MARS CAPITAL PARTNERS

Weekly Macro Review

w/c 19 November 2018

Key Themes

Global growth remained in focus this week.

In the US, the question is whether the Fed will pause rate hikes. This week, prelim PMI's for Nov indicated growth had slowed across manufacturing and services. The advance durable goods orders report had a large headline decline for new orders. This was partly because of large transport orders over the last few months, but there is some evidence that growth in 'core' orders have slowed somewhat.

Data on housing was a little mixed, but still shows that housing continues to slow. The housing market conditions index in fell relatively hard in Nov. But the Oct existing home sales recorded the first monthly increase in six months. New residential construction continues to slow.

The ECB minutes confirmed that current European data was weaker than had been expected. The Dec ECB meeting will be an important opportunity, with more data, to determine whether the current weakness is transitory or more persistent in nature.

Data out this week for Europe continues along the slowing theme. Prelim PMI's highlight growth had slowed further in Nov – across both manufacturing and services in both core and periphery countries. Output growth in manufacturing is almost neutral and new orders declined. In Germany, both services and manufacturing growth continued to slow with manufacturing new orders and export orders declining.

The decline in German Q3 GDP was confirmed. The largest contributor was the decline in exports. But household consumption also contributed to the decline. The positive change in inventories offset the declines to a large degree.

The Japanese trade balance deteriorated in Oct. While exports grew at a faster rate (than in Sep), imports grew faster. CPI growth ex fresh food remained unchanged at 1%. Energy prices continue to impact CPI growth.

The Brexit agreement was approved at the EC meeting on 25 Nov. The UK Parliament is expected to vote on the deal on 12 Dec 2018.

Contents

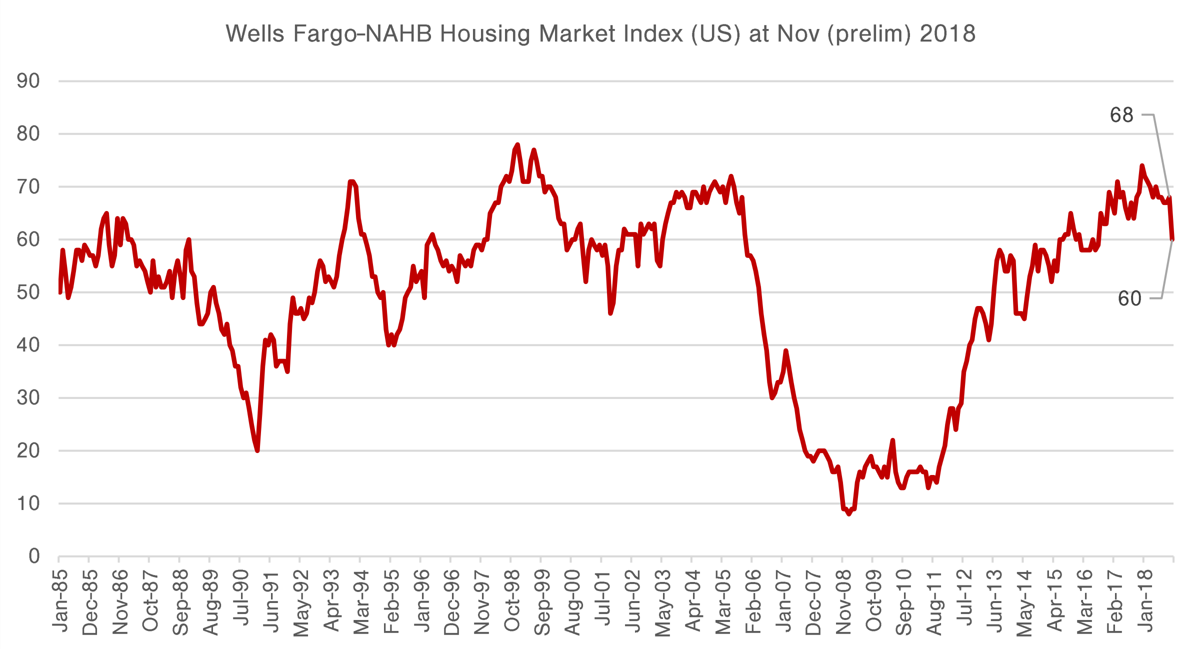
US Data

Housing Market Index (Nov)

The National Association of Home Builders (NAHB) index of housing market conditions fell in the latest month. The index reading remains elevated by historical standards, but this was a particularly large monthly change. This is a prelim figure so will need to see whether its revised.

Nov 60 (prelim) versus Oct 68

This is the lowest reading since Aug 2016 and below the near-term high for the index of 74 at Dec 2017;



The current month reading is below the 12mth average and is a 2.4 x SD decline between the two months.

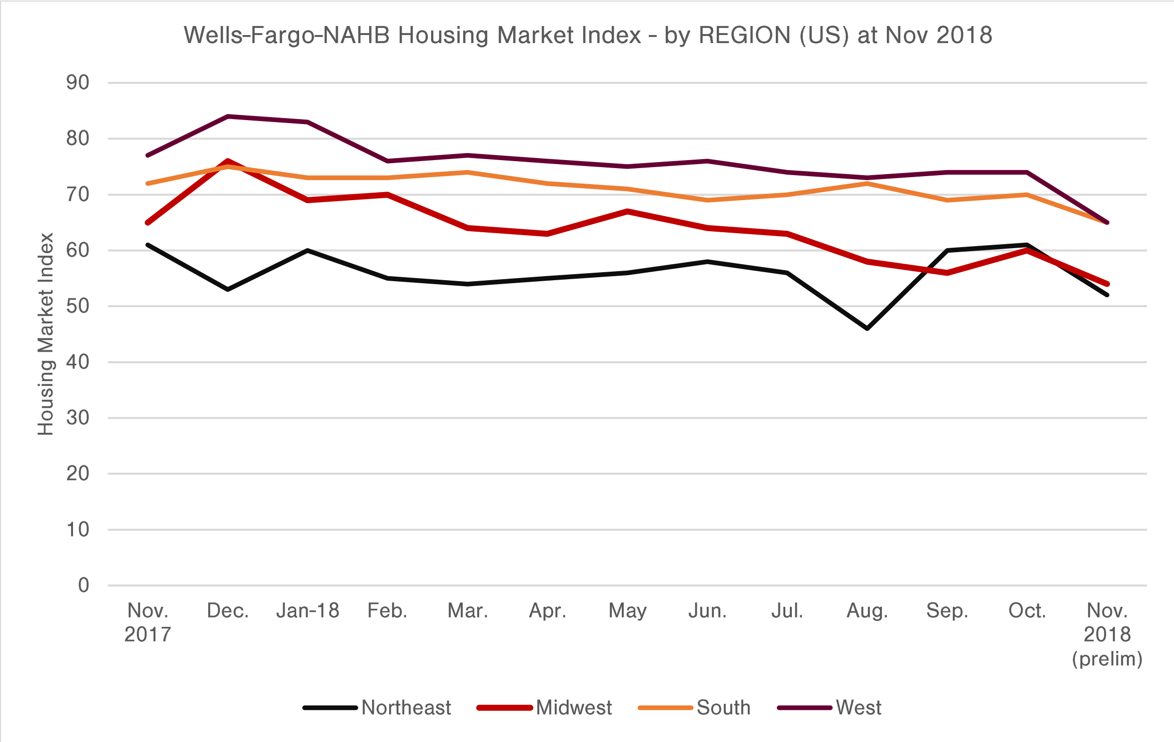
Components of the HMI also declined (and are all minimum 2 x SD declines based on the 12mth avg);

