MARS CAPITAL PARTNERS

Weekly Macro Review

w/c 7 October 2019

Key Themes

Large announcements, rather than data, took center stage during the week.

A limited trade deal (or at least a truce) between the US and China was announced this week. This more limited agreement has little detail attached at this stage – but it likely means that China will purchase more US agriculture and the US will not go ahead with the increase in the tariff rate on imports from China from 15 Oct. It is expected that those details will be agreed to in time for the APEC Summit 16-17 Nov.

By the end of the week, there was a more positive tone on Brexit regarding an agreement on an alternative to the Irish border backstop. This has since been downplayed by both sides. With the important EU summit coming up, negotiations will again come down to the wire. The Benn act of the UK Parliament requires the UK PM to request an extension to the Brexit deadline (rather than 'crash out' with no deal) if there is no agreement with the EU27 and House of Commons backing by 11pm Sat 19 Oct. The UK PM continues to talk about exiting the EU on 31 Oct without a deal.

There was an announcement by the US Fed that it will commence purchasing ST Treasury Bills at a pace of $60bn per month in what it calls 'reserve management purchases'. The US Fed Chairman had hinted at some intervention in his press conference at the last FOMC meeting, to 'provide sufficient supply of reserves' in the wake of liquidity issues in the repo market. The purchase of these ST T-bills will commence on 15 Oct and will continue into at least Q2 2020. This will be in addition to both the overnight repo operations of up to $75bn (daily) and term repo operations of up to $35bn (twice weekly) to ease funding pressures in the repo market.

Other important releases this week were the FOMC and ECB minutes. The FOMC minutes included detail regarding the funding issues in the repo market and the discussion on the size of policy easing at the meeting. The decision to reduce the FFR by 25bps was not unanimous – and the minutes outline the arguments for a 25bps cut, a 50bps cut and no cut to the FFR. All members agreed that downside risk had increased since the last meeting.

> "…a clearer picture of protracted weakness in investment spending, manufacturing production, and exports had emerged."

JOLTS data out this week indicated some further slower momentum in job hiring and openings. Although there was little to suggest any surge in layoffs/discharges, the growth of quits has slowed notably. The first read of consumer confidence for Oct showed a rebound in sentiment. The annual growth in consumer prices was unchanged in Aug at 1.7% and core CPI growth remained much higher on the back of shelter and medical services prices.

The ECB minutes outlined the discussion, agreement and disagreement on the final suite of easing measures introduced at the last meeting. While members all agreed that a further easing in policy was warranted, there was some disagreement on the individual elements making up the package of measures. The key data out this week was Germany orders and industrial production for Aug (somewhat backward looking given the deterioration indicated by the Sep PMI's). Weakness in orders was led by the German domestic market. Industrial production increased in the month, led by stronger growth in manufacturing and mining, but remains well below the near-term peak and below a year ago.

Aussie housing lending data continued to strengthen – although growing at a slower pace than the month prior. Softer data indicated slightly more 'steady' results with business confidence and conditions picking up slightly. The AiG performance of industry reports indicated some lift in momentum for manufacturing, weak growth for services and continued contraction in construction. Across all three sectors, selling prices continued to decline indicating that demand remains an issue.

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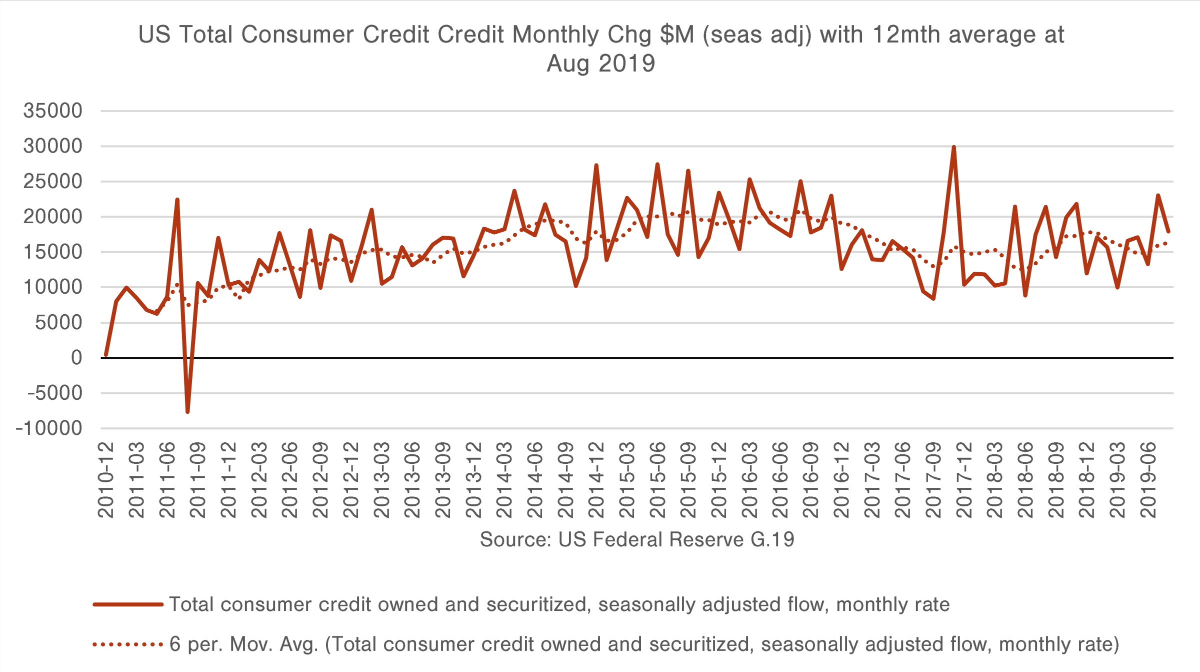
US Data

Consumer Credit (Aug)

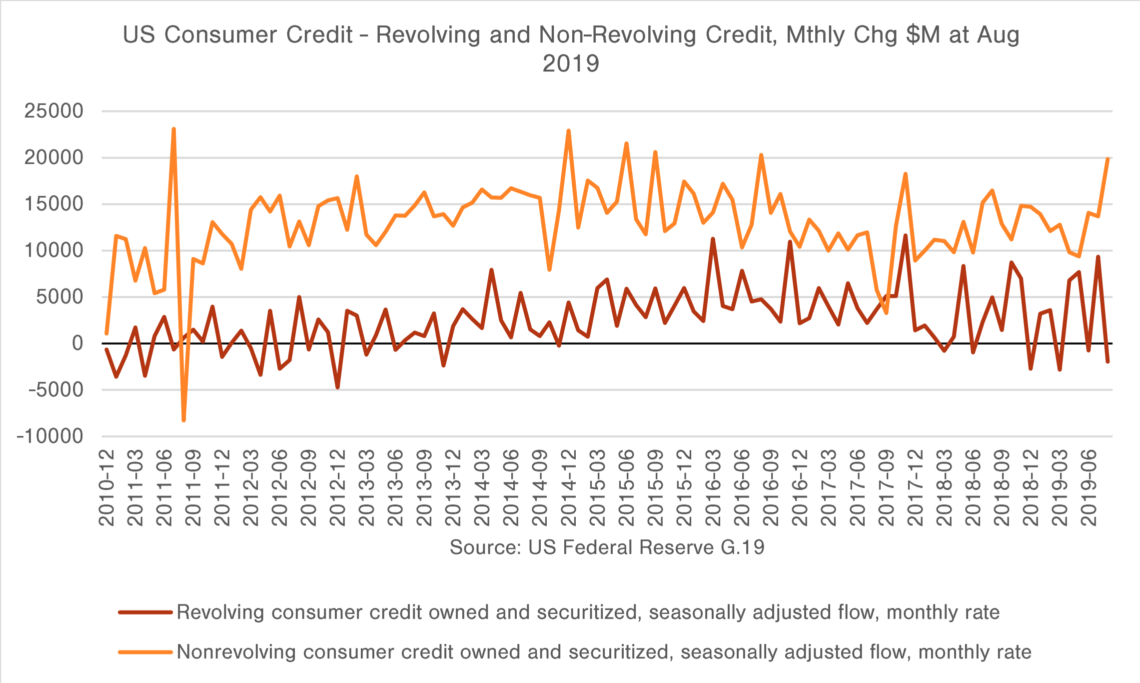
The growth of consumer credit slowed in the latest month, but remains above the 12-month average growth. Non-revolving credit growth continues to accelerate while revolving credit (credit card) declined in the month.

Total US Consumer Credit – month change; Aug $17.9bn versus Jul $23bn



The annual pace of consumer credit growth slowed to +5% in Aug from +5.2% in Jul.

The slower growth in consumer credit this month was the result of a decline in revolving credit after much stronger growth in the month prior;

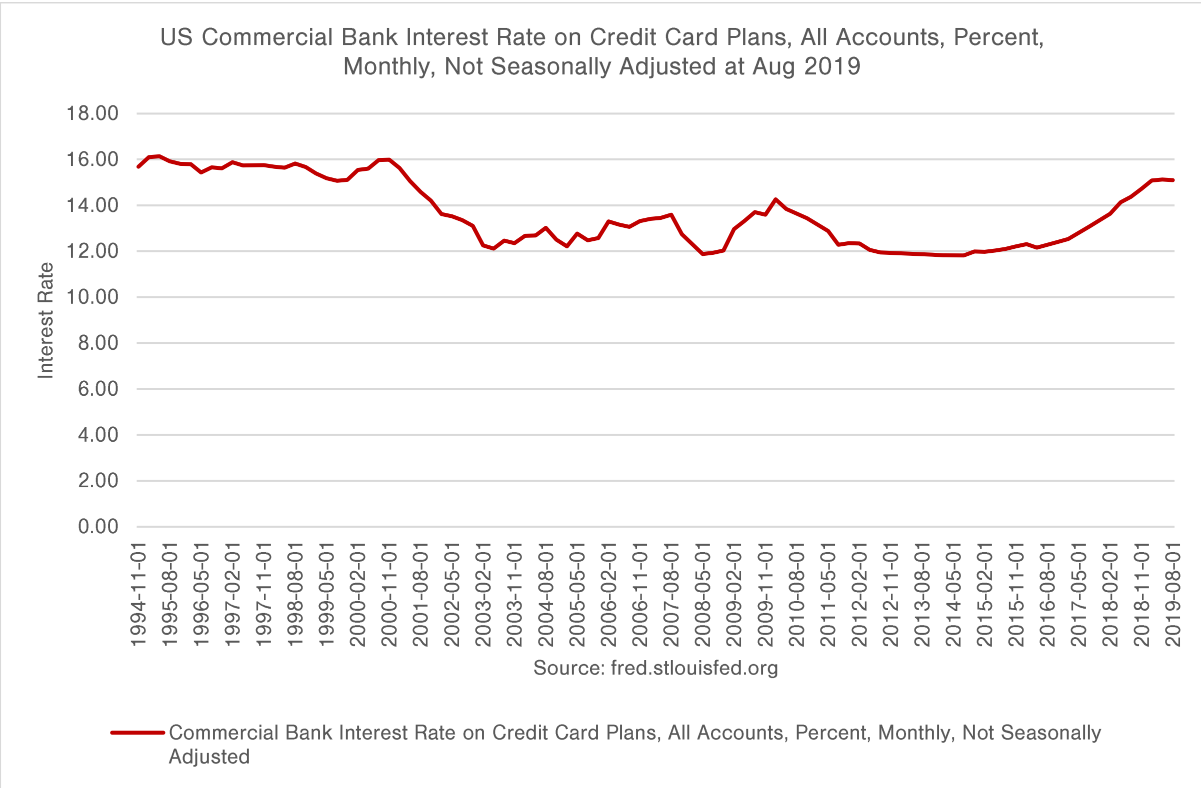


<u>Revolving Consumer Credit – month change</u>; Aug -$1.9bn versus Jul +$9.3bn

The annual change in revolving credit slowed to +3.8% in Aug after growing at +4.5% in Aug.

The decline in revolving credit correlates with the faster income growth in Aug and the slowdown in outlays for the month.

The price of credit card credit has been little changed despite falls in interest rates;



Non-Revolving credit growth continued to accelerate in Aug.

Non-Revolving Credit Consumer Credit – month change; Aug $19.8bn versus Jul $13.7bn

The annual growth in non-revolving credit increased slightly from +5.4% in Jul to +5.5% in Aug. The annualised change for Aug was +7.8%. The Sep data will provide the latest Q3 update for non-revolving credit – the Q2 data indicates that Motor Vehicle Loans is likely the main driver of growth.

https://www.federalreserve.gov/releases/g19/current/default.htm

JOLTS (Aug)

The JOLTS data hints at some softening in the labour market in Aug. The pace of hires has started to slow and has declined, only slightly, again on an annual basis. The number of job openings has continued to fall. There is little yet to suggest that firms are reducing workforces with the number of layoffs and separations remaining unchanged. But, the number of quits – voluntary changes by staff – has started to slow also, suggesting possibly less confidence in the ease of finding alternative work.

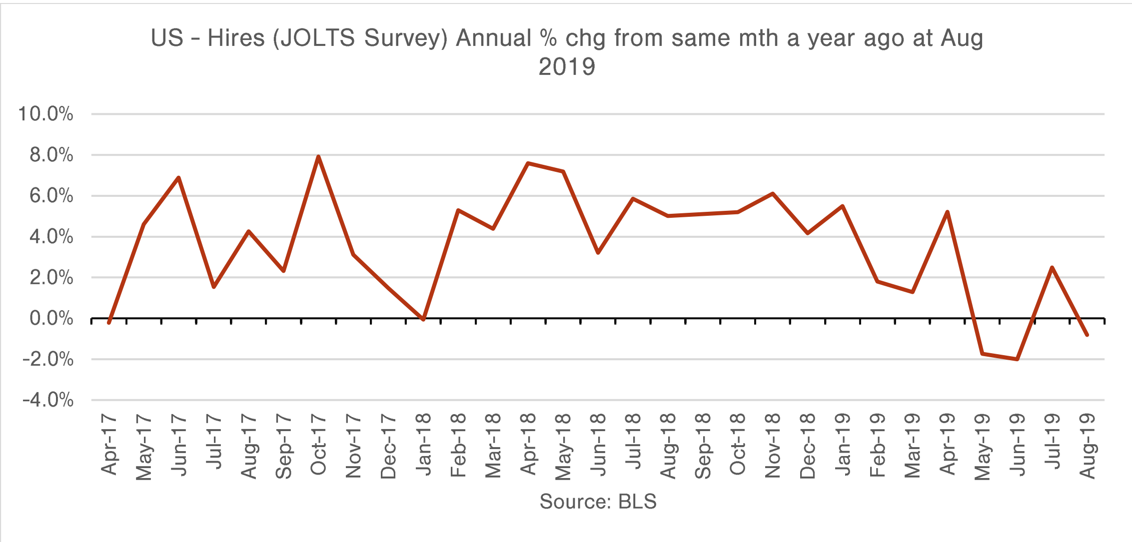
JOB HIRES

There was a relatively large fall in the pace of job hires in Aug.

Month change; Aug 5.8m versus Jul 6m

This is a 3% decline in the month and is a 1.8 std dev decline (based on the last 12 months). The current pace of hires is now just slightly below the 12-month average with the hire rate falling to 3.8% (12-month average 3.9%).

The annual change in hires also slowed to a year on year decline of -0.8%. The annual pace of hires has been slowing since mid-2018;



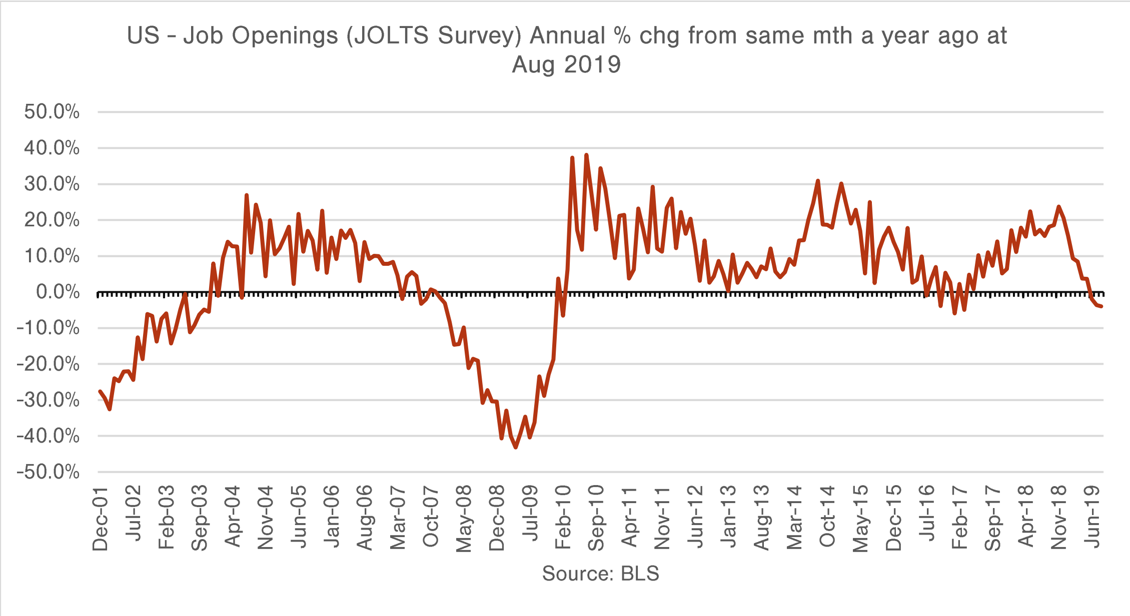
JOB OPENINGS

The pace of job openings has also continued to decline – with the monthly and annual declines accelerating in Aug. This decline comes off from a very high level.

