

Key Themes

The US Treasury will auction and settle approx. \$161b in short term bills (4wk bill TBA), paying down approx. \$22b in debt. The US Treasury will also auction \$73b in longer term notes and bonds - to settle next week.

It's possible that a fourth tranche of tariffs on Chinese imports will be announced by the US this week in a further escalation of the trade dispute. NAFTA negotiations between US and Canada will continue this week – an outcome may not be finalised until the end of the month.

Brexit negotiations are now ongoing between the UK and EU. Next week's informal summit of EU leaders at Salzburg is shaping up as an important event for Brexit negotiations.

Key central bank decisions this week – ECB and BoE. Plus, several US Fed speeches – looking for further signalling on US rates/monetary policy.

Important data out this week; US monthly CPI and Retail Sales, UK monthly GDP.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

This week, the US Treasury will auction and settle approx. \$161b in ST bills, paying down an estimate \$22b in debt. The 4wk note is yet to be announced.

This week, the US Treasury will also auction \$73b in notes and bonds, to settle next week.

There are no US Fed holdings of securities that will mature at mid-month this month.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
10-14 Sept	10-Sep-18	13-Sep-18	4wk bill	45			TBA	
			3mth bill	48			Announced	
			6mth bill	42			Announced	
	11-Sep-18	13-Sep-18	12mth bill	26			Announced	
				161	183	-22		
Fed SOMA - Face Value of SOMA securities maturing 15 Sept 2018						0		
Proportion of mthly cap (\$19b total Sept) ****						0.000		
Amount to reinvest						0.000		

Supply is looking a little heavier next week;

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
17-21 Sept	17-Sep-18	20-Sep-18	4wk bill	45			TBA	
			3mth bill	45			TBA	
			6mth bill	42			TBA	
				132	135	-3		
	11-Sep-18	17-Sep-18	3yr note	35			Announced	
	12-Sep-18	17-Sep-18	10yr note (r-o)	23			Announced	
	13-Sep-18	17-Sep-18	30yr bond (r-o)	15			Announced	
				73	24	49		
				205	159	46		

Note on Fed reinvestment of principal payments this month – While the current monthly cap is \$24b, the cap will be reduced to \$19b this month as this is the total amount of treasury holdings of the US Fed that will mature this month (all at month end). This means there will be no reinvestment of principal payments this month.

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 10 September 2018

US – Consumer Credit (Jul), Bostic speech (local event)

Japan – Q2 GDP

UK – GDP (Jul)

Tuesday 11 September 2018

US – JOLTS (Jul), Wholesale Inventories (Jul)

UK – Average Earnings (Jul)

Europe – Employment change (Q2)

Zew Sentiment Survey

Wednesday 12 September 2018

US – PPI (Aug), Fed Bullard speech

Europe – Eurozone Industrial Production (Jul)

Thursday 13 September 2018

US – CPI (Aug), Bostic speech, Monthly Budget Statement (Aug)

Australia – Labour Force Survey (Aug)

Europe – German CPI (Aug), ECB Rates Decision

UK – BoE Rates Decision

Friday 14 September 2018

US – Retail Sales (Aug), Industrial Production (Aug), Business Inventories (Jul), Evans speech

Europe – Trade Balance (Jul)

UK – BoE Carney speech

Trade & Brexit

US-China Trade Negotiations

President Trump may announce a fourth tranche of tariffs on \$267b of Chinese imports – as threatened last week.

The third tranche of tariffs are likely to go into effect by the end of Sept.

No further notice of meetings between the US and China to negotiate a solution to the trade dispute. Both leaders will meet at the G20 in November – which is a possible deadline for any agreement to be announced by the leaders.

NAFTA

Negotiations between the US and Canada continue. A conclusion “does not appear imminent”. Discussions will continue this week at a high level, but it’s possible that talks could continue until the end of the month.

Text of the US-Mexico portion of NAFTA will be released at the start of October.

US-Japan Trade Talks

President Trump and Japanese PM Abe are due to meet in late Sept. There is a possibility that the US may escalate the dispute given comments made by US President Trump last week.

Section 232 – Car and Truck Imports

Awaiting the outcome of the public hearings.

BREXIT

Negotiations remain on-going. The latest statement from last week's talks is yet to be released. Last week's statement; http://europa.eu/rapid/press-release_STATEMENT-18-5403_en.htm

Senior UK frontbenchers will meet on 13 Sept to detail further contingency plans in case of 'no-deal' Brexit.

Next week's informal summit of EU leaders at Salzburg is shaping up as an important event; 19-20 Sept - discussion of timing of a deal, key sticking points and whether to provide additional instructions Michel Barnier to "serve as a sort of mandate to do the deal" <https://www.ft.com/content/477ac3e4-b433-11e8-bbc3-ccd7de085ffe>

A recap of the key timings outlined last week;

Official EU council meeting Brussels 18 Oct – this EU meeting is "no longer an absolute deadline" and a date of 13th Nov is now the more likely deadline.

13/14 Dec the next 'official' EU council meeting in Brussels.