

Key themes for the week ahead

The focus this week will be on US inflation, consumer spending, and industrial output. US Fed Governors will also be active with several speeches throughout the week.

Last week, the key US payrolls report disappointed. While non-farm payroll growth was substantially lower than expected, the household survey did include a lift in the participation rate for Apr. This was positive, highlighting workers returning to the labour market. The US manufacturing and services ISM's indicated that growth remained strong in Apr. The prices indexes across both reports revealed that firms continued to experience rising input prices. The growing proportion of firms experiencing higher input prices suggests that rising prices have been persistent month to month (rather than just as a 'one-off').

This week, the focus will be on the US CPI and PPI reports for Apr. There will be a base effect in the headline numbers. Annual CPI growth is expected to be +3.6% (versus +2.6% in Mar). The annual PPI growth is expected to be +5.9% (compared to +4.2% in Mar). Other countries to report CPI this week include Germany and China.

US retail sales will also be released this week. The expectations are for +0.2% growth in Apr (after a +9.7% growth in Mar). It is possible that spending remained higher in Apr – last week motor vehicle sales for Apr hit 19m (SAAR). This was the highest level of sales since before the GFC.

US industrial production will also be released this week – which includes industrial capacity utilization estimates. Production is expected to have expanded by +1.1% in Apr (compared to +1.4% in Mar).

Also out for the US: University of Michigan Consumer Sentiment (prelim) for May and JOLTS for Mar. While initial claims continue to fall, the level of continuing claims remains stubbornly high (the total number of people across State and Fed programs is still 16.2m people at 17 Apr).

The minutes of the ECB policy meeting will be released this week.

The focus in Australia will be on the Federal Government Budget for 2021/22. The budget is expected to reverse the pre-pandemic stance on “budget repair” and austerity. The Wage Price Index for Q1 will also be a key report this week.

Details of QE purchase operations are incomplete as the new schedule will be released later in the week.

This week, the US Treasury will auction \$266bn in ST Bills with a net paydown of \$39bn. The net paydown for the quarter to date is now -\$4bn. The US Treasury will auction the 3yr Note, 10yr Note, and 30yr Bond this week (raising approx. \$78bn in new money, to settle next week). Approx. \$84bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be rolled over.

US Treasury Issuance & QE

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The US Treasury will auction the 3yr Note, 10yr Note, and 30yr Bond this week (raising approx. \$78bn in new money) – all of which will settle next week.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
10-14 May	06-May	11-May	4 week bill	40			Actual 0.010%	0.000%
	06-May	11-May	8 week bill	40			Actual 0.010%	0.010%
	05-May	11-May	119-Day CMB	35			Actual 0.025%	0.025%
				115	130	-15		
	10-May	13-May	13 week bill	57			Actual 0.015%	0.015%
	10-May	13-May	26 week bill	54			Actual 0.035%	0.035%
	11-May	13-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	2003	2007	-4		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			463		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		11-May	Bills	6.400				
		13-May	Bills	11.600				
		15-May	Notes & Bonds	66.800				
				84.800				

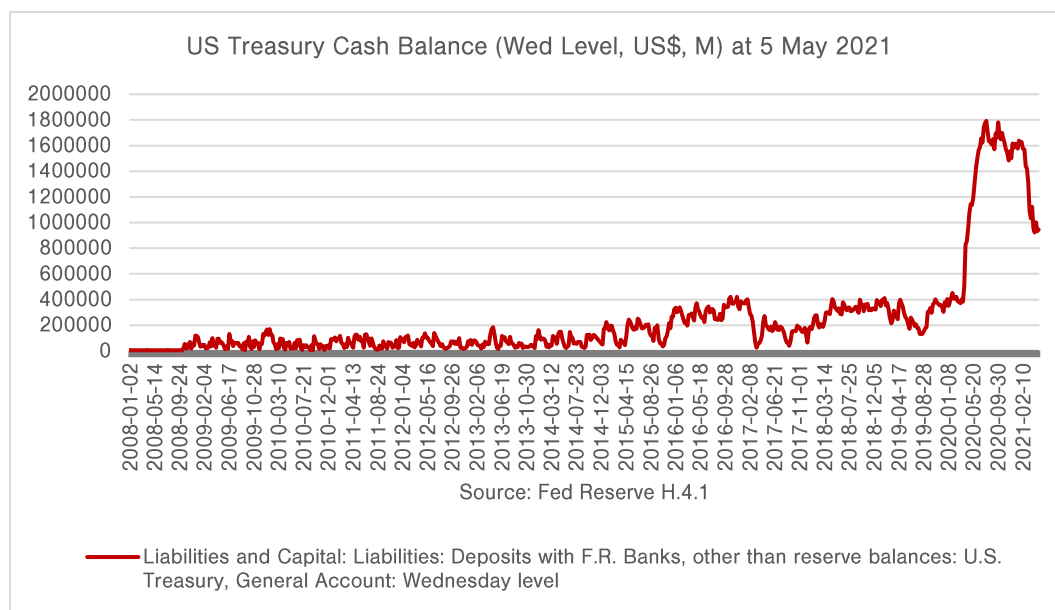
<https://www.treasurydirect.gov/instit/annceresult/press/press.htm>

The US Treasury released the latest estimate for Q2 financing requirements. The latest schedule outlines the continued paydown in ST Bills of -\$247bn. Coupon auctions are expected to raise \$710bn in new money. Net cash to be raised for Q2 2021 is \$463bn (up from the initial estimate of \$95bn for the quarter).

The recommended financing for Q3 is \$821bn in new money to be raised. This will be made up of net new Bill issuance of \$157bn and net new Coupon issuance of \$663bn.

<https://home.treasury.gov/system/files/221/TBACRecommendedFinancingTableQ22021-05052021.pdf>

The US Treasury cash balance (TGA) has been updated for the latest week (Wed 5 May 2021 level).



The level of the TGA increased by \$14bn last week to \$946bn (Wed 5 May level).

<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

New operation schedules are out late this week – the table below is incomplete for the week.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 10 May	3.625	4.766
Tue 11 May	2.425	5.482
Wed 12 May	1.750	8.205
Thur 13 May	tbc	5.478
Fri 14 May	tbc	tbc
Total Announced Purchases	\$7.8bn (last week \$17.8bn)	\$23.9bn (last week \$31.5bn)

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 10 MAY 2021

MONDAY 10 MAY (US Eastern Time, unless stated otherwise)

US	ISM NY Business Conditions (Apr)
Australia	Retail Sales (Mar), NAB Business Confidence and Conditions (Apr)
China	CPI and PPI (Apr)

TUESDAY 11 MAY

US	JOLTS (Mar) US Fed Governors Brainard and Williams - speeches
Australia	Building Approvals (Mar), Westpac Consumer Sentiment (May) Australian Federal Budget Release (evening, AEST)

WEDNESDAY 12 MAY

US	Mortgage Applications wk ending 7 May, CPI (Apr) US Fed Vice Chair Clarida - speech
Europe	Germany CPI (Apr), Eurozone Industrial Production (Mar)
UK	Q1 GDP
Australia	Wage Price Index Q1

THURSDAY 13 MAY

US	Initial Jobless Claims (wk ending 7 May), Continuing Unemployment Claims (wk ending 30 Apr), and PUA Claims, PPI (Apr)
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FRIDAY 14 MAY

US	Retail Sales (Apr), Industrial Production (Mar), University of Michigan Consumer Sentiment Prelim (May)
Europe	ECB Meeting Minutes
