

## Key events this week – US CPI, RBNZ and BoC policy decisions, central bank speeches

Recap from last week: Global yields moved higher last week within the context of the FOMC Minutes and the decision to pause hikes, recent hawkish speeches, and a series of better-than-expected data on the US economy.

The FOMC minutes detailed the decision to pause hikes, which was based on allowing more time to assess the progress of tightening done to date. However, “some participants” favoured another 25bps increase noting a tight labour market and “few clear signs that inflation was on a path to return to the Committee’s 2% objective over time”. While the FOMC is continuing to slow the pace of hikes, economic activity has been more resilient than expected. “Almost all participants” noted that further tightening would be “appropriate”.

The important US labour market data was mixed. There was some sign of easing demand for workers as payroll growth continued to slow in Jun, plus revisions lower in the prior two months. Job openings were also lower in May (still elevated though). Other data reflected continued tightness in labour market conditions with the unemployment rate staying low for 16 years+, and falling for the 25-54 yr group. Average hourly earnings growth remained elevated and average weekly hours increased. Initial claims, a coincident view of labour market conditions, increased again and the underlying trend has been rising, albeit slowly. The trend in continuing claims (which lags by a week), is now more mixed between the seasonally adjusted (slowing) and non-seasonally adjusted (rising) series.

The PMIs continued to show manufacturing and services conditions diverging at the end of Q2. The US ISM manufacturing PMI for Jun was only lower (in this cycle) at the depths of pandemic lockdowns. The underlying detail suggests that more manufacturing firms shifted to reporting ‘no change’ in activity compared to the prior month across the five key measures. In other words, recording lacklustre conditions. The ISM services PMI showed more widespread improvement in demand, output/activity, and employment. The global S&P PMIs reflected a similar situation. The global manufacturing PMI shifted further into contraction, while global services momentum slowed, but continued to signal a moderate expansion.

Outlook for the week ahead: The main focus this week will be on the US CPI report for Jun. This CPI report may take on slightly more importance given the recent move higher in yields. The CPI report for May provided some favourable signs of easing inflation. This month, headline inflation is expected to ease further to +3%, while core inflation is expected to stay elevated at +5% (down from +5.3% in May). Monthly core inflation is expected to slow to +0.3% from +0.4% in May.

There will be a few US Fed speeches this week. Of note will be Governor Waller on the economic outlook for the US and Fed Vice Chair for Supervision Barr on bank capital. The Fed will also release the Beige Book this week, providing an update on regional economic conditions.

The RBNZ will meet this week and is expected to leave rates on hold at 5.5%. The BoC will also meet this week and, after the stronger employment growth last week, expectations for a 25bps hike have increased.

Other speeches include RBA Governor Lowe will this week on the Reserve Bank review and monetary policy. The BoE Governor Bailey will also speak this week, and the BoE credit conditions report will also be released this week.

## US Treasury Issuance; 10-14 July 2023

This week, the US Treasury will auction and settle approx. \$477bn in ST Bills, raising approx. \$72bn in new money. The US Treasury will also auction the 30-year Bond and the 3-year and 10-year Notes this week – all will settle next week.

QT Jul: Approx \$14.8bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested. Approx \$2.9bn 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 %
10-14 Jul	06-Jul	11-Jul	4 week bill	70			Actual 5.150%
	06-Jul	11-Jul	8 week bill	60			Actual 5.200%
	05-Jul	11-Jul	17-Week Bill	46			Actual 5.250%
				176	131	45	
	10-Jul	13-Jul	13 week bill	65			Announced
	10-Jul	13-Jul	26 week bill	58			Announced
	11-Jul	13-Jul	52 week bill	38			Announced
	11-Jul	13-Jul	42-day CMB	50			Announced
				211	189	22	
			<b>Total - securities settling this week</b>	<b>477</b>	<b>405</b>	<b>72</b>	
			<b>Net New Cash Raised Qtr to Date</b>	<b>826</b>	<b>623</b>	<b>203</b>	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			733	
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>			
			<b>Maturing &amp; reinvestment</b>				
		11-Jul	Bills	2.1			
		13-Jul	Bills	12.7			
				14.8			
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>				
		11-Jul	Bills	0.4			
		13-Jul	Bills	2.5			
				2.9			
			<b>Upcoming Auctions</b>	<b>\$B</b>			
	11-Jul	17-Jul	3yr Note	40			
	12-Jul	17-Jul	10yr Note	32			
	13-Jul	17-Jul	30yr Bond	18			

## Quantitative Tightening Overview – July 2023

In July, the face value of Coupons maturing on the Fed balance sheet is approx. \$50bn. This is lower than the \$60bn monthly cap for 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 \$10bn up to the \$60bn redemption cap. So of the \$60.4bn in ST Bills maturing this month, \$10bn will be redeemed/roll off the balance, and the remaining \$50.4bn of ST Bills maturing, will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - Jul				
			\$60	
			Redeem \$Bn	
			Reinvest \$ Bn	
15-Jul-23	Notes & Bonds		18.6	0.0
30-Jul-23	Notes & Bonds		31.4	0.0
	ST Bills		10.0	50.4
	<b>Total Notes &amp; Bonds</b>		<b>60.0</b>	<b>50.4</b>

