Key events this week: US & global Services PMIs, US Factory Orders, Fed speeches, BoE meeting

Recap from last week: Growth Concerns Mount as US Labor Market Softens

This past week delivered a pivotal set of US data that challenged the narrative of a resilient US economy. At its meeting last week, the FOMC kept policy settings unchanged, maintaining a "modestly restrictive" stance. This decision was based on the premise that, while growth had slowed in the first half of the year, inflation remained somewhat elevated, and the labor market was at or near maximum employment. However, the subsequent release of weaker-than-expected payroll data for Jul may have shifted that baseline, indicating that the economy is transitioning from the tariff sentiment shock to more tangible growth and inflation risks.

Not everyone on the committee agreed with the Fed's decision to stay on hold. Two dissenting voters, Waller and Bowman, both preferred to cut rates by 25bps at this meeting. They cited the need to move policy towards a more neutral setting to "proactively hedge against a slowing economy," arguing that tariff inflation effects were likely to be temporary. Both members also specifically cited risks to the labor market amid slowing growth, with Waller noting that the Fed's "wait and see" approach was 'overly cautious' and risked policy falling behind the curve.

The dissenters' concerns were arguably validated by the Jul jobs report. Non-farm payroll growth came in weaker than expected at 73k (below expectations of 108k), but it was the net revisions of -258k payrolls to May and Jun that caught everyone's attention. As a result, the 3-month average was revised to a mere 35k payrolls in Jul, a notable drop from the 3-month average of 150k reported in Jun. The Jul growth was entirely driven by private payrolls in the services sector, while goods-producing industries and government payrolls declined.

Despite the weakness in headline payrolls, there were some nuances in the data. The more intense weakness in payroll growth appears to be centred in Jun (with only 3k growth in private payrolls), which is consistent with the sharp fall in aggregate hours worked for that month. Some good news in this report was that aggregate hours worked rebounded strongly in Jul, fully reversing the Jun decline. Similarly, average hourly wage growth also increased versus Jun, suggesting some rebound in nominal income for Jul. The slowdown in payroll growth is consistent with the story from initial claims, which spiked through Jun and then slowed through Jul. However, the accumulation of continuing claims has yet to clear, remaining elevated at around 1.95 million continuing claims. This indicates that a weakness in hiring is persisting. Further, the hiring rate in the JOLTS data for Jun fell to 3.3, approaching the pandemic low of 3.1. Low/falling hiring is an important determinant for the potential of the unemployment rate to rise in the future. The unemployment rate has continued to edge higher, from 4.1% in Jun to 4.25% in Jul, but remaining within the same range of the last year. The overall employment-to-population ratio, also a key metric, has fallen over the last three months to 59.6% in Jun, and is back on par with Dec 2021 levels.

The weaker labor market data is now consistent with the broader slowdown in growth seen in the first half of the year. The US Q2 GDP (advance release) increased by a seemingly robust +3% annualized, but this was primarily led by a positive contribution from net exports, which was an unwind from tariff front-running in Q1. The real story was the underlying domestic demand, which has continued to slow. The final sales to domestic purchases, a proxy for domestic demand, slowed to a +1.1% annualized pace in Q2, down from +1.5% in Q1 and +3% in Q4 2024. At the same time, US PCE inflation was also more persistent in Jun, providing a further challenge for the Fed as it balances its dual mandate. Inflation has been edging higher over the last few months, with firming underlying inflation led by core goods price growth that continued to accelerate in Jun. A key highlight was the median and trimmed mean measures of underlying inflation both increasing at the same time, signalling that underlying inflation pressures firmed in Jun and likely became more pervasive.

The forward-looking picture for growth is equally mixed. The final S&P PMIs for Jul so far indicate that US manufacturing momentum slowed at the start of Q3 as the pre-tariff unwind continues. This comes against a backdrop of slowing global manufacturing activity in Jul, with the S&P global manufacturing output PMI falling back to a stalled pace. The final S&P services PMIs will be released this week, helping to complete the picture of private sector activity in Jul. With further reciprocal tariff rates announced last week and more announcements to come, expectations are shifting for slow growth to continue into the second half of the year.

By the end of the week, markets had digested the growth, labor market, and inflation data, going from pricing in only one rate cut for the remainder of the year to three (Source: CME FedWatch). This suggests that slow growth is currently the primary concern over lingering inflation. These rate-cut expectations will continue to evolve. There are several more labor market and inflation reports, as well as the Fed's Jackson Hole symposium, between now and the Sept Fed meeting.

