

HSBC Liquidity Fund US Dollar

HSBC Global Liquidity Funds plc

November 2021

For professional and institutional clients only

There was no FOMC meeting in October. The FED has announced that it will begin tapering in November at a rate of \$15bn a month, concluding in June 2022. The market is fully priced for a 25bps increase the following month (July). Headline Consumer Price Index (CPI) for October was 6.2%, the highest rate since 1990. Inflation is broad-based, although nearly a quarter of this inflation is due to used and new car prices. There is a suggestion in the markets that there is a risk of the FED increasing rates sooner, but it is firmly believed that the FED will need to conclude tapering before they consider raising rates.

US Purchasing Price Inflation remained unchanged at 8.6% year on year in October in line with expectations. The gauge is widely seen as a leading indicator of CPI. US Q3 GDP is expected to be revised up to 2.2% qoq from the preliminary estimate of 2%. Incoming data since the first report suggest an upward revision to contributions from inventory changes and non-residential investment.

Headline US durable goods orders are expected to edge up to 0.2% month on month in October, while the core capital goods ex defense/aircraft measure is penciled in to rise 0.5% month on month. New home sales are expected to remain flat in October. Following a sharp 14% month on month increase in September.

We continue to seek opportunities in FRNs, to provide insurance against any earlier than anticipated rate increases. WAM remains around 50 days, whilst the WAL has also remained constant 70 days – target for both remains long.

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