

## Key themes for the week ahead – Geopolitical risk, ECB policy meeting, US CPI

### Recap from last week

The significant humanitarian toll and the economic and political fallout from the invasion of Ukraine continued to roil markets. Against the backdrop of surging commodity and energy prices, US Fed Chair Powell, in his testimony to the US Congress, confirmed that a 25bps increase for Mar “would be appropriate”. The plan to reduce the Fed balance sheet will not be finalized next week. After the Mar FOMC meeting, the Fed will “proceed carefully”. Inflation is too high, but the path and impact of sanctions are highly uncertain. Chair Powell signaled a path of stability over creating further uncertainty. The FOMC is now in the blackout period before next week’s meeting.

The target rate probabilities no longer reflect a more hawkish response from the FOMC in Mar. At the time of writing, markets were even pricing an 8% probability of no change to the FFR at next week’s meeting (a huge turnaround in market sentiment). US data remained strong last week. US payrolls and the household employment survey for Feb were stronger than expected. The US ISM surveys for manufacturing and services reflected a more constant pace of expansion during Feb.

### The week ahead

The context for this week remains the ongoing and heightened geopolitical risk. Sanctions and the threat of embargos are having a significant impact on the supply and price of important food/ag commodities, industrial metals, and of course energy. If not contained quickly, this could exacerbate inflation problems, diminish the growth outlook, and will have a significant human toll.

The ECB will meet this week on policy. The ECB was expected to present a more thorough assessment of the inflation backdrop and forecasts at this meeting. But this will be a crucial meeting to understand how the ECB is changing its outlook in the context of the conflict – and it will be too early for the ECB to fully incorporate likely implications. Europe is facing even greater uncertainty with a war on its doorstep, financial market instability, and a potentially significant energy price shock.

The other important data point this week is US CPI for Feb and inflation is expected to stay extremely elevated. Headline CPI is expected to increase by +7.9% in Feb (up from +7.5% in Jan). The monthly pace of growth is also expected to accelerate to +0.8% (up from +0.6% in Jan). Political pressure on the Fed to rein in inflation has been building for some time now. At the Senate hearing last week Chair Powell was asked whether “the Fed was prepared to do what it takes to get inflation under control and protect price stability?”. Chair Powell responded, “...I hope history will record that the answer to your question is yes”. But the FOMC is not likely to enact measures that might disrupt markets right now.

## US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$226bn in ST Bills with a net paydown of \$69bn.

Approx. \$17bn in ST Bills will mature on the Fed balance sheet this week and will be rolled over.

The US Treasury will also auction the 3-year and 10-year Note and the 30-year Bond this week – and will settle next week.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
7-11 Mar	03-Mar	08-Mar	4 week bill	45		Actual 0.165%	0.050%
	03-Mar	08-Mar	8 week bill	35		Actual 0.205%	0.200%
	02-Mar	08-Mar	119-Day CMB	35		Actual 0.535%	0.570%
				115	130	-15	
	07-Mar	10-Mar	13 week bill	60		Announced	0.360%
	07-Mar	10-Mar	26 week bill	51		Announced	0.670%
				111	165	-54	
			<b>Total - securities settling this week</b>	<b>226</b>	<b>295</b>	<b>-69</b>	
			<b>Net New Cash Raised Qtr to Date</b>	<b>3097</b>	<b>2583</b>	<b>514</b>	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			<b>729</b>	
			<b>Fed SOMA - Face Value of SOMA securities maturing</b>	<b>\$B</b>			
		08-Mar	Bills	6.6			
		10-Mar	Bills	10.0			
				16.6			
			<b>Upcoming auctions this week:</b>				
	08-Mar	15-Mar	3yr Note	48		Announced	1.592%
	09-Mar	15-Mar	10yr Note	34		Announced	1.904%
	10-Mar	15-Mar	30yr Bond	20		Announced	2.340%
				102	20.86	81.14	

<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](#).

