

Good MornING Asia - 23 August 2019

After yesterday's 25bp rate cut from Indonesian central bank taking markets by surprise, there are only a couple of CPI releases from Asia to provide fare for data-hungry markets today.

In this bundle



Jackson Hole - silence is golden

Today's Jackson Hole speech highlights an important point in central banking - sometimes, it is best to say nothing...that's not what we are going...



Asia week ahead

Asia week ahead: Will India's 2Q GDP validate rapid rate cuts?

July industrial production releases crowd next week's Asian economic calendar, though India's 2Q GDP and Korea's central bank policy...



FX | China

Why we're not worried about the Hong Kong dollar peg

There's been increasing speculation about Hong Kong's dollar peg, mainly because protests have lasted longer than expected. Here's why we...



Malaysia

How is Malaysia bucking the global slowdown?

Firmer growth, low inflation, and a healthy external payments position - everything is coming together to support investor confidence despite the...



Indonesia

Indonesia: Warjiyo whips out preemptive cut against global headwinds

Bank Indonesia surprised markets on the timing for a second rate cut to help spur economic growth amidst global headwinds

Opinion | 23 August 2019

Jackson Hole - silence is golden

Today's Jackson Hole speech highlights an important point in central banking - sometimes, it is best to say nothing...that's not what we are going to get though



How far will Fed Chair, Jerome Powell, push back market expectations?

A time to speak, and a time to be still, this is the latter

I'm not one to mince my words, which has got me into trouble on more than one occasion. I hope this won't be another. But mincing your words, pulling your punches, or any one of a number of mangled metaphors to suggest not saying exactly what you really think could be something Jerome Powell, should consider for his scheduled speech today at the Jackson Hole symposium. Either that, or he might consider turning up and sheepishly telling the audience that a dog ate his speech on the way into the auditorium. "Would they rather see some slides from his recent vacation?"

Why? Well, here's the thing. We (most of us anyway) hang on every word of central bankers as if they were some kind of divine visionary with enormous power and unlimited foresight. The reality is that although often well staffed with some very bright people, their record in calling the economic cycle is not often a good one. Certainly, it does not compare favourably to the collective wisdom of markets. It doesn't even do well compared to the dubious intellect of the economics consensus, of which I happen to be a reluctant part.

So listening to a central banker might well tell give clues about what they are going to do, but it doesn't necessarily mean that it is right. And there's more...

Powell speaks mainly for himself

...the additional complication for today's speech is that Powell does not even necessarily represent the collective view of the FOMC committee. The last few days has delivered some very different views, with at least three, Esther George, Eric Rosengren and Patrick Harker expressing a view that no more easing was necessary, at least not yet.

Still others, according to recently released minutes, felt that the Fed should have gone further at its last meeting. So who does Powell speak for? And can any view expressed today represent anything more than his best guess as to how the September FOMC discussion will go, subject to the vagaries of data flow that will swing these views one way or the other in the meantime?

Choppy seas, or tidal waves - you choose

For me, and this is a personal view only (just one I think is incontrovertible), the so-called "forward guidance" of central banks should be limited to one special occasion alone, and that is where markets have badly mispriced their intentions. This is indeed where they do have some inside knowledge, though it suggests they have pre-committed to a course of actions, which may itself be highly questionable.

And with that, my whole argument unravels. Or does it?

You see, you could argue that with Fed funds futures pricing in 100-125bp of easing by the end of next year, that this was exactly one of those occasions where Powell should put us right, and allow for some more realistic, and less aggressive pricing. You would have a point.

Yet to do so, and make clear that the last meeting was really only an insurance cut (mid-cycle adjustment if you will), and that the market will be lucky to get 25-50bp more easing, would likely lead to just the sort of market backlash that Powell will want to avoid today.

That reaction though, comes from earlier pandering to the market's desires for ever-lower rates. In short, you just can't win when you keep trying to placate everyone. And the longer you do so, the bigger the eventual backlash. It might be better not to try so hard to please, and live with the consequences. That might make for more day to day volatility, but fewer big lurches. A choppier sea, but no tidal waves, for example. That seems like a decent trade-off to me.

All of this makes me quite nostalgic for the days when Alan Greenspan would spout unintelligible gobbledygook, or the Bundesbank would tweak its rates with seemingly little obvious motivation. Things were simpler then I admit. And monetary policy was a more effective tool for demand management too than it is today. But maybe that is partly because it was not so stage-managed?

Day ahead

You will by now have guessed that my lengthy non-Asia focussed preamble was a cover for the fact that it is a bit quiet today in this region. I knew I couldn't fool you for long.

After yesterday's 25bp rate cut from BI taking markets by surprise, there are only a couple of CPI releases to provide fare for data-hungry markets today.

