



What you need to know for the week ahead

Monday	Release	Forecast	Previous	Consensus
10:00 AM	Factory orders (Jan):	-0.5%	+1.6%	-1.4%

Source: Bloomberg Finance LP, Deutsche Bank

Commentary for Monday: Chair Powell will be in the hot seat this week as he delivers the semi-annual monetary policy report to the Senate Banking Committee (Tuesday) and the House Financial Services Committee (Wednesday). Although these appearances will pre-date the remaining key data releases before the March FOMC meeting – namely this Friday's February employment report and next Tuesday's CPI – Powell will importantly have the opportunity to define the Committee's reaction function to upcoming prints. Most important will be whether the Chair takes the opportunity to express a preference for sticking with a 25bp hike in March, or if he leaves the door ajar for returning to a faster pace this month. While our baseline remains that the Fed is most likely to continue with 25bp hikes, if Powell does not foreclose on the potential for a larger hike, markets could put substantially more weight on a 50bp hike at the March meeting in response to hotter data.

Last week, a few of Powell's colleagues left open the potential for a larger hike, though Fedspeak generally expressed a preference for sending a hawkish signal by upgrading the terminal rate projection in the dot plot. In particular, Governor Waller (hawk) stated he needed to see both job gains and CPI inflation pull-back to not upgrade his terminal rate projection and Minneapolis Fed President Kashkari (voter / hawk) argued that the dot plot signal was far more important than whether they choose to go 25bps or 50bps this month. These broad signals fit very well with our baseline expectations for the Fed, which anticipate 25bp rate hikes through the July meeting, bringing the fed funds rate to 5.6% at that point (see ["Lifting terminal higher \(and higher\)"](#)). Although unlikely to be a focal point of the Chair's testimony, we recently argued that estimates of r^* have risen since the pandemic, and that there are structural factors that would keep the real neutral rate in the US higher (see ["How positive \$r^*\$ you?"](#)). We will be on the lookout for further modest movements in this direction in the March dot plot.

With respect to this week's data docket, Wednesday's JOLTS data will be nearly as important for Fed officials as Friday's payroll report. Given the strong January employment data, we would not be surprised to see an uptick in the hiring rate. That

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Policy Speeches

There are no monetary policy speeches scheduled for Monday

2023 Economic/Financial Projections

Real GDP growth: +0.8% Q4/Q4
1.7% Annual average
Core CPI: 3.2% Q4/Q4
Unemployment: 4.5% Q4
Fed target rate: 5.625% year end

Post Employment Conference Call

Friday March 10, 9:00 am EST
To register for the call, please contact your DB sales rep or go to the following URL:
https://www.dbresearch.com/REPO/RPS_EN-PROD/PROD000000000526799.link

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said, we will also focus on the trends in job openings for any signs of slowing labor demand. Though we will also get the ADP private employment survey (+300k forecast vs. +106k previous) prior to the JOLTS, given the massive misses of late, it is unlikely to move market expectations much going into Friday.

Regarding the February employment report, we expect headline (+300k vs. +517k) and private (+300k vs. 443k) payroll gains to remain elevated given mild weather once again during the survey week. Recall that last month, the leisure and hospitality sector added 128k jobs – well above the three-month trailing average of 83k. The same can be said for other weather-prone sectors such as retail trade (+30k in January vs. -17k three-month trailing average). Heating degree days relative to normal for the February survey week were -30, which while not as mild as the January survey week (-43), still point to upside risks for these sectors given the unusually mild weather. To be clear, our 300k forecast for private payrolls would still be below the three-month and six-month averages of 313k and 315k, respectively.

Equally as important will be hours worked (34.6hrs vs. 34.7hrs), which were also likely boosted by the aforementioned mild weather. In addition, we expect average hourly earnings (+0.3% vs. +0.3%) to post another moderate gain. If our forecast for AHEs is close to the mark, it would have the effect of raising the year-over-year growth rate of AHEs by 30bps to 4.7%. However, Fed officials are likely to focus more on the near-term trend in AHEs and assuming our February forecast holds, the three-month annualized growth rate of the series, would fall by around 50bps (to 4.1%). The upshot of our establishment survey forecasts is that the year-over-year growth rate of our payroll proxy for nominal income growth (specifically compensation) would decline by roughly 80bps to 7.7%. That being said, relative to Q4, nominal compensation would be up a very solid 8.5% annualized – one reason for our recent revisions to our growth outlook (see ["No landing is not an option for the Fed"](#)). Finally, with respect to the household survey, given the above, we expect the unemployment rate to remain steady at 3.4%. However, the risk may be that it rounds down to 3.3% should participation contract slightly.

In summary, Chair Powell will have ample opportunity this week to clarify the Fed's reaction function, which, if he so chooses to do so, will set the tone for how investors will trade the subsequent data points between now and the March FOMC meeting.

Please see the following pages for a summary of our preliminary estimates of the upcoming US high-frequency data over the next several weeks.

