

Good MornING Asia - 5 December 2019

From "not this side of the election", a December trade deal complete with tariff rollbacks is the talk of markets this morning - this is not all in the price

In this bundle



Trade rhetoric still roiling markets

From "not this side of the election", a December trade deal complete with tariff rollbacks is the talk of markets this morning - this is not all...



Asia Morning Bites

ASEAN Morning Bytes

Looks like it's going to be a great day for Asian markets today as reports reigniting hopes of the US-China trade deal in December whet risk appetite.



Philippines: Inflation to bounce to 1.3%, convincing BSP to pause

Philippine inflation for November will likely bounce to 1.3% (from 0.8%) as base effects fade.



Malaysia

Malaysia: Trade surplus hits all-time high in October

As elsewhere in Asia, the worst of Malaysia's trade downturn appears to be over though the recovery could be painfully slow



Australia

Australian 3Q19 GDP disappoints

Expectations for a further 25bp of easing from the Reserve Bank of Australia should rise following a slowdown in QoQ growth from 0.6% in 2Q19 to 0.4% in...

Opinion | 4 December 2019

Trade rhetoric still roiling markets

From "not this side of the election", a December trade deal complete with tariff rollbacks is the talk of markets this morning - this is not all in the price



Source: Shutterstock

President Donald Trump, left, meets with Chinese Vice Premier Liu He, front right, at the White House in Washington

USDCNH provides some insight into the trade war

I frequently choose the 10Y US Treasury yield as the benchmark for global market risk sentiment. However, in this part of the world, and especially when considering market expectations on the trade war, USDCNH is probably as convenient a place to start, and also provides more of an Asian-flavour to my note.

The question is, not just whether we will get a deal before December 15, which in my view remains a coin-toss. Rather, it is, whether the market has fully priced in any deal or not.

My guess, and it is no more than that, is that this is at best only partially priced in. Consider the last few days. Today, reports suggest a trade deal with tariff rollbacks is now looking probable before December 15. But then only a day previously, President Trump had suggested that we may not get a deal until after the Presidential Election. Prior to that, we are back to hearing that a deal was "very close".

USDCNH was trading at a little over 7.04 before the downbeat Trump announcement sent it to just

under 7.09. The more optimistic commentary this morning has taken it back down to 7.05, though still above where it was a couple of days ago.

Being whipped around like this does not encourage markets to take strong positions. Neither those who might believe a trade deal is likely, nor trade pessimists, will be prepared to go "all-in" when the environment and rhetoric change so abruptly. So were we in fact to get a substantive deal, then I would think we should be eyeing USDCNH moving closer to 7.0 again. But if tariffs get imposed, then a spike above 7.10 also seems plausible.

In US Treasury terms, the comparable peaks and troughs on the volatile newsflow in the past three days have been a peak of 1.82% and a trough of 1.715%. So pick your own numbers, but I could imagine a good news scenario sending US Treasuries back towards their November high of 1.95% or even eyeing 2.0%, but a bad news outcome taking them towards the 1.55% October low.

It is perhaps not all that surprising that today's 1.77% figure is practically in the middle of that range, maybe slightly tilted toward good news. But it suggests that whether you are looking at USDCNH, USDKRW, US Treasuries, or equity markets, there is still plenty to play for over the coming days as we near a deal/no deal on the Trade war.

Asia Day ahead

The main Asia interest today comes from the Reserve Bank of India (RBI). There is a widespread expectation that the RBI will cut rates again following the disappointing 4.5% GDP growth in 3Q19. And this is in spite of rising inflation. Most market forecasters are pencilling in a 25bp rate cut taking the repo rate to 4.90%.

One or two forecasters, including ourselves, are forecasting a bigger cut. In our case, 40bp. This would take the repo rate down to 4.75%. There is a precedent for non-25bp cuts. The 7 August cut was 35bp. So 40bp is certainly not ridiculous and takes the repo rate to a more satisfying 4.75% level.

