

Key Themes

The US Treasury will settle approx. \$281b in ST bills and notes this week (notes were auctioned last week), raising approx. \$37b in new money. Its also month end and \$23.8b in securities on the Fed balance sheet will mature – there will be no reinvestments this month.

Several major economic releases this week and central bank decisions;

BoJ and BoE interest rate decisions

Key economic reports;

US – PCE price index, employment cost index, employment report, house price index, ISM manufacturing survey

Europe – Q3 GDP, prelim CPI (Oct), German retail sales

Australia – CPI Q3, retail sales and private sector credit

Manufacturing PMI's – UK, US, Eurozone and Germany

Brexit remains an unknown – looking for stalled negotiations to recommence this week

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

Heavier supply of US Treasuries to settle this week and its month end.

This week the US Treasury will settle approx. \$281b in ST bills and notes, raising approx. \$37b in new money.

The notes were auctioned last week and will settle on 31 Oct 2018.

The ST bills will be auctioned and settled this week (the 4wk and 8wk bills are yet to be announced).

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			Announced	
			6mth bill	39			Announced	
				149	133	16		
	18-Oct	31-Oct	30yr TIPS r-o	5			Completed	
	23-Oct	31-Oct	2yr Note	38			Completed	
	24-Oct	31-Oct	2yr FRN	19			Completed	
	24-Oct	31-Oct	5yr Note	39			Completed	
	25-Oct	31-Oct	7yr Note	31			Completed	
				132	110.747	21.253		
				281	243.747	37.253		
Fed SOMA - Face Value of SOMA securities maturing 31 Oct 2018				23.833				
Proportion of mthly cap				23.833				
Amount to reinvest				0				

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.

Next week there is much lighter supply of new US Treasury issuance. The following weeks in November look to have much heavier supply.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
5-9 Nov 2018	05-Nov	08-Nov	4wk bill	45				
			8wk bill	25				
			3mth bill	44				
			6mth bill	41				
				155	158	-3		

Securities maturing on the Fed balance sheet in November

In November, \$59.246b of securities on the Fed balance sheet will mature. As the monthly cap (for the roll-off of maturing securities) is \$30b, \$29.25b will be reinvested. This will be the first reinvestment/roll-over since the end of August.

15 Nov; \$34.33b in securities will mature, the proportion of the \$30b cap is \$17.38b - \$16.95 will be reinvested.

30 Nov; \$24.916b in securities will mature, the proportion of the \$30b cap is \$12.62b - therefore \$12.3b will be reinvested.

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 29 October 2018

US – Personal Income and Outlays and PCE Price Index (Sep), Dallas Fed Manufacturing Survey (Oct)

US Fed Speeches; Evans

Japan – Retail Sales (Sep)

UK – Budget Report, Consumer Credit (Sep)

Eurozone – EC Economic Growth Forecasts

Tuesday 30 October 2018

US – S&P/Corelogic Case Shiller House Price Index (Aug)

Australia – Building Permits (Sep)

Eurozone – Eurozone Q3 Prelim GDP, German Unemployment (Oct), German CPI (Oct)

Japan – Industrial Production (Sep)

Wednesday 31 October 2018

US – ADP Employment Report (Oct), Employment Cost Index (Q3), Chicago PMI (Oct)

US – Treasury Refunding Announcement for Q4 and Q1 2019

Australia – RBA Private Sector Credit (Sep), CPI Q3

Japan – BoJ Rates Decision

Europe – German Retail Sales (Sep), Eurozone prelim CPI (Oct)

Canada – Monthly GDP (Aug)

Thursday 1 November 2018

US – Challenger Job Cut Report (Oct), Productivity and Costs (Q3), Manufacturing PMI (Oct), ISM Manufacturing PMI (Oct), Construction Spending (Sep)

Australia – Import and Export price Index Q3, RBA Commodity Price Index (Oct)

UK – Manufacturing PMI (Oct), BoE Interest Rate Decision

Friday 2 November 2018

US – Employment Situation/Non-Farm Payrolls (Oct), Factory Orders (Sep), Trade Balance (Sep), ISM NY Business Conditions Index (Oct), Motor Vehicle Sales (Oct)

Australia – Retail Sales (Sep)

Europe – Germany Manufacturing PMI (Oct), Eurozone Manufacturing PMI (Oct)

Canada – Employment Report (Oct)

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

A hearing is now scheduled to take place on 10 Dec 2018 on the negotiating objectives for a US-Japan trade agreement. Talks likely to start in Jan 2019.

<https://www.federalregister.gov/documents/2018/10/26/2018-23569/request-for-comments-on-negotiating-objectives-for-a-us-japan-trade-agreement>

Section 232 – Car and Truck Imports

Awaiting the outcome of the public hearings.

US-Europe Trade Talks

Official notification of the trade talks was sent to the US Congress last week (also notifying the US Congress of the intention to commence trade talks with Japan and the UK).

As noted in the announcement, the USTR will publish objectives for the negotiations at least 30 days before negotiations begin.

No formal consultation for the US-EU negotiations has been announced on the US Federal Register (only for US-Japan trade talks at this stage).

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/october/trump-administration-announces>

BREXIT

Looking at Brexit negotiations to recommence this week. “Difficult” UK cabinet meetings in the last week and in the week leading up to the EC summit meant that negotiations between the UK and EC had stalled.

Some compromise may be on the table regarding a UK-wide customs backstop – this appears to have complex implications.

Good further reading; <https://www.rte.ie/news/analysis-and-comment/2018/1027/1006996-brexit-negotiation-teams/>

The Times is reporting that PM May will “trigger full-scale parliamentary preparations for a ‘no-deal’ Brexit in 3 weeks”.

<https://www.thetimes.co.uk/edition/news/brexit-theresa-may-to-trigger-no-deal-planning-in-three-weeks-svwr8rhsr>

To recap timings; the EU has indicated it will call an emergency EC meeting at such time that there is a draft withdrawal agreement to discuss and approve. The final EC meeting in the calendar is 12-13 Dec 2018. Both sides need enough time to approve the agreement in their respective parliaments before the 29 Mar 2019 deadline.