

Flash Note:
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Latest developments in Asia (Tariffs, HK, Fx reserves...)

FX reserves war de escalates

- China reversed a four-month selling streak of USD reserves, increasing its holdings to \$1.11tn in June.
- Japan edged out China as the largest holder of US Treasuries in June. Japan's holdings of US government bonds rose to \$1.12T, the highest level in two and a half years.

Hong Kong developments

- HK's government announcement it is expecting to lower its 2019 GDP growth forecast to 0%-1%, from the original 2-3%.
- As a result, HK's Financial Secretary announced an economic support package worth \$2.44B to boost growth. The measures include subsidies for the underprivileged and business enterprises.

Trade Conflict

- Trump says trade war with China will be fairly short. Reuters cited US President Donald Trump stating he believes China wants to make a trade deal and the trade war with Beijing will be fairly short. Adds he had a call scheduled soon with Chinese President Xi Jinping.
- Trump also says China talks 'productive': President Trump told reporters in New Jersey that US and Chinese negotiators were holding "productive" trade talks and still expected them to meet in September. Although China vowed to counter the latest 10% US tariffs on \$300B of Chinese goods, Beijing called on the US to meet it halfway on a potential trade deal. Trump said "any trade deal with China must be on US terms". The president said this in an interview on New Hampshire radio.

Best