

Key events this week; US Non-Farm Payrolls, US Fed Chair Powell testimony, ECB & BoC Monetary Policy Meetings

Recap from last week: US PCE inflation, spending, and broader activity data painted a mixed picture last week. US PCE inflation came in as expected with both headline and core inflation continuing to ease in Jan. Measures of core inflation eased to a lesser degree. There was an acceleration in the monthly inflation rate. Lower energy prices in Jan continued to offset the reemergence of broader inflation pressure in the month. The PCE report likely reinforces the view that the FOMC will need more data to confirm that inflation is on a sustainable path to the 2% target. Several weeks ago, Fed Governor Waller [commented](#) on the Jan CPI report, trying to ascertain whether it was 'more noise than signal' – this could equally apply to the Jan PCE inflation result.

There was a notable amount of US spending, income, and activity data last week. This is best summarized by the change to the [Atlanta Fed GDPNowcast for Q1 growth](#) (at 1 Mar 2024). By the end of the week, the path of growth in Q1 was marked lower to +2.1% (after tracking at just above +3%). The path of growth for Q1 was revised lower mostly due to weaker personal consumption expenditures for Jan, which fell by -0.1% in real terms for the month (a fall in goods consumption not offset by the growth in services consumption). Residential and non-residential investment was also marked lower in the latest update. It's important to emphasize that it is still only early in the quarter regarding tracking and the Nowcast data.

Other inflation data last week showed slower progress on inflation. The Euro Area prelim CPI for Feb continued to slow but still came in higher than expected. Headline inflation slowed to +2.6% while core inflation slowed less than expected to +3.1% (expecting +2.8%). Monthly inflation was also higher – especially across services at +0.8% for the month. Aus headline inflation was unchanged at 3.4% in Jan. The monthly CPI series is more goods-centric, while the RBA has noted the non-tradable/services/domestic-focused prices as the area of concern. In the Jan report, the non-tradable CPI components still increased at an elevated rate of +4.7%.

Japanese headline inflation eased by more than expected while annual core inflation (ex-fresh food) slowed in line with expectations. Inflation has continued to ease from its recent peaks. The flat trend in monthly inflation over the past two months, at 0% for both core measures, suggests a possible stall in inflation momentum.

Outlook for the week ahead: The focus stays firmly on the US economy with payrolls and the broader labor market reports for Feb due this week. The ECB and BoC will also meet on monetary policy.

Since the Jan FOMC meeting, Fed speeches have consistently pushed back on the timing of policy easing. However, this FOMC 'patience on rate cuts' is predicated on the conditions of continuing robust jobs and economic growth. The Feb payroll growth, broader indicators of labor market tightness, and wages will be important for a data-dependant Fed against the backdrop of potentially slower growth emerging so far in Q1 2024.

US non-farm payrolls are expected to increase by +190k in Feb (down, from a stronger-than-expected +353k in Jan). The unemployment rate is expected to stay unchanged at 3.7%. Average weekly hours are expected to rebound to 34.3 after a fall in Jan. Average hourly earnings are expected to ease as average hours increase. The JOLTS report for Jan will provide a further update on labor demand with Job Openings expected to fall to 8.89m (from 9m in Dec).

There will be a range of US economic data released this week, providing a further update on the path of growth in Q1. The ISM services PMI is expected to stay around 53.0. US Factory orders are expected to increase by +0.3% in Jan. Various US PMI surveys are expected to show a slightly slower pace of service sector growth in Feb. The Fed Beige Book on regional activity will be released for Q1.

US Fed Chair Powell will give two days of testimony this week (Semi-annual Monetary Policy Report to Congress). Several other Fed speeches are noted in the calendar.

The ECB will meet on monetary policy this week and is expected to keep policy unchanged. Of most interest will be the update to ECB forecasts of growth, inflation, and unemployment.

The Bank of Canada will also meet this week. Monetary policy is expected to stay unchanged. Recent inflation data eased more than expected and it will be important to see if there is a shift in BoC commentary on the policy outlook. Canadian Q4 GDP growth was better than expected last week at +0.2% after contracting slightly in Q3. Canadian employment and labour market survey data for Feb will be released at the end of the week.

Global manufacturing PMIs released last week for Feb indicated continued modest improvement on the back of more widespread growth in output and new orders. Manufacturing in the Eurozone (core), Japan, Taiwan, and Australia all stayed in contraction, offset by growth in the US, India, Mexico, and Ireland, as well as modest growth in China. The S&P Global services PMIs for Feb will be released this week.

Further updates on growth for Q4 will be reported this week. Eurozone Final GDP for Q4 is expected to be unchanged at 0% for the quarter and +0.1% for the year. Aus Q4 GDP is expected to increase by +0.3% over the quarter and slow to +1.5% over the year (from +2.1% in Q3).

China's National People's Congress will be held this week and will outline its growth goal for 2024 and other policy measures.

US Treasury Issuance; 4 - 8 Mar 2024

This week, the US Treasury will auction and settle approx. \$474bn in ST Bills raising approx. \$31bn in new money.

