

Key themes for the week ahead

The focus for the week ahead will be on US Fed and central bank speeches, and inflation data.

This week, the ECB will host the Forum on Central Banking on 28-29 Sep. US Fed Chair Powell will take part along with other major central bank leaders. There is potential for headline risk as central banks start talking about tapering.

US Fed Chair Powell will also supply testimony to the US Senate this week on the CARES Act. There will be numerous other Fed Presidents and FOMC members speaking this week (not all listed in the calendar).

Last week, there was no change to the stance of US Fed monetary policy. Fed Chair Powell announced that the FOMC is preparing to start tapering QE purchases. The tapering process is expected to conclude around the middle of 2022 – *as long as the recovery remains on track*. The taper may be announced in Nov – the next non-payrolls will be important (always is), as will signaling in Fed speeches after that time.

The FOMC revised growth projections lower to 5.9% for 2021 (compared to the Jun forecast) but upgraded the forecast for 2022. The unemployment rate forecast was revised higher to 4.8% for 2021 and the 2022 forecast was unchanged at 3.8%. The 2021 forecast for inflation was revised higher to 4.2% for 2021 (from the 3.4% forecast in Jun). Importantly, the medium-term inflation is forecast to remain above the Fed target level. The FOMC projections for the next rate change are now split 50/50. Nine (9) FOMC members expect no change to rates in 2022 and the other nine (9) expect at least one rate increase by the end of 2022.

Other central banks have either indicated an intention to start to ease QE purchases (BoE last week) and ECB previously (currently “recalibrating” purchases) or have already started to taper QE purchases. The only central bank that has not done so is the BoJ – still citing caution over the pandemic.

This week, the prelim Eurozone CPI for Sep will be released. The headline expectation is for CPI growth of +3.3% (prior 3%).

US PCE inflation data will also be released this week for Aug. Core PCE price growth is expected to remain around 3.5% (from 3.6% in Jul). Headline PCE inflation increased from 4% in Jun to 4.2% in Jul.

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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 %
27 Sep - 1 Oct	23-Sep	28-Sep	4 week bill	10			Actual 0.050%	0.055%
	23-Sep	28-Sep	8 week bill	25			Actual 0.035%	0.055%
	22-Sep	28-Sep	119-Day CMB	30			Actual 0.035%	0.045%
				85	100	-35		
	27-Sep	30-Sep	13 week bill	42			Announced	0.035%
	27-Sep	30-Sep	26 week bill	42			Announced	0.045%
				84	176	-92		
	23-Sep	30-Sep	10yr TIPS	14			Actual -0.939%	-1.016%
	27-Sep	30-Sep	2yr Note	60			Announced	0.242%
	27-Sep	30-Sep	5yr Note	61			Announced	0.831%
	28-Sep	30-Sep	7yr Note	62			Announced	1.155%
	21-Sep	30-Sep	20yr Bond	24			Actual 1.795%	1.850%
				221	82.6	138.4		
			Total - securities settling this week	370	358.6	11.4		
			QTR to date totals	4,124	4,024	100		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>					673
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		28-Sep	Bills	6.2				
		30-Sep	Bills	14.4				
		30-Sep	Notes & Bonds	26.6				
				47.2				

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

Recommended US Treasury Financing Q3

The US Treasury estimated it would raise approx. \$673bn in new money.

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.

The House last week narrowly approved a bill that would suspend the U.S. debt ceiling until Dec. 16, 2022, and continue funding for government operations until Dec. 3. But in the 50-50 Senate, Republicans say they'll unite to oppose including the debt limit hike.

Source: [Bloomberg](#)

There is some headline risk while both sides continue to posture, and the Democrats try and pass their spending and infrastructure Bill.

