

Key events for the week ahead – US retail sales, US Fed speeches, CPI for Oct; Japan, UK, Canada, and the Euro area, China data, G20

Recap from last week – US CPI growth slowed more than expected in Oct increasing expectations that the FOMC will slow the pace of hikes and pause tightening earlier. Fed speeches supported a likely shift to a slower pace of hikes, but emphasized that “a slower pace should not be taken to represent easier policy” ([Lorie Logan – Dallas Fed President](#)). By the end of the week, the target rate probability for the Dec Fed meeting was pricing a +50bps increase, from an even split between 50 and 75bps increase. On Sunday, Governor Waller said that “It’s really not so much about the pace anymore, it’s where we’re going (to) end up. And where we end is going to be driven solely by what happens with inflation.” (Source: [Bloomberg](#)).

Headline US CPI slowed from +8.2% in Sep to +7.7% in Oct. The areas of disinflation suggest that the commodity price and demand shocks from the pandemic and the Ukraine invasion appear to be easing. Monthly food price growth has slowed further, but this is not yet visible in the annual change. Energy price growth has eased but remains volatile.

Core CPI slowed from +6.6% in Sep to +6.3% in Oct. Slower core CPI was mostly the result of a further fall in used car prices (falling for the fourth month and up only +2% on a year ago) – with demand across autos (and durables) likely impacted by higher rates and some tightening of lending standards. This was partly offset by faster growth in core services led by shelter price growth (no sign of rolling over yet). Other measures of underlying CPI remained elevated while the monthly trend may be rolling over. Sticky prices stalled at the current peak of +6.5%.

The bigger picture is that slowing CPI is yet to coincide with a weaker labour market or slower wage growth. So while the impact of price and demand shocks might be starting to fade, the inflation story may not be over. The Atlanta Fed wage growth tracker for Oct recorded a further acceleration in wages (overall measures) from +6.3% in Sep to +6.5% in Oct, and wage growth acceleration was recorded across most indicators. US consumer sentiment indicators weakened at the start of Nov as consumer inflation expectations edged higher again. This likely means the Fed stays the course on tightening for now. Fed Governor Waller noted that “So it’s good, finally, that we saw some evidence of inflation starting to come down, but I just cannot stress [enough] this is one data point. We’re going to need to see a continued run of this kind of behaviour and inflation slowly starting to come down, before we really start thinking about taking our foot off the brakes here.”

Outlook for the week ahead – US data and Fed speeches will be prominent. US retail sales for Oct are expected to increase by +0.9%. Housing data is expected to remain weak with existing home sales expected to slow to 4.4m (SAAR basis). A substantial number of FOMC members will speak this week, including Vice Chair Brainard.

More inflation data is due this week. The UK CPI for Oct is expected to accelerate to +10.6% (also UK labour market data and the budget release on 17 Nov). Canada CPI is expected to increase to +7% in Oct. Japanese CPI is expected to slow to +2.7%, but ex-fresh food to increase to +3%. Euro area final CPI for Oct is expected to be +10.7%.

The RBA minutes will be released. Aus data is expected to show that the labour market remains robust amid policy tightening. The Aus Q3 wage price index is expected to increase by +3% year on year, up from +2.6%. Aus employment is expected to increase by +15k, the participation rate to remain at 66.6%, and the unemployment rate to remain at a low 3.5%.

US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$351bn in ST Bills, Notes, and Bonds raising approx. \$65bn in new money.

The US Treasury will also auction the 20-year Bond and 10-year TIPS this week. These will settle on 30 Nov.

Approx \$93bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week. Of this, approx. \$40.4bn in Notes and Bonds will mature and roll-off the Fed balance sheet (as a part of the \$60bn cap). The remaining \$52.7bn of ST Bills, Notes, and Bonds that will mature this week will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
14-18 Nov	10-Nov	15-Nov	4 week bill	65			Actual 3.580%	3.620%
	10-Nov	15-Nov	8 week bill	55			Actual 3.850%	3.880%
	09-Nov	15-Nov	17 week bill	33			Actual 4.300%	4.280%
				153	135	18		
	14-Nov	17-Nov	13 week bill	57			Announced	4.120%
	14-Nov	17-Nov	26 week bill	45			Announced	4.490%
				102	96	6		
	08-Nov	15-Nov	3yr Note	40			Actual 4.605%	4.318%
	09-Nov	15-Nov	10yr Note	35			Actual 4.140%	3.930%
	10-Nov	15-Nov	30yr Bond	21			Actual 4.080%	3.930%
				96	55	41		
			Total - securities settling this week	351	286	65		
			Net New Cash Raised Qtr to Date	2144	1901	243		
			<i>Estimated Net Cash to be Raised Q4</i>			<i>550</i>		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		15-Nov	Bills	5.2				
		15-Nov	Notes & Bonds	33.7				
		17-Nov	Bills	13.9				
				52.7				
			Maturing & redemption (balance sheet roll-off)					
		15-Nov	Notes & Bonds	40.4				
				40.4				
			Upcoming Auctions	\$B				
	17-Nov	30-Nov	10yr TIPS	15			Announced	1.248%
	16-Nov	30-Nov	20yr Bond	15			Announced	4.395%

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 ST Bills on the Fed balance sheet (approx. \$80bn) 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 - Final Q4 2022

The confirmed Q4 US Treasury borrowing requirements were increased from \$400bn to \$550bn.

