

Key events this week – US non-farm payrolls, US Fed Chair Powell speech, Eurozone CPI prelim, S&P global PMIs – final

Recap from last week: Last week, Fed speeches confirmed broad support for the FOMC's decision to start cutting rates. Speeches indicated that further cuts may be warranted if inflation progresses, or labor market conditions continue to soften. Fed officials noted that future rate cuts would be guided by incoming data, with no predetermined pace for easing. Leading up to the next FOMC meeting in Nov, progress on inflation and labor market conditions will remain a key focus. Faster progress on inflation and/or weaker labor market conditions are likely to edge the FOMC towards a larger rate cut. Markets are currently pricing a 48% probability of a 50bps rate cut in Nov (source: CME FedWatch).

Last week's release of the Fed-preferred PCE inflation report for Aug showed signs of continued progress – confirming the trend of the Aug CPI. Core PCE remained firmer, remaining at +2.7% in Aug. While core PCE has stalled here for the last few months, it is still on track to slow to the expected +2.6% by year-end. Core services inflation, led by a renewed increase in shelter prices, continued to offset the deflationary trend in core goods. At the last FOMC press conference, Chair Powell noted that rent prices were not slowing as fast as expected and that owners' equivalent rent (OER) was "coming in high". Powell's comments suggested that the FOMC is looking through rent inflation in these reports as long as market rent measures trend lower.

The US growth run-rate for Q3 firmed last week, however the message was mixed. Based on the spending, income, GDP, and durable goods data last week, the latest Atlanta Fed GDP Nowcast ticked up to a +3.1% run rate for Q3 so far. The lift in the growth rate was led by an increased contribution from net exports and the change in private inventories. This more than offset the downward effect of the slower pace of personal spending growth in Aug.

The RBA kept its policy rate unchanged at 4.35%, which is still lower than most other central banks. While temporary factors have lowered inflation, the Board noted that inflation remains persistent, and policy must stay "sufficiently restrictive" until inflation sustainably moves toward the target. The Aus CPI for Aug fell due to energy rebates, a decline that the RBA had anticipated. The RBA kept its outlook unchanged, that it did not expect inflation to fall sustainably to target until 2026.

The prelim round of S&P PMIs for Sep showed a downshift in growth in the final month of Q3. The expansion in services remained moderate but did slow – likely reflecting the end of the Olympics. The positive expansion in services helped to cushion a renewed contraction in manufacturing activity, especially in Europe, but also in Aus, and the US. The broader suite of global PMIs will be released this week and will be important to gauge shifts in broader global growth momentum.

The announcement of new stimulus measures in China resulted in a marked improvement in sentiment around the growth outlook. A range of measures were announced last week that aimed to "boost growth, halt the property rout, shore up the stock market, and stabilize employment" (source: Bloomberg).

Outlook for the week ahead: The spotlight this week remains firmly on the US Fed and US labor market conditions.

US Fed Chair Powell will give a speech on the economic outlook early this week (Mon afternoon). He is expected to reiterate points from the recent FOMC meeting and will likely provide his

characterization of last week's PCE price inflation release. There will be several Fed speeches throughout the week.

At the end of the week, the first of two critical US labor market reports will be released, helping to set the stage for the Nov FOMC meeting. Signs of further cooling in the labor market could see markets price in an increased likelihood for a larger sized rate cut.

US non-farm payrolls are expected to increase by +144k in Sep, after increasing by +142k in Aug. The direction of the prior month's revisions will be important to the overall view of labor demand. The unemployment rate is expected to be unchanged at 4.2% with the participation rate also expected to be unchanged at 62.7%. Average weekly hours are expected to be unchanged at 34.3.

The JOLTS survey for the end of Aug is expected to show a further slowing in the number of job openings to 7.64m, from 7.67m in Jul.

Average weekly hours are expected to slow to +3.3% over the year, from +3.8% in Aug.

The Challenger job cut announcement report for Sep will also be released. There had been an uptick in job cut announcements to 75k in Aug, especially in the Tech sector. Job hiring announcements were also tepid.

The US ISM manufacturing and services PMI surveys for Sep will be released – and are expected to show manufacturing activity contracting, while services momentum remains modest. Last week, the US S&P prelim PMIs for Sep showed another sharper contraction in manufacturing activity, offset by the continued moderate pace of expansion in services activity.

The Eurozone prelim CPI for Sep will be important for shaping the outlook for the ECB, especially in the context of renewed weakness in activity highlighted by the Sep PMIs. Headline Eurozone CPI is expected to slow to +1.9% over the year in Sep, from +2.2% in Aug. Core inflation is expected to slow to +2.7% over the year in Sep from +2.8% in Aug.

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

US Treasury Issuance; 30 Sep – 4 Oct 2024

This week, the US Treasury will auction and settle approx. \$719bn in ST Bills, Notes, Bonds, and TIPS, raising approx. \$132bn in new money.

