

## The Weekly Macro Outlook: Balancing the Policy Mandate as Trade Risks Resurface

The key events shaping the w/c 13 October 2025: US-China trade posturing, US government shutdown continues, Fed speeches: Fed Chair Powell, Fed Beige Book

### Recap from last week: Balancing the Fed Policy Mandate

With the ongoing US government shutdown creating a data vacuum, our focus shifted to central bank communications this week. An overarching theme across these communications was the challenge of balancing policy mandates amid conflicting views on data and elevated risk. The Fed minutes revealed the FOMC undertaking a balancing act with its 25bps cut as rising downside risks to employment shifted the Fed's balance of risks. The minutes and speeches this week reinforced the complex, two-sided risk environment, as well as a lack of consensus on the progress of inflation and on the cause of the current labor market weakening. This balancing theme was reflected elsewhere; the ECB minutes suggested rates were in a "good place" for balancing current risks, while the RBNZ opted for an aggressive 50bp cut to pre-emptively mitigate downside risk from cautious spending. However, the fragile tariff truce between the US and China, while they negotiate around lowering the US 'Liberation Day' tariffs, was upended on Friday, shifting risk sentiment.

The FOMC minutes reflected broad, if not unanimous, agreement to cut the FFR at the last meeting in response to the 'shift in the balance of risks'. One committee member dissented in favour of a larger cut. Overall, the minutes suggest that the Committee was taking a risk management approach to mitigate the rising downside risks to employment and to avoid a rise in unemployment, before those risks become a reality.

"Most" participants observed that it was appropriate to move the target range for the federal funds rate toward a more neutral setting because they judged that downside risks to employment had increased over the intermeeting period and that upside risks to inflation had either diminished or not increased. Source: [FOMC Minutes](#) 16-17 Sep 2025

Beyond the immediate decision, the minutes reflect the Fed navigating a more complex, two-sided risk to its dual mandate. Committee members held differing views across both sides of the dual mandate: on the progress of inflation and on the reason for labor market weakness. This division was evident in the nuanced language used throughout the minutes. Even the unanimous decision to cut rates was caveated: "a few participants" saw "merit" in keeping the rate unchanged, and could have supported such a decision. On inflation, some members felt that inflation, excluding tariffs, was close to target. Others emphasized that progress had stalled, even excluding those tariffs. Finally, there was a range of views on the current drivers of the weakening labor market conditions – whether the weakness in payroll growth was driven by a mix of faltering labor demand and/or emerging structural supply factors.

The minutes surrounding forward guidance were also nuanced. The tension remained between being "data dependent" and "not on a preset path," while acknowledging that "more easing is likely to be appropriate." While most judged that it would likely be appropriate to ease policy further over the remainder of this year, Participants stressed the importance of a "balanced approach" given the two-sided risks: easing too much risked unanchored inflation expectations,

while keeping rates too high risked unnecessary increases in unemployment. Despite the absence of official government data due to the shutdown, markets are still pricing in two further 25bps cuts this year.

A range of views was also borne out across Fed speeches last week. Of note was [Governor Barr's speech](#), where he focused on the complexity of balancing the dual mandate, saying that "the most difficult circumstances for making monetary policy decisions are when both mandate variables are at risk". He acknowledged the rising risk to jobs at the last meeting. However, this speech emphasised inflation risks – noting that the Fed's price stability goal "faces significant risks". The speech by New York Fed President Williams, on the other hand, erred more on the side of a weakening labor market in supporting further cuts this year. In an interview later in the week, Fed [Governor Waller](#) advocated for a more cautious approach, highlighting the disconnect between slowing payrolls and recent strengthening in growth, noting that "something's got to give". But he also said that "the labor market is weak – and that's the punchline for policy". He emphasized that while he favoured cutting rates, "you're not going to do it aggressively and fast, in case you make a big mistake on which way that things go". He sees the pace of quarter-point cuts at the next few meetings as sufficient.

Other global central banks also emphasised this balancing approach. The [ECB minutes](#) for the latest meeting (hold) showed a consensus that rates were currently in a "good place", and "close to or at the end of the monetary policy cycle". Minutes showed the inflation outlook as stable, but vulnerable, and domestic growth resilient but also vulnerable in the near-term. While a further rate cut "would better protect the inflation target... under a range of adverse scenarios" (downside growth risk), the materialization of upside inflation risks "would instead warrant maintaining the current level."

However, the [RBNZ cut rates by more than expected](#) by 50bps, and guidance indicated that the Committee was "open to further reductions". The decision for a 50bp cut was seen as mitigating the risks of persistent, overly cautious household and business spending, while there is still spare capacity in the economy, and despite inflation remaining at the upper end of the 1-3% target band.

