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China Hikes Tariffs on U.S. Products as Trade-War Divide Deepens

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Comments of the Day

14 May 2019

Video commentary for May 13th 2019



Eoin Treacy's view

A link to today's video commentary is posted in the Subscriber's Area.

Some of the topics discussed include: Trade War Intensifies, stocks extend pullback, Dollar, Yen, Treasuries and gold firm, potential for a stagflationary environment if tariffs are extended to all Chinese imports, oil reverses early gain but grains and beans reverse early loss, Asian and commodity currencies weak.

Continues in the Subscriber's Area

A Fed Cut This Year Is Now Being Priced In as a Near Certainty

This article by Alexandra Harris for Bloomberg may be of interest to subscribers. Here is a section:

The rate on the January fed funds futures contract implies that the central bank's benchmark will fall to 2.075% by the end of 2019. This is more than 25 basis points below where the effective fed

funds rate stood Friday, showing traders are fully pricing in a quarter-point reduction. The implied rate on the contract ended last week at 2.15%.

This is happening as China threatens retaliatory tariffs on some American imports, an escalation in the trade war with U.S. President Donald Trump. The clash is fueling concern about economic growth, prompting a key part of the U.S. yield curve to invert again -- a sign to many that the risk of a recession has increased.

While "China/U.S. trade ripple effects certainly affect the Fed's outlook, I think this is more of a macro move," said Todd Colvin, senior vice president at futures and options broker Ambrosino Brothers in Chicago. "It's not about whether or not the Fed sees policy shifts, that is, as much as it's looking at global growth woes, or increased market volatility."



Eoin Treacy's view

Jay Powell probably didn't bargain for the environment he has been presented with since taking the helm of the Federal Reserve. Reducing the size of the balance sheet was supposed to be part of the re-arming of monetary policy to provide for the next crisis. It turned out to be the primary cause of the volatility last year and offered graphic evidence of just how addicted to liquidity the market is.

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China Hikes Tariffs on U.S. Products as Trade-War Divide Deepens

This article by Shawn Donnan and Miao Han for Bloomberg may be of interest to subscribers. Here is a section:

China announced plans to raise duties on some American imports starting June 1, defying a call from President Donald Trump to resist escalating a trade war that is sending stocks tumbling and clouding the outlook for the global economy.

Less than two hours after Trump tweeted a warning that "China should not retaliate -- will only get worse!" the Ministry of Finance in Beijing unveiled the measures on its website. The new rate of 25% will apply to 2,493 U.S. products, with other goods subject to duties ranging from 5% to 20%, it said.

The next salvo was poised to come later Monday, when the Trump administration is expected to

provide details of its plans to impose a 25% additional tariff on all remaining imports from China -- some \$300 billion in trade.



Eoin Treacy's view

There are a large number of companies that both manufacture in China but also rely on Chinese orders to support growth. There has been some speculation in the media about China's desire to sell its holdings of US Treasuries but that would do as much damage to themselves as to the USA. Meanwhile making life difficult for the USA's largest companies is an obvious strategy to exert the maximum possible shock on the US administration.

Continues in the Subscriber's Area

Funds Flock to Dollar on Bets Markets Underpricing Trade Divide

This article by Ruth Carson for Bloomberg may be of interest to subscribers. Here is a section:

Uncertainty over how the dispute would be resolved in the one-month deadline set by Washington will reinvigorate a hunt for haven assets in a world already hampered by slowing growth.

An easy bet will be to short the expected losers: risk-sensitive currencies from Asia to South America, they say. "To be honest, I thought the dollar would be rising at a much faster pace than this -- markets were pricing in a Goldilocks environment and they were clearly wrong," said Stephen Miller, an adviser at asset manager GSFM and a former head of fixed income at BlackRock Inc.'s Australian business.

"Right now I'd be long U.S. dollar versus EM currencies, the likes of Argentina and Turkey." There's a 60% chance that China and U.S. won't reach a deal in the coming weeks, according to analysts at Australia and New Zealand Banking Group Ltd., after last week's talks laid bare divisions including the removal of existing tariffs and a breakdown in trust. While both nations plan to continue negotiations, traders are waiting for Beijing's retaliation measures after Washington slapped more duties.



Eoin Treacy's view

The Chinese renminbi has long been used as policy tool and tariffs being imposed on a wider range of goods, there is a clear argument for having a weaker currency. The country is obviously going to experience some difficulties from tariffs imposed on exports to one its largest trading partners but the potential for domestic inflation to spike on the back of a weaker currency is likely to limit the scale of devaluation.

Continues in the Subscriber's Area

2019: The 50th year of The Chart Seminar



Eoin Treacy's view

There will be a memorial concert for David at the Royal Festival Hall on October 5th. It looks like we will have a room at the Royal Festival Hall for an hour before the concert for a memorial. Wine and canapes will be served. Afterward we will retire to the Benefactor's Lounge where Tim Walker, Chairman of the LPO will dedicate the concert in David's memory. The concert will be from 7:30 to 10pm. If anyone would like to attend the concert in addition to the memorial there will be a box to tick on the booking form which I will provide as soon as I have it.

Since this is the 50th year of The Chart Seminar we will be conducting the event on October 3rd and 4th to coincide with the memorial on the Saturday.

In the meantime, if you have any questions, would like to attend, or have a suggestion for another venue please feel to reach out to Sarah at sarah@fullertreacymoney.com.

The full rate for The Chart Seminar is £1799 + VAT. (Please note US, Australian and Asian delegates, as non-EU residents are not liable for VAT). Annual subscribers are offered a discounted rate of £850. Anyone booking more than one place can also avail of the £850 rate for the second and subsequent delegates.

Continues in the Subscriber's Area

Eoin's personal portfolio: precious metal long initiated March 8th



Eoin Treacy's view

Details of this trade are posted in the Subscriber's Area.

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