Week Ahead March 18-22nd - Highlights include: FOMC, BoJ, RBA, BoE, SNB, China activity data, PBoC LPR & Nvidia GTC

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- **MON:** Chinese Retail Sales (Feb), EZ Final CPI (Feb)
- **TUE:** BoJ Announcement, RBA Announcement; German ZEW Survey (Mar), Canadian CPI (Feb)
- **WED:** FOMC Announcement, PBoC LPR, BCB Announcement, CNB Announcement, BoI Announcement, Japan Market Holiday (Vernal Equinox Day); UK CPI (Feb), New Zealand GDP (Q4)
- **THU:** BoE Announcement, SNB Announcement, Norges Announcement, CBRT Announcement, European Council Meeting; EZ/UK/US Flash PMIs (Mar), US Philly Fed (Mar), New Zealand Trade Balance (Feb), Japanese CPI (Feb).
- **FRI:** Japan's Rengo (labour union) 2nd Pay Tally, CBR Announcement, European Council Meeting; Australian Jobs Report (Feb), UK Retail Sales (Feb), German Ifo Survey (Mar)

NOTE: Previews are listed in day order

NVIDIA (NVDA) GTC EVENT (SUN-THU): Nvidia's (NVDA) GTC event will be highly watched by investors with focus on any AI/chip updates from the chip behemoth. The NVDA CEO is set to deliver a keynote speech on 18th March at 20:00 GMT / 16:00 EDT, while an analyst meeting is scheduled for 19th March at 15:30 GMT / 11:30 EDT. Goldman Sachs expects NVDA management to discuss ongoing initiatives to maintain or extend their competitive lead in the AI space. Many will be eyeing updates on the new Blackwell B100 GPU and participants will be paying attention to when it will be released and what it may be priced at. BofA writes that there expectations the price increase could be between 20-30% vs the H100 priced at c. USD 30k. Note, we will also be paying attention to whether NVDA confirms its next earnings date. It is expected to report earnings on May 22nd but it is yet to be confirmed, option traders will be cognizant of an earnings announcement given option expiries on 17th May 2024.

CHINESE RETAIL SALES/INDUSTRIAL OUTPUT (MON): Amid possible effects from the Chinese New Year, Retails Sales for February are expected to ease to a rate of 5.3% Y/Y (prev. 7.4%) while Industrial Output is expected ease to 4.9% Y/Y (prev. 6.8%), and Urban Investments are seen ticking higher to 3.2% (prev. 3.0%). Using the February Caixin PMI release as a proxy, the commentary suggested that “the manufacturing and services sectors both logged steady growth. External demand improved, though supply was still running ahead of demand.” ING highlights that the release will be the first look into hard data for the year; “we are expecting a small uptick for industrial production to 5.0% Y/Y, and fixed asset investment to 3.2% Y/Y, but a moderation in retail sales to 4.6% Y/Y at the start of the year,” says the bank.

BOJ ANNOUNCEMENT (TUE): Participants will be eyeing whether the central bank exits its negative interest rate policy as money markets are pricing a near coin flip between the central bank maintaining its rate at the current level of -0.10% or if it hikes this by 10bps to 0%. There has been plenty of speculation for the central bank to act following several hawkish source reports and commentary leading up to the meeting suggesting the BoJ was mulling a March hike although it was said to be too close to call as officials are currently split between March or April and a final decision is to be taken after the first wage talks tally. Other source reports also noted that the BoJ is said to review Yield Curve Control and will likely ditch its 10-year bond yield target upon pulling short-term rates out of negative territory with the central bank to consider a new quantitative monetary policy framework and is mulling buying nearly JPY 6tln of JGBs under a new policy framework. There has also been a wave of more hawkish-leaning central bank rhetoric including from BoJ Governor Ueda who stated that confidence has grown in the achievement of the price target. However, his more recent comments were less hawkish as he noted that they see weakness in the consumption of non-durable goods and need to see if a virtuous cycle is underway, as well as stressed data dependency in reaching an appropriate monetary policy decision. Other officials have also provided a more hawkish tone as Board Member Takata stated he would call for a gear shift in policy and that the achievement of the price target is coming into sight although he had not made up his mind when asked about whether to end negative interest rates in March or April. Board Member Nakagawa also stated that prospects of sustainably achieving the 2% inflation target are gradually heightening and it will take until autumn and beyond if they were to wait until smaller firms' wage negotiation outcome, while she added they don't necessarily need to wait for all small and mid-sized firms' wage talks results in deciding when to end negative rates. As such, with the RENGO 1st wage tally showing wage growth of 5.28% (exp. 4.1%; 2023 final figure 3.6%) expectations have heightened that the BoJ will end its negative interest rate policy next week. Aside from the decision on interest rates and yield curve control, participants will also be eyeing the central bank's intentions regarding other measures such as its ETF buying as the BoJ had previously stated it would be natural to end such purchases if the achievement of the 2% price target can be foreseen.

