

Key events this week – US retail sales & housing data, US Fed Chair Powell, CPI's Mar; Canada, Japan, UK, NZ, and the Euro Area

Recap from last week: Central bank meetings and minutes underscored shifts in confidence regarding the favorability of inflation conditions for potential policy easing.

The ECB kept current settings unchanged but continued to signal that Jun could be live for the first rate cut. Given more favorable inflation readings, guidance was shifted to acknowledge that if data continues to increase confidence that inflation was converging at 2%, then “it would be appropriate to reduce the current level of monetary policy restriction”. Hints at the Jun timing have remained consistent following ECB President Lagarde’s comments at the March meeting that “we’ll know some in Apr, but more in Jun”. This timing was also addressed in the press conference with President Lagarde noting that a few members had been confident enough in the limited Apr data to cut rates at this meeting.

The BoC kept policy unchanged but started to raise the prospect of rate cuts, noting that Jun was “in the realm of possibility” if recent improvements in inflation continued. However, the Governing Council cautioned that the decline in core inflation is only recent, and is looking for evidence that the easing in underlying inflation will be sustained; “as we consider how much longer to hold the policy rate at the current level, we’re looking for this easing of inflation to be sustained”.

The RBNZ kept policy settings unchanged. There was little change in the overall sentiment of the decision. However, there was a new paragraph added to the statement with a specific time reference to “this calendar year” regarding when the Committee was confident that restrictive policy would return inflation to within the target range of 1-3%.

The FOMC minutes for the Mar meeting were less positive on inflation developments. The minutes indicated that firmer inflation readings in Jan and Feb placed some doubt over its confidence that inflation was moving sustainably to the 2% target. The minutes noted that disinflation was still progressing “along a path that was generally expected to be uneven”. With positive momentum in the US economy, policy settings are likely to stay unchanged until there is greater confidence that inflation is moving sustainably toward 2% (the FOMC has been consistent on this).

Participants noted indicators pointing to strong economic momentum and disappointing readings on inflation in recent months and commented that they did not expect it would be appropriate to reduce the target range for the federal funds rate until they had gained greater confidence that inflation was moving sustainably toward 2 percent.

Last week, the higher-than-expected US CPI report for Mar was likely to have disappointed the Fed. The CPI for Mar confirmed a further stalling in the pace of disinflation compared to the faster pace in late 2023. For now, this will likely mean that rate cuts may take longer to materialize as the FOMC focuses on managing the risk of reducing restraint too soon with the risk of keeping policy too tight for too long.

The US PPI report for Mar could hold some good news given the flow through to the FOMC preferred PCE inflation measure. The PPI report for Mar released a day after the CPI, came in lower than expected and suggests that the upcoming Mar PCE report may not be as firm as the CPI report. It will be another two weeks until the March PCE inflation report comes out.

Outlook for the week ahead: The focus this week shifts to US growth, a moderated discussion with Fed Chair Powell, and global CPI reports for Mar.

US earnings will also be in focus together with simmering geopolitical headline risks.

The latest [Atlanta Fed GDPNowcast](#) update has US Q1 growth running at +2.4%. This week, US retail sales, industrial production, and housing data will further round out the view of Q1 GDP growth. This will be the second last input into the growth run rate before the final Q1 GDPNowcast at the end of Apr so should provide a more robust view of growth.

US retail sales are expected to increase by +0.4% in nominal terms in Mar. This is down from the +0.6% increase in Feb.

New building permits for Mar are expected to ease slightly to 1.51m (annualized) from 1.54m in Feb. New housing starts are expected to ease to 1.48m (annualized) from 1.52m units in Feb. US existing home sales in Mar are expected to slow back slightly to 4.2m units (annualized) from 4.3m in Feb.

US Fed speeches will be in focus this week. US Fed Chair Powell will take part in a moderated discussion with Bank of Canada Governor Macklem. Also speaking this week will be Vice Chair Jefferson and Presidents Logan and Williams.

Inflation data for the UK, Euro area (final), Japan, Canada, and NZ will be released this week. The Canadian and NZ inflation data will be important in the context of central bank decisions last week hinting at more favorable inflation developments. Headline inflation in Canada is expected to accelerate over the month to +0.7% (from +0.3% in Feb), while the annual rate is also expected to increase from +2.8% in Feb. The important trimmed mean inflation rate is expected to stay unchanged at +3.2%. NZ CPI for Q1 is expected to increase slightly to +0.6% from +0.5% in Q4 and increase slightly over the year from +4.7% in Q4. UK headline inflation is expected to ease to +3.1% from +3.4% in Feb while core inflation is also expected to ease to +4.1% in Mar. Japanese core inflation is expected to ease to +2.7% in Mar, down slightly from +2.8% in Feb.

Chinese GDP, retail sales, and industrial production data will be in focus.

Aus employment data for Mar is expected to slow to +7.2k from the very fast pace of Feb. The unemployment rate is expected to increase to 3.9%.

US Treasury Issuance; 15 - 19 Apr 2024

This week, the US Treasury will auction and settle approx. \$575bn in ST Bills, Notes, and Bonds, raising approx. \$10bn in new money. The US Treasury will also auction the 5-year TIPS and 20-year Bond this week – both will settle on 30 Apr.

