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France against EU-US trade talks unless Trump supports climate deal

European Union agreed to start trade talks with the United States on industrial goods. France, however, has objected to the decision while Belgium abstained. In Paris, the concern is that there cannot be any agreement over trade while the U.S. refuses to commit to key environmental targets."France is opposed to the initiation of any trade negotiations with countries outside the Paris climate agreement," a French official said Monday, explaining why the second largest euro country said no to trade negotiations with Washington.

"It is a question of values. Europe must be exemplary and firm in its defense of the climate," the same official said.

"Macron relies heavily on new, urban, pro-EU middle-class voters...These voters also care for the environment while strongly opposing U.S. President Donald Trump on ideational (sic) grounds," the analysts said in a note.

Despite the French opposition, the European Trade Commissioner Cecilia Malmstrom told reporters Monday that she would now contact U.S. Trade Representative Robert Lighthizer to see when talks could begin.

The U.S., under the Obama Presidency, signed the Paris Climate Agreement in 2016. This committed the world's largest economy to keep the rise in global temperatures "well below" 2C more than pre-industrial levels. However, President Trump is of the opinion that the deal is "bad" for the United States and in 2017 he notified the other members of his intention to withdraw from the agreement.

Under the Paris Climate deal, which was adopted in November of 2016, a country can only officially announce its plan to withdraw from the deal after three years of the adoption date – meaning that Trump will have to send the official notification in November of 2019, if he still wants to leave the deal.

"I think this is also the reason why most other (countries) have been relaxed about France resisting the mandate to start trade talks," Erixon also said about the general expectation that it will take a long time before any deal can be put together. However, if an agreement is indeed reached, Macron may not be able to fully block it.

. "Legally, a trade deal is decided by qualified majority. Politically, it's always been the principle never to finish a negotiation until all member states are satisfied," Erixon said about the way Europe strikes commerce deals

Major banks raise China growth

The Chinese government announced that gross domestic product expanded by 6.4 percent year-on-year in the first three months of 2019. That was higher than the 6.3 percent predicted by analysts in a Reuters' poll. By comparison; China's economy grew by 6.4 percent year-on-year in the fourth quarter of last year, and 6.8 percent in the first quarter of 2018.

The first-quarter figure came as investors watched closely to see if months of government efforts to stimulate the world's second-largest economy — hit by the trade war with the United States — were succeeding in putting a floor on slowing growth. The general consensus was that it had, though opinions differed on whether the result was enough to justify altering forecasts.

Economists at Barclays raised their expectation for GDP expansion for this year to 6.5 percent from the previous 6.2 percent, citing the surprise first-quarter growth result.

Citi also raised its annual GDP forecast to 6.6 percent from 6.2 percent on Wednesday, citing a more optimistic outlook for a U.S.-China trade deal and stronger domestic demand in China.

"Our new baseline scenario is that a framework trade deal between the U.S. and China will be reached in (the second quarter) and it will lift most, if not all, existing punitive tariffs," economists at the U.S. bank wrote.

For instance, economist Christopher Balding — a professor at Fulbright University Vietnam — said he's looking at business electricity consumption, which shrank despite the official report that the economy grew. Writing on Twitter, Balding cited data from Wind and Groundwork Research showing declining energy consumption by businesses this year.

J.P. Morgan economists said they expect "solid growth momentum" in the second and third quarters as stimulus continues to bolster the economy. But they added that the impact will eventually weaken by the end of the year. They kept their overall forecast for this year at 6.4 percent.

Standard Chartered also kept its full-year prediction at 6.4 percent, cautioning against "risks of being over-optimistic about China's growth outlook."

Taimur Baig, Singapore-based DBS Group Research chief economist, said that the first-quarter showed “some degree of stabilization,” citing data including retail sales, industrial production, manufacturing and non-oil imports. But he also cautioned against over-excitement.

World economic growth to revive later this year, say G-20 chiefs

Global finance leaders gathered from the spring meetings of the International Monetary Fund and the World Bank agree that the global economy has lost momentum this year. But they expect growth to pick up in the second half of 2019, as central bankers ease up on interestes. Still, a trade standoff between the United States and China threatens to dim the economic outlook.“We must be mindful of an escalation of trade tensions,” Japanese Finance Minister Taro Also told reporters on Friday. Japan holds the chairmanship of the Group of 20 major economies.

The G-20 on Friday said that world economic growth sputtered late last year and early this year because of heightened trade tensions, turbulent financial markets and rising interest rates. The IMF cut its forecast for global growth from 3.6% last year to 3.3% in 2019, the slowest since the recession year 2009, but it predicts growth will return to 3.6% in 2020.

