

Key events this week – Central bank meetings; FOMC, BoE, ECB, and SNB, US CPI & retail sales, Aus labour market survey, S&P prelim PMIs Dec

Recap from last week: Robust US labor market conditions amid easing inflation are continuing to support households while the FOMC is expected to maintain restrictive policy settings.

US non-farm payrolls rebounded by more than expected in Nov and this was broadly a good jobs report. Nonfarm payrolls increased by +199k (expecting +180k) versus +150k in Oct (unrevised). From the household survey; the notably stronger increase in employed persons over the month more than offset the increase in labor supply from higher participation and population growth - and the unemployment rate fell back to 3.7%. Average hourly earnings rebounded to +0.35% over the month and stayed little changed around +4% over the year. The average workweek also increased slightly to 34.4 hours.

Despite the good result for the month, growth has slowed from the pandemic highs across payrolls, employment, job openings, and average hourly earnings. The fall in job openings was more pronounced in Oct (lagging data) – with the job opening rate falling to 5.3 (from 5.6 in Sep). The fact that the rate of job openings continues to fall while the layoff and discharge rate remains at a series low of 1.0 will likely be a positive sign for the FOMC.

The prelim University of Michigan consumer survey for Dec showed a notable rebound in consumer sentiment amid falling inflation expectations and emerging hopes that US elections next year will be favorable for the economy;

Consumer sentiment soared 13% in December, erasing all declines from the previous four months, primarily on the basis of improvements in the expected trajectory of inflation. Source:

[University of Michigan Consumer Sentiment Prelim, Dec 2023](#)

Recent lower inflation prints have also supported a near-term lift in real personal disposable income growth – which, together with solid labor market conditions, is likely to be supportive of improving consumer sentiment.

Global growth was slower in Q3. Euro Area Q3 GDP growth was revised lower to -0.1%. However, this was the result of a negative contribution from the change in inventories which offset an improvement in household spending growth. Japanese Q3 GDP growth was revised lower to -0.7% based on a larger drag from the change in inventories, but household spending and the net export contribution remained weak. Aus Q3 GDP growth was slower than expected at +0.2% and household consumption growth stalled. The BoC policy meeting also noted that the slowdown in the Canadian economy was reducing inflationary pressures, as growth stalled over the middle quarters of the year.

Looking forward into Q4, the Global PMIs for Nov indicated that the manufacturing downturn continued to ease. There was a lift in momentum at the composite PMI level in Nov – led by an improvement in manufacturing conditions (though still in slight contraction) and a continued modest expansion in services.

Outlook for the week ahead: This will be a big week of central bank meetings and data in the lead-up to the end of the year.

Across many developed market economies, inflation is coming down, and growth is slowing. Markets have begun pricing in more and earlier rate cuts for 2024. Central bank meetings this week should provide some insight into the expected path of policy rates over the next year - the outlook is likely to remain cautious and uncertain, reinforcing that it is too early to call the fight on inflation done.

The FOMC is expected to keep policy settings unchanged. The focus of the meeting will be Fed Chair Powell's press conference and the latest Summary of Economic Projections (SEP). The SEP is expected to provide important signaling on the change in the path of policy rates amid slowing inflation and low unemployment conditions. The FOMC is still likely to reinforce the position that it is not yet done on the inflation fight and Chair Powell has recently cautioned that it would be "premature" to "speculate on when policy might ease".

During the two-day FOMC meeting, the US CPI for Nov will be released. Headline CPI is expected to be flat over the month and slow to +3.1% over the year as energy prices continue to fall. Core inflation is expected to increase by +0.3% over the month and stay unchanged at +4% over the year. US retail sales for Nov will be released after the meeting and are expected to fall slightly by -0.1% over the month.

The ECB is expected to keep policy settings unchanged. Recent speeches have suggested that the more notable easing in inflation over the last few months could make further policy tightening unlikely.

The BoE and SNB are expected to keep policy settings unchanged.

The Aus labour market survey for Nov is expected to show net employment growth slow to +1k over the month and the unemployment rate to lift to 3.8% (from 3.7% in Oct). The RBA kept policy rates on hold last week after increasing the cash rate at the Nov meeting due to concerns over persistent domestic inflation.

The final round of PMIs for the year will be released this week. The prelim G4 (plus Aus) prelim PMIs for Dec will provide some insight into the pace of growth in manufacturing and services in Q4.

US Treasury Issuance; 11 - 15 Dec 2023

This week, the US Treasury will auction and settle approx. \$537bn in ST Bills, Notes, and Bonds raising approx. \$63bn in new money.

