

Key themes for the week ahead

The main highlights for this week are the Inauguration of Joe Biden as the next US President, the prelim global PMI's for Jan, and the ECB and BoJ interest rate decisions.

This week, Joe Biden will be inaugurated as the next US President. Four areas have been highlighted for "urgent action" by the new administration: Covid-19 vaccination roll-out, further economic stimulus (\$1.5tr relief plus \$15min wage with infrastructure spending to follow), racial equality, and climate change.

This week, the ECB and the BoJ will meet on interest rates. It will be a quiet week for the US Federal Reserve ahead of the FOMC meeting next week.

The prelim global PMI's for January will be released this week. This should provide some insight into momentum across the major economies coming into 2021 – especially given the level of infections & subsequent restrictions in place across many of these economies.

In the US, the key data releases will be initial and continuing jobless claims. Last week there was a notable rise in initial claims – which could be a seasonal increase after the holiday period. Data for new building permits and housing starts in Dec will be released this week.

In Australia, the labour market and employment survey for Dec will be released. This is a key data point for the RBA and interest rate policy.

The US Fed purchases of Treasuries will be slightly lower this week given the short week. The Fed plans to purchase \$16.6bn in US Treasury securities this week (last week \$26.6bn - updated). The Fed will continue to purchase MBS at a faster rate, this week buying \$23.9bn in MBS (\$28.3bn last week - updated). The Fed target for MBS purchases is approx. \$40bn/mth.

US Treasury issuance will be lighter this week. The US Treasury will settle approx. \$285bn in ST Bills this week with no increase in new money for the week.

This week, approx. \$21bn in Bills will mature on the Fed balance sheet and will be rolled over.

This week the 10yr TIPS auction will take place (raising approx. \$15bn in new money) and will settle next week.

US Treasury Issuance & QE

US Treasury issuance will be lighter this week. The US Treasury will settle approx. \$285bn in ST Bills this week with no increase in new money for the week.

This week, approx. \$21bn in Bills will mature on the Fed balance sheet and will be rolled over.

This week the 10yr TIPS auction will take place (raising approx. \$15bn in new money) and will settle next week.

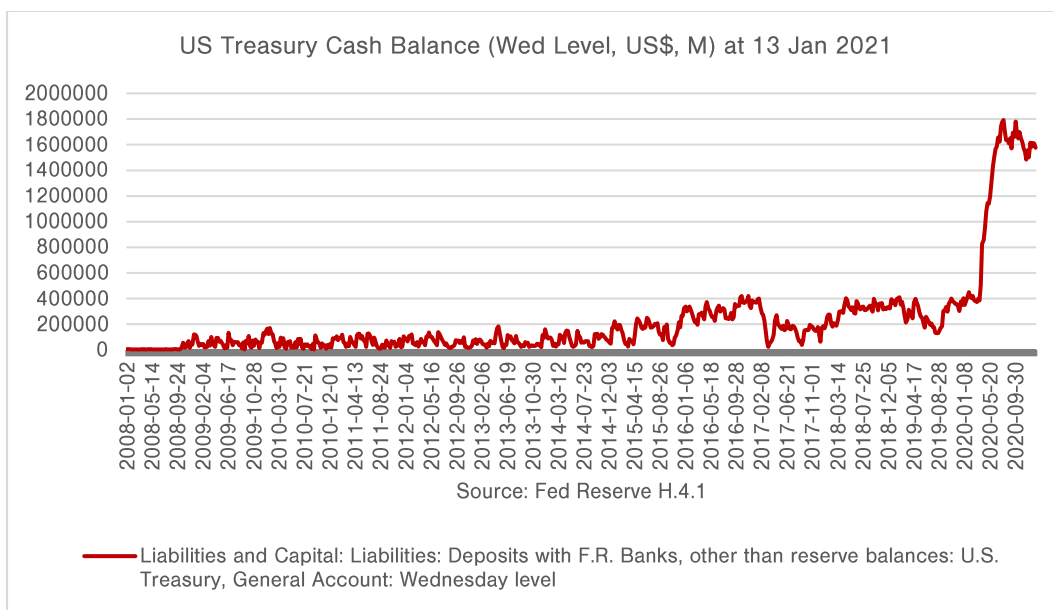
WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	
18 Jan - National Martin Luther King, Jr Day							
18-22 Jan 2021	14-Jan	19-Jan	4 week bill	30			Completed
	14-Jan	19-Jan	8 week bill	35			Completed
				65	120	-55	
	13-Jan	19-Jan	154-Day CMB	30			Completed
	13-Jan	19-Jan	105-day CMB	25			Completed
	19-Jan	21-Jan	119-Day CMB	30			Announced
	19-Jan	21-Jan	42-Day CMB	30			Announced
				115	0	115	
	19-Jan	21-Jan	13 week bill	54			Announced
	19-Jan	21-Jan	26 week bill	51			Announced
				105	165	-60	
			Total - securities settling this week	285	285	0	
			Net New Cash Raised Qtr to Date	975	911	63.6	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			1,127	
			Fed SOMA - Face Value of SOMA securities maturing	\$B			
		19-Jan-21	Bills	6.100			
		21-Jan-21	Bills	14.800			
				20.900			

