

Key events for the week ahead – FOMC, BoE, & RBA policy decisions, US non-farm payrolls

Recap from last week – Despite high and persistent inflation, more CBs may be signaling an intention to slow the pace of policy tightening after front-loading hikes. The most important signal on this front may come from the FOMC this week.

Last week, the BoC increased rates by 50bps (some were expecting 75bps). Governor Macklem noted that the tightening phase will draw to a close – the bank is getting closer, but not there yet. The BoC expects that the policy rate will still need to increase further.

The ECB raised rates by 75bps. The ECB has likely reached the end of its frontloading transition and is moving towards a ‘meeting-by-meeting’ approach. Rates are still expected to increase further. Inflation in the Euro area is yet to peak, and growth concerns are elevated. Euro area prelim CPI in Oct is expected to increase again, reaching +10.2%.

The BoJ kept policy unchanged and doubled down on its dovish rhetoric; “We don't plan to raise interest rates or head for an exit (from easy policy) any time soon. But if achievement of 2% inflation comes into sight, the board will of course debate an exit policy” (source: [Reuters](#)). Inflation forecasts were revised higher, but Governor Kuroda noted that the bank is looking for wage increases to accompany higher inflation.

Inflation is still broadly persistent. The US PCE inflation rate was higher than expected but stalled at +6.2%. European country-level CPI (prelim Oct) was higher than expected and continued to accelerate in Germany (+10.4%), Italy (+11.9%), and France (+7.1%). Aus CPI for Q3 was also higher than expected and accelerated to +7.3%. Aus core CPI similarly accelerated to +6.1% in Q3 from +4.9% in Q2.

Growth and output momentum continued to weaken. Global prelim PMIs for Oct show momentum is slowing, if not contracting. Only Aus and Japan manufacturing expanded in Oct. The US manufacturing expansion slowed to neutral. Services weakened further – except in Japan.

Outlook for the week ahead – The focus will be on the FOMC this week. While a 75bps increase is expected, the FOMC is also expected to signal whether/when it will slow the pace of policy tightening. If it does, then balanced communication will be crucial; that fighting inflation still is a priority despite reducing the size of rate hikes.

An important US barometer will come out after the FOMC this week; US non-farm payrolls for Oct are expected to increase by +200k (after +263k last month). Participation is expected to remain at 62.3% and the unemployment rate to increase slightly to 3.6%. Job openings for Sep are expected to slow further to 10m after a notable fall in Aug. The US ISM manufacturing and services PMIs are expected to show a slowdown in growth momentum.

The BoE is expected to increase its policy rate by 75bps this week after unprecedented political and market turmoil. Most fiscal measures have now been reversed, so the BoE outlook for tightening, inflation, and growth will be important.

The RBA is expected to increase its policy rate by 25bps – after having already reduced the size of hikes last month.

The full suite of global PMIs will be released this week for Oct.

US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$466bn in ST Bills, Notes, Bonds, TIPS, and FRNs raising approx. \$42bn in new money.

QT for Oct; Approx. \$32bn in Notes, Bonds, & FRNs will be redeemed/roll off the balance sheet on 31 Oct.

Approx \$26bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested/rolled over.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
31 Oct - 4 Nov	27-Oct	01-Nov	4 week bill	65		Actual 3.600%	3.430%
	27-Oct	01-Nov	8 week bill	55		Actual 3.820%	3.690%
	26-Oct	01-Nov	17-week bill	33		Actual 4.180%	4.140%
				153	125	28	
	31-Oct	03-Nov	13 week bill	57		Announced	4.000%
	31-Oct	03-Nov	26 week bill	45		Announced	4.390%
	01-Nov	03-Nov	52 week bill	34		Announced	3.955%
				136	130	6	
	20-Oct	31-Oct	5yr TIPS	21		Actual 1.732%	0.362%
	26-Oct	31-Oct	2yr FRN	24			
	25-Oct	31-Oct	2yr Note	42		Actual 4.460%	4.290%
	26-Oct	31-Oct	5yr Note	43		Actual 4.192%	4.228%
	27-Oct	31-Oct	7yr Note	35		Actual 4.027%	3.898%
	19-Oct	31-Oct	20yr Bond	12		Actual 4.395%	3.820%
				177	168.7	8.3	
			Total - securities settling this week	466	423.7	42.3	
			Net New Cash Raised Qtr to Date	1538	1394	144	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>400</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		01-Nov	Bills	5.1			
		03-Nov	Bills	21.0			
				26.1			
			Maturing & redemption (balance sheet roll-off)				
		31-Oct	Notes, Bonds, & FRNs	31.6			
				31.6			

Quantitative Tightening Summary – November 2022

In November, the face value of coupons maturing on the Fed balance sheet is approx. \$109.9bn. Of this total, \$60bn in Notes & Bonds will be redeemed – in line with the redemption cap. The remaining \$49.9bn will be rolled over. As the face value of Notes & Bonds maturing is larger than the \$60bn redemption cap, all maturing Bills on the Fed balance sheet will be rolled over in Nov.

