

Key Themes

Important data is out this week as we continue to track the effect of the US government shutdown on Q1 activity and whether/how much the broader global slow-down in manufacturing and trade is affecting the US;

US Jan retail sales will kick the week off after the much weaker result for Dec. Consumer sentiment fell in Jan and this could be a driver of spending decisions.

US Durable Goods and Industrial Production is also out this week.

Other reports out this week should provide insight into the impact of the global slow-down in trade and manufacturing on other key economies;

Industrial production reports this week for Germany, Eurozone and China, as well as German international trade data.

CPI will be reported for the US, Germany and Europe.

We will also track for indications of Chinese stimulus starting to impact activity. This week China retail sales and fixed asset investment will be reported.

Australia housing lending data for Jan will be released this week – as we continue to track the fall in house prices.

Central banks; BoJ rates decision and introductory remarks from US Fed Chairman Powell.

Much heavier supply of treasuries this week. The US Treasury will settle approx. \$260bn in ST bills, notes and bonds this week raising approx. \$75bn in new money.

It is an important week for Brexit as there are only several weeks left until the 29 Mar Brexit deadline. The meaningful vote scheduled for 12 Mar will possibly become a 'provisional' vote. If defeated, there is likely to be a vote on a no-deal Brexit followed by a vote on requesting a delay to Brexit. This will unfold throughout the week.

The US-China trade negotiations continue.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

US treasury supply will be heavier this week and there are no securities maturing on the Fed balance sheet this week.

The US Treasury will settle approx. \$260bn in ST bills, notes and bonds raising approx. \$75bn in new money. The heaviest week in a while. These heavier weeks will likely abate in the next quarter as tax inflows into the US Treasury commence – Q2 net new cash raised is estimated to be a much lower \$82bn at this stage.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B			
11-15 Mar 2019	07-Mar	12-Mar	4 week bill	60			Completed		
	07-Mar	12-Mar	8 week bill	35			Completed		
				95	80	15			
	11-Mar	14-Mar	13 week bill	48			Announced		
	11-Mar	14-Mar	26 week bill	39			Announced		
				87	81	6			
	11-Mar	15-Mar	3yr Note	38			Announced		
	12-Mar	15-Mar	10yr Note	24			Announced		reopening
	13-Mar	15-Mar	30yr Bond	16			Announced		reopening
				78	24	54			
			Total - securities settling this week	260	185	75			
			Fed SOMA - Face Value of SOMA securities maturing 15 Mar 2019	0.00					
			Proportion of mthly cap	0.00					
			Amount to reinvest	0.00					

As mentioned last week, the 18-day CMB (CUSIP 912796XJ3) for \$50bn that settled on 11 Feb 2019 matured on 1 Mar.

This was offset by another CMB (41-day CMB CUSIP Number 912796RG6) which auctioned on 28 Feb for \$23bn and settled 1 Mar. This effectively reduced the paydown on 1 Mar from \$50bn to \$27bn. This new 41-day CMB will mature on 11 Apr 2019.

Another CMB was announced and auctioned on 5 Mar last week (42-day CMB CUSIP Number 912796RH4) for \$30bn. This will mature 18 Apr.

The net effect so far of the 3 CMB's is to raise a net \$3bn in new money.

Securities maturing on the Fed balance sheet in March

In March, \$22.379bn of securities on the Fed balance sheet will mature. As this is below the monthly cap (for the roll-off of maturing securities) of \$30b, there will be no reinvestments this month.

15 Mar; no securities maturing mid-month

31 Mar; \$22.379bn 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 11 March 2019

US – Retail Sales (Jan), Business Inventories (Dec)

US Fed Speeches;

US Fed Chairman Powell (videotaped) welcoming remarks at the National Community Reinvestment Coalition's Just Economy Conference in Washington, D.C.

Europe – German Industrial Production (Jan), German Trade Balance (Jan)

Australia – Housing Finance Lending (Jan)

Tuesday 12 March 2019

US – CPI (Feb)

US Fed Speeches;

Fed Reserve Member of the Board of Governors Lael Brainard - speech about "Community Reinvestment Act Modernization" at the National Community Reinvestment Coalition's Just Economy Conference in Washington, D.C, with audience Q&A.

UK – Parliamentary vote on Brexit, UK Monthly GDP/rolling 3-mth GDP (Jan)

Wednesday 13 March 2019

US – Durable Goods (Jan), PPI (Feb), Mortgage applications wk to 4 Mar

Europe – Industrial Production (Jan)

China – Retail Sales (Feb), Industrial Production (Feb), Fixed Asset Investment (Feb)

Thursday 14 March 2019

US – New Home Sales (Jan)

Europe – German CPI (Feb)

Japan – BoJ Rates Decision

Friday 15 March 2019

US – Empire State Manufacturing Survey (Mar), Industrial Production (Feb), Uni of Michigan Consumer Sentiment Prelim (Mar), JOLTS (Jan)

Europe – CPI (Feb)

Trade & Brexit

US-China Trade Negotiations

No confirmation at this stage of any developing agreement between the US and China on trade. It now seems likely that any deal will take longer to negotiate. The end of March summit between the two leaders now appears to be postponed until there is a resolution on the majority of issues.

