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Breaking News:

U.S CUT TAX PLAN

&

IMPACT OF NORTH KOREA
MISSILES LAUNCHES



Summary

The US cut tax plan

1. Major keys
2. Investors' reaction
3. What Next?

North Korea

1. Introduction
2. North Korea and China Link
3. China bans against North Korea
4. Impact on both economies
5. What could happen next?

The US Cut tax plan

1. MAJOR KEYS

- Corporate Tax Rates

35% → 20% → Worldwide competitiveness

- Individual Tax Rates

- Three new rates: 12% - 25% - 35%.
- Advantageous for individuals who used to pay 39,6%.
- Binding for the one going from 10% to 12%.

- Corporate Expensing

- Business could expense the costs of assets.

The US Cut tax plan

1. MAJOR KEYS

- Alternative Minimum Tax (AMT)
 - It used to be a supplemental income tax for individuals, corporations...
 - The feared AMT is now removed.
- Worldwide Taxation
 - Switch to a territorial system of taxation for corporations.
 - Individuals will still be taxed on their worldwide income.
- Repatriating earnings
 - One-time repatriation tax at \pm 10% rate.

The US Cut tax plan

2. INVESTORS' REACTION

- Administration did not provide a cost estimate for the plan.
- Republicans wants to rely on a growing economy.
- Tax Policy Center analysis over 10 years.



Individual provisions	Change in revenue, in trillions
Tax rates of 12, 25, and 35%	-\$1.2
Increase standard deduction	-\$0.8
Repeal alternative minimum tax	-\$0.4
Increase child credit and add dependent credit	-\$0.3
Repeal most other itemized deductions	+\$0.2
Index tax system to chained Consumer Price Index	+\$0.1
Repeal state and local deduction	+\$1.3
Repeal personal exemptions	+\$1.6
Subtotal	+\$0.5
Business provisions	
Reduce corporate rate to 20% and repeal the A.M.T.	-\$2.0
Limit tax rate on pass-through income to 25%	-\$0.8
Expensing of equipment through 2022	-\$0.2
Enact territorial tax system	-\$0.1
One-time tax reduction to encourage repatriation	+\$0.2
Repeal certain business tax expenditures	+\$0.2
Subtotal	-\$2.6
Repeal estate and related taxes	-\$0.2
Total	-\$2.4

- Cost over \$ 2.4 trillion to the US over 10 years.
- The report expected any economic effects on revenue.

Source: [nytimes.com](https://www.nytimes.com)

The US Cut tax plan

2. INVESTORS' REACTION

- Investors are positioning for a rise in interest rates.
- The corpotation tax cut can be good for stocks.
- Repatriating cash overseas would help for a stronger dollar.
- Allocating asset would become harder.
- Emerging market could suffer from a strong dollar.

