TBC CAPITAL

MACRO, COMMODITY & CURRENCY MARKETS UPDATE

APRIL 2026

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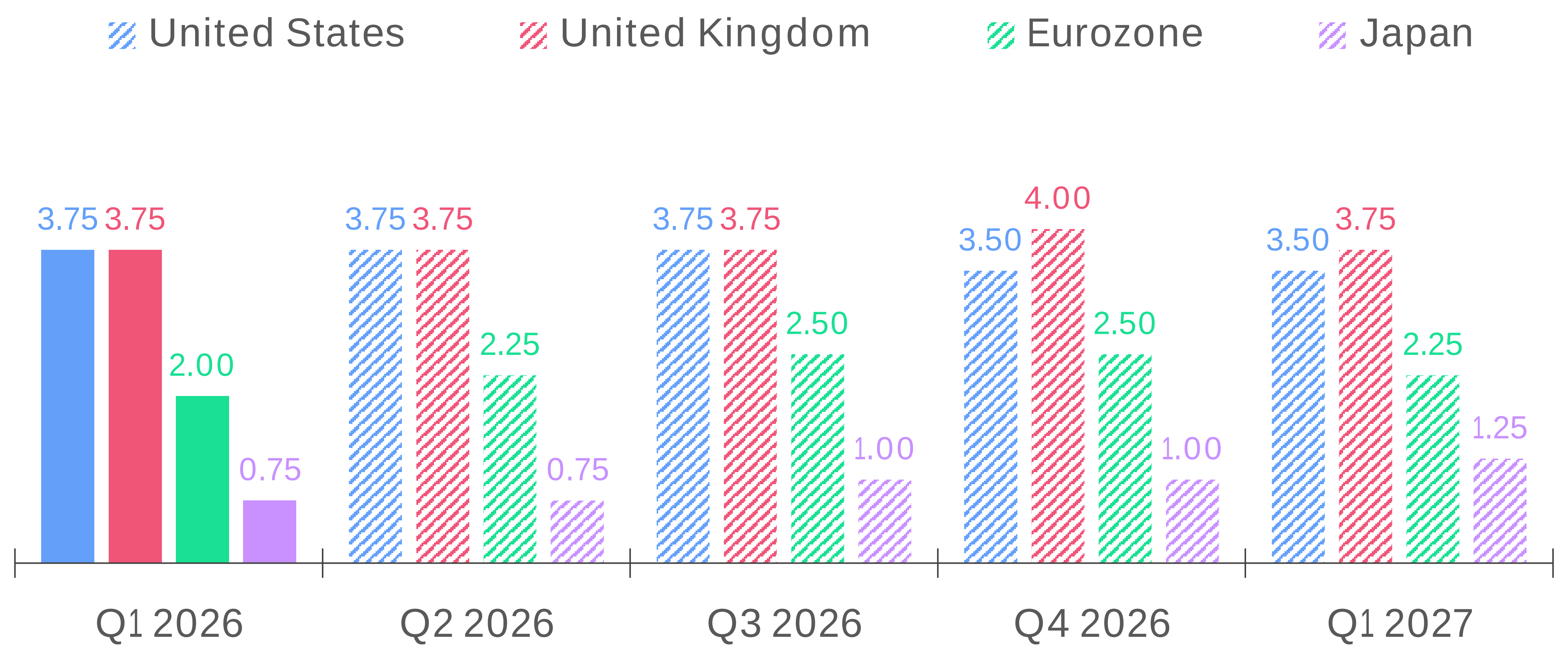


ECONOMIC FIGURES IN FOCUS

2% US Q/Q Annualized GDP growth for the first quarter of 2026

5% Chinese annualized GDP growth rate for the first quarter of 2026

TBCC VIEWS ON COMMODITIES

ASSET	PRICE	CHANGE, M/M	TBCC VIEW
Brent Crude, $/BBL	$110	4%	NEUTRAL
European Gas, EUR/MWh	$46	-16%	NEUTRAL
Gold $/Oz	$4,593	3%	MILDLY BULLISH
Copper $/MT	$12,998	5%	NEUTRAL
Aluminum $/MT	$3,514	8%	NEUTRAL

TBCC VIEWS ON CURRENCIES

ASSET	PRICE	CHANGE, M/M	TBCC VIEW
EUR/USD	1.18	1.7%	NEUTRAL
GBP/USD	1.36	1.7%	NEUTRAL
USD/JPY	156	-1.9%	NEUTRAL
USD/CNY	6.83	-0.9%	MILDLY BEARISH

Monetary Policy Overview

GLOBAL MONETARY POLICY UPDATE

US FEDERAL RESERVE: The Fed kept the federal funds target range unchanged at 3.50%–3.75% at its April 28–29 meeting, but the tone was meaningfully less dovish than one month earlier. The statement acknowledged that activity is still expanding at a solid pace, but also that inflation remains elevated partly because of higher global energy prices, while Middle East developments have created “a high level of uncertainty” around both sides of the dual mandate. The vote split was striking: Stephen Miran dissented in favor of a 25bp cut, while 3 others supported the hold but opposed keeping an easing bias in the after-meeting statement. Traders had largely erased 2026 cut pricing but we think the FED will opt for at least one cut this year, especially considering that Kevin Warsh, new nominee for fed chair will most likely replace Powell already by June.

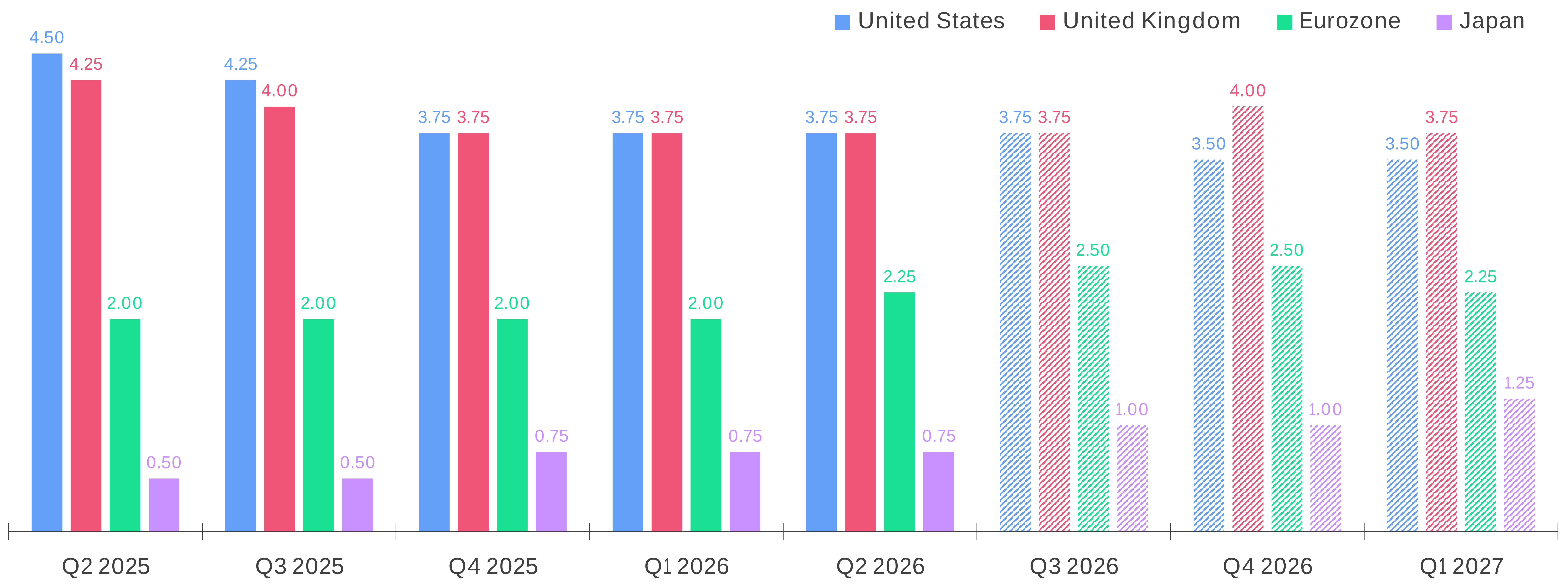
BANK OF ENGLAND: The BoE also held Bank Rate at 3.75% in April, with an 8–1 MPC vote, but the policy message was clearly more hawkish than before the war. One member dissented in favor of a hike to 4.00%, warning about second-round inflation risks from higher prices and wages. Governor Andrew Bailey framed the decision as a “deliberately, active hold,” not a quiet signal that hikes are automatic, but he made clear that the path now depends on the size and duration of the energy shock. The Bank moved away from a single clean forecast and leaned on scenarios: if oil prices fall back quickly, inflation can still moderate, but if prices stay high inflation could peak near 6% by early 2027 and rates might need to rise as high as 5.25%. Markets, were still pricing around 62bp of hikes by end-2026, showing that investors see the BoE as closer to tightening than easing.

EUROPEAN CENTRAL BANK: The ECB kept rates unchanged, with the deposit rate at 2.00%, but its communication has shifted toward a more explicit energy-shock reaction function. The ECB warned that the Iran war and disruptions to fuel flows through the Strait of Hormuz are pushing euro-area inflation higher while weighing on growth; it also said that upside risks to inflation and downside risks to growth have intensified. This is a particularly uncomfortable mix for the eurozone because it is a large net energy importer. Lagarde’s message after the April decision was therefore not dovish; the final hold was unanimous, but a rate increase was reportedly discussed “at length,” and she pointed to June as the right time for a fuller reassessment. Markets are now pricing the ECB closer to tightening than easing, with expectations for three hikes over the next 12 months.

BANK OF JAPAN: The BoJ kept the rate at around 0.75%, but the decision was unusually hawkish beneath the surface: the vote was 6–3, with 3 members arguing for a hike to 1.00%. The dissenters’ logic was straightforward: price risks are skewing upward as imported energy costs, a weak yen and firms’ greater willingness to pass through costs make it harder to look through the shock. Governor Kazuo Ueda still chose to wait, arguing that the BoJ needs more time to judge the fallout from the Middle East conflict. But he also kept the door open to near-term tightening, saying the Bank could raise rates if inflation risks heighten and downside growth risks remain limited. The BoJ’s updated outlook raised inflation forecasts and cut growth projections, while nearly two-thirds of economists expect a move to 1.00% by end-June.

