

Key Themes

There will be relatively lighter treasury supply this week. The US Treasury will auction and settle \$145b in short term bills. The US Treasury will pay down approx. \$18b in debt this week.

Trade – NAFTA negotiations resume between US and Canada with a meeting this week on Wednesday. It is hoped that a deal can be completed this week to finalise a NAFTA deal. President Trump has hinted that the third tranche of tariffs on Chinese imports could go into effect as early as this week.

The UK parliament is back this coming week; key Brexit legislation is to be discussed amid negative comments from the EU on the Chequers plan and (ongoing) rumours of a leadership challenge. Negotiations between the UK and EU are now ongoing.

A relatively heavy data week – momentum of growth will be a key theme.

PMI's for August will be released across major economies

US Non-farm Payrolls

Australian and Eurozone Q2 GDP

Rates decisions from RBA and BoC

Several Fed speeches this week – looking for signalling on rates and monetary policy

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

It's the start of a new month and a relatively light week for treasury issuance. The US Treasury will auction and settle \$145b in short term bills. It's also a rare week in that the US Treasury will pay down approx. \$18b in debt this week.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
3-7 Sept	3-Sep-18	6-Sep-18	4wk bill	55			Announced	
			3mth bill	48			Announced	
			6mth bill	42			Announced	
				145	163	-18		

The following week also looks to be quiet with a possible paydown at this stage;

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				
			3mth bill	45				
			6mth bill	42				
				132	155	-23		
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			

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 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 3 September 2018

US – Public Holiday

Europe – Euro Manufacturing PMI (Aug), German Manufacturing PMI (Aug)

UK – Manufacturing PMI (Aug), BRC Like for Like Retail Sales (Aug)

AUS – Retail Sales (Jul)

Japan – Manufacturing PMI (Aug), Kuroda speech

Tuesday 4 September 2018

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

AUS – RBA Rates Decision

Canada – Manufacturing PMI (Aug)

UK – Construction PMI (Aug)

Wednesday 5 September 2018

US – International Trade (Jul), ISM NY Business Conditions (Aug)

US Fed speeches at local events – Williams, Kashkari, Bostic

AUS – Q2 GDP

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

Japan – Services PMI (Aug)

UK – Services PMI (Aug)

Canada – Bank of Canada Rates Decision

Thursday 6 September 2018

US – ADP Employment report, Productivity and costs, Services and Composite PMI (Aug), Factory Orders (Jul), ISM Non-Manufacturing PMI, Challenger Job Cuts (Aug)

Europe – German Factory Orders (Jul),

Friday 7 September 2018

US – Non-farm Payrolls (Aug)

Fed speeches; Rosengren & Mester, Boston Federal Reserve 62nd Economic Conference: "What Are the Consequences of Long Spells of Low Interest Rates?" in Boston.

Japan – Labor cash earnings (Jul)

AUS – Housing Loans (Jul)

Europe – German Industrial Production (Jul), Eurozone Q2 GDP,

Canada – Employment report (Aug)

Trade & Brexit

US-China Trade Negotiations

President Trump has escalated the dispute further by hinting that the 3rd tranche of tariffs could go into effect as early as this week. Public hearings have mostly been completed in regards to tariffs on approx. \$200b worth Chinese products. - <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/august/public-hearings-proposed-section-301>

Awaiting notice of further negotiations. It's been suggested that a deal would be completed after the Nov election by President Trump and Chinese leader Xi Jinping at an already planned multi-lateral summit <https://www.wsj.com/articles/u-s-china-trade-talks-end-with-no-sign-of-progress-1535065800>

NAFTA

US and Mexico have agreed on terms for a NAFTA agreement. Negotiations resume between US and Canada with a meeting this week on Wednesday. It is hoped that a deal can be completed this week. President Trump has notified Congress of his intention to sign a trade agreement with Mexico, and Canada “if they are willing”, 90 days from now.

US-Japan Trade Talks

President Trump and Japanese PM Abe will meet in late Sept. Previous 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.

Section 232 – Car and Truck Imports

Awaiting the outcome of the public hearings.

BREXIT

The UK parliament is back this coming week; key Brexit legislation is to be discussed amid negative comments from the EU on the Chequers plan and (ongoing) rumours of a leadership challenge.

Latest statement; http://europa.eu/rapid/press-release_STATEMENT-18-5403_en.htm

As the process to finalise the agreement moves into the final stages, negotiations will be ongoing.

A recap of the key timings outlined last week;

“Brexit crisis summit on ‘no deal’” – 13 Sept. Senior UK frontbenchers will meet on 13 Sept to detail further contingency plans in case of ‘no-deal’ Brexit.

The Oct 18 EU meeting was “no longer an absolute deadline”, but that a deal should be finalised by the start of November. This initial timing was based on securing an agreement at the EU Council meeting and allowing enough time for both parliaments to approve the deal.

Scheduling an emergency meeting in November to finalise the agreement would be ‘straightforward’.

Key dates;

20 Sept - The informal meeting of heads of state or government (PM May had suggested the Salzburg meeting for further talks);

Official EU council meeting Brussels 18 Oct – where it is hoped a deal can be struck/finalised;

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