RBA ANNOUNCEMENT (TUE): The RBA is expected to keep rates unchanged at 4.35% with the ASX 30 Day Interbank Cash Rate Futures indicating a 95% expectation for rates to be maintained at the current level and just a 5% expectation for a 25bps cut to 4.10%. As a reminder, the RBA kept rates unchanged as unanimously forecast last month which was the first meeting since the overhaul at the central bank took effect, while it stuck to the hawkish rhetoric as it reiterated that the board remains resolute in its determination to return inflation to the target and that a further increase in interest rates cannot be ruled out. It also repeated that returning inflation to the target within a reasonable timeframe remains the board's highest priority and although it noted that inflation continued to ease in the December quarter, it added that inflation remains high at 4.1%. Furthermore, the minutes revealed that the board considered a case to hike by 25bps or hold steady although the case to hold steady was the stronger one and appropriate given balanced risks to the outlook, while data gave the board more confidence inflation would return to the target in a reasonable timeframe although it would take some time before the board could be confident enough about inflation and it agreed it was appropriate not to rule out another rise in rates. The rhetoric since that meeting has been less hawkish as RBA Governor Bullock noted that the Board hasn't ruled out a further increase in interest rates but neither has it ruled it in, while she added that inflation doesn't need to be in the 2%-3% band for them to think about rate cuts and if consumption slows more quickly than expected, it will be an opportunity to cut rates. Furthermore, Bullock acknowledged that there are some encouraging signs although the inflation challenge is not over, while RBA's Harper stated they will not wait until inflation is within the target band before cutting rates and are not fixating on any sort of inflation to signal a start of the easing cycle but added that they cannot rule out the need for further rate hikes. Recent key data releases from Australia also support the case for a pause as GDP for Q4 was somewhat inconclusive and printed mixed with QQ at 0.2% vs. Exp. 0.3% (Prev. 0.2%) and Y/Y at 1.5% vs. Exp. 1.4% (Prev. 2.1%), while the latest monthly inflation data was steady and remained above the central bank's 2%-3% inflation target with Weighted CPI YY for January at 3.40% vs. Exp. 3.60% (Prev. 3.40%) which RBA watcher McCrann suggested leaves only one real option at the next meeting and noted the RBA won't seriously consider a hike but nor are cuts on the horizon with inflation still too high to contemplate a rate cut.

CANADIAN CPI (TUE): The data will be framed in the context of the BoC's policy reaction function. At its March meeting, the central bank noted that inflation has continued to ease further, though future progress on taming prices will be more gradual, uneven, and upside risks still remain. Governor Macklem said that inflation was expected to be close to 3% through the middle of this year, but was seen easing in H2 - he does not foresee a return to 2% inflation in 2024. The BoC remains concerned about risks to the inflation outlook, and the persistence of underlying inflation, and it wants to see more sustained progress in the trend of easing core inflation before it feels confident in pivoting towards looser policy.

