

The Trump pattern re-emerges

Once again, the US President has shown willing to soften his tone after an aggressive start - this time over Chinese telecom producer, ZTE



"Get it Done!"

The latest Tweet on ZTE - the Chinese Telecom producer virtually brought to its knees by a US parts ban, but now appearing to get a reprieve with Trump's latest tweet telling the commerce department to "get it done" ("it" in this case is removing or amending the parts ban imposed on ZTE) is interesting from two different aspects:

1. It reaffirms what we have observed about Trump's negotiation style - talk very loudly, but carry a small stick and;
2. Be careful what you wish for - the ZTE affair was further encouragement for China to seek its own tech solutions rather than rely on imported hardware - "Made in China 2025"

At least it suggests that despite all the initial bluster, the current administration is prepared to take a pragmatic view on decisions (opens the possibility for a similar path on the Iran deal and indefinitely defer sanctions?) and this raises some further hope in terms of additional trade talks over the coming months, with China's Liu He visiting Washington this week..

On the other big Geopolitical story - N Korea, there is now talk of US investment in N Korea, if verifiable and irreversible moves towards denuclearisation take place. That would be an

astonishing result, though not particularly market moving.

Crying Wolf

I think I am going to start a list of all those predicting an imminent recession or market collapse, as this itself may give some sort of signal about the future - though possibly a contrarian one. The latest offering appears to cite April Korean exports as a bellwether for imminent stock market corrections. Perhaps the authors of that note may care to take a look at the data underlying the weak (-1.5%YoY) headline. Softness in the lumpy shipping component (-75%YoY) dominated, with the bit we have been worrying about - semiconductors - racing away at 37%YoY.

We'll keep watching our preferred indicators, but we will also try to think about the data before sounding the alarm bells. So far, we see nothing to get too alarmed about.

Day / Week ahead

For the week ahead, the first question to be raised will be how the market will respond to the defeat in Malaysia of the incumbent Barisan Nasional (BN) Party by veteran politician Dr Mahathir Mohamad and his Pakatan Harapan coalition. Early hints over the weekend about key cabinet members are likely to be reasonably well received by markets and may temper some initial negativity on the result. For more detail, [see the note](#) Prakash Sakpal wrote in the immediate aftermath of the result last week.

The big release of China activity data will be some of the most closely watched out of Asia this week. April retail sales, industrial production and fixed asset investment will give a clean, comprehensive look at activity post-lunar New Year distortions. We think the broad message on activity should be encouraging.

Japanese 1Q18 GDP released mid-week will show a break in the chain of strong GDP numbers, though that merely puts Japan into the same boat as most of the rest of the G-7 in 1Q18. This is probably an aberration, not substantive. CPI data released later this week will drop sharply to about 0.7%YoY from 1.1% previously. That is more substantive, and should silence any remaining chatter about BoJ exit strategy for a while.

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