GLOBAL MONETARY POLICY RATES

ACTUAL & FORECASTED CENTRAL BANK POLICY RATES OF SELECTED REIGIONS

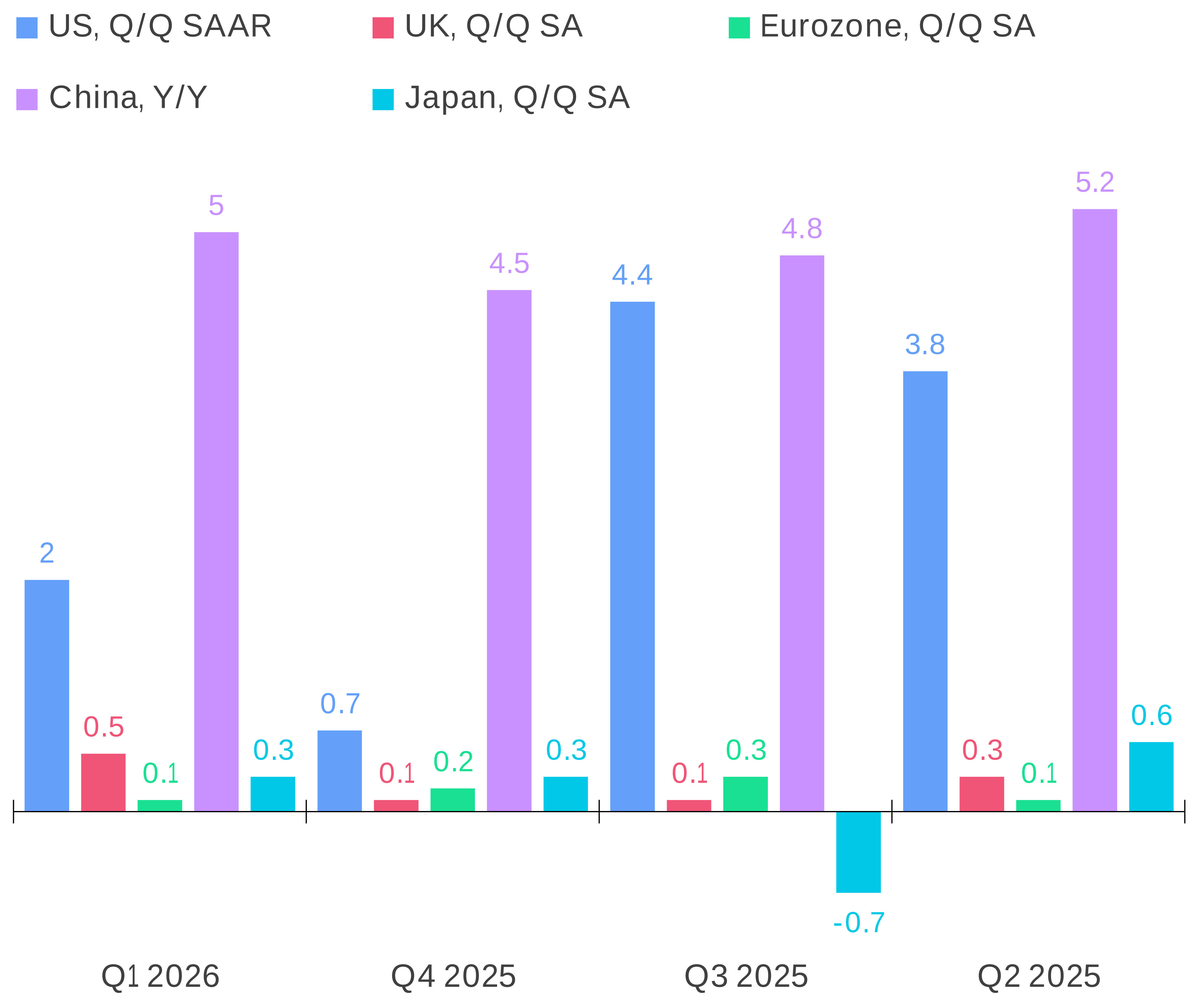


Source: TBC Capital *(Forecasts are made by weighting the average rate path directions based on our models)*

Macro Overview

GROWTH AND ECONOMIC ACTIVITY

REAL GDP GROWTH, %, SELECTED REGIONS



Source: Bloomberg, TBC Capital

US: U.S. GDP rose +2.0% Q/Q, on an annualized rate, in Q1 2026, less than the +2.2% consensus, but a marked increase from the 0.5% growth in Q4. The undershooting was due in large part to the supply shock that has come in the wake of the war in the Middle East.

UK: The UK economy was expanding quickly in the weeks leading up to the outbreak of war in Iran. GDP grew 0.5% in February, after an upwardly revised 0.1% reading the previous month. It was much better than the 0.1% expected and the strongest monthly reading since Jan- 2024.

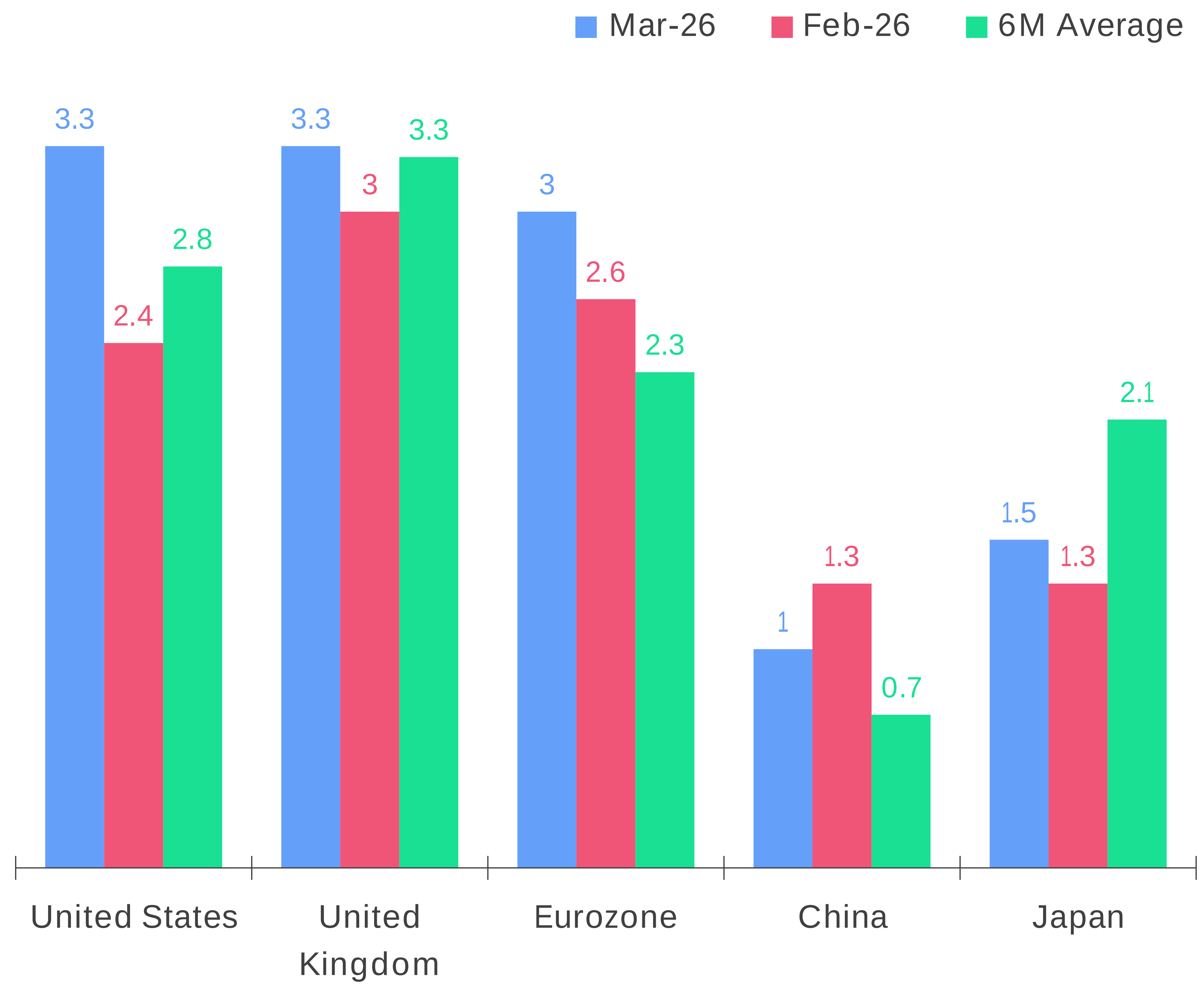
Eurozone: The Eurozone economy unexpectedly slowed at the start of 2026, with soaring energy costs triggered by the Iran war threatening stagflation in the months ahead. Q1 GDP rose 0.1% from the previous three months – below the 0.2% median estimate. Spain led the way, expanding by 0.6%. Germany grew by 0.3%, while France unexpectedly stagnated.

China: China's economic growth rebounded more than expected in the first quarter, suggesting limited spillovers so far from the war in Iran but revealing weak consumer spending. Powered by strong manufacturing and exports, gross domestic product expanded 5% from a year ago, the fastest in three quarters. GDP also saw the quickest sequential growth since the Q4 2024, with a gain of 1.3% from the prior quarter.

Japan: The most important official growth update this month was the upward revision to GDP. Japan's Q4 2025 real GDP was revised up to 0.3% q/q from 0.1%, or 1.3% annualized, a meaningful improvement because it showed the economy ended 2025 on firmer footing than first reported.

INFLATION AND PRICES

HEADLINE CPI INFLATION, Y/Y, %, SELECTED REGIONS



US: US inflation surged in March by the most in nearly four years as the war with Iran sent gasoline prices skyrocketing. The consumer price index rose 0.9% from February and 3.3% from year ago, but the Core index that excludes energy costs increased at a slower-than-expected 0.2% pace.

UK: CPI rose by 3.3% in the 12 months to March 2026, up from 3.0% in the 12 months to February. On a monthly basis, CPI rose by 0.7% in March 2026, compared with a rise of 0.3% in March 2025. Core CPI (CPI excluding energy, food, alcohol and tobacco) rose by 3.1% in the 12 months to March 2026, down from 3.2% in the 12 months to February.

