

Key Themes

US Q4 earnings announcements are likely to be a focus over the next few weeks given concerns over growth.

It will be a much quieter week on the central bank front. The highlights; ECB's Draghi and NY Fed President Williams will give speeches this week.

Treasury supply will be more moderate this week as the US Treasury settles approx. \$223bn in bills, notes and bonds this week, raising approx. \$24bn in new money. It's also mid-month and approx. \$2.1bn in securities will mature and roll off the Fed balance sheet.

US data flow will likely be interrupted by the continued Government shutdown and this week we will miss the US retail sales data for Dec, housing starts and business inventories. The housing market index will provide some insight on the performance of the housing market leading into the end of the year.

CPI's will be in focus this week, with key reports for UK, Germany, Eurozone, Japan and Canada. The reversal of higher energy prices will likely be a key driver of CPI changes.

Global manufacturing and industrial growth will be in focus this week with US, Eurozone and Japan (revised) industrial production data.

The UK vote on Brexit will likely be held this week on 15 Jan. UK retail sales data for Dec should provide a good read on consumer spending/sentiment.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

A more moderate supply of treasury issuance this week.

The US Treasury will settle \$223b in bills, notes and bonds this week, raising approx. \$24b in new money.

Its also mid-month and approx. \$2.1b of Fed holdings of securities will mature and roll off the Fed balance sheet on 15 Jan;

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B			
14-18 Jan 2019	10-Jan	15-Jan	4 week bill	40			Completed		
	10-Jan	15-Jan	8 week bill	30			Completed		
				70	70	0			
	14-Jan	17-Jan	13 week bill	39			Announced		
	14-Jan	17-Jan	26 week bill	36			Announced		
				75	90	-15			
	08-Jan	15-Jan	3yr Note	38			Completed		
	09-Jan	15-Jan	10yr Note	24			Completed		reopening
	10-Jan	15-Jan	30 yr Bond	16			Completed		reopening
				78	39.24	38.76			
			Total - securities settling this week	223	199.24	23.76			
			Fed SOMA - Face Value of SOMA securities maturing 15 Jan 2019	2.091					
			Proportion of mthly cap	2.091					
			Amount to reinvest	0.00					

Securities maturing on the Fed balance sheet in January

In January, \$16.282b of securities on the Fed balance sheet will mature. As this is less than the monthly cap (for the roll-off of maturing securities) of \$30b, there will be no reinvestments.

15 Jan; \$2.091b in securities will mature – the full amount will roll off the Fed balance sheet.

31 Jan; \$14.191b in securities will mature - the full amount will roll off the Fed balance sheet.

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 14 January 2019

US – Q4 Earnings season commences; <https://www.bloomberg.com/markets/earnings-calendar/us>

China – Trade (Dec) and New Loans (Dec)

Europe – Industrial Production (Nov)

Tuesday 15 January 2019

US – PPI (Dec), Empire State Manufacturing Survey (Jan)

US Fed speeches;

Kansas City Fed President George to deliver a speech about economic and monetary policy outlook in Kansas City, MO

Minneapolis Fed President Kashkari to speak about the regional economy at the Rochester Economic Summit in Rochester, MN.

Dallas Fed President Kaplan to participate in a moderated Q&A at the Plano Chamber of Commerce Annual Meeting in Plano, TX, with audience Q&A.

UK – Vote on Brexit

Europe – Trade Balance (Nov)

ECB's Draghi - participation by the President in meeting (formal sitting) of the plenary of the European Parliament to mark the 20th anniversary of the euro
<https://www.ecb.europa.eu/press/weekly/html/index.en.html>

Japan – Machinery Orders (Nov)

Wednesday 16 January 2019

US – Retail Sales (Dec) – likely delayed, Housing Market Index (Jan), Business Inventories (Nov) – likely delayed, Mortgage Applications for w/c 11 Jan

US Fed speeches; Minneapolis Fed President Kashkari to participate in the Intelligence Squared Debate about "Ten Years After the Global Financial Crisis, the System is Safer," in New York.