Month change; Aug 7.05m versus Jul 7.2m

This is a 1.7% decline versus the month prior. The current pace of job openings is now 4% below the 12-month average. The job opening rate has also slowed from to 4.4% in Aug from a peak of 4.7% in May.

The annual decline in job openings is 4% below the same month a year ago;



SEPARATIONS

The number of total separations declined in Aug – this was led by a decline in Quits (voluntary separations while layoffs and discharges (involuntary separations) were unchanged from the month prior.

Total Separations – month change; Aug 5.6m versus Jul 5.8m

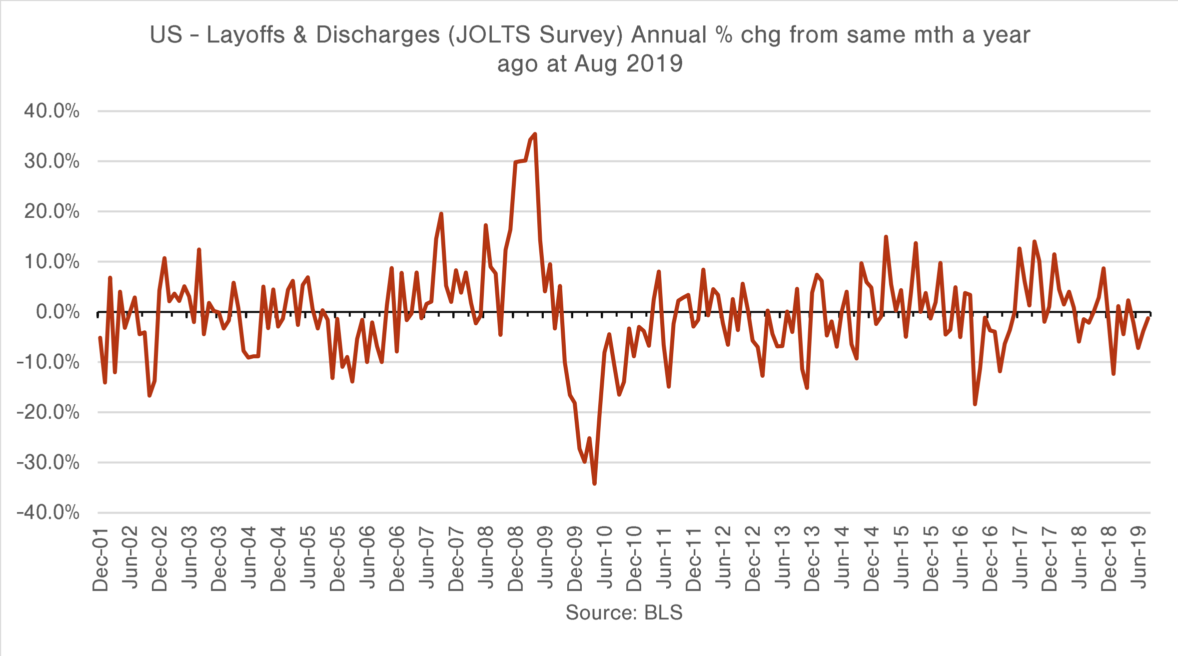
This was a 3% (1.8 SD's) decline in the month (after a +5.4% increase in the month prior). The current level and separation rate have now fallen to be in line with the 12-month average.

The two separations that make up the total are involuntary layoffs and discharges and voluntary quits.

Layoffs and Discharges – there was no change in the pace of layoffs and discharges in the last month.

Month change; Aug 1.8m versus Jul 1.8m

The annual pace of layoffs and discharges remains 1.2% below the same time a year ago.

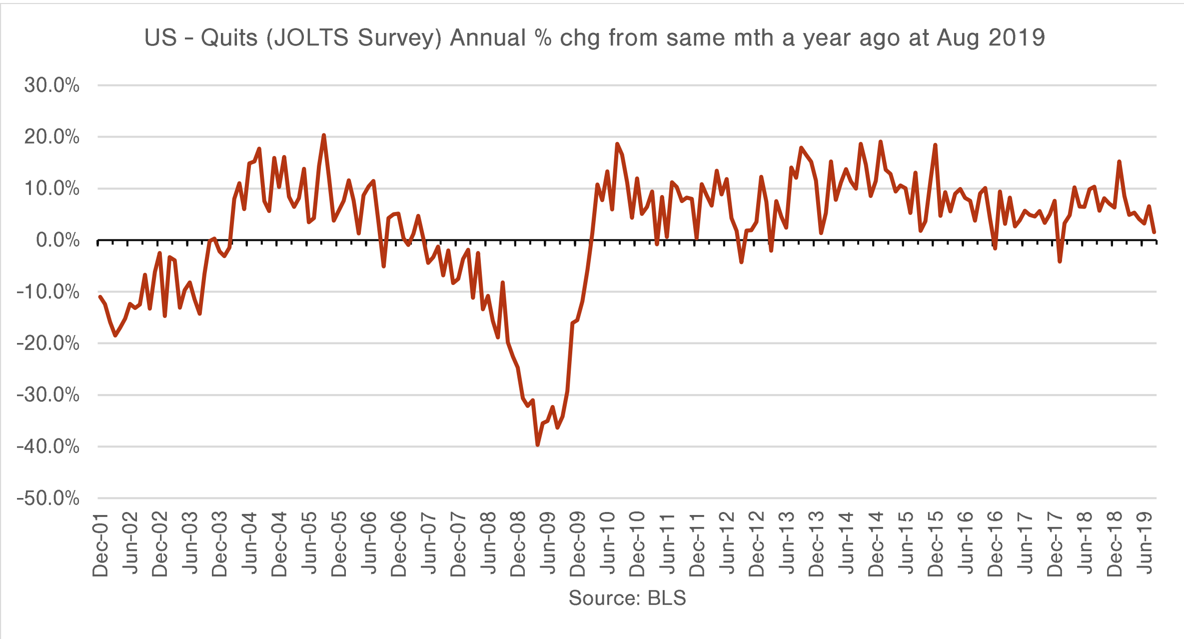


<u>Quits</u> – the larger overall decline in total separations was the result of a relatively large decrease in Quits.

Month change; Aug 3.5m versus 3.7m

This is a 4% decline in the month and represents a 1.8 SD decline. The level of quits remains 2% above the 12-month average and the quit rate remains in line with the 12-month average.

The annual pace of quits has started to slow from a recent peak of 15% in Jan 2019 to now only 1.5% in Aug;



https://www.bls.gov/news.release/jolts.nr0.htm

PPI (Sep)

Producer selling prices declined in the month and on an annual basis. The fall in goods prices for the month was mostly the result of lower energy prices. But even core goods prices declined slightly in Sep. The decline in services prices indicates some weakness in demand remains in auto's and auto retailing especially.

Producer Prices Final Demand – month change; Sep -0.3% versus Aug +0.1%

The decline in prices for the month was led by a further decline in goods prices as well as services prices.

PPI Goods – month change; Sep -0.4% versus Aug -0.5%

The larger contributor to the decline in goods prices this month was a further 2.5% decrease in energy prices. But even excluding food and energy, 'core' goods prices still declined by -0.1% in Sep.

PPI Services – month change; Sep -0.2% versus Aug +0.3%

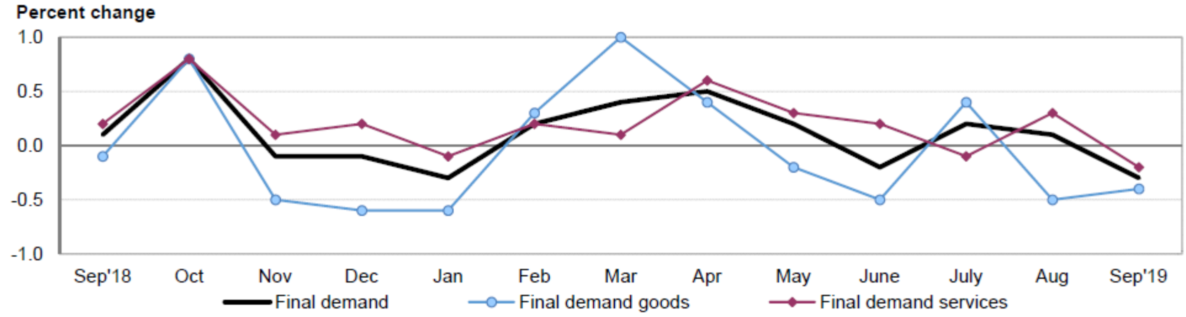
The decline was led by trade and transportation & warehousing which both declined by 1% respectively in the month.

> Nearly half of the September decline in prices for final demand services can be traced to the index for machinery and vehicle wholesaling, which fell 2.7 percent. The indexes for automotive fuels and lubricants retailing; apparel, jewelry, footwear, and accessories retailing; airline passenger services; gaming receipts (partial); and professional and commercial equipment wholesaling also moved lower.

The detail here suggests some weakness in demand within the auto sector remains.

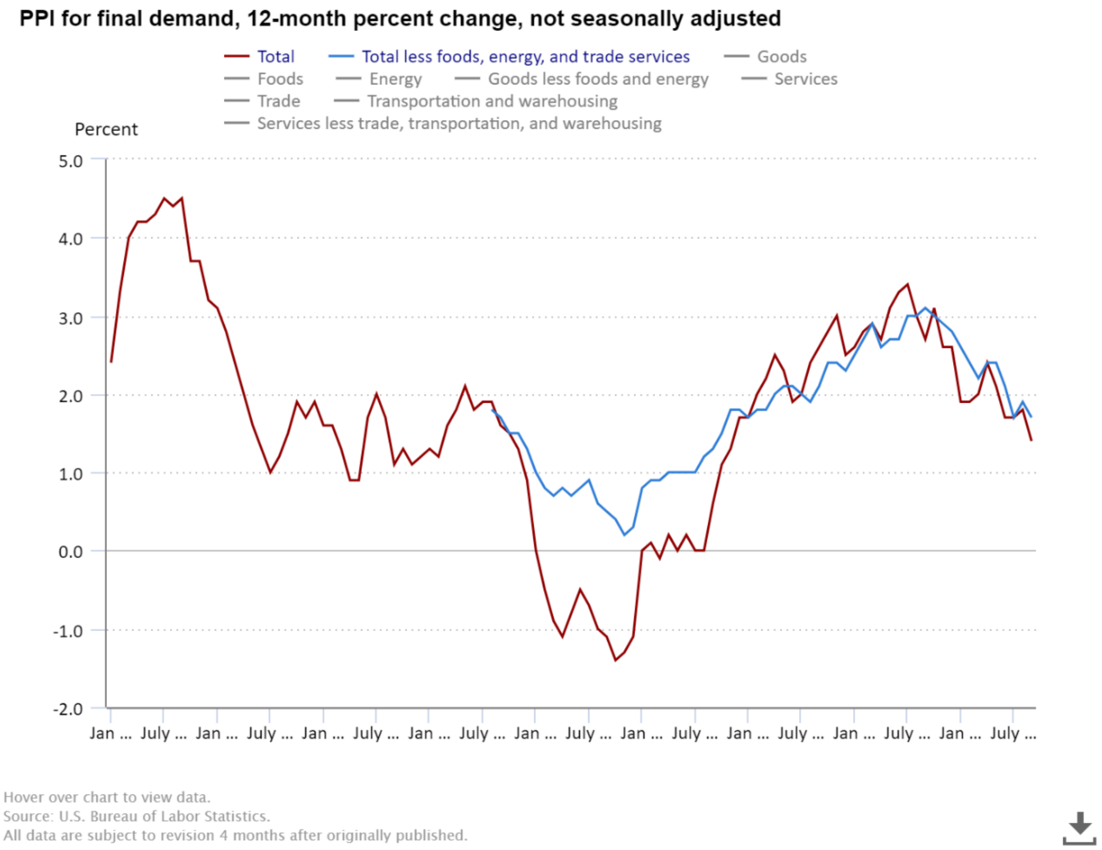
Core PPI (final demand less food, energy and trade) – month change; Sep 0% versus Aug +0.4%

Chart 1. One-month percent changes in selected PPI final demand price indexes, seasonally adjusted



Producer Prices Final Demand – annual change; Sep 1.7% versus Aug +1.9%

Both headline and core producer selling prices have been growing at a slower pace since mid-2018



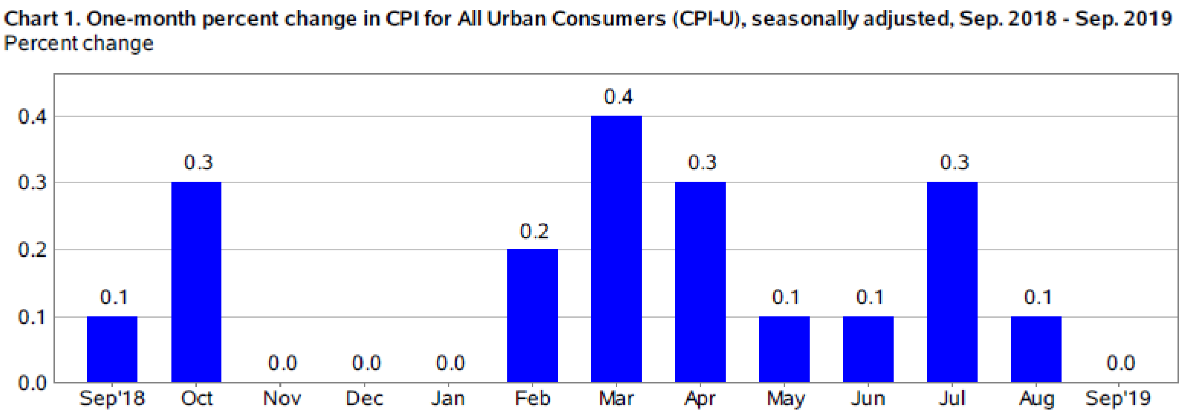
https://www.bls.gov/news.release/ppi.nr0.htm

CPI (Sep)

There was no change to the annual headline consumer price index growth in Sep – declining energy and commodities less energy prices were offset by higher food and services (less energy services) prices.

Although the level of core CPI growth remained unchanged at 2.4% this level of growth is elevated by historical standards. Shelter and medical services are partly driving this growth.

Headline CPI – Month change; Sep 0% versus Aug +0.1%



The slower growth in the month was the result of a fall in energy prices and commodities (less food and energy commodities).

Food CPI – month change; Sep +0.1% versus Aug 0%

Energy CPI – month change; Sep -1.4% versus Aug -1.9%

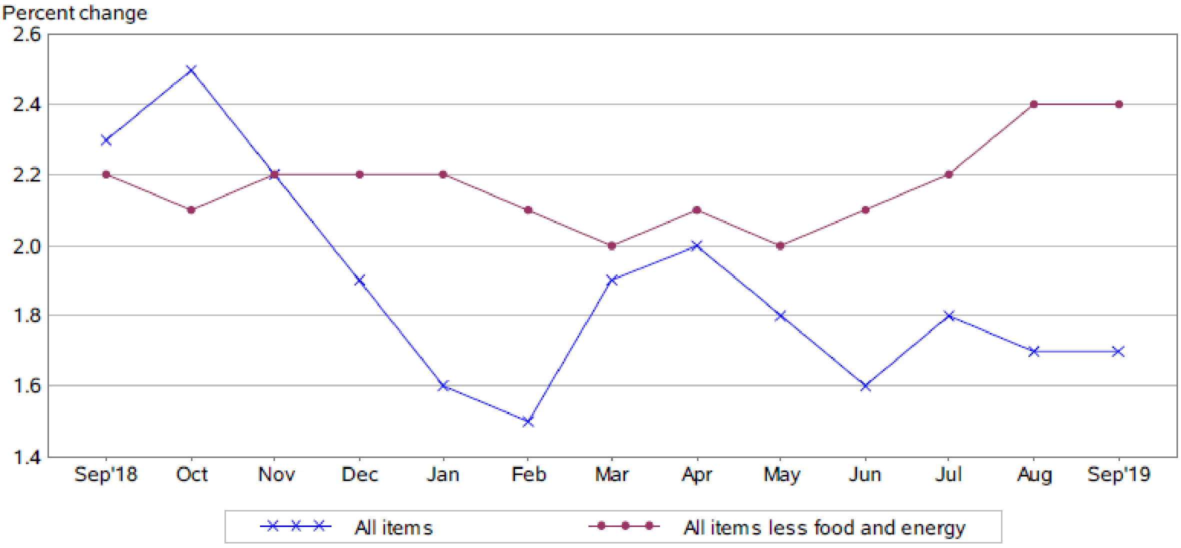
The slower growth in consumer prices was also evident in core CPI for the month;

Core CPI (ex food & energy) – month change; Sep +0.1% versus Aug +0.3%

The annual change in consumer prices was unchanged between Aug and Sep;

<u>Headline CPI – Annual change</u>; Sep +1.7% versus Aug +1.7%

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Sep. 2018 - Sep. 2019



There were some larger changes on an annual basis underlying this no change result.

