

Key Themes

Despite more positive messages over the last few weeks, the tone of US-China discussions took a negative turn over the weekend at the APEC meeting. Whether this continues into the lead up to the G20 meeting, may pose some headline risk. Presidents Trump & Xi are expected to meet on the sidelines of the G20 meeting at the end of next week.

A lighter week for US treasury issuance with the US Treasury auctioning and settling approx. \$148b in ST bills this week raising approx. \$15b in new money. Next week will be month end and so far, its looking to be an extremely heavy week of issuance – with an estimated \$295b in treasuries to be auctioned and settled, raising approx. \$90.8b in new money.

It's a short week in the US with the Thanksgiving Holiday on Thursday.

Given the focus on global growth, one of the more important releases later this week will be the prelim PMI's for the US, Germany and the Eurozone for Nov.

For the US, housing data will be in focus along with Durable Goods data.

UK and Brexit – the special EC summit to finalise and formalise the Brexit agreement is scheduled for Sunday 25 Nov.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

A lighter week of treasury issuance this week. The US treasury will auction and settle approx. \$148b in ST bills, raising approx. \$15b in new money. 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		
19-23 Nov 2018	19-Nov	22-Nov	4wk bill	45			TBA	
			2mth bill	25			TBA	
			3mth bill	42			Announced	
			6mth bill	36			Announced	
				148	133	15		

Next week is looking to be a very heavy week of issuance at this stage – only one of the auctions has been announced at this stage. It will also be month end.

It is estimated that the US Treasury will auction and settle approx. \$295b in securities next week, raising approx. \$90.8b in new money. This will be confirmed in next week’s briefing note.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
26 - 30 Nov 2018	26-Nov	29-Nov	4wk bill	45				
			2mth bill	25				
			3mth bill	44				
			6mth bill	41				
				155	135	20		
	28-Nov	30-Nov	2yr FRN	18				
	15-Nov	30-Nov	10yr TIPS r-o	11			Announced	
	26-Nov	30-Nov	2yr Note	39				
	27-Nov	30-Nov	5yr Note	40				
	28-Nov	30-Nov	7yr Note	32				
				140	69.16	70.84		
				295	204.16	90.84		
Fed SOMA - Face Value of SOMA securities maturing 30 Nov 2018				24.916				
Proportion of mthly cap				12.62				
Amount to reinvest				12.30				

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 19 November 2018

US – Housing Market Index (Nov), US Fed speeches; Williams

Japan – Merchandise Trade Balance (Oct), BoJ Kuroda speech

Australia – RBA Meeting Minutes

BoJ – Monetary Policy Statement

Tuesday 20 November 2018

US – Housing Starts (Oct)

Wednesday 21 November 2018

US – Durable Goods Orders (Oct), Existing Home Sales (Oct)

Japan – National CPI (Oct)

Thursday 22 November 2018

US – National Holiday

Europe – ECB monetary policy meeting accounts

Friday 23 November 2018

US – Prelim Manufacturing and Services PMI (Nov)

Europe – Germany Q3 GDP (detail), Germany Prelim Manufacturing and Services PMI (Nov), Eurozone Prelim Manufacturing and Services PMI (Nov)

Canada – Retail Sales (Sep), CPI (Oct)

Trade & Brexit

US-China Trade Negotiations

After several weeks of more public conciliatory remarks from both sides, the US-China relationship took a more negative tone over the weekend at the APEC summit.

““They begin with trade practices, with tariffs and quotas, forced technology transfers, the theft of intellectual property. It goes beyond that to freedom of navigation in the seas, concerns about human rights,” Pence told reporters travelling with him.”

https://www.japantimes.co.jp/news/2018/11/18/asia-pacific/politics-diplomacy-asia-pacific/apec-leaders-seek-unity-u-s-china-spat/#.W_DdcTgzZhF

Tariffs threats were reiterated by US Vice President Pence over the weekend;

“MAY EVEN DOUBLE TARIFFS, UNLESS CHINA BOWS TO U.S. DEMANDS”

The G20 Leaders Summit commences 30 Nov – 1 Dec and the finance meetings commence 26 Nov. Presidents Trump and Xi are expected to meet on the sidelines of the G20.

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

NAFTA/USMCA

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.

As noted in the announcement, the USTR will publish objectives for the negotiations at least 30 days before negotiations begin (<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/october/trump-administration-announces>)

<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

The recommendations on the US car industry are undergoing an inter-agency review process and were due to be discussed at a weekly meeting of the Trump administration's top trade officials.

The White House has pledged not to move forward with imposing tariffs on the European Union or Japan as long as it is making constructive progress in trade talks.

<https://www.straitstimes.com/world/united-states/tariff-proposals-on-imported-cars-and-parts-given-to-white-house>

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).

Formal consultation for the US-EU negotiations has now been announced on the US Federal Register

<https://www.federalregister.gov/documents/2018/11/15/2018-24979/request-for-comments-on-negotiating-objectives-for-a-us-european-union-trade-agreement>

A public hearing has been set for 14 Dec for input into the negotiating objectives for the US-EU trade negotiations.

As noted in the announcement, the USTR will publish objectives for the negotiations at least 30 days before negotiations begin (<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/october/trump-administration-announces>)

US-UK Trade Talks

A formal request has now been posted on the US Federal Register for comments on the negotiating objectives for a US-UK trade agreement.

<https://www.federalregister.gov/documents/2018/11/16/2018-24987/request-for-comments-on-negotiating-objectives-for-a-us-united-kingdom-trade-agreement>

A public hearing has been scheduled for 29 Jan 2019 on the negotiating objectives for the US-UK trade talks.

As noted in the announcement, the USTR will publish objectives for the negotiations at least 30 days before negotiations begin. (<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/october/trump-administration-announces>).

BREXIT

A European Council meeting has been set for Sunday 25 Nov 2018 to finalise and formalise the Brexit agreement.

Much uncertainty and unrest remains within the UK over whether the parliament will approve the deal. The announcement of the draft agreement was followed by the resignation of several

UK ministers, including the Brexit Minister, Dominic Raab. Rumours of a vote of no confidence have also resurfaced, with PM May possibly facing a leadership challenge as early as this week.

Announcement; http://europa.eu/rapid/press-release_IP-18-6424_en.htm

Comprehensive factsheet; http://europa.eu/rapid/press-release_MEMO-18-6422_en.htm

Q&A Protocol on Ireland and Northern Ireland; http://europa.eu/rapid/press-release_MEMO-18-6423_en.htm