QT this week: Approx \$3.9bn in ST Bills will mature on the Fed balance sheet and will be reinvested. Approx \$17.5bn in ST Bills, 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 %
11-15 Dec	07-Dec	12-Dec	4 week Bill	80			Actual 5.285%	5.290%
	07-Dec	12-Dec	8 week Bill	80			Actual 5.275%	5.280%
	06-Dec	12-Dec	17 week Bill	56			Actual 5.240%	5.240%
				216	228	-12		
	11-Dec	14-Dec	13 week Bill	75			Announced	5.250%
	11-Dec	14-Dec	26 week Bill	68			Announced	5.190%
	12-Dec	14-Dec	42 Day CMB	70			Announced	5.285%
				213	202	11		
	11-Dec	15-Dec	3yr Note	50			Announced	4.701%
	11-Dec	15-Dec	10yr Note	37			Announced	4.519%
	12-Dec	15-Dec	30yr Bond	21			Announced	4.769%
				108	44.2	63.8		
			Total - securities settling this week	537	474.2	62.8		
			Net New Cash Raised Qtr to Date	5721	5040	681		
			<i>Estimated Net Cash to be Raised Q4</i>			<i>776</i>		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		12-Dec	ST Bills	1.0				
		14-Dec	ST Bills	2.9				
				3.9				
			Maturing & redemption (balance sheet roll-off)					
		12-Dec	ST Bills	0.8				
		14-Dec	ST Bills	2.4				
		15-Dec	Notes & Bonds	14.2				
				17.5				

Quantitative Tightening Overview – Dec 2023

In December, the face value of Coupons maturing on the Fed balance sheet is approx. \$45.7bn. 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 \$31.4bn in ST Bills maturing this month, \$14.3bn will be redeemed and \$17.1bn will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - Dec			
			\$60
			Redeem \$Bn
			Reinvest \$ Bn
15-Dec-23	Notes & Bonds		14.2
31-Dec-23	Notes & Bonds		31.5
	Bills		14.3
	Total Notes & Bonds		60.0
			17.1

December 2023 ST Bill maturity schedule;

Bill Maturity Schedule - Dec				Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk		Bill Redemption	Bill Reinvestment
2023/12/05	1.89	6%		0.9	1.0
2023/12/07	4.83	15%		2.2	2.6
2023/12/12	1.87	6%		0.8	1.0
2023/12/14	5.36	17%		2.4	2.9
2023/12/19	1.83	6%		0.8	1.0
2023/12/21	1.96	6%		0.9	1.1
2023/12/26	1.87	6%		0.9	1.0
2023/12/28	11.84	38%		5.4	6.5
	31.4	100%		14.3	17.1

<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.

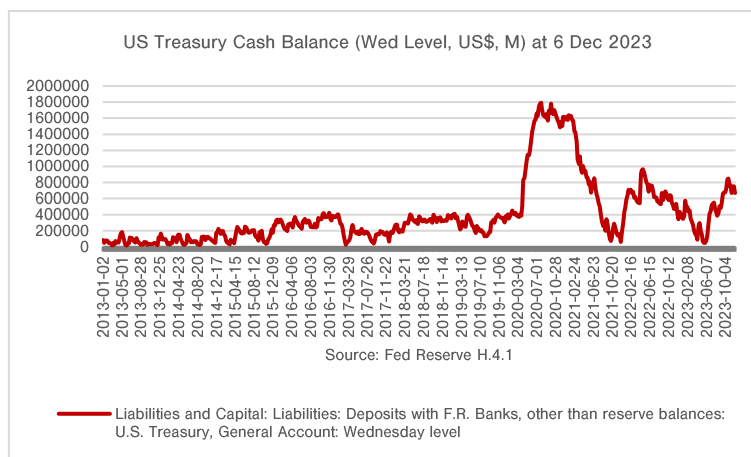
The borrowing estimate is \$76 billion lower than announced in July 2023, largely due to projections of higher receipts somewhat offset by higher outlays. (US Dept of Treasury – [Announcement](#))

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](#)).

US Treasury Cash Levels (TGA)

As of Wed 6 Dec, the level of the TGA decreased to \$667bn (-\$85bn compared to the week prior). The current TGA balance is approx. \$257bn *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

WEEK COMMENCING 11 DECEMBER 2023

MONDAY 11 DECEMBER (US Eastern Time, unless stated otherwise)

Australia	NAB Business Conditions & Confidence (Nov), Westpac Consumer Confidence (Dec), RBA Governor Bullock speech
-----------	--

TUESDAY 12 DECEMBER

UK	Labor Market Survey (3mth Oct)
----	--------------------------------

US	CPI (Nov)
----	-----------

WEDNESDAY 13 DECEMBER

Europe	Eurozone Industrial Production (Oct)
--------	--------------------------------------

US	MBA Mortgage Applications wk ending 8 Dec, PPI (Nov) FOMC Monetary Policy Meeting & Decision
----	---

NZ	GDP Q3
----	--------

Australia	Labour market Survey (Nov)
-----------	----------------------------

THURSDAY 14 DECEMBER

Switzerland	SNB Monetary Policy Meeting & Decision
-------------	--

UK	BoE Monetary Policy Meeting & Decision
----	--

Europe	ECB Monetary Policy Meeting & Decision
--------	--

US	Initial Claims wk ending 8 Dec, Retail Sales (Nov), Export & Import Price Index (Nov)
----	---

Australia	S&P Manufacturing & Services PMI Prelim (Dec)
-----------	---

Japan	S&P Manufacturing & Services PMI Prelim (Dec)
-------	---

China	FA Investment, Industrial Production, and Retail Sales (Nov)
-------	--

FRIDAY 15 DECEMBER

UK	S&P Manufacturing & Services PMI Prelim (Dec)
----	---

Europe	S&P Eurozone Manufacturing & Services PMI Prelim (Dec)
--------	--

US	Industrial Production (Nov), NY Empire State Manufacturing Index (Dec), S&P Manufacturing & Services PMI Prelim (Dec)
----	---

Canada	BoC Governor Macklem speech
--------	-----------------------------