Eurozone: Euro-area inflation accelerated in April on higher energy costs. However, the headline and core figures are still consistent with the quarterly averages coming in slightly below the projections in the baseline scenario of the ECB's staff economists

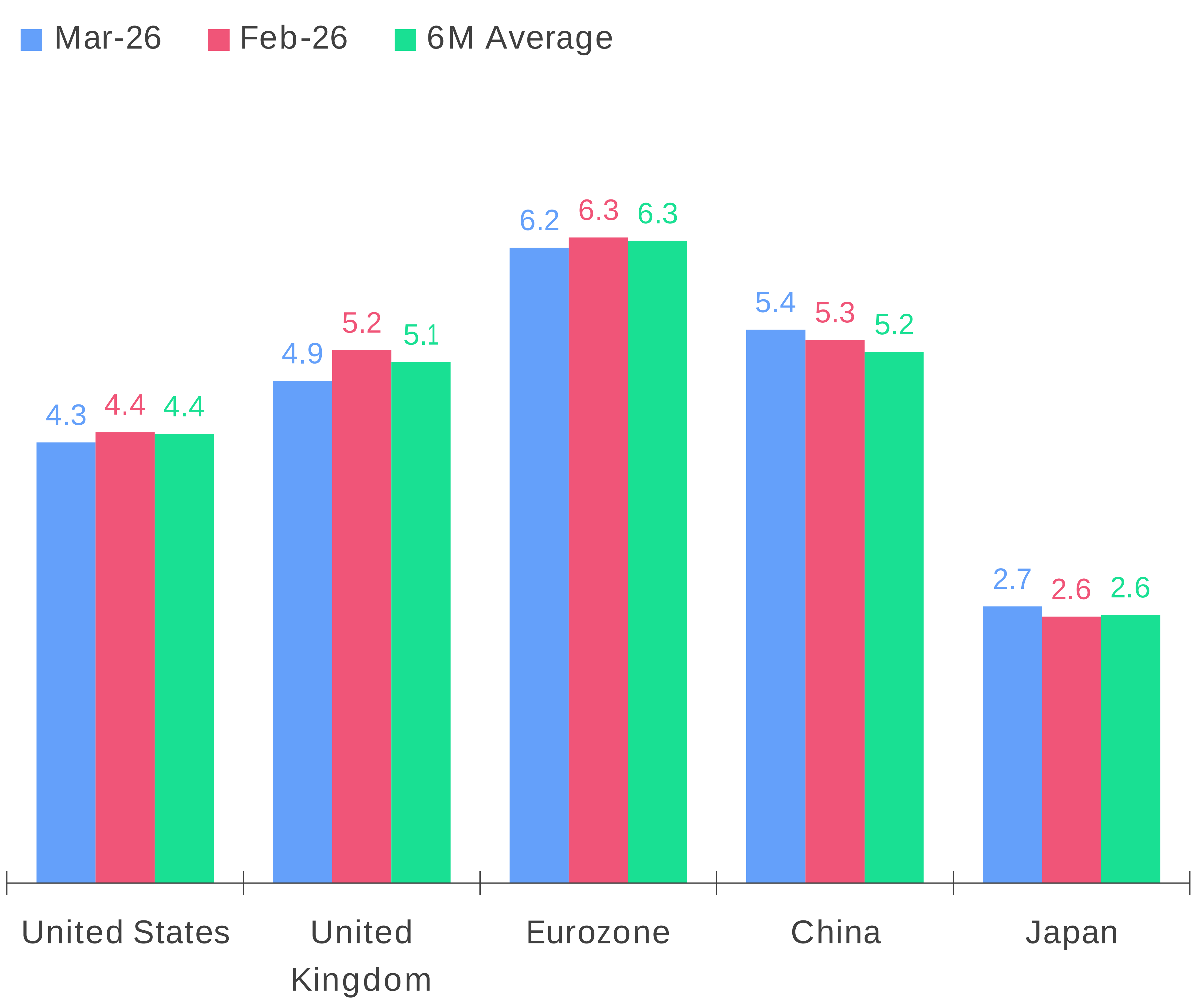
China: CPI ticked up 1% year-on-year, slower than a 1.3% rise in February and below expected 1.2% rise. On a monthly basis, CPI fell 0.7%, below expectations for a 0.2% decline and compared with a 1% rise in February. Still, China's factory-gate prices in March turned positive for the first time in more than 41 months, pointing to rising import cost pressures linked to the Middle East crisis.

Japan: Japan's headline CPI inflation rose 1.5% year-on-year in March (vs 1.3% in February, 1.4% market consensus) and core inflation excluding fresh food accelerated for the first time in five months to a 1.8% rate (vs 1.6% in February, 1.7% market consensus).

Source: Bloomberg, TBC Capital

WAGES AND UNEMPLOYMENT

UNEMPLOYMENT RATE, %, SELECTED REGIONS



Source: Bloomberg, TBC Capital

US: U.S. nonfarm payrolls increased by 178K in March, against the consensus of +51K and compared to the 133K drop recorded in February, with most gains seen in sectors like health care, construction, and transportation and warehousing, while federal government employment continued to fall. Unemployment rate fell to 4.3%, vs. 4.4% consensus and 4.4% prior despite the worries that AI may be causing job cuts.

UK: The UK's unemployment rate has fallen unexpectedly, partly due to fewer students looking for work while they study. Unemployment fell to 4.9% in the three months to February, despite predictions it would remain unchanged at 5.2%.

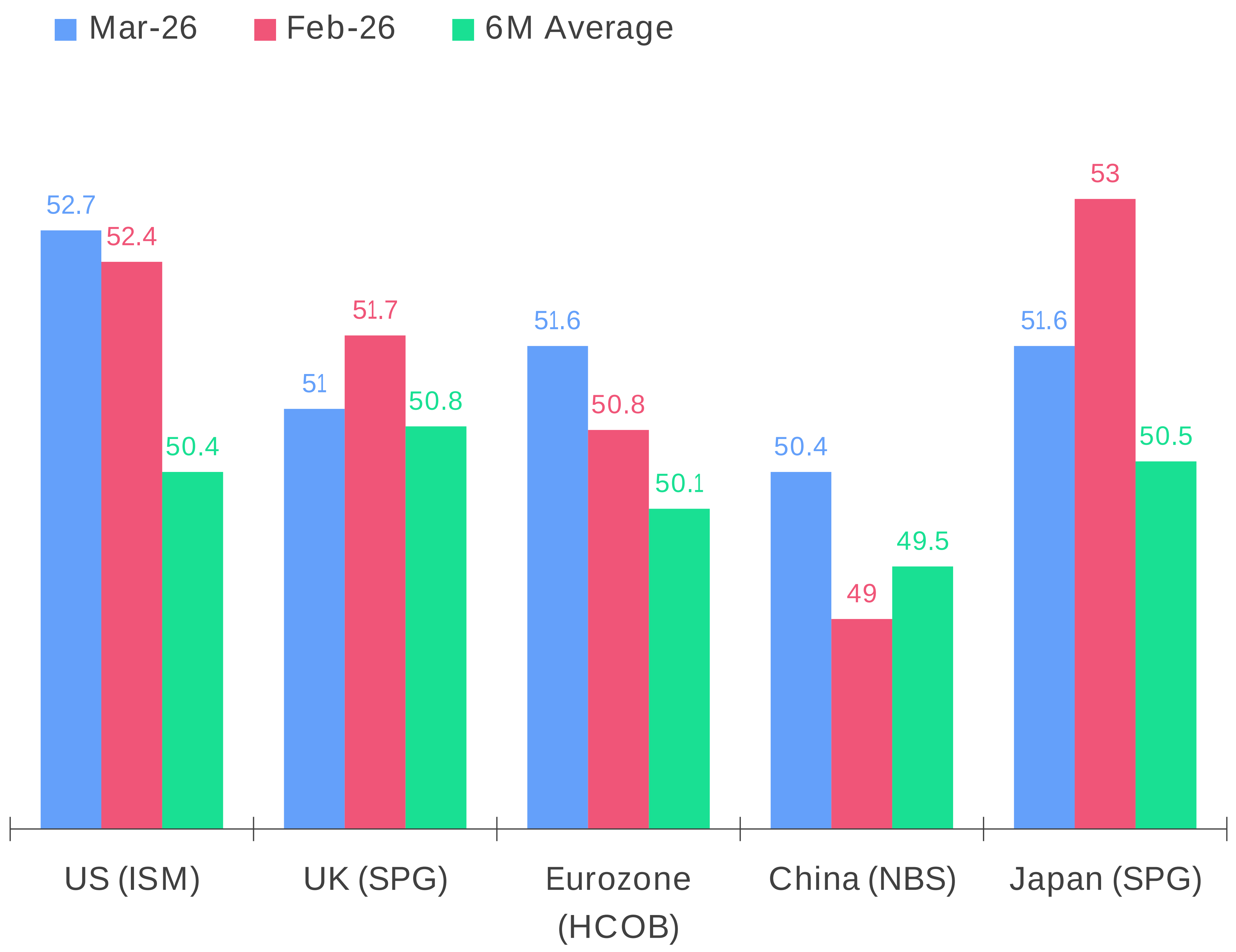
Eurozone: In March 2026, the euro area seasonally adjusted unemployment rate was 6.2%, down from 6.3% in February 2026 as well as in March 2025.

China: The surveyed urban jobless rate unexpectedly climbed in March to 5.4%, the highest in a year as contrasting with the strong gains made by factories, consumer spending and private investment continued to cool, resulting in an increasingly lopsided economy. Wage incomes also increased the slowest since late 2022.

Japan: Japan's unemployment rate in March 2026 unexpectedly rose to 2.7%, up from 2.6% in February, surpassing market expectations. Official data indicates that a significant portion of this rise is due to people voluntarily leaving jobs to seek better conditions, suggesting a still-solid, yet slightly softening, labor market.

MANUFACTURING ACTIVITY

OFFICIAL MANUFACTURING PMI, SELECTED REGIONS



US: The U.S. ISM Manufacturing PMI expanded to 52.7 in March, vs. 52.3 consensus and 52.4 prior. The overall economy continued in expansion for the 17th month in a row. The New Orders Index expanded for the third straight month after four straight readings in contraction.

UK: The S&P Global UK Manufacturing PMI was 51.0 in March 2026, dropping from 51.7 in February and showing a renewed contraction in production due to geopolitical tensions in the Middle East. While remaining just above the 50.0 no-change mark, the sector faced surging input costs and significant supply chain disruptions.

Eurozone: The Eurozone manufacturing sector showed continued, albeit modest, growth in March 2026, with the S&P Global/HCOB Manufacturing PMI rising to 51.6 from 50.8 in February, marking a 45-month high. While production and new orders expanded, input costs surged to a 41-month peak due to supply chain disruptions

