

Key events this week – Jackson Hole Symposium, FOMC, RBA, & ECB minutes, Japan & Canada CPI, S&P prelim PMIs Aug

Recap from last week: Data last week provided important inputs for the FOMC as it considers the case for rate cuts. At the last meeting, Fed Chair Powell outlined his criteria for a rate cut: whether the totality of the data, the evolving outlook, and the balance of risks support growing confidence in controlling inflation while maintaining a solid labor market. We expect this framework to be discussed at the Jackson Hole Symposium this week. For now, inflation is easing, and early, limited Q3 data suggests that the growth rate at the start of the quarter slowed to around 2%, driven by weakness in housing investment spending and manufacturing.

The latest CPI was in line with expectations and likely added to confidence that inflation is continuing to move towards the 2% target. The CPI is not the Fed-preferred measure, but together with the PPI provides a guide for the PCE inflation measure (due next week). Headline CPI eased to +2.9% in Jul, while core CPI also eased to +3.2%. While the monthly rates increased from lower levels, they remain consistent with lower inflation readings. Core goods prices continued to decline, while core services inflation also eased. Although core services CPI remains elevated at +4.9%, the more recent 3-month and 6-month annualized rates are well below that level, indicating more recent progress in reducing inflation. The PPI for Jul came in lower than expected.

Data on the growth of the US economy remained mixed, overall highlighting that growth likely slowed in Jul. The exception was retail sales, which recorded stronger-than-expected growth in Jul. This was partly due to a revised lower Jun result and a rebound from the fall in motor vehicle sales in Jun. But even excluding motor vehicles, retail sales growth remained moderate at around +0.4% over the month in nominal terms. However, housing investment and manufacturing data reflected further weakness in Jul. At the end of the week, the [Atlanta Fed GDP Nowcast](#), based on limited data, had the early Q3 growth run rate slowing to +2%. The FOMC is likely to be sensitive to the risk of slowing growth concerning its full employment mandate. For now, US initial claims data continued to improve with claims easing to +227k over the week from a peak of +250k two weeks ago. Even the elevated continuing claims have started to recede.

The RBNZ cut rates by 25bps for the first time in this cycle. The Committee cited rising confidence about inflation returning to the target band and a concern regarding a “marked weakening in economic conditions over the last few months” as the key reasons behind the decision. New guidance indicated that further easing was likely, but that the pace of that easing was “dependent on the path of price setting behaviour” now that inflation is close to the target band.

There was a lot to unpack in the Aus labour market report for Jul. The unemployment rate increased more notably to 4.22% in Jul – but still below the year-end projection of 4.3%. Mitigating that negative point was the stronger (and accelerating) growth in employed persons – which remains above pre-pandemic levels of growth. This month, the participation rate reached another new all-time high, contributing to the faster increase in the size of the labour force. How this increase in labor supply is absorbed over the next few months—whether through further employment gains or rising unemployment—will be crucial for the RBA as it navigates the 'narrow path'.

Outlook for the week ahead: Central bank policy will be in focus this week with the annual Jackson Hole Symposium. Inflation, central bank minutes, and the latest Aug prelim PMIs will also be released.

The [Jackson Hole Symposium](#) will commence on Thur this week and the focus will be on US Fed Chair Powell's speech on Fri. This should provide further shape around recent data, the evolving outlook, and the balance of risks as the FOMC prepares to start cutting rates. The extent of the rate-cutting cycle may not be made clear at this meeting as the Fed waits for further payroll and unemployment data before the next meeting in Sept.

The FOMC, RBA, and ECB minutes will all be released this week.

Inflation data for Canada and Japan will be released this week. Canadian CPI is expected to continue to ease in Jul with the headline rate slowing to +2.5% over the year. The BoC core trimmed mean rate is also expected to slow further to +2.8% over the year. At its last meeting, the BoC noted that further rate cuts could be expected if inflation continues to ease in line with expectations.

The Japanese National CPI for Jul is expected to increase slightly. The BoJ preferred measure of core CPI ex fresh food is expected to increase from +2.6% in Jun to +2.7% in Jul. Some firming in inflation could be consistent with the rebound in Japanese GDP growth in Q2 of +0.8% over the quarter from a fall of -0.6% in Q1. The improvement was led by a solid increase in private consumption spending after falls in the four quarters prior.

Finally, the latest prelim PMIs for Aug will be released for the major economies. This will provide a further update on the pace of activity through Q3.

The US Democratic Convention will also take place this week. Vice President Harris will formally become the Democratic nominee for President.

We will be taking a short break next week w/c 26 Aug and will return with the next installment of the Macro Outlook w/c 2 Sep.

US Treasury Issuance; 19 - 23 Aug 2024

This week, the US Treasury will auction and settle approx. \$466bn in ST Bills, raising approx. \$36bn in new money. The US Treasury will also auction the 20-year Bond and 30-year TIPs this week – both will settle at the end of the month.

