

## Key events this week – US PCE inflation, Prelim PMIs March

**Recap from last week: Central banks adopt a cautious approach amid an uncertain outlook.**

Central bank decisions last week underscored a cautious approach to the near-term policy outlook amid rising uncertainty and a focus on persistent inflation.

The FOMC kept interest rate settings unchanged, as expected while reducing the cap on QT. The FOMC signaled it would stay on hold and was in no rush to adjust policy while growth and labor market conditions remain solid, as it waits for greater clarity on the Trump policy initiatives. The Fed Chair noted the unusually high degree of uncertainty in the near-term outlook ahead of the new policy details. For now, new projections show that inflation is expected to be more persistent with core PCE inflation projected to increase to +2.8% through 2025. However, as Powell noted, the current ‘base case’ is that core inflation is expected to fall back to 2.2% in 2026. Growth was revised lower this year, and closer to trend growth through the projection period. The unemployment rate is expected to be stable through the projection period, though rising from 4.1% currently to 4.4% by the end of this year as growth slows. Rate cut expectations narrowed, with the median remaining at two cuts for this year. The FOMC participants mirrored the elevated uncertainty with most marking up the risk weighting around their projections (source: [SEP March 2025](#)).

Powell also noted that rising uncertainty had affected sentiment among businesses and consumers, and it was not clear how this would translate into weakness in “hard data”. So far, the “hard data” has shown little effect from this falling sentiment – and it could be too early to tell. US data last week was mixed; retail sales were soft again in Feb, housing data added positively to residential investment, and manufacturing output growth was stronger than expected in Feb – possibly due to higher orders ahead of expected tariffs. The first regional manufacturing surveys for Mar showed moderating orders, output, and growth expectations, with mostly stable employment conditions. Initial jobless claims remained low/steady.

The BoE kept policy settings unchanged, remaining restrictive to “squeeze out persistent inflationary pressures”. The BoE focused on inflation risks in its deliberations – a shift from its last meeting given the higher-than-expected uptick in inflation in Feb to +3%, from +2.5% in Jan. The Committee projected that CPI inflation was still expected to rise to around 3<sup>3</sup>/<sub>4</sub>% in Q3 2025. This firmer inflation appears against a backdrop of slowing growth and rising uncertainty over the impact of global trade policy since the last meeting. The minutes of the meeting indicated that while the underlying disinflation process was expected to continue, the BoE had taken a more cautious approach to its guidance;

There was no presumption that monetary policy was on a pre-set path over the next few meetings. Source: [BoE Meeting Minutes, 20 Mar 2025](#)

The BoJ kept policy settings unchanged. The assessment of current conditions and the economic outlook signaled that the BoJ is likely to maintain its stance on a gradual approach to policy normalization. Wage negotiations are producing continued stronger results, and inflation has been maintained against a backdrop of accommodative financial conditions. The Japanese National CPI data for Feb eased by less than expected, even as government energy subsidies resumed. The core CPI excluding fresh food and energy has consistently edged higher since mid-2024 and

increased by more than expected to +2.6% in Feb. The BoJ Governor did express concern over whether rising uncertainties over US trade and tariff policy would impact or hinder the progress of its goals;

Ueda said last week he was “very much” concerned about the global economy in light of trade tensions. Source: [Bloomberg, 19 March 2025](#)

## Outlook for the week ahead; US PCE inflation, prelim S&P PMIs for Mar, and CPI for Aus and the UK

This week's data will again be closely watched for signs of impact from rising uncertainty, tariffs, trade policy, and/or US spending cuts. The focus this week is on the Fed-preferred US PCE inflation data for Feb as well as the prelim S&P PMIs for Mar. US spending, income, and prelim trade and inventory data will provide a further update on the US Q1 growth run rate. Additional inflation reports for Aus, the UK, and Japan will also be important this week.

After last week's relative calm, the US tariff announcements expected on 2 Apr, next week, could lead to a resumption of headline risk in the lead-up to that event.

