



Our Economy and The World

The Weekly Report

Issue: 95 Date: 25th March 2018

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

- **Key Global and Regional Developments over the Past Week**
 - *Bloomberg: Fed lifts rates, steepens path through 2020 for more hikes*
 - *Bloomberg: U.K. trade chief says Trump tariffs upsetting allies, not China*
 - *Reuters: Qatar asks U.S. to investigate UAE bank for 'financial warfare'*
 - *Bloomberg: This is what Africa's central banks are debating this month*
- **Special Analysis: World Bank – The Changing Wealth of Nations 2018**
- **Recent Developments in Financial and Commodity Markets**
 - *Bloomberg: On the G-20 agenda: A shared desire to calm down crypto*
 - *Bloomberg: Hedge funds suffer worst month in two years*
 - *Reuters: Investors eye currencies for those most at risk in a trade war*

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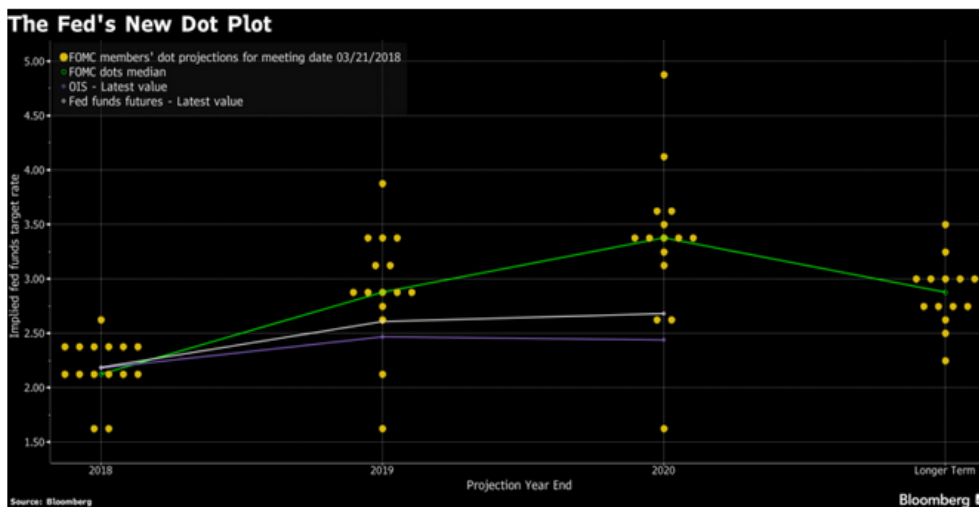
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Key Global and Regional Developments over the Past Week

[Bloomberg: Fed lifts rates, steepens path through 2020 for more hikes](#)

Federal Reserve officials, meeting for the first time under Chairman Jerome Powell, raised the benchmark lending rate a quarter-point and forecast a steeper path of hikes in 2019 and 2020, citing an improving economic outlook. Policy makers continued to project a total of three increases this year. “The economic outlook has strengthened in recent months,” the policy-setting Federal Open Market Committee said in a statement Wednesday in Washington. Officials repeated previous language that they anticipate “further gradual adjustments in the stance of monetary policy.”



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[Bloomberg: U.K. trade chief says Trump tariffs upsetting allies, not China](#)

U.K. Trade Secretary Liam Fox said he urged U.S. officials to reconsider imposing steel and aluminum tariffs on the European Union this week, suggesting the move has upset America’s allies more than the main culprit for overcapacity, China. The EU and other foreign trading partners are seeking exemptions to the 25 percent tariffs on imported steel and 10 percent on aluminum that President Donald Trump announced this month. Trump justified the tariffs by invoking Section 232 of a 1960s trade law, which allows the president to unilaterally impose sanctions if imports are found to be a threat to national security. The tariffs will take effect on March 23.

