Week Ahead 4th - 8th March: Highlights include US NFP, ECB & BoC rate decisions, Japan wage data

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- **MON:** Swiss CPI (Feb), South Korean GDP (Q4), Japanese Tokyo CPI (Feb),
- **TUE:** US Primary Super Tuesday, Chinese Caixin Services PMI Final (Feb), EZ/UK/US Services and Composite PMI Final (Feb), EZ PPI (Jan), US ISM Services PMI (Feb), South Korean CPI (Feb)
- **WED:** BoC Announcement, Australian GDP (Q4), German Trade Balance (Jan)
- **THU:** ECB Announcement, Japanese Wage Data, Chinese Trade Balance (Feb)
- **FRI:** German Industrial Output and PPI (Jan), EZ GDP Revised (Q4), US Jobs Report (Feb), Canadian Jobs Report (Feb)
- **SAT:** Chinese Inflation (Feb)
- **SUN:** Japanese GDP (R)

NOTE: Previews are listed in day order

CHINA TWO-SESSIONS (MON/TUE): China's political elite and lawmakers are poised to gather for the nation's annual legislative sessions. The event, dubbed the "two-sessions", will set budgets and lay down Beijing's plans for the country's economy, trade, diplomacy and military. Some also flag a potential re-evaluation of economic strategies with a clear focus on stimulating internal demand. From a market perspective, confidence in an investable China needs to be restored. FT reported that regulators are taking measures to keep the exchange rate stable in a bid to boost confidence in the Chinese currency and economy ahead of the meeting. Sentiment in Chinese stocks has also been bearish. Chinese authorities have recently stepped in with regulators telling quant funds to end a popular high-leveraged strategy – "The gradual exit would help prevent drastic selloffs, sources said. China's Global Times, citing analysts, suggests this year's event will likely focus on "discussing how to proceed with the high-quality development of the economy and how to further boost confidence in the Chinese economy." Analysts at ING expect the Two Sessions to maintain the GDP target. ING forecasts: GDP around 5% (vs "around 5%" in 2023), Inflation around 3% (vs "around 3%" in 2023), New Urban Employment around 12mln (vs "around 12mln" in 2023), Urban Unemployment Rate around 5.5% (vs "around 5.5%" in 2023), Fiscal Deficit around 3.5% (vs "3%" in 2023), and Special Government Bond Issuance 4tln (vs "3.8tln" in 2023).

SWISS CPI (MON): February's CPI data will draw slightly more scrutiny than normal as it will include the latest estimate of rental price pressures; on January 23rd, Jordan said he expects some inflationary pressure from rents, though he did also expect an acceleration in prices during January. However, the January print came in markedly cooler than forecast at 1.3% vs expected and previous of 1.7% (SNB Q1 forecast 1.8%) and sparked a significant dovish shift in market pricing to over a 50% chance of a March cut vs circa. 25% pre-release (currently 60%). February's data will be scrutinised for any indication that January's print was not indicative of the pricing backdrop (possible, given January is often a more volatile reporting period) and as mentioned for signs of any rental pressures. The last rental update was provided in November and saw the index increase by 1.1% Q/Q or 2.2% Y/Y, a level judged as acceptable and sparked a dovish shift in pricing heading into the December gathering.

TOKYO CPI (MON): Tokyo inflation data for February is due early next week which is seen as a leading indicator for the national price trend, while participants will be eyeing the data to see if there is a further slowdown after Core CPI in Japan's capital slowed for a third consecutive month in January to its lowest in almost two years. As a reminder, Tokyo Inflation in January printed softer than expected with headline CPI at 1.6% vs. Exp. 2.0% (Prev. 2.4%) and CPI Ex. Fresh Food at 1.6% vs. Exp. 1.9% (Prev. 2.1%) which were their lowest readings since March 2022, while CPI Ex. Fresh Food & Energy printed its slowest pace of increase in 11 months at 3.1% vs. Exp. 3.4% (Prev. 3.5%). The softening in the Tokyo inflation data was helped by a decline in energy and utility costs, while the rise in the prices of accommodation had eased and there was also a moderation in the pace of increase of processed food prices which softened the blow from the largest upward driver of inflation. Furthermore, the national inflation data for Japan in January also showed a decline for the third consecutive month to reach its lowest in 22 months but was firmer than expected and matched the central bank's price target with National Core CPI at 2.0% vs. Exp. 1.8% (Prev. 2.3%).

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US PRIMARY SUPER TUESDAY (TUE): Super Tuesday is the busiest day in the pre-convention election calendar. For the Democrats, the stakes are minimal given incumbent President Biden is essentially guaranteed to secure the nomination. For Republican's the narrative isn't quite as clear, as former President Trump still faces opposition from Nikki Haley. However, Trump has taken a commanding lead in the race and Super Tuesday's primaries are unlikely to alter this narrative. Therefore, barring any significant Haley surprise, market reaction may well be minimal and in-fitting with primaries thus far. Post-Tuesday, attention turns to when Haley exits the race (she has committed to at least Super Tuesday) or failing that when Trump hits the 1215 delegate threshold needed to secure the nomination. Recently, Trump's team estimated this could occur as soon as 12th March when four primaries are held. Thus far, Trump has won 119 delegates vs Haley's 22.