NEW ZEALAND GDP (WED): Q4 Q/Q GDP is forecast at 0.0% (prev. -0.3%) and the Y/Y rate is also seen at 0.0% (prev. -0.6%), with the Q/Q metric in-line with the RBNZ's forecast in its February Policy Statement. Analysts suggest that the goods-producing sectors showed continued softness, whereas services, particularly tourism, saw some benefits from the ongoing recovery. Westpac forecasts flat GDP, aligning with consensus expectations as well as the RBA's own projections. Westpac said that based on the forecasts, "economic activity has been flat over the last year, despite a migration-driven surge in population growth. The extent of the decline in per-capita output reflects how overheated the economy had become in the first place, as a result of the monetary and fiscal stimulus during the COVID period."

FOMC ANNOUNCEMENT (WED): While traders are not expecting the FOMC to adjust policy rates at next week's meeting, attention will be on the Committee's updated economic projections. It's previous forecasts from December saw the central bank take a more dovish view than markets were expecting, cutting its near-term growth and inflation outlook; it also saw a lower amount of rate hikes in 2024, pencilling in three 25bps rate cuts this year, with the FFR target seen ending the year between 4.50-4.75% (vs its September projection that rates would end 2024 at between 5.00-5.25%). Ahead, traders expect the Fed to lower rates by 75bps or less this year (three 25bps cuts), according to 58 of the 108 economists surveyed by Reuters; still 26 of those surveyed are still looking for 100bps of rate cuts this year (four 25bps rate reductions). However, a majority (38 of 44 surveyed) see risks that the updated projections will show a fewer amount of rate cuts. The easing cycle is expected to start in June, which is in line with market-based pricing. "The Fed is seeking 'greater confidence' on inflation before it starts normalising its policy stance," Bank of America notes, "we expect progress on inflation in the coming months will give the Fed confidence to begin a gradual cutting cycle in June," and added that "a more forward-looking Fed might put more weight on low inflation expectations and cut sooner, but this Fed is data dependent and wants to avoid backtracking after it starts." Traders will also be focussed on any commentary on quantitative tightening (QT), with many looking for the central bank to soon announce it will slow and then stop the process. The consensus seems to expect this announcement to come in June, but some think it could come as soon as the March meeting, according to the Reuters poll; additionally 17 of 26 surveyed think the Fed will have concluded the tapering of the programme in Q1 2025, or later.

PBOC LPR (WED): The PBoC maintained the rate on its 1-year Medium-term Lending Facility operation at 2.50%, as widely expected, which serves as a fairly reliable indicator for the intentions regarding the benchmark 1-year Loan Prime Rate scheduled next week which most new loans are based on. As a reminder, the central bank surprised markets last month with its benchmark Loan Prime Rates whereby it maintained the 1-year LPR at 3.45% (exp. 5bps cut) but delivered a deeper than anticipated cut of 25bps in the 5-year LPR to 3.95% (exp. 10bps reduction) which is the reference rate for mortgages in China. This was viewed as a targeted measure to support China's ailing property sector alongside the various efforts that had previously been announced to revive demand in the industry which has been in a crisis since 2020 and was once a key driver of the country's economic growth. Furthermore, the PBoC's unwillingness to adjust shorter-term funding rates is evident in the lack of adjustments in 7-day reverse repo rate since August last year and the central bank has also kept the size of open market operations meagre throughout this week. Nonetheless, future monetary policy easing is likely as PBoC Governor Pan commented during China's recent two sessions gathering that the PBoC still has sufficient room for monetary policy and that there is still room for cutting RRR, while a press report also recently noted an analyst view that China could cut its RRR and/or MLF rates in Q2.

