



President Trump & global trade slump: What they mean for Asia

November 2016

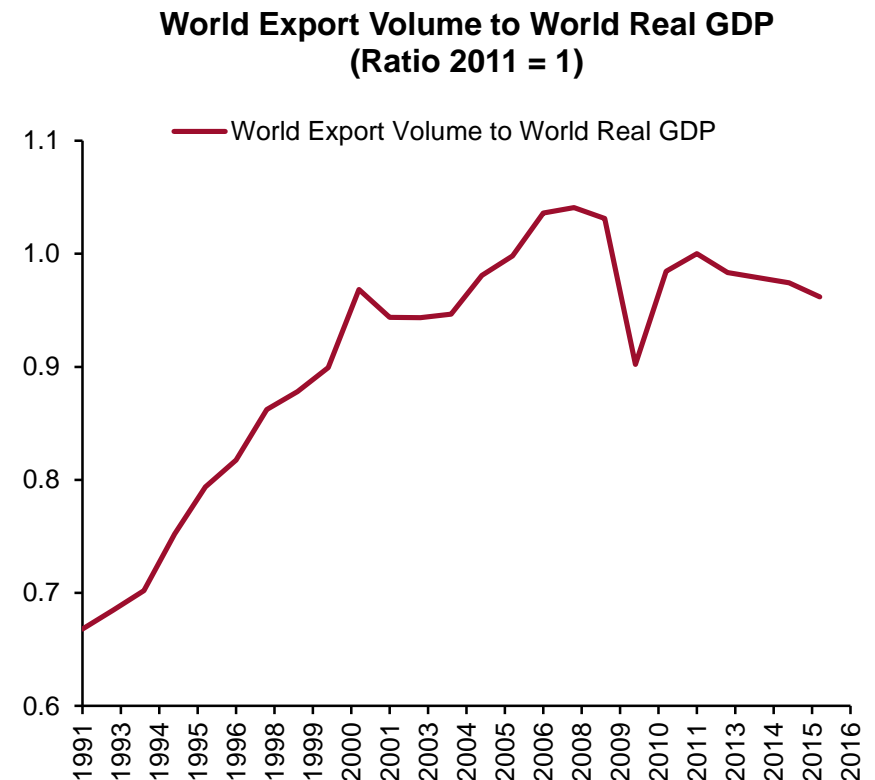
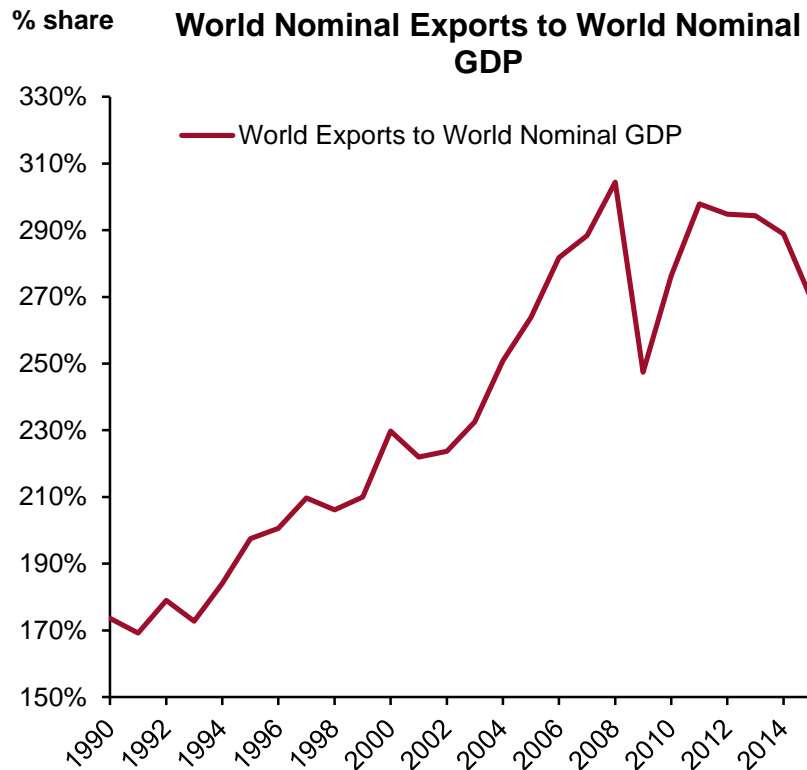
Michael Wan, ASEAN Economist

michael.wan@credit-suisse.com

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, LEGAL ENTITY DISCLOSURE AND ANALYST CERTIFICATIONS.

The world economy has become less trade-intensive

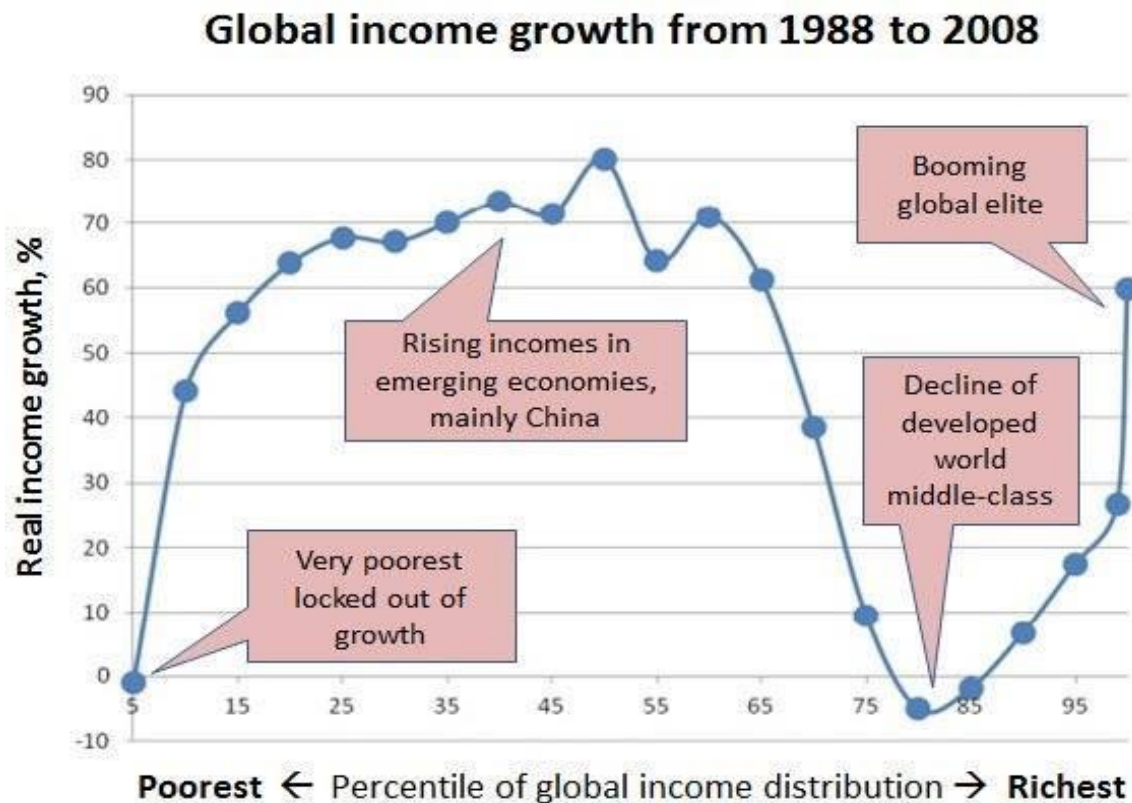
- This is true whether one looks at trade in value or volume terms (exclude commodity price effects).



