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: US CPI & UK Data Steal The Limelight

Key Events: -

Monday:
Tuesday: UK Inflation Data (Oct) Japanese GDP (Q2, P)
Wednesday: US CPI (Oct) US Retail Sales (Oct) UK Labour Market Report (Sep/Oct)
Thursday: UK Retail Sales (Oct) Australian Labour Market Report (Oct)
Friday: Canadian CPI (Oct)

North America: -

The major **US** data releases will come on Wednesday. October's headline **CPI** release is expected to moderate to 2.0% Y/Y from the 2.2% seen in September, as the effects of the recent hurricanes are expected to wane, while the core metric is seem holding steady at 1.7% Y/Y. With the markets fully pricing in a 25bps hike by the Federal Reserve in December, the inflation data would require a large deviation from consensus to generate any notable market reaction.

October's **retail sales** data will hit at the same time as the inflation data; the consensus expects the headline to slow to 0.1% M/M from 1.6% in September. HSBC expects the release to be restrained by a decline in auto sales, as well as a drop in average gasoline prices.

Over the border in **Canada,** focus will fall on the October **CPI** readings scheduled for release on Friday, with the Street looking for the headline to ease to 1.4% Y/Y from 1.6%. One point to note is that the average of the three core measures has risen for four months (taking it from 1.33% to 1.60%), and analysts at RBC expect to see further improvement in the October data.

The latest Monetary Policy Report from the Bank of Canada saw the central bank trim its 2017 inflation expectations to 1.4% from 1.6%, although next year's estimate was nudged up by 0.1ppts to 2.1%. Despite the BoC's focus on the output gap, price pressures have garnered additional scrutiny in recent weeks as the Bank has reverted back to a neutral stance, following the recent tightening of monetary policy.

Governor Stephen Poloz has noted that he "is more pre-occupied with downside risks to inflation," while Senior Deputy Governor Carolyn Wilkins opined that "that appreciation in CAD (evident at the time) does have significant pass-through effect on inflation," although she did note that such moves "are a transitory effect that we would look through." Scotiabank suggests that the release could "well reinforce near-term dovishness at least from a headline perspective with the usual uncertainty regarding core inflation."

Other releases of note during the week: Tuesday US PPI (Oct) **Thursday** US Philadelphia Fed Manufacturing Index (Nov) US Industrial Production (Oct)

Europe: -

There are no tier one releases due from the region outside of final/secondary readings during the week.

Other releases in the week: Tuesday Eurozone GDP (Q3, 2nd) German ZEW Survey (Nov), **Friday** Eurozone CPI (Oct, Final)

UK: -

The first release of note comes on Tuesday in the form of October's **inflation data**. The consensus looks for headline CPI to tick up to 3.1% Y/Y, while the core metric is expected to come in at 2.8% Y/Y against the prior 2.7%. It is worth noting that the most recent BoE Quarterly Inflation Report revealed that the Bank expects the upcoming CPI release to hit 3.2% Y/Y, which the central bank believes will represent an inflation peak. RBC highlights that exchange rate pass-through effects will likely continue to dominate price pressures.

Wednesday brings the latest **labour market report**. Focus remains on the wage data, with analysts looking for a steady 2.1% 3M/YY headline figure for October, while September's unemployment rate is seen at a steady 4.3%, and the claimant count is expected to have increased by a relatively stable 2.0K in September. The release isn't expected to lead to any major deviations in BoE policy, with the weak wage growth and productivity trends somewhat entrenched. The latest BoE Agents' survey suggested that wages could increase by 2.5-3.5% at some point in 2018.

The final tier one release for the week comes in the form of October's **retail sales** data. Analysts expect the headline to come in at 0.1% M/M versus the prior 0.8% decline, while the core release is expected to rise by 0.1% following last month's 0.7% fall. September's release halted 3 straight monthly rises in the headline figure, and the latest BDO survey points to a gloomy October print (hitting the worst level seen since its inception). The advisors noted that "as wage increases continue to be outstripped by higher inflation, and with the (now real) anticipation of higher mortgage payments, then it comes as little surprise that people are tightening their belts prior to the anticipated Christmas expenditure."

Other releases of note during the week: N/a

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Asia Pacific: -

The focal point of the **Chinese** docket will be October's **activity data**, due for release on Tuesday. Industrial production is expected to print at 6.3% Y/Y against a prior 6.6%, while retail sales are expected hit 10.4% Y/Y from 10.3% last time out. October's official PMI surveys were on the softer side of expectations, which could point to headwinds for the upcoming releases.

Focus in Japan will be squarely on Tuesday's preliminary **GDP** data for Q3. The median view looks for a 0.4% Q/Q gain, while the heavily watched capital expenditure metric is expected to have risen by 0.3% Q/Q. A rise in GDP would represent a seventh consecutive release showing quarterly growth, which as consensus indicates, is more than plausible, especially given that the latest Tankan survey from the BoJ points to a continuation of firm economic activity, driven by solid exports alongside the global economic recovery.

In **Australia,** focus will fall on the labour market. Q3's **wage price index** data will hit on Wednesday. Analysts expect wage growth to have accelerated during the quarter, with consensus looking for 0.7% Q/Q and 2.2% Y/Y, against prior readings of 0.5% and 1.9% respectively. ANZ argues that the larger-than-usual minimum wage rise will be the main factor driving the boost.

October's **labour market report** will hit on Thursday, and expectations are for a +18K headline against a prior +19.8K, while both the unemployment and participation rates are seen holding steady at 5.5% and 65.2% respectively. TD Securities points to seasonal factors, suggesting that "October and November tend to be robust employment months," while ANZ are more balanced, noting that "business conditions remain elevated and ongoing strength in job ads suggest that the labour market should continue to improve. The recent strength in employment, however, has brought growth out of line with some leading indicators, so we anticipate the next few months will see more moderate gains."

Other releases of during the week: Monday Japanese PPI (Oct) **Tuesday** Australian NAB Business Survey (Oct) **During The Week** New Zealand House Sales (Oct)