

Key events for the week ahead – US Non-farm payrolls, US Fed Chair Powell, Euro Area flash CPI Nov, Central bank speeches

Recap from last week – The FOMC minutes reflected growing support for slowing the pace of rate hikes, with a ‘substantial majority of participants’ judging that it ‘would likely soon’ be appropriate to do so. But ‘a few other’ participants see merit in moving the policy rate into ‘clearly restrictive territory’ before slowing the pace of hikes – to ensure there were more concrete signs inflation pressures were receding ‘significantly’. The minutes noted that the ultimate level of the FFR was more important at this stage than the pace of further increases. The ultimate level of the FFR in this cycle is still highly uncertain. Ongoing increases are still expected and ‘various participants’ noted that the ultimate level of FFR might be higher than previously thought. By the end of last week, the US 2-10yr spread reached another YTD low of -0.75bps, amid further expectations for slowing growth. Markets are still pricing the likelihood of a smaller +50bps hike in Dec. Signalling will be important this week with Fed Chair Powell talking at the Brookings Institute on Wed 30 Nov. If changes are likely to the pace of hikes in Dec, then Chair Powell will possibly signal that ahead of the blackout period before the FOMC meeting on 13-14 Dec.

Flash PMIs for Nov were disappointing. US manufacturing shifted into mild contraction while the contraction in services accelerated. The Eurozone recorded a slightly slower contraction in manufacturing while the contraction in services continued. Japan recorded a notable slowdown in services momentum and manufacturing momentum shifted into a slight contraction. Finally, manufacturing momentum in Aus slowed further while services activity continued to contract.

The RBNZ increased its OCR by +75bps to +4.25% citing high inflation, strong demand (including a faster recovery in international visitors), low unemployment, and ‘worker shortages holding back output across many industries and regions’.

Outlook for the week ahead – US labour market data will be in focus this week and an important input for the FOMC. Non-farm payrolls are expected to increase by a further +200k jobs. The unemployment rate is expected to remain at a low of 3.7%. There will be several other US labour market indicators; JOLTS for Oct (expecting +10.3m), anecdotal job cut/hire announcements, and the high-frequency initial claims (expecting +235k). Despite remaining low, initial claims increased last week to +240k (from +220k).

US PCE inflation for Oct will be released. This is the FOMC preferred measure of inflation. Headline PCE inflation is expected to remain at +6.2% with the monthly pace increasing to +0.5% (up from +0.3% in Sep). Core PCE inflation is expected to slow slightly to +5% (from +5.1% in Sep).

The US ISM manufacturing PMI will be released this week – and is expected to show a mild contraction in activity. The S&P PMI’s (global) for Nov will start to be released this week providing some insight into global growth momentum.

The Euro area (and individual country-level) flash CPI for Nov will be released. The annual pace is expected to ease slightly to +10.4% (from +10.6% in Oct). Falls in producer energy distribution prices have started to show up, for example in the notable monthly decline in the Germany PPI last week of -4.2% in Oct.

There will be several central bank speeches this week – including BoJ Governor Kuroda and RBA Governor Lowe. Many will also take part in the Bank of Thailand/BIS conference “[Central Banking Amidst Shifting Ground](#)” (Fri 2 Dec).

US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$421bn in ST Bills, TIPS, Notes, and Bonds, raising approx. \$58bn in new money.

Approx \$38bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be reinvested.

Approx \$21bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be redeemed.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
28 Nov - 2 Dec	23-Nov	29-Nov	4 week bill	55		Actual 3.970%	3.795%
	23-Nov	29-Nov	8 week bill	50		Actual 4.120%	4.020%
	23-Nov	29-Nov	17 week bill	33		Actual 4.400%	4.320%
				138	140	-2	
	28-Nov	01-Dec	13 week bill	54		Announced	4.220%
	28-Nov	01-Dec	26 week bill	45		Announced	4.520%
	29-Nov	01-Dec	52 week bill	34		Announced	4.505%
				133	130	3	
	17-Nov	30-Nov	10yr TIPS	15		Actual 1.485%	1.248%
	21-Nov	30-Nov	2yr Note	42		Actual 4.505%	4.460%
	21-Nov	30-Nov	5yr Note	43		Actual 3.974%	4.192%
	22-Nov	30-Nov	7yr Note	35		Actual 3.890%	4.027%
	16-Nov	30-Nov	20yr Bond	15		Actual 4.072%	4.395%
				150	93	57	
			Total - securities settling this week	421	363	58	
			Net New Cash Raised Qtr to Date	2879	2500	379	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>550</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		29-Nov	Bills	4.5			
		30-Nov	Notes & Bonds	16.3			
		01-Dec	Bills	16.9			
				37.7			
			Maturing & redemption (balance sheet roll-off)				
		30-Nov	Notes & Bonds	19.6			
		01-Dec	Bills	1.6			
				21.2			

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	5%		4.47	
2022/11/25	11.51	14%		11.51	
2022/11/29	4.54	6%		4.54	
		82.21	100%	0.00	82.21

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

Quantitative Tightening Summary – December 2022

In December, the face value of Coupons maturing on the Fed balance sheet is approx. \$53.5bn. As this is below the \$60bn cap for balance sheet roll-off, all maturing Coupons will be redeemed this month. That means that maturing Bills on the balance sheet will make up the residual \$6.5bn up to the \$60bn redemption cap this month.

