

Key themes for the week ahead – inflation

Inflation is the key theme for this week with several more CPI reports due for Oct.

There will also be numerous US Fed speeches this week, the first look at US manufacturing momentum going into Nov, and US housing data for Oct.

Inflation

Key central bank policymakers have acknowledged that inflation has been more persistent than expected. Central banks have forecast that Inflation will likely ease through H1 next year as supply chains recover, Covid pressures ease, and labour markets continue to recover. But ST rates still reflect the likelihood that CB's will start to hike earlier than expected.

From last week, consumer price inflation came in higher than expected in the US and China for Oct. In the US, CPI growth was +6.2% (exp +5.8%) and there was a broad contribution to the acceleration. By the end of the week, ST US rates (1-5yr) reached new YTD highs as the curve flattened even further.

The inflation data out this week is important in the context of the other key CB's and ST rate forecasts; UK CPI (exp +3.9%), Canada CPI (exp +4.6%), Eurozone CPI (exp +4.1% and +0.8% mth), Japan CPI (exp +0.2%) and the Aus Wage Price Index (exp +2.2% YoY and +0.5% Qtr). Japan is the obvious exception.

Growth Momentum

This week US industrial production data for Oct will be released (exp +0.7% v -1.3% Sep) – last month was lower due mostly to a further 7% decline in motor vehicle output. We will also get the first view of US manufacturing momentum going into Nov with several regional surveys to be released. This will provide further insight into the progress of supply chain issues, prices, and impact on output.

This week, the US Treasury will settle approx. \$363bn in ST Bills, Notes, and Bonds, raising approx. \$37bn in new money. This includes the addition of a \$60bn 14-Day CMB this week.

The US Treasury will also auction 10yr TIPS and the 30yr Bond this week – to settle on 30 Nov.

A decision on the US Fed Chair position is imminent.

Next week is a short week due to the US Thanksgiving holiday.

US Treasury Issuance & QE

This week, the US Treasury will settle approx. \$363bn in ST Bills, Notes, and Bonds, raising approx. \$37bn in new money. This includes the addition of a \$60bn 14-Day CMB this week.

The US Treasury will also auction 10yr TIPS and the 30yr Bond this week – to settle on 30 Nov.

Approx. \$90bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be rolled over.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
15-19 Nov	10-Nov	16-Nov	4 week bill	10			Actual 0.050%	0.040%
	10-Nov	16-Nov	8 week bill	25			Actual 0.060%	0.055%
	10-Nov	16-Nov	119-Day CMB	40			Actual 0.055%	0.055%
				75	85	-10		
	15-Nov	18-Nov	13 week bill	57			Announced	0.045%
	15-Nov	18-Nov	26 week bill	51			Announced	0.065%
	16-Nov	18-Nov	14-Day CMB	60			Announced	n/a
				168	165	3		
	08-Nov	15-Nov	3yr Note	56			Actual 0.750%	0.635%
	09-Nov	15-Nov	10yr Note	39			Actual 1.444%	1.584%
	10-Nov	15-Nov	30yr Bond	25			Actual 1.940%	2.049%
				120	75.86	44.14		
			Total - securities settling this week	363	325.86	37.14		
			Net New Cash Raised Qtr to Date	2197	1705	492		
			<i>Estimated Net Cash to be Raised Q4</i>			1015		
			Fed SOMA - Face Value of SOMA securities maturing	\$ B				
		15-Nov	Notes & Bonds	69.4				
		16-Nov	Bills	7.0				
		18-Nov	Bills	13.9				
				90.3				
			Upcoming Auctions					
	18-Nov	30-Nov	10yr TIPS	14			Announced	-0.939%
	17-Nov	30-Nov	20yr Bond	23			Announced	2.100%
				37.0				

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

Recommended US Treasury Financing Q4

The latest TBAC recommended US treasury financing schedule for Q4 has been released. Net Bills to be issued this quarter is estimated to be \$380bn. Net coupons to be issued this quarter is estimated to be \$634bn. Total net cash to be raised this quarter was revised higher to \$1.015tr (up from the \$703bn estimate).

As previously noted, the US Treasury will begin 'modest reductions' in nominal coupon securities auction sizes from Nov 21 to Jan 22. Seasonal or unexpected variations will be addressed via Bill auction sizes or CMB's.

This approach reflects Treasury's desire to preserve flexibility to adjust future financing plans in light of the remaining uncertainty in the fiscal outlook. Any additional issuance-size changes will be announced quarterly in subsequent refunding statements.

Nominal coupon changes – details can be [found here](#).

