

Key themes for the week ahead

The focus for the week ahead will be on US non-farm payrolls for Jul, the US ISM and global Markit PMIs, and the RBA and BoE rates meeting.

Increased infections of the delta variant have started to take hold again in several regions/countries.

Data has so far confirmed a sharp contraction in activity in Aus due to severe, and now extended lockdowns that have been reinstated. The RBA will meet this week, and previously announced QE tapering may be reversed. The extended nature of these lockdowns means that a second recession is possible, and some fiscal support has been reinstated. RBA Governor Philip Lowe will provide testimony to the House of Representatives later this week and the RBA will also release the Statement on Monetary Policy (SOMP).

Last week, the FOMC left monetary policy unchanged. Fed Chair Powell noted that the pandemic impacts on the economy have eased, supported by vaccinations. Of note though was that the rate of vaccinations has eased, and the delta strain has been spreading. So far, those sectors most impacted by the pandemic have yet to recover. The committee will continue to assess progress towards the average 2% inflation and full employment goals.

This week, US non-farm payrolls will be important. Growth in nonfarm payrolls is expected to be 900k in Jul (versus +850k in Jun). In recent weeks, the initial claims data has been weaker.

US ISM reports on manufacturing and services will be released for Jul. So far, demand has remained intact, despite lengthening lead times, rising backlogs, falling inventories, supply chain issues, and rising input prices. The ISM manufacturing PMI is expected to be 60.8 (Jun 60.6). The ISM services PMI is expected to be 60.4 (Jun 60.1).

This week, the US Treasury will settle \$465bn in ST Bills, Notes, and Bonds raising approx. \$60bn in new money. Approx. \$21bn in ST Bills will mature on the Fed balance sheet and will be rolled over.

There will be an update this week (4 Aug) on the estimated borrowing requirements for the US Treasury in Q3 and Q4. This will include funding assumptions regarding the expiration of the suspension of the debt ceiling.

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 %
2-6 Aug	29-Jul	03-Aug	4 week bill	40			Actual 0.045%	0.045%
	29-Jul	03-Aug	8 week bill	35			Actual 0.045%	0.045%
	28-Jul	03-Aug	119-Day CMB	30			Actual 0.050%	0.050%
				105	115	-10		
	02-Aug	05-Aug	13 week bill	54			Announced	0.050%
	02-Aug	05-Aug	26 week bill	51			Announced	0.050%
	03-Aug	05-Aug	42-Day CMB	20			Announced	0.040%
				125	148	-23		
	26-Jul	02-Aug	2yr Note	60			Actual 0.213%	0.249%
	28-Jul	02-Aug	2yr FRN	28			Actual 0.029%	0.030%
	27-Jul	02-Aug	5yr Note	61			Actual 0.710%	0.904%
	29-Jul	02-Aug	7yr Note	62			Actual 1.050%	1.264%
	21-Jul	02-Aug	20yr Bond	24			Actual 1.890%	2.120%
				235	141.25	93.75		
			Total - securities settling this week	465	404.25	60.75		
			QTR to date totals	1,631	1,626	5		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>821</i>		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		03-Aug	Bills	6.3				
		05-Aug	Bills	14.8				
				21.0				

<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 next release of the recommended funding requirements will be released this week 4 August 2021.

In the meantime, the suspension of the federal debt ceiling ended on 31 July. A solution to raise the ceiling will be enacted – but it is unclear how that will happen at this stage. The latest refunding assumptions (from May) were:

- Q2 end of quarter TGA balance of \$800bn (actual \$851bn at 30 Jun)
- Regarding the debt ceiling negotiations for the end of July 2021:

Treasury is assuming a cash balance of approximately \$450 billion at the expiration of the debt limit suspension on July 31 based on expected outflows under its cash