Single family home sales (present); Nov 67 versus Oct 74

Single family home sales (6mths time); Nov 65 versus Oct 75

Traffic of prospective buyers; Nov 45 versus Oct 53

Regional – declines in the housing market conditions index were also recorded month on month across all regions;



Northeast; -9pts in Nov v Oct – and Oct was the equal 12mth high

Midwest; -6pts in Nov v Oct – lowest reading in over 12mths

South; -5pts in Nov v Oct – lowest reading in over 12 months

West; -9pts in Nov v Oct – the lowest reading in over 12mths

https://www.nahb.org/en/research/housing-economics/housing-indexes/housing-market-index.aspx

New Residential Construction (Oct)

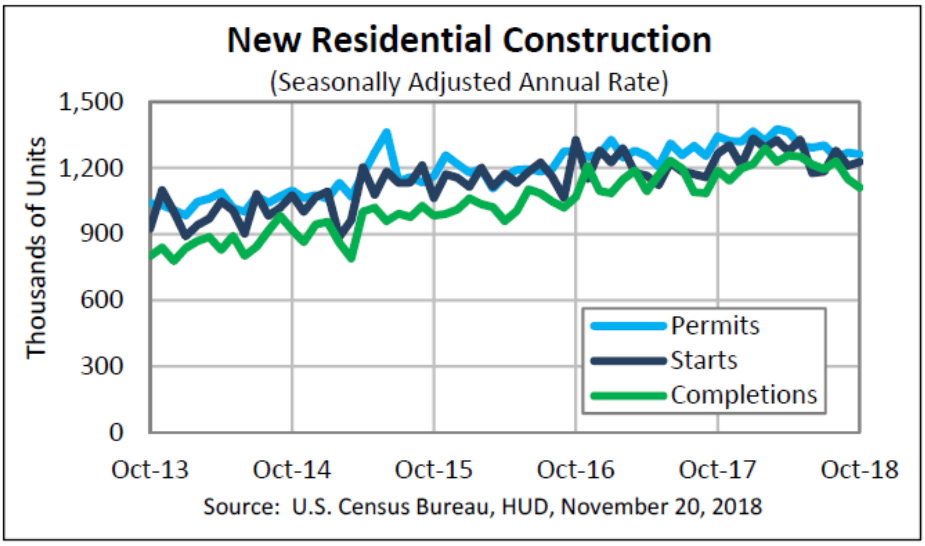
Across several measures, US residential housing construction continued to slow in the latest month;

Building permits; Oct 1.263m units, which is -6% from a year ago

Housing starts; Oct 1.228m units, which is -2.9% from a year ago

Completions; Oct 1.111m units, which is -6.5% from a year ago

(annualised rates)



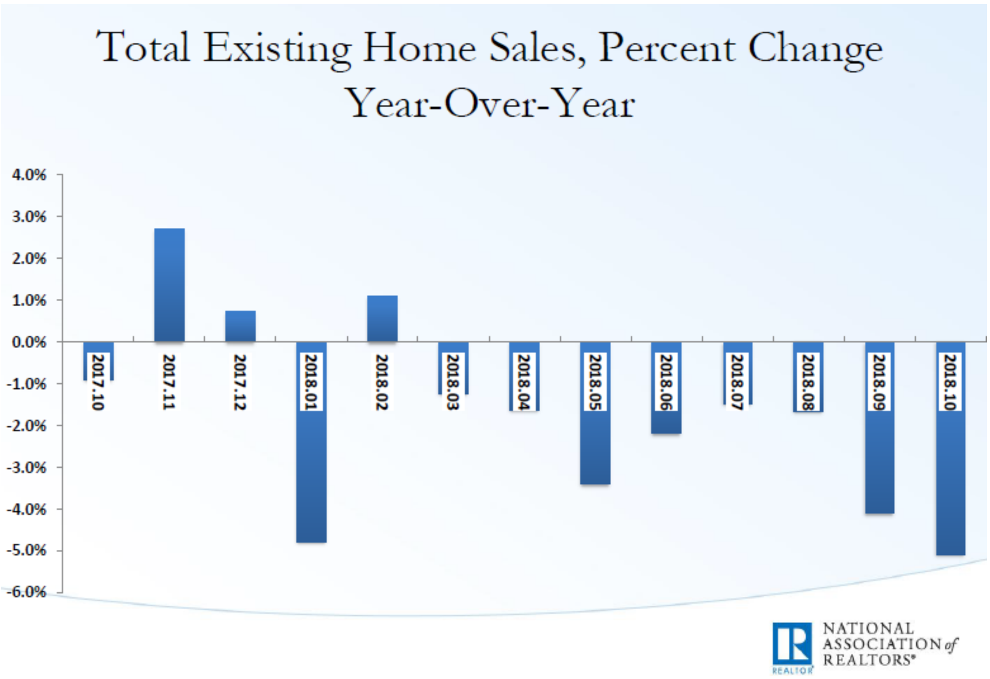
https://www.census.gov/construction/nrc/index.html

Existing Home Sales (Oct)

Existing home sales for Oct increased for the first time in six months;

Oct +1.4% versus Sep -3.4%

The annual change at Oct; -5.1% (SA);



On a regional basis, most regions recorded an increase in existing home sales;

