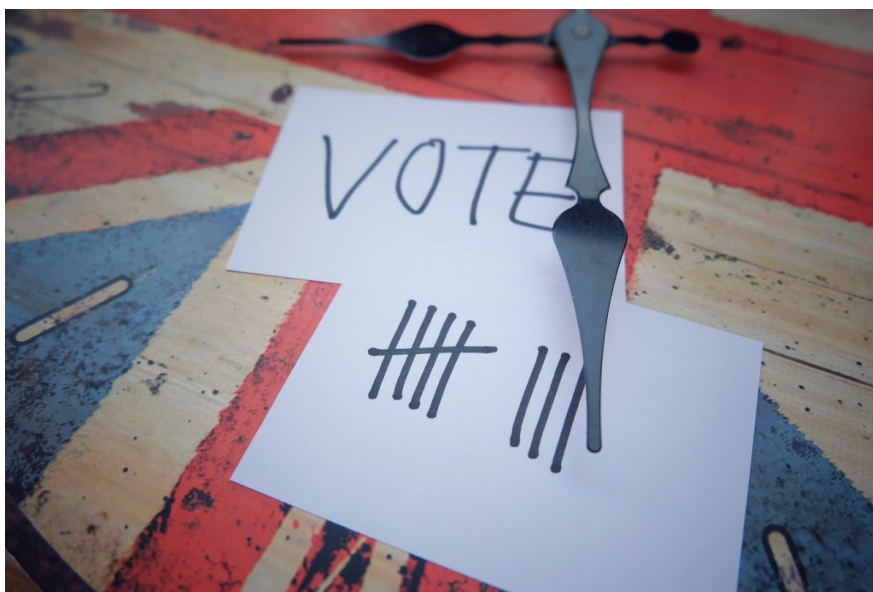


Asia watches US nervously

Who voters in the US choose to support this week will have considerable repercussions for Asian economics and markets - contrary to what many argue



Perceived wisdom - often wrong

With voters in the US going to the polls this week, or more accurately, not going to the polls, having already cast their postal votes in huge numbers, Asia will be looking nervously westwards this week, wondering what the outcome will be, and that it will mean for them.

For an excellent summary from a US perspective, [see this latest piece by James Knightley.](#)

As far as Asia is concerned, the perceived wisdom is that in terms of US-China relations, there will be no real change. President Trump has been aggressive with China, but, opponents argue, he has also fractured coalitions weakening the US hand. Biden is expected to be more internationalist, to be less free to slap on tariffs and to show more consistency.

But many assert that Biden will not ease off on China on issues such as human rights, and there is a relatively small gap between "Buy in America" and "Make America Great Again", so don't expect Asian exports to start surging if Biden wins.

However, I think the perceived wisdom of "no material change" is too glib. It's very easy to shrug

off the differences between the two candidates before we have seen the reality. Having lived, breathed, and written about US-Asian relations on trade and technology for the last 4 years, I can tell you that just moving to a more consistent approach would be a massive change. Waking up to radically new policy changes that affect your region announced overnight on Twitter is not conducive to a low-stress and productive work life for an Asia economist. If that alone changes, it is a big step. More transparency, less fear. These are all conducive to greater investment, and more consumer spending, both of which are needed in huge amounts following the pandemic.

But admittedly, I don't expect much change in terms of issues such as Chinese access to advanced US semiconductor technology if we get a change in President. So on this point, the announcement in China's recent plenum that it would seek to push ahead with self-sufficiency in these areas is also unlikely to change. Whilst this is ongoing, the software developers in China will have to work hard to re-write their applications to work with less advanced chips - something that they have been doing anyway for months. It's a question of "when" not "if" for them.

Could this be the time to be in SE Asia?

For the rest of the region, if Biden wins, and looks to bring the US back into the CPTPP - the revamped version of the Trans-Pacific Partnership that President Trump pulled out of on day 1 of his presidency, then this could be a good time. With ASEAN at the heart of the rival RCEP (Regional Comprehensive Economic Partnership) trade bloc, as well as four ASEAN countries in CPTPP, they might realistically expect to be the winners in a love triangle for attention from the rival blocs.

More Belt and Road, and more US FDI might well be the upshots of such positioning, with the most beneficial stance from these nations being to play "hard to get". Trade concessions from other "wannabe" CPTPP members, like the UK could also provide some additional benefits over the coming years.

And of course, the future of the pandemic is also going to be a major feature of the global and therefore Asian recovery in 2021, if recovery is indeed what we end up getting. There are a great many critics of the US President's approach to the Covid pandemic, but let's not pretend that it is going to be easy if Biden wins for him to squeeze the virus out of the US and restart the economy. Tough decisions remain to be taken on lockdowns and any economic support to offset the impact they have, though these might be easier to implement if the Democrats also take control of the Senate.

In short, for Asia, I believe it will make a difference who runs the US, and even if it is a question of approach, rather than direction, that could *feel* like a big difference here, whatever others say.

I'd like to finish this section by saying that either way, we will know more by the end of the week. But the reality is, we may not. Let's hope we do. The last thing Asian markets want this week is a contested election.

Markit Manufacturing PMIs dominate today

The Asian calendar is full of Markit Manufacturing PMIs (Purchasing Manager Indices) today, which also means we get the US Manufacturing ISM later today. And that tells us that as well as being a Presidential Election week, it is also payrolls (jobs report) week. That could begin to look interesting as the US is hit by renewed Covid case surge.

Locally, the October Chinese Caixin PMI will get the most attention and is expected to slip just a little (was 53.0 in September), though not a bad result over the extended holidays. Australia's Mfg PMI is also already out and shows no change from a fairly healthy-looking 54.2 reading.

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