



Market Strategy: Forex

市场策略:外汇

Andy Huang 黄凯鸿

(86755)2397 6702

kaihong.huang@gtjas.com.hk

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Further US Fed Rate Cut Outlook Unclear; the US Dollar Index May Remain High

美联储再次降息前景不明朗，美元指数或维持高位

- The US Federal Reserve (the "Fed") cut its target range for the federal funds rate by 25 basis points to 1.75% to 2.00% at its September 17-18 meeting, as expected, but the prospect of another rate cut this year is unclear. The dollar index rose on the day. US Treasury Secretary Stephen Mnuchin said on September 9 that China and the US had reached a "conceptual agreement" on the enforcement mechanism for intellectual property theft (one of the two countries' most contentious negotiating points). In addition, Huawei stopped the lawsuit against the US on September 10 in response to the US returning equipment to Huawei. China's finance ministry announced on September 11 that it would increase purchases of US agricultural products and exempt 16 US products from additional tariffs. On the same day, US President Donald Trump said he would postpone the plan of increasing tariffs on US\$250 billion worth of Chinese imports until October 15. Trade friction between China and the US is showing signs of cooling, the People's Bank of China decreased the reserve requirement ratio for financial institutions, and the yuan at one point appreciated. The safe-haven yen depreciated and 10-year US Treasury yields rose. Oil prices jumped as much as 19% on September 14 after drone strikes on Saudi oil well equipment cut global oil production by more than 5%. President Donald Trump authorized the use of emergency oil reserves, cooling soaring oil prices. The dollar appreciated, the yen and the Swiss franc fell. The European Central Bank announced at its September 12 meeting that it would cut its main deposit rate by 10 basis points to -0.5% and would buy €20 billion in assets per month, starting from November 1. The euro fell. The odds of a no-deal Brexit on October 31 have fallen and the pound has strengthened.
- The US dollar index is likely to remain high after a widely divided vote at the Fed's FOMC meeting signaled uncertainty about the Fed's future policy direction. The safe-haven yen may rise amid fears of another attack on Saudi oil wells. The European Central Bank's decision to cut interest rates and resume quantitative easing reflects its concern about the health of the euro zone economy. The euro may depreciate. Trade friction between China and the US has cooled slightly ahead of trade talks between the two countries on October 1. In dollar terms, China's exports in August came below market expectations. We believe that the market is pricing in more stimulus measures from China based on China's weaker-than-expected economic data, and the dollar against the yuan may continue to fluctuate around the level of 7.1 in the near future.

- 美联储在 9 月 17-18 日议息会议上宣布将联邦基金利率目标区间下调 25 个基点到 1.75%至 2%的水平，符合预期，但美联储年内再次降息前景不明朗，美元指数当日上升。美国财政部长努钦在 9 月 9 日表示，中美就围绕知识产权盗窃执法机制（两国之间争议较大的谈判点之一）达成了“概念性协议”。此外，美国将设备归还于华为，华为在 9 月 10 日停止对美国的一项诉讼。中国财政部于 9 月 11 日宣布，将增加购买美国的农产品，免除 16 种美国产品的额外关税。美国总统特朗普同日表示，推迟对 2,500 亿美金中国进口商品加征关税的计划至 10 月 15 日。中美贸易摩擦有降温迹象，中国人民银行宣布降低金融机构准备金率，人民币一度升值。避险货币日元贬值，10 年期美国国债收益率上涨。9 月 14 日，无人机空袭沙特油井设备导致全球石油产量减少 5%以上，受此影响，油价一度上升 19%。美国总统特朗普授权动用紧急原油储备，飙升的油价降温。美元上涨，日元和瑞士法郎回落。欧洲央行在 9 月 12 日的议息会议上宣布，将要把主要存款利率下调 10 个基点，至-0.5%，并将从 11 月 1 日起每月购买 200 亿欧元资产。欧元下跌。英国在 10 月 31 日无协议脱欧的可能性下降，英镑走强。
- 在此次美联储议息会议决策中，与会者投票发生较大的分歧，预示美联储未来的政策走向将不明朗，美元指数或维持高位。市场担忧沙特油井再次被袭击，避险日元或上升。欧洲央行降息并重启量化宽松反映其对欧元区经济状况的担忧，欧元或贬值。中美贸易摩擦在 10 月 1 日中美贸易谈判前有所降温。按美元计价，中国 8 月出口同比低于市场预期值。我们认为，基于中国经济数据表现差于预期，市场憧憬国家将出台更多的刺激经济政策，美元兑人民币近期或继续在 7.1 水平震荡。

