WEEK IN FOCUS

The following report is aimed at giving you a concise preview of the major events and themes forthcoming in the week ahead



Week In Focus: Politics Remain Front & Centre, Although Chinese GDP, RBA Minutes, As Well As UK & Canadian Data All Provide Points Of Note

Key Events: -

Monday: BoC Business Outlook Survey, New Zealand CPI (Q3)

Tuesday: UK CPI (Sep), Deadline For The Catalan Gov't To Announce Its Stance On Independence, RBA Meeting Minutes

Wednesday: UK Labour Market Report (Aug/Sep)

Thursday: UK Retail Sales (Sep), European Council Summit, Chinese GDP (Q3), Australian Labour Market Report (Sep)

Friday: Canadian CPI (Aug) Canadian CPI (Aug)

Chinese loans and money supply data for September is due to hit by Tuesday at the latest, although the release has garnered less and less attention in recent times. The focus of the weekend will once again be on European politics.

Sunday 15th October will bring the results of the **Austrian election.** The current Chancellor, Christian Kern, is set to enter the opposition with his Social Democrats Party, with the Austrian electorate unsympathetic towards the regime's economic achievements and more concerned about open-border policies. Despite a large percentage of voters remaining undecided, it appears that Sebastian Kurz's Conservative People's Party is touted to command the largest share of votes, while the right-wing Freedom Party is expected to place third.

The latest German election will take place in the state of Lower Saxony. Opinions polls indicate a neck-and-neck race between the SPD the CDU. The elections are seen as the starting point for the Federal Government's coalition negotiations, with talks between the CDU, Greens and Free Democrats scheduled to begin on 18th October.

North America: -

There is no tier-one US data due for release.

The **Canadian** docket contains several notable risk events, starting with the latest **BoC Business Outlook Survey** due on Monday. June's survey was upbeat, and came before the BoC's hawkish shift, which culminated in back to back 25bps hikes. RBC believe that "some moderation in the elevated future sales and employment measures would not be surprising. Investment intentions and capacity pressures will be closely followed as well. Perhaps more important will be the commentary, with the impact of a stronger Canadian Dollar on exporters probably the most anticipated." The next release of note will come on Friday in the form of September's **CPI** data. Analysts are looking for a 1.6% YY headline vs. 1.4% last time out; as ever there are no expectations for the core measures but the 3-core average ticked up in July. The US hurricane induced bump in gasoline prices should help the headline, while RBC suggests that "further slack has been absorbed," although the BoC has not focused on inflation recently. CIBC writes "the recent - albeit temporary - strength in the CAD is likely to have a bit of a dampening effect in seeing us converge to the BoC's 2% objective, despite narrower slack in the economy. Underlying inflation trends are improving, but only slowly." August's **retail sales** data will hit alongside CPI. Analysts are looking for a steady 0.4% MM headline, with the ex-autos measure seen at 0.3% from 0.2%. CIBC suggest that "autos will be a plus, but underlying retail should give up some of its recent strength."

Other releases of note during the week: Tuesday US Industrial Production (Sep) US Manufacturing Production (Sep) **Wednesday** US Building Permits (Sep) US Housing Starts (Sep) Canadian Manufacturing Sales (Aug) **Thursday** Philly Fed Manufacturing Index (Oct) **Friday** US Existing Home Sales (Sep)

Europe: -

Politics will continue to dominate the region. Monday (09:00 BST) brings **the Spanish government's deadline for the Catalan government to provide extra clarification on whether it has proclaimed independence or not**. If the region fails to do so, or does not take corrective measures by Thursday (also by 09:00 BST), the government might step up its intervention in Catalonia.

Other releases of note during the week: Tuesday German ZEW Economic Sentiment Survey (Oct) Eurozone CPI (Sep, F)

UK: -

Tuesday brings the release of September's **inflation data.** Analysts look for headline CPI to come in at 3.0% YY from 2.9% while core CPI is seen at 2.8% from 2.7%. Utility and gasoline prices are expected to push CPI higher, along with the continuation of the FX related pass through. Morgan Stanley suggest that "this uptick in CPI inflation would be a touch weaker than envisaged in the (more hawkish) September MPC minutes." Wednesday will bring the release of the latest **labour market report.** The unemployment rate is expected to print at a steady 4.3%, with headline wages also seen steady at 2.1% 3M YY. Negative real



wage growth worry is outweighing optimism generated by the tighter labour market, although HSBC highlights that "the continued strength in job creation fed into the BoE's more hawkish stance and we don't expect any signs of weakening in this release." September's **retail sales** dataset is due on Thursday. Consensus looks for a headline print of -0.2% MM from a 1.0% gain in August, while the core measure is expected to print at 0.1% MM against the 1.0% seen last time out. UK retail sales have has a better run since Spring, with HSBC noting that this "may reflect some pent-up demand after the weakness in spending in the preceding months. Morgan Stanley cautions that "fundamentals remain challenging for the consumer. We see reduced scope to smooth consumption through borrowing and we expect the BoE to hike interest rates next month." Survey indicators have been mixed, the BRC pointed to a slight weakening in total retail sales growth in August (nominal YY), but the CBI survey (volumes indicator) was very strong.

