

## **Key events this week; Central Bank Meetings - FOMC, BoJ, SNB, BoE, and US Retail Sales**

### **Recap from last week: Benign US Inflation for May**

Last week offered a mixed view of the global economic outlook. Initial optimism stemmed from benign US inflation reports, which showed little impact from tariffs, coupled with favorable progress in US-China trade negotiations. However, this positive sentiment was overshadowed by the week's end as rising instability in the Middle East began to emerge, casting a deepening shadow over the geopolitical landscape.

The US CPI & PPI reports were much anticipated this month to answer whether tariff effects were beginning to ripple through the data. Both the US CPI and PPI reports came in lower than expected, reducing expectations for the Fed-preferred PCE deflator in May. While some of the details in the CPI report may have reflected small pockets of tariff-led inflation, the bigger picture annual headline and core inflation rates remain little changed as we cycled over a low inflation month from a year ago. US headline CPI inflation increased by +0.1% over the month, against an expectation of +0.2%, while the annual rate edged higher to +2.4%. Core CPI was also lower than expected over the month at +0.1% (versus an expectation of +0.3%); however, it remained unchanged over the year at +2.8%. The trimmed mean measure of underlying inflation is showing more of a sideways trajectory. Importantly, the broad disinflation trends across services and shelter remain intact, while core goods inflation continued to edge higher from a low level. The PPI report also came in lower than expected. Core PPI came in at +0.1% over the month (versus an expected increase of +0.3%) while the annual rate stayed unchanged at +3%. Together, the CPI & PPI indicate that core PCE will continue to be more benign in May at around +0.14% for the month (source: [Cleveland Fed PCE Nowcast](#)).

It's still highly uncertain the degree to which tariffs will be passed through to US consumer prices in the coming months. While progress was made on US-China talks last week, President Trump continued to threaten a unilateral approach to the 'reciprocal' tariffs. However, given the darkening backdrop in the Middle East, the reciprocal tariff deadline (9 Jul) could get pushed out further.

Finally, we continue to watch the trend of the US initial claims data. There was a more noteworthy jump in the NSA claims this week while the SA claims remained elevated. For the third week in a row, continuing claims have been above 1.9 million claimants.

### **Outlook for the week ahead; Central Bank Decisions – FOMC, BoJ, SNB, BoE, and US Retail Sales**

The focus this week will be on a range of key Central Bank meetings, including the FOMC, US consumption and activity data, and the geopolitical backdrop.

The US Juneteenth Holiday is on the 19 Jun this week.

### **Key factors & events to watch this week;**

Central bank decisions;

- The FOMC is expected to keep policy settings unchanged this week. At the last meeting, the FOMC remained in wait-and-see mode due to the high degree of uncertainty over the “final” version of tariffs, and how that will play out in terms of inflation, the labor market, and growth. There are still distortions in the data making that assessment difficult. The latest Fed Summary of Economic Projections will be released, and it will be important to see how Fed projections of inflation, growth, unemployment, and the path of the FFR have changed. We’ll also be looking for any changes in the characterization of the current benign inflation and signs of cooling labor market conditions.
- The BoJ is expected to keep policy settings unchanged. At its last meeting, the BoJ remained on hold, citing risks and uncertainty regarding the near-term impact of trade tariffs on activity and prices. The BoJ retained its normalization bias IF broader conditions in activity and prices improved as per forecasts. The Japanese National CPI for May is due later in the week and is expected to remain firm.
- The BoE is expected to keep policy settings unchanged after reducing the Bank Rate by 25bps at the prior meeting. The decision to cut at the last meeting was based on disinflation progress. While the Apr UK CPI was firmer (some one-offs) the May CPI due this week is expected to ease again. The latest labour market data continues to reflect some easing in conditions.
- The SNB is expected to cut rates by 25bps – back to zero.

US consumption and activity data will also be in focus this week – providing another solid update to the latest Atlanta Fed GDPNowcast for Q2.

- US nominal retail sales are expected to fall by -0.6% in May – led by a fall in auto purchases as consumers ‘pulled forward’ purchases due to tariffs. Excluding autos, nominal retail sales are expected to increase by +0.1% in May, from +0.1% in Apr.
- US building permits and housing starts are expected to be little changed in May. Building permits are expected to increase to 1.43m (annualized rate) from 1.422m in Apr. Housing starts are expected to be unchanged at 1.36m (annualized rate) in May.
- US industrial production is expected to remain unchanged at 0% in May (versus 0% in Apr).
- The first regional manufacturing surveys for Jun will also be released this week.

Global inflation reports will be important this week in the context of central bank decisions.

- Japanese National Core CPI – ex fresh food (BoJ preferred measure) is expected to accelerate slightly again, from +3.5% in Apr to +3.6% in May.
- The UK CPI for May is expected to ease after a more notable increase in Apr. Headline CPI in May is expected to increase by +0.2% over the month down from +1.2% over the month in Apr. Over the year, core CPI is expected to ease from +3.8% in Apr to +3.5% in May.
- The Euro area CPI for May is expected to confirm annual headline inflation at +1.9% and core inflation at +2.3%

Finally, the Aus labour market report for May is expected to show some easing in net employment growth from 89k in Apr to 20k in May. The unemployment rate is expected to be unchanged at 4.1%.

## **US Treasury Issuance; 16-20 Jun 2025**

This week, the US Treasury will auction and/or settle approx. \$379bn in ST Bills with a paydown of approx. \$61bn. The US Treasury will also auction the 5-year TIPS and 20-year Bond this week.

