

## Key events this week – US retail sales, central banks; BoE, RBA, and SNB, inflation; UK, Japan, and Euro Area, S&P prelim PMI's Jun

Recap from last week The FOMC kept monetary policy settings unchanged, emphasizing the importance of balancing its dual mandate. Chair Powell noted modest progress on inflation, with the latest May CPI report showing improvement. However, the FOMC needs more positive data before loosening policy.

And we do see today's report as progress and as, you know, building confidence. But we don't see ourselves as having the confidence that would warrant beginning to loosen policy at this time.

The Committee delayed rate cuts, projecting one to two cuts this year, down from March's estimate of one to three. Disinflation progress is expected to be slow, with higher projected PCE inflation rates reflecting more conservative forecasts:

We're assuming, you know, good but not great numbers.

The latest May CPI & PPI results suggest a softer reading in the FOMC preferred measure of PCE price inflation for May (due in the following week).

I think, let me say that we welcome today's reading and then hope for more like that.

U.S. growth is still expected to slow back to trend over the remainder of the year, while the unemployment rate is expected to remain unchanged at the current level of 4% for the rest of the year.

We kind of see what we wanted to see, which was gradual cooling and demand, gradual rebalancing in the labor market while we're continuing to make progress on inflation.

So, we're getting good results here.

The updated projections raised questions about the timing of rate cuts. However, in the absence of more information, the FOMC is managing its dual mandate cautiously, prepared to maintain the current federal funds rate if inflation persists but ready to cut rates if the labor market unexpectedly weakens or inflation falls rapidly.

The BoJ kept policy settings on hold. It did signal that at the next monetary policy meeting the Policy Board will decide on "a detailed plan for the reduction of its purchase amount (of JGB's) during the next one to two years or so".

Outlook for the week ahead: It will be a short US week with the Juneteenth Holiday on 19 June.

The focus this week will be on US growth data, central bank decisions, and global inflation reports.

There will be a range of US spending, production, and housing data providing a further update on the progress of US GDP growth in Q2. The main focus in the US will be retail sales for May. After the softer retail growth in Apr of 0%, retail sales in May are expected to increase modestly by +0.3%. US industrial production is expected to increase by +0.2% in May after 0% growth in Apr. US housing starts for May are expected to increase by 1.37m (annualized), up from 1.36m in Apr. Building permits are expected to increase slightly to 1.45m annualized in May, from 1.44m in Apr.

Existing home sales are expected to ease slightly to 4.08m annualized in May, down from 4.14m in Apr.

The US initial claims will be an important indicator to watch. Last week, the NSA initial claims series increased in line with seasonal patterns, however, there was also a notable increase of +242k in the seasonally adjusted (SA) initial claims. This is still relatively low, but the 4-week average has edged higher and this will be important to watch. Initial claims (SA) for the week ending 15 Jun are expected to increase by +235k.

There will be several Fed speeches throughout the week.

There will be a number of central bank meetings this week. The RBA will meet early in the week and policy settings are expected to be unchanged. At the last meeting, concerns over persistent inflation were noted. Guidance had indicated that it would be 'some time yet' before inflation was sustainably in the target range. The path of interest rates remains uncertain, with the Board "not ruling anything in or out". The latest monthly CPI series for Apr indicated that progress on inflation had remained stalled. Last week, the labour market data for May was positive, as employment growth remained solid for the month, and the unemployment rate edged slightly lower as expected.

The BoE will meet this week and policy settings are expected to be unchanged. The latest update on inflation for May will be released the day before the meeting. The prior inflation reading had eased, but not by as much as expected. Headline inflation is expected to slow to +2% in May from +2.3% in Apr, while core CPI is expected to ease further from +3.9% in Apr to +3.5% in May. Guidance from the prior decision noted that "policy needs to stay restrictive for an extended period of time until the risk of inflation becoming embedded above the 2% target dissipates".

The Swiss National Bank is expected to decide on its policy rate this week.

Other inflation reports this week include the final Euro Area CPI for May. Headline inflation is expected to be confirmed at +2.6% and core CPI is expected to be confirmed at +2.9%.

Japanese National headline CPI for May is expected to be little changed at +2.5%. The BoJ preferred measure of core inflation excluding fresh food is expected to increase to +2.6% in May from +2.2% in Apr.

Finally, the latest prelim PMIs for Jun will be released later in the week rounding out the view of Q2 private sector growth momentum.

## **US Treasury Issuance; 17 - 21 June 2024**

This week, the US Treasury will auction and settle approx. \$519bn in ST Bills, Notes, and Bonds, raising approx. \$34bn in new money. This includes the 3-year and 10-year Notes, and 30-year Bonds auctioned last week, which settle this week. Also, \$34bn in 5-year TIPS and 20-year Bonds will be auctioned this week – to settle at the end of the month.

