

Key themes for the week ahead

It will be a big week of data, central bank speeches, the RBA rates decision, and OPEC.

Markets currently expect US inflation to be transitory and are looking through the higher prints as we cycle over the low points of consumer inflation last year. The latest Apr US PCE data was the last of the lower base readings from 2020 - the 2020 base will start to increase from May. The latest PCE trimmed mean shows that underlying inflation continued to increase from 1.71% in Mar to 1.79% in Apr (annualized) – but remains well below recent peaks of 2.1% in Feb 2020.

The main highlights this week will be:

US non-farm payrolls for May will be the focus – especially after the much weaker than expected Apr result. Expectations are currently for a +650k increase in May (prior actual was +266k increase in payroll jobs in Apr and a substantial downward revision to the Mar result).

US central bank speeches including Chair Powell, Vice Chair Quarles, and Governor Brainard.

US ISM Manufacturing and Services PMI's for May – while ongoing expansion of demand is expected especially in Services, the prices, delivery lead times, and unfilled orders indexes will also be in focus to provide some insight into any easing of supply chain and input price issues.

The RBA meeting on rates. While no change in rates is expected, the RBA is expected to provide commentary on the TFF which is due to wind-up on 30 Jun. Commentary is expected to remain focused on reducing labour market spare capacity before any change in rates. Labour market outcomes are likely to be made worse by another state-wide lockdown in Victoria (second-most populous state) – just as National support programs have ended.

Australia Q1 GDP will be released. Growth in Q1 is expected to have slowed slightly to 2.5% (from +3.1% in Q4 2020).

There will be several other central bank speeches this week: ECB President Lagarde, RBNZ Governor Orr, BoE Governor Bailey, and the Indian central bank will also meet this week.

OPEC will meet this week:

OPEC and its allies are expected to stick with a decision to boost output in July when the group gathers Tuesday, according to a Bloomberg survey last week.

<https://www.bloomberg.com/news/articles/2021-05-30/oil-edges-higher-with-market-set-to-focus-on-opec-policy-meet>

This week, the US Treasury will settle \$476bn in ST Bills, Notes, and Bonds, raising approx. \$91bn in new money. The net new cash raised for the quarter to date is approx. \$119bn (est of +\$463bn in Q2). This week, approx. \$62bn in ST Bills and Notes & Bonds will mature on the Fed balance sheet and will be rolled over.

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 %
31 May - Memorial Day National Holiday								
31 May - 4 Jun	27-May	01-Jun	4 week bill	40			Actual 0.000%	0.000%
	27-May	01-Jun	8 week bill	40			Actual 0.005%	0.005%
	26-May	01-Jun	119-Day CMB	35			Actual 0.020%	0.015%
				115	135	-20		
	01-Jun	03-Jun	13 week bill	57			Announced	0.015%
	01-Jun	03-Jun	26 week bill	54			Announced	0.030%
	01-Jun	03-Jun	42-Day CMB	40			Announced	0.005%
				151	175	-24		
	25-May	01-Jun	2yr Note	60			Actual 0.152%	0.175%
	26-May	01-Jun	5yr Note	61			Actual 0.788%	0.849%
	27-May	01-Jun	7yr Note	62			Actual 1.285%	1.306%
	19-May	01-Jun	20yr Bond	27			Actual 2.286%	2.144%
				210	75.12	134.88		
			Total - securities settling this week	476	385.1	90.9		
			Net New Cash Raised Qtr to Date	3210	3091	119		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			<i>463</i>		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
	31-May-21		Notes & Bonds	40.8				
	01-Jun-21		Bills	6.4				
	03-Jun-21		Bills	14.7				
				61.9				

