

Key events this week – RBA monetary policy decision, US Fed-speak including Fed Chair Powell, UK GDP Q3

Recap from last week: Central bank decisions and important data overtook heightened geopolitical concerns.

As expected, the FOMC kept policy settings unchanged at its meeting last week. Current restrictive settings are expected to keep downward pressure on activity and inflation. The Committee continues to “proceed carefully” judging that the full effects of tightening are yet to be felt. Guidance remains unchanged; additional firming may be appropriate and will be based on the totality of the incoming data. Higher long yields are helping keep financial and credit conditions tighter and the hurdle is likely higher for further increases in policy rates. Policy settings are however likely to stay restrictive “until we are confident that inflation is a path to that (2%) objective”. This decision was interpreted to mean that the Fed was likely done with further rate hikes in this cycle. Additional [cuts to the FFR](#) have started to be priced in for 2024.

The BoJ kept policy rates unchanged but adjusted how it conducts YCC. Importantly, the BoJ removed the ‘hard’ ceiling to defend the 1% upper limit of the 10-year JGB yield, instead calling it a ‘reference point’. As expected, the BoJ increased its inflation estimates for 2023 through to 2025.

The BoE kept policy settings on hold amid signs of ‘some impact of higher monetary policy on the labor markets and on momentum in the real economy more generally’.

US economic data was not too hot last week and this likely contributed to the shift in the outlook for additional cuts to the FFR in 2024. The broad update of the US labor market showed some easing of tight labor market conditions. Non-farm payroll growth for Oct was lower than expected at +150k, as labor strikes affected results. The prior two months were revised lower by -101k payrolls. The household survey recorded a marked fall in employment that was only partially offset by a fall in participation. This resulted in an increase in the unemployment rate to 3.9% (from 3.8% in Sep). Average weekly hours slowed, and the effects of labor strikes were also reflected in the fall of average overtime hours in durable goods manufacturing. In Sep, job openings were little changed. The job opening rate remains well above the pre-pandemic average. Wages growth continued to ease in Q3 with growth of the ECI slowing to +4.3% from +4.5% in Q2. Pockets of elevated wage growth remain within public sector state and local government compensation.

Data globally continued to reflect the impact of tighter monetary policy conditions.

The global S&P manufacturing PMI for Oct was downbeat with optimism in the outlook falling to an eleven-month low. Output contracted across Europe, the UK, China, and Japan. Output in the US according to this survey, expanded mildly for the second consecutive month. The global manufacturing PMI employment index fell for the second month with a contraction recorded across a majority of countries in the survey. The remaining global services PMIs for Oct will be released this week.

The Eurozone flash GDP showed activity contracted slightly in the Euro area in Q3 and growth likely stalled over the year. Euro area headline inflation slowed more than expected to +2.9% as energy prices fell. Core inflation slowed to +4.2%. Canadian employment growth was lower than expected while the unemployment rate increased by more than expected to 5.7%.

Outlook for the week ahead: The RBA will meet this week. [Market pricing](#) was only at a 50% implied expectation for a rate hike this week (as of 3 Nov), however, many economists are

forecasting an increase to 4.35%. In Q3, inflation was higher over the quarter but slowed over the year to +5.4%. The question is whether this latest CPI report, together with other data from the inter-meeting period, will result in an upgrade to the inflation outlook. It's likely to be a finely balanced decision.

There will be several US Fed speeches this week, including remarks from Fed Chair Powell, Governor Waller, and Dallas Fed President Logan.

Economic data will be light this week.

UK GDP for Q3 is expected to fall by -0.1% over the quarter. This would be on par with the BoE expectation of weakening growth in Q3 (compared to +0.2% in Q2).

The remaining suite of S&P global service PMI reports will be released this week helping to round out the view of economic activity at the start of Q4.

The US Senior Loan Officer survey for Q3 will be released this week and may provide some insight into lending conditions amid higher long-term yields. Initial claims for the wk ending 4 Nov are expected to increase by +217k.

US Treasury Issuance; 6 -10 Nov 2023

This week, the US Treasury will auction and settle approx. \$454bn in ST Bills raising approx. \$23bn in new money. The US Treasury will also auction the 3-year and 10-year Notes and the 30-year Bond – these will settle next week on the 15 Nov.

