Week Ahead March 25-29th; highlights include US PCE, Aus CPI, Riksbank

Week Ahead 25-29th March

- **MON:** US Building Permits (Feb), UK GDP (Q4).
- **TUE:** US Durable Goods (Feb), US Richmond Fed (Mar).
- **WED:** Riksbank Announcement (MPR), SARB Policy Decision; Australian CPI (Feb), Spanish Flash CPI (Mar), EZ Sentiment Survey (Mar).
- **THU:** BoJ SOO (Mar), Scandinavian Holiday (Holy Thursday); German Retail Sales (Feb), US GDP (Q4), Canadian GDP (Jan), Japanese Tokyo CPI (Mar).
- **FRI:** French Prelim CPI (Mar), US PCE (Feb).

NOTE: Previews are listed in day order

RIKSBANK ANNOUNCEMENT (WED): The Riksbank's first MPR under its new format is expected to see the policy rate maintained at 4.00%. Following February's verbal guidance the new rate forecasts will be the meeting's focal point. As a reminder, in February the Riksbank guided that the development of inflation means that rates can likely be cut sooner than indicated in November (Nov. implied no 2024 cut) and that a H1 cut cannot be ruled out. A meeting that was dovish overall, a narrative added to by the magnitude of their bond sales being increased to just SEK 6.5bln vs exp. 7-8bln. Ahead of the March MPR, inflation has continued to moderate with February's CPIF Y/Y at 3.5%, cooler than the Riksbank's 3.7% forecast. Recent rhetoric has made clear that H1 easing remains an option, e.g. Floden saying they are "close to" the point of easing. Overall, policy settings are expected to be maintained with participants attentive to when the first reduction is implied and whether this is seen in H1.

AUSTRALIAN CPI (WED): Australian Weighted Mean CPI for February is seen rising to 3.6% Y/Y from 3.4%. The Monthly CPI Indicator increased by 3.4% year-on-year in January, matching the December figure and marking the lowest monthly inflation rate since November 2021. Westpac forecasts a 0.6% M/M rise in the CPI for February, resulting in an increase in the annual CPI rate to 3.8% Y/Y, above the market forecast of 3.6% and up from 3.4% in January. "The first month of each quarter provides an update of household durable goods but not a lot in the way of services… With February being the mid-month of the quarter, we get an update on many services including the annual update on education prices", the desk says, adding that there's a note of uncertainty regarding electricity prices, which are expected to increase as government energy rebates conclude. The data follows the latest RBA decision which lacked any major surprises as the central bank kept the Cash Rate Target at 4.35%, as unanimously forecast, while it reiterated that the Board remains resolute in its determination to return inflation to the target and inflation continues to moderate but remains high.

BOJ SOO (THU): The BoJ Summary of Opinions (SOO) from its March meeting (timelier than the policy Minutes) will be closely dissected for any more meat on the bones after the BoJ exited its negative interest rate policy and abandoned YCC, as widely telegraphed, in which it will now guide the overnight call rate in the range of 0%-0.1% and will apply a 0.1% interest to all excess reserves parked at the central bank. Since the historic meeting, sources suggested the BoJ is reportedly weighing the next rate hike in July or October as the Yen weakens, according to Nikkei. A source noted that additional hikes are of course on the table and that an early hike leaves room for the BoJ to consider rolling out another increase before the end of the year, while the timeline would keep the BoJ coming off as if they are rushing to hike rates. Furthermore, it was stated that a growing number see a July rate boost as another possibility if a weak yen raises the price of imports and accelerates inflation, forcing the BoJ to step in. It was earlier reported that the Yen's decline appears to be raising little alarm at the BoJ for now which was to be expected given that Governor Ueda is maintaining an accommodative stance on policy, according to a source at the BoJ cited by Nikkei. However, it was noted that some at Japan's Finance Ministry are wary of rapid fluctuations in the currency market driven by speculative trades. Meanwhile, BoJ Governor Ueda said the BoJ is expected to maintain an accommodative monetary policy for the time being and accommodative monetary policy is likely to underpin the economy, while he added that cost-push pressure on inflation is dissipating but service prices continue to rise moderately.

JAPANESE TOKYO CPI/ ACTIVITY DATA (THU): Japan will see a deluge of February data on Thursday in the form of Tokyo CPI, Industrial Production, and Retail Sales. Tokyo CPI will likely garner the most attention as the release is seen as a precursor to the Nationwide figure released a couple of weeks later. Tokyo CPI is seen cooling a touch to 2.4% (prev. 2.5%), with desks blaming the government's energy support programme for the monthly swings in inflation. ING's expectations for the release align with market expectations. Meanwhile, Industrial Production is expected to rebound to 1.4% M/M from -6.7% Retail Sales are seen rising to 3.0% Y/Y from 2.3%, and the Unemployment Rate is expected to steady at 2.4%. ING analysts say "Given the production interruption of car manufacturers in January and solid February exports, we expect industrial production to rebound strongly to offset the previous month's decline. Retail Sales also are expected to improve further, along with an increase in inbound foreign tourists during the Lunar New Year holiday. Labour market conditions are likely to remain tight, with the jobless rate staying at 2.4%."

US PCE (FRI): After the release of the hotter-than-expected CPI and PPI data for February, econometricians who forecast the PCE data inferred that core PCE will rise +0.3% M/M in February, cooling from the prior rate of +0.4% in January, according to the WSJ's Fedwatcher Nick Timiraos. If that proves to be correct, that would imply that the 12-month rate of PCE will come in at 2.8% Y/Y, while the six-month annualised rate would tick up to 2.9-3.0% Y/Y vs the prior rate of 2.5%. Headline PCE is expected to rise at a rate of +0.4% M/M, picking up a touch from the +0.3% reported in January. Speaking after this week's FOMC rate decision, Fed Chair Powell did not seem too concerned by the hotter-than-expected readings in January and February, arguing that although they were quite high, there are reasons to think that seasonal effects may have been in play. Powell reiterated that the Fed wanted greater confidence that inflation was moving sustainably down to its 2% goal before it begins cutting interest rates. Powell again acknowledged that the road to lower inflation could be bumpy, and Fed officials have been vindicated by their approach of waiting on rate cuts before inflation is sustainably falling towards target. The Fed's updated economic projections released this week saw the Committee revise up its view on where core PCE will end this year, now forecasting 2.6% Y/Y (vs its previous view of 2.4%); it kept its 2025 and 2026 views unchanged, and still sees inflation returning to target in 2026.

AUSTRALIAN RETAIL SALES (FRI): Retail Sales are seen pulling back to 0.4% in February from the prior month's 1.1%. Analysts highlight the volatility in the data around the turn of the year, with the sharp fall in December (-2.1% Y/Y) followed by a surge in January. Westpac highlights that "The noise reflects difficulties the ABS is having adjusting for shifts in seasonal patterns through Nov-Dec-Jan." The desk also cites its Westpac Card Tracker which points to weakness. The bank expects a 0.2% rise in Retail Sales.