Key events this week – US housing data, S&P prelim PMIs for Nov, global inflation reports, and RBA minutes.

Recap from last week: Progress on US inflation and implications for the FOMC.

US CPI for Oct highlighted several important points. US inflation has moderated over the past year, however the path to price stability remains a bumpy one. While inflation has slowed from very high levels, progress on core inflation may have stalled more recently. Despite the progress on disinflation, most measures of inflation remain above the Fed's 2% target, supporting the Fed's assertion that there is still more work to be done.

US headline CPI accelerated slightly in Oct to +2.6% from the low of +2.4% in Sep. While this represents a slight uptick, it remains below the +3.2% rate recorded a year ago. The 6-month annualized rate has fallen to its lowest level (in this cycle) of +1.4%, suggesting that the near-term inflationary pressure is easing.

However, underlying inflation pressures remain persistent and reflect that bumpy path down to 2%. Core CPI has stalled around +3.3% for the last five months now – and this may concern the Fed. Monthly core CPI has been unchanged at +0.3% over the last three months. In Oct, core goods inflation remained positive (+0.05%) for the second month, compared to the deflationary offset it has provided over the last year. Core services inflation was unchanged at +0.35% over the month. Within core services, the annual rate of shelter inflation has slowed throughout the last year, but it remained unchanged and at an elevated +4.9% in Oct. Even excluding shelter, the annual core services ex-shelter measure remained elevated at +4.6% in Oct – but the 6-month annualized rate of 2.7% suggests some renewed progress.

The trimmed mean is another key measure of the trend in underlying inflation that excludes outlier effects. The US trimmed mean rate was unchanged at +3.2% in Oct but has progressed from +4.1% a year ago. Importantly, the 6-month annualized rate is down to +2.5% (a new low in this cycle), and while it has stalled here for the last three months, it does suggest that the more recent pace of underlying inflation may be easing.

The PPI also firmed this month across both headline and core measures as expected. The rate of core PPI ex-food and energy has been rising over the last three months and is back up to +3.1% - a year ago this measure was +2.2%. The direction of travel has been higher on both services and core goods PPI through this last year. Together, the CPI and PPI suggest that the Fed's preferred PCE measure of inflation may remain around +0.3% in Oct for the second month in a row.

The broad message from speeches by Fed Chair Powell & Dallas Fed President Logan last week was; continue to proceed with caution on the path of policy easing. Fed Chair Powell noted that "the economy is not sending any signals that we need to be in a hurry to lower rates". This has been a consistent message from the Fed Chair. It aligns with the recalibration approach taken by the FOMC to remove policy restriction gradually, rather than rushing to cut rates back down to a more neutral level. Dallas Fed President Logan outlined several risks that she is watching, which included a note that she sees "substantial signs that the neutral rate has increased in recent years, and some hints that it could be very close to the where the FFR is now".

> In these uncertain but potentially very shallow waters, I believe it's best to proceed with caution. I anticipate the FOMC will most likely need more rate cuts to finish the journey. But it's difficult to be sure how many cuts may be needed and how soon they may need to happen. Source: Speech, Dallas Fed President Logan, 13 Nov 2024

After US data last week, there was little change to the Atlanta Fed GDP Nowcast for Q4 GDP growth – and the Q4 run rate remained at +2.5%. US retail sales growth slowed in Oct to +0.4%, however, the Sep result was revised notably higher from +0.4% to +0.8% growth. US industrial production output declined as expected in Oct given strike activity and disruption from weather events.

Outlook for the week ahead: US housing data, S&P prelim PMIs for Nov, and global inflation reports.

It will be a quiet week for US data with the focus on housing and the S&P prelim PMIs for Nov.

With the recent firming in mortgage rates, and possibly some effect from weather disruptions, US housing data is expected to be little changed overall in Oct. Permits are expected to increase to an annualized rate of 1.44m in Oct (from 1.425m in Sep). New housing starts, which feed into the Atlanta Fed GDP Nowcast, are expected to be slightly lower at 1.34m annualized in Oct (from 1.354 in Sep). Existing home sales for Oct are expected to edge slightly higher to 3.94m annualized, from 3.84m in Sep.