### Key factors to watch this week;

US PCE inflation for Feb is expected to firm. The [FOMC press conference opening statement](#) highlighted expectations for a firmer reading this month. Those expectations are referenced here.

- Headline PCE inflation is expected to be +2.5% over the year in Feb, unchanged from +2.5% in Jan. This would mean that PCE inflation over the month increased by +0.3% in Feb, also unchanged from +0.3% in Jan.
- Core PCE inflation is expected to increase to +2.8% in Feb, up from +2.65% in Jan. This acceleration suggests that the monthly core PCE rate increased by at least +0.35% in Feb, up from +0.3% in Jan. The latest median projection from the FOMC has core PCE at +2.8% by the end of the year.

US data this week will provide a further update on spending, income, and the Advance Economic Indicators report for Feb including international trade in goods and inventories.

- US personal spending for Feb is expected to increase by +0.6%, up from -0.2% in Jan.
- Personal income is expected to increase by +0.4% in Feb, down from +0.9% in Jan.
- The advance goods trade balance (deficit) will be closely watched after rising notably in Jan to -\$153.3bn, which had accounted for much of the downshift in the [Atlanta Fed](#) growth nowcast for Q1. Growth in inventories is expected to ease to +0.4% from +0.8% in Jan.
- The advance Durable Goods Orders report for Feb is expected to fall -0.6% after increasing by +3.2% in Jan.
- We continue to monitor the initial claims data. So far, claims remain low, and little changed. Claims are expected to edge slightly higher to 225k last week, from 223k in the week prior.
- The final revision of US Q4 GDP is expected to confirm the annualized growth rate of +2.3% at the end of last year.

A range of CPI reports for Aus, the UK, and Japan will be important;

- The Aus monthly CPI series for Feb will be released this week and, while it's not the RBA preferred report, will still be important ahead of the RBA meeting next week. Headline inflation is expected to remain unchanged at +2.5% over the year.

- UK CPI will be released this week and will be important in the context of the firmer-than-expected growth in Jan. Headline CPI in Feb is expected to ease to +2.9% from +3% in Jan. Core CPI is expected to increase +3.6% in Feb, slightly lower than the +3.7% in Jan.
- The latest Tokyo CPI data for Mar will provide an early guide on Japanese inflation. The core CPI ex fresh food is expected to be unchanged at +2.2% in Mar.

The prelim S&P PMI's for Mar will be released early this week and should provide an update on the outlook for orders, output, prices, employment, and any follow-through on weaker sentiment.

## US Treasury Issuance; 24 - 28 March 2025

This week, the US Treasury will auction and/or settle approx. \$452bn in ST Bills and FRNs, with a net paydown of -\$23bn. The US Treasury will also auction the 2-Year, 5-Year, and 7-Year Notes this week – and will settle on 31 Mar.

QT this week: Approx \$3.2bn 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 %
24 - 28 Mar	20-Mar	25-Mar	4 week Bill	75			Actual 4.215%	4.225%
	20-Mar	25-Mar	8 week Bill	75			Actual 4.215%	4.220%
	19-Mar	25-Mar	17 week Bill	60			Actual 4.195%	4.175%
				210	239	-29		
	24-Mar	27-Mar	13 week Bill	76			Announced	4.205%
	24-Mar	27-Mar	26 week Bill	68			Announced	4.100%
	25-Mar	27-Mar	6-week Bill	70			Announced	4.235%
				214	236	-22		
	26-Mar	28-Mar	2yr FRN	28	0	28	Announced	0.090%
			<b>Total - securities settling this week</b>	<b>452</b>	<b>475</b>	<b>-23</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>7312</b>	<b>6975</b>	<b>337</b>		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			<b>815</b>		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		25-Mar	ST Bills	0.7				
		27-Mar	ST Bills	2.5				
				3.2				
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>					
			Nil	0.0				
				0.0				
			<b>Upcoming Auctions</b>	<b>\$B</b>				
	25-Mar	31-Mar	2yr Note	69				
	26-Mar	31-Mar	5yr Note	70				
	27-Mar	31-Mar	7yr Note	44				
				183				

## 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 (this cap falls to \$5bn from April). 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
<b>Total Notes &amp; Bonds</b>			<b>25.0</b>	<b>18.3</b>

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.