Source: CPB, IMF, CEIC, Credit Suisse

Anti-globalization force at work?

- There are rising concerns over the wave of anti-globalization movements in the developed world.



*Incomes are in real terms, PPP adjusted, 2005 dollars

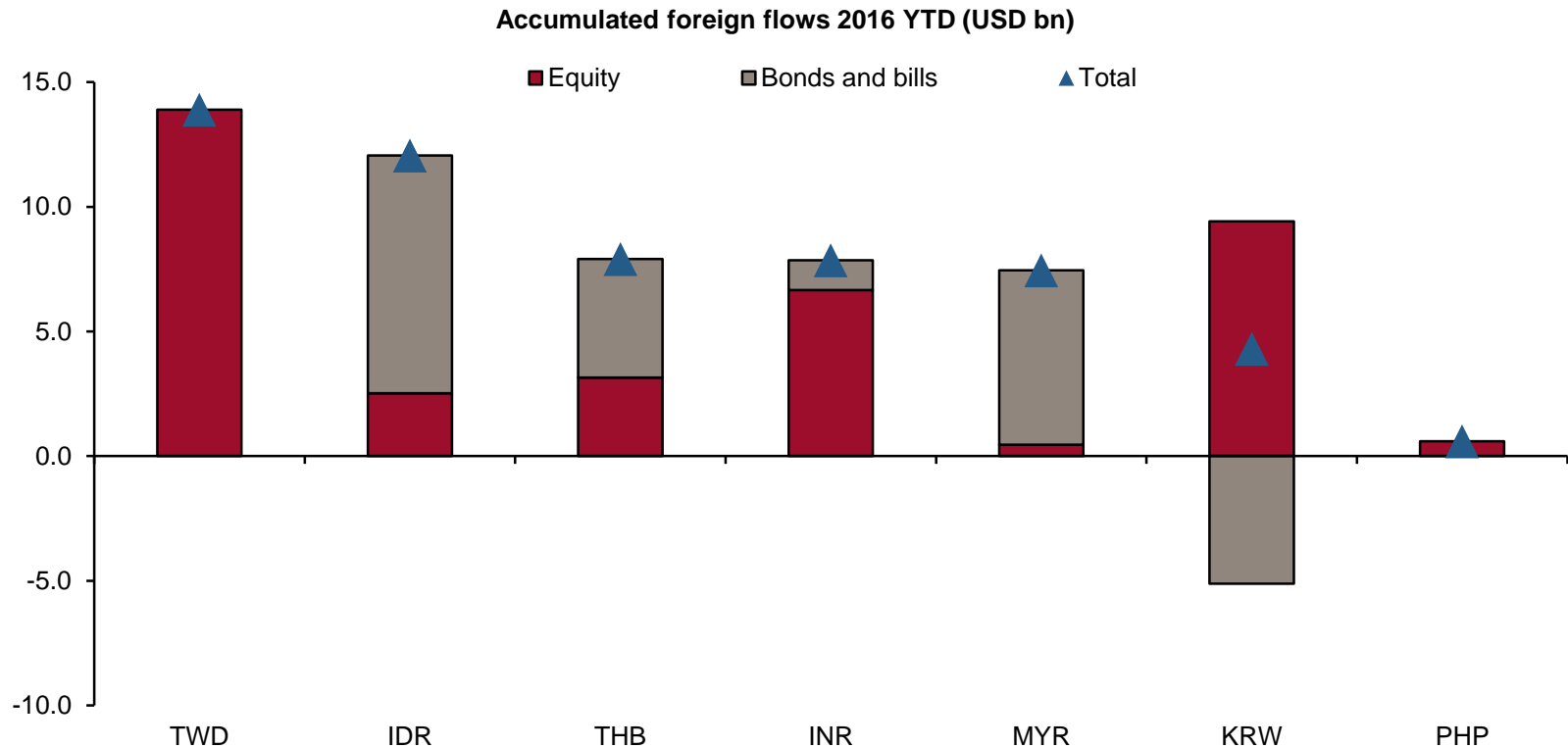
Source: Branko Milanovic (2016), Credit Suisse

Three phases of President Trump

- 1) Positioning adjustment**
 - 2) Economic policy uncertainty**
 - 3) US fiscal stimulus**
-

