

## Key themes for the week ahead – US Fed Chair speech, CPIs Japan, Canada, & NZ, prelim global PMI's Apr, and ongoing geopolitical risk

Recap from last week – US CPI growth accelerated as expected to +8.5% in Mar from +7.9% in Feb. The acceleration was led by higher energy and food prices. There was a small acceleration in core CPI growth as used car prices eased but were mostly offset by core services price growth. US retail sales increased at a slower pace – still affected by weaker auto sales. Annual retail growth declined in real terms as data cycled over the stimulus from 2021. The prelim consumer sentiment in Apr improved as gasoline prices started to ease.

Both the RBNZ and the BoC increased their benchmark rates by 50bps last week. The BoC announced that it would start reducing the size of its balance sheet by allowing maturing securities to roll off the balance sheet. Both central banks indicated that there would be more rate increases as inflation remains above target. The CPI reports for both Canada and NZ are out this week. Canada CPI growth is expected to increase to +6.1% in Mar from +5.7% in Feb. The monthly CPI growth is expected to be +0.9% in Mar below the +1% recorded in Feb. The NZ CPI growth for Q1 is expected to increase to +7.1% from +5.9% in Q4.

There was no change in policy from the ECB. The statement sounded dovish despite inflation risks having “intensified”. The press conference provided more detail. “Europe is in a different situation to the US” with more exposure to the war and needs to manage the policy trade-off between the downside risk to growth and the upside risk to inflation. The ECB reiterated adherence to the sequence for normalizing that began back in Dec. Guidance is that, at this point, there is a “very high probability” that net asset purchases will end (sometime) in Q3. Updated growth and inflation projections will be presented at the next meeting in Jun which will inform the decision to end net asset purchases and then decide on policy for rates.

Lockdowns have started to affect Chinese economic data with weaker (annual) imports, retail sales, and slower industrial output growth in Mar. This lockdown is expected to have an impact more broadly on supply chains.

The week ahead – The IMF spring meetings will feature US Fed Chair Powell and ECB President Lagarde. This will likely be the last public remarks by Fed Chair Powell before the next FOMC meeting on 4 May and we will be looking for signaling of a 50bp increase. Markets are currently pricing a 90% probability of a 50bps increase at the next meeting.

The RBA Minutes noted that inflation pressure, tight labour market, and expected strengthening of wage growth “have brought forward the likely timing of the first increase in interest rates”. Additional evidence over the “coming months” would be available. The RBA is not likely to shift at the May meeting due to the federal election in late May.

Japan CPI for Mar is expected to accelerate to +1.3% from +0.9% in Feb. The BoJ has reiterated its support for keeping rates low as global rates start to increase. Prelim global PMIs for Apr will be released. A consistent pace of momentum is expected but we are alert to the impact on global supply chains, prices, and demand from Chinese lockdowns, the war in Ukraine, and the positive impact of lifting Covid restrictions.

## US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$334bn in ST Bills, Notes, and Bonds, raising approx. \$9.3bn in new money.

The US Treasury will also auction approx. \$20bn in 5-year TIPS which will settle on 29 Apr.

Approx. \$25bn 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 %
<b>Easter - Easter Monday</b>								
18-22 Apr	14-Apr	19-Apr	4 week bill	35			Actual 0.370%	0.205%
	14-Apr	19-Apr	8 week bill	30			Actual 0.570%	0.500%
	13-Apr	19-Apr	119-Day CMB	30			Actual 0.965%	0.910%
				95	120	-25		
	18-Apr	21-Apr	13 week bill	57			Announced	0.785%
	18-Apr	21-Apr	26 week bill	48			Announced	1.220%
	19-Apr	21-Apr	52 week bill	34			Announced	1.590%
				139	139	0		
	11-Apr	18-Apr	3yr Note	46			Actual 2.738%	1.775%
	12-Apr	18-Apr	10yr Note	34			Actual 2.720%	1.920%
	13-Apr	18-Apr	30yr Bond	20			Actual 2.815%	2.375%
				100	65.7	34.3		
			<b>Total - securities settling this week</b>	<b>334</b>	<b>324.7</b>	<b>9.3</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>734</b>	<b>774</b>	<b>-40</b>		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			<i>66</i>		
			<b>Fed SOMA - Face Value of SOMA securities maturing</b>	<b>\$B</b>				
		19-Apr-22	Bills	6.7				
		21-Apr	Bills	18.0				
				24.7				
			<b>Upcoming Auctions</b>					
	21-Apr	29-Apr	5yr TIPS	20			Announced	-1.508%
				20	0	20		

