

## Key themes for the week ahead

Central banks and data will be in focus this week.

On the central bank front, the FOMC minutes for the June meeting will be released this week. The US Fed is also expected (tentative) to submit the biannual monetary policy report.

The RBA will meet on rates this week and Governor Lowe will hold a press conference after the Board meeting. The RBA board is expected to decide on the 0.1% 3yr yield target and whether to extend purchases to the next Government bond maturing in Nov 2024. The Board is also expected to decide on the future value and timing of QE purchases.

ECB President Lagarde is expected to give several speeches this week.

Last week, US non-farm payroll data increased more than expected by +850k jobs (expecting 675k). The May result was revised higher by +24k jobs and Apr was revised lower by 9k jobs. The payrolls growth in Jun was made up of +662k private-sector jobs (goods payroll jobs +20k, services payroll jobs +642k) and +188k public-sector payroll jobs. In the private sector, leisure and hospitality payrolls increased by +343k in Jun. In the public sector, local government education accounted for the largest share of the increase in public sector jobs with +155k jobs. Overall, payrolls are still 6.7m below pre-pandemic levels.

Despite the strong payrolls number, the Household survey recorded low growth in employment for June. The unemployment rate increased to 5.9% as the participation rate remained unchanged for the 16yrs+ age group at 61.6%.

The key data releases this week will be:

US ISM services PMI for Jun, JOLTS for May, and Consumer Credit for May.

Aus retail sales for May have been released and growth came in stronger than expected at +0.4% for the month.

The final services PMI's for Jun will be released for the US and the Eurozone.

This week, the US Treasury will settle \$266bn in ST Bills, with a paydown of approx. \$22bn.

Approx. \$20bn in ST Bills will mature on the Fed balance sheet and will be rolled over.

Fed purchases of US Treasuries (QE) will resume on Tuesday. Purchases of US Treasuries are expected to be \$24.3bn, up from \$7.9bn last week. MBS purchases are expected to total \$18.7bn (down from \$21.6bn last week).

## US Treasury Issuance & QE

This week, the US Treasury will settle \$266bn in ST Bills, with a paydown of approx. \$22bn. Approx. \$20bn in ST Bills 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 %
5-9 Jul	01-Jul	06-Jul	4 week bill	40			Actual 0.050%	0.045%
	01-Jul	06-Jul	8 week bill	40			Actual 0.045%	0.050%
	30-Jun	06-Jul	119-Day CMB	35			Actual 0.050%	0.050%
				115	140	-25		
	06-Jul	08-Jul	13 week bill	57			Announced	0.050%
	06-Jul	08-Jul	26 week bill	54			Announced	0.055%
	06-Jul	08-Jul	42-Day CMB	40			Announced	0.050%
				151	148	3		
			<b>Total - securities settling this week</b>	<b>266</b>	<b>288</b>	<b>-22</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>266</b>	<b>288</b>	<b>-22</b>		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>821</i>		
			<b>Fed SOMA - Face Value of SOMA securities maturing</b>	<b>\$B</b>				
		06-Jul	Bills	6.3				
		08-Jul	Bills	14.1				
				20.4				

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

### Recommended Q3 US Treasury Finance

The recommended US Treasury Financing for Q3 can be found here:

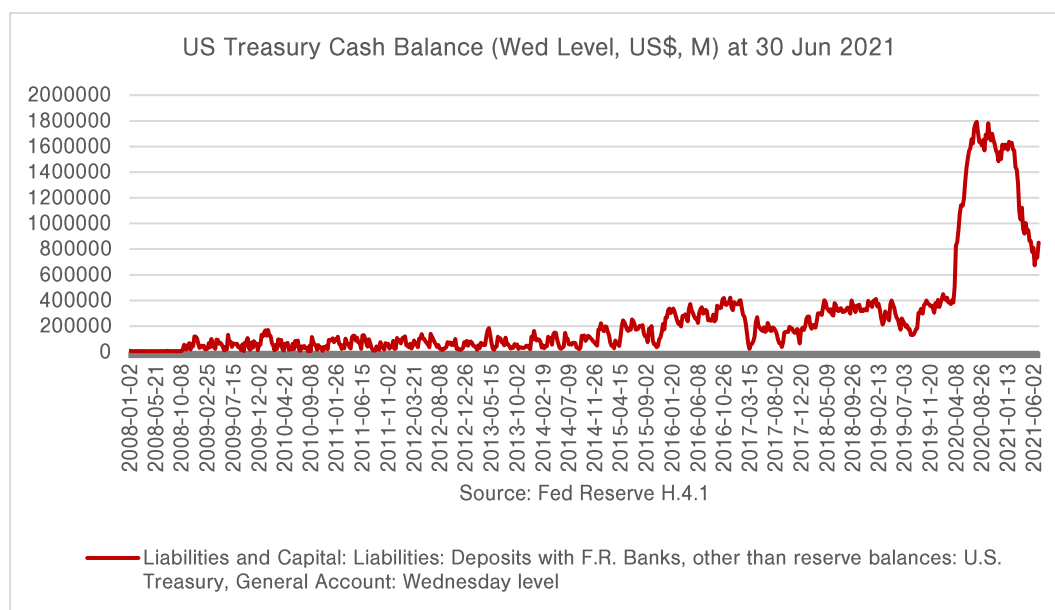
<https://home.treasury.gov/system/files/221/TBACRecommendedFinancingTableQ32021-05052021.pdf>

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.

The next release of the recommended funding requirements will be released on 4 August 2021.

The US Treasury cash balance (TGA) has been updated for the latest week (Wed 30 Jun 2021 level). The level of the TGA increased this week by \$118bn (after decreasing by \$31bn last week) to \$851bn (Wed 30 Jun level).

Since the start of 2021, the TGA balance has declined by \$755bn.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H4.1&series=53198152b62add5ad59ae42b6d3d720d&filetype=sheetml&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021>

## QE PROGRAMS

Purchase operations will be lighter this week in the lead-up to the National Fourth of July long weekend. Purchase operations will recommence on 6 Jul 2021.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 5 Jul	Holiday	Holiday
Tue 6 Jul	12.425	5.244
Wed 7 Jul	1.425	4.116
Thur 8 Jul	8.425	5.244
Fri 9 Jul	2.025	4.116

Total Announced Purchases	\$24.3bn (last week \$7.9bn)	\$18.7bn (last week \$21.6bn)
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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**

<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 5 JULY 2021

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## MONDAY 5 JULY (US Eastern Time, unless stated otherwise)

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US	Independence Day Holiday
Australia	Building Approvals (May), Retail Sales (May)
Japan	Markit Services PMI (Jun)
Europe	Markit Eurozone Services PMI (Jun), ECB President Lagarde Speech

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## TUESDAY 6 JULY

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US	ISM Services PMI (Jun), Markit Services PMI (Jun), Total Vehicle Sales (May)
Australia	RBA Rates Decision, statement, and speech by RBA Governor Lowe
Europe	Euro Area Retail Sales (May)

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## WEDNESDAY 7 JULY

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US	Mortgage Applications wk ending 2Jul, JOLTS (May), FOMC Minutes, (expected) US Fed biannual Monetary Policy Report submission to the Senate and House of Representatives
Australia	RBA Governor Lowe Speech

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## THURSDAY 8 JULY

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US	Initial Jobless Claims (wk ending 2 Jul), Continuing Unemployment Claims (wk ending 25 Jun), and PUA Claims, Consumer Credit (May)
Europe	EC: Economic Growth Forecasts
China	CPI & PPI (Jun)

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## FRIDAY 9 JULY

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Europe	ECB President Lagarde Speech
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