

Key events this week – Annual Jackson Hole Economic Policy Symposium, Prelim PMIs Aug

Recap from last week: The FOMC minutes continued to emphasize that inflation is unacceptably high, and that policy will need to stay sufficiently restrictive. The minutes suggest that the FOMC may want to see growth slow (reflecting a better balance between aggregate supply and demand), and inflation ease, to feel confident that inflation is on a sustainable path to 2%;

Participants stressed that the Committee would need to see more data on inflation and further signs that aggregate demand and aggregate supply were moving into better balance to be confident that inflation pressures were abating and that inflation was on course to return to 2 percent over time. – [FOMC Minutes](#)

The shift to data-dependent guidance emphasized assessing the totality of the incoming data and the implications for the economic and inflation outlook. Policy tightening was seen as nearing its ‘destination’ and data in the inter-meeting period would determine the extent of additional policy firming that may be appropriate. The outlook also shifted as staff no longer judged that the economy would enter a mild recession by the end of the year. The minutes noted that risks to achieving the FOMC policy goals have become more two-sided, and the Committee would need to balance the risk of inadvertent overtightening with the cost of insufficient tightening.

Last week, US data on consumer spending, housing, and production suggested an even higher growth trajectory at the start of Q3. Retail sales growth for Jul came in stronger than expected at +0.8% with the prior month also revised higher. New housing permits and starts remained stable despite the higher rates environment. But homebuilder sentiment began to fall as mortgage rates increased to over 7%. Indicators of manufacturing and output were somewhat improved in Jul and several Aug surveys showed stabilization amid recent falls. Initial claims remained low. So far, the latest [Atlanta Fed GDP Nowcast](#) shows a notable acceleration in growth at the start of Q3.

Outlook for the week ahead: In the context of stronger US data and rising US long rates, the signaling from Fed Chair Powell at Jackson Hole will be important this week. The Fed is in data-dependent mode and there is still another round of inflation and payrolls data before the next meeting. This year’s symposium is on “Structural Shifts in the Global Economy” and US Fed Chair Powell is expected to speak on Friday morning.

The prelim Aug PMIs for key G4 markets will be released this week. These will provide some early insight into private sector growth momentum for Aug. Manufacturing in Jul showed ongoing weakness in the Euro Area while improving somewhat in the US. Services growth has broadly stayed positive while momentum has slowed over recent months.

Other US data this week will feed into the growth picture. Durable goods orders for Jul are expected to fall by -4% after much higher growth of +4.6% in Jun (led by large aircraft orders). Initial claims are expected to remain low at +244k. Existing home sales are expected to be little changed at 4.15m (SAAR).

US Treasury Issuance; 21-25 Aug 2023

This week, the US Treasury will auction and settle approx. \$415bn in ST Bills and FRN's raising approx. \$94bn in new money. The US Treasury will also auction the 20-Year Bond and 30-Year TIPS this week – both will settle next week.

QT this week: Approx \$13bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
21-25 Aug	17-Aug	22-Aug	4 week bill	80			Actual 5.280%
	17-Aug	22-Aug	8 week bill	70			Actual 5.280%
	16-Aug	22-Aug	17-week Bill	50			Actual 5.305%
				200	166	34	
	21-Aug	24-Aug	13 week bill	69			Announced
	21-Aug	24-Aug	26 week bill	62			Announced
	22-Aug	24-Aug	42-Day CMB	60			Announced
				191	155	36	
	23-Aug	25-Aug	2Yr FRN	24			Announced
				24	0	24	
			Total - securities settling this week	415	321	94	
			QTR to date totals	3,604	3,021	583	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>1,007</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		22-Aug	Bills		2.3		
		24-Aug	Bills		10.7		
					13.1		
			Upcoming Auctions	\$B			
	23-Aug	31-Aug	20yr Bond		16		
	24-Aug	31-Aug	30yr TIPS		8		

Quantitative Tightening Overview – Aug 2023

In August, the face value of Coupons maturing on the Fed balance sheet is approx. \$114.2bn. This is higher than the \$60bn monthly cap for balance sheet roll-off. So of the Coupons maturing in Aug, \$60bn will roll the Fed balance sheet and the remaining \$54.2bn will be reinvested.

