

## Watch your step

The unpredictability of the Trump administration's policies is a reason in itself not to take positions.



### This is all giving me a headache

The Turkey story is still bubbling away, though its power to affect markets seems to be diminishing. Something else will come along though, of that you can be pretty sure. President Erdogan's son-in-law, and central bank Governor, Berat Albayrah, spoke to investors yesterday with a view to calming nerves and restoring stability to the Lira (TRY). On the basis that a good outcome from an event like this is that you don't actually make things worse, Albayrah has reason to be pleased with himself. Though pledges not to impose capital controls or go to the IMF fall into the "Well he would say that wouldn't he?" folder.

Investors commenting on the speech mainly criticised lack of detail at plans to reduce inflation and rein in the current account deficit. Spending cuts across ministries of TRY 35bn will help, and curbs to big-ticket infrastructure projects will also lend a hand. But investors are having a tough time believing that all this can be done without rate hikes, and many sense the invisible hand of Albayrah's father in law behind these ideas.

Even if markets had been receiving these policy suggestions sympathetically, the US stepped in again last night on the Pastor Brunson issue, with Treasury Secretary Mnuchin threatening more tariffs unless Brunson was released. There appears to be a legal hearing on Brunson next week, so

this could be an opportunity for Turkey to extricate itself from at least this aspect of the crisis. Not doing so would be TRY negative. Today, the USDTRY is trading at around 5.85, a bit lower than the 5.99 we wrote yesterday. Some modest improvement then.

## More on Trade - this time, China

Sorry if you are getting bored with trade talk, but it really is the main market driver these days. China, apparently at the invitation of the US (though they aren't shouting about that) is sending a delegation to Washington with a view to re-opening trade talks. Wang Shouwen, Vice Commerce Minister, will be meeting David Malpass, US Undersecretary for International Affairs. If both titles sound a bit mediocre, you probably aren't far from the truth.

These are talks about the possibility of trade talks. The US won't allow this to go any further unless China sounds as if it is making sufficient concessions on the bilateral deficit, and intellectual property rights. Given recent disappointing data from China, it wouldn't be ridiculous to think that they will be prepared to make some concessions to put an end to this horrible trade mess. But we aren't getting too excited.

Meanwhile, public hearings on the extension of tariffs on an additional \$200bn of trade will start on August 20 and continue for 6 days. So the pressure on China is definitely on.

## Powell to open address at Jackson Hole

It's that time of year when we get excited about the Fed Chair speaking at Jackson Hole, or in some recent years, not talking. The title of the Kansas speech this year according to newswires is "Monetary Policy in a Changing Economy". I have a strong sense of deja vu about this speech, as this title seems eerily reminiscent of literally dozens of such central bank speeches. If this really is just a dusted down version of one of these old pot-boiler speeches, then it could be worth missing.

## Jokowi sets ambitious deficit reduction targets

Indonesia's President, Joko Widodo (Jokowi) gave a speech yesterday outlining his government's economic policies for next year. Our economist for Indonesia, Joey Cuyegkeng has [written about it in more detail](#). But in short, the targets for growth and the deficit (5.3% and 1.83% respectively) look attainable, though the main risk to the view is that the Indonesian Rupiah assumption of a slight strengthening is out of the hands of the government and will be set by international markets. Moreover, the temptation to let government spending overshoot in what will be an election year may undermine the otherwise achievable budget deficit target.

## Singapore's July NODX up 11.8%YoY

Singapore's non-oil domestic exports (NODX) rose 11.8% YoY in July on a 4.3% MoM increase. This was a nice statistical bounce from the weakness shown in June. But although the figures were better than the 7.4%YoY consensus expectation, electronics exports still lag behind last year's levels, and an eye-watering 109%YoY gain in pharmaceuticals (mainly driven by last year's weakness) played a helping role in this month's outsize recovery. On the month, electronics provided a decent bounce. But that is normal for this time of year.

It's not that we have anything against Pharmaceuticals. But for some time now, the NODX figures seem to be finding their support in extraordinary strength in usually just one aspect of the export

figures, and that makes us nervous that the headline is vulnerable to a downward correction. For now though, it is a useful start to the 3Q activity backdrop.

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