

Backing the three-legged horse

Horse trading over the key posts in the EU starts today - Denmark's Vestager is making a strong showing, which raises interesting possibilities for the ECB Presidency and the EUR.



EUR bulls could take solace from a Vestager win

It may seem a stretch, but the recent European elections could pave the way for a stronger EUR. How so? Well the ruling coalition bloc of S&D and EPP did not do well. Combined with Emmanuel Macron's Renaissance group, the Liberal Democrat group did rather better.

The result is that German, Manfred Weber's tilt at the EU commission job, currently held by Jean-Claude Juncker, no longer looks so sure.

Now, this is where it gets interesting, because if the big countries, (France, Germany, Italy) cannot agree on a lead candidate from one of their own countries, then someone from a smaller, less controversial country often steps in (Juncker is a good case in point).

In step Margrethe Vestager, a familiar name to many, and the EU antitrust Chief. As (more) importantly, she is Danish. It's an added bonus that she is a woman. We haven't had much female representation in the top EU jobs.

But aside from all Vestager's many qualities, and she has been a scourge of big corporations and their antics on both sides of the Atlantic, it is what putting her in the EU commission job means for the other jobs that interests me. The President of the EU Council (currently Donald Tusk), who is the leader of the EU leaders, is also up for grabs now. And unless Angela Merkel decides that this would

make a good retirement job, that opens the door for a German to take over as ECB President - namely Jens Weidmann - one of only two likely candidates (including Klaas Knot of the Netherlands) who would materially change the overall dove/hawk balance of the ECB, and provide the EUR with a modest lift.

European politics have rarely been this interesting before.

Trump hawkish on trade again

Any call for a stronger EUR, however, has to run the gauntlet of the impact of President Donald Trump and his trade policies, where, as we have noted before, more US trade "aggression" equates to a stronger USD.

That was evident again in the recent 24 hour period, where the US President berated China for not grabbing the deal that was on the table a few months ago. Trump also noted that the US was not now ready to make a trade deal with China, warning of potentially substantial tariff rises ahead.

On top of that, of course, there is no trade deal on the table for Japan either, as we wait for them to hold elections in July.

All quiet in Asia

A dip after recent rises was the fate of May Korean consumer confidence today. This doesn't make us any more confident about our rogue BoK (Bank of Korea) rate cut call later this week, though it makes us more assured that this would be a helpful policy move from Korea's central bank.

Aside from that, Thai manufacturing production is about all that is on the cards today - that won't cause much excitement in markets, where the political story is still the main focus.

And in the G-7...

Not too much interest in the G-7 either. The UK comes back after a public holiday, so expect more jostling for the PM vacancy, with Michael Gove making a stab at grabbing the more liberal corner of the vote with an offer of citizenship for 3M EU citizens present in the UK before the Brexit vote.

Loads of confidence measures are due out of Europe. Business confidence and industrial climate have both been on steep declines since early 2018. but there have been some signs of a thaw in the Eurozone dataflow, so watch out for signs of stabilization.

And in the US, it is house price data from CoreLogic that will be worth a watch, as one of the areas of potential weakness in the US economy, this is worth following, though house prices still remain in growth territory, they are growing much more slowly than a year ago. US consumer confidence rounds off the day.

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