

US-China trade tensions endlessly re-escalate, yuan weakest in 11 years

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Against the dollar, Thai baht on the previous trading day closed around 30.78, stronger than the previous week, 30.9.

US-China trade tensions re-escalated. To retaliate US raising tariffs on China's goods worth USD 300 billion, China announced to impose additional 5-10% tariffs on USD 75 billion of US goods, particularly key agricultural products, such as soybeans, beef, and pork, taking effect on the same dates as the US is doing on China, 1 September and 15 December. China's tariffs on US cars and auto parts, suspended since April, would also be hiked by 25% and 5%, respectively. To respond to China's retaliatory measures, Present Trump called US firms residing in China to seek production reallocation. Afterwards, the US decided to counter China rapidly by increasing to 30% from 25% on the USD 250 billion and to 15% from 10% on the USD 300 billion of Chinese products. What's more, China also pledged to provide further retaliatory measures on the US. After all, recession fears and risk-off sentiments have been markedly augmented. US stocks tumbled, S&P 500, Nasdaq Composite, and Dow Jones finished -2.6%, -3.0%, and -2.4%, respectively (before US striking back China). Asian stock markets, e.g. Nikkei, Hang Seng, Shanghai Composite, etc., opened lower, -1 to -3%, this morning. Besides, USD index fell, while the yuan substantially weakened against the dollar, jumping by about 0.8% from 7.096 to 7.151, weakest in 11 years.

At the Jackson Hole symposium, Fed Chairman Powell said that, with monetary policy tools, the Fed would act as appropriate to retain economic expansion so that labor market solidity could be extended and that inflation could be firmly close to 2% target. On trade uncertainties, he stated that they are causing global economic deceleration and adversely affecting US manufacturing and capital spending. However, monetary policy cannot offer a 'rulebook' to directly cope with international trade.

At the G7 summit in France, President Macron and PM Johnson called for the US and China to de-escalate trade tensions, while PM Johnson pointed out that Brexit could be resolved with supports of EU member countries. Additionally, European Council President Tusk reportedly said that the EU was open to ideas preventing a no-deal Brexit and alternatives to the Irish backstop.

UK Treasury is getting more prepared on Brexit as calling for British companies, especially those that have businesses with EU corporates, to be registered so that they could carry on trades smoothly post-Brexit.

US-Japan trade talks were reportedly progressive. Their negotiations were The US wants lower tariffs on beef and pork, while Japan wants lower tariffs on auto parts and industrial goods.

Although Germany is slowing down, mainly on exporting cars to other countries, China in particular, while a fiscal package worth EUR 50 billion was reportedly in consideration, Bundesbank President and ECB policymaker Weidmann said that a stimulus was not yet necessary. He said that automatic stabilizers, such as unemployment benefits, should be allowed to play a role first in case of economic sluggishness.

Interesting economic releases this week include US and Germany's Q2 GDP, Germany and euro area's business sentiment, etc.

Widely moving around 30.59-30.72 his morning, USDTHB could be between 30.4-30.9 this week and 30.55-30.73 today.

