



## Weekly Macro Brief | w/c 28 May 2018

### **Key Themes**

- US liquidity: month end maturity of Fed holdings and reduction of Fed balance sheet 31 May 2018
- Global growth and inflation remains in focus this week:
  - US growth, employment and inflation
  - EU Inflation, employment
  - German retail sales and CPI
  - Canada – GDP and BoC rates decision

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### **US Treasury Issuance, Settlements & Fed Balance Sheet Normalization**

The key date to watch this week is 31 May 2018 - settlement of \$240b in note and bill auctions, \$37b in 'new money' to be raised and SOMA holdings of \$28.479 maturing (\$19.1b reinvested, and \$9.4b in reduction of holdings).

Total holdings of US Treasury securities maturing in SOMA this month is \$54.71b. The cap on the reduction of holdings of US Treasury securities is \$18b this month – split between mid month and end of month – this week is the end of month maturity.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
28 May - 1 Jun 20	29-May-18	31-May-18	4wk bill	40		<i>announced</i>		
			3mth bill	48		<i>announced</i>		
			6mth bill	42		<i>announced</i>		
				130	132	-2		
	17-May-18	31-May-18	10yr TIPS (r/o)	11		<i>results</i>		
	22-May-18	31-May-18	2yr Note	33		<i>announced</i>		
	23-May-18	31-May-18	5yr Note	36		<i>announced</i>		
	24-May-18	31-May-18	7yr Note	30		<i>announced</i>		
				110	70.59	39.41		
				<b>240</b>	<b>202.59</b>	<b>37.41</b>		<b>17.64</b>
Fed SOMA - Face Value of SOMA securities maturing 31 May 2018					28.462			
Proportion of mthly cap (\$18b total May)					8.70			
Amount to reinvest					19.77			

Data is available at [https://www.newyorkfed.org/markets/soma/sysopen\\_accholdings.html](https://www.newyorkfed.org/markets/soma/sysopen_accholdings.html) and the face value of maturing securities (in Fed SOMA) is also provided on the Treasury Direct auction announcements.

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## Monday 28 May 2018

US – Memorial Day

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## Tuesday 29 May 2018

US –

Fed Bullard speaks

Case Shiller House Price Index

Dallas Fed Manuf'g Survey

Japan –

Retail Sales

BoJ – Kuroda speech

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## **Wednesday 30 May 2018**

US –

GDP Q1 – 2<sup>nd</sup> Estimate

ADP employment change

Int'l Trade in Goods & Services

US Fed – proposal to modify the Volker Rule

Europe –

German Retail Sales

German CPI (prelim) May

German unemployment

Eurozone – Business Climate

France – Q1 GDP

Canada –

BoC – Rate Decision and Statement

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## **Thursday 31 May 2018**

US –

Personal Income & Outlays (2<sup>nd</sup> estimate)

Challenger Job Cut Report

Chicago PMI

Fed Bostic speech

Fed Brainard speech - Economic and Monetary Policy Outlook

Europe –

Eurozone CPI and unemployment

France CPI

Canada –

GDP Q1

Australia –

Capex Survey Q1

China –

Caixin Manufacturing PMI

G7 Finance and Development Ministers and Central bank Governors – “Investing in Growth that works for everyone” (31May – 2 June)

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## **Friday 01 June 2018**

US –

Employment Report

PMI Manufacturing Index

ISM Manufacturing Index

Construction Spending

Japan –

Nikkei Manufacturing PMI

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## **Other**

**China trade negotiations** - Trade dispute with China “on hold for now”. China has agreed to ‘significantly increase’ its purchase of US agriculture and energy products – details still to be negotiated. No mention of whether the latest talks address the forced transfer of US intellectual property.

**NAFTA negotiations** ongoing, the initial May 17 deadline passed and Speaker Ryan extended that deadline by a week or two (end of May) in order to ensure that a deal can be approved by this current US congress (before mid-terms).

Wilbur Ross has launched a new investigation (under section 232) into car and truck imports. The US is threatening to impose up to 25% tariffs on imported vehicles. Whether this is a negotiating tactic is yet to be seen.

**Temporary tariff exemptions extended to 1<sup>st</sup> June 2018** –awaiting an announcement on steel tariffs for other countries.

## **US Mid-terms**

**US Financial Regulations** - “U.S. lawmakers are set to give Trump a chance to make good on his vow to “do a big number” on the Dodd-Frank Act. Legislation set for passage by the Republican-dominated House this week is the product of years of financial-industry lobbying to soften post-crisis rules, as well as sensitive negotiations on Capitol Hill to attract bipartisan support needed to get it through the narrowly divided Senate. The package may represent Congress’s last shot at dialling back Wall Street oversight before midterm elections in November that could have a significant impact on the future of bank regulation” (Source: Bloomberg).

**Geopolitical tensions** – creating some uncertainty, where in recent weeks an easing of geopolitical events have been more of a tailwind. Some uncertainty as to the Nth Korean summit – initial reports that summit cancelled, but US representatives apparently meeting with North Korean officials.

**Italian Election (Mar 18)** – Giuseppe Conte (a law professor) has now been confirmed as Italian PM. He has emphasised the importance of Italy remaining in the EU and promised changes.

Italian 2year yields spiked as the two elected parties have outlined increased spending and watered down some of their original election proposals.

**G7 Summit** – June 8-9 2018, Canada