

08 March 2018

## Global

### Tracking Global News

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**US White House Defends Tariffs.** President Donald Trump's economic advisers defended US plans to impose steel tariffs while leaving the door open for exempting some countries and downplaying the fallout of a possible trade war. The president plans to sign orders for the new steel and aluminum tariffs at 3:30pm today. The US may exempt countries from the duties based on national security considerations, White House Press Secretary Sarah Sanders said. "There are potential carve outs for Canada and Mexico based on national security and possibly other countries as well. That would be a case-by-case and country-by-country basis," Sanders said.

Deflecting the criticism, Trump hinted that his restrictions on trade could run even deeper, citing China's alleged theft of intellectual property. The US is said to be considering clamping down on Chinese investment and imposing tariffs on a broad range of goods to punish Beijing over unfair intellectual-property practices as part of an ongoing US investigation ordered by Trump. Republican lawmakers are pressuring Trump to at least curtail the tariffs by exempting certain products or nations. Kevin Brady, chairman of the House Ways and Means Committee that oversees trade issues, Trade Subcommittee Chairman Dave Reichert and 105 other GOP lawmakers issued a statement on Wednesday warning that broad tariffs could cost jobs, increase prices for consumers and hurt US manufacturers.

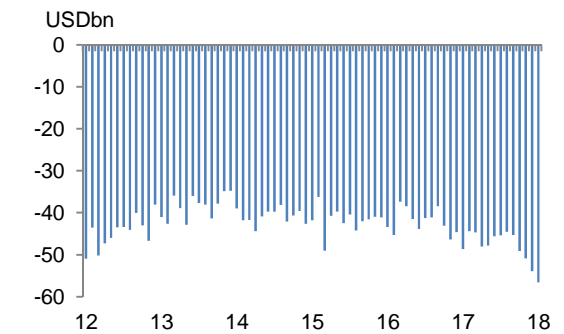
The European Union has warned it would respond with its own 25% tariff to hit USD3.5bn of American goods. The bloc is targeting iconic US brands produced in key Republican states on a range of consumer, agricultural and steel products, according to a list drawn up by the European Commission. (Source: Bloomberg)

### Major Countries' Economic Growth

Annualised	2015	2016	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
US	2.6	1.6	2.8	1.8	1.2	3.1	3.2	2.5
Eurozone	2.0	1.7	1.8	2.6	2.5	2.9	2.9	2.4
UK	2.2	2.0	1.5	2.3	0.9	1.1	2.0	1.6
Japan	1.2	1.0	0.9	1.4	1.5	2.9	2.5	1.6
China (% YoY)	6.9	6.7	6.7	6.8	6.9	6.9	6.8	6.8
Russia (% YoY)	-2.8	-0.2	-0.4	0.3	0.5	2.5	1.8	n.a
Brazil (% YoY)	-3.8	-3.6	-2.9	-2.5	-0.4	0.4	1.4	2.1

