

Key themes for the week ahead

The focus this week will be on US data, notably the personal income, consumption, and PCE price index data for Apr. There will also be several speeches and testimony by US Fed Vice Chair Quarles and the rates decision by the RBNZ.

The key US data highlights this week are:

Personal income, consumption, and the PCE price index. The consumer inflation number will be important – this is the release followed by the FOMC. There was a relatively large acceleration in the annual inflation for Mar, which increased to 2.3% from 1.5% in Feb. The Apr 21 result will cycle over the lowest point of the price index for 2020, so base effects should be more notable. This will be the last month of a lower base contributing to the headline inflation number. Annual core inflation is expected to increase from 1.8% in Mar to 3% in Apr.

US durable goods orders will be released for Apr – expecting a +0.7% increase in orders (slower than the 1% increase in Mar).

US new home sales for Apr are expected to increase at a slightly slower pace of 975k (down from 1.021m SAAR basis in Mar) – as material delays continue to impact construction and higher mortgage rates impacted demand somewhat.

There will also be several regional US manufacturing surveys released this week for May. Expecting similar themes of production impacts from supply chain disruptions, higher prices, and rising order backlogs. From the Markit prelim US PMI report last week:

Nonetheless, a further marked deterioration in vendor performance limited operating capacity and reportedly held back output growth.

<https://www.markiteconomics.com/Public/Home/PressRelease/392edb090fd34a7cb68bf22a1ddb7789>

In Australia, the Q1 construction work and private sector CAPEX reports will be released this week, ahead of Q1 GDP next week. Aus employment data for Apr disappointed last week with an overall decline in total employment for the month. The unemployment rate still declined due to a fall in participation.

This week, the US Treasury will settle \$305bn in ST Bills, 10yr TIPS, and 2yr FRN's, with a net paydown of -\$5bn. The net new cash raised for the quarter to date is approx. \$29bn. The US Treasury will also auction the 2yr, 5yr, and 7yr Notes this week which will settle next week on 1 Jun.

This week, approx. \$15bn in ST Bills will mature on the Fed balance sheet and will be rolled over.

Next Mon 31 May will be the US Memorial Day Holiday.

US Treasury Issuance & QE

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The US Treasury will also auction the 2yr, 5yr, and 7yr Notes this week (auctions on Tue, Wed, & Thur, respectively) which will settle next week, on 1 Jun.

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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 %
24-28 May	20-May	25-May	4 week bill	40			Actual 0%	0.000%
	20-May	25-May	8 week bill	40			Actual 0.005%	0.010%
	19-May	25-May	119-Day CMB	35			Actual 0.015%	0.020%
				115	135	-20		
	24-May	27-May	13 week bill	57			Announced	0.015%
	24-May	27-May	26 week bill	54			Announced	0.030%
	25-May	27-May	42-Day CMB	40			Announced	0.005%
				151	175	-24		
	20-May	28-May	10yr TIPS	13			Actual -0.805%	-0.580%
	26-May	28-May	2Yr FRN	26			Announced	0.034% high d
				39	0	39		
			Total - securities settling this week	305	310	-5		
			Net New Cash Raised Qtr to Date	2734	2705	29		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			463		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		25-May	Bills	5.34				
		27-May	Bills	10.31				
				15.7				

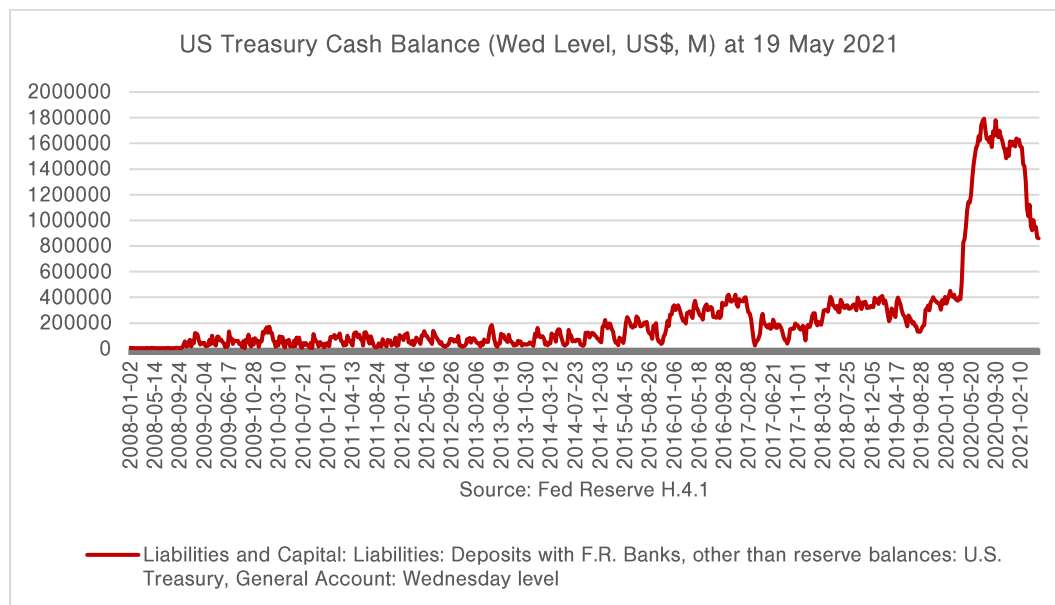
<https://www.treasurydirect.gov/instit/annceresult/press/press.htm>

The US Treasury has released the latest estimate for Q2 financing requirements. The latest schedule outlines the continued paydown in ST Bills of -\$247bn in Q2. Coupon auctions are expected to raise \$710bn in new money in Q2. 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 is expected to 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 19 May 2021 level). The level of the TGA decreased slightly by \$3bn last week to \$860bn (Wed 19 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

The new MBS operation schedule will be released on Thur 27 May this week.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 24 May	2.025	7.786
Tue 25 May	1.425	5.164
Wed 26 May	8.425	4.483
Thur 27 May	2.025	6.342
Fri 28 May	12.425	tbc

Total Announced Purchases

\$26.32bn (last week \$13.9bn)

\$23.73bn (last week \$26.3bn)

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/amb_s_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 24 MAY 2021

MONDAY 24 MAY (US Eastern Time, unless stated otherwise)

US	Chicago Fed National Activity Index (Apr) US Fed Governor Brainard speech – Digital Currencies
UK	BoE Governor Bailey speech

TUESDAY 25 MAY

NZ	RBNZ Rates Decision
US	Case/Shiller House Price Index (Mar), New Home Sales (Apr), Richmond Fed Manufacturing Survey (May) US Fed Vice Chair Quarles – Senate testimony
Australia	Construction Work Done Q1

WEDNESDAY 26 MAY

US	Mortgage Applications wk ending 21 May US Fed Vice Chair Quarles speeches (2) – Insurance reg and economic outlook
Australia	Private Capex Q1

THURSDAY 27 MAY

US	Initial Jobless Claims (wk ending 21 May), Continuing Unemployment Claims (wk ending 14 May), and PUA Claims, Durable Goods Orders (Apr), GDP Q1 First Prelim, Kansas City Fed Manufacturing Index (May)
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FRIDAY 28 MAY

US	Personal Income, Consumption, and PCE Price Index (Apr), Chicago PMI (May), University of Michigan Consumer Sentiment Final (May)
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