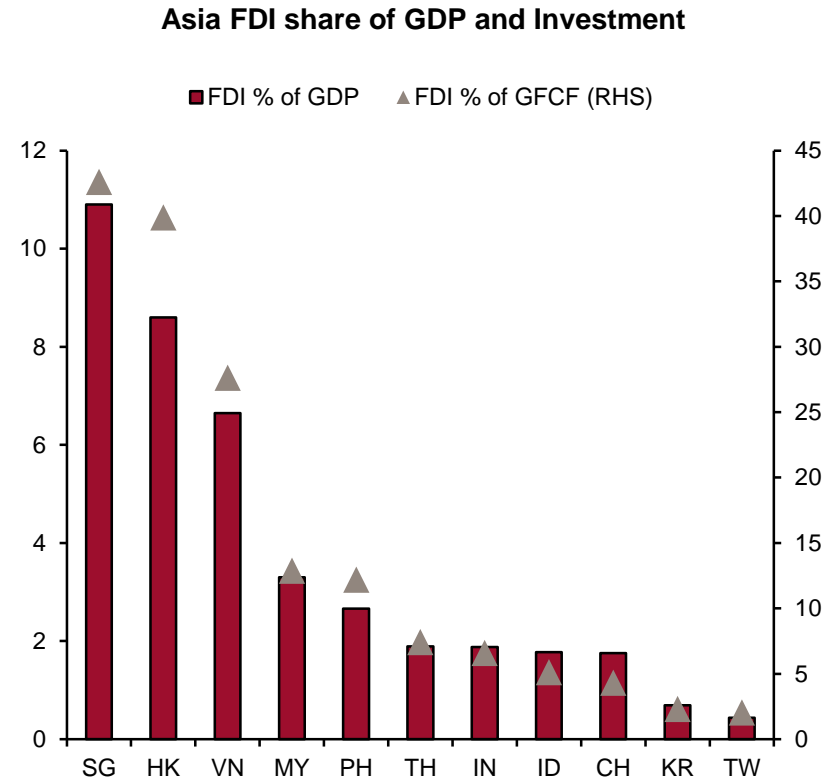
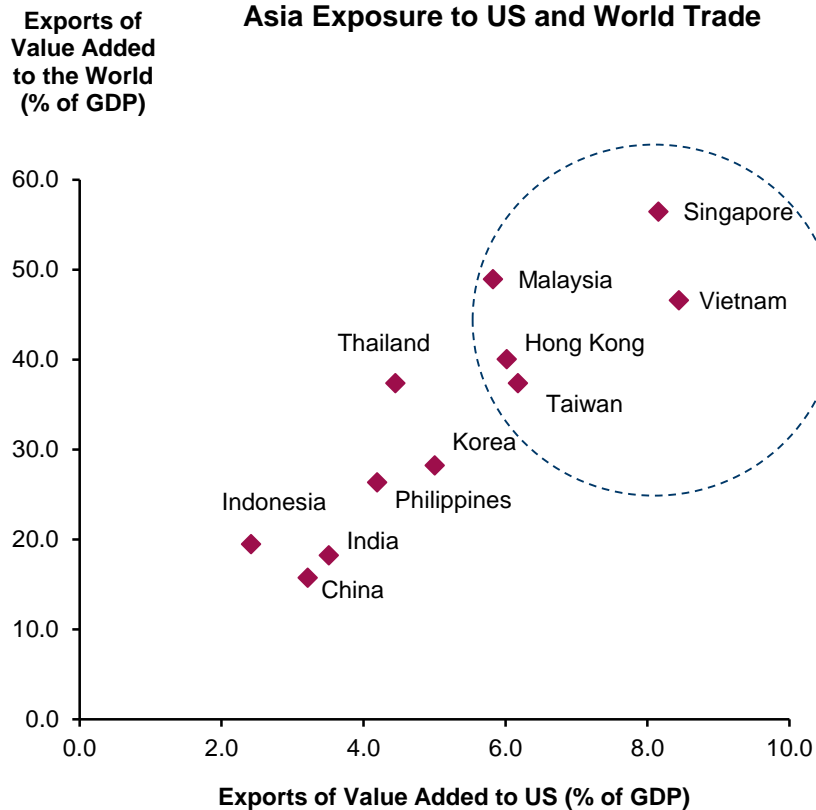
Taiwan, Indonesia and Malaysia could be sensitive to positioning adjustments

- Malaysia and Indonesia have high foreign ownership of bonds



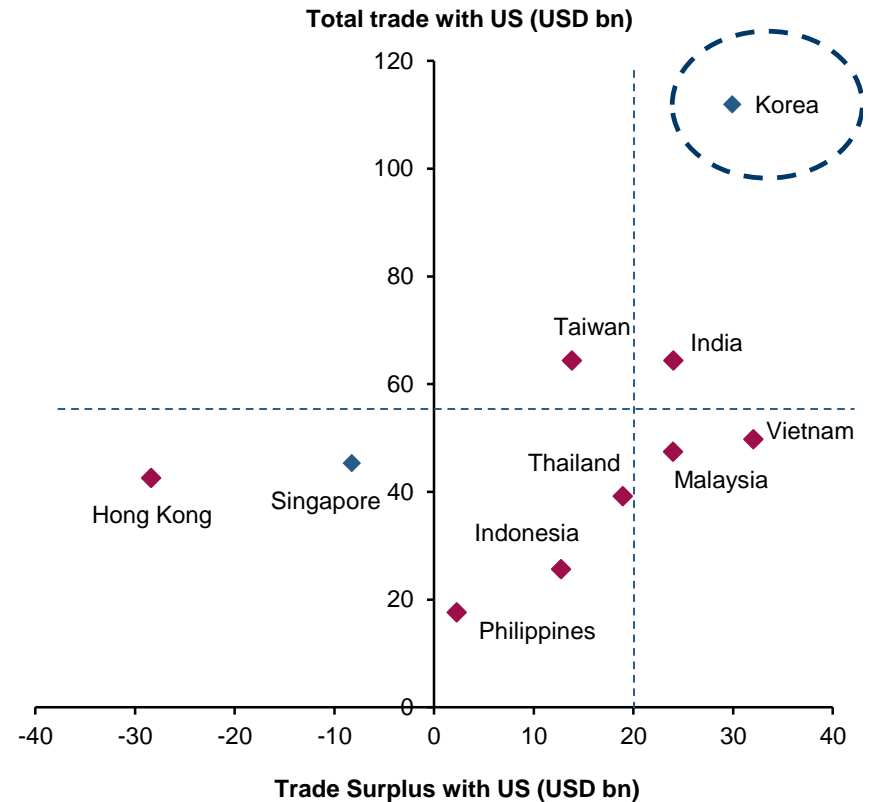
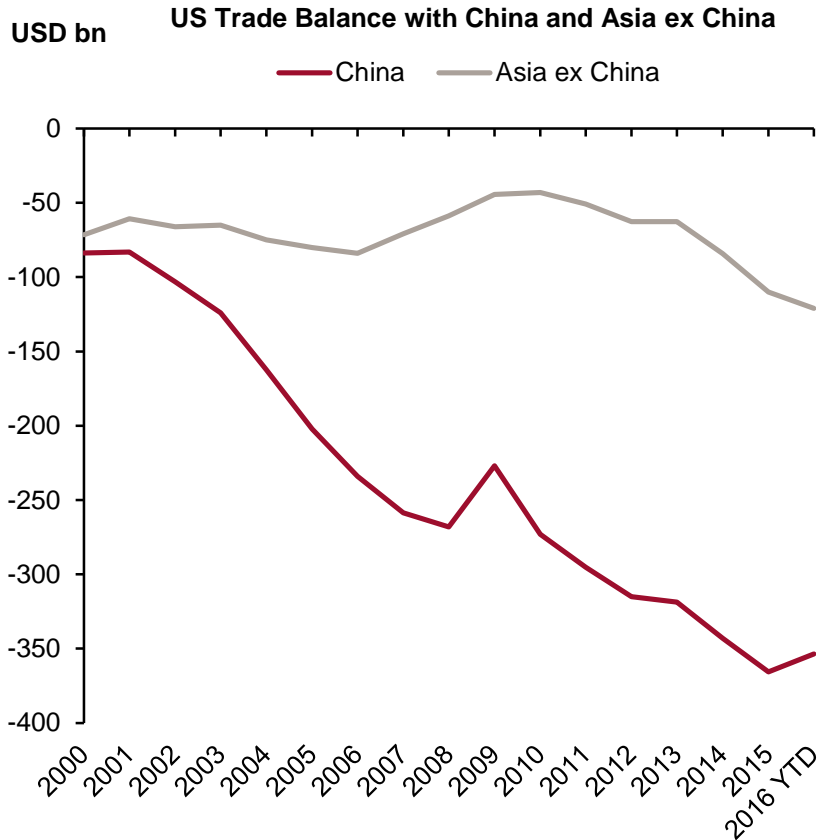
Source: CEIC, Bloomberg, Credit Suisse

