

## Key events this week: US tariffs, FOMC Minutes, RBA & RBNZ Meetings

### Recap from last week: Jobs Report Solidifies Fed's Patient Stance as Tariff Deadline Looms

As the next critical deadline for reciprocal tariffs looms this week, the Federal Reserve remains firmly in a 'wait-and-see' mode regarding policy adjustments. This cautious stance was likely reinforced by the still solid June labor market report. However, the FOMC will continue to monitor the softening U.S. growth backdrop as it awaits the finalization of tariff rates and the impact of these tariffs to appear in the data. While global activity indicators suggest some improved momentum through the end of Q2, this positive trend is set against a backdrop of considerable uncertainty, especially as focus shifts back to the potential for tariff headline risk this week.

At the ECB Forum on Central Banking last week, Fed Chair Powell reinforced that the Fed is waiting to see the effects of tariffs on inflation. Decisions will continue to be made meeting-by-meeting, and while Chair Powell did not rule out a July rate cut, he emphasized that "it will depend on how the data evolve" (source: [Bloomberg](#)). With several Fed officials supporting an earlier restart to rate cuts, the June US labor market data was seen as one potential catalyst to bring forward a rate cut to July, especially given the concern over the recent increase in continuing claims.

Overall, however, last week's labor market data for June makes it less likely that the Fed would restart rate cuts as early as July. Broadly, the labor market continues to reflect this 'slow hiring, but slow firing' dynamic as firms pause key decisions, not just on hiring, but also on capex, amid uncertainty remaining over the 'final' view of tariffs and the effects on demand.

In June, the headline growth in non-farm payrolls was stronger than expected in Jun at +147k (expecting +120k) versus +144k in May. There were some small positive revisions to the prior months. Across different timeframes, payroll growth has slowed but seems to have stabilized at a low level more recently. The sector split this month suggested that private sector payroll growth had slowed, while government payroll growth rebounded after several months with little growth.

The household survey reflected a mixed result, with conditions in the broader 16yrs+ group improving slightly in June after weakness in May. Employment returned to growth but did not retrace the sharp fall in employment in May. Participation declined, and this contributed to the fall in the unemployment rate from 4.2% to 4.1%. The flows to and from unemployment indicated a more positive backdrop this month. Conditions in the core working age group, 25-54 years, improved to a greater degree, with stronger employment growth and an increase in participation. The unemployment rate fell notably from 3.6% in May to 3.3% in Jun, to be back on par with the unemployment rate recorded a year ago.

Less positive was weakness in aggregate hours worked, which fell by -0.2% in Jun alongside the slight fall in the average workweek. Average hourly earnings growth also slowed to +0.2% in Jun and to +3.7% over the year. The combination of modest payroll growth, slightly declining hours, and slower average earnings growth suggests that labor income growth may be subdued.

Amid sustained, albeit slower, labor market momentum and continued elevated uncertainty surrounding the tariff outlook, the broader U.S. growth backdrop continues to moderate. The latest [Atlanta Fed GDP nowcast](#) for US Q2 GDP growth shifted lower again last week from +2.9% at the start of the week to +2.6%. This was led primarily by a smaller and slowing contribution from personal spending and non-residential investment spending. Business surveys showed conditions in manufacturing mostly stabilized, while services activity recorded a modest expansion. Surveys reported pricing pressure persisted in Jun and optimism in the outlook remained subdued. Auto sales in Jun continued to fall, slowing to the slowest pace of the YTD – likely unwinding the stronger sales to front-run tariffs in March and April. This will feed into the broader retail sales result for June (to be released next week).

The broader global growth backdrop remained positive at the end of Q2, with activity continuing to expand. The S&P Global output PMI for Jun showed that global manufacturing and services output both expanded at a more moderate pace, supported by an expansion in new orders and employment. Despite some positive momentum to end the quarter, the survey continues to warn that activity front-loaded into H1 (to front-run tariffs), could begin to unwind in H2, “as drags from US tariffs and related policy uncertainties begin to bite” (source: [S&P Global Composite PMI Jun](#)).

## **Outlook for the week ahead: US tariffs, FOMC minutes, RBA & RBNZ meetings**

It will be a relatively quiet data week.

