

Key events this week – US non-farm payrolls & ISM surveys, RBA & RBNZ monetary policy decisions

Recap from last week: US core PCE inflation continued to ease while spending and growth data reflected mostly resilient economic conditions. The elephant in the room is the recent increase in long rates, the extent to which long rates may stay higher, and the expected impact on global activity.

US PCE inflation for Aug came in as expected at +3.5%, accelerating slightly mostly due to energy prices. Monthly headline inflation was +0.4% in Aug up from +0.2% in Jul. Core PCE inflation eased to +3.9% in Aug and the monthly rate moved lower. The latest FOMC median projection for core PCE growth is +3.7% over 2023. The trimmed mean measure of underlying inflation also slowed to +3.9% over the year as the monthly rate stayed low (but has inched slightly higher over the past two months). Overall, another good report for the FOMC which wants to see continued progress on inflation to be confident inflation is on a sustainable path lower.

US personal consumption expenditure growth for Aug was slightly lower than expected at +0.4%, and +0.1% in real terms. Lower spending on goods was offset by growth in services. The average growth in personal spending through Q3 has so far stayed higher than in Q2. Real personal disposable income has recorded consecutive falls over the last three months.

US regional manufacturing surveys continued to stabilize in Sep. The decline in new orders has become less severe except in the Philadelphia and Kansas regions. While the outlook and sentiment have been negative, the slowdown in employment growth has stabilized. The recent fall in the prices paid and prices received indexes has stabilized, with both indexes rising slightly over the last several months.

US housing activity continues to show signs of a renewed impact from rising mortgage rates. Mortgage applications, pending home sales (Aug), and new home sales (Aug) all fell in the latest round of data.

US Q2 GDP growth was confirmed at +2.1% SAAR. While PCE expenditure was revised lower, this was offset by a larger contribution from private investment spending and net exports. The [Atlanta Fed GDP Nowcast for Q3 GDP growth](#) has stayed high at +4.9%.

Inflation in the Euro area (prelim for Sep) came in lower than expected at +4.3% over the year and the monthly rate slowed to +0.3%. Core CPI is also expected to be lower at +4.5%.

Aus CPI for Aug came in as expected with headline CPI rising to +5.2% while the monthly rate increased to +0.6%. The shorter-term 3-month SAAR has shown some acceleration in headline inflation. The trimmed mean measure of underlying inflation stayed elevated at 5.6% in Aug. Pressure from services inflation remains elevated in the domestic economy.

Outlook for the week ahead: The main focus this week will be US non-farm payrolls and labor market indicators. This is a key report for the FOMC which is looking for a continued rebalancing of the labor market.

US non-farm payrolls are expected to increase by +163k in Sep (from +187k in Aug). Participation is expected to be little changed at 62.8%, but the unemployment rate is expected to fall to 3.7%. Average weekly hours are expected to be unchanged at 34.4. Average hourly earnings are

expected to increase by +0.3% over the month and by +4.3% over the year. The JOLTS survey for Aug is expected to show little change in the number of job openings at 8.83m.

The Sep ISM surveys for the US are expected to show a slight moderation in services activity while manufacturing continues to contract.

There will be several Fed speakers this week. At this stage, Fed Chair Powell is scheduled to speak on Monday, but this is not listed on the official [Federal Reserve calendar](#).

The RBA will meet on monetary policy this week. This will be the first meeting under the new leadership of Governor Michele Bullock. The cash rate is expected to stay unchanged at 4.1%.

The RBNZ will also meet on monetary policy this week. The official cash rate is also expected to stay unchanged at 5.5%.

The global suite of S&P PMIs will be released this week for Sep, providing a broader view of manufacturing and services growth momentum through Q3.

Next Monday is the Columbus Day holiday.

US Treasury Issuance; 2 - 6 Oct 2023

This week, the US Treasury will auction and settle approx. \$244bn in ST Bills, raising approx. \$65bn in new money. The US Treasury estimates that it will raise approx. \$852bn in new money in Q4. The next quarterly refunding update will be on 30 Oct and 1 Nov.