BCB ANNOUNCEMENT (WED): The BCB is expected to maintain its current pace of easing next week by reducing the Selic rate by a further 50bps. At its last meeting, the BCB voted unanimously to cut the Selic rate by 50bps to 11.25%. The move marked the central bank's fifth rate reduction since August, and it suggested that cuts of a similar magnitude could be expected in upcoming meetings. Pantheon Macroeconomics expects that both external and domestic conditions are set to improve ahead, and that will allow policymakers to accelerate the pace of easing to 75bps over the coming meetings. "But we concede that deteriorating external conditions are a big threat to our forecasts, even though the committee has probably turned more dovish this year." However, in wake of the policy meeting, the mid-month February IPCA-15 inflation data showed core services inflation remains elevated, and that has some analysts leaning back on the notion of more aggressive rate cuts ahead. Capital Economics writes that "the central bank has given a clear steer that it will cut the Selic rate by another 50bps at its upcoming meetings, and we don't see anything in this data release to change that," but adds that "we think inflation will end up a little higher this year than is widely expected later in 2024 and, as a result, prompt the BCB to shift its easing cycle down a gear to 25bps rate cuts around the middle of the year."

UK CPI (WED): Expectations are for Y/Y CPI in February to decline to 3.6% from 4.0% and for M/M to print 0.6% vs. prev. -0.6%. The prior release showed headline and core CPI holding steady on a Y/Y basis as downside in furniture & household goods and food & non-alcoholic beverages was offset by upside in housing and household services. For the upcoming report, analysts at Investec note that favourable base effects are likely to play a role given increases in food & non-alcoholic beverages and clothing & footwear in February 2023 which are unlikely to be repeated this time around. Investec will outweigh any upside impacts from higher fuel prices and potential increased input costs for producers amid disruptions in the Red Sea. Beyond the upcoming release, expectations remain that inflation will slip below 2% in the coming months before picking up thereafter. From a policy perspective, an August cut is nearly fully priced in with a total of 59bps of easing seen by year-end.

BOE ANNOUCEMENT (THU): The MPC is expected to hold the Base Rate at 5.25% with the potential for another three-way split. As a reminder, the February decision saw Mann and Haskel calling for a hike, Dhingra for a cut and the remaining 6 for unchanged. In terms of market pricing, an unchanged rate is priced at nearly 100% as the BoE awaits more progress on inflation. In terms of recent data, the MPC will be presented with further inflation metrics on the day before the announcement. However, the January release showed headline and core CPI holding steady on a Y/Y basis at 4.0% and 5.1% respectively. On the growth front, M/M GDP in January expanded by 0.2%, suggesting that there may be a turning point from the H2 recession seen last year. More timely PMI data for January saw the services metric slip to 53.8 from 54.3, manufacturing rise to 47.5 from 47.0 with the composite ticking higher to 53.0 from 52.9. In the labour market, the unemployment rate in the 3M period unexpectedly ticked higher to 3.9% from 3.8%, whilst headline wage growth slipped to 5.6% from 5.8%. Commentary from the MPC has seen Governor Bailey state that "we don't need inflation to come back to target before we cut interest rates", whilst Chief Economist Pill said his baseline scenario for the timeline of rate cuts remains some way off. In terms of the policy statement, no major changes are expected after the Bank opted to drop its "further tightening" bias in February. Beyond the upcoming meeting, an August cut is nearly fully priced in with a total of 59bps of easing seen by year-end.

SNB ANNOUNCEMENT (THU): Market pricing currently has a 34% chance of a cut and a 66% chance of an unchanged announcement from the SNB's first policy announcement of 2024. The most pertinent development for policymakers has been the pronounced cooling in inflation YTD. CPI YY has been within the 0-2% target band since June 2023 and printed at 1.7% in December 2023. Inflation has since cooled significantly to 1.2% in February 2024; markedly lower than the 1.8% forecast by the SNB for Q1-2024 and lower than any of their quarterly forecasts across the end-2026 horizon. A marked easing which opens the door to the SNB cutting and while market pricing is focused on either unchanged or a 25bp cut, a larger 50bp move cannot be ruled out given the SNB's history of and willingness to surprise markets. On inflation, given the YTD prints, a significant revision of the near-term CPI forecast is likely but within this it will be interesting to see if the SNB still anticipates an uptick across Q2 & Q3, particularly in the scenario of a cut occurring. Finally, the CHF appreciated markedly after the December announcement but has since pared with EUR/CHF at its highest since mid-November; given this, there is two-way risk on whether the guidance "focus is on selling foreign currency" is maintained.