US ISM SERVICES PMI (TUE): The headline is currently expected to pare a little to 53.3 in February vs the 53.4 in January. In its flash PMI data for the month, S&P Global noted that flash US services business activity fell to a fresh three-month low at 51.3 (from 52.5). The survey compiler said "services sector growth has slipped slightly, however, as has confidence in the year-ahead outlook among service providers, in part reflecting some pull back in the extent to which interest rates are expected to fall in 2024." Still, S&P welcomes news that both manufacturing and services are back in expansion territory again for the first time in three months. It added that the expansion was being accompanied by subdued price pressures. "Although up slightly in February, the survey's gauge of selling prices for goods and services continues to run at a level consistent with the Fed hitting its 2% inflation target, and a further fall in cost growth to the lowest since October 2020 hints at price pressures remaining subdued in the coming months."

UK BUDGET (WED): Next week focus in the UK will mostly be on the fiscal, rather than the monetary side of policy as UK Chancellor Hunt presents his spring budget. From a political perspective, the Chancellor is under immense pressure from his party to lower taxes in an attempt to turn the Conservative party's fortunes around ahead of this year's general election. In terms of what the Chancellor can actually "pull out of the hat", economists at Pantheon Macroeconomics anticipate a GBP 20bln tax package with the headroom afforded to the Chancellor based on the following two fiscal rules; 1) "government debt-to-GDP ratio must be forecast to be falling in five years' time" and 2) "public-sector borrowing has to be below 3% of GDP in the same year". Hunt has been afforded more "headroom" for spending on account of lower levels of borrowing since the Autumn Statement with PM expecting the OBR to lower its 2023/24 borrowing forecast to GBP 114bln from GBP 123.9bln. In terms of how the tax cuts will be implemented, PM anticipate a combination of a freeze in fuel duty, income tax reductions and some measures to support the housing market. Goldman Sachs suggest that the basic rate of income tax could be lowered by 2p, however, murmurings out of the Treasury have labelled an equivalent move for national insurance as "impossible at the moment". As such, the Chancellor may be forced to raise taxes elsewhere via measures such as hiking taxes on vapes and tobacco. Whilst the politics of the situation will see prompt Hunt to do as much as he can to lower the burden on UK taxpayers, the events of September 2022 via the Truss mini-budget remain at the forefront of investor sentiment and therefore anything the resembles a lack of fiscal prudence could prompt outsized moves the UK rates space, which could then have some spill over to monetary policy. That being said, under the assumption that measures in the budget comply with fiscal rules, ING is of the view that sizeable tax cuts "would add further impetus for the Bank of England to keep rates on hold a little longer". Finally, with regards to the Gilt borrowing remit, Morgan Stanley expects the 2024/25 Gross issuance figure to decline to GBP 252.7bln from GBP 257bln.

BOC ANNOUNCEMENT (WED): The consensus expects the BoC to hold its policy interest rate at 5.00%, with analysts projecting the first rate cut will come at the central bank's June confab, according to a poll by Reuters. The survey notes that while inflation has fallen back within the BoC's 1-3% target rate (at 2.9% Y/Y last), policymakers are not yet convinced that high inflation has been resolved yet, particularly as shelter costs remain elevated. BMO said "the risk is the first rate cut will come later than June. If the bank is going to make an error here, it is that they'll keep policy too tight for too long to make sure inflation is headed back towards their target or event lower," adding that "they're also concerned about a renewed pickup in the housing market, and just more recently, they've got the added wrinkle the Canadian dollar has started to weaken again. The Reuters poll added that there was no clear consensus around the number of rate cuts coming this year, but around 70% of the economists surveyed are looking for 100bps of cuts or less.

AUSTRALIAN GDP (WED): Australian GDP data for Q4 is scheduled next Wednesday which will provide a gauge into the health of the economy after the somewhat mixed readings in Q3. The previous economic growth data for Australia showed the economic growth missed expectations and slowed to 0.2% vs. Exp. 0.4% (Prev. 0.4%) to match its weakest quarterly growth in two years although GDP Y/Y topped forecasts and maintained the pace of expansion of 2.1% vs. Exp. 1.8% (Prev. 2.1%). The soft quarterly growth was helped by domestic final demand which contributed 0.5 percentage points to GDP growth and government expenditure rose 1.1% and accounted for a 0.2 percentage point increase to GDP with state and federal government social benefit schemes such as the Energy Bill Relief Fund and expansion of the Child Care Subsidy the main contributors, while capital and private investment also continued to increase. Conversely, goods industries weakened with the mining and agriculture industries declining by 1% and 3.5%, respectively, while utility services fell 2.6% amid less demand for heating during the quarter. Furthermore, GDP per capita had declined for a 3rd straight quarter and if it weren't for population growth or government spending, the economy would have been in a contraction. Looking ahead, the expectations are for Australia's GDP in Q4 to maintain its Q/Q expansion of 0.2% and for Y/Y growth to slow to 1.5% from 2.1%. Furthermore, the other metrics for economic activity in Q4 have been mixed as Retail Trade and Capital Expenditure topped forecasts but CPI and Construction Work Done were softer than expected, while monthly Manufacturing and Services PMI data were in contraction territory from October to December.

