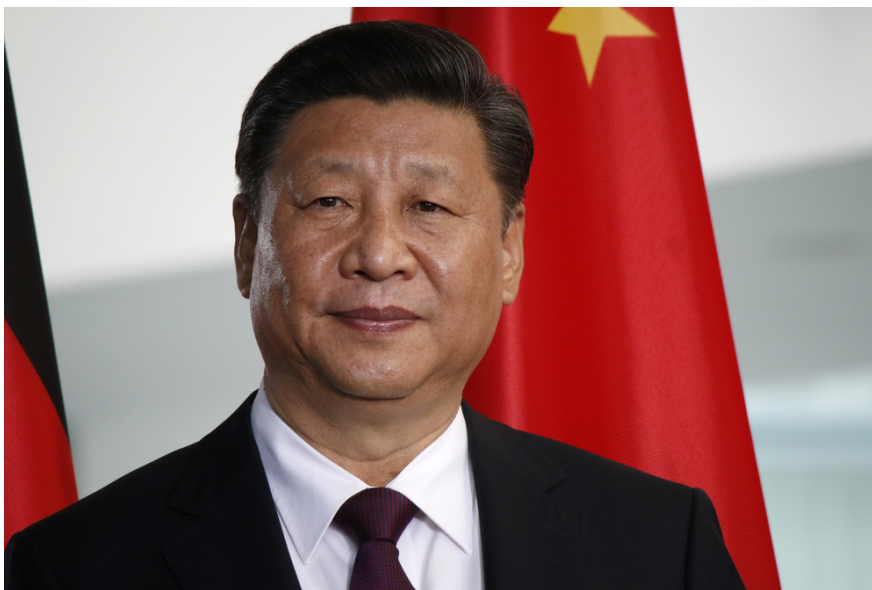


President Xi's grand plan

Comments from President Xi overnight continue to provide the market with food for thought on China as he talks about redistribution of wealth - not necessarily market-negative



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Tilt to socialism

It's quite ironic that we are writing about a tilt to socialism in the world's biggest, notionally communist economy. But that seems to be the nub of comments from China's President Xi yesterday. My colleague Iris in Hong Kong sees these latest remarks as a sign that tax rates are likely to rise. But she notes that this is not just going to be about higher property taxes - as many news articles seem to be suggesting. In her view, we will also see more progressive tax rates on individual incomes, and also some increase in corporate tax rates for private-owned companies. We may also see a difference between tax rates in urban centres which favours those in more rural settings to offset the existing income disparities there.

All of this comes on the heels of the increased regulations on fintechs, gaming companies, ride-hailing apps, private education providing firms and so on that have been unsettling investors in recent weeks. It really does look as if President Xi is trying to reshape China's economy, and in a way that protects the everyday person from "big business". That should be popular. Not that policy popularity really matters in China. Markets were also provided some offsetting relief yesterday in the form of the recapitalization of a troubled large state-owned bad debt manager

that has been dominating headlines this year. And that likely dominated market sentiment in the face of these latest announcements.

It's not clear to us that any of these latest shifts in China's official policy stance towards private enterprise are necessarily market-negative. Though they might appear so at first glance, a more charitable interpretation is that they put these industries on a more sustainable footing, while pushing back against monopolistic industry characteristics. More competition, less rent-seeking behaviour, this should be generally beneficial. Though markets may not see it that way.

Asia today

With little on the agenda from the G-7 today, after overnight insights into the Fed's thinking on the taper in the minutes of their August meeting ([see also this from James Knightley and Padhraic Garvey](#)), our focus will be mainly local today.

First up, we get the Australian labour report. With the AUD looking pretty heavy recently, any disappointment here could lead to new lows, though the trend of the data has been generally better than expected, the latest numbers coincide with recent lockdowns, so bad news can't be ruled out. The unemployment rate will be worth watching as it could give a counterintuitive move in the face of falling labour participation. We will know soon enough.

And there is also Bank Indonesia, though we don't anticipate anything from them today, or for months. For more on this, [see our sister publication, ASEAN Bytes](#).

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