

Key Themes

- Diverging monetary policy among the major central banks –
 - US Fed median projections imply an additional rate increase this year from three to four – with an increase looking likely in the Sept and Dec meetings now.
 - ECB is holding rates for at least another year and ending QE by the end of the year. Changes to policy accommodations come with data dependant caveats.
 - BoJ made no changes to monetary policy and remains accommodative amid recent weaker GDP and CPI numbers.
- US retail sales growth accelerated higher and core CPI growth was slightly higher in the month and in the year. Energy is playing a role in higher headline CPI growth.
- Key UK data was positive;
 - Retail sales (volume) growth was slightly lower in the month, but still elevated. The recent trend suggests retail growth has been increasing.
 - Annual employment growth has been increasing – currently above recent averages. But the extremely high employment rate appears to be partly a function of slowing working age population growth.
 - Core CPI growth remained steady at 2.1% and has been slowing over the last nine months.

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

AUS –

New Housing Loans (April)

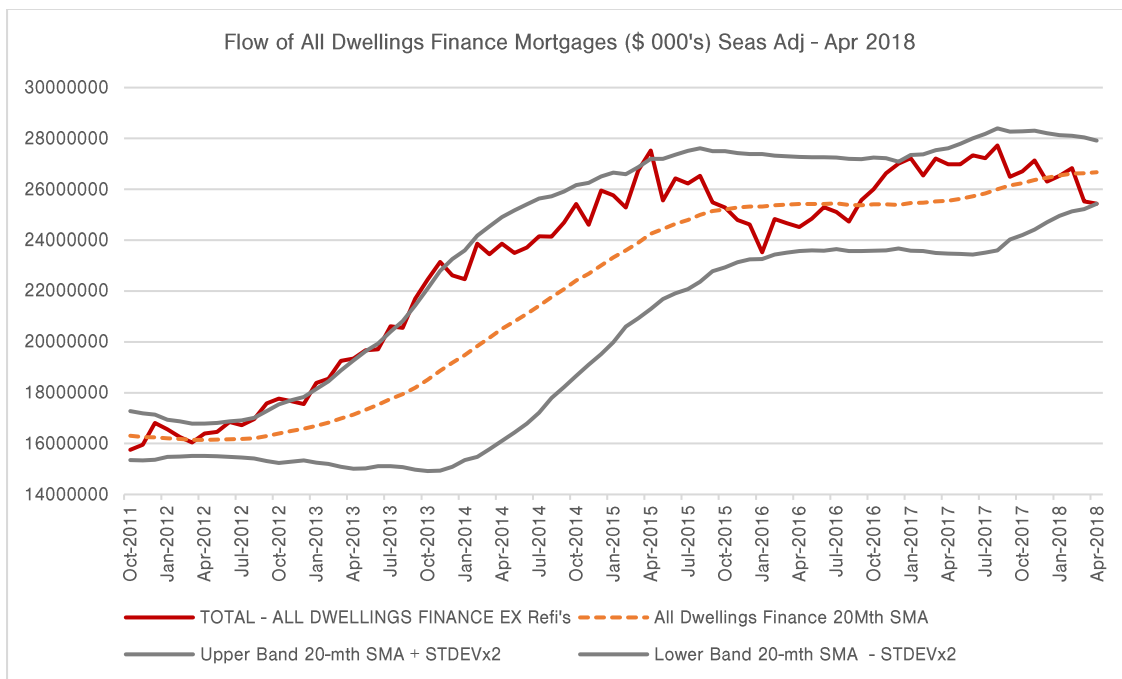
Total All Dwellings Finance (the flow of new mortgages written) ex- refi's, seasonally adjusted, declined further in the latest month;

-0.4% April versus -4.8% March

The decline in total new mortgage lending was mostly the result of further falls in investment housing finance (the subject of lending limits) while lending to owner occupiers was virtually unchanged in the latest month:

Lending for Investment; April -0.9% versus March -8.8% - the April result is now below the -2SD for the 20mth SMA.

Lending for Owner Occupiers (ex refis); April 0% versus March -1.7% - the April result remains above the 20mth SMA but is trending down.



Source: Aus Bureau of Statistics and Mars Capital Partners

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/05DBCE56402EC566CA25723D000F2999?OpenDocument>

Tuesday 12 June 2018

US –

CPI (May)

Headline CPI growth remained unchanged in the latest month:

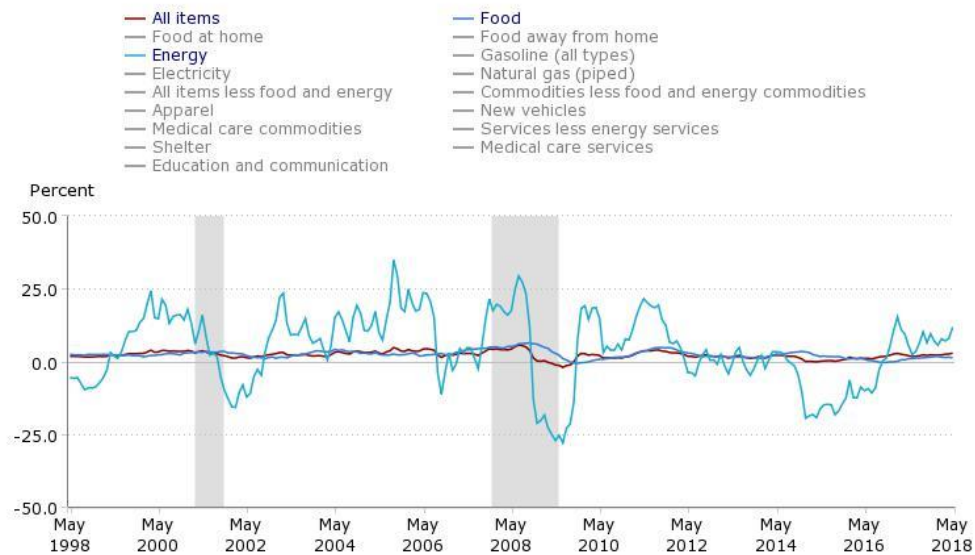
May +0.2% versus April +0.2%

Annual rate of headline CPI growth continued to increase;

May +2.8% versus April +2.5%

Energy prices have been a large driver of the headline CPI growth (relative weight of approx. 7% of the index accounting for approx. 33% of the CPI increase over the last year);

12-month percentage change, Consumer Price Index, selected categories, not seasonally adj



Hover over chart to view data.
Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.

Over the 12mth period, energy has increased by +11.7%. It's difficult to see in the chart above, but CPI growth in Food is still well below the headline growth at +1.2% annual growth (growth slowing since Dec 2017). Food accounts for approx. 13% of the index yet contributed 6% to the increase in CPI for May.