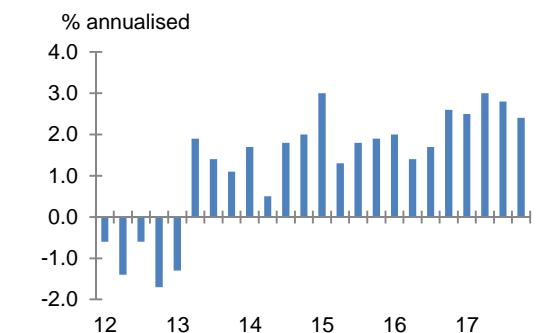
Source: Bloomberg

### US Trade Balance



Source: Bloomberg

### Eurozone GDP Growth



Source: Bloomberg

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**US Trade Deficit Widest Since 2008.** January's US trade deficit continued to widen by 5% MoM to USD56.6bn, a post-recession high, after widening by 6% in December, as exports declined while imports barely moved. As it stands, exports slipped into a decline of 1.3% MoM in January, after gaining 1.7% in the preceding month. This was mainly on account of a plunge in exports of food & beverages, capital goods and industrial supplies, but partly mitigated by a rebound in shipments of autos and consumer goods. Meanwhile, imports stagnated in January, after increasing by +2.6% in the preceding month, as the decline in capital and consumer goods were mitigated by the pick-up in industrial supplies imports. Continued widening in the trade gap at the beginning of the year implies that a negative contribution to GDP growth will spill over into 1Q18. Ironically, this is happening amid heated trade tariff debates and Nafta negotiations. Barring a significant retaliation from trading partners to steel and aluminum tariffs proposed by the Trump administration, on-going weakening of the dollar could help boost exports, especially if global growth continues to accelerate, suggesting net trade could contribute positively to growth in 2018. For now, it is estimated that the current trade proposals would not have a significant impact on GDP growth; however, the latest developments certainly imply an increased level of uncertainty. (Source: Bloomberg)

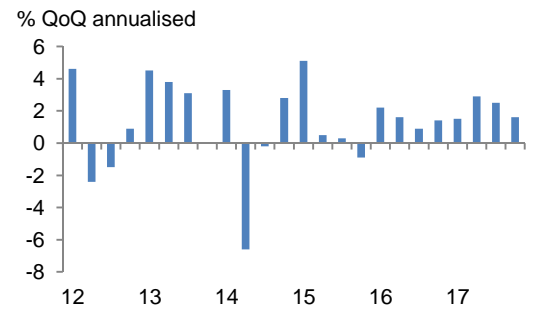
**US Fed's Beige Book Reports Building Wage and Price Pressure.** The Federal Reserve's latest Beige Book suggested that tax reform will help boost investment and increase workers' pay. The characterisation of wage pressures was upgraded to "moderate" from "modest" in the report, which covers the period from 9 Jan to 26 Feb. Most districts cited ongoing labour-market tightness and challenges finding qualified workers across skills and sectors as a major factor behind the acceleration in wage growth. As a result, the characterisation of inflationary pressures was upgraded slightly to "moderate" from "modest to moderate" in the previous report. While "a number of one-time bonuses" could increase near-term wage growth, a broader Phillips-curve-driven dynamic is developing, which will generate more organic wage growth and price acceleration as the year progresses.

While the Beige Book continued to indicate "modest to moderate" economic growth in the first two months of the year, the number of "brisk" characterisations of activity and demand for workers grew considerably compared with the previous report. Noteworthy were indications of broad-based increases in production across manufacturing sectors and a pick-up in tourism, which was likely due to continued currency weakening. Overall, the economy appears to be on a lightly accelerating growth path, with businesses finally starting to address widespread labour shortages by raising wages. While the latest tax-reform related one-time bonuses, mentioned throughout the report, could help boost near-record consumer sentiment even further, a more sustained improvement in wage growth, and consequently broader income dynamics, will evolve throughout the year in-line with further declines in the unemployment rate. (Source: Bloomberg, US Federal Reserve)

**US Fed's Bostic Says 2-4 Rate Hikes Are on Table This Year.** Atlanta Fed President Raphael Bostic says it remains to be seen what will happen on trade, which is creating uncertainty that could counter some of the upward momentum in the economy. "I am taking a wait-and-see attitude to see how the economy responds," he says, adding two, three or four hikes are on the table this year. According to Bostic, in December he was expecting two rate hikes this year, but has moved to three. He also added that US stocks having increased considerably, moving in one direction that isn't commensurate with an increase in profits and we could see a pretty significant move" if perceptions around trade change. (Source: Bloomberg)

