

Key events this week – US Fed Chair Powell speech, US retail sales, CPI reports; UK, Canada, NZ, Japan, and the Euro Area

Recap from last week: US annual headline CPI inflation came in only slightly higher than expected at +3.7% while core inflation was in line with expectations at +4.1%. Annual rates of inflation continue to slow. The FOMC view of inflation trends also looks at core goods, core services, and core services ex-shelter to provide a guide on the path of underlying inflation. In Sep, core goods prices continued to fall (led by used car prices correcting after the pandemic shock) and core services price growth also slowed, though remained high at +5.7%. However, it appears that services and core inflation measures remain sticky, even excluding the large impact from shelter prices, as the 6mth and 3mth annualized inflation rates (across a range of measures) increased again in Sep. While the increase isn't high by recent standards, the change in trend is worth noting. Also, the latest University of Michigan survey of consumer sentiment for Oct (prelim) noted an increase in the year-ahead inflation expectations to +3.8%, still well above the pre-pandemic range. Long-run inflation expectations also edged back up to +3% while staying within the elevated +2.9%–+3.1% range of the last two years.

The FOMC minutes and speeches throughout the week signaled that the path of rates is likely to stay on hold. Fed speeches noted that recent increases in long yields were doing the work for the FOMC in tightening conditions. Several speeches made this point. The FOMC minutes stated that policymakers expect that the cumulative tightening to date will begin to weigh on future economic activity, hiring, and inflation and that the Fed remains in a position to 'proceed carefully'. The minutes suggest a higher bar might exist for a further rate increase. It was noted that communications may now need to shift from 'how high' to raise the policy rate to 'how long to hold the policy rate at restrictive levels'.

Outlook for the week ahead: The totality of US data so far in Q3 continues to revolve around the theme of 'recent stronger than expected activity'. So far, the [Atlanta Fed GDPNowcast](#) for Q3 growth is running at +5.1% (and importantly, will be updated this week), payroll growth has improved compared to Q2 (with the help of revisions), and underlying inflation pressure remains persistent.

This week, US data will provide a wide-ranging update across consumption, housing, and industrial output for the final month of the quarter. There will also be a notable number of Fed speeches again this week – as this will be the final week before the blackout week (next week) ahead of the FOMC meeting on 31 Oct – 1 Nov. Fed speeches this week will include Fed Chair Powell on Thursday, speaking on the Economic Outlook.

US retail sales growth is expected to slow to +0.3% in Sep from +0.6% in Aug.

US housing data is expected to begin to show an impact from the recent further rise in mortgage rates. New home builder sentiment is expected to stay at a low level. Existing home sales are expected to fall to 3.89m (SAAR) in Sep – this would be a new low for this pandemic cycle. Building permits are expected to slow to 1.45m (SAAR) in Sep (from 1.54m in Aug). New housing starts are also expected to stay somewhat lower than in recent months at 1.38m (SAAR) in Sep (versus 1.28m in Aug).

US Industrial output for Sep is expected to increase by +0.1% in Sep, from +0.4% in Aug. The first regional manufacturing surveys for Oct will be released and recent weaker manufacturing conditions are expected to continue to stabilize.

Other important data out this week includes global CPI reports for Sep; NZ headline inflation is expected to slow to +5.9%, Canada headline inflation is expected to stay unchanged at +4%, UK headline inflation is expected to slow to +6.5%, Euro area inflation is expected to slow to +4.3%, and Japanese CPI ex fresh food inflation is expected to slow to +2.7% over the year.

Aus data will also feature this week with the latest RBA minutes, a speech by new RBA Governor Bullock, and the Sep labor market survey. Aus net employment growth is expected to slow to +21k while the unemployment rate is expected to stay at a low 3.7%.

Geopolitical risk and uncertainty remain elevated this week.

The US House of Representatives is expected to vote on a new speaker on Tuesday.

US Treasury Issuance; 16 - 20 Oct 2023

This week, the US Treasury will auction and settle approx. \$555bn in ST Bills, Notes, and Bonds raising approx. \$101bn in new money. The US Treasury will also auction approx. \$35bn in 5-Year TIPs and 20-Year Bonds – which will settle at the end of the month.

QT this week: Approx \$10.9bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested. Approx \$15.6bn 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 %
16-20 Oct	12-Oct	17-Oct	4 week bill	95			Actual 5.325%
	12-Oct	17-Oct	8 week bill	85			Actual 5.345%
	11-Oct	17-Oct	17-week Bill	56			Actual 5.355%
				236	196	40	
	16-Oct	19-Oct	13 week bill	75			Announced 5.340%
	16-Oct	19-Oct	26 week bill	68			Announced 5.320%
	17-Oct	19-Oct	42-Day CMB	75			Announced 5.360%
				218	218	0	
	10-Oct	16-Oct	3yr note	46			Actual 4.740%
	11-Oct	16-Oct	10yr note	35			Actual 4.610%
	12-Oct	16-Oct	30yr bond	20			Actual 4.837%
				101	40	61	
			Total - securities settling this week	555	454	101	
			Net New Cash Raised Qtr to Date	1444	1254	190	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>852</i>	
			Face value of US Federal Reserve SOMA securities maturing				
			Maturing & reinvestment				
		17-Oct	ST Bills	1.7			
		19-Oct	ST Bills	9.2			
				10.9			
			Maturing & redemption (balance sheet roll-off)				
		16-Oct	Notes & Bonds	13.9			
		17-Oct	ST Bills	0.3			
		19-Oct	ST Bills	1.4			
				15.6			
			Upcoming Auctions				
	19-Oct	31-Oct	5yr TIPS	22			
	18-Oct	31-Oct	20yr Bond	13			

