

Key Themes

US corporate earnings are likely to be in focus this week with many of the larger corporates reporting. Signalling around future activity will be of interest.

Important US data this week - prelim Q1 GDP, durable goods for Mar and the final Apr consumer sentiment data.

It will be quiet on the US Fed front ahead of next week's FOMC meeting.

Interest rate decisions this week from the Bank of Canada and the Bank of Japan.

The BoJ will also release its Q1 outlook report. The prelim Mar industrial production for Japan will also be released this week - weaker manufacturing PMI's for Mar and Apr suggest ongoing weakness in production data.

Aussie Q1 CPI will be released this week - an important data point ahead of next week's RBA interest rate meeting.

US Treasury supply will be lighter and there will be another pay-down. The US Treasury will settle approx. \$189bn in ST bills, with a net paydown of \$13bn.

US-EU trade negotiations will likely become a larger focus. The EC has now approved its negotiation directives and the objectives conflict with that of the US. President Trump has threatened tariffs on Auto's if agriculture is not included in the negotiations and the EC directive does not include agriculture. There has also been some escalation in the Boeing/Airbus subsidies dispute.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

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

The US Treasury will settle approx. \$189bn in ST bills this week, paying down approx. \$13bn.

The US Treasury will also auction a further \$133bn in notes this week that will settle next week (month end).

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B			
22-26 Apr	18-Apr	23-Apr	4 week bill	50			Completed		
	18-Apr	23-Apr	8 week bill	35			Completed		
				85	95	-10			
	22-Apr	25-Apr	13 week bill	42			Announced		
	22-Apr	25-Apr	26 week bill	36			Announced		
	22-Apr	25-Apr	52 week bill	26			Announced		
				104	107	-3			
			Total - securities settling this week	189	202	-13			

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 22 April 2019

US – Chicago Fed National Activity Index (Mar), Existing Home Sales (Mar)

Tuesday 23 April 2019

US – New Home Sales (Mar), Richmond Fed Manufacturing Index (Apr)

Australia – CPI (Q1)

Wednesday 24 April 2019

US – Mortgage Applications to 19 Apr

Canada – BoC Rates Decision

Japan – BoJ Rates Decision and Q1 outlook report

Thursday 25 April 2019

US – Durable Goods Orders (Mar), Kansas City Fed Manufacturing Index (Apr)

Japan – Industrial Production – Prelim (Mar), Retail Trade (Mar)

Friday 26 April 2019

US – GDP Q1 (Prelim), University of Michigan Consumer Sentiment – Final (Apr)

Trade & Brexit

US-China Trade Negotiations

USTR Lighthizer and Treasury Secretary Mnuchin will reportedly travel to China for further talks next week w/c 29 Apr in the hope of finalising details of the deal.

In the week after that (early May), Chinese Vice Premier Liu He is scheduled to travel to Washington;

“The next week, Chinese Vice-Premier Liu He will go to Washington for talks, which officials hope will lead to the announcement of a deal and the details of a signing summit, probably for late May, according to the report.”

<https://www.scmp.com/news/china/diplomacy/article/3006694/two-more-rounds-talks-set-may-amid-hope-us-china-trade-war>

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 ITC evaluating the USMCA was released last week;

“We welcome the International Trade Commission’s independent analysis of the USMCA. This report is an important step forward in gaining congressional approval of the USMCA. The ITC analysis shows that USMCA will increase U.S. employment by 176,000 jobs and is projected to increase GDP by 0.35%. This is more than double the 0.15% growth rate the ITC projected for the multilateral Trans-Pacific Partnership. These findings validate President Trump’s action to withdraw from TPP and renegotiate the disastrous NAFTA. With USMCA, we will have stronger growth, more trade and more jobs – particularly in manufacturing. There can be no doubt that the USMCA is a big win for America’s economy.”

Links to the detail can be found in the USTR announcement; <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/april/statement-us-trade-representative>

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.cnbc.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 commenced last week. There was no news on progress made during the negotiations. The two representatives will ‘meet again in the near future to continue talks’.

“The United States and Japan discussed trade issues involving goods, including agriculture, as well as the need to establish high standards in the area of digital trade. In addition, the United States raised its very large trade deficit with Japan – \$67.6 billion in goods in 2018.” <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/april/statement-ustr-meetings-discuss>

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

Posturing between the EC and US continued this week as both countries prepare for trade talks. The importance and impact of this trade negotiation is not to be underestimated – especially considering current EU economic performance.

Last week the EC authorised negotiations to commence between the EU and the US. Emphasis added;

“Today's adoption of the EU negotiating directives gives a clear signal of the EU's commitment to a positive trade agenda with the US and the implementation of the strictly defined work programme agreed by Presidents Trump and Juncker on 25 July 2018. **But let me be clear: we will not speak about agriculture** or public procurement.”

https://www.consilium.europa.eu/en/press/press-releases/2019/04/15/trade-with-the-united-states-council-authorises-negotiations-on-elimination-of-tariffs-for-industrial-goods-and-on-conformity-assessment/?utm_source=dsms-auto&utm_medium=email&utm_campaign=Trade+with+the+United+States%3a+Council+authorises+negotiations+on+elimination+of+tariffs+for+industrial+goods+and+on+conformity+assessment

Emphasis added;

“[US President] Donald Trump reiterated his threat that trade talks with the EU must open up markets to farmers or he would impose tariffs on European car imports. **EU negotiating directives agreed Monday say agriculture must be excluded from planned negotiations.**”

“EU trade chief Cecilia Malmström held out hope Monday that a transatlantic trade deal could be done "quite quickly" if both sides could agree on a basis to

start negotiations, but such an agreement appears difficult to reach amid the row over agriculture.”

“Brussels has said it would immediately suspend trade talks should Trump impose auto tariffs.”

<https://www.politico.eu/article/trump-to-eu-include-agriculture-in-us-trade-talks-or-face-tariffs/>

A further escalation between the US and EU on aircraft subsidies. Last 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>

This week the EC has identified approx. €20bn in US exports for tariffs;

“The European Commission Wednesday said it wants to hit around €20 billion of U.S. exports with tariffs in retaliation for unlawful subsidies given by the U.S to American aircraft manufacturer Boeing.” <https://www.politico.eu/article/eu-prepares-e20b-retaliation-against-us-over-boeing-subsidies/>

<https://www.politico.eu/tag/eu-us-trade-talks/>

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