Northeast; +1.5% for the month, but still down -6.8% on the year prior

Midwest; -0.8% for the month and down -3.1% on the year prior

South; +1.9% for the month and down -2.3% on the year prior

West; +2.8% for the month and down -11.2% on the year prior

https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales

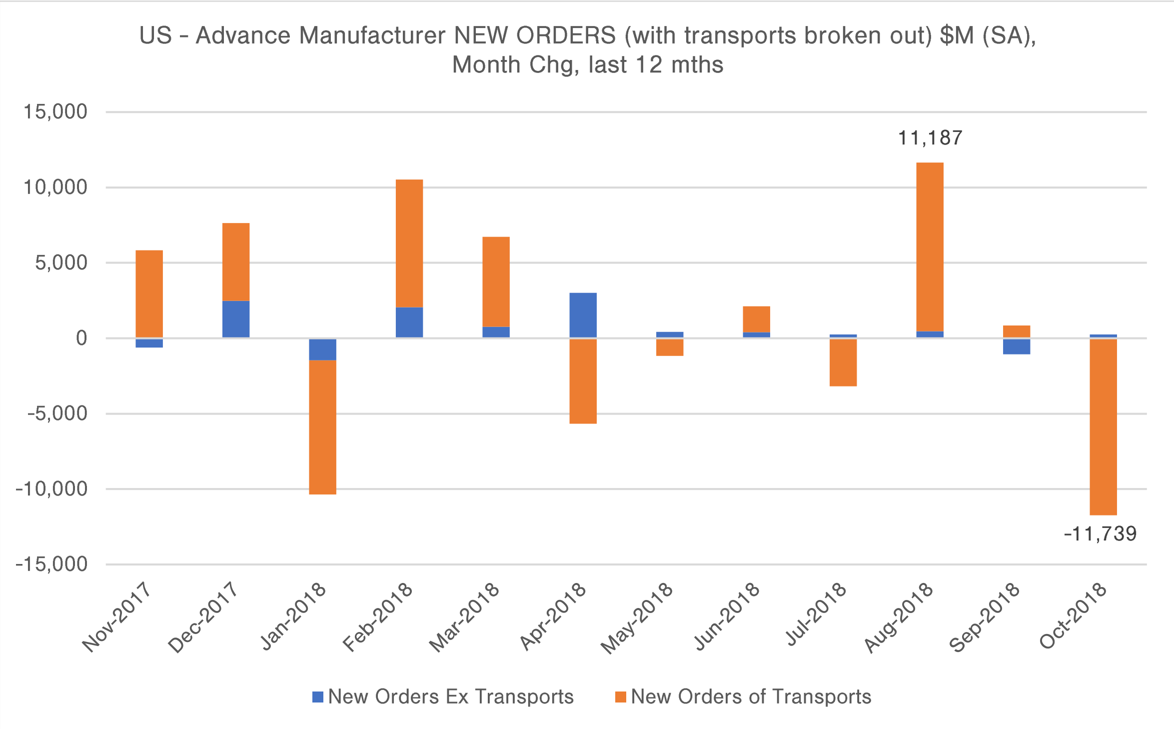
Advance Report on Manufacturer Durable Goods Orders (Oct)

The advance report had a large headline decline for new orders in the latest month; -4.4% in Oct versus Sep.

The question is whether new orders, as a barometer of future manufacturing activity and demand, are slowing? There is some evidence that growth in 'core' new orders is slowing.

By following the effects of the large changes in new orders, it's clear what is behind the current monthly decline – transports. The 'lumpy', high value nature of new orders for transports, makes it difficult to assess simply on a month to month basis though.

The current large transport effect on new orders started in Aug – the following chart looks at the month on month change;



(I'm highlighting only the bigger parts of the changes)

AUG – Increase in new orders for non-defence aircraft (+$6.4b)

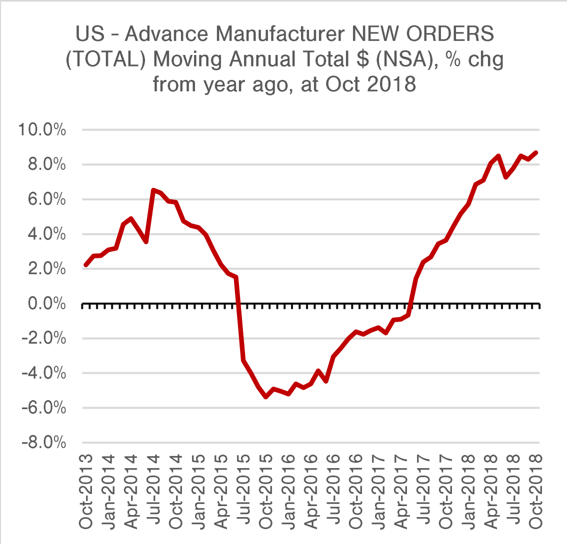
SEP – non-defence aircraft new orders decline (-$3.1b), among others, which is then offset by an increase in new orders for defense aircraft (+$6.3b)

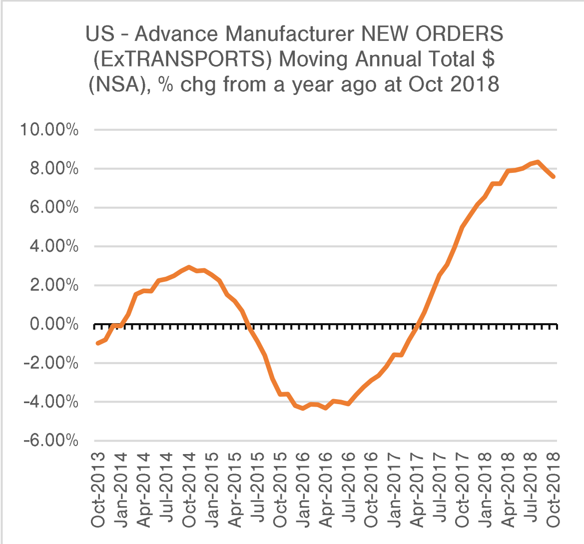
OCT – both defence (-$6.9b) and non-defence aircraft (-$2.8b) order growth is "reversed"

The Oct level for new orders is back to on par with Jul.

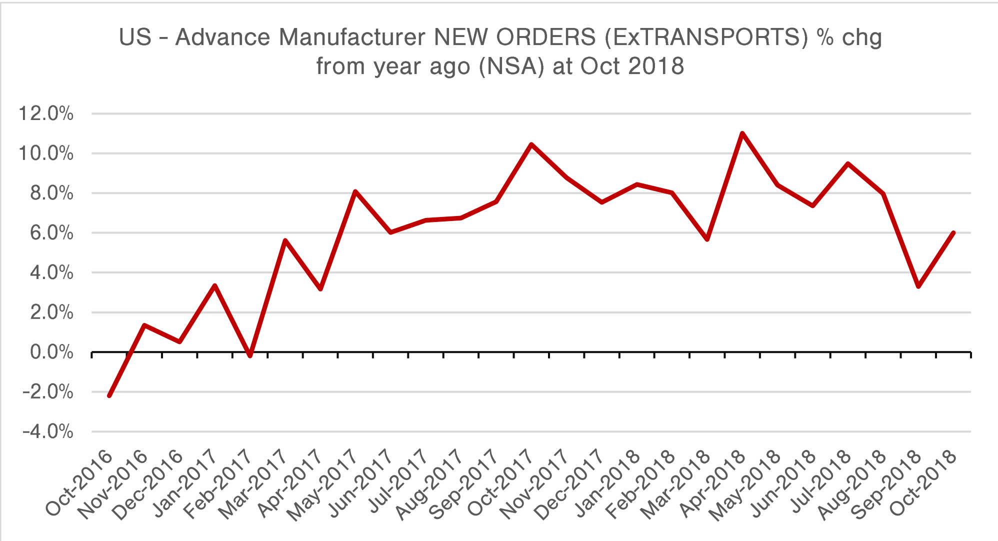
<u>Over a longer timeframe</u>, there is little to suggest that new orders are slowing. Growth in new orders for this timeseries remains at or near five-year highs.

