

Key events this week – FOMC, BoE, and SNB monetary policy decisions, RBA minutes, prelim global PMIs for March

Recap from last week: Markets remained on tenterhooks last week, processing the fallout from bank failures. Global central bankers worked to contain contagion risk and ensure the smooth functioning of markets. This included the SNB stepping in to broker the sale of the beleaguered Credit Suisse. Global central banks later announced a coordinated response to “enhance the provision of USD liquidity” ([announcement](#)).

Last week, the ECB raised rates by 50bps as it previously signaled it would do. The policy decision acknowledged the context of an ‘elevated level of uncertainty’ and reiterated the importance of data dependence going forward (halting forward guidance). The ECB signaled it would address both price and financial stability, noting “the ECB’s policy toolkit is fully equipped to provide liquidity support to the euro area financial system if needed and to preserve the smooth transmission of monetary policy”. This decision sets the stage for the FOMC this week.

Markets are broadly expecting the FOMC to hike by 25bps as US CPI for Feb showed underlying inflation remained persistent. But some consider that a pause by the FOMC is not out of the question amid financial stability risks. Beyond this meeting, the uncertainty for the path of rates and economic projections has increased substantially and the FOMC is likely to acknowledge the high degree of uncertainty around its quarterly forecast update (SEPs). The summary of projections for rates will show any shift by the FOMC from its ‘higher for longer’ outlook on rates.

US data last week was mixed. US headline inflation continued to ease as energy and used car prices fell. This helped to offset the effect of accelerating shelter price inflation. The trends in underlying core and ‘super core’ measures showed that inflation momentum remained persistent.

As expected, US retail sales fell slightly in Feb after the much stronger growth in Jan. In real terms, retail sales growth continues to stall but the level remains above the pre-pandemic trajectory.

The first two US regional manufacturing surveys for Mar disappointed as activity continued to slow amid weakening orders. This month, stalling growth in employment and hours became more widespread. Employment declines are not yet at a point where they are widespread but it has begun to increase.

US housing indicators were again solid. Mortgage applications increased for a second week, housing starts and permits in Feb increased more than expected, and the NAHB homebuilder sentiment index increased again in Mar. It’s unclear whether this is a turning point for housing construction but at the very least, the fall seems to have slowed for now.

Outlook for the week ahead: It is likely to be another turbulent week with markets on edge. The main events this week will be the FOMC, BoE, and SNB policy meetings. The BoE is expected to increase rates by 25bps. The Feb UK CPI is out before the meeting and inflation is expected to remain elevated at +9.8%. The SNB was expected to increase rates at this meeting by 25bps.

The RBA minutes will be released this week. This should provide some background to the shift in guidance at the last meeting.

Finally, the Mar prelim S&P PMIs for the larger G4 economies will be released. Momentum is expected to be little changed across the manufacturing and services sectors of these economies.

US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$285bn in ST Bills, with a paydown of \$13bn.

The US Treasury will auction the 20-year Bond and 10-year TIPS this week – both will settle next week.

QT: Approx \$0.55bn in ST Bills will mature and roll off the Fed balance sheet this week. Approx \$7.4bn in ST Bills will mature on the Fed balance sheet this week and will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
20-24 Mar	17-Mar	21-Mar	4 week Bill	60			Actual 4.220%	4.640%
	17-Mar	21-Mar	8 week Bill	50			Actual 4.450%	4.820%
	15-Mar	21-Mar	17 week Bill	36			Actual 4.750%	5.045%
				146	168	-22		
	20-Mar	23-Mar	13 week Bill	57			Announced	4.750%
	20-Mar	23-Mar	26 week Bill	48			Announced	4.700%
	21-Mar	23-Mar	52 week Bill	34			Announced	4.795%
				139	130	9		
			Total - securities settling this week	285	298	-13		
			Net New Cash Raised Qtr to Date	4175	3651	524		
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			932		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		21-Mar	Bills	3.2				
		23-Mar	Bills	4.2				
				7.37				
			Maturing & redemption (balance sheet roll-off)					
		21-Mar	Bills	0.2				
		23-Mar	Bills	0.3				
				0.55				
			Upcoming Auctions	\$B				
	21-Mar	31-Mar	20yr Bond	12				
	23-Mar	31-Mar	10yr TIPS	15				

Quantitative Tightening Overview – March 2023

In March, the total face value of Coupons maturing on the Fed balance sheet is approx. \$55.9bn. As this is below the \$60bn cap for balance sheet roll-off, all Coupons maturing on the Fed balance sheet this month will be redeemed/roll-off. This means that \$4.1bn of maturing ST Bills on the Fed balance sheet will make up the remainder of the \$60bn cap. The remaining \$54bn of ST Bills maturing on the balance sheet will be reinvested this month.

