

Key events for the week ahead – Geopolitical risks, US Fed Chair Powell speech, global prelim PMI's for March

Recap from last week – The invasion of Ukraine continues unabated, and hopes are that a diplomatic resolution can be reached as soon as possible. Commentary from central banks acknowledges that the invasion has added further uncertainty for growth while inflation risks are tilted to the upside (dependent on the path of sanctions and the invasion generally).

The US Federal Reserve has started its hiking cycle with a 25bps increase in the FFR. The assessment by the FOMC was that inflation is high and inflation risks are to the upside, the US economy is “very strong”, and the labour market is “extremely tight”. The SEP was important. The FOMC matched the market expectation for the number of rate hikes (increasing from three to six hikes for 2022) with the terminal FFR around 2.375% over the longer run – this is slightly lower than the Dec projection. The inflation forecast for 2022 was revised higher (than in Dec) and slows more notably in 2023 to 2.7% (still slightly higher than the Dec projection). Chair Powell noted that “inflation is likely to take longer to return to our price stability goal than previously expected”. Importantly, the higher inflation and ensuing hikes over 2022 resulted in a lower real GDP growth forecast for 2022 (from 4% forecast in Dec to 2.8% in the latest SEP). The growth forecast for 2023 is unchanged (from the Dec forecast) at 2.2%. The unemployment forecast was unchanged at 3.5% through 2022 and 2023. As previously mentioned, QT will be announced at an upcoming meeting. The US yield curve flattened sharply by the end of the week.

The BoE hiked its Bank Rate by another 25bps last week. UK CPI for Feb will be released this week and is expected to accelerate from 5.5% in Jan to 5.9% in Feb. Monthly CPI is expected to increase from -0.1% in Jan to +0.6% in Feb.

The BoJ left policy unchanged. The Japanese National CPI continued to edge higher with headline inflation reaching +0.9% in Feb (up from +0.5% in Jan) and core CPI (ex-fresh food) up +0.6% in Feb (from +0.2% in Jan).

A key point from the RBA minutes was that the Board now sees wages growth risks tilted to the upside – this could be a subtle but important shift. The Board has consistently said that it is too early to say that inflation is “sustainably in the range” – especially because wages growth had been lagging. This could be setting up for an official shift in the rates outlook (while markets are already pricing hikes to begin this year).

The week ahead - We are alert to headline risks related to the invasion of Ukraine. US President Biden will attend the emergency NATO summit on Thursday.

There will be many speeches by central bankers this week. Of note will be US Fed Chair Powell on Monday and Wednesday.

The prelim global PMIs will be released for Mar. These will give an early insight into any shifts in growth momentum. Of interest will be the Euro area economy. It may be too early to assess impacts from another round of lockdowns in China.

US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$276bn in ST Bills and FRN's, raising approx. \$7bn in new money.

The US Treasury will auction the 10yr TIPS and 20yr Bond this week – both will settle next week.

Approx. \$12bn 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 %
21-25 Mar	17-Mar	22-Mar	4 week bill	45			Actual 0.190%	0.195%
	17-Mar	22-Mar	8 week bill	35			Actual 0.300%	0.265%
	18-Mar	22-Mar	119-Day CMB	35			Actual 0.665%	0.550%
				115	130	-15		
	21-Mar	24-Mar	13 week bill	57			Announced	0.450%
	21-Mar	24-Mar	26 week bill	48			Announced	0.820%
	22-Mar	24-Mar	52 week bill	34			Announced	1.145%
				139	139	0		
	23-Mar	25-Mar	2yr FRN	22			Announced	-0.050% (HDM)
				22	0	22		
			Total - securities settling this week	276	269	7		
			Net New Cash Raised Qtr to Date	3701	3105	596		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			729		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		22-Mar-22	Bills	7.0				
		24-Mar-22	Bills	5.3				
				12.4				
			Upcoming Auctions					
	24-Mar	31-Mar	10yr TIPS	14			Announced	-0.540%
	23-Mar	31-Mar	20yr Bond	16			Announced	2.396%
				30				

