

Key events this week – global inflation (UK, NZ, Japan, Canada, Euro area final CPI), RBA & ECB minutes, prelim PMIs, US housing

Recap from last week: The FOMC minutes reflected the decision to increase rates by 25bps despite heightened uncertainty stemming from several high-profile bank failures. While a pause in hikes was considered, the Committee ultimately decided to increase rates because of elevated inflation and the strength of recent economic data. The minutes also noted slower-than-expected progress on disinflation and the uncertain nature of the disinflationary process.

“...upside risks to the inflation outlook remained a key factor shaping the policy outlook, and that maintaining a restrictive policy stance until inflation is clearly on a downward path toward 2 percent would be appropriate from a risk-management perspective.” [FOMC Minutes, 21-22 Mar](#)

Actions taken by the central banks had calmed conditions in the banking sector and lessened the near-term risks of a shock to the economy. But the extent to which credit conditions might tighten was still regarded with a high degree of uncertainty. Some participants noted that given the stronger data and persistent inflation, and in the absence of banking sector issues, would have considered a 50bps increase – but judged it prudent to only go 25bps at this time.

US CPI growth continued to ease, slowing to +5% over the year, while measures of core inflation remain elevated and persistent at +5.6% in Mar (+5.5% in Feb). Similarly, the Fed’s ‘super core’ measure was little changed. The key issue is that the disinflation process has stalled over the last few months. But there were several encouraging signs with housing and food price growth easing over the month. The trimmed mean inflation rate slowed again, and more notably over the month. This suggests that inflation pressure may be starting to come from a narrower base of goods & services. But annual trimmed mean inflation is still extremely elevated at +6.2% (+6.5% in Feb).

Other US data showed some softening in momentum. US retail sales growth slowed more than expected by -1% in Mar (-0.2% Feb). In real terms, the annual growth of retail sales has averaged 0.1% over the last 12 months. This month was the first more notable year-on-year decline of 1.9% in real terms. US initial claims remained elevated at 239k – a higher level since the adjustment revisions.

Late in the week, [Fed Governor Waller's speech](#) provided some guidance on the Mar inflation report. Despite slowing housing costs, core inflation had just moved sideways without an “apparent downward trend”. He noted that “we haven’t made much progress on our inflation goal”, leaving him “in about the same place on the outlook at the last meeting, and on the same path for monetary policy”. Policy may need to be tightened further, and the implication of slow progress on inflation was that policy “will need to stay tight for a substantial period, and longer than markets anticipate”. Since the speech, FFR probabilities have been firming for another hike in May, coming back more in line with FOMC projections.

Outlook for the week ahead: More key inflation reports will be released this week. Inflation in Canada is expected to ease to +4.3%. Inflation in the UK is expected to remain elevated at +9.8%. NZ inflation for Q1 is expected to remain elevated at +7.1%. Inflation in Japan is expected to ease but core inflation is expected to stay high at +3.4%. Euro area CPI (final) is expected to be confirmed at +6.9% for Mar.

The RBA and ECB minutes will be released this week. The RBA minutes will reflect the discussion around the decision to pause hikes. The Australian Treasurer has confirmed that the review of the RBA and its operations will be released “in the next week or two”. There will also be a host of Fed and other central bank speeches this week.

Key growth data out of China will be released this week with Q1 GDP and industrial production and retail sales for Mar. Chinese Q1 GDP is expected to increase by +4% year over year.

In the US, the focus will be on housing data for Mar. Recent mortgage application data has reflected some firming in conditions. That said, housing data is expected to be little changed for Mar (SAAR basis); Existing home sales are expected to be 4.50m, permits 1.45m, and starts 1.40m.

At the end of the week, the prelim S&P PMIs will provide the first view of growth momentum for Apr among the G4 economies. The Mar PMIs showed stronger growth momentum across services, helping to offset weaker manufacturing momentum.

US Treasury Issuance; 17-21 April 2023

This week, the US Treasury will auction and settle approx. \$375bn in ST Bills, Notes, and Bonds, raising approx. \$8bn in new money. The 17-Day CMB (settled 31 Mar) will mature on 17 Apr, with a paydown of \$45bn. This brings the total paydown for the week to \$37bn.

The US Treasury will also auction the 20-year Bond and 5-year TIPS this week.

