

## Key themes for the week ahead

A much quieter week on the data front.

The main US data releases this week will be the University of Michigan consumer sentiment data for early Feb and CPI for Jan. We continue to follow the initial jobless claims as one of the higher frequency indicators of employment improvement. Last week, initial claims for State and Federal programs were again somewhat lower at +1.16m claims by people (the prior week was 1.24m new claims). Total ongoing claims have also started to trend lower. Ongoing claims totaled 17.8m people (wk ending 16 Jan).

US Fed Chair Powell will give a speech this Wed on the “State of the US Labor Market” at the Economic Club of NY.

Germany industrial production for Dec will be released this week and will be an important barometer, as Germany has been the key market lifting broader Eurozone manufacturing activity. Rising infections and tightening restrictions have been impacting the German economy. Last week, German retail sales and new factory orders disappointed in Dec.

In Australia, business and consumer sentiment surveys will be released this week for Jan and early Feb. These are the high-frequency indicators of activity and sentiment. While the pandemic remains under control and activity continues to rebound, pockets of weakness remain. It will be important to see how sentiment is trending among states and key industries.

The calendar of US Fed purchases of Treasuries and MBS is incomplete for this week, and the new schedule will be released on 11 Feb. For the week up to, and including the 11 Feb, the Fed plans to purchase \$16.63bn in US Treasury securities (last week \$23.6bn). The Fed will continue to purchase MBS at an elevated pace, this week buying \$27.2bn in MBS (\$32.4bn 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. The US Treasury will settle approx. \$285bn in ST Bills this week, with no change in new money.

This week, approx. \$18bn in Bills will mature on the Fed balance sheet and will be rolled over.

This week, the US Treasury will also auction \$126bn in Notes and Bonds – which will settle next week.

The US Treasury released the Q1 refunding documents last week. The estimated net cash to be raised this quarter was revised to \$274bn (down from the original \$1.127tr estimate). The US Treasury cash balance is expected to be \$800bn at the end of Q1 (currently \$1.6tr). Changes to the issuance of CMB's will commence after next week.

## US Treasury Issuance & QE

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WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	
8-12 Feb 2021	04-Feb	09-Feb	4 week bill	30			Completed
	04-Feb	09-Feb	8 week bill	35			
				65	120	-55	
	03-Feb	09-Feb	154-Day CMB (22 wk)	30			Completed
	03-Feb	09-Feb	105-day CMB (15 wk)	25			Completed
	09-Feb	11-Feb	119-Day CMB (17 wk)	30			Announced
	09-Feb	11-Feb	42-Day CMB (6 wk)	30			Announced
				115	0	115	
	08-Feb	11-Feb	13 week bill	54			Announced
	08-Feb	11-Feb	26 week bill	51			Announced
				105	165	-60	
			<b>Total - securities settling this week</b>	285	285	0	
			<b>Net New Cash Raised Qtr to Date</b>	<b>2114</b>	<b>1939</b>	<b>176</b>	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			<b>274</b>	
			<b>Fed SOMA - Face Value of SOMA securities maturing</b>	<b>\$B</b>			
		09-Feb	Bills	6.3			
		11-Feb	Bills	11.8			
				18.1			

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

The US Treasury released the Q1 refunding documents last week as expected. The estimated net cash to be raised this quarter 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.

The issuance of CMB's is expected to be modified – with the issuance of 15wk and 22wk CMB's to cease after next 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.

To help partly offset the pace of decline in the supply of 15wk and 22wk CMB's, the US Treasury will increase the auction size of other Bill offerings:

Treasury may also increase the auction size of one or more of its remaining bill offerings to moderate the pace of decline in the aggregate supply of bills outstanding in anticipation of the existing 15- and 22-week CMBs maturing without reissuance.