Japanese CPI has already undershot expectations, though no-one is seriously expecting anything

very positive here, so the story of massively missing inflation targets and no effective tools to address this remains the Bank of Japan's prevailing headache.

Singapore July CPI out around 1pm local time will also not change the story of soft activity and inflation, and a nearing, and necessary adjustment by Singapore's Monetary Authority (MAS) in October.

Taiwan's July Production figures round off the day as we head to that Jackson Hole meeting.

Powell's speech is at 10pm Singapore time, clashing badly with the second Ashes cricket match at Headingly, England. I think my viewing preferences should be clear.

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com

Asia week ahead: Will India's 2Q GDP validate rapid rate cuts?

July industrial production releases crowd next week's Asian economic calendar, though India's 2Q GDP and Korea's central bank policy will steal the focus



Source: Shutterstock

➔ India's GDP growth has bottomed

Pronounced economic weakness was the likely reason behind the Reserve Bank of India's (RBI) policy rate cut earlier this month, which was the fourth this year and unusually large at 35 basis points. India's forthcoming GDP figure for the April-June quarter (1Q FY2019-20) should attest to worries about a significant weakening in the economy. GDP growth slipped to a five-year low of 5.8% in the Jan-Mar quarter. Since then, however, the high-frequency activity data has been a mixed bag.

While the accelerated weakness of exports and vehicle sales signal slower GDP growth, nearly stable imports and faster industrial production growth suggest the opposite. Despite a recent slump, exports are still doing well, with a rise of about 2% year-on-year in the first seven months of 2019, in contrast with sharp declines elsewhere in Asia. Providing a further positive spin to the growth story is an election-related surge in government spending as well as a total 75 basis points of rate cuts through June – by far the heaviest easing among Asian central banks this year, and supporting domestic demand.

All this leads us to the view that GDP growth improved in the reporting period, albeit slightly, to our 6.0% estimate. If it goes the other way, the key question would be what all that aggressive stimulus was for?

➔ Bank of Korea waiting for Fed to go first

South Korea's central bank (BoK) holds a monetary policy meeting. To be unveiled on Friday 30 August, the policy decision will most likely be no change to the 1.50% policy rate after a 25bp cut at the previous meeting on 18 July. This means all attention will be on Governor Lee Ju-yeol's post-meeting press conference for hints about the timing of the next cut.

The Korean won depreciation this month, following the Chinese yuan, will likely keep the BoK from risking more currency weakness with another rate cut right now. We also believe the BoK would prefer to wait for the US Federal Reserve's next rate cut in September. However, unlike the Fed, which is in insurance easing mode, the BoK's easing is genuinely needed, as will be underscored by some key economic data next week on consumer and business confidence and industrial production. Indeed, we don't think the BoK is done with easing just yet. There will be at least one more 25bp cut before the yearend.

➔ And lots of manufacturing releases

July industrial production releases from Japan, Korea (already mentioned), Singapore, and Thailand will be early indications of third-quarter GDP growth in these countries. There is little room for optimism here with an escalation of the US trade tensions with China and the rest of the world, and now that of Japan with Korea, working to depress exports and manufacturing alike.

Meanwhile, a sharp slowdown in China's industrial production growth in July bodes ill for profit growth in that month.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 26 August					
Hong Kong, SAR	0930	Jul Exports (YoY%)	-11.3	-	-9.0
	0930	Jul Imports (YoY%)	-9.7	-	-7.5
	0930	Jul Trade balance (HK\$ bn)	-48.2	-	-55.2
Singapore	0600	Jul Industrial production (MoM/YoY%)	-0.1/5.0	-/-	1.2/-6.9
South Korea	2200	Aug BOK Consumer Sentiment Index	96.9	-	95.9
Tuesday 27 August					
China	0230	Jul Industrial profits (YTD, YoY%)	-2.0	-	-3.1
Wednesday 28 August					
South Korea	2200	Sep BOK Business Survey Index, mfg	72	-	71.0
	2200	Sep BOK Business Survey Index, non-mfg	70	-	71.0
Thursday 29 August					
Thailand	-	Jul Manufacturing index (YoY%)	-4.8	-	-5.5
Friday 30 August					
India	1300	2Q GDP (Q) (YoY%)	6.0	-	5.8
	-	Jul Fiscal deficit (INR crore)	-	-	65898
Hong Kong, SAR	0930	Jul Retail sales value (YoY%)	-15.6	-	-6.7
	0930	Jul Retail sales volume (YoY%)	-15.0	-	-7.6
South Korea	0000	Jul Industrial production (MoM/YoY%)	-0.6/-4.1	-/-	0.2/-2.9
	0200	7-Day Repo Rate	1.5	-	1.5
Thailand	-	Jul Current account balance (US\$bn)	1.2	-	3.9

Source: ING, Bloomberg, *GMT

[Click here to download a printer-friendly version of this table](#)

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com

Why we're not worried about the Hong Kong dollar peg

There's been increasing speculation about Hong Kong's dollar peg, mainly because protests have lasted longer than expected. Here's why we don't think the monetary authority will change the linked exchange rate system or the currency range. We also include our views on HKD interest rates



Source: Shutterstock

We don't think the HKD peg will change

Due to the prolonged protests, investors have started to worry about Hong Kong's dollar peg.

