

Bond pullback muted thanks to strong spending data

Following the strong rise in US yields this week, we were entirely expecting a pullback yesterday. In fact, we thought it could have been bigger, but strong US data seems to have helped mute the move. Australian employment rose in Jan as expected



Are these numbers "virused"?

Yesterday's slight pullback in US 10Y Treasury yields could easily have been bigger given how far it had come in such a short time. But in the end, the 3bp retrenchment to about 1.27% was really pretty insignificant.

What may have helped this from being a bigger move was a slew of very strong US data yesterday. This included a 5.3%MoM surge in retail sales (the control series was up 6.0%MoM!). Industrial production rose 0.9%MoM, though there was a slight downward revision to the previous month, nonetheless, it was still a strong outcome, and PPI also surged by 1.3%MoM at a headline level, and by 1.2% MoM for the core.

Normally, I would link to something our US economist, James Knightley would have written overnight on this. But JK is currently trying to escape the deep freeze in the US by taking some

holiday in a corner of Florida that seems to have escaped the polar vortex (it's working if his sunburn is anything to go by...).

That hasn't stopped me from pestering him for some answers via web-chat today. I asked him, "was this similar to the whacky drop in retail sales we saw in Germany earlier, where the pandemic and lockdowns were messing with seasonal sales and consequently, the seasonal adjustment that the boffins in the statistics department apply to the figures before release?" He thought this may be a small factor, but cited (as the main reason) the income dispersion of the spending, which was mainly driven by lower-income groups. To his mind, this tallied more clearly with the effect of the stimulus cheques sent out by the government as the main contributory factor. So it's real, at least much of it anyway.

The FOMC did their best to dampen the bond market too, with a dovish FOMC statement, noting that it would be "some time" before the conditions to change their current accommodative stance were met. Though fail to get very excited about phrases like "some time". Is this what passes for forward-guidance these days? I can live without it.

The US calendar quieters today, with only housing starts worth a look, and not much out elsewhere in the G7.

Its not all bonds you know...

Other markets didn't quite behave as you might expect following the bond pullback, but maybe because the Treasury move was so muted, the USD still found room to rally again against the EUR yesterday, declining to about 1.2044 now.

Asian currencies also didn't do an awful lot, with the KRW and IDR as the unlikely pair that always seem to move together these days, and showing the most weakness. USDKRW now about 1108 and USIDR gapping up to 14020. USDCNH pushed up to 6.45 but didn't go through convincingly on the day and is now back to 6.44. Today's moves may also be a bit muted.

Helped along by USD strength, and despite the fall in yields, gold continues to look soft (no pun intended), though oil futures remain bid with cold weather and power outages in the US still the main support.

Australian employment - no surprises

Australian employment data just out contained no surprises at the headline level, rising 29,100 in January from December. I confess to being nonplussed about getting the number virtually right (INGf 30K) as these numbers are notoriously erratic.

Still, if you want a bit of value-added, the strength in the full-time employment figure at 59.0K is the dominant story here, and declining part-time jobs (-29.8K) indicate a stronger income boost from these net 30,000 jobs than if the number had been split 50:50. So good news for the economy, and therefore should translate into slightly higher AUD bond yields (though they still seem to be absorbing the US Treasury move) and a slightly stronger AUD (which is happening). All of this is helped by a dip in the unemployment rate to 6.4%, given a helping hand by a small drop in the participation rate to 66.1% from 66.2%.

Bank Indonesia meeting today

Closer to home, Bank Indonesia (BI) meets today, and here's what Nicky Mapa thinks will be the result. "BI meets later today to discuss monetary policy. We expect they will keep policy settings unchanged. Expectations for a rate cut have picked up after official GDP forecasts were downgraded. But with IDR under pressure recently we believe BI Governor Warjiyo will leave rates unchanged at today's meeting. FX stability has been a significant decision point for monetary easing in the past and we expect it to guide Warjiyo's decision later today and in the near term. Governor Warjiyo will likely reiterate the central bank's accommodative stance given below-target inflation and with growth momentum stalling due to the pandemic".

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

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
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
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