The US Cut tax plan

2. INVESTORS' REACTION

EQUITIES

- S&P 500 won over 2%
- Dow Jones also won over 2%

FIXED INCOME

- US-10-YRS bonds are over 2,3% and US-2-YRS bond are over 1,5%

CURRENCY

- Dollar Index keeps rising



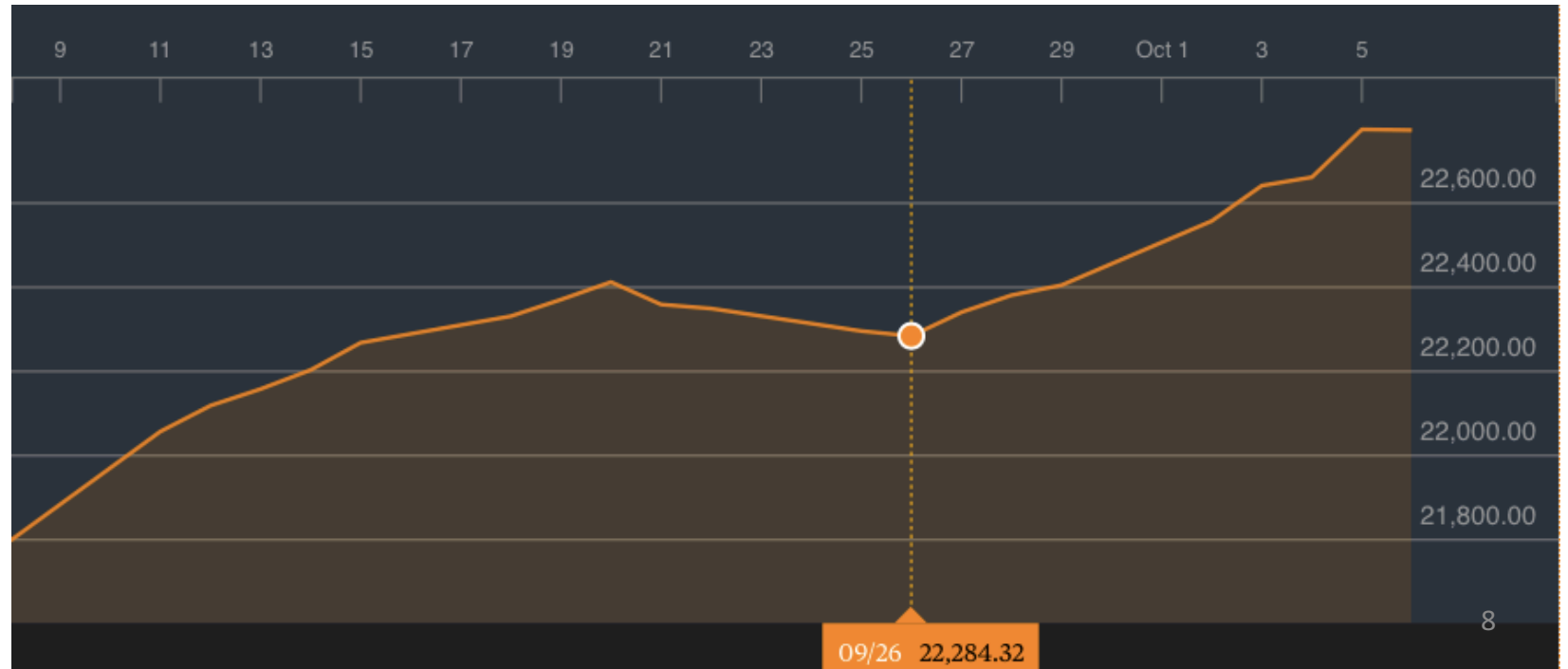
S&P 500

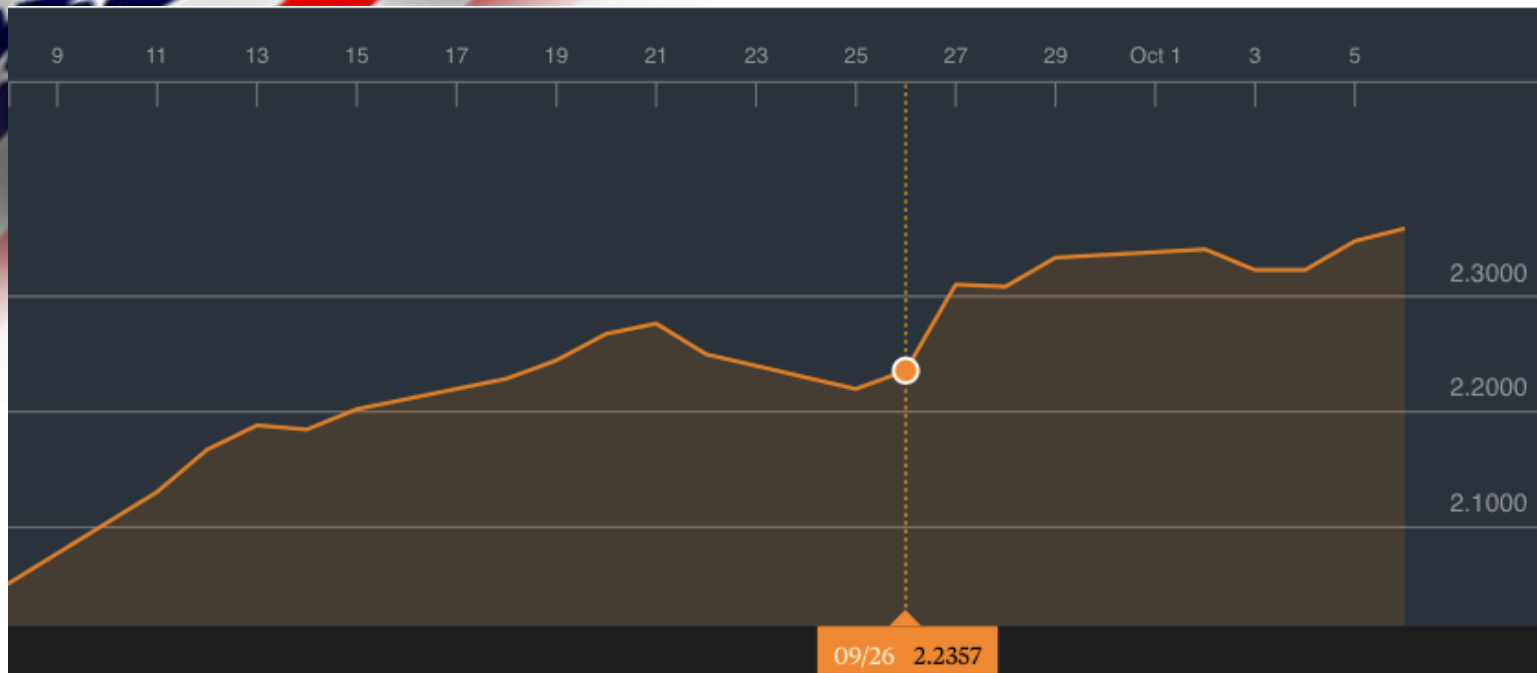
Dow Jones



- Highly taxed companies outperformed.

• Source: Bloomberg.com





US-10-YRS

US-2-YRS



• Source: Bloomberg.com



← Dollar Index

• Source: Bloomberg.com

The US Cut tax plan

3. WHAT NEXT?

- The Republican congress reputation is at its lowest.
- If the dollar and interest rates keeps rising what other negative impacts could it have on US Economy?
- How will Republicans will fill the \$ 2.4 trillion dollar due to the US cut tax plan?

