

Key Themes

Indicators of global manufacturing activity will be a key focus this week. Final manufacturing PMI's for Mar will be released for Europe, Asia, US, and the UK. The Chinese PMI's have been of interest as stimulus measures are expected to drive improvement in activity, resulting in a flow-on effect through to key trading partners. Germany new orders and industrial production for Feb will be an important barometer of activity after the much weaker PMI readings (and production data) of late.

US data out this week will focus on manufacturing and services activity and the US consumer. Of note will be PMI's and ISM indexes, durable goods orders, non-farm payrolls, retail sales, motor vehicle sales, and consumer credit data.

The RBA will meet for its rates decision this week. Rates are expected to stay on hold. Aus retail sales out this week will provide policymakers with some further insight into the spending impact of falling house prices/stalling housing market. The Aus 2019-2020 budget will be handed down on 2 Apr – much earlier than usual due to a likely Federal election in May. Likely to see some spending stimulus measures announced and will be looking for key budget policies that affect the housing market. It's also likely that the government will announce the date of the Federal election.

Another Brexit vote will likely take place in the UK Parliament early this week. If the deal is defeated for the fourth time, and there is no other viable alternative, PM May will need to request an extension for Brexit in order to break the impasse. The 'no-deal Brexit' deadline is next week 12 Apr and an emergency Brexit summit has been scheduled by the EC for 10 Apr.

The US-China trade negotiations will continue this week with Chinese Vice Premier Lui He traveling to Washington to resume trade talks on 3 Apr.

US Treasury supply will remain heavier this week, with last week's notes auctions settling early this week. The US Treasury will settle approx. \$282bn in ST bills and notes, raising approx. \$34bn in new money for the week.

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			
01-05 Apr 2019	28-Mar	02-Apr	4 week bill	50			Completed		
	28-Mar	02-Apr	8 week bill	35			Completed		
				85	95	-10			
	01-Apr	04-Apr	13 week bill	45			Announced		
	01-Apr	04-Apr	26 week bill	39			Announced		
				84	81	3			
	26-Mar	01-Apr	2yr Note	40			Completed		
	27-Mar	01-Apr	5yr Note	41			Completed		
	28-Mar	01-Apr	7yr Note	32			Completed		
				113	71.46	41.54			
			Total - securities settling this week	282	247.46	34.54			

Securities maturing on the Fed balance sheet in April

In Apr, \$31.925bn of securities on the Fed balance sheet will mature. The monthly cap of \$30bn remains in place for Apr, therefore \$1.925bn will be reinvested.

15 Apr; \$0.179bn in securities will mature. This represents 0.6% of the monthly cap for the month, therefore \$0.011bn will be reinvested.

30 Apr; \$31.746bn in securities will mature. This represents 99.4% of the monthly cap, therefore \$1.914bn 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.

Monday 01 April 2019

US – Retail Sales (Feb), Manufacturing PMI (Mar), Business Inventories (Jan), ISM Manufacturing Index (Mar)

Japan – Manufacturing PMI (Mar)

China – NBS and Caixin Manufacturing PMI's (Mar)

Europe – Germany Manufacturing PMI (Mar), Eurozone Manufacturing PMI (Mar)

Canada – Manufacturing PMI (Mar)

Australia (US EST) – RBA Rates Decision

Tuesday 02 April 2019

US – Motor Vehicle Sales (Mar), Durable Goods Orders (Advance Factory Orders) (Feb), ISM-NY Business Conditions Index (Mar)

Japan – Services PMI (Mar)

Australia – Retail Sales (Feb)

China – Caixin Services PMI (Mar)

Wednesday 03 April 2019

US – Mortgage Applications 29 Mar, ADP Employment (Mar), Services PMI (Mar), ISM Non-Manufacturing Index (Mar)

US Fed Speeches;

Minneapolis Fed President Kashkari - participate in a town hall at North Dakota State University in Fargo, North Dakota

Europe – Germany Services PMI (Mar), Eurozone Services PMI (Mar), Eurozone Retail Sales (Feb)

UK – Services PMI (Mar)

Thursday 04 April 2019

US – Challenger Job Cut Report (Mar)

US Fed Speeches;

New York Federal Reserve Bank President Williams - welcoming remarks at the Community Bankers Conference in New York

Europe – Germany Factory Orders (Feb)

Friday 05 April 2019

US – Employment Situation/Non-Farm Payrolls (Mar), Consumer Credit (Feb)

US Fed Speeches;

Atlanta Fed President Bostic - Lecture and discussion on "Disruption and Opportunity: Shaping Policy in a Digital World" at the Andrew Young School of Policy Studies and the Fiscal Research Center at Georgia State University in Atlanta, Georgia

Europe – Germany Industrial Production (Feb)

Canada – Employment and Labour Market Report (Mar)

Trade & Brexit

US-China Trade Negotiations

Meetings will continue this week in Washington - Chinese Vice Premier Lui He will visit Washington on 3 April for further talks.

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>

The focus now is to have the deal ratified by Congress before the summer.

“Rep. Kevin Brady, ranking member on the House Ways and Means Committee, said U.S. Trade Representative Robert Lighthizer is ready to send legislation to lawmakers when House Speaker Nancy Pelosi “gives the green light.” He called getting the deal to Trump’s desk this summer “crucial.””

<https://www.cnn.com/2019/03/29/trumps-nafta-usmca-trade-deal-faces-bipartisan-roadblock-in-congress.html>

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

BREXIT

An extension to Brexit was approved last week with the actual date 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.

Early in the week, the UK held several rounds of 'indicative votes' including a no deal Brexit, a common market 2.0, a customs union, revoke article 50 to prevent 'no deal', a second referendum. Not one of the propositions received a majority of votes.

The current deal was again defeated in a third vote held on Friday.

The impasse remains – ministers on both sides of her party are threatening to quit if she 1) leaves without a deal or 2) requests a longer delay to Brexit.

“The Mail on Sunday newspaper said May's advisors were divided over whether she should call an early election if she fails to win support for her Brexit deal from parliament in the coming week.”

Its possible that another vote will take place in the UK Parliament early w/c 1 Apr, with a possibility that an election may be called during the week.

“[PM] May now has less than two weeks to convince the 27 other EU countries that she can break the deadlock. Otherwise she will have to ask the bloc for a long extension or take Britain out of the EU on April 12 with no deal to soften the economic shock.”

<https://www.reuters.com/article/britain-eu-may-cabinet/update-1-uks-may-risks-total-collapse-of-government-in-brexit-impasse-sunday-times-idUSL8N21H0SM>

The EU has scheduled an emergency Brexit Summit for 10 Apr to either deal with a request for an extension to prepare for a no deal Brexit.

<https://www.miamiherald.com/news/business/article228634084.html>

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