Summary of Total Coupons & Bills to Redeem and Reinvest at the \$60bn redemption cap - Dec			
			\$60
		Redeem \$Bn	Reinvest/Roll over \$ Bn
15-Dec-22	Notes & Bonds	12.1	
31-Dec-22	Notes & Bonds	41.4	
Total Notes & Bonds - Dec		53.47	
Remainder - Bills to redeem		6.54	

The schedule of the \$6.5bn of Bills to be redeemed is based on the proportion of Bills maturing on the Fed balance sheet each week over Dec;

Bill Maturity Schedule - Dec			Weekly Totals \$Bn		
	Bill Maturity - November	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
2022/12/01	18.53	25%	1.64	16.89	
2022/12/06	3.73	5%	0.33	3.40	
2022/12/08	9.22	13%	0.82	8.40	
2022/12/13	4.42	6%	0.39	4.03	
2022/12/15	9.40	13%	0.83	8.57	
2022/12/20	3.62	5%	0.32	3.30	
2022/12/22	3.69	5%	0.33	3.36	
2022/12/27	1.84	2%	0.16	1.68	
2022/12/29	19.27	26%	1.71	17.56	
		73.73	100%	6.54	67.19

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.

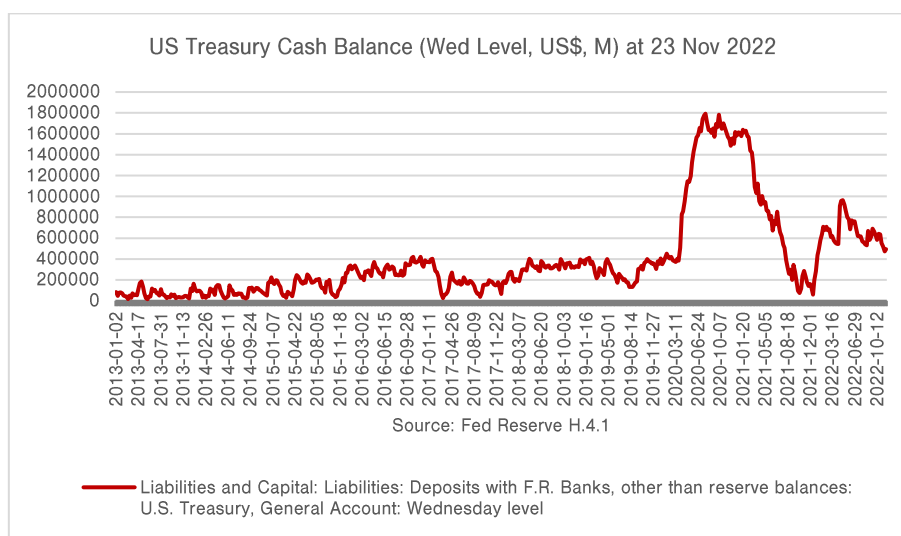
The full details for estimates for Q4; <https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/most-recent-quarterly-refunding-documents>

Treasury Cash Levels

As of Wed 23 Nov, the level of the TGA increased to \$492bn (+\$20bn compared to the week prior).

The current TGA balance is approx. \$351bn 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 28 NOVEMBER 2022

MONDAY 28 NOVEMBER (US Eastern Time, unless stated otherwise)

Australia Retail Sales (Oct), RBA Governor Lowe Senate testimony

US Dallas Fed Manufacturing Survey (Nov), Fed speeches; Williams, Bullard

TUESDAY 29 NOVEMBER

Canada GDP Q3

US Case-Shiller House Price Index (Sep)

Japan Industrial Production – Prelim (Oct)

Australia Construction Work Done Q3, Monthly CPI (Oct), Private Sector Credit (Oct)

China NBS Manufacturing & Non-Manufacturing PMI (Nov)

WEDNESDAY 30 NOVEMBER

Europe Euro Area Flash CPI (Nov)

US Mortgage Apps wk 25 Nov, ADP Employment (Nov), GDP Prelim Q3, JOLTS (Oct)
US Fed Chair Powell Speech; Brookings Institute, Fed Beige Book, Speech: Cook

Australia S&P Manufacturing PMI – Final (Nov), Private Sector Capex Q3

Japan S&P Manufacturing PMI – Final (Nov)

China Caixin Manufacturing PMI (Nov)

THURSDAY 1 DECEMBER

Europe Eurozone S&P Manufacturing PMI – Final (Nov)

UK S&P Manufacturing PMI – Final (Nov)

US Initial Claims wk ending 25 Nov, Challenger Job Cuts (Nov), PCE Price Index (Oct),
Personal Income & Spending (Oct), ISM Manufacturing PMI (Nov), S&P
Manufacturing PMI – Final (Nov), Fed speeches; Bowman, Barr

Japan BoJ Governor Kuroda keynote - ASEAN+3 Econ Co-op and Fin Stability Forum

Australia Housing Finance (Oct), RBA Governor Lowe; Panellist, Bank of Thailand Conference

FRIDAY 2 DECEMBER

US Non-Farm Payrolls & Employment Survey (Nov), Fed speeches; Evans

Canada Employment Survey (Nov)

Europe Euro Area PPI (Oct)
