

## Key events this week – US non-farm payrolls & labor market update, ISM surveys, US Fed Governor Waller speech, BoC policy meeting

Outlook for the week ahead: This week, the focus will be on the Aug US labor market update and its implications for the path of US interest rate policy.

The message from Fed Chair Powell at [Jackson Hole](#) was clear – “the time has come for policy to adjust” as upside inflation risks have diminished and downside risks to the labor market have increased. He expressed increased confidence that inflation is on a sustainable path back to 2% and last week’s PCE inflation data reinforced that view. On the labor market, the Fed Chair reaffirmed some of his comments from the last FOMC meeting. At the [last FOMC press conference](#), the Fed Chair noted that “I would not like to see a material further cooling in the labor market”. Following the weaker-than-expected Jul labor market data, the Fed Chair was clear in his Jackson Hole remarks; “We do not seek or welcome further cooling in labor market conditions”. After Jackson Hole, markets expect rate cuts to begin at the Sep FOMC meeting. The labor market update for Aug could provide important input for determining the initial pace of that easing. So far, markets are pricing a 25bp cut, but still a chance for a 50bp cut (source: [CME FedWatch](#)).

This week’s data will offer a broader view of the US labor market, potentially clarifying if the notably weaker Jul report was an outlier. US non-farm payroll growth in Aug is expected to rebound to +164k from +114k in Jul. The unemployment rate is expected to fall back to 4.2% from 4.3% in Jul. Last month, temporary layoffs contributed to the increase in unemployment, along with faster growth in labor supply – both measures will be in focus this week. The average hours worked is expected to rebound to 34.3 in Aug from 34.2 in Jul. Job openings at the end of Jul are expected to continue to ease further to 8m, from 8.184m at the end of Jun. The layoff rate has remained near the series low while quits have also eased. Average hourly earnings are expected to rebound over the month to +0.3% and increase by +3.7% over the year. The weekly initial claims data has stabilized around +230k claims/week. Claims are expected to be +235k this week.

There will be several other releases providing insight into the broader US growth context. The ISM manufacturing PMI is expected to show manufacturing conditions remained weaker at 47.8 in Aug. The ISM services PMI is expected to show a slower pace of expansion at 50.9 in Aug from 51.4 in Jul. US factory orders are expected to rebound by +4.5% in Jul from -3.9% in Jun.

The broader US growth context has remained positive. Last week, the Q2 GDP was revised higher in the second estimate from +2.8% to +3% annualized due in part to higher personal spending. With data still limited for the current quarter, the latest [Atlanta Fed GDP Nowcast](#) has the growth run-rate easing slightly to +2.5% so far in Q3.

Fed Governor Waller is scheduled to speak on Friday after the US payrolls and labor market data, providing an update on the Economic Outlook. NY Fed President Williams is also expected to speak on Friday. These will be important speeches before the blackout period next week, ahead of the next FOMC meeting on 17-18 Sep.

The Bank of Canada meets this week and is expected to cut rates by a further 25bps. The BoC has already cut rates at its last two meetings. The Canadian labour market update for Aug will be released at the end of the week. Employment growth is expected to rebound to +25k from -2.8k in Jul. However, the unemployment rate is expected to edge higher to 6.5% in Aug from 6.4% in Jul.

Australian GDP growth for Q2 is expected to lift slightly to +0.2% from +0.1% in Q1. At the last RBA meeting, Governor Bullock noted that growth forecasts had been upgraded due to public demand

and a lift in household spending as real wages increased. Data revisions indicated that spending may not have been as weak as previously thought. The RBA Governor will give the annual speech to the Anika Foundation this week – and this usually provides an important update on economic conditions.

Finally, the broader suite of S&P Global PMIs will be released this week for Aug.

## US Treasury Issuance; 2 - 6 September 2024

This week, the US Treasury will auction and settle approx. \$681bn in ST Bills, Notes, and Bonds raising approx. \$100bn in new money.