The HKD is governed by a linked exchange rate system, which is written into the Basic Law of the Hong Kong Special Administrative Region. What can be changed is the linked currency, which is now the US dollar, and the range of the linked exchange rate level.

The HKD is freely traded internationally, which is important for China to do businesses with the rest of the world.

We expect the Hong Kong Monetary Authority (HKMA) to stick to the existing linked exchange rate system, now more than ever.

What is the linked exchange rate system?

The linked exchange rate system permits the HKD to range between 7.75 and 7.85 per USD. That is the range set by the Hong Kong Monetary Authority.

The HKMA does not have a policy interest rate. The interest rate of Hong Kong SAR is driven by the money flowing in and out.

In theory, when demand for HK dollar assets falls and the HKD weakens to 7.85, the HKMA should purchase HKD, leading to a fall of HKD liquidity in the system. Interest rates then rise versus the US dollar, which should attract capital inflows and keep the exchange rate between 7.75 and 7.85.

What can be changed in the linked exchange rate system?

Two variables in the linked exchange rate system can be changed. One is the linked currency, which is now the dollar, and the second is the band of the linked exchange rate system.

During times of high volatility or uncertainty in the asset market, changes to the linked exchange rate system, be it the linked currency or the band, could trigger speculation about further changes. This would create a lot of betting on USD/HKD and could hurt the HKMA's credibility. As such, it is not an appropriate policy action at this time, particularly because it would do nothing to address the demands of protestors.

HKMA has enough exchange funds to defend the peg via market channels, i.e. spot and derivatives, and it has experience in defending the peg successfully, as seen in the Asian financial crisis.

Interest rates in Hong Kong are tied to cross border fund flows

Interest rates in Hong Kong theoretically follow the mechanism of the linked exchange rate. But within the framework, there are other factors affecting the level of interest rates.

The most prominent one is cross border fund flows in and out of the Hong Kong equity market. This is obvious when there are hot IPO listings in Hong Kong SAR because IPO margin financing usually locks up a lot of cash, and therefore pushes up interest rates.

Other factors include the relative movements of HKD interest rates vis-a-vis the USD interest rate, as the linked currency is the dollar.

Forecasts of HKD and interest rate

We expect the HKD to fall from the current 7.84 level to 7.82 by end of 2019 as we expect some mega sized IPOs to be listed in Hong Kong SAR in the second half of the year.

For the same reason, we expect the three-month HIBOR to increase from 2.35 to 2.55 by end of 2019.

Author

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

How is Malaysia bucking the global slowdown?

Firmer growth, low inflation, and a healthy external payments position – everything is coming together to support investor confidence despite the current global economic turmoil. That said, we don't think the authorities will relax just yet - we expect another 50 basis points of rate cuts in 2019



Source: Pexels

4.7% GDP growth
ING forecast

So far so good – an economy that surpasses expectations

Malaysia's economy seems to be relatively unscathed despite the ongoing global trade and tech war, as well as the slump in the tech sector.

Last week, the country's GDP growth improved to 4.9% year-on-year in 2Q19 from 4.5%. It wasn't a complete surprise though. A pick-up in exports and manufacturing growth foreshadowed the

GDP improvement, leaving the year-to-date economic performance on par with that in the full-year 2018.

Private consumption continued to be the key GDP driver from the spending side, making up for the continued slack in investment demand (both public and private), while inventory depletion also continued to drag headline growth downwards in the first half of the year. Stronger private sector performance was underpinned by persistently low inflation and accommodative monetary policy and weak public spending hasn't been a surprise either as the government is reigning in its expenditure after a blow-out deficit last year.

Despite external headwinds, exports were almost flat in the first half of the year compared with sharp declines in neighbouring economies. As such, net trade contributed more to the GDP growth in the first half of the year than it did all of last year, which, in turn, was consistent with a near-doubling of the current account surplus to MYR 30.7 billion from a year ago.

Services remained the key growth driver from the industry side, though the improvement in the manufacturing contribution is noteworthy.

