

Flash Note 28/01/2019

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US shutdown, China's growth, Japan's fake statistics, ... A brief review of the most relevant news

USA

- President Trump agreed on Friday to reopen the federal government for three weeks while negotiations continued over how to secure the nation's southwestern border.
- Trump signed it on Friday night, restoring normal operations at a series of federal agencies until Feb. 15 and opening the way to paying the 800,000 federal workers who have been furloughed or forced to work without pay for 35 days.
- Market reaction: Major indexes pared their gains slightly after Trump made the official announcement that the government would temporarily re-open, as investors were disappointed that it wasn't a more comprehensive agreement.

China - Beijing puts a banker at the forefront of market regulation

- **Important!** Securities regulator (CSRC chairman) to be replaced with senior banker: China has replaced top securities regulator Liu Shiyu with Yi Huima, a senior banker and chairman of the Industrial & Commercial Bank of China, as authorities look for ways to boost market sentiment. Liu was seen as keeping a heavy hand on the stock market, and any rumors of Liu leaving his post would spark a rise in markets.
- China confident of keeping 2019 growth within appropriate range: Premier Li Keqiang told a group of foreign experts that China's economy has enough resilience, potential and ample room for growth and that it is fully confident and capable of keeping economic growth rate within an appropriate range in spite of multiple risks and challenges in 2019.
- Li added that China will further streamline administration, strengthen regulation, reduce taxes and fees on a larger scale, further ease market access and provide a business environment of fair competition. He also pledged to strictly protect intellectual property rights.
- Treasury Secretary Steven Mnuchin projected confidence about the status trade negotiations between the U.S. and China in comments to Reuters. Mnuchin said both sides were "making a lot of progress" in the talks.

Japan – 40% of 56 key official statistics contain errors

- Abenomics under pressure as Japan's data scandal spreads. The Nikkei discussed the fallout from a scandal involving skewed data that has upended official readings of the economy and cast doubt on a pillar of Prime Minister Shinzo Abe's economic program. Sampling errors in the official wage report prompted a broader investigation of Japan's 56 key economic statistics, which revealed that 40% of them contain errors. A group of specialists will examine all of the government's 233 data series.

Earning season (4Q19 results)

- US (broad): 12% of companies reported profits. Growth stands at 29.1% YoY
- China (broad): 5% of companies reported profits. Growth stands at -2.5% YoY
- India (broad): 23% of companies reported profits. Growth stands at +14% YoY
- Japan (broad): 14% of companies reported profits. Growth stands at +6.6% YoY

Best regards