NORGES ANNOUNCEMENT (THU): Market pricing currently has around a 5% chance of a cut at the March announcement, a gathering which includes new forecasts. The Q1 Regional Network report showed revisions higher for both the overall activity level and wage growth views, findings which are both hawkish developments. However, the magnitude of this is unlikely to be sufficient to merit the Norges Bank hiking - after saying rates were likely to remain at 4.5% for some time in January, though they did keep two-way optionality. Particularly when taken alongside the softer than expected February CPI numbers, where the Core Y/Y printed at 4.9% (NB exp. 5.5%). While inflation has moderated it remains at elevated levels and therefore an easing of policy is also unlikely. Instead, participants will be attentive to any signal around when the first rate-reduction could occur. In January, the guidance was for rates to be held for some time with the possibility of a move earlier than implied in December (Q4-2024/Q1-2025) in the scenario that the economy/inflation experiences a more pronounced slowdown/pullback, criteria which CPI arguably meets but the Regional Network does not. As such, the likes of SEB continue to look for the first cut to occur in September, but it remains to be seen if the Norges Bank will have enough conviction in the economy's trajectory to formalise this in its forecasts now or instead wait until the June MPR.

CBRT ANNOUNCEMENT (THU): Expectations lean towards policy rates being maintained after the CBRT in January signalled an end to its tightening cycle, and then maintained rates at its February meeting. At that February confab, the central bank held its Weekly Repo rate at 45%, as expected, and reiterated that the current level of the policy rate will be maintained until there is a significant and sustained decline in the underlying trend of monthly inflation. Since then, the February CPI figures printed above forecasts, with the Y/Y rate at 67.07% (exp. 65.74%), and the monthly rate at 4.53% M/M (exp. 3.70%). Following the inflation data, JPMorgan said it expects the CBRT to hike by another 500bp (to 50%) in April vs its prior view for no rate rise, though kept its year-end policy rate forecast of 45%, and suggested the CBRT might cut its policy rate in November and December. Meanwhile, Turkey's Finance Minister Simsek said they will continue to tighten fiscal policy in order to assist the CBRT in reducing inflation. The latest CBRT survey sees the Repo Rate at 36.96% in 12 months (prev. 36.62%), end-year USD/TRY at 40.5344 (prev. 40.0212), end-2024 CPI seen at 44.19% (prev. 42.96%), and end-year GDP growth seen at 3.3% (prev. 3.3%).

EZ FLASH PMI (THU): Expectations are for March's manufacturing PMI to rise to 47.0 from 46.5, services to tick higher to 50.5 from 50.2, leaving the composite at 49.7 vs. prev. 49.2. The prior release saw the manufacturing metric tick lower to 46.5 from 46.6, services rise to 50.2 from 48.4 and the composite rise to 49.2 from 47.9. The accompanying report noted "the euro area economy moved closer to stabilisation in February. Although total output volumes fell for a ninth successive month, the contraction was marginal and the slowest since the middle of last year". For the upcoming report, a further improvement in the metrics will likely be framed as a potential return to growth for the Eurozone, albeit a tentative one. From a policy perspective, the release is unlikely to have too much sway on market pricing for the ECB given the slew of guidance from policymakers which points towards a June move and the preference of the GC to monitor wage and inflation metrics.

UK FLASH PMI (THU): Expectations are for March's services PMI to rise to 54.2 from 53.8, manufacturing to pick up to 47.8 from 47.5, leaving the composite at 53.3 vs. prev. 53.0. The prior release saw the services metric slip to 53.8 from 54.3, manufacturing rise to 47.5 from 47.0 with the composite ticking higher to 53.0 from 52.9. The accompanying report noted "service providers continued to outperform the manufacturing sector by a considerable margin. That said, the latest reduction in output levels among manufacturing firms was the slowest for three months". On inflation, "latest data indicated the strongest rise in input costs across the UK private sector since August 2023". For the upcoming report, analysts at Investec are of the view that "since February we would argue that sentiment has improved, not just in the UK but also in terms of global economic momentum". The desk adds that UK "net fiscal loosening measures have also been announced which should have fallen in the survey period and boosted sentiment, too". From a policy perspective, the release will be noted but likely play second-fiddle to inflation metrics the day before with the BoE policy announcement due just a few hours after publication.

