

# PRESS PICKS DAILY

**May 3 2018**

IGM's summary of market-focused web links.

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## Headline Grabbers

[Federal Reserve keeps interest rates unchanged but sees 'moderate' growth and rising inflation ahead – Washington Post](#) The Fed predicts that it will raise interest rates at least two more times this year.

[Why is the Fed more worried about inflation? Look at these rising price gauges - Marketwatch](#) The Federal Reserve on Wednesday acknowledged inflation has perked up in the U.S., adding to a growing belief the central bank will raise interest rates this year faster than previously planned.

[Why Central Banks' Power Over Markets Is Here to Stay – WSJ \(password required\)](#) Policy makers' meticulous communication has held sway over markets over the past decade—and shows little sign of fading.

[US considering restrictions on China's telecoms companies – Nikkei Asian Review](#) Action likely aimed at Huawei and ZTE, sources say.

[Officials forced back to drawing board over customs union – City AM](#) The Prime Minister has asked Brexit negotiator Olly Robbins and his team to bring forward "revised proposals" after the two options - both of which have already been rejected by the EU - failed to gain traction.

## Best of the Rest

[China and Japan to revive currency swap line as relations thaw – Nikkei Asian Review](#) Quick action is expected after next week's Abe-Li summit in Tokyo.

[Trump becomes more dovish toward North Korea but surrounds himself with hawks – Washington Post](#) Even as he softens his rhetoric in hopes of easing tensions with Kim Jong Un, the president has assembled a team of foreign policy hawks that will assume responsibility for hammering out the details of any agreement.

[To Combat Rising Populism, E.U. Considers Funding Cuts - NYT](#) In plans for its next multiyear budget, the European Union is turning to money to get at least some leverage over the populist governments in countries like Poland and Hungary.

[Trump Trade Officials Will Present a Hard Line in China, but Internally They Are Divided - NYT](#) The Trump administration is headed to China to present the country with tough demands on trade, but what may soon become most apparent is how divided American officials are.

[HKMA Warns Public "Manage Risks, Prepare For Volatility" As Stocks, Currency Slide – Zero Hedge](#) HKMA's Chan reminds the public to "manage risks prudently to prepare for possible volatility in local interest rates and asset markets..."

[Globally Synchronized Disappointment – Zero Hedge](#) "As esoteric as all that is, it's been the economic piece of copper that has been less more misunderstood in my view. Copper is China FAI, and China FAI is all about ghost cities."

[People in Sweden barely use cash — and that's sounding alarm bells for the country's central bank - CNBC](#) Earlier this year, Riksbank Governor Stefan Ingves said that a completely cashless society would mean a small number of commercial players being responsible for all payments in Sweden, posing a threat to the infrastructure for payments. A cashless Sweden could be unprepared if faced with a crisis, he added. Demand for cash would likely increase in a crisis situation, the Riksbank said, but with less notes and coins in circulation, supply would be restrained.

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[China's globe-spanning infrastructure plan may have risks, but Citi sees big opportunities - CNBC](#) Warnings of financial risks may be sounding on China's Belt and Road Initiative, but global banks are still seeing a promising opportunity.

[Here's a powerful argument for favoring value stocks over growth stocks - Marketwatch](#) A fund manager that follows both strategies says a value strategy is working better now.

[Why Xi's Hands Are Tied in Trade Talks With U.S. - WSJ \(password required\)](#) As a U.S. delegation arrives in China with a list of requests for Xi Jinping, the Chinese leader's economic strategy and domestic constituencies make any compromise difficult to achieve.

[What the Rising Dollar Says About Global Growth - WSJ \(password required\)](#) Investors were happily betting on a synchronized global upswing, but that trade risks unwinding as economies appear to diverge.

[Wages Could Upset Fed's Happy Routine - WSJ \(password required\)](#) The Federal Reserve's course seems set, with steady, modest rate increases persisting through this year into next. The factor that could upset its plans is wage pressures, which are starting to flow through the economy.

[Risk flagged as US car loan terms lengthen - FT \(password required\)](#) Monthly repayments for borrowers reach all-time high.

## Comment

[The EU's federalist fantasy is under threat - City AM](#) Against a backdrop of new states waiting in the wings to join – all requiring pre-accession funding – the EU also has the challenge of counteracting the deficit caused by Brexit, and responding forcefully to increasing euroscepticism throughout the bloc.

[Facing up to China's state-led tech revolution - Nikkei Asian Review](#) Success of authoritarian innovation challenges liberal market theories.

[Financial globalisation, bank lending and the limits of domestic monetary policy - VOX](#) The effectiveness of monetary policy in dictating banking activities is one of the keys to understanding how efficient monetary policy is in tuning the real economy. This column uses data on Norwegian banks to show that efficiency may be eroded by international financial flows in a small open economy. This raises several challenges for central banks and financial regulatory agencies in such economies.

[Targeting China's tools of aggression - Washington Post](#) As U.S. Trade Representative Robert E. Lighthizer, Treasury Secretary Steven Mnuchin and other officials head to Beijing this week for high-stakes trade talks with Chinese counterparts, they seek to correct an economic relationship with China that has become increasingly unbalanced — and, over the long term, dangerous — for the United States and other nations. U.S. lawmakers will support them.

[Trump has not made the economy great again - Washington Post](#) The first reason is right there in front of you: the words “according to initial estimates.” The fact is that these numbers tend to be particularly noisy, and they end up getting revised. Why is that? Well, it turns out that isn't so easy to get a down-to-the-decimal-point picture of how much our nearly \$20 trillion economy is (or isn't) growing in real time.

[How Iran Will Respond to New Sanctions - Project Syndicate](#) Even before US President Donald Trump began threatening to re-impose sanctions on Iran, foreign investors looking to do business there were wary. Iranian President Hassan Rouhani failed to get his pro-market agenda off the ground, and now international political developments are playing into Iranian hardliners' hands.

[Can a European Capital Market Survive Brexit? - Project Syndicate](#) When it comes to Europe's capital markets, the largest pools of liquidity remain located in London, and no one yet knows how Britain's withdrawal from the European Union will affect them. As signs of a slowdown in the European economy emerge, the need to refocus attention on a capital markets union is becoming more urgent.

[Ten Weimar Lessons - Project Syndicate](#) The collapse of the Weimar Republic and the emergence of the Nazis' Third Reich in the early 1930s still stands as one of modern history's most powerful cautionary tales. Its lessons are as relevant today as ever – and not just for countries with fragile political systems.

[Trump-Macron bromance masks the danger a trade war poses to euro-zone economy - South China Morning Post](#) Tensions between the US and the European Union over tariffs have affected business and investor confidence, with allocation to euro-zone equities slumping.

[Rising US Treasury yields don't necessarily mean a crash is coming - South China Morning Post](#) The psychologically important 3 per cent rate mark for the 10-year US Treasury note may not signal doom and gloom if we look at the bigger historical picture.

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[For a modern economy to work, we must have a digital identity system – Times \(password required\)](#) For weeks, the UK has been consumed by the Windrush scandal, in which British citizens were treated as illegal immigrants because they were unable to prove their identity. This shameful episode has revived debate over whether the UK should adopt compulsory identity cards, as is common in many other European countries.

[Abe's popularity is on the wane but Japan cannot afford to ditch him – Telegraph \(password required\)](#) Political uncertainty has resurfaced in Japan and a series of scandals have pushed the approval rating of prime minister Shinzo Abe's Liberal Democratic Party to its lowest level since Abe's second term commenced in 2012.

[The Growth Man of Europe – WSJ \(password required\)](#) Now Macron wants to slay France's 30% exit tax.