

Key Themes

- Central bank signalling – heavy calendar of US Fed, ECB and BoJ speeches and events this week, possible discussion of policy decisions, also minutes released by RBA and BoJ
- Central bank interest rate decisions – Bank of England, SNB
- OPEC
- Prelim PMI's for June – US, Europe, Germany
- US-China tariffs – fall out from the latest escalation

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

Supply of treasuries will be somewhat lighter this week with approx. \$161b in treasury bill auctions, raising approx. \$6b in new money (4wk t-bill TBA). These auctions settle on 21st June.

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		tba
			3mth bill	48		announced
			6mth bill	42		announced
			12mth bill	26		announced
				161	155	6

Next week, there is \$146b in t-bill and note auctions that will raise approx. \$11b in new money.

This month, there will be \$30b in Fed holdings of securities that will mature on 30 June. Of that, \$18b of securities will roll off the Fed balance sheet and \$12b will be reinvested – which roughly offsets the amount of new money raised by the US Treasury. Expecting less liquidity pressure than previous weeks at this stage.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	
25-29 Jun 2018	25-Jun-18	28-Jun-18	4wk bill	45		tba	
			3mth bill	42		tba	
			6mth bill	39		tba	
				126	135	-9	
	21-Jun-18	30-Jun-18	30yr TIPS (R/o)	5		announced	
			2yr FRN (r/o)	15		tba	
				20	0	20	
				146	135	11	-1.45
Fed SOMA - Face Value of SOMA securities maturing 30 June 2018					30.45		
Proportion of mthly cap (\$18b total June)					18.00		
Amount to reinvest					12.45		

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 18 June 2018

US Fed Speeches – Dudley (opening remarks Governance and Culture Reform), Duke, Bostic, Williams

ECB – Draghi speech; Opening remarks at ECB forum on central banking

AUSTRALIA – House price Index Q1, RBA Meeting Minutes June

Tuesday 19 June 2018

ECB – Draghi (Introductory speech at ECB forum on central banking) & Praet (chairing session on macroeconomics of price and wage setting at ECB forum on central banking)

US – Fed Bullard speech, Housing Starts (May)

JAPAN – BoJ Policy Meeting Minutes June & Kuroda speech

Wednesday 20 June 2018

US – Fed Powell (panel discussion), Existing home sales

ECB – Draghi (participating in the policy panel at ECB forum on central banking)

AUS – RBA Lowe speech

JAPAN – BoJ Funo speech

NZ – Q1 GDP

Thursday 21 June 2018

SWITZERLAND – SNB rates decision & press conference

UK – Bank of England monetary policy announcement

JAPAN – CPI (May), Prelim PMI (June)

Friday 22 June 2018

EUROPE – Prelim PMI's for EU, Germany & France (June)

CANADA – Retail Sales (Apr), CPI (May)

US – Prelim PMI's June Manufacturing, Services, Composite, NYFRB; Effects of Post Crisis Banking Reforms (Tarullo key note speaker)

OPEC Meeting

Other

China Trade Negotiations – expecting some fallout from the latest escalation. The US announced 25% tariffs on \$50b of imports from China to stop the “forced transfer of American technology and intellectual property” to China.

The first wave of US tariffs, affecting \$34 billion worth of Chinese goods across 818 product categories, goes into effect on July 6.

The second wave – affecting \$16 billion of Chinese goods focused on semiconductors and electronics – is subject to a review and comment period as well as a public hearing.

“China’s government is aggressively working to undermine America’s high-tech industries and our economic leadership through unfair trade practices and industrial policies like ‘Made in China 2025,’” US Trade Representative Robert Lighthizer said in a statement Friday.

China responded quickly with its own list of US imports that it will apply tariffs to (including soy and auto’s). China’s retaliatory tariffs will follow a similar schedule.

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.

NAFTA – talks to resume during northern hemisphere summer. No timeline established at this stage.

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.

Mexico elections 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