

Investec Economics

The week ahead: Monday 13 March 2017

- The upcoming week is packed full of top-tier events, presenting the prospect of a volatile week in markets. The calendar includes a US Fed announcement, a key deadline on the US debt ceiling, parliamentary elections in the Netherlands and more discussion on the 'Article 50' Brexit trigger Bill in the UK Parliament.
- Stateside, the FOMC announcement is due at 18:00 UK time (i.e. an hour earlier than normal after US clocks change) on Wednesday 15 March. The Fed looks to be locked onto a course that would see it raise the Fed funds target rate range by 25bp to 0.75-1.00%, short of a sizeable shock to market sentiment and/or a massive downside surprise in the February payrolls report. Note that with a March hike effectively a done deal, the key focus for markets will be the forward guidance on the prospect of rate rises ahead.
- A few hours after the Fed announcement, at midnight local time, the US debt ceiling suspension expires. We are doubtful there will be an agreement that deals with this for the long-term, so the ceiling may either be re-suspended temporarily and renegotiated properly as part of tax reform talks, or the US Treasury moves into 'extraordinary measures' so the government can go on funding its obligations, for a while at least. Finally in the US, note that Republican aides have been reported saying that the White House is planning to submit President Trump's budget plan to Congress on 14 March.
- In the Eurozone, the busy year of political events ramps up with the 15 March Dutch election. Until recently the Party for Freedom (PVV), who favours holding a referendum on leaving the EU, had been leading in polls. More recently the PVV has been overtaken by the incumbent Prime Minister Mark Rutte's VVD party. It seems almost unthinkable that events unfold to take the Netherlands out of the EU; more likely is the outcome that a fractured picture of support across the main political parties leads to a drawn out period of coalition talks after the election; final results are due 6 days later.
- Sticking with politics and as we edge closer to the first round of the French Presidential race on 23 April, Republican candidate François Fillon has been summoned to appear in court with regards to the allegation he paid his wife for a fake job - the hearing is on 15 March - two days before the official deadline for presidential candidates to register. Finally, in the Eurozone we may hear more on the progress in talks to try and resolve differences over Greece's latest review, ahead of the 20 March Eurogroup meeting.
- In the UK, we expect the government to continue its efforts to move closer to triggering Article 50 and commencing the Brexit process formally. The House of Commons will reconsider the Article 50 Bill after the House of Lords inserted amendments. The government is seeking to overturn these amendments in the Commons and then the Bill would have to pass back to the Lords. The government remains of the view that it is on track to trigger Article 50 by the end of March. Note that the Scottish National Party meets for its Spring Conference 17-18 March; expect more talk and perhaps a few more specifics on plans for a second independence referendum, which could well weigh on the pound. The UK also has a monetary policy announcement scheduled for the 16 March, though we expect no fireworks with Bank rate very likely to be held at 0.25% and the QE total maintained. Our preview to the meeting is available [here](#).
- In global events, the week will see G20 finance ministers and central bank governors meet in Germany, the first meeting involving the new US Treasury Secretary Steven Mnuchin. The draft-communiqué dropped the usual commitment to 'refraining from competitive devaluations' so one concern is that the event brings to the surface nerves over a more protectionist global marketplace, following the installation of the new Trump administration. **VC**

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Weekly Key Indicators

Indicator		Comment												
Unemployment (Jan) Average earnings (Jan) 09:30 Wednesday 15 March		<ul style="list-style-type: none"> Last month's official labour market data showed wage growth weaker than expected, with the headline measure posting +2.6% (3m yoy) growth in December, a tick down from the +2.8% (3m yoy) growth seen in November – consensus and Investec expectations were for the growth rate to remain steady. The employment data did not throw up any major surprises, with three-month employment growth at +37k in December. The unemployment rate held steady at 4.8%. These data were consistent with our view that employment is growing modestly (with unemployment holding broadly steady) and that wage inflation pressures remain contained. Consistent with that view, our forecast is for the unemployment rate to remain unchanged again in the three months to January, at 4.8%. Meanwhile, we expect 3m yoy wage growth to slip a little further – shifting 'base effects' will make the comparison against year-ago wage levels less favourable. Over the coming months, we expect to see a gentle acceleration in pay growth, but for January, our forecast is for headline wage growth of +2.3% (3m yoy). We also note that the ONS will drop its 'claimant count' measure of unemployment, starting from next week's release. The ONS has had difficulty measuring Jobseekers' Allowance claims since Universal Credit claimants were added to the measure. The issue came to a head last month with a whopping a 42k recorded fall in claims, which the ONS warned commentators not to place much weight on. CH 												
	<table border="1"> <thead> <tr> <th></th> <th>Forecast</th> <th>Last</th> </tr> </thead> <tbody> <tr> <td>Unemployment (claimant count mom)</td> <td></td> <td>-42k (2.1%)</td> </tr> <tr> <td>(ILO 3m-3m)</td> <td>-38k (4.8%)</td> <td>-7k (4.8%)</td> </tr> <tr> <td>Headline earnings</td> <td>+2.3% (3m yoy)</td> <td>+2.6% (3m yoy)</td> </tr> </tbody> </table>			Forecast	Last	Unemployment (claimant count mom)		-42k (2.1%)	(ILO 3m-3m)	-38k (4.8%)	-7k (4.8%)	Headline earnings	+2.3% (3m yoy)	+2.6% (3m yoy)
	Forecast		Last											
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The Week Ahead

