

## Key events this week – FOMC Minutes, US Non-Farm Payrolls, Euro Area CPI, PMI's for Dec

Recap from last week: US PCE inflation for Nov continued to ease at a faster-than-expected pace. We recently noted that US inflation has eased more than expected through the latter part of 2023, prompting the FOMC to revise its inflation projections lower at the Dec meeting. In Nov, the headline PCE inflation rate slowed to +2.6% while the core PCE inflation rate slowed to +3.2%. Both of these measures are already at or below the lower full-year FOMC inflation projection submitted in Dec. Importantly, both annual and short-term measures continue to indicate that the path of inflation and underlying inflation remains lower.

Despite the high inflation and rising rate environment of the last several years, US economic growth has been resilient and labor market conditions have stayed remarkably strong. While the growth and unemployment situation is expected to weaken in 2024, FOMC projections reflect a 'soft landing' scenario for the US. The FOMC meeting in Dec signaled a potential shift in the rates cycle – to align rates with further expected progress on lower inflation and a slower growth environment in 2024. We'll find out more details about the FOMC deliberations and signaled policy shift when the Minutes of the Dec FOMC meeting are released this week.

The latest update to the [Atlanta Fed GDPNowcast](#) – a running estimate of US GDP growth – showed Q4 growth slowed to +2.3% from +2.7% based on the Nov personal spending and residential investment data. The main contributor was the slower pace of personal spending growth in Nov of +0.2% (expecting +0.3%) while spending growth in Oct was revised lower to +0.1%. US residential investment spending data was mixed – but showed sentiment stabilizing amid falling mortgage rates.

Outlook for the week ahead: We are straight back into important economic data this week with a comprehensive update on the US labor market. The resilience of the US labor market has so far surprised many – and it remains an important element of the current economic resilience.

The US labor market data in Dec is expected to show more of the same – ongoing tight conditions while labor supply and demand conditions come into better balance. In Dec, US non-farm payroll growth is expected to slow to +163k total payrolls (from +199k in Nov). The unemployment rate is expected to edge slightly higher to 3.8% in Dec (from 3.7% in Nov). The FOMC projection for 2024 reflects an expectation that the unemployment rate will end the year at 4.1% (median projection) within a potential range of a 3.9% to 4.5% unemployment rate throughout the year.

US average weekly hours are expected to stay at 34.4 in Dec. Average hourly earnings growth is expected to slow to +0.3% over the month and to +3.9% over the year. The Nov JOLTS survey (lags by one month) is expected to show little change in the level of job openings of around 8.8m.

The US ISM manufacturing and services PMIs for Dec will be released. Stronger services growth momentum is expected to offset continued sluggish manufacturing conditions.

The prelim Euro Area CPI for Dec is expected to rebound slightly. It was noted at the latest ECB meeting, that inflation was "likely to pick up again temporarily in the near term". Euro Area headline inflation is expected to increase by +3% in Dec, up from +2.4% in Nov. Core CPI is expected to remain little changed at +3.5%.

Finally, the full suite of global S&P PMI's for Dec will be released providing a broad update on growth momentum through to the end of Q4. The prelim release of G4 PMIs in Dec showed a

mixed picture. The prelim data was earlier than usual so could see some revisions in the final release. To recap the prelim Dec results; there was a lift in services growth momentum in the US, Japan, and the UK, but services activity continued to contract in the Eurozone, especially in France. The generally stronger services growth helped to offset persistent weakness in manufacturing across all the G4 economies in Dec.

## US Treasury Issuance; 1 – 5 January 2024

This week, the US Treasury will auction and settle approx. \$597bn in ST Bills, Notes, and Bonds, raising approx. \$73bn in new money.

QT this week: Approx \$10bn in ST Bills will mature on the Fed balance sheet and will be reinvested. Approx \$33bn in ST Bills, Notes, Bonds, and FRNs 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 %
1-5 Jan 2024	28-Dec	02-Jan	4 week Bill	80			Actual 5.325%	5.265%
	28-Dec	02-Jan	8 week Bill	80			Actual 5.285%	5.270%
	27-Dec	02-Jan	17 week Bill	56			Actual 5.210%	5.220%
				216	215	1		
	02-Jan	04-Jan	13 week bill	75			Announced	5.260%
	02-Jan	04-Jan	26 week bill	68			Announced	5.080%
	02-Jan	04-Jan	42 Day CMB	70			Announced	5.280%
				213	204	9		
	20-Dec	02-Jan	20yr Bond	13			Actual 4.213%	4.780%
	26-Dec	02-Jan	2yr Note	57			Actual 4.314%	4.887%
	27-Dec	02-Jan	5yr Note	58			Actual 3.801%	4.420%
	28-Dec	02-Jan	7yr Note	40			Actual 3.859%	4.399%
				168	104.8	63.2		
			<b>Total - securities settling this week</b>	<b>597</b>	<b>523.8</b>	<b>73.2</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>597</b>	<b>524</b>	<b>73</b>		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			<i>816</i>		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		02-Jan	ST Bills	1.1				
		04-Jan	ST Bills	8.8				
				9.9				
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>					
		31-Dec	Notes, Bonds, and FRNs	31.5				
		02-Jan	ST Bills	0.2				
		04-Jan	ST Bills	1.4				
				33.1				