Expenditure and industry-side sources of GDP growth



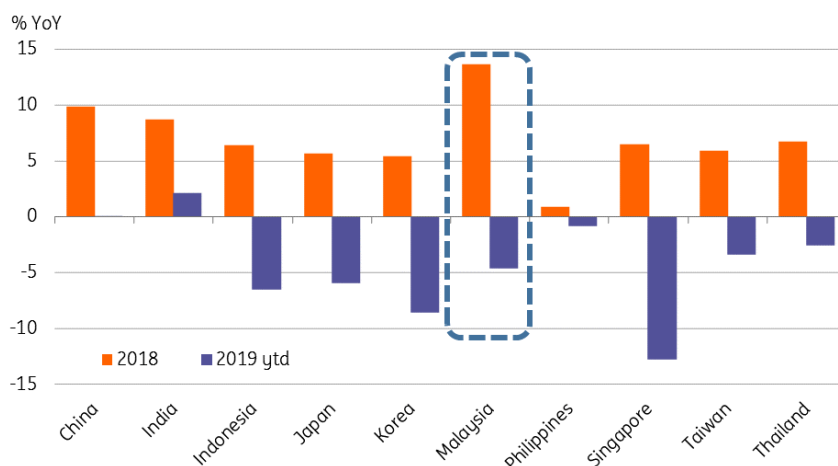
Source: CEIC, ING

What's behind the export outperformance?

Following a 14% (USD denominated) surge in exports last year – the fastest in Asia – some export weakness was inevitable this year.

Given Malaysia's heavy export exposure to electrical and electronic goods, the outlook for Malaysia's export sector was about as bad as you could imagine. But a 5% fall in exports in the first half of 2019 from a year ago wasn't at all bad in comparison with sharp export declines elsewhere in Asia.

Asian export performance

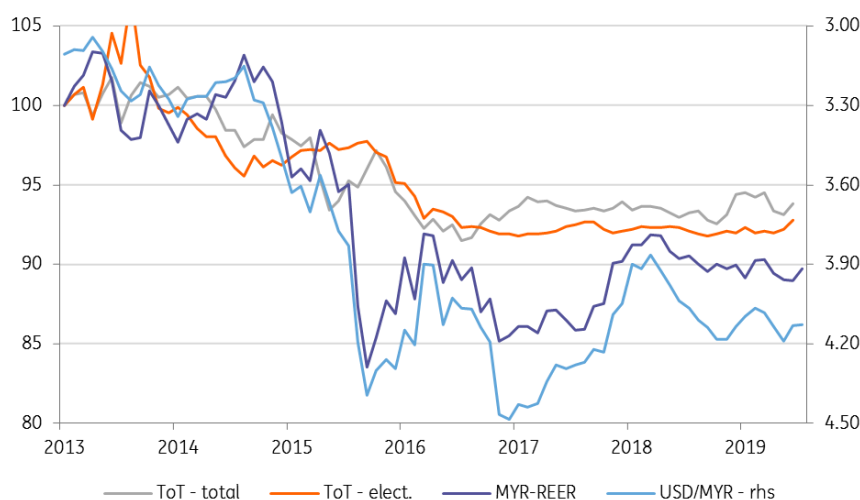


Source: Bloomberg, CEIC, ING

Among the key factors supporting Malaysia's export performance this year are continued favourable terms of trade, an undervalued currency, relative electronics strength, and maybe some supply chain diversion.

- Terms of trade:** The 2014 commodity price crash was a huge negative shock for Malaysia's commodity-driven economy. Commodity prices started to recover in 2016 but the terms of trade failed to follow suit. While the recovery in both global commodity prices and Malaysia's terms of trade was further hampered with the onset of the trade war between the US and China last year, this probably helped sustain Malaysia's exports competitive advantage in international markets.
- Undervalued currency:** The Malaysian ringgit (MYR) hasn't escaped the emerging market contagion. The MYR lost 2% of its value against the USD in 2018 and another 1% so far this year. This despite a relatively stable economy with a healthy balance of payments. The weak currency is boon for exports.

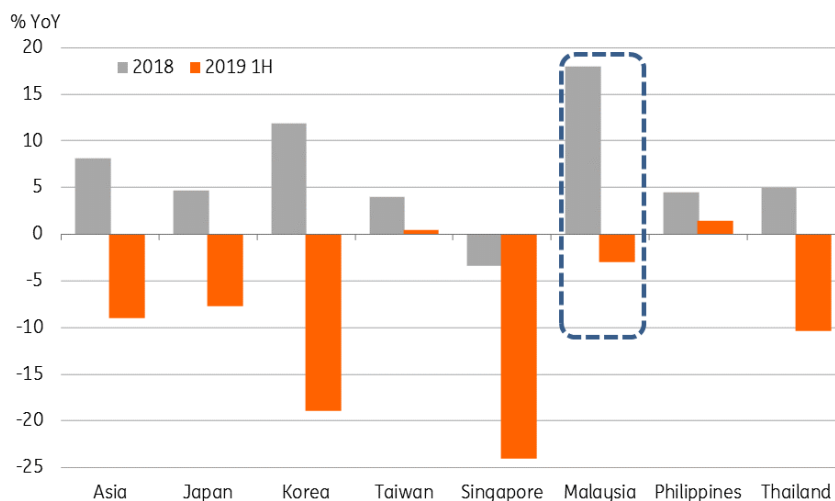
Still favourable terms of trade, undervalued currency



