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Economic Letter from Asia

Talking Trump

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Talking Trump

In this week's letter, we explore the potential impacts of President-elect Trump's recent electoral victory on Asia. One key implication is that Trump's policies could limit the room for policy easing by Asian central banks, particularly if his policies prove inflationary and prompt the US Fed to enact a tighter-for-longer monetary policy. As a result, market expectations for yield differentials between the US and other Asian economies may turn less favourable for the latter, potentially putting downward pressure on Asian currencies.

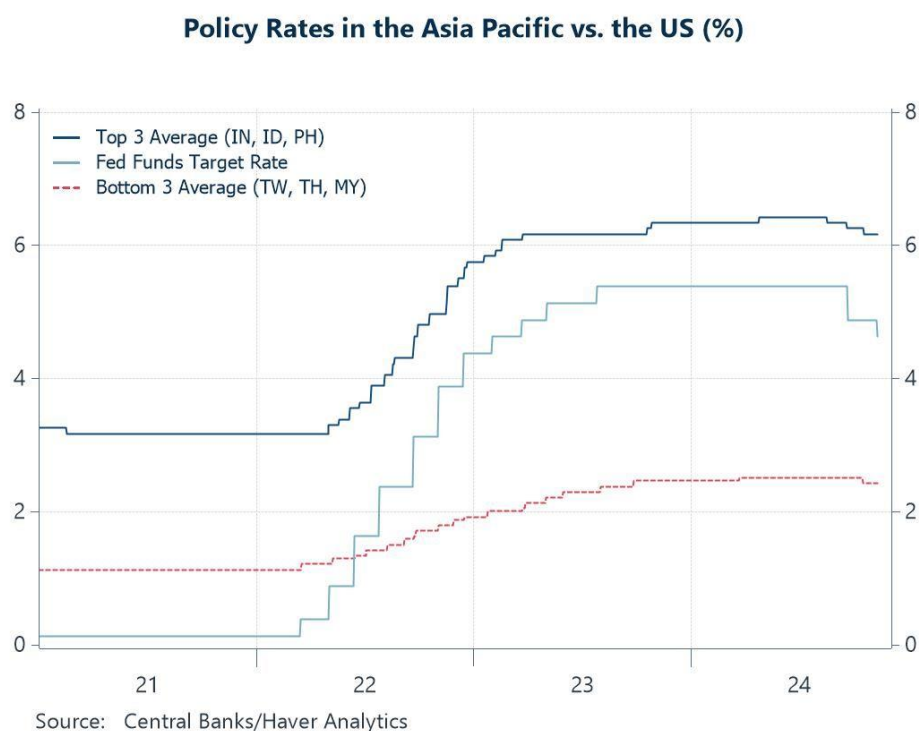
Beyond this, the most significant effect of Trump's win could be on trade. Proposed tariffs of up to 60% on US imports from China and up to 20% on imports from other countries create a substantial risk of trade disruption. These measures could provoke retaliatory actions from affected economies or, alternatively, lead to the US negotiating bilateral agreements to reduce the impact, as we saw during Trump's first term.

Additionally, Trump's trade policies might prompt a fundamental shift in business strategies, both in the US and abroad. Companies could reconsider their global supply chains, potentially accelerating reshoring or onshoring efforts, while investments in overseas operations could be discouraged. Finally, while Trump's "drill, baby, drill" stance may be initially expected to lower energy prices, the overall impact on global oil prices may not be so straightforward. This is due to the role of other major producers, such as OPEC+, as well as the potential for renewed geopolitical tensions and changes in global demand dynamics.

Monetary policy

The impact of the recent US election – resulting in President-elect Trump’s victory – is set to reverberate globally. Governments, businesses, and market observers alike are now likely scrambling to assess the potential policy implications. One key area of focus is the future direction of US monetary policy, which, in turn, may lead to reassessments of monetary policies across Asian economies. Specifically, the US Fed may not need to cut interest rates as aggressively as previously expected, thanks to the potentially reflationary effects of some of Trump’s proposed fiscal measures. This could result in a higher terminal rate for the Fed in its current easing cycle. Such a shift may, in turn, influence the policy paths of central banks in Asia. If yield differentials become a factor in their decision-making, these banks could face more limited room for easing should they need to adjust rates (see Chart 1). However, several Asian central banks have yet to begin easing cycles due to country-specific factors. These include high household indebtedness, persistent inflation, or simply the absence of a compelling reason to ease, as growth remains strong in some economies.

