

**Flash Note:**  
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**The relevant news today from a market that went from more to less.**

***Europe***

- German output figures propel recession fears: German industrial output fell more than expected in a further sign that Europe's biggest economy contracted in Q2 as exporters get caught in trade disputes. Output fell 1.5% in July, much worse than the 0.4% drop forecasted. In Q2 as whole, output fell 1.8%. The 5.3% annual drop was the biggest in a decade.
- Italy's Salvini says budget deficit must not fall in 2020: PM Salvini said yesterday that Italy must not reduce its budget deficit next year as a proportion of GDP to allow space to stimulate the economy. "Deficit can't go below the 2% deficit limit", which would effectively mean no deficit cut from 2019 targeted level of 2.04%. Salvini said he would launch another round of negotiations with Brussels to get licence to hike the deficit and threatened to bring down the government if his ambitions were blocked.
- Spain: No signs that acting PM Sanchez can unblock situation to form a government. He has now been in office for 100 days despite no progress yet on forming a government. Sanchez has until 23-Sep to come to an agreement with other parties to hold a second investiture or there will another election.

***China***

- State banks seen supporting yuan in forwards market. China's state banks seems have been active in the onshore yuan forwards market using swaps support the currency.
- I'm worried that move of leveling China as "Currency manipulator" was used to offer the White House greater scope to act unilaterally against Beijing and apply new tariffs. The US law does not have a direct provision linking currency manipulation with the imposition of tariffs, though the White House may bypass traditional courses of action using the argument that it adversely affects the US economy.

### **Japan**

- BoJ's members of governing council considered "the need to communicate the BOJ will not hesitate to act if necessary". They also noted greater caution ahead of the looming consumption tax hike in combination with greater recognition that the expected recovery in growth momentum may be delayed amid growing external risks.

### **Energy market**

- OPEC countries keep trying (desperately) to sustain the price of oil: OPEC is producing the fewest barrels in more than five years in July (down 210K bpd m/m to 29.88M bpd). Saudi Arabia production fell 150K bpd to 9.70M bpd, well below its quota, making up for undercompliance by Iraq and Nigeria.

Best