As a reminder, at the July meeting (when YCC was tweaked), the BoJ left its rate unchanged and kept QQE with Yield Curve Control to target 10yr JGBs at 0% with a +/-50bps range, but shifted to a more flexible approach in which it will guide YCC via its fixed rate operations for 10yr JGBs to be conducted at 1.0% (prev. 50bps), and slightly widened the range of its purchase amounts as well.

CHINESE PMIS (TUE/WED/FRI): There are currently no expectations for the Official PMI numbers (Due Oct 31st) nor the Caixin Metrics (Manufacturing due on Nov 1st and Services on Nov 3rd). The data is unlikely to encompass recent reports that China is to approve CNY 1tln in additional sovereign debt issuance to prop up the economy, but will nonetheless be dissected for hints regarding the health of the economy and sentiment alongside the anecdotal forward-looking commentary on new orders, prices, and growth. “We expect both the official and Caixin numbers to show very moderate growth. The official manufacturing PMI will likely consolidate a little higher than the previous 50.2 reading, with some improvement also possible for the non-manufacturing PMI, which edged slightly higher to 51.7 last month. The Caixin figures due out slightly later will likely echo the improvements in the official numbers”, say the analysts at ING.

EUROZONE CPI & GDP (TUE): Expectations are for Y/Y CPI to cool to 3.4% from 4.3% and with the super-core reading seen falling to 4.2% from 4.5%. The previous inflation report saw headline Y/Y CPI cool to 4.3% in September from 5.2%, whilst the super-core metric fell to 4.5% from 5.3% with the pullback attributed to the fact that "base effects from government support last year ended”, as per ING. For the upcoming release, Credit Agricole writes that “stickier services

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inflation could limit the scope for any downside core surprises". Whilst for the GDP report, Q/Q for Q3 is seen contracting -0.1% vs. the 0.1% expansion in Q2, whilst the Y/Y rate is forecast at 0.2% vs. prev. 0.5%. Ahead of this, the ECB's SPF cut its Real GDP Growth projections for 2023 and 2024 to 0.5% (prev. 0.6%) and 0.9% (prev. 1.1%) respectively. Prior to the EZ figure, the flash prints for Germany & France will be provided on which Oxford Economics expects to see a contraction and positive print respectively, resulting in a relatively flat EZ figure; though, caveats that a small contraction (as consensus looks for) would not be a surprise given the influence of Ireland's very soft flash print. From a policy perspective, given the ECB's recent decision to hit pause on its rate hiking cycle, the data are unlikely to have too much bearing on the December confab (which will be accompanied by the Bank's latest round of staff forecasts). That being said, a more pronounced pullback in prices and a soft growth outturn could have an impact on rate cut pricing for 2024 with markets currently envisaging the first 25bps adjustment lower by July.

US QUARTERLY REFUNDING (WED): Ahead of the refunding announcement on Wednesday, the Treasury will release its latest quarterly financing estimates on Monday, and at the last quarterly refunding announcement, it forecast Q4 net marketable debt issuance totalling USD 852bln, assuming an end-December cash balance of USD 750bln; we will also get the first forecast for the Q1 period. While for Wednesday's refunding announcement, the Treasury is expected to increase its coupon auction sizes again as it guided last time, although many analysts expect a slightly lesser pace of increase amid the recent rise in term premia. Goldman Sachs estimates USD 2bn/month increases in the nominal 2yr, 3yr, and 5yr auction sizes (vs 3bln, 2bln, and 3bln increases, respectively, at the Aug refunding) and a USD 1bln/month increase in 7yr auction sizes (same as Aug refunding), which would raise an additional USD 69bln in gross terms over the quarter ending January 2024. The bank says a further USD 12bln would come from increasing the size of new issue and reopening auctions of the 10yr, 20yr, and 30yr auctions by USD 2bln, 1bln, and 1bln, respectively (vs 3bln, 1bln, and 2bln increases, respectively, at the Aug refunding).

FOMC POLICY ANNOUNCEMENT (WED): The FOMC is all but certain to leave rates unchanged at 5.25-5.50% on Wednesday, and focus instead will fall on guidance for the December meeting; there are no new SEPs at the upcoming meeting. Money markets, and many Fed officials, are of the opinion that the Fed is done with rate hikes, with the central bank "proceeding carefully" to let cumulative tightening continue to work through as inflation trends lower and the labour market rebalances. However, the latest economic growth resurgence in Q3 is what is keeping tail risk skewed to further hikes in the near term (20% hike probability priced for December currently) as concerns linger of a possible episode of demand-led reflation. The resilient economic and consumer data has also pushed out the pricing of the first full 25bp rate cut back to July 2024, with doves (who are the only ones to pose the topic of easing) noting any rate cuts wouldn't be until late next year, that follows the September SEPs showing the 2024-end median rate dot hiked by 50bps to 5.00-5.25%. Fed Chair Powell, in his pivotal Economic Club of New York appearance on October 19th, said incoming data over recent months had shown "*ongoing progress toward both of our dual mandate goals*", noting that the unwinding of pandemic-related distortions and restrictive monetary policy "*are now working together to bring inflation down*", with the Fed Chair seemingly satisfied with current policy settings. Powell didn't take alarm to the hot-leaning September CPI report either, saying, "*the path is likely to be bumpy and take some time*". The speech was gauged as a confirmation of no hike at the November meeting whilst also seen raising the bar for a hike at the December meeting as the Fed deviates from its September Dot Plot that had one more rate hike pencilled in for this year.

