

Key Themes

This week we begin to get more data for Mar to start rounding out the view of the initial economic impact of the C-19 shutdown.

From the US this week, initial and continuing claims will remain a key focus, as well as new mortgage applications. Of note will be retail sales and industrial production for Mar. We will also get a first view of NY and Philadelphia manufacturing conditions for Apr.

Chinese GDP for Q1 will be released. Also, Mar data for China's international trade, retail sales, industrial production and fixed asset investment.

In Australia, the focus will be on the labour market report for Mar and consumer and business confidence reports also for Mar.

This week w/c 13 Apr will see continued heavy US Treasury issuance especially for ST bills. The US Treasury will settle approx. \$512bn in ST Bills, Notes and Bonds, including four (4) Cash Management Bills (CMB's) this week, raising approx. \$262bn in new money for the week. It is possible that additional CMB's will be added this week.

The final total of US Treasury issuance settling last week w/c 06 Apr was \$509bn in ST bills, raising approx. \$308bn in new money for the week.

This week, the NY Fed will purchase approx. \$150bn (last week \$205bn) in Treasury Securities and approx. \$75bn (last week \$100bn) in MBS.

US Treasury Issuance & QE

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Please note that this may not be the final amount for this week as the US Treasury will likely add further CMB's during the week.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B			
13-17 Apr	09-Apr	14-Apr	4 week bill	90			Completed	9127962L2	
	09-Apr	14-Apr	8 week bill	70			Completed	9127962U2	
				160	93.14	66.86			
	08-Apr	14-Apr	154-Day CMB	40			Announced	9127963Y3	Matures 15 Sep
	13-Apr	15-Apr	69-Day CMB	35			Announced	9127962W8	Matures 23 Jun
	14-Apr	15-Apr	43-Day CMB	65			Announced	912796TW9	Matures 28 May
	14-Apr	16-Apr	119-Day CMB	25			Announced	912796TD1	Matures 13 Aug
				165	0	165			
	13-Apr	16-Apr	13 week bill	57			Announced	912796S23	
	13-Apr	16-Apr	26 week bill	48			Announced	9127962R9	
				105	77.7	27.3			
	06-Apr	15-Apr	3yr note	40			Announced		
	07-Apr	15-Apr	10yr note	25			Announced		
	08-Apr	15-Apr	30yr bond	17			Announced		
				82	79.15	2.85			
			Total - securities settling this week	512	249.99	262.01			
			Fed SOMA - Face Value of SOMA securities maturing	\$B					
		14-Apr	Bills	7.0					
		15-Apr	Notes /Bonds	0.2					
		15-Apr	TIPS (incl inflation compensation)	0.1					
		16-Apr	Bills	9.2					
				16.5					

<https://www.treasurydirect.gov/instit/annceresult/press/press.htm>

QE PROGRAMS

Date	Treasury Security Operations (\$ BN)	MBS Operations (\$ BN)
Mon 13 Apr	\$29	\$14.5
Tue 14 Apr	\$33	\$15.7
Wed 15 Apr	\$31	\$14.5
Thur 16 Apr	\$27.5	\$15.7
Fri 17 Apr	\$29.5	\$14.5

Total Announced Purchases

\$150bn (last wk \$205bn)

\$75bn (last wk \$100bn)

Links to schedules;

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

https://www.newyorkfed.org/markets/ombs_operation_schedule

REPO OPERATIONS

The next monthly schedule will be released 13 Apr 2020

Date	Maturity Date	Term	Aggregate Operation Limit
Morning – daily operation	Next day	O/N	\$500bn
Afternoon – daily operation	Next Day	O/N	\$500bn
Mon 13 Apr 2020	11 May 2020	28-Days	\$500bn
<i>Further operations to be announced</i>			

<https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/repo-reverse-repo-agreements/repurchase-agreement-operational-details#monthly-summary>

SWAP LINES

Announcements;

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315b.htm>

USD swap line arrangements were further expanded;

<https://www.newyorkfed.org/markets/international-market-operations/central-bank-swap-arrangements>

<https://apps.newyorkfed.org/markets/autorates/fxswap>

WEEK COMMENCING 13 APRIL 2020

MONDAY 13 APRIL (US Eastern Time)

Easter Monday

TUESDAY 14 APRIL

Australia NAB Business Conditions and Confidence (Mar)

China Trade Balance, Exports & Imports (Mar)

WEDNESDAY 15 APRIL

US Mortgage Applications wk ending 10 Apr, NY Empire State Manufacturing Index (Apr), Retail Sales (Mar), Industrial Production (Mar), NAHB Housing Market Conditions Index (Apr)

Australia Westpac Consumer Confidence (Apr)

THURSDAY 16 APRIL

US Initial Jobless Claims for wk ending 10 Apr, Building Permits and Housing Starts (Mar), Philly Fed Manufacturing Survey (Apr)

Europe Industrial Production (Feb)

Australia Labour Market Survey (Mar)

FRIDAY 17 APRIL

Europe CPI – Final (Mar)

Japan Industrial Production – Final (Feb)

China GDP Q1 2020, Fixed Asset Investment (Mar), Industrial Production (Mar), Retail Sales (Mar)

Trade & Brexit

US-China Trade Talks

Timing for the commencement of the second phase of the deal remains unclear amid the breakout of the now global pandemic.

The USTR has confirmed progress on the implementation of phase one of the trade deal.

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/march/usda-and-ustr-announce-continued-progress-implementation-us-china-phase-one-agreement>

Reconfirming what a 'win' in the negotiations with China looks like – a statement of the key negotiating goals as outlined by the USTR from the initial USTR objectives (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

The focus in early 2020 will be on phase two of the deal – originally planned to begin from April or May this year;

After the deal enters into force, the countries have agreed to conclude consultations for further trade talks within four months. Then discussions between their lead negotiators, Foreign Minister Toshimitsu Motegi and U.S. Trade Representative Robert Lighthizer, will start again in earnest.

The United States is seeking a full-fledged free trade agreement that covers areas including services and investment.

<https://www.japantimes.co.jp/news/2019/12/04/business/economy-business/upper-house-approves-united-states-japan-trade-deal/#.Xe3HTegzaUk>

The issue for phase two talks is auto tariffs;

Japan has said it has received U.S. assurance that it would scrap tariffs on Japanese cars and car parts, and that the only remaining issue was the timing. But Washington has not confirmed that.

<https://www.reuters.com/article/us-usa-trade-japan/japan-lower-house-passes-u-s-trade-deal-auto-tariffs-still-in-question-idUSKBN1XT0IK>

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

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

Airline Subsidies

From 18 Oct, the US had implemented tariffs on some EU imports as a part of the WTO ruling on the Airbus case. This week, the USTR announced a further increase in the tariff rate in aircraft imported from the EU into the US from 10% to 15% - effected from 18 Mar 2020.

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/february/ustr-revises-75-billion-award-implementation-against-eu-airbus-case>

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

Trade Deal 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

““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>

The threat of auto tariffs also remains an issue, despite the US missing the S.232 deadline of 14 Nov. <https://www.cnbc.com/2019/11/08/trump-wont-impose-tariffs-on-european-cars-eu-juncker-says.html>

Digital Services

France on Monday agreed to suspend a 3% digital tax on U.S. tech companies in exchange for Washington holding off on a threat to impose tariffs of up to 100% on a \$2.4 billion list of French imports, a French diplomatic source said. <https://www.reuters.com/article/us-usa-trade-deals/after-china-trade-deal-europe-and-uk-next-on-trumps-to-do-list-idUSKBN1ZL2TJ>

The USTR S.301 investigation into the digital services tax approved by the French government has been completed and released its report on 2 Dec 2019;

“USTR’s decision today sends a clear signal that the United States will take action against digital tax regimes that discriminate or otherwise impose undue burdens on U.S. companies,” Ambassador Robert Lighthizer said. **“Indeed, USTR is exploring whether to open Section 301 investigations into the digital services taxes of Austria, Italy, and Turkey.** The USTR is focused on countering the growing protectionism of EU member states, which unfairly targets U.S. companies, whether through digital services taxes or other efforts that target leading U.S. digital services companies.” <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/december/conclusion-ustr%E2%80%99s-investigation>

The proposed action includes up to 100% duties on certain French products imported into the US. The USTR is now inviting comments on the proposed action at a public hearing in Washington on 6-8 Jan 2020. <https://www.federalregister.gov/documents/2019/12/06/2019-26325/notice-of-determination-and-request-for-comments-concerning-action-pursuant-to-section-301-frances>

and

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/january/public-hearing-proposed-action-frances-digital-services-tax-0>

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

Back in May 2019, 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. A Reuters article during the week reported that President Trump may no longer be able to impose tariffs under this S.232 investigation because of the missed announcement deadline. Source: <https://www.reuters.com/article/us-usa-trade-autos/trump-can-no-longer-impose-section-232-auto-tariffs-after-missing-deadline-experts-idUSKBN1XT0TK>

The 1962 act is clear about the time limits that a president has for invoking tariffs to protect U.S. national security.

The article outlines other recent cases where the increase in tariffs have been challenged due to missed deadlines (Turkey and the increase in steel tariffs in 2018).

The article outlines the “escape hatch” for President Trump;

A clause in the 1962 law may offer an escape hatch for Trump. If an agreement is not reached within 180 days or proves ineffective, “the President shall take such other actions as the President deems necessary to adjust the imports of such article so that such imports will not threaten to impair the national security.” It adds that Trump would be required to publish these actions in the Federal Register, but does not specify a time frame.

For the moment, there have been no announcements made by the USTR or by the USTR on the Federal Register.

The threat of auto tariffs is likely to 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. There are other avenues for how these tariffs may be implemented.

NAFTA/USMCA

Now that all parties have ratified the new USMCA, the focus shifts to when the deal will take effect. This is so far likely to be early Jul 2020.

https://insidetrade.com/daily-news/july-1-now-earliest-usmca-can-enter-force-if-protocol-followed?utm_source=dlvr.it&utm_medium=twitter

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/march/ambassador-lighthizer-statement-canadas-approval-usmca>

US-UK Trade Talks

The likely priority for the UK will be the UK-EU trade deal negotiation to complete the Brexit transition.

The USTR has 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

This week, the EU and UK chief negotiators for Brexit will organize a timetable for further rounds of negotiations in Apr and May.

The UK has continued to reject suggestions to extend the final Brexit date of 31 Dec 2020.

Last week, the UK PM Johnson was in intensive care as a result of the coronavirus infection.

At this stage, both sides have shared draft legal agreements;

Link to the EU draft is embedded in the release;

https://ec.europa.eu/commission/presscorner/detail/en/IP_20_447

The UK negotiating objectives;

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/868874/The_Future_Relationship_with_the_EU.pdf