Core CPI (ex food and energy) was on par with headline in the latest month;

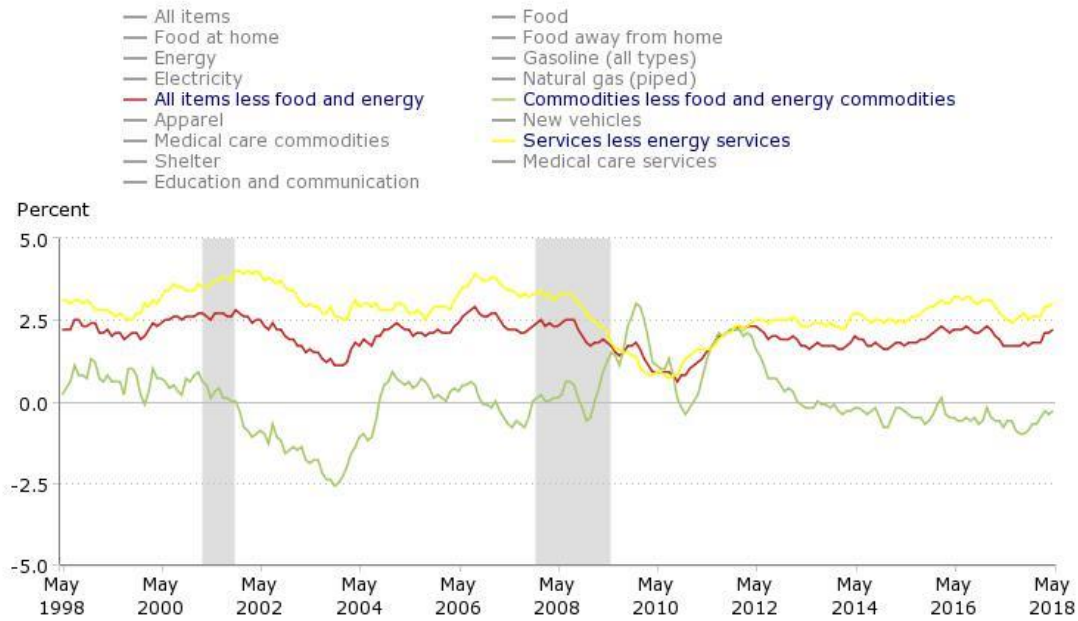
May +0.2% versus April +0.1%

Annual core CPI growth is still below that of headline growth;

May +2.2% versus April +2.1%

The drivers of annual core CPI growth are Services less energy services +3.3% versus commodities less food and energy commodities -0.3% annual.

12-month percentage change, Consumer Price Index, selected categories, not seasonally adj



Hover over chart to view data.
 Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.
 Source: U.S. Bureau of Labor Statistics.

Services less energy services have the largest weight in the CPI index at 59% and in May, this group accounted for 63% of the change in CPI (punching a little above its weight).

<https://www.bls.gov/news.release/cpi.nr0.htm>

Relative contribution data is calculated using the following method -

<https://www.bls.gov/cpi/tables/relative-importance/home.htm>

UK –

Labour Market (Feb-Apr)

The headline labour market numbers for the qtr look quite good – employment has grown, and unemployment has fallen.

Based on the 16-64yr working age population;

Employment growth for the Feb-Apr qtr +137,000 (versus Nov 2017 - Jan 2018).

Annual employment growth +426,000 (Feb-Apr 2018 v Feb-Apr 2017).

“The employment rate (the proportion of people aged from 16 to 64 years who were in work) was 75.6%, higher than for a year earlier (74.8%) and the joint highest since comparable records began in 1971”. This is not the case when you look at the employment rate for the working age population 16yrs+.

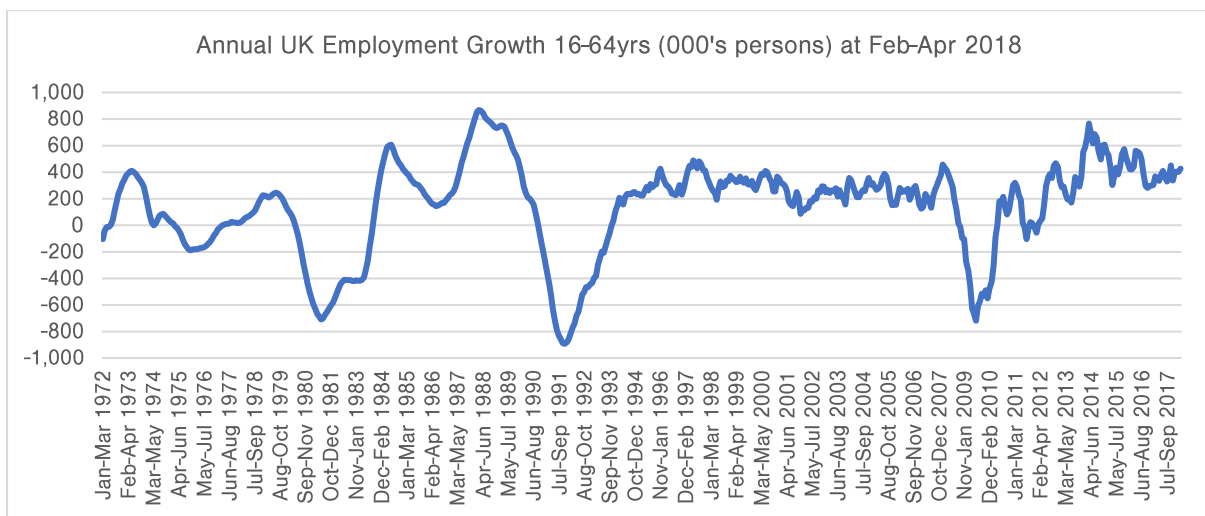
Unemployment is falling; 1.42 million unemployed people (people not in work but seeking and available to work), 41,000 fewer than for November 2017 to January 2018 and 123,000 fewer than for a year earlier.

The unemployment rate (16yrs +) fell from 4.6% a year ago to 4.2% in Feb-Apr.

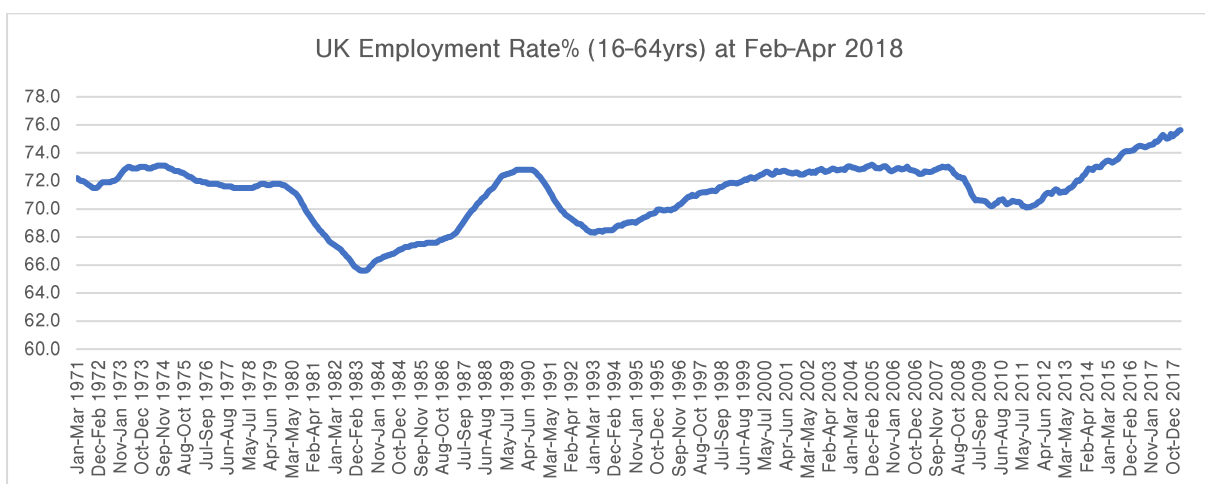
Annual average weekly earnings in real terms (that is, adjusted for price inflation) increased by 0.4% excluding bonuses, and by 0.1% including bonuses. When you factor in taxation, real wages likely going backwards.

