

Key events this week – US non-farm payrolls, US Fed Chair Powell speech, ISM & S&P PMIs, ECB & RBA minutes

Recap from last week: US PCE inflation data for Feb was mixed. Headline US PCE inflation was in line with expectations at +2.4% and was unchanged compared to Jan (+2.4%) while core PCE inflation continued to slow to +2.8%. The monthly measures of inflation in Feb did slow from the higher readings in Jan but did not fully retrace the higher Jan results. The 6-month and 3-month annualized rates across a range of measures remain higher than the annual rates – suggesting that recent progress on disinflation may have stalled.

In a Q&A last Friday, US Fed Chair Powell was asked whether the Feb inflation report could be characterized as “more good data”. Chair Powell summed up the report by noting that the Feb inflation rate was low, but not as low as “the good readings” from the second half of last year. It was however “more along the lines of what we want to see”. He reiterated the need to see more good readings like the ones from the second half of 2023 before the FOMC can feel confident that inflation is moving down to 2% on a sustained basis.

Fed Governor Waller spoke before the Feb PCE inflation data was released. He was less sanguine on inflation, noting that Jan had been disappointing in the context of the progress made in the second half of 2023. Despite some differences in how they characterized the current inflation picture, both Governor Waller and Fed Chair Powell came to similar conclusions in speeches this week, that there is still no rush to start cutting rates. Both reiterated that the solid US labor market and growth picture provided the Fed with time to ensure that inflation is on a sustainable path to 2% before starting to cut interest rates to minimize the risk of inflation reigniting.

The run rate of US growth in Q1 continued to edge higher to +2.3% in the latest update of the Atlanta Fed GDPNow cast. This was the result of higher-than-expected growth in personal spending in Feb of +0.8% and a larger contribution from non-residential fixed investment spending. These positive contributions were partially offset by net exports and the change in inventories which both made negative contributions.

Outlook for the week ahead: The spotlight this week shifts to the US labor market and a range of US Fed speeches, including US Fed Chair Powell on the Economic Outlook.

Solid labor market conditions are important to the outlook for the FOMC. At the most recent meeting press conference, guidance provided by the Committee noted that it does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. However, *an unexpected weakening of the labor market could warrant a policy response.*

Conditions in the labor market in Mar are expected to remain solid. Non-farm payrolls are expected to increase by +205k in Mar (slowing from +275k in Feb). The revisions in Feb were negative, so that will be something to watch in this release. Unemployment is expected to stay unchanged at 3.9% while average weekly hours are also expected to stay unchanged at 34.3. The annual growth in average weekly earnings is expected to slow back down to +4.1%. The JOLTS survey for Feb is expected to show a further easing in job openings to 8.79m (from 8.86m in Jan).

We continue to monitor US weekly initial unemployment claims data which suggests unemployment is likely to stay low in the short-term. Initial claims are expected to stay around the +214k level for last week.

Other US data this week will feed into a further update on US Q1 GDP growth. The US ISM surveys for manufacturing and services will be released this week. Manufacturing conditions are expected to stay in slight contraction while services growth is expected to remain moderate. Factory orders are expected to improve – last week’s advance durable goods orders made a small positive contribution to growth in Q1.

US Fed speeches will feature throughout the week. Of note will be US Fed Chair Powell on Wed speaking on the Economic Outlook, and Fed Governor Kugler also speaking on the outlook for the US economy and monetary policy.

The minutes of the latest ECB and RBA meetings will be released this week.

The prelim Euro Area CPI for Mar will be released this week and will be important ahead of the next ECB meeting on 11 Apr. Headline inflation is expected to slow to +2.5% while core inflation is expected to slow to +3% from +3.1% in Feb.

The full suite of S&P global PMIs for Mar will be released through the week providing a broader view of growth momentum over Q1. Global manufacturing and services PMIs have continued to improve so far through Q1.

US Treasury Issuance; 1 – 5 Apr 2024

This week, the US Treasury will auction and settle approx. \$637bn in ST Bills, (including Notes, FRNs, and Bonds auctioned last week) raising approx. \$85bn in new money.

