



The decision to impose tariffs on imports by US government reminds us the parable of Aladin and the magic lamp. The genie with unpredictable nature is released from the Lamp and it is difficult to judge the repercussions of this critical decision that might cause in the global economy. All countries impacted with decision might retaliate at any time like Newton third law of motion “for every action there is an equal and opposite reaction”. From an economic point of view, it is tough to predict the future and the element of uncertainty had deepened with such critical decisions. From now onwards all macro-economic developments must be observed with eye of suspicion. The increase of exports from China before the implementation of tariff might be an action from US companies to stock goods, especially raw materials to escape from fluctuation in price. The reduction of retail inflation in India might due to release of stock from warehouses that is especially meant for export consumption.

One thing that is very certain is that, this decision will test the intrinsic health of each and every economy. The economy that has enough room for self-adequacy will sustain in the turbulent times. As per the views expressed by Singapore RHB bank the growth of the economy will adversely be affected by global trade tensions and the growth may slip by 0.5-1%. According to WHO the global outlook remains sluggish and growth rate is slashed by 0.2 percent. Past remind us about opacity of closed economies and how cartels operate in such economies. It might not surprising if countries behave like cartels in future. The visit of Chinese president to Vietnam , Malaysia and Cambodia is not surprising and market behave with immense possibilities. It might not be surprising if its results in tug of war and bargain between raw material economies and finished goods economies. It is interesting to watch how China will counter and position itself in the troubled waters. The union with Arabs and other east Asian countries might be the first strategic move China might target to combat against the moves of US because it is not easy for US to stay cost effective without using east Asian markets. The decision to impose 125% import tariff on US imports shows the fearless face of China and the actions show that they are anticipating such moves from US.

Last week movement in the financial market showed initial cooling after the morbidity of crisis. Strong movement in gold markets shows that there is no other save haven option other than precious metal which had already burdened with market fear and phobias. Multinational companies and countries will seriously think about competitive positioning in the market. Definitely, it is the time for strategic thinking to stay survive and how to make adversity advantageous. It is time to closely observe all market participants and try to understand the evolving logic without forgetting the impact of invisible hands of economy.

All markets apart from US showed signs of recovery since selling pressure subsided and market is waiting for new triggers to capture the imagination of bears. The flow of fund from overvalued stocks to fairly valued stocks are anticipated in the markets. The celebration of Ester holidays had slightly impacted market participation. The Japanese market cheered with its slight improvement in fundamentals. Recovery noticed in Japanese industrial production together with market optimism about trade concession from US appreciated in market movements. Reviewing the historical trend , it is evident that the uncertainty in industrial production in Japan is not a new phenomenon but market needs some harbours while addressing adversity. The rising trend in foreign exchange reserves are visible even from Indonesia and it is understood that a week position in foreign exchange will adversely impact the strength of currency.

The decline in Chinese imports is expected and impose of import tariff against US will augment the decline in imports. The strengthening of balance of payments is more contributed by the decline in imports than the rise in exports. Meanwhile Japan refuted the claims of manipulation of yen by intentionally driving it down it to support exports. The growth in Malaysian exports might be a retaliatory action against China and trade surplus in Malaysia is largest among the last two years.

The concerns of growing economies might get worse with draw back in consumption . The decline of Indonesian motor bike sales is to be interpreted with caution and if the trend spread to other developing economies it might add more fuels on the fear of recession. It is too early to predict a total pessimistic view on economy but the situations might get more worse if everyone promote their self-agenda.