Table - 1: Main Interbank Offered Rates

	1 Day	1 Week	1 Month	3 Months	6 Months	1 Year
LIBOR	2.1549	1.9838	2.0570	2.1641	2.0853	2.0654
SHIBOR	2.7370	2.7090	2.7040	2.7090	2.8000	3.0450
HIBOR	0.3314	1.0788	1.9929	2.2850	2.3346	2.3436

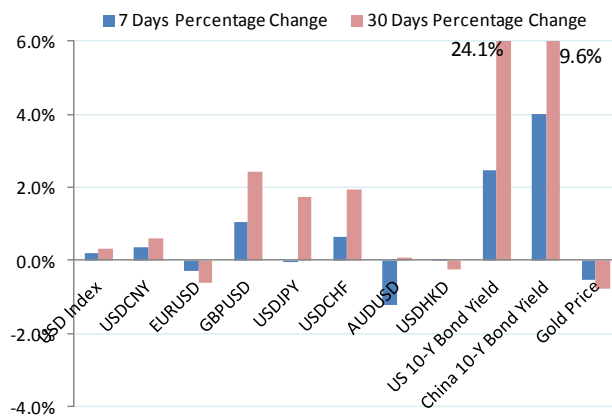
Source: Guotai Junan International, Bloomberg.

Table - 2: Asset Prices

Date	USD Index	USD CNY	EUR USD	GBP USD	USD JPY	USD CHF	AUS USD	USD HKD	US 10-Y Bond Yields	China 10-Y Bond Yields	Gold Prices
9/19	98.525	7.104	1.103	1.247	108.070	0.997	0.678	7.825	1.796	3.128	1,493.0
9/18	98.561	7.086	1.103	1.247	108.450	0.997	0.683	7.831	1.796	3.128	1,509.1
9/17	98.261	7.092	1.107	1.250	108.130	0.993	0.687	7.822	1.801	3.108	1,506.9
9/16	98.610	7.067	1.100	1.243	108.120	0.993	0.687	7.819	1.847	3.093	1,504.8
9/15	98.257	7.079	1.107	1.250	108.090	0.990	0.688	7.820	1.896	3.088	1,492.9
9/14	98.257	7.079	1.107	1.250	108.090	0.990	0.688	7.820	1.896	3.088	1,492.9
9/13	98.257	7.079	1.107	1.250	108.090	0.990	0.688	7.820	1.896	3.088	1,492.9
9/12	98.309	7.079	1.107	1.234	108.100	0.990	0.687	7.824	1.772	3.088	1,500.8

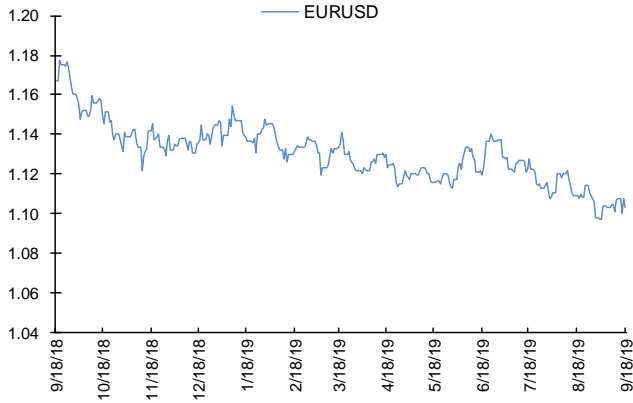
Source: Guotai Junan International, Bloomberg.

