

## Key events this week – US non-farm payrolls, US Fed Chair Powell testimony, central bank decisions; RBA, BoC, and BoJ

Recap from last week: The global S&P PMIs provided a broad reading of momentum for Feb. The global composite output PMI recorded a further acceleration in output growth – the highest reading since Jul 2022. This improvement in momentum was led by a further expansion in the global services output index. The global manufacturing output PMI also showed an improvement in momentum, albeit smaller than for services, reaching a neutral 50 level. Manufacturing performance was still mixed despite the headline improvement. Conditions worsened across larger manufacturing countries; France, Japan, and Germany.

In the US, the question has been how much of the stronger momentum in Jan will be sustained. So far, the Feb ISM PMIs indicated no change to the momentum recorded in Jan. The ISM services PMI showed continued moderate expansion as domestic and export orders rebounded. Services inflation remained sticky. The ISM manufacturing PMI remained in a mild contraction. Production contracted further as weak orders were not offset by another fall in backlogs. Price increases became more widespread again.

US Fed Governor Waller's speech suggested that the Jan revisions to the CPI showed that the FOMC may not have made as much progress on inflation as expected. Waller's comments provide a guide; if payrolls and inflation data go back to the pre-Jan downward trajectory, this endorses the current (Dec) SEP for the FFR of between 5.1-5.4%. If data comes in higher/hotter, then the projection for the target range may need to be increased.

Euro area CPI came in higher than expected for Feb at +8.5%, with the monthly pace increasing by +0.8%. Core CPI for Feb was also higher at +5.6%, up from +5.3% in Jan. The monthly core CPI also came in at +0.8%.

Outlook for the week ahead: The first of the important US Feb data will be released this week, leading up to the FOMC meeting on 21-22 Mar. Growth in US payrolls is expected to slow to +210k in Feb (from +517k last month). The unemployment rate is expected to remain at a low of 3.4%. Other labor market indicators include JOLTS for Jan and the Challenger report for Feb.

US Fed Chair Powell will provide two days of testimony this week (the semi-annual report to Congress). He may mirror some of what Waller has said – that rate projections may need to move higher if data continues to strengthen.

The RBA is expected to increase rates by a further 25bps to 3.60%. Aus growth slowed by more than expected in Q4 with weakness in domestic consumption and investment. The headline monthly inflation (new series) for Jan eased to +7.2%. Retail sales growth was stronger for Jan but remained in a slower growth trend.

The BoC is expected to keep rates on hold, with the policy rate at 4.5%.

The BoJ will meet this week and policy settings are expected to be unchanged, as this will be Governor Kuroda's last meeting.

## US Treasury Issuance & QT

This week, the US Treasury will auction and settle approx. \$276bn in ST Bills with a net paydown of -\$33bn. The US Treasury will also auction the 3 and 10-year Notes and the 30-year Bond this week – all will settle next week.

QT: Approx \$0.8bn in ST Bills will mature and roll off the Fed balance sheet this week. Approx \$10.4bn 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 %
6-10 Mar	02-Mar	07-Mar	4 week Bill	75		Actual 4.590%	4.515%
	02-Mar	07-Mar	8 week Bill	60		Actual 4.655%	4.660%
	01-Mar	07-Mar	17 week Bill	36		Actual 4.885%	4.830%
				171	153	18	
	06-Mar	09-Mar	13 week Bill	57		Announced	4.750%
	06-Mar	09-Mar	26 week Bill	48		Announced	4.940%
				105	156	-51	
			<b>Total - securities settling this week</b>	<b>276</b>	<b>309</b>	<b>-33</b>	
			<b>Net New Cash Raised Qtr to Date</b>	<b>3539</b>	<b>3048</b>	<b>491</b>	
			<i>Estimated Net Cash to be Raised Q1 (\$ Bn)</i>			<b>932</b>	
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>			
			<b>Maturing &amp; reinvestment</b>				
		07-Mar	Bills	3.0			
		09-Mar	Bills	7.4			
				10.4			
			<b>Maturing &amp; redemption (balance sheet roll-off)</b>				
		07-Mar	Bills	0.2			
		09-Mar	Bills	0.6			
				0.8			
			<b>Upcoming Auctions</b>	<b>\$B</b>			
	07-Mar	15-Mar	3yr Note	40			
	08-Mar	15-Mar	10yr Note	32			
	09-Mar	15-Mar	30yr Bond	18			
				90			

### 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
	<b>Total Notes &amp; Bonds</b>		<b>60.0</b>	<b>54.0</b>

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 \$491bn.*

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.<sup>[1]</sup> 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>

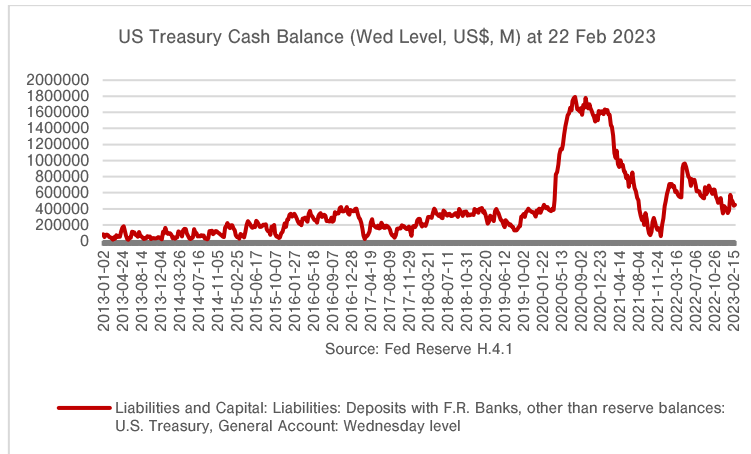
The next meeting of the TBAC will be on 1 May 2023.

## Treasury Cash Levels

As of Wed 1 Mar, the level of the TGA decreased to \$351bn (-\$100bn compared to the week prior).

The current TGA balance is approx. \$334bn 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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

## WEEK COMMENCING 6 MARCH 2023

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### MONDAY 6 MARCH (US Eastern Time, unless stated otherwise)

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Europe	Eurozone Retail Sales (Feb)
US	Factory Orders (Jan)
China	Trade Balance, Exports, and Imports (Feb)
Australia	RBA Monetary Policy Decision

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### TUESDAY 7 MARCH

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Europe	Germany Factory Orders (Jan)
US	Consumer Credit Change (Jan) US Fed Chair Powell testimony – day one
Australia	RBA Governor Lowe speech – AFR Business Summit

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### WEDNESDAY 8 MARCH

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Europe	Germany Industrial Production (Jan), Germany Retail Sales (Jan), Eurozone GDP – Final Q4
US	Mortgage Apps wk 4 Mar, ADP Employment Change (Feb), JOLTS (Jan) Fed Chair Powell testimony – day two Fed Beige Book
Canada	BoC Monetary Policy Decision
Japan	GDP – Final Q4
China	CPI & PPI (Feb)

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### THURSDAY 9 MARCH

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US	Initial Claims wk 4 Mar, Challenger Job Cuts (Feb)
Japan	BoJ Monetary Policy Decision

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### FRIDAY 10 MARCH

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Europe	Germany CPI (Feb), Italy PPI (Jan), ECB President Lagarde speech
US	Non-farm Payrolls and Household Employment Survey (Feb), University of Michigan Consumer Sentiment Prelim (Mar)
Canada	Employment Survey (Feb)

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