US treasury yields plunge on US-China tension re-escalations

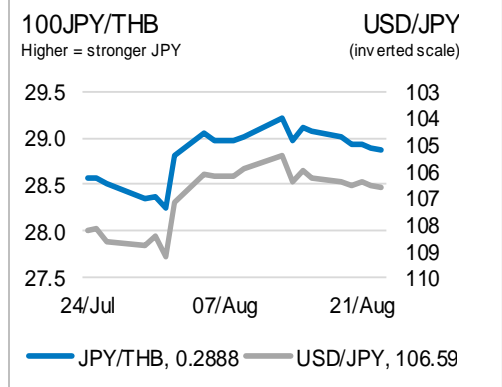
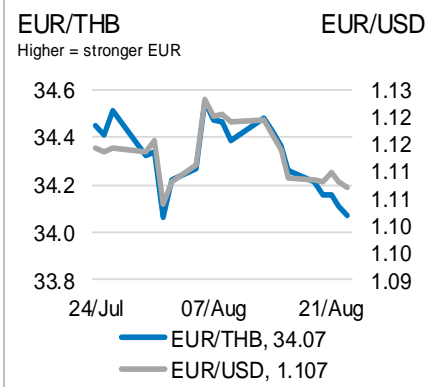
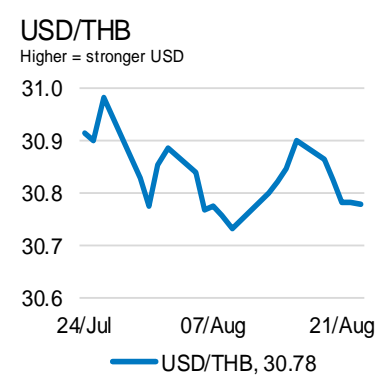
Thai benchmark government bond yield (LB28DA, 9.3 years) on the previous trading day was 1.53%, +0.34 bps. Meantime, the latest closed Thai and US 10-year bond yields were 1.54%, +0.39 bps, and 1.52%, -10 bps, respectively.

On US-China trade re-escalations, US treasury yields plunged.

Spread between long- and short-dated yields: negativity implies a possible upcoming recession. US 10y3m: -45 bps, US 10y2y: +1 bps, Japan 10y2y: +6.1 bps, German 10y2y: +18.9. bps, UK 10y2y: +8.6, Thai 10y2y: +8.7 bps.

Thai benchmark bond yield (LB28DA, 9.3y) could be 1.4-1.55 this week, 1.44-1.54% today, under downward pressures on rising global tensions.

SET Index	1,646.7	S&P500	2,847.1	10Y UST	1.52%	Brent	58.8	Gold	1,495.5
23-Aug	▲ 0.80%	23-Aug	▼ -2.63%	23-Aug	▼ -10.0 bps	23-Aug	▼ -1.86%	23-Aug	▼ -0.21%
USD/THB 30.78	Daily ▼ -0.01%	EUR/THB 34.07	Daily ▼ -0.11%	JPY/THB 0.2888	Daily ▼ -0.05%				
	Weekly ▼ -0.27%		Weekly ▼ -0.40%		Weekly ▼ -0.49%				
	Monthly ▼ -0.44%		Monthly ▼ -1.09%		Monthly ▲ 1.09%				



Sources: TMB Analytics, TMB Treasury, CEIC, ThaiBMA, Bloomberg, CNBC, BBC, Reuters, Bangkokbiznews, FX data: BoT's daily closing rates

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Currency Market

Currency	1M History	Last	% Chg (1D)	% Chg (1W)	% Chg (1M)	1M Range	
						Min	Max
Dollar Index		98.32	0.0%	0.0%	0.9%	96.82	98.87
EUR/USD		1.1070	-0.1%	-0.2%	-1.0%	1.1041	1.1260
USD/JPY		106.59	0.0%	0.3%	-1.4%	105.43	109.20
USD/CHF		0.9851	0.2%	0.6%	0.1%	0.9712	0.9966
GBP/USD		1.2232	0.8%	1.2%	-1.8%	1.2053	1.2551
USD/CAD		1.3317	0.1%	-0.1%	1.4%	1.3028	1.3331
AUD/USD		0.6751	-0.2%	-0.3%	-3.8%	0.6724	0.7066
NZD/USD		0.6381	-0.2%	-0.7%	-5.2%	0.6381	0.6778
ASEAN Dollar		106.63	0.1%	-0.2%	1.2%	104.94	106.88
USD/THB		30.78	0.0%	-0.4%	-0.4%	30.73	30.98
USD/SGD		1.3863	0.2%	-0.2%	1.7%	1.3567	1.3888
USD/MYR		4.1887	0.3%	0.0%	1.7%	4.1072	4.1927
USD/IDR		14,123	0.1%	-0.3%	1.5%	13,868	14,228
USD/PHP		52.21	0.2%	-0.5%	2.1%	50.78	52.47
USD/CNY		7.0941	0.3%	0.6%	3.0%	6.8744	7.0941
USD/HKD		7.8386	0.0%	0.0%	0.3%	7.8022	7.8471