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

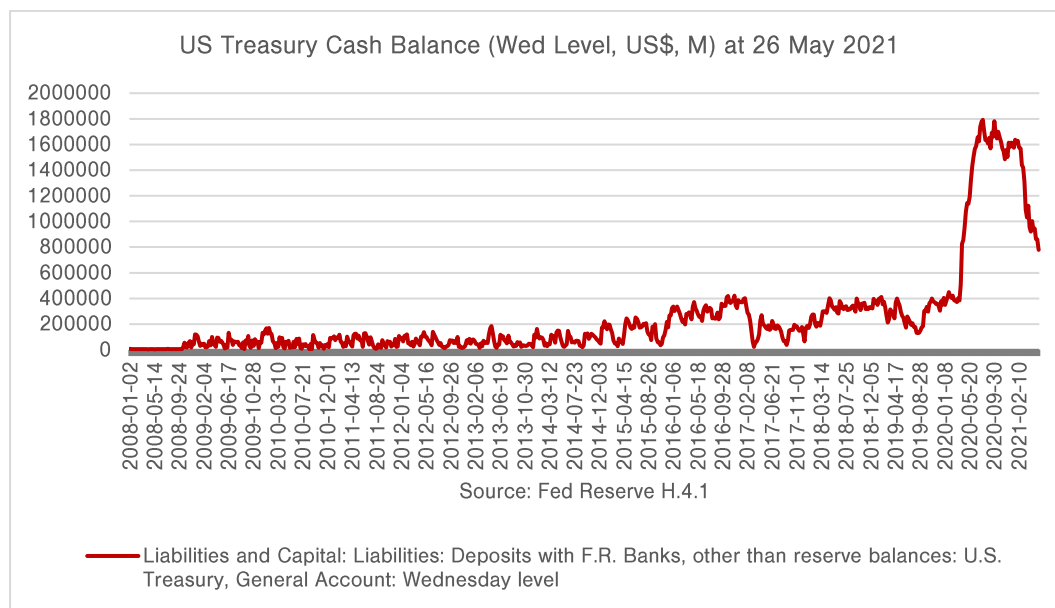
The US Treasury has released the latest estimate for Q2 financing requirements. The latest schedule outlines the continued paydown in ST Bills of -\$247bn in Q2. Coupon auctions are expected to raise \$710bn in new money in Q2. Net cash to be raised for Q2 2021 is \$463bn (up from the initial estimate 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 26 May 2021 level). The level of the TGA decreased more notably again by \$82bn last week to \$779bn (Wed 26 May level).

Since the start of Mar 2021, the TGA balance has declined by \$850bn.



<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 31 May	-	-
Tue 1 Jun	8.425	6.632
Wed 2 Jun	1.225	5.217
Thur 3 Jun	2.025	7.891
Fri 4 Jun	3.225	5.217
Total Announced Purchases	\$14.9bn (last week \$26.3bn)	\$24.96bn (last week \$23.73bn)

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 31 MAY 2021

MONDAY 31 MAY (US Eastern Time, unless stated otherwise)

US	Memorial Day National Holiday
Japan	Industrial Production Prel (Apr), Retail Sales (Apr), Markit Manufacturing PMI (May)
China	NBS Composite PMI (May)
Australia	Private Sector Credit (Apr), Markit Manufacturing PMI (May), Building Approvals (Apr), Current Account Q1

TUESDAY 1 JUN

Australia	RBA Rates Decision (early US ET), GDP Q1 (late US ET)
Europe	Eurozone CPI Prelim (May), Eurozone Markit Manufacturing PMI (May)
US	ISM Manufacturing PMI (May), Markit Manufacturing PMI (May), Vehicle Sales (May), US Fed Governor Brainard speech (Econ & Mon Pol outlook – Eco Club of NY) OPEC Meeting

WEDNESDAY 2 JUN

US	Mortgage Applications wk ending 28 May, Beige Book
Australia	RBA Asst Governor Debelle speech, Monthly Trade Balance (Apr), Retail Sales (Apr), Markit Services PMI (May)
Japan	Markit Services PMI (May)

THURSDAY 3 JUN

US	Initial Jobless Claims (wk ending 28 May), Continuing Unemployment Claims (wk ending 21 May), and PUA Claims, ADP Employment (May), Unit Labour Costs (Q1), ISM Services PMI (May), Markit Services PMI (May), US Fed Vice Chair Quarles speech
Europe	Eurozone Markit Services PMI (May)
Australia	Housing Finance Lending (Apr)

FRIDAY 4 JUN

US	Non-Farm Payrolls and Employment (May), Factory Orders (Apr), Fed Chair Powell speech (CB's & Climate Change)
Europe	ECB President Lagarde speech, Eurozone Retail Sales (Apr)
