

Key themes for the week ahead – US CPI, speeches

It will be a quiet week on the data front as markets digest data and central bank decisions from the last few weeks.

Recap – Central banks have been shifting to less accommodative monetary policy settings while noting the high degree of uncertainty in the outlook.

Last week, the BoE announced a second increase in the Bank Rate of 25bps (5-4 majority, with the minority of 4 preferring a 50bps increase). Further 'modest increases will be appropriate' if the economy develops as forecast. The BoE announced its intention to begin QT. It will only start the process of actively selling gov't bonds once the Bank Rate reaches 1% and expects to fully unwind its corporate bond holdings by ceasing to reinvest maturing assets and a program of corporate bond sales. BoE Governor Bailey is also scheduled to speak this week.

The ECB statement implied 'accommodative for longer' but the press conference signaled a potential change in outlook. When asked, President Lagarde no longer ruled out a rate increase in 2022 – but did not confirm it either. Instead, she noted that the 'situation has indeed changed' referring to the two higher-than-expected inflation reports in Dec and Jan. In Dec, the ECB had signaled that it no longer considered that it was a low inflation environment and, at this meeting, further noted the upside risk to inflation. President Lagarde stated that 'we are getting much closer to target' on inflation. At the Mar meeting, the inflation projection will be revised and a more formal update to the outlook will likely be provided. The end of the Pandemic-era QE program (PEPP) was announced – with reinvestments to continue until at least the end of 2024. The 'regular' QE program (APP) stays in place, but with a schedule of tapered purchases through to Q4. ECB President Lagarde will give introductory remarks this week.

The RBA announced the end of its bond-buying program with no further purchases after 10 Feb. There was no change to interest rates. There was no further guidance on the path of rates, except that the Board is willing to be patient on how various factors affecting inflation continue to evolve. The Board noted that unique conditions have led to higher inflation – and these factors are expected to dissipate. Underlying inflation is only just in the target band for the first time in seven years and is too early to say that inflation is in the target band "sustainably so". Governor Lowe's speech the next day provided more context. The bank has an opportunity to be patient in acting on inflation (and rates) and achieve a historical milestone of the unemployment rate below 4%. When asked though, Governor Lowe hedged his bets and stated that it was plausible that rates could increase later in 2022, or they could not.

US payrolls last week recorded a strong upside surprise. Revisions resulted in a net gain in payrolls over the year of +217k. The annual revisions indicated more momentum in the US labour market than previously thought. Despite the strong Jan report, hours worked declined in the month highlighting some underlying weakness. The Jan ISM's recorded slower momentum due to renewed disruptions, higher prices, and labour availability. There were more notable pockets of weakness at an industry level, especially in the services report.

The week ahead - US CPI for Jan is the main focus this week. Consumer price growth is expected to have accelerated further to 7.3% in Jan (from 7% in Dec). The month-on-month CPI growth is expected to remain at 0.5%.

US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$241bn in ST Bills, raising approx. \$31bn in new money.

The US Treasury will auction the 3yr and 10yr Note, and the 30yr Bond this week which will settle next week.

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 %
7-11 Feb	03-Feb	08-Feb	4 week bill	50			Actual 0.035%	0.035%
	03-Feb	08-Feb	8 week bill	40			Actual 0.140%	0.140%
	02-Feb	08-Feb	119-day CMB	40			Actual 0.340%	0.280%
				130	105	25		
	07-Feb	10-Feb	13 week bill	60			Announced	0.240%
	07-Feb	10-Feb	26 week bill	51			Announced	0.500%
				111	105	6		
			Total - securities settling this week	241	210	31		
			Net New Cash Raised Qtr to Date	1814	1432	382		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			<i>729</i>		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		08-Feb	Bills	6.8				
		10-Feb	Bills	12.0				
				18.8				
			Upcoming Auctions					
	08-Feb	15-Feb	3yr Note	50			Announced	1.237%
	09-Feb	15-Feb	10yr Note	37			Announced	1.723%
	10-Feb	15-Feb	30yr Bond	23			Announced	2.075%
				110	54.8	55.2		

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

Recommended US Treasury Financing Q1 - 2022

The latest quarterly refunding documents were released last week. The current forecast for US Treasury financing in Q1; total estimated net cash to be raised in Q1 of \$729bn. This includes +\$220bn in 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.

