

## Key events this week – US retail sales, Fed speeches; Powell & Waller, ECB meeting, global CPI reports; UK, Canada, Euro Area final, Japan, and NZ, Aus labor market

Recap from last week; US Fed Chair Powell delivered his semi-annual testimony to the US Congress before the release of the latest inflation reports. In his testimony, Fed Chair Powell reiterated recent messages that the FOMC still needs greater confidence that inflation is moving sustainably to the 2% target. More 'good data' on inflation would strengthen that confidence. Finally, the focus on the two elements of the dual mandate is now more in balance than they have been in a long time. While most of the focus has been on inflation in recent years, the labor market is "pretty much in balance to where it needs to be" (source: [Financial Services Committee](#)).

The US CPI for Jun came in lower than expected and likely qualifies as another good inflation report for the Fed, indicating further progress along the disinflationary path. The headline CPI rate slowed from +3.3% in May to +3% in Jun. The core inflation rate provided some further good news, easing from +3.4% in May to +3.3% in Jun – with most of the deceleration coming from core services and some easing in more persistent shelter price inflation.

The US PPI report for Jun was higher than expected. The headline PPI rate increased to +2.7% in Jun from +2.4% in May. While final demand goods prices fell, led mostly by the fall in energy prices, final demand services price growth accelerated, led by the rising trade services index (wholesale & retail margins). Some of these pressures are not likely to feed into the Fed-preferred PCE inflation gauge (due 26 Jul).

It was overall a quiet week for other US data. The update to the [Atlanta Fed GDP Nowcast](#) for Q2 resulted in the GDP run rate lifting to +2% growth from +1.5% at the end of the prior week. Also, after the US inflation data, markets started pricing a 50% chance of a third cut in rates this year (source: [CME FedWatch](#)).

The RBNZ met last week and kept rates on hold as expected. The tone of the decision shifted to dovish with guidance acknowledging that while policy will need to stay restrictive, the extent of restraint will be tempered over time as inflation eases. This was a change from the May meeting which indicated that interest rate cuts continued to be delayed. The RBNZ noted a growing body of evidence that excess capacity in the domestic economy is emerging, providing greater certainty that domestic-led price pressures will sustainably decline. The latest NZ Q2 inflation data will be released this week, and this will be an important update for the near-term outlook on NZ rates.

Outlook for the week ahead; Our focus this week shifts to a broader update on US growth for Q2. With the Fed now emphasizing greater balance in achieving its dual mandate, changes in growth momentum will be important for understanding the broader risk to employment outcomes while the Fed seeks greater confidence in reaching its inflation target.

US data this week will start to incorporate the final month of Q2 across consumer spending, housing investment, and industrial output. US retail sales growth in Jun is expected to be flat at 0% change after increasing by +0.1% in May. US industrial production is expected to increase by +0.3% in Jun after rising by +0.9% in May. US housing starts are expected to increase from 1.277m (annualized rate) in May to 1.39m in Jun. New housing permits are expected to be little changed at 1.39m (annualized rate) in Jun.

Two important US Fed speeches will be in focus this week. US Fed Chair Powell will speak on Monday 15 Jul and Governor Waller will speak on the economic outlook on Wed 17 Jul. Next week, the Fed will be in the blackout period ahead of the FOMC meeting on 30-31 Jul.

The US election landscape remains in focus. The Republican National Convention will be held this week and is expected to confirm President Trump as the official nominee for President. The Republican Vice President candidate is also expected to be announced at the convention. Uncertainty over the candidacy of President Biden remains elevated.

The ECB will meet this week and is expected to keep policy settings unchanged. The ECB cut rates at the last meeting, noting that the inflation outlook, the dynamics of underlying inflation, and the strength of monetary policy transmission supported increased confidence that inflation was converging to target. The ECB continues to reiterate a data-dependent, meeting-by-meeting approach. Since the Jun meeting, progress on inflation has slowed somewhat. This week, the final Euro Area CPI reading for Jun is expected to be confirmed at +2.5% and core CPI at +2.9% over the year.

There will be several inflation reports this week and they will be important for upcoming central bank meetings. UK headline CPI is expected to slow to +1.9% in Jun from +2% in May. Core CPI is expected to be little changed at +3.5% in Jun from +3.5% in May. The next BoE meeting will be on 1 Aug.

