

Bloomberg Intelligence

Global Economy Week Ahead



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Team: Economics
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1. US Home Sales, UK CPI, China Rates: Global Week Ahead

(Bloomberg Intelligence) -- In the week ahead, data from Japan, the UK and Canada are set to show inflation ticking up. In Turkey, we're expecting one last central bank hold before cuts begin in December. Moderating inflation in South Africa sets the stage for a quarter-point cut there. Turning to Asia, China and Indonesia are likely to leave rates on hold. Lastly, we'll cover third-quarter GDP from Chile, Colombia, and Peru.

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Forthcoming

North America

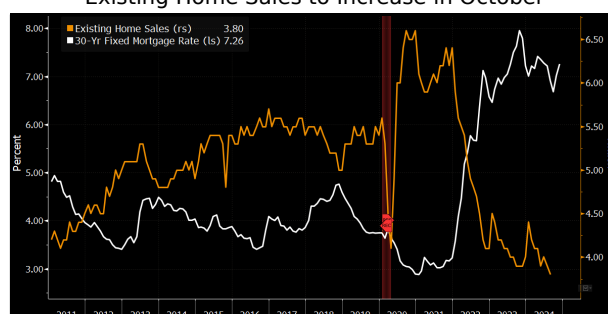
2. US Existing Home Sales to Improve From Almost 14-Year Low

Contributing Analysts Eliza Winger (Economics)

In the US, October existing home sales, due Nov. 21, are set to increase slightly to 3.92 million from 3.84 million prior after pending home sales -- which typically lead by a month or two -- rose across all regions in September. Pending sales were boosted by the drop in mortgage rates to a two-year low of 6.13% after the Fed cut rates by 50 bps in September.

However, mortgage rates have climbed since. The contract rate on a 30-year fixed mortgage rose 5 basis points to 6.86% in the week ended Nov. 8, the highest since July, according to the Mortgage Bankers Association. That will weigh on activity ahead. (11/14/24)

Existing Home Sales to Increase in October



Source: National Assoc. of Realtors, Bloomberg

3. Inflation Uptick Unlikely to Slow Bank of Canada's Cuts

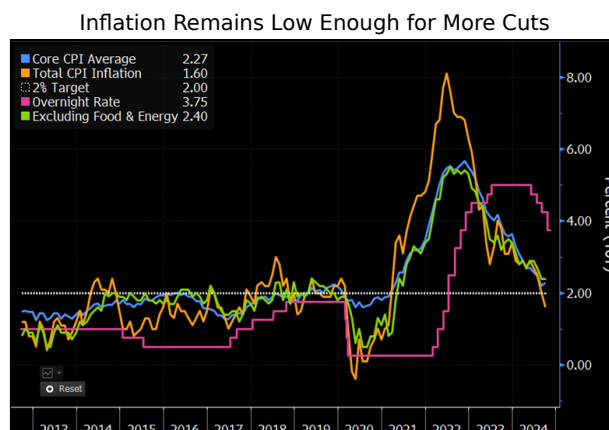
Contributing Analysts Stuart Paul (Economics)

Canada's October CPI report, due Nov. 19, is likely to show annual inflation at 1.9%, compared to September's 1.6%. On a nonseasonally adjusted basis, we estimate prices rose 0.3%, in line with the seasonal norm. Gasoline prices rose nearly 1% in October, a month when prices typically fall modestly. Other key categories - including rent and owned-home costs - will undergird inflation.

