Week Ahead: 11-15th November 2024

Highlights include US and China CPI, US Retail Sales, UK and Australian Jobs

- **MON**: US Holiday: Veterans Day. BoJ SOO (Oct), BoC SLOS; Norwegian CPI (Oct)
- **TUE**: Fed SLOOS, OPEC MOMR; German CPI (Final), ZEW (Nov), UK Unemployment/Weekly Earnings (Sep), US NFIB (Oct)
- **WED**: Riksbank Minutes (Nov), EIA STEO; Australian Wage Price Index (Q3), US CPI (Oct)
- **THU**: ECB Minutes (Oct), Banxico Policy Announcement, IEA OMR; Australian Unemployment Rate (Oct), Swedish CPIF (Oct), EZ GDP Flash Estimate (Q3), US Initial Jobless Claims (w/e 9th Nov), PPI Final Demand (Oct), Japanese GDP (Q3)
- **FRI**: Chinese House Prices (Oct), Industrial Output (Oct), Retail Sales (Oct), German WPI (Oct), UK GDP Estimate (Sep), GDP Prelim.(Q3), US Retail Sales (Oct), NY Fed Manufacturing (Nov), Export/Import Prices (Oct)

CHINESE CPI (SAT): Chinese CPI Y/Y is expected to remain steady at 0.4% (prev. 0.4%), with the M/M metrics seen at -0.1% (prev. 0.0%), and PPI Y/Y at -2.5% (prev. -2.8%). The release will be over the weekend, outside of market hours. Using the Caixin PMI commentary as a proxy, the release suggested “Prices were generally stable with a slight uptick in the services sector’s input costs. Market optimism recovered from the record low in September.” The data will be watched for signs of sluggish demand - the September release saw disappointing data followed by an underwhelming economic briefing. Note, China’s much-anticipated NPC Standing Committee meeting concluded on Friday with an announcement on a debt swap plan to rein in hidden local government debt, whilst no details were mentioned regarding immediate fiscal stimulus whilst future stimulus was promised.

BOJ SOO (MON): The BoJ will release the Summary of Opinions from its October 30th-31st meeting where it provided no major surprises as it kept the short-term policy rate at 0.25%, as expected, which money markets were pricing a 99% likelihood of ahead of the announcement. The central bank also refrained from any fresh policy clues as it noted that it will conduct monetary policy from the perspective of sustainably and stably achieving the 2% price target and given that real interest rates are at very low levels, the BoJ will continue to raise the policy rate if the economy and prices move in line with its forecast. However, it also noted that uncertainty surrounding Japan's economy and prices remains high, and the BoJ must be vigilant to financial and FX market moves and their impact on the economy and prices. Furthermore, the BoJ said it must scrutinise US and overseas economic developments and market moves, as well as be vigilant to their impact on Japan's economic and price outlook, risks and likelihood of achieving projections, while the projections in the Outlook Report were mostly kept unchanged with attested to the lack of fireworks from the meeting. Nonetheless, the yen began to strengthen after the dust settled as participants digested the announcement which showed a lack of deviation from the BoJ’s current path despite the current political uncertainty and after the central bank noted that risks to prices are skewed to the upside for FY 2025. BoJ's Governor Ueda also provided a hawkish tone at the press conference where he noted that they did not need to use the language at this meeting that they can afford to spend time scrutinising risks, as well as stated that they will start to see the possibility of the next rate hike when the certainty of meeting the outlook heightens.

UK JOBS (TUE): Expectations are for the unemployment rate in the 3M period to September to rise to 4.1% from 4.0%, whilst headline average earnings are expected to pick up to 3.9% from 3.8% on a 3M/YY basis. As a reminder, the prior release saw the unemployment rate unexpectedly declined to 4.0% from 4.1% in the 3M period to August, employment growth rose to 373k (largest 3M increase on record) from 265k, however, the more timely HMRC payrolls change printed at -15k, whilst headline earnings growth slowed to 3.8% from 4.1% on a 3M/YY basis. For the upcoming release, economists at Oxford Economics state that “there's a good chance that the cooling momentum in underlying pay conditions continued in September”. For the LFS report, the consultancy notes the lack of reliability of the release given that methodological improvements have yet to be made. However, it is of the view that “with June's implausibly low single-month reading dropping out of the three-month average, we expect the unemployment rate ticked up to 4.2% in the three months to September”. From a policy perspective, market pricing for a December cut is at just 20% with markets of the view that the MPC will opt to cut at every other meeting (i.e the next reduction will be in February). If the release prints in a dovish manner, we could see a pick-up in pricing for next month. However, it is worth noting that there are two more inflation reports between now and the December meeting, which will likely carry more sway over the MPC.

