

## Key events this week – US Thanksgiving Holiday, Minutes; FOMC, RBA, & ECB, Inflation; Japan & Canada, S&P Prelim PMIs Nov

Recap from last week: After a relatively big week of US data, the latest [Atlanta Fed GDP Nowcast](#) showed the US Q4 growth estimate slowing slightly to +2% (SAAR) from +2.2% where it started the week, and emphasizing that US Q4 growth is so far on a slower trajectory than in Q3.

US retail sales growth was softer in Oct falling by -0.1% after stronger (revised higher) growth of +0.9% in Sep. Industrial production output fell in Oct, as manufacturing output was impacted by labor disputes (motor vehicle production -10%). The first US regional manufacturing surveys for Nov suggested that manufacturing activity likely stayed at a stalled pace. Housing data was mixed. Of note was the sharp fall in home builder sentiment for Nov – approaching the lows of the pandemic. Permits and starts came in slightly better than expected. Mortgage applications increased modestly as 30-year fixed mortgage rates remained elevated at around 7.6%. Initial and continuing claims have been rising over the last four weeks.

Importantly, the Oct US CPI report showed that the downward trend in inflation resumed after progress stalled during Aug and Sep. The slowdown in headline inflation to +3.2% was led mostly by falling energy prices. Progress on core inflation remains slower. With measures of underlying inflation still running at between +3.8% and +4.1% over the year, and between +0.2% and +0.3% over the month, the FOMC is likely to stay in the camp of “still a long way to go on inflation” for now. Fed speeches last week mostly reflected the position that it was too early to declare victory over inflation. In an [interview](#) last week, Chicago Fed President Goolsbee noted that the task to get inflation down to 2% is “not done yet”, but also noted that “the moment of arguing how high should rates go is going to fade to how long should we keep rates at this level as inflation is coming down”. Markets have moved ahead in pricing four rate cuts commencing in May 2024.

Globally, there were more signs of growth slowing and inflation easing. Euro Area GDP growth for Q3 (second estimate) stayed at -0.1% over the quarter. Euro area headline CPI slowed to +2.9%, with the monthly rate slowing to +0.1%. Euro area core inflation also slowed to +4.2% over the year and to +0.2% over the month. Eurozone industrial production fell more than expected by -1.1% in Sep confirming the weakness in survey output measures. The prelim Japanese Q3 GDP contracted more than expected by -0.5%. UK inflation also slowed more notably over the year from +6.7% in Sep to +4.6% in Oct.

Outlook for the week ahead: It will be a short week due to the US Thanksgiving Holiday.

In the US, the focus will be on the FOMC Minutes. Rates were unchanged at the last meeting as the FOMC noted that restrictive policy settings were placing downward pressure on activity and inflation allowing the FOMC to now proceed carefully. At the time, the press conference was interpreted by some as signaling a potential shift to a more prolonged pause, or even an end to the hiking cycle.

US existing home sales for Oct are expected to fall to 3.9m (SAAR basis) from 3.96m in Sep. Durable goods orders are also expected to fall by -3.2% after rising by +4.6% in Sep (due to large non-defense aircraft orders). Initial jobless claims will remain in focus.

The RBA minutes of the latest meeting will be released this week. The RBA hiked rates by a further 25bps at the last meeting and the minutes should provide some insight into that decision. RBA Governor Bullock will give a [speech this week](#) covering the latest policy decision and the progress on implementing recommendations from the RBA review.

Inflation data for Canada and Japan will be out this week. Canadian headline inflation is expected to ease more notably from +3.8% to +3.2% in Oct. The trimmed mean is also expected to ease further from +3.7%. At the prior meeting, the BoC had expressed some concern over the trend of underlying inflation. Japanese headline inflation is expected to be little changed at +3% in Oct, while core inflation ex fresh food and energy is expected to stay elevated at +4.2%.

Finally, the prelim S&P PMI reports for Nov will be released this week. These will provide some insight into the latest manufacturing and services growth momentum among key G4 economies. The PMI surveys in Oct showed a slowdown across service momentum while manufacturing was broadly unchanged staying in moderate contraction. US output PMIs had stayed positive across both manufacturing and services in Oct.

## US Treasury Issuance; 20 - 23 Nov 2023

This week, the US Treasury will auction and settle approx. \$480bn in ST Bills and FRNs raising approx. \$76bn in new money. The US Treasury will also auction the 10-year TIPS and 20-year Bond this week – both will settle next week.