I've used a moving annual total ($) for new orders to calculate the annual growth (due to the very lumpy nature of the data);





There is some evidence of slower growth in "core" new orders – and this is somewhat more visible if you look at annual growth on a month versus same month prior year basis;



The rest of the October report highlights;

<u>New Orders</u>

Oct -4.4% versus Sep -0.1% (revised lower from +0.8%).

Total new orders YTD +8.7%

Excluding transportation month on month; Oct +0.1% versus Sep -0.6%

In terms of value, the entire decline in the month was related to transport (-$11.4b) – this can be traced back to;

> -$2.8 in new orders for non-defence aircraft and parts – this is still partly 'reversing out' the large increase in new orders recorded in Aug.
>
> -$6.8b decline in new orders for defense aircraft and parts (which increased by that amount in the month prior). New orders for defense aircraft was little changed in the Sep revision (so remains high).

New orders for non-defence have fallen for the last two months but remains up +13.7% YTD.

The defence orders from the prior month are yet to flow through to shipments.

New orders for primary metals fell slightly but remain +16.3% up YTD.

New orders increased for fabricated metal products, computers and electronic products and electrical equipment.

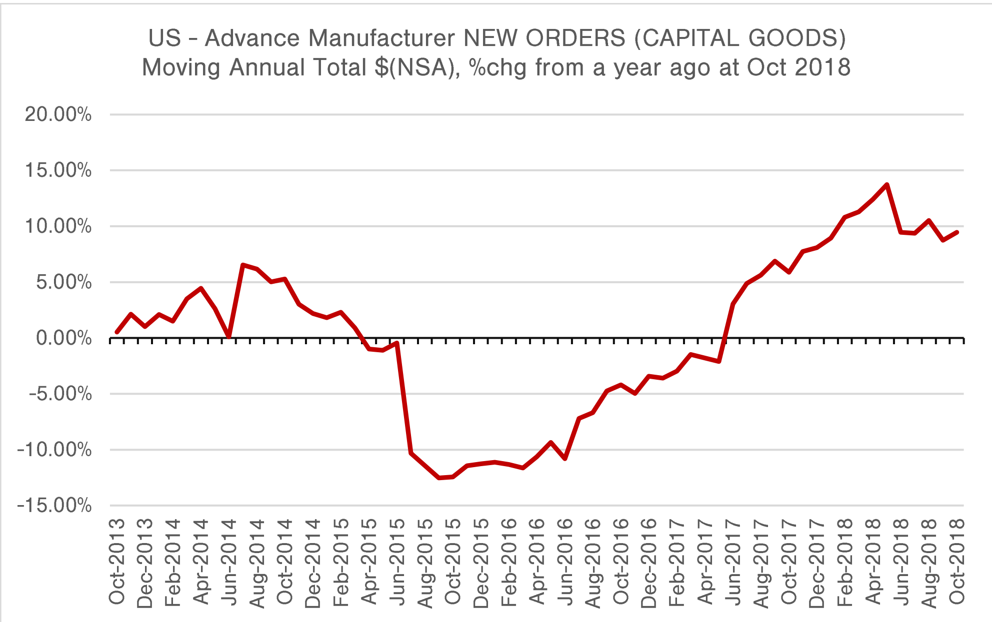
<u>Capital Goods New Orders</u>

The capital goods new orders total is a summation of new orders from all other item categories that would be defined as a 'capital good'.

Oct -$5.5b versus Sep -$5.5b

These declines are impacted by a large degree by the transport data above. For example, non-defence capital goods new orders declined by -$3.2b in Oct. If you exclude transports the Oct decline in non-defence capital goods was much smaller at -$0.031b.

The annual growth of capital goods new orders has slowed since May 2018, but remains elevated;



Shipments

Oct -0.6% versus Sep (+1%, revised lower from +1.3%)

Excluding transportation, shipments; Oct +0.1% versus Sep -0.1% versus Aug +0.1%.

Total shipments YTD % chg; +7.3%

The key driver of the decline in OCT shipments was transport (non-defence aircraft and parts) – which was more than the entire decrease in shipments for the month. The YTD growth % for shipments of non-defence aircraft is +1.5%.

Shipments were lower for primary metals -0.9% in the month, but still up 15.4% YTD.

Shipments grew in all other groups (fabricated metals, machinery and computers/electronic products and electrical equipment).

In the previous month report, we were expecting to see the influence of new orders for defense aircraft and parts start to flow through to unfilled orders or shipments growth – so far, this has not flowed through to shipments and while unfilled orders remain elevated (likely remains a work in progress).

Unfilled Orders

Oct -0.2% versus Sep +0.7% (revised slightly lower from +0.8%)

Total unfilled orders YTD % chg; +4.8%

The decrease in unfilled orders was mostly driven by transport equipment (non-defense aircraft).

The unfilled orders for defence aircraft declined by -0.1%, but the total value remains elevated after a +9.4% increase in Sep (work in progress).

Total Inventories

Oct 0% versus Sep +0.8% (revised slightly higher from +0.7%)

The slightly higher inventory for transport (+$0.48b) was offset by lower inventories for Computers and electronic products and machinery.

https://www.census.gov/manufacturing/m3/adv/pdf/durgd.pdf

US Prelim Manufacturing and Services PMI (Nov)

The prelim composite index of private sector manufacturing and services activity expanded at a slower pace in the latest month;

Composite Output Index

Nov 54.4 versus Oct 54.9

This was the result of a slower pace of growth in both manufacturing and services activity;

Data collected November 12-23

IHS Markit Composite PMI and U.S. GDP

Sources: IHS Markit, U.S. Bureau of Economic Analysis.

<u>Manufacturing; Nov 55.4 versus Oct 55.7</u>

New orders, as an indicator of future demand increased at a faster pace – the fastest for the last six months.

Slower production growth and inventory build contributed to the slower growth of the headline index.

Employment growth reached an eleven-month high.

Prices continued to increase but slightly slower than the Oct 3month high – demand for raw materials and higher metals prices were cited.

<u>Services; Nov 54.4 versus Oct 54.8</u>

New orders for services activity expanded at a slower pace – indicating possible future slower growth in output.

Employment growth slowed to the lowest level since June 2017.

Input costs grew at the slowest pace since June.

> "With growth remaining reassuringly robust and price pressures elevated, policymakers will be encouraged that the economy has so far withstood both the headwinds of trade war worries and the steady progress made to date towards normalising interest rates."

https://www.markiteconomics.com/Survey/PressRelease.mvc/9a0b95e3580a4144ba8a5e78877481cc

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Europe

ECB Monetary Policy Meeting Accounts (24-25 Oct 2018)

ECB to maintain its accommodative monetary policy stance. Net asset purchases to finish at the end of December. Ample accommodation will remain after the APP ends; via the stock of acquired assets and reinvestments, by the enhanced forward guidance on the key ECB interest rates and the "exceptionally" low real interest rate levels.

