

## Destination - unclear

Better news on vaccines, worse news on infections, and pre-payrolls nerves suggest few will be taking big bets today



Vaccine

Source: Shutterstock

### A decent trial yes, but a practical vaccine remains way off

The cue for Asian markets from overnight US trading is a mixed to slightly positive one today.

On the plus side, yet another drugmaker has released promising details of the antibody response to its trialled vaccine, which is always a shot in the arm for the stock market (sorry, couldn't resist that one). But markets do seem predisposed to positive news these days, and for balance, it is worth noting that trial numbers in this study were fairly low, and one of the other promising vaccines has shown some undesirable side-effects in its larger doses which may prove troubling. In any case, the US Food and Drug Administration doesn't seem to be lowering its safety requirements for any potential vaccine, no matter how promising it looks, which suggests that the "realistic-optimistic" timeline for any vaccine will be next year at the earliest.

But if the news on a potential vaccine is looking a bit brighter, that is not the case for the current run rate of the virus, especially in the US, where the 7-day moving average of new daily cases continues to move higher. I am monitoring the daily death tally closely against anecdotes of ICU bed availability becoming exhausted in some of the most affected states, as it seems likely that this will start to pick up over the coming week. That may cause a rethink by markets (you'd think, though these days I'm not so sure).

And its also payrolls day in the US today, which is always a bit of a lottery ahead of the

Independence Day holiday. With the distortions clearly present in the data, it is just not clear how one should respond to whatever data gets spat to by the statisticians today, and some market players may think it more prudent to sit this one out ahead of the long weekend. For what its worth (and right now, the answer to that is probably nothing) the ADP survey yesterday came in at 2369 thousand jobs created, a bit weaker than the consensus and lower than the 3 million-plus that is pencilled in for non-farm payrolls. Moreover, [as this note by James Knightley on yesterday's manufacturing ISM data highlight, there are still signs of significant strain in the US labour market.](#)

## Fed taking its time to decide

Overnight minutes from the last **US FOMC** meeting suggest that the Fed is still some way off adopting yield curve control and has mixed feelings about the policy that has been adopted by several other central banks worldwide.

But it does seem to be mulling some more positive forward guidance, and in a way that will not cause me to go off on one of my usual rants. The version that seems to be favoured is predicated on rates not rising until (for example) the inflation rate not only reaches but overshoots its target rate for some time. By making policy state-contingent, rather than time-contingent (for example, we will not raise rates for the next two years at least), it avoids painting itself into a corner if the economy were suddenly to look much stronger, though it still has its pitfalls. Not the least of which is wondering if the US will ever manage to consistently hit (or exceed) its 2% inflation target again? It's not that ridiculous a question, look at Japan or the Eurozone.

## House bill on China sanctions passed

In news that is a little closer to home, the US House of Representatives yesterday passed a bill sanctioning officials deemed to be exercising Hong Kong's new controversial National Security bill. The bill, which is not identical to one put forward by the Senate, now has to go back to the US Senate for approval before it passes to the President to be signed into law (or just left unsigned on his desk).

President Trump has remained very outspoken about China in recent weeks, but signing a bill and tweeting are very different things, and a bill is almost certain to lead to retaliation, as China will certainly view this as interference in its sovereign affairs. That is another potential hotspot for markets in the coming days.

## The day today

**South Korea** has already released consumer price data for June which have come in a bit stronger than the consensus for no change, rising 0.2% on the previous month. That leaves the consumer price inflation rate at zero, which isn't great but is better than the May reading of -0.3%YoY. The Bank of Korea has been sounding cautious about the prospects of further rate cuts, now that the 7-day repo rate is only 0.5%. This helps them to leave economic stimulus to fiscal policy.

And we also get **Australian** trade data out this morning, China's slow recovery and some supportive commodity price data provide some optimism that the year-on-year decline in exports in May will show some improvement from the -11%YoY April reading, which should mark the low for Australian exports. Import data will also be worth a look as they will shed some light on how Australia's domestic recovery is going. Again, the news here may be mildly encouraging.

**China's** central bank (PBoC) has finally cut rates after the government signalled some weeks ago that further monetary stimulus was on its way. The targeted rate cuts will help many SMEs and firms in the agricultural sector, and won't have much impact on broader rates of the USDCNY. [Iris Pang writes about the latest PBoC move in more detail here.](#)

And Prakash Sakpal also notes some **ASEAN** developments from yesterday ahead of other data today:

**"Thailand:** The manufacturing PMI rose to 43.5 in June from 41.6 in May but remained in contractionary territory. The Business Sentiment Index followed on with a rise to 38.5 from 34.4 over the same months. The Consumer Confidence Index due today is unlikely to be left behind either (48.2 in May). Despite improvements, these indices remain consistent with our forecast of a greater than 8% YoY GDP fall in 2Q20.

