Week Ahead 15th-19th July: Highlights include US & UK Retail Sales, Japan, NZ, UK and Canada inflation, and the ECB Policy Announcement

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- **MON:** Republican Convention, Holiday: Japanese Marine Day, Eurogroup Meeting, Eurogroup Informal meeting of Energy Ministers; Chinese GDP (Q2), Industrial Output/Retail Sales (Jun), Swiss PPI (Jun), US NY Fed Manufacturing (Jul), EZ Industrial Production (Jun); China's Third Plenum (15-18th July)
- **TUE:** Republican Convention; German Wholesale Price Index (Jun), ZEW (Jul), EZ Trade Balance (May), US Export /Import Prices (Jun), Retail Sales (Jun), Canadian CPI (Jun), US NAHB (Jun), New Zealand CPI (Q2)
- **WED:** Bank of Indonesia Announcement, Republican Convention; UK CPI (Jun), EZ HICP Final (Jun), US Building Permits /Housing Starts (Jun), Industrial Production (Jun)
- **THU:** ECB Policy Announcement, SARB Policy Announcement Republican Convention, Meeting of the European Political Community; Japanese Trade Balance (Jun), Australian Employment (Jun), UK Unemployment/Wages (May), US IJC (13th Jul), Philadelphia Fed (Jul),
- **FRI:** Japanese CPI (Jun), German PPI (Jun), UK Retail Sales (Jun), Canadian Producer Prices (Jun)

NOTE: Previews are listed in day order

REPUBLICAN CONVENTION (MON-THU): The 2024 Republican National Convention (RNC) will take place from July 15-18th in Milwaukee, Wisconsin where Donald Trump will officially be crowned the Republican candidate for the 2024 US election. In his acceptance speech on Thursday, Republicans across the party want him to take advantage of President Biden’s struggles by explaining his ideas for a second presidency, as political reporters note he needs to avoid the politics of division. Further to this, whilst it is the Republican Convention and it will attract attention, it will be interesting to see if they can keep out of the news cycle and keep the pressure on Biden. On Trump’s speech, the takeaway for most observers, regardless of all the careful planning and choreography, will be what Trump himself says in his acceptance address. In addition, Trump will nominate his VP, where sources note that it is likely to be on Monday, July 15th, while other sources suggest the running mate will be introduced next Wednesday by Donald Trump Jr. As such, it has raised speculation that Senator JD Vance will be named the VP pick after being endorsed by Don Jr., and it is seen as notable that the eldest son will speak immediately before the running mate delivers remarks. However, sources added caution to this theory as the speaking schedule was decided three to four weeks ago and they were uncertain how instructive Jr’s involvement was. The other names in the hat are seemingly Doug Burgum and Marco Rubio, but they are plenty of others who could spring a surprise. It is worth noting that the convention is in Wisconsin, which is a battleground state and one that Biden won by a narrow margin of 20k votes last time out.

CHINESE GDP AND ACTIVITY DATA (MON): Q2 GDP Y/Y is forecast at 5.1% (prev. 5.3%) and Q/Q at 1.1% (prev. 1.6%), while June Retail Sales are forecast at 3.3% (prev. 3.7%), Industrial Output at 5.0% (prev. 5.6%), and Urban Investments at 3.9% (prev. 5.0%). The data comes as the Third Plenum of the CCP’s 20th National Congress kicks off, which is expected to focus on addressing the housing crisis, boosting technology self-sufficiency, and relieving local fiscal strain – this will likely grab attention amid the chance of stimulus announcements. Industrial Production and Retail Sales growth are both expected to have cooled in June, with property investment plunging and urban unemployment holding steady at 5%. The outlook for the second half of the year is also dim, with GDP growth projected to decelerate to 4.2% unless significant stimulus measures are introduced, according to Nomura. Meanwhile, one major risk is the US election in which former President Trump is looking highly likely to regain the White House position, in turn risking inflaming trade tensions with China.

