In case you missed it: From 'foe' to friend?

The economic news this week broadly confirmed what we already knew; that the US is booming and the European Central Bank has no plans to raise interest rates before next summer. But there was one surprise and it's got investors excited. President Trump's trans-Atlantic truce on trade helped to calm fears of an all-out tariff war. But can we really relax?

In this bundle

Commodities daily

Mid-year gold outlook: Timing the dollar

The US dollar rally has knocked gold into a substantially lower trading range with funds shorting the market in record numbers. Those shorts stand a good...

Bitcoin: Is there a link between its hype and FX markets?

The crypto-debate is really about people, networks and trust and the hype in emerging markets suggests that double-digit inflation and FX volatility could...

Article | 27 July 2018 United States

Trump’s secret: What would count as a ‘win’ for him?

By reconciling with the EU, President Trump has taken everybody by surprise. The real surprise isn't so much his sudden friendliness, but the small...

Source: Shutterstock

Blowing hot and cold

Few people expected reconciliation with the European Union as the outcome of European Commission President Jean-Claude Juncker’s visit to the Oval Office after the accusations and threats from President Trump in the weeks running up to the meeting. But how can it be that Trump switches from qualifying the EU as a “foe” to a beloved friend so quickly? The answer is simply that blowing hot and cold is part of his negotiation strategy. His accusations and especially his threats to impose tariffs scare US trade partners and make them willing to come to the negotiating table with concessions.

With the threat of tariffs on steel and aluminium, Trump has already succeeded in getting concessions from South Korea, Brazil and Argentina. But with the EU, this strategy wasn't really working until the Trump-Juncker summit. The EU took the principled stand that trade talks weren't possible as long as the US maintained higher tariffs on steel and aluminium. This stance was stressed especially by the French, but Germany, who is more dependent on US demand, steered Juncker towards a more pragmatic approach aiming to avoid any further escalation of the tariff war.

Low price to pay

Juncker has succeeded because Trump has indicated the US won't impose the tariffs on European cars as long as both parties are still at the negotiating table. For the time being, the price the EU has had to pay for that appears to be pretty low. Trump claimed Juncker's promises to import more soya beans and liquefied natural gas (LNG) from the US as a victory; however, these promises seem rather hollow. After all, the European Commission isn't in the business of buying soya beans or natural gas. Only users of gas and soybeans can make this promise come true, and they will only do that if the price is right.

> *The chances of a trade war between the US and EU being called off depends on the million dollar question: what is Trump's end goal? The problem is nobody really knows*

Not entirely coincidentally, but the prices of American soya beans have been falling due to the fall in Chinese demand. So market forces will increase EU imports of American soya beans without any costs for the EU.

But it'll be more difficult to deliver on the promise regarding more imports of American LNG. It is a long-cherished desire of the EU Commission to become less dependent on Russian gas, but American LNG is considerably more expensive, at least for the time being. In the longer run though, EU gas imports will increase because EU producers like the Netherlands will supply less in the years to come. If the US is prepared to wait, this promise doesn't lead to a cost to the EU either. So far so good for the EU.

Don't relax just yet

The more substantial and most important result of Juncker's visit is the commitment to begin talks on lowering tariffs and non-tariff barriers for trade in industrial goods and services between the US and the EU. In essence, this comes down to the reopening the core of the Transatlantic Trade and Investment Partnership (TTIP) negotiations. If barriers to trade can be lowered, both the US and the EU will benefit economically.

But don't relax just yet. After all, there isn't a deal yet. And let's not forget Trump is only interested in a trade deal if it results in a 'win' for America. For Trump, this means a lower bilateral trade deficit with the EU and the EU Commission doesn't have much direct influence over that. In the meantime, the US continues its Section 232 investigation into the imports of cars and parts, so the risks of a resumption of hostilities are significant.

Trump's secret

The chances of a trade war between the US and the EU being called off depend on the million dollar question: what is Trump's end goal? The problem is nobody really knows.

In the ongoing trade dispute with China, Trump has previously demanded a reduction of the trade deficit by half, i.e. $200 million within two years. The Chinese were prepared to commit to increasing imports by $70 million, but that offer was effectively turned down by the Trump administration when he pressed ahead with tariff increases in July.

Since the EU doesn't agree with Trump's view that trade with the US is unfair, concessions from Brussels that could lead to significant reductions of the EU trade surplus with the US are unlikely. The chances are President Trump will return to threatening the EU with tariffs on cars and/or other goods if the negotiations don't deliver results (fast enough) - results that he can present as a "win".

So the real challenge seems to be unraveling Trump's secret: what would count as a "win" for him?

Article | 27 July 2018 **United States**

America booms: A strong GDP report across the board

The US economy expanded at an annualised rate of 4.1% in 2Q18. With inflation on the rise and the jobs market looking strong the Fed may have to strike a...