## Quantitative Tightening Overview – Jan 2024

In January, the face value of Coupons maturing on the Fed balance sheet is approx. \$53.4bn. 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 \$47.6bn in ST Bills maturing this month, \$6.6bn will be redeemed and \$41bn will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - Jan 2024			
			\$60
		Redeem \$Bn	Reinvest \$ Bn
15-Jan-24	Notes, Bonds, and TIPS	25.9	
31-Jan-24	Notes, Bonds, and FRNs	27.5	
	Bills	6.6	41.0
<b>Total Notes &amp; Bonds</b>		<b>60.0</b>	<b>41.0</b>

January 2024 ST Bill maturity schedule;

Bill Maturity Schedule - Jan 2024			Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2024/01/02	1.30	3%	0.2	1.1
2024/01/04	10.17	21%	1.4	8.8
2024/01/09	1.31	3%	0.2	1.1
2024/01/11	9.09	19%	1.3	7.8
2024/01/16	1.28	3%	0.2	1.1
2024/01/18	9.46	20%	1.3	8.1
2024/01/23	1.39	3%	0.2	1.2
2024/01/25	12.75	27%	1.8	11.0
2024/01/30	0.83	2%	0.1	0.7
	47.6	100%	6.6	41.0

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

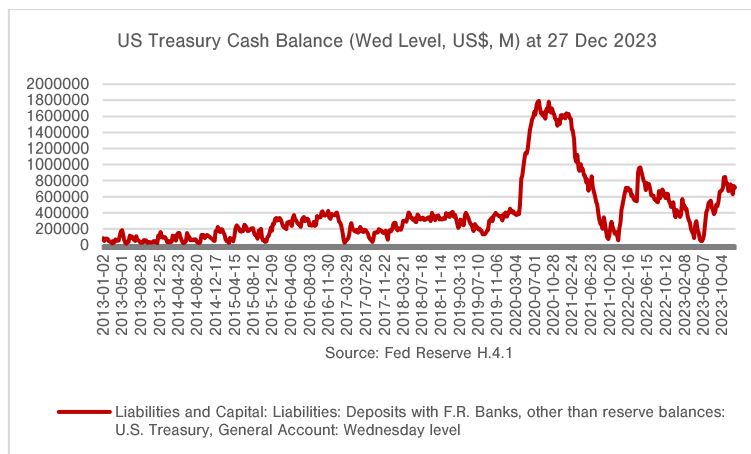
## Recommended US Treasury Financing – Prelim Q1 2024

Q1 2024; The prelim estimate of the US Treasury borrowing requirement for Q1 is \$816bn in privately held net marketable debt, assuming an end-of-Q1 cash balance of \$750bn. The next quarterly refunding update will be on 29 and 31 Jan 2024.

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. This assumes an end-of-Q4 cash balance of \$750bn. The estimated end-of-quarter Q4 net cash raised was \$741bn with an end-of-quarter cash balance closer to \$713bn (as of 27 Dec 2023).

## US Treasury Cash Levels (TGA)

As of Wed 27 Dec 2023, the level of the TGA decreased to \$713bn (-\$19bn compared to the week prior). The current TGA balance is approx. \$303bn *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 1 JANUARY 2024

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## MONDAY 1 JANUARY (US Eastern Time, unless stated otherwise)

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New Years Day

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## TUESDAY 2 JANUARY

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Global; S&P Manufacturing PMIs (Dec)

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US S&P Manufacturing PMI – Final (Dec)

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## WEDNESDAY 3 JANUARY

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US MBA Mortgage Apps wk ending 29 Dec, ISM Manufacturing PMI (Dec), JOLTS (Nov),  
Vehicle Sales (Dec) - tbc.  
FOMC Minutes

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Global; S&P Services PMIs (Dec)

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## THURSDAY 4 JANUARY

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Europe Germany CPI – Prelim (Dec)

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US Initial Jobless Claims wk ending 29 Dec, Challenger Job Cut Announcements (Dec),  
S&P Services PMI – Final (Dec)

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## FRIDAY 5 JANUARY

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Europe Germany Retail Sales (Dec), Euro Area CPI - Prelim (Dec)

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US Non-Farm Payrolls & Labor Market Survey (Dec), ISM Services PMI (Dec), Factory  
Orders (Nov)

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Canada Employment & Labor Market Survey (Dec)

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