

Key Themes

A less data-heavy week but events are in place that could impact sentiment, nonetheless.

Speeches by Central Bankers will feature this week; speeches by US Fed Presidents will be numerous, as well as ECB President Draghi and RBA board members throughout the week. The RBNZ will meet for its rates decision this week.

Some form of Brexit vote (a third vote) or agreement on the direction on Brexit should take place in the UK Parliament this week. The Brexit deadline has been extended and the date will be contingent on what happens in the UK Parliament.

The US-China trade negotiations will continue this week with USTR Lighthizer and Treasury Secretary Mnuchin traveling to Beijing for meetings from 28 Mar.

US data will focus on growth, housing, and regional manufacturing. Of note; the second estimate for Q4 GDP, income (Feb), outlays (Jan) and the PCE price index for Jan. Housing data was a brighter spot last week, so will watch for signs of continued improvement or at least stabilization. Regional manufacturing surveys will provide some insight into Mar activity.

The prelim Japanese industrial production data for Feb will be released – against a backdrop of weaker/contracting manufacturing PMI's.

US Treasury supply will be somewhat heavier this week. The US Treasury will settle approx. \$237bn in ST bills, TIPS and FRN's, raising approx. \$47bn in new money. The US Treasury will also auction approx \$113bn in 2/5/7yr notes this week – which will settle on 1 Apr, raising approx \$41bn in new money.

As it is quarter end, approx \$22bn of securities on the Fed balance sheet will mature on 31 Mar. This is below the \$30bn cap, so there will be no reinvestments.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

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WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
25-29 Mar 2019	21-Mar	26-Mar	4 week bill	60			Completed	
	21-Mar	26-Mar	8 week bill	35			Completed	
				95	85			
	25-Mar	28-Mar	13 week bill	48			Announced	
	25-Mar	28-Mar	26 week bill	39			Announced	
	26-Mar	28-Mar	52 week bill	26			Announced	
				113	105			
	21-Mar	29-Mar	10yr TIPS	11			Completed	reopening
	27-Mar	29-Mar	2yr FRN	18			Announced	
				29	0	29		
			Total - securities settling this week	237	190	47		
	Fed SOMA - Face Value of SOMA securities maturing 31 Mar 2018			22.38				
	Proportion of mthly cap			22.38				
	Amount to reinvest			0.00				

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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 25 March 2019

US – Chicago Fed National Activity Index (Feb), Dallas Fed Manufacturing Survey (Mar)

US Fed Speeches;

Philadelphia Fed President Harker - speech on economic outlook at the OMFIF City Lecture in London

Japan – BoJ Summary of Opinions Report

Australia – RBA speech; Luci Ellis

Tuesday 26 March 2019

US – Housing Starts (Feb), Core Logic Case-Shiller House Price Index (Jan), Richmond Fed Manufacturing Survey (Mar)

Fed Speeches;

Philadelphia Fed Bank President Harker - speech on economic outlook at the ECB and Deutsche Bundesbank Joint Meeting in Frankfurt, Germany

Boston Fed President Rosengren - keynote address at the 22nd Annual Credit Suisse Asian Investment Conference in Hong Kong

Australia – RBA speech; Christopher Kent

NZ – RBNZ interest rate decision

Wednesday 27 March 2019

US – US Mortgage Applications 22 Mar 2019, International Trade (Jan)

US Fed Speeches;

Kansas City Fed President George - speech on economic outlook and monetary policy at the Money Marketeers of New York University, Inc. Downtown Association in New York

Europe – ECB President Draghi speech - 'The ECB and Its Watchers XX' in Frankfurt, Germany

Thursday 28 March 2019

US – Q4 GDP (second estimate), Kansas City Fed Manufacturing Survey (Mar), Pending Home Sales Index (Feb)

US Fed Speeches;

St. Louis Fed President Bullard - presentation about the U.S. economy and monetary policy at the Center for Research on the Wisconsin Economy (CROWE)'s Spring Economic Outlook Forum in Madison