**Malaysia:** The manufacturing PMI rose to 51.0 in June from 45.6 in May as easing of Covid-19 movement controls released some pent-up demand and factories moved back into action. This is the second Asian economy with a PMI back above the 50 threshold for expansion (the other is Vietnam). However, it only underscores some recovery over dramatic manufacturing declines in the preceding months. A 32% YoY plunge in manufacturing output in April was the worst ever. May wasn't any better given the accelerated export fall by over 25%. Indeed, overseas orders remained a weak spot in the PMI in June".

## Author

### Amrita Naik Nimbalkar

Junior Economist, Global Macro  
[amrita.naik.nimbalkar@ing.com](mailto:amrita.naik.nimbalkar@ing.com)

### Mateusz Sutowicz

Senior Economist, Poland  
[mateusz.sutowicz@ing.pl](mailto:mateusz.sutowicz@ing.pl)

### Alissa Lefebvre

Economist  
[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)

### Deepali Bhargava

Regional Head of Research, Asia-Pacific  
[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

### Ruben Dewitte

Economist  
+32495364780  
[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)

### Kinga Havasi

Economic research trainee  
[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)

**Marten van Garderen**

Consumer Economist, Netherlands

[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)

**David Havrlant**

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

**Sander Burgers**

Senior Economist, Dutch Housing

[sander.burgers@ing.com](mailto:sander.burgers@ing.com)

**Lynn Song**

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

**Michiel Tukker**

Senior European Rates Strategist

[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

**Michal Rubaszek**

Senior Economist, Poland

[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**

Economist, Romania

[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**

Senior Sector Strategist, Real Estate

[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**

Research Assistant, Energy Transition

[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**

Sector Economist, TMT & Healthcare

[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**

Sector Economist

[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

**ING Analysts**

**James Wilson**

EM Sovereign Strategist

[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**

Digital Editor

[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniuk**

Senior Economist, Poland

[adam.antoniuk@ing.pl](mailto:adam.antoniuk@ing.pl)

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

**Coco Zhang**

ESG Research

[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**

Senior Sector Strategist, TMT

[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**

Senior Economist, Services and Leisure

[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**

Sector Strategist, Financials  
[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**  
Junior Economist  
[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**  
Senior Economist, Germany  
[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**  
Senior Editor and Supervisory Analyst  
[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)

**Mirjam Bani**  
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)  
[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**  
Credit Strategist  
[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**  
Senior Economist, Poland  
[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Oleksiy Soroka, CFA**  
Senior High Yield Credit Strategist  
[oleksiy.soroka@ing.com](mailto:oleksiy.soroka@ing.com)

**Antoine Bouvet**  
Head of European Rates Strategy  
[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**  
Global Head of Sector Research  
[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**  
Senior Sector Economist, Industry and Healthcare  
[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**  
FX Strategist  
[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**

Senior Sector Economist, Transport and Logistics  
[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**  
Sector Economist  
[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**  
Chief Economist, CIS  
[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**  
Senior Economist, Philippines  
[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**  
Senior Credit Analyst  
[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**  
Consumer Economist  
[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**  
Senior Sector Economist, Energy  
[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**  
Head of Corporates Sector Strategy  
[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**  
Senior Economist, France and Switzerland  
[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**  
Behavioural Scientist  
+31(0)611172684  
[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**  
Chief Economist, Romania  
[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**  
Developed Markets Economist, UK  
[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**

Senior Sector Strategist, Financials

[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**

Senior Sector Economist, Food & Agri

[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**

Senior Economist Construction & Team Lead Sectors

[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**

Senior Economist, Netherlands

[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Piotr Poplawski**

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

**Paolo Pizzoli**

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**

Chief Economist and Global Head of Research

[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**

Senior Macro Economist

[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**

Head of Global IFRS9 ME Scenarios

[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**

Head of Financials Sector Strategy

[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

**Rafal Benecki**

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)



**Philippe Ledent**

Senior Economist, Belgium, Luxembourg

[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**

Senior Economist, Germany, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**

Senior Data Analyst, Netherlands

[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**

Chief Economist, Romania

+40 31 406 8990

[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**

Chief Economist, Greater China

[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**

Writer, Group Research

+44 20 7767 6209

[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto: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](mailto:martin.van.vliet@ing.com)

**Karol Pogorzelski**

Senior Economist, Poland

[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**

Foreign Exchange Strategist

+44 20 7767 6405

[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**

Global Head of Editorial Content

+44 (0) 207 767 5331

[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**

Senior Rates Strategist

[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**

Global Head of Markets and Regional Head of Research for UK & CEE

[chris.turner@ing.com](mailto:chris.turner@ing.com)

**Gustavo Rangel**

Chief Economist, LATAM

+1 646 424 6464

[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)

**Carlo Cocuzzo**

Economist, Digital Finance

+44 20 7767 5306

[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@ing.com)