



VIEW FROM THE PEAK

China – the Dollar – Coincidence?



MACRO THOUGHTS LTD

RESEARCH / MARKET COMMENTARY / CONSULTANCY

August 20, 2018

China – the Dollar – Coincidence?

‘Too much focus on Occidental activity means that Oriental occurrences went under the radar for many, but Xi has set in motion changes intended to raise China’s global standing, determined that China will be the leading ‘national power and international influence’ and no one should doubt his ambition’, Macro Thoughts, February 10, 2018.

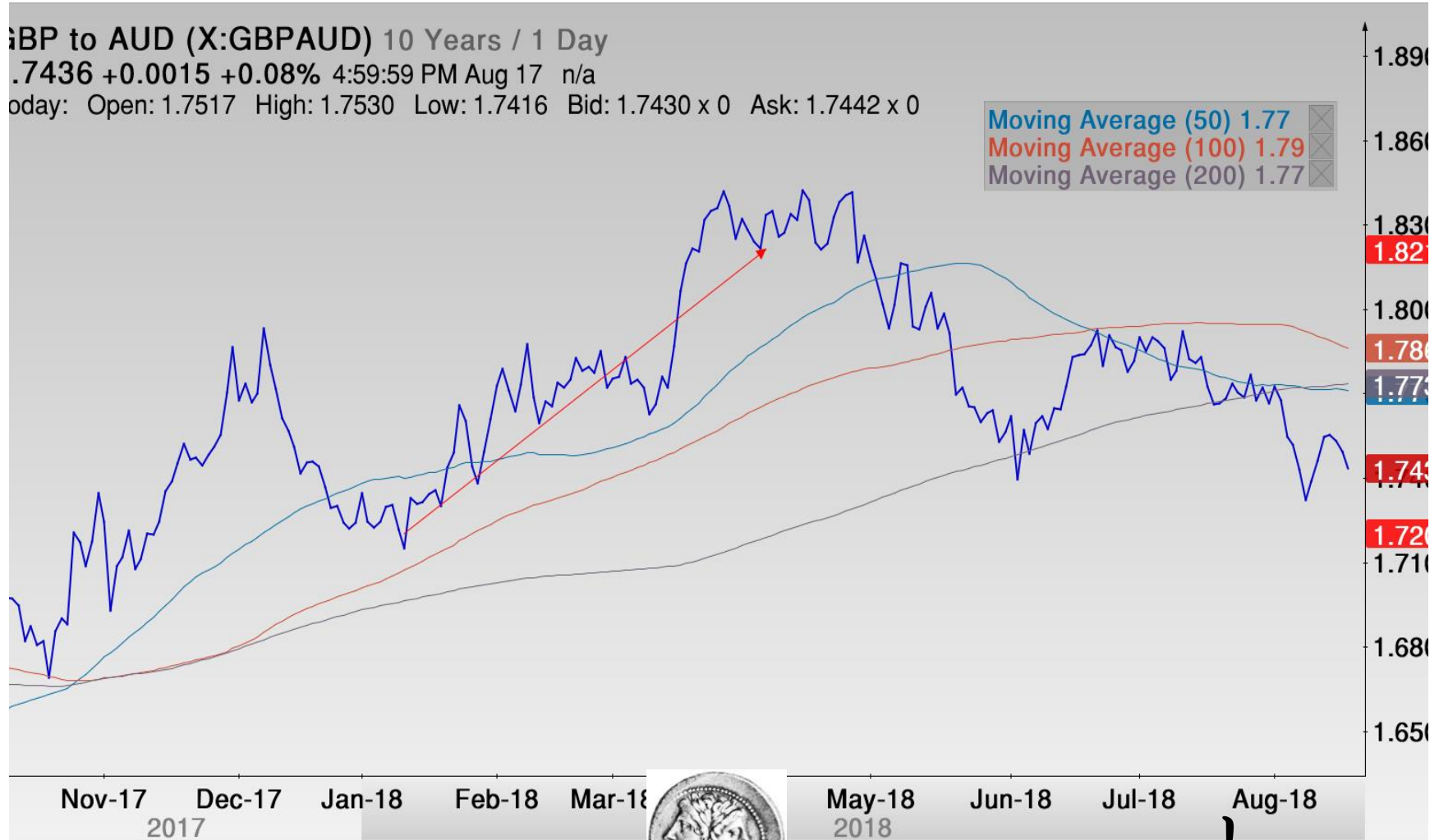


At the beginning of June, while considering the second half of 2018, Macro Thoughts also asked:

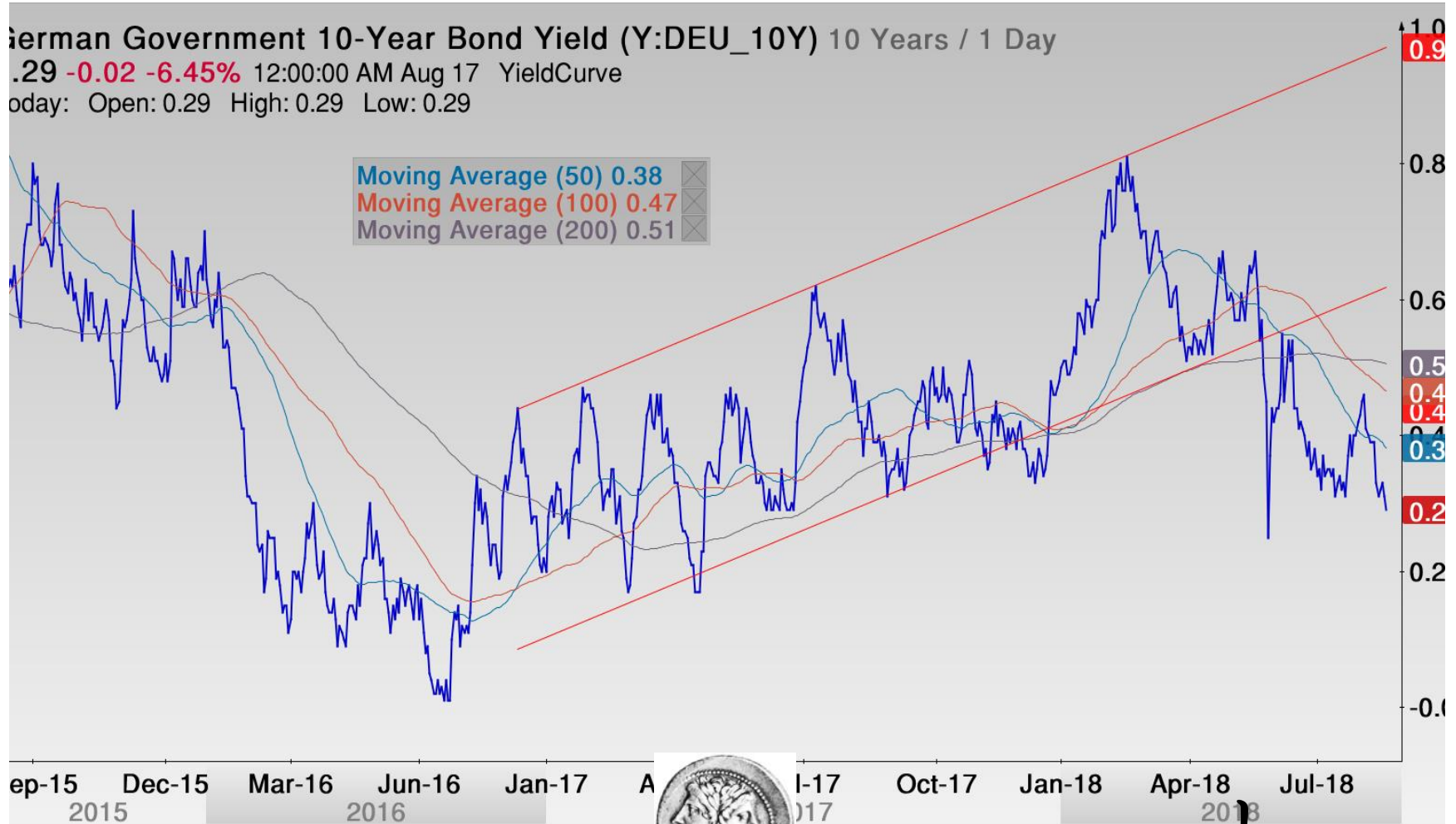
- Does Draghi believe the Euro can drop below 1.12, *even to parity*, or Bund yields back to 20bp? [L] [SEP]
- Does Powell believe 30 year yields can fall below 3% to 2.75%, 2.5% *or even 2%*? What does a Dollar Index at 100 do to monetary policy? [L] [SEP]
- Investment Grade bonds have underperformed, but, with weaker growth, are High Yield markets a risk? [L] [SEP]
- Does Kuroda believe the inflation conundrum has been solved, and is the Japanese economy stalling? [L] [SEP]
- Could Chinese yields fall to 3.25%, 3% or even 2.5%? [L] [SEP]
- Could oil fall below \$60? If not, and if it rallies above \$80, what impact does that [L] [SEP] have on real global economic growth? [L] [SEP]
- Could Indian growth fall below 7% and Chinese growth below 6.5%? (Each imports over 700k bpd of oil from Iran) [L] [SEP]



