newsquawk

Week Ahead

26th-30th August 2024: Highlights include US PCE, UoM, Global CPI's, and NVDA earnings

- **MON**: UK Market Holiday (Bank Holiday), German Ifo (Aug)
- **TUE**: CBRT Minutes, Chinese Industrial Profit (Jul), German GfK Consumer Sentiment (Sep)
- **WED**: Australian CPI (Jul), Nvidia (NVDA) Earnings (Q2)
- **THU**: Spanish Flash CPI (Aug), German State CPIs (Aug), EZ Sentiment Survey (Aug), US GDP (2nd) and PCE (Q2)
- **FRI**: Japanese Tokyo CPI (Aug), French Prelim CPI (Aug), German Unemployment (Aug), EZ Flash CPI (Aug), Italian Flash CPI (Aug), US PCE (Jul), US University of Michigan Final (Aug)

PBOC DELAYED MLF (MON): PBoC announced last week that it has delayed its MLF operation and will conduct it on August 26th. Instead of the MLF, the PBoC injected CNY 577.7bln via 7-day reverse repos, while it added that the reverse repo operation that day was meant to counteract maturing MLF loans, tax payments and government bond issuances. "This would be consistent with the policy direction to gradually fade MLF as a guidance to market rates", said the head of FX and Rates at Oversea-Chinese Banking Corporation. In response to Reuters asking if the central bank would shift the timings of MLF operation, the PBoC replied "Future arrangements would be 'subject to the actual operation time.'" It's worth reminding ourselves that the delayed MLF operation does come after a series of rate cuts in July, with market watchers suggesting the sequence of the cuts showed a change in the framework – shifting short-term rates to be the main market-guiding signal. For reference, China's benchmark Loan Prime Rates were kept unchanged, as widely expected, with the 1-year LPR maintained at 3.35% and the 5-year LPR held at 3.85%.

CHINESE INDUSTRIAL PROFITS (TUE): There are currently no expectations for July Chinese Industrial Profits, although the data will be watched for a prognosis of the health of China's manufacturing sector. In June, Chinese industrial firms' profits increased by 3.6% Y/Y, accelerating from a 0.7% rise in May. Despite the recovery from last year's weak performance, profits remain below 2022 levels and far from the record highs of 2021, according to Bloomberg. NBS at the time suggested the recovery was hindered by insufficient domestic demand and a challenging international environment. Analysts at ING said the data "recently recovered to low single-digit growth but could begin facing some pressures again amid recent signs of a manufacturing pullback."

AUSTRALIAN CPI (WED): Weighted CPI Y/Y is forecast to tick lower to 3.4% from 3.8%. Desks believe the introduction of energy rebates by the Commonwealth, Queensland, and Western Australia governments in July is anticipated to lower electricity bills, with Westpac predicting a 32% drop in electricity prices for the month – and in turn a Weighted CPI print of 2.9% - below the market forecast. The Desk says "When combined with a -2.3%mth fall in auto fuel and flat food, this should see a -0.6%mth decline in the July Monthly CPI Indicator with the annual pace dropping sharply from 3.8%yr to 2.9%yr". From an RBA perspective, the data will be keenly watched given the recent hawkish tones from the central bank. As a reminder, the most recent RBA Minutes from the August 5th-6th meeting stated the board considered the case to raise rates and decided a steady outcome better balanced the risks and added it is possible cash rate would have to stay steady for an extended period. RBA Governor Bullock stuck to a hawkish tone at the post-meeting press conference in which she noted that the board considered a rate increase and that a cut is not on the near-term agenda, while she also stated that they are ready to raise rates if needed and that the pricing of cuts for the next six months does not align with the board.

