

Key Themes

A short but very data heavy week.

Performance of the Chinese economy will likely be important this week with Q1 GDP growth, retail sales and industrial production data to be released.

Given the large growth in monetary stimulus in Q1 in China, and the first possible signs of improving activity, we will be looking for evidence of this starting to impact key trade partners.

US data will focus on domestic production and consumer spending as well as international trade. Of note will be retail sales (stronger motor vehicle sales should feature), inventories through the trade channels, industrial production, international trade and the first view of manufacturing and services PMI's for Apr.

Japan CPI, final industrial production and important trade data will be released.

In Europe, the prelim manufacturing and services PMI's for Apr will be important gauges of any improvement in manufacturing momentum especially. Also of note will be Eurozone trade and CPI data.

UK data; retail sales, CPI and the labour force data for the 3-months to Feb.

The RBA minutes will be released this week as well as the key labour force survey report.

US-China trade negotiations will continue this week with a deal still expected to be completed within the next few weeks. US-Japan trade negotiations will commence this week. Further details on the commencement of US-Europe trade negotiations is also expected this week.

The US International Trade Commission is likely to provide its analysis of the USMCA/NAFTA agreement shortly. The revised timing for the report was 'mid-Apr' due to the partial government shutdown. This will be a vital report in the process of ratifying the USMCA/NAFTA agreement by the US Congress.

US Treasury supply will be heavier this week but there will be another pay-down. The US Treasury will settle approx. \$241bn in ST bills, notes and bonds this week. The 42-day CMB will also mature this week and there will be a net paydown of \$39bn.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

US Treasury supply will be heavier this week and there will be another paydown.

The US Treasury will settle approx. \$241bn in ST bills, notes and bonds this week. There will be a net paydown of -\$39bn, which includes the maturity of the 42-day CMB from early Mar.

It's also mid-month, with only a small value of securities rolling off the Fed balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B			
15-19 Apr	11-Apr	16-Apr	4 week bill	50			Completed		
	11-Apr	16-Apr	8 week bill	35			Completed		
				85	95	-10			
	15-Apr	18-Apr	13 week bill	42			Announced		
	15-Apr	18-Apr	26 week bill	36			Announced		
				78	108	-30			
	09-Apr	15-Apr	3yr Note	38			Completed		
	10-Apr	15-Apr	10yr Note R/O	24			Completed		
	11-Apr	15-Apr	30yr Bond R/O	16			Completed		
				78	77.77	0.23			
			Total - securities settling this week	241	280.77	-39.77			
			Fed SOMA - Face Value of SOMA securities maturing 15 Apr 2019	0.18					
			Proportion of mthly cap	0.17					
			Amount to reinvest	0.01					
	05-Mar	07-Mar	42 Day CMB		30		42-day CMB CUSIP Number 912796RH4	18 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 and the face value of maturing securities (in Fed SOMA) is also provided on the Treasury Direct auction announcements.

Monday 15 April 2019

US – Empire State Manufacturing Survey (Apr)

US Fed Speeches;

Chicago Fed President Evans - television appearance on CNBC's Squawk Box and then later speak about current economic conditions and monetary policy at the New York Association for Business Economics luncheon event in New York, NY, with audience and media Q&A

Australia – RBA Minutes

Tuesday 16 April 2019

US – Industrial Production (Mar), NAHB Housing Market Index (Apr)

US Fed Speeches;

Dallas Fed President Kaplan - moderated Q&A session at the Community Forum Hosted by the Federal Reserve Bank of Dallas in El Paso, TX, with audience Q&A

UK – Labour market report (3-mths to Feb)

Japan – Trade Balance (Mar)

China – Retail Sales (Mar), Industrial Production (Mar), Q1 GDP

Wednesday 17 April 2019

US – Mortgage Applications for w/k ending 12 Apr, International Trade (Feb), Wholesale Trade (Feb)

US Fed Speeches;

St. Louis Fed President Bullard - presentation on the U.S. economy and monetary policy at the 28th Annual Hyman P. Minsky Conference at the Levy Economics Institute of Bard College, in Annandale-on-Hudson, New York

Philadelphia Fed President Harker - speech about the economic outlook at the Greater Vineland Chamber of Commerce Luncheon in Vineland, NJ

Japan – Industrial Production (final) (Feb)

UK – CPI (Mar)

Europe – Eurozone Trade Balance (Feb), Eurozone CPI (Mar)

Canada – CPI (Mar)

Australia – Labour Force Survey (Mar)

Thursday 18 April 2019

US – Philadelphia Fed Business Outlook Survey (Apr), Retail Sales (Mar), Prelim Composite PMI (Apr), Business Inventories (Feb)

Europe – German Prelim Composite PMI (Apr), Eurozone Prelim Composite PMI (Apr)

UK – Retail Sales (Mar)

Canada – Retail Sales (Feb)

Japan – National CPI (Mar)

Friday 19 April 2019

Good Friday

US – Housing Starts (Mar)

Trade & Brexit

US-China Trade Negotiations

Latest news on negotiations see's both sides potentially making large concessions in order to deliver a trade deal announcement in the next few weeks.

“U.S. negotiators have tempered demands that China curb industrial subsidies as a condition for a trade deal after strong resistance from Beijing, according to two sources briefed on discussions, marking a retreat on a core U.S. objective for the trade talks.” <http://news.trust.org//item/20190415011034-tbd60/>

Further calls between the USTR and Chinese Vice Premier Lui He are scheduled for this coming week.

US Treasury Secretary Steven Mnuchin says a US-China trade agreement would go "way beyond" previous efforts to open China's markets to US companies and hoped the two sides were "close to the final round" of negotiations.

<https://www.9news.com.au/world/us-news-china-trade-war-steven-mnuchin-imf-world-bank-finance-economy/36643c3b-a501-4e57-9b95-e5bcf05eb8eb>

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 was 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

Trade talks between the US and Japan commence on 15 Apr in Washington;

“US Trade Representative Robert Lighthizer and Japan's Economy Minister Toshimitsu Motegi are set to embark on two days of talks in Washington.”

<https://www.rappler.com/world/regions/asia-pacific/228147-united-states-japan-trade-talks>

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 US 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

The EU is likely to approve negotiating guidelines this week in order to commence trade talks with the US.

France will remain opposed to commencing talks with the US due to President Trump's position on climate change. Opposition to the commencement of trade talks won't stop the talks, but France could end up blocking approval of any deal.

“But French President Emmanuel Macron has already staked out his position on talks: Europe should not negotiate a trade deal with a country that is not part of the 2015 Paris Agreement on climate.”

<https://edition.cnn.com/2019/04/13/business/eu-us-trade-talks/index.html>

<https://www.chathamhouse.org/expert/comment/eu-us-trade-relations-way-forward>

This week, the USTR announced it will commence a process that will identify products of the EU that additional duties will be applied to in response to continued EU subsidies for Airbus.

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/april/ustr-proposes-products-tariff>

The summary of US 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

With no breakthrough on Brexit negotiations in the UK Parliament before the deadline, the EU27 approved a longer extension for Brexit to 31 Oct 2019.

At this stage, the UK government is in negotiations with the Labour party to find a compromise that will allow/enable Article 50 legislation to pass the UK Parliament. The UK Parliament is in recess until after Easter.

<https://www.theguardian.com/commentisfree/2019/apr/14/the-guardian-view-on-mps-and-brexit-this-is-no-time-to-disengage>

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