



MONEX

Week Ahead

30th September - 4th October 2024

Nonfarms in focus
for the Fed

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INTRODUCTION

CONTENTS

02
INTRODUCTION

03
ECONOMIC CALENDAR

06
DATA PREVIEWS

06 *EZ CPI preview: Soft price growth should see the ECB accelerate*

06 *NFP preview: Payrolls to determine the next Fed's next move*

The dollar was once again in retreat last week, with the DXY index sliding 0.3%, closing at just 100.4. Even so, the greenback's drift lower continues to look at odds with fundamentals. The final reading for Q2 GDP landed at 3.0% QoQ annualised, while the savings rate - which had looked anomalously low, was revised up 1.9pp, taking it to a level that looks much more sustainable. Meanwhile, 25bp rate cuts from both SNB and Riksbank matched expectations, though with markets speculating on the prospect of a larger move in both cases, this saw CHF and SEK attract a bid. The primary story of the week, however, was China. News of renewed stimulus efforts saw a bounce for currencies sensitive to Chinese growth conditions. While we remain a little sceptical regarding the longevity of this dynamic absent more structural economic reforms, efforts by Chinese authorities to stimulate growth are nevertheless welcome considering China's underwhelming economic performance so far this year.

Next week, Fed easing and eurozone inflation should be in focus, alongside geopolitical risks. Taking these in reverse order, markets continue to watch the Israel-Lebanon border with a renewed sense of trepidation following the death of Hezbollah leader Hassan Nasrallah in an Israeli airstrike. On the data front, eurozone price growth looks set to slump, with weak growth weighing on demand conditions, an outcome that should see accelerated ECB easing bets and a retracement lower for the euro. The main event, though, is US jobs, with a payrolls report due on Friday. If this meets expectations, it should indicate the labour market has stabilised rather than softened further, an outcome supportive of a measured easing path from the Fed, and the beginnings of a recovery for the dollar.

ECONOMIC CALENDAR

All times in BST

Monday 30/09

Time	Country	Event	Period	Estimate	Prior
02:30	China	Manufacturing PMI	Sep	49.4	49.1
		Non-manufacturing PMI	Sep	50.4	50.3
02:45	China	Caixin China PMI Composite	Sep		51.2
		Caixin China PMI Mfg	Sep	50.5	50.4
		Caixin China PMI Services	Sep	51.6	51.6
08:00	Switzerland	Foreign exchange transactions	2Q		281m
09:00	Switzerland	Domestic Sight Deposits CHF	Sep-27		457.2b
		KOF Leading Indicator	Sep	101	101.6
	Poland	CPI MoM	Sep P	0.10%	0.10%
		CPI YoY	Sep P	4.90%	4.30%
	Norway	Norges Bank Daily FX Purchases	Oct		400m
10:00	Italy	CPI NIC incl. tobacco MoM	Sep P	-0.30%	0.20%
		CPI NIC incl. tobacco YoY	Sep P	0.70%	1.10%
13:00	Germany	CPI YoY	Sep P	1.70%	1.90%
		CPI MoM	Sep P	0.10%	-0.10%
13:50	United States	Fed's Bowman Speaks on Economic Outlook, Policy			
14:00	Eurozone	ECB's Lagarde Speaks in EU Parliament			
18:55	United States	Fed's Powell Speaks at NABE			
21:10	United Kingdom	BOE's Megan Greene Speaks			

Tuesday 01/10

Time	Country	Event	Period	Estimate	Prior
00:30	Japan	Jobless Rate	Aug	2.60%	2.70%
		Job-To-Applicant Ratio	Aug	1.24	1.24
00:50	Japan	BOJ Summary of Opinions (Sept. MPM)			
07:30	Sweden	Swedbank/Silf PMI Manufacturing	Sep	51.5	52.7
08:00	Eurozone	ECB's Guindos Speaks in Frankfurt			
		ECB's Nagel Speaks at Bundesbank Conference			
08:30	Sweden	Riksbank minutes from September meeting published			
	Switzerland	PMI Manufacturing	Sep	48	49
		PMI Services	Sep		52.9
09:00	Norway	DNB/NIMA PMI Manufacturing	Sep		52.1
	Finland	ECB's Rehn Speaks on Monetary Policy at Bank of Finland			
10:00	Eurozone	CPI Estimate YoY	Sep	1.80%	2.20%
		CPI MoM	Sep P	0.00%	0.10%

