

Key themes for the week ahead

The focus this week will be on US data, Fed speeches, and the passage of the next US stimulus bill through the House of Representatives.

The main data releases in the US include personal income, expenditure, and prices for Jan, the final read on consumer sentiment for Feb, the second estimate of Q4 US GDP, and a further read on manufacturing conditions throughout the US. Tracking initial claims trends continue to be in focus – and new claims remain stubbornly high.

There will be several notable Fed speeches this week including US Fed Chair Powell providing semi-annual testimony to the House of Representatives and the Senate, Vice Chair Quarles, Vice Chair Clarida, and Governor Brainard on the Fed's maximum employment mandate.

The latest proposed US stimulus and relief bill is expected to start its passage through the US House of Representatives. Some key measures include a \$1400 one-off payment (for those on <\$75k year) and the extension of targeted unemployment benefits through to August.

There will also be several important Aus data releases this week including the Q4 wage price index and Q4 private sector Capex results.

The US Fed plans to purchase \$22.37bn in US Treasury securities (last week/short week \$17.8bn). The Fed will also purchase \$32.45bn in MBS (\$24.1bn last week). The target for the monthly increase in Fed holdings of MBS is at least \$40bn/mth.

US Treasury issuance will be lighter this week and the US Treasury has also ceased issuance of the 15, 17, and 22 wk CMBs - resulting in a larger paydown. The US Treasury will settle approx. \$269bn in ST Bills, 30yr TIPS, and 2yr FRN's this week. As a result, the paydown will be -\$60.9bn. The US Treasury will also auction \$210bn in Notes and Bonds this week which will settle next week.

This week, approx. \$21.8bn in Bills will mature on the Fed balance sheet and will be rolled over.

US Treasury Issuance & QE

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The US Treasury will also auction \$210bn in Notes and Bonds this week (which will settle next week), raising approx. \$139bn in new money.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	
22-26 Feb	18-Feb	23-Feb	4 week bill	30			Completed
	18-Feb	23-Feb	8 week bill	35			Completed
				65	120	-55	
	23-Feb	25-Feb	42-Day CMB	30			Announced
				30	0	30	
	22-Feb	25-Feb	13 week bill	54			Announced
	22-Feb	25-Feb	26 week bill	51			Announced
	23-Feb	25-Feb	52 week bill	34			Announced
				139	209.9	-70.9	
	18-Feb	26-Feb	30yr TIPS	9			Completed
	24-Feb	26-Feb	2yr FRN	26			Announced
				35	0	35	
			Total - securities settling this week	269	329.9	-60.9	
			Net New Cash Raised Qtr to Date	2794	2616	178	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			274	
			Fed SOMA - Face Value of SOMA securities maturing	\$B			
		23-Feb	Bills	6.4			
		25-Feb	Bills	15.4			
				21.8			

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

As outlined in the latest refunding announcement, last week was the final issuance of the 22wk and 15wk CMB's (in this cycle). But it also appears that the US Treasury has also ceased issuance of the 17wk CMB this week.

Treasury anticipates that weekly issuance of the 15- and 22-week CMBs will cease after settlement on February 16, whereas weekly issuance of the 6- and 17-week CMBs will continue at least through the end of April. When this modification occurs, the 6-week CMB will remain as part of the Thursday settlement and maturity cycle, whereas the 17-week CMB will transition to the Tuesday settlement and maturity cycle. The remaining CMBs will continue to be

announced as part of the regular Tuesday and Thursday bill announcement cycle.

From the quarterly refunding announcement in Feb 2021: The estimated net cash to be raised this quarter (Q1) will decrease to \$274bn (from the original \$1.127tr estimate). Net new money raised from the issuance of Notes, Bonds, TIPS, and FRN's is estimated to be \$695bn. Net Bills to be issued this quarter is estimated to be -\$421bn.

The substantial increases in nominal coupon and FRN issuance sizes over recent quarters will allow Treasury to gradually reduce bills as a percent of Treasury debt outstanding in a manner consistent with recommendations made by the Treasury Borrowing Advisory Committee at the November 2020 meeting.