QT this week: Approx \$4.7bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx. \$9bn in Notes & Bonds will be redeemed and rolled 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 %
<b>19 Jun - Juneteenth Holiday</b>							
17-21 Jun 2024	13-Jun	18-Jun	4 week bill	70			5.270%
	13-Jun	18-Jun	8 week bill	70			5.265%
	12-Jun	18-Jun	17 Week Bill	60			5.225%
				200	215	-15	
	17-Jun	20-Jun	13 week bill	70			Announced 5.250%
	17-Jun	20-Jun	26 week bill	70			Announced 5.185%
	17-Jun	20-Jun	42-Day CMB	60			Announced 5.270%
			200	219	-19		
<b>Total - securities selling this week</b>				<b>400</b>	<b>434</b>	<b>-34</b>	
<b>Net New Cash Raised Qtr to Date</b>				<b>6185</b>	<b>5960</b>	<b>225</b>	
<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>						<i>243</i>	
<b>Face value of US Federal Reserve SOMA securities maturing</b>				<b>\$B</b>			
<b>Maturing &amp; reinvestment</b>							
	17-Jun		Notes & Bonds	3.8			
	18-Jun		ST Bills	0.8			
	20-Jun		ST Bills	0.7			
				4.7			
<b>Maturing &amp; redemption (balance sheet roll-off)</b>							
	17-Jun		Notes & Bonds	9.0			
				9.0			
<b>Upcoming Auctions</b>				<b>\$B</b>			
	18-Jun	01-Jul	20 yr Bond	13			
	20-Jun	28-Jun	5yr TIPS	21			

## 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
<b>Total Notes &amp; Bonds</b>		<b>25.00</b>	<b>23.0</b>

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>

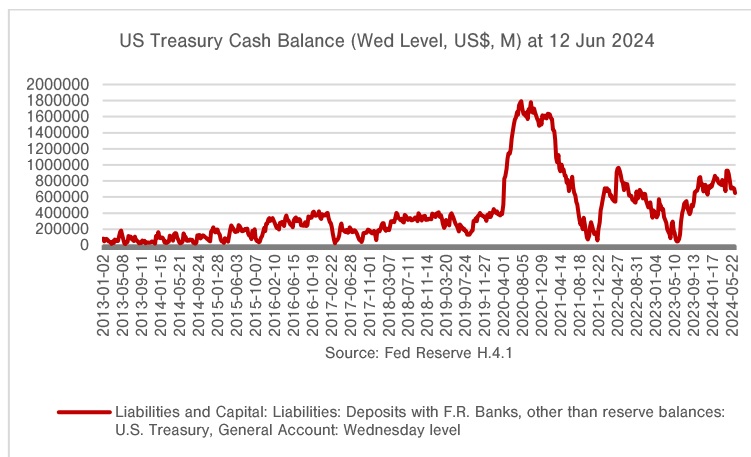
## Recommended US Treasury Financing – Q2 2024

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 12 Jun 2024, the level of the TGA decreased to \$650bn (-\$53bn compared to the week prior). The TGA balance is approx. \$515bn *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 17 JUNE 2024

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## MONDAY 17 JUNE (US Eastern Time, unless stated otherwise)

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China	House price Index, FA Investment, Industrial Production, and Retail Sales (May)
Europe	Euro Area Labor Cost Q1
US	Empire State Manufacturing Index (Jun), Fed speeches; Harker, Cook, Williams

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## TUESDAY 18 JUNE

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Australia	RBA Monetary Policy Decision
Europe	Euro Area CPI – Final (May)
US	Retail Sales (May), Industrial Production (May), Fed speeches; Kugler, Logan, Barkin, Collins, Goolsbee
Japan	Merchandise Trade, Exports & Imports (May)

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## WEDNESDAY 19 JUNE

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UK	CPI (May)
US	Juneteenth Holiday, NAHB Housing Market Index (Jun)
Canada	BoC Deliberation Minutes
NZ	GDP Q1
China	PBoC Decision

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## THURSDAY 20 JUNE

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Switzerland	SNB Monetary Policy Decision
UK	BoE Monetary Policy Decision
US	Initial Jobless Claims wk ending 15 Jun, MBA Mortgage Apps wk ending 15 Jun, Building Permits & Housing Starts (May), Philadelphia Fed Manufacturing Index (Jun)
Australia	S&P Prelim Manufacturing & Services PMI (Jun)
Japan	National CPI (May), S&P Prelim Manufacturing & Services PMI (Jun)

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## FRIDAY 21 JUNE

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UK	Retail Sales (May), S&P Prelim Manufacturing & Services PMI (Jun)
Europe	Eurozone S&P Prelim Manufacturing & Services PMI (Jun)
Canada	Retail Sales (Apr)
US	S&P Prelim Manufacturing & Services PMI (Jun), Existing Home Sales (May)

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