

Key events this week – US non-farm payrolls, Fed Chair Powell & Gov Waller speeches

Recap from last week: Slower progress on US inflation.

The US Fed's preferred PCE inflation measure for Oct remained firmer, as both headline and core PCE inflation increased slightly. The core PCE inflation rate increased to +2.8% in Oct, exceeding the Fed's year-end projection. The trend suggests that progress on underlying inflation appears to have stalled since May, reinforcing the challenge for the Fed to achieve its price stability target. Recently, the deflationary offset from core goods has become less pronounced, while core services inflation has continued to firm. Markets have continued to take this slower progress on inflation, amid the broadly resilient economic conditions, into account, with expectations for [fewer rate cuts into 2025](#) (source: CME FedWatch).

An emerging sentiment around slower progress on inflation was reflected in the minutes of the FOMC meeting on 6-7 Nov, which occurred before this suite of firmer inflation data for Oct was released. The minutes highlight that;

“...participants remained confident that inflation was moving sustainably toward 2 percent, although a couple noted the possibility that the process could take longer than previously expected.” Source: [FOMC Minutes 6-7 Nov](#)

Despite the "somewhat" elevated core inflation, the discussion outlined the key dynamics expected to guide the path of inflation back down to target. Overall, the committee remained confident that inflation was returning sustainably to 2%. The minutes noted that while labor market conditions had eased from earlier in the year, the unemployment rate remained low. Recent labor market conditions had been affected by “temporary fluctuations from hurricanes”. Economic activity continued to expand at a solid pace. Current conditions supported the decision to further recalibrate the policy stance, “gradually moving towards a more neutral policy stance over time” with a 25bps cut in Nov. In responding to changes in the balance of risks, the minutes showed that the Committee could either hold the policy rate at a restrictive level if inflation remained elevated, or easing could be accelerated if the labor market or growth conditions deteriorated.

One of the themes of inter-meeting Fed speeches has been proceeding cautiously and gradually with rate cuts. Important speeches this week could provide opportunities for the Fed to signal any change in its intentions ahead of the next FOMC meeting, especially in light of the firmer Oct inflation data. This week, Fed Chair Powell's discussion and Governor Waller's speech on the economic outlook are particularly important, ahead of the blackout period next week and the Fed meeting the following week on Dec 17-18. For the moment, markets have shifted back towards [pricing in a rate cut](#) at the Dec meeting, while pricing in fewer cuts into 2025.

The latest [Atlanta Fed GDP Nowcast](#) for Q4 GDP remained little changed during the week. US personal spending and income, housing, and manufacturing data last week was broadly in line with maintaining the run-rate for Q4 GDP at +2.7%.

In Japan, the Tokyo CPI for Nov came in higher than expected. In an interview [late last week](#), BoJ Gov Ueda signaled the possibility its Dec meeting could be 'live' for a rate hike decision, but without committing to a path of action;

Ueda last week said it's "impossible" to predict the result of the next gathering as a large amount of new data was yet to be released in a signal that it will be a live meeting.

Source: [Bloomberg](#)

In its final meeting for the year, [the RBNZ cut rates by 50bps](#). The monetary policy committee noted that consumer price inflation had eased and was now close to the midpoint of the target range. Economic activity remained subdued while output remained below potential. The Committee expects to further reduce the OCR early next year if conditions continue to evolve as projected.

Outlook for the week ahead; US labor market update and speeches ahead of the Fed's Dec meeting.

The focus this week will be on the broad update of US labor market conditions in Nov and will provide important input for the FOMC meeting on December 17-18. The Fed has been closely monitoring labor market conditions, especially viewing the notable weakness in non-farm payroll growth in Oct as a temporary event. The return to a more robust job market could reinforce expectations for fewer rate cuts amid the somewhat slower progress on inflation, while a weaker-than-expected report could signal rising expectations of accelerated rate cuts.