Debt Limit

The debt limit was increased on 14 Oct 21;

Secretary Yellen stated in a letter to Congress on October 18, 2021 that the \$480 billion increase in the debt limit provided “a high degree of confidence that Treasury will continue to be able to finance the operations of the federal government through December 3, 2021.” The letter also stated that “it is imperative that Congress act to increase or suspend the debt limit in a way that provides longer-term certainty that the government will satisfy all its obligations.”

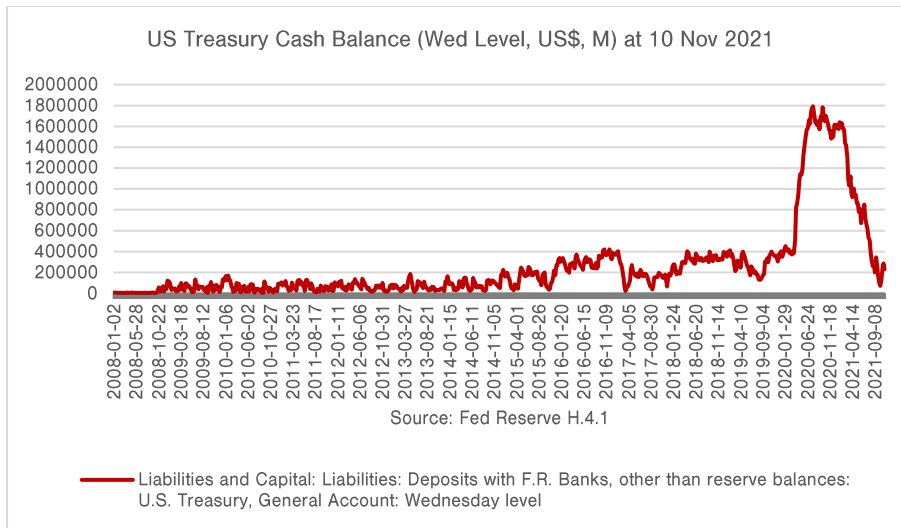
This increase in the debt limit enabled the Treasury to increase its cash balance. As we saw, this was via CMB’s and some increases in Bill auction sizes. The supply of Bills is now expected to decline until the debt limit is resolved.

The 17-week (119-day) CMB will continue to be issued “at least” through the end of Jan 22.

<https://home.treasury.gov/system/files/221/TBACRecommendedFinancingTableQ42021-11032021.pdf>

The level of the TGA decreased last week by \$55bn (after increasing by \$50bn in the prior week).

The balance of the TGA (10 Nov) was \$231bn. Since the start of 2021, the TGA balance has declined by \$1.37tr.



<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 15 Nov	10.875	4.732
Tue 16 Nov	6.700	5.616
Wed 17 Nov	-	4.732
Thur 18 Nov	1.600	5.616
Fri 19 Nov	1.775	4.732
Total Announced Purchases	\$20.95bn (last week \$6.5bn)	\$25.43bn (last week \$21.4bn)

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 15 NOVEMBER 2021

MONDAY 15 NOVEMBER (US Eastern Time, unless stated otherwise)

Japan	(Sunday night) GDP Q3, Industrial Production – Final (Sep)
China	(Sunday night) Retail Sales (Oct), Industrial Production (Oct)
US	NY Empire State Manufacturing Index (Nov)
Australia	RBA Minutes, RBA Governor Lowe speech

TUESDAY 16 NOVEMBER

Europe	Eurozone GDP - First Est Q3
US	Retail Sales (Oct), Industrial Production (Oct), NAHB Housing Market Index (Nov), Fed Speeches: Bostic, Barkin, Daly
Australia	Wage Price Index Q3
Japan	Merchandise Trade Balance, Exports, and Imports (Oct)

WEDNESDAY 17 NOVEMBER

US	Mortgage Applications wk ending 12 Nov, Building Permits (Oct), Housing Starts (Oct), Fed Speeches: Bowman, Daly, Waller (Stable Coins), Evans, Bostic, & Williams
Europe	Eurozone CPI – Final (Oct)
UK	CPI (Oct)
Canada	CPI (Oct)

THURSDAY 18 NOVEMBER

US	Initial Jobless Claims (wk ending 13 Nov), Continuing Claims (wk ending 6 Nov), Philadelphia Fed Manufacturing (Nov), Kansas City Fed Manufacturing Index (Nov), Fed Speeches: Williams, Evans
Japan	National CPI (Oct)

FRIDAY 19 NOVEMBER

Europe	ECB President Lagarde speech
US	Fed speeches: Waller (Econ Outlook) and Clarida (Monetary Policy Co-ordination, Co-operation, and Correlation)
