

Key themes for the week ahead – central bank policy decisions, inflation, and US growth (tech earnings too)

This will be the first of two weeks of major central bank policy decisions. This week: the BoC, BoJ, and ECB. Next week: the RBA, FOMC, and BoE. Policy decisions and signaling will be interesting in the context of recent front-end sell-offs. Market pricing of rate hikes have been brought forward across many countries – despite some CB guidance.

This week, the BoC is expected to keep rates on hold, but with a chance for a further taper announcement.

The ECB is expected to keep policy settings on hold. Guidance on taper will be important. The Sep CPI was confirmed at +3.4% – led by accelerating energy prices. Underlying inflation is 1.9% ex-energy but accelerating. The Eurozone flash PMI for Oct suggests the Euro growth momentum slowing into Q4. The Euro area Oct prelim CPI is out this week, expecting +3.7% headline growth (up from 3.4% in Sep). Q3 GDP is expected to slow to +3.5%.

The BoJ is expected to keep policy settings unchanged. Last week CPI growth remained well below the BoJ targets. The latest flash PMI's for Oct indicated a welcomed shift in growth momentum at the start of Q4.

Next week the RBA meets. Rate hikes are being priced in much earlier than RBA guidance. Last week the RBA responded by buying up to \$1bn of 2024 3yr AGB to defend the 0.1% target rate. Minutes reaffirmed dovish guidance especially as the country emerges from multiple lockdowns. The Q3 CPI is released this week – expecting inflation to 'ease' to 3.1% (from 3.8% - base effects).

The BoE also meets next week. The new BoE chief economist expected inflation to be higher into H1 next year. It was suggested that next week could be "live" for a rate hike discussion – but it would be "finely balanced".

US rates have also been pricing an earlier liftoff with a flattening yield curve. The lift in ST rates has been in line with a shift in Fed guidance, but concern is rates rising going into a lower growth environment (roll-off of stimulus etc). The PCE inflation is out this week for Sep – expecting core inflation to increase to 3.7% from 3.4%. The ECI for Q3 will provide some insight into wages. US growth has been downgraded throughout Q3 and GDP for Q3 is expected to slow to +2.8% annualized. Looking forward, the flash PMI's for Oct (released last week), reported a notable lift in services output and activity. Manufacturing output continues to be hampered by ongoing supply chain disruptions while demand has remained robust. Widespread input price increases were again reported by firms.

The US Treasury will settle approx. \$286bn in ST Bills and 5yr TIP's raising approx. \$103bn in new money. Additional Cash Management Bills (CMB's) were added to the schedule as the US Treasury manages the TGA balance amid debt ceiling discussions. Just over \$200bn in Notes (2yr, 5yr, and 7yr) and 2yr FRN will be auctioned this week – and will settle next week.

US Treasury Issuance & QE

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Approx. \$17bn in ST Bills will mature on the Fed balance sheet this week and will be rolled over.

Just over \$200bn in Notes and FRN's will be auctioned this week – and will settle next week.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
25-29 Oct	21-Oct	26-Oct	4 week bill	60			Actual 0.050%	0.035%
	21-Oct	26-Oct	8 week bill	25			Actual 0.100%	0.080%
	20-Oct	26-Oct	119-Day CMB	40			Actual 0.055%	0.050%
				125	75	50		
	25-Oct	28-Oct	13 week bill	54			Announced	0.055%
	25-Oct	28-Oct	26 week bill	48			Announced	0.060%
	26-Oct	28-Oct	48-Day CMB	40			Announced	n/a
				142	108	34		
	21-Oct	29-Oct	5yr TIPS	19	0	19	Actual -1.685%	-1.416%
			Total - securities settling this week	286	183	103		
			Net New Cash Raised Qtr to Date	1161	836	325		
			<i>Estimated Net Cash to be Raised Q4</i>			703		
			Fed SOMA - Face Value of SOMA securities maturing	\$ B				
		26-Oct-21	Bills	5.0				
		28-Oct-21	Bills	12.6				
				17.6				
			Upcoming Auctions:					
	27-Oct	01-Nov	2Yr FRN	28			Announced	0.026% (HDM)
	26-Oct	01-Nov	2yr Note	60			Announced	0.310%
	27-Oct	01-Nov	5yr Note	61			Announced	0.990%
	28-Oct	01-Nov	7yr Note	62			Announced	1.332%
	20-Oct	01-Nov	20yr Bond	24			Completed - Actual 2.1%	1.795%
				235	143.46	91.543		

