Week Ahead 24-28th June: Highlights include US PCE, BoJ SOO, Canadian and Australian CPI, Riksbank and CBRT previews and the Biden/Trump debate

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- **MON:** BoJ Summary of Opinions, German Ifo Survey (Jun), German Import Prices (May)
- **TUE:** Japanese Services PPI (May), Canadian CPI (May), UK GDP (Q1)
- **WED:** Australian CPI (May), German GfK Consumer Sentiment
- **THU:** Biden/Trump debate on CNN, Riksbank Announcement, CBRT Announcement, CNB Announcement, European Council, Chinese Industrial Profits YTD (May), EZ Sentiment Survey (Jun), US GDP Final (Q1)
- **FRI:** European Council, Japanese Tokyo CPI (Jun)/Activity Data (May), German Unemployment (Jun), US PCE (May), US University of Michigan Final (Jun)

NOTE: Previews are listed in day order

BOJ SOO (MON): The BoJ will release the Summary of Opinions from the June meeting next week which could provide further insight into board members' thinking during the latest policy meeting where it kept its short-term policy rate unchanged at 0.0%-0.1%, as widely expected through a unanimous vote, although it caught markets off-guard as it defied expectations for the central bank to announce an immediate tapering of its bond purchases and instead decided to keep purchases in line with its decision in March. Nonetheless, the BoJ effectively kicked the can down the road as it declared it is to trim purchases but will decide on a specific bond-buying reduction plan for the next 1-2 years at the next meeting in July, while the decision on JGB purchases was made by 8-1 vote in which BoJ board member Nakamura dissented citing the bank should decide to reduce purchases after reassessing developments in economic activity and prices in the July 2024 outlook report. Furthermore, the BoJ said it will hold a meeting with bond market participants (on July 9-10th) on its policy decision and it expects that underlying inflation is to gradually accelerate, while Governor Ueda said during the post-meeting press conference that the reduction of JGB purchases will be a considerable volume and they will start a reduction of JGB purchases immediately after deciding at the July meeting, as well as noted that a July hike is naturally possible, depending on the data.

CANADIAN CPI (TUE): In June, the BoC cut rates by 25bps to 4.75%, arguing that monetary policy no longer needed to be as restrictive with continued evidence that underlying inflation is easing. Recent inflation data had increased policymakers' confidence that inflation will continue to move towards the 2% target, though it still noted that risks to the inflation outlook remain. The Governing Council is closely watching the evolution of core inflation, adding that it remained particularly focused on the balance between demand and supply in the economy, inflation expectations, wage growth, and corporate pricing behaviour. Ahead, the BoC said three-month measures of core inflation suggest continued downward momentum in CPI, adding that it remains resolute in its commitment to restoring price stability.

AUSTRALIA CPI (WED): The monthly CPI indicator is expected to tick higher to 3.8% from 3.6%. This month's data will shed light on the unfolding of services inflation during the June quarter. That being said, analysts at Westpac remind us that only 60% of the quarterly CPI is surveyed by the Monthly CPI Indicator, and many components are surveyed just one month each quarter, and some only once a year – thus may not accurately reflect the quarterly CPI. "Our preliminary forecast for the May Monthly CPI Indicator is for a flat print in the month". "Given a –0.4%mth decline in May 2023, this would see the annual pace lift from 3.6%yr to 4.0%yr." Westpac says, adding that this will be the first instance since September 2023 where the annual rate of inflation in the Monthly CPI Indicator surpasses that of the quarterly CPI. As a reminder, in the most recent RBA confab where rates were maintained, the central bank kept to a hawkish tone on inflation as it reiterated that inflation remains above target and is proving persistent, as well as noted that inflation is easing but has been doing so more slowly than previously expected and remains high. Furthermore, it stated that the path of interest rates that will best ensure that inflation returns to target in a reasonable timeframe remains uncertain and the Board is not ruling anything in or out. On the data itself, RBA's Bullock said that they need a lot to go their way to bring inflation back into range and noted that the entire economy is to be looked at, not just Q2 CPI.

RIKSBANK ANNOUNCEMENT (THU): In May, the Riksbank cut its rate by 25bp to 3.75% and guided participants towards two more cuts occurring during H2-2024 if the inflation outlook materialises. Guidance implied that there would not be a cut in June, a point that as recently as end-May has been explicitly reiterated by Governor Thedeen. More recently, on 4th June, Breman reiterated the above guidance. On the data front, May's CPIF-XE Y/Y printed slightly above the Riksbank's forecast; note, that the month's broad inflation metrics were subject to significant two-way factors including mortgage costs and electricity prices. For the June meeting, the primary point of focus will be on when the repo path indicates the two H2-2024 cuts are likely to occur, respondents to SEB's investor survey believe the path will show the policy rate at 3.25% in Dec'24 and 2.75% in Dec'25, broadly in-fitting with the current path.

