

Key Themes

A very full week of events, treasury issuance, Fed, ECB, BoE speeches and data releases.

The week kicks off early with the special EC summit on 25 Nov to finalise and formalise the Brexit agreement. The draft agreement then needs to be approved by both sides and there is still much uncertainty regarding the direction of the Brexit agreement through the UK Parliament.

It's going to be an extremely heavy week for treasury issuance – the US Treasury will auction and settle approx. \$285b in US Treasury securities, raising approx. \$80.8b in new money. The 4wk and 8wk bill announcements are TBC. Its also month end and \$24.9b in treasury securities will mature on the Fed balance sheet of which \$12.3b will be reinvested.

The G20 Leaders' Summit commences at the end of the week with a full week of meetings leading up that event. Presidents Trump & Xi are expected to meet on the sidelines regarding trade. Recent reports/statements/comments (posturing) are setting a more adversarial tone leading up to the meeting.

In the US this week, there will be a relatively full agenda of Fed speeches, included Chairman Powell at the Economic Club in NY. As we move into the realm of 'no forward guidance' we'll be looking for signalling on the future path of rates. FOMC minutes will also be released this week. Data releases of note include the second estimate for GDP, house price data and PCE price index data.

Although there is no formal announcement, expect some US headlines regarding retail sales/traffic results regarding US Black Friday/Cyber Monday.

Prelim Japanese Industrial production this week will be an important follow-up on recent poor results. The expectation is for higher industrial production in Oct.

Eurozone and Germany CPI data.

ECB Draghi and BoE Carney speeches on Monday.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

An extremely heavy supply of US treasuries will be auctioned and settled this week.

The US Treasury will auction and settle approx. \$285b in bills and notes, raising approx. \$80.84b in new money.

The 4wk and 8wk bills are yet to be announced and, based on revisions over the last few weeks, could add a further \$10b for the week.

It is also month end, and \$24.9b of securities on the Fed balance sheet will mature. Of this, \$12.6b will roll off the balance sheet and approx.\$12.3b will be reinvested.

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			TBA	
			2mth bill	25			TBA	
			3mth bill	39			Announced	
			6mth bill	36			Announced	
				145	135	10		
	28-Nov	30-Nov	2yr FRN	18			Announced	
	15-Nov	30-Nov	10yr TIPS r-o	11			Announced	
	26-Nov	30-Nov	2yr Note	39			Announced	
	27-Nov	30-Nov	5yr Note	40			Announced	
	28-Nov	30-Nov	7yr Note	32			Announced	
				140	69.16	70.84		
				285	204.16	80.84		
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.

Sunday 25 November 2018

Brexit – The political declaration on the future of the EU-UK relationship has been drafted. <https://www.consilium.europa.eu/media/37059/20181121-cover-political-declaration.pdf>

A special EC meeting has been called to finalise and formalise the Brexit agreement. Details including meeting timeline; <https://www.consilium.europa.eu/en/meetings/european-council/2018/11/25/>

A press conference is scheduled for 12pm (Brussels - Central European Std time) at the conclusion of the meetings.

Monday 26 November 2018

G20 – Meeting of Finance Deputies

US – Chicago Fed National Activity Index (Oct), Dallas Fed Manufacturing Survey (Nov)

Europe – ECB Draghi speech

UK – BoE Carney speech

Japan – Prelim Composite PMI (Nov)

Tuesday 27 November 2018

G20 – Meeting of Finance Deputies

US – Core Logic/Case Shiller HPI (Sep)

US Fed speeches (Clearing House Annual Conference NY) - Clarida, Bostic, George, Evans

Australia – Construction Work Done Q3

Wednesday 28 November 2018

G20 – Joint meeting of Finance Deputies and sherpas

US – GDP Q3 (2nd Estimate), Personal Consumption Expenditure & Prices Q3 (2nd Estimate), Goods Trade Balance (Oct), Wholesale Inventories - Prelim (Oct), New Home Sales (Oct), Richmond Fed Manufacturing Survey (Nov)

US Fed speeches – Chairman Powell (Economic Club of NY Luncheon)

Japan – Retail Trade (Oct)

Australia – New Home Sales (Oct), Private Capex Q3

Thursday 29 November 2018

G20 – Working Dinner of Finance Ministers

US – Personal Consumption Expenditures, Incomes and Prices (Oct), FOMC Minutes

US Fed speeches (Collaboration for Inclusive Economic Development Forum, Boston Fed) – Mester, Evans

Europe – Germany Unemployment (Nov), Germany CPI Prelim (Nov)

Japan – Industrial Production - Prelim (Oct)

China – NBS Manufacturing and Non-Manufacturing PMI (Nov)

Friday 30 November 2018

G20 Leaders' Summit Commences

US – Chicago PMI (Nov)

US Fed speeches – Williams (panel on "The Global Economy: Addressing a Future Downturn" at the 80th Plenary Meeting of the Group of Thirty in New York)

Europe – Eurozone CPI Prelim (Nov), Germany Retail Sales (Oct)

Australia – Private Sector Credit (Oct)

Canada – GDP Q3

Saturday 1 December 2018

G20 Leaders' Summit Concludes

Trade & Brexit

US-China Trade Negotiations

This week, the USTR has released an update to the section 301 investigation. The timing is important in order to set the tone in the week leading up to the G20 meetings;

“We completed this update as part of this Administration’s strengthened monitoring and enforcement effort,” Ambassador Robert Lighthizer said. “This update shows that China has not fundamentally altered its unfair, unreasonable, and market-distorting practices that were the subject of the March 2018 report on our Section 301 investigation.”

The full report is available for download;

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/november/ustr-updates-section-301>

On top of the release of this report, comments, statements and discussions (such as at APEC last week) have seen the tone shift in the last few weeks.

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

<https://www.g20.org/en>

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

NAFTA/USMCA

Officials intend to sign the agreement with Canada and Mexico most likely at the G20 meeting on 30 November. The deal 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 are 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

Unofficial reports (14 Nov) are that President Trump will hold off on imposing tariffs on auto imports. As a part of the Commerce investigation, which began back in May, companies and governments from around the world have warned that tariffs would also hurt US carmakers. President Trump has 90 days after receiving the report to decide whether to act if the final report concludes that auto imports are a threat to national security.

<https://www.financialexpress.com/world-news/trade-meeting-result-us-to-take-u-turn-on-car-tariffs-for-now/1382105/>

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

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