

Key themes for the week ahead – US non-farm payrolls, inflation data, and ongoing geopolitical headline risk

Recap from last week – In the week following the first US rate hike in this cycle, US Fed Chair Powell signaled that the FOMC is willing to be “more aggressive” in addressing inflation at coming meetings. In his NABE speech on Monday, Chair Powell noted that “inflation is much too high” and “raising the federal funds rate by more than 25bps” could be appropriate. Other Fed speeches throughout the week supported returning the federal funds rate to the ‘neutral rate’ as quickly as possible. Rates markets reacted strongly and are currently pricing multiple 50bps hikes over coming meetings starting in May. By the end of the week, the US yield curve flattened further (5-30’s) down to 5bps. At the time of writing, that curve comparison was slightly inverted.

The prelim Mar PMIs showed that input price inflation remains a key theme. Growth momentum was positive across the US and Australia. Aus private sector input and output price inflation “hit record rates”. Demand was boosted by the reopening of international travel. US output and demand increased at a faster pace while input costs increased at “one of the fastest rates on record” in the PMI survey. Firms notably increased output charges at a slower pace.

Growth momentum in Japan was lackluster, as manufacturing activity recorded no change and services activity contracted at a slower pace. Input and output prices increased at a faster pace.

Eurozone activity started to reflect disruption from the war in Ukraine. Growth was slower amid lengthening in supply lead-times while costs increased at “unprecedented rates”.

The week ahead – The focus for the weeks ahead is the path of inflation and the impact on growth/demand from inflation and the broader removal of pandemic restrictions.

This week US non-farm payrolls for Mar are expected to increase by +475k (after increasing by +678k in Feb). The unemployment rate is expected to fall to 3.7% while the participation rate is expected to be unchanged at 62.3%.

The US PCE price index, the FOMC preferred measure of US consumer inflation, is expected to increase by +6.7% in Feb, up from +6.1% in Jan.

Other consumer inflation data: Germany's CPI prelim for Mar is expected to increase by +6.1% after increasing by 5.1% in Feb. Monthly inflation is expected to reach +1.9% in Mar (from +0.9% in Feb). The broader Eurozone inflation data is also expected to show an acceleration in price growth to +6.5% in Mar from +5.9% in Feb.

The US ISM manufacturing PMI report for Mar is expected to show consistent growth momentum. The headline PMI is expected to remain unchanged at 58.6. Details on underlying pricing, lead times, and demand will be insightful.

We are alert to headline risks related to the invasion of Ukraine. Negotiating teams are expected to resume face-to-face talks this week.

The Federal budgets for the US and Australia will be handed down at the start of the week. A ‘cost of living adjustment’ cash payment is expected to be announced in the Aus budget while implementing measures to narrow the budget deficit.

US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$378bn in ST Bills, Notes, TIPS, and Bonds, raising approx. \$72bn in new money.

Approx. \$54bn 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 Mar - 1 Apr	24-Mar	29-Mar	4 week bill	35			Actual 0.135%	0.190%
	24-Mar	29-Mar	8 week bill	30			Actual 0.300%	0.300%
	23-Mar	29-Mar	119-Day CMB	30			Actual 0.710%	0.665%
				95	125	-30		
	28-Mar	31-Mar	13 week bill	57			Announced	0.480%
	28-Mar	31-Mar	26 week bill	48			Announced	0.870%
				105	102	3		
	24-Mar	31-Mar	10yr TIPS	14			Actual -0.589%	-0.540%
	28-Mar	31-Mar	2yr Note	50			Announced	1.553%
	28-Mar	31-Mar	5yr Note	51			Announced	1.880%
	29-Mar	31-Mar	7yr Note	47			Announced	1.905%
	23-Mar	31-Mar	20yr Bond	16			Actual 2.651%	2.396%
				178	79.4	98.6		
			Total - securities settling this week	378	306	72		
			Net New Cash Raised Qtr to Date	4079	3411	668		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			729		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		29-Mar	Bills	5.7				
		31-Mar	Bills	15.7				
		31-Mar	Notes & Bonds	33.1				
				54.5				