FX Swap Market and BoT's Reserves

USTH FX Sp	1M History	Last	%Chg(1D)
1-month		-2.30	-0.05
3-month		-6.50	-0.15
6-month		-12.13	-0.13

Reserves (\$mn)	3M History	Last	\$mn Chg(1W)
Total		220,160	-1106
Gold		7,489	84
SDR		1,354	-2
IMF Reserves		834	-3
Foreign Ccy		210,483	-1185
Net Fwd Position		31,226	-695

Last update: 16/8/2019

Foreign Fund Flows (THB.mn)

Date	Equity	Bond	Total
23/8/2019	1,527	-3,170	-1,643
22/8/2019	-3,227	-5,355	-8,582
21/8/2019	753	-7,473	-6,720
20/8/2019	-2,991	-8,138	-11,129
19/8/2019	-4,113	-2,548	-6,661
Last 5 days	-8,050	-26,685	-34,735
Period-to-date	Equity	Bond	Total
Month	↓ -48,539	↓ -28,974	↓ -77,513
Quarter	↓ -28,486	↓ -54,080	↓ -82,565
Year	↑ 12,163	↑ 4,271	↑ 16,434

Money Market

THB BIBOR	1M Hist	Last	1M Range		THB Implied	1M Hist	Last	1M Range		USD LIBOR	1M Hist	Last	1M Range	
			Min	Max				Min	Max				Min	Max
ON		1.50	1.50	1.75	ON		1.33	1.28	1.88	ON		2.10	2.09	2.36
1W		1.52	1.52	1.77	1W		1.29	1.18	1.53	1W		2.12	2.12	2.38
1M		1.55	1.55	1.80	1M		1.27	1.20	2.22	1M		2.17	2.17	2.30
2M		1.58	1.58	1.83	2M		1.31	1.20	1.44	2M		2.16	2.15	2.30
3M		1.62	1.62	1.87	3M		1.29	1.19	1.43	3M		2.14	2.12	2.30
6M		1.72	1.72	1.96	6M		1.21	1.10	1.36	6M		2.02	2.01	2.23
12M		1.95	1.95	2.20	12M		1.27	1.15	1.48	12M		1.95	1.93	2.24

Last Updated: 22/8/2019

Last Updated: 16/8/2019

Note: D=d=day; M=mth=month; Y=year; %chg = percentage change; chg = change; USTH FX Sp = USD/THB FX Swap point; \$mn=million US dollar; THB.mn= Thai baht million; Hist=history; THB implied = Thai baht rate that are calculated by FX forward rate; ASEAN Index = value average ASEAN FX Jan2008=100

Fixed Income Market

Fixed Income	1M History	YTM (%) spread (bps)	Bps Chg (1D)	Bps Chg (1W)	Bps Chg (1M)	1M Range	
						Min	Max
UST10y		1.520	-10.00	-3.00	-56.00	1.52	2.08
Gilt 10y		0.491	0.05	-54.51	-24.54	0.49	1.04
Bund 10y		-0.660	0.00	0.00	-29.00	-0.71	-0.33
JGB 10y		-0.241	0.00	-0.30	-9.30	-0.24	-0.13
TGB 1y		1.489	-0.01	2.33	-26.94	1.44	1.76
TGB 2y		1.455	0.53	3.99	-27.04	1.41	1.73
TGB 5y		1.484	1.07	8.70	-30.17	1.40	1.79
TGB 7y		1.517	0.48	10.88	-33.54	1.41	1.85
TGB 10y		1.543	0.39	6.35	-45.07	1.48	1.99
AAA Spread		48.46	-0.48	-0.72	-0.29	48.41	51.33
AA Spread		87.94	-0.08	-1.11	2.95	83.68	89.30
A Spread		93.64	0.69	1.49	3.46	89.84	93.64
BBB Spread		226.70	0.31	-2.69	0.48	223.67	229.40

