### Targeted liquidity support

China's central bank said on Sunday that it will use various policy tools to keep liquidity in the market reasonably ample, and provide targeted liquidity support to small and mid-sized banks, Reuters reported.

# G-20: Deepening trade tensions pose threat to world economy

KIYOSHI OTA/BLOOMBERG

After days of wrangling over the wording of a communique, finance chiefs from the world's largest economies have warned that escalating trade and geopolitical tensions pose the biggest risk to global growth.

In the final draft of a Group of 20 finance statement seen by Bloomberg News, officials said that although growth appears to be stabilizing, it "remains low and risks remain tilted to the downside."

"Most importantly, trade and geopolitical tensions have intensified. We will continue to address these risks, and stand ready to take further action," according to the statement.

Trade issues dominated discussions as officials gathered in the port city of Fukuoka in southwestern Japan. The meeting opened with news of US President Donald Trump's reversal of plans for new tariffs on Mexico, offering a sliver of good news for officials facing a lengthening worry list.

The gathering also marked the first meeting of top US and Chinese officials since negotiations between both governments for a trade agreement collapsed last month. Treasury Secretary Steven Mnuchin wrote on Twitter that his talks with People's Bank of China Governor Yi Gang were constructive and candid.

Behind closed doors, G-20 officials haggled over how to describe their assessment of key challenges including trade disputes, currencies and climate change.

A fifth draft of the communique seen by Bloomberg News on Saturday included a reference to a "pressing need to resolve trade tensions," which was omitted in the final statement.

The language also shifted on currencies. A paragraph that explicitly spelled out the need for countries to avoid competitive devaluations was dropped in preference for a single line reaffirming past commitments.

A reference to a report on climate-related financial disclosures was not included in the final draft.

While past G-20 gatherings such as those in the wake of the global financial crisis led to unified action, fraying alliances and rising populism are making coordinated policy harder.

On the monetary front, there are signs of increasing urgency. In the build up to the meeting, Federal Reserve Governor Jerome Powell signaled a willingness to act if the economy needs it, European Central Bank Governor Mario Draghi vowed to support growth while the PBoC's Yi said he has 'tremendous' policy options to stoke demand.

Australia, India and Chile all lowered interest rates in the past week.

"Central banks are heroes," OECD Secretary General Angel Gurria told Bloomberg Television in an interview during the meetings.

"The question is how much armory do they still have, how many bullets, particularly silver bullets?"

The G-20 communique's final draft supported a push by Japan's Finance Minister Taro Aso for a policy response to aging populations, spanning fiscal and monetary policy to measures on boosting labor force participation.

It also said the G-20 will compete a review of the International Monetary Fund's quotas by October and will back a push for greater debt transparency.

## ECB policymakers open to cut rates if growth weakens

European Central Bank policymakers are open to cutting the ECB's policy rate again if economic growth weakens in the remainder of the year and a strong euro hurts a bloc already bearing the brunt of a global trade war, two sources said.

The ECB said on Thursday that its interest rates would stay 'at their present levels' until mid-2020 but President Mario Draghi added rate setters had started a discussion about a possible cut or fresh bond purchases to stimulate inflation, according to Reuters.

The apparently mixed message failed to convince some investors, who saw it as too tenuous a commitment to more stimulus. This sent the euro rallying to a 2-1/2 month high of $1.1347 against the US dollar.

But two sources familiar to the ECB's policy discussions said a rate cut was firmly in play if the bloc's economy was to stagnate again after expanding by 0.4 percent in the first quarter of the year.

"If inflation and growth slow, then a rate cut is warranted," said one of the sources, who requested anonymity because the ECB's deliberations are confidential.

An ECB spokesman declined to comment.

The ECB's deposit rate is already 40 basis points below zero and the bloc's top-rated governments, such as Germany's, can borrow at negative rates for up to a decade.

In this context, countering the euro's strength, rather than lowering already rock-bottom borrowing costs, would be the main reason for a further cut to that deposit rate, one of the sources said.

"I'll give you five reasons for a rate cut," the source said before repeating 'exchange rate' five times.

The ECB doesn't formally target an exchange rate but Draghi noted the euro's appreciation in his news conference on Thursday and has long highlighted the currency as a crucial determinant of financing conditions.


KAI PFAFFENBACH/REUTERS

The source said a euro at $1.15 would still be tolerable for some but $1.20 would be a critical level to watch.

The single currency has risen by two percent against the dollar in just over a week as the Federal Reserve signaled its willingness to cut its interest rates if needed.

This was seen by some analysts as a sign the US central bank was bowing to pressure from the White House to keep the dollar weak and strengthen the administration's hand in its trade negotiations.

The argument for more quantitative easing (QE) from the ECB was less clear to some policymakers, however, the sources said.

One of the sources said more QE could help soothe stock markets if these were spooked by an escalation in the trade war, although there would be a risk for the ECB in appearing to kowtow to equity investors.