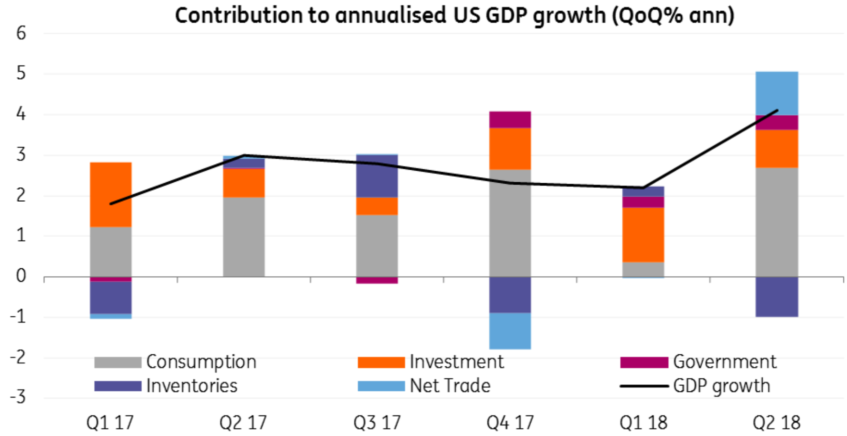
Source: iStockphoto

Breaking down the numbers

US second-quarter GDP growth has come in at 4.1% annualised, broadly in line with expectations, while Q1 was revised up from 2% to 2.2%. The report is incredibly strong throughout. Consumer spending rose 4%, government spending was up 2.1% and non-residential investment was up 7.3%. Exports surged 9.3% and imports barely changed meaning net trade contributed 1.1 percentage points to the headline growth rate.

The only weakness was in residential investment which fell 1.1% after a 3.4% drop in Q1 while inventories subtracted 1% from headline growth. These developments are actually very supportive for 3Q18 growth – inventories will be rebuilt after such a sharp run down, while the strength in housing demand means a rebound in residential construction is only a matter of time away.

US GDP growth bounces back



Source: Macrobond

The Fed's next move

In terms of the outlook, trade tariffs and worries about protectionism appear to be making business a little cautious. But we have to remember that the effective tax hike from the tariffs enacted so far is dwarfed by the $1.5 trillion dollars of tax cuts on wages and profits President Trump signed into law last December. As such household incomes and corporate cash flows are in great shape with the high-frequency data suggesting the US has very positive momentum for the second half of the year.

Growth could slow a touch overall in 2H18 given trade uncertainty (which could depress capex and hiring) and the effects of monetary policy tightening, but we still think the economy can expand 3% over 2018 as a whole. At the same time, all the key inflation measures are at or above the Federal Reserve's 2% target and there is growing anecdotal evidence that wages are rising more quickly (the Fed's Beige Book for example). Consequently, we continue to look for a September and a December rate hike with the Federal Reserve potentially providing a more forceful statement of intent at next Wednesday's FOMC meeting.

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Article | 26 July 2018

ECB: Get back to the cold drinks, nothing to see here

ECB leaves everything unchanged and confirms main messages from June

Source: Shutterstock

OK, given the summer heat, we will not even try and pretend that today's ECB meeting was exciting. In fact, hardly anyone would have noticed if the ECB's communication staff had simply replayed the tape from the June meeting on the live stream channel. As expected, the ECB and ECB President Mario Draghi chose to play extremely safe and did not deviate at all from the main messages from the June meeting: i) the ECB remains confident and determined to gradually end quantitative easing by the end of the year and ii) the first rate hike is still a long way out.

The ECB's entire assessment of the eurozone economy was almost a verbatim copy from the one at the June meeting. The ECB continues to see a strengthening of the eurozone recovery, pointing to stabilised growth data, and at the same time shows strong confidence in a further pick-up in underlying inflationary pressure, stressing that uncertainty on the inflation outlook had receded. In short, the basis for the ECB's policy message from June remains intact.

There was a little chance that Draghi could clarify the ECB's definition of "through the summer of 2019" as there had been some speculation in markets on where the ECB would see the end of the summer, hence when there would be the first theoretical opportunity for a rate hike. Here, Draghi dodged the question, which in our view means that a first rate hike is still so far away for the ECB that it feels comfortable with some uncertainty in markets. Mainly for the German audience, Draghi also addressed the Target 2 imbalances, clearly downplaying the issue.

All of this means that our ECB calls remain unchanged. Even though the ECB has stressed the optionality of the anticipated gradual dovish tapering, we still think that it would need a severe slowdown of the recovery and/or continued low core inflation for the ECB not to stop QE by the end of the year. QE remains part of the toolbox but most ECB members would clearly be happy if it returns into the box and stays there, so that interest rates return as the ECB's main policy instrument. In this regard, the ECB could eventually show more leniency than markets currently expect and postpone a first rate hike even further into the future, if need be. For the time being, however, we still think that Draghi does not want to go into the history books as the central bank president who never hiked interest rates. He will have two opportunities after the summer of 2019. As this is still a long way out, it is clear that the only intention of today's meeting was to have a quiet summer this year.

