

Key events this week – US CPI & retail sales, Aus labor market & wage price index, inflation; UK, Euro area, central bank speeches

Recap from last week: Despite a light data week, there were several important points around key themes.

Central banks have reiterated concerns over balancing progress on inflation with a slowing growth outlook. The latest was the RBA, which raised the cash rate last week by 25bps noting slower-than-expected progress on inflation. Despite this concern, wording changes in the guidance to “whether further tightening of monetary policy is required” (from “some further tightening of monetary policy is required”) were interpreted as marking an end to the hiking cycle. The RBA Statement on Monetary Policy release ([SoMP](#) – Nov 2023) saw inflation forecasts revised higher through the forecast period. GDP growth is expected to slow amid weaker expected growth in household consumption.

A speech by US Fed Chair Powell was consistent with the last FOMC press conference but this speech was seen as having a more hawkish tone. The FOMC will continue to move carefully to balance the “risk of being misled by a few good months of data” with the risk of overtightening and will evaluate the totality of the data to determine the extent to which additional policy firming may be appropriate. Fed Chair Powell continued to characterize the process of getting inflation down to 2% as having “a long way to go”, as improvements in labor supply were helping to bring the labor market back into balance. Chair Powell also noted that the FOMC is not confident that it has achieved the stance of monetary policy that is “sufficiently restrictive”.

Global data continued to reflect the impact of tighter monetary policy conditions. This was reflected in the further slowdown in the S&P Global PMI for Oct. The global composite PMI slowed to 50 in Oct from 50.5 in Sep. This stalling in momentum was the result of slower global services growth and manufacturing output growth that has begun to weaken again. Despite the lackluster conditions, optimism in future activity was little changed and stayed at an elevated level. The US S&P PMIs for Oct remained an outlier among the larger developed economies with both the manufacturing and services PMIs staying in positive territory.

Outlook for the week ahead: This will be an important week for understanding shifts in the growth and inflation outlook.

The ‘not too hot’ US labor market data for Oct helped to fuel an expectation that US growth has started to moderate. The latest [Atlanta Fed GDP Nowcast](#) has US Q4 growth running at 2.1% (SAAR). There will be a range of US inflation, spending, output, and housing data this week that will provide a broad update on the Q4 growth outlook.

US headline CPI growth is expected to slow to +3.3% over the year from +3.7% in Sep as energy prices fall. The monthly pace of CPI is expected to slow to +0.1% in Oct from +0.3% in Sep. Core inflation is expected to stay unchanged at +4.1% over the year in Oct and +0.3% over the month.

US retail sales are expected to fall by -0.1% in Oct after the much stronger growth of +0.7% in Sep.

US industrial production for Oct is expected to fall by -0.4% in Oct after increasing by +0.3% in Sep. The first US regional manufacturing surveys for Nov will provide an update on momentum in the manufacturing sector.

The first US housing data for Oct and Nov will be released this week – importantly reflecting the period of (peak?) higher mortgage rates. US building approvals are expected to slow to 1.45m (SAAR) in Oct from 1.47m in Sep. New housing starts are also expected to slow to 1.34m in Oct

from 1.35m in Sep. After a period of weakening home builder sentiment, the NAHB housing market index is expected to be unchanged at the start of Nov.

US initial claims have been drifting higher recently (still around average for the last three months), as the level of continuing claims has also been rising more notably. Initial claims are expected to be slightly higher at +222k for last week (+217k in the prior week).

The Aus labor market and wage-price data will be important this week. Employment growth is expected to increase to +18k in Oct from +6.7k in Sep. However, with participation expected to stay unchanged at 66.7%, the unemployment rate is projected to increase to 3.7%. Wage growth is expected to accelerate to +1.3% in Q3 from +0.8% in Q2 – partly the result of the annual increase in the minimum wage rates from the start of Jul. The annual change in the wage price index is expected to increase to +3.9% in Q3 from +3.6% in Q2. This would be just below the RBA Dec quarter forecast of +4% growth in the WPI.

Global growth and inflation data will remain in focus. The second estimate of the Euro Area GDP release for Q3 is expected to be unchanged at -0.1% over the quarter and +0.1% over the year. The prelim Japanese GDP for Q3 is also expected to slow by -0.1% over the quarter from +1.2% in Q2.

