

# UOB Investment Insights

## Market Powerbar

September 2019 Highlights

### Topic 1: Concerted easing by central banks

#### Meeting Outcomes

2019  
Sep  
12

European  
Central Bank



Cut the deposit rate by 10bps from -0.40% to -0.50%.



A new quantitative easing (QE) programme effective 1 Nov 2019.

- €20bn of bonds per month
- open-ended programme



Announced third round of Targeted Longer-Term Refinancing Operations to provide liquidity to banks.

2019  
Sep  
18

Federal Open  
Market Committee  
(FOMC)



The US Federal Reserve cut its policy Fed Funds Target Rate by 25bps to the 1.75 – 2.00% range.

#### Views & implications

- Holding cash would be less attractive as we expect another two rate cuts from the Fed by the end of 2019.
- Despite the rate cuts, we still expect the **USD to strengthen against Asian currencies** as ongoing trade tensions will continue to keep the CNY weak.
- Investors can consider **Asian investment-grade bonds** to generate income and lower overall portfolio risk.

### Topic 2: China take actions to mitigate the impact of US tariffs



2019  
Sep  
9



China announces a 50bps reduction in the reserve requirement ratio, releasing more liquidity into the economy.



2019  
Oct  
10-11



The US and China will hold trade talks in Washington DC.



2019  
Sep  
11



China unveils tariff exemption list for 16 imported US products, which will be effective till 16 Sep 2020.



2019  
Oct  
15



The US has announced plans to increase tariffs on Chinese goods from 25% to 30% on this date.

#### Views & implications

- The Chinese government is likely to continue providing monetary and fiscal stimulus to manage the negative impact of higher tariffs and to stimulate economic growth.
- We assign a 60% probability that a trade deal will only be made earliest in 1H 2020 and a 35% probability that tensions could worsen further.
- Investors should diversify to reduce the impact of any short-term escalation in trade tensions. We continue to remain positive on Chinese equities over the long-term due to China's rising domestic consumption.

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### Topic 3: What is next for Brexit?

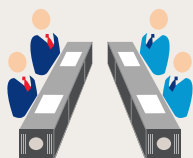


2019  
Sep  
24

The UK Supreme Court declared Prime Minister Boris Johnson's suspension of Parliament was unlawful.

The UK parliamentary session resumed.

2019  
Sep  
25



2019  
Oct  
2

Boris Johnson offers a compromise to the Irish backstop, which the EU has agreed to negotiate.

The UK Parliament had voted to compel the government to request for another extension if a Brexit deal is not reached by this date.

2019  
Oct  
19



2019  
Oct  
31

While Boris Johnson has indicated a reluctance to comply with the extension requirement, the risk of a no-deal Brexit has been reduced because Parliament has resumed sitting.

#### Views & implications

- The likelihood of a further three-month extension is high – Brexit could drag into 2020.
- With the ongoing uncertainty, it is prudent to **avoid speculating** in sudden **British pound** or in **UK-listed equity movements**.

### Key events in October 2019



2019  
Oct  
15

#### Increase in tariff rates

The US will increase the tariffs rates imposed on Chinese imports from 25% to 30% effective from 15 Oct 2019.



2019  
Oct  
24

#### ECB monetary policy meeting

The ECB is expected to hold its monetary policy unchanged at this meeting.



2019  
Oct  
29-30

#### FOMC meeting

The Fed is likely to continue easing due to slowing economic growth and geopolitical uncertainties. We project another 25bps cut at this meeting.



2019  
Oct  
31

#### Brexit

The UK will leave the EU if Prime Minister Boris Johnson does not request for another extension, as legally required by the UK Parliament.



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