QT this week: Approx \$3bn 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 %
<b>Holiday - Labour Day 2 Sep 2023</b>							
2-6 Sep	29-Aug	03-Sep	4 week bill	85		Actual 5.170%	5.240%
	29-Aug	03-Sep	8 week bill	80		Actual 5.100%	5.125%
	28-Aug	03-Sep	17-week Bill	60		Actual 4.870%	4.920%
				225	230	-5	
	03-Sep	05-Sep	13 week bill	76		Announced	4.980%
	03-Sep	05-Sep	26 week bill	70		Announced	4.685%
	03-Sep	05-Sep	52 week bill	46		Announced	4.255%
	03-Sep	05-Sep	42-Day CMB	65		Announced	5.150%
				257	252	5	
	27-Aug	03-Sep	2yr Note	69		Actual 3.874%	4.434%
	28-Aug	03-Sep	5yr Note	70		Actual 3.645%	4.121%
	29-Aug	03-Sep	7yr Note	44		Actual 3.770%	4.162%
	21-Aug	03-Sep	20yr Bond	16		Actual 4.160%	4.466%
				199	99	100	
			<b>Total - securities settling this week</b>	<b>681</b>	<b>581</b>	<b>100</b>	
			<b>QTR to date totals</b>	<b>5,817</b>	<b>5,061</b>	<b>756</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>				
		03-Sep	ST Bills	0.7			
		05-Sep	ST Bills	2.2			
				2.9			

## 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.

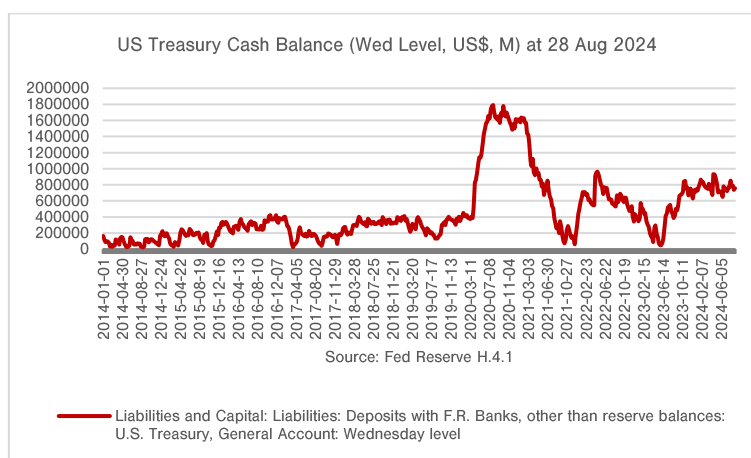
The borrowing estimate is \$106 billion lower than announced in April 2024, largely due to lower Federal Reserve System Open Market Account (SOMA) redemptions and a higher beginning-of-quarter cash balance.

**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 28 Aug 2024, the level of the TGA increased to \$757bn (+\$22bn compared to the week prior).

The TGA balance is approx. \$256bn *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 2 SEPTEMBER 2024

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## MONDAY 2 SEPTEMBER (US Eastern Time, unless stated otherwise)

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Australia ANZ Job Ads (Jul), Company Gross Operating Profits Q2, Building Permits (Jul)

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US Labor Day

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## TUESDAY 3 SEPTEMBER

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US S&P Manufacturing PMI Final (Aug), ISM Manufacturing PMI (Aug)

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Australia GDP Q2

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## WEDNESDAY 4 SEPTEMBER

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US MBA Mortgage Apps wk ending 31 Aug, Factory Orders (Jul), JOLTS (Jul), Fed Beige Book

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Canada Bank of Canada Policy Meeting

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Australia RBA Governor Bullock speech

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## THURSDAY 5 SEPTEMBER

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Europe Germany Factory Orders (Jul), Eurozone Retail Sales (Jul)

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US Initial Jobless Claims wk ending 31 Aug, ADP Employment Change (Aug), Challenger Job Cut Announcements (Aug), Non-farm Productivity Q2, Unit Labor Costs Q2, S&P Services PMI Final (Aug), ISM Services PMI (Aug)

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Australia Housing Finance (Jul)

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## FRIDAY 6 SEPTEMBER

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Europe Germany Industrial Production (Jul), Eurozone GDP – Final Q2

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Canada Labour Market Survey (Aug)

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US Non-farm Payrolls (Aug), Labor Market Survey (Aug)  
US Fed speeches; Governor Waller (Economic Outlook), Fed President Williams

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