World Exchanges Weekly Sentiments						
	Pre Close	Open	High	Low	Last	% Change
1 S&P 500	5363.36	5441.96	5459.46	5220.79	5282.70	<b>-1.50</b>
2 NASDAQ Composite	16724.46	17120.44	17136.56	16066.46	16286.45	<b>-2.62</b>
3 Nikkei 225	33585.58	34006.37	34758.97	33658.47	34730.28	<b>3.41</b>
4 SSE Composite Index	3238.23	3251.98	3285.92	3233.79	3276.73	<b>1.19</b>
5 Hang Seng Index	20914.69	21363.88	21603.52	20868.36	21395.14	<b>2.30</b>
6 FTSE 100	7964.20	7964.20	8295.10	7964.20	8275.70	<b>3.91</b>
7 Euro STOXX 50	4787.23	4828.56	4977.49	4828.56	4935.34	<b>3.09</b>
8 Nifty 50	22828.55	23368.35	23872.35	23207.00	23851.65	<b>4.48</b>
9 DAX 40	20374.1	20802.42	21436.66	20698.91	21205.86	<b>4.08</b>
10 KOSPI	2432.72	2454.28	2486.37	2442.72	2483.42	<b>2.08</b>
* Weekly computed data						

Currencies Weekly Sentiments						
	Pre Close	Open	High	Low	Last	% Change
1 EUR/USD	1.1361	1.1343	1.1425	1.1286	1.1397	0.32
2 USD/JPY	143.515	143.6960	144.0470	141.9150	141.9280	-1.11
3 GBP/USD	1.3083	1.3091	1.3293	1.3086	1.3234	1.15
4 AUD/USD	0.6288	0.6306	0.6391	0.6278	0.6373	1.35
5 USD/CAD	1.5738	1.5735	1.5851	1.5673	1.5794	0.36
6 USD/MXN	20.2909	20.2768	20.2940	19.7894	19.9153	-1.85
7 USD/CNY	7.314	7.2916	7.3119	7.2916	7.3119	-0.03
8 USD/SGD	1.3191	1.3203	1.3204	1.3098	1.3103	-0.67
9 USD/INR	85.8563	86.1930	86.2003	85.2974	85.6205	-0.27
10 USD/HKD	7.7558	7.7549	7.7643	7.7541	7.7618	0.08
* Weekly computed data						

The liquidity in currency market expected to decline due to heavy control over currency transaction. A weak currency at the time of adversity is great concern and it important have proper management of currency rates. In India rupee got strengthened against US dollar due to the 90 days halt of Import tariff by USA together with better macroeconomic figures.

This is time when all economies will rely on the strength of domestic economy and South Korea decision pump more money to market by extra budget of \$8.6 billion is clearly indication how each economy rely on domestic market at the period of crisis. Inflation is the key factor that has to managed with in the permissible limits to derive the real benefit pumping more money into the market. The real position of the economy will not be instantly revealed due to mammoth size of various transactions happening the economy. The fate of all economies depends upon the vision of their political leaders. Pragmatic solutions are needed rather than tit for tat decisions that drive wild imagination of market participants.

Commodities Weekly Sentiments						
	Pre Close	Open	High	Low	Last	% Change
1 Gold Spot (USD/t.oz)	3236.6	3223.70	3357.60	3193.70	3326.30	2.77
2 Brent Crude Oil (USD/Bbl)	64.790	65.370	68.130	64.040	67.960	4.89
3 Crude Oil WTI (USD/Bbl)	61.500	62.070	64.860	60.590	64.680	5.17
4 Copper (USD/Lbs)	4.5363	4.5557	4.7436	4.5051	4.6023	1.45
5 Natural Gas (USD/MMBtu)	3.527	3.5890	3.5990	3.2040	3.2450	-8.00
6 Wheat (USD/Bu)	555.75	547.00	555.75	540.25	548.75	-1.26
7 Soyabean	1042.8	1042.50	1049.50	1030.80	1035.80	-0.67
8 Steel Rebar (CNY/T)	3060.00	3061.00	3079.00	3020.00	3023.00	-1.21
9 Silver(USD/t.oz)	32.2650	32.0750	33.1110	31.7370	32.5080	0.75
10 Aluminium (USD/T)	2401.80	2413.40	2413.90	2354.70	2383.20	-0.77
* Weekly computed data						

### Disclaimer

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