Key events this week – Central bank decisions; FOMC, BoJ, RBA, BoE, and SNB, CPI inflation; Japan, UK, Canada, and Euro Area, US housing, and G4 prelim PMIs for Mar

Recap from last week: The US CPI report indicated that progress on disinflation may have stalled again in Feb. Headline inflation came in higher, as expected, at +3.2% as energy prices increased over the month. The monthly headline inflation rate has increased over the last four months. Core inflation slowed less than expected to +3.8%, as monthly core inflation also continued to trend slightly higher (+0.36% in Feb). The trimmed mean CPI has been a consistent indicator of the underlying trend of inflation. The annual trimmed mean inflation rate slowed to +3.5% in Feb from +3.7% in Jan. However, the monthly pace of trimmed mean inflation has been mostly constant over the last twelve months, but drifting higher over the last few months. This also implies that the underlying trend of disinflation has stalled. The PPI came in higher than expected across both headline and core measures in Feb. Various elements of the PPI feed into the Fed-preferred PCE inflation measure – and hint at expectations for more persistent PCE inflation.

US retail sales and industrial production recorded a rebound in Feb after falls in Jan. However, the rebound in Feb activity did not fully offset the weakness in Jan. US retail sales increased by less than expected in Feb by +0.6% after the Jan decline was revised lower to -1.1%. An increase in Auto sales boosted growth this month. Similarly, manufacturing output growth rebounded in Feb but did not fully retrace the Jan falls. Our first view of Mar manufacturing activity - the Empire State Manufacturing survey, showed that, at best, the improvement in Feb activity was maintained into Mar but without higher growth momentum follow through.

Despite the rise in US retail sales, the Atlanta Fed GDP Nowcast for Q1 growth was revised lower to +2.3% (from a +2.5% run rate) on the retail sales and PPI data, reflecting a lower contribution from consumption growth so far in Q1.

Outlook for the week ahead; This is a big week of central bank meetings, inflation data, and important prelim PMIs for Mar data to round out our view of Q1 growth momentum.

There are at least six (6) important central bank meetings this week.

The FOMC is expected to keep policy settings unchanged. At the last meeting, Fed Chair Powell noted that inflation is still too high and ongoing progress on bringing it down is not assured. In the Q&A he specifically noted that the last six months of data had been good, and he was looking for a continuation of that good data. Since then, progress on disinflation seems to have stalled. The pace of growth has eased in Q1 but is still running at an elevated range of between +2-3%. The labor market data provided mixed messages on the strength of payroll growth while the unemployment rate has drifted higher. Fed speeches since the Jan meeting have been successful in pushing out the timing of rate cut expectations to at least Jun with the number of cuts moving down in line with the Jan SEP (a median of three). This week we will find out more about how the FOMC is characterizing the recent trends in inflation, growth, and labor market and how that translates into the latest projections for the policy outlook. The FOMC is also expected to begin talking about 'balance sheet issues' and any changes to QT are likely to be covered in the statement and press conference.

US Fed Chair Powell will also give opening remarks at a Fed event on Friday.

The BoJ is meeting this week and is broadly expected to either end its negative interest rate policy settings or signal that such a change is coming shortly. This speculation has been fuelled by the results so far of annual wage negotiations. If policy rates are changed at this meeting, then it will be important to understand what this means for YCC and QE settings. BoJ Governor Ueda has previously noted that even if the negative rates policy is ended, monetary policy settings are likely to remain accommodative. Last week, Japanese Q4 GDP growth was revised upward to +0.1%, due to higher private non-residential investment spending.

Other central bank meetings this week; the RBA, BoE, SNB, and PBoC (prime rate setting) are expected to keep policy settings unchanged. Across these meetings, we'll be watching for any change in guidance and outlook.

CPI data for Feb will be released for Canada, the UK, Japan, and the Euro Area (final) this week.

Headline inflation in Canada is expected to increase slightly to +3.1% in Feb. Canadian trimmed mean inflation is expected to stay unchanged at +3.4% over the year in Feb.

