

Key themes for the week ahead

The focus on the week ahead will be on US data – notably the CPI for Aug, retail sales, and consumer sentiment.

It will be a quiet week on the central bank front ahead of the FOMC meeting next week.

This week, the US CPI for Aug will be reported, and the pace of acceleration is expected to ease but growth will remain elevated. CPI growth in Aug is expected to be +5.3% (Jul prior +5.4%). US retail sales for Aug are expected to decline by -1% (-1.1% Jul) and the weaker consumer sentiment is expected to persist with a small gain from 70.3 in Aug to 72 in the first half of Sept. Also out this week will be several of the regional Fed surveys with an early view of Sept manufacturing momentum.

Data this week, together with the weaker growth in non-farm payrolls for Aug and the recent moderate downshift in growth noted in the Beige Book last week will be key inputs into the Fed decision next week.

In Aus, the RBA Governor Philip Lowe will speak this week. Last week, the RBA Board did not overturn its previous tapering decision despite the current Delta outbreak. QE purchases at the lower rate were extended through to at least Feb 2022 (rather than reviewed earlier). Restrictions remain in the two big states, albeit starting to ease, and vaccination rates are continuing to increase. The 70-80% (of 16yrs+) vaccination threshold should be reached by Oct/Nov for a broader 'reopening'. The RBA noted that the recovery has only been "interrupted" at this stage, with the setback in growth expected to be temporary. Growth in Q4 is expected to rebound. The Aus labour market data out this week will be important, and employment is expected to decline by 70k (+2.2k in Jul). Participation is expected to contract notably, and the unemployment rate is expected to increase to 4.9% (from 4.5% in Jul).

The remainder of the Chinese data for Aug will be released this week – including industrial production, retail sales, FA investment, loans, and the house price index. Concerns remain over slowing growth in China (amid government crackdowns).

This week, the US Treasury will settle approx. \$293bn in ST Bills, Notes, and Bonds this week, raising approx. \$30bn in new money.

Approx. \$28bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be rolled over.

US Treasury Issuance & QE

This week, the US Treasury will settle approx. \$293bn in ST Bills, Notes, and Bonds this week, raising approx. \$30bn in new money.

Note the lift in 4 and 8-week bill rates last week – likely the result of the uncertainty over the debt ceiling negotiations. Without an increase or suspension to the debt limit, the current extraordinary steps to stay with the limit are likely to be breached sometime in Oct.

The 21-day or 42-day CMB will not be issued this week in line with Treasury guidance to continue to reduce bills/ST bills as a percent of Treasury debt outstanding. The 119-day CMB will continue to be issued through to the end of Oct.

(Source: <https://home.treasury.gov/news/press-releases/jy0307>)

Approx. \$28bn in ST Bills, Notes, and Bonds 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 %
13-17 Sep	09-Sep	14-Sep	4 week bill	20			Actual 0.060%	0.035%
	09-Sep	14-Sep	8 week bill	30			Actual 0.065%	0.065%
	08-Sep	14-Sep	119-Day CMB	30			Actual 0.045%	0.045%
				80	110	-30		
	13-Sep	16-Sep	13 week bill	48			Announced	0.045%
	13-Sep	16-Sep	26 week bill	45			Announced	0.050%
				93	131	-38		
	07-Sep	15-Sep	3yr Note	58			Actual 0.447%	0.465%
	08-Sep	15-Sep	10yr Note	38			Actual 1.338%	1.340%
	09-Sep	15-Sep	30yr Bond	24			Actual 1.910%	2.040%
				120	22.22	97.78		
			Total - securities settling this week	293	263.22	29.78		
			QTR to date totals	3,563	3,384	179		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>673</i>		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		14-Sep	Bills	5.5				
		15-Sep	Notes & Bonds	12.8				
		16-Sep	Bills	10.3				
				28.5				

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

Recommended US Treasury Financing Q3

In Q3, the US Treasury estimates it will raise approx. \$673bn in new money. This will be made up of an estimated \$8.8bn net issuance of Bills and \$664bn net issuance of Coupons.

The latest release of the recommended US Treasury financing for Q3 can be found here: <https://home.treasury.gov/system/files/221/TBACRecommendedFinancingTableQ32021-08042021.pdf>

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.

“Since that date, Treasury has begun using extraordinary measures to finance the government on a temporary basis. As Secretary Yellen recently outlined in a July 23 letter to Congress, the period of time that extraordinary measures may last is subject to considerable uncertainty due to a variety of factors, including the challenges of forecasting the payments and receipts of the U.S. government months into the future, exacerbated by the heightened uncertainty in payments and receipts related to the economic impact of the pandemic. Given this, Treasury is not able to currently provide a specific estimate of how long extraordinary measures will last.”