US CPI (WED): The consensus looks for headline CPI to rise +0.2% M/M in October (prev. +0.2%), and the core rate is seen printing 0.3% M/M (prev. 0.3%). On the data set, Wells Fargo said a more temperate gain in food prices likely helped to keep October's headline gain in check, but after grocery prices leapt 0.4% in September, they expect a slower rise in October (0.1%). Nonetheless, the bank adds, the downdraft to overall inflation from energy is reducing, and the risks to energy costs, at least for now, lie to the upside given the Middle East tensions. Further still, ex-energy and food components, the unwinding of pandemic-era price distortions has proven to be frustratingly slow, and as such the bank's expectation for a 0.28% monthly gain would push the 3mth annualized rate of core CPI up to 3.6% while keeping the 12mth rate at 3.3%. Overall, Wells Fargo states that while the journey back to price stability has not been completed, they have been of the view several factors would help drive inflation slowly back to the Fed's target over the course of the next two years, although, a number of upside risks remain in the near to medium term. At the Federal Reserve meeting on November 7th, Chair Powell stated that inflation has eased significantly, although core inflation remains “somewhat elevated” and the most recent inflation report was “not terrible, but it was higher than expected”. Notably, the Chair said that 80% of the inflation price basket is back to levels consistent with the Fed’s objectives with housing the outlier. On President-Elect Trump, a numerous quantity of the policies proposed by him on the campaign trail are likely to contribute to inflationary pressures and potentially make the Fed's journey back to 2% more complicated.

RIKSBANK MINUTES (WED): As expected, the Riksbank delivered a 50bps cut bringing its policy rate to 2.75% (prev. 3.25%), but also vs some outside expectations of a smaller magnitude 25bps cut. The Bank noted that for today's decision, "to further support economic activity, the policy rate needs to be cut somewhat faster than was assessed in September". Forward guidance was largely a reiteration of the guidance communicated at the September meeting, noting that the "policy rate may also be lowered in December and H1 2025". The Bank also decided that its long-term nominal government bonds should be SEK 20bln, meaning bond sales should continue until end-2025. EUR/SEK initially knee-jerked higher on the back of the policy announcement, then traded choppily a few moments later, before ultimately stabilising around pre-release levels. The Riksbank Minutes next week will provide further details on the Bank’s discussions behind favouring a 50bps cut, and may potentially contain any details on what board members are focusing on, ahead of the December meeting. On that, both SEB and Nordea Bank stick to their calls that the Riksbank will deliver a 25bps cut at each of the next three meetings.

AUSTRALIAN JOBS (THU): The Australian labour force report is expected to show an addition of 25k jobs in October (vs 64.1k in September), with the unemployment rate seen ticking up to 4.2% from 4.1%, and the participation rate expected steady at 67.2%. Analysts at

Westpac forecast the addition of 20k with the unemployment rate at 4.2%. The desk argues that the final quarter of the year is usually softer for working-age population growth, and as such, Westpac analysts suggest it would be “unlikely to see employment continue to rise at the scale seen in recent months (an average of +50k/mth since June). Our +20k forecast for Oct roughly keeps the employment-to-population ratio steady”, while it also expects to see some signs of consolidation for the unemployment rate.

ECB MINUTES (THU): As expected, the ECB opted to cut the Deposit Rate by 25bps. Despite the bank seemingly positioning itself for an unchanged rate in the wake of the September meeting, soft outturns for inflation and survey data forced the hand of the Bank into easing policy. Accordingly, the ECB reaffirmed its data-dependent credentials and reiterated that it will keep policy rates sufficiently restrictive for as long as necessary. The only minor tweak in the policy statement was that the Bank now sees inflation at 2% in the course of 2025 vs. previous guidance of H2 2025. At the follow-up press conference, Lagarde noted that there will be a lot more data available before the December 12th meeting, which suggests that there is not a preset expectation on the GC over what happens at the final meeting of the year. Furthermore, Lagarde stated that she has not opened the door to another rate reduction in December. That being said, she noted that there is no question that policy is currently restrictive. With regards to the decision, the President noted that it was a unanimous one on the GC. As ever, given the time lag between the meeting and the publication of the accounts, markets will likely deem the release as stale.

