

Key themes for the week ahead

The focus this week is on US economic data, Fed speeches including US Fed Chair Powell testimony, and US Treasury auctions.

This will be an extremely busy week of Fed speeches with speeches scheduled for most days. US Fed Chair Powell will also provide testimony to the US Senate and House of Representatives on the CARES Act. The FOMC decision was clear last week that the Fed does not see an issue with the current rise in longer-term rates as long as market conditions remain orderly and there is no 'persistent' tightening of financial conditions. Speeches will be monitored closely but will no doubt align with the decision last week. The focus will be on the results of the 2yr, 5yr, and 7yr Treasury auctions this week – these have been particularly impacted in the recent sell-off.

The key data releases this week include the first view of manufacturing and services growth across the major economies for Mar with the prelim Markit PMI's.

US data: the Feb personal consumption, income, and the PCE price index for Feb, University of Michigan consumer sentiment (final) for Mar, initial claims, durable goods orders for Feb, regional manufacturing surveys for Mar, and existing and new home sales.

The US Fed will purchase \$24.25bn in US Treasury securities (last week \$11.9bn). The Fed will also purchase at least \$20.9bn in MBS (\$27.2bn last week) – with the new MBS schedule to be released on Thur this week.

US Treasury issuance will remain heavier this week. The US Treasury will settle approx. \$326bn in ST Bills and 2yr FRN this week, with a -\$5bn paydown.

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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	
22-26 Mar	18-Mar	23-Mar	4 week bill	40			Completed
	18-Mar	23-Mar	8 week bill	40			Completed
	17-Mar	23-Mar	119-Day CMB	35			Completed
				115	120	-5	
	22-Mar	25-Mar	13 week bill	57			Announced
	22-Mar	25-Mar	26 week bill	54			Announced
	23-Mar	25-Mar	52 week bill	34			Announced
	23-Mar	25-Mar	42-Day CMB	40			Announced
				185	210.98	-25.98	
	24-Mar	26-Mar	2yr FRN	26			Announced
				26	0	26	
			Total - securities settling this week	326	330.98	-4.98	
			Net New Cash Raised Qtr to Date	4151	3894	257	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			274	
			Fed SOMA - Face Value of SOMA securities maturing	\$B			
		23-Mar-21	Bills	6.359			
		25-Mar-21	Bills	5.157			
				11.516			

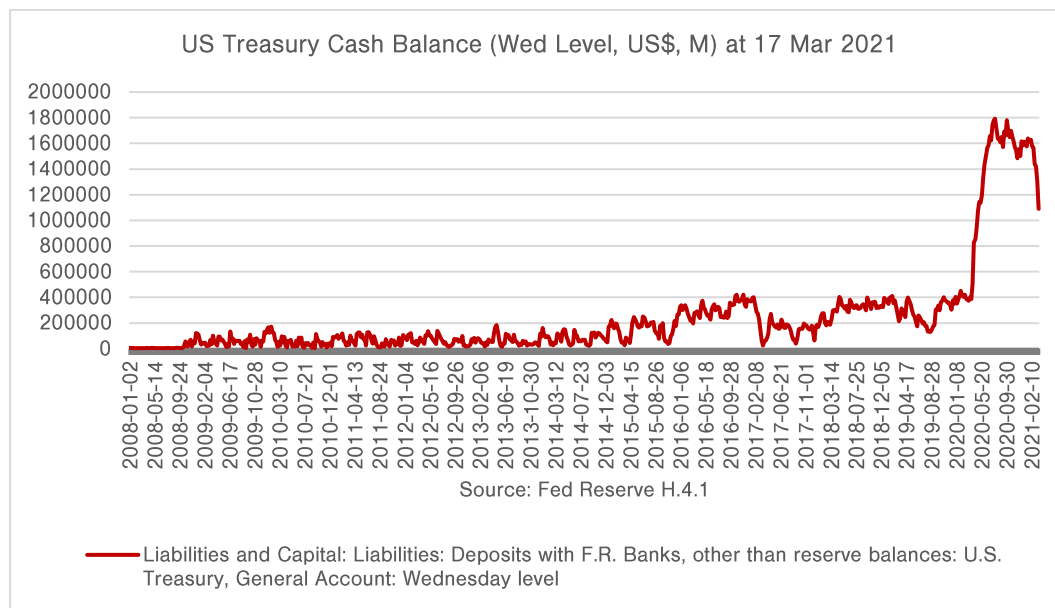
<https://www.treasurydirect.gov/instit/annceresult/press/press.htm>

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 17 Mar 2021 level). The level of the TGA had decreased by a further \$220bn last week to \$1.09tr (Wed 17 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 schedule for the purchase of MBS will be released on 25 Mar – the MBS schedule below is incomplete for this week.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 22 Mar	3.625	4.201
Tue 23 Mar	1.225	4.798
Wed 24 Mar	8.825	7.107
Thur 25 Mar	1.750	4.792
Fri 26 Mar	8.825	TBC

Total Announced Purchases

\$24.25bn (last week \$11.9bn)

\$20.90bn (last week \$27.2bn)

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 MARCH 2021

MONDAY 22 MARCH (US Eastern Time)

US	Chicago Fed National Activity Index (Feb), Existing Home Sales (Feb), US Fed speeches: Chairman Powell (BIS innovation summit) and Fed Governors Daly, Quarles (SOFR Symposium), and Bowman
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TUESDAY 23 MARCH

US	Richmond Fed Manufacturing Survey (Mar), New Home Sales (Feb) US Fed Chair Powell – Testimony CARES Act. Speeches: Fed Governors Brainard (Climate Change, Economic Outlook) and Williams
Australia	Markit Composite PMI Prelim (Mar)

WEDNESDAY 24 MARCH

US	Mortgage Applications wk ending 19 Mar, Durable Goods Orders (Feb), Markit Composite PMI Prelim (Mar) US Fed Chair Powell – Testimony CARES Act
Europe	Markit Composite PMI Prelim (Mar)
Japan	Markit Composite PMI Prelim (Mar)

THURSDAY 25 MARCH

US	Initial Jobless Claims (wk ending 19 Mar), Continuing Unemployment Claims (wk ending 12 Mar), and PUA Claims, GDP Q4 Third Est, Kansas City Fed Manufacturing Survey (Mar) US Fed speeches: Clarida (Econ Outlook & Mon Pol) and Williams
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FRIDAY 26 MARCH

US	Personal Income, Consumption and Price Index (Feb), University of Michigan Consumer Sentiment Final (Mar)
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