Outlook for the week ahead: US & global Services PMIs, US Factory Orders, Fed speeches, BoE monetary policy meeting

A somewhat quieter week on the data front with the key highlights being the ISM and S&P services PMIs for Jul – helping to build out the view of private sector momentum amid slowing manufacturing activity and the new tariff regime. We expect continued headline risk around tariff announcements.

Key factors & events to watch this week:

Central Banks

- US Fed speeches will be in focus this week, mostly to gauge Committee reactions to the weaker US labor market data. Of note is a speech scheduled for Michele Bowman for Saturday. Initial reactions from Committee interviews on Friday indicated they were not surprised by the slowing labor market amid the tariff-led disruptions and slowing growth, and some suggested that the revisions may point to a broader weakening of the economy (source: Bloomberg).
- The BoE will meet this week and is expected to cut rates by 25bps, supporting its guidance of a gradual withdrawal of policy restraint. Recent data suggests both growth and hiring have slowed amid domestic policy changes, while inflation has recently firmed somewhat.

US data will feature mostly manufacturing and services activity.

- US Factory Orders for Jun are expected to fall by 4.9% in Jun after stronger growth in May (+8% - led by larger aircraft orders).
- The ISM services PMI for Jul is expected to increase from 50.8 in Jun to 51.5 in Jul. This will feed into an early read of the Atlanta Fed GDP nowcast for the Q3 growth run rate.
- The full report for international and wholesale trade for Jun will be released.
- Initial and continuing jobless claims will remain in focus. Initial claims are expected to edge slightly higher to 221k last week, up from 218k in the previous week.

The remainder of the S&P Global Services PMIs will be released this week, providing further insight into private sector activity after the weaker manufacturing PMIs last week.

China's trade data for July will be released this week and should provide some insight into any effects from tariff-led disruptions.

Labor market data.

- Canada's labour market report for Jul will be released at the end of the week. Employment growth is expected to continue to moderate, increasing by 15k in Jul after increasing by 83k in Jun. The unemployment rate is expected to increase to 7% from 6.9% in Jun. Last week, the BoC kept rates on hold as expected. The Committee did guide that, amid the unpredictable tariff situation facing Canada, there may still be a further need for a reduction in the policy interest rate.
- NZ Q2 employment is expected to fall slightly by -0.1% over the quarter, down from +0.1% in Q1.

US Treasury Issuance; 4 - 8 Aug 2025

This week, the US Treasury will auction and/or settle approx. $535bn in ST Bills, raising approx. $116bn 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 next week.

QT this week: Approx $17bn 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 $B		Prior Auction High Rate %
4 - 8 Aug	31-Jul	05-Aug	4 week bill	95			Actual 4.290%	4.245%
	31-Jul	05-Aug	8 week bill	85			Actual 4.290%	4.265%
	30-Jul	05-Aug	17-week Bill	65			Actual 4.210%	4.225%
				245	170	75		
	04-Aug	07-Aug	13 week bill	82			Announced	4.235%
	04-Aug	07-Aug	26 week bill	73			Announced	4.120%
	05-Aug	07-Aug	52 week bill	50			Announced	3.925%
	05-Aug	07-Aug	6-week bill	85			Announced	4.270%
				290	249	41		
			Total - securities settling this week	535	419	116		
			Net New Cash Raised Qtr to Date	***3204***	***2767***	***437***		
			Estimated Net Cash to be Raised Q3 ($ Bn)			*1,007*		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		05-Aug	ST Bills	0.7				
		07-Aug	ST Bills	16.2				
				16.84				
	Upcoming Auctions			**$B**				
	05-Aug	15-Aug	3yr Note	58				
	06-Aug	15-Aug	10yr Note	42				
	07-Aug	15-Aug	30yr Bond	25				
				125				

Quantitative Tightening Overview – August 2025

The cap on US Treasury redemptions was lowered to $5bn effective Apr 2025. In Aug, the face value of Coupons maturing on the Fed balance sheet is approx. $71bn. This is more than the new $5bn monthly cap on Treasury redemptions. So of the $71bn of Coupons maturing in Aug, $5bn will roll off the Fed balance sheet (redeemed) and $66bn will be reinvested. It also means that all ST Bills maturing in Aug will be reinvested.

