

Key events this week – US PCE Inflation & Q1 GDP, BoJ meeting, Aus CPI Q1, Global flash PMIs Apr

Recap from last week: Last week, US consumer and domestic investment spending lifted Q1 GDP growth projections. The latest [Atlanta Fed GDP Nowcast](#) for US Q1 GDP growth rose from +2.4% to +2.9% by the end of the week.

US retail sales growth was higher than expected for Mar at +0.7%. Growth in non-store retail sales accounted for over half of the growth in the month. Coupled with the upward revision of retail sales growth to +0.9% for February, this strengthened the perception of robust spending through to the end of Q1. The residential construction data for Mar was somewhat lackluster, with both new permits and starts lower than expected and lower compared to Feb. While housing partly offset some of the contribution to Q1 growth from the strong retail sales result, another positive monthly result for industrial production growth in Mar helped to further lift the Q1 GDP run rate.

The [US Federal Reserve Beige Book for April](#) suggests that this pace of activity likely continued into April/start of Q2. Districts confirmed that overall economic activity had “expanded slightly” since the last report in late Feb. Reports on spending were mixed with some reports of weakness in discretionary spending due to elevated prices. Inflation remained modest and was “running at about the same pace as in the last report”. The report noted that a “frequent comment was that firms’ ability to pass cost increases on to consumers had weakened considerably in recent months, resulting in smaller profit margins”. Despite that, Districts reported that “employment rose at a slight pace overall”.

US Fed speeches last week continued to indicate that policy settings are likely to stay unchanged until there is greater confidence that inflation is moving sustainably toward 2%. While economic conditions and the labor market remain resilient, the Fed can keep rates on hold, allowing more time for restrictive policy settings to bring down inflation. Markets have continued to lower expectations for rate cuts this year – at the time of writing, only one cut is fully priced in for this year in Sept (Source; [CME FedWatch Tool](#)).

Global inflation reports showed disinflation progress continued in Mar. UK inflation eased further in Mar across headline (+3.2%) and core (+4.2%) measures. Most of this progress was led by goods inflation slowing to +0.8%, while services inflation eased only slightly and remained elevated at +6%. Canadian headline inflation increased to +2.9% led by higher gasoline prices. However, the BoC preferred measures of underlying inflation showed continued progress with several measures slowing to below +3% in Mar. In a [moderated discussion with US Fed Chair Powell](#), BoC Governor Macklem noted that “despite rising headline inflation, importantly, measures of core inflation did tick down again and does suggest that underlying inflationary pressures are continuing to ease. We continue to be moving in the right direction.”

NZ inflation continued to ease over the year but was little changed over the quarter. The composition of inflation still shows that non-tradable inflation (domestic-led) is high at +5.8%. Finally, Japanese inflation eased however the core measures ex fresh food remains elevated at +2.6%. The more recent annualized rates of inflation have started to accelerate again, but so far, remain below the annual rates. The BoJ meets this week and is expected to provide an update to its inflation forecast.

Outlook for the week ahead: Inflation reports remain front and centre this week. The global flash PMIs for Apr will provide some insight into global growth going into Q2.

This will be an important week with the Fed-preferred PCE inflation report for Mar due at the end of the week. Fed speeches last week continued to indicate that rate cuts could take longer to materialize while inflation progress stalls and labor market and growth conditions remain robust. However, while the Mar CPI measure showed stalling progress on inflation, the PPI hinted that the PCE measure may show some progress on disinflation.

Expectations are for little change in the inflation picture this month. US headline PCE is expected to increase by +0.3% over the month in Mar, this would be in line with the Feb result. Headline inflation over the year is expected to increase to +2.6% in Mar, up from +2.5% in Feb, due to higher energy prices. Core PCE inflation is also expected to increase by +0.3% over the month, while annual core inflation is expected to ease only slightly to +2.7% from +2.8% in Feb.

The advance estimate of US Q1 GDP growth will be released this week. Growth is expected to slow to an annualized pace of +2.5% in Q1 (from +3.4% in Q4 2023).

The FOMC will meet next week. This should provide an update on its guidance for the outlook on growth and inflation, although new projections will not be provided at this meeting. It also means that there will be no Fed speeches this week.

The more detailed Aus Q1 CPI report will be released this week, and ahead of the next RBA meeting on 6-7 May. Quarterly inflation is expected to increase to +0.8% from +0.6% in Q4. The annual rate is expected to slow to +3.4% in Q1, from +4.1%. Trimmed mean/core inflation is expected to increase over the quarter to +0.9%, from +0.8% in Q4.

The BoJ will meet this week and rate settings are expected to stay unchanged. At the last meeting, the BoJ announced the end of its negative interest rate policy, but still provided guidance that, given its outlook for economic activity and prices, accommodative financial conditions would be maintained for the time being. The BoJ will release its quarterly Outlook Report at this meeting which will update its view on developments in prices and economic activity.

