Week Ahead 6th-10th November; Highlights include China trade and inflation, RBA, BoC minutes, Banxico, Norway CPI, UK GDP

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- **MON:** FOMC SLOOS, BoJ Minutes (Sep), BoC Market Participants Survey; Japanese Jibun Final Composite /Services PMIs (Oct), German Industrial Orders (Sep), EZ Final Construction/Services PMIs (Oct), UK Final Construction PMI (Oct), US Employment Trends (Oct).
- **TUE**: RBA Policy Announcement, EIA STEO; Chinese Trade Balance (Oct), EZ Producer Prices (Sep), US International Trade (Sep), Canadian Trade Balance (Sep).
- **WED:** BoC Minutes (Oct), NBP Policy Announcement, Norges Bank FSR (H2), Eurogroup Meeting; German Final CPI (Oct), EZ Retail Sales (Sep).
- **THU:** Banxico Policy Announcement, BoJ SOO (Oct), Riksbank FSR (H2); Chinese CPI & PPI (Oct), US IJC (30th Oct w/e), New Zealand Manufacturing PMI (Oct).
- **FRI:** RBA SOMP; US Veteran's Day (USTs closed), BoC SLOS; UK GDP (Sep/Q3), Norwegian CPI (Oct), US Uni. of Michigan Prelim. (Nov), Chinese M2/New Yuan Loans (Oct).

NOTE: Previews are listed in day order

RBA ANNOUNCEMENT (TUE): The hotter-than-expected CPI data for Q3 and for September resulted in desks changing calls to expect a 25bps hike by the RBA at the upcoming meeting. Analysts expect a 25bps hike to 4.35% from 4.10% after four back-to-back decisions to hold rates from July to October. The PPI and Retail Sales data released since also back this notion, although the Labour Force Report favours a more cautious approach, after employment change missed forecasts, participation unexpectedly fell, but the unemployment rate unexpectedly ticked lower. As of the 2nd of November, the ASX 30-Day Interbank Cash Rate Futures November 2023 contract was trading at 95.805, indicating a 50/50 expectation of an interest rate increase to 4.35% at the next RBA Board meeting. A hike would mark Governor Bullock's first rate move. In her post-CPI speech at the end of October, the governor noted that CPI was a little higher than the board expected but was about where they thought it would come. She noted goods prices coming down, but services inflation remaining persistent, while they are still considering whether CPI was a "material" change to outlook. Bullock highlighted the RBA is wary of inflation, and said the bank has made it clear that they may have to hike. "The resilience of the household sector, alongside lingering capacity constraints amid strong population growth, supports the decision to raise rates as well. However, the Board will also recognise that the labour market has turned and the risk of a price–wage spiral is receding. In essence, November's rate hike decision will be finely balanced", say the analysts at Westpac. Meanwhile, Oxford Economics says "we think the Q3 CPI data constitute enough of an upside surprise to spur the RBA into action... We now expect to see rate hikes at both the November and December meetings."

CHINESE TRADE BALANCE (TUE): There are currently no forecasts for the Chinese Trade data, but the release will be closely watched as a gauge of both domestic and foreign demand in the context of the second-largest economy in the world. Taking the recent Caixin PMI data as a proxy, the release suggested "Demand expanded slightly, but the gauge for total new orders recorded the lowest reading this year" while adding "The economy has shown signs of bottoming out, but the foundation of recovery is not solid. Demand is weak, many internal and external uncertainties remain, and expectations are still relatively weak". In terms of last month's release, China reported a smaller-than-expected decline in exports in September from a year ago, while imports missed, although in Dollar terms, exports fell by less than expected. The data will feed into the narrative of global growth but also comes during a period when China is releasing stimulus to prop up its economy including domestic demand, with the nation recently announcing the issuance of an additional CNY 1tln to fund the recovery. Analysts at ING say "As hinted by the PMI released earlier this week, China's exports are likely to remain on a declining trajectory. That should see the export growth rate coming in at about -3.7% Y/Y, with weak external demand being the main contributor. Imports are now contracting at a slower pace as household spending stabilises slowly amid the fragile economic outlook."

BOC MINUTES (WED): The BoC left rates unchanged at 5.00%, as was expected, and it maintained guidance that it is prepared to hike rates further if needed, acknowledging that inflationary risks have increased. The MPR saw inflation forecasts lifted, while growth prospects for 2023 and 2024 were revised lower, but 2025 saw a marginal nudge upwards.

the BoC now expects inflation to return to target by the end of 2025 (prev. vs it was mid-2025 in its July MPR). It noted that near term inflation expectations are still high and there is a risk they could become a driver of wage-and price-setting behaviour. At his post-meeting press conference, both Governor Macklem and Deputy Governor Rogers pushed back on the idea of rate cuts anytime soon. Both were quizzed on the move higher in bond yields and its impact, Rogers noted it was something it considers among many other factors. Meanwhile, Macklem himself suggested Canada will likely see two or three quarters of small negative growth, but he is not predicting a deep recession with steep contraction and major job cuts. Looking ahead, analysts at RBC do not expect any additional hikes from the BoC, with data showing signs of a softening economy. It looks for the overnight rate to be held at 5% through H1 2024 with modest cuts from Q3 2024.

