

Key events this week – US retail sales, Fed speeches, ECB meeting, CPI; Euro Area, Japan, Canada, NZ, and the UK, China data

Recap from last week; FOMC minutes, firmer US CPI, and the spike in initial claims

The [FOMC minutes](#) reflected the details of the decision to cut rates for the first time in this cycle by 50bps. While some members noted that there had been a plausible case for a 25bps cut at the Jul meeting, inflation and labor market data during the inter-meeting period were key factors in the decision to cut by 50bps at the Sept meeting. Minutes noted progress on inflation and the Committee had gained greater confidence that inflation was on a sustainable path to 2% despite firmness in rents. The focus, however, had shifted to concerns over cooling in labor market conditions.

Participants agreed that labor market indicators merited close monitoring, with some noting that as conditions in the labor market have eased, the risk had increased that continued easing could transition to a more serious deterioration.

Participants reassessed the balance of risks for the dual mandate; upside risks to the inflation outlook had diminished, while the downside risks to employment had increased. While some participants “would have preferred” a 25bps cut at this meeting, in the end, it was a “substantial majority” of participants that supported a 50bps cut. This was the degree of “recalibration” that would start to bring the stance of monetary policy into better alignment with recent data on inflation and the labor market. In his speech last week, [Fed Vice Chair Jefferson](#) reflected on the underlying message from the FOMC minutes; the 50bps cut was to maintain labor market strength. He restated some concern over the labor market – even after the stronger Sep payrolls report.

The Fed remains in data-dependent mode to determine the pace and degree of easing ahead. Fed Chair Powell has provided his baseline for the rest of the year; 2x25bps cuts if the economy evolves in line with the latest projections. While the US inflation picture for Sept was warmer than expected, initial claims suggested further labor market weakness could be ahead.

US CPI for Sep was higher than expected and the composition of that miss indicated broader inflation effects. Higher food, core goods, and core services prices were offset by the fall in energy prices and slower shelter price increases. Annual core CPI has stalled between +3.2% and +3.3% for the last four months now. The monthly pace has lifted over the last three months to a slightly uncomfortable level of +0.3% a month. The trimmed mean measure of underlying inflation reflected the broader inflation experienced across categories this month, but this was after four months of more benign readings. The Fed is not likely to be derailed by this CPI report and will be encouraged by the long-awaited slowing in shelter price growth. The less good feature was the broader inflation effect, and, while this is not yet a trend, will be important to watch. Together, the PPI and CPI reports suggest that core PCE inflation may come in between +0.2% and +0.3%. The FOMC preferred PCE inflation report is due 31 Oct.

The FOMC will also watch how last week’s spike in initial claims evolves from here. The increase in claims for the wk ending 5 Oct reflects several expected factors; severe weather events affecting numerous states, strike activity, and some layoffs. This mix creates a noisy picture for the FOMC to look through as it approaches the next labor market report before the next meeting. So far, the US

growth context has remained steady – with the [Atlanta Fed GDP Nowcast](#) lifting to a +3.2% growth run rate for Q3. There will be a broader update to the Q3 growth run rate this week.

The RBNZ cut rates by 50bps at its meeting last week. The RBNZ noted that policy restraint has been reduced, but that it still views policy as restrictive. Economic conditions “provided scope to further ease policy restrictiveness”. This week, NZ inflation for Q3 is expected to increase in the quarter by +0.7% but slow more notably over the year from +3.3% in Q2 to +2.3% in Q3. This may provide further runway for the RBNZ to continue easing policy settings, depending on how labor market and activity data evolve before the final meeting of the year.

Outlook for the week ahead; US retail sales, global CPIs, and the ECB

The focus of US data this week will be on retail sales, housing, and industrial output for Sep, providing a solid update on the final month of Q3 data. The initial and continuing claims data will be closely watched. After spiking to +258k last week, initial claims for the wk ending 12 Oct are expected to ease slightly to +241k. The level of continuing claims (lag initial claims by a week) had already started to rise in the wk ending 28 Sept – before the impact of Hurricanes Helene and Milton. The data for wk ending 12 Oct will be the reference week for the next non-farm payroll and household employment survey for Oct.

