

## Key events this week – US CPI & PPI, FOMC Minutes, ECB, BoC, & RBNZ meetings

Recap from last week: US economic activity has maintained a robust pace of growth so far in the first quarter, with strong labor market conditions persisting through March. In this context, some Fed speeches have signaled the possibility that, if inflation progress continues to stall here, rate cuts could be pushed further out. At the time of writing, market rate cut expectations had (just) moved out later to Jul with only two cuts now priced in for this year.

In his speech last week, Fed Chair Powell reiterated that solid growth and US labor market conditions were providing the Fed with time to ensure that inflation is on a sustainable path to 2% before starting to cut interest rates.

Given the strength of the economy and progress on inflation so far, we have time to  
let the incoming data guide our decisions on policy.

On the recent stalling of disinflation progress, Fed Chair Powell reinforced that the job was not yet done and even acknowledged that “it is too soon to say whether the recent readings represent more than just a bump”.

The US labor market report was generally strong for Mar. Non-farm payrolls came in much higher than expected at +303k for Mar (expecting +205k). Revisions were also positive. This is now the fourth month in a row of elevated payroll growth. There were notable increases in construction, private education & health, leisure & hospitality, and government payrolls. The average weekly hours increased back up to 34.4 and average weekly earnings also increased by +0.35% Mar, up from +0.2% in Feb. The unemployment rate was little changed from 3.86% in Feb to 3.83% in Mar as participation and household employment metrics rebounded for the broader 16-year+ age group.

The JOLTs data showed that recently slowing job openings had stabilized at around a rate of 5.3% in Jan & Feb. There was a small uptick in the layoff and discharge rate in Feb to 1.1% – which is still near the series low. The Challenger Job Cut Announcement survey for Mar continued to hint at elevated job cuts to come and continued subdued hiring announcements.

US growth data remained positive last week. The rebound in the US ISM manufacturing survey for Mar helped offset slightly slower, albeit still positive, growth from the ISM services survey and slower growth in vehicle retail sales for Mar. At the end of the week, the latest Atlanta Fed GDPNowcast for Q1 growth lifted to +2.5% (from +2.3% at the start of the week).

The latest global PMI's for Mar reflected a continued improvement in global activity. Across both manufacturing and services, output growth expanded at the fastest pace since mid-2023, supported by further improvements in new orders and optimism in the business outlook.

Outlook for the week ahead: The US CPI (and PPI) report this week will be important for the US rates outlook. Inflation data for Jan and Feb were characterized as “disappointing” in the context of the good progress made in the second half of 2023. Some Fed speeches have emphasized the need for several more ‘good readings, like the ones in late 2023’ on inflation to have greater confidence that inflation is moving sustainably to 2% before it becomes appropriate to begin lowering policy rates.

Headline US CPI is expected to increase over the year to +3.4% in Mar, up from +3.2% in Feb. The monthly pace of headline inflation is expected to ease to +0.3% in Mar, from +0.4% in Feb. Core CPI is expected to ease slightly to +3.7% in Mar, from +3.8% in Feb. The monthly core CPI is expected to increase by +0.3% in Mar, down from +0.4% in Feb.

Headline US PPI for Mar is expected to increase to +2.3% in Mar, up from +1.6% in Feb. The monthly PPI is expected to ease to +0.3% in Mar, down from +0.6% in Feb. Core PPI is expected to increase by +2.3% over the year in Mar, up slightly from +2% in Feb. Core PPI is expected to increase by +0.2% over the month in Mar, down slightly from +0.3% in Feb.

Central banks will also be in focus this week.

The FOMC Minutes of the Mar meeting will be released this week. This may provide further insight into the latest changes to the Summary of Economic Projections (SEP), particularly changes in the view around the outlook for rates.

The ECB will meet this week. Policy settings are expected to stay unchanged at this meeting. At the last meeting, the Governing Council noted that it was more confident that inflation was coming down, but not yet sufficiently confident given domestic price pressures had been more persistent. ECB President Lagarde noted that wage data were expected to be a key focus through to the Apr-Jun period; “we will know a little more in April, but we will know a lot more in June” to support changes to the policy rate. The prelim CPI for the Euro Area in Mar continued to slow over the year. The core CPI rate also eased to +2.9%, however, the monthly core rate stayed elevated at +1.1% due to higher non-energy industrial goods and services inflation. Services inflation has stayed unchanged at +4% over the year for the last five months, likely remaining a concern for the ECB.

The Bank of Canada will also meet this week. Policy settings are expected to stay unchanged. At the Mar meeting, the Governing Council noted that it was still too early to consider lowering the policy rate given lingering concerns over inflation and especially underlying inflation. Since then, there has been progress on inflation with the Feb CPI coming in lower than expected and the BoC core measures of inflation easing more notably to +3.1% – the lowest rate of the last six months. The Mar labor market data showed conditions easing with net employment declining and the unemployment rate jumping to 6.1%, up from 5.9% in Feb. This may start to weigh on the BoC outlook - with the latest [BoC Business Outlook Survey for Q1](#) noting that “current conditions remain on the weaker side with firms moderating business investment spending plans as fewer firms feel the need to expand amid ‘persistently weak demand’”.