Key factors to watch this week;

- US non-farm payrolls are expected to increase by +202k in Nov, up from +12k in Oct. Revisions to prior months will be important for determining any shift in the overall trend.
- The US unemployment rate is expected to edge up to 4.2% - and this is still below the current Fed projection for the year-end unemployment rate of 4.4%.
- Hours and wage growth; Average weekly hours are expected to be unchanged at 34.3 while average weekly earnings are expected to slow slightly to +0.3% over the month, from +0.4% in Oct.
- JOLTS; The Job Openings for Oct (lags by one month) are expected to firm slightly to 7.49m in Oct from 7.44m in Sep.

We continue to monitor weekly initial claims data. Initial claims have fallen back down to the modest levels of this year, likely reflecting subdued layoff activity. At the same time, there has been a persistent increase in continuing claims – this could indicate slower hiring conditions. Initial claims for last week (Thanksgiving week), are expected to increase by 215k.

There will be several important Fed speeches this week, ahead of the Fed communication blackout next week. This might be an important opportunity for any shift in signaling by the Fed before the Dec 17-18 meeting. Of note, Fed Chair Powell will take part in a moderated discussion and Governor Waller will speak on the economic outlook early in the week. These speeches will be before the release of Nov non-farm payrolls.

The US ISM surveys for Nov will help to confirm the recent direction of the US S&P PMIs - more widespread growth in services helping to offset lackluster manufacturing activity. The Fed Beige Book will be released this week, providing further insight into regional activity since early Oct.

Aus Q3 GDP is expected to accelerate to +0.5% over the quarter, from +0.2% in Q2. The components of that growth will be important, but generally, the firmer growth will support the RBA in keeping rates unchanged until further progress on inflation.

Finally, the broader global suite of PMIs for Nov will be released. Except for the US, the S&P flash PMIs for Nov offered a sobering view of output growth among larger G4 nations midway in Q4. The manufacturing sectors of the G4 countries remained in contraction, and the previously resilient service sectors had begun to show signs of slowing momentum.

US Treasury Issuance; 2 – 6 December 2024

This week, the US Treasury will auction and settle approx. \$477bn in ST Bills raising approx. \$6bn in new money.

QT this week: Approx \$2.4bn 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 %
2-6 Dec	0.734	27-Nov	03-Dec	4 week bill	95		Actual 4.550%
		27-Nov	03-Dec	8 week bill	90		Actual 4.500%
		27-Nov	03-Dec	17 week bill	64		Actual 4.390%
				249	245	4	
1.649		02-Dec	05-Dec	13 week bill	81		Announced
		02-Dec	05-Dec	26 week bill	72		Announced
		03-Dec	05-Dec	42 Day CMB	75		Announced
					228	226	2
Total - securities settling this week				477	471	6	
Net New Cash Raised Qtr to Date				5976	5202	774	
<i>Estimated Net Cash to be Raised Q4</i>						<i>546</i>	
Face value of US Federal Reserve SOMA securities maturing				\$B			
Maturing & reinvestment							
		03-Dec	ST Bills	0.7			
		05-Dec	ST Bills	1.6			
				2.4			
Maturing & redemption (balance sheet roll-off)							
				Nil			

Quantitative Tightening Overview – December 2024

In Dec, the face value of Coupons maturing on the Fed balance sheet is approx. \$28bn. This is more than the \$25bn monthly cap on Treasury redemptions. So of the \$28bn of Coupons maturing in Dec, \$25bn will roll off the Fed balance sheet and \$3bn will be reinvested. It also means that all ST Bills maturing in Dec will be reinvested.

