

## Key Themes

The US Treasury will auction approx. \$276b in ST bills and notes this week. The bills will settle this week and the US Treasury will raise approx. \$16b in new money.

Brexit negotiations will continue this week. There are several (contentious and likely unacceptable) options under consideration to break the current deadlock on the Irish border issue.

The key data points this week;

US Q3 GDP and Durable Goods

Preliminary PMI's for October

ECB and BoC interest rate decisions this week

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

This week the US Treasury will auction approx. \$276b in bills and notes. The ST bills will settle this week raising approx. \$16b in new money (the 4wk and 8wk bills are yet to be announced). The notes that will be auctioned this week will settle in the following week.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
22-26 Oct 2018	22-Oct	25-Oct	4wk bill	40			TBA	
			8wk bill	25			TBA	
			3mth bill	45			Announced	
			6mth bill	39			Announced	
				149	133	16		

Next week is month end. The supply of notes that are to be auctioned this week and ST bills for next week will raise approx. \$32b in new money – a relatively heavy week.

On 31 Oct, \$23.8b of US Treasury securities in the Fed SOMA will mature. As this is below the monthly cap of \$30b, there will be no re-investment of principal payments - the \$23.8b face value of securities will roll off the Fed balance sheet on 31 Oct.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
29 Oct - 2 Nov	29-Oct	01-Nov	4wk bill	40			TBA	
			8wk bill	25			TBA	
			3mth bill	45			TBA	
			6mth bill	39			TBA	
				149	138	11		
	18-Oct	31-Oct	30yr TIPS r-o	5			Completed	
	23-Oct	31-Oct	2yr Note	38			Announced	
	24-Oct	31-Oct	2yr FRN	19			Announced	
	24-Oct	31-Oct	5yr Note	39			Announced	
	25-Oct	31-Oct	7yr Note	31			Announced	
				132	110.747	21.253		
				281	248.747	32.253		
Fed SOMA - Face Value of SOMA securities maturing 31 Oct 2018				23.833				
Proportion of mthly cap				23.833				
Amount to reinvest				0				

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 22 October 2018**

US – Chicago Fed National Activity Index (Sep)

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## **Tuesday 23 October 2018**

US – Richmond Fed Manufacturing Index (Oct)

US Fed Speeches – Kashkari, Bostic, Kaplan, Evans

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## **Wednesday 24 October 2018**

US – Prelim Composite PMI (Oct)

US Fed speeches – Bostic, Bullard, Mester

Japan – Prelim Manufacturing PMI (Oct)

Eurozone – German Prelim Composite PMI (Oct), Eurozone Composite PMI (Oct)

Canada – BoC Interest Rate Decision and Statement

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## **Thursday 25 October 2018**

US – Durable Goods Orders (Sep), International Trade (Sep), Kansas City Manufacturing Index (Oct), Pending Home Sales (Sep)

Eurozone – ECB Rates Decision

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## **Friday 26 October 2018**

US – GDP Q3

Eurozone – ECB Draghi Speech

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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.

It appears confirmed that Presidents Trump and Xi will meet on the sidelines of the G20 in November.

### **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.

### **US- Europe Trade Talks**

It is expected that low level meetings will commence this week to prepare for the first round of US-EU trade talks in November.

### **BREXIT**

After the EC meeting on 17-18 Oct, it was deemed that not enough progress had been made on the agreement to schedule an additional meeting in November.

The negotiations between the EU and the UK will continue. PM May will address the UK parliament this week. According to PM May “95%” of the withdrawal agreement has been completed. The remaining 5% is the negotiation of the Northern Ireland backstop.

There are several options under consideration to break the current deadlock on the Irish border issue.

<https://www.reuters.com/article/us-britain-eu/with-divorce-deal-almost-done-may-repeats-rejection-of-eu-proposal-on-northern-ireland-idUSKCN1MV0YE>

The next EC summit will be in December.

Further reading on the backstop; <https://www.bbc.com/news/uk-northern-ireland-politics-44615404> and <https://www.bbc.com/news/uk-politics-45931973>