

Highlights include US and China inflation, rate decisions from ECB, RBA, BoC, SNB

- **MON:** Eurogroup Meeting; Chinese CPI & PPI (Nov), EZ Sentix (Dec), US Employment Trends (Nov)
- **TUE:** RBA Policy Announcement, EIA STEO; German Final CPI (Nov), Norwegian CPI (Nov), US NFIB (Nov), Chinese Trade Balance (Nov), Chinese Central Economic Work Conference
- **WED:** BoC & BCB Policy Announcement, OPEC MOMR; South African CPI (Nov), US CPI (Nov)
- **THU:** ECB & SNB Policy Announcements, Norges Bank Regional Network, IEA OMR; Australian Employment (Nov), UK GDP Estimate (Oct), US Initial Jobless Claims (w/e 7th), PPI (Nov), Japanese Tankan Index (Q4)
- **FRI:** N/A

CHINESE INFLATION (MON): Chinese inflation data for November will provide the latest clues into the underlying health of the world's second-largest economy following the slower-than-expected pace of annual growth in consumer prices and continued decline in factory gate prices seen the month before. As a reminder, the price data for October was softer than anticipated with CPI YY at 0.3% vs. Exp. 0.4% (Prev. 0.4%) and PPI YY at -2.9% vs. Exp. -2.5% (Prev. -2.8%). The monthly change in consumer prices also fell into deflation territory at -0.3% vs. Exp. -0.1% (Prev. 0.0%). The annual rise in CPI was facilitated by a 2.9% increase in food prices, as well as a 0.2% and 0.4% rise in consumer goods inflation and services prices, respectively. Conversely, housing rent fell 0.3% which attests to the ongoing property sector woes, while the costs of fuels for transport saw a double-digit percentage drop of 10.5% and contributed to a 4.8% decline in the transportation and telecommunication category. Furthermore, there was a steeper drop in China's producer prices which was in deflation for a 25th consecutive month in October amid a 3.3% decline in the costs of production materials with a 5.1% drop in mining and 4.0% decline in raw material costs, while the factory gate price for consumer goods fell 1.6% and durable goods fell 3.1%. Nonetheless, China's National Bureau of Statistics deputy head anticipates consumer prices to recover for the remainder of the year citing an improved economic situation, seasonal factors and a diminishing carryover effect. Of note, November CPI Y/Y is expected at 0.5% and PPI Y/Y is expected at -2.8%.

RBA POLICY ANNOUNCEMENT (TUE): The RBA is likely to keep rates unchanged at its meeting next week with a recent Reuters poll showing unanimous forecasts for the central bank to remain on pause, while money markets are pricing an 85% for the Cash Rate to be kept at 4.35% and just a 15% likelihood of a 25bps cut. As a reminder, the central bank opted to keep the Cash Rate unchanged for the 8th consecutive meeting last month which economists had unanimously forecast, while the rhetoric provided little fresh insight as it reiterated that the board will continue to rely upon the data and evolving assessment of risks, as well as noted that inflation remains too high and is not expected to return sustainably to the midpoint of the target until 2026. Furthermore, it stated that policy will need to be sufficiently restrictive until the board is confident that inflation is moving sustainably towards the target range and it repeated that the board is not ruling anything in or out. The post-meeting press conference also provided little in the way of fresh clues as RBA Governor Bullock stated that the last part of bringing inflation down is not easy and rates need to stay restrictive for the time being, while she thinks there are still risks on the upside for inflation but noted they will be ready to act if the economy turns down more than expected. Bullock also noted that they have the right settings at the moment and there were no discussions on specific scenarios for rate changes, as well as stated the current Cash Rate path priced by the market is as good as any. The minutes from the meeting further suggested a lack of urgency to act as it noted the Board is vigilant to upside inflation risks and policy needs to remain restrictive, while it saw no immediate need to change the Cash Rate and would need more than one good quarterly inflation report to justify a rate cut. The rhetoric from officials since then continues to suggest the central bank is keeping its options open as Governor Bullock stated the RBA will be in a position to consider rate cuts at some point, as long as inflation continues on its gradual slowing path and the Board can respond if inflation falls more quickly than forecast, as well as noted that they do not need inflation to be at the target to cut, but needs to be sure that it is heading there. Furthermore, a couple of the big 4 banks in Australia have adjusted their rate cut calls including ANZ Bank which pushed back its forecast for the first RBA rate cut to May next year from February and now only sees two 25bp cuts vs a prior view of three cuts, while Westpac also now expect the RBA to start cutting rates in May 2025 vs. a prior forecast of February 2025, although money markets have recently shifted to fully pricing a first cut in April after disappointing Australian GDP data for Q3.

