

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

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