Reconfirming what a 'win' in the negotiations with China looks like – a statement of the key goals as outlined by the USTR (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>

Special 2019 Section 301 Review

No further update on progress. 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 report by the US International Trade Commission on the economic impact of the new agreement is delayed due to the shutdown. The report was due 15 Mar but has now been postponed until mid-April.

And some lawmakers are withholding their opinions until they see the results of a U.S. International Trade Commission report analyzing the economic impact of

the deal, which likely won't be out until mid-April due to a delay from the 35-day government shutdown.

<https://www.politico.com/story/2019/03/07/trump-nafta-democrats-1247064>

There appears to be some movement now on a 'potential pathway' to approve USMCA through Congress;

“In an interview Thursday, Rep. Kevin Brady, R-Woodlands, ranking member of the House Ways and Means Committee, said U.S. Trade Representative Robert Lighthizer was working on a “reasonable” replacement for Trump’s tariffs on steel and aluminum from Mexico and Canada, which Republicans and Democrats alike have said must be eliminated with to secure their support.”

<https://www.houstonchronicle.com/business/article/As-Congress-weights-new-NAFTA-signs-of-support-13671780.php>

“The administration has largely set aside — for now — the threat of pulling out of NAFTA because Lighthizer and others in the administration agree that such a move would undermine the trust they’ve been working to build on Capitol Hill.

Aides said there were no immediate plans to withdraw from the 25-year-old agreement, though the president hasn't completely ruled out doing it eventually if the negotiations over approving USMCA fall apart.”

<https://www.politico.com/story/2019/03/07/trump-nafta-democrats-1247064>

Section 232 – Car and Truck Imports

The final report on the s 232 investigation has been provided to President Trump on 17 Feb. The President has 90 days to make a final decision on the recommendations.

“Some analysts have considered the secrecy around the U.S. report on Section 232 tariffs as leverage which Trump likely intends to use in the U.S. trade negotiations with the EU.”

"We're trying to make a deal. They are very tough to make a deal with," Trump told reporters at the White House on Wednesday. "If we don't make a deal, we'll do the tariffs." http://www.xinhuanet.com/english/2019-02/23/c_137845093.htm

<https://www.internationallawoffice.com/Newsletters/International-Trade/USA/Arent-Fox-LLP/Trump-administration-moves-closer-to-decision-on-auto-tariffs>

US-Japan Trade Talks

No further indication of when negotiations with Japan will commence. The commencement of talks could be delayed until April, especially now that the US-China negotiations have been extended.

President Trump is due to meet with Prime Minister Shinzo Abe at the Group of 20 summit in Osaka in June. <https://asia.nikkei.com/Economy/Trade-War/US-Japan-trade-talks-face-delay-as-Trump-focuses-on-China>

<https://ustr.gov/countries-regions/japan-korea-apec/japan/us-japan-trade-agreement-negotiations>

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

US-Europe Trade Talks

Awaiting further notice on the commencement of talks – likely to be delayed. The release of the S.232 investigation into car and truck imports as a key issue for European members;

“As the sword of Damocles hangs over the European automotive industry, the trade ministers discussed the bloc's trading relationship with Washington.

European Trade Commissioner Cecilia Malmstrom has called on EU governments to decide soon to start negotiations with the United States.

She also warned "there is full support" from member states to hit back if the United States were to levy the tariffs, escalating the transatlantic tension.”

http://www.xinhuanet.com/english/2019-02/23/c_137845093.htm

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

The USTR has now published the summary of specific negotiating objectives for the US-UK trade negotiations; https://ustr.gov/sites/default/files/Summary_of_U.S.-UK_Negotiating_Objectives.pdf

The USTR publishes 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

Just several weeks out now from the 29 Mar 2019 deadline.

“The hubris and fantastical claims sold by many Brexit-supporting politicians -- and indeed some remainers -- are now facing their moment of truth as the deadline for the UK's withdrawal from the EU looms large.”

<https://edition.cnn.com/2019/03/09/uk/brexit-promises-gbr-intl/index.html>

The focus this week is the 12 Mar 'meaningful vote'. If the vote is defeated, then there will most likely be a vote on the next day whether the UK should leave without a deal. If that is defeated (likely), then there will be another vote to request a delay from the EU.

There may still be an outside chance that there is some agreement reached between the EU and UK on the 'interpretive document' appendix for Article 50 before the vote on 12 Mar.

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