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: Will Carney Become A More Reliable Boyfriend? FOMC Expected To Stand Pat With NFP's Set To Bounce Back From The Hurricanes

Key Events: -

Monday:

Tuesday: Eurozone CPI (Oct, P), Eurozone GDP (Q3, P)

Wednesday: Federal Reserve MonPol Decision, New Zealand Labour Market Report (Q3)

Thursday: BoE MonPol Decision

Friday: US Labour Market Report (Oct) Canadian Labour Market Report (Oct), UK Services PMI (Oct)

North America: -

Early focus will fall on September's **US core PCE** data (seen at a steady 0.1% MM), with personal income expected to tick up to 0.4% MM and personal spending seen at 0.8% MM.

The **FOMC** will issue its latest monetary policy decision on Wednesday, with unanimous expectations for the central bank to stand pat. There will be no updated economic projections, nor will there be a press conference with Chair Janet Yellen. UBS suggest that "recent Fedspeak has shown an eagerness to move at the December meeting, but given the touch more concern about low inflation relative to earlier this year, participants would prefer to see some more evidence of inflation rising before moving again. The FOMC wants the balance sheet runoff on autopilot and we see no need for them to deviate from that plan now." Looking forwards money markets are virtually fully pricing in a December hike. **Elsewhere, the Trump Administration will likely announce its nominee for the role of Fed Chair next week**, with recent sources reports confirming that the race is down to current Governor Jerome Powell and Stanford economist John Taylor, of 'Taylor Rule' fame. Of the two, markets perceive Taylor will be the more hawkish candidate, given his eponymous rule suggests that rates should be perhaps as high as 4.00%. The most recent sources pieces suggest that Trump favours Powell at present.

Friday will bring October's US labour market report. Analysts expect the headline to bounce back to 310K from last month's storm induced loss of 33K. the unemployment rate is expected to hold steady at 4.2% with wage growth expected to moderate to 0.2% MM from 0.5%. Particular focus will fall on the wage data, and this month's release could shed some light on whether or not last month's wage rise was a one off, or the start of something more substantial.

Across the border in **Canada,** Tuesday will bring August's GDP release. Consensus looks for a modest 0.1% gain, against July's flat print. CIBC highlight that "although manufacturing bucked the recent trend lower in exports, slippage in retail sales for August suggests a further stalling in Canadian output. The one swing factor could be the energy sector. After seeing weakness in production last month, we would be tempted to forecast a rebound. Another soft reading in August keeps us on track to see a significant slowing in growth in the third quarter. Although the 2% or so pace isn't a disaster by any stretch of the imagination, it isn't hot enough to force the Bank of Canada's hand toward another rate hike before the end of this year - something Governor Poloz apparently agrees with judging by the past week's rate announcement and MPR." Friday will bring the release of the latest **labour market report**. RBC believe that the "BoC's increased focus on the labour market in the October MPR means this report should be closely followed beyond the headline gain and unemployment rate. Wage growth continued to pick up in September, but is still somewhat below longer-term averages and where one would expect it to be given the 6.2% unemployment rate. Along with the elevated level of the BoC's Labour Market Indicator versus the unemployment rate, this indicates a degree of slack in the labour market not as evident in the output market. Relatively elevated longer-term unemployment and low youth participation are among the specific categories mentioned by the BoC of late."

Other releases of note during the week: Tuesday Canadian PPI (Sep) Chicago PMI (Oct) **Wednesday** US ADP Employment Report (Oct) US Manufacturing PMI (Oct, F) US ISM Manufacturing PMI (Oct) **Friday** US Factory Orders (Sep) US ISM Non-Manufacturing PMI (Oct)

Europe: -

Tuesday will bring a deluge of **Eurozone** data. October's preliminary headline **CPI** print is expected to tick down to 1.4% YY from 1.5%, with the core release seen at a steady 1.1%. While recent ECB rhetoric has sounded more upbeat on price pressures in recent times, the central bank has conceded that it is still well short of its target and left the extension of its quantitative easing programme open ended at its recent decision. Tuesday will also see the initial Q3 **GDP** release, with consensus looking for a steady 0.6% QQ and 2.1% YY. Soft data has been pointing to continued solid growth, with IHS-Markit's PMI surveys indicating 0.7% QQ growth. September's **unemployment** data rounds off the single currency zone's major releases, with analysts looking for



a steady 9.0%. HSBC posit that "although job creation remains strong across the Eurozone, including in France, rising participation rates might be dampening the reduction in the unemployment rate."

Other releases of note during the week: Monday German Retail Sales (Sep) Eurozone Consumer & Business Confidence Surveys (Oct) German CPI (Oct, P) **Thursday** Eurozone Manufacturing PMI (Oct, F)

UK: -

Wednesday will bring the release of IHS-Markit's **manufacturing PMI**, with analysts looking for a print of 56.0, from 55.9 last time out. September's survey noted a "modest deceleration in the rates of expansion in UK manufacturing production and new orders. The growth slowdown in September is a further sign that momentum is being lost across the broader UK economy. Exports remain a bright spot, however, still rising at one of the strongest rates over the past six-and-a-half years. Manufacturing is also increasingly being buffeted by rising cost inflationary pressures, as rising commodity prices and higher import costs from the historically weak sterling exchange rate are being exacerbated by supply-chain capacity constraints and input shortages. This will likely exert further upward pressure on prices, dent profitability and potentially disrupt production schedules in coming months."