ECB ANNOUNCEMENT (THU): Expectations are for the ECB to once again stand pat on rates with markets assigning a 94% chance of such an outcome. The previous meeting passed with little in the way of fanfare with the Governing Council very much in wait-and-see mode as policymakers track progress in inflation returning towards the 2% mandate. In terms of developments since the prior meeting, headline HICP pulled back to 2.6% in February from 2.8%, whilst the core metric fell to 3.3% from 3.6%. From a growth perspective, Q4 GDP printed at 0% vs. the 0.1% contraction seen in the prior month, whilst more timely PMI data saw the EZ-wide services PMI rise to 50.0 from 48.4, manufacturing slip to 46.1 from 46.6, leaving the composite at 48.9 vs. prev. 47.9. The accompanying report noted "The latest PMI print gives hope for a recovery in the eurozone". Recent comments from ECB officials continue to point towards no imminent intention to lower rates with President Lagarde observing that the ECB is "not there yet" when it comes to inflation, whilst most officials wish to see the outcome of the April wage data (released after the April meeting). In terms of a timeline for the first cut, known-dove Stournaras of Greece does not anticipate one until June with markets broadly in-fitting with this viewpoint, assigning a 92% chance of such an outcome. In the analyst community, 46/73 surveyed by Reuters expect a reduction in June, 17 look for April and 10 expect a H2 reduction. With regards to the full year outlook, markets anticipate a total of 86bps of policy loosening, the median view of analysts looks for 100bps. For the accompanying macro projections, analysts at Danske Bank expect (for the first time in the hiking cycle) "staff projections to show that inflation will hit the 2% target in both 2025 and 2026", with the 2024 HICP projection to be cut to 2.4% from 2.7% on account of "recent lower than expected inflation data, anchored inflation expectations, and lower energy futures".

JAPANESE WAGE DATA (THU): There are currently no expectations for the data, but the release could attract some attention given the BoJ's focus on wages coupled with recent hotter-than-expected CPI. Household spending figures will also be released the next day. However, the BoJ is keeping a closer eye on the upcoming Spring wage negotiations. Governor Ueda, at the BoJ's January conference, suggested the number of firms that have decided to hike wages at this year's Spring wage talks is higher than this time last year, and highlighted that even if real wages are negative and the outlook is positive, a policy change is possible. Former BoJ policymaker Sakurai on Feb 22nd said the BoJ could end negative rates in March if this year's pay hikes exceed 4%, although there's an equal chance it may wait until April. He added the BoJ appears to be fully prepared for an exit, it's a question of when Governor Ueda makes a call.

CHINESE TRADE BALANCE (THU): There are currently no forecasts for the trade balance data but as usual the metrics will be used as a gauge of domestic and foreign demand. In terms of the release, the January data did not come out last month amid the Chinese New Year holiday. In terms of the release seen in Jan, Chinese exports grew at a faster pace in December 2.3% (exp. 1.7%, prev. 0.5%). However, imports missed forecasts at +0.2% (exp. +0.3%, prev. -0.6%), indicating fragile demand. It's worth noting that the data will be released after the China Two-Sessions in which some flag a potential re-evaluation of economic strategies with a clear focus on stimulating internal demand.

US JOBS REPORT (FRI): The US economy is expected to have added 188k nonfarm payrolls in February, with the pace of payroll additions cooling from the 353k reported in January. Analysts said that the Feb data is likely to be supported by the unseasonably milder weather conditions in the month. The unemployment rate is forecast to remain unchanged at 3.7% (the Fed's December projections see unemployment ending this year at 4.1%, then remaining there over the course of its forecast range). Capital Economics is sceptical that the acceleration in employment growth in December and January marks a genuine resurgence in labour demand, noting that S&P Global's PMI data, regional Fed surveys, and the NFIB survey's hiring intentions indicator, and the downward trend in job openings allude to cooling conditions in the months ahead. Meanwhile, average hourly earnings are expected to rise by 0.2% M/M, cooling from the +0.6% rate seen in January. CapEco is beneath the consensus view on AHE, seeing gains of just +0.1% M/M, and sees the annual rate falling back to 4.3% Y/Y from 4.5% in January. It explains that January's slump in hours worked was concentrated in low paid retail and leisure sectors, and argues that January's jump in average earnings was a weather-related distortion, observing that during past three weather disruptions, average hourly earnings increased by an average of 0.44% in the weather-hit month and then only 0.13% in the following month.

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