

Key events for the week ahead – FOMC, BoE, BoJ, and SNB policy decisions, CPI's, central bank speeches, prelim PMIs for Sep

Recap from last week: US inflation remains persistent. Headline US CPI increased by +8.2% in Aug (expecting +8.1%) after increasing by +8.5% in Jul. The main contributor to the deceleration between Jul and Aug was the fall in energy commodity prices (gasoline). All other main expenditure groups (food, energy services, core commodities, and core services) partly offset the decline in gasoline prices.

Measures of core CPI showed persistent inflation. The trimmed mean and median CPI continued to accelerate this month – both reaching new series highs (data back to 1984). From the sticky/flexible prices series; sticky prices continued to accelerate across both headline and core sticky prices (across all periods) – indicating that there may be some persistence to this bout of inflation. Other US data out last week reflects resilience in the economy given the pace of hikes so far. Retail sales increased more than expected by +0.3% and initial jobless claims continued to ease, now at +213k. Housing data will likely remain weaker as mortgage rates increased to 6% last week. This week, home builder sentiment (Sep) plus existing home sales, housing permits, and starts data for Aug will be released.

For the FOMC, it means that they are yet to see progress in reducing inflation. Markets now expect another 75bps increase this week. The statement and press conference will likely remain hawkish. The latest SEP will be released. As the FFR moves into restrictive territory, the projections will be insightful about the latest thinking on the pace of hikes. The FOMC has already signaled that it will be appropriate to slow the pace of hikes at some point.

Last week RBA Governor Lowe provided insight into the rates outlook at the RBA (source: [House of Reps Testimony](#)). According to Lowe, we are getting closer to 'normal' settings now. Likely to be discussing a 25 or 50bps at the next meeting (note inflation is yet to peak and the labour market is still strong). Rates should cycle somewhere between 2.5 – 3.5% over the long run. We're at 2.35%, so getting to that range of 'normal', but still on the low side. Since that testimony, peak cash rate futures are back up to 3.9% by Jun 2023, as of 19 Sep (source: [ASX](#)).

Outlook for the week ahead: FOMC meeting; expecting +75bps. Plus; A "Fed Listens" event is scheduled with Fed Chair Powell, Vice Chair Brainard, and Governor Bowman. Fed speeches are also likely after the FOMC meeting.

BoJ meeting; expecting no change to settings. Discussion on Yen weakness likely. Japan National CPI for Aug out before the meeting – expecting CPI ex fresh food at +2.7% up from +2.4% in Jul.

BoE meeting; expecting +50bps. UK CPI was little changed last week at +9.9%. The BoE may also vote on details regarding the outright sale of securities in its Asset Purchase Facility (source: [BoE](#)).

SNB meeting: expecting +75bps increase from -0.25% to +0.5%.

Other central bank events; speeches by RBNZ Governor Orr, ECB President Lagarde, and ECB Board member Schnabel, RBA Minutes, and a substantial number of other central bank decisions (not covered here).

Global prelim PMIs for Sep will be released later in the week starting with Europe, the UK, and the US. Stabilization in manufacturing activity ex Europe is expected. Services momentum is expected to remain weaker in Sep.

US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$221bn in ST Bills, with an approx. paydown of \$7bn.

The US Treasury will also auction the 10-year TIPS and 20-year Bond – both will settle next week.

QT - Approx. \$10.5bn in ST Bills will mature on the Fed balance sheet this week. Of this, approx. \$2.2bn of maturing Bills will be redeemed and the remaining \$8.3bn of maturing Bills will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
19-23 Sep	15-Sep	20-Sep	4 week bill	50			Actual 2.670%	2.500%
	15-Sep	20-Sep	8 week bill	45			Actual 2.925%	2.765%
	14-Sep	20-Sep	119-Day CMB	30			Actual 3.550%	3.195%
				125	135	-10		
	19-Sep	22-Sep	13 week bill	54			Announced	3.075%
			26 week bill	42			Announced	3.465%
				96	93	3		
			Total - securities setting this week	221	228	-7		
			QTR to date totals	3,431	3,046	385		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>444</i>		
			Upcoming Auctions					
	22-Sep	30-Sep	10yr TIPS	15			Announced	0.630%
	20-Sep	30-Sep	20yr Bond	12			Announced	3.380%
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		20-Sep	Bills	5.2				
		22-Sep	Bills	3.1				
				8.3				
			Maturing & redemption (balance sheet roll-off)					
		20-Sep	Bills	1.4				
		22-Sep	Bills	0.8				
				2.2				

Quantitative Tightening Summary – September 2022

The higher month cap of \$60bn for Treasuries has come into effect this month. Approx. \$43.6bn in SOMA Coupons on the Fed balance sheet will mature in Sept (15 and 30 Sep). As this total is below the \$60bn cap, all maturing Coupons will be redeemed this month. That means that maturing Bills on the balance sheet will make up the residual \$16.3bn up to the \$60bn redemption cap this month.