Figure - 1: Percentage Change of Asset Price



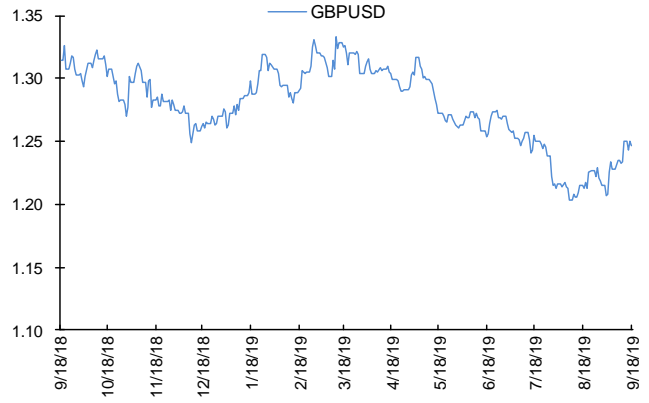
Source: Guotai Junan International, Bloomberg.

Figure - 2: The Euro Against the US Dollar



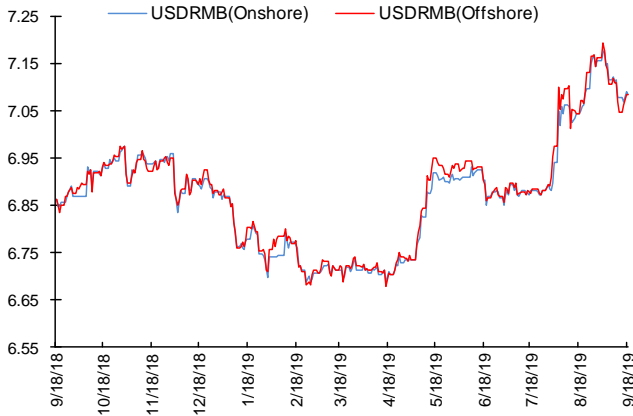
Source: Guotai Junan International, Bloomberg.

Figure - 3: The UK Pound Against the US Dollar



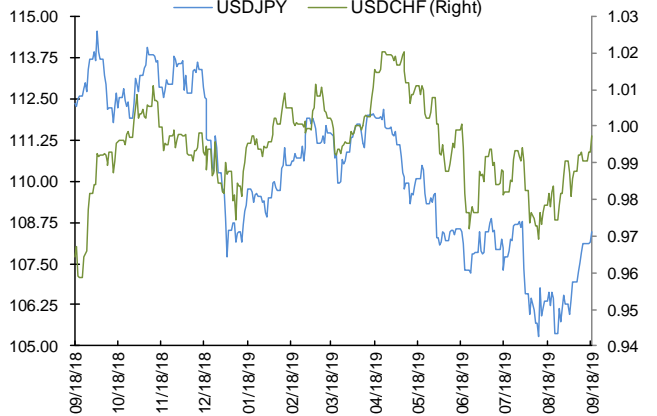
Source: Guotai Junan International, Bloomberg.

Figure - 4: The US Dollar Against Onshore RMB and Offshore RMB



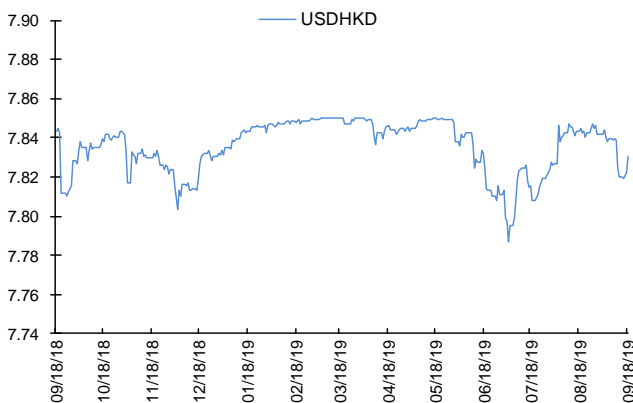
Source: Guotai Junan International, Bloomberg.