Quantitative Tightening Overview – Oct 2023

In October, the face value of Coupons maturing on the Fed balance sheet is approx. \$52.4bn. 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 \$55.8bn in ST Bills maturing this month, \$7.6bn will be redeemed/roll-off the balance sheet and the remaining \$48.3bn of ST Bills maturing will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - Oct			
			\$60
		Redeem \$Bn	Reinvest \$ Bn
15-Oct-23	Notes & Bonds	13.9	
31-Oct-23	Notes, Bonds, and FRN's	38.6	
	Bills	7.6	48.3
	Total Notes & Bonds	60.0	48.3

October 2023 Bill maturity schedule;

Bill Maturity Schedule - Oct		Weekly Totals \$Bn			
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
2023/10/03	2.12	4%	0.29	1.83	
2023/10/05	15.32	27%	2.07	13.24	
2023/10/10	1.98	4%	0.27	1.71	
2023/10/12	9.96	18%	1.35	8.61	
2023/10/17	1.91	3%	0.26	1.65	
2023/10/19	10.69	19%	1.45	9.25	
2023/10/24	1.90	3%	0.26	1.64	
2023/10/26	10.27	18%	1.39	8.88	
2023/10/31	1.68	3%	0.23	1.45	
	55.83	100%	7.6	48.3	

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

Recommended US Treasury Financing – Q4 Est 2023

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

Q4 Prelim; The estimate for Q4 is that the US Treasury will borrow \$852bn in privately held net marketable debt, assuming an end-of-December cash balance of \$750bn. The next quarterly refunding announcements will be made on 30 Oct and 1 Nov.

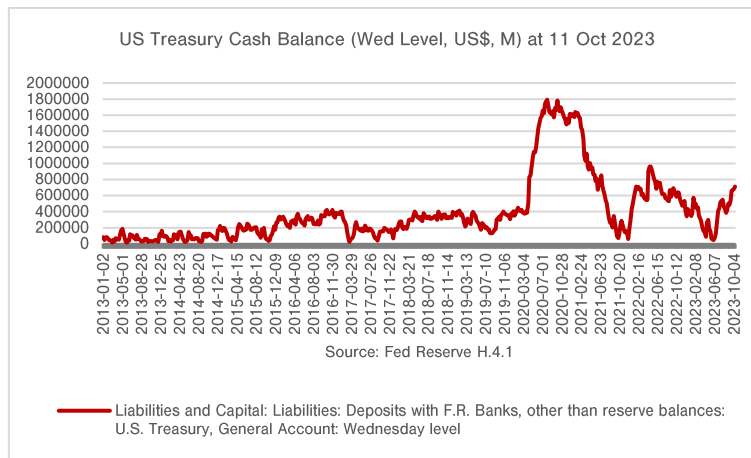
Q3;

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).

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.

US Treasury Cash Levels (TGA)

As of Wed 11 Oct, the level of the TGA increased to \$713bn (+\$34bn compared to the week prior). The current TGA balance is approx. \$129bn *higher* 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 16 OCTOBER 2023

MONDAY 16 OCTOBER (US Eastern Time, unless stated otherwise)

US	Empire State Manufacturing Index (Oct), Fed speeches; Harker
Canada	BoC Business Outlook Survey
NZ	CPI Q3
Australia	RBA Minutes

TUESDAY 17 OCTOBER

UK	Labor Market Survey (3mth Aug)
US	Retail Sales (Sep), Industrial Production (Sep), NAHB Housing Market Index (Oct), Fed speeches; Williams, Bowman, Barkin
Canada	CPI (Sep)
Australia	RBA Governor Bullock speech
China	GDP Q3, Industrial Production & Retail Sales (Sep)

WEDNESDAY 18 OCTOBER

UK	CPI (Sep)
Europe	Eurozone CPI – Final (Sep)
US	Mortgage Apps wk ending 14 Oct, Building Permits & Housing Starts (Sep), Fed Beige Book, Fed speeches; Waller (Econ Outlook), Williams, Cook (Evolution of the Employment Mandate), Bowman, Harker
Japan	Merchandise Trade Balance, Exports, and Imports (Sep)
Australia	Labor Market Survey (Sep)

THURSDAY 19 OCTOBER

US	Initial Claims wk ending 14 Oct, Philadelphia Fed Manufacturing Survey (Oct), Existing Home Sales (Sep), Fed Chair Powell speech (The Economic Outlook), Fed speeches; Bostic, Harker, Jefferson, Barr, Goolsbee, and Logan
Japan	National CPI (Sep)
China	PBoC Rate Decision (tbc)

FRIDAY 20 OCTOBER

UK	Retail Sales (Sep)
Canada	Retail Sales (Sep)
US	Fed speeches; Harker, Mester
