

Key events this week – US reciprocal tariffs, US CPI & PPI, FOMC Minutes, RBNZ monetary policy meeting

Recap from last week: The US tariff shock.

The unexpected scale and breadth of the “Liberation Day” tariff announcement sent shockwaves through markets, with likely ramifications for US inflation, growth, Fed policy, and market sentiment.

There were two levels to the [tariff announcement](#). The first was a blanket 10% duty on all articles imported into the US, with a few exceptions, and became effective on 5 April 2025. The second layer, the so-called “reciprocal” tariffs, were much higher than expected and combined with the 10% base tariff, raised notable concern, as reflected in market reaction over the last few days. This reciprocal tariff singled out trading partners with whom the US has a trade deficit, and additional duties are to be applied to their imports at varying rates. The effective date for reciprocal tariffs is this week 9 April, providing a small window for negotiation among US trading partners. The country most targeted by the tariff announcement, China, has already announced a suite of retaliatory actions and this is likely to be viewed as an escalation. The next few days should reveal whether other trading partners will retaliate or negotiate – making this a potential avenue for the administration to de-escalate reciprocal tariffs over the coming days and weeks. US President Trump noted that further industry-specific tariffs are still to be considered.

In his speech on Friday, US Fed Chair Powell weighed in on the tariff announcement and the more immediate implications for monetary policy. He noted that the tariff rates announced were “significantly larger than expected” and pointed to the possibility of larger-than-expected effects on the economy, inflation, and growth, but there is still significant uncertainty over the ‘final’ details of the tariffs. Powell highlighted that, for now, the tension remained between weakening ‘soft’ survey data and still robust, though lagging, ‘hard’ data. While uncertainty remains elevated, the Fed Chair reiterated that the Fed continues to take a broader view of the policy landscape and that policy settings are well placed for the FOMC to wait for greater clarity;

We are well positioned to wait for greater clarity before considering any adjustments to our policy stance. It is too soon to say what will be the appropriate path for monetary policy. Source: [Speech, US Fed Chair Powell, 4 Apr 2025](#)

By the end of the week, markets had begun to price in more rate cuts for the US this year – reflecting increasing concerns over the US growth outlook. At the time of writing, markets are now pricing in five (5) US rate cuts (source: [CME FedWatch](#)) for this year. Overall for the week, the adjusted [Atlanta Fed GDP nowcast](#) for US Q1 growth slowed to a -0.8% annualized rate – which still only reflects data from the first two months of the year.

Despite moderating conditions, labor market data generally suggests the US consumer remains on solid footing. US non-farm payrolls were higher than expected in Mar at +228k, however, the payroll growth in the two months prior was revised lower by -24k. The 12-month average payroll growth has slowed to +157k – a year ago that was +196k. The unemployment rate edged only slightly higher in Mar, but enough to tip the rate from 4.1% to 4.2% - still relatively low. Growth in hours worked slowed over the month and has slowed through the year to +0.6%. Growth in average hourly earnings was little changed from last month at 0.25%, but slowed to +3.8% over the year – the slowest pace since Jul 2024.

Even with fairly solid payroll growth, the JOLTS survey continues to signal underlying labor market vulnerability. In Feb, the number of job openings continued to fall, hiring rates stalled, and layoffs and discharges inched higher. The initial jobless claims edged lower in the latest week, however continuing claims have risen, reflecting the slower pace of hiring. The Challenger Job Cut Announcements for Mar pointed to notable weakness on the horizon for the second month. The announced cuts in Mar were the third highest on record for this survey at 275k – with the majority of these announcements (216k) attributed to the DOGE cuts.

Notably, Canada's labor market in Mar was one piece of hard data that deteriorated last week. Net employment in Canada fell for the first time since Jan 2022, disrupting a short period of labour market recovery. The unemployment rate increased as expected to 6.7%.

Outlook for the week ahead; US reciprocal tariffs commence, US CPI & PPI, FOMC Minutes, and the RBNZ monetary policy meeting.

