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Major News impacting Markets

Waning Risk Appetite Going into the Weekend

Worries about an escalation in the Gulf following US accusations that Iran was behind yesterday's two attacks and weaker growth impulses, while trade tensions remain high, are dampening risk appetites ahead of the weekend. Equities are lower. Nearly all the stock markets in the Asia Pacific region fell today with Japan and Australia being the notable exceptions. The MSCI Asia Pacific Index will take a three-day losing streak into next week. Europe's Dow Jones Stoxx 600 is giving back half of the week's gains with a 0.4% loss through late morning turnover. Only utilities are posting gains, which is partly a reflection of the continued rally in bonds. Disappointing Chinese and New Zealand dollar has seen the Antipodean 10-year benchmark yields fall to new record lows, and pushing their currencies lower. European yields are mostly two to four basis points lower. The benchmark yields in Germany, Spain, Portugal, and Greece are at new record lows. The US 10-year yield is off about three basis points to almost 2.05%. The dollar is firmer against most of the major currencies. In addition to the heavier tone for the Australian and New Zealand dollars, sterling is also leading the pack lower. For the week, the US dollar has risen against all the majors, though against the yen, it is virtually flat. Oil is paring yesterday's gains but is still off 3.8%-4.0% this week, and gold is higher for the 11th of the past 13 sessions and has moved above \$1350 for the first time since April 2018.

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As Trump demands major concessions, Beijing wants the world to think that the US will blink first

The Chinese government is trying to convince the world that the onus is on the U.S. to resolve trade tensions between the two countries.

“But if we look at the whole situation, China is in no hurry because time is on our side,” says Liang Ming, director of the Institute of International Trade, a research unit under the Ministry of Commerce. He was speaking in Mandarin via an official translator at a press briefing on Thursday. Liang said that talks at the G-20 meeting between the U.S. and China leaders were still possible “but the precondition is that the U.S. shows good faith.”

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Trump: If Iran blocks the Strait of Hormuz, ‘it’s not going to be closed for long’

President Trump tells Fox News that if Iran were to block the Strait of Hormuz, “it’s not going to be closed for long.” Trump was responding to a hypothetical question following the attacks Thursday on two oil tankers in the Gulf of Oman, south of the strait, for which the United States has blamed Iran.

The attacks have rattled international petroleum markets and raised the specter of armed conflict in the Middle East.

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A Morgan Stanley economic indicator just suffered a record collapse

The Morgan Stanley Business Conditions Index fell by 32 points in June, to a level of 13 from a level of 45 in May. This drop is the largest one-month decline on record.

“The decline shows a sharp deterioration in sentiment this month that was broad-based across sectors,” economist Ellen Zentner said in a note to clients on Thursday.

Every subindex of the Business Conditions Composite fell in June, except for the credit condition category, which “is consistent with the recent easing in broad financial conditions,” Zentner said.

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Germany’s Scholz says rules must be followed as Italy’s rising debt frustrates EU

EU finance ministers are in Luxembourg for a monthly meeting.

Italian deficit levels are breaking EU rules and the European Commission has previously said that “a debt-based EDP is warranted.”

An EDP stands for an “Excessive Deficit Procedure” and is an action launched by the commission against any EU member state that exceeds the budgetary deficit ceiling or fails to reduce their debts.

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Trump says stock market would be '10,000 points higher' if Fed didn't raise rates

President Donald Trump predicted the stock market would be 10,000 points higher and GDP 1.5 percentage points better without Jerome Powell in charge of the Federal Reserve.

The president has been a frequent critic of the central bank chief, telling ABC News, "I'm not happy with what he's done."

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Trump downplays possible G-20 meeting with Chinese President Xi: 'It doesn't matter' if he shows up

President Donald Trump appears to downplay expectations about a possible meeting with Xi Jinping at the G-20 summit later this month, saying "it doesn't matter" if the Chinese president shows up or not.

"If he shows up, good, if he doesn't – in the meantime, we're taking in billions of dollars a month [in tariffs] from China," Trump tells "Fox & Friends."

The remarks seem to clash with comments he made just a few days earlier on CNBC, when Trump vowed to immediately slap an additional \$300 billion in tariffs on Chinese imports if Xi didn't attend the G-20 summit.

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India set to levy higher tariffs on some U.S. goods next week: sources

India is preparing to impose higher tariffs on some U.S. goods including almonds, walnuts and apples next week after a delay of about a year, two sources said, following Washington's withdrawal of key trade privileges for New Delhi. From June 5, President Donald Trump scrapped trade privileges under the Generalized System of Preferences (GSP) for India, the biggest beneficiary of a scheme that allowed duty-free exports of up to \$5.6 billion from the country.