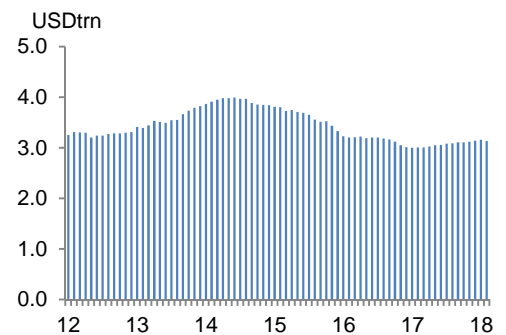
**Eurozone 4Q GDP Unchanged From Flash Estimate.** Economic growth in the Eurozone was unchanged from its earlier flash estimate of 0.6% QoQ in the 4Q17. This growth in 4Q was down from the 0.7% seen during the previous quarter. Overall in 2017, Eurozone GDP rose 2.3%, the fastest rate of growth since a 3.0% rise in 2007. This 0.6% expansion was driven mainly by the widening of net exports. Exports picked up to 1.9% QoQ, from +1.6% in the previous quarter while imports accelerated to 1.1% in 4Q17, compared to just 0.6% recorded in the preceding quarter. Meanwhile, gross fixed capital formation recovered to grow 0.9% QoQ, compared to a 0.2% drop in 3Q. On the contrary, household spending and government spending slowed to 0.2% and 0.3% respectively in 4Q, compared to corresponding rates of 0.3% and 0.4% in the preceding quarter YoY, GDP

### Japan GDP Growth



Source: Bloomberg

### China FX Reserves



Source: Bloomberg

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growth remained healthy at 2.7% unchanged from the previous quarter after the rate for 3Q was revised down from 2.8%. (Source: Eurostat, Bloomberg)

**Japan's 4Q GDP Revised Higher On Stronger Business Investment.** Japan's economy expanded by and annualised 1.6% in 4Q17, revised up from +0.5% in the preliminary reading, with a year-long recovery in exports helped boost business investment. On a QoQ basis, GDP expanded 0.4% in 4Q, higher than the earlier estimate of +0.1%. Business expenditure saw a rise of 1% QoQ in 4Q, revised higher from 0.7% in the previous estimate. Global demand for its exports fueled record corporate profits and rising business investment. Yet seasonally adjusted corporate profits have decelerated in two consecutive quarters, while the manufacturing sector has witnessed a major drop especially in 4Q. Private consumption, meanwhile, increased 0.5% versus a preliminary reading of +0.5%, unchanged from the previous estimate. However, wages gains and household consumption have remained lackluster. Key January indicators including industrial production, suggest growth may weaken or even disappear in 1Q18. Both private and public inventories in addition to net exports, or shipments less imports, contributed nothing or 0% to the growth. The only setback in 4Q came in the form of residential investment, in which it fell by 2.6% QoQ, though still slightly better than the -2.7% estimated earlier. (Source: Bloomberg)

**China's Forex Reserves Drops For its First Time in 13 Months.** China's foreign exchange reserves fell in February, posting their first decline in 13 months, as the CNY weakened against the USD amid wild swings in global financial markets. Reserves fell USD27bn to USD3.134trn, compared with an increase of USD21.5bn in January. The drop was much larger compared to consensus expectations of a USD1bn retreat in reserves. The State Administration of Foreign Exchange (SAFE) said adjustments in the value of China's holdings of non-dollar currencies and assets led to the decline for the month, adding that the size of its foreign exchange reserves will remain basically stable. The CNY rose around 6.8% against the greenback in 2017, reversing three straight years of depreciation. The gains stretched into this year, with January's 3.5% rise being the CNY's best monthly performance since 1994. But the currency weakened 0.6% to the dollar in February in its first monthly drop since September. February's dollar gains were triggered by views that the US central bank could raise interest rates at a faster pace, but the greenback has wilted again this month as President Donald Trump's plans to impose tariffs on imported steel and aluminium spark fears of a global trade war. (Source: Reuters)

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Figure xx: Central Bank Meetings Calendar 2018