The other said the main benefit of QE was compressing the difference between short- and long-term borrowing costs, making access to finance easier for companies and households, but this so-called term premium was already low.

## China may restrict tech access in spiraling US trade dispute

China is creating a system to protect its technology, according to state media, as the US restricts the access of Chinese companies to American technology in a spiraling trade dispute.

The *People's Daily* newspaper said Sunday that the system will build a strong firewall to strengthen the nation's ability to innovate and to accelerate the development of key technologies, AP reported.

"China ... will never allow certain countries to use China's technology to contain China's development and suppress Chinese enterprises," the main paper of the ruling Communist Party said, without directly referring to the US.

No details have been released about what China is calling a national technological security management list. The plan was announced Saturday evening in a brief three-paragraph dispatch by the official Xinhua News Agency.

The aim is to forestall and defuse national security risks more effectively, Xinhua said, adding that detailed measures would be unveiled in the near future.

The initiative follows US moves to restrict sales to Huawei Technologies and other Chinese tech firms on national security grounds.

The US Commerce Department last month added Huawei to its list of entities that are engaged in activities contrary to US national security or foreign policy interests.

As such, any sale of US technology to Huawei will require Commerce Department approval.

China responded by saying its Commerce Ministry would develop its own list of foreign entities that it regards as 'unreliable'.

This weekend's announcement of plans for a technological security management list is clearly related to the unreliable entities list, the state-owned *Global Times* newspaper said in an editorial posted online Sunday.

It said the act would provide a legal basis to manage technology exports and counter American supply cut-offs to some Chinese companies.

"Since 2018, the US has repeatedly drawn on its domestic law to exert pressure on Chinese high-tech enterprises," the English-language editorial read in part.

"China's countermeasures against the US require more legal weapons."


AP

The two largest economies appear as far apart as ever in their dispute, though US Treasury Secretary Steven Mnuchin said he held a constructive meeting Sunday with the head of China's central bank.

In a Twitter post, Mnuchin said he and Yi Gang, governor of the People's Bank of China, had a 'candid' discussion about trade issues. The post showed the two shaking hands and smiling.

They met on the sidelines of the G-20 finance meeting in Fukuoka, Japan.

Mnuchin earlier urged China to rejoin talks on the dispute that have stalled after 11 rounds of negotiations. He said no talks were scheduled, however, and that major progress on the stalemate would likely have to wait for a meeting of Presidents Donald Trump and Xi Jinping later this month.

## S. Korea's chip exports to India up 50% through April

Exports of chips to India surged by almost 50 percent in the first four months of the year, driven by strong demand for smartphones in one of the fast-growing markets around the globe, industry data showed on Sunday.

According to the data compiled by the Korea International Trade Association (KITA), the country's chip exports to India stood at $490 million in the January-April period, up 48.5 percent from $330 million a year earlier, Yonhap reported.

The performance is in stark contrast to a sharp dip of 20 percent in the country's chip exports in total at $31.62 billion, the data showed.

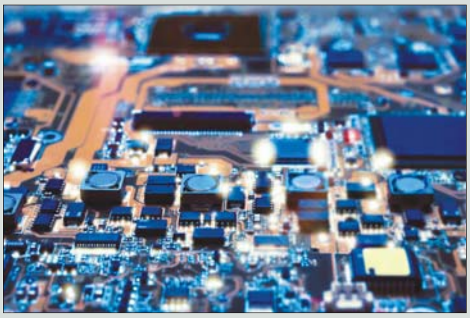
In May alone, chip shipments to India also jumped 38.4 percent to $110 million as well.

The sharp increase in chip exports was due to firm demand for smartphones in India where Samsung Electronics Co. and other smartphone makers are competing to grab a lion's share.

Samsung sold five million Galaxy A series budget smartphones within 70 days of its launch in early March in India, adding to its efforts to regain its market leadership in the Indian smartphone market, where China's Xiaomi is an archrival for Samsung.

According to market tracker Strategy Analytics, Xiaomi topped the Indian smartphone market with 30.1 percent in the first quarter of the year, trailed by Samsung with 22.7 percent.

Samsung is set to launch the M40 and A80 smartphones in India this month, and LG Electronics Inc., another South Korean smartphone maker, is also planning to roll out its W10 budget phone, according to industry sources.


KOBIZ MEDIA

## Major Currencies

| Currency | To USD | Currency | To USD |
|---|---|---|---|
| Turkish Lira | 0.1714 | Japanese 100 Yen | 0.9243 |
| Euro | 1.1341 | Chinese Yuan | 0.1447 |
| British Pound | 1.2738 | UAE Dirham | 0.2722 |
| Australian Dollar | 0.6998 | Kuwaiti Dinar | 3.2832 |
| Canadian Dollar | 0.7528 | Iraqi 100 Dinar | 0.0839 |

## Major Commodities

| | | | |
|---|---|---|---|
| Crude Oil | $54.04 | Silver | $15.01 |
| Gold | $1344.90 | Platinum | $806.20 |
| Copper | $2.62 | Wheat | $503.50 |