PBOC MLF (MON): The PBoC is expected to maintain the medium-term lending facility (MLF) rate at 2.50% and reduce some liquidity in the banking system during its upcoming operation on Monday, according to a Reuters survey. In a poll of 35 market participants, 97% anticipate no change in the 1-year MLF rate, with only one predicting a slight reduction. The PBoC's recent introduction of a new cash management mechanism and comments from Governor Pan Gongsheng suggest a shift in focus towards using the seven-day reverse repo rate as the primary policy tool, diminishing the MLF rate's significance. Since the last Loan Prime Rate (LPR) setting on 20th June, it was reported that the PBoC will make clear it will start to use a short-term interest rate as its main policy rate after reducing the importance of the MLF rate as a policy benchmark, according to PBoC-backed Financial News citing unnamed industry people. Back to the poll, 80% of respondents expect only a partial rollover of the CNY 103bln MLF loans due this month, as loosening cash conditions reduce demand for these loans. For reference, the next LPR fixing is slated for July 22nd.

CHINA'S THIRD PLENUM (MON-THU): The upcoming Third Plenum of the Chinese Communist Party's (CCP) 20th National Congress, scheduled from July 15-18, 2024, is poised to garner some attention as it has historically introduced major structural reforms. This year, the Plenum is expected to focus on technology innovation, demographic challenges, and social welfare enhancements. Key policy areas likely include promoting technology self-sufficiency, raising retirement ages, encouraging higher birth rates, and improving social welfare systems such as employment, education, and healthcare. Bloomberg Economics highlights potential measures to address the housing crisis, including a "big-bang solution" although analysts deem this as unlikely. More feasible measures would include targeted programs, according to desks. Furthermore, the PBoC may expand its balance sheet to support housing market stabilisation, although desks are cautious as this could lead to higher debt and inflation. Fiscal reforms are also anticipated, focusing on improving fiscal transfers to local governments rather than comprehensive tax overhauls. Long story short, the Third Plenum is expected to set the stage for China's economic trajectory, balancing immediate economic support with long-term structural reforms, with eyes on any immediate policy implications against the backdrop of soft inflation and import contraction – both indicative of weak domestic demand. Bloomberg suggests that the PBoC could announce a USD 41bln programme to help state-owned firms purchase unsold housing stock. Analysts at ING posit that "The market has been looking ahead to this event for some time and will watch closely for new policy signals and communication". Elsewhere, the desk at BofA said, "While the market seems to hold some expectations, we do not see a high probability of (1) a major reform on rural land (such as villagers to monetise rural land to purchase home in cities) and (2) an imminent step-up in the scale or funding support for the property destocking program."

US RETAIL SALES (TUE): Headline retail sales are currently expected to come in unchanged in June, down from the prior 0.1% gain, although analyst forecasts are currently quite varied, ranging between -1.8% to +0.3%. The core (ex-autos) is expected at +0.1%, trimming the prior -0.1% outturn, with forecasts between -0.3 to +0.3%. Note, the super core (ex gas and autos) previously rose by 0.1%. There will also be attention on the control metric, which is often used as a gauge of the consumer spending component of GDP. Note, the Atlanta Fed GDP is currently tracking growth at 2.0% for Q2. ING write that "Lower gasoline prices and falling auto sales point to an outright monthly decline in retail sales given this is a dollar value figure. Weaker consumer confidence also suggests downside risks."

CANADIAN CPI (TUE): The June Canadian CPI will likely help determine whether the BoC follows up with a back-to-back rate cut in July after cutting by 25bps in June. Money markets are currently pricing in 18bps of easing at the July meeting, which implies a 72% probability of a rate cut. The prior statement noted that the BoC agreed policy no longer needs to be restrictive and that recent data increased their confidence that inflation will continue to move towards the 2% target. It was still cognizant that inflation risks do remain, however. The Inflation print in May was hotter than expected, but the BoC core measures remained within the upper end of the BoC's inflation target of 1-3%. However, the June labour market report was very weak, with a rising unemployment rate with the overall employment change declining by 1.4k. If inflation cools in June, it will likely endorse another BoC rate cut, particularly when coupled with a rising unemployment rate. Note, that expectations have not yet been compiled for the upcoming data.

