

## Asia awaits the “Powell-put”

Markets in Asia and elsewhere are waiting for what looks likely to be more monetary stimulus from the US Fed later this week.



How far will Fed Chair, Jerome Powell, push back market expectations?

### Markets taking comfort from the Fed

I managed to turn my computer on this morning, not a bad feat after two weeks away. if nothing else, it suggests that I have not become too old to do this job, remembering the string of different passwords needed to fire up the old box and all the accompanying software. Well done me. I am considering taking the rest of the morning off to celebrate...

Markets also looked relatively upbeat this morning, probably taking some solace from the likely Fed rate cut coming later this week. James Knightley covers all the detail in [this linked note](#). But even though markets remain too aggressive in their expectations, an insurance cut of 25-50bp over the next two to three months is surely better than 100bp of cuts required because a recession is looming? I'd think so. it's basically free money.

In terms of equities, rather than the record highs being recorded in the US, Asian markets seem steady or maintaining local highs. That probably isn't a bad outcome either given a) the trade war - though talks are on again I see with US reps headed to Shanghai today b) sectoral issues related to the electronics industry and c) mounting concern over the unrest in Hong Kong.

This last element is too political for me to comment on in detail without inadvertently tripping over an editorial or compliance hurdle, though I will note that Hong Kong's Finance Secretary Paul

Chan believes the unrest could weigh on GDP - that seems uncontroversial.

Our Greater China Economist, Iris Pang also notes on this subject that "China is going to hold a press conference to address the issue of Hong Kong protests. We don't expect any big moves from China as it wants to maintain the "one country two systems." Still, we will monitor what China says in the press conference. In the very unlikely event that China allows the Liberation Army stationed in Hong Kong to patrol in the city, the press conference will be a highly market-moving event, and negative for Hong Kong's "one country two system" status".

Iris also comments on the trade deal today saying "After the China-US sideline meeting at the Osaka G20, millions of tons of US soybeans are now shipping to China. At the same time, the US announced that it would waive tariffs on 110 Chinese exports to the United States, and expressed its willingness to promote US companies to continue trading with relevant Chinese companies.

Source: <http://international.caixin.com/2019-07-28/101444690.html>

Though the two sides are making some friendly gestures to promote a trade deal, we believe that unless the US acts to allow US companies to do businesses with Huawei just as in the past, ie. release Huawei from the "entity list", the prospect of a deal is still very unlikely".

## Asian FX steady ahead of Fed

Asian FX is likewise relatively calm, and except for the Fed, there isn't a lot on the calendar today to upset FX pairs. But this week sees a lot of PMI indicators released. [Prakash Sakpal's week ahead note goes into more detail.](#)

Fed rate cuts and steady local FX opens the door for more local central banks to ease further in the weeks and months ahead.

I am delighted to see the Bank of Korea easing whilst I was away, and as we forecast. More from them is likely, we suspect, and still needed as the latest cut simply undoes the November 2018 hike, so to achieve some real easing in the economy, we would need to see at least one more cut. At 1183, the KRW seems to have weathered the BoK's cut relatively well. A further easing won't cause too much further weakening.

Other likely easers include the Bank of Thailand (August possibly), the Monetary Authority of Singapore (we still think there is the possibility of an off-cycle easing - recent NODX data support this), Bank Indonesia (BI), and BSP (Philippine Central Bank). Easing for all of these central banks will be easier if the Fed is also in easing mode, and can be implemented without much fear of currency weakness and imported inflation (not that inflation is a pressing issue anywhere in the region right now).

The Bank of Japan also meets this week. USDJPY is currently at 108.60. Unless it pushes much lower, I don't think we will get any more than "verbal" policy support from the BoJ, or at most, some change to the formal wording of their forward guidance. Both can be written off as hollow and meaningless, given that there is no genuine policy substance behind any implied action. If the JPY starts to strengthen rapidly, I don't think the BoJ will be able to do a lot about it.

## Author

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.