

## Key events this week – US PCE Inflation, US Fed speeches; Powell, Waller, and Cook

Recap from last week: Rate cut expectations firmed across several central banks following meetings and inflation reports last week. The exception is the Bank of Japan.

In the US, the FOMC kept policy settings unchanged as expected. The median of three rate cuts for 2024 was maintained amid solid growth, easing inflation, and still relatively tight labor market conditions. This stance aligns with previous decisions and statements that have indicated a willingness to lower interest rates in response to a lower inflation environment. The FOMC believes that policy settings are restrictive and are placing downward pressure on the economy and activity. Risks were unchanged; cutting too early versus cutting too late. Guidance was little changed, noting that it will be appropriate to start removing policy restraint at some point this year, but not until the FOMC has gained greater confidence that inflation is moving sustainably towards 2%. However, it was noted that an unexpected weakening in the labor market could warrant a policy response. At the same time, stronger growth or labor market data would only likely result in cuts taking longer to materialize (rather than the risk of a rate hike).

US data last week was mostly positive. Home builder sentiment improved, led by a larger rebound in the Midwest. New housing permits and starts were also stronger than expected in Feb, with Jan results revised higher. The latest iteration of the [Atlanta Fed GDPNowcast for Q1 growth](#) was revised slightly higher on the new housing starts data for Feb. The prelim S&P PMI for the US indicated that growth likely remained constant through Mar. The rebound in manufacturing output growth was notable, which helped to offset some easing in services output growth. The jump in inflation was notable based on the [commentary provided in the report](#).

The RBA kept rates on hold however there was a shift in guidance away from a more hawkish bias. Guidance changed from “a further increase cannot be ruled out” to “the Board is not ruling anything in or out”. Governor Bullock noted that recent data has demonstrated that the bank is still broadly on the path of disinflation that it thought it was on. While the Board is “not confident enough yet to say that we can rule out further interest rate changes”, it does think it is on the path to getting inflation back to target in the forecast period.

The BoE kept policy settings unchanged. Voting reflected a vast majority of members preferring to hold, while only one member voted for a cut. At the previous meeting, there were two votes for a hike. There was a slight change to wording; that the “restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures”. In [interviews later](#), BoE Governor Bailey noted that the UK is “on the way” to win its fight against inflation and that rate-setters will need to “act ahead of time” and need not wait for underlying inflation pressure to fully ease. Data last week showed that UK inflation eased more than expected in Feb with headline slowing to +3.4% in Feb from +4% in Jan. Core inflation also eased by more than expected to +4.5% from +5.1% in Jan. Services inflation eased, but remained elevated at +6.1%.

The BoJ announced its [new policy framework](#), noting that “the policy framework of Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control and the negative interest rate policy to date have fulfilled their roles”. The ST rate target was increased to 0% - +0.1% while the LT rate setting/YCC was unchanged with the upper bound reference around +1%. New guidance noted that “given the current outlook for economic activity and prices, the Bank anticipates that accommodative financial conditions will be maintained for the time being”. Japan's core inflation ex

fresh food came in as expected for Feb at +2.8%. Annual inflation increased across headline and core measures due mostly to base effects. The monthly pace of inflation has remained subdued over the last four months between -0.2% and +0.1%.

The SNB announced a 25bps rate cut.

Canadian CPI for Feb added to expectations of easing. Headline inflation eased to +2.8% (expecting +3.4%). However, it was the easing of the BoC preferred measures of core inflation that was most notable in the latest month. All BoC preferred measures of core inflation are now sitting at low 3's – the lowest rate of underlying inflation of the last six months. This would be a welcome development by the BoC which had previously noted that it was still too early to consider lowering the policy rate.

The Mar prelim PMIs for the G4 indicated that activity continued to trend higher through the final month of Q1. Services activity was broadly above the 50/neutral level and growing at a modest pace except in France and Germany. Manufacturing activity improved to a weaker pace of contraction, especially in the UK and Japan, but remained firmly in contraction in the Eurozone and Aus. The US was a positive outlier, with both manufacturing and services expanding at a moderate pace above the 50-neutral level.

Outlook for the week ahead: It's a shorter holiday week (Easter). However, the key US PCE inflation data is scheduled for release on the Good Friday holiday. US Fed Chair Powell is also scheduled to speak on Good Friday.

US headline PCE for Feb is expected to be unchanged at +2.4% over the year, while the monthly pace is expected to increase to +0.4% in Feb, up from +0.3% in Jan. Core PCE inflation is expected to be unchanged at +2.8% in Feb while the monthly core reading is expected to be +0.3%, down from +0.4% in Jan.

Other US data this week will provide further input to update the run rate for Q1 GDP growth. US personal spending for Feb is expected to increase by +0.4%, up from +0.2% in Jan. Durable Goods Orders are expected to increase by +1.2% in Feb. New home sales are expected to increase to 0.68m (annualized) in Feb while pending home sales are expected to increase by +1.5%.

There will be several [important Fed speeches this week](#) including Fed Chair Powell, Governor Waller, and Governor Cook. Fed Governor Cook will speak on Mon 25 Mar ("The Dual Mandate and the Balance of Risks"). Fed Governor Waller will speak on Wed 27 Mar on the Economic Outlook – this will be an important follow-up to the FOMC meeting last week. Finally, Fed Chair Powell is scheduled to take part in a moderated discussion at the Fed Reserve Bank of San Francisco Macroeconomics and Monetary Policy Conference on Fri 29 Mar (Good Friday).

