

Key events this week – US CPI & retail sales, FOMC minutes, BoC meeting, Aus labor market survey, US bank earnings

Recap from last week: While momentum in US labor market growth continues to slow, conditions remain tight.

US non-farm payrolls increased by +236k in Mar. Payroll growth remained tilted to services-providing jobs, which increased by +196k, while goods-producing payrolls declined slightly by 7k. Govt payrolls increased by 47k. Overall growth in payrolls is still elevated compared to the pre-pandemic trend.

Employment growth (among 16yrs+) was high enough to absorb the increase in the participation rate and still reduce unemployment. The unemployment rate edged lower to 3.5%. Hours growth was slightly lower in Mar. Growth in average hourly earnings continued to moderate. The Feb JOLTS data reflected the slowing growth trend. Job openings continued to moderate with the opening rate easing to 6.0 in Feb, which is still well above the pre-pandemic average rate of 4.2. But hires continued to outpace separations helping to keep unemployment low. Growth in initial claims has lifted over the last few months (after the revision last week).

The US ISM surveys for Mar reflected further weakening in manufacturing momentum and moderate, yet slowing growth across services.

Market pricing for the path of US rates shifted after last week's data (although shortened holiday session). Markets are now pricing one more hike to 5-5.25% in May, then a brief pause before pricing the first rate cut in July. This is still a point of tension with FOMC projections. Conditions would need to deteriorate notably in the few months ahead for the FOMC to take this path, with the FOMC noting that "cuts are not the base case" for 2023.

The RBA kept rates on hold to allow time to assess the effect of rate increases on the economy, amid heightened uncertainty. The statement noted that rate increases, higher inflation, and a fall in housing are starting to lead to a "substantial slowing in household spending". With inflation still elevated and a tight labor market, the Board may consider further tightening if needed. Governor Lowe noted later in his [National Press Club address](#) that Aus mortgage rates had increased more than most other countries despite a lower cash rate.

RBNZ surprised markets with a 50bps increase, citing inflationary pressure and employment 'beyond its maximum sustainable level'.

Global PMI's reflected ongoing lacklustre manufacturing momentum while global services growth continued to expand, notably across China, the Eurozone, and Japan.

Outlook for the week ahead: US CPI and retail sales will be the important inputs providing a guide on consumption growth and inflation leading up to the next FOMC meeting. Headline US CPI for Mar is expected to moderate to +5.2% as data starts to cycle over the higher base from last year. The monthly pace is expected to slow to +0.2%. Core inflation though is expected to remain elevated, accelerating slightly to +5.6% in Mar with the monthly pace around +0.4%. US retail sales are expected to fall by -0.4% in Mar. The FOMC minutes will be released this week and should reflect discussion around expectations for further tightening of policy versus a market-based tightening in credit conditions related to recent bank failures.

The Bank of Canada is expected to keep rates on hold as previously signalled.

Finally, the Aus labor market survey for Mar will be released. Employment growth is expected to slow to +20k. The participation rate is expected to stay unchanged at 66.6% while the unemployment rate is expected to increase slightly to +3.6%.

US Treasury Issuance; 10-14 April 2023

This week, the US Treasury will auction and settle approx. \$251bn in ST Bills with a paydown of approx. \$9bn.

The US Treasury will also auction the 30-year Bond and 3 and 10-year Notes this week.

QT: Approx \$19.4bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be reinvested. Approx \$16.4bn in Notes and Bonds will mature on the Balance sheet (15 Apr) 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 %
Easter - Easter Monday							
10-14 Apr	06-Apr	11-Apr	4 week bill	60			4.440%
	06-Apr	11-Apr	8 week bill	50			4.650%
	05-Apr	11-Apr	17-week Bill	36			4.750%
				146	158	-12	
	10-Apr	13-Apr	13 week bill	57			4.980%
	10-Apr	13-Apr	26 week bill	48			4.795%
				105	102	3	
			Total - securities settling this week	251	260	-9	
			Net New Cash Raised Qtr to Date	502	554	-52	
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			<i>278</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		11-Apr	Bills	3.1			
		13-Apr	Bills	10.6			
		15-Apr	Notes & Bonds	5.7			
				19.4			
			Maturing & redemption (balance sheet roll-off)				
		15-Apr	Notes & Bonds	16.4			
				16.4			
			Upcoming Auctions	\$B			
	11-Apr	17-Apr	3yr Note	40			
	12-Apr	17-Apr	10yr Note	32			
	13-Apr	17-Apr	30yr Bond	18			
				90			

Quantitative Tightening Overview – April 2023

In April, the total face value of Coupons maturing on the Fed balance sheet is approx. \$81bn. This is larger than the \$60bn cap for balance sheet roll-off. So, \$60bn of Coupons maturing on the Fed balance sheet this month will be redeemed/roll-off and the remaining \$21bn in Coupons will be reinvested.