Finally, the RBNZ will also meet this week and is expected to keep policy settings unchanged. At the Feb meeting the RBNZ noted that “risks to the inflation outlook have become more balanced”. However, headline inflation remains above the 1-3% band “limiting the Committee's ability to tolerate upside inflation surprises”.

## US Treasury Issuance; 8 - 12 Apr 2024

This week, the US Treasury will auction and settle approx. \$410bn in ST Bills, with a net paydown of -\$52bn. The US Treasury will also auction the 3-year and 10-year Notes and 30-year Bond this week – these will settle next week on 15 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 %
8-12 Apr	04-Apr	09-Apr	4 week bill	70			Actual 5.285%	5.285%
	04-Apr	09-Apr	8 week bill	75			Actual 5.260%	5.275%
	03-Apr	09-Apr	17-week Bill	60			Actual 5.200%	5.205%
				205	241	-36		
	08-Apr	11-Apr	13 week bill	70			Announced	5.230%
	08-Apr	11-Apr	26 week bill	70			Announced	5.125%
	09-Apr	11-Apr	42-Day CMB	65			Announced	5.280%
				205	221	-16		
			<b>Total - securities settling this week</b>	<b>410</b>	<b>462</b>	<b>-52</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>1047</b>	<b>1014</b>	<b>33</b>		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			202		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		09-Apr	ST Bills	0.8				
		11-Apr	ST Bills	8.2				
				9.0				
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>					
			Nil	0.0				
				0.0				
			<b>Upcoming Auctions</b>	<b>\$B</b>				
	09-Apr	15-Apr	3yr Note	58				
	10-Apr	15-Apr	10yr Note	39				
	11-Apr	15-Apr	30yr Bond	22				
				119				

## 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, & TIPS		37.4	1.9
30-Apr-24	Notes, Bonds, & FRNs		22.6	1.2
	ST Bills		0.0	42.5
	<b>Total Notes &amp; Bonds</b>		<b>60.0</b>	<b>45.6</b>

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	0.32	2%	0.00	0.32	
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

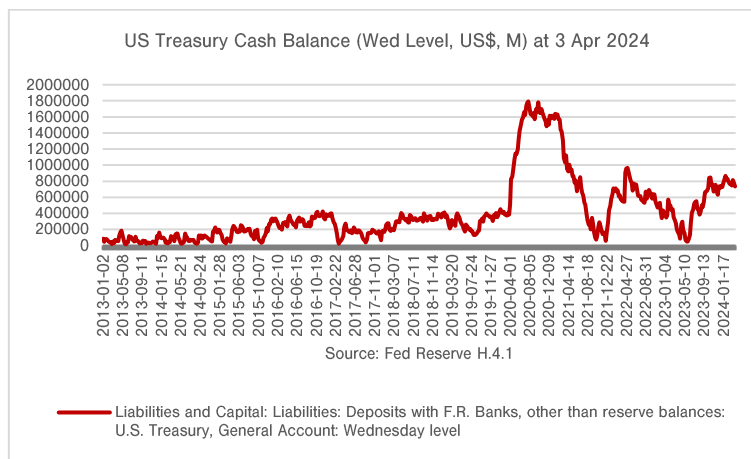
Q1 2024; The estimate of the US Treasury borrowing requirement for Q1 is \$760bn in privately-held net marketable debt, assuming an end-of-Q1 cash balance of \$750bn. The

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 3 Apr 2024, the level of the TGA decreased to \$733bn (-\$39bn compared to the week prior). The TGA balance is approx. \$592bn *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/ambs\\_operation\\_schedule](https://www.newyorkfed.org/markets/ambs_operation_schedule)

## CALENDAR W/C 8 APRIL 2024

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### MONDAY 8 APRIL (US Eastern Time, unless stated otherwise)

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Europe	Germany Industrial Production (Feb)
Australia	Westpac Consumer Confidence (Apr), NAB Business Confidence and Conditions (Mar)

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### TUESDAY 9 APRIL

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US	NFIB Small Business Optimism Index (Mar)
Japan	PPI (Mar)
NZ	RBNZ Monetary Policy Meeting

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### WEDNESDAY 10 APRIL

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US	MBA Mortgage Apps wk ending 6 Apr, CPI (Mar) FOMC Minutes US Fed speeches; Bowman, Goolsbee
Canada	BoC Monetary Policy Meeting
China	New Loans (Mar) – tbc, CPI & PPI (Mar)

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### THURSDAY 11 APRIL

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Europe	ECB Monetary Policy Meeting
US	Initial Jobless Claims wk ending 6 Apr, PPI (Mar) US Fed speeches: Williams, Bostic, Collins
China	Trade Balance, Exports, and Imports (Mar)

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### FRIDAY 12 APRIL

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Japan	Industrial Production (Feb)
Europe	Germany CPI – Final (Mar)
US	University of Michigan Consumer Sentiment – Prelim (Apr), Export & Import Price Index US Fed speeches; Bostic, Daly

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