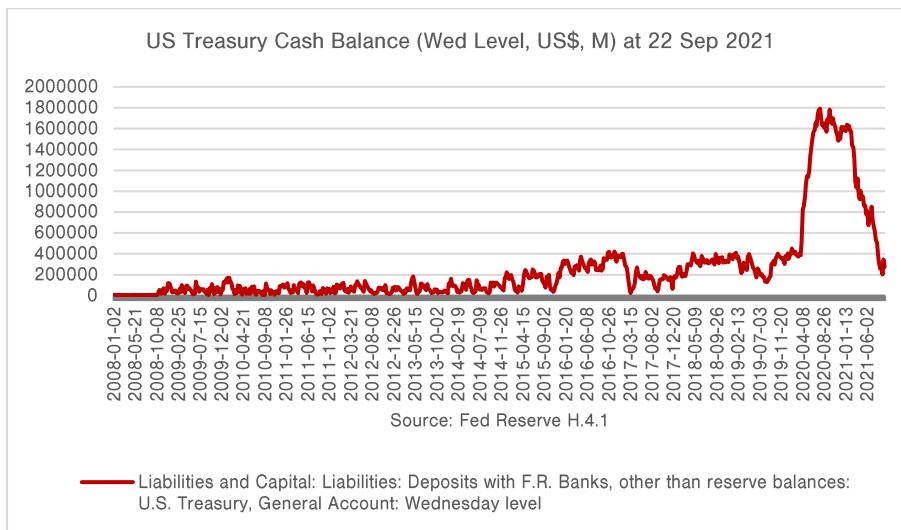
US Treasury Secretary Yellen has already outlined 'extraordinary measures' required to keep funding the government ;

“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 level of the TGA decreased last week by \$72bn (after increasing by \$143bn in the prior week).

The balance of the TGA (22 Sep) was \$272bn. Since the start of 2021, the TGA balance has declined by \$1.33tr.



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

QE PROGRAMS

The new MBS purchase schedule will be released on 28 Sep – the MBS purchase schedule below is incomplete for this week.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 27 Sep	1.425	4.662
Tue 28 Sep	8.425	5.571
Wed 29 Sep	2.025	Tbc
Thur 30 Sep	2.025	Tbc
Fri 1 Oct	8.425	Tbc
Total Announced Purchases	\$22.3bn (last week \$11.9bn)	\$10.2bn (last week \$26bn)

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

WEEK COMMENCING 27 SEPTEMBER 2021

MONDAY 27 SEPTEMBER (US Eastern Time, unless stated otherwise)

US	Durable Goods Orders (Aug), Dallas Fed Manufacturing Survey (Sep), Fed Governor Brainard speech
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Australia	Retail Sales (Aug)
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TUESDAY 28 SEPTEMBER

Europe	ECB Forum on Central Banking 28-29 Sep
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US	Case/Shiller House Price Index (Jul), Richmond Fed Manufacturing Index (Sep), US Fed Chair Powell Senate Committee Testimony, Governor Bowman & President Bostic speeches
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Japan	Retail Trade (Aug)
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WEDNESDAY 29 SEPTEMBER

US	Mortgage Applications wk ending 25 Sep, US Fed Chair Powell pane discussion at the ECB Forum, Presidents Bostic & Williams speeches
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Japan	Industrial Production Prelim (Aug)
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China	NBS Manufacturing and Non-Manufacturing PMI (Sep)
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Australia	Private Sector Credit (Aug)
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THURSDAY 30 SEPTEMBER

US	Initial Jobless Claims (wk ending 25 Sep), Continuing Unemployment Claims (wk ending 18 Sep), and PUA Claims, GDP Q2 Second Est, Chicago PMI (Sep), Fed Presidents Bostic & Williams speeches
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Australia	Markit Manufacturing PMI Final (Sep), Housing Finance (Aug)
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Japan	Markit Manufacturing PMI Final (Sep)
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FRIDAY 1 OCTOBER

Europe	Eurozone CPI Prelim (Sep)
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US	PCE, Income, and Prices (Aug), Markit Manufacturing PMI Final (Sep), ISM Manufacturing PMI (Sep), University of Michigan Consumer Sentiment Final (Sep)
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