

## Key Themes

Key highlights for this week are the (remaining) manufacturing and services PMI's for Oct, rates decisions from the RBA and the BoE and several large macro data releases.

The remainder of the PMI reports for Oct are released this week across Asia, Europe and the US.

The RBA and the BoE meet this week on interest rates. As of 4 Nov, there is 93% expectation of no change in the Australian overnight cash rate at the meeting on Tuesday -

<https://www.asx.com.au/prices/targetratetracker.htm>.

Key data releases this week;

US – Factory orders for Sep, Markit services PMI, ISM non-manufacturing PMI and the preliminary university of Michigan consumer sentiment for Nov. There will also be a full week of Fed speeches this week.

Europe – Germany factory orders and industrial production for Sep, and Eurozone manufacturing and services PMIs.

Australia – retail sales and housing finance for Sep and the AiG PMI's across manufacturing, services and construction.

It will be a lighter week for US Treasury supply. The US Treasury will settle approx. \$210bn in short term bills this week, raising approx. \$24bn in new money. Approx. \$15bn in reserve management purchases will settle this week and the Fed will purchase approx. \$5.3bn in Treasury coupons as a part of the restarted reinvestment of principal payments.

## US Treasury Issuance & Settlements

The supply of US Treasuries settling this week will be lighter this week. The US Treasury will settle \$210bn in ST bills this week, raising approx. \$24bn in new money.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	
4-8 Nov	31-Oct	5-Nov	4 week bill	55			Completed
	31-Oct	5-Nov	8 week bill	40			Completed
				95	85	10	
	4-Nov	7-Nov	13 week bill	45			Announced
	4-Nov	7-Nov	26 week bill	42			
	5-Nov	7-Nov	52 week bill	28			Announced
				115	101	14	
			<b>Total - securities settling this week</b>	210	186	24	
			<b>Reserve Management Purchase Operations - Treasury Bills</b>	<b>\$B</b>			
	1-Nov	4-Nov	T-bills 0-1	7.525			
	5-Nov	6-Nov	T-bills 0-1	7.525			
				15.050			
			<b>Reinvestment Purchases - Treasury Coupons</b>	<b>\$B</b>			
	4-Nov	5-Nov	Coupons 7-20	1.425			
	6-Nov	7-Nov	Coupons 20-30	2.225			
	7-Nov	8-Nov	TIPS 1-7.5	1.625			
				5.275			

The US Treasury will also auction \$84bn in Notes and Bonds this week that will settle in the following week, raising approx. \$23.48bn.

Reserve management purchase operations - the FOMC will purchase and settle approx. \$15bn of this month's \$60bn allocation of ST Treasury Bills.

The Fed will also purchase approx. \$5.3bn in Treasury coupons as a part of the restarted reinvestment of principal payments.

<https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details#current-schedule>

The FOMC also announced at its meeting in July that reductions of its securities holdings in the SOMA will conclude in Aug rather than at the end of Sep. Principal payments from maturing securities will be reinvested;

“...Beginning in August 2019, principal payments received from agency debt and agency MBS up to \$20 billion per month will be reinvested in Treasury securities to roughly match the maturity composition of Treasury securities outstanding; principal payments in excess of \$20 billion per month will continue to be reinvested in agency MBS. **Also beginning in August, all maturing Treasury securities in the SOMA portfolio will be rolled over at Treasury auctions following usual practices.**

<https://www.federalreserve.gov/monetarypolicy/policy-normalization.htm>

## WEEK OF 4 November 2019

---

### MONDAY 4 NOVEMBER (US Eastern Time)

---

US	Factory Orders (Sep), ISM-NY Business Conditions (Oct), Motor Vehicle Sales (Oct). Fed speeches; Daly
Europe	Germany and Eurozone Manufacturing PMI (Oct)
Australia	AiG Services PMI (Oct), CBA Services PMI (Oct), Retail Sales (Sep)

---

---

### TUESDAY 5 NOVEMBER

---

US	International Trade (Sep), Markit Services PMI (Oct), ISM Non-Manufacturing PMI (Oct), JOLTS (Sep), US Fed speeches; Kaplan, Kashkari
Australia	RBA Rates Decision
China	Caixin Services PMI (Oct)
UK	Markit Services PMI (Oct)
Europe	Eurozone PPI (Sep)