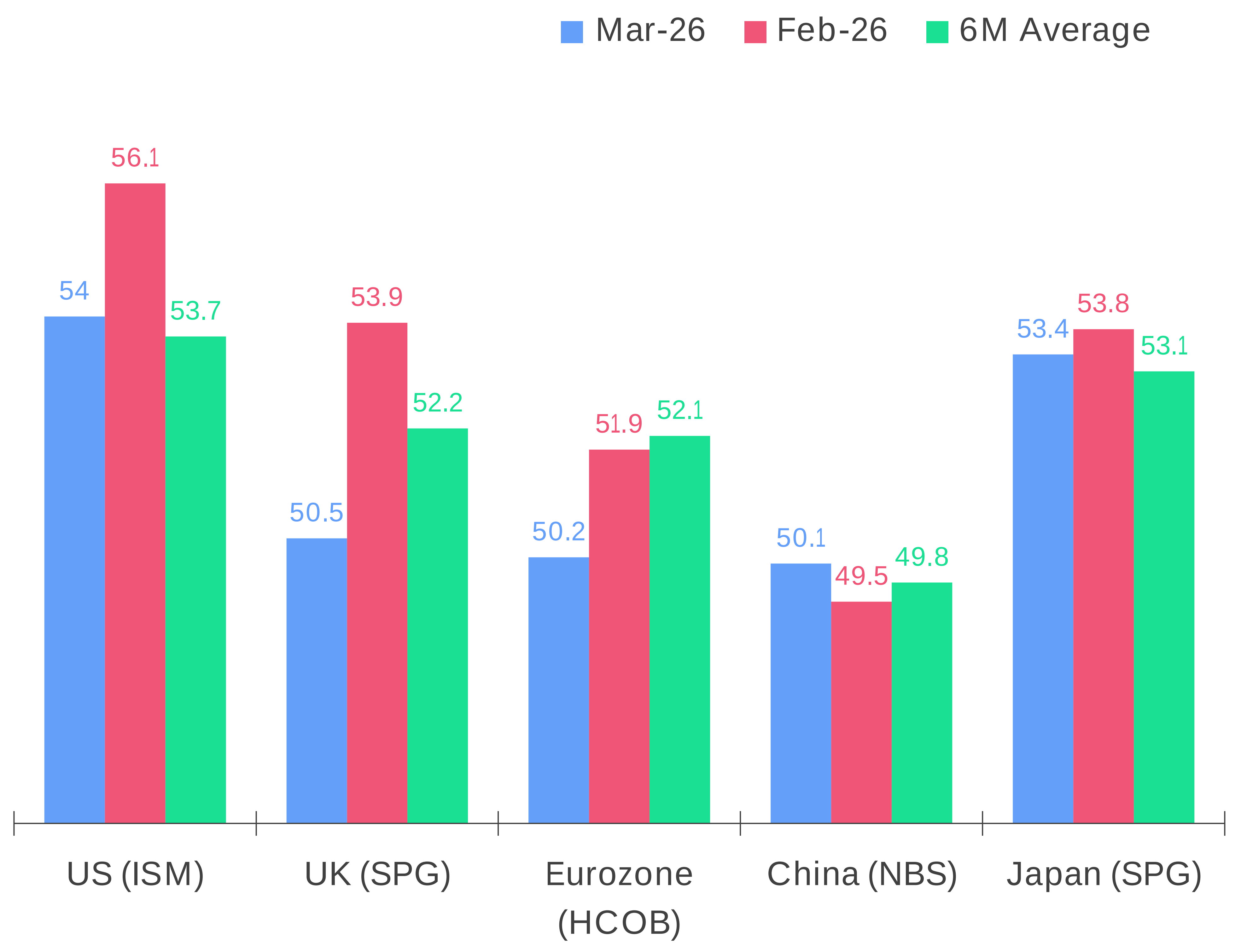
China: China's official manufacturing PMI rose to 50.4 in March 2026, up from 49.0 in February, marking a return to expansion and the best performance in a year. This rebound exceeded analyst expectations of 50.1, driven by production increases and a boost in new orders.

Japan: The final S&P Global Japan Manufacturing PMI for March 2026 was 51.6, down from 53.0 in February. Although it remained in expansion territory (above 50.0), the pace of growth slowed as cost pressures accelerated due to the Middle East conflict

Source: Bloomberg, TBC Capital

SERVICES ACTIVITY

OFFICIAL SERVICES PMI, SELECTED REGIONS



Source: Bloomberg, TBC Capital

US: US service sector growth slowed in March 2026, with the ISM Services PMI dipping to 54% from 56.1% in February, indicating softer momentum but continued expansion. The sector faced headwinds from the Middle East conflict, higher input costs, and a drop in employment, although new orders grew.

UK: The S&P Global UK Services PMI dropped to 50.5 in March 2026, down from 53.9 in February, marking the weakest growth in 11 months. he slowdown was driven by geopolitical tensions in the Middle East, which increased cost pressures (highest in 11 months) and hurt client confidence.

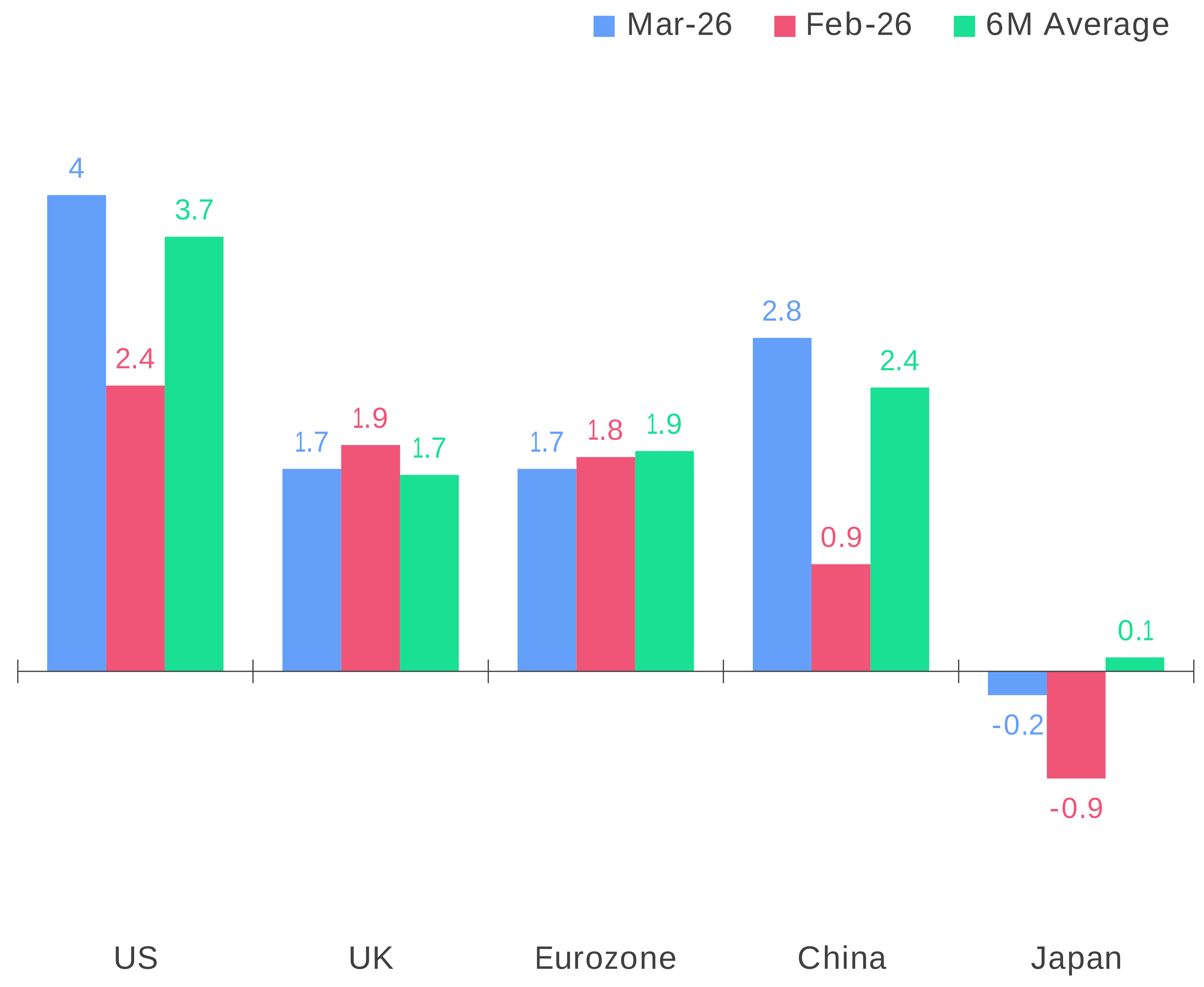
Eurozone: The final Eurozone Services PMI for March 2026 was confirmed at 50.2, narrowly staying above the contraction range, although it represented a slowdown from February's 51.9. The sector showed weak expansion, with new business falling and employment growth stalling, while input cost pressures reached a 34-month high.

China: China's non-manufacturing PMI rose to 50.1 in March 2026 from 49.5 in February, indicating a return to expansionary territory for service and construction sectors. The reading, signaling improved business sentiment.

Japan: The headline index fell from a 21-month high of 53.8 in February to 53.4 in March, signalling a slower but still solid increase in Japanese service sector activity. Output has now risen in each of the past 12 months.

RETAIL ACTIVITY

RETAIL SALES, Y/Y, %, SELECTED REGIONS



Source: Bloomberg, TBC Capital

US: U.S. retail and food services sales for March 2026 surged by 1.7% from the previous month to a total of $752.1 billion. This significant monthly rise, surpassing most forecasts, represents a 4.0% increase over March 2025. Sales in March 2026 were driven by strong, widespread gains across most categories, including a notable 15.5% jump at gasoline stations.

UK: UK retail sales volumes rose by 0.7% in March 2026, rebounding from a 0.6% fall in February, with sales growing 1.7% year-on-year. The growth was largely driven by a sharp increase in fuel purchases due to Middle East conflict concerns and a 0.7% rise in non-food store sales.

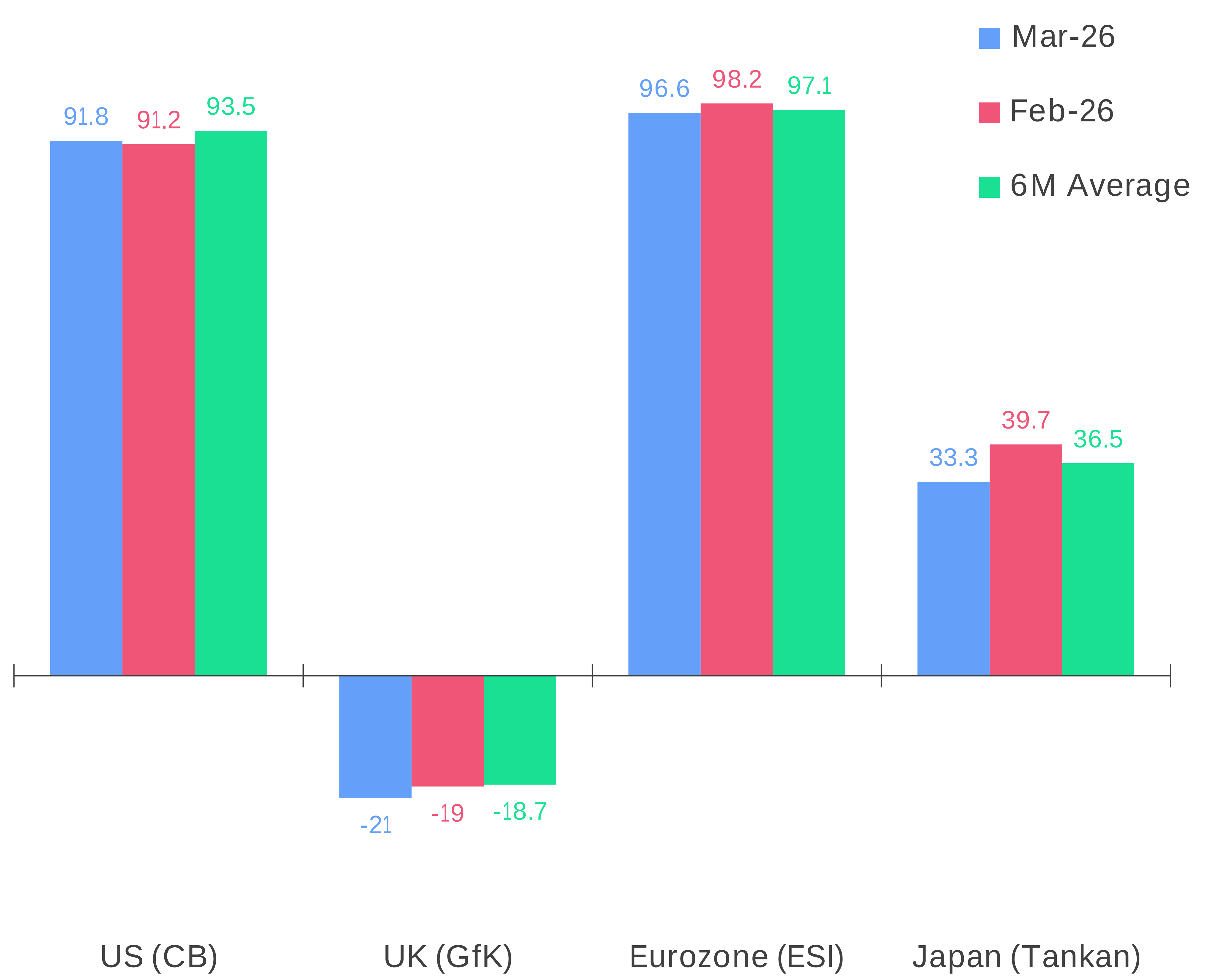
Eurozone: Eurozone retail sales in March 2026 are likely to face pressure from rising inflation, which hit 2.6% in the euro area, accelerating from 1.9% in February. While final March data is pending from Eurostat, early reports indicated a 0.2% monthly drop in sales in February and a cautious outlook due to decreased economic sentiment.

