

Key Themes

Medium supply of treasuries this week with the US Treasury auctioning and settling \$135b in ST bills and settling \$106b in note auctions from last week (settlement 1 Oct). The US Treasury will raise approx. \$22b in new money this week. The 4wk bill is yet to be announced.

It's the start of a new quarter and the monthly cap for reinvestment of maturing securities on the Fed balance sheet increases to \$30b for treasuries and \$20b for MBS. These are now the maximum cap levels and are not scheduled to increase further.

A big data week;

PMI's for Sept will be released for US, Asia and European economies

US jobs data

A heavy schedule of US Fed speeches, including Chairman Powell

Australia RBA rates decision and retail sales

Expecting an announcement on a NAFTA agreement between the US and Canada early in the week.

Brexit – the new form of the trade component of the Brexit withdrawal agreement will likely be announced after the Conservative party conference this week. Less than 4 weeks remain to negotiate the Irish border backstop and the broader trade element of the withdrawal agreement.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

This is the first week of Q4 and there are a few changes to be aware of.

The month cap for reinvestment of maturing securities increases to \$30b and \$20b for MBS – now reached the maximum cap levels and are not scheduled to increase further.

The US Treasury will also introduce a new 2mth bill from w/c 12 Nov 2018. At this stage, we expect some heavier supply of treasuries throughout this quarter especially closer to year end.

This week, the US Treasury will auction and settle approx. \$135b in ST bills and settle approx. \$106b in note auctions from the week prior. This week the US Treasury will raise approx. \$22b in new money. The 4wk note is yet to be announced.

There are \$19b in securities on the Fed balance sheet that mature on 30 Sept – likely will roll off on 1 Oct.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
1 - 5 Oct 2018	1-Oct	4-Oct	4wk bill	45			TBA	
			3mth bill	48			Announced	
			6mth bill	42			Announced	
				135	145	-10		
	25-Sep	1-Oct	2yr Note	37			Completed	
	26-Sep	1-Oct	5yr Note	38			Completed	
	27-Sep	1-Oct	7yr Note	31			Completed	
				106	73.48	32.52		
				241	218.48	22.52		
Fed SOMA - Face Value of SOMA securities maturing 30 Sept 2018					19.006			
Proportion of mthly cap (\$19b total Sept) ****					19.006			
Amount to reinvest					0.000			

Treasury supply should be lighter next week. The treasury refunding documents forecast the US Treasury will likely pay down \$26b in debt. Further details provided once auctions are announced.

Only a small value of securities on the Fed balance will mature next week (scheduled for 11 Oct). The majority of securities to mature this month will be on 31 Oct.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
8-12 Oct 2018	8-Oct	11-Oct	4wk bill	45				
			3mth bill	44				
			6mth bill	40				
				129	155	-26		
Fed SOMA - Face Value of SOMA securities maturing 11 Oct 2018				0.026				
Proportion of mthly cap				0.026				
Amount to reinvest				0				

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 1 October 2018

US – Manufacturing PMI (Sep), ISM Manufacturing Index (Sep),

US Fed speeches – Kashkari, Rosengren

Japan – Tankan Capex and Manufacturing Outlook (Q3), Nikkei Manufacturing PMI (Sep)

Europe – German Retail Sales (Aug), German Manufacturing PMI (Aug), Eurozone Manufacturing PMI (Sep), Eurozone Unemployment data (Aug)

UK – Manufacturing PMI (Sep)

Canada – Manufacturing PMI (Sep)

Tuesday 2 October 2018

US Fed speeches - Chairman Powell and Quarles, ISM NY Index Business Conditions (Sep), Total Vehicle Sales (Sep)

Australia – RBA Rates Decision

UK – Construction PMI (Sep)

Wednesday 3 October 2018

US – ADP Employment report, Services and Composite PMI (Sep), ISM Non-Manufacturing PMI (Sep)

US Fed speeches – Evans, Barkin, Harker, Mester

Japan – Services and Composite PMI (Sep)

Europe – German Services and Composite PMI (Sep), Eurozone Services and Composite PMI (Sep), Eurozone Retail Sales (Aug)

UK – Services and Composite PMI (Sep)

Thursday 4 October 2018

US – Challenger Job Cut report (Sep), Factory Orders (Aug)

US Fed speeches - Quarles

Friday 5 October 2018

US – Employment Report/Non-Farm Payrolls (Sep), International Trade, Consumer Credit (Aug)

US Fed speeches – Bostic

Australia – Retail Sales (Aug)

Europe – German Factory Orders (Aug)

Canada – Labour Market report (Sep)

Trade & Brexit

US-China Trade Negotiations

A possible fourth round of tariffs may be implemented by the US on \$267b of Chinese imports after China retaliated.

Awaiting details of the next round of talks. Both leaders planned to meet at the G20 in November – which was a possible deadline for any agreement to be announced by the leaders. This is looking less likely given the status of negotiations (stalled).

NAFTA

Expecting an announcement of an agreement between US and Canada on NAFTA. Likely Sunday.

Text of the US-Mexico portion of NAFTA was due to be released this week and has been delayed in the hope of an agreement announced between the US and Canada.

US-Japan Trade Talks

Awaiting details now of a schedule/timeline for talks between the US and Japan on a bilateral trade deal.

Section 232 – Car and Truck Imports

Awaiting the outcome of the public hearings.

BREXIT

Expecting details of Brexit/Chequers 2 to be announced after the Conservative Party conference starting 30 Sep.

There are now less than four weeks to renegotiate the trade element of the agreement and have a backstop in place regarding the Irish border issues before the 18 Oct EU summit. An emergency EC meeting will likely be held on 17-18 Nov to formalize the withdrawal agreement – and this will only go ahead if there has been enough progress by the time of the Oct summit.