<https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/most-recent-quarterly-refunding-documents>

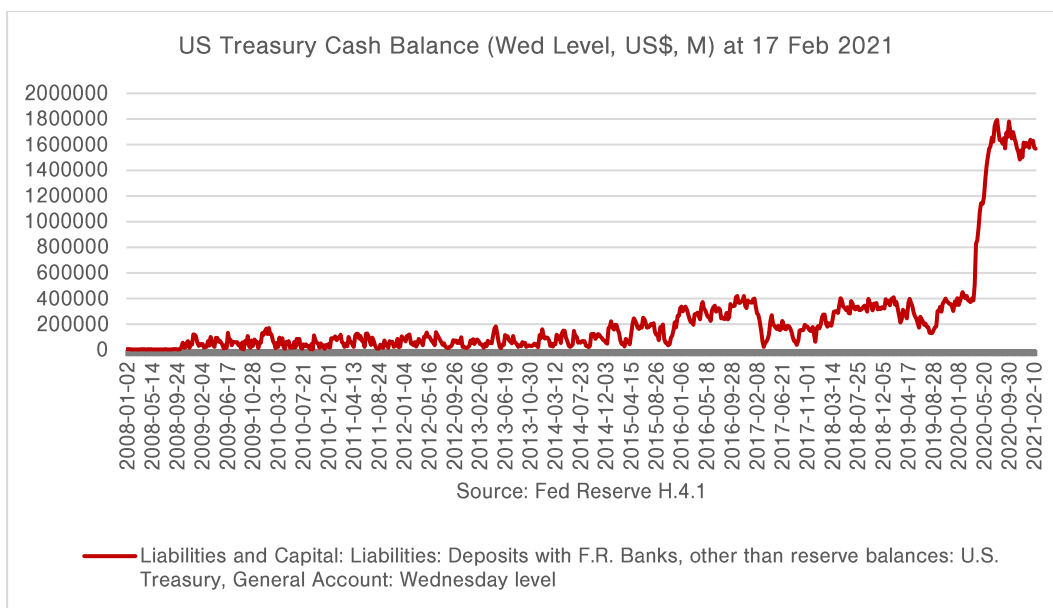
The US Treasury cash balance (TGA) has been updated for the latest week (Wed 17 Feb 2021 level). The level of the TGA had decreased last week by \$8bn to \$1.56tr (Wed 17 Feb level).

The latest guidance from the Treasury on the TGA cash balance is still somewhat cautious. The end of quarter one (1) cash balance is expected to fall to \$800bn (from the current \$1.57tr level).

https://home.treasury.gov/system/files/136/Sources_and_Uses_January_2021_Final.pdf

Consistent with its guidance in the November 2020 refunding statement, Treasury continues to take a precautionary, risk-management driven approach by maintaining large cash balances in light of the unprecedented size and ongoing uncertainty regarding COVID-19 related outlays. Treasury also seeks to change auction sizes gradually to minimize any potential market disruption. While Treasury expects its cash balance to decline over the upcoming quarter, the path and extent of the decline will depend on several uncertain factors, including the pace of outflows under current law and the potential for additional legislation.

<https://home.treasury.gov/news/press-releases/jy0016>



<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 PROGRAMS

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 22 Feb	1.750	7.606
Tue 23 Feb	2.425	5.296
Wed 24 Feb	3.625	7.606
Thur 25 Feb	1.750	6.644
Fri 26 Feb	12.825	5.302

Total Announced Purchases

\$22.37bn (last week \$17.8bn)

\$32.45bn (last week \$24.1bn)

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

<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 22 FEBRUARY 2021

MONDAY 22 FEBRUARY (US Eastern Time)

US	Chicago Fed National Activity Index (Jan), Dallas Fed Manufacturing Index (Feb)
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TUESDAY 23 FEBRUARY

US	Case/Shiller House Price Index (Dec), Richmond Fed Manufacturing Index (Feb) US Fed Chair Powell – Semi-annual testimony US Senate
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Europe	Eurozone CPI (Jan)
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WEDNESDAY 24 FEBRUARY

US	Mortgage Applications wk ending 19 Feb, New Home Sales (Jan) US Fed Chair Powell – Semi-annual testimony US House of Representatives US Fed Governor Brainard speech – The Fed's Maximum Employment Mandate US Fed Vice Chair Clarida speeches – US Economic Outlook
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Australia	Wage Price Index (Q4)
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THURSDAY 25 FEBRUARY

US	Initial Jobless Claims (wk ending 19 Feb), Continuing Unemployment Claims (wk ending 12 Feb), and PUA Claims, Durable Goods Orders (Jan), GDP Second Est Q4, Kansas City Fed Manufacturing Index (Feb) US Fed Vice Chair Quarles – Stress Tests
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Japan	Retail Trade (Jan), Industrial Production (prelim - Jan)
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Australia	Private Capex Q4
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FRIDAY 26 FEBRUARY

US	Personal Income, Consumption, and PCE Price Index (Jan), Chicago PMI (Feb), University of Michigan Consumer Sentiment Final (Feb)
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Australia	Private Sector Credit (Jan)
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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 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>