Key events this week – FOMC, BoJ, BoE, and SNB meetings, US data; growth outlook

Recap from last week: While CPI eases, tariff policy continues to sour the growth and inflation outlook.

The Feb US CPI report showed further progress on disinflation, with both headline and core CPI slowing more than expected. Headline inflation eased to +2.8% in Feb, while core CPI slowed to +3.1% in Feb, the slowest so far in this part of the cycle. These results, together with the slower monthly increases compared to last year, eased concerns about a repeat of the 2024 strong beginning-of-the-year seasonal inflation.

The underlying drivers of disinflation have flipped in the last few months. The deceleration in annual CPI in Feb was instead led mostly by core services CPI categories with shelter/owners' equivalent rent and transportation services making the largest contribution to slower inflation. Over the last few months, core goods have no longer provided a deflationary offset.

The PPI also came in lower than expected in Feb, slowing to +3.2% in Feb, from +3.7% in Jan. However, the categories that feed into the Fed-preferred PCE inflation measure indicate that the PPI will likely make a firmer contribution to the PCE result for Feb. So far, the Cleveland Fed inflation nowcast for both headline and core PCE in Feb is +0.19% over the month, which is still marginally lower than the +0.24% core PCE recorded in Feb 2024.

While the CPI report is good news, it is a little backward-looking in the current context. Consumers, businesses, and policymakers have become increasingly focused on an inflation and growth outlook that includes tariffs and cuts to US government spending.

The US Michigan consumer sentiment report (prelim for Mar) showed that the combined effect of policy announcements has weighed further on consumer sentiment this month, with inflation expectations spiking higher, and expectations of unemployment increasing. Will the uncertain outlook prompt more cautious spending patterns? Early signs suggest that it might. One example is Delta Airlines' cut to its sales and profit guidance for Q1, citing a recent pullback in demand across close-in, corporate, and government bookings.

Recent business surveys have also been impacted by the tariff, trade, and spending cut announcements. The latest addition was the NFIB small business survey for Feb, which showed a fall in sentiment, though still elevated, from rising caution over increased uncertainty in the outlook while reporting more widespread increases in input prices.

The Bank of Canada (BoC) meeting last week underscored the key policy challenge facing policymakers amid tariffs and a potential trade war – deriving the policy direction that balances the "downward pressure on inflation from slower growth or a weaker economy with the upward pressure on inflation from higher costs".

"Monetary policy cannot offset the impacts of a trade war." Source: BoC Monetary Policy Decision, 12 Mar 2025

The BoC cut rates for the seventh consecutive meeting. For the moment, inflation in Canada remains near the 2% target, however, the BoC expects growth to slow in Q1 as trade concerns weigh on sentiment and activity. The BoC outlook remained negative, noting that "we ended 2024 on solid footing. But we're now facing a new crisis".

Outlook for the week ahead; FOMC, BoJ, BoE, and SNB meetings, US data; growth outlook

The focus for the week ahead is on key central bank meetings—FOMC, BoJ, BoE, and SNB —along with crucial US growth data. These meetings and US data will now be viewed through the lens of a growth outlook that has deteriorated in recent weeks due to the evolving tariff and trade policy landscape.

It's becoming increasingly clear that the Trump administration views tariffs not just as negotiating tools, but as instruments for broader restructuring. Furthermore, talk of 'detoxing' and 'transitioning' the economy through reduced govt spending, coupled with the assertion that 'corrections are healthy,' suggests a bumpy period ahead. Uncertainty is weighing on businesses, consumers, and policymakers. The critical question now is: How substantial will the impact be from tariffs, trade policy, government spending cuts, and just rising uncertainty? This week's data flow will be closely watched, though the combination of Feb and early Mar survey data may still only offer a partial view of any impacts.

Key factors to watch this week;

Key central bank decisions will be in focus this week. Last week, the BoC cut rates on the expectation of weaker growth in Q1 due to trade uncertainties. In contrast, the FOMC, BoE, and BoJ are expected to keep policy unchanged at their meetings this week.

- The FOMC is expected to keep policy settings unchanged. In his last speech before the blackout period, Fed Chair Powell reiterated that the Fed isn't in a hurry to shift policy, as long as growth holds up, and wants to see the net effect of Trump's policy agenda on trade, immigration, fiscal policy, and regulation. The FOMC will submit its latest growth, inflation, labor market, and policy path projections. Any shifts in the direction of growth and inflation projections could provide some signal for whether the Fed outlook has changed. In the previous minutes, there had also been some discussion on pausing QT in the future.
- The BoJ is expected to keep its policy rate unchanged, after increasing rates at the last meeting.
- The BoE is also expected to keep its policy rate unchanged at this meeting. The BoE cut its benchmark rate at its last meeting, following a "gradual and cautious" path of rate reductions. While growth had been a little weaker than expected, the Committee aimed to maintain a restrictive stance as inflation risks subsided further.
- The SNB is expected to cut its benchmark rate by 25bps.

