Week Ahead 1-5th April: Highlights include US NFP, ISMs, EZ & Swiss CPI, Minutes from ECB & RBA

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- **MON:** BoJ Tankan Survey (Q1), South Korea Prelim Trade Balance (Mar), Chinese Caixin Manufacturing PMI Final (Mar), US ISM Manufacturing PMI (Mar), US S&P Global Manufacturing PMI Final (Mar)
- **TUE:** RBA Minutes (Mar), CNB Minutes (Mar), South Korean CPI (Mar), EZ/UK Manufacturing PMI Final (Mar), German Prelim CPI (Mar), US Non-Durable Goods R (Feb), Chilean Central Bank Announcement
- **WED:** OPEC+ JMMC Meeting, EZ Flash CPI (Mar), US Services and Composite Final PMI (Mar), US ISM Services PMI (Mar), US ADP National Employment
- **THU:** ECB Minutes (Mar), Riksbank Minutes (Mar), Swiss CPI (Mar), EZ/UK Services and Composite Final PMI (Mar), US Goods Trade Balance R (Feb)
- **FRI:** RBI Announcement, German Industrial Orders (Feb), EZ/UK Construction PMI (Mar), EZ Retail Sales (Feb), US Labour Market Report (Mar), Canadian Labour Market Report (Mar)

NOTE: Previews are listed in day order

BOJ TANKAN SURVEY (MON): The BoJ Tankan business survey is expected to show a decline in Large Manufacturers' sentiment to +10 from +12, according to a Reuters poll, whilst the Large Non-Manufacturers Index is seen rising to +33 from +30 last quarter. Capex is expected to print at 9.2% vs 13.5% in Q4 2023. Desks suggest large manufacturers' sentiment will likely be hampered by auto production disruptions in the quarter, with some also citing the vehicle certification issues which resulted in the suspension of shipments of some models. The survey also comes as the BoJ ended 17 years of negative interest rate policy in March, although cautiousness is expected from the Bank, whilst the annual wage negotiations saw the largest pay rise in 33 years. Using the Reuters Tankan survey as a proxy for the BoJ's release, March manufacturers' sentiment index printed at +10 vs -1 from Feb while the Service-sector index came in at +32 vs +26 from Feb. The Reuters release surveyed 240 manufacturers and 258 non-manufacturers, with some 237 firms responding during the March 6-15 period.

US ISM MANUFACTURING PMI (MON): Analysts expect the ISM manufacturing PMI to rise a touch to 48.0 in March, from 47.8 in February. S&P Global's flash US PMI data for March saw the manufacturing index rise to a 21-month high of 52.5 from 52.2, which S&P said points to a solid improvement in the health of the sector. "Further expansions of both manufacturing and service sector output in March helped close off the US economy's strongest quarter since the second quarter of last year," the data compiler said, "the survey data point to another quarter of robust GDP growth accompanied by sustained hiring as companies continue to report new order growth." In the manufacturing sector, production is now growing at the fastest pace since May 2022, with production gains linked to improving demand for goods both at home and abroad, driving a further upturn in business confidence in the outlook." Analysts will also be attentive to the prices paid sub-indices in the ISM data; S&P Global's composite flash PMI data warned, however, that inflationary pressures showed signs of picking up. "Input costs rose at the fastest pace in six months, while firms increased their selling prices to the largest extent since April last year."

RBA MINUTES (TUE): The RBA will publish the minutes from its March 18th-19th meeting where the central bank provided no major surprises as it 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. RBA stated that the "Board is not ruling anything in or out on interest rates" which was a slight adjustment to the previous statement that "a further increase in interest rates cannot be ruled out", although Governor Bullock had made a similar comment during last month's press conference. The RBA also noted that higher interest rates are working to establish a more sustainable balance between aggregate demand and supply in the economy and the Board expects that it will be some time yet before inflation is sustainably in the target range, while it added there are encouraging signs that inflation is moderating although the economic outlook remains uncertain. Furthermore, RBA Governor Bullock refrained from any hawkish surprises during the post-meeting press conference where she noted they are making progress in the fight against inflation and that recent data suggests they are on the right track but added the war isn't won yet on inflation, while she also commented that the board sees risks on both sides for policy and needs to be much more confident on inflation coming down to consider a rate cut.

