

## Key events this week – US CPI, PPI, & retail sales, Fed Chair Powell speech

Recap from last week: The US Presidential election and central bank meeting highlights.

Despite the heightened pre-election uncertainty, US President Trump and the Republican Party are likely to secure a decisive victory. While control of the House of Representatives is yet to be confirmed (at the time of writing), the [Republicans are leading](#) in the race to win the majority of seats. This would give President Trump and the Republicans control of both the House and the Senate, paving the way to implement the policy agenda.

Last week's central bank meetings featured important policy decisions. As expected, the FOMC cut the FFR by a further 25bps. The decision focused on the process to continue to recalibrate its policy stance. Emphasis added:

“I would put it this way, we're on a path to a more neutral stance. And that's very much what we're on. **That has not changed at all since September**”. US Fed Chair Powell, [Press Conference Q&A](#), 7 Nov 2024

Fed Chair Powell noted that the Committee had gained the confidence that inflation is on a sustainable path to 2%. However, with core inflation still elevated, the FOMC is not declaring victory yet. Despite recent firmness, the FOMC expects inflation to follow a 'bumpy path' over the next few years, eventually settling around 2%. The FOMC shifted its characterization of the labor market from “cooling” in Sept to “solid” in Nov. There was only a brief note on the impact of strikes and weather on Oct payrolls. That said, the FOMC reiterated a clear message; “we don't want the labor market to soften much from here”. Fed Chair Powell was positive on the economic backdrop.

Guidance remained data dependant, with Fed Chair Powell even noting that it was “not a good time to be doing a lot of forward guidance”. The FOMC would slow the pace of cuts if inflation stopped moving sustainably toward 2%. However, the FOMC would “move more quickly” if either inflation fell more quickly, and/or the labor market weakened unexpectedly.

The Bank of England (BoE) cut the Bank Rate by 25bps, citing continued progress on disinflation but also noting that domestic inflation pressures were resolving more slowly. It did warn that inflation was likely to rebound in the final quarter due to energy price base effects. The Committee noted little evidence that aggregate demand was falling short of aggregate supply, so guidance remained focused on a “gradual approach to removing policy restraint”. The decision also highlighted the impact of the UK Budget, noting a more material upward shift of the market-implied path for the Bank Rate since the budget release.

The RBA remained the outlier and kept rates on hold, noting that underlying inflation remains too high. With new forecasts indicating that it will be some time yet before inflation is back at the mid-point, the Board needs to remain vigilant to upside risks to inflation. Governor Bullock noted that progress has been made from a year ago, but this last leg of progress towards the target is proving difficult. In the press conference, Governor Bullock said that services inflation at +5% was a key issue.

Chinese officials announced new measures aimed at assisting local governments in refinancing their "hidden" debt, as reported by [Bloomberg](#). A more demand-focused stimulus package might be unveiled once the extent of US tariffs becomes clear.

## **Outlook for the week ahead: Progress on US inflation & retail sales, Q3 GDP reports, and central bank speeches.**

While the results of the US election are being finalized, attention shifts to the economic landscape this week.

In the US, CPI and PPI inflation indicators, retail sales, and a speech by US Fed Chair Powell will be in focus.

Last week, Fed Chair Powell noted that while the job is not yet done on inflation, progress so far indicated that the story was still consistent with inflation coming down on a 'bumpy path' over the next couple of years and settling around 2%. Meanwhile, progress on US inflation is expected to be little changed in Oct, with headline CPI increasing to +2.5% over the year, up from +2.4% in Sep. The monthly pace is expected to remain at +0.2%. Core CPI is expected to be unchanged at +3.3% over the year in Oct and +0.3% over the month. US PPI is expected to be firmer, increasing to +2.3% in Oct from +1.8% in Sep. Over the month, headline PPI is expected to increase by +0.2%, up from 0% in Sep. Core PPI is also expected to increase to +2.9% in Oct, up from +2.8% in Sep, while the monthly rate is expected to increase to +0.3% from +0.2% in Sep.

Other data this week will help to firm the early view on US growth in Q4. Last week, the [Atlanta Fed GDP Nowcast](#) showed the growth run rate at +2.5% at the start of Q4 from higher vehicle sales growth in Oct, factory orders data, and a positive contribution to inventories from wholesale trade. This week, growth in US retail sales is expected to slow to +0.3% in Oct from +0.4% in Sep. Last month, the retail control group growth was strong at +0.7%. US industrial production is expected to fall again in Oct by -0.2%, after falling by -0.3% in Sep (due to falls in durable goods manufacture).

