

Key events this week – FOMC & BoE meetings, ISM & S&P Services PMIs

Recap from last week: The tariff reality begins to bite.

The reality of tariffs appears to be starting to ripple through the US and global economy. The breadth of this impact will depend, in part, on the outcome of tariff negotiations – and so far, there seems to have been little progress on this front. There was, however, talk of a willingness to open negotiations between the US and China last week – a potential first step towards further de-escalation. The broad tariff situation currently facing many US firms is a baseline 10% tariff on all imports from many countries since 5 Apr, tariffs on Chinese imports remaining at an elevated 145%, and uncertainty over multiple negotiations aimed at staving off the much higher reciprocal tariffs before the 8 Jul deadline.

As the trade landscape continues to evolve, the reality of tariffs is now starting to materialize for firms. We are still in that leading-edge stage, relying on forward indicators, survey data, and anecdotes to understand the impending impact. Last week, key manufacturing PMI surveys highlighted an important shift from negative sentiment about *anticipated tariffs* to concrete anecdotes of firms scrambling to manage the real-time impact on their businesses. The underlying indexes suggested that the impact of tariffs was becoming more widespread among US manufacturing firms. Other key [global S&P manufacturing PMIs](#), including Canada, Mexico, the ASEAN group, Taiwan, and South Korea reflected tariff impacts in the form of deteriorating orders, output, purchasing activity, and falls in future output sentiment. The global S&P manufacturing PMI slipped back into contraction. The services PMIs for Apr will be released this week and these will be crucial to help balance out the view of early-stage tariff impacts on the US and global economy.

A more real-time view of the tariff transmission into economic activity, particularly from slowing trade, comes from recent insightful interviews with the Executive Director for the Port of LA – linked [here](#) and [here](#). These interviews highlight a unique perspective of how slowing trade is anticipated to begin affecting sectors of the economy in the near term. One of the important takeaways from the interviews is that progress on trade agreements will be crucial in the coming weeks.

The insights from the Port of LA underscore the ways tariff pressures are beginning to impact trade. The more significant, albeit lagging, "hard data" released last week, provides a broader perspective on these early-stage tariff impacts across the economy. To a degree, the anticipation of tariffs has already impacted the US Q1 GDP. US real GDP contracted as expected in Q1 by -0.3% (annualized), led by the fall in net exports and partially offset by inventories. Both are volatile series and reflect some front running of imports ahead of impending tariffs. Real final sales to domestic purchases (underlying domestic demand) slowed to +0.6% in Q1, from +0.7% in Q4.

Amid fears of tariff-driven inflation, US headline PCE inflation surprised to the downside in Mar. The Feb PCE inflation result, however, saw a moderate upward revision. Notably, monthly inflation slowed to zero in both the headline and core readings in Mar. Annual core PCE inflation decelerated to +2.6%, from an upwardly revised +3% in Feb. These slower monthly and annual inflation rates will likely be a positive sign for the FOMC as it meets this week, though it will likely view the March data as backward-looking and will be more focused on the Apr and May inflation figures to gauge any emerging tariff impact.

Finally, labor market data for Apr beat expectations and continued to suggest that US consumers remain on solid footing as tariff impacts loom. Payroll jobs increased by +177k in Apr, expecting +129k. The two prior months were revised lower by -60k jobs, however, the 6mth average increased to +193k jobs. The unemployment rate was unchanged at a low of 4.2%. The growth in total hours remained positive and accelerated over the year. The JOLTS survey continued to reflect some vulnerability for the labor market, as labor demand indicators remained subdued. However, layoffs continued to decline. The Challenger Job Cut Announcement survey again pointed to elevated layoffs on the horizon. The leading reason for job cuts this month was “market/economic conditions” taking over from “DOGE” cuts last month. Given the lag effects, more industry-specific weakness may begin to be reflected in the May payrolls report.

