

Key events this week – US Presidential election, FOMC, BoE, and RBA meetings

Recap from last week: Implications of US data for the FOMC

Two recent quotes from US Fed officials provide a framework for assessing the significant data from last week;

“If the economy continues to perform as expected, we're looking at two more rate cuts by year end - both 25bps cuts”, US Fed Chair Powell, speech Q&A, [NABE Conference, 30 Sep 2024](#)

Data this week remained better than, or is at least tracking the latest Fed projections. But the broad data set aligns the most with Governor Waller's framework – and suggests no change in the Fed's path of a deliberate pace of easing.

“The first scenario is one where the overall strong economic developments that I have described today continue, with inflation nearing the FOMC's target and the unemployment rate moving up only slightly. This scenario implies to me that we can proceed with moving policy toward a neutral stance at a deliberate pace.” Fed Governor Waller, [speech, 14 Oct 2024](#)

But with the complexity of the labor market data this month, the FOMC may be more attentive to the downside risks to the labor market leading up to the next meeting in Dec. US payroll growth slowed much more than expected, increasing by a mere +12k, despite already lowered expectations of +111k due to weather and strikes. How much of this weakness was due to the strikes and weather? The BLS notes the likely impact of strikes – making the already declining trend in manufacturing payrolls even worse in Oct. The effect of weather events on payroll growth is not obvious at this stage. However, the downward revisions in Aug and Sept payrolls signaled that the trend of payroll growth continues to slow.

The household survey was less impacted by strikes and weather events due to measurement differences. The BLS reported that 512k people were reported as employed but away from their jobs in Oct due to weather. Despite that, the household survey showed a marked fall in the proportion of people employed. Yet the unemployment rate increased only slightly from 4.05% to 4.15% in Oct – less than what the fall in employment would imply, due to the fall in participation. The rise in unemployed persons was focused on ‘job losers not on temporary layoff’ – suggesting factors other than weather or strikes at play. The FOMC projects the unemployment rate to end the year at 4.4% - which is still a way off, but the direction of travel was back up in Oct. From the JOLTS survey, there was a broad decline in job openings (by industry and region) with the job opening rate falling to Fed Governor Waller's threshold of 4.5%. On a positive note, recent initial jobless claims data suggest that this additional weakness in labor market data may be short-lived, with claims falling back to 216k last week.

US PCE inflation mostly came in firmer, as expected. Headline PCE eased to +2.1%, while the monthly rate increased by +0.2%. The annual core PCE rate was unchanged at +2.7% while the monthly pace increased by +0.25%. The FOMC projects the core PCE rate to end the year at +2.6%, so currently still traveling above that level. At the last meeting, FOMC officials noted that

while inflation has eased notably over the last two years, it remained above the long-term goal of 2%. Governor Waller described progress on inflation as uneven. While he noted that there were ‘good reasons to think increases will be modest going forward’, he would continue to watch the inflation data.

Finally, the advance US GDP for Q3 came in at +2.8% annualized, just slightly below +3% in Q2, but still relatively strong growth. The year-over-year rate slowed to +2.7%, due to a higher base effect - but this remains *well above* the Fed’s projection of the year-over-year GDP rate of +2% at the end of 2024. The composition of that growth was favorable, especially led by stronger household consumption. Fixed investment was still positive, but did weaken, while Government spending increased. Overall, this fits well within the broader, supportive context of ‘strong economic developments’.

The BoJ kept its policy settings unchanged as expected. While the decision statement had little detail, the quarterly report and Gov Ueda’s press conference were seen as paving the way for another hike either in Dec or Jan 2025. In his speech afterward, BoJ Gov Ueda noted that the uncertainty over the US economy has “largely receded”. Guidance in the quarterly report noted that, depending on the evolution of prices, activity, and financial conditions;

“...the Bank will accordingly continue to raise the policy interest rate and adjust the degree of monetary accommodation.” [BoJ Quarterly Report, 31 Oct 2024](#)

The prelim Euro area CPI for Oct was firmer, as expected. ECB officials have been talking down the economic data recently, but the flash GDP result for Q3 growth surprised to the upside – especially in Germany.

Outlook for the week ahead: The US Presidential election & the FOMC.

The US Presidential election will be a key focus this week. It is a tight race and uncertainty over the result is high. Getting to a result could be a drawn-out process.

Central bank meetings will also feature this week. The FOMC will be the key meeting – and this will be held a day later than usual with the decision announced on 7 Nov.

The FOMC is expected to cut the FFR by 25bps at this meeting. While some data is tracking better than, or closely aligned with recent projections, the FOMC may be cautious over the risks to the labor market. Uncertainty over the weak Oct labor market data will need to be resolved, so guidance for Dec could be limited, with the Fed favoring that data-dependent approach. It will be important to see how the FOMC characterizes the Oct labor market data. Similarly, it will be important to see how it characterizes the current stickiness of inflation.

The BoE is expected to cut the Bank Rate by 25bps at this meeting after staying on hold in Sep. At the last meeting guidance shifted to “a gradual approach to removing policy restraint remains appropriate”. The Sep CPI data came in better than expected with headline, core, and services inflation easing further. Last week’s higher spending budget has pushed UK bond yields higher, working against expectations of rate cuts.

