

## Key events this week – BoE policy meeting, Fed Chair Powell testimony, Fed Vice Chair nomination hearings, RBA Minutes, global flash PMI's Jun

Recap from last week; Monetary policy meetings spanned a broad spectrum of conditions last week.

The FOMC paused hikes with the FFR at 5-5.25%. The pause marks a shift in the cycle to slowing the pace of hikes as we get “closer to the destination”. Guidance retained a hawkish bias with another two hikes possible this year and Jul likely a ‘live’ meeting at this stage. A key theme from Chair Powell was that the FOMC is still not seeing the kind of progress it wants on core inflation. The core PCE inflation projection was revised higher to 3.9% by the end of the year (up from 3.6%) and is projected to moderate to 2.6% by the end of 2024. The latest US core CPI inflation for May still had a 5% handle across the 12mth and 6mth/3mth annualized rates. But the breadth of higher inflation may be narrowing. Other measures of core CPI showed a shift towards slower inflation over the more recent months.

The upward revision to US growth projections by the FOMC for the remainder of 2023 indicates a better outlook than expected back in Mar. Growth over the year is expected to slow (from current growth of +1.6%) to +1% (previously expected +0.4%) by year-end and unemployment is expected to increase to 4.1% by year-end (previously 4.5%). So far, there are some further signs of loosening labor market conditions with another week of elevated initial jobless claims. US retail demand was stronger than expected in May, but annual retail growth remains flat in real terms. US factory output growth remained sluggish, and this was broadly in line with the weaker manufacturing conditions from the May surveys.

The ECB raised its policy rates with guidance that more hikes are still expected. Core inflation forecasts for 2023 were revised higher (from Mar) but are still expected to moderate through the remainder of the year. Growth forecasts were revised only slightly lower.

The BoJ kept policy unchanged, maintaining ultra-loose conditions. The BoJ expects inflation to ease over the coming months and notes that it is yet to achieve ‘sustainable’ inflation. After the meeting, there was some speculation that a policy ‘tweak’ could be made in Jul. The latest Japanese CPI for May will be released this week – with core CPI ex-food & energy expected to increase to +4.4% in May from +4.1% in Apr.

The PBoC cut a short-term lending rate, increasing expectations for cuts across other key policy rates and other stimulus measures to boost sluggish domestic conditions.

Aus and UK labor market data remained strong. Tight labor markets may keep pressure on wages while inflation remains high in both countries. By the end of the week, markets were pricing in [another two rate hikes in Aus](#) by the end of the year – despite signs of slowing growth.

Finally, NZ recorded its second quarterly GDP decline in a row (Q4 and Q1). The RBNZ recently called a pause to its hiking cycle.

Outlook for the week ahead: The focus will remain on central banks this week. The BoE will meet and is expected to raise rates by a further 25bps at this meeting. The latest UK CPI data for May will be released prior to the meeting and headline inflation is expected to slow only slightly to

+8.5% over the year and by +0.4% over the month. The Swiss National Bank will also meet this week.

US Fed Chair Powell will give two days of testimony with the semi-annual monetary report. The Fed Vice Chair nomination hearings will take place – featuring Governors Jefferson and Cook. There will be multiple Fed speakers throughout the week including Governor Waller.

The RBA minutes of the Jun meeting will be released. Markets expected a pause at the last meeting, so it will be important to gauge the discussion around policy options and just how finely balanced this latest decision was.

In the US, key housing data for May will be important; including existing home sales (expecting 4.24m SAAR), building permits (expecting 1.435m), and housing starts (expecting 1.4m).

Finally, the flash S&P PMI's for Jun will be released this week. These will provide some insight into shifts in growth momentum in the final month of Q2. So far, the key dynamic has been stronger services momentum helping to offset weaker/sluggish manufacturing activity.

## US Treasury Issuance; 19 Jun - 23 Jun 2023

This week, the US Treasury will auction and settle approx. \$339bn in ST Bills, including a 42-Day Cash Management Bill (CMB), raising approx. \$121bn in new money. The US Treasury will also auction the 5-year TIPS and 20-year Bond this week – both will settle on 30 Jun.