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

### Recommended US Treasury Financing Q2 - 2022

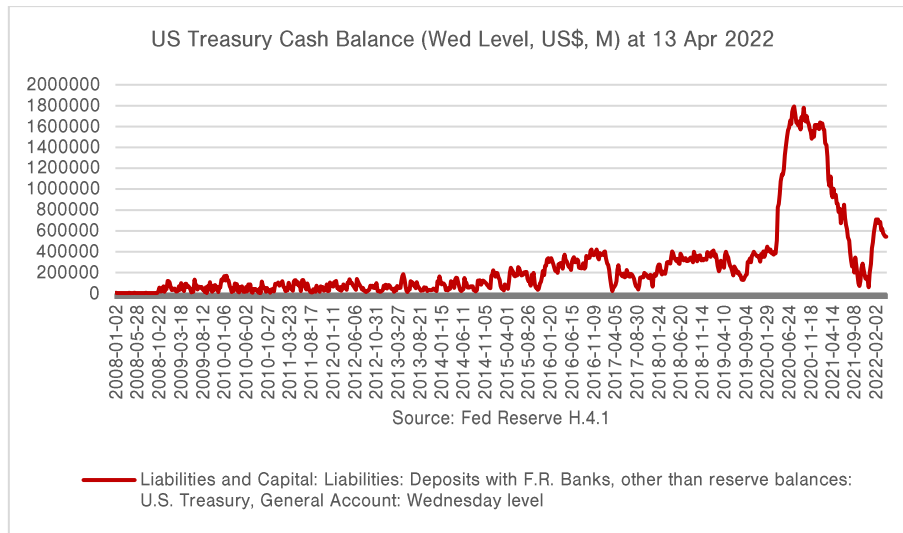
The latest quarterly refunding forecast for US Treasury financing in Q2; total estimated net cash to be raised in Q2 of \$66bn. This includes -\$358.22bn of net Bills paydown and +\$424.22bn of net Coupon issuance for the quarter.

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 \$2bn as of Wed 13 Apr (after decreasing by \$1 1bn in the prior week). The TGA balance was \$543bn, as of Wed 13 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 regarding 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. \$20.1bn in MBS over the period to 14-28 Apr

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

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 18 Apr	0	2.093
Tue 19 Apr	0	0.545
Wed 20 Apr	0	2.093
Thur 21 Apr	0	1.979
Fri 22 Apr	0	2.440
Total Announced Purchases	\$0bn	\$9.1bn (last week \$6.2bn)

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/ambs\\_operation\\_schedule](https://www.newyorkfed.org/markets/ambs_operation_schedule)

# WEEK COMMENCING 18 APRIL 2022

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## MONDAY 18 APRIL (US Eastern Time, unless stated otherwise)

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China (Sunday) GDP Q1, Industrial Production (Mar), Retail Sales (Mar)

IMF Spring Meeting 18-24 Apr

US NAHB Housing Market Index (Apr), US Fed speeches: Bullard

Australia RBA Minutes

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## TUESDAY 19 APRIL

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Japan Industrial Production Final (Feb), Merch Trade Balance, Exports, & Imports (Mar)

US Building Approvals & Housing Starts (Mar), US Fed Speeches: Evans

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## WEDNESDAY 20 APRIL

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US Mortgage Apps wk ending 15 Apr, Existing Home Sales (Mar), Fed Beige Book, Fed Speeches: Daly & Evans

Europe Germany PPI (Mar), Eurozone Industrial Production (Mar)

Canada CPI (Mar)

NZ CPI (Q1)

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## THURSDAY 21 APRIL

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US Initial Claims wk ending 15 Apr, Philadelphia Fed Manufacturing Index (Apr)  
Fed Chair Powell speeches: 1) Welcoming remarks (Volker Alliance & Penn Institute)  
and 2) IMF Panel – The Global Economy

Europe Euro Area CPI Final (Mar), ECB President Lagarde IMF Panel – The Global Economy

UK BoE Governor Bailey speech

Australia S&P Global Prelim PMIs (Apr)

Japan National CPI (Mar), S&P Global Prelim PMI's (Apr)

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## FRIDAY 22 APRIL

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Europe Eurozone S&P Global Prelim PMI's (Apr), ECB President Lagarde speech

UK S&P Global Prelim PMIs (Apr), BoE Governor Bailey speech

US S&P Global Prelim PMIs (Apr)

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