Figure - 5: The US Dollar Against the Japanese Yen and the Swiss Franc



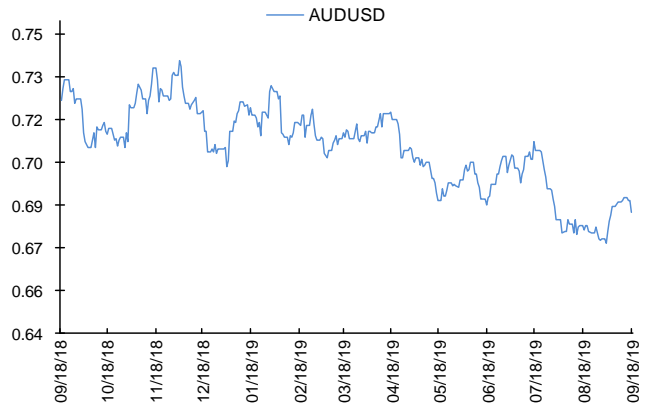
Source: Guotai Junan International, Bloomberg.

Figure - 6: The US Dollar Against the HK Dollar



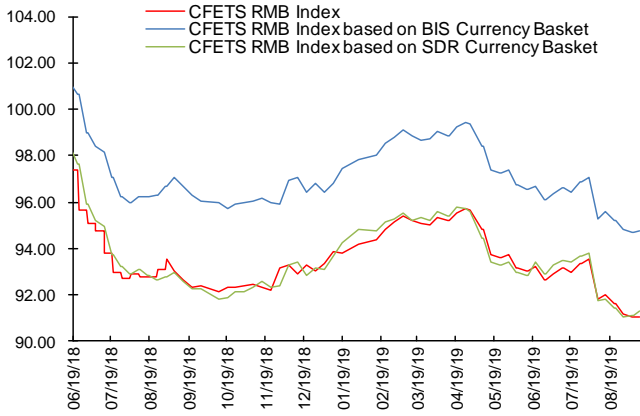
Source: Guotai Junan International, Bloomberg.

Figure - 7: The US Dollar Against the Australian Dollar



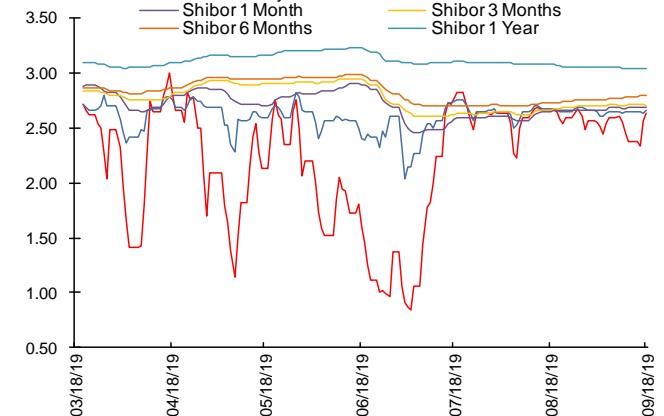
Source: Guotai Junan International, Bloomberg.

Figure - 8: RMB Indexes Trends



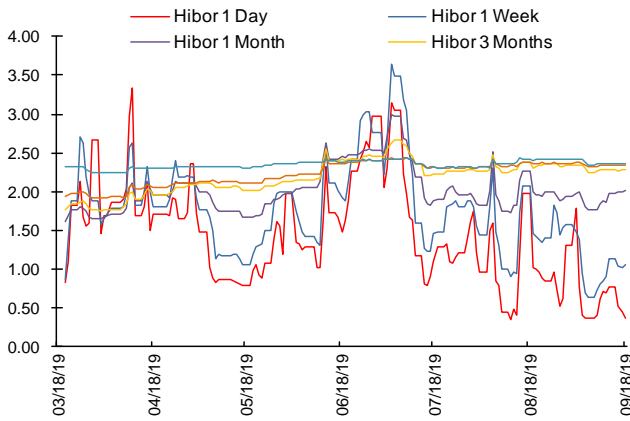
Source: Guotai Junan International, Bloomberg.

