

All hail the “New Powell”

Powell repeats patience message, Moon sticks to policy mix for Korea, Brexit nears a crunch moment for May



Source: Shutterstock

Powell - patience running thin

My children would certainly attest to the fact that I am not a patient man, hence my school-gate nickname amongst their peers at their former school of "shouty-Dad". And my patience is certainly wearing thin with this "New Powell". All touchy-feely, patient, sensitive to the market. Let's face it, the so-called "market" is one of the most pampered beasts on the planet. Dynasties of central bankers have successively fueled bubbles in various financial and real asset markets. Yet when there is even a bit of a correction, monetary policy seems to go into a state of suspended animation until the market feels happier again. I wish I got treated so well.

I actually liked "Old-Powell". He told it as it was. Policy would be raised as necessary, and would likely go higher, depending on the data, said "Old Powell". That fit with the macroeconomic story. The stock market was just one element of this, and might indeed suffer for a while as this transition took place. That would simply provide a fresh buying opportunity for many.

As previous Fed chairs have found out, when you withhold the nasty medicine from the hysterical patient for too long, the shock of readministering it later-on can lead to seizures - economic and market. In short, Forward guidance is only credible if it is consistent with the economic facts. And it is only effective if it is credible. Right now, these same macro facts point to future tightening being modest - one or two further hikes only this year. But monetary policy will still be tightened further. Not eased.

It feels as if markets are slowly realizing this. US Stocks did rise a little further yesterday. But the price action was not convincing. The repetition of the "New Powell" message on patience seems to be losing its effect. Lacking any new substance that would lend the market skew towards easier policy more credibly, this was inevitable.

Hard Moon landing?

President Moon of S Korea has said in a New Year address that he will stick to policies aimed at alleviating inequality in S Korea. Given the rise in populist politics around the globe, where inequality plays a substantial role, alongside issues like national identity and immigration, this would seem like a sure vote-winner. Moreover, you would think it would lead to greater contentment amongst the voting public than policies aimed squarely at pushing up GDP, with no heed to distributional effects.

Not so in Korea, where his popularity is falling, though this may perhaps be due to some slightly clumsy implementation of policies last year which resulted for a time in higher unemployment. That may be easing down again now, with the national rate at only 3.8%. Moreover, running 93rd out of 157 on the CIA World Factbook of inequality (measured by Gini coefficients), with a coefficient of 35.7, S.Korea is towards the unequal end for developed economies. It would probably help if Korea was not in the midst of a tech-driven overcapacity, inventory-led downturn of the old-fashioned variety. Perhaps all that went wrong previously was timing?

Brexit crunch-time nears for May

Virtually no one thinks PM May can win her Jan 14th vote on the Brexit Divorce deal. And Parliament has now voted that she must return with a plan B within 3 days of failing. The opposition Labour Party is calling for a General Election if the vote fails. Others are looking towards another referendum. Article-50 could be frozen in the event of either outcome. I can't be the only person who will be glad of a break from Brexit anxiety if we get a hiatus in the lurch towards exit..."Branxiety"? This could deliver a small GBP bounce.

Today's Data watch

The day hasn't started well in Asia with a poor household spending figure for November of -0.6%YoY for Japan, not quite the robust bounce-back post-Typhoon Jebi we had been hoping for. We may have to trim back our robust 4Q18 GDP expectation. Current account data were better, showing a smaller deterioration in the surplus than had been expected, coming in at JPY757bn though still lower than the JPY1.3tn October reading. Bank lending data were also

stronger at 2.4%YoY from 2.1%, and look to be trending higher, which is more encouraging from an investment perspective.

Retail sales data from Australia and Singapore provide most of the Asia excitement for the day, along with Malaysian IP, which should reflect the earlier electronics-led slowdown in exports and crimp 4Q GDP growth prospects.

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