

# Asian markets sluggish before crunch trade talks

HONG KONG: Asian stocks saw gains on Monday (Feb 11) as US and Chinese officials in Beijing geared up for crunch trade talks aimed at averting fresh tariff escalations.

Mainland Chinese markets reopened higher after the Lunar New Year break despite a bleak IMF warning over global growth outlook, as efforts to resolve the trade row get under way.

A slew of market-supporting measures intended to assist China's slowing economy also bolstered investor sentiment.

Top US economic officials will travel to the Chinese capital this week for the third round of talks on Thursday and Friday, but deputies had already arrived and the White House said preparatory discussions were due to begin Monday.

Failure to agree a deal between the two economic superpowers before Mar 1 would see punitive US duties on US\$200 billion in Chinese goods more than double.

"There's a sense of urgency to this round," said Jeffrey Halley, senior market analyst at OANDA.

"If no deal is agreed by then, a belligerent President Trump and US Congress will be more than willing to simply extend the trade war so China will need to make the first move if they are to reach a detente," he added.

Analysts say imposition of the tariffs could weaken the global economy.

Shanghai, reopening after a week long break, rose 1.4 per cent. China has introduced a series of piecemeal measures in recent weeks, and right up to the Chinese New Year break, aimed at encouraging lending, supporting small and medium-sized businesses, and spurring investment into stocks and bonds.

Hong Kong rose 0.7 per cent, as Asian tech stocks tracked a small positive lead on the Nasdaq Friday. Social media and gaming giant Tencent saw healthy gains,

along with smartphone component makers such as Sunny Optical Technology and AAC Technologies.

Seoul edged up 0.2 per cent, but Sydney shed 0.2 per cent. Jakarta and Manila also posted losses. Tokyo was closed for a holiday.

## **STORM CLOUDS**

Meanwhile, the International Monetary Fund warned governments to prepare for a possible economic “storm” as growth forecasts dip.

It cited the trade row as one of four “clouds” overshadowing the global economy, along with Brexit uncertainty, the accelerated slowdown in China and financial tightening.

“The bottom-line - we see an economy that is growing more slowly than we had anticipated,” IMF managing director Christine Lagarde told the World Government Summit in Dubai at the weekend.

But Europe’s stock markets shrugged off last week’s sharp losses to rebound at the open. London gained 0.6 per cent, Paris added 0.5 per cent and Frankfurt rose 0.5 per cent.

Looming later this week is the spectre of a repeat of the 35-day partial US government shutdown that ended Jan 25 - the longest in the country’s history.

Key Republican negotiator Richard Shelby blamed Democrats for another impasse over immigration, in talks that have been defined by Trump’s demand for funds for a border wall.

Oil prices continued to tumble with growing oversupply fears linked to record US shale output, with both main contracts posting losses.

### **- Key figures around 0810 GMT -**

Hong Kong - Hang Seng: UP 0.7 per cent at 28,143.84 (close)

Shanghai - Composite: UP 1.4 per cent at 2,653.90 (close)

Tokyo - Nikkei 225: Closed for a public holiday

London - FTSE 100: UP 0.6 per cent at 7,110.11

Euro/dollar: DOWN at US\$1.1314 from US\$1.1325 at 2200 GMT Friday

Dollar/yen: UP at ¥109.97 from ¥109.72

Pound/dollar: DOWN at US\$1.2913 from US\$1.2937

Oil - West Texas Intermediate: DOWN 67 cents at US\$52.05 per barrel

Oil - Brent Crude: DOWN 37 cents at US\$61.73 per barrel

New York - Dow: DOWN 0.3 per cent at 25,106.33 (close)

Source: AFP/ec

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