A few charts from the release to provide some context;

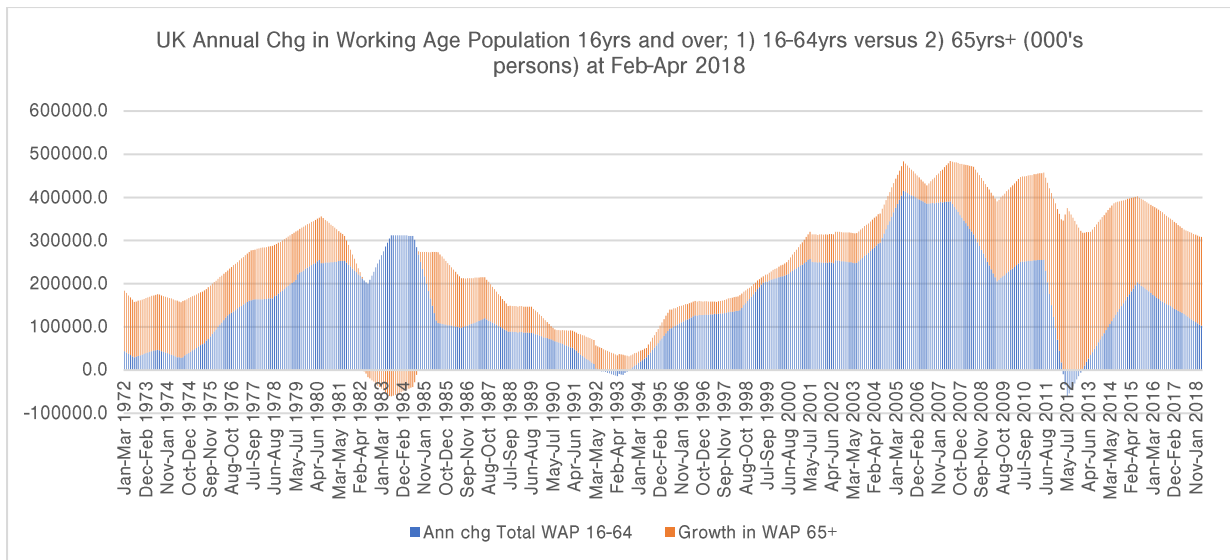
Annual employment growth is slightly above that of the pre-GFC period. By mid-2014 employment growth had reached +800k (annual) – a very high level historically



For the moment, employment growth remains around average historical levels, but has slowed since the highs reached in mid-2014. Yet in the latest month, the employment rate 16-64yrs (employed persons/WAP) has reached an equal all time high; -



The answer lies in the changes to the UK population growth. The following charts breaks down the annual growth in UK 16yrs+ working age population, made up of two groups: 1) 16-64yrs and 2) 65yrs+.



Annual growth in the WAP 16-64yrs has been slowing since 2007. In Feb-Apr 2018, the 16-64 WAP grew by +102k persons.

By these numbers, the 65yrs+ population has grown faster than the 16-64yr population since mid-2011.

It is good news that employment is still growing faster than the population for the 16-64yr age group, but the rising *employment rate* doesn't highlight the **large demographic shift occurring**.

The employment rate has reached historically high levels likely as a result of slower population growth, rather than accelerating employment growth.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours#publications>

Historical data download;

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentunemploymentandeconomicinactivityforpeopleaged16andoverandagedfrom16to64seasonallyadjusteda02s>

AUS –

RBA Lowe's speech – Productivity, Wages and Prosperity

Consistent with previous signalling on the Aus economy. What is looking more important to the RBA is seeing wages growth start to accelerate. Until wages growth starts to pick up, its not likely that the RBA will increase rates. Slack still resides in the labour market and household debt remains high.

“At this stage, a sustained pick-up in inflation to around the midpoint of the target range is likely to require faster wages growth than we are currently experiencing”

“Any increase in interest rates, however, still looks to be some time away”

Current core CPI growth is below the RBA target range of 2-3%.

<https://www.rba.gov.au/speeches/2018/sp-gov-2018-06-13.html>

CHINA –

New Loans (May)

Lending was mostly flat compared to the month prior;

May – net new loans 1.15 trillion yuan (US\$179.58 billion) versus April 1.18 trillion yuan.

Lending for the month is in line with May 2017 and remains elevated; -



Total social financing (TSF), a broad measure of credit and liquidity in the economy, May 760.8 billion yuan versus April 1.56 trillion yuan

<https://www.reuters.com/article/china-economy-loans/update-1-chinas-new-loans-unexpectedly-slow-in-may-as-risk-campaign-hits-borrowing-idUSL3N1T23O6>

Wednesday 13 June 2018

US –

FOMC June Meeting

Target range for the Fed Funds rate (FFR) was increased by 25bps to 1.75%-2%

Commentary focused on the stronger performance of the economy – jobs, growth and inflation moving towards targets. Policy normalization is proceeding as expected.

Removed part of the policy statement about accommodative “lower for longer” in recognition that the policy rate has been moving higher and that econ perf been solid. Neutral rate could be reached by the end of the year and once beyond that level, policy no longer accommodative.

If econ evolves as per forecasts, FFR will “move well within the range of estimates of the normal longer-run level”.

“We continue to believe that a gradual approach for increasing the federal funds rate will best promote a sustained expansion of economic activity, strong labor market conditions, and inflation near our symmetric 2 percent goal”.

Forward projections – several recent Fed speeches focused on managing the near-term effects from fiscal spending and tax reform and how those effects were likely seen to fade through to the end of 2019/2020. The effects are yet to show up in the data – current GDP and core PCE price growth is, so far, below the median forecast for the year (Fed not behind the curve?).

Median Projections;

Fed Funds Rate –

2018; 2.4% (means possibly an additional rate increase this year, despite speeches claiming no additional increases this year)

2019; 3.1%

2020; 3.4%

GDP Growth – 2018 +2.8%, 2019 +2.4% and 2020 +2%

(current GDP growth Q2 2018 +2.2%)

Core PCE Price Index Chg – 2018 +2%, 2019 +2.1% and 2020 +2.1%

(current Core PCE Index chg annual at April +1.8%)

Will have a press conference after each FOMC meeting.

Setting IOER 5bps below the upper range of the target range in order to keep FFR closer to the middle of the range.

Statement;

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20180613a.htm>

Opening remarks;

<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20180613.pdf>

Projections;

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20180613b.htm>

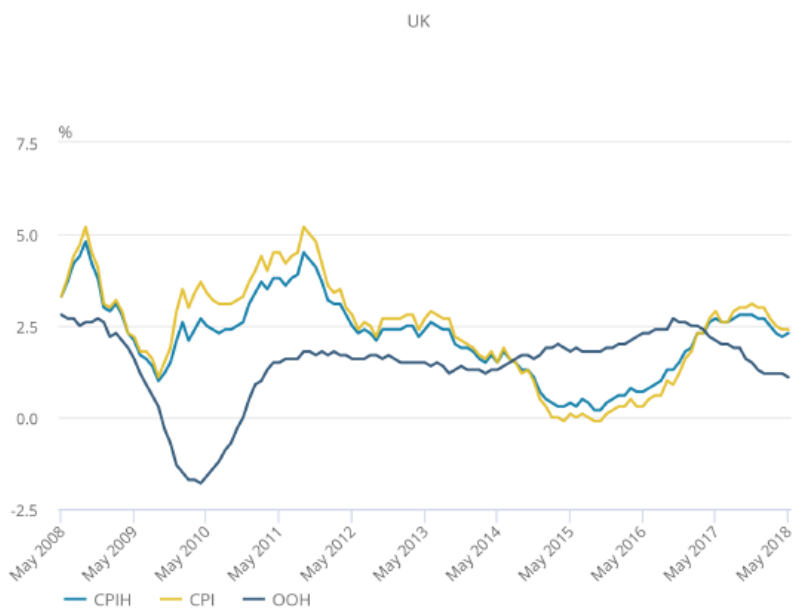
UK –

CPI (May)

