



MONEX

Week Ahead

2nd - 6th September 2024

All eyes on August NFPs

AUTHORS

NICK REES

Senior FX Market Analyst

+44 (0) 203 650 3736

Nicholas.Rees@monexeurope.com

MARÍA MARCOS

FX Market Analyst

+34 911 988 460

Maria.Marcos@monexeurope.com



INTRODUCTION

Despite the light data calendar, last week saw the start of a dollar turnaround, reversing some of last month's grind lower for the greenback. Indeed, between August 1st and August 27th, the DXY index shed almost 3.5% - a notable move lower considering the relatively slow holiday conditions. That said, this also left the dollar looking cheap, especially with US GDP growth continuing to prove resilient. Other indicators, meanwhile, have broadly suggested that the early month downside payrolls surprise was an outlier and not the start of a more worrying economic slowdown, despite the initial market panic.

As such, the primary focus for markets is likely to remain on the US this week, with the dollar still front and centre as traders return from summer holidays. Elsewhere, a BoC rate decision is unlikely to hold too many surprises, while political risk is likely to be the key theme in Europe when considering the light data calendar. Set against this, August's US jobs report is a standout event. Not only have a multitude of Fed speakers, including Chair Powell, shifted focus onto the employment side of the Fed's mandate, but a print that matches expectations would help confirm that last month's undershoot was a head fake. If realised, this should keep the dollar on track to continue reversing August's losses. A second successive weak print, however, would likely see recession fears return to the fore, triggering another leg lower for the greenback.

CONTENTS

02
INTRODUCTION

03
ECONOMIC CALENDAR

06
DATA PREVIEWS

06 *BoC easing is a done deal,
how fast remains a question*

06 *US payrolls slowing, but
likely dollar-supportive*

ECONOMIC CALENDAR

All times in BST

Monday 02/09

Time	Country	Event	Period	Estimate	Prior
02:00	Australia	Melbourne Institute Inflation YoY	Aug		2.80%
		Melbourne Institute Inflation MoM	Aug		0.40%
02:30	Australia	ANZ-Indeed Job Advertisements MoM	Aug		-2.70%
02:45	China	Caixin China PMI Mfg	Aug	50	49.8
08:00	Turkey	GDP YoY	2Q	3.20%	5.30%
		GDP SA/WDA QoQ	2Q	-0.50%	1.40%
09:00	Switzerland	Domestic Sight Deposits CHF	Aug-30		455.7b

Tuesday 03/09

Time	Country	Event	Period	Estimate	Prior
07:30	Switzerland	CPI YoY	Aug	1.20%	1.30%
		CPI MoM	Aug	0.10%	-0.20%
		CPI Core YoY	Aug	1.10%	1.10%
08:00	Switzerland	GDP QoQ	2Q	0.50%	0.50%
		GDP YoY	2Q	1.50%	0.60%
	Turkey	CPI MoM	Aug	2.29%	3.23%
		CPI YoY	Aug	51.86%	61.78%
		CPI Core Index YoY	Aug	50.10%	60.23%
09:00	Sweden	Riksbank Governor Erik Thedeen speech			
10:30	South Africa	GDP YoY	2Q	0.30%	0.50%
		GDP s.a. QoQ	2Q	0.50%	-0.10%
13:00	Mexico	Unemployment Rate NSA	Jul	2.98%	2.78%
	Brazil	GDP QoQ	2Q	0.90%	0.80%
		GDP 4Qtrs Accumulated	2Q	2.30%	2.50%
		GDP YoY	2Q	2.70%	2.50%
13:45	United Kingdom	BOE's Breeden speaks			
14:30	Canada	S&P Global Canada Manufacturing PMI	Aug		47.8
15:00	United States	ISM Manufacturing	Aug	47.5	46.8
		ISM Prices Paid	Aug		52.9
		ISM New Orders	Aug		47.4
		ISM Employment	Aug		43.4
17:45	Eurozone	ECB's Nagel Speaks			