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Article | 24 July 2018 United Kingdom

How a ‘no deal’ Brexit could be avoided

Avoiding a ‘no deal’ boils down to finding a compromise on the Irish border solution. That will be far from easy – but the alternatives...

Source: Shutterstock

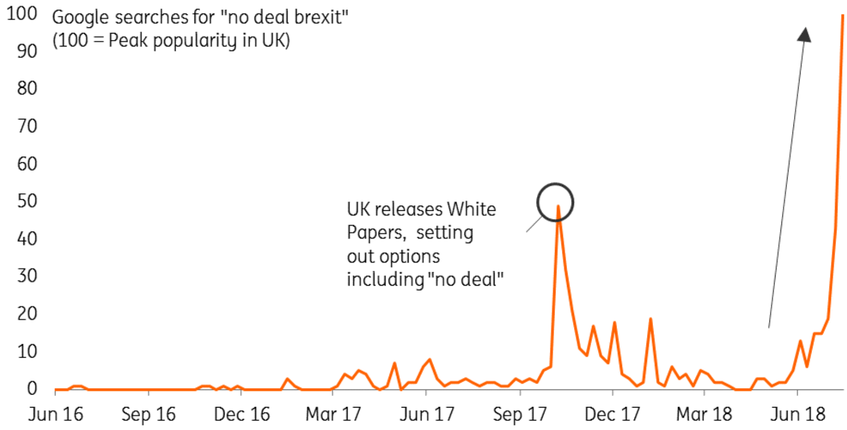
Why talk of “no deal” is increasing

Just two weeks ago, it seemed as if Prime Minister Theresa May had finally managed to craft a Brexit proposal that could unite her Cabinet.

But after her Chequer's away day, a string of ministers resigned in protest at the agreed plan. May was also forced to make several concessions to win the support for a piece of customs legislation from a sizable Brexiteer-faction of the Conservative Party known as the European Research Group (ERG), potentially complicating the implementation of her Brexit plan. Then, the next day, she came very close to losing a vote on future membership of a customs union, after a handful of pro-EU Conservative MPs rebelled against the government.

What’s becoming increasingly clear is that whatever direction the Prime Minister ultimately decides, she cannot count on a majority of MPs backing it. With no obvious way out of the current impasse, many are now asking: is it inevitable that the UK crashes out of the EU without a deal?

Google searches for "no deal Brexit" have surged



Source: Google Trends

Avoiding 'no deal' boils down to the Irish border

Certainly, talk of "no deal" has surged, partly as the UK government has become more vocal about contingency planning over recent days. But it's worth remembering there are actually two deals in play here. There's the deal on the future trading relationship, and there's the withdrawal agreement. Avoiding the chaos of crashing out of the EU in March next year relies on resolving the latter.

While the EU is highly resistant to the UK's latest Brexit proposal, it looks like Brussels increasingly accepts that realistically no progress can be made on the future trading relationship before March 2019. If nothing else, it will be reluctant to show its hand and engage in trade negotiations while the UK's position is so volatile. We suspect the EU will now double down and focus on getting the withdrawal agreement over the line before the UK formally leaves next year.

Of course most of this withdrawal agreement – the UK's financial liabilities, citizens' rights and transition period - have already been decided. The major sticking point remains the so-called Irish backstop – the fall-back option for Northern Ireland should the overall EU-UK trade deal fail to result in a frictionless trade across the border, and both sides remain staunchly opposed.

Under the EU's backstop proposal, Northern Ireland would, on its own, stay within the single market for goods and a customs union. But the UK government - concerned this would result in regulatory barriers within the UK, as well as damage the fragile political situation in Northern Ireland has said it cannot accept this.

Instead, the British government would prefer a backstop where the UK as a whole remains in a customs union until the systems underpinning its proposed "facilitated customs arrangement" become workable. For a range of practical and political reasons, Brussels is heavily resistant to this idea.

Is there any way of squaring the circle?

Possibly. The EU has offered an olive branch by saying that, if regulatory barriers arose between Northern Ireland and the rest of the UK, efforts could be made to "de-dramatise" any checks at the border.

This could involve having red and green customs lanes at the border to keep traffic flowing (as proposed by the Northern Irish Civil Service), or trusted trade schemes. Some have also suggested that any checks – particularly for agriculture where inspections tend to be more stringent – could be done at the production location instead of at the border.

If a compromise is to be reached, something along these lines looks most likely at this stage. Realistically though, getting parliamentary approval could be very tricky.

While most MPs may eventually conclude this would be the 'least worst' compromise in practical terms, many may view it as an unacceptable risk to the Northern Irish peace process. There are legal hurdles too; following the ERG's successful amendment a week or so ago – which by law prevents a hard border being created in the Irish sea – getting this type of backstop passed may require Parliament to change legislation.

What would happen if lawmakers voted against the withdrawal agreement?

