WEEKLY ECONOMIC CALENDAR AHEAD

Here is what you need to know about the important news between **February 07th 2022 and February 11th 2022**, where we take a look at the economic data, market news and headlines likely to have the biggest impact on the market prices this week and beyond, as well as the US Dollar, and other key correlated assets.

Last Friday's Nonfarm Payrolls release—which showed the hiring accelerated. Employers added 467,000 jobs in January, almost doubling the highest economist estimate. Moreover, payrolls revisions for November and December showed an additional 709,000 jobs added retroactively during the final two months of 2021. which means the Omicron wave did not deliver a temporary disruption to the labor market recovery. As well, Friday's data indicated wages had jumped by 5.7% YoY during January. The unexpected, and for some, astounding employment data, suggests inflation remains hot. As such, investors will seek confirmation from this coming week's Consumer Price Index print, scheduled for Thursday.

The U.S. dollar index

The U.S. dollar advanced from two-week lows on Friday after data showed the world's largest economy created far more jobs than expected, raising the chances of a larger Federal Reserve interest rate increase at the March policy meeting. The dollar also tracked the surge in U.S. Treasury yields. But the dollar was still down 1.8% on the week, on pace for its largest weekly percentage decline since November 2020.

The Treasury bond

The bond market, meanwhile, reacted strongly to the employment data, with yields rising by 13 basis points for the week. The yield on the 10-year benchmark note surpassed 1.900% on Friday, for the first time since July 2019. In addition to the full contingent of bills, Treasury will auction three- and 10-year notes and 30-year bonds in the week ahead ($110 bln in coupons, a $10 bln reduction from the previous quarterly refunding last November)

Stocks

Following with Fed officials busily backpedaling last week in an effort to calm markets, equities remained volatile. Stock prices gyrated in sync with the earnings performance of individual tech companies. Adding to the potentially mercurial mood this coming week, earnings season continues with key companies such as drug makers Pfizer and Amgen reporting as Omicron continues to proliferate. As well, consumer staple giants Coca-Cola, PepsiCo and Kellogg release results.

Oil prices

The fallout from the global spread of COVID-19 produced tremendous stress in energy markets. After bottoming in April 2020, crude oil prices staged a remarkable turnaround. The rally was driven by a much faster than expected demand recovery, ignited by policy stimulus and strong demand for goods, and strict supply management measures by OPEC+ member countries, led by Saudi Arabia and Russia. Oil extended its rise for a seventh week as it gained 2.2%, upside risks could materialize if global growth accelerates further with the opening-up of Asia or if geopolitical events disrupt supply, such as a conflict in Ukraine. On the other hand, Downside risks could materialize with negative demand shocks, including a potential

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worsening of the pandemic, a further slowdown of China or a policy mistake from the US Federal Reserve tightening "too much, too fast."

Gold

Gold has been ranging higher inside what could prove to be a rising channel, following a sharp, three-day selloff. Gold is likely to remain inversely correlated with the benchmark 10-year US T-bond yield this week as investors will await the US January Consumer Price Index (CPI) data, which could impact the Fed rate hike in March.

Central Bank

Central banks including the Fed, ECB, and BoE have already laid the groundwork for a more aggressive tightening this year, many questions remain unanswered and huge uncertainty around the inflation outlook remains.

The Hawkish commentary from **Fed** Chair Jerome Powell following the January FOMC meeting suggests the central bank means business. With inflation at 7% and the labor market tightening far more quickly than officials expected, they are set to raise rates 25bp at consecutive meetings in March, May, and June, with a further two hikes in the second half of the year. They will also start running down their balance sheet (Quantitative Tightening) from 3Q and this is likely to do a lot of the heavy lifting for policy tightening. This means the eventual peak in the Fed funds target rate is likely to be closer to 2% than 3%.

The **European Central Bank (ECB)** held monetary policy steady but said inflation risks were to the upside, signalling it would re-assess its policy outlook in March, the underlying inflation story is more important. At 2.3%, core inflation remains above the ECB's medium-term target and second-round effects could prevent a decline. We now see headline inflation of 3.3% this year, with risks skewed to the upside. We see the ECB in no position to consider hiking interest rates any time soon. The drivers behind high inflation and higher inflation projections are still mainly driven by supply-side constraints and not by demand. In other words, tightening monetary policy would do little to ship containers faster from Asia to Europe or reduce energy prices.

The **Bank of England (BOE)** has delivered a hawkish monetary policy announcement, raising its policy rate by 25 bps, amid ongoing concern about high headline inflation rates. In fact four-out-of-nine policymakers voted for an even faster, 50bp hike. Clearly the Bank is keen to act pre-emptively, with inflation set to remain well above target this year. The BOE meets next on March 17.

After a volatile week with key central bank meetings and economic data, this week headlines may slow down a bit. The upcoming US January inflation data is all that matters and could lead to markets fully pricing in a half-point rate hike for the Fed at the March policy meeting. The January inflation report is expected to be red hot as the Omicron wave intensified supply constraints and consumer demand remained strong.

Other important economic data is as follows: (All times listed are GMT+0)

Monday, February 07, 2022

Chinese Lunar New Year break ends, Mainland Chinese markets reopen

07:00: Germany – Industrial Production

15:45: EUR – ECB President Lagarde Speaks

Tuesday, February 08, 2022

13:30: US – Trade Balance

Wednesday, February 09, 2022

15:30: US – Crude Oil Inventories: expected to show a build of 1.525M from the previous -1.046M drawdown.

17:00: CAD - BOC Gov Macklem Speaks

17:00: US - FOMC Member Mester Speaks

18:00: US - 10-y Bond Auction

Thursday, February 10, 2022

13:30: US – Core CPI

13:30: US – Initial Jobless Claims

18:01: US – 30-y Bond Auction

20:15: UK – BoE Gov Bailey Speaks

Friday, February 11, 2022

Japan Bank holiday

07:00: UK – GDP

07:00: UK – Manufacturing Production

10:30: Russia – Interest Rate Decision: forecast to jump to 9.50% from 8.50%.

15:00: US – Fed Monetary Policy Report

Thanks for reading! Have a great week!