---

---

### WEDNESDAY 6 NOVEMBER

---

US	US Fed speeches; Evans, Williams, Harker
Australia	AiG Construction PMI (Oct)
Europe	Germany Factory Orders (Sep), Germany and Eurozone Services PMI (Oct), Eurozone Retail Sales (Sep)
Japan	BoJ Monetary Policy Minutes, Services PMI (Oct)

---

---

### THURSDAY 7 NOVEMBER

---

US	Consumer Credit (Sep). US Fed speeches; Bostic
Europe	Germany Industrial Production (Sep)
UK	BoE Rates Decision

---

---

### FRIDAY 8 NOVEMBER

---

US	Uni of Michigan Consumer Sentiment Prelim (Nov), Wholesale Inventories (Sep). US Fed speeches; Brainard.
Australia	Housing Finance (Sep)

---

---

## Trade & Brexit

---

### US-China Trade Talks

News out late in the week indicated that trade talks for phase one were “virtually done” regarding agriculture and finance. From senior White House advisor Larry Kudlow;

"The agriculture chapter is about closed down," Kudlow told reporters. "Not only the increase in purchases [of] \$40 to \$50 billion, but the opening up of [agricultural] markets, the lowering of regulations and standards and non-tariff barriers. Very positive."

Talks on financial services were also "virtually done," he said. China is "going to give 100% ownership to American companies in China, securities firms, insurance, investment, and so forth." <https://asia.nikkei.com/Economy/Trade-war/US-China-trade-talks-virtually-done-on-agriculture-and-finance>

The situation is likely to remain tenuous. The purchase of agriculture has been a key part of this phase (China agreeing to purchase \$40-\$50bn of US agriculture). It was also reported last week that the large agricultural purchases were still a major sticking point for China in the talks;

Commerce ministry spokesman Gao Feng told reporters on Oct. 17 that China would “increase U.S. farm purchases based on domestic demand and market principles, while the U.S. would provide favorable conditions.”

The hefty agricultural purchases Trump is asking for are market distortive, Lamb-Hale said. China is telling Trump they are “just not feasible.”

<https://www.cnbc.com/2019/10/30/us-china-trade-talks-beijing-wary-about-us-pressure-to-buy-farm-goods.html>

Chile will no longer host the APEC summit, so the timing of the signing of the agreement is now unclear.

Trump still sounded an optimistic note on Thursday. "China and the USA are working on selecting a new site for signing of Phase One of Trade Agreement," Trump said on Twitter. "The new location will be announced soon. President Xi and President Trump will do signing!" <https://asia.nikkei.com/Economy/Trade-war/US-China-trade-talks-virtually-done-on-agriculture-and-finance>

There is a further tariff increase scheduled for 15 Dec. It's unclear what the hurdle will be to have that tariff increase suspended.

The more difficult issues of the negotiations have been reserved for the next phase of the negotiations. This stage of the negotiation will commence after the first deal is signed.

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](https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/january/statement-<br/>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.

The Japanese Cabinet has approved a bill to ratify this trade pact. The bill will now be up for debate in the extraordinary session of Parliament. This session ends on 9 Dec, in time to have pact ratified for the Jan 2020 deadline.

<https://mainichi.jp/english/articles/20191015/p2g/00m/0bu/046000c>

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%20h  
owever%2C%20will%20have.effect%20on%20January%201%2C%202020](https://crsreports.congress.gov/product/pdf/IF/IF11120#targetText=Japan's%20Diet%2C%20h<br/>owever%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](https://ustr.gov/sites/default/files/2018.12.21_Summary_of_U.S.-<br/>Japan_Negotiating_Objectives.pdf)

## US-Europe Trade Talks

On 1 Nov, the new EU commissioners take up office. Phil Hogan takes over as EU Trade Commissioner – a key role in the negotiation with the US. Once the new commissioners are in place, there will likely be further progress on the US-EU trade negotiations, as well as Brexit/EU-UK trade deal negotiations.