Chart 1: Policy rates in the Asia Pacific vs. the US



The US election had a notable impact on currency markets, as expectations for economic outcomes, yields, and monetary policy became deeply intertwined. The US dollar strengthened in response to Trump’s likely victory, causing Asian currencies to weaken relative to the greenback. That said, Asian currencies remain generally stronger against the dollar on average so far this year (see Chart 2), with the Malaysian ringgit standing out as the best-performing Asian currency. In contrast, the Japanese yen has continued to underperform. However, the ringgit has, in recent months, given back much of the gains it made since mid-July. Meanwhile, initial hopes for a swift policy normalization by the Bank of Japan (BoJ) have stalled. Observers now expect the BoJ may raise rates in January, rather than in December as previously anticipated.

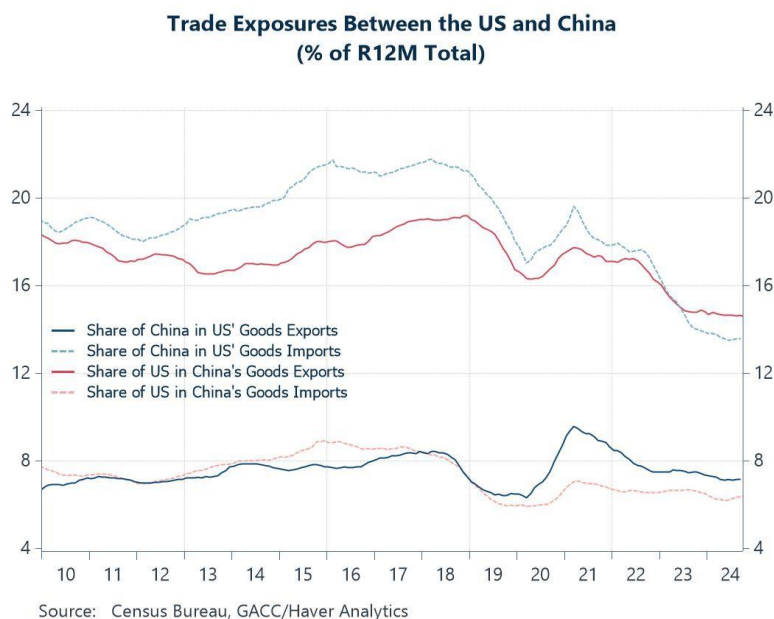
Chart 2: Asia currency performance against the US dollar



