

Altitude sickness shakes markets

US stocks struggled late yesterday after nearing all-time highs - this doesn't mean a lot except that investors lacked the conviction to push them higher



altitude sickness

Source: Shutterstock

Market sentiment

There were some very odd headline stories today. One talked about gold correcting lower because market risk appetite had improved. I think if you want to understand the gold story, and it is a complicated one, it is exactly because market risk sentiment has been strong, enabling the USD to weaken, that it has risen. There's obviously more to it than just that, but the sentiment story also jars with the equity market's failure to make all-time highs yesterday, having flirted with the highs again. There is no particular reason why stocks ended up lower than they started the day, except that the momentum pushing them higher was insufficient to overcome the nerves that emerged at higher prices. Call it altitude sickness if you want. Selling then begat more selling, but not for long.

The explanation that it was the upside surprise to PPI that led to the decline was also curious. Half the explanation for holding gold is wrapped around concerns about higher inflation. So that could have been supportive on the day. We get more US inflation data later today. And then the news about the Russian Covid-19 vaccine. This has been approved by President Putin. That doesn't make it safe, or effective. It might be both, but I can't see a good reason that risk sentiment should perk

up on this, and if it did, why is the dollar still looking perky? Shouldn't it be selling and EM currencies soaring on the better outlook?

In the end, I think much of the explanation for all these moves is that all these various asset classes, gold, the USD, equities, have been trading in a very correlated fashion for weeks now, if not months. So all of them were exhibiting the same signs of strain - being either overbought or oversold depending on which asset or currency you focus on. Basically, these markets were all tired and needed a breather to generate fresh longs/shorts. I think that's all that is happening. We will doubtless see a further attempt at US equity all-time highs before long. Nothing to see here.

Kamala Harris picked as Biden's running mate

Finally, we have found out who is to be Joe Biden's Presidential Election running mate - Kamala Harris. I won't say anything much here on that choice as this is pure politics and therefore tricky for me to write about without getting into hot water. But I will repeat an interesting observation I heard recently about this choice, which pertains to the fact that Biden is quite old, and therefore may not stand a second time if he wins this election.

Vice President, John Garner (1932), is famously quoted as describing the Vice Presidency as being "not worth a bucket of warm spit". But this nomination would likely propel Harris to the top of the Democratic nominations for the next Presidency if Biden wins this one and does not stand again, so it's probably worth considerably more than a bucket of warm spit this time. That probably explains why Biden has taken such a long time to make his decision. We'll see what the polls make of this choice in due course.

New Zealand in the news

New Zealand is in the news currently, and not for the right reasons, as Auckland has been placed back under lockdown after a number of community Covid-19 cases emerged recently. It is encouraging to see New Zealand still acting quickly, which increases the chances of them nipping this in the bud. But it also adds an extra element of interest to the Reserve Bank of New Zealand meeting due this morning at 10:00SGT.

With a unanimous view of no change, this was destined to be a non-event. But Governor Orr is an interesting character, and with the Covid-19 news tilting higher, and threatening the NZ economic outlook once more, Orr might be more dovish than anticipated. And with the NZD also looking a touch softer recently, this could push it lower still.

South Korea unemployment falls

And finally, South Korea's July unemployment rate declined to 4.2% from 4.3%, helped by the ongoing post-Covid economic recovery that is taking place. The guts of the labour report show (in seasonally adjusted terms - the year on year comparisons are totally meaningless at this point) a small increase in employment, mainly concentrated in the construction industry, retail, and services. There were further declines in manufacturing and agricultural employment.

There was also a corresponding decline in the numbers of unemployed - down 90 thousand from June, and a 39 thousand fall in the economically active population will also have helped deliver the fall we observed in the unemployment rate (which is the ratio of the numbers of unemployed to this population measure).

Finance Minister Hong Nam-Ki is reported as downplaying the improvement, noting that there is still a long way to go before pre-Covid levels of employment can be reached. We concur.

Author

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@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