

Good MornING Asia - 12 June 2018

Aside from the photo-opportunities that today brings, from a financial market perspective, today ranks as a "Meh!".

In this bundle



Smile and say “Kim-cheese”

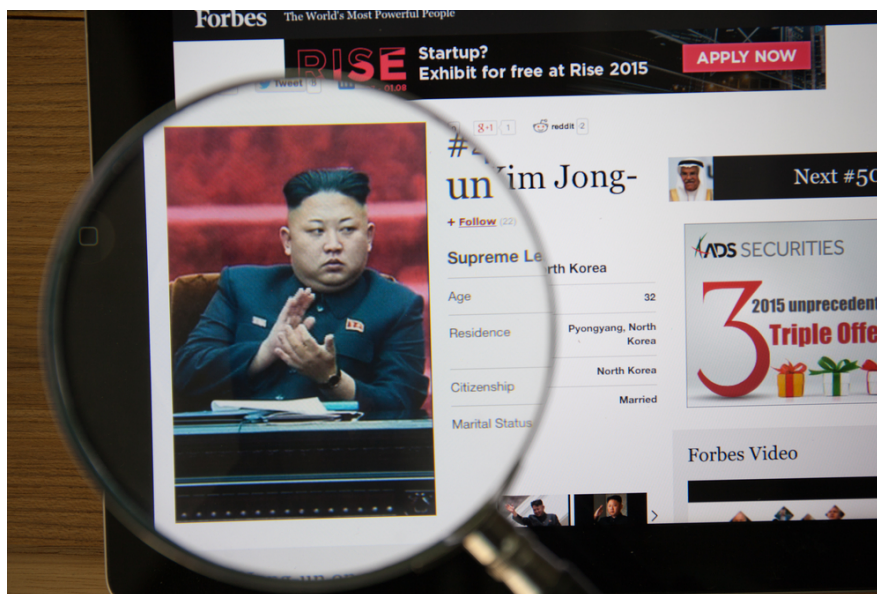
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By Robert Carnell

Opinion | 12 June 2018

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President, North Korea

Kim-Trump not nearly as important as Trump-trade

Financial markets are like an aggressive goldfish - always trying to smash the main thing in their line of sight, but forgetting immediately afterward once something new comes along.

So today, we have the opportunity for a historic meeting, a possible end to the Korean war, and a possible move to denuclearise, and maybe even demilitarize the Korean peninsula.

All of that's great, but how can you make money from it, I hear you cry? Well, the short answer is you probably shouldn't even try. Back during the dark days of 2017, when missiles were flying over the Sea of Japan, even then, the ability of Kim Jong-Un to terrorize financial markets was looking overplayed.

Towards the end, the most that would happen would be that on the day of a missile test, there would be a brief downward blip on the Kospi, the Korean won would lose a few points against the yen and there would be a momentary rally in Korean Treasury bonds. Outside Korea, it was basically business as usual. And by the next day, it would be business as usual in Korea too. So basically, this is the negative scenario of what might happen, if Trump and Kim leave Singapore at the end of today in much the same way as Trump left Quebec on Sunday night...angry and shouty.

But let's be more positive, and imagine that today's meetings, while short on detail, offer to start a dialogue that will bring an eventual end to sanctions on North Korea and the removal of nuclear weapons. What then? Well, as this is unlikely to have anything other than a very marginal impact on future expected trade and corporate earnings of a few firms in a very small corner of one part of the world, then basically nothing.

That, however, is in complete contrast to what is happening on the trade arena, which, despite the analysis by trade economists here and there, I personally believe is a far, far bigger existential global threat. The EU is ready to put tariffs on the US on July 1. I anticipate retaliation for their retaliation to follow soon after, and then some retaliation to that retaliation etc - this gets ugly fast. It is on a global scale. And there are no winners.

So enjoy the pictures today, and if you, like me, live in Singapore, then I hope your journey to and from work won't be too adversely affected by the presence of one of the most powerful leaders of modern times, and arguably, one of the most dangerous (your call which).

Tomorrow, we can revert to things that matter, like the Fed, ECB, BoJ and Brexit bill.

Otherwise, it is a quiet day in Asia, with many markets closed or about to close for public holidays.

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