

## Key events for the week ahead – Central bank policy decisions and speeches, including Fed Chair Powell, and global services PMIs

US non-farm payrolls remained solid, coming in higher than expected at +315k (expecting +285k) for Aug. There was a notable downward revision to the Jun payrolls growth and only a slight change for Jul. The US household employment survey recorded the largest increase in employed persons of the last five months of +442k but this was all growth in part-time employment. The unemployment rate increased slightly as more people returned to the labour force. Markets were still split between a 50 and 75bps increase at the next FOMC meeting.

Fed-speak last week maintained the hawkish tone. NY Fed President Williams expects rates to continue higher and remain there until inflation is subdued. Policy settings will need to be restrictive “for some time” and this would require real rates to be positive. More Fed-speak this week will be important in the lead-up to the next FOMC meeting and includes Fed Chair Powell, Vice Chair Brainard, and Governor Waller

US manufacturing momentum remained in expansion territory in Aug with the ISM and S&P PMIs at 52.8 and 51.5, respectively. Both surveys recorded weakness in output growth, while input prices continued to moderate. US factory orders for Jul (-1%) confirmed the weakness in orders recorded in the regional manufacturing surveys through Jul – a trend that continued into Aug.

The JP Morgan global manufacturing PMI for Aug weakened further and recorded only modest expansion at 50.3. Global output and new orders contracted. Overall manufacturing activity contracted in key markets including China, Germany, the broader Eurozone, Canada, Mexico, South Korea, Taiwan, and Poland. From the [JP Morgan global manufacturing PMI](#) note:

The outlook is also increasingly weak. The orders:inventory ratio in August fell to its lowest level since May 2020, and the further deterioration in orders points to additional excess capacity building at factories.

Global services PMIs are due this week. The US ISM services PMI for Aug is expected to ease to 54.9.

The Euro area flash CPI for Aug surprised to the upside with inflation at +9.1% (expecting +9%). This will add further pressure on the ECB this week, which is expected to increase rates by 50bps (a 75bp increase has also been floated). Since the ECB affirmed its commitment to bring down inflation at Jackson Hole, the energy shock and geopolitical pressure have only increased. The Euro area group will meet this week to address the ‘economic situation and coordination of the macroeconomic policies in the euro area’. This will likely include further fiscal spending.

The RBA is expected to increase rates by 50bps this week. The effect of rate increases is starting to be reflected in the housing market with notable falls in new housing finance last week. Aussie Q2 GDP will be released this week and growth is expected to increase by +1.2% for the quarter and +3.8% over the year. RBA Governor Lowe is scheduled to speak during the week.

The BoC is expected to raise rates by 75bps this week. That comes on the back of a surprise 100bp increase in Jul. The latest CPI for Jul is elevated at +7.6%, slowing slightly from +8.1% in Jun. Growth remained robust in Q2 while manufacturing activity has started to slow.

Also; A new leader of the UK conservative party, and PM, is to be announced. BoE Governor Bailey is also expected to speak this week. OPEC to meet on supply.

## US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$255bn in ST Bills, raising approx. \$10bn in new money.

Approx. \$19.8bn in ST Bills will mature on the Fed balance sheet this week. Of this, approx. \$4.1bn will be redeemed and the remaining \$15.7bn in 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 %
<b>Holiday - Mon 5 Sep - Labour Day</b>							
5-9 Sep	01-Sep	06-Sep	4 week bill	50			Actual 2.470%
	01-Sep	06-Sep	8 week bill	45			Actual 2.730%
	31-Aug	06-Sep	119-Day CMB	30			Actual 3.100%
				125	115	10	
	06-Sep	08-Sep	13 week bill	54			Announced
	06-Sep	08-Sep	26 week bill	42			Announced
	06-Sep	08-Sep	52 week bill	34			Announced
				130	130	0	
			<b>Total - securities settling this week</b>	<b>255</b>	<b>245</b>	<b>10</b>	
			<b>QTR to date totals</b>	<b>2,898</b>	<b>2,509</b>	<b>389</b>	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>				
			<b>Face value of SOMA securities maturing</b>				<b>\$B</b>
			<b>Maturing &amp; reinvestment</b>				
		06-Sep	Bills	5.2			
		08-Sep	Bills	10.4			
				15.7			
			<b>Maturing &amp; redemption</b>				
		06-Sep	Bills	1.4			
		08-Sep	Bills	2.7			
				4.1			

### Quantitative Tightening Summary – September 2022

The higher month cap of \$60bn for Treasuries comes 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 of the \$60bn redemption cap and will also roll-off the balance sheet this month.