There will be numerous US Fed speakers this week. Of note, will be US Fed Chair Powell speaking on the Economic Outlook at an event on Thur. The Fed will release the latest Senior Loan Officer Survey results for Q3.

Outside of the US, Q3 GDP and employment data will provide an update on the broader growth context.

In the UK, Q3 GDP growth is expected to slow to +0.2% in Q3 from +0.5% in Q2. UK labor market data for the 3 months to Sep is expected to record an increase in the unemployment rate to +4.1%. The BoE Governor Bailey will speak during the week.

In Aus, important labour market data for Oct will be released. Employment growth is expected to slow, participation is expected to be unchanged, and the unemployment rate is expected to increase to +4.2%. The Q3 wage price index will also be released. RBA Governor Bullock will take part in a discussion panel during the week.

The flash estimate for Euro area Q3 GDP is expected to be confirmed at +0.4% over the quarter and +0.9% over the year. The ECB minutes will be released.

Japanese Q3 GDP growth is expected to slow to +0.2% in Q3 from the most robust pace of +0.7% in Q2.

Last week, Chinese CPI and PPI data continued to confirm the deflationary trend. Trade data was mixed, as export growth strengthened, while imports shifted to a decline of -2.7% over the year. This week, annual growth in Chinese retail sales, industrial production, and fixed asset investment are expected to be little changed from the prior month.

## US Treasury Issuance; 11 - 15 Nov 2024

This week, the US Treasury will auction and settle approx. \$607bn in ST Bills, Notes, and Bonds raising approx. \$40bn in new money.

QT this week: Approx \$45bn of ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$17.3bn in Notes and Bonds will mature on the Fed balance sheet and will be redeemed/roll off the balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %	
<b>11 Nov - Veterans Day</b>									
11-15 Nov	07-Nov	12-Nov	4 week bill	95			Actual 4.515%	4.580%	
	07-Nov	12-Nov	8 week bill	90			Actual 4.490%	4.555%	
	06-Nov	12-Nov	17 week bill	64			Actual 4.410%	4.430%	
				249	235	14			
	12-Nov	14-Nov	13 week bill	81			Announced	4.440%	
	12-Nov	14-Nov	26 week bill	72			Announced	4.260%	
	12-Nov	14-Nov	42 Day CMB	80			Announced	4.550%	
				233	216	17			
	04-Nov	15-Nov	3yr Note	58			Actual 4.152%	3.878%	
	05-Nov	15-Nov	10yr Note	42			Actual 4.347%	4.066%	
	06-Nov	15-Nov	30yr Bond	25			Actual 4.608%	4.389%	
				125	116	9			
			<b>Total - securities settling this week</b>	<b>607</b>	<b>567</b>	<b>40</b>			
			<b>Net New Cash Raised Qtr to Date</b>	<b>4153</b>	<b>3661</b>	<b>492</b>			
			<i>Estimated Net Cash to be Raised Q4</i>			546			
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>					
			<b>Maturing &amp; reinvestment</b>						
		12-Nov	ST Bills	0.7					
		14-Nov	ST Bills	13.9					
		15-Nov	Notes & Bonds	30.4					
				45.0					
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>						
		15-Nov	Notes & Bonds	17.3					
				17.3					

## Quantitative Tightening Overview – Nov 2024

In Nov, the face value of Coupons maturing on the Fed balance sheet is approx. \$69bn. This is more than the \$25bn monthly cap on Treasury redemptions. So of the \$69bn of Coupons maturing in Nov, \$25bn will roll off the Fed balance sheet and \$44bn will be reinvested. It also means that all ST Bills maturing in Nov will be reinvested.

