Week Ahead 20-24th November: Highlights include PBoC LPR, FOMC Minutes, ECB Minutes, RBA Minutes, UK Autumn Statement, Japanese CPI and more

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- **MON:** PBoC LPR; German Producer Prices (Oct), New Zealand Trade Balance (Oct)
- **TUE**: FOMC Minutes (Nov), RBA Minutes (Nov), NBH Policy Announcement; UK PSNB (Oct), Canadian CPI (Oct)
- **WED:** UK Autumn Statement, Dutch Elections; US IJC (13 Nov w/e), Durable Goods (Oct), Uni. of Michigan Final (Nov), Australian Flash PMIs (Nov)
- **THU:** US Thanksgiving (Market Holiday), Riksbank & SARB Policy Announcements, ECB Minutes (Oct); EZ & UK Flash PMIs (Nov), Japanese CPI (Oct)
- **FRI:** US post-Thanksgiving (early-closures); UK GfK (Nov), Japanese Jibun Flash PMIs (Nov), German GDP Detailed (Q3), Swedish PPI (Oct), German Ifo (Nov), US Flash PMIs (Nov)

NOTE: Previews are listed in day order

PBOC LPR (MON): The PBoC is likely to maintain its benchmark Loan Prime Rates at current levels next week, with the 1-year LPR at 3.45% and 5-year LPR at 4.20%. Expectations for the PBoC to refrain from any adjustments to the LPRs, which most loans and mortgages are based on, follow the central bank's recent decision to keep the 1-Year MLF rate unchanged at 2.50% as this serves as a fairly accurate precursor for the intentions for the benchmark rates, although its MLF operation did result in the largest net injection in 7 years. Recent data releases from China have been mixed with disappointing Manufacturing PMIs and weaker Exports offset by a surprise expansion in Imports and stronger-than-expected activity data, while property investment and house prices continued to slide which suggests future policy action cannot be ruled out and local press reports have also noted expectations of another RRR cut before year-end.

NEW ZEALAND TRADE BALANCE (MON): There are currently no expectations for the data. In September, exports saw an overall drop of 18% Y/Y to NZD 4.9bln, with major declines in milk powder, butter, and cheese exports. September saw a significant decrease in exports to China by some 20% Y/Y. Other declines included exports to Australia, the US (-6.7% Y/Y), the EU (-26% Y/Y), and Japan (-12% Y/Y). Imports saw an overall decrease of 15% Y/Y to NZD 7.2bln, with a reduction in imports from China (-17% Y/Y), the EU (-1.5% YoY), Australia (-21% Y/Y), and South Korea (-16% Y/Y), although imports from the US increased by 6.1% Y/Y, according to the NZ Stats Bureau. Analysts at Westpac forecast the M/M Trade Balance deficit to print at NZD 1.8bln (prev. NZD 2.329bln) as the bank expects waning effects from the earlier weakness in dairy prices, which the bank says led to a wider deficit.

FOMC MINUTES (TUE): At its November policy meeting, the FOMC left rates unchanged at 5.25-5.50%, in line with both expectations and market pricing, and its statement saw only slight changes. The central bank maintained that "additional policy firming that may be appropriate" and made a slight upgrade to its description of economic growth, highlighting that economic activity had been expanding at a "strong" pace in Q3, in contrast to the "solid" pace mentioned in September. It also acknowledged that job gains had "moderated since earlier in the year" (compared to the previous "slowed in recent months" language), but it continued to emphasise the strength of job growth and the low unemployment rate. Further, it included a new line to address the rise in Treasury yields ahead of the meeting, stating that tighter financial and credit conditions are likely to have a negative impact on economic activity, hiring, and inflation, in contrast to the September statement, which only acknowledged tighter credit conditions. Chair Powell's post-meeting remarks echoed his previous recent views and outlined the Fed's commitment to maintaining a restrictive monetary policy. He noted that the full effects of this policy were not yet clear. He described the economy as strong, paying attention to robust growth and labour demand. Powell stressed that inflation remains high, and tight labour markets have shown some signs of wage growth easing. In the Q&A, he expressed uncertainty about policy and financial conditions, hinting at potential interest rate hikes. He also suggested that the Fed is close to the end of the current rate-hike cycle and was evaluating its approach. Powell confirmed that rate cuts are not being considered, but the focus is on how long to maintain a restrictive policy. In the wake of the FOMC meeting, nonfarm payrolls, CPI data and some survey releases (such as ISMs) saw downward surprises, resulting in traders pulling back bets on further rate hikes, and adding to bets for rate cuts in 2024 – 100bps of easing is now priced by the end of next year. Fed Chair Powell, speaking around a week after the FOMC meeting, struck a hawkish tone, and said that although progress had been made on inflation, there was still a "long way to go"; he reiterated that officials were not confident that they have achieved a sufficiently restrictive policy stance, adding that if it became appropriate to tighten policy further, the FOMC would not hesitate to do so, stating that the Fed will continue to move carefully, and decide on a meeting-by-meeting basis.