China: China's retail sales grew by 1.7% year-on-year in March 2026, totaling 4,161.6 billion yuan, marking a slowdown from the 2.8% growth seen in the January-February period and falling short of market expectations.

Japan: Japan's retail sales in March 2026 grew 1.7% year-over-year, beating forecasts of 0.8% and rebounding from a revised 0.1% decline in February.

PUBLIC SENTIMENT

CONSUMER CONFIDENCE INDICES, SELECTED REGIONS



US: US public sentiment in March 2026 deteriorated to a three-month low, driven by intense worries over inflation, rising gas prices (up over 21% to $3.63/gallon), and the outbreak of war in the Middle East. The Conference Board noted a slight, marginal rise in overall confidence to 91.8, their forward-looking expectations index dipped, indicating future anxiety.

UK: In March 2026, UK public sentiment was characterized by profound economic anxiety, driven by a sharp resurgence in inflation fears following renewed conflict in the Middle East. Consumer confidence dropped to its lowest level in over two years, with many households experiencing a renewed squeeze on their finances, reversing previous improvements.

Eurozone: Eurozone economic sentiment dropped in March 2026, with the Economic Sentiment Indicator (ESI) falling to 96.6 from 98.2 in February, as the Middle East conflict spurred energy price fears and weakened confidence, particularly among consumers and retailers. This shift marked a reversal of earlier recovery hopes, driving sentiment below long-term averages.

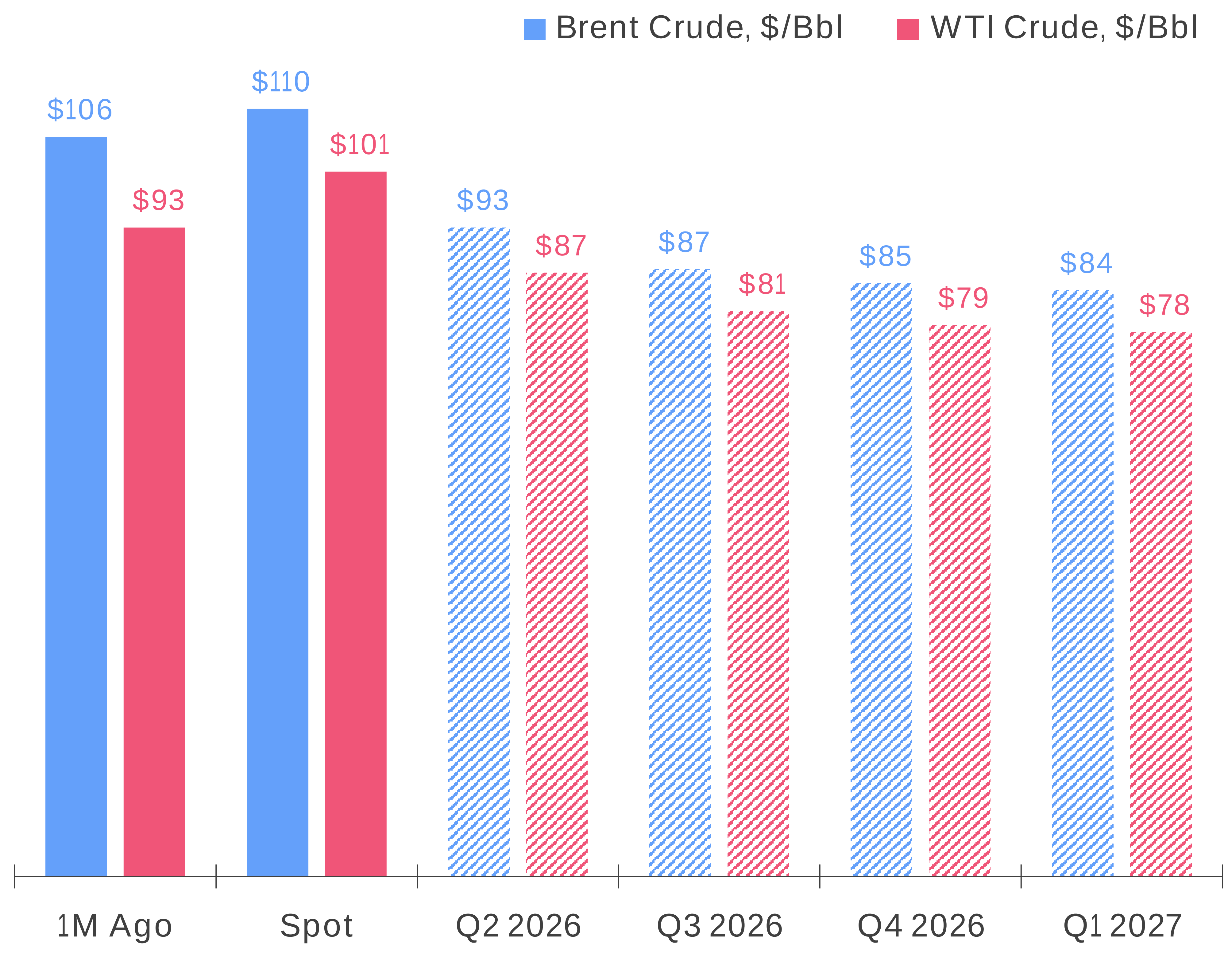
Japan: Japan's consumer sentiment deteriorated significantly in March 2026, with the confidence index dropping to 33.3 from 39.7 in February, marking the lowest level since May 2025. This sharp decline, driven by geopolitical tensions in the Middle East raising energy costs.

Source: Bloomberg, TBC Capital

Commodities Overview

CRUDE OIL

PAST AND FUTURE FORECASTED SPOT PRICES



We upgrade our oil outlook as the war has turned the market from a surplus story into a physical shortage story. The main pressure point is the disruption to Persian Gulf exports and production, which is forcing unusually large inventory draws and keeping the market vulnerable to further price spikes. Even though prices have eased from the initial panic levels as markets began pricing some probability of Hormuz reopening, flows remain impaired enough to justify a higher price path. We now see Brent/WTI at $90/$83 in Q4 2026, with the 2027 outlook also higher.

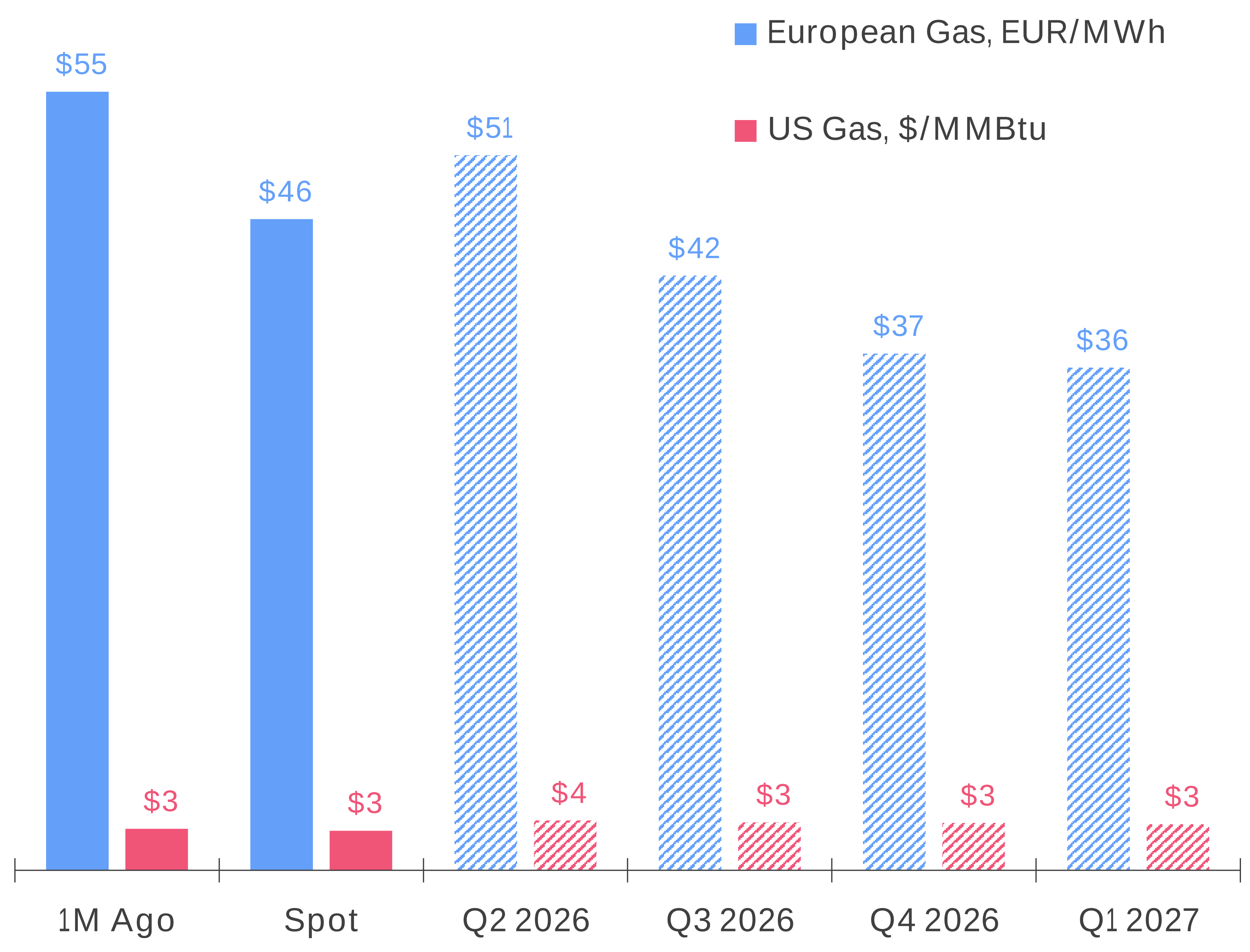
The war affects oil through four channels: lower Gulf supply, higher security premium, refined-product shortages, and demand destruction. The first two are price-positive, while the last one is the market's adjustment mechanism. Refined products matter especially because gasoline, diesel, jet fuel and naphtha prices have risen more sharply than crude, creating direct pressure on consumers, airlines, petrochemicals and trade. That means the economic damage may be larger than the crude price alone suggests.