Summary of Total Coupons & Bills to Redeem at the $5bn redemption cap - Aug			
			$5
		Redeem $Bn	Reinvest $ Bn
15-Aug-25	Notes & Bonds	3.2	42.4
31-Aug-25	Notes & Bonds	1.8	24.0
	Bills	0.0	56.9
	Total Notes & Bonds	**5.0**	**123.4**

Aug 2025 ST Bill maturity schedule;

Bill Maturity Schedule - Aug			Weekly Totals $Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2025/08/05	0.66	1%	0.00	0.66
2025/08/07	16.17	28%	0.00	16.17
2025/08/12	0.67	1%	0.00	0.67
2025/08/14	16.40	29%	0.00	16.40
2025/08/19	0.68	1%	0.00	0.68
2025/08/21	11.29	20%	0.00	11.29
2025/08/26	0.68	1%	0.00	0.68
2025/08/28	10.39	18%	0.00	10.39
	56.9	1.0	0.0	56.9

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

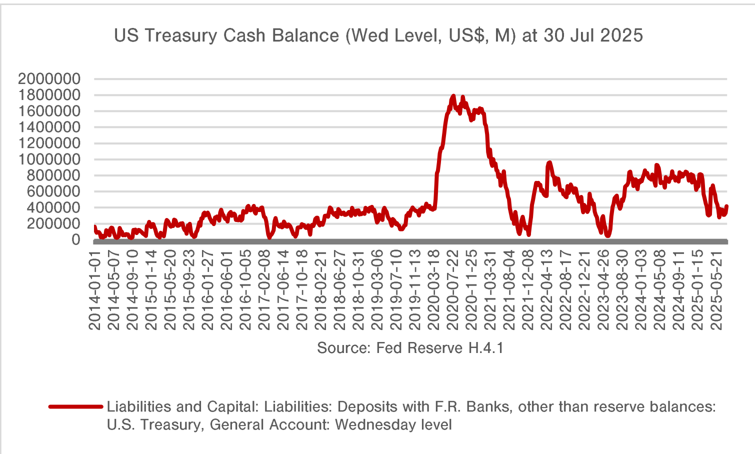
Recommended US Treasury Financing Q2 2025 and Est Q3 2025

The latest update of the US Treasury borrowing requirements for Q3 and Q4 (estimate) was announced last week. Details can be found on the US Treasury website here. There was a notable upward revision to the Q3 net borrowing requirement due to the lower opening cash balance for Q3; Treasury expects to borrow $1.007 trillion in privately held net marketable debt, assuming an end-of-Q3 cash balance of $850 billion. This borrowing estimate is $453 billion higher than announced in April 2025, primarily due to the lower beginning-of-quarter cash balance and projected lower net cash flows.

Est Q4: Over Q4, the US Treasury expects to borrow $590 billion in privately-held net marketable debt, assuming an end-of-December cash balance of $850 billion.

US Treasury Cash Levels (TGA)

As of Wed 30 Jul 2025, the level of the TGA increased to $419bn (+$86bn compared to the week prior). The TGA balance is approx. $434bn *lower* than the same week a year ago.



https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=spreadsheetml&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

MONDAY 4 AUGUST (US Eastern Time, unless stated otherwise)	
US	CB Employment Trends Index (Jul), Factory Orders (Jun)

TUESDAY 5 AUGUST	
US	International Trade (Final) (Jun), ISM Services PMI (Jul), S&P Services PMI – Final (Jul)
NZ	Employment & Labour Market Report Q2

WEDNESDAY 6 AUGUST	
Europe	Germany Factory Orders (Jun), Eurozone Retail Sales (Jun)
US	MBA Mortgage Applications wk ending 2 Aug, Fed speeches: Daly, Collins, Cook (US & Global Economy)
Australia	Trade Balance (Jun)
China	Trade Balance, Exports, & Imports (Jul)

THURSDAY 7 AUGUST	
Europe	Germany Industrial Production (Jun)
UK	BoE Monetary Policy Decision
US	Initial Jobless Claims wk ending 2 Aug, Non-Farm Productivity & Unit Labor Costs (Q2), Consumer Credit Change (Jun)

FRIDAY 8 AUGUST	
Canada	Labour Market Survey (Jul)
China	CPI & PPI (Jul)
US	Speech: Fed Vice Chair Supervision Bowman (Saturday tbc)