

Key themes for the week ahead – FOMC minutes, Fed speak, US retail sales, global CPI's, and geopolitical risk

Recap from last week – US CPI for Jan came in higher than expected at 7.5%. The report showed that price growth pressure has continued to broaden among consumer expenditure categories.

That CPI print was pivotal in spurring further tightening expectations. Rates shifted higher and the yield curve flattened to a new YTD low as rate hike expectations reflected more aggressive tightening required by the Fed (50bps hike for Mar and hikes expected at most meetings this year). There is a sense of urgency, especially politically, to fix the inflation problem. The prelim consumer sentiment for Feb was much weaker than expected and fell to the lowest level in over ten years, due mostly to the expected impact of inflation on personal finances. Whether this weaker sentiment impacts spending will be important.

The week ahead

The FOMC doesn't meet again until 16 Mar – in four weeks' time. There were calls last week for the Fed to take immediate action with an 'emergency' rate hike before the Mar meeting. In the absence of any inter-meeting action, Fed-speak will fill the vacuum over next four weeks. So far, Bullard supports at least three hikes before July including a 50bps hike, while Daly (not an FOMC member) pushed back on expectations for more, and aggressive hikes, citing the destabilizing effect it might have. Five (5) of eight (8) FOMC members will speak this week, likely expressing a full range of policy options. The Jan FOMC Minutes will be out this week and commentary is expected to support expectations for hikes starting in Mar.

The Feb RBA minutes will be released this week. The detail around Governor Lowes outlook was delivered separately in his speech the day after that RBA meeting. The minutes are likely to reiterate that the Board is willing to be patient on rate hikes. Markets are starting to price the first interest rate hike for Aug. The Aus labour market survey for Jan will be out this week and employment is expected to contract by -15k persons amid the peak of the latest outbreak. The unemployment rate is expected to remain unchanged at 4.2%.

US retail sales for Jan are expected to increase by +1.6% after falling -1.9% in Dec.

CPI reports for the UK (expecting +5.4%), Canada (+4.8%), Japan (+0.6%), and China (+1%) will be released this week.

Uncertainty is heightened over the Russia-Ukraine situation with significant headline risk.

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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 % |
|-----------|--------------|-----------------|--|---------------------------|---------------------|---------------|---------------------------|
| 14-18 Feb | 10-Feb | 15-Feb | 4 week bill | 50 | | Actual 0.020% | 0.035% |
| | 10-Feb | 15-Feb | 8 week bill | 40 | | Actual 0.250% | 0.140% |
| | 09-Feb | 15-Feb | 119-day CMB | 40 | | Actual 0.430% | 0.340% |
| | | | | 130 | 110 | 20 | |
| | 14-Feb | 17-Feb | 13 week bill | 60 | | Announced | 0.290% |
| | 14-Feb | 17-Feb | 26 week bill | 51 | | Announced | 0.580% |
| | | | | 111 | 105 | 6 | |
| | 08-Feb | 15-Feb | 3yr Note | 50 | | Actual 1.592% | 1.237% |
| | 09-Feb | 15-Feb | 10yr Note | 37 | | Actual 1.904% | 1.723% |
| | 10-Feb | 15-Feb | 30yr Bond | 23 | | Actual 2.340% | 2.075% |
| | | | | 110 | 54.8 | 55.2 | |
| | | | Total - securities settling this week | 351 | 270 | 81 | |
| | | | Net New Cash Raised Qtr to Date | 2165 | 1702 | 463 | |
| | | | <i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i> | | | 729 | |
| | | | Fed SOMA - Face Value of SOMA securities maturing | \$B | | | |
| | | 15-Feb | Bills | 6.01 | | | |
| | | 15-Feb | Notes & Bonds | 66.55 | | | |
| | | 17-Feb | Bills | 14.06 | | | |
| | | | | 86.62 | | | |
| | | | Upcoming Auctions: | | | | |
| | 16-Feb | 28-Feb | 20yr Bond | 19 | | Announced | 2.210% |
| | 17-Feb | 28-Feb | 30yr TIPS | 9 | | Announced | -0.292% |
| | | | | 28 | | | |

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

Recommended US Treasury Financing Q1 - 2022

The latest quarterly refunding forecast for US Treasury financing in Q1; total estimated net cash to be raised in Q1 of \$729bn. This includes +\$220bn of net Bills issuance and +\$508bn of net Coupon issuance for the quarter.

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

The next quarterly refunding announcement will be made on 4 May 2022.