QT this week: Approx \$10.1bn 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	Prior Auction High Rate %
1-5 Apr	28-Mar	02-Apr	4 week bill	75		Actual 5.285%	5.270%
	28-Mar	02-Apr	8 week bill	80		Actual 5.275%	5.270%
	27-Mar	02-Apr	17-week Bill	60		Actual 5.205%	5.215%
				215	241	-26	
	01-Apr	04-Apr	13 week bill	70		Announced	5.230%
	01-Apr	04-Apr	26 week bill	70		Announced	5.105%
	02-Apr	04-Apr	42-Day CMB	65		Announced	5.280%
				205	219	-14	
	19-Mar	01-Apr	20yr Bond	13		Actual 4.542%	4.595%
	25-Mar	01-Apr	2yr Note	66		Actual 4.595%	4.691%
26-Mar	01-Apr	5yr Note	67		Actual 4.235%	4.320%	
27-Mar	01-Apr	7yr Note	43		Actual 4.185%	4.327%	
27-Mar	01-Apr	2yr FRN	28		Actual 0.190%	0.200%	
			217	92	125		
			Total - securities settling this week	637	552	85	
			Net New Cash Raised Qtr to Date	637	552	85	
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			<i>202</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
	02-Apr		ST Bills	0.8			
	04-Apr		ST Bills	9.3			
				10.1			
			Maturing & redemption (balance sheet roll-off)				
			Nil	0.0			

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 \$3.1bn 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	37.4	1.9
30-Apr-24	Notes & Bonds	22.6	1.2
	ST Bills	0.0	42.2
	Total Notes & Bonds	60.0	45.3

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	0.38	1%	0.00	0.38
	42.2	100%	0.0	42.2

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

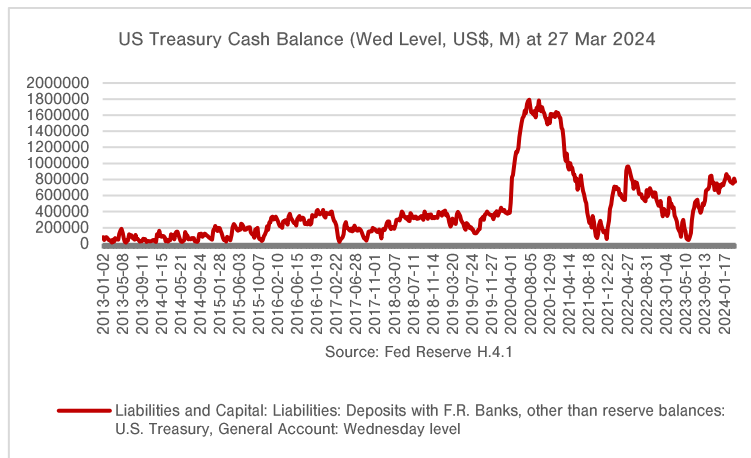
Recommended US Treasury Financing – Q1 and Prelim Q2 2024

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 27 Mar 2024, the level of the TGA decreased to \$772bn (-\$40bn compared to the week prior). The TGA balance is approx. \$609bn *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 1 APRIL 2024

MONDAY 1 APRIL (US Eastern Time, unless stated otherwise)

Japan	S&P Manufacturing PMI – Final (Mar)
Canada	BoC Business Outlook Survey
US	ISM Manufacturing Survey (Mar), S&P Manufacturing PMI – Final (Mar), Fed speeches; Cook
Australia	S&P Manufacturing PMI – Final (Mar), RBA Minutes

TUESDAY 2 APRIL

Europe	Eurozone S&P Manufacturing PMI – Final (Mar), Germany CPI – Prelim (Mar)
US	Factory Orders (Feb), JOLTS (Feb), Vehicle Sales (Mar), Fed speeches: Mester, Williams, Daly, Bowman
Japan	S&P Services PMI – Final (Mar)

WEDNESDAY 3 APRIL

Europe	Eurozone CPI – Prelim (Mar)
	OPEC Meeting
US	MBA Mortgage Apps wk ending 30 Mar, ADP Employment Change (Mar), ISM Services PMI (Mar), S&P Services PMI – Final (Mar) Fed Chair Powell speech – The Economic Outlook , Fed speeches; Bowman, Barr, Kugler

THURSDAY 4 APRIL

Europe	Eurozone S&P Services PMI – Final (Mar), ECB Minutes
US	Initial Jobless Claims wk ending 30 Mar, Challenger Job Cut Announcements (Mar), Fed speeches; Bowman, Kugler

FRIDAY 5 APRIL

Europe	Germany Factory Orders (Feb), Eurozone Retail Sales (Feb)
US	Non-Farm Payrolls (Mar), Labor Market Survey (Mar), Consumer Credit Change (Feb), Fed speeches: Bowman, Barkin
Canada	Labour Market Survey (Mar)
