

## Key themes for the week ahead – Central bank policy decisions, US CPI, and ongoing geopolitical risk

Recap from last week – Central banks are moving towards a tightening stance on monetary policy. The FOMC minutes confirmed that the Board will move “expeditiously” to increase the FFR to neutral – with one or more 50bp increases at coming meetings possible. After moving the policy rate to neutral, “a move to a tighter policy stance could be warranted”. QT is likely to be announced at the May meeting and may commence shortly thereafter (roll-off capped at approx. \$95bn/mth). What is unclear is how and how much QT will contribute to the tightening of financial conditions as rates move to neutral and possibly beyond.

The FOMC minutes noted concerns over inflation expectations becoming unanchored. In a speech earlier in the week, Governor Brainard (usually more dovish), said that dealing with inflation was ‘paramount’. Rates sold off across the curve after that speech, but more notably at the long end. By the end of the week, the entire curve had shifted up and steepened slightly. US momentum remained robust – the ISM PMI for Services in Mar expanded at a faster pace, consumer credit growth of +\$42bn in Feb was the largest \$ growth in the series back to the start of 2000, and initial claims remained below 200k. Mortgage applications continue to decline.

The RBA left policy settings unchanged but made a significant shift in its guidance. The Board removed ‘we are prepared to be patient’ from its statement. This suggests that hikes may now be on the table. After the meeting, rate hike calls were brought forward to Jun and even May this year. Aussie rates moved higher throughout the week. The Aus labour market survey for Mar is out this week, and the unemployment rate is expected to fall below 4% which has been an important marker for the RBA.

The week ahead – US CPI for Mar is expected to accelerate again on higher energy and commodity prices. The headline CPI growth is expected to increase to +8.5% in Mar from +7.9% in Feb. Monthly inflation is expected to increase to +1.2% in Mar from +0.8% in Feb. Retail sales (\$ value) for Mar are expected to increase by +0.6% and prelim consumer sentiment for Apr is expected to fall further to 58.8. Fed Governor Brainard and other Fed presidents will speak this week.

Other consumer inflation reports: China, the UK, and final Mar CPI for France, Italy, & Germany.

The RBNZ and the BoC are both expected to increase rates at meetings this week. Both are likely to increase rates by 25bps this week, with the BoC more likely to increase by 50bps.

The ECB is likely to keep policy settings unchanged. There may be an assessment of the acceleration in Mar Euro area inflation data. The minutes last week reflect some differences among members on the need to act quickly on inflation and on ending the APP unconditionally. The decision in Mar to taper the APP was important to provide optionality on future interest rates changes. But the decision to end the APP net purchases in Q3 remains conditional. Adjustments to key interest rates “would take place “some time after” the end of net asset purchases of the APP”. It was reported last week that the ECB has started working on a “crisis tool” to manage bond yields after the end of the APP. This may be discussed further at this meeting.

## US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$200bn in ST Bills with a net paydown of -\$22bn.

The US Treasury will also auction approx. \$100bn in Notes and Bonds which will settle next week.

Approx. \$43bn in ST Bills, Notes, Bonds, and TIPS 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 %
<b>Easter - Good Friday</b>								
11-15 Apr	07-Apr	12-Apr	4 week bill	35			Actual 0.205%	0.135%
	07-Apr	12-Apr	8 week bill	30			Actual 0.500%	0.380%
	06-Apr	12-Apr	119-Day CMB	30			Actual 0.910%	0.805%
				95	120	-25		
	11-Apr	14-Apr	13 week bill	57			Announced	0.670%
	11-Apr	14-Apr	26 week bill	48			Announced	1.110%
				105	102	3		
			<b>Total - securities settling this week</b>	<b>200</b>	<b>222</b>	<b>-22.0</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>400</b>	<b>449</b>	<b>-49</b>		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			66		
			<b>Fed SOMA - Face Value of SOMA securities maturing</b>	<b>\$B</b>				
		12-Apr	Bills	6.5				
		14-Apr	Bills	13.0				
		15-Apr	Notes & Bonds	12.3				
		15-Apr	TIPS	11.6				
				43.3				
			<b>Upcoming Auctions:</b>					
	11-Apr	18-Apr	3yr Note	46			Announced	1.775%
	12-Apr	18-Apr	10yr Note	34			Announced	1.920%
	13-Apr	18-Apr	30yr Bond	20			Announced	2.375%
				100	65.7	34.3		