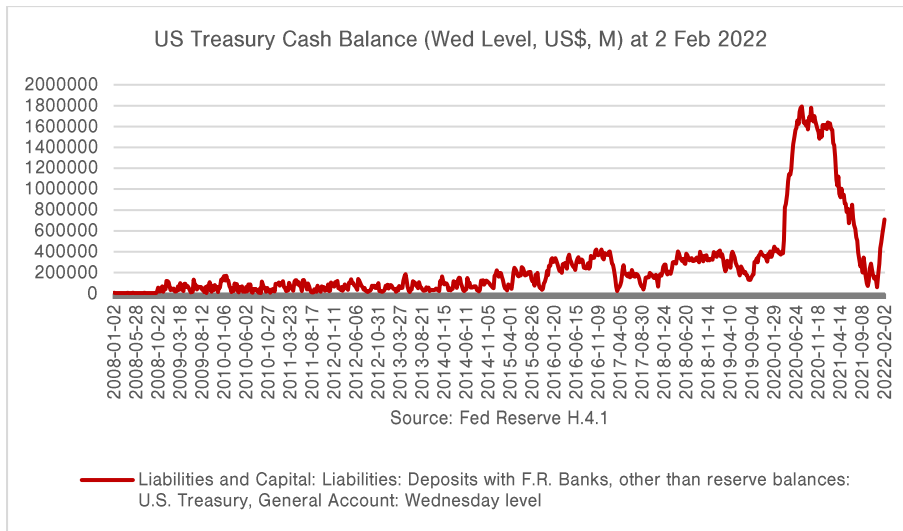
Debt Limit and Government Funding

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

The Democrat's spending bill (social funding/Build Back Better) remains at an impasse. The bill is not likely to pass in its current format. However, certain core components of the bill will likely become the focus for the Democrats to pass.

Treasury Cash Levels

The level of the TGA increased by a further \$70bn as of Wed 2 Feb (after increasing by +\$59bn in the prior week). The TGA balance increased to \$710bn (Wed level 2 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 purchase operation schedule will be released on 11 Feb.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 7 Feb	0	3.621
Tue 8 Feb	1.825	3.425
Wed 9 Feb	0	3.662
Thur 10 Feb	3.225	3.428
Fri 11 Feb	0	3.572
Total Announced Purchases	\$5.05bn (last week \$11.3bn)	\$17.7bn (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 7 FEBRUARY 2022

MONDAY 7 FEBRUARY (US Eastern Time, unless stated otherwise)

US	Consumer Credit Change (Dec)
Australia	NAB Business Confidence and Conditions (Jan)
Europe	Germany Industrial Production (Dec), ECB President Lagarde speech (Intro remarks to C'tee on Econ & Monetary Affairs, EC Parliament)

TUESDAY 8 FEBRUARY

Australia	Westpac Consumer Sentiment (Feb)
NZ	Inflation Expectations Q4

WEDNESDAY 9 FEBRUARY

US	Mortgage Apps wk ending 4 Feb, Fed speeches; Mester & Bowman
Australia	Consumer Inflation Expectations (Feb)
Canada	BoC Governor Maklem speech

THURSDAY 10 FEBRUARY

US	Initial Claims wk ending 4 Feb, CPI (Jan)
UK	BoE Governor Bailey speech

FRIDAY 11 FEBRUARY

UK	GDP Q4
Europe	Germany CPI Final (Jan)
US	University of Michigan Consumer Sentiment Prelim (Feb)