CHINESE TRADE (TUE): China will release its trade figures for November which participants will be eyeing to see if there is an improvement from the mixed figures seen in October. The prior data saw a larger-than-expected trade surplus of USD 95.72bln vs. Exp. 76.03bln (Prev. 81.71bln) and a double-digit surge in exports of 12.7% vs. Exp. 5.2% (Prev. 2.4%) but imports contracted at a steeper-than-feared pace of -2.3% vs. Exp. -1.5% (Prev. 0.3%). The rise in exports in October surpassed even the most optimistic of analysts' estimates to register the fastest growth since March 2023. It also followed a series of policy support announcements by officials in Beijing including the PBoC's cuts to the RRR and across its short-term funding rates, while the month of October also saw a return to expansion territory of China's factory activity after five consecutive months of contraction. However, this further improved in November and provides some encouragement for the upcoming release. Conversely, imports contracted by more than feared in October which highlights China's weak domestic demand and consumption amid the ongoing property sector woes and trade frictions with the latter likely to worsen next year owing to the threat of increased tariffs on Trump's return to the White House. In terms of the expectations for the upcoming data, the Trade Balance is seen at a surplus of USD 95.5bln, while exports growth is seen at 8.5% and Imports at 0.3%.

CHINESE CENTRAL ECONOMIC WORK CONFERENCE (TUE-WED): While no major numerical targets are expected (typically set at the Two Sessions), the market will be closely watching for shifts in tone on fiscal and monetary policy heading into next year. Currently, the stance is proactive on fiscal policy and prudent on monetary policy. The focus will likely be on whether there's a new emphasis on boosting domestic demand or supporting the property market. Analysts will also be attentive to any changes in rhetoric that could signal a shift toward more aggressive policy support. That being said, the Chinese press played down prospects for stimulus as it warned against blindly pursuing faster growth and signalled more focus on supporting consumption in a flurry of articles ahead of the Central Economic Work Conference, according to Bloomberg. Analysts at ING "expect the markets would be satisfied with a shift to signal more aggressive policy support but may be disappointed if the release offers little new content."

BOC POLICY ANNOUNCEMENT (WED): The BoC is widely expected to cut rates on Wednesday 11th December, although money market pricing suggests the magnitude will be either a 25 or 50bps move. Markets were pricing in the decision to be a coin toss between a 25 or 50bps reduction. Recent data has been mixed, the latest Inflation report saw inflation come in hotter than forecast while growth data disappointed. However, the November jobs report was dovish with a notable rise in the unemployment rate, this saw markets lean more towards a 50bps rate cut, with 43bps of easing currently priced, implying a c. 70% probability of another 50bps rate cut. The prior BoC meeting saw the central bank cut rates by 50bps, a decision made to support economic growth and keep inflation close to the middle of the 1-

3% target range. Participants have been questioning whether the BoC will go ahead with another 50bps rate cut to support economic growth, or perhaps slow to a 25bps rate cut due to the recent uptick in inflation, but the recent jobs report has seen these expectations lean towards the more dovish outcome. Note, that this meeting will not see an update to the monetary policy report and economic forecasts.

BCB POLICY ANNOUNCEMENT (WED): The BCB is expected to hike rates by 75bps next week, according to 31/40 economists surveyed by Reuters, with 5 expecting a 50bps hike and four looking for a 100bp hike. There has been a notable weakening in the BRL recently after the recent fiscal package announcements from the government. The spending cuts and income tax reform were perceived poorly and enhanced fiscal fears in Brazil, this took USD/BRL to a peak of 6.1150, the highest level on record. Meanwhile, recent economic data has shown the economic resilience of the Brazilian economy in Q3, with GDP growth of 0.9% Q/Q and 4.0% Y/Y, and is supported by strong domestic fundamentals like low inflation and a robust labour market, analysts have said. However, November's inflation data showed a surge, driven by food and transportation costs, with the IPCA-15 rising +0.6% M/M and 4.8% Y/Y, both higher than expected. Given these developments, the BCB is likely to maintain a cautious stance, continuing its tightening cycle to combat rising inflation and persistent inflation expectations, Pantheon Macroeconomics said. The consultancy expects that the impact of high real interest rates and external pressures, including a weak global trade environment, are expected to start weighing on economic activity ahead. Accordingly, Pantheon expects the BCB to raise its Selic rate by 50bps on December 11th, as it aims to curb inflationary pressures and anchor price stability. Looking ahead, the latest weekly analyst survey by the BCB saw the year ahead Selic rate between 12.5 and 12.75%, up from the prior week's 12.25%.

US CPI (WED): The analyst consensus currently expects US consumer prices to rise +0.2% M/M in November, matching October's print, while the core rate of CPI is seen rising +0.3% M/M, again, matching October's print. Wells Fargo says that although some inflationary pressures, such as an overheated labour market, are easing, new challenges to disinflation have arisen, including potential tariffs and tax cuts, and warns that these could make achieving the Fed's 2% inflation target more difficult in the final stages of the inflationary cycle. Analysts expect the data will form a key part of the FOMC's deliberations at its December 18th policy meeting; money markets are currently pricing a 25bps rate cut with around 89% certainty. The likelihood of another 25bps rate cut increased after the November jobs report, which saw a beat on the headline, but not enough for the Fed to consider a pause while the unemployment rate ticked up.

