

## Key themes for the week ahead – US non-farm payrolls, growth momentum, and central bank speeches

It will be another big week of economic data and central bank speeches. Other things to be aware of this week; the lead-up to the debt ceiling limit, finalizing the passage of the Democrats spending bill in the Senate, OPEC+ meeting, and reactions to the new Covid-19 variant.

### US Non-Farm Payrolls

Non-farm payrolls are expected to increase by +550k for Nov (compared to +531k in Oct). Payrolls growth before Oct had been revised higher which added to the FOMC case to begin the taper. Last week, Fed Governor Bostic noted that a faster taper could be possible. A stronger result for Nov may put this more firmly on the table. The FOMC meets 14/15 Dec so will likely have time to weigh up risks from a new Covid variant.

### Growth Momentum

The final Nov Markit PMI's will be released this week. Last week, the prelim Markit PMIs for Nov showed continued moderate output growth across manufacturing and services. Momentum in the Eurozone, Japan, and Aus was better than expected. Services growth was slower in the US and the UK. Supply constraints continued to hinder output growth (e.g., Germany auto manufacture), higher input price growth weighed more broadly, and selling prices also increased broadly.

The US ISM reports will be released this week – commentary and growth momentum (esp. in services) will be in focus. The headline ISM manufacturing index is expected to reach 61 in Nov (up from 60.8 in Oct). The headline ISM services index is expected to ease to 65.5 in Nov (from 66.7 in Oct).

### Central Bank Speeches

This week there will be several central bank speeches including FOMC Chair Powell (Senate testimony), BoJ Governor Kuroda, and BoE Governor Bailey. There will be other US Fed Governor speeches – including Williams, Clarida, Bowman, and Quarles.

The renomination of Chair Powell and the nomination of Governor Brainard to Vice-Chair was announced last week.

This week, the US Treasury will auction and settle approx. \$520bn in ST Bills, Notes, Bonds, and TIPS, raising approx. \$54bn in new money. Approx. \$45bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet this week and will be rolled over.

## US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$520bn in ST Bills, Notes, Bonds, and TIPS, raising approx. \$54bn in new money.

Approx. \$45bn 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 %
29 Nov - 3 Dec	24-Nov	30-Nov	4 week bill	10			Actual 0.125%	0.110%
	24-Nov	30-Nov	8 week bill	25			Actual 0.045%	0.045%
	24-Nov	30-Nov	14-Day CMB	60			Actual 0.060%	0.055%
	24-Nov	30-Nov	119-Day CMB	40			Actual 0.070%	0.055%
				135	175	-40		
	29-Nov	02-Dec	13 week bill	57			Announced	0.050%
	29-Nov	02-Dec	26 week bill	51			Announced	0.070%
	30-Nov	02-Dec	52 week bill	34			Announced	0.160%
	30-Nov	02-Dec	21-Day CMB	30			Announced	n/a
				172	199	-27		
	18-Nov	30-Nov	10yr TIPS	14			Actual -1.145	-0.939%
	22-Nov	30-Nov	2yr Note	58			Actual 0.623%	0.481%
	22-Nov	30-Nov	5yr Note	59			Actual 1.319%	1.157%
	23-Nov	30-Nov	7yr Note	59			Actual 1.588%	1.461%
	17-Nov	30-Nov	20yr Bond	23			Actual 2.065%	2.100%
				213	92.24	120.76		
			<b>Total - securities settling this week</b>	<b>520</b>	<b>466.24</b>	<b>53.76</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>3004</b>	<b>2452</b>	<b>552</b>		
			<i>Estimated Net Cash to be Raised Q4</i>			1015		
			<b>Fed SOMA - Face Value of SOMA securities maturing</b>	<b>\$ B</b>				
		30-Nov	Bills	8,189				
		30-Nov	Notes & Bonds	17,556				
		02-Dec	Bills	19,570				
				45,315				

<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 (emphasis added);

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.”

