

Monday, January 07, 2019

Structural Macro/Cross-Asset Views

- Amid the flurry of (often conflicting) headlines since onset of the year, investors have been greeted with increased cross-asset market volatility. While this presents opportunistic trading opportunities, we think it would also be instructive to sieve out what we deem to be potentially enduring themes beyond the short term.
- First off, and from a macroeconomic perspective, major central banks continue to grapple with an economic slowdown, while the US economy is seen syncing lower this year with the rest of the world's major economies. With this serving as a wireframe, we think some of commonality across several asset markets begins to emerge.
- While the consensus of a weaker dollar prediction has continued to gain increasing traction in recent weeks, we think a precipitous fall may be still some way off. Instead, weak dollar symptoms may remain selective and may manifest relatively better via the **USD-JPY** at this juncture.
- In **renminbi** space, we'd monitor closely the continued responsiveness of the currency to USD vulnerability, despite the lack of strong appreciation underpinnings. For the rest of Asia, we are also partial to the **IDR** and **THB** relative to their peers if the USD continues to decay and the search for yield persists.
- The Fed meanwhile has all but abandoned its hawkish overtones and this may continue to impose negative pressure on **UST yields** going ahead. This should not be alarming as companion **global long end yields** (bunds and China GBs for e.g.,) are still seen similarly soggy to lower at this juncture.
- In the face of global policy and geopolitical uncertainty, we'd expect **gold** to remain potentially orientated higher, even as **base metals** and **crude oil** to continue to be tempted south.
- Global equities we think are not out of the woods just yet, especially in EM/Asian space. On this front, any further bearishness out of US equities or continued negative macro headlines in the coming weeks/months may run the risk of negative contagion across global bourses.

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