Our base case assumes Gulf exports normalize by end-June and production gradually recovers, helped by higher output from Saudi Arabia and the UAE in the second half of the year. But the risk balance remains clearly upward. If Hormuz normalization slips to late July, Brent could move above $100; in a severe case with lasting Gulf capacity damage, prices could approach $120. The main catalysts are Hormuz reopening, Gulf production recovery, Saudi/UAE supply response, strategic reserve releases, possible US export restrictions, refined-product shortages and visible signs of demand destruction.

Source: TBC Capital

NATURAL GAS

PAST AND FUTURE FORECASTED SPOT PRICES



We keep our natural gas outlook broadly unchanged because weak Asian LNG demand is offsetting part of the Hormuz-related supply shock. The market is still tight, but the shock has not translated into the same kind of one-way bullish story as oil. Asia, especially China, is absorbing most of the adjustment through lower LNG imports, destocking and weaker industrial demand. Japan and South Korea are also softer than expected, partly because naphtha shortages are reducing petrochemical operating rates and therefore gas demand.

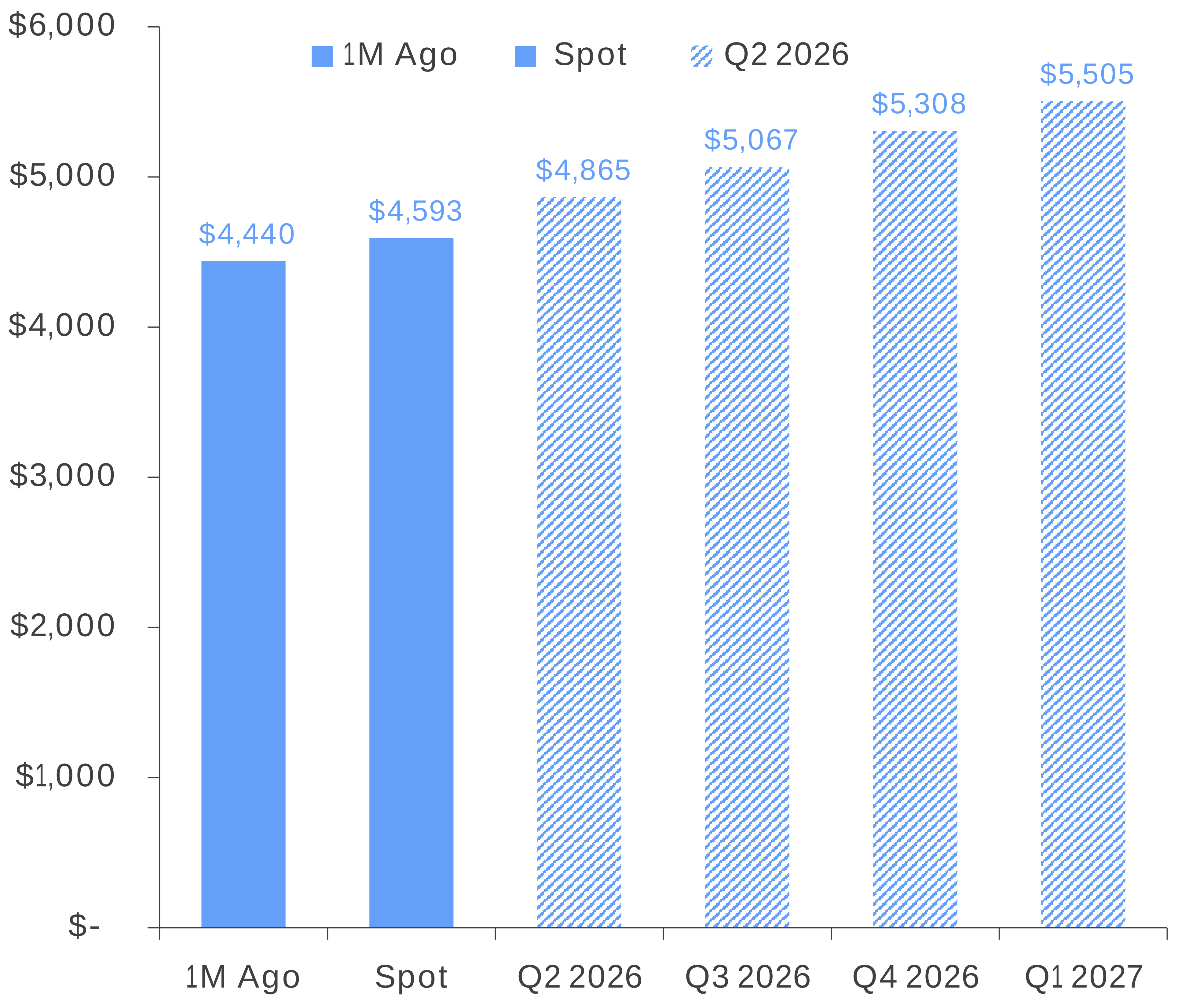
This weaker Asian demand gives Europe more time to rebuild storage despite delayed Persian Gulf LNG normalization. In our base case, Persian Gulf LNG flows start normalizing from mid-May and fully normalize by late June. That delay tightens May-June balances, but weaker Asian demand and higher output from other exporters should keep Europe broadly supplied. As long as European gas prices stay high enough to encourage gas-to-coal switching, storage should continue rebuilding into winter.

We forecast TTF at €50/MWh for balance-Q2, €44/MWh in Q3, €40/MWh in Q4, and €44/MWh for balance-2026. For JKM, we see around $18.15/mmBtu for balance-Q2, $15.90/mmBtu in Q3, $14.65/mmBtu in Q4, and roughly $16/mmBtu for balance-2026. Risks are still skewed upward: if Hormuz normalization is delayed to late July, TTF could move toward €65/MWh; in a severe case with slower export recovery and greater Qatari capacity damage, it could reach €80/MWh. The key catalysts are Hormuz flows, Qatari LNG capacity, Asian demand recovery, European storage, weather, coal-switching economics and industrial demand.

Source: TBC Capital

PRECIOUS METALS

PAST AND FUTURE FORECASTED SPOT PRICES



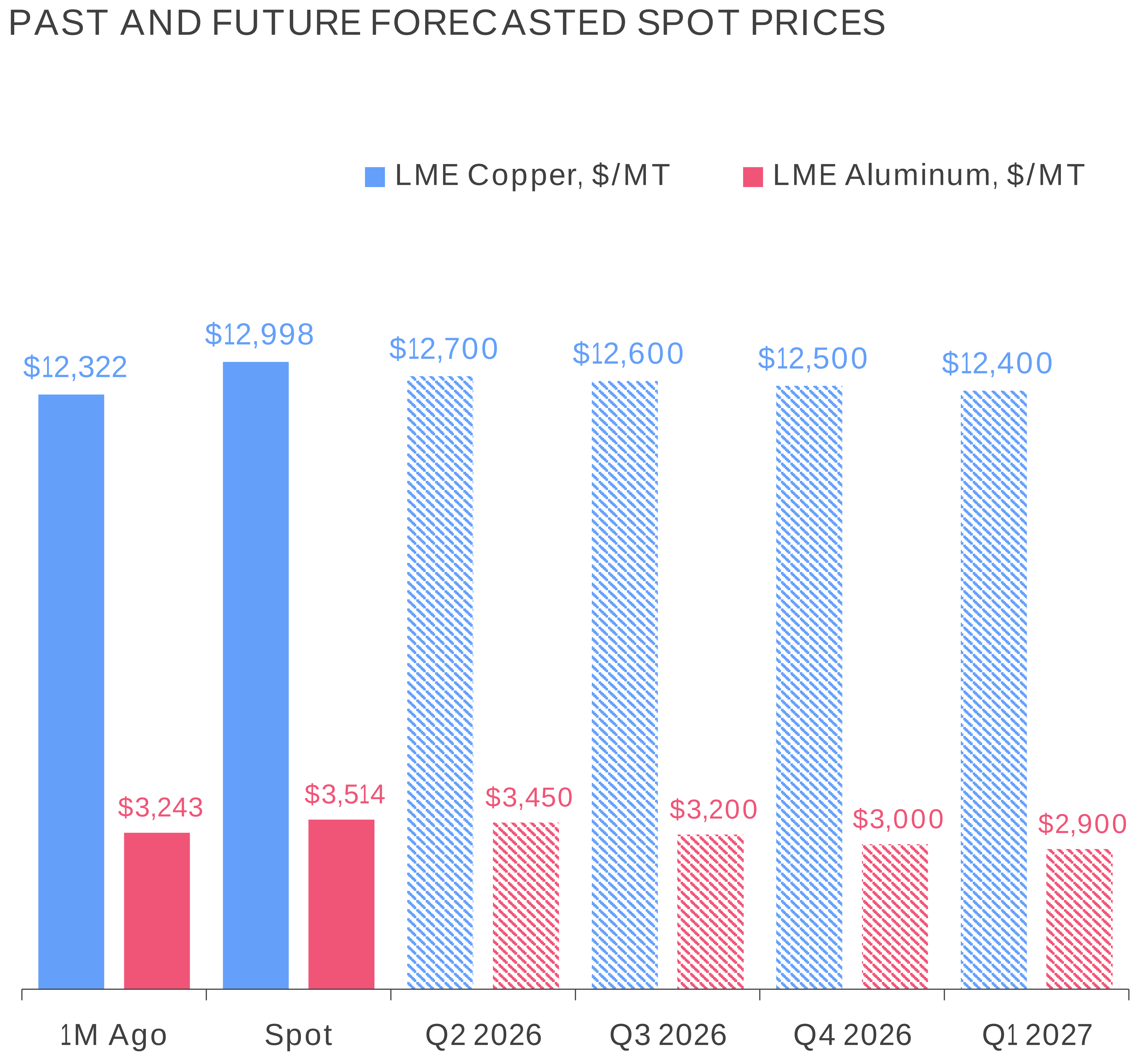
We remain structurally bullish on gold but tactically cautious. Our end-2026 gold forecast remains $5,400/oz, supported by continued reserve diversification, lower speculative positioning and expected Fed cuts. The war strengthens the medium-term case for gold because it reinforces demand for assets that sit outside the traditional geopolitical and financial system. In this environment, central banks and long-term investors have a stronger reason to diversify reserves, especially if the war raises concerns about fiscal sustainability, sanctions risk and geopolitical fragmentation.

That said, the near-term setup is not purely bullish. Gold can still fall during a broader liquidation event. If Hormuz disruptions persist and trigger another sell-off in bonds or equities, investors may sell gold to raise cash, even though gold’s strategic role remains intact. This is why the near-term risks are more balanced or slightly downside-skewed, while the medium-term risks remain upside-skewed. The cleaner bullish setup would be one where geopolitical risk stays elevated, the Fed cuts rates, real yields move lower and financial markets avoid forced liquidation.