If MPs decide this model for the Irish backstop is unacceptable and choose to vote against the final EU withdrawal agreement, we think there are four possible scenarios:

1 The UK crashes out

Scenario one is "no deal", where the UK exits the EU and begins trading on WTO terms. As we've discussed, this would likely see significant congestion at ports, while the sudden imposition of regulatory and customs checks would likely see supply chains severely distorted. For this reason, reports suggest the government is considering stockpiling food and medicine, as well as battery power supplies, to offset possible shortages. And while the UK has suggested it would simply keep borders open to minimise this immediate disruption, it's much less likely that the EU would do the same.

For those reasons, we suspect the UK government would be very reluctant to accept "no deal" in the end – and for Brexiteers, they would be wary of taking the blame for the economic consequences.

Read the big Brexit rethink

2 A second referendum

This could happen if the government accepted there was no majority in Parliament for what has been agreed and decides to put the deal to the people. While there has been a lot more discussion about this in recent months - bookmakers now put the odds of a second vote at just 3/1 - we suspect it's still fairly unlikely.

This is partly because no major party is calling for another referendum, but also because there isn't enough time to set one up before March next year. Referendums require legislation to be passed in parliament, and in the case of the Brexit vote in 2016, this lawmaking process took around a year – and that's before taking into account the time required for campaigning.

Another general election

If the government was really set on having the people decide, then a general election would be more likely. This would require two-thirds of MPs to agree, but even then, time would be short, and there's no guarantee another election would result in any decisive conclusions. And with Conservatives trailing Labour in the polls by one point, the government is unlikely to decide to trigger an election lightly.

4 Extended Article 50 period

If there's no time, or willingness, for a general election, then the government may be forced to ask for an extension to two-year article 50 period. Assuming this was to come very late on in the process, the EU may feel there's little to be gained by saying no - although it would still require agreement from all 27 member states. But while an extension would prevent an imminent cliff edge, it's not clear what more it would achieve.

According to The Guardian, EU officials don't believe the lack of time is the real issue in the way of getting a deal. Instead, it would want to see signs of a political solution, such as a second referendum before considering extending article 50.

> The bottom line is that all of these scenarios – be it 'no deal', second referendum, another general election or an extended article 50 period – are all highly undesirable for Brexiteers. Each one makes it more likely that Brexit will be reversed at the last minute.
>
> So in the end, a compromise on the Irish backstop that enables the UK to leave the EU formally and start the transition period, might not sound so unpalatable after all. At this stage, we think this, or a similar kind of fudge, is the most likely scenario.

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Article | 25 July 2018 Commodities daily

Mid-year gold outlook: Timing the dollar

The US dollar rally has knocked gold into a substantially lower trading range with funds shorting the market in record numbers. Those shorts stand a good...

Source: Shutterstock

ING Gold price scenario's ($/oz)

	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Base Case	$1,250	$1,290	$1,310	$1,350	$1,350	$1,375	$1,400	$1,375	$1,400	$1,400
EUR/USD	1.17	1.23	1.25	1.30	1.33	1.35	1.36	1.37	1.38	1.40
Worlds End		$1200		$1250		$1300				
EUR/USD		1.15		1.15		1.15				
Negative EU Shocks		$1150		$1100		$1200				
EUR/USD		1.05		1.05		1.10				

Source: ING Research

Taming the greenback

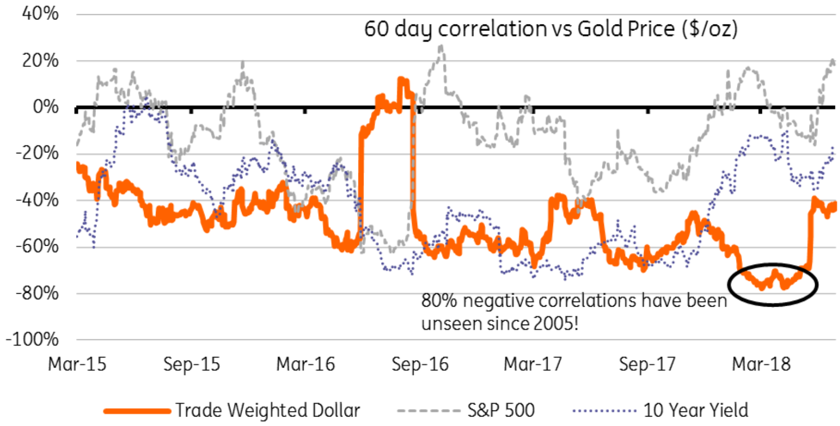
Gold has traded foremost as a currency through 2018, feeling the pressure from the dollar rally and in relative ignorance of the alternative drivers including geopolitical tensions, equity volatility and even yields. Charting the 60-day correlation visibly demonstrates that gold has had its longest and deepest negative inverse relationship with the US dollar index since 2005. Meanwhile, correlations with yields and equities have let up considerably since the tail end of 2017. Recently, gold has shown some signs that it could free itself from this deep relationship, with the 60-day correlation almost halving from nearly 80% to 40%. We think that's just a blip though and expect the dollar to drive gold through 4Q, at least.