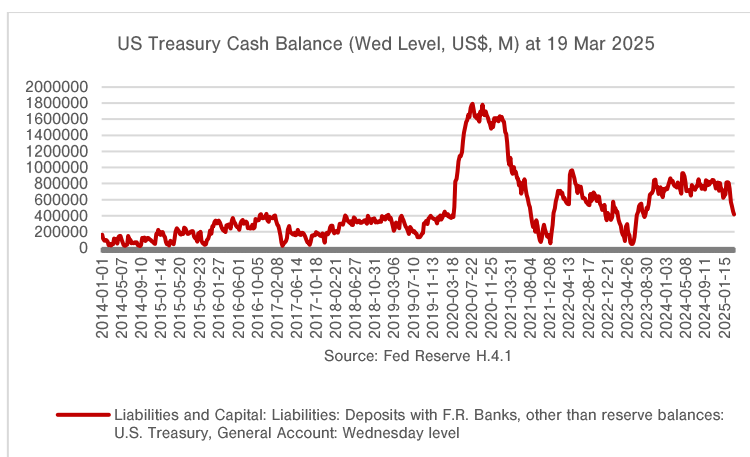
The borrowing estimate is \$9 billion lower than announced in October 2024, largely due to a higher beginning-of-quarter cash balance, partially offset by lower net cash flows.

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.

## US Treasury Cash Levels (TGA)

As of Wed 19 Mar 2025, the level of the TGA decreased again to \$415bn (-\$35bn compared to the week prior).

The TGA balance is approx. \$397bn *lower* than the same week a year ago and this is the lowest level of the TGA since Aug 2023.



<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](https://www.newyorkfed.org/markets/ambs_operation_schedule)

## CALENDAR W/C 24 March 2025

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### MONDAY 24 MARCH (US Eastern Time, unless stated otherwise)

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Australia	S&P Prelim Manufacturing & Services PMI (Mar)
Japan	S&P Prelim Manufacturing & Services PMI (Mar)
Europe	Eurozone S&P Prelim Manufacturing & Services PMI (Mar)
UK	S&P Prelim Manufacturing & Services PMI (Mar), BoE Governor Bailey speech
US	S&P Prelim Manufacturing & Services PMI (Mar), Fed speeches: Bostic & Barr

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### TUESDAY 25 MARCH

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US	Case Shiller House Price Index (Jan), CB Consumer Confidence (Mar), New Home Sales (Feb), Richmond Fed Manufacturing Index (Mar), Dallas Fed Manufacturing Index (Mar), Fed speeches: Kugler, Williams
Australia	Monthly CPI series (Feb)

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### WEDNESDAY 26 MARCH

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UK	CPI (Feb)
US	MBA Mortgage Apps wk ending 22 Mar, Durable Goods Orders (Feb), Fed speeches; Kashkari, Musalem

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### THURSDAY 27 MARCH

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US	Initial Jobless Claims wk ending 22 Mar, Advance Economic Indicators (Feb), GDP Q4 – Final, Pending Home Sales (Feb), Kansas City Fed Manufacturing Index (Mar), Fed speeches; Barkin
Japan	Tokyo CPI (Mar)

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### FRIDAY 28 MARCH

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UK	GDP Q4 – Final, Retail Sales (Feb)
Canada	Monthly GDP (Jan)
US	PCE Price Inflation (Feb), Personal Spending & Income (Feb), Michigan Consumer Sentiment – Final (Mar), Fed speeches; Bostic, Barr

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