Source: Bloomberg, CEIC, ING

- Electronic export outperformance:** Even though Malaysia's E&E exports aren't immune to ongoing global electronics weakness, a 3% YoY fall in these shipments in the first half of 2019 compares very favourably with large declines elsewhere in the regions. (24% fall in Singapore, 19% in Korea, and 10% in Thailand's electronics exports). Malaysia isn't very far off the Asian outperformers including Taiwan (+0.4%) or the Philippines (1.5%), whose relative strength this year follows excessive weakness last year.

Asian electronics export performance

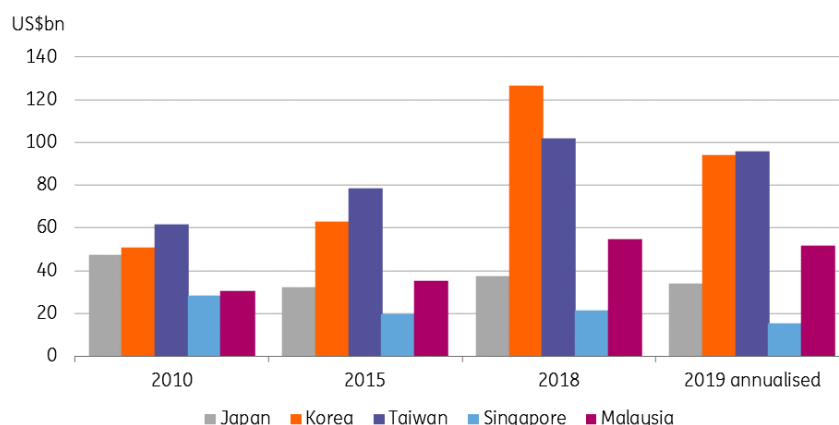


Source: Bloomberg, CEIC, ING

- Supply chain diversion:** The outperformance of Malaysia's electrical and electronics industry relative to its Asian counterparts may lead one to wonder whether Malaysia is taking market share from other Asian countries. Not necessarily from Singapore, though Malaysia appears to be gaining some edge here too. Some of the facts substantiating this view include a big surge in foreign direct investment inflow in the northwest coastal states as well as a surge in semiconductor manufacturing and exports this year. A Bloomberg story recently pointed out the state of Penang, already home to big tech companies, has attracted large FDI inflows this year, which together with a surge in semiconductor manufacturing this year (23% YoY in the first half of 2019) and in exports (up 6%) are hopeful signs that Malaysia is moving up the value chain.

[Trade War Spurs 1,360% investment jump in Malaysian State](#)

Asian semiconductor exports - Is Malaysia moving up the electronics value chain?



Source: Bloomberg, CEIC, ING

Further exploring electronics potential

The electrical and electronics sector forms a significant part of Malaysia's economy. Exports from this sector account for about 38% of Malaysia's total exports and were equivalent to about 26% of the country's GDP in 2018. Virtually all of Malaysia's trade surplus is being generated from the electrical and electronics sector, while the sector also accounts for almost a quarter of manufacturing output (GDP), employment and investment.

Despite the big weighting in trade and manufacturing, the electrical and electronic sector's contribution to overall GDP and employment has been pretty low. Although this may come across as a low-value adding nature of the sector, which also conforms to high import content of E&E exports, the fact that virtually all of Malaysia's trade surplus is generated from the E&E trade challenges the low value-added argument.

Until recently most of the E&E imports were processed for re-export, and even the strong surge in exports in recent years (19% in 2017 and 11% in 2018) failed to stimulate Malaysia's manufacturing out of its low single-digit growth path. However, this seems to have changed since the outbreak of the trade war.

