

Key themes for the week ahead

The US CPI release for May and the ECB rates decision will be the focus for the week – both on Thursday. It will be a quiet week for US Fed speeches in the lead-up to the FOMC meeting next week.

Estimates for the increase in US non-farm payrolls last week were varied. While the 559k increase was below the median expectation (650k), it was still an improvement on the month prior. The household survey indicated that the unemployment rate declined further in May – this was (equally) the result of higher employment growth, but also a fall in participation. With payrolls, employment, and participation still well below pre-Covid levels, it is hard to see that “substantial further progress” has been made in the labour market yet.

The main highlights this week will be:

The headline US CPI growth is expected to be 4.7% in May (up from 4.2% in Apr). Annual growth in core CPI is expected to be 3.4% (up from 3% in Apr). There will be a smaller base effect in the annual CPI calculation this month. From June, the base will shift higher.

Other reports of note for the US will be the University of Michigan consumer sentiment survey for early Jun, JOLTS for Apr, and the consumer credit change for Apr.

The ECB will meet on Thursday and there are no changes expected in policy or rates. Vaccination rates have started to increase more notably throughout Europe, supporting an improvement in the short-term outlook. The ECB is expected to maintain the current pace of (PEPP) QE through the summer to support the recovery.

Data out of China includes trade, CPI, and PPI for May.

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The US Treasury will also auction the 3yr Note, 10yr Note, and the 30yr Bond this week – raising approx. \$99bn in new cash. These auctions will settle on 15 Jun.

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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 %
7-11 Jun	03-Jun	08-Jun	4 week bill	40			Actual 0.000%	0.000%
	03-Jun	08-Jun	8 week bill	40			Actual 0.015%	0.005%
	02-Jun	08-Jun	119-Day CMB	35			Actual 0.030%	0.020%
				115	110	5		
	07-Jun	10-Jun	13 week bill	57			Announced	0.020%
	07-Jun	10-Jun	26 week bill	54			Announced	0.035%
	08-Jun	10-Jun	42-Day CMB	40			Announced	0.005%
				151	175	-24		
			Total - securities settling this week	266	285	-19		
			Net New Cash Raised Qtr to Date	3476	3376	100		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			<i>463</i>		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		08-Jun	Bills	6.27				
		10-Jun	Bills	9.55				
				15.81				
			Upcoming Auctions					
	08-Jun	15-Jun	3yr Note	58			Announced	0.329%
	09-Jun	15-Jun	10yr Note	38			Announced	1.684%
	10-Jun	15-Jun	30yr Bond	24			Announced	2.395%
				120	20.97	99.03		

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

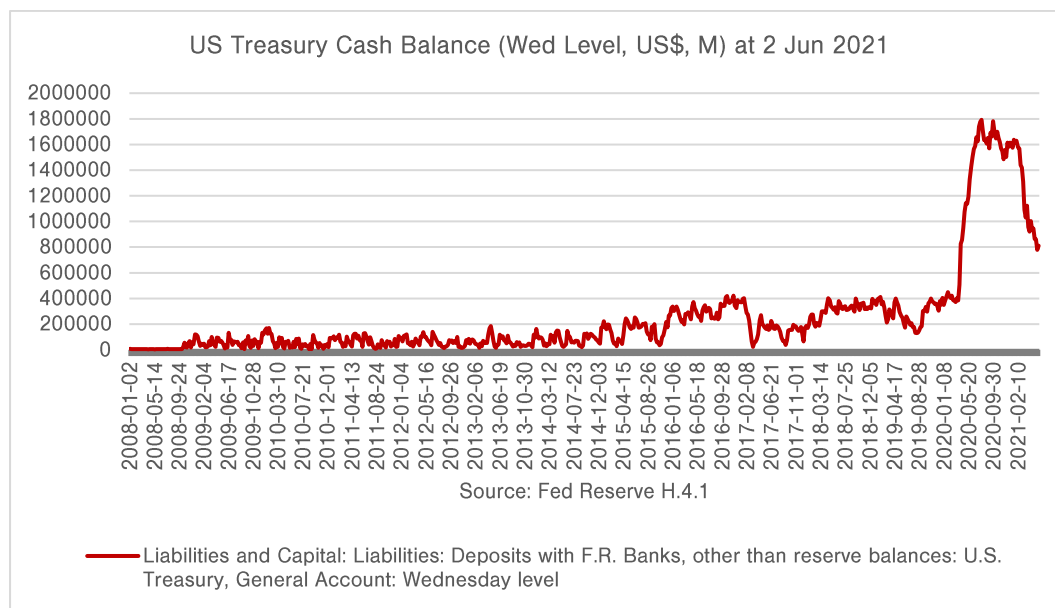
The US Treasury has released the latest estimate for Q2 financing requirements. The latest schedule outlines the continued paydown in ST Bills of -\$247bn in Q2. Coupon auctions are expected to raise \$710bn in new money in Q2. The net cash to be raised for Q2 2021 is \$463bn (up from the initial estimate 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 2 Jun 2021 level). The level of the TGA increased this week by \$33bn (after declining by -\$81bn last week) to \$812bn (Wed 2 Jun 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 7 Jun	1.425	6.632
Tue 8 Jun	2.025	5.217
Wed 9 Jun	2.025	4.653
Thur 10 Jun	6.025	5.216
Fri 11 Jun	1.425	4.647
Total Announced Purchases	\$12.93bn (last week \$14.9bn)	\$26.37bn (last week \$24.96bn)

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 7 JUNE 2021

MONDAY 7 JUN (US Eastern Time, unless stated otherwise)

US	Consumer Credit (Apr)
Japan	Q1 GDP
China	Trade Balance, Exports, and Imports (May)
Australia	New Home Sales (May), NAB Business Confidence & Conditions (May)

TUESDAY 8 JUN

Australia	Westpac Consumer Sentiment (Jun)
Europe	Eurozone Q1 GDP – Second Prelim
US	Trade Balance (Apr), JOLTS (Apr)
China	CPI & PPI (May)

WEDNESDAY 9 JUN

US	Mortgage Applications wk ending 4 Jun
Australia	Consumer Inflation Expectations (Jun)

THURSDAY 10 JUN

US	Initial Jobless Claims (wk ending 4 Jun), Continuing Unemployment Claims (wk ending 28 May), and PUA Claims, CPI (May)
Europe	ECB Rates Decision
Japan	Industrial Production Prelim (Apr)

FRIDAY 11 JUN

US	University of Michigan Consumer Sentiment – Prelim (Jun)
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