

Key themes for the week ahead – growth momentum & output, inflation, and US housing data

A quieter week on the data front, but a lot of Fed speak this week.

There will be US Fed speeches on most days this week. Chair Powell was expected to speak later in the week – but this is not yet on the [Fed calendar](#). The next FOMC meeting is two weeks away (2-3 Nov), so this will be the last week for signaling ahead of that meeting. There was much to digest from last week with CPI, FOMC minutes, and the flattening yield curve.

The FOMC minutes last week showed that an announcement on taper may be made at the Nov meeting. In a speech last week, Vice Chair Clarida indicated that inflation targets had been more than met and that labour market conditions for a taper had been “all but” met. A more cryptic reference to “very nearly”, or “almost”. Higher, and so far, more persistent inflation has been the theme markets have been digesting. Market estimates of hikes were brought forward, and the yield curve flattened as 1yr-7yr yields reached YTD highs by the end of the week.

In his speech last week, Vice Chair Clarida also noted ‘significant shifts in aggregate demand and supply’ (due to policies to manage the pandemic). He was referencing the impact of supply chain bottlenecks on output and prices that are persisting. This week, we’ll get a further reading of the impact of ongoing bottlenecks on growth momentum and output leading into Q4.

Firstly, US industrial production and Chinese industrial production data will round out the view of industrial output for Sep. Then, later in the week, the prelim Oct PMIs for a range of countries will be released.

Other inflation data out this week will round out the Sep data and includes the final Euro area CPI for Sep, NZ CPI (upside surprise earlier today), and Japan National CPI for Sep. The prior YoY CPI growth for Japan was -0.4%.

US housing data for Sep will be out this week – including existing home sales (exp 6.06m SAAR), building permits (exp 1.68m SAAR), and housing starts (1.62m SAAR).

The RBA minutes for Oct will be released and RBA Governor Lowe speaks this week.

This week, the US Treasury will settle approx. \$298bn in ST Bills raising approx. \$110bn in new money. This is a relatively heavy week for ST Bills. A number of additional Cash Management Bills (CMB’s) were added to the schedule last week and again this week to help manage Treasury spending leading up to debt ceiling and funding negotiations.

Approx. \$19bn in ST Bills will mature on the Fed balance sheet this week and will be rolled over. The 5yr TIPS and 20yr Bond will be auctioned this week – and will settle around month end.

US Treasury Issuance & QE

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There has been a shift in timing for debt ceiling negotiations and this is reflected in the still somewhat elevated 8-week Bill rate.

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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 %
18-22 Oct	14-Oct	19-Oct	4 week bill	25			Actual 0.035%	0.035%
	14-Oct	19-Oct	8 week bill	25			Actual 0.080%	0.110%
	13-Oct	19-Oct	119-Day CMB	35			Actual 0.050%	0.055%
	14-Oct	18-Oct	39-Day CMB	60			Actual 0.055%	n/a
				145	80	65		
	18-Oct	21-Oct	13 week bill	48			Announced	0.050%
	18-Oct	21-Oct	26 week bill	45			Announced	0.055%
	19-Oct	21-Oct	40-Day CMB	60			Announced	n/a
				153	108	45		
			Total - securities settling this week	298	188	110		
			Net New Cash Raised Qtr to Date	815	653	162		
			<i>Estimated Net Cash to be Raised Q4</i>			703		
			Fed SOMA - Face Value of SOMA securities maturing	\$ B				
		19-Oct-21	Bills	5.3				
		21-Oct	Bills	13.5				
				18.8				
			Upcoming Auctions:					
	21-Oct	29-Oct	5yr TIPS	19			Announced	-1.418%
	20-Oct	01-Nov	20yr Bond	24			Announced	1.795%

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

Recommended US Treasury Financing Q4

In Q3, the US Treasury estimated it would raise approx. \$703bn in new money for Q4. This will be updated at the next TBAC meeting on 3 Nov.

