

### Key events this week – US CPI & retail sales, ECB policy meeting

Recap from last week: A theme of slower growth emerged in central bank decisions and data last week. Central bank policy decisions continued to favor pausing at this stage of the cycle to allow time for rate hikes to take effect. Although inflation is still too high, central banks are taking a risk management approach to policy settings by pausing hikes while retaining guidance that further tightening may still be required.

The BoC kept rates on hold last week. There was a notable shift in the characterisation of the Canadian economy between the Jul and Sep meetings. From the Jul meeting; “Canada’s economy has been stronger than expected, with more momentum in demand”. At the Sept meeting last week, this was downgraded to; “The Canadian economy has entered a period of weaker growth, which is needed to relieve price pressures. Economic growth slowed sharply in the second quarter of 2023, with output contracting by 0.2% at an annualized rate.”

The RBA kept rates on hold last week, noting that rate hikes were working to bring “a more sustainable balance between supply and demand”. Changes to the statement suggest that the Board sees tight labor market conditions easing. GDP growth in Q2 was on par with that of Q1 at +0.4%. Much slower private sector consumption and investment spending was offset by public sector spending. The inventory drawdown was a large offsetting factor while net exports were stronger in real terms. Nominal GDP growth slowed due to the sharp decline in the terms of trade as domestic prices increased.

European GDP growth was revised lower in the final release for Q2. Growth in the Euro area and the EU slowed to a stalled pace in Q2. Broader Eurozone retail sales volumes resumed falling again in Jul after stabilizing since Apr. The Jul and Aug Eurozone PMIs point to further weakness in growth through Q3 so far. This slowdown in activity together with still high inflation will weigh on the ECB decision this week. The ECB is expected to keep policy rates unchanged.

US services surveys provided a limited guide on growth momentum into Aug. The S&P Services PMI for Aug indicated a more notable slowdown in services output activity. The ISM Services PMI suggested that growth in services activity was more widespread in Aug – yet the underlying shifts in the output and orders indexes indicated a mixed picture. The US Fed Beige Book report showed that most districts recorded ‘modest’ economic growth during Jul and Aug – led especially by tourism. The latest initial claims fell back to a low level of +216k.

Outlook for the week ahead: This week is the final US CPI and retail sales report for Aug ahead of next week’s FOMC meeting. The FOMC remains in data-dependent mode and the data this week will be important inputs into finalizing the assessment of the path of inflation and growth since the last meeting. US Fed Chair Powell has emphasized the importance of the “totality of the data” and is looking for “supply and demand through the economy coming into better balance”.

Inflation data could muddy the waters this week. US headline CPI is expected to accelerate in Aug to +3.6% (from +3.2% in Jul) due to higher energy prices. Headline CPI over the month is expected to increase by +0.6% in Aug (up from +0.2% in Jul). The focus will likely remain anchored on the path of core CPI which is expected to slow to +4.3% over the year from +4.7% in Jul (slowing due mainly to base effects). Over the month, core CPI growth is expected to stay at +0.2% in Aug, on par with the +0.2% increase in Jul.

US retail sales growth in Aug is expected to slow to +0.2% after increasing by +0.7% in Jul.

US industrial production growth is expected to slow to +0.1% in Jul from +1% in Jun. The NY Fed Empire State Manufacturing survey will provide the first insight into regional manufacturing conditions in Sep.

We are in the blackout period for Fed speeches ahead of the FOMC meeting next week.

The OPEC monthly report will be released on Tue 12 Jul.

The ECB will meet this week and is expected to keep policy rates on hold.

Aus labor market data for Aug is expected to show some improvement in Aug after a weaker report in Jul. Net employment is expected to increase by +26k in Aug after falling by -15k in Jul. The unemployment rate is expected to tick down to 3.6% (from 3.7% in Jul).

The remaining Chinese data for Aug will be released this week. New loans, industrial production, and retail sales are expected to show improvement.

## US Treasury Issuance; 11 – 15 Sep 2023

This week, the US Treasury will auction and settle approx. \$490bn in ST Bills, Notes, and Bonds raising approx. \$121bn in new money.

QT this week: Approx \$5bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested. Approx \$22bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be redeemed/roll-off the balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
11-15 Sep	07-Sep	12-Sep	4 week bill	80			Actual 5.390%
	07-Sep	12-Sep	8 week bill	70			Actual 5.423%
	08-Sep	12-Sep	17-week Bill	50			Actual 5.521%
				200	171	29	
	11-Sep	14-Sep	13 week bill	69			Announced
	11-Sep	14-Sep	26 week bill	62			Announced
	12-Sep	14-Sep	42-Day CMB	60			Announced
				191	163	28	
	11-Sep	15-Sep	3yr Note	44			Announced
	12-Sep	15-Sep	10yr Note	35			Announced
	13-Sep	15-Sep	30yr Bond	20			Announced
				99	35	64	
			<b>Total - securities settling this week</b>	<b>490</b>	<b>369</b>	<b>121</b>	
			<b>QTR to date totals</b>	<b>5,069</b>	<b>4,185</b>	<b>884</b>	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>1,007</i>	
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>			
			<b>Maturing &amp; reinvestment</b>				
		12-Sep	ST Bills	1.3			
		14-Sep	ST Bills	3.6			
				5.0			
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>				
		12-Sep	ST Bills	1.4			
		14-Sep	ST Bills	3.7			
		15-Sep	Notes & Bonds	16.9			
				22.0			

