

Key themes for the week ahead – central banks, global growth momentum, and US inflation

It might be a shortened holiday week, but there will be much to digest.

Central Banks

The latest FOMC and ECB meeting minutes will be released. The next US Fed Chair is expected to be announced this week. The RBNZ meets this week and a 25bps increase in the cash rate is possible. There will also be several speeches including BoE Governor Bailey and ECB President Lagarde.

Global Growth Momentum

This week, the prelim PMI's for Nov are expected to show continued modest acceleration in US manufacturing and services activity. Private sector growth across the UK and Europe is expected to have slowed. Covid disruptions within Europe remain an issue.

US industrial production last week improved across the three key industries, with a notable rebound in motor vehicle output. Initial US regional manufacturing data for Nov indicated that input and selling price growth remained widespread and growth in delivery lead-times remained elevated. Demand growth was mixed.

Inflation

This week, the US Fed preferred view of consumer prices will be released. The PCE price index is expected to increase by +4.6% in Oct (from 4.4% in Sep) and the core PCE price index is expected to accelerate from 3.6% in Sep to 4.1% in Oct.

Last week, consumer price inflation data from the UK and Canada showed a further acceleration. UK CPI was higher than expected at 4.2% (expecting 3.9%) and consumer prices in Canada increased by 4.7% (expecting 4.7%) versus +4.4% in Sep. Aus wages growth was a little higher than expected at +0.6% for the quarter (prior +0.4%). Japan consumer price growth remained weak with headline CPI -0.1% (expecting +0.5%) for the year to Oct.

The monthly US personal consumption expenditure and income data for Oct will also be released this week. Incomes are expected to increase by +0.2% (MoM) after declining by -1% in Sep. Personal expenditures are expected to increase by 1% (prior month +0.6%). The final University of Michigan consumer sentiment data for Nov is expected to show little improvement with headline sentiment at 67 (versus 66.8 prelim Nov).

This week, the US Treasury will auction and settle approx. \$287bn in ST Bills and FRN's, raising approx. \$7bn in new money. The US Treasury will also auction the 2yr, 5yr, and 7yr Notes this week (\$176bn) – to settle next week on 30 Nov.

US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$287bn in ST Bills and FRN's, raising approx. \$7bn in new money. This includes the addition of several CMB's this week.

The US Treasury will also auction the 2yr, 5yr, and 7yr Notes this week – to settle on 30 Nov.

Approx. \$19bn in ST Bills 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 % |
|--------------------------------|--------------|-----------------|--|---------------------------|---------------------|---------------|---------------------------|
| <i>25 Nov Thanksgiving Day</i> | | | | | | | |
| 22-26 Nov | 18-Nov | 23-Nov | 4 week bill | 10 | | Actual 0.110% | 0.050% |
| | 18-Nov | 23-Nov | 8 week bill | 25 | | Actual 0.045% | 0.045% |
| | 17-Nov | 23-Nov | 119-Day CMB | 40 | | Actual 0.055% | 0.055% |
| | 17-Nov | 23-Nov | 22-Day CMB | 40 | | Actual 0.130% | n/a |
| | | | | 115 | 115 | 0 | |
| | 22-Nov | 26-Nov | 13 week bill | 57 | | Announced | 0.045% |
| | 22-Nov | 26-Nov | 26 week bill | 51 | | Announced | 0.065% |
| | 23-Nov | 26-Nov | 35-Day CMB | 40 | | Announced | n/a |
| | | | | 148 | 165 | -17 | |
| | 23-Nov | 26-Nov | 2Yr FRN | 24 | | Announced | 0.035% (HDM) |
| | | | | 24 | 0 | 24 | |
| | | | Total - securities settling this week | 287 | 280 | 7 | |
| | | | Net New Cash Raised Qtr to Date | 2484 | 1985 | 499 | |
| | | | <i>Estimated Net Cash to be Raised Q4</i> | | | 1015 | |
| | | | Fed SOMA - Face Value of SOMA securities maturing | \$ B | | | |
| | | 23-Nov | Bills | 8.0 | | | |
| | | 26-Nov | Bills | 10.7 | | | |
| | | | | 18.6 | | | |
| | | | Upcoming Auctions | | | | |
| | 22-Nov | 30-Nov | 2yr Note | 58 | | Announced | 0.481% |
| | 22-Nov | 30-Nov | 5yr Note | 59 | | Announced | 1.157% |
| | 23-Nov | 30-Nov | 7yr Note | 59 | | Announced | 1.461% |
| | | | | 176 | | | |

<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 prior 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.”