> Continuity and steadiness with respect to monetary policy were particularly warranted in an environment that was still subject to a number of uncertainties and fragilities.

On current conditions - more recent data was weaker than expected but remained consistent with baseline scenario of a broad-based expansion. Not much Q4 data available at this stage, so the Dec meeting will provide an opportunity for a more in-depth analysis. Need to determine the role of 'transitory' versus more persistent factors affecting growth.

Market based inflation expectations were broadly unchanged from the Sep meeting. Headline to remain around 2.1% in the coming months and underlying inflation remains muted but conditions are such that underlying inflation is expected to pick up.

> Moreover, it was widely considered prudent to restate the Governing Council's readiness to adjust all of its instruments, as appropriate, to ensure that inflation continued to move towards the Governing Council's inflation aim in a sustained manner.

Fiscal policy – slightly looser policy settings for 2019 mainly due to deficit increasing measures in Italy and additional expansionary measures in Germany.

Risks assessed as tilted to the downside - threat of protectionism, emerging markets and persistent financial market volatility remained prominent.

https://www.ecb.europa.eu/press/accounts/2018/html/ecb.mg181122.en.html

Eurozone Prelim Manufacturing and Services PMI (Nov)

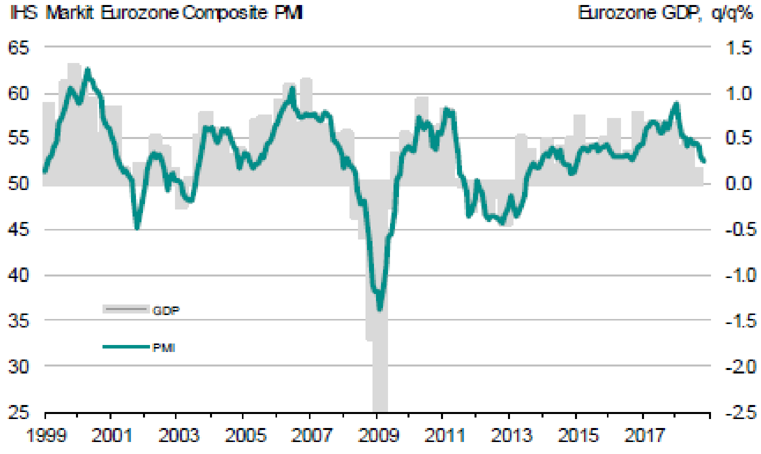
The Eurozone composite PMI showed that private sector manufacturing and services growth slowed to a four year low in the latest month;

Composite output index

Nov 52.4 versus Oct 53.1

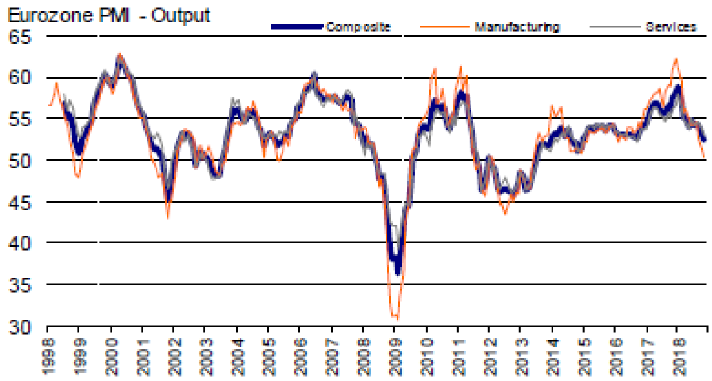
This was the result of slower growth in both services and manufacturing;

IHS Markit Eurozone PMI and GDP

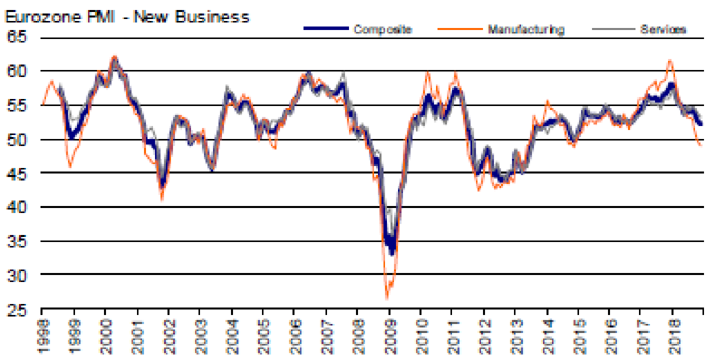


Sources: IHS Markit, Eurostat.

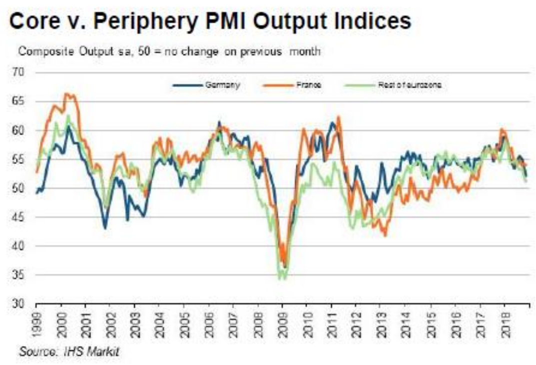
Output

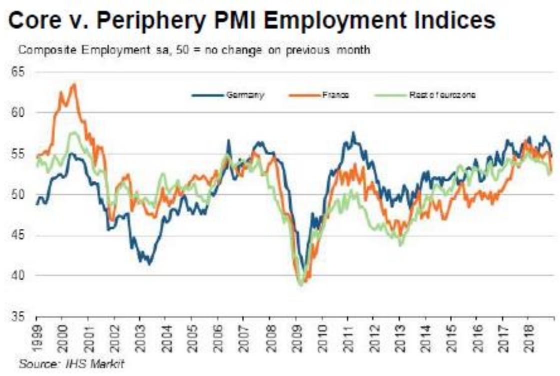


New business



Core and periphery countries are both experiencing lower growth in output and employment;





<u>Manufacturing PMI; Nov 51.5 versus Oct 52</u>

Output increased only marginally (the output index in Nov was 50.4 slowing from 51.3 in Oct). This slow down in output was partly the result of a decline in new orders and exports for the second month in a row.

Slower growth in output – subdued global demand, rising political and economic uncertainty, trade wars and sluggish car sales.

Employment growth has slowed to the lowest pace in 2 years.

Input prices increased at a faster rate.

<u>Services; Nov 53.1 versus Oct 53.7</u>

New business growth slowed to a two-year low and export orders fell 'to the greatest extent in almost two years'. Output growth also slowed.

Employment growth slowed.