QT Jun: Approx \$4.7bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested. Approx \$1.2bn in ST Bills will mature and 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 % |
|------------------------------------|--------------|-----------------|--|---------------------------|---------------------|---------------|---------------|---------------------------|
| <b>19 Jun - Juneteenth Holiday</b> |              |                 |  |                           |                     |               |               |                           |
| 19-23 Jun                          | 15-Jun       | 20-Jun          | 4 week bill  | 65                        |                     |               | Actual 5.010% | 5.090%                    |
|                                    | 15-Jun       | 20-Jun          | 8 week bill  | 55                        |                     |               | Actual 5.080% | 5.120%                    |
|                                    | 14-Jun       | 20-Jun          | 17 Week Bill   | 46                        |                     |               | Actual 5.150% | 5.200%                    |
|                                    |              |                 |  | 166                       | 116                 | 50            |               |                           |
|                                    | 20-Jun       | 22-Jun          | 13 week bill   | 65                        |                     |               | Announced     | 5.150%                    |
|                                    | 20-Jun       | 22-Jun          | 26 week bill   | 58                        |                     |               | Announced     | 5.155%                    |
|                                    | 20-Jun       | 22-Jun          | 42-Day CMB   | 50                        |                     |               | Announced     | 5.020%                    |
|                                    |              |                 |  | 173                       | 102                 | 71            |               |                           |
|                                    |              |                 | <b>Total - securities settling this week</b>                     | <b>339</b>                | <b>218</b>          | <b>121</b>    |               |                           |
|                                    |              |                 | <b>Net New Cash Raised Qtr to Date</b>                           | <b>4204</b>               | <b>3685</b>         | <b>519</b>    |               |                           |
|                                    |              |                 | <i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>                |                           |                     | <i>726</i>    |               |                           |
|                                    |              |                 | <b>Face value of US Federal Reserve SOMA securities maturing</b> | <b>\$B</b>                |                     |               |               |                           |
|                                    |              |                 | <b>Maturing &amp; reinvestment</b>                               |                           |                     |               |               |                           |
|                                    |              | 20-Jun          | Bills  | 2.1                       |                     |               |               |                           |
|                                    |              | 22-Jun          | Bills  | 2.6                       |                     |               |               |                           |
|                                    |              |                 |  | 4.7                       |                     |               |               |                           |
|                                    |              |                 | <b>Maturing &amp; redemption (balance sheet roll-off)</b>        |                           |                     |               |               |                           |
|                                    |              | 20-Jun          | Bills  | 0.5                       |                     |               |               |                           |
|                                    |              | 22-Jun          | Bills  | 0.7                       |                     |               |               |                           |
|                                    |              |                 |  | 1.2                       |                     |               |               |                           |
|                                    |              |                 | <b>Upcoming Auctions</b>   | <b>\$B</b>                |                     |               |               |                           |
|                                    | 21-Jun       | 30-Jun          | 20 yr Bond   | 12                        |                     |               |               |                           |
|                                    | 22-Jun       | 30-Jun          | 5yr TIPS   | 19                        |                     |               |               |                           |

## Quantitative Tightening Overview – June 2023

In June, the face value of Coupons maturing on the Fed balance sheet is approx. \$48.3bn. This is lower than the \$60bn cap for monthly balance sheet roll-off and means that all maturing Coupons will be redeemed this month.

It also means that ST Bills maturing on the Fed balance will make up the residual \$11.7bn of the \$60bn redemption cap. So of the \$57.9bn in ST Bills maturing this month, \$11.7bn will be redeemed/roll off the balance, and the remaining \$46.2bn of ST Bills maturing, will be reinvested.

| Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - June |               |  |             |              |                |
|--|---------------|--|-------------|--------------|----------------|
|  |               |  |             | \$60         |                |
|  |               |  |             | Redeem \$ Bn | Reinvest \$ Bn |
| 15-Jun-23  | Notes & Bonds |  | 12.2        | 0.0          |                |
| 30-Jun-23  | Notes & Bonds |  | 36.1        | 0.0          |                |
|  | ST Bills      |  | 11.7        | 46.2         |                |
| <b>Total Notes &amp; Bonds</b>   |               |  | <b>60.0</b> | <b>46.2</b>  |                |

June 2023 Bill maturity schedule;

| Bill Maturity Schedule - JUNE |                             |                  | Weekly Totals \$Bn |                   |  |
|-------------------------------|-----------------------------|------------------|--------------------|-------------------|--|
|                               | Par Value of Bills Maturing | % Maturity by Wk | Bill Redemption    | Bill Reinvestment |  |
| 2023/06/01                    | 11.92                       | 21%              | 2.41               | 9.51              |  |
| 2023/06/06                    | 2.78                        | 5%               | 0.56               | 2.22              |  |
| 2023/06/08                    | 7.87                        | 14%              | 1.59               | 6.28              |  |
| 2023/06/13                    | 2.66                        | 5%               | 0.54               | 2.12              |  |
| 2023/06/15                    | 11.99                       | 21%              | 2.43               | 9.57              |  |
| 2023/06/20                    | 2.68                        | 5%               | 0.54               | 2.14              |  |
| 2023/06/22                    | 3.25                        | 6%               | 0.66               | 2.59              |  |
| 2023/06/27                    | 2.50                        | 4%               | 0.51               | 1.99              |  |
| 2023/06/29                    | 12.27                       | 21%              | 2.48               | 9.79              |  |
|                               | 57.9                        |                  | 11.72              | 46.2              |  |

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

## Recommended US Treasury Financing – Act Q2 & Est Q3 2023

With the debt limit now suspended (through to Jan 2025), the focus shifts to rebuilding the US Treasury TGA cash balance. The US Treasury announced details to rebuild the cash balance which included a focus on shorter-tenor securities through to 14 Jun and the introduction of a regular 6-Week CMB.