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

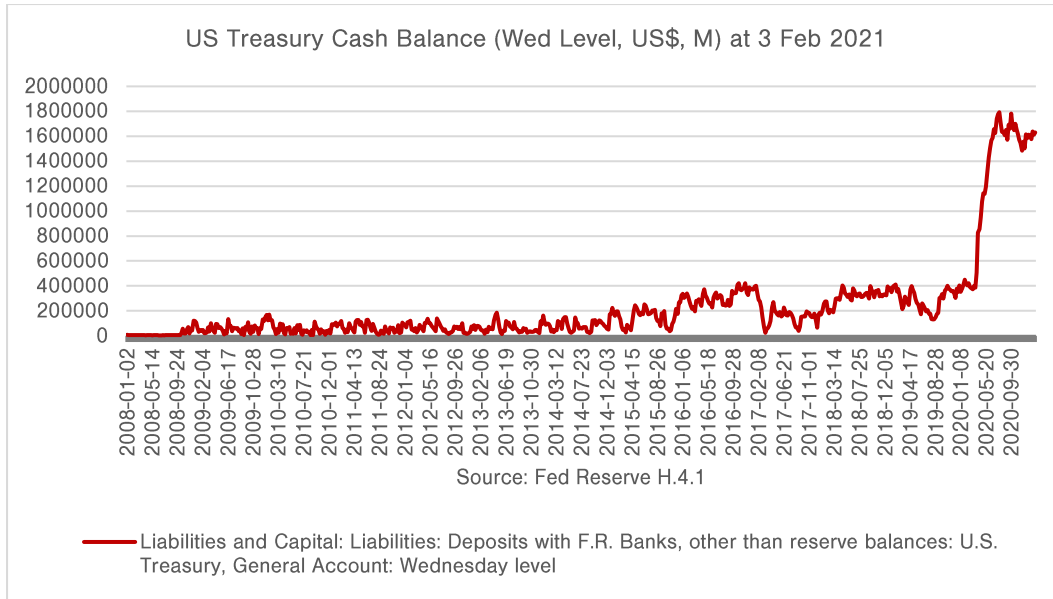
The US Treasury cash balance (TGA) has been updated for the latest week (Wed 3 Feb 2021 level). The level of the TGA had increased by \$16bn last week to \$1.629tr (Wed 3 Feb level).

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 \$1.6tr level).

[https://home.treasury.gov/system/files/136/Sources\\_and\\_Uses\\_January\\_2021\\_Final.pdf](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=spreadsheetml&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021>

## QE PROGRAMS

The next schedule will be issued on 11 Feb 2021 this week – which means the table below is incomplete.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 8 Feb	3.625	7.175
Tue 9 Feb	2.425	5.582
Wed 10 Feb	1.750	8.894
Thur 11 Feb	8.825	5.582
Fri 12 Feb	TBC	TBC
<b>Total Announced Purchases</b>	<b>\$16.63bn (last week \$23.6bn)</b>	<b>\$27.2bn (last week \$32.4bn)</b>

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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

## **REPO OPERATIONS**

Current schedule

<b>Date</b>	<b>Maturity Date</b>	<b>Term</b>	<b>Aggregate Operation Limit</b>
Daily operations (pm)	Next day	O/N	\$500bn
9 Feb	9 Mar 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 8 FEBRUARY 2021

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## MONDAY 8 FEBRUARY (US Eastern Time)

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Europe	Germany Industrial Production (Dec)
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## TUESDAY 9 FEBRUARY

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US	JOLTS (Dec)
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Australia	NAB Business Conditions and Confidence (Jan), Westpac Consumer Confidence (Feb)
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## WEDNESDAY 10 FEBRUARY

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	Mortgage Applications wk ending 5 Feb, CPI (Jan)
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US	US Fed Chair Powell - Speech: State of the US Labour Market (Economic Club of New York)
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China	CPI and PPI (Jan)
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## THURSDAY 11 FEBRUARY

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US	Initial Jobless Claims (wk ending 6 Feb), Continuing Unemployment Claims (wk ending 29 Jan), and PUA Claims,
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## FRIDAY 12 FEBRUARY

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US	University of Michigan Consumer Sentiment Prelim (Feb)
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UK	GDP Q4 2020 Prelim
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Europe	Eurozone Industrial Production (Dec)
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## Trade & Brexit

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### 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>