QT: Approx \$25.1bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be reinvested. Approx \$16.5bn 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 %
17-21 Apr	13-Apr	18-Apr	4 week bill	60		Actual 4.030%	4.440%
	13-Apr	18-Apr	8 week bill	50		Actual 4.790%	4.650%
	12-Apr	18-Apr	17 week BILL	36		Actual 4.980%	4.750%
				146	153	-7	
	17-Apr	20-Apr	13 week bill	57		Announced	4.980%
	17-Apr	20-Apr	26 week bill	48		Announced	4.795%
	18-Apr	20-Apr	52 week bill	34		Announced	4.390%
				139	139	0	
	11-Apr	17-Apr	3yr Note	40		Actual 3.810%	4.635%
	12-Apr	17-Apr	10yr Note	32		Actual 3.455%	3.985%
	13-Apr	17-Apr	30yr Bond	18		Actual 3.661%	3.877%
				90	75	15	
			Total - securities settling this week	375	367	8	
			Net New Cash Raised Qtr to Date	877	921	-44	
			<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				
		18-Apr	Bills	3.4			
		20-Apr	Bills	16.0			
		15-Apr	Notes & Bonds	5.8			
				25.1			
			Maturing & redemption (balance sheet roll-off)				
		15-Apr	Notes, Bonds, & TIPS	16.5			
				16.5			
			Upcoming Auctions	\$B			
	19-Apr	01-May	20yr Bond	12			
	20-Apr	28-Apr	5yr TIPS	21			

Quantitative Tightening Overview – April 2023

In April, the 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		16.5	5.8
30-Apr-23	Notes & Bonds		43.5	15.2
	ST Bills		0.0	62.9
Total Notes & Bonds			60.0	83.9

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).

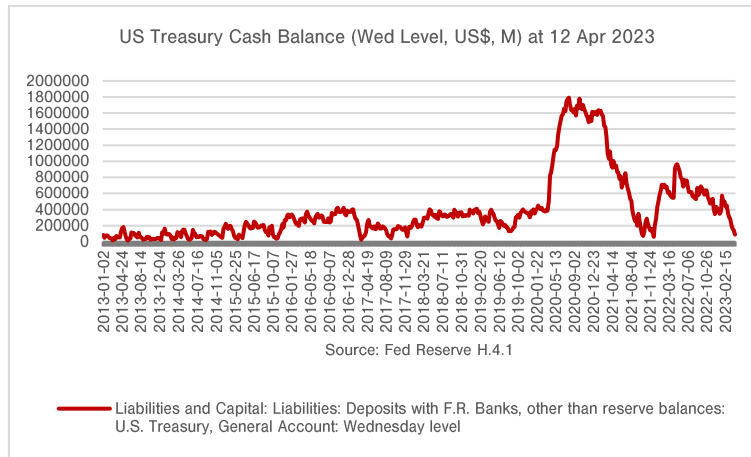
Q2: The prelim Q2 estimate for net cash to be raised is \$278bn. This does not account for the shortfall in the Q1 actual. This Q2 estimate will be updated at the next meeting of the TBAC on 1 May 2023.

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 12 Apr, the level of the TGA decreased to \$86bn (-\$54bn compared to the week prior). The current TGA balance is approx. \$456bn lower than the same week a year ago.

Tax Day will be on 18 April 2023. Last year, the TGA balance increased by approx. \$364bn after Tax Day.



<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 17 APRIL 2023

MONDAY 17 APRIL (US Eastern Time, unless stated otherwise)

US	NY Empire State Manufacturing Index (Apr), NAHB Housing Market Index (Apr)
Europe	ECB President Lagarde speech
Australia	RBA Minutes
China	GDP Q1, Industrial Production and Retail Sales (Mar)

TUESDAY 18 APRIL

UK	Labour Market survey (3mth Feb)
US	Housing Permits & Starts (Mar), Fed speeches: Bowman, Tax Day
Canada	CPI (Mar)

WEDNESDAY 19 APRIL

UK	CPI (Mar)
Europe	Eurozone CPI – Final (Mar), ECB Speeches; Schnabel
US	Mortgage Apps wk 15 Apr, Fed Beige Book, Fed speeches; Williams
NZ	CPI Q1
Japan	Merchandise Trade, Exports, & Imports (Mar)
China	PBoC prime loan rate decision

THURSDAY 20 APRIL

Europe	ECB Minutes
US	Initial Claims wk 15 Apr, Philadelphia Fed Manufacturing Index (Apr), Existing Home Sales (Mar), Fed speeches: Waller, Bowman
Australia	S&P Manufacturing & Services PMI Prelim (Apr)
Japan	CPI (Mar), S&P Manufacturing & Services PMI Prelim (Apr)

FRIDAY 21 APRIL

UK	Retail Sales (Mar), S&P Manufacturing & Services PMI Prelim (Apr)
Europe	Eurozone S&P Manufacturing & Services PMI Prelim (Apr)
Canada	Retail Sales (Feb)
US	S&P Manufacturing & Services PMI Prelim (Apr), Fed speeches: Cook
