

Key events for the week ahead – FOMC Minutes, RBA Minutes, RBNZ monetary policy meeting, US retail sales, inflation; UK, Canada, & Japan

Recap from last week: US headline CPI decelerated slightly more than expected to +8.5% in Jul (expecting +8.7%) - from +9.1% in Jun. The monthly CPI declined slightly by -0.02% (expecting +0.2%). The main contributor to the slower inflation print was the fall in energy prices, especially gasoline prices. Core goods also contributed slightly to the headline deceleration as new and used car & truck price growth slowed (has been easing for six months). But food price growth continued to accelerate in the month and over the year while core services price growth remained at +5.5%.

Measures of median and trimmed mean CPI continued to accelerate in Jul, suggesting that underlying inflation pressures remained persistent. Inflation expectations from the University of Michigan survey show an easing in inflation expectations for the next year down to 5% (down from a peak of +5.4%), but expectations for inflation over the next five years were unchanged at 3% (equal to the recent peak).

The pace of wage growth is also an important barometer for the FOMC. The Atlanta Fed wage tracker showed wage growth continued to accelerate through Jul. While a welcome boost to real income, it suggests continued tightness in the labour market. The NY Fed Global Supply Chain Pressure Index suggests that the supply chain shock (which accounted for some of the inflation pressure) continues to ease, but that supply chain pressures still are historically elevated.

Fed signaling was consistent; 'not near done yet' as inflation is still well above the 2% target, but a step in the right direction. Over the last two weeks, the Fed has repeatedly attempted to quash the idea of a Fed pivot, or that rates might be cut in 2023 while inflation remains so far above the target. Kashkari, Daly (more of a dove), and Barkin speeches supported a further outsized hike for Sep (none are voting members in 2022). Daly was less hawkish but noted she was "looking for the data in the aggregate to affirm the Fed is on a path to bring inflation down substantially and achieve the price stability target". Kashkari went as far as saying that Fed credibility was on the line as it works to bring inflation back to its mandated 2% target.

Outlook for the week ahead: The US FOMC will release the minutes of its last meeting. After that meeting, the decision was interpreted as a 'pivot' and the minutes may provide further insight into that and the outlook for Sep. US retail sales growth is expected to slow to +0.1% in Jul (from +1% in Jun). US housing data is expected to show further slowing of existing home sales to 4.88m (SAAR) and housing permits and starts in Jul. The high-frequency initial jobless claims data will continue to be monitored as it edges up over +260k.

The RBA will release the minutes of the Aug meeting. The Board increased the cash rate target by 50bps, expected further hikes were necessary to bring down inflation but signaled its intent to keep the economy 'on an even keel'. The important wage price index for Q2 is expected to show further acceleration in wages of +0.8% over Q2 and +2.7% over the year (from +2.4% in Q1). The labour market in Jul is expected to remain strong with +25k growth in employment, participation unchanged at a high of 66.8%, and the unemployment rate remaining at a low 3.5%.

The RBNZ is expected to increase rates by 50bps to 3%.

Inflation readings for Jul: Japan; headline CPI is expected to slow to +2.2% (from 2.4% in Jun), UK CPI is expected to accelerate to +9.8% in Jul (from +9.4% in Jun), and Canadian CPI is expected to slow to +7.6% in Jul (from 8.1% in Jun).

US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$329bn in ST Bills, Notes, and Bonds, raising approx. \$74bn in new money. The US Treasury will also auction approx. \$23bn in 30yr TIPS and 20yr Bonds – which will settle on 31 Aug.

Approx. \$81bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be rolled over. Approx \$23bn in Notes & Bonds will mature and be redeemed as a part of the QT balance sheet roll-off.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
15-19 Aug	11-Aug	16-Aug	4 week bill	55			Actual 2.150%	2.110%
	11-Aug	16-Aug	8 week bill	50			Actual 2.430%	2.280%
	10-Aug	16-Aug	119-Day CMB	30			Actual 2.780%	2.730%
				135	105	30		
	15-Aug	18-Aug	13 week bill	54			Announced	2.580%
	15-Aug	18-Aug	26 week bill	42			Announced	3.040%
				96	96	0		
	09-Aug	15-Aug	3yr Note	42			Actual 3.202%	3.093%
	10-Aug	15-Aug	10yr Note	35			Actual 2.755%	2.960%
	11-Aug	15-Aug	30yr Bond	21			Actual 3.106%	3.115%
				98	54	44		
			Total - securities settling this week	329	255	74		
			QTR to date totals	1,950	1,750	200		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>444</i>		
			Upcoming Auctions					
	17-Aug	31-Aug	20yr Bond	15			Announced	3.420%
	18-Aug	31-Aug	30yr TIPS	8			Announced	0.195%
			Face value of SOMA securities maturing	\$B				
			Maturing & reinvestment					
	15-Aug		Notes & Bonds	62.0				
	16-Aug		Bills	5.5				
	18-Aug		Bills	13.3				
				80.8				
			Maturing & redemption					
	15-Aug		Notes & Bonds	22.8				

Quantitative Tightening Summary – August 2022

This is the final month of the lower \$30bn cap on the decline in Treasury Securities on the Fed balance sheet. This cap increases to \$60bn in September.

Approx. \$111.4bn in SOMA Coupons will mature this month (15 and 31 Aug). Of the \$111.4bn, a total of \$30bn (the cap) will be redeemed and the remaining \$81.4bn in maturing Coupons will be reinvested. Given that the value of Coupons maturing is greater than the redemption cap this month, all Bills maturing in August will be rolled over/reinvested.