ECB POLICY ANNOUNCEMENT (THU): Expectations are for the ECB to cut the deposit rate by 25bps to 3.0% with markets assigning a circa 85% chance of such an outcome (with a 15% probability for a 50bps rate cut). The prior meeting in October saw the ECB pull the trigger on a 25bps rate cut despite policymakers initially positioning themselves for a pause in the wake of the September meeting. Since the October meeting, focus has increasingly been on growth metrics with survey data showing a marked drop in the November Eurozone Composite PMI to 48.1 from 50.0 with heavy pessimism surrounding the French economy. The accompanying release noted "the eurozone's manufacturing sector is sinking deeper into recession, and now the services sector is starting to struggle after two months of marginal growth." On the inflation front, headline Y/Y CPI rose in November to 2.3% from 2.0%, which was largely expected on account of base effects. Core inflation remained at a stubborn level of 2.7% whilst services inflation ticked marginally lower to 3.9% from 4.0%. The tone of messaging from ECB officials has failed to endorse a 50bps move with the influential Schnabel of Germany going as far as saying that she sees only limited room for additional cuts, whilst other members have also stressed a cautious approach to rate cuts. Overall, despite the weak growth outlook for the Eurozone which is also complicated by Trump's return to the White House, developments on the inflation front suggest there is still more work done to return inflation to target. In recent weeks, policymakers have also stressed the need for the Bank to step away from recent data dependency and focus on forward-looking expectations. On which, the accompanying macro projections are likely to be viewed as stale given that the cut-off date did not encapsulate the latest French political woes, whilst as highlighted by ING, "the ECB normally also applies a 'no policy change' assumption to its forecasting. ING expects projections to be little changed vs. September. As such, those on the GC looking for a 50bps cut are unlikely to be supported by the latest forecasts. Looking beyond the upcoming meeting, assuming the ECB cuts by 25bps, an additional 130bps of loosening is seen by end-2025.

SNB POLICY ANNOUNCEMENT (THU): Expectations are for the SNB to lower rates by 25bps to 0.75% (8 surveyed look for a 25bps cut, 4 look for 50bps). Market pricing sees a 56% chance of a 50bps cut and a 44% chance of a smaller 25bps move. As such, the decision is finely poised in the eye of the market and likely to generate some traction for CHF. As a reminder, at the prior meeting, the SNB opted to cut its policy rate by 25bps to 1.0% while signalling that further cuts were likely and stated that it is prepared to intervene in the FX market as necessary. In terms of the economic backdrop for the meeting, inflation has remained lacklustre with an average rate of 0.7% over the prior quarter which is some way south of the SNB's Q4 forecast of 1.0%. From a growth perspective, Q3 GDP slowed to 0.4% Q/Q from the Q2 rate of 0.6%. Crucially for the SNB, Capital Economics highlights that the CHF is weaker than it was at the time of the last meeting. As a reminder, the board previously highlighted the negative impact that CHF strength was having on the domestic economy. Capital Economics favours a smaller 25bps move on the basis that the SNB will likely maintain its gradual approach to loosening policy after avoiding such a move at the time of the last meeting. However, it is worth noting that the SNB only meets on a quarterly basis (ie. less frequently than most other major central banks) and comments from SNB Chair Schlegel have been particularly dovish in which he noted that he can't currently rule out a return to negative interest rates. This allied with the soft outturn for inflation could easily make the case for a 50bps move. In the event that the SNB goes with a 25bps cut, accompanying commentary is likely to remain dovish. Looking beyond the upcoming meeting, Capital Economics looks for 25bps cuts at the March and June meetings, reaching a terminal rate of 0.25%.

AUSTRALIAN JOBS (THU): The Australian jobs report for November is expected to show Employment Change ticking up to 25k (prev. 15.9k), Unemployment Rate rising to 4.2% (prev. 4.1%), and Participation Rate remaining steady at 67.1% (prev. 67.1%). Desks warn of seasonality factors surrounding Black Friday. "On a multi-month basis, this result would not materially change the broader narrative of a relatively solid labour market that is gradually becoming more balanced", say analysts at Westpac, as they anticipate any strength to be associated with firmer hours rather than headcount. Westpac forecasts 20k for the Employment Change and a 4.2% Unemployment Rate. It's also worth keeping in mind the jobs report will be released a couple of days after the RBA confab.

UK GDP (THU): October's GDP is expected at +0.2% on a M/M basis vs. the 0.1% contraction seen in September. As a reminder, the prior release saw a negative M/M outturn for GDP which saw the Q3 figure come in at a lackluster 0.1%. The slowdown in growth was triggered by "volatility within industry, particularly manufacturing", according to ING. This time around, analysts at Investec look for a rebound in output for ICT industries, constrained growth in the services industry, a flat performance for the manufacturing sector and a pick-up in the construction industry. For Investec, this nets out at a 0.2% M/M increase with the desk expecting a Q4 outturn of 0.4% Q/Q with that pace to be maintained over 2025. From a policy perspective, services inflation and real wage growth are still very much front and centre at the BoE, which combined with the volatility in monthly GDP metrics, means that the release will likely have little impact on BoE pricing which currently has just 2bps of loosening for the December meeting and a total of 72bps by end-2025.