

## Key events this week – US CPI & PPI, Minutes; FOMC, ECB, & RBA, RBNZ meeting

### Recap from last week; The US labor market not weakening as much as thought.

During his speech last week, US Fed Chair Powell's comments built on the themes from the most recent FOMC meeting. He was more explicit though about his reaction function for data and rates through the end of 2024, indicating that if the U.S. economy follows the trajectory outlined in the most recent SEP, then two 25bps cuts can likely be expected in the remainder of the year. He emphasized that the Fed has embarked on "policy recalibration", meaning that moving policy rates down slowly to neutral will help achieve the task of bringing down inflation. However, he reiterated that it is still a data-dependent approach;

"This is not a committee that feels like it's in a hurry to cut rates quickly," Powell said.  
"Ultimately we will be guided by the incoming data. And if the economy slows more than we expect, then we can cut faster. If it slows less than we expect, we can cut slower." (Source: [Bloomberg](#), 1 Oct 2024)

Powell's upbeat tone from the last FOMC press conference was reinforced by the recent upward revisions to US GDP and GDI data. This had reduced perceived downside risks as spending, income, and savings were stronger than previously thought. He also expressed confidence in inflation moving toward the 2% target, based on August PCE data, while acknowledging the tension between cooling in the labor market and solid GDP growth.

However, the payroll and employment data for Sep suggested that the US labor market may not be weakening as much as recent data has suggested. The Sep payroll report was strong with the headline increase of +254k far exceeding expectations while the two prior months were revised higher by +72k. There was positive news on the unemployment rate which fell from 4.22% in Aug to 4.05% in Sep, as the household survey recorded a strong rebound in employment growth, while growth in the labor force slowed. Despite the stronger employment and payroll growth this month, average weekly hours and total aggregate hours declined over the month, though may recover next month. Average hourly earnings growth eased a little over the month but increased to +4% over the year.

Other new labor market data released last week mostly reflected Powell's 'solid' labor market conditions. The number of job openings increased back up to over 8m but remained below the 12mth average. Falling hires reflected slowing demand for labor but no evidence that firms were increasing layoffs. The quits fell more notably in Aug. Elevated Challenger job cut announcements in Sep continued to contrast with the trend in low initial jobless claims.

After Powell's speech, and the stronger payroll data, US rate cut expectations for the remainder of the year were scaled back (source: [CME Fedwatch](#)).

The US PMIs for Sep revealed two key sectors moving at a different pace: renewed weakening in manufacturing conditions, while the services sector outlook remained more optimistic. The stronger expansion in services is so far offsetting the weakness in manufacturing and this was broadly reflected in the composition of the payroll data for Sep too. However, the latest [Atlanta Fed GDP Nowcast](#) for the Q3 growth run-rate slowed to +2.5% - but was based on limited data last

week. The update this week will reflect the monthly trade and wholesale inventory data. Next week should provide a broader update on the US growth run rate for Q3.

The S&P global PMI's indicated that global growth momentum eased further in Sep. The global manufacturing PMI weakened further into modest contraction for the third month in a row, while global services activity moderated. At a global level, the expansion in services continues to offset the weaker manufacturing conditions, but this differs by country/region.

Of note was the further weakening in the Eurozone PMIs for Sep – especially across some of the larger Eurozone members. With concerns over the growth outlook, together with the lower-than-expected flash Euro area CPI for Sep, ECB officials hinted at an increased possibility of another rate cut at the Oct meeting.

An interest-rate cut that European Central Bank officials deemed unlikely just three weeks ago now seems a near certainty when they next set borrowing costs on Oct. 17.

Markedly souring business surveys, the first below-2% inflation reading in more than three years and the reassurance offered by the Federal Reserve's own shift to easing, have all brought policymakers toward the point where a quarter-point reduction appears to need little more than a formal sign-off. (Source: [Bloomberg](#), 2 Oct 2024)

Newly appointed Japanese Prime Minister Ishiba stated that the country is "on the verge of overcoming deflation," while his newly appointed ministers urged caution from the BoJ regarding further rate hikes at this time. In a [speech during the week](#), BoJ Governor Ueda was broadly seen as supporting the sentiment of the incoming PM, continuing to reflect the more recent dovish tone and noting uncertainty in the outlook for the global economy. The Japanese National election will be held on 27 Oct, several days before the next BoJ meeting.

## **Outlook for the week ahead; In a quiet week of data, US inflation and central banks will be in focus.**

The US CPI and PPI report for Sep will be important in continuing to build confidence that inflation is moving back to the 2% target for the FOMC.

Growth in the US headline CPI is expected to slow to +2.3% in Sep from +2.5% in Aug. The monthly rate is expected to slow to +0.1% over the month, from +0.2% in Aug. Core inflation will be the more important indicator, and is expected to slow to +3.1% over the year in Sep, from +3.2% in Aug. The monthly pace of core CPI is expected to slow to +0.2% in Sep from +0.3% in Aug.

Growth in the US headline PPI is expected to slow to +1.6% over the year in Sep, from +1.8% in Aug. The monthly pace of growth is expected to slow to +0.1% Sep, from +0.2% in Aug. Growth in core PPI is expected to increase slightly to +2.65% in Sep from +2.4% Aug. The monthly pace of core PPI is expected to slow to +0.2% in Sep from +0.3% in Aug.

The latest FOMC minutes will be released this week. This should provide insight into the decision to commence rate cuts in this cycle and what it means for the broader suite of policy settings such as QT.