Haruhiko Kuroda, head of the Bank of Japan, told reporters on Friday that the G-20 officials saw the IMF's revised forecast as “highly likely” but said all the countries would need to do their part to boost growth.

Forecasters are worried about the U.S.-China trade conflict. The world's two biggest economies have slapped tariffs on $350 billion worth of each other's goods. They are battling over U.S. allegations that China deploys predatory tactics - including cyber theft and forcing foreign firms to hand over trade secrets -- in a sharp-elbowed effort to challenge American technological dominance.

Financial markets have rallied this year on hopes that the two countries will reach a settlement.

Changyong Rhee, director of the International Monetary Fund's Asia and Pacific Department, said at a briefing on Friday that markets could falter if negotiators can't reach a deal after all. Even a U.S.-China trade deal could create new problems, Rhee said.

If the Chinese agree to take in more imports from the United States, as widely expected, those purchases could come at the expense other countries that have been doing business with China. Rhee also expressed concern that China would give American companies “preferential access,” undercutting other countries and leading to “broader worries” about the future of free trade.

Rhee also said a U.S.-China trade peace could prove “short-lived” if the two countries can't reach a long-term deal that requires Beijing to improve protection of intellectual-property and make other economic reforms.

China is letting its currency decline in a 'snub' to Trump

In a report on Monday, ING (International Netherlands Group).said the yuan has been moving much more narrowly in the past two months as China's central bank, the People's Bank of China, has emphasized “stability” in currency policy.

“We believe the change in direction, albeit small in substance, is a way for China to show that its yuan policy is independent from the influence of other countries,” Iris Pang, ING's economist for Greater China, said in the report.

Different U.S. administrations have long claimed China derives unfair export price advantages by keeping the yuan artificially weak, a charge Beijing denies. Still, the United States has refrained from officially labeling China a “currency manipulator.”Though Chinese authorities have loosened controls over the years, the yuan is still tightly managed and allowed to trade within a narrow band of 2 percent either side of a daily fixed point.ING said the yuan has been moving much more narrowly in the past two months as the People's Bank of China, the central bank, has emphasized “stability” in currency policy.

But the Chinese currency, also known as the renminbi, weakened against the dollar by 0.2 percent in March, and by 0.3 percent so far in April, ING said on Monday in the report. That compares with the yuan strengthening by 2.45 percent in first two months of the year, it added. We think a substantial yuan depreciation would only be possible if China wants to pick a fight with the U.S., at the cost of increasing market concern about capital flight from the country and this seems highly unlikely.

“We believe the change in direction, albeit small in substance, is a way for China to show that its yuan policy is independent from the influence of other countries,” Iris Pang, ING's economist for Greater China, said in the report.

“We think this is a snub to the Trump administration who said that the yuan cannot depreciate if there is a U.S.-China trade deal.”

The U.S. has reportedly asked China to address the yuan's value as part of ongoing talks to forge an agreement to end the countries' year-long trade war. The two sides are meeting this week in Beijing in their latest attempt to make progress in reaching an agreement. Optimism has increased this year, with some experts believing a deal could be announced within a few weeks, and others see it taking place within months.

What oil at $100 a barrel would mean for the world economy

Brent crude has risen about 33 percent this year and is close to the highest in six months. While higher prices due to strong demand typically reflects a robust world economy, a shock from constrained supply is a negative. Much will depend on how sustained the spike proves to be. Exporting nations will enjoy a boost to corporate and government revenues, while consuming nations will bear the cost at the pump, potentially fanning inflation and hurting demand. Ultimately, there comes a point where higher prices may be damaging to everyone.

The impact will vary. Rising oil prices will hurt household income and spending and it could accelerate inflation. As the world's biggest importer of oil, China is vulnerable, and many countries in Europe also rely on imported energy. Seasonal effects will also impact. With the Northern Hemisphere summer approaching, consumers can switch energy sources and scale back usage. A slowing world economy will also hurt demand and by extension keep a lid on prices.

For a sustained hit to growth, economists say oil would need to hold above $100. It also depends on dollar strength or weakness, given crude is priced in greenbacks. Analysis by Oxford Economics found that Brent at $100 per barrel by the end of 2019 means the level of global gross domestic product would be 0.6 percent lower than currently projected by end-2020, with inflation on average 0.7 percentage points higher.

“We see increased risks of significantly higher oil prices,” Oxford economists John Payne and Gabriel Sterne wrote in a note. “In the short-run, it is likely the supply impact will be offset by higher production elsewhere, but the market is tightening and all it would take is one more shock to supply and oil could reach $100.”

Trump has pledged to help, alongside Saudi Arabia and the U.A.E., those needing to shift orders from Iran to another supplier. But U.S. claims that its domestic supply can help offset the loss are a high bar to meet, given that the daily American output for similar crude is about a quarter of Iran's.