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

### Recommended US Treasury Financing Q2 - 2022

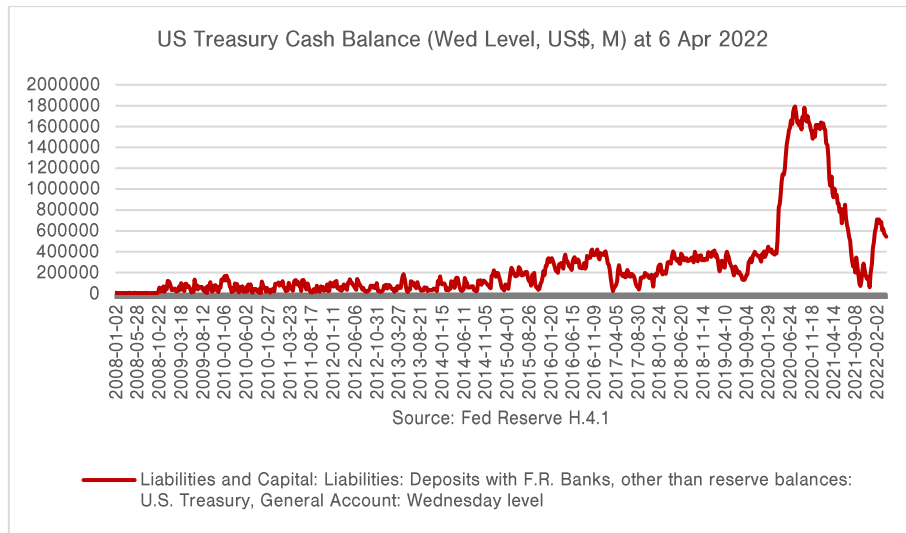
The latest quarterly refunding forecast for US Treasury financing in Q2; total estimated net cash to be raised in Q2 of \$66bn. This includes -\$358.22bn of net Bills paydown and +\$424.22bn of net Coupon issuance for the quarter.

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 \$11bn as of Wed 6 Apr (after decreasing by \$19bn in the prior week). The TGA balance was \$545bn, as of Wed 6 Apr.



<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.

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

[https://www.newyorkfed.org/markets/opolicy/operating\\_policy\\_220126](https://www.newyorkfed.org/markets/opolicy/operating_policy_220126)

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](https://www.newyorkfed.org/markets/ambs/ambs_schedule)

The next tentative MBS purchase schedule will be released on 13 Apr – the data for the table below is incomplete for this week.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 11 Apr	0	1.486
Tue 12 Apr	0	2.158
Wed 13 Apr	0	0.483
Thur 14 Apr	0	Tbc
Fri 15 Apr	0	Tbc
Total Announced Purchases	\$0bn	\$4.1bn (last week \$8.4bn)

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

## WEEK COMMENCING 11 APRIL 2022

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### MONDAY 11 APRIL (US Eastern Time, unless stated otherwise)

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China CPI (Mar), PPI (Mar)

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US Fed speeches: Bowman, Williams, Bostic, and Evans

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Australia NAB Business Conditions and Confidence (Mar)

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### TUESDAY 12 APRIL

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Europe Germany CPI – Final (Mar)

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US CPI (Mar)  
Fed speeches: Brainard, OPEC Monthly Report

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NZ RBNZ Monetary Policy Meeting

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China Trade Balance, Exports, and Imports (Mar)

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### WEDNESDAY 13 APRIL

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US Mortgage Apps wk ending 8 Apr, PPI (Mar)

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UK CPI (Mar)

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Japan BoJ Kuroda speech

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Canada BoC Monetary Policy Meeting

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Australia Labour Market Survey (Mar)

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### THURSDAY 14 APRIL

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US Initial Claims wk ending 8 Apr, Retail Sales (Mar), University of Michigan Consumer Sentiment – Prelim (Apr)

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Europe ECB Monetary Policy Decision

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### FRIDAY 15 APRIL

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Easter - Good Friday Holiday

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Europe France CPI – Final (Mar), Italy CPI – Final (Mar)

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US Empire State Manufacturing Index (Apr), Industrial Production (Mar)

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