

The Weekly Macro Outlook: Updated Inflation Backdrop for September

The key events shaping the w/c 20 October 2025: US CPI for Sep, global inflation reports for Sep (NZ, the UK, Canada, and Japan), S&P prelim PMIs for Oct

Recap from last week: Fed Easing with Caution

Amid the ongoing US government shutdown and data vacuum, focus remained on key Fed speeches in the lead-up to next week's FOMC meeting. The message from those speeches was clear: easing with caution. The latest Beige Book provided a broad update on the US backdrop, detailing slower growth, muted labor market conditions, and persistent input price inflation. The release of the US CPI report for Sep this week will provide the Fed with an important update on inflation. Globally, the market will receive Sep inflation updates from NZ, the UK, Japan, and Canada.

Speeches by [Fed Chair Powell](#) and [Fed Governor Waller](#) last week supported another rate cut at the FOMC meeting next week. The Fed Chair noted that, despite the lack of official data, and based on the data available, the outlook for employment and inflation hasn't changed much since the last meeting. In other words, the balance of risks still reflects the rising downside risks to the labor market. He noted, though, that economic activity may be on a somewhat firmer trajectory than expected. The first half of Chair Powell's speech focused on the Fed's balance sheet. Chair Powell acknowledged that the end of Quantitative Tightening (QT)/balance sheet run-off may be approaching "in coming months", given the level of total reserves in the system, and emerging signs that "liquidity conditions are gradually tightening". It was a timely speech on liquidity conditions, given the recent, yet temporary [pressures in short-term funding markets](#), and could signal an earlier end to QT.

In his speech, Governor Waller noted the backdrop of conflicting data: solid growth in activity while the labor market is softening. It's a situation where "something's got to give". Until it's clear which way the data will break (in favour of stronger growth or a weaker labor market), Governor Waller advocated for a cautious pace of cuts to avoid a policy mistake.

The [Fed Beige Book](#) for the six weeks to mid-Oct showed some easing in the pace of economic activity, continued subdued hiring, and stable employment, as prices continued to rise. While the report noted that economic activity had "changed little" from the previous report, fewer regions had reported either no change in activity or increasing activity, and more regions reported a "slight softening" in activity. Consumer spending "inched down," manufacturing activity was "varied," and activity in agriculture, energy, and transportation was "generally down". The report showed differing effects among high and lower/medium income cohorts, with spending on "luxury travel and accommodation" reportedly strong, while other households "continued to seek discounts and promotions in the face of rising prices and elevated economic uncertainty".

Employment levels were "largely stable", while demand for labor remained muted. In some cases, hiring was replaced by "layoffs and attrition" due to weaker demand, elevated economic uncertainty, and investment in AI technologies.

Prices increased further due to higher import costs (tariffs) across many districts as well as higher costs of services. Tariffs seemed to have a dual impact of a growth drag on manufacturing and of driving higher input price inflation. There were mixed reports between firms absorbing the higher tariff costs via lower margins and firms passing on the higher costs.

The Beige Book still confirms the challenging and delicate path for the Fed to navigate, the “no risk-free path”. However, the softening in growth and continued muted labor market conditions will still play into the rising downside risks, supporting an easing bias. With the inflation backdrop remaining persistent, this week’s US CPI report for Sep will offer an important view of the path of inflation.

The challenge of conflicting data was not limited to the US. The RBA Minutes showed that the Board had stayed on hold in Sep due to concerns that the decline in inflation had slowed, supported by signs of recovering private sector demand, stable unemployment, and “leading indicators (such as job advertisements and vacancies) that continued to point to healthy labour demand in the near term”.

However, last week’s Aus Sep labour market report showed a sharper increase in the unemployment rate to 4.5%, from 4.3% in Aug. Despite the rebound in employment growth, unemployment increased as participation also increased. This will be a concerning development for the RBA Board, and they will likely need to see whether this higher participation is absorbed/resolved next month. In the meantime, the important Q3 CPI data is due on 29 Oct, providing the RBA with a better understanding of shifts in underlying inflation. The next RBA meeting is on 3-4 Nov.