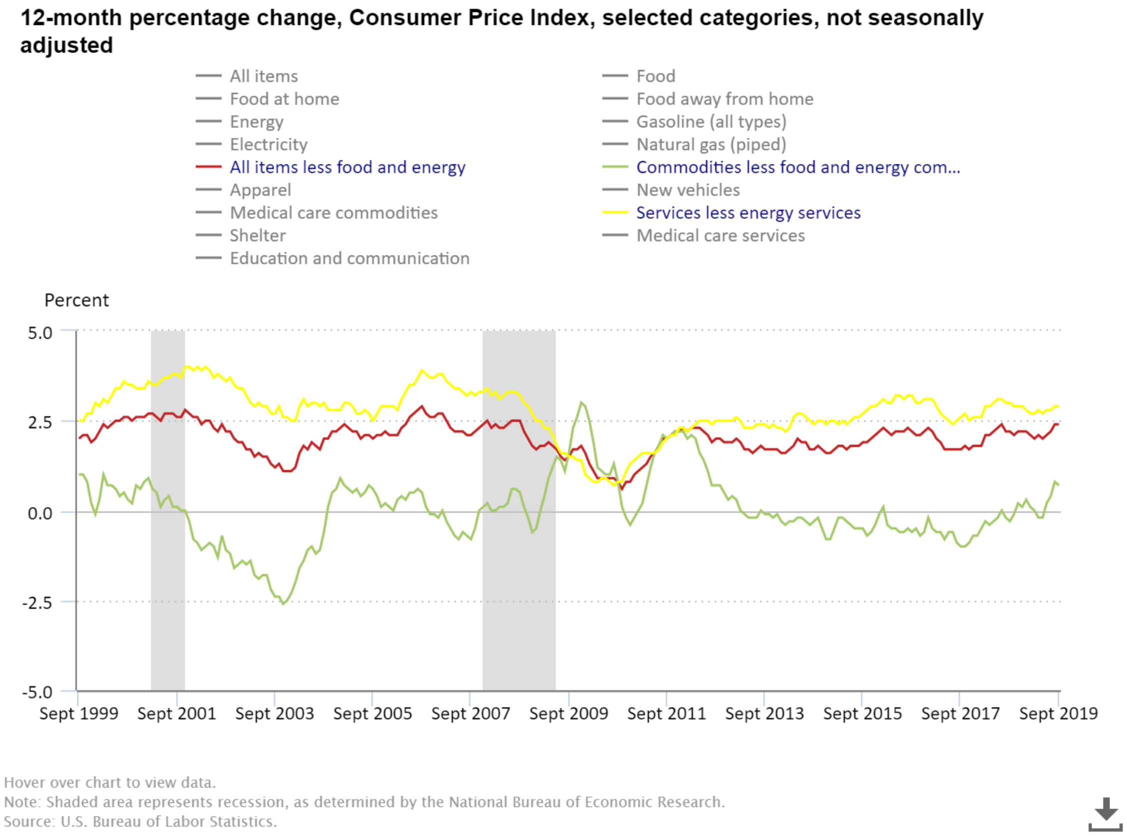
Food made a larger contribution to the annual growth in Sep versus Aug. But energy prices detracted from annual CPI growth by a larger degree in Sep.

Core CPI only made a slightly smaller contribution to headline annual CPI growth. Core CPI growth remains much higher than headline growth due to the falls in energy prices.

<u>Core CPI – Annual Change;</u> Sep +2.4% versus Aug +2.4%

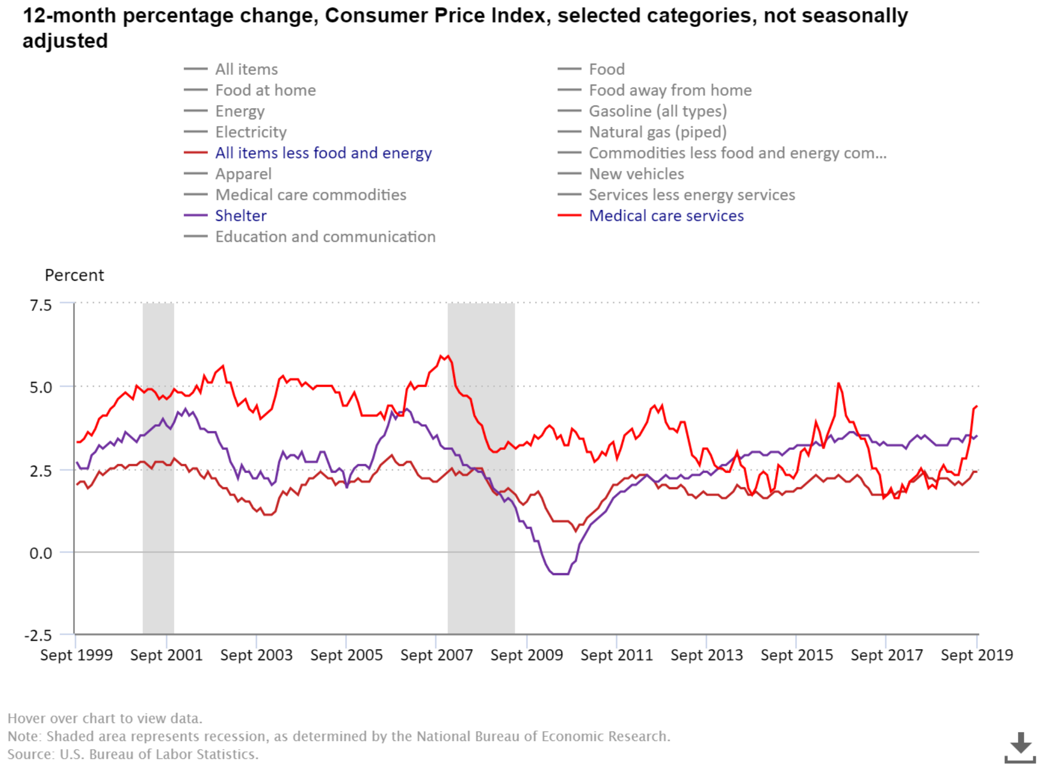
Core CPI growth is the most elevated since the GFC (but matching Aug 2018).

Chart; Core CPI – Goods Versus Services Annual Change



Core CPI growth remains higher due to much faster growth in Services (less energy services) prices – namely Shelter (+3.5% annual growth in Sep) and Medical Services (+4.4% annual growth in Sep). Services less energy services represents 60% of the weight of the index.

Chart; Core CPI, Shelter and Medical Services Prices Annual Change



Commodities less energy commodities prices have also steadily increased since late 2017 – but represents a smaller weight of the index (20%).

https://www.bls.gov/news.release/cpi.nr0.htm

University of Michigan – Consumer Sentiment Prelim (Oct)

The prelim reading of consumer sentiment for Oct indicated that sentiment levels rebounded in the month. There was a stronger improvement in the sentiment for current economic conditions (which has generally lagged the broader sentiment index). The index of consumer expectations and index of consumer sentiment both increased slightly but remain below the levels recorded a year ago.

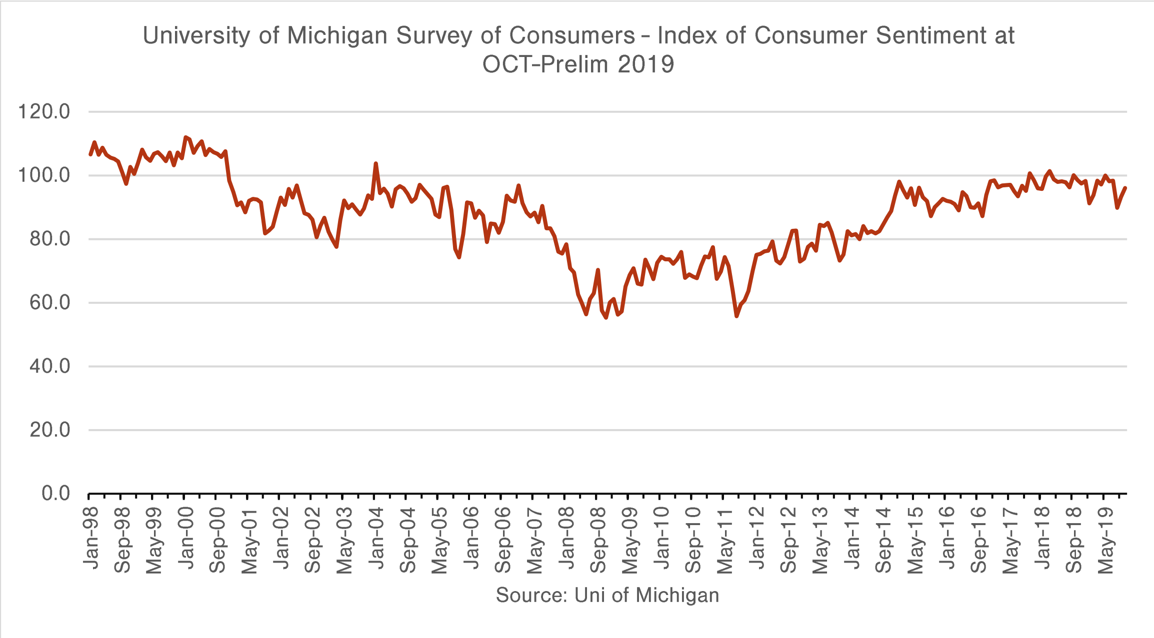
> "Stronger finances and lower interest rates helped to modestly bolster buying plans. These favorable trends did not change consumers' overall prospects for the national economy. A slower pace of overall economic growth is still anticipated, including some modest increases in the national unemployment rate during the year ahead."

> "The multiple sources of uncertainty will keep consumers focused on potential threats to their prevailing optimism about inflation, unemployment, incomes, and interest rates as well as foster continued vigilance on the level of their indebtedness."

Index of Consumer Sentiment

Month change; Oct 96 versus Sep 93.2

The increase was a 1 SD increase based on the last 20-months. The index of sentiment remains 3% below the same level a year ago;

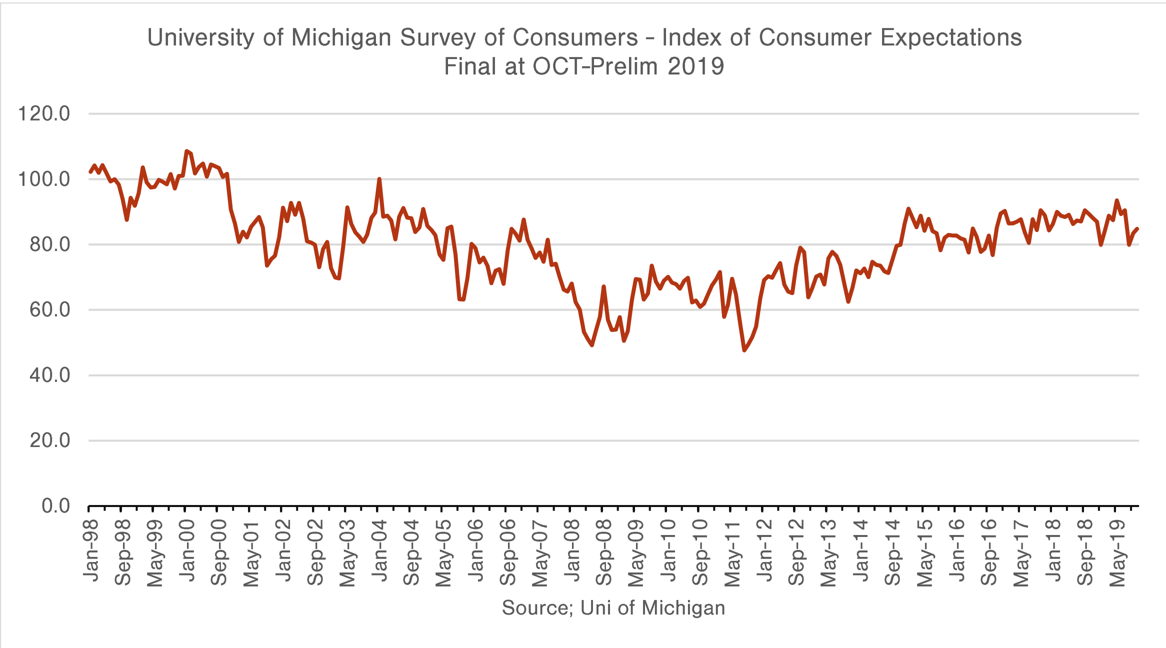


Index of Consumer Expectations

Month change; Oct 84.8 versus Sep 83.4

The increased was more muted in the month – only a +0.4 SD increase (based on the last 20-months).

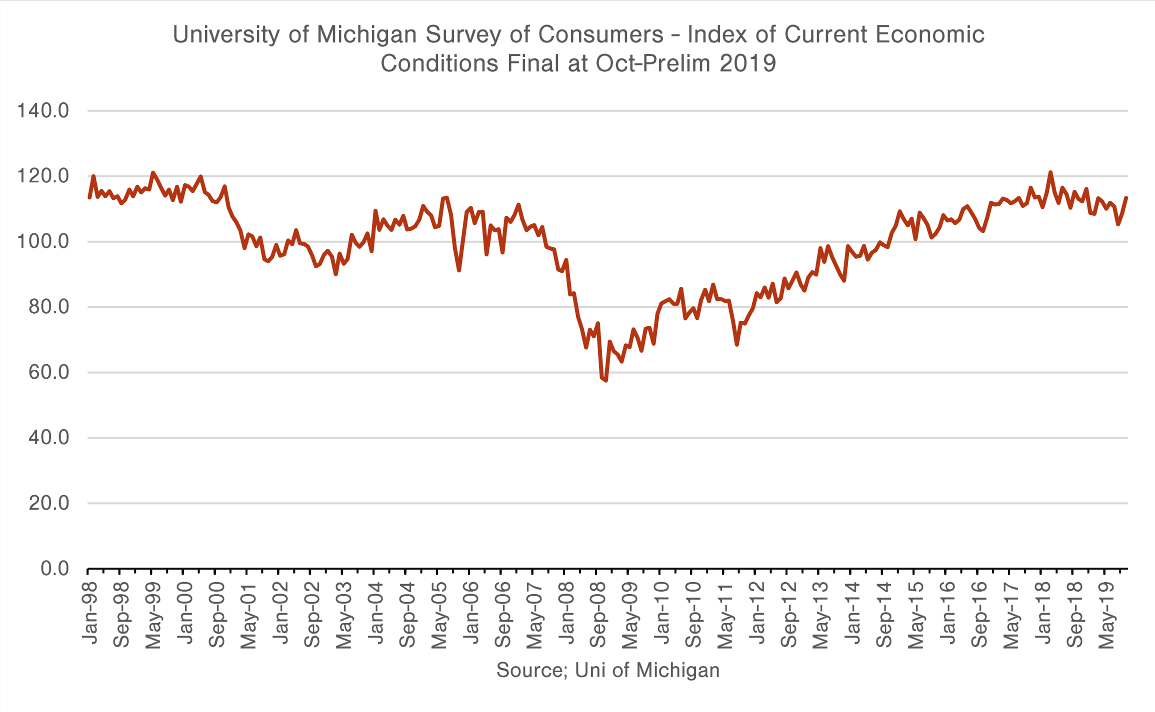
The current reading in Oct remains 5% below the same time a year ago;



Index of Current Economic Conditions

Month change; Oct 113.4 versus Sep 108.5

This was a much stronger improvement in the month, which was a 1.4 SD increase. The index in Oct is now in-line with the same time a year ago;



http://www.sca.isr.umich.edu/

FOMC Minutes Meeting 17-18 Sep 2019

At this meeting the FOMC lowered the FFR to 1.75-2%.

