

Key events for the week ahead – FOMC & ECB Minutes, Flash PMIs Nov, RBNZ policy decision, US Thanksgiving Holiday

Recap from last week – US Fed speeches hinted at the possibility to slow the pace of policy tightening from the Dec meeting. Markets are pricing a step down to +50bps. But as noted at the last FOMC meeting, it is the level of rates that is important now. Bullard sees the FFR higher, 5-5.25% at a minimum to get into the restrictive zone. Market probabilities are currently pricing up to that level and peaking in mid-2023. The US 2-10yr spread reached a YTD low of -0.69, as the resulting growth expectations fell. So far, US consumer spending remains robust. Retail sales growth was higher than expected in Oct and spending was stronger across most categories. High-frequency initial claims also remain low. But there was further weakness in regional manufacturing surveys. Weaker/declining new orders became more widespread in Nov. Output growth stayed positive as firms worked through backlogs and supply chains adjusted. US housing market conditions and sales deteriorated further as credit tightens and mortgage rates stay elevated.

Inflation outside of the US showed little sign of easing in Oct. Euro area inflation was confirmed at +10.6% with price growth accelerating across most categories. Inflation in the UK came in higher than expected at +11.1% and core was also up to +6.5%. Inflation in Canada stalled with the headline rate remaining at +6.9%. Japanese inflation came in higher than expected and core ex-fresh food accelerated to +3.6% (from +3% in Sep). The BoJ has previously noted that the weakening Yen has been a driver of higher import costs for commodities, thereby driving up consumer inflation. This is not the kind of inflation the BoJ is looking for. Japanese GDP unexpectedly contracted in Q3 as personal consumption growth slowed and net exports declined.

The RBA minutes covered the policy debate and included details of the review of forward guidance. The 25bps increase was favoured given how fast the RBA had already hiked and the uncertainty over how household spending would react to the rapid tightening of conditions. Wage growth came in higher than expected in Q3 at +3.1% over the year with a notable acceleration in private sector wages to +3.4% (also linked to annual wage reviews). The labour market tightened further in Oct as employment increased by more than expected and the unemployment rate fell back to 3.4%. With inflation remaining high, this is likely supportive of further tightening.

Outlook for the week ahead – It's a short week for the US Thanksgiving Day Holiday. FOMC minutes will be released. This will likely include the debate for taking into account the 'cumulative tightening of monetary policy' (slowing the pace) amid significant uncertainty around the level of interest rates required for what might be deemed as 'sufficiently restrictive'. Expecting the minutes to reinforce that there is "still some ways to go" on rates. The lead-up to the next FOMC meeting could be interesting as markets digest Fed signaling and important data for rates. Chair Powell is scheduled to speak at a Brookings event on Wed 30 Nov – the week before the blackout week for the 13-14 Dec FOMC meeting. Signaling on the pace of hikes is likely at this event. The Brookings speech will be two days before the Nov non-farm payrolls (the last day before the blackout period), while the important Nov CPI will be released on 13 Dec, the day before the Dec FOMC announcement.

The flash PMIs will be released this week for Nov. Expectations are for continued moderate contraction in the Eurozone, UK, and US (services). Momentum is expected to slow in Aus and be little changed in Japan.

The RBNZ will meet this week on policy. The RBNZ stepped up the pace of hikes to 50bps back in Apr 2022 and there is an expectation that it may step up the pace to a +75bps increase this week.

US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$314bn in ST Bills, Cash Management Bills, and FRNs raising approx. \$78bn in new money.

The US Treasury will also auction the 2yr, 5yr, and 7yr Notes this week. These will settle on 30 Nov.

