

# PRESS PICKS DAILY

**January 15 2018**

IGM's summary of market-focused web links.

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## Headline Grabbers

[Dollar Gets the Cold Shoulder in Global Economic Boom – WSJ \(password required\)](#)

The promise of accelerating growth overseas is sending investors into the yen, euro and many emerging-market currencies, intensifying a yearlong siege on the U.S. dollar.

[New alarm among Republicans that Democrats could win big this year - Washington Post](#)

A raft of retirements, difficulty recruiting candidates and President Trump's continuing pattern of throwing his party off message have prompted new alarm among Republicans that they could be facing a Democratic electoral wave in November.

[Nafta could collapse within week, Fitch warns - Telegraph](#) The global trading system could receive a severe shock in the coming weeks if the talks to renegotiate the North American Free Trade Agreement (Nafta) fail to reach a new deal by the March deadline.

## U.K.

[Inflation hit costs British households £24bn in 2017 - City AM](#) The rise in transport prices accounted for the largest chunk of that bill, with an extra £255 spent by the average household compared to a continuation of the low inflation seen in 2016.

[Crisis-hit Carillion files for liquidation – FT \(password required\)](#) Talks between construction company and lenders fail to secure rescue.

## Best of the Rest

[Ready for the Winter Olympics? How about war? - Nikkei Asian Review](#) Xi Jinping has entire military drilling in case US strikes North Korea.

[Japanese investors favoring funds betting on AI, big data - Nikkei Asian Review](#) Once-popular monthly-distribution trusts saw a net outflow of cash in 2017.

[Japanese Purchases Of US Treasuries Tumble – Zero Hedge](#) Japanese investors' net purchases of foreign bonds nosedived 94.6% on the year to 1.1 trillion yen (\$9.9 billion) in 2017, the Finance Ministry reported on Friday, the first annual decline in four years.

[Citi Reveals The Reason Behind The Market's Meltup – Zero Hedge](#) "Though both the Fed and ECB are scaling back their balance sheets, the increase in EM FX reserves recently, with Chinese FX reserves doing the majority of the heavy lifting, has gone some way to offset this."

[Bank earnings will be 'mixed' and 'messy' — but there's some good news - Marketwatch](#) It's going to be another tough quarter for banks, but the promise of better growth will be dangled — again.

[IMF says China should 'look at its own barriers' to global trade – South China Morning Post](#) Beijing should protect intellectual property rights, stop favouring state-owned enterprises, IMF executive David Lipton says

[Athens to accept more austerity for €5bn lifeline – Times \(password required\)](#) Parliament needs to vote through the last batch of austerity measures by January 22

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when eurozone finance ministers meet to approve the aid. The Greek finance ministry expects the amount to be about €5.5 billion.

[Bank of Japan's \\$50 Billion Question: When to Stop Buying Stocks – WSJ \(password required\)](#) The Bank of Japan, after goosing Japanese share prices with a \$50-billion-a-year program of stock purchases, now confronts a decision facing many other developed country central banks: when to stop.

[Bundesbank to include renminbi in forex reserves – FT \(password required\)](#) German central bank's decision boosts China's drive to internationalise its currency.

[Asia becomes key market for dollar bond sellers – FT \(password required\)](#) Demand reflects region's rise as independent financial hub, say bankers.

## Comment

[China rattles financial sabre - Nikkei Asian Review](#) Beijing may be mulling cuts in vast US bond holdings in reply to Trump trade threats.

[Low inflation for longer - VOX](#) The ECB's Survey of Professional Forecasters supports the ECB's view that inflation in the Eurozone will pick up and will be back within the central bank's target range in 2019. This column disagrees. Using a model that formalises the widely held view that inflation dynamics are a function of three components – long-term expectations, the Phillips curve, and oil price movement – it forecasts Eurozone inflation in 2019 at only 1.1%, a rate which is close to that implied by the bond markets.

[Does the Fed need a new playbook? - Washington Post](#) The record of economists, including those at the Federal Reserve, over the past half-century has been discouraging. The two greatest blunders are well known: policies that fed double-digit inflation in the 1970s, reaching a peak average of 13.5 percent in 1980; and the more recent failure to prevent the 2008-2009 financial crisis and Great Recession, which saw unemployment reach 10 percent.

[Never mind inflation – central banks must see the bigger picture - Irish Times](#) The focus on inflation is flawed – we would all be better-served by prioritising growth.

[Are we heading for another developing world debt crisis? - Guardian](#) Western bank loans for projects in Africa were to be paid off via rising commodity prices. At least that was the theory ...

[Why China will keep buying US Treasury debt – South China Morning Post](#) Media reports suggesting Beijing might slow down or halt its purchases of US bonds created a flurry of market activity, but in fact China has little choice in the matter.

[Americans love Chinese goods, even as Trump itches for a trade war – South China Morning Post](#) China's massive trade surplus with the US may be a headache for American officials, but there are few substitutes for the goods rolling out of Chinese factories.

[Suddenly, inflation is the huge risk that threatens the EU – South China Morning Post](#) With painful memories of the 1930s hyperinflation in mind, Germany may be about to pull the plug on the European Central Bank's policy of loose liquidity.

[These two theories explain why we should be bullish on the future of cryptocurrencies – South China Morning Post](#) The bitcoin phenomenon is a reflection of a loss of faith in – and indeed outright disdain for – the world's political and economic elites.

[Bond market bulls are still running, but just with a bit of a limp – Times \(password required\)](#) Is the global bull market in bonds over? No one can forecast short-run (12-month) asset returns with reliability, let alone consistency, but there's no pressing reason to expect a bond market retreat globally.

[Trump sharpens knives for US-China trade war – Telegraph \(password required\)](#) A potentially disastrous trade conflict between the US and China is coming to the boil this week as a series of inflammatory documents are delivered to the White House and President Donald Trump prepares to impose sanctions.

[China's real problem is supply, not demand – Telegraph \(password required\)](#) In a few weeks' time, Chinese New Year will be upon us. So, it is an appropriate time to reflect on the outlook for China's economy. Two years ago, many in the West thought that China was about to undergo some sort of implosion. It hasn't happened. Indeed, China's leaders will probably set a growth target for 2018 of "around 6.5pc", the same as in 2017. And the published numbers never deviate far from the target so "around 6.5pc" is indeed what we will get – at least officially.

[Are investors right to worry about a bond market correction? – Telegraph \(password required\)](#) For equity investors of a certain age, the bursting of the dot.com bubble in 2000 is a persistent warning that market reversals can be scarily quick. For bond

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investors, the cold shower had come six years earlier in 1994, when an unexpected rise in interest rates wreaked havoc with fixed income portfolios. Veteran investors talk of the roar that swept across the trading floor at Salomon Brothers when the Fed blindsided investors with a rate hike out of left field. Investors were crushed in the panicky dash for the exit.

[The rise of the superstar company – FT \(password required\)](#) In the corporate economy, it is not gender or race that matters, but class.

[A German coalition deal to radically reshape Europe – FT \(password required\)](#) The preliminary agreement signals a shift to more agenda-driven EU politics.

[Ultra low market volatility — friend or foe? – FT \(password required\)](#) Is the VIX reflecting excessive complacency among investors?

[Breaking out of low-growth ‘new normal’ is on horizon – FT \(password required\)](#) Global economy at T-junction where likelier road is towards ‘beautiful normalisation’.

[A power shift in the Middle East – FT \(password required\)](#) The opening of the Zohr gasfield is a big opportunity for Egypt’s energy ambitions.

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