

Key themes for the week ahead – central bank policy decisions, inflation, and output

This will be a big week of data and final central bank meetings for the year. The focus for the week will be the FOMC meeting/decision on 15 Dec.

Central Banks – Part Two

The FOMC will meet and announce details of its policy decision this week. Expectations are for an acceleration of QE tapering. The SEP will be important with updates on inflation, growth, labour market, and the expected shift in timing for rates lift-off.

The ECB, BoE, SNB, and BoJ all meet this week also. There are no changes expected to policy settings.

Last week, the RBA kept policy unchanged but suggested that the Board will consider its QE program in Feb '22 – especially as it waits to see what other CB's do. RBA Governor Lowe will also speak this week – his speeches should provide a gauge on the pushback on earlier rates increases. Markets are still forecasting an earlier rates lift-off than RBA guidance. The BoC kept policy unchanged but changed the wording around inflation (removing temporary reference, and watching for more embedded inflation expectations). With higher inflation and a recovering labour market, expectations are that hikes will commence earlier next year. The PBoC cut the RRR last week to further support the economy.

Inflation

Last week US CPI growth in higher than expected at +6.88% for Nov. Most areas of expenditure contributed to the acceleration in inflation from Oct. Inflation numbers out this week for Canada (exp +4.8%), the UK (exp +4.7%), and the Euro area (final est +4.9%). Euro area CPI (especially) has been tracking higher due mostly to energy prices.

Growth momentum

This week the prelim PMI's for Dec will be released providing insight into private sector growth momentum into the final month of Q4.

Improvement in industrial production for Germany and Japan in Oct highlighted a rebound in auto output. This week, US industrial production data for Nov will be released - expecting a monthly gain of +0.7% (versus +1.6% in Oct). US retail sales data will also be released with expected monthly growth of +0.8% for Nov compared to +1.7% in Oct. Monthly US CPI for Nov was +0.8%.

This week, the US Treasury will auction and settle approx. \$290bn in ST Bills, Notes, and Bonds. There will be a net paydown though of \$118bn which includes three recent CMBs maturing on 15 Dec (\$120bn). Approx. \$32bn in ST Bills and Notes & Bonds will mature on the Fed balance sheet this week and will be rolled over.

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 %
13-17 Dec	09-Dec	14-Dec	4 week bill	10			Actual 0.030%	0.040%
	09-Dec	14-Dec	8 week bill	25			Actual 0.050%	0.045%
	08-Dec	14-Dec	119-Day CMB	35			Actual 0.090%	0.075%
				70	125	-55		
	13-Dec	16-Dec	13 week bill	57			Announced	0.055%
	13-Dec	16-Dec	26 week bill	51			Announced	0.105%
				108	142	-34		
	07-Dec	15-Dec	3yr Note	54			Actual 1.000%	0.750%
	08-Dec	15-Dec	10yr Note	36			Actual 1.518%	1.444%
	09-Dec	15-Dec	30yr Bond	22			Actual 1.895%	1.940%
				112	21.49	90.52		
	CMB's Maturing - 15 Dec 2021							
	26-Oct	28-Oct	48-Day CMB		40		Actual 0.100%	n/a
	17-Nov	23-Nov	22-Day CMB		40		Actual 0.130%	n/a
	01-Dec	07-Dec	8-Day CMB		40		Actual 0.160%	n/a
				0	120	-120		
	Total - securities settling this week			290	408.485	-118.49		
	Net New Cash Raised Qtr to Date			3517	3030	487		
	<i>Estimated Net Cash to be Raised Q4</i>					1015		
	Fed SOMA - Face Value of SOMA securities maturing			\$ B				
		14-Dec	Bills	4.6				
		15-Dec	Notes & Bonds	16.5				
		16-Dec	Bills	10.6				
				31.7				

<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 CMBs.

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 and Government Funding

A short-term funding bill was passed into law, providing funding for the government until at least 18 Feb 2022.