Note: UST = US Treasury; Gilt = UK Government Bond; JGB = Japanese Government bond; Bund = German Government Bond; TGB = Thai government Bond; tenors of the bonds are put after their name; bps=basis point; Corporate spreads are Thai and reported in basis points over government bond for the tenors between 3yrs to 5yrs;

Commodity Market

Commodity	1M History	Last	%Chg (1D)	%Chg (1W)	%Chg (1M)	1M Range	
						Min	Max
Brent Crude		58.80	-1.8%	0.0%	-6.8%	56.88	65.18
London Gold		1495.5	-0.2%	-0.9%	4.8%	1,406.4	1,527.2

Note: Unit of Brent crude oil price is \$/barrel; unit of gold price is \$/ounce

Equity Market

Equity Index	1M History	Last	%Chg (1D)	%Chg (1W)	%Chg (1M)	1M Range	
						Min	Max
S&P500 (US)		2,847.1	-2.6%	-1.4%	-5.2%	2,840.6	3,025.9
STOXX (EU)		360.9	-1.1%	0.3%	-5.4%	354.8	383.7
FTSE All-Share(UK)		3,898.6	-0.4%	0.1%	-4.8%	3,865.5	4,186.2
DAX (DE)		11,611.5	-1.2%	0.4%	-6.1%	11,412.7	12,522.9
CAC All-Tradable(FR)		4,128.3	-1.1%	0.6%	-4.4%	4,050.4	4,346.7
TOPIX (JP)		1,502.3	0.3%	1.1%	-4.6%	1,483.9	1,577.9
Shanghai (CH)		3,035.4	0.5%	2.6%	-1.3%	2,900.3	3,092.4
Hang Seng (HK)		26,179.3	0.5%	1.7%	-8.4%	25,281.3	28,594.3
ASX 200 (AU)		6,523.1	0.3%	1.8%	-4.3%	6,405.5	6,845.1
SET (TH)		1,646.7	0.8%	0.9%	-4.5%	1,604.0	1,735.1
SET50 (TH)		1,088.7	1.0%	1.2%	-4.5%	1,056.3	1,147.9
Straits Times (SG)		3,110.4	-0.6%	-0.2%	-7.8%	3,110.4	3,381.3
FTSE Malay (MY)		1,609.3	0.4%	0.6%	-2.8%	1,592.9	1,658.2
JSX Index (ID)		6,255.6	0.3%	-0.5%	-2.3%	6,119.5	6,403.8
PSE Index (PH)		7,889.4	0.5%	0.8%	-4.4%	7,766.8	8,272.2
Vn Index (VN)		992.5	-0.5%	1.3%	-0.3%	964.6	997.9

26 August 2019	27 August 2019	21 January 1900	29 August 2019	30 August 2019
(DE) Ifo Business Climate AUG P95.7 C95.1; (US) Durable Goods Orders MoM JUL P2% C1.1%	(DE) GDP Growth Rate QoQ Final Q2 P0.4% C-0.1%, YoY Final Q2 P0.7% C0.4%	(DE) GfK Consumer Confidence SEP P9.7 C9.6	(JP) Consumer Confidence AUG P37.8; (DE) Inflation YoY Prel AUG P1.7% C1.5%; (FR) GDP QoQ Final Q2 P0.3% C0.2%; (EA) Business Confidence AUG P-0.12 C0.08; (US) GDP QoQ 2nd Est Q2 P3.1% C2%	(GB) GfK Consumer Confidence AUG P-11 C-12; (EA) Core Inflation Rate YoY Flash AUG P0.9% C1%, Inflation Rate YoY Flash AUG P1% C1%, Unemployment Rate JUL P7.5% C7.5%; (US) Personal Spending MoM JUL P0.3% C0.5%

Note: A = actual, P = previous; C = consensus

Sources: TMB Analytics, CEIC

Important Disclosures

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