Canada's CPI is expected to ease further. The BoC trimmed mean measure of underlying inflation is expected to slow further to +2.8% in Jun from +2.9% in May. Headline inflation is expected to slow to +0.1% over the month (slowing from +0.6% in May) and to be little changed at +2.9% over the year in Jun. The next meeting of the BoC will be next week on 24 Jul.

The BoJ preferred measure of Japanese inflation ex fresh food is expected to increase slightly from +2.5% in May to +2.7% in Jun.

NZ CPI for Q2 is expected to slow slightly to +0.5% over the quarter from +0.6% in Q1. Annual inflation is expected to stay little changed around +4%.

The Aus labour market update for Jun will be released this week. Employment growth is expected to moderate slightly, while the unemployment rate is expected to be unchanged at 4%. The next RBA meeting will be on 6 Aug and questions remain over whether the RBA may hike again. The more important Q2 CPI will be released before the next RBA meeting on 31 Jul.

Finally, a range of Chinese data was released over the weekend, showing a further moderation in growth over Q2 as domestic demand growth slowed. This supported the view from the Jun trade data last week showing imports falling while export growth remained robust. China's third plenum will be held this week and is usually a forum for announcing longer-term policy initiatives.

## **US Treasury Issuance; 15 -19 July 2024**

This week, the US Treasury will auction and settle approx. \$570bn in ST Bills, Notes, and Bonds raising approx. \$74bn in new money. The US Treasury will also auction the 20-year Bond and 10-year TIPS this week – both will settle at the end of the month.

QT this week: Approx \$28.5bn in ST Bills, Notes, Bonds, and TIPS will mature on the Fed balance sheet and will be reinvested. Approx \$14.7bn in Notes, Bonds, and TIPS 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 %
15-19 Jul	11-Jul	16-Jul	4 week bill	90			Actual 5.270%	5.280%
	11-Jul	16-Jul	8 week bill	85			Actual 5.260%	5.275%
	10-Jul	16-Jul	17-Week Bill	60			Actual 5.195%	5.205%
				235	210	25		
	15-Jul	18-Jul	13 week bill	76			Announced	5.230%
	15-Jul	18-Jul	26 week bill	70			Announced	5.080%
	16-Jul	18-Jul	42-Day CMB	70			Announced	5.270%
				216	198	18		
	09-Jul	15-Jul	3yr Note	58			Actual 4.399%	4.659%
	10-Jul	15-Jul	10yr Note	39			Actual 4.276%	4.438%
	11-Jul	15-Jul	30yr Bond	22			Actual 4.405%	4.403%
				119	88	31		
			<b>Total - securities settling this week</b>	570	496	74		
			<b>Net New Cash Raised Qtr to Date</b>	<b>1676</b>	<b>1466</b>	<b>210</b>		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			847		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>			<b>\$B</b>		
			<b>Maturing &amp; reinvestment</b>					
	15-Jul		Notes, Bonds, and TIPS	19.3				
	16-Jul		ST Bills	0.6				
	18-Jul		ST Bills	8.6				
				28.5				
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>					
	15-Jul		Notes, Bonds, and TIPS	14.7				
				14.7				
			<b>Upcoming Auctions</b>			<b>\$B</b>		
	18-Jul	31-Jul	10yr TIPS	19				
	17-Jul	31-Jul	20-Year Bond	13				

## Quantitative Tightening Overview – July 2024

In Jul, the face value of Coupons maturing on the Fed balance sheet is approx. \$57.8bn. This is more than the \$25bn monthly cap on Treasury redemptions. So of the \$57.8bn of Coupons maturing in Jul, \$25bn will roll off the Fed balance sheet and \$32.8bn will be reinvested. It also means that all ST Bills maturing in Jul will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$25bn redemption cap - Jul				
			\$25	
			Redeem \$Bn	Reinvest \$ Bn
15-Jul-24	Notes, Bonds, and TIPS	14.7		19.3
31-Jul-24	Notes, Bonds, and FRN's	10.3		13.5
	ST Bills			39.7
	<b>Total Notes &amp; Bonds</b>	<b>25</b>		<b>72</b>