<https://www.ft.com/content/d5d1e928-e9c6-11e9-a240-3b065ef5fc55>

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

### Airline Subsidies

From 18 Oct, the US has implemented tariffs on some EU imports as a part of the WTO ruling on the Airbus case. This was announced during the week on the US Federal Register;

[https://www.federalregister.gov/documents/2019/10/18/2019-22902/technical-adjustments-  
to-section-301-action-enforcement-of-us-wto-rights-in-large-civil-aircraft](https://www.federalregister.gov/documents/2019/10/18/2019-22902/technical-adjustments-<br/>to-section-301-action-enforcement-of-us-wto-rights-in-large-civil-aircraft)

“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.

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

### Trade Negotiations

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](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>

### 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](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](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

Late last week, a Mexican official said that the USMCA was “at the threshold” of its final ratification;

"The end of this complex story is approaching, and we will soon see the United States starting the formal process for the approval of the treaty," said Jesus Seade, undersecretary for North America of the Mexican Ministry of Foreign Affairs, during President Andres Manuel Lopez Obrador's daily press conference. [http://www.xinhuanet.com/english/2019-10/26/c\\_138504592.htm](http://www.xinhuanet.com/english/2019-10/26/c_138504592.htm)

This mirrors comments made by US House Speaker Pelosi that the Republicans and Democrats were getting closer to ‘wrapping up’ changes to the USMCA.

Democrats moved at least one step forward in their ongoing negotiations on Thursday when they received a letter from Mexican President Andrés Manuel López Obrador pledging to fully implement sweeping labor forms required under the new agreement.

"There is still fluidity on the labor stuff and enforcement," Neal told reporters. "So we're looking for more assurances.

<https://www.politico.com/news/2019/10/17/pelosi-democrats-trump-administration-usmca-050128>

At this stage, there is some sign that both sides want to finalise changes by Thanksgiving. As always though “there is still a ways to go”.

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



## BREXIT

The UK has now had a further Brexit extension approved – until 31 Jan 2020. This will allow time for the general election to be held on 12 Dec 2019.

Despite doing the seemingly impossible and getting a new deal from the EU, he [PM Johnson] simply doesn't have the numbers in Parliament to pass the legislation required to deliver Brexit. Holding an election in which he secures a fresh majority was his only real option.

<https://edition.cnn.com/2019/11/02/uk/boris-johnson-brexit-risk-intl-gbr/index.html>

### Current Brexit documents:

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

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

Q&A Protocol on Ireland and Northern Ireland; [http://europa.eu/rapid/press-release\\_MEMO-18-6423\\_en.htm](http://europa.eu/rapid/press-release_MEMO-18-6423_en.htm)

## US Fed Speeches 4 Nov - 8 Nov 2019

### MONDAY

**San Francisco Federal Reserve Bank President Mary Daly** to speak in a fireside chat at NYU's Stern Center for Global Economy and Business in New York, NY

### TUESDAY

**Dallas Federal Reserve Bank President Robert Kaplan** to speak at the Real Estate Council Speaker Series in Dallas, Texas, with audience and media Q&A

**Minneapolis Federal Reserve Bank President Neel Kashkari** to speak at the Thrivent Financial Business Development Conference in Minneapolis, Minnesota. To be live-streamed

### WEDNESDAY

**Chicago Federal Reserve Bank President Charles Evans** to speak at the Council on Foreign Relations's C. Peter McColough Series on International Economics

**New York Federal Reserve Bank President John Williams** to speak in a moderated discussion on the future of the workforce at a Wall Street Journal event in New York, NY, with audience Q&A

**Philadelphia Federal Reserve Bank President Patrick Harker** to speak about "Rethinking Workforce Investments" at Drexel University in Philadelphia, Pennsylvania, with audience and media Q&A

**New York Federal Reserve Bank President John Williams** to give welcoming remarks at the New York Fed - GARP Global Risk Forum in New York, NY

### THURSDAY

**Dallas Federal Reserve Bank President Robert Kaplan** to speak at the Dallas Regional Chamber of Commerce Year Ahead Summit in Dallas, TX, with media Q&A

**Atlanta Federal Reserve Bank President Raphael Bostic** to speak about monetary policy to the Money Marketeers in New York, NY, with audience and media Q&A.

### FRIDAY

**Nil**

<https://us.econoday.com/byweek.asp?cust=us>

<https://www.federalreserve.gov/newsevents/calendar.htm>