It also means that all ST Bills maturing on the Fed balance sheet in Aug (\$77bn) will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - Aug			
			\$60
			Redeem \$Bn
			Reinvest \$ Bn
15-Aug-23	Notes & Bonds		42.6
31-Aug-23	Notes & Bonds		17.4
	Bills		0.0
	Total Notes & Bonds		60.0
			131.2

August 2023 Bill maturity schedule;

Bill Maturity Schedule - Aug	Par Value of Bills Maturing	% Maturity by Wk	Weekly Totals \$Bn	
			Bill Redemption	Bill Reinvestment
2023/08/01	2.24	3%	0.00	2.24
2023/08/03	15.25	20%	0.00	15.25
2023/08/08	2.26	3%	0.00	2.26
2023/08/10	15.89	21%	0.00	15.89
2023/08/15	2.37	3%	0.00	2.37
2023/08/17	13.50	18%	0.00	13.50
2023/08/22	2.32	3%	0.00	2.32
2023/08/24	10.74	14%	0.00	10.74
2023/08/29	2.40	3%	0.00	2.40
2023/08/31	9.99	13%	0.00	9.99
	77.0	100%	0	77.0

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

Recommended US Treasury Financing – Q3 & Q4 Est 2023

The Q3 and Q4 financing requirements increased notably in the latest US borrowing estimates announcement ([here](#)).

Q3;

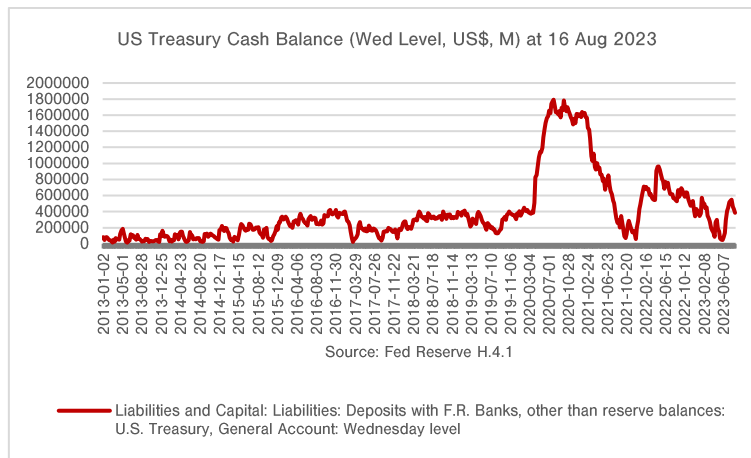
During the July – September 2023 quarter, Treasury expects to borrow **\$1.007 trillion in privately-held net marketable debt**, assuming an end-of-September cash balance of \$650 billion. The borrowing estimate is \$274 billion higher than announced in May 2023, primarily due to the lower beginning-of-quarter cash balance (\$148 billion) and higher end-of-quarter cash balance (\$50 billion), as well as projections of lower receipts and higher outlays (\$83 billion).

The estimate for Q4 at this stage is that the US Treasury will borrow \$852bn in privately held **net marketable debt**, assuming an end-of-December cash balance of \$750bn.

Since the suspension of the debt limit, the US Treasury has been rebuilding the TGA/cash balance via increased Bill issuance. The US Treasury noted that it will likely achieve a cash balance “consistent with its policy” by the end of Sep. Through Q3, Bill auction sizes will continue to increase and the 6wk/42-day CMB will be issued through to the end of 2023. The US Treasury also announced plans to increase Coupon auction sizes from Aug.

US Treasury Cash Levels (TGA)

As of Wed 16 Aug, the level of the TGA decreased to \$385bn (-\$47bn compared to the week prior). The current TGA balance is approx. \$154bn 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

WEEK COMMENCING 21 AUGUST 2023

MONDAY 21 AUGUST (US Eastern Time, unless stated otherwise)

China	PBoC Prime Loan Rate Decision
Europe	Germany PPI (Jul)
US	Chicago Fed National Activity Index (Jul) - tbc

TUESDAY 22 AUGUST

US	Existing Home Sales (Jul), Richmond Fed Manufacturing Index (Aug), Fed speeches: Bowman, Goolsbee, & Barkin
NZ	Retail Sales (Q2)
Australia	S&P Manufacturing & Services PMI Prelim (Aug)
Japan	S&P Manufacturing & Services PMI Prelim (Aug)

WEDNESDAY 23 AUGUST

Europe	Eurozone S&P Manufacturing & Services PMI Prelim (Aug)
UK	S&P Manufacturing & Services PMI Prelim (Aug)
Canada	Retail Sales (Jun)
US	Mortgage Apps wk ending 18 Aug, S&P Manufacturing & Services PMI Prelim (Aug), New Home Sales (Jul)

THURSDAY 24 AUGUST

Europe	ECB Minutes
US	Initial Claims wk ending 18 Aug, Durable Goods Orders (Jul), Kansas City Fed Manufacturing Index (Aug) US Federal Reserve; Annual Jackson Hole Symposium Commences
Japan	Tokyo CPI (Jul)

FRIDAY 25 AUGUST

Europe	Germany GDP (Q2)
US	University of Michigan Consumer Sentiment – Final (Aug) Annual Jackson Hole Symposium; US Fed Chair Powell speech - Economic Outlook
