

Key themes for the week ahead – FOMC, BoE, and RBA meetings, US non-farm payrolls, and ongoing geopolitical risk

Recap from last week – US Q1 real GDP surprised to the downside due to a notable contraction in net exports. US goods exports declined while import demand remained elevated for the quarter. This more than offset the faster growth in personal consumption and investment expenditure. Inventories and government expenditures both detracted from growth. US PCE inflation accelerated to +6.6% in Mar, up from +6.4% in Feb with monthly inflation increasing to +0.87%. Core PCE inflation remained high at +5.2% but lower than the +5.3% print in Feb, as we start to cycle over the higher base from a year ago. Monthly core PCE price growth remained at +0.3%.

Aussie inflation was higher than expected. CPI growth in Q1 was +5.1% (prior was +3.5%). Inflation was broadly based. The headline and core measures are now above the RBA's upper band of 3%.

The Euro-area prelim GDP growth for Q1 remained muted, but positive at +0.2%. At the same time, Euro-area inflation increased by +7.5% in Apr, up from +7.4% in Mar. Monthly CPI growth eased to +0.6% as energy prices declined by -3.7%. This illustrates the lower growth and high inflation policy challenge for the ECB.

The BoJ remained firmly dovish. It announced it would step in to buy 10yr JGBs "every business day" at 0.25% to support the zero-target rate. Inflation is still below 2% and risks to growth are to the downside. This is a firm stake in the ground from the BoJ and its forecasts show that an easing bias is not likely over the medium term.

Chinese PMIs recorded a sharp contraction in both manufacturing and services activity for Apr as a strict zero-covid policy is still in place. This is expected to have a further impact on global supply chains and poses a risk to growth for many countries.

The week ahead – This is another week of significant central bank meetings and data for markets to digest. The FOMC is expected to raise rates by 50bps this week and announce the details of QT. We'll be looking for guidance on the path to the 'neutral' rate at subsequent meetings and views on the tightening in financial conditions, the expected slowdown in inflation, and the growth outlook. The US Treasury will also release its quarterly refunding requirements on 4 May.

US non-farm payrolls are expected to increase by +380k in Apr. Participation is expected to be unchanged while the unemployment rate is expected to fall to 3.5%. The ISM PMIs for Apr are expected to show slightly faster growth momentum than in Mar.

The RBA will meet on policy this week. Given the higher-than-expected CPI and the strong labour market, the RBA Board is expected to increase rates by 15bps this week (some estimates indicate 40bps). But note that the RBA has been hesitant (in the past) to make a major policy change in front of a federal election (which will be 21 May). The Board only just changed its forward guidance (removing "can afford to be patient") at the last meeting and indicated that it would look at data "over the coming months", which may include another quarter of the consumer and wage price index.

BoE will meet this week and a further 25bps increase is expected.

Final global PMIs for Apr will be released this week. The prelim reports had highlighted a continued record pace of input and/or output price growth across most countries in Apr.

US Treasury Issuance & QE

This week, the US Treasury will auction and settle approx. \$363bn in ST Bills, Notes, Bonds, and FRNs, with another -\$7bn paydown.

Approx. \$47bn in ST Bills, Notes, Bonds, and FRNs 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 %
2-6 May	28-Apr	03-May	4 week bill	35			Actual 0.480%	0.500%
	28-Apr	03-May	8 week bill	30			Actual 0.710%	0.625%
	27-Apr	03-May	119-Day CMB	30			Actual 1.110%	1.070%
				95	110	-15		
	02-May	05-May	13 week bill	45			Announced	0.890%
	02-May	05-May	26 week bill	42			Announced	1.370%
				87	108	-21		
	27-Apr	02-May	2yr FRN	24				
	27-Apr	02-May	5yr Note	49			Actual 2.785%	2.543%
	28-Apr	02-May	7yr Note	44			Actual 2.908%	2.499%
	26-Apr	02-May	2yr Note	48			Actual 2.585%	2.365%
	20-Apr	02-May	20yr Bond	16			Actual 3.095%	2.651%
				181	152	29		
			Total - securities settling this week	363	370	-7		
			Net New Cash Raised Qtr to Date	1308	1362	-54		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			66		
			Fed SOMA - Face Value of SOMA securities maturing	\$B				
		03-May	Bills	6.5				
		05-May	Bills	15.5				
		30-Apr	Notes & Bonds	23.2				
		30-Apr	FRN	1.9				
				47.1				