<b>Summary of Total Coupons &amp; Bills to Redeem at the \$25bn redemption cap - Nov</b>			
			<b>\$25</b>
		<b>Redeem \$Bn</b>	<b>Reinvest \$ Bn</b>
15-Nov-24	Notes & Bonds	17.3	30.4
30-Nov-24	Notes & Bonds	7.7	13.5
	ST Bills - Nov	-	54.0
	<b>Total Notes &amp; Bonds</b>	<b>25.0</b>	<b>97.9</b>

Nov 2024 ST Bill maturity schedule;

Bill Maturity Schedule - Nov	Weekly Totals \$Bn			
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2024/11/05	0.70	1%		0.70
2024/11/07	12.08	22%		12.08
2024/11/12	0.72	1%		0.72
2024/11/14	13.91	26%		13.91
2024/11/19	0.73	1%		0.73
2024/11/21	11.18	21%		11.18
2024/11/26	0.72	1%		0.72
2024/11/29	13.91	26%		13.91
	54.0	100%	0.0	54.0

<https://www.newyorkfed.org/markets/treasury-rollover-faq>

## Recommended US Treasury Financing – Q4 2024 & Q1 2025

The latest [US Treasury quarterly refunding and financing estimates](#) for Q4 and Q1 2025 are;

Updated Q4 borrowing requirement: The US Treasury expects to borrow \$546bn (previously \$565 bn) in privately held net marketable debt, assuming an end-of-Dec cash balance of \$700 billion.

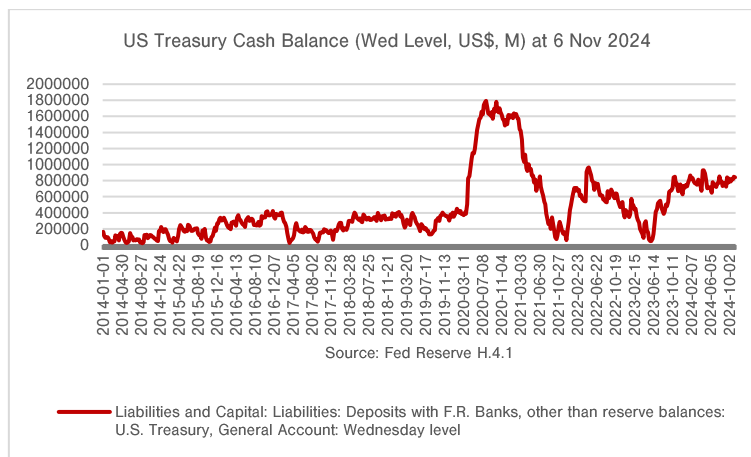
The borrowing estimate is \$19 billion lower than announced in July 2024, largely due to a higher beginning-of-quarter cash balance partially offset by lower net cash flows.

The estimated Q1 2025 borrowing requirement: During the Jan – Mar 2025 quarter, Treasury expects to borrow \$823 billion in privately-held net marketable debt, assuming an end-of-Mar cash balance of \$850 billion.

## US Treasury Cash Levels (TGA)

As of Wed 6 Nov 2024, the level of the TGA decreased to \$840bn (-\$7bn compared to the week prior).

The TGA balance is approx. \$76bn *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 11 NOVEMBER 2024

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### MONDAY 11 NOVEMBER (US Eastern Time, unless stated otherwise)

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Japan	BoJ Summary of Opinions
Australia	Westpac Consumer Sentiment (Nov), NAB Business Conditions & Confidence (Oct)

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### TUESDAY 12 NOVEMBER

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UK	Labour Market Report (3-mths Sep)
US	NFIB Small Business Optimism Index (Oct), OPEC Monthly Report, Senior Loan Officer Survey Q3, Fed speeches; Waller (payments), Barkin, Kashkari, Harker
Australia	Wage Price Index Q3

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### WEDNESDAY 13 NOVEMBER

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China	New Loans and Outstanding Loan Growth (Oct)
US	MBA Mortgage Apps wk ending 9 Nov, CPI (Oct) Fed speeches: Logan, Williams, Schmid, Musalem
Australia	Labour Market Survey (Oct), RBA Governor Bullock – panel discussion

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### THURSDAY 14 NOVEMBER

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Europe	Eurozone Industrial Production (Sep), Euro area Q3 Employment and GDP ECB Minutes
US	Initial Jobless Claims wk ending 9 Nov, PPI (Oct) Fed Chair Powell speech; economic outlook, Fed speeches; Kugler (central bank independence & the economic outlook), Williams, Barkin
UK	BoE Governor Bailey speech
Japan	GDP Q3
China	Fixed Asset Investment, Industrial Production, and Retail Sales (Oct)

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### FRIDAY 15 NOVEMBER

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UK	GDP Q3
US	Retail Sales (Oct), Industrial Production (Oct), Empire State Manufacturing Index (Nov), Export & Import Prices (Oct), Business Inventories (Sep)

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