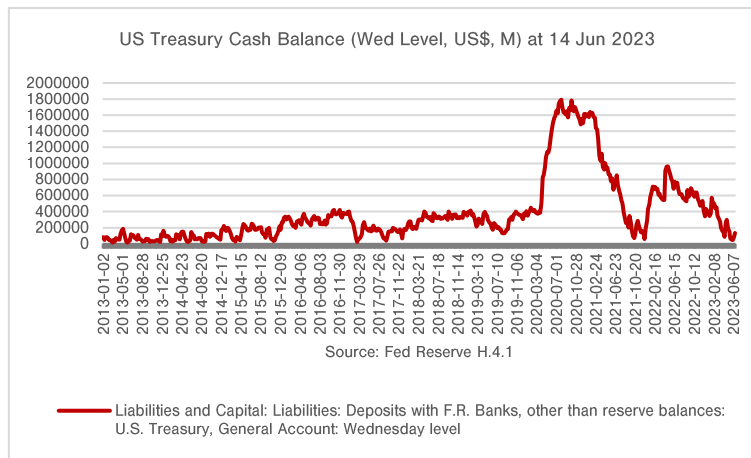
Initial increases in bill issuance will be focused on shorter-tenor benchmark securities and cash management bills (CMBs), including the introduction of a regular weekly 6-week CMB (the first of which will be announced on June 8).

The updated end of quarter cash balance is expected to be \$425bn (from \$550bn) at the end of June.

Q3: The US Treasury expects to borrow \$733 billion in privately held net marketable debt, assuming an end-of-September cash balance of \$600 billion. The full details of prelim Q3 estimates can be found [here](#).

## US Treasury Cash Levels (TGA)

As of Wed 14 Jun, the level of the TGA increased to \$135bn (+\$57bn compared to the week prior). The current TGA balance is approx. \$635bn lower than the same week a year ago.



<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 historical 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 19 JUNE 2023

---

### MONDAY 19 JUNE (US Eastern Time, unless stated otherwise)

---

|    |   |
|----|---|
| US | Juneteenth Holiday, NAHB Housing Market Index (Jun) |
|----|---|

---

|       |                                     |
|-------|-------------------------------------|
| China | PBoC Prime Loan Rate Decision (TBC) |
|-------|-------------------------------------|

---

|           |  |
|-----------|--|
| Australia | RBA Minutes, RBA speeches; Kent, Bullock |
|-----------|--|

---

---

### TUESDAY 20 JUNE

---

|       |  |
|-------|--|
| Japan | Industrial Production – Final (Apr), BoJ Minutes |
|-------|--|

---

|        |                    |
|--------|--------------------|
| Europe | Eurozone PPI (May) |
|--------|--------------------|

---

|    |  |
|----|--|
| US | Housing Permits & Starts (May), US Fed speeches; Williams, Bullard |
|----|--|

---

---

### WEDNESDAY 21 JUNE

---

|    |           |
|----|-----------|
| UK | CPI (May) |
|----|-----------|

---

|        |                    |
|--------|--------------------|
| Canada | Retail Sales (Apr) |
|--------|--------------------|

---

|    |   |
|----|---|
| US | Mortgage Apps wk 17 Jun<br>US Fed Chair Powell – Day One Semi-annual testimony (House)<br>Nomination Hearings US Fed Vice Chair (Senate); Cook & Jefferson<br>US Fed speeches; Goolsbee, Mester |
|----|---|

---

---

### THURSDAY 22 JUNE

---

|             |                             |
|-------------|-----------------------------|
| Switzerland | SNB Monetary Policy Meeting |
|-------------|-----------------------------|

---

|    |                             |
|----|-----------------------------|
| UK | BoE Monetary Policy Meeting |
|----|-----------------------------|

---

|    |   |
|----|---|
| US | Initial Claims wk 17 Jun, Existing Home Sales (May), Kansas City Fed Manufacturing Index (Jun)<br>US Fed Chair Powell – Day Two Semi-annual testimony (Senate)<br>US Fed speeches; Waller, Bowman, Mester, Barkin |
|----|---|

---

|           |   |
|-----------|---|
| Australia | S&P Manufacturing & Services PMI Prelim (Jun) |
|-----------|---|

---

|       |   |
|-------|---|
| Japan | National CPI (May), S&P Manufacturing & Services PMI Prelim (Jun) |
|-------|---|

---

---

### FRIDAY 23 JUNE

---

|    |   |
|----|---|
| UK | Retail Sales (May), S&P Manufacturing & Services PMI Prelim (Jun) |
|----|---|

---

|        |  |
|--------|--|
| Europe | S&P Eurozone Manufacturing & Services PMI Prelim (Jun) |
|--------|--|

---

|    |   |
|----|---|
| US | S&P Manufacturing & Services PMI Prelim (Jun), US Fed speeches; Bullard, Bostic, Mester |
|----|---|

---