Annual headline growth; CPI-H growth +2.3% May versus +2.2% April (the Office of National Statistics UK; the upward movement between the two months was due to unwind of the effects from Easter)

UK

Figure 1: CPIH, OOH component and CPI 12-month rates for the last 10 years: May 2008 to May 2018



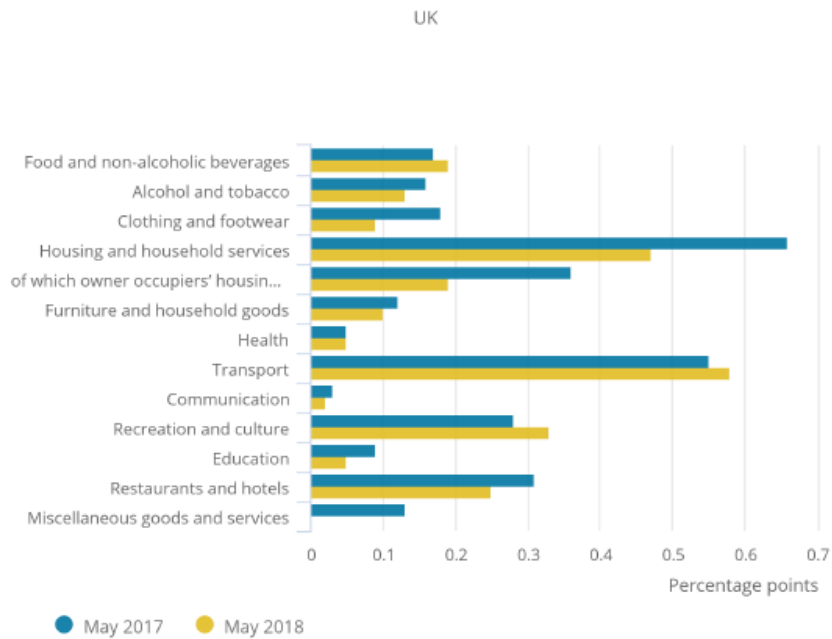
Core CPI – ex energy food alcohol tobacco +0.3% May

Annual rate +2.1% May versus +2.1% April – growth in core CPI has been slowing consistently over the last nine months.

Contribution to headline CPI growth has come from almost all expenditure categories in May 2018 – the main one being transport which contributed +0.58% points to the overall growth in CPI (H); -

UK

Figure 2: Contributions to the CPIH 12-month rate: May 2017 and May 2018



<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2018>

Retail Prices (May)

Annual growth in retail prices slowed slightly in May;

Annual +3.3% May versus +3.4% April

Growth in retail prices has slowed consistently throughout the first few months of 2018. Retail price growth peaked at +4.1% in Dec 2017.

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2018>

EUROPE –

Industrial production (April)

Euro Area (EA19);

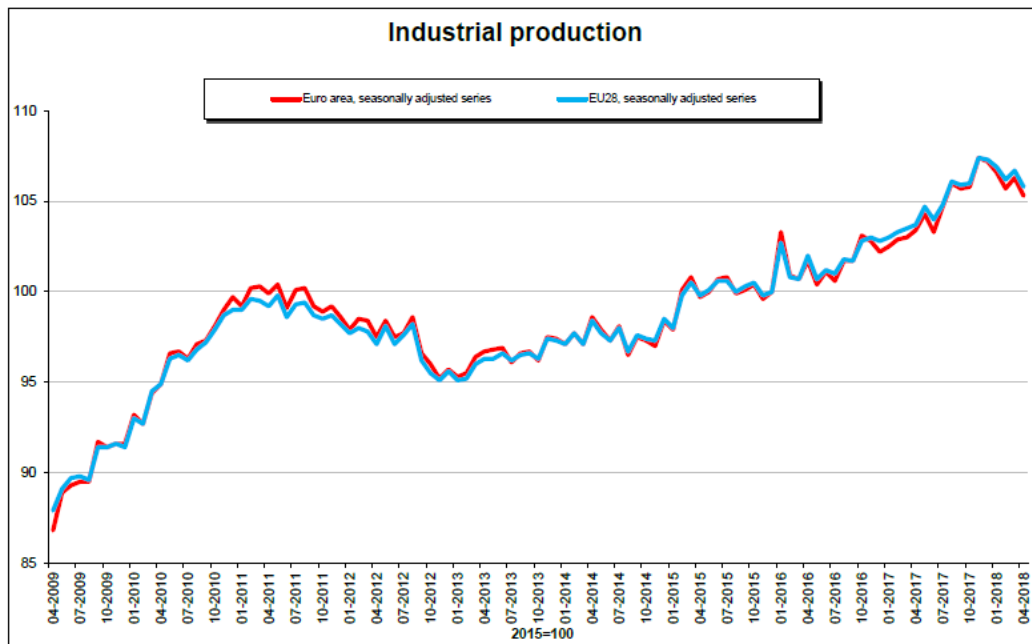
Monthly change -0.9% April versus +0.6% in March

Annual +1.7% April versus +3.2% March – the current annual rate is well below that of the last 6months

EU28;

Monthly change -0.8% April versus +0.5% in March

Annual +1.7% April versus +3.2% March – similar result as the EA



The monthly decline was broad based – production of intermediate goods, energy, durable and non-durable consumer goods all declined. Industrial production of capital goods was the only category to grow in the latest month +1.9% April versus -0.4% March (EA19)

In 2016, six (6) member countries accounted for approx. 2/3rds of the industrial output of the EU – Germany, Italy, France, UK, Spain, Poland. In the latest month, only Poland recorded growth in the latest month.

Industrial production in the latest month: -

Germany -1.7% April versus +1.7% March

Italy -1.2% April versus +1.2% March

France -0.6% April versus -0.4% March

UK -0.9% April versus +0.1% March

Spain -1.9% April versus +1.1% March

Poland +0.5% April versus -0.3% March

<http://ec.europa.eu/eurostat/documents/2995521/8981677/4-13062018-AP-EN.pdf/ffb12ec0-8eec-42a0-9220-7448c4347382>

http://ec.europa.eu/eurostat/statistics-explained/index.php/Industrial_production_statistics#Country_analysis