Summary of total Coupons & Bills to redeem at the \$25bn redemption cap - Dec			
			\$25
		Redeem \$Bn	Reinvest \$ Bn
15-Dec-24	Notes & Bonds	7.1	0.9
31-Dec-24	Notes & Bonds	17.9	2.1
	Bills		12.0
Total Notes & Bonds		25.0	15.0

Dec 2024 ST Bill maturity schedule;

Bill Maturity Schedule - Dec		Weekly Totals \$Bn		
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2024/12/03	0.73	6%	0.0	0.7
2024/12/05	1.65	14%	0.0	1.6
2024/12/10	0.75	6%	0.0	0.7
2024/12/12	2.45	20%	0.0	2.4
2024/12/17	0.75	6%	0.0	0.7
2024/12/19	0.60	5%	0.0	0.6
2024/12/24	0.69	6%	0.0	0.7
2024/12/26	3.94	33%	0.0	3.9
2024/12/31	0.43	4%	0.0	0.4
	12.0	100%	0.00	12.0

<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 2024 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.

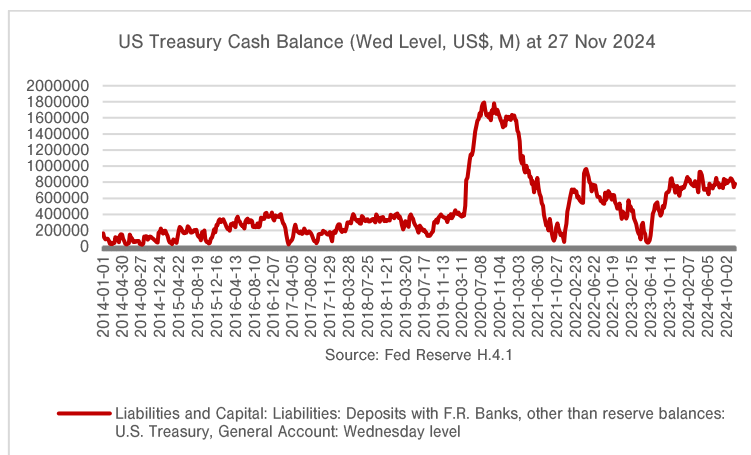
The borrowing estimate is \$19 billion lower than announced in July 2024, largely due to a higher beginning-of-quarter cash balance partially offset by lower net cash flows.

The estimated Q1 2025 borrowing requirement: The US 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 27 Nov 2024, the level of the TGA increased to \$783bn (+\$45bn compared to the week prior).

The TGA balance is approx. \$29bn *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

CALENDAR W/C 2 DECEMBER 2024

MONDAY 2 DECEMBER (US Eastern Time, unless stated otherwise)

Australia	Building Approvals (Oct), ANZ Job Ads (Nov), Company Gross Operating Profits Q3, Retail Sales (Oct)
China	Caixin/S&P Manufacturing PMI (Nov)
Europe	ECB President Lagarde speech
US	ISM Manufacturing PMI (Nov), Fed speeches; Governor Waller (Econ Outlook), NY Fed President Williams

TUESDAY 3 DECEMBER

US	JOLTS (Oct), Fed speeches: Goolsbee, Kugler (Labor Market & Mon Pol)
Australia	GDP Q3
China	Caixin/S&P Services PMI (Nov)

WEDNESDAY 4 DECEMBER

Europe	Eurozone PPI (Oct), ECB President Lagarde speech
US	MBA Mortgage Apps wk ending 30 Nov, ADP Employment Change (Nov), ISM Services PMI (Nov), Factory Orders (Oct), Fed Beige Book Fed Chair Powell; moderated discussion

THURSDAY 5 DECEMBER

Europe	Germany Factory Orders (Oct), Eurozone Retail Sales (Oct)
US	Initial Jobless Claims wk ending 30 Nov, OPEC Meeting (tbc), Challenger Job Cut Announcements (Nov), Fed speeches: Barkin

FRIDAY 6 DECEMBER

Europe	Germany Industrial Production (Oct), Eurozone GDP & Employment – Final Est Q3
Canada	Labour Market Survey (Nov)
US	Non-farm Payrolls & Labor Market Survey (Nov), University of Michigan Consumer Sentiment – prelim (Dec), Consumer Credit Change (Oct), Total Vehicle Sales (Nov) – TBC, Fed speeches: Daly, Hammack, Goolsbee, Bowman.