UK headline inflation is expected to ease to +3.5% in Feb (from +4% in Jan), while core inflation is also expected to slow to +4.6% (from +5% in Jan).

Japanese National CPI is expected to accelerate over the year – given the stronger Tokyo CPI report for Feb. The BoJ preferred measure of core CPI ex fresh food is expected to increase to +2.8% in Feb from +2% in Jan.

The Euro Area CPI for Feb is expected to be confirmed at +2.6% over the year and +0.6% over the month. Core inflation is expected to be confirmed at +3.1% over the year.

US housing data for Feb will be in focus this week. This will feed into the next update of the Atlanta Fed GDP Nowcast for Q1 growth. New housing permits are expected to increase in Feb to an annual rate of +1.5m, up from 1.489m in Jan. New housing starts are also expected to increase to 1.435m (annualized) from +1.331m in Jan. Existing home sales are expected to fall slightly to an annualized rate of 3.95m (from 4m in Jan).

The latest March S&P flash PMIs for the G4 (plus Aus) will be released this week. These will be an important guide for understanding the path of growth momentum through Q1. So far in Q1, services activity has continued to improve, indicating at least moderate growth momentum. Manufacturing activity has stayed little changed with output remaining in contraction, except for the US in Feb.

US Treasury Issuance; 18 - 22 Mar 2024

This week, the US Treasury will auction and settle approx. $512bn in ST Bills raising approx. $25bn in new money. The US Treasury will also auction the 10-year TIPS and 20-year Bond this week.

<u>QT this week:</u> Approx $0.7bn in ST Bills will mature on the Fed balance sheet and will be reinvested. Approx $2.9bn in ST Bills will mature on the Fed balance sheet and be redeemed/rolled off the balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount $B (TBAC)	Amount Maturing $B	New Money $B		Prior Auction High Rate %
18-22 Mar	14-Mar	19-Mar	4 week Bill	95			Actual 5.280%	5.280%
	14-Mar	19-Mar	8 week Bill	90			Actual 5.275%	5.280%
	13-Mar	19-Mar	17 week Bill	60			Actual 5.210%	5.205%
				245	236	9		
	18-Mar	21-Mar	13 week Bill	76			Announced	5.250%
	18-Mar	21-Mar	26 week Bill	70			Announced	5.100%
	19-Mar	21-Mar	42-Day CMB	75			Announced	5.285%
	19-Mar	21-Mar	52 week Bill	46			Announced	4.695%
				267	251	16		
			Total - securities settling this week	512	487	25		
			Net New Cash Raised Qtr to Date	***6613***	***5866***	***747***		
			Estimated Net Cash to be Raised Q1 ($ Bn)			***760***		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		19-Mar	ST Bills	0.3				
		21-Mar	ST Bills	0.4				
				0.69				
		Maturing & redemption (balance sheet roll-off)						
		19-Mar	ST Bills	1.1				
		21-Mar	ST Bills	1.8				
				2.89				
	Upcoming Auctions			**$B**				
	19-Mar	01-Apr	20yr Bond	13				
	21-Mar	28-Mar	10yr TIPS	16				

Quantitative Tightening Overview – Mar 2024

In Mar, the face value of Coupons maturing on the Fed balance sheet is approx. $44.8bn. This is less than the $60bn monthly cap for balance sheet roll-off and means that all Coupons maturing in Mar will be redeemed. 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 $18.8bn in ST Bills maturing this month, $15.2bn will be redeemed/rolled off the balance sheet and the remaining $3.6bn of ST Bills maturing will be reinvested.

