

# Danske Daily

## New Trump tariff warnings on China imports

### Market movers today

- Today the final euro area HICP figures for June will be released. The German figures point to a slight upward revision in the euro area headline figure to 1.3% (from 1.2% in the flash estimate), but core inflation will likely stay at 1.1% in a sign that underlying inflation pressures remain subdued ahead of the ECB's July meeting taking place next week.
- In the UK, we also get inflation data for June. Market consensus is for headline inflation to remain steady around the BOE target of 2% while core inflation is expected to increase slightly from 1.7% in May.

### Selected market news

**Asian equity markets are mixed this morning after US markets retreated slightly yesterday.** New sour comments by US President Trump on trade negotiations with China irked markets. Yesterday, he stressed that US could impose tariffs on another USD325bn of imports from China, saying that *"we have a long way to go as far as tariffs where China is concerned, if we want."* Meanwhile, China brought down their holdings of US treasuries for the third month in a row to the lowest level since May 2017.

**On a positive note, US retail sales came out stronger than expected yesterday,** growing 0.7% m/m in June, while May was revised up to 0.6% from 0.5%. Even though retail sales are not always a very good indicator of private consumption in the GDP accounts, they nonetheless suggests a strong rebound in consumption growth in Q2 after a weak Q1.

**Yesterday Fed officials revealed further their preferences on how to support the US economy.** Jerome Powell told a Paris audience that the Fed is *"carefully monitoring"* downside risks to U.S. growth and *"will act as appropriate to sustain the expansion"*, echoing his Congressional testimony. Chicago President Charles Evans predicted two reductions this year based on the need to lift inflation, although also saying it might not be enough. Dallas chief Robert Kaplan said a *"tactical"* cut might be warranted, but one should be enough. We are predicting the Fed will cut rates three times this fall, starting with a cut at the July meeting.

**Oil extended losses yesterday falling below \$58 a barrel** after US secretary of state Michael Pompeo said Iran had signalled an openness to talks if some conditions were met. His comments followed similar remarks from Tehran's foreign minister in the first signs of a possible diplomatic breakthrough. Oil prices also retreated as Trump's threat of new tariffs on China prompted fears about the demand outlook.

**In Europe, Ursula von der Leyen narrowly won support from the European Parliament.** She will now become the first women to head the EU Commission. She received support from 383 parliamentarians, only just exceeding the 374 threshold needed for approval. As many as 327 members voted against her. The weak support gives her, in our view, a fragile mandate. In winning over support from the EU parliament, she made a long list of promises in areas such as climate change and European-wide minimum wage that will be challenging getting through the national parliaments in EU member countries.

### Holiday edition

#### Selected readings from Danske Bank

- *FX Forecast Update - Fed reflation and weaker USD taking hold*
- *FX Edge - H2 reflation set to drive high-beta currencies, support risk*
- *FX Edge: The EUR and ECB - rate cuts are all that matter*
- *IMM Positioning Update - speculative copper positioning back in stretched short territory*
- *Euro Area Macro Monitor: ECB's credibility on the line*
- *Japanese Investor Flows into Foreign Sovereign Debt for May 2019*

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## Key figures and events

Wednesday, July 17, 2019			Period	Danske Bank	Consensus	Previous
10:30	GBP	PPI - input	m/m y/y	Jun	-1.0% 0.0%	0.0% 1.3%
10:30	GBP	CPI	m/m y/y	Jun	0.0% 2.0%	0.3% 2.0%
10:30	GBP	CPI core	y/y	Jun	1.8%	1.7%
11:00	EUR	HICP inflation	m/m y/y	Jun	... 1.3%	0.1% 1.2%
11:00	EUR	HICP - core inflation, final	y/y	Jun	1.1%	1.1%
14:30	CAD	CPI	m/m y/y	Jun	... 1.9%	... 2.4%
14:30	USD	Building permits	1000 (m/m)	Jun	1300	1299.0 (0.7%)
14:30	USD	Housing starts	1000 (m/m)	Jun	1260	1269.0 (-0.9%)
16:30	USD	DOE U.S. crude oil inventories	K			-9499

Source: Bloomberg, Danske Bank

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