Key data this week will provide a more robust update on the US growth trajectory so far in Q1. Currently, the Atlanta Fed GDP Nowcast indicates that growth has slowed early in Q1.

- US retail sales for Feb are expected to rebound by +0.6% over the month, after falling by -0.9% in Jan. The Jan retail control group fell by -0.8% - this feeds into the GDP result. In contrast, the Chicago Fed US retail sales nowcast suggests a downside surprise of -0.8% in Feb, with the Jan result revised up to -0.4%.
- US industrial production is expected to slow to +0.2% in Feb from +0.5% in Jan.
- Housing starts for Feb are expected to lift slightly to an annualized pace of 1.38m in Feb from 1.366m in Jan. Building permits are expected to slow to 1.45m in Feb from 1.47m in Jan. Amid this lackluster activity in new permits and housing starts, the weekly mortgage applications have been increased notably over the last two weeks (mostly refi's, but also purchases) given the fall in mortgage rates.

- The first US regional manufacturing surveys for Mar will be released this week and should provide some insight into any changes in sentiment and activity amid the uncertainty over trade and tariff policies.
- We continue to monitor the initial claims release. So far, the trajectory of claims remains little changed. This week, claims are expected to be 222k, up slightly from 220k in the prior week.

Key data outside of the US;

- The Aus labour market report for Feb will be released this week, ahead of the next RBA meeting in several weeks. Employment growth of +30k is expected to keep the unemployment rate unchanged at 4.1%.
- Canada's CPI for Feb is expected to edge slightly higher. The BoC noted some higher inflation effects due to the end of the GST pause that was implemented over the holiday period. Headline CPI is expected to increase to +2.1% in Feb from +1.9% in Jan. The core trimmed-mean and median inflation rates are expected to remain around +2.7%.
- Japanese National CPI for Feb will be released after the BoJ meeting this week. The BoJ preferred measure is core CPI ex fresh food, and this is expected to ease over the year from +3.2% in Jan to +2.9% in Feb.

US Treasury Issuance; 17 – 21 March 2025

This week, the US Treasury will auction and/or settle approx. $591bn in ST Bills, Notes, and Bonds, with a net paydown of -$23bn. The US Treasury will also auction the 10-Year TIPS and 20-Year Bond this week – both will settle on 31 Mar.

<u>QT this week:</u> Approx $3.5bn of ST Bills will mature on the Fed balance sheet and will be reinvested. Approx $6bn in Notes and Bonds will mature and will be redeemed and roll-off the Fed balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount $B (TBAC)	Amount Maturing $B	New Money $B		Prior Auction High Rate %
17 - 21 Mar	13-Mar	18-Mar	4 week Bill	75			Actual 4.225%	4.230%
	13-Mar	18-Mar	8 week Bill	75			Actual 4.220%	4.220%
	12-Mar	18-Mar	17 week Bill	60			Actual 4.175%	4.180%
				210	284	-74		
	17-Mar	20-Mar	13 week Bill	76			Announced	4.200%
	17-Mar	20-Mar	26 week Bill	68			Announced	4.075%
	18-Mar	20-Mar	6-Week Bill	70			Announced	4.235%
	18-Mar	20-Mar	52 week Bill	48			Announced	4.050%
				262	282	-20		
	11-Mar	17-Mar	3yr Note	58			Announced	4.300%
	12-Mar	17-Mar	10yr Note	39			Announced	4.632%
	13-Mar	17-Mar	30yr Bond	22			Announced	4.748%
				119	48.0	71.0		
			Total - securities settling this week	591	614	-23		
			Net New Cash Raised Qtr to Date	***6860***	***6500***	***360***		
			Estimated Net Cash to be Raised Q1 ($ Bn)			***815***		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		17-Mar	Notes and Bonds	2.0				
		18-Mar	ST Bills	0.7				
		20-Mar	ST Bills	0.7				
				3.5				
		Maturing & redemption (balance sheet roll-off)						
		17-Mar	Notes and Bonds	6.0				
				6.0				
	Upcoming Auctions			**$B**				
	20-Mar	31-Mar	10yr TIPS	18				
	18-Mar	31-Mar	20yr Bond	13				

Quantitative Tightening Overview – March 2025

In Mar, the face value of Coupons maturing on the Fed balance sheet is approx. $33.3bn. This is more than the $25bn monthly cap on Treasury redemptions. So of the $33.3bn of Coupons maturing in Mar, $25bn will roll off the Fed balance sheet and $8.3bn will be reinvested. It also means that all ST Bills maturing in Mar will be reinvested.

