



المركز المصري للدراسات الاقتصادية

The Egyptian Center for Economic Studies



# Our Economy and The World

## The Weekly Report

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This week's issue of "Our Economy and the World" includes:

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  - Reuters: China rebuffs Trump claim U.S. tariffs are making firms leave
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  - Bloomberg: China Faces New Competition as Japan, India Eye Sri Lanka Port
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  - CNBC: Deutsche Bank shares hit record low as UBS downgrades stock to 'sell'
  - China's currency is sending a warning signal about the trade war

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## Our Economy and The World

### The Weekly Report

## Key Global and Regional Developments over the Past Week

### **BBC: Japan economy beats expectations of slowdown**

Japan's economy unexpectedly grew in the three months to March, shrugging off forecasts for a contraction in the world's third largest economy. The economy grew at an annualised 2.1% in the period, preliminary gross domestic product (GDP) data showed. That beat analyst expectations for a 0.2% contraction, as imports fell faster than exports.

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### **Reuters: China rebuffs Trump claim U.S. tariffs are making firms leave**

Foreign investors remained enthusiastic about China, the foreign ministry said on Tuesday, following U.S. President Donald Trump's claim that his tariffs are causing companies to move production away from the world's second largest economy. Trump said in an interview aired on Sunday that his tariffs on Chinese goods are causing companies to move manufacturing out of China to Vietnam and other Asian countries, and added that any agreement to end a trade war with China cannot be a "50-50" deal.

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### **Bloomberg: Investors' Inflation Bets May Signal Rising Concern for ECB**

It may be time for the European Central Bank to start worrying about whether investors are betting it can reach its inflation goal. For the past year, declines in a key metric of market-based inflation expectations -- 5-year 5-year inflation forwards -- were driven mostly by the falling global risk premium, according to Frederik Ducrozet, global strategist at Banque Pictet & Cie in Geneva. ECB President Mario Draghi made a similar argument in his most recent press conference.

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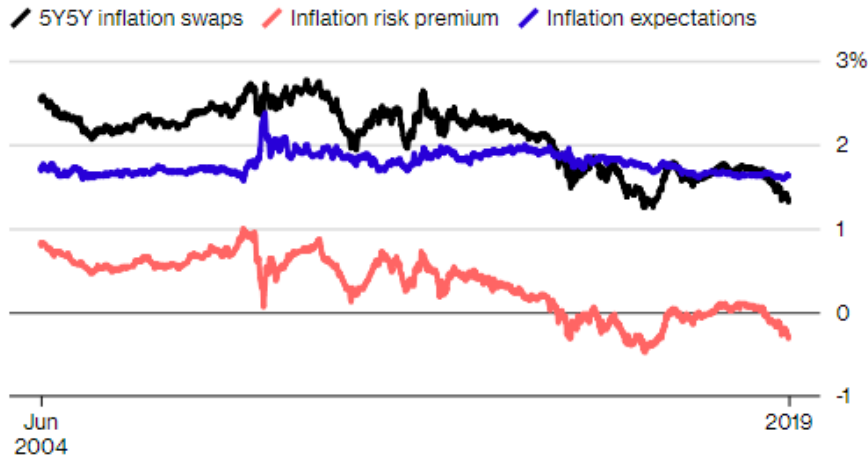


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### Inflation Expectations

Falling global risk premium has had outsized effect on inflation swaps



Source: Pictet Wealth Management, ECB, Bloomberg  
Note: Data uses 1-week moving average

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### **Bloomberg: China Faces New Competition as Japan, India Eye Sri Lanka Port**

India, Japan and Sri Lanka are weighing the development of a terminal at the bustling port of Colombo in a country that's seen ongoing political controversies related to investments from China's Belt and Road initiative. The three countries are set to sign a memorandum of understanding in the coming months to build out the east container terminal at the Port of Colombo, according to an Indian government official who asked not to be identified, citing rules.

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## Special Analysis: Bloomberg - How the Rise of Developing Countries Has Disrupted Global Trade

For most of his time in office, President Donald Trump has waged a global battle to rebalance trade in the U.S.'s favor. An escalating trade dispute with China has already led to tariffs on hundreds of billions of dollars in goods and months of high-level negotiations, including talks scheduled this week that were called into question after Trump threatened to further raise tariffs. But these efforts aren't likely to halt the shift in global trade toward the developing world. And China is far from the only nation challenging the status quo.

Twenty years ago, 62 percent of all bilateral trade was between just rich countries—namely the U.S., Canada and Europe—according to a Bloomberg analysis of UN Comtrade data where both trading partners are known. Now that share is down to 47 percent as developing countries become more prominent trading partners. The value of trade between emerging economies is up 10-fold during that period.

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# Recent Developments in Financial and Commodity Markets

#### **CNBC: Deutsche Bank shares hit record low as UBS downgrades stock to 'sell'**

Shares of Deutsche Bank hit a record low Monday, down nearly 3%, after UBS downgraded the German lender's stock to a "sell" rating from "neutral."

Pointing to tough external events and the low interest rate environment, UBS slashed its price target for Deutsche from 7.80 euros (\$7.45) to 5.70 euros.

Rising rates are good for banks since they are able to lend out money with a profitable rate of interest. Lower interest rates can restrict a bank's ability to make profits, adding pressure on margins.

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#### **CNBC: China's currency is sending a warning signal about the trade war**

China's currency has been an important barometer for progress in U.S.-Chinese trade talks, and right now it's signaling that things aren't going well. The question is whether that signal is intentional, and whether Chinese officials will step in to prevent the yuan from reaching a key psychological low of 7 to the dollar. That level has become a line in the sand for markets around the world, and if broken, it could trigger a negative reaction in risk markets globally, as investors move to price in a bigger economic impact from a longer, more contentious trade war.

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