GBPAUD



GERMAN 10 YEAR YIELDS



HG COPPER

High Grade Copper (F:HG) 10 Years / 1 Day

.6290 0.0000 0.00% 5:37:40 PM Aug 17 COMEX

Today: Open: 2.6060 High: 2.6690 Low: 2.5985 Volume: 106,053

Moving Average (50) 2.86
Moving Average (100) 2.97
Moving Average (200) 3.05



Macro Thoughts Ltd./money.net




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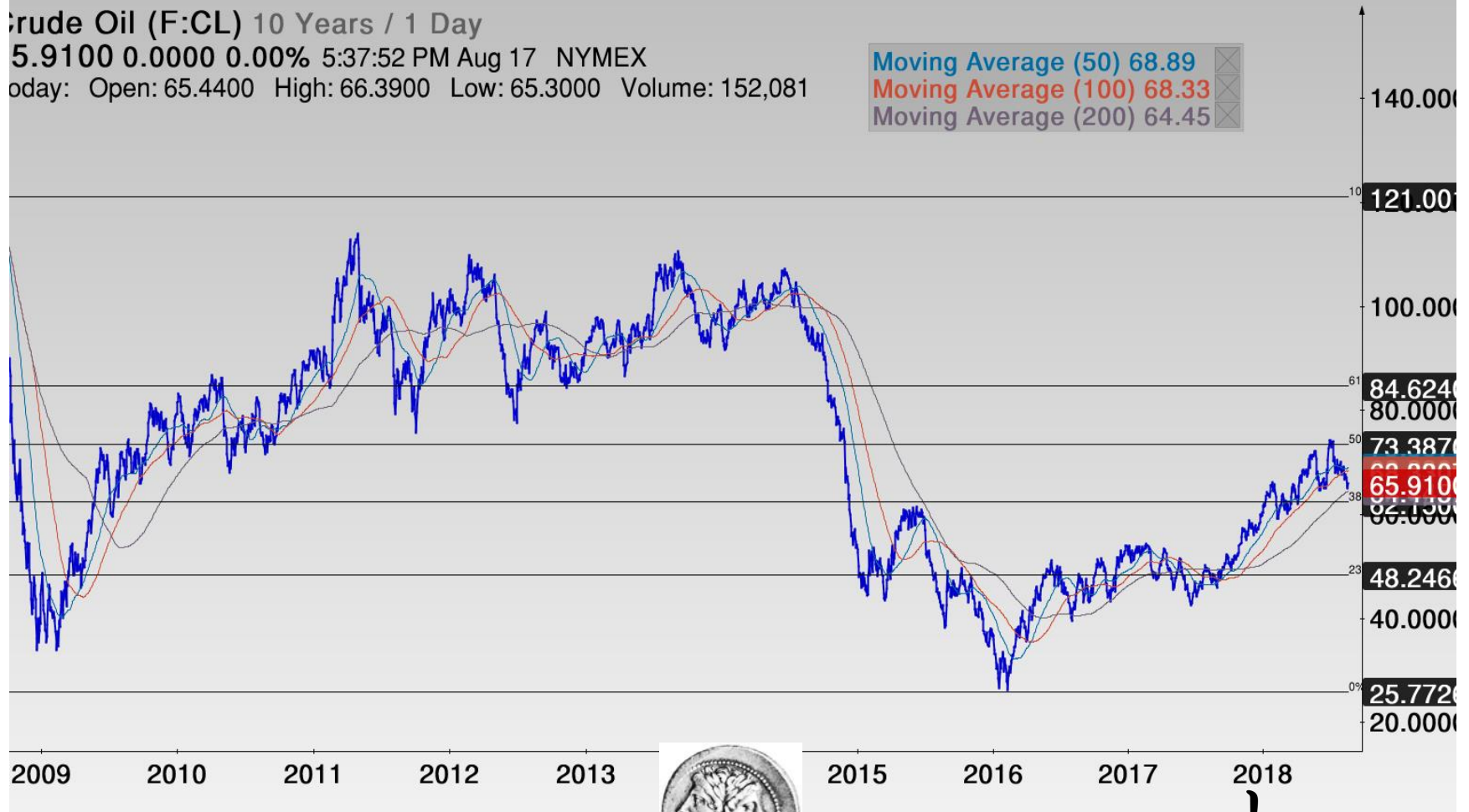
CL1 OIL FUTURES