The final Euro area CPI for Oct is expected to slow to +2.9% for headline and +4.2% for core CPI. UK headline CPI for Oct is expected to slow to +4.8% while core CPI is expected to slow to +5.8%.

There will be a broad range of UK and Chinese data out this week.

Other; Central Bank speeches will feature this week. Ongoing geopolitical risks remain elevated. US President Biden and Chinese President Xi will meet earlier in the week. A US government funding extension will need to be negotiated this week ahead of the 17 Nov deadline.

US Treasury Issuance; 13 - 17 Nov 2023

This week, the US Treasury will auction and settle approx. \$566bn in ST Bills, Notes, and Bonds raising approx. \$68bn in new money.

QT this week: Approx \$17.6bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be reinvested. Approx \$30.5bn in Notes and Bonds will mature on the Fed balance sheet and be redeemed.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
13-17 Nov	09-Nov	14-Nov	4 week bill	95		Actual 5.290%	5.290%
	09-Nov	14-Nov	8 week bill	85		Actual 5.285%	5.300%
	08-Nov	14-Nov	17 week bill	56		Actual 5.285%	5.340%
				236	211	25	
	13-Nov	16-Nov	13 week bill	75		Announced	5.285%
	13-Nov	16-Nov	26 week bill	68		Announced	5.260%
	14-Nov	16-Nov	42 Day CMB	75		Announced	5.290%
				218	185	33	
	07-Nov	15-Nov	3yr Note	48		Actual 4.701%	4.740%
	08-Nov	15-Nov	10yr Note	40		Actual 4.519%	4.610%
	09-Nov	15-Nov	30yr Bond	24		Actual 4.769%	4.837%
				112	102	10	
			Total - securities settling this week	566	498	68	
			Net New Cash Raised Qtr to Date	3618	3183	435	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>776</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		14-Nov	ST Bills	1.7			
		15-Nov	Notes & Bonds	2.1			
		16-Nov	ST Bills	13.8			
				17.6			
			Maturing & redemption (balance sheet roll-off)				
		15-Nov	Notes & Bonds	30.5			
				30.5			

Quantitative Tightening Overview – Nov 2023

In November, the face value of Coupons maturing on the Fed balance sheet is approx. \$64.2bn. This is greater than the \$60bn monthly cap for balance sheet roll-off. So of the Coupons maturing in Aug, \$60bn will roll the Fed balance sheet and the remaining \$4.2bn will be reinvested.

It also means that all ST Bills maturing on the Fed balance sheet this month will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - Nov				
			\$60	
			Redeem \$Bn	Reinvest \$ Bn
15-Nov-23	Notes & Bonds	30.5	2.1	
30-Nov-23	Notes, Bonds, and FRN's	29.5	2.1	
	ST Bills - Nov	-	78.2	
	Total Notes & Bonds	60.0	82.4	

November 2023 Bill maturity schedule;

Bill Maturity Schedule - Nov			Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2023/11/02	20.41	26%		20.41
2023/11/07	1.70	2%		1.70
2023/11/09	11.87	15%		11.87
2023/11/14	1.66	2%		1.66
2023/11/16	13.79	18%		13.79
2023/11/21	1.64	2%		1.64
2023/11/24	11.18	14%		11.18
2023/11/28	1.86	2%		1.86
2023/11/30	14.06	18%		14.06
	78.2	100%	0.0	78.2

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

Recommended US Treasury Financing – Q4 Announcement 2023

Q4; US Treasury financing requirements were revised slightly lower (from the prelim estimate of \$852bn) to \$776bn in new money to be raised over the quarter. The estimate for new money raised from ST Bills was lower at \$437.45bn and Coupons were unchanged at \$338.55bn. This assumes an end-of-Q4 cash balance of \$750bn.

The borrowing estimate is \$76 billion lower than announced in July 2023, largely due to projections of higher receipts somewhat offset by higher outlays. (US Dept of Treasury – [Announcement](#))

Q1 2024; The US Treasury expects to borrow \$816bn in privately held net marketable debt, assuming an end-of-Q1 cash balance of \$750bn.