NEW ZEALAND CPI (TUE): The Q2 CPI is seen rising 0.6% Q/Q, matching the prior pace, but forecasts range between 0.4-0.6%. The Y/Y pace is expected to cool to 3.5% from 4.0% previously, with forecasts ranging between 3.3-3.5%. Note, the latest RBNZ forecasts see inflation slowing to 0.6% Q/Q and 3.6% Y/Y. Analysts at Kiwibank note that "Softer monthly price data suggest downside risk to the RBNZ's forecasts. However, the surprise is likely to come on the imported side". Kiwibank are a touch more dovish than the consensus, looking for 0.5% and 3.4%, but they do note that domestic inflation is more important for policy, adding that unlike imported inflation, domestic price pressures are proving sticky with services prices elevated. The data will help determine future rate paths of the RBNZ, given the latest Policy Announcement. As a reminder, the RBNZ kept the OCR unchanged at 5.50%, as unanimously expected, while it maintained its rhetoric that the Committee agreed the OCR will need to remain restrictive but it added that the extent of this restraint will be tempered over time consistent with the expected decline in inflation pressures, which was a dovish leaning tilt from the central bank. Note, money markets are currently pricing in 14bps of easing by the August meeting, which implies a 56% probability of a 25bp rate cut. A cool inflation print will likely see this probability increase.

UK CPI (WED): Expectations are for headline Y/Y CPI to hold steady at 2.0%, core to remain at 3.5% and services to tick lower to 5.6% from 5.7%. As a reminder, the prior release saw UK CPI return to the BoE's 2% target for the first time since July 2021 with ING observing that "areas like food, household goods and clothing which are all now contributing considerably less to inflation than just a few months ago". Elsewhere, the core rate pulled back to 3.5% from 3.9% and services slipped to 5.7% from 5.9%. This time around, analysts at Pantheon Macroeconomics, are of the view that headline inflation will actually slip below the MPC's 2% target, coming in at 1.9%, whilst also observing that a consensus outturn for services inflation would put it well-above the MPC's 5.1% projection. The consultancy makes the observation that "strength in labour-intensive CPI components reflects still elevated wage growth and particularly April's 9.8%

minimum wage hike feeding through". From a policy perspective, odds of an August rate cut receded last week following hawkish comments from BoE's Haskel, Mann and Pill. On the latter's comments, it is worth noting that even a soft services CPI outturn may be dismissed by the MPC with the Chief Economist remarking that "we have to be realistic about how much any one or two releases can add to our assessment." As it stands, odds of an August cut stand at around 52% (vs. circa 60% earlier in the week) with a total of 48ps of easing seen by year-end.

ECB ANNOUNCEMENT (THU): Expectations are unanimous amongst economists that the ECB will stand pat on rates with markets assigning a 92% chance of such an outcome. As a reminder, at the prior meeting, the ECB cut rates for the first time since September 2019, with the accompanying statement noting that the "Governing Council is not pre-committing to a particular rate path". Since the June announcement, headline HICP ticked lower to 2.5% from 2.6%, with ING making the observation that sticky services inflation at 4.1% kept "core inflation too elevated for another imminent rate cut". From a growth perspective, Q2 GDP will not be available until July 30th, however, more timely PMI metrics from S&P Global saw the EZ-wide manufacturing print fall to 45.8 from 47.3, services nudge lower to 52.8 from 53.2, leaving the composite at 50.9 vs. prev. 52.2. In the labour market, the unemployment rate remains at its historic low of 6.4%. Rhetoric from officials has suggested a move lower in rates this month is unlikely with President Lagarde stating officials are in no hurry to cut rates again after June's move and the central bank requires additional reassurance that inflation is headed back towards 2% before it cuts rates further. Hawks on the GC have been more explicit in their views with ECB's Knot stating that there is no reason to cut in July, adding that the next truly open meeting is in September. As such, it looks like the upcoming meeting will largely be a non-event with policymakers set to sit on their hands and see how data plays out between now and September. On which, market pricing currently assigns a roughly 80% chance of a cut with a total of 46bps of easing seen by year-end.

SARB ANNOUNCEMENT (THU): Likely to once again keep the Repo Rate at 8.25%. In June, the rate was maintained with the statement noting that considerable uncertainty remains around long-term inflation while being more optimistic on the medium-term view, stating that they see CPI stabilising at the 4.5% objective in Q2-2025. The main update since the last SARB announcement has been the final tally of election results and the agreement between ANC and the Democratic Alliance to form a government of national unity. On the data front, May's CPI printed in-line with the prior and newswire consensus at 5.2% Y/Y, markedly above the 4.5% mid-point of the 3-6% SARB target band. The latest Reuters poll, released in June, has respondents looking for the SARB to remain on hold until November.