US ISM SERVICES PMI (WED): Analysts expect the ISM services PMI to rise a touch to 52.7 in March, from 52.6 in February. S&P Global's flash US PMI data for March saw the services business activity index ease to a 3-month low at 51.7 in March from the 52.3 in February. The survey compiler said that service providers reported a slower pace of expansion than factories, with the rate of increase also moderating slightly vs February, linked in part to ongoing cost of living pressures. "However, service providers have also become increasingly optimistic about the outlook, with confidence striking a 22-month high in March to suggest the broad-based economic expansion seen in March will persist into the summer," S&P said. On prices, the survey noted that the steepening rise in costs and firms' strengthened pricing power amid the recent upturn in demand, meant that inflationary pressures picked-up again in March. "Costs have increased on the back of further wage growth and rising fuel prices, pushing overall selling price inflation for goods and services up to its highest for nearly a year," S&P said, "the steep jump in prices from the recent low seen in January hints at unwelcome upward pressure on consumer prices in the coming months."

JMMC MEETING (WED): The non-decision-making and market-analysing committee of OPEC, the JMMC, will convene to discuss market dynamics on April 3rd. No policy recommendation is expected at this meeting, according to desks and sources. Reuters sources on Tuesday also suggested that OPEC+ is unlikely to change output policy before the decision-making June meeting. That being said, Reuters recently reported that OPEC+ has a tendency to announce off-meeting policy changes if the group deems it necessary. Furthermore, recently Russia reportedly told oil companies to cut output to 9mln BPD by the end of June, in line with its OPEC+ pledges. The expectations for no changes in policy could stem from expectations of a slight oil market deficit forecast for later this year (all things equal). The latest IEA oil market report raised its 2024 oil demand growth forecast by 110k BPD to 1.3mln BPD and said if OPEC+ voluntary cuts remain in place through 2024, the market is seen in a slight deficit rather than a surplus. The importance of compliance could be reaffirmed in commentary from the JMMC - the latest OPEC oil market report was framed by Bloomberg as "OPEC oil supply cuts stall as Iraq keeps pumping above quota", although Reuters then reported that Iraq pledged to cut exports by 130k BPD in the coming months (to 3.3mln BPD) to compensate for exceeding its OPEC+ quota since January.

EZ FLASH CPI (WED): Expectations are for headline Y/Y HICP to tick lower to 2.5% from 2.6% with no consensus at the time of writing for the core metrics. As a reminder, the prior report saw headline inflation slip to 2.6% from 2.8% with the super-core reading declining to 3.1% from 3.3% with ING noting that "base effects did most of the heavy lifting". Furthermore, ING stated that, using its own seasonal adjustment, "we see that monthly core inflation ticked up for the third month in a row on the back of services inflation accelerating". This time around, analysts at Deutsche Bank (who are in line with the consensus for the headline rate and expect core to remain unchanged at 3.1%) note that "an early Easter this year should boost tourism-related services more than usual in March", whilst "components other than tourism are expected to remain relatively sticky". The desk adds that "services inflation momentum has been picking up lately, and the strength seems to be broad-based", as such its forecasts are "consistent with an underlying pace of around 3.5% saar". From a policy perspective, a hawkish outturn could see a pullback in some of the recent conviction in a June rate cut which is now priced at around 92%, and see the market also scale back expectation of easing later in the year which has three cuts fully priced in and a roughly 50% chance of a fourth.

ECB MINUTES (THU): As expected the ECB opted to stand pat on rates as policymakers continue to monitor progress towards the Bank's inflation mandate. Furthermore, guidance on rates was reaffirmed as stating that "rates will be set at sufficiently restrictive levels for as long as necessary". This served as a disappointment to some who had been hoping that policymakers would insert some language suggesting that discussions on the policy normalisation process had begun. However, the accompanying macro projections did offer something to the doves with the 2024 and 2025 inflation forecasts lowered, leaving the latter matching the Bank's 2% target. From a growth perspective, 2024 was cut to 0.6% from 0.8% with next year's forecast held at 1.5%. At the follow-up press conference, Lagarde noted that the Bank is not yet "sufficiently confident" when it comes to meeting its target. In terms of the policy path beyond the March meeting, Lagarde stated the Bank will know a little more in April but a lot more in June. When it comes to the discussions held during the meeting, Lagarde stated that the policy decision was unanimous, there was not a discussion over rate cuts but the GC has begun discussing dialling back its restrictive stance with the view that the Bank will not wait until the 2% inflation target is reached in order to cut rates. Subsequently, source reporting via Reuters noted that policymakers overwhelmingly favour June for the first rate cut; something which has been reaffirmed via subsequent rhetoric from Governing Council members. As such, any mention of this in the account of the meeting will not be new information for the market. That being said, reporting from Reuters also noted that some policymakers floated the idea of a second cut in July to win over a small group still pushing for an April start; any discussion on this will be of note for the market.

