

## Key events this week – FOMC, BoJ, and BoE meetings, US retail sales, CPI: Japan, UK, and Canada

Recap from last week: The US CPI report for Aug was a little mixed given the unexpected firmness in core CPI. Recent comments by Fed Chair Powell have noted that ‘the job is not yet done on inflation’, but there has been a ‘good deal of progress’ towards bringing inflation down. Importantly for this week’s FOMC meeting, the Aug CPI and PPI reports are consistent with that sentiment.

US headline inflation eased notably in Aug. Falling energy prices, slowing food inflation, and some base effects resulted in the annual headline inflation rate falling to +2.5% in Aug. However, a rebound in shelter price growth helped keep the annual core CPI rate unchanged at +3.2%. Other indicators of underlying inflation showed more moderation in Aug. The trimmed mean inflation rate continued to ease and suggests that inflation pressure within the center of the distribution (or, the underlying trend) is moderating. The Fed’s “super core” inflation measure (core services excluding shelter) had been in focus due to its resurgence at the start of the year. While super core inflation slowed to +4.5% in Aug, down from +5% at the start of the year, it remains elevated. The monthly rate held steady at +0.2%, significantly lower than the Q1 average of +0.6%, which suggests it continued to abate.

The ECB cut its deposit facility rate last week by 25bps. ECB President Lagarde noted that ‘given the gradual disinflationary process, it was perfectly appropriate to moderate the degree of monetary restriction’. Guidance was left unchanged with the ECB noting that “it will keep policy rates sufficiently restrictive for as long as necessary” to return inflation to the 2% medium-term target in a timely manner, following a data-dependent approach. Euro area headline inflation was broadly in line with expectations; however, services inflation had been higher than expected. The ECB inflation outlook indicates firmer readings expected through the back half of 2024, but headline inflation is expected to fall to the ECB target “over the second half of next year”. Euro area growth fell short of expectations in Q2, and the growth outlook was revised slightly lower with the ECB noting weaker private domestic demand. Risks to growth remain tilted to the downside.

Outlook for the week ahead: It’s a big week of central bank meetings, global inflation reports, and a robust update on the pace of US growth midway through Q3.

The key event this week is the FOMC meeting, where the Federal Reserve is expected to begin its rate-cutting cycle. In addition to delivering the first rate cut, the meeting will provide insights into how the Fed’s outlook has evolved since Jul. At the Jul meeting, the FOMC signaled a return to a more balanced view of its dual mandate. But with disappointing labor market data, and increasing uncertainty on the growth outlook during the intermeeting period, Fed Chair Powell’s speech at Jackson Hole signaled a shift to protecting against the perceived increase in downside risks to the labor market;

The upside risks to inflation have diminished. And the downside risks to employment have increased.

We will do everything we can to support a strong labor market as we make further progress toward price stability.

The updated SEP, statement, and press conference will be important for outlining the changes to the FOMC outlook and the path of rates amid the moderating labor market. The FOMC is expected

to cut rates by at least 25bps this week, but markets are increasingly pricing in the possibility of a larger 50bps cut (source: [CME FedWatch](#)).

US data this week will provide a more robust update on the Q3 growth run rate – with consumer spending, industrial output, and housing investment data for Aug. So far in Q3, the [Atlanta Fed GDP Nowcast](#) is tracking growth at +2.5% (annualized). US retail sales in Aug are expected to fall by -0.2% in Aug from a more robust +1% in Jul. Industrial production for Aug is expected to stabilize at +0.1% after falling by -0.6% in Jul. New housing permits are expected to remain little changed at 1.41m (annualized) while housing starts are expected to increase to 1.31m (annualized). Initial jobless claims have remained steady around the +230k/week level over recent weeks and are expected to be +232k this week.

The BoE will meet this week and is expected to keep policy rates unchanged, after cutting rates at the last meeting. The decision to cut last month was by a slim 5-4 majority. Before the meeting, UK CPI for Aug will be released. UK headline inflation has slowed through early 2024 and has remained steady recently around the +2% - +2.3% level since Apr. Headline CPI is expected to be unchanged at +2.2% in Aug. Core CPI is expected to increase back to +3.5% in Aug from +3.3% in Jul. Services inflation is easing but remains elevated at +5.2%.