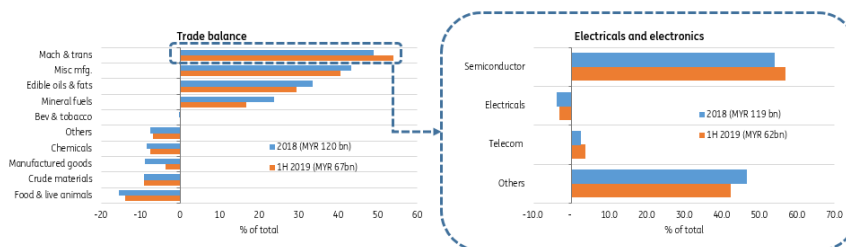
Electrical and electronics - key facts

%	2018 Share
38	Total exports
30	Total imports
99	Trade surplus
13	Approved manuf investment
19	Approved FDI
26	Exports in GDP
28	Manufacturing GDP
23	Manufacturing employment
6	Total GDP
4	Total employment

Source: Bloomberg, CEIC, ING

Share of electrical and electronics in total economic activity

E&E - the biggest contributor to the trade surplus

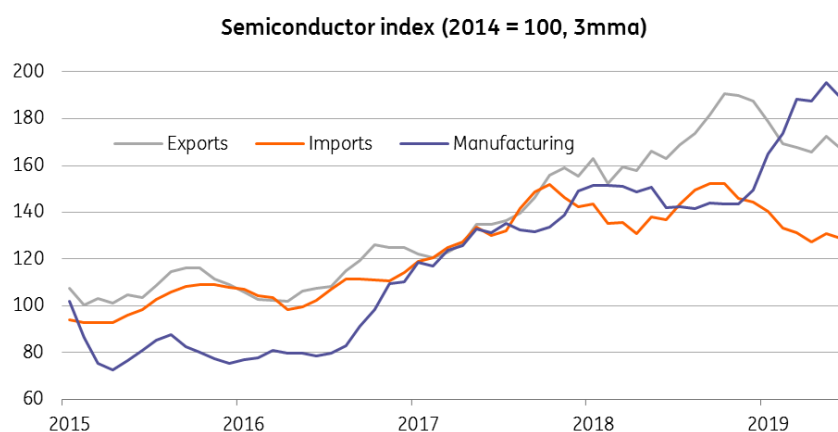


Source: CEIC, ING

The recent outpacing of Malaysia's electrical and electronics exports over imports may well be a transitory side-effect of the global trade war exerting weakening pressure on the currency and thus depressing imports (but then that would have also benefited neighbouring economies, which it doesn't seem to have done).

Or, more likely, this may be evidence of a structural shift as part of the supply chain relocation in the intensifying US-China trade and tech war.

Malaysia's semiconductor surge



Source: CEIC, ING

Near-term economic outlook - steady as she goes

Yet, it's hard to imagine the economy continuing to outperform the rest of the world as global trade tensions touch new heights. Nor do we see Malaysia's electronics sector continuing to beat the global tech slump, though elsewhere in the region, some green shoots may have started to emerge in this sector.

Nevertheless, we see growth lingering close to the high end of the government's 4.5-5.0% forecast range (revised from 4.3-4.8% following 2Q GDP report earlier this month) in the remaining two quarters of the year. We maintain our growth forecast at 4.7% for the current year and 4.9% in 2020. Any easing of trade tensions will be more positive for growth next year, though as things stand now there are no reasons to be too hopeful about the trade war. We expect sluggish global demand and subdued commodity prices to limit upside growth potential, while firmer domestic demand will limit any downside to growth from here on.

Barring any more severe trade shocks, or a commodity price shock, we see no reason for GDP growth to drift far from the 5% potential level the economy has managed in recent years. In its 2018 Annual Report, the central bank estimated a range of potential growth in the current year at 4.6-5.1%, just a tick down from 5%.

Weak public finances, healthy external payments

While talk of fiscal stimulus to boost growth has been gaining traction around the world, Malaysia's tight public finances offer little scope for a big fiscal boost. However, a renewed boost to investment by reviving some of the key infrastructure projects stalled last year should help.

The East Coast Rail Link (ECRL) project is back on track in a significant sentiment booster for foreign investors in Malaysia. After being suspended for a year, China and Malaysia have reportedly resumed construction of the 640km rail line forming a part of China's Belt-and-Road initiative. Meanwhile, the government has also managed to bring the project cost down by a third to about \$44 billion and aims for completion by end-2026. Hopefully, this spins the wheels for another key rail project, the Kuala Lumpur-Singapore High-Speed Rail (HSR), that's on hold currently.

