

Key Themes.

The new 8week bill will go to auction for the first time this week, slightly ahead of schedule.

It will be a heavy week of treasury settlements.

This week with the US Treasury will auction and settle approx. \$154b in ST bills (the 4wk and 8wk are yet to be announced), raising approx. \$21b in new money. The longer-term notes and bonds auctioned last week will settle on Monday 15 Oct – raising approx. \$50b in new money. In all, \$228b in auctions will settle this week, raising approx. \$71b in new money (net new issuance).

The key releases this week;

US Retail Sales and the FOMC minutes

Chinese data will be in focus – especially Q3 GDP growth and New Loans

The UK will be in the thick of it this week – the EC summit, CPI, PPI, Retail Sales and the Labour Market Survey.

The EC summit is on 17-18 Oct and it will likely be announced on the 18 Oct whether enough progress has been made on the agreement to call an emergency EU meeting in November to finalize the Brexit deal. The next EC meeting will be December and it should be clear whether negotiations will/can get pushed out in time for an agreement to be finalized at the December meeting.

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 new 8week bill will go to auction for the first time this week. The latest quarterly refunding documents originally had the 8week scheduled for mid-November at a weekly amount of \$25b. The 4wk and 8wk bills will be announced on 15 Oct and auctions will be 16 Oct.

<https://www.treasurydirect.gov/instit/annceresult/press/preanre/PendingAuctions.pdf>

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Monday 15 Oct – raising approx. \$50b in new money. In all, a very heavy week for settlements.

| 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 | |
| | | | 8wk bill | 25 | | | TBA | |
| | | | 3mth bill | 45 | | | Announced | |
| | | | 6mth bill | 39 | | | Announced | |
| | | | | 154 | 133 | 21 | | |
| | 09-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 | | |
| | | | | 228 | 157 | 71 | | |
| | | | | | | | | |
| | | | | | | | | |

On 11 Oct, \$26m in Treasury securities in the Fed SOMA matured. The next scheduled maturity date will be 31 Oct – the value of securities maturing will be \$23b (all of which will roll off the Fed balance sheet).

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 15 October 2018

US – Retail Sales (Sep), Empire State Manufacturing Survey (Oct), Business Inventories (Aug)

Tuesday 16 October 2018

US – Industrial Production (Sep), Housing Market Index (Oct), JOLTS (Aug)

China – CPI (Sep), New Loans (Sep)

Eurozone – Germany & Eurozone Zew Sentiment Survey (Oct), Eurozone Trade Balance (Aug)

Wednesday 17 October 2018

US – FOMC Minutes,

UK – Labour Market Survey, PPI (Sep), CPI (Sep)

Eurozone – EC Summit, CPI (Sep)

Japan – Trade Balance (Sep)

Thursday 18 October 2018

US – Philadelphia Fed Business Outlook Survey, Bullard Speech

Eurozone – EC Summit

Aus – Labour Market Survey (Sep)

UK – Retail Sales (Sep)

Japan – National CPI (Sep)

Friday 19 October 2018

US – Existing Home Sales, Bostic & Kaplan Speech

China – Retail Sales (Sep), GDP Q3

Canada – Retail Sales (Aug), CPI (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.

NAFTA/USMCA

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.

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>

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

The EU summit is this week - 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.

The next EC summit will be in December.