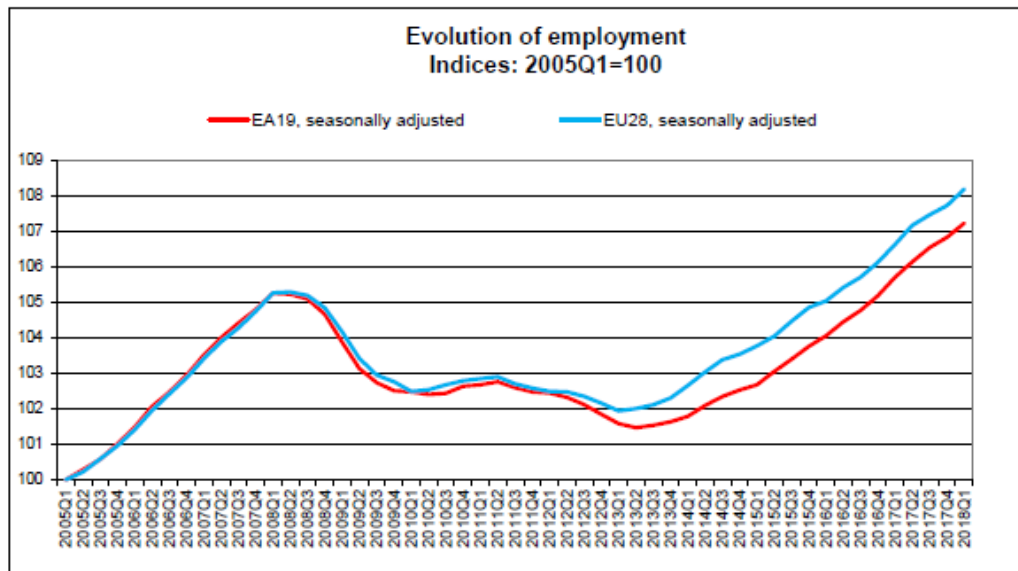
Employment Q1 2018

Number of persons employed has continued to grow in Q1; -

EA19 and EU28 +0.4% Q1 versus +0.3% and +0.2% respectively for Q42017

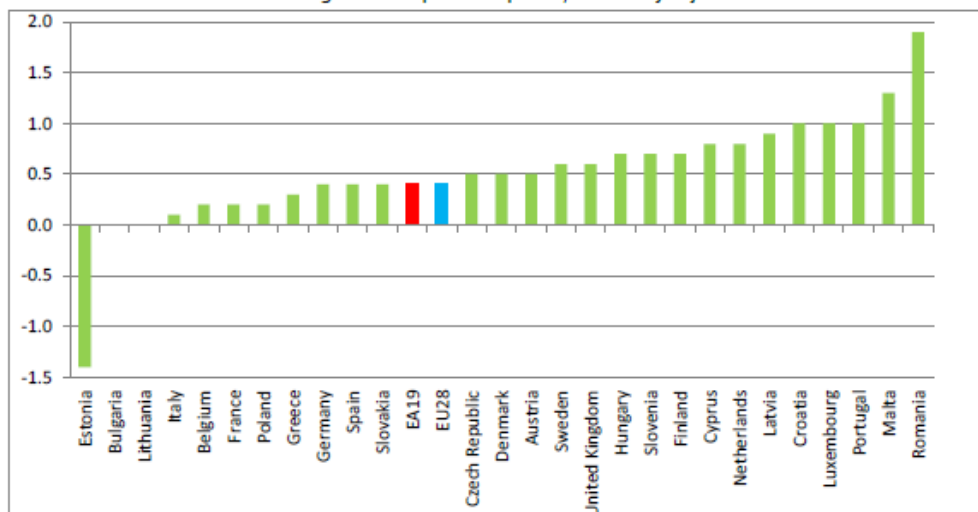
Annual growth is slightly slower than the prior year;

Annual EA19 and EU28 +1.4% Q1 versus +1.6% and +1.5% respectively at Q4 2017



Of the larger countries in the EU, only employment in UK is growing above the EA/EU average. Germany and Spain are growing in line with the average. Employment growth in France and Italy is below the EA/EU average for Q1.

Member States' growth rates for employment in the first quarter of 2018
% change over the previous quarter, seasonally adjusted



Ireland: data not available for the first quarter of 2018.

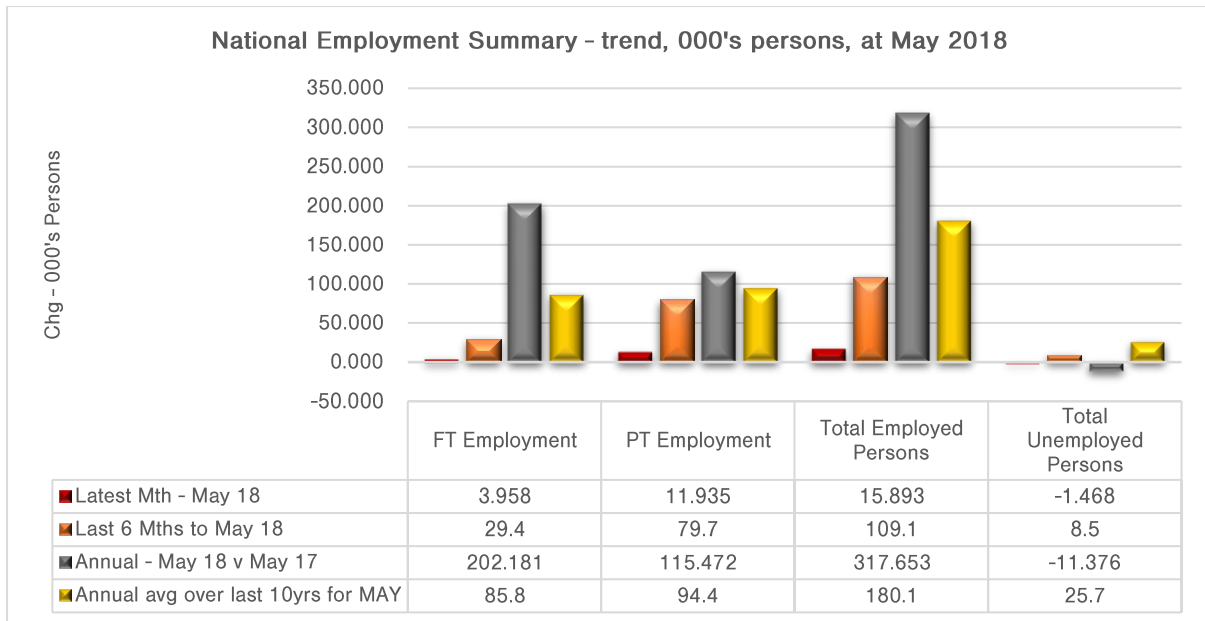
<http://ec.europa.eu/eurostat/documents/2995521/8981697/2-13062018-BP-EN.pdf/36300cfe-8713-4b96-afbc-43cbb9232411>

AUS – Labour Force data (May)

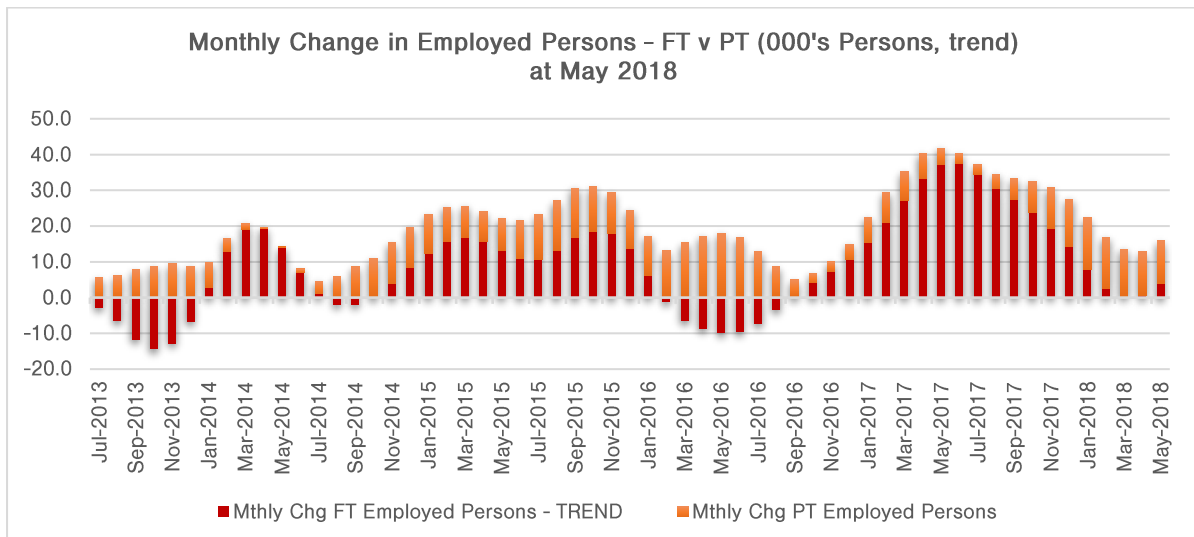
Employment grew slightly faster than in the prior month:

May +15k persons versus April +12k persons

The increase in the month was the result of higher FT employment growth and PT employment growth remained unchanged.



