

Key themes for the week ahead – Geopolitical risk, central bank decisions, US Fed Chair Powell testimony, US Fed speeches, US President Biden State of the Union speech, US non-farm payrolls

Recap from last week

Fed speak last week continued to discount the likelihood of a 50bps increase in the FFR in Mar. US PCE inflation continued to accelerate reaching +6.1% in Jan – a forty-year high. For context, the FOMC SEP for Dec had PCE inflation reaching +5.3% by the end of 2021. This further acceleration will keep pressure on the FOMC to adjust policy. The initial global PMIs for Feb showed a stronger rebound across services. Manufacturing output and momentum was little changed from the pace of growth in Jan, as firms cited ongoing input and labour shortages. The outlier was Japan recording a contraction across services and manufacturing output. Price growth remained higher across all sectors with both input and output charges increasing at an elevated pace.

The week ahead

The broad context for this week is the ongoing and heightened geopolitical risk. We expect this to introduce a cautious tone into central bank speeches and decisions this week.

This week, US Fed Chair Powell will give two days of testimony and there will be various Fed speakers. Last week, speeches were already indicating less aggressive tightening for Mar (+25bps rather than 50bps). Signaling by the Fed Chair this week at hearings will need to navigate a balance for policy to address persistently high inflation and the risk that rising geopolitical tensions will impact growth. In the current context, the more extreme tightening scenarios seem less likely for Mar. The Fed will highlight the importance of 'data dependency' during this heightened period of risk.

The RBA and BoC will announce the latest monetary policy decisions this week. The RBA is expected to keep rates on hold. The Aus wage price index data last week was on par with expectations and RBA forecasts. This is likely not enough to support an earlier (Jun) lift-off in tightening – but the RBA Board will provide updated guidance this week. After the RBA meeting, Aus Q4 GDP will be released and is expected to increase by +2.5% for the quarter and +3% for the year.

The BoC is expected to lift rates by 25bps at this meeting.

US President Biden will give the State of The Union speech this week. Any change to the nature of sanctions on Russia will be an important theme (e.g., by including energy).

US non-farm payrolls will be released this week for Feb. Payrolls are expected to increase by +450k after increasing by +467k in Jan. The unemployment rate is expected to fall to 3.9% while the participation rate is also expected to fall slightly to 62%.

US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$409bn in ST Bills, Notes, Bonds, and TIPS, raising approx. \$92bn in new money.

Approx. \$51bn 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 %
28 Feb - 4 Mar	24-Feb	01-Mar	4 week bill	45			Actual 0.050%	0.080%
	24-Feb	01-Mar	8 week bill	35			Actual 0.200%	0.250%
	23-Feb	01-Mar	119-Day CMB	35			Actual 0.570%	0.550%
				115	130	-15		
	28-Feb	03-Mar	13 week bill	60			Announced	0.380%
	28-Feb	03-Mar	26 week bill	51			Announced	0.710%
				111	105	6		
	22-Feb	28-Feb	2yr Note	52			Actual 1.553%	0.990%
	23-Feb	28-Feb	5yr Note	53			Actual 1.880%	1.533%
	24-Feb	28-Feb	7yr Note	50			Actual 1.905%	1.769%
	16-Feb	28-Feb	20yr Bond	19			Actual 2.396%	2.210%
	17-Feb	28-Feb	30yr TIPS	9			Actual 0.195%	-0.292%
				183	82.4	100.6		
			Total - securities settling this week	409	317	91.6		
			Net New Cash Raised Qtr to Date	2871	2288	583		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			729		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		28-Feb-22	Notes & Bonds	31.351				
		01-Mar	Bills	5.401				
		03-Mar	Bills	14.839				
				51.591				

<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 and the Senate passed a temporary government funding bill. The bill will extend government funding until 11 Mar 2022 allowing for negotiations to continue over the next three weeks.

