

## Key events this week – US labor market, PCE inflation, & GDP Q3, Aus CPI Q3, BoJ meeting, Euro Area GDP Q3 & prelim CPI

### Recap from last week

It was generally a quiet week of data last week, ahead of the important releases this week.

Commentary in the latest US Fed Beige Book reflected mixed results in the last six weeks. Two districts reported further modest growth while most regions reported little change in activity. There were mixed signals from consumer spending while loan demand remained steady. Uncertainty over mortgage rates affected housing demand. Manufacturing activity declined. Reports on the labor market were mixed. While there were reports of easing demand for workers, layoffs remained limited.

This labor market anecdote is reasonably consistent with the recent trends in initial and continuing claims data. Initial claims have eased further to +231k in the latest week after the recent (expected) spike higher. However, the path of continuing claims has remained higher and reached a new YTD high in the latest week – possibly reflecting some of that easing in labor demand.

The US prelim S&P PMIs for Oct provided a more recent gauge of activity – and there was little change in the moderate pace of expansion between Sep and Oct. The fall in manufacturing activity stabilized while services activity remained little changed from the moderate pace of expansion in Sep.

What has been consistent among the most recent Beige Book, the prelim Oct S&P PMIs, and the regional US manufacturing surveys for Oct is an improvement in the outlook – across both services and manufacturing.

Looking further ahead, having slumped to a 23-month low in September, optimism about output in the coming year rebounded sharply in October, hitting a 29-month high. Prospects of lower inflation, lower interest rates and stronger economic growth in 2025 also helped instil greater confidence. Source: [S&P US Prelim PMI - Oct](#)

The latest [Atlanta Fed GDP Nowcast](#) has the US Q3 GDP run rate at around +3.3%, easing only slightly after the weak durable goods report for Sep. The first nowcast for Q4 activity is expected this week.

The Bank of Canada cut rates by 50bps and guided that more cuts are to be expected if the economy evolves broadly as expected. The decision to cut by 50bps was based on the BoC's determination that inflation has returned to target and is "no longer broad-based," and that a larger cut was needed to support growth.

The S&P Prelim PMIs for Oct were mixed, but momentum generally eased. Manufacturing PMIs across the G4 (+ Aus) were generally lower, led by larger falls in activity in Japan and the UK. Eurozone and US manufacturing activity improved but remained in contraction. Services activity remained mostly at a modest pace of growth – but still also eased compared to Sep. Services activity in Japan fell markedly and into slight contraction for the month. A slower pace of expansion was also recorded across the Eurozone and the UK services sectors.

## Outlook for the week ahead; Important data and implications for central banks.

The upcoming week in the US will be eventful, with key economic data releases ahead of the FOMC meeting on 6 Nov, important tech earnings, and the final week of campaigning in the US Presidential election to be held next week, on 5 Nov.

US labor market, PCE inflation, and Q3 growth data will be in focus this week, providing the FOMC with a comprehensive update on the economy ahead of its meeting. This week is the blackout period for Fed speeches ahead of the FOMC meeting.

The US labor market data for Oct will be important. The unexpectedly strong growth in the Sep payrolls, coupled with recent positive GDP revisions, likely influenced the Fed's shift towards a more deliberate path of policy easing. It's unclear at this stage whether the stronger payroll growth in Sep signaled a change in trend for the labor market. Unfortunately, weather and strike-disrupted data in Oct could make it difficult to assess any change in labor market trends. Non-farm payroll growth is expected to ease to +111k in Oct from +254k in Sep. The direction and size of revisions to Sep could be important to the view of the labor market. The unemployment rate is expected to be unchanged at 4.1%. The average work week is expected to stay at 34.2. The number of Job Openings is expected to ease slightly in Sep (data lag by a month) to 7.92m. Average hourly earnings are expected to be unchanged at +4% over the year.

Also on the Fed's radar is the somewhat firmer CPI for Sep. This week, the Fed preferred PCE inflation gauge will be released for Sep. Headline PCE inflation is expected to be little changed at +2.2% over the year, with monthly inflation expected to be little changed at +0.1%. Core PCE inflation is expected to increase to +0.25% over the month and slow slightly to +2.6% over the year, from +2.7% in Aug. The latest projections are for PCE inflation to end the year around +2.6%. Both personal income and spending for Sep are expected to increase by +0.3% and +0.4% respectively over the month, after increasing by +0.2% in Aug.

