

Key events this week – US PCE inflation, Fed speeches, RBA & SNB meeting, Aus CPI, S&P Prelim PMIs Sept

Recap from last week: Last week, the FOMC joined the shift towards easing monetary policy settings. The FOMC began its rate-cutting cycle with a 50bps decrease in the FFR. The key message of the decision was that this was a “recalibration” of policy settings “to something more appropriate given the progress on inflation, and on employment, moving to a more sustainable level”. Fed Chair Powell struck a mostly positive tone in the [press conference](#), describing the economy as ‘in good shape’, ‘growing at a solid pace’, that ‘inflation is coming down’, and that the labor market is in a ‘strong place’. He did address the recent cooling of the labor market, but noted that this rate cut represents an “intention to maintain the strength that we currently see in the US economy”. Future decisions would “go carefully meeting-by-meeting”, and “there's no sense that the Committee feels it's in a rush to do this”. The latest SEP indicated a median of approx.100bps of cuts projected for this year, up from 50bps in Jun. Governor Bowman dissented on the FOMC’s decision to cut the FFR by 50bps – preferring a 25bps cut. Governor Bowman noted in a [separate statement](#), “I see the risk that the Committee's larger policy action could be interpreted as a premature declaration of victory on our price stability mandate”.

US data released last week showed growth has remained solid so far through Q3. The [Atlanta Fed GDP Nowcast](#) growth run-rate for Q3 lifted to +2.9% by the end of the week. The largest contributor to the increase though was the change in private inventories, while retail sales, industrial production, and new housing starts all made smaller, but still positive contributions to the acceleration in run-rate for Q3.

Many other central banks have already taken the opportunity to begin to realign policy rates as inflation has eased – and there are still a few exceptions.

After cutting rates for the first time in this cycle in Aug, the [BoE kept rates unchanged](#) at this meeting. The Committee noted that “a gradual approach to removing policy restraint remains appropriate”. Inflation remains a concern, with decisions on the Bank Rate guided by the need to “squeeze persistent inflationary pressures out of the system”. The latest UK CPI remained firmer, supporting that cautious and gradual approach by the BoE. Core inflation increased to +3.6% in Aug from +3.3% in Jul, led by a continued firming in services inflation. Headline inflation has remained at around +2.2% for the last few months. The BoE expects CPI inflation to “increase somewhat” over the remainder of this year.

The BoC has cut rates several times now, and as Canadian inflation has eased more notably in recent months, suggests that the BoC may have room for further easing. Canadian CPI in Aug slowed to +2% over the year in Aug. Excluding gasoline, inflation slowed to +2.2% in Aug. The BoC measures of core inflation continued to ease and averaged +2.2% over the year in Aug, down from +2.4% in Jul.

The RBNZ has only recently begun to cut rates, amid concerning signs of weaker growth. The Q2 GDP print last week confirmed that the economy did contract by -0.2% in Q2. With signs that “a variety of core inflation measures are (now) moving consistent with low and stable inflation”, further policy easing by the RBNZ is possible.

The BoJ has remained an outlier – as it has been dismantling some of its monetary accommodation frameworks. After increasing rates last month, the [BoJ left its policy settings unchanged](#) in Sept. The decision was based on maintaining accommodative financial conditions to

support the infancy and evolution of the 'virtuous cycle' from rising prices, wages, and incomes to spending. The latest National Japanese CPI showed inflation continued to firm with a broad-based contribution in Aug. The BoJ preferred measure of inflation, core CPI ex fresh food increased to +2.8% in Aug, up from +2.7% in Jul. The trend of this monthly core rate has stepped up through 2024 and, while not as elevated as in 2023, it appears to be more persistent with the monthly rate at or above +0.3% each month since Mar.

Outlook for the week ahead: Inflation, central banks, and Fed speeches will remain in focus this week.

The US PCE inflation for Aug will be released at the end of the week, providing an update on the Fed's preferred measure of inflation. Headline PCE is expected to increase by +2.3% in Aug, down from +2.5% in Jul. The monthly rate is expected to be unchanged at +0.2% in Aug. The core PCE rate is expected to increase by +0.2% over the month, which would see the annual PCE inflation rate, lift slightly to +2.7% in Aug.

There will be several other US data releases that will contribute to an update on the Q3 growth run rate. Personal spending is expected to slow to +0.3% over the month in Aug, from +0.5% in Jul. Personal income is expected to increase by +0.4% in Aug, up from +0.3% in Jul. Advance durable goods orders are expected to fall somewhat by -2.8% after the stronger +9% rebound in the prior month.

US initial claims have continued to ease and came in lower at +219k last week after averaging over +230k for the prior twelve weeks. Claims are expected to rise to +226k this week.

There will be a variety of Fed speeches this week. US Fed Chair Powell is scheduled to give pre-recorded opening remarks on Thurs. Fed Governor Bowman will give several speeches this week and may provide more detail on her dissenting rate cut opinion.

The RBA will meet this week and is expected to keep policy settings unchanged. The RBA has yet to cut rates, diverging from other central banks by maintaining its cash rate at a lower 4.35%. At the last meeting, the Board noted that higher rates have helped to bring supply and demand into better balance, but that inflation is remaining persistent and still "some way" above the midpoint of the 2-3% range. The latest labour market report was again positive, with employment growth remaining robust and the unemployment rate edging lower. The latest monthly CPI report for Aug will be released this week but after the RBA meeting. Headline inflation is expected to slow to +3.1% in Aug.

