



## Weekly Macro Brief | w/c 4 June 2018

### Key Themes

- Trade:
  - Imposition of tariffs and retaliatory measures among NAFTA/European countries
  - Outcomes from latest negotiations with China likely to drive sentiment
  - G7 summit 8-9 June
  - US, Chinese & German international trade data
- US liquidity: a lighter week with treasury bill auctions, but heavier supply next week approx. \$39b in new money to be raised next week (amts TBC via Treasury announcements). No scheduled Fed speeches this week but with FOMC on board next week 13 June, expect some Fed speak
- Australia – RBA rates decision and Q1 GDP
- European growth - Q1 GDP (revised), ECB Draghi speech on Tuesday
- UK - Services PMI and Like for like Retail Sales, plus Monetary Policy Committee Member speeches all week

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

In June, US Fed holdings of treasuries will all mature at month end – there will be no mid-month roll off or reinvestment.

Total holdings of US treasuries in SOMA maturing this month - \$30.453 on the 30<sup>th</sup> June. The cap on reduction of holdings remains at \$18b.

Next week will see t-bill auctions of \$135b (approx. \$3b in new money raised): -

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
4-8 June 2018	4-Jun-18	7-Jun-18	4wk bill	45				
			3mth bill	48		announced		
			6mth bill	42		announced		
				135	132	3		

The key dates to watch the following week will be 14<sup>th</sup> and 15<sup>th</sup> June. At this stage, the auction amounts are yet to be confirmed, but the estimate is for \$39b in new money to be raised that week. That is a larger net issuance than in any weeks in May.

The 13<sup>th</sup> of June is also when the FOMC next meets.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
11-15 June 2018	11-Jun-18	14-Jun-18	4wk bill	45				
			3mth bill	45				
			6mth bill	40				
				130	135	-5		
	11-Jun-18	15-Jun-18	3yr note	32				
	12-Jun-18	15-Jun-18	10yr note (r/o)	22				
	13-Jun-18	15-Jun-18	30yr bond (r/o)	14				
				68	24	44		
				198	159	39		39.00
Fed SOMA - Face Value of SOMA securities maturing 15 June 2018						0.00		
Proportion of mthly cap (\$18b total June)						0.00		
Amount to reinvest						0.00		

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 4 June 2018

US - Factory Orders

Aus – Retail Sales

UK – Like for Like Retail Sales

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## **Tuesday 5 June 2018**

US – PMI Composite and Services PMI, ISM Non-Mfg., JOLTS

Aus – RBA Rates Decision, Q1 GDP

UK – Services PMI

ECB – Draghi speech

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## **Wednesday 6 June 2018**

US – Productivity, Unit Labour Costs, International Trade

Canada – Ivey PMI

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## **Thursday 7 June 2018**

US – Consumer Credit Chg

Europe – Eurozone GDP Q1 (revision)

UK – BoE Ramsden Speech

Canada – Poloz Speech

China – Trade data

Japan – GDP Q1 (revision)

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## **Friday 8 June 2018**

US – Wholesale trade data

Europe – German trade data, Industrial Production

Canada – Employment data

China – CPI & PPI (May)

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## Other

**Car and Truck Imports** - The U.S. administration also launched a national security investigation last week into car and truck imports.

**China Trade Negotiations** - On May 29, the White House announced a series of new actions against China regarding “technology, technology transfer, intellectual property, and innovation,” as a follow-up step to protect U.S. domestic technology and intellectual property.

Wilbur Ross will head to China on Friday to firm up the deal with China (2<sup>nd</sup>-4<sup>th</sup> June) where the US will export more to China in order to cut the US-China trade deficit.

NAFTA negotiations had stalled. Tariffs placed on Canada and Mexico were said to be applied due to a lack of progress on NAFTA.

**Temporary tariff exemptions expired 1<sup>st</sup> June 2018** – 25% steel tariffs and 10% aluminium announced for Canada, Mexico and Europe.

Canada, Mexico and Europe have all announced targeted retaliatory measures to offset the impact of announced US tariffs.

[https://www.reuters.com/article/us-usa-trade-metals-europe/u-s-hits-allies-with-tariffs-as-risk-of-trade-war-rises-idUSKCN1IV2TN?feedType=nl&feedName=businessNews&utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=2018%20Template:%20US%20Business%20News%201700%202018-05-31&utm\\_term=2018%20-%20US%20Business%201700](https://www.reuters.com/article/us-usa-trade-metals-europe/u-s-hits-allies-with-tariffs-as-risk-of-trade-war-rises-idUSKCN1IV2TN?feedType=nl&feedName=businessNews&utm_source=Sailthru&utm_medium=email&utm_campaign=2018%20Template:%20US%20Business%20News%201700%202018-05-31&utm_term=2018%20-%20US%20Business%201700)

**G7 Summit** – June 8-9 2018, Canada. A timely gathering of key members in light of heightened trade disputes

## 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. This seems to be overshadowed by trade negotiations and tariff announcements.

**Formation of the Italian govt** – Some stabilising news – officials have agreed a deal that will see the new Italian govt sworn in on Friday. Conte will remain as PM, leading the two populist parties and a new Finance Minister has been approved (the original nomination for Savona was denied given his suggestion that Italy should leave the EU).

**Spain** – On Friday, Pedro Sanchez became the new PM of Spain after Rajoy lost a vote of no confidence.