Time	Country	Event	Period	Estimate	Prior
		CPI Core YoY	Sep P	2.70%	2.80%
14:00	Brazil	S&P Global Brazil Manufacturing PMI	Sep		50.4
14:30	Canada	S&P Global Canada Manufacturing PMI	Sep		49.5
15:00	United States	JOLTS Job Openings	Aug	7660k	7673k
		ISM Manufacturing	Sep	47.6	47.2
		ISM Prices Paid	Sep	53.8	54
		ISM New Orders	Sep		44.6
		ISM Employment	Sep		46
	United Kingdom	BOE's Huw Pill Speaks			
16:00	United States	Fed's Bostic Gives Opening Remarks			
16:10	United States	Fed's Bostic Moderates Conversation with Lisa Cook			
16:15	Switzerland	SNB's Schlegel Speaks in Bellinzona			
16:30	Eurozone	ECB's Schnabel Chairs Panel in Frankfurt			
23:15	United States	Fed's Bostic, Barkin, Collins on Moderated Panel			

Wednesday 02/10

Time	Country	Event	Period	Estimate	Prior
08:30	Eurozone	ECB's Guindos Participates in Panel in Riga			
10:00	Eurozone	Unemployment Rate	Aug	6.40%	6.40%
10:30	United Kingdom	BOE releases FPC minutes			
	Eurozone	ECB's Kazaks Speaks in Riga			
		ECB's Lane Chairs Panel in Frankfurt			
10:45	Eurozone	ECB's Kazaks, Simkus Speak in Riga			
12:00	Eurozone	ECB's Elderson Speaks in Dublin			
13:15	United States	ADP Employment Change	Sep	125k	99k
14:00	United States	Fed's Hammack Gives Welcome Remarks			
15:00	Austria	ECB's Holzmann Speaks in Vienna			
15:05	United States	Fed's Musalem Gives Welcoming Remarks			
16:00	United States	Fed's Bowman Speaks on Community Banking			
17:15	United States	Fed's Barkin Speaks on Economy			
17:45	Eurozone	ECB's Schnabel Speaks in Freiburg			
TBA	Poland	Poland Base Rate Announcement	Oct-02	5.75%	5.75%

Thursday 03/10

Time	Country	Event	Period	Estimate	Prior
01:30	Singapore	S&P Global Singapore PMI	Sep		57.6
02:30	Japan	BOJ Board Noguchi Speech in Nagasaki			
07:00	Turkey	CPI MoM	Sep	2.20%	2.47%
		CPI YoY	Sep	48.30%	51.97%

Time	Country	Event	Period	Estimate	Prior
		CPI Core Index YoY	Sep	47.95%	51.56%
	Sweden	Riksbank Deputy Governor Jansson speaks on monetary policy			
07:30	Switzerland	CPI YoY	Sep	1.10%	1.10%
		CPI MoM	Sep	-0.10%	0.00%
		CPI Core YoY	Sep	1.10%	1.10%
	Sweden	Swedbank/Silf PMI Services	Sep		52.9
		Swedbank/Silf PMI Composite	Sep		52.8
09:30	United Kingdom	DMP 3M Output Price Expectations	Sep		3.60%
		DMP 1 Year CPI Expectations	Sep	2.70%	2.60%
12:30	United States	Challenger Job Cuts YoY	Sep		1.00%
14:00	Poland	Polish Central Bank Governor Glapinski Holds News Conference			
14:30	Canada	S&P Global Canada Composite PMI	Sep		47.8
		S&P Global Canada Services PMI	Sep		47.8
15:00	United States	ISM Services Index	Sep	51.6	51.5
		ISM Services Prices Paid	Sep		57.3
		ISM Services Employment	Sep		50.2
		ISM Services New Orders	Sep		53