Both input and output prices continue to increase.

https://www.markiteconomics.com/Survey/PressRelease.mvc/f2de0ca71267422ba6a5dba668bdc742

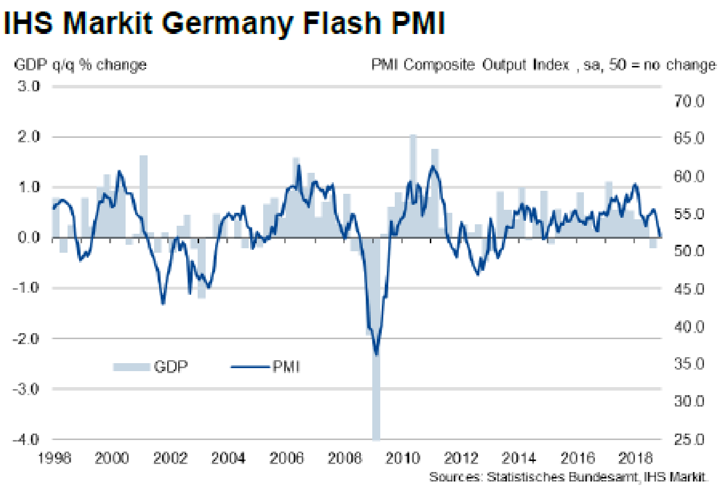
Germany Prelim Manufacturing and Services PMI (Nov)

The latest PMI data shows that private sector activity in manufacturing and services continued to slow in the latest month;

<u>Composite output index</u>

Nov 52.2 versus Oct 53.4

Both services and manufacturing contributed to the slower growth in the PMI this month



<u>Manufacturing PMI; Nov 51.6 versus Oct 52.2</u>

New orders for manufacturing decreased for the second month "and to the greatest extend in four years". The decline in new export orders accelerated.

Output growth was mostly neutral in Nov slowing to 50.2 versus 51 in Oct.

Unfilled orders/outstanding business fell for the third month in a row.

Employment growth slowed.

<u>Services Activity Index; Nov 53.3 versus Oct 54.7 (-1.4pts)</u>

New orders grew at a slower pace and new export orders decreased slightly in the month.

Employment growth slowed – the lowest pace since May but still above the LR average (including manufacturing).

<u>Input prices;</u> continued increase across both sectors but at a slower pace. The rate of increase remains elevated for input prices – including energy, fuel and wages.

https://www.markiteconomics.com/Survey/PressRelease.mvc/f1533800fb4d42ebbe401f583e34916d

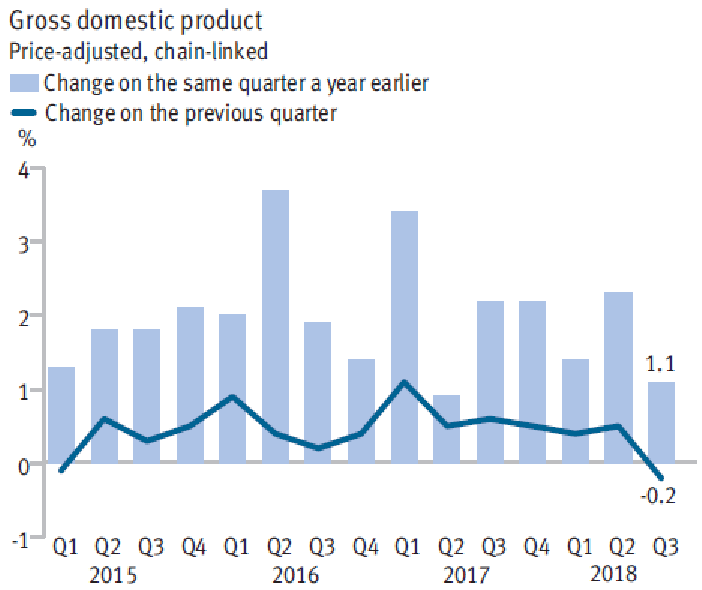
Germany Q3 GDP (detailed release)

The decline in Q3 GDP growth was confirmed in the latest release.

The decline in net exports was the largest contributor to the overall decline. Lower household expenditure also contributed to the decline. Stronger growth in gross capital formation was due to the positive change in inventories which helped to offset the declines.

Q3 GDP; -0.1%

Q3 GDP % chg from previous year; +1.1%



The main contributor to the decline in the latest quarter was net exports, but there is evidence of slowing growth in household consumption expenditure as well.

Net exports; detracted 1%pt from GDP growth in the quarter. This was due to slower export growth.

> Exports declined by 0.9% in Q3 and grew by +1.1% from the same quarter a year ago. In Q2, exports grew by +4.3% from a year ago.
>
> Imports increased by +1.3% in Q3 and grew by +3.8% from the same quarter a year ago. In Q2, annual growth was +3.7%.

Final consumption expenditure of households; detracted -0.1%pt from GDP growth in the quarter. Household consumption declined by -0.3% in Q3, after growing by +0.3% in the quarter prior. Annual growth in household consumption has halved in Q3 to +0.5% versus +1% in Q2. In Q3 2017, household consumption growth was +2.1%.

Gross Capital Formation; this is made up 2 parts; Gross Fixed Capital Formation (GFCF) and the change in inventories. Overall gross capital formation added +0.9%pts to GDP growth.

This was made up of +0.2%pts for Gross Fixed Capital Formation (investment in machinery, equipment & construction) and +0.7%pts for the change in inventory. Looking at the two separately;

> Gross fixed capital formation; grew by +0.8% in Q3, which was higher than in Q2 of +0.5%. Capital formation in machinery and equipment grew at a faster pace +0.8% in Q3 versus +0.1% in Q2. Capital formation in construction grew at the same pace +0.9% in Q3 as in Q2.
>
> The change in inventories; added +0.7%pts to GDP in the quarter and added +1%pt to GDP growth versus the year prior.

Sectors;

From the sector view, Industry including manufacturing has led the decline (single largest sector); -0.1% from the same quarter a year ago. In Q2, the annual growth was +4%.

The second largest sector is public services, education and health and growth has slowed to +0.9% from a year ago (the annual rate was +1.2% in Q2).

Trade, transport, accommodation and food service is the third largest sector; growth versus same qtr a year ago has halved to +1.2%.

Construction has been the only sector where annual growth has accelerated between Q3 and Q2 (accounted for only 6% of Gross Value Added in Q3).

https://www.destatis.de/EN/PressServices/Press/pr/2018/11/PE18_454_811.html;jsessionid=48788DFC09A19802B238E4F628C00A79.InternetLive1

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Japan

Merchandise Trade Balance (Oct)

The provisional trade balance shifted from surplus in Sep to deficit in Oct. Although export growth increased, imports grew at a faster pace;

Exports; Oct +8.2% from a year ago (-1.3% in Sep)

Imports; Oct +19.9% from a year ago (+7% in Sep)

Trade balance; Oct -¥449.3b (Sep +¥131bn)

Exports – export value across most categories grew at a faster pace – and might indicate improved industrial production in the month.

Those that grew above the rate of total export growth; manufactured goods +9.2% (iron and steel products +13.5%), transport equipment +9%, electrical machinery +8.2% (performed on par with the total growth in exports) and chemicals +13.5%.