QT this week: Approx \$0.8bn in ST Bills will mature on the Fed balance sheet and will be reinvested. Approx \$3.5bn 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 % |
|--------------|--------------|-----------------|--|---------------------------|---------------------|---------------|---------------------------|
| 4-8 Mar 2024 | 29-Feb | 05-Mar | 4 week Bill | 95 | | Actual 5.285% | 5.285% |
| | 29-Feb | 05-Mar | 8 week Bill | 90 | | Actual 5.285% | 5.275% |
| | 28-Feb | 05-Mar | 17 week Bill | 60 | | Actual 5.225% | 5.215% |
| | | | | 245 | 231 | 14 | |
| | 04-Mar | 07-Mar | 13 week Bill | 79 | | Announced | 5.255% |
| | 04-Mar | 07-Mar | 26 week Bill | 70 | | Announced | 5.130% |
| | 05-Mar | 07-Mar | 42-Day CMB | 80 | | Announced | 5.290% |
| | | | | 229 | 212 | 17 | |
| | | | Total - securities settling this week | 474 | 443 | 31 | |
| | | | Net New Cash Raised Qtr to Date | 5510 | 4874 | 636 | |
| | | | <i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i> | | | 760 | |
| | | | Face value of US Federal Reserve SOMA securities maturing | \$B | | | |
| | | | Maturing & reinvestment | | | | |
| | | 05-Mar | ST Bills | 0.2 | | | |
| | | 07-Mar | ST Bills | 0.6 | | | |
| | | | | 0.8 | | | |
| | | | Maturing & redemption (balance sheet roll-off) | | | | |
| | | 05-Mar | ST Bills | 1.0 | | | |
| | | 07-Mar | ST Bills | 2.5 | | | |
| | | | | 3.5 | | | |

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/roll-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>

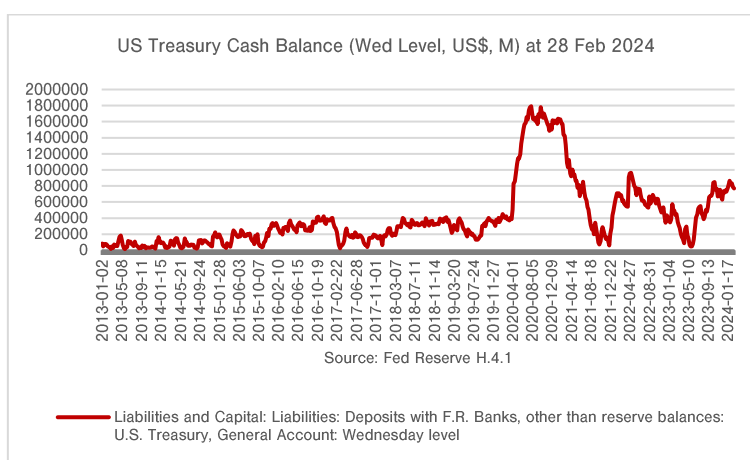
Recommended US Treasury Financing – Q1 and Prelim Q2 2024

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 28 Feb 2024, the level of the TGA decreased to \$767bn (-\$21bn compared to the week prior). The TGA balance is approx. \$416bn *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 4 MARCH 2024

MONDAY 4 MARCH (US Eastern Time, unless stated otherwise)

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|-------|---|
| Japan | Tokyo CPI (Feb), S&P Services & Composite PMI – Final (Feb) |
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TUESDAY 5 MARCH

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| Europe | Eurozone Services & Composite PMI – Final (Feb), Eurozone PPI (Jan) |
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| US | Services & Composite PMI – Final (Feb), ISM Services PMI (Feb), Factory Orders (Jan), Fed speeches; Barr |
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| Australia | GDP Q4 |
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WEDNESDAY 6 MARCH

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| US | MBA Mortgage Apps wk ending 2 Mar, ADP Employment Change (Feb), JOLTS (Jan), Fed Beige Book, Fed speeches; Daly US Fed Chair Powell – Testimony (day one) |
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| Canada | BoC Monetary Policy Decision |
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| Australia | Housing Finance (Jan) |
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| China | Trade Balance, Exports, and Imports (Feb) |
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THURSDAY 7 MARCH

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| Europe | Germany Factory Orders (Jan) ECB Monetary Policy Decision |
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|----|---|
| US | Initial Jobless Claims wk ending 2 Mar, Challenger Job Cut Announcements (Feb), Non-Farm Productivity & Unit Labor Costs Q3 (final), Consumer Credit Change (Jan), US Fed speeches; Mester US Fed Chair Powell – Testimony (day two) |
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FRIDAY 1 MARCH

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| Europe | Germany Industrial Production (Jan), Germany PPI (Jan), Eurozone GDP Q4 – Final |
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| Canada | Employment and Labour Market Survey (Feb) |
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| US | Non-Farm Payrolls and Labor Market Survey (Feb), Fed speeches: Williams |
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| China | CPI & PPI (Feb) |
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