

## Key events for the week ahead – US non-farm payrolls, RBA & RBNZ policy decisions, US Fed speeches

Recap from last week – The BoE intervened with an emergency program to buy long-dated UK government bonds to “restore orderly market conditions”. The intervention was to be “strictly time-limited”, ending on 14 Oct. The commencement of the outright sale of Gilts from the BoE balance sheet was postponed until 31 Oct. At the time of writing, the UK government has announced that it will drop a part of its spending plan given the adverse market response.

Amid the hawkish messaging, some US Fed speeches noted a ‘two-sided risk’ of rapidly rising rates. In a speech late last week, US Fed Vice Chair Brainard said that the “global environment of high inflation and rising interest rates highlights the importance of paying attention to financial stability considerations for monetary policy”. Global policy tightening has been rapid “by historical standards” and it will “take time” for tightening to work through sectors. Monetary policy will still need to be “restrictive for some time” but also recognize “that risks may become more two-sided at some point”. ([Speech: Global Financial Stability Considerations for Monetary Policy in a High-Inflation Environment](#)). By the end of last week, probabilities for the next US rate hike had become more evenly split between a 50 and 75bps increase. In the prior week, the probability had been firmly in favour of a 75bps increase.

US headline PCE inflation slowed to +6.2% in Aug as gasoline prices eased. But core PCE inflation accelerated from +4.7% in Jul to +4.9% in Aug. The Dallas Fed 12-mth trimmed mean (core inflation) rate accelerated to a cycle high of +4.7% in Aug, up from +4.5%. The US initial jobless claims (SA) also continued to slow and new claims fell to +193k last week. This is a useful high-frequency indicator of current labour market strength.

Inflation in the Euro area accelerated notably in the prelim Sep release increasing to +10% in Sep from +9.1% in Aug. While the headline is higher due to rising energy prices (+3% just in the month), price growth accelerated across all major expenditure categories.

The first monthly Aussie inflation release showed a slight easing in the inflation rate from 7% in Jul to +6.8% in Aug. The easing in the rate of inflation was due to the fall in auto fuel prices as the fuel excise tax was reduced (this measure expired on 28 Sep).

Outlook for the week ahead - US non-farm payrolls for Sep are expected to remain strong, increasing by +250k (Aug +315k). The participation rate is expected to fall slightly to 62.2% while the unemployment rate is expected to be unchanged at 3.7%. The US ISM manufacturing and services PMIs will be released - growth momentum is expected to ease slightly. There will be a large number of Fed speeches this week including FOMC members Waller, Jefferson, Williams, Cook, George, and Mester.

The remainder of the global PMIs for Sep will be released this week.

The RBA and RBNZ will meet this week and both central banks are expected to increase their policy rates by 50bps. The RBA has previously noted that it expects to slow the pace of hikes to keep the economy on an even keel. The previous minutes showed that the Board was already considering a 25 or 50bps increase last month. Aus labour market conditions remain strong, while housing continues to ease.

The next OPEC meeting is [scheduled](#) for 5 Oct 2022.

## US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$255bn in ST Bills with a net paydown of -\$2bn.

QT; approx. \$25.5bn of ST Bills will mature on the Fed balance sheet this week. Of this total, approx. \$5.1bn in ST Bills will be redeemed/roll-off the balance sheet and approx. \$20.4bn 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 %
3-7 Oct	29-Sep	04-Oct	4 week bill	50			Actual 2.660%	2.660%
	29-Sep	04-Oct	8 week bill	45			Actual 3.065%	2.990%
	28-Sep	04-Oct	119-Day CMB	30			Actual 3.590%	3.590%
				125	130	-5		
	03-Oct	06-Oct	13 week bill	54			Announced	3.270%
	03-Oct	06-Oct	26 week bill	42			Announced	3.850%
	04-Oct	06-Oct	52 week bill	34			Announced	3.460%
				130	127	3		
			<b>Total - securities settling this week</b>	<b>255</b>	<b>257</b>	<b>-2</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>255</b>	<b>257</b>	<b>-2</b>		
			<i>Estimated Net Cash to be Raised Q4</i>			<i>400</i>		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		04-Oct	Bills	4.8				
		06-Oct	Bills	15.7				
				20.4				
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>					
		04-Oct	Bills	1.2				
		06-Oct	Bills	3.9				
				5.1				