Trade

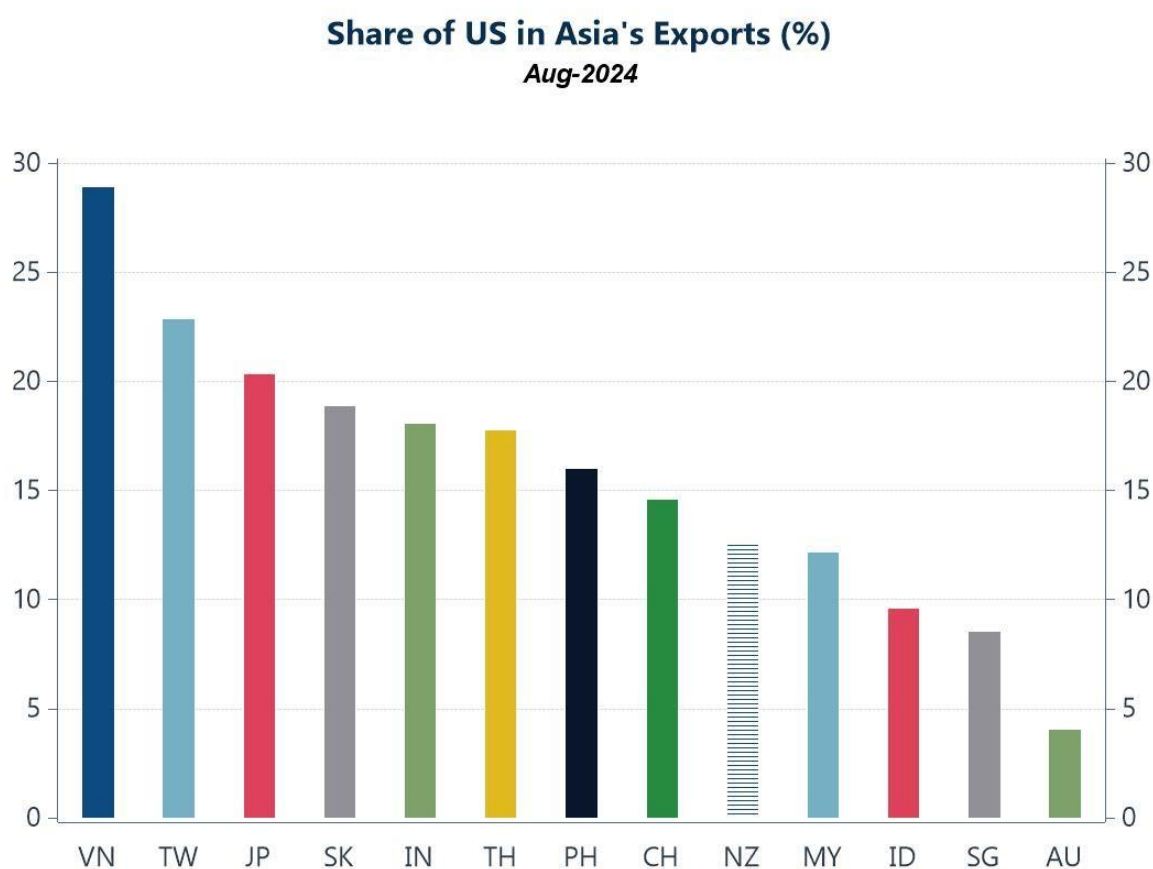
A more direct impact of the US elections on Asia likely relates to trade, which could be particularly concerning for Asian governments if Trump follows through with his plan to raise tariffs on all foreign imports—a move he repeatedly mentioned during his campaign. There is a specific risk of renewed actions against China, especially with Trump having floated the idea of raising tariffs on Chinese imports up to 60%. Beyond the obvious harm to Chinese exports to the US given existing exposures (Chart 3), this could also lead to retaliation from China, and might yield tit-for-tat measures. These proposed US tariff actions align with Trump’s broader intent of further decoupling the US from China and curbing its advances in key technologies. However, whether these actions will effectively slow China's progress or, ironically, accelerate its push toward self-sufficiency remains an open question.

Chart 3: Trade exposures between the US and China



Trade-related concerns are likely to extend beyond China, affecting the rest of Asia and the world, especially if Trump moves forward with his plan to impose blanket tariffs of up to 20% on exports to the US. The initial impact, however, may vary across Asian economies, depending on their direct export exposure to the US, as shown in Chart 4. Additionally, we could see a resurgence of bilateral trade agreements between the US and individual economies—a strategy Trump favoured during his first term. These bilateral deals could help mitigate the overall impact of the tariffs. Beyond export exposure to the US, overall vulnerability to reduced growth from exports varies across economies, as we discussed in last week’s letter. Advanced Asian economies like South Korea and Taiwan are more exposed, as their growth is heavily reliant on exports, with weaker contributions from other sources like private consumption. In contrast, some emerging Asian economies, particularly in Southeast Asia, still benefit from strong domestic demand, providing a buffer against potential export slowdowns.