<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>

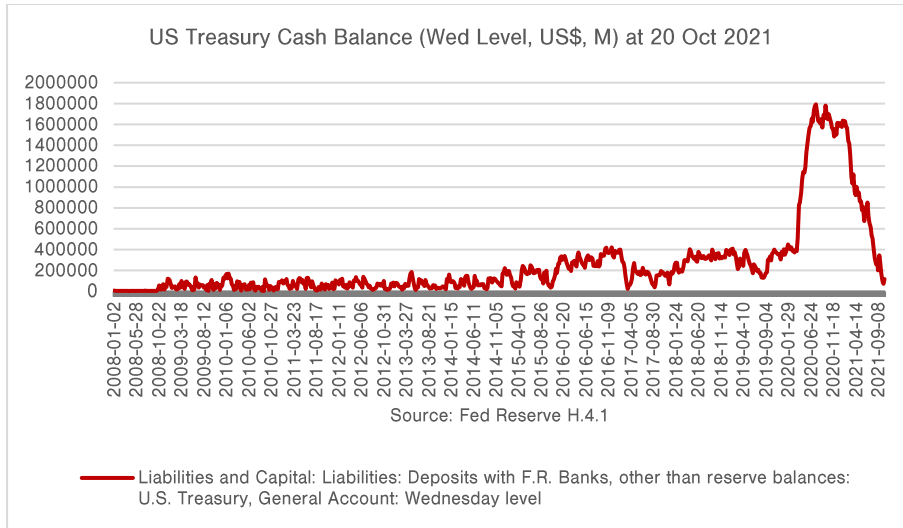
The suspension of the federal debt ceiling ended on 31 July.

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

The level of the TGA increased last week by \$45bn (after decreasing by \$23bn in the prior week).

The balance of the TGA (20 Oct) was \$117.4bn. The US Treasury is using ST CMB's to manage spending and cash levels leading up to the debt ceiling resolution.

Since the start of 2021, the TGA balance has declined by \$1.49tr.



<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

The new MBS operation schedule will be released on 28 Oct – the data below is incomplete for the week.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 25 Oct	2.025	4.859
Tue 26 Oct	1.225	5.833
Wed 27 Oct	1.425	4.861
Thur 28 Oct	12.425	5.828
Fri 29 Oct	1.425	Tbc
Total Announced Purchases	\$18.5bn (last week \$17.1bn)	\$21.4bn (last week \$27.3bn)

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 25 OCTOBER 2021

MONDAY 25 OCTOBER (US Eastern Time, unless stated otherwise)

US	Chicago Fed National Activity Index (Sep), Dallas Fed Manufacturing Survey (Oct)
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TUESDAY 26 OCTOBER

US	Case/Shiller House Price Index (Aug), Richmond Fed Manufacturing Survey (Oct), New Home Sales (Sep)
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Australia	CPI Q3
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WEDNESDAY 27 OCTOBER

US	Mortgage Applications wk ending 22 Oct, Advance Durable Goods Orders (Sep)
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Canada	BoC Policy Decision
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Japan	BoJ Policy Decision, Retail Trade (Sep)
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THURSDAY 28 OCTOBER

US	Initial Jobless Claims (wk ending 22 Oct), Continuing Claims (wk ending 15 Oct), Advance Est GDP Q3, Pending Home Sales (Sep), Kansas City Fed Manufacturing Index (Oct)
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Japan	Industrial Production Prelim (Sep)
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Europe	ECB Policy Decision
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FRIDAY 29 OCTOBER

Australia	Private Sector Credit Change (Sep), Retail Sales (Sep)
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Europe	Eurozone Advance GDP Q3, Eurozone Prelim CPI (Oct)
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US	PCE, Income, and Price Index (Sep), Employment Cost Index Q3, Chicago PMI (Oct), University of Michigan Consumer Sentiment Final (Oct)
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