QT this week: Approx \$13.6bn 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 %
10 Nov - Veterans Day							
6-10 Nov	02-Nov	07-Nov	4 week bill	95		Actual 5.290%	5.295%
	02-Nov	07-Nov	8 week bill	85		Actual 5.300%	5.330%
	01-Nov	07-Nov	17 week bill	56		Actual 5.340%	5.335%
				236	206	30	
	06-Nov	09-Nov	13 week bill	75		Announced	5.325%
	06-Nov	09-Nov	26 week bill	68		Announced	5.320%
	07-Nov	09-Nov	42 Day CMB	75		Announced	5.295%
				218	225	-7	
			Total - securities settling this week	454	431	23	
			Net New Cash Raised Qtr to Date	3052	2685	367	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>776</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		07-Nov	ST Bills	1.7			
		09-Nov	St Bills	11.9			
				13.6			
			Maturing & redemption (balance sheet roll-off)				
				nil			
				0.0			
			Upcoming Auctions	\$B			
	07-Nov	15-Nov	3yr Note	48			
	08-Nov	15-Nov	10yr Note	40			
	09-Nov	15-Nov	30yr Bond	24			
				112			

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-rollover-faq>

Recommended US Treasury Financing – Q4 Announcement 2023

The latest quarterly refunding and financing details were released last week.

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](#));

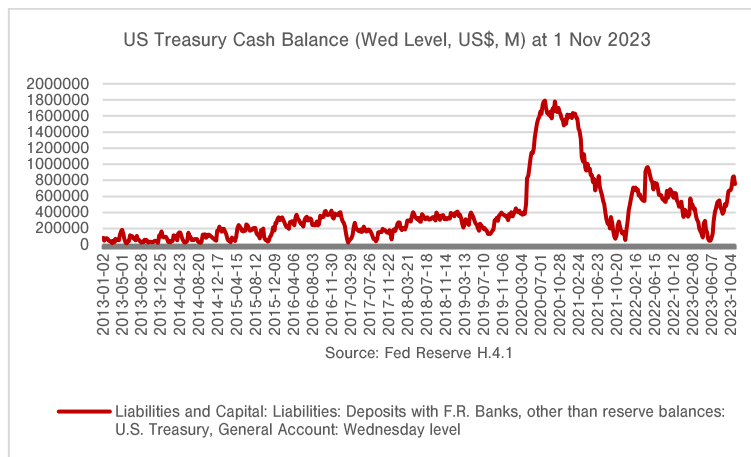
Nominal Coupon and FRN Financing; Auction sizes will continue to be adjusted through to the end of Jan 2024. The US Treasury plans to increase auction sizes for the 2-year through to the 7-year Note. Auction sizes for the 10-year Note, 20-year Bond, and 30-year Bond will be increased by a smaller degree.

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 1 Nov, the level of the TGA decreased to \$753bn (-\$94.7bn 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/ams_operation_schedule

WEEK COMMENCING 6 NOVEMBER 2023

MONDAY 6 NOVEMBER (US Eastern Time, unless stated otherwise)

Japan	S&P Services PMI Final (Oct)
Europe	Germany Factory Orders (Sep), Eurozone S&P Services PMI Final (Oct)
UK	S&P Services PMI Final (Oct)
US	Senior Loan Officer Opinion Survey Q3, Fed speeches; Cook
China	Trade Balance, Exports, and Imports (Oct)
Australia	RBA Monetary Policy Decision

TUESDAY 7 NOVEMBER

Europe	Germany Industrial Production (Sep), Eurozone PPI (Sep)
US	Consumer Credit Change (Sep), Fed speeches; Williams, Waller, Barr, Logan

WEDNESDAY 8 NOVEMBER

Europe	Germany CPI – Final (Oct), Eurozone Retail Sales (Sep)
UK	BoE Governor Bailey speech
US	Mortgage Apps wk ending 4 Nov, US Fed Chair Powell speech (opening remarks), Fed speeches; Cook, Jefferson, Williams, Barr
China	CPI & PPI (Oct)

THURSDAY 9 NOVEMBER

US	Initial Claims wk ending 4 Nov, Fed Chair Powell policy panel discussion
Australia	RBA Statement on Monetary Policy (SoMP)

FRIDAY 10 NOVEMBER

UK	GDP Q3
Europe	ECB President Lagarde fireside chat (FT)
China	New Loans (Oct)
US	Veterans Day University of Michigan Consumer Sentiment – Prelim (Nov), Fed speeches; Logan (keynote address ECB Conf on Money Markets)