Date	Venue	GMT	Indicator/event	For	Investec Forecast	Previous
Sun 12	US		US clocks change (forward 1 hour)			
Mon 13	JA	(23:50)	Private 'core' machinery orders	Jan		+6.7% (yoy)
	EU19	13:30	ECB's Draghi speaks in Frankfurt			
	IT	09:00	Industrial production	Jan		+1.4% (+6.6% yoy)
	US	14:00	Labour Market Conditions index	Feb		1.3%
Tue 14	CH	02:00	Fixed asset investment	Feb		+8.1% (ytd, yoy)
		02:00	◆ Industrial production	Feb		+6.0% (ytd, yoy)
		02:00	Retail sales	Feb		+10.4% (ytd, yoy)
	EU19	10:00	Industrial production	Jan		-1.6% (2.0% yoy)
		GE	07:00	◆ HICP (final)	Feb	
	07:00		CPI (final)	Feb		+0.6% (2.2% yoy) (p)
		10:00	ZEW survey: current situation	Mar		+76.4
		10:00	ZEW Survey: economic expectations	Mar		+10.4
	SP	08:00	HICP (final)	Feb		-0.3% (3.0% yoy)
	US	10:00	◆ NFIB small business optimism	Feb		105.9
		12:30	PPI	Feb		+0.6% (1.6% yoy)
		12:30	- ex food and energy	Feb		+0.4% (1.2% yoy)
				◆ Reported date for President Trump's budget plan to be presented to Congress		
	Wed 15	UK	09:30	◆ Unemployment (claimant count)	Feb	
09:30			◆ Unemployment (ILO)	Jan	-38k (4.8%)	-7k (3m/3m) (4.8%)
09:30			Average earnings	Jan	+2.3% (3m yoy)	+2.6% (3m yoy)
JA		04:30	Industrial production (final)	Jan		-0.8% (3.2% yoy) (p)
FR		07:45	HICP (final)	Feb		+0.1% (1.4% yoy) (p)
			François Fillon summoned to court over 'fake jobs' claims			
IT		10:00	HICP (final)	Feb		+1.6% (yoy) (p)
NL			◆ Netherlands parliamentary election			
US		12:30	Empire State manufacturing survey	Mar		+18.7
		12:30	◆ CPI	Feb		+0.6% (2.5% yoy)
		12:30	- ex food & energy	Feb		+0.3% (2.3% yoy)
		12:30	◆ Retail sales	Feb		+0.4%
		12:30	-ex autos	Feb		+0.8%
	14:00	NAHB housing market index	Mar		65	
	14:00	Business inventories	Jan		+0.4%	
	18:00	◆ FOMC announcement		+0.25% (0.75%-1.00%)	unch (0.50%-0.75%)	
20:00	Long-term investment flows (TIC data)	Jan		-\$12.87bn		
Thu 16	US	00:01	◆ US debt ceiling suspension ends			
	UK	12:00	◆ MPC announcement - Bank rate		unch (0.25%)	unch (0.25%)
		12:00	◆ MPC announcement - QE		unch (£435bn)	unch (£435bn)
		12:00	MPC minutes - Bank rate vote		0-9-0 (hike-hold-cut)	0-9-0 (hike-hold-cut)
		12:00	MPC minutes – QE vote		0-9-0 (increase-hold-reduce)	0-9-0 (increase-hold-reduce)
	JA		BoJ announcement			unch (-0.10%)
	EU19	10:00	◆ CPI (final)	Feb		+2.0% (yoy) (p)
		10:00	- ex food, energy, alcohol & tobacco (final)	Feb		+0.9% (yoy) (p)
	SZ	08:30	SNB announcement (3m libor target)			unch (-0.75%)
	US	12:30	Philadelphia Fed index	Mar		+43.3
		12:30	Building permits	Feb		+1293k (saar)
12:30		Housing starts	Feb		+1246k (saar)	
13:30		Weekly jobless claims	11-Mar		+20k (243k)	
NO		09:00	Norges Bank announcement (deposit rate)			unch (0.50%)
Fri 17	UK	12:00	BoE Quarterly Bulletin	Q1		
			Scottish National Party Spring Conference (day 1 of 2)			
	US	13:15	Industrial production	Feb		-0.3%
		14:00	◆ Michigan consumer sentiment (prel.)	Mar		96.3
		14:00	Leading index	Feb		+0.6%
G20		◆ G20 Finance Chiefs' meeting, Germany (day 1 of 2)				

Further ahead

23 April	FR	French Presidential election – 1 st round
27 April	EU19	ECB announcement
3 May	US	FOMC announcement
7 May	FR	French Presidential election – 2 nd round
11 May	UK	MPC announcement and Inflation Report

Key

◆ Key event indicator