

## Key Themes

Light supply of US Treasuries this week with the US Treasury auctioning and settling \$156b in ST bills, raising approx. \$1b in new money. Only \$26m will roll off the Fed balance sheet this week on 11 Oct. The US Treasury will also auction approx. \$74b in longer-term notes and bonds which will settle next Monday 15 Oct.

The key releases this week;

US PPI and CPI data for Sep

Eurozone and German Industrial production and German trade data – providing further insight on the slow-down in export/manufacturing demand

Aussie housing lending data for August - as we track the slowdown in the housing market

UK monthly GDP for Aug

Brexit is approaching critical timings, so likely a heightened level of activity over the next week and a half. At the EC meeting next week on 17-18 Oct it will be decided whether there has been enough progress on the Brexit withdrawal agreement to call an additional EC summit on 17-18 Nov to agree and formalise the agreement.

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

From October - The month cap for reinvestment of maturing securities increased 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. \$156b in ST bills and raise approx. \$1b in new money.

On the 11 Oct, \$26m in Treasury securities in the Fed SOMA will mature. As this is below the monthly cap, it will roll off the fed balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
8-12 Oct 2018	9-Oct	11-Oct	4wk bill	40			Announced	
			3mth bill	48			Announced	
			6mth bill	42			Announced	
			52wk bill	26			Announced	
				156	155	1		
Fed SOMA - Face Value of SOMA securities maturing 11 Oct 2018				0.026				
Proportion of mthly cap				0.026				
Amount to reinvest				0				

This week, the US Treasury will also auction \$74b in notes and a reopening of the 30yr bond. These will settle next week. The US Treasury will raise approx. \$41b in new money next week.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
15-19 Oct 2018	15-Oct	18-Oct	4wk bill	45			TBA	
			3mth bill	44			TBA	
			6mth bill	40			TBA	
				129	138	-9		
	9-Oct	15-Oct	3yr Note	36			Announced	
	10-Oct	15-Oct	10yr Note r-o	23			Announced	
	11-Oct	15-Oct	30yr Bond r-o	15			Announced	
				74	24	50		
				203	162	41		

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 8 October 2018**

Eurozone – German Industrial Production (Aug)

UK – BRC Like for Like Retail Sales (Sep)

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## **Tuesday 9 October 2018**

US Fed speeches – Evans and Williams

Eurozone – German Trade Balance (Aug)

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## **Wednesday 10 October 2018**

US – PPI (Sep), Wholesale Trade (Aug), US Fed speeches; Evans and Bostic

UK – Monthly GDP (Aug)

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## **Thursday 11 October 2018**

US – CPI

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## **Friday 12 October 2018**

US Fed speeches – Evans and Bostic

Australia – Housing Lending (Aug), RBA Financial Stability Review

Eurozone – German CPI (Sep), Eurozone Industrial Production (Aug)

China – Trade Balance (Sep), New Loans (Sep)

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## **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/USMCA**

A deal between the US and Canada was announced early in the week. NAFTA has been officially renamed – the USMCA.

The joint statement can be found on the USTR website; <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/september/joint-statement-united-states>

U.S. officials intend to sign the agreement with Canada and Mexico at the end of November, after which it would be submitted to the U.S. Congress for approval.

### **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**

At this stage, there have been no formal proposals put forward by the UK on the Irish border backstop. On trade ties/Chequers 2 proposal; It has been reported that PM May is preparing to compromise even further with the EU.

<https://www.express.co.uk/news/politics/1025943/brexit-news-theresa-may-chequers-conservative-party-conference-brexit-deal>

October 10 – Michel Barnier is due to present to the EU's executive European Commission a first draft of the EU's proposal for close trade ties with Britain after Brexit.

EC council meeting on 17-18 Oct – it will likely be announced on the 18 Oct whether enough progress has been made on the Irish border issue to call an emergency EU meeting to finalize the Brexit deal.

The extra EC meeting will likely be held on 17-18 Nov to formalize the withdrawal agreement.

A solid week of meetings scheduled for the EU lead negotiator;  
[https://ec.europa.eu/commission/brexit-negotiations/agenda\\_en](https://ec.europa.eu/commission/brexit-negotiations/agenda_en)