# Stock markets rally on fresh trade talk hopes

**London, United Kingdom**

Stock markets rallied yesterday after US President Donald Trump's top economic adviser hailed "positive" trade talks with Chinese negotiators.

"As the new week kicks off, stocks are in demand amid increased optimism over US and China reaching a trade deal and as investors anticipate stimulus measures to shore up slowing economies," noted Fiona Cincotta, analyst at City Index trading group.

"After a disastrous previous week which saw equities experience the worst week this year, risk appetite was showing strong signs of improving."

Washington and Beijing are working to revive pivotal talks aimed at ending a trade war that has roiled world markets, Trump's chief economic advisor Larry Kudlow said Sunday.

Traders work after the opening bell at the New York Stock Exchange (NYSE)

### 'Talking!'

The US president himself weighed in on Twitter, saying, "We are doing very well with China, and talking!"

In another tweet, he added that the US economy was "poised for big growth after trade deals are completed," and that China is "eating Tariffs."

There remains a high level of concern however about the global outlook and particularly the US economy after the yield on 10-year US Treasury bonds last week slid below that of the two-year note, while the 30-year yield fell below two per cent for the first time ever.

This so-called "inversion" -- when short-term interest rates are higher than longer-term ones -- is viewed as a harbinger of recession.

A majority of economists expect a US recession in the next two years, but have pushed back the onset, according to a survey Monday from the National Association for Business Economists.

### 'Pleasant start'

The German economy could meanwhile enter a recession in the third quarter because of a "sharp" decline in industrial production held back by international trade tensions, the Bundesbank warned Monday.

"The economy could contract again slightly," Germany's central bank said in its monthly report, following a 0.1-pc decline in gross domestic product in the second quarter.

According to Germany's Der Spiegel newspaper, Angela Merkel's government is ready to boost public spending.

China has meanwhile announced an interest rate reform that it said would lower borrowing costs for companies.

"The week is off to a pleasant start, with traders seemingly buoyed by Chinese lending rate reforms and the prospect of German fiscal stimulus," said Oanda analyst Craig Erlam.

In foreign exchange, the pound dropped on reports the UK government expects that a no-deal Brexit on October 31 could cause serious food, fuel and medicine shortages.

The government's leaked readiness report found British businesses remain largely unprepared for no-deal -- despite a Bank of England survey in March finding around 80 pc judged themselves ready.

**Key figures around 1540 GMT**

| | |
|---|---|
| London - FTSE 100: | ▲ 1.0 pc at 7,189.65 points (close) |
| Frankfurt - DAX 30: | ▲ 1.3 pc at 11,715.37 (close) |
| Paris - CAC 40: | ▲ 1.3 pc at 5,371.56 (close) |
| EURO STOXX 50: | ▲ 1.2 pc at 3,369.19 |
| New York - Dow: | ▲ 1.1 pc to 25,161.88 |
| Tokyo - Nikkei 225: | ▲ 0.7 pc at 20,563.16 (close) |
| Hong Kong - Hang Seng: | ▲ 2.2 pc at 26,291.84 (close) |
| Shanghai - Composite: | ▲ 2.1 pc at 2,883.10 (close) |
| Euro/dollar: | ▲ at $1.1093 from $1.1089 Friday |
| Pound/dollar: | ▼ at $1.2136 from $1.2149 |
| Euro/pound: | ▲ at 91.41 pence from 91.25 pence |
| Dollar/yen: | ▲ at 106.55 yen from 106.36 yen |
| Brent North Sea crude: | ▲ 69 cents at $59.33 per barrel |
| West Texas Intermediate: | ▲ 82 cents at $55.63 per barrel |

# UK to end EU free movement immediately after Brexit

- Freedom of movement as it currently stands will end on October 31
- Around 3.6 million EU citizens already in Britain have been told to apply for "permanent settled status"
- So far only around one million have signed up for the status.

**London, United Kingdom**

Britain said yesterday it will immediately end freedom of movement for people from the European Union after Brexit on October 31, in a policy shift under Prime Minister Boris Johnson.

"Freedom of movement as it currently stands will end on October 31 when the UK leaves the EU," a Downing Street spokeswoman said.

Britain's Prime Minister Boris Johnson

She added the government planned "tougher criminality rules for people entering the UK" as part of the new hardline stance.

"Details of other changes immediately on October 31 for a new immigration system are currently being developed," the spokeswoman said.

