

Key Themes

A heavy week of treasury issuance with the US Treasury settling \$247b in bill, note and bond auctions this week and raising \$59.6 in new money. Its also mid-month and approx. \$17b in Fed holdings of securities will roll off the Fed balance sheet. The date to watch is 15 Nov.

Several US FOMC member speeches this week including Chairman Powell.

US data this week; CPI, retail sales, industrial production and regional surveys. Looking for activity to confirm the continued path of rate increases.

Important European data is out this week, especially given the recent weaker data; CPI, Q3 GDP and industrial production. ECB President Draghi is also scheduled to speak. At the end of Dec (next month) the ECB is scheduled to finish net asset purchases (currently running at €15b). German Q3 GDP and CPI will also be released this week – providing some insight as to the impact of slower industrial production on the broader German economy.

With Brexit uncertainty continuing to increase and the pockets of slightly weaker UK data last week – this week will provide an important read on the resilience of the UK consumer with retail sales, the labour market and CPI.

The Australian labour market report for Oct will be out this week also – something to keep on the radar given the slow-down in housing.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

A heavy week of treasury settlements this week with the US Treasury settling \$247b in bills, notes and bonds on 15 Nov this week – raising \$59.6b in new money.

The ST bills will be auctioned and settled this week. The 4wk and 8wk bill amounts have been increased. The US Treasury will auction \$164b in ST bills and will raise \$31b in new money.

The 3yr, 10yr and 30yr were auctioned last week and will settle this week on the 15 Nov also. Allocations from these auctions for reinvestment in the SOMA portfolio are listed beside each auction. These amounts are additional to the auction amount;

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		SOMA \$ B
12-16 Nov 2018	13-Nov	15-Nov	4wk bill	50			Announced	
			2mth bill	30			Announced	
			3mth bill	45			Announced	
			6mth bill	39			Announced	
				164	133	31		
								SOMA
	06-Nov	15-Nov	3yr Note	37			Completed	7.5
	07-Nov	15-Nov	10yr Note	27			Completed	5.5
	08-Nov	15-Nov	30yr Bond	19			Completed	3.9
				83	54.34	28.66		16.9
				247	187.34	59.66		
Fed SOMA - Face Value of SOMA securities maturing 15 Nov 2018				34.33				
Proportion of mthly cap				17.38				
Amount to reinvest (SOMA)				16.95				

It's also mid- month and \$34.3b in Fed holdings of Treasury securities will mature. This is 58% of the total of securities maturing in Nov. Therefore 58% of the \$30b cap will be applied on the 15 Nov and \$17b will be rolled off the Fed balance sheet and the remaining \$16b will be reinvested by the FOMC (amounts listed next to the 3/10/30yr auctions above).

A slightly quieter week next week, but the US Treasury will still be raising approx. 420b in new cash from ST bill auctions;

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
19-23 Nov 2018	19-Nov	22-Nov	4wk bill	45			TBA	
			2mth bill	25			TBA	
			3mth bill	44			TBA	
			6mth bill	41			TBA	
				155	135	20		

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 12 November 2018

US – Fed speeches; Daly

Tuesday 13 November 2018

US – Fed speeches; Kashkari

Europe – Germany CPI (Oct), Zew Survey

UK – Employment Report (Sep)

Japan – GDP Q3 (prelim)

Wednesday 14 November 2018

US – CPI (Oct)

US Fed Speeches; Powell and Kaplan, Bostic, Quarles

Australia – Wage Price Index Q3

Europe – Germany Q3 GDP (prelim), Eurozone Q3 GDP (prelim), Industrial Production (Sep)

UK – CPI and PPI (Oct)

Thursday 15 November 2018

US – Philadelphia Fed Business Outlook Survey (Nov), Retail Sales (Oct), NY Empire State Manufacturing Index (Nov), Business Inventories (Sep)

US Fed speeches; Powell, Quarles, Kashkari, Bostic

Australia – Labour Market Report (Oct)

UK – Retail Sales (Oct)

Europe – Eurozone Trade Balance (Sep)

Friday 16 November 2018

US – Industrial Production (Oct), Kansas City Fed Manufacturing Index (Nov)

US Fed speeches; Evans

Europe – ECB Draghi speech, Eurozone CPI (Oct)

Trade & Brexit

US-China Trade Negotiations

Awaiting any impact/change to the US approach with China, post-mid-terms.

A possible fourth round of tariffs may be implemented by the US on \$267b of Chinese imports after China retaliated.

At this stage, it appears confirmed that Presidents Trump and Xi will meet on the sidelines of the G20 in November.

USMCA Signing

U.S. officials intend to sign the agreement with Canada and Mexico most likely at the G-20 meeting on 30 November. <https://www.politico.com/newsletters/morning-trade/2018/11/09/g-20-to-be-site-of-usmca-signing-406899>

After which it would be submitted to the U.S. Congress for approval. Given mid-term election results, the deal is still likely to gain approval in Congress.

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 trade talks was sent to the US Congress three weeks ago (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

The UK-wide customs backstop compromise has been rejected by the EU – both sides could not agree the final details for its implementation. A previously scheduled special cabinet meeting is not likely to go ahead on Monday.

While negotiations are ongoing, its becoming unlikely that a special EC meeting will be convened in Nov to finalise and agree the details of the Brexit withdrawal agreement. Progress has been made on key areas of the withdrawal agreement, but not on the solution to the Northern Ireland border issue.

Last week, The Times was reporting that PM May will “trigger full-scale parliamentary preparations for a ‘no-deal’ Brexit in 3 weeks”. This is likely to commence shortly so key pieces of legislation will have enough time to be able to pass.

<https://www.thetimes.co.uk/edition/news/brexit-theresa-may-to-trigger-no-deal-planning-in-three-weeks-svwr8rhr>

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.