[For a longer more considered view, read this by Prakash Sakpal published recently.](#)

Otherwise, Philippine inflation data for November out this morning could come in above the consensus 1.2% forecast, causing Governor Diokno to pause from cutting rates further this month. We still believe there is more to come from the Philippine Central Bank (BSP) next year, probably in February. [Here is a link to what Nicholas Mapa has to say on the subject.](#)

Iris Pang in Hong Kong SAR writes this about efforts to offset the local macro impacts of the protests there. "The Financial Secretary released another batch of relief measures, which included tax payments by instalment upon request and some waivers for electricity and water usage for firms, including catering businesses. We think that the impact of these measures will be small, as tax payments by instalment have long been allowed if tax-payers are in difficulty. And the waivers for utility charges have a low upper limit. These relief measures will only likely have a significant positive impact if violent protests cease".

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

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@ing.com

Michiel Tukker

Senior UK & Eurozone 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

Senior Economist, Healthcare & Technology

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@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

Deputy Global Head of Editorial 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

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 Corporate 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

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@ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Chief Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, 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

ASEAN Morning Bytes

Looks like it's going to be a great day for Asian markets today as reports reigniting hopes of the US-China trade deal in December whet risk appetite.



1.3% ING forecast of Philippines inflation

EM Space: US-China trade deal is back on

- **General Asia:** Looks like it's going to be a great day for Asian markets today as reports reigniting hopes of the US-China trade deal in December whet risk appetite. It's also a busy economic calendar with a slew of inflation and consumer confidence indicators. But the main highlight of the day will be the Reserve Bank of India policy decision with a solid consensus looking for another 25bp rate cut, the sixth cut this year.
- **Thailand:** Talking down the baht (THB), Bank of Thailand's Deputy Governor Mathee Supapongse told media that after having strengthened beyond fundamentals the currency might no longer be seen as a safe haven. With 7.5% appreciation this year against odds of continued weak economy and central bank rate cuts, there is indeed limited upside in THB from here on.

- **Indonesia:** October consumer confidence index could help gauge the pace of GDP growth in the 4Q of the year. Consumers have been less optimistic since mid-year with slowing growth momentum and higher healthcare costs tagged as reasons for the five-month low confidence. If it slips further and household consumption remains lacklustre, we can expect BI to resume its easing cycle in early 2020.
- **Philippines:** November CPI data is due with consensus centred on increase in inflation to 1.2% YoY from 0.8% in October. Base effects kept the headline inflation under 1% for two straight months, led by negative inflation in key components of food and transport prices. The November bounce will likely be enough to convince the Bangko Sentral ng Pilipinas (BSP) to pause at its last meeting for the year with Governor Diokno indicating that inflation to be a key consideration for his policy decision.

What to look out for: RBI policy decision, US non-farm payroll

- Philippines inflation (5 December)
- Reserve Bank of India policy decision (5 December)
- US factory orders (5 December)
- Regional foreign exchange reserves (6 December)
- US non-farm payrolls (6 December)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Snap | 4 December 2019

Philippines: Inflation to bounce to 1.3%, convincing BSP to pause

Philippine inflation for November will likely bounce to 1.3% (from 0.8%) as base effects fade.