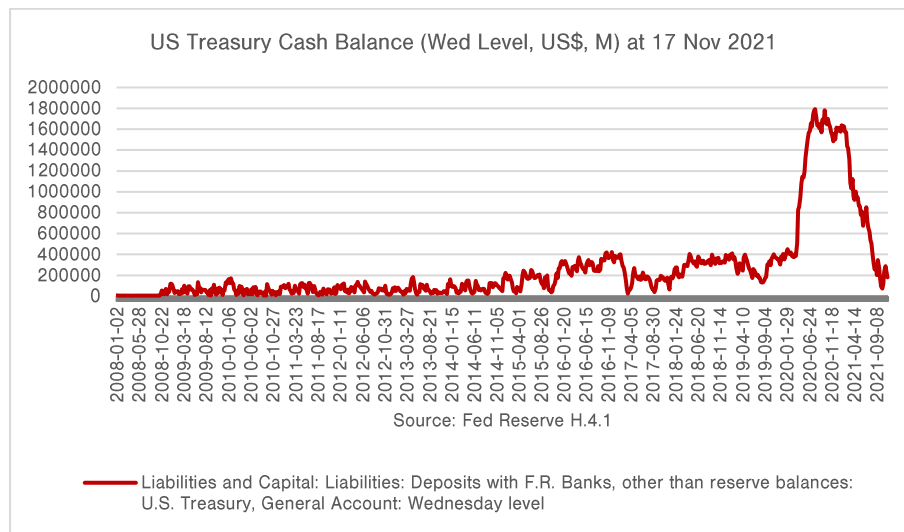
This increase in the debt limit enabled the Treasury to increase its cash balance. As we saw, this was via CMB’s and some increases in Bill auction sizes. The supply of Bills is now expected to decline until the debt limit is resolved.

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 a further \$52bn (after decreasing by \$55bn in the prior week).

The balance of the TGA (17 Nov) was \$179bn. Since the start of 2021, the TGA balance has declined by \$1.42tr.



<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 22 Nov | 1.425 | 5.616 |
| Tue 23 Nov | 1.075 | 6.824 |
| Wed 24 Nov | - | 4.732 |
| Thur 25 Nov | - | - |
| Fri 26 Nov | - | - |
| Total Announced Purchases | \$2.5bn (last week \$20.9bn) | \$17.17bn (last week \$25.4bn) |

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 22 NOVEMBER 2021

MONDAY 22 NOVEMBER (US Eastern Time, unless stated otherwise)

| | |
|-----------|--|
| US | Chicago Fed National Activity Index (Oct), Existing Home Sales (Oct) |
| Australia | Markit Manufacturing and Services PMI Prelim (Nov) |

TUESDAY 23 NOVEMBER

| | |
|-----------|---|
| Europe | Markit Manufacturing and Services PMI Prelim (Nov) |
| UK | Markit Manufacturing and Services PMI Prelim (Nov) |
| US | Markit Manufacturing and Services PMI Prelim (Nov), Richmond Fed Manufacturing Survey (Nov) |
| Japan | Markit Manufacturing and Services PMI Prelim (Nov) |
| Australia | Construction Work Done (Q3) |
| NZ | RBNZ Policy Decision |

WEDNESDAY 24 NOVEMBER

| | |
|-----------|---|
| US | Mortgage Applications wk ending 19 Nov, Initial Jobless Claims (wk ending 19 Nov), Continuing Claims (wk ending 12 Nov), Advance Durable Goods Orders (Oct), US GDP First Prelim (Q3), Monthly PCE, Income and PCE Price Index (Oct), University of Michigan Consumer Sentiment Final (Nov), FOMC Minutes |
| Australia | Private Capex (Q3) |

THURSDAY 25 NOVEMBER

| | |
|-----------|---------------------------------|
| US | Thanksgiving Holiday |
| Europe | ECB Minutes, ECB Lagarde speech |
| Australia | Retail Sales (Oct) |
| UK | BoE Governor Bailey speech |

FRIDAY 26 NOVEMBER

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