QT this week: Approx \$11.5bn 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 %
19-23 Aug	15-Aug	20-Aug	4 week bill	95			Actual 5.260%
	15-Aug	20-Aug	8 week bill	90			Actual 5.175%
	14-Aug	20-Aug	17-week Bill	60			Actual 4.980%
				245	220	25	
	19-Aug	22-Aug	13 week bill	76			Announced
	19-Aug	22-Aug	26 week bill	70			Announced
	20-Aug	22-Aug	42-Day CMB	75			Announced
				221	210	11	
			Total - securities settling this week	466	430	36	
			QTR to date totals	4,627	4,045	582	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>740</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		20-Aug	ST Bills	0.8			
		22-Aug	ST Bills	10.8			
				11.5			
			Upcoming Auctions	\$B			
	21-Aug	03-Sep	20yr Bond	16			
	22-Aug	30-Aug	30yr TIPS	8			
				24.0			

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	67.6
	Total Notes & Bonds	25.0	107.2

Aug 2024 ST Bill maturity schedule;

Bill Maturity Schedule - Aug			Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk	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	0.67	1%	0.00	0.67
2024/08/29	10.18	15%	0.00	10.18
	67.6	100	0.00	67.6

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

Recommended US Treasury Financing – Q3 & Q4 2024

The latest [US Treasury quarterly refunding and financing estimates](#) for Q3 and Q4 have been released.

Updated Q3 borrowing requirement: The US Treasury expects to borrow \$740bn (previously \$847 bn) in privately-held net marketable debt, assuming an end-of-September cash balance of \$850 billion.

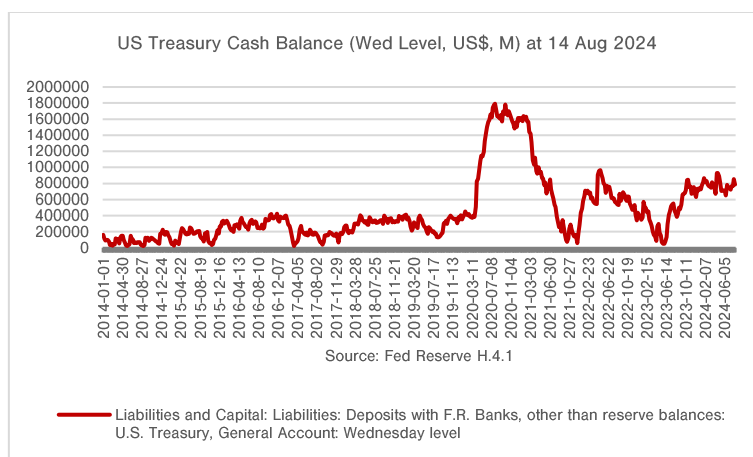
The borrowing estimate is \$106 billion lower than announced in April 2024, largely due to lower Federal Reserve System Open Market Account (SOMA) redemptions and a higher beginning-of-quarter cash balance.

Estimated Q4 borrowing requirement: The US Treasury expects to borrow \$565bn in privately-held net marketable debt, assuming an end-of-December cash balance of \$700 billion.

US Treasury Cash Levels (TGA)

As of Wed 14 Aug 2024, the level of the TGA increased to \$788bn (+\$3bn compared to the week prior).

The TGA balance is approx. \$404bn *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 19 AUGUST 2024

MONDAY 19 AUGUST (US Eastern Time, unless stated otherwise)

US	Fed speeches: Gov Waller – opening remarks
----	--

China	PBoC Rate Decision
-------	--------------------

Australia	RBA Minutes
-----------	-------------

TUESDAY 20 AUGUST

Europe	Eurozone CPI – Final (Jul)
--------	----------------------------

Canada	CPI (Jul)
--------	-----------

US	Fed speeches; Bostic, Barr
----	----------------------------

Japan	Merchandise Trade Balance, Exports, & Imports (Jul)
-------	---

WEDNESDAY 21 AUGUST

US	MBA Mortgage Apps wk ending 17 Aug FOMC Minutes
----	--

Australia	S&P Manufacturing & Services PMI Prelim (Aug)
-----------	---

Japan	S&P Manufacturing & Services PMI Prelim (Aug)
-------	---

THURSDAY 22 AUGUST

Europe	S&P Eurozone Manufacturing & Services PMI Prelim (Aug) ECB Minutes
--------	---

UK	S&P Manufacturing & Services PMI Prelim (Aug)
----	---

US	Initial Jobless Claims wk ending 17 Aug, S&P Manufacturing & Services PMI Prelim (Aug), Existing Home Sales (Jul), Kansas City Fed Manufacturing Index (Aug) Jackson Home Symposium
----	--

NZ	Retail Sales Q2
----	-----------------

Japan	National CPI (Jul)
-------	--------------------

FRIDAY 23 AUGUST

Canada	Retail Sales (Jun)
--------	--------------------

US	New Home Sales (Jul) Jackson Hole Symposium – Fed Chair Powell's speech
----	--
