

Key themes for the week ahead

The focus for the week ahead will be firmly on the US FOMC policy decision and a notable number of other central bank meetings.

The FOMC will meet this week and submit new economic projections (SEP). The policy decision is likely to include a timeline for tapering – to possibly commence later in Q4. But there is also a chance that the Fed doesn't announce a taper timeline at this meeting (maintain optionality). Either way, the SEP will be important this month to understand how committee members judge the progress of the recovery, whether there is any consensus around growth slowing and the impact on the outlook. The FOMC will want to keep a taper decision independent from a link to a future rate increase to ensure that markets don't interpret the taper as a part of a tightening path.

US Fed Chair Powell will speak on Friday at a virtual event - "Perspectives on the pandemic recovery".

Other central bank meetings this week: the BoJ, the BoE, and the PBoC. There is a holiday in China on 20/21 Sep and the PBoC, or other Chinese policymakers may step in to support markets in the wake of slowing growth and regulatory crackdowns. The minutes of the latest RBA meeting will also be published this week.

There are a notable number of other central bank meetings this week (not listed in the calendar) that may pose some specific headline risk: Sweden, Indonesia, Brazil, SNB, Philippines, Norway, Turkey, and South Africa.

Other important points this week will be US housing market data for Aug. This includes existing home sales expecting 5.89m (5.99m SAAR basis in Jul), building permits expecting 1.61m (prior 1.63m), and housing starts expecting 1.56m (prior 1.53m).

The prelim PMI's will provide a view of private sector momentum coming into Sep across the major economies.

This week, the US Treasury will settle approx. \$191bn in ST Bills and FRN's this week, with a net paydown of -\$90bn (new issuance < maturing securities).

The 10yr TIPS and 20yr Bond will be auctioned this week and will settle next week.

Approx. \$11bn in ST Bills will mature on the Fed balance sheet this week and will be rolled over.

US Treasury Issuance & QE

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The 10yr TIPS and 20yr Bond will be auctioned this week – and will settle next week with the 2, 5, and 7-year Notes.

The 4-week and 8-week bill rates remain elevated in the lead-up to the debt ceiling negotiations.

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>)

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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 % |
|-----------|--------------|-----------------|--|---------------------------|---------------------|---------------|---------------|---------------------------|
| 20-24 Sep | 16-Sep | 21-Sep | 4 week bill | 15 | | | Actual 0.055% | 0.060% |
| | 16-Sep | 21-Sep | 8 week bill | 30 | | | Actual 0.055% | 0.065% |
| | 15-Sep | 21-Sep | 119-Day CMB | 30 | | | Actual 0.045% | 0.045% |
| | | | | 75 | 105 | -30 | | |
| | 20-Sep | 23-Sep | 13 week bill | 45 | | | Announced | 0.040% |
| | 20-Sep | 23-Sep | 26 week bill | 45 | | | Announced | 0.050% |
| | | | | 90 | 176 | -86 | | |
| | 22-Sep | 24-Sep | 2yr FRN | 26 | | | Announced | 0.026% |
| | | | | 26 | 0 | 26 | | |
| | | | Total - securities settling this week | 191 | 281 | -90 | | |
| | | | QTR to date totals | 3,754 | 3,665 | 89 | | |
| | | | <i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i> | | | <i>673</i> | | |
| | | | Fed SOMA - Face Value of SOMA securities maturing | \$B | | | | |
| | | 21-Sep | Bills | 6.6 | | | | |
| | | 23-Sep | Bills | 4.0 | | | | |
| | | | | 10.6 | | | | |
| | | | Upcoming Auctions | | | | | |
| | 23-Sep | 30-Sep | 10yr TIPS | 14 | | | Announced | -1.016% |
| | 21-Sep | 30-Sep | 20yr Bond | 24 | | | Announced | 1.850% |

<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>

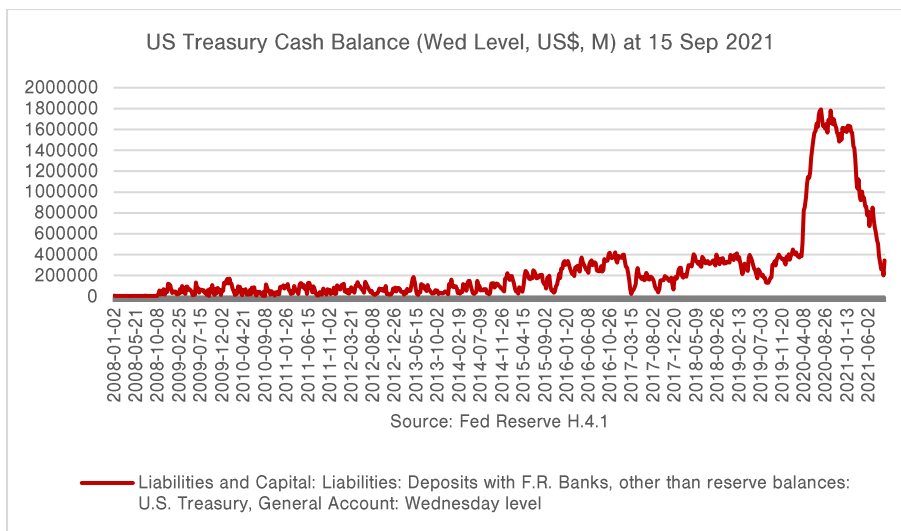
The revised refunding assumptions:

- 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 increased last week by \$143bn (after decreasing by \$96bn in the prior week).

The balance of the TGA (15 Sep) was \$344bn. Since the start of 2021, the TGA balance has declined by \$1.26tr.



<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 20 Sep | 3.225 | 5.573 |
| Tue 21 Sep | 1.225 | 4.661 |
| Wed 22 Sep | n/a | 5.573 |
| Thur 23 Sep | 1.425 | 4.661 |
| Fri 24 Sep | 6.025 | 5.573 |
| Total Announced Purchases | \$11.9bn (last week \$18.5bn) | \$26bn (last week \$24.6bn) |

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/ambs_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 20 SEPTEMBER 2021

MONDAY 20 SEPTEMBER (US Eastern Time, unless stated otherwise)

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| Europe | ECB President Lagarde speech |
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| US | NAHB Housing Market Index (Sep) |
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| Australia | RBA Minutes |
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TUESDAY 21 SEPTEMBER

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| US | Building Permits (Aug), Housing Starts (Aug) |
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| China | PBoC Policy Decision |
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| Australia | RBA Asst Governor Bullocks speech |
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| Japan | BoJ Policy Decision |
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WEDNESDAY 22 SEPTEMBER

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| US | Mortgage Applications wk ending 17 Sep, Existing Home Sales (Aug) FOMC Policy Decision |
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| Australia | Markit Prelim PMI's Manufacturing & Services (Sep) |
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THURSDAY 23 SEPTEMBER

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| US | Initial Jobless Claims (wk ending 17 Sep), Continuing Unemployment Claims (wk ending 10 Sep), and PUA Claims, Chicago Fed National Activity Index (Aug), Markit Prelim PMI's Manufacturing & Services (Sep), Kansas City Fed Manufacturing Index (Sep) |
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| Europe | Eurozone Markit Prelim PMI's Manufacturing & Services (Sep) |
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| Japan | National CPI (Aug), Markit Prelim PMI's Manufacturing & Services (Sep) |
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| UK | BoE Policy Meeting |
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FRIDAY 24 SEPTEMBER

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| US | New Home Sales (Aug) Fed Chair Powell speech – virtual event “Perspectives on the Pandemic Recovery” |
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