RBA MINUTES (TUE): The RBA will release minutes from the November 7th meeting next week and participants will be eyeing any further insight after the central bank hiked the Cash Rate by 25bps, as expected to 4.35% from 4.10%, but tweaked forward guidance in which it noted that whether further tightening of monetary policy is required to ensure that inflation returns to target in a reasonable timeframe will depend upon data and the evolving assessment of risks. This was seen to be less hawkish than the RBA's prior language that some further tightening of monetary policy may be required, while it reiterated that returning inflation to target within a reasonable timeframe remains the Board's priority and it is resolute in its determination to return inflation to target and will do what is necessary to achieve that outcome. The central bank also stated that inflation in Australia has passed its peak, but is still too high and proving more persistent than expected a few months ago, with CPI inflation now expected to be around 3.5% by the end of 2024 and at the top of the 2-3% target range by the end of 2025. Furthermore, the RBA's quarterly Statement on Monetary Policy released a few days after the rate decision noted they considered the option to continue holding policy rates steady, but decided a hike would provide more assurance on inflation and reiterated a data-dependent approach, while it also acknowledged data over the recent months indicate the domestic economy has been a bit stronger than previously thought and there are both upside and downside risks to the outlook for inflation as it remains high and is forecast to decline more gradually than anticipated three months ago.

CANADIAN CPI (TUE): Currently, there are no expectations available for next week's inflation data. Nonetheless, the BoC's recent meeting minutes noted that current policy settings should be enough to bring inflation back to the 2% target level, provided rates are maintained at the current 5.00% level for a long enough time. The lack of downward momentum in underlying inflation caused considerable concern among BoC policymakers, who felt that this could either mean monetary policy needed more time to work, or that it is not restrictive enough. Members agreed that overall, inflationary risks had increased, given the higher near-term forecast for inflation and persistent core inflation, as well as risks of higher oil prices. They added that persistence in core inflation, elevated inflation expectations and wage growth, as well as atypical pricing behaviour, could indicate that higher inflation was becoming entrenched. And finally, on near-term inflation expectations, officials noted that although they remain elevated, they have been easing, while longer-term inflation expectations remain well-anchored.

UK AUTUMN STATEMENT (WED): Chancellor Hunt is unlikely to make any meaningful alterations to fiscal policy as it remains around 12 months until a UK election is likely to occur (the latest possible date is January 2025) and he will want to keep his limited powder dry. As such, any pre-election adjustments could be seen in a Mar'24 Budget or theoretically as late as the Autumn 2024 statement if the election occurs in early-2025. On the March update, Morgan Stanley expects in the region of GBP 15bln fiscal easing to occur around this period which will be focused on tax reductions aimed primarily at higher-income individuals e.g. abolishing inheritance tax (projected by the IFS to cost the Treasury GBP 7bln/year if scrapped). Specifically, the Gilt remit for FY23/24 is likely to be around GBP 15bln lower Y/Y at just over GBP 220bln. While the UK finds itself with a marked amount of additional fiscal room from lower-than-forecast borrowing and wage-driven tax receipts, this has been all but eroded by elevated debt servicing costs due to the BoE's tightening cycle. As always, the statement will be accompanied by OBR forecasts which are likely to be adjusted negatively in the near term given the OBR's March growth projections appear slightly too optimistic. Nonetheless, the institute is likely to judge that Hunt's statement adheres to the fiscal charter, particularly as this update sees the 5-year reference point rollout to the next fiscal period.

DUTCH ELECTION (WED): The Netherlands is to hold a snap election on Wednesday, 22nd November 2023, following PM Rutte's resignation due to disagreements on immigration policy within his fourth cabinet. On election day, voting booths are open between 07:30-21:00CET (06:30-20:00GMT), whilst exit polls begin to circulate around one hour after booths shut. Currently, polls suggest the next coalition will differ from the current one, though is unlikely to shift to a right-wing regime. The most likely outcome would still be led by the VVD (PM Rutte's old party), which would form a coalition with PvdA/GL, NSC and an additional party. Rabobank notes that this is "likely to be viewed in a positive light by the market given the country's strong borrowing metrics", with ING adding that irrespective of who wins the most seats, every party will increase its deficit to at least somewhat support economic growth.

