

## Key events for the week ahead – BoC, ECB, and BoJ policy decisions, Inflation (US PCE inflation Sep, prelim Euro-area CPIs Oct, Aus CPI Q3), prelim PMIs for Oct, US GDP Q3

Recap from last week – While the FOMC looks set to raise rates by 75bps again next week, the focus shifted to the timing of when the Fed will start to slow the pace/size of rate hikes. The likelihood of changing to smaller hikes “at some point” has been well-telegraphed in the FOMC minutes. Two articles came out last week. The NYT article suggested that any “serious discussion” on smaller hikes would be delayed by at least a month as inflation remained high and the labour market tight. “The conversation about whether to scale back is now more likely to happen in December”. (Source: [NYT Jeanna Smialek](#)). The WSJ article received more traction as a signal from the Fed. The article suggested that the Fed may start to prepare markets for smaller hikes after the Nov meeting and “are likely to debate then whether and how to signal plans to approve a smaller increase in December”. (Source: [WSJ Nick Timiraos](#)). Both articles highlight how smaller hikes could conflict with the Fed’s goal of tightening monetary policy. The Fed’s problem will be whether it can slow the pace/size of rate increases while still appearing to be hawkish, and not undo the work it has done to tighten financial conditions.

The RBA minutes noted that the Board was also worried about market reactions to slowing the pace of hikes. Aus inflation is expected to peak at over 7% (currently 6.1%). The pace of hikes was slowed to assess the impact on households amid high mortgage debt and variable mortgage rates; “The full effects of higher interest rates were yet to be felt in mortgage payments and **the increases in the cash rate were close to the interest rate buffer applied when many current borrowers took out their loans**” (source: [RBA](#)). The RBA is concerned with the cash rate at 2.6% - while futures markets currently expect the cash rate to peak higher at around 4% late next year (unless inflation eases faster). Aus labour market data last week was weaker than expected as employment growth slowed. The CPI release this week will be important leading up to the RBA meeting next week. Aus CPI is expected to increase to +6.9% in Q3. The Aus government budget will be released this week.

Outlook for the week ahead – Central bank policy decisions this week; The BoC is expected to increase by 50bps to 3.75% as inflation data last week remained elevated at +6.9% for Sep.

The ECB is expected to increase rates by 75bps to 1.5%. last week Euro area CPI for Sep was confirmed at +9.9% in Sep from +9.1% in Aug. This week, the prelim CPIs for Oct will be released for Germany, Italy, France, and Spain.

The BoJ is expected to keep policy unchanged. The policy rate differential will keep pressure on the currency amid unconfirmed interventions. Japanese headline CPI remained at 3% in Sep while core CPI ex fresh food accelerated to 3% and has been above 2% now for six months. CPI growth ex-energy and fresh food is accelerating and reached +1.8% in Sep – still below the BoJ +2% threshold.

US PCE inflation for Sep expected to ease to +5.8% from +6.2% in Aug. Core PCE is expected to increase to +5.2% from +4.9% in Aug. The US employment cost index for Q3 is expected to remain elevated at +1.3% (QoQ). US GDP growth in Q3 is expected to increase to +2.1% (SAAR basis) from -0.6%. The contribution of domestic versus external demand will be important.

Prelim global PMIs for Oct will provide insight into changes in growth momentum amid high inflation and rising rates.

## US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$255bn in ST Bills, raising approx. \$26bn in new money.

The US Treasury will also auction the 2-year, 5-year, and 7-yr Notes and 2-year FRN – to settle on 31 Oct.

QT; approx. \$19.4bn of ST Bills will mature on the Fed balance sheet this week. Of this total, approx. \$3.2bn in ST Bills will be redeemed/roll-off the balance sheet and approx. \$16.2bn 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 %
24-28 Oct	20-Oct	25-Oct	4 week bill	65			Actual 3.430%	3.250%
	20-Oct	25-Oct	8 week bill	55			Actual 3.690%	3.480%
	19-Oct	25-Oct	119-Day CMB (17 wk Bill)	33			Actual 4.140%	3.890%
				153	130	23		
	24-Oct	27-Oct	13 week bill	57			Announced	3.820%
	24-Oct	27-Oct	26 week bill	45			Announced	4.245%
				102	99	3		
	<b>Total - securities settling this week</b>			255	229	26		
	<b>Net New Cash Raised Qtr to Date</b>			<b>1072</b>	<b>970</b>	<b>102</b>		
	<i>Estimated Net Cash to be Raised Q4</i>					400		
<b>Face value of US Federal Reserve SOMA securities maturing</b>				<b>\$B</b>				
<b>Maturing &amp; reinvestment</b>								
		25-Oct	Bills	4.8				
		27-Oct	Bills	11.4				
				16.2				
<b>Maturing &amp; redemption (balance sheet roll-off)</b>								
		25-Oct	Bills	1.0				
		27-Oct	Bills	2.3				
				3.2				
<b>Upcoming Auctions</b>				<b>\$B</b>				
	26-Oct	31-Oct	2yr FRN	24			Announced	
	25-Oct	31-Oct	2yr Note	42			Announced	4.290%
	26-Oct	31-Oct	5yr Note	43			Announced	4.228%
	27-Oct	31-Oct	7yr Note	35			Announced	3.898%

### Quantitative Tightening Summary – October 2022

The monthly cap for the redemption of Treasuries maturing on the Fed balance sheet is \$60bn this month. Approx. \$46.4bn 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 \$13.6bn up to the \$60bn redemption cap this month.