BANXICO ANNOUNCEMENT (THU): Banxico is likely to cut rates next week by another 25bps, taking rates to 10.5%. The prior meeting saw a 25bps cut, albeit the vote was not unanimous with Heath voting to maintain rates, while Espinosa joined the cut camp after voting to hold at the August meeting. The September meeting saw a slight tweak to guidance to explicitly signal more cuts ahead, as it now notes that the inflationary environment will allow further rate adjustments (prev. said it may allow). It also maintained that it expects inflation to converge to the 2-4% target range by Q4 ‘25. Of course, looking ahead the outlook may change given the Trump victory and its implication on tariffs and inflation for LatAm markets. President-Elect Trump does not take office until January and then further details will be eyed on his policies, but he has signalled a tariff-heavy approach, with many expecting an inflation impulse in the US in response, also supported by increased spending and tax cuts. This may slow down the Fed's easing cycle ahead, which may have a knock-on effect on Banxico, but the Fed are maintaining a data-dependent, meeting-by-meeting approach and not wanting to front-run fiscal policy changes. Any remarks from Banxico on the potential Trump impact will be eyed.

JAPANESE GDP (THU): GDP Q/Q for Q3 is expected to wane to +0.2% from +0.7% in Q2. Desks highlight that the Q2 “megaquake” and typhoon in August dampened economic activity. Monthly industrial production results have been mixed, although largely indicate a modest recovery in Q3 GDP. In the BoJ Outlook Report released at the Oct 31st confab, the central bank maintained its FY24 median forecast at 0.6%, raised FY25 to 1.1% (prev. 1.0%), and maintained FY26 at 1.0%. In the post-meeting presser, the BoJ Governor Ueda said the domestic economy is recovering moderately, though some weak moves are seen, and the next rate hike can be seen when the central banks become more confident in the realisation of their outlook.

CHINESE ACTIVITY DATA (FRI): Chinese Industrial Production is seen coming in steady at 5.4% (prev. 5.4%) whilst Retail Sales are expected at 3.8% (prev. 3.2%) and Urban Investments at 3.5% (prev. 3.4%). The data will be watched to gauge the health of the Chinese economy – particularly domestic demand. The strong PMI released recently sets the stage for robust Industrial Production, whilst Retail Sales are expected to remain subdued but still tick up from the prior. House price data will also be watched for signs of stability, “where even a narrower decline would likely be seen as welcome news” according to ING. Meanwhile, the latest Caixin PMI suggested that “In late September, the Politburo noted emerging economic challenges and emphasized the need to focus on key areas. Following this, a series of new policies were rolled out. The Caixin manufacturing and services PMI surveys showed that market demand stabilized and optimism improved, early signs of the new policies’ impact.”

UK GDP (FRI): Expectations are for a 0.2% M/M pick-up in growth for September. As a reminder, the August release saw an uptick in M/M growth to 0.2% after two consecutive months of no growth at all. The 3M/3M outturn has slowed to 0.2% from 0.5%, however, it is worth noting that the monthly GDP releases can be pretty erratic, as opined by ING. In terms of recent surveyed measures of growth, the S&P Global report for September saw pullbacks in the services and manufacturing metrics, albeit both remained in expansionary territory. The accompanying release noted that that data “hint at a ‘soft landing’ for the UK economy". However, “by far the most cited concern among UK private sector firms was fiscal policy uncertainty ahead of the Autumn Budget on 30th October 2024." From a policy perspective, given the erratic nature of M/M prints and the MPC’s focus on services inflation and wage dynamics, the release is unlikely to have a material sway on market pricing for the BoE.

US RETAIL SALES (FRI): US retail sales data is due on Friday, whereby in September the headline came in at 0.4% M/M and Y/Y, with the retail control at 0.7%. In terms of recent commentary from retailers, Amazon management noted in its retail business it is seeing favourable trends in everyday essentials, leading customers to build bigger baskets and shop more frequently, although mgmt. did say customers remain cost-conscious. In the October ISM data, in the Manufacturing reading supplier deliveries slowed, while the prices index soared back into expansionary territory. In the Services print, the supplier deliveries index remained in expansion in October, indicating slower delivery performance, with impacts from hurricanes and ports labour turbulence mentioned frequently, although several panellists mentioned that “the longshoremen’s strike had less of an impact than feared due to its short duration.”