There will be a large number of [US Fed speeches](#) this week. Not all speeches will be on the economic outlook, but it will be important to see how Fed officials have incorporated the stronger labor market data into their outlook.

The ECB and RBA minutes will be released this week. The ECB did cut policy rates at the last meeting, noting that, given recent inflation dynamics, it was appropriate to take another step in moderating the degree of policy restriction. The RBA had kept rates on hold at the last meeting.

The RBNZ will meet this week and is expected to cut its policy rate by 50bps.

Chinese data will be in focus. New loan data for Sep may start to highlight the flow of new policy stimulus. Also, Chinese CPI & PPI data for Sep will be released this week.

## US Treasury Issuance; 7 – 11 Oct 2024

This week, the US Treasury will auction and settle approx. \$482bn in ST Bills, raising approx. \$31bn in new money. The US Treasury will also auction the 3-year and 10-year Notes, and the 30-year Bond – to settle on 15 Oct.

QT this week: Approx \$9bn 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 %	
7-11 Oct 2024	03-Oct	08-Oct	4 week bill	95			Actual 4.755%	4.700%	
	03-Oct	08-Oct	8 week bill	90			Actual 4.655%	4.650%	
	02-Oct	08-Oct	17-week Bill	64			Actual 4.410%	4.430%	
				249	230	19			
	07-Oct	10-Oct	13 week bill	81			Announced	4.500%	
	07-Oct	10-Oct	26 week bill	72			Announced	4.215%	
	08-Oct	10-Oct	42-Day CMB	80			Announced	4.750%	
				233	221	12			
				<b>Total - securities settling this week</b>	<b>482</b>	<b>451</b>	<b>31</b>		
				<b>Net New Cash Raised Qtr to Date</b>	<b>1201</b>	<b>1038</b>	<b>163</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>						
	08-Oct		ST Bills	0.8					
	10-Oct		ST Bills	8.4					
				9.1					
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>						
			Nil	0.0					
			<b>Upcoming Auctions</b>	<b>\$B</b>					
	08-Oct	15-Oct	3yr Note	58					
	09-Oct	15-Oct	10yr Note	39					
	10-Oct	15-Oct	30yr Bond	22					
				119					

## 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 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.

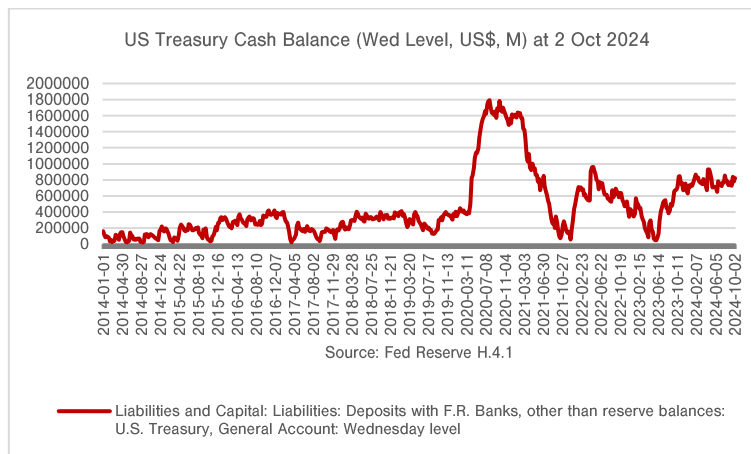
The borrowing estimate is \$106 billion lower than announced in April 2024, largely due to lower Federal Reserve System Open Market Account (SOMA) redemptions and a higher beginning-of-quarter cash balance.

**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 2 Oct 2024, the level of the TGA increased to \$823bn (+\$44bn compared to the week prior).

The TGA balance is approx. \$144bn *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/ambs\\_operation\\_schedule](https://www.newyorkfed.org/markets/ambs_operation_schedule)

## CALENDAR W/C 7 OCTOBER 2024

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### MONDAY 7 OCTOBER (US Eastern Time, unless stated otherwise)

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Europe	Germany Factory Orders (Aug), Eurozone Retail Sales (Aug)
US	Consumer Credit Change (Aug), CB Employment Trends Index (Sep), Fed speeches; Bowman, Kashkari, Bostic, Musalem
Australia	ANZ Job Ads (Sep), NAB Business Conditions and Confidence (Sep) RBA Minutes

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### TUESDAY 8 OCTOBER

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Europe	Germany Industrial Production (Aug)
US	NFIB Business Optimism Index (Sep), Goods & Services Trade Balance (Aug), Fed speeches; Kugler, Bostic, Jefferson
Australia	Consumer Confidence (Oct)
NZ	RBNZ Monetary Policy Meeting

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### WEDNESDAY 9 OCTOBER

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US	MBA Mortgage Apps wk ending 5 Oct, Wholesale Inventories (Aug), Fed speeches; Jefferson, Daly, Bostic, Logan, Barkin, Collins FOMC Minutes
Japan	PPI (Sep)

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### THURSDAY 10 OCTOBER

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China	New Loans (Sep) - tbc
Europe	ECB Minutes
US	Initial Jobless Claims wk ending 5 Oct, CPI (Sep), Fed speeches; Cook, Williams

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### FRIDAY 11 OCTOBER

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UK	Industrial Production (Aug), GDP – Monthly (Aug)
Canada	Labour Market Survey (Sep), BoC Business Outlook Survey
US	PPI (Sep), University of Michigan Consumer Sentiment - Prelim (Oct), Fed speeches; Bowman, Logan
China	(Saturday) CPI & PPI (Sep)

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