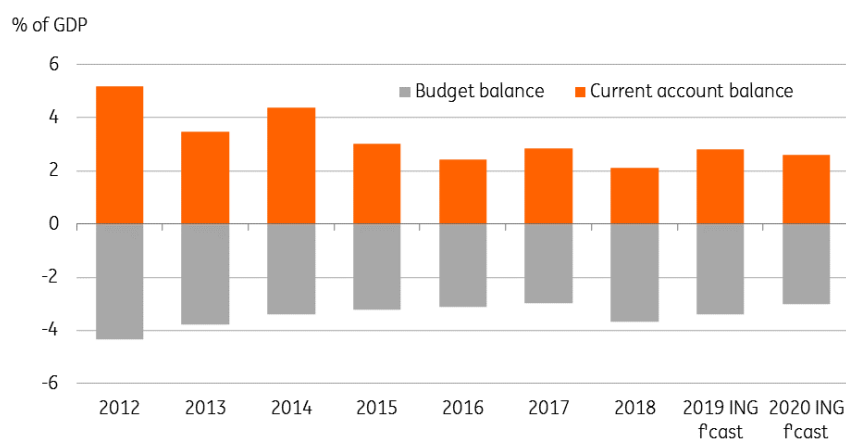
Malaysia's authorities are concerned about public finances staying on track for a target

consolidation of the deficit to 3% of GDP by 2020. Their concerns are valid given growing external risks and the current high level of public sector debt, estimated at over MYR 1 trillion. In contrast, we see firmer growth creating scope for the deficit to come in below the 3.4% target this year government revenues are boosted. An 18% YoY rise in revenue in the first half of 2019 was associated with a 27% YoY reduction of the deficit for the period.

Hopefully, this improvement will be sustained over the rest of the year, though we don't think the government will be rushing into outperforming its target given the wave of fiscal easing taking off globally. We maintain our 3.5% deficit forecast for the current year and 3.3% forecast for 2020.

Meanwhile, Malaysia's external payments position continues to be healthy with 2019 likely marking a turnaround in the trend narrowing of the current account surplus. As mentioned earlier, the MYR 30.7 billion current account surplus in the first half of 2019 was nearly double last year's surplus, prompting a big upward revision to our full-year forecast for the surplus equivalent to 2.8% of GDP from 2.0% earlier.

Budget and current account balances



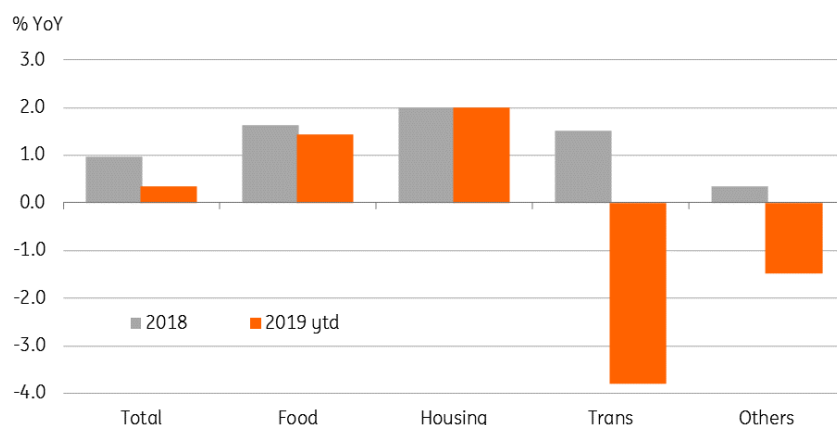
Source: CEIC, ING

Inflation isn't an issue, nor will it be anytime soon

Inflation has surprised on the downside so far this year. At only 0.3% year-to-July we don't see inflation becoming an issue for the economy anytime soon. The transmission of lower global oil price to domestic fuel prices has been a key source of lower inflation this year. And with prevailing downside risks to global demand, we don't see oil price inflation posing any inflation threat in the near-term. Inflation in the important transport component should continue in negative territory for the foreseeable future. Among other key drivers, food inflation has risen past 2% in recent months but it's now close to peaking, while housing inflation remains contained below 2%.

Inflation expectations also remain well-anchored, imparting a downside risk to BNM's view of inflation this year to be broadly stable at 2018's 1% rate. We have cut our full-year inflation forecast to 0.8% from 1.0%. Beyond that, we see it staying under 2% for the next couple of years.

Consumer price inflation



Source: Bloomberg, CEIC, ING

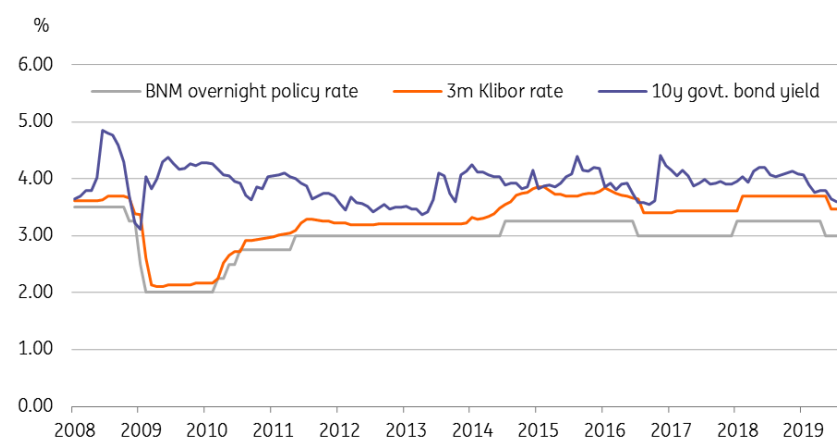
How low can BNM policy rates go?

