

## Key events this week – Monetary policy decisions; FOMC, BoE, SNB, & BoJ, CPI: Eurozone, UK, Canada, & Japan, Prelim PMIs Sep

Recap from last week: We have previously noted that central banks have been shifting to a pause in the rate hiking cycle, having (hopefully) reached a sufficiently restrictive level of policy rates. Global central banks all appear to be following a similar risk management approach by retaining guidance that further tightening may still be required while inflation remains above target.

Last week, the ECB raised its policy rates by a further 25bps. The increase reflects the assessment that inflation remains too high. However, the also ECB signaled that it may join other central banks in shifting to a pause in the cycle. The ECB considers that growth is likely to stay 'subdued' in the coming months and that policy rates have 'reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to target'. The ECB maintained its data-dependent guidance – that decisions on rates would still be based on the assessment of the path of underlying inflation.

US data since the end of July is unlikely to have changed the expectation for a Fed pause this week. However, resilient growth and CPI data may be enough for the FOMC to keep a further hike in the dots. US CPI for Aug was as expected – with an acceleration in headline inflation due to higher energy prices. Core inflation measures suggest that progress on inflation likely slowed this month. Nominal retail sales were higher than expected with growth heavily influenced by higher gasoline prices in the month. In real terms, annual retail sales growth remained stalled. Slower growth in manufacturing output for Aug was led by a 5% fall in the output of motor vehicles (reversing the prior month's increase). The NY manufacturing survey for Sep was a bright spot – pointing to some stabilization in the recent trend of weaker regional manufacturing conditions. This included a further improvement in outlook sentiment.

Outlook for the week ahead: The focus this week remains firmly on central banks and monetary policy meetings.

The FOMC is expected to stay on hold this month. The FOMC is likely to note; resilient US growth, some easing of tight labor market conditions, and progress on inflation, despite remaining too high. The dot plot will provide some insight into the expectation for the path of rates from here. Markets have also been pushing out the timing for rate cuts. Other US data out this week includes US housing construction data. Permits are expected to be little changed at 1.44m (SAAR), starts are expected to slow to 1.44m, and existing home sales are expected to improve slightly to 4.1m (from 4.07m SAAR). Initial claims are expected to stay low at +226k.

The BoE is expected to increase its policy rate by 25bps. The last decision was not unanimous, so there could be further disagreement this week. In the inter-meeting period, UK inflation has stayed high, there has been a further rise in unemployment, and growth momentum has slowed. The latest CPI report for Aug will be released before the BoE meets this week. Headline inflation is expected to increase to +7.1% in Aug (from +6.8% in Jul), with the monthly rate rising from -0.4% in Jul to +0.7% in Aug. Core inflation is expected to stay elevated at +6.8%.

The SNB will meet this week and is expected to raise policy rates by 25bps.

The BoJ will meet this week and is expected to keep policy settings unchanged. There has been some signaling by the BoJ in the inter-meeting period that it could consider a further adjustment to policy settings by year-end. The latest Japanese CPI report will be released before the BoJ

announcement. The main measure of core CPI ex fresh food is expected to remain mostly steady at +3% in Aug, down slightly from +3.1% in Jul.

Other inflation data out this week includes the final release of the Eurozone CPI for Aug. Eurozone headline and core inflation is expected to be confirmed at +5.3%. Canadian headline CPI for Aug is expected to accelerate to +3.8% (from +3.3% in Jul) while the monthly pace is expected to slow to +0.2% from +0.6%.

Finally, the prelim S&P PMIs for Sep will provide the first view of growth momentum going into the final month of Q3. Momentum has been slowing among key G4 economies, led especially by services sectors in Europe, the US, and the UK. Weaker manufacturing conditions may be starting to stabilize.

## US Treasury Issuance; 18 – 22 Sep 2023

This week, the US Treasury will auction and settle approx. \$392bn in ST Bills raising approx. \$44bn in new money. The US Treasury will also auction the 10-year TIPS and 20-year Bond this week and both will settle in the following weeks.