Tariffs will likely remain the central focus this week. Despite the Trump administration's key announcements on tariffs, significant uncertainty persists regarding their final form, retaliation, and economic consequences.

The flat 10% tariff is now effective as of 5 April. The reciprocal tariff is due to be applied from 9 April. The question of retaliation, negotiation, or acceptance, by trading partners, will become clearer in the coming days and weeks. A key question is how the US responds to the retaliatory measures announced by China, effective 10 April. Headline risk remains extremely elevated, especially if the news is perceived to be positive for negotiating down tariff rates among bigger trading partners.

On the data flow, US inflation for Mar will be in focus – with both the CPI and PPI for Mar to be released this week. The minutes of the latest FOMC meeting will be released this week.

Key factors to watch this week;

US CPI and PPI reports for Mar will be released, providing input into the Fed-preferred PCE inflation measure. The data, especially the PPI report, may begin to reflect some of the pricing pressures reported by manufacturers throughout the Mar surveys.

- US headline CPI is expected to edge lower to +2.6% in Mar, from +2.8% in Feb. The monthly CPI is expected to increase by +0.1% in Mar, slowing from +0.2% in Feb.
- Core CPI is expected to slow to +3% in Mar, from +3.1% in Feb. The monthly pace of core CPI is expected to increase to +0.3% in Mar, from +0.2% in Feb.
- US headline PPI is expected to increase to +3.3% in Mar, up from +3.2% in Feb. The monthly pace is expected to increase by +0.2%, from 0% in Feb.
- Core PPI is also expected to increase to +3.6% in Mar, from +3.4% in Feb. The monthly core PPI rate is expected to increase by +0.3% in Mar, up from -0.1% in Feb.

The minutes of the latest FOMC meeting will be released this week. There will also be several US Fed speeches throughout the week.

The RBNZ will meet this week and is expected to cut rates by 25bps.

US Treasury Issuance; 7 - 11 Apr 2025

This week, the US Treasury will auction and/or settle approx. \$479bn in ST Bills, raising \$19bn in new money. The US Treasury will also auction the 30-year Bond and the 10-year and 3-year Notes this week – all will settle next week.

QT this week: Approx \$13bn 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 %
7-11 Apr	03-Apr	08-Apr	4 week bill	80			Actual 4.240%	4.220%
	03-Apr	08-Apr	8 week bill	75			Actual 4.240%	4.245%
	02-Apr	08-Apr	17-week Bill	60			Actual 4.200%	4.200%
	07-Apr	08-Apr	14-day CMB	50			Announced	n/a
				265	229	36		
	07-Apr	10-Apr	13 week bill	76			Announced	4.205%
	07-Apr	10-Apr	26 week bill	68			Announced	4.070%
	08-Apr	10-Apr	6-week Bill	70			Announced	4.245%
				214	231	-17		
			Total - securities settling this week	479	460	19		
			Net New Cash Raised Qtr to Date	953	930	23		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			123		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		08-Apr	ST Bills	0.7				
		10-Apr	ST Bills	12.0				
				12.8				
			Maturing & redemption (balance sheet roll-off)					
				Nil	0.0			
					0.0			
			Upcoming Auctions	\$B				
	08-Apr	15-Apr	3yr Note	58				
	09-Apr	15-Apr	10yr Note	39				
	10-Apr	15-Apr	30yr Bond	22				
				119				

Quantitative Tightening Overview – April 2025

The cap on US Treasury redemptions was lowered to \$5bn effective April 2025. In Apr, the face value of Coupons maturing on the Fed balance sheet is approx. \$42bn. This is more than the new \$5bn monthly cap on Treasury redemptions. So of the \$42bn of Coupons maturing in Apr, \$5bn will roll off the Fed balance sheet (redeemed) and \$37bn will be reinvested. It also means that all ST Bills maturing in Apr will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - APR				
			\$5	
			Redeem \$Bn	Reinvest \$ Bn
15-Apr-25	Notes, Bonds, & TIPs		2.7	19.8
30-Apr-25	Notes, Bonds, & FRNs		2.3	17.2
	ST Bills			51.5
	Total Notes & Bonds		5.0	88.5