The Bank of England will hold it's quarterly "Super Thursday," whereby it will make its latest interest rate decision, issue the minutes of the meeting and release its latest Quarterly Inflation Report. After the September meeting minutes revealed that a majority of MPC members thought that it would be appropriate to withdraw some stimulus "over the coming months," the consensus view now expects the MPC to hike the Bank Rate for the first time in a decade, by 25bps to 0.50%. The stock of asset purchases is expected to remain unchanged (asset purchases at £435bln and corporate bond stock at £10bln). Analysts believe that six of the nine-member MPC will vote to hike (versus two previously, Ian McCafferty and Michael Saunders). The three dovish dissenters are likely to be Sir David Ramsden, who distanced himself from the majority looking for a hike recently; Sir Jon Cunliffe, who recently suggested that a hike remains an open question; and Silvana Tenreyro who has reiterated data-dependence with a few dovish tones, suggesting that she may be a wildcard. Recent data will have tilted the neutrals into the hike camp: the latest consumer prices data were firm, strengthening the case for a hike; employment growth eased, and wage growth slipped after revisions presenting a dovish case; and retail sales data slumped more than expected. However, this week's Q3 growth data surprised to the upside suggesting that the underlying economic landscape is stable, strengthening the case for a hike. The MPC will also update its economic forecasts, and we are unlikely to see major tweaks the forecasts made in August, HSBC believes: "To justify a rate rise, the BoE is likely to continue to assume: a relatively smooth Brexit; that a tighter labour market leads to faster wage growth; and a pick-up in investment and productivity," the bank writes, but "data revisions and its own policy action means it may have to revise down growth by around 0.1ppt in each year." HSBC adds that "higher oil prices could mean that near-term inflation projections might be raised a touch with the bulk of those changes likely to be on the near-term forecasts."

The latest **services PMI** will be released on Friday, with analysts looking for a moderation to 53.3 from the 53.6 seen in September. The previous survey pointed to Sustained a rise in service sector output during September, although new business growth eased to a 13-month low as Input cost pressures intensified. Despite this the sector pushed on with a sustained rise in employment, and continued to underpin the UK economy in Q3.

Other releases of note during the week: Monday Lending Data & Money Supply (Sep)

Asia Pacific: -

The **Bank of Japan** will issue its latest monetary policy decision on Tuesday. No change is expected at the decision, as notable inflation continues to be somewhat of a pipedream for policy makers. BAML note that "the recent rally in Japanese equity markets had seen the BoJ's ETF purchases slow sharply in October, and as a result some investors have asked whether the BoJ may announce a reduction in its risk asset purchase targets in the relatively near future." Despite the pullback in purchases BAML believe that "the hurdle for such a cut remains very high."

The week will also bring the release of the October's **Chinese PMI surveys.** The official releases will hit on Tuesday, with analysts looking for the manufacturing release to come in at 52.0 from 52.4 last time out, while its non-manufacturing counterpart stood at 55.4. TD Securities note that "the PMIs were rather solid between Q2 and Q3, while activity indicators were rather weak in Jul/Aug. This disconnect between soft and hard data outcomes means that markets don't respond that much to Chinese PMI outcomes these days." Looking at the Caixin surveys (which focus on SME's), analysts expect the manufacturing print at a steady 51.0, while the services PMI stood at 50.6 in September. In lieu of last month's surveys, survey compilers Caixin noted that "the Chinese economy generally held up well in the third quarter. However, the expansion in both manufacturing and services cooled in September, suggesting downward pressure on economic growth may re-emerge in the fourth quarter." Despite this, China's Q3 GDP release printed at a more than healthy 6.8% in YY terms.

The **Australian** docket is relatively backloaded, with September's **trade data** due on Thursday. Consensus looks for a slight narrowing of the surplus to AUD 875mln from AUD 989mln. Friday's **retail sales** release is likely to garner more attention, as the September print rounds off Q3, and analysts are looking for 0.0% QQ against Q2's 1.5%. July and August were subject to a pause in consumer spending, owing to a rise in utility bills, with both month's printing small declines.

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



In **New Zealand,** focus will fall on the Q3 **labour market report**, slated for Wednesday. Headline employment is expected to rise by 0.7% following Q2's 0.2% fall, while both the unemployment rate and labour cost index are expected to hold steady at 4.8% and 1.6% respectively. ANZ suggest that "signals on labour demand have become a little more mixed of late, though we still expect Q3 figures to be consistent with overall labour market strength. The Government's equal pay settlement for care and support workers will boost wage inflation figures. In terms of the bigger economic picture", ANZ note that they have "become a little more circumspect on the near-term growth outlook, but there are some additional moving parts right now that make the picture a little murkier. With the RBNZ firmly on hold and a strong one-off element to the quarterly wage lift, we do not see next week's labour data as having strong implications for the RBNZ's current deliberations. But the labour market is likely to become a driving factor influencing the path for inflation as 2018 unfolds."

Other releases of note during the week: Tuesday Japanese Labour Market Report (Sep) Japanese Industrial Production (Oct, P) New Zealand ANZ Business Confidence (Oct) Australian Credit Data (Sep)