Summary of Total Coupons to Redeem at the $25bn redemption cap - MAR			
			$25
		Redeem $Bn	**Reinvest $ Bn**
15-Mar-25	Notes & Bonds	6.0	2.0
31-Mar-25	Notes & Bonds	19.0	6.3
Mar-25	ST Bills	0.0	9.9
	Total Notes & Bonds	**25.0**	**18.3**

Mar 2025 ST Bill maturity schedule;

Bill Maturity Schedule - MAR			Weekly Totals $Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2025/03/04	0.71	7%	0.00	0.71
2025/03/06	1.67	17%	0.00	1.67
2025/03/11	0.73	7%	0.00	0.73
2025/03/13	2.15	22%	0.00	2.15
2025/03/18	0.71	7%	0.00	0.71
2025/03/20	0.74	7%	0.00	0.74
2025/03/25	0.71	7%	0.00	0.71
2025/03/27	2.49	25%	0.00	2.49
	9.92	100%	0.00	9.92

https://www.newyorkfed.org/markets/treasury-rollover-faq

Recommended US Treasury Financing Q1 2025 and Est Q2 2025

Details of the latest TBAC meeting are located on the US Treasury website here. In Q1 2025, the US Treasury expects to borrow $815 billion (revised slightly lower from $823bn) in privately-held net marketable debt, assuming an end-of-Mar cash balance of $850 billion.

> The borrowing estimate is $9 billion lower than announced in October 2024, largely due to a higher beginning-of-quarter cash balance, partially offset by lower net cash flows.

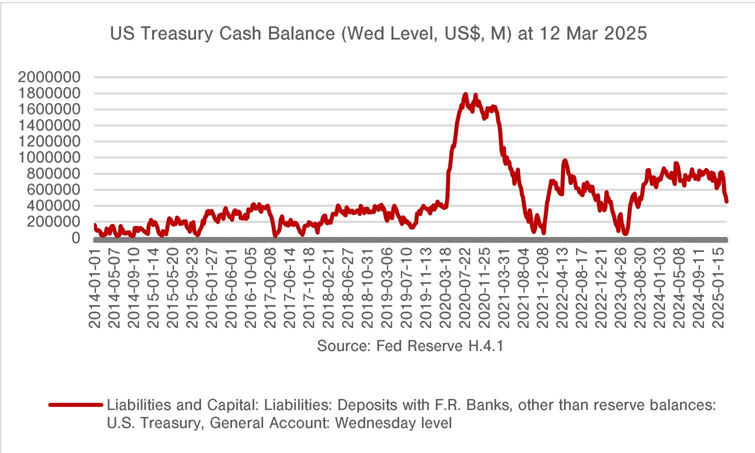
The Q2 2025 borrowing estimate is $123bn in privately-held net marketable debt, assuming an end-of-June cash balance of $850 billion. At this stage, there has been no change to the composition of Coupon issuance over Q1 and Q2.

These estimates assume a resolution to the debt limit of either a suspension or an increase. Since 21 Jan, the US Treasury has been using extraordinary measures to finance the government on a temporary basis.

US Treasury Cash Levels (TGA)

As of Wed 12 Mar 2025, the level of the TGA decreased again to $450bn (-$72bn compared to the week prior).

The TGA balance is approx. $298bn *lower* than the same week a year ago and this is the lowest level of the TGA since Sept 2023.



https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=spreadsheetml&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

MONDAY 17 MARCH (US Eastern Time, unless stated otherwise)

China	F/A Investment, Industrial Production, Retail Sales (Feb)
US	Retail Sales (Feb), NY Empire State Manufacturing Index (Mar), NAHB Housing Market Index (Mar)

TUESDAY 18 MARCH

Europe	Eurozone and Germany Zew Economic Sentiment (Mar)
Canada	CPI (Feb)
US	Industrial Production (Feb), Building Permits & Housing Starts (Feb), Export & Import Price Indexes (Feb)
Japan	Merchandise Trade, exports, and Imports (Feb) BoJ Monetary Policy Decision

WEDNESDAY 19 MARCH

Europe	Eurozone CPI – Final (Feb)
US	MBA Mortgage Apps wk ending 15 Mar FOMC Monetary Policy Decision
NZ	GDP Q4
Australia	Labour Market Survey (Feb)
China	PBoC Meeting - TBC

THURSDAY 20 MARCH

UK	Labour Market Survey (3mth Jan) BoE Monetary Policy Meeting
Switzerland	SNB Monetary Policy Meeting
US	Initial Jobless Claims wk ending 15 Mar, Philadelphia Fed Manufacturing Survey (Mar), Existing Home Sales (Feb)
Japan	National CPI (Feb)

FRIDAY 21 MARCH

Canada	Retail Sales (Jan)
US	Fed speeches: Vice Chair Williams