Figure - 9: SHIBOR Trends



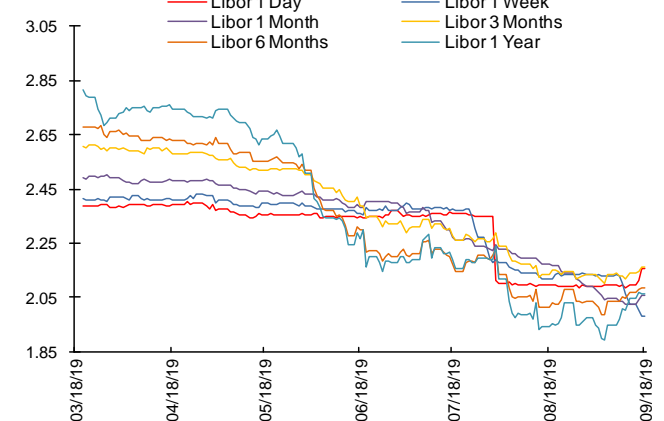
Source: Guotai Junan International, Bloomberg.

Figure - 10: HIBOR Trends



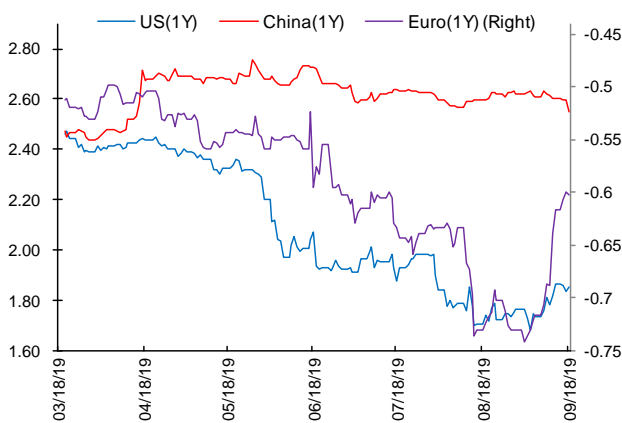
Source: Guotai Junan International, Bloomberg.

Figure - 11: LIBOR Trends



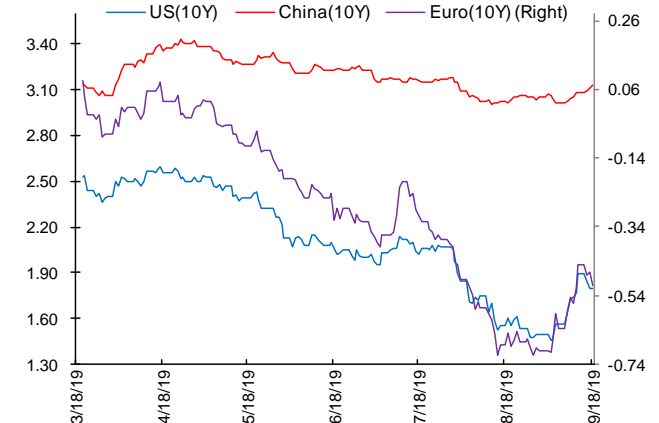
Source: Guotai Junan International, Bloomberg.

Figure - 12: 1-Year Bond Yields



Source: Guotai Junan International, Bloomberg.

Figure - 13: 10-Year Bond Yields



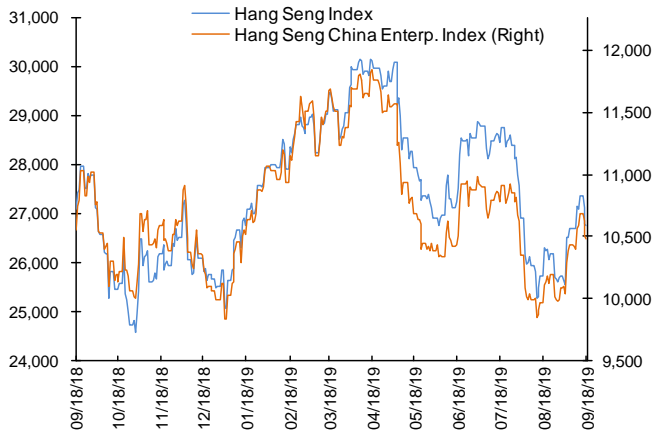
Source: Guotai Junan International, Bloomberg.