Europe – Germany CPI (Dec)

UK – CPI (Dec)

Australia – Housing Finance (Dec)

Thursday 17 January 2019

US – Housing Starts (Dec) – likely delayed, Philadelphia Fed Business Outlook Survey (Jan)

Europe – Eurozone CPI (Dec)

Japan – National CPI (Dec), Industrial Production - Revised (Nov)

Friday 18 January 2019

US – Industrial Production (Dec), Consumer Sentiment (Jan)

US Fed speeches – NY Fed President Williams; the U.S. economic outlook and monetary policy at the New Jersey Bankers Association's Economic Leadership Forum in Somerset, NJ

UK – Retail Sales (Dec)

Canada – CPI (Dec)

Trade & Brexit

US-China Trade Negotiations

The latest round of trade talks concluded last week.

It has now been announced that Premier Liu He will come back to Washington DC for talks on 30 and 31 January 2019 - could be as late as mid-Feb, although Chinese New Year celebrations will commence 5 Feb and continue for two weeks.

It is unclear whether this next meeting will be impacted by the ongoing government shutdown.

The official statement by the USTR on the meeting outcome contained little detail on progress made. But continued to reiterate key goals for the US administration (emphasis added);

The meetings were held as part of the agreement reached by President Donald J. Trump and President Xi Jinping in Buenos Aires to engage in 90 days of negotiations **with a view to achieving needed structural changes in China with respect to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft of trade secrets for commercial purposes, services, and agriculture.**

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/january/statement-united-states-trade>

NEW – Special 2019 Section 301 Review

Posted on the Federal Register by the USTR is a request for comments and a notification of a public hearing for the annual special S.301 review;

to identify countries that deny adequate and effective protection of intellectual property rights (IPR) or deny fair and equitable market access to U.S. persons who rely on intellectual property protection.

The special 301 subcommittee will hold a hearing on 27 Feb 2019.

On 26 Apr 2019, the USTR will publish the 2019 special 301 report within 30 days of the National Trade Estimate Report.

<https://www.federalregister.gov/documents/2018/12/28/2018-28319/request-for-comments-and-notice-of-a-public-hearing-regarding-the-2019-special-301-review>

NAFTA/USMCA

The government shutdown is reportedly halting further progress on the evaluation of the USMCA. The report by the US International Trade Commission on the economic impact of the new agreement has been delayed by the shutdown.

The report is due 15 March 2019 and will be used by member of Congress to inform their view of the agreement.

President Trump has already indicated that he will withdraw from NAFTA if there is any push to renegotiate the USMCA by the Democrats.

US-Japan Trade Talks

Awaiting details on when talks are to start, but likely to be late Jan/early Feb 2019.

The summary of negotiating objectives for the US-Japan trade talks have been published;

https://ustr.gov/sites/default/files/2018.12.21_Summary_of_U.S.-Japan_Negotiating_Objectives.pdf

Section 232 – Car and Truck Imports

The final report on the S232 investigation has not yet been made public.

US-Europe Trade Talks

Awaiting further notice on the commencement of talks.

The summary of negotiating objectives for the US-EU trade talks have been published;

https://ustr.gov/sites/default/files/01.11.2019_Summary_of_U.S.-EU_Negotiating_Objectives.pdf

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

The UK Parliament vote on Brexit is now likely to take place on 15 Jan 2019.

At this stage the vote is not expected to pass in the Parliament, although the margin for the defeat is unclear.

PM May has been adamant that the referendum result to leave the EU will be implemented. The EU is reportedly preparing for a delay to the 29 March Brexit date – possibly out to July.

<https://www.theguardian.com/politics/2019/jan/13/eu-preparing-to-delay-brexit-until-at-least-july>

<https://www.theguardian.com/politics/2019/jan/13/may-makes-last-ditch-bid-to-win-over-commons-to-brexit-deal>

Approval of the deal is not out of the question if PM can secure last minute concessions (which the EU has rejected);

[Jeremy] Hunt said May’s withdrawal agreement could be passed by MPs if the EU made clear that the Irish “backstop” would be time-limited.

Critics fear the backstop will trap Britain in a customs union with the EU indefinitely, while European leaders have said they would not renegotiate the treaty.

<https://www.reuters.com/article/us-britain-eu/mays-brexit-deal-can-get-through-parliament-hunt-idUSKCN1OR0J8>

Current Brexit documents;

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