

Key themes for the week ahead

Mostly US-focused data releases and the FOMC meeting this week.

The US FOMC two-day meeting will be held this week with the policy decision announced on Wed 27 Jan. The expectation is for rates and other policy settings to remain unchanged. The press conference is likely to shed further light on recent comments regarding the tapering of asset purchases and inflation targets.

The main US data releases this week will be the University of Michigan consumer sentiment for the second half of Jan. Talk of a further stimulus package (but running into roadblocks?) and the ramping up of vaccinations are likely to result in some improvement in sentiment.

US Q4 GDP (advance est) will be released this week.

The PCE price index for Dec (as well as income and expenditure) will also be released this week. This is the Fed preferred measure of consumer prices. Anecdotes from various PMI's reflect some price growth pressure for inputs but not all firms or sectors have passed these price increases on. Services price growth is likely to provide an offsetting effect.

We continue to follow the initial jobless claims as one of the higher frequency indicators of employment improvement – last week, initial claims for Federal programs were notably higher as programs were extended. Total initial claims remained elevated at +1.38m last week.

In Australia, the Q4 CPI will be released. This will be an important input into the RBA meeting on rates next week.

The US Fed purchases of Treasuries will be much lower this week, but MBS purchases will be significantly higher. The Fed plans to purchase \$10.7bn in US Treasury securities this week (last week \$16.6bn). The Fed will continue to purchase MBS at a faster rate, this week buying \$36.02bn in MBS (\$23.9bn last week). The Fed target for MBS purchases is approx. \$40bn/mth.

US Treasury issuance will be slightly heavier this week. The US Treasury will settle approx. \$334bn in ST Bills and 10yr TIPS, raising approx. \$5.8bn in new money.

This week, approx. \$25bn in Bills will mature on the Fed balance sheet and will be rolled over.

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US Treasury Issuance & QE

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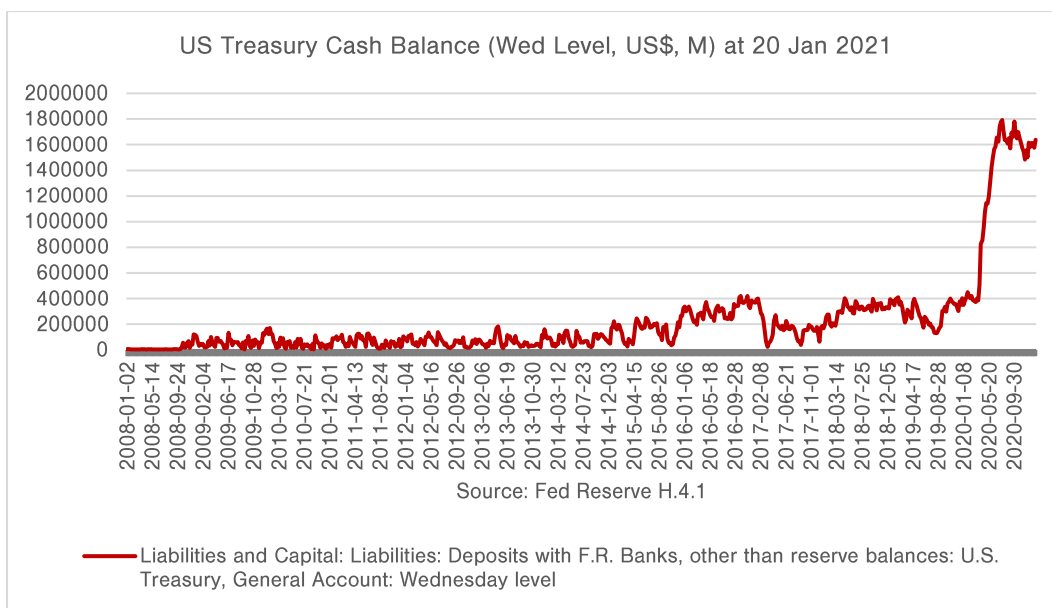
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WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	
25-29 Jan	21-Jan	26-Jan	4 week bill	30			Completed
	21-Jan	26-Jan	8 week bill	35			Completed
				65	120	-55	
	20-Jan-21	26-Jan-21	154-Day CMB	30			Completed
	20-Jan	26-Jan	105-day CMB	25			Completed
	26-Jan	28-Jan	119-Day CMB	30			Announced
	26-Jan	28-Jan	42-Day CMB	30			Announced
				115	0	115	
	25-Jan	28-Jan	13 week bill	54			Announced
	25-Jan	28-Jan	26 week bill	51			Announced
	26-Jan	28-Jan	52 week bill	34			Announced
				139	208.2	-69.2	
	21-Jan	29-Jan	10yr TIPS	15			Announced
				15	0	15	
			Total - securities settling this week	334	328.2	5.8	
			Net New Cash Raised Qtr to Date	1309	1240	69.4	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			1,127	
			Fed SOMA - Face Value of SOMA securities maturing	\$B			
		26-Jan	Bills	6.4			
		28-Jan	Bills	18.9			
				25.3			

The US Treasury cash balance (TGA) has been updated for the latest week (Wed 20 Jan 2021 level). The level of the TGA had increased by \$62bn last week to \$1.638tr (Wed 20 Jan level).

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 is expected next week.



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

QE PROGRAMS

The next schedule of purchases will be released on 29 Jan.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 25 Jan	6.025	7.789
Tue 26 Jan	1.750	6.409
Wed 27 Jan	-	7.624
Thur 28 Jan	1.750	6.407
Fri 29 Jan	1.225	7.790

Total Announced Purchases	\$10.75bn (last week \$16.6bn)	\$36.02bn (last week \$23.9bn)
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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
26 Jan	23 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 25 JANUARY 2021

MONDAY 25 JANUARY (US Eastern Time)

US	Chicago Fed National Activity Index (Dec), Dallas Fed Manufacturing Business Index (Jan)
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TUESDAY 26 JANUARY

US	Case/Shiller House Price Index (Nov)
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WEDNESDAY 27 JANUARY

US	Mortgage Applications wk ending 22 Jan, Durable Goods Orders (Dec) FOMC – Meeting and Policy Statement
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Australia	CPI Q4
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THURSDAY 28 JANUARY

US	Initial Jobless Claims (wk ending 22 Jan), Continuing Unemployment Claims (wk ending 15 Jan), and PUA Claims, GDP Q4 – Advance Est, New Home Sales (Dec)
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Japan	Industrial Production - Prelim (Dec)
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Australia	Terms of Trade Q4
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FRIDAY 29 JANUARY

US	Personal Income, Consumption, and PCE Prices (month – Dec), Chicago PMI (Jan), University of Michigan Consumer Sentiment – Final (Jan)
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Australia	Private Sector Credit (Dec)
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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>