The SNB will meet this week and is expected to lower its policy rate by 25bps.

Finally, the latest S&P prelim PMIS for Sept will be released this week. This will provide a further update on growth momentum going into the final month of Q3.

US Treasury Issuance; 23 - 27 September 2024

This week, the US Treasury will auction and settle approx. \$454bn in ST Bills and FRNs, with a net paydown of \$1bn. The US Treasury will also auction the 2-year, 5-year, and 7-year Notes this week and all will settle at the end of the month on 30 Sep.

QT this week: Approx \$2.6bn of 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 %
23-27 Sep	19-Sep	24-Sep	4 week bill	80		Actual 4.700%	4.960%
	19-Sep	24-Sep	8 week bill	80		Actual 4.690%	4.990%
	18-Sep	24-Sep	17-week Bill	60		Actual 4.660%	4.740%
				220	240	-20	
	23-Sep	26-Sep	13 week bill	76		Announced	4.750%
	23-Sep	26-Sep	26 week bill	70		Announced	4.410%
	24-Sep	26-Sep	42-Day CMB	60		Announced	4.920%
				206	215	-9	
	25-Sep	27-Sep	2yr FRN	28		Announced	0.235%
				28		28	
			Total - securities settling this week	454	455	-1	
			QTR to date totals	7,242	6,514	728	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			740	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		24-Sep	ST Bills	0.7			
		26-Sep	ST Bills	1.9			
				2.6			
			Maturing & redemption (balance sheet roll-off)				
			Nil				
				0.0			
			Upcoming Auctions	\$B			
	24-Sep	30-Sep	2yr Note	69			
	25-Sep	30-Sep	5yr Note	70			
	26-Sep	30-Sep	7yr Note	44			
				183			

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	
	Total Notes & Bonds		25.0	14.7	

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.

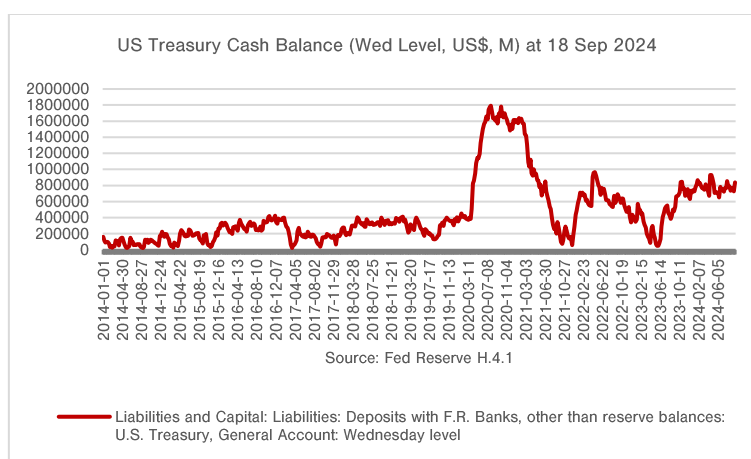
The borrowing estimate is \$106 billion lower than announced in April 2024, largely due to lower Federal Reserve System Open Market Account (SOMA) redemptions and a higher beginning-of-quarter cash balance.

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 18 Sep 2024, the level of the TGA increased to \$839bn (+\$114bn compared to the week prior).

The TGA balance is approx. \$177bn *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 23 SEPTEMBER 2024

MONDAY 23 SEPTEMBER (US Eastern Time, unless stated otherwise)

Australia	S&P Manufacturing & Services PMI Prelim (Sep)
Europe	Eurozone S&P Manufacturing & Services PMI Prelim (Sep)
UK	S&P Manufacturing & Services PMI Prelim (Sep)
US	S&P Manufacturing & Services PMI Prelim (Sep), Fed speeches: Bostic, Goolsbee, Kashkari
Japan	S&P Manufacturing & Services PMI Prelim (Sep)

TUESDAY 24 SEPTEMBER

Australia	RBA Monetary Policy Meeting
US	Case Shiller House Price Index (Jul), Richmond Fed Manufacturing Index (Sep), Fed speeches: Bowman

WEDNESDAY 25 SEPTEMBER

Australia	Monthly CPI Series (Aug)
US	MBA Mortgage Apps wk ending 21 Sep, New Home Sales (Aug), Fed speeches: Kugler

THURSDAY 26 SEPTEMBER

Switzerland	SNB Monetary Policy Meeting
US	Initial Jobless Claims wk ending 21 Sep, Chicago Fed National Activity Index (Aug) – tbc, GDP Q2 – Final Est, Durable Goods Orders (Aug), Pending Home Sales (Aug), Kansas City Fed Manufacturing Index (Sep) US Fed Chair Powell – pre-recorded opening remarks Fed speeches; Williams, Barr, Kashkari, Bowman, Cook
Japan	Tokyo CPI (Sep)

FRIDAY 27 SEPTEMBER

US	PCE Price Index (Aug), Personal Spending & Income (Aug), University of Michigan Consumer Sentiment – Final (Sep), Fed speeches; Bowman
----	--
