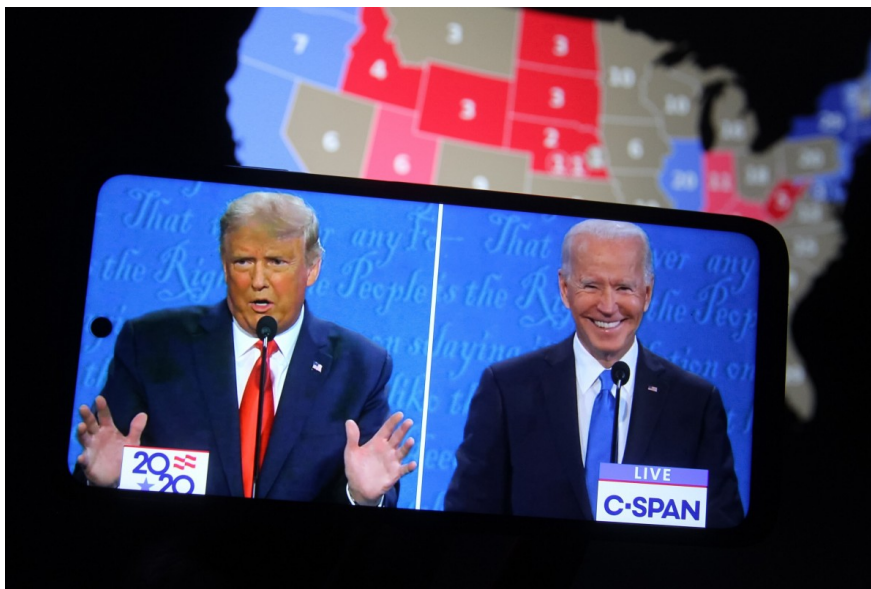


Asian markets settle as US nears election result

With a number of states yet to call, markets are being more cautious today after their roller coaster ride yesterday, but they do seem to be pricing in a narrow Biden win



In this photo illustration the US President Donald Trump and Democratic presidential candidate Joe Biden are seen during the final presidential debate displayed on a screen of a smartphone.

Source: Shutterstock

Carefully today

My daily note yesterday described Asian markets pricing of a Blue wave, and had a shelf life of about 3 minutes. Almost as soon as the "publish" button had been hit, the US election results started to roll in. And right from the outset, they showed a much closer race than the pollsters had been predicting.

My only consolation in having written such an ephemeral piece was the warning I added that I felt this would be a much closer race than markets were assuming. Other than that, it was garbage within minutes.

Today's note threatens to be similar, though most newswires are leaning towards a Biden win, which would only require Nevada, which should conclude counting today, and where Biden holds a narrow lead, and would then make the narrowing races in Pennsylvania and Georgia redundant.

But the Senate now looks out of reach for the Democrats, which must be a bitter blow for them as this election offered them some of the best election arithmetic for decades. An opportunity missed.

So the reasoning seems to be along the following lines: A narrow win with no Senate majority means that Trump era tax cuts may not be rolled back, at least not immediately, and fiscal stimulus, though likely, will probably be scaled back from what it would have been under a blue wave. That means equities can rally on a reduction of tax hike fears, and bond yields can fall back, which is exactly what both have done, and so there may not be too much juice left in either story.

A sleep deprived James Knightley in New York [has written this note](#), for more detail on the subject. And you can find more from our FX and Rates colleagues on the elections's market implications on Think.ing.com

In terms of FX, the USD has resumed its weakening trend, though in Asia this is most evident against the CNH, and AUD, NZD, with other currencies not doing too much after the roller coaster of the last 24 hours. INR is actually softer.

In case you are tired of the election

If you want a bit of macro to dilute the heavy diet of politics in recent days, here is something to get your teeth into:

Going largely un-noticed yesterday, the US ADP survey came in at only 365 thousand jobs created, considerably weaker than the 600+ thousand expected. With US non-farm payrolls out tomorrow, we may have an opportunity to see markets respond to macro for once.

Don't get any hopes up for anything from today's US Fed meeting though. The chances of them doing or saying anything meaningful are vanishingly small in the middle of an election. We can re-evaluate the Fed outlook when the election result is confirmed. News stories seem to be suggesting a more active Fed given that there won't now be a big fiscal stimulus. OK, fine, but what exactly are they expected to do? Some TLTRO type operations? Maybe, but I'd put those in an "of marginal importance" category, rather than being a market game-changer.

Here in Asia, Indonesia releases GDP, Thailand and Philippine CPI and Singapore retail sales. [Details of all of this are in our sister publication, ASEAN morning bytes.](#)

No note from me tomorrow so hopefully we can start next week with the sort of clarity we lack today. Until then, good luck.

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