The borrowing estimate is \$150 billion higher than announced in August 2022, primarily due to changes to projections of fiscal activity, greater than projected discount on marketable securities, and lower non-marketable financing.

The estimated Net Bill issuance for Q4 was revised higher to \$249bn (prior \$100bn) and the estimated Net Coupon issuance over the quarter remained at \$300bn.

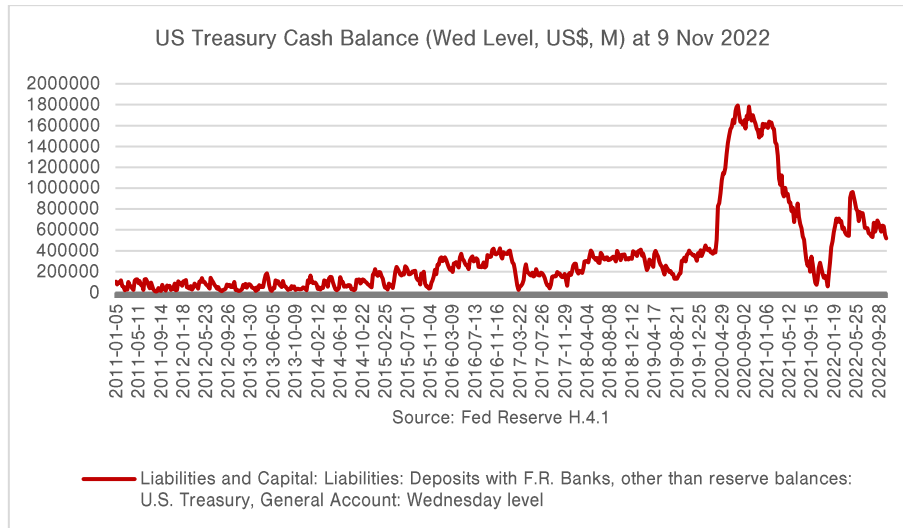
The full details for estimates for Q4; <https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/most-recent-quarterly-refunding-documents>

Treasury Cash Levels

As of Wed 9 Nov, the level of the TGA decreased to \$517bn (-\$34bn compared to the week prior).

The current TGA balance is approx. \$285bn higher than the same week a year ago.

The cash balance at the end of Dec 2022 is estimated to be \$700bn. (Source: US Treasury <https://home.treasury.gov/news/press-releases/jy1063>)



<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 14 NOVEMBER 2022

MONDAY 14 NOVEMBER (US Eastern Time, unless stated otherwise)

Europe	Industrial Production (Sep)
US	Fed speeches; (Sunday) Waller (econ outlook), Vice Chair Brainard speech (econ outlook), Williams
Japan	GDP Q3, Industrial Production Final (Sep)
Australia	RBA Meeting Minutes
China	Fixed Asset Investment, Industrial Production, Retail Sales (Oct)

TUESDAY 15 NOVEMBER

UK	Labour Market survey (3mth Sep)
Europe	France & Spain CPI – Final (Oct), Eurozone GDP First Prelim Q3
US	NY Empire State Manufacturing Index (Nov), PPI (Oct), Fed speeches: Vice Chair Supervision Barr testimony, Cook
Australia	Wage Price Index Q3

WEDNESDAY 16 NOVEMBER

UK	CPI (Oct), BoE Governor Bailey speech
US	Mortgage Apps wk 12 Nov, Retail Sales (Oct), Industrial Production (Oct), NAHB Housing Market Index (Nov), Fed speeches; Vice Chair Supervision Barr testimony, Waller (econ outlook), Williams
Canada	CPI (Oct)
Japan	Merchandise Trade, Exports, and Imports (Oct)
Australia	Labour Market Survey (Oct)

THURSDAY 17 NOVEMBER

Europe	CPI – Final (Oct)
US	Initial Claims wk 12 Nov, Building Permits & Housing Starts (Oct), Philadelphia Fed Manufacturing Index (Nov), Kansas City Fed Manufacturing Survey (Nov), Fed speeches; Bowman, Jefferson, Bullard, Mester
Japan	National CPI (Oct)

FRIDAY 18 NOVEMBER

UK	Retail Sales (Oct)
US	Existing Home Sales (Oct)
