

FOREIGN

'Trump trades' on boost to economic growth come back with a bang

World stocks and bond yields rose yesterday, lifted by a re-emergence of so-called "Trump trades" as investors bet that the U.S. president's tax reform plans will boost economic growth and corporate profits.

Following on from Friday's record high closes on Wall Street, Asian stocks rallied to 1-1/2-year peaks and European stocks rose for the fifth consecutive session yesterday, their longest winning stretch for two months.

The Japanese yen was the biggest underperformer among major currencies, as is typical when riskier assets like stocks are doing well.

Investors were also comforted by the two-day U.S.-Japan summit held over the weekend apparently having ended smoothly without President Donald Trump talking tough on trade, currency and security issues.

"Markets have continued Friday's upbeat theme," said Kathleen Brooks, research director at City Index in London, noting that the VIX measure of U.S. stock market volatility closed last week below 11 for the third week in a row.

The last time this happened was over a decade ago.

"This is another sign that, for



People walk through the lobby of the London Stock Exchange in London

now, the Trump trade is still on. It also suggests that even with the controversy Trump has caused since he took office, financial markets are still willing to give him the benefit of the doubt," Brooks said.

Europe's benchmark index of leading 300 shares was up 0.3 percent at 1453 points, lifted by the mining and basic resources sectors. Basic resources rose 2.5 percent to their highest since August 2014.

Germany's DAX was up 0.4 percent, led by a 15 percent rise in drugmaker Stada after the company said it had received two offers for

the acquisition of the company, one of which is private equity group Cinven Partners LLP.

MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.5 percent, with resource-related stocks again the driving force, while Japan's Nikkei rose 0.4 percent.

U.S. futures pointed to a higher open on Wall Street. The S&P 500, Dow Jones Industrials and Nasdaq Composite all posted record closing highs on Friday.

Comments from Trump on Thursday that he plans to announce what he said would be the most

ambitious tax reform plan since the Reagan era in the next few weeks rekindled hopes for big tax cuts.

Economic data from major economies has also been upbeat, including Friday's Chinese trade figures, while U.S. corporate earnings have been also solid so far.

In the weekend meeting with Japanese Prime Minister Shinzo Abe, Trump held off from repeating harsh rhetoric that accused Japan of taking advantage of U.S. security aid, stealing American jobs and "playing money markets." Nor were currency issues discussed.

"The U.S. president has shown further signs of conformity in U.S. foreign policy during his weekend summit with Japan's Prime Minister Abe," Rabobank analysts said in a note on Monday.

Those apparently cordial discussions drove the dollar as much as 0.9 percent higher against the yen to 114.17 yen. It last stood at 113.65 yen, up 0.4 percent on the day and extending its rebound from a 10-week low of 111.59 yen touched last week.

Figures on Monday showed that Japan's economy grew for a fourth straight quarter in the final three months of last year as a weaker yen

supported exports, but doubts over the sustainability of the recovery persisted. The euro's rise of 0.5 percent against the yen to 121.00 yen, helped lift the European currency slightly against the dollar. The euro was last up 0.1 percent at US\$1.0650, inching further away from Friday's three-week low of US\$1.0608.

The euro has been dogged by fears about a strong showing for French far-right leader Marine Le Pen ahead of a presidential election.

Ten-year U.S. Treasury yields rose 3 basis points to 2.44 percent.

In commodities, copper hit its highest levels since May 2015 after shipments were shut off from the world's two biggest copper mines - due to a strike in Chile and an export's ban by Indonesia.

It last traded at US\$ 6,129 per tonne, up 0.7 percent on the day. On Friday it jumped more than 4 percent, its biggest one-day rise in almost four years.

Oil prices dipped slightly after strong gains on Friday on reports that OPEC members delivered more than 90 percent of the output cuts they pledged in a landmark deal that took effect in January.

International benchmark Brent crude futures fell 0.8 percent to US\$56.25 per barrel.

REUTERS