Uncertainty about US policy could sap Asia investment activity and trade in the near-term



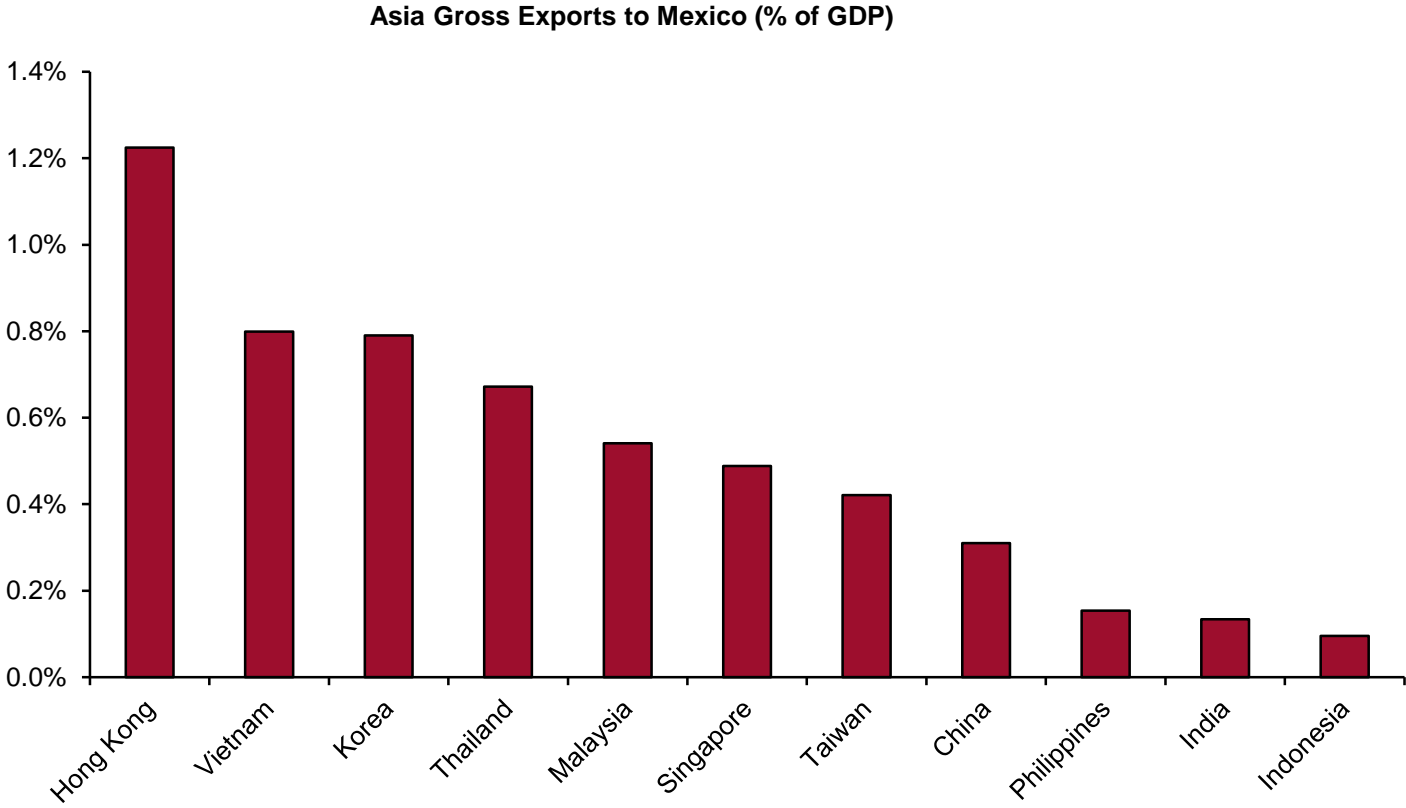
Source: CEIC, OECD-WTO TiVA database, Credit Suisse

