

Key Themes

An important week for PM May and her Cabinet Brexit plan. Several debates on the proposal will take place in the UK parliament this week amid the resignation of key ministers last week and deep divisions on Brexit.

Trade will continue to be a focus. The US-Chinese trade dispute likely to continue, as key issues remain unresolved, despite the retaliatory tariffs. On 19 July, the US Dept of Commerce will hold a one-day hearing on the Section 232 action on whether imports of autos and auto parts impair US national security. Outcomes will be important for a range of countries.

Liquidity – heavier supply of treasuries, with the US Treasury auctioning and settling approx. \$226b in notes, bonds and bills and raising approx. \$41b in new money this week. Key dates to watch are 17 and 19 July.

US Fed Chairman Powell provides the semi-annual monetary policy testimony to the US Senate Banking Committee (two days).

Retail sales will be released this week across the US, UK and Canada.

CPI will also be reported for the UK, Eurozone, Japan and Canada.

Its also earnings season and the first of the FAANG's reports this week – Netflix.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

In July, the cap for the roll-off of maturing Fed holdings increases to \$24b.

This week, the US Treasury will auction & settle approx. \$157b in bills and settle a total of approx. \$226b notes/bonds/bills, raising approx. \$41b in new money. This is a relatively heavy week, with the key dates to watch 17 and 19 July.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
16-20 Jul 2018	16-Jul-18	19-Jul-18	4wk bill	35			TBA	
			3mth bill	51			Announced	
			6mth bill	45			Announced	
			12mth bill	26			Announced	
				157	145	12		
	11-Jul-18	17-Jul-18	3yr note	33			Completed	
	12-Jul-18	17-Jul-18	10yr note (r-o)	22			Completed	
	13-Jul-18	17-Jul-18	30yr bond	14			Completed	
				69	40.23	28.77		
				226	185.23	40.77		

Next week looks to be a lighter week at this stage with approx \$123b in bill auctions. To be confirmed once all auction announcements made.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
23 - 27 Jul 2018	23-Jul-18	26-Jul-18	4wk bill	35			TBA	
			3mth bill	45			TBA	
			6mth bill	43			TBA	
				123	135	-12		

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 16 July 2018

Trump-Putin meeting

US – Retail Sales (June), Empire State Manufacturing Survey (Jul), Business Inventories (May)

US Earnings – Netflix Q2 (reminder of the FAANG's report 23-31July)

China – GDP Q2

Australia – RBA Meeting Minutes report

Tuesday 17 July 2018

US – Industrial Production (June), Fed Chairman Powell – Semi-annual monetary policy testimony to the US Senate Banking Committee (day one)

UK – Average earnings (May)

Wednesday 18 July 2018

US - Fed Chairman Powell – Semi-annual monetary policy testimony to the US Senate Banking Committee (day two)

UK – Retail Price Index, PPI & CPI (June)

Europe – CPI (June)

Australia – NAB Business Confidence Q2, Employment report (June)

Thursday 19 July 2018

US - Philadelphia Fed Business Outlook Survey (July)

UK – Retail Sales (June)

Japan – CPI (June)

Friday 20 July 2018

Canada – Retail Sales (May), CPI (June)

Trade & Brexit

The second wave of US tariffs – affecting \$16 billion of Chinese goods focused on semiconductors and electronics – is subject to a **review scheduled for 24th July 2018**.

Early on 10 July, China's Ministry of Commerce announced that it will raise its anti-dumping duties on imported optical fibre from the US to 33.3%-78.2% from previous 4.7%-18.6%, effective on Wednesday.

Later, on 10 July, the USTR announced a further investigation and proposal for an additional 10% tariff on \$200b in trade value with China. **Public hearings are proposed for 20-23 August**.

https://ustr.gov/sites/default/files/301/2018-0026%20China%20FRN%207-10-2018_0.pdf

Car and Truck Imports –

Public hearings will take place this week on 19 July in Washington on the Section 232 action to determine whether imports of autos, light trucks, and auto parts threaten to impair the national security.

US-Japan trade talks in July –

First round of trade talks likely to occur late July in Washington - TBC.

Implications for Japanese automakers and for trade negotiations of the US investigation into car and truck imports – one of Japan's major exports to the US.

It's unclear whether the results of the section 232 investigation will be released before the trade talks.

NAFTA –

Negotiations are likely to remain in limbo as the new incoming President of Mexico, Andrés Manuel López Obrador, prepares to take office in December. Current Mexican President Peña Nieto and Lopez Obrador made it clear last week that they will wait for Mexico's electoral court to validate the vote, which could be as late as Sept. 6, before beginning the official transition.

U.S. Secretary of State Mike Pompeo, Treasury Secretary Steven Mnuchin and Trump adviser Jared Kushner travelled to Mexico on Friday and met with Mexican Foreign Minister Luis Videgaray, President Enrique Peña Nieto and President-elect Andres Manuel Lopez Obrador.

Canadian Foreign Affairs Minister Chrystia Freeland expects negotiations to take a "higher gear" over the summer.

Steel Tariffs –

Canada considering quotas and tariffs on steel imports (protecting local steel producers) originally earmarked for US markets. "US tariffs opens the door to cheaper steel imports into Canada) from abroad".

EU considering similar antidumping measures.

Canadian tariffs on US imports went into effect 1st July – approx. \$12.6b in imports from the US including steel, aluminium, and consumer goods.

Canada is threatening further action if the US goes ahead with threatened duties on Canadian-made autos and auto parts – this will be a large threat for the Canadian (and other) economies, especially Europe.

Brexit

Brexit white paper published last Thursday. MP briefings took place throughout the weekend and the focus goes to several Parliament debates to take place this week.

"Brexiteer rebels are unlikely to have enough support in parliament to win a vote, but the debate will show how many in May's party are prepared to vote against her at a time when some are looking to gather the numbers needed to challenge her leadership"

Negotiations with Brussels are currently suspended, and the UK House of Commons will be in recess after next week. The EU council summit 'deadline' for a deal is 18 October 2018.

<https://www.theguardian.com/politics/2018/jul/07/tory-mps-briefed-ahead-governments-brexit-white-paper>

<https://www.reuters.com/article/uk-britain-eu-may/may-warns-rebels-back-me-or-risk-no-brexit-at-all-idUSKBN1K412G>