The change comes amid growing fears Britain is set to leave the 28-member bloc without a divorce deal in two and a half months.

Around 3.6 million EU citizens already in Britain have been told to apply for "permanent settled status", under an interior ministry scheme started by Johnson's predecessor Theresa May.

So far only around one million have signed up for the status.

May's government said in January that it would end free movement "as soon as possible" after a no-deal Brexit, but keep allowing EU arrivals "for a transitional period only".

Legislation drawn up to deal with the issue is stuck in parliament in the House of Commons gridlock over Brexit.

Johnson has said he favours a skills-based immigration system post-Brexit, but Downing Street is yet to unveil full details.

Critics representing EU citizens claim he is trying to evade parliamentary scrutiny of his changed stance towards new arrivals after Brexit -- and fear those already in Britain could get mistakenly caught out.

"Ending freedom of movement abruptly on Oct 31st will lead to mass discrimination against potentially over 2 million EU citizens," the3million lobby group said on Twitter, calling the move "reckless".

# Germany warns of possible recession, mulls stimulus

- "The economy could contract again slightly" this summer, Germany's central bank said in its monthly report

**Frankfurt am Main, Germany**

German Finance Minister Olaf Scholz

The German economy could enter a recession in the third quarter, the Bundesbank warned yesterday, as the debate on government measures to support the economy swelled in Berlin.

"The economy could contract again slightly" this summer, Germany's central bank said in its monthly report, following a 0.1-percent decline in gross domestic product (GDP) in the second quarter.

"According to data currently available, industrial production is expected to shrink markedly in the current quarter as well."

Having seen a decline in trade against the backdrop of the US-China trade war, two of its main customers, Europe's biggest economy will enter what it technically defines as a recession should GDP shrink further.

Alarmist signals are reviving the political debate between those who support the German government's dogma of balanced budgets and those seeking more flexibility in order to revive the economy.

Germany can afford it on paper after five consecutive years of budget surpluses and interest rates for long-term loans that are extremely attractive to the federal government.

As US-China tensions intensify, economists have urged Berlin to fork out cash to avoid a recession, but Chancellor Angela Merkel's government has previously said things were not yet bad enough to warrant loosening the purse strings.

### Balanced budget

Citing anonymous sources, Der Spiegel news magazine said Friday that the government "had no intention of continuing to set aside money in the event of a recession".

That would mean abandoning the so-called "black zero" doctrine committing the German state to a balanced budget.

On Sunday, German Finance Minister Olaf Scholz hinted at a potential intervention, stating that Germany could "fully face up to" a new economic crisis.

"It is sometimes important, when things change completely, for example, for us to have enough strength to react," he said during an open house day at government offices.

"If we have debt in Germany that is less than 60 percent of our GDP, that is the strength we need to stand up to a crisis," he added.

Scholz pointed to the estimated 50 billion euros ($55 billion) that the 2008-09 financial crisis had cost the German government.

"We have to be able to muster that and we can muster that -- that's the good news."

# Japan's trade surplus with US soars

**Tokyo, Japan**

Japan's politically sensitive trade surplus with the United States grew more than 15 per cent in July, data showed yesterday, as negotiators from the two economic powerhouses prepare to restart talks over a free trade deal.

According to Japanese finance ministry statistics, the trade surplus with Washington climbed to 579.4 billion yen ($5.5 billion) last month, a 15.6-percent year-on-year gain and the fifth consecutive monthly rise.

Japanese imports from the US rose 3.5 percent, led by aircraft and crude oil, but this was outweighed by an 8.4-percent climb in exports driven by chip-making equipment and construction machinery, the ministry data showed.

Donald Trump and Japanese Prime Minister Shinzo Abe enjoy close ties but the bullish US president has frequently claimed that Tokyo has an advantage in bilateral trade and has called for a "more fair" relationship.

On a visit to Japan in May,

**Japan's trade deficit with China -- the 16th consecutive monthly deficit -- stood at 383.8 billion yen. With the European Union, Japan booked a trade deficit of 67.9 billion yen**

Trump said he was expecting to announce "some things" on trade negotiations in August, but no firm deadline has been set yet for an agreement.

The two main trade negotiators, Japan's Economy Minister Toshimitsu Motegi and US Trade Representative Robert Lighthizer are slated to meet in Washington on Wednesday and Thursday.

The data showed that Japan had an overall trade deficit of 249.6 billion yen last month, a 9.8-percent increase year-on-year.