

Key events this week – FOMC & BoJ meeting this week, US CPI

Recap from last week: Stronger than expected US payrolls for May will likely continue to support the FOMC in keeping policy rates unchanged at its meeting this week.

US non-farm payroll growth in May was +272k – significantly higher than the +185k expectation. Revisions to the prior two months were minor at -15k. Despite slowing from recent peaks, the annual rate of payroll growth of +1.8% is still sitting above the 5-year pre-pandemic average of +1.7%. However, the household survey of the labor market remained subdued in May, with employment growth continuing to slow and the unemployment rate, though historically low, continuing to drift higher. The recent dynamic from the JOLTS survey was unchanged; labor demand has eased while layoffs and discharges have stayed at a series low level of 1%. Notably, the job openings rate has fallen sharply over the past two months from 5.3% in February to 4.8% in April, below the 12-month average of 5.3%. This, along with slower employment growth and a modest rise in the unemployment rate, suggests some cooling in labor market conditions, aligning with the FOMC's goal of balancing labor demand and supply. That said, average hourly earnings for May were higher than expected at +0.4% for the month, with the annual rate firming at around +4.1%. Earnings growth appears to have stalled around this rate over the last several months.

US data was positive last week, despite mixed results from the US ISM surveys. The latest estimate of US Q2 GDP growth from the [Atlanta Fed GDPNowcast](#) increased to +3.1% by the end of the week, from a run rate of +1.8% at the start of the week.

The ECB and BoC both cut rates as expected last week. The ECB reduced its benchmark rates by 25bps while maintaining its data-dependent guidance.

“Then we decided to cut, and we did so because overall our confidence in the path ahead, because we have to be forward-looking, has been increasing over the last months.” Source: Christine Lagarde, [ECB Press Conference](#), 6 Jun

The BoC also reduced its benchmark rate by 25bps. The BoC noted evidence that underlying inflation is easing, and that policy no longer needs to be as restrictive. Recent data has increased the BoC's confidence that inflation will continue to move towards the 2% target. That said, there was still caution around high services inflation. The BoC maintained its data-dependent guidance but did suggest that it “would be reasonable to expect further cuts” if inflation continued to ease (source: Bank of Canada, [Opening Statement](#))

Outlook for the week ahead: It's the second week of important monetary policy decisions – and this week the focus will be on the FOMC and BoJ meetings. The latest US CPI data for May will be out on the same day as the FOMC decision.

The FOMC is expected to keep policy settings unchanged. The FOMC has previously outlined two broad scenarios that could lead to rate cuts. The first scenario involves an unexpected weakening of the labor market. Last week's payroll data for May exceeded expectations, indicating that while the labor market is showing some signs of cooling, it remains in line with expectations. The second scenario involves gaining greater confidence that inflation is moving towards 2% and adjusting policy rates to a lower inflation environment. After stalling in Q1, the April inflation data has provided some relief, suggesting that progress on disinflation may have resumed. However, the FOMC is likely to maintain its position that it needs more positive inflation data to be confident that inflation is moving towards its 2% target before cutting rates. The latest round of economic

projections will be released at this meeting, with changes to interest rate projections through 2024 being the most closely watched. At the time of writing, [markets are pricing one rate cut](#) for 2024.

Headline US CPI for May is expected to be little changed at +3.4% over the year but is expected to slow to +0.1% over the month (versus +0.3% in Apr). Core inflation is expected to ease slightly to +3.5% in May from +3.6% in Apr while monthly core inflation is expected to be unchanged at +0.3% in May from +0.3% in Apr.

The US annual headline PPI rate is expected to remain at +2.2% in May, versus +2.2% in Apr. The monthly headline PPI rate is expected to ease to +0.1% in May, from +0.5% in Apr. Core PPI is expected to ease to +2.3% over the year in May from +2.4% in Apr, while the monthly core rate is expected to ease to +0.3% from +0.5% in Apr.

The BoJ will meet this week and policy settings are expected to be unchanged. However, there is some [expectation](#) that the BoJ may provide signaling on plans to further normalize monetary policy settings, namely a reduction in its bond purchases.

The Aus labour market data for May will be released this week and will be an important input for the RBA meeting next week. Net employment growth is expected to be +30k, down slightly from +38k in Apr, participation is expected to be unchanged, and the unemployment rate is expected to ease back to 4% from 4.1% in Apr.

US Treasury Issuance; 10 - 14 June 2024

This week, the US Treasury will auction and settle approx. \$565bn in ST Bills, Notes, and Bonds, raising approx. \$49.5bn in new money.