Rice for sale at a market in the Philippines

1.3%

ING forecast for November inflation

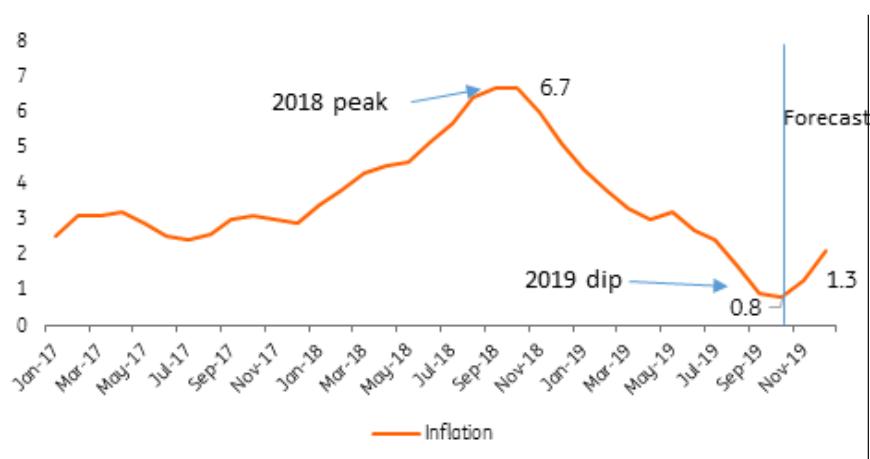
Bloomberg consensus at 1.2%

November inflation to rebound to 1.3%, stay within target in 2020

After falling to 0.8% in October, we expect Philippine inflation to bounce to 1.3% as base effects from last year's spike fade quickly out. With food supply stable thanks to better weather conditions and legislation that removed restrictions on rice imports, the most important sub-group of the CPI basket has fallen into "deflation".

We expect inflation to revert back to the midpoint of the BSP's 2-4% inflation target next year and to average 3.2% in 2020. Inflation for the most heavily weighted sub-group (food and beverages are 38% of the basket) will also stay subdued due to imports and better weather conditions. Meanwhile, with global growth forecast to sputter next year, we expect subdued commodity prices to limit both energy and transport costs for the Philippines.

Philippine inflation and forecast



Source: PSA and ING estimates

Bounce to convince BSP to pause at 12 December meeting

Bangko Sentral ng Pilipinas (BSP) Governor Diokno kept the door open for a rate cut at the 12 December meeting, indicating that he will take his cue from inflation data to decide if further action is appropriate. Given that we predict inflation to rebound to 1.3% from 0.8%, BSP will likely pause at its last meeting of the year. After the projected BSP pause this month, we expect the central bank to resume its easing cycle early next year after data points to sub-target growth and well-behaved inflation in 2020. The Peso may benefit from a rebound in inflation and the possible BSP pause as the dovish Governor closes shop for the year.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Malaysia: Trade surplus hits all-time high in October

As elsewhere in Asia, the worst of Malaysia's trade downturn appears to be over though the recovery could be painfully slow



Source: shutterstock

17.3bn October surplus (MYR)

Highest ever

Higher than expected

Record trade surplus is positive for Malaysian ringgit

Firmer exports swelled the trade surplus to a record MYR17.3 billion in October from MYR8.4 billion in the previous month (consensus MYR11 billion). This takes the year-to-date surplus to MYR118 billion, or MYR14 billion wider than a year ago. The higher trade surplus means a higher current account surplus, which we see rising to about 2.3% of GDP this year from 2.1% in 2018.

The external payments situation remains supportive of the Malaysian ringgit (MYR), one of Asia's most resilient currencies to the global trade contagion so far. We see the USD/MYR

hovering around the 4.18 current spot level through the rest of the year.

