

## Key Themes

Data out on China this week will be a key focus as we look for signs of continued improvement in activity, especially in international trade. New loans and money supply data will also provide an indication of the degree of stimulus still being provided.

Central bankers will be back in focus this week. US FOMC minutes will be released and there are several speeches throughout the week including Chairman Powell. Other speeches of note include Vice-Chair Clarida as a part of the Fed's review of monetary policy strategy, tools, and communication practices and Vice-Chair Quarles participating in a round table on reforming major interest rate benchmarks.

The ECB meets this week. While rates will likely remain on hold, signalling will be important regarding ECB view on the continued weaker manufacturing growth in key economies.

US data of note this week will be CPI & PPI. The broader view of factory orders for Feb will provide some further insight into manufacturing trend growth. We'll also get our first view of Apr consumer sentiment numbers.

Aus data of note will be lending for housing.

It's down to the wire again for Brexit. PM May continues to negotiate a compromise with the Labour Party to pass the withdrawal agreement in Parliament. If such a compromise is reached (and passed), it is to be presented and approved at the EU summit on 10 Apr. If either no compromise is reached across parties or the EU rejects the proposal, then it's possible that a longer delay to Brexit will be agreed upon.

Awaiting further announcements on the progress of US-China trade negotiations.

US Treasury supply will be lighter this week. The US Treasury will settle approx. \$163bn in ST bills. With a CMB also maturing this week, there will be a net paydown of \$37bn.

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## 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			
08-12 Apr	04-Apr	09-Apr	4 week bill	50			Completed		
	04-Apr	09-Apr	8 week bill	35			Completed		
				85	95				
	08-Apr	11-Apr	13 week bill	42			Announced		
	08-Apr	11-Apr	26 week bill	36			Announced		
				78	105				
			<b>Total - securities settling this week</b>	163	200	-37			
	28-Feb	01-Mar	41 day CMB	0	23		41-day CMB CUSIP Number 912796RG6	11 Apr Matures	

### 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](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.

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## Monday 8 April 2019

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US – Factory Orders Report (Feb)

Europe – German Trade Balance (Feb)

Australia – Housing Lending (Feb)

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## Tuesday 9 April 2019

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US – JOLTS (Feb)

US Fed Speeches –

Vice Chair Clarida - The Federal Reserve's Review of Its Monetary Policy Strategy, Tools, and Communication Practices, at the Federal Reserve Bank of Minneapolis Spring 2019 Institute Conference

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## Wednesday 10 April 2019

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US – CPI (Mar), Mortgage Applications wk to 5 Apr

FOMC Minutes

US Fed Speeches -

US Fed Chairman Powell speech about the economy at the House of Representatives Democratic Caucus 3-day annual retreat in Leesburg, Virginia

Vice Chair for Supervision Quarles - Progress on the transition to risk-free rates - at the Financial Stability Board Roundtable on reforming major interest rate benchmarks, Washington, D.C.

Japan – BoJ Governor Kuroda press conference

UK – Monthly GDP (Feb), Brexit/EU Summit

Europe – ECB Rates Decision, German CPI (Mar)

China – CPI, PPI, M2 Money Supply and New Loans (Mar)

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## Thursday 11 April 2019

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US – PPI (Mar)

US Fed Speeches;

US Fed Chairman Powell speech about the economy at the House of Representatives  
Democratic Caucus 3-day annual retreat in Leesburg, Virginia

NY Fed President Williams - keynote address at the Association for Neighbourhood & Housing  
Development 2019 Annual Conference, in New York

St. Louis Fed President Bullard - presentation at the Community Development Foundation of  
Tupelo on the U.S. economy and monetary policy in Tupelo, Missouri

China – Trade Balance (Mar), Export and Imports (Mar)

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## Friday 12 April 2019

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US – Uni of Michigan Consumer Sentiment Prelim (Apr)

US Fed Chairman Powell speech about the economy at the House of Representatives  
Democratic Caucus 3-day annual retreat in Leesburg, Virginia

Europe – Industrial Production (Mar)

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## Trade & Brexit

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### US-China Trade Negotiations

Trade talks are expected to continue this coming week, with US President Trump saying a deal could be announced within the next four weeks.

Comments from both sides now mostly seem to focus on 'shoring up' the confidence of markets. Although USTR Lighthizer was quoted as saying "still some major, major issues left in trade talks" (5 Apr).

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

Last week President Trump threatened a 25% tariff on Auto imports from Mexico if Mexican authorities did not make additional efforts to reduce the flow of illegal immigration into the US.

This prompted a response from eight (8) US trade organisations requesting President Trump not to place tariffs on the Auto industry;

Eight US trade organizations have urged President Donald Trump not to impose import tariffs on cars and car parts, saying an investigation that could potentially legitimize the duties "poses serious economic threat" to US economy and the wellbeing of its auto industry. <http://www.globaltimes.cn/content/1144757.shtml>

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](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](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](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](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](https://ustr.gov/sites/default/files/Summary_of_U.S.-UK_Negotiating_Objectives.pdf)

## BREXIT

To break the impasse within her own party, PM May commenced talks with the UK Labour party during the week.

“May has slowly reduced the margin of loss with each successive vote, but there is simply not enough support -- or time left on the clock -- to keep pressing the same deal.”

The objective is to negotiate a compromise with Labour that would result in the UK Parliament passing the withdrawal agreement. These talks are currently on-going.

“Despite the backlash, the Prime Minister is holding firm. On Saturday night, she issued a statement insisting she had no choice but to compromise with Labour, because otherwise Brexit would "slip through our fingers" and never happen at all.”

IF a deal can be negotiated with the Labour Party, it must be agreed to by the EU at the emergency Brexit summit this coming week on 10 Apr.

<https://edition.cnn.com/2019/04/07/uk/theresa-may-brexit-gamble-gbr-intl/index.html>

PM May has also requested a further delay to Brexit – with an extension to 30 Jun. EC President Tusk has proposed a 12-month ‘flexible extension’ which would enable the UK to exit the EU sooner than 12-months if a deal is ratified the UK Parliament. This proposed extension still needs to be approved by the EC on 10 Apr.

<https://www.bbc.com/news/uk-politics-47821646>

<https://twitter.com/tictoc/status/1114074600323911681>

#### Current Brexit documents:

Announcement; [http://europa.eu/rapid/press-release\\_IP-18-6424\\_en.htm](http://europa.eu/rapid/press-release_IP-18-6424_en.htm)

Comprehensive factsheet; [http://europa.eu/rapid/press-release\\_MEMO-18-6422\\_en.htm](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](http://europa.eu/rapid/press-release_MEMO-18-6423_en.htm)