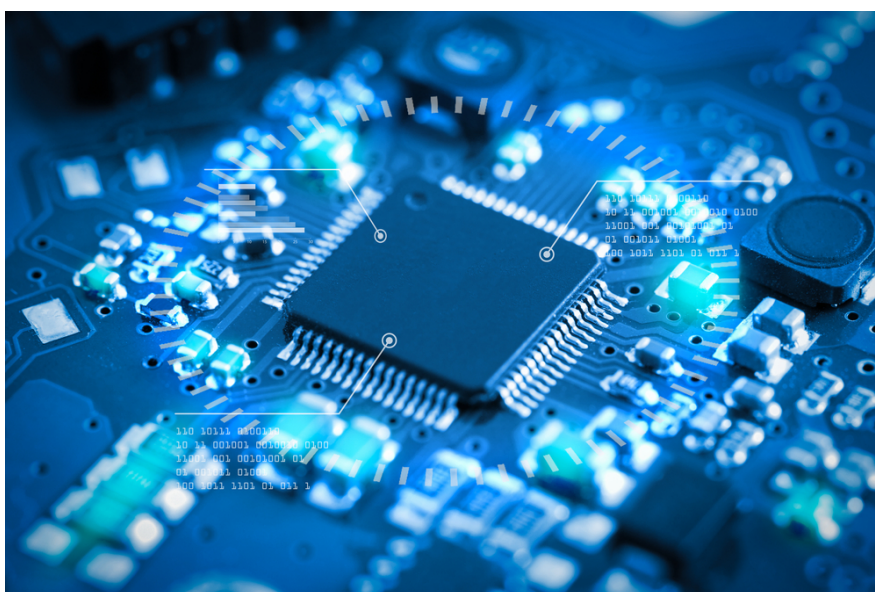


Dollar strength dominates

Dollar strength is evident across FX space, with notable gains against the KRW and AUD. Strong US data combines with weakness in Asia exports to amplify the effect.



Tech weakness still weighing on Asia

My journey into work each day involves sitting on public transport reading the daily summary of economic and market views from one of the big providers. I'll leave you to guess which. We don't get paid for advertising.

Today, I counted three specific company references to weak semiconductor/tech earnings expectations or demand, which tells you that the global tech slump is still a force to be reckoned with. For sure, there may be some activity going on in China related to the 5G rollout. Our Iris Pang referred to this in a recent industrial production note. But foreign firms exposed to China are not seeing any strength in tech demand, which either means it is all being sourced locally (doubtful, though in time that may become more likely as China pushes forwards its self-sufficiency in tech) or the big boost in China 5G activity is more infrastructure-related - laying of cables, transmitting stations etc. It doesn't mean we are on the verge of a technological breakthrough that will see Asian economies fly again. Though that day will come eventually.

Engineers I have spoken to recently in Singapore tell me that there are still fundamental problems with making 5G work, and suggest 2022 is a more likely blast off date to have at the back of your

mind. So it's great that Chinese data is looking strong again, but what is good for China, isn't necessarily going to have a very big impact on the rest of the region whilst this tech weakness prevails. Singapore's industrial production data for March due out later this morning will, I think, back up this gloomy prognosis.

Local factors overlay on USD strength

The USD is strong, but let's not get too bogged down with the USD, some Asia/Pac currencies are actually "weak", in their own right, and for good reason. The AUD took a bath this week on low inflation. We can argue about the timing of the RBA response - there is the small matter of the election on May 18 to deal with, which may postpone any easing until June (May 21 minutes could provide a big clue) - but the ultimate direction of travel now seems clear.

And despite their protestations, the Bank of Korea (BoK) must surely also soon have to throw in the towel and concede that all the official BoK and government forecasts for growth this year are grossly optimistic, and require some additional assistance to supplement the insufficient budget stimulus penciled in so far. We have one cut forecast for this quarter. But to be honest, that may not be enough.

Japan at a crossroads

Yesterday saw the Governor of the BoJ admit his frustration with the BoJ's inability to meet its 2% inflation goal. This came with an increasingly fierce pushback on what he was terming "Modern Monetary Theory" or MMT, which is shorthand for saying that ultra-low interest rates don't work. Personally, although I hate the MMT monicker, I think there is a more than a grain of truth in some of this critique of ultra-low rates, which I have written about repeatedly in this note. Kuroda's gift to the markets this time was to change the wording on the BoJ statement, which replaced "extended period" for describing how long low rates would be in place, to "around Spring 2020".

To paraphrase his explanation, he suggested that the market was misinterpreting "extended period" and was anticipating rate hikes much sooner than was probable. Governor Kuroda almost certainly doesn't read this note, but if he did, I would have to respectfully suggest that this assessment is completely without substance. Not only does the market not believe that the BoJ will meet their inflation target over the BoJ's forecasting horizon, but many of us also don't believe they will meet it, ever (notwithstanding some slightly better Tokyo CPI figures today). A tweak to forward guidance as delivered yesterday is as meaningless as it is irrelevant, and markets shrugged it off as they should have done.

I am more interested in a Japan story running today that backs up our current forecast that the Consumption Tax hike, planned for October, will be delayed again this year. Isabel Reynolds on Bloomberg (OK, I've told you now), runs through four factors to watch out for, which will indicate whether or not we are right to have ditched this tax hike from our forecasts. These include a turn in public opinion, evidenced from the July Upper House elections, a further decline in the June Tankan, the summoning of renowned economists (I won't be on that list, sadly), and a worsening in the global outlook. This seems like a good list to me.

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebre

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@ing.com

Michiel Tukker

Senior UK & Eurozone 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

Senior Economist, Healthcare & Technology

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@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

Deputy Global Head of Editorial 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

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 Corporate 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

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@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, 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