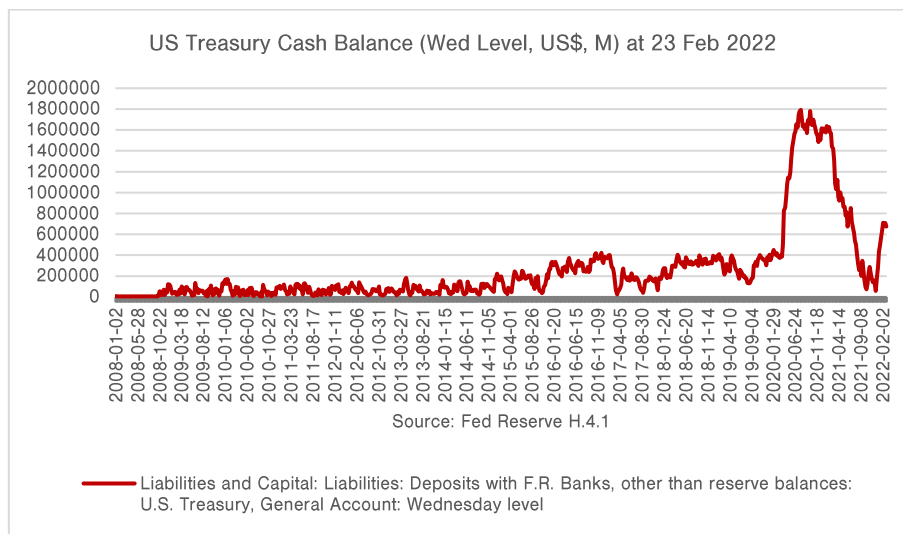
Appropriators hope the three-week funding extension will give them enough time to craft a spending plan that goes through the end of the fiscal year on Sept. 30. They failed to strike a long-term deal before the Feb. 18 deadline.

“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>

House-Senate negotiations on a spending deal likely would appropriate around \$1.5 trillion in “discretionary” funds for an array of government programs, including those administered by the Pentagon, the Environmental Protection Agency, State Department and other Cabinet-level departments. Source: <https://www.cnn.com/2022/02/17/us-senate-nears-passage-of-stop-gap-funding-bill-to-avoid-govt-shutdown.html>

Treasury Cash Levels

The level of the TGA decreased by \$34bn as of Wed 23 Feb (after increasing by \$30bn in the prior week). The TGA balance was \$674bn (level as of Wed 23 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

The next MBS operation schedule will be released on the afternoon of 28 Feb 2022 – the data below regarding MBS purchases this week is incomplete.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 28 Feb	0	4.624
Tue 1 Mar	0.625	Tbc
Wed 2 Mar	0	Tbc
Thur 3 Mar	1.625	Tbc
Fri 4 Mar	0	Tbc
Total Announced Purchases	\$2.25bn (last week \$7.2bn)	\$4.6bn (last week \$11bn)

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 28 FEBRUARY 2022

MONDAY 28 FEBRUARY (US Eastern Time, unless stated otherwise)

Japan	(Sunday) Industrial Production Prelim (Jan), Retail Trade (Jan), (Monday) Markit Manufacturing PMI Final (Feb)
Australia	(Sunday) Private Sector Credit (Jan), (Monday) Markit Manufacturing PMI Final (Feb), Housing Finance (Jan)
China	NBS Manufacturing and Non-Manufacturing PMI (Feb)

TUESDAY 1 MARCH

Australia	RBA Monetary Policy Decision, GDP Q4
Europe	Eurozone Markit Manufacturing PMI Final (Feb)
US	Manufacturing PMI Final (Feb), ISM Manufacturing PMI (Feb), Vehicle Sales (Feb) US President Biden: State of the Union Address

WEDNESDAY 2 MARCH

US	Mortgage Apps wk ending 25 Feb, ADP Employment Chg (Feb), Fed speech: Bullard US Fed Chair Powell – Testimony before the House of Reps Day One, OPEC+ Meeting
Europe	Eurozone CPI Prelim (Feb)
Canada	BoC Monetary Policy Decision
Australia	Markit Services PMI Final (Feb), Building Permits (Jan)
Japan	Markit Services PMI Final (Feb)

THURSDAY 3 MARCH

US	Initial Claims wk ending 25 Feb, Challenger Job Cuts (Feb), Unit Labour Costs (Q4), Markit Services PMI Final (Feb), Factory Orders (Feb), ISM Services PMI (Feb), Fed speech: Williams US Fed Chair Powell – Testimony before the Senate Day Two
Europe	Eurozone Markit Services PMI Final (Feb), Eurozone PPI (Jan)

FRIDAY 4 MARCH

US	Non-Farm Payrolls (Feb) exp +450k
Europe	Eurozone Retail Sales (Jan)