The advance US Q3 GDP is expected to increase by +3% annualized. The composition of that growth will be in focus for the FOMC. The ISM manufacturing PMI is expected to improve slightly, but remain in contraction at 47.5 in Oct.

The BoJ will meet this week and is expected to keep policy settings unchanged. Guidance was limited at the last meeting, and with the uncertainty over the election result, this could be the case again. The Japanese general election was held over the weekend and early results suggest the incumbent party has fallen short of a majority, creating some uncertainty over forming a new government;

Japan appears set for a weak government either way, an outcome that may complicate the outlook for the Bank of Japan. The central bank, which is trying to seek the right timing for another rate hike, is widely expected to leave rates unchanged during its next scheduled meeting on Oct. 31. Source: [Bloomberg 27 Oct 2024](#)

Aus Q3 CPI will be released this week and will be important for the RBA meeting next week, also on 5 Nov. Aus headline Q3 CPI is expected to slow to +2.9% over the year from +3.8% in Q2 – due to the introduction of household energy subsidies. The trimmed mean measure of core inflation is the important statistic and is expected to slow to +0.7% over the quarter in Q3, from +0.8% in Q2. Over the year, the trimmed mean is expected to slow to +3.5% in Q3 from +3.9% in Q2. Persistent inflation has been a key concern for the RBA, and it has been noted that it would be some time before inflation is sustainably at the target. While growth indicators were weak in Q2, labour market conditions in Aus have stabilized through Q3.

The prelim Eurozone CPI for Oct is expected to be slightly firmer. Headline CPI is expected to increase to +1.9% in Oct from +1.7% in Sep. Core CPI is expected to slow to +2.6% in Oct from +2.7% in Sep. The recent messaging from ECB officials is that disinflation is 'well on track', despite some lingering concerns over domestic wage pressures. ECB President Lagarde has emphasized

the downside surprises in indicators of economic activity recently. The prelim Euro area growth for Q3 is expected to come in at +0.2%, unchanged from +0.2% in Q2, confirming that a low pace of growth persisted into Q3. German GDP for Q3 will be released before the Euro Area growth and is expected to show a continued slight contraction in the economy of -0.1% in Q3 after a similar fall in Q2.

The broader global S&P PMIs for Oct will begin to be released later this week.

## US Treasury Issuance; 28 Oct – 1 Nov 2024

This week, the US Treasury will auction and settle approx. \$780bn in Notes, Bonds, TIPS, FRNS, and ST Bills, raising approx. \$139bn in new money.

QT this week: Approx \$25bn of ST Bills, Notes, Bonds, and FRNs will mature on the Fed balance sheet and will be reinvested. Approx \$18bn of Notes, Bonds, and FRNs 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 %
28 Oct - 1 Nov	24-Oct	29-Oct	4 week bill	95			Actual 4.650%
	24-Oct	29-Oct	8 week bill	90			Actual 4.590%
	23-Oct	29-Oct	17-week bill	64			Actual 4.445%
				249	230	19	
	28-Oct	31-Oct	13 week bill	81			Announced 4.510%
	28-Oct	31-Oct	26 week bill	72			Announced 4.310%
	29-Oct	31-Oct	42-Day CMB	80			Announced 4.650%
	29-Oct	31-Oct	52 week bill	48			Announced 3.780%
				281	250	31	
		29-Oct	31-Oct	2-Yr FRN	30		
	29-Oct	31-Oct	7-Yr Note	44			Announced 3.668%
	28-Oct	31-Oct	2-Yr Note	69			Announced 3.520%
	28-Oct	31-Oct	5-Yr Note	70			Announced 3.519%
	23-Oct	31-Oct	20-Yr Bond	13			Actual 4.590%
	24-Oct	31-Oct	5-Yr TIPS	24			Actual 1.670%
				250	161	89	
			<b>Total - securities settling this week</b>	<b>780</b>	<b>641</b>	<b>139</b>	
			<b>Net New Cash Raised Qtr to Date</b>	<b>3064</b>	<b>2653</b>	<b>411</b>	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>565</i>	
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>			
			<b>Maturing &amp; reinvestment</b>				
	29-Oct		ST Bills	0.7			
	31-Oct		ST Bills	20.4			
	31-Oct		Notes, Bonds, and FRN's	4.2			
				25.3			
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>				
	31-Oct		Notes, Bonds, and FRN's	18.0			
				18.0			

