

BOE Will Downgrade Growth and Inflation Forecasts as it Awaits the Fed's Next Move The Bank of England (BOE) will host its second "Super Thursday" so called because of the amount of relevant information that will be published at the same time tomorrow. The innovation from the British central bank of immediately releasing the minutes from the monetary policy meeting has been received well by a market hungry for transparency. Rather than wait two weeks, at which time some of the comments from the minutes could look out of place, the BOE decided to align its releases with the current speed of information in today's globalized society. There are no changes expected to the benchmark interest rate so the focus will turn to the balance of voting members and inflation and growth forecasts. The latest minutes showed only one vote in favour of higher rates. Comments from Kristin Forbes make her a candidate to join the rate hike camp. The Inflation Report is expected to bring downgrades to inflation and growth estimates as global headwinds persist. The GBP/USD has appreciated even after Federal Reserve Chair Janet Yellen testified before U.S. Congress and kept the door open to a December rate hike. The BOE is anticipated to follow after the Fed, so a possible rate hike pushes the timing of the Old Lady raising rates earlier in 2016 than if the Fed waits for next year to launch its tightening policy. The Bank of England will publish its monetary policy summary, inflation report and the minutes on Thursday, November 5 at 7:00 am EST. **BOE Expected to Raise Next Year** BOE Governor Mark Carney promised more clarity

regarding the direction of the policy decisions from the central bank towards the end of the year. Carney could shed some light on the timing of a possible rate hike. He has started working the market's perception by stating over the weekend that "a possibility was not a certainty". The main hurdles for committing to a schedule are: the growth of the U.K. economy, inflation, the Fed, Europe QE. Growth in the United Kingdom continues its upward trajectory, but it is clear that is slowing down. External factors have dragged manufacturing input and output prices down even as the factory output posted the fastest growth in 16 months. Inflation continues to flirt with negative growth as it posted a -0.1 percent drop on October 13. Energy and clothing prices have kept inflation close to zero since February. This means that the 2 percent target remains out of reach and could work against the BOE's intent to raise rates next year. The transitory label that has been applied to current negative inflation is the only optimistic interpretation in the data. **NFP Could Decide Fate of Fed Rate Hike** The Federal Reserve continues to confuse markets with hawkish statements that have not had a strong follow through into monetary policy. Voting members issue support for a rate hike, and yet there is only one dissenter versus the majority holding rates unchanged. The October Federal Open Market Committee surprised by the inclusion of a mention that the December meeting could bring about the awaited rate hike. The Fed has had its credibility eroded at a rapid pace since June when a large number of economic indicators were supportive of the Fed pulling the trigger on rates. September

and now December bring with them mixed readings and even a stumble or two from the best performer; U.S. employment. The Bank of England on Thursday will be followed by the U.S. non-farm payrolls on Friday. A strong figure could put the December rate hike back on the calendar, and push forward the timetable for the Governor Carney to follow Chair Yellen's lead. GBP events to watch this week:

Thursday, November 5 7:00 am GBP BOE Inflation Report 7:00 am GBP MPC Official Bank Rate Votes 7:00 am GBP Monetary Policy Summary 7:00 am GBP Official Bank Rate 7:45 am GBP BOE Gov Carney Speaks **Friday, November 6** 8:30 am USD Non-Farm Employment Change **Source:Marketpulse**