QT this week: Approx \$2.7bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested. Approx \$2.7bn in ST Bills 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 %	
18-22 Sep	14-Sep	19-Sep	4 week bill	80			Actual 5.285%	5.280%	
	14-Sep	19-Sep	8 week bill	70			Actual 5.295%	5.290%	
	13-Sep	19-Sep	17-week Bill	50			Actual 5.330%	5.335%	
				200	179	21			
	18-Sep	21-Sep	13 week bill	69			Announced	5.315%	
	18-Sep	21-Sep	26 week bill	62			Announced	5.300%	
	19-Sep	21-Sep	42-Day CMB	60			Announced	5.285%	
				191	168	23			
				<b>Total - securities settling this week</b>	<b>391</b>	<b>347</b>	<b>44</b>		
				<b>QTR to date totals</b>	<b>5,460</b>	<b>4,532</b>	<b>928</b>		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			1,007			
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>					
			<b>Maturing &amp; reinvestment</b>						
		19-Sep	ST Bills	1.3					
		21-Sep	ST Bills	1.4					
				2.7					
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>						
		19-Sep	ST Bills	1.3					
		21-Sep	ST Bills	1.4					
				2.7					
			<b>Upcoming Auctions</b>	<b>\$B</b>					
	21-Sep	29-Sep	10yr TIPS	15					
	19-Sep	02-Oct	20yr Bond	13					

## 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).

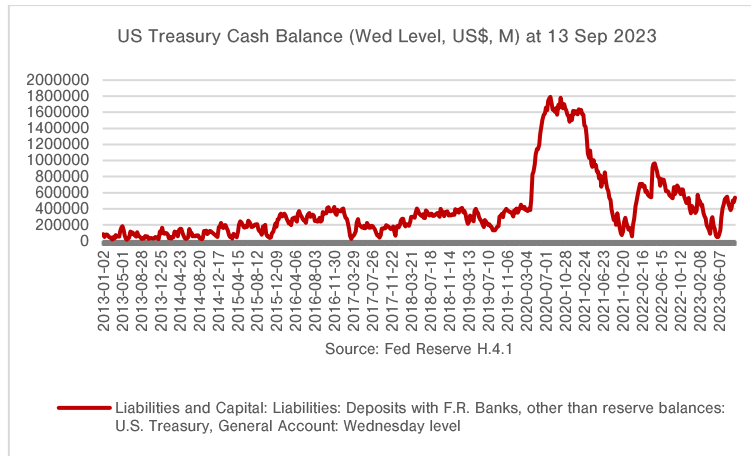
Q4 Prelim; The estimate for Q4 at this stage is that the US Treasury will borrow \$852bn in privately held **net marketable debt**, assuming an end-of-December cash balance of \$750bn.

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 13 Sep, the level of the TGA increased to \$537bn (+\$55bn compared to the week prior). The current TGA balance is approx. \$81bn 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 18 SEPTEMBER 2023

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## MONDAY 18 SEPTEMBER (US Eastern Time, unless stated otherwise)

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US	NAHB Housing Market Index (Sep)
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Australia	RBA Minutes
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## TUESDAY 19 SEPTEMBER

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Europe	Eurozone CPI – Final (Aug)
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US	Building Permits & Housing Starts (Aug)
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Canada	CPI (Aug)
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Japan	Merchandise Trade Balance, Exports, & Imports (Aug)
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China	PBoC Meeting - tbc
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## WEDNESDAY 20 SEPTEMBER

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UK	CPI (Aug)
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US	Mortgage Apps wk ending 15 Sep FOMC Monetary Policy Meeting
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NZ	GDP Q2
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## THURSDAY 21 SEPTEMBER

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Switzerland	SNB Monetary Policy Meeting
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UK	BoE Monetary Policy Meeting
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US	Initial Claims wk ending 15 Sep, Philadelphia Fed Manufacturing Survey (Sep), Existing Home Sales (Aug)
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Australia	S&P Manufacturing & Services PMI Prelim (Sep)
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Japan	National CPI (Aug), S&P Manufacturing & Services PMI Prelim (Sep) BoJ Monetary Policy Meeting
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## FRIDAY 22 SEPTEMBER

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UK	Retail Sales (Aug), S&P Manufacturing & Services PMI Prelim (Sep)
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Europe	Eurozone S&P Manufacturing & Services PMI Prelim (Sep)
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Canada	Retail Sales (Jul)
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US	S&P Manufacturing & Services PMI Prelim (Sep) US Fed speeches: Cook
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