China and Korea face risk from potentially more hostile trade policy



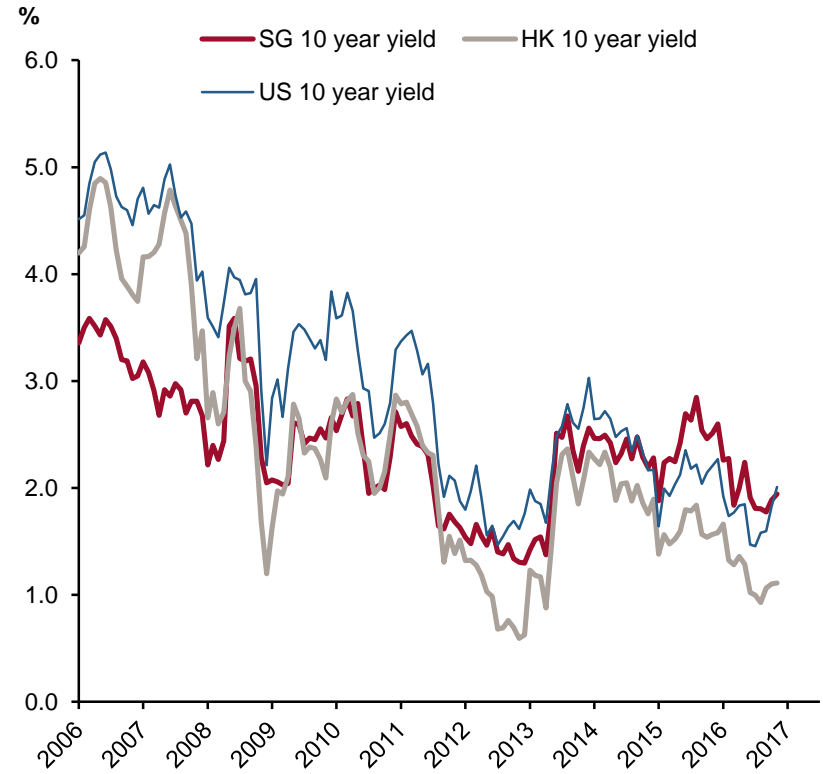
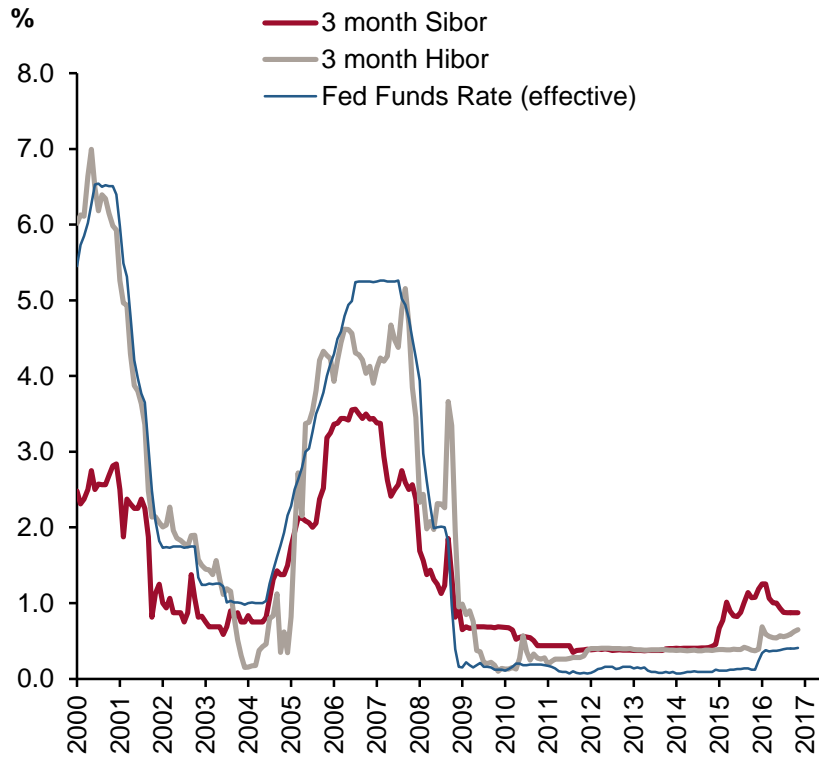
Source: CEIC, Credit Suisse

Asia generally has small export exposure to Mexico



Source: CEIC, Credit Suisse

Higher US interest rates from fiscal stimulus will push up yields especially in SG and HK



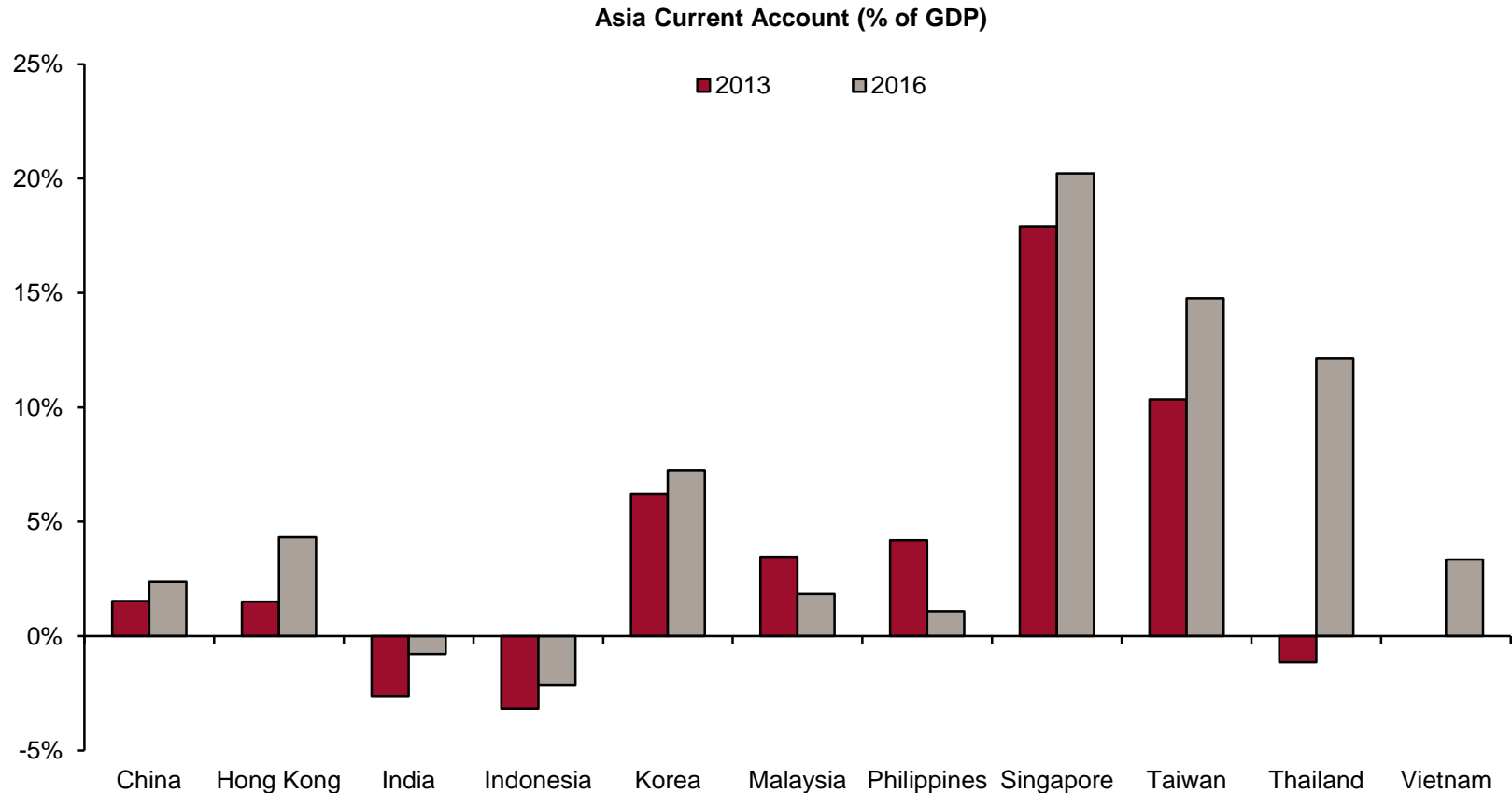
Source: Bloomberg, Credit Suisse

Out of sync with the US? Asia does not benefit as much from US growth compared to the past



