

Key events this week – FOMC, BoE, and BoJ meetings, US non-farm payrolls and labor market update, Aus and Euro area CPI

Recap from last week: US inflation and growth data were consistent with keeping the “soft landing” scenario in view for the FOMC as it considers the case to start cutting rates. The June US PCE inflation result likely bolstered the FOMC's confidence that inflation is still moving in the right direction. Recent 1-month and 3-month annualized rates have slowed below the 6-month and annual rates, indicating a decelerating trend. While core PCE inflation remained unchanged at +2.6% in June, it was still among the lowest readings since the 2022 inflation peak and below the FOMC's median projection for the year. The Fed will focus on services inflation, which, despite remaining high at +3.9%, showed improvement with a further slowing in persistent housing inflation.

The easing in inflation was supported by stronger-than-expected US growth over Q2. US GDP grew at an annualized +2.8% in Q2 (vs. +2% expected), up from +1.4% in Q1, driven by increased private inventories (mainly retail autos), higher personal consumption, and government spending. The FOMC has recently focused on the ‘final sales to domestic purchasers’ measure of demand which excludes volatile impacts of inventories and trade. On this measure, growth accelerated from +2.4% annualized in Q1 to +2.7% in Q2 – highlighting continued robust domestic demand. The growth results will support the FOMC as it likely waits for further confidence on the path of US inflation.

The BoC cut rates for the second time in a row. The BoC noted it was carefully assessing what it sees as the ‘opposing forces of inflation’. At the press conference, BoC Governor Macklem continued to guide that if inflation keeps easing in line with forecasts, then it would be reasonable to expect further cuts in the policy rate.

The prelim PMIs for Jul were mixed. Manufacturing activity weakened across most markets in Jul – except in the UK where manufacturing activity kept expanding at a modest pace. The expansion in services activity for Jul was led by a sharp rebound in Japan, a moderating expansion in the Eurozone, and a continued strong expansion in the US.

Outlook for the week ahead: It's a big week of central bank meetings, a broad update on the US labor market for Jul, and important inflation data for Aus and the Euro Area.

The focus will be on the FOMC this week and it is expected to keep policy settings unchanged. The FOMC is likely to continue to reiterate that its dual mandate objectives are now more in balance. It will be important to see how the FOMC is characterizing the progress on inflation – maybe noting that it is ‘getting closer to confident’. It's unclear how much signaling for rate cuts the FOMC will provide at this meeting – possibly opting to keep its data-dependent focus given the bumpy path of inflation over the last year. Markets are currently pricing the start of the rate-cutting cycle to begin in Sept, and this would give the FOMC several more inflation reports to provide the confidence that inflation is sustainably moving to 2%. The Sept meeting for a rate cut would coincide with updated projections to guide the path of the rate-cutting cycle. Between now and Sept, the FOMC will have the opportunity to provide signaling at the Jackson Hole symposium at the end of Aug.

The BoE will meet this week. Markets are expecting the first rate cut, but it could be a finely balanced decision. There wasn't much further progress on inflation in Jun which may keep the BoE concerned. Core CPI remained elevated at +3.5% in Jun – the same rate as in May. Services inflation remained unchanged and elevated at +5.7%.

The BoJ will meet this week and while it's not expected to raise rates, the decision could also be finely balanced. The BoJ preferred measure of core inflation (ex-fresh food) has been firming over the first half of 2024 and continued to increase to +2.6% in Jun from +2.5% in May – above the BoJ target of +2% inflation. The BoJ is expected to outline its roadmap for cutting bond purchases and will release its latest economic and inflation forecasts.

US data this week will focus on a broad update of the labor market. US non-farm payrolls are expected to slow to +177k in Jul, from +206k in Jun. The unemployment rate is expected to be unchanged at 4.1%. Job openings are expected to ease from the May 8.14m result. The Q2 employment cost index is expected to ease to +1% from +1.2% in Q1.