Summary of Total Coupon & Bills to Redeem at the \$60bn cap			\$
			<b>\$60</b>
15-Oct-22	Notes & Bonds	14.77	
31-Oct-22	Notes, Bonds, FRNs	31.61	
Total Notes & Bonds to Redeem - Oct		46.37	
Remainder; Bills to Redeem - Oct		13.63	

The schedule of the \$13.6bn of Bills to be redeemed is based on the proportion of Bills maturing on the Fed balance sheet each week over Oct;

Bill Maturity Schedule - Oct	Weekly Totals \$Bn			
	Bill Maturity - October	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2022/10/04	5.97	7%	0.99	4.98
2022/10/06	19.55	24%	3.24	16.32
2022/10/11	4.90	6%	0.81	4.09
2022/10/13	12.78	16%	2.11	10.67
2022/10/18	5.87	7%	0.97	4.90
2022/10/20	13.91	17%	2.30	11.61
2022/10/25	5.74	7%	0.95	4.79
2022/10/27	13.63	17%	2.26	11.38
	82.36	100%	13.63	68.73

<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

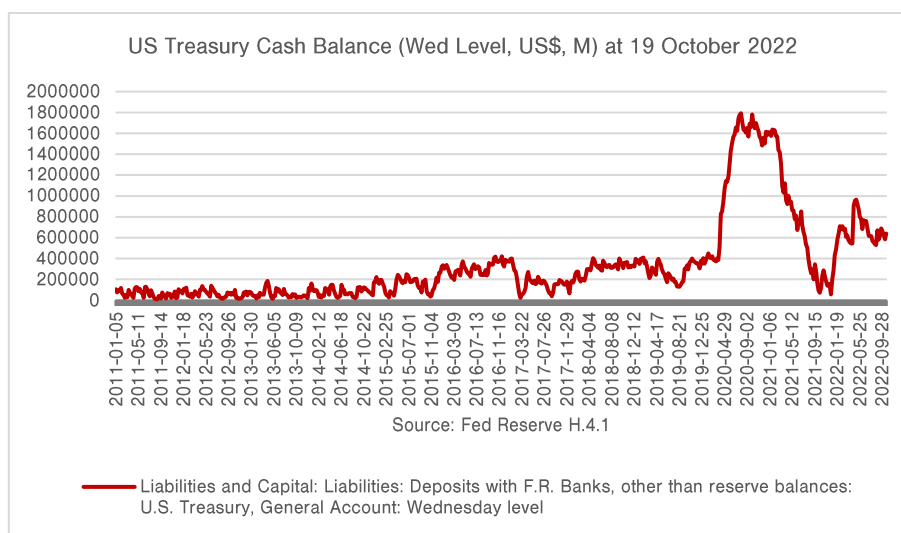
The full details for estimates for Q4 can be found here; <https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/most-recent-quarterly-refunding-documents>

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

### Treasury Cash Levels

As of Wed 19 Oct, the level of the TGA increased to \$640bn (+\$57bn compared to the week prior).

The current TGA balance is approx. \$523bn higher than the same week a year ago.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=spreasheetml&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](https://www.newyorkfed.org/markets/ambs_operation_schedule)

# WEEK COMMENCING 24 OCTOBER 2022

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## MONDAY 24 OCTOBER (US Eastern Time, unless stated otherwise)

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Australia	S&P Manufacturing & Services PMI Prelim (Oct)
Japan	S&P Manufacturing & Services PMI Prelim (Oct)
Europe	Eurozone S&P Manufacturing & Services PMI Prelim (Oct)
UK	S&P Manufacturing & Services PMI Prelim (Oct)
US	Chicago Fed Nat Activity Index (Sep), S&P Manufacturing & Services PMI Prelim (Oct)

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## TUESDAY 25 OCTOBER

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US	Case-Shiller House Price Index (Aug), Richmond Fed Manufacturing Index (Oct)
Australia	CPI Q3, Aus Government Budget

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## WEDNESDAY 26 OCTOBER

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US	Mortgage Apps wk 21 Oct, New Home Sales (Sep)
Canada	BoC Monetary Policy Decision

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## THURSDAY 27 OCTOBER

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Europe	ECB Monetary Policy Decision
US	Initial Claims wk 21 Oct, Durable Goods Orders (Sep), Prelim GDP Q3, Kansas City Fed Manufacturing Index (Oct)
Japan	BoJ Monetary Policy Decision

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## FRIDAY 28 OCTOBER

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Europe	France/Spain/Italy/Germany Prelim CPI (Oct), Germany GDP Q3
US	PCE Price Index (Sep), Personal Income & Spending (Sep), Employment Cost Index Q3, University of Michigan Consumer Sentiment – Final (Oct)

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