Crude Oil (F:CL) 10 Years / 1 Day

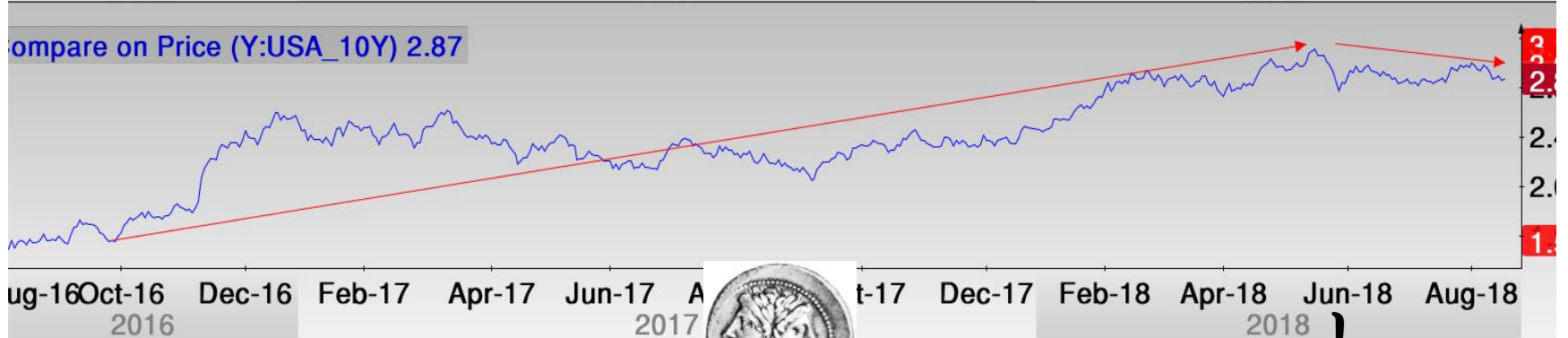
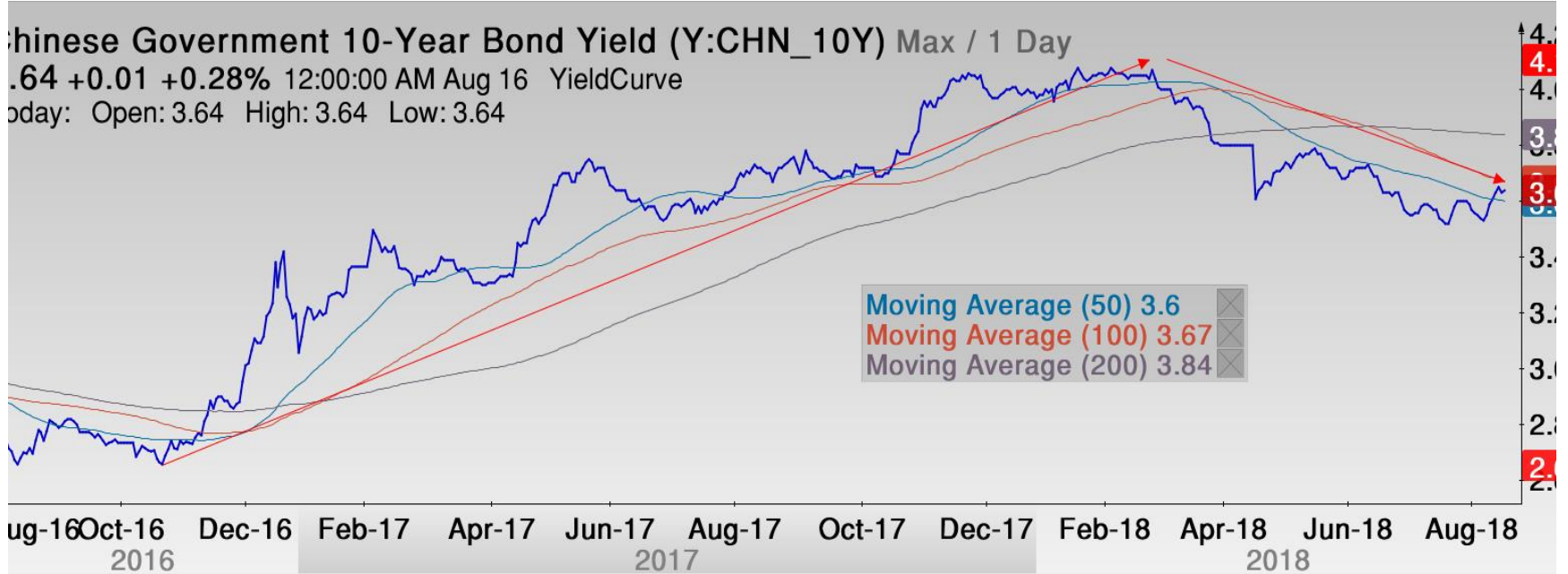
5.9100 0.0000 0.00% 5:37:52 PM Aug 17 NYMEX

