

## Key events this week – US CPI & retail sales, US Fed Chair Powell, Aus budget, labour market, & wages, Europe growth & CPI

Recap from last week: There was limited data released last week. US data focused on lending conditions and consumer sentiment. The University of Michigan consumer sentiment survey recorded a notable (and statistically significant) fall in sentiment in the prelim May report. While the result may be influenced by the change in methodology, there was a corresponding increase in inflation expectations that may have weighed on sentiment. Inflation expectations have eased from recent peaks, but they remain elevated compared to the pre-pandemic trends.

The growth in US consumer credit in Mar was much lower than expected at +\$6bn led by (unusual) stalled credit card/revolving credit growth. Non-revolving credit lifted somewhat, but growth rates remain historically subdued. The latest Senior Loan Officer Opinion survey for Q1 noted that while banks reported tighter lending standards for most loan categories in Q1, there were lower net shares of banks reporting tighter lending standards than in Q4. Initial jobless claims were higher than expected at 231k (up from 209k in the prior week). Half of the +20k increase over the week can be traced back to New York and seasonal patterns related to the school year. Initial claims are expected to stay at a slightly elevated +221k level this week though.

The BoE kept policy rates unchanged last week. There was a shift in voting with seven members voting for a hold and two members now voting for a 25bp cut. The Committee noted that the restrictive stance of policy is weighing on activity in the real economy, leading to a looser labour market and bearing down on inflationary pressures. The Committee still judged that policy rates would need to stay restrictive for an extended period. Headline inflation has eased but services inflation remains elevated and persistent. Later, Governor Bailey noted that recent inflation data have been encouraging. In a positive sign for the UK economy, GDP for Q1 increased by more than expected by +0.6% after contracting in the second half of 2023.

The RBA kept rates on hold amid concern over slowing progress on inflation. The Board noted that “we need to be vigilant” to upside risks to inflation and that it would be some time yet before inflation is sustainably in the target range. The Board discussed a rate hike at this meeting but judged that the right stance for now was to stay on hold. Rates were deemed restrictive enough and won’t necessarily have to tighten again, but the Board couldn’t rule another hike in or out. The path of policy rates in Aus has shifted up since the Feb Statement on Monetary Policy – led in part by the higher Q1 inflation print. This week, the federal budget and Q1 wage data will play into the broader inflation picture in Aus.

Outlook for the week ahead: With a range of data out this week, the focus will be on US CPI for Apr and its implications for rate projections.

Progress on disinflation in the US has stalled over the past few months, pushing the timing of rate cuts further out. The FOMC recently noted that “it will likely take more time to gain confidence that inflation is on a sustainable path to 2% inflation”. The data this week is expected to show some progress on inflation. US headline CPI is expected to slow to +3.4% over the year in Apr (from +3.5% in Mar). The monthly headline rate is expected to slow to +0.3% in Apr, from +0.4% in Mar. Core inflation is expected to slow to +3.6% over the year in Apr (from +3.8% in Mar). The monthly core inflation rate is expected to slow to +0.3% in Apr from +0.4% in Mar.

US headline PPI for Apr is expected to be little changed at +2.1% over the year while the monthly pace remains unchanged at +0.2%. Annual core PPI is expected to be little changed at +2.4% with the monthly rate also staying at +0.2%.

There is a broad range of US data out this week that will inform the trajectory of growth so far in Q2. These developments will be reflected in the Atlanta Fed GDPNowcast update for Q2.

US retail sales for Apr are expected to slow to +0.4% from the faster +0.7% in Mar.

Building permits are expected to rebound somewhat to an annualized pace of 1.48m in Apr (from 1.467m in Mar). Housing starts are also expected to rebound to an annualized pace of 1.41m in Apr (from 1.32m in Mar).

Industrial production in Apr is expected to slow to +0.2% from +0.4% in Mar.

Import and export prices are expected to slow over the month in Apr.

There will be a range of [Fed speakers](#) this week. The headline event will be Fed Chair Powell in a moderated discussion at the Foreign Bankers' Association AGM in Amsterdam. Other speakers include Vice Chair Jefferson and Governor Waller. Topics aren't specifically related to current economic conditions but could be covered. Please check the link above.

