

## A glimmer of hope

Despite stocks caution once more, there are still good reasons to remain hopeful about the future



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### Shameless plug

Before starting on anything else today, I want to give a big plug to our [newly published 2021 outlook](#). I really don't think we have ever published anything so glitzy before. For which thanks are owed to our very hard-working editorial team. It even has a [short video of me looking very sweaty at the edge of Clementi Forest](#) here in Singapore (it was several hundred metres off the beaten track and I could dare to remove my mask for a few moments). I've watched it several times already...

But it's not just Glitz, there is also some great content (including from our [Chief Economist for Greater China, Iris Pang](#)), and for which our Global Head of Macro, Carsten Brzeski also deserves many plaudits.

### US Senate rejects Shelton, for now

This morning, I woke to the news that the US Senate had narrowly managed to reject the nomination of Judy Shelton to serve on the Federal Reserve Board. Shelton, who is reputedly an advocate of the gold standard, an inflation hawk, and an opponent of the Fed's dual mandate, is

also allegedly an opponent of independent central banking.

Most economists I can think of, and hopefully all of my colleagues, would argue strongly against pegging the USD to any nominal anchor such as a gold standard. Yes, I know there are still a few gold nuts around, but honestly, we can do better than that. This doesn't even merit further discussion.

And in my opinion, independent central banks are also a great step forward from the boom-bust cycles we used to generate. I should know, I participated at the edges of this failed system during the last days of the UK's government-set rate system before independence was handed to the Bank of England after New Labour swept to power over the Spring Bank holiday of 1997 (I left at the same time). Again, I think that the vast majority of my profession would agree. Certainly, a bunch of 106 Nobel Laureates and former Fed members seem to think so, [given their open letter on this](#). Don't take my word for it.

But while the US Fed may have avoided having a disrupter placed in their midst in the outgoing days of the Trump administration, it has not entirely dodged this issue. There is still apparently time for Shelton to get a reconfirmation vote. The Senate maths remains tight, and so does the calendar, with a number of senators self-isolating, and Thanksgiving holidays to mess things up further. This isn't necessarily over.

## Markets lack direction today

Markets today seem to be struggling to decide whether to be buoyed by the further positive statements from Pfizer about vaccine safety or to worry about the continued spread of the pandemic. There is also potentially some good news brewing over Brexit. Though I don't think markets will price in anything until it has happened. We've been here too many times already and fingers are badly burned.

Over the last 24 hours, the EUR was a times stronger against the dollar, reaching to 1.19. But it has given most of that up to sit almost unchanged from when we looked at this time yesterday. Stocks were a little soft in the US and equity futures offer little direction. Bonds are a bit more decisive, with US 10 Year Treasury yields back into the mid-eighties, about 5bp lower than yesterday.

Asian currencies remain broadly bid against the USD. But it is worth noting that although the Covid situation here is much, much better in comparison to other parts of the world, the recent direction of new cases is troubling in a number of countries. Among these, electronics giants, South Korea and Japan (two north Asian countries with marked seasonality which may favour second waves), but also Indonesia. We are not complacent. There is nothing about Asia that makes it intrinsically virus-proof.

## Asia data today

It's a quiet day all round. Japan has already had some trade data for October, which showed a slightly better performance than expected for exports, which were basically flat from a year ago, compared with much weaker imports, resulting in a widening trade surplus. The JPY is very marginally stronger as of writing on the back of that, but it isn't a particularly big deal.

And Prakash Sakpal has this today on the Bank of Thailand meeting later today (see also our sister Daily note, ASEAN bytes). "The Bank of Thailand's Monetary Policy Committee meets today, the

first meeting under new governor Sethaput Suthiwart-Narueput who took office in October. The decision is expected at around 2 pm local time, though it will pass as a non-event given a unanimous consensus for stable policy rates. At 0.5% currently, the Thai policy rate is one of the lowest in Asia. Hopes for the Thai economy's recovery rest on the revival of tourism rather than any additional macro-policy support. Unfortunately, those hopes too are misplaced in an unabating global pandemic. BoT policymakers have been vocal about the need for more fiscal policy support instead, while the new governor is also worried about rising household debt. Accelerating THB appreciation is another headwind to the potential recovery, though all efforts in this direction so far have failed and nothing more can be anticipated. Our end-2020 USD/THB forecast is 30.30.

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