CONY Flash Macro Note	January 14, 2019

www.corpny.com

Flash Macro Update (01/14/2019)

The new week started with a relatively surprising trade data from China. China recorded a monthly trade surplus of US$57.1 bn in December (vs. estimate of US$51.5 bn), which brought 2018 trade surplus of the country to US$352 bn that was the smallest trade surplus in the last three years, as China's imports grew almost double than the growth in exports in 2018. Exports registered a 10% growth compared to imports registering a 16% increase in 2018.

However, when we focus on December data, we see that exports unexpectedly declined by 4.4% y-o-y which was the largest monthly decline in the last two years. A larger decline was also observed in monthly imports of China. The decline in both exports and imports hint that global growth might be softening, and China might be slowing down further.

While China trade balance data was important to see how well the Chinese economy and world economy were doing, it was also important to monitor the impact of trade war between US & China. Although in December China's trade surplus with the US fell to US$29.9 bn from US$35.5 bn, the data indicated that China's trade surplus with the US continued to widen by 17% to US$323 bn in 2018 reaching an all-time highest level despite US tariffs. Exports to the US posted an 11% rise in 2018, whereas imports from US to China increased by only 1% in 2018.

China and US are trying to cut a deal through rounds of talks, but final agreement is not reached yet. FED's balance sheet contraction, FED's monetary policy tightening, trade wars and problems in the EU seem to exert downward pressure on global growth nowadays, although a global recession is not universally expected. Whether the slowdown in global economic activity will turn into a global recession or not is yet to be seen. According to our analysis, US economy seems to be stronger than the EU economies overall and the world can live with some slowdown in Asian economies.

Ozgur ALTUG
Chief Economist
CONY Global Macro Strategy