Chart 4: Share of US in Asia’s exports

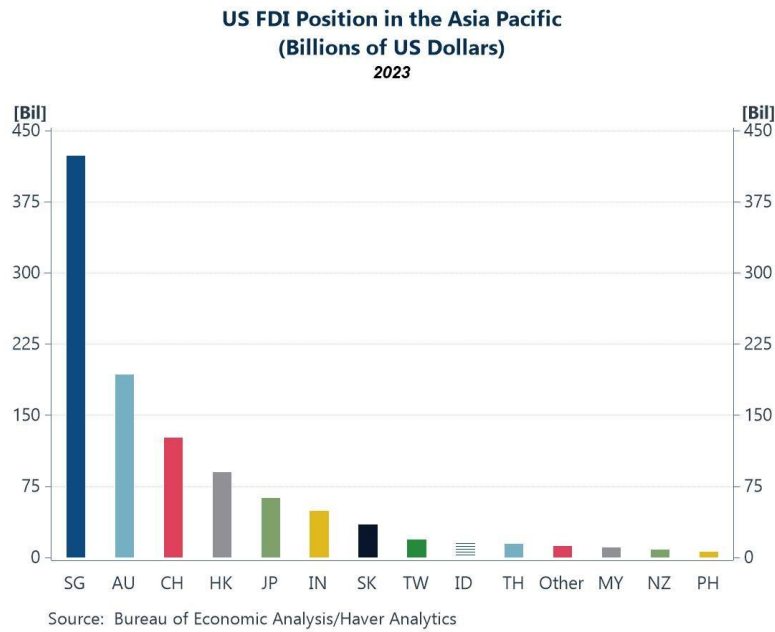


Source: Customs, Central Banks, Authorities/Haver Analytics

Supply chains

The imminent threat of tariffs on imports to the US is likely to prompt multinational American companies to reassess their overseas operations. Some may be incentivized to reshore certain functions to avoid additional costs. At the same time, foreign companies might increasingly consider allocating operations to the US, rather than relying on exports, to avoid tariffs and potentially benefit from tax incentives. Beyond the potential reduction in outbound FDI from the US, another impact could be delays or cancellations of new direct investment initiatives, or even the unwinding of existing FDI positions. As with export exposures, the extent of US involvement through FDI varies widely across economies, as shown in Chart 5.

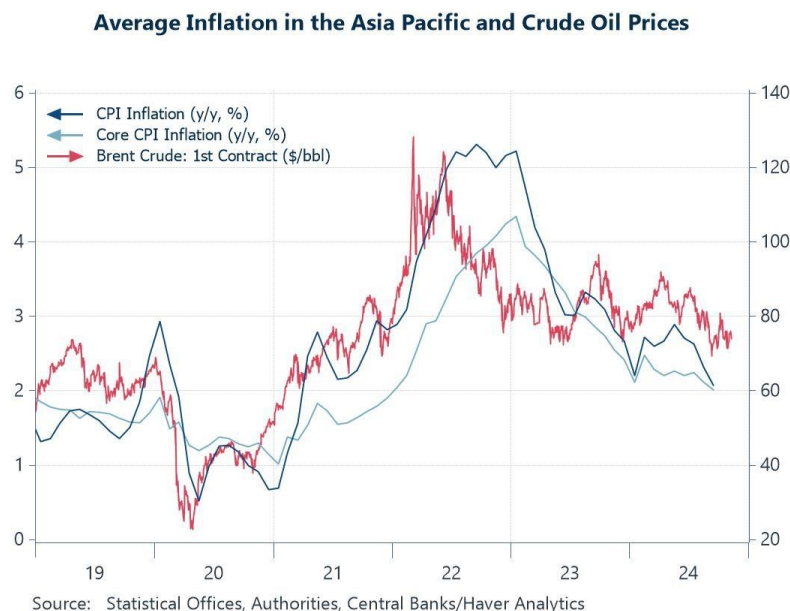
Chart 5: The US' FDI position in the Asia Pacific



Inflation

A final angle concerns how Trump's election victory might affect inflation in Asia, particularly through energy prices. His "drill, baby, drill" policy for the US crude oil industry is expected to significantly boost global oil supply. While this could naturally put downward pressure on oil prices, the reality is that oil prices are influenced by a range of factors. For one, actions by other major producers, such as OPEC+, could offset the increased supply, particularly if they opt for greater production cuts. Additionally, geopolitical risks—such as flare-ups or escalations in oil-producing regions like the Middle East—pose potential upside risks to prices. Finally, any rebound in demand from major oil importers, particularly China, could further balance or even outpace supply-side increases, depending on its economic recovery. That said, the energy impact on inflation represents just one of the potential channels through which Trump's win could influence inflation in Asia.

Chart 6: Inflation in Asia and crude oil prices



About the author



Haver Analytics is pleased to bring [Tian Yong Woon's](#) commentaries on the state of the global economy to its clients.

