

Key events this week – US CPI & PPI, Central bank decisions; RBA, BoC, ECB, & the SNB

Recap from last week: Mixed signals from the US labor market.

Fed Governor Waller's [speech last week](#) addressed the central question facing the FOMC ahead of its meeting next week: Cut or Skip? Generally resilient conditions have had many questioning how many cuts are needed given US inflation has remained firmer, growth more resilient, and concerns over labor market weakness have abated. US Fed Chair Powell noted in his discussion last week;

“Growth is definitely stronger than we thought, and inflation is coming a little higher,” Mr. Powell said at [The New York Times’s DealBook Summit on Wednesday](#). “The good news is that we can afford to be a little more cautious as we try to find neutral.”

In their speeches, neither Fed Chair Powell nor Governor Waller took a skip off the table for the Dec meeting. However, Governor Waller articulated a much higher bar for data to justify a skip at the next meeting and, is still leaning toward a cut. [Fed Chair Powell](#) didn’t provide a direction as to which way he is leaning on a Dec rate decision. Previously, he had indicated a cut in each of the last two meetings of the year if data evolved as they expected – this is still likely to be the case.

The Nov labor market data, a key factor in the Fed's upcoming decision, presented a mixed picture. While there was a rebound in payroll growth in Nov, conditions in the household survey did not improve. The rebound in payrolls, hours, and nominal earnings indicated resilience. Payrolls and hours worked both recovered from October's decline, while nominal and real wage growth remained firm. This adds to a positive outlook for household income.

Conversely, the household survey showed no similar rebound, indicating weakness had remained in Nov. The proportion of employed persons continued to decline, and, despite an offsetting fall in participation, the unemployment rate still increased back up to 4.25% - equal to the YTD high. Similarly, the unemployment rate for the core working age group increased to a new YTD high of 3.7% in Nov. While this wasn't a sharp deterioration in conditions that might worry the Fed, it does suggest that the recent theme on “cooling conditions” remains intact. Hiring has slowed, but layoffs remain near lows. The pool of unemployed persons is rising, and it's taking longer to find employment amid slower hiring conditions. Finally, [research from the San Francisco Fed](#) shows that overall labor market conditions have shifted from tight to one where labor supply now exceeds demand.

Overall, data last week was positive for US growth. As of 5 Dec (not including the jobs report from Fri), the [Atlanta Fed GDP Nowcast](#) for Q4 growth edged higher again to +3.3%. The next update will be early this week. After the US jobs report, markets priced in [a higher probability of another rate cut](#) by the Fed next week, but no notable increase in the outlook for cuts through 2025 at this stage.

Outlook for the week ahead; US CPI, PPI, and part one of central bank decisions.

The focus will be on two important areas this week. The first is US CPI & PPI reports for Nov and the second is the final round of central bank decisions for the year.

US CPI and PPI reports for Nov are expected to remain firm. Together, the CPI and PPI will provide a good estimate for the Fed-preferred PCE inflation rate for Nov. This will be another crucial input for the Fed decision next week, and for its 2025 outlook. Recent speeches indicate that some Fed members have been 'less pleased' about the firmness of inflation, noting that progress on core inflation appears to have stalled. However, the general sentiment has been that conditions indicate "inflation would likely continue to move down towards the Fed's target." (source: [Bloomberg 3 Dec 2024](#)).

Key factors to watch this week:

- US headline CPI for Nov is expected to increase by +2.7% in Nov, up from +2.6% in Oct. The monthly pace is expected to increase by +0.2% in Nov, versus +0.2% in Oct. US core CPI is expected to increase by +3.3% over the year in Nov, unchanged from +3.3% in Oct. Core CPI is expected to increase by +0.3% over the month in Nov, also unchanged from +0.3% in Oct.
- US PPI is expected to stay firm. Headline PPI is expected to increase by +2.5% in Nov, up from +2.4% in Oct. The monthly pace is expected to increase to +0.3% in Nov from +0.2% in Oct. Core PPI is expected to increase by +3.3% over the year in Nov from +3.1% in Oct. The monthly pace of core PPI growth is expected to be +0.3% in Nov.

It's the first of two weeks of key central bank decisions to conclude the year. Within the decisions, we'll look for any shift in guidance. Updated forecasts for 2025 will help to shape the broader outlook for economic activity, rates, and any shift in the stance of central bank policy (restrictive, neutral, or shifting to accommodative?).

This week begins with the RBA, which is expected to keep settings unchanged. The RBA Governor has previously indicated that more than one quarterly CPI report would be needed to confirm a sustained decline in inflation. So, unless the labor market weakens significantly, the earliest potential rate cut could be in Apr or May next year. The RBA will consider the slower-than-expected growth for Q3, especially within the household sector. However, allowing for the treatment of government subsidies paid to households indicates that household spending may have strengthened in Q3. The latest RBA forecasts were released at the start of Nov, so no updates at this meeting. The important Aus labor market report for Nov will be released later in the week – conditions are expected to remain stable, with the unemployment rate edging higher to 4.2%.

The BoC is now expected to cut rates by 50bps this week, following the larger-than-expected rise in the unemployment rate to 6.8% in Nov. Lower inflation and falling interest rates may be fostering early signs of economic recovery. Given the notable increase in the unemployment rate, the BoC may seek to further support economic activity with a larger cut.