It's also a busy week for data outside of the US. Japanese GDP for Q1 is expected to fall -0.4% from the slow pace of +0.1% growth in Q4.

Euro area GDP for Q1 is expected to be confirmed at +0.3%. Euro area inflation for Apr is expected to be confirmed at +2.4% over the year and +0.6% over the month. Core CPI is expected to be +2.7% over the year.

There will be a range of Aus data out this week. The RBA will be watching closely the direction and impact of the Australian Federal Budget, wage data, and labour market conditions. The wage price index for Q1 is expected to accelerate slightly to +1% from +0.9% in Q4. The labour market survey for Apr will be important for the RBA given its dual mandate. Governor Bullock noted the importance of preserving labour market conditions in her opening press conference statement last week, "The Board wants to keep employment growing while bringing down inflation, and we think rates are at the right level to achieve this". Employment growth is expected to rebound this month to +25k after net employment edged slightly lower last month. The unemployment rate is expected to increase to 3.9% (from 3.8% in Mar).

Data out of China will also be closely watched after some firming in activity recently. Retail sales, industrial production, and fixed asset investment for the year to Apr will be released this week.

## US Treasury Issuance; 13 - 17 May 2024

This week, the US Treasury will auction and settle approx. \$606bn in ST Bills, Notes, and Bonds, raising approx. \$34bn in new money.

QT this week: Approx \$35bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$31bn in Notes & Bonds will be redeemed 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 %
13-17 May	09-May	14-May	4 week bill	80			Actual 5.270%	5.275%
	09-May	14-May	8 week bill	80			Actual 5.275%	5.270%
	08-May	14-May	17 week Bill	60			Actual 5.240%	5.245%
				220	216	4		
	13-May	16-May	13 week bill	70			Announced	5.250%
	13-May	16-May	26 week bill	70			Announced	5.155%
	14-May	16-May	52 week bill	46			Announced	4.915%
	14-May	16-May	42-Day CMB	75			Announced	5.280%
				261	248	13		
	07-May	15-May	3yr Note	58			Actual 4.605%	4.548%
	08-May	15-May	10yr Note	42			Actual 4.483%	4.560%
	09-May	15-May	30yr Bond	25			Actual 4.635%	4.671%
				125	107.8	17		
			<b>Total - securities settling this week</b>	<b>606</b>	<b>572</b>	<b>34</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>3717</b>	<b>3659</b>	<b>58</b>		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>					243
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
	14-May		ST Bills	0.7				
	15-May		Notes & Bonds	15.7				
	16-May		ST Bills	18.5				
				34.9				
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>					
	15-May		Notes & Bonds	31.3				

## Quantitative Tightening Overview – May 2024

In May, the face value of Coupons maturing on the Fed balance sheet is approx. \$90.1bn. This is more than the \$60bn monthly cap for balance sheet roll-off. So of the \$90.1bn of Coupons maturing in Apr, \$60bn will roll off the Fed balance sheet and \$30.1bn will be reinvested. It also means that all ST Bills maturing in May will be reinvested.

From Jun, the monthly redemption cap on Treasuries will be lowered from \$60bn to \$25bn. The monthly redemption cap on agency and mortgage-backed securities will be maintained at \$35bn.

Summary of Total Coupons & Bills to Redeem at the \$60bn redemption cap - May				
			\$60	
			Redeem \$Bn	Reinvest \$ Bn
15-May-24	Notes & Bonds		31.3	15.7
31-May-24	Notes & Bonds		28.7	14.4
	ST Bills		0.0	70.6
	<b>Total Notes &amp; Bonds</b>		<b>60.0</b>	<b>100.7</b>

May 2024 ST Bill maturity schedule;

