

Buy everything

Stocks up, Asian FX up, gold up, oil up - how long can this last? Some of us are getting nervous



It isn't as rosy as it might look at first blush

With US stocks rising strongly, you might think that this will be reflected in Asian markets when they open, but futures markets are suggesting a more mixed picture. It's not clear why.

The enthusiasm for US stocks rests on optimism for some further "stimulus" including the extension of the supplemental unemployment benefits that have been supporting millions of US households until recently. There does appear to be some progress in the talks, and the Senate will not be going on recess next week as scheduled but will hang around for another week to allow for a deal to be thrashed out. A deal, any deal, will be better than no deal, but let's be clear, what we are really talking about here is how much these benefits will be **cut** from the current \$600 rate. So it's really a relative call on how contractionary the policy will be - all this talk about "stimulus" is very misleading.

President Trump has been wading into this dispute, saying that if no deal is struck, he will make an executive order to extend the benefits and to delay the eviction of non-paying tenants. At least on the former, it seems very unlikely that any executive order, even if issued, could have any effect, as these essentially only instruct government departments how to act, and don't have any fiduciary power whatsoever. He may have more luck on the evictions postponement.

The macroeconomy (i.e my day-job), which I admit is largely ignored by markets these days (though I live in hope that there will one day be some point to my job again), isn't looking very

good, with the US' ADP survey yesterday showing only 167K increase in jobs in August, not the 1.2 million that had been predicted. Our James Knightley in NY has been waving a warning finger about the US labour market for some time, and he covers the jobs angle nicely [in this linked note](#), as well as some other bits and pieces which explain why he is getting nervous. And remember its payrolls tomorrow in the US, an economic release in which literally *anything* can happen.

The Bank of England today could be interesting if there is any hint that a negative rates policy may be entertained more seriously. I sincerely hope that this very unconstructive policy idea is not followed, but as I have a mortgage renewal coming up, there may be a silver lining in it for me.

In the meantime, markets look as if there is no need for any worry. Stocks are rising, gold increases, oil increases (our Head of Commodities Strategy, Warren Patterson, would note the lack of demand from refiners as a caution on following this rising oil path unquestioningly) and Asian FX has been on a tear (except for the IDR). It all feels a little too good to be true, and like Knightley, I too am feeling nervous.

Asia today

Taiwan inflation for July will most likely remain in negative territory when released later today, though the July figure may come in slightly stronger than the -0.76%YoY figure for June. This won't have any implication for Central bank policy, so shouldn't be particularly market moving.

On **India**, Prakash Sakpal notes: It's decision day for the Reserve Bank of India. The consensus is almost evenly split between a 25bp rate cut and on-hold policy outcomes. We are in the rate cut camp. The deepening economic slump remains the most pressing policy issue currently, although it's been countered by resurgent CPI inflation above the RBI's 6% policy limit in recent months. We believe the RBI will overlook inflation and cut rates again today, though this would probably mark the end of the current easing cycle ([read more here](#)).

For our ASEAN views, including **Thai inflation**, and **GDP** from the **Philippines**, please check out **ASEAN Bytes** on the Asia-Pacific page of our Website, [Think](#).

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