QT this week: Approx \$15bn in ST Bills, Notes, Bonds, and TIPs will mature on the Fed balance sheet and will be reinvested. Approx \$37.4bn in Notes, Bonds, and TIPs will mature and roll off 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 %
15-19 Apr	11-Apr	16-Apr	4 week bill	70		Actual 5.270%	5.265%
	11-Apr	16-Apr	8 week bill	75		Actual 5.270%	5.260%
	10-Apr	16-Apr	17 week BILL	60		Actual 5.230%	5.200%
				205	241	-36	
	15-Apr	18-Apr	13 week bill	70		Announced	5.225%
	15-Apr	18-Apr	28 week bill	70		Announced	5.120%
	16-Apr	18-Apr	42-Day CMB	65		Announced	5.275%
	16-Apr	18-Apr	52 week bill	46		Announced	4.810%
				251	257	-6	
	09-Apr	15-Apr	3yr Note	58		Actual 4.548%	4.256%
	10-Apr	15-Apr	10yr Note	39		Actual 4.560%	4.166%
	11-Apr	15-Apr	30yr Bond	22		Actual 4.671%	4.331%
				119	67	52	
			Total - securities settling this week	575	565	10	
			Net New Cash Raised Qtr to Date	1622	1579	43	
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			202	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		16-Apr	ST Bills	0.8			
		18-Apr	ST Bills	12.6			
		15-Apr	Notes, Bonds, and TIPS	2.0			
				15.3			
			Maturing & redemption (balance sheet roll-off)				
		15-Apr	Notes, Bonds, and TIPS	37.4			
				37.4			
			Upcoming Auctions	\$B			
	18-Apr	30-Apr	5-Year TIPS	23			
	17-Apr	30-Apr	20yr Bond	13			

Quantitative Tightening Overview – Apr 2024

In Apr, the face value of Coupons maturing on the Fed balance sheet is approx. \$63.1bn. This is more than the \$60bn monthly cap for balance sheet roll-off. So of the \$63.1bn of Coupons maturing in Apr, \$60bn will roll off the Fed balance sheet and \$3.2bn will be reinvested. It also means that all ST Bills maturing in Apr will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - APR				
			\$60	
			Redeem \$Bn	Reinvest \$ Bn
15-Apr-24	Notes, Bonds, & TIPS		37.4	2.0
30-Apr-24	Notes, Bonds, & FRNs		22.6	1.2
	ST Bills		0.0	42.5
	Total Notes & Bonds		60.0	45.7

Apr 2024 ST Bill maturity schedule;

Bill Maturity Schedule - APR			Weekly Totals \$Bn		
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
2024/04/02	0.81	2%	0.00	0.81	
2024/04/04	9.32	22%	0.00	9.32	
2024/04/09	0.79	2%	0.00	0.79	
2024/04/11	8.19	19%	0.00	8.19	
2024/04/16	0.80	2%	0.00	0.80	
2024/04/18	12.57	30%	0.00	12.57	
2024/04/23	0.80	2%	0.00	0.80	
2024/04/25	8.59	20%	0.00	8.59	
2024/04/30	0.66	2%	0.00	0.66	
	42.5	100%	0.0	42.5	

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

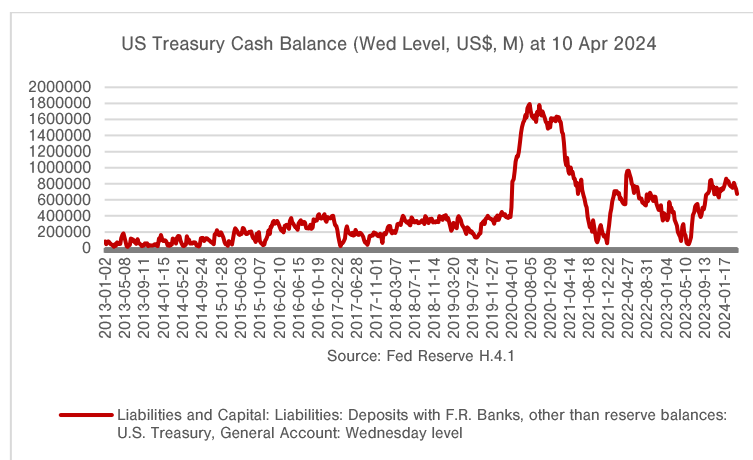
Recommended US Treasury Financing – Q1 and Prelim Q2 2024

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. The updated Q2 requirements will be released on 29 Apr 2024.

US Treasury Cash Levels (TGA)

As of Wed 10 Apr 2024, the level of the TGA decreased to \$672bn (-\$60bn compared to the week prior). The TGA balance is approx. \$585bn *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 15 APRIL 2024

MONDAY 15 APRIL (US Eastern Time, unless stated otherwise)

Europe	Eurozone Industrial Production (Feb)
US	Retail Sales (Mar), NY Empire State Manufacturing Index (Apr), NAHB Housing Market Index (Apr), Fed speeches; Logan, Daly, Williams
China	GDP Q1, Industrial Production (Mar), Retail Sales (Mar)

TUESDAY 16 APRIL

UK	Labour Market Survey (3mth Feb), BoE Governor Bailey speech
Canada	CPI (Mar)
US	Building Permits & Housing Starts (Mar), Industrial Production (Mar) US Fed Chair Powell & BoC Governor moderated discussion Fed speeches; Vice Chair Jefferson
NZ	CPI Q1
Japan	Merchandise Trade Balance, Exports, and Imports (Mar)

WEDNESDAY 17 APRIL

UK	CPI (Mar), BoE Governor Bailey speech
Europe	Euro area CPI – Final (Mar)
US	MBA Mortgage Apps wk ending 13 Apr, Fed Beige Book, US Fed speeches; Mester, Bowman
Australia	Labour Market Survey (Mar)

THURSDAY 18 APRIL

US	Initial Jobless Claims wk ending 13 Apr, Philadelphia Fed Manufacturing Survey (Apr), Existing Home Sales (Mar), US Fed speeches; Williams, Bostic, Bowman
Japan	National CPI (Mar)

FRIDAY 19 APRIL

UK	Retail Sales (Mar)
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