

Key events this week – Central bank minutes - FOMC, RBA, & ECB; US Fed speeches - Waller, Jefferson, Cook; Inflation - Euro Area CPI, Canada CPI & Aus wages; Prelim S&P PMIs Feb

Recap from last week: US headline CPI for Jan came in higher than expected but continued to slow. Despite headline CPI easing from +3.4% in Dec to +3.1% in Jan, expectations were for a larger moderation to below +3%. Core CPI stayed elevated at +3.9% in Jan, unchanged from Dec, with the monthly rate rising to +0.4%. The trimmed mean and median inflation measures also accelerated in Jan suggesting that inflation pressure was likely broader than it had been in recent months. The US PPI also came in higher than expected – especially the monthly rate. Some PPI measures feed into the preferred PCE inflation measure used by the FOMC, raising some concerns over persistent inflation. Markets continued to push out the timing of the first US rate cut – [currently pricing in Jun.](#)

Fed-speak provided a mixed view on whether the inflation impulse in Jan would change the FOMC outlook on inflation progress and the path of rates. A speech by Richmond Fed President Barkin noted that “given the strong labor market and robust demand, the FOMC has time to build confidence before toggling rates down” (Source; [Bloomberg](#)). Themes focused on “patience” and “looking for more conviction that slowing inflation is broadening and sustainable”. Concern was noted that progress on disinflation has focused on goods (energy, core goods), which may not persist, while progress on services disinflation has been slower. The FOMC minutes and several important Fed speeches this week may help to put the latest CPI and PPI results into a broader context.

Other US data last week was mixed. Consumption growth slowed in Jan and the revision to Dec indicated that retail growth at the end of Q4 had not been as strong. Consumption growth also stalled in real terms. Industrial production and manufacturing output fell in Jan. US regional manufacturing surveys for Feb showed conditions stabilized following the weakness in Jan and sentiment in the business outlook continued to improve. The prelim Feb PMIs will be out this week providing further insight into growth momentum. Housing data was mixed with permits and starts weaker than expected in Jan, however, home builder sentiment continued to improve in Feb.

Overall, the latest [Atlanta Fed GDPNowcast](#) for Q1 US GDP growth edged lower to +2.9% mostly on slower consumption growth. The run rate for US growth is still elevated, especially compared to the weaker growth picture emerging outside of the US. Last week, the prelim Japanese GDP for Q4 contracted for the second quarter in a row by -0.1% (expecting +0.3%) with the decline in Q3 revised lower to -0.8%. The decline in Q4 GDP was led by another fall in real private consumption. Similarly, UK GDP fell by -0.3% in Q3, after falling by -0.1% in Q3. Net trade and household consumption were the largest contributors to the fall in Q4 – although UK retail sales growth in Jan reversed the large fall in Dec. Euro Area GDP growth in Q4 remained stalled at 0%, after falling slightly by -0.1% in Q3.

Outlook for the week ahead: Central bank meeting minutes and FOMC speeches will be a key focus this week.

Minutes for the RBA, ECB, and FOMC meetings will be released this week. The FOMC minutes should provide details around the evolution of guidance at the Jan meeting; that the bias remains to stay on hold, looking for further confidence that inflation is sustainably on the path to 2% before commencing rate cuts.

There are several important US Fed speeches worth noting this week given the Jan inflation results, and what it might mean for the path of rates. On Wednesday, Governor Michelle Bowman will speak (in Washington, DC) an hour before the FOMC minutes are released, on “View from the Federal Reserve”. Three speeches are scheduled for Thursday (from lunchtime to evening – note various locations, for timing purposes), starting with Vice Chair Jefferson speaking on the “US Economic Outlook and Monetary Policy” at 10 am (Washington, DC). This will be followed by Governor Cook speaking at 5 pm (at Princeton, NJ). Finally, and importantly, Fed Governor Waller speaks at 7 pm on Thursday on the “Economic Outlook” (Minneapolis, Minnesota) – this will likely provide important context around recent data and his view on what it means for the path of rate cuts. See the [Federal Reserve calendar](#) for more details this week.

The RBA minutes should provide details about the case to keep rates on hold, the view of domestic cost pressures, heightened uncertainty around the outlook, and the decision to adjust guidance to not rule out the option of a further rate hike.

The ECB minutes should also provide more detail about deliberations to keep rates on hold amid faster progress on inflation and stalling growth.

There will be inflation data released this week. The final Euro Area CPI in Jan is expected to confirm +2.8% headline CPI and +3.3% core inflation. Canada CPI for Jan is expected to slow to +3.2% in Jan with BoC measures of core inflation staying elevated at +3.6%. Finally, the Aus Wage Price Index for Q4 is expected to show some moderation in wage growth over the quarter to +0.9% in Q4 from +1.3% in Q3. Annual growth in wages is expected to stay elevated at +4.1% at the end of Q4.

Finally, the prelim G4 PMI's for Feb will be released this week. Headline manufacturing PMI's improved in Jan, though generally stayed below 50. The US manufacturing PMI was one exception, moving slightly above 50, despite output remaining in contraction. Services PMI's also continued to improve in Jan led by moderate expansion in the US, Japan, and the UK.

US Treasury Issuance; 19 – 23 February 2024

This week, the US Treasury will auction and settle approx. \$548bn in ST Bills and FRN's raising approx. \$86bn in new money.

