

Key themes for the week ahead – US inflation, Fed taper signalling, and rates

Despite the headline disappointment, US payrolls growth was interpreted as good enough to keep a possible taper announcement on track for Nov (FOMC 3 Nov 2021). This week, we'll watch the Sept FOMC Minutes and Fed speeches for important signalling on the payrolls result, inflation, and a taper announcement. US inflation for Sep will also be important this week. US and global rates are likely to remain in focus.

The headline US non-farm payrolls last week disappointed to the downside. "Reasonably good" growth in private payrolls (+317k) was offset by a decline in public payrolls (-123k). The decline in education payrolls (state and local levels) accounted for all the public sectors decrease with lingering Covid issues disrupting back to school activity. In the private sector, the growth in Leisure and Hospitality payrolls was muted compared to prior months and this trend is consistent with the outbreak in late 2020.

The prior two months' payrolls were revised higher and the monthly average payrolls growth over the last four months now sits at +653k/month.

US labour supply is still an issue with participation declining in Sep. This partly explains the much larger decrease in the unemployment rate in Sep. In the broader 16yrs+ group, the combination of growth in employment and a decrease in participation resulted in a notable decrease in the unemployment rate from 5.2% in Aug to 4.8% in Sep. In the core working-age group of 24-54yrs, most of the decline in the unemployment rate was due to the fall in participation.

The US CPI data for Sep will be a key focus this week. Headline CPI growth is expected to remain at +5.3% and core CPI growth is expected to remain at +4%.

US retail sales for Sep will be released and a slight decline of -0.2% is expected, but ex-Autos, growth of +0.4% (MoM) is expected. The University of Michigan consumer sentiment data (prelim) for Oct will also be released – a slight improvement is expected.

In Aus, the labour market data for Sep will be released. Employment is expected to decline by -120k (prior -146k). Vaccination rates are at least on-target for a staged easing of restrictions (so far NSW, with Vic to start at the end of Oct).

Chinese data (trade, inflation, and retail sales) for Sep will also be released.

This week, the US Treasury will settle approx. \$309bn in ST Bills, Notes, and Bonds raising approx. \$84bn in new money. The US Treasury will auction and settle the 3yr and 10yr Notes (before CPI) and the 30yr Bond this week. There has been a shift in timing for debt ceiling negotiations and this is reflected in the (higher) 8-week Bill. Approx. \$26bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be rolled over.

US Treasury Issuance & QE

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Additional Cash Management Bills (CMB's) were added to the schedule last week and this week.

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WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
<i>11 Oct Columbus Day</i>								
11-15 Oct	07-Oct	12-Oct	4 week bill	10			Actual 0.035%	0.045%
	07-Oct	12-Oct	8 week bill	25			Actual 0.110%	0.040%
	06-Oct	12-Oct	119-Day CMB	30			Actual 0.055%	0.050%
	06-Oct	13-Oct	64-Day CMB	40			Actual 0.050%	n/a
				105	90	15		
	12-Oct	14-Oct	13 week bill	42			Announced	0.040%
	12-Oct	14-Oct	26 week bill	42			Announced	0.055%
				84	108	-24		
	12-Oct	15-Oct	3yr note	58			Announced	0.447%
	12-Oct	15-Oct	10yr note	38			Announced	1.338%
	13-Oct	15-Oct	30yr bond	24			Announced	1.910%
				120	26.97	93.03		
			Total - securities settling this week	309	224.97	84.03		
			Net New Cash Raised Qtr to Date	517	465.0	52.0		
			<i>Estimated Net Cash to be Raised Q4</i>			703		
			Fed SOMA - Face Value of SOMA securities maturing	\$ B				
		12-Oct	Bills	4.8				
		14-Oct	Bills	12.5				
		15-Oct-21	Notes & Bonds	9.0				
				26.3				

<https://www.treasurydirect.gov/instit/annceresult/press/press.htm>

Recommended US Treasury Financing Q4

In Q3, the US Treasury estimated it would raise approx. \$703bn in new money for Q4. This will be updated at the next TBAC meeting in early Nov.