Bill Maturity Schedule - MAY			Weekly Totals \$Bn		
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
2024/05/02	15.57	37%	0.00	15.57	
2024/05/07	0.65	2%	0.00	0.65	
2024/05/09	11.97	28%	0.00	11.97	
2024/05/14	0.65	2%	0.00	0.65	
2024/05/16	18.49	43%	0.00	18.49	
2024/05/21	0.67	2%	0.00	0.67	
2024/05/23	11.16	26%	0.00	11.16	
2024/05/28	0.81	2%	0.00	0.81	
2024/05/30	10.61	25%	0.00	10.61	
	70.6		0.00	70.6	

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

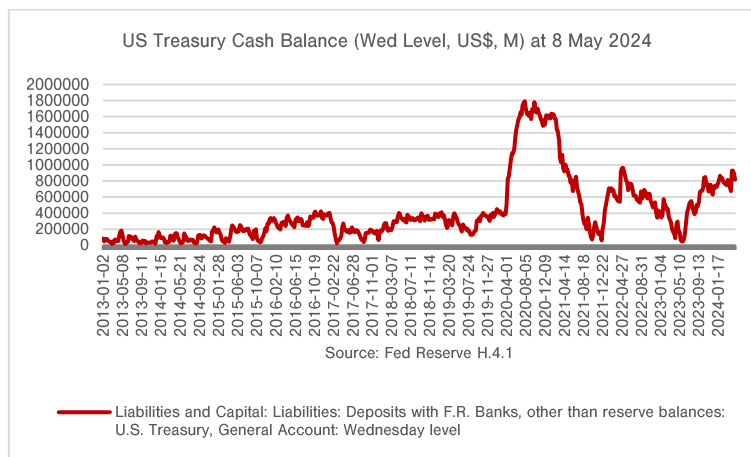
## Recommended US Treasury Financing – Q2 2024

Q2 2024; The US Treasury expects to borrow \$243 billion in privately held net marketable debt, assuming an end-of-June cash balance of \$750 billion. This was revised slightly higher than the initial estimate of +\$202bn, due to lower cash receipts that were partially offset by a higher start-of-quarter cash balance.

Estimate Q3 2024; Treasury expects to borrow \$847 billion in privately held net marketable debt, assuming an end-of-September cash balance of \$850 billion.

## US Treasury Cash Levels (TGA)

As of Wed 8 May 2024, the level of the TGA fell to \$817bn (-\$73bn compared to the week prior). The TGA balance is approx. \$662bn *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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

## CALENDAR W/C 13 MAY 2024

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### MONDAY 13 MAY (US Eastern Time, unless stated otherwise)

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Australia NAB Business Conditions and Confidence (Apr)

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US Fed speeches: Vice Chair Jefferson, Mester

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Japan PPI (Apr)

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### TUESDAY 14 MAY

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UK Labour Market Survey (3mth Mar)

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Australia Federal Budget, Wage Price Index Q1

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US PPI (Apr), NFIB Business Optimism Index (Apr), OPEC monthly report  
US Fed Chair Powell (moderated discussion), Fed speeches; Cook

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### WEDNESDAY 15 MAY

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Europe Eurozone GDP & Employment Q1, Eurozone Industrial Production (Mar)

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US CPI (Apr), Retail Sales (Apr), MBA Mortgage Apps wk ending 11 May, NY Empire  
State Manufacturing Survey (May), NAHB Housing Market Index (May)  
Fed speeches: Kashkari, Bowman

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Japan GDP Q1

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Australia Labour Market Survey (Apr)

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### THURSDAY 16 MAY

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Japan Industrial Production (Mar)

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US Initial Jobless Claims wk ending 11 May, Building Permits & Housing Starts (Apr),  
Export & Import Price Index (Apr), Industrial Production (Apr), Philadelphia Fed  
Manufacturing Survey (May)  
US Fed speeches: Mester, Bostic, Barr (Senate hearing)

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NZ PPI Q1

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China House Price Index, F/A Investment, Industrial Production, Retail Sales (Apr)

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### FRIDAY 17 MAY

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Europe Eurozone CPI – Final (Apr)

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US US Fed speeches; Governor Waller  
Weekend Fed speeches: Kugler (Sat - Commencement speech), Fed Chair Powell  
(Sun – Commencement remarks)

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