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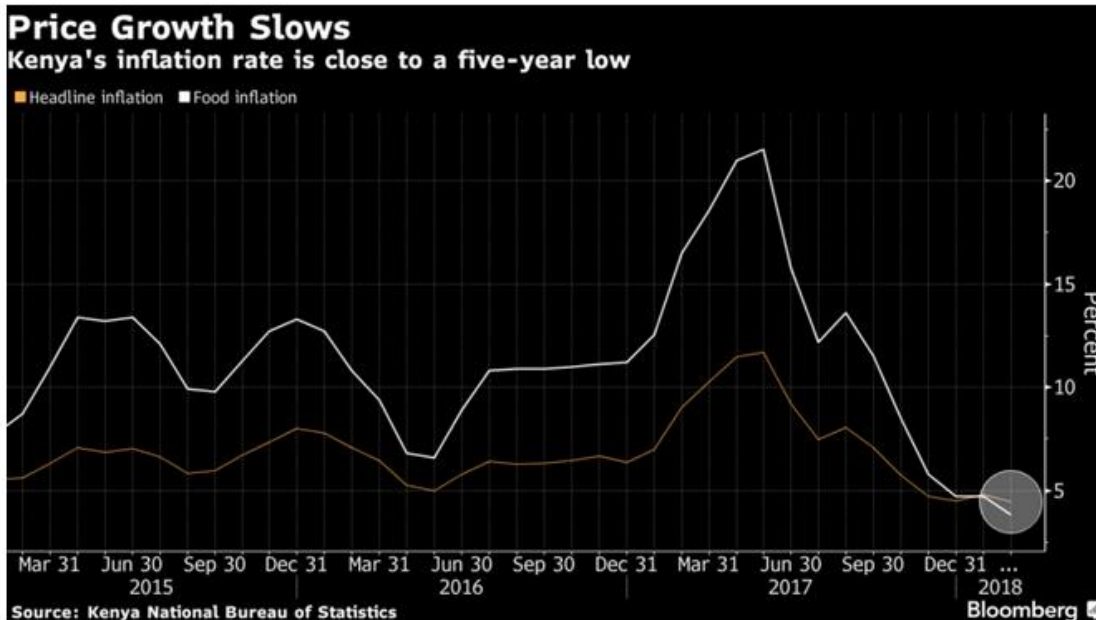
[Reuters: Qatar asks U.S. to investigate UAE bank for ‘financial warfare’](#)

Qatar has asked U.S. regulators to investigate the U.S. subsidiary of the largest bank in the United Arab Emirates, accusing it of “bogus” foreign exchange deals designed to harm its economy as part of a blockade by Gulf neighbors. The Central Bank of Qatar’s law firm has written a letter to the U.S. Treasury asking it to investigate NBAD Americas, the U.S. subsidiary of First Abu Dhabi Bank (FAB) FAB.AD, which is majority state-owned. In a second letter, the lawyers - Paul, Weiss, Rifkind, Wharton & Garrison - asked the U.S. Commodity Futures Trading Commission (CFTC) to investigate possible manipulation of Qatar’s currency, the riyal.

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[Bloomberg: This is what Africa’s central banks are debating this month](#)

Central banks in five major sub-Saharan African economies are scheduled to announce their interest-rate decisions in the next two weeks, including Nigeria if lawmakers get around to approving Monetary Policy Committee nominees. Slower inflation and more stable exchange rates have built a case for looser monetary policy in Kenya, Ghana, South Africa and Nigeria. Economic growth of below 1 percent in South Africa and Nigeria, which make up half of the continent’s gross domestic product, adds to the case for monetary-policy stimulus and global expansion and risk appetite have helped boost the region’s foreign reserves, according to Razia Khan, head of macroeconomic research at Standard Chartered Bank Plc.



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Special Analysis – World Bank The Changing Wealth of Nations 2018

Key Findings:

- Global wealth grew significantly between 1995 and 2014. Middle-income countries are catching up in large part because of rapid growth in Asia, but inequality in overall wealth persists. Because wealth underpins national income, measuring changes in wealth permits us to monitor the sustainability of development, an urgent concern today for all countries.
- Although total wealth increased almost everywhere, per capita wealth did not. Several low-income countries experienced a decline in per capita wealth because population growth outpaced investment, especially in Sub-Saharan Africa. As per capita wealth declines, the ability of countries to maintain per capita income will decline.
- Human capital, measured as the value of earnings over a person's lifetime, is the most important component of wealth globally. Human capital wealth on a per capita basis is typically increasing in low- and middle-income countries. In some upper-middle- and high-income countries, aging and stagnant wages are reducing the share of human capital in total capital.
- Women account for less than 40 percent of human capital wealth because of lower earnings, lower labor force participation, and fewer average hours of work. Achieving higher gender parity in earnings could generate an 18 percent increase in human capital wealth.
- A country's level of economic development is strongly related to the composition of its national wealth. Natural capital is the largest component of wealth in low-income countries (47 percent in 2014) and accounts for more than one-quarter of wealth in lower-middle-income countries
- Getting rich is not about liquidating natural capital to build other assets—natural capital per person in high-income Organization for Economic Co-operation and Development (OECD) countries was three times that in low-income countries in 2014, even though the share of natural capital in high-income OECD countries was only 3 percent.