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Still, the uptick follows a string of downside inflation surprises. And if our forecast is right, headline inflation would still be below the Bank of Canada's 2% target. Core inflation measures are low enough to warrant rate cuts. With inflation breadth back to pre-Covid norms, we expect the BoC to focus on the weakening labor market and persistently declining living standards, rather than a potential rebound in prices. (11/14/24)



Source: STCA, Bloomberg Economics

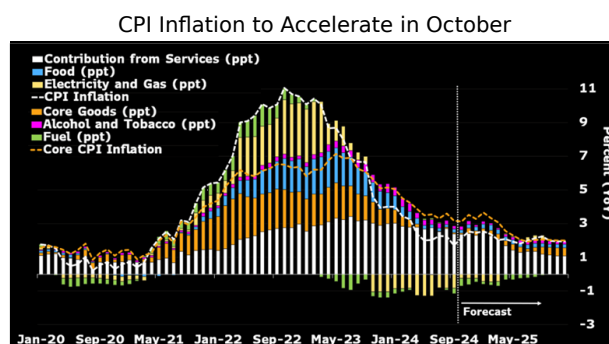
EMEA

4. UK CPI to Move Above 2% In October, Remain Below BOE Forecast

Contributing Analysts Dan Hanson (Economics) & Ana Andrade (Economics)

We expect the UK October CPI report, due Nov. 20, to show inflation picked up to 2.1% year on year, from 1.7% in September. Our projection is 0.1 percentage point below the Bank of England's expectation in its November forecast. Household energy bills likely rose by 9.5% in October, having fallen by 7.1% at the same point in 2023. Services inflation is likely to hold at 4.9%, a touch lower than the BOE's forecast but not enough to alter its view that domestically generated inflation is likely to ease only slowly from here.

If our forecast comes to pass, we think the central bank will opt to hold rates steady at its last meeting of the year in December and continue with quarterly moves in 2025. (11/14/24)



Source: Bloomberg Economics, ONS

5. Turkey Central Bank to Hold Rates at 50% One Last Time in Nov.

Contributing Analysts Selva Bahar Baziki (Economics)

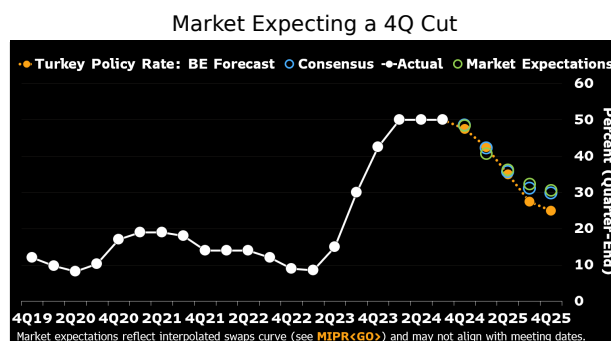
The Central Bank of the Republic of Turkey will likely resist calls for lower borrowing costs for one final time in 2024. Bloomberg Economics expects it to hold the one-week repo rate at 50% for the eighth consecutive time this year. The decision is due on Nov. 21.

We currently forecast the CBRT to kick off a long-drawn easing cycle in its December meeting with a 250-basis-point cut. President Recep Tayyip Erdogan's recent comments, where he linked the

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expected deceleration in inflation to an easing in borrowing costs, are a downside risk to our outlook as they could see the CBRT cut in November. On balance, however, we see risks tilted toward delays in rate cuts on a likelihood of upside surprises in inflation. (11/14/24)



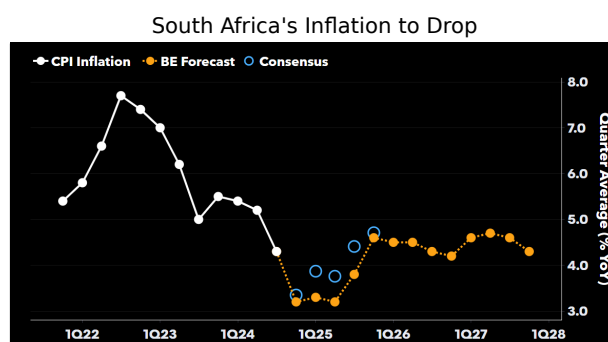
Source: CBRT, Bloomberg Economics

6. South Africa's Inflation to Fall to Lower Band of Target

Contributing Analysts Yvonne Mhango (Economics)

South Africa's CPI data, due Nov. 20, will likely show that the monthly price gain was unchanged at 0.1% in October, while a high base effect pulled annual inflation down to 3% from 3.8% in September. Smaller annual food price gains and a monthly fuel price cut will help annual inflation fall to the lower end of the central bank's 3%-6% target.