Exports fall but not as much as expected

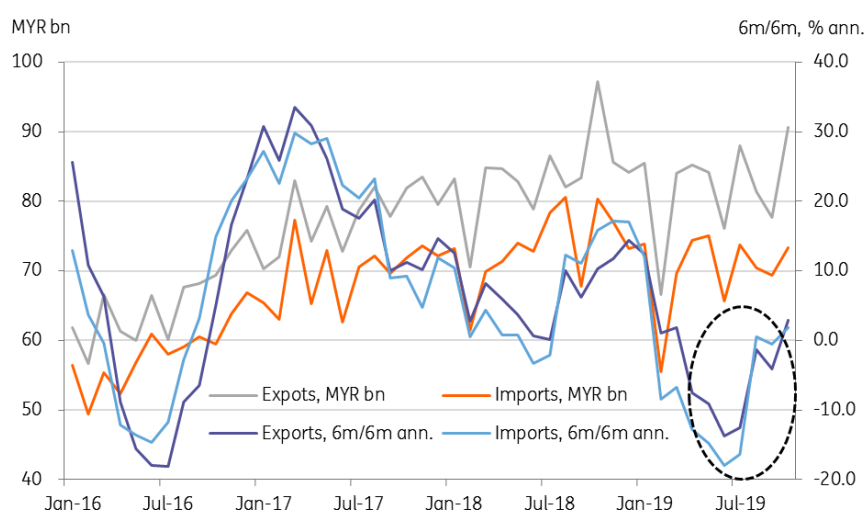
Exports contracted for the third straight month in October by 6.7% year-on-year. However, the pace of contraction was unchanged from September, which was a surprise to the markets which expected a much deeper, 12% plunge. Electrical and electronics exports were the obvious source of surprise (-3.2% YoY vs. -12.2% in September), offsetting accelerated weakness in commodities exports (oil and petroleum products, metals, rubber, etc.).

Imports swung to a fall of 8.7% YoY in October from 2.4% growth in the previous month. The decline was slightly steeper than the -7.0% consensus view.

The worse seems to be over

October is also a seasonally strong month for trade with big month-on-month bounces in both exports and imports, 16.6% and 5.6%, respectively this year. This may have made this a better set of numbers, absent which the high base effect would have significantly dented growth.

Still, despite the seasonal fluctuations, the underlying trend seems to be improving for exports, and also for imports given the high import content of exports. That said, resurgent US-China trade tension bodes ill for the near-term recovery, which could be painfully slow.



Source: CEIC, ING

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

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@ing.com

Michiel Tukker

Senior UK & Eurozone 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

Senior Economist, Healthcare & Technology

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@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

Deputy Global Head of Editorial 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

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 Corporate 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

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@ing.com

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

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

Peter Virovacz
Chief Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, 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

Australian 3Q19 GDP disappoints

Expectations for a further 25bp of easing from the Reserve Bank of Australia should rise following a slowdown in QoQ growth from 0.6% in 2Q19 to 0.4% in 3Q19.



Source: Shutterstock

Reserve Bank of Australia Governor Philip Lowe

0.4%QoQ 3Q19 GDP
1.7%YoY

Lower than expected

Expectations lean towards more easing

Markets were already leaning towards a further rate cut in February next year, but the mildly disappointing GDP figures for 3Q19 GDP now make that look a more solid call. The Reserve Bank of Australia has been characterising the economy as experiencing a "gentle upturn". But this data seems to suggest more of a gentle downswing. Consequently, it will be very hard for RBA Governor Lowe to hold back from easing again in February 2020, as he did this week. About the only thing now that could unseat views of more easing, would be a clear turnaround in the labour data. If instead this remains soft, then a February rate cut will look all but a done deal.

We imagine that if the data is looking sufficiently soft to merit a further rate cut, then in all likelihood, it will end up requiring two, so as long as the forthcoming labour data don't change the picture, then we will be looking to reduce our rate outlook to 0.25% by the end of 2Q20, and most likely scaling back our AUD forecasts too.

Contribution to 3Q19 QoQ GDP



Source: Australian Bureau of Statistics
Contribution to 3Q19 GDP

Even split between domestic demand and net exports

One could argue that the upward revision to 2Q19 GDP makes this a better set of numbers than the headline implies. It certainly suggests that activity has been stronger in the recent past, though it is the sharper downturn in activity in 3Q19 that we think is the more important consideration for the RBA, and which will likely weigh on the AUD. Private investment remained weak, household consumption contributed only 0.1pp, and government consumption was the main driving force for domestic demand, along with a little help from inventories.

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

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@ing.com

Michiel Tukker

Senior UK & Eurozone 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

Senior Economist, Healthcare & Technology

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@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

Deputy Global Head of Editorial 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

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 Corporate 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

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@ing.com

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

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

Peter Virovacz
Chief Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, 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

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.