There were two key features of the minutes;

Discussion of money market conditions - repo rates

The minutes made note of why repo rates had 'suddenly' become elevated (emphasis added);

> "In an environment of **greater perceived uncertainty about potential outflows related to the corporate tax payment date**, typical lenders in money markets were less willing to accommodate increased dealer demand for funding"

> "Moreover, some banks maintained reserve levels significantly above those reported in the Senior Financial Officer Survey about their lowest comfortable level of reserves rather than lend in repo markets. Money market mutual funds reportedly also held back some liquidity in order to cushion against potential outflows. Rates on overnight Treasury repurchase agreements rose to over 5 percent on September 16 and above 8 percent on September 17."

In his press conference on the monetary policy decision at the time, US Fed Chairman Powell made a note that the US Fed will "provide a sufficient supply of reserves" to help relieve funding pressures. There was no estimated follow-up date for that announcement at the time, but this week, the Fed announced operations to purchase $60bn Treasury Bills (ST bills)/mth in what it calls "reserve management purchases". Apparently, this is not QE. This is in addition to the term and overnight repo operations that it is currently running.

Discussion on changes to the policy rate

It was noted in the announcement that this was not a unanimous decision to reduce the policy rate by 25bps. There is some discussion here in the minutes regarding members reasons why they advocated for certain policy adjustments.

Overall;

> "Participants generally judged that **downside risks to the outlook for economic activity had increased somewhat** since their July meeting, particularly those stemming from trade policy uncertainty and conditions abroad. In addition, although readings on the labor market and the overall economy continued to be strong, **a clearer picture of protracted weakness in investment spending, manufacturing production, and exports had emerged."**

The minutes included the directive to add the weakening investment spending and export growth to the decision statement. Members also noted that the continued sub-2% inflation rate justified further policy easing.

25bps reduction in the FFR – most participants advocated for this rate change (seven (7) members).

> "these participants pointed to considerations related to the economic outlook, risk management, and the need to center inflation and inflation expectations on the Committee's longer-run objective of 2 percent"

> "data revisions announced in recent months implied that the economy had likely entered the year with **somewhat less momentum than previously thought**"

> "Many participants also cited the **level of inflation or inflation expectations as justifying a reduction of 25 basis points** in the federal funds rate at this meeting."

> "Inflation had generally fallen short of the Committee's objective for several years and, notwithstanding some stronger recent monthly readings on inflation, the 12-month rate was still below 2 percent"

No change to the FFR – two (2) members

> "baseline projection for the economy had changed very little since the Committee's previous meeting and that the state of the economy and the **economic outlook did not justify a shift away from the current policy stance**, which they felt was already adequately accommodative"

"Furthermore, as they did not believe that these uncertainties would derail the expansion, they did not see further policy accommodation as needed at this time. **Changes in the stance of policy, they believed, should instead occur only when the macroeconomic data readily justified those moves**"

A 50bps reduction in the FFR – one (1) committee member

"a larger policy move would help **reduce the risk of an economic downturn** and would more appropriately recognize important recent developments, such as slowing job gains, weakening investment, and continued low values of market-based measures of inflation compensation"

"a policy stance—possibly one using enhanced forward guidance—that was sufficiently accommodative **to make it unlikely that the United States would experience a protracted period of the kind seen abroad in which the economy became mired in a combination of undesirably low inflation, weak economic activity, and near-zero policy rates**"

https://www.federalreserve.gov/monetarypolicy/fomcminutes20190918.htm

The US Fed Announces "reserve management purchases" of US Treasury bills" of $60bn/mth

In his press conference statement on 18 Sep, Fed Chairman Powell noted the use of TOMO's were being used to help relieve liquidity pressure in the repo market. He also made a special note that;

"we will, over time, provide a sufficient supply of reserves so that frequent operations are not required".

No time frame was provided at the time for when the market could expect that supply of reserves, but this week the Fed announced its "reserve management purchases of Treasury bills" commencing Oct until at least quarter two 2020;

the Federal Open Market Committee (FOMC) directed the Desk, effective October 15, 2019, to purchase Treasury bills **at least into the second quarter of next year** to maintain over time ample reserve balances at or above the level that prevailed in early September 2019.

Committee also directed the Desk to conduct term and overnight repurchase agreement operations (repos) at least through January of next year to ensure that the supply of reserves remains ample even during periods of sharp increases in non-reserve liabilities, and to mitigate the risk of money market pressures that could adversely affect policy implementation.

the Desk plans to purchase Treasury bills at an initial pace of approximately $60 billion per month, starting with the period from mid-October to mid-November.

Detailed information on the schedule for reserve management purchases of Treasury bills will be announced on or around the 9th business day of each month on the Treasury Securities Operational Details site.

Term and overnight repo operations will also continue through to at least Jan 2020. Term repo will continue at least twice a week with offering amounts initially up to $35bn per operation. Overnight repo operations will be conducted daily with an offering amount of at least $75bn per operation.

These purchases will be in addition to the current reinvestment of principal payments from MBS and US Treasury holdings.

Implementation Announcements NY Fed;
https://www.newyorkfed.org/markets/opolicy/operating_policy_191011

https://www.federalreserve.gov/newsevents/pressreleases/monetary20191011a.htm

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Europe

Germany Factory Orders (Aug)

The volume of new orders in manufacturing declined at a slower pace in the latest month, but the decline accelerated on an annual basis. The main source of weakness in the month was falls in domestic market orders. Orders increased in the month for foreign countries – both Euro area and non-Euro area.

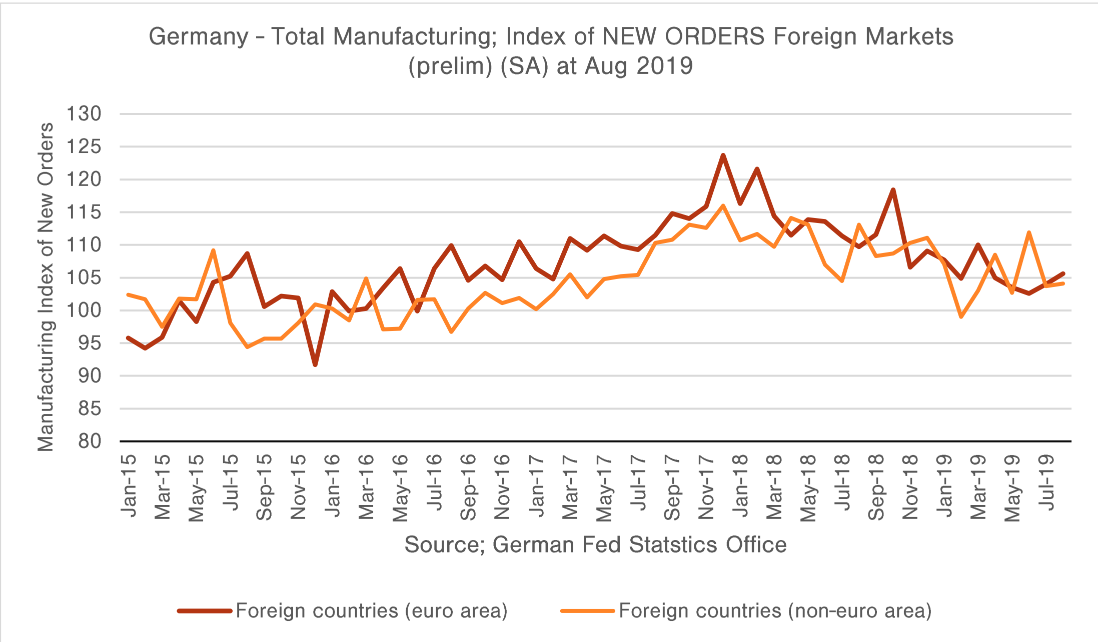
Capital goods and non-durable goods orders recorded the largest % declines in the month. Consumer goods orders were also weaker.

Total Manufacturing – New Orders

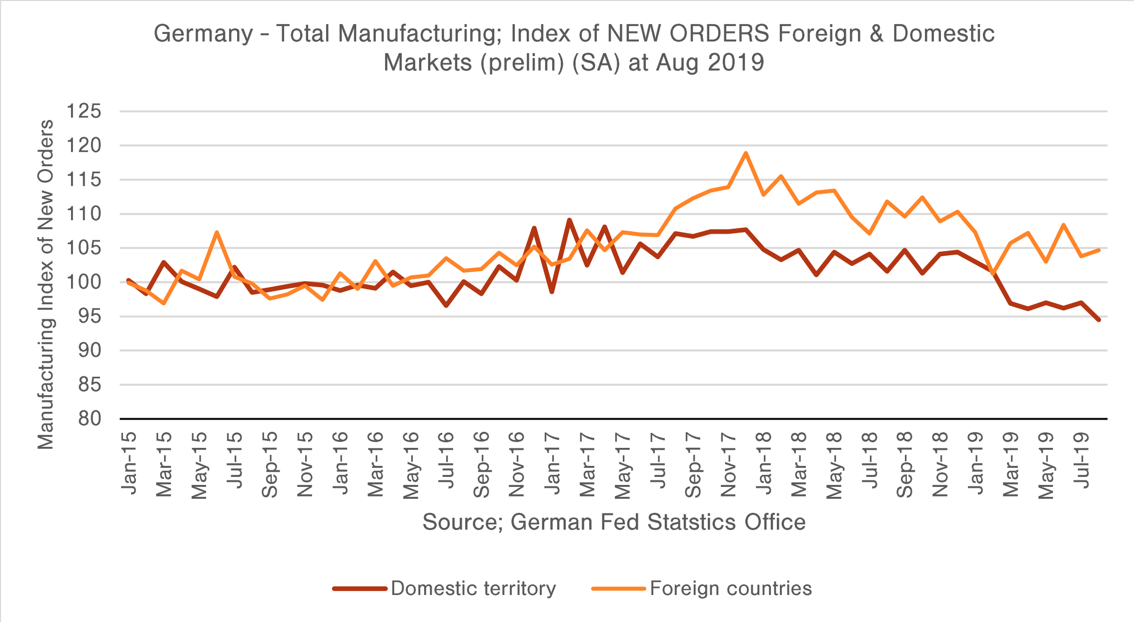
Month change; Aug -0.6% versus Jul -2.1%

In the latest month, new orders for the domestic territory declined a further -2.6% after increasing by +0.8% in Jul.

The foreign orders were stronger increasing by +0.9% after declining by -4% in the prior month. The index of the volume of new orders shows that there has been some rebound in new orders underway for foreign countries (non-Euro-area) since Feb 2019;

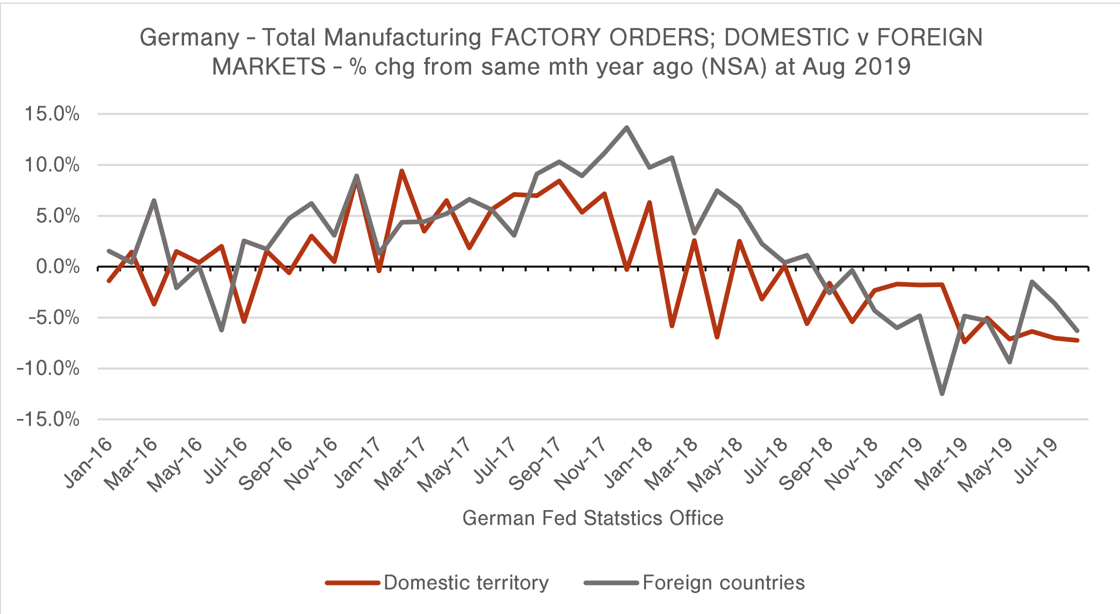


Orders for the domestic market had stabilized for several months, but declined further in Aug;



<u>Annual change</u>; Aug -6.7% versus Jul -5%

On an annual basis, the annual decline in new orders accelerated across both domestic and foreign markets;



<u>NEW ORDERS BY PRODUCT CATEGORY</u>

<u>Intermediate Goods</u>

Orders for intermediate goods have been relatively weak over the last year. In this latest month, orders increased;

Month change; Aug +1.1% versus Jul -1.5%

The improvement in the month was the result of larger orders from foreign markets (both Euro area and non-Euro area markets). Domestic orders for intermediate goods declined by -1.7% in Aug.

Annual growth in orders for intermediate goods remains 8% below a year ago – with all markets recording declines.

Capital Goods

Orders for Capital goods remained weak this month led by domestic market orders and Euro-area orders

Month change; Aug -1.6% versus Jul -2.5%

Capital goods orders for the domestic market declined by 2.9% in Aug.

On an annual basis, capital goods orders remain 6% below a year ago. Both domestic and foreign orders remain weak, especially non-Euro-area countries down 9%.

Consumer Goods

The strong of weak consumer goods orders continued in Aug. This was led by the domestic markets and non-Euro-area countries.

Month change; Aug -0.9% versus Jul -2.3%

Domestic orders for consumer goods declined by 6% in Aug.

On annual basis, orders for consumer goods remains 7% below a year ago. Both domestic and foreign markets remain below a year ago.

Durable Goods

Orders for durable goods increased again in the latest month. But domestic orders fell at a much faster pace;

Month change; Aug +2.7% versus Jul +4.7%

Durable goods orders for the domestic market declined by 10.4% in Aug. A very large % increase (+34%) was recorded for the Euro-area countries.

On an annual basis, durable goods orders are now +1% ahead of a year ago.

Non-Durable Goods

The volume of orders for non-durable goods declined further in Aug – led by the domestic market and non-Euro area countries.

Month change; Aug -2.4% versus Jul -4.8%

Orders declined at an accelerated pace for the domestic market (-4% in Aug) and for the non-Euro-area countries (-6%).

On an annual basis, new order for non-durable goods remains 10% below the same month a year ago.

https://www.destatis.de/EN/Press/2019/10/PE19_393_421.html;jsessionid=4D19F147C47AE8B20D7457E5A7E7F96F.internet741

Germany Industrial Production (Aug)

Total industrial production increased slightly in the latest month. This was led by stronger growth in manufacturing production and mining for the month. Overall production remains 4% below the same month a year ago.

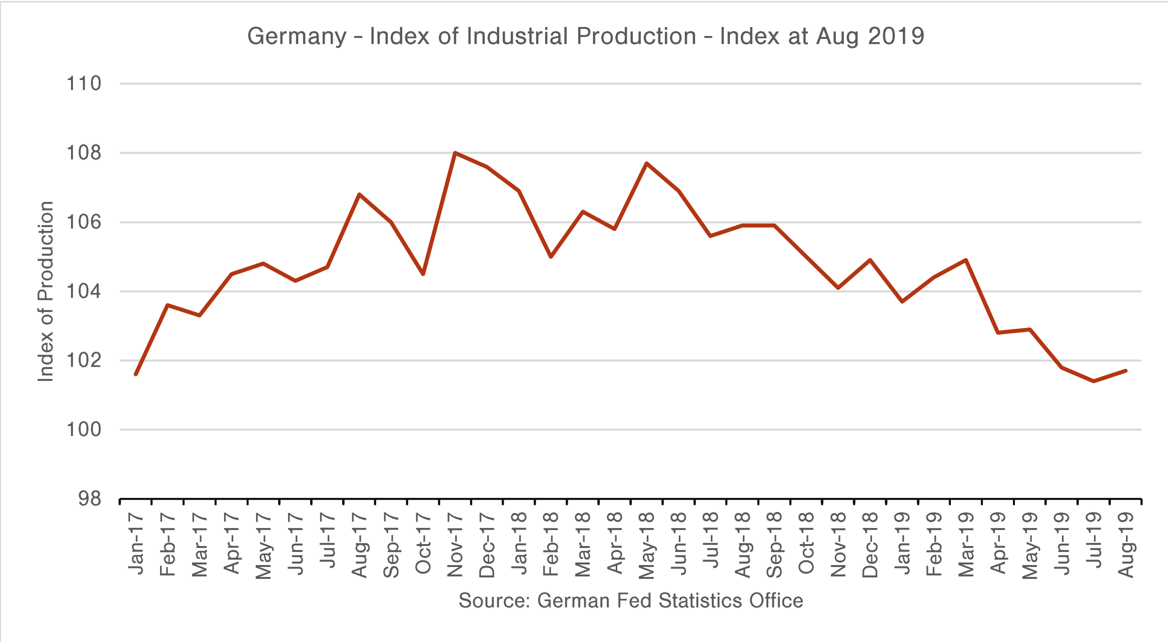
Manufacturing production in Aug was slightly better. The Sep PMI reading for output indicates that production could worsen next month.