The latest **European Council Summit** will sit on Thursday and Friday, with Brexit the key point of interest. Morgan Stanley reminds us that "to move on to next phase of talks - over the future relationship and a possible transition deal - the EU needs to assess the progress on the terms of the divorce, including, the rights of citizens, the status of the Northern Irish border with Ireland and a financial settlement." While the public addresses have been a little more cordial in recent times, the EU continues to reiterate that the talks have ultimately yielded little in terms of progress, with the EU's chief Brexit negotiator, Michel Barnier, stating that talks have reached a "deadlock." It is worth noting that a recent Handelsblatt sources piece suggested that Barnier could offer the UK a two-year transition period, although the offer would be tied to the UK meeting its "exit obligations" in the coming weeks.

Other releases of note during the week: Friday Public Sector Net Borrowing Data (Sep)

Asia Pacific: -

Chinese inflation data for September will hit on Monday, with CPI expected to moderate to 1.6% YY from 1.8% last time out, while PPI is expected to print at a steady 6.3% YY. HSBC notes that "rising commodity prices and an upward revision to the retail oil price likely helped offset some of the impact of falling food prices. Furthermore, the output price index in the latest PMI expanded at a faster pace in September, suggesting some upward inflationary pressures." Focus will the move on to China's Q3 **GDP release** on Thursday, with analysts looking for a steady 1.7% QQ and 6.8% YY against a prior 6.9%. TD Securities highlights the mixed nature of available indicators with "the PMI suite recovering in Q3, However, real activity indicators lost momentum between Q2 and Q3." HSBC is more sanguine, suggesting that "economic activity softened somewhat over the past two months, impacted by a cooling housing market, financial de-leveraging policies and tougher environmental regulations." Over a longer horizon the bank notes that "while we expect growth momentum to slow further towards the end of the year, we think the strength in the manufacturing sector, will ensure that growth remains supported." The release will be supplemented by September's **retail sales** and **industrial production** releases. **China's annual party conference** will commence on Wednesday, and is set to run over the course of 10 days. Focus is on any announcements on the next generation of the party's leadership, with very little detail available heading in to the event. As a result, many suggest that the next standing committee could be dominated by those already in positions of power. TD Securities note that "PBoC Governor Zhou is past the typical retirement age and governmental changes with the Congress may bring the right timing for announcing the central banker's replacement."

In **Australia** the initial point of interest will be the **RBA meeting minutes** due on Tuesday. The RBA stood pat as expected at last week's meeting and the statement continued to outline a half glass full approach, with ANZ suggesting that the Reserve Bank Statement has become more hawkish in recent months." RBC are looking for "more detail on the RBA's thinking on business investment" and "conditions a key topic to watch for as the non-mining capex outlook improves." We should also expect the inclusion of some "member discussion" covering the main conclusions from the recently released semi-annual Financial Stability Review. Focus will then move to the **labour market report** on Thursday with analysts looking for 15.0K roles to be added in September, in lieu of 54.2K additions in August. The participation rate is expected to moderate to 65.1% from 65.3%, while the unemployment rate is expected to hold steady at 5.6%. Business surveys suggest the labour market remains solid, but ANZ cautions that "some statistical payback seems in order." The bank also points to seasonal factors noting that "September data have had a tendency to disappoint," and as a result, they look for a negative print this time out.

Across the Tasman in **New Zealand**, political impasse continues to cast a shadow of uncertainty. The latest update from New Zealand First party's board is keenly awaited, as it should reveal which major party they choose to form a coalition government. The board is currently scheduled to meet on Monday, the timing is subject to change, and the meeting of the party's board does not guarantee that a decision will be made. The country's **Q3 CPI** data will hit on Tuesday (Monday London time), with analysts looking for 1.8% YY and 0.5% QQ, against prior readings of 1.7% and 0.0% respectively. Looking at the breakdown Westpac notes that "food prices rose on the quarter, while fuel prices fell. The strong New Zealand dollar was a disinflationary force over the first half of this year, but we expect its influence to wane in the September quarter, and as a result we expect inflation to exceed the Reserve Bank of New Zealand's forecast for the quarter (1.6% YY)." In terms of broader monetary policy implications, Westpac posits that "with economic growth and house prices falling short of the RBNZ's forecasts, we think that interest rates will need to remain low for even longer than the market expects." TD Securities are more hawkish, suggesting that "the expected higher than RBNZ forecast print supports our expectation for some hawkish noises from the Reserve Bank over the coming months."

Other releases of during the week: Tuesday GDT Dairy Auction **Thursday** Japanese Trade Balance (Sep)