The BoJ will meet this week and is expected to keep policy rates unchanged. However, there could be signaling on the near-term path of rate hikes. Last week, BoJ Board member Nakagawa hinted that policy normalization was still on the agenda and reiterated that “monetary easing will be adjusted if the outlook for Japan’s economy and inflation is realized” and that “the current level of real rates is extremely low” (source: [Bloomberg](#)). The latest Japanese CPI for Aug will be released around the same time as the BoJ decision is expected. Headline inflation is expected to be unchanged at +2.8% over the year in Aug. The BoJ core measure of inflation (ex-fresh food) is expected to increase slightly to +2.8% over the year from +2.7% in Jul.

Data out of China for Aug continued to disappoint last week and the PBoC indicated it was “preparing to launch some additional measures, further lower the financing costs for businesses and households, and keep liquidity reasonably ample” (source: [Bloomberg](#)). The PBoC is expected to meet this week.

Inflation in Canada is expected to moderate further in Aug. Headline CPI is expected to ease from +2.5% in Jul, with the monthly pace expected to slow to +0.1% in Aug from +0.4% in Jul. The BoC measures of core CPI have slowed more notably recently and averaged +2.4% in Jul, and this is expected to slow further to an average of +2.3% in Aug. The minutes of the latest BoC meeting will also be released this week.

Finally, the Aug labour market survey for Aus will be released this week. Growth in employment in Aug is expected to slow to +26k from the stronger +59k in Jul. Participation is expected to be little changed at 67.1% and the unemployment rate is also expected to be unchanged at 4.2%.

## US Treasury Issuance; 16 - 20 September 2024

This week, the US Treasury will auction and settle approx. \$545bn in ST Bills, Notes, and Bonds, raising approx. \$32bn in new cash. The US Treasury will also auction the 10-year TIPS and 20-year Bond this week; both will settle at the end of the month.

QT this week: Approx \$2.4bn of ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$5.1bn of Notes and Bonds 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 %
16-20 Sep	12-Sep	17-Sep	4 week bill	80		Actual 4.965%	5.080%
	12-Sep	17-Sep	8 week bill	80		Actual 4.990%	5.040%
	11-Sep	17-Sep	17-week Bill	60		Actual 4.740%	4.810%
				220	240	-20	
	16-Sep	19-Sep	13 week bill	76		Announced	4.895%
	16-Sep	19-Sep	26 week bill	70		Announced	4.530%
	17-Sep	19-Sep	42-Day CMB	60		Announced	4.980%
				206	215	-9	
	10-Sep	16-Sep	3yr Note	58		Actual 3.440%	3.810%
	11-Sep	16-Sep	10yr Note	39		Actual 3.648%	3.960%
	12-Sep	16-Sep	30yr Bond	22		Actual 4.015%	4.314%
				119	58	61	
			<b>Total - securities settling this week</b>	<b>545</b>	<b>513</b>	<b>32</b>	
			<b>QTR to date totals</b>	<b>6,788</b>	<b>6,059</b>	<b>729</b>	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>740</i>	
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>			
			<b>Maturing &amp; reinvestment</b>				
		15-Sep	Notes & Bonds	1.1			
		17-Sep	ST Bills	0.7			
		19-Sep	ST Bills	0.5			
				2.4			
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>				
		15-Sep	Notes & Bonds	5.1			
			<b>Upcoming Auctions</b>	<b>\$B</b>			
	19-Sep	30-Sep	10yr TIPS	17			
	17-Sep	30-Sep	20yr Bond	13			