Overall employment growth has been slowing over the last year; -



The Australian unemployment rate has been running consistently at +5.5% over the last 10 months.

For the 3rd month in a row, the participation rate declined; the decline in participation resulted in -8k workers leaving the labour force this month.

<http://www.abs.gov.au/ausstats/abs@.nsf/latestProducts/6202.0Media%20Release1May%202018?OpenDocument>

CHINA –

Retail Sales (May)

Slowed to its lowest level in the last ten years: -

Annual growth May +8.5% versus +9.4% April (growth was expected +9.6% May)

http://www.xinhuanet.com/english/2018-06/14/c_137253182.htm



Industrial Production (April)

Accelerated in April +7% versus +6% March

<http://data.stats.gov.cn/english/easyquery.htm?cn=A01>

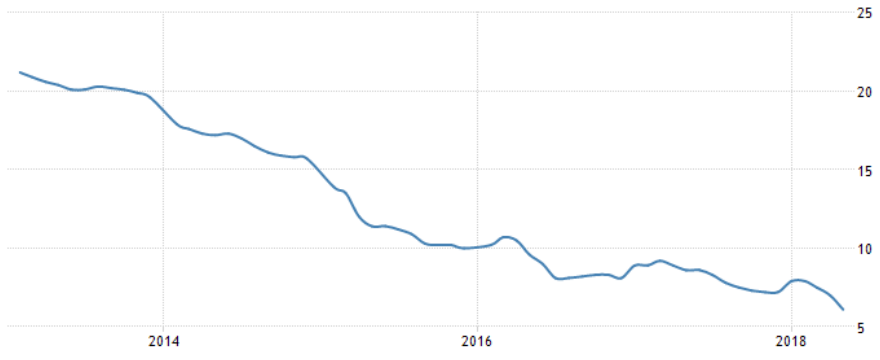
Fixed Asset Investment – Jan – May 2018

For the first 5 months of the year, fixed asset investment grew by +6.1%, slowing from the rate recorded for Jan – April +7%.

http://www.xinhuanet.com/english/2018-06/14/c_137253225.htm

The more recent trend shows a renewed slow-down in the rate of growth; -

CHINA FIXED ASSET INVESTMENT



SOURCE: TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

Thursday 14 June 2018

US –

Retail Sales (Advance - May)

Advance monthly retail sales growth accelerated in May;

May +0.8% versus April +0.4% (prelim)

Annual +5.9% May versus +4.8% Apr

The categories that contributed most to growth this month;

Gasoline Stations (9% of sales, contributing 21% of headline growth)

Food Service & Drinking Places (12% of sales, contributing 19% of headline growth)

Building Materials (6% of sales, contributing 12% of headline growth)

General merchandise (12% of sales, contributing 18% of headline growth)

The two largest categories both underperformed;

Motor vehicles (20% of mthly sales, contributing 13% of headline growth, although growth was higher in May +0.5% than Apr +0.2%)

Grocery Food & Bev Stores (12% of mthly sales, contributing 0% of headline growth)

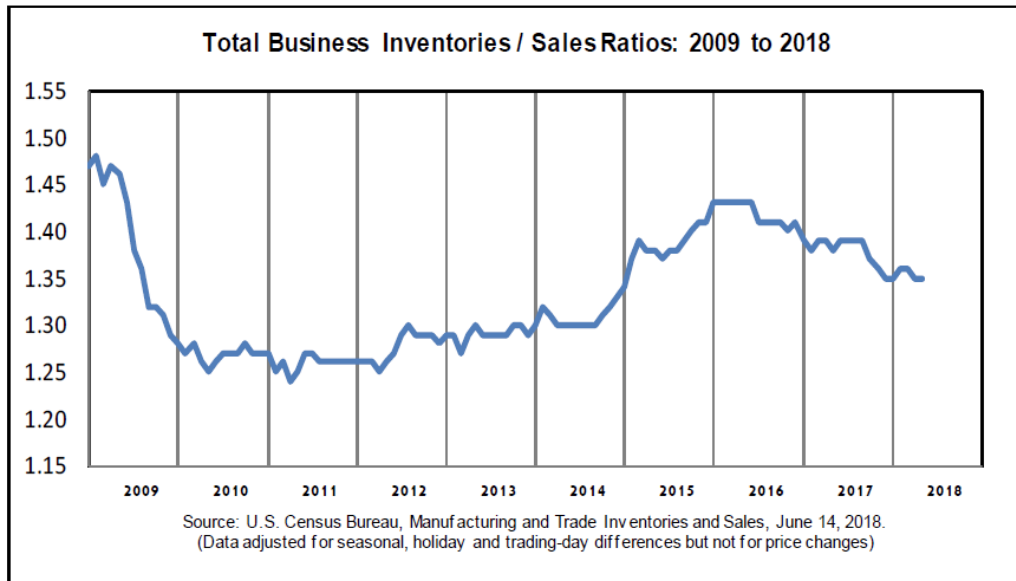
https://www.census.gov/retail/marts/www/marts_current.pdf

Manufacturing and Trade Inventories and Sales (April)

Trade sales and manufacturers' shipments for April +0.4% and +6.7% versus Apr 2017

Inventories grew at a slower rate +0.3% for April and +4.4% versus Apr 2017

Overall inventory to sales ratio remained unchanged versus March 1.35 and down from 1.38 a year ago.



https://www.census.gov/mtis/www/data/pdf/mtis_current.pdf

UK –

Retail sales (May)

More positive commentary from retailers regarding the boost to sales from the Royal wedding and warmer than average weather. The lower May 17 index is helping to make the annual rate look better. But that said, there is some evidence that the trend in retail sales growth turned more positive last November.

The volume of retail sales growth slowed in the latest month versus the month prior;

Month - May +1.3% versus April +1.8%

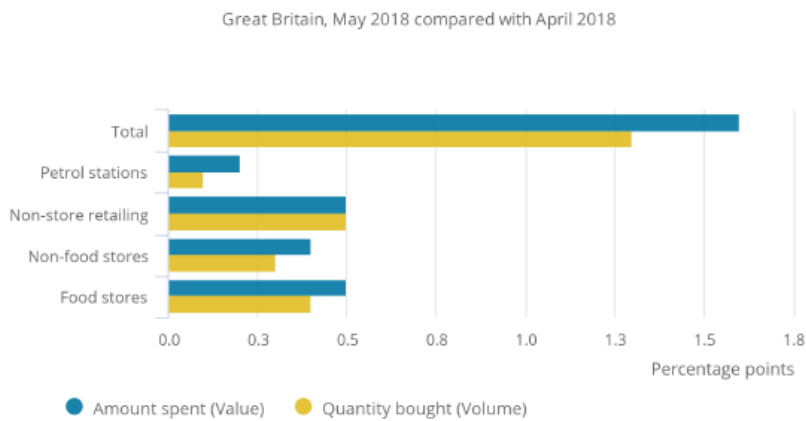
The annual rate (which is May18 v May 2017) did accelerate, but this is partly the result of a lower base for May 2017 (retail sales declined by -1.2% May 17 v April 17)

Annual - May +3.9% versus April +1.4%

All categories contributed to retail growth in latest month;