All data seasonally & calendar adjusted.

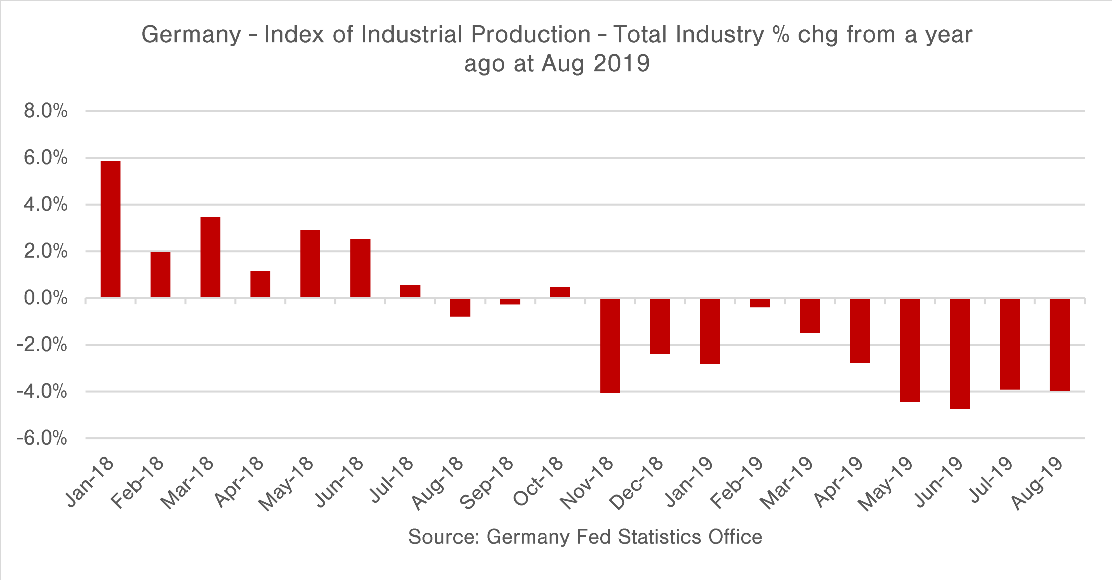
<u>TOTAL INDUSTRY</u>

<u>Month change</u>; Aug +0.3% versus Jul -0.4%

Despite the small increase in the month, the index of production remains well below the near-term peak;



On an annual basis, industrial production is still 4% below the same month a year ago and has been declining on an annual basis for the last ten months;



MANUFACTURING

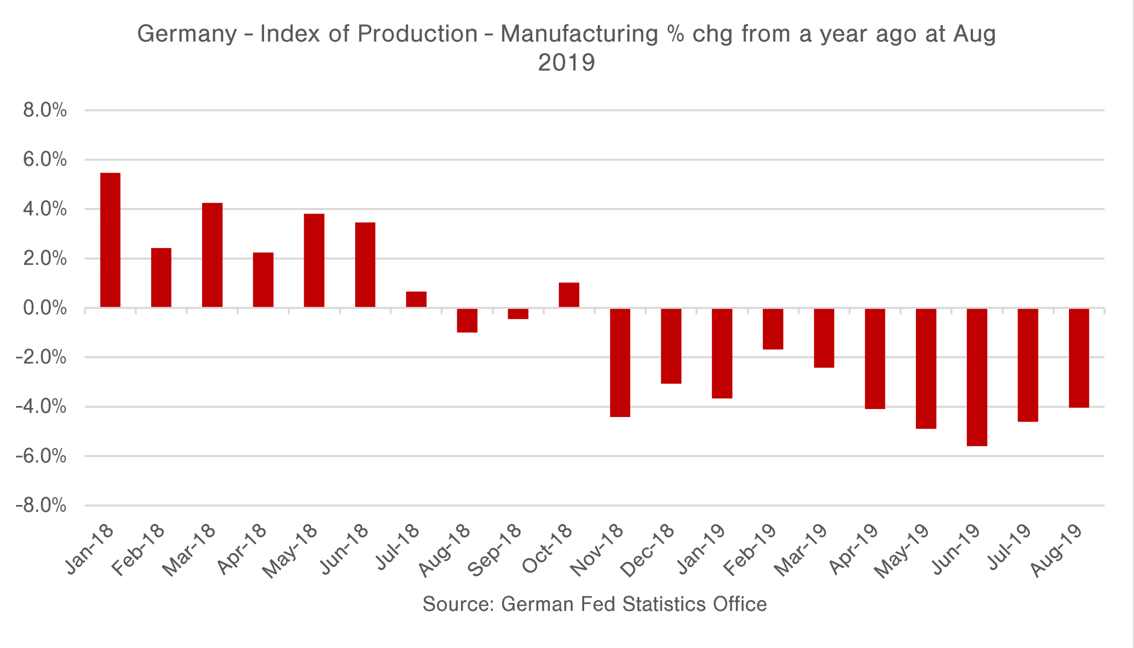
There was a larger rebound in manufacturing production in the month of Aug;

Month change; Aug +0.7% versus Jul -0.5%

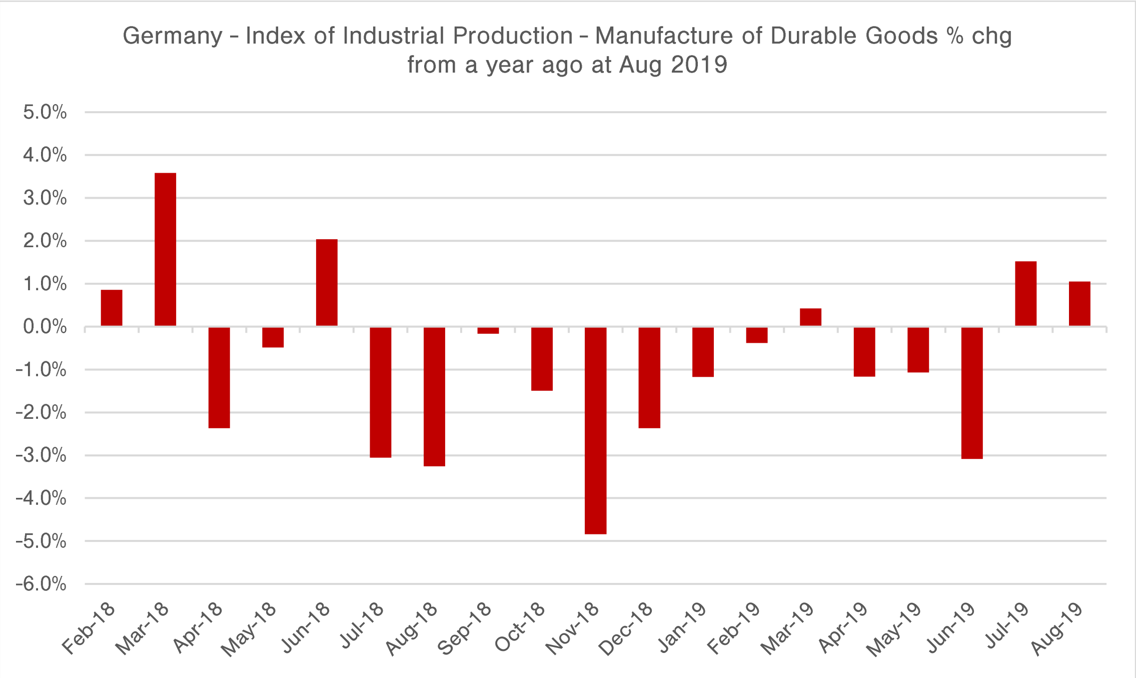
Similarly, despite the small monthly uptick, manufacturing production remains well below the recent peak;

In Aug, several categories contributed to the growth in manufacturing production; intermediate goods, capital goods and durable goods to a lesser degree. Production of consumer and non-durable goods declined in the month.

The annual decline has started to slow nonetheless, and manufacturing production is now 4% below the same month a year ago;



Production levels for most categories remains below the same month a year ago. The exception is for Durable Goods, which recorded an annual increase in production of +1.1% in Aug;

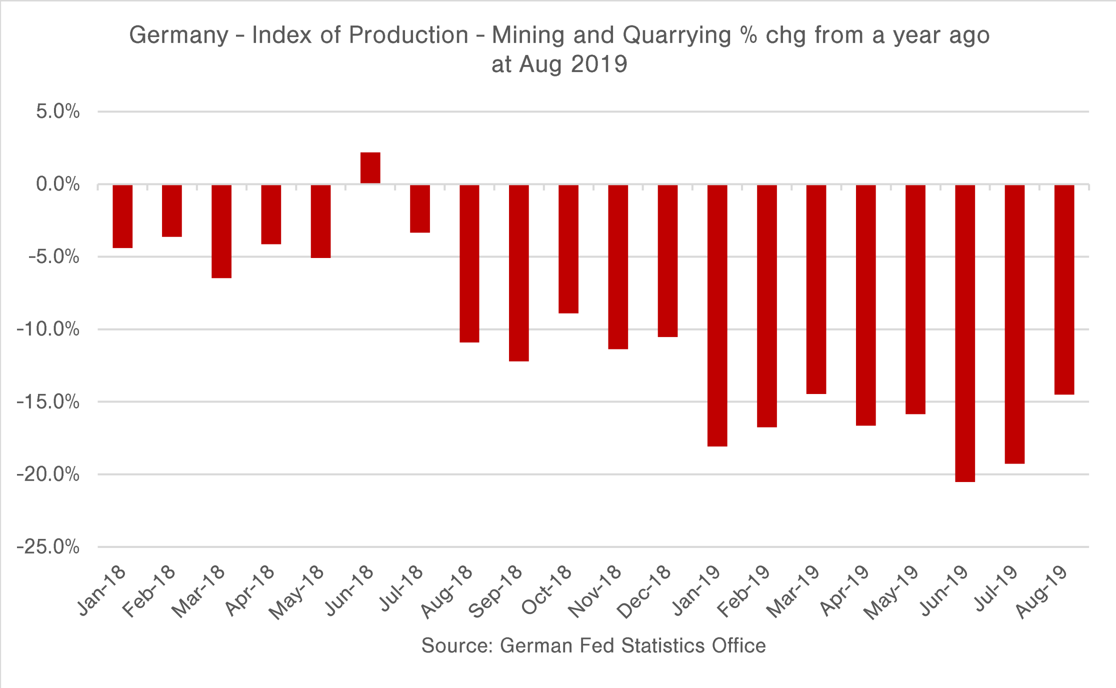


<u>MINING & QUARRYING</u>

There was a small increase in mining and quarrying production in Aug after several months of declines;

Month change; Aug +0.4% versus Jul -2.4%

Mining and quarrying activity remains 14% below the same month a year ago with the decline decelerating somewhat;

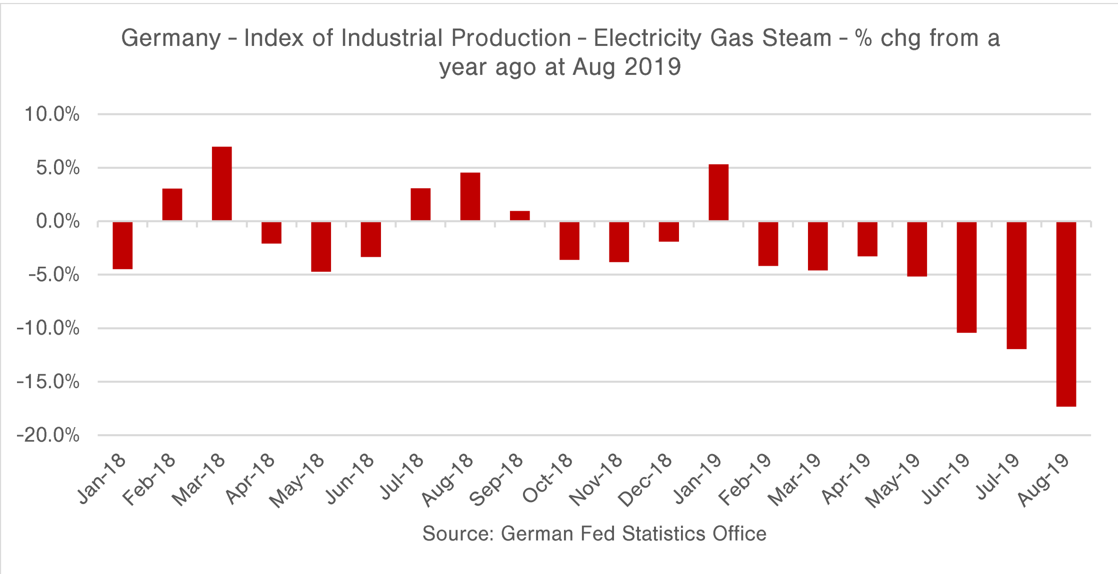


ELECTRICITY, GAS, STEAM & AIR CONDITIONING SUPPLY

The decline in utilities production gathered some pace this month;

Month change; Aug -1.9% versus Jul -0.1%

The annual decline accelerated to -17% below the same month a year ago;

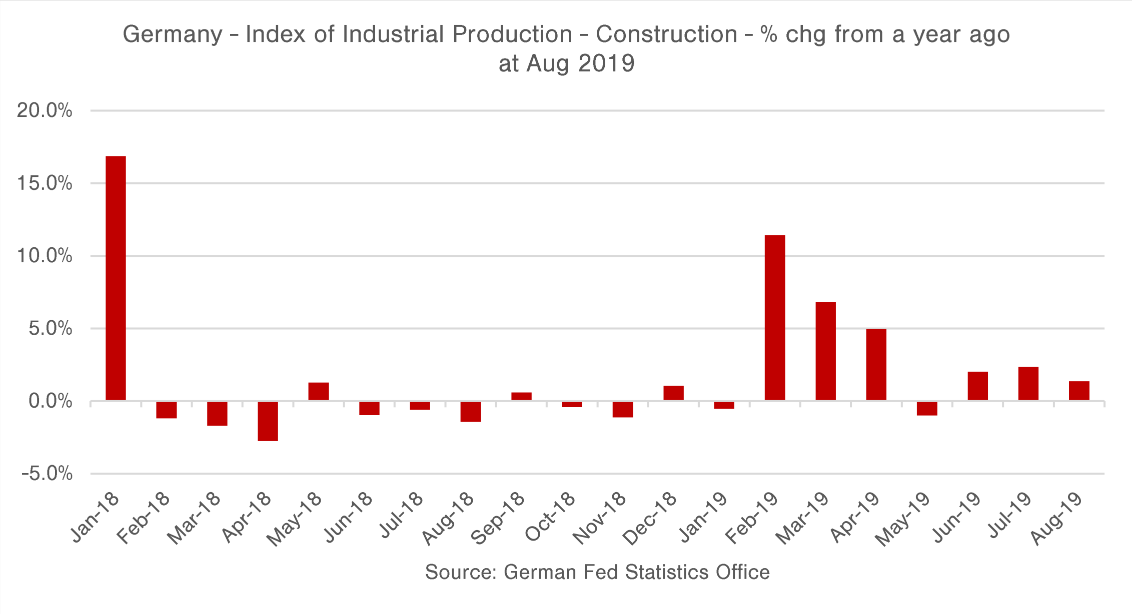


CONSTRUCTION

There was a decline in construction activity for the month and the annual pace of growth slowed as a result;

Month change; Aug -1.5% versus Jul +0.6%

On an annual basis, construction growth slowed from +2.4% in Jul to +1.4% in Aug. The pace of growth has remained positive, but subdued throughout the year;



https://www.destatis.de/EN/Press/2019/10/PE19_394_421.html

ECB minutes – Policy Meeting 11-12 Sep

This was Mario Draghi's final meeting/decision as the President of the ECB. The key feature of the minutes reflects the discussion/agreement/disagreement on the components of the suite of measures introduced at this meeting.

Context

Data showed a more extended slowdown in the Euro area than previously thought – trade weakness and global uncertainties were weighing especially on manufacturing.

> The September 2019 ECB staff projections had further marked down the real GDP growth outlook in 2019 and 2020, mainly owing to the weaker global environment. The balance of risks remained tilted to the downside, largely on account of the prolonged presence of uncertainties related to geopolitical factors, the rising threat of protectionism and vulnerabilities in emerging markets.

Inflation remained muted and inflation projected to reach only +1.5% by 2021;

> This was, in part, related to lower energy prices, but also to the weaker growth environment. Both market and survey-based indicators of inflation expectations had stagnated at historical lows.