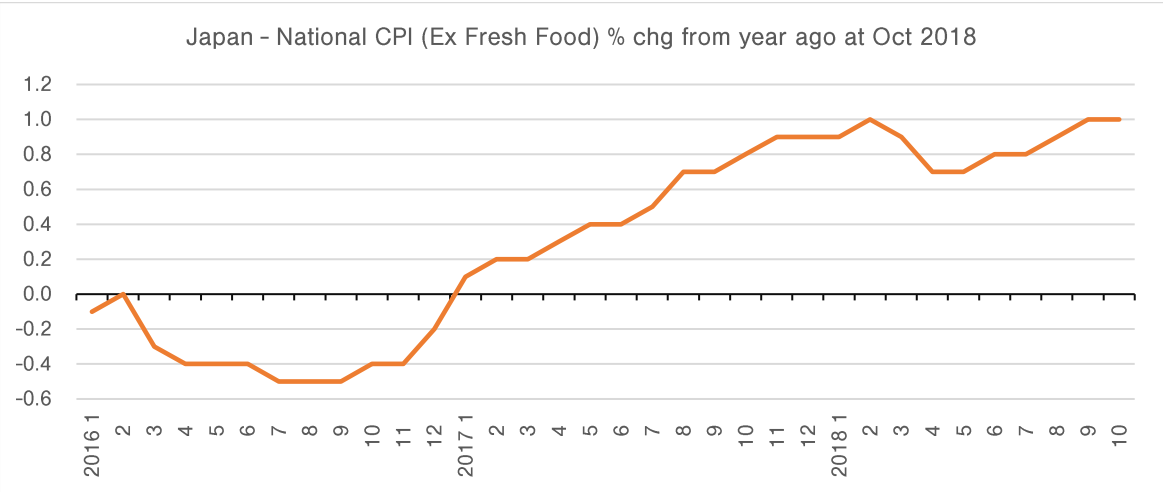
Imports – led high mostly by mineral fuels +36%, manufactured goods +20% and machinery +28%, chemicals +24%

http://www.customs.go.jp/toukei/shinbun/trade-st_e/2018/201810ce.xml#pg1

National CPI (Oct)

Annual growth in Japanese CPI (ex-fresh food) grew at a similar rate in the latest month and remains at its near-term high;

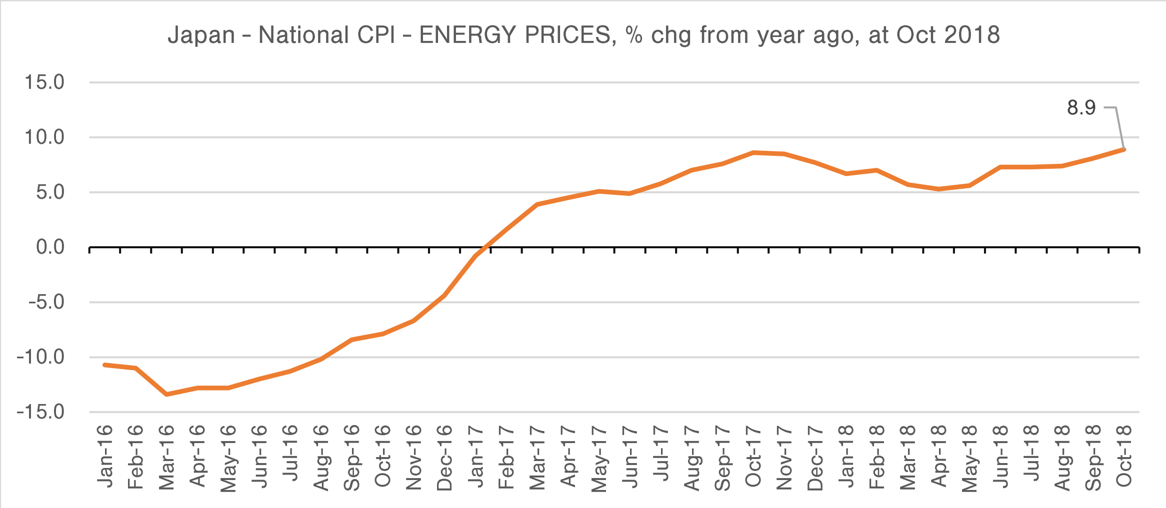
Growth from a year ago; Oct; +1% versus Sep +1%



This is the inflation measure used by the BoJ – and remains well short of the 2% inflation target.

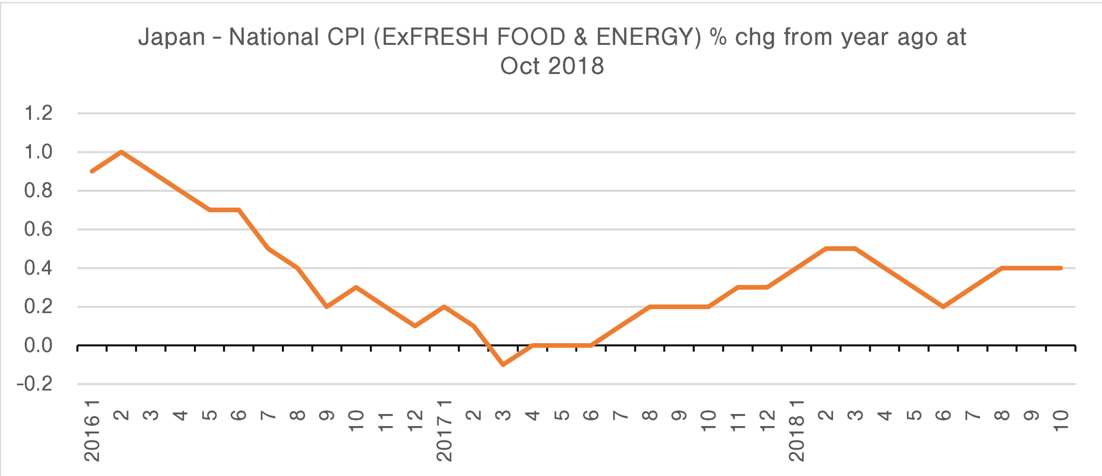
Included in this CPI measures are energy prices. The annual growth in energy prices accelerated further in the latest month;

Oct +8.9% versus Sep +8.1%



Excluding both fresh food and energy highlights that there is little underlying inflationary pressure (annual basis);

Oct +0.4% versus Sep +0.4%



But consumers do consume fresh food and energy and rising prices for these expenditure groups highlights a cost impost rather than indicating any underlying excess demand.

Prices across most categories increased in the latest month – the only exception was medical care (-0.1% versus the prior month).

Services (prices of which would reflect a high proportion of labour charges) CPI remains very low – growing at +0.2% on an annual basis.

https://www.stat.go.jp/english/data/cpi/1581-z.html

BoJ Kuroda speech – Demographic Changes and Challenges for Financial Sector

Outlines various ways by which ageing populations and/or declining populations can impact investment spending, savings rates and interest rates.

