

## Key events for the week ahead – FOMC, BoE, ECB, and SNB policy meetings, US CPI and retail sales, Euro area and UK CPI, prelim PMIs Dec

Recap from last week – The week started with a [WSJ article](#) titled “Fed to weigh higher interest rates next year while slowing rises this month” – clarifying any misinterpretations from the Brookings speech and ahead of the FOMC meeting this week.

Last week, the RBA raised rates by 25bps to 3.10%. The Board reiterated its priority to return inflation to the 2-3% band and expects to increase rates in the period ahead – but is not on a pre-set course. The Minutes next week may reveal the level of debate around the pace of hikes.

The BoC increased rates by 50bps to 4.25%. There was a notable change in the statement with the Governing Council to consider “whether the policy interest rate needs to rise further”. This was a shift from prior statements where the Governing Council expected “that the policy interest rate would need to increase”. BoC Governor Macklem speaks early this week.

Growth momentum slowed further according to the global PMIs for Nov. The global manufacturing and services PMIs registered slight contractions as global output and orders contracted. Activity across the G7 slowed. Japan was the only G7 country where services didn’t contract (although services momentum slowed the most in Japan). Manufacturing activity contracted across all G7 countries. The manufacturing contraction eased in the Eurozone, Germany, UK, and Canada.

The trend in US initial claims (especially the NSA series) after the Thanksgiving holiday week and continuing claims (both SA & NSA) continues to rise.

News later in the week confirmed that China is to step back from its zero-Covid policy.

Outlook for the week ahead – Amid a backdrop of slowing growth momentum and elevated inflation, the major central banks are expected to continue tightening policy this week.

The FOMC is expected to increase rates by 50bps to 4.25-4.5%. The latest SEP and ‘dot plot’ will be released, providing important insight into current thinking by the Committee on ‘higher rates for longer’. US CPI for Nov will be released the day prior and is expected to moderate to +7.3% in Nov from +7.7% in Oct. Core inflation is expected to moderate to +6.1% in Nov from +6.3% in Oct.

US output and consumption data will be in focus; US retail sales are expected to fall slightly in Nov by -0.2% after a +1.3% increase in Oct. US industrial production for Oct, the prelim S&P PMIs for Dec, and the first regional manufacturing surveys for Dec will also be released. Initial claims are expected to remain at +230k (SA).

The ECB is expected to increase rates by a further 50bps to 2% and to preview QT intentions for 2023. Euro Area inflation for Nov is expected to be confirmed at +10%, with monthly inflation falling by -0.1%.

The BoE is expected to increase rates by 50bps to 3.50%. UK CPI for Nov is out the day before the meeting and is expected to ‘moderate’ to +10.9% in Nov from 11.1% in Oct. Core CPI is expected to remain at +6.5%.

The SNB is also expected to increase rates by 50bps to 1.0%.

The prelim S&P PMI readings for Dec will be released this week (US, UK, Aus, Japan, & Europe).

## US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$312bn in ST Bills, Notes, and Bonds, raising approx. \$45bn in new money.

Approx \$12.6bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested.

Approx \$13.3bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be redeemed/roll-off the Fed balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
12-16 Dec	08-Dec	13-Dec	4 week Bill	45			Actual 3.850%	3.950%
	08-Dec	13-Dec	8 week Bill	45			Actual 3.940%	4.080%
	07-Dec	13-Dec	17 week Bill	33			Actual 4.400%	4.430%
				123	145	-22		
	12-Dec	15-Dec	13 week Bill	54			Announced	4.270%
	12-Dec	15-Dec	26 week Bill	45			Announced	4.570%
				99	96	3		
	12-Dec	15-Dec	3yr Note	40			Announced	4.605%
	12-Dec	15-Dec	10yr Note	32			Announced	4.140%
	13-Dec	15-Dec	30yr Bond	18			Announced	4.080%
				90	25.9	64.1		
			<b>Total - securities setting this week</b>	<b>312</b>	<b>266.9</b>	<b>45.1</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>3413</b>	<b>3043</b>	<b>370</b>		
			<i>Estimated Net Cash to be Raised Q4</i>			<i>550</i>		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		13-Dec	Bills	4.0				
		15-Dec	Bills	8.6				
				12.6				
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>					
		13-Dec	Bills	0.4				
		15-Dec	Bills	0.8				
		15-Dec	Notes & Bonds	12.1				
				13.3				

### Quantitative Tightening Overview – 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%	1.60	16.93
2022/12/06	3.73	5%	0.32	3.41
2022/12/08	9.22	12%	0.80	8.42
2022/12/13	4.42	6%	0.38	4.04
2022/12/15	9.40	12%	0.81	8.59
2022/12/20	3.62	5%	0.31	3.31
2022/12/22	3.69	5%	0.32	3.37
2022/12/27	3.65	5%	0.32	3.33
2022/12/29	19.27	26%	1.67	17.60
	75.54	100%	6.54	69.00

<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 was \$100bn) and the estimated Net Coupon issuance over the quarter remained at \$300bn.