On the geopolitical front, markets continue to track the negotiations and posturing between the US and China on tariffs, leading up to the meeting between US President Trump and Chinese President Xi. The recent flare-up of tensions has been tempered with a more conciliatory tone for now.

Outlook for the week ahead: US CPI for Sep, global inflation reports for Sep (NZ, the UK, Canada, and Japan), S&P prelim PMIs for Oct

The focus this week shifts to data. Specifically, the updated inflation backdrop for Sept for the US, as well as global CPI reports. The BLS will be releasing the US CPI data at the end of the week, despite the shutdown, as it is an important input to calculate the cost-of-living adjustment for government transfer payments for 2026. The data will also be important for the FOMC meeting next week.

Also out this week will be the prelim S&P PMIs for key developed markets, offering the first view of growth and momentum leading into Q4.

Other important points for the week ahead: tensions on trade and tariff negotiations continuing to simmer between the US and China with ongoing headline risk, progress on resolving the US government shutdown, and this is the blackout period before the next FOMC meeting on the 28-29 Oct – although there are a few speeches scheduled (opening remarks).

Key factors & events to watch this week:

US inflation data – CPI for September.

The inflation data will be limited to the CPI release and is scheduled to be released at the end of the week on 24 Oct.

- Headline CPI is expected to increase by +0.4% over the month in Sep, after increasing by +0.4% in Aug. Over the year, headline CPI is expected to increase by +3.1% in Sep, up from +2.9% in Aug.
- Core CPI is expected to increase by +0.3% over the month in Sep, after increasing by +0.35% in Aug. Over the year, core CPI is expected to stay at +3.1% in Sep, versus +3.1% in Aug.

US private sector/Fed data & speeches.

- US existing home sales for Sep are expected to increase to 4.06m (annualized), up from 4.0m in Aug. Mortgage purchase applications had begun to rebound in Sep, along with falling mortgage rates.
- The Kansas City Fed Manufacturing Index for Oct will be released. The surveys released so far for Oct show mixed results for manufacturing orders and activity, while employment remains subdued but steady, and input price increases remain relatively widespread.
- Michigan Consumer Sentiment – final release for Oct. This is expected to remain around 55.
- There will be limited [Fed speeches](#) this week, given the blackout ahead of the FOMC meeting next week.

Global inflation reports for September.

- (Actual) NZ CPI for Q3 was expected to be +0.8%, but increased by +1% over the quarter, versus +0.5% in Q2. Over the year, headline CPI accelerated to +3% in Q3, up from +2.7% in Q2.
- Canada CPI for Sep is expected to fall over the month by -0.1% after a similar fall in Aug. Over the year, headline inflation is expected to remain little changed at around +1.9%. In Aug, CPI ex gasoline increased by +2.4% over the year. Median CPI for Sep is expected to slow slightly to +3% over the year in Sep, from +3.1% in Aug. The trimmed mean inflation rate is expected to remain unchanged at +3% over the year in Sep.
- UK CPI for Sep is expected to increase across both headline and core measures. Headline CPI is expected to increase to +4% over the year in Sep from +3.8% in Aug. Core CPI is also expected to increase to +3.7% in Sep from +3.6% in Aug.
- Japanese core CPI – ex fresh food (the BoJ preferred measure) is expected to increase to +2.9% over the year in Sep, from +2.7% in Aug.

S&P Prelim PMIs for Oct will be released this week, providing an update on private sector activity at the start of Q4.

China; Data & CCCP Meeting

- The full range of China's Q3 growth and Sep activity data was released earlier in the week, and ahead of the [Fourth Plenum](#) meeting this week. Details of the meeting and review of plans and initiatives will be in focus post the meeting.

US Treasury Issuance; 20 - 24 Oct 2025

This week, the US Treasury will auction and settle approx. \$532bn in ST Bills, raising approx. \$52bn in new money. The US Treasury will also auction to 20-year Bond and 5-year TIPS this week – both will settle on 31 Oct.