Looking ahead, a good 2024/25 harvest will likely moderate monthly food price gains, keeping annual inflation below 4% until mid-2025. Rand losses pose a risk to our outlook. This will give policymakers scope to follow up their September 25-bp reduction with two cuts, taking the interest rate to 7.5%, which is close to neutral, from 8% now. (11/14/24)



Source: Bloomberg Economics, Statistics South Africa

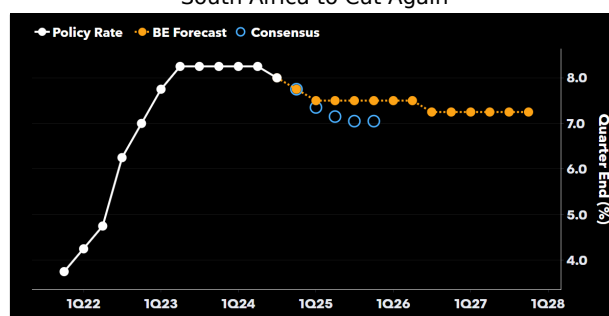
7. South Africa to Follow Up With Another Rate Cut

Contributing Analysts Yvonne Mhango (Economics)

South Africa's central bank will likely cut the policy rate by 25 bps to 7.75% on Nov. 21. October's CPI print - out a day before the rate decision - will show that annual inflation dropped to the lower end of the central bank's 3%-6% target. A high base effect for food prices and a monthly fall in fuel prices will likely pull down inflation. Soft energy prices and a good 2024/25 harvest that helps temper food price gains will keep annual inflation below the mid-point of the target for several months. The central bank will likely cut rates by 25 bps in November and then deliver an additional 25-bp reduction in the first quarter of 2025, taking the policy rate to 7.5% which is close to neutral. (11/14/24)

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South Africa to Cut Again



Source: Bloomberg Economics, South African Reserve Bank

Asia

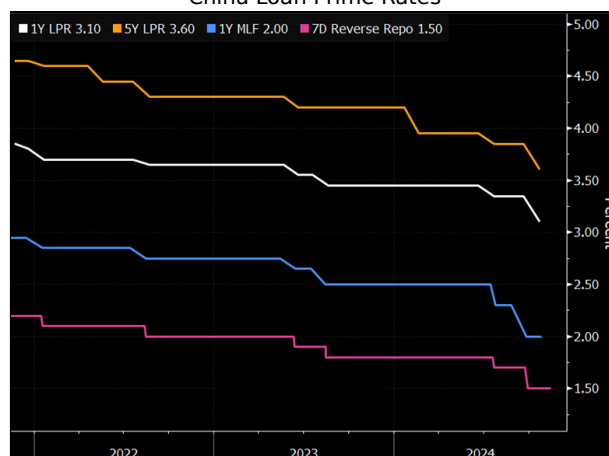
8. China's Banks Are Likely to Hold Prime Rates Given Steady PBOC

Contributing Analysts David Qu (Economics)

China's banks are likely to keep their loan prime rates unchanged at the Nov. 20 fixing. There are two clear signals for a hold. One, the People's Bank of China has kept its key policy rate, the seven-day reverse repo rate, steady since a cut in September. Two, the yuan's weakness against the dollar since late September may have reduced leeway to lower LPRs so soon after reductions at the last setting in October.