The US ISM manufacturing survey is expected to be little changed in Jul with activity contracting slightly at 48.8. US Factory orders for Jun are expected to firm from -0.5% in May to +0.5% in Jun.

The Aus Q2 CPI report will be released. This will be an important update for the RBA, which meets next week. Recent monthly CPI reports have shown firmer inflation. At the last RBA meeting, the upside risks to inflation were highlighted and Governor Bullock noted that the June quarter CPI report will offer a more comprehensive view of the current inflation dynamic. Headline CPI is expected to stay at +1% over the quarter and increase to +3.8% over the year (from +3.6% in Q1). The trimmed mean inflation rate is expected to ease slightly to +0.9% in Q2, but remain unchanged at +4% over the year.

The Euro Area prelim CPI for Jul will be released this week. Headline inflation is expected to ease to +2.3% over the year, from +2.5% in Jun. Core inflation is also expected to slow to +2.8% in Jul, from +2.9% in Jun. Euro area Q2 growth is expected to remain at a modest +0.3% over the quarter.

The full suite of S&P global PMIs will be released this week.

The US Treasury will release its latest quarterly refunding and financing requirements for Q3 and Q4.

US Treasury Issuance; 29 Jul – 2 Aug 2024

This week, the US Treasury will auction and settle approx. \$696bn in ST Bills, Notes, Bonds, and FRNs, raising approx. \$117bn in new money. This includes TIPs, Notes, Bonds, and FRNs auctioned over the two prior weeks.

QT this week: Approx \$29bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$10bn in Notes & Bonds will roll off the balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
29 Jul - 2 Aug	25-Jul	30-Jul	4 week bill	90			Actual 5.285%	5.270%
	25-Jul	30-Jul	8 week bill	85			Actual 5.260%	5.260%
	24-Jul	30-Jul	17-week bill	60			Actual 5.115%	5.135%
				235	210	25		
	29-Jul	01-Aug	13 week bill	76			Announced	5.190%
	29-Jul	01-Aug	26 week bill	70			Announced	4.990%
	30-Jul	01-Aug	42-Day CMB	70			Announced	5.270%
				216	200	16		
	18-Jul	31-Jul	10yr TIPS	19			Actual 1.883%	2.184%
	17-Jul	31-Jul	20-Year Bond	13			Actual 4.466%	4.452%
	25-Jul	31-Jul	7-Year Note	44			Actual 4.162%	4.276%
	24-Jul	31-Jul	5-Year Note	70			Actual 4.121%	4.331%
	23-Jul	31-Jul	2-Year Note	69			Actual 4.434%	4.706%
	24-Jul	31-Jul	2-Year FRN	30			Actual 0.182%	0.155%
				245	169	76		
			Total - securities settling this week	696	579	117		
			QTR to date totals	3,068	2,624	444		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			847		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		30-Jul	ST Bills	0.7				
		31-Jul	Notes & Bonds	13.5				
		01-Aug	ST Bills	15.0				
				29.2				
			Maturing & redemption (balance sheet roll-off)					
		31-Jul	Notes & Bonds	10.3				

Quantitative Tightening Overview – Aug 2024

In Aug, the face value of Coupons maturing on the Fed balance sheet is approx. \$64.6bn. This is more than the \$25bn monthly cap on Treasury redemptions. So of the \$64.6bn of Coupons maturing in Aug, \$25bn will roll off the Fed balance sheet and \$39.6bn will be reinvested. It also means that all ST Bills maturing in Aug will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$25bn redemption cap - Aug				
			\$25	
			Redeem \$Bn	Reinvest \$ Bn
15-Aug-24	Notes & Bonds	15.0	23.8	
31-Aug-24	Notes & Bonds	10.0	15.8	
	Bills	0.0	67.4	
	Total Notes & Bonds	25.0	107.0	

Aug 2024 ST Bill maturity schedule;