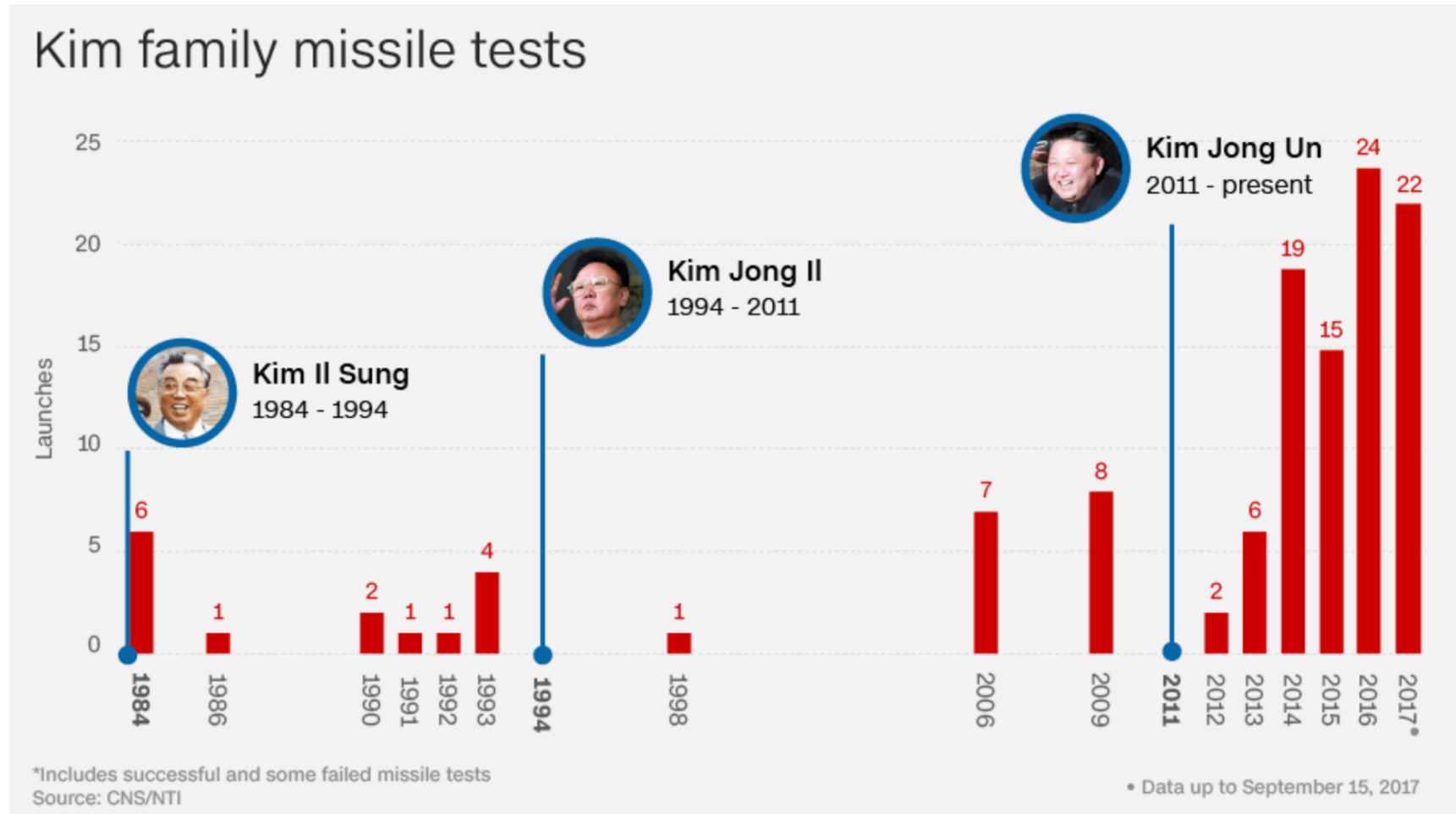
IMPACT OF NORTH KOREA
MISSILES TESTS



1. INTRODUCTION



Kim Jong Un
Supreme Leader of North Korea



1. INTRODUCTION

NORTH KOREA NUCLEAR TESTS

22 missiles tests in 2017 (Last one September 15th, 2017)

6 nuclear tests

Last nuclear test: More powerful than
the ones used in the WWII



2. NORTH KOREA AND CHINA LINK

China represents 93% of the North Korean exports

China Holds the Key



Source: IMF DOTS database

Bloomberg

3. CHINA BANS AGAINST NORTH KOREA

In line with the United Nations
 security council

Date	Chinese bans
02/19/2017	China decreased its coal imports from North Korea by around 75%
08/14/2017	China stopped importating coal, iron, iron ore and seafood from North Korea
09/22/2017	China said they want limit Exports of some petroleum products to North Korea and stop Imports of textiles from NK



4. IMPACT ON NORTH KOREA

Chinese Bans	Impact on North Korea
<p>Imports of coal from North Korea In February (75% decrease) and in August (25% left)</p>	<p>Cost: \$1,2 Bn (4,2% of the GDP) 1/3 of official North Korean exports last year</p>
<p>Imports of iron, seafood and coal from North Korea</p>	<p>Estimated cost for North Korea: \$1Bn per year with a GDP of \$28.50 billion in 2016 (3,5% of the GDP)</p>
<p>China wants to stop Imports of textiles from North Korea</p>	<p>Cost: More than \$700 million per year (2,46% of the GDP)</p>



4. IMPACT ON CHINA

Chinese bans	Impact on China
<p>China baned imports of seafood</p>	<p>Prices on Seafood increased for wholesalers and restaurateurs at the border Jobs are lost in these industries</p>
<p>China will ban imports of textile</p>	<p>China will not have access to one of the cheapest asian textile manufacturer due to North Korean salaries</p>



5. WHAT COULD HAPPEN NEXT?

- Difference between official and non-official trades
- As long as Kim Jong Un will continue to test missiles, China will have to stop his trades with North Korea

In case of a nuclear war, there could be a sharp sell-off in Chinese assets and maybe others



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