

Key events this week – US jobs report Dec, FOMC minutes, Fed speeches, CPI: Euro area, China, and Australia

Recap from last week: Manufacturing activity remains weak in December.

Despite another quiet week for economic data, the [Atlanta Fed GDPNowcast](#) for Q4 US GDP growth recorded a marked slowdown. Following the release of the advanced economic indicators on 27 Dec, the GDP nowcast was revised down to +2.6% from +3.1%. It slowed further again to +2.4% after the release of the Dec ISM manufacturing PMI. While this is a notable slowdown in the growth run-rate, the stronger US services sector PMIs and US jobs data this week should help to balance the view of Q4 growth.

Two key surveys released last week showed continued weakness in the US manufacturing sector in Dec. The ISM manufacturing PMI for Dec showed conditions remaining relatively flat, though improving to a modestly neutral level from the prior month. The S&P manufacturing PMI for Dec also showed the manufacturing sector continuing to contract slightly in Dec. After improving in Nov, sentiment in the outlook for manufacturing output growth eased back again. This week, the US services PMIs will be closely watched to gauge the overall health of the US economy. The expansion in services activity over the second half of 2024 has been offsetting the stalled US manufacturing sector.

There was broadly weaker momentum in manufacturing activity in Dec with the S&P global manufacturing PMI shifting back into slight contraction. Output, orders, employment, and purchase of inputs all declined, but supplier lead times lengthened. Intermediate and investment goods industries remained weaker while activity in consumer goods continued to expand. On a country basis, the strongest expansion in output was recorded in India followed by the Philippines, Spain, Greece, Taiwan, and Canada. The strongest declines in output were again observed in France and Germany - two of the leading manufacturing nations.

Outlook for the week ahead; Focus on the US jobs report and the FOMC

It will be another short week with the National Day of Mourning for President Carter on 9 Jan 25.

The US jobs report, FOMC minutes, and Fed speeches will likely provide valuable insights and could potentially shape the near-term economic outlook. The release of the FOMC minutes is not yet scheduled on the [Fed calendar](#) at the time of writing but should be scheduled for the 8 Jan.

The FOMC minutes and the Fed speeches will be the first substantial input from the Fed since the unexpected hawkish shift at the Dec FOMC meeting. Both could provide valuable information for understanding the Fed's change in stance. This week, Fed Governor Waller will provide an update on the Economic Outlook. Governor Waller is generally instructive in providing a framework for thinking about the near-term data and implications for policy. In his [recent speech on 2 Dec](#), Governor Waller balanced his remarks on inflation. He noted that while recent data had raised the possibility of stalling inflation progress, he cautioned against overreacting, given that a similar firming of inflation in 2023 had subsided. Also, Governors Cook and Bowman will speak on the economic outlook this week.

The FOMC Dec minutes should provide important insight into the decision to cut rates and signal a shift in its stance that rates are now “significantly closer to neutral” and that it will move cautiously on rate cuts if the economy evolves as expected. Guidance was changed at that meeting to reflect

the extent of further cuts would be limited, consistent with being closer to neutral, and that it was now appropriate to slow the pace of adjustments. Fed Chair Powell noted that while the disinflation story remained intact and they are confident on the path to 2% inflation, progress on achieving the 2% inflation target may take longer than expected. This was reflected in the PCE inflation projections out to 2026. The overall decision noted elevated uncertainty in the outlook with the Fed expecting significant policy changes from the incoming Trump administration.

The important point for the Fed's rate path in the near term is that “as long as the economy and the labor market are solid, we can be cautious about, as we consider further cuts” (source: [FOMC Press Conference 18 Dec 24](#)). Fed Chair Powell also noted that “we want to keep the labor market pretty close to where it is now”. The US jobs data this week will therefore be a crucial input for the Fed as it considers its next move on rates. In Nov, payroll job growth had rebounded after the strike and weather disruptions, while the unemployment rate increased back in line with YTD highs. Unexpected labor market weakness could see the Fed quickly shift its outlook, while a stronger, or ‘in line’, jobs report will likely keep the Fed's path unchanged.

Key factors to watch this week:

- US non-farm payroll growth is expected to slow to +154k, after increasing by +227k in Nov. The direction of revisions to Nov will be important for the underlying trend of payroll growth. Some central banks are increasingly referencing the split between market and non-market (govt) job growth to measure private sector strength.
- From the household survey; the unemployment rate is expected to be unchanged at 4.25% while the participation rate is also expected to be unchanged at 62.5%. Average hourly earnings are expected to be unchanged at +4% over the year in Dec. The monthly rate is expected to slow to +0.3% in Dec from +0.4% in Nov.
- The JOLTS survey for Nov (lags by a month) is expected to show job openings at 7.77m in Nov, little changed from the Oct level of 7.74m.

Outside of the US, the focus shifts mostly to inflation data.

- Euro area prelim CPI for Dec is expected to be slightly firmer over the year at +2.4% in Dec, up from +2.2% in Nov. Core CPI is expected to be unchanged at +2.7%. The ECB recently noted that its expectations are for inflation to fluctuate in the near term around current levels due to energy price base effects.
- The Aus CPI monthly series for Nov is expected to show headline inflation increasing to +2.3% over the year, up from +2.1% in Oct. This monthly data series is relatively new, with the quarterly report providing a more detailed inflation reading for the RBA.
- China CPI is expected to be little changed at +0.1% over the year in Dec, down from +0.2% in Nov. Chinese trade data will also be released toward the end of the week. Last month, the Chinese trade surplus increased after stronger growth in exports and another decline in imports.
- The S&P Global services PMIs for Dec will be released early in the week, providing the broader picture of private sector activity in the final month of 2024.

