

Asian markets positioning for blue wave

Stock futures up, bond yields up, Asian FX vs US up, oil up



Polls barely closed but Asia is already taking a punt on the outcome

With most polls not even closed yet, Asian markets have kicked off this Wednesday by what looks like an expectation for a Biden Presidential victory, along with re-control of the Senate for the Democrats. EURUSD is up sharply and the USD has also weakened against the offshore renminbi, Indonesian rupiah and Australian and Singapore dollars to name just some of the region's key currencies.

Equities in the US were positive yesterday, after several days of on-off risk trading, and equity futures suggest this positive momentum, based on expectations of substantial fiscal support in early 2021 in the event of a Biden win, will carry over into today's trading.

The offset of this anticipated extra spending will be additional Treasury issuance to pay for it, and US Treasury yields are pushing higher today, with the 10Y UST up 9 basis points from yesterday to 0.858 as of writing. This will likely be echoed in local currency bond yields today, with the Australian 10Y, an early trader, already matching UST yield moves higher, despite yesterday's rate cut and expanded QE program.

For the record, we suspect the result might be considerably closer than markets are implying today, and it is our profound hope that we have greater clarity when we look again tomorrow, though we are fully aware that this might not be the case.

Oil - following USD for now

The asset class which is not quite following the script is oil. The oil market has focussed on the Iran sanctions element of a Biden win to suggest that extra supply could weigh on crude, but the generic front month West Texas Intermediate future is pushing higher, probably dominated by the USD's weakness. Chatting to our US Chief Economist about this recently, he views the immediate concern for Biden (if he wins) as being domestic policy, so the Iran story may be a late player in 2021 rather than part of any immediate market knee-jerk over today and the rest of the week.

RBA's easing has short-lived impact

OK - we were the wrong side of the RBA on rates yesterday, though we did get the QE decision about right. [There is a very good speech by Governor Lowe yesterday](#) outlining the justification of the moves, though I'll be honest, none of it, especially the bit about the RBA still having monetary firepower, were terribly convincing. With the cash rate at 0.1%, together with the 3Y yield target, and the interest rate on Exchange Settlement balances at zero, there really is no further rates can go.

Usefully, Lowe noted that the RBA's view on negative rates has not changed. "*...the Board continues to view a negative policy rate in Australia as extraordinarily unlikely*".

More QE is probable from the RBA in due course than the AUD100bn over the next 6 months (5-10Y tenors) that has been promised. QE is not a very powerful policy tool and requires bucket-loads of asset buying to have much impact. This could quickly become a problem given the shallowness of the Australian Government bond market.

The Reserve Bank of New Zealand (RBNZ) has fewer qualms about negative rates. And this morning's news of a rise in the unemployment rate in 3Q20 from 4.0% to 5.3% provides a perfect excuse for the RBNZ's Governor Orr to match or exceed the RBA's easing yesterday. And given what has happened to both Australian and New Zealand bond yields overnight, and to their respective currencies (both stronger) Orr may see the arguments for a more aggressive move, including a foray into negative rates. In short, take care tracking the NZD higher ahead of the next meeting on November 11.

Its payrolls week still if anyone cares...?

I don't think there will be much interest, but in case anyone is still watching the macro releases, the ADP survey is out in the US later today, ahead of the Friday jobs report and all-important payrolls number. And US trade data is also out. When President Trump came to power in early 2017, the trade deficit averaged somewhere between \$40 and \$45bn per month. It now averages

about \$60-65bn. Of course, we don't know what the counterfactual would have been, so its not a clear cut verdict on US trade policies, but in case you were interested...

Philippine Trade data and China's remaining Caixin PMI surveys will probably not bother markets substantially in a day that will be dominated by election headlines. Have a very good day.

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

michieltukker@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