

## Key Themes

**Liquidity** – A relatively heavy week with the US Treasury raising approx. \$51b in new money (4wk bill TBA). Its also mid-month and \$23b in US Fed holdings of securities will mature - \$10b of that will be reinvested.

**Trade** – NAFTA talks will continue between US and Mexico this week - both sides claiming a deal possible by the end of August.

Official Brexit talks recommence this week between the UK and EU.

Growth, retail sales and inflation data are in focus this week;

- Eurozone Q2 prelim GDP, CPI for July, Industrial production and sentiment.
- US Retail Sales for July and a further read on industrial production and regional manufacturing.
- Key UK data – Retail Sales and CPI for July.
- Australian Labour Force data for July and the Q2 Wage Price Index.

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## US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

A heavier week of treasury issuance with the US Treasury raising approx. \$52b in new money this week. Approx. \$167b in ST bills will be auctioned and settled this week (4wk bill auction TBA) and \$78b in note auctions from last week will also settle this week. Key dates 15 and 16 August.

Its mid-month and \$23b of US Fed holdings of securities will mature on 15 Aug. Of this, only \$10b will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
13 - 17 Aug	13-Aug-18	16-Aug-18	4wk bill	45			TBA	
			3mth bill	51			Announced	
			6mth bill	45			Announced	
	14-Aug	16-Aug	12mth bill	26			Announced	
				167	155	12		
	7-Aug-18	15-Aug-18	3 year note	34			Announced	
	8-Aug-18	15-Aug-18	10 year note	26			Announced	
	9-Aug-18	15-Aug-18	30 year note	18			Announced	
				78	38.22	39.78		
				245	193.22	51.78		41.294
Fed SOMA - Face Value of SOMA securities maturing 15 Aug 2018					23.069			
Proportion of mthly cap (\$24b total Aug)					12.583			
Amount to reinvest					10.486			

A somewhat quieter week next week with \$149b in bills and notes being auctioned and settled. A total of \$14b in new money to be raised.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
20 - 24 Aug	20-Aug-18	23-Aug-18	4wk bill	45			TBA	
			3mth bill	45			TBA	
			6mth bill	43			TBA	
				133	135	-2		
	22-Aug-18	24-Aug-18	2yr FRN (r-o)	16	0	16	TBA	
				149	135	14		

Data is available at [https://www.newyorkfed.org/markets/soma/sysopen\\_accholdings.html](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.

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## Monday 13 August 2018

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## Tuesday 14 August 2018

Eurozone – German Prelim Q2 GDP, German CPI (Jul), Zew Survey (Aug), Eurozone Q2 prelim GDP, Eurozone Industrial Production (Jun)

Japan – Industrial Production (Jun)

China – Money Supply, New Loans (Jul)

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## **Wednesday 15 August 2018**

US – Retail Sales (Jul), Empire State Manufacturing Index, Industrial Production, Business Inventories

Australia – Wage Price Index (Q2)

UK – CPI (Jul)

Japan – Trade Balance (Jul)

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## **Thursday 16 August 2018**

US – Philly Fed Business Outlook Survey, Housing Starts & Building Permits (Jul)

Australia – Labour Market report (Jul), RBA Lowe Speech

UK – Retail Sales (Jul)

Eurozone – Trade Balance (Jun)

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## **Friday 17 August 2018**

Eurozone – CPI (Jul)

Canada – CPI (Jul)

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## **Trade & Brexit**

### **US-China Trade Negotiations**

THE USTR has confirmed that the proposed tariffs on approximately \$16 billion worth of Chinese products will be implemented from 23 August 2018. Full statement here; <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/august/ustr-finalizes-second-tranche>

The tariffs initially announced on 10 July - 10% tariff on \$200b in trade value - may be increased to 25%. Public hearings are still proposed for 20-23 August. Considering the possible increase of the additional duty rate to 25%, the close of the written comment period has been extended from 30 August to 6 September. The due date for requests to appear at the public hearing have also been extended.

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/august/statement-us-trade-representative>

Awaiting confirmation of the implementation of retaliatory actions already announced by China.

## **NAFTA**

Talks between the US and Mexico will resume this week. Both sides claim a deal is possible by the end of August.

Canada is yet to rejoin the talks while President Trump has threatened further tariffs on Canadian auto imports if a deal isn't reached.

## **US-Japan Trade Talks**

Cabinet-level talks did not result any clear agreement between US and Japan. The Japanese negotiators requested no tariffs be implemented while talks are underway. President Trump and Japanese PM Abe will meet in late Sept.

## **Section 232 – Car and Truck Imports**

Awaiting the outcome of the public hearings.

President Trump met with EC President Jean-Claude Juncker in Washington. For the moment, the threat of auto tariffs has been put on hold as both sides agree to start talks to reduce trade barriers related to all industrial goods other than cars. Steel and aluminium tariffs remain unresolved. President Trump claimed that the EU would “almost immediately” begin buying “a lot of” US soybeans.

Joint statement; [http://europa.eu/rapid/press-release\\_STATEMENT-18-4687\\_en.htm](http://europa.eu/rapid/press-release_STATEMENT-18-4687_en.htm)

## **Brexit**

There will be another round of negotiations this week between the UK and the EU on 16 and 17 August – an agenda will be released shortly.

The UK government is in recess for the summer.

During the summer break, ministers of the UK Cabinet including PM May have been meeting with European leaders to build support for the UK Brexit whitepaper.

A summary of the key areas of agreement and disagreement (from an EC perspective) can be found here; [http://europa.eu/rapid/press-release\\_SPEECH-18-4704\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-18-4704_en.htm)