For banking businesses, Kuroda spoke about the squeeze on banking profits that comes from falling interest rates.

https://www.boj.or.jp/en/announcements/press/koen_2018/ko181119a.htm/

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United Kingdom

Brexit

At the special EC meeting the 27 leaders approved the Brexit deal, calling it the 'best and only deal possible'.

The UK Parliament is expected to vote on the deal on 12 Dec 2018.

Details;

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

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

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Canada

Retail Sales (Sep)

Retail sales grew at a faster pace in the latest month, led higher by motor vehicle sales, food and beverage stores and general merchandise stores.

At current prices; Sep +0.2% versus Aug 0%

In real terms, retail sales grew at a faster pace (suggesting some level of discounting); Sep +0.5% versus -0.2% in Aug.

On an annual basis, retail sales in real terms accelerated in Sep 18 versus Sep 17 to +1.9% versus the result in Aug of +0.9%. Growth remains well below the highs of early 2017;

The major contributors to growth by category in the latest month (in current prices) were;

1. General merchandise stores +1.2% in Sep
2. Motor vehicle dealers +0.5% in Sep
3. Food and bev stores +0.9% in Sep

This off-set declines across furniture and home furnishing stores, gasoline stations and building material and garden equipment supply stores.

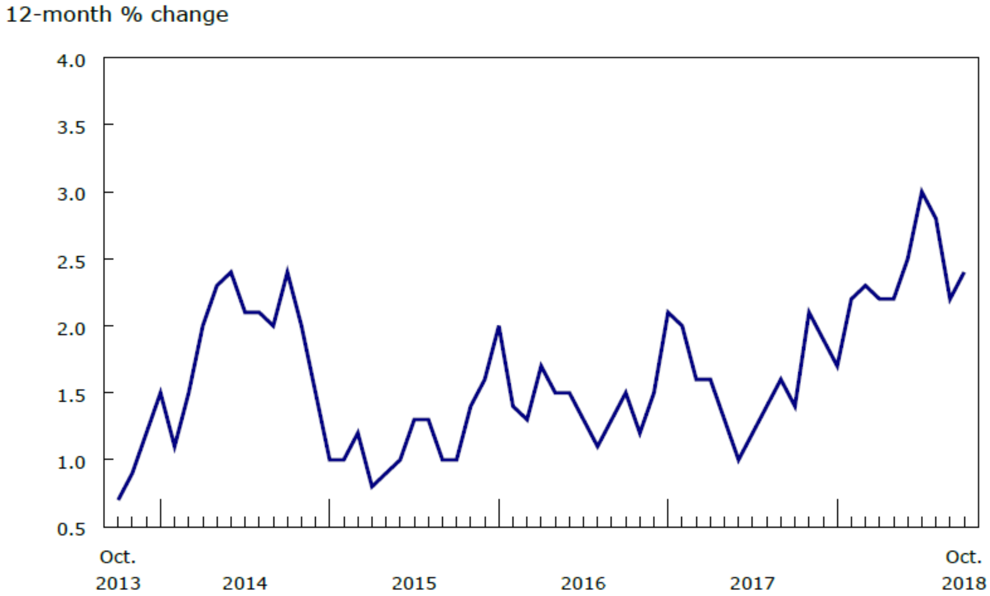
https://www150.statcan.gc.ca/n1/daily-quotidien/181123/dq181123b-eng.htm

Canada CPI (Oct)

The headline year over year and month on month change in the consumer price index increased at a faster pace in the latest month.

Monthly % chg – CPI All Items; Oct +0.3% versus Sep -0.1%

Year on year % chg – CPI All Items; Oct +2.4% versus Sep +2.2%



Source(s): Table 18-10-0004-01.

Using the preferred Bank of Canada measures of core CPI show that underlying inflation has increased slightly over some measures;

Bank of Canada measures of core CPI (year over year);

CPI Common; Oct +1.9% versus Sep +1.9%

CPI Median; Oct +2% versus Sep +1.9%

CPI trimmed; Oct +2.1% versus Sep +2%

On a year on year basis, the main contributors to CPI growth are; Gasoline, mortgage interest cost, food purchased from restaurants, air transport and purch of passenger vehicles.

Growth in energy prices remains elevated on a year on year basis +7.9% but declined by -1.6% in the latest month.

This is one of the few countries where services CPI is growing faster than goods;

Goods; Oct +2.2% (led by non-durable goods)

Services; Oct +2.7%

https://www150.statcan.gc.ca/n1/daily-quotidien/181123/dq181123a-eng.htm

Bank of Canada – Expansion of Assets the Bank of Canada will Acquire for Balance Sheet Management Purposes

> "As part of these changes the Bank plans to allocate a small portion of its balance sheet for acquiring federal government guaranteed securities by purchasing Canada Mortgage Bonds. These purchases will be conducted in the primary market, on a non-competitive basis, and are expected to commence in the latter part of 2018 or in the first half of 2019."

https://www.bankofcanada.ca/2018/11/expansion-assets-bank-canada-will-acquire-balance-sheet/

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Australia

RBA Meeting Minutes – 6 Nov 2018

At this meeting the RBA kept the overnight cash rate on hold at 1.5%

Overall, the minutes referenced the stronger than expected performance in the economy - GDP growth had been higher than expected, and most components of GDP expenditure had been stronger than expected. The labour market had also been stronger than expected. Progress still required on higher wage growth, returning inflation to the mid-point of the 2-3% range and on reducing the level of unemployment.

> "In these circumstances, members continued to agree that the next move in the cash rate was <u>more likely</u> to be an increase than a decrease, but that there was no strong case for a near-term adjustment in monetary policy (emphasis added)"

Domestic risks – concerned about household consumption – slow growth in household incomes, high debt levels and 'easing conditions' in housing markets have created 'uncertainty' around consumption growth.

Global risks – an escalation in trade tensions, implications for Aus if US inflation and wages growth increases more than expected given the strength of the US economy (the RBA is worried about interest rates).

Housing market – the following two quotes are important for considering the policy response should the housing slow down spill out to the wider economy;

> "Credit conditions were tighter than they had been 'for some time' because lending standards had been tightened following the intro of supervisory measures to help contain the build-up of household debt. "

> "While "home lending rates had remained low"."

Another way to think about it - despite 'relatively' low rates of interest (with minor increases in rates passed through to consumers), housing credit growth has slowed considerably in Australia (-14% Sep year on year).

This slowing credit growth is due to 'tighter' lending standards not higher interest rates.

It seems unlikely then that further rate cuts by the RBA will help in fully off-setting the slow-down in credit – should that be required at some point in the future. Rate cuts may ease the burden on existing mortgage holders – depending how/if such a situation would unfold – but this won't reverse the decline in house prices. With the Royal Commission in Banking Misconduct still underway – it is extremely unlikely that lending conditions will be loosened.

This is something that is just starting to become apparent to many in Aus. This leaves the RBA and other policy makers to consider other and more unconventional approaches.

https://www.rba.gov.au/monetary-policy/rba-board-minutes/2018/2018-11-06.html

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Trade

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 in mid Oct (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).

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

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