With persistently subdued inflation we don't think the central bank (BNM) will be left behind in the easing cycle. BNM started easing in May this year with a 25bp cut in the overnight policy rate to 3.0%.

Although the current US-China trade war and tech slump don't compare to the global financial crisis, its impact is more focussed on Asia. Consequently, we believe we can draw parallels between BNM's behaviour then and in the current situation.

If so, then BNM policy rates could go as low as 2.0%. Even so, we believe the central bank will tread a cautious path and abstain from excessive easing. We now anticipate two more 25bp BNM rate cuts taking the overnight policy rate down to 2.50% by end-2019.

BNM policy and market interest rates



Source: Bloomberg, ING

Bottom line

Firmer growth, low inflation, and a healthy external payments position – are all coming

together in support of positive investor confidence in the economy in the current global economic turmoil. Recent affirmation by rating agency S&P's Malaysia's 'A-' long-term sovereign ratings with a stable outlook was a vote of confidence in country's balanced economic outlook for the near-term, with monetary flexibility offsetting weaker yet relatively stable public finances.

With this, we see the Malaysian ringgit continuing to be among the most resilient Asian currencies in the period ahead with the exchange rate against the USD hovering just around 4.2.

Malaysia - Key economic indicators and ING forecasts

Malaysia	2017	2018	2019F	2020F
Real GDP (% YoY)	5.9	4.7	4.7	4.9
CPI (% YoY)	3.8	1.0	0.8	1.4
Unemployment rate (%)	3.4	3.3	3.4	3.3
Fiscal balance (% of GDP)	-3.0	-3.7	-3.5	-3.4
Public debt (% of GDP)	50.7	51.8	46.5	47.2
Current account (% of GDP)	2.8	2.1	2.8	2.6
FX reserves (US\$bn)	102.4	101.4	105.0	108.0
External debt (% of GDP)	69.2	64.9	66.6	69.7
Central bank policy rate	3.00	3.25	2.50	2.50
3M interbank rate (% eop)	3.44	3.69	3.00	3.10
10Y govt. bond yield (% eop)	3.91	4.08	3.20	3.30
MYR per USD (eop)	4.05	4.13	4.20	4.18

Source: ING

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands
marten.van.garderen@ing.com

David Havrlant
Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Sander Burgers
Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

Michiel Tukker
Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas
padhraic.garvey@ing.com

James Knightley

Chief International Economist, US
james.knightley@ing.com

Tim Condon

Asia Chief Economist
+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist
+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com

Indonesia: Warjiyo whips out preemptive cut against global headwinds

Bank Indonesia surprised markets on the timing for a second rate cut to help spur economic growth amidst global headwinds



Perry Warjiyo being sworn in as governor of Bank Indonesia in 2018

5.5% 7-day repurchase rate

Lower than expected

Warjiyo surprises with the timing but not the move

Wary of brewing headwinds given the US-China trade war, the Bank Indonesia (BI) Governor opted to cut policy rates once more in a bid to boost growth momentum. In line with re-elected President Jokowi's bid to stimulate growth, it looks like BI has joined up with the rest of the economic cluster to insulate Indonesia's economy and to push forward to help lift growth away from the lower end of the 5% handle. Warjiyo now sees growth for Indonesia to settle between 5.1% and 5.5% with the upper end of that range now increasingly possible given the stimulus from the monetary side to help stir household consumption and investment.

BI's preemptive strike

Governor Warjiyo indicated that the rate cut was a preemptive move to support economic growth as he vowed to ensure ample liquidity to help foster accelerated growth. Recent trade numbers illustrate how Indonesia has returned to a trade deficit, indicating the ill effects of the US-China trade spat are already weighing on Indonesia's export engine. Warjiyo hints that Bank Indonesia will retain its accommodative monetary policy mix but we expect BI to monitor closely the next moves of the Fed as well as the stability of IDR before seriously considering further rate cuts in the near term. In the meantime, it does appear that it's all hands on deck for Jokowi's bid to give growth a decent shot in the arm, which could entice some interest from foreign players to return (and prop up IDR) as Jokowi and his party chase faster growth going into 2020.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.