Wednesday 04/09

Time	Country	Event	Period	Estimate	Prior
02:30	Australia	GDP SA QoQ	2Q	0.20%	0.10%
		GDP YoY	2Q	0.90%	1.10%
02:45	China	Caixin China PMI Composite	Aug		51.2
		Caixin China PMI Services	Aug	51.8	52.1
07:00	Sweden	Prospera's Big Swedish Inflation Expectations Survey			
07:15	Sweden	Riksbank Deputy Governor Jansson speech			
07:30	Sweden	Swedbank/Silf PMI Services	Aug	53.5	53.8
12:00	Eurozone	ECB's Villeroy Speaks			
14:45	Canada	Bank of Canada Rate Decision	Sep-04	4.25%	4.50%
15:00	United States	JOLTS Job Openings	Jul	8100k	8184k
		Factory Orders	Jul	4.70%	-3.30%
19:00	United States	Federal Reserve Releases Beige Book			
TBC	Poland	Poland Base Rate Announcement	Sep-04	5.75%	5.75%

Thursday 05/09

Time	Country	Event	Period	Estimate	Prior
00:30	Japan	Labor Cash Earnings YoY	Jul	2.90%	4.50%
		Real Cash Earnings YoY	Jul	-0.60%	1.10%
		Cash Earnings - Same Sample Base YoY	Jul	3.20%	5.10%
02:30	Japan	BOJ Board Takata Speech in Ishikawa			
03:00	Australia	RBA's Bullock -- Speech to Anika Foundation			
06:45	Switzerland	Unemployment Rate	Aug	2.40%	2.30%
		Unemployment Rate SA	Aug	2.50%	2.50%
09:20	Hungary	Hungary Central Bank Chief Matolcsy, EU Funds Minister Speak			
09:30	United Kingdom	DMP 3M Output Price Expectations	Aug	3.50%	3.70%
		DMP 1 Year CPI Expectations	Aug	2.60%	2.50%
12:30	United States	Challenger Job Cuts YoY	Aug		9.20%
13:15	United States	ADP Employment Change	Aug	141k	122k
13:30	Canada	Labor Productivity QoQ	2Q	-0.10%	-0.30%
	United States	Nonfarm Productivity	2Q F	2.50%	2.30%
		Unit Labor Costs	2Q F	0.80%	0.90%
		Initial Jobless Claims	Aug-31	230k	231k
14:00	Poland	Polish Central Bank Governor Glapinski Holds News Conference			
15:00	Eurozone	ECB's Holzmann speaks in Vienna			
	United States	ISM Services Index	Aug	51.1	51.4
		ISM Services Prices Paid	Aug		57
		ISM Services Employment	Aug		51.1
ISM Services New Orders		Aug		52.4	

Friday 06/09

Time	Country	Event	Period	Estimate	Prior
07:00	Germany	Industrial Production SA MoM	Jul	-0.50%	1.40%
		Industrial Production WDA YoY	Jul	-3.50%	-4.10%
07:45	France	Industrial Production YoY	Jul	-0.90%	-1.60%
		Industrial Production MoM	Jul	-0.30%	0.80%
08:00	Switzerland	Foreign Currency Reserves	Aug		703.5b
13:30	Canada	Net Change in Employment	Aug	25.0k	-2.8k
		Part Time Employment Change	Aug		-64.4k
		Full Time Employment Change	Aug		61.6k
		Unemployment Rate	Aug	6.50%	6.40%
		Hourly Wage Rate Permanent Employees YoY	Aug	4.80%	5.20%
	United States	Change in Nonfarm Payrolls	Aug	165k	114k
		Unemployment Rate	Aug	4.20%	4.30%
		Average Hourly Earnings MoM	Aug	0.30%	0.20%
		Average Hourly Earnings YoY	Aug	3.70%	3.60%
		Average Weekly Hours All Employees	Aug	34.3	34.2
		Labor Force Participation Rate	Aug	62.70%	62.70%
13:45	United States	Fed's Williams Gives Keynote Remarks			
16:00	United States	Fed's Waller Gives Speech on Economic Outlook			

DATA PREVIEWS

BoC easing is a done deal, how fast remains a question

We expect to see the Bank of Canada cut rates by a further 25bp later this week, in keeping with guidance from Governor Macklem indicating that further policy easing is likely, data permitting. On that point, based on the Governing Council's July messaging, it appears the focus has moved from a narrow view of price growth to a broader consideration of economic conditions. Taking a holistic view of the recent data, we think there is little to steer the GC away from further easing this month.