Last week, legislation was passed in the House (and should pass the Senate this week) to enable a 'fast track' vote on the debt ceiling. Source:

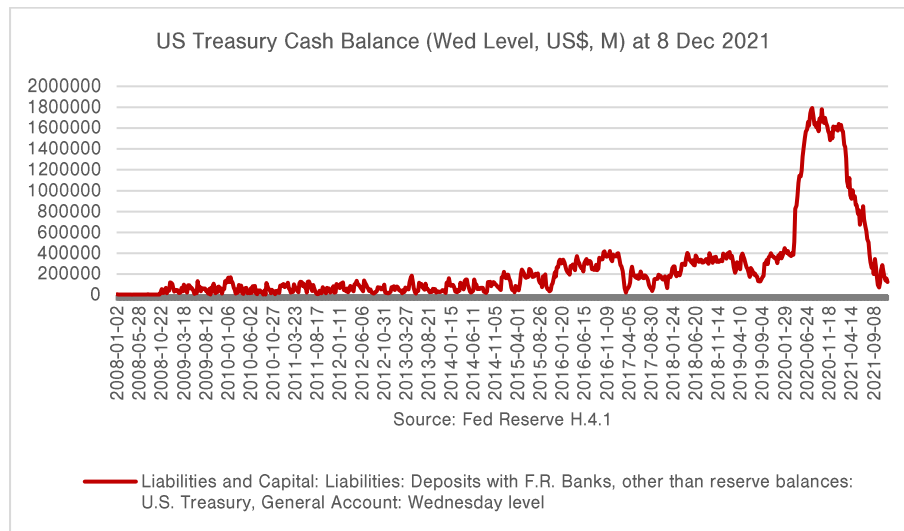
<https://www.nytimes.com/2021/12/07/us/politics/debt-ceiling-deal-congress.html>

The Democrat's spending bill (social funding/Build Back Better) is now also in the Senate for approval. It is hoped that the bill will be voted on before the holiday break.

Treasury Cash Levels

The level of the TGA decreased last week by \$34bn (after increasing by \$18bn in the prior week).

The balance of the TGA (8 Dec) was \$125bn. Since the start of 2021, the TGA balance has declined by \$1.48tr.



<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 next schedule is due to be released on 13 Dec – the table below is incomplete.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 13 Dec	1.600	5.261
Tue 14 Dec	Tbc	Tbc
Wed 15 Dec	Tbc	Tbc
Thur 16 Dec	Tbc	Tbc
Fri 17 Dec	Tbc	Tbc
Total Announced Purchases	\$1.6bn (last week \$25.9bn)	\$5.3bn (last week \$23.6bn)

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 13 DECEMBER 2021

MONDAY 13 DECEMBER (US Eastern Time, unless stated otherwise)

Australia	NAB Busines Conditions & Confidence (Nov)
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Japan	Industrial Production Final (Oct)
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TUESDAY 14 DECEMBER

Europe	Eurozone Industrial Production (Oct)
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US	PPI (Nov)
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China	Industrial Production (Nov), Retail Sales (Nov)
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WEDNESDAY 15 DECEMBER

US	Mortgage Apps wk 10 Dec, Empire State Mfg Index (Dec), Retail Sales (Nov) FOMC Policy Decision
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UK	CPI (Nov)
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Canada	CPI (Nov), BoC Governor Macklem speech
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NZ	Q3 GDP
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Australia	Markit Prelim Mfg & Services PMI's (Dec), Labour Market & Employment Survey (Nov), RBA Governor Lowe speech
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Japan	Markit Prelim Mfg & Services PMI (Dec), Merch Trade, Exports, and Imports (Nov)
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THURSDAY 16 DECEMBER

	SNB Policy Decision
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Europe	Markit Prelim Mfg & Services PMI's (Dec) ECB Policy Decision
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UK	Markit Prelim Mfg & Services PMI's (Dec) BoE Policy Decision
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US	Initial Claims wk 11 Dec, Permits & Housing Starts (Nov), Philly Fed & Kansas Mfg Surveys (Dec), Industrial Production (Nov), Markit Prelim Mfg & Services PMI's (Dec)
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FRIDAY 17 DECEMBER

Japan	BoJ Policy Decision
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Europe	Eurozone CPI Final (Nov)
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US	Fed Governor Waller speech – Eco Outlook
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