QT this week: Approx \$15bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested. Approx \$2.4bn 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 %
2-6 Oct 2023	28-Sep	03-Oct	4 week bill	85			Actual 5.290%
	28-Sep	03-Oct	8 week bill	75			Actual 5.330%
	27-Sep	03-Oct	17-week Bill	52			Actual 5.345%
				212	184	28	
	02-Oct	05-Oct	13 week bill	71			Announced 5.330%
	02-Oct	05-Oct	26 week bill	64			Announced 5.315%
	03-Oct	05-Oct	52 week bill	44			Announced 5.120%
	03-Oct	05-Oct	42-Day CMB	65			Announced 5.290%
				244	207	37	
			Total - securities selling this week	456	391	65	
			Net New Cash Raised Qtr to Date	456	391	65	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>852</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		03-Oct	ST Bills	1.8			
		05-Oct	ST Bills	13.2			
				15.0			
			Maturing & redemption (balance sheet roll-off)				
		03-Oct	ST Bills	0.3			
		05-Oct	ST Bills	2.1			
				2.4			

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 \$55.1bn in ST Bills maturing this month, \$7.6bn will be redeemed/roll-off the balance sheet and the remaining \$47.5bn 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	47.5
	Total Notes & Bonds	60.0	47.5

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	28%	2.10	13.22
2023/10/10	1.98	4%	0.27	1.71
2023/10/12	9.96	18%	1.37	8.60
2023/10/17	1.91	3%	0.26	1.65
2023/10/19	10.69	19%	1.47	9.23
2023/10/24	1.90	3%	0.26	1.64
2023/10/26	10.27	19%	1.41	8.86
2023/10/31	0.95	2%	0.13	0.82
	55.10	100%	7.6	47.5

<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 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;

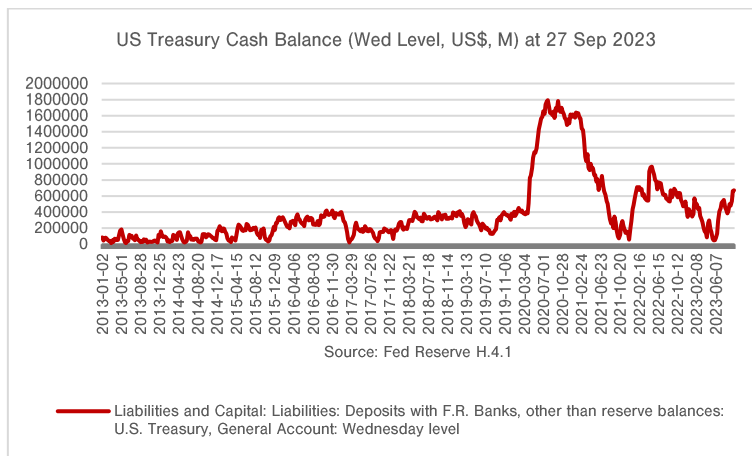
During the July – September 2023 quarter, Treasury expects to borrow **\$1.007 trillion in privately-held net marketable debt, assuming an end-of-September cash balance of \$650 billion**. The borrowing estimate is \$274 billion higher than announced in May 2023, primarily due to the lower beginning-of-quarter 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 27 Sep, the level of the TGA increased to \$672bn (+\$10bn compared to the week prior). The current TGA balance is approx. \$10bn higher than the same week a year ago.

The US Treasury estimates are based on 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

WEEK COMMENCING 2 OCTOBER 2023

MONDAY 2 OCTOBER (US Eastern Time, unless stated otherwise)

Japan	S&P Manufacturing PMI Final (Sep)
Europe	Eurozone S&P Manufacturing PMI Final (Sep)
UK	S&P Manufacturing PMI Final (Sep)
US	S&P Manufacturing PMI Final (Sep), ISM Manufacturing PMI (Sep) Fed Chair Powell speech (TBC), Fed speeches; Harker, Williams, Mester, and Barr
Australia	Building Permits (Aug), Home Loans (Aug) RBA Monetary Policy Decision

TUESDAY 3 OCTOBER

US	JOLTS Survey (Aug) Fed speeches; Bostic
Australia	S&P Services PMI Final (Sep)
Japan	S&P Services PMI Final (Sep)
NZ	RBNZ Monetary Policy Decision

WEDNESDAY 4 OCTOBER

Europe	EZ S&P Services PMI Final (Sep), EZ PPI (Aug), EZ Retail Sales (Aug) ECB President Lagarde speech
UK	S&P Services PMI Final (Sep)
US	Mortgage Apps wk ending 30 Sep, ADP Employment (Sep), S&P Services PMI Final (Sep), ISM Services PMI (Sep), Factory Orders (Aug), Fed speeches; Bowman

THURSDAY 5 OCTOBER

US	Initial Claims wk ending 30 Sep, Challenger Job Cuts (Sep) Fed speeches: Mester, Barkin, Daly, and Barr
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FRIDAY 6 OCTOBER

Europe	Germany Factory Orders (Aug)
US	Non-Farm Payrolls & Labor Market Survey (Sep), Consumer Credit Change (Aug), Fed speeches; Waller (Payments)
Canada	Employment and Labor Market Survey (Sep)