SWISS CPI (THU): February's print came in at 1.2%, marginally above the consensus 1.1% but still cooler than the 1.3% prior reading. A metric which helped cement the SNB's decision to kick off the G10 central bank easing cycle at their March meeting. Within the March gathering, inflation forecasts were trimmed across the board and CPI is forecast to remain well within the 0-2% band for the entire horizon. For Q1 2024, the view has been cut to 1.2% from 1.4%; a forecast which implies the March CPI Y/Y number will come in at around 1.1%. Assuming this is the case, pricing for another cut at the June meeting will likely increase from the current 60% implied probability; however, a cut is unlikely to be fully priced at this point given there are another two inflation numbers due before June. Equally, the SNB could elect to leave policy on hold in June and see how inflation progresses over Q2 & Q3, periods of focus as CPI is expected to tick up incrementally then. Overall, March's number is of course noteworthy but is unlikely to meaningfully/lastingly move the dial on June's pricing.

RBI ANNOUNCEMENT (FRI) The RBI is expected to keep the Repurchase Rate unchanged at 6.50% and maintain its stance of remaining focused on the withdrawal of accommodation when it concludes its 3-day policy meeting next week with all 56 forecasters surveyed by Reuters unanimously expecting rates to be kept unchanged. Furthermore, a Reuters poll showed the RBI is expected to keep the repo rate unchanged at least until the end of Q2 and then cut by 25bps in Q3 with a total of 50bps cut expected this year to lower the repo rate to 6.00% by year-end. As a reminder, the RBI kept rates unchanged at the previous meeting in February and maintained the policy stance of remaining focused on the withdrawal of accommodation in which 5 out of 6 members voted in favour of the rate decision and policy stance with MPC external member Varma the lone dissenter who voted for a 25bps cut and for a change in stance to neutral. The language from RBI Governor Das during the policy address remained hawkish and suggested the unlikelihood of any near-term policy tweaks as he stated that growth in India is accelerating and inflation is on a downward trajectory in India, as well as noted that multi-pronged policies have worked well to maintain and strengthen macro and financial stability. Furthermore, Das said the job on inflation is not yet finished as headline inflation remained high and has seen considerable volatility, while he also commented the CPI inflation target of 4% is yet to be reached and monetary policy has to remain vigilant. The recent data releases also support the case to remain on hold as GDP data for the December quarter was stronger than expected with Y/Y growth at 8.4% vs. Exp. 6.6% (Prev. 7.6%) and although the latest Industrial Production reading missed forecasts for January, this remained in line with the previous reading at 3.8% vs. Exp. 4.1% (Prev. 3.8%). In addition, CPI Inflation was above target and slightly firmer than expected in February at 5.09% vs. Exp. 5.02% (Prev. 5.10%), but remained within the 2%-4% tolerance range which suggests a lack of urgency to tweak policy.

US JOBS REPORT (FRI): The consensus view is for 200k nonfarm payrolls to be added to the US economy in March, a slowdown vs the prior 275k; that would also be lower than recent averages (3-month average 265k, 6-month average 231k, 12-month average 229k). The unemployment rate is expected to be unchanged at 3.9%. The rate of average hourly earnings is set to pick-up, with analysts forecasting +0.3% M/M (prior +0.1%). The data will be framed in the context of Fed policy, given officials are looking to incoming data to steer its policy reaction. At his post-meeting press conference in March, Fed Chair Powell said that the labour market has remained strong, and despite the tightness easing, it is still relatively tight. He said that strong job creation has been accompanied by an increase in the supply of workers (reflecting increases in participation among individuals aged 25-54 years old, and a continued strong pace of immigration). And although the jobs-to-workers gap has narrowed, labour demand still exceeds the supply of available workers. Accordingly, Powell argued that the risks to achieving the Fed's employment and inflation goals were coming into better balance. Still, he said that any unexpected weakening in the labour market could warrant a policy response, and could be a reason for the Fed to begin the process of reducing rates (he placed great emphasis on "unexpected"). Powell was also asked if continued strength in the labour market might be a reason for the Fed to hold off on rate cuts; the Fed Chair said that given the labour force is growing, and that continued supply side activity and with growth in the size of the labour force, strong jobs numbers may not be inflationary (and by implication, would not necessarily derail rate cuts).