

Key themes for the week ahead

This week is about central banks and more specifically, the FOMC meeting on Wednesday. We are looking for the Fed response to the rise in yields.

The run-up in yields over the last few weeks has been met with varying responses. The RBA moved deftly to get the 3yr yield back down and made clear forward guidance. In the US, on the back of further significant relief spending, solid data, and vaccination roll-out, US yields have been rising. There has been little push-back by Fed officials regarding the increase over recent weeks.

While low short-term rates have been targeted by central banks, the focus may arguably shift to the rise in the 10yr yield - a rise in which places pressure on the pace of the recovery.

The FOMC will also need to address the looming deadline to reinstate or extend the exemption of, the Supplementary Leverage Ratio (SLR) for banks by 31 Mar.

Other central bank meetings this week include the BoJ and the BoE. The latest RBA meeting minutes will be released this week. There will also be several EM central bank meetings this week (Turkey, Brazil, Russia, Indonesia) – and rising US yields place pressure on these economies.

Other important data releases this week include US retail sales for Feb, US industrial production for Feb, and the Australian labour market survey for Feb.

The US Fed will purchase at least \$11.9bn in US Treasury securities (last week \$19.4bn). The Fed will also purchase at least \$27.2bn in MBS (\$28.8bn last week).

US Treasury issuance will be heavier this week. The US Treasury will settle approx. \$361bn in ST Bills, Notes, and Bonds this week, raising approx. \$55bn in new money.

The US Treasury will auction the 10yr TIPS and 20yr Bond this week (\$37bn) which will settle on 31 Mar.

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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	
15-19 Mar	11-Mar	16-Mar	4 week bill	30			Completed
	11-Mar	16-Mar	8 week bill	35			Completed
	10-Mar	16-Mar	119-Day CMB	30			Completed
				95	120	-25	
	15-Mar	18-Mar	13 week bill	57			Announced
	15-Mar	18-Mar	26 week bill	54			Announced
	16-Mar	18-Mar	42-Day CMB	35			Announced
				146	165	-19	
	09-Mar	15-Mar	3yr Note	58			Completed
	10-Mar	15-Mar	10yr Note	38			Completed
	11-Mar	15-Mar	30yr Bond	24			Completed
				120	20.56	99.44	
			Total - securities settling this week	361	305.56	55.44	
			Net New Cash Raised Qtr to Date	3825	3563	262	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			274	
			Fed SOMA - Face Value of SOMA securities maturing	\$B			
		15-Mar	Notes & Bonds	7.43			
		16-Mar	Bills	6.15			
		18-Mar	Bills	9.6			
				23.2			

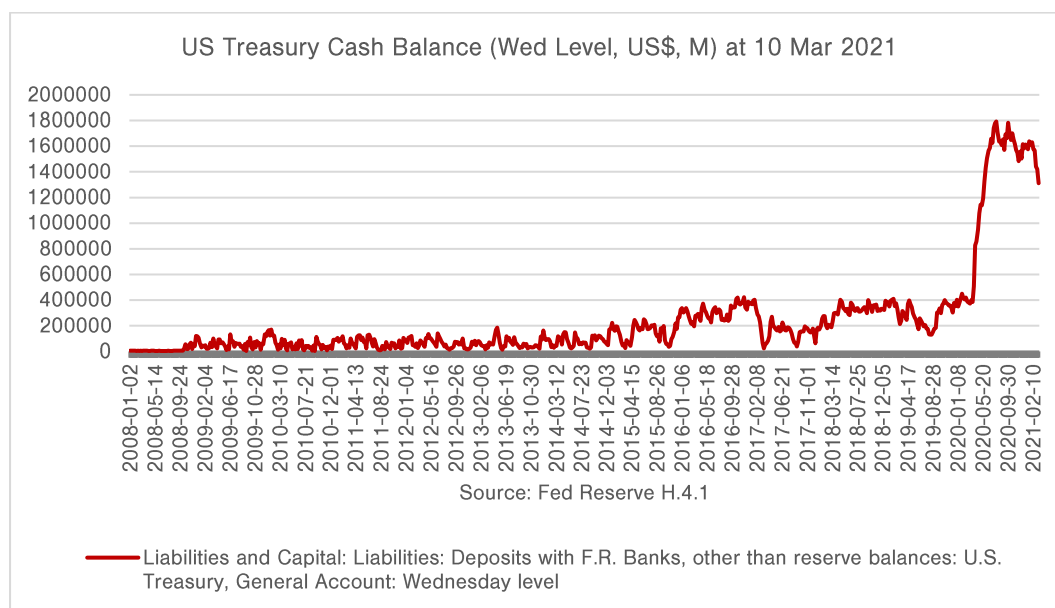
<https://www.treasurydirect.gov/instit/annceresult/press/press.htm>

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 10 Mar 2021 level). The level of the TGA had decreased by a further notable \$110bn last week to \$1.31tr (Wed 10 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

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 15 Mar	1.750	6.278
Tue 16 Mar	6.025	4.201
Wed 17 Mar	-	4.798
Thur 18 Mar	1.750	7.104
Fri 19 Mar	2.425	4.798

Total Announced Purchases

\$11.9bn (last week \$19.425bn)

\$27.2bn (last week \$28.8bn)

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 15 MARCH 2021

MONDAY 15 MARCH (US Eastern Time)

Australia RBA Governor Lowe speech

China Industrial Production, Retail Sales, and Fixed Asset Investment (Jan/Feb)

US NY Empire State Manufacturing Index (Mar)

TUESDAY 16 MARCH

Australia RBA Minutes, House Price Index Q4

Japan Industrial Production (Jan), Merchandise Trade Balance (Feb)

US Retail Sales (Feb), Industrial Production (Feb), NAHB Housing Market Index (Mar)

WEDNESDAY 17 MARCH

US Mortgage Applications wk ending 12 Mar, Building Permits and Housing Starts (Feb), FOMC Rates and Policy Decision & Press Conference

Europe Eurozone CPI (Feb)

THURSDAY 18 MARCH

US Initial Jobless Claims (wk ending 12 Mar), Continuing Unemployment Claims (wk ending 5 Mar), and PUA Claims, Philadelphia Fed Manufacturing Survey (Mar)

UK BoE Rates and Policy Decision

Japan National CPI (Feb)

Australia Labour Market Survey (Feb)

FRIDAY 19 MARCH

Japan BoJ Rates and Policy Decision

Australia Retail Sales Prelim (Feb)
