

Key events for the week ahead – US CPI, FOMC minutes, and US retail sales

Recap from last week – US labour market data for Sep was mostly in line with expectations. Payroll growth is slowing, but still high enough to indicate tight labour market conditions. The notable fall in the unemployment rate was however due to a fall in participation as employment growth moderated. The labour data last week is not expected to cause the Fed to rethink the pace of rate hikes, but some data may begin to catch their attention. First is the notable fall in job openings in Aug. Engineering a fall in openings has been a pillar of the Fed's 'soft landing' thesis – to reduce demand for new jobs rather than existing employment. Openings are historically elevated, and there is still a long way before this series 'normalizes'. Second, while the bigger gains in hourly earnings were in services, some key 'reopening' industries also reported the smallest gains in earnings in the month – retail trade, education & health, and leisure & hospitality. Finally, initial claims jumped back above +200k and are expected to increase again this week (+225k). The trajectory of these indicators is important for the moment.

Fed speeches last week remained hawkish. Governor Waller said that the inflation outcomes in the Aug report were "not the inflation outcome" that would support a slower pace of hikes. Waller notes the latest SEP has between 100 and 125bps of hikes over the next two meetings and data is still supportive of another 75bps in Nov – but that depends now on inflation leading up to Nov. The target rate probability has shifted back to a +75bps increase in Nov.

The global manufacturing PMI shifted into contraction in Sep. The G7 countries slowed again and most stayed in contraction except the US & Japan (only a modest expansion). The US was the only G7 country where the manufacturing PMI expanded, albeit slightly. There was a notable contraction in parts of Asia (Taiwan, Sth Korea, and China) and Europe esp. Germany and France. Manufacturing among the ASEAN group accelerated. The global services output shifted from contraction to neutral (this excludes the China result which recorded a large slowdown from 55 in Aug to 49.3 in Sep). The G7 was mixed. Japan's services activity accelerated into moderate expansion. US services improved from a low level but remained in contraction. Eurozone services contracted at a faster pace – led by a further deceleration in Germany and Italy.

The RBA surprised with a lower hike of 25bps (expecting +50bps) to "assess the outlook for inflation and economic growth in Australia". The RBA is concerned about the impact of rapidly rising rates on households as variable rate mortgages account for approx. 65% of outstanding mortgages in Aus (source; [RBA](#)). Rate increases are expected to be passed through over the next few months. The RBA released the financial stability review for Q3 which includes details of the impact of rising rates and inflation on households in Australia.

Outlook for the week ahead – US CPI will be the main focus. Headline CPI for Sept is expected to ease to +8.1% (from +8.3% in Aug) as monthly inflation is expected to increase by +0.2% (from +0.1% Aug). Core CPI is expected to increase by +6.5%, up from +6.3% in Aug. The OPEC decision last week (and oil price reaction) raises the spectre of volatile CPI readings in the months ahead which will concern policymakers.

US retail sales are expected to increase by +0.3% in Sept from +0.2%.

The FOMC minutes will be released this week. Fed speeches during the week include Vice Chair Brainard on Monday. The BoE temporary Gilt purchase program is due to end on 14 Oct. The BoE has announced additional measures to ensure an orderly exit from the intervention.

US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$227bn in ST Bills with another net paydown of -\$2bn.

The US Treasury will also auction the 3yr and 10yr Notes and the 30year Bond – all will settle next week.

QT; approx. \$17.7bn of ST Bills will mature on the Fed balance sheet this week. Of this total, approx. \$3.5bn in ST Bills will be redeemed/roll-off the balance sheet and approx. \$14.2bn in ST 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 %
<i>10 Oct - Columbus Day</i>							
10-14 Oct	06-Oct	11-Oct	4 week bill	50		Actual 2.920%	2.660%
	06-Oct	11-Oct	8 week bill	45		Actual 3.230%	3.065%
	05-Oct	11-Oct	119-Day CMB	30		Actual 3.700%	3.590%
				125	130		
						-5	
	11-Oct	13-Oct	13 week bill	57		Announced	3.340%
	11-Oct	13-Oct	26 week bill	45		Announced	3.850%
				102	99		
						3	
			Total - securities settling this week	227	229	-2	
			Net New Cash Raised Qtr to Date	482	486	-4	
			<i>Estimated Net Cash to be Raised Q4</i>			400	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		11-Oct	Bills	3.9			
		13-Oct	Bills	10.2			
				14.2			
			Maturing & redemption (balance sheet roll-off)				
		11-Oct	Bills	1.0			
		13-Oct	Bills	2.5			
				3.5			
			Upcoming Auctions				
	11-Oct	17-Oct	3yr note	40		Announced	3.564%
	12-Oct	17-Oct	10yr note	32		Announced	3.330%
	13-Oct	17-Oct	30yr bond	18		Announced	3.511%

Quantitative Tightening Summary – October 2022

The monthly cap for the redemption of Treasuries maturing on the Fed balance sheet is \$60bn this month. Approx. \$43.6bn in SOMA Coupons on the Fed balance sheet will mature in Oct (15 and 31 Oct). 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 \$16.4bn up to the \$60bn redemption cap this month.