Summary of Total Coupon & Bills to Redeem with \$60bn cap			\$60
15-Sep	Notes & Bonds	9.79	
30-Sep	Notes & Bonds	33.86	
Total Notes & Bonds to Redeem - Sept		43.64	
Remainder; Bills to Redeem - Sept		16.36	

The schedule of the \$16.36bn of Bills to be redeemed is based on the proportion of Bills maturing on the Fed balance sheet each week over Sept;

	Bill Maturity - Setpember	% Maturity by Wk	Weekly Totals \$Bn	
			Bill Redemption	Bill Reinvestment
2022/09/01	14.60	19%	3.03	11.57
2022/09/06	6.60	8%	1.37	5.23
2022/09/08	13.19	17%	2.74	10.45
2022/09/13	5.46	7%	1.13	4.33
2022/09/15	10.07	13%	2.09	7.97
2022/09/20	6.56	8%	1.36	5.20
2022/09/22	3.91	5%	0.81	3.10
2022/09/27	3.08	4%	0.64	2.44
2022/09/29	15.30	19%	3.18	12.12
	78.758	100%	16.36	62.40

<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>

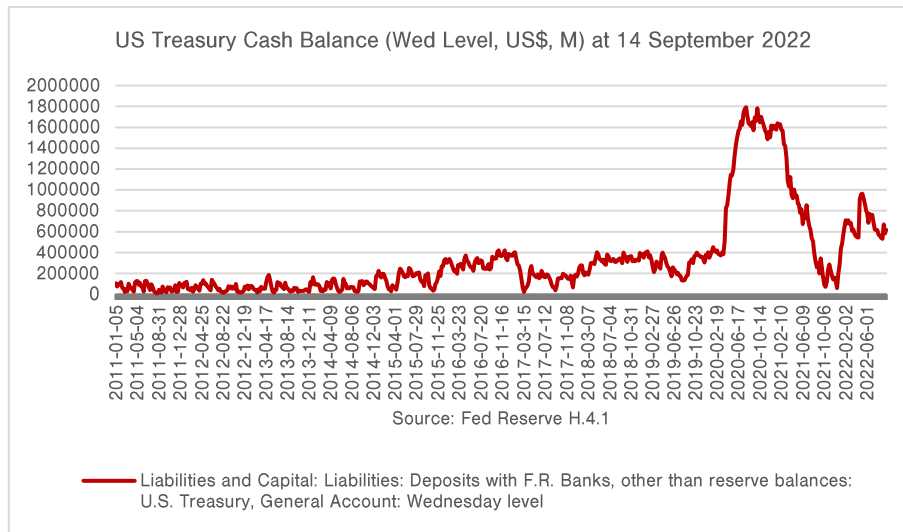
The US Treasury has raised approx. \$385bn in new money in the quarter to date.

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>

The next quarterly refunding update will be on 2 Nov 2022.

Treasury Cash Levels

As of Wed 14 Sep, the level of the TGA increased to \$618bn, increasing by \$35bn compared to the week prior. The current TGA balance is approx. \$273bn 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 PROGRAM

There are no further Treasury or MBS purchase operations scheduled at this time.

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 19 SEPTEMBER 2022

MONDAY 19 SEPTEMBER (US Eastern Time, unless stated otherwise)

US	NAHB Housing Market Index (Sep)
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Japan	National CPI (Aug)
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Australia	RBA Meeting Minutes
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China	PBoC (tentative)
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TUESDAY 20 SEPTEMBER

US	Building Permits and Housing Starts (Aug)
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Canada	CPI (Aug)
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Europe	ECB President Lagarde speech (Karl-Otto Pöhl-Lecture)
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WEDNESDAY 21 SEPTEMBER

US	Mortgage Apps wk 16 Sep, Existing Home Sales (Aug) FOMC Monetary Policy Decision
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Japan	BoJ Monetary Policy Decision
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THURSDAY 22 SEPTEMBER

Switzerland	SNB Monetary Policy Decision
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UK	BoE Monetary Policy Decision
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US	Initial Claims wk 16 Sep, Kansas City Fed Manufacturing Index (Sep)
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Europe	ECB Board Member Schnabel – Keynote address
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Australia	S&P Prelim Manufacturing & Services PMI (Sep) - tentative
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FRIDAY 23 SEPTEMBER

Europe	S&P Germany Prelim Manufacturing & Services PMI (Sep), S&P Eurozone Prelim Manufacturing & Services PMI (Sep)
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UK	S&P Prelim Manufacturing & Services PMI (Sep)
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Canada	Retail Sales (Jul)
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US	S&P Prelim Manufacturing & Services PMI (Sep) US Fed Reserve: Fed Listens event; Chair Powell, Vice Chair Brainard, and Governor Bowman
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