If gold remains deeply connected to moves in the dollar as per our base FX forecast, gold prices ought to now be finding a floor and start improving into the next quarter.

President Trump's criticism of China and the EU for manipulating their exchange rates and the Federal Reserve for hiking interest rates is expected to stem the dollar rally. The rhetoric reflects the administration's desire for a weaker dollar and we expect flows into the greenback to settle down. But our FX strategists think we're unlikely to see those fresh longs bail out until Trump's hard-line on trade dissipates. ING economists think that will happen sometime in the fourth quarter after the November mid-term elections.

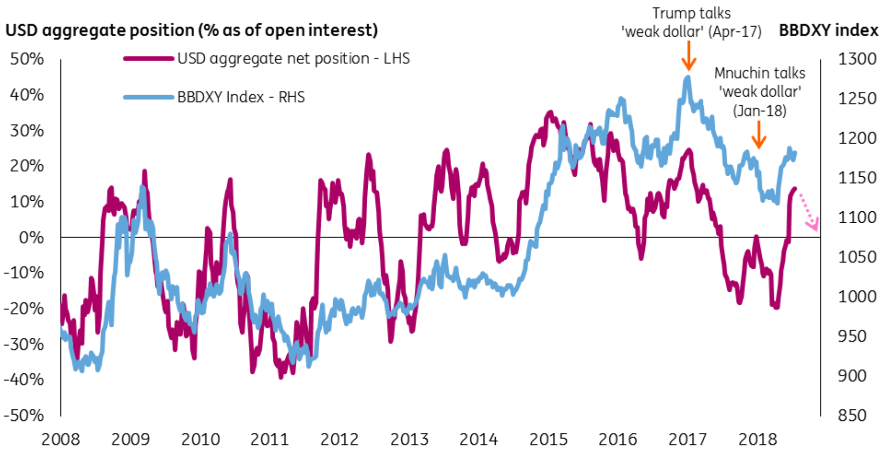
The relative EU-US outlook, meanwhile, is expected to narrow on the back of political stability in Italy and Germany amongst other factors. Our currency base case (EUR/USD at 1.23 by year end) then sees gold edging back closer to the $1300's and we forecast an average of $1290/oz for 4Q.

Gold's inverse dollar correlation has stood above all others- will it weaken?



Source: Bloomberg, ING Research

Dollar rally shifted to long allocation post the short covering. Can Trump talk drive an exodus?



Source: Bloomberg, ING Research

A range of scenarios

Clearly though, there is a fair degree of downside risk which warrants an analysis of the alternative scenarios. According to our FX team, a "World's End" (all-out trade war) scenario could result in a 1.15 average 4Q rate for the EUR/USD (over 50% of the dollar trade-weighted basket), as trade wars prompt a flight to safety (flows into the dollar) though gains would be capped by a more dovish Fed whilst the ECB could also extend quantitative easing.

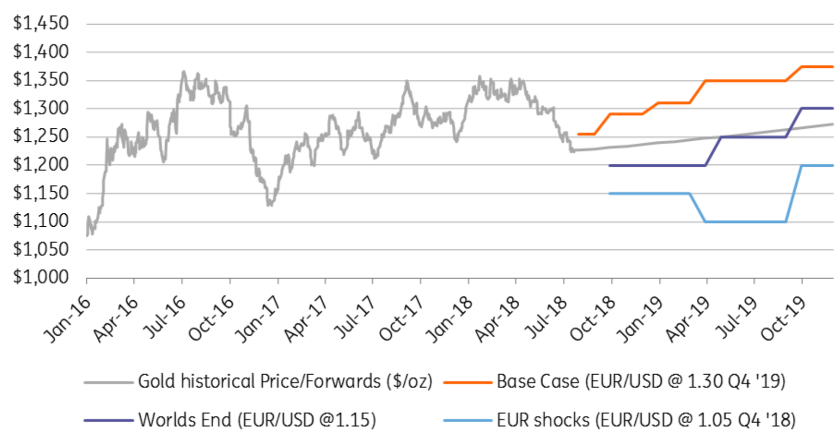
Reflecting the support from monetary policy, gold would likely hold up better than the currency trend would dictate, just above $1200. Traditionally, gold would then start to benefit from the assumed flight to safety through 2019 but it's been a poor competitor to US assets in recent months. Given gold's identity crisis, we assume a milder recovery.

In the "Negative EU shocks" scenario, the US gets off scot-free without any retaliation after attacking EU car imports. The escalation of political issues in Italy and Germany sees EU growth and equity prospects underperform a seemingly trade-immune US. And the euro drops to 1.05. The risk then becomes skewed for the Fed to hike rates more aggressively and gold would likely fall below $1150/oz for the first time since its brief dip in December 2016. As the euro starts to recover against the dollar towards the end of 2019, gold should return to $1200/oz.