US retail sales are expected to increase by +0.3% in Sep from +0.1% in Aug. US industrial production is expected to fall slightly by -0.1% in Sep after rising +0.8% in Aug. US housing data is expected to be little changed in Sep; housing starts are expected to remain around the 1.35m annualized pace and new permits are expected to ease to a 1.45m annualized pace.

US Fed speeches this week include Fed Governor Waller speaking on the economic outlook. This should provide insight into how he is incorporating recent inflation and labor market data into his outlook for Fed easing.

The ECB will meet this week and is expected to cut rates by 25bps. Softer inflation and activity data since the last meeting had led ECB officials to hint at the likelihood of a further cut at this meeting. The final Euro Area CPI for Sep will be released this week and headline inflation is expected to ease to +1.8% while core inflation is expected to slow to +2.7%.

UK core CPI is expected to ease to +3.4% in Sep, from +3.6% in Aug.

Headline CPI in Canada is expected to stay little changed at +2.1%, up slightly from 2% in Aug. The summary of the BoC core measures of inflation have eased quickly recently, and slowed to +2.2% on average in Aug. This easing in the ‘broad inflationary pressure’ while the unemployment rate increased had been a key factor in the last BoC decision to cut rates for a third time in Sep.

Japanese National CPI data for Sep is expected to show the BoJ preferred measure of core inflation es fresh food easing to +2.3% in Sep from +2.8% in Aug. The BoJ meets on 31 Oct, just after the Japanese general election on 27 Oct.

The Aus labour market report for Sep is expected to show employment growth slowed to +25k, down from +47k in Aug. The unemployment rate is expected to be unchanged at 4.2%.

Details of Chinese stimulus measures continue to be drip-fed through official channels. This week, Chinese activity data for Sept and Q3 growth data will be in focus. The Q3 GDP is expected to come in at +4.6%, slightly lower than +4.7% in Q2.

US Treasury Issuance; 14 - 18 Oct 2024

This week, the US Treasury will auction and settle approx. \$601bn in ST Bills, Notes, and Bonds, raising approx. \$63bn in new money.

QT this week: Approx \$11.6bn of ST Bills, Notes, Bonds, and TIPS will mature on the Fed balance sheet and will be reinvested. Approx \$7bn in Notes, Bonds, and TIPS will mature 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 %
Columbus Day 14 Oct								
14-18 Oct 2024	10-Oct	15-Oct	4 week bill	95			Actual 4.750%	4.755%
	10-Oct	15-Oct	8 week bill	90			Actual 4.640%	4.655%
	09-Oct	15-Oct	17-week Bill	64			Actual 4.430%	4.410%
				249	230	19		
	15-Oct	17-Oct	13 week bill	81			Announced	4.550%
	15-Oct	17-Oct	26 week bill	72			Announced	4.305%
	15-Oct	17-Oct	43-Day CMB	80			Announced	4.720%
				233	211	22		
	08-Oct	15-Oct	3yr Note	58			Actual 3.878%	3.440%
	09-Oct	15-Oct	10yr Note	39			Actual 4.066%	3.648%
	10-Oct	15-Oct	30yr Bond	22			Actual 4.389%	4.015%
				119	97	22		
			Total - securities settling this week	601	538	63		
			Net New Cash Raised Qtr to Date	1802	1576	226		
			<i>Estimated Net Cash to be Raised Q4</i>			<i>565</i>		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		15-Oct	ST Bills	0.8				
		15-Oct	Notes, Bonds, and TIPS	1.6				
		17-Oct	ST Bills	9.2				
				11.6				
			Maturing & redemption (balance sheet roll-off)					
		15-Oct	Notes, Bonds, and TIPS	7.0				
				7.0				

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
				Reinvest \$ Bn
				Redeem \$Bn
15-Oct-24	Notes, Bonds, TIPS		7.0	1.6
31-Oct-24	Notes, Bonds, FRNs		18.0	4.2
	Bills		0.0	62.8
	Total Notes & Bonds		25.0	68.6

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	0.69	1%	0.00		0.69
2024/10/31	20.40	32%	0.00		20.40
	62.8	100%	0.0		62.8

<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.

