

All bets off for the weekend

The somewhat inexplicable "risk-on" attitude earlier in the week has given way to position-squaring ahead of a weekend of likely G-7 squabbling



Source: Shutterstock

What goes up.....

They say that what goes up, must come down, and that certainly seems true of asset markets this week. Yesterday, I wrote that I didn't think the risk asset rally would last long, it didn't. But while guessing the direction of markets is a coin-flip, figuring out what makes them go up and down is a harder matter, as [I confessed on TV yesterday.](#)

Today, the mood is a distinctly more sombre one and the EM world is back under pressure, though the Turkish central bank is fighting back with another, and largely unexpected rate hike (not so much Brazil's central bank, and the rand is under pressure too). In the APAC region, the rupee's gains from the Reserve Bank of India's (RBI) surprise rate hike on Wednesday have come and gone and we can't just blame this on a stronger dollar. Against the Euro, the dollar still looks a little soft and the dollar index is broadly flat over the last 24 hours. EURUSD broke above 1.18, but then appeared to get a fit of nerves and is now sitting nervously just below the 1.18 level, looking for an opportunity to push into higher ground again. Next week's ECB meeting may provide that.

We can't blame the market jitters on rising bond yields either, as was the case some weeks ago. The 10Y US Treasury yield remains below 3.0%, currently at about 2.92% and down about 5bp from yesterday's yield.

There hasn't been much newsflow on the economic calendar either (and there won't be much today). So in the end, it just looks and feels as if, with the weekend looming, and the weekend's Quebec summit likely to highlight huge rifts between the US and the rest of the G-7 on trade, Iran, and the Paris Climate Accord, investors have decided to play it safe.

The calendar next week is full of potential pitfalls: FOMC, ECB, Trump-Kim meeting, so playing it safe may not be a bad way to proceed. After that, if these events and the G-7 come and go without any major disasters, then it should be safer for the risk rally to continue.

Beware the Swiss!

Another potential pitfall comes from the unlikely quarter of Switzerland. On June 10, the Swiss will go to the polls for a most unusual referendum. The "Vollgeld" referendum essentially asks the voting population whether they want to remove fractional banking powers from their banks and give money creation powers only to the central bank. For a more detailed explanation, there are two articles on our "Think" Website that are worth a look. The first looks at the [behavioural science behind referendums](#) such as this, or Brexit. The second provides a [more in-depth explanation](#) of the particular issues and market impacts of this vote.

To cut a long story short, if the Swiss do vote in favour of this policy, the Swiss franc will likely be sold hard (in the short-run - further out, is another matter). We don't think the vote will pass, but odd things seem to happen with alarming frequency these days, so don't rule it out.

Trade dominates the economic calendar in APAC

The Asian economic calendar is crammed with trade statistics today. Philippine trade data will be important given the premium investors are placing on balanced external accounts in the EM world. And they are expected to show a further widening today. Taiwan trade is important for other reasons. Taiwan is one of the pre-eminent electronics producers and exporters in the region. And with some doubts about the resilience of the global electronics sector, these figures could provide some clues relevant for other big producers in the region (Korea for example). And finally, Chinese trade numbers. With these, it's difficult to say what is a good and a bad figure, as too strong, and it could inflame trade tensions further with the US, but too weak, and it will have investors worrying about the Chinese growth momentum. A "Goldilocks" outcome would likely see the surplus slightly lower, than the CNY182.8bn recorded for April, but not much. The consensus expects a small rise in contrast. That's not too bad either, and will probably reflect front-running of trade ahead of tariffs.

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

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