<u>Recap of Measures</u>

Reduction of the deposit facility rate further into negative territory, the restart of the APP (open-ended), adjustments to TLTRO III and the introduction of the two-tier system of remunerating excess liquidity holdings.

The rate guidance was also changed, with low rates remaining in place until inflation reaches close to 2% (rather than the previous guidance that rates would remain at low levels until at least the first half of 2020).

<u>Policy Considerations – selected comments from the minutes</u>

> All members agreed that **a further easing of the monetary policy stance was warranted** to support the return to sustained convergence to the Governing Council's inflation aim.

> Members expressed broad agreement with most of the monetary policy proposals made by Mr Lane in his introduction as part of a comprehensive package. Most members saw a package, i.e. a **combination of instruments with significant complementarities and synergies, on the whole as the appropriate approach**

> "a number of reservations were expressed about individual elements of the proposed policy package"

> "some measures seen as substitutes rather than complements, giving rise to trade-offs between elements of the package, for instance between the liquidity-providing measures and the proposed two-tier system"

> "A large majority of members agreed to change the modalities of the new series of quarterly TLTROs"

> "A number of members assessed the case for renewed net asset purchases as **not sufficiently strong**…"

> "A very large majority of members agreed with Mr Lane's proposal to lower the rate on the deposit facility by 10 basis points to -0.50%, which – together with the reinforced forward guidance – would act on the whole yield curve"

> "A number of reservations were expressed about the monetary policy justification for a two-tier system. It was argued that, at the current juncture, monetary policy transmission channels seemed to be functioning well"

https://www.ecb.europa.eu/press/accounts/2019/html/ecb.mg191010~d8086505d0.en.html

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United Kingdom

BREXIT

News on the progress of talks between the UK and the EU were sounding more positive late in the week. Both sides are now playing-down expectations for a deal before the end of the upcoming EU summit;

In a briefing to EU ambassadors on Sunday evening, the EU's chief negotiator, Michel Barnier, raised the prospect of the talks having to continue after the forthcoming leaders' summit on Thursday, such was the lack of progress.

Johnson had hinted at the problems during an update of his cabinet on Sunday lunchtime. He offered few details, but a No 10 spokesperson said the prime minister had told his colleagues that "a pathway to a deal could be seen, but that there is still a significant amount of work to get there and we must remain prepared to leave on 31 October"

The proposal is for a pared down version of Theresa May's original agreement;

Under his alternative proposal as briefed by Barnier, a pared-down version of Theresa May's customs partnership, Northern Ireland would leave the EU customs union. But the UK would agree to enforce the bloc's customs rules and tariffs on goods moving from Britain to Northern Ireland. There would be a rebate system to compensate affected businesses.

The EU has decided that the alternative is too risky and could undermine the EU customs code and pose a high risk of fraud. The UK has the opportunity over the next few days to work through EU questions and concerns on the alternative. Negotiations will continue this week – again, with discussions coming down to the wire.

Despite scepticism in Brussels, the prime minister is still hoping to make sufficient progress at the European council on Thursday and Friday to be able to hold a Commons vote on his Brexit plans in a rare Saturday sitting next weekend.

The Benn act, passed by parliament in a bid to block a no-deal Brexit, obliges the prime minister to request a delay if he has not agreed a deal with the EU27 and secured the backing of the House of Commons for it by 11pm on Saturday.

https://www.theguardian.com/politics/2019/oct/13/barnier-warns-brexit-talks-have-been-difficult-amid-pessimism-over-deal

Monthly GDP (Aug)

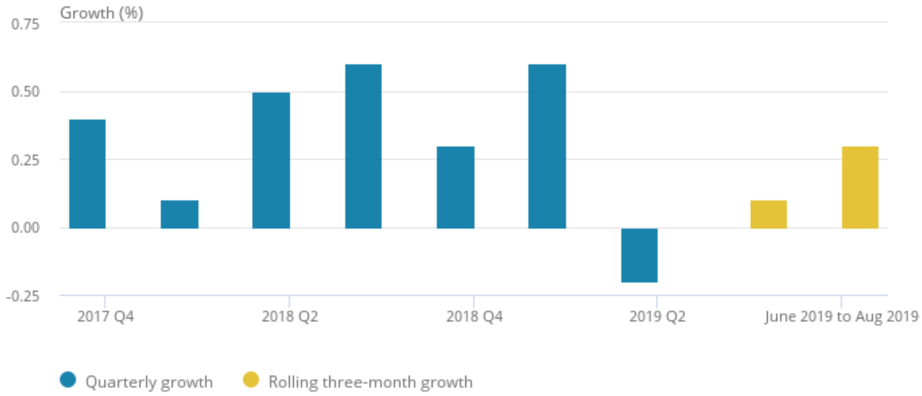
The rolling 3-month GDP for Jun-Aug increased at a faster pace (than the prior rolling 3-months to Jul) – due mostly to the faster growth recorded in Jul., especially in the services sector.

The month by month breakdown (though more volatile), indicates that growth slowed in Aug across all sectors.

<u>Rolling 3-month change</u>; Jun-Aug +0.3% versus May-Jul +0.1%

Figure 1: Rolling three-month GDP growth increased for the second consecutive month after falling in Quarter 2 2019

UK GDP growth, Quarter 4 (Oct to Dec) 2017 until June to August 2019



Source: Office for National Statistics – GDP monthly estimate

The main/only driver of growth in the latest 3-month period was services, which contributed +0.36% pts to the headline growth of +0.3%. Production detracted -0.06% pts from overall growth and construction growth added 0% pts.

The break down on a month by month basis indicates that Jul was the stronger of the 3-months and activity in Aug declined;

Table 2: Breakdown of GDP and its components' growth rates by month

	June 2019	**July 2019**	**August 2019**
GDP	0.1	0.4	-0.1
Index of Services	0.2	0.3	0.0
Index of Production	0.1	0.1	-0.6
Manufacturing	-0.3	0.4	-0.7
Construction	-1.1	1.8	0.2
Agriculture	0	0	-0.1

Source: Office for National Statistics – GDP monthly estimate

https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/august2019

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Australia

AiG Summary Perf of Construction, Manufacturing & Services Index (Sep)

Manufacturing growth improved, services growth remained low and construction contracted at a faster pace. New orders were stronger in manufacturing indicating some continued future strength in activity. One common theme across manufacturing, services and construction was the decline in selling prices – indicating that demand pressure remains an issue. So far there has been little, if any, flow through to construction and services related to property from rate cuts.

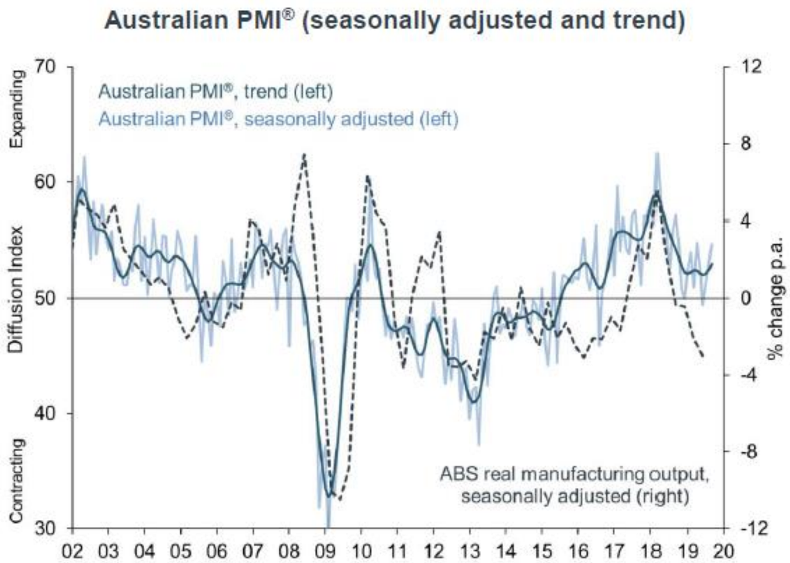
Performance of Manufacturing Index; Sep 54.7 versus Aug 53.1

The increase in the headline index indicated that manufacturing activity grew at a faster pace in Sep. The faster growth was the result of acceleration in employment (food & beverage sector) and new orders. Input prices and average wages also increased at a faster pace.

Production, exports, sales and selling prices all shifted back into contraction territory.

Despite the improvement in the headline index, capacity utilization still edged lower.

Four of six sectors expanded at a faster pace in Sep with growth in food and beverage manufacturing remaining the leading sector.

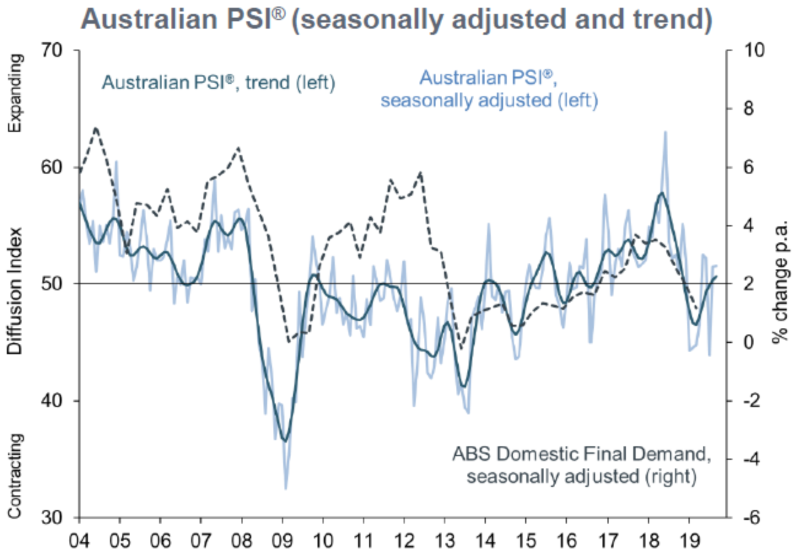


Performance of Services Index; Sep 51.5 versus Aug 51.4

There was little change in the pace of growth in services activity in Sep after the much larger acceleration in Aug. Overall growth remains low, but still expanding. There was some acceleration in the growth of new orders, supplier deliveries and average wages. Employment growth slowed sharply to flat/no growth. Sales and selling prices remained in contraction.

Of the business-oriented service industries, only finance and insurance expanded at a faster pace, remaining above the 12-month average. Business & property and wholesale trade fell further into contraction, while transport and storage declined at a slower pace.

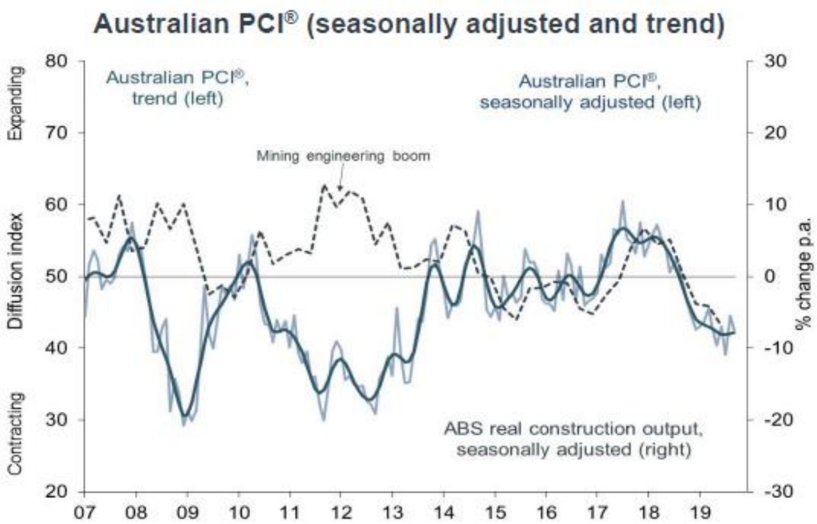
Of the consumer-oriented services industries, retail trade rebounded from contraction to zero growth. Hospitality grew at a slower pace, health and education growth remained robust and recreation & other declined at a faster pace.



Performance of Construction Index; Sep 42.6 versus Aug 44.6

Construction activity continued to contract at faster pace in Sep. This was led by a further deterioration in activity, new orders and supplier deliveries. Selling prices contracted but at a slower pace. Employment also continued to decline at a similar pace.

All major construction industries remained in contraction territory this month. House building contracted but at a slower pace. Apartment and engineering construction remained firmly in contraction and declined at a faster pace this month. The pace of decline in Commercial construction was unchanged.



https://www.aigroup.com.au/policy-and-research/economics/economicindicators/

NAB Business Conditions & Confidence (Sep)

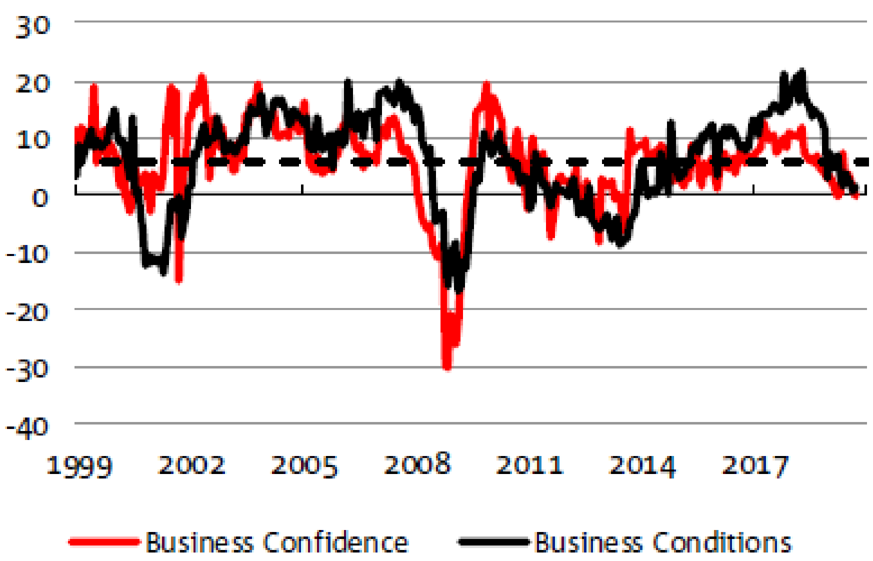
There was only a small uptick in business conditions in Sep while business confidence edged slightly lower. Confidence is now sitting at a neutral position – neither optimistic nor pessimistic.

Business Confidence; Sep 0 versus Aug 1

Business Conditions; Sep 2 versus Aug 1

Both elements remain below the long-term average;

CHART 8: BUSINESS CONDITIONS AND BUSINESS CONFIDENCE



* Dotted lines are long-run averages since Mar-97.

The components of business conditions all improved slightly in Sep;

Trading increased from 3 in Aug to 4 in Sep. Profitability declined at a slower pace from -3 in Aug to -2 in Sep. Employment continued to increase from 2 in Aug to 3 in Sep.

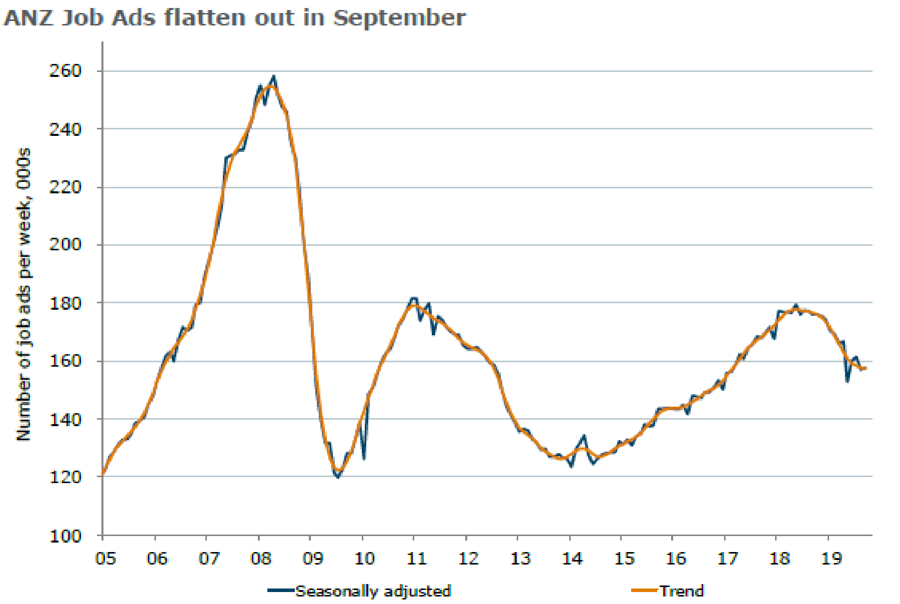
Forward orders declined at a slower pace, indicating that there may be some near term improvement. Stocks were unchanged. Exports were also unchanged at the neutral level.

https://business.nab.com.au/nab-monthly-business-survey-september-2019-36962/

ANZ Job Ads (Sep)

The ANZ job adverts series is one forward indicator of potential private sector jobs growth.