Of course, this analysis all hinges on our expectation that the strong gold-dollar relationship remains intact, which is contrary to the more recent trend. We think the weakening correlation was a blip after the much shorter-term (10-day) correlations briefly turned negative in the second half of June.

Short-term correlations have since bounced back. Gold has been dropping further than the dollar in the last two months but only to make up the gaps in May when gold managed to stay flat through the dollar's gain. In the absence of the monetary reactions listed above, we would think there would be little reason for gold to move independently in the short term. The Fed is expected to stick with a "gradual" tightening policy of one hike per quarter. In 2019, we do expect gold to outperform currency trends as the yellow metal wins back investor confidence and structural issues with the US economy return to the fore. (For background read ING's July economic update).

Gold outlook swings on EUR/USD scenario:



Source: Bloomberg, ING Research

Limited physical support on weak consuming currencies

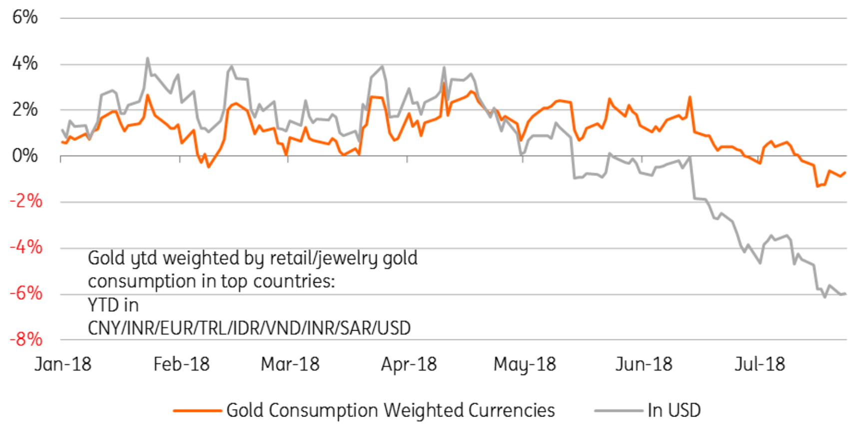
We previously suggested that as gold prices went below $1300/oz, some support could come from increased physical buying. Unfortunately for gold bulls, those physical buffers haven't materialised.

Indian gold imports were down 38% in the first half of the year. A GFMS survey shows that imports are expected to end the year down 28% year on year. Imports could increase in the second half because of more auspicious days (lucky for Indian weddings) and bumper farmer profits but the depreciation of the rupee is making buying gold a costly business for the second largest consumer.

This is a general trend; the weakness of emerging market currencies hits at the purchasing power of gold's largest consumers. We have done a weighted-price comparison for the currencies of gold's largest retail and jewellery consumers in India, Turkey and China, where local currencies have seen some devaluation. This shows that the gold "consumption price" is down less than 1% year-to-date compared to the near 6% drop in US dollar prices. In other words, for all of gold's poor performance, it doesn't look like a bargain to most of the physical market.

Gold consuming currencies dont see any bargains

Gold in USD vs. gold in currencies weighted by jewelry and retail gold consumption



Source: Bloomberg, Metals Focus, ING Research

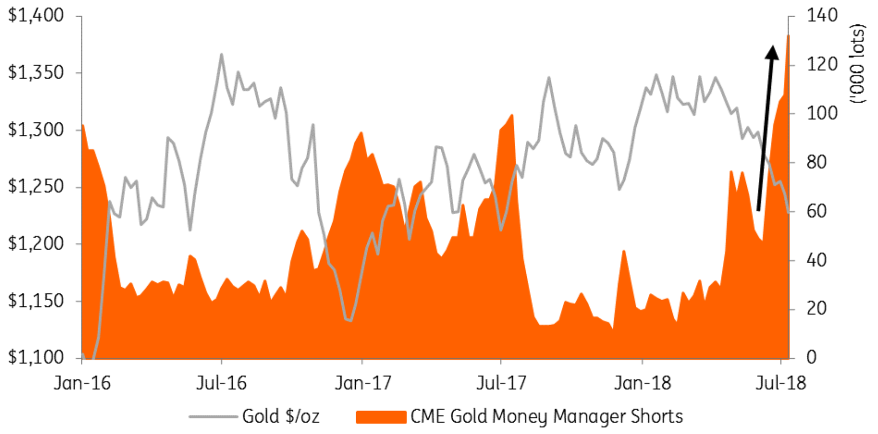
A short-covering bounce for 3Q amid buyers drought

For 3Q, we forecast gold to average $1250, which requires the spot price to trade at an average of $1255 through August and September. This is a decent 2% increase and perhaps a tall ask without much direction from the dollar, which is forecast to stall but not decline until 4Q. Our view is largely based on the extreme amount of short positioning.

Having gone from uninvolved in gold, funds have now built the largest amount of short positions on record. The short gold vs the dollar trade is in such abundance that we see a good chance for profit taking, as Trump talk halts the US dollar. Profits quickly turn into covering, with some additional buying support likely as core CPI looks set to surpass the psychological 3% mark.

