

Key Themes

- US liquidity will be important this week;
 - Approx \$203b in treasury auctions will take place this week with approx \$44b in new money to be raised. This is slightly higher than some of the heavier weeks we've seen recently.
 - There will be no Fed holdings of treasuries maturing this week – no reinvestments to off-set against new issuance.
 - Key settlement dates 14th & 15th June and options expiration on 15th June also.
- Central banks;
 - US FOMC – meeting 12-13th June; expected to raise rates to 1.75% - 2%.
 - ECB rates decision 14th June; expected to start outlining changes to its monetary policy accommodations.
 - SNB rates decision – not expecting any changes this meeting, it will likely take some direction from the course taken by the ECB.
 - BoJ – not expecting any changes but will be looking for its reaction to the recent downturn in Japanese growth and CPI. New Deputy Governor Masazumi Wakatabe will be on board.
- In the background this week;
 - Key US data; retail sales and CPI
 - Important UK data will be out this week to help answer whether softer Q1 data is persisting.
 - Trade negotiations will be ongoing with a focus on China, NAFTA and European trade partners.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

There is no mid-month maturity of Fed treasury holdings this month. The entire amount to mature, roll-off and reinvest all occurs at the end of this month.

Supply of treasuries will be heavier this week with approx. \$203b in treasury auctions, raising approx. \$44b in new money (4wk t-bill TBC) – slightly higher than some of the heavier weeks we've seen recently. The days to watch are settlement days 14th and 15th June. The 15th June is also quadruple witching

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	tbc			
			3mth bill	48	announced			
			6mth bill	42	announced			
				135	135	0		
	11-Jun-18	15-Jun-18	3yr note	32	announced			
	12-Jun-18	15-Jun-18	10yr note (r/o)	22	announced			
	13-Jun-18	15-Jun-18	30yr bond (r/o)	14	announced			
				68	24	44		
				203	159	44		44.00
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			

The following week will be somewhat quieter with the treasury paying down \$1b at this stage:

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
18-22 Jun 2018	18-Jun-18	21-Jun-18	4wk bill	45	tbc			
			3mth bill	45	tbc			
			6mth bill	40	tbc			
			12mth bill	24	tbc			
				154	155	-1		

Data is available at 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.

Monday 11 June 2018

US – Trump-Kim meeting

AUS – Queens Birthday long weekend, New Housing Loans

Tuesday 12 June 2018

US – FOMC June Meeting starts, CPI (May)

UK – Average earnings (April)

EUROPE – Euro Group Meeting

CHINA – Q1 GDP

AUS – RBA Lowe's speech

Wednesday 13 June 2018

US – Day two FOMC June Meeting – expecting a qtr point rate rise to 1.75-2.0%, forecasts and press conference, PPI (May), Atlanta Fed Business Inflation Expectations

UK – CPI, Retail prices, PPI

EUROPE – Industrial production, employment

AUS – Employment data (May)

CHINA – Retail sales, Industrial production

Thursday 14 June 2018

US – Retail Sales (May), Business Inventories (May)

UK – Retail sales (May)

SWITZERLAND – SNB Rates Decision

EUROPE – German CPI (May), ECB – Rates decision & press conference

JAPAN – BoJ Rates Decision

Friday 15 June 2018

US – Empire State Manufacturing Survey (May), Industrial Production (May)

EUROPE – CPI (May), Q1 Labour Costs, Trade Balance

UK – BoE Quarterly Bulletin Report

Other

Car and Truck Imports - The U.S. administration has launched a national security investigation into car and truck imports.

US-Japan trade talks in July – implications for Japanese automakers and for trade negotiations of the US investigation into car and truck imports – auto's are one of Japan's major exports to the US.

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 delegation to China last weekend did not produce any breakthroughs for the US on agreements with China to purchase more energy/agri products to reduce the deficit.

The US announced it will proceed with 25% tariffs on \$50b of imports from China. The list of imports to be announced on 15th June (likely high tech goods). China has responded that any trade of business deals with the US would void if Washington implemented the tariffs.

NAFTA - negotiations are ongoing, but the tone appears to souring (esp from the Canadian perspective after the G7). The US wants separate bilateral agreements with Mexico and Canada. US will agree to NAFTA in current trilateral arrangement with substantial changes – including a sunset clause. Canada has rejected that option.

Likely that window to approve any NAFTA agreement has closed for this congress. Elections in Mexico on 1st July also add further time to any agreement.

Temporary tariff exemptions expired 1st 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.

Canadian tariffs on US products to be applied from 1st July.

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 – produced little in the way agreements, just a vague commitment to keep talking. The Communique talked of the importance of the role of the current rules-based trading system. Merkel has proposed another forum, a shared evaluation mechanism to enable direct talks between EU and US over a 2 week period.

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).

US meeting with North Korea