Summary of Total Coupons to Redeem at the $60bn redemption cap - MAR			
			$60
		Redeem $Bn	**Reinvest $ Bn**
15-Mar-24	Notes & Bonds	5.3	0.0
31-Mar-24	Notes & Bonds	39.5	0.0
Mar-24	ST Bills	15.2	3.6
	Total Notes & Bonds	**60.0**	**3.6**

March 2024 ST Bill maturity schedule;

Bill Maturity Schedule - MAR			Weekly Totals $Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2024/03/05	1.29	7%	1.04	0.25
2024/03/07	3.06	16%	2.47	0.59
2024/03/12	1.26	7%	1.01	0.24
2024/03/14	3.25	17%	2.63	0.62
2024/03/19	1.30	7%	1.05	0.25
2024/03/21	2.27	12%	1.83	0.44
2024/03/26	1.36	7%	1.10	0.26
2024/03/28	5.04	27%	4.07	0.97
	18.8	1.0	15.2	3.6

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

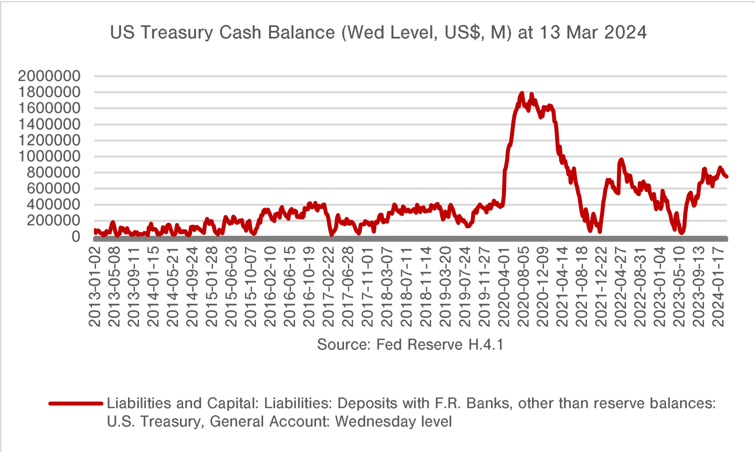
Recommended US Treasury Financing – Q1 and Prelim Q2 2024

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)

As of Wed 13 Mar 2024, the level of the TGA decreased to $748bn (-$12bn compared to the week prior). The TGA balance is approx. $470bn *higher* than the same week a year ago.



https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=spreadsheetml&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/ambs_operation_schedule

CALENDAR W/C 18 MARCH 2024

MONDAY 18 MARCH (US Eastern Time, unless stated otherwise)	
China	Retail Sales, Industrial Production, and F/A Investment (Feb) – Sunday night
Europe	Euro Area CPI – Final (Feb)
US	NAHB Housing Market Index (Mar)
Japan	BoJ Monetary Policy Decision
Australia	RBA Monetary Policy Decision

TUESDAY 19 MARCH	
Europe	Eurozone Wages and Labor Cost Index Q4
Canada	CPI (Feb)
US	New Housing Permits & Starts (Feb)
China	PBoC – Prime Rate Decision

WEDNESDAY 20 MARCH	
UK	CPI (Feb)
US	MBA Mortgage Apps wk ending 16 Mar, FOMC Monetary Policy Decision
NZ	GDP Q4
Australia	S&P Prelim Manufacturing & Services PMI (Mar), Labor Market Survey (Feb)
Japan	Trade Bal, Exports, & Imports (Feb), S&P Prelim Manufacturing & Services PMI (Mar)

THURSDAY 21 MARCH	
Switzerland	SNB Monetary Policy Decision
Europe	Eurozone S&P Prelim Manufacturing & Services PMI (Mar)
UK	S&P Prelim Manufacturing & Services PMI (Mar), BoE Monetary Policy Decision
US	Initial Jobless Claims wk ending 16 Mar, Philadelphia Fed Manufacturing Index (Mar), S&P Prelim Manufacturing & Services PMI (Mar), Existing Home Sales (Feb), Fed speeches: Barr
Japan	National CPI (Feb)

FRIDAY 22 MARCH	
	Canada & UK Retail Sales (Feb)
US	Fed speeches; Fed Chair Powell (opening remarks), Barr