NVIDIA EARNINGS (WED): The consensus expects Nvidia to report EPS of 0.63 per share, on revenues of USD 28.35bln. The tech giant is expected to guide Q3 EPS at 0.69 and Q3 revenue at 31.18bln. For the full year, Nvidia is expected to guide EPS around 2.70, and revenue of USD 120.14bln. Analysts generally expect Nvidia's upcoming earnings report to show strong results due to sustained AI demand, however, there is a little caution due to potential production delays. Oppenheimer anticipates strong Q2 results and positive Q3 outlook, driven by datacentre growth. HSBC and Stifel predict continued strength, despite concerns about potential delays in the Blackwell series. Susquehanna expects robust results, but notes risks from possible delays in the GB200. Wells Fargo is focused on long-term growth, especially from Blackwell and software monetisation, while Barclays highlights stronger-than-expected supply chain metrics and increased datacentre revenue forecasts. According to Refinitiv's data, analysts currently rate Nvidia's stock as a Buy, with an average price target of USD 137.41/shr.

JAPANESE TOKYO CPI (FRI): The release is typically used as a preview for the mainland metrics released a couple of weeks after. Core Tokyo CPI is seen remaining at 2.2%, whilst headline CPI is seen cooling to 1.9% from 2.2% - primarily due to the government's temporary energy subsidy program. "However, service sector prices are likely to grow at a faster pace than in the previous month due to strong wage growth", according to ING. The data comes in the context of BoJ normalisation. BoJ Governor Ueda said at Friday's parliamentary testimonies that economic indicators released after the July rate hike, including Q2 GDP and wage data, confirmed the economy was moving in line with BoJ's outlook and therefore, the July decision was appropriate. He added there is no change to the stance that they would adjust the degree of monetary easing if the price outlook is likely to be achieved.

EZ FLASH CPI (FRI): Expectations are for headline HICP to have pulled back to 2.2% Y/Y in August from 2.6% in July, with the super-core metric seen pulling back to 2.8% Y/Y from 2.9%. The prior release saw an uptick in the headline rate to 2.6% Y/Y from 2.5%, with the increase driven by an uptick in energy inflation. Elsewhere, the widely-watched services component ticked lower to 4.0% Y/Y from 4.1%. This time around, analysts at Investec "are pencilling a drop in the headline measure of inflation to 2.3% Y/Y. This is related to energy given the 4.9% fall in oil prices in the month and a positive base effect from utility prices". Its analysts look for services inflation to remain "sticky" and "do not expect to see a sustained improvement in until wage growth eases more materially." As a reminder, regional releases ahead of the Eurozone-wide metric will give traders insight into what to expect for Friday's release. From a policy perspective, a September rate cut is fully priced with greater interest over how the rate cutting cycle will proceed thereafter with a total of 64bps of easing seen by year-end which implies two 25bps rate cuts, and a 56% chance of another 25bps reduction.

US PCE (FRI): The consensus looks for headline PCE to rise +0.2% M/M in July (prev. +0.1%). Writing after the release of CPI and PPI data, WSJ's Nick Timiraos said forecasters who translate the CPI and PPI into the PCE expect core prices rose 0.16% M/M in July - which would be 0.2% M/M rounded, matching the June metric. Timiraos added that this would hold the 12-month rate steady at 2.7% Y/Y, the six-month annualised rate would fall to 2.7% from 3.4% in June, and the three-month annualised rate would fall to 1.9% from 2.3%. Capital Economics says the CPI and PPI data show a firm disinflationary trend, and supports the case for the Fed to cut rates by 25bps in

September, despite a potential slight annual increase in core PCE inflation. It said that while some categories, like rent and motor vehicle insurance, showed higher prices, the data overall suggests that inflationary pressures are moderating, but not enough to justify a larger cut. Analysts are generally of the view that the Fed will firm its view after seeing the August jobs report (due September 6th).

AUSTRALIAN RETAIL SALES (FRI): Retail Sales data for July is seen ticking lower to 0.2% from 0.5%. The report will provide the first official data on the impact of the “stage 3” tax cuts on consumer spending introduced in July. Westpac's Card Tracker suggests that consumers are mostly saving their income gains, resulting in only a modest increase in spending. Westpac however forecasts the print at 0.8% - above market consensus – “On balance we expect retail sales to post a 0.8% gain in July, likely to be viewed as a subdued result given the context [of tax relief]”, the desk says.