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Figure 1: Data and Events Calendar

Feb-27 Durable Goods Orders 8:30 AM Nov: Dec: Jan: Headline -1.8% +5.1 -4.5 Ex-Trans. Unch. -0.4 +0.7 Core -0.2% -0.3 +0.8 Pending Home Sales Index 10:00 AM Nov: -3.2% Dec: +1.1 Jan: +8.1	Feb-28 Advance Goods Trade Balance 8:30 AM Nov: -\$83.3B Dec: -90.3 Jan: -91.5 Chicago PMI 9:45 AM Dec: 45.1 Jan: 44.3 Feb: 43.6 Consumer Confidence 10:00 AM Dec: 109.0 Jan: 106.0 Feb: 102.9	Mar-01 Construction Spending 10:00 AM Nov: +1.8% Dec: -0.7 Jan: -0.1 ISM Index 10:00 AM Dec: 48.4 Jan: 47.4 Feb: 47.7 Unit motor vehicle sales Dec: 13.4M Jan: 15.9 Feb: 14.9	Mar-02 Initial Claims 8:30AM Feb-11 195k Unch. Feb-18 192 -3 Feb-25 190 -2 Productivity 8:30AM 2Q22: -3.8% +6.6% 3Q22: +1.2 +6.9 Final: 4Q22: +1.7 +3.2 3 Yr Note Announcement \$40bn 10 Yr Note Announcement \$32bn 30 Yr Bond Announcement \$18bn	Mar-03 ISM Services 10:00 AM Dec: 49.2 Jan: 55.2 Feb: 55.1
FORECAST				
Mar-06 Factory Orders 10:00 AM Nov: -1.9% Dec: +1.6 Jan: -0.5	Mar-07 Wholesale Inventories 10:00 AM Nov: +0.9% Dec: +0.1 Jan: -0.1 Consumer Credit 3:00 PM Nov: +\$33.1B Dec: +11.6 Jan: +25.0 3 Yr Note Auction \$40bn Fed Chair Powell to appear before the Senate Banking Committee	Mar-08 ADP Employment Report 8:15 AM Dec: +253k Jan: +106 Feb: +300 International Trade Balance 8:30 AM Nov: -\$61.0B Dec: -67.4 Jan: -64.1 January JOLTS data released 10 Yr Note Auction \$32bn Fed Chair Powell to appear before the House Financial Services Committee	Mar-09 Initial Claims 8:30AM Feb-18 192k -3k Feb-25 190 -2 Mar-04 205 +20 30 Yr Bond Auction \$18bn	Mar-10 Employment 8:30 AM Dec: Jan: Feb: Payrolls +260k +517 +300 Private +269k +443 +300 UnRate 3.5% 3.4 3.4 Hrly Emgs +0.4% +0.3 +0.3 Workwkw 34.4 34.7 34.6
Mar-13	Mar-14 CPI Price Total Core 8:30AM Dec: +0.1% +0.4% Jan: +0.5 +0.4 Feb: +0.5 +0.4	Mar-15 PPI Total Core 8:30AM Dec: -0.2% +0.3% Jan: +0.7 +0.5 Feb: +0.5 +0.4 NY Fed Empire State Survey 8:30AM Jan: -32.9 Feb: -5.8 Mar: -7.7 Retail Sales 8:30AM Dec: Jan: Feb: Total -1.1% +3.0 -1.1 Ex Autos -0.9% +2.3 -1.2 Control -0.7% +1.7 -0.3 Business Inventories 10:00 AM Nov: +0.3% Dec: +0.3 Jan: -0.1 NAHB Housing Market Index 10:00 AM Jan: 35 Feb: 42 Mar: 40	Mar-16 Housing Starts Permits 8:30AM Dec: 1.371M 1.337M Jan: 1.309 1.339 Feb: Philadelphia Fed 08:30AM Jan: -8.9 Feb: -24.3 Mar: 20 Yr Bond Announcement \$15bn 10 Yr TIPS Announcement \$17bn	Mar-17 Industrial Production Cap. Util 9:15AM Dec: -1.0% 78.4% Jan: Unch. 78.3 Feb: +0.5 78.8 Leading Economic Indicators 10:00AM Dec: -0.8% Jan: -0.3 Feb: -0.1 Consumer Sentiment 10:00 AM Jan: 64.9 Feb: 67.0 Prelim: Mar: 66.9
Mar-20	Mar-21 Existing Home Sales 10:00 AM Dec: 4.03M Jan: 4.00 Feb: 3.99 20 Yr Bond Auction \$15bn	Mar-22 FOMC Meeting Fed Chair Powell to speak at post-FOMC meeting press conference	Mar-23 New Home Sales 10:00 AM Dec: 625k Jan: 670 Feb: 650 2 Yr Note Announcement \$42bn 5 Yr Note Announcement \$43bn 7 Yr Note Announcement \$35bn 10 Yr TIPS Auction \$17bn 2 Yr FRN Announcement \$22bn	Mar-24 Durable Goods Orders 8:30 AM Dec: Jan: Feb: Headline +5.1% -4.5 -0.5 Ex-Trans. -0.4% +0.7 -0.3 Core -0.3% +0.8 -0.3

Source : Deutsche Bank

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Appendix 1

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