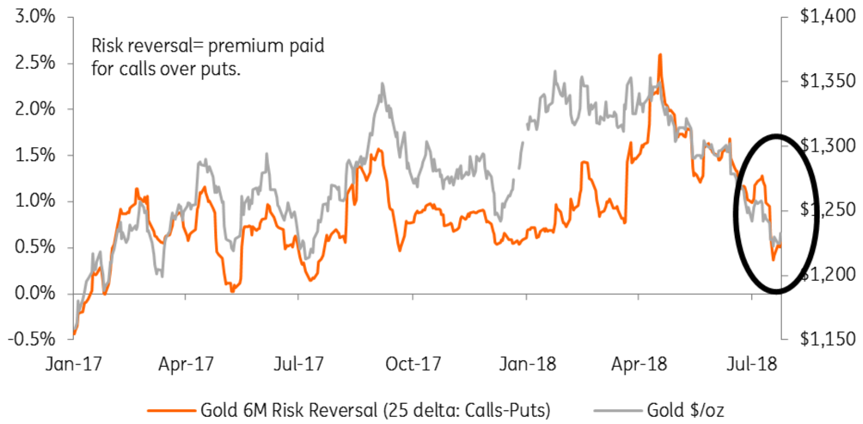
We are under no allusions that fund flows, until now on the short side, have shunned gold as an asset class. For this reason, our short covering bounce expected this quarter seems unlikely to translate into a sustained rally. Gold's range-bound performance in 1Q (until eventually falling) frustrated the fund universe having been a poor attractor of safe-haven inflows through equity turmoil or geopolitical tensions. Hopes that funds might still hold a positive, albeit unallocated, bias have now also evaporated since the options skew to calls has reversed. The stickier ETF crowd has now also joined the exodus, with ETF gold holdings sliding 3% (2.2Moz) since May. Regaining investor trust will be essential if gold is to substantially break out of its rout.

Short gold positions have surged to record highs. They could cover in weeks to come



Source: CFTC, ING Research

The last sign of the bulls also drops: Gold's positive option skew back to lows



Source: Bloomberg, ING Research

Longer term bulls: $1400/oz in 2020

Whilst adjusting the pace, we have stuck to our original bullish thesis that gold will trend towards $1400/oz, although now our expectations have been pushed back to 2020 from late 2019. If the EUR/USD does drop to 1.35, as our team forecasts, that could well be enough to achieve those levels in 2019. But we think it's likely the currency correlations begin to weaken as gold's gains attract a wave of profit taking: physically and on paper.

Our forecasts for a sustained rise in gold prices will then likely need more than just currency moves. Gold will need to re-attract and hold investor flows. We spoke earlier about gold's emerging identity crisis in 2018, failing to make gains through geopolitical events, equity corrections and even swings in yields. Investor frustration and the exodus of longs left gold vulnerable to the dollar this year. Winning positive flows back will begin to follow, we expect, after those initial dollar-driven returns. Thereafter, we expect structural issues with the US economy to return to the fore:

funding the twin deficits and the political backdrop etc. This all plays into our structurally bearish view on the dollar. But gold's safe haven qualities should then see additional benefits in an environment of stubbornly higher inflation and a "gradual" tightening from the Fed.

Opinion | 24 July 2018

Bitcoin: Is there a link between its hype and FX markets?

The crypto-debate is really about people, networks and trust and the hype in emerging markets suggests that double-digit inflation and FX volatility could...

Source: Shutterstock

Decoding the crypto-conundrum

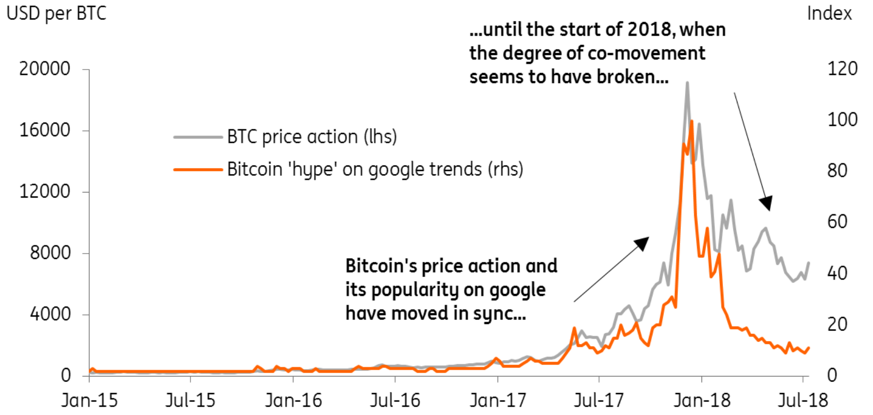
Although economists are still learning about the demand function for cryptocurrencies, there is a reason why the debate can get heated. The crypto-debate is not really about innovation, technology, finance or money. Instead, it's about people, networks, and trust.