Friday 04/10

Time	Country	Event	Period	Estimate	Prior
06:45	Switzerland	Unemployment Rate	Sep	2.40%	2.40%
		Unemployment Rate SA	Sep	2.60%	2.50%
07:30	Eurozone	ECB's Villeroy speaks in Paris			
07:35	Eurozone	ECB's Simkus, Kazaks, Muller Speak in Vilnius			
07:45	France	Industrial Production YoY	Aug	-2.00%	-2.20%
		Industrial Production MoM	Aug	0.30%	-0.50%
08:00	Eurozone	ECB's Centeno, Escriva Speak at La Toja Conference in Spain			
08:55	United Kingdom	BOE's Huw Pill Speaks			
11:00	Eurozone	ECB's Guindos Speaks			
13:00	Poland	National Bank of Poland Publishes Minutes of Rate Meeting			
13:30	United States	Change in Nonfarm Payrolls	Sep	146k	142k
		Two-Month Payroll Net Revision	Sep		-86k
		Change in Private Payrolls	Sep	125k	118k
		Change in Manufact. Payrolls	Sep	-5k	-24k
		Unemployment Rate	Sep	4.20%	4.20%
		Average Hourly Earnings MoM	Sep	0.30%	0.40%
		Average Hourly Earnings YoY	Sep	3.80%	3.80%
		Average Weekly Hours All Employees	Sep	34.3	34.3
		Labor Force Participation Rate	Sep	62.70%	62.70%
14:00	United States	Fed's Williams Gives Opening Remarks at Jobs Conference			

DATA PREVIEWS

EZ CPI preview: Soft price growth should see the ECB accelerate

Our overarching thesis for the eurozone this year looked for weak domestic growth to weigh on inflation, prompting faster-than-expected easing from the ECB. The first of these dynamics has played out over recent months – a point highlighted most clearly by September’s tanking PMI numbers after an Olympics-distorted rebound in August.

This week we expect to see evidence that the second of these themes is playing out too. Indeed, both French and Spanish CPI data fell off a cliff when published last Friday. Markets had been looking for inflation prints of 1.6% and 1.9% YoY price growth respectively. The data in fact landed at just 1.2% and 1.5%. Nor does this appear to be a result of volatile components either. Core inflation for Spain dropped from 2.7% to 2.4%, having actually been expected to rise to 2.8% YoY. Moreover, while as of writing German data is yet to be published, regional prints suggest downside risks to consensus expectations for 1.7% YoY price growth.

“Taken as a whole then, it looks likely that the aggregate eurozone reading will slide markedly from the 2.2% price growth seen in August.”

Traders expect to see headline inflation in the bloc fall to 1.8% YoY, while core CPI growth is seen easing to 2.7%. To us, risks look skewed to the downside on both counts. If we are right, and the inflation data continues to print soft this week, then accelerated ECB easing bets should begin to weigh on the euro. We expect to see cuts of 25bps at every meeting for the rest of the year.

NFP preview: Payrolls to determine the next Fed’s next move

Friday’s payrolls print feels pivotal for Fed easing expectations at this juncture. Markets see a 50% chance that the Fed cuts by 50bps in November, with one such jumbo rate cut fully priced by year-end. As we have noted previously this feels too aggressive to us. Barring signs that the labour market has continued to unwind, a series of extra-large doses of policy easing risks stoking inflation just at the moment that the FOMC has succeeded in regaining control. This is especially true ahead of a presidential election where both candidates are promising an irresponsibly generous level of fiscal spending.

“Turning to specifics of the September jobs report, markets are looking for a payrolls print of 146k, near as makes no difference unchanged from August’s 142k reading.”

The unemployment rate meanwhile is narrowly seen remaining unchanged at 4.2%, albeit a significant number of economists project a modest rise to 4.3%. Even so, if realised this would indicate a labour market that has stabilised, not one that continues to soften meaningfully. Indeed, this point is likely to be reinforced by average hourly earnings growth, which is forecast to fall on a single-month basis, but only to 0.3% MoM, leaving the annual measure unchanged at 3.8% YoY.

All told, if this week’s data meets expectations, we are inclined to view such an outcome as supportive of a 25bp Fed rate cut in November, pushing back on market-implied projections. More to the point, we think risks are skewed marginally towards a modestly higher than expected nonfarm payrolls print, expecting a reading in the 150-160k range. If we are right, then the dollar should find some impetus this week, after two months of heavy trading for the greenback.

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