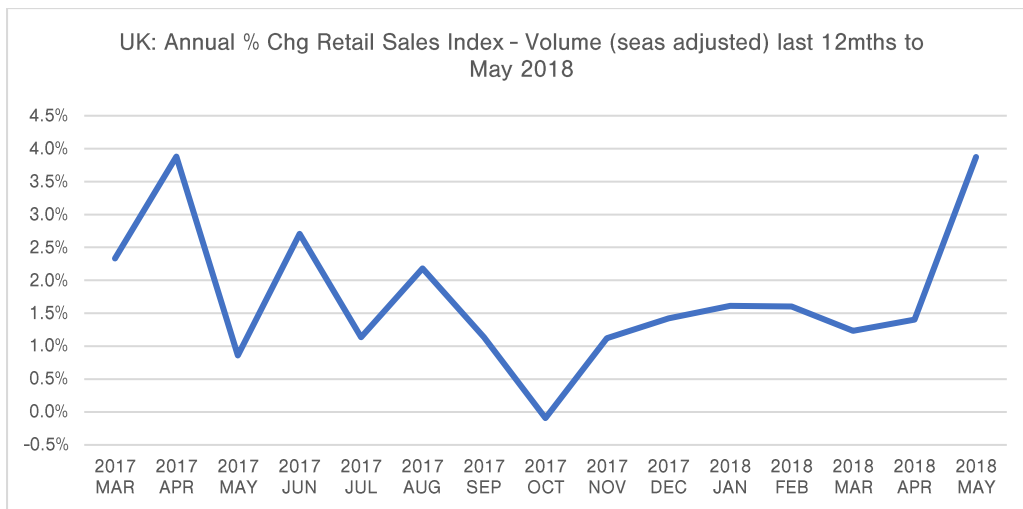
Great Britain, May 2018 compared with April 2018

Figure 3: Contributions to month-on-month growth for the quantity bought and amount spent in the four main retail sectors, seasonally adjusted

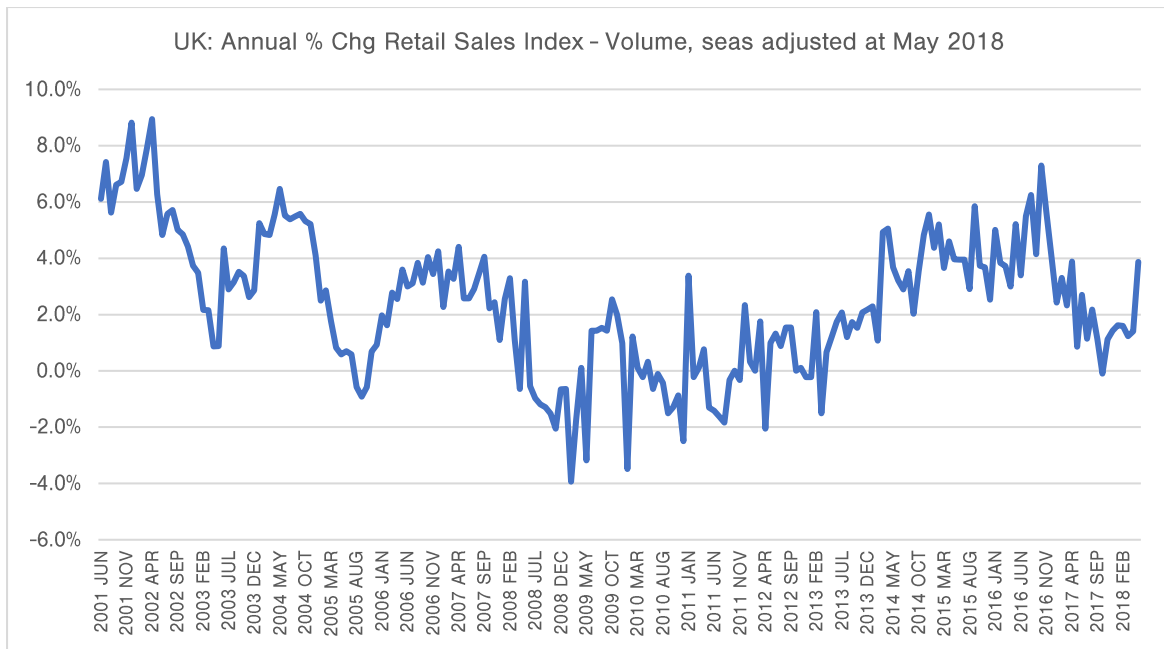


A few charts to provide some context; -

Retail growth has been improving (or, at least not slowing) since Nov 17. Since then, retail sales volume index has grown at a slightly increasing rate.



Over a longer timeframe, UK retail sales volume index peaked at +7.3% in Oct 2016 and had slowed consistently until Oct 2017 (-0.1%).



<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/may2018>

EUROPE –

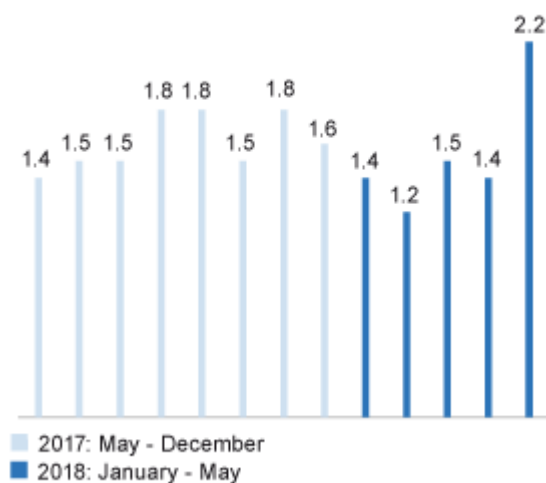
German CPI – full release for May

The provisional release from 30th May is unchanged. The annual growth of German CPI accelerated higher in the latest month;

Month on month – May +0.5% versus April 0%

Annual - May +2.2% versus April +1.6%

Harmonised consumer price index
Change on the previous year in %



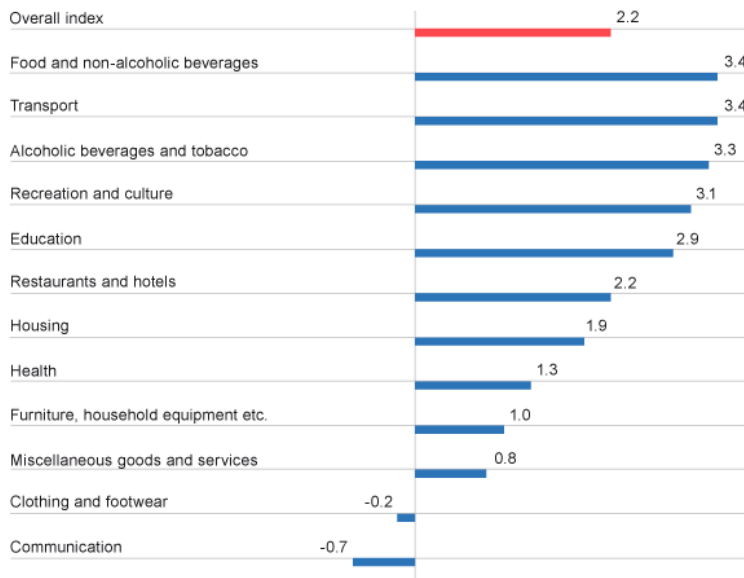
© Statistisches Bundesamt (Destatis), 2018

The main contributor to the higher CPI growth was energy prices.

Excluding energy prices, CPI growth in May 2018 would have been +1.8%; excluding the prices of mineral oil products, it would have been +1.7%.

But higher CPI growth was recorded across several categories; -

Consumer price indices for all category of goods, May 2018
Change on the previous year in %



© Statistisches Bundesamt (Destatis), 2018

https://www.destatis.de/EN/PressServices/Press/pr/2018/06/PE18_209_611.html;jsessionid=A0E2DD6C2344CE17252B2A64C53F18AC.InternetLive1

ECB – Rates decision & press conference

Despite the optimistic review of the EU and the impact of monetary policy last week, the ECB has signalled that rates will remain at these low levels for at least another year.