Silver should benefit from the same precious-metals tailwinds as gold — lower real yields, Fed easing and safe-haven demand — but it is more cyclical. That makes it more vulnerable if the war becomes a broader industrial-demand shock. In a de-escalation scenario, silver could outperform gold because risk appetite and industrial demand would recover alongside lower real rates. In an escalation scenario, gold should remain the cleaner hedge. Main catalysts are Fed cuts, real yields, central-bank gold buying, ETF/speculative flows, equity-market stress and whether the war accelerates long-term reserve diversification.

Source: TBC Capital

INDUSTRIAL METALS



Source: TBC Capital

We keep our copper price forecast unchanged at $12,650/t for 2026, but the war has introduced a new supply-chain risk. Copper initially traded more on global growth concerns than on direct war exposure: prices sold off as investors worried about demand, then recovered as ceasefire hopes improved risk appetite. The direct war impact comes through sulfur and sulfuric acid, which are key inputs for SX-EW copper production. Because Hormuz is a major route for seaborne sulfur trade, disruptions have tightened sulfur and sulfuric acid markets and created risks for copper producers that rely on imported acid.

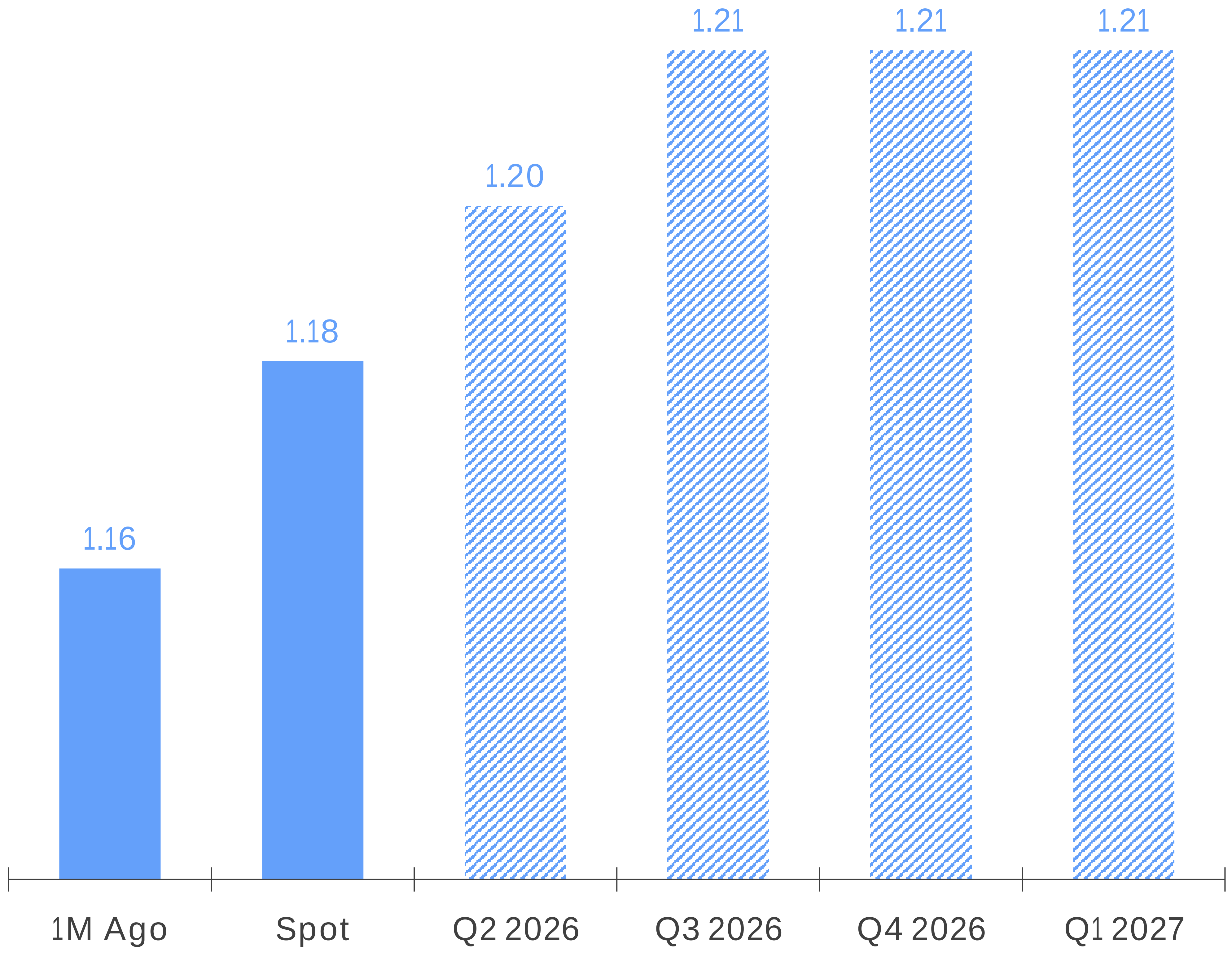
The bigger copper debate is therefore between supply disruption and weaker demand. A prolonged Hormuz shock could reduce copper supply through sulfuric acid shortages, but it could also hurt global GDP and industrial demand, partly offsetting the price upside. That is why we do not change the forecast yet, but we would treat copper as increasingly vulnerable to sharp moves in both directions depending on whether the market focuses on supply losses or macro weakness.

For aluminum, the war's impact is more indirect. The key channel is energy: aluminum smelting is power-intensive, so higher gas and electricity prices can raise costs, especially in Europe and other energy-importing regions. At the same time, weaker construction, manufacturing and transport demand can cap upside. So aluminum is not as directly exposed to Hormuz as oil or LNG, and not as specifically exposed as copper through sulfuric acid, but it remains sensitive to the broader energy shock and industrial cycle. Key catalysts are sulfuric acid availability, China export policy, Hormuz flows and energy prices.

Currencies Overview

EUR/USD

PAST AND FUTURE FORECASTED EXCHANGE RATES



Source: TBC Capital

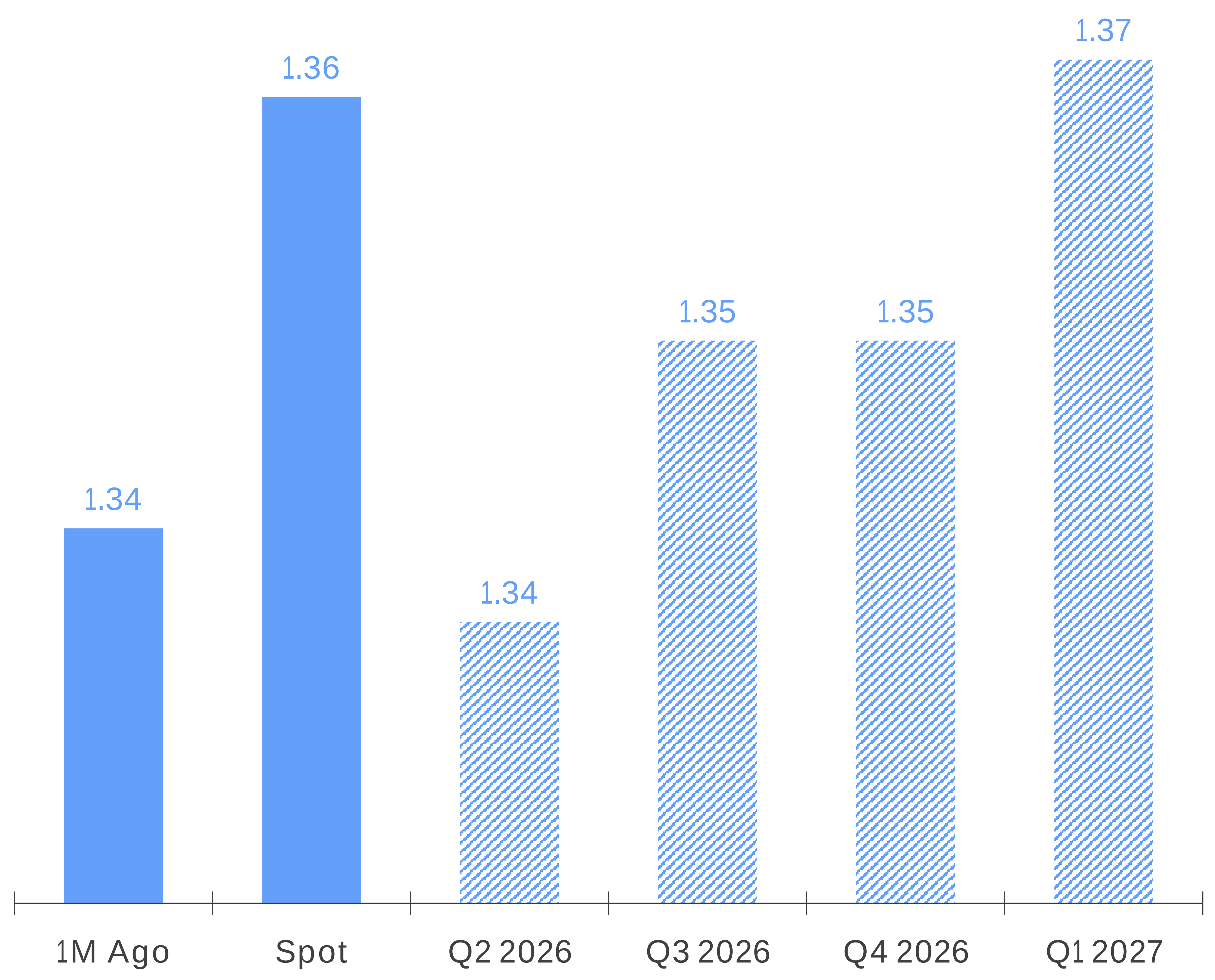
Up to this point, EUR/USD has been mostly responding to global developments rather than sitting at the center of FX markets. This is somewhat unusual for the pair given that typically it is one of the only crosses where domestic data can regularly override global betas, and because it was much more in focus during the 2022 energy shock. The latter likely helps explain why EUR/USD moves specifically have been somewhat underwhelming relative to initial expectations following the start of the conflict.

EUR/USD moving back to flat is a function of two things: First, the energy move (particularly natural gas) has been fairly manageable so far. Second, and perhaps most notably, the impact from global risk sentiment has now entirely unwound. It is also worth noting how the currency has moved remarkably closely to this simple model during an especially volatile period, which underscores our point about this being mostly a global story. But after the steep recovery, we now think domestic developments can play a more central role. As we move beyond the most uncertain phase of the conflict, we expect the domestic outlook to become an important driver once again. And, along those lines, while recent developments point in a more constructive direction, our commodity strategists continue to see some lingering risks to European energy markets if flows do not begin to pick up relatively soon.

On net, the Euro’s stability demonstrates that it has not been front-and-center of this shock so far, but at this stage we see that more as a reason why reversal could be underpriced rather than a compelling reason to turn more constructive.