India is now looking at adopting the higher tariffs, the sources with direct knowledge of the matter said, although the U.S. has warned that any retaliatory tariffs by India would not be "appropriate" under WTO rules.

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India's May trade deficit widens to \$15.36 billion

India's trade deficit widened to \$15.36 billion in May from a year ago, the trade ministry said in a statement on Friday.

Trade deficit stood at \$14.62 billion in May 2018.

Merchandise exports grew nearly 4% to \$29.99 billion last month compared with a year earlier, while imports were up 4.3% at \$45.35 billion, data showed.

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United States suspends WTO intellectual property litigation against China

The United States has halted a World Trade Organization dispute over China's treatment of intellectual property rights until Dec. 31, the WTO dispute panel hearing the

case said in a statement published on Friday. The panel of three adjudicators said the United States asked for the suspension on June 3 and China agreed the next day. It was not clear if the suspension might signal a thawing of trade relations between the United States and China ahead of a possible meeting between Presidents Xi Jinping and Donald Trump at a G20 summit in Japan later this month. U.S. and Chinese officials did not immediately respond to requests for comment, and the panel's statement did not disclose any reason for suspension of the dispute, which Trump launched in March last year as part of a broader battle with Beijing over alleged theft of intellectual property.

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India gold discounts at 5-month high; buying picks up in China, Singapore

Physical gold discounts in India widened to their biggest in five months this week as an upsurge in local prices dampened purchases, while China and Singapore saw demand rise from investors looking to hedge against a global slowdown. Dealers in India, which is also the world's second biggest bullion consumer, were offering a discount of \$7 an ounce over official domestic prices, the highest since mid-Jan.

This compares to a discount of 50 cents offered last week. The domestic price includes a 10% import tax and 3% sales tax.

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China hikes anti-dumping duties on some US, EU steel tubes and pipes

China said on Friday it was raising anti-dumping duties on certain alloy-steel seamless tubes and pipes used at utilities and imported from the United States and the European Union.

The anti-dumping tax rates applicable to the steel tubes and pipes are set between 57.9 percent and 147.8 percent on companies in the United States and the EU, effective June 14, China's Ministry of Commerce said in a statement on Friday.

The new tariffs are as much as 10 times the previous rates of 13 percent-14.1 percent, which were imposed in 2014 and expired on May 10. The increased steel tariffs come amid the escalating Sino-US trade dispute that involves hundreds of billions in goods passing between world's two largest economies.

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OPEC, Russia nearing accord on long term oil supply coordination: Nikkei

OPEC+ due to meet on June 25-26 or in early July to decide whether to extend the output cut
OPEC on Thursday cut its forecast for growth in global oil demand due to trade disputes

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PBOC injects liquidity into market

The People's Bank of China (PBOC), China's central bank, on Thursday pumped 100 billion yuan (about 14.51 billion U.S. dollars) into the financial system through open market operations.

To maintain stable liquidity in the middle of the year, the central bank conducted the operations with 28-day reverse repos at an interest rate of 2.85 percent.

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Global foreign direct investment is down, but not in Africa

For the third year in a row, foreign direct investment (FDI) is down all over the world, but not in Africa.

Global money is banking on African growth, reduced barriers to cross-border trade and affordable access to commodities.

From 2017 to 2018, global FDI fell from \$1.5 trillion to \$1.3 trillion, according to an analysis by the United Nations Conference on Trade and Development (UNCTAD). The conference released its 2019 World Investment Report this week, showing that global FDI not only hit its lowest level since the global financial crisis, but has also been on the decline for three consecutive years.

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Huawei to countries: Welcome us in and we'll invest big time

Huawei will invest heavily in those countries where we are welcome: Andrew Williamson vice president—public affairs and communications, Huawei

Huawei is working with every major carrier, including AT&T Inc. and America Movil SAB

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US ready to help India's defence but buying S-400 from Russia would limit cooperation: Trump admin

The US is ready to help India's defence needs with the latest technologies and equipment, but New Delhi purchasing long-range S-400 missile defence system from Russia would limit cooperation, the Trump administration has cautioned.

The statement came weeks after an identical warning from a senior State Department official who had said that New Delhi's deal to procure the lethal missile system from Moscow will have "serious implications" on India-US defence ties.

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NBFC liquidity, AIFs figure in FM's pre-Budget meet with financial sector

Ahead of the Union Budget, top officials from banks, insurance companies, Non-Banking Financial Companies (NBFCs) had sought an urgent solution for the liquidity crisis surrounding NBFCs and to improve banks' ability to lend.

"The main areas of discussion during the meeting included issues relating to the capital markets, financial sector, Non-Banking Financial Companies (NBFCs) and Alternative Investment Funds (AIFs), among others," the Finance Ministry said in a statement.