Apr 2025 ST Bill maturity schedule;

Bill Maturity Schedule - APR		Weekly Totals \$Bn		
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2025/04/01	0.72	1%	0.00	0.72
2025/04/03	13.65	27%	0.00	13.65
2025/04/08	0.74	1%	0.00	0.74
2025/04/10	12.04	23%	0.00	12.04
2025/04/15	0.73	1%	0.00	0.73
2025/04/17	12.83	25%	0.00	12.8
2025/04/22	0.70	1%	0.00	0.70
2025/04/24	9.34	18%	0.00	9.34
2025/04/29	0.72	1%	0.00	0.72
	51.5	100%	0.0	51.5

<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 TGA cash balance on Wed 26 Mar was \$316bn – see below.

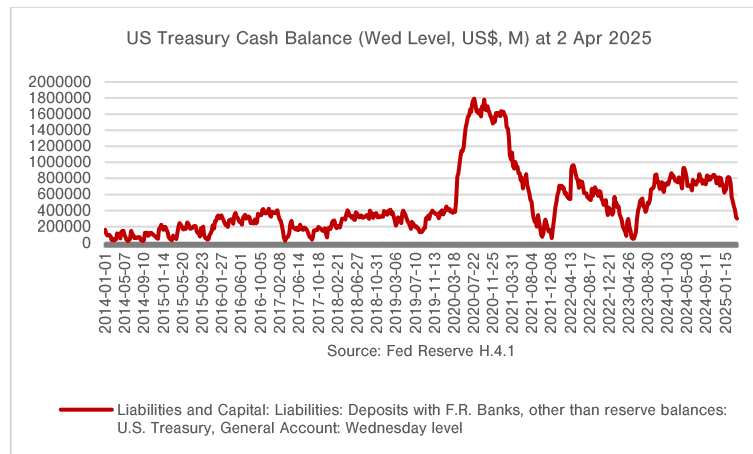
The Q2 2025 borrowing estimate is \$123bn in privately-held net marketable debt, assuming an end-of-June cash balance of \$850 billion. At this stage, there has been no change to the composition of Coupon issuance over Q1 and Q2.

US Treasury Cash Levels (TGA)

As of Wed 2 Apr 2025, the level of the TGA decreased again to \$301bn (-\$14bn compared to the week prior).

The TGA balance is approx. \$431bn *lower* than the same week a year ago and this is the lowest level of the TGA since Jun 2023.

The US Tax Day is 15 Apr 2025.



<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 7 April 2025

MONDAY 7 APRIL (US Eastern Time, unless stated otherwise)

Europe	Germany Industrial Production (Feb), Eurozone Retail Sales (Feb)
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Canada	Bank of Canada Business Outlook Survey Q1
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US	Consumer Credit Change (Feb), US Fed speeches: Kugler
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Australia	NAB Business Conditions and Confidence (Mar)
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TUESDAY 8 APRIL

US	NFIB Small Business Optimism (Mar), US Fed speeches; Daly
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NZ	RBNZ Monetary Policy Meeting
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WEDNESDAY 9 APRIL

US	US Reciprocal Tariffs go into effect MBA Mortgage Apps wk ending 5 Apr, FOMC Minutes, Fed speeches: Barkin
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China	CPI & PPI (Mar)
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THURSDAY 10 APRIL

Australia	RBA Governor Bullock speech
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US	Initial Jobless Claims wk ending 5 Apr, CPI (Mar), US Fed speeches; Goolsbee, Logan, Harker, Bowman – nomination testimony
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FRIDAY 11 APRIL

UK	Monthly GDP (Feb)
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US	PPI (Mar), Michigan Consumer Sentiment – prelim (Apr), Fed speeches: Williams
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China	New Loans (Mar)
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