Rates – unchanged. Expect that rates will remain at their current level at least through to the summer of 2019 and as long as necessary to ensure inflation close to 2% over the medium term. Rates; 0% main refinancing operations, 0.25% marginal lending facility and -0.4% deposit facility.

Asset Purchase Program (APP) – purchases of EUR30b a month until end of September 2018, subject to the evolution of the inflation, purchases will reduce to EUR15b until the end of Dec 2018. Net asset purchases to end after the end of Dec 2018.

Reinvestment – reinvestment of principal payments from maturing securities will continue for an extended period of time after the end of net asset purchases – maintain liquidity and monetary accommodation.

Key projections;

GDP; +2.1% in 2018, +1.9% 2019 and +1.7% 2020. Forecast for 2018 revised lower.

Key risks – trade protectionism, persistent heightened market volatility

Inflation; +1.7% for 2018, 2019 and 2020. Domestic cost pressures, tightening labour markets and rising wages are impacting CPI. Energy driving higher prices for the rest of this year.

EU still requires ‘ample’ monetary accommodations in order to reach the ‘close to’ 2% inflation target over the medium term.

Also mentioned “implementation of **structural reforms** in euro area countries needs to be substantially stepped up to increase resilience, reduce structural unemployment and boost euro area productivity and growth potential”

Statement;

<https://www.ecb.europa.eu/press/pr/date/2018/html/ecb.mp180614.en.html>

Press conf; <https://www.ecb.europa.eu/press/pressconf/2018/html/ecb.is180614.en.html>

JAPAN –

BoJ Rates Decision

No change to monetary policy and no hint that the economy is ready for any reduction in monetary accommodations. Inflation remains below its stated targets.

Yield Curve Control – ST rate -0.1%, purchase of 10yr JGB’s such that they yield 0%, purchases remain at the current pace (annual pace of increase 80trillion Yen)

Asset purchases other than 10yr JGB’s – purchase ETF’s, J-REIT’s, so that amounts outstanding will increase at an annual pace of 6trillion yen and 90b yen respectively. CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen, respectively

Japan's economy is likely to continue its moderate expansion.

On the price front, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food) is in the range of 0.5-1.0 percent. Inflation expectations have been more or less unchanged.

"Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control," aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner

Risks to the outlook include the following: the U.S. economic policies and their impact on global financial markets; developments in emerging and commodity-exporting

economies; negotiations on the United Kingdom's exit from the European Union (EU) and their effects; and geopolitical risks.

Policy announcement;

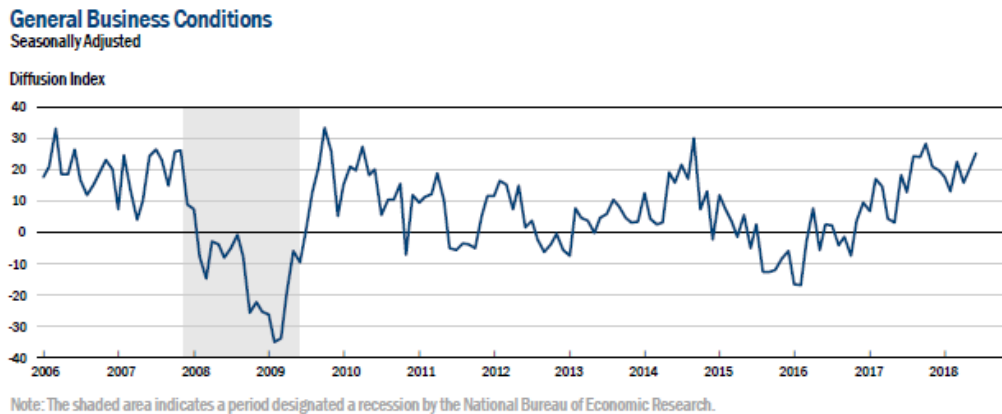
https://www.boj.or.jp/en/announcements/release_2018/k180615a.pdf

Friday 15 June 2018

US –

Empire State Manufacturing Survey (June)

Overall positive read for manufacturing in NY state with headline business conditions increasing +4pts to 25 in the latest month.



New orders and shipments all moved higher in the latest month and inventories declined.

Prices paid declined in the month -1.3pts and prices received continued to flatline +0.3pts in the month.

Measure of employment also increased in the month +10.3

https://www.newyorkfed.org/medialibrary/media/survey/empire/empire2018/esms_2018_6_survey.pdf?la=en

Industrial Production (May)

The index of industrial production declined slightly in May versus April; -

Month; May -0.1% versus April +0.9%

From an industry group perspective:

Manufacturing; May -0.7% versus April +0.6%

Mining; May +1.8% versus April +1%

Utilities; May +1.1% versus April +3.2%

(The decline in Manufacturing for the month was according to the official report the result of a fire that disrupted truck assemblies. Ex auto parts industrial production declined by 0.2% month on month)

Overall industrial production is +3.5% higher than the year before. On an industry basis Manufacturing +1.7%, Mining +12.6% and Utilities +4%.

<https://www.federalreserve.gov/releases/g17/current/g17.pdf>

EUROPE –

CPI (May)

Headline CPI growth:

Euro Area; May +1.9% versus April +1.3% (revised)

Euro Union; May 2% versus April +1.5% (revised)

Core CPI growth (all items less food, alcohol and energy);

Euro Area; May +1.1% versus April +0.8% (revised)

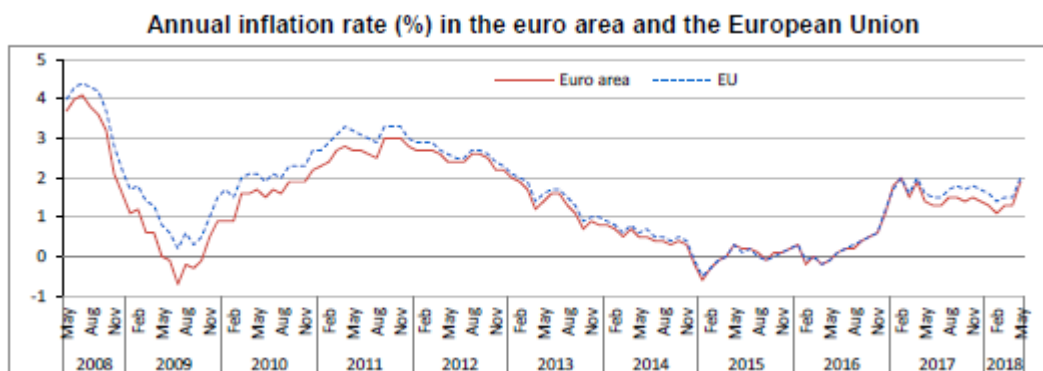
Of the headline growth, energy is a key driver of CPI growth even given its much lower weight in the index; -

Services contributed the most to CPI growth in May with +0.72 % pts – services account for 44% of the index weight and the 0.72%pts represents 38% of the growth.

Energy contributed +0.58% pts in May – energy only accounts for 10% of the index weight and the +0.58%pts represented 31% of the growth.

Food, alcohol & tobacco contributed +0.50% pts in May and represents 20% of the index weight and the +0.50%pts represents 26% of the headline CPI growth.

Non-energy industrial goods contributed +0.08% pts in May and accounts for 26% of the index weight. The +0.08%pt contribution represents only 4% of the headline growth.



<http://ec.europa.eu/eurostat/documents/2995521/8980816/2-15062018-BP-EN.pdf/21342bdb-42bc-49c6-9cbf-4eed31f336ea>

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