QT this week: Approx \$12.8bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
<i>23 Nov - Thanksgiving Day</i>							
20-24 Nov	16-Nov	21-Nov	4 week bill	95			Actual 5.290%
	16-Nov	21-Nov	8 week bill	85			Actual 5.285%
	15-Nov	21-Nov	17 week bill	56			Actual 5.255%
				236	211	25	
	20-Nov	24-Nov	13 week bill	75			Announced 5.285%
	20-Nov	24-Nov	26 week bill	68			Announced 5.270%
	21-Nov	24-Nov	41-Day CMB	75			Announced 5.290%
				218	193	25	
	21-Nov	24-Nov	2Yr FRN	26			Announced 0.170%
				26	0	26	
			<b>Total - securities settling this week</b>	<b>480</b>	<b>404</b>	<b>76</b>	
			<b>Net New Cash Raised Qtr to Date</b>	<b>4098</b>	<b>3587</b>	<b>511</b>	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>776</i>	
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>			
			<b>Maturing &amp; reinvestment</b>				
		21-Nov	ST Bills	1.6			
		24-Nov	ST Bills	11.2			
				12.8			
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>				
				nil			
			<b>Upcoming Auctions</b>	<b>\$B</b>			
	21-Nov	30-Nov	10yr TIPS	15			
	20-Nov	30-Nov	20yr Bond	16			
				31			

## 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
<b>Total Notes &amp; Bonds</b>			<b>60.0</b>	<b>82.4</b>

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-rollover-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](#));

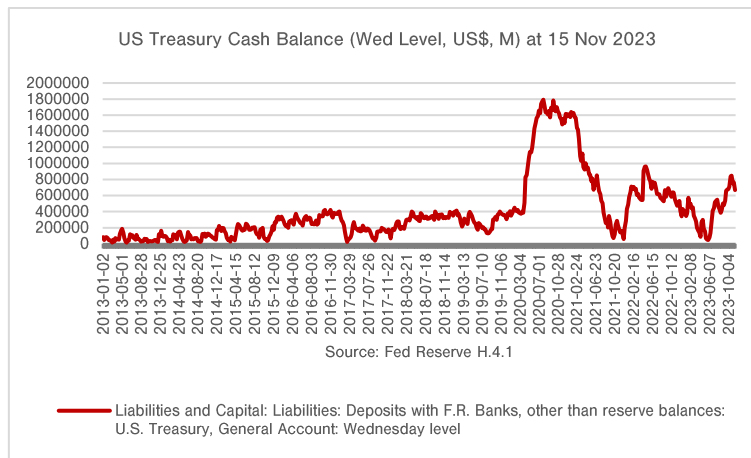
**Nominal Coupon and FRN Financing;** Auction sizes will continue to be adjusted through to the end of Jan 2024. The US Treasury plans to increase auction sizes for the 2-year through to the 7-year Note. Auction sizes for the 10-year Note, 20-year Bond, and 30-year Bond will be increased by a smaller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

**Buybacks;** 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 15 Nov, the level of the TGA decreased to \$670bn (-\$93bn compared to the week prior). The current TGA balance is approx. \$197bn 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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

# WEEK COMMENCING 20 NOVEMBER 2023

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## MONDAY 20 NOVEMBER (US Eastern Time, unless stated otherwise)

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Australia RBA Minutes, RBA Governor Bullock – panel participation

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## TUESDAY 21 NOVEMBER

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US Existing Home Sales (Oct)  
FOMC Minutes

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Canada CPI (Oct)

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## WEDNESDAY 22 NOVEMBER

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Australia RBA Governor Bullock speech; “A Monetary Policy Fit for The Future, (incl latest decision +25bps)

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US Mortgage Apps wk ending 18 Nov, Initial Jobless Claims wk ending 18 Nov, Durable Goods Orders (Oct), University of Michigan Consumer Sentiment – Final (Nov)

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Canada BoC Governor Macklem speech

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Australia S&P Manufacturing & Services PMI Prelim (Nov)

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## THURSDAY 23 NOVEMBER

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Europe Eurozone S&P Manufacturing & Services PMI Prelim (Nov)  
ECB Minutes

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UK S&P Manufacturing & Services PMI Prelim (Nov)

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US Thanksgiving Holiday

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NZ Retail Sales Q3

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Japan CPI (Oct), S&P Manufacturing & Services PMI Prelim (Nov)

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## FRIDAY 24 NOVEMBER

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Europe Germany GDP Q3 - Final

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Canada Retail Sales (Sep)

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US S&P Manufacturing & Services PMI Prelim (Nov)

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