

Key events this week – US – Independence Day, non-farm payrolls, Fed Chair Powell, FOMC minutes, ISM surveys; Europe - ECB Forum on Central Banking, ECB minutes, prelim CPI Jun; Canada labor market; Aus – RBA minutes & retail sales; Global S&P PMIs

Recap from last week: The latest US PCE inflation report marked further progress on disinflation for the FOMC, showing an important moderation in inflation for May. PCE inflation measures came in as expected with core PCE slowing to +2.6% - and is below the latest FOMC projection of +2.8% over the year. The trimmed mean inflation rate has now slowed to below 3% for two months in a row. This is likely to be seen as another step in the right direction for the FOMC as it considers when to start easing policy.

However, the decision to start easing policy will be made in the context of the broader US growth and labor market conditions. US growth indicators showed some moderation last week. The final update of Q1 GDP growth was revised slightly higher to +1.4% annualized, however, personal consumption expenditure was revised lower – suggesting a slower pace of consumer spending through Q1.

Data feeding into the [Atlanta Fed GDPNowcast](#) for Q2 GDP indicated a moderation in growth from +3% to +2.2% by the end of the week. Personal spending data for May was lower than expected at +0.2% in nominal terms. Spending increased by +0.3% in real terms. Durable goods shipments (ex volatile non-defense aircraft) were flat in May, the first zero-growth month this year. The full Factory Orders (May) release this week will provide a further update on manufacturing activity. Initial claims stayed at +233k, with continuing claims drifting higher. This week's labor market data will be important in providing an update on conditions ahead of the FOMC meeting at the end of the month.

Outside the US, inflation data was firmer. Canadian CPI for May rose to +2.9%, driven by services inflation. Australia's CPI for May was higher than expected at +4%, up from 3.6% in April. The RBA's preferred trimmed mean measure rose to +4.4%, highlighting persistent inflation concerns. The upcoming RBA minutes this week will shed more light on inflation and interest rate debates.

Outlook for the week ahead: It will be a shortened US week with the 4th of July Independence Day holiday falling on Thursday. It's also a week of substantial data flows.

The focus will be on the broad update of US labor market conditions for Jun and how it impacts the FOMC outlook for rates amid moderating inflation and growth. One of the burning questions is whether the recent, albeit modest, rise in initial claims will be reflected in this report. Non-farm payrolls are expected to increase by +189k in Jun after the notable +272k increase in May. The unemployment rate is expected to stay unchanged at 4%. The JOLTS release for May is expected to show a further moderation in the number of job openings to 7.85m from 8.06m in Apr. Average weekly hours are expected to be unchanged at 34.3. Growth in average hourly wages is expected to be little changed at +4.1%.

US data will provide a further update on Q2 growth with both the ISM manufacturing and services PMIs for Jun. The manufacturing PMI is expected to remain little changed at 49 while services growth is expected to moderate slightly. US Factory Orders for May are expected to moderate to +0.3% over the month, slowing from +0.7% in Apr.

The FOMC minutes of the June meeting will be released this week. The updated projections from the June meeting raised questions about the timing of rate cuts, and the minutes may offer more insight into the conservative inflation projections.

The ECB forum on central banking at Sintra will commence on Monday and close on Wednesday 3 July. US Fed Chair Powell will take part in a panel discussion at the forum.

The ECB minutes of the June meeting will be released this week and should provide more detail about the decision to cut rates at the last meeting. The prelim Euro Area CPI for Jun is expected to continue to moderate. Headline inflation is expected to slow to +2.5% in Jun from +2.6% in Jun, and core CPI is expected to slow to +2.8% in Jun from +2.9% in May.

Finally, the broader suite of S&P global PMIs for Jun will be released this week. The prelim release for Jun was disappointing across the Eurozone, Japan, and Aus. The US was the exception with PMIs indicating a further, modest acceleration in activity in Jun.

Political headline risk continues to simmer this week. The fallout from last week's Biden and Trump debate may still affect the US election landscape. The UK will hold parliamentary elections this week on 4 July. In Europe, attention is on the first-round results of the French legislative elections and the lead-up to the second round this weekend on 7 July.

The French political world is now embarking on an intense two-day period of horse trading as each party tries to maximize its chances in the final ballot next weekend.

Source: [Bloomberg](#)

US Treasury Issuance; 1 – 5 July 2024

This week, the US Treasury will auction and settle approx. \$619bn in ST Bills, Notes, and Bonds, raising approx. \$100bn in new money.