The lagging hard data creates a challenging environment for policymakers and could complicate the policy response. How will the FOMC interpret the signals this week? In his last speech (16 Apr), US Fed Chair Powell preferred to keep options open regarding the path of policy rates. At the time, Powell maintained that the economy was “in a solid position” and that his focus was to ensure inflation expectations remained anchored in the face of price pressures from tariffs.

Based on the data last week, and at the time of writing, markets are now pricing in fewer rate cuts this year with the first cut now pushed out to the July meeting (source: [CME Fedwatch](#)).

Outlook for the week ahead; FOMC & BoE meetings, ISM & S&P Services PMIs, China Trade Data for Apr

This week, the focus shifts to central banks, notably the FOMC meeting. While it will be a somewhat quieter week for data, two important releases will help assess early-stage tariff impacts. First, the remaining global PMIs will provide a crucial view of service sector activity for Apr, balancing the manufacturing sector perspective on tariffs. Second, the Chinese trade data for Apr, scheduled for release this week, may begin to illustrate an impact on trade between the US and China.

Key factors & events to watch this week;

US FOMC meeting

- The FOMC is expected to keep policy settings unchanged. It will be important to see if there has been any shift in the Fed's stance on its “wait-and-see” mode. Also important is how the FOMC will characterize the latest view of the economy and tariff impacts.
- There is a range of Fed speeches scheduled for the end of the week.

The BoE will also meet this week – and markets expect a 25bps rate cut at this meeting.

The US ISM services PMI for Apr will be an important counterpoint to the weaker manufacturing PMI last week. This is still survey data but will help to provide some insight into the momentum of the larger services sector of the US economy.

The global S&P services PMIs for Apr will also be released this week.

Canada's labour market and employment for Apr will be released this week – and may also show some tariff effects. However, expectations are for employment growth to rebound by +24.5k after falling by -36.2k in the prior month. The unemployment rate is expected to be unchanged at 6.7%.

Finally, China's trade data for Apr may provide some early insight into the trade impact of tariffs. The expected release date is 9 May but could be delayed.

US Treasury Issuance; 5 - 9 May 2025

This week, the US Treasury will auction and/or settle approx. \$434bn in ST Bills, with a net paydown of -\$11bn. The US Treasury will also auction the 3-year and 10-year Notes and the 30-year Bond this week – all will settle next week on 15 May.

QT this week: Approx \$13.7bn 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 %
5-9 May	01-May	06-May	4 week bill	85			Actual 4.240%	4.220%
	01-May	06-May	8 week bill	75			Actual 4.220%	4.225%
	30-Apr	06-May	17 week Bill	60			Actual 4.190%	4.210%
				220	219	1		
	05-May	08-May	13 week bill	76			Announced	4.200%
	05-May	08-May	26 week bill	68			Announced	4.065%
	06-May	08-May	6-week Bill	70			Announced	4.230%
				214	226	-12		
			Total - securities settling this week	434	445	-11		
			Net New Cash Raised Qtr to Date	3107	3110	-3		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			514		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		06-May	ST Bills	0.7				
		08-May	ST Bills	13.0				
				13.7				
			Maturing & redemption (balance sheet roll-off)					
				nil				
			Upcoming Auctions	\$B				
	05-May	15-May	3yr Note	58				
	06-May	15-May	10yr Note	42				
	08-May	15-May	30yr Bond	25				
				125				

Quantitative Tightening Overview – May 2025

The cap on US Treasury redemptions was lowered to \$5bn effective April 2025. In May, the face value of Coupons maturing on the Fed balance sheet is approx. \$76.4bn. This is more than the new \$5bn monthly cap on Treasury redemptions. So of the \$76.4bn of Coupons maturing in May, \$5bn will roll off the Fed balance sheet (redeemed) and \$71.4bn will be reinvested. It also means that all ST Bills maturing in May will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - May			
			\$5
		Redeem \$Bn	Reinvest \$ Bn
15-May-25	Notes & Bonds	3.1	44.1
31-May-25	Notes & Bonds	1.9	27.2
	ST Bills		80.1
	Total Notes & Bonds	5.0	151.5

May 2025 ST Bill maturity schedule;