Finally, the latest round of flash PMIs for the G4 (plus Aus) for Apr will be released early this week. Growth momentum has been improving through Q1. Growth in services activity has lifted to a moderate pace while manufacturing conditions within the G4 have become less negative.

US Treasury Issuance; 22 - 26 Apr 2024

This week, the US Treasury will auction and settle approx. \$410bn in ST Bills, with a paydown of -\$46bn. The US Treasury will also auction the 2, 5, and 7-year Notes and the 2-year FRN this week – all will settle on 30 Apr.

QT this week: Approx \$9bn 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 %
22-26 Apr	18-Apr	23-Apr	4 week bill	70			Actual 5.280%	5.270%
	18-Apr	23-Apr	8 week bill	75			Actual 5.275%	5.270%
	17-Apr	23-Apr	17 week Bill	60			Actual 5.240%	5.230%
				205	231	-26		
	22-Apr	25-Apr	13 week bill	70			Announced	5.250%
	22-Apr	25-Apr	26 week bill	70			Announced	5.155%
	23-Apr	25-Apr	42-Day CMB	65			Announced	5.285%
				205	225	-20		
			Total - securities settling this week	410	456	-46		
			Net New Cash Raised Qtr to Date	2032	2035	-3		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			202		
Face value of US Federal Reserve SOMA securities maturing				\$B				
	Maturing & reinvestment							
		23-Apr	ST Bills	0.8				
		25-Apr	ST Bills	8.6				
				9.4				
	Maturing & redemption (balance sheet roll-off)							
			Nil	0.0				
Upcoming Auctions				\$B				
	24-Apr	30-Apr	2yr FRN	30				
	24-Apr	30-Apr	5yr Note	70				
	25-Apr	30-Apr	7yr Note	44				
	23-Apr	30-Apr	2yr Note	69				
				213				

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>

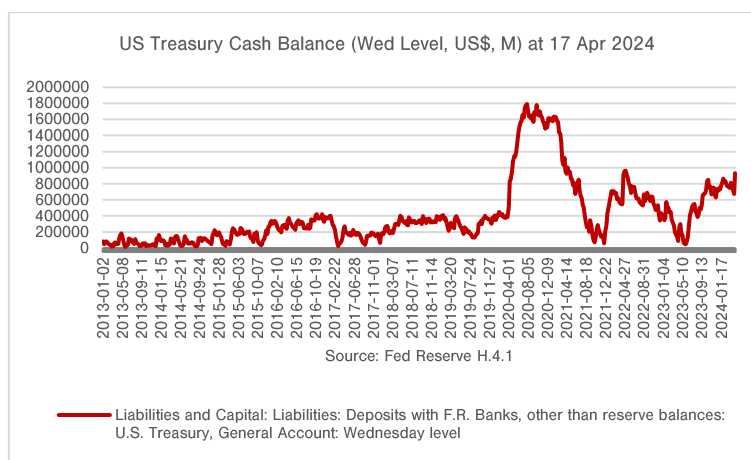
Recommended US Treasury Financing – Q1 and Prelim Q2 2024

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 next week.

US Treasury Cash Levels (TGA)

As of Wed 17 Apr 2024, the level of the TGA increased to \$930bn (+\$257bn compared to the week prior). The TGA balance is approx. \$665bn *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 22 APRIL 2024

MONDAY 22 APRIL (US Eastern Time, unless stated otherwise)

US	Chicago Fed National Activity Index (Mar)
Europe	ECB President Lagarde speech
Australia	S&P Prelim Manufacturing & Services PMI (Apr)
Japan	S&P Prelim Manufacturing & Services PMI (Apr)

TUESDAY 23 APRIL

Europe	Eurozone S&P Prelim Manufacturing & Services PMI (Apr)
UK	S&P Prelim Manufacturing & Services PMI (Apr)
US	S&P Prelim Manufacturing & Services PMI (Apr), New Home Sales (Mar), Richmond Fed Manufacturing Survey (Apr)
Australia	CPI Q1

WEDNESDAY 24 APRIL

Canada	Retail Sales (Feb), BoC Minutes
US	MBA Mortgage Apps wk ending 20 Apr, Durable Goods Orders (Mar)
	<i>Aus & NZ; ANZAC Day Holiday</i>

THURSDAY 25 APRIL

US	Initial Jobless Claims wk ending 20 Apr, GDP Advance Q1, Pending Home Sales (Mar), Kansas City Fed Manufacturing Index (Apr)
Japan	Tokyo CPI (Apr) BoJ Monetary Policy Meeting

FRIDAY 26 APRIL

US	PCE Price Index (Mar), Personal Spending and Income (Mar), University of Michigan Consumer Sentiment – Final (Apr)
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