Other US data this week will include some early reads on Nov activity – and these may provide hints on sentiment reaction to the US election result. The reports include regional manufacturing surveys for Nov, the S&P prelim PMIs for Nov, and the University of Michigan consumer sentiment report (final) for Nov.

With US CPI/PPI remaining firmer in Oct, the FOMC will be keeping an eye on indicators of labor market activity in the lead-up to the next meeting and policy decision. With a question mark over the softer Oct payrolls report, the recent easing trend in initial claims has provided some comfort after the spike higher from the effects of the strikes and weather during early Oct. This week, claims are expected to remain low at 220k.

Fed speeches will be limited this week. Of note will be a speech by Governor Cook on the economic outlook and monetary policy.

The prelim S&P PMIs for Nov will be released for the G4 plus Australia. These will provide further insight into private sector growth momentum through to the middle of Q4. The Oct results showed continued lackluster momentum in manufacturing activity, while services activity had remained moderate.

The focus shifts to Oct CPI reports for the UK, Japan, Canada, and the Euro area – with implications for monetary policy.

UK headline CPI is expected to increase to +2.2% in Oct from +1.7% in Sep, while core CPI is expected to edge lower to +3.1% in Oct from +3.2% in Sep. At its last meeting, the BoE reiterated a 'gradual approach' to removing policy restriction noting that 'domestic inflationary pressures have resolved more slowly'.

Canada's headline CPI is expected to increase to +1.9% in Oct from +1.6% in Sep. The larger fall in Sep was due to the fall in gasoline prices. The BoC measures of underlying inflation have averaged around +2.3% over the last two months and how these measures evolve may be important for the next BoC move. The BoC has cut rates in the last four meetings with a 50bps cut at its last meeting in Oct. It also guided that further cuts are to be expected, depending on how data evolve. Recent labour force data showed a continued fall in the employment rate while the unemployment rate remained unchanged at 6.5%.

In Japan, the main measure of inflation for the BoJ, core CPI ex fresh food, is expected to ease back to +2.2% in Oct from +2.4% in Sep. The fall in monthly inflation in Sep was led by the application of energy subsidies. The core CPI ex fresh food and energy had edged up slightly to +2.1% in Sep. There remains a question mark over the timing of another rate hike by the BoJ. At its last meeting, the BoJ indicated that “if the aforementioned outlook for economic activity and prices will be realized, the Bank will accordingly continue to raise the policy interest rate and adjust the degree of monetary accommodation”. This week, BoJ Governor Ueda will give several speeches.

The final version of the Euro area CPI for Oct will be released this week. Headline inflation is expected to be confirmed at +2% over the year, while core CPI is expected to be confirmed at +2.7% over the year. At its last meeting, the ECB did cut its policy rate by 25bps, noting recent downside surprises in indicators of economic activity. It also noted that the disinflation process was well underway, but that there were still some factors affecting domestic inflation. ECB President Lagarde will give several speeches this week.

Finally, the RBA minutes of the last meeting will be released this week. At the last meeting, the Board kept rates on hold, noting that inflation, especially underlying inflation remains too high. The RBA is yet to commence cutting rates in this cycle (but its benchmark rate remains at a relatively lower peak than other central banks). Recent labour force data shows labour market conditions remain resilient, and likely not a reason for the RBA to cut rates at this stage.

US Treasury Issuance; 18 - 22 Nov 2024

This week, the US Treasury will auction and settle approx. $532bn in ST Bills raising approx. $71bn in new money. The US Treasury will also auction the 10-year TIPS and 20-year Bond this week – both will settle near the end of the month.