GBP/USD

PAST AND FUTURE FORECASTED EXCHANGE RATES



Source: TBC Capital

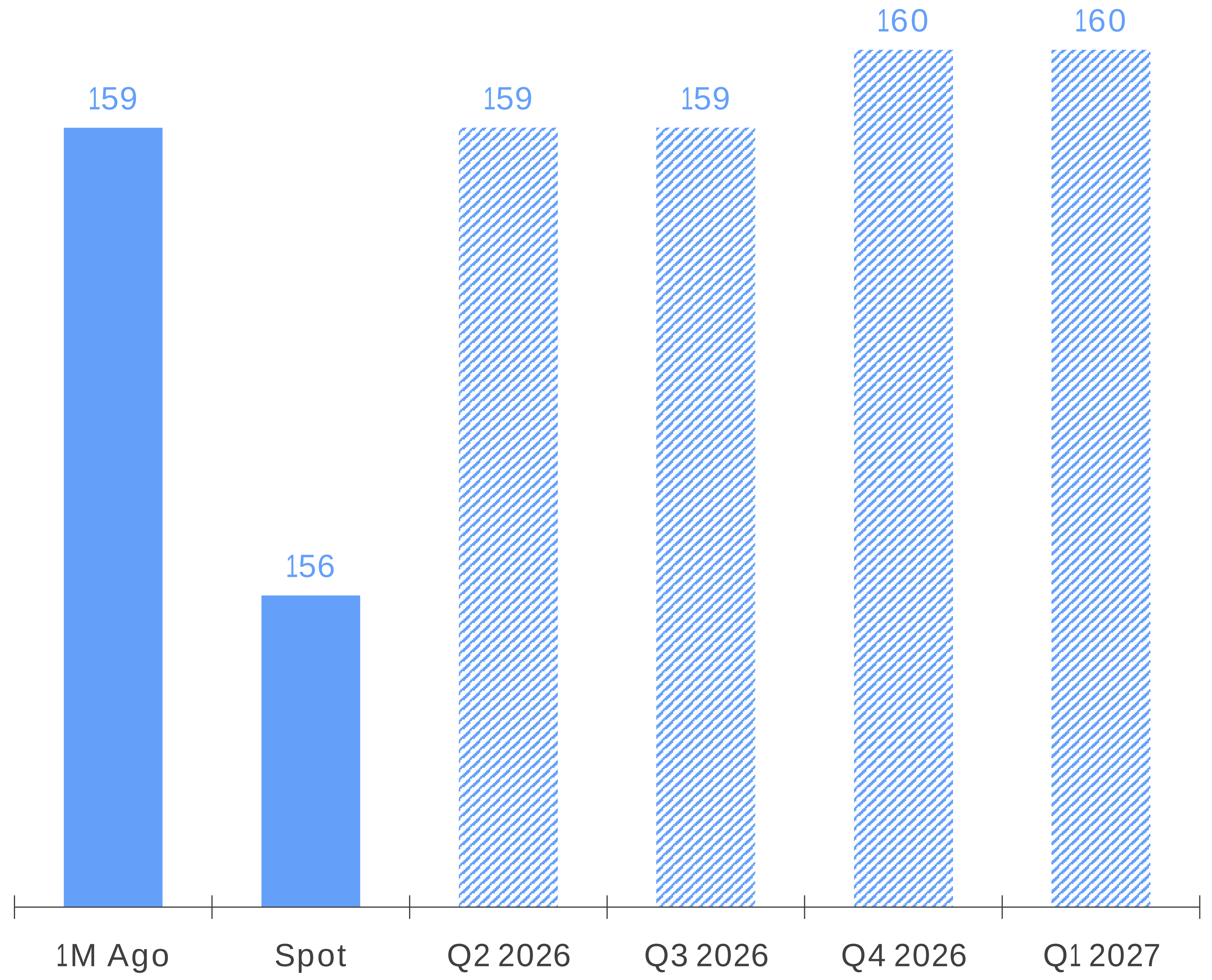
Domestic UK macro themes were central to our regional Sterling underperformance view prior to the energy shock, but we think the key drivers of the currency have since shifted. Global dynamics should dominate regional ones as markets grapple with a terms of trade shock that we expect to be longer lasting. The evolution of that shock should dictate Sterling performance above all else, but we think the calculus on the domestic front is changing as well. A clear positive turn in this week's UK data stands in contrast to a deterioration in the Euro area, reversing part of the underperformance in UK data that was a key theme of last year.

Other domestic considerations meanwhile present more of a challenge to Sterling in our view. The BoE is unlikely to meet the material hike premium priced by markets for this year, and bouts of fiscal and political risk premium remain a risk. The latter continues to be a market focus ahead of the May 7 local elections, and while we would stress that Sterling's imprint from political uncertainty over prior months has been much more tactical than fundamental, we still see the risks to the currency as asymmetrically negative from this angle.

We think the case for Sterling underperformance is clearer against terms of trade beneficiaries such as USD or AUD for the time being, rather than in crosses that are more sensitive toward UK domestic considerations, such as EUR/GBP.

USD/JPY

PAST AND FUTURE FORECASTED EXCHANGE RATES



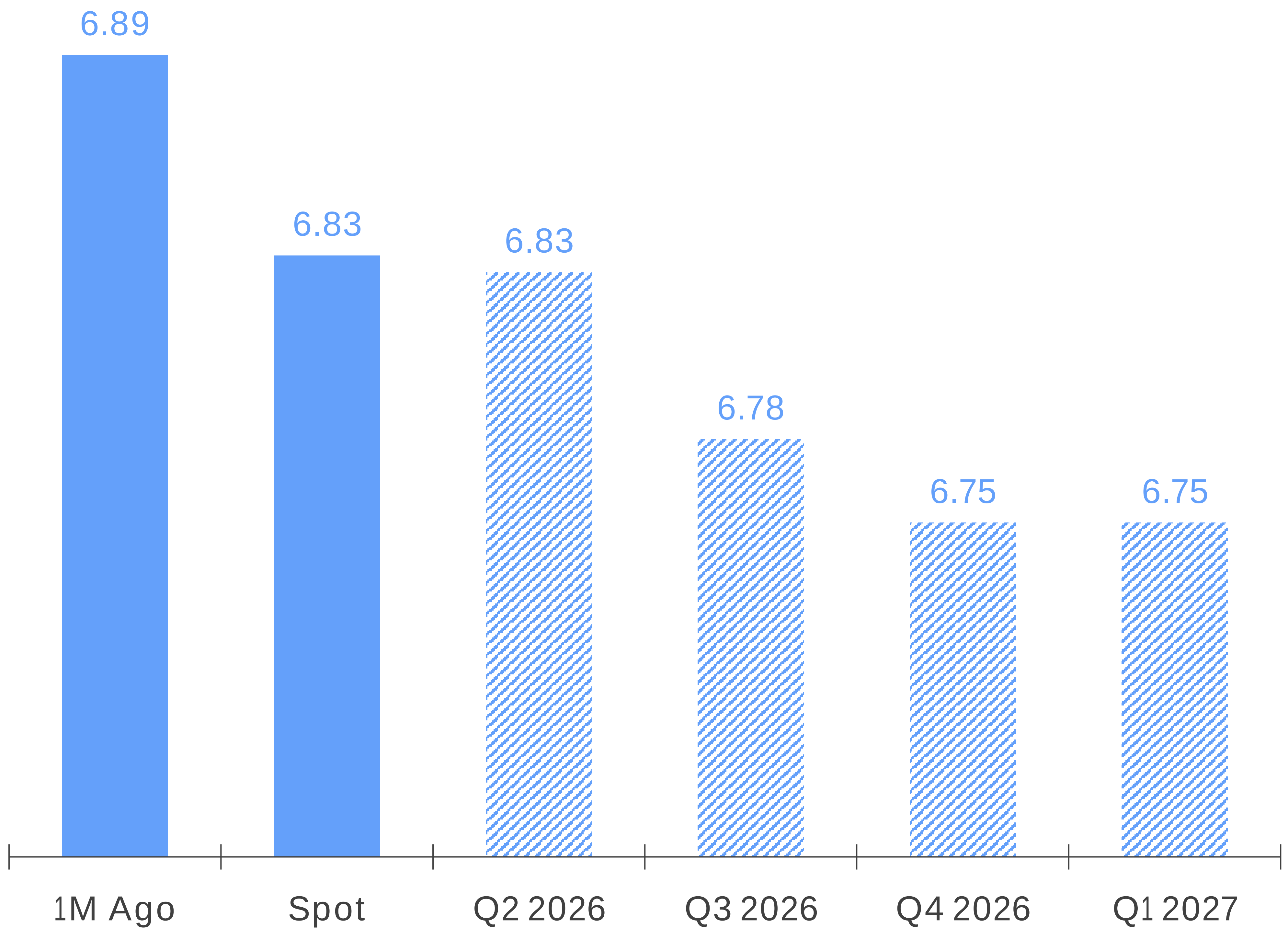
Coming into this year, we argued that two-way macro and fiscal risks (as well as elevated intervention risk) would likely result in higher Yen volatility as we expected markets to continue trading both themes, pushing JPY in both directions as the backdrop evolved and challenging the case to use it as a funder. While those risks remain and probably return to the forefront over time, we think the energy shock has justifiably suppressed Yen volatility. Uncertainty around the global growth and inflation outlook has risen, leaving domestic fiscal risks less in focus for now. Moreover, the US' relative insulation from the shock and the better-than-expected state of the US labor market could mean higher for longer yields as it takes some time to assess the economic impact.

We still think the asymmetry remains to the downside in USD/JPY, given the market's vulnerability to an increase in recession odds (especially as markets have priced in greater optimism on the resumption of flows) and still-elevated intervention risk (reinforced by Katayama's latest comments on continued discussions with the US). But both of those feel a bit farther away, and we continue to see underlying depreciation pressures from the recovery in risk sentiment, likely only gradual hikes from the BoJ, and the relative economic implications from the energy shock. For that reason, we see a better window of opportunity for JPY-funded carry expressions.

Source: TBC Capital

USD/CNY

PAST AND FUTURE FORECASTED EXCHANGE RATES



In the short-term, the war has imparted a negative impulse to China's trade balance with both higher energy prices and downward growth revisions to China's trading partners. In the long-term, however, China may prove an unlikely beneficiary from recent events. On the trade front, it would not be surprising if the Iran War accelerates global investment in energy security and renewable sources, which would provide a positive impulse to China's exports given its dominant position across clean energy supply chains.

Over the short-term, we are also sceptical that recent developments will straightforwardly translate into more 'petro-yuan', not least because energy exports from the middle-east are currently crimped and prioritisation of immediate capacity rebuilding may dominate, so there are likely to be smaller surpluses to recycle. However, over the longer-term as revenues recover, a refreshed security architecture for the region is likely to be more diversified, something already suggested by news reports.

China is also taking deliberate steps to increase Renminbi settlement and internationalisation again, and recent events may provide an impetus to those measures. In sum, the longer-term implications of this shock may prove less negative for China than the short-run terms-of-trade impacts, and we continue to expect a gradual but sustained move lower in USD/CNY as we head towards the Trump-Xi summit in May.

Source: TBC Capital

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