### 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			
			\$ <b>\$60</b>
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	8%	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

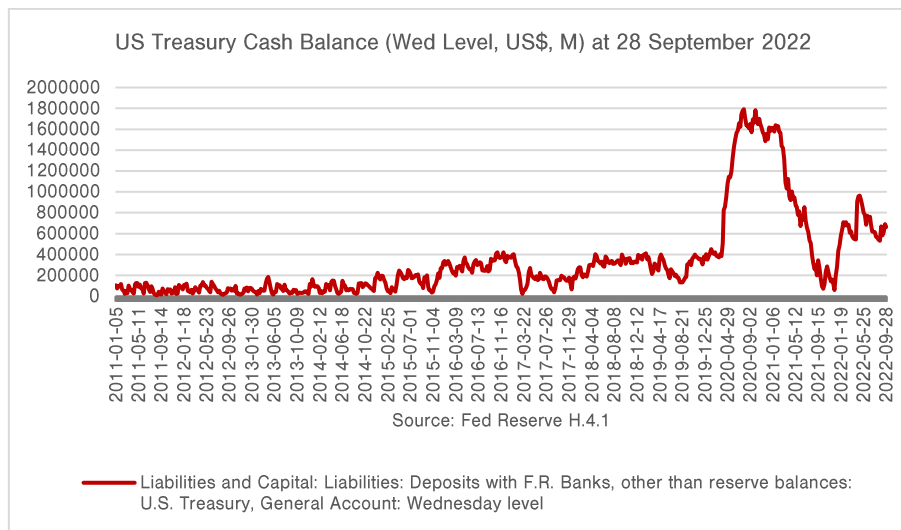
The full details for estimates for Q4 can be found here; <https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/most-recent-quarterly-refunding-documents>

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

The US Treasury has paid down an estimated \$2bn in the quarter to date in Q4.

### Treasury Cash Levels

As of Wed 28 Sep, the level of the TGA decreased to \$662bn, decreasing by \$28bn compared to the week prior. The current TGA balance is approx. \$488bn 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](https://www.newyorkfed.org/markets/ambs_operation_schedule)

# WEEK COMMENCING 3 OCTOBER 2022

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## MONDAY 3 OCTOBER (US Eastern Time, unless stated otherwise)

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Japan	S&P Manufacturing PMI Final (Sep)
Europe	Germany and Eurozone S&P Manufacturing PMI Final (Sep)
UK	S&P Manufacturing PMI Final (Sep)
US	ISM Manufacturing PMI (Sep), S&P Manufacturing PMI Final (Sep), Fed speeches; Bostic, Barkin, George, and Williams
Australia	S&P Manufacturing PMI Final (Sep), Housing Finance (Aug), RBA Policy Decision

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## TUESDAY 4 OCTOBER

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Europe	Euro Area PPI (Aug), ECB President Lagarde speech
US	Factory Orders (Aug), JOLTS (Aug), Fed speeches; Williams, Mester, Daly, Jefferson
Australia	S&P Services PMI Final (Sep)
Japan	S&P Services PMI Final (Sep)
NZ	RBNZ Monetary Policy Decision

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## WEDNESDAY 5 OCTOBER

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Europe	Germany & Eurozone S&P Services PMI Final (Sep)
UK	S&P Services PMI Final (Sep)
US	Mortgage Apps wk 30 Sep, ADP Employment (Sep), ISM Services PMI (Sep), S&P Services PMI (Sep) OPEC Meeting

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## THURSDAY 6 OCTOBER

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Europe	Germany Factory Orders (Aug), Eurozone Retail Sales (Aug) ECB Monetary Policy Minutes
US	Initial Claims wk 30 Sep, Challenger Job Cut Announcements (Sep), Fed speeches; Waller, Mester, Cook
Canada	BoC Governor Macklem speech

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## FRIDAY 7 OCTOBER

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Europe	Germany Industrial Production (Aug)
US	Non-Farm Payrolls (Sep), Consumer Credit (Aug), Fed speeches; Williams
Canada	Labour Market Survey (Sep)

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