Tian Yong joined Haver Analytics as an Economist in 2023. Previously, Tian Yong worked as an Economist with Deutsche Bank, covering Emerging Asian economies while also writing on thematic issues within the broader Asia region. Prior to his work with Deutsche Bank, he worked as an Economic Analyst with the International Monetary Fund, where he contributed to Article IV consultations with Singapore and Malaysia, and to the regular surveillance of financial stability issues in the Asia Pacific region. Tian Yong holds a Master of Science in Quantitative Finance from the Singapore Management University, and a Bachelor of Science in Banking and Finance from the University of London.

Data featured in this commentary:

Chart 1: Policy rates in the Asia Pacific vs. the US

Series 1: $((R566RVV@INTDAILY + R536R1W@INTDAILY) + R534RP@INTDAILY) / 3$
R566RVV@INTDAILY [Philippines: Overnight Reverse Repurchase Agreement Rate (%)]
R536R1W@INTDAILY [Indonesia: 7 Day Reverse Repo Rate (%)]
R534RP@INTDAILY [India: Repo Rate (%)]
3

Series 2: R111RDT@INTDAILY

R111RDT@INTDAILY [Federal Open Market Committee: Fed Funds Target Rate (%)]
Series 3: $((R548OPR@INTDAILY + R578RP@INTDAILY) + R528RD@INTDAILY) / 3$
R548OPR@INTDAILY [Malaysia: Overnight Policy Rate [OPR] (% p.a.)]
R578RP@INTDAILY [Thailand: 1 Day Repo Rate [Policy Interest Rate] (% per annum)]
R528RD@INTDAILY [Taiwan: Discount Rate (%)]
3

Chart 2: Asia currency performance against the US dollar

Series 1: $((index(XUSJPSB@INTDAILY, 20231231=100) + index(XUSTHSB@INTDAILY, 20231231=100) + index(XUSTWSB@INTDAILY, 20231231=100) + index(XUSKRSB@INTDAILY, 20231231=100) + index(XUSMYSB@INTDAILY, 20231231=100) + index(XUSIDSB@INTDAILY, 20231231=100) + index(XUSVNSB@INTDAILY, 20231231=100)) / 7$
XUSJPSB@INTDAILY [JPY Per USD Spot Mid Exchange Rate at 7 AM ET (JPY/USD)]
XUSTHSB@INTDAILY [THB Per USD Spot Mid Exchange Rate at 7 AM ET (THB/USD)]
XUSTWSB@INTDAILY [TWD Per USD Spot Mid Exchange Rate at 7 AM ET (TWD/USD)]
XUSKRSB@INTDAILY [KRW Per USD Spot Mid Exchange Rate at 7 AM ET (KRW/USD)]
XUSMYSB@INTDAILY [MYR Per USD Spot Mid Exchange Rate at 7 AM ET (MYR/USD)]
XUSIDSB@INTDAILY [IDR Per USD Spot Mid Exchange Rate at 7 AM ET (IDR/USD)]
XUSVNSB@INTDAILY [VND Per USD Spot Mid Exchange Rate at 7 AM ET (VND/USD)]

Series 2: index(XUSMYSB@INTDAILY, 20231231=100)

XUSMYSB@INTDAILY [MYR Per USD Spot Mid Exchange Rate at 7 AM ET (MYR/USD)]

Series 3: index(XUSJPSB@INTDAILY, 20231231=100)

XUSJPSB@INTDAILY [JPY Per USD Spot Mid Exchange Rate at 7 AM ET (JPY/USD)]

Chart 3: Trade exposures between the US and China

Series 1: $(movt(TMXCMA@USECON, 12) \% movt(TMXX@USECON, 12))$
TMXCMA@USECON [Exports to China, Mainland: f.a.s. Value (NSA, Mil.\$)]
TMXX@USECON [Exports, f.a.s.: Goods (NSA, Mil.\$)]

Series 2: $(movt(TMMCCMA@USECON, 12) \% movt(TMMCN@USECON, 12))$

TMMCCMA@USECON [Imports from China, Mainland: Customs Value (NSA, Mil.\$)]
TMMCN@USECON [Imports, Customs Value: Goods (NSA, Mil.\$)]

Series 3: $(movt(N924IXUS@EMERGEPR, 12) \% movt(N924IXT@EMERGEPR, 12))$

N924IXUS@EMERGEPR [China: Exports to the U.S. (NSA, Mil.US\$)]
 N924IXT@EMERGEPR [China: Exports (NSA, Mil.US\$)]
Series 4: (movt(N924IMUS@EMERGEPR,12) % movt(N924IMT@EMERGEPR,12))
 N924IMUS@EMERGEPR [China: Imports from the U.S. (NSA, Mil.US\$)]
 N924IMT@EMERGEPR [China: Imports (NSA, Mil.US\$)]

