

KEY HEADLINES:

- U.S. Trade Representative Robert Lighthizer met Monday with his Japanese counterpart, Hiroshi Kajiyama, and will meet for bilateral talks with EU Trade Commissioner Phil Hogan on Thursday, a USTR spokesman said. The meetings bookend Wednesday’s signing of a Phase I trade agreement between the United States and China that is aimed at defusing an 18-month war of tit-for-tat tariffs that have roiled financial markets and dragged down global growth. The Information Technology & Innovation Foundation think-tank on Monday urged all three parties to abandon their recent bilateral, non-World Trade Organization measures against each other and focus instead on building a concerted response to what it described as China’s dangerous mercantilist practices. “Without aggressive, coordinated action, leading economies in Europe, Asia and North America are likely to face a crushing wave of unfair competition – and have fewer jobs as a result,” the group wrote in a report released Monday. “Once a nation or region loses an advanced industry to China, it will be virtually impossible to resurrect.”
- Although the immediate geopolitical risk of the Iran/US missile exchanges in Iraq has been put on the back burner for now, the issue will continue to rumble on. This is likely to be a drag on Treasury yields in the coming weeks however, for now the near term focus switches back to the trade dispute and to “phase one” again. On Wednesday, the US and China are expected to sign the first section of their trade agreement. Risk appetite is positive (the VIX hit its lowest in two weeks on Friday, whilst the Chinese yuan strength is at five month highs to drag USD/CNH under 6.90 this morning).
- “Overall, the economy grew slightly in the latest three months, with growth in construction pulled back by weakening services and another lacklustre performance from manufacturing. “The UK economy grew slightly more strongly in September and October than was previously estimated, with later data painting a healthier picture. “Long term, the economy continues to slow, with growth in the economy compared with the same time last year at its lowest since the spring of 2012. “The underlying trade deficit narrowed as exports grew faster than imports.”

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI m/m	USD	0.2%	0.3%	HIGH
Core CPI m/m	USD	0.2%	0.2%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	70.95	70.87	70.80	71.03	71.10	Sideways
EURINR FUTURE	79.00	78.90	78.80	79.12	79.25	BULLISH
GBPINR FUTURE	92.17	92.00	91.90	92.35	92.50	BULLISH
JPYINR FUTURE	64.65	64.55	64.45	64.78	64.90	Sideways

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