

## Key events this week – US ISM manufacturing PMI, global PMI's Dec

Recap from last week: The Atlanta Fed Q4 GDP growth run rate is unchanged.

US economic growth continues to maintain stronger momentum through the second half of 2024.

The final estimate of US Q3 GDP growth was recently revised higher to a +3.1% annualized pace – driven by an acceleration in exports, consumer spending, and federal government spending in the quarter (source: [BEA](#)). Based on limited data last week, the [Atlanta Fed GDP nowcast](#) for Q4 US GDP growth remained steady at a +3.1% run rate, indicating continued robust economic activity. However, data highlight that pockets of weakness remain, particularly in US residential investment as mortgage rates have again risen. Data last week showed that US new home sales in Nov detracted slightly from growth in Q4, but this was offset by contributions from the durable goods report. Looking ahead to 2025, the US growth backdrop remains positive, amid a hawkish shift by the Fed and uncertainty surrounding the extent of new Trump policies.

In contrast, the minutes from some central banks have highlighted concerns regarding their respective growth outlook.

The [latest RBA minutes](#) detailed the shift in the Board's outlook at the Dec meeting. The Board noted that data had broadly evolved as expected and not enough to shift its forecasts. However, risks that inflation may resolve more slowly had diminished, while downside risks to activity had strengthened. Two points led to this shift in risks; recent weaker activity (Q3 GDP), and wage growth that had slowed by more than expected, suggesting greater capacity in the labour market than had been assumed. Guidance shifted to reflect the Board gaining some confidence that inflation is moving sustainably to the target – “but risks remain”. At the time of the decision, this led markets to begin pricing in the possibility of an earlier rate cut, potentially as soon as Feb, when the next set of forecasts will be released. As of 27 Dec, markets are pricing in [a rate cut by Apr.](#)

The [BoC deliberations](#) outlined the debate between a 25 or 50bps rate cut at its last meeting. The Governing Council reduced rates by 50bps citing downside risks to its inflation forecast and a weaker growth outlook. Policy settings no longer needed to be “clearly restrictive”. Not all recent data had pointed to a need for a 50bps cut, but the cumulative effect of rate cuts since June would be needed to reduce the slack in the economy and maintain inflation around the 2% target. In light of ‘substantial’ cuts since June, guidance was shifted to expectations for “a more gradual approach” to monetary policy going forward.

### Outlook for the week ahead; Another short week, focus on Dec PMIs.

It will be another short week with a quiet data calendar. US data will be limited to the ISM manufacturing PMI, pending home sales, and vehicle sales for Dec.

The full suite of global PMIs for Dec will begin to be released this week and will provide a broad update on momentum in private-sector manufacturing and services activity in the final month of the year.

**Key factors to watch this week:**

- US ISM manufacturing PMI for Dec – the headline index is expected to be little changed at 48.3 (from 48.4 in Nov). This will feed into a limited update to the Atlanta Fed GDP nowcast for Q4.
- US pending home sales are expected to increase by +0.9% in Nov after +2% in Oct. The slowing in activity partly reflects the renewed increase in mortgage rates since the end of Sept.
- S&P global manufacturing PMI reports for Dec will begin to roll out this week, with the services reports to follow next week.

## US Treasury Issuance; 30 December 2024 – 3 January 2025

This week, the US Treasury will auction and/or settle approx. \$658bn in ST Bills, Notes, Bonds, and TIPs, raising approx. \$35bn in new money.

QT this week: Approx \$12bn of ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$18bn 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 %
30 Dec - 3 Jan	26-Dec	31-Dec	4 week Bill	75			Actual 4.260%
	26-Dec	31-Dec	8 week Bill	70			Actual 4.265%
	26-Dec	31-Dec	17 week Bill	64			Actual 4.230%
				209	295	-86	
	30-Dec	02-Jan	13 week bill	84			Announced 4.240%
	30-Dec	02-Jan	26 week bill	72			Announced 4.170%
	30-Dec	02-Jan	42 Day CMB	75			Announced 4.280%
				231	229	2	
	17-Dec	31-Dec	20yr Bond	13			Actual 4.686%
	23-Dec	31-Dec	2yr Note	69			Actual 4.335%
	24-Dec	31-Dec	5yr Note	70			Actual 4.478%
	26-Dec	31-Dec	7yr Note	44			Actual 4.532%
	19-Dec	31-Dec	5yr TIPs	22			Actual 2.121%
				218	98.5	119.5	
			<b>Total - securities settling this week</b>	<b>658</b>	<b>622.5</b>	<b>35.5</b>	
			<b>Net New Cash Raised Qtr to Date</b>	<b>658</b>	<b>622</b>	<b>36</b>	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			<b>823</b>	
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>			
			<b>Maturing &amp; reinvestment</b>				
		31-Dec	Notes and Bonds	2.1			
		31-Dec	ST Bills	0.7			
		02-Jan	ST Bills	9.2			
				12.1			
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>				
		31-Dec	Notes and Bonds	17.9			
				17.9			