Chart 4: Share of US in Asia's exports

Series 1: (movt(N582IXUS@EMERGEPR,12) % movt(N582IX@EMERGEPR,12))
 N582IXUS@EMERGEPR [Vietnam: Exports to the U.S (NSA, Thous.US\$)]
 N582IX@EMERGEPR [Vietnam: Exports (NSA, Mil.US\$)]
Series 2: (movt(N528ITUS@EMERGEPR,12) % movt(N528IXTD@EMERGEPR,12))
 N528ITUS@EMERGEPR [Taiwan: Exports to the U.S. (NSA, Thous.US\$)]
 N528IXTD@EMERGEPR [Taiwan: Merchandise Exports, including Re-exports (NSA, Mil.US\$)]
Series 3: (movt(VEAUS@JAPAN,12) % movt(VEATT@JAPAN,12))
 VEAUS@JAPAN [Japan: Exports to United States (NSA, Bil.Yen)]
 VEATT@JAPAN [Japan: Exports of Goods: Value (NSA, Bil.Yen)]
Series 4: (movt(N542ITUS@EMERGEPR,12) % movt(N542ITC@EMERGEPR,12))
 N542ITUS@EMERGEPR [South Korea: Exports to the United States (NSA, Thous.US\$)]
 N542ITC@EMERGEPR [South Korea: Exports (NSA, Thous.US\$)]
Series 5: (movt(N534ITUS@EMERGEPR,12) % movt(N534IXD@EMERGEPR,12))
 N534ITUS@EMERGEPR [India: Exports To United States Of America (NSA, Mil US\$)]
 N534IXD@EMERGEPR [India: Merchandise Exports, f.o.b. (NSA, Mil.US\$)]
Series 6: (movt(N578IYUS@EMERGEPR,12) % movt(N578IXD@EMERGEPR,12))
 N578IYUS@EMERGEPR [Thailand: Exports to the United States (NSA, Mil.US\$)]
 N578IXD@EMERGEPR [Thailand: Merchandise Goods Exports (NSA, Mil.US\$)]
Series 7: (movt(N566ITU2@EMERGEPR,12) % movt(N566IXD@EMERGEPR,12))
 N566ITU2@EMERGEPR [Philippines: Exports to US Including Alaska & Hawaii (NSA, Thous.US\$)]
 N566IXD@EMERGEPR [Philippines: Merchandise Exports, fob (NSA, Mil.US\$)]
Series 8: (movt(N924IXUS@EMERGEPR,12) % movt(N924IXT@EMERGEPR,12))
 N924IXUS@EMERGEPR [China: Exports to the U.S. (NSA, Mil.US\$)]
 N924IXT@EMERGEPR [China: Exports (NSA, Mil.US\$)]
Series 9: (movt(NZNIXUS@ANZ,12) % movt(NZNIX@ANZ,12))
 NZNIXUS@ANZ [New Zealand: Merchandise Exports: U.S. (Mil.NZ\$)]
 NZNIX@ANZ [New Zealand: Merchandise Exports, fob (NSA, Mil.NZ\$)]
Series 10: (movt(N548ITUS@EMERGEPR,12) % movt(N548IX@EMERGEPR,12))
 N548ITUS@EMERGEPR [Malaysia: Exports to United States (NSA, Mil.Ringgits)]
 N548IX@EMERGEPR [Malaysia: Merchandise Exports, fob (NSA, Mil.Ringgit)]
Series 11: (movt(N536ITUS@EMERGEPR,12) % movt(N536IXFB@EMERGEPR,12))
 N536ITUS@EMERGEPR [Indonesia: Exports to United States of America (NSA, Thous.US\$)]
 N536IXFB@EMERGEPR [Indonesia: Exports of Goods, fob (NSA, Thous.US\$)]
Series 12: (movt(N576IXUS@EMERGEPR,12) % movt(N576IX@EMERGEPR,12))
 N576IXUS@EMERGEPR [Singapore: Exports to the U.S. (NSA, Mil.S\$)]
 N576IX@EMERGEPR [Singapore: Merchandise Exports, fob (NSA, Mil.S\$)]
Series 13: (movt(AUNITUS@ANZ,12) % movt(AUNIX@ANZ,12))
 AUNITUS@ANZ [Australia: FOB Exports: United States of America (NSA, Mil.A\$)]
 AUNIX@ANZ [Australia: Exports of Goods, fob (NSA, Mil.A\$)]

