

## Key events this week – US PCE inflation, spending, housing, and growth, Fed speeches incl Fed Chair Powell, Euro Area & Aus inflation

Recap from last week: There was a further shift to a pause in policy hikes from central banks last week. The FOMC kept rates on hold while the BoE and the SNB both shifted to a pause. The BoJ remained the outlier by maintaining accommodative policy settings.

The FOMC kept rates on hold as expected, maintaining a higher-for-longer outlook for the FFR. Guidance was unchanged with the Committee retaining the option for additional policy firming this year, and penciling in fewer cuts next year, as outlined in the Economic Projections (SEP). The FOMC still sees inflation as too high and is not forecasted to reach targets for some time yet (the US core PCE is not estimated to reach the target until 2026). However, inflation is moving in the right direction, allowing some space to “act carefully” in determining the extent of additional tightening. The Committee wants to see more than three months of progress on inflation and a continued rebalancing of the labor market before it is confident inflation is on a sustainable path lower. Chair Powell noted that they are broadly watching whether the current stronger growth is a threat to the committee's ability to get inflation back to target or undermine the rebalancing of the labor market. These factors will form part of the “totality of the data” assessment for future decisions. Chair Powell also noted several downside risks to growth going into this final quarter of 2023.

The more resilient US growth currently stands in contrast to concerns over slowing growth noted in other central bank decisions over the last few weeks. The latest was the BoE last week which kept policy rates on hold in another tight 5-4 decision. The Committee noted that policy will need to stay restrictive for “sufficiently long” to lower inflation, however, “some evidence is emerging that the economy is starting to respond”. The BoE noted recent increases in unemployment, inflation easing more than expected in Aug, and “the growth outlook less positive since the last meeting”.

The BoJ maintained its accommodative policy settings, noting “extremely high uncertainties surrounding economies and financial markets at home and abroad”.

The latest round of prelim PMIs for Sep showed growth momentum slowing among the G4 (plus Australia). Services activity has slowed through Q3 while manufacturing activity has remained in contraction. In the Eurozone, both services and manufacturing activity are now in contraction (with a notable deterioration in France this month). In Sep, services growth slowed, but remained moderate in Japan and slowed to a stalled pace in the US. Of note was the stronger fall in the UK services PMI this month, which also noted “solid” declines in staffing levels. In contrast, Aus services activity rebounded from contraction to a modest expansion.

Outlook for the week ahead: Data will focus broadly on US inflation, spending, and growth.

US PCE inflation for Aug is expected to follow the CPI report with a slight increase in the headline rate to +3.5% (from +3.3% in Jul) due to higher energy prices. The monthly pace is expected to increase to +0.5% from +0.3% in Jul. Core PCE is expected to ease to +3.9% from +4.2% in Jul. The monthly pace of core PCE inflation is expected to stay at +0.2%.

US personal spending is expected to slow to +0.5% in Aug from +0.8% in Jul, as personal income growth is expected to increase to +0.4% in Aug from +0.2% in Jul.

The third (final) estimate for US Q2 GDP growth is expected to come in slightly higher at +2.2%.

US new home sales are expected to moderate further to 0.700m (SAAR) from 0.714m in Jul. US housing data was mixed last week; home builder sentiment continued to fall, permits were higher,

starts were sharply lower (led by a fall in activity in the West, likely weather-related), and existing home sales continued to fall. Existing home sales fell to 4.040m (SAAR) in Aug, which is now just above the pandemic low of 4m (Jan 2023).

US durable goods orders for Aug are expected to fall slightly by -0.4% after falling by -5.2% in Jul (due to large value orders in Jun).

There will be several US Fed speeches this week, including Fed Chair Powell (Town Hall event for educators).

Other data in focus this week will be the prelim Euro area CPI for Sep. Headline CPI growth is expected to slow to +4.6% in Sep (from +5.2% in Aug). Core CPI is expected to also ease to +4.9% in Sep (from +5.3% in Aug).

The monthly Aus CPI is expected to show inflation increasing slightly to +5.2% in Aug from +4.9% in Jul.

## US Treasury Issuance; 25 - 29 Sep 2023

This week, the US Treasury will auction and settle approx. \$577bn in ST Bills, Notes, Bonds, TIPs, and FRNs raising approx. \$110bn in new money. This brings the unofficial Q3 quarter-to-date total of new money raised to approx. \$1,038bn (Est was \$1,007bn).

The US Treasury will auction the 2-year, 5-year, and 7-year Notes this week, and, together with the 20-year Bond, these will settle on 2 Oct next week.