## **Outlook for the week ahead: US-China trade posturing, US government shutdown continues, Fed speeches: Fed Chair Powell, Beige Book**

The trade negotiations between the US and China were again a source of headline risk late last week. At the time of writing, there has been some effort to de-escalate; however, there is disagreement on the terms of the tariff truce while negotiations are ongoing. Both US President Trump and President Xi plan to meet in a few weeks at the APEC summit in South Korea. Importantly, the immediate market reaction on Friday serves as a sharp reminder: a swift de-escalation of the renewed trade tensions is important to prevent this spike in risk from hardening back into more sustained and elevated uncertainty around tariffs for business and households.

The coming week has many angles. Headline risk around US-China trade posturing ahead of planned talks, progress on the US government shutdown, Fed speeches prior to the blackout period before the next FOMC meeting on the 28-29 Oct, and limited data. The BLS also announced that the CPI report for Sep will be released next week on 24 Oct.

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

#### **US Fed speeches & the Beige Book**

This is the final week of speeches ahead of the blackout period next week, before the FOMC meeting on 28-29 Oct. The Fed Beige Book will be released this week ahead of the FOMC meeting – and is likely to gain more scrutiny amid the data vacuum.

- There will be several key Fed speeches this week. Fed Chair Powell will speak on the Economic Outlook and Monetary Policy at the NABE conference (14 Oct). **This will be a key speech ahead of the FOMC meeting.**
- Fed Governor Waller will speak on the Economic Outlook (16 Oct) – also a key speech ahead of the FOMC meeting.
- There will be a range of other speeches through the week – see the [official Fed calendar](#).
- The Fed Beige Book, covering anecdotes from regional Fed business contacts for the last six weeks. This will be an important input into the next Fed meeting (as usual).

#### US Fed surveys and private sector data

Given the ongoing US government shutdown, US data will be limited to US regional Fed manufacturing surveys and private sector reports.

- The NY Empire State and Philadelphia Fed Manufacturing surveys for Oct will be released – our first data point for Q4.
- The NAHB Housing Market (home builder sentiment) index for Oct.
- The NFIB business optimism index (Sep)

#### Global data reports

- UK labor market for the 3 months to Sep. The unemployment rate is expected to stay unchanged at 4.7%.
- The Australian labour market report for Sep. Employment growth is expected to rebound to +20k from -5k in Aug; however, the unemployment rate is expected to increase to 4.3% from 4.2% in Aug.
- The RBA minutes will be released this week.
- Euro area CPI – final for Sep is expected to confirm headline inflation of +2.2% and core inflation of +2.3%.

### **US Treasury Issuance; 13 - 17 Oct 2025**

This week, the US Treasury will auction and settle approx. \$651bn in ST Bills, Notes, and Bonds, raising approx. \$91bn in new money.

QT this week: Approx \$11.3bn in ST Bills and TIPS will mature on the Fed balance sheet and will be reinvested. Approx \$0.7bn in TIPS will mature and roll off the Fed balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
<b>Columbus Day 13 Oct</b>								
13-17 Oct	09-Oct	14-Oct	4 week bill	110			Actual 4.030%	4.060%
	09-Oct	14-Oct	8 week bill	95			Actual 3.955%	3.960%
	08-Oct	14-Oct	17-week Bill	69			Actual 3.775%	3.785%
				274	245	29		
	14-Oct	16-Oct	13 week bill	86			Announced	3.850%
	14-Oct	16-Oct	26 week bill	77			Announced	3.695%
	14-Oct	16-Oct	6-week bill	95			Announced	4.000%
				258	235	23		
	07-Oct	15-Oct	3yr Note	58			Actual 3.576%	3.485%
	08-Oct	15-Oct	10yr Note	39			Actual 4.117%	4.033%
	09-Oct	15-Oct	30yr Bond	22			Actual 4.734%	4.651%
				119	80	39		
			<b>Total - securities settling this week</b>	<b>651</b>	<b>560</b>	<b>91</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>1452</b>	<b>1320</b>	<b>132</b>		
			<i>Estimated Net Cash to be Raised Q4</i>			<i>590</i>		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		14-Oct	ST Bills	0.7				
		15-Oct	TIPS	2.2				
		16-Oct	ST Bills	8.4				
				11.3				
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>					
		15-Oct	TIPS	0.7				
				0.7				