Proportion of total Sep cap \$B - Total Coupon to Redeem			\$60
15-Sep	Notes & Bonds	9.79	
30-Sep	Notes & Bonds	33.86	
Notes & Bonds to Redeem - Sept		43.64	
Bills to Redeem - Sept		16.36	

The timing 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.

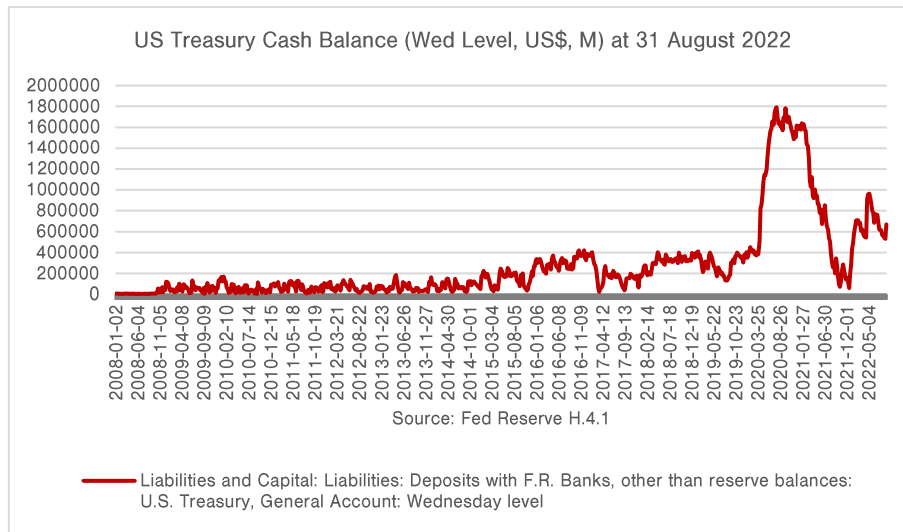
Over the next three months, Treasury anticipates incrementally reducing the size of each of the 2-, 3-, 5-, and 7-year note auctions by \$1 billion per month. As a result, the size of the 2-, 3-, 5-, and 7-year note auctions will each decrease by \$3 billion by the end of October. <https://home.treasury.gov/news/press-releases/jy0908>

The US Treasury has raised approx. \$389bn 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 31 Aug, the level of the TGA increased to \$669bn, increasing by \$139bn compared to the week prior. The current TGA balance is approx. \$373bn 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](https://www.newyorkfed.org/markets/opolicy/operating_policy_220126)

The NY Fed plans to purchase approx. \$4.4bn in MBS over the period 26 Aug – 14 Sep. The next tentative schedule will be released on 15 Sep “if necessary”.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 5 Sep	0	Nil
Tue 6 Sep	0	0.756
Wed 7 Sep	0	0.122
Thur 8 Sep	0	0.386
Fri 9 Sep	0	Nil
Total Announced Purchases	\$0bn	\$1.2bn

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](https://www.newyorkfed.org/markets/ambs_operation_schedule)

# WEEK COMMENCING 5 SEPTEMBER 2022

---

## MONDAY 5 SEPTEMBER (US Eastern Time, unless stated otherwise)

---

Australia	S&P Services PMI Final (Aug), Company Gross Operating Profits Q2
Japan	S&P Services PMI Final (Aug)
Europe	Eurozone Services PMI Final (Aug), Eurozone Retail Sales (Jul) OPEC Meeting
UK	S&P Services PMI Final (Aug), Announcement of New Conservative Party Leader/PM

---

## TUESDAY 6 SEPTEMBER

---

Australia	RBA Monetary Policy Decision GDP Q2, RBA Asst Gov Ellis speech
Europe	Germany Factory Orders (Jul)
US	ISM Services PMI (Aug), S&P Services PMI Final (Aug)
China	Trade Balance, Exports, and Imports (Aug)

---

## WEDNESDAY 7 SEPTEMBER

---

Europe	Germany Industrial Production (Jul), Eurozone Q2 GDP Second Est,
UK	BoE Governor Bailey speech
US	Mortgage Apps wk 2 Sep, US Fed Vice Chair Brainard speech – econ outlook and monetary policy, Fed Governor Mester speech
Canada	BoC Monetary Policy Decision
Japan	GDP Q2 – Second Est
Australia	RBA Governor Lowe speech

---

## THURSDAY 8 SEPTEMBER

---

Europe	ECB Monetary Policy Decision, Euro Group Meeting commences
US	Initial Claims wk 2 Sep, Consumer Credit Change (Jul) US Fed Chair Powell speech – Cato Institute 40 <sup>th</sup> anniversary monetary conference
China	CPI & PPI (Aug)

---

## FRIDAY 9 SEPTEMBER

---

Canada	Labour Market survey (Aug)
US	US Fed Governor Waller speech – Vienna macro workshop, Fed Governor George speech

---