The focus shifts to the July 9 deadline for reciprocal tariff rates this week. By this date, countries are expected to have either finalized a deal framework or face tariff rates set by President Trump. The effective date of these tariffs on August 1 may allow for some further negotiation. Key deals/frameworks with the EU and Japan are yet to be announced and will be closely watched this week.

More broadly, the specific tariff rates announced will be important for the outlook. Last week's trade deal with Vietnam, for instance, saw their reciprocal tariff rate reduced from 46% to 20% – a notable cut from the initial announcement, but 20% is still a relatively high rate. The three-month reprieve to negotiate lower reciprocal tariffs helped to restore some calm after the initial Liberation Day announcements. So the risk this week is that while some tariffs may be lowered from their initial proposal, even those reduced rates could remain elevated. This, combined with the risk of upside surprises could dent a fragile calm and negatively impact sentiment surrounding the inflation and growth outlook.

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

US reciprocal tariff announcements

US Federal Reserve

- FOMC minutes of the 18 June meeting will be released this week.
- Fed speeches: Fed Governor Waller will speak on Thursday on the Balance Sheet. Governor Waller has been a proponent of restarting rate cuts earlier, so he may make some comments relating to the labor market and rates.
- US Consumer Credit change for May; growth in US consumer credit is expected to slow to +\$10bn in May from +\$17.9bn in April.

RBA meeting

- The RBA is expected to cut rates by 25bps this week as inflation continues to move towards the mid-point of the target range.

- The Board reduced the cash rate by 25bps at the last meeting, citing further evidence of easing inflation, as well as adverse global trade developments shifting the balance of risks to the downside for Aus activity and inflation.

#### RBNZ meeting

- The RBNZ is expected to stay on hold at this meeting. At its meeting in May, the RBNZ cut rates by 25bps and removed the more explicit easing bias, with the RBNZ Governor noting that the official cash rate was now likely in the 'neutral zone'.

## US Treasury Issuance; 7 - 11 Jul 2025

This week, the US Treasury will auction and/or settle approx. \$480bn in ST Bills, raising approx. \$16bn in new money. The US Treasury will also auction the 3-year and 10-year Notes, and the 30-year Bond this week and will settle on 15 Jul.

The US Treasury announced another in a series of Cash Management Bills (CMB) to manage debt limit-related constraints. Starting last week, the US Treasury expects to issue a series of CMBs for up to \$250bn in aggregate, to mature in the second half of Sep 25. More details [HERE](#).

QT this week: Approx \$15bn 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 Jul	03-Jul	08-Jul	4 week bill	55			Actual 4.240%	4.000%	
	03-Jul	08-Jul	8 week bill	45			Actual 4.300%	4.390%	
	02-Jul	08-Jul	17-week Bill	65			Actual 4.185%	4.195%	
	03-Jul	08-Jul	77-day CMB	60			Actual 4.285%	4.250%	
				225	200	25			
	07-Jul	10-Jul	13 week bill	82			Announced	4.235%	
	07-Jul	10-Jul	26 week bill	73			Announced	4.110%	
	08-Jul	10-Jul	52 week bill	50			Announced	3.940%	
	08-Jul	10-Jul	6-week Bill	50			Announced	4.340%	
				255	264	-9			
			<b>Total - securities settling this week</b>			480	464	16	
			<b>Net New Cash Raised Qtr to Date</b>			913	892	21	
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>					554	
			<b>QT: Face value of SOMA securities maturing</b>			<b>\$B</b>			
			<b>Maturing &amp; reinvestment</b>						
		08-Jul	ST Bills	0.7					
		10-Jul	ST Bills	14.7					
				15.4					
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>						
				Nil					
				0.0					
			<b>Upcoming Auctions</b>			<b>\$B</b>			
	08-Jul	15-Jul	3yr Note	58					
	09-Jul	15-Jul	10yr Note	39					
	10-Jul	15-Jul	30yr Bond	22					
				119					

