

Key themes for the week ahead

The focus for the week ahead will be on US non-farm payrolls and several central bank meetings.

This week the RBA and RBNZ will meet to review monetary policy settings. The RBA is expected to hold rates unchanged at 0.10%. There is a chance that the RBNZ will raise rates by 25bps, despite Covid restrictions still in place. The ECB will release the minutes of its latest meeting this week. There will also be several speeches by US Fed officials including Vice Chair Quarles.

Inflation data last week came in just slightly ahead of expectations. The prelim Euro area CPI for Sep came in at +3.4% (expecting 3.3%) as annual energy price growth continued to accelerate (+17% in Sep). Excluding energy, the prelim CPI growth was lower at +1.9% (but up from +1.7% in Aug).

US annual PCE price inflation for Aug came in at +4.26% ahead of the Jul rate of +4.16%. Core inflation was slightly higher than expected at +3.6% in Aug. The latest Fed forecast has PCE inflation at 4.2% for 2021. Personal income growth slowed in Aug as growth in employee compensation and government transfer payments slowed. US Personal consumption expenditures (nominal value) increased at a faster pace in Aug led by faster growth in non-durable goods and slower growth in services. This offset a further (albeit slower) decline in durable goods consumption for Aug – due to a combination of restricted supply and higher prices. Consumer sentiment improved slightly at the end of Sept, but sentiment towards durables remained weak. This month, consumer sentiment noted that inflation had already impacted living standards:

Indeed, favorable buying attitudes posted some small further declines due to complaints about prices for homes, vehicles, and durables, all of which were already near all-time lows. **Even if transient, higher inflation has already decreased living standards, and further damage is anticipated as just 18% of all households anticipated income gains would be larger than the expected inflation rate.**

<http://www.sca.isr.umich.edu/>

The main focus this week will be on US non-farm payrolls for Sep. Expectations are for a +460k increase in payrolls. The unemployment rate is expected to decline slightly to 5.1%.

Also out this week will be the US ISM Services PMI for Sep.

This week, the US Treasury will settle approx. \$183bn in ST Bills with a net paydown of \$57bn. Some short-term Bill rates remain slightly elevated amid debt ceiling negotiations.

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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 %
4-8 Oct	30-Sep	05-Oct	4 week bill	10			Actual 0.045%	0.050%
	30-Sep	05-Oct	8 week bill	25			Actual 0.040%	0.035%
	29-Sep	05-Oct	119-Day CMB	30			Actual 0.050%	0.035%
				65	95	-30		
	04-Oct	07-Oct	13 week bill	42			Announced	0.035%
	04-Oct	07-Oct	26 week bill	42			Announced	0.050%
	05-Oct	07-Oct	52 week bill	34			Announced	0.075%
				118	145	-27		
			Total - securities settling this week	183	240	-57		
			Net New Cash Raised Qtr to Date	183	240	-57		
			<i>Estimated Net Cash to be Raised Q4</i>			703		
			Fed SOMA - Face Value of SOMA securities maturing	\$ B				
		05-Oct	Bills	6.1				
		07-Oct	Bills	19.5				
				25.7				

<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 in early 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>

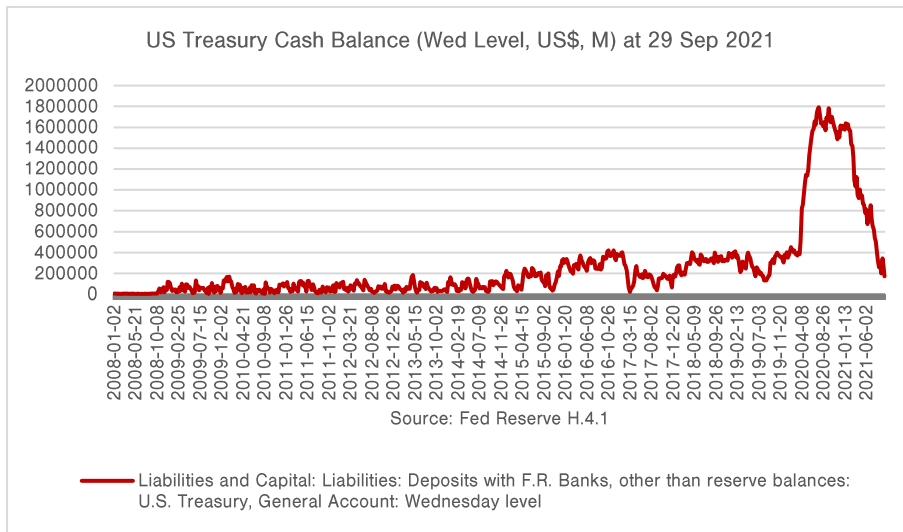
The suspension of the federal debt ceiling ended on 31 July.

The 18th Oct has been flagged as a possible 'deadline' for the debt ceiling to either be raised or suspended. The US Treasury Secretary has indicated that the current extraordinary expenditure measures will be exhausted by this date.

Short-term measures were passed last week keeping the US government funded until Dec 3.

The level of the TGA decreased last week by \$99bn (after decreasing by \$72bn in the prior week).

The balance of the TGA (29 Sep) was \$173bn. Since the start of 2021, the TGA balance has declined by \$1.43tr.



<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 4 Oct	2.025	5.384
Tue 5 Oct	3.225	4.794
Wed 6 Oct	1.425	5.384
Thur 7 Oct	1.225	4.794
Fri 8 Oct	12.425	5.384
Total Announced Purchases	\$20.3bn (last week \$22.3bn)	\$25.7bn (last week \$25.2bn)

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 4 OCTOBER 2021

MONDAY 4 OCTOBER (US Eastern Time, unless stated otherwise)

US	OPEC Meeting, Factory Orders (Aug)
Australia	Markit Services PMI Final (Sep), NAB Business Confidence & Conditions (Sep) RBA Monetary Policy Decision
Japan	Markit Services PMI Final (Sep)

TUESDAY 5 OCTOBER

Europe	Eurozone Markit Services PMI Final (Sep)
US	Markit Services PMI Final (Sep), ISM Services PMI (Sep), Fed Vice Chair Quarles speech
NZ	RBNZ Monetary Policy Decision

WEDNESDAY 6 OCTOBER

US	Mortgage Applications wk ending 1 Oct, ADP Employment Change exp +430k (Sep)
Europe	Germany Factory Orders (Aug), Eurozone Retail Sales (Aug)

THURSDAY 7 OCTOBER

US	Initial Jobless Claims (wk ending 1 Oct), Continuing Unemployment Claims (wk ending 25 Sep), and PUA Claims, Challenger Job Cuts (Sep), Consumer Credit (Aug)
Europe	Germany Industrial Production (Aug), ECB Minutes

FRIDAY 8 OCTOBER

US	Non-Farm Payrolls exp +460k (Sep) & Employment Market Survey (Sep)
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