We expect commercial banks to hold the one-year LPR (the reference rate for corporate loans) at 3.1% and the five-year LPR (the benchmark for mortgage loans) at 3.6%. Banks cut both the one-year and five-year LPRs by 25 bps at the Oct. 21 fixing, taking a steer from the PBOC's 20-bp reduction to its seven-day reverse repo rate at end-September. (11/14/24)

China Loan Prime Rates



Source: PBOC, CFETS

9. Japan's Oct. Core-Core CPI to Show Inflation Heating Up Further

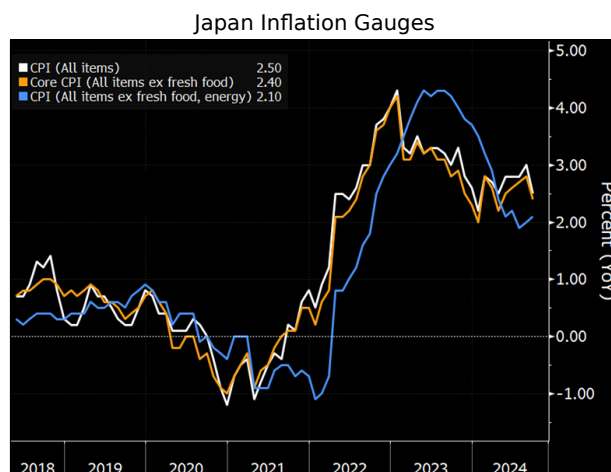
Contributing Analysts Taro Kimura (Economics)

Japan's October CPI report, due Nov. 22, will likely show inflation momentum continuing to build as the Bank of Japan expects. We estimate the gauge that excludes fresh food and energy climbed to 2.2% year on year from 2.1% in September, lifted by increases in prices of non-fresh food and public services at the start of the fiscal second half. The core CPI that strips out fresh food only likely slowed to 2.2% from 2.4%, but mainly due to a higher base from last year's reduction in utility subsidies.

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We expect the report to be consistent with the BOJ's view that its 2% target is becoming more secure, and that a weaker yen is increasing risks of an overshoot. The data will likely intensify discussions on the BOJ's board about the rate-hike path. We expect the central bank to deliver a 25-basis-point hike in January. (11/14/24)



Source: Ministry of Internal Affairs and Communications

10. Indonesia May Hold Rates Again in November to Support Rupiah

Contributing Analysts Tamara Mast Henderson (Economics)

Bank Indonesia is likely to hold its key rate at 6% again on Nov. 20, working to shore up the rupiah which has slid more than 3% against the dollar since the end of September. Meantime, Donald Trump's recent election win has reignited demand for the greenback. BI has cut by 25 basis points so far this easing cycle, compared to the Federal Reserve's 75 bps, making the interest-rate differential more attractive. Both central banks kicked off their easing in September.

Domestic conditions warrant another rate cut - growth slowed again in 3Q and inflation is low. It may take time for the new government to stoke economic momentum. Yet, BI has made it clear that rupiah stability is the priority. (11/14/24)



Source: Bank Indonesia, Bloomberg

Latam

11. Chile GDP to Expand in 3Q Before Slower 4Q Growth

Contributing Analysts Felipe Hernandez (Economics)

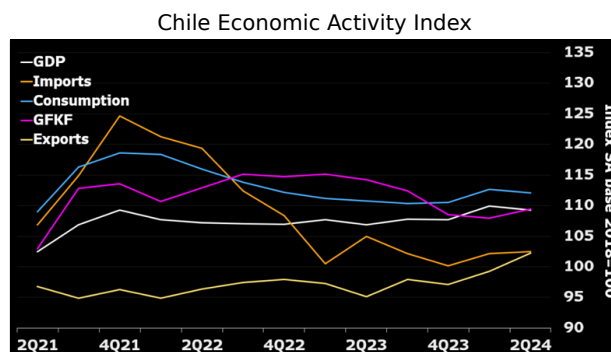
Chile's GDP likely rose 2.2% in 3Q from a year earlier. Our forecast is slightly above central bank projections and consistent with a slowly narrowing negative output gap, not far from zero. It

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implies a rebound from the previous quarter and the GDP level practically unchanged from 1Q. Monthly data through September signal weaker growth in 4Q. The GDP report is due out Nov. 18.

