

Key themes for the week ahead

The focus for the week ahead will be on central bank rate decisions. It will be a light data week – with US JOLTS for Jul and US PPI for Aug in focus.

This week, the RBA, BoC, and ECB will meet on monetary policy. The expectations are for no change to policy settings by the RBA. The Aus Q2 GDP came in stronger than expected and improving vaccination rates are providing some hope for the easing of restrictions. The ECB may indicate plans for QE tapering. The BoC is not expected to announce any change to policy at this stage despite recently disappointing data.

In the US, the federal pandemic benefits expire this week (5 Sept). These were introduced as a part of the CARES Act last year (PUA, PEUC, EB's, FPUC, and MEUC) to support those impacted by Covid restrictions but not covered by the state unemployment benefits. Some states will still accept new PUA claims over the next few weeks while some states have already ceased extended benefits programs. As of 14 Aug, there were 5.4m people registered for PUA continuing claims, and 3.8m people for PEUC continuing claims.

Last week, US payrolls growth disappointed with a large miss of +235k new payrolls versus +728k expected. The Jul payrolls growth was revised higher to over +1m new payroll jobs. The lower growth in payrolls for Aug may be enough to postpone any taper announcements by the FOMC at the Sept meeting.

The US household labour market survey had some positive results. The decline in the number of unemployed persons was led by growth in employment rather than by a fall in participation. The participation rate remained unchanged (for 16yrs+), and the unemployment rate declined. The US ISM's for Aug indicated a moderating pace of growth. Firms continued to experience supply chain disruptions that impacted output growth. Firms also noted some difficulty in filling positions.

The official Chinese National Bureau of Statistics PMI's came in lower than expected (after recent regulatory crackdowns) with a notable contraction in non-manufacturing activity. The manufacturing PMI was at the 50-neutral level.

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

The US Treasury will also auction \$120bn in Notes and Bonds this week to settle next week.

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 %
Holiday - Mon 6 Sep - Labour Day								
6-10 Sep	02-Sep	07-Sep	4 week bill	25			Actual 0.035%	0.035%
	02-Sep	07-Sep	8 week bill	30			Actual 0.065%	0.060%
	01-Sep	07-Sep	119-Day CMB	30			Actual 0.045%	0.050%
				85	115	-30		
	07-Sep	09-Sep	13 week bill	51			Announced	0.045%
	07-Sep	09-Sep	26 week bill	48			Announced	0.055%
	07-Sep	09-Sep	52 week bill	34			Announced	0.080%
	07-Sep	09-Sep	21-Day CMB	45			Announced	0.040%
				178	162	16		
			Total - securities settling this week	263	277	-14		
			QTR to date totals	3,270	3,121	149		
			<i>Estimated Net Cash to be Raised Q3 (\$ Bn)</i>			<i>673</i>		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		07-Sep	Bills	6.7				
		09-Sep	Bills	13.4				
				20.1				
			Upcoming Auctions:					
	07-Sep	15-Sep	3yr Note	58			Announced	0.465%
	08-Sep	15-Sep	10yr Note	38			Announced	1.340%
	09-Sep	15-Sep	30yr Bond	24			Announced	2.040%
				120	22.22	97.78		

<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 report also indicated that the US Treasury would likely announce the commencement of a reduction in auction sizes at the November TBAC meeting. It was confirmed that the 42-day and 119-day CMB's will cease to be issued during Q3 & Q4.

Consistent with the forecasts that Treasury will be over-financed, all primary dealers expected reductions in coupon auction sizes by the end of CY2022.

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>

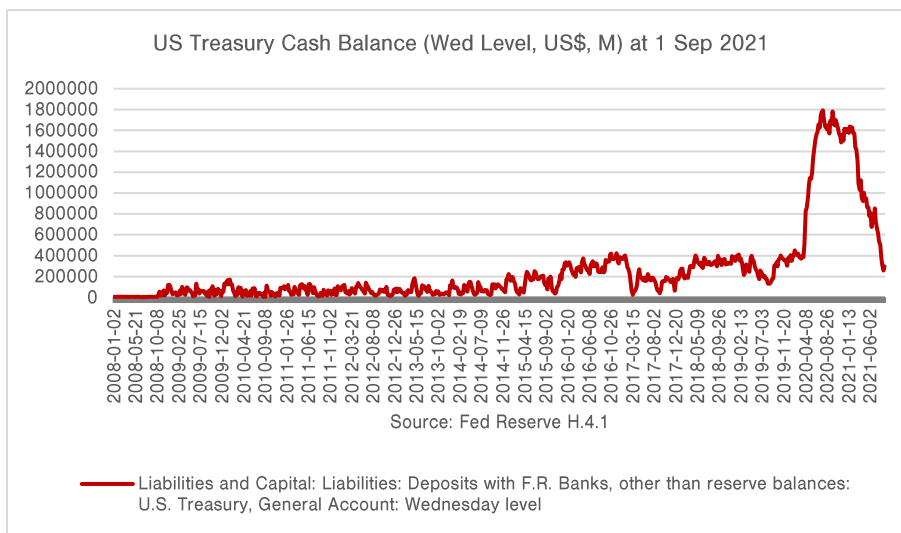
The revised refunding assumptions:

- 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.

The level of the TGA increased last week by \$38bn (after decreasing by \$55bn in the prior week).

The balance of the TGA (1 Sep) was \$297bn. Since the start of 2021, the TGA balance has declined by \$1.31tr.



<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

There are no purchase operations scheduled for Monday 6 Sept.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 6 Sep	Holiday	Holiday
Tue 7 Sep	1.425	4.591
Wed 8 Sep	2.025	5.161
Thur 9 Sep	6.025	4.591
Fri 10 Sep	8.425	5.161
Total Announced Purchases	\$17.9bn (last week \$7.9bn)	\$19.5bn (last week \$21.5bn)

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/ambis_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 6 SEPTEMBER 2021

MONDAY 6 SEPTEMBER (US Eastern Time, unless stated otherwise)

US	Labor Day Holiday
China	Trade Balance, Exports, Imports (Aug)

TUESDAY 7 SEPTEMBER

Australia	RBA Rates Decision
Europe	GDP Q2 Prelim
Japan	GDP Q2 Prelim

WEDNESDAY 8 SEPTEMBER

US	Mortgage Applications wk ending 3 Sep, JOLTS (Jul), Consumer Credit (Jul), Fed Governor Williams speech
Australia	RBA Asst Governor Debelle speech, NAB Business Confidence & Conditions (Aug)
Canada	BoC Rates Decision
China	CPI & PPI (Aug)

THURSDAY 9 SEPTEMBER

US	Initial Jobless Claims (wk ending 3 Sep), Continuing Unemployment Claims (wk ending 28 Aug), and PUA Claims, US Fed Governor Williams, Daly, and Bowman speeches
Australia	RBA Asst Governor Debelle speech
Europe	ECB Rates Decision

FRIDAY 10 SEPTEMBER

US	PPI (Aug)
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