Summary of Total Coupons to Redeem at the \$60bn redemption cap - MAR				\$60	
				Redeem \$Bn	Reinvest \$ Bn
15-Mar-23	Notes & Bonds		7.1		0.0
31-Mar-23	Notes & Bonds		48.8		0.0
Mar	ST Bills		4.1		54.0
	Total Notes & Bonds		60.0		54.0

March Bills reinvestment schedule;

Bill Maturity Schedule - MAR			Weekly Totals \$Bn		
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment	
2023/03/02	11.99	21%	0.84		11.15
2023/03/07	3.19	6%	0.22		2.97
2023/03/09	8.01	14%	0.56		7.45
2023/03/14	3.06	5%	0.21		2.85
2023/03/16	8.21	14%	0.57		7.64
2023/03/21	3.41	6%	0.24		3.17
2023/03/23	4.51	8%	0.32		4.20
2023/03/28	3.13	5%	0.22		2.91
2023/03/30	12.51	22%	0.87		11.63
	58.0	100%	4.1		54.0

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

Recommended US Treasury Financing - Final Q1 2023

The US Treasury borrowing requirement (net cash) for Q1 was increased from \$578bn to \$932bn. This increase is reflected in the higher issuance of Bills for the quarter.

The current net cash raised in the quarter-to-date is \$524bn.

The estimated net Bill issuance for Q1 was revised to \$655bn (from \$301bn) and the estimated net Coupon issuance over the quarter remained unchanged at \$277bn (prior was net \$300bn).

The expected cash balance at the end of Q1 was unchanged at \$500bn.

The revised higher issuance for Q1 was the result of a lower-than-expected cash balance at the end of Q4 2022 and a projection of lower tax receipts and higher outlays over Q1.

Statement on the impact of the debt limit;

Since January 19, 2023, Treasury has been using extraordinary measures to finance the government on a temporary basis.^[1] As Secretary Yellen outlined in recent letters to Congress, the period of time that extraordinary measures may last is subject to considerable uncertainty due to a variety of factors, including the challenges of forecasting the payments and receipts of the U.S. government months into the future. While Treasury is not currently able to provide an estimate of how long extraordinary measures will enable us to continue to pay the government's obligations, it is **unlikely that cash and extraordinary measures will be exhausted before early June.**

Until the debt limit is suspended or increased, debt limit-related constraints will lead to greater-than-normal variability in benchmark bill issuance and significant usage of CMBs. Source: [US Treasury](#)

The full details of Q1 2023 estimates; <https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/most-recent-quarterly-refunding-documents>

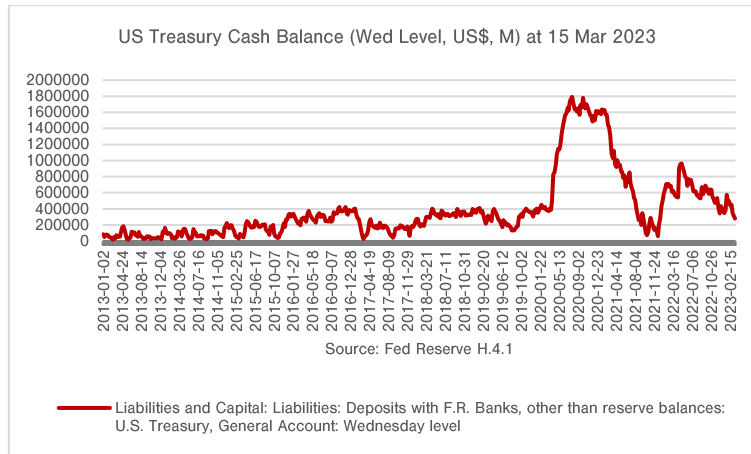
The next meeting of the TBAC will be on 1 May 2023.

Treasury Cash Levels

As of Wed 15 Mar, the level of the TGA decreased to \$277bn (-\$34bn compared to the week prior).

The current TGA balance is approx. \$344bn lower than the same week a year ago.

The updated US Treasury forecasts assume an end-of-Q1 cash balance of \$500bn (Source: US Treasury <https://home.treasury.gov/news/press-releases/jy1063>).



<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 PROGRAM

There are no further Treasury or MBS purchase operations scheduled at this time.

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/ombs_operation_schedule

WEEK COMMENCING 20 MARCH 2023

MONDAY 20 MARCH (US Eastern Time, unless stated otherwise)

Europe Germany PPI (Feb), ECB Lagarde Speech

Australia RBA Meeting Minutes

TUESDAY 21 MARCH

Canada CPI (Feb)

US Existing Home Sales (Feb)

WEDNESDAY 22 MARCH

UK CPI (Feb)

US Mortgage Apps wk 17 Mar
FOMC Monetary Policy Decision

THURSDAY 23 MARCH

Switzerland SNB Monetary Policy Decision

UK BoE Monetary Policy Decision

US Initial Claims wk 17 Mar, Chicago Fed National Activity Index (Feb), New Home Sales (Feb), Kansas City Fed Manufacturing Index (Mar)

Australia S&P Manufacturing & Services PMI Prelim (Mar)

Japan National CPI (Feb), S&P Manufacturing & Services PMI Prelim (Mar)

FRIDAY 24 MARCH

UK Retail Sales (Feb), S&P Manufacturing & Services PMI Prelim (Mar)

Europe Eurozone S&P Manufacturing & Services PMI Prelim (Mar)

US Durable Goods Orders (Feb), S&P Manufacturing & Services PMI Prelim (Mar)

Canada Retail Sales (Jan)