Leading indicators show manufacturing will drive the quarterly advance, with utilities, commerce and services also contributing. Mining is a drag. Data point to a rebound in consumption after falling in 2Q. Investment and exports are poised to slow following strong gains. (11/14/24)



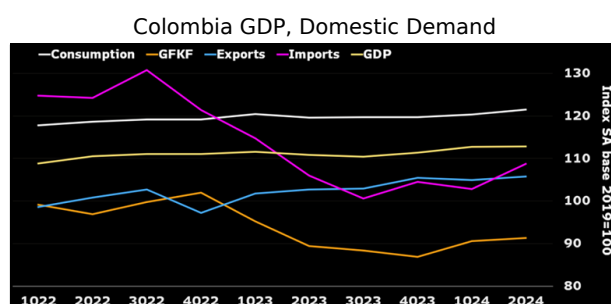
Source: Central Bank of Chile, Bloomberg Economics

12. Colombia Economy Set to Grow in 3Q Ahead of Year-End Moderation

Contributing Analysts Felipe Hernandez (Economics)

Colombia's GDP likely rose 2.2% in 3Q from a year earlier. Our forecast implies quarterly growth rebounded from 0.1% prior. Adjusted for seasonality, we expect annual growth slightly below central bank projections. That points to a small negative output gap. The GDP report is due out Nov. 18.

On the supply side, agriculture and mining are likely to outperform. Services will also contribute to quarterly gains. Manufacturing and construction are likely to be drags. We see household consumption losing momentum after strong growth in 2Q. Government spending is poised to drop after rising in 1H. Investment is likely to lag again. Decelerating inflation and lower interest rates support demand. Monetary conditions are still tight, though, limiting the upside. Populist government policies remain a drag. (11/14/24)



Source: Dane, Bloomberg Economics

13. Peru Poised for 3Q GDP Growth, Weaker Advance in 4Q

Contributing Analysts Felipe Hernandez (Economics)

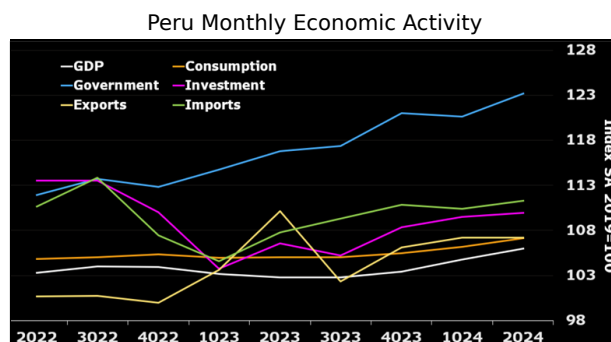
We estimate Peru's GDP rose 3.7% in 3Q from the year-ago period, above policymakers' expectation and consistent with a widening positive output gap still near zero. The forecast implies a quarterly advance, though slower than in 1H. Monthly data show activity is losing momentum, signaling weaker growth in 4Q. The GDP report is due out Nov. 22.

Leading indicators show mining, utilities, manufacturing and construction accounting for most of the advance. Commerce and services will also contribute. Agriculture and fishing were drags.

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Household consumption likely continued to grow. Investment is still lagging. Exports and imports may extend their uptrends. (11/14/24)



Source: INEI, Bloomberg Economics

Earnings

14. Nvidia, Walmart, Snowflake, Weibo: Earnings Week Ahead

Contributing Analysts Megan O'Neil

In the US, Nvidia's third-quarter report may reflect drag from production snags that hampered the rollout of its latest chips. Earnings from major retailers including Walmart and Target, meanwhile, are set to show healthy back-to-school sales, and strategies to cater to cost-conscious shoppers headed into the holiday season. In Asia, earnings reports from Xiaomi, Xpeng, Baidu, and Weibo are likely to be dominated by Trump's return to the White House and related risks to the outlook.

Click the links for full analysis. (11/15/24)

Earnings Ahead:

- Nvidia Rides on Insatiable AI Demand: US Earnings Week Ahead
- Xiaomi, Xpeng Face Trump Tariff Threat: Asia Earnings Week Ahead
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