## Quantitative Tightening Overview – January 2025

In Jan, the face value of Coupons maturing on the Fed balance sheet is approx. \$64.8bn. This is more than the \$25bn monthly cap on Treasury redemptions. So of the \$64.8bn of Coupons maturing in Jan, \$25bn will roll off the Fed balance sheet and \$39.8bn will be reinvested. It also means that all ST Bills maturing in Jan will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$25bn redemption cap - Jan 2025			
			\$25
			Redeem \$Bn
			Reinvest \$ Bn
15-Jan-25	Notes, Bonds, and TIPS		16.4
31-Jan-25	Notes, Bonds, and FRNs		8.6
	Bills		55.8
	<b>Total Notes &amp; Bonds</b>		<b>25.0</b>
			<b>95.6</b>

Jan 2025 ST Bill maturity schedule;

Bill Maturity Schedule - Jan 2025			Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2025/01/02	9.25	17%	0.0	9.2
2025/01/07	0.73	1%	0.0	0.7
2025/01/09	8.38	15%	0.0	8.4
2025/01/14	0.73	1%	0.0	0.7
2025/01/16	9.00	16%	0.0	9.0
2025/01/21	0.72	1%	0.0	0.7
2025/01/23	11.14	20%	0.0	11.1
2025/01/28	0.47	1%	0.0	0.5
2025/01/30	15.42	28%	0.0	15.4
	55.8	100%	0.0	55.8

<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.

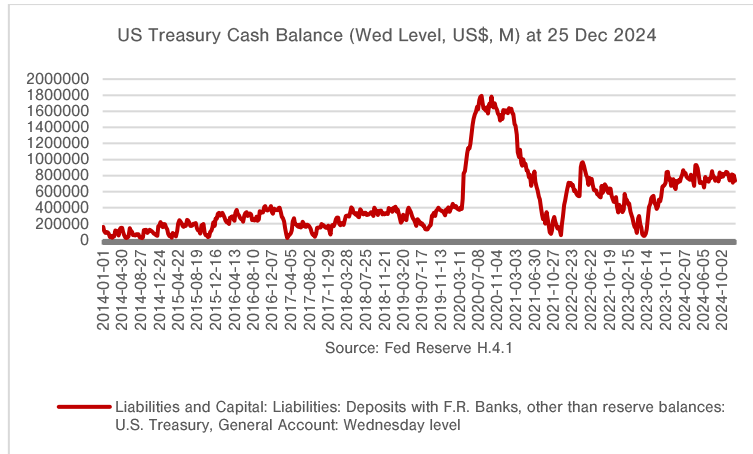
The borrowing estimate is \$19 billion lower than announced in July 2024, largely due to a higher beginning-of-quarter cash balance partially offset by lower net cash flows.

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 25 Dec 2024, the level of the TGA decreased to \$735bn (-\$69bn compared to the week prior).

The TGA balance is approx. \$22bn *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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

## CALENDAR W/C 30 DECEMBER 2024

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### MONDAY 30 DECEMBER (US Eastern Time, unless stated otherwise)

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Japan	S&P Manufacturing PMI – Final (Dec)
US	Chicago PMI (Dec), Pending Home Sales (Nov), Dallas Fed Manufacturing Index (Dec)
Australia	Private Sector Credit Outstanding (Nov)
China	NBS Manufacturing and Non-Manufacturing PMI (Dec)

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### TUESDAY 31 DECEMBER

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US	Case-Shiller House Price Index (Oct)
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### WEDNESDAY 1 JANUARY

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New Year's Day Holiday

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### THURSDAY 2 JANUARY

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Europe	S&P Eurozone Manufacturing PMI – Final (Dec)
US	Initial Jobless Claims wk ending 28 Dec, MBA Mortgage Apps wk ending 28 Dec, S&P Manufacturing PMI – Final (Dec)

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### FRIDAY 3 JANUARY

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Europe	Germany Unemployment Change and Rate (Dec)
US	ISM Manufacturing PMI (Dec), Vehicle Sales (Dec) - tbc

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