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

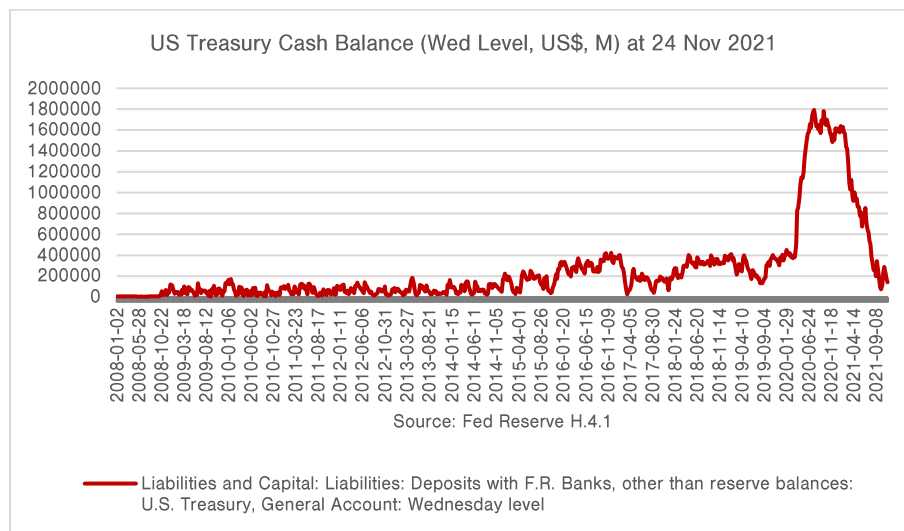
We are now approaching the time when debt ceiling solutions will need to be finalized. Posturing continues and it is most likely that the debt ceiling will be either increased, extended, or suspended before the deadline. There is small headline risk over the next few weeks.

The Democrat spending bill (social funding/Build Back Better) is now also in the Senate for approval – a vote may be possible this week. The infrastructure spending bill will be signed early this week.

## Treasury Cash Levels

The level of the TGA decreased last week by a further \$38bn (after decreasing by \$52bn in the prior week).

The balance of the TGA (24 Nov) was \$141bn. Since the start of 2021, the TGA balance has declined by \$1.46tr.



<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 purchase schedule will be released on Monday 29 Nov. The MBS detail below is incomplete for this week.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 29 Nov	7.375	5.619
Tue 30 Nov	4.425	Tbc
Wed 1 Dec	5.275	Tbc
Thur 2 Dec	1.075	Tbc
Fri 3 Dec	1.425	Tbc
Total Announced Purchases	\$19.57bn (last week \$2.5bn)	\$5.6bn (last week \$17.2bn)

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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

# WEEK COMMENCING 29 NOVEMBER 2021

---

## MONDAY 29 NOVEMBER (US Eastern Time, unless stated otherwise)

---

Japan	Retail Trade (Oct), Industrial Production Prelim (Oct), BoJ Governor Kuroda speech
US	Pending Home Sales (Oct), Dallas Fed Manufacturing Index (Nov), Fed Chair Powell (intro remarks), Bowman, and Williams speeches

---

---

## TUESDAY 30 NOVEMBER

---

Australia	Building Permits (Oct), Current Account Balance Q3, Private Sector Credit (Oct), Manufacturing PMI Final (Nov)
China	NBS Manufacturing and Non-Manufacturing PMI (Nov)
Europe	Eurozone CPI Prelim (Nov)
US	Case/Shiller House Price Index (Sep), Chicago PMI (Nov), FOMC Chair Powell Senate Testimony, Clarida speech

---

---

## WEDNESDAY 1 DECEMBER

---

US	Mortgage Applications wk ending 26 Nov, ADP Employment (Nov), ISM Manufacturing PMI (Nov), Markit Manufacturing PMI Final (Nov), Fed Beige Book
Japan	Manufacturing PMI Final (Nov)
Australia	GDP Q3
Europe	Manufacturing PMI Final (Nov)
UK	Manufacturing PMI Final (Nov), BoE Governor Bailey speech

---

---

## THURSDAY 2 DECEMBER

---

US	Initial Claims wk ending 26 Nov, Challenger Job Cuts (Nov), Quarles speech ("Departing Thoughts")
Australia	Housing Finance (Oct), Services PMI Final (Nov)
Other	OPEC+ meeting

---

---

## FRIDAY 3 DECEMBER

---

Japan	Services PMI Final (Nov)
Europe	Eurozone Services PMI Final (Nov)
UK	Services PMI Final (Nov)
US	Non-Farm Payrolls (Nov) exp +550k, ISM & Markit Services PMI (Nov), Factory Orders (Oct)

---