July 2023 Bill maturity schedule;

Bill Maturity Schedule - Jul	Par Value of Bills Maturing	% Maturity by Wk	Weekly Totals \$Bn	
			Bill Redemption	Bill Reinvestment
2023/07/05	2.37	4%	0.39	1.98
2023/07/06	12.40	21%	2.05	10.35
2023/07/11	2.50	4%	0.41	2.08
2023/07/13	15.22	25%	2.51	12.71
2023/07/18	2.51	4%	0.41	2.09
2023/07/20	11.73	19%	1.94	9.79
2023/07/25	2.34	4%	0.39	1.96
2023/07/27	11.34	19%	1.87	9.47
	60.4	100%	10.0	50.4

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

## Recommended US Treasury Financing – Est Q3 2023

**Q2:** With the debt limit now suspended (through to Jan 2025), the focus has shifted 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.

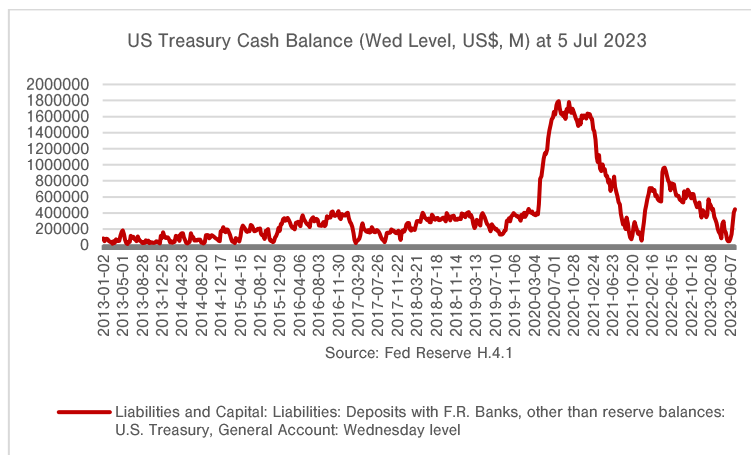
Initial increases in bill issuance will be focused on shorter-tenor benchmark securities and cash management bills (CMBs), including the introduction of a regular weekly 6-week CMB (the first of which will be announced on June 8).

The updated end-of-quarter cash balance for Q2 was expected to be \$425bn (from \$550bn) at the end of June. The TGA balance as of Wednesday 28 Jun was \$408bn.

**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 the prelim Q3 estimates can be found [here](#). The updated Q3 estimates will be released on 2 Aug 2023.

## US Treasury Cash Levels (TGA)

As of Wed 5 Jul, the level of the TGA increased to \$446bn (+\$38bn compared to the week prior). The current TGA balance is approx. \$241bn *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/ambs\\_operation\\_schedule](https://www.newyorkfed.org/markets/ambs_operation_schedule)

## WEEK COMMENCING 10 JULY 2023

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### MONDAY 10 JULY (US Eastern Time, unless stated otherwise)

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China	CPI & PPI (Jun), New Loans (Jun)
US	Consumer Credit Change (May), Speech US Fed Vice Chair Supervision Barr – Bank Capital, Fed speeches; Daly, Mester, Bostic
UK	BoE Governor Bailey speech
Australia	Westpac Consumer Sentiment (Jul), NAB Business Conditions & Confidence (Jun)

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### TUESDAY 11 JULY

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UK	Labour Market Survey (3mth May)
Europe	Germany CPI – Final (Jun)
US	Fed speeches; Bullard
NZ	RBNZ Monetary Policy Meeting
Australia	RBA Governor Lowe speech; The Reserve Bank Review & Monetary Policy

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### WEDNESDAY 12 JULY

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US	Mortgage Apps wk 8 Jul, CPI (Jun) US Fed Beige Book, US Fed speeches; Mester, Kashkari
Canada	Bank of Canada Monetary Policy Meeting
Australia	Consumer Inflation Expectations (Jul)
China	Trade Balance, Exports, and Imports (Jun)

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### THURSDAY 13 JULY

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UK	Monthly GDP data (May), BoE Credit Conditions Survey
Europe	Eurozone Industrial Production (May), ECB Minutes
US	Initial Claims wk 8 Jul, PPI (Jun), US Fed speeches – Waller: Economic Outlook

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### FRIDAY 14 JULY

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Japan	Industrial Production (Jun)
Europe	Germany Wholesale Price Index (Jun)
US	Export & Import Price Indexes (Jun), University of Michigan Consumer Sentiment Survey – Prelim (Jul)

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