

## Key themes for the week ahead

The focus this week will be on central bank meetings, including the US FOMC and a raft of CPI and PPI reports for May.

Last week, annual growth in the US CPI accelerated at a faster pace of 4.93% for May (from 4.15% in Apr). There was a smaller base effect this month – and if the May 2020 base were unchanged (compared to Apr 2020), headline CPI would have still accelerated to 4.82%. The main contributors to the higher CPI growth were energy prices (gasoline), used cars & trucks, owner's equivalent rent, and transport services (motor vehicle insurance & airline fares). The increase in gasoline prices accounted for approx. 40% of the annual increase in the headline CPI this month. Excluding the larger contributors to headline CPI growth (food, energy, shelter, and used cars) the annual CPI growth still accelerated from 2.57% in Apr to 3.28% in May. There was a small base effect too – and without any base effect for this 'core group', annual growth in prices would have still accelerated to 2.98% in May. For this core measure of CPI, the quarterly pace of growth in May accelerated to the fastest level since 1991 to 1.51%.

This week, the Fed is likely to “look through” the higher CPI and PCE price growth for May – expecting higher price growth to be transitory. The Fed will likely want to see more substantial improvement in labour market metrics after the last two months of smaller than expected gains in payrolls (which is still 7.6m below pre-pandemic levels). No change to policy settings is expected – although we will look for language that starts to hint at talking about tapering.

Other highlights this week will be:

Central banks: the BoJ and SNB will meet this week on rates and policy. Speeches this week from BoE Governor Bailey, RBA Governor Lowe, and BoC Governor Macklem.

US data this week (mainly Tue & Wed): US retail sales growth for May expecting a -0.8% decline (from 0% growth in Apr). Industrial production in May expecting a +0.6% increase (up from +0.5% in Apr). Annual PPI growth in May is expected to increase to 6.3% (up from 6.2% in Apr). Building permits for May expected to increase to 1.74m (SAAR) up from 1.733m in Apr. Building starts for May expecting a 1.630m increase in May, up from 1.569m in Apr. There will also be the first of the regional manufacturing surveys for Jun (NY and Philadelphia).

The May CPI and PPI reports for the Eurozone, Germany, Canada, China, UK, and Japan will be released this week.

Australian employment and labour market report for May – expecting growth in employment of +30k after a 30k decline in Apr.

This week, the US Treasury will settle \$420bn in Bills, Notes, and Bonds raising approx. \$77bn in new money for the week. The US Treasury will also auction the 5yr TIPS and 20yr Bond this week – to settle on 30 Jun. This week, approx. \$31bn in Bills and Notes will mature on the Fed balance sheet and will be rolled over.

## US Treasury Issuance & QE

This week, the US Treasury will settle \$420bn in ST Bills, Notes, and Bonds raising approx. \$77bn in new money for the week. The net new cash raised for the quarter to date is approx. \$177bn (full quarter 2 est of \$463bn).

The US Treasury will also auction the 5yr TIPS and 20yr Bond this week – which will settle on 30 Jun.

This week, approx. \$31bn in ST Bills & Notes will mature on the Fed balance sheet and will be rolled over.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
14-18 Jun	10-Jun	15-Jun	4 week bill	40			Actual 0.005%	0.000%
	10-Jun	15-Jun	8 week bill	40			Actual 0.020%	0.015%
	09-Jun	15-Jun	119-Day CMB	35			Actual 0.030%	0.030%
				115	110	5		
	14-Jun	17-Jun	13 week bill	57			Announced	0.025%
	14-Jun	17-Jun	26 week bill	54			Announced	0.040%
	15-Jun	17-Jun	52 week bill	34			Announced	0.055%
	15-Jun	17-Jun	42-Day CMB	40			Announced	0.010%
				185	212	-27		
	08-Jun	15-Jun	3yr Note	58			Actual 0.325%	0.329%
	09-Jun	15-Jun	10yr Note	38			Actual 1.497%	1.684%
	10-Jun	15-Jun	30yr Bond	24			Actual 2.172%	2.395%
				120	20.97	99.03		
			<b>Total - securities settling this week</b>	<b>420</b>	<b>342.97</b>	<b>77.03</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>3896</b>	<b>3719</b>	<b>177</b>		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			463		
			<b>Fed SOMA - Face Value of SOMA securities maturing</b>	<b>\$B</b>				
		15-Jun	Bills	6.5				
		17-Jun	Bills	14.2				
		17-Jun	Notes & Bonds	11.0				
				31.7				
			<b>Upcoming Auctions</b>					
	17-Jun	30-Jun	5yr TIPS	16			Announced	-1.631%
	22-Jun	30-Jun	2yr Note	60				
	23-Jun	30-Jun	5yr Note	61				
	24-Jun	30-Jun	7yr Note	62				
	15-Jun	30-Jun	20 yr Bond	24			Announced	2.286%
				223	76.4	146.6		