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

Recommended US Treasury Financing Q2 - 2022

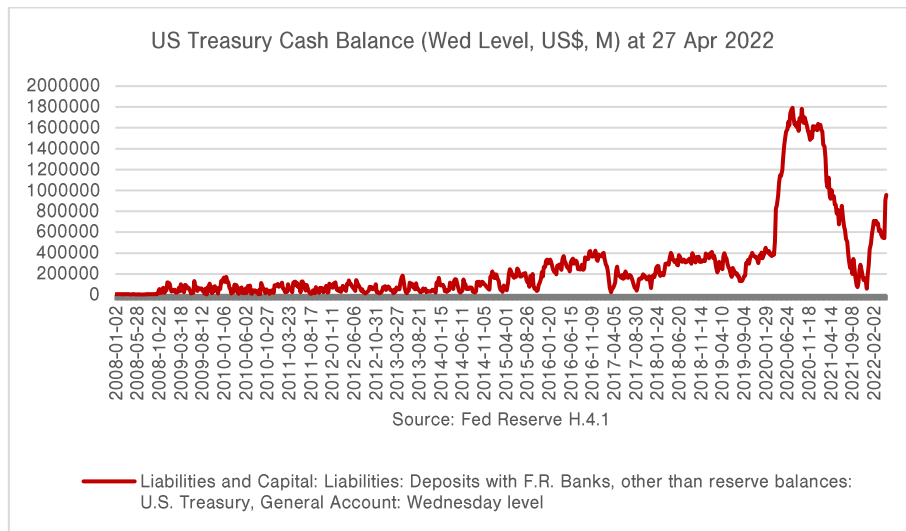
The latest quarterly refunding forecast for US Treasury financing in Q2; total estimated net cash to be raised in Q2 of \$66bn. This includes -\$358.22bn of net Bills paydown and +\$424.22bn of net Coupon issuance for the quarter.

Nominal coupon changes – details can be [found here](#).

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

Treasury Cash Levels

The level of the TGA increased by \$50bn, reaching a balance of \$957bn as of Wed 27 Apr.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H4.1&series=53198152b62add5ad59ae42b6d3d720d&filetype=spreadsheetml&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

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 2 May	0	1.902
Tue 3 May	0	2.076
Wed 4 May	0	2.076
Thur 5 May	0	1.902
Fri 6 May	0	2.076
Total Announced Purchases	\$0bn	\$10bn (last week \$10.9bn)

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 2 MAY 2022

MONDAY 2 MAY (US Eastern Time, unless stated otherwise)

Australia (Sunday) S&P Global Manufacturing PMI – Final (Apr), ANZ Job Ads (Apr)

Japan (Sunday) S&P Global Manufacturing PMI – Final (Apr)

Europe S&P Global Eurozone Manufacturing PMI – Final (Apr)

US ISM Manufacturing PMI (Apr), S&P Global Manufacturing PMI – Final (Apr)

TUESDAY 3 MAY

Australia RBA Monetary Policy Decision
S&P Global Services PMI Final (Apr), Housing Finance (Mar), Retail Sales (Mar)

Japan S&P Global Services PMI Final (Apr)

US Factory Orders (Mar), JOLTS (Mar)

NZ NZ Labour Market Survey (Q1)

WEDNESDAY 4 MAY

US Mortgage Apps wk ending 29 Apr, ADP Employment Change (Apr), ISM Services PMI (Apr), S&P Global Services PMI – Final (Apr)
FOMC Monetary Policy Announcement
US Treasury Quarterly Refunding Announcement

Europe S&P Global Eurozone Services PMI Final (Apr), Eurozone Retail Sales (Mar)

THURSDAY 5 MAY

US Initial Claims wk ending 29 Apr, Challenger Jobs Cuts (Apr), Unit Labour Costs Q1, OPEC Meeting tbc

Europe Germany Factory Orders (Mar)

UK BoE Monetary Policy Decision

FRIDAY 6 MAY

Europe Germany Industrial Production (Mar)

US Non-Farm Payrolls (Apr exp +380k), Consumer Credit Change (Mar)
