

Key themes for the week ahead – inflation and growth data, BoJ meeting, and ongoing geopolitical risk

Recap from last week – Last week, US Fed Chair Powell indicated that a 50bps increase will be on the table for the May meeting. Other speeches by Fed officials last week supported the view of a faster move up to the ‘neutral’ rate. US Fed officials are now in the blackout period ahead of the FOMC meeting next week 3-4 May.

The RBA minutes provided insight behind the guidance shift at the Apr meeting. Rising inflation pressure, high uncertainty about wages growth amid a tight domestic labour market, and rates moving higher globally – “these developments have brought forward the likely timing of the first increase in interest rates”. Inflation is expected to increase over the coming quarters. Aus CPI for Q1 is out this week and annual CPI growth is expected to accelerate to +4.6% from +3.5% in Q4. Core inflation is expected to increase to +3.4% from +2.6%. A hike at the next RBA meeting (3 May) is possible, but the Board may be hesitant to make a major policy shift ahead of the Federal election on 21 May.

Prelim PMIs for Apr were mixed. The unifying theme remained the record, or near-record, high rates of input and output price growth. Escalating costs and prices were cited as offsetting the positive impact of the reduction in covid restrictions. There was some indication that supply chains remain under pressure. In Aus, reduced covid restrictions contributed to faster growth across manufacturing and services. Momentum across manufacturing and services in Japan remained lacklustre. Eurozone services activity helped to offset a more notable slowdown in manufacturing output. Germany's manufacturing output contracted sharply. US manufacturing activity increased while there was a more notable slowdown in services growth.

The week ahead - US growth and PCE inflation data are out this week ahead of the FOMC meeting next week. US GDP growth in Q1 is expected to slow to +1.1% (SAAR basis) from +6.9% in Q4. The headline PCE price index for Mar is expected to be little changed from +6.4% in Feb. Core PCE inflation is expected to ease slightly to +5.3% in Mar from +5.4% in Feb.

The BoJ meets on policy this week and settings are expected to remain unchanged. The BoJ continues to reaffirm its commitment to accommodative policy and remains an outlier among global central banks tightening policy. Japanese CPI last week was in line with expectations on headline inflation +1.2% and core inflation +0.8%.

Eurozone Q1 GDP and the prelim inflation data for Apr are out this week. Euro area GDP is expected to increase by +0.3% in Q1 (from +0.3% in Q4). Annual GDP growth is expected to increase to +5.1% versus +4.6% in Q4. The prelim Euro area CPI for Apr is expected to increase to +7.5% from +7.4% in Mar. The monthly inflation rate is expected to ‘ease’ to +1.8% from +2.5% in Mar. ECB President Lagarde is scheduled to speak this week.

BoC Governor Macklem is scheduled to provide a statement to the Canadian parliament.

China PMIs for Apr is expected at the end of the week, amid extended Covid lockdowns.

US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$211bn in ST Bills and 5yr TIPS, with a -\$7bn paydown.

The US Treasury will also auction approx. \$180bn in Notes and FRNs which will settle on 2 May.

Approx. \$19bn 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 %
25-29 Apr	21-Apr	26-Apr	4 week bill	35			Actual 0.500%	0.370%
	21-Apr	26-Apr	8 week bill	30			Actual 0.625%	0.570%
	20-Apr	26-Apr	119-Day CMB	30			Actual 1.070%	0.965%
				95	110	-15		
	25-Apr	28-Apr	13 week bill	51			Announced	0.860%
	25-Apr	28-Apr	26 week bill	45			Announced	1.250%
				96	108	-12		
	21-Apr	29-Apr	5yr TIPS	20			Actual -0.340%	-1.508%
				20	0	20		
			Total - securities settling this week	211	218	-7		
			Net New Cash Raised Qtr to Date	945	992	-47		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			66		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		26-Apr	Bills	5.43				
		28-Apr	Bills	13.21				
				18.65				
			Upcoming Auctions:					
	27-Apr	02-May	2yr FRN	24			Announced	
	27-Apr	02-May	5yr Note	49			Announced	2.543%
	28-Apr	02-May	7yr Note	44			Announced	2.499%
	26-Apr	02-May	2yr Note	48			Announced	2.365%
	20-Apr	02-May	20yr Bond	16			Actual 3.095%	2.651%
				181.0	152.2	28.8		