ISM MANUFACTURING/SERVICE PMI (WED/FRI): The headline manufacturing PMI for October is expected at 49, matching the prior month's print, with the ranges of forecasts narrow between 48-49.7. There will of course be attention on the components, with prices paid previously declining to 43.8 from 48.4, showing further signs of the easing in price pressures accelerating, while employment last month returned to expansionary territory, and will be looking to the data to see if these trends continue. New Orders remained sub 50, though indicating just a mild contraction at 49.2. Analysts at Bank of America highlight they see signs that manufacturing may soon be bottoming and look for the Manufacturing ISM to rise to 49.5 in October, noting it is still in contractionary territory, but well above levels typically seen during recession. "Fiscal policy has supported manufacturing activity in certain sectors which has helped offset weakness elsewhere. But going forward, we do not expect this growth to continue as the fiscal impulse tapers and financial conditions tighten on the back of higher rates". Currently, there is no expectation for the Services PMI, but the September report saw all components in expansionary territory, albeit with a notable slowdown in New orders, while Prices were unchanged. Bank of America expects the ISM services to ease to 53 from 53.6, noting healthy consumer spending has continued to support the sector, though could face stronger headwinds in Q4, owing to the resumption of student loan payments, higher energy prices and tightening financial conditions.

BOE POLICY ANNOUNCEMENT (THU): 61/73 economists surveyed by Reuters expect the MPC to stand pat on rates, with markets assigning a circa 90% chance of such an outcome. Expectations for no change follow suit from the MPC's decision in September to pause its rate hiking campaign via a 5-4 vote (dissent came from Cunliffe, Greene, Haskel and Mann) after August CPI data came in cooler than expected with services inflation falling to 6.8% from 7.4% (vs. MPC exp. 7.2%). Since the last meeting, September's CPI data saw headline Y/Y rate hold steady at 6.7%, whilst the services print ticked higher to 6.9% from 6.8%. Nonetheless, expectations are for a step lower in price pressures for the October release as "last year's steep increase in household energy bills drops out of the annual comparison", according to ING; a

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view which has also been put forward by Governor Bailey. Elsewhere, headline earnings growth in the 3M/YY period to August slowed to 8.1% from 8.5% and the unemployment rate dipped to 4.2% in August vs. the MPC forecast of 4.1%. That being said, due to data collection issues at the ONS, the numbers are being treated with great levels of caution by the market. As such, the lack of notable hawkish developments since the prior meeting will likely see policymakers continue to sit on their hands. In terms of the arithmetic on the MPC, it is a guessing game in trying to gauge the vote split for the decision, particularly given that dissenter Cunliffe is set to be replaced by Sarah Breeden. However, even in the event that all policymakers are in agreement that rates should be held at current levels, the policy statement will likely continue to reiterate that "further tightening would be needed if evidence of more persistent inflation pressures is seen". Looking beyond the upcoming meeting, polling from Reuters suggests that economists expect the first rate cut from the MPC won't come until at least July. For the accompanying MPR, those polled by Reuters believe that inflation will average 2% in 2025, 2.2% in 2025 and with a return to target not coming until Q2 2025. On the growth front, polling suggests that Britain will avoid a recession, but the outlook remains weak with 2024 annual growth seen at just 0.4%.

NORGES POLICY ANNOUNCEMENT (THU): Expected to leave rates on hold at 4.25%, in-fitting with guidance from the September meeting which pointed to one final hike most likely taking place at the December gathering and presented a slightly hawkish tone. Since then, commentary has been limited but September's inflation release was markedly softer than expected and serves to underscore expectations for an unchanged decision in November, in addition to calling into question the necessity for a final December hike. However, it is unlikely that the Norges Bank would be willing to walk back on guidance this early and as such a repeat of the language in September can be expected; though, it will be interesting to see how, if at all, the Bank assesses the latest CPI release.

SWISS CPI (THU): September's release was softer than market expectations and once again printed within the 0-2.0% SNB target band, at 1.7%. A development which justified the SNB's decision to leave rates on hold in September. For October's inflation data, we are once again attentive to any indications that recent energy price developments have filtered through into the broader economy's price setting behaviour. A factor which, alongside the June rental reference rate increase, are seen as key when gauging if the SNB will elect to hike in December. As a reminder on the latter point, the rental increase is not observable within inflation data until the November report which is due on December 4th and before the following week's policy announcement.

US LABOUR MARKET REPORT (FRI): Headline NFP is expected to rise by 172k, easing from the prior 336k and estimates currently range from 150-285k, albeit from only seven separate forecasters, so this may be subject to change next week. The unemployment rate is seen unchanged at 3.8% with forecasts ranging between 3.7-3.9%. Wages are expected to rise by 0.3%, accelerating from the prior 0.2%. The jobs and wages metrics will be gauged to help determine Fed expectations, either for December or later given this NFP release is due after the November FOMC. Markets currently assign a 32% probability of a hike in January and just 20% chance of a hike in December. This data of course will only tell part of the story given there will be more inflation readings and another jobs report due before the December 12/13th FOMC meeting. Fed speak recently however has been leaning dovish with many expecting that rate hikes are now concluded, especially from the doves like Bostic and Harker. Hence, the argument is now focused on how long should rates stay at terminal for, a hot jobs report will likely push out expectations of rate cuts, with the first fully priced in by July 2024, while a cool report could see the opposite. The September release saw unemployment rise and wages cool, but the headline NFP was a huge beat and we will be looking to see if this follows through to October.

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