QT this week: Approx \$4.8bn 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 %
10-14 Jun 2024	06-Jun	11-Jun	4 week Bill	70			Actual 5.270%
	06-Jun	11-Jun	8 week Bill	70			Actual 5.265%
	05-Jun	11-Jun	17 week Bill	60			Actual 5.225%
				200	215	-15	
	10-Jun	13-Jun	13 week Bill	70			Announced 5.250%
	10-Jun	13-Jun	26 week Bill	70			Announced 5.155%
	11-Jun	13-Jun	52 week Bill	46			Announced 4.895%
	11-Jun	13-Jun	42-Day CMB	60			Announced 5.275%
				246	250	-4	
	10-Jun	17-Jun	3yr Note	58			Announced 4.605%
	11-Jun	17-Jun	10yr Note	39			Announced 4.483%
	13-Jun	17-Jun	30yr Bond	22			Announced 4.635%
				119	50	69	
			Total - securities settling this week	565	515.5	49.5	
			Net New Cash Raised Qtr to Date	5785	5526	259	
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			243	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		11-Jun	ST Bills	0.8			
		13-Jun	ST Bills	4.0			
				4.8			
			Maturing & redemption (balance sheet roll-off)				
			Nil	0.0			
				0.0			

Quantitative Tightening Overview – June 2024

In Jun, the face value of [Coupons](#) maturing on the Fed balance sheet is approx. \$35.7bn. This is more than the \$25bn monthly cap on Treasury redemptions. So of the \$35.7bn of Coupons

maturing in Jun, \$25bn will roll off the Fed balance sheet and \$10.7bn will be reinvested. It also means that all ST Bills maturing in Jun will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$25bn redemption cap - June			
			\$25
		Redeem \$Bn	Reinvest \$ Bn
15-Jun-24	Notes & Bonds	9.0	3.8
30-Jun-24	Notes & Bonds	16.0	6.8
Jun	ST Bills	0.0	12.3
Total Notes & Bonds		25.00	23.0

Jun 2024 ST Bill maturity schedule;

Bill Maturity Schedule - JUNE			Weekly Totals \$Bn		
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
2024/06/04	0.81	7%	0.00	0.81	
2024/06/06	1.56	13%	0.00	1.56	
2024/06/11	0.82	7%	0.00	0.82	
2024/06/13	3.98	32%	0.00	3.98	
2024/06/18	0.84	7%	0.00	0.84	
2024/06/20	0.68	6%	0.00	0.68	
2024/06/25	0.83	7%	0.00	0.83	
2024/06/27	2.84	23%	0.00	2.84	
	12.35	100%	0.00	12.35	

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

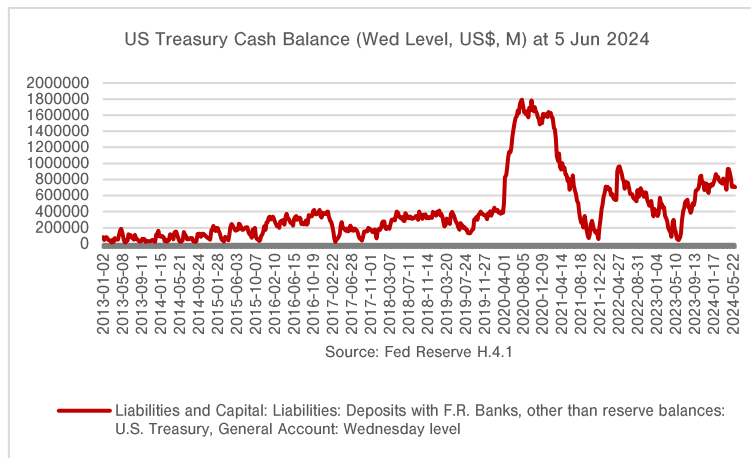
Recommended US Treasury Financing – Q2 2024

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 5 Jun 2024, the level of the TGA decreased to \$703bn (-\$12bn compared to the week prior). The TGA balance is approx. \$625bn 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 10 JUNE 2024

MONDAY 10 JUNE (US Eastern Time, unless stated otherwise)

Japan GDP Q1 – Final

Australia NAB Business Conditions and Confidence (May)

TUESDAY 11 JUNE

UK Labour Market Survey (3mth to Apr)

US NFIB Business Optimism Index (May), OPEC Monthly Report

Japan PPI (May)

China CPI & PPI (May)

WEDNESDAY 12 JUNE

Europe Germany CPI – Final (May)

US CPI (May), MBA Mortgage Apps wk ending 8 Jun
FOMC Monetary Policy Decision

Canada BoC Governor Macklem – panel discussion

Australia Labour Market Survey (May)

THURSDAY 13 JUNE

Europe Eurozone Industrial Production (Apr)

US Initial Jobless Claims wk ending 8 Jun, PPI (May), Fed speeches: Williams

Japan Industrial Production – Final (Apr)
BoJ Monetary Policy Meeting

FRIDAY 14 JUNE

US Export & Import Price Indexes (May), University of Michigan Consumer Sentiment – Prelim (Jun), Fed speeches; Goosbee, Cook
