

Key Themes

Trade, tariffs and protectionism remain a key theme.

Central banks and liquidity –

- Rates decision from RBNZ.
- Further signalling by central bankers with speeches from the BoE, BoC and the BoJ summary opinion report. Regional US Fed speeches throughout the week also.
- Month end roll-off of maturing Fed balance sheet holdings – likely a lower impact liquidity week with the US Treasury auctioning/settling \$156b in notes & bills and raising \$21b in new money (4week bill TBA).

US growth will be in focus after lacklustre manufacturing readings in the prelim June PMI & Philly Fed released last week – regional manufacturing and activity surveys from Chicago Fed, Dallas Fed, Richmond Fed and Kansas Fed. Also up; Durable Goods Orders, Chicago PMI and 3rd release of Q1 GDP/PCE Indexes.

An important read on the latest European inflation – prelim June CPI will be released this week for the Eurozone and Germany.

UK growth and Brexit remain a focus with Q1 GDP (3rd release) and EC meeting reviewing the state of Brexit negotiations.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

End of month and a relatively lower liquidity impact is likely this week. The key days to watch are 28 and 29 June. The US Treasury will auction \$156b in securities and raise approx. \$21b in new money this week – could be less depending on whether the 4-week bill auction is reduced (it has been reduced by \$10b in each week over the last 2 weeks).

This week will also see \$30.45 in US Fed holdings of securities mature. Of this amount, \$18b will be rolled off the Fed balance sheet and the remaining \$12b will be reinvested/rolled over.

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	The last two 4wk bill auctions have been reduced to \$35b		
			3mth bill	48		Announced			
			6mth bill	42		Announced			
				135	135	0			
	21-Jun-18	29-Jun-18	30yr TIPS (R/o)	5		Completed			
			2yr FRN (r/o)	16		Announced			
				21	0	21			
				156	135	21		8.55	
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				

A quick view into next week and there is the possibility for liquidity pressure. The US Treasury will auction approx. \$235b in securities and raise approx. \$36b in new money – a relatively large amount given recent experience. The bill auctions are yet to be announced, so it's possible this amount will change. There are no scheduled roll-overs of US Fed securities next week.

In July the cap increases to \$24b for the roll-off of maturing Treasury securities held by the Fed.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B			
2-6 July 2018	2-Jul-18	5-Jul-18	4wk bill	45		TBA			
			3mth bill	45		TBA			
			6mth bill	45		TBA			
				135	135	0			
	26-Jun-18	2-Jul-18	2year note	34		announced			
	27-Jun-18	2-Jul-18	5yr note	36		announced			
	28-Jun-18	2-Jul-18	7yr note	30		announced			
				100	64.27	35.73			
				235	199.27	35.73			

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 25 June 2018

BoJ – Summary Opinion Report

US – Chicago Fed Activity Index, Dallas Fed Manufacturing Index, New Home Sales

Tuesday 26 June 2018

US – Richmond Fed Manufacturing Index, CaseShiller Home Price Index, FOMC Bostic & Kaplan speeches

Wednesday 27 June 2018

BoE – Carney speech & Financial stability report

US – Durable Goods Orders, Rosengren speech, Quarles speech

BoC – Poloz speech

NZ – Rates Decision

Japan – Retail Trade

Thursday 28 June 2018

EC Council Meeting starts (Brexit agenda item) – two days

Germany – Prelim CPI June

US – Q1 GDP (3rd estimate), Core PCE and PCE Prices Index, Fed Bullard and Bostic speech, Kansas Fed Manufacturing Activity

Japan – Tokyo CPI

Aus – Private Sector Credit (RBA)

UK – MPC Haldane speech

Friday 29 June 2018

EUROPE – Prelim CPI June, German Retail sales, unemployment

UK – Q1 GDP (3rd release)

Trade

China Trade Negotiations –

US-China Trade Negotiations - The fall-out from the last weeks escalation in tariffs is...a further escalation in tariffs. President Trump has directed the USTR to draw up a list of a further \$200b in Chinese imports upon which to apply a 10% tariff.

The new tariff would go into effect if the Chinese government did not lower recently announced tariffs on US goods and failed to address the theft of US intellectual property by Chinese companies.

China has threatened retaliation. The US has threatened another \$200 billion in Chinese imports after that if Beijing retaliates.

On the 15 June, 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 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. Chinese Ministry of Commerce released strongly worded statements throughout the last week regarding its negotiating position.

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

Late of Friday 23 June, President Trump tweeted/threatened that if European tariffs and barriers “were not broken down soon” the US would be placing a 20% tariff on all their cars coming into the US.

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.

Steel Tariffs - Canada, Mexico and Europe have all announced targeted retaliatory measures to offset the impact of announced US tariffs. The Canadian government asserts that the NAFTA talks are on a separate track from the steel tariff retaliation.

Canada – preparing to impose \$16b in tariffs on a range of US products to be applied from 1st July.

Mexico elections 1st July.