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

Recommended US Treasury Financing Q1 - 2022

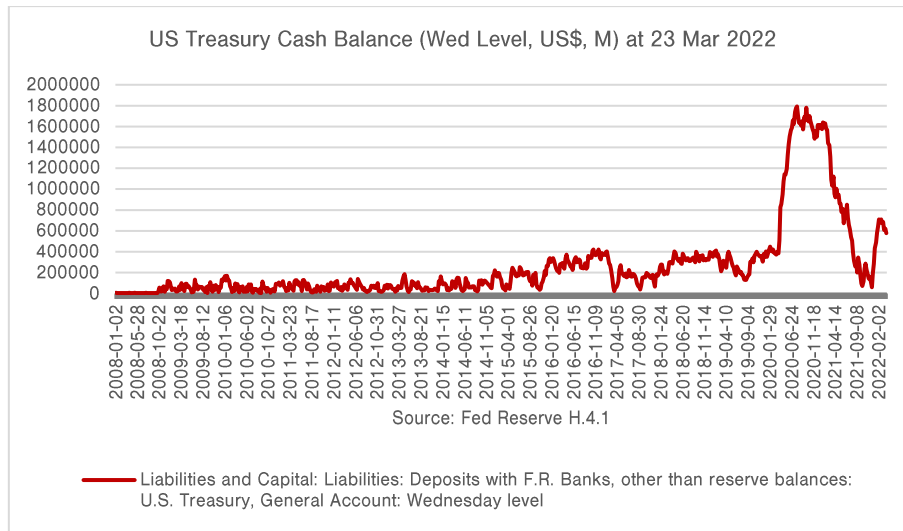
The latest quarterly refunding forecast for US Treasury financing in Q1; total estimated net cash to be raised in Q1 of \$729bn. This includes +\$220bn of net Bills issuance and +\$508bn of net Coupon issuance for the quarter.

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 decreased by \$45bn as of Wed 23 Mar (after increasing by \$12bn in the prior week). The TGA balance was \$576bn, as of Wed 23 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.

The NY Fed Desk plans to purchase approx. \$38bn in MBS over the period to 14 Mar - 13 Apr for its reinvestment purchase operations.

https://www.newyorkfed.org/markets/ambs/ambs_schedule

Current statement and explanation regarding the purchase and reinvestment of Treasury securities and Agency Mortgage-Backed Securities operations:

https://www.newyorkfed.org/markets/opolicy/operating_policy_220126

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 28 Mar	0	2.154
Tue 29 Mar	0	1.970
Wed 30 Mar	0	2.154
Thur 31 Mar	0	1.970
Fri 1 Apr	0	0.668
Total Announced Purchases	\$0bn	\$8.9bn (last week \$8.3bn)

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/ambs_operation_schedule

WEEK COMMENCING 28 MARCH 2022

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

UK	BoE Governor Bailey speech
US	Dallas Fed Manufacturing Index (Mar), US Federal Budget
Australia	Retail Sales prelim (Feb)

TUESDAY 29 MARCH

US	S&P Case/Shiller House Price Index (Jan), JOLTS (Feb) Fed Speeches: NY Fed President Williams, Philadelphia Fed President Harker
Japan	Retail Sales (Feb)
Australia	Aus Federal Budget

WEDNESDAY 30 MARCH

US	Mortgage Apps wk ending 25 Mar, ADP Employment Change (Mar), GDP 2nd Est Q4 Fed speeches: Richmond Fed President Barkin
Europe	Germany CPI Prelim (Mar)
Japan	Industrial Production Prelim (Feb)
Australia	Building Permits (Feb), Private Sector Credit (Feb)
China	NBS Manufacturing and Non-Manufacturing PMI (Mar)

THURSDAY 31 MARCH

US	Initial Claims wk ending 25 Mar, Challenger Job Cuts (Mar), PCE Monthly Income, Expenditure, and Expenditure Price Index (Feb), Chicago PMI (Mar) Fed speeches: NY Fed President Williams
Australia	S&P Manufacturing PMI Final (Mar), Housing Finance (Feb)
Japan	S&P Manufacturing PMI Final (Mar)

FRIDAY 1 APRIL

US	Non-Farm Payrolls (Mar) exp +475k, ISM Manufacturing PMI (Mar), S&P Manufacturing PMI Final (Mar)
UK	S&P Manufacturing PMI Final (Mar)
Europe	Eurozone CPI Prelim (Mar), S&P Eurozone Manufacturing PMI Final (Mar)