Approx \$16bn in ST Bills will mature on the Fed balance sheet this week and 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>24 Nov - Thanksgiving Day</i>							
21-25 Nov	17-Nov	22-Nov	4 week bill	65		Actual 3.795%	3.580%
	17-Nov	22-Nov	8 week bill	55		Actual 4.020%	3.850%
	16-Nov	22-Nov	17 week bill	33		Actual 4.320%	4.300%
	17-Nov	22-Nov	16-day CMB	40		Actual 3.800%	n/a
				193	140	53	
	21-Nov	25-Nov	13 week bill	54		Announced	4.155%
	21-Nov	25-Nov	26 week bill	45		Announced	4.440%
				99	96	3	
	22-Nov	25-Nov	2Yr FRN	22		Announced	
				22	0	22	
			Total - securities settling this week	314	236	78	
			Net New Cash Raised Qtr to Date	2458	2137	321	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>550</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		22-Nov	Bills	4.5			
		25-Nov	Bills	11.5			
				16.0			
			Maturing & redemption (balance sheet roll-off)				
			Nil	0.0			
				0.0			
			Upcoming Auctions	\$B			
	21-Nov	30-Nov	2yr Note	42		Announced	4.460%
	21-Nov	30-Nov	5yr Note	43		Announced	4.192%
	22-Nov	30-Nov	7yr Note	35		Announced	4.027%
				120			

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.

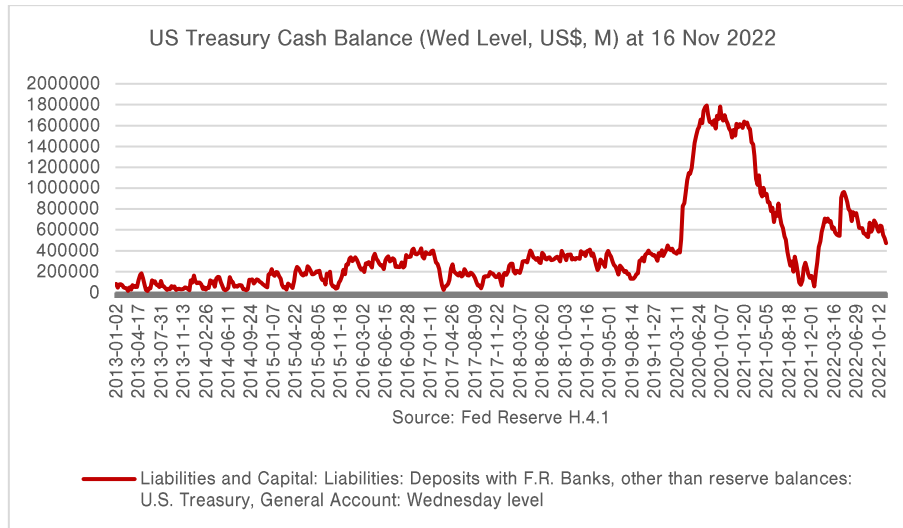
The full details for estimates for Q4; <https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/most-recent-quarterly-refunding-documents>

Treasury Cash Levels

As of Wed 16 Nov, the level of the TGA decreased to \$472bn (-\$45bn compared to the week prior).

The current TGA balance is approx. \$293bn higher than the same week a year ago.

The cash balance at the end of Dec 2022 is forecast 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/ombs_operation_schedule

WEEK COMMENCING 21 NOVEMBER 2022

MONDAY 21 NOVEMBER (US Eastern Time, unless stated otherwise)

US	Chicago Fed National Activity Index (Oct)
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TUESDAY 22 NOVEMBER

Australia	S&P Prelim Manufacturing & Services PMI (Nov), RBA Governor Lowe Speech
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US	Richmond Fed Manufacturing Survey (Nov) US Fed speeches; Mester, George, Bullard
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NZ	RBNZ Monetary Policy Decision
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WEDNESDAY 23 NOVEMBER

Europe	Eurozone S&P Prelim Manufacturing & Services PMI (Nov)
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UK	S&P Prelim Manufacturing & Services PMI (Nov)
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US	Mortgage Apps wk 18 Nov, Initial Jobless Claims wk ending 18 Nov, Durable Goods Orders (Oct), S&P Prelim Manufacturing & Services PMI (Nov), University of Michigan Consumer Sentiment – Final (Nov), New Home Sales (Oct) FOMC Minutes
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Japan	S&P Prelim Manufacturing & Services PMI (Nov)
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THURSDAY 24 NOVEMBER

Europe	ECB Minutes
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US	Thanksgiving Day Holiday
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FRIDAY 25 NOVEMBER

Europe	Germany GDP Q3
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