## Quantitative Tightening Overview – July 2025

The cap on US Treasury redemptions was lowered to \$5bn effective Apr 2025. In Jul, the face value of Coupons maturing on the Fed balance sheet is approx. \$36bn. This is more than the new \$5bn monthly cap on Treasury redemptions. So of the \$36bn of Coupons maturing in Jul, \$5bn will roll off the Fed balance sheet (redeemed) and \$31bn will be reinvested. It also means that all ST Bills maturing in Jul will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - Jul				
				\$5
			Redeem \$Bn	Reinvest \$ Bn
15-Jul-25	Notes, Bonds, and TIPS		2.3	14.1
31-Jul-25	Notes and Bonds		2.7	16.8
	ST Bills		0.0	64.0
<b>Total Notes &amp; Bonds</b>			<b>5</b>	<b>95</b>

July 2025 ST Bill maturity schedule;

Bill Maturity Schedule - Jul	Par Value of Bills Maturing	% Maturity by Wk	Weekly Totals \$Bn	
			Bill Redemption	Bill Reinvestment
2025/07/01	0.72	1%	0.00	0.72
2025/07/03	13.49	21%	0.00	13.49
2025/07/08	0.72	1%	0.00	0.72
2025/07/10	14.68	23%	0.00	14.68
2025/07/15	0.70	1%	0.00	0.70
2025/07/17	9.18	14%	0.00	9.18
2025/07/22	0.70	1%	0.00	0.70
2025/07/24	9.05	14%	0.00	9.05
2025/07/29	0.69	1%	0.00	0.69
2025/07/31	14.04	22%	0.00	14.04
	64.0	100%	0.0	64.0

<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](#).

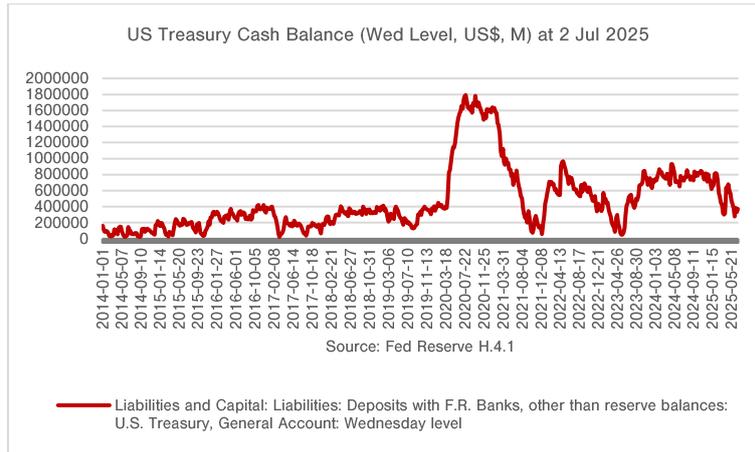
The Q2 net borrowing requirement was revised sharply higher from an estimated \$123bn to \$514bn. The increase of \$391bn was due to a lower end of Q1 cash balance (expecting \$850bn, actual \$406bn) and projected lower net cash flows. The estimated cash balance at the end of Q2 was expected to be \$850bn. The cash balance on 2 Jul was approx. \$372bn – well below the Q2 projection.

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 2 Jul 2025, the level of the TGA increased to \$372bn (+\$38bn compared to the week prior). The TGA balance is approx. \$373bn *lower* than the same week a year ago.

The expected cash balance for the end of Q2 was \$850bn, and the TGA balance on 2 Jul suggests that it was well below that projected level. The next Treasury quarterly refunding meeting will be at the end of July.



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

## CALENDAR W/C 7 July 2025

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### MONDAY 7 JULY (US Eastern Time, unless stated otherwise)

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Europe	Germany Industrial Production (May), Eurozone Retail Sales (May)
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US	Conference Board Employment Trends Index (Jun)
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### TUESDAY 8 JULY

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Australia	NAB Business Conditions and Confidence Survey (Jun) RBA Monetary Policy Meeting
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US	NFIB Small Business Optimism Index (Jun), Consumer Credit Change (May)
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China	CPI & PPI (Jun)
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NZ	RBNZ Monetary Policy Meeting
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### WEDNESDAY 9 JULY

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US	MBA Mortgage Applications wk ending 5 Jul FOMC Minutes
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### THURSDAY 10 JULY

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US	Initial Jobless Claims wk ending 5 Jul, Fed speeches; Daly, Waller (Balance Sheet)
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### FRIDAY 11 JULY

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UK	Monthly GDP (May)
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Canada	Labour Market Survey (Jun)
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China	Trade Balance, Exports, and Imports (Jun) – tbc
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