News: Bloomberg

Xi's Unexpected Markets Shakeup Surprised Insiders, Showing Alarm Over Rout

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Staffers at China's main securities regulator had been working around the clock for weeks on ways to prop up the nation's tumbling stock market when the bombshell dropped.

Late Wednesday, the official Xinhua News Agency reported that their boss Yi Huiman had been ousted, becoming the biggest Communist Party casualty of a $5 trillion selloff that's undermining confidence in the fragile economy.

The announcement sent shockwaves across the industry and within the China Securities Regulatory Commission, according to people familiar with the matter, who asked not to be identified discussing private information. Prior to the Xinhua news, there had been no internal announcement from the Communist Party's organization department, which typically shares key personnel changes internally before they go public, the people said.

The departure of Yi, a surprise to even high-ranking CSRC officials, underscores the growing sense of alarm within President Xi Jinping's government over the speed and scope of the market meltdown that's now entering its fourth year. Wu Qing, a close ally of Premier Li Qiang, is taking over as chairman of the regulator.

The CSRC didn't immediately respond to a request for comment. China watchers say the move may signal additional measures to revive the world's second-largest stock market. An earlier flurry of support in the runup to the Lunar New Year holiday, when exchanges are closed for six days beginning Friday, had failed to restore investor confidence.

"This is long overdue in my opinion, if one chief cannot do the job, then maybe we should give someone else a chance," said Jiang Liangqing, managing director at Zhuhai Greenbamboo Private Fund Management. "At the minimum, a new broom sweeps clean and he could be bolder in taking action instead of just words."

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Anticipation of more fulsome efforts to end the rout had been mounting for days, after Bloomberg News reported that regulators led by the CSRC planned to brief President Xi on the markets as soon as Tuesday. There's been no public disclosure yet on whether Xi had that briefing. It was not known what role Yi had, if any, in that planned briefing.

China's latest measures, including curbs on short-selling and purchases by state-owned entities, had some effect this week as the main equity gauge jumped three straight sessions to pare declines for the year. China's "national team" bought about 70 billion yuan ($9.7 billion) in shares over the past month, Goldman Sachs Group Inc. estimated in a report Monday. At least 200 billion yuan is needed to stabilize the market, according to the US bank.

"Government buying might help circuit-break the downward spiral, but we think reforms, policy consistency, and plans to address structural macro headwinds are required to re-rate China equity," the Goldman analysts wrote.

If history is any guide, more gains may be afoot. The past two sackings of CSRC chiefs heralded extended equity rallies. The benchmark CSI 300 Index rose more than 40% in almost a two-year span after Liu Shiyu replaced Xiao Gang in 2016. The gauge jumped more than 80% over two years after Liu was ousted for Yi in 2019.

Source: https://www.bloomberg.com/news/articles/2024-02-08/xi-s-markets-shakeup-surprised-insiders-showing-alarm-over-rout

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Fed's Kashkari Sees Two to Three Rate Cuts as Appropriate in 2024

"Federal Reserve Bank of Minneapolis President Neel Kashkari said officials need to see "a few more months" of inflation data before cutting interest rates."

Federal Reserve Bank of Minneapolis President Neel Kashkari said officials need to see "a few more months" of inflation data before cutting interest rates, adding that he thinks two to three cuts will likely be appropriate for 2024.

"We're not looking for better inflation data, we're just looking for additional inflation data that is also at around this 2% level," Kashkari said Wednesday on CNBC. "If we get to see a few more months of that data, I think that will give us a lot of confidence."

He also said the labor market will dictate the speed at which the Fed lowers interest rates, noting if the jobs market remains strong, it will give the central bank the flexibility to move slowly. Kashkari's projection of two to three rate cuts is slightly more hawkish than December's median estimate among policymakers for three quarter-point reductions, though markets are pricing in as many as five cuts.

Kashkari, who does not vote on monetary policy decisions this year, wrote in an essay published earlier this week that Fed officials have time to assess incoming data before lowering rates, citing changes in the post-pandemic economy.

Fed officials have left interest rates unchanged since July and have signaled the next move is likely a cut. Several officials including Fed Chair have indicated they're not in a rush to do so, helping shift market expectations for the timing of the first rate cut toward May or June.

The Minneapolis Fed chief also said the central bank is watching commercial real estate closely, though he said he doesn't presently see it as a systemic risk.

Source: https://www.bloomberg.com/news/articles/2024-02-07/fed-s-kashkari-sees-two-to-three-rate-cuts-as-appropriate-in-24

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China's Consumer Prices Fell Last Month At The Fastest Pace Since 2009

"China's consumer prices fell last month at the fastest pace since the global financial crisis as the China's economy struggles to shake off persistent deflation pressures."

China's consumer prices fell last month at the fastest pace since the global financial crisis as the world's second-largest economy struggles to shake off persistent deflation pressures.

The consumer price index dropped 0.8% in January from a year ago, the National Bureau of Statistics said Thursday, the weakest since September 2009. The drop was worse than economists' expectations for a 0.5% decline. The producer price index fell 2.5%, compared with projections for a 2.6% decline. Factory-gate costs have been stuck in deflation for 16 straight months.

China has been beset by falling prices for much of the last year as the nation struggles to revive domestic demand and consumer confidence. A measure of economy-wide prices marked its longest slide since 1999 in the fourth quarter, underscoring the magnitude of the challenge as policymakers look to boost growth in 2024.

"The CPI data today shows China faces persistent deflationary pressure," said Zhiwei Zhang, president and chief economist at Pinpoint Asset Management Ltd. "China needs to take actions quickly and aggressively to avoid the risk of deflationary expectation to be entrenched among consumers."

Core CPI, which strips out volatile food and energy costs, rose 0.4%, slower than December and the weakest rise since June last year. Pork prices dropped 17%, helping drag down food prices by 5.9%, which was the biggest decline on record in data back to 1994.

The risks from deflation are serious. If China is unable to meaningfully turn the trend around, it risks leading to a downward spiral with people holding off on purchases due to expectations prices would continue falling. That would dent overall consumption and spill over to businesses.

News: Bloomberg

The property crisis remains the biggest drag on the economy and on confidence. But the most visible sign of economic gloom recently has come from the stock market, which is in the midst of a multi-trillion-dollar rout. Equities have rallied in recent days, but investors are awaiting more policy support from Beijing.

Economists see deflation pressure in China continuing for at least another six months, largely because of the real estate turmoil.

Source: https://www.bloomberg.com/news/articles/2024-02-08/china-s-consumer-prices-drop-at-fastest-pace-since-2009