In Sep, job ads stabilized, growing at +0.3% after a much larger declined in Aug of -2.6%. The pace of job ads remains 10% below a year ago.



Source: ABS, SEEK, Dept of Employment, Skills, Small and Family Business, ANZ Research

The ANZ job ads series hints at the role of public sector jobs growth;

> The public sector appears to be responsible for the surprising strength in employment growth; ANZ Job Ads may be more reflective of the weakness in the private sector. We may see job ads deteriorate again in future months if the public sector strength is not sustained and if there is no significant change in momentum in private sector employment.

https://media.anz.com/posts/2019/10/job-ads-stabilise-in-september-after-a-bumpy-few-months-?adobe_mc=MCMID%3D62542987290149514063282464170528242039%7CMCORGID%3D67A216D751E567B20A490D4C%2540AdobeOrg%7CTS%3D1570850390

Housing Lending (Aug)

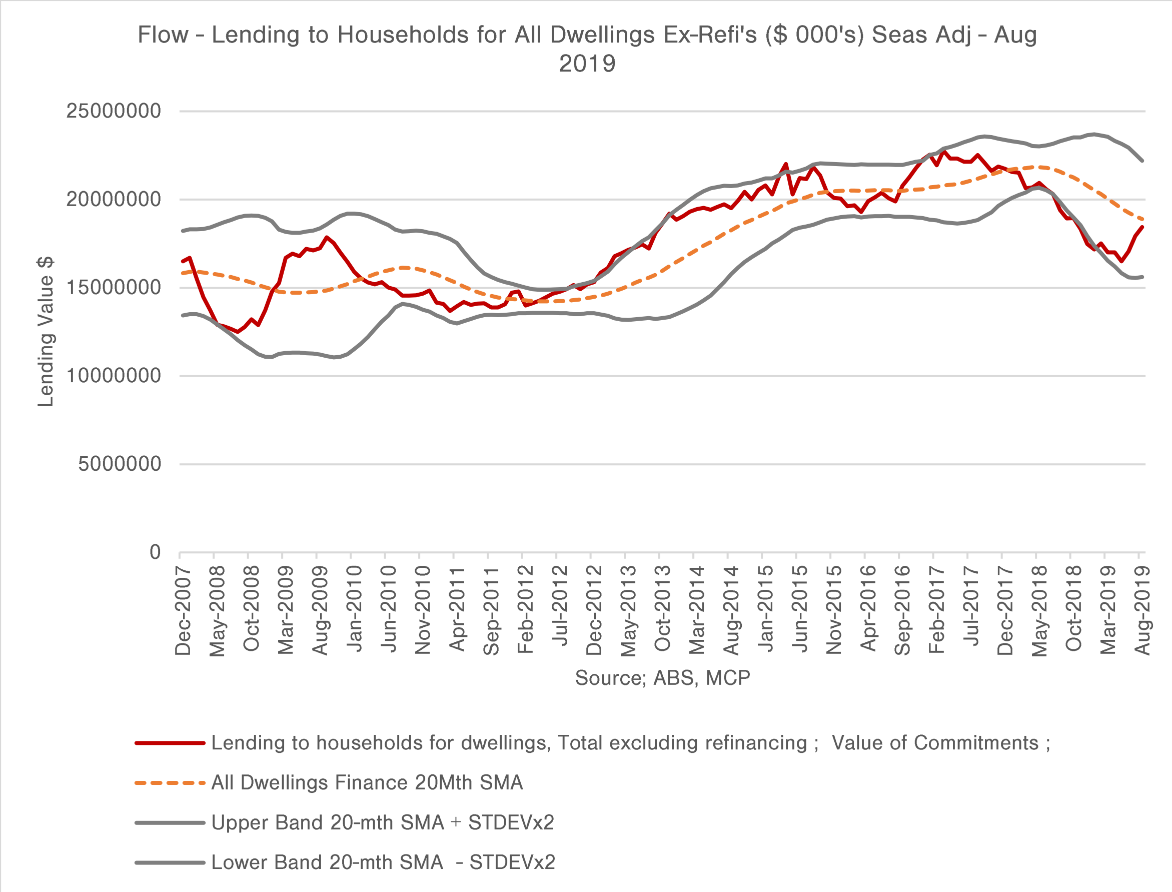
The value of lending for housing continued to increase in the latest month with the pace slowing slightly. The growth this month was led equally by lending for owner occupiers and lending for investors.

The annual decline in housing lending has slowed markedly over the last few months – partly the result of increased lending and the lower base effect.

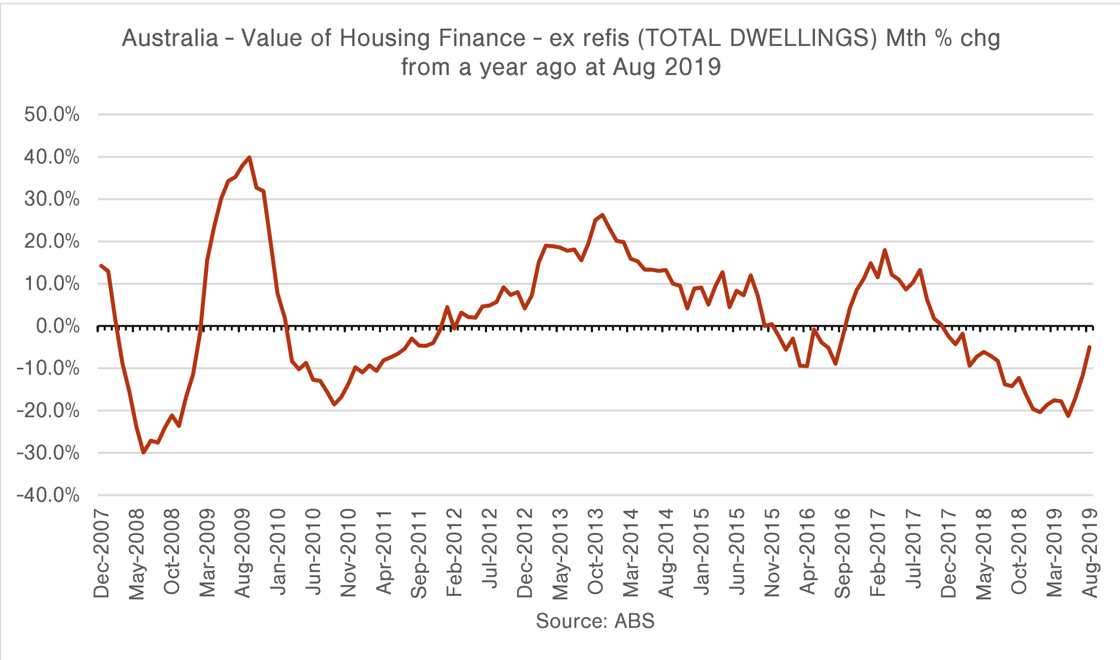
<u>Value of Lending for Housing – Total Excluding Refi's</u>

Month change; Aug +3% (+$0.52bn) versus Jul +5% (+$0.9bn)

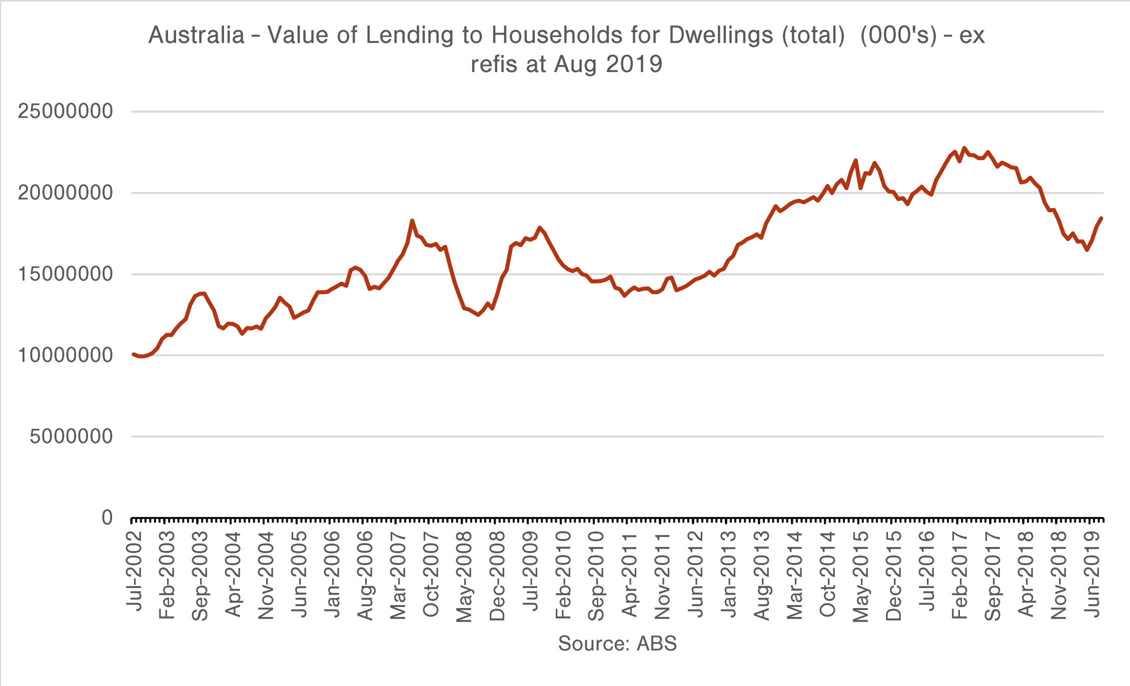
The current month change was a 0.3 SD increase (based on the last 20-months). The value of lending is now just below the 20-month simple moving avg;-



On an annual basis, lending in Aug was now only 5% below the same month a year ago. The annual decline in lending has slowed quickly to being down only -5% after peaking at -21% only a few months ago in May. This is partly due to the growth in lending and the lower base effect from the year prior;



The trend in the value of lending indicates that the total value of lending for all dwellings/housing remains 20% below the peak of Mar 2017;



In Aug lending for both owner occupiers and investors contributed equally to the growth in the month.

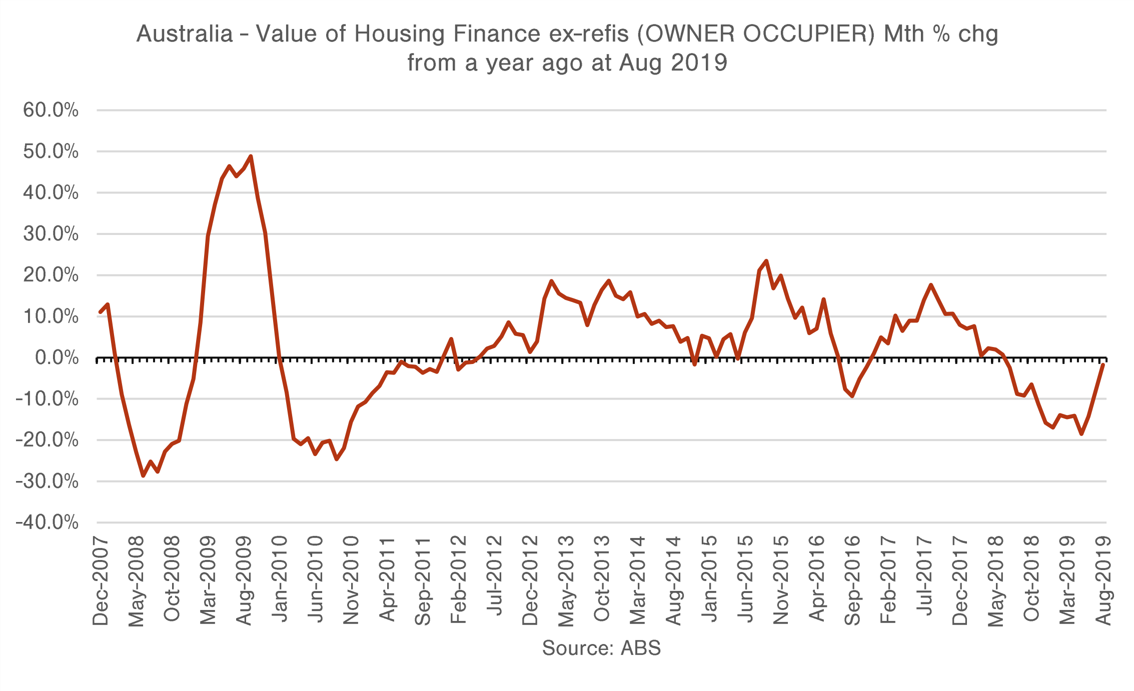
<u>Lending for Owner Occupiers – Excluding Refis</u>

Month change; Aug +2% (+$0.26bn) versus Jul +5% (+$0.7bn)

The increase in Aug was a +0.3 SD increase (based on the last 20-months).

Three (3) areas account for lending to owner occupiers. The largest is for the purchase of established dwellings (which increased by +2% or +$0.22bn in the month). The second largest is lending for the construction of new owner occ dwellings (which decreased by 1% or -$0.02bn). The third area is lending for the purchase of new owner occ dwellings (which increased by 5% or +$0.05bn).

The annual change in lending for all owner occupier dwellings declined at slower pace of onl-2% in Aug (after peaking at -19% only a few months ago in May.



Total lending for owner occupier dwellings in Aug remains 9% below the peak.

The other aspect to consider is the NUMBER of housing finance commitments for owner occupiers. While the value of commitments increased by 2% in Aug, the number of commitments increased by only 0.7%. This suggests that the mix of dwellings purchased may have been skewed to higher value properties.

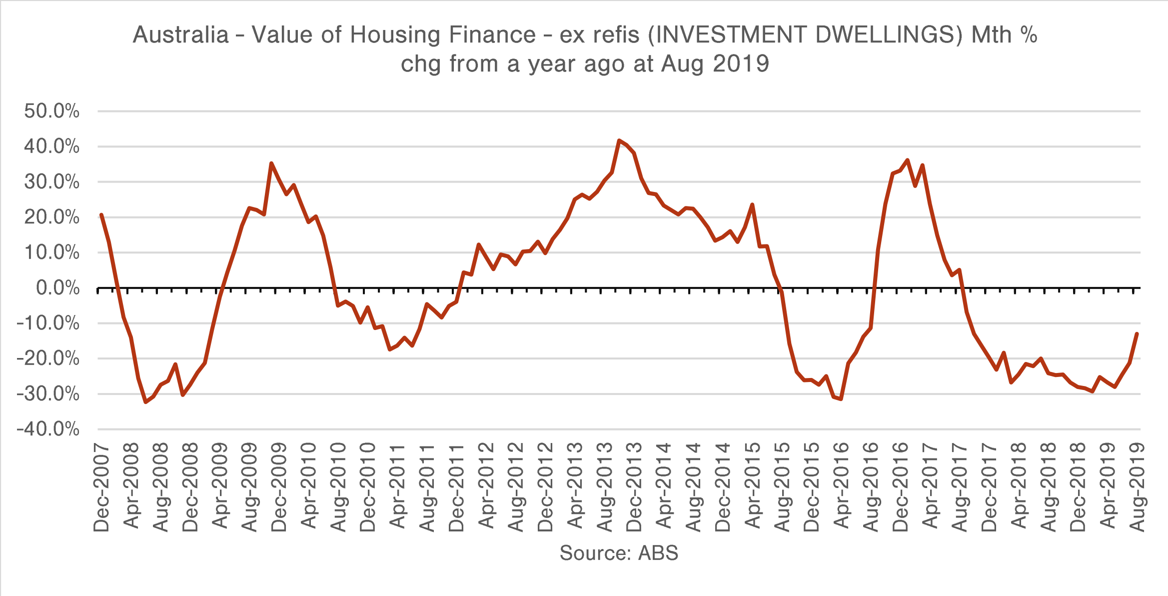
The increase in the number of commitments month was the result of increases (at minimum in line with the National pace in Aug) in NSW, Vic, Qld, SA and WA. The number of commitments did not increase in Tas and declined in both NT and the ACT in Aug.