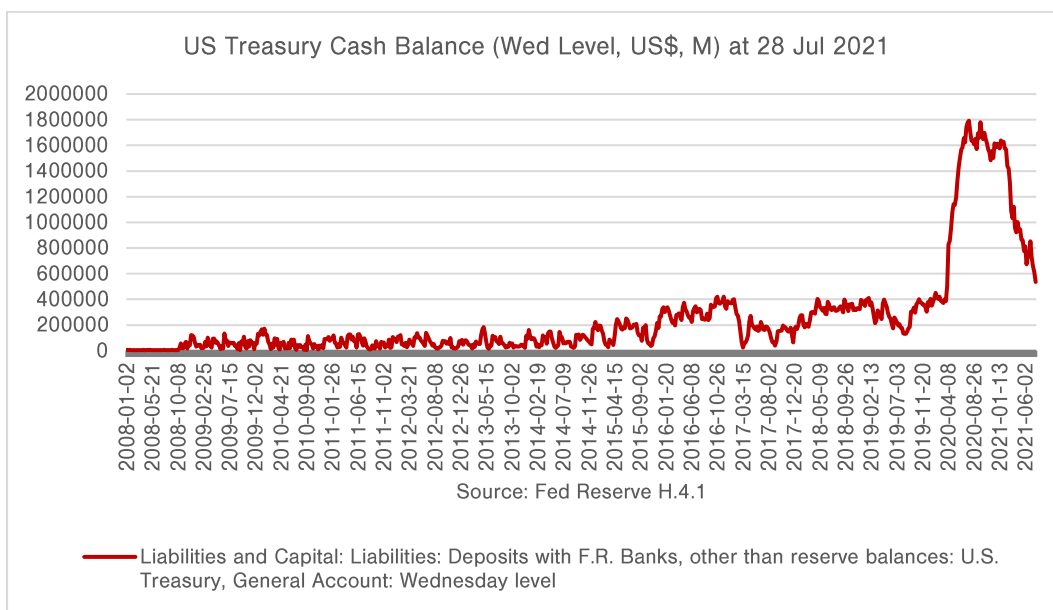
management policies and consistent with its authorities and obligations, including the Bipartisan Budget Act of 2019. **The actual cash balance on July 31 may vary from this assumption based on changes to expected outflows in that period.**

- The TGA balance on 28 Jul was \$537bn.

The end-of-September cash balance assumes enactment of a debt limit suspension or increase. <https://home.treasury.gov/news/press-releases/jy0158>

The level of the TGA decreased last week by a further \$79bn (after decreasing by \$41bn in the prior week).

The balance of the TGA (28 Jul) was \$537bn. Since the start of 2021, the TGA balance has declined by \$1.07tr.



<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 2 Aug	1.225	5.156
Tue 3 Aug	1.425	4.621
Wed 4 Aug	3.225	5.156
Thur 5 Aug	2.025	4.621
Fri 6 Aug	12.425	5.156
Total Announced Purchases	\$20.32bn (last week \$13.9bn)	\$24.71bn (last week \$24.1bn)

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

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 2 AUGUST 2021

MONDAY 2 AUGUST (US Eastern Time, unless stated otherwise)

Australia	(Sunday) Markit Manufacturing PMI (Jul), ANZ Job Ads (Jul) (Monday) Housing Finance (Jun), Building Approvals (Jun)
Japan	(Sunday) Markit Manufacturing PMI (Jul)
Europe	Eurozone Markit Manufacturing PMI (Jul)
US	ISM Manufacturing PMI (Jul), Markit Manufacturing PMI (Jul), Senior Loan Officer Survey Q2

TUESDAY 3 AUGUST

Australia	RBA Rates Decision Markit Services PMI (Jul), Retail Sales (Jun)
US	Factory Orders (Jun), Total Vehicle Sales (Jul), US Fed Governor Bowman speech (opening remarks)
Japan	Markit Services PMI (Jul)

WEDNESDAY 4 AUGUST

US	Mortgage Apps wk ending 30 Jul, ADP Employment (Jul), ISM Services PMI (Jul), US Fed Vice Chair Clarida speech – MonPol, outlook, and outcomes
Europe	Eurozone Markit Services PMI (Jul), Eurozone Retail Sales (Jun)

THURSDAY 5 AUGUST

UK	BoE Rates Decision
US	Initial Jobless Claims (wk ending 30 Jul), Continuing Unemployment Claims (wk ending 23 Jul), and PUA Claims, Challenger Job Cuts (Jul), US Fed Governor Waller speech – CBDC's.
Australia	RBA Governor Lowe – Testimony to House of Reps Standing C'tee on Economics, RBA Statement on Mon Pol (SOMP).

FRIDAY 6 AUGUST

US	Non-Farm Payrolls and Employment (Jul), Consumer Credit (Jun)
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