

## Key Themes

The focus this week will be on central bank meetings of the BoJ, the US Fed and the ECB as well as the prelim Q1 GDP releases for the US and the Eurozone.

The release of the final PMI's for Apr will commence at the end of the week. The Chinese National Bureau of Statistics will also release the NBS Manufacturing and Non-Manufacturing PMI's for Apr.

Other important data releases this week will be;

US; ISM Manufacturing PMI for Apr, Initial Jobless Claims for last week and several more regional manufacturing surveys for Apr.

Australia's Q1 CPI.

The US Fed will continue to reduce purchases of Treasury and Mortgage securities. This week, the NY Fed will purchase approx. \$50bn in Treasury Securities (last week \$75bn, prior week \$150bn) and approx. \$40bn in MBS (last week \$50bn and prior wk \$75bn).

The number of term repo operations has also been reduced to one (1) this week. The twice daily O/N operations remain unchanged.

At the same time, US Treasury issuance remains extremely heavy amid increased fiscal spending. This week w/c 27 Apr, the US Treasury will settle approx. \$559bn in ST Bills, Notes and TIPS, raising approx. \$240bn in new money for the week. It is possible that additional Cash Management Bill's will be added this week. The final total of US Treasury issuance settling last week w/c 20 Apr was \$443bn raising approx. \$254bn in new money for the week.

## US Treasury Issuance & QE

**This week** w/c 27 Apr will see continued heavy issuance. The US Treasury will settle approx. \$559bn in ST Bills, Notes and TIPS this week. This includes, so far, four (4) Cash Management Bills (CMB's). The US Treasury will raise approx. \$240bn in new money for the week.

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

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B			
27 Apr - 1 May	23-Apr	28-Apr	4 week bill	90			Announced		
	23-Apr	28-Apr	8 week bill	70			Announced		
				160	100	60			
	22-Apr	28-Apr	154-Day CMB	30			Completed	9127964A4	Matures 29 Sep
	28-Apr	29-Apr	43-Day CMB	55			Announced	912796TZ2	Matures 11 Jun
	29-Apr	30-Apr	273-Day CMB	25			Announced	912796UC1	Matures 28 Jan 2021
	29-Apr	30-Apr	119-Day CMB	25			Announced	912796XG9	Matures 27 Aug
				135		135			
	27-Apr	30-Apr	13 week bill	57			Completed		
	27-Apr	30-Apr	26 week bill	48			Completed		
				105	80.6	24.4			
	23-Apr	30-Apr	5yr TIPS	17			Completed		
	27-Apr	30-Apr	2yr Note	42			Announced		
	28-Apr	30-Apr	2yr FRN	22			Announced		
	27-Apr	30-Apr	5yr Note	43			Announced		
	28-Apr	30-Apr	7yr Note	35			Announced		
				159	137.6	21.4			
			<b>Total - securities settling this week</b>	<b>559</b>	<b>318.2</b>	<b>240.8</b>			
			<b>Fed SOMA - Face Value of SOMA securities maturing</b>	<b>\$B</b>					
		28-Apr	Bills	6.90					
		30-Apr	<b>Bills</b>	7.10					
		30-Apr	Notes & Bonds	11.60					
		30-Apr	FRN	2.20					
				27.80					

The final total of Treasury issuance settling last week w/c 20 Apr was \$443bn in ST bills, notes and bonds, raising approx. \$254 bn in new money for the week.

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

### QE PROGRAMS

Date	Treasury Security Operations (\$ BN)	MBS Operations (\$ BN)
Mon 27 Apr	\$7.5bn	\$8.2bn
Tue 28 Apr	\$11bn	\$7.7bn
Wed 29 Apr	\$7bn	\$8.2bn
Thur 30 Apr	\$14bn	\$7.7bn
Fri 1 May	\$10.5bn	\$8.2bn

Total Announced Purchases

\$50bn (last wk \$75bn)

\$40bn (last wk \$50bn)

Links to Operation 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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

## **REPO OPERATIONS**

W/c 27 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 27 Apr 2020	26 May	29-Days	\$500bn

