

## Extensions coming

US President Trump is reported to be offering an extension to the March 1 trade talks deadline. Theresa May is not talking about extending article 50, but she may have no choice. Nerves are getting frayed (mine anyway).



Donald Trump, Xi Jinping. President Donald Trump, right, with China's President Xi Jinping, left

Source: Shutterstock

### More optimism on trade

This is yet to be verified, but a story appearing on my phone on my way into work this morning suggested that the US President was pleased with the progress being made on trade talks and was looking to extend the talks' deadline from March 1, to allow him and President Xi to thrash out the last remaining details. These seem to surround some commitment from China to running a stable currency regime, whatever that means? However, as the US seems to want this made quite formal, not just a vague and unenforceable commitment, this still has the potential to stymie a deal.

Personally, I suspect from China's perspective, a more flexible currency but more stable credit markets would be a better choice - providing more macro stability. Let us hope that this is not a commitment that China lives to regret in time. The merits of handcuffing the economy to a particular set of rules may seem worthwhile in the short term, but things have a nasty knack of changing. Even a particularly cosy fleece-lined set of handcuffs may come to chafe in time (i'm guessing...)

As for how long these final talks will take, we wrote before that this was a very artificial deadline, and it was in both sides interests to reach a satisfactory outcome, so the deadline was never likely

to be binding in any case.

## Next deadline please

The next deadline of note is the March 12 "binding vote" for UK MPs on what I suspect will be a virtually unchanged Brexit bill. Certainly, the UK attorney General does not seem to have registered any meaningful change to the Irish backstop question after recent talks and "assurances" from his European counterparts. So I don't expect the European Research Group of Conservative MPs to have changed their mind either. The chances of Theresa May getting this bill through parliament look thinner than ever. Running the clock down was supposed to cause MPs to rally round the only deal on the table. But that isn't happening. Instead, it looks more likely that on March 13, the Cooper / Letwin bill is passed to allow for a delay to Brexit, more negotiation and give parliament more of a say in what actually happens.

So, this is not, as some are calling it, a "Final vote" on the 12th. But it may be the final vote that precedes a delay to article 50. The announcement of a delay will reduce fear of a no-deal Brexit, and provide a little support for sterling, which is looking a little firmer today on that prospect.

If you haven't read it yet, this is a good day to read [James Smith's latest on this issue](#).

## Asia day ahead

There is very little on the Asian calendar today except for Singapore CPI for January. The MAS is not an inflation targeter as such, though if it were, it would probably find some solace in core rates of inflation, just shy of 2.0%. These will likely stay at or perhaps drift slightly lower than last month's 1.9%YoY rate. That said, I am unconvinced that the MAS core measure of inflation is an appropriate yardstick for assessing the underlying state of demand / supply conditions in the economy. Headline inflation has undershot core for so long now that it is not very credible to argue that core is providing a better indication of longer-run inflation trends. But markets probably won't be too moved by these figures unless they contain some real shockers.

New Zealand 4Q18 retail sales (minus inflation) surprised with a 1.7% bounce after a slightly upwards revised 0.3% rise (initially 0.0%) in 3Q18. While we don't cover this economy in depth, we do watch the currency and central bank, and we have been favouring the NZD over the AUD. We are looking for economic newsflow to help push the AUDNZD rate below 1.04 where it seems to be finding resistance. Today's data will help soften that resistance. 4Q18 GDP data is not released until March 21. But on the back of this retail release, it could also provide some support.

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