BANXICO ANNOUNCEMENT (THU): The recent Banxico poll shows private sector analysts timed their view of headline inflation this year (to 4.6% from 4.66%), but lifted their core inflation view (to 5.11% from 5.09%). Growth this year is seen at 3.29% (lifted from its previous view of 3.2%), while 2024 growth forecasts have improved to 2.0% (vs 1.9% previously). On terms of interest rates, the poll shows private sector analysts predicting that rates will end this year at the current 11.25% (unchanged), while the 2024 view was revised to 9.25% (vs 9.00% in the previous poll). This week, prelim data for Q3 showed growth above consensus (+0.9% vs exp. +0.8%). But Capital Economics still thinks a slowdown is on the cards over the coming quarters, as tight monetary policy takes a heavier toll, and weaker growth in the US weighs on Mexico's external sector. "Q3's outturn means that Mexico's economy is on course to expand by a solid 3.5% over 2023 as a whole, but we doubt that this strength will continue into 2024," Capital Economics writes, "monetary policy is likely to remain tight, with Banxico set to be the last major central bank in the region to begin an easing cycle, and softer growth in the US will weigh on Mexico's external sector," adding that "the slowdown will be cushioned by looser fiscal policy ahead of next year's election, but growth is likely to weaker than the consensus expects, at around 1.8%."

BOJ SOO (THU): The BoJ will release the Summary of Opinions from its latest meeting next Thursday which participants will be eyeing for any further insights into the central bank's thinking after it conducted a modest tweak to YCC and switched to an even more flexible approach to the implementation of YCC compared with the previously rigid fixed-rate operations. The decision was made by 8-1 vote with board member Nakamura the dissenter who although was in favour of further increasing the flexibility in conducting YCC, preferred increasing flexibility only after confirming an increase in firms' earning power. There were also comments from BoJ Governor Ueda during the post-meeting press conference who noted that they will patiently continue monetary easing with the new measures and will not hesitate to take additional easing measures if necessary, while he acknowledged they were getting gradually closer to achieving the price target and that the recent decision was partly aimed at preventing financial market volatility including FX volatility.

CHINESE INFLATION (THU): There are no expectations for the Chinese inflation data at the time of writing, but the data will add to the diagnosis of the health of China's economy. Using the Caixin PMI as a proxy, the release suggested that in October, "Cost pressures meanwhile remained muted, with input prices at the composite level rising only modestly. Nevertheless, companies continued to raise their own selling prices. Though modest, the rate of charge inflation was only fractionally slower than September's 18-month high", Caixin said. Furthermore, "the gauge for input costs remained in expansionary territory for 40 months in a row, the reading in October was the lowest since June 2022, as the increases in the costs of labour, raw materials and transportation were limited. Part of the input cost increase was passed on to customers, with the gauge for output prices remaining above 50 for 18 consecutive months". ING posits that Chinese inflation "should come in slightly above the zero level on the assumption of a 0.1% M/M increase and rise to 0.2% Y/Y. Weak demand will keep inflation subdued. But we should see inflation creep slowly up to around 1% during 2024."

UK GDP (FRI): Expectations are for GDP in September to contract by 0.1% M/M (vs a +0.2% expansion in August, and a contraction in 0.5% M/M in July). For the upcoming release, analysts at Investec note that September's PMI metrics were soft with manufacturing, services and composite all below the 50 mark. Investec suggests that the weakness could be attributed to "the (deliberate) impact of higher interest rates". However, weather effects could "have led to at least a partially offsetting boost in hospitality spending and also allowed for more construction work to go ahead than usual at this time of the year". On balance, the desk looks for a marginal contraction of 0.1%; such an outturn would leave Q3 Q/Q growth at -0.1%. From a policy perspective given the BoE's current pause in its hiking campaign and greater focus on inflation and wages data, the release will likely not have too much impact on market pricing.

NORWEGIAN CPI (FRI): Given the Norges Bank's tweak to forward guidance around December's decision and the likely hike that is guided for that meeting, inflation data has taken on even greater importance. To recap, the September metrics were notably cooler-than-expected which prompted the Norges Bank to alter its guidance by adding that if they "become more assured that underlying inflation is on the decline, the policy rate may be kept on hold". For October, the headline measure is once again expected to print markedly under the Norges Bank's forecast of around 4.4% Y/Y, though SEB highlights upside in electricity prices during the month which could serve to drive up the headline slightly from the prior level. Though, the upward influence of electricity is seen as being more than offset by the fact that food inflation has not experienced the increase that some desks were expecting. For the Norges Bank, the release should tilt the balance further towards unchanged in December; however, another inflation print is due before that meeting and the NOK’s ongoing depreciation alongside global energy risk could yet scupper conviction around unchanged.