Jul 2024 ST Bill maturity schedule;

Bill Maturity Schedule - Jul	Par Value of Bills Maturing	% Maturity by Wk	Weekly Totals \$Bn	
			Bill Redemption	Bill Reinvestment
2024/07/02	0.58	1%	0.00	0.58
2024/07/05	8.82	22%	0.00	8.82
2024/07/09	0.58	1%	0.00	0.58
2024/07/11	10.82	27%	0.00	10.82
2024/07/16	0.60	2%	0.00	0.60
2024/07/18	8.60	22%	0.00	8.60
2024/07/23	0.65	2%	0.00	0.65
2024/07/25	8.28	21%	0.00	8.28
2024/07/30	0.72	2%	0.00	0.72
	39.7	100%	0.0	39.7

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

## Recommended US Treasury Financing – Q2 2024

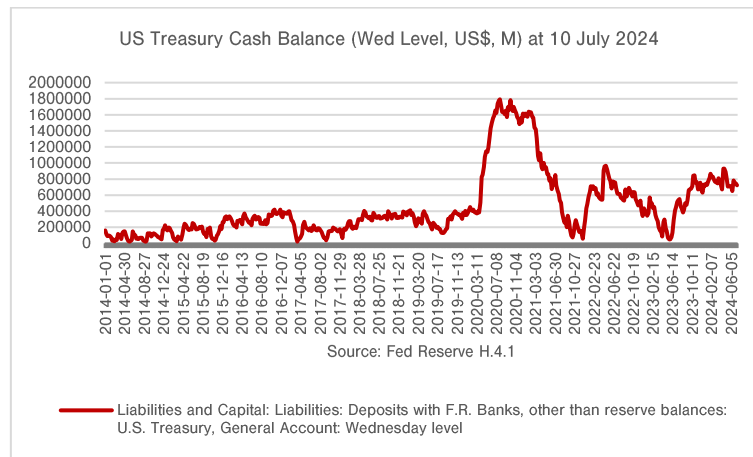
Estimate Q3 2024; The US Treasury expects to borrow \$847 billion in privately held net marketable debt, assuming an end-of-September cash balance of \$850 billion. The next schedule will be released on 29 and 31 Jul 2024.

Q2 2024; The US Treasury expected to borrow \$243 billion in privately held net marketable debt, assuming an end-of-June cash balance of \$750 billion. The cash balance on Wed 26 Jun was \$744bn.

## US Treasury Cash Levels (TGA)

As of Wed 10 Jul 2024, the level of the TGA decreased to \$722bn (-\$24bn compared to the week prior).

The TGA balance is approx. \$205bn *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 15 JULY 2024

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## MONDAY 15 JULY (US Eastern Time, unless stated otherwise)

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China	GDP Q2, FA Investment, Industrial Production, and Retail Sales (Jun)
Europe	Eurozone Industrial Production (Jun)
US	Empire State Manufacturing Index (Jul) US Fed Chair Powell; Conversation at the Economic Club of Washington
Canada	BoC Business Outlook Survey

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## TUESDAY 16 JULY

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Canada	CPI (Jun)
US	Retail Sales (Jun), Export & Import Price Indexes (Jun), NAHB Housing Market Index (Jul), US Fed speeches; Kugler
NZ	CPI Q2

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## WEDNESDAY 17 JULY

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UK	CPI (Jun)
Europe	Euro Area CPI – Final (Jun)
US	MBA Mortgage Apps wk ending 13 Jul, New Housing Permits & Starts (Jun), Industrial Production (Jun), Fed Beige Book Speech: Fed Gov Waller – the economic outlook
Japan	Merchandise Trade Balance, Exports, & Imports (Jun)
Australia	Labour Market & Employment Survey (Jun)

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## THURSDAY 18 JULY

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UK	Labor Market Survey (3-months May)
Europe	ECB Monetary Policy Decision
US	Initial Jobless Claims wk ending 13 Jul, Philadelphia Fed Manufacturing Index (Jul), Existing Home Sales (Jun), Fed speeches; Bowman

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## FRIDAY 19 JULY

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Japan	National CPI (Jun)
UK	Retail Sales (Jun)
Canada	Retail Sales (Jun)
US	Fed speeches: Williams, Bostic

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