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Govt may roll over Rs 62,000 cr in fuel, fertiliser subsidies to FY21

In a bid to meet the challenging fiscal deficit target of 3.4 per cent of gross domestic product (GDP) for 2019-20, the Narendra Modi government could leave as much as Rs 62,000 crore in fuel and fertiliser subsidy arrears unpaid and roll over that amount to FY21, officials involved in the making of the Budget said.

The measure has been necessitated because the Centre anticipates a shortfall in tax revenues this year, and expenditure commitments will certainly go up as the ruling Bharatiya Janata Party seeks to fulfil some of the welfare promises made in its 2019 election manifesto.

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IndusInd Bank lost over Rs 9,000 crore market cap in 2 days; stock down 10%

IndusInd Bank has lost an over Rs 9,000 crore market capitalisation (market-cap) in the past two trading days after foreign brokerage UBS downgraded the stock to 'sell' from 'neutral' on expectations of higher credit costs. Shares of the private sector lender were down 5 per cent at Rs 1,412 on Friday, falling 10 per cent in two days.

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Sebi hit the brakes on 'free of cost' transfers for FPIs in past year

The Securities and Exchange Board of India has not been giving permission to foreign portfolio investors (FPIs) to transfer assets through a provision which was previously in common use.

An FPI could earlier transfer assets between its arms, in the wake of a merger of schemes or similar reorganisation, through an application to the markets regulator. This 'free of cost' transfer was allowed if end-beneficiaries were the same in both entities.

Such permissions have, however, been hard to come by in the past 12-18 months, say three people who are familiar with the matter. This has happened due to concerns that the step was being used to avoid taxes.

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As Trade War Hits, China Factories See Slowest Growth Since 2002

China's industrial output growth slowed to the weakest pace since 2002 and investment decelerated, highlighting the headwinds the economy is facing as it grapples with the U.S. tariff war.

Industrial output rose 5% from a year earlier, while fixed-

asset investment expanded 5.6% in the first five months. Both were slower than in April and below expectations. Retail sales was a bright spot, expanding 8.6% compared to May last year, partly because a longer May Day holiday encouraged more tourism and spending.

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Trump Could Retaliate if Xi Balks at Trade Meeting, Kudlow Says

President Trump could take further action against China if President Xi Jinping doesn't agree to a meeting at the Group of 20 summit of leading economies in Japan later this month, the White House's top economic adviser said Thursday.

"President Trump has indicated his strong desire for a meeting, but the meeting is not yet arranged formally," Larry Kudlow said at the Peterson Institute for International Economics, a Washington think tank. "He's also indicated that if the meeting doesn't come to pass, there may be consequences."

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International Events

Date	Time	Currency	Data	Forecast	Previous
FriJun 14	4:15am	NZD	FPI m/m		
	7:30am	CNY	Fixed Asset Investment ytd/y		
		CNY	Industrial Production y/y		
		CNY	Retail Sales y/y		
		CNY	Unemployment Rate		
	9:05am	JPY	30-y Bond Auction		
	10:00am	JPY	Revised Industrial Production m/m		
	12:15pm	EUR	French Final CPI m/m		
	All Day	EUR	ECOFIN Meetings		
	6:00pm	USD	Core Retail Sales m/m		
		USD	Retail Sales m/m		

Domestic Event

Wednesday June 12 2019		Actual	Previous	Consensus	Forecast	
12:00 PM	IN Industrial Production YoY APR	3.4%	0.4%	0.8%	0.9%	
12:00 PM	IN Inflation Rate YoY MAY	3.05%	2.99%	3.01%	2.9%	
12:00 PM	IN Manufacturing Production YoY APR	2.8%	0.1%		1%	
Friday June 14 2019		Actual	Previous	Consensus	Forecast	
06:30 AM	IN WPI Manufacturing YoY MAY		1.72%			
06:30 AM	IN WPI Fuel YoY MAY		3.84%			
06:30 AM	IN WPI Food YoY MAY		7.37%			
06:30 AM	IN WPI Inflation YoY MAY		3.07%	3.1%	3.4%	
11:30 AM	IN Foreign Exchange Reserves JUN/07		\$421.87B			
12:00 PM	IN Balance of Trade MAY		\$-15.3B	\$-15.84B	\$-13.4B	
12:00 PM	IN Current Account Q1		\$-16.9B		\$ -13B	
Thursday June 20 2019		Actual	Previous	Consensus	Forecast	
11:30 AM	IN Monetary Policy Meeting Minutes					
Friday June 21 2019		Actual	Previous	Consensus	Forecast	
11:30 AM	IN Foreign Exchange Reserves JUN/14					
11:30 AM	IN Deposit Growth YoY JUN/07		10.1%			

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