

Key themes for the week ahead

The focus this week will be on the ECB interest rate decision, key data releases, and approval of the US stimulus and relief bill.

Base effects will start to become an important theme – especially for CPI. Data releases are starting to cycle over some of the periods of severe contraction in activity from a year ago (i.e., Chinese trade data for Feb). This will distort year-on-year % comparisons.

The latest US stimulus and relief bill (\$1.9tr) was approved by Senate Democrats over the weekend. Spending and benefit extensions are likely to be enacted before 14 Mar benefits expire.

It will be a quiet week for the US Federal Reserve ahead of next week's FOMC meeting. This week, the focus will be on the ECB rates decision.

Key data highlights in the US this week include the University of Michigan prelim consumer sentiment for Mar and the CPI and PPI for Feb.

Other highlights include Chinese trade data, Eurozone Q4 GDP, and Japanese Q4 GDP.

The new schedule for QE purchases will be released later this week – so data is incomplete for the week at this stage. The US Fed will purchase at least \$6.6bn in US Treasury securities (last week \$20.8bn). The Fed will also purchase at least \$24bn in MBS (\$31.7bn last week).

US Treasury issuance will be lighter this week. The US Treasury will settle approx. \$320bn in ST Bills with a paydown (Bills) of approx. \$55bn.

There will be a focus on US Treasury auctions of the 3yr and 10yr Note and the 30yr Bond this week. All will settle next week, raising approx. \$99bn in new money.

This week, approx. \$16.3bn 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	
8-12 Mar	04-Mar	09-Mar	4 week bill	30			Completed
	04-Mar	09-Mar	8 week bill	35			Completed
	03-Mar	09-Mar	119-Day CMB	30			Completed
				95	120	-25	
	08-Mar	11-Mar	13 week bill	54			Announced
	08-Mar	11-Mar	26 week bill	51			Announced
	09-Mar	11-Mar	42-Day CMB	30			Announced
				135	165	-30	
			Total - securities settling this week	230	285	-55	
			Net New Cash Raised Qtr to Date	3464	3257	207	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			274	
			Fed SOMA - Face Value of SOMA securities maturing	\$B			
		09-Mar	Bills	6.300			
		11-Mar	Bills	10.000			
				16.300			

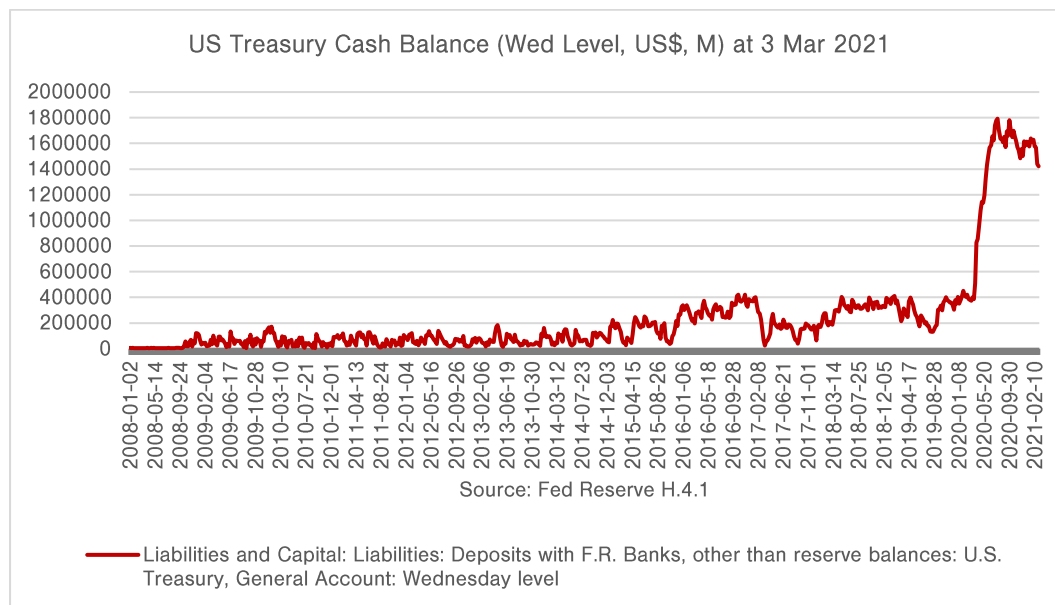
<https://www.treasurydirect.gov/instit/annceresult/press/press.htm>

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 3 Mar 2021 level). The level of the TGA had decreased by a further \$19bn last week to \$1.42tr (Wed 3 Mar level). 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=sheetml&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021>

QE PROGRAMS

The new purchase schedule will be issued on 11 Mar – the table below is incomplete.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 8 Mar	1.225	7.679
Tue 9 Mar	3.625	4.978
Wed 10 Mar	1.750	6.397
Thur 11 Mar	TBC	4.975
Fri 12 Mar	TBC	TBC
Total Announced Purchases	\$6.6bn (last week \$20.8bn)	\$24bn (last week \$31.7bn)

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 8 MARCH 2021

MONDAY 8 MARCH (US Eastern Time)

Europe	Germany Industrial Production (Jan)
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China	Balance of Trade, Exports, and Imports (Feb)
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Japan	GDP Q4 2020
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TUESDAY 9 MARCH

Europe	GDP Q4 2020
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Australia	NAB Business Conditions and Confidence (Feb), Westpac Consumer Confidence (Mar), RBA Governor Lowe speech
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WEDNESDAY 10 MARCH

US	Mortgage Applications wk ending 5 Mar, CPI (Feb)
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China	CPI, PPI, and New Loans (Feb)
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THURSDAY 11 MARCH

US	Initial Jobless Claims (wk ending 5 Mar), Continuing Unemployment Claims (wk ending 26 Feb), and PUA Claims, JOLTS (Jan)
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Europe	ECB Rates Decision
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FRIDAY 12 MARCH

US	PPI (Feb), University of Michigan Consumer Sentiment Prelim (Mar)
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Europe	Industrial Production (Jan)
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