“Indeed, we continue to think the BoC will ease by 25bp at every meeting for the remainder of the year, a view we expect to be validated on Wednesday.”

Looking at the data, July's CPI cooled to 2.5%, while the BoC's measures of underlying inflation slowed by marginally more than expected. GDP, meanwhile, accelerated modestly, coming in at 2.1% QoQ annualised in Q2. But June growth figures undershot expectations to land at 1.2% YoY, even as the economy flatlined on the month. In any case, set against the robust population growth of recent years, these readings still point to weak momentum and an output gap that remains negative, providing a drag on forward-looking inflation. Payrolls were disappointing in July too, recording a contracting in employment for the second month in a row. The one fly in the ointment remains wage growth, though even this is slowing, and given the weakness in other indicators, further cooling should be in the pipeline.

Taken as a whole then, the data suggests that inflation remains on the way back to target, leaving policy overly restrictive. As such, a further rate cut from the BoC should be a done deal this week. The big open question, as we see it, is the future pace of easing. With markets speculating around the possibility of a 50bp Fed rate cut, risks are that this also becomes a serious consideration for the BoC. For now, we are sceptical that the data is cooling fast enough to warrant such a drastic move. Nevertheless, we suspect Macklem will be asked about an acceleration in the easing pace on Wednesday. A firm steer from the Governor looks unlikely to us, in keeping with his prior communication preferences, but anything other than a dismissal at this juncture poses downside risks to the loonie.

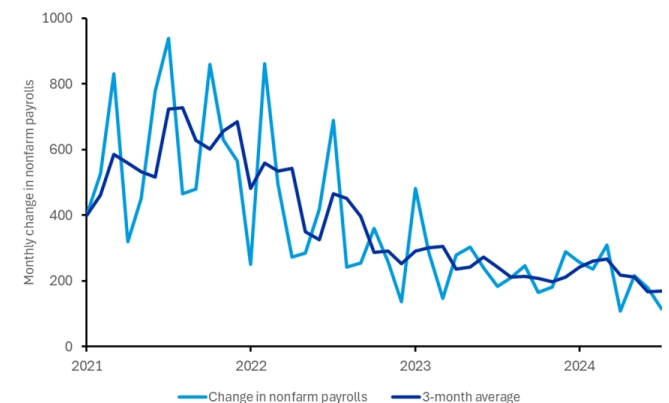
US payrolls slowing, but likely dollar-supportive

This week's payrolls should be decisive for the Fed. As we see it, anything more or less in line with expectations is likely to confirm a 25bp cut from the FOMC later in the month. Consensus predictions currently look for a print of 165k, while the unemployment rate is expected to dip slightly to 4.2%. If realised, this should give the FOMC cover to cut rates in light of the slowing rate of inflation, while simultaneously steering away from an overly aggressive path for future easing – reflecting the continued resilience of the labour market, despite recent concerns.

Granted, revisions for the 12 months up to March 2024 saw 818k subtracted from the estimated number of job gains over this period. But this makes the recent slowdown in nonfarm payrolls, which printed 114k last month, looks like less of a hard stop and more akin to a normalisation, in keeping with other readings that suggest the US economy remains on track for a soft landing. As such, while Powell chose to keep a 50bp rate cut on the table in his appearance in Jackson Hole, this leaves the data to do the talking, and a print that matches expectations should steer in favour of a less aggressive start to the easing cycle, helping the dollar to retrace recent losses.

From a market perspective, the main risk ahead of Friday's release remains an undershoot. A repeat of August's soft reading could well see renewed market panic. This would not just open the door to a 50bp rate cut on September 18th, but likely establish this as the base case for traders. Considering how the dollar has traded in recent weeks we are inclined to view such an outcome as dollar negative, despite the recessionary implications. That said, we would also expect the left-hand side of the dollar smile to open up under such a scenario too, limiting dollar downside in the event of a significant downside miss for Friday's payrolls.

Payroll gains have slowed progressively since 2021, though not to levels that we think warrant immediate concerns of a US recession



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