## 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
		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	62.8
	<b>Total Notes &amp; Bonds</b>	<b>25.0</b>	<b>68.6</b>

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 next release of the US Treasury funding requirement will be this week on 28 Oct and 30 Oct. This will confirm the Q4 funding requirement and provide an estimate for Q1 2025.

The current [US Treasury quarterly refunding and financing estimates](#) for Q3 and Q4 are;

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.

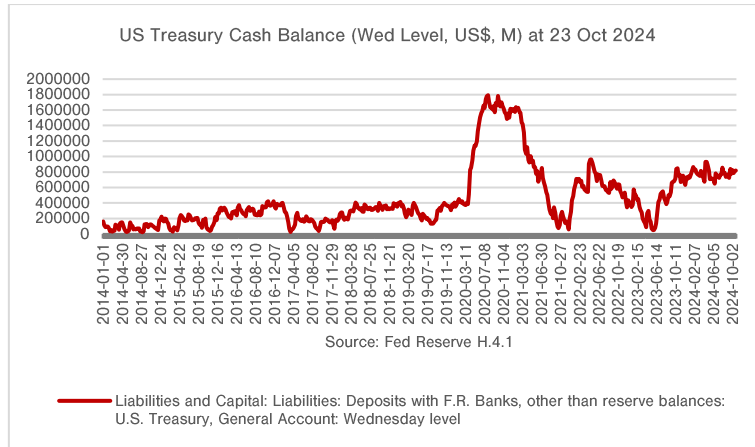
The borrowing estimate is \$106 billion lower than announced in April 2024, largely due to lower Federal Reserve System Open Market Account (SOMA) redemptions and a higher beginning-of-quarter cash balance.

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.

## US Treasury Cash Levels (TGA)

As of Wed 23 Oct 2024, the level of the TGA increased to \$817bn (+\$2bn compared to the week prior).

The TGA balance is approx. \$30bn *lower* 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 28 OCTOBER 2024

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### MONDAY 28 OCTOBER (US Eastern Time, unless stated otherwise)

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US Dallas Fed Manufacturing Index (Oct)

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Canada BoC Macklem Speech

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### TUESDAY 29 OCTOBER

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US Case/Shiller House Price Index (Aug), JOLTS (Sep)

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Aus CPI Q3, Monthly CPI Series (Sep)

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### WEDNESDAY 30 OCTOBER

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Europe Germany GDP – prelim Q3, Germany CPI – Prelim (Oct), Euro Area GDP – prelim Q3  
ECB Schnabel speech

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US MBA Mortgage Apps wk ending 26 Oct, ADP Employment Change (Oct), GDP –  
Advance Q3, Pending Home Sales (Sep)

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Japan Industrial Production – prelim (Sep), Retail Sales (Sep)  
BoJ Monetary Policy Meeting

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Australia Building Permits (Sep), Export & Import Price Indexes Q3, Private Sector Credit  
(Sep), Retail Sales (Sep)

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China NBS Manufacturing & Non-Manufacturing PMI (Oct)

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### THURSDAY 31 OCTOBER

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Europe Euro Area CPI – prelim (Oct)

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US Initial Jobless Claims wk ending 26 Oct, Challenger Job Cut Announcements (Oct),  
PCE Price Index (Sep), Personal Spending & Income (Sep), Chicago PMI (Oct)

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Australia Housing Finance (Sep)

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### FRIDAY 1 NOVEMBER

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US Non-Farm Payrolls (Oct), Employment & Labor Market Survey (Oct), ISM  
Manufacturing PMI (Oct), S&P Manufacturing PMI – final (Oct)

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