Today: Open: 65.4400 High: 66.3900 Low: 65.3000 Volume: 152,081

Moving Average (50) 68.89
 Moving Average (100) 68.33
 Moving Average (200) 64.45



US – CHINA 10 YEAR YIELDS



VIEW FROM THE PEAK

China – Korea – the Dollar – Coincidence? Could markets take back moves since September?

Macro Thoughts April 28, 2018

- Prior to the Federal Reserve's meeting in March 2017, with US 10 year yields at 2.63%, Macro Thoughts asked, '*should fund managers be positioned for 3% or 4% yields?*', being one of the few to anticipate lower US yields, initially targeting 2.25% and 2.15%.
- *On September 7, North Korea carried out a nuclear bomb test and US yields fell to 2.03%*
- *On September 11, China ended the reserve requirement for settling forward Yuan positions, (the requirement for foreign banks to put aside reserves for offshore Yuan)*
- ***On April 17, 2018 China surprised by cutting its RRR rate by 1%, just over a week before the historic meeting between North and South Korean leaders. Macro Thoughts warned US bond and Dollar Bears should be cautious***



USDCHN

USD to CNH (X:USDCNH) 10 Years / 1 Day

.8336 +0.0012 +0.02% 4:59:59 PM Aug 17 n/a

Today: Open: 6.8639 High: 6.8684 Low: 6.8272 Bid: 6.8326 x 0 Ask: 6.8346 x 0



Belting up the Road could be rough

China is buying protection, but is not paying the costs

The B&R projects benefit China in multiple ways:

- They make loans to countries at interest rates advantageous to themselves and often receive valuable assets when these loans are defaulted on
- Chinese companies receive contracts to build the infrastructure
- Chinese steel and other materials are often used in the construction
- The geographical locations of B&R projects are generally of geopolitical importance and so China is able to extend their political influence and military access in this way

The Centre for Global Development (CGD) has identified 15 countries threatened by financial distress because of B&R induced debt, seven (potentially eight) of which are likely to be threatened with a debt crisis.





