

## Euro Drops on German Impasse, China Stocks Rebound: Markets Wrap

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- Implications of Merkel coalition talks collapse 'not clear'
- Bitcoin climbs above \$8,000 mark for first time, dollar rises

The euro declined after German Chancellor Angela Merkel's push to form a coalition government collapsed. Chinese equities reversed losses that came after regulators unveiled a fresh initiative to curb shadow banking. Treasuries advanced.

China's Shanghai Composite Index recovered from the biggest drop since August. There was a broad resumption of losses in Asia from the end of last week, when the region's equities showed signs of fatigue after a stellar year so far. In the Treasury market, the gap between two- and 10-year Treasury yields again hit the tightest level in a decade, adding to concern about the pace of future economic growth. Bitcoin climbed to a fresh high, topping \$8,000.

While the German political impasse triggered an immediate slide in the euro, it occurs against the backdrop of a European economy growing strongly enough that the European Central Bank is scaling back its stimulus. Just Friday, European Central Bank President Mario Draghi helped boost the euro past \$1.18 with [comments](https://www.bloomberg.com/news/articles/2017-11-17/draghi-says-confidence-on-inflation-will-help-drive-wage-gains) predicting that European wage gains will pick up. The euro came off its lows of the session as Asian trading progressed.

"The news is negative for the euro, but its longer-term implications are not clear yet," said Mansoor Mohi-uddin, head of currency strategy in Singapore at NatWest Markets, a unit of Royal Bank of Scotland Group Plc.

Chinese developers were among the hardest-hit stocks after the nation's financial regulators [proposed](https://www.bloomberg.com/news/articles/2017-11-20/china-shadow-bank-clampdown-hits-stock-market-as-developers-sink) a variety of measures to curb risks in the country's \$15 trillion of asset-management products. The move was a follow-through from last month's Communist Party's twice-a-decade leadership congress, where President Xi Jinping reiterated that controlling financial dangers was a priority.

On Friday, Chinese stocks slid after state-run media warned about a rally in the shares of liquor producer Kweichow Moutai Co., sending its shares down in a slump that continued Monday.





The tilt away from stocks globally comes as investors try to gauge whether there are sufficient drivers to continue the march to historic highs. Strong earnings and solid global growth are balanced against lofty valuations in some markets, and the negative signal from the U.S. yield curve -- where longer-dated Treasuries are yielding less of a premium over shorter-dated ones.

After last week's retreat, the MSCI Asia Pacific Index is at risk of forming a "double-top" <https://www.bloomberg.com/news/articles/2017-11-19/charting-the-fatigue-in-asia-stocks-losing-grip-on-six-week-run> technical pattern, often associated with further declines. Volumes may be lower than average this week due to the Thanksgiving holiday in the U.S.

European stocks will have to contend with the latest news out of Germany, where Merkel had been hoping for a four-party coalition agreement after September elections saw reduced support for her party. The collapse of talks has thrown the future of Europe's longest-serving leader into doubt and potentially points the world's No. 4 economy toward new elections.

Terminal users can read more in our Markets Live blog.

Here are some key events coming up this week:

- Minutes from the Reserve Bank of Australia's November meeting are due Tuesday, while those from the European Central Bank's October meeting due out on Thursday could show dissent in the discussion about tapering.
- Federal Reserve Chair Janet Yellen gives a talk at New York University.
- Reports on sales of previously owned homes and durable goods orders for October are due in the U.S.
- The minutes from the Fed's latest policy meeting are out on Wednesday. Market participants will gauge Fed officials' eagerness to boost the benchmark interest rate in December, which is widely expected by the market.
- Japan exports rose 14 percent in October from a year ago, below estimates of a 15.7 percent increase.
- Thailand's [economy](https://www.bloomberg.com/news/articles/2017-11-20/thailand-s-economic-growth-beats-forecasts-as-exports-rise) [grew faster than economists estimated last quarter](https://www.bloomberg.com/news/articles/2017-11-20/thailand-s-economic-growth-beats-forecasts-as-exports-rise). Gross domestic product rose 4.3 percent from a year ago, compared with the median estimate of 3.9 percent.
- On Tuesday, Taiwan updates on October unemployment and Hong Kong's October CPI is out. Singapore 3Q GDP is due on Thursday. New Zealand October trade and South Korea November consumer confidence are due later in the week.
- Argentina, Hungary, Kenya, Nigeria and South Africa set monetary policy this week.

These are the main moves in markets:

### Stocks

- Japan's Topix index lost 0.2 percent at the close in Tokyo. The Nikkei 225 Stock Average decreased 0.6 percent.
- The Shanghai Composite Index was up 0.3 percent after earlier sliding as much as 1.4 percent.
- Hong Kong's Hang Seng Index rose 0.1 percent.

- Australia's S&P/ASX 200 Index fell 0.2 percent.
- South Korea's Kospi index fell 0.3 percent.
- S&P 500 Index futures fell 0.3 percent. The underlying gauge lost 0.3 percent on Friday.
- The MSCI Asia Pacific Index dropped 0.1 percent.

### Currencies

- The euro fell 0.5 percent to \$1.1733, after dropping as much as 0.6 percent.
- The yen was little changed at 112.12 per dollar.
- The pound was steady at \$1.32.
- Bitcoin rose more than 4 percent, trading at \$8,020.26.
- The Bloomberg Dollar Spot Index added 0.3 percent. That's after it dropped 0.7 percent last week.

### Bonds

- The yield on 10-year Treasuries fell two basis points to 2.32 percent.
- Australia's 10-year yield dipped three basis points to 2.54 percent.

### Commodities

- West Texas Intermediate crude was up 0.1 percent to \$56.61 a barrel. It gained 2.6 percent on Friday.
- Gold was steady at \$1,291.07 an ounce, after advancing the past two weeks.

— *With assistance by Netty Idayu Ismail*