The US Treasury cash balance (TGA) has been updated for the latest week (Wed 13 Jan 2021 level). The level of the TGA had decreased by \$31bn last week to \$1.57tr (Wed 13 Jan level).

The spending and relief package (total US\$2.3tr) was signed into law at the end of 2020. This includes US\$900bn in spending for pandemic relief via direct payment of \$US600 cheques.

Another relief payment and stimulus spending bill will likely be introduced early in the Biden term. This will have further implications for US Treasury issuance and the TGA balance.

The next refunding announcement will be on 3 Feb 2021 after the new administration takes office.



<https://www.treasurydirect.gov/instit/annceresult/press/press.htm>

QE PROGRAMS

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 18 Jan	Holiday	Holiday
Tue 19 Jan	1.750	4.768
Wed 20 Jan	2.425	4.933
Thur 21 Jan	3.625	7.789
Fri 22 Jan	8.825	6.409

Total Announced Purchases	\$16.6bn (last week \$26.65bn)	\$23.9bn (last week \$28.31bn)
---------------------------	--------------------------------	--------------------------------

Links to 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

REPO OPERATIONS

Current schedule

Date	Maturity Date	Term	Aggregate Operation Limit
Daily operations (pm)	Next day	O/N	\$500bn
19 Jan	16 Feb 2021	28 days	\$500bn

<https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/repo-reverse-repo-agreements/repurchase-agreement-operational-details#monthly-summary>

SWAP LINES

Announcements; <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315b.htm>

<https://www.newyorkfed.org/markets/international-market-operations/central-bank-swap-arrangements>

WEEK COMMENCING 18 JANUARY 2021

MONDAY 18 JANUARY (US Eastern Time)

US	Holiday – Martin Luther King’s Birthday
China	GDP Q4 2020, Industrial Production & Retail Sales (Dec)
Japan	Industrial Production (Nov)

TUESDAY 19 JANUARY

Australia	New Home Sales (Dec)
-----------	----------------------

WEDNESDAY 20 JANUARY

US	Mortgage Applications wk ending 15 Jan, NAHB Housing Market Index (Jan) Inauguration Day
Europe	Eurozone CPI (Dec)
Japan	Merchandise Trade, Exports, and Imports (Dec)

THURSDAY 21 JANUARY

US	Initial Jobless Claims (wk ending 15 Jan), Continuing Unemployment Claims (wk ending 8 Jan), and PUA Claims, Building Permits & Housing Starts (Dec), Philadelphia Fed Manufacturing Survey (Jan)
Europe	ECB Rates Decision & EU Leaders Summit
Japan	BoJ Rates Decision, National CPI (Dec)
Australia	Employment & Labour Market Survey (Dec), Markit Manufacturing & Services PMI Prelim (Jan)

FRIDAY 22 JANUARY

US	Markit Manufacturing and Services PMI Prelim (Jan), Existing Home Sales (Dec)
UK	Retail Sales (Dec), Markit Manufacturing & Services PMI Prelim (Jan)
Europe	Eurozone Markit Manufacturing & Services PMI Prelim (Jan)
Japan	Markit Manufacturing & Services PMI Prelim (Jan)
Australia	Retail Sales Prelim (Dec)

Trade & Brexit

BREXIT

An agreement on a trade deal was reached on Christmas Eve and the UK has now officially left the EU single market and customs union. The UK parliament approved the new trade deal on 30 Dec 2020.

The EU (Future Relationship) Bill, bringing the trade deal into UK law, was backed in the House of Commons by 521 to 73 votes on Wednesday, after Parliament was recalled from its Christmas break.

<https://www.bbc.com/news/uk-politics-55493437>

While EU ambassadors approved the trade deal, the EU parliament will vote on the deal later in January or February.

European Commission President Ursula von der Leyen and European Council President Charles Michel signed the deal earlier on Wednesday in Brussels.

It will come into force at 23:00 on Thursday, but although the European Parliament has begun its scrutiny of the 1,246-page document, it will not get a chance to ratify it formally until early in the new year.

<https://www.bbc.com/news/uk-politics-55493437>