CBRT ANNOUNCEMENT (THU): The CBRT is expected to maintain its Weekly Repo Rate at 50%, according to all 11 economists polled by Reuters, as the central bank is expected to remain in a wait-and-see mode for now. The May CPI data was unfavourable for the CBRT as Y/Y accelerated and topped forecasts at 75.45% (exp. 74.80%, prev. 69.80%), and PPI rose to 57.68% Y/Y from 55.66%. At the May meeting, the CBRT maintained its Weekly Repo Rate at 50% for the second consecutive month, in line with all analysts' expectations. In its statement, the Bank emphasised its vigilance in monitoring the effects of monetary tightening on credit conditions and domestic demand, underscoring the need for a persistent tight monetary stance until a significant and sustained decline in monthly inflation is achieved, with inflation expectations aligning with forecasts. The central bank also indicated its readiness to tighten monetary policy further if inflation risks increase, aiming to establish disinflation in the second half of the year. The desk at CapEco noted that while many analysts foresee rate cuts by the end of the year, CapEco predicts the easing cycle will commence in early 2025. The desk highlighted that inflation, which is expected to peak at around 75% year-on-year in May, should drop to 38% by year-end. CapEco believes that the central bank will likely maintain its current stance due to robust economic activity and persistent inflation risks. The latest CBRT Survey for June showed that the Repo Rate is seen at 35.90% in 12 months (prev. 37.11%); end-2024 USD/TRY seen at 37.7463 (prev. 38.7771); end-2024 GDP growth seen at 3.3% (prev. 3.3%).

BIDEN/TRUMP DEBATE (THU): The first debate between President Biden and former President Trump, will be the first of at least two debates before the November 5th election. The 90-minute debate will take place in Georgia and is scheduled to be on CNN at 21:00EST on Thursday, June 27th (02:00BST on June 28th). Going into the debate, a Fox News poll revealed Biden has overtaken Trump for the first time since October, with 50% of respondents indicating that they'd vote for him, while 48% showed a preference for Trump; analysts said the polling may reflect Trump's recent felony charges of falsifying business documents. However, an Ipsos poll finds that Trump would beat Biden 37% to 35% overall in the seven swing states (Michigan, Pennsylvania, Wisconsin, Georgia, North Carolina, Arizona, Nevada). In terms of the market impact, analysts see the debate as focusing attention on the impact that higher tariffs could have on growth, inflation, and interest rates. Capital Economics said most of Trump's major policy initiatives would be inflationary, whether that be narrowing the trade deficit via tariffs or a dollar devaluation (reports suggest that Trump would introduce higher tariffs on China and universal tariffs on other countries to narrow the US trade deficit, which could result in a higher USD and inflation, and even hit Eurozone growth rates too), curbing immigration (which could impact the labour market; many argue that higher immigration is the potential explanation for the strength and resilience seen in US labour market data), or compromising the Fed's independence (there have been multiple reports that Trump would look to replace Fed Chair Powell, potentially with Kevin Warsh, Kevin Hassett or Art Laffer).

JAPANESE TOKYO CPI (FRI): Tokyo inflation data for June is due 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 acceleration to the headline and core inflation readings seen in the capital region last month. As a reminder, Tokyo Inflation in May printed mixed as headline CPI was firmer-than-expected at 2.2% vs. Exp. 2.1% (Prev. 1.8%), while Ex. Fresh Food CPI matched estimates at 1.9% vs. Exp. 1.9% (Prev. 1.6%) and Ex. Fresh Food & Energy CPI also printed in line with forecasts but slowed from the previous to 1.7% vs. Exp. 1.7% (Prev. 1.8%). The acceleration in the headline and core readings in May was driven by higher electricity charges which rose 13.1% Y/Y owing to an increase in the fee added to electricity bills to cover the cost of promoting renewable energy and is seen as likely to persist, while prices of food excluding perishables maintained its pace of growth at 3.2%. However, underlying inflation moderated and is anticipated to continue doing so which if materialised, would spur doubts regarding the ability to sustainably and stably achieve the central bank's 2% target and could effectively lessen the scope for the BoJ to hike rates further this year. Recently, Japanese PM Kishida said the government is to extend fuel subsidies to end-2024, and roll out electricity and gas bill relief measures between August and October.

US PCE (FRI): In May, US CPI eased to 3.3% Y/Y (exp. 3.4%, prev. 3.4%), with the core measure falling to 3.4% Y/Y (exp. 3.5%, prev. 3.6%); the supercore gauge fell to 4.8% Y/Y, the first decline in the annual supercore rate since last October. Meanwhile, PPI eased to a rate of 2.2% Y/Y in the month (exp. 2.5%, prev. 2.3%), while the core measure eased to 2.3% Y/Y (exp. 2.4%, prev. 2.4%). With those data in hand, analysts are able to accurately predict how the PCE data will come in. The WSJ's Fed watcher Nick Timiraos said that inflation modellers expect the core PCE index rose around 0.08-0.13% M/M in May (vs +0.2% M/M in April); that would translate to a 2.6% Y/Y core PCE inflation rate, down from 2.8% in April, and would hold the 6-month annualised core PCE rate around 3.2-3.3% in May, while the 3-month annualised rate would drop back below 3% for the first time since January. In its June policy statement, the Fed said that "there has been modest further progress" on inflation, although updated economic projections saw the central bank slightly nudge up its end-of-year inflation forecast to 2.6% (previously, it was forecasting 2.4%). In the post-meeting commentary, officials have generally welcomed the recent tick lower in prices, but have spoken about the need to see further lower inflation data to achieve confidence that prices will sustainably fall back to target before they can feel comfortable in endorsing rate cuts. The updated economic projections from June also revised down the number of rate cuts seen this year (the Fed now predicts just one rate cut in 2024, down from its previous forecast for three, but analysts note how the median and mode are close, and it would only take a couple of officials endorsing rate cuts to see two reductions this year). Currently, money markets are pricing around 47bps of rate cuts this year - which is fully discounting one 25bps cut, and a very high probability of seeing that second reduction.

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