QT this week: Approx \$10bn in 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 %
20-24 Oct	16-Oct	21-Oct	4 week bill	110		Actual 4.030%	4.030%
	16-Oct	21-Oct	8 week bill	95		Actual 3.960%	3.965%
	15-Oct	21-Oct	17-week bill	69		Actual 3.810%	3.775%
				274	245	29	
	20-Oct	23-Oct	13 week bill	86		Announced	3.845%
	20-Oct	23-Oct	26 week bill	77		Announced	3.685%
	21-Oct	23-Oct	6-week bill	95		Announced	4.010%
				258	235	23	
			Total - securities settling this week	532	480	52	
			Net New Cash Raised Qtr to Date	1984	1800	184	
			<i>Estimated Net Cash to be Raised Q4</i>			590	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		21-Oct	ST Bills	0.7			
		23-Oct	ST Bills	8.9			
				9.7			
			Maturing & redemption (balance sheet roll-off)				
				Nil			
			Upcoming Auctions	\$B			
	22-Oct	31-Oct	20-Yr Bond	13			
	23-Oct	31-Oct	5-Yr TIPS	26			
				39			

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
	Total Notes & Bonds		5.0	83.2

ST Bill maturity schedule – Oct 2025;

Bill Maturity Schedule - Oct	Par Value of Bills Maturing	% Maturity by Wk	Weekly Totals \$Bn	
			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

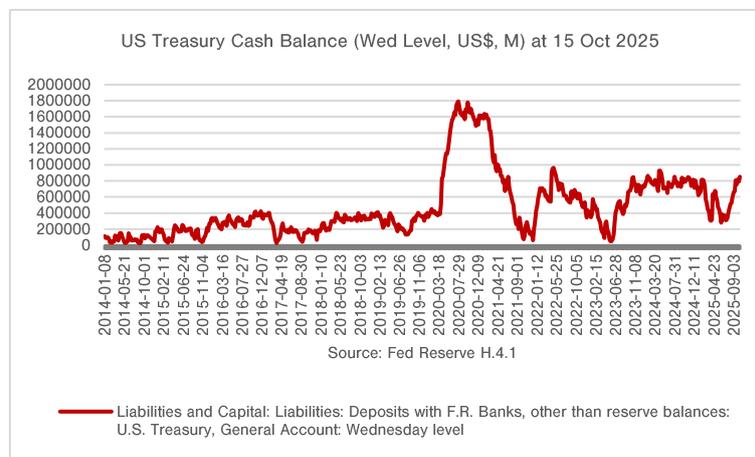
The latest update of the US Treasury borrowing requirements for Q3 and Q4 (estimate) can be found on the US Treasury website [here](#).

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 15 Oct 2025, the level of the TGA increased to \$852bn (+\$58bn compared to the week prior). The TGA balance is now approx. \$37bn *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

CALENDAR W/C 20 October 2025

MONDAY 20 OCTOBER (US Eastern Time, unless stated otherwise)

NZ	CPI Q3
China	GDP Q3, House Prices, F/A Investment, Industrial Production, Retail Sales (Sep)

TUESDAY 21 OCTOBER

Canada	CPI (Sep)
US	Fed speeches: Gov Waller (Opening remarks)
Japan	Trade Balance, Exports, & Imports (Sep)

WEDNESDAY 22 OCTOBER

UK	CPI (Sep)
US	MBA Mortgage Applications wk ending 18 Oct, Fed speeches: Barr (Financial Inclusion)

THURSDAY 23 OCTOBER

US	Existing Home Sales (Sep), Kansas City Fed Manufacturing Index (Oct), Fed speeches: Vice Chair Bowman (Supervision) - Hearing on Oversight of Financial Regulators
Australia	S&P Prelim Manufacturing & Services PMIs (Oct)
Japan	National CPI (Sep), S&P Prelim Manufacturing & Services PMIs (Oct)

FRIDAY 24 OCTOBER

UK	Retail Sales (Sep), S&P Prelim Manufacturing & Services PMIs (Oct)
Europe	S&P Prelim Eurozone Manufacturing & Services PMIs (Oct)
US	CPI (Sep), S&P Prelim Manufacturing & Services PMIs (Oct), Michigan Consumer Sentiment – final (Oct)