QT this week: Approx \$9.4bn 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 %
Thur 4th July - National Independence Day Holiday							
1-5 July	27-Jun	02-Jul	4 Week Bill	80		Actual 5.270%	5.230%
	27-Jun	02-Jul	8 Week Bill	75		Actual 5.260%	5.260%
	26-Jun	02-Jul	17-Week Bill	60		Actual 5.220%	5.220%
				215	205	10	
	01-Jul	05-Jul	13 week bill	73		Announced	5.235%
	01-Jul	05-Jul	26 week bill	70		Announced	5.140%
	02-Jul	05-Jul	41-Day CMB	85		Announced	5.250%
				208	213	-5	
	18-Jun	01-Jul	20 yr Bond	13		Actual 4.452%	4.635%
	25-Jun	30-Jun	2yr Note	69		Actual 4.706%	4.917%
	26-Jun	30-Jun	5yr Note	70		Actual 4.331%	4.553%
	27-Jun	30-Jun	7yr Note	44		Actual 4.276%	4.650%
				196	101	95	
			Total - securities settling this week	619	519	100	
			Net New Cash Raised Qtr to Date	619	519	100	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			847	
			QT: Face value of SOMA securities maturing	\$B			
			Maturing & reinvestment				
		02-Jul	ST Bills	0.6			
		05-Jul	ST Bills	8.8			
				9.4			
			Maturing & redemption (balance sheet roll-off)				
			Nil	0.0			
				0.0			
				0.0			

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		39.1
	Total Notes & Bonds	25	72

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	23%	0.00	8.82
2024/07/09	0.58	1%	0.00	0.58
2024/07/11	10.82	28%	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	0.36	1%	0.00	0.36
2024/07/25	8.28	21%	0.00	8.28
2024/07/30	0.51	1%	0.00	0.51
	39.1	100%	0.0	39.1

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

Recommended US Treasury Financing – Q2 2024

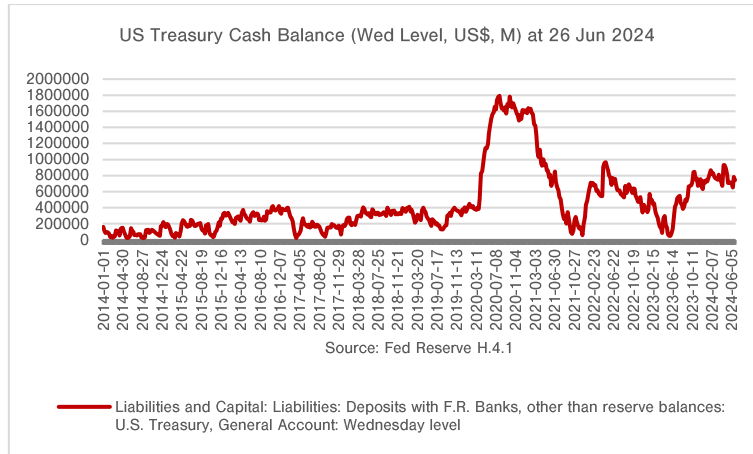
Q2 2024; The US Treasury expects to borrow \$243 billion in privately held net marketable debt, assuming an end-of-June cash balance of \$750 billion. The cash balance on Wed 26 Jun was \$744bn.

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. The next schedule will be released on 29 and 31 Jul 2024.

US Treasury Cash Levels (TGA)

As of Wed 26 Jun 2024, the level of the TGA decreased to \$744bn (-\$38bn compared to the week prior). This is close to the estimated end-of-quarter cash balance of \$750bn.

The TGA balance is approx. \$335bn *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 1 JULY 2024

MONDAY 1 JULY (US Eastern Time, unless stated otherwise)

Australia	Sunday night - S&P Manufacturing PMI – Final (Jun), ANZ Job Ads (Jun) Monday – RBA Minutes
Japan	S&P Manufacturing PMI – Final (Jun)
Europe	Eurozone S&P Manufacturing PMI – Final (Jun), Germany CPI – Prelim (Jun) ECB Forum on Central Banking Starts
US	S&P Manufacturing PMI – Final (Jun), ISM Manufacturing PMI (Jun)

TUESDAY 2 JULY

Europe	Euro Area CPI – Prelim (Jun) ECB speeches; ECB President Lagarde
US	JOLTS (May) US Fed Chair Powell – Discussion panel at the ECB Forum on Central Banking
Australia	Retail Sales (May), S&P Services PMI – Final (Jun), Building Permits (May)

WEDNESDAY 3 JULY

Europe	Eurozone S&P Services PMI – Final (Jun) Closing remarks – ECB Forum on Central Banking
US	MBA Mortgage Apps wk ending 29 Jun, Initial Jobless Claims wk ending 29 Jun, ADP Employment Change (Jun), Challenger Job Cut Announcements (Jun), Factory Orders (May), S&P Services PMI – Final (Jun), ISM Services PMI (Jun) FOMC Minutes, US Fed speeches; Williams, Bostic

THURSDAY 4 JULY

UK	Parliamentary Elections
Europe	Germany Factory Orders (May) ECB Minutes
US	Independence Day Holiday

FRIDAY 5 JULY

Europe	Germany Industrial Production (May), Eurozone Retail Sales (May)
Canada	Labour Market Survey (Jun)
US	Non-Farm Payrolls and Labor Market Survey (Jun)
