

Key events for the week ahead – RBA and ECB policy decisions, US inflation, and ongoing geopolitical risk

The RBA will meet on monetary policy early this week. Another 25bps increase in the cash rate target is expected, with a chance for a 40bps increase. The last quarterly inflation reading of +5.1% was higher than the RBA Board had expected. With only quarterly inflation reports, the Board noted that it was looking at a broader range of inflation inputs, especially from its business liaison program. The guidance provided at the last meeting was that further increases in interest rates will be necessary (but are not on a pre-set path). Aus GDP data released last week showed that growth remained strong in Q1 at +0.7% for the quarter. While the unemployment rate did fall below 4% in Apr, employment growth was tepid for the month. Growth in housing finance had already begun to moderate since the start of the year and remained weaker in Apr.

The ECB will meet this week. It is expected that the governing council will announce the end of the Net Asset Purchase Program (QE) – with purchases to end in June (while maturing securities on the ECB balance sheet will continue to be rolled over). Last week, inflation again surprised to the upside across the Eurozone, accelerating from +7.4% in Apr to +8.1% in May – adding further pressure on the ECB to begin the hiking cycle. The ECB has committed to the sequence to end the net APP before a lift-off in rates. Based on this, the ECB is expected to signal the timing for when it will begin rate increases (likely to be at the Jul meeting). The ECB will release updated growth and inflation forecasts at this meeting.

US CPI for May will be released at the end of the week. Headline CPI growth is expected to remain elevated at +8.3% in May (versus +8.3% in Apr). The monthly pace of growth is expected to accelerate from +0.3% in Apr to +0.7% in May. Core CPI growth is expected to remain elevated at +5.9% in May, but slightly slower than the +6.2% in Apr.

We are now in the blackout period ahead of the FOMC meeting next week – so there will be no Fed speeches this week. The US CPI report for May, together with the momentum in non-farm payrolls for May, will be important inputs for the FOMC meeting next week. As a part of moving expeditiously back to neutral, increases of 50bps at the next two meetings have already been well telegraphed.

Further data on the Chinese economy will be released this week – including trade data, CPI, and PPI inflation rates.

This week, the US Treasury will auction and settle approx. \$182bn in ST Bills, with an approx. paydown of \$34bn. The US Treasury will also auction the 3yr and 10yr Notes and the 30yr Bond this week – to settle next week.

Approx. \$16.5bn in ST Bills will mature on the Fed balance sheet this week and will be rolled over. Bills maturing this month on the Fed balance sheet will be rolled over/reinvested. The first round of coupons to mature and roll off the Fed balance sheet will commence next week.

US Treasury Issuance & QT

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WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
6-10 Jun	02-Jun	07-Jun	4 week bill	35			Actual 0.860%	0.740%
	02-Jun	07-Jun	8 week bill	30			Actual 1.040%	0.915%
	01-Jun	07-Jun	119-Day CMB	30			Actual 1.390%	1.280%
				95	105	-10		
	06-Jun	09-Jun	13 week bill	45			Announced	1.120%
	06-Jun	09-Jun	26 week bill	42			Announced	1.580%
				87	111	-24		
			Total - securities settling this week	182	216	-34		
			Net New Cash Raised Qtr to Date	2545	2621	-76		
			<i>Estimated Net Paydown Q2 (\$ Bn)</i>			<i>-26</i>		
			Auctions this week (settle next week)					
	07-Jun	15-Jun	3yr Note	44			Announced	2.809%
	08-Jun	15-Jun	10yr Note	33			Announced	2.943%
	09-Jun	15-Jun	30yr Bond	19			Announced	2.997%
				96	23.08	72.92		
			Face Value of SOMA securities maturing - Rollover	\$B				
		07-Jun	Bills	6.5				
		09-Jun	Bills	10.0				
				16.5				

Quantitative Tightening – JUNE 2022

According to FOMC guidelines there will be a \$30bn cap on the decline in Treasury securities on the Fed balance sheet in June.

SOMA Coupon maturities are estimated to be \$48.3bn this month (15th and 30th June). Of the \$48.3bn, a total of \$30bn will be redeemed and the remaining \$18.3bn in maturing Coupons will be reinvested. Given that the value of Coupons maturing is greater than the redemption cap this month, maturing Bills on the balance sheet will be rolled over/reinvested.