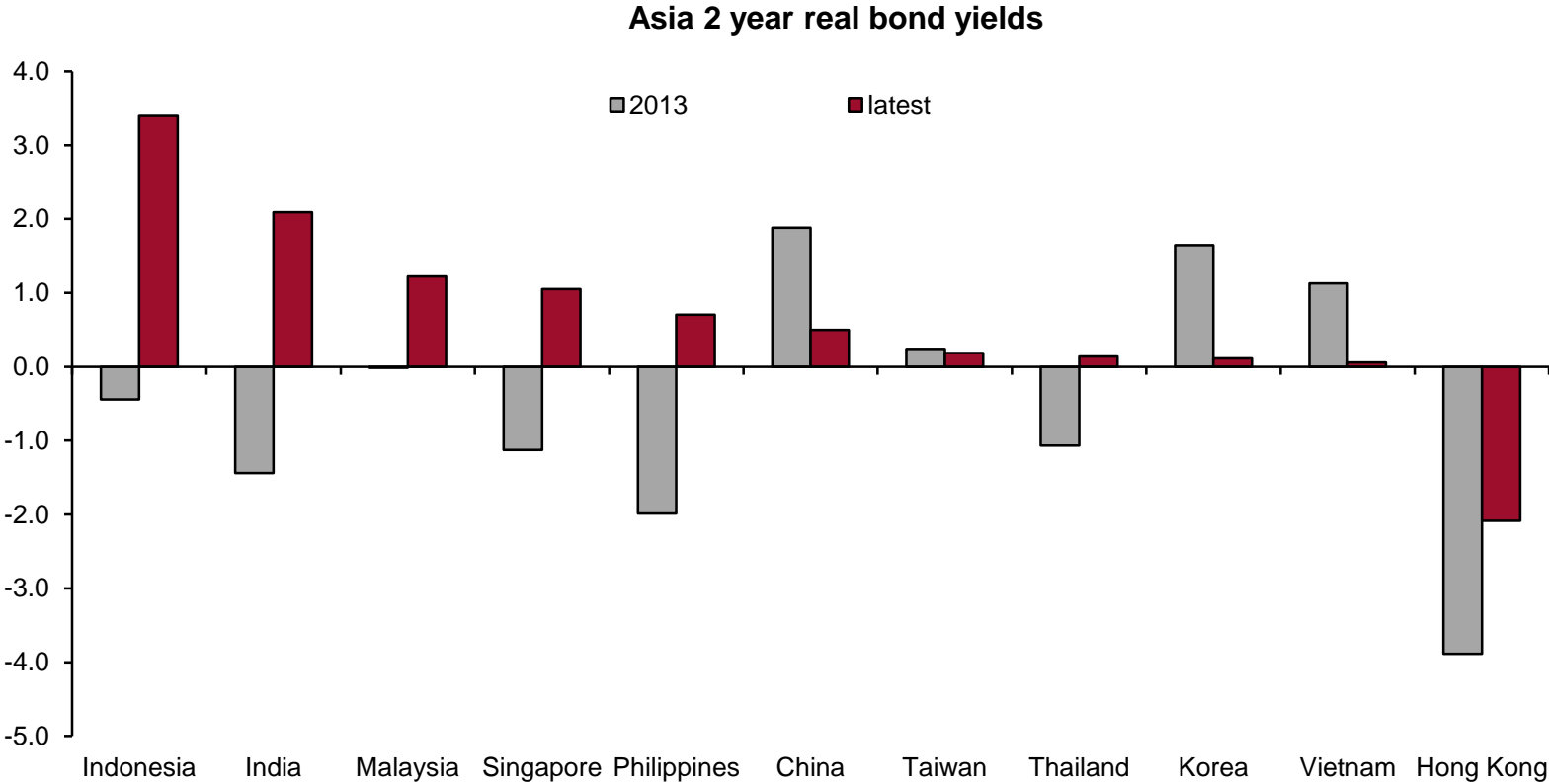
Source: WTO-OECD, UNCTAD, Credit Suisse

Current account balances are strong in most and in India and Indonesia deficits have fallen