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

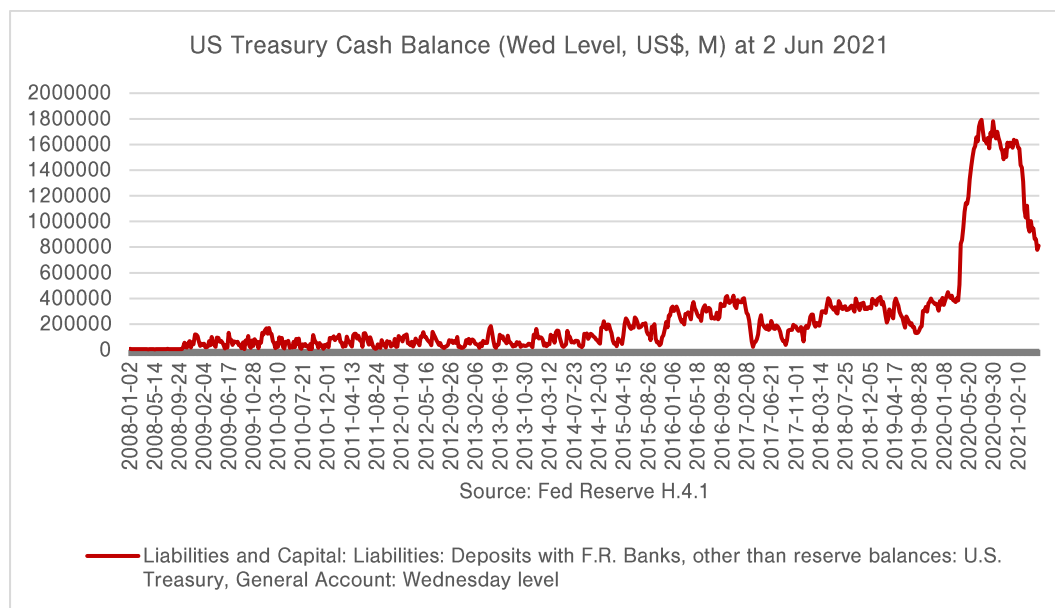
The US Treasury has released the latest estimate for Q2 financing requirements. The latest schedule outlines the continued paydown in ST Bills of -\$247bn in Q2. Coupon auctions are expected to raise \$710bn in new money in Q2. The net cash to be raised for Q2 2021 is \$463bn (up from the initial estimate 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 9 Jun 2021 level). The level of the TGA decreased this week by \$138bn (after increasing by +\$33bn last week) to \$673bn (Wed 9 Jun level).

Since the start of Mar 2021, the TGA balance has declined by \$956bn.



<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 14 Jun	12.425	4.924
Tue 15 Jun	1.225	4.055
Wed 16 Jun	-	4.924
Thur 17 Jun	2.025	4.055
Fri 18 Jun	3.225	4.924
<b>Total Announced Purchases</b>	<b>\$18.9bn (last week \$12.9bn)</b>	<b>\$22.9bn (last week \$26.4bn)</b>

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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

## **REPO OPERATIONS**

Current schedule

<b>Date</b>	<b>Maturity Date</b>	<b>Term</b>	<b>Aggregate Operation Limit</b>
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 14 JUNE 2021

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## MONDAY 14 JUN (US Eastern Time, unless stated otherwise)

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Australia	Queens Birthday Holiday, RBA Minutes, House Price Index Q1
Europe	Industrial Production (Apr)
Japan	Industrial Production (Apr)
UK	BoE Governor Bailey speech

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## TUESDAY 15 JUN

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US	NY Empire State Manufacturing Index (Jun), PPI (May), Retail Sales (May), Industrial Production (May), NAHB Housing Market Index (Jun)
Japan	Merchandise Trade (May)
China	Fixed Asset Investment, Retail Sales, and Industrial Production (May)
Europe	Germany CPI (May)

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## WEDNESDAY 16 JUN

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US	Mortgage Applications wk ending 11 Jun, Building Permits & Housing Starts (May), FOMC rates decision, projection materials, and press conference
Canada	CPI (May), BoC Governor Macklem speech
Australia	Employment and Labour Market (May), RBA Governor Lowe speech
UK	CPI & PPI (May)

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## THURSDAY 17 JUN

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US	Initial Jobless Claims (wk ending 11 Jun), Continuing Unemployment Claims (wk ending 4 Jun), and PUA Claims, Philadelphia Fed Manufacturing Survey (Jun)
Europe	Eurozone CPI (May)
	SNB Rates Decision

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## FRIDAY 18 JUN

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Europe	Germany PPI (May)
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