Weekly Macro Outlook

w/c 3 May 2021

Key themes for the week ahead

Data this week should continue to demonstrate a stronger pace of recovery in the US – due in part to the substantial stimulus support and the vaccine rollout. The key data highlights are US Non-Farm Payrolls and the US ISM PMI's. Global Markit PMI's will also be in focus – especially as other major economies progress on vaccine rollouts. There are also several central bank decisions (RBA and BoE) this week.

Last week, the FOMC kept policy settings unchanged, continuing to signal no change in policy until substantial further progress is made on the recovery. The US labour market is the core focus of the FOMC. Non-Farm Payrolls will be released this week for Apr and the expectations are for another significant increase of 986k payrolls (+916k in Mar). A reduction in the unemployment rate is also expected in the household survey. One other important indicator will be the participation rate. Participation has only partially recovered. Given stimulus and progress on vaccinations, increases in participation will be a positive indicator of a reduction in labour market slack (especially if the unemployment rate also decreases).

The US ISM surveys will be released this week, along with the global Markit PMI's. More attention will focus on the performance of the services sector (re-opening progress), and prices paid versus the prices received indexes within the surveys.

Other data out for the US: the ADP employment report is released on Wed ahead of the Fri Non-Farm Payrolls, Factory Orders, Consumer Credit, and Motor Vehicle Sales (Apr).

There will also be a speech by US Fed Chair Powell on Monday.

There will be several central bank decisions this week – the RBA and the BoE.

In Australia, housing finance, building approvals, and the RBA Quarterly Policy Statement will be released this week. The Aus Federal Budget will be released next Tue 11 May and further policy details will be released in the lead up to the budget night. The budget is expected to reverse the pre-pandemic stance on "budget repair" and austerity.

QE purchases this week: The US Federal Reserve will purchase approx. $17.8bn in US Treasury securities this week (last week approx. $18.2bn). The US Fed will also purchase approx. $31.5bn in MBS this week (last week $29.6bn).

US Treasury issuance will be lighter this week. The US Treasury will settle approx. $266bn in ST Bills this week, with a $39bn paydown.

This week, approx. $22bn in ST Bills mature on the Fed balance sheet and will be rolled over.

The latest Q2 and Q3 US Treasury financing requirements will be announced this week on 5 May.

US Treasury Issuance & QE

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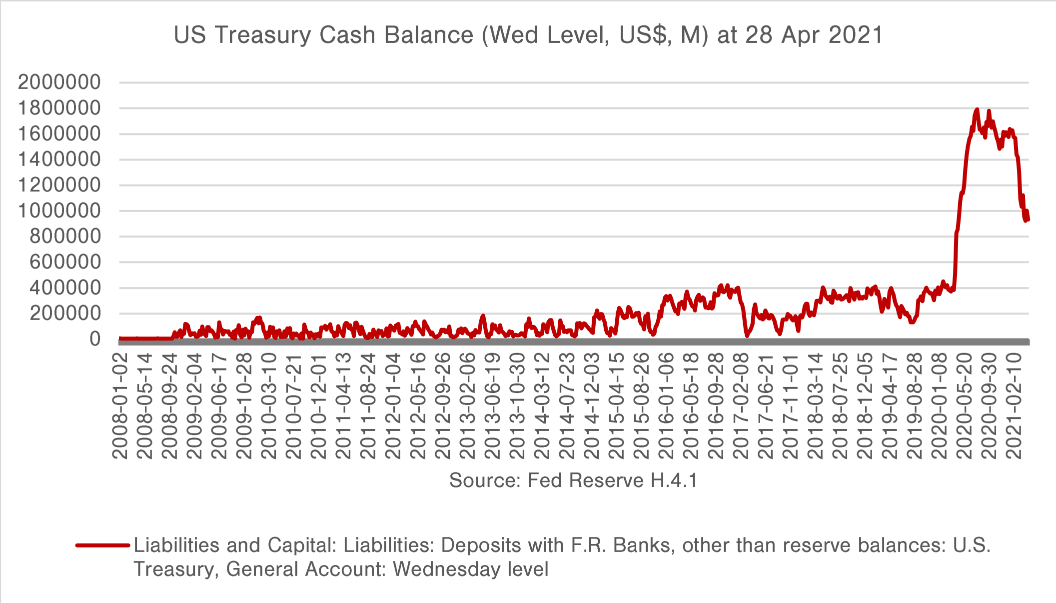
WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount $B (TBAC)	Amount Maturing $B	New Money $B		Prior Auction High Rate %
3-7 May	29-Apr	04-May	4 week bill	40			Actual 0.000%	0.005%
	29-Apr	04-May	8 week bill	40			Actual 0.010%	0.015%
	28-Apr	04-May	119-Day CMB	35			Actual 0.025%	0.025%
				115	130	-15		
	03-May	06-May	13 week bill	57			Announced	0.020%
	03-May	06-May	26 week bill	54			Announced	0.035%
	04-May	06-May	42-Day CMB	40			Announced	0.010%
				151	175	-24		
			Total - securities settling this week	266	305	-39		
			Net New Cash Raised Qtr to Date	***1737***	***1702***	***35***		
			Estimated Net Cash to be Raised Q2 ($ Bn)			*95*		
			Fed SOMA - Face Value of SOMA securities maturing	**$B**				
		04-May	Bills	6.500				
		06-May	Bills	15.300				
				21.800				

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

This week on 5 May, the US Treasury is expected to release the latest recommended financing for Q2 and Q3 2021.

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 28 Apr 2021 level).



The TGA balance is back below $1tr this week.

The level of the TGA decreased by $71bn last week to $932bn (Wed 28 Apr level).

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 3 May	8.825	5.482
Tue 4 May	1.750	8.208
Wed 5 May	6.025	5.482
Thur 6 May	1.225	6.806
Fri 7 May	-	5.482
Total Announced Purchases	$17.8bn (last week $18.2bn)	$31.5bn (last week $29.6bn)

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 3 MAY 2021

MONDAY 3 MAY (US Eastern Time)	
US	ISM Manufacturing PMI (Apr), Markit Manufacturing PMI (Apr), Vehicle Sales (Apr) US Fed Chair Powell Speech – Community Development, NY Fed President Williams Speech
Europe	Markit Manufacturing PMI (Apr)
Australia	Markit Manufacturing PMI (Apr)

TUESDAY 4 MAY	
US	Factory Orders (Mar), US Trade Balance (Mar), ISM NY Business Conditions (Apr)
Australia	Housing Finance (Mar), Markit Services PMI (Apr), Building Approvals (Mar) RBA Rates Decision

WEDNESDAY 5 MAY	
US	Mortgage Applications wk ending 30 Apr, ADP Non-Farm Employment (Apr), ISM Services PMI (Apr), Markit Services PMI (Apr)
Japan	Markit Manufacturing PMI (Apr), BoJ Meeting Minutes
Europe	Markit Services PMI (Apr)

THURSDAY 6 MAY	
US	Initial Jobless Claims (wk ending 30 Apr), Continuing Unemployment Claims (wk ending 23 Apr), and PUA Claims, Challenger Job Cuts (Apr),
Europe	Germany Factory Orders (Mar), Eurozone Retail Sales (Mar)
UK	BoE Rates Decision
Japan	Markit Services PMI (Apr)
China	Trade Balances, Exports, and Imports (Apr)
Australia	RBA Quarterly Policy Statement

FRIDAY 7 MAY	
US	US Non-Farm Payrolls (Apr), Household Employment Survey (Apr), US Consumer Credit (Mar)
Europe	Germany Industrial Production (Mar)