Source: CEIC, Credit Suisse

Real rates in vulnerable countries are generally higher vs 2013 taper tantrum

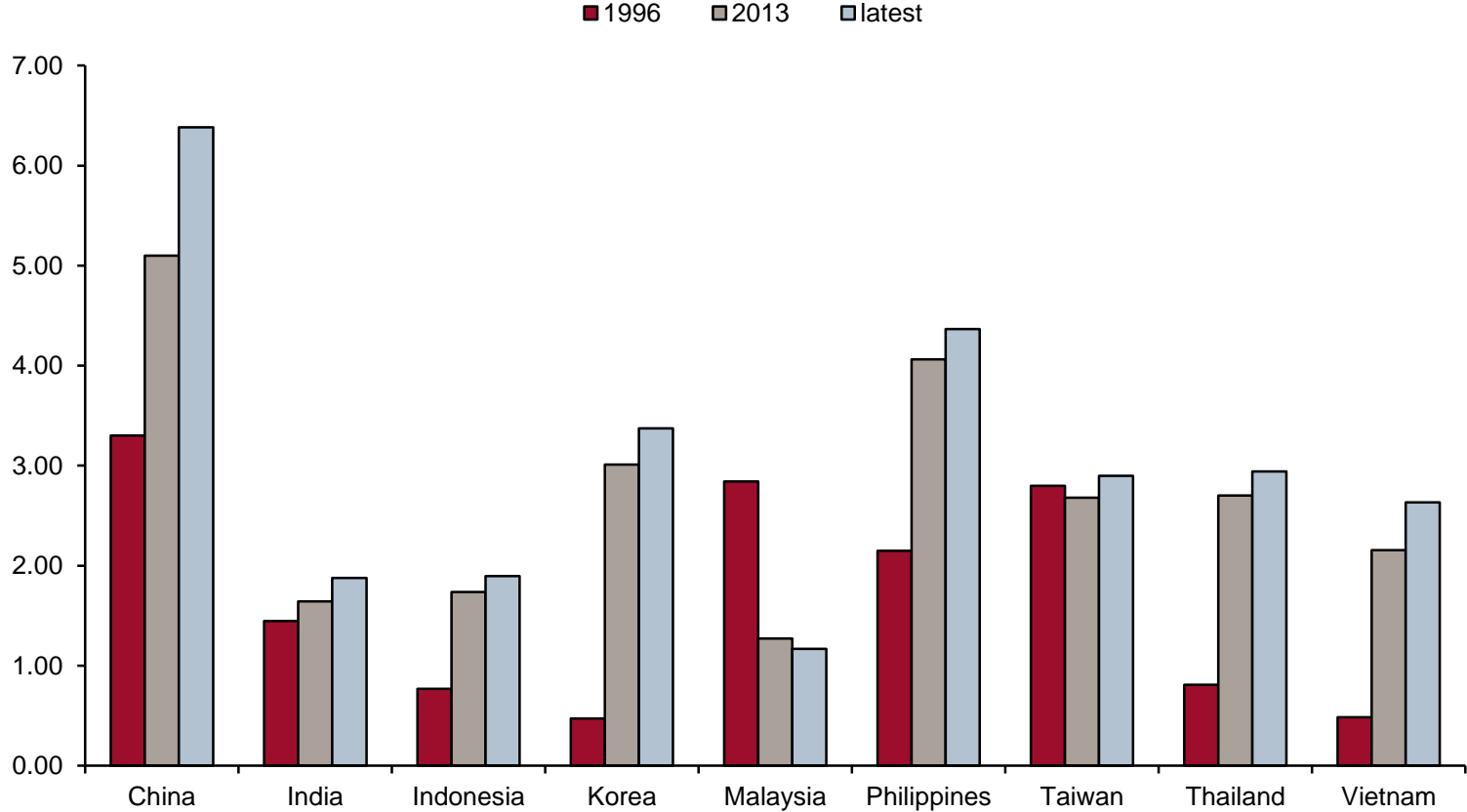


We have used long-term average CPI for China and HK. For KR, TW, and SG, we have used central bank forecasts.

Source: CEIC, Credit Suisse

Asian countries have more than adequate FX reserves, except Malaysia

FX reserves to ST external debt



Source: CEIC, Credit Suisse

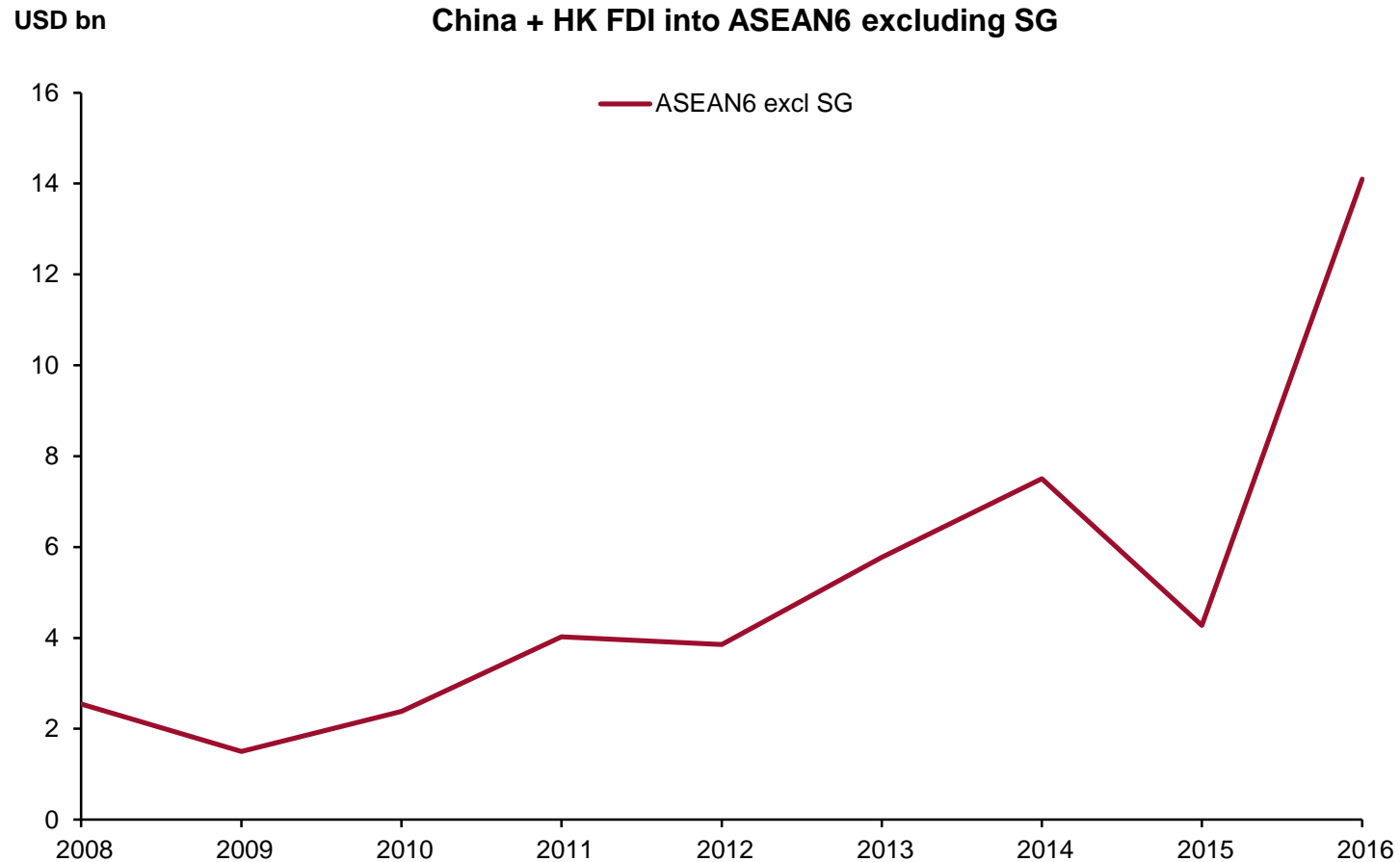
Singapore, Hong Kong and Vietnam look vulnerable under President Trump

Figure 1: SG, HK and VN look vulnerable in a Trump victory

	Overall	Exposure to US demand and global trade	Potential retaliatory measures from US	Vulnerability to higher yields and Fed hike
Hong Kong	Highly vulnerable	High	Low	High
Singapore	Highly vulnerable	High	Low	High
Vietnam	Highly vulnerable	High	Low	Medium
Korea	Vulnerable	Medium	High	Low
China	Vulnerable	Low	High	Medium
Philippines	Middle of the pack	Medium	Low	Medium
Taiwan	Middle of the pack	Medium	Medium	Low
Malaysia	Middle of the pack	High	Low	Medium
Thailand	Less vulnerable	Medium	Low	Low
Indonesia	Less vulnerable	Low	Low	Medium
India	Less vulnerable	Low	Low	Medium

Source: Credit Suisse

President Trump: Accelerating ASEAN Pivot to China?