RIKSBANK ANNOUNCEMENT (THU): Desks are torn between an unchanged announcement or a 25bp hike to 4.25% from the current 4.00% rate that was set in September when the Riksbank said rates may need to rise further with the forecast implying around a 40% chance of one more 25bp hike by Q3-2024. The diverging opinions on November's announcement are due to recent inflation developments. Most pertinently, the October CPIF release saw the headline Y/Y rate lift from the prior level, but not by as much as markets expected and in line with the Riksbank's own forecast, while the key CPIF ex-Energy metric was markedly softer than the previous month and market forecasts; however, it printed just above the Riksbank's own view. This divergence between headline and core, alongside an uptick in Money Market 1yr CPIF inflation expectations, is driving the differing calls for November. As it stands, market pricing is marginally in favour of an unchanged outcome (56% probability), with the decision essentially a coin toss at this point. After November, the latest SEB survey is similarly split around 50/50 with those looking for a 25bp hike expecting the rate path to be dovish, while those in favour of an unchanged outcome believe rate guidance will be on the hawkish side.

ECB MINUTES (THU): As expected, the ECB opted to call a "pause" in its hike campaign by keeping all three of its key rates unchanged. The Governing Council judged that rates are sufficiently restrictive to return inflation to target and noted that past interest rate increases continue to be transmitted forcefully into financing conditions. On the balance sheet, despite some outside expectations for a potential bringing forward, the ECB reaffirmed that reinvestments under PEPP will run until "at least the end of 2024". At the follow-up press conference, Lagarde offered a downbeat assessment in which she believes the economy will remain weak in the coming months and tighter financial conditions are weighing on the Eurozone. In terms of the policy decision, Lagarde revealed that the decision was unanimously approved, adding that there was no discussion of an early end to PEPP reinvestments or adjustments to minimum reserves. However, ECB sources via Reuters later noted that policymakers agreed to debate the PEPP reinvestment end date in early 2024 and minimum reserves as part of the framework review in the Spring. The sources added that the expectation was that reinvestments would not end abruptly and the ECB would follow the sort of gradual approach it did with the APP. As is always the case, the account of the meeting will be deemed stale in most quarters. Furthermore, with the ECB having hit pause on its rate hiking cycle and the first 25bps cut not priced until June 2024, traders should use data as a greater barometer over what to expect from the Bank in the coming months as opposed to the write-up of last month's meeting.

EZ FLASH PMI (THU): Flash PMIs are expected to remain in contraction territory, with Manufacturing forecast at 43.5 (prev. 43.1), Services seen at 48.0 (prev. 47.8), and Composite at 46.7 (prev. 46.5). “Forward-looking indicators for November offer a glimmer of hope that the economic situation will start improving over the coming months. But a solid recovery is unlikely to take place until the struggling German economy starts to regain momentum”, said the desk at Oxford Economics. On that note, the modest improvements expected in PMIs are in fitting with the latest EZ and German ZEW surveys, which signalled confidence that the German economy downturn has bottomed out, with the release suggesting investors were becoming more upbeat about the outlook for the wider eurozone, despite their assessment of current conditions deteriorating further from an already low level. EZ ZEW Expectations for November printed at 13.8 (Prev. 2.3), while German ZEW Economic Sentiment topped forecasts at 9.8 vs. Exp. 5.0 (Prev. -1.1), although German Current Conditions missed at -79.8 vs. Exp. -76.9 (Prev. -79.9). Further, the share of ZEW respondents expecting EZ inflation to fall in the next six months and rate cuts within the same period rose, according to the survey. Aside from the metrics, participants will also digest the PMI release for commentary on inflation and growth developments within the survey period amid the deflationary themes seen across other major economies, including the US and UK. Current market pricing sees the first full 25bps ECB rate cut tethering around June at the time of writing, with April pricing currently implying some 23bps worth of easing. Money markets fully price in 100bps of ECB rate cuts by December 2024.

