

Asia - don't ignore Europe

Newsflow overnight and markets were unusually driven more from Europe than the US, and this merits further watching from a usually US and USD-centric Asia.



Source: Shutterstock

Woof Woof

The US and USD-centric nature of Asia was well highlighted in our morning sales/trading call today. After my usual opening salvo covering anything and everything I thought relevant for the day ahead, including all the news from the ECB, it was noteworthy that most of the subsequent speakers still referred not to the Bund yield moves overnight, but those of US Treasuries. This is a classic case of the tail wagging the dog. And this latest market movement really did originate in comments from Klaas Knot and Robert Holzmann in Europe, with a bit of added spice from a potential future German Finance Minister (pending election results of course).

Their comments, driven by rising European inflation (for example, German HICP inflation for August is now running at 3.4%YoY, the highest since July 2008), centred around tapering the ECB emergency asset purchases (PEPP) which they felt could begin imminently, and this has also given the EUR a boost against the USD, taking it back above the 1.18 level for the time being.

There is an ECB meeting on 9 September, and ECB President, Christine Lagarde, may try to throw cold water on such ideas. So the current market switch may not last. But it is worth bearing in

mind, and I would urge a little more attention paid to Europe over the coming weeks from this part of the world than is usually the case .

Much the same arguments for asset purchase reduction in Europe are of course being waged in the US. The consistent \$1tr+ deposits of cash with the Fed's overnight reverse repo facility are one symptom of an emergency policy that is well past its shelf-life. Just ask James Bullard or Raphael Bostic. Further symptoms may include house price acceleration. We are used to that as an excuse for the withdrawal of emergency policy settings here in Asia. The Bank of Korea's recent rate hike is a case in point, with household debt an added excuse. S&P Case Shiller house price growth in the US for June (quite lagging and the real-time measure could well be higher) is now 19.08%. This is not something Jerome Powell should ignore.

Asia news

One local story that caught our collective attention this morning, was the report from Chinese state media that China will hold a key political plenum in November. This plenum is not usually super-interesting, but with the seismic upheavals resulting from President Xi's "common prosperity" drive over recent months, we wonder if it won't be more interesting than usual. My initial thoughts that this could potentially be a forum for some pushback on the Xi agenda have been correctly swatted down by my colleague Iris, who notes that this would be a bit like admitting to having benefitted from the previous system - not too sensible during an anti-corruption drive. But still, it could well produce some further clarity on how the new agenda will run. So add that to your list of things to watch which you wouldn't normally.

Today we have a raft of PMI data in Asia, as well as Australian 2Q GDP, which after some fairly negative net export figures yesterday, is now expected by the consensus to come in at about 0.4%QoQ. South Korean trade data already out were close to expectations and probably won't result in much market reaction, and Japan corporate profits data is more interesting from an academic perspective than market-moving, so we'll pass on commenting on that today.

We did get some eye-watering Indian GDP yesterday though, and though the moment has passed, Prakash Sakpal has provided the following thoughts. "Indian markets will react today to the 1Q FY2021-22 GDP report which came out after the end of the trading day. 20.1% YoY GDP growth was the fastest among Asian economies but a -12.7% QoQ (seasonally adjusted) fall was the worst. Despite a much-flaunted fiscal boost to the economy, government consumption was missing in action in the last quarter. Carrying this message forward, the budget data for July showed a sharp fall in the fiscal deficit to INR 469 billion from INR 1.5 trillion in June, putting the cumulative deficit in the first four months of this fiscal at INR 3.2 trillion or 60% below the year-ago level. One positive note about the latest quarterly GDP figures, July infrastructure output growth, which is a leading indicator for industrial production, accelerated to 9.4% YoY from 8.9% YoY in June. And, today's manufacturing PMI data could be a prelude to the IP performance in August".

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade
julian.geib@ing.de

Zoltán Homolya
Economic research trainee
zoltan.homolya@ing.com

Amrita Naik Nimbalkar
Economist, Global Macro
amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz
Senior Economist, Poland
mateusz.sutowicz@ing.pl

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@ing.com

Michiel Tukker

Senior UK & Eurozone 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

Senior Economist, Healthcare & Technology

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@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

Deputy Global Head of Editorial 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

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 Corporate 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

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@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, 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