Source: CEIC, Credit Suisse

Summary of key messages

- **Three phases of Trump.** We split Asia macro outlook into three phases.
- **HK, SG, VN, and MA look vulnerable.** They will likely suffer from both weaker trade and higher US interest rate environment
- **CH and KR** need to watch out for potential hostile trade measures, given their large trade surplus with the US. We are less worried about the hit to **PH's** BPO industries than other observers.
- **IN, ID, and TH better positioned.** IN and ID is less exposed to global trade weakness and while not immune are not as exposed to US rate hikes as in the past. TH is exposed to softer global trade but is relatively resilient to higher US rates.
- **President Trump:** Accelerating ASEAN pivot to China

Disclosure Appendix

Analyst Certification

I, Michael Wan, certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Global Research Disclaimer

This report is produced by subsidiaries and affiliates of Credit Suisse operating under its Global Markets Division. For more information on our structure, please use the following link: <https://www.credit-suisse.com/who-we-are>. This report may contain material that is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locally, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse or its affiliates ("CS") to any registration or licensing requirement in such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates. The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. CS does not advise on the tax consequences of investments and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change. Information and opinions presented in this report have been obtained or derived from sources believed by CS to be reliable, but CS makes no representation as to their accuracy or completeness. CS accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the information presented in this report. Those communications reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other communications are brought to the attention of any recipient of this report. Some investments referred to in this report will be offered solely by a single entity and in the case of some investments solely by CS, or an associate of CS or CS may be the only market maker in such investments. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by CS and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk. Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase. Some investments discussed in this report may have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed any such site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of any such website does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk.

This report is issued and distributed in **European Union (except Switzerland)**: by Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, England, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **Germany**: Credit Suisse Securities (Europe) Limited Niederlassung Frankfurt am Main regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht ("BaFin"). **United States and Canada**: Credit Suisse Securities (USA) LLC, **Switzerland**: Credit Suisse AG; **Brazil**: Banco de Investimentos Credit Suisse (Brasil) S.A or its affiliates; **Mexico**: Banco Credit Suisse (Mexico), S.A. (transactions related to the securities mentioned in this report will only be effected in compliance with applicable regulation); **Japan**: by Credit Suisse Securities (Japan) Limited, Financial Instruments Firm, Director General of Kanto Local Finance Bureau (Kinsho) No. 66, a member of Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association; **Hong Kong**: Credit Suisse (Hong Kong) Limited; **Australia**: Credit Suisse Equities (Australia) Limited; **Thailand**: Credit Suisse Securities (Thailand) Limited, regulated by the Office of the Securities and Exchange Commission, Thailand, having registered address at 990 Abdulrahim Place, 27th Floor, Unit 2701, Rama IV Road, Siam, Bangkok, Bangkok10500, Thailand, Tel. +66 2614 6000; **Malaysia**: Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse AG, Singapore Branch; **India**: Credit Suisse Securities (India) Private Limited (CIN no.U67120MH1996PTC104392) regulated by the Securities and Exchange Board of India as Research Analyst (registration no. INH 000001030) and as Stock Broker (registration no. INB230970637; INF230970637; INB010970631; INF010970631), having registered address at 9th Floor, Ceejay House, Dr.A.B. Road, Worli, Mumbai - 18, India, T. +91-22 6777 3777; **South Korea**: Credit Suisse Securities (Europe) Limited, Seoul Branch; **Taiwan**: Credit Suisse AG Taipei Securities Branch; **Indonesia**: PT Credit Suisse Securities Indonesia; **Philippines**: Credit Suisse Securities (Philippines) Inc., and elsewhere in the world by the relevant authorised affiliate of the above.

Additional Regional Disclaimers

Hong Kong: Credit Suisse (Hong Kong) Limited ("CSHK") is licensed and regulated by the Securities and Futures Commission of Hong Kong under the laws of Hong Kong, which differ from Australian laws. CSHK does not hold an Australian financial services licence (AFSL) and is exempt from the requirement to hold an AFSL under the Corporations Act 2001 (the Act) under Class Order 03/1103 published by the ASIC in respect of financial services provided to Australian wholesale clients (within the meaning of section 761G of the Act). Research on Taiwanese securities produced by Credit Suisse AG, Taipei Securities Branch has been prepared by a registered Senior Business Person.

Malaysia: Research provided to residents of Malaysia is authorised by the Head of Research for Credit Suisse Securities (Malaysia) Sdn Bhd, to whom they should direct any queries on +603 2723 2020.

Singapore: This report has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (each as defined under the Financial Advisers Regulations) only, and is also distributed by Credit Suisse AG, Singapore branch to overseas investors (as defined under the Financial Advisers Regulations). By virtue of your status as an institutional investor, accredited investor, expert investor or overseas investor, Credit Suisse AG, Singapore branch is exempted from complying with certain compliance requirements under the Financial Advisers Act, Chapter 110 of Singapore (the "FAA"), the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder, in respect of any financial advisory service which Credit Suisse AG, Singapore branch may provide to you.

UAE: This information is being distributed by Credit Suisse AG (DIFC Branch), duly licensed and regulated by the Dubai Financial Services Authority ("DFSA"). Related financial services or products are only made available to Professional Clients or Market Counterparties, as defined by the DFSA, and are not intended for any other persons. Credit Suisse AG (DIFC Branch) is located on Level 9 East, The Gate Building, DIFC, Dubai, United Arab Emirates.

EU: This report has been produced by subsidiaries and affiliates of Credit Suisse operating under its Global Markets Division

This research may not conform to Canadian disclosure requirements.

In jurisdictions where CS is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-US customers wishing to effect a transaction should contact a CS entity in their local jurisdiction unless governing law permits otherwise. US customers wishing to effect a transaction should do so only by contacting a representative at Credit Suisse Securities (USA) LLC in the US.

Please note that this research was originally prepared and issued by CS for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of CS should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority or in respect of which the protections of the Prudential Regulation Authority and Financial Conduct Authority for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report.

CS may provide various services to US municipal entities or obligated persons ("municipalities"), including suggesting individual transactions or trades and entering into such transactions. Any services CS provides to municipalities are not viewed as "advice" within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. CS is providing any such services and related information solely on an arm's length basis and not as an advisor or fiduciary to the municipality. In connection with the provision of the any such services, there is no agreement, direct or indirect, between any municipality (including the officials management, employees or agents thereof) and CS for CS to provide advice to the municipality. Municipalities should consult with their financial, accounting and legal advisors regarding any such services provided by CS. In addition, CS is not acting for direct or indirect compensation to solicit the municipality on behalf of an unaffiliated broker, dealer, municipal securities dealer, municipal advisor, or investment adviser for the purpose of obtaining or retaining an engagement by the municipality for or in connection with Municipal Financial Products, the issuance of municipal securities, or of an investment adviser to provide investment advisory services to or on behalf of the municipality. If this report is being distributed by a financial institution other than Credit Suisse AG, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by Credit Suisse to the clients of the distributing financial institution, and neither Credit Suisse AG, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content. Principal is not guaranteed. Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

Copyright © 2016 CREDIT SUISSE AG and/or its affiliates. All rights reserved.

Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-listed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.