Quantitative Tightening - Monthly cap \$ Bn JUNE 2022:				30		
			SOMA securities maturing June 2022 \$ Bn	% of total month	Redemption Amt	Reinvest Amt
	15-Jun-22	Notes & Bonds	14.9	0.31	9.3	5.6
	30-Jun-22	Notes & Bonds	33.3	0.69	20.7	12.6
			48.3		30	18.3

<https://www.newyorkfed.org/markets/treasury-rollover-faq>

Recommended US Treasury Financing Q2 & Q3 - 2022

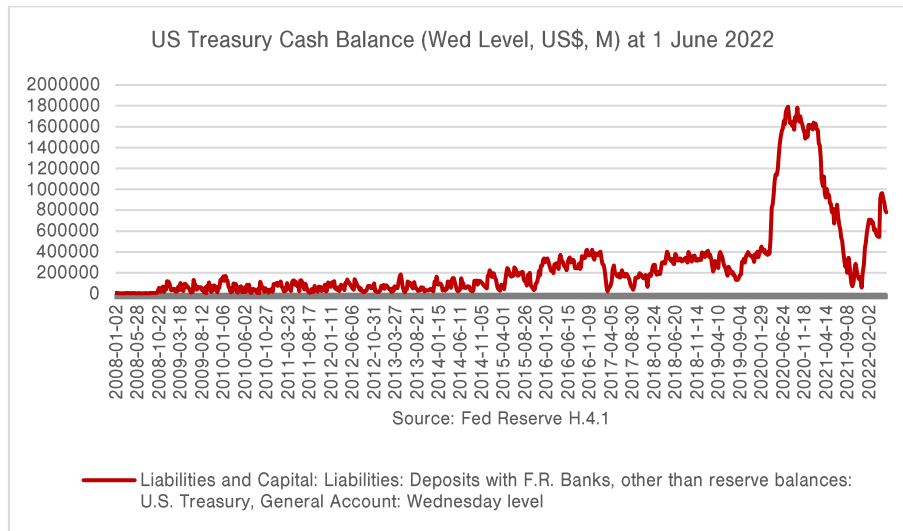
In Q2, the US Treasury estimates a net paydown of -\$26bn. This reflects a -\$433bn paydown of Bills and +\$407bn of net new Coupon issuance for the quarter.

The current quarter-to-date estimated net paydown is -\$76bn.

In Q3, the US Treasury estimates it will raise approx. \$182bn in new money. This reflects a -\$153bn paydown of Bills and +\$335bn of net new Coupon issuance for the quarter.

Treasury Cash Levels

The level of the TGA decreased by \$21bn, reaching a balance of \$780bn as of Wed 1 June. This current balance is approx. \$31bn below the same week a year ago.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H4.1&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. \$18bn in MBS over the period to 27 May -13 Jun. The next tentative schedule of purchases will be released on 14 Jun.

Date	Treasury Security Operations (\$ BN)	MBS Operations, Max Value (\$ BN)
Mon 6 Jun	0	1.711
Tue 7 Jun	0	1.668
Wed 8 Jun	0	1.711
Thur 9 Jun	0	1.669
Fri 10 Jun	0	1.711
Total Announced Purchases	\$0bn	\$8.5bn

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 6 JUNE 2022

MONDAY 6 JUNE (US Eastern Time, unless stated otherwise)

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TUESDAY 7 JUNE

Australia RBA Monetary Policy Meeting

Europe Germany Factory Orders (Apr)

US Consumer Credit Change (Apr)

Japan GDP Q1 - Final

WEDNESDAY 8 JUNE

US Mortgage Apps wk ending 3 Jun

Europe Germany Industrial Production (Apr), Eurozone GDP Q1 – Final

China Trade Balance, Exports, and Imports (May)

THURSDAY 9 JUNE

Europe ECB Monetary Policy Meeting

US Initial Claims wk 3 Jun

Canada BoC Governor Macklem speech

China CPI & PPI (May)

FRIDAY 10 JUNE

US CPI (May), University of Michigan Consumer Sentiment – Prelim (Jun)