<https://home.treasury.gov/news/press-releases/jy0307>

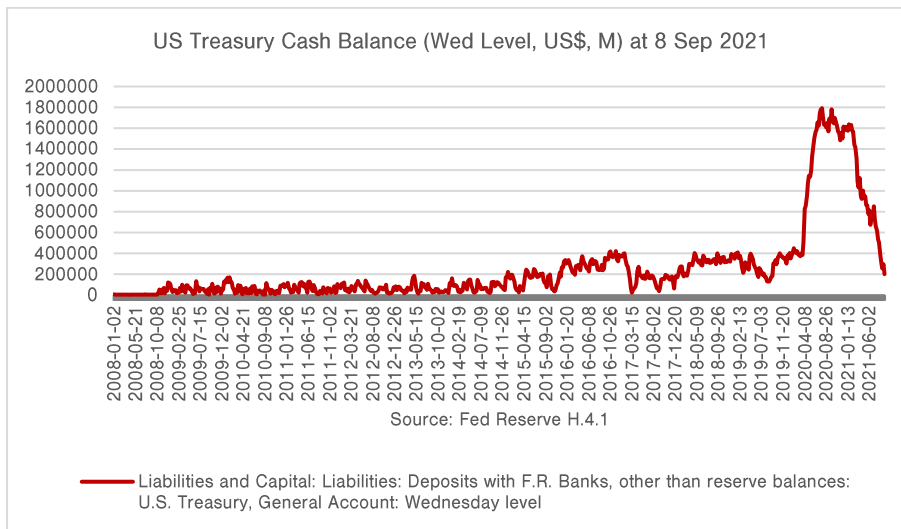
The revised refunding assumptions:

- Q3 end of quarter TGA balance of \$750bn
- End of Dec 2021 cash balance of \$800bn

The Democrats in the US Senate approved a \$3.5t spending plan which is in addition to the \$1t bipartisan infrastructure bill. The spending plan/budget has not yet addressed the debt limit – which likely needs to be increased by the start of Oct (based on forecasts of income and outlays of the US Treasury)

The level of the TGA decreased last week by \$96bn (after increasing by \$38bn in the prior week).

The balance of the TGA (8 Sep) was \$200bn. Since the start of 2021, the TGA balance has declined by \$1.4tr.



<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

New operation schedules will be released on 13 and 14 Sep for Treasury and MBS purchases (respectively). Schedules below are incomplete at this stage.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 13 Sep	2.025	4.589
Tue 14 Sep	Tbc	5.152
Wed 15 Sep	Tbc	Tbc
Thur 16 Sep	Tbc	Tbc
Fri 17 Sep	Tbc	Tbc
Total Announced Purchases	\$2.025bn (last week \$17.9bn)	\$9.741bn (last week \$19.5bn)

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 13 SEPTEMBER 2021

MONDAY 13 SEPTEMBER (US Eastern Time, unless stated otherwise)

US	OPEC monthly report
Australia	House Price Index Q2, NAB Business Confidence & Conditions (Aug) RBA Governor Lowe Speech
China	New Loans (Aug)

TUESDAY 14 SEPTEMBER

Japan	Industrial Production (final) (Jul)
US	CPI (Aug)
Australia	Westpac Consumer Sentiment (Sep)
China	FA Investment (Aug), Industrial Production (Aug), Retail Sales (Aug)

WEDNESDAY 15 SEPTEMBER

Europe	Eurozone Industrial Production (Jul)
US	Mortgage Applications wk ending 10 Sep, NY Empire State Manufacturing Index (Sep), Industrial Production (Aug), NAHB Housing Market Conditions Index (Sep)
NZ	GDP Q2
Japan	Merchandise Trade Balance, Exports, and Imports (Aug)
Australia	Labour Market and Employment Survey (Aug)

THURSDAY 16 SEPTEMBER

US	Initial Jobless Claims (wk ending 10 Sep), Continuing Unemployment Claims (wk ending 3 Sep), and PUA Claims, Philadelphia Fed Manufacturing Survey (Sep), Retail Sales (Aug)
----	--

FRIDAY 17 SEPTEMBER

Europe	Eurozone CPI (final) (Aug)
US	University of Michigan Consumer Sentiment - Prelim (Sep)