The Quarterly Refunding Statement had several important points (the full statement is [HERE](#));

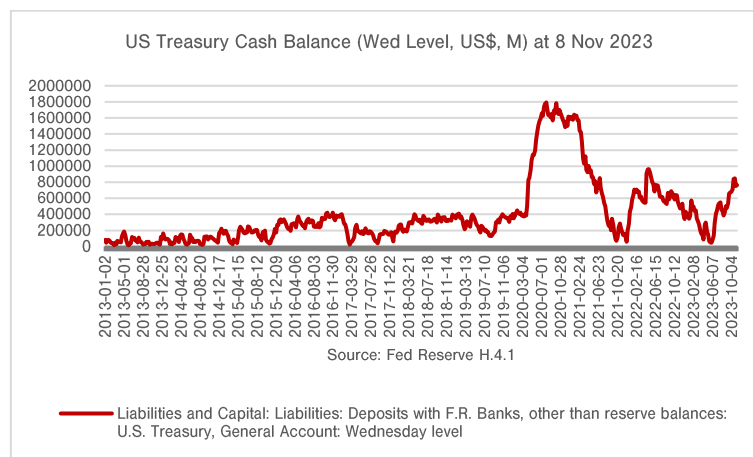
Nominal Coupon and FRN Financing: Auction sizes will continue to be adjusted through to the end of Jan 2024. The US Treasury plans to increase auction sizes for the 2-year through to the 7-year Note. Auction sizes for the 10-year Note, 20-year Bond, and 30-year Bond will be increased by a smaller degree.

Bill Issuance: The US Treasury plans to make “modest reductions” to short-dated bill auction sizes that will likely then be maintained through mid-to-late January. The US Treasury will consider whether to change the regular 6-week CMB to benchmark status.

Buy Backs: The US Treasury “continues to make significant progress on its plans to implement a regular buyback program in 2024”. An update on the timing for implementing the program will be provided at the next quarterly refunding announcement (31 Jan 2024).

US Treasury Cash Levels (TGA)

As of Wed 8 Nov, the level of the TGA increased to \$763bn (+\$10bn compared to the week prior). The current TGA balance is approx. \$246bn *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/ambs_operation_schedule

WEEK COMMENCING 13 NOVEMBER 2023

MONDAY 13 NOVEMBER (US Eastern Time, unless stated otherwise)

US	Fed speeches: Cook
Australia	Westpac Consumer Confidence (Nov), NAB Business Conditions & Confidence (Oct)
China	New Loans (Oct) - tbc

TUESDAY 14 NOVEMBER

UK	Average Earnings & Labor Market Survey (3mth Sep)
Europe	Eurozone GDP Q3 (second), Eurozone Employment Q3
US	CPI (Oct), Fed speeches; Williams, Goolsbee, Jefferson, Barr testimony
Japan	GDP Q3
Australia	Wage Price Index Q3
China	Fixed Asset Investment, Retail Sales, and Industrial Production (Oct)

WEDNESDAY 15 NOVEMBER

Japan	Industrial Production - Final (Sep), Merchandise Trade, Exports, and Imports (Oct)
UK	CPI (Oct)
Europe	Eurozone Industrial Production (Sep)
US	Mortgage Apps wk ending 11 Nov, NY Empire State Manufacturing Index (Nov), PPI (Oct), Retail Sales (Oct), US Fed speeches; Barr testimony
Australia	Labor Market Survey (Oct)

THURSDAY 16 NOVEMBER

US	Initial Claims wk ending 11 Nov, Export & Import Price Index (Oct), Philadelphia Fed Manufacturing Survey (Nov), Industrial Production (Oct), NAHB Housing Market Survey (Nov), Kansas City Fed Manufacturing Survey (Nov), Fed speeches; Barr testimony, Cook, Waller (CBDC), Mester, Williams
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FRIDAY 17 NOVEMBER

UK	Retail Sales (Oct)
Europe	Euro Area CPI – Final (Oct)
US	Building Permits & Housing Starts (Oct), Fed speeches; Daly, Goolsbee