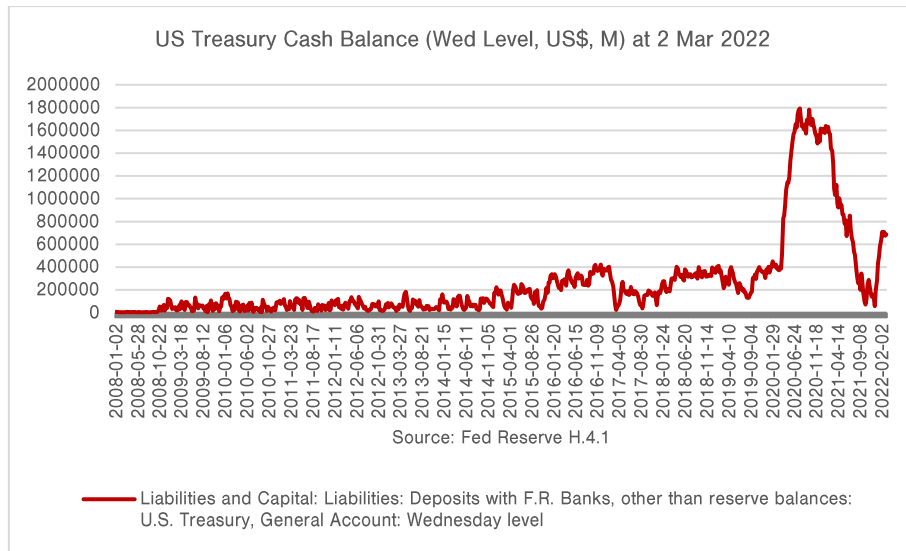
The next quarterly refunding announcement will be made on 4 May 2022.

### Debt Limit and Government Funding

The US House of Reps and the Senate passed a temporary funding bill to fund the US government until 11 Mar. This week, the US Congress is expected to vote on another funding bill to extend US government funding through to the end of Sept. Congress is expected to vote on this new spending bill on 8 Mar this week. (Source: [Reuters](#))

## Treasury Cash Levels

The level of the TGA increased by \$11bn as of Wed 2 Mar (after decreasing by \$34bn in the prior week). The TGA balance was \$685bn (level, as of Wed 2 Mar).



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H4.1&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 11 Mar 2022. At the time of writing, there is no planned release of the Treasury purchase operation schedule, post 11 Mar.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 7 Mar	0	2.925
Tue 8 Mar	1.825	2.630
Wed 9 Mar	4.025	2.892
Thur 10 Mar	0	2.630
Fri 11 Mar	0	2.926
Total Announced Purchases	\$5.8bn (last week \$2.2bn)	\$14bn (last week \$15.7bn)

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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

# WEEK COMMENCING 7 MARCH 2022

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## MONDAY 7 MARCH (US Eastern Time, unless stated otherwise)

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China	(Sunday night) Trade Balance, Exports, & Imports (Jan)
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US	Consumer Credit Change (Jan)
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Australia	NBA Business Conditions and Confidence (Feb)
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## TUESDAY 8 MARCH

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Europe	Germany Industrial Production (Jan), Eurozone GDP (Final) Q4
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Australia	RBA Governor Lowe speech (AFR Business Summit), Westpac Consumer Sentiment (Mar)
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Japan	GDP (Final) Q4
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China	CPI & PPI (Feb)
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## WEDNESDAY 9 MARCH

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US	Mortgage Apps wk ending 4 Mar, JOLTS (Jan)
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Australia	Inflation Expectations (Mar)
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## THURSDAY 10 MARCH

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US	Initial Claims wk ending 4 Mar, CPI (Feb)
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Europe	ECB Policy Decision
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Australia	RBA Governor Lowe speech (opening address, 2022 Banking Conference)
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## FRIDAY 11 MARCH

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Europe	Germany CPI (Final) (Feb), EU Leaders Summit
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US	University of Michigan Consumer Sentiment Prelim (Mar)
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