Chart 5: The US' FDI position in the Asia Pacific

Series 1: D576I@USINT
 D576I@USINT [US Direct Investment in Singapore (His.Cost.Mil\$)]
Series 2: D193I@USINT
 D193I@USINT [US Direct Investment in Australia (His.Cost.Mil\$)]
Series 3: D924I@USINT
 D924I@USINT [US Direct Investment in China (His.Cost.Mil\$)]
Series 4: D532I@USINT
 D532I@USINT [US Direct Investment in Hong Kong (His.Cost.Mil\$)]
Series 5: D158I@USINT
 D158I@USINT [US Direct Investment in Japan (His.Cost.Mil\$)]
Series 6: D534I@USINT
 D534I@USINT [US Direct Investment in India (His.Cost.Mil\$)]
Series 7: D542I@USINT
 D542I@USINT [US Direct Investment in Republic of Korea (His.Cost.Mil\$)]
Series 8: D528I@USINT
 D528I@USINT [US Direct Investment in Taiwan (His.Cost.Mil\$)]
Series 9: D536I@USINT
 D536I@USINT [US Direct Investment in Indonesia (His.Cost.Mil\$)]
Series 10: D578I@USINT

D578I@USINT [US Direct Investment in Thailand (His.Cost.Mil\$)]

Series 11: D559I@USINT

D559I@USINT [US Direct Investment in Other Asia & Pacific (His.Cost.Mil\$)]

Series 12: D548I@USINT

D548I@USINT [US Direct Investment in Malaysia (His.Cost.Mil\$)]

Series 13: D196I@USINT

D196I@USINT [US Direct Investment in New Zealand (His.Cost.Mil\$)]

Series 14: D566I@USINT

D566I@USINT [US Direct Investment in Philippines (His.Cost.Mil\$)]

Chart 6: Inflation in Asia and crude oil prices

Series 1: ((((((((((yryr%(N158PC@G10) + yryr%(M193PC@G10)) + yryr%(N582PC@EMERGEPR)) + yr

N158PC@G10 [Japan: Consumer Price Index (NSA, 2020=100)]

M193PC@G10 [Australia: Consumer Price Index (NSA, Sep-17=100)]

N582PC@EMERGEPR [Vietnam: Consumer Price Index (NSA, 2019=100)]

N578PC@EMERGEPR [Thailand: CPI: All Commodities (NSA, 2019=100)]

N528PC@EMERGEPR [Taiwan: CPI: All Items (NSA, 2021=100)]

N576PC@EMERGEPR [Singapore: CPI: All Items (NSA, 2019=100)]

N566PC@EMERGEPR [Philippines: CPI: All Items (NSA, 2018=100)]

N548PC@EMERGEPR [Malaysia: CPI: All Groups (NSA, 2010=100)]

N542PC

Series 2: ((((((((((yryr%(N158PCXF@G10) + yryr%(M193PCX@G10)) + yryr%(N528PCXG@EMERGEPR))

N158PCXF@G10 [Japan: CPI: All Items Excluding Fresh Food (NSA, 2020=100)]

M193PCX@G10 [Australia: CPI: All Groups CPI excluding Volatile Items (NSA, Sep-17=100)]

N528PCXG@EMERGEPR [Taiwan: CPI: General Index Excluding Food and Energy (NSA, 2021=100)]

N576PCXW@EMERGEPR [Singapore: CPI: All ex Accommodation & Priv Road Transport Costs (NSA, 2019=100)]

N566PCXG@EMERGEPR [Philippines: CPI excl Food and Energy (NSA, 2018=100)]

N548PCXG@EMERGEPR [Malaysia: CPI Ex Food and Energy (NSA, 2010=100)]

N542

Series 3: P112OBF@INTDAILY

P112OBF@INTDAILY [Commodity Prices: Oil Brent Blended: 1st Expiring Contract (\$/bbl)]

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