MARS CAPITAL PARTNERS | Weekly Macro Outlook

w/c 1 March 2021

Key themes for the week ahead

The focus this week will be on US non-farm payrolls, final global PMI's for Feb, the RBA rates decision, and several speeches by US Fed Chair Powell and US Fed Governor Brainard.

The main data releases in the US include non-farm payrolls and the ISM reports on manufacturing and services for Feb.

Notable US Fed speeches this week include speeches by US Fed Chair Powell and US Fed Governor Brainard.

The RBA will meet this week. With the recent move in rates, the RBA has increased 3-year bond purchases already this week and we expect more commentary on QE and YCC in the decision. Other key releases in Australia this week include housing finance for Jan, Q4 GDP, and retail sales for Jan.

The US Fed plans to purchase $20.77bn in US Treasury securities (last week $22.4bn). The Fed will also purchase $31.66bn 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 heavier this week. While there will be a paydown in Bills, the US Treasury will settle approx. $440bn in Bills, Notes, and Bonds raising approx. $84bn in new money.

This week, approx. $19.3bn in Bills will mature on the Fed balance sheet and will be rolled over.

US Treasury Issuance & QE

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WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount $B (TBAC)	Amount Maturing $B	New Money $B	
1-5 Mar	25-Feb	02-Mar	4 week bill	30			Completed
	25-Feb	02-Mar	8 week bill	35			Completed
	24-Feb	02-Mar	119-Day CMB	30			Completed
				95	120	-25	
	01-Mar	04-Mar	13 week bill	54			Announced
	01-Mar	04-Mar	26 week bill	51			Announced
	02-Mar	04-Mar	42-Day CMB	30			Announced
				135	165	-30	
	23-Feb	01-Mar	2yr Note	60			Announced
	24-Feb	01-Mar	5yr Note	61			Announced
	25-Feb	01-Mar	7yr Note	62			Announced
	17-Feb	01-Mar	20yr Bond	27			Announced
				210	70.9	139.1	
			Total - securities settling this week	440	355.9	84.1	
			Net New Cash Raised Qtr to Date	***3234***	***2972***	***262***	
			Estimated Net Cash to be Raised Q1 ($ Bn)			***274***	
			Fed SOMA - Face Value of SOMA securities maturing	**$B**			
		02-Mar-21	Bills	5.200			
		04-Mar	Bills	14.100			
				19.300			

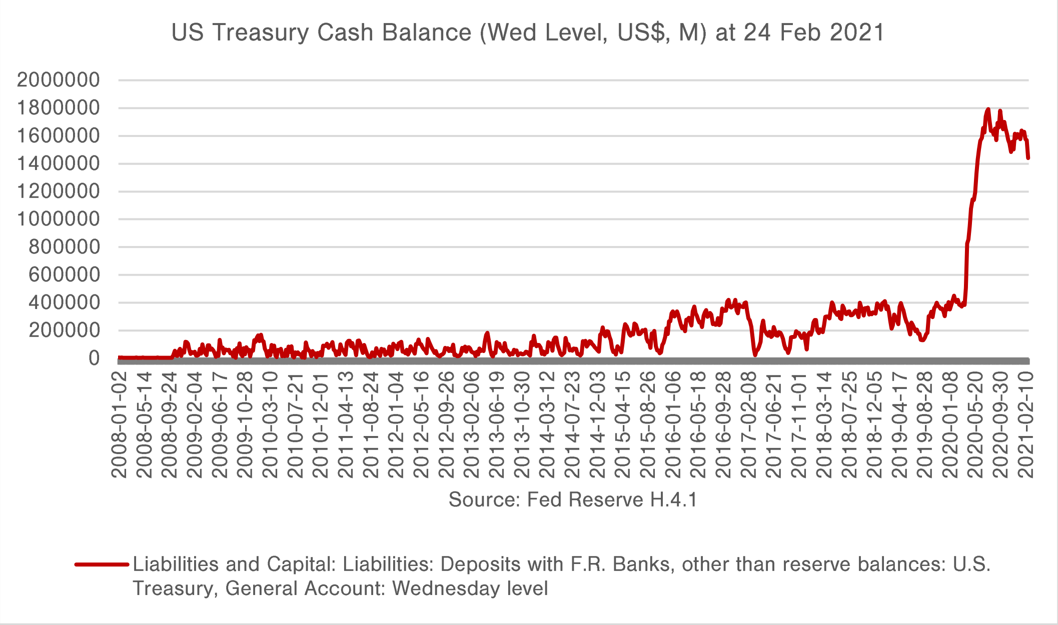
https://www.treasurydirect.gov/instit/annceresult/press/press.htm

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 24 Feb 2021 level). The level of the TGA had decreased last week more substantially by $129bn to $1.44tr (Wed 24 Feb level). This is the first substantial decline in the cash balance for the quarter. The estimated cash balance at the end of Q1 is forecast to be $800bn.



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

Date	Treasury Security Operations ($ BN)	MBS Operations, Max Value ($ BN)
Mon 1 Mar	2.425	7.679
Tue 2 Mar	1.750	4.936
Wed 3 Mar	6.025	7.679
Thur 4 Mar	1.750	6.435
Fri 5 Mar	8.825	4.936
Total Announced Purchases	$20.77bn (last week $22.4bn)	$31.66bn (last week $32.4bn)

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/ambs_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 1 MARCH 2021

MONDAY 1 MARCH (US Eastern Time)	
US	Markit Manufacturing PMI Final (Feb), ISM Manufacturing PMI (Feb) US Fed Governor Brainard speech – Financial Stability
Europe	Eurozone Markit Manufacturing PMI Final (Feb)
China	NBS Manufacturing and Non-Manufacturing PMI (Feb)
Japan	Markit Manufacturing PMI Final (Feb)
Australia	Manufacturing PMI Final (Feb), Housing Finance (Jan)

TUESDAY 2 MARCH	
US	Vehicle Sales (Feb) US Fed Governor Brainard speech – Economic Outlook and Mon Pol (at the CFR)
Europe	Eurozone CPI Prelim (Feb)
Australia	Services PMI Final (Feb) RBA Rates Decision

WEDNESDAY 3 MARCH	
US	Mortgage Applications wk ending 26 Feb, ADP Employment Change (Feb), Markit Services PMI Final (Feb), ISM Services PMI (Feb)
Europe	Eurozone Services PMI Final (Feb)
Japan	Markit Services PMI Final (Feb)
Australia	GDP Q4

THURSDAY 4 MARCH	
US	Initial Jobless Claims (wk ending 26 Feb), Continuing Unemployment Claims (wk ending 19 Feb), and PUA Claims, Challenger Job Cuts (Feb), Factory Orders (Jan) US Fed Chair Powell speech – US economy (WSJ Jobs Summit)
Europe	Eurozone Retail Sales (Jan)
Australia	Retail Sales (Jan)

FRIDAY 5 MARCH	
US	Non-Farm Payrolls & Labour Market Report (Feb), Consumer Credit Change (Jan)