The latest release of the recommended US Treasury financing for Q3 can be found here: <https://home.treasury.gov/system/files/221/TBACRecommendedFinancingTableQ32021-08042021.pdf>

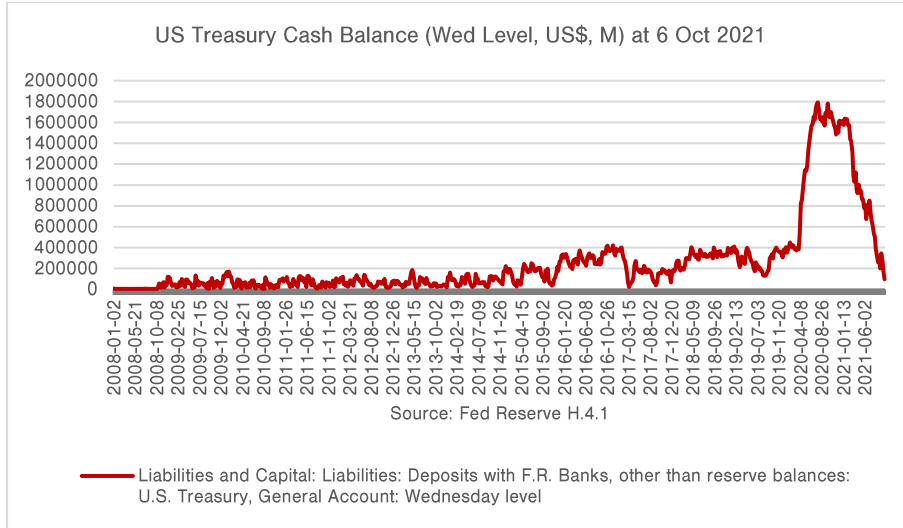
The suspension of the federal debt ceiling ended on 31 July.

A short-term funding agreement last week has extended the debt ceiling deadline to approx. 3 Dec 2021. As well, short-term measures were passed last week keeping the US government funded until Dec 3.

The level of the TGA decreased last week by \$77bn (after decreasing by \$99bn in the prior week).

The balance of the TGA (6 Oct) was \$95.8bn. The last time the TGA was lower than the current level was in Dec 2017.

Since the start of 2021, the TGA balance has declined by \$1.51 tr.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=sheetml&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021>

QE PROGRAMS

The new operation schedule for the purchase of Treasury and MBS securities will be released on 14 Oct – the schedule below is incomplete.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 11 Oct	Holiday	Holiday
Tue 12 Oct	1.425	5.384
Wed 13 Oct	6.025	4.792
Thur 14 Oct	2.025	5.381
Fri 15 Oct	Tbc	Tbc
Total Announced Purchases	\$9.47bn (last week \$20.3bn)	\$15.56bn (last week \$25.7bn)

Links to Operation Schedules -

<https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details>

https://www.newyorkfed.org/markets/ombs_operation_schedule

WEEK COMMENCING 11 OCTOBER 2021

MONDAY 11 OCTOBER (US Eastern Time, unless stated otherwise)

US Columbus Day

Australia New Home Sales (Sep), NAB Business Conditions and Confidence (Sep)

TUESDAY 12 OCTOBER

US JOLTS (Aug), US Fed Vice Chair Clarida speech

Australia Westpac Consumer Confidence (Oct)

China Trade Balance, Exports, and Imports (Sep)

WEDNESDAY 13 OCTOBER

US Mortgage Applications wk ending 8 Oct, CPI (Sep), FOMC Minutes, Fed Governors Brainard & Bowman speeches

Europe Eurozone Industrial Production (Aug)

Australia Labour Market & Employment Survey (Sep), RBA Asst Gov Debelle speech

China CPI & PPI (Sep)

THURSDAY 14 OCTOBER

US Initial Jobless Claims (wk ending 8 Oct), Continuing Unemployment Claims (wk ending 1 Oct), PPI (Sep), US Fed Presidents Bostic & Barkin speeches

Japan Industrial Production (final) (Aug)

China Retail Sales (Sep)

FRIDAY 15 OCTOBER

US NY Empire State Manufacturing Index (Oct), Retail Sales (Sep), University of Michigan Consumer Sentiment (prelim) (Oct), NY Fed President Williams speech