Vice Chairman Clarida Board of Governors - Global Shocks and the U.S. Economy, Banque de France and European Money and Finance Forum Colloquium, Paris, France

Vice Chairman for Supervision Quarles, Board of Governors - Financial Stability Board Agenda, the Joint Conference of the European Central Bank and the Journal of Money, Credit and Banking: Financial Intermediation, Regulation and Economic Policy: The 50th Anniversary of the Journal of Money, Credit and Banking, Frankfurt, Germany

Atlanta Fed President Bostic - panel discussion "From Bankhead to Buckhead: Prosperity for All" about workforce development, income mobility and income inequality at the Commerce Club in Atlanta

New York Fed President Williams - moderated discussion about the economy with Kenneth Rivera-Robles, President of the Puerto Rico Chamber of Commerce, in San Juan, Puerto Rico

Europe – Germany CPI – Prelim (Mar)

Japan – Industrial Production – Prelim (Feb), Retail Sales (Feb)

Australia – Private Sector Credit (Feb)

Friday 29 March 2019

US – Personal Income and Outlays and PCE Price Index (Jan data for spending and PCE price index, Feb data for personal incomes), Chicago PMI (Mar), New Home Sales (Feb), Uni of Michigan Consumer Sentiment – Final (Mar)

US Fed speeches;

Vice Chairman for Supervision Quarles, Board of Governors – speech; macroprudential Policy, at the Manhattan Institute's Shadow Open Market Committee's Spring 2019 Meeting, New York

Europe – Germany Retail Sales (Feb)

UK – Q4 GDP

Trade & Brexit

US-China Trade Negotiations

The next round of trade negotiations will take place this week from 28 Mar. USTR Lighthizer and Treasury Secretary Mnuchin will travel to Beijing. This has been confirmed in a statement by the White House.

The White House statement also indicated that Chinese Vice Premier Lui He will visit Washington on 3 April for further talks.

“President Donald Trump said on Friday the negotiations with China were progressing and a final agreement seemed probable, as the world’s two largest economies seek to ease tensions from an eight-month-old trade war.”

<https://www.reuters.com/article/us-usa-trade-china/u-s-s-lighthizer-mnuchin-to-travel-to-china-for-trade-talks-white-house-idUSKCN1R40N8>

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

US-Japan Trade Talks

No further indication of when negotiations with Japan will commence. The commencement of talks could be delayed further, 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 is a key issue for European members (as well as Japan);

“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

An extension to Brexit has been approved, but it comes down to what happens this week in the UK Parliament. The actual date for the extension is contingent on what happens with the 3rd Parliamentary vote (or some other deal that the UK Parliament can agree upon that doesn't require renegotiation of the withdrawal agreement).

If the UK parliament approves the withdrawal agreement (which needs to happen almost immediately), then the deadline is extended to 22 May 2019.

If the deal is rejected, then the extension is reduced to 12 Apr 2019. This provides the UK with the option of;

“...leaving the EU without a divorce deal and a new path, such as revoking the decision to leave the bloc, or calling another voter referendum on Brexit.

Parliament may hold a series of votes this week to determine what Brexit proposals, if any, could command majority support.”

<https://www.abc.net.au/news/2019-03-25/theresa-may-faces-heavy-pressure-to-step-down-to-save-brexit/10934986>

The dates are important and revolve around the EU Parliamentary elections;

“April 12 would be the deadline for the UK to register its intention to take part in the elections. Even though May has ruled this out, it would be a prerequisite if the UK were to end up seeking a longer Brexit extension. May 22 is the day before the elections. The EU is building a “cordon sanitaire” to ensure that Brexit does not contaminate its institutional integrity”.

The options for the UK Parliament are unchanged;

“...the withdrawal agreement will not be renegotiated, only the political declaration defining the terms of UK-EU post-Brexit relationship can be amended. A no-deal Brexit is not the preferred scenario, but the EU is ready for it.”

<http://theconversation.com/brexit-deadline-extended-why-brussels-chose-these-dates-and-what-happens-now-114050>

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