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

Recommended US Treasury Financing Q1 - 2022

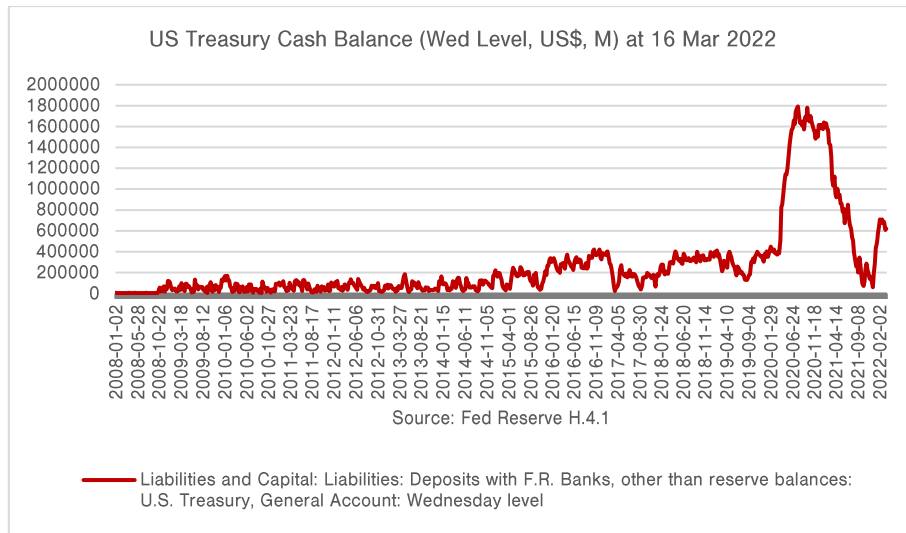
The latest quarterly refunding forecast for US Treasury financing in Q1; total estimated net cash to be raised in Q1 of \$729bn. This includes +\$220bn of net Bills issuance and +\$508bn of net Coupon issuance for the quarter.

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

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

Treasury Cash Levels

The level of the TGA increased by \$12bn as of Wed 16 Mar (after decreasing by \$76bn in the prior week). The TGA balance was \$621bn, as of Wed 16 Mar.



<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

There are no further Treasury purchase operations at this stage.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 21 Mar	0	1.394
Tue 22 Mar	0	2.096
Wed 23 Mar	0	1.326
Thur 24 Mar	0	2.099
Fri 25 Mar	0	1.385
Total Announced Purchases	\$0bn (last week \$6bn)	\$8.3bn (last week \$8.2bn)

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

WEEK COMMENCING 21 MARCH 2022

MONDAY 21 MARCH (US Eastern Time, unless stated otherwise)

Europe	Germany PPI (Feb), ECB President Lagarde speech
US	Chicago Fed National Activity Index (Feb) US Fed Chair Powell speech; “Economic Outlook” at the NABE annual conference
Australia	RBA Governor Lowe speech

TUESDAY 22 MARCH

US	Richmond Fed Manufacturing Index (Mar), US Fed speeches: Williams, Mester, and Daly
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WEDNESDAY 23 MARCH

US	Mortgage Apps wk ending 18 Mar, New Home Sales (Feb) US Fed Chair Powell – panel on emerging challenges for central bank governors in a digital world
UK	CPI (Feb), UK Govt Spring Budget Statement, BoE Governor Bailey speech
Australia	Prelim Manufacturing & Services PMI (Mar)
Japan	Prelim Manufacturing & Services PMI (Mar)

THURSDAY 24 MARCH

US	Initial Claims wk ending 18 Mar, Durable Goods Orders (Feb), Prelim Manufacturing & Services PMI (Mar), Kansas City Fed Manufacturing Index (Mar) US Fed Governor Waller speech – US Housing Market US President Biden attends NATO emergency summit (Brussels)
Europe	Eurozone Prelim Manufacturing & Services PMI (Mar)
UK	Prelim Manufacturing & Services PMI (Mar)
Switzerland	SNB Monetary Policy Decision

FRIDAY 25 MARCH

US	University of Michigan Consumer Sentiment – Final (Mar), Pending Home Sales (Feb) US Fed speeches; Waller (CBDC’s), Williams, Barkin
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