QT this week: Approx $12bn of ST Bills 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 $B		Prior Auction High Rate %
18-22 Nov	14-Nov	19-Nov	4 week bill	95			Actual 4.510%	4.515%
0.729	14-Nov	19-Nov	8 week bill	90			Actual 4.460%	4.490%
	13-Nov	19-Nov	17 week bill	64			Actual 4.370%	4.410%
				249	235	14		
11.18	18-Nov	21-Nov	13 week bill	81			Announced	4.420%
	18-Nov	21-Nov	26 week bill	72			Announced	4.310%
	19-Nov	21-Nov	42-Day CMB	80			Announced	4.555%
	20-Nov	21-Nov	40-Day CMB	50			Announced	4.555%
				283	226	57		
			Total - securities settling this week	532	461	71		
			Net New Cash Raised Qtr to Date	***4685***	***4122***	***563***		
			Estimated Net Cash to be Raised Q4			*546*		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		19-Nov	ST Bills	0.7				
		21-Nov	ST Bills	11.2				
				11.9				
		Maturing & redemption (balance sheet roll-off)						
				nil				
	Upcoming Auctions			**$B**				
	21-Nov	29-Nov	10-Year TIPS	17				
	20-Nov	02-Dec	20-Year Bond	16				
				33				

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.

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

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;

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

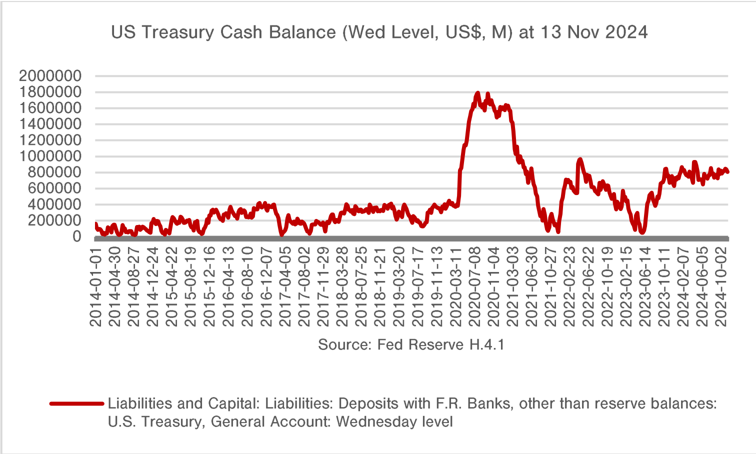
> The borrowing estimate is $19 billion lower than announced in July 2024, largely due to a higher beginning-of-quarter cash balance partially offset by lower net cash flows.

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 13 Nov 2024, the level of the TGA decreased to $809bn (-$31bn compared to the week prior).

The TGA balance is approx. $139bn *higher* than the same week a year ago.



https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=spreadsheetml&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 18 NOVEMBER 2024

MONDAY 18 NOVEMBER (US Eastern Time, unless stated otherwise)	
Japan	BoJ Governor Ueda speech – with business leaders in Nagoya
US	NAHB Housing Market Index (Nov), Fed speeches; Goolsbee
Australia	RBA Minutes

TUESDAY 19 NOVEMBER	
Europe	Euro Area CPI – Final (Oct)
Canada	CPI (Oct)
US	Building Permits & Housing Starts (Oct)
Japan	Merchandise Trade, Exports, and Imports (Oct)
China	PBoC rates decision (tbc)

WEDNESDAY 20 NOVEMBER	
UK	CPI (Oct)
Europe	Eurozone Negotiated Wage Rates Q3, ECB President Lagarde speech
US	MBA Mortgage Apps wk ending 16 Nov, Fed speeches; Gov Cook (economic outlook and monetary policy), Gov Bowman

THURSDAY 21 NOVEMBER	
Australia	RBA Governor Bullock speech
US	Initial Jobless Claims wk ending 16 Nov, Philadelphia Fed Manufacturing Index (Nov), Kansas City Fed Manufacturing Index (Nov), Existing Home Sales (Oct), Fed speeches; Hammack, Goolsbee
Australia	S&P Manufacturing & Services PMI – Prelim (Nov)
Japan	National CPI (Oct), S&P Manufacturing & Services PMI – Prelim (Nov), BoJ Governor Ueda speech

FRIDAY 22 NOVEMBER	
Europe	Eurozone S&P Manufacturing & Services PMI – Prelim (Nov), ECB speeches; President Lagarde & Schnabel
UK	Retail Sales (Oct), S&P Manufacturing & Services PMI – Prelim (Nov)
Canada	Retail Sales (Sep)
US	University of Michigan Consumer Sentiment – Final (Nov, S&P Manufacturing & Services PMI – Prelim (Nov), Fed speeches; Gov Bowman (AI)