QT this week: Approx \$6.5bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested. Approx \$29.2bn 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 %
25-29 Sep	21-Sep	26-Sep	4 week bill	80			Actual 5.280%	5.285%
	21-Sep	26-Sep	8 week bill	70			Actual 5.300%	5.295%
	20-Sep	26-Sep	17-week Bill	50			Actual 5.340%	5.330%
				200	182	18		
	25-Sep	28-Sep	13 week bill	69			Announced	5.315%
	25-Sep	28-Sep	26 week bill	62			Announced	5.300%
	26-Sep	28-Sep	42-Day CMB	60			Announced	5.285%
				191	173	18		
	21-Sep	29-Sep	10yr TIPs	15			Actual 2.094%	1.495%
	27-Sep	29-Sep	2yr FRN	24			Announced	0.165%
	19-Sep	02-Oct	20yr Bond	13			Actual 4.592%	4.499%
	26-Sep	02-Oct	2yr Note	48			Announced	5.024%
	27-Sep	02-Oct	5yr Note	49			Announced	4.400%
	28-Sep	02-Oct	7yr Note	37			Announced	4.212%
				186	112	74		
			<b>Total - securities settling this week</b>	<b>577</b>	<b>467</b>	<b>110</b>		
			<b>QTR to date totals</b>	<b>6,037</b>	<b>4,999</b>	<b>1,038</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>					
		26-Sep	ST Bills	1.3				
		28-Sep	ST Bills	5.2				
				6.5				
			<b>Maturing &amp; redemption</b>					
		26-Sep	ST Bills	1.4				
		28-Sep	ST Bills	5.3				
		30-Sep	Notes & Bonds	22.5				
				29.2				

## 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).

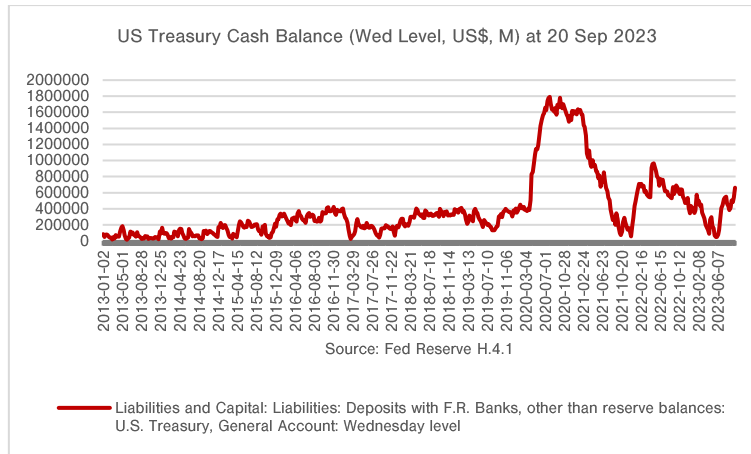
Q4 Prelim; The estimate for Q4 at this stage is that the US Treasury will borrow \$852bn in privately held **net marketable debt**, assuming an end-of-December cash balance of \$750bn.

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 20 Sep, the level of the TGA increased to \$661bn (+\$124bn compared to the week prior). The current TGA balance is approx. \$28bn 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 25 SEPTEMBER 2023

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### MONDAY 25 SEPTEMBER (US Eastern Time, unless stated otherwise)

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US	Dallas Fed Manufacturing Survey (Sep), Chicago Fed National Activity Index (Aug) – tbc, Fed speeches; Kashkari
Europe	ECB President Lagarde speech

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### TUESDAY 26 SEPTEMBER

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US	Case Shiller House Price Index (Jul), New Home Sales (Aug), Richmond Fed Manufacturing Survey (Sep), Fed speeches; Bowman
Japan	BoJ Meeting Minutes
Australia	CPI – Monthly Series (Aug)

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### WEDNESDAY 27 SEPTEMBER

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US	Mortgage Apps wk ending 22 Sep, Durable Goods Orders (Aug)
Switzerland	SNB Quarterly Bulletin, SNB Chair Jordan speech
Australia	Retail Sales (Aug)

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### THURSDAY 28 SEPTEMBER

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Europe	Germany CPI – Prelim (Sep)
US	Initial Claims wk ending 22 Sep, GDP Q2 – Third Est, Pending Home Sales (Aug), Kansas City Fed Manufacturing Survey (Sep), Fed speeches; Cook & Goolsbee US Fed Chair Powell; Host Town Hall with Educators ( <a href="#">here</a> )
Japan	Tokyo CPI (Aug), Industrial Production – Prelim (Aug), Retail Trade (Aug)
Australia	Private Sector Credit Outstanding (Aug)

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### FRIDAY 29 SEPTEMBER

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UK	GDP Q2
Europe	Germany Retail Sales (Aug), Eurozone CPI – Prelim (Sep), ECB President Lagarde speech (supporting the energy transition)
US	PCE Price Index (Aug), Personal Income & Spending (Aug), Chicago PMI (Sep), University of Michigan Consumer Sentiment – Final (Sep), Fed speeches; Williams
China	NBS Manufacturing & Non-Manufacturing PMI (Sep) – tbc

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