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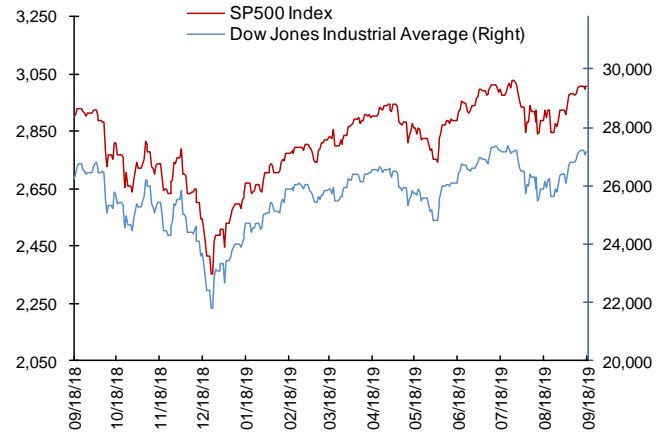
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Figure - 14: Hang Seng and China Enterp. Indexes



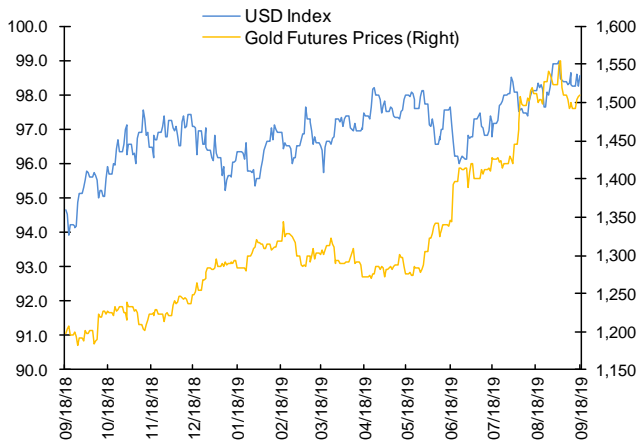
Source: Guotai Junan International, Bloomberg.

Figure - 15: S&P 500 and Dow Jones Indexes



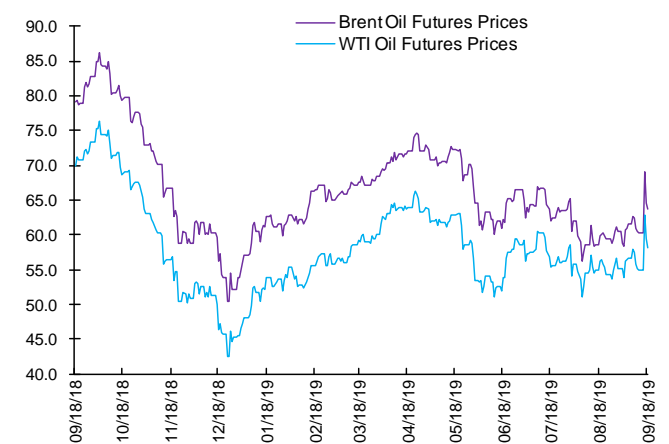
Source: Guotai Junan International, Bloomberg.

Figure - 16: US Dollar Index and Gold Price



Source: Guotai Junan International, Bloomberg.

Figure - 17: Brent and WTI Oil Prices



Source: Guotai Junan International, Bloomberg.

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Table - 3: Upcoming Key Economic Data

Date	Country	Indicator	Data Period	Market Consensus	Prior Value
19 Sep	Euro Area	ECB Current Account SA (Bn EUR)	Jul	n.a.	18.40
19 Sep	UK	Bank of England Bank Rate	Sep	0.8%	0.8%
20 Sep	Japan	Nationwide CPI YoY	Aug	0.3%	0.5%
20 Sep	China	1-Year Loan Prime Rate	Sep	4.20	4.25
20 Sep	China	5-Year Loan Prime Rate	Sep	4.80	4.85
23 Sep	Japan	Nikkei Japan PMI Mfg	Sep	n.a.	49.3
23 Sep	Euro Area	Markit Eurozone Manufacturing PMI	Sep	n.a.	47.0

Source: National Bureau of Statistics of China, Bloomberg.

Note: 1. All the forecasts in the above table are based on market consensus from Bloomberg.

2. Date of release in local time zone.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index / NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index / NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtjai.com