Week Ahead September 29th-October 3rd

- **MON**:
- **TUE**: RBA Announcement, BoJ Summary of Opinions, Japanese Retail Sales (Aug), Chinese Official and Caixin PMIs Final (Sep), UK GDP (Q2), French CPI Prelim (Sep), German CPI Prelim (Sep), EZ Sentiment Survey (Sep).
- **WED**: RBI Policy Announcement; Japanese Tankan (Q3), US, EZ & UK Final Manufacturing PMI (Sep), EZ Flash HICP (Sep), US ADP (Sep), ISM Manufacturing (Sep).
- **THU**: Swiss CPI (Sep), EZ Unemployment (Aug), US Challenger Layoffs (Sep), Weekly Claims, Factory Orders.
- **FRI**: Japanese Unemployment (Aug), Turkish CPI (Sep), EZ & UK Composite PMIs (Sep), EZ Producer Prices (Aug), US NFP (Sep), ISM Services (Sep).
- **SAT**: Japanese LDP Leadership Election.

RBA POLICY ANNOUNCEMENT (TUE): The RBA is widely expected to keep the Cash Rate unchanged at 3.60% at its September 30th meeting, with markets pricing a 93% chance of such an outcome (and a 7% chance of a cut), with the next 25bps cut not fully priced in until March 2026. The meeting will not include updated forecasts. Analysts have suggested that the upside surprise in August's monthly CPI (3.0% Y/Y vs. 2.8% prior) has tempered the case for near-term easing, although the trimmed mean eased to 2.6% from 2.7%. Westpac continues to expect a 25bps rate cut in November, though acknowledges that the timing is now less certain, noting that the RBA is unlikely to overreact to one month of stronger data given the broader inflation outlook remains consistent with the target. The desk suggests that with inflation at target and the labour market gradually loosening, policy need not remain restrictive for an extended period. Meanwhile, Standard Chartered expects policymakers to adopt a wait-and-see approach ahead of the Q3 CPI release on October 29th, which Governor Bullock has previously emphasised as a key input to future decisions.

RBI POLICY ANNOUNCEMENT (WED): The RBI is expected to keep its Repo Rate unchanged at 5.50% at its October 1st announcement, with a Reuters poll showing 45 of 61 economists forecasting a hold, while 16 look for a 25bps cut. Economists note that the MPC is likely to remain cautious as it assesses the transmission of earlier rate cuts, with heavy government spending driving Q2 GDP growth to 7.8% Y/Y, while private investment remains subdued. The INR recently fell to record lows amid trade tensions with the US and tighter H-1B visa rules (India being the largest beneficiary of these visa types), which analysts suggest weighed on portfolio inflows. Inflation has stayed within the RBI's 2-6% target band since November, though the INR's depreciation against the USD has added upside risks. Looking further out into the year, a slim majority of economists (26 of 50) expect the Repo Rate to remain unchanged through at least the end of 2025.

EZ HICP (WED): Expectations are for HICP in September to rise to 2.2% Y/Y from 2.0%, with the super-core metric seen holding steady at 2.3% Y/Y. As a reminder, the prior report showed the headline print held steady at 2.0% Y/Y, super-core remained at 2.3% and the services metric slipped to 3.1% Y/Y from 3.2%. Overall, the series was seen as one of inflation stabilising in the Eurozone with the headline measure holding at target for a third consecutive month. This time around, Investec (and as also suggested by the consensus view), looks for a "temporary" departure from target on account of "volatile elements rather than a change in the underlying trend." More specifically, the desk notes "energy prices are likely to provide an upward influence given a smaller fall in fuel prices this month than that seen a year ago. Similarly, services prices may see a temporary uptick linked to tourism-related costs." That said, underlying price pressures are likely to remain the same as those seen in the August report. From a policy perspective, the release is unlikely to have any sway on the ECB with the Bank on hold for the near-term, absent a marked deterioration in the Eurozone growth outlook. This is reflected in market pricing with just 2bps of loosening seen by year-end.

US ISM MANUFACTURING (WED): The headline is expected to improve slightly to 49.2 from 48.7, though remain below the 50-mark, which separates expansion from contraction. As a basis of comparison, S&P Global's flash US Manufacturing fell to a two-month low of 52.0 in September from 53.0 in August, while the Output Index also fell to a two-month low of 52.1 (vs 55.2 in August). Manufacturing output rose for a fourth consecutive month, but the pace of expansion slowed sharply from August's 39-month high. New order inflows weakened, partly due to export losses from tariffs. Tariffs continued to drive higher input costs, with manufacturing input price inflation among the highest since the pandemic, though slightly down from August. Fewer companies were able to pass costs to customers, suggesting squeezed margins but potential moderation in inflation. Disappointing sales growth led to unprecedented inventory accumulation, which could also support softer inflation in coming months, the report added.

US JOBS REPORT (FRI): The consensus looks for 39k nonfarm payrolls to be added to the economy in September (vs 22k previously). The unemployment rate is expected to hold at 4.3%. Average hourly earnings are seen rising +0.3% M/M, matching the prior reading. As the Fed pivots its attention onto labour market weakness, analysts will be closely watching whether the headline figure is above or below the estimated breakeven rate, which Fed Chair Powell estimates is between 0-50k. Powell noted that the labour market is cooling, and now policymakers are turning their attention to this side of the mandate. He said that labour demand is softening faster than supply, partly influenced by immigration and possibly tariffs, but although payrolls are weakening, Powell still sees unemployment as low (the latest Fed projections see unemployment at 4.5% at the end of this year, easing to 4.4% next year, and 4.3% in 2027, before settling at 4.2% in the long-term). Analysts will also be looking at the data in the context of future Fed rate cuts; dovish pricing took a knock this week after stronger-than-expected economic data (GDP was revised up significantly for Q2). Currently, markets are discounting 39bps of cuts through the end of the year (implying one 25bps reduction has been discounted, and there is around a 50/50 chance of a second cut). The Fed itself see the FFR target falling to 3.50-3.75% this year (implying two 25bps cuts).

US ISM SERVICES (FRI): The consensus expects the ISM services headline to be unchanged at 52.0 in September. As a basis for comparison, S&P Global's flash US Services PMI Business Activity Index fell to 53.9 in September from 54.5 in August, marking a

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three-month low. Growth in the services sector slowed for a second consecutive month, the weakest since June, as weaker domestic demand offset the first rise in exports since March. New order inflows showed the smallest increase for three months. Companies' expectations for output over the year ahead improved to a four-month high, though remained below long-run averages, while service sector sentiment rose to its highest level since May. Firms across both manufacturing and services faced difficulties passing higher costs to customers due to weak demand and rising competition. Goods price inflation fell sharply to its lowest since January, and service sector selling prices increased at the slowest rate since April.

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