## Quantitative Tightening Overview – Sep 2024

In Sep, the face value of Coupons maturing on the Fed balance sheet is approx. \$30.5bn. This is more than the \$25bn monthly cap on Treasury redemptions. So of the \$30.5bn of Coupons maturing in Sep, \$25bn will roll off the Fed balance sheet and \$5.5bn will be reinvested. It also means that all ST Bills maturing in Sep will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$25bn redemption cap - Sep				\$25	
			Redeem \$Bn	Reinvest \$ Bn	
15-Sep-24	Notes & Bonds		5.1	1.1	
30-Sep-24	Notes & Bonds		19.9	4.4	
	Bills			9.2	
	<b>Total Notes &amp; Bonds</b>		<b>25.0</b>	<b>14.7</b>	

Sep 2024 ST Bill maturity schedule;

Bill Maturity Schedule - Sep			Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2024/09/03	0.7	7%	0.0	0.7
2024/09/05	2.2	24%	0.0	2.2
2024/09/10	0.7	7%	0.0	0.7
2024/09/12	1.8	19%	0.0	1.8
2024/09/17	0.7	8%	0.0	0.7
2024/09/19	0.5	5%	0.0	0.5
2024/09/24	0.7	8%	0.0	0.7
2024/09/26	1.9	21%	0.0	1.9
	9.2	100%	0.0	9.2

<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.

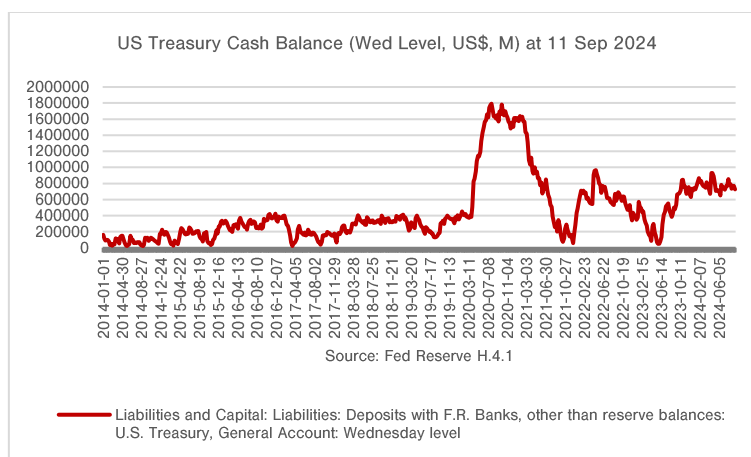
The borrowing estimate is \$106 billion lower than announced in April 2024, largely due to lower Federal Reserve System Open Market Account (SOMA) redemptions and a higher beginning-of-quarter cash balance.

**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 11 Sep 2024, the level of the TGA decreased to \$726bn (-\$46bn compared to the week prior).

The TGA balance is approx. \$188bn *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 16 SEPTEMBER 2024

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## MONDAY 16 SEPTEMBER (US Eastern Time, unless stated otherwise)

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US	NY Empire State Manufacturing Index (Sep)
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Europe	Eurozone Labor Cost Index Q2
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## TUESDAY 17 SEPTEMBER

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Canada	CPI (Aug)
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US	Retail Sales (Aug), Industrial Production (Aug), NAHB Housing Market Index (Sep)
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Japan	Merchandise Trade, Exports, and Imports (Aug)
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## WEDNESDAY 18 SEPTEMBER

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UK	CPI (Aug)
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Europe	Eurozone CPI – Final (Aug)
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US	MBA Mortgage Apps wk ending 14 Sep, Building Permits & Housing Starts (Aug) FOMC Monetary Policy Meeting
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Canada	BoC Meeting Minutes
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NZ	GDP Q2
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Australia	Labour Market Survey (Aug)
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## THURSDAY 19 SEPTEMBER

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UK	BoE Monetary Policy Meeting
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US	Initial Jobless Claims wk ending 14 Sep, Philadelphia Fed Manufacturing Index (Sep), Existing Home Sales (Aug)
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Japan	National CPI (Aug) BoJ Monetary Policy Meeting
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China	PBoC Policy Meeting
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## FRIDAY 20 SEPTEMBER

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UK	Retail Sales (Aug)
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Canada	Retail Sales (Jul) BoC Governor Macklem speech
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US	Fed speeches: Harker
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