14-15 Mar 2-3 May 13-14 June 25-26 July	US Federal Reserve Federal Open Market Committee (FOMC) Meeting	8-9 Mar 26-27 Apr 14-15 June	Bank of Japan Monetary Policy Meeting	Reserve Bank of India Monetary Policy Review
				07 Mar 10 May 11 July
				Bank Negara Malaysia Monetary Policy Committee Meeting
08 Mar 26 Apr 16 Jun	European Central Bank Governing Council Monetary Policy Meeting	08 Feb 22 Mar 10 May 21 June	Bank of England Monetary Policy Committee Meeting	14-15 Feb 21-22 Mar 18-19 Apr 16-17 May 27-28 June
				Bank Indonesia Board of Governors Meeting
6 Feb 6 Mar 3 Apr 1 May 5 June	Reserve Bank of Australia Monetary Policy Meeting	08 Feb 10 May 09 Aug 08 Nov	Reserve Bank of New Zealand Monetary Policy Meeting	14 Feb 28 Mar 16 May 20 June
				Bank of Thailand Monetary Policy Committee Meeting
				08 Feb 22 Mar 10 May 21 June
				Central Bank of Philippines Monetary Board Meeting

Figure xx: US Economic Calendar

Figure xx: Eurozone Economic Calendar

08-Mar	04:00	Consumer Credit	16-Mar	18:00	CPI
09-Mar	21:30	Unemployment Rate	19-Mar	18:00	Construction Output
13-Mar	20:30	CPI	22-Mar	17:00	Manufacturing PMI
16-Mar	20:30	Housing Starts, Building Permits	27-Mar	16:00	Money Supply
21-Mar	22:00	Existing Home Sales	27-Mar	17:00	Economic Confidence
23-Mar	20:30	Durable Goods Orders	04-Apr	17:00	Unemployment Rate
23-Mar	22:00	New Home Sales	05-Apr	17:00	Retail Sales
28-Mar	22:00	Pending Home Sales	18-Apr	17:00	Construction Output
29-Mar	20:30	Personal Income	20-Apr	22:00	Consumer Confidence
02-Apr	22:00	Construction Spending	23-Apr	16:00	Manufacturing PMI

Figure xx: Asia Economic Calendar

Japan	08-Mar	07:50	GDP	Japan	30-Mar	13:00	Housing Starts
Thailand	08-Mar	11:00	Consumer Confidence	Thailand	30-Mar	15:30	Trade Balance
China	08-Mar		Trade Balance	China	31-Mar	09:00	Non-manufacturing Manufacturing PMI
Singapore	12-Mar	13:00	Retail Sales	China	02-Apr	09:45	Caixin China PMI Mfg
Malaysia	13-Mar	12:00	Industrial Manufacturing Sales	Thailand	02-Apr	11:00	CPI, Business Sentiment
Japan	16-Mar	12:30	Industrial Production	Thailand	05-Apr	11:30	Consumer Confidence
Japan	19-Mar	07:50	Trade Balance	Malaysia	11-Apr	12:00	Industrial Production
Malaysia	21-Mar	12:00	CPI	Singapore	12-Apr	13:00	Retail Sales
Japan	22-Mar	12:30	All Industry Activity Index	China	13-Apr		Trade Balance
Singapore	23-Mar	13:00	CPI	Indonesia	16-Apr	12:00	Trade Balance
Vietnam	25-Mar		CPI, GDP, Retail Sales, IPI, Trade Balance	China	17-Apr	10:00	GDP, Retail Sales
Singapore	26-Mar	13:00	Industrial Production	Japan	17-Apr	12:30	Industrial Production
Japan	29-Mar	07:50	Retail Sales	Japan	18-Apr	07:50	Trade Balance
Singapore	29-Mar	10:00	Money Supply	Malaysia	18-Apr	12:00	CPI
Japan	30-Mar	07:50	Industrial Production	Singapore	23-Apr	13:00	CPI

\*All dates are subject to change

Time is expressed in Malaysian time (GMT/UTC +8)

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08 March 2018

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