In the age of digital information and social networks, prices hardly match the unit cost of production. Digital products typically require substantial costs in research and development, but marginal costs to service one additional client are often zero. Consequently, the cost of servicing only a few customers is high but as the number of users reaches a 'critical mass' costs spread out, and the product is then driven by what is called the 'bandwagon effect' of positive feedback-loop from the customer base.

Let's now apply this concept to bitcoin for example. If we take a closer look at its price action, we see a strong co-movement with its popularity on Google Trends since its inception.

[Bandwagon Effects in High Technology Industries](#)

Bitcoin's 'hype' and the 'critical mass'

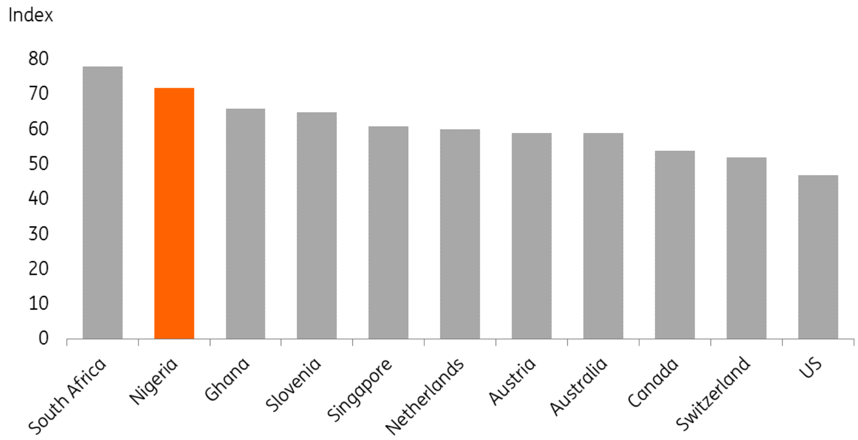


Disclaimer: correlation ≠ causation
Source: ING, Macrobond, Google Trends. Region: Worldwide.

Even though we don't know if the 'hype' was driving the price or the price was driving the 'hype', the relationship is quite telling - although it does seem to have broken down more recently. Equally, the same dynamics seem to apply if we zoom into a typical emerging market like Nigeria.

The country has experienced one of the strongest 'bitcoin hype' waves since the inception, only surpassed by South Africa. Textbook economics suggests this isn't surprising. Countries which have less efficient payments systems, less liquid currencies and more volatile exchange rates are in theory more likely to see a surge in demand for alternative payments system.

Bitcoin's popularity by country 2014-18



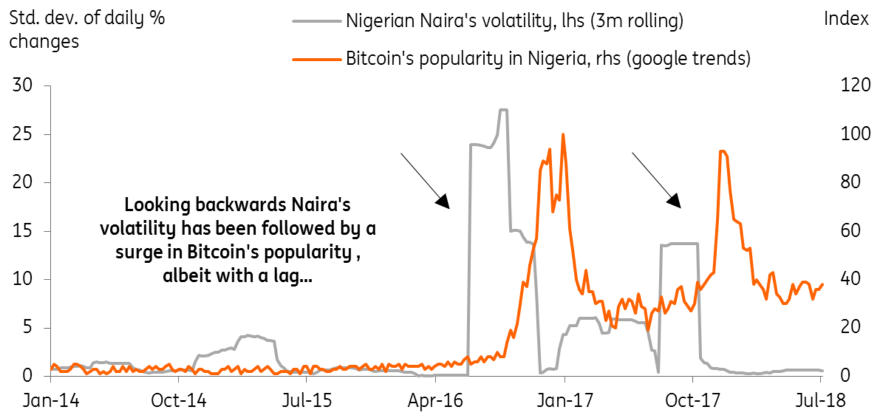
Source: Google Trends (2014-18)

This also resonates with our [ING International survey](#), where around half of the people surveyed in Turkey and Romania consider digital currencies such as bitcoin to be the future of online spending. It should be even less surprising in an environment where headline inflation runs above 10% while food price inflation – which accounts for more than 50% of the headline basket – has been above 19% year on year, according to the [IMF](#).

Furthermore, the 'bitcoin hype' seemed to have moved in sync with the volatility of the Nigerian Naira: when the volatility of the currency went up, the 'bitcoin hype' also went up - albeit with a lag of a few months.

Read our ING International survey here

Bitcoin and Naira's volatility



Disclaimer: correlation ≠ causation

Source: ING estimates on Macrobond's data. Google Trends.

Therefore, we think that in a typical emerging market environment, the cryptocurrencies' hype might reflect the demand to diversify risks posed by double-digit inflation and FX volatility. Ultimately, it's worth noting that according to the Financial Stability Board crypto-assets don't pose risks to global financial stability as their combined market value remains less than one percent of global GDP, at least as of March 2018.

For this reason, we don't think the link between bitcoin's hype and the FX markets is as strong as the data might suggest. Having said this, we think that applying the mechanics of network analysis to gauge the demand of cryptocurrencies is a good place to start.

Disclaimer