Bill Maturity Schedule - MAY		Weekly Totals \$Bn	
Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2025/05/01	15.81	20%	0.00
2025/05/06	0.74	1%	0.00
2025/05/08	12.97	16%	0.00
2025/05/13	0.72	1%	0.00
2025/05/15	23.00	29%	0.00
2025/05/20	0.71	1%	0.00
2025/05/22	13.38	17%	0.00
2025/05/27	0.72	1%	0.00
2025/05/29	12.05	15%	0.00
	80.1	0.00	80.1

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

Recommended US Treasury Financing Q2 2025 and Est Q3 2025

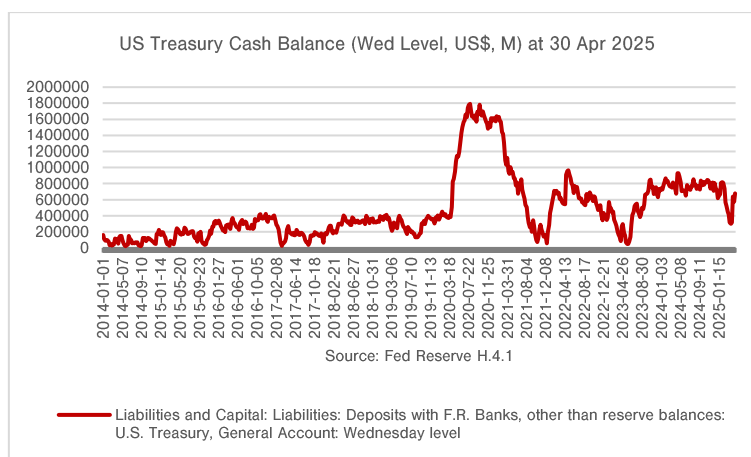
The latest update of the US Treasury borrowing requirements for Q2 and Q3 (estimate) was released last week - details on the US Treasury website [here](#).

The Q2 net borrowing requirement was revised sharply higher from an estimated \$123bn to \$514bn. The increase of \$391bn was due to a lower end of Q1 cash balance (expecting \$850bn, actual \$406bn) and projected lower net cash flows. We had estimated the TGA cash balance on Wed 26 Mar at \$316bn. The estimated cash balance at the end of Q2 is expected to be \$850bn.

Q3 estimated net borrowing requirement; The US Treasury is expected to borrow \$554bn in privately-held net marketable debt, assuming an end of Q3 cash balance of \$850bn. The end-of-June and end-of-September cash balances assume the enactment of a debt limit suspension or increase.

US Treasury Cash Levels (TGA)

As of Wed 30 Apr 2025, the level of the TGA increased to \$678bn (+\$101bn compared to the week prior). The TGA balance is approx. \$213bn 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/ombs_operation_schedule

CALENDAR W/C 5 May 2025

MONDAY 5 MAY (US Eastern Time, unless stated otherwise)

US	ISM Services PMI (Apr), S&P Services PMI – Final (Apr), Fed Senior Loan Officer Opinion Survey Q1
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TUESDAY 6 MAY

US	Goods Trade Balance – Final (Mar)
NZ	Employment & Labour Market Report Q1

WEDNESDAY 7 MAY

Europe	Germany Factory Orders (Mar), Eurozone Retail Sales (Mar)
US	MBA Mortgage Applications wk ending 3 May, Consumer Credit Change (Mar) FOMC Monetary Policy Meeting

THURSDAY 8 MAY

Europe	Germany Industrial Production (Mar)
UK	BoE Monetary Policy Meeting
US	Initial Jobless Claims wk ending 3 May, Wholesale Inventories – Final (Mar), Non-farm Productivity Q1, Labor Unit Costs Q1

FRIDAY 9 MAY

China	New Loans (Apr), Balance of Trade, Exports, and Imports (Apr), CPI & PPI (Apr)
Canada	Labour Market Survey (Apr)
US	Fed speeches; Waller, Williams, Barr, Kugler, Goolsbee, Cook