<u>Lending to Investors – Excluding Refi's</u>

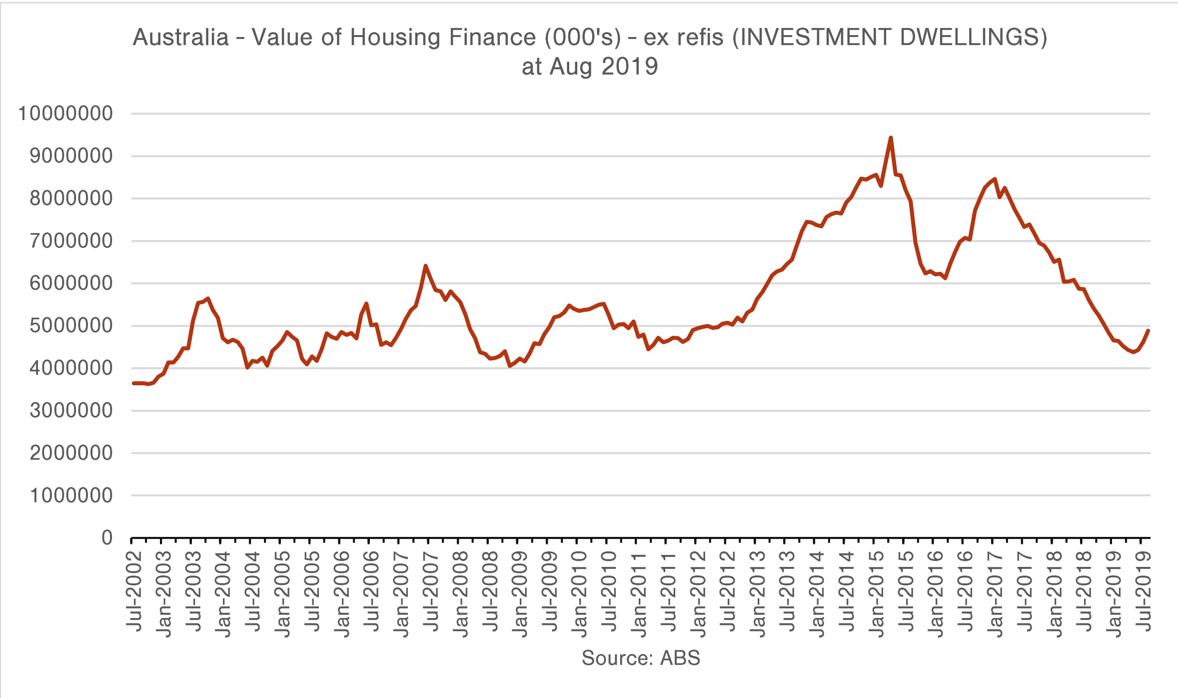
Month change; Aug +6% (+$0.26bn) versus Jul +4% (+$0.18bn)

The increase in the month was a +0.4 SD increase (based on the last 20-months).

On an annual basis, the value of lending in Aug remains 13% below the same month a year ago;



Importantly, the value of lending for investment properties remains 48% below the peak in lending. The caps on lending for investors and the (somewhat) new tiered interest rates for interest only loans (among other issues) suggests that the 'recovery' in this part of the market may take a lot longer – which will leave a larger gap in lending growth and hence impact on prices. At the peak, lending for investors was almost 50% of the market;



https://www.abs.gov.au/ausstats/abs%40.nsf/mediareleasesbyCatalogue/CD780691805A926CCA25839E001987B5?OpenDocument

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China

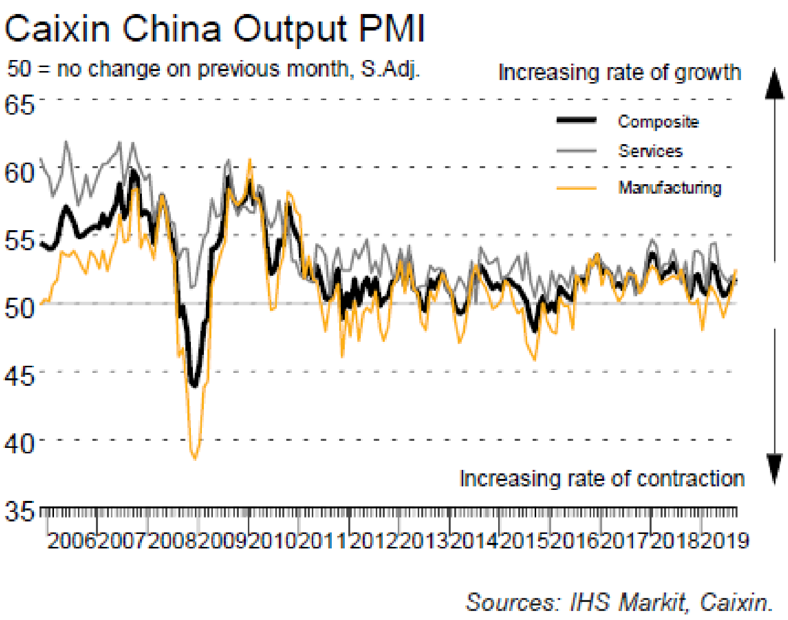
Caixin Composite PMI (Sep)

The Caixin index covers mostly small and medium sized firms in the private sector.

The headline composite index increased slightly versus the month prior, led by faster growth in manufacturing activity and slower growth in services.

Headline Composite PMI; Sep 51.9 versus Aug 51.6

Output growth was mostly the result of increased manufacturing output.



Despite the somewhat improved activity, confidence continued to wane;

> At the composite level, business confidence regarding the 12-month outlook for activity weakened to a three-month low in September. The level of positive sentiment in the manufacturing sector was little changed from August, while optimism in the service sector slipped to its lowest since May. In both cases, expectations were among the lowest seen in the series history.

Caixin Services PMI (Sep)

Services Activity Index; Sep 51.3 versus Aug 52.1

New orders increased at a faster pace and new export orders also increased marginally. Overall employment growth was led by faster growth in service employment. Order backlogs increased. Output charges only increased at a modest pace.

https://www.markiteconomics.com/Public/Home/PressRelease/0414da7c00094259b5503a670848e411

Caixin Manufacturing PMI (Sep)

The headline manufacturing PMI indicated that conditions had improve in Sep and growth increased at a faster pace. This was led by a modest improvement in new orders, although new export orders continued to decline. Output increased and employment remained unchanged.

Headline manufacturing PMI; Sep 51.4 versus Aug 50.4

Sources: IHS Markit, Caixin.

New orders increased at a slightly faster pace. This was led by stronger domestic demand while new export orders continued to contract (albeit at a slower pace). Production increased as a result. Backlogs of work increased at a faster pace as firms kept employment levels unchanged.

Input buying remained marginal as firms continued to manage lower inventory levels. Stocks of finished goods increased for the second month in a row.

Input costs increased in Sep after declining in Aug. Output charges were unchanged from the month prior.

Optimism towards the one-year outlook for output remained relatively weak in September, with concerns over future trade conditions commonly cited by panel members.

https://www.markiteconomics.com/Public/Home/PressRelease/f99161d414664978aa46d4631e7e3094

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Trade

US-China Trade Talks

News appears to be more positive this week on the progress of US-China trade talks. US President Trump announced that a phase one deal had been agreed to with China. Details appear to include the purchase of agriculture by China and the halting of further tariff increases by the US (originally rescheduled for next week). The US has repeatedly announced that China has agreed to purchase more agriculture, so the real news here is that there is at least a truce and tariff rates will remain unchanged.

Last week we outlined the potential for a shift in the shape of the agreement (much like the negotiations with Japan); more of a truce in the short-term, dealing with agriculture and energy purchases. Phase two/three could deal with rolling back some tariffs etc as long as progress is made on the main issues of industrial policy and intellectual property protections.

While the more difficult issues of the negotiations have been reserved for the next phase of the negotiations, there is, at the very least, no further deterioration in the situation. But with the details yet to be written and fully agreed to (we were here back in May), the situation will remain tenuous.

It is possible that this first phase of the 'truce' is signed at the APEC meeting in Chile 16-17 Nov 2019.

Two weeks ago, US President Trump announced a two-week delay to the implementation of the tariff increase on $250bn of imports from China originally planned for 1 Oct. The delay was in observance to the PRC's 70th anniversary on 1 Oct. This increase in the tariff rate will now not go ahead on the 15 Oct.

Reconfirming what a 'win' in the negotiations with China looks like – a statement of the key negotiating 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

US-Japan Trade Talks

On the sidelines of the UN General Assembly last month, the US and Japan signed a limited trade deal that will precede a more comprehensive deal/negotiation to commence next year.

> Trump said the first-phase deal would open up Japanese markets to some $7 billion worth of U.S. products annually, cutting Japanese tariffs on American beef, pork wheat and cheese. Although the agreement does not cover trade in

autos, Abe said he had received reassurance from Trump that the United States would not impose previously threatened "Section 232" national security tariffs on Japanese car imports. https://www.reuters.com/article/us-usa-trade-japan/us-japan-sign-limited-trade-deal-leaving-autos-for-future-talks-idUSKBN1WA2D8

The current limited deal still needs to be ratified by the Japanese parliament before the limited deal is to take effect from the beginning of Jan 2020. The US Congress does not need to ratify this first more limited deal.

Details from the Congressional Research Service; https://crsreports.congress.gov/product/pdf/IF/IF11120#targetText=Japan's%20Diet%2C%20however%2C%20will%20have,effect%20on%20January%201%2C%202020.

The summary of US negotiating objectives for the US-Japan trade talks;

https://ustr.gov/sites/default/files/2018.12.21_Summary_of_U.S.-Japan_Negotiating_Objectives.pdf

US-Europe Trade Talks

The WTO found in favour of the US in the Airbus case with a $7.5bn award. The US has announced that from 18 Oct, tariffs on some EU imports will take effect;

"The tariffs will be applied to a range of imports from EU Member States, with the bulk of the tariffs being applied to imports from France, Germany, Spain, and the United Kingdom – the four countries responsible for the illegal subsidies. Although USTR has the authority to apply a 100 percent tariff on affected products, at this time the tariff increases will be limited to **10 percent on large civil aircraft and 25 percent on agricultural and other products**. The U.S. has the authority to increase the tariffs at any time, or change the products affected." https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/october/us-wins-75-billion-award-airbus

The counter-case where the EU is pursuing tariffs against US support for Boeing is running approx. six-months behind.

Amid the current negotiations, the EU will transition to new leadership from the start of Nov including a new lead trade negotiator;

"The decision sets the stage for a showdown between Europe and Washington just as the EU is transitioning to new leadership under incoming Commission President Ursula von der Leyen and Trade Commissioner-designate Phil Hogan. In unveiling her team on Tuesday, von der Leyen signaled **a robust approach to transatlantic disputes on trade and other issues with the Trump administration**" https://www.politico.eu/article/trump-poised-to-hit-eu-with-billions-in-tariffs-after-airbus-win/

There are several fronts to the US-EU trade discussions.

Airline Subsidies

The WTO has now ruled in favour of the US (confidential judgement) over illegal European subsidies to Airbus. The EU also has a similar case pending related to Boeing.

Both sides have already identified potential areas for further sanctions if matters escalate and the US has already instigated a second process to identify further targets for tariffs.

The USTR has commenced another review; "Additional Products for Tariff Countermeasures in Response to Harm Caused by EU Aircraft Subsidies" (1 Jul 2019) https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/july/ustr-proposes-additional-products#

According to the Federal Register announcement;

> "A number of public comments submitted in response to the April 12 notice requested that the U.S. Trade Representative consider additional products that were not included in the April 12 list for possible inclusion on the final list of products to be subject to additional duties." https://ustr.gov/sites/default/files/enforcement/301Investigations/Notice_for_Additional_Products.pdf

The process for the latest review has been completed – with no final announcement.

> "In the event the Arbitrator issues its decision prior to completion of the public comment process on the supplemental list, the USTR may immediately impose increased duties on the products included in the initial list, and take further possible actions with respect to products on the supplemental list."

Also hanging over the negotiations are the US threats of tariffs on auto imports from Europe.

Trade Negotiations

One of the main issues standing in the way of a trade deal is that agriculture has been exempt from the negotiations by the EU.

The key sticking point remains agriculture. The EC authorised negotiations to commence between the EU and the US – but excluding agriculture. 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

> ""I do not think we will reach an agreement if agriculture is not included," McKinney told reporters on a teleconference during his visit to Brussels, citing

concerns raised by U.S. lawmakers and Trump."
https://www.reuters.com/article/us-usa-trade-eu/no-u-s-eu-trade-deal-without-agriculture-u-s-official-idUSKCN1TS2SH

Instex

The EU confirmed that Britain, France and Germany had established a special trade channel (Instex) that would enable trade with Iran that circumvents the US sanctions. It was announced last year that the EU would work on developing the channel.
https://www.reuters.com/article/us-iran-nuclear-talks-statement/europe-says-iran-trade-channel-operational-statement-idUSKCN1TT2RL

President Trump made some mention of this development at the G-20;

> "President Donald Trump said there was "absolutely no time pressure" in dealing with Iran as European nations pushed to salvage what remains of the 2015 nuclear accord and avert a slide toward war."
> https://finance.yahoo.com/news/trump-chats-putin-shakes-hands-081017994.html

The Instex system enables trade with Iran without the use of U.S. dollars or US banks. The US has previously stated opposition to this;

> "According to Bloomberg, the Treasury Department's undersecretary for terrorism and financial intelligence, Sigal Mandelker, sent a letter on May 7 warning that Instex, the European SPV to sustain trade with Tehran, and anyone associated with it could be barred from the U.S. financial system if it goes into effect."

> "Separately, during a visit to London on May 8, Mike Pompeo also warned that there was no need for Instex because the U.S. allows for humanitarian and medical products to get into Iran without sanction."

> ""When transactions move beyond that, it doesn't matter what vehicle's out there, if the transaction is sanctionable, we will evaluate it, review it, and if appropriate, levy sanctions against those that were involved in that transaction," Pompeo said. "It's very straightforward.""

Digital Services

Undeterred by the USTR investigation into the digital services tax to be approved by the Govt of France, the EU has opened its own investigation into possible anti-competitive conduct of Amazon;

> "The European Commission has opened a formal antitrust investigation to assess whether Amazon's use of sensitive data from independent retailers who sell on its marketplace is in breach of EU competition rules."
> https://ec.europa.eu/commission/presscorner/detail/en/ip_19_4291

Further to the USTR S.301 investigation into the digital services tax approved by the French government, a public hearing on the tax implications has been held in the US;

> "The French DST law imposes a 3% tax on annual revenues generated by some companies that provide certain digital services to, or aimed at, French users. The tax applies only to companies with annual revenues from the covered services of at least €750 million globally and €25 million in France. The services covered are ones where U.S. firms are global leaders." https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/august/public-hearing-section-301

Background

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

Section 232 – Car and Truck Imports

President Trump has agreed to delay the decision to impose tariffs on auto imports as a part of the s.232 investigation on car and truck imports on national security grounds. But he has **stated that he agrees with the conclusion of the Commerce Dept report that imports harmed national security by causing declining market share for US-owned carmakers.**

> ""I concur in [Commerce Secretary Wilbur Ross'] finding that automobiles and certain automobile parts are being imported into the United States in such quantities and under such circumstances as to threaten to impair the national security of the United States," Trump said in a proclamation outlining his decision." https://www.politico.com/story/2019/05/17/donald-trump-auto-tariffs-1330014

As a part of the announcement, US President Trump also…

> "directed U.S. Trade Representative Robert Lighthizer to pursue the negotiation of agreements with the EU, Japan and other countries that address the alleged national security threat posed by auto imports.
>
> Lighthizer was directed to update the president on the status of those talks within 180 days." https://www.politico.com/story/2019/05/17/donald-trump-auto-tariffs-1330014

The tariffs remain as negotiating leverage between the US and Japan and the EU. The S.232 report has not been made public, but President Trump's statement provided some insight as to how the Commerce Dept justified the 'national security' grounds;

> "The rapid application of commercial breakthroughs in automobile technology is necessary for the United States to retain competitive military advantage and meet new defense requirements," the proclamation said.
>
> The proclamation added that the U.S. defense industrial base depends on the "American-owned automotive sector" for development of technologies essential to military superiority. Foreign imports have eroded the ability of U.S.

companies to compete and research and develop new technologies, the proclamation said.

"The lag in R&D expenditures by American-owned producers is weakening innovation and, accordingly, threatening to impair our national security," the proclamation stated. https://www.politico.com/story/2019/05/17/donald-trump-auto-tariffs-1330014

NAFTA/USMCA

Both sides of politics in the US continue to support the passing of the USMCA trade deal. The key issues to address remain labour, environment, enforcement and prescription drug provisions.

The Democrats are working with USTR Lighthizer on changes required to the USMCA before the deal can go to Congress for approval.

"The end of 2019 has become an informal deadline to get the deal approved amid concerns that it will get lost in the noise of the presidential election if it bleeds into 2020. But the campaign itself could add to pressure for action sometime over the fall, as Democrats seek to defend their House majority." https://www.politico.com/story/2019/08/31/democrats-trade-trump-1691486

Canada has yet to approve the deal. It has been reported that Canada will wait to approve the deal until after 21 Oct elections. It was originally reported that Canada would not take steps to approve the deal until the US had ratified the deal. (Source; https://www.reuters.com/article/us-usa-trade-usmca/pence-upbeat-that-congress-will-pass-usmca-trade-deal-this-year-idUSKBN1W22FF)

US-UK Trade Talks

During his visit to the UK, President Trump announced that the US would begin talks with the UK on a trade deal as soon as Brexit was completed. 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

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