## Quantitative Tightening Overview – Oct 2025

The cap on US Treasury redemptions was lowered to \$5bn effective Apr 2025. In Oct, the face value of Coupons maturing on the Fed balance sheet is approx. \$21.7bn. This is more than the \$5bn monthly cap on Treasury redemptions. So of the \$21.7bn of Coupons maturing in Oct, \$5bn will roll off the Fed balance sheet (redeemed) and \$16.7bn will be reinvested. It also means that all ST Bills maturing in Oct will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - Oct					
				\$5	
				Redeem \$Bn	Reinvest \$ Bn
15-Oct-25		TIPS	0.7		2.2
31-Oct-25		Notes and Bonds	4.3		14.5
		Bills	0.0		66.5
		<b>Total Notes &amp; Bonds</b>	<b>5.0</b>		<b>83.2</b>

ST Bill maturity schedule – Oct 2025;

Bill Maturity Schedule - Oct			Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2025/10/02	16.66	25%	0.00	16.66
2025/10/07	0.74	1%	0.00	0.74
2025/10/09	12.23	18%	0.00	12.23
2025/10/14	0.74	1%	0.00	0.74
2025/10/16	8.39	13%	0.00	8.39
2025/10/21	0.75	1%	0.00	0.75
2025/10/23	8.94	13%	0.00	8.94
2025/10/28	0.77	1%	0.00	0.77
2025/10/30	17.26	26%	0.00	17.26
	66.48	100%	0.0	66.48

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

## Recommended US Treasury Financing Q3 2025 and Est Q4 2025

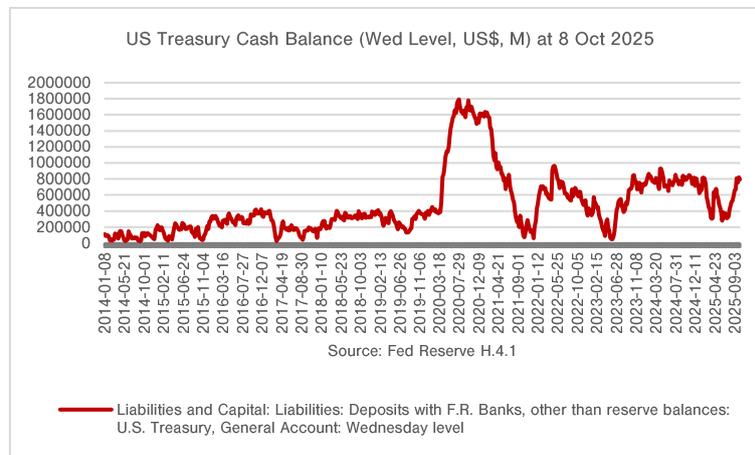
The latest update of the US Treasury borrowing requirements for Q3 and Q4 (estimate) can be found on the US Treasury website [here](#).

There was a notable upward revision to the Q3 net borrowing requirement due to the lower opening cash balance for Q3 - the US Treasury expects to borrow \$1.007 trillion in privately held net marketable debt, assuming an end-of-Q3 cash balance of \$850 billion.

Est 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. The next quarterly refunding update will be released on 3 and 5 Nov 2025.

## US Treasury Cash Levels (TGA)

As of Wed 8 Oct 2025, the level of the TGA decreased to \$794bn (-\$25bn compared to the week prior). The TGA balance is now approx. \$6bn higher 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/amsb\\_operation\\_schedule](https://www.newyorkfed.org/markets/amsb_operation_schedule)

## CALENDAR W/C 13 October 2025

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### MONDAY 13 OCTOBER (US Eastern Time, unless stated otherwise)

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China	Trade Balance, Exports, and Imports (Sep) – TBC
US	Columbus Day
Australia	NAB Business Confidence and Conditions (Sep), RBA Minutes

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### TUESDAY 14 OCTOBER

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UK	Labor Market (3mth Sep)
US	NFIB Business Optimism Index (Sep), Fed Chair Powell speech: Economic Outlook & Monetary Policy, Fed speeches: Bowman (tbc), Waller (payments)
China	CPI (Sep)

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### WEDNESDAY 15 OCTOBER

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Europe	Eurozone Industrial Production (Aug)
US	MBA Mortgage Applications wk ending 11 Oct, NY Empire State Manufacturing Index (Oct), Fed Beige Book, Fed speeches: Waller (AI), Miran (2 x discussions)
Australia	Labour Market (Sep)

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### THURSDAY 16 OCTOBER

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UK	Monthly GDP (Aug)
US	Philadelphia Fed Manufacturing Index (Oct), NAHB Housing Market Index (Oct), Fed speeches: Waller (Economic Outlook), Barr (stablecoins), Miran (discussions), Bowman (tbc)

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### FRIDAY 17 OCTOBER

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Europe	Euro area CPI – Final (Sep)
US	Fed speeches: Musalem

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