Bill Maturity Schedule - Aug	Par Value of Bills Maturing	% Maturity by Wk	Weekly Totals \$Bn	
			Bill Redemption	Bill Reinvestment
2024/08/01	15.01	22%	0.00	15.01
2024/08/06	0.74	1%	0.00	0.74
2024/08/08	15.40	23%	0.00	15.40
2024/08/13	0.76	1%	0.00	0.76
2024/08/15	13.36	20%	0.00	13.36
2024/08/20	0.78	1%	0.00	0.78
2024/08/22	10.76	16%	0.00	10.76
2024/08/27	0.40	1%	0.00	0.40
2024/08/29	10.18	15%	0.00	10.18
	67.4	100	0.00	67.4

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

Recommended US Treasury Financing – Q3 2024

The latest [US Treasury quarterly refunding and financing estimates](#) will be released this week on 29 and 31 Jul 2024.

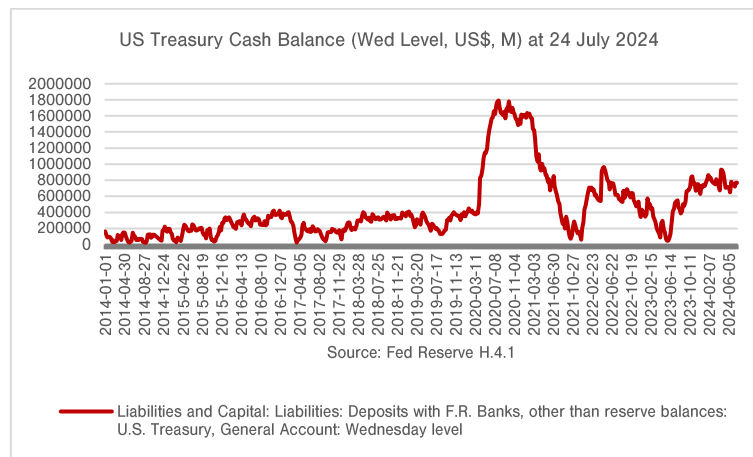
The current estimate for Q3 2024; The US Treasury expects to borrow \$847 billion in privately held net marketable debt, assuming an end-of-September cash balance of \$850 billion.

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 24 Jul 2024, the level of the TGA increased to \$767bn (+\$0.6bn compared to the week prior).

The TGA balance is approx. \$217bn *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/ambs_operation_schedule

CALENDAR W/C 29 JULY 2024

MONDAY 29 JULY (US Eastern Time, unless stated otherwise)

US	Dallas Fed Manufacturing Survey (Jul)
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Australia	Building Permits (Jun), Retail Sales (Jun)
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TUESDAY 30 JULY

Europe	Euro Area GDP – prelim Q2
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US	Case/Shiller House Price Index (May), JOLTS (Jun)
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Japan	Industrial Production – prelim (Jun), Retail Trade (Jun) BoJ Monetary Policy Meeting
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Australia	CPI Q2, CPI - monthly series (Jun), Private Sector Credit (Jun)
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WEDNESDAY 31 JULY

Europe	Euro Area CPI – prelim (Jul)
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US	MBA Mortgage Apps wk ending 27 Jul, ADP employment Change (Jul), Employment Cost Index Q2, Chicago PMI (Jul), Pending Home Sales (Jun) FOMC Monetary Policy Meeting
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Australia	Export & Import Price Index Q2
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THURSDAY 1 AUGUST

UK	Bank of England Monetary Policy Meeting
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US	Initial Jobless Claims wk ending 27 Jul, Challenger Job Cut Announcements (Jul), Non-farm Productivity and Unit Labor Costs Q2, S&P Manufacturing PMI – final (Jul), ISM Manufacturing PMI (Jul)
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Australia	Housing Finance (Jun)
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FRIDAY 2 AUGUST

US	Non-farm payrolls and labor market survey (Jul), Factory Orders (Jun)
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