Summary of Total Coupons to Redeem and Reinvest at the \$60bn redemption cap - NOV			
			\$60
		Redeem \$	Reinvest/Roll over \$
15-Nov-22	Notes & Bonds	40.42	33.7
30-Nov-22	Notes & Bonds	19.58	16.3
	Total Notes & Bonds - Nov	60.00	49.97

Approx \$80bn of Bills will mature on the Fed balance sheet in Nov – and all will be reinvested/rolled over.

Bill Maturity Schedule - Nov			Weekly Totals \$Bn	
	Bill Maturity - November	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2022/11/01	5.12	6%		5.12
2022/11/03	21.02	26%		21.02
2022/11/08	4.22	5%		4.22
2022/11/10	12.28	15%		12.28
2022/11/15	5.16	6%		5.16
2022/11/17	13.89	17%		13.89
2022/11/22	4.47	6%		4.47
2022/11/25	11.51	14%		11.51
2022/11/29	2.36	3%		2.36
	80.03	100%	0.00	80.03

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

Recommended US Treasury Financing - Updated Q4 2022

The next quarterly Treasury financing update will be on 2 Nov 2022 (this week).

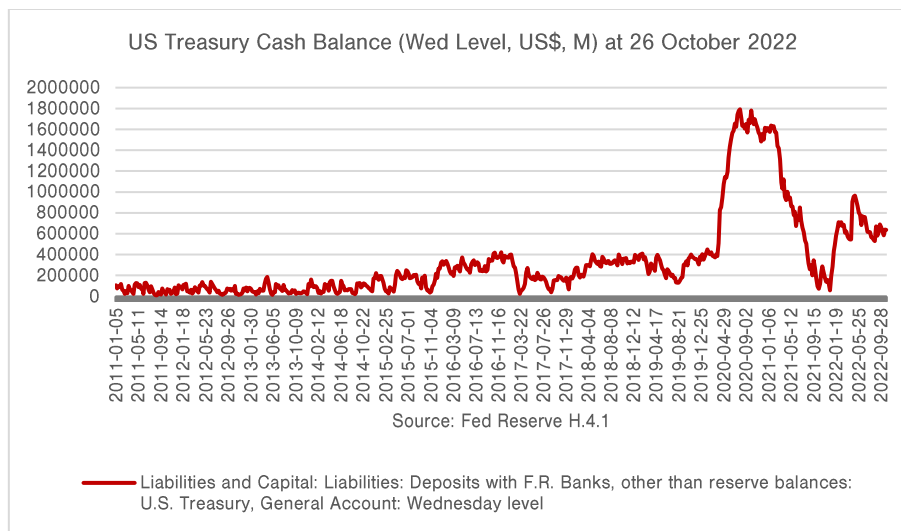
The current estimated borrowing requirements for the US Treasury in Q4 is \$400bn. The estimated net Bills issuance for Q4 is \$100bn in new money and the estimated net new Coupon issuance over the quarter is \$300bn in new money

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>

Treasury Cash Levels

As of Wed 26 Oct, the level of the TGA decreased to \$636bn (-\$4bn compared to the week prior).

The current TGA balance is approx. \$400bn 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 31 OCTOBER 2022

MONDAY 31 OCTOBER (US Eastern Time, unless stated otherwise)

Japan Industrial Production Prelim (Sep), Retail Sales (Sep), S&P Manufacturing PMI (Oct)

China NBS Manufacturing & Non-Manufacturing PMI (Oct)

Europe Euro Area GDP Prelim Q3, Euro Area CPI Prelim (Oct)

US Chicago PMI (Oct), Dallas Fed Manufacturing Index (Oct)

Australia Retail Sales (Sep), S&P Manufacturing PMI Final (Oct)
RBA Monetary Policy Decision, Speech (evening); RBA Gov Lowe

TUESDAY 1 NOVEMBER

UK S&P Manufacturing PMI Final (Oct)

US ISM Manufacturing PMI (Oct), S&P Manufacturing PMI Final (Oct), JOLTS (Sep)

Australia Housing Finance (Sep)

WEDNESDAY 2 NOVEMBER

Europe Eurozone S&P Manufacturing PMI Final (Oct)

US Mortgage Apps wk 28 Oct, ADP Employment Change (Oct)
FOMC Monetary Policy Decision

Australia S&P Services PMI Final (Oct)

THURSDAY 3 NOVEMBER

UK S&P Services PMI Final (Oct)
BoE Monetary Policy Decision

US Initial Claims wk 28 Oct, Challenger Job Cuts (Oct), ISM Services PMI (Oct), S&P Services PMI Final (Oct), Factory Orders (Sep)

Japan S&P Services PMI Final (Oct)

Australia RBA: Statement on Monetary Policy Release

FRIDAY 4 NOVEMBER

Europe Germany Factory Orders (Sep), Eurozone S&P Services PMI Final (Oct), ECB President Lagarde speech

US Non-Farm Payrolls (Oct) and Labour Force Survey (Oct)