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

Recommended US Treasury Financing Q2 - 2022

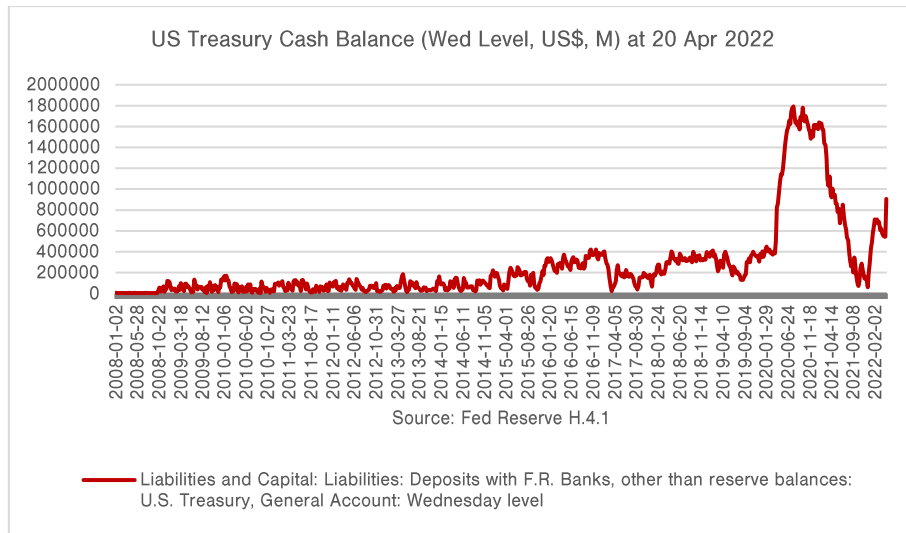
The latest quarterly refunding forecast for US Treasury financing in Q2; total estimated net cash to be raised in Q2 of \$66bn. This includes -\$358.22bn of net Bills paydown and +\$424.22bn of net Coupon issuance for the quarter.

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 increased by \$363bn as of Wed 20 Apr (due to the first US tax filing deadline on 18 Apr). The TGA balance reached \$907bn, as of Wed 20 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

The NY Fed Desk plans to purchase approx. \$40.1bn in MBS over the period to 14 Apr – 12 May https://www.newyorkfed.org/markets/ambs/ambs_schedule

The next schedule for MBS purchase operations will be released on 28 Apr – the table below is incomplete.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 25 Apr	0	1.979
Tue 26 Apr	0	2.440
Wed 27 Apr	0	1.976
Thur 28 Apr	0	2.440
Fri 29 Apr	0	tbc
Total Announced Purchases	\$0bn	\$8.8bn (last week \$9.1bn)

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 25 APRIL 2022

MONDAY 25 APRIL (US Eastern Time, unless stated otherwise)

US	Chicago Fed National Activity Index (Mar), Dallas Fed Manufacturing Index (Apr)
Canada	BoC Governor Macklem speech

TUESDAY 26 APRIL

US	Durable Goods Orders (Mar), Case-Shiller House Price Index (Feb), New Home Sales (Mar), Richmond Fed Manufacturing Index (Apr)
Aus	CPI Q1

WEDNESDAY 27 APRIL

US	Mortgage Apps wk ending 22 Apr, Pending Home Sales (Mar)
Canada	BoC Governor Macklem speech
Europe	ECB President Lagarde speeches
Japan	Industrial Production Prelim (Mar), Retail Sales (Mar) BoJ Monetary Policy Meeting
Aus	International Trade Price Indexes (Mar)

THURSDAY 28 APRIL

US	Initial Claims wk ending 22 Apr, GDP Prelim Q1, Kansas City Fed Manufacturing Survey (Apr)
Aus	Private Sector Credit Outstanding (Mar)

FRIDAY 29 APRIL

Europe	Eurozone GDP Prelim Q1, Eurozone CPI Prelim (Apr)
US	Personal Consumption Expenditure, Income, and Price Index (Mar), Chicago PMI (Apr), University of Michigan Consumer Sentiment – Final (Apr), Employment Wage Cost Index Q1
China	NBS Manufacturing and Non-Manufacturing PMI (Apr)