AUSTRALIAN EMPLOYMENT (THU): Employment change is expected at 20k in June (prev. 39.7k May), with the participation rate seen ticking lower to 66.7% (prev. 66.8%) and the Unemployment Rate steady at 4.0%. For June, analysts at Westpac forecast an employment rise of +30k, aligning with current population growth rates and stabilising the employment-to-population ratio -this ratio is expected to moderate in the second half of the year as employment growth slows. The analysts also anticipate the Participation Rate to remain flat at 66.8%, maintaining the unemployment rate at 4.0%. Westpac suggests the focus will also be on other measures such as underemployment and youth unemployment, which the RBA closely monitors, especially with softening hours worked and emerging industry differences.

UK UNEMPLOYMENT/WAGES (THU): Expectations are for the ILO unemployment rate to hold steady at 4.4% in the 3M period to May, employment change to expand 45k vs. prev. -140k, headline earnings growth 3M/YY to cool to 5.7% from 5.9% with the ex-bonus metric seen at 5.7% vs. prev. 6.0%. As a reminder, the prior release saw the unemployment rate unexpectedly jump to 4.4% from 4.3%, employment contract 140k and headline wage growth hold steady on a 3M/YY basis at an elevated rate of 5.9%. This time around, economists at Pantheon Macroeconomics expect pay growth to comfortably exceed the MPC's forecast as the National Living Wage increase from April filters through into the data. More specifically, Pantheon assumes "private-sector AWE excluding bonuses in April is revised up 0.1pp and rises 0.6% month-to-month in May, far exceeding the MPC's 0.2% forecast". Elsewhere, the consultancy expected the unemployment rate to hold steady at 4.4%, whilst also observing that "business surveys suggest employment growth has been stable or even increased slightly over the past few months". From a policy perspective, as has been the case for many months now, the employment data will be downplayed due to reliability issues. However, the wages components will be eyed by the hawks on the MPC with BoE's Mann recently stating that "wage growth is still far away from being consistent with the inflation target".

JAPANESE CPI (FRI): Core Y/Y is expected to tick higher to 2.7% in June from 2.5% in May, with the headline Y/Y expected to accelerate to 2.9% from 2.8% - driven by higher prices for utilities and manufactured goods. This aligns with previous indicators such as Tokyo inflation and producer prices. The BoJ is concerned about inflation driven by exchange rate pass-through and expects solid wage growth to continue adding to inflationary pressure in the coming months, as per several officials over the recent weeks. Analysts at ING also flag that "the government plans to offer an energy subsidy programme from August to October, which will temporarily weigh on headline inflation." The data comes ahead of the BoJ's 31st July confab in which the Central Bank is expected to lower its GDP growth forecast due to a revision of historical GDP data. However, it will likely maintain its growth forecasts for 2025 and 2026, projecting the economy remains on track for moderate recovery. The BoJ's inflation forecast is expected to stay around its 2% target through early 2027, supporting the case for a potential near-term interest rate hike, according to Reuters.

UK RETAIL SALES (FRI): Expectations are for headline Y/Y retail sales to rise 0.2% vs. prev. 1.3% with the M/M rate set to contract 0.4% vs. prev. +2.9%. In terms of recent retail indicators, UK BRC retail sales contracted 0.5% Y/Y with the accompanying report noting “Retail sales performed poorly in June as the cooler weather during the first half of the month dulled consumer spending... Retailers remain hopeful that as the summer social season gets into full swing and the weather improves, sales will follow suit”. Elsewhere, the Barclaycard Consumer Spending observed that “the cold in early June 2024, in contrast to 2023’s sunshine and warm weather resulted in overall Retail spending falling by -2.6% in June 2024, when compared to this time last year”. Adding, “this is the lowest year-on-year growth since June 2022 (-3.8%), as the cold weather continued to deter shoppers from visiting the high-street, resulting in a slowdown in in-store spending (excluding groceries) and clothing sales”.