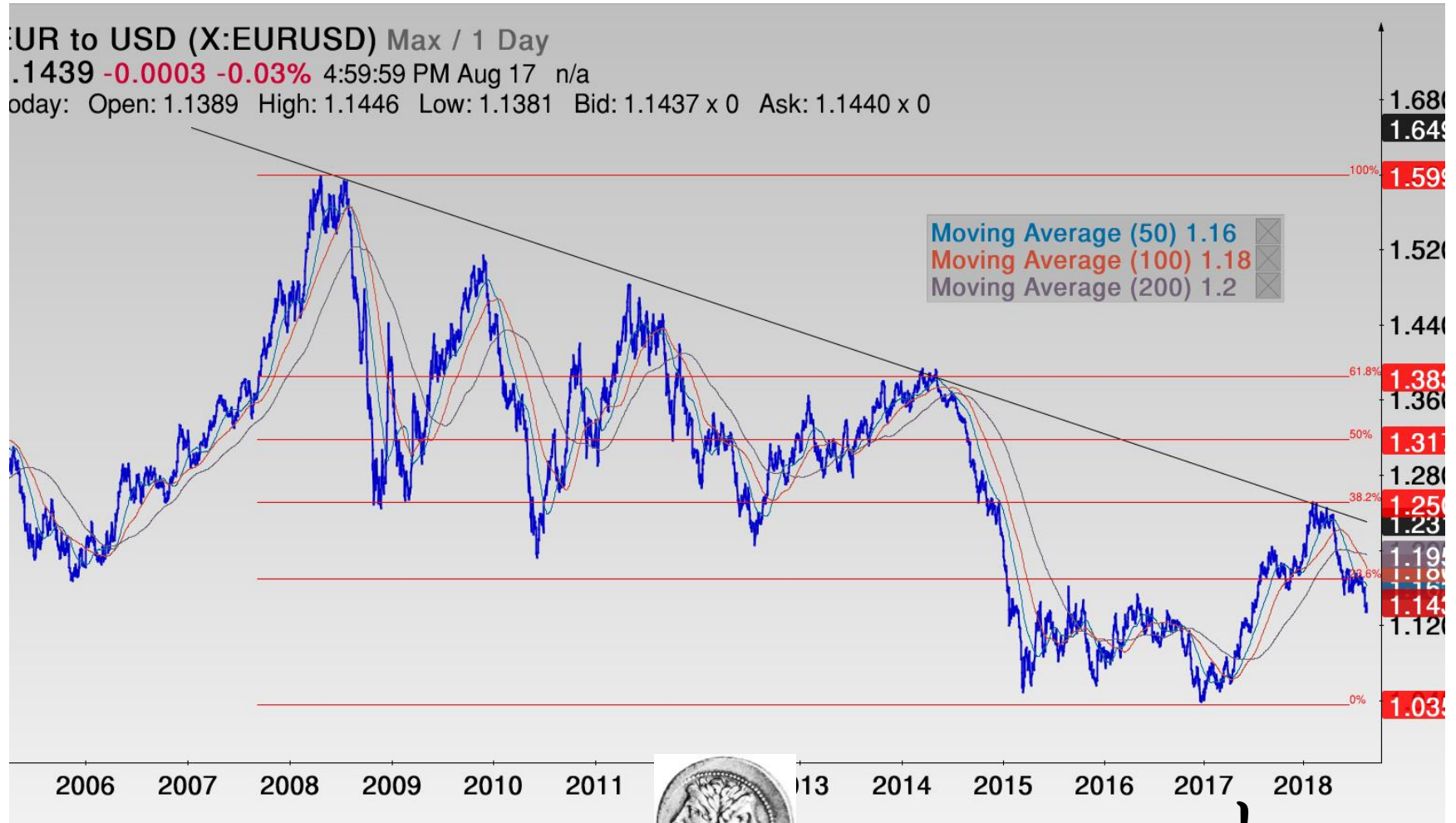
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VIEW FROM THE PEAK