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>

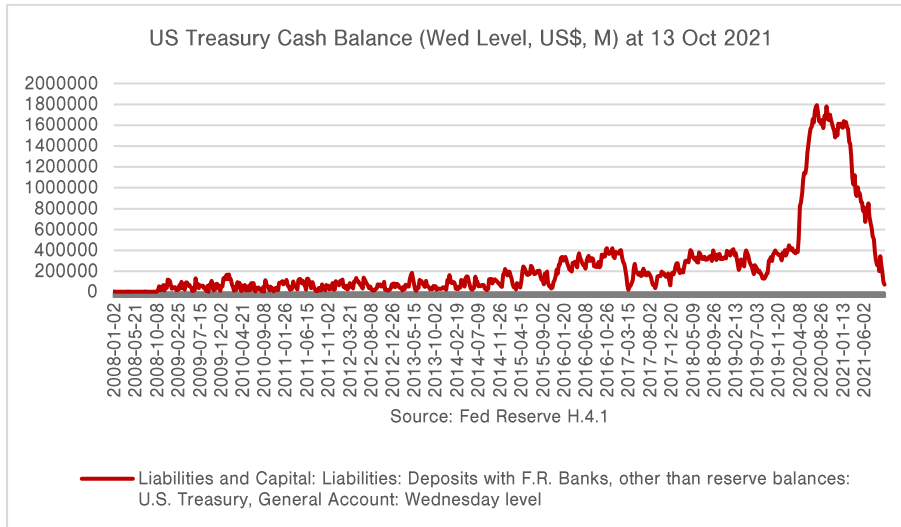
The suspension of the federal debt ceiling ended on 31 July.

A short-term funding agreement last week has extended the debt ceiling deadline to approx. 3 Dec 2021. As well, short-term measures were passed last week keeping the US government funded until Dec 3.

The level of the TGA decreased further last week by \$23bn (after decreasing by \$78bn in the prior week).

The balance of the TGA (13 Oct) was \$72.4bn. The last time the TGA was lower than the current level was in Dec 2017. The US Treasury is using ST CMB's to manage the spending leading up to the debt ceiling resolution.

Since the start of 2021, the TGA balance has declined by \$1.535tr.



<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 18 Oct	2.025	5.833
Tue 19 Oct	8.425	4.859
Wed 20 Oct	2.025	5.833
Thur 21 Oct	3.225	4.859
Fri 22 Oct	1.425	5.833
Total Announced Purchases	\$17.12bn (last week \$21.9bn)	\$27.27bn (last week \$20.4bn)

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 18 OCTOBER 2021

MONDAY 18 OCTOBER (US Eastern Time, unless stated otherwise)

China	(Sunday night) – GDP Q3, Industrial Production (Sep), Retail Sales (Sep)
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US	Industrial Production (Sep), NAHB Housing Market Conditions Index (Oct), Fed speeches: Quarles
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Australia	RBA Minutes
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TUESDAY 19 OCTOBER

US	Building Permits (Sep), Housing Starts (Sep), Fed speeches: Bowman, Daly, Waller, and Bostic
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Japan	Merchandise Trade, Exports, and Imports (Sep)
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WEDNESDAY 20 OCTOBER

US	Mortgage Applications wk ending 15 Oct, Fed speeches: Quarles
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Europe	Eurozone CPI Final (Sep)
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THURSDAY 21 OCTOBER

US	Initial Jobless Claims (wk ending 15 Oct), Continuing Unemployment Claims (wk ending 8 Oct), Philadelphia Fed Manufacturing Survey (Oct), Existing Home Sales (Sep), Employment Cost Index Q3 (tbc), Fed speeches: Waller
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Australia	RBA Governor Lowe speech, Prelim Manufacturing & Services PMI (Oct)
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Japan	National CPI (Sep), Prelim Manufacturing & Services PMI (Oct)
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FRIDAY 22 OCTOBER

Europe	Eurozone Prelim Manufacturing & Services PMI (Oct)
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US	Prelim Manufacturing & Services PMI (Oct), Fed speeches: Williams & Daly
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