The RBA is expected to keep policy settings on hold. Recent improvements in labour market data suggested that a larger fall in inflation would be needed to shift the RBA trajectory on rate cuts. The Q3 CPI came in lower, as expected, and mostly in line with RBA forecasts. The fall in headline CPI was heavily impacted by the introduction of government household energy rebates. The trimmed mean at +3.5% in Q3 is still running in line with RBA forecasts, and not improving at a pace that would shift the RBA rate path. 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. Markets are still pricing in the first rate cut in late H1 2025 at this stage.

Other data out this week will be important for upcoming central bank decisions. This includes the NZ Q3 labour market report and the Canadian labour market report for Oct.

The other event this week that could be important for markets is the meeting of the Standing Committee of the National People's Congress in Beijing from 4-8 Nov (source: [Bloomberg](#)). So far, Chinese fiscal support has disappointed markets, but meetings this week could see further measures announced. China's inflation and trade data for Oct are expected to be released this week.

The final half of the global S&P PMIs for Oct will be released this week.

US Treasury Issuance; 4 - 8 Nov 2024

This week, the US Treasury will auction and settle approx. \$482bn in ST Bills, raising approx. \$41bn in new money. The US Treasury will also auction the 3-year and 10-year Notes, and the 30-year Bond – all will settle on 15 Nov.

QT this week: Approx \$13bn 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 %
4-8 Nov	31-Oct	05-Nov	4 week bill	95			Actual 4.580%
	31-Oct	05-Nov	8 week bill	90			Actual 4.555%
	30-Oct	05-Nov	17 week bill	64			Actual 4.430%
				249	235	14	
	04-Nov	07-Nov	13 week bill	81			Announced 4.490%
	04-Nov	07-Nov	26 week bill	72			Announced 4.325%
	05-Nov	07-Nov	42 Day CMB	80			Announced 4.630%
				233	206	27	
			Total - securities settling this week	482	441	41	
			Net New Cash Raised Qtr to Date	3546	3094	452	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>546</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		05-Nov	ST Bills	0.7			
		07-Nov	ST Bills	12.1			
				12.8			
			Maturing & redemption (balance sheet roll-off)				
			nil				
				0.0			
			Upcoming Auctions	\$B			
	04-Nov	15-Nov	3yr Note	58			
	05-Nov	15-Nov	10yr Note	42			
	06-Nov	15-Nov	30yr Bond	25			
				125			

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 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-December cash balance of \$700 billion.

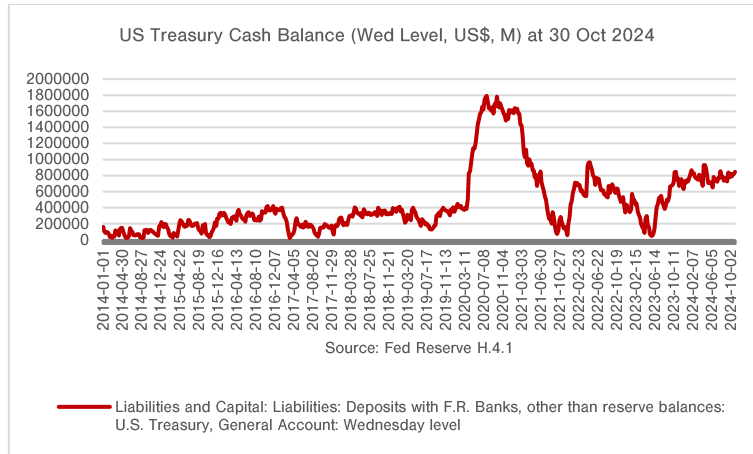
The borrowing estimate is \$19 billion lower than announced in July 2024, largely due to a higher beginning-of-quarter cash balance partially offset by lower net cash flows.

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

US Treasury Cash Levels (TGA)

As of Wed 30 Oct 2024, the level of the TGA increased to \$847bn (+\$30bn compared to the week prior).

The TGA balance is approx. \$94bn *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/ombs_operation_schedule

CALENDAR W/C 4 NOVEMBER 2024

MONDAY 4 NOVEMBER (US Eastern Time, unless stated otherwise)

Europe	Eurozone S&P Manufacturing PMI – Final (Oct)
US	Factory Orders (Sep), Vehicle Sales (Oct) – tbc, Conference Board Employment Trends Index (Oct)
Australia	RBA Monetary Policy Meeting

TUESDAY 5 NOVEMBER

US	Presidential Election ISM Services PMI (Oct), S&P Services & Composite PMI – Final (Oct)
Canada	BoC Summary of Deliberations
NZ	RBNZ Financial Stability Report, Employment & Labor Cost Index Q3

WEDNESDAY 6 NOVEMBER

Europe	Germany Factory Orders (Sep), Eurozone Services & Composite PMI (Oct)
US	MBA Mortgage Apps wk ending 2 Nov
China	Trade Balance, Exports, and Imports (Oct)

THURSDAY 7 NOVEMBER

Europe	Germany Industrial Production (Sep), Eurozone Retail Sales (Sep)
UK	BoE Monetary Policy Meeting
US	Initial Jobless Claims wk ending 2 Nov, Non-farm productivity & Unit Labor Costs Q3, Consumer Credit Change (Sep) FOMC Monetary Policy Meeting

FRIDAY 8 NOVEMBER

Canada	Labour Market Survey (Oct)
US	University of Michigan Consumer Sentiment – prelim (Nov), Fed speeches: Bowman
China	CPI & PPI (Oct)