EURUSD

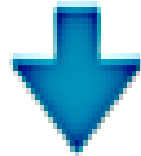
EUR to USD (X:EURUSD) Max / 1 Day

1.1439 -0.0003 -0.03% 4:59:59 PM Aug 17 n/a

Today: Open: 1.1389 High: 1.1446 Low: 1.1381 Bid: 1.1437 x 0 Ask: 1.1440 x 0



EUROPE'S DECISIONS



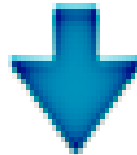
BREXIT

POPULISM

CBE

IMMIGRATION

BUDGET



SLOWING ECONOMY

BUDGET NEGOTIATIONS

TRUMP TARIFFS

IRAN SANCTIONS

RUSSIA

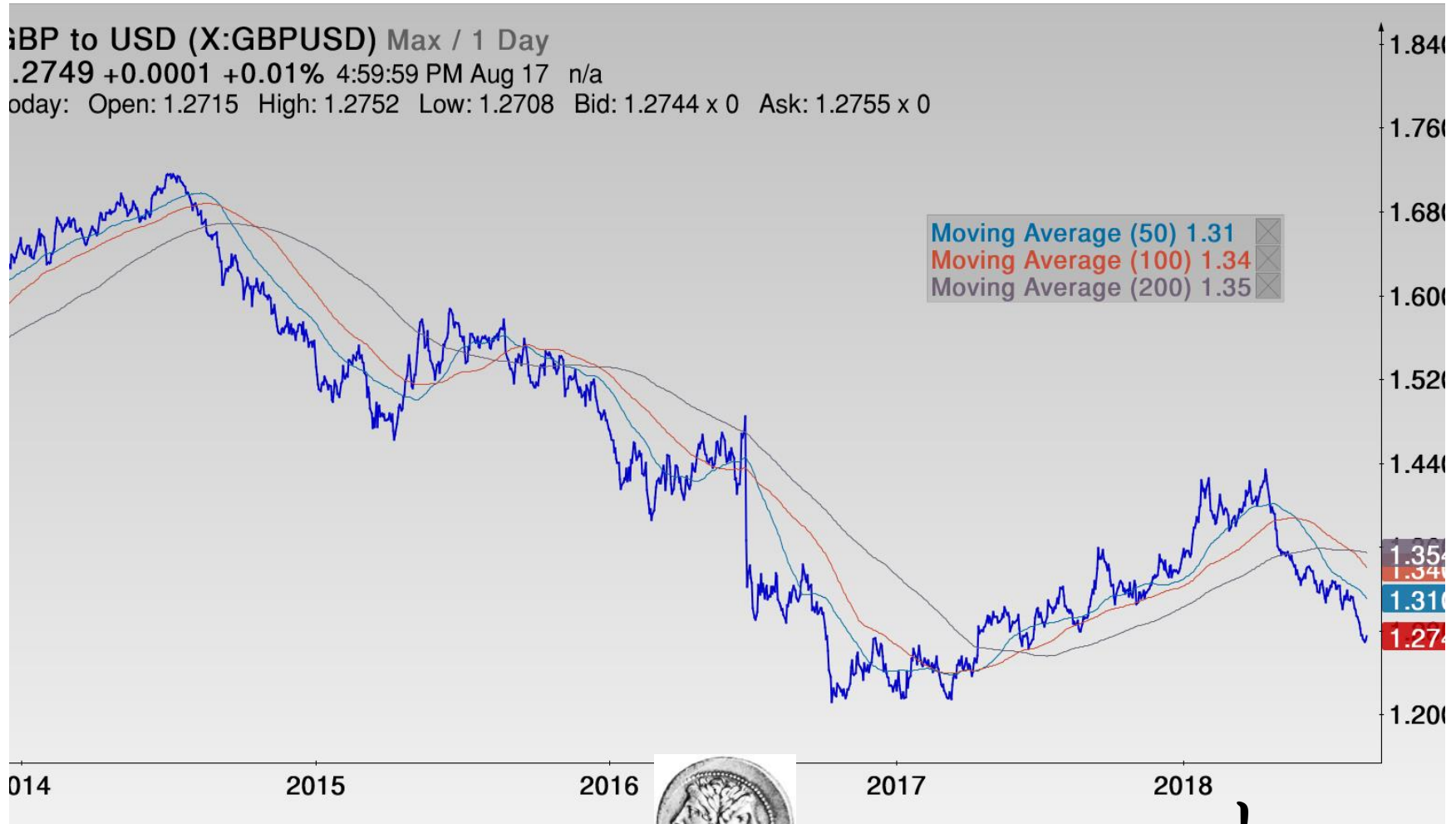


GBPUSD

GBP to USD (X:GBPUSD) Max / 1 Day

1.2749 +0.0001 +0.01% 4:59:59 PM Aug 17 n/a

Today: Open: 1.2715 High: 1.2752 Low: 1.2708 Bid: 1.2744 x 0 Ask: 1.2755 x 0



014

2015

2016



2017

2018