US Treasury Issuance; 6 - 10 January 2025

This week, the US Treasury will auction and/or settle approx. \$470bn in ST Bills, raising approx. \$4bn in new money. The US Treasury will also auction \$119bn across the 3-year and 10-year Notes and the 30-year Bond this week – all to settle on 15 Jan.

QT this week: Approx \$9.1bn 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 %
National Day of Mourning for President Carter							
6-10 Jan	02-Jan	07-Jan	4 week Bill	85			Actual 4.265%
	02-Jan	07-Jan	8 week Bill	80			Actual 4.240%
	02-Jan	07-Jan	17 week Bill	64			Actual 4.195%
				229	235	-6	
	06-Jan	09-Jan	13 week Bill	84			Announced
	06-Jan	09-Jan	26 week Bill	72			Announced
	07-Jan	09-Jan	42-Day CMB	85			Announced
				241	231	10	
			Total - securities settling this week	470	466	4	
			Net New Cash Raised Qtr to Date	1128	1088	40	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			823	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		07-Jan	ST Bills	0.7			
		09-Jan	ST Bills	8.4			
				9.1			
			Maturing & redemption (balance sheet roll-off)				
			Nil				
			Upcoming Auctions	\$B			
	06-Jan	15-Jan	3yr Note	58			
	07-Jan	15-Jan	10yr Note	39			
	08-Jan	15-Jan	30yr Bond	22			
				119			

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	26.2
31-Jan-25	Notes, Bonds, and FRNs	8.6	13.7
	Bills		56.1
	Total Notes & Bonds	25.0	95.9

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	16%	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	0.72	1%	0.0	0.7
2025/01/30	15.42	27%	0.0	15.4
	56.1	100%	0.0	56.1

<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.

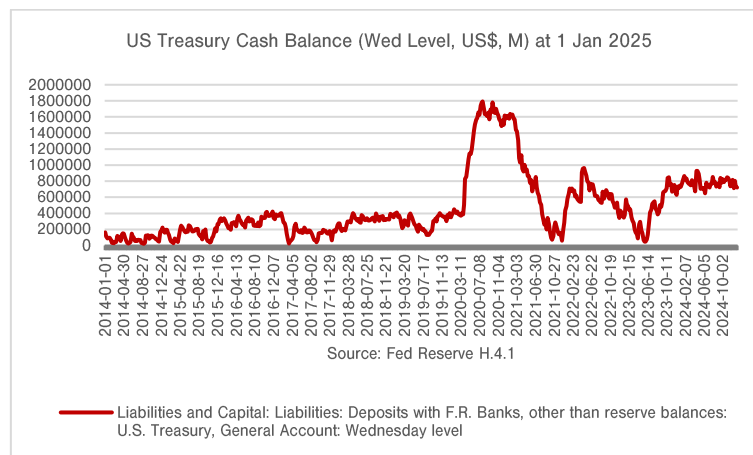
The estimated Q1 2025 borrowing requirement: The US Treasury expects to borrow \$823 billion in privately-held net marketable debt, assuming an end-of-Mar cash balance of \$850 billion.

The next scheduled update will be on 3 and 5 Feb 2025 – after the new administration takes office.

US Treasury Cash Levels (TGA)

As of Wed 1 Jan 2025, the level of the TGA decreased to \$722bn (-\$13bn compared to the week prior).

The TGA balance is approx. \$21bn lower 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/ams_operation_schedule

CALENDAR W/C 6 JANUARY 2025

MONDAY 6 JANUARY (US Eastern Time, unless stated otherwise)

Europe	Eurozone S&P Services PMI – Final (Dec), Germany CPI – Prelim (Dec)
US	S&P Services PMI – Final (Dec), Factory Orders (Nov), Fed speeches: Cook (Economic Outlook & Fin Stability)

TUESDAY 7 JANUARY

Europe	Eurozone CPI – Prelim (Dec)
US	ISM Services PMI (Dec), JOLTS (Nov), Fed speeches: Barkin
Australia	CPI – Monthly Series (Nov)

WEDNESDAY 8 JANUARY

Europe	Germany Factory Orders & Retail Sales (Nov)
US	MBA Mortgage Applications wk ending 4 Jan, ADP Employment Change (Dec), Consumer Credit Change (Nov) FOMC Minutes, Fed speeches: Gov Waller (Econ Outlook)
Australia	Retail Sales (Nov)
China	CPI & PPI (Dec) - tbc

THURSDAY 9 JANUARY

Europe	Germany Industrial Production (Nov), Eurozone PPI & Retail Sales (Nov)
US	National Day of Mourning for President Carter Initial Jobless Claims wk ending 4 Jan, Challenger Job Cut Announcements (Dec), Fed speeches: Harker, Schmid, Bowman

FRIDAY 10 JANUARY

China	New Loans (Dec), Trade Balance, Exports & Imports (Dec) – release tbc (Sat 11 Jan)
Canada	Labour Market Report (Dec)
US	Non-farm Payrolls (Dec), Household Employment Survey (Dec), Average Hourly Earnings (Dec), Michigan Consumer Sentiment – Prelim (Jan)