QT this week: Approx \$15.6bn in ST Bills will mature on the Fed balance sheet and will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B
19 Feb - Washington's Birthday/President's Day Holiday						
19-23 Feb	15-Feb	20-Feb	4 week Bill	95		Actual 5.280%
	15-Feb	20-Feb	8 week Bill	90		Actual 5.270%
	14-Feb	20-Feb	17 week Bill	60		Actual 5.215%
				245	221	24
	20-Feb	22-Feb	13 week Bill	79		Announced
	20-Feb	22-Feb	26 week Bill	70		Announced
	20-Feb	22-Feb	42-Day CMB	80		Announced
	20-Feb	22-Feb	52 week Bill	46		Announced
				275	241	34
	21-Feb	23-Feb	2yr FRN	28		Announced
				28	0	28
	Total - securities settling this week			548	462	86
	Net New Cash Raised Qtr to Date			4368	3900	468
	<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>					760
Face value of US Federal Reserve SOMA securities maturing				\$B		
Maturing & reinvestment						
		20-Feb	ST Bills	1.2		
		22-Feb	ST Bills	14.4		
				15.6		
Upcoming Auctions				\$B		
	21-Feb	29-Feb	20yr Bond	16		
	22-Feb	29-Feb	30yr TIPS	9		
				25		

Quantitative Tightening Overview – Feb 2024

In February, the face value of Coupons maturing on the Fed balance sheet is approx. \$77.3bn. This is more than the \$60bn monthly cap for balance sheet roll-off. This means that of the \$77.3bn of Coupons maturing, \$60bn will roll off the Fed balance sheet, and \$17.3bn will be reinvested. It also means that all ST Bills maturing on the Fed balance sheet in February will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - Feb 2024			
			\$60
		Redeem \$Bn	Reinvest \$ Bn
15-Feb-24	Notes & Bonds	31.0	8.9
29-Feb-24	Notes & Bonds	29.0	8.4
	Bills		70.5
	Total Notes & Bonds	60.0	87.9

February 2024 ST Bill maturity schedule;

Bill Maturity Schedule - Feb 2024			Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2024/02/01	15.38	22%		15.4
2024/02/06	1.21	2%		1.2
2024/02/08	11.94	17%		11.9
2024/02/13	1.17	2%		1.2
2024/02/15	13.62	19%		13.6
2024/02/20	1.21	2%		1.2
2024/02/22	14.42	20%		14.4
2024/02/27	1.21	2%		1.2
2024/02/29	10.37	15%		10.4
	70.5	100%	0.0	70.5

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

Recommended US Treasury Financing – Q1 and Prelim Q2 2024

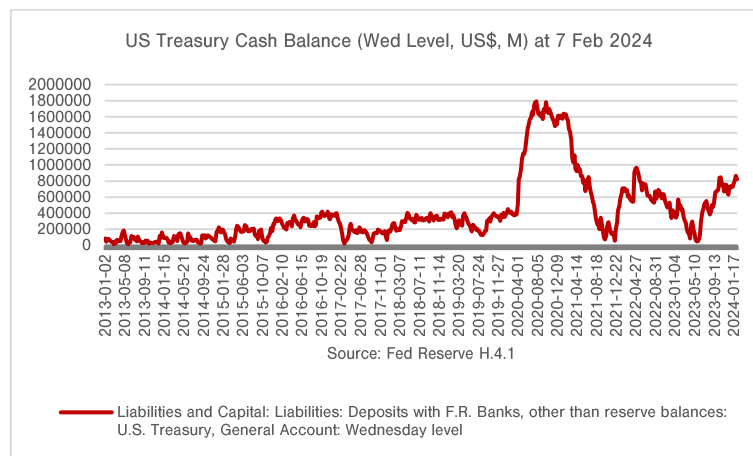
Q1 2024; The estimate of the US Treasury borrowing requirement for Q1 is \$760bn in privately held net marketable debt, assuming an end-of-Q1 cash balance of \$750bn. The borrowing estimate is lower (than the prelim estimate) due to 'higher net fiscal flows' and a higher cash balance at the start of the quarter.

Q2 2024 prelim; The US Treasury expects to borrow \$202 billion in privately held net marketable debt, assuming an end-of-June cash balance of \$750 billion.

US Treasury Cash Levels (TGA)

Data is not updated for the latest week (Wed 14 Feb).

As of Wed 7 Feb 2024, the level of the TGA decreased to \$821bn (-\$44bn compared to the week prior). The TGA balance is approx. \$325bn 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 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

CALENDAR W/C 19 FEBRUARY 2024

MONDAY 19 FEBRUARY (US Eastern Time, unless stated otherwise)

US	Presidents Day Holiday
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China	PBoC Rates Decision
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Australia	RBA Minutes
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TUESDAY 20 FEBRUARY

Canada	CPI (Jan)
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Japan	Merchandise Trade, Exports, and Imports (Jan)
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Australia	Wage Price Index (Q4)
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WEDNESDAY 21 FEBRUARY

US	MBA Mortgage Apps wk ending 17 Feb, FOMC Minutes FOMC Speeches; Bowman, Bostic
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Australia	S&P Prelim Manufacturing & Services PMI (Feb)
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Japan	S&P Prelim Manufacturing & Services PMI (Feb)
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THURSDAY 22 FEBRUARY

Europe	Eurozone S&P Prelim Manufacturing & Services PMI (Feb), Euro Area CPI – Final (Jan), ECB Minutes
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UK	S&P Prelim Manufacturing & Services PMI (Feb)
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Canada	Retail Sales (Dec)
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US	Initial Jobless Claims wk ending 17 Feb, Chicago Fed National Activity Index (Jan) – tbc, S&P Prelim Manufacturing & Services PMI (Feb), Existing Home Sales (Jan), Kansas City Fed Manufacturing Survey (Feb) Fed speeches; Jefferson, Cook, Waller (Economic Outlook)
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NZ	Retail Sales Q4
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FRIDAY 23 FEBRUARY

Europe	Germany GDP Q4
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