The ECB is expected to cut rates by 25bps, and new forecasts will be released. Progress on disinflation continues. Despite the weakening growth outlook, Q3 GDP growth was positive, indicating a rebound in household spending. However, recent weak activity reports and elevated political uncertainty in core Eurozone countries are likely to weigh on the ECB outlook.

Finally, the Swiss National Bank is expected to cut rates by at least 25bps.

The important Chinese Central Economic Work Conference will take place this week. Ahead of this meeting, and at the time of writing, the Politburo shifted its stance on monetary policy for the first time in over a decade, to "embrace a "moderately loose" policy strategy next year" (source: [Bloomberg 9 Dec 2024](#)) as officials prepare to address flagging economic conditions and uncertainty over tariffs next year. Chinese CPI, PPI, and trade data for Nov will also be released this week.

US Treasury Issuance; 9 - 13 December 2024

This week, the US Treasury will auction and settle approx. \$571bn in ST Bills, Notes, and Bonds raising approx. \$46bn in new money.

QT this week: Approx \$3.2bn of ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$7.1bn in Notes and Bonds will mature and roll off the Fed balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %		
9-13 Dec	05-Dec	10-Dec	4 week Bill	85			Actual 4.400%	4.550%		
	05-Dec	10-Dec	8 week Bill	80			Actual 4.350%	4.500%		
	04-Dec	10-Dec	17 week Bill	64			Actual 4.315%	4.390%		
				229	245	-16				
	09-Dec	12-Dec	13 week Bill	81			Announced	4.400%		
	09-Dec	12-Dec	26 week Bill	72			Announced	4.305%		
	10-Dec	12-Dec	42 Day CMB	70			Announced	4.400%		
				223	226	-3				
	10-Dec	16-Dec	3yr Note	58			Announced	4.152%		
	11-Dec	16-Dec	10yr Note	39			Announced	4.347%		
	12-Dec	16-Dec	30yr Bond	22			Announced	4.608%		
				119	54	65				
				Total - securities settling this week			571	525.0	46.0	
				Net New Cash Raised Qtr to Date			6547	5727	820	
				<i>Estimated Net Cash to be Raised Q4</i>					546	
			Face value of US Federal Reserve SOMA securities maturing			\$B				
			Maturing & reinvestment							
		10-Dec	ST Bills	0.7						
		12-Dec	ST Bills	2.4						
		16-Dec	Notes & Bonds	0.9						
				3.2						
			Maturing & redemption (balance sheet roll-off)							
		16-Dec	Notes & Bonds	7.1						

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		12.3
	Total Notes & Bonds	25.0	15.3

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	13%	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	32%	0.0	3.9
2024/12/31	0.71	6%	0.0	0.7
	12.3	100%	0.00	12.3

<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.

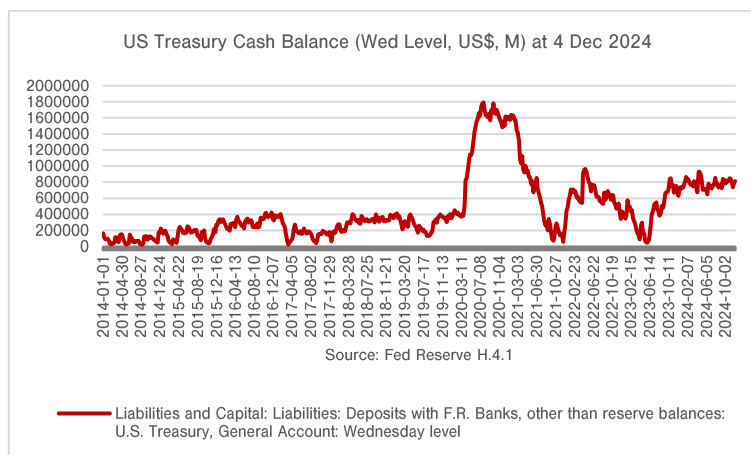
The borrowing estimate is \$19 billion lower than announced in July 2024, largely due to a higher beginning-of-quarter cash balance partially offset by lower net cash flows.

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 4 Dec 2024, the level of the TGA increased to \$815bn (+\$32bn compared to the week prior).

The TGA balance is approx. \$147bn 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 9 DECEMBER 2024

MONDAY 9 DECEMBER (US Eastern Time, unless stated otherwise)

Japan	GDP Q3
China	CPI & PPI (Nov), Trade Balance, Exports & Imports (Nov)
US	Conference Board Employment Index (Nov)
Australia	NAB Business Confidence & Conditions (Nov) RBA Monetary Policy Decision

TUESDAY 10 DECEMBER

US	NFIB Business Optimism Index (Nov), Non-farm Productivity & Unit Labor Costs Q3
Japan	PPI (Nov)

WEDNESDAY 11 DECEMBER

US	MBA Mortgage Apps wk ending 7 Dec, CPI (Nov)
Canada	BoC Monetary Policy Meeting
Australia	Labour Market Survey (Nov)

THURSDAY 12 DECEMBER

Switzerland	SNB Monetary Policy Decision
Europe	ECB Monetary Policy Decision
US	Initial Jobless Claims wk ending 7 Dec, PPI (Nov)
Japan	Tankan Survey Q3

FRIDAY 13 DECEMBER

UK	Industrial & Manufacturing Production (Oct)
Europe	Eurozone Industrial Production (Oct)
China	New Loans (Nov) – tbc
US	Export & Import Price Index (Nov)
