

## Key events this week – Inflation; US PCE Inflation, Euro Area CPI, and Aus CPI, RBNZ policy decision, US Fed-speak including Fed Chair Powell

Outlook for the week ahead; Progress on inflation will be a key theme in the week ahead.

US PCE inflation for Oct will be released this week. Headline PCE inflation for Oct is expected to slow to +3.1% over the year (from +3.4% in Sep) and slow to +0.1% over the month (from +0.4% in Sep). Core PCE is expected to slow to +3.5% over the year (down from +3.7% in Sep) and slow to +0.2% over the month (from +0.3% in Sep).

If PCE inflation slows as expected in Oct, it will be at the lower end of the range (and just below the median) of the current FOMC inflation projections for the year. The current FOMC projection for headline PCE over 2023 is between +3.1% and +3.8% and the core PCE inflation projection is between +3.5% and +4.2%. The latest FOMC minutes continued to reiterate that the Committee would need to see more data to be confident that inflation was “clearly on a path to the 2% objective”. Despite restrictive policy settings placing downward pressure on inflation and economic activity, inflation remains “unacceptably high”. It was noted that core inflation had come down somewhat in recent months with positive progress on core goods inflation and a gradual easing of shelter inflation. So far though, “there had only been limited progress on bringing down inflation in core services ex-shelter” – this is Fed Chair Powell’s favored view of the underlying trend of inflation.

It will be the last week of Fed speeches before the blackout period ahead of the FOMC meeting on 12-13 Dec. There will be several Fed speeches of interest this week, including Fed Chair Powell (Discussion), Governor Waller (Econ Outlook), and Governor Bowman (Mon Pol and the Econ).

Other US data out this week will provide further insight into the growth outlook for Q4. Personal income and spending data for Oct will be released. Income growth is expected to stay around +0.2% over the month while spending is expected to slow to +0.2% in Oct from +0.7% in Sep. The ISM manufacturing PMI is expected to show manufacturing activity continued to stall in Nov.

The prelim Euro area inflation for Nov is expected to ease further. Headline inflation is expected to slow to +2.8% over the year from +2.9% in Oct. Core inflation is expected to ease to +3.9% over the year (from +4.2% in Oct).

The Aus monthly CPI for Oct is expected to stay relatively elevated at +5.5% (from +5.6% in Sep). The latest RBA minutes reflected the debate over the decision to raise the cash rate by a further 25bps in Nov. The decision was based on the risks arising from the outlook for inflation to be stronger than had been previously expected. Concerns were raised over resilient domestic demand, higher underlying inflation, and “growing signs of a mindset among businesses that any cost increases could be passed onto consumers”. This was seen as a key challenge to the task of bringing inflation back to target in a reasonable timeframe.

The RBNZ will meet this week and is expected to keep policy settings unchanged.

The S&P Global PMIs for Nov will begin to be released later this week. Last week, the prelim G4 (incl Aus) PMIs for Nov showed that services momentum was slightly improved while manufacturing PMIs were in contraction. Overall, only the US and UK PMIs indicated expansion across private sector activity. Activity slowed to a stalled pace in Japan, the contraction slowed somewhat across the Eurozone, and the contraction in private sector activity gathered pace in Australia in Nov.

## US Treasury Issuance; 27 Nov – 1 Dec 2023

This week, the US Treasury will auction and settle approx. \$657bn in ST Bills, Notes, Bonds, and TIPS raising approx. \$101bn in new money.

QT this week: Approx \$18bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$29.5bn in Notes and Bonds will mature and roll off (redeemed) the Fed balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
27 Nov - 1 Dec	22-Nov	28-Nov	4-Week Bill	85			Actual 5.300%
	22-Nov	28-Nov	8-Week Bill	80			Actual 5.280%
	22-Nov	28-Nov	17-Week Bill	56			Actual 5.260%
				221	216	5	
	27-Nov	30-Nov	13-Week Bill	75			Announced
	27-Nov	30-Nov	26-Week Bill	68			Announced
	28-Nov	30-Nov	42-Day CMB	70			Announced
	28-Nov	30-Nov	52-Week Bill	44			Announced
				257	234	23	
	21-Nov	30-Nov	10-Year TIPS	15			Actual 2.180%
	27-Nov	30-Nov	2-Year Note	54			Announced
	28-Nov	30-Nov	5-Year Note	55			Announced
	29-Nov	30-Nov	7-Year Note	39			Announced
	20-Nov	30-Nov	20-Year Bond	16			Actual 4.780%
				179	106	73	
			<b>Total - securities settling this week</b>	<b>657</b>	<b>556</b>	<b>101</b>	
			<b>Net New Cash Raised Qtr to Date</b>	<b>4755</b>	<b>4143</b>	<b>612</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>				
		28-Nov	ST Bills	1.9			
		30-Nov	ST Bills	14.1			
		30-Nov	Notes & Bonds	2.1			
				18.0			
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>				
		30-Nov	Notes & Bonds	29.5			
				29.5			