Aus CPI and retail sales for Feb will be released this week. The Aus monthly CPI series for Feb is expected to show annual inflation edge up to +3.6%, from +3.4% in Jan. Retail sales growth is expected to slow to +0.4% in Feb.

Finally, Tokyo CPI for Mar is expected to show that core CPI ex fresh food eased slightly to +2.4% from +2.5% in Feb. This is considered the leading indicator for Japan's broader National CPI statistic.

## **US Treasury Issuance; 25 - 28 Mar 2024**

This week, the US Treasury will auction and settle approx. \$676bn in ST Bills, Notes, FRNs, TIPs, and Bonds raising approx. \$126bn in new money. The Notes and FRN will settle in the following week due to the short holiday week this week.

QT this week: Approx \$1.2bn in ST Bills will mature on the Fed balance sheet and will be reinvested. Approx \$44.6bn in ST Bills, Notes, and Bonds 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 %
25-29 Mar	21-Mar	26-Mar	4 week Bill	85			Actual 5.270%	5.280%
	21-Mar	26-Mar	8 week Bill	85			Actual 5.270%	5.275%
	20-Mar	26-Mar	17 week Bill	60			Actual 5.215%	5.210%
				230	241	-11		
	25-Mar	28-Mar	13 week Bill	73			Announced	5.245%
	25-Mar	28-Mar	26 week Bill	70			Announced	5.130%
	26-Mar	28-Mar	42-Day CMB	70			Announced	5.280%
				213	217	-4		
	21-Mar	28-Mar	10yr TIPS	16			Actual 1.932%	1.810%
	19-Mar	01-Apr	20yr Bond	13			Actual 4.542%	4.595%
	25-Mar	01-Apr	2yr Note	66			Announced	4.691%
	26-Mar	01-Apr	5yr Note	67			Announced	4.320%
	27-Mar	01-Apr	7yr Note	43			Announced	4.327%
	27-Mar	01-Apr	2yr FRN	28			Announced	0.200%
				233	92	141		
			<b>Total - securities settling this week</b>	<b>676</b>	<b>550</b>	<b>126</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>7289</b>	<b>6416</b>	<b>873</b>		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			<b>760</b>		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		26-Mar	ST Bills	0.3				
		28-Mar	ST Bills	1.0				
				1.2				
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>					
		26-Mar	ST Bills	1.1				
		28-Mar	ST Bills	4.1				
		31-Mar	Notes & Bonds	39.5				
				44.6				

## 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
	<b>Total Notes &amp; Bonds</b>		<b>60.0</b>	<b>3.6</b>

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
	<b>18.8</b>	<b>1.0</b>	<b>15.2</b>	<b>3.6</b>

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

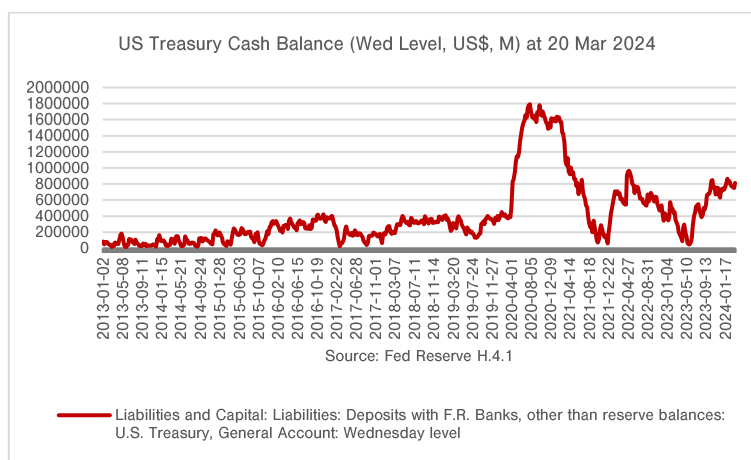
## Recommended US Treasury Financing – Q1 and Prelim Q2 2024

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 20 Mar 2024, the level of the TGA increased to \$812bn (+\$64bn compared to the week prior). The TGA balance is approx. \$612bn *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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

# CALENDAR W/C 25 MARCH 2024

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## MONDAY 25 MARCH (US Eastern Time, unless stated otherwise)

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Japan	BoJ Minutes
US	Chicago Fed National Activity Index (Feb), New Home Sales (Feb), Dallas Fed Manufacturing Index (Mar) Speech; Fed Governor Cook
Australia	Westpac Consumer Confidence (Mar)

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## TUESDAY 26 MARCH

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US	Durable Goods Orders (Feb), S&P Case/Shiller House Price Index (Jan)
Australia	CPI – Monthly Series (Feb)

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## WEDNESDAY 27 MARCH

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US	MBA Mortgage Apps wk ending 23 Mar Speech: Fed Governor Waller – Economic Outlook
Australia	Retail Sales (Feb)

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## THURSDAY 28 MARCH

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Europe	Germany Retail Sales (Feb)
UK	GDP – Final Q4
US	Initial Jobless Claims wk ending 23 Mar, GDP – Third Est Q4, Chicago PMI (Mar), Pending Home Sales (Feb), Kansas City Fed Manufacturing Survey (Mar), University of Michigan Consumer Sentiment – Final (Mar)
Japan	Tokyo CPI (Mar), Industrial Production – Prelim (Feb), Retail Sales (Feb)

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## FRIDAY 29 MARCH

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	Good Friday Holiday
US	PCE Price Index (Feb), Personal Spending & Income (Feb) US Fed Chair Powell – Moderated Discussion
China	(Saturday) NBS Manufacturing and Non-Manufacturing PMI (Mar)

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