UK FLASH PMIS (THU): The November Flash Services headline is forecast at 49.7 (prev. 49.5), Manufacturing is expected at 45.0 (prev. 44.8), and the Composite was previously 48.7. The latter fell below the neutral mark of 50 in September for the first time since January and remained there in October. The slowdown was mainly attributed to the services sector, while the manufacturing PMI has been consistently below 50 since August 2022. Analysts at Investec highlight that some challenges the UK faced have dissipated, such as rising natural gas and electricity prices, largely due to the conflict involving Russia and Ukraine, while other input cost pressures have also diminished, but the threat of sustained inflation remains. The desk notes that the BoE’s interest rates are slowly taking effect, with an estimated half of the impact realized so far. Investec expects a further decline in the Services PMI, from 49.5 to 49.0, while Manufacturing is projected to remain stable at 44.8, with recent global news slightly more positive. “Overall though, the weakness in services ought to have dominated, hence our call for a 0.4pt drop in the composite PMI to 48.3”, says the desk.

CBRT ANNOUNCEMENT (THU): There are currently no expectations as to what the CBRT may opt to do at its November meeting. To recap, the Central Bank hiked its benchmark weekly repo rate to 35.0% from 30% in October, as expected, following a 500bp hike in September and a 750bp hike in August. The Bank said monetary tightening will be further strengthened as much as needed in a timely and gradual manner until a significant improvement in the inflation outlook is achieved. Since June, the key interest rate has been hiked from 8.5% to 35% to combat inflation, which exceeded 60% recently. The Turkish central bank insists on maintaining its current policy mix to address high inflation, with full support from President Erdogan's government, according to a recent Bloomberg report. Governor Erkan emphasised in the recent bi-annual Financial Stability Report her commitment to not yielding to government pressure to lower borrowing costs prematurely. “We will not compromise on our aims of price and financial stability and will move with determination”, the Governor said in the report. Meanwhile, the CBRT survey (released the Friday before the decision), suggested end-2023 CPI is seen at 67.23% (prev. 68.01%), while 12-month CPI is expected at 43.94% (prev. 45.28%), and end-2023 GDP is seen at 4.1% (prev. 4.1%). Furthermore, USD/TRY is projected to end the year at 29.9961 (prev. 30.0453), and the 12-month Repo Rate is expected at 37.01% (prev. 37.00%).

NEW ZEALAND RETAIL SALES (FRI): There are currently no forecasts for Q3 Retail Sales. Westpac expects the Q/Q metric to decline further to -2.0% from -1.0% seen in Q2. The bank said the June quarter showed weak retail spending despite population growth and more tourists, with nominal spending dropping by 0.2%, and the volume of goods sold decreasing by 1%. The bank highlighted that discretionary spending suffered notably, with significant drops in hospitality and durable goods. “With financial pressures continuing to eat away at households’ purchasing power, we’re forecasting further weakness in spending through the September quarter”, says Westpac, as they predict a 0.4% fall in nominal spending during the quarter while suggesting the volume of goods sold likely fell by 2%, and core retail goods volume dipped by 0.2%.

JAPANESE CPI (FRI): National Core CPI Y/Y for October is expected to tick higher, to 3.0% from the prior 2.8%, while the non-Core Y/Y was previously at 3.0% and M/M 0.3%. Last month, the core Y/Y rate fell below 3% for the first time in over a year, while the BoJ’s latest forecasts saw core inflation hitting 2.8% this year - upgraded from the prior 2.5% estimate made in July, 2.8% in 2024 (prev. 1.9%), before slowing below the 2% target to 1.7% in 2025 (prev. 1.6%). The BoJ has placed a great deal of emphasis on the June 2024 spring wage talks. Japan's Trade Union Confederation, known as Rengo, the largest trade union body, plans to set a wage hike target for the next spring negotiations around ‘5 per cent or higher,’ including regular pay raises, according to Asahi newspaper. Japanese PM Kishida has asked the business community to raise wages in next year's spring labour talks to levels higher than this year amid current price trends. BoJ Governor Ueda on the 2nd November said the next focus is ending NIRP and pushing short-term rates to 0 from the current -0.1%, with the timing of a move likely around Spring when there will be clarity on annual wage negotiations. Analysts at ING expect the headline inflation metric for October to tick up to 3.3% from 3.0% - “Prices of fresh food and energy will be the main drivers, but prices of other services are also expected to rise, reflecting the accumulated input price upward pressure… Core inflation (excluding fresh food and energy) will likely stay above the 4.0% level, which is likely to shift the Bank of Japan's policy stance more towards the neutral from the ultra-easing bias.”, says the Dutch bank.