QT this week: Approx \$5.4bn 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 %
<b>19 Jun - Juneteenth Holiday</b>								
16-20 Jun	12-Jun	17-Jun	4 week bill	65			Actual 4.080%	4.170%
	12-Jun	17-Jun	8 week bill	55			Actual 4.380%	4.225%
	11-Jun	17-Jun	17 Week Bill	60			Actual 4.220%	4.205%
				180	222	-42		
	16-Jun	20-Jun	13 week bill	76			Announced	4.250%
	16-Jun	20-Jun	26 week bill	68			Announced	4.150%
	17-Jun	20-Jun	6-week Bill	55			Announced	4.195%
				199	218	-19		
			<b>Total - securities settling this week</b>	379	440	-61		
			<b>Net New Cash Raised Qtr to Date</b>	<b>6181</b>	<b>6132</b>	<b>49</b>		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			514		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		17-Jun	ST Bills	0.7				
		20-Jun	ST Bills	4.7				
				5.4				
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>					
			Nil					
				0.0				
			<b>Upcoming Auctions</b>	<b>\$B</b>				
	16-Jun	30-Jun	20 yr Bond	13				
	17-Jun	30-Jun	5yr TIPS	23				

## Quantitative Tightening Overview – June 2025

The cap on US Treasury redemptions was lowered to \$5bn effective Apr 2025. In Jun, the face value of Coupons maturing on the Fed balance sheet is approx. \$28.9bn. This is more than the new \$5bn monthly cap on Treasury redemptions. So of the \$28.9bn of Coupons maturing in Jun, \$5bn will roll off the Fed balance sheet (redeemed) and \$23.9bn will be reinvested. It also means that all ST Bills maturing in Jun will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - June			
			\$5
		Redeem \$Bn	Reinvest \$ Bn
15-Jun-25	Notes & Bonds	0.4	2.1
30-Jun-25	Notes & Bonds	4.6	21.8
Jun	ST Bills	0.0	28.5
	<b>Total Notes &amp; Bonds</b>	<b>5.0</b>	<b>52.5</b>

June 2025 ST Bill maturity schedule;

Bill Maturity Schedule - JUNE			Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2025/06/03	0.73	3%	0.00	0.73
2025/06/05	4.43	16%	0.00	4.43
2025/06/10	0.72	3%	0.00	0.72
2025/06/12	8.07	28%	0.00	8.07
2025/06/17	0.70	2%	0.00	0.70
2025/06/20	4.74	17%	0.00	4.74
2025/06/24	0.71	2%	0.00	0.71
2025/06/26	8.44	30%	0.00	8.44
	28.53	100%	0.00	28.53

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

## Recommended US Treasury Financing Q2 2025 and Est Q3 2025

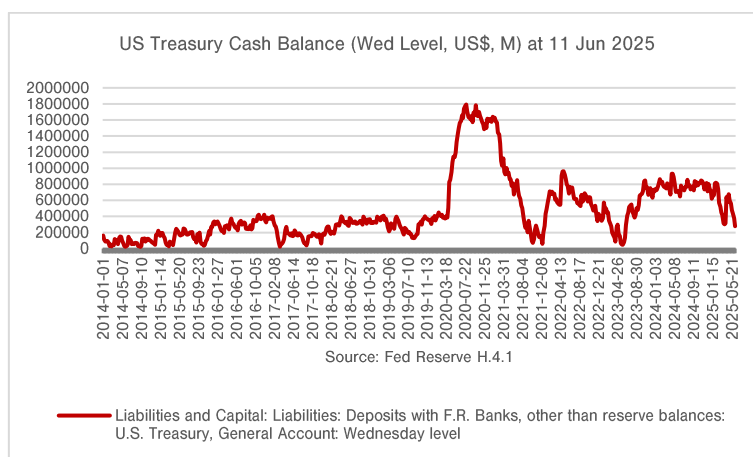
The latest update of the US Treasury borrowing requirements for Q2 and Q3 (estimate) can be found on the US Treasury website [here](#).

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. The estimated cash balance at the end of Q2 is expected to be \$850bn.

In Q3, 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 11 Jun 2025, the level of the TGA decreased to \$277bn (-\$99bn compared to the week prior). The TGA balance is approx. \$373bn lower than the same week a year ago.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=sheet&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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

## CALENDAR W/C 16 June 2025

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### MONDAY 16 JUNE (US Eastern Time, unless stated otherwise)

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China	F/A Investment, Industrial Production, & Retail Sales (May)
Europe	Eurozone Labor Costs Q1
US	NY Empire State Manufacturing Index (Jun)
Japan	BOJ Monetary Policy Decision

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### TUESDAY 17 JUNE

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US	Export & Import Price Index (May), Retail Sales (May), Industrial Production (May), NAHB Housing Market Index (Jun)
Japan	Merchandise Trade Balance, Exports, & Imports (May)

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### WEDNESDAY 18 JUNE

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UK	CPI (May)
Europe	Euro area CPI – Final (May)
US	MBA Mortgage Applications wk ending 14 Jun, Building Permits & Housing Starts (May), Initial Jobless Claims wk ending 14 Jun FOMC Monetary Policy Decision
Australia	Labour Market Survey (May)

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### THURSDAY 19 JUNE

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Switzerland	SNB Monetary Policy Decision
UK	BoE Monetary Policy Decision
US	Federal Juneteenth Holiday
Japan	National CPI (May)
China	PBoC Decision - tbc

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### FRIDAY 20 JUNE

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UK	Retail Sales (May)
Canada	Retail Sales (Apr)
US	Philadelphia Fed Manufacturing Index (Jun)

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