NEW ZEALAND TRADE BALANCE (THU): There are currently no forecasts for the Kiwi Trade Balance. The prior month saw a deficit of NZD 976mln for Jan, deepening from the prior revised deficit of NZD 368mln in December. Imports were lower than the prior month at NZD 5.91bln from a revised NZD 6.22bln, and Exports saw a pullback to NZD 4.93bln from a revised NZD 5.85bln. Analysts at Westpac forecast a narrower trade deficit of NZD 131mln "thanks to a seasonal slowing in imports", the desk says.

JAPANESE CPI (THU): National Core CPI is seen picking up to 2.8% Y/Y in Feb from the prior of 2.0% Y/Y. The data comes after the BoJ's March policy decision, whereby expectations have tilted towards an exits of the BoJ's NIRP policy. In the event the BoJ holds steady, an April hike is expected. ING's analysts believe "that an April hike is slightly more likely than a March hike. Next week, we expect the BoJ to change its forward guidance and scrap the yield curve control policy but keep its government bond purchase programme."

JAPAN'S RENGO 2ND TALLY (FRI): The RENGO (Japan's largest trade union) second tally will be released on March 22nd ahead of the third tally on April 4th and the final tally in early July. In the first tally (released on March 15th), RENGO said it had secured the highest wage hikes since 1991 in preliminary data – with wage increases of 5.28% (exp. 4.1%; 2023 final figure 3.6%). A Bloomberg survey noted that the BoJ needed at least 3.8% to proceed with a rate hike. The second tally will be released after the BoJ's March meeting (on the 19th) and will likely not sway the dials much at this moment in time unless there is a notable revision.

AUSTRALIAN JOBS REPORT (FRI): The February Labour Force report is expected to show an addition of 30k jobs in February (vs 0.5k in Jan), with the participation rate seen steady at 66.8% and the unemployment rate ticking lower to 4.0% (prev. 4.1%). Desks suggest that January typically sees the most seasonal variation in the labour market, and that trend is expected to continue this year, with a softening of labour market conditions, influenced by seasonal shifts. The labour force data for February is thus anticipated to show a rebound, reflecting a moderate uptick in comparison to the more pronounced seasonal changes seen in previous years. "Of particular interest will be the dynamics around hours worked – its sharp moderation over the past six months standing in stark contrast to the relatively milder slowdown in employment growth." Westpac also notes that there will also be attention on other measures of labour underutilisation, like underemployment, youth unemployment, and medium-term unemployment, which have been trending upward and are indicative of cyclical sensitivity within the labour market.

UK RETAIL SALES (FRI): Expectations are for headline Y/Y retail sales to contract 0.4% vs. prev. +0.7%, M/M -0.1% vs. prev. 3.4%, core Y/Y at -0.3% vs. prev. 0.7% and M/M 0.5% vs. prev. 3.2%. In terms of recent retail indicators, BRC Retail Sales rose 1.0% Y/Y with the accompanying release noting "Easing inflation and weak consumer demand led retail sales growth to slow. While the January sales helped to boost spending in the first two weeks, this did not sustain throughout the month". Elsewhere, the Barclaycard Consumer Spending Report stated "the rainy weather in February had an impact on the overall Retail sector, with spend growth at high-street retailers in particular slowing down as consumers opted to spend more time indoors". For the upcoming report, Oxford Economics is of the view that "January's strength was partly due to fuel sales rebounding to a very high level" and this is unlikely to be sustained. As such, the consultancy expects "a drop in fuel sales to drive a 0.2% m/m decline in retail sales in February".