QT this week: Approx \$17.6bn of ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx. \$20bn of Notes & 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 %
30 Sep - 4 Oct	26-Sep	01-Oct	4 week bill	90		Actual 4.700	4.700%
	26-Sep	01-Oct	8 week bill	85		Actual 4.650%	4.690%
	25-Sep	01-Oct	17-week Bill	62		Actual 4.430%	4.660%
				237	230	7	
	30-Sep	03-Oct	13 week bill	79		Announced	4.540%
	30-Sep	03-Oct	26 week bill	72		Announced	4.270%
	01-Oct	03-Oct	52 week bill	48		Announced	4.150%
	01-Oct	03-Oct	42-Day CMB	70		Announced	4.620%
				269	262	7	
	19-Sep	30-Sep	10yr TIPS	17		Actual 1.592%	1.883%
	17-Sep	30-Sep	20yr Bond	13		Actual 4.039%	4.160%
	24-Sep	30-Sep	2yr Note	69		Actual 3.520%	3.874%
	25-Sep	30-Sep	5yr Note	70		Actual 3.519%	3.645%
	26-Sep	30-Sep	7yr Note	44		Actual 3.668%	3.770%
				213	95	118	
			Total - securities selling this week	719	587	132	
			Net New Cash Raised Qtr to Date	719	587	132	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>565</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		30-Sep	Notes & Bonds	4.4			
		01-Oct	ST Bills	0.8			
		03-Oct	ST Bills	12.4			
				17.6			
			Maturing & redemption (balance sheet roll-off)				
		30-Sep	Notes & Bonds	19.9			
				19.9			

Quantitative Tightening Overview – Oct 2024

In Oct, the face value of Coupons maturing on the Fed balance sheet is approx. \$30.8bn. This is more than the \$25bn monthly cap on Treasury redemptions. So of the \$30.8bn of Coupons maturing in Oct, \$25bn will roll off the Fed balance sheet and \$5.8bn will be reinvested. It also means that all ST Bills maturing in Oct will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$25bn redemption cap - Oct			
			\$25
		Redeem \$Bn	Reinvest \$ Bn
15-Oct-24	Notes, Bonds, TIPS	7.0	1.6
31-Oct-24	Notes, Bonds, FRNs	18.0	4.2
	Bills	0.0	62.5
	Total Notes & Bonds	25.0	68.4

Oct 2024 ST Bill maturity schedule;

Bill Maturity Schedule - Oct		Weekly Totals \$Bn		
Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
2024/10/01	0.76	1%	0.00	0.76
2024/10/03	12.41	20%	0.00	12.41
2024/10/08	0.77	1%	0.00	0.77
2024/10/10	8.38	13%	0.00	8.38
2024/10/15	0.80	1%	0.00	0.80
2024/10/17	9.21	15%	0.00	9.21
2024/10/22	0.77	1%	0.00	0.77
2024/10/24	8.61	14%	0.00	8.61
2024/10/29	0.40	1%	0.00	0.40
2024/10/31	20.40	33%	0.00	20.40
	62.5	100%	0.0	62.5

<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.

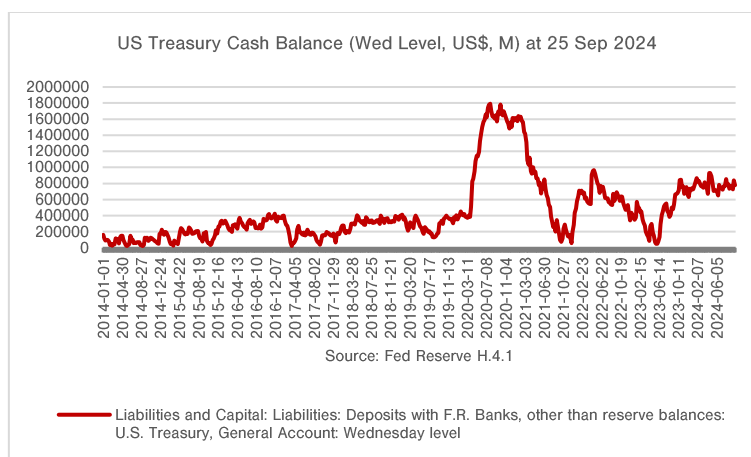
The borrowing estimate is \$106 billion lower than announced in April 2024, largely due to lower Federal Reserve System Open Market Account (SOMA) redemptions and a higher beginning-of-quarter cash balance.

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 25 Sep 2024, the level of the TGA decreased to \$778bn (-\$60bn compared to the week prior).

The TGA balance is approx. \$107bn *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 30 SEPTEMBER 2024

MONDAY 30 SEPTEMBER (US Eastern Time, unless stated otherwise)

Japan	Sunday night; Industrial Production – prelim (Aug), Retail Trade (Aug)
Australia	Sunday night: Private Sector Credit (Aug), Retail Sales (Aug), Building Permits (Aug)
China	NBS Manufacturing and Non-Manufacturing PMI (Sep)
UK	GDP Q2
Europe	Germany CPI – Prelim (Sep)
US	Chicago PMI (Sep), Dallas Fed Manufacturing Index (Sep), US Fed speeches; Bowman US Fed Chair Powell speech – Economic Outlook

TUESDAY 1 OCTOBER

Europe	Eurozone CPI – prelim (Sep)
US	ISM Manufacturing PMI (Sep), S&P Manufacturing PMI – final (Sep), JOLTS (Aug), Fed speeches; Bostic, Barkin, Collins, Cook

WEDNESDAY 2 OCTOBER

US	MBA Mortgage Apps wk ending 28 Sep, ADP Employment Change (Sep), Fed speeches: Bowman, Barkin
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THURSDAY 3 OCTOBER

US	Initial Jobless Claims wk ending 28 Sep, Challenger Job Cut Announcements (Sep), ISM Services PMI (Sep), S&P Services PMI – final (Sep), Factory Orders (Aug), Fed speeches; Bostic, Kashkari
Australia	Housing Finance (Aug)

FRIDAY 4 OCTOBER

US	Non-Farm Payrolls (Sep), Household Employment & Labor Market Report (Sep), Fed speeches; Williams
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