Debt Limit and Government Funding

The US House of Reps passed a temporary government funding bill last week and this will go to the Senate for approval this week before the 18 Feb shutdown deadline. The bill will extend government funding until 11 Mar 2022.

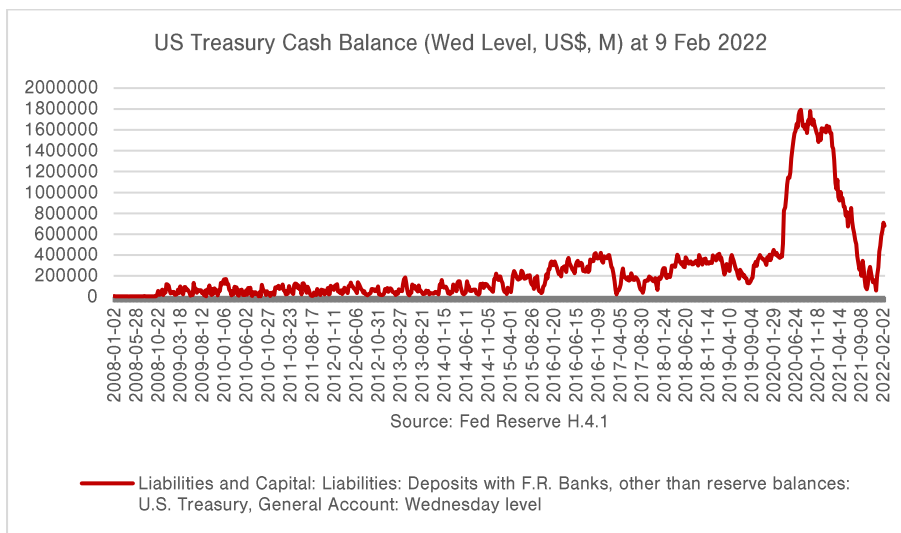
Appropriators hope the three-week funding extension will give them enough time to craft a spending plan that goes through the end of the fiscal year on Sept. 30. They failed to strike a long-term deal before the Feb. 18 deadline.

“We are close to reaching a framework government funding agreement, but we will need additional time to complete the legislation in full,” House Appropriations Committee Chair Rep. Rosa DeLauro, D-Conn., said in a statement Monday.

Source: <https://www.cnn.com/2022/02/08/government-shutdown-house-passes-funding-bill.html>

Treasury Cash Levels

The level of the TGA decreased by \$31bn as of Wed 9 Feb (after increasing by +\$70bn in the prior week). The TGA balance decreased to \$679bn (Wed level 9 Feb).



<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 14 Feb | 0 | 2.613 |
| Tue 15 Feb | 3.225 | 3.163 |
| Wed 16 Feb | 0 | 2.610 |
| Thur 17 Feb | 1.625 | 3.103 |
| Fri 18 Feb | 0 | 2.645 |
| Total Announced Purchases | \$4.8bn (last week \$5bn) | \$14.1bn (last week \$17.7bn) |

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 14 FEBRUARY 2022

MONDAY 14 FEBRUARY (US Eastern Time, unless stated otherwise)

| | |
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| Japan | GDP - Prelim Q4, Industrial Production Final (Dec) |
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| Australia | RBA Minutes |
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| Europe | ECB President Lagarde speech |
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| US | Fed speech - Bullard (FOMC) |
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TUESDAY 15 FEBRUARY

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| Europe | GDP second prelim Q4 |
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| US | NY Empire State Manufacturing Index (Feb), PPI (Jan) |
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| China | CPI & PPI (Jan) |
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WEDNESDAY 16 FEBRUARY

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| US | Mortgage Apps wk ending 11 Feb, Retail Sales (Jan), Industrial Production (Jan), NAHB Housing Market Index (Feb) FOMC Minutes |
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| UK | CPI (Jan) |
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| Europe | Eurozone Industrial Production (Dec) |
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| Canada | CPI (Jan) |
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| Japan | Merchandise Trade Balance, Exports, and Imports (Jan) |
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| Australia | Labour Market Survey (Jan), RBA Asst Governor Debelle speech |
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THURSDAY 17 FEBRUARY

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| US | Initial Claims wk ending 11 Feb, Philadelphia Fed Manufacturing Survey (Feb), Building Permits and Housing Starts (Jan) US Fed speeches - Bullard and Mester |
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| Japan | National CPI (Jan) |
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FRIDAY 18 FEBRUARY

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| US | Existing Home Sales (Jan) US Fed speeches – Waller, Bullard, and Brainard (CBDC's) |
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