

Key themes for the week ahead – FOMC & ECB Minutes, RBA Meeting, and ongoing geopolitical headline risk

Recap from last week – The path of inflation remained a central theme last week. The Euro area prelim CPI for Mar came in notably higher than expected, accelerating from 5.9% in Feb to 7.5% in Mar. Extremely high energy and food price growth was a significant contributor to the acceleration as the invasion of Ukraine added further pressure to supply and prices. Euro area core CPI for Mar increased by 3% in Mar versus 2.7% in Feb – a year ago Euro area core CPI growth was +0.9%. This latest report will add further pressure to the ECB (meeting next week). Inflation risks were already skewed to the upside, but policy now needs need to balance that with the growth and humanitarian impact of the Ukraine invasion.

The US PCE price index for Feb came in lower than expected at 6.4% (expecting 6.7%), but still accelerated compared to 6.1% in Jan. Month-on-month growth remained high at +0.6% in Feb (compared to 0.6% in Jan). Core PCE inflation accelerated to 5.4% in Feb versus 5.2% in Jan.

The US labour market report for Mar was strong. Non-farm payrolls were a little lower than expected at +431k, but there was a further +95k higher revision for the prior two months. Importantly, employment growth was able to absorb the increase in participation and reduce total unemployed persons. The unemployment rate declined to 3.6% in Mar.

The US ISM manufacturing PMI recorded somewhat slower growth in Mar. The underlying detail was important with notably slower growth of new orders and production partly offset by growth in employment. Lead-times were little changed. There was a further surge in input price growth with 75% of firms reporting higher prices in Mar up from 56% of firms reporting higher prices in Feb. The ISM services PMI report is due this week.

China continues to struggle with its Covid outbreak. This was reflected in a contraction across both manufacturing and non-manufacturing PMIs for Mar (excluding construction).

The week ahead - The US yield curve continued to flatten through last week and inverted again by the end of the week. Policymakers are facing the prospect of even higher US inflation prints from Mar – with the growth outlook becoming less favorable. The FOMC minutes of the Mar meeting will be released this week. The FOMC raised the FFR by 25bps at the last meeting. The minutes are expected to highlight more detail around QT/balance sheet run-off discussions. After the last meeting, Chair Powell, and other FOMC members, signaled the possibility of a 50bps increase in the FFR at upcoming meetings. Markets are currently pricing a 50bps increase in May and Jun. There will also be multiple Fed speakers through this week.

The ECB minutes will also be released this week ahead of the Apr meeting next week.

The RBA will meet this week and policy is expected to remain unchanged. Pressure is building for the RBA to raise rates sooner than previously expected (markets pricing the first increase around mid-year). The labour market has continued to strengthen, and the economy is recovering from the omicron outbreak. Governor Lowe has previously hinted that inflation and wage risks have moved to the upside. How long can the RBA maintain the “we can afford to be patient” stance?

Next week will be a short week due to Easter.

US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$200bn in ST Bills with a net paydown of -\$27bn.

Approx. \$21bn 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 %
4-8 Apr	31-Mar	05-Apr	4 week bill	35			Actual 0.135%	0.135%
	31-Mar	05-Apr	8 week bill	30			Actual 0.380%	0.300%
	30-Mar	05-Apr	119-Day CMB	30			Actual 0.805%	0.710%
				95	125	-30		
	04-Apr	07-Apr	13 week bill	57			Announced	0.605%
	04-Apr	07-Apr	26 week bill	48			Announced	1.050%
				105	102	3		
			Total - securities settling this week	200	227	-27		
			Net New Cash Raised Qtr to Date	200	227	-27		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			66		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		05-Apr	Bills	6.8				
		07-Apr	Bills	14.4				
				21.2				

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

Recommended US Treasury Financing Q2 - 2022

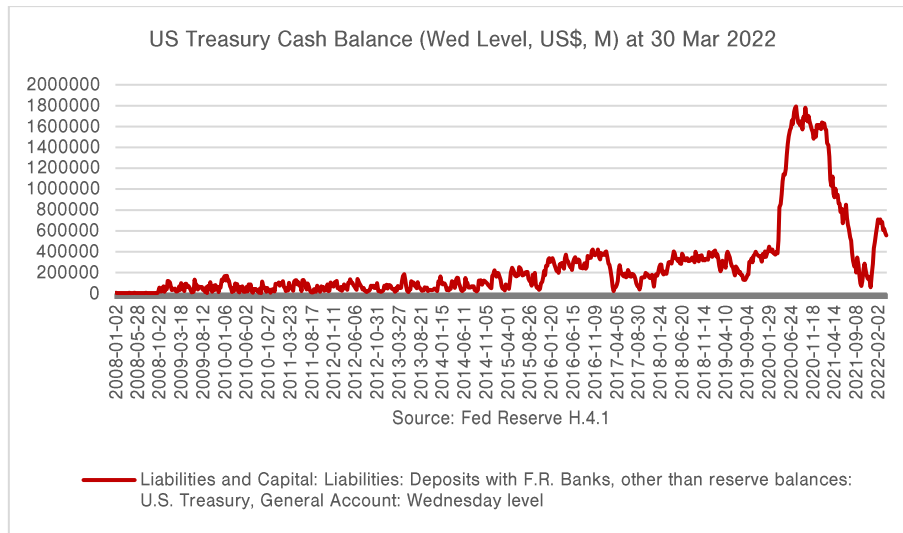
The latest quarterly refunding forecast for US Treasury financing in Q2; total estimated net cash to be raised in Q2 of \$66bn. This includes -\$358.22bn of net Bills paydown and +\$424.22bn of net Coupon issuance for the quarter.

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 \$19bn as of Wed 30 Mar (after decreasing by \$45bn in the prior week). The TGA balance was \$556bn, as of Wed 30 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 about 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 4 Apr	0	2.154
Tue 5 Apr	0	1.486
Wed 6 Apr	0	1.152
Thur 7 Apr	0	1.486
Fri 8 Apr	0	2.154
Total Announced Purchases	\$0bn	\$8.4bn (last week \$8.9bn)

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 4 APRIL 2022

MONDAY 4 APRIL (US Eastern Time, unless stated otherwise)

UK	BoE Governor Bailey speech
US	Factory Orders (Feb)
Australia	MI Inflation Gauge (Mar), S&P Services PMI Final (Mar)
Japan	S&P Services PMI Final (Mar)

TUESDAY 5 APRIL

Australia	RBA Policy Decision
Europe	Eurozone S&P Services PMI Final (Mar)
US	ISM Services PMI (Mar), S&P Services PMI Final (Mar) US Fed speeches: Williams and Brainard

WEDNESDAY 6 APRIL

US	Mortgage Apps wk ending 1 Apr FOMC Minutes
Europe	Germany Factory Orders (Feb), Eurozone PPI (Feb)

THURSDAY 7 APRIL

US	Initial Claims wk ending 1 Apr, Consumer Credit Change (Feb) US Fed speeches: Bullard, Williams, Evans, and Bostic
Europe	Germany Industrial Production (Feb), Eurozone Retail Sales (Feb) ECB Meeting Minutes

FRIDAY 8 APRIL

US	Wholesale Inventories (Feb)
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