## Quantitative Tightening Overview – Sep 2023

In September, the face value of Coupons maturing on the Fed balance sheet is approx. \$39.4bn. This is less 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 sheet will make up the residual up to the \$60bn redemption cap. So of the \$40.7bn in ST Bills maturing this month, \$20.6bn will be redeemed/roll-off the balance sheet and the remaining \$20.1bn of ST Bills maturing will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - Sep				
			\$60	
			Redeem \$Bn	Reinvest \$ Bn
15-Sep-23	Notes & Bonds		16.9	0.0
30-Sep-23	Notes & Bonds		22.5	0.0
	Bills		20.6	20.1
<b>Total Notes &amp; Bonds</b>			<b>60.0</b>	<b>20.1</b>

September 2023 Bill maturity schedule;

Bill Maturity Schedule - Sep		Weekly Totals \$Bn		
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2023/09/05	2.5	6%	1.3	1.2
2023/09/07	9.5	23%	4.8	4.7
2023/09/12	2.7	7%	1.4	1.3
2023/09/14	7.4	18%	3.7	3.6
2023/09/19	2.6	6%	1.3	1.3
2023/09/21	2.8	7%	1.4	1.4
2023/09/26	2.7	7%	1.4	1.3
2023/09/28	10.5	26%	5.3	5.2
	40.7	100%	20.6	20.1

<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).

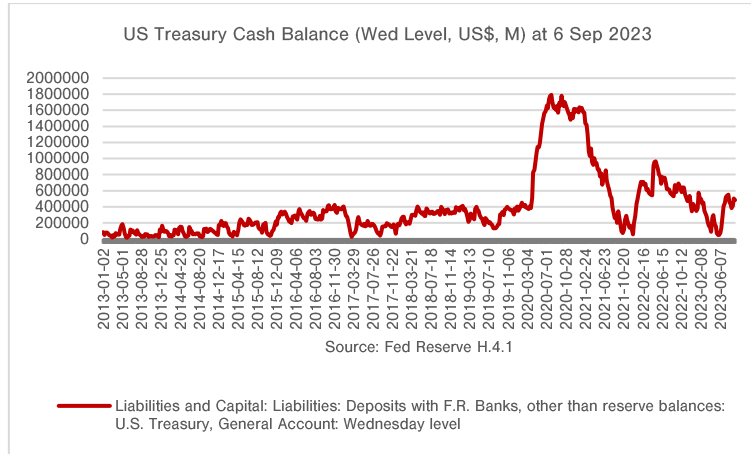
Q4 Prelim; The estimate for Q4 at this stage is that the US Treasury will borrow \$852bn in privately held **net marketable debt**, assuming an end-of-December cash balance of \$750bn.

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 6-week/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 6 Sep, the level of the TGA decreased to \$481bn (-\$19bn compared to the week prior). The current TGA balance is approx. \$101bn lower than the same week a year ago.

The US Treasury estimates an end-of-Sept cash balance of \$650bn.



<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 11 SEPTEMBER 2023

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## MONDAY 11 SEPTEMBER (US Eastern Time, unless stated otherwise)

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Australia	Westpac Consumer Confidence (Sep), NAB Business Conditions & Confidence (Aug)
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China	New Loans (Aug) – tbc
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## TUESDAY 12 SEPTEMBER

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UK	Labour Market Survey (3mth to Jul)
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US	OPEC Monthly Report
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Japan	PPI (Aug)
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## WEDNESDAY 13 SEPTEMBER

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Europe	Eurozone Industrial Production (Jul)
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US	Mortgage Apps wk ending 8 Sep, CPI (Aug)
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Australia	Consumer Inflation Expectations (Sep), Labour Market Survey (Aug)
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## THURSDAY 14 SEPTEMBER

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Japan	Industrial Production – Final (Jul)
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Europe	ECB Monetary Policy Meeting
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US	Initial Claims wk ending 8 Sep, PPI (Aug), Retail Sales (Aug)
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China	House Price Index, F/A Investment, Industrial Production, and Retail Sales (Aug)
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## FRIDAY 15 SEPTEMBER

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Europe	Euro Area member monthly CPI reports – final (Jul)
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US	Export and Import Price Index (Aug), NY Empire State Manufacturing Index (Sep), Industrial Production (Aug), University of Michigan Consumer Sentiment – Prelim (Sep)
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