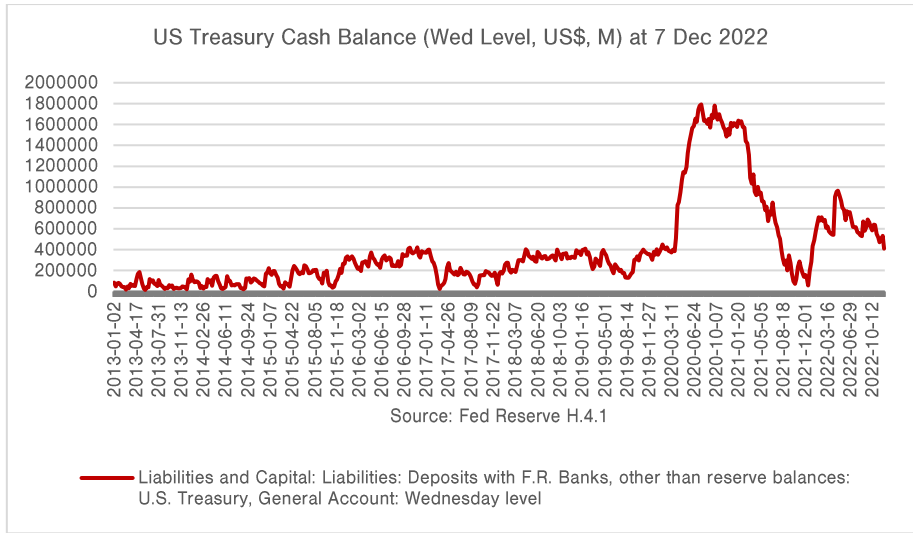
The full details for estimates for Q4; <https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/most-recent-quarterly-refunding-documents>

### Treasury Cash Levels

As of Wed 7 Dec, the level of the TGA decreased to \$410bn (-\$122bn compared to the week prior).

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

The US Treasury forecasts assume a cash balance of \$700bn at the end of Dec 2022. (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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

# WEEK COMMENCING 12 DECEMBER 2022

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## MONDAY 12 DECEMBER (US Eastern Time, unless stated otherwise)

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Australia ANZ Job Ads (Nov), NAB Business Conditions & Confidence (Nov)

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Canada BoC Governor Macklem [speech](#)

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## TUESDAY 13 DECEMBER

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UK Employment (3mth Oct)

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US CPI (Nov)

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Australia Westpac Consumer Confidence (Dec), RBA Governor Lowe [speech](#)

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## WEDNESDAY 14 DECEMBER

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UK CPI (Nov)

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Europe Euro Area Industrial Production (Oct)

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US Mortgage Apps wk 9 Dec, Export & Import Price Index (Nov)  
FOMC Monetary Policy Decision

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Australia Labour Market Survey (Nov)

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China Fixed Asset Investment, Industrial Production, & Retail Sales (Nov)

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## THURSDAY 15 DECEMBER

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Switzerland SNB Monetary Policy Decision

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UK BoE Monetary Policy Decision

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Europe ECB Monetary Policy Decision

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US Initial Claims wk ending 9 Dec, NY Empire State Manufacturing Index (Dec),  
Philadelphia Fed Manufacturing Index (Dec), Retail Sales (Nov), Industrial Production  
(Nov)

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Australia S&P Manufacturing & Services PMI Prelim (Dec)

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Japan S&P Manufacturing & Services PMI Prelim (Dec)

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## FRIDAY 16 DECEMBER

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UK Retail Sales (Nov), S&P Manufacturing & Services PMI Prelim (Dec)

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Europe Euro Area CPI Final (Nov), S&P Manufacturing & Services PMI Prelim (Dec)

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US S&P Manufacturing & Services PMI Prelim (Dec)

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