Summary of Total Coupon & Bills to Redeem at the \$60bn cap			
			\$ \$60
15-Oct-22	Notes & Bonds	14.77	
31-Oct-22	Notes & Bonds	28.85	
Total Notes & Bonds to Redeem - Oct		43.61	
Remainder; Bills to Redeem - Oct		16.39	

The schedule of the \$16.4bn of Bills to be redeemed is based on the proportion of Bills maturing on the Fed balance sheet each week over Oct;

Bill Schedule - Oct			Weekly Totals \$Bn	
	Bill Maturity - October	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2022/10/04	5.97	7%	1.19	4.78
2022/10/06	19.55	24%	3.89	15.66
2022/10/11	4.90	6%	0.98	3.93
2022/10/13	12.78	16%	2.54	10.24
2022/10/18	5.87	7%	1.17	4.70
2022/10/20	13.91	17%	2.77	11.14
2022/10/25	5.74	7%	1.14	4.60
2022/10/27	13.63	17%	2.71	10.92
	82.36	100%	16.39	65.97

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

Recommended US Treasury Financing - Updated Q4 2022

The estimated borrowing requirements for the US Treasury in Q4 is \$400bn. The estimated net Bills issuance for Q4 is \$100bn in new money and the estimated net new Coupon issuance over the quarter is \$300bn in new money

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

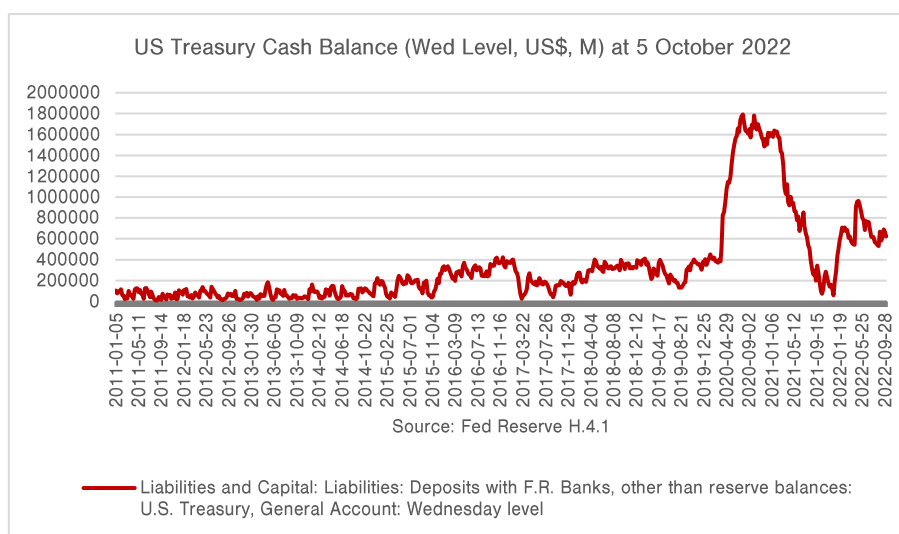
The next quarterly refunding update will be on 2 Nov 2022.

The US Treasury has paid down an estimated \$4bn in the quarter to date in Q4.

Treasury Cash Levels

As of Wed 5 Oct, the level of the TGA decreased to \$622bn, decreasing by \$40bn compared to the week prior.

The current TGA balance is approx. \$526bn 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 10 OCTOBER 2022

MONDAY 10 OCTOBER (US Eastern Time, unless stated otherwise)

US	Columbus Day Holiday Speech; Brainard - Restoring Price Stability in an Uncertain Economic Environment
Australia	NAB Business Conditions & Confidence Survey (Sep)

TUESDAY 11 OCTOBER

UK	Employment Survey (3mth to Aug), BoE Governor Bailey speech (tbc)
Switzerland	SNB Chair Jordan speech
US	Fed speeches; Harker, Mester
Australia	Westpac Consumer Confidence (Oct), New Home Sales (Sep) RBA Asst Governor Ellis speech

WEDNESDAY 12 OCTOBER

UK	Monthly Industrial Production & GDP (Aug)
Europe	Eurozone Industrial Production (Aug)
US	Mortgage Apps wk 7 Oct, PPI (Sep) FOMC Minutes, Speeches; Vice Chair (Supervision) Barr, Bowman (Fwd Guidance)
Australia	Consumer Inflation Expectations (Oct)
Japan	PPI (Sep)

THURSDAY 13 OCTOBER

Europe	Germany CPI Final (Sep)
US	Initial Claims wk 7 Oct, CPI (Sep)
China	CPI & PPI (Sep), Trade Balance, Exports & Imports (Sep)

FRIDAY 14 OCTOBER

US	Retail Sales (Sep), University of Michigan Consumer Sentiment - Prelim (Oct) Fed speeches; Cook, Bullard (15 Oct)
----	--