This also means that all maturing ST Bills on the Fed balance sheet this month (\$62.9bn) will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - APR					
				\$60	
				Redeem \$Bn	Reinvest \$ Bn
15-Apr-23	Notes & Bonds		16.4	5.7	
30-Apr-23	Notes & Bonds		43.6	15.2	
	ST Bills		0.0	62.9	
Total Notes & Bonds			60.0	83.8	

April 2023; Bill maturity schedule;

Bill Maturity Schedule - APR			Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2023/04/04	3.13	5%	0.00	3.13
2023/04/06	12.20	19%	0.00	12.20
2023/04/11	3.06	5%	0.00	3.06
2023/04/13	10.57	17%	0.00	10.57
2023/04/18	3.38	5%	0.00	3.38
2023/04/20	15.98	25%	0.00	15.98
2023/04/25	3.13	5%	0.00	3.13
2023/04/27	11.44	18%	0.00	11.44
	62.9	100%	0.0	62.9

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

Recommended US Treasury Financing – Act Q1 & Est Q2 2023

End Q1: The US Treasury borrowing requirement (net cash) for Q1 was increased to \$932bn and was reflected in (expected) higher issuance of Bills for the quarter. The actual net cash raised at the end of Q1 came in below the revised forecast at \$657bn.

The expected/forecast cash balance at the end of Q1 was \$500bn. The actual TGA balance at the end of Q1 was approx. \$167bn (Wed balance on 29 Mar).

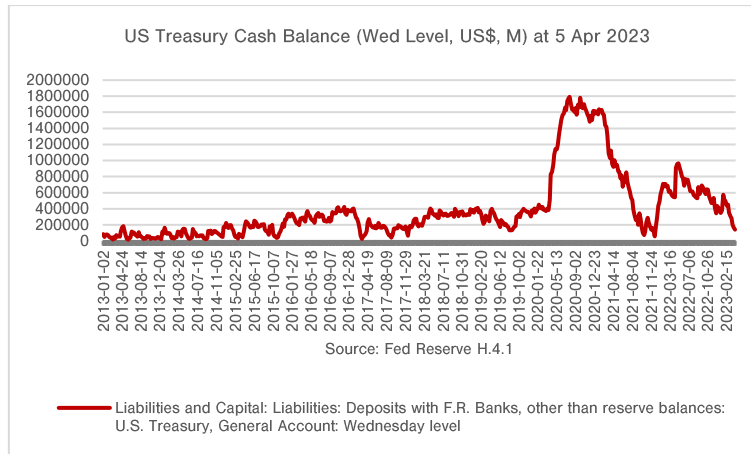
Q2: The prelim Q2 estimate for net cash to be raised is \$278bn. This does not account for the shortfall in the Q1 actual. This Q2 estimate will be updated at the next meeting of the TBAC on 1 May 2023.

The full details of Q1 & Q2 2023 estimates; <https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/most-recent-quarterly-refunding-documents>

US Treasury Cash Levels (TGA)

As of Wed 5 Apr, the level of the TGA decreased to \$140.7bn (-\$22bn compared to the week prior). The current TGA balance is approx. \$405bn lower than the same week a year ago.

Tax Day will be on 18 April 2023.



<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 10 APRIL 2023

MONDAY 10 APRIL (US Eastern Time, unless stated otherwise)

Easter Monday

IMF Meeting 10-16 Apr

TUESDAY 11 APRIL

Australia Westpac Consumer Confidence (Apr), NAB Business Confidence & Conditions (Mar)

China CPI & PPI (Mar)

Europe Eurozone Retail Sales (Mar)

US NFIB Business Optimism (Mar), Fed speeches: Harker, Goolsbee, Kashkari

WEDNESDAY 12 APRIL

US Mortgage Apps wk 7 Apr, CPI (Mar)
FOMC Minutes

UK BoE Governor Bailey speech

Canada BoC Monetary Policy Meeting

Australia Consumer Inflation Expectations (Apr), Labour Market Survey (Mar)

China Trade Balance, Exports, and Imports (Mar)

THURSDAY 13 APRIL

Europe Germany CPI – Final (Mar), Eurozone Industrial Production (Feb)

UK BoE Credit Conditions Survey Q1

US Initial Claims wk 7 Apr, PPI (Mar)

Canada BoC Governor Macklem speech

FRIDAY 14 APRIL

US Export & Import Price Indexes (Mar), Retail Sales (Mar), Industrial Production (Mar),
University of Michigan Consumer Sentiment Prelim (Apr)
Fed speeches; Governor Waller; Economic Outlook