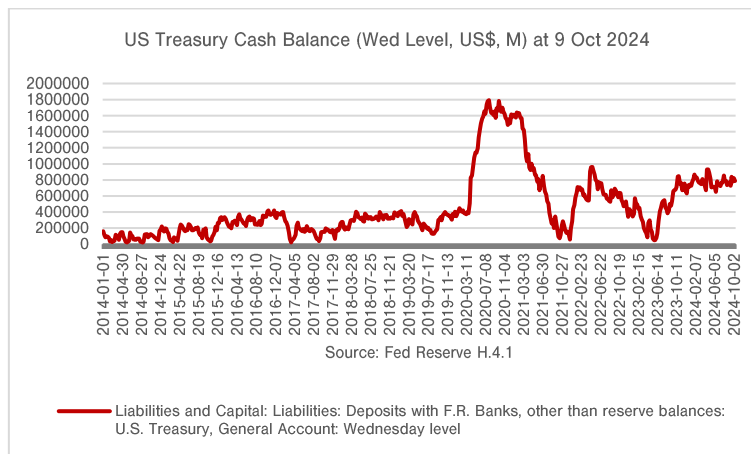
The borrowing estimate is \$106 billion lower than announced in April 2024, largely due to lower Federal Reserve System Open Market Account (SOMA) redemptions and a higher beginning-of-quarter cash balance.

The 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. The next quarterly refunding update will be on 28 - 30 Oct.

US Treasury Cash Levels (TGA)

As of Wed 9 Oct 2024, the level of the TGA decreased to \$787bn (-\$36bn compared to the week prior).

The TGA balance is approx. \$74bn *higher* than the same week a year ago.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=sheet&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/ambs_operation_schedule

CALENDAR W/C 14 OCTOBER 2024

MONDAY 14 OCTOBER (US Eastern Time, unless stated otherwise)

China	New Loans (Sep)
US	Columbus Day, Fed speeches; Waller (Economic Outlook), Kashkari

TUESDAY 15 OCTOBER

China	Trade Balance, Exports, and Imports (Sep)
UK	Labour Market Survey (3mth Aug)
Europe	ECB Bank Lending Survey Q3, Eurozone Industrial Production (Aug)
Canada	CPI (Sep)
US	NY Empire State Manufacturing Index (Oct), Fed speeches; Kugler, Daly
NZ	CPI (Q3)

WEDNESDAY 16 OCTOBER

UK	CPI (Sep)
US	MBA Mortgage Apps wk ending 12 Oct, Export & Import Price Index (Sep)
Japan	Merchandise Trade, Exports, and Imports (Sep)
Australia	Labour Market Survey (Sep)

THURSDAY 17 OCTOBER

UK	BoE Credit Conditions Survey Q3
Europe	Euro Area CPI – Final (Sep) ECB Monetary Policy Meeting
US	Initial Jobless Claims wk ending 12 Oct, Retail Sales (Sep), Industrial Production (Sep), Philadelphia Fed Manufacturing Survey (Oct), NAHB Housing Market Index (Oct), Fed speeches; Goolsbee
Japan	National CPI (Sep)
China	GDP Q3, Retail Sales, Fixed Asset Investment, and Industrial Production (Sep)

FRIDAY 18 OCTOBER

UK	Retail Sales (Sep)
US	New Building Permits and Housing Starts (Sep), Fed speeches; Waller, Kashkari, and Bostic
