

## G19+1?

Treasury Secretary Steven Mnuchin may attract a more sympathetic response on the world stage than some other US top officials, but the weekend meeting of the G-20 was still seemingly dominated by concern over the brewing trade war, and President Trump's remarks about the dollar and Fed rate policy



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### At least no currency war

The volume on the trade war was dialed up a notch or two over the weekend in a story by Reuters that was repeated in the FT. This suggested that US President Trump allegedly threatened tariffs on all \$500bn of Chinese Imports. So far, this has not yet made it onto his Twitter feed, so until it does, I'm not sure how seriously to take it. But the US President did castigate the EU on Twitter, for fining Google \$US5bn for its anti-competitive actions.

Treasury Secretary Mnuchin, once again, seems to have managed to calm tensions. A communique was issued by the G-20 which warned of rising trade tensions. The communique was not then dismissed, and apparently, all talk of interference with the Fed or with FX markets was quickly dealt with and dismissed. So no currency war then. But a trade war is bad enough.

### The Man from the EU, he says "Non"

Lead EU negotiator, Michel Barnier, has said no to the idea of enhanced equivalence for the UK's financial sector, put forward in the White paper submitted by Theresa May. Knocking this back as

essentially a suggestion for dual rule setting, this is potentially bad news for the UK's outsized financial services industry. Other elements of the paper were treated more sympathetically, however, including proposals for the Northern Ireland border. This isn't enough to cause the GBP to rally, but maybe enough to keep it from selling off for a while. No progress made, but potentially, room for progress possible.

## More chat about Bank of Japan policy

Japanese government bond (JGB) markets have got themselves excited about the coming July 31 meeting of the Bank of Japan, which some media reports are suggesting would change the current policy-setting. 10Y JGB yields have spiked up to a little over 8bp this morning. The speculation is also providing some strong support to the yen. So far, BoJ Governor Kuroda is giving nothing away. His comment in Buenos Aires was "I know absolutely nothing about the basis for those reports ." That's not a "no" then. As a wild guess, I would suggest one way for the BoJ to slowly extricate itself from its asset purchase conundrum, would be to officialise the undershoot of its official policy, and to then steadily reduce its actual purchasing further. Markets seem to respond more to statements than to data these days, so that could soften any blow through JGB and FX markets. The target of zero bond yields need not be changed. But it could also be targeted less rigorously, to the same effect.

## Singapore CPI

No change in the CPI index for June should allow Singapore's CPI to edge higher to 0.6%, suggests the consensus view, which we share. Next month should see some slight gain in the index, at least if my latest utility bill is anything to go by. Now I just have to find an old one and figure out how much it has risen (unhelpfully didn't say).

Also, given the trade war background, Korea's 20-day trade data will be worth more than the usual quick glimpse. Any evidence of weakness could go down badly, and not just in Korea, but send a regional warning sign.

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