QT Summary - Monthly cap \$ Bn AUGUST 2022:			30			
SOMA securities maturing August 2022 \$ Bn			% of total month	Redemption Amt	Reinvest Amt	
15-Aug-22	Notes & Bonds	84.8	0.76	22.8	62.0	
31-Aug-22	Notes & Bonds	26.5	0.24	7.2	19.4	
		111.4		30	81.4	

<https://www.newyorkfed.org/markets/treasury-rollover-faq>

Recommended US Treasury Financing - Updated Q3 2022

The borrowing requirements in the updated recommended US Treasury financing for Q3 were increased from +\$182bn to +\$444bn. Emphasis added;

Since the May refunding, Treasury has continued to receive information regarding projected borrowing needs, including an additional quarter of tax receipts and **clarity on the timing and pace of redemptions of Treasury securities from the Federal Reserve System Open Market Account.** <https://home.treasury.gov/news/press-releases/jy0908>

Estimated net Bills issuance for Q3 increased from a -\$153bn paydown to +\$123bn in new money raised for the quarter. The estimated net new Coupon issuance over the quarter decreased slightly from +\$335bn to +\$320bn as a result of reduced auction sizes;

Based on this updated information, Treasury intends to continue reducing auction sizes of nominal coupon securities during the upcoming August – October 2022 quarter.

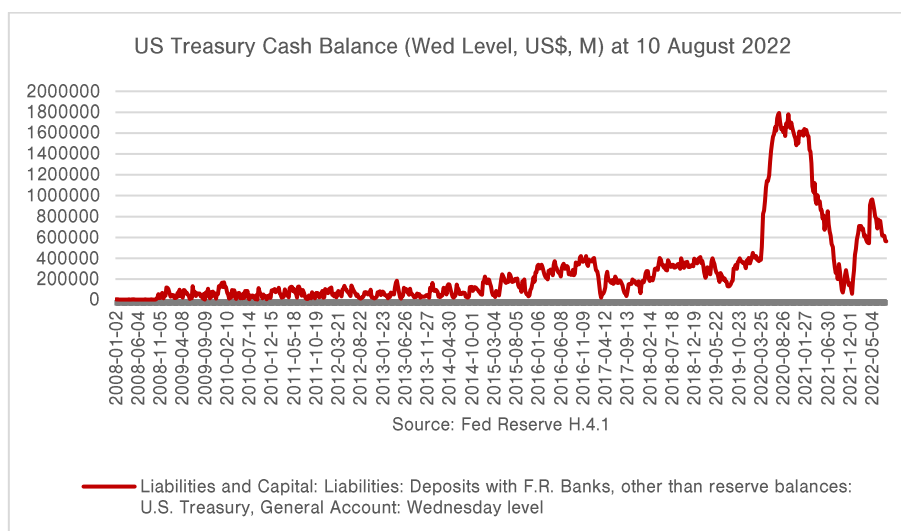
Over the next three months, Treasury anticipates incrementally reducing the size of each of the 2-, 3-, 5-, and 7-year note auctions by \$1 billion per month. As a result, the size of the 2-, 3-, 5-, and 7-year note auctions will each decrease by \$3 billion by the end of October. <https://home.treasury.gov/news/press-releases/jy0908>

The US Treasury has raised approx. \$200bn in new money in the quarter to date.

The full details for Q3 and estimates for Q4 can be found here; <https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/most-recent-quarterly-refunding-documents>

Treasury Cash Levels

As of Wed 10 Aug, the level of the TGA declined to \$561bn, declining by \$5bn compared to the week prior. The current TGA balance is approx. \$171bn higher than the same week a year ago.



<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

There are no further Treasury purchase operations at this stage.

Current statement and explanation regarding the purchase and reinvestment of Treasury securities and Agency Mortgage-Backed Securities operations:

https://www.newyorkfed.org/markets/opolicy/operating_policy_220126

The NY Fed plans to purchase approx. \$3.4bn in MBS over the period 12 - 25 Aug. The next tentative schedule will be released on 25 Aug.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 15 Aug	0	0.776
Tue 16 Aug	0	Nil
Wed 17 Aug	0	0.446
Thur 18 Aug	0	0.776
Fri 19 Aug	0	Nil
Total Announced Purchases	\$0bn	\$2bn

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/ambs_operation_schedule

WEEK COMMENCING 15 AUGUST 2022

MONDAY 15 AUGUST (US Eastern Time, unless stated otherwise)

Japan	GDP Q2 – Prelim, Industrial Production – Final (Jun)
China	House Prices, Fixed Asset Investment, Industrial Production, & Retail Sales (Jul)
US	NY Fed Empire State Manufacturing Index (Aug), NAHB Housing Market Index (Aug)
Australia	RBA Meeting Minutes

TUESDAY 16 AUGUST

UK	Employment Survey (3mth Jun)
US	Building Permits & Housing Starts (Jul), Industrial Production (Jul)
Canada	CPI (Jul)
Japan	Merchandise Trade, Exports, & Imports (Jul)
Australia	Wage Price Index Q2
NZ	RBNZ Monetary Policy Meeting

WEDNESDAY 17 AUGUST

UK	CPI (Jul)
Europe	Eurozone GDP Q2 - Prelim
US	Mortgage Apps wk 12 Aug, Retail Sales (Jul), Fed speeches; Bowman FOMC Minutes
Australia	Labour Market Survey (Jul)

THURSDAY 18 AUGUST

US	Initial Claims wk 12 Aug, Philadelphia Fed Manufacturing Survey (Aug), Existing Home Sales (Jul), Fed Speeches; George
Europe	Eurozone CPI – Final (Jul)
Japan	National CPI (Jul)

FRIDAY 19 AUGUST

UK	Retail Sales (Jul)
Europe	Germany PPI (Jul)
Canada	Retail Sales (Jul)