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Recent Developments in Financial and Commodity Markets

Bloomberg: On the G-20 agenda: A shared to desire to calm down crypto

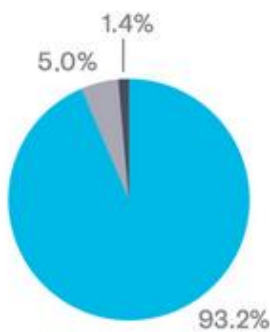
It took one of the wildest investment manias in history to jolt them into action, but governments around the world are finally starting to regulate cryptocurrencies. Their approaches have run the gamut, from a massive crackdown in China to an exchange-licensing regime in Japan and a largely hands-off system in Switzerland. Some countries, most notably the U.S., have yet to formulate a comprehensive strategy. But on the whole, oversight is increasing, as shown by the desire of finance ministers of the Group of 20 nations to discuss a common approach to cryptocurrencies when they meet in Buenos Aires on Monday and Tuesday. How the rules evolve will help determine whether last year’s cryptocurrency boom was a flash in the pan, or the start of something bigger.

Goodbye Yuan

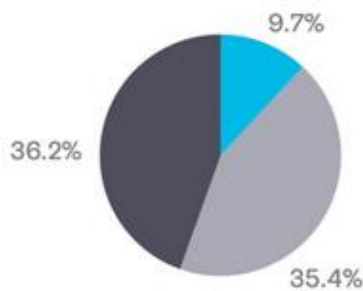
Yen and dollar accounted for most of Bitcoin volume after China cracked down

■ Yuan ■ Yen ■ U.S. dollar

Jan. 1, 2017



June 30, 2017



Jan. 1, 2018



Note: Percentage of trading in Bitcoin

Source: Data from CryptoCompare and Crypto Market Capitalizations

BloombergQuickTake

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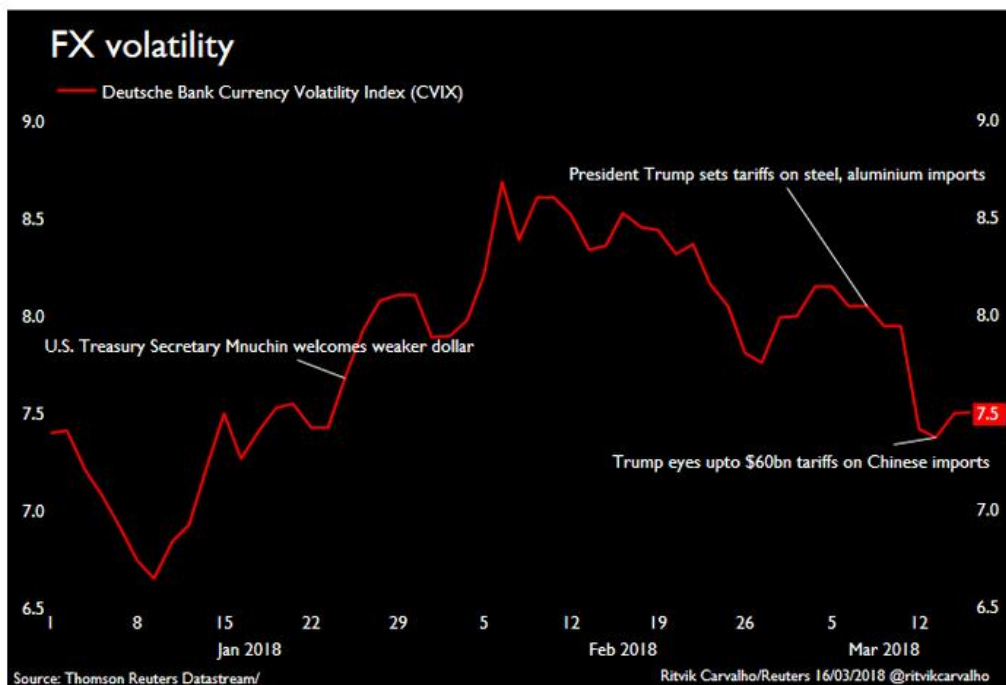
[Bloomberg: Hedge funds suffer worst month in two years](#)

Hedge Fund returns overall fell 2.19 percent in February, wiping out January gains and leaving them nearly unchanged for the year at up 0.07 percent, according to the latest numbers out of the Bloomberg Hedge Fund Database. That came as markets were roiled by a 47 percent jump in the VIX Index in the month, a 3.9 percent slide in the S&P 500 and as 10-year yields backed up to 2.86 percent, leading to the worst month for hedge funds since January 2016, when they slumped 2.57 percent.

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[Reuters: Investors eye currencies for those most at risk in a trade war](#)

Foreign exchange markets appear convinced that a global trade war is unlikely to break out anytime soon, although with long bets on some currencies at record highs, investors fear complacency may be setting in. While the Trump administration's threat to slap tariffs on Chinese imports has heightened fears of retaliation from Beijing, it has only mildly rattled markets enjoying a multi-year rally as global economic growth picks up.



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