Emerging economies dominate the list of oil-producing nations which is why they're affected more than developed ones. The increase in revenues will help to repair budgets and current account deficits, allowing governments to increase spending that will spur investment. Winners include Saudi Arabia, Russia, Norway, Nigeria and Ecuador according to analysis by Nomura.

Those emerging economies nursing current account and fiscal deficits run the risk of large capital outflows and weaker currencies, which in turn would spark inflation. That in turn will force governments and central banks to weigh up their options: hike interest rates even as growth slows or ride it out and risk capital flight. Nomura's losers list includes Turkey, Ukraine and India.

US jobless rate at lowest since 1969

The US unemployment rate dropped to its lowest level for more than 49 years in April, according to official figures. The jobless rate fell from 3.8% to 3.6%, the US Labor Department said, the lowest since December 1969.However, the fall was due to a large number of people - 490,000 - leaving the labour force during April. The data also showed that the world's largest economy added a stronger-than-expected 263,000 jobs during last month.

Wage data showed that average earnings grew at an annual rate of 3.2%.

Analysts said the figures indicated that the economy remained healthy, but was not running at a pace that might cause the US Federal Reserve to alter interest rates. Hiring gains were seen in nearly all sectors of the economy during April. However, there was little change in the numbers of involuntary part-time workers. The number of people working part time because their hours had been reduced or because they were unable to find full-time jobs remained at 4.7 million.

Euro zone inflation jumps beyond expectations in April

Euro zone inflation surged beyond expectations, mild relief for the European Central Bank, even if much of the jump was likely related to seasonal effects due to the timing of Easter. Inflation in the 19 countries sharing the euro accelerated to 1.7 percent in April from 1.4 percent a month ago, beating expectations for 1.6 percent, Eurostat data showed on Friday. More crucially, underlying prices excluding food and energy, a figure closely watched by the ECB, picked up to 1.3 percent from 1 percent, erasing a worrisome dip a month earlier and hitting its highest rate since October on a jump in services costs.

The ECB targets inflation just below 2 percent but has undershot this for the past six years even as it deployed an arsenal of conventional and unconventional tools to boost growth and prices. “We don't think that the ECB will read too much into this print,” Morgan Stanley said in a note to clients. “As before, it will probably want to look through the Easter-related volatility in the core metric, which remains low when stripping out these effects."

Indeed, the ECB has already announced plans to provide even more stimulus through a new round of ultra cheap loans to banks to help the economy, backtracking on earlier plans to normalise policy after years of extraordinary help. It now expects interest rates to stay steady through the year but risks are skewed towards an even later lift-off as markets price no hike for the better part of the next two years. The problem is that growth is faltering, mostly as Germany, the bloc's powerhouse, struggles through an unexpected dip caused by weak export demand for its manufactured goods. Supporting their argument, employment continues to rise and services remain robust, suggesting that weak external demand, partly caused by global trade tensions, were the chief culprit of the slowdown. Separately, Eurostat said euro zone prices at factory gates eased 0.1 percent month-on-month in March for a 2.9 percent year-on-year rise, falling short of market expectations of a 0.0 percent monthly reading and a 3.0 percent annual gain.

Changes in producer prices are an early indication of trends in consumer prices, because unless they tends to be passed on by retailers and intermediaries to consumes.

Asia manufacturing "bottoming out" but economies may still need more stimulus

Factory activity recovered last month in parts of Asia but still appeared to be on shaky ground as global demand remained subdued and China's stimulus measures were yet to show their full pulling power.

That left the outlook for the region's central banks skewed towards easing, with Malaysia and New Zealand prime suspects for potential rate cuts, and Australia — whose monetary policy setters also meet next week — facing growing calls to ease.

The Federal Reserve held interest rates steady overnight, saying it saw no strong case for either hiking or cutting them, disappointing U.S. stock markets.

A resolution in the trade dispute between Washington and Beijing would go a long way towards improving the mood. While there is still great uncertainty, U.S. Treasury Secretary Steven Mnuchin said the two countries completed "productive" talks on Wednesday and were nearing a deal that would roll back a portion of the $250 billion in U.S. tariffs on Chinese goods.

Purchasing Managers' Indexes showed manufacturing activity contracted in Malaysia and Taiwan in April, slowed in the Philippines and Indonesia, and picked up a notch in Vietnam and Thailand.

India's factory activity expanded at its slowest pace in eight months, with growth in new orders and output dipping as national elections got under way.

Earlier this week, official data showed activity in China expanded for a second consecutive month in April, but at a much slower pace than expected. As China has generated nearly a third of global growth in recent years, financial markets have been counting on another strong, credit-fuelled bounce.