

Chinese authorities calm markets

Concern about one of China's asset management companies has eased following reassuring comments from the China Banking and Insurance Regulatory Commission. Not too many takeaways from PM Suga's weekend trip to the US



Suga Biden

Source: shutterstock

Markets find some calm

After some weeks of worrying about the fate of one of its state-owned asset management companies and weighing on similar credits in the region, the China Banking and Insurance Regulatory Commission has finally commented on the company which is causing all the concern, noting that it is operating "normally", and has "ample liquidity". Whether or not you take this at face value, it does now sound as if the authorities are prepared to back this firm which should limit worries that investors will face haircuts, and should allow markets to trade in a more upbeat fashion today.

This news, rather than any overseas news, is probably going to dominate the theme at the start of this week. Global stocks finished slightly up on Friday, though nothing to get excited about. There was limited action in US Treasury space, where the 10Y yield still hovers below 1.6%. And EURUSD was also fairly rangebound. There were a few more movers in Asian FX space, notably the THB, INR and IDR, all showing some gains despite all going on the US Treasury's monitoring list for potential

currency manipulators.

Who's on the US Treasury "naughty list?"

Prakash Sakpal has been covering the US Treasury currency manipulator list story for us. Here is what he writes "The US Treasury maintained India, Thailand, Malaysia and Singapore among the 11 trading partners it is watching for currency manipulation in the latest semi-annual report released last Friday. These countries meet at least two of three thresholds to be labelled as manipulators ([read more here](#)). Some of these thresholds, like the large current account surplus of Thailand or Malaysia, are longstanding structural issues, although onslaughts of Covid-19 have been helping to address this to some extent by denting tourism receipts. In Singapore, the operation of monetary policy guides market intervention, while India's pursuit of a large accumulation of FX reserves is probably aimed at averting a balance of payments crisis of which the country has faced several in the past.

We don't think the region's governments or central banks will pay much heed to the US Treasury's latest report, which is likely to die a natural death without much market impact, as it has often done in the past. Though three countries, including two from Asia-Pacific (Taiwan, Vietnam, as well as Switzerland) come in for repeated commentary, so future reports may be less forgiving.

The currencies of India, Thailand and Malaysia have been some of Asia's most underperforming so far this year, thanks to ongoing issues with Covid-19, while Singapore's is sitting in the middle of the Asian performance chart. We see these countries holding on to these FX positions over the rest of the year".

Suga-Biden meeting low key

There hasn't been all that much coverage of the visit by Japan's PM Suga to the US this weekend - the first global leader to visit the Whitehouse since President Biden took office. Prior to the trip, there was quite a lot of hype regionally about the importance of this summit, because of the pressure Japan was seemingly under to take a strong line against China on matters including Taiwan. I've attached a link to [a decent story on this from Reuters](#) which covers much of the detail if you are interested. The joint statement did make reference to "the importance of peace and stability of the Taiwan Strait," amongst other things and not surprisingly has received a rapid denunciation from China.

The net conclusion of all this? Well firstly, no real harm seems to have been done. But Biden seems to be slowly building a coalition against China's assertiveness in the region, not just Taiwan, but also a number of other disputed territories, so this looks like an early pointer to the way ahead - coalition building. The fact that Suga was the first global leader to visit Biden also suggests that though the domestic economy is higher up Biden's priority list for obvious reasons, China, and by extension, the rest of Asia, is topping the international priority list.

All of this has overshadowed the joint pledge by the US and China on environmental cooperation which also came over the weekend. For balance, [here is the BBC's take on that story.](#)

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