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What does Trumpflation mean for Asia?

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Asia Macro Outlook: Fairly resilient to 'Trump risks' - On Monday, we published our emerging Asia macro-economic outlook for 2017 and 2018. Thanks to the stabilisation of China's economy, regional growth is estimated to be just above 6% this year. For 2017, the upward revision of our China growth forecast (from 6% to 6.5%) leaves our regional growth forecast at almost 6%. We expect the very gradual regional slowdown to continue in 2018, driven by China. Meanwhile, inflation is edging up a bit, although it will still remain relatively low. We still see some room for easing in several countries, but generally think that central banks are becoming more cautious and foresee a further shift from monetary to fiscal stimulus. Donald Trump's victory in the US presidential elections (in combination with the stronger pricing in of Fed rate hikes) has triggered a renewed tightening of financial conditions, while posing risks in the areas of foreign trade and foreign investment. This adds to the prevailing risks related to a China hard landing, high debts and geopolitics. For more, please see [Asia Outlook – Pretty resilient to 'Trump risks'](#) (Arjen van Dijkhuizen)

Asia FX outlook : Leg down in 2017; to recover in 2018 - On Monday, we also published our Asia FX outlook for 2017-18. Asia FX has weakened further since Mr Trump's victory, reflecting higher US Treasury yields and concerns that the US will implement more restrictive trade policies. Looking ahead, we expect weakness in Asian currencies to persist in 2017, before recovering in 2018. In our view, the Singapore dollar is the most vulnerable to higher US yields and more restrictive US trade policies, while the Indian rupee is the least vulnerable. We do not expect the US to formally label China (nor South Korea and Taiwan) as being currency manipulators at short notice, for several reasons. However, uncertainties on this front clearly remain and public statements by the US Presidential-elect or other officials may trigger turmoil on FX markets from time to time. We expect the CNY to gradually depreciate versus the US dollar to 7.15 per end-2017, and to recover somewhat in the course of 2018 (to 7.10 end-of-year). For more, please see our [FX Watch – Asian FX: Leg down in 2017; to recover in 2018](#) (Roy Teo & Arjen van Dijkhuizen).

Euro Macro - Growth in eurozone bank lending stabilising - The ECB published its report on monetary developments in the euro area for October. It showed that annual growth in bank lending to non-financial companies has stabilised at a moderate rate of around 2% since June. Growth in loans to households has stabilised at 1.8% during the same period. The monthly flow in loans to non-financial companies increased markedly in October (to EUR 10.9bn from 2bn in September), while there were upward revisions to August and September (EUR 5bn higher in total than estimated before). As a result the three-month average flow increased to EUR 4.7bn in October, up from 3.3bn in September. Still, this is a significant slowdown compared to the three-months average flow of close to EUR 10bn that was recorded during the period January-July. We think the slowdown in bank lending was largely due to sluggish growth in fixed investment and a decline in loan demand since the start of this year, as was also revealed by the ECB's Bank Lending Surveys. (Aline Schuiling)

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