## 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
			Reinvest \$ Bn
			Redeem \$Bn
15-Nov-23	Notes & Bonds	30.5	2.1
30-Nov-23	Notes & Bonds	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](#));

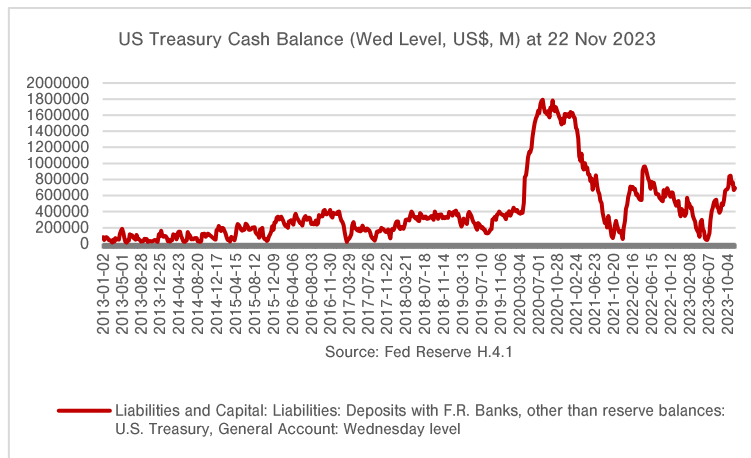
**Nominal Coupon and FRN Financing:** Auction sizes will continue to be adjusted through to the end of Jan 2024. The US Treasury plans to increase auction sizes for the 2-year through to the 7-year Note. Auction sizes for the 10-year Note, 20-year Bond, and 30-year Bond will be increased by a smaller 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 22 Nov, the level of the TGA increased to \$693bn (+\$23bn compared to the week prior). The current TGA balance is approx. \$200bn 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 27 NOVEMBER 2023

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### MONDAY 27 NOVEMBER (US Eastern Time, unless stated otherwise)

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Europe	ECB President Lagarde - Intro statement European Parliament
US	New Home Sales (Oct), Dallas Fed Manufacturing Index (Nov)
Australia	Retail Sales (Oct), RBA Governor Bullock - Panel participation

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### TUESDAY 28 NOVEMBER

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US	Case/Shiller House Price Index (Sep), Richmond Fed Manufacturing Index (Nov), Fed speeches; Waller (Econ Outlook), Goolsbee, Bowman (Mon Pol & Econ), Barr
Australia	Construction Work Dones Q3, CPI – Monthly Series (Oct)
NZ	RBNZ Monetary Policy Decision

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### WEDNESDAY 29 NOVEMBER

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Europe	Germany CPI – Prelim (Nov)
US	MBA Mortgage Applications wk ending 24 Nov, GDP (second Est) Q3, Fed Beige Book, Fed speeches; Mester
Japan	Industrial Production – Prelim (Oct), Retail Trade (Oct)
China	NBS Manufacturing & Services PMI (Nov)

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### THURSDAY 30 NOVEMBER

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Europe	Euro Area CPI–Prelim (Nov), ECB President Lagarde (welcome address ECB Forum)
US	Initial Claims wk ending 24 Nov, PCE Price Index (Oct), Personal Income and Spending (Oct), Pending Home Sales (Oct), Chicago PMI (Nov), Fed speeches; Williams
Canada	GDP Q3
	OPEC Meeting - tbc
Japan	S&P Manufacturing PMI – Final (Nov)
China	Caixin Manufacturing PMI (Nov)

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### FRIDAY 1 DECEMBER

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Europe	S&P Eurozone Manufacturing PMI – Final (Nov)
UK	S&P Manufacturing PMI – Final (Nov)
Canada	Labour Market Survey (Nov)
US	ISM Manufacturing PMI (Nov), S&P Manufacturing PMI – Final (Nov), US Fed Chair Powell – Discussion, Fed speeches; Goolsbee

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