<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 27 APRIL 2020

---

### MONDAY 27 APRIL (US Eastern Time)

---

US Dallas Fed Manufacturing Survey (Apr)

---

Japan BoJ Rates Decision

---

---

### TUESDAY 28 APRIL

---

US Case-Shiller Home Price Index (Feb), Richmond Fed Manufacturing Survey (Apr)

---

---

### WEDNESDAY 29 APRIL

---

US GDP – Prelim Q1 2020, Weekly Mortgage Applications Wk ending 24 Apr, Pending Home Sales (Mar)  
FOMC Rates Decision

---

Japan Retail Sales (Mar), Industrial Production - Prelim (Mar)

---

Australia CPI Q1

---

---

### THURSDAY 30 APRIL

---

US Initial Jobless Claims wk ending 24 Apr, Monthly Personal Income, Consumption and Prices (Mar), Chicago PMI (Apr)

---

Eurozone Eurozone GDP Prelim Q1 2020, Eurozone CPI Prelim (Apr)  
ECB Rates Decision

---

Australia Private Sector Credit (Mar)

---

China NBS Manufacturing and Non-Manufacturing PMI (Apr)

---

---

### FRIDAY 1 MAY

---

US Markit Manufacturing PMI Final (Apr), ISM Manufacturing PMI (Apr)

---

Japan Markit Manufacturing PMI Final (Apr)

---

UK Markit Manufacturing PMI Final (Apr)

---

---

## Trade & Brexit

---

### US-China Trade Talks

Timing for the commencement of the second phase of the deal remains unclear amid the 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](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](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](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

Last week the USTR notified the US Congress that both Mexico and Canada taken the measures required to comply with new USMCA and that the agreement would enter into force on 1 Jul 2020.

A quote from the release highlights further focus on manufacturing in the US, especially in the post-pandemic world;

“The crisis and recovery from the Covid-19 pandemic demonstrates that now, more than ever, **the United States should strive to increase manufacturing capacity and investment in North America**. The USMCA’s entry into force is a landmark achievement in that effort. Under President Trump’s leadership, USTR will continue working to ensure a smooth implementation of the USMCA so that American workers and businesses can enjoy the benefits of the new agreement,” said Ambassador Robert Lighthizer.

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/april/usmca-enter-force-july-1-after-united-states-takes-final-procedural-steps-implementation>

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



## BREXIT

The restart of talks last week has not been positive so far. The next round of official talks via videoconference is scheduled for 11 May. <https://www.consilium.europa.eu/en/policies/eu-uk-negotiations-on-the-future-relationship/>

After five days of videoconference talks, involving a total of 100 officials, the prospects of an agreement by the end of the year seemed remote as the two sides emerged from the negotiations to attack each other.

Barnier appeared exasperated by the British team, led by David Frost, who has said the UK will leave the single market and customs union with or without a deal by the end of the year.

<https://www.theguardian.com/politics/2020/apr/24/britain-running-down-the-clock-in-brexit-talks-says-michel-barnier-eu>

The deadline for extending the negotiations is approaching fast – end of June 2020;

Asked whether the EU could request an extension if the British did not, Barnier said it was not up to one side to be the “demandeur” (seeker), but it had to be a common decision for both parties before 30 June, as stated in the withdrawal agreement.

Talks have failed to bridge the divide on trade between both parties;

“We regret that the detail of the EU’s offer on goods trade falls well short of recent precedent in free trade agreements it has agreed with other sovereign countries,” the spokesman said. “This considerably reduces the practical value of the zero-tariff, zero-quota aspiration we both share.” <https://www.theguardian.com/politics/2020/apr/24/britain-running-down-the-clock-in-brexit-talks-says-michel-barnier-eu>

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

"Transition ends on 31 December this year," Frost said on Twitter last week. "We will not ask to extend it. If the EU asks, we will say no."

If the two sides can't reach a deal, the UK would default to trading on terms set by the World Trade Organisation, meaning the return of tariffs and quotas where there are none today.

<https://www.straitstimes.com/world/europe/brexit-talks-resume-with-time-for-a-deal-running-out>

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