Week Ahead 27 Nov-1 Dec; highlights include US PCE, ISM; OPEC; EZ inflation

Week Ahead 27th November-1st December

- **TUE**: EZ M3 (Oct), US Richmond Fed (Nov).
- **WED:** RBNZ Policy Announcement; German Prelim. CPI (Nov), UK Mortgage Approvals/Lending (Oct), EZ Economic Sentiment (Nov), US GDP 2nd (Q3).
- **THU:** Chinese NBS PMIs (Nov), German Retail Sales & Import Prices (Oct), Swiss KOF (Nov), German Unemployment (Nov), EZ HICP Flash (Nov), US PCE Price Index & Personal Income/Consumption (Oct), IJC (20 Nov w/e), Canadian GDP (Q3).
- **FRI:** Swiss GDP (Q3), EZ/UK/US Final Manufacturing PMI, Canadian Jobs Report (Nov), US ISM Manufacturing PMI (Nov).

NOTE: Previews are listed in day order

CHINESE INDUSTRIAL PROFITS (MON): There are currently no expectations for Industrial Profits YTD for October, although the data comes against the backdrop of a slew of recently announced economic stimulus measures. In terms of the prior release, China's industrial companies recorded profit increases for the second consecutive month in September, reinforcing signs of a manufacturing sector recovery. Profits rose by 11.9% year-on-year, following a 17.2% surge in August. Despite recent gains, industrial profits for the first nine months of 2023 fell 9% compared to the previous year - a reduced pace of decline from an 11.7% drop in the first eight months. Meanwhile, the latest PMI data for October "signalled a renewed deterioration in overall manufacturing conditions across China in October, albeit one that was marginal overall. Firms registered a fresh fall in production amid slower growth in overall sales, with the latter dampened by weak foreign demand. As a result, goods producers trimmed their purchasing activity and ran down their inventories of inputs. Employment across the sector also fell and at a quicker rate than in September. On the costs front, manufacturers signalled the quickest increase in average input prices since January, leading to a further rise in selling prices."

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 in almost a 100% chance for rates to be maintained at the current level. The central bank has kept rates steady since its last adjustment in May which looks to be the case for the foreseeable future as it sees the Cash Rate to remain on hold throughout the entire of next year, while it reiterated at the last meeting in October that the Committee agreed the OCR needs to remain at a restrictive level and stated that demand growth in the economy continues to ease. Furthermore, it stated that interest rates are constraining economic activity and reducing inflationary pressure as required with inflation still expected to decline to within the target band by H2 2024, although it acknowledged near-term risk that activity and inflation do not slow as much as needed with a prolonged period of subdued activity required to reduce inflationary pressure. The statement lacked any major deviations or hawkish surprises and the rhetoric since the last meeting has been light, while data releases also point to a lack of urgency for a shift in the status quo with CPI and Labour Cost Index softer-than-expected in Q3 and although Employment contracted, the central bank would likely welcome this as further progress of its restrictive policy.

CHINESE OFFICIAL PMIs (THU): There are currently no expectations for November PMI data, with the Manufacturing PMI previously at 49.5, Services at 50.6, and Composite at 50.7. The latest surveys also come amid the backdrop of several measures announced to prop up the economy, namely the housing market, with the latest suggesting China is reportedly mulling unprecedented builder support with unsecured loans, according to Bloomberg sources. Meanwhile, Reuters sources suggested earlier this week that Chinese government advisers are set to recommend economic growth targets ranging from 4.5% to 5.5% for 2024 at the upcoming Central Economic Work Conference. The preferred target among most advisers is around 5%, in line with this year's goal, whilst noting that achieving these targets will likely require increased fiscal stimulus. "After a surprise decline in manufacturing activity for China last month, we are expecting the official manufacturing PMI to bounce back to the expansion region at 50.1 and the non-manufacturing PMI to accelerate to 51.2", says the desk at ING.

OPEC+ PREVIEW (THU): The Joint Ministerial Monitoring Committee (JMMC) was initially set to meet on November 26th, although this has now been moved to November 30th, and online. Policy change recommendations are not expected, while Saudi Arabia and Russia could extend or deepen their voluntary curbs. The latest reports suggest talks reportedly ran into issues amid Saudi dissatisfaction with the production level of other members, particularly Angola and Nigeria. Compliance among members is expected to be stressed. The meeting is part of routine confabs to evaluate market fundamentals. Saudi Arabia and Russia have suggested voluntary cut decisions will be reviewed monthly when they will consider deepening the reduction or increasing supply. In terms of potential scenarios – 1) Extension of Current Cuts: The current consensus among analysts is seemingly that at least Saudi Arabia will extend its voluntary 1mln BPD production cuts until the spring. 2) Deeper Cuts: With the backdrop of geopolitical tensions and market volatility, there might be discussions about deeper production cuts, although this could be more contentious among members. 3) No Changes: Amid the fluidity of geopolitics and China's recovery, there is a non-zero chance the group may adopt a wait-and-see approach for the month. In terms of current policy, Saudi Arabia and Russia, alongside other OPEC+ members, have committed to reducing oil production by some 5.2mln BPD. This accounts for approximately 5% of the world's daily oil demand. The current cuts comprise 3.7mln BPD by OPEC+ collectively, with further voluntary reductions made by Saudi Arabia and Russia. During the last policy meeting in June, OPEC+ reached a consensus on a comprehensive agreement to restrict supply into 2024. Additionally, Saudi Arabia committed to a voluntary production reduction of 1mln BPD for July – this commitment has been extended and is now set to continue until the end of 2023. Russia pledged a voluntary supply cut of 500k BPD for August and 300k BPD for September, with the 300k BPD export curbs later extended until the end of 2023.

EUROZONE HICP (THU): November's headline Y/Y print is expected to show a slightly lower pace of inflation, at 2.8% (prev. 2.9%), with the super-core seen slowing similarly, to 4.0% (prev. 4.2%). A headline print which would push the metric further below the ECB's overall 2023 view of 5.6% and pertinently the 3.2% 2024 forecast, and by extension, closer to the 2.0% target. This will likely spark commentary from the ECB's hawkish contingent who have been speaking extensively recently in an attempt to keep the door to further tightening open; despite markets pricing an unchanged December announcement with near certainty.

US PCE (THU): The headline PCE price index is expected to be unchanged, at 0.0% M/M in October (prev. +0.4%), while Core PCE is seen rising 0.2% M/M, cooling from the 0.3% pace in September. The data will be looked to for confirmation that inflation trends have eased - that was the message from the October CPI report, which helped build conviction that inflation was moving back down to the Fed's 2.0% target. October CPI eased from 3.7% to 3.2%, while core price fell from 4.1% to 4.0% - both below consensus and resulting in expectations for an FOMC December rate hike diminishing significantly. The slower rate of price growth was underpinned by a fall in gasoline prices, which is expected to continue next month. The pace of shelter price gains also eased. "With evidence of easing inflation across both the goods and services sectors, the October CPI report underlines our view that inflation is heading back to the Fed's target whether or not the recent resilience of the real economy continues," Capital Economics said, adding that "we continue to expect a further decline in inflation over the coming months, which will bring interest rate cuts onto the agenda before long." Currently, the market is fully pricing a rate cut next June, though implied money market rates suggest that there is a decent chance of a cut in May.

US ISM